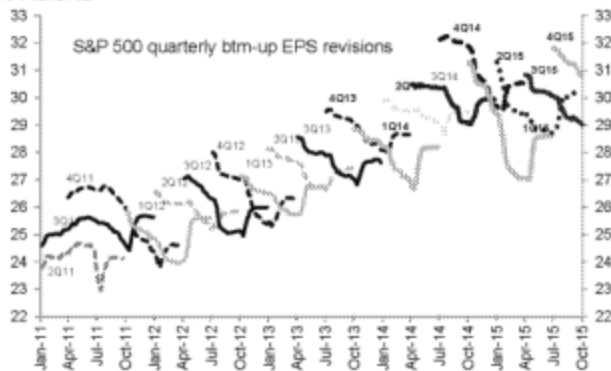




3Q S&P EPS will be weak, weakest sales/EPS growth yet of the profit recession

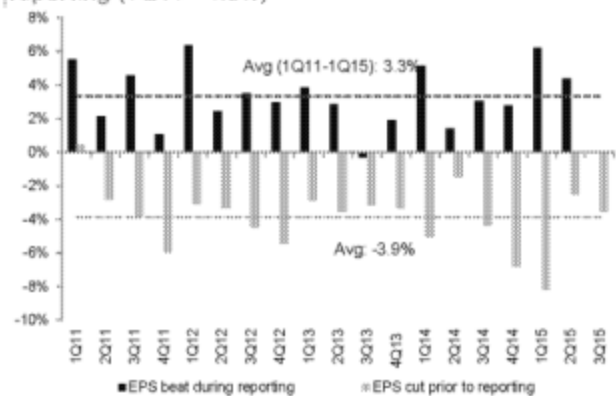
The DB Profit Indicator is a diffusion style index based on six macro indicators. It dropped to 49.2 in July and then 46.7 in August dragged down by Mfg. ISM, Exports and Oil prices. At ~47 it suggests flat to slightly down y/y 3Q EPS. Btm-up 3Q EPS is now \$29.04, or -4.4% y/y on -3.4% y/y sales. EPS growth likely slows at Financials to flat ex litigation given soft capital markets conditions. Health Care EPS should be up high single-digit. Btm-up Tech EPS growth is now merely 2.8% y/y, on FX headwinds and still very sluggish corp IT spending. But final Tech EPS growth should be mid single digit on good growth at consumer exposed Tech. Btm-up 3Q EPS will fall a bit more before turning up on typical "fishhook" beats. We think 3Q EPS will finalize around \$29.75, down 2% y/y, with sales down ~4%, and margins up slightly. Margin improvement is on a non-GAAP basis, GAAP margins and EPS are poor.

Figure 1: Fishhooks: S&P 500 quarterly btm-up EPS revisions



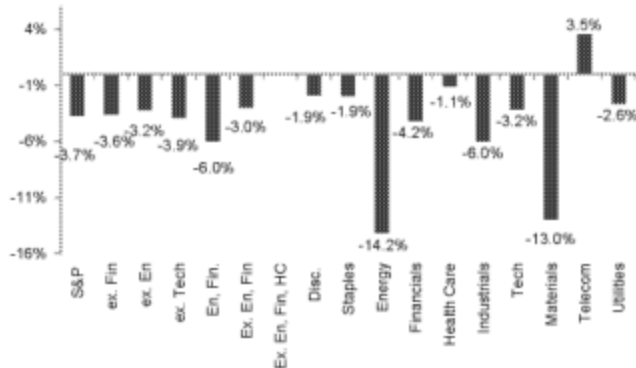
Source: IBES, Deutsche Bank

Figure 2: Change in quarterly EPS before and during reporting (1Q11 – now)



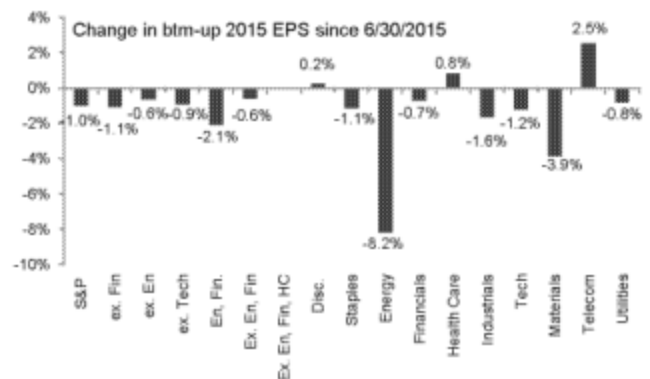
Source: IBES, Deutsche Bank

Figure 3: Change in btm-up 3Q15 EPS since 6/30/2015 (current 3Q EPS is blended: actual for reported and consensus for the rest)



Source: IBES, Deutsche Bank

Figure 4: Change in btm-up 2015 EPS since 6/30/2015



Source: IBES, Deutsche Bank