Introducing the star market barometer

By October this year I will have been producing the STAR Newsletter every month for 30 years and for the past decade I have included, in the newsletter, charts that illustrate the movement in the consensus estimates of leading analysts relating to their expectations of the future trend in UK corporate earnings. The charts are derived from aggregated data provided by Sharescope that cover both historic and estimated forward earnings of the largest companies listed on the LSE main market.

The original aim of this exercise was to provide readers of the newsletter with a general indication of the changing trend in estimates month by month rather than the actual percentage movements per se as I have found these often tend to be over-optimistic

The chart, below, illustrates the percentage change, month by month, in earnings estimates for the largest 450 LSE main market listed companies compared with the monthly movement in the All Share Index (ASI) over the same period. The movement in earnings estimates has been calculated by comparing the estimated total earnings for the next full reporting year (Year 2) of all the companies covered with the comparable aggregated estimates over the previous 3 months. Similarly, the change in the ASI compares the most recent monthly value with the mean of the index values for each of the past three months.

**STAR Market Barometer August 2022**

**Source: STAR Newsletter chart derived from data supplied by Sharescope**

It is interesting that the movement in the earnings line appears to be an exaggerated version of the movement in the wider market. There may be a temptation to deduce that the consensus estimates represent a magnified lagging indicator rather than a useful predictor of the future market direction but whatever the conclusions I find it a visually useful component of the newsletter that provides an overview of the possible market direction.

If any UKSA member would like to comment, raise queries or make suggestions do please take a look at the News and Views section of the STAR website at [www.starinvestorhub.uk](file:///C%3A%5CUKSA%20and%20STAR%5Cwww.starinvestorhub.uk) or email me at johnmulligan01@gmail.com.

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