

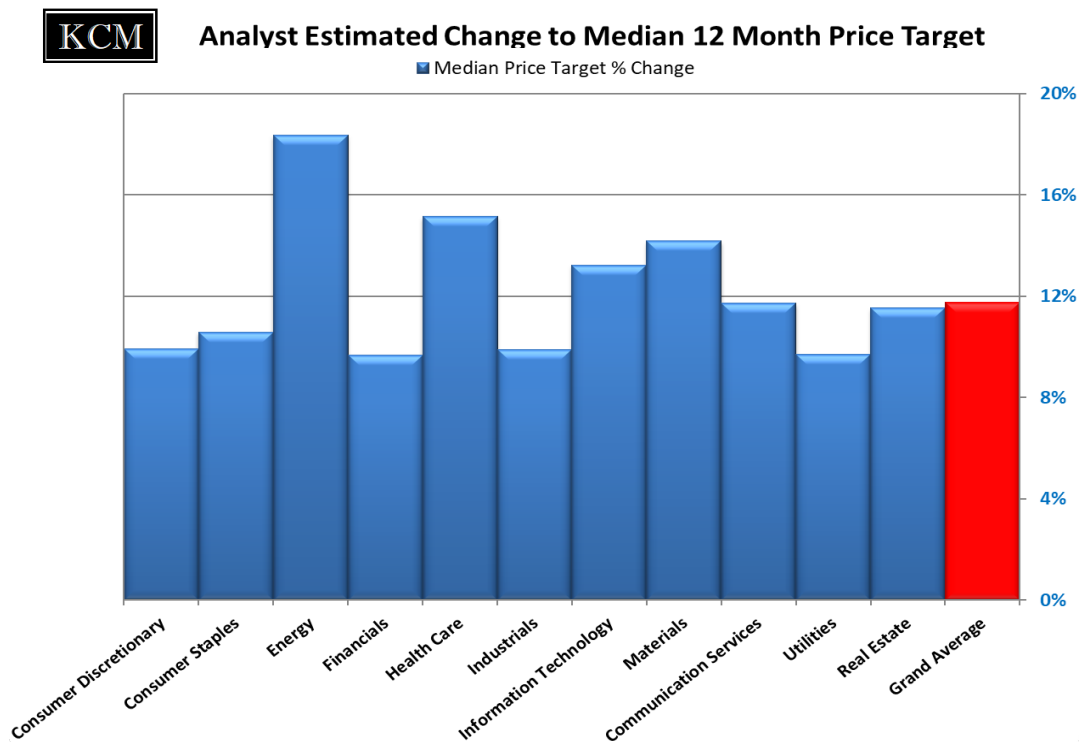


Analysts' Earnings Estimates

Analyst Bullishness Varies Across Sectors, With Energy and Tech Showing Strength

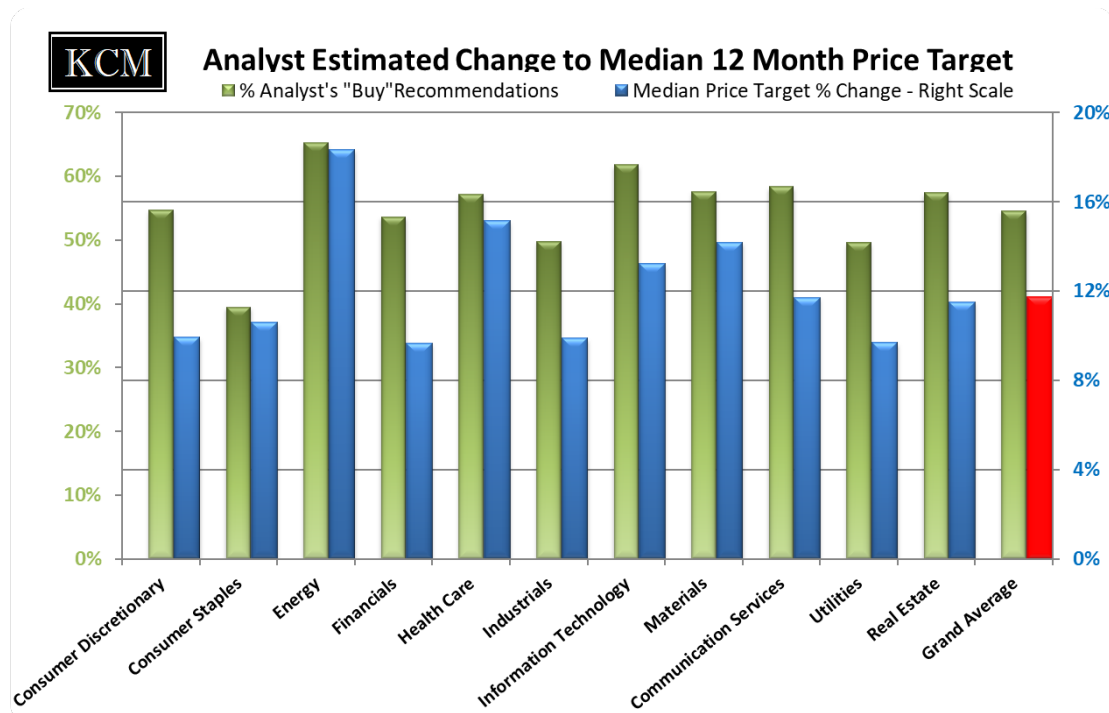
A trio of charts analyzing market sentiment reveals a generally optimistic outlook from Wall Street analysts, with an expected median 12-month price target increase of nearly 12% across the board. However, this positive sentiment is not evenly distributed, with significant variations in both target price expectations and "Buy" recommendations across different sectors and industries.

The charts provided using **Bloomberg data** delve into analyst expectations, breaking them down by broad economic sectors and more specific industry groups. The data highlights areas of pronounced bullishness, particularly in the Energy and Information Technology sectors, while also pointing to more subdued expectations in others like Utilities and Financials.



Sector-Level View: Energy Leads in Price Target Optimism

The first chart, displaying the "Analyst Estimated Change to Median 12 Month Price Target" for various sectors, shows that analysts anticipate the most significant upside in the Energy sector, with a projected increase of over 18%. This is followed by Health Care and Materials, both with expected gains of around 14%. The "Grand Average" across all sectors sits at approximately 12%, indicating a broadly positive market outlook. On the other end of the spectrum, the Utilities and Financials sectors show the lowest anticipated price target increases, both hovering around 10%.



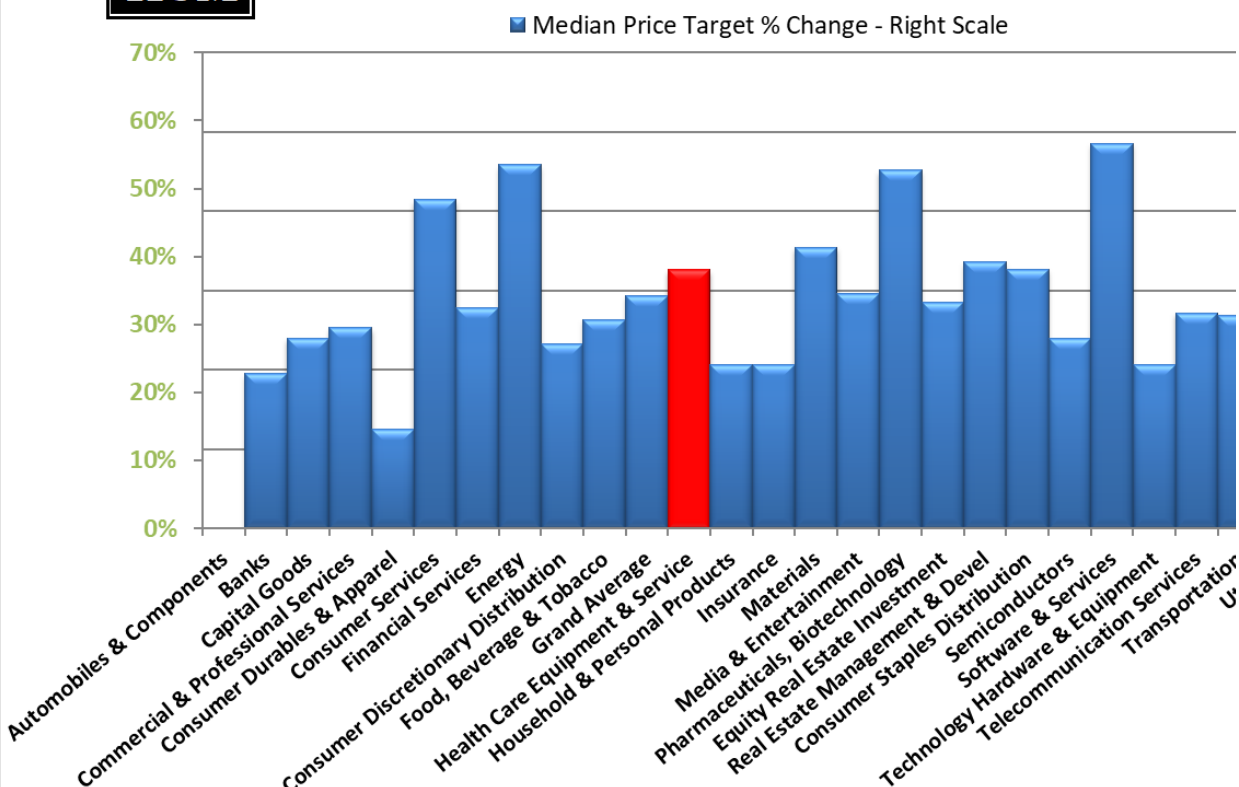
Adding "Buy" Recommendations to the Mix

The second chart provides a more nuanced view by layering the percentage of analyst "Buy" recommendations on top of the median price target changes. This reveals that while the Energy sector boasts the highest price target increase, it also has the highest percentage of "Buy" recommendations, with over 60% of analysts rating it as such. This strong consensus suggests a high degree of confidence in the sector's future performance.

Interestingly, while the Information Technology sector has a slightly lower median price target increase than Energy, it enjoys a similarly high percentage of "Buy" recommendations. Conversely, sectors like Consumer Staples and Utilities, despite having positive price target outlooks, have a much lower proportion of "Buy" ratings, suggesting a more cautious or neutral stance from analysts.



Analyst Estimated Change to Median 12 Month Price Target



A Deeper Dive into Industries

The third, and most granular, chart breaks down the "Analyst Estimated Change to Median 12 Month Price Target" by industry group. This detailed view reinforces the strength in technology, with Software & Services and Semiconductors showing significant expected gains. The energy theme also continues, with the "Energy" industry group showing a substantial projected increase.

Other stand-out industries with high analyst expectations include Pharmaceuticals, Biotechnology & Life Sciences and Media & Entertainment. Conversely, industries such as Banks and Insurance exhibit more modest expected returns, aligning with the broader, more muted outlook for the Financials sector.

Stock Market Outlook: A Tale of Two Tiers

Based on this analysis, the stock market outlook appears to be one of selective optimism.

Leading the Pack: The Energy and Information Technology sectors are clear favorites among analysts. Anticipated higher oil and gas prices, coupled with ongoing digital transformation and innovation in software and semiconductors, are likely driving this bullish sentiment. Investors may find opportunities in these areas but should be mindful of the already high expectations.

Solid Performers: The Health Care and Materials sectors also show strong potential, according to analyst estimates. An aging global population and advancements in biotechnology are likely tailwinds for Health Care, while demand for raw materials in a growing economy could benefit the Materials sector.

Lagging Behind: Financials and Utilities appear to be the laggards in terms of analyst expectations. While still positive, the projected returns are less compelling than in other areas of the market. A varied outlook for interest rates could present a mixed picture for banks, while the regulated and often slower-growth nature of utilities may be tempering analyst enthusiasm.

Wall Street analysts, as a group, are always optimistic. Their job is to find reasons to recommend stocks, as that is how Wall Street makes money. I am simply reporting the Street analysts' outlook, and I do not necessarily agree with all of their potential return rankings.

For example, for the Energy sector to outperform, there would have to be a supply interruption caused by a global conflict; hopefully, that will not be the case.

Jay Kellett

Founder

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