

World Watch

By Stefane Marion

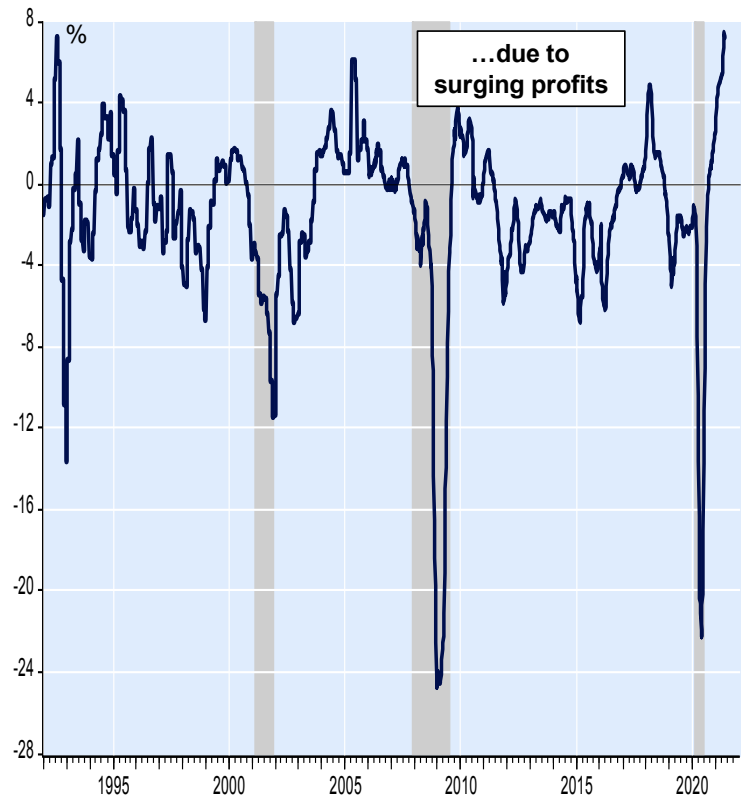
Global equity markets rose to a new record high last week despite a contraction in forward PEs. As today's Hot Chart shows, the PE ratio for the MSCI ACWI is down 8.7% from its cyclical high of 20.5 recorded last year. It is unusual for equity indices to trend higher when PEs are contracting. So why are markets still celebrating? Because of massive upward revisions to earnings. As shown, year-ahead estimates for MSCI ACWI earnings per share (EPS) have been revised up 7.2% in recent weeks, the most since 1992. At this writing, profits are expected to reach \$38/share at this time next year, a level that is 18% above the pre-pandemic peak.

World: Best earnings revisions since 1992

MSCI ACWI and 12-month forward PE



3-month change in 12-month forward EPS estimates for the MSCI ACWI



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