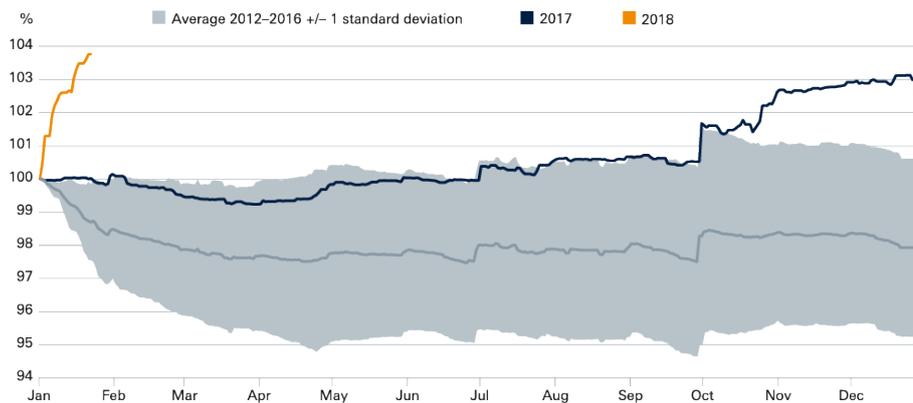




## Chart of the week

### The recent rally on Wall Street is underpinned by unusually spectacular rises in earnings estimates

There's a typical pattern in analysts' forecasts for corporate profits. First estimates usually turn out to be too optimistic. As January passes and February arrives, forecasts tend to be scaled back. Then, normally at some point during the respective year, projections bottom out, followed by slight upgrades. This certainly describes how average S&P 500 earnings estimates evolved between 2012 and 2016, as our Chart of the week shows. 2017 marked a positive deviation from the norm. Earnings projections proved quite stable. Eventually, they even surpassed initial forecasts. Now look at 2018. The pattern we have seen so far this year has been spectacular. Driven by corporate tax cuts, a rising oil price and an ongoing strong economic environment, earnings estimates have been upgraded by about four percentage points. Some of these factors are likely to fade as the year progresses. As long as the current trend in earnings estimates persists, however, the rally might well continue.



Sources: Bloomberg Finance L.P., Deutsche Asset Management Investment GmbH, as of 1/26/18

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## Glossary

### S&P 500

The **S&P 500** is an index that includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

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