

October 20, 2009

Earnings Come Through

More companies are beating estimates --- and now the Apple blow-out quarter

The following story on the CNBC website came as a surprise – the best earnings season in history?

CNBC ---With just 61 members of the S&P 500 reporting, it is the best earnings season ever. You heard that right. Of the companies that have reported, 79 percent of them have put out profits that surpassed analyst estimates, according to Thomson Reuters. If that figure holds up when the rest of the index members report, it will pass the previous 'beat' record for a quarter of 73 percent.

Those who have doubted the rally in stocks since March have often sighted earnings as the problem---would they recover enough to justify the rise in stock prices? It's now pretty clear that, once again, the market knows best. We were especially impressed with earnings from Intel, JP Morgan, and Google. Each is the leader in their industries and major indicators of economic activity.

Unlike the other two, Google grew right through the recession, but at a much lower rate than this quarter. From online advertising to computer chips and even banking, businesses are growing again.

As investors we needed confirmation that profits were there to support stocks prices and now we're getting it. This news reduces the risk of a double-dip recession and adds several months to the potential life span of this bull market.

Our portfolios are positioned to take full advantage of the profits rebound. There will come a time to take less risk, but the beginning of a recovery this strong is not the time for that.

Best regards,



Daniel A. Ogden