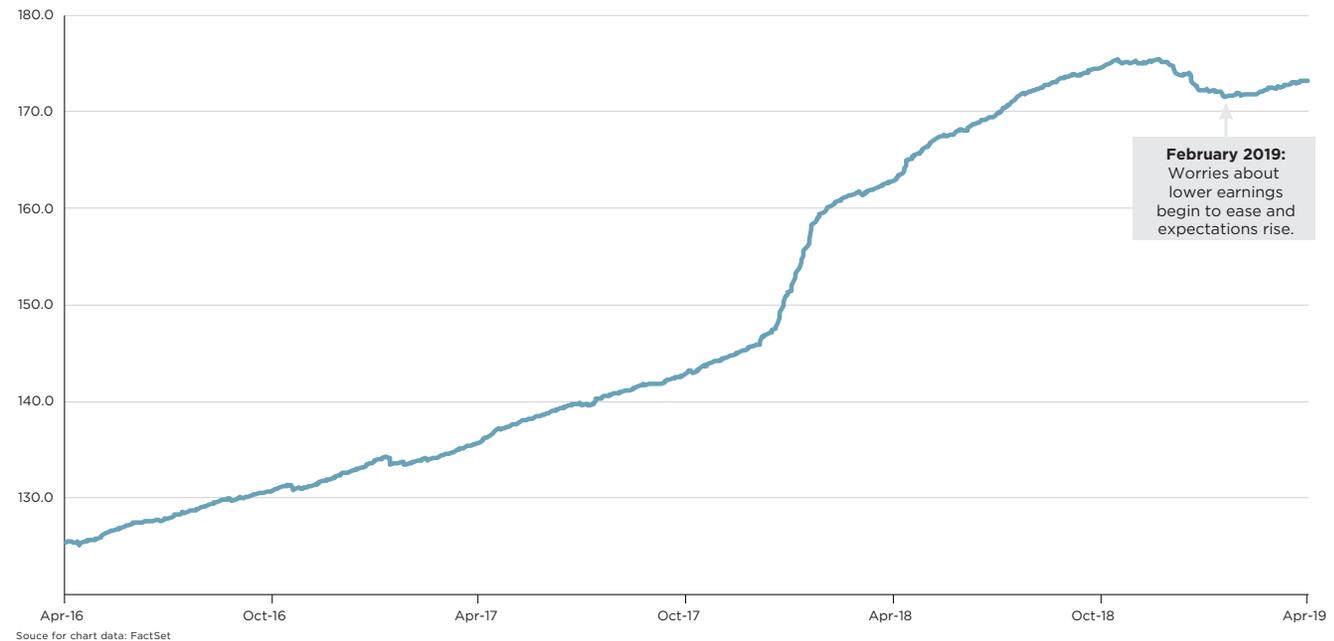


Earnings recession? Stocks say no.



Stock investors seem to disagree about the negative outlook for Q1 earnings.

S&P 500® Index earnings per share (EPS) estimates for next 12 months
Estimates for future earnings made during the historical period April 2016 to April 2019



February 2019:
Worries about lower earnings begin to ease and expectations rise.

Over the long term, corporate earnings have been the primary driver of equity market returns. Since 1995, both the S&P 500 Index and S&P 500 company earnings have grown at around a 9% annual rate. Over the past three years, S&P 500 earnings have grown 38%, which justifies the 42% cumulative return of the S&P 500 over this time.

During Q4 of 2018, investors reset their expectations for earnings growth, on concerns about the end of the business cycle, weakening global growth, and the U.S.-China trade war. That explains most of the strong decline in stocks seen at the end of last year.

This year has been different, at least so far; investors have revised their earnings outlook again, as reflected in the uptick in expectations for next-twelve-months earnings growth. (See chart above.) Positive surprises for Q1 earnings are ahead of their three-year average, a good if early sign of potential growth for the 1st Quarter. With the stock market off to its best calendar-year start since 1987, current EPS estimates may reflect less likelihood of an earnings recession.



This material is not a recommendation to buy, sell, hold or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should discuss their specific situation with their financial professional.

Except where otherwise indicated, the views and opinions expressed are those of Nationwide as of the date noted, are subject to change at any time and may not come to pass.

Market index performance is provided by a third-party source Nationwide Funds Group deems to be reliable. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses have been reflected. Individuals cannot invest directly in an index.

S&P 500® Index: An unmanaged, market capitalization-weighted index of 500 stocks of leading large-cap U.S. companies in leading industries; gives a broad look at the U.S. equities market and those companies' stock price performance.

Nationwide Funds are distributed by Nationwide Fund Distributors LLC (NFD), member FINRA, Columbus, Ohio.

Nationwide Investment Services Corporation (NISC), member FINRA, Columbus, Ohio.

Nationwide, the Nationwide N and Eagle and Nationwide is on your side are service marks of Nationwide Mutual Insurance Company. © 2019 Nationwide

MFM-3173AO (04/19)