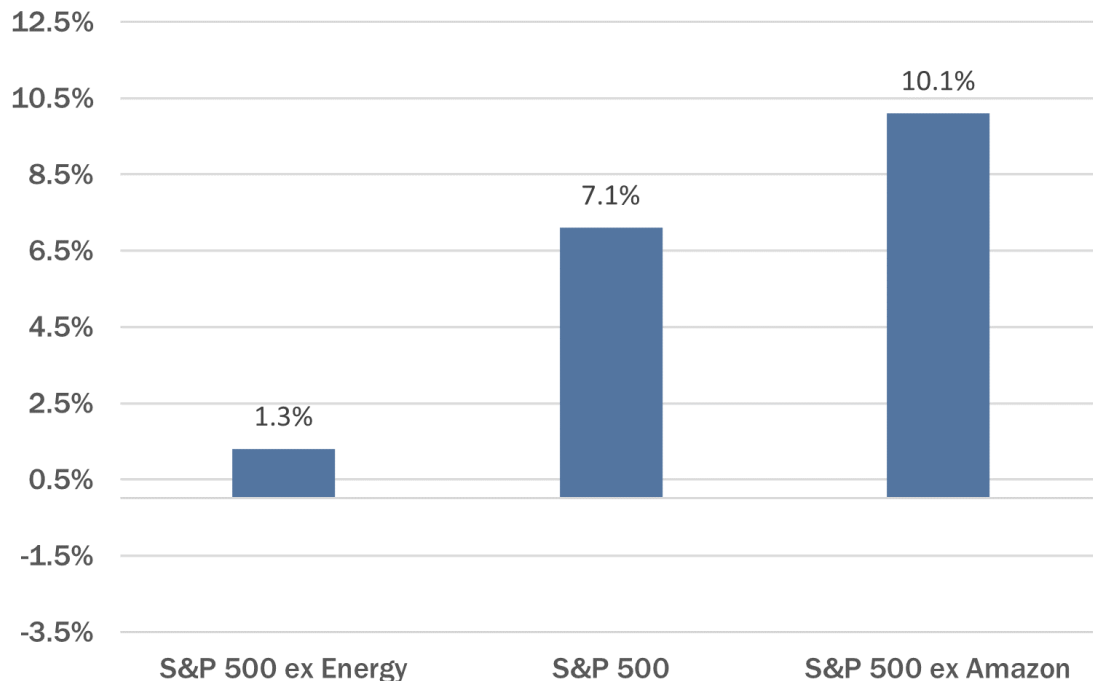


MARKET COMMENTARY

Fig. 1: S&P 500 Q1 earnings growth benefits from energy but is hurt by consumer discretionary



Source: Factset, Mill Creek.

At the mid-point of the first-quarter earnings season, the results, in aggregate, have been better than expected but more mixed at the company or sector level. Consensus estimates at the beginning of the quarter were for earnings growth of about 5% but with positive earnings surprises and upward revisions, the S&P 500 is currently on pace for about 7% EPS growth year-over-year and 10% for the full calendar year based on current projections. As expected, earnings growth has slowed significantly but as prices have declined and earnings have increased, the forward P/E ratio is now approximately 18x, which is a much more attractive entry point for investors putting money to work today relative to the 24x multiple at the end of 2021.

Earnings season has been better than expected as analysts forecasted a very difficult comparison period versus the first quarter of 2021 and several ongoing macroeconomic headwinds. Amazon and Netflix, two widely owned consumer discretionary names, faced difficult comps after being two of the biggest beneficiaries during the pandemic. Their earnings reports were disappointing, and both stocks sold off aggressively. Conversely, the energy sector, which had been beaten down during the pandemic as demand collapsed, has been a huge beneficiary of surging oil prices. Year-over-year, oil prices are up over 60% averaging about \$95 per barrel in the first quarter versus \$58 per barrel one year ago. The move higher in oil prices has contributed to earnings growth of over 250% for the sector!

QUICK LINKS

- [May Update: Domestic Gross Panic?](#)
- [Market Update: Sentiment Turns Negative](#)
- [How Likely Is an Inflation Disaster?](#)
- [Down on the Farm](#)

***This week's contributor:** Sam McFall, CFA, CAIA*

Any views expressed above represent the opinions of Mill Creek Capital Advisers ("MCCA") and are not intended as a forecast or guarantee of future results. This information is for educational purposes only. It is not intended to provide, and should not be relied upon for, particular investment advice. This publication has been prepared by Mill Creek Capital Advisers, LLC ("MCCA"). The publication is provided for information purposes only. The information contained in this publication has been obtained from sources that MCCA believes to be reliable, but MCCA does not represent or warrant that it is accurate or complete. The views in this publication are those of MCCA and are subject to change, and MCCA has no obligation to update its opinions or the information in this publication. While MCCA has obtained information believed to be reliable, MCCA, nor any of their respective officers, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents.

© 2022 All rights reserved. Trademarks "Mill Creek," "Mill Creek Capital" and "Mill Creek Capital Advisers" are the exclusive property of Mill Creek Capital Advisers, LLC, are registered in the U.S. Patent and Trademark Office, and may not be used without written permission.