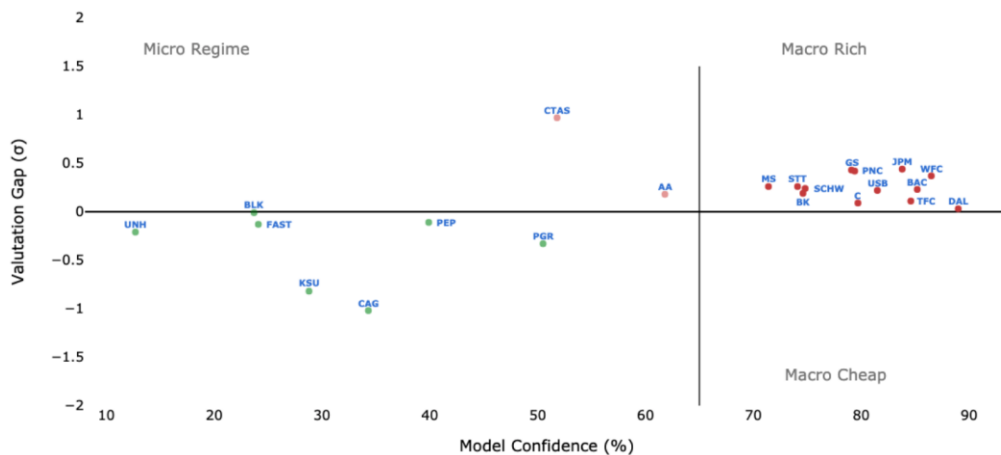


US Earnings season – macro still matters

- US earnings season gets under way this week. A period when bottom-up analysis of company fundamentals typically dominates. This does not, however, mean investors can ignore macro.
- Of the 24 US companies releasing this week, over half are in macro regimes. In the chart below, the 9 models to the left of the vertical bound are in micro regimes. **It's business-as-usual for stock pickers who can focus on idiosyncratic earnings.** However, **all those models to the right of the vertical bound are being driven by macro factors.** Equity investors focused exclusively on company news will miss vital market-moving information.



- As always, the start of earning season is dominated by financials & several of this week's reporting big banks share some common macro characteristics. All are modestly rich to model. [JPM](#) & [Goldman Sachs](#) are the most expensive, both at +0.5 sigma to macro fair value; amongst the bulge bracket [Citi](#), at +0.2 sigma vs model, is the least expensive.
- All the banks want rising inflation, rising real rates & steeper yield curves. Interestingly, [Delta Air Lines](#) wants the same macro environment &, given it is at model fair value, what these critical drivers do next will be hugely important for the DAL stock price.
- The days ahead will see a wealth of stock specific analysis but, as "[The impossibility of a 'bottom up' equity strategy](#)" explains, "however you pick [your] stocks, you usually end up with something that is largely driven by macro factors". It's earnings season, but macro still matters

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