



EARNINGS WHISPERS

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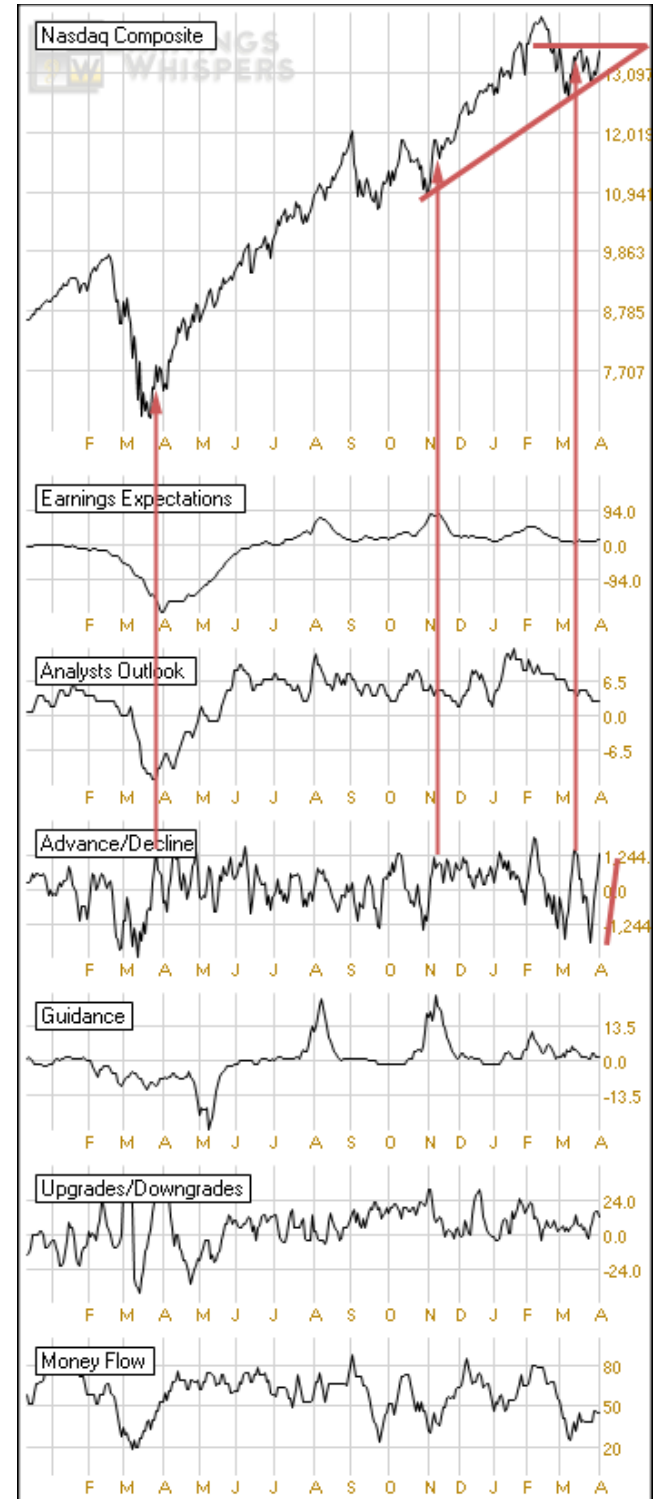
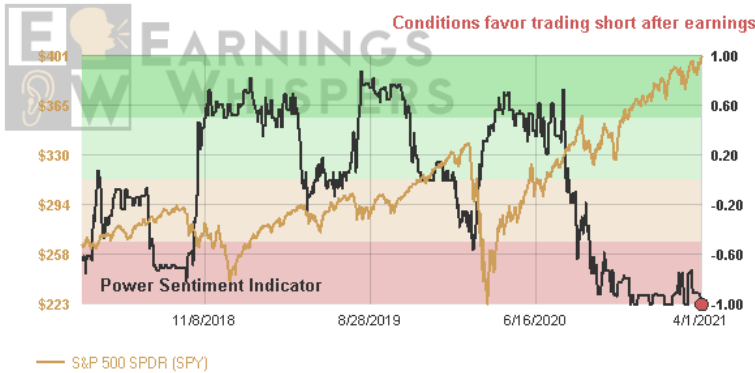
The Whisper Report®
Number 844

Prepared on Monday, April 05, 2021

Current Trading Strategy

Trading primarily long ahead of earnings while S&P 500 is above 3,775 and trading short after the news.

- With some economic indicators at multi-generational highs, it is worth remembering that stock prices will peak before economic data peak... but it doesn't look like we are quite there yet.
- Constellation Brands – potential long-term breakout
- Conagra – a beat and raise



Key Market Events

- 4/5 March US Services PMI
- 4/7 FOMC Minutes
- 4/8 Initial Jobless Claims
- 4/9 March PPI

Statistics for the month of March 2021

	Positive	Negative	In-line	Ratio	Normal Ratio*
Guidance	142	61	139	70.0%	35.1%
EPS Surprises	646	541	84	54.4%	52.2%
Whisper Surprises	108	133	11	44.8%	48.9%
Revenue Surprises	672	326	-	67.3%	55.3%

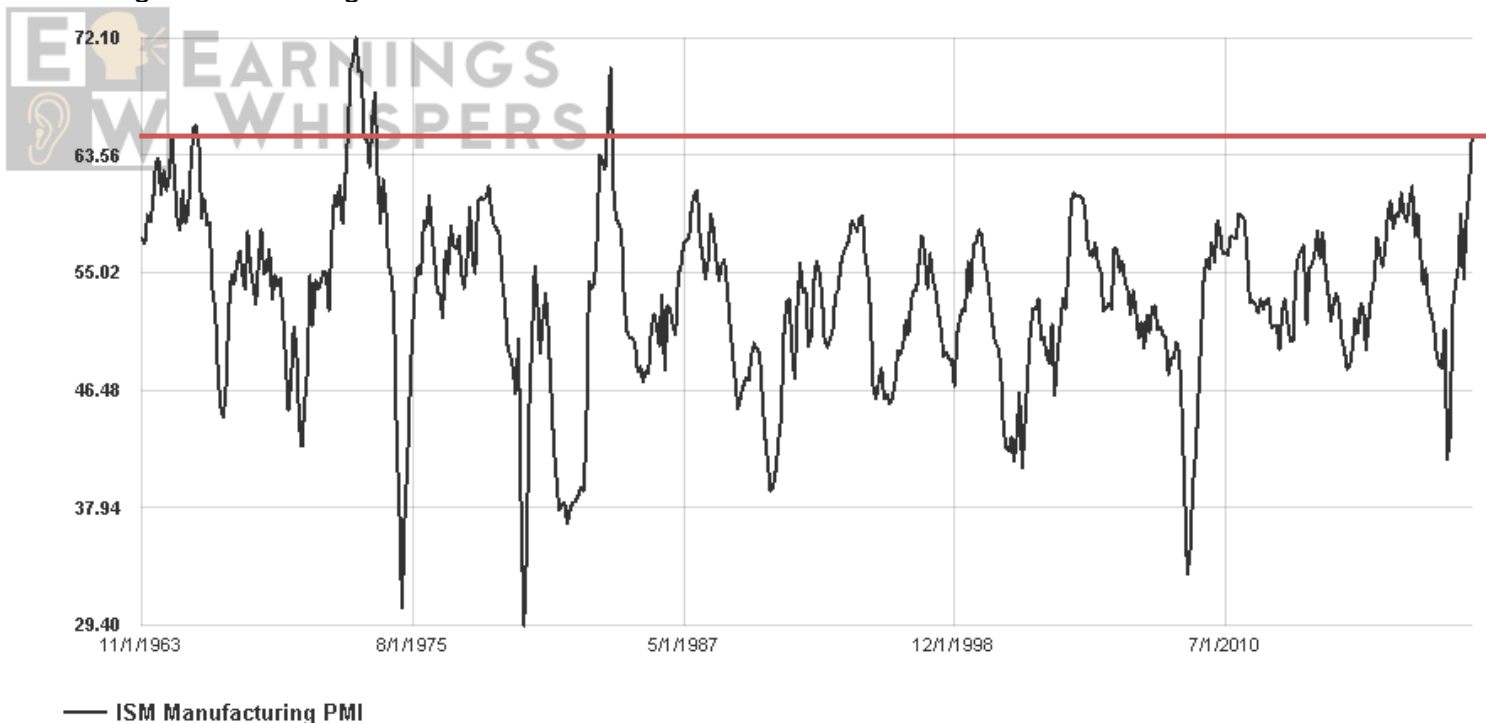
* The average ratio for the month of March

Top-Down

Monday		Tuesday		Wednesday		Thursday		Friday
Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open	After Close	Before Open

The Institute of Supply Management has been around for more than 100 years and their survey of purchasing managers has been published since the beginning of 1948... or at least that's as far back as we have the Purchasing Managers Index (PMI) data. Economic data that covers 75 years has real value, but it tends to tell us more about the economy than it does stock prices and we generally view it as a lagging indicator (though one component of the index – new orders – is a leading indicator). Generally, though, a number above 50 indicates positive growth for manufacturers and a number below 50 suggests a contraction. Deep troughs, however, tend to coincide with economic troughs and are generally buying opportunities for stock prices – though not a great timing indicator.

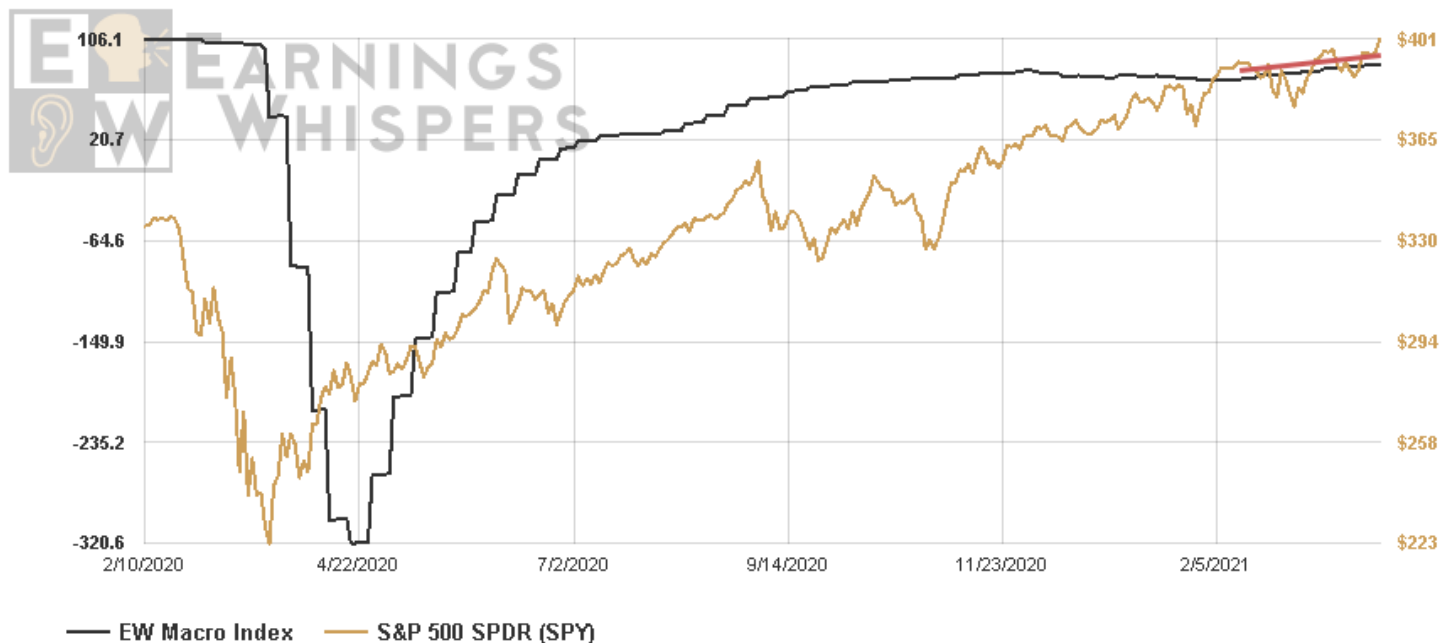
The chart below shows the PMI dating back to late 1963 and, not counting the low during the lockdowns, the recent trough came in December 2008, which was three months prior to the stock market bottom and six months prior to the end of the recession. There was a bottom in mid-1982 just before the stock market bottomed in August and the recession ended that November. Similar stories can be said about the 1980 and 1975 troughs, but we are looking at the peaks on the chart because we've drawn a red line to match the multi-generational high in the PMI we saw last week for the month of March.



Recessions occur when economies peak and often peaks come simply because the economy is so strong the strength is unsustainable. Few would argue that is where we are now with parts of the country still in lockdown and places like New York that is trying to reopen, but because COVID-19 cases continue to rise, restrictions are slow to ease. Most data suggest we are still several months away from being fully open even though COVID-19 cases continue to fall rapidly for most of the country and are only being sustained higher due to the numbers in a handful of states like New York and Michigan. COVID numbers that have come out during holiday weekends haven't been the most reliable over the past year, but as we start the first full week of April, the three largest states in the U.S. – California, Texas, and Florida – are reporting new COVID cases around the levels from last summer.

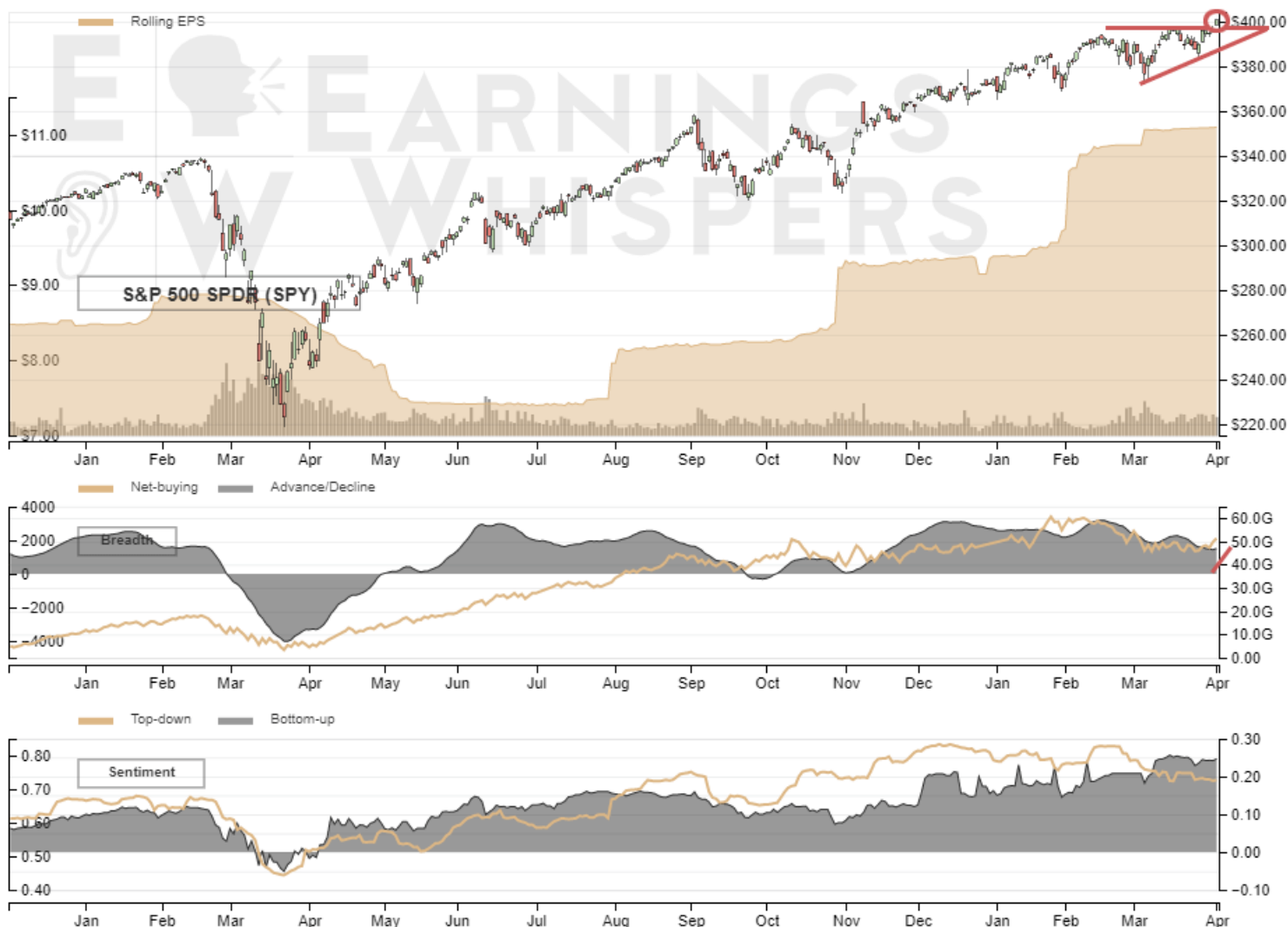
The point is, it is unlikely that the economy has peaked and, as the chart shows for PMI, there is still room to go higher even though it is currently at its highest number since 1983. That said, though, we are clearly closer to a peak than we've been in a year, and stock prices tend to peak prior to a peak in the economy. For example, PMI peaked in December 1983 at 69.9, a little more than a year after the U.S. came out of a recession. Stock prices, however, peaked in October of 1983 and trended lower until August of 1984. Prior to that, the PMI peaked in November of 1973 at 68.1, which is when the 1973 to 1975 recession started. Stock prices, however, had already peaked that January and the S&P 500 was basically cut in half by the time prices bottomed in October 1974.

Thus, while a strong PMI is a positive sign for the economy as we anniversary the lockdowns and more of the country opens up, it is more of a bearish sign for stock prices going forward. Still, we don't know when the PMI will peak or how high, and our index of macroeconomic data has been moving higher since early February. Our index correlates more closely with stock prices and there is little evidence that this index is going to start moving lower anytime soon.



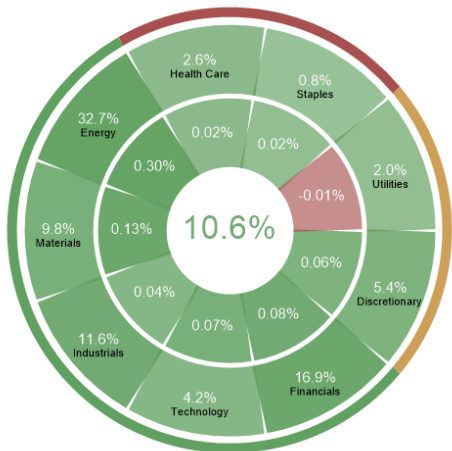
Market Overview

The chart below shows the S&P 500 pushing above a recent resistance point to a new high with some new money coming into the market and with a slight uptick in breadth, which suggest the move to new highs has legs to extend higher still. However, the key technical story is shown on the chart on page one of this report with the advance/decline oscillator for the Nasdaq, which is a faster line than the one shown for the S&P 500 below. We had a similar move in the advance/decline line in March that we pointed out at the time, but it failed to see the follow-through we have seen in the past from such a move. The previous two times marked on the chart show breadth rising rapidly from an overbought condition to an oversold condition, which isn't exactly a breadth thrust, but has the same characteristics and points to higher prices going forward.



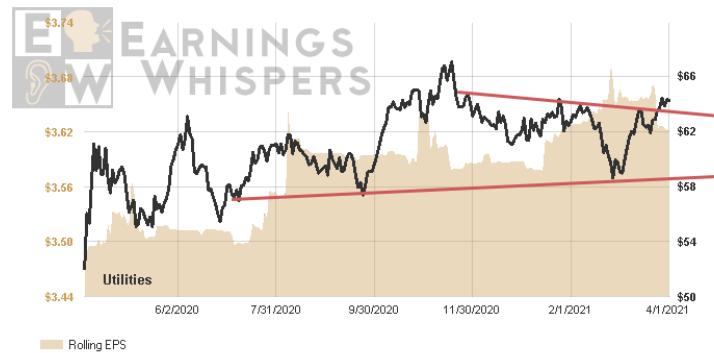
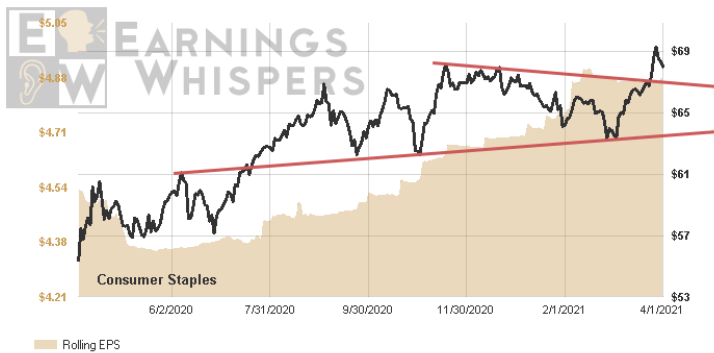
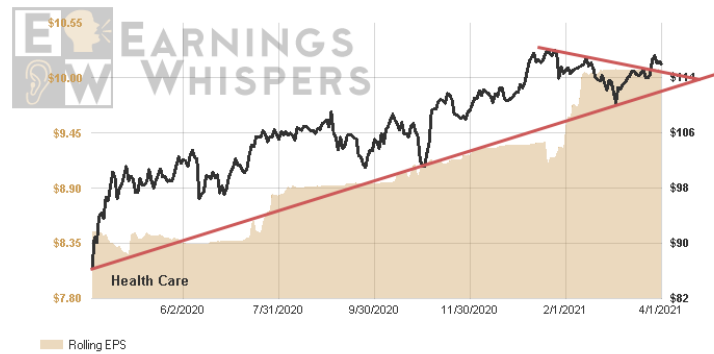
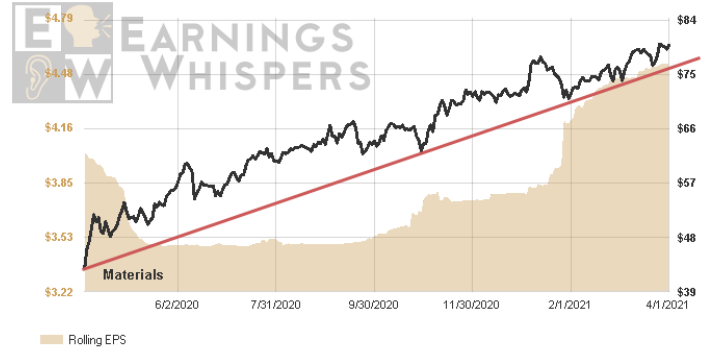
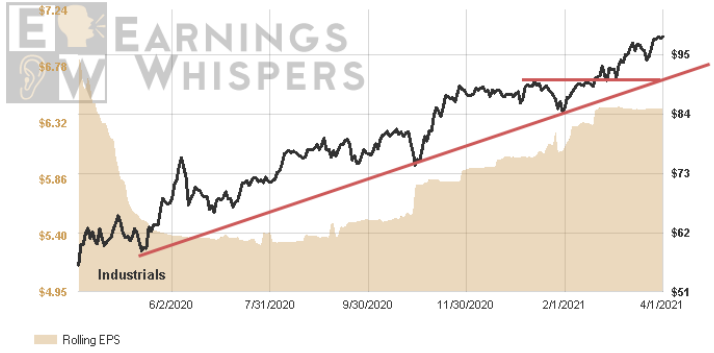
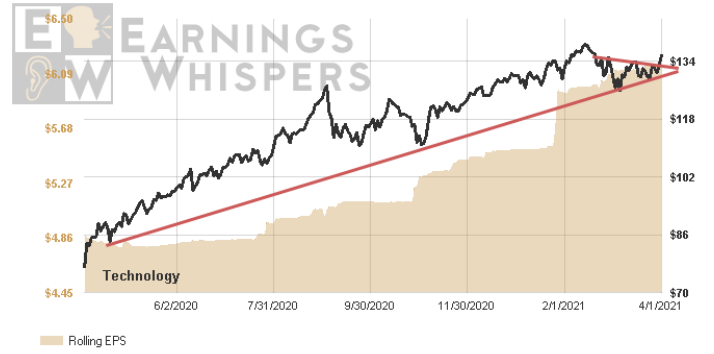
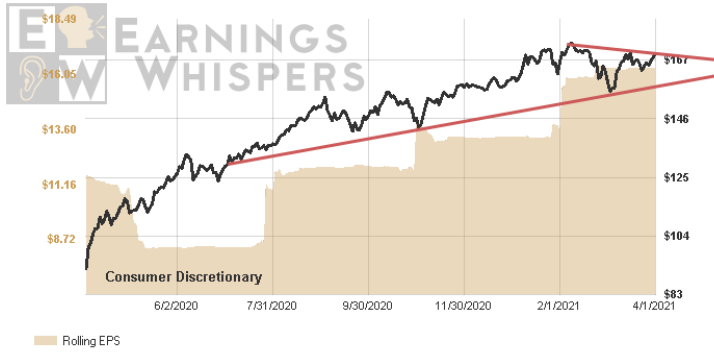
Consequently, we are maintaining our strategy of primarily trading long ahead of earnings and, with sentiment remaining near a high, looking to trade in the opposite direction for short-term trades after earnings.

Sector Performance

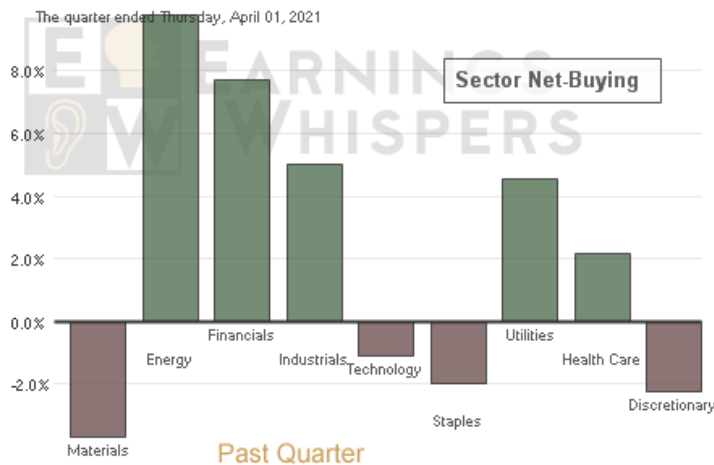
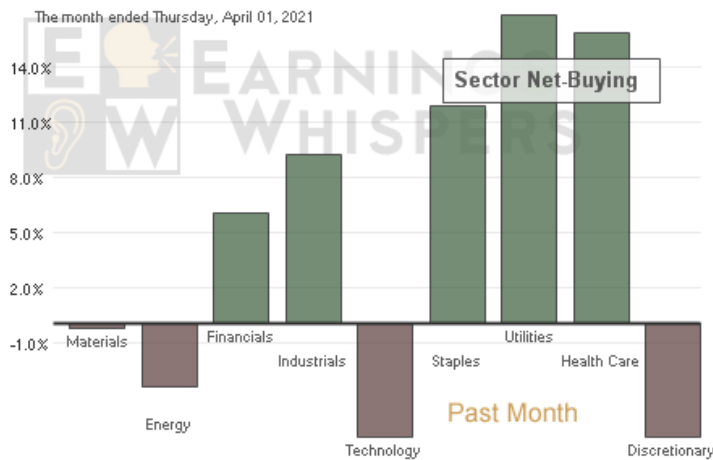
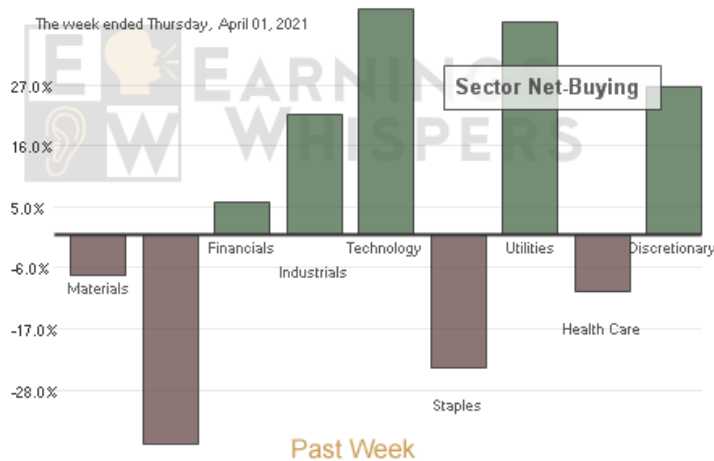
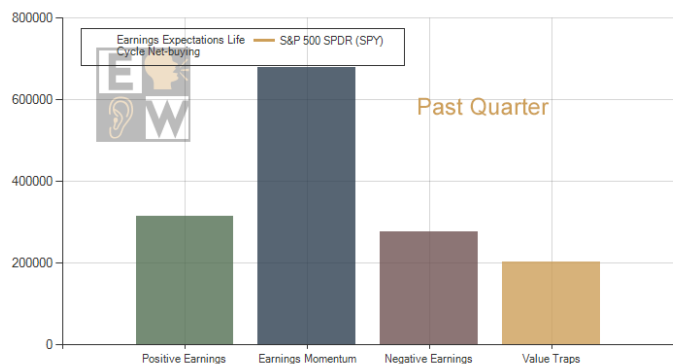
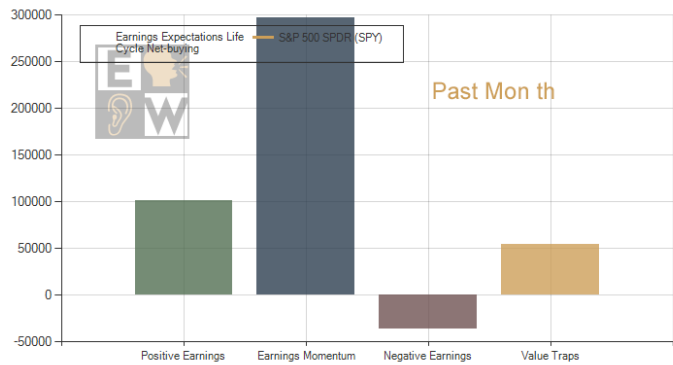
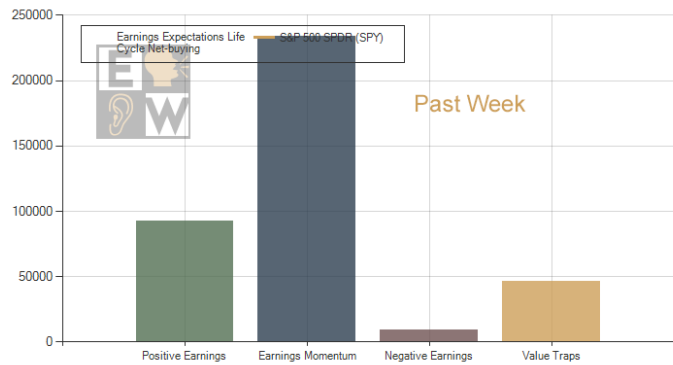


Our measure of the sector rotation in the market ticked higher last week for the first time in several weeks, but the indicator has shown bullish positioning since late last year. For the most part, with recent strength in the Utilities and Staples, all sectors are showing strength with Industrials leading the way. Earnings season is just a couple of weeks away now and the Financials will start things off, so it is important to note that prices are showing strength and, while it is a little harder to see on the chart, estimates are starting to move higher ahead of earnings season. This is supportive of trading long this group at the start of earnings season.

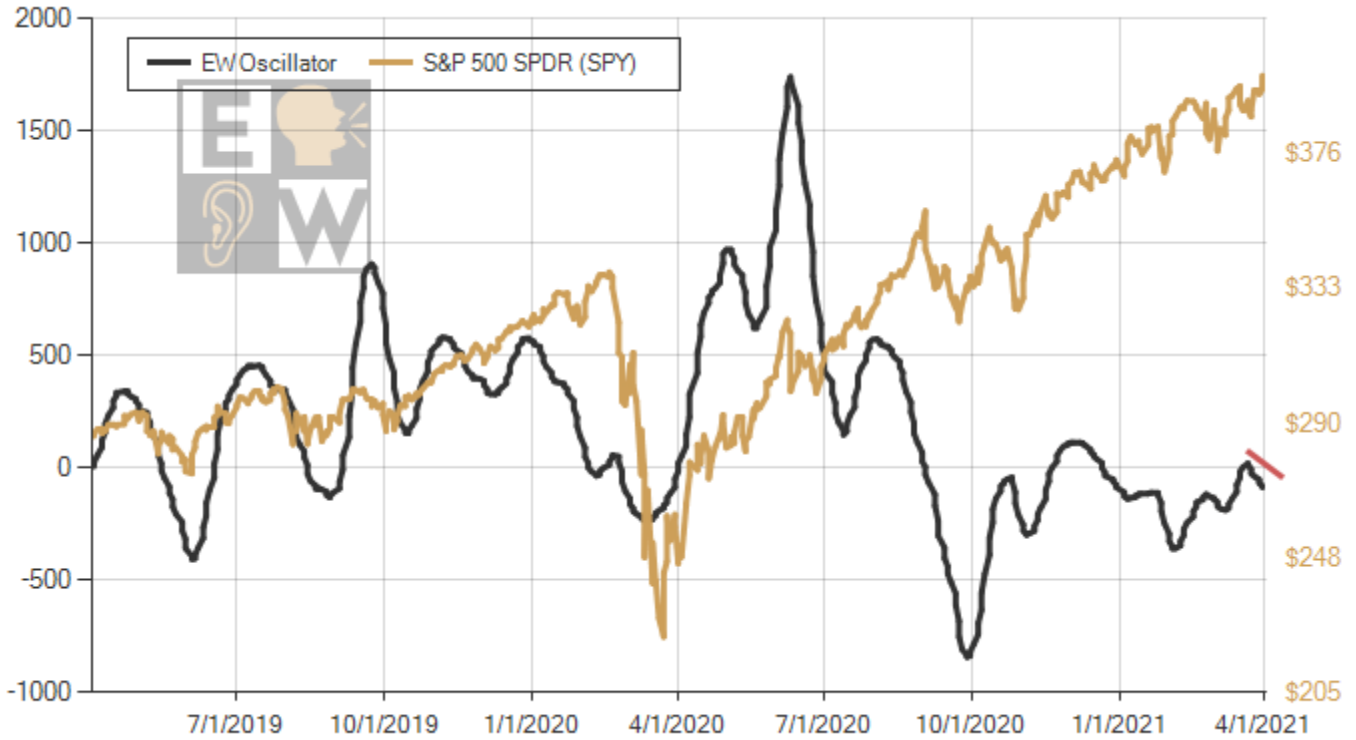




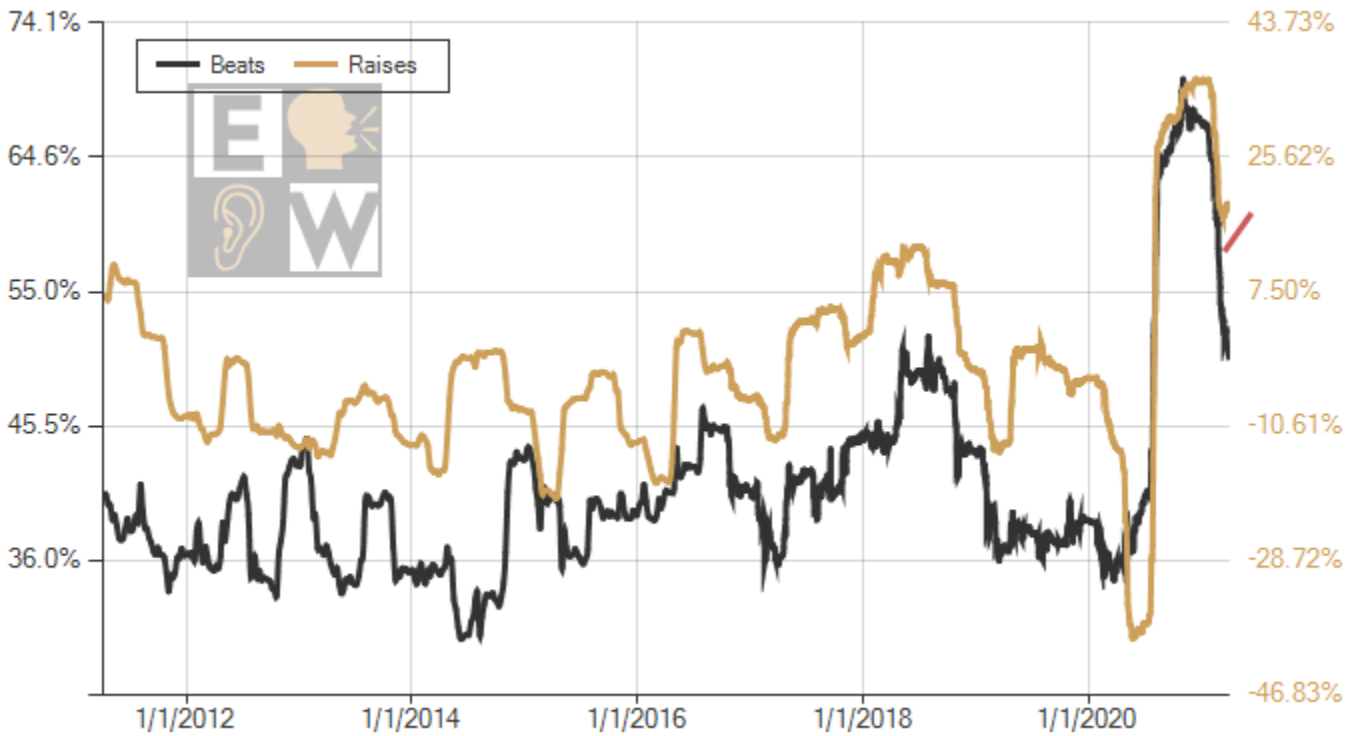
Money Flows

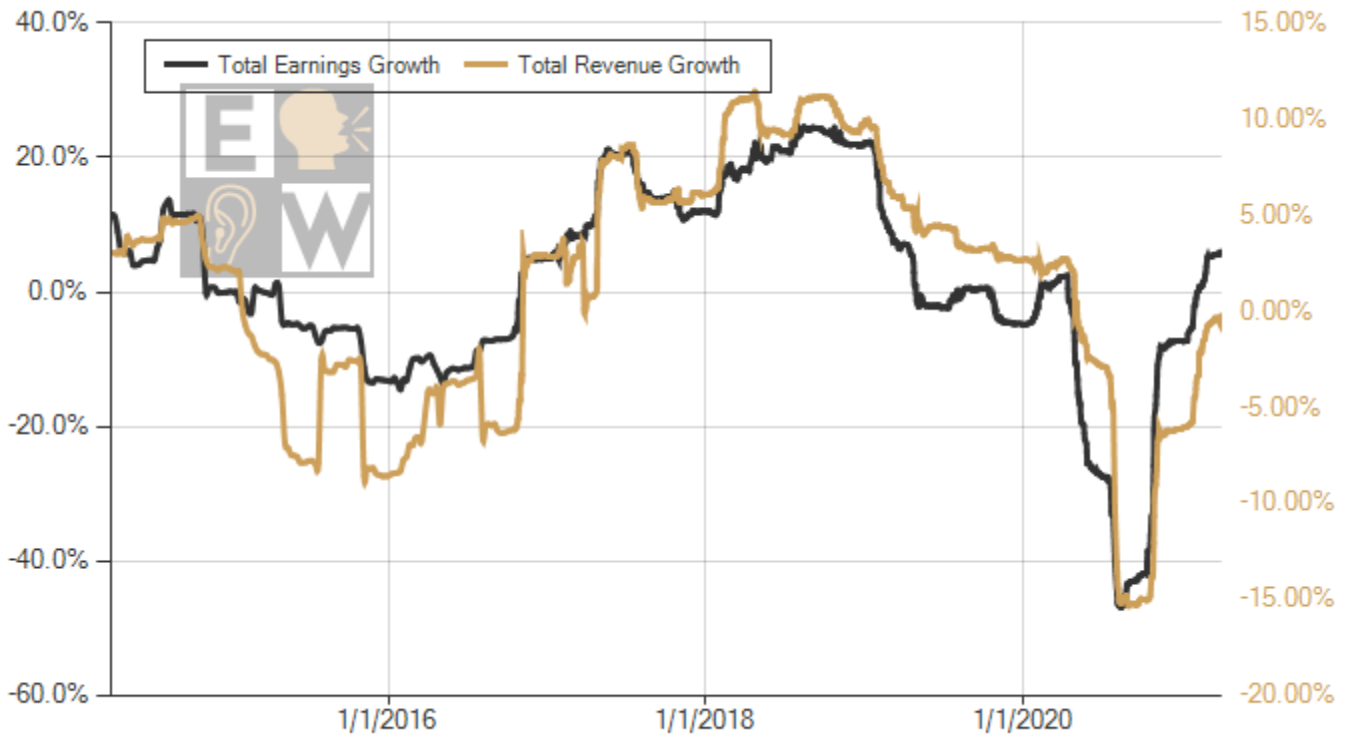


Our measure of the sector rotation discussed in the previous section turned higher despite strength in the Utilities, which has now seen the most buying over the past month. This is understandable considering earnings still have not been revised higher for the cold snap in February and that allows for upside room when the companies report results later this month. Most importantly, though, most of the money is going into companies in the Positive Earnings or Earnings Momentum stage of the Earnings Expectation Life Cycle whether we look out over the past week, month, or quarter. That doesn't quite match the chart on the next page showing the price actions of these groups, but with the recent consolidation in the overall market and the strength in the charts above, we suspect the oscillator will turn higher going into earnings season.

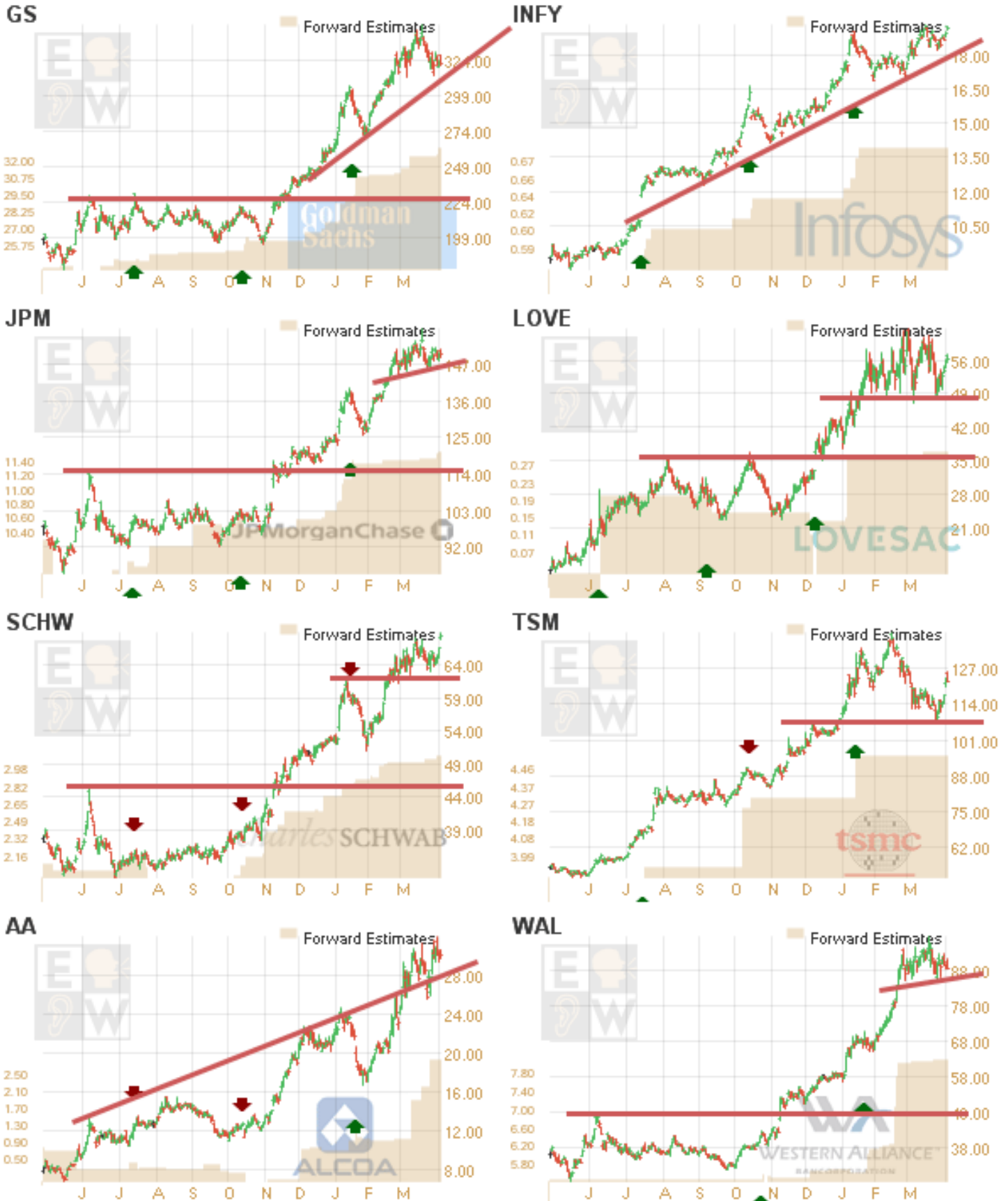


Earnings Trends





Upcoming Releases with Favorable Earnings Whisper Scores



ALLY



MS



PNC



PNFP



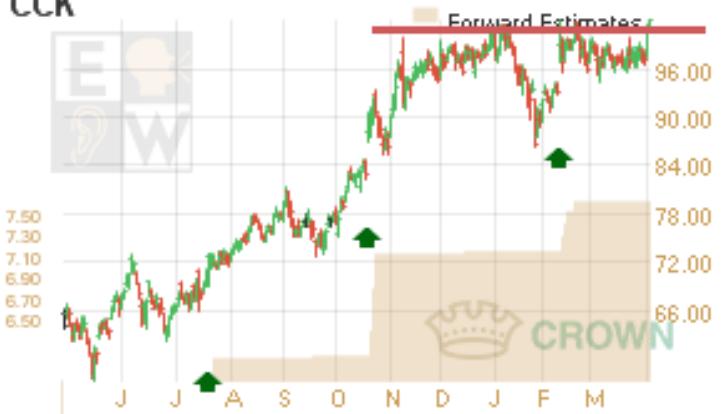
TBK



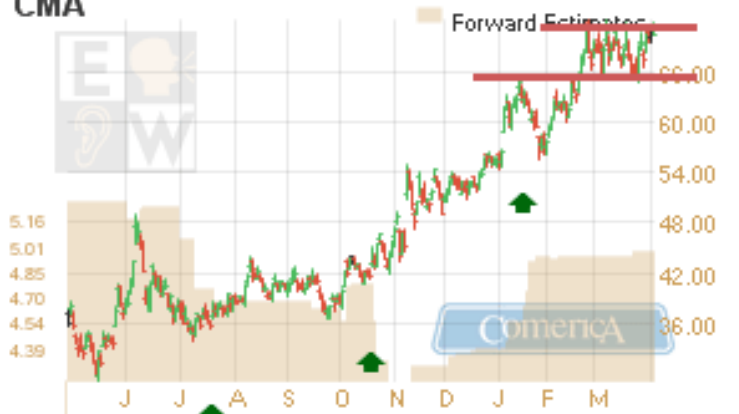
SFBS



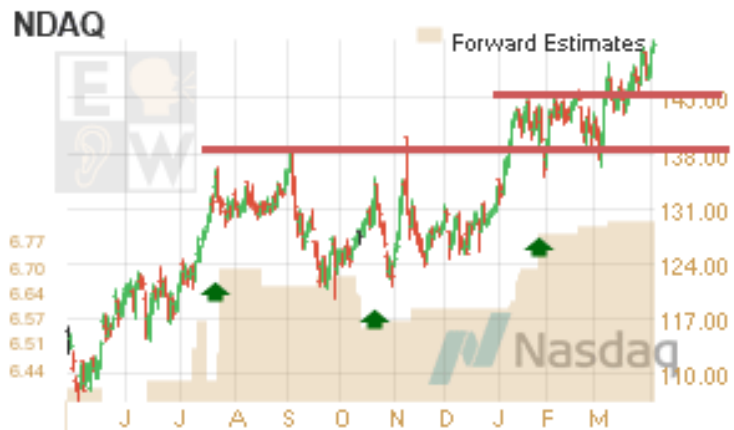
CCK

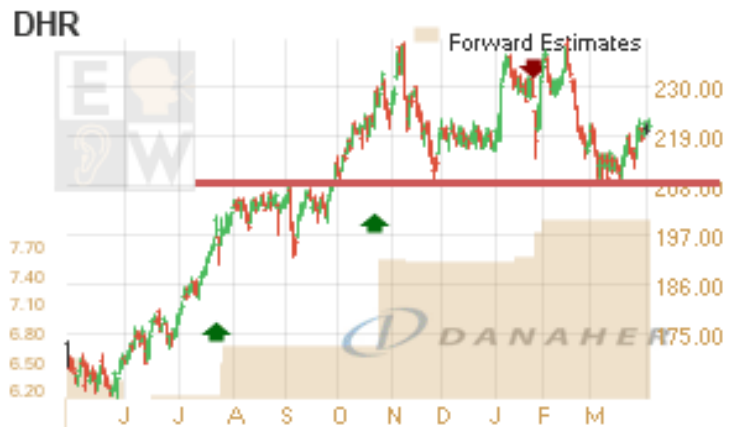


CMA

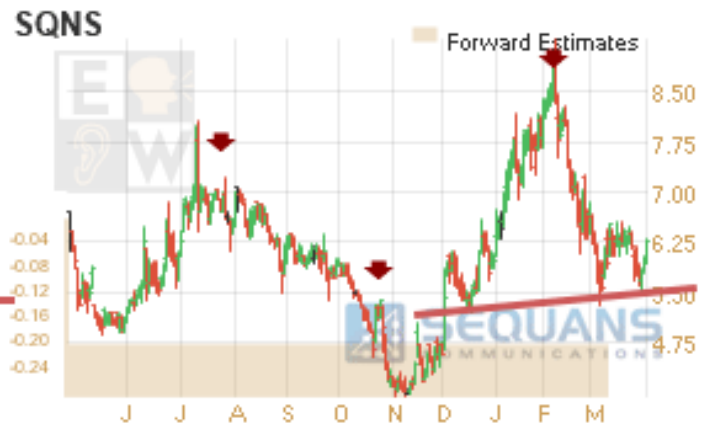
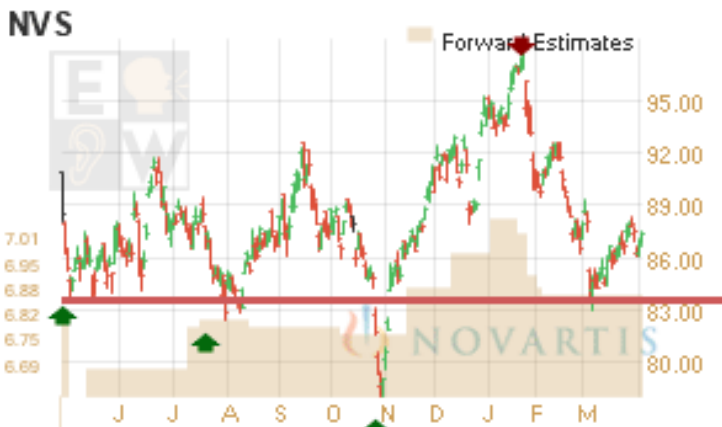
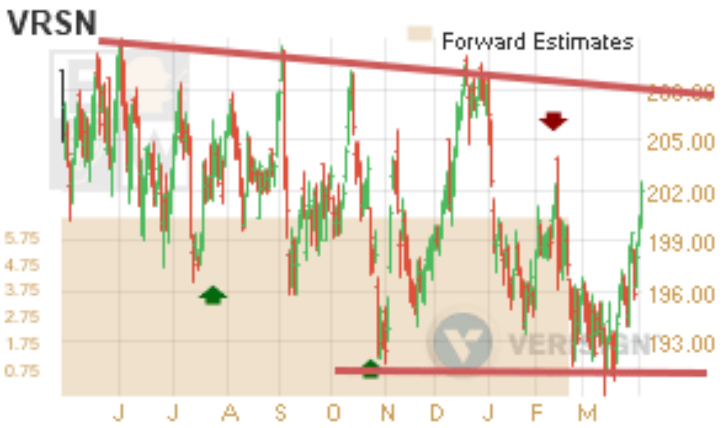
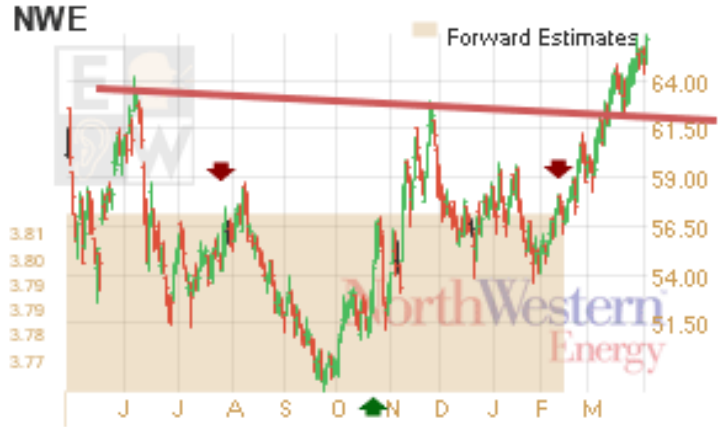


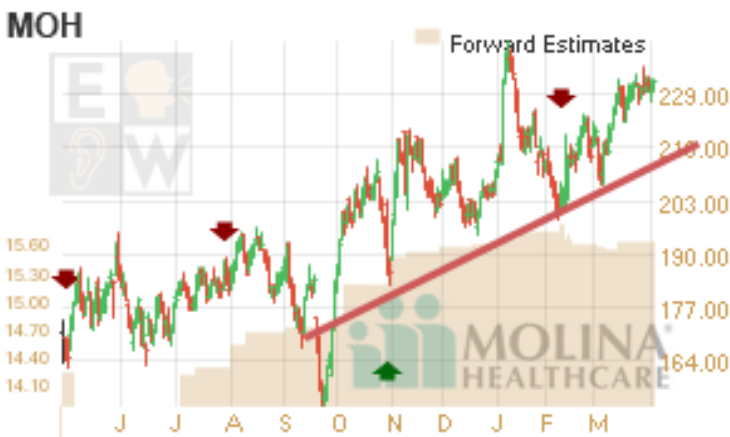
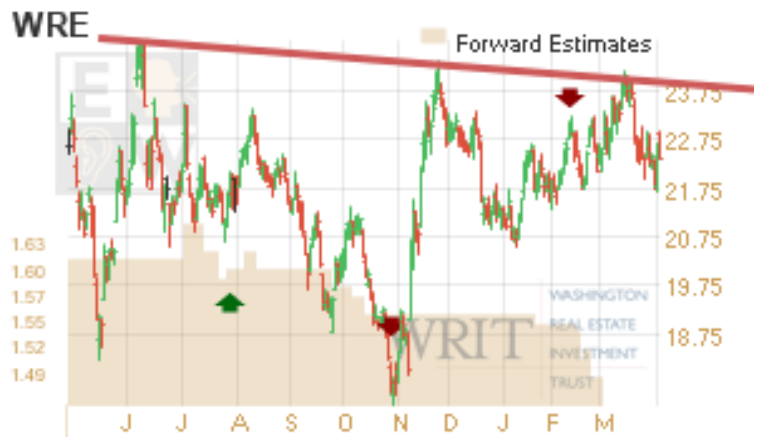
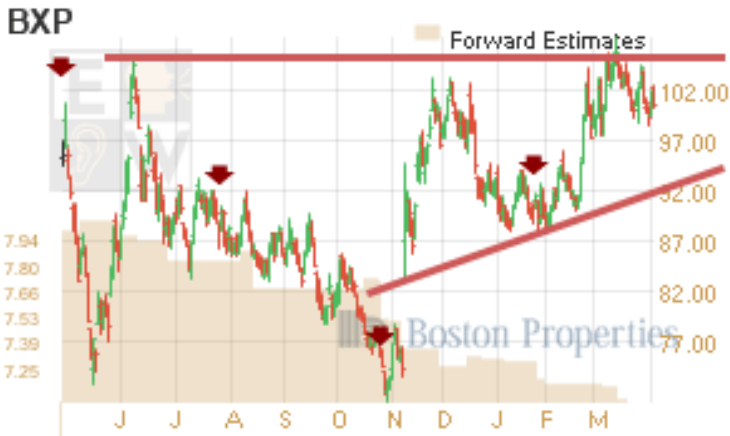






Upcoming Releases with Unfavorable Earnings Whisper Scores





Bottom-Up

Our Bottom-Up analysis is a preview of key earnings releases scheduled in the coming week. Inclusion in our Bottom-Up analysis does not, necessarily, imply the stock is a trade ahead of earnings or even that it is setting up for a trade after the news. Trades are listed online at <http://eps.sh/plays>, discussed in our trade notes at <http://eps.sh/notes>, and/or included in our morning emails.

Constellation Brands
STZ

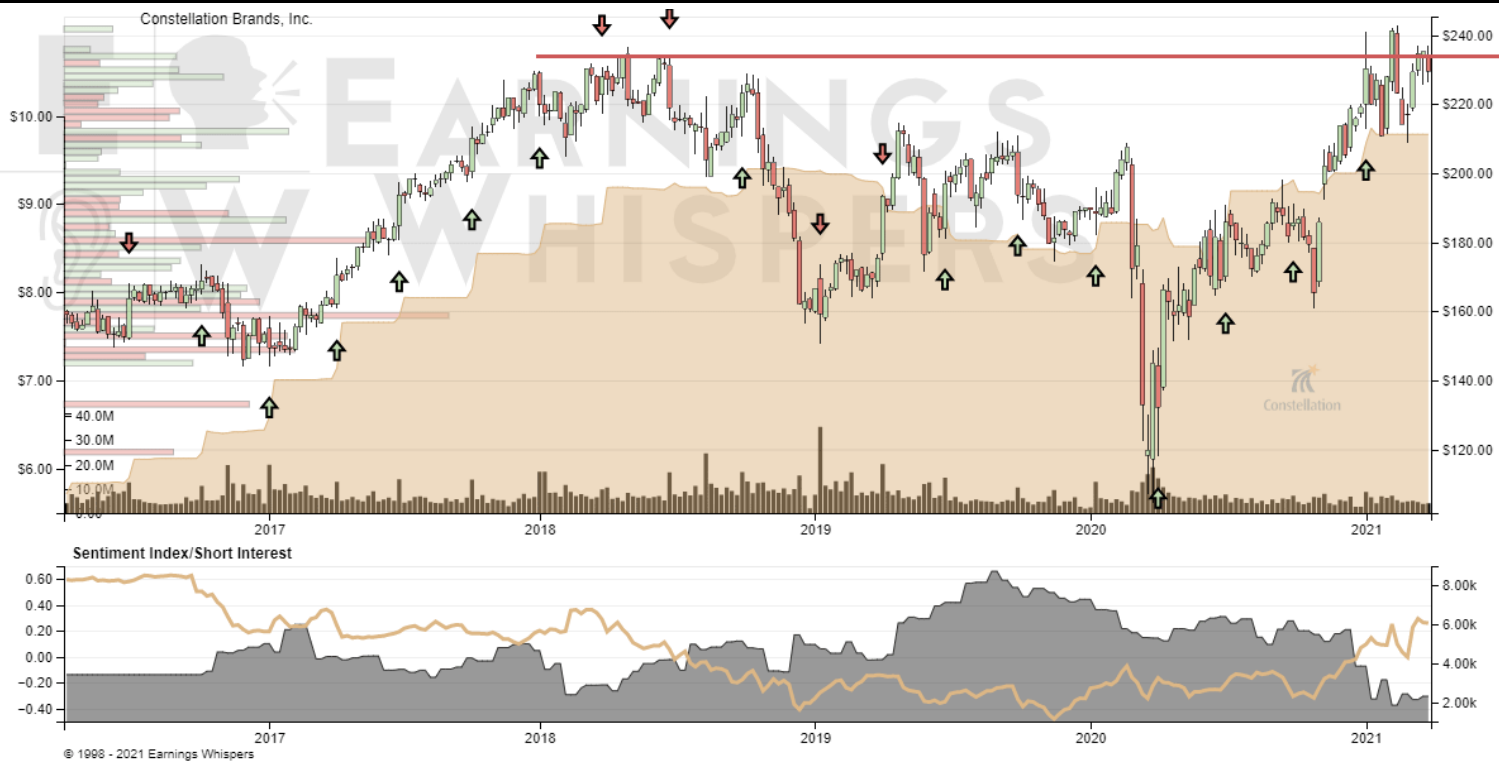


Earnings Whisper
\$1.63

Earnings Estimate: **\$1.44**
Revenue Estimate: **\$1.86 billion**

Thursday
Apr 8
7:30 AM ET

Volatility
Priced into options: **4.9%**
Average move: **3.6%**



As we often say, stocks of companies with earnings going to new highs eventually see their prices go to new highs as well. That should eventually prove important for Constellation Brands (STZ) as the stock trades around its 2018 highs but earnings have already gone to new highs. The company likely only needs to report results strong enough for earnings to continue trending higher to give support for a long-term breakout above \$235.

Steve Powers at Deutsche Bank said he expects the company to report solid results, but the stock is already above his target, which explains the issues for such a long-term breakout. The stock was already trading near its peak multiple back in 2018 and it is once again trading near its peak multiple since earnings aren't much higher than they were back in 2018. Still, estimates appear to be too low due to uncertainties around the company's divestiture in its Gallo wine business, and assumptions that margins will fall. However, industry checks suggest beer and wine sales accelerated during the quarter and Constellation Brands gained market share during the quarter with help from an improved supply. Furthermore, consensus estimates imply margins declined to their lowest level in a couple of years, but the

company was able to increase prices with little pushback. Consequently, there is upside to earnings estimates for the quarter.

In the past, when Constellation Brands has beaten consensus estimates, the stock gapped higher 71% of the time by an average of 2.4%. The expectations of a positive upside surprise has resulted in an Earnings Whisper® Score of +4 and, in the past, when the stock has had a score of +4 going into earnings, the company beat estimates each time and the stock was up an average of 1.75 during the days leading up to its earnings release and gapped higher by another 2.0% on earnings, for a combined gain of 3.7%.

Conagra
CAG

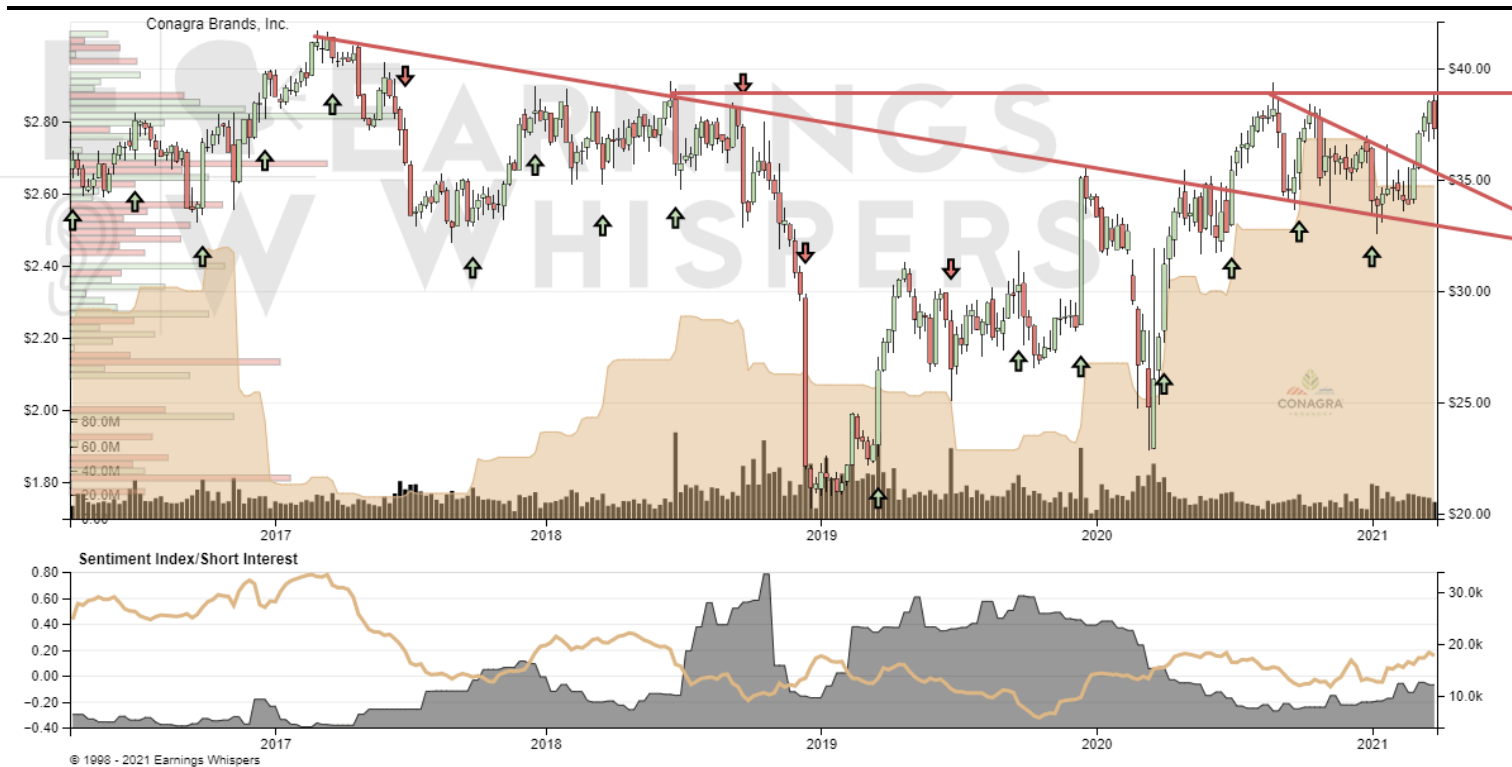


Earnings Whisper
\$0.64

Earnings Estimate:
\$0.58
Revenue Estimate:
\$2.71 billion

Thursday
Apr 8
7:30 AM ET

Volatility
Priced into options:
5.1%
Average move:
5.6%



Similar to our discussion for Constellation Brands (STZ) discussed above, earnings for Conagra (CAG) are at a high, but the stock is still testing a resistance line of \$38 and still remains below an earlier high of just above \$41. Thus, if earnings continue higher, then there is fundamental support for the stock to breakout above \$38 for a longer-term breakout. The catch in this case is, while people are likely to increase their consumption of beer and wine as the economy improves, consumers are likely to shift their eating habits back to restaurants rather than eat at home, which puts Conagra's earnings at risk going forward. Industry checks suggested such a shift in early March, but March ended with increased grocery sales near double-digits.

Still, Conagra is reporting results for the quarter ended in February in which the company guided to earnings of \$0.56 to \$0.60 per share. Conagra has a history of providing fiscal year guidance but not

necessarily quarterly guidance. There were a handful of quarters prior to the pandemic in which the company gave quarterly guidance and each of the past three quarters the company has given quarterly guidance. So far, the company has subsequently reported results above the guidance given. This time around, the consensus estimate is right in the middle of the guidance range at \$0.58 and the Earnings Whisper number is \$0.64 per share.

While the company has been beating estimates during the current fiscal year it has maintained its fiscal year guidance of \$2.66 to \$2.76 per share. The company beat first quarter estimates by \$0.13 per share and second quarter estimates by \$0.08 per share. If the company beats the Earnings Whisper, the low-end of the company's guidance range would imply fourth quarter earnings of at least \$0.52 per share, which is above the consensus estimate of \$0.51 per share. We don't know if the company will provide fourth quarter guidance, but over the past four years, the only time the company has provided fiscal year guidance above estimates has been when the company reported third quarter results. Thus, almost by default, if the company beats the Earnings Whisper it will raise guidance, and so far the stock has gapped higher each time the company reported a beat and raise quarter with an average gap higher of 2.8%.

If such a move occurs this time, it will signal a breakout and a potential move up to \$41 or higher.



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Most Anticipated Earnings Releases for the month beginning April 5, 2021

(only showing confirmed release dates)

Monday	Tuesday	Wednesday	Thursday	Friday
5 	6 	7 	8 	9
12 	13 	14 	15 	16
19 	20 	21 	22 	23
26 	27 	28 	29 	30
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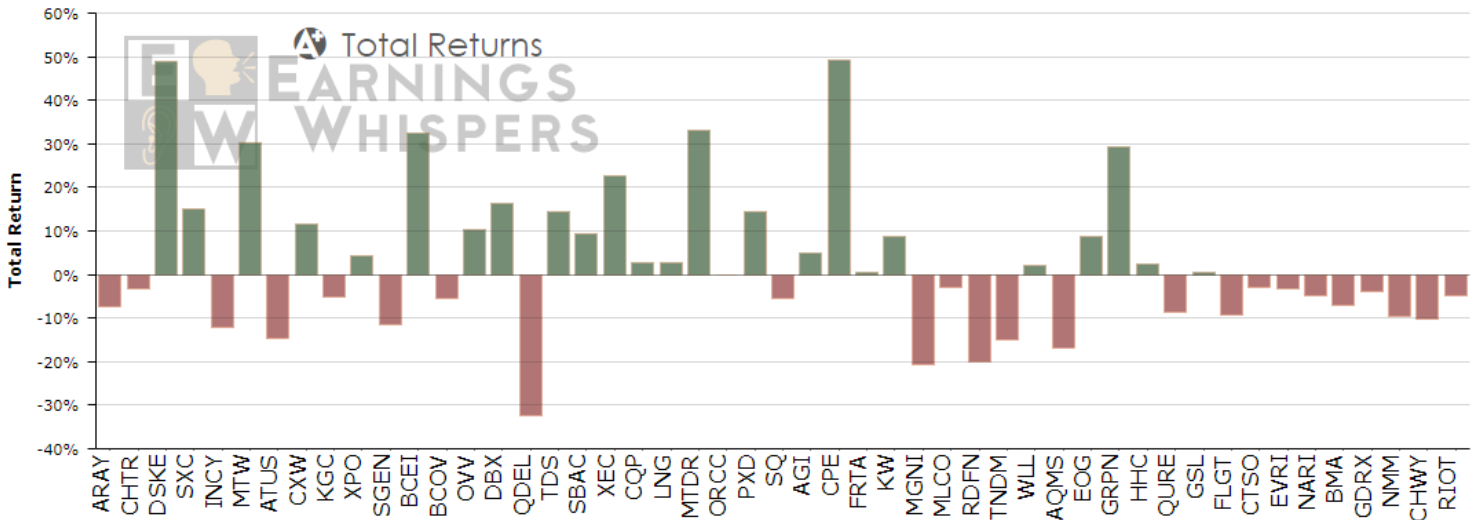
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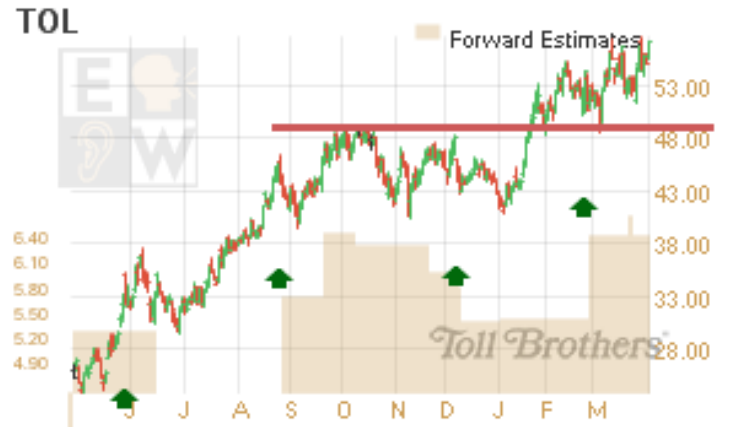
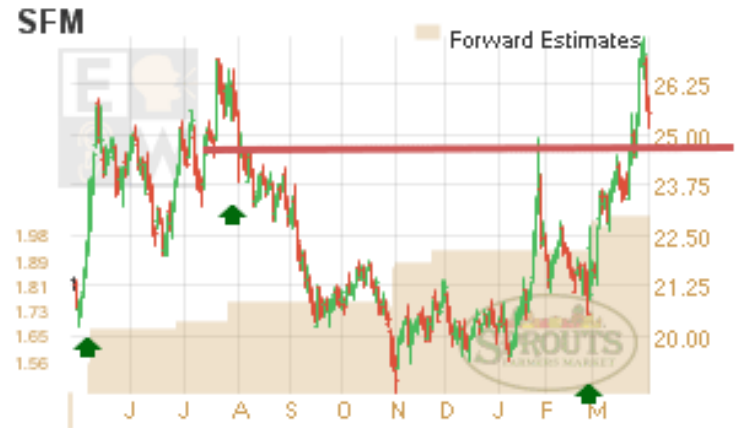
Earnings Whisper Grades

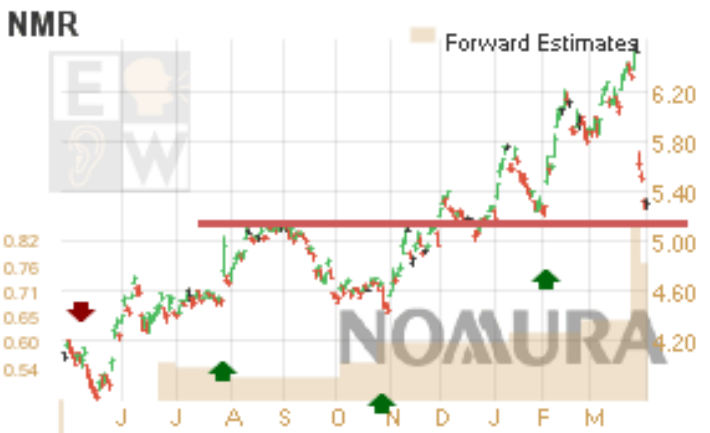
A current listing can be found at <http://eps.sh/apluses> and to learn more about the Earnings Whisper Grades, please go to <http://eps.sh/about-grade>. To get early morning alerts for all A+, please see your account settings at <http://eps.sh/account>

So far this quarter, stocks of companies with A+ earnings are up 2.78% on average, since reporting, while the S&P 500 is up 3.24% so far.

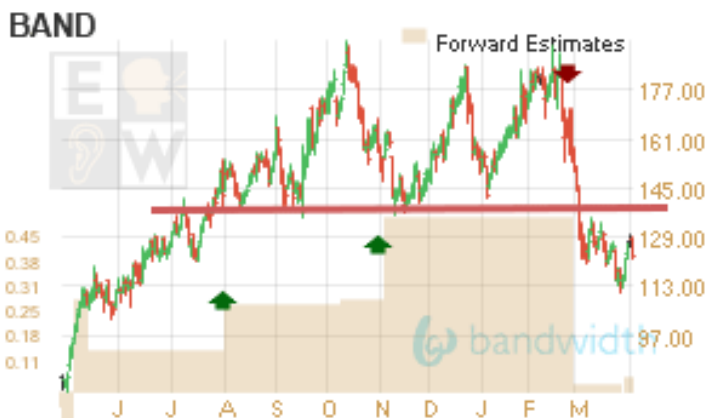


Recent Positive Earnings with Positive Charts





Recent Negative Earnings with Negative Charts



Weekly Disclosures

The following positions discussed in this issue of the Whisper Report © were held by proprietors, management, or employees of Earnings Whispers as of the close on Friday:

We are net long the overall stock market.