



# EARNINGS WHISPERS

<https://www.earningswhispers.com>  
1-866-EPS-GUID

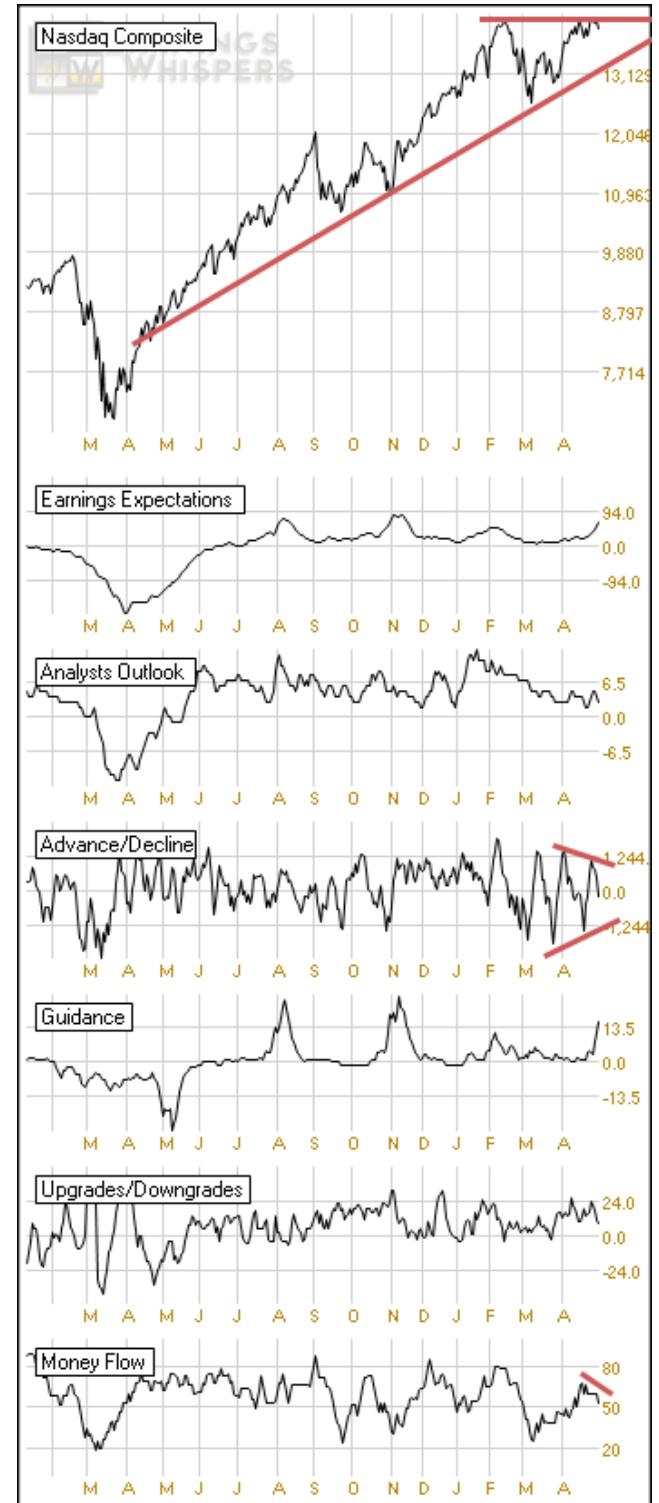
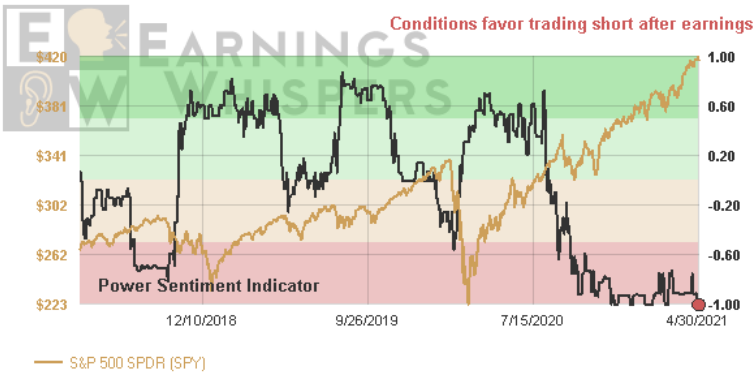
The Whisper Report®  
Number 848

Prepared on Monday, May 03, 2021

## Current Trading Strategy

Trading primarily long ahead of earnings while S&P 500 is above 3,950 and trading short after the news.

- While the expected new jobs for the month are high, data point to an acceleration in hiring that puts the potential for an upside surprise to Friday's jobs number. In the meantime, historically high earnings beats should continue during the busies week of earnings season.
- Square – expected beat
- Ruth's – estimates to get revised higher
- Emerson – beat and raise expected
- McKesson – positive trends expected to continue



## Statistics for the month of April 2021

	Positive	Negative	In-line	Ratio	Normal Ratio*
Guidance	223	34	253	86.8%	48.1%
EPS Surprises	987	207	53	82.7%	66.8%
Whisper Surprises	309	115	19	72.9%	57.1%
Revenue Surprises	986	213	-	82.2%	64.8%

\* The average ratio for the month of April

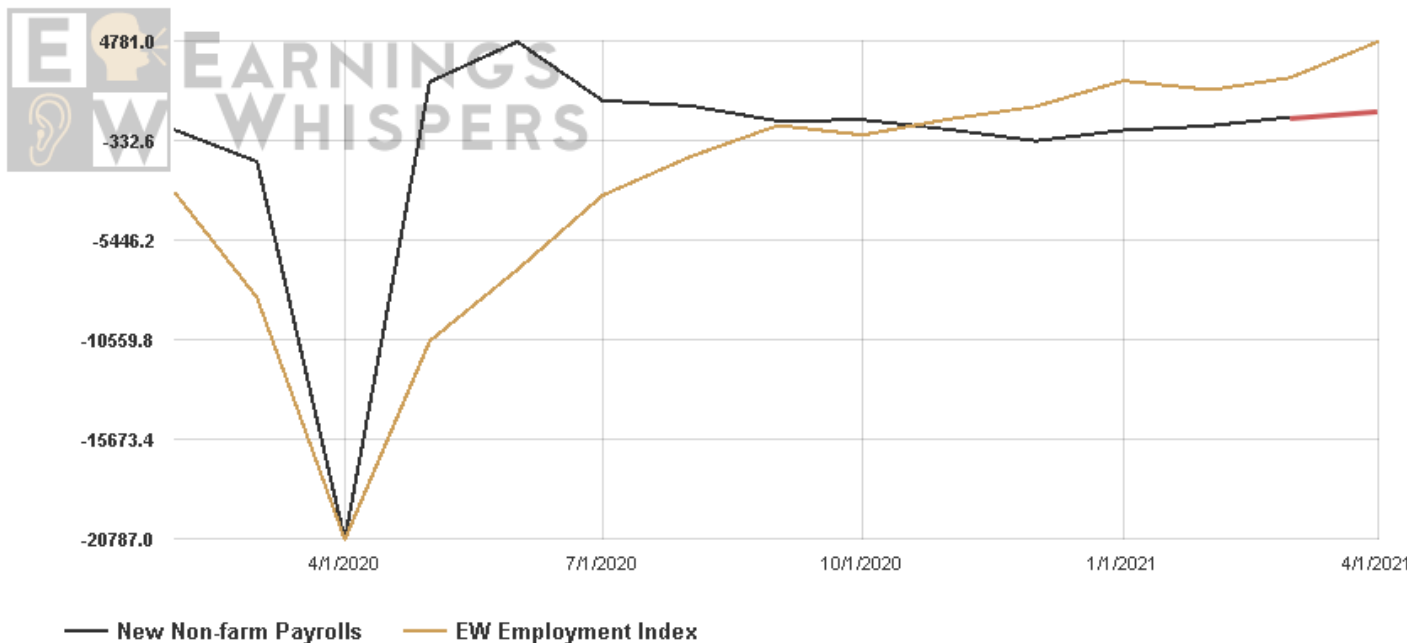
## Key Market Events

- 5/3 April ISM Manufacturing
- 5/5 April ADP Employment
- 5/5 April ISM Services
- 5/6 Initial Jobless Claims
- 5/7 April Employment

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

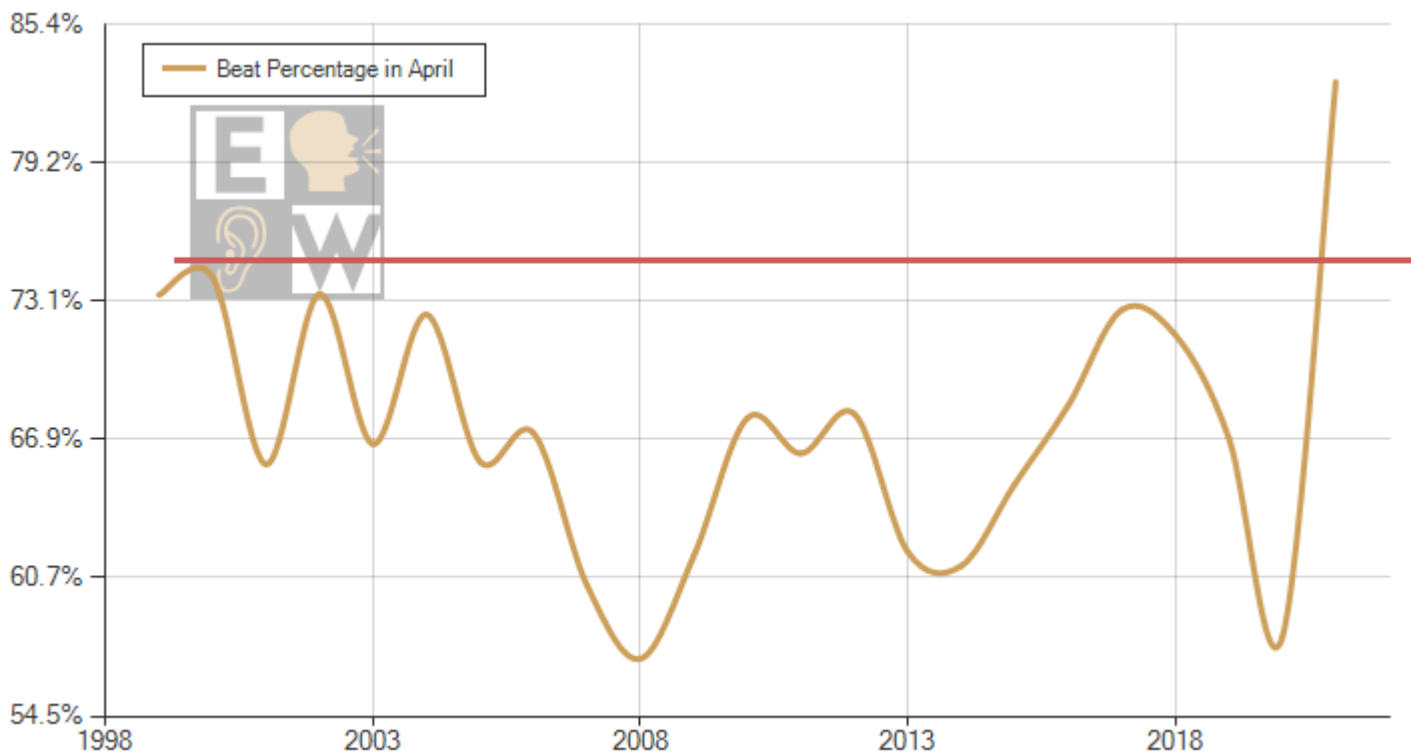
It is the busiest week of earnings season with over 1,100 companies scheduled to report. There are some important macroeconomic data set to be reported as well, but most of the attention from a macro view will be focused on the employment report on Friday. The chart below shows the non-farm payroll additions over the past 14 months, along with our index of previously released employment data covering about half of the U.S. The employment data is skewed by the pandemic and lockdowns, but the dip and bounce back in both numbers line up. We are able to publish our index a week before the Bureau of Labor Statistics (BLS) releases its numbers, and we've drawn a red line to show the consensus estimate for new payrolls. We are not confident the two lines are back to correlating like they were prior to the pandemic, but we wouldn't be surprised by solid upside to the consensus.

Last month the U.S. added 916,000 net new jobs, which is a lot – at least during normal times – and the consensus estimate is for a modest pick up to 950,000 as the economy opens up. Our data, on the other hand, shows an acceleration in new jobs, which points to upside to estimates for the month.



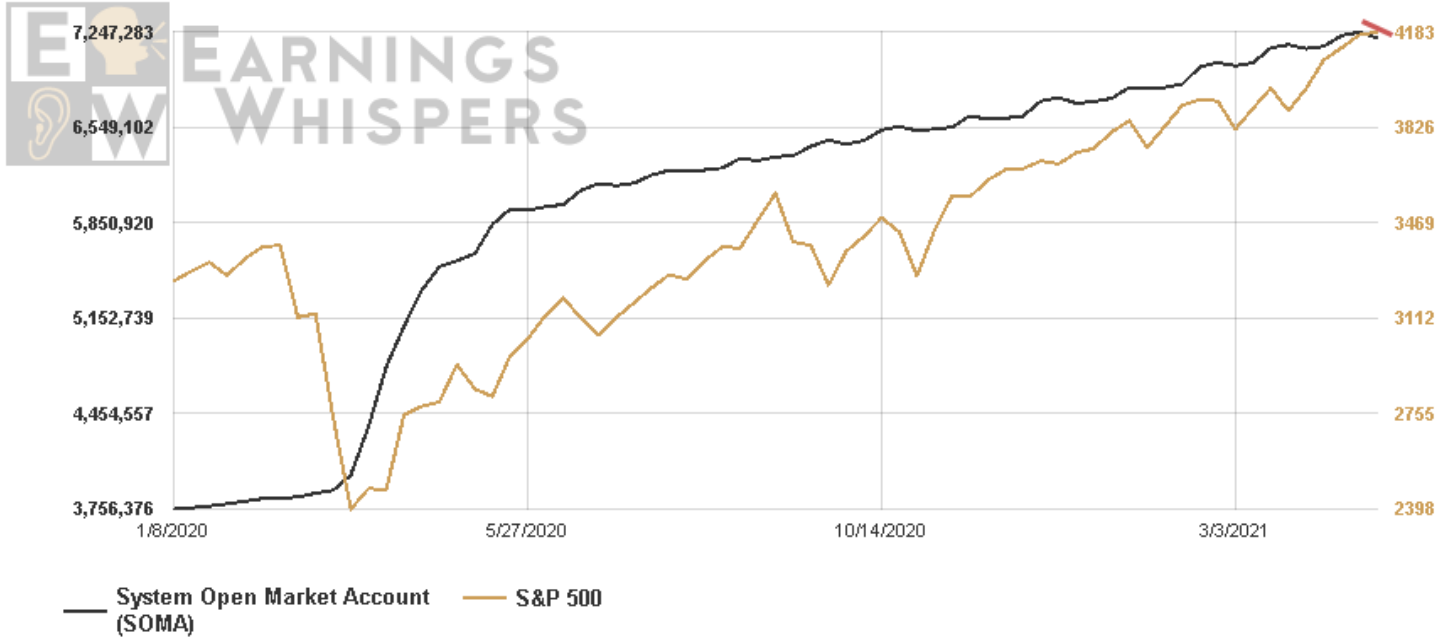
Employment is a lagging indicator for the stock market, which tends to trade based on forward earnings expectations typically six to nine months out. In the current environment it might not be that easy to see nine months from now, but one of the best indications is the quarterly earnings announcement. We said coming into this earnings season that we would likely see an historically high level of earnings beats but that might not be beneficial to stock prices. So far that has been the case and the earnings beats in the coming weeks are likely to be similarly high, though probably not quite as high.

The chart below shows the percentage of companies that have beaten consensus earnings estimates during the month of April for nearly the past 25 years. This was easily the strongest April for upside earnings surprises since April 2000 and the result is that earnings projections for the coming quarter and the remainder of the year are going to be pushed higher. As we move into smaller-cap earnings releases, the percentage of positive earnings surprises is sure to fade, but indications are still more than 70% of companies scheduled to report in May will come in above estimates.



Now, you may note that the stock market peaked in March of 2000 during the dot.com bubble, so the fact that upside earnings surprises are likely to be weaker in the coming months and unlikely to be duplicated in the quarters ahead, could mean weakness ahead just like in 2000. However, it is also worth remembering that the Fed was pumping money into the financial markets in 1999 to ease fears going into Y2K. That money was unwound after the concerns faded, and this took the air out of the bubble. What we learned last week from Federal Reserve Chairman Powell is that they have no intentions of letting the air out just yet.

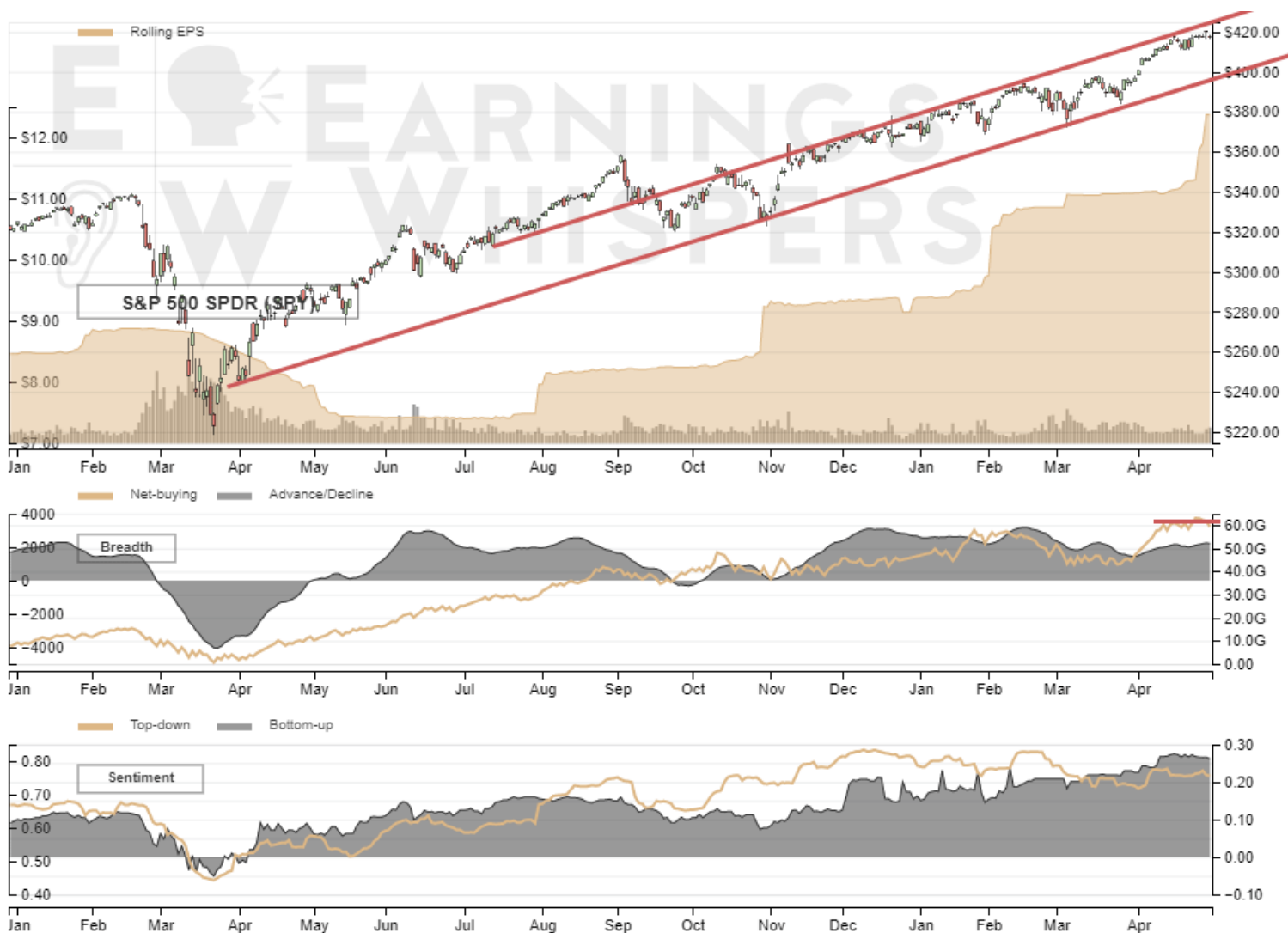
The chart below shows the Fed's balance sheet vs. the stock market since early in 2020. For the past couple of weeks we were anticipating last week's decline in the balance sheet, we just weren't sure about the timing. It came with little selling in the stock market, which may mean there is still selling to come, but most likely, with more than \$120 billion in asset purchases by the Fed coming over the next couple of weeks, any weakness should be bought and, if we thought we could time it perfectly, we would say there is less of a chance of any significant selling until late in the month when the Fed let's another round of assets roll off its balance sheet.



While our Power Sentiment Indicator on page one of this report is as deep in the red as it can be, meaning we should continue to favor selling after the news, with companies beating estimates and money coming into the stock market, the conditions favor trading long ahead of earnings.

**Market Overview**

The S&P 500 has been trading in a trading channel since the start of last fall, and is currently pushing against the high-end of this channel. We would prefer to make entries at the low-end of this range, but as long as the index is within the channel, there is little reason to suspect a significant selloff. In addition, conditions are supporting the trend. We are not quite halfway through earnings season, but we are more than halfway through earnings season for the S&P 500 and it has shown to be another quarter of lifting overall earnings. Meanwhile, breadth remains positive and we saw new money come into the market.





# EARNINGS WHISPERS

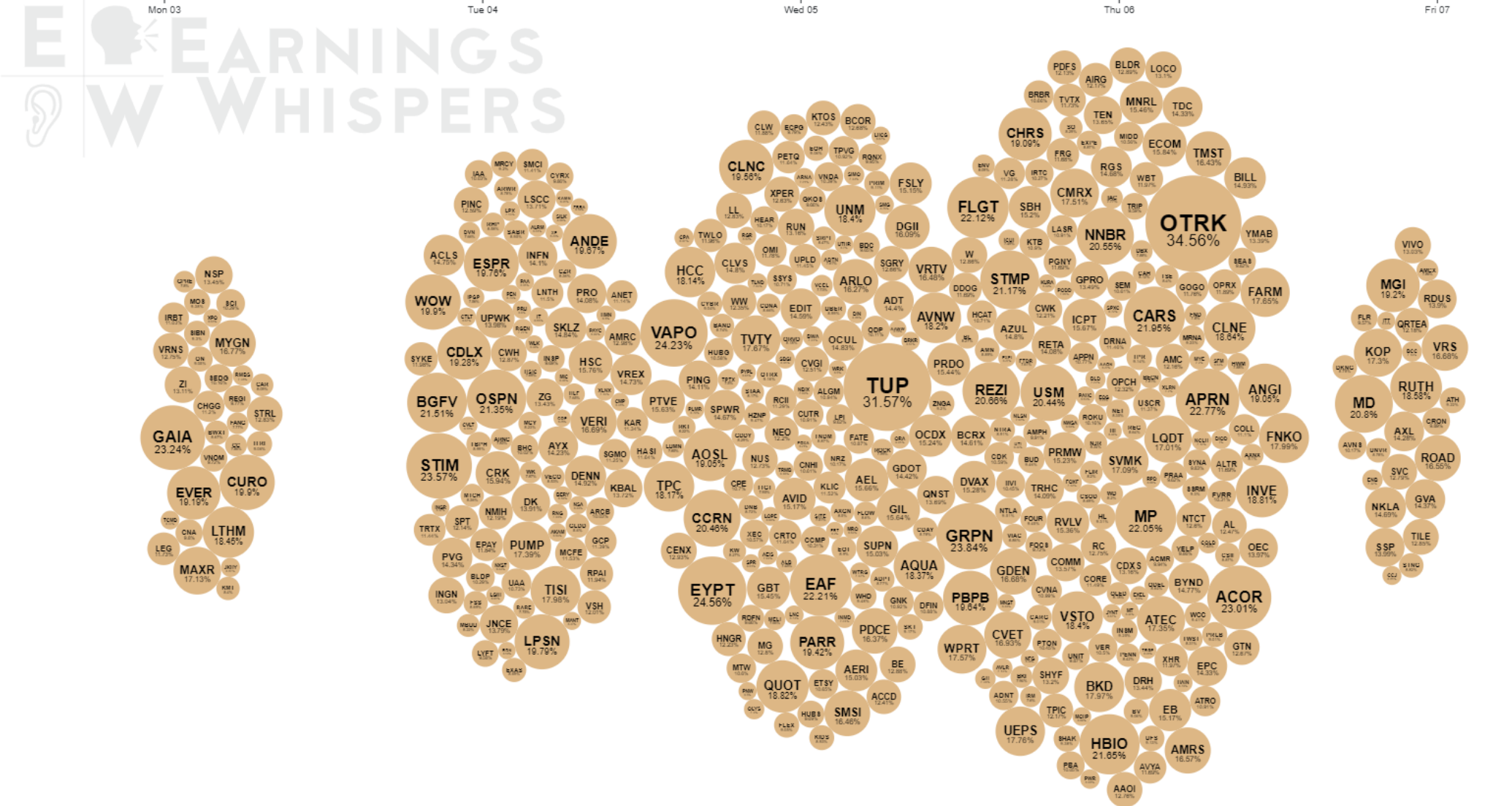
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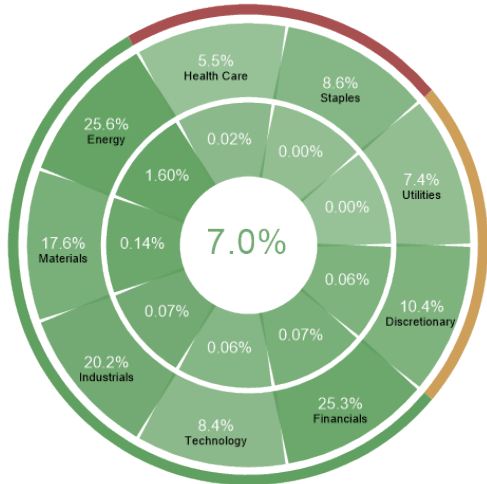
## Volatility of Upcoming Earnings Releases

For earnings releases scheduled through Friday, May 7, 2021

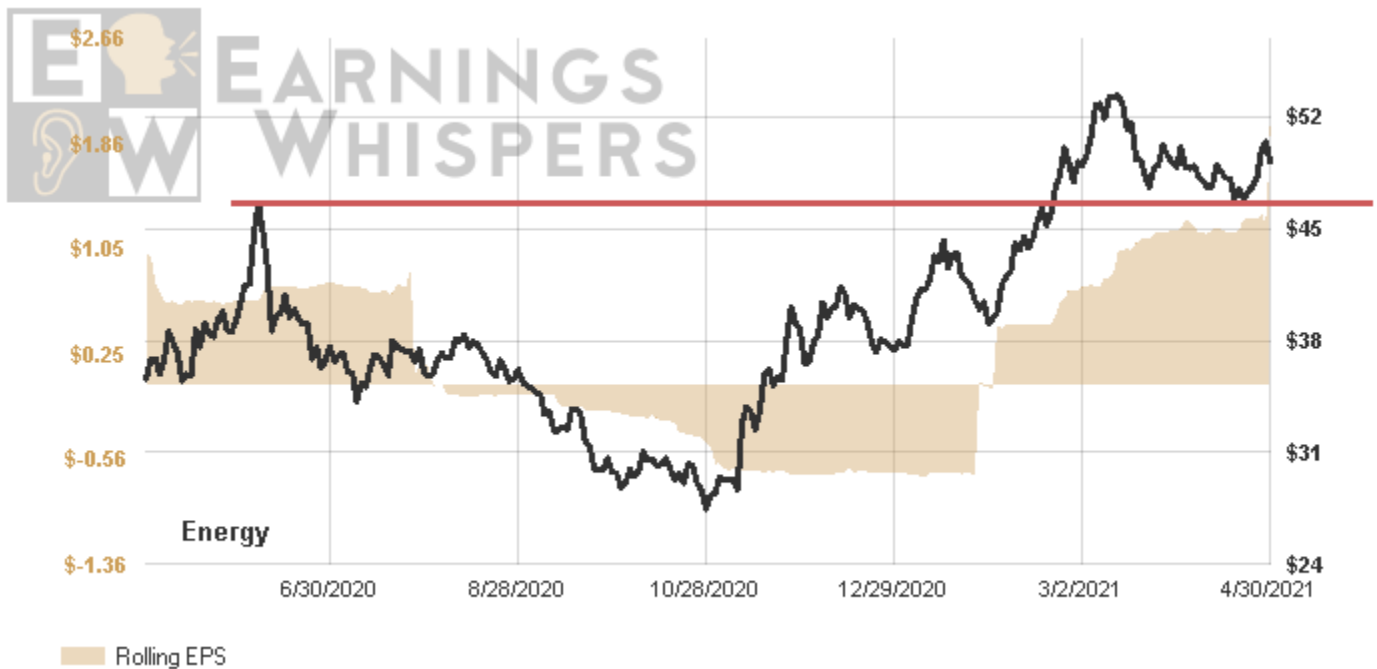


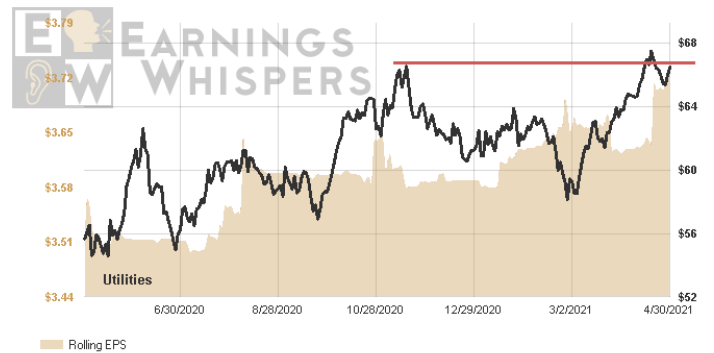
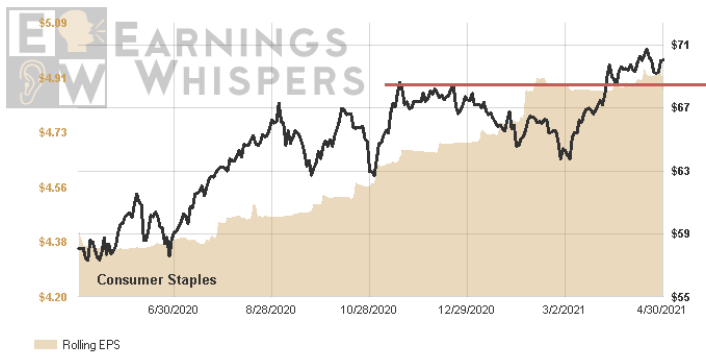
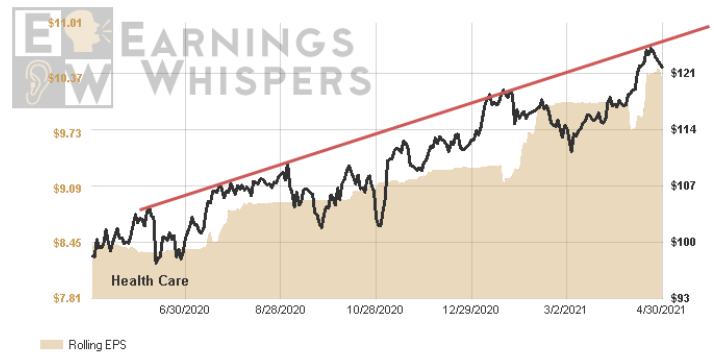
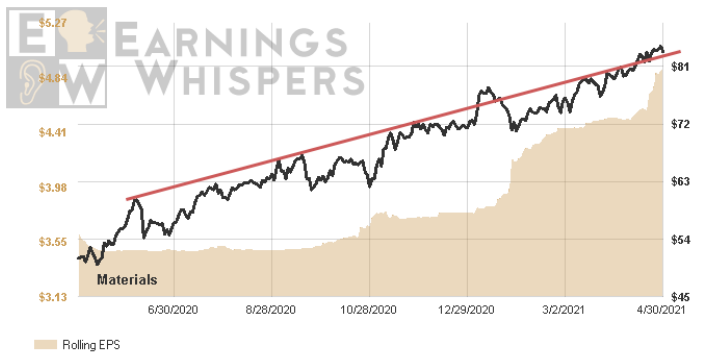
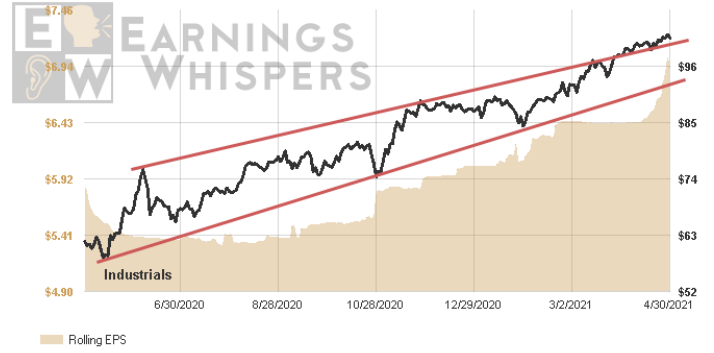
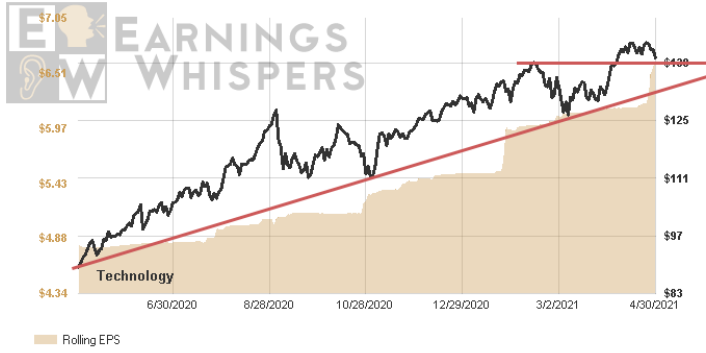
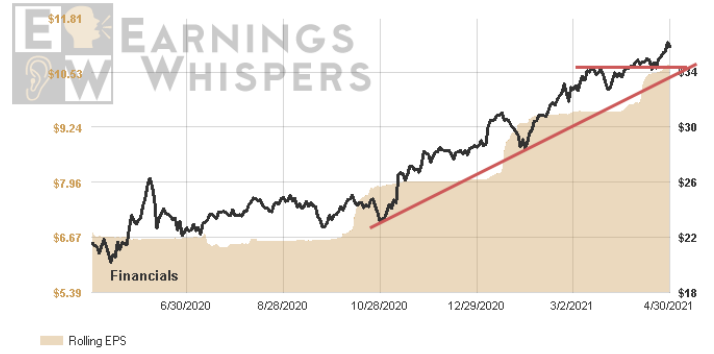
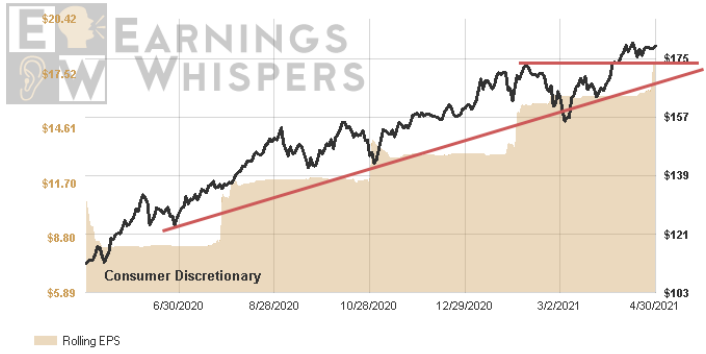


## Sector Performance



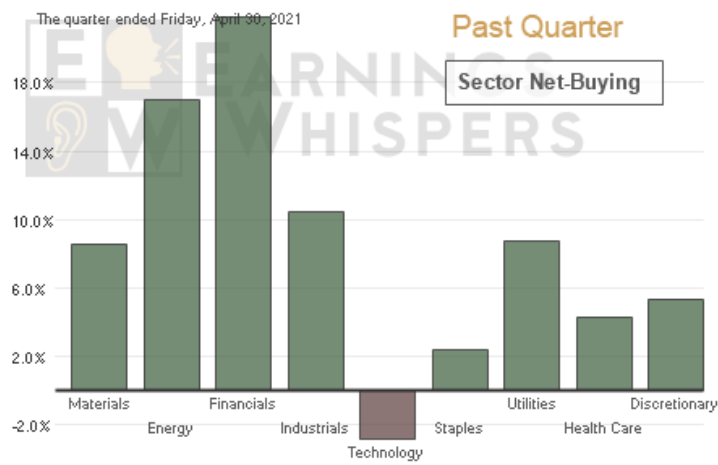
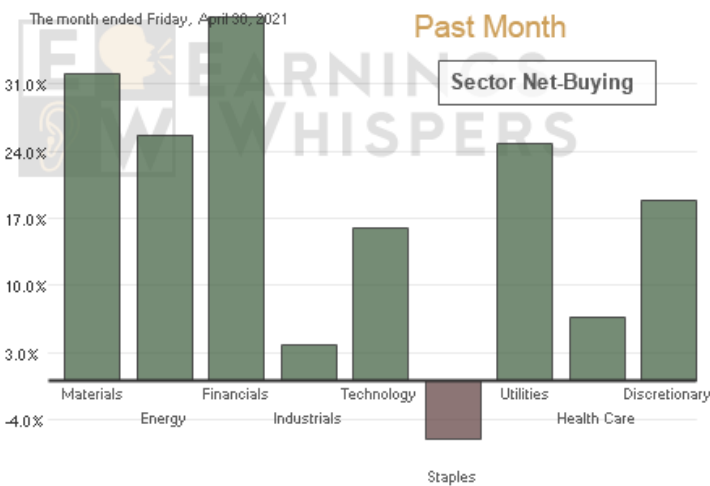
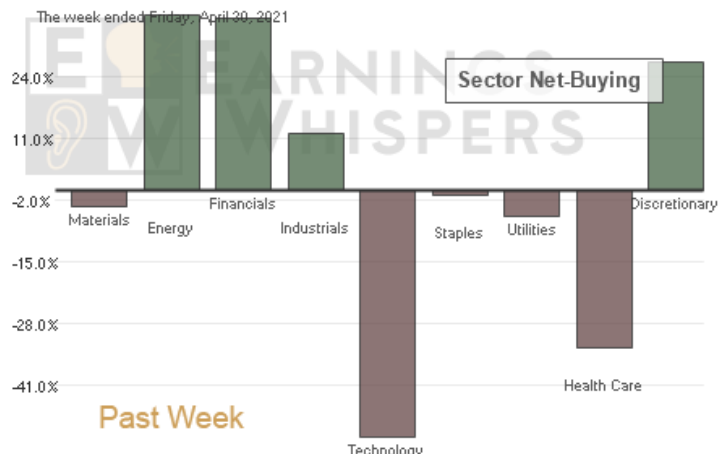
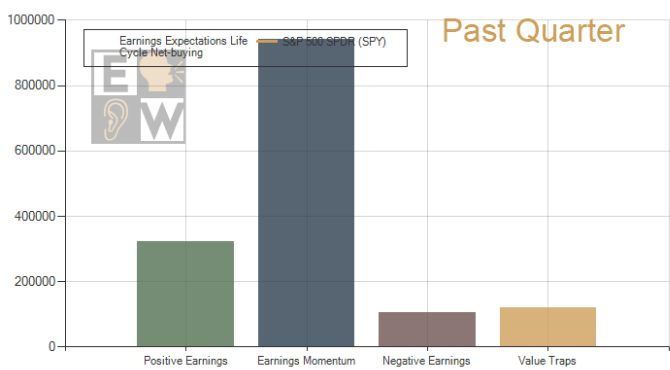
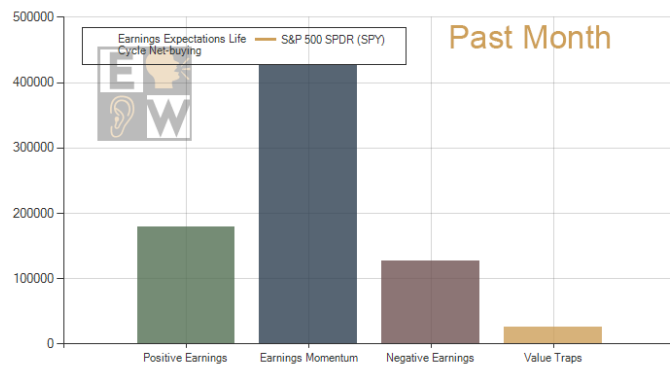
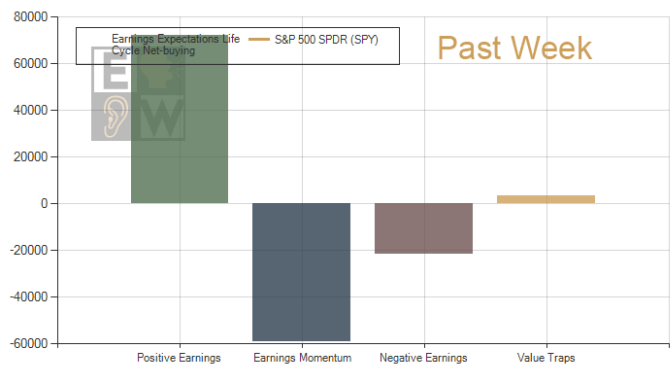
Our measure of the sector rotation picked up last week to give support for a continued upward trend to the overall stock market. Financials, Industrials, and Materials are leading the way and even Energy has outperformed of late. Really though, the charts for all sectors show strength with the possible exception of being near-term overbought... except Energy. Despite the recent strength, Energy has been the laggard over the past year. This group will see more earnings releases in the company weeks though and on the right edge of the chart you see earnings ticking higher. Meanwhile, the sector has pulled back to the previous resistance. The assumption is this line holds and the group sees their prices move above their March highs.



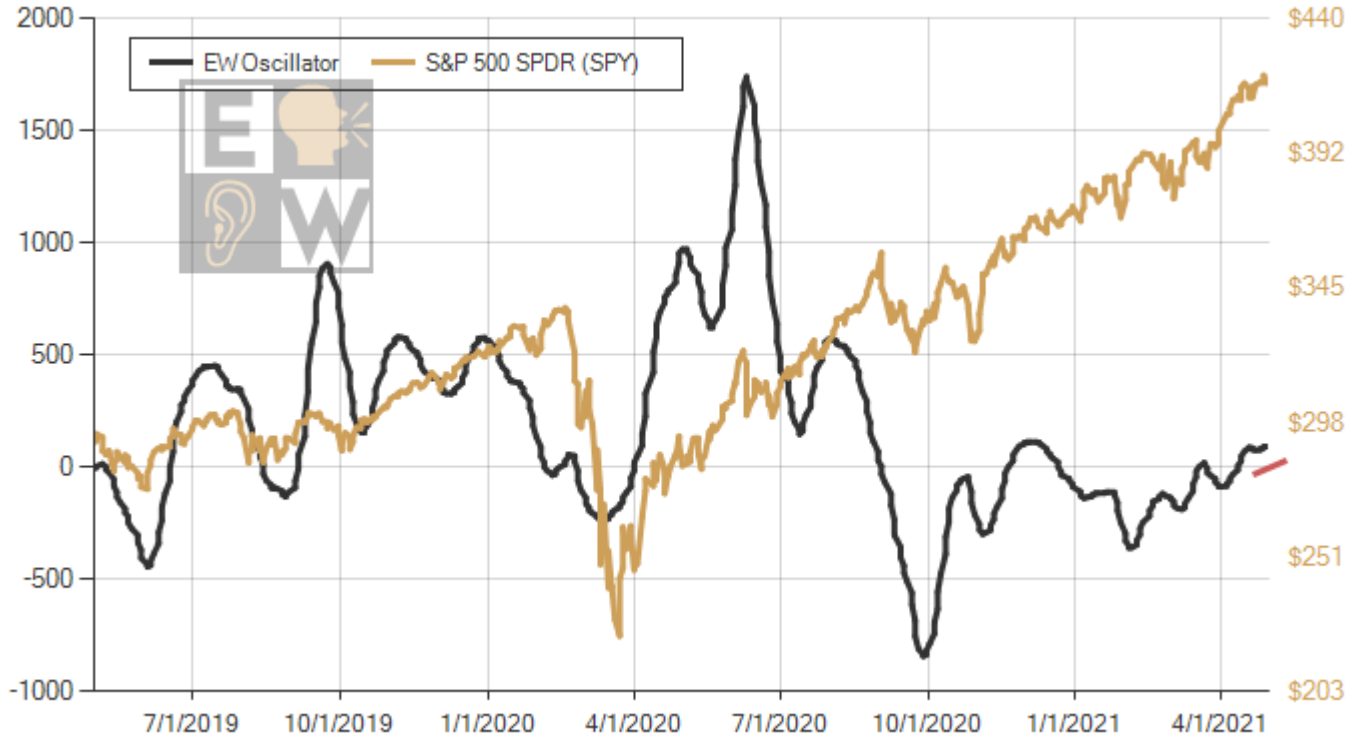




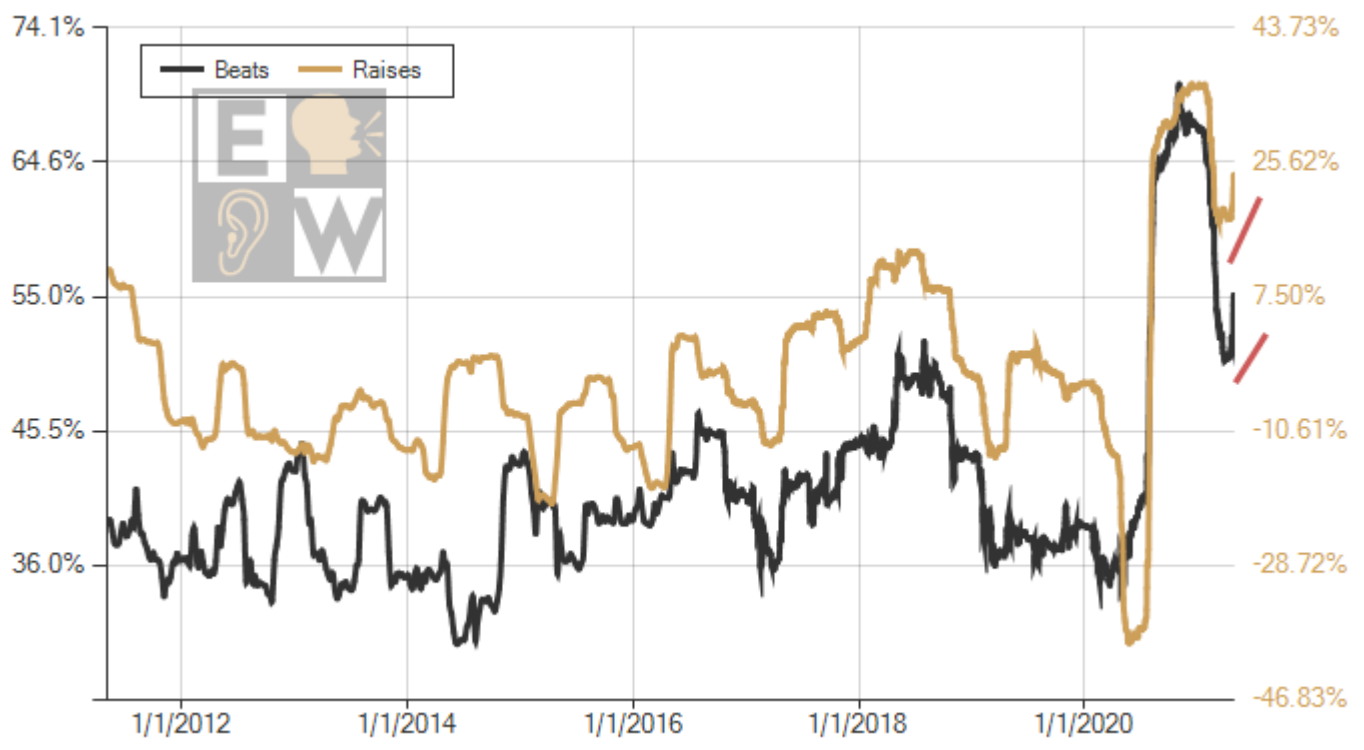
**Money Flows**

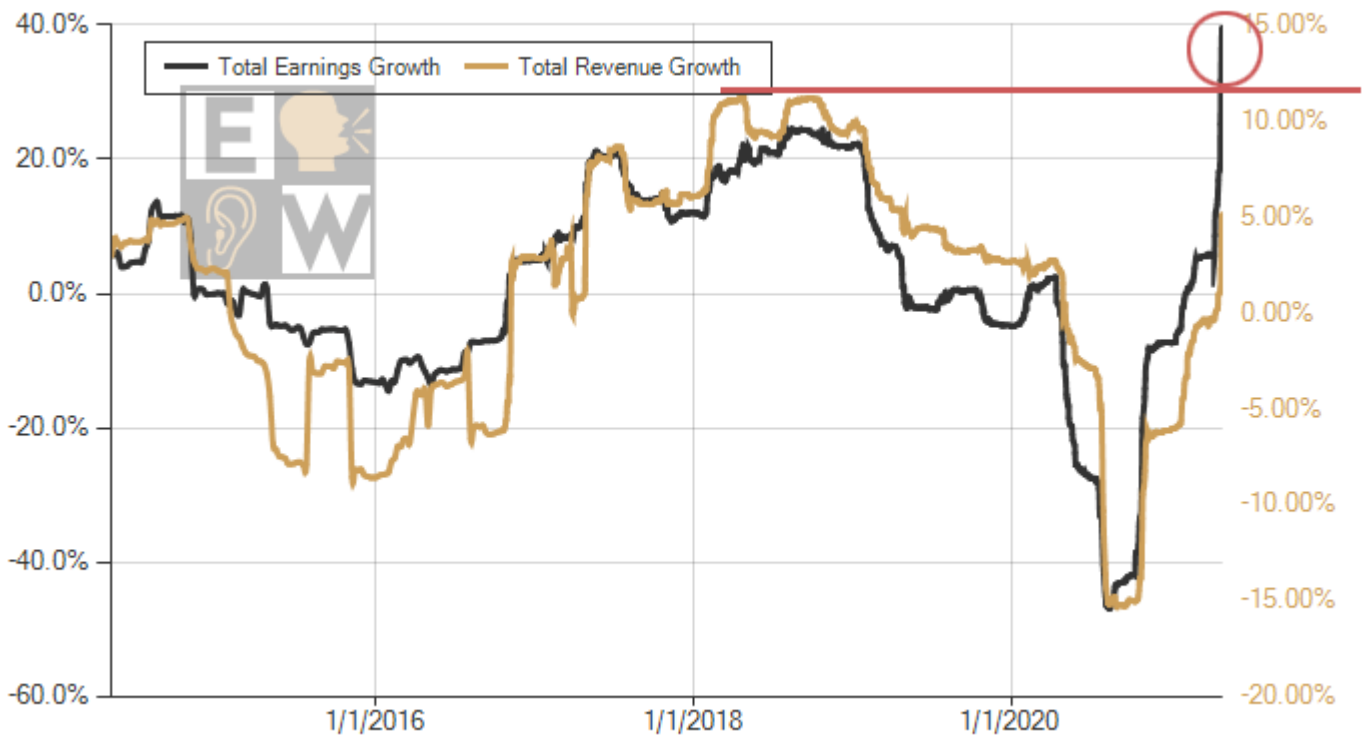


Earnings momentum stocks were the laggards last week but the Positive Earnings stocks led. When we weigh it all together, our oscillator on the next page ticked higher and this continues to tilt on the bullish side, but is unconvincing.



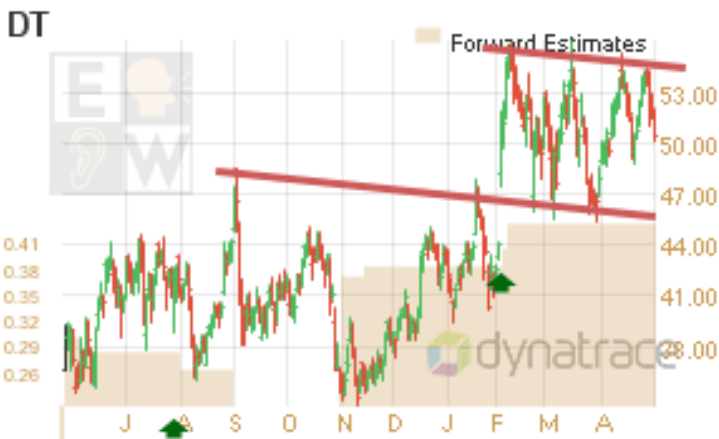
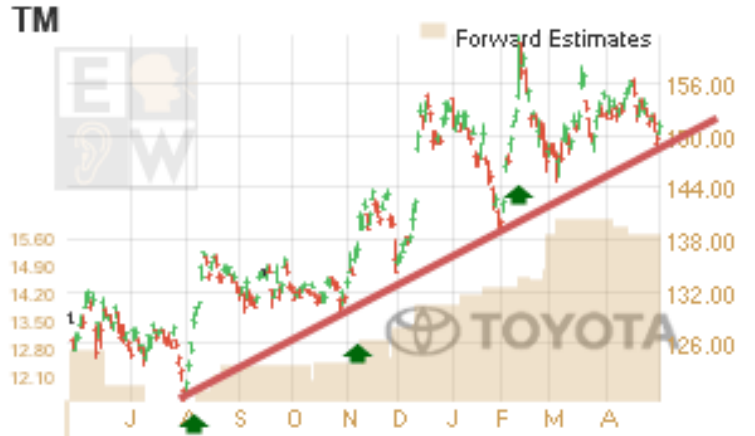
**Earnings Trends**

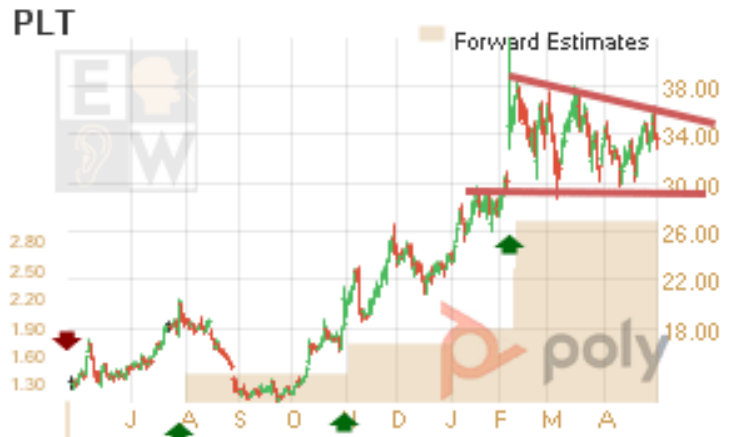


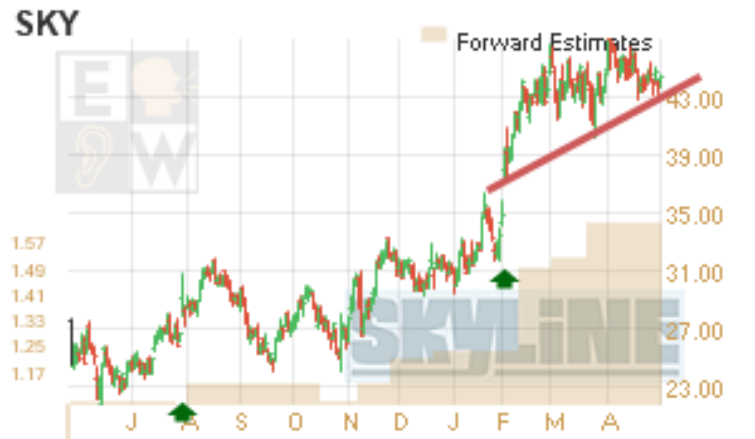


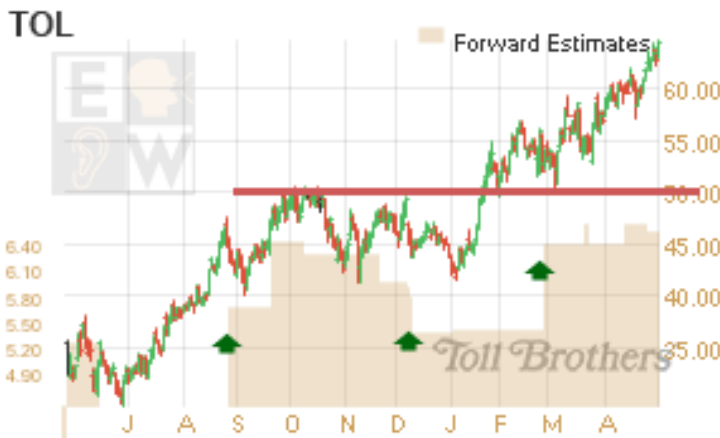
**Upcoming Releases with Favorable Earnings Whisper Scores**









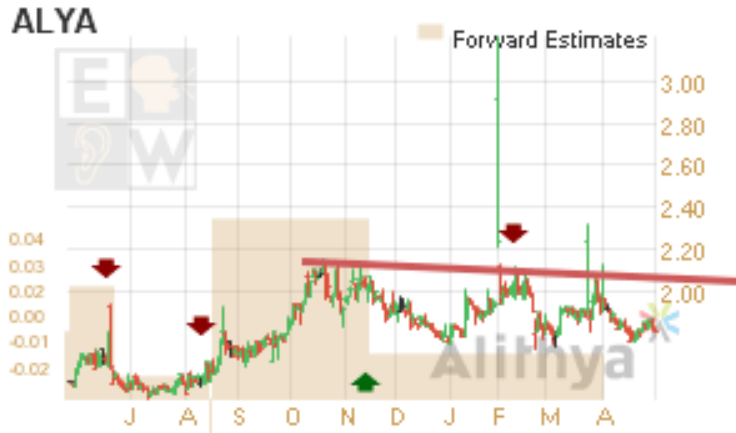


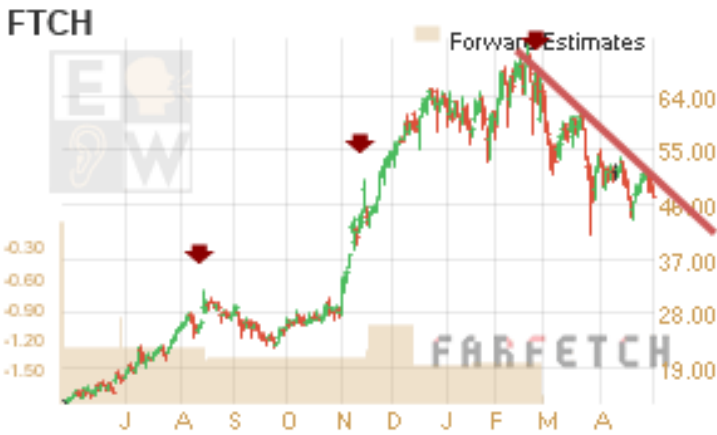


**Upcoming Releases with Unfavorable Earnings Whisper Scores**









**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.

**Square**  
**SQ**



**Earnings Whisper**  
**\$0.23**

Earnings Estimate:  
\$0.17  
Revenue Estimate:  
**\$2.31 billion**

**Thursday**  
**May 6**  
4:00 PM ET

**Volatility**  
Priced into options:  
**8.3%**  
Average move:  
**7.6%**



Last quarter Square (SQ) beat the consensus earnings estimate by \$0.08 per share, but fell \$0.02 per share shy of the Earnings Whisper® number and fell more than 5% on the news. After bouncing, the stock then fell to test the \$200 line and retested this line a couple of weeks later before subsequently retesting its pre-earnings high. This has created a consolidation within an uptrend and, while the better trade is the move outside of this consolidation, the assumption right now is a move near the low-end should be bought because the bias is for the trend to continue.

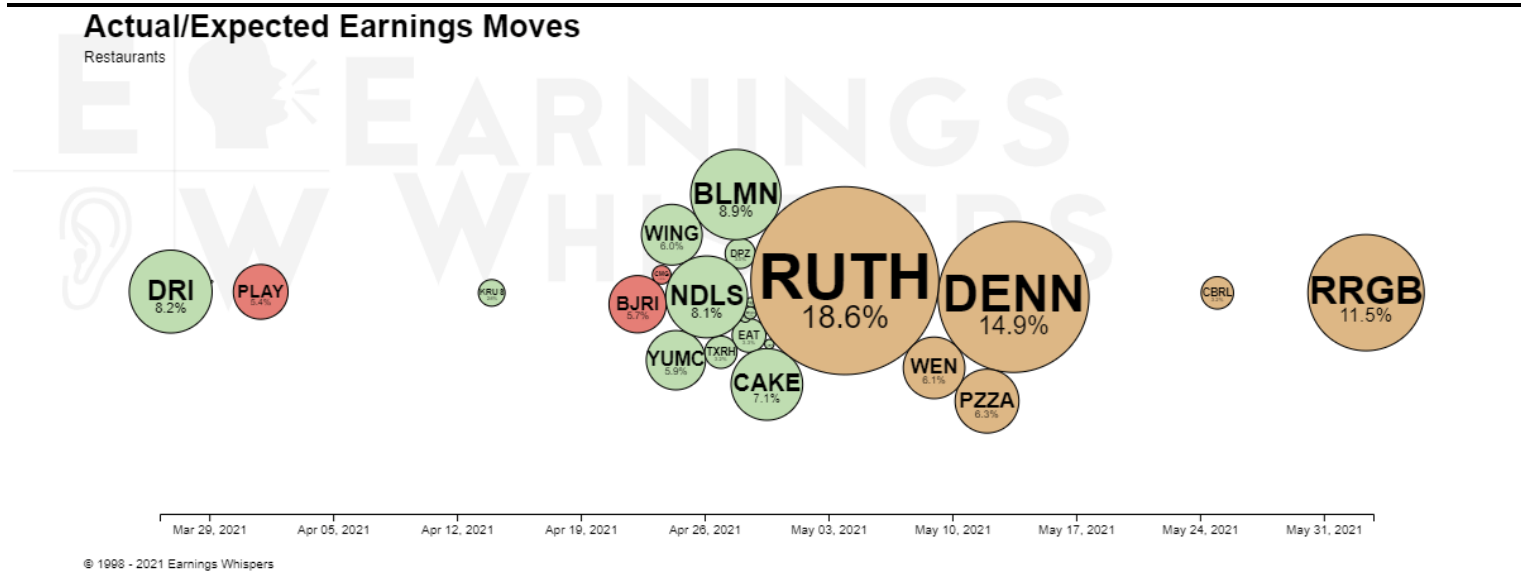
If expectations going into the quarter are right, the move could come sooner rather than later. The first quarter is likely to have benefited from stimulus spending in the U.S. and the quarters to come are expected to benefit from the reopening of economy, while the company’s investment outside of the U.S. has positioned it for longer-term growth.

Mayank Tandon at Needham said recent stimulus spending create an upward bias to estimates from its Cash App sales and Ramsey El-Assal at Barclays said estimates have not reflected this latest round of stimulus spending. Jason Kupferberg at Bank of America Securities said their checks suggest strong growth late in the quarter for Food & Drink and Retail are likely to drive upside to its Seller segment, and

Mr. El-Assal also said their data suggests there could be “meaningful upside” to estimates from its international operations. Plus, bitcoin was up 168% sequentially during the quarter to help boost its Cash App revenue.

In the past, when the company has beaten consensus estimates, the stock has gone higher by an average of 1.6% in the days leading up to the announcement and then gapped higher by an average of 1.7% on the news. While this favors the upside move, neither this, nor the implied move, suggest the stock will be able to break above the \$275 resistance.

<p>Ruth's Hospitality</p> <p><b>RUTH</b></p>		<p>Earnings Whisper</p> <p><b>\$0.13</b></p>	<p>Earnings Estimate:</p> <p>\$0.09</p> <p>Revenue Estimate:</p> <p><b>\$85.26 million</b></p>	<p>Friday</p> <p><b>May 7</b></p> <p>7:00 AM ET</p>	<p><b>Volatility</b></p> <p>Priced into options:</p> <p><b>18.6%</b></p> <p>Average move:</p> <p><b>8.7%</b></p>
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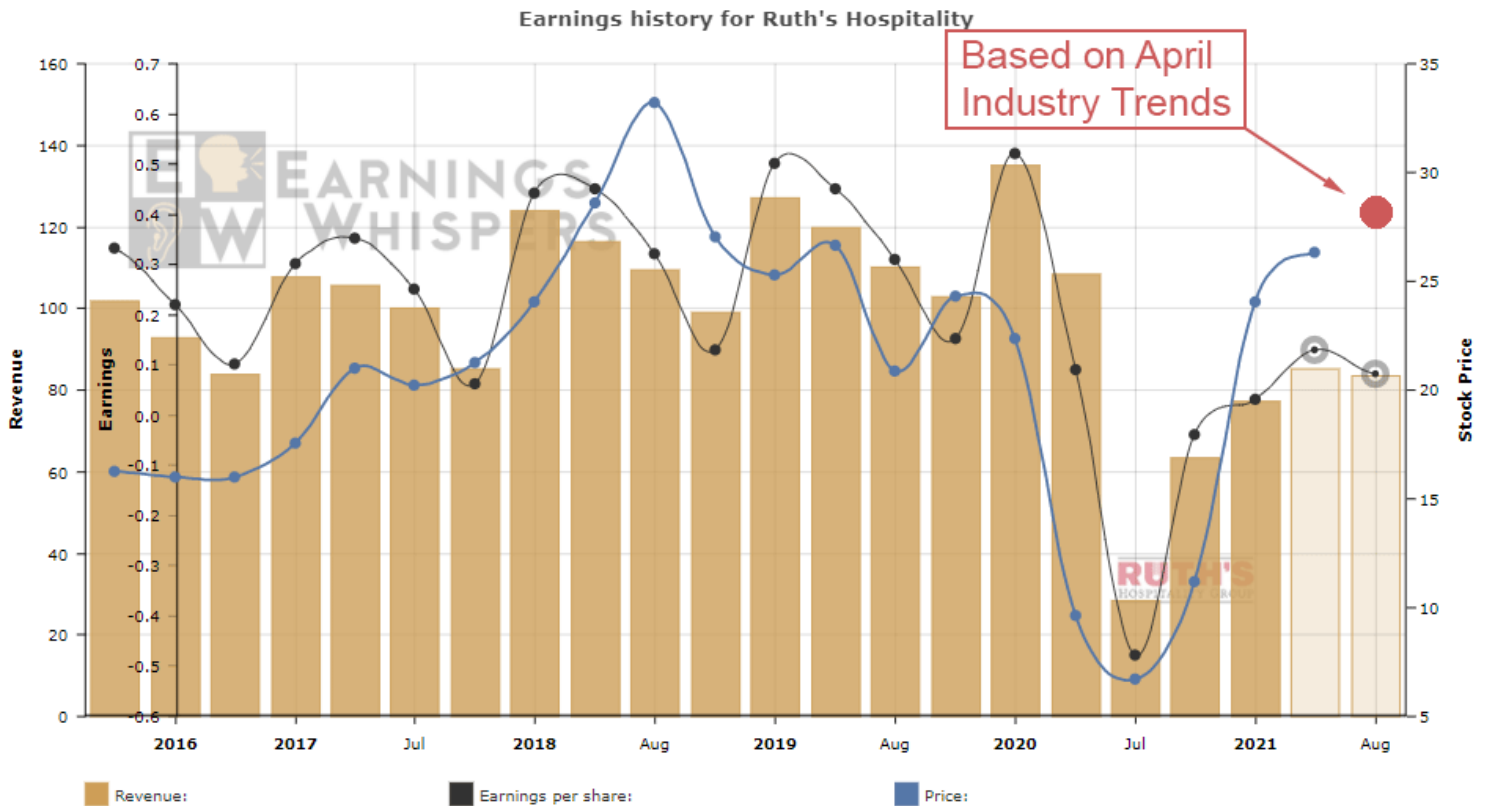


Last week we provided the chart above showing the higher of the options implied move or the six-quarter average move for the Restaurants. This week that chart is updated with the actual earnings moves for those that reported last week. Overall market conditions play a role, but these companies largely beat estimates and were up on the news. We don't know if those to follow are going to move higher as well, but we reasonably know they will beat estimates and forward estimates are going to get revised higher... and that greatly increases the odds of such a move higher.

We pointed out last week that we still have some work to do on this chart because it tries to combine size of circles based on the move and also put them on the date of the earnings release. At the moment the size of Ruth's Hospitality (RUTH) pushes Papa John's (PZZA) to the right because there isn't room on the left even though Papa John's reports the day before Ruth's. Still, the point of this is to show the size of the potential moves and the performance of the peers that have already reported. When we look at that potential move on the chart of Ruth's, on the chart at the top of the next page, we see a stock that has been consolidating over the past quarter but broke that consolidation to the upside last week as its peers beat estimates. We've drawn a box to show the average move in either direction and a move lower by its average move would take it back down to retest the consolidation range or perhaps slightly below it. A move higher, on the other hand, would push the stock to a new recent high – its highest since 2018.



The strength within the industry is now well known, and that hurts the chances of the move to the upside, but just like we did last week for Bloomin' Brands (BLMN), when we look at industry trends for the month of April and project that out for the entire quarter, we get second quarter revenue that is significantly above current estimates.



The upside isn't likely as strong for the first quarter, but trends improved during the quarter, particularly in March, and yet estimates were unrevised since ticking higher early in March. Thus, James Rutherford at Stephens said he sees plenty of opportunity for estimates to go higher.

In the past, when Ruth's has beaten consensus estimates, the stock traded higher by an average of 0.6% during the days leading up to its earnings release and then gapped higher by another 3.5% on the news while up 82% of the time during the one-week period.





**Emerson**  
**EMR**

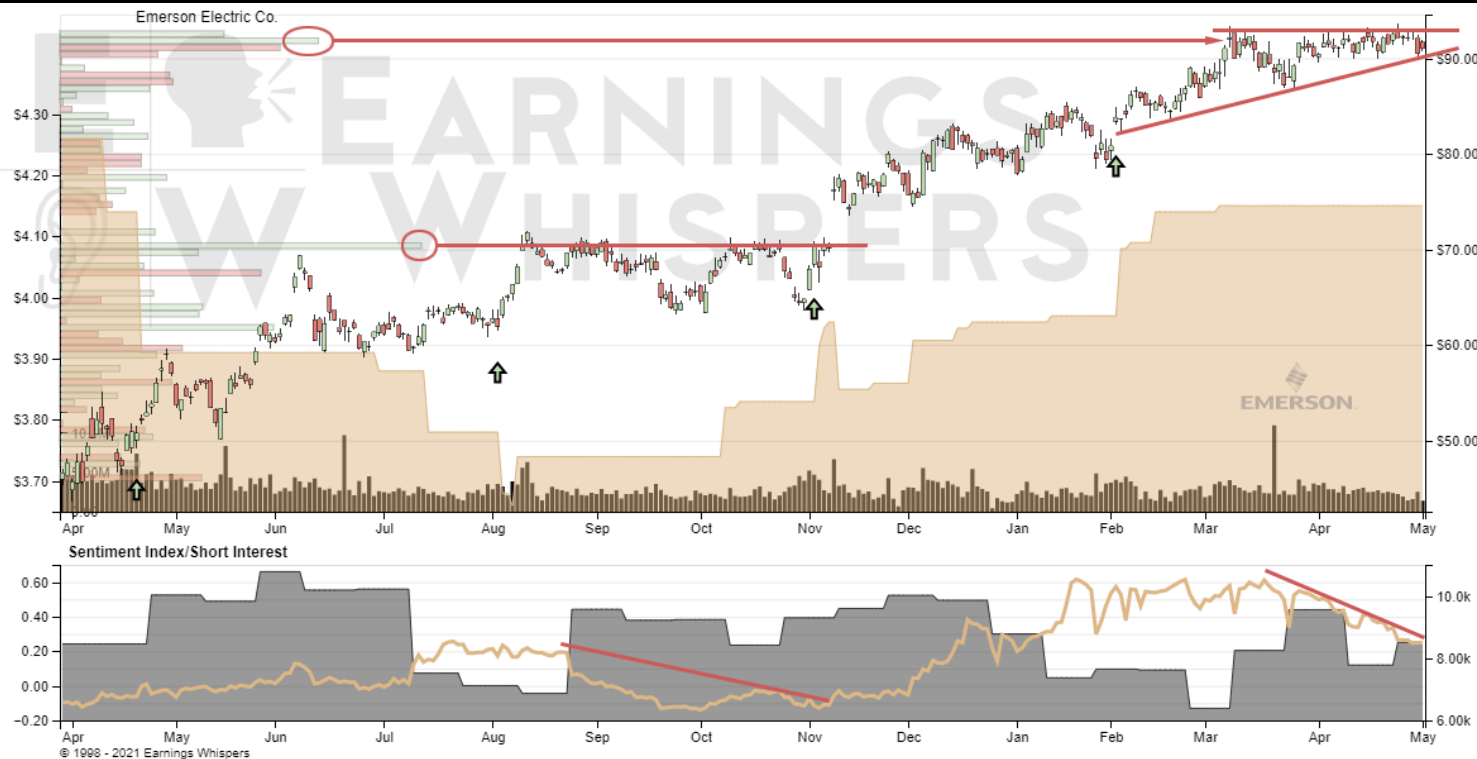


**Earnings Whisper**  
**\$0.95**

Earnings Estimate:  
**\$0.90**  
Revenue Estimate:  
**\$4.36 billion**

**Wednesday**  
**May 5**  
7:00 AM ET

**Volatility**  
Priced into options:  
**4.4%**  
Average move:  
**1.8%**



We started earnings season this quarter stating that an important objective when trading long ahead of earnings, with so many companies likely to beat estimates but with expectations already so high, was to find stocks that hadn't rallied too much going into the news. Shares of Emerson (EMR) have been stuck below \$93 for two months as buying has accumulated and sentiment has faded. The last time we saw similar action in Emerson was late this past summer into early fall where buying pressure increased at \$70 but the stock was unable to push through until it beat estimates this past November.

This time around, the stock has been building support underneath with a tight range and a consolidation line forming since its last earnings release to make an ascending. The technical trade is for a move outside of this range, or to sell on a move to \$90 or buy on a move that holds above \$93, but the statistics favor the upside move analysts' checks show upside and investor sentiment has faded.

Andrew Obin at Bank of America Securities said the company's restructuring is likely to help the company stand out as best-in-class while read-throughs in Commercial & Residential solutions have been positive during the quarter; and Julian Mitchell at Barclays said he expects the company to raise its 2021 guidance when it reports.

In the past, when Emerson has provided positive guidance, the stock has gapped higher 82% of the time for an average move higher of 2.1% and this move continued as the stock drifted higher another 3.8% over the subsequent month. As similar move this time would put the stock right around our technical target on the upside move – around \$100.

McKesson  
**MCK**

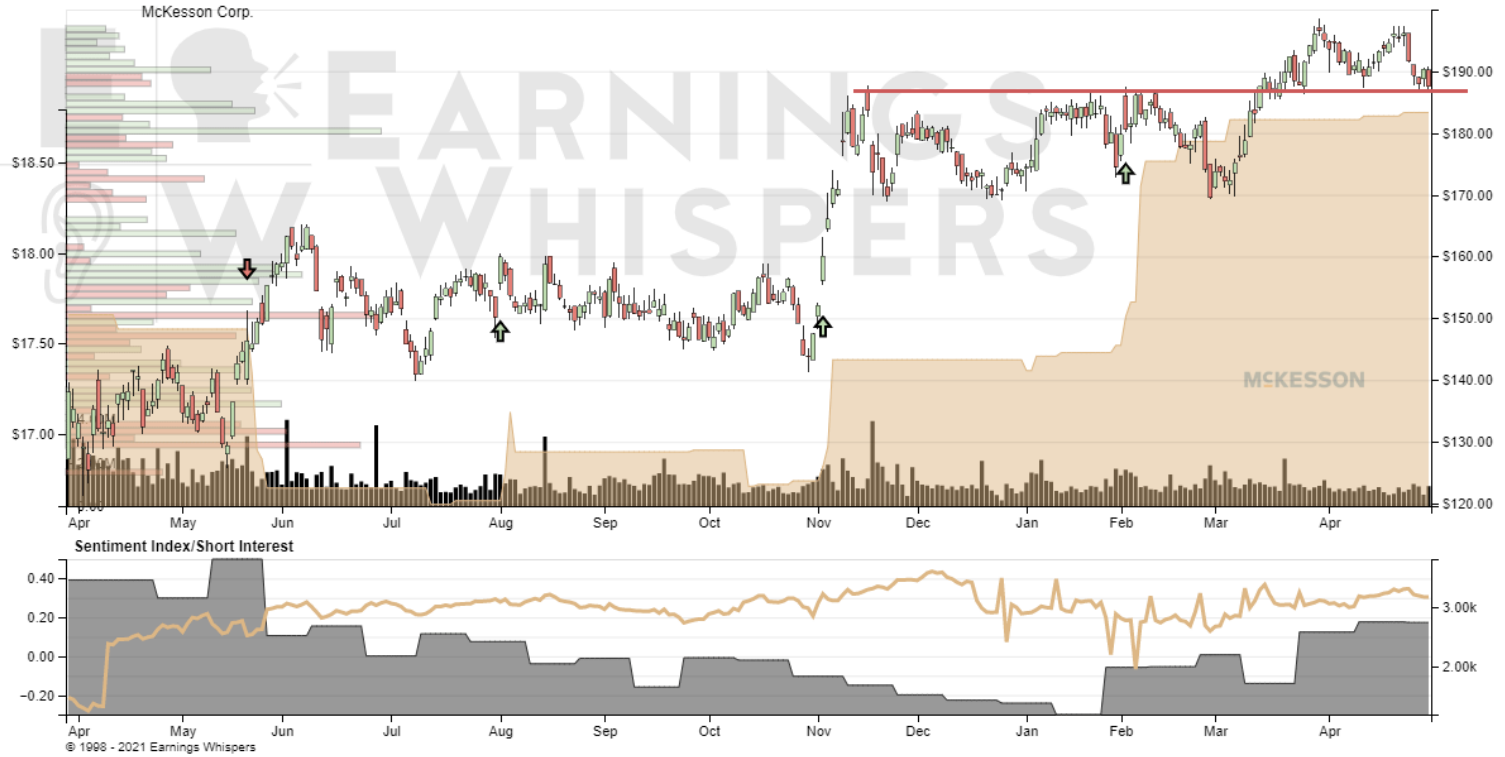


Earnings Whisper  
**\$5.10**

Earnings Estimate:  
\$5.01  
Revenue Estimate:  
**\$61.05 billion**

Thursday  
**May 6**  
4:10 PM ET

Volatility  
Priced into options:  
**5.2%**  
Average move:  
**4.3%**



Before McKesson (MCK) reports results after the close on Thursday, we will get results from Pfizer (PFE) on Tuesday morning and Moderna (MRNA) earlier in the day on Thursday. Both are the key COVID-19 vaccine manufacturers in the U.S. ... in case you haven't heard... and we'll learn a lot about the numbers and the financials. For Moderna, expectations are all over the place and we've opted to pass on publishing an Earnings Whisper number, but should point out that expectations are high as the vaccine revenue takes a company that had less than \$20 million per quarter in revenue prior to the pandemic to over \$2.0 billion in the first quarter ended March 31, 2021 and is expected to double that in the second quarter.

What you may not have heard is that McKesson is a distributor for both vaccines, in addition to the Johnson & Johnson (JNJ) vaccine. In fact, the company had distributed 100 million doses of COVID-19 vaccines by the end of the fiscal fourth quarter ended March 31, 2021. Of course that doesn't mean McKesson is going to make \$2.0+ billion in the quarter off the vaccine, but it is going to see a benefit. Though the benefits of the vaccine distributions are expected to result in an upside surprise for the quarter, there is the chance that this is already in the estimates and McKesson isn't going to see as much of a benefit as expected. However, unless there is a significant surprise, just like revenue from the vaccine is expected to accelerate in the second quarter for Moderna, the addition of J&J's vaccine and increased production of the other vaccines are likely to carry over for McKesson too in the second quarter. Yet, consensus estimates for the fiscal first quarter call for a sequential decline in revenue and a drop in margins.

Not only is the sequential decline in revenue go against the projected increased benefit from the fiscal first quarter vaccine distributions, but it will be the first sequential decline in first quarter revenue since 2012, with the exception of last year during the lockdowns. 2012 was the only other year in the past 25 years that the company saw a sequential decline revenue in the first quarter.

The company isn't likely to give guidance for the first quarter, but with estimates seemingly too low, it presents upside potential for the company's guidance for the rest of the year as well. In the past, when McKesson has provided positive guidance, the stock gapped higher by an average of 2.8% and was up 75% of the time; and this carried over into the rest of the month where the stock continued to drift higher by another 2.9% and was up 69% of the time during the period.

On the chart, the stock traded between \$170 and \$186 from shortly after its earnings release last fall until early March. After breaking above \$186, the stock had two tests of the \$196 area before recently pulling back to retest \$186. For our purposes, the pullback presents a trading opportunity where stops can be placed just below in case we are proven wrong on a move back below \$186... and with the favorable statistics, the stock made our Whisper Play list this morning for a long trade ahead of earnings later in the week.



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Number 846

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## Most Anticipated Earnings Releases for the month beginning May 03, 2021

(only showing confirmed release dates)

Monday	Tuesday	Wednesday	Thursday	Friday
3  	4  	5  	6  	7  
10  	11  	12  	13  	14
17 	18  	19  	20 	21 
24	25 	26  	27  	28
31	1	2	3	4



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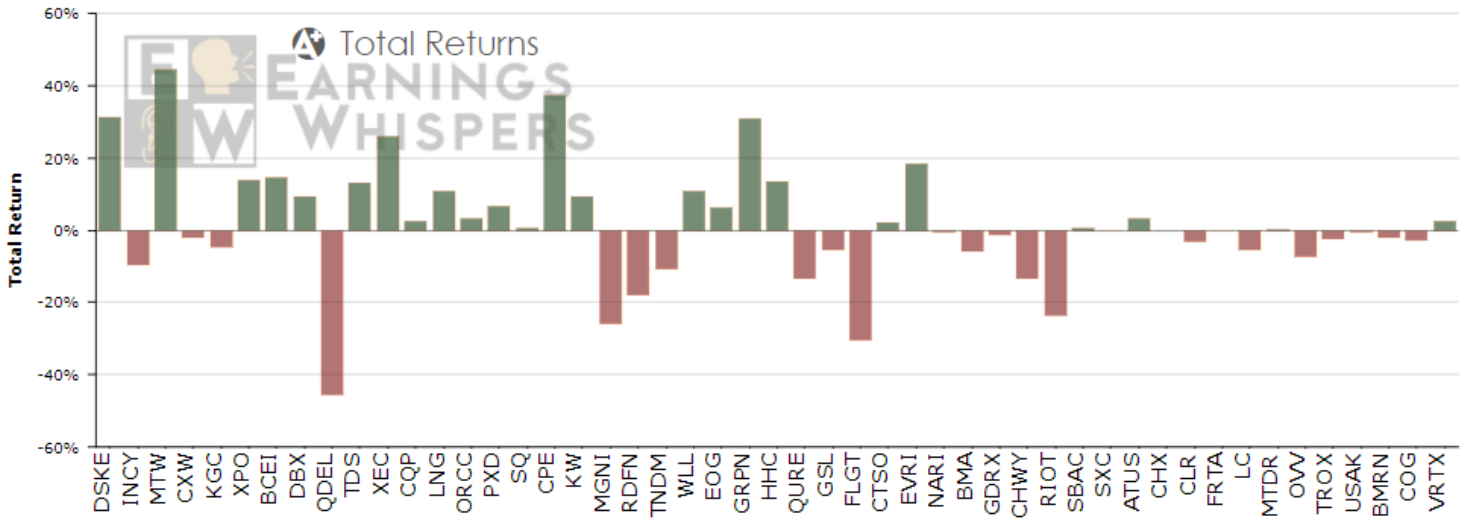
The Whisper Report®  
Number 806

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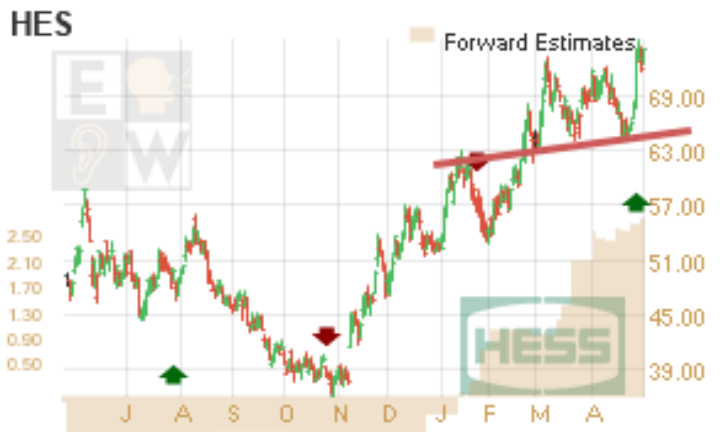
## Earnings Whisper Grades

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>

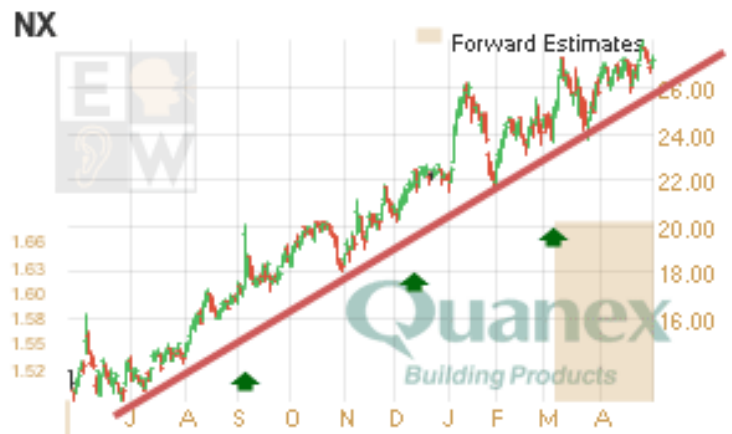
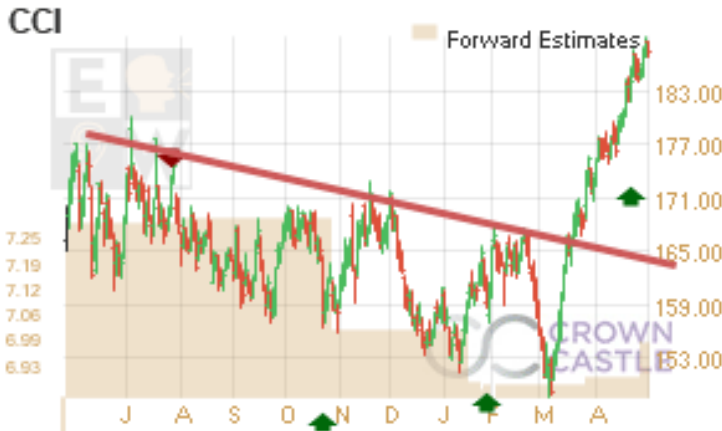
So far this quarter, stocks of companies with A+ earnings are up 1.54% on average, since reporting, while the S&P 500 is up 5.13% so far.



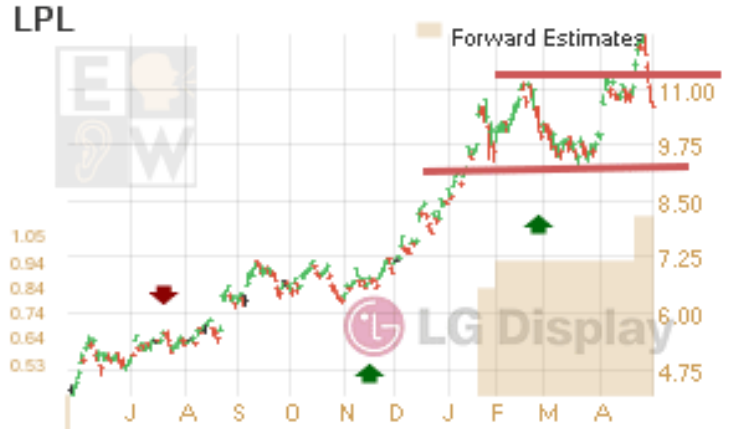
**Recent Positive Earnings with Positive Charts**











### 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 and have a long position in Emerson (EMR).