



## **Wall Street Analyst Sentiment Stays in a Funk, but Earnings Trends Still Positive in Q1 2019: 361 Capital Wall Street Mood Monitor**

DENVER, April 23, 2019—For the second straight quarter through March 2019, Wall Street analyst sentiment lingered in the doldrums, but U.S. earnings trends remain positive, according to the Wall Street Mood Monitor, produced by [361 Capital](#), a Denver-based boutique asset manager. At the sector level, conditions are best for stock-pickers focused on the Consumer Staples and Health Care sectors, with favorable conditions for the former group in particular.

Read the full Wall Street Mood Monitor: [https://361capital.com/article/wall-street-mood-monitor/?utm\\_source=press-release&utm\\_medium=web&utm\\_campaign=WSMM1Q19-2](https://361capital.com/article/wall-street-mood-monitor/?utm_source=press-release&utm_medium=web&utm_campaign=WSMM1Q19-2)

The 361 Capital Wall Street Mood Monitor is a three-factor model that gauges the climate or “mood” for active management during a particular quarter within each sector. The factors are: analyst sentiment, earnings trends and stock correlations.

“Since September of last year, sell-side research analysts made more negative revisions to earnings estimates than positive ones,” said [John Riddle](#), CFA, chief investment officer for 361 Capital. “While the mood remains gloomy, the good news is that earnings trends, as measured by surprises versus disappointments, were on balance positive.”

The key takeaways from 361 Capital’s first quarter 2019 Mood Monitor are:

- Downbeat Wall Street sentiment still rules the day, based on the cumulative upward and downward revisions sell-side analysts made to corporate earnings estimates.
- Earnings trends have softened, yet remain positive when comparing corporate earnings surprises with disappointments.
- Stock correlations remain elevated largely because of geopolitical uncertainty and market volatility.

“The sector view is particularly illuminating looking at the first quarter,” Riddle said. “Consumer Staples was the only sector that scored well in all three measures in our model. What’s more, correlations for stocks within this sector are below their long-term average, in an environment in which stock correlations are generally high.”

## Wall Street Sentiment

- In September 2018, the total percentage of upward revisions fell below 50 percent for the first time in 11 months. Negative revisions have outnumbered positive ones every month since, but the gap narrowed in March.
- Analyst sentiment was worst for the Materials sector, where 75 percent of all earnings estimate revisions were downward. Analysts also had a sour mood about the Industrial sector, where 68 percent of revisions were negative. Health Care, Information Technology, Consumer Staples and Energy were the only sectors of the 11 tracked in which upward revisions outpaced downward ones.

## Earnings Trends

- Forty-nine percent of the large-cap Russell 1000 Index companies reported an earnings surprise in the first quarter of 2019. Only 15 percent of companies reported an earnings disappointment in the first quarter, which is slightly higher than the long-term average of 13 percent.
- At the sector level, positive earnings surprise rates continued to be the strongest in the Information Technology, Industrial and Health Care sectors. In the Industrial sector, positive surprise rates surged by 12 percent to nearly 60 percent.

## Stock Correlations Remain Elevated

- As of March 31, 2019, intra-market correlations stood at 0.60, above the long-term average of 0.55. Correlations remain high because many of the geopolitical uncertainties that sent markets sinking and correlations spiking in the fourth quarter persist.
- At the sector level, correlations are also elevated. The Consumer Staples and Communication Services sectors were the only areas where intra-sector correlations are below long-term averages. The Health Care and Information Technology sectors are experiencing the highest correlations relative to their long-term averages.

Intra-market correlation measures the average correlation between the returns of each stock in the grouping relative to the average return of all stocks in the universe. Intra-sector correlation measures the average correlation between the returns of each stock in a sector relative to the average return of stocks in that sector.

## About 361 Capital

[361 Capital](#) is a leading boutique asset manager. Founded in 2001, the firm offers a suite of actively managed alternative and behavioral-based equity strategies that seek to deliver meaningful alpha, manage risk and offer diversification potential to investor portfolios.

361 Capital is majority employee-owned with strategic investments from Lovell Minnick Partners, a private equity firm, and Lighthouse Investment Partners.

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