

US companies beating quarterly earnings forecasts at record rate

**By Samantha Pearson
in New York**

More leading US companies have beaten their third-quarter earnings estimates than in any quarter for more than 15 years, according to Thomson Reuters.

But analysts say revenues are not rising as fast as profits, which could be a sign that Wall Street is heading for a "double-dip" recession.

In the S&P 500, 80 per cent of companies have reported third-quarter profits above forecast. While 60 companies have yet to report, John Butters, director of US earnings at Thomson Reuters, said the final percentage of companies beating estimates was likely to be the highest since the group began tracking the data in 1994.

"A number of the large companies not only beat estimates but beat estimates by

a very wide margin," he added.

Over the past 15 years, S&P 500 companies have, on average, beaten quarterly estimates by 1.9 per cent. However, the 440 companies that had reported third-quarter earnings by the end of last week exceeded expectations on aggregate by 14.9 per cent - the highest level since the records began.

Despite the rush of pleasant surprises, the S&P 500 has crept up barely more than 1 per cent since the start of the reporting season last month.

"The interesting thing is not necessarily that some companies beat estimates but that they [their shares] still went down," said John Faucher, US analyst for beverages and household products at JPMorgan.

Only 58 per cent of companies have beaten revenue expectations so far. Since many compa-

nies exceeded earnings estimates by cost-cutting, there is concern that the market could now be setting itself up for a fall.

Steven Ricchiuto, chief economist at Mizuho Securities, said: "The more companies strive to cut costs, the more workers they fire and the lower the future demand for their product."

As a result, Wall Street is in a quandary, which has been the root of the market's recent volatility, says Alan Ruskin, strategist at RBS.

"There is an awful lot of money still sitting on the sidelines," he says. "On one hand, we have a potential or expected growth rate that would encourage Fed tightening.

"On the other hand, we have the kind of data we've had from non-farm payrolls suggesting that the recovery will falter."

