EARNINGS INSIGHT

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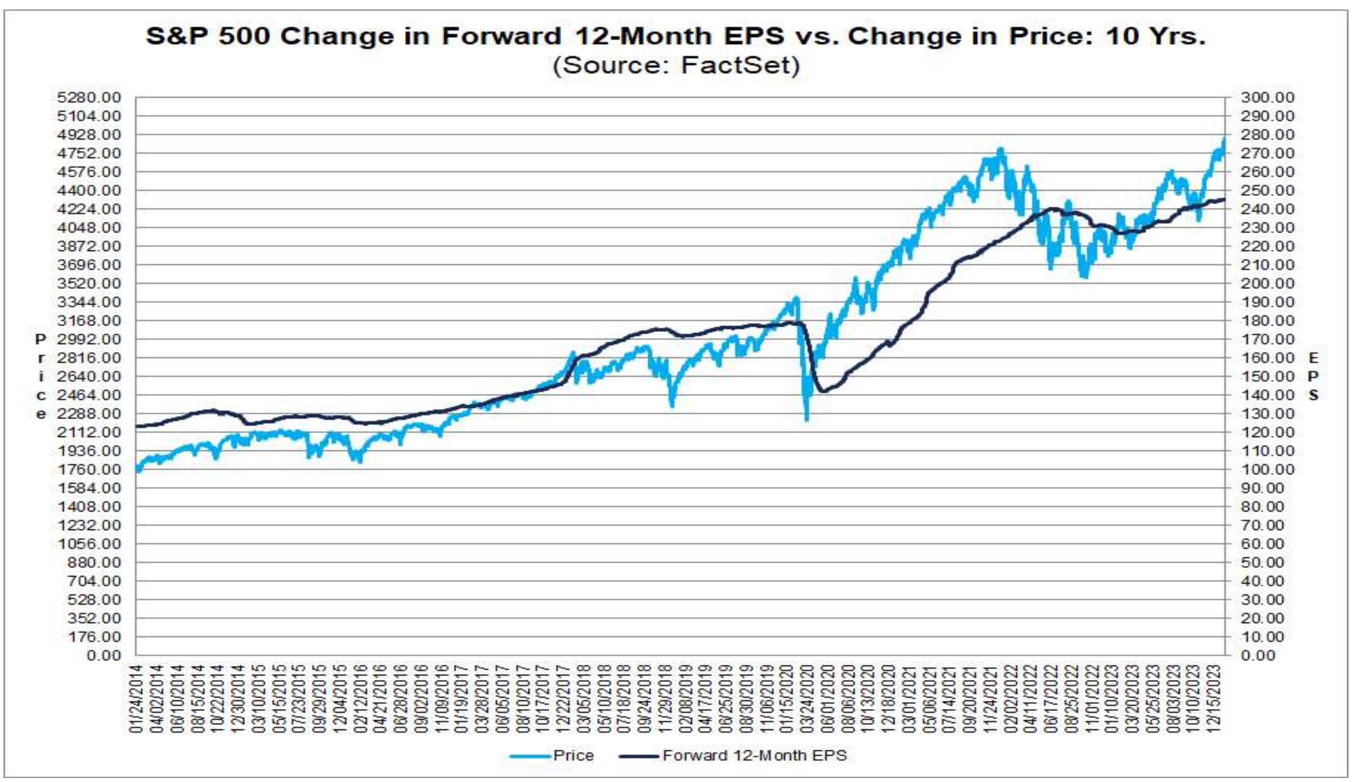
January 26, 2024

Key Metrics

- **Earnings Scorecard:** For Q4 2023 (with 25% of S&P 500 companies reporting actual results), 69% of S&P 500 companies have reported a positive EPS surprise and 68% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Decline:** For Q4 2023, the blended (year-over-year) earnings decline for the S&P 500 is -1.4%. If -1.4% is the actual decline for the quarter, it will mark the fourth time in the past five quarters that the index has reported a year-over-year decline in earnings.
- **Earnings Revisions:** On December 31, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q4 2023 was 1.5%. Six sectors are reporting lower earnings today compared to December 31 due to negative EPS surprises and downward revisions to EPS estimates.
- **Earnings Guidance:** For Q1 2024, 14 S&P 500 companies have issued negative EPS guidance and 9 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.0. This P/E ratio is above the 5-year average (18.9) and above the 10-year average (17.6).



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Topic of the Week: 1

Are the “Magnificent 7” the Top Contributors to Earnings for the S&P 500 for Q4?

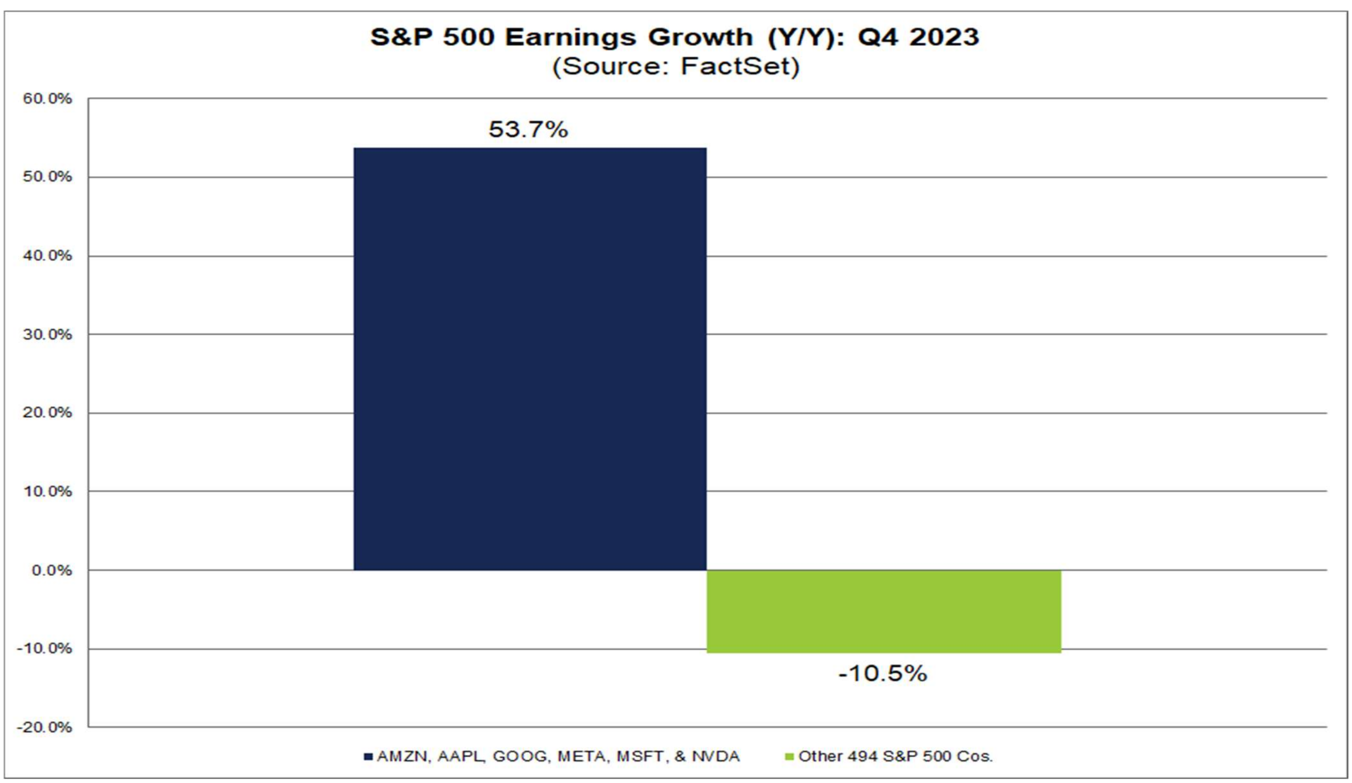
A number of the companies in the “Magnificent 7” have seen their stock price hit record-high levels in recent weeks, which is helping to drive the value of the S&P 500 higher. Are companies in the “Magnificent 7” also expected to drive earnings higher for the S&P 500 for the fourth quarter?

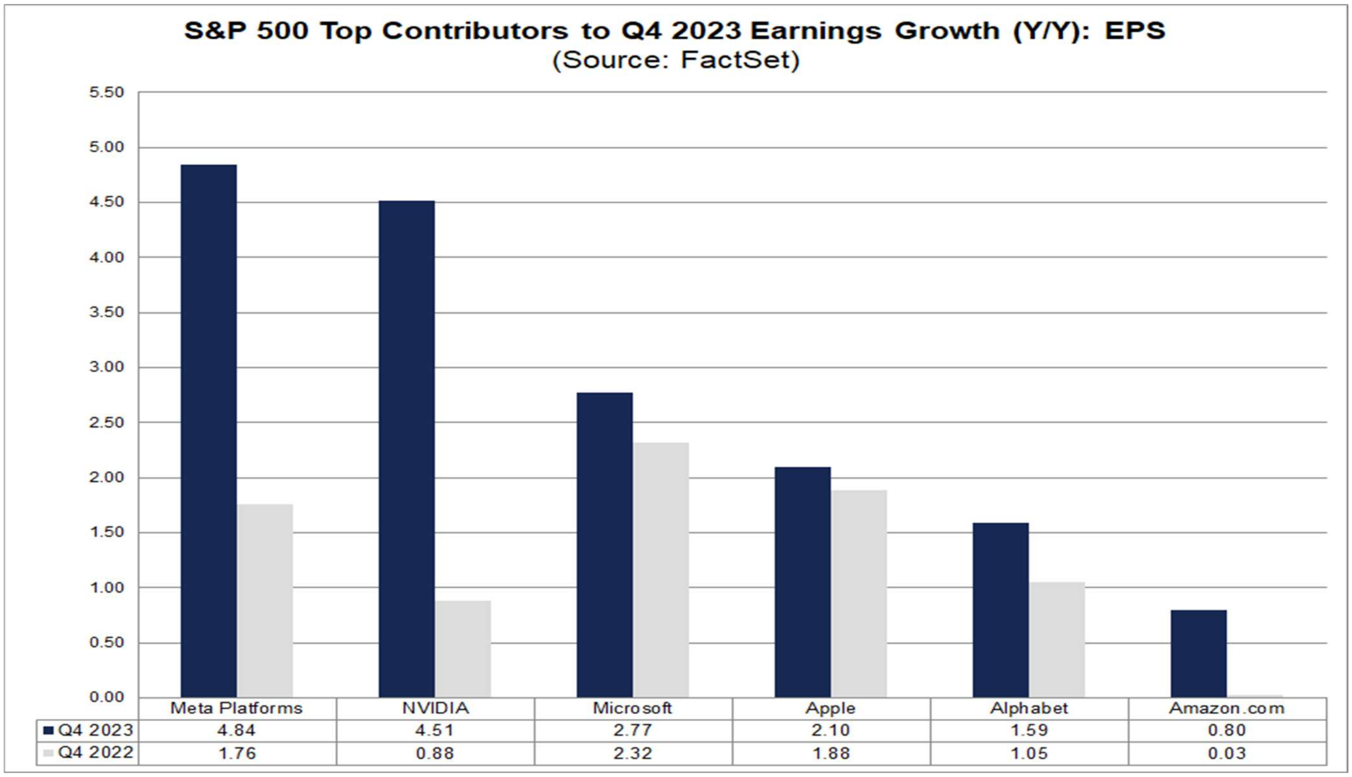
The answer is yes. Six of the seven companies in the “Magnificent 7” are projected to be the top six positive contributors to year-over-year earnings for the S&P 500 for Q4 2023: NVIDIA, Amazon.com, Meta Platforms, Alphabet, Microsoft, and Apple. In aggregate, these six companies are expected to report year-over-year earnings growth of 53.7% for the fourth quarter. Excluding these six companies, the blended (combines actual and estimated results) earnings decline for the remaining 494 companies in the S&P 500 would be -10.5% for Q4 2023. Overall, the blended earnings decline for the entire S&P 500 for Q4 2023 is -1.4%.

Five of these top six contributors are scheduled to report actual results for Q4 this week on January 30 or February 1: Alphabet, Amazon.com, Apple, Meta Platforms, and Microsoft.

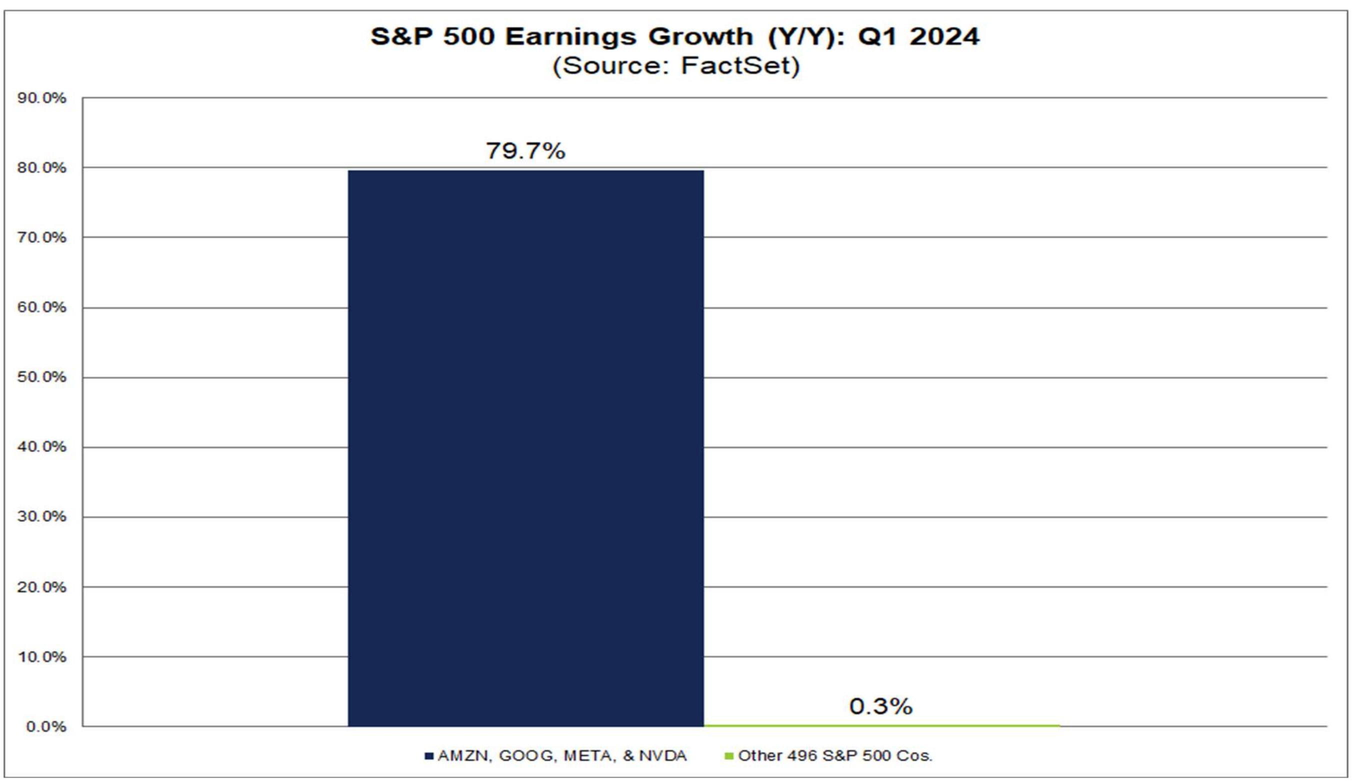
The only company in the “Magnificent 7” that is not a positive contributor to year-over-year earnings growth for the S&P 500 for Q4 2023 is Tesla. On January 24, the company reported a year-over-year decline in non-GAAP EPS of 40% for the fourth quarter ($0.71 vs. $1.19).

It is interesting to note that four of these six companies are also projected to be the top four contributors to earnings growth for the S&P 500 for Q1 2024: NVIDA, Amazon.com, Meta Platforms, and Alphabet. In aggregate, these four companies are projected to report year-over-year earnings growth of 79.7% for Q1 2024. Excluding these four companies, the remaining 496 companies in the S&P 500 would be projected to report year-over-year earnings growth of 0.3% for Q1 2024. Overall, the estimated earnings growth rate for the entire S&P 500 for Q1 2024 is 4.6%.





	Meta Platforms	NVIDIA	Microsoft	Apple	Alphabet	Amazon.com
Q4 2023	4.84	4.51	2.77	2.10	1.59	0.80
Q4 2022	1.76	0.88	2.32	1.88	1.05	0.03



Topic of the Week: 2

S&P 500 Q4 Energy Sector Earnings Preview: Largest Earnings Decline of All 11 Sectors

The Energy sector will be a focus for the market this week, as Exxon Mobil and Chevron are scheduled to report earnings results on February 2. Overall, this sector is reporting the largest (year-over-year) earnings decline of all eleven sectors for Q4 2023 at -31.4%.

At the sub-industry level, three of the five sub-industries in the sector are reporting a year-over-year decrease in earnings: Oil & Gas Refining & Marketing (-63%), Integrated Oil & Gas (-34%), and Oil & Gas Exploration & Production (-20%). On the other hand, two sub-industries are reporting year-over-year earnings growth: Oil & Gas Equipment & Services (23%) and Oil & Gas Storage & Transportation (4%).

Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector. The average price of oil (WTI) in Q4 2023 ($78.53) was 5% below the average price for oil in Q4 2022 ($82.64).

Looking ahead for the sector, analysts are predicting inconsistent earnings growth for the sector. For Q1 2024 and Q3 2024, analysts are projecting earnings declines of -24.0% and -7.4%, respectively. However, analysts are calling for earnings growth of 7.4% and 5.3% for Q2 2024 and Q4 2024, respectively.

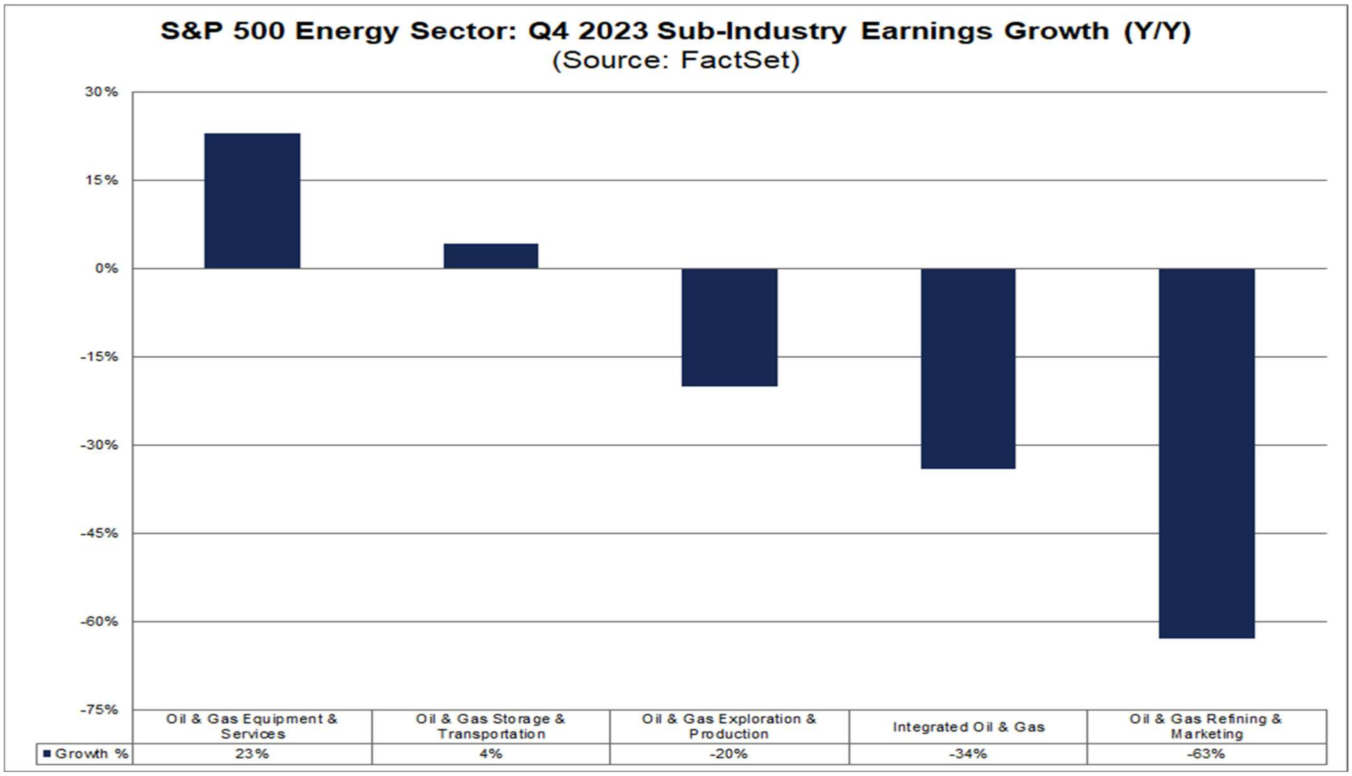
FactSet Senior Energy Analysts Connor McLean and Eric Hinojosa provided commentary on key trends to watch going forward related to energy.

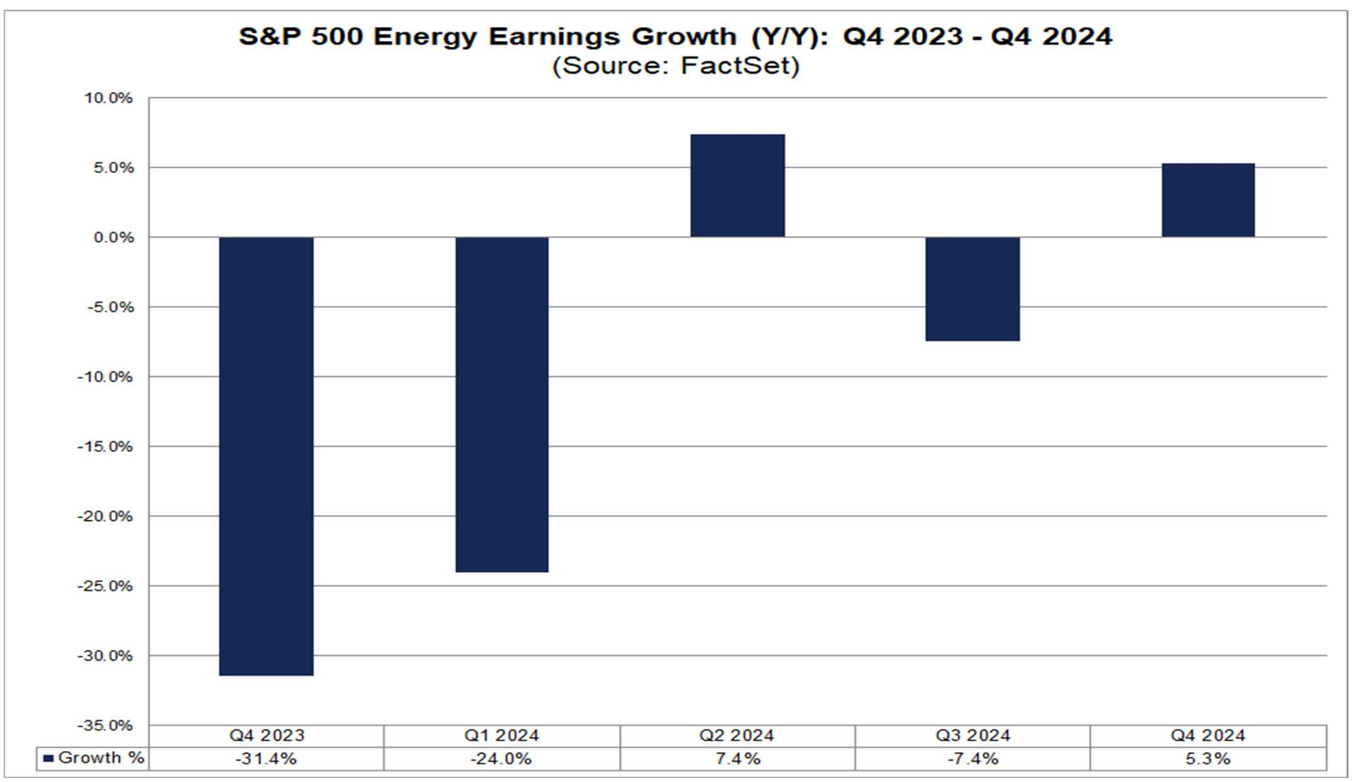
Connor McLean highlighted key themes related to oil and gas prices. For more commentary from Connor on energy, please go to: https://insight.factset.com/author/connor-mclean

"The US energy market enters 2024 on unstable footing after commodity pricing for both oil and gas fell significantly in 2023. The focus of public E&Ps on moderate production growth and shareholder returns is likely to continue in a low commodity price environment, especially if the cost of oilfield services continues to feel inflationary pressure. Despite recent cold weather, the outlook for US gas pricing remains bearish with limited upside for Henry Hub pricing until new structural LNG demand materializes at year-end. Oil pricing is projected to be similarly weak with OPEC production cuts struggling to offset sluggish global demand growth. Geopolitical tensions present upside risk for oil pricing in the short term, although companies with large international production exposure could face additional difficulties if conflicts in the Middle East and South America expand."

Eric Hinojosa discussed key trends related to renewable energy.

"U.S. offshore wind is showing momentum, with the South Fork and Vineyard Wind 1 projects successfully delivering power to their respective grids. Yet, the industry continues to struggle with implementation as offshore wind developers seek to renegotiate contracts in light of rising inflation. More recently, Equinor and BP terminated their offtake agreement and EPC contracts for their Empire Wind 2 project off the coast of Long Island, NY, though stating that the project will continue. The industry anticipates signing new offtake agreements with states; the terms of these agreements will play a crucial role in determining project viability. Despite these setbacks, there is a strong pipeline of development onshore with 18 GW of solar, 7 GW of battery storage, and 3 GW of wind under construction and projected to be operational before the summer of 2024. However, 3.5 GW of coal unit retirements and reduced utilizations of the fuel will offset downside potential of natural gas consumption in the power sector."


S&P 500 Energy Sector: Q4 2023 Sub-Industry Earnings Growth (Y/Y)
(Source: FactSet)
30%
15%
0%
-15%
-30%
-45%
-60%
-75%
Oil & Gas Equipment & Services
Oil & Gas Storage & Transportation
Oil & Gas Exploration & Production
Integrated Oil & Gas
Oil & Gas Refining & Marketing
Growth %
23%
4%
-20%
-34%
-63%


S&P 500 Energy Earnings Growth (Y/Y): Q4 2023 - Q4 2024
(Source: FactSet)
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
-25.0%
-30.0%
-35.0%
Q4 2023
Q1 2024
Q2 2024
Q3 2024
Q4 2024
Growth %
-31.4%
-24.0%
7.4%
-7.4%
5.3%

Q4 Earnings Season: By The Numbers

Overview

At this stage of the fourth quarter earnings season, the overall performance of the S&P 500 continues to be subpar. The percentage of S&P 500 companies reporting positive earnings surprises is below average, while companies are reporting actual earnings that are below estimates in aggregate. Most of this below-average performance relative to estimates is due to companies in the Financials sector. However, the earning numbers did improve over the past week. As a result, the index is reporting higher earnings for the fourth quarter today relative to the end of last week, but still reporting lower earnings today relative to the end of the quarter. On a year-over-year basis, the index is reporting a decline in earnings for the fourth time in the past five quarters.

Overall, 25% of the companies in the S&P 500 have reported actual results for Q4 2023 to date. Of these companies, 69% have reported actual EPS above estimates, which is below the 5-year average of 77% and below the 10-year average of 74%. In aggregate, companies are reporting earnings that are 5.3% below estimates, which is below the 5-year average of 8.5% above estimates and below the 10-year average of 6.7% above estimates. Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

As a result, the index is reporting higher earnings for the fourth quarter today relative to the end of last week, but lower earnings today relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the fourth quarter is -1.4% today, compared to an earnings decline of -1.8% last week and an earnings growth rate of 1.5% at the end of the fourth quarter (December 31).

Positive earnings surprises reported by companies in multiple sectors (led by the Industrials and Information Technology sectors) were the largest contributors to the increase in overall earnings for the index during the past week. Negative earnings surprises reported by companies in the Financials sector have been the largest contributor to the decrease in overall earnings for the index since the end of the quarter.

If -1.4% is the actual decline for the quarter, it will mark the fourth time in the past five quarters that the index has reported a year-over-year decline in earnings.

Seven of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services, Utilities, Consumer Discretionary, and Information Technology sectors. On the other hand, four sectors are reporting a year-over-year decline in earnings: Energy, Materials, Health Care, and Financials.

In terms of revenues, 68% of S&P 500 companies have reported actual revenues above estimates, which is equal to the 5-year average of 68% and above the 10-year average of 64%. In aggregate, companies are reporting revenues that are 1.0% above the estimates, which is below the 5-year average of 2.0% and below the 10-year average of 1.3%. Again, historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The blended revenue growth rate for the fourth quarter is 3.2% today, compared to a revenue growth rate of 2.9% last week and a revenue growth rate of 3.1% at the end of the fourth quarter (December 31).

Positive revenue surprises reported by companies in multiple sectors (led by the Industrials, Communication Services, and Health Care sectors) were the largest contributors to the increase in overall revenues for the index over the past week. Positive revenue surprises reported by companies in the Health Care, Industrials, and Communication Services sectors, partially offset by negative revenue surprises and downward revisions to revenue estimates in the Energy and Financials sectors, have been the largest contributors to the increase in overall revenues for the index since the end of the quarter.

If 3.2% is the actual revenue growth rate for the quarter, it will mark the 13th consecutive quarter of revenue growth for the index.

Nine sectors are reporting year-over-year growth in revenues, led by the Communication Services, Information Technology, Financials, and Real Estate sectors. On the other hand, two sectors are reporting a year-over-year decline in revenues: Energy and Materials.

Looking ahead, analysts expect (year-over-year) earnings growth of 4.6% for Q1 2024 and 9.4% for Q2 2024. For CY 2024, analysts are calling for (year-over-year) earnings growth of 11.6%.

The forward 12-month P/E ratio is 20.0, which is above the 5-year average (18.9) and above the 10-year average (17.6). It is also above the forward P/E ratio of 19.5 recorded at the end of the fourth quarter (December 31).

During the upcoming week, 106 S&P 500 companies (including 6 Dow 30 components) are scheduled to report results for the fourth quarter.

Scorecard: Number of Positive EPS Surprises Are Below 5-Year Average

Percentage of Companies Beating EPS Estimates (69%) is Below 5-Year Average

Overall, 25% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 69% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 27% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (77%), below the 5-year average (77%), and below the 10-year average (74%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Information Technology (94%) and Consumer Staples (90%) sectors have the highest percentages of companies reporting earnings above estimates, while the Communication Services (20%), Financials (47%), and Utilities (50%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (-5.3%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 5.3% below expectations. This surprise percentage is below the 1-year average (+5.7%), below the 5-year average (+8.5%), and below the 10-year average (+6.7%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Financials (-24.5%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Citigroup (-$1.16 vs. $0.11), Truist Financial (-$3.85 vs. $0.68), Comerica ($0.20 vs. $0.87), and Bank of New York Mellon ($0.33 vs. $0.85) have reported the largest negative EPS surprises. Actual results for these four companies included FDIC special assessments, which had a negative impact on earnings for the quarter.

The Communication Services (-1.5%) sector is reporting the second-largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, T-Mobile ($1.67 vs. $1.91) and Netflix ($2.11 vs. $2.22) have reported the largest negative EPS surprises.

On the other hand, the Industrials (+7.3%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Southwest Airlines ($0.37 vs. $0.12), American Airlines ($0.29 vs. $0.11), PACCAR ($2.70 vs. $2.25), United Airlines ($2.00 vs. $1.69), and General Electric ($1.03 vs. $0.90) have reported the largest positive EPS surprises.

The Energy (+7.0%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Valero Energy ($3.55 vs. $2.95) and Halliburton ($0.86 vs. $0.80) have reported the largest positive EPS surprises.

The Information Technology (+6.8%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Seagate Technology ($0.12 vs. -$0.06), Western Digital (-$0.69 vs. -$1.12), Intel ($0.54 vs. $0.45), and ServiceNow ($3.11 vs. $2.78) have reported the largest positive EPS surprises.

The Consumer Staples (+6.0%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Procter & Gamble ($1.84 vs. $1.70), General Mills ($1.25 vs. $1.16), McCormick & Company ($0.85 vs. $0.79), and Walgreens Boots Alliance ($0.66 vs. $0.62) have reported the largest positive EPS surprises.

Market Punishing Negative EPS Surprises Less Than Average

To date, the market is rewarding positive earnings surprises reported by S&P 500 companies more than average and punishing negative EPS surprises reported by S&P 500 companies less than average.

Companies that have reported positive earnings surprises for Q4 2023 have seen an average price increase of +1.5% two days before the earnings release through two days after the earnings release. This percentage increase is larger than the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q4 2023 have seen an average price decrease of -0.1% two days before the earnings release through two days after the earnings. This percentage decrease is much smaller than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (68%) is Equal to 5-Year Average

In terms of revenues, 68% of companies have reported actual revenues above estimated revenues and 38% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (67%), equal to the 5-year average (68%), and above the 10-year average (64%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Communication Services (100%), Health Care (100%), and Materials (100%) sectors have the highest percentages of companies reporting revenues above estimates, while the Real Estate (33%), Consumer Staples (40%), and Energy (40%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.0%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.0% above expectations. This surprise percentage is below the 1-year average (+1.6%), below the 5-year average (+2.0%), and below the 10-year average (+1.3%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Utilities (+6.1%) sector is reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Real Estate (-1.7%) sector is reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings This Week Due to Industrials and Technology Sectors

Increase in Blended Earnings This Week Due to Industrials and Information Technology Sectors

The blended (year-over-year) earnings decline for the fourth quarter is -1.4%, which is smaller than the earnings decline of -1.8% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Industrials and Information Technology) sector were the largest contributors to the increase in earnings for the index during the past week.

In the Industrials sector, the positive EPS surprises reported by PACCAR ($2.70 vs. $2.25), Southwest Airlines ($0.37 vs. $0.12), General Electric ($1.03 vs. $0.90), American Airlines ($0.29 vs. $0.11), United Airlines ($2.00 vs. $1.69), and Lockheed Martin ($7.90 vs. $7.29) were substantial contributors to the increase in earnings for the index during the week. As a result, the blended earnings growth rate for the Industrials sector increased to 0.2% from -2.7% over this period.

In the Information Technology sector, the positive EPS surprises reported by Intel ($0.54 vs. $0.45) and Western Digital (-$0.69 vs. -$1.12) were significant contributors to the increase in earnings for the index during the week. As a result, the blended earnings growth rate for the Information Technology sector increased to 16.9% from 15.6% over this period.

Increase in Blended Revenues This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the fourth quarter is 3.2%, which is above the revenue growth rate of 2.9% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Industrials, Communication Services, and Health Care sectors) were the largest contributors to the increase in overall revenues over the past week.

Financials Sector Has Seen Largest Decrease in Earnings since December 31

The blended (year-over-year) earnings decline for Q4 2023 of -1.4% is below the estimate of 1.5% at the end of the fourth quarter (December 31). Six sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises, led by the Financials (to -19.0% from -2.2%) sector. This sector has also been the largest contributor to the decrease in earnings for the index since December 31. On the other hand, four sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to EPS estimates and positive earnings surprises, led by the Industrials (to 0.2% from -2.7%) sector.

In the Financials sector, the negative EPS surprises reported by Truist Financial (-$3.85 vs. $0.68), Citigroup (-$1.16 vs. $0.11), Bank of America ($0.35 vs. $0.53), and JPMorgan Chase ($3.04 vs. $3.35) have been the largest contributors to the decrease in earnings for the index since December 31. Actual results for all four companies included FDIC special assessments, which had a negative impact on earnings for the quarter. In addition, actual results for Truist Financial also included a non-cash goodwill impairment of $4.53, which also had a negative impact on earnings for the quarter. As a result, the blended earnings decline for the Financials sector increased to -19.0% from -2.2% over this period.

Health Care Sector Has Seen Largest Increase in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2023 of 3.2% is above the estimate of 3.1% at the end of the fourth quarter (December 31). Eight sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Utilities (to 1.4% from -0.1%) sector. However, the Health Care, Industrials, and Communication Services sectors have been the largest contributors to the increase in revenues for the index since the end of the quarter. On the other hand, three sectors have recorded a decrease in their revenue growth rate or an increase in their revenue decline since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Energy (to -7.7% from -6.1%) sector. The Energy and Financials sectors have also been the largest detractors to the increase in revenues for the index since the end of the quarter.

In the Health Care sector, the positive revenue surprises reported by UnitedHealth Group ($94.43 billion vs. $92.13 billion) and Humana ($26.46 billion vs. $25.63 billion) have been the substantial contributors to the increase in revenues for the index since December 31. As a result, the blended revenue growth rate for the Health Care sector has increased to 4.6% from 4.0% over this period.

In the Industrials sector, the positive revenue surprises reported by General Electric ($18.51 billion vs. $17.27 billion) and Lockheed Martin ($18.87 billion vs. $17.96 billion) have been significant contributors to the increase in revenues for the index since December 31. As a result, the blended revenue growth rate for the Consumer Staples sector has increased to 2.3% from 1.5% over this period.

In the Communication Services sector, the positive revenue surprises reported by Comcast ($31.25 billion vs. $30.44 billion) and T-Mobile ($20.48 billion vs. $19.67 billion) have been substantial contributors to the increase in revenues for the index since December 31. As a result, the blended revenue growth rate for the Communication Services sector has increased to 6.7% from 6.2% over this period.

In the Energy sector, downward revisions to revenue estimates for Chevron (to $50.93 billion from $52.28 billion), Valero Energy (to $35.41 billion from $36.73 billion), ConocoPhillips (to $14.63 billion from $15.54 billion), and Phillips 66 (to $38.89 billion from $39.58 billion) have been substantial detractors to the increase in revenues for the index since December 31. As a result, the blended revenue decline for the Energy sector has increased to -7.7% from -6.1% over this period.

In the Financials sector, the negative revenue surprises reported by Citigroup ($17.44 billion vs. $18.71 billion) and JPMorgan Chase ($38.57 billion vs. $39.73 billion) have been significant contributors to the decrease in revenues for the index since December 31. As a result, the blended revenue growth rate for the Financials sector has decreased to 6.3% from 7.0% over this period.

Earnings Decline: -1.4%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings decline for Q4 2023 is -1.4%, which is below the 5-year average earnings growth rate of 9.5% and below the 10-year average earnings growth rate of 8.4%. If -1.4% is the actual decline for the quarter, it will mark the fourth time in the past five quarters that the index has reported a year-over-year decline in earnings.

Seven of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services, Utilities, Consumer Discretionary, and Information Technology sectors. On the other hand, four sectors are reporting a year-over-year decline in earnings' Energy, Materials, Health Care, and Financials.

Communication Services: Meta Platforms is Largest Contributor to Year-Over-Year Growth

The Communication Services sector is reporting the largest (year-over-year) earnings growth rate of all eleven sectors at 40.4%. At the industry level, 3 of the 5 industries in the sector are reporting a year-over-year increase in earnings of 30% or more: Entertainment (166%), Interactive Media & Services (76%), and Wireless Telecommunication Services (32%). On the other hand, two industries are reporting a (year-over-year) decline in earnings: Diversified Telecommunication Services (-10%) and Media (-4%).

At the company level, Meta Platforms ($4.84 vs. $1.76) is predicted to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated earnings growth rate for Communication Services sector would fall to 23.6% from 40.4%.

Utilities: Electric Utilities Industry Is Largest Contributor to Year-Over-Year Growth

The Utilities sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 30.0%. At the industry level, 4 of the 5 industries in this sector are reporting year-over-year earnings growth. Three of these four are reporting double-digit growth: Electric Utilities (52%), Independent Power and Renewable Electricity Producers (37%), and Gas Utilities (15%). On the other hand, the Multi-Utilities (-6%) industry is the only industry expected to report a (year-over-year) decline in earnings.

At the industry level, the Electric Utilities industry is the largest contributor to earnings growth for the sector. If this industry were excluded, the Utilities sector would be reporting a year-over-year decline in earnings of -0.7% rather than (year-over-year) earnings growth of 30.0%.

Consumer Discretionary: Amazon Is Largest Contributor to Year-Over-Year Growth

The Consumer Discretionary sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 23.2%. At the industry level, 3 of the 9 industries in the sector are reporting year-over-year earnings growth. Two of these three industries are reporting a year-over-year increase in earnings of more than 100%: Broadline Retail (800%) and Hotels, Restaurants, & Leisure (126%). On the other hand, six industries are reporting a year-over-year decline in earnings. Two of these six industries are reporting a decrease in earnings of 10% or more: Automobiles (-51%) and Leisure Products (-50%).

At the industry level, the Broadline Retail and Hotels, Restaurants, & Leisure industries are the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would be reporting a (year-over-year) decline in earnings of -20.3% instead of year-over-year earnings growth of 23.2%. On the other hand, the Automobiles industry is the largest detractor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Consumer Discretionary sector would improve to 54.0% from 23.2%

At the company level, Amazon.com ($0.80 vs. $0.03) is the largest contributor to earnings growth for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting a (year-over-year) decline in earnings of -3.2% instead of earnings growth of 23.2%.

Information Technology: NVIDA Is Largest Contributor to Year-Over-Year Growth

The Information Technology sector is reporting the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 16.9%. At the industry level, 4 of the 6 industries in the sector are reporting (or are expected to report) year-over-year earnings growth. Two of these four industries are reporting double-digit growth: Semiconductors & Semiconductor Equipment (39%) and Software (19%). On the other hand, two industries are reporting a year-over-year decline in earnings: Electronic Equipment, Instruments, & Components (-4%) and Communications Equipment (-2%).

At the company level, NVIDIA ($4.51 vs. $0.88) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended (year-over-year) earnings growth rate for the Information Technology sector would drop to 7.7% from 16.9%.

Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -31.4%. At the sub-industry level, three of the five sub-industries in the sector are reporting a (year-over-year) decrease in earnings: Oil & Gas Refining & Marketing (-63%), Integrated Oil & Gas (-34%), and Oil & Gas Exploration & Production (-20%). On the other hand, two sub-industries are reporting year-over-year earnings growth: Oil & Gas Equipment & Services (23%) and Oil & Gas Storage & Transportation (4%).

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline of More Than 15%

The Materials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -21.6%. At the industry level, three of the four industries in this sector are reporting a year-over-year decline in earnings of 15% or more: Metals & Mining (-33%), Chemicals (-20%), and Containers & Packaging (-15%). On the other hand, the Construction Materials (30%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Health Care: Pfizer Is Largest Contributor to Year-Over-Year Decline

The Health Care sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -21.5%. At the industry level, three of the five industries in this sector are reporting a year-over-year decline in earnings of 10% or more: Pharmaceuticals (-54%), Biotechnology (-18%), and Life Sciences, Tools, & Services (-11%). On the other hand, two industries are reporting year-over-year earnings growth: Health Care Equipment & Supplies (4%) and Health Care Providers & Services (4%).

At the company level, Pfizer (-$0.18 vs. $1.14) and Merck (-$0.11 vs. $1.62) are the largest contributors to the earnings decline for the sector. If these two companies were excluded, the blended earnings decline for the Health Care sector would improve to -5.6% from -21.5%.

Financials: Banks Industry Leads Year-Over-Year Decline

The Financials sector is reporting the fourth-largest (year-over-year) earnings decline of all eleven sectors at -19.0%. At the industry level, three of the five industries in this sector are reporting a year-over-year decline in earnings: Banks (-64%), Consumer Finance (-15%), and Capital Markets (-4%). On the other hand, the other two industries in the sector are reporting earnings growth: Insurance (34%) and Financial Services (10%).

At the industry level, the Banks industry is the largest contributor to the year-over-year decline in earnings for the sector. Actual results for most of the companies in the Banks industry include FDIC special assessments, which had a negative impact on earnings for the quarter. If this industry were excluded, the Financials sector would be reporting would be reporting (year-over-year) growth in earnings of 10.1% instead of a year-over-year earnings decline of -19.0%.

Revenue Growth: 3.2%

The blended (year-over-year) revenue growth rate for Q4 2023 is 3.2%, which is below the 5-year average revenue growth rate of 6.9% and below the 10-year average revenue growth rate of 5.0%. If 3.2% is the actual revenue growth rate for the quarter, it will mark the 13th consecutive quarter of revenue growth for the index.

At the sector level, nine sectors are reporting year-over-year growth in revenues, led by the Communication Services, Information Technology, Financials, and Real Estate sectors. On the other hand, two sectors are reporting a year-over-year decline in revenues: Energy and Materials.

Communication Service: Interactive Media & Services Industry Leads Year-Over-Year Growth

The Communications Services sector is reporting the highest (year-over-year) revenue growth rate at 6.7%. At the industry level, two of the five industries in the sector are reporting (year-over-year) growth in revenues, led by the Interactive Media & Services (14%) industry.

Information Technology: Semiconductors Industry Leads Year-Over-Year Growth

The Information Technology sector is tied with the Financials sector for the second-highest (year-over-year) revenue growth rate at 6.3%. At the industry level, three of the six industries in the sector are reporting year-over-year growth in revenues, led by the Semiconductors & Semiconductor Equipment (19%) and Software (14%) industries.

Financials: All 5 Industries Reporting Year-Over-Year Growth

The Financials sector is tied with the Information Technology sector for the second-highest (year-over-year) revenue growth rate at 6.3%. At the industry level, all five industries in the sector are reporting year-over-year growth in revenues. Two of these five industries are reporting double-digit growth: Financials Services (10%) and Consumer Finance (10%).

Real Estate: All 8 Industries Reporting Year-Over-Year Growth

The Real Estate sector is reporting the third-highest (year-over-year) revenue growth rate at 6.2%. At the industry level, all eight industries in the sector are reporting year-over-year growth in revenues. Two of these eight industries are reporting double-digit growth: Health Care REITs (11%) and Industrial REITs (10%).

Energy: 4 of 5 Sub-Industries Reporting Year-Over-Year Decline

The Energy sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -7.7%. At the sub-industry level, four of the five sub-industries in the sector are reporting a year-over-year decrease in revenues: Oil & Gas Exploration & Production (-11%), Oil & Gas Refining & Marketing (-11%), Integrated Oil & Gas (-7%), and Oil & Gas Storage & Transportation (-4%). On the other hand, the Oil & Gas Equipment & Services (11%) sub-industry is the only sub-industry reporting (year-over-year) revenue growth in the sector.

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline

The Materials sector is reporting the second-highest (year-over-year) decline in revenues at -5.4%. At the industry level, three of the four industries in the sector are reporting a year-over-year decrease in revenues: Chemicals (-6%), Metals & Mining (-6%), and Containers & Packaging (-4%). On the other hand, the Construction Materials (12%) industry is the only industry expected to report a year-over-year growth in revenues.

Net Profit Margin: 10.7%

The blended net profit margin for the S&P 500 for Q4 2023 is 10.7%, which is below the previous quarter's net profit margin of 12.2%, below the 5-year average of 11.5%, and below the year-ago net profit margin of 11.2%.

At the sector level, four sectors are reporting a year-over-year increase in their net profit margins in Q4 2023 compared to Q4 2022, led by the Communication Services (11.5% vs. 8.8%), Utilities (11.7% vs. 9.1%), and Information Technology (25.4% vs. 23.1%) sectors. On the other hand, seven sectors are reporting a year-over-year decrease in their net profit margins in Q4 2023 compared to Q4 2022, led by the Financials (12.6% vs. 16.6%) and Energy (9.6% vs. 13.0%) sectors.

Five sectors are reporting net profit margins in Q4 2023 that are above their 5-year averages, led by the Information Technology (25.4% vs. 23.3%) sector. On the other hand, six sectors are reporting net profit margins in Q4 2023 that are below their 5-year averages, led by the Financials (12.6% vs. 16.6%) and Health Care (7.0% vs. 10.1%) sectors.

Forward Estimates and Valuation

Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q1 Above 5-Year Average

At this point in time, 23 companies in the index have issued EPS guidance for Q1 2024. Of these 23 companies, 14 have issued negative EPS guidance and 9 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q1 2024 is 61% (14 out of 23), which is above the 5-year average of 59% but below the 10-year average of 63%.

At this point in time, 268 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 268 companies, 136 have issued negative EPS guidance and 132 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 51% (136 out of 268).

The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or mid-point of a range estimates) provided by a company is lower than the mean EPS estimate the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

Earnings: S&P 500 Expected to Report Earnings Growth of 12% for CY 2024

For the fourth quarter, S&P 500 companies are reporting a year-over-year decline in earnings of -1.4% and year-over-year growth in revenues of 3.2%. For CY 2023, S&P 500 companies are reporting year-over-year growth in earnings of 0.2% and year-over-year growth in revenues of 2.3%

For Q1 2024, analysts are projecting earnings growth of 4.6% and revenue growth of 3.7%.

For Q2 2024, analysts are projecting earnings growth of 9.4% and revenue growth of 4.7%.

For Q3 2024, analysts are projecting earnings growth of 7.7% and revenue growth of 4.9%.

For Q4 2024, analysts are projecting earnings growth of 21.3% and revenue growth of 5.6%.

For CY 2024, analysts are projecting earnings growth of 11.6% and revenue growth of 5.4%.

Valuation: Forward P/E Ratio is 19.5, Above the 10-Year Average (17.6)

The forward 12-month P/E ratio for the S&P 500 is 20.0. This P/E ratio is above the 5-year average of 18.9 and above the 10-year average of 17.6. It is also above the forward 12-month P/E ratio of 19.5 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has increased by 2.6%, while the forward 12-month EPS estimate has increased by 0.3%. At the sector level, the Information Technology (28.3) and Consumer Discretionary (24.4) sectors have the highest forward 12-month P/E ratios, while the Energy (11.6) and Financials (14.9) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 24.2, which is above the 5-year average of 22.8 and above the 10-year average of 21.1.

Targets & Ratings: Analysts Project 8% Increase in Price Over Next 12 Months

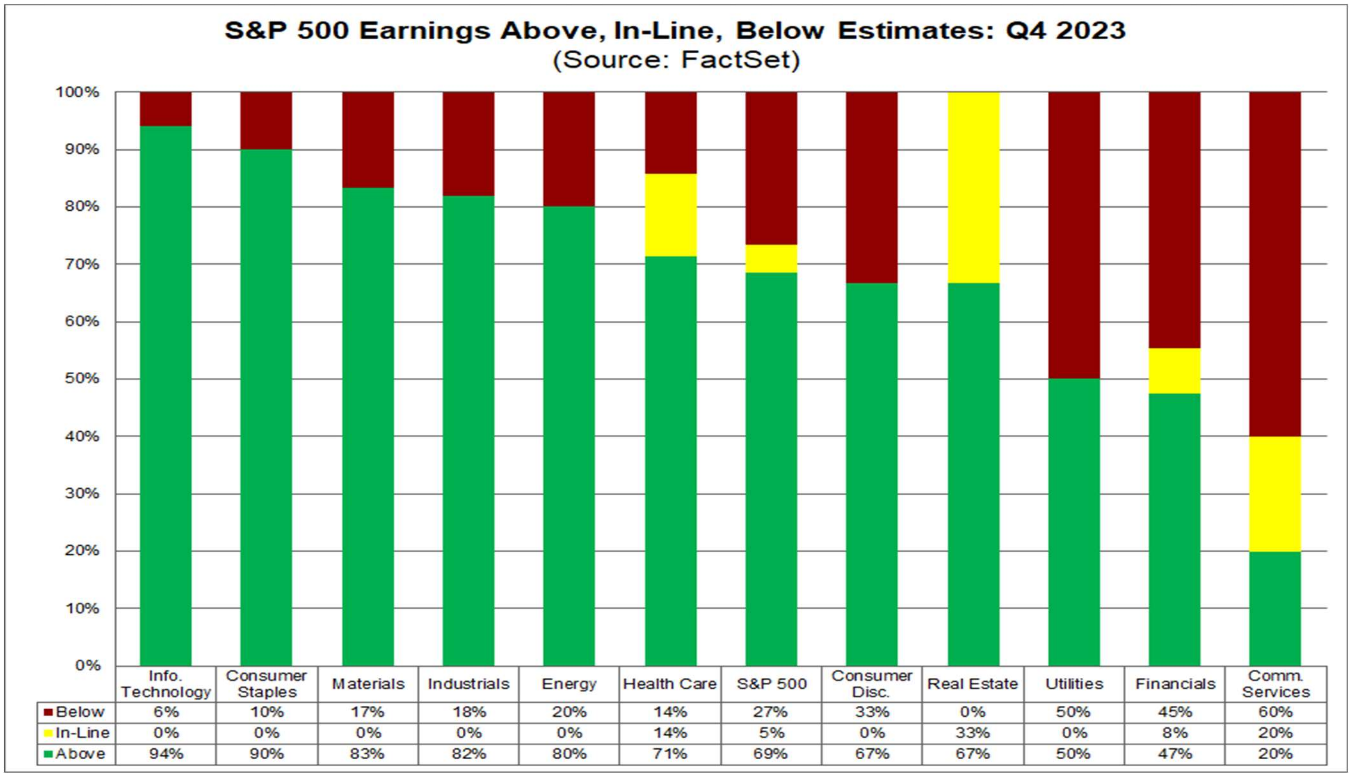
The bottom-up target price for the S&P 500 is 5280.39, which is 7.9% above the closing price of 4894.16. At the sector level, the Energy (+19.7%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Information Technology (+3.2%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 11,431 ratings on stocks in the S&P 500. Of these 11,431 ratings, 54.7% are Buy ratings, 40.0% are Hold ratings, and 5.3% are Sell ratings. At the sector level, the Energy (65%) and Communication Service (63%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

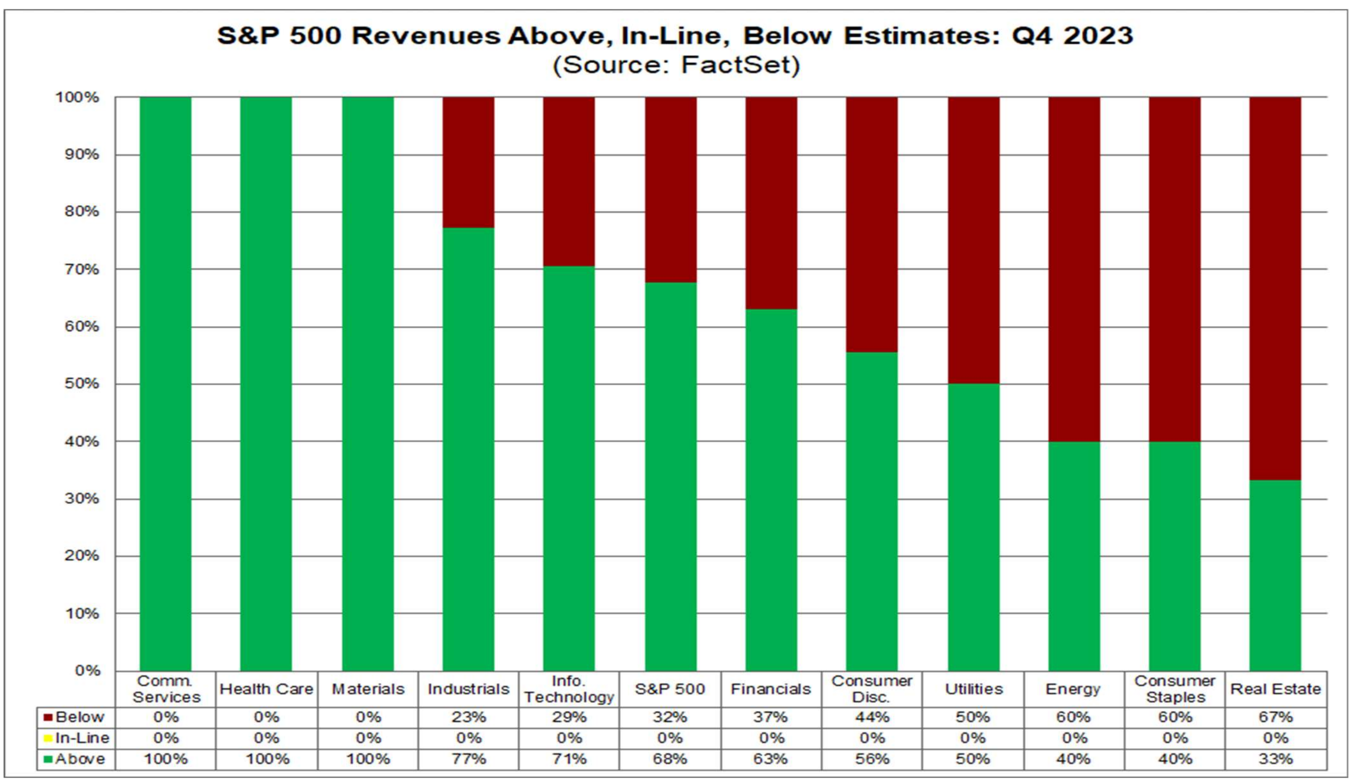
Companies Reporting Next Week: 106

During the upcoming week, 106 S&P 500 companies (including 6 Dow 30 components) are scheduled to report results for the fourth quarter.

Q4 2023: Scorecard

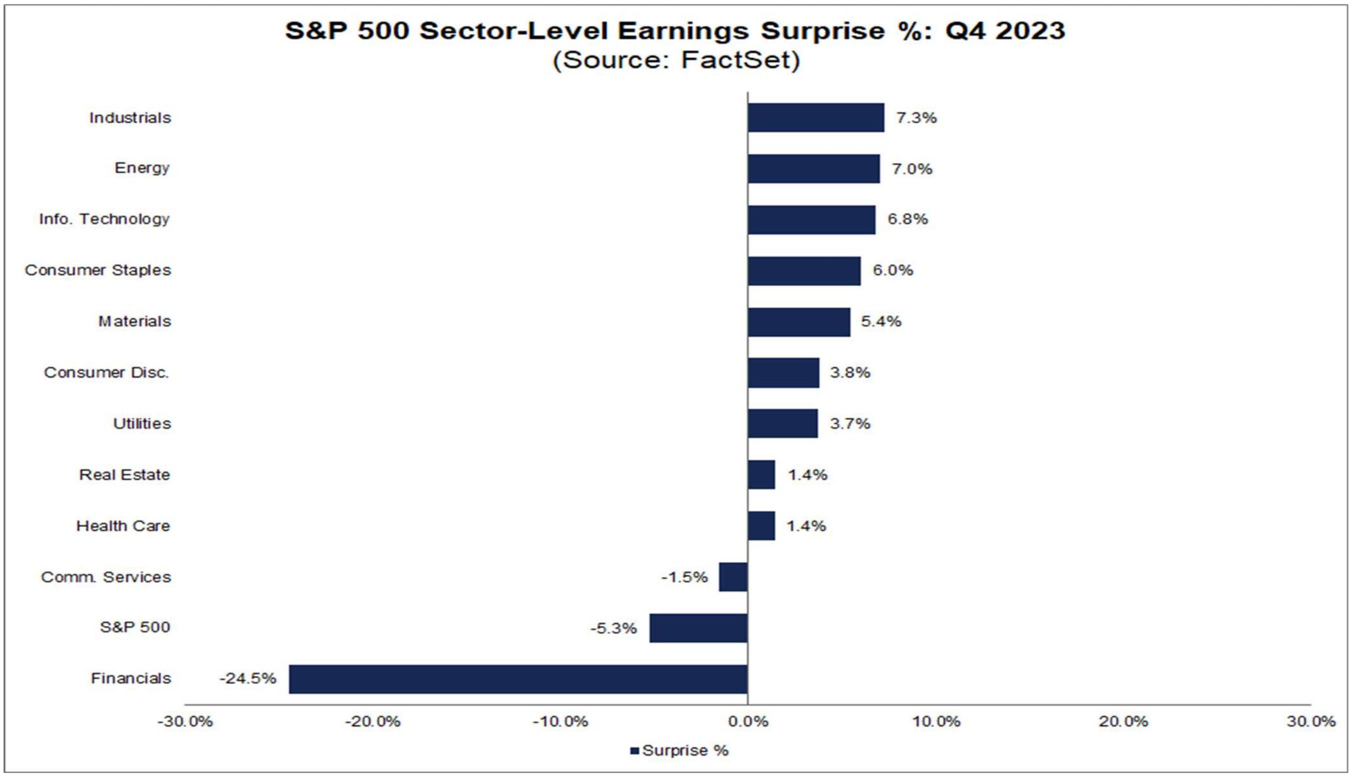


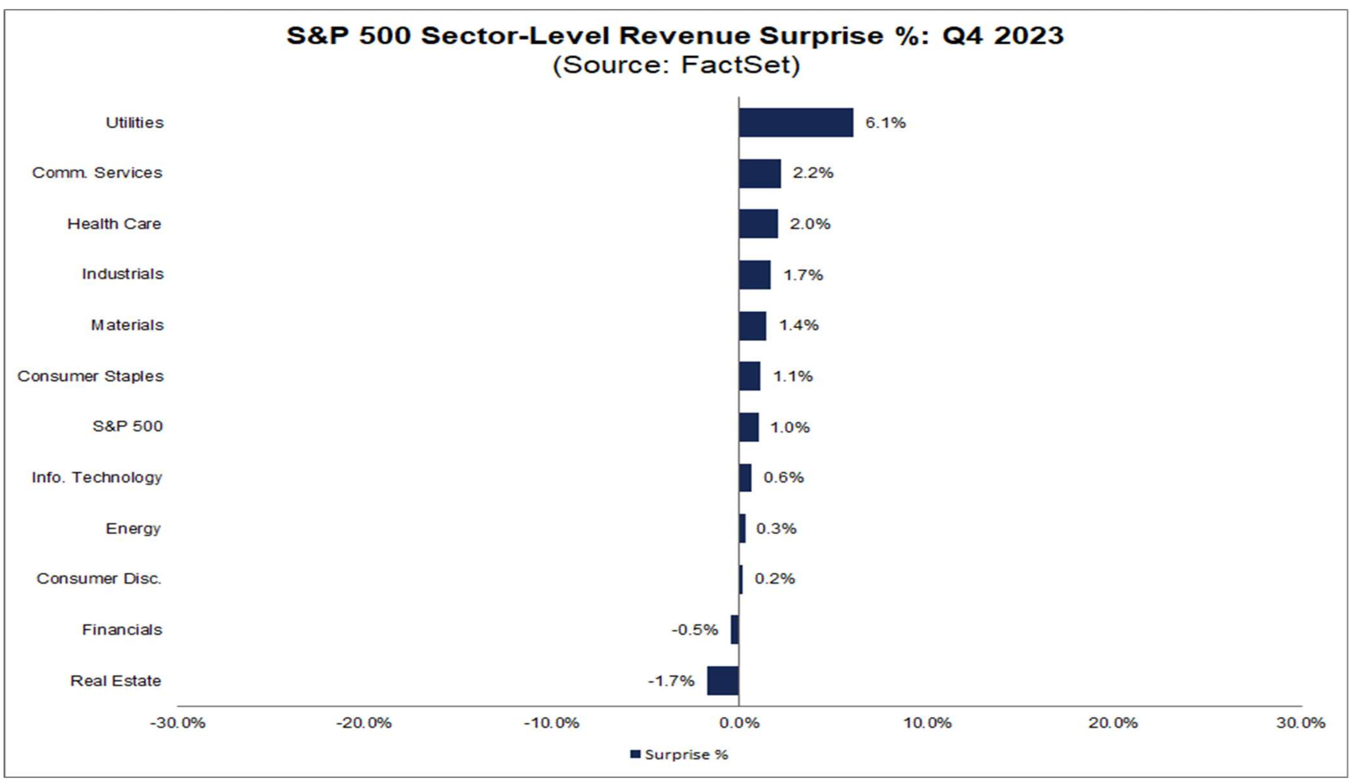
	Info. Technology	Consumer Staples	Materials	Industrials	Energy	Health Care	S&P 500	Consumer Disc.	Real Estate	Utilities	Financials	Comm. Services
Below	6%	10%	17%	18%	20%	14%	27%	33%	0%	50%	45%	60%
In-Line	0%	0%	0%	0%	0%	14%	5%	0%	33%	0%	8%	20%
Above	94%	90%	83%	82%	80%	71%	69%	67%	67%	50%	47%	20%



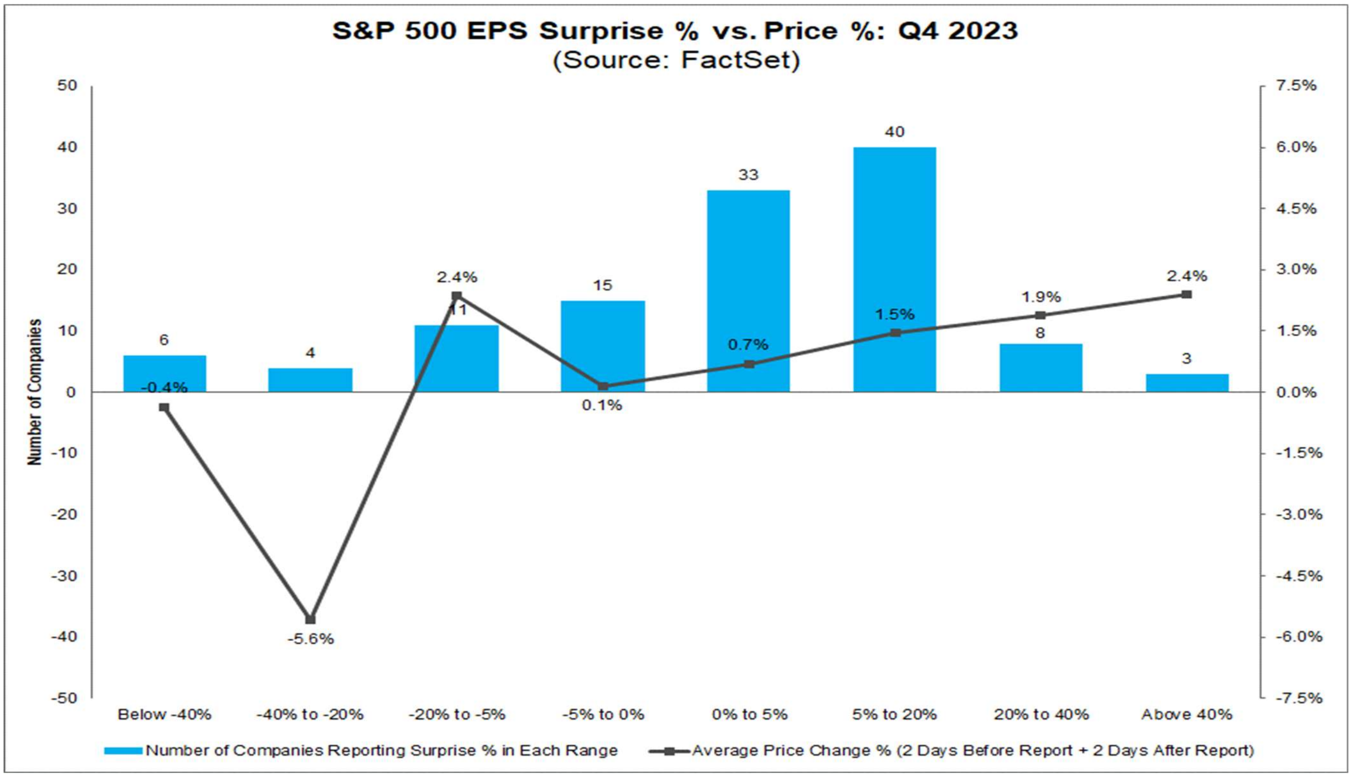
	Comm. Services	Health Care	Materials	Industrials	Info. Technology	S&P 500	Financials	Consumer Disc.	Utilities	Energy	Consumer Staples	Real Estate
Below	0%	0%	0%	23%	29%	32%	37%	44%	50%	60%	60%	67%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	100%	77%	71%	68%	63%	56%	50%	40%	40%	33%

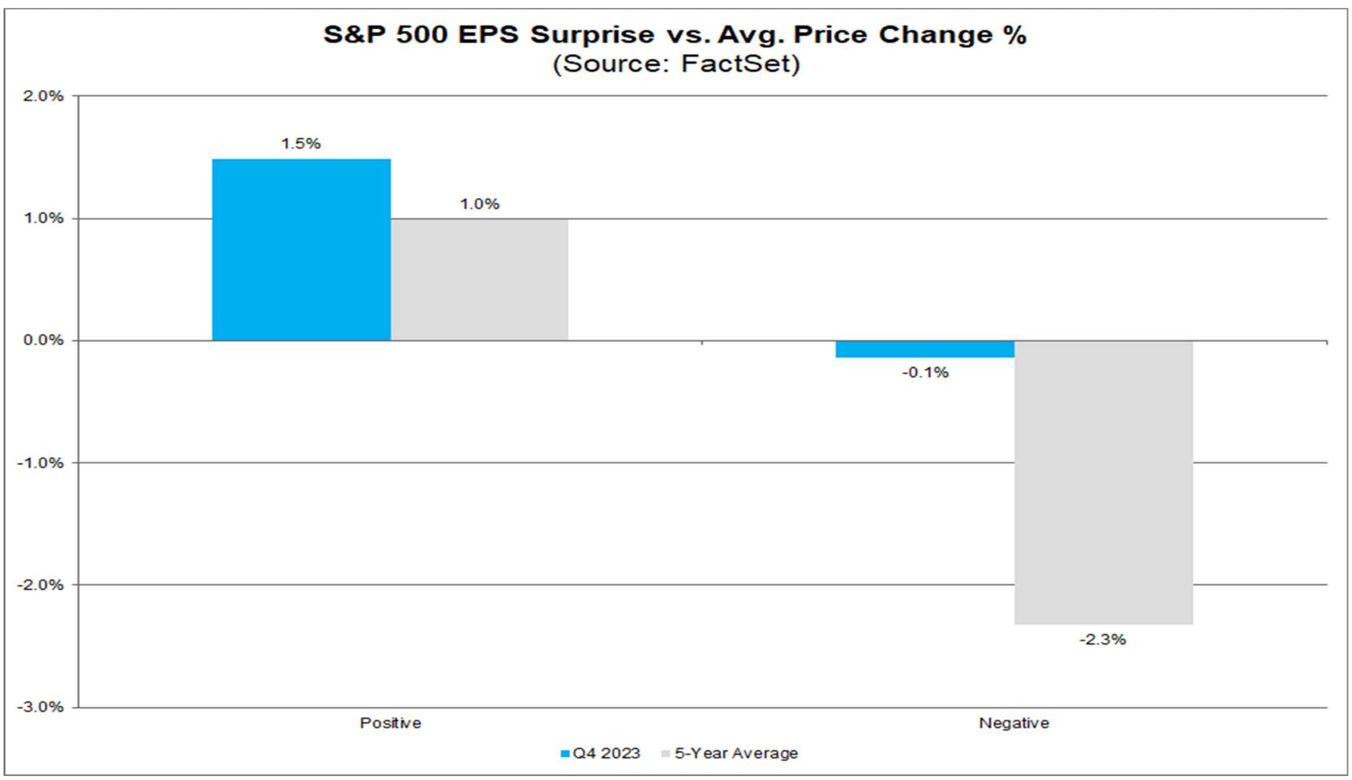
Q4 2023: Surprise



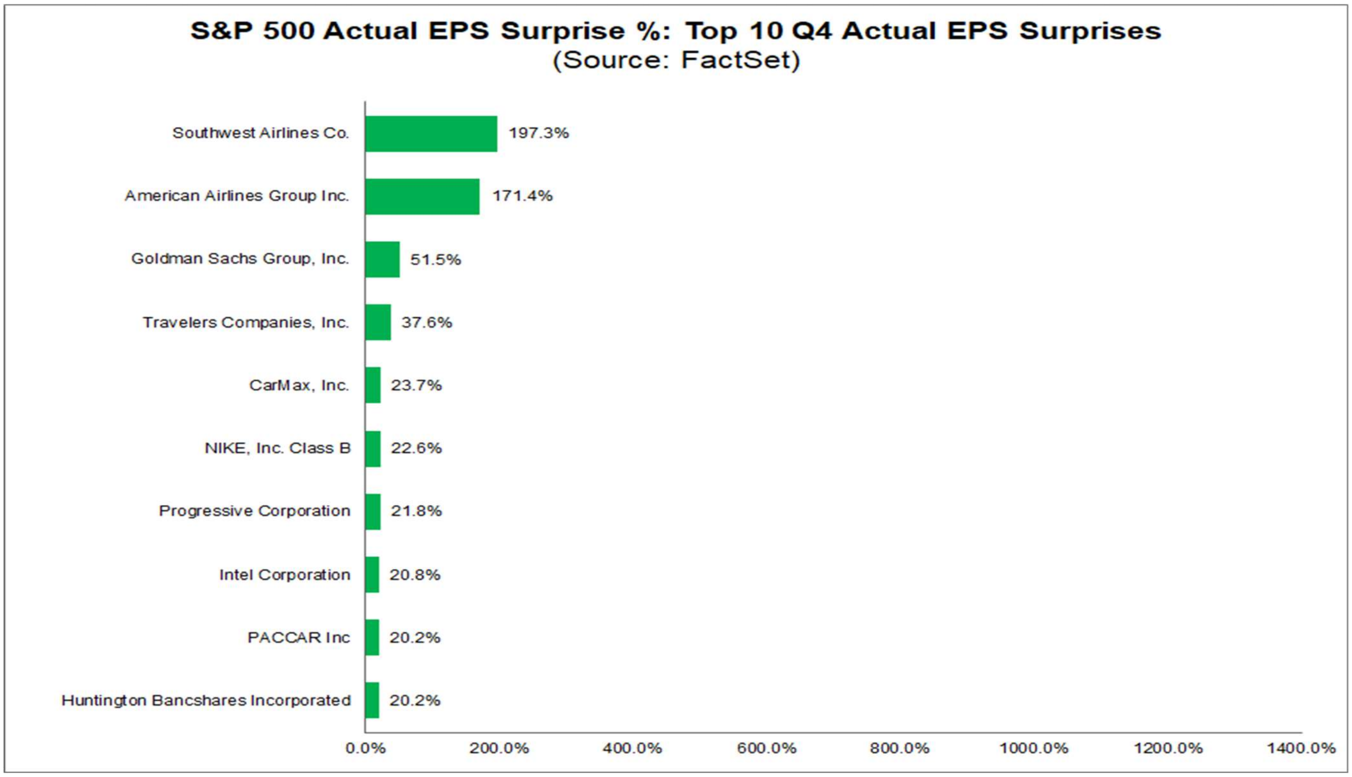


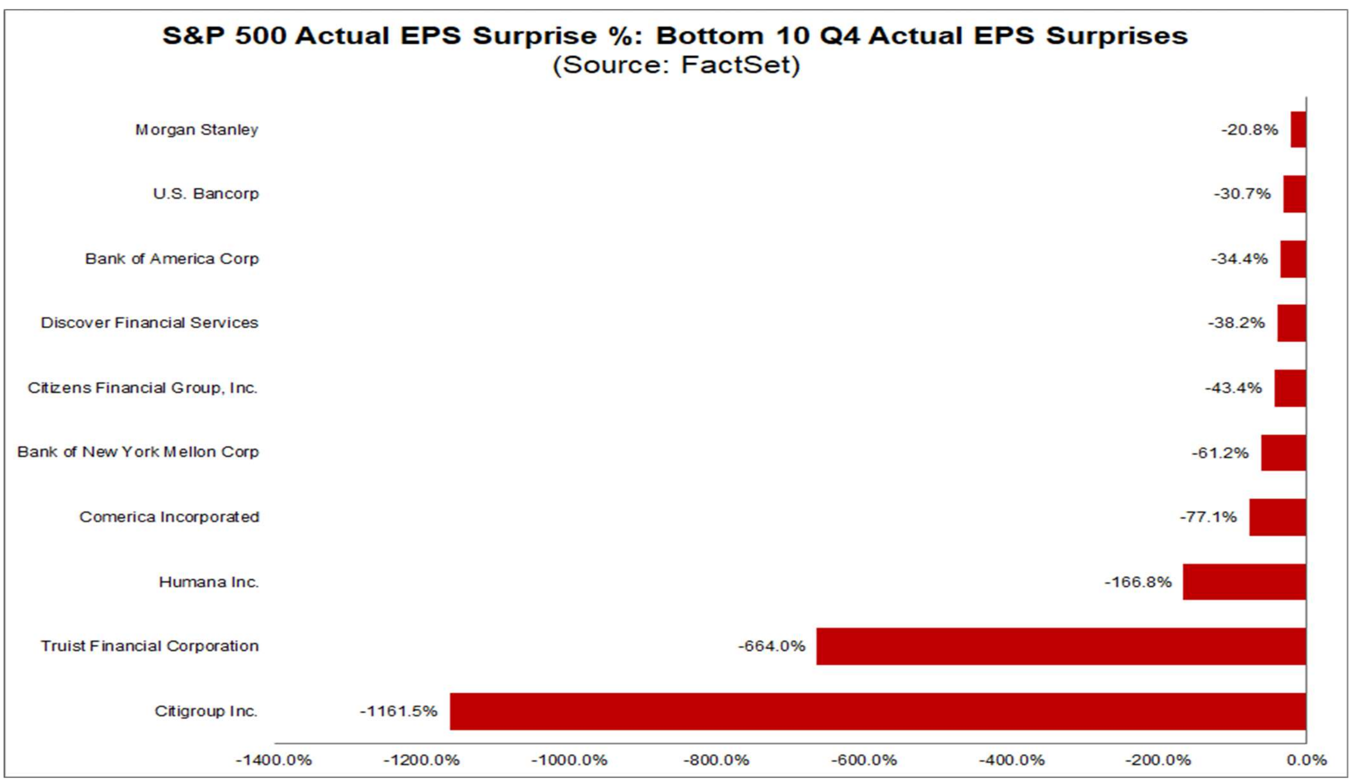
Q4 2023: Surprise



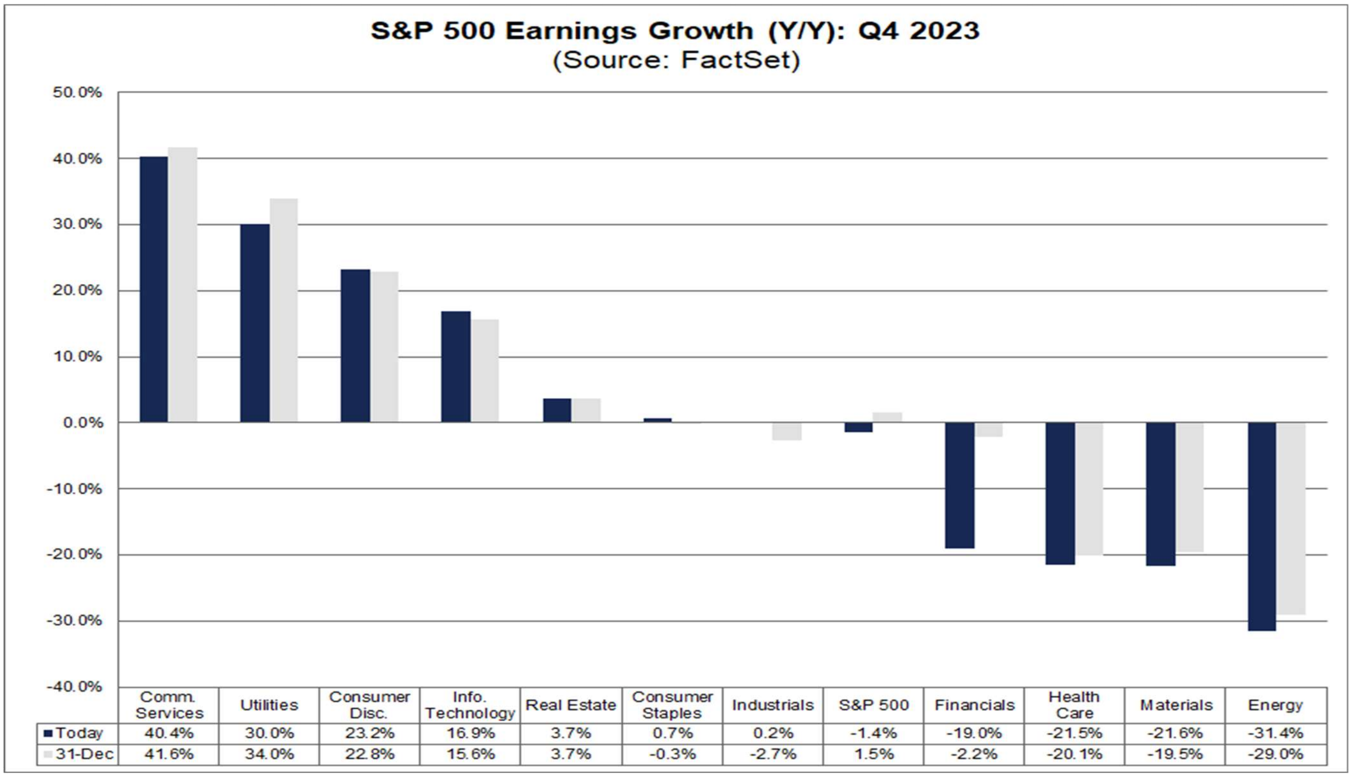


Q4 2023: Surprise

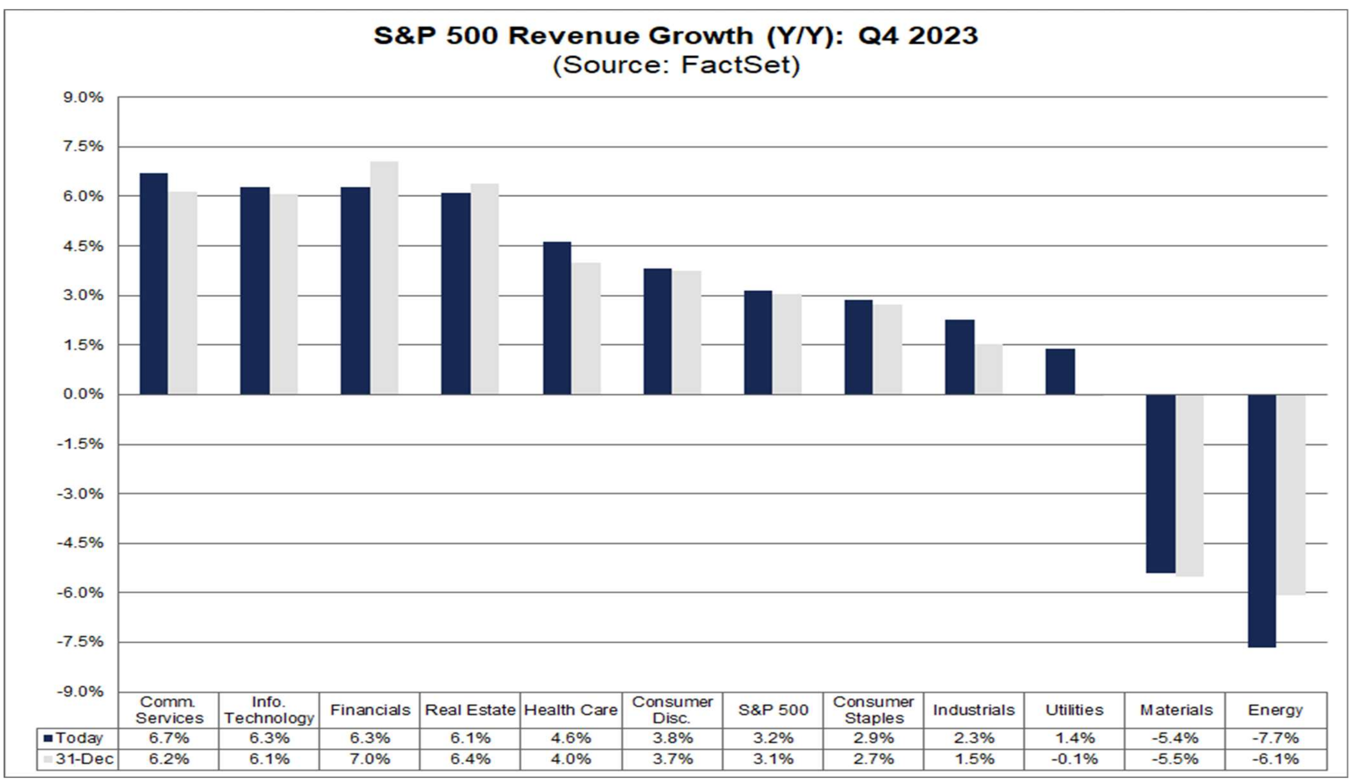




Q4 2023: Growth

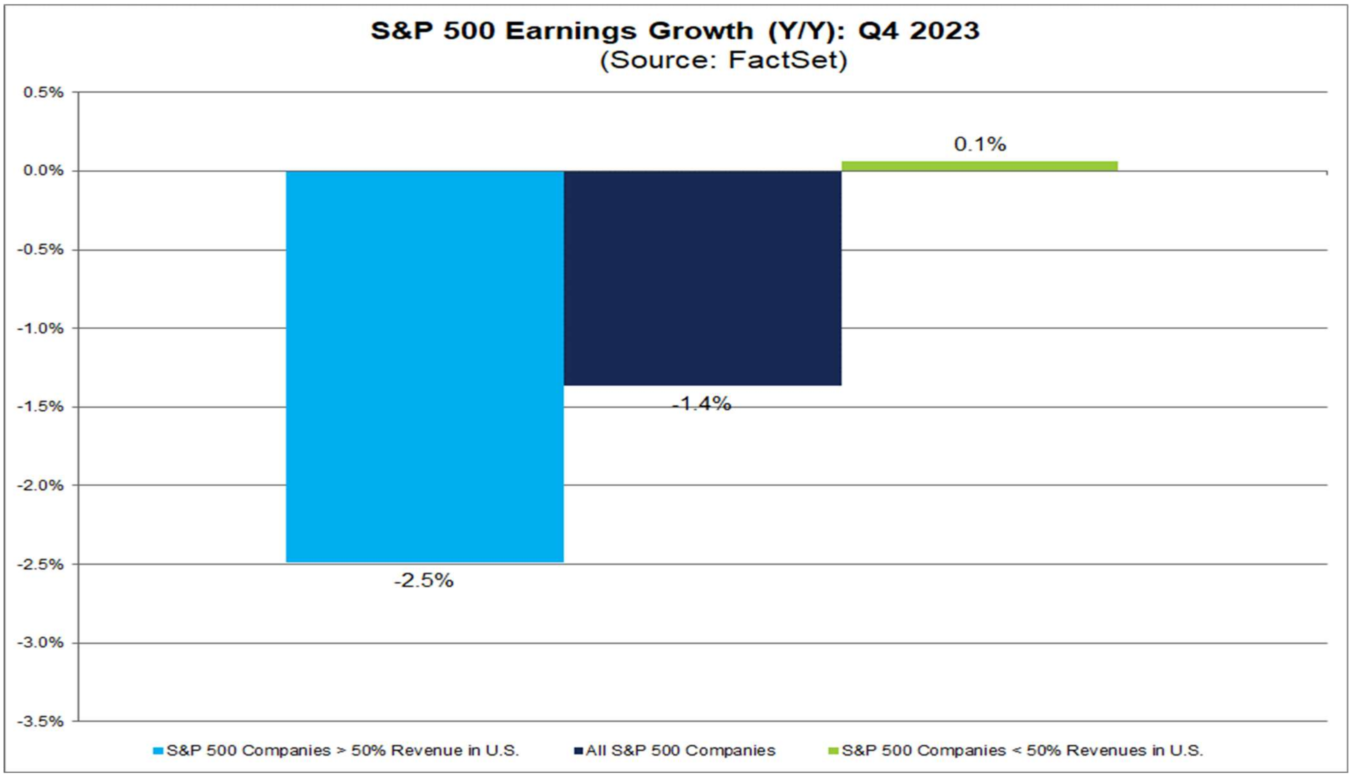


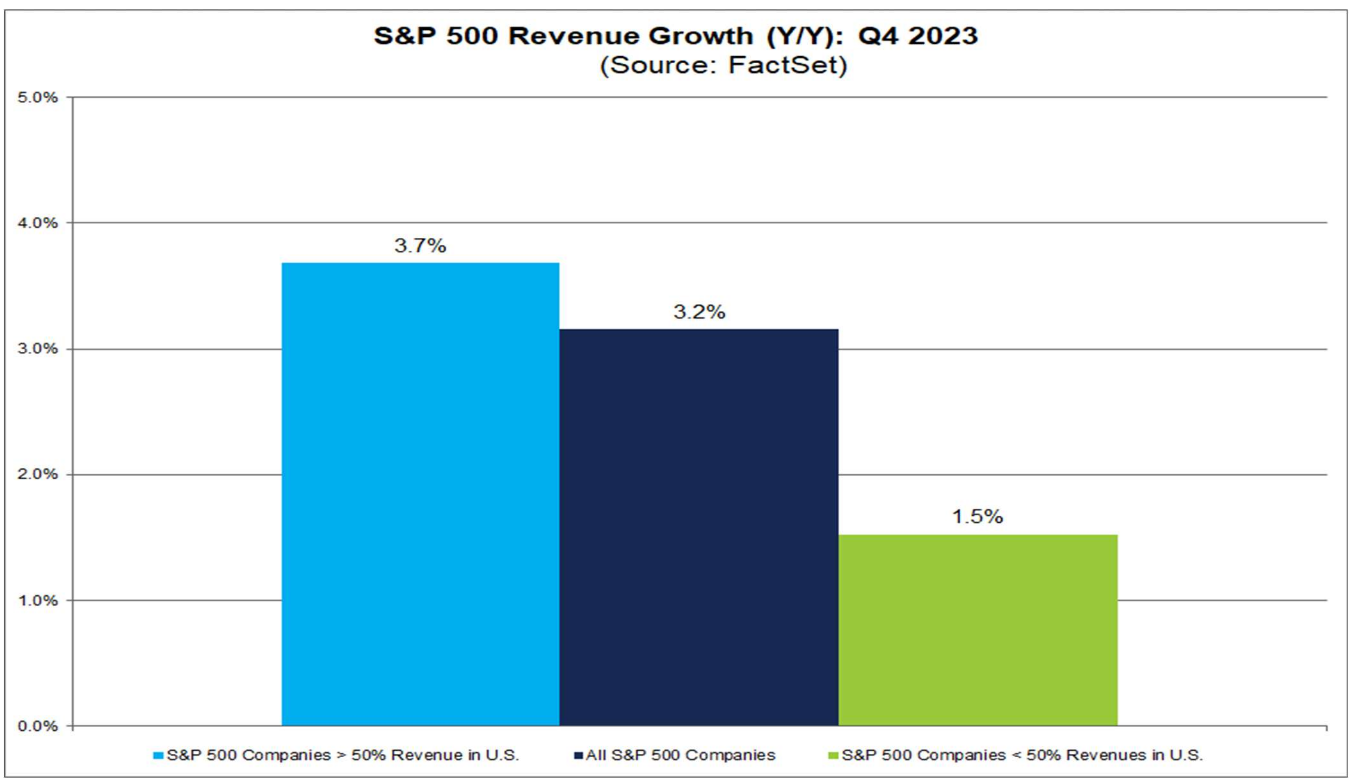
	Comm. Services	Utilities	Consumer Disc.	Info. Technology	Real Estate	Consumer Staples	Industrials	S&P 500	Financials	Health Care	Materials	Energy
Today	40.4%	30.0%	23.2%	16.9%	3.7%	0.7%	0.2%	-1.4%	-19.0%	-21.5%	-21.6%	-31.4%
31-Dec	41.6%	34.0%	22.8%	15.6%	3.7%	-0.3%	-2.7%	1.5%	-2.2%	-20.1%	-19.5%	-29.0%



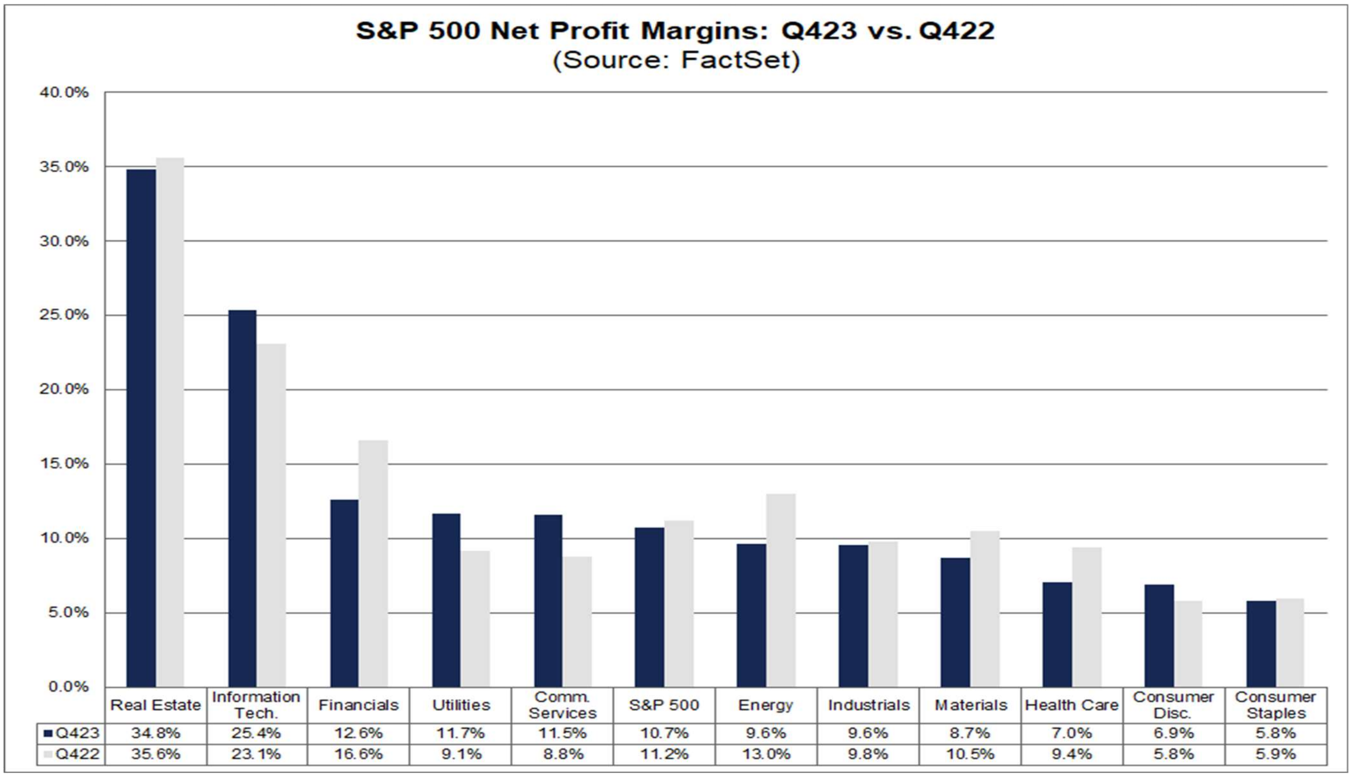
	Comm. Services	Info. Technology	Financials	Real Estate	Health Care	Consumer Disc.	S&P 500	Consumer Staples	Industrials	Utilities	Materials	Energy
Today	6.7%	6.3%	6.3%	6.1%	4.6%	3.8%	3.2%	2.9%	2.3%	1.4%	-5.4%	-7.7%
31-Dec	6.2%	6.1%	7.0%	6.4%	4.0%	3.7%	3.1%	2.7%	1.5%	-0.1%	-5.5%	-6.1%

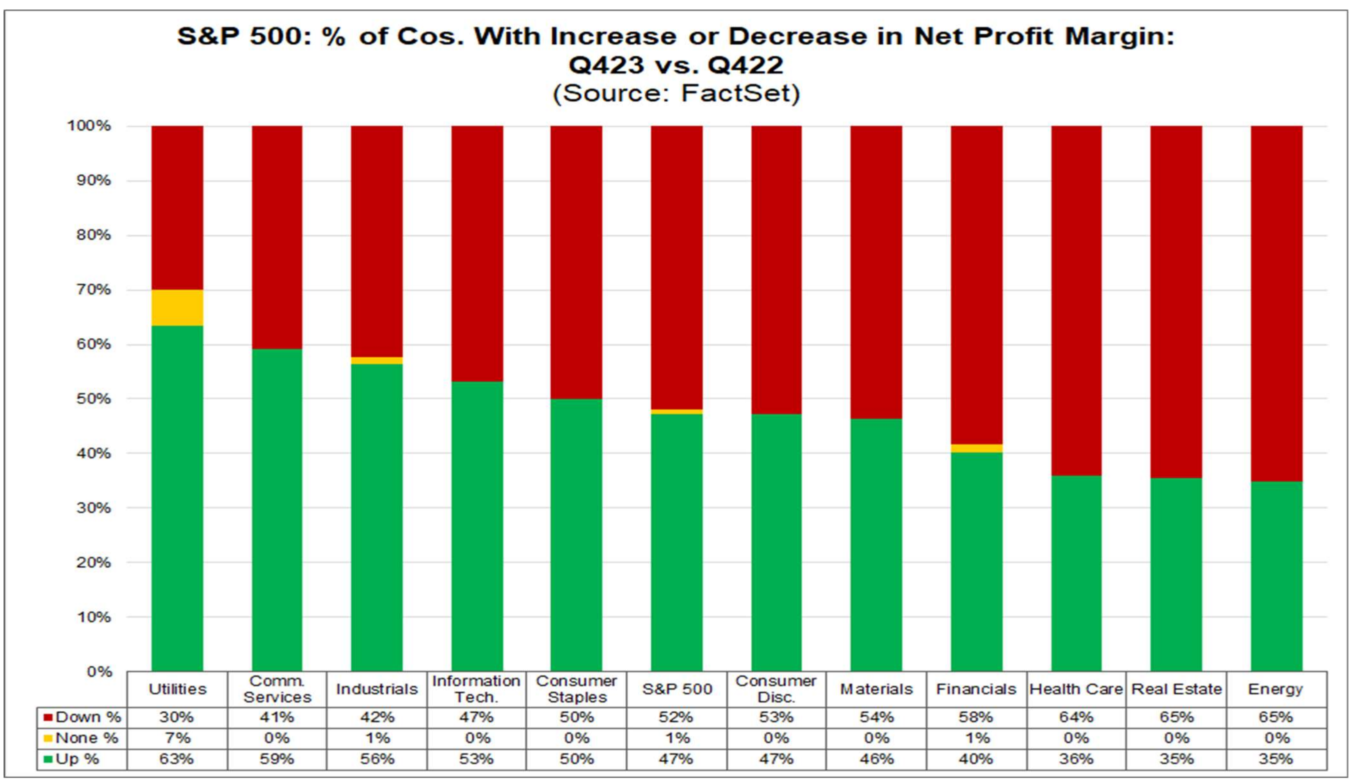
Q4 2023: Growth



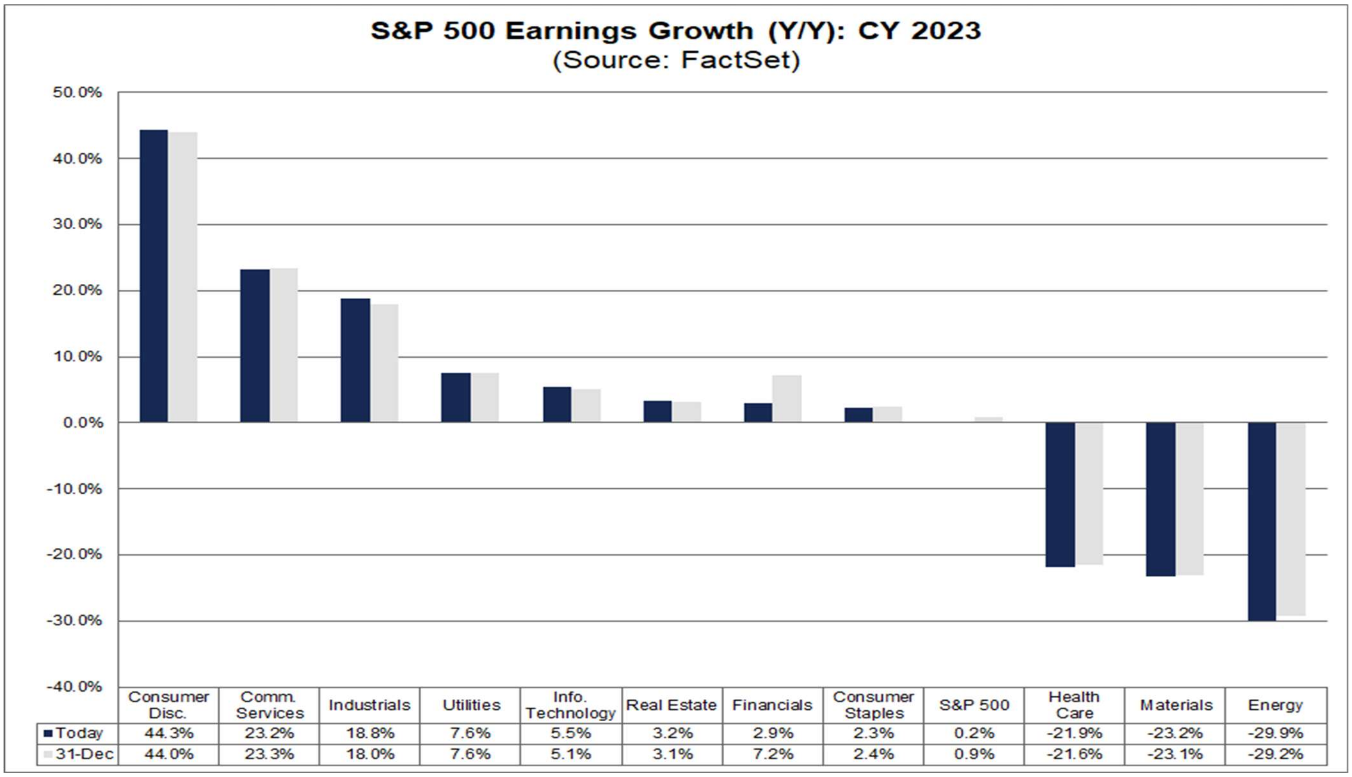


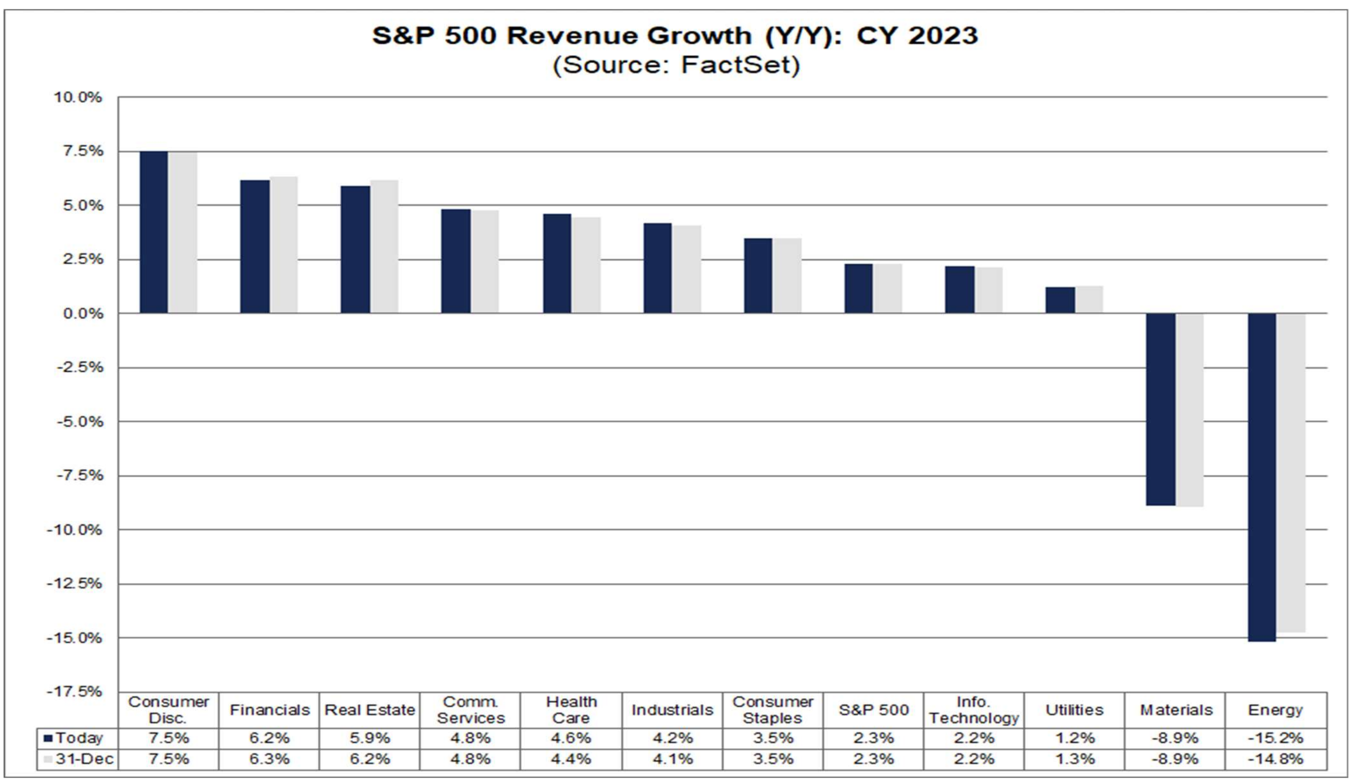
Q4 2023: Net Profit Margin



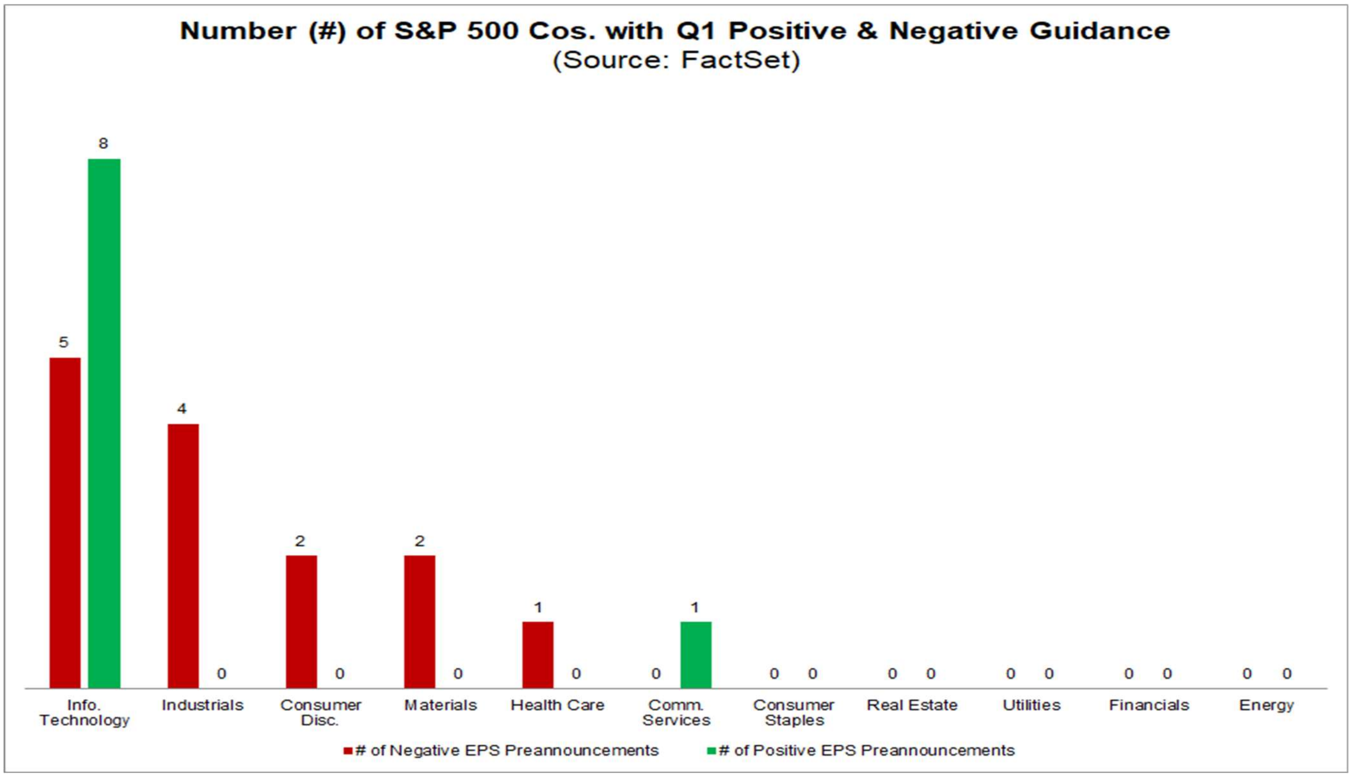


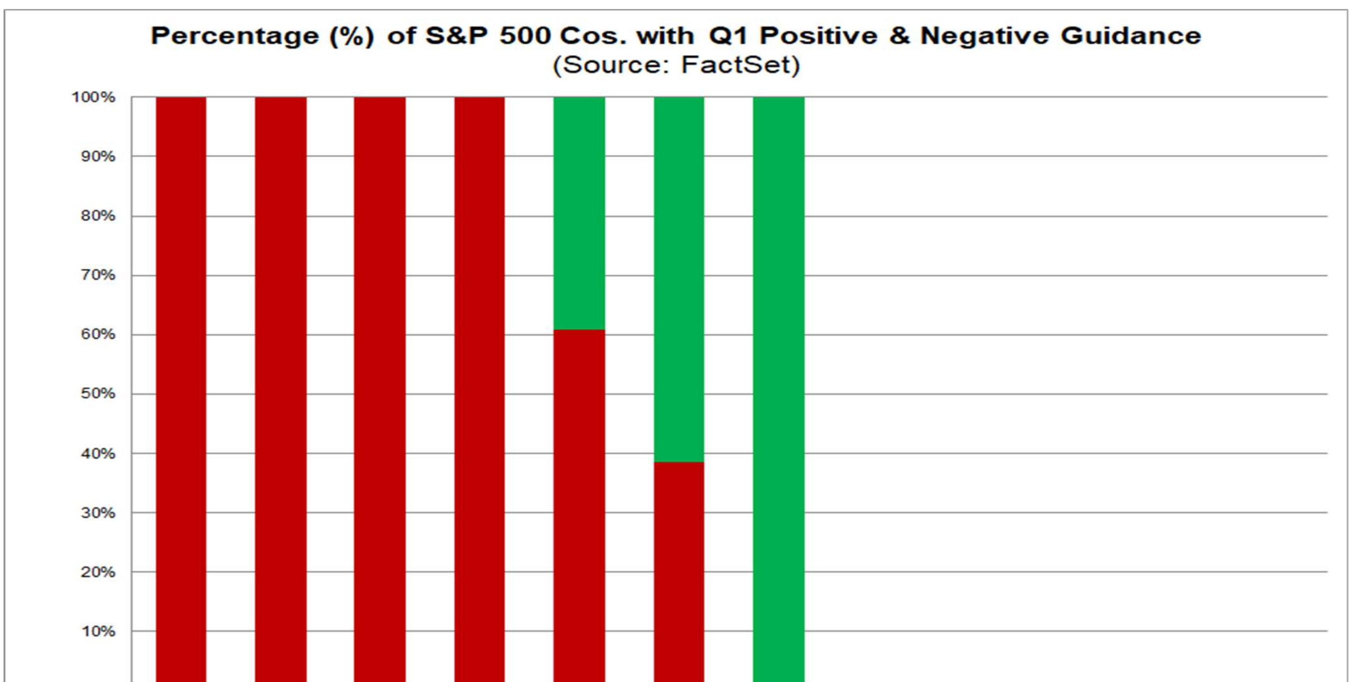
CY 2023: Growth





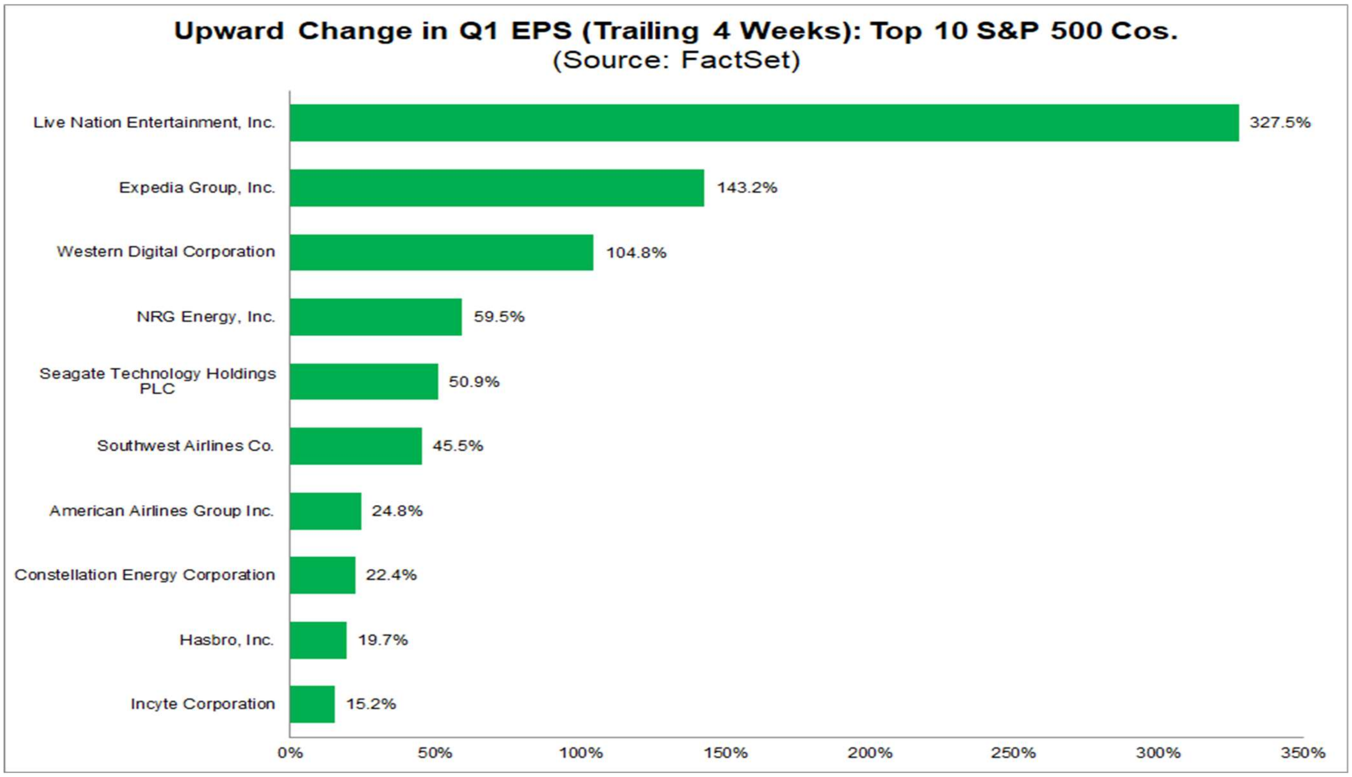
Q1 2024: Guidance

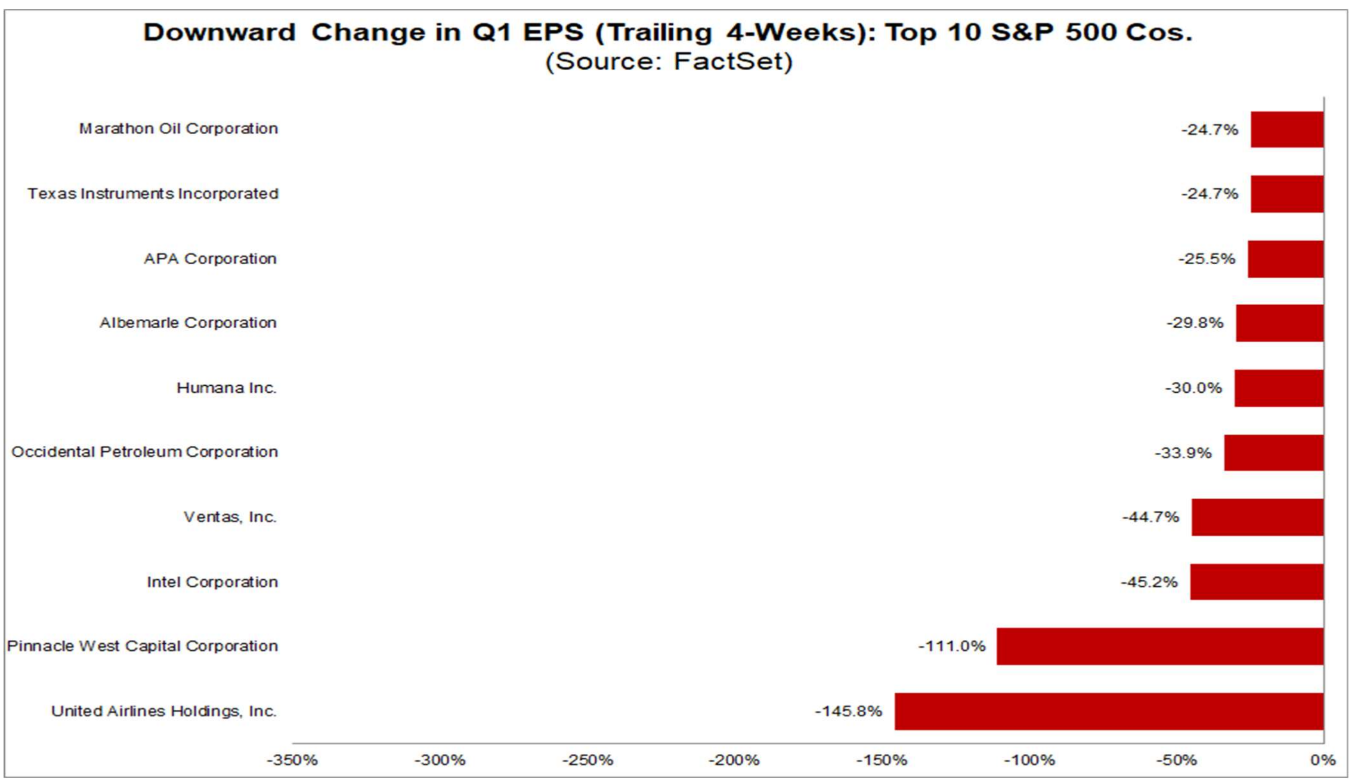




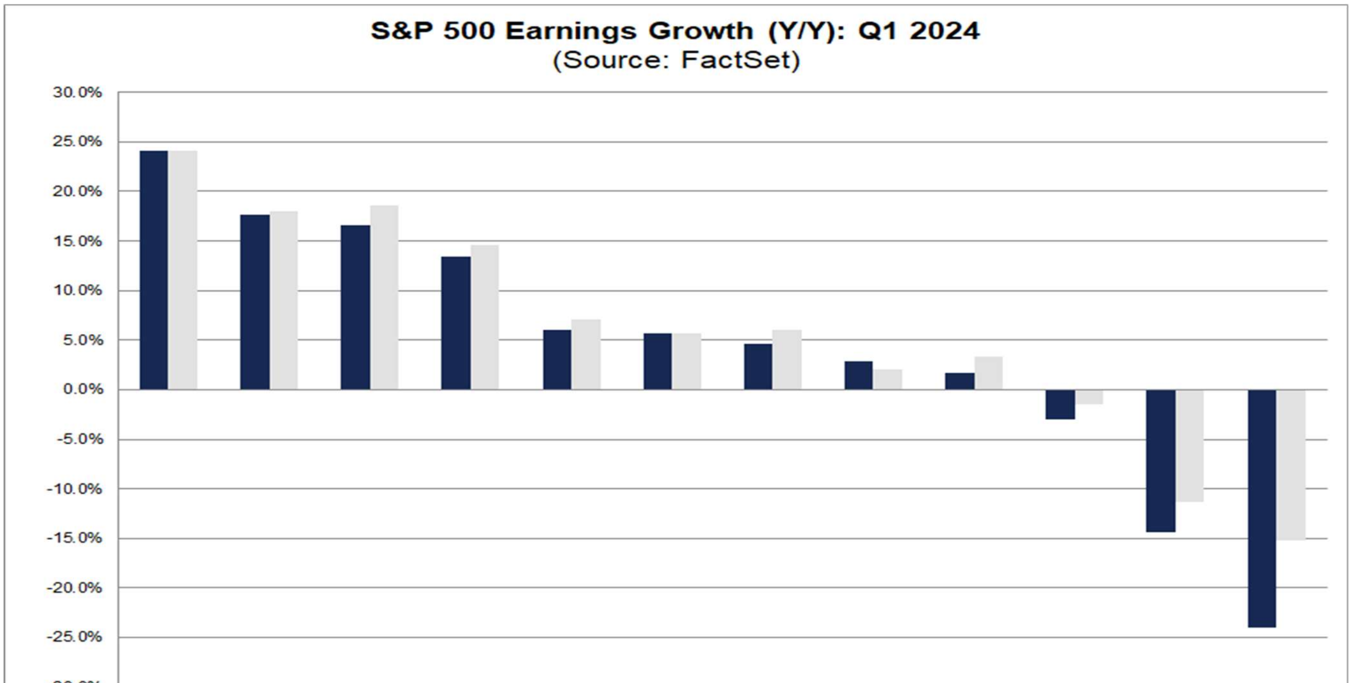
	Industrials	Consumer Disc.	Materials	Health Care	S&P 500	Info. Technology	Comm. Services	Utilities	Financials	Real Estate	Consumer Staples	Energy
Positive	0%	0%	0%	0%	39%	62%	100%	0%	0%	0%	0%	0%
Negative	100%	100%	100%	100%	61%	38%	0%	0%	0%	0%	0%	0%

Q1 2024: EPS Revisions

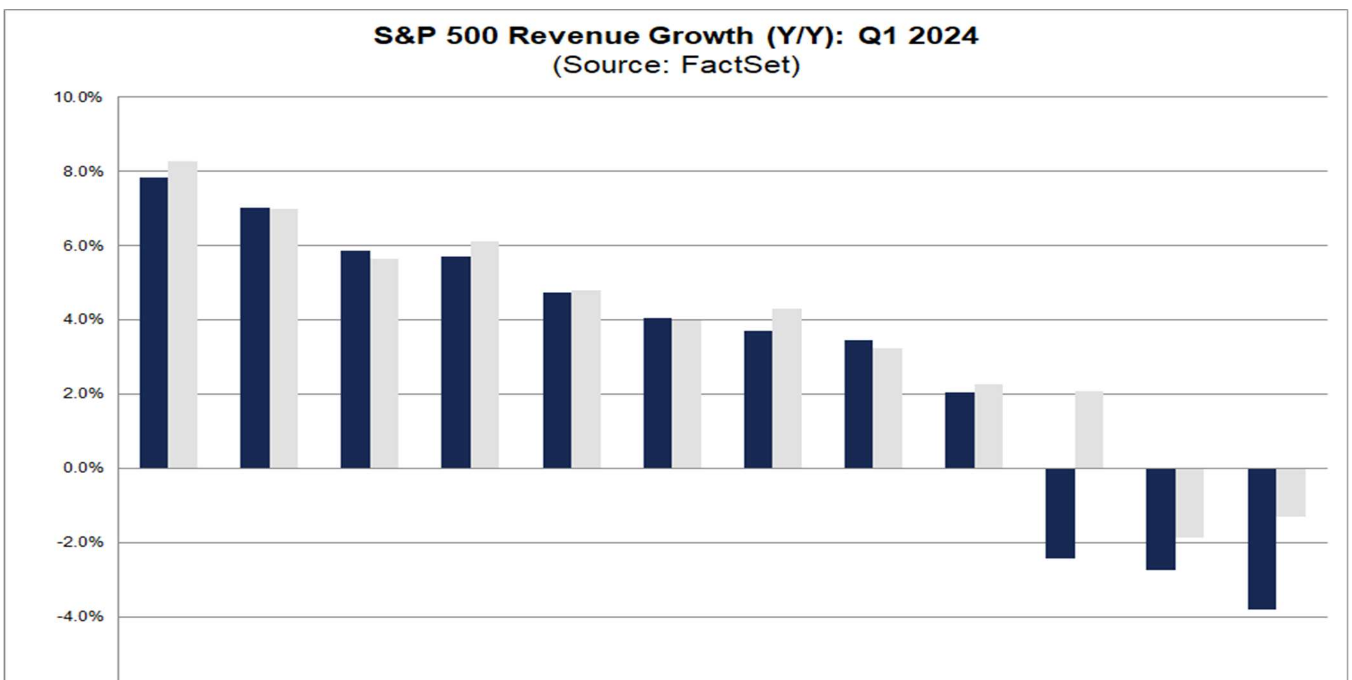




Q1 2024: Growth

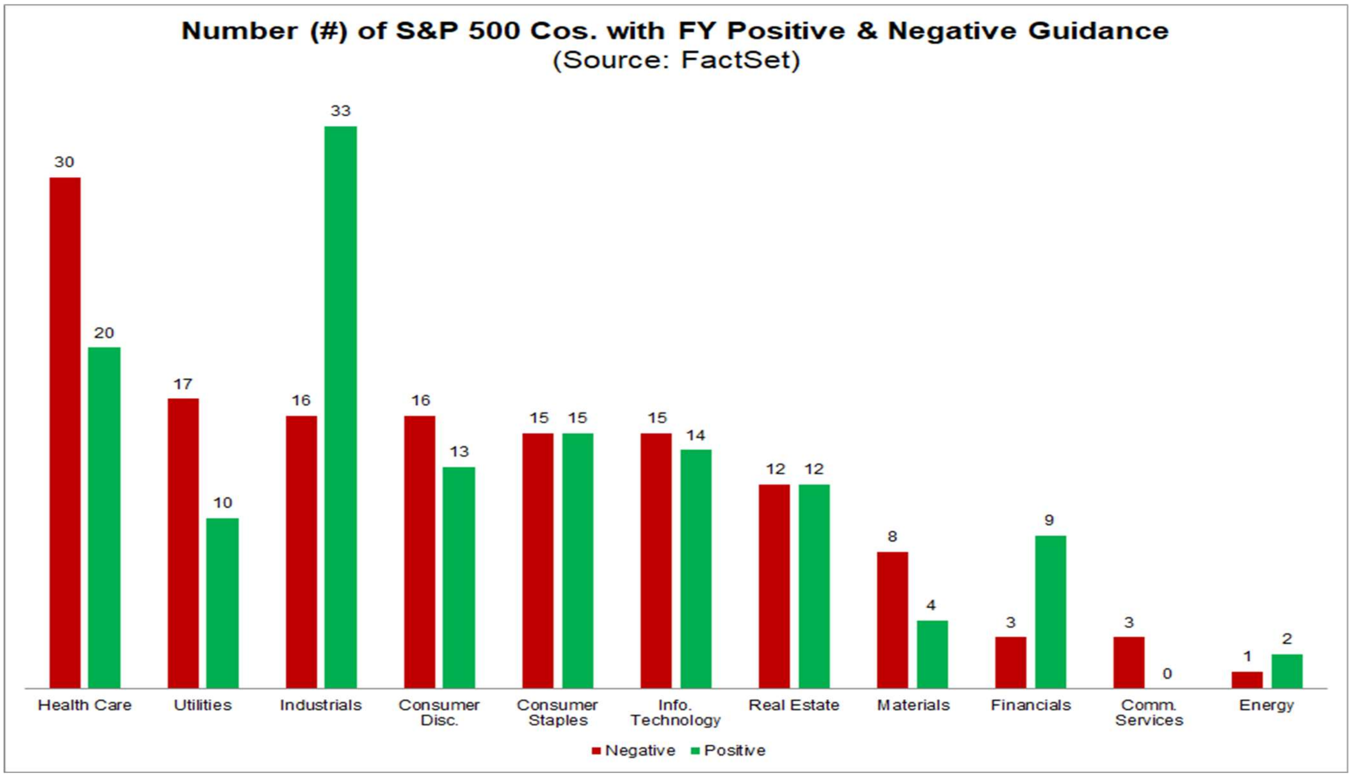


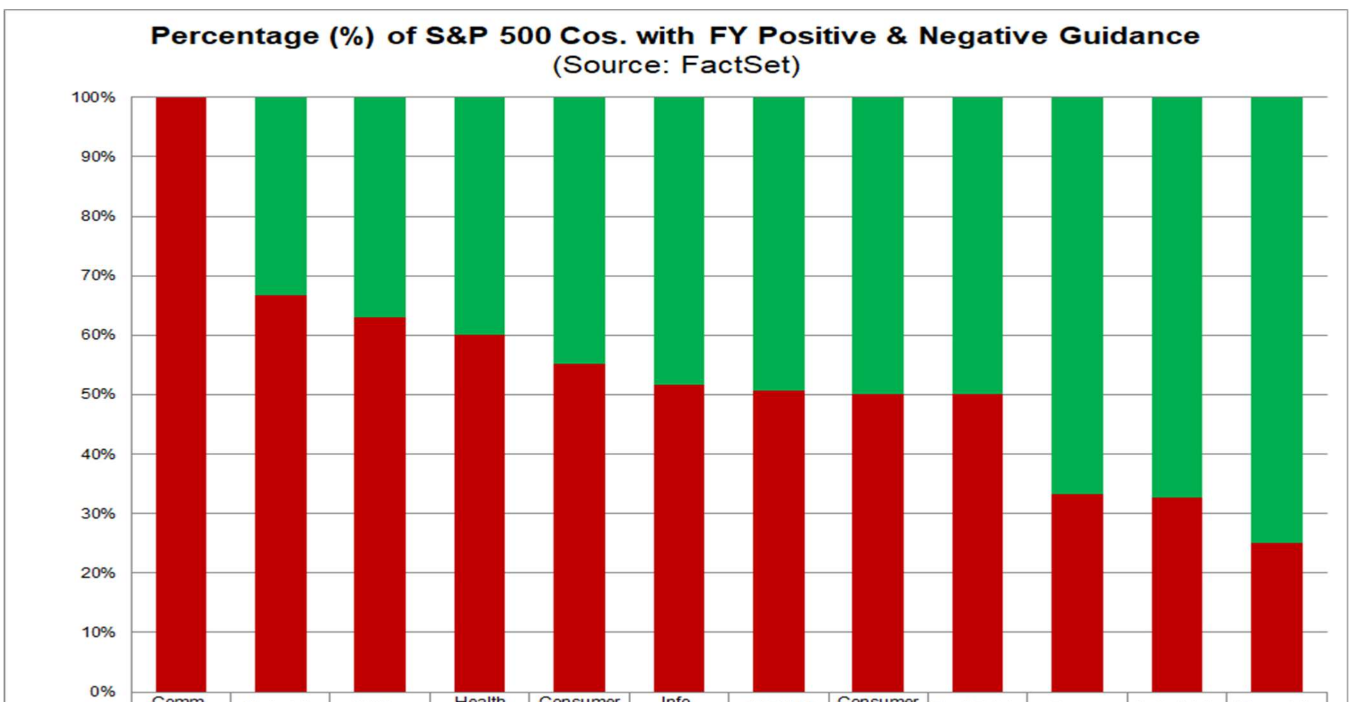
	Utilities	Info. Technology	Comm. Services	Consumer Disc.	Industrials	Real Estate	S&P 500	Financials	Consumer Staples	Health Care	Materials	Energy
Today	24.1%	17.7%	16.6%	13.4%	6.0%	5.6%	4.6%	2.9%	1.7%	-3.0%	-14.3%	-24.0%
31-Dec	24.0%	18.0%	18.6%	14.6%	7.1%	5.7%	6.0%	2.1%	3.3%	-1.5%	-11.3%	-15.3%



	Info. Technology	Comm. Services	Real Estate	Consumer Disc.	Health Care	Industrials	S&P 500	Financials	Consumer Staples	Energy	Materials	Utilities
Today	7.8%	7.0%	5.9%	5.7%	4.7%	4.0%	3.7%	3.4%	2.1%	-2.4%	-2.7%	-3.8%
31-Dec	8.3%	7.0%	5.7%	6.1%	4.8%	4.0%	4.3%	3.2%	2.3%	2.1%	-1.9%	-1.3%

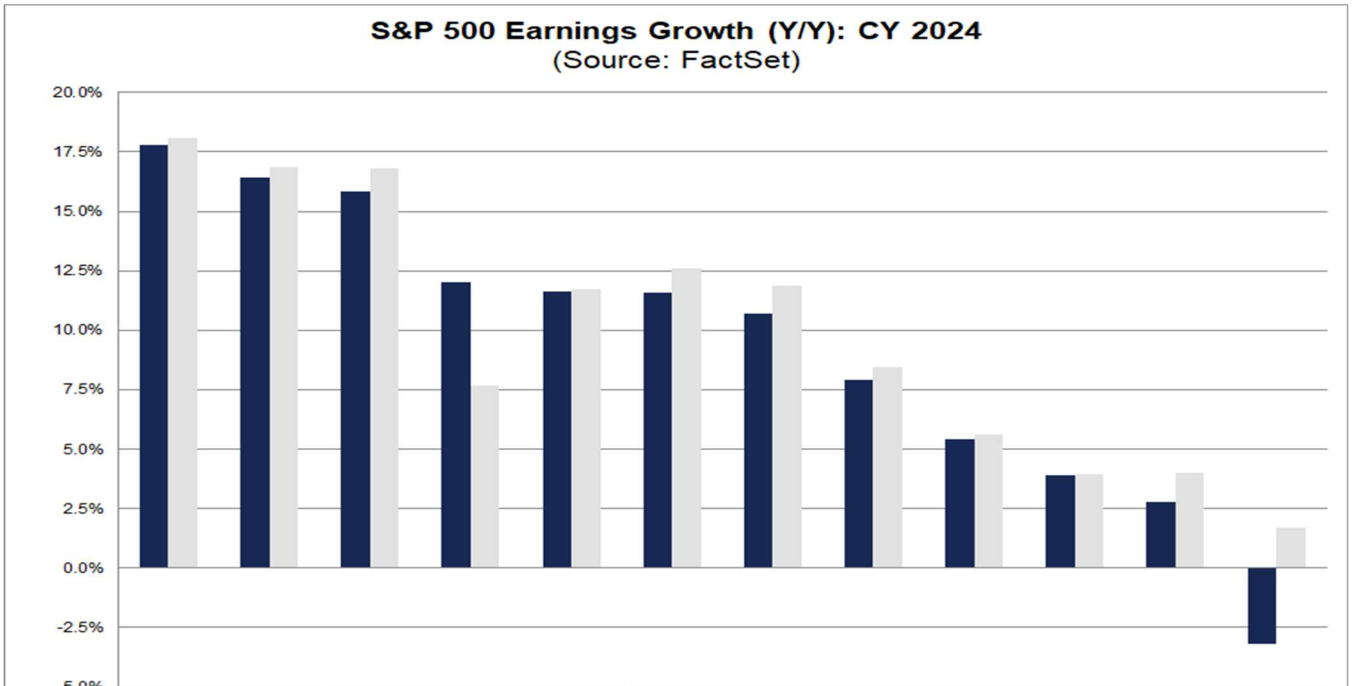
FY 2023 / 2024: EPS Guidance



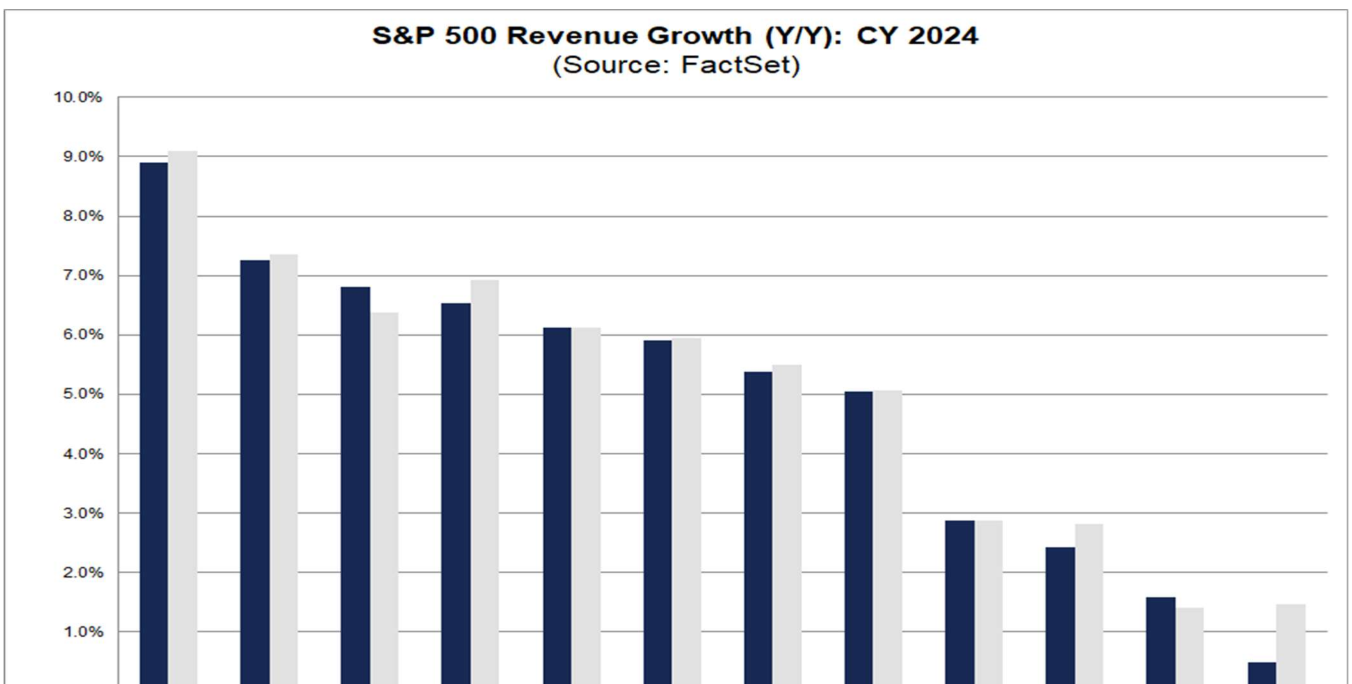


	Comm. Services	Materials	Utilities	Health Care	Consumer Disc.	Info. Technology	S&P 500	Consumer Staples	Real Estate	Energy	Industrials	Financials
Positive	0%	33%	37%	40%	45%	48%	49%	50%	50%	67%	67%	75%
Negative	100%	67%	63%	60%	55%	52%	51%	50%	50%	33%	33%	25%

CY 2024: Growth

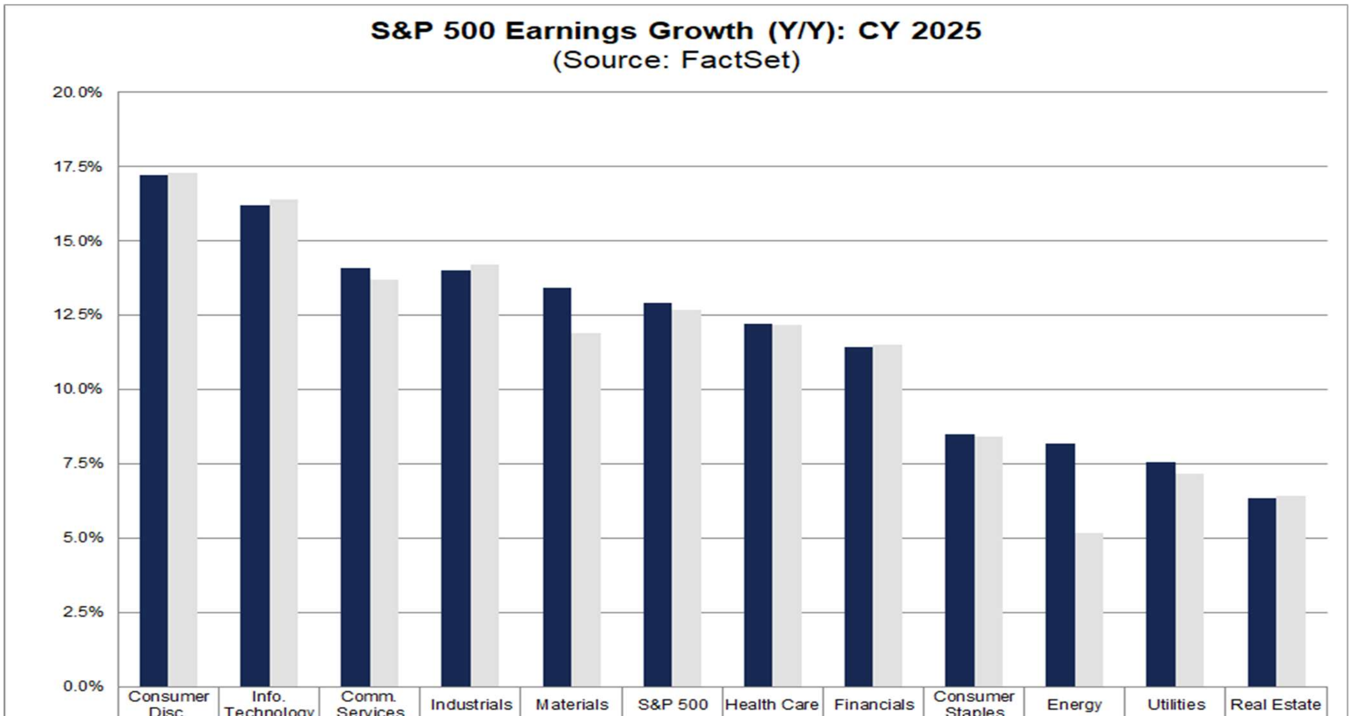


	Health Care	Info. Technology	Comm. Services	Financials	S&P 500	Consumer Disc.	Industrials	Utilities	Consumer Staples	Real Estate	Materials	Energy
Today	17.8%	16.4%	15.8%	12.0%	11.6%	11.6%	10.7%	7.9%	5.4%	3.9%	2.8%	-3.2%
31-Dec	18.1%	16.8%	16.8%	7.6%	11.7%	12.6%	11.9%	8.4%	5.6%	3.9%	4.0%	1.7%

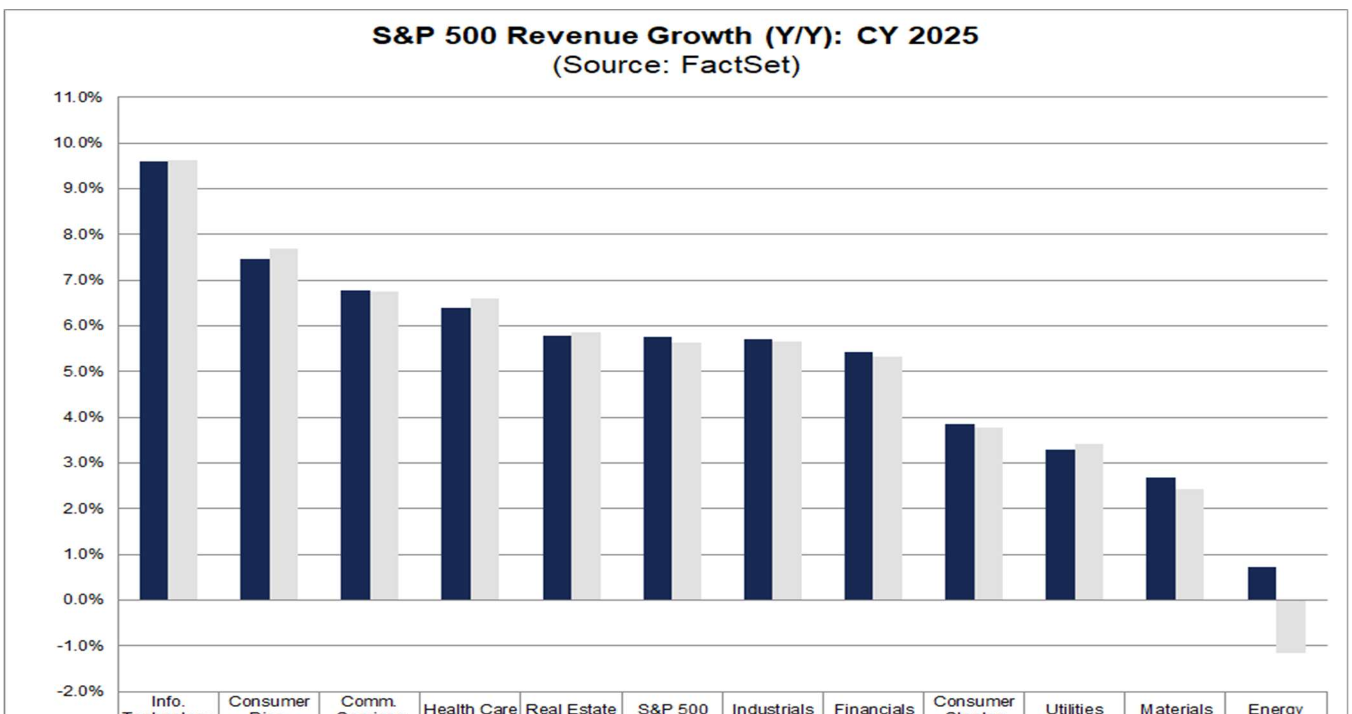


	Info. Technology	Comm. Services	Financials	Consumer Disc.	Real Estate	Health Care	S&P 500	Industrials	Consumer Staples	Utilities	Materials	Energy
Today	8.9%	7.3%	6.8%	6.5%	6.1%	5.9%	5.4%	5.0%	2.9%	2.4%	1.6%	0.5%
31-Dec	9.1%	7.4%	6.4%	6.9%	6.1%	5.9%	5.5%	5.1%	2.9%	2.8%	1.4%	1.5%

CY 2025: Growth

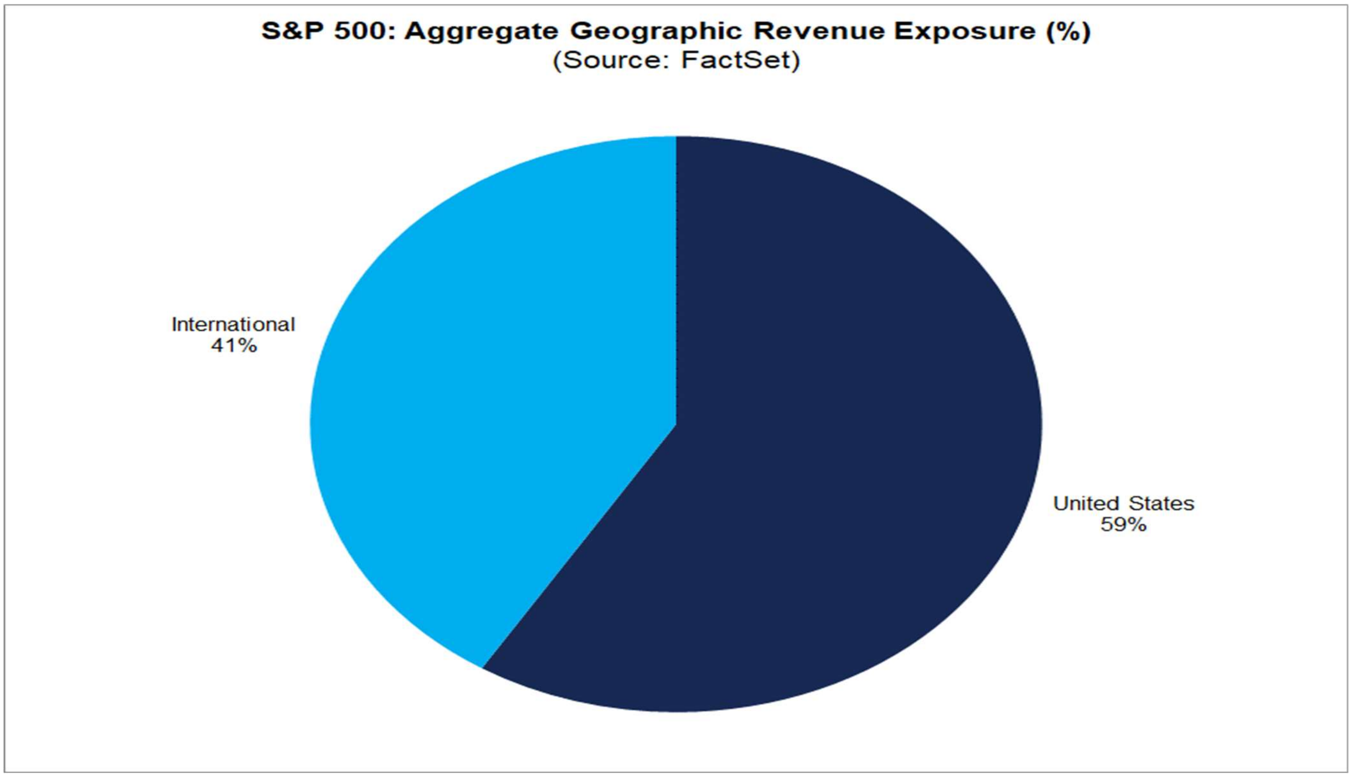


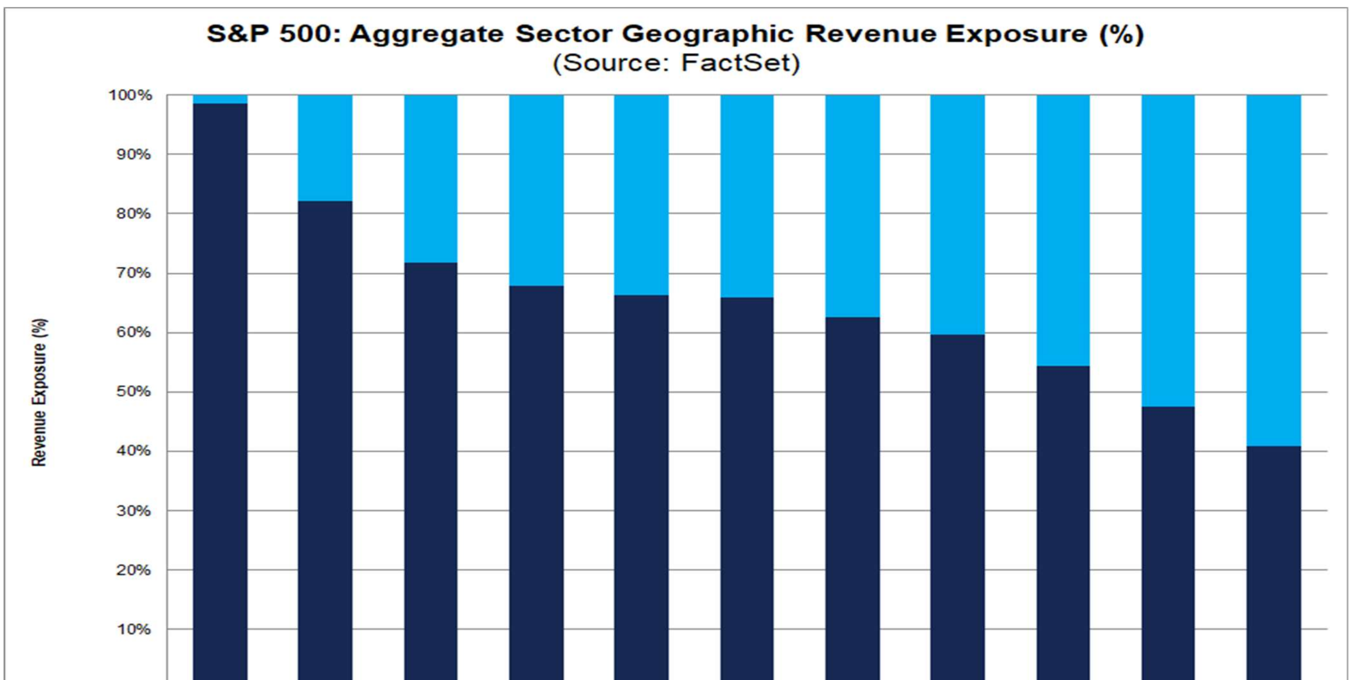
	Consumer Disc.	Info. Technology	Comm. Services	Industrials	Materials	S&P 500	Health Care	Financials	Consumer Staples	Energy	Utilities	Real Estate
Today	17.2%	16.2%	14.1%	14.0%	13.4%	12.9%	12.2%	11.4%	8.5%	8.2%	7.6%	6.3%
31-Dec	17.3%	16.4%	13.7%	14.2%	11.9%	12.7%	12.2%	11.5%	8.4%	5.2%	7.1%	6.4%



	Info. Technology	Consumer Disc.	Comm. Services	Health Care	Real Estate	S&P 500	Industrials	Financials	Consumer Staples	Utilities	Materials	Energy
Today	9.6%	7.5%	6.8%	6.4%	5.8%	5.7%	5.7%	5.4%	3.8%	3.3%	2.7%	0.7%
31-Dec	9.6%	7.7%	6.7%	6.6%	5.9%	5.6%	5.6%	5.3%	3.8%	3.4%	2.4%	-1.2%

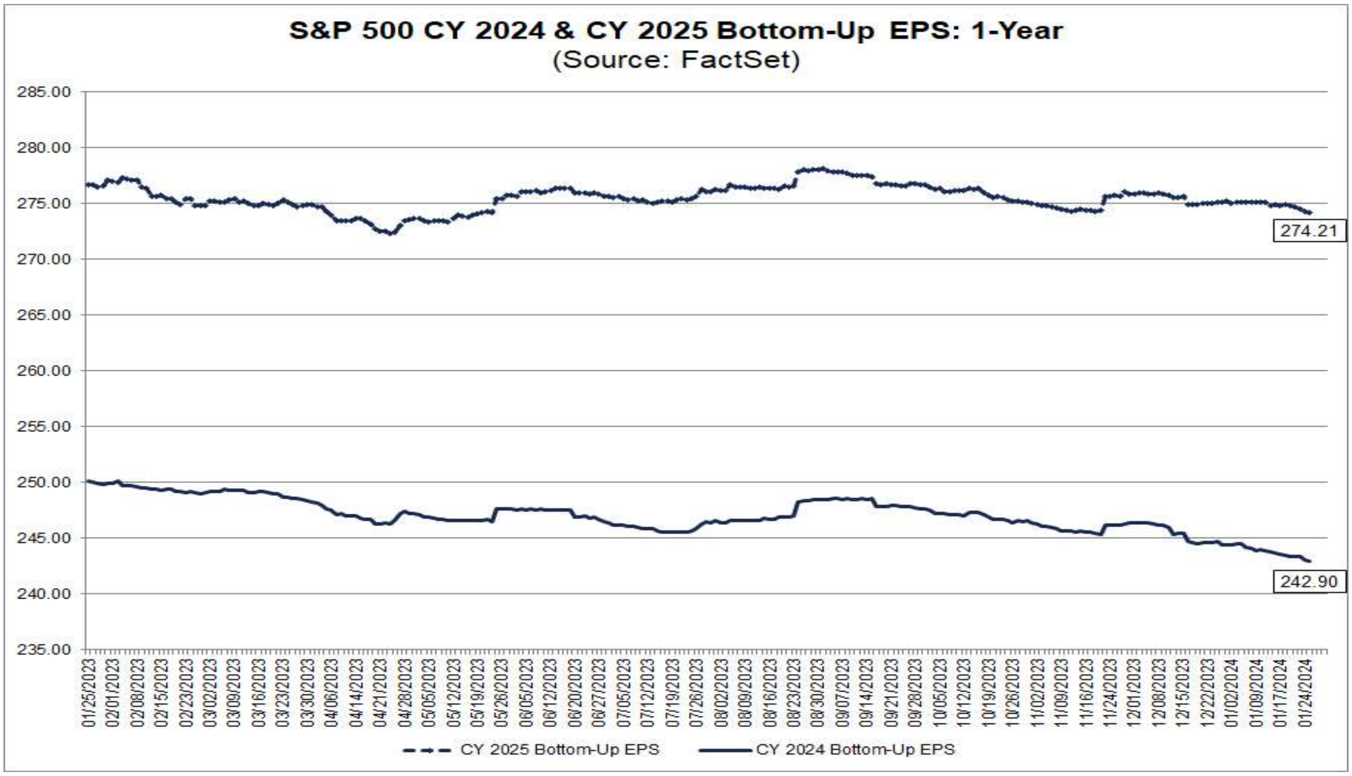
Geographic Revenue Exposure

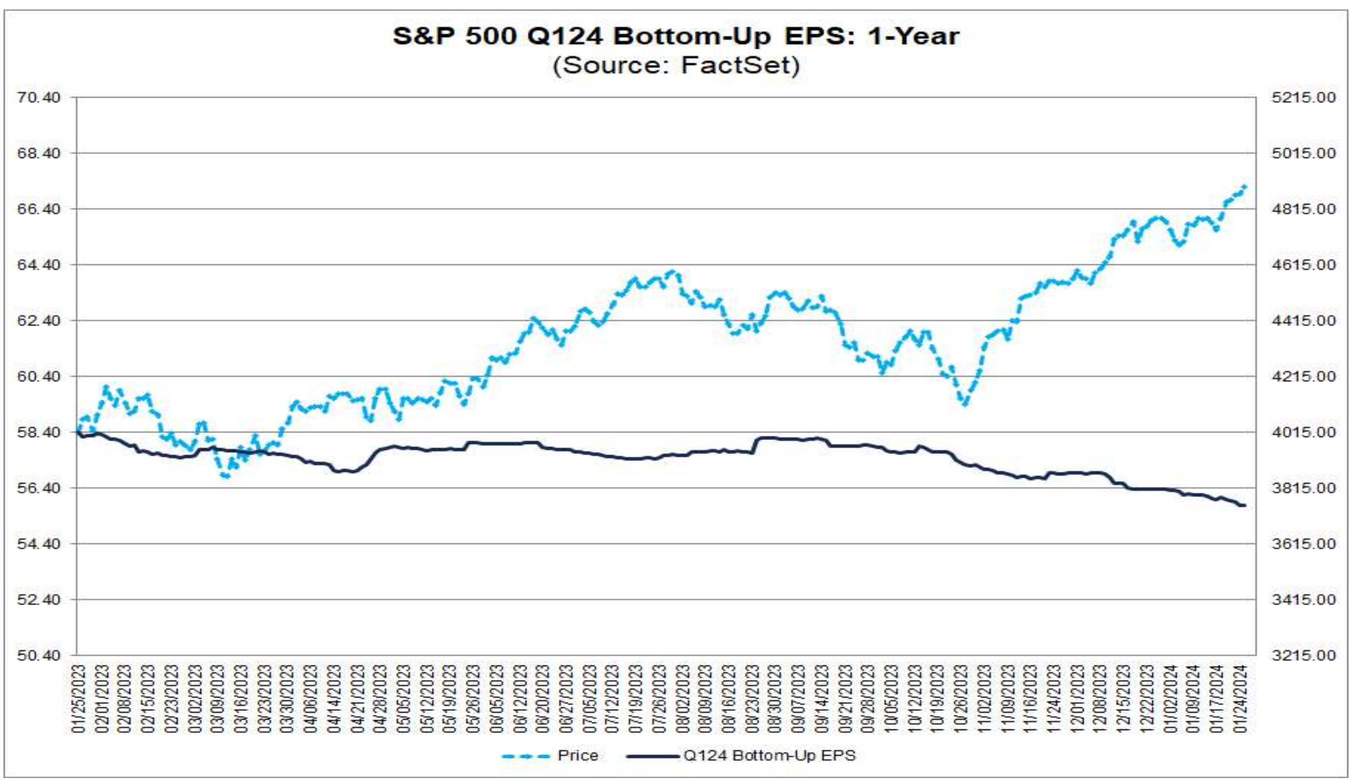




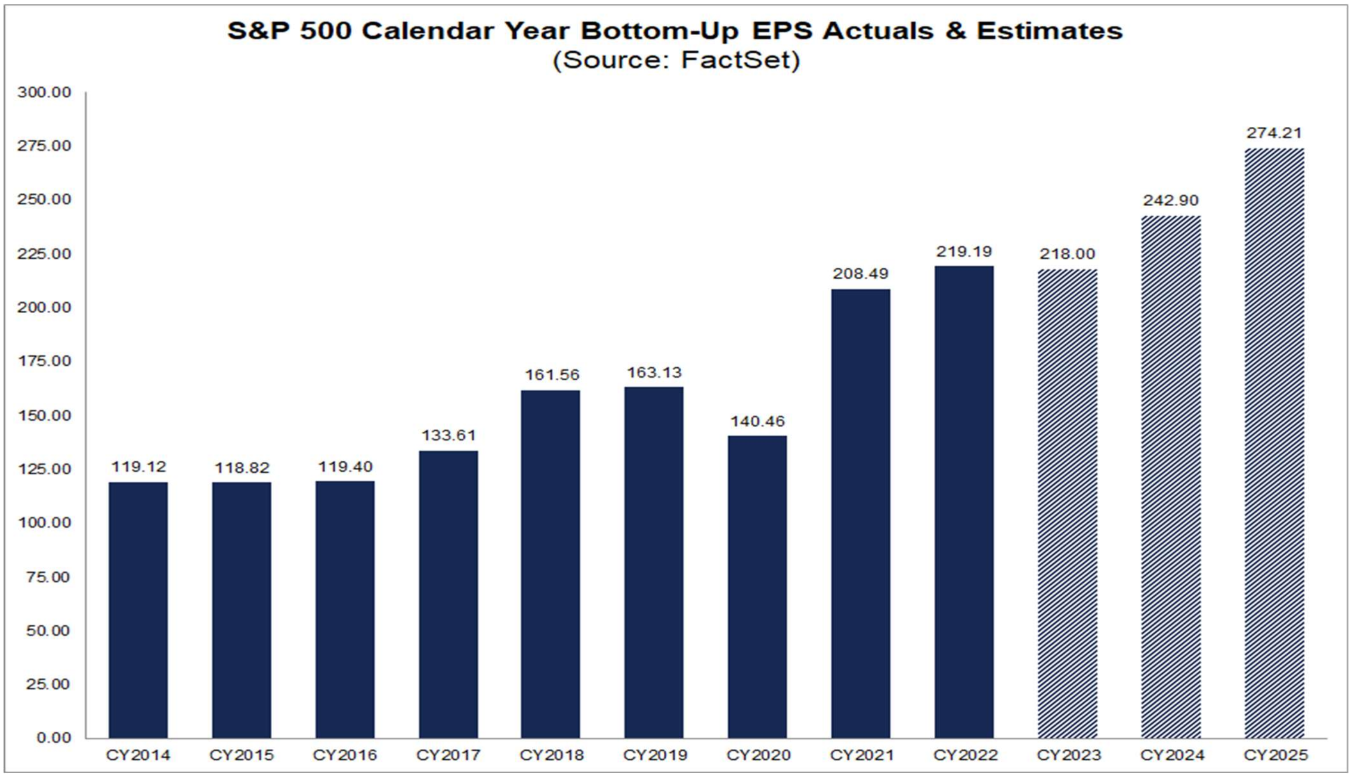
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	28%	32%	34%	34%	37%	40%	46%	52%	59%
United States	99%	82%	72%	68%	66%	66%	63%	60%	54%	48%	41%

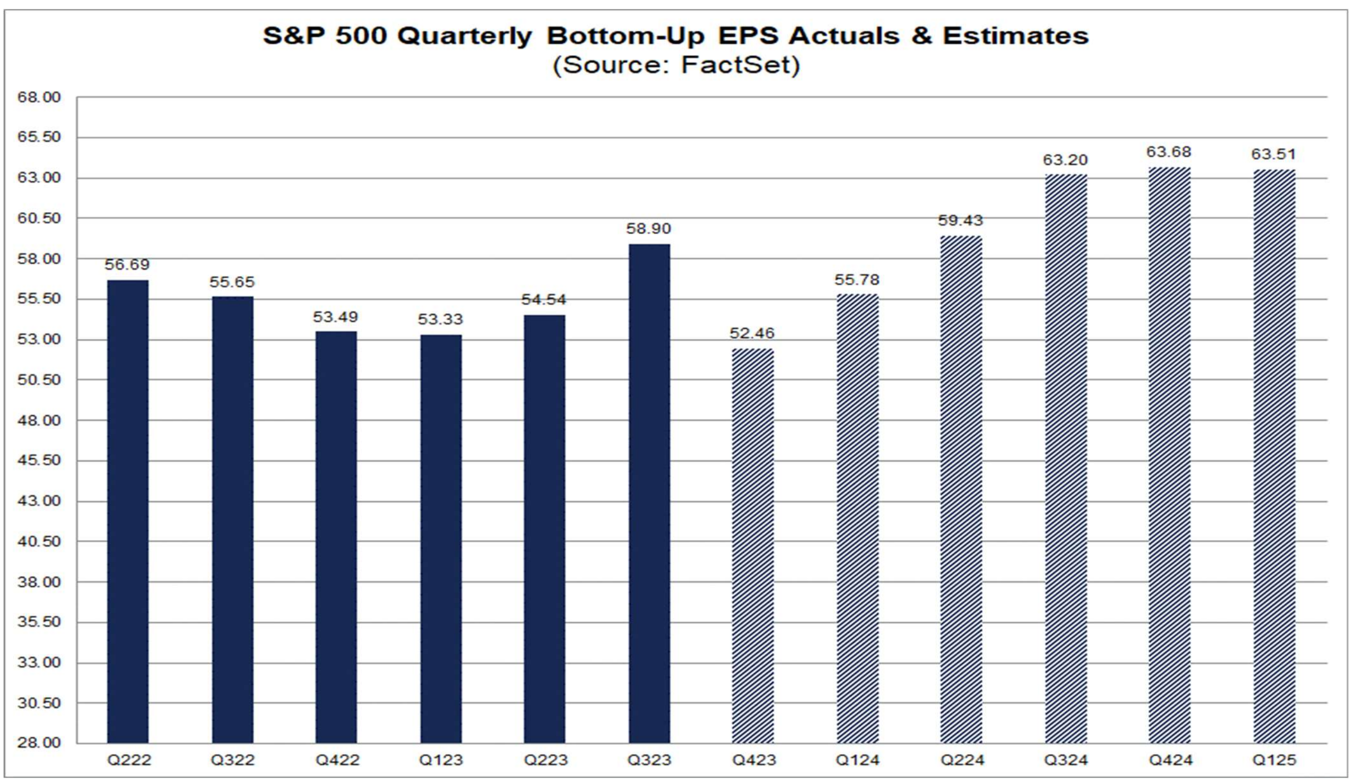
Bottom-Up EPS Estimates



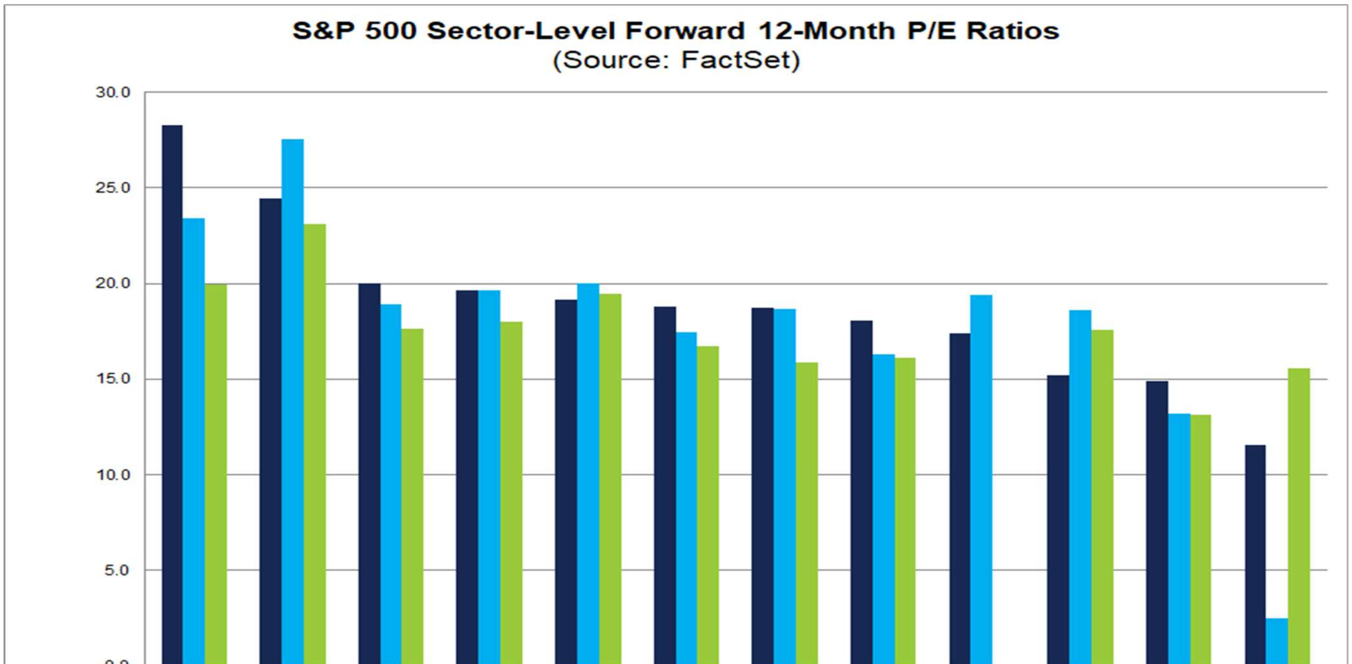


Bottom-Up EPS Estimates: Current & Historical

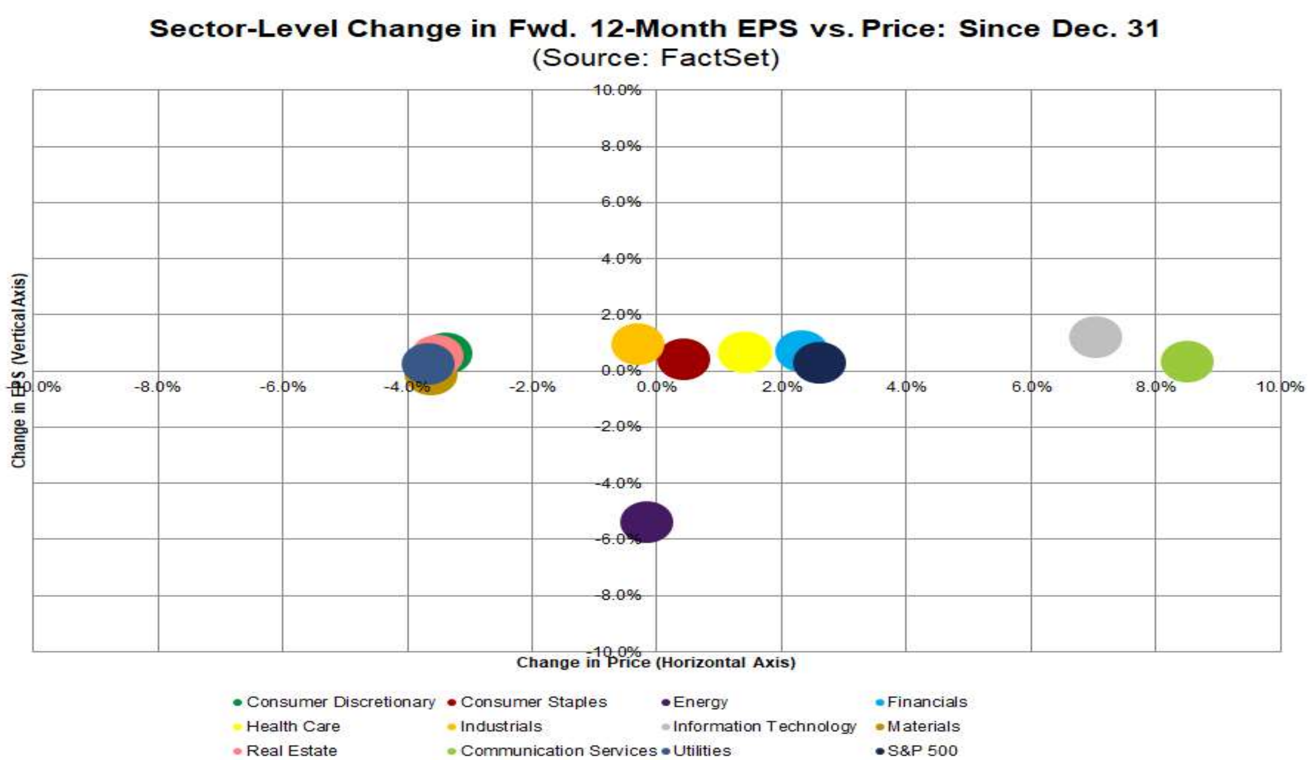




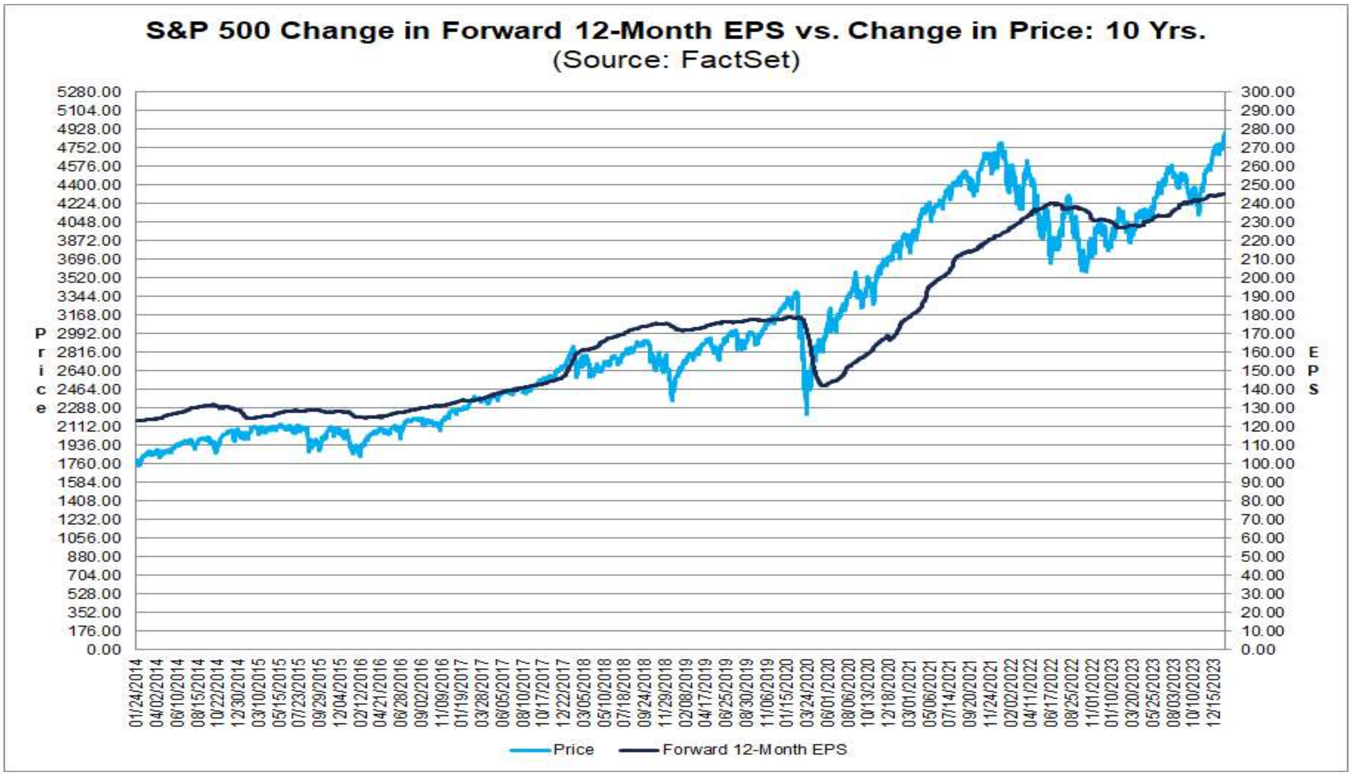
Forward 12M P/E Ratio: Sector Level

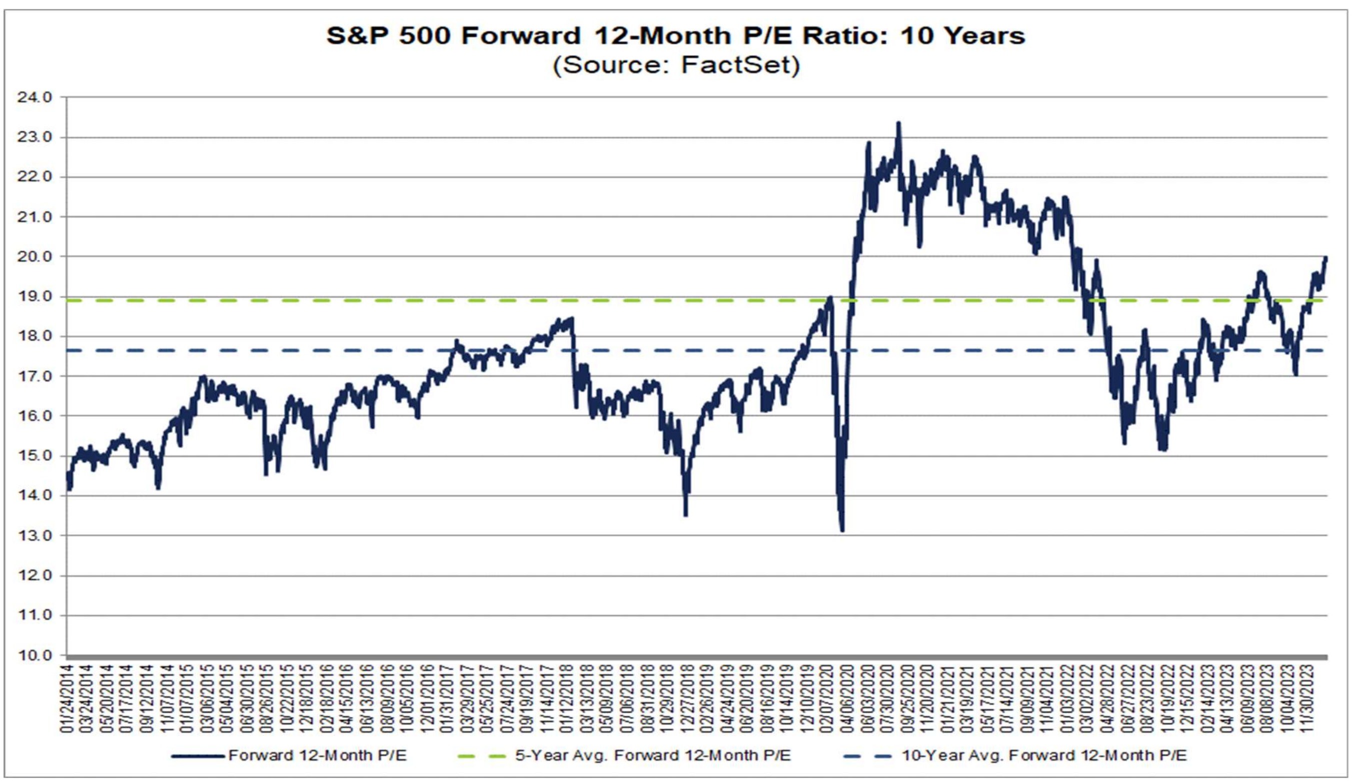


	Info. Technology	Consumer Disc.	S&P 500	Industrials	Consumer Staples	Materials	Comm. Services	Health Care	Real Estate	Utilities	Financials	Energy
Fwd P/E	28.3	24.4	20.0	19.7	19.2	18.8	18.8	18.1	17.4	15.2	14.9	11.6
5-Yr Avg.	23.4	27.5	18.9	19.7	20.0	17.5	18.7	16.3	19.4	18.6	13.2	2.5
10-Yr Avg.	20.0	23.1	17.6	18.0	19.5	16.7	15.9	16.1	0.0	17.6	13.1	15.6

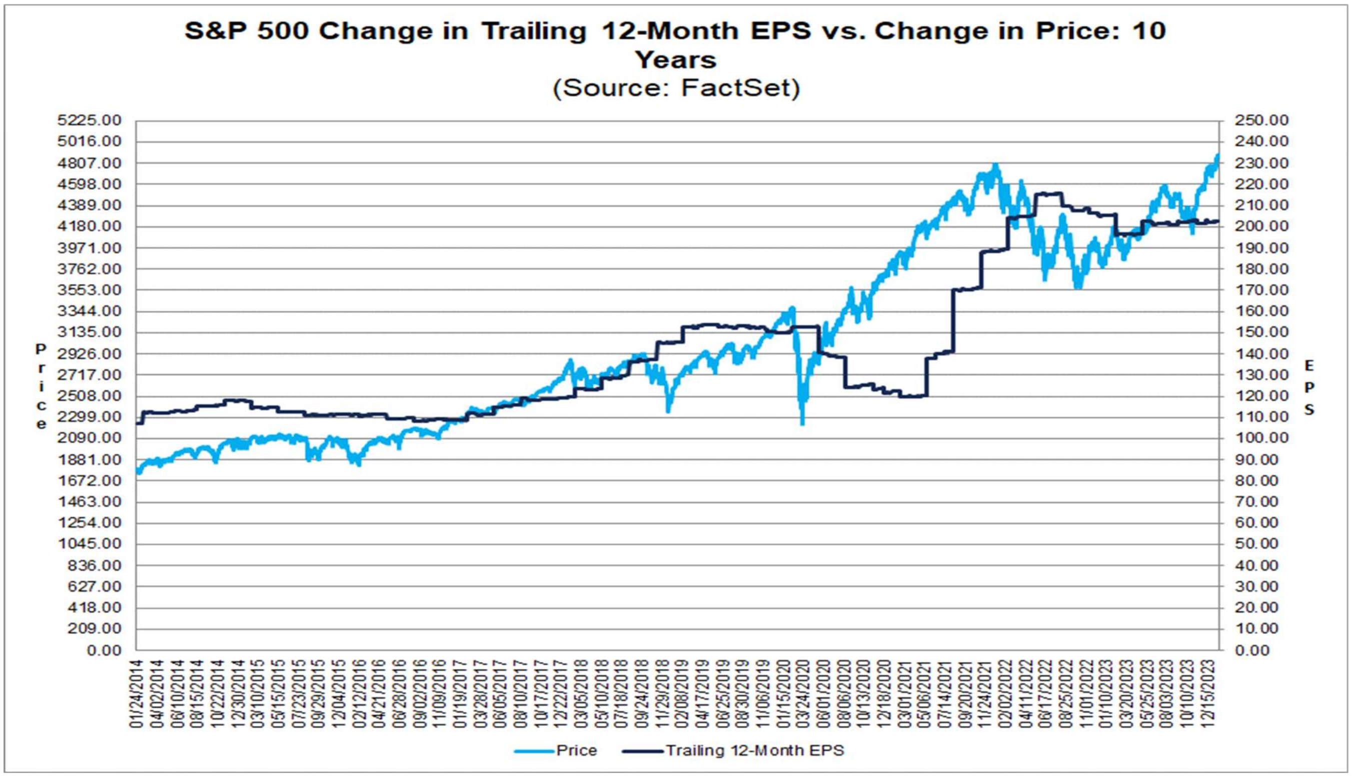


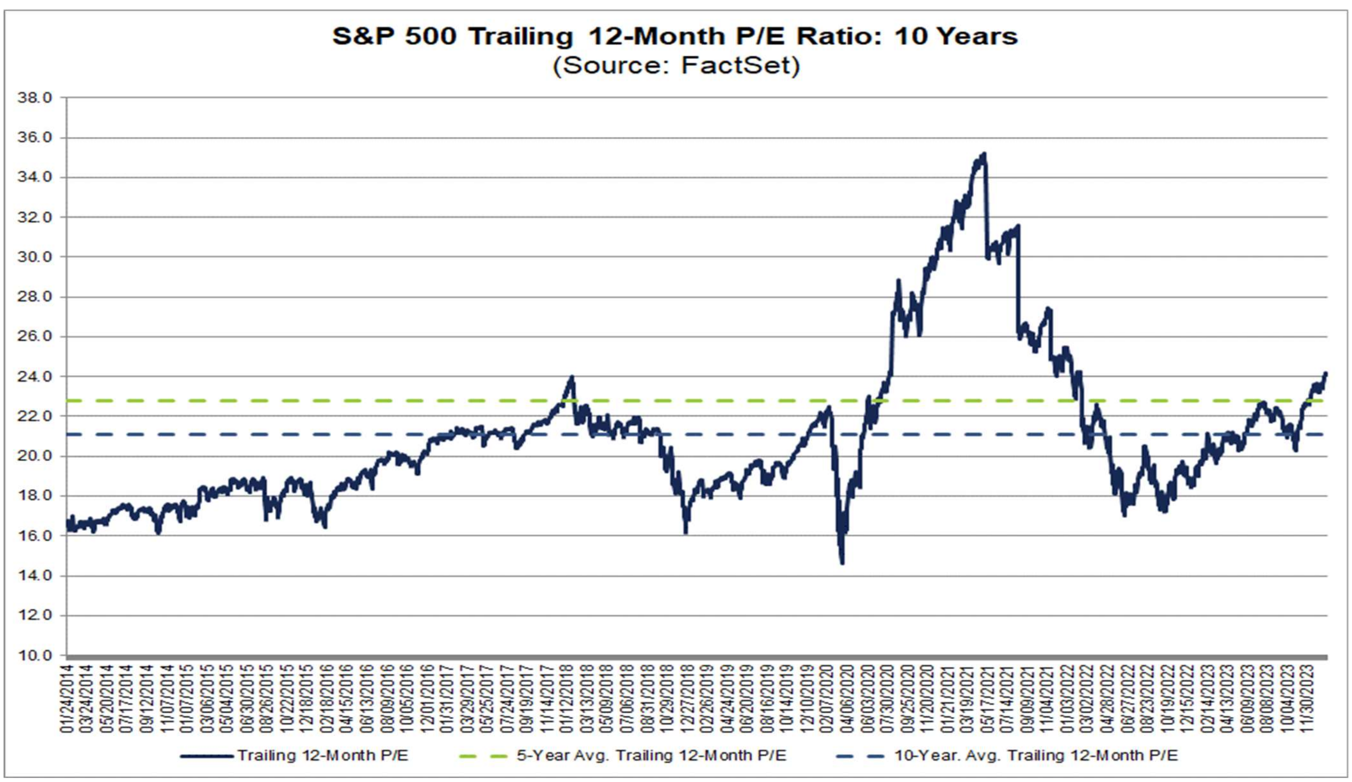
Forward 12M P/E Ratio: 10-Years





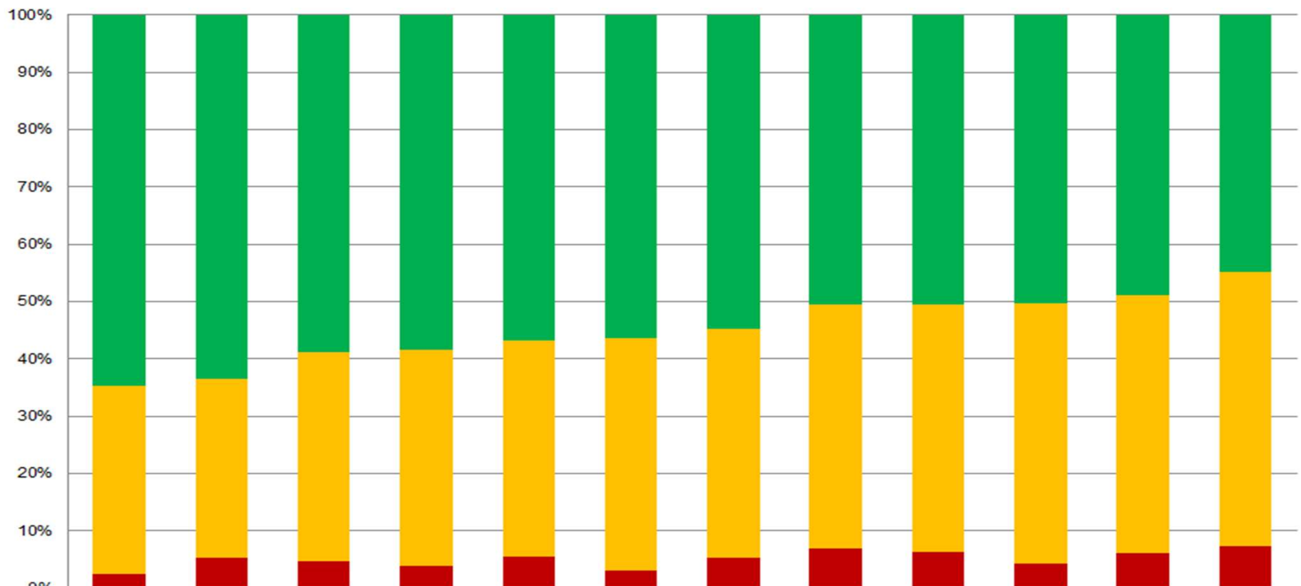
Trailing 12M P/E Ratio: 10-Years





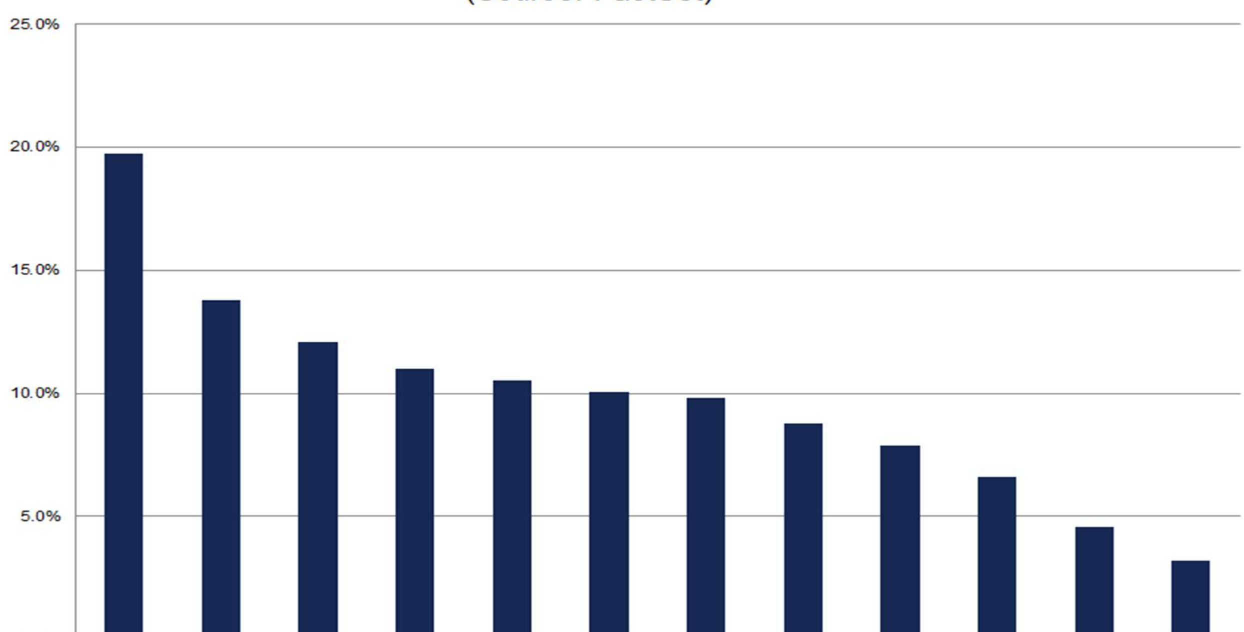
Targets & Ratings

S&P 500: Percentage of Buy, Hold, and Sell Ratings
(Source: FactSet)



	Energy	Comm. Services	Info. Tech.	Health Care	Consumer Disc.	Real Estate	S&P 500	Industrials	Financials	Utilities	Materials	Consumer Staples
Buy	65%	63%	59%	58%	57%	56%	55%	51%	50%	50%	49%	45%
Hold	33%	31%	36%	38%	38%	41%	40%	42%	43%	45%	45%	48%
Sell	2%	5%	5%	4%	5%	3%	5%	7%	6%	4%	6%	7%

S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)



	Energy	Consumer Disc.	Utilities	Materials	Health Care	Consumer Staples	Real Estate	Financials	S&P 500	Industrials	Comm. Services	Info. Tech.
Target/Close	19.7%	13.8%	12.1%	11.0%	10.5%	10.0%	9.8%	8.8%	7.9%	6.6%	4.5%	3.2%

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