

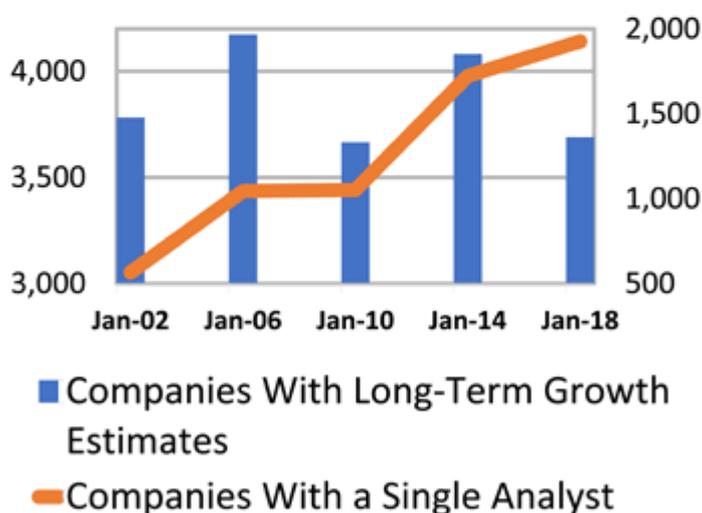
Increasingly, Just One Analyst Is Behind a Stock's Long-Term Earnings Forecast



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Based on casual analysis, it seems there has been a decline in the number of analysts making long-term earnings forecasts on publicly traded stocks. When the subject was raised during a regular portfolio review meeting, we lacked the evidence to support or debunk this hunch. So, using AAI's **Stock Investor Pro** stock screening and database program, some numbers were crunched. The findings have potential implications for investors looking at or using long-term growth estimates.

**MORE THAN HALF
OF LONG-TERM
GROWTH FORECASTS
ARE NOW FROM
ONE ANALYST**



Source: Stock Investor Pro/Thomson Reuters

First, let's discuss the data. We looked at the number of exchange-traded stocks with at least one analyst providing a long-term earnings per share growth estimate. The hypothesis was that this number may be in decline. The numbers were run using end-of-year data, except for 2018. As of Tuesday, Thomson Reuters (AAII's data provider) currently lists long-term forecasts on 3,690 companies—the fewest in seven years and the second fewest since at least 2002.

The number has ebbed and flowed on an annual basis. It reached a peak in 2007 (4,113) before bottoming in 2010 (3,665) and then rebounding to as high as 4,110 in 2015. Unlike the number of exchange-traded stocks, which **has been declining**, there is no discernable trend in the number of companies analysts are publishing long-term forecasts on. This is not the full story, however.

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More on AAll.com

- [Regulations Did Not Improve Analysts' Accuracy](#) - Among the various studies to find fault with analysts' forecasts was this one, which we discussed in the July 2015 *AAll Journal*.
 - [Valuation Ratios: The PEG Ratio](#) - The PEG ratio factors in a company's growth into its valuation, allowing investors to compare companies with different rates of growth.
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Highlights from this month's *AAll Journal*

- [How ETF Shares Are Created, Redeemed and Traded](#) - This AAll InvestoGraphic shows what happens behind the scenes to keep ETFs trading close to the underlying value of their assets.
 - [Using the Power of the Written Word to Improve Your Returns](#) - Simple tools such as journals, checklists and rules can both make you more disciplined and help you to spot and avoid mistakes.
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AAll Sentiment Survey

Optimism rose, while pessimism stayed above its historical average. Plus, this week's special question asked AAll members for their opinion on the current level of sentiment priced into stocks.

[More about this week's results.](#)

This week's results:

- Bullish: 36.2%, up 4.2 points
- Neutral: 32.7%, down 3.2 points
- Bearish: 31.1%, down 0.9 points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Take the [Sentiment Survey](#).

What's Trending on AAI

1. [Do the Top ETFs Continue to Outperform?](#)
 2. [Seven Steps to Protect Against Cognitive Aging](#)
 3. [Advice on Evaluating an Adviser From an Industry Veteran](#)
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The Week Ahead

I will speak to our [New York City local chapter](#) on Wednesday and to our [Millburn, New Jersey, investor education group](#) on Thursday. Not in the New York metro area? Come see me at our [Investor Conference](#), which will be held October 26-28 in Las Vegas. My colleague Wayne Thorp and I will be holding pre-conference investing boot camps on October 25. Spots are limited, so don't wait to register if you're interested in coming.

Five S&P 500 members are on the earnings calendar: Paychex Inc. (**PAYX**) and PepsiCo Inc. (**PEP**) on Tuesday; Lennar Corp. (**LEN**) on Wednesday; and Constellation Brands Inc. (**STZ**) and Costco Wholesale Corp. (**COST**) on Thursday.

The week's first economic reports will be the September Purchasing Managers' Manufacturing Index (PMI), the September Institute for Supply Management (ISM) manufacturing index and August construction spending, all of which will be released Monday. The September ADP employment report

and the September ISM non-manufacturing Index will be released on Wednesday. Thursday will feature the August factory orders. September jobs data—including the changes in nonfarm payrolls and the unemployment rate—along with August international trade data will be released Friday.

Nine Federal Reserve officials will make public appearances: Atlanta president Raphael Bostic on Monday and Friday; Minneapolis president Neel Kashkari and Boston president Eric Rosengren on Monday; vice chairman Randal Quarles on Tuesday and Thursday; chairman Jerome Powell on Tuesday; Chicago president Charles Evans, Richmond president Tom Barkin, Philadelphia president Patrick Harker and Cleveland president Loretta Mester on Wednesday.

Local Chapter Meetings

AAII Local Chapter Meetings offer you a variety of presentations from expert speakers who will give you their view on the world of investing. A bonus of attending a Chapter Meeting near you is the opportunity to meet other AAI members who share your interest and enthusiasm for investing. You can even share the Chapter experience with your family and friends by inviting them to attend Chapter Meetings with you!

[Upcoming Meetings »](#)