

The high-flying health-care sector is now slowing dramatically

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Only telecom-services companies are projected to accelerate profit growth in the current quarter



The S&P 500 health-care sector posted the fastest growth in earnings per share a year ago. But no longer.



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(This is the first in a two-part series on earnings-season results. The second part will focus on the consumer-discretionary sector of the S&P 500, which has had the biggest increase in earnings per share for the third quarter.)

“Quarterly earnings are random events.”

That’s what Ralph Segall said to me in [a recent interview](#). Segall is chief investment officer of Chicago-based Segall Bryant & Hamill, which has about \$10 billion in assets under management.

There’s no arguing with that statement because even a stellar company can have a “messy” quarter, with perhaps a one-time asset impairment, cost-cutting write-down, regulatory fine or even a series of events that wipe out profits.

That’s why it’s useful to focus on sales growth when trying to gauge a company’s success over short periods.

If you take a top-down approach to selecting stocks, earnings trends appear, helping you spot sectors and then individual stocks that may be worth your time as you consider where to invest your money.

Read: [What stock sectors are saying about the bull market](#)

Earnings season is almost over. Through Tuesday, 456 companies in the S&P 500 Index **SPX, -0.32%** had reported quarterly results, according to S&P Capital IQ analyst Lindsey Bell. The energy sector dragged down the performance of the index, which is expected by analysts to show a 1.6% decline in third-quarter earnings, compared with growth of 9.2% a year earlier.

Here are estimated EPS growth rates for the third quarter, along with those of the previous four quarters:

S&P 500 Sector	EPS growth - Q3 2015	EPS growth - Q2 2015	EPS growth - Q1 2015	EPS growth - Q4 2014	EPS growth - Q3 2014
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Consumer Discretionary	16.1%	10.5%	8.5%	13.0%	8.3%
Health Care	15.0%	14.7%	21.4%	24.2%	16.2%
Telecom. Services	14.6%	11.8%	2.1%	8.7%	8.5%
Industrials	5.1%	0.1%	8.7%	12.3%	12.7%
Information Technology	4.6%	6.2%	9.1%	17.3%	8.0%
Utilities	1.6%	4.5%	0.4%	0.0%	3.8%
Financials	1.2%	9.6%	18.3%	4.2%	3.5%
Consumer Staples	-2.0%	1.7%	4.3%	0.8%	6.0%
Materials	-14.6%	7.8%	-0.7%	1.3%	20.3%
Energy	-58.6%	-55.8%	-54.6%	-22.0%	11.8%
S&P 500	-1.6%	0.1%	3.2%	7.8%	9.2%

Source: S&P Capital IQ

Here are EPS growth rates that analysts expect for the fourth quarter, along with the actual growth rates from the fourth quarter of 2014:

S&P 500 Sector	Estimated EPS growth - Q4 2015	Actual EPS growth - Q4 2014
Telecom. Services	17.9%	8.7%
Consumer Discretionary	9.7%	13.0%
Health Care	7.5%	24.2%
Financials	3.7%	4.2%
Industrials	1.5%	12.3%
Utilities	-0.4%	0.0%
Consumer Staples	-3.7%	0.8%
Information Technology	-4.0%	17.3%
Materials	-19.3%	1.3%
Energy	-65.1%	-22.0%
S&P 500	-3.7%	7.8%

Source: S&P Capital IQ

Five sectors are expected to post EPS declines for the fourth quarter. For companies in the consumer-staples and information-technology sectors, the strong dollar, combined with competitive devaluation of currencies by countries with high levels of exports to the U.S., are having a negative effect on sales and earnings, as you can see in almost any earnings press release from an exporter this year.

The manufacturing slowdown in China is damaging the materials sector, while Saudi Arabia's avowed long-term policy of not cutting oil production, as it normally would when prices decline so much, is hurting U.S. shale oil producers. U.S. oil production is expected to drop considerably during 2016, but it remains to be seen how long it will take for the supply/demand balance to change enough to push prices significantly higher.