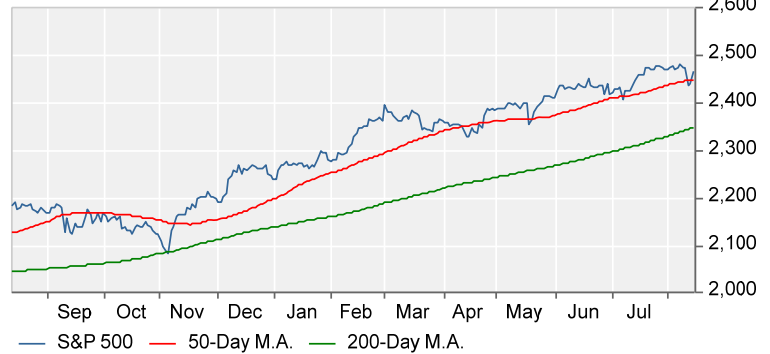
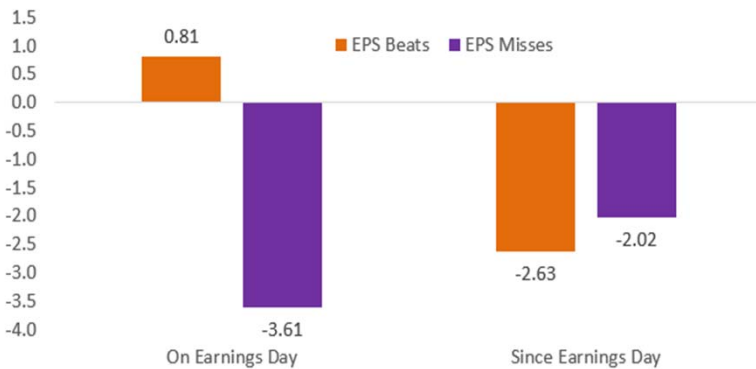


**HEADLINE NEWS**
**Earnings Impressive, Price Action Not So Much**

- Earnings season is winding down with over 90% of S&P 500 companies having reported second quarter earnings results. Results so far have been nothing short of inspiring with almost all of the metrics we track beating their recent averages. According to data from FactSet Research, 73% of reporting companies have beaten analysts' earnings estimates and 69% have beaten sales expectations, both ahead of their respective 5-year averages. Actual earnings have exceeded expectations by an average of 6.1%, well ahead of the 5-year average of 4.2%. Only 63% of companies providing third quarter guidance have guided below consensus estimates, better the 5-year average of 75%.
- With all of this impressive data, one would expect the stocks of companies beating expectations would be given a lift; however, the price action has been muted. On average, investors have not rewarded earnings beats and have punished earnings misses. According to FactSet, within the 4-day window spanning from 2 days prior to a company reporting until 2 days after, the average price move of a stock that reported a positive earnings surprise is a *decline* of -0.3%. The chart below from Bespoke goes a step further, showing that stocks that have beaten expectations this earnings season have gone on to post a loss of -2.63% following the beat. The team at Appleton believes that this dynamic we are currently witnessing is a combination of valuations being somewhat extended, the positive news already being priced in, and investors being cautious and looking to take profits.

**S&P 500**

**US 10Y Treasury Yield**

**Stocks Reporting Earnings This Season: Average % Change**

**KEY MACROECONOMIC DATA DUE THIS WEEK**

DATE	TIME	EVENT	PERIOD	CONSENSUS	PRIOR
8/15	08:30 AM	Retail Sales ex-Auto SA M/M	JUL	0.40%	0.10% R
8/15	08:30 AM	Retail Sales SA M/M	JUL	0.40%	0.30% R
8/16	10:30 AM	EIA Crude Oil Stocks	08/11		-6.5M
8/17	08:30 AM	Initial Claims SA	08/12	240K	244.0K
8/17	09:15 AM	Industrial Production SA M/M	JUL	0.30%	0.39%
8/18	01:00 PM	Baker Hughes U.S. Rotary Oil Rigs	08/18		768

Source: FactSet and API

**NOTABLE EARNINGS DUE THIS WEEK**

DATE	TIME	TICKER	COMPANY NAME
8/16	06:30 AM	TGT-US	Target Corp.
8/16	After Market	CSCO-US	Cisco Systems, Inc.
8/17	07:00 AM	WMT-US	Wal-Mart Stores, Inc.
8/18	Before Market	DE-US	Deere & Co.

Source: FactSet and API

**INDEX RETURNS (AS OF 8/11/2017)**

	MTD	YTD
S&P 500	-1.06	10.40
Dow Jones Ind. Avg.	0.02	12.30
Barclays MM Short 1-5 Yr.	0.30	2.82
Barclays MM 1-10 Yr.	0.39	4.49
ML US Gov/Corp 1-10 Yr.	0.34	2.14

Source: Interactive Data

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