



November 17, 2025

## Morning Briefing

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### All About Earnings

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Check out the accompanying [chart collection](#).

**Executive Summary:** The economy and corporate profits have been remarkably resilient in recent years despite numerous formidable challenges. This year continued the remarkable performance, as Trump's Tariff Turmoil failed to derail earnings or the economy. As a result, the stock market has soared. We remain optimistic on the outlooks for the economy, earnings, and the stock market, supported by a continuation of this year's remarkable earnings strength into 2026. ... However, there are some legitimate concerns regarding AI-related companies' accounting practices that call into question the quality of S&P 500 earnings generally, given the Tech sector's outsized earnings share.

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**Earnings I: Better Than Expected.** It is often said that the stock market is not the economy. That's only partly true; they're distinct from one another but inextricably intertwined. Stock prices are determined by earnings per share (E) and the valuation of those earnings (P/E). The economy indeed drives corporate profits ([Fig. 1](#)). In turn, corporate profits and corporate cash flow drive payroll employment and capital spending ([Fig. 2](#), [Fig. 3](#), and [Fig. 4](#)).

So far during the Roaring 2020s, both the economy and profits have been remarkably resilient. Since the end of 2019 through Q2-2025, nominal GDP and corporate profits from current production are up 39.0% and 56.4%. Real GDP is up 13.3% over this same period, when there was just one recession that lasted only two months. That's despite the pandemic, the two-month lockdown (which caused the recession), social distancing requirements, supply-chain disruptions, Russia's invasion of Ukraine, the inflation spike in 2021 and 2022, the tightening of monetary policy in 2022 and 2023, and Trump's Tariff Turmoil (TTT) in 2025.

This year's earnings have been surprisingly resilient despite TTT. So has the economy. As

a result, the S&P 500 has risen to record highs this year ([Fig. 5](#)). It peaked at 6890.59 on October 29. It is down only 2.3% since then. However, such strength masks a fierce debate over the quality of earnings and the economy's resilience.

The stock market's bears claim that the Magnificent-7 companies, which have been leading the bull market this year, should be depreciating their Nvidia GPU chips over one to three years rather than longer. The economy's pessimists warn that weak employment growth is bad news for the broader economy. They also see more cracks in the credit market. Delinquencies are increasing among low-income consumers, and private credit defaults seem to be rising.

We remain optimistic on the economic outlook and in the bullish stock market camp, along with other economic optimists. This year's earnings performance has been truly remarkable and should continue to be in 2026. Let's review the latest development on this front:

(1) *Spectacular quarterly results*. At the start of the Q3 earnings season, industry analysts estimated that S&P 500 earnings per share rose 6.5% y/y ([Fig. 6](#) and [Fig. 7](#)). The current reading is up 14.9%. Similar significant "earnings hooks" occurred during Q1 and Q2.

(2) *Forward earnings flying*. During the week of November 13, industry analysts raised their 2025 and 2026 S&P 500 earnings-per-share estimates to \$271.74 and \$308.91, respectively ([Fig. 8](#)). S&P 500 forward earnings per share is converging with the 2026 estimate. It is currently up to a record \$304.62.

Forward earnings is an excellent weekly indicator of actual quarterly S&P 500 earnings, which rose to a record high during Q3-2025 ([Fig. 9](#)). In addition, it is highly correlated with the Index of Coincident Economic Indicators ([Fig. 10](#)). So it suggests that the economy has continued to do well through mid-November.

(3) *Broad-based earnings ascent*. We also track the breadth of both forward revenues and forward earnings of the S&P 500 ([Fig. 11](#)). They both show broad-based strength. The percentages of S&P 500 companies with positive three-month percent changes in forward revenues and forward earnings were 82% and 81% during the week of November 14.

The data do not support the commonly held view that the Magnificent-7 accounts for the lion's share of the S&P 500's earnings growth—i.e., there has been next to no growth in the earnings of the Impressive-493. Since the start of 2024, the aggregate forward earnings of the S&P 500 with and without the Magnificent-7 are up 26.4% and 17.4% ([Fig. 12](#)). The

aggregate forward earnings of the Mag-7 is up 67.5% over this period ([Fig. 13](#)).

(4) *Impressive top and bottom lines*. Joe reports that S&P 500 Q3-2025 results are now available for revenues and earnings. They both rose to record highs with growth rates of 5.8% y/y and 14.9% y/y ([Fig. 14](#), [Fig. 15](#), and [Fig. 16](#)). The profit margin is also at a record high of 13.7% ([Fig. 17](#)).

**Earnings II: The Quality Debate.** “Not so fast,” say the Naysayers, including Michael Burry, the man behind the “Big Short” during the Great Financial Crisis. Now he is shorting the AI trade because he notes that the hyperscalers are depreciating their investments in GPU chips over more than three years. He thinks that they should be doing it for under three years.

That is a reasonable concern given that the forward earnings of the S&P 500 has been led higher since the start of the Roaring 2020s by the Information Technology sector ([Fig. 18](#)). Consider the following:

(1) *Complex issue*. The depreciation of GPU chips by hyperscalers (like Google, Microsoft, Meta, and Amazon) is a complex and current topic in financial accounting, with significant debate over the appropriate lifespan. Hyperscalers are stretching GPU depreciation schedules, a move that lowers expenses and boosts reported earnings. Critics argue that this is aggressive accounting since GPUs often become obsolete faster.

(2) *The useful life debate*. Many major hyperscalers publicly use an estimated useful life for their AI server equipment, including GPUs, of five to six years. This is an extension from their historical depreciation schedules for general-purpose servers, which were often around three years. Companies like Microsoft and Oracle have been cited as using or factoring in a useful life of up to six years for their new AI chips/servers. Cloud GPU rental company CoreWeave also extended its GPU depreciation period to six years, from four years, in 2023.

Amazon (AWS) uses shorter schedules closer to four years, while Meta has pushed to extreme lengths of 11–12 years. Microsoft, Google, and Oracle generally fall in the four- to five-year range.

(3) *Rapid obsolescence*. Critics, including some prominent investors, argue that the true economic lifespan is much shorter, perhaps one to three years. Nvidia is now releasing new, significantly more powerful and energy-efficient AI chips (like the Blackwell and Rubin

generations) on a one-year product cycle. This rapid innovation can make older chips economically obsolete for high-end AI training workloads much faster than a five- to six-year schedule suggests. High utilization rates (60%-70%) in demanding AI workloads also contribute to faster physical degradation.

(4) *Older chips still useful.* Hyperscalers justify the longer depreciation schedule by arguing for a value cascade model. They contend that older generation GPUs, once replaced in top-tier training jobs, are simply cascaded down to power less computationally intense but high-volume inference (running the model) or other tasks, where they can still generate significant economic value for years. They also cite continuous software and data center operational improvements that extend the hardware's life and efficiency.

(5) *Bubble risk.* If depreciation schedules don't match real-world replacement cycles, companies may be overstating their profitability and underestimating the capital-consuming intensity of AI infrastructure.

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## Calendars

**US: Mon:** Empire State Manufacturing Index 6.1; Williams; Jefferson; Lane; Kashkari; Waller; Logan. **Tues:** NAHB Housing Market Index 36; Barr. (Source: FX Street)

**Global: Mon:** Italy CPI -0.3%/m/m, 1.2%/y/y; RBA Meeting Minutes; De Guindos; Lane; Mauderer; Mann. **Tues:** Japan Core Machinery Orders 2.4%/m/m, 5.4%/y/y; Canada Housing Starts 275k; Dhingra; Tuominen; Elderson; Buch; Pill. (Source: FX Street)

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## Strategy Indicators

**Global Stock Markets (US\$ Performance)** ([link](#)): The US MSCI index dropped less than 0.1% during the November 14 week to 2.4% below its record high on October 28. The AC World ex-US outperformed, with a 1.2% gain for the week to 1.3% below its record high on October 29. The AC World ex-US has been hitting new record highs since May 14--the first time it's had such a long streak of successive record highs since June 15, 2021. EMU was the best performing region last week, with a gain of 2.4%, followed by Europe (2.1%), EM Latin America (1.7), EAFE (1.6), and the AC World ex-US. EM Asia was the worst regional performer, albeit with a gain of 0.1%, followed by EM (0.3) and EMEA (1.0). The South

Africa MSCI index, with a gain of 5.2%, performed the best among country indexes, ahead of Switzerland (4.1), Spain (3.4), Brazil (3.2), and France (3.1). The Taiwan MSCI index was the worst performer w/w, with a decline of 1.9%, followed by Australia (-1.1), Mexico (-0.8), the US (0.0), and the UK (0.0). In terms of ytd performance rankings, the 14.5% gain for the US MSCI index ranks as the third worst country performer and trails the 26.0% gain for the AC World ex-US. Among the regional indexes outperforming the AC World ex-US ytd, EM Latin America leads with a gain of 44.8%, followed by EMU (32.8), EM (28.8), EM Asia (28.3), Europe (26.9), and the AC World ex-US. EMEA is the worst ytd performer, albeit with a gain of 23.6%, followed by EAFE (24.7). Korea is the best ytd performer, with a gain of 79.6%, followed by Spain (66.0), South Africa (59.7), Brazil (43.9), and Mexico (43.3). The worst performing countries ytd: India (3.5), Australia (8.1), the US (14.5), Japan (22.9), and France (23.9).

**US Stock Indexes** ([link](#)): Just 15 of the 48 major US stock indexes that we follow rose during the week ended November 14, up from 10 a week earlier and down from 45 rising in the two weeks earlier and all 48 the week before that. The S&P 500 LargeCap Value index was the best performer for the week, rising 0.7%, ahead of S&P 100 MegaCap Equal Weighted (0.6%), and S&P 500 LargeCap Pure Value (0.5). The Russell 2000 Growth index was the worst performer, with a decline of 2.8%, followed by Nasdaq Industrials (-2.3), Russell MidCap Growth (-1.9), Russell 2000 (-1.8), and S&P 500 LargeCap Pure Growth (-1.8). All but one of the 48 indexes are higher ytd. With a gain of 19.7%, the S&P 500 LargeCap Growth index is back in the top spot as the best performer so far in 2025, ahead of Nasdaq 100 (19.3), Nasdaq Composite (19.1), S&P 100 MegaCap (16.8), and Russell 1000 Growth (16.4). The worst performing major US stock indexes ytd: S&P 600 SmallCap Equal Weighted (-1.0), S&P 600 SmallCap (1.1), Dow Jones 20 Transports (1.1), and S&P 600 SmallCap Growth (1.1).

**S&P 500 Sectors Performance** ([link](#)): Five of the 11 S&P 500 sectors rose during the week ended November 14, and the same five were ahead of the S&P 500's 0.1% gain. That compares to seven S&P 500 sectors rising a week earlier, when only two were ahead of the S&P 500's 1.6% decline. The outperformers last week: Health Care (3.9%), Energy (2.5), Materials (0.9), Consumer Staples (0.6), and Information Technology (0.5). The underperformers last week: Consumer Discretionary (-2.7), Utilities (-1.2), Real Estate (-0.9), Industrials (-0.9), Communication Services (-0.8), and Financials (0.7). The S&P 500 is now up 14.5% ytd, with all 11 sectors positive ytd and four are ahead of the index. During the June 20 week, Consumer Discretionary and Health Care were trailing so far behind ytd that they were the only sectors trailing the index. Information Technology wears the crown as the best ytd performer with a gain of 24.5%, followed by Communication Services (22.7),

Utilities (16.8) and Industrials (15.2). These seven sectors are lagging the S&P 500 so far in 2025: Real Estate (0.8), Consumer Staples (0.8), Consumer Discretionary (2.7), Materials (3.6), Energy (7.1), Financials (8.3), and Health Care (10.1).

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## Global Economic Indicators

**Eurozone Industrial Production** ([link](#)): Production in September was much weaker than expected, reflecting volatility among big foreign companies based in Ireland for tax reasons. Headline production rose 0.2%, less than one-third the consensus estimate of a 0.7% increase, following August's 1.1% drop. By sector, energy output posted the largest gain, climbing 1.2% following a 2.2% drop during the two months through August; intermediate and capital goods production both increased 0.3% during the month. Meanwhile, consumer nondurable and durable goods production contracted 2.6% and 0.5%, respectively. Compared to a year ago, consumer nondurable goods (2.2%) and energy (2.1) output posted the largest gains, followed by capital (1.1) and intermediate (0.5) goods production; consumer durable goods output sank 3.0%. Looking at the largest Eurozone economies: Production in Italy (2.8% m/m & 1.5% y/y) and Germany (1.9 & -0.8), posted the largest monthly gains, followed by France (0.8 & 1.4) and Spain (0.4 & 1.6). On a year-over-year basis, production in Spain, Italy, and France all increased, while Germany was in the red. Meanwhile, output in Ireland plunged 9.4% during September, though was 6.3% above a year ago.

**Eurozone GDP** ([link](#)): GDP advanced 0.2% during Q3, matching the flash estimate and slightly above Q2's 0.1% uptick. On a year-over-year basis, GDP was up 1.4%, slightly above the preliminary estimate of 1.3% but below Q2's 1.5% pace. Among the Eurozone's major economies, Spain was the standout performer last quarter, expanding 0.6%, led by solid household spending and strong investment, while France also showed strong growth, increasing 0.5% on a sharp increase in exports. The Netherlands was also in the plus column, climbing 0.4%. Meanwhile, GDP growth in both Germany and Italy was flat, following downticks during Q2. On a year-over-year basis, Spain (2.8%), the Netherlands (1.6), and France (0.9) finished in the top three among the major economies followed by Italy (0.4) and Germany (0.3).

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