



Press Release

S&P 500 Fourth-Quarter Operating Earnings Growth Expected to Slow; May Break Streak of Double-Digit Earnings Gains

New York, December 29, 2006 – The fourth-quarter operating earnings for the S&P 500 is on track to post its lowest year-over-year gain in over four and a half years, announced Standard & Poor's today. Estimated fourth-quarter 2006 earnings of \$22.08, or \$199 billion in aggregate, would represent a 9.4% gain over the \$20.19 reported for the fourth quarter of 2005 – marking the first single-digit earnings gain for the index since the first quarter of 2002. However, Standard & Poor's expects full-year 2006 to be the best year ever for operating earnings, with a projected 14.9% gain over 2005.

“The long expected earnings slowdown appears to finally be materializing,” says Howard Silverblatt, Senior Index Analyst at Standard & Poor's. “It appears that an earnings deceleration in the Consumer Discretionary sector and the general economic pullback will contribute the most to the single-digit environment.”

“Standard & Poor's U.S. equity analysts collectively project the high single-digit earnings growth to continue into the first half of 2007, led by the Information Technology and Telecommunication Services sectors,” says Alec Young, S&P International Equity Strategist. “As the Information Technology sector derives slightly more than half of its revenues from overseas markets, S&P analysts are incorporating continued, robust economic conditions in Europe and Asia as principal drivers of their optimism.”

Earnings are just one of many benchmarks seen posting new records this year. Among the others expected to reach new highs are dividend payments (\$224 billion vs. \$202 billion for 2005 vs. \$181 billion for 2004) and corporate share buybacks (\$437 billion vs. \$349 billion vs. \$197 billion), while cash holdings of the S&P 500 (old) Industrials sector are expected to remain high in spite of the additional shareholders return (\$608 billion vs. \$635 billion vs. \$626 billion). Standard & Poor's is also estimating that new records will be set in 2007 for earnings and dividends, with dividends expected to post over 11% gain, outpacing earnings.

Despite the slowing earnings growth trend, the S&P Investment Policy Committee expects the S&P 500 Index will continue to rally in 2007 reaching 1510 by year-end, an approximate 6% increase from current levels.

STANDARD & POOR'S INDEX SERVICES
S&P 500 EARNINGS AND ESTIMATE REPORT

QUARTER	OPERATING EARNINGS PER SHR	AS REPORTED EARNINGS PER SHR	OPERATING EARNINGS P/E	AS REPORTED EARNINGS P/E
12/31/2007 Est	25.66	19.60	14.84	16.46
09/30/2007 Est	24.24	21.40	15.41	16.36
06/30/2007 Est	23.83	22.40	15.61	16.35
03/31/2007 Est	22.45	23.30	15.94	16.79
12/31/2006 Est	22.08	20.10	16.25	17.54
09/30/2006	23.03	21.47	15.55	17.00
06/30/2006	21.95	20.11	15.55	17.05
03/31/2006	20.75	19.69	16.35	17.82
12/31/2005	20.19	17.30	16.33	17.85
09/30/2005	18.84	17.39	16.56	18.46
06/30/2005	19.42	18.29	16.49	18.80
03/31/2005	18.00	16.95	16.91	19.57
12/31/2004	17.95	13.94	17.91	20.70
09/30/2004	16.88	14.18	17.25	19.29
06/30/2004	16.98	15.25	18.36	20.32
03/31/2004	15.87	15.18	19.39	21.66
12/31/2003	14.88	13.16	20.33	22.81
09/30/2003	14.41	12.56	19.25	25.82
06/30/2003	12.92	11.10	19.91	28.21
03/31/2003	12.48	11.92	17.79	27.97
12/31/2002	11.94	3.00	19.11	31.89

	ESTIMATED Q3 2006 OVER Q3 2005	ESTIMATED Q4 2006 OVER Q4 2005	ESTIMATED Q1 2007 OVER Q1 2006	ESTIMATED Q2 2007 OVER Q2 2006	ESTIMATED Q3 2007 OVER Q3 2006	ESTIMATED Q4 2007 OVER Q4 2006	ESTIMATED 2006 OVER 2005	ESTIMATED 2007 OVER 2006
S&P 500	22.3%	9.4%	8.2%	8.5%	5.2%	16.2%	14.9%	9.5%
Consumer Discretionary	56.4%	-3.0%	-5.6%	6.6%	-10.2%	23.4%	19.0%	3.2%
Consumer Staples	4.4%	3.1%	7.5%	5.9%	9.0%	11.3%	4.8%	8.4%
Energy	34.1%	-2.7%	16.4%	-2.2%	-3.8%	17.8%	25.7%	6.2%
Financials	28.0%	24.2%	4.8%	4.8%	4.2%	12.0%	17.4%	6.5%
Health Care	11.1%	5.9%	5.9%	22.6%	15.2%	17.3%	9.3%	15.0%
Industrials	13.4%	11.3%	6.7%	7.1%	8.8%	13.6%	14.8%	9.2%
Information Technology	3.2%	-0.1%	14.3%	23.1%	21.2%	26.2%	2.1%	21.4%
Materials	45.8%	36.7%	11.7%	5.8%	0.5%	12.7%	25.0%	7.5%
Telecomm Services	8.0%	63.6%	31.6%	24.6%	22.4%	10.7%	14.5%	21.6%
Utilities	32.0%	-3.6%	10.4%	10.8%	-3.4%	22.3%	16.5%	7.9%

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