Yardeni Research

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Morning Briefing

On Retail, Crypto & S&P 500 Earnings

Check out the accompanying chart collection.

Executive Summary: The holiday selling season is off to a merry start for retailers. By most accounts, consumers gobbled up the post-Thanksgiving sales last weekend with more gusto than last year. … Also: Does the recent downdraft in the price of bitcoin suggest another cyrpto winter? Jackie parses the issues that bitcoin investors are wrestling with at this juncture, including two big headwinds and one helpful tailwind, courtesy of Uncle Sam. … And: Joe's analysis suggests that 2026 may be a rare year in which analysts' estimates for S&P 500 companies aren't whittled down as the months pass.

Consumer Discretionary: The Holiday Shopping Tally. Thanksgiving leftovers polished off, consumers hit the malls and keyboards last weekend, doing their part to keep the US economy humming. From Thanksgiving through Cyber Monday, retail sales rose anywhere from 3% to 7% y/y—albeit unadjusted for inflation, so not as brisk as that range sounds. And we won't know if they were profitable sales until retailers report Q4 earnings.

That said, here's what the retail trackers reported:

(1) *NRF & Adobe.* A record 203 million consumers shopped in-store and online from Thanksgiving through Cyber Monday, up 3.0% from the year-earlier 197 million, according to the National Retail Federation (NRF). In-store visitors increased 3% y/y, online shoppers 9% y/y. Holiday-related spending of $337.86 per shopper beat last year's $315.56 but not 2019's record $361.90. NRF forecasts that spending over the entire holiday season will increase by 3.7%-4.2% y/y, excluding auto dealers, gas stations, and restaurants.

Adobe *reports* that US online spending during the critical five days surged 7.7% y/y. After that strong showing, Adobe expects holiday season online spending to rise 5.3% y/y to $253.4 billion.

(2) *Mastercard, Salesforce & others.* Mastercard, which tracks both in-store and online

sales, *reports* that US retail sales (excluding autos) rose 4.1% y/y on Black Friday—10.4% online and 1.7% in-store—and rose 3.3% y/y on Cyber Monday.

Salesforce *tallied* $79 billion spent online globally on Black Friday, up 6% y/y, with US sales of $18 billion up 3% y/y. Average selling prices were up 7% y/y, while order volumes were down 1%.

RetailNext, a retail and traffic analytics company, *reports* that in-store traffic fell 3.6% y/y on Black Friday. Don't tell that to Pass_by, which found that traffic in physical stores rose 1.2% on Black Friday, including a 7.9% jump at department stores.

We know that the final tally isn't in until the fat lady sings; but so far, so good.

Disruptive Technologies: Bitcoin Bounces. After sliding for much of the past two months, bitcoin may have found its footing on Tuesday. The king of cryptocurrencies got some good news. Vanguard Group, the world's second-largest asset manager, announced it will give clients access to ETFs and mutual funds that primarily hold cryptocurrencies. Separately, Bank of America announced that it will allow wealth managers to recommend a 1%-4% allocation to spot bitcoin ETFs.

The price of bitcoin swooned on Monday, stopping short of its November 22 recent low, then rallied on Tuesday, leaving it down 2.5% ytd (compared to the S&P 500's 16.1% gain) (*Fig. 1*). Now investors are left wondering whether the downdraft is over or whether it heralds another "crypto winter," as in 2021; it took roughly four years for bitcoin to move past its prior high. While some traders' models are flashing undervaluation, the cryptocurrency has two large hurdles to surmount before an all-clear can sound: MSCI is weighing whether crypto treasury companies should be kicked out of its indexes, and the Bank of Japan (BOJ) is considering raising interest rates, which could hurt the yen carry-trade used by some to invest in crypto assets.

That said, it's good to have friends in high places. President Donald Trump, directly or indirectly through his family, has launched many crypto-related companies and meme coins, which have sold off sharply in the current correction. He has also ushered in a crypto-friendly administration. It pushed through the GENIUS Act in July to provide a legal framework for the issuance of stablecoins. Up next: New rules by the US Securities and Exchange Commission expected in January to make it faster to issue new crypto products.

Here's more on the crypto environment:

(1) *An eye on Japan.* After decades of extremely low interest rates in Japan—which provided cheap leverage to speculators in financial assets including bitcoin—the BOJ started raising its benchmark interest rate in the summer of 2024. The tightening sent yields on Japanese government bonds higher.

While further rate increases are expected, their timing is uncertain. On Monday, BOJ Governor Kazuo Ueda discussed the potential for a rate hike on December 19; bond yields rose in response, and the market's assessment of rate-hike odds jumped from 25% to 80%. By some *accounts*, bitcoin's declines on Sunday and Monday were driven by yen arbitrage trading and forced liquidations of more than $1 billion of bitcoin.

There are plenty of opportunities to buy bitcoin and other crypto assets using leverage. Binance *handles* almost half of all crypto trading volume and allows leverage of up to 50 times. There are also funds that use leverage when buying crypto-related assets. The T-Rex 2X Long MSTR Daily Target ETF seeks investment results of 200% of the daily performance of Michael Saylor's Strategy by using debt and investing in swap agreements. Its shares fell from $185.51 in November 2024 to $1.25 on Tuesday. The fund family *announced* a 1-for-10 reverse stock split, effective Wednesday.

(2) *Index threat.* While leverage may have accelerated the bitcoin downdraft, some investors believe that MSCI got the ball rolling. The index company announced on October 10 that it was considering excluding from its indexes companies that hold more than half of their assets in crypto. The "consultation period" ends on December 31, and a decision is expected by January 15. If implemented, crypto treasury stocks, like Saylor's Strategy, could be removed from MSCI indexes in February. The change *could affect* issuers holding more than $135 billion in digital assets and 5% of all bitcoin.

The timing of this potential change is less than fortuitous for the dozens of new crypto treasury companies created this year attempting to repeat Strategy's success. When the prices of the cryptocurrencies they own rises, all's well. The companies can sell stock or debt, buy additional cryptocurrencies, and often trade at a premium to the value of their cryptocurrencies.

At the market's peak, some crypto treasury companies were buying esoteric, less-liquid cryptocurrencies with price action that's likely to be more volatile than bitcoin's. The crypto treasury companies were also raising funds in the private equity market, which may be more difficult to do in the future if crypto enthusiasm doesn't revive.

As the price of bitcoin falls, crypto treasury companies have a tough time selling stock and debt, making it challenging to cover expenses. And if their net asset value falls below the value of the bitcoin held, they might feel pressure to unwind and sell their bitcoin holdings.

Some companies have already started taking action. Sequan Communications, a fabless semiconductor company that adopted bitcoin as a reserve asset in July, *reported* on November 4 that it sold 970 bitcoin in Q3, a third of its holdings, to pay down half of the $189 million in convertible debt it had issued in July. The company continues to hold 2,264 bitcoin and remains committed to its bitcoin treasury strategy. The French company's ADRs have fallen from $53.90 in July to $6.06.

ETHZilla, an ethereum treasury company, *sold* in October about $40 million of the ether it owned and used the proceeds to repurchase its shares, which were trading at a discount to the value of its ether holdings. The purchases were part of a $250 million buyback program approved by its board. ETHZilla shares, which peaked at $107.00 on August 13, have fallen to $10.64.

The crypto treasury industry’s giant, Strategy, has not sold its bitcoin holdings, but it did sell shares in late November to raise $1.4 billion earmarked for future preferred dividend payments. Management noted that selling equity made sense because the shares traded at a premium to its bitcoin holdings. If they were trading at a discount, Strategy instead might have sold its bitcoin; it owns 3.1% of ALL bitcoin outstanding. Its shares have fallen 37.3% ytd.

(3) *Crypto has friends in high places.* President Trump and his family have been fans of crypto, issuing meme coins and crypto companies, which trade underwater in the wake of crypto industry’s downdraft. The industry could get a shot in the arm from the Securities and Exchange Commission (SEC), which has been far friendlier to the industry under the Trump administration than it was under the Biden administration.

SEC Chair Paul Atkins *said* the innovation exemption rule, which would allow crypto issuers to launch tokens and products faster by not requiring full SEC registration, could apply as early as January. It’s part of “Project Crypto,” an initiative to modernize securities law and bring US financial markets onto blockchain rails. Its goal is to implement recommendations from President Trump’s Working Group on Digital Asset Markets, including the goal of removing legal uncertainty that stifled crypto innovation.

Strategy: Will 2026 Be a Year of Rising Estimates? Year-end is a good time to take stock of how the analysts following S&P 500 companies have adjusted next year's per-share forecasts so far this year. Analysts typically lower their annual consensus forecasts as a year progresses (only eight years in the past 30 were exceptions) (*Fig. 2*). This year looks like no exception, but Joe's data suggest that 2026 could be a year of rising estimates for S&P 500 companies in aggregate. That's because most of the S&P 500's 11 sectors have improved or stabilized estimates since the Q2 earnings reporting season ended in July.

Let's take a look:

(1) *2026 revenues are rising now.* The S&P 500's consensus aggregate 2026 revenues forecast is unchanged ytd and improved after being down 1.6% ytd at the end of July. Typically, the following calendar year forecasts would be about 1%-2% lower by now.

These five sectors have posted a gain in their 2026 consensus revenues forecasts so far: Information Technology (6.4%), Health Care (4.2), Communication Services (2.6), Utilities (0.7), Financials (0.3), and Industrials (0.1) (*Fig. 3*). Among the laggards, ytd declines have improved for nearly all since July's end: Consumer Staples (-6.8), Energy (-4.9), Consumer Discretionary (-3.3), Materials (-2.4), and Real Estate (-1.1).

The revenues revision story improves considerably after adjusting for the one-time impact of the removal of Consumer Staples' Drug Retail industry in September. Instead of being down 6.8% ytd, Consumer Staples' expected 2026 revenues for 2026 would be down only 0.5%. Instead of being unchanged ytd, the S&P 500's 2026 revenues would be UP 1.0% ytd. From an earnings perspective, the Drug Retail industry was neither making nor losing money, so its removal had no impact on aggregate earnings.

The forecast for the S&P 500's 2026 earnings is down 0.6% so far this year, but even that has improved markedly from a ytd decline of 4.1% at July's end. These four sectors have higher 2026 earnings forecasts ytd and are ahead of the S&P 500 by that measure: Information Technology (10.3%), Communication Services (3.1), Financials (2.9), and Utilities (0.8) (*Fig. 4*).

Among the biggest laggards are Energy (-21.7), Materials (-11.2), Health Care (-7.2), Consumer Discretionary (-7.9), Consumer Staples (-6.7), Real Estate (-6.5), and Industrials (-6.5). Since Q2 ended, Energy and Health Care have been the only sectors to have their 2026 earnings estimates worsen.

(2) *Forward revenues and earnings up broadly, powered by three sectors.* We capture

forward-12-month data by time-weighting the analysts' consensus estimates for the current and following years.. Forward forecasts typically rise as years progress and more of the following year's (typically higher) estimates are folded in.

The S&P 500's aggregate forward revenues forecast has gained 5.8% ytd as nine of the 11 sectors' forward revenues also moved higher. These five top the S&P 500 by this measure: Information Technology (16.8%), Health Care (9.8), Communication Services (8.6), Industrials (6.2), and Financials (5.9) (*Fig. 5*). Among the laggards ytd are the Consumer Staples (-3.4%), Energy (-1.6), Materials (1.8), Consumer Discretionary (2.6), Utilities (4.3), and Real Estate (4.9) sectors.

Adjusting for Drug Retail's removal, the S&P 500's forward revenues improves to a 6.0% gain ytd and Consumer Staples' improves to +2.5% from -3.4%, leaving Energy as the sole decliner.

The S&P 500's forward earnings has risen 11.9% ytd—well above its usual 8.0%-9.0% by early December—powered by three sectors: Information Technology (26.8%), Communication Services (15.2), and Financials (14.6) (*Fig. 6*). The other eight sectors lag the S&P 500, but only Energy's forward earnings is actually down ytd.

(3) *Forward profit margins improving broadly.* It has been a good year for forward profit margins considering the tariff uncertainty. (These we calculate from forward revenues and earnings.) At the end of April, just three sectors were higher ytd; that count is now seven. The S&P 500's profit margin has improved 5.8% ytd, powered by gains for three sectors: Information Technology (8.6%), Financials (8.1), and Communication Services (6.1). The forward margins have fallen the most ytd for Health Care (-7.2) and Energy (-6.1), but even they have stabilized or improved since Q2 (*Fig. 7*).

Calendars

US: Thurs: Total Vehicle Sales; Jobless Claims 220k; Bowman. **Fri:** Personal Income & Spending (delayed report) 0.3% & 0.3%; PCED 0.3%m/m, 2.8%y/y; University of Michigan Consumer Sentiment 52.0; Factory Orders. (Source: FX Street)

Global: Thurs: Eurozone Retail Sales 0.1%m/m, 1.4%y/y; De Guindos; Cipollone; Lane. **Fri:** Eurozone GDP 0.2%q/q, 1.4%y/y; Germany Factory Orders 0.5%; Japan Leading Indicators; Lane; Mauderer. (Source: FX Street)

Strategy Indicators

S&P 500 Earnings, Revenues, Valuation & Margins (*link*): During the November 27 week, S&P 500's forward revenues rose 0.1% w/w, and forward earnings jumped 0.3% higher, to new record highs, as the forward profit margin rose 0.1ppt w/w to a new record high of 14.3%. The forward profit margin is now 4.0ppts above its seven-year low of 10.3% during April 2020. The consensus expectations for forward revenues growth was steady w/w at a 40-month high of 6.8%. From a longer-term perspective, that's well above its 20-year average of 5.2%. It has risen 450ppts from its 33-month low of 2.3% during the February 23, 2023 week. That compares to a pandemic-recovery boosted record-high 9.6% forward revenues growth at the end of May 2021 and 0.2% during April 2020, which was the lowest reading since June 2009. The forward earnings growth forecast rose 0.3ppt w/w to a 12-month high of 14.3%, up 3.4ppts from its 15-month low of 10.9% during the May 29 week. That's a bit stronger than its 20-year average of 11.4% and is just a hair below a four-year high. That compares to its 23.9% reading at the end of April 2021, which was boosted by the recovery from the pandemic to its highest reading since June 2010 and up substantially from its record low of -5.6% at the end of April 2020. Analysts expect revenues to rise 6.3% in 2025 (unchanged w/w at a new high) and 6.9% in 2026 (unchanged w/w at a new high), compared to a 5.0% rise in 2024. They expect an earnings gain of 12.9% in 2025 (up 0.1ppt w/w to a nine-month high) and a 14.7% rise in 2026 (up 0.3ppt w/w to a new high) compared to 2024's earnings gain of 11.6%. Analysts expect the profit margin to rise 0.8ppt y/y to 13.3% in 2025 (unchanged w/w at an eight-month high) and 1.0ppt y/y in 2026 to 14.3% (unchanged w/w at an eight-month high), compared to 2024's 12.5%. Looking at valuation data as of November 27, the S&P 500's weekly forward P/E rose 0.5pt w/w to 22.5 from a 21-week low of 22.0, and is just 0.8pt below the 25-year high of 23.3 during the October 30 week. That's now up 3.3pts from its 16-month low of 19.2 during the April 17 week. It also compares to 23.1 in early September 2020, which was then its highest level since July 2000, and to a 77-month low of 14.0 in March 2020. The S&P 500 weekly price-to-sales ratio rose 0.08pt w/w to 3.21 from a 10-week low of 3.13, and is just 0.07pt from its record high of 3.28, also during the October 30 week. That's up from a six-month low of 2.22 during the October 26, 2023 week and compares to a 49-month low of 1.65 in March 2020.

S&P 500 Sectors Revenues, Earnings, & Margins (*link*): During the November 27 week, seven of the 11 S&P 500 sectors posted gains in their forward revenues; seven posted gains in their forward earnings; and the forward profit margin rose for two sectors. These six sectors had post pandemic- or record-high forward revenues this week: Consumer

Discretionary Health Care, Industrials, Information Technology, Real Estate, and Utilities. Communication Services and Financials are less than 0.2% below their very recent records, and Consumer Staples' would be near a record high too, but is instead 4.9% below due to Drug Retail's exit in September. Energy's is stalled now, and remains depressed at 28.7% below its September 2008 record and 16.0% below its cyclical high in October 2022. Materials' is also stalling, but around a two-year high at 4.1% below its June 2022 record high. These four sectors had record-high forward earnings this week: Financials, Health Care, Information Technology, and Utilities. These five are less than 1.1% from their record highs: Communication Services, Consumer Discretionary, Consumer Staples, Industrials, and Real Estate. Forward earnings remains depressed for the last two sectors, Energy and Materials, which have stalled in recent weeks at 38.8% and 21.4.% below their respective highs during 2022. Looking at the forward profit margin, two sectors rose w/w and one fell. Financials and Information Technology were at record highs. These four sectors remain close: Communication Services, Consumer Discretionary, Industrials, and Utilities. Consumer Staples, Energy, Materials, and Real Estate are improving somewhat from their recent multi-year lows, but Health Care's is still at a record low. Here's how the S&P 500 and its 11 sectors rank based on their current forward profit margin forecasts along with their record highs: Information Technology (29.1%, up 0.1ppt w/w to a record high, its first since September 2024 when low-margin Dell's addition to the index lowered the margin 1.3ppts then to 26.3%), Financials (21.2, steady w/w at a record high), Communication Services (19.6, down from its 19.8 record high during the August 7 week), Real Estate (16.6, down 0.2ppt from its 16.8 eight-month high in early October and down from its 19.2 record high in 2016), Utilities (14.8, down 0.1ppt from a 45-month high 14.9 in early November and 0.3ppt below its 15.1 record high in April 2021), S&P 500 (14.3, up 0.1ppt w/w to a new record high), Materials (11.1, steady at a 10-month high and up 0.6ppt from 51-month low 10.5 in late February and down from a 20-month high of 11.6 in July 2023 and a 13.6 record high in June 2022), Consumer Discretionary (9.5, down 0.1ppt w/w from a 9.6 record high), Energy (8.8, up 0.1ppt w/w and up from a 55-month low of 8.5 during the during the May 15 week and down from its 12.8 record high in November 2022), Industrials (11.2, steady at 0.1ppt below its 11.3 record high in early January), Health Care (8.1, steady at a record low and down from its 11.5 record high in February 2022), and Consumer Staples (7.1, steady w/w and up 0.4ppt from a 21-month low of 6.7 during the 9/4 week just before Drug Retail's exit from the sector, and down from its 7.7 record high in June 2020).

US Economic Indicators

ADP Employment (*link*): "Hiring has been choppy of late as employers weather cautious consumers and an uncertain macroeconomic environment," noted Dr. Nela Richardson, chief economist, ADP. "And while November's slowdown was broad-based, it was led by a pullback among small businesses." *Private payroll* employment shed 32,000 jobs in November, below consensus estimates of a 5,000 increase, led by a sharp drop small businesses; both medium and large businesses expanded jobs during the month. Jobs in both the service-providing and goods-producing sectors fell during the month. The *service-providing* sector shed 13,000 jobs last month, led by professional & business services (-26,000) information services (-20,000), financial activities (-9,000), with other services (-4,000) moving slightly lower. Partially offsetting these declines were job gains in education & health services (33,000), leisure and hospitality (13,000), and trade transportation & utilities (1,000). *Goods-producing* employment fell by 19,000, with both the manufacturing (-18,000) and construction (-9,000) sectors declining, while natural resources/mining (8,000) added to payrolls. *By region*, the Northeast (-100,000) and South (-43,000) saw sharp declines in employment, while the West (67,000) and Midwest (45,000) added jobs. According to the report, the pay for *job-stayers* was up 4.4% y/y, down from 4.5% in October, while pay for *job-changers* was rose 6.3% over the period, slowing from 6.7% in October.

US Non-Manufacturing PMI (*link*): Economic activity in the service sector continued to expand in November. The NM-PMI (to 52.6 from 52.4) improved for the second successive month in November after contracting in September—and was in expansion territory for the ninth time this year. The *business activity/production* (to 54.5 from 54.3) measure expanded for the second straight month after dipping below the breakeven point of 50.0 in September, while new orders (52.9 from 56.2) continued to expand, though at a slower pace. Meanwhile, the employment (48.9 from 48.2) measure was in contraction territory for the sixth straight month in November, though improved for the fourth consecutive monthly from July's reading of 46.4. *Supplier deliveries* (54.1 from 50.8) measure posted its 12th straight month in expansion territory—indicating slower delivery performance. (Supplier deliveries is the only ISM PMI Reports Index that is inversed; a reading of 50.0 indicates slower deliveries, which is typical as the economy improves and customer demand increases.) On the *inflation* front, the *price index* (65.4 from 70.0) eased a bit in November, posting its lowest reading since this April's 65.1, and has exceeded 60.0 for 12 consecutive months. October's reading reached 70.0 in October, which was the highest reading since October 2022.

Global Economic Indicators

Global Composite PMIs (*link*): "Global economic growth continues as confidence rises and new export orders stabilize" was the heading of November's report. Global economic growth slowed slightly in November, while business confidence picked up. The *Global C-PMI Output Index* (to 52.7 from 53.0) slowed a bit from October's 17-month high, but was still above the average for the current period of expansion that began in February 2023 (52.1). The Services PMI Business Activity Index (at 53.3) outperformed the Manufacturing PMI Output Index (51.2) for the ninth straight month—with business activity in the service sector rising for the 35th consecutive month. According to the report, all three service sub-sectors—business, consumer, and financial services—recorded growth, with financial services posting the strongest growth and business services the slowest. Meanwhile, both global manufacturing production and new orders increased for the fourth consecutive month, "though at the weakest rates during those sequences." *By sector*, consumer and intermediate goods growth improved, but investment goods contracted. *Regionally*, India, the US, and the Eurozone (on average) recorded output growth above the global average. Expansions were also registered in Australia, China, Japan, and the UK, while Russia showed no change. Meanwhile, Canada, Kazakhstan, and Brazil continued to experience a contraction in economic activity. Turning to *business confidence*, the report notes a solid uptick from October's six-month low, though did remain subdued by historical standards—remaining below its long-run average the past year and a half. Turning to *pricing*, November's *average input price* was at a six-month high—accelerating in both the manufacturing and services sectors. *Output charges* increased for the 65th straight month; however, the rate of selling price inflation stabilized at October's six-month low.

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