



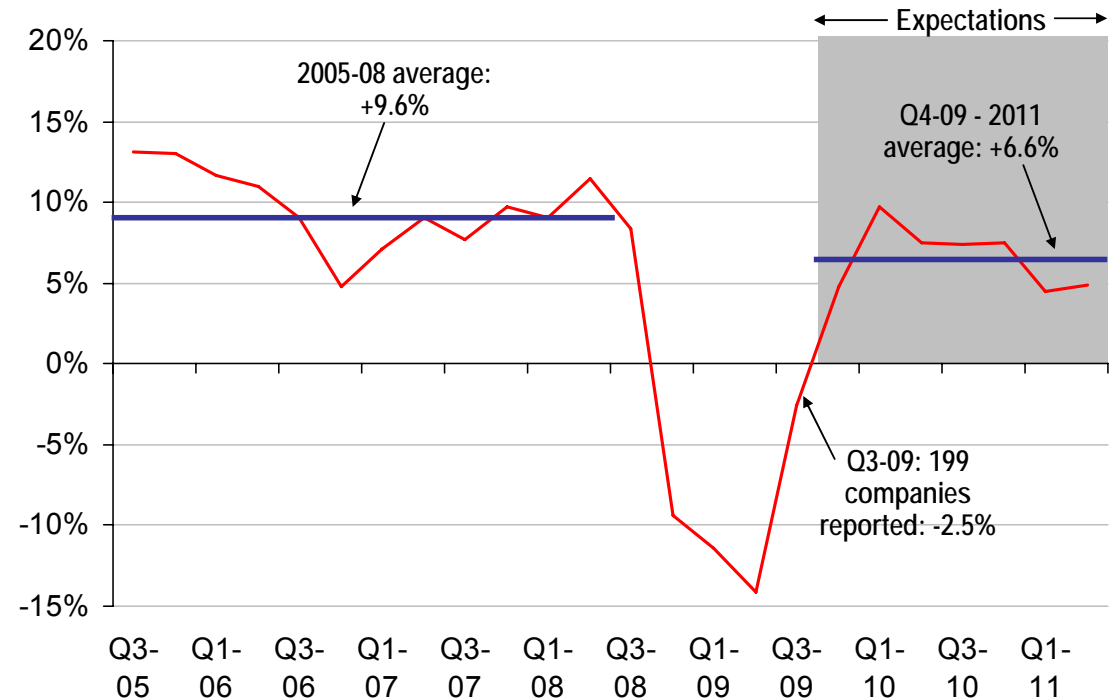
Equity Watch

The current earnings season is nothing short of stellar: so far 81% of the first 199 S&P 500 companies to report earnings came in above expectations on their third-quarter 2009 results. But this time around, we are also interested by the top line. We have previously said it was a good thing that U.S. companies were busy cutting costs. This made them more productive. But cost-cutting alone will not produce a sustainable economic recovery. Top-line growth is needed if employment is to grow down the road. Companies are now lean. Profit margins of nonfinancial companies are now at 10%, which is pretty high for the end of a recession. Any uptick in sales will give bottom lines a big boost. The blended Q3 revenue growth rate (combines actual numbers for companies that have reported and estimates for companies that have yet to report) for the S&P 500 is -10.2%. But so far in the quarter, quarterly revenues have declined only 2.5%. According to the consensus, positive revenue growth is just around the corner: Q4 sales for the S&P 500 are expected to be up 4.7%. Further down the road, revenue growth is expected to remain in positive territory. It should be noted that the average expected quarterly revenue growth between Q4-09 and 2011 is seen at 6.6%. This is lower than the 2005-08 average of 9.6%. This is consistent with our economic scenario which sees upcoming economic growth below last cycle's trend.

Pierre Lapointe

Positive revenue growth just around the corner

S&P 500 quarterly revenue growth over corresponding quarter one year ago



NBF Economic Research (data via Bloomberg)

NBF Economics & Strategy Group (514) 879-2529

Stéfane Marion, Chief Economist and Strategist

General: National Bank Financial (NBF) is an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on Canadian stock exchanges. ♦ The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. ♦ Canadian Residents: In respect of the distribution of this report in Canada, NBF accepts responsibility for its contents. To make further inquiry related to this report or effect any transaction, Canadian residents should contact their NBF Investment advisor. ♦ U.S. Residents: NBF Securities (USA) Corp., an affiliate of NBF, accepts responsibility for the contents of this report, subject to any terms set out above. Any U.S. person wishing to effect transactions in any security discussed herein should do so only through NBF Securities (USA) Corp. ♦ UK Residents: In respect of the distribution of this report to UK residents, NBF has approved this financial promotion for the purposes of Section 21(1) of the Financial Services and Markets Act 2000. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant securities or related financial instruments discussed in this report, or may act or have acted as investment and/or commercial banker with respect thereto. The value of investments can go down as well as up. Past performance will not necessarily be repeated in the future. The investments contained in this report are not available to private customers. This report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. This information is only for distribution to non-private customers in the United Kingdom within the meaning of the rules of the Regulated by the Financial Services Authority. ♦ Copyright: This report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of National Bank Financial.