



Basis Points – April 18, 2019

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Above the Fold

Report card season for stocks is in full swing. With more than 10% of the S&P 500's earnings season in the bag, investors are reacting favorably to what has been a truly mixed Q1 season. The lack of any selling pressure suggests that the majority of market participants likely feared worse, and that the mediocre results are still better than expected. Even as future earnings estimates come down slightly, there's still a sense of confidence in equities and continued economic health.

As of April 16, earnings for the 42 S&P 500 members that reported are down -0.1% on +3.7% higher revenues, with 83.3% beating EPS consensus estimates and 54.8% besting revenue estimates. Earnings season picks up steam next week with more than 600 companies reporting. And unless there's an uptick in dramatic downside surprises, expect a similar reaction to what have been "so-so" results. Markets will be closed tomorrow in observance of Good Friday.

What's Ahead

More banks and financials will be reporting results Monday. We will also get financial details from gaming giant Wynn Resorts and appliance heavyweight Whirlpool. Monthly data on existing home sales from March is also due Monday. February data showed a huge rebound in home sales — let's see if the real estate rebound is still holding.

Three Things

1. **2018 Tax Stats** — In its last report on April 5, the IRS reported \$220.7 billion in refunds, less than \$6 billion from a year ago. The average refund check was \$2,833, just \$30 less than last year. The agency estimates 153 million 2018 individual income

tax returns this year, with 18.3 million filed in the final week of tax season. Roughly two-thirds of Americans got a tax cut for 2018, yet seven out of 10 taxpayers believe they are paying the same or more to the IRS according to a CBS poll.

2. *Apple and Qualcomm Resolve Dispute* — A years-long dispute between the two companies came to an end late Tuesday as both parties agreed to dismiss all litigation and settle out of court for an undisclosed amount. Qualcomm believed Apple was violating its patents by withholding royalties, while Apple claimed Qualcomm had been overcharging for those patents. While it's tough to say who got the upper hand, Qualcomm said the accord will equate to \$2 in annual EPS.
3. *Chinese Pork Prices Surging* — As the world's largest consumer of pork and home to roughly half of the global pig population, China is sensitive to pork prices. The highly infectious African Swine Fever is sweeping the herd, forcing farmers to cull their stocks. The pig population is down 19% from a year ago and Chinese experts estimate pork prices to jump 70% in the second half of 2019 alone. The crisis is triggering global pork prices to rise as China will likely seek imports.

Did You Know?

As a sprawling metropolis and former industrial powerhouse, most wouldn't expect to find Bald Eagles nesting in Center City, Philadelphia. But in 1830, an eagle nicknamed "Peter" would patrol the city and eventually took up residence at the Philadelphia Mint.

After many years roosting in the building, Peter's wing was badly injured while atop a printing press that was inadvertently switched on. Workers and doctors did all they could to heal him, but he passed away in the place that he called home for many years. Peter's stuffed body is still on display at the Mint, and he is said to have been the model for American silver dollars issued from 1836 to 1839 and the Flying Eagle cent struck between 1856 and 1859.

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