

GEM Earnings Revision Ratios



GEM earnings expectations fell in April

The trend in GEM earnings expectations fell in April from 1.01 to 0.90, and the 1-Month Earnings Revision Ratio changed little from 0.88 to 0.87 (cover chart). Earnings expectations fell in all GEM regions with Emerging EMEA having the highest Earnings Revision Ratios and Latin America the lowest. The Global Earnings Revision Ratio weakened April indicating global profit growth is slowing.

Earnings revisions strongest in Russia

Russian earnings expectations are the strongest and improved the most in April. The 3-Month Earnings Revision Ratio is also high in South Africa and has been improving since October 2006. Earnings expectations are lowest and falling in Hungary, and Thailand where they may have troughed (Chart 23).

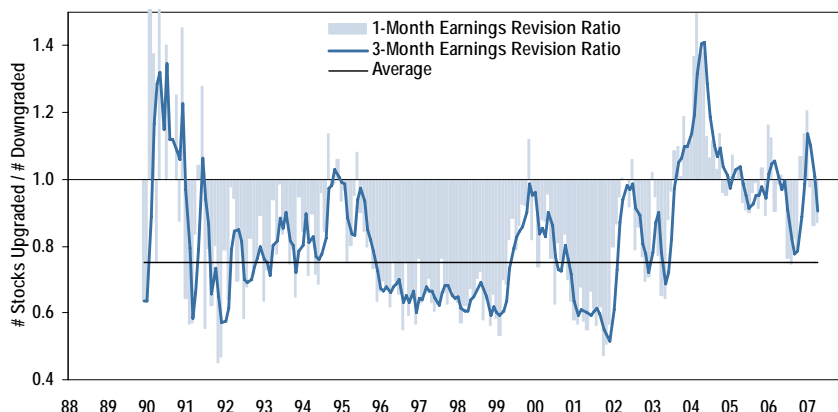
Financial sector earnings expectations improved the most

The trend in earnings expectations improved the most for Diversified Financials, Insurance and Banks in April (Chart 25). The Ratio for Software and Services continues to fall from the peak in January 2007 but remains high. The 3-Month Earnings Revision Ratio is strongest for Materials and weakest for Health Care. April earnings expectations show no clear preference toward cyclical or defensive sectors.

Country and sector Earnings Revision Ratios combined

In April, we have combined the GEM country and GEM sector Earnings Revision Ratio comments.

Chart 1: Trend in Global Emerging Markets Earnings Expectations



Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

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Table 1: LatAm country snapshot Highest to Lowest

3-month Ratio	Change in Ratio
Chile (1.36)	Brazil (-0.07)
Argentina (1.11)	Argentina (-0.22)
Mexico (0.88)	Mexico (-0.29)
Brazil (0.76)	Chile (-0.64)

Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Table 2: EmEurope country snapshot Highest to Lowest

3-month Ratio	Change in Ratio
Russia (2.82)	Russia (0.27)
South Africa (1.63)	South Africa (0.07)
Poland (1.00)	Poland (-0.13)
Turkey (0.76)	Hungary (-0.14)
Israel (0.39)	Israel (-0.15)
Hungary (0.21)	Turkey (-0.69)

Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Table 3: EmAsia country snapshot Highest to Lowest

3-month Ratio	Change in Ratio
China (1.46)	Thailand (0.10)
Malaysia (1.09)	Korea (0.01)
India (0.92)	India (-0.16)
Indonesia (0.91)	Indonesia (-0.17)
Korea (0.72)	Malaysia (-0.21)
Taiwan (0.72)	Taiwan (-0.22)
Thailand (0.43)	China (-0.23)

Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

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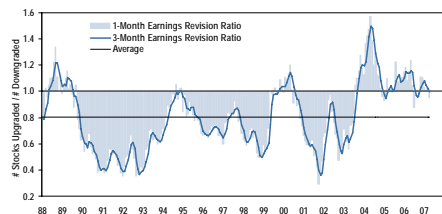
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GEM Earnings Expectations

The trend in GEM earnings expectations fell from 1.01 to 0.90 in April while the one-month Earnings Revision Ratio changed little from 0.86 to 0.87. The Ratio is strongest for Emerging Europe and weakest for Emerging Asia. The Global Earnings Revision Ratio weakened in April (from 1.02 to 0.95).

Chart 2: Global Earnings Revision Ratio

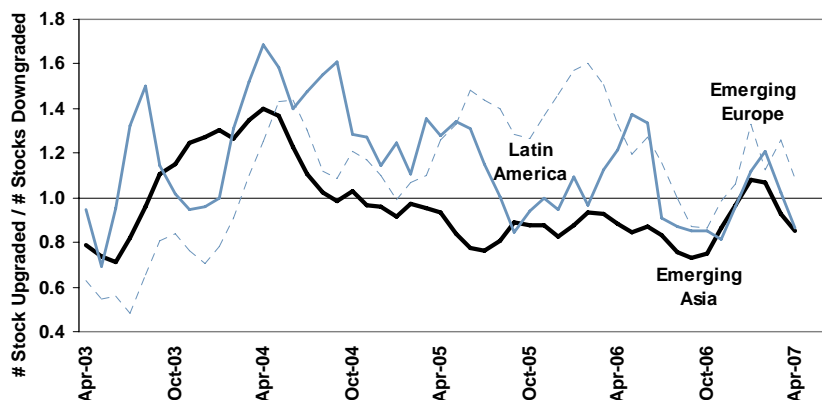


Source: Merrill Lynch Global Quantitative Strategy, MSCI, IBES

The trend in earnings expectations has weakened most in Emerging Asia and Latin America in recent months.

Emerging Europe had the highest earnings expectations in April.

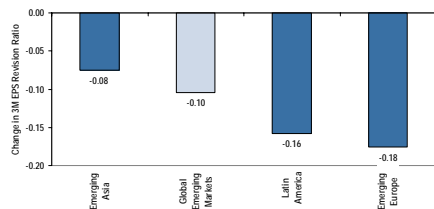
Chart 3: Trends in Earnings Expectations by Region



Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 4 shows the 1-Month change in the 3-Month Earnings Revision Ratio fell for all regions in Emerging Markets.

Chart 4: 1-Month Change in 3-Month Earnings Revision Ratio



Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Table 4: GEM Country Earnings Revision Ratios (1-Month and 3-Month)

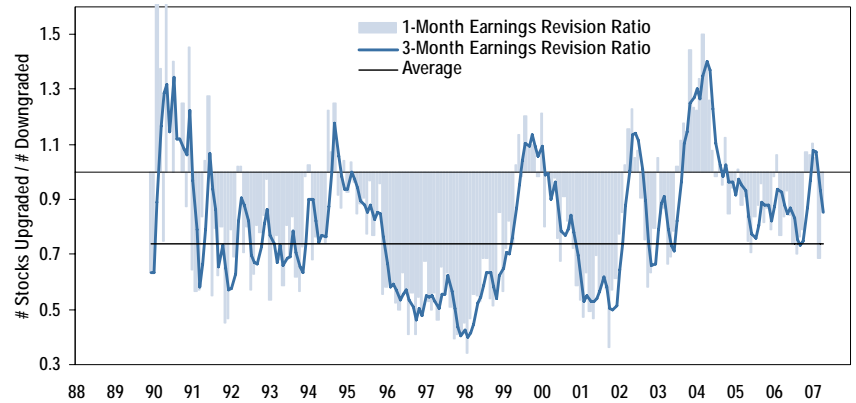
Country	Feb-07	Mar-07	Apr-07	Last 3 Months
Argentina	2.00	1.00	0.67	1.11
Brazil	0.88	0.74	0.67	0.76
Chile	1.67	3.00	0.67	1.36
China	1.91	1.46	1.19	1.46
Hungary	0.50	0.20	0.00	0.21
India	1.29	0.72	0.78	0.92
Indonesia	0.85	0.63	1.45	0.91
Israel	0.23	0.50	0.56	0.39
Korea	0.68	0.62	0.86	0.72
Malaysia	2.43	0.66	1.00	1.09
Mexico	1.18	1.00	0.56	0.88
Poland	0.90	1.11	1.00	1.00
Russia	1.18	5.00	3.80	2.82
South Africa	1.19	2.00	1.88	1.63
Taiwan	1.06	0.63	0.52	0.72
Thailand	0.44	0.32	0.56	0.43
Turkey	0.33	2.88	0.54	0.76
Emerging EMEA	0.83	1.59	1.06	1.10
Emerging Asia	1.05	0.68	0.85	0.85
Latin America	1.07	0.96	0.64	0.86
Emerging Markets	0.98	0.86	0.87	0.90

Source: Merrill Lynch GEM Quantitative Strategy, IBES, MSCI

Emerging Asia

Chart 5: Trends in Earnings Expectations – Emerging Asia

The Emerging Asia trend in earnings expectations fell in April (measured by the 3-Month Earnings Revision Ratio), however the 1-Month Earnings Revision Ratio improved from 0.68 to 0.85.

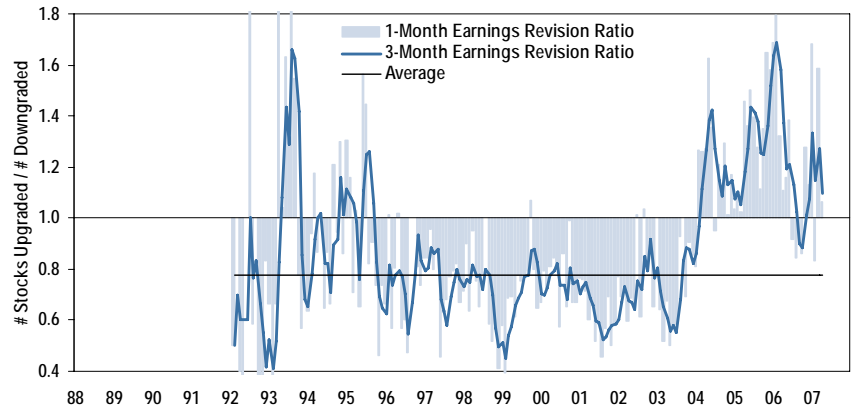


Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Emerging EMEA

Chart 6: Trends in Earnings Expectations – Emerging EMEA

The trend in the earnings expectations continued to fall in Emerging EMEA in April, and the 1-Month Earnings Revision Ratio fell from 1.59 to 1.06.

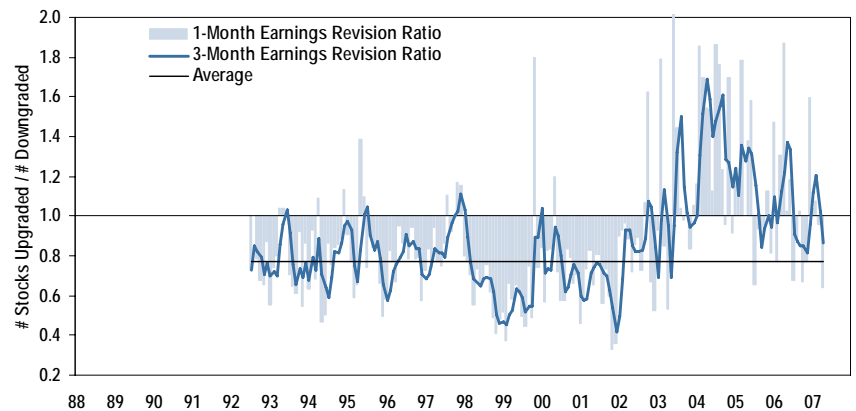


Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Latin America

Chart 7: Trends in Earnings Expectations – Latin America

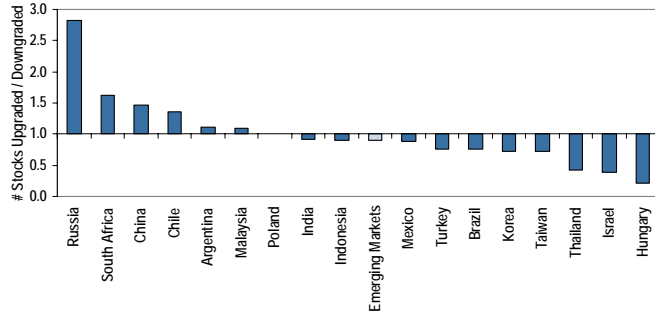
The Latin America 1-Month Earnings Revision Ratio weakened in April from 0.96 to 0.64.



Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

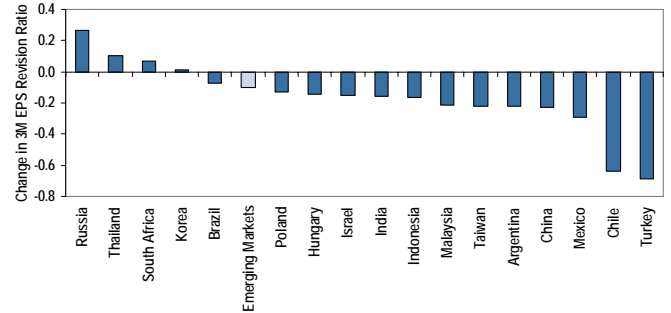
Earnings Revision Ratio By GEM Country

Chart 8: Earnings Revision Ratio By Country – Last 3 Months



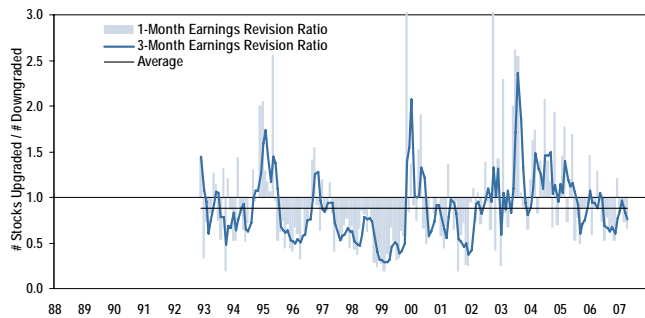
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 9: 1-Month Change in 3-Month Earnings Revision Ratio



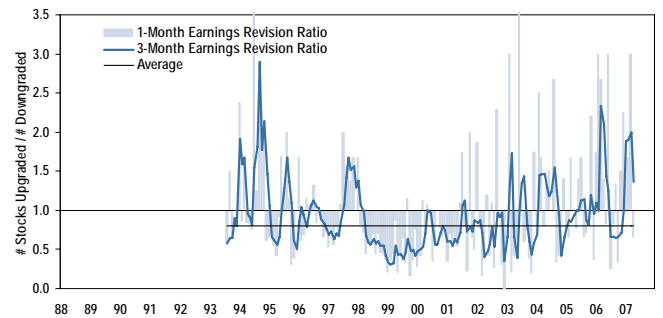
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 10: BRAZIL Earnings Revision Ratio



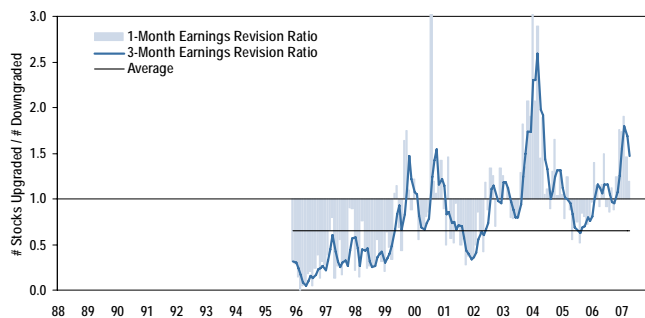
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 11: CHILE Earnings Revision Ratio



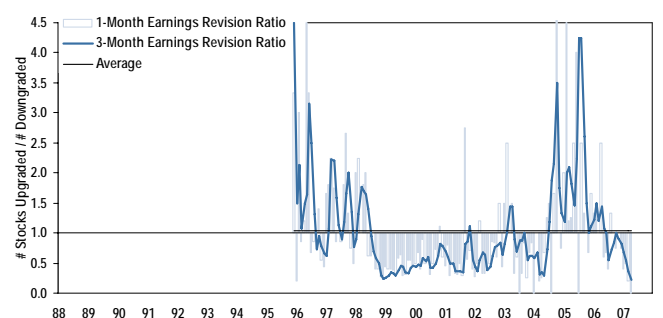
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 12: CHINA Earnings Revision Ratio



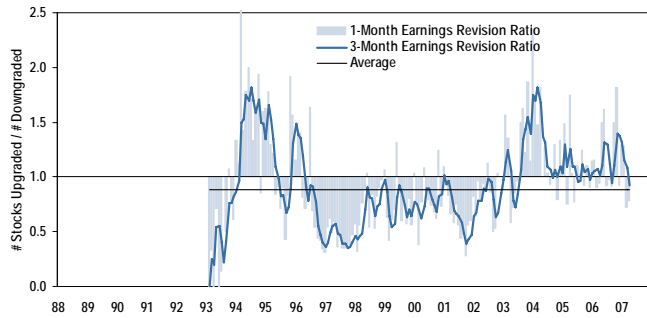
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 13: HUNGARY Earnings Revision Ratio

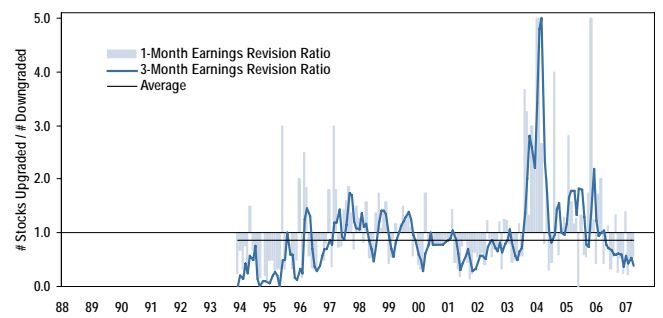


Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

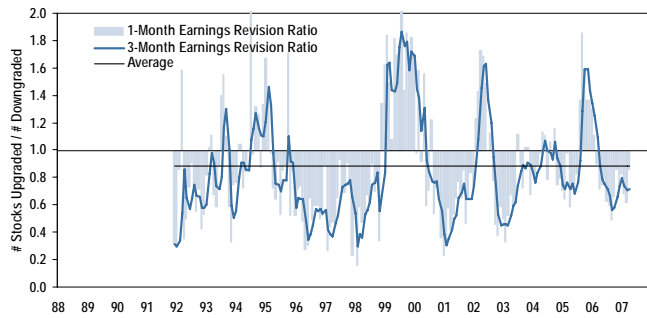
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Chart 14: INDIA Earnings Revision Ratio


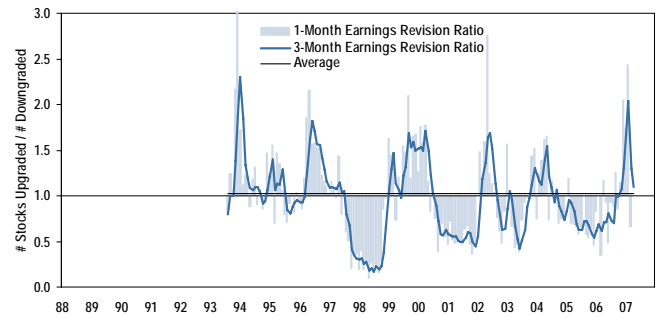
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 15: ISRAEL Earnings Revision Ratio


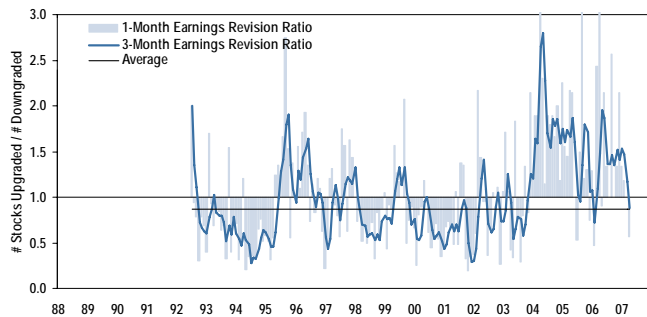
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 16: KOREA Earnings Revision Ratio


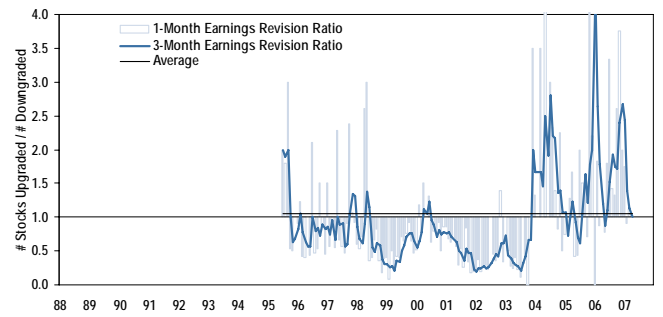
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 17: MALAYSIA Earnings Revision Ratio


Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 18: MEXICO Earnings Revision Ratio


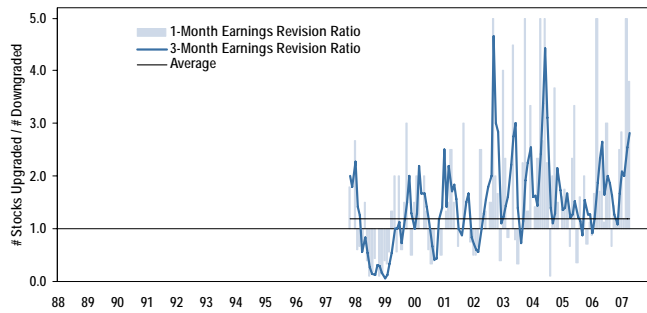
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 19: POLAND Earnings Revision Ratio


Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

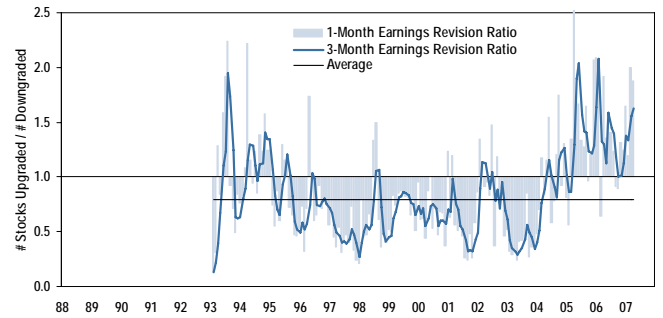
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Chart 20: RUSSIA Earnings Revision Ratio



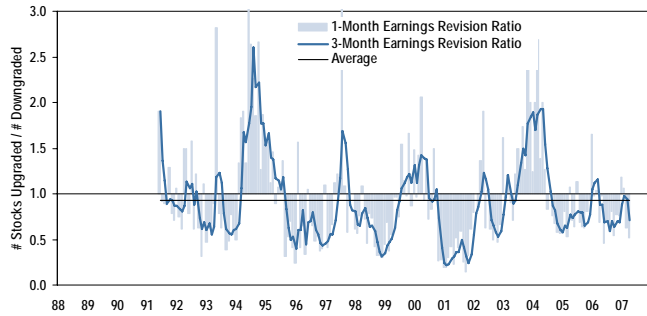
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 21: SOUTH AFRICA Earnings Revision Ratio



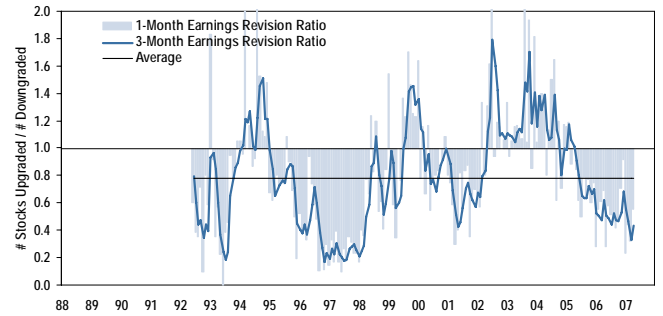
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 22: TAIWAN Earnings Revision Ratio



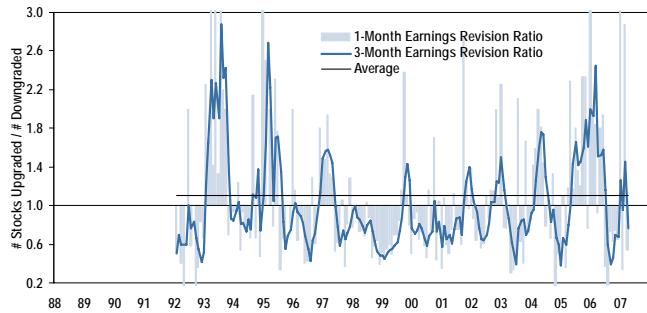
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 23: THAILAND Earnings Revision Ratio



Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 24: TURKEY Earnings Revision Ratio



Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

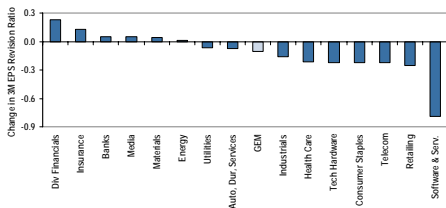
GEM Sector Earnings Expectations

The trend in GEM sector earnings expectations are strongest for Materials, Software & Services and Utilities, and weakest for Health Care, Tech Hardware, and Auto/Dur/Services.

Chart 25 shows the 1-Month change in the 3-Month Earnings Revision Ratio improved the most for Diversified Financials, Insurance and Banks, and weakened the most for Software & Services and Retailing.

Chart 26 shows the trend in earnings expectations (measured by the 3-Month Earnings Revision Ratio) are strongest for Materials, Software & Services and Utilities, and weakest for Health Care, Tech Hardware, and Auto/Dur/Services.

Chart 25: Change in 3-month Earnings Revision Ratio by GEM Sector

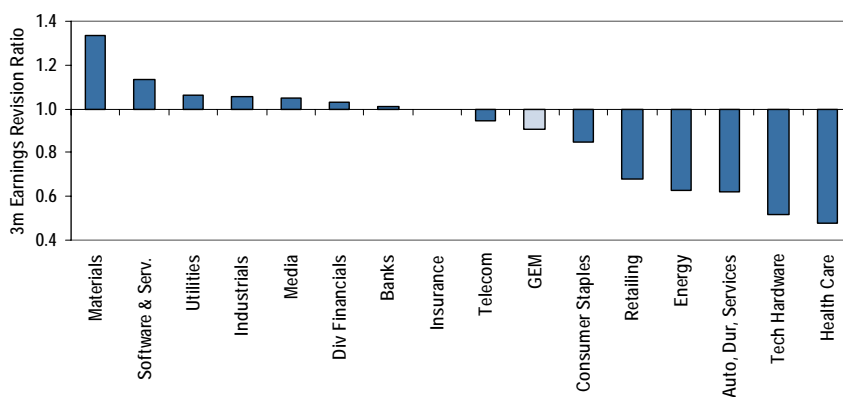


Source: Merrill Lynch GEM Quantitative Strategy, IBES, MSCI

Financial sectors improved the most in April (Chart 25).

Sector earnings expectations show no clear preference toward cyclical or defensive sectors in April (Chart 26).

Chart 26: Three-month Earnings Revision Ratio by GEM Sector



Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

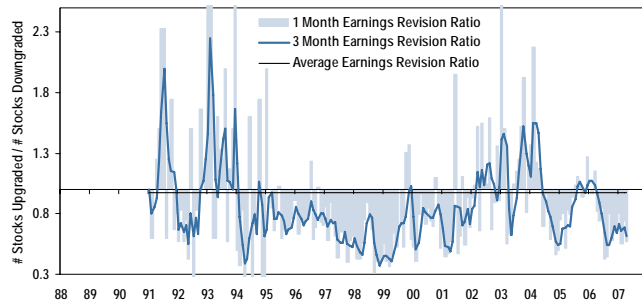
Table 1 shows the one-month Earnings Revision Ratio for each of the last three months, and the current three-month Ratio for each GEM sector.

Table 5: GEM Sector Earnings Revision Ratios (1-Month and 3-Month)

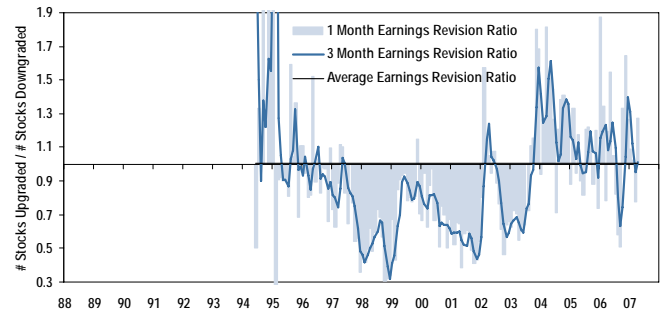
Sector	Feb-07	Mar-07	Apr-07	Last 3 Months
Auto, Dur, Services	0.55	0.74	0.57	0.62
Banks	1.03	0.78	1.27	1.01
Consumer Staples	1.19	0.82	0.64	0.85
Div Financials	1.17	0.54	1.50	1.03
Energy	0.41	0.73	0.81	0.63
Health Care	0.75	0.50	0.25	0.48
Industrials	1.23	1.08	0.89	1.05
Insurance	0.75	0.50	2.75	1.00
Materials	1.10	1.33	1.65	1.34
Media	1.14	0.86	1.14	1.05
Retailing	0.75	0.70	0.56	0.68
Software & Serv.	2.20	1.14	0.60	1.14
Tech Hardware	0.69	0.57	0.32	0.51
Telecom	0.80	1.24	0.85	0.94
Utilities	1.36	0.73	1.12	1.07
GEM	0.98	0.86	0.87	0.90

Source: Merrill Lynch GEM Quantitative Strategy, IBES, MSCI

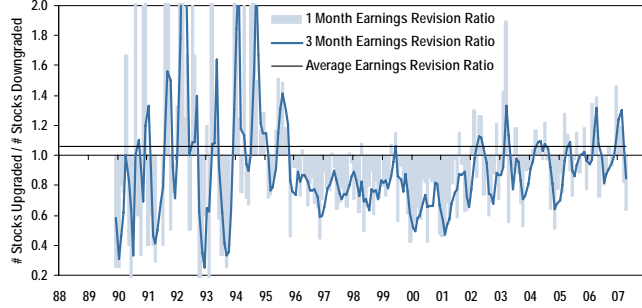
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Chart 27: GEM AUTOS/DURABLES/SERVICES Earnings Revision Ratio


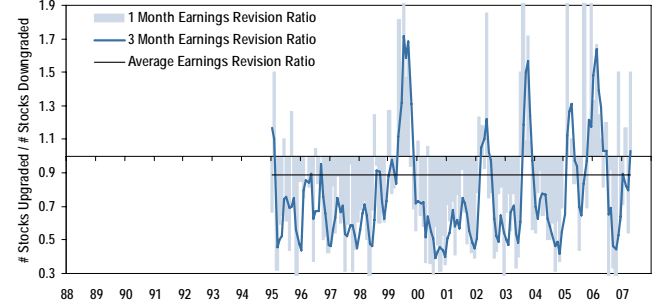
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 28: GEM BANKS Earnings Revision Ratio


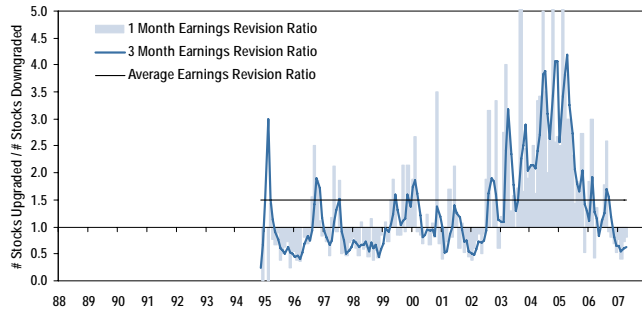
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 29: GEM CONSUMER STAPLES Earnings Revision Ratio


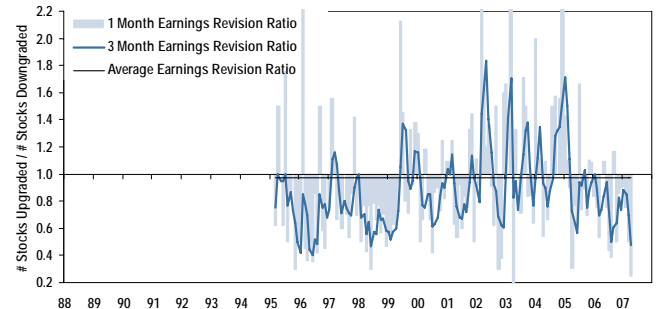
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 30: GEM DIVERSIFIED FINANCIALS Earnings Revision Ratio


Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

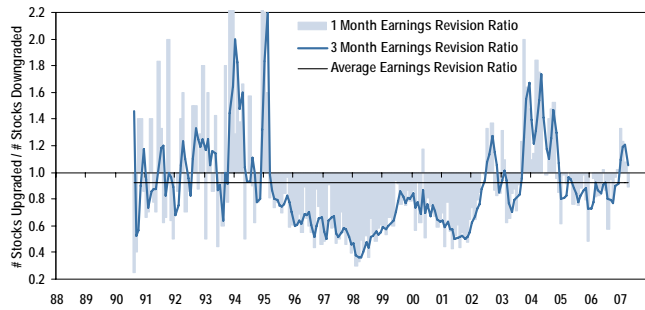
Chart 31: GEM ENERGY Earnings Revision Ratio


Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

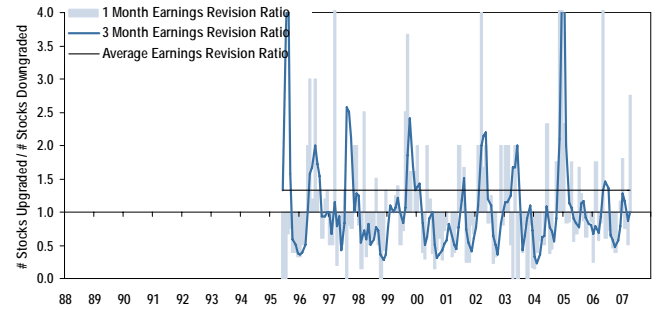
Chart 32: GEM HEALTH CARE Earnings Revision Ratio


Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

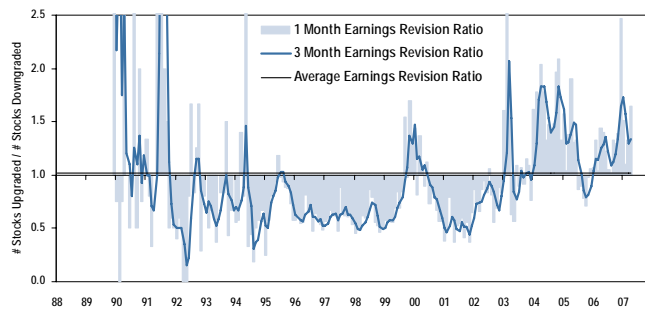
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Chart 33: GEM INDUSTRIALS Earnings Revision Ratio


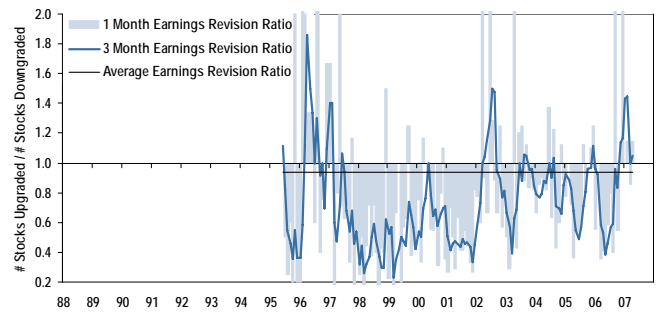
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 34: GEM INSURANCE Earnings Revision Ratio


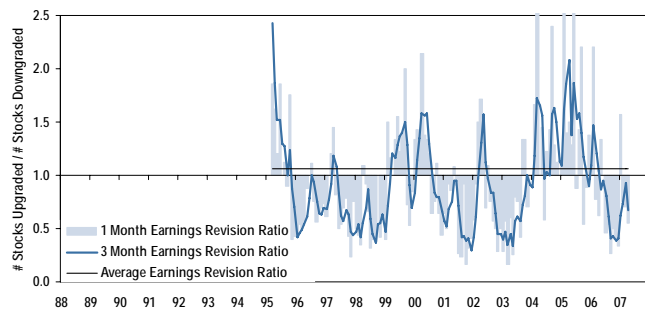
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 35: GEM MATERIALS Earnings Revision Ratio


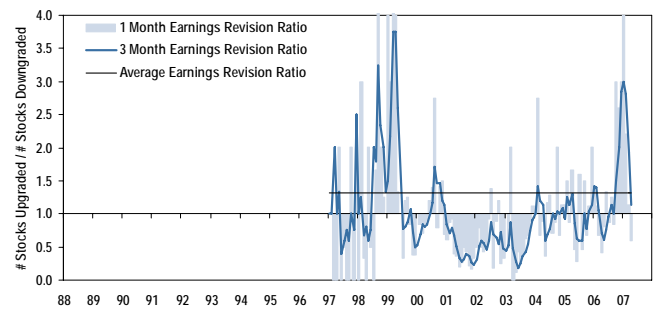
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 36: GEM MEDIA Earnings Revision Ratio


Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 37: GEM RETAILING Earnings Revision Ratio


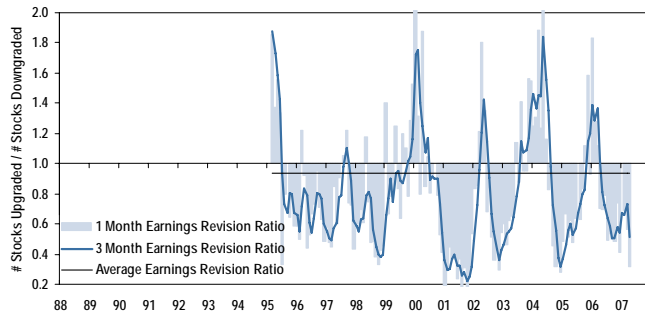
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 38: GEM SOFTWARE Earnings Revision Ratio


Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

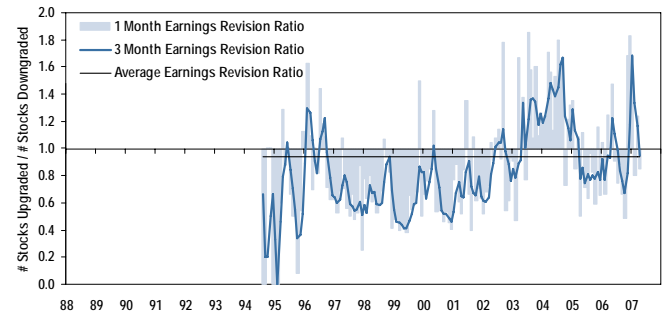
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Chart 39: GEM TECH HARDWARE Earnings Revision Ratio



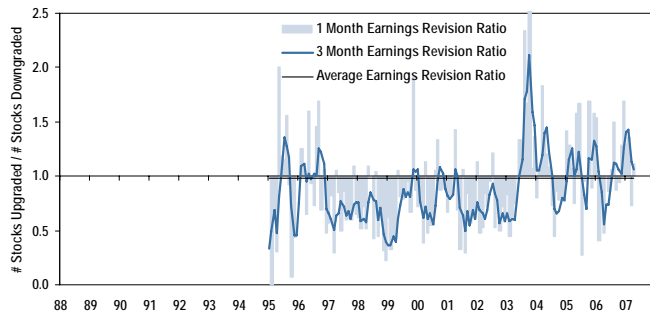
Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 40: GEM TELECOM Earnings Revision Ratio



Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

Chart 41: GEM UTILITIES Earnings Revision Ratio



Source: Merrill Lynch GEM Quantitative Strategy, MSCI, IBES

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01 May 2007

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Buy	1562	45.16%	Buy	415	30.09%
Neutral	1615	46.69%	Neutral	446	30.65%
Sell	282	8.15%	Sell	49	19.76%

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