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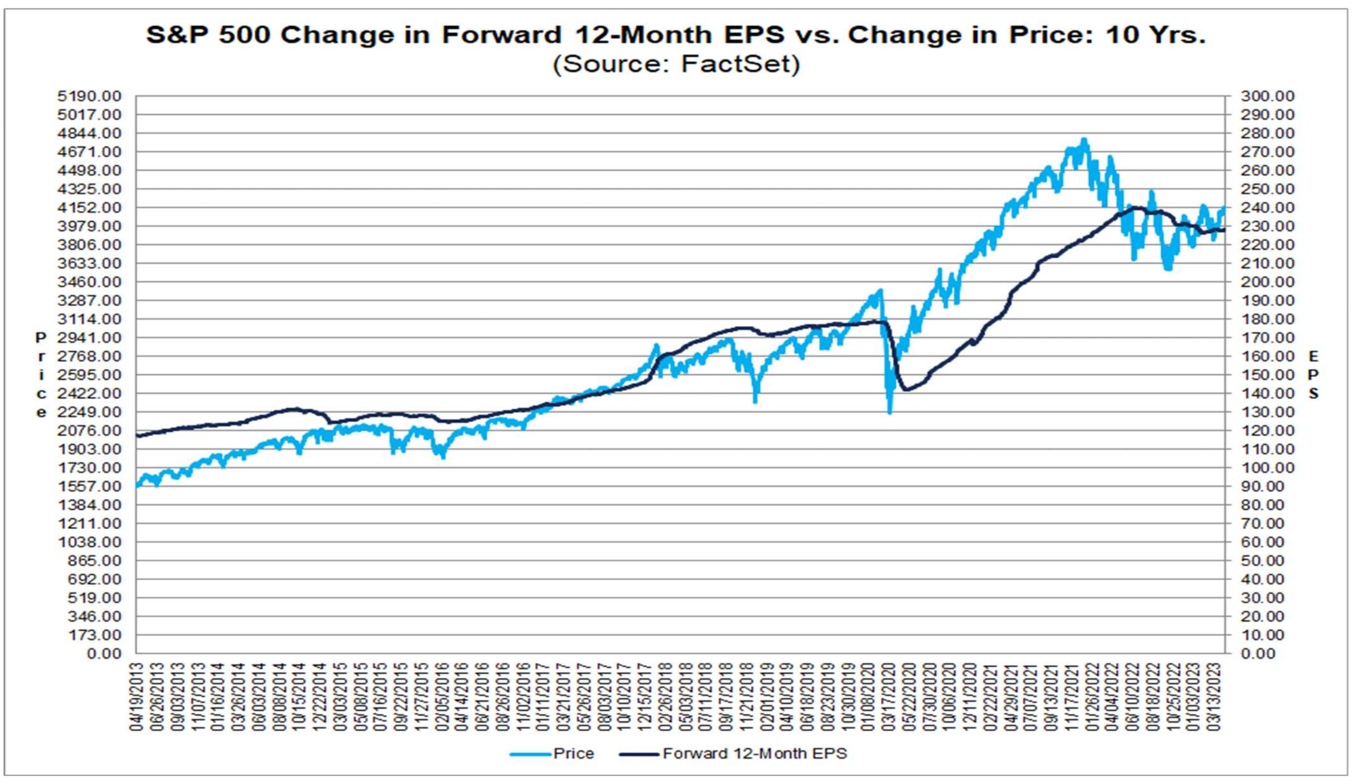
Key Metrics

- **Earnings Scorecard:** For Q1 2023 (with 18% of S&P 500 companies reporting actual results), 76% of S&P 500 companies has reported a positive EPS surprise and 63% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Decline:** For Q1 2023, the blended earnings decline for the S&P 500 is -6.2%. If -6.2% is the actual decline for the quarter, it will mark the largest earnings decline reported by the index since Q2 2020 (-31.6%).
- **Earnings Revisions:** On March 31, the estimated earnings decline for Q1 2023 was -6.7%. Six sectors are reporting higher earnings today (compared to Mar. 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q2 2023, 9 S&P 500 companies have issued negative EPS guidance and 5 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.2. This P/E ratio is below the 5-year average (18.5) but above the 10-year average (17.3).



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Topic of the Week:

S&P 500 Reporting A Lower Net Profit Margin For 7th Straight Quarter

Given continuing concerns about inflation, what is the S&P 500 reporting for a net profit margin for the first quarter?

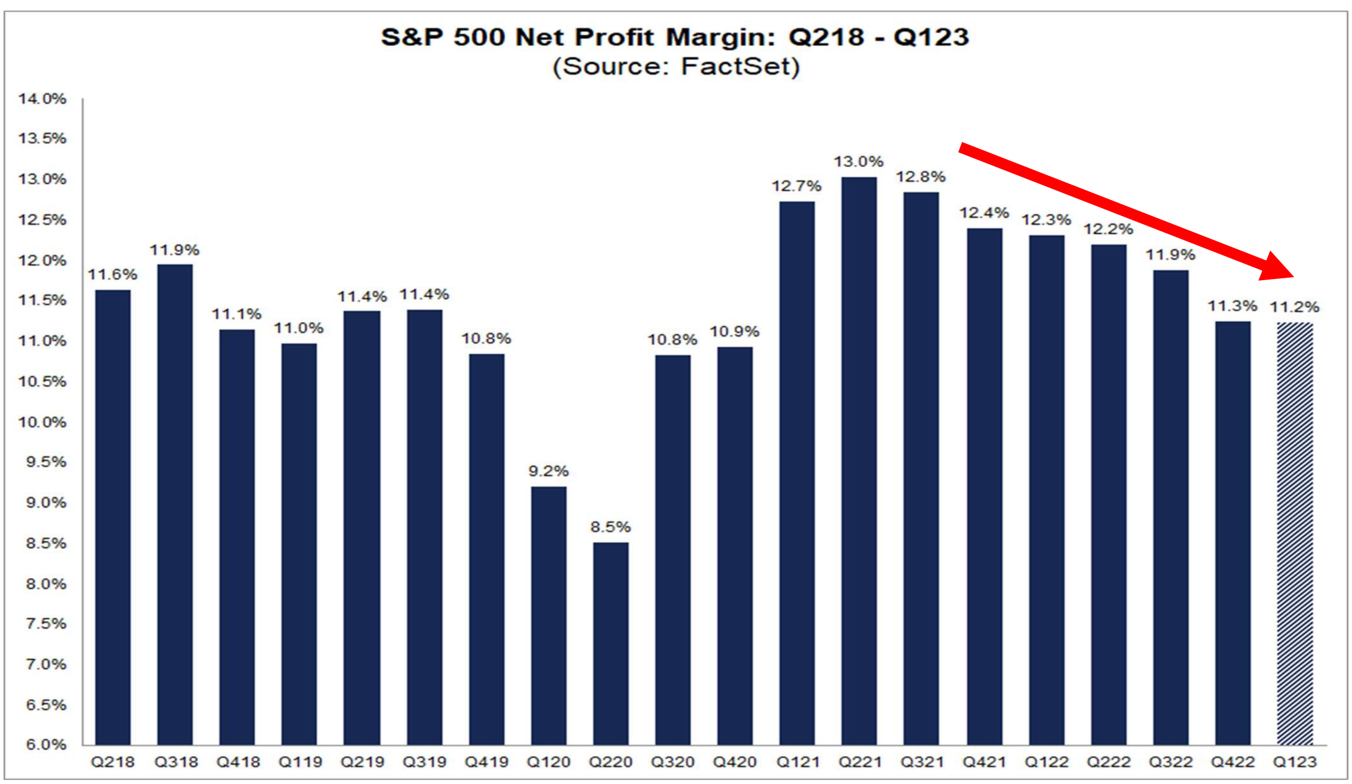
The (blended) net profit margin for the S&P 500 for Q1 2023 is 11.2%, which is below the previous quarter's net profit margin, below the year-ago net profit margin, and below the 5-year average net profit margin (11.4%). If 11.2% is the actual net profit margin for the quarter, it will mark the seventh straight quarter in which the net profit margin for the index has declined quarter-over-quarter. It will also mark the lowest net profit margin reported by the index since Q4 2020 (10.9%).

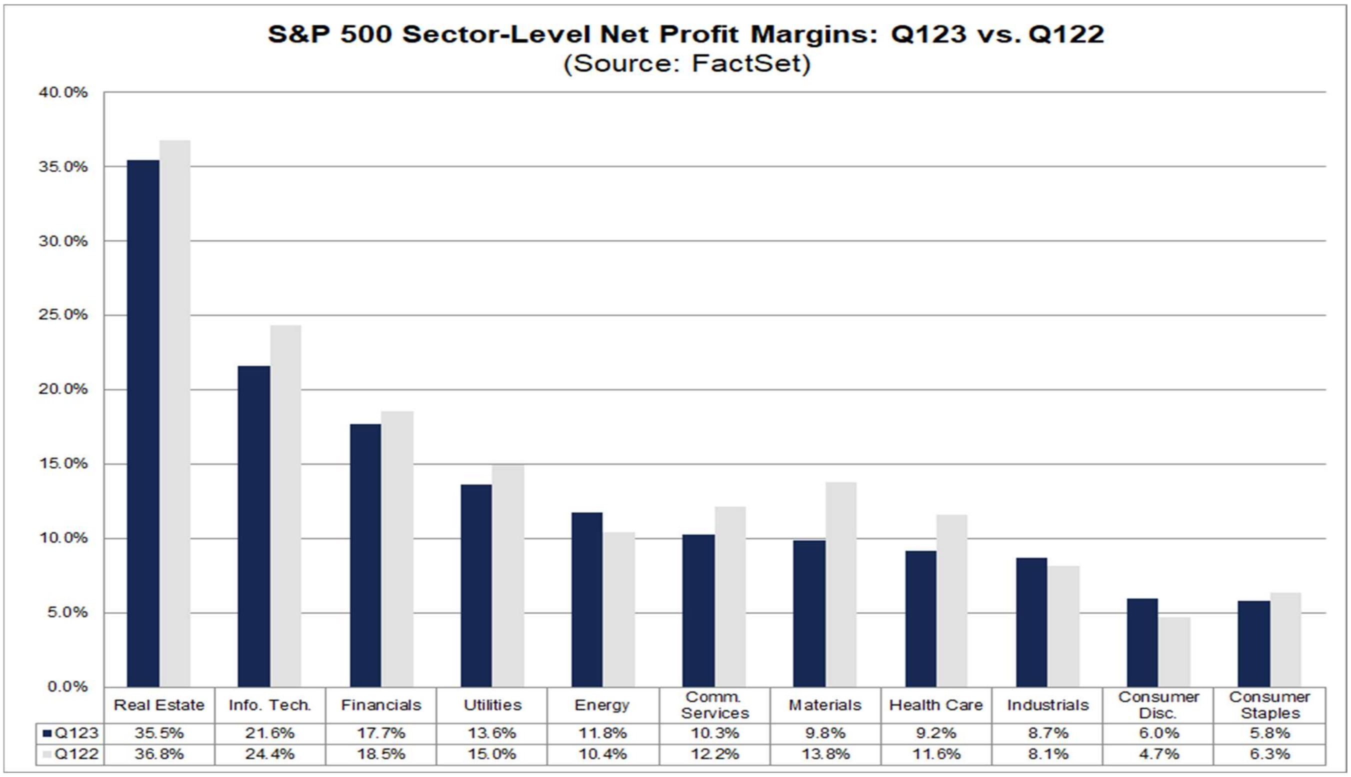
At the sector level, three sectors are reporting a year-over-year increase in their net profit margins in Q1 2023 compared to Q1 2022, led by the Energy (11.8% vs. 10.4%) and Consumer Discretionary (6.0% vs. 4.7%) sectors. On the other hand, eight sectors are reporting a year-over-year decrease in their net profit margins in Q1 2023 compared to Q1 2022, led by the Materials (9.8% vs. 13.8%) sector.

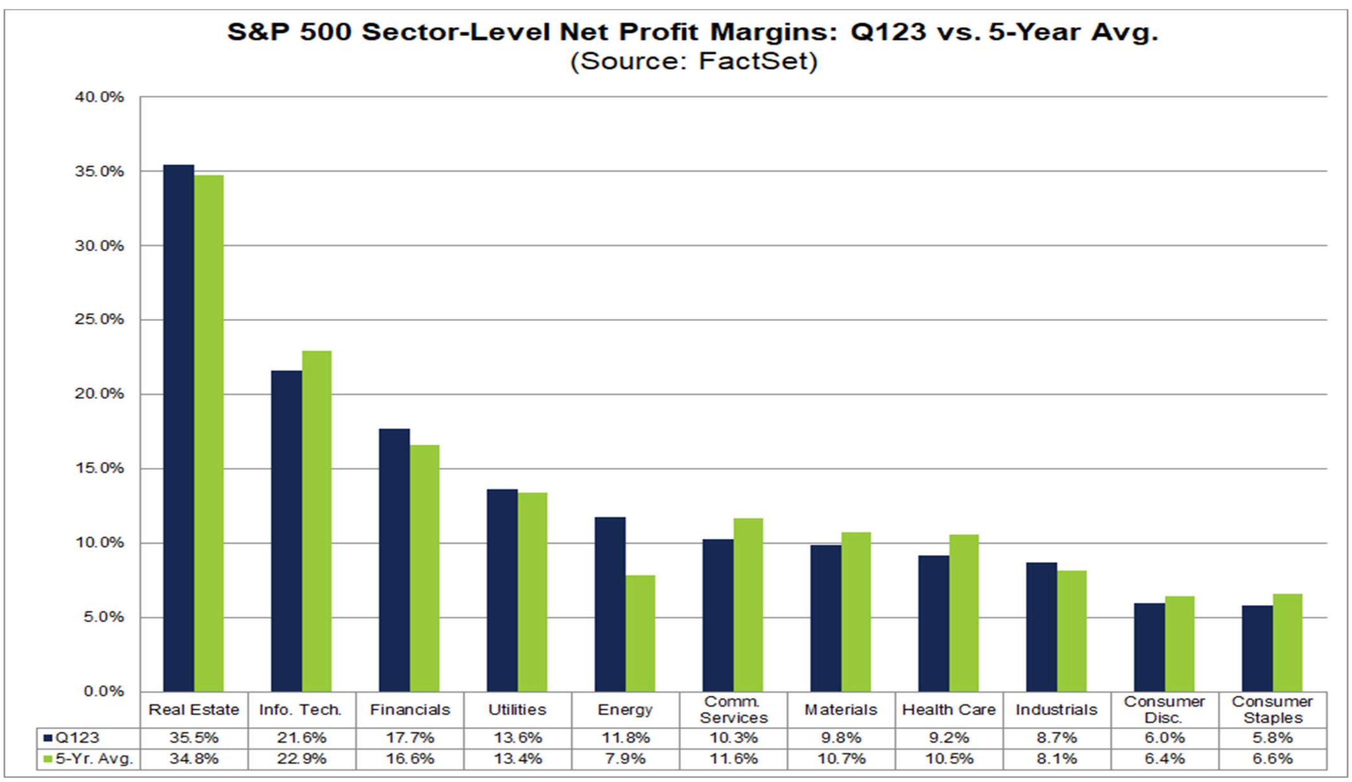
Five sectors are reporting net profit margins in Q1 2023 that are above their 5-year averages, led by the Energy (11.8% vs. 7.9%) sector. On the other hand, six sectors are reporting net profit margins in Q1 2023 that are below their 5-year averages, led by the Communication Services (10.3% vs. 11.6%), Health Care (9.2% vs. 10.5%), and Information Technology (21.6% vs. 22.9%) sectors.

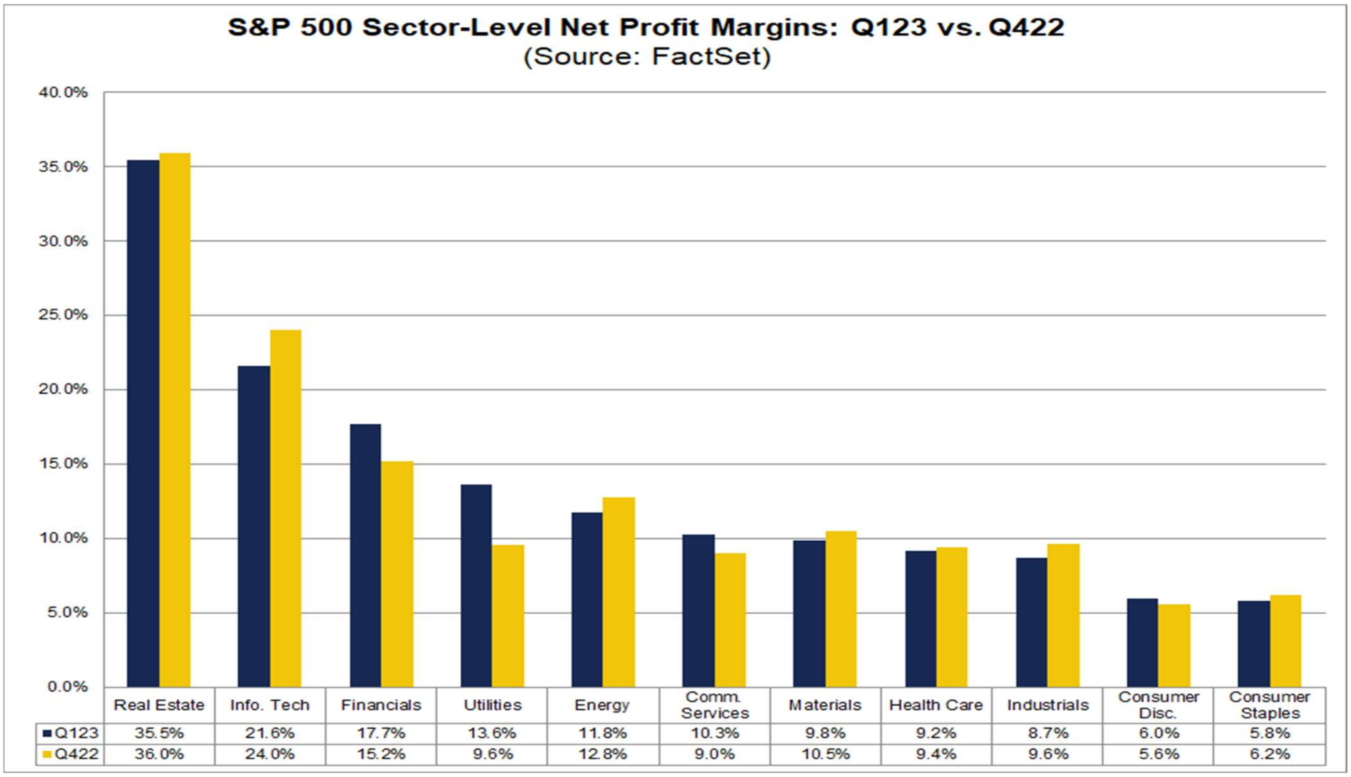
Four sectors are reporting a quarter-over-quarter increase in their net profit margins in Q1 2023 compared to Q4 2022, led by the Utilities (13.6% vs. 9.6%) sector. On the other hand, seven sectors are reporting a quarter-over-quarter decrease in their net profit margins in Q1 2023 compared to Q4 2022, led by the Information Technology (21.6% vs. 24.0%) sector.

It is interesting to note that analysts believe net profit margins for the S&P 500 will be higher going forward. As of today, the estimated net profit margins for Q2 2023, Q3 2023, and Q4 2023 are 11.6%, 11.9%, and 11.8%, respectively.




S&P 500 Sector-Level Net Profit Margins: Q123 vs. Q122
(Source: FactSet)
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Real Estate | Info. Tech. | Financials | Utilities | Energy | Comm. Services | Materials | Health Care | Industrials | Consumer Disc. | Consumer Staples
Q123 | 35.5% | 21.6% | 17.7% | 13.6% | 11.8% | 10.3% | 9.8% | 9.2% | 8.7% | 6.0% | 5.8%
Q122 | 36.8% | 24.4% | 18.5% | 15.0% | 10.4% | 12.2% | 13.8% | 11.6% | 8.1% | 4.7% | 6.3%


S&P 500 Sector-Level Net Profit Margins: Q123 vs. 5-Year Avg.
(Source: FactSet)
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Real Estate | Info. Tech. | Financials | Utilities | Energy | Comm. Services | Materials | Health Care | Industrials | Consumer Disc. | Consumer Staples
Q123 | 35.5% | 21.6% | 17.7% | 13.6% | 11.8% | 10.3% | 9.8% | 9.2% | 8.7% | 6.0% | 5.8%
5-Yr. Avg. | 34.8% | 22.9% | 16.6% | 13.4% | 7.9% | 11.6% | 10.7% | 10.5% | 8.1% | 6.4% | 6.6%


S&P 500 Sector-Level Net Profit Margins: Q123 vs. Q422
(Source: FactSet)
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Real Estate
Info. Tech
Financials
Utilities
Energy
Comm. Services
Materials
Health Care
Industrials
Consumer Disc.
Consumer Staples
Q123 35.5% 21.6% 17.7% 13.6% 11.8% 10.3% 9.8% 9.2% 8.7% 6.0% 5.8%
Q422 36.0% 24.0% 15.2% 9.6% 12.8% 9.0% 10.5% 9.4% 9.6% 5.6% 6.2%

Q1 Earnings Season: By The Numbers

Overview

The first quarter earnings season for the S&P 500 is off to a better start relative to the last two quarters. However, both the number of companies reporting positive EPS surprises and the magnitude of these earnings surprises are below their 5-year averages. The index is reporting higher earnings for the first quarter today relative to the end of last week and relative to the end of the quarter. On the other hand, the index is still reporting the largest year-over-year decline in earnings since Q2 2020.

Overall, 18% of the companies in the S&P 500 have reported actual results for Q1 2023 to date. Of these companies, 76% have reported actual EPS above estimates, which is below the 5-year average of 77% but above the 10-year average of 73%. In aggregate, companies are reporting earnings that are 5.8% above estimates, which is below the 5-year average of 8.4% and below the 10-year average of 6.4%.

The index is reporting higher earnings for the first quarter today relative to the end of last week and 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 first quarter is -6.2% today, compared to an earnings decline of -6.7% last week and an earnings decline of -6.7% at the end of the first quarter (March 31).

Positive earnings surprises reported by companies in the multiple sectors (led by the Health Care sector) were the largest contributors to the decrease in the overall earnings decline for the index over the past week. Positive earnings surprises reported by companies in the Financials sector, partially offset by downward revisions to earnings estimates for companies in the Energy sector, have been the largest contributors to the decrease in the overall earnings decline for the index since March 31.

If -6.2% is the actual decline for the quarter, it will mark the largest earnings decline reported by the index since Q2 2020 (-31.6%). It will also mark the second straight quarter in which the index has reported a decrease in earnings.

Five of the eleven sectors are reporting year-over-year earnings growth, led by the Consumer Discretionary and Industrials sectors. On the other hand, six sectors are reporting (or are expected to report) a year-over-year decline in earnings, led by the Materials, Health Care, Information Technology, and Communication Services sectors.

In terms of revenues, 63% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% but equal to the 10-year average of 63%. In aggregate, companies are reporting revenues that are 1.8% above the estimates, which is below the 5-year average of 2.0% but above the 10-year average of 1.3%.

The index is also reporting higher revenues for the first quarter today relative to the end of last week and relative to the end of the quarter. The blended revenue growth rate for the first quarter is 2.1% today, compared to a revenue growth rate of 1.9% last week and a revenue growth rate of 1.9% at the end of the first quarter (March 31).

Positive revenue surprises reported by companies in the multiple sectors (led by the Health Care, Consumer Discretionary, and Financials sectors) were the largest contributors to the decrease in the overall revenue decline for the index over the past week. Positive revenue surprises reported by companies in the Financials and Health Care sectors have been the largest contributors to the decrease in the overall revenue decline for the index since March 31.

If 2.1% is the actual growth rate for the quarter, it will mark the lowest revenue growth rate reported by the index since Q3 2020 (-1.1%). Seven sectors are reporting year-over-year growth in revenues, led by the Financials sector. On the other hand, four sectors are reporting (or are predicted to report) a year-over-year decline in revenues, led by the Materials sector.

Looking ahead, analysts still expect earnings growth for the second half of 2023. For Q2 2023, analysts are projecting an earnings decline of -5.0%. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 1.6% and 8.5%, respectively. For all of CY 2023, analysts predict earnings growth of 0.8%.

The forward 12-month P/E ratio is 18.2, which is below the 5-year average (18.5) but above the 10-year average (17.3). It is also slightly above the forward P/E ratio of 18.1 recorded at the end of the first quarter (March 31).

During the upcoming week, 180 S&P 500 companies (including 14 Dow 30 components) are scheduled to report results for the first quarter.

Scorecard: Number and Magnitude of Positive EPS Surprises Are Below 5-Year Averages

Percentage of Companies Beating EPS Estimates (76%) is Below 5-Year Average

Overall, 18% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 76% have reported actual EPS above the mean EPS estimate, 2% have reported actual EPS equal to the mean EPS estimate, and 21% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year average (73%), below the 5-year average (77%), and above the 10-year average (73%).

At the sector level, the Communication Services (100%), Consumer Staples (100%), Energy (100%), Health Care (100%), and Materials (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Real Estate (50%) and Financials (53%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+5.8%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 5.8% above expectations. This surprise percentage is above the 1-year average (+2.8%), but below the 5-year average (+8.4%) and below the 10-year average (6.4%).

The Consumer Discretionary (+18.7%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, CarMax ($0.44 vs. $0.20), NIKE ($0.79 vs. $0.56), D.R. Horton ($2.73 vs. $1.93), Las Vegas Sands ($0.28 vs. $0.20), and Lennar ($2.06 vs. $1.55) have reported the largest positive EPS surprises.

The Materials (+15.5%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, PPG Industries ($1.82 vs. $1.45) has reported the largest positive EPS surprise.

The Industrials (+8.0%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, FedEx ($3.41 vs. $2.71), United Airlines Holdings (-$0.63 vs, -$0.73), CSX Corporation ($0.48 vs. $0.43), and Snap-on ($4.60 vs. $4.15) has reported the largest positive EPS surprises.

The Financials (+7.8%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Citigroup ($2.19 vs. $1.65), JPMorgan Chase ($4.10 vs. $3.41), Bank of America ($0.94 vs. $0.81), and Travelers Companies ($4.11 vs. $3.56) have reported the largest positive EPS surprises.

On the other hand, the Information Technology (-13.5%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Seagate Technology (-$0.28 vs. $0.25) and Micron Technology (-$1.91 vs. -$0.67) have reported the largest negative EPS surprises.

Market Rewarding Positive EPS Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q1 2023 have seen an average price increase of +2.2% two days before the earnings release through two days after the earnings release. This percentage increase is much higher 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 Q1 2023 have seen an average price decrease of -2.5% two days before the earnings release through two days after the earnings. This percentage decrease is larger than the 5-year average price decrease of -2.2% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (63%) is Below 5-Year Average

In terms of revenues, 63% of companies have reported actual revenues above estimated revenues and 37% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (70%) and below the 5-year average (69%), but equal to the 10-year average (63%).

At the sector level, the Health Care (100%) and Real Estate (100%) sectors have the highest percentages of companies reporting revenues above estimates, while the Materials (25%) and Communication Services (33%) sectors have the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.8%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.8% above expectations. This surprise percentage is below the 1-year average (+2.5%) and below the 5-year average (+2.0%), but above the 10-year average (+1.3%).

At the sector level, the Consumer Discretionary (+3.9%), Financials (+2.9%), and Health Care (2.7%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Energy (-2.9%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings Decline This Week Due to Multiple Sectors

Decrease in Blended Earnings Decline This Week Due to Multiple Sectors

The blended (year-over-year) earnings decline for the first quarter is -6.2%, which is smaller than the earnings decline of -6.7% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Health Care sector) were the largest contributors to the decrease in the overall earnings decline during the past week.

In the Health Care sector, the positive EPS surprises reported by Johnson & Johnson ($2.68 vs. $2.50) and HCA Healthcare ($4.93 vs. $3.91) were substantial contributors to the decrease in the earnings decline for the index during the week. As a result, the blended earnings decline for the Health sector decreased to -20.0% from -21.0% over this period.

Increase in Blended Revenue Growth Rate This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the first quarter is 2.1%, which is slightly above the revenue growth rate of 1.9% last week. Positive revenue surprises reported by companies in the multiple sectors (led by the Health Care, Consumer Discretionary, and Financials sector) were the largest contributor to the increase in the overall revenue growth rate during the past week.

Financials Sector Has Seen Largest Increase in Earnings since March 31

The blended (year-over-year) earnings decline for Q1 2023 of -6.2% is smaller than the estimate of -6.7% at the end of the first quarter (March 31). Six 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 earnings estimates and positive earnings surprises, led by the Financials (to 5.4% from 2.9%) and Consumer Discretionary (36.3% vs. 33.8%) sectors. The Financials sector has also been the largest contributor to the increase in earnings for the index since March 31. On the other hand, four sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline during this period, led by the Energy (to 6.5% from 9.4%) and Utilities (to -10.8% from -8.4%) sectors. The Energy sector has also been the largest detractor to the increase in earnings for the index since March 31. One sector (Information Technology) has the same earnings decline today (-15.1%) compared to March 31.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase ($4.10 vs. $3.41), Citigroup ($2.19 vs. $1.65), and Bank of America ($0.94 vs. $0.81) have been the largest contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings growth rate for the Financials sector has increased to 5.4% from 2.9% over this period.

In the Energy sector, downward revisions to EPS estimates for ConocoPhillips (to $2.08 from $2.36), Chevron (to $3.38 from $3.55), and Exxon Mobil (to $2.60 from $2.64) have been significant detractors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings growth rate for the Energy sector has decreased to 6.5% from 9.4% over this period.

Financials Sector Has Seen Largest Increase in Revenues since March 31

The blended (year-over-year) revenue growth rate for Q1 2023 of 2.1% is slightly above the estimate of 1.9% at the end of the first quarter (March 31). Five sectors have recorded an increase in revenue growth since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Financials (to 10.5% from 9.2%) sector. The Financials and Health Care sectors have also been the largest contributors to the increase in revenues for the index since March 31. On the other hand, six sectors have recorded a decrease in their revenue growth rate since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Energy (to -6.1% from -5.7%) sector.

In the Financials sector, the positive revenue surprises reported by JPMorgan Chase ($38.35 billion vs. $36.12 billion), Citigroup ($21.45 billion vs. $20.01 billion), and Bank of America ($26.39 billion vs. $25.16 billion) have been substantial contributors to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Financials sector has increased to 10.5% from 9.2% over this period.

In the Health Care sector, the positive revenue surprises reported by UnitedHealth Group ($91.93 billion vs. $89.71 billion), Johnson & Johnson ($24.75 billion vs. $23.60 billion), and Elevance Health ($41.90 billion vs. $40.92 billion) have been substantial contributors to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Health Care sector has increased to 1.4% from 0.9% over this period.

Earnings Decline: -6.2%

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 Q1 2023 is -6.2%, which is below the 5-year average earnings growth rate of 13.4% and below the 10-year average earnings growth rate of 8.7%. If -6.2% is the actual decline for the quarter, it will mark the largest (year-over-year) earnings decline reported by the index since Q2 2020 (-31.6%). It will also mark the second consecutive quarter in which earnings have declined year-over-year.

Five of the eleven sectors are reporting year-over-year earnings growth, led by the Consumer Discretionary and Industrials sectors. On the other hand, six sectors are reporting (or are expected to report) a year-over-year decline in earnings, led by the Materials, Health Care, Information Technology, and Communication Services sectors.

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

The Consumer Discretionary sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 36.3%. At the industry level, 3 of the 9 industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings. A growth rate is not being calculated for the Hotels, Restaurants, & Leisure and Broadline Retail industries due to the losses reported by both industries in the year-ago quarter. However, both industries are projected to report profits in Q1 2023. The Hotels, Restaurants, & Leisure industry is reporting a profit of $3.9 billion in Q1 2023 compared to a loss of -829 million in Q1 2022, while the Broadline Retail industry is projected to report a profit of $2.8 billion in Q1 2023 compared to a loss of -$3.2 billion in Q1 2022. The other industry predicted to report (year-over-year) earnings growth is the Auto Components (18%) industry. On the other hand, 6 industries are reporting (or are expected to report) a year-over-year decline in earnings. Four of these six industries are reporting (or are predicted to report) a decrease in earnings of more than 10%: Leisure Products (-102%), Household Durables (-30%), Textiles, Apparel, & Luxury Goods (-16%), and Automobiles (-16%).

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 -14.1% instead of year-over-year earnings growth of 36.3%.

At the company level, Amazon.com is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the sector would fall to 5.4% from 36.3%

Industrials: Airlines Industry Is Largest Contributor to Year-Over-Year Growth

The Industrials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 12.5%. At the industry level, 6 of the 12 industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings. A growth rate is not being calculated for the Passenger Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry is reporting a much smaller loss in Q1 2023 (-$237 million) compared to Q1 2022 (-$4.0 billion). Three of the remaining five industries are reporting earnings growth above 10%: Trading Companies & Distributors (22%), Aerospace & Defense (15%), and Machinery (11%). On the other hand, 6 industries are reporting (or are expected to report) a year-over-year decline in earnings. Three of these six industries are reporting (or are predicted to report) a year-over-year decline of more than 15%: Air Freight & Logistics (-31%), Industrials Conglomerates (-24%), and Construction & Engineering (-16%).

At the industry level, the Passenger Airlines industry is the largest contributor to earnings growth for the sector. If this industry were excluded, the Industrials sector would report a year-over-year decline in earnings of -0.4% rather than earnings growth of 12.5%.

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline of More Than 25%

The Materials sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -34.2%. At the industry level, three of the four industries in this sector are reporting (or are predicted to report) a year-over-year decline in earnings of more than 25%: Metals & Mining (-47%), Containers & Packaging (-34%), and Chemicals (-29%). On the other hand, the Construction Materials (18%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Health Care: 4 of 5 Industries Reporting Year-Over-Year Decline of More Than 15%

The Health Care sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -20.0%. At the industry level, four of the five industries in this sector are reporting (or are predicted to report) a year-over-year earnings decline of more than 15%: Biotechnology (-39%), Life Sciences, Tools, and Services (-24%), Pharmaceuticals (-23%), and Health Care Equipment & Supplies (-17%). On the other hand, the Health Care Providers & Services (2%) industry is the only industry reporting year-over-year growth in earnings.

Information Technology: Semiconductors Industry is Largest Contributor to Year-Over-Year Decline

The Information sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -15.1%. At the industry level, three of the six industries in this sector are reporting (or are predicted to report) a year-over-year earnings decline: Semiconductors & Semiconductor Equipment (-43%), Technology Hardware, Storage, & Peripherals (-15%), and Electronic Equipment, Instruments, & Components (-9%). On the other hand, three of the six industries in this sector are reporting (or are projected to report) year-over-year earnings growth: Communications Equipment (15%), Software (6%), and IT Services (3%).

At the industry level, the Semiconductors & Semiconductor Equipment industry is the largest contributor to the earnings decline for the sector. If this industry were excluded, the blended earnings decline for the sector would improve to -3.0 from -15.1%.

Communication Services: 4 of 5 Industries Reporting Year-Over-Year Decline

The Communication Services sector is reporting the fourth-largest (year-over-year) earnings decline of all eleven sectors at -14.9%. At the industry level, four of the five industries in this sector are reporting (or are predicted to report) a year-over-year decline in earnings of more than 10%: Entertainment (-21%), Interactive Media & Services (-19%), Diversified Telecommunication Services (-17%), and Media (-13%). On the other hand, the Wireless Telecommunication Services (160%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Revenue Growth: 2.1%

The blended (year-over-year) revenue growth rate for Q1 2023 is 2.1%, which is below the 5-year average revenue growth rate of 7.9% and below the 10-year average revenue growth rate of 4.9%. If 2.1% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) revenue growth rate reported by the index since Q3 2020 (-1.1%).

At the sector level, seven sectors are reporting year-over-year growth in revenues, led by the Financials sector. On the other hand, four sectors are reporting (or are expected to report) a year-over-year decline in revenues, led by the Materials sector.

Financials: 3 of 5 Industries Reporting Year-Over-Year Growth At Or Above 15%

The Financials sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 10.5%. At the industry level, four of the five industries in the sector are reporting (or are predicted to report) year-over-year growth in revenues. Three of these four industries are reporting (or are projected to report) revenue growth above 10%: Banks (18%), Consumer Finance (18%), and Financial Services (15%). On the other hand, the Capital Markets industry (-1%) is the only industry expected to report a year-over-year decline in revenues.

Materials: Metals & Mining Industry Leads Year-Over-Year Decline

The Materials sector is reporting the highest (year-over-year) decline in revenues at -8.1%. At the industry level, three of the four industries in the sector are reporting (or are predicted to report) a year-over-year decrease in revenues: Metals & Mining (-15%), Chemicals (-8%), and Containers & Packaging (-3%). On the other hand, the Construction Materials (4%) industry is the only industry expected to report a year-over-year growth in revenues.

Net Profit Margin: 11.2%

The blended net profit margin for the S&P 500 for Q1 2023 is 11.2%, which is below the previous quarter's net profit margin of 11.3%, below the 5-year average of 11.4% and below the year-ago net profit margin of 12.2%.

At the sector level, three sectors are reporting (or are expected to report) a year-over-year increase in their net profit margins in Q1 2023 compared to Q1 2022, led by the Energy (to 11.8% vs. 10.4%) and Consumer Discretionary (6.0% vs. 4.7%) sectors. On the other hand, eight sectors are reporting (or are expected to report) a year-over-year decrease in their net profit margins in Q1 2023 compared to Q1 2022, led by the Materials (9.8% vs. 13.8%) sector.

Five sectors are reporting (or are expected to report) net profit margins in Q1 2023 that are above their 5-year averages, led by the Energy (11.9% vs. 7.9%) sector. On the other hand, six sectors are reporting (or are expected to report) net profit margins in Q1 2023 that are below their 5-year averages, led by the Communication Services (10.3% vs. 11.6%), Health Care (9.2% vs. 10.5%), and Information Technology (21.6% vs. 22.9%) sectors.

Looking Ahead: Forward Estimates and Valuation

Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q2 Above 5-Yr. Avg.

At this point in time, 14 companies in the index have issued EPS guidance for Q2 2023. Of these 14 companies, 9 have issued negative EPS guidance and 5 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q2 2023 is 64% (9 out of 14), which is above the 5-year average of 59% but below the 10-year average of 66%.

At this point in time, 259 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 259 companies, 134 have issued negative EPS guidance and 125 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 52% (134 out of 259).

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 1% for CY 2023

For the first quarter, S&P 500 companies are reporting a year-over-year earnings decline of -6.2% and revenue growth of 2.1%.

For Q2 2023, analysts are projecting an earnings decline of -5.0% and a revenue decline of -0.1%.

For Q3 2023, analysts are projecting earnings growth of 1.6% and revenue growth of 1.4%.

For Q4 2023, analysts are projecting earnings growth of 8.5% and revenue growth of 3.7%.

For CY 2023, analysts are projecting earnings growth of 0.8% and revenue growth of 2.1%.

Valuation: Forward P/E Ratio is 18.2, Above the 10-Year Average (17.3)

The forward 12-month P/E ratio for the S&P 500 is 18.2. This P/E ratio is below the 5-year average of 18.5 but above the 10-year average of 17.3. It is also slightly above the forward 12-month P/E ratio of 18.1 recorded at the end of the first quarter (March 31). Since the end of the first quarter (March 31), the price of the index has increased by 0.5%, while the forward 12-month EPS estimate has increased by 0.1%. At the sector level, the Consumer Discretionary (24.3) and Information Technology (24.3) sectors have the highest forward 12-month P/E ratios, while the Energy (10.8) and Financials (13.3) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 20.6, which is below the 5-year average of 22.5 but equal to the 10-year average of 20.6.

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

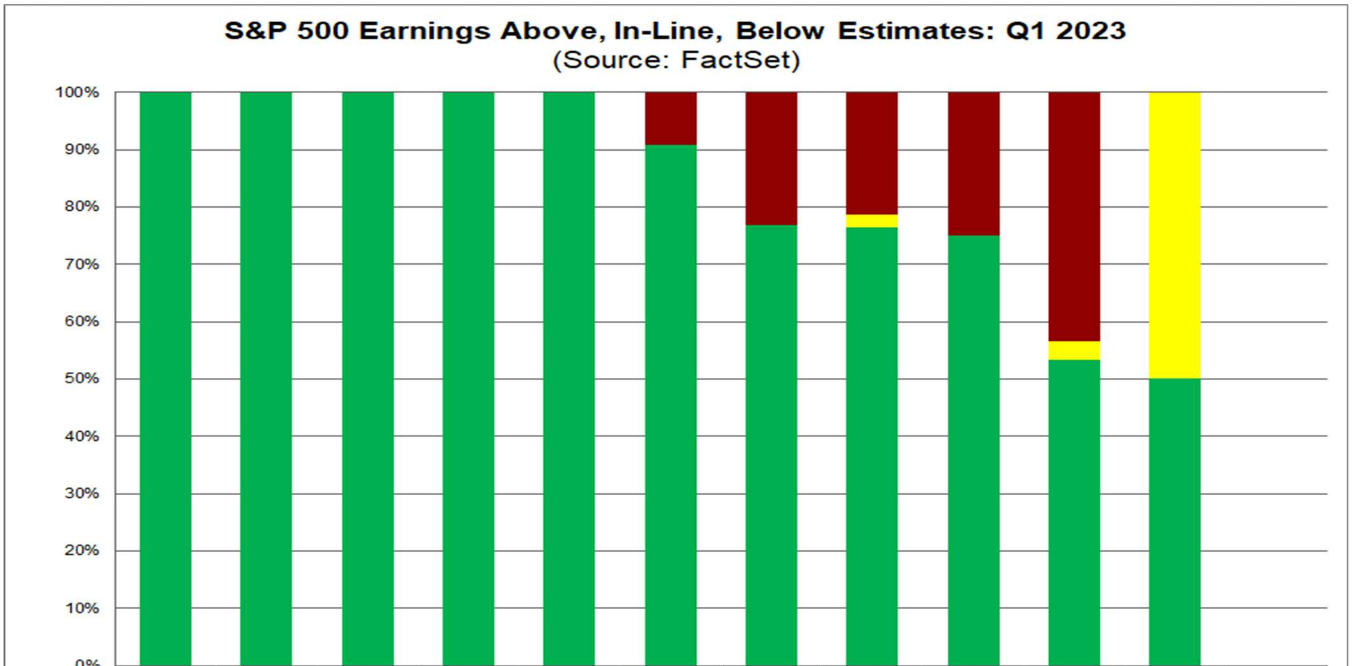
The bottom-up target price for the S&P 500 is 4640.04, which is 12.4% above the closing price of 4129.79. At the sector level, the Communication Services (+18.0%), Consumer Discretionary (+17.5%), and Energy (+17.5%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Information Technology (+8.2%) and Consumer Staples (+8.3) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 11,060 ratings on stocks in the S&P 500. Of these 11,060 ratings, 53.9% are Buy ratings, 40.0% are Hold ratings, and 6.1% are Sell ratings. At the sector level, the Energy (62%) and Communication Services (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

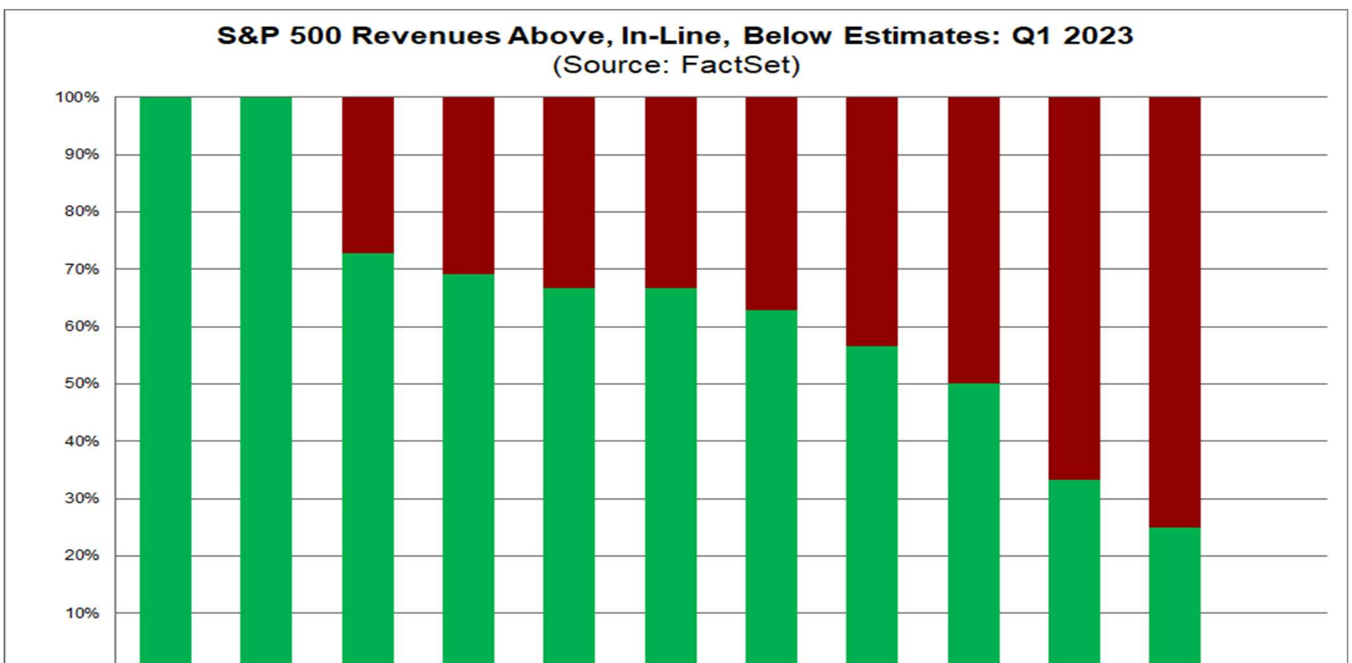
Companies Reporting Next Week: 180

During the upcoming week, 60 S&P 500 companies (including 14 Dow 30 components) are scheduled to report results for the first quarter.

Q1 2023: Scorecard

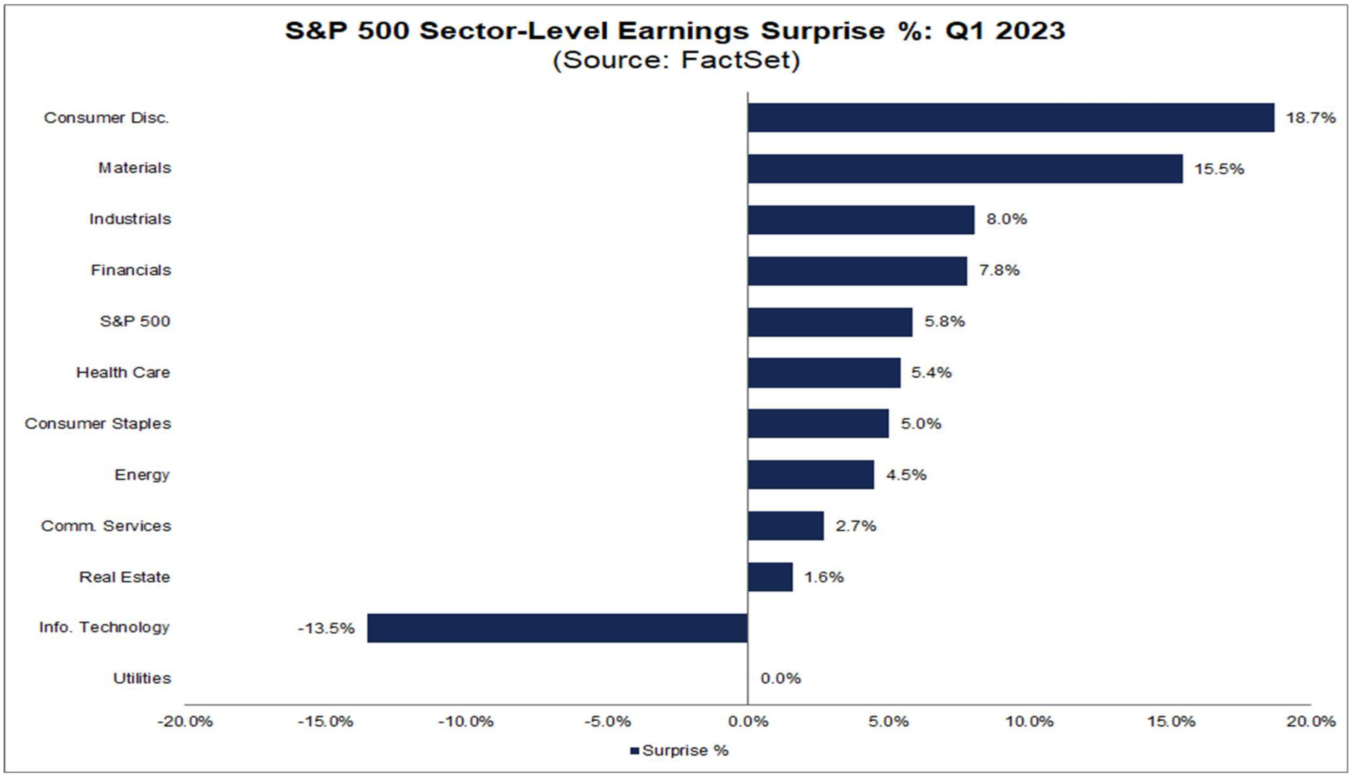


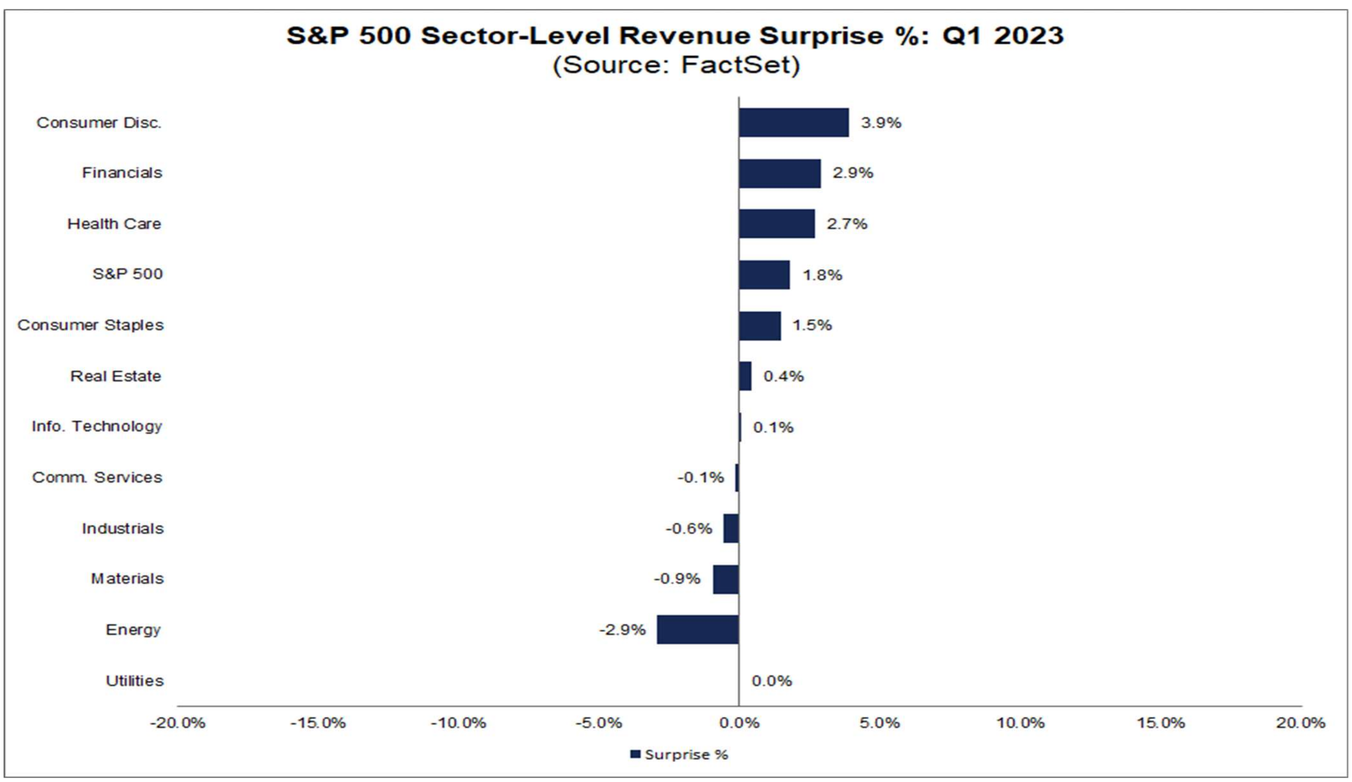
	Comm. Services	Consumer Staples	Energy	Health Care	Materials	Consumer Disc.	Industrials	S&P 500	Info. Technology	Financials	Real Estate	Utilities
Below	0%	0%	0%	0%	0%	9%	23%	21%	25%	43%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	2%	0%	3%	50%	0%
Above	100%	100%	100%	100%	100%	91%	77%	76%	75%	53%	50%	0%



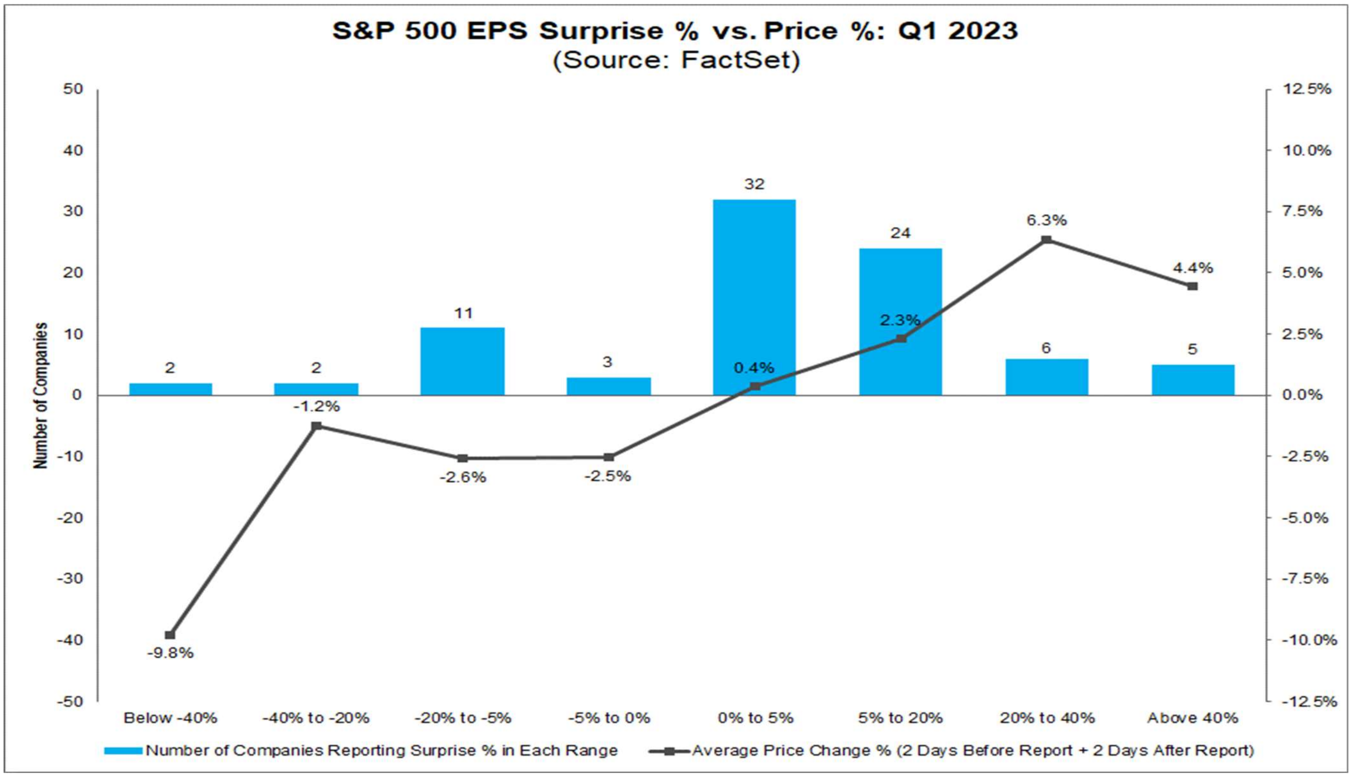
	Health Care	Real Estate	Consumer Disc.	Industrials	Consumer Staples	Energy	S&P 500	Financials	Info. Technology	Comm. Services	Materials	Utilities
Below	0%	0%	27%	31%	33%	33%	37%	43%	50%	67%	75%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	73%	69%	67%	67%	63%	57%	50%	33%	25%	0%

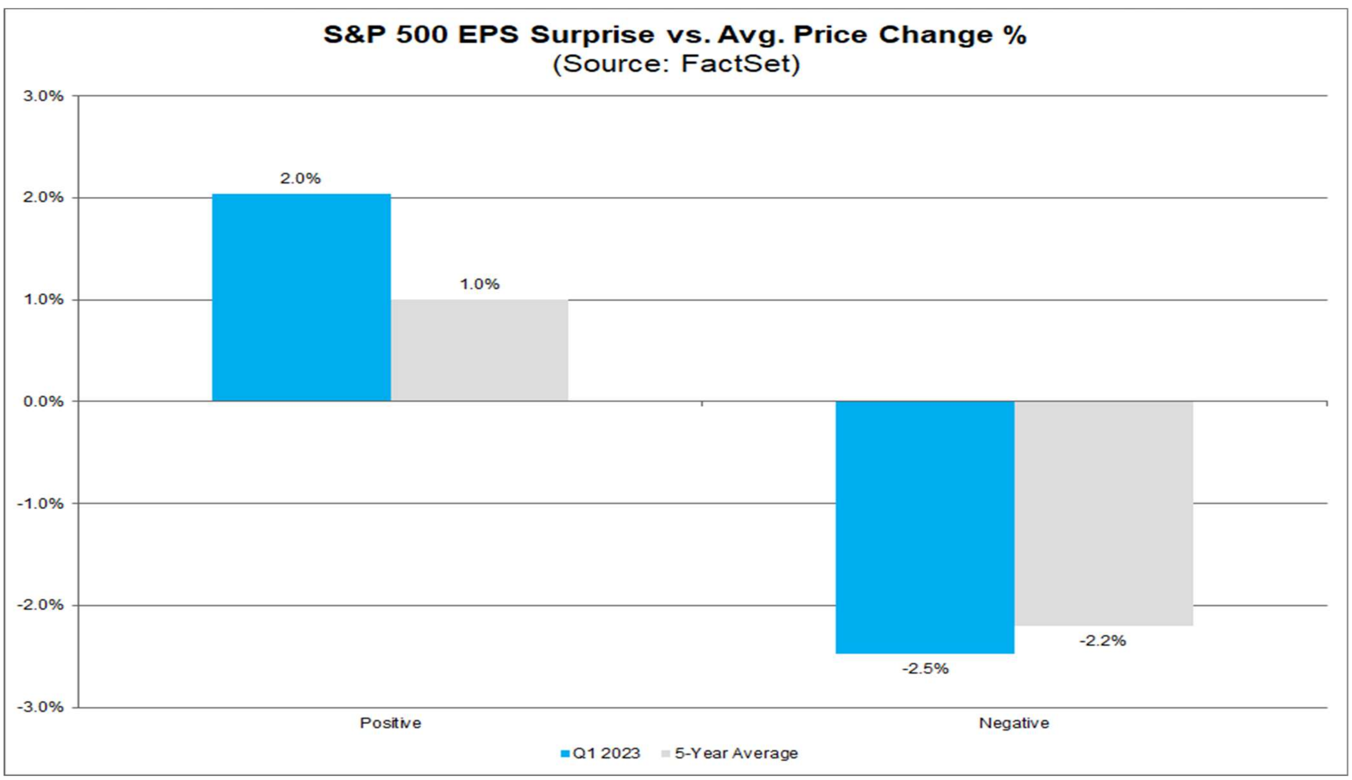
Q1 2023: Scorecard



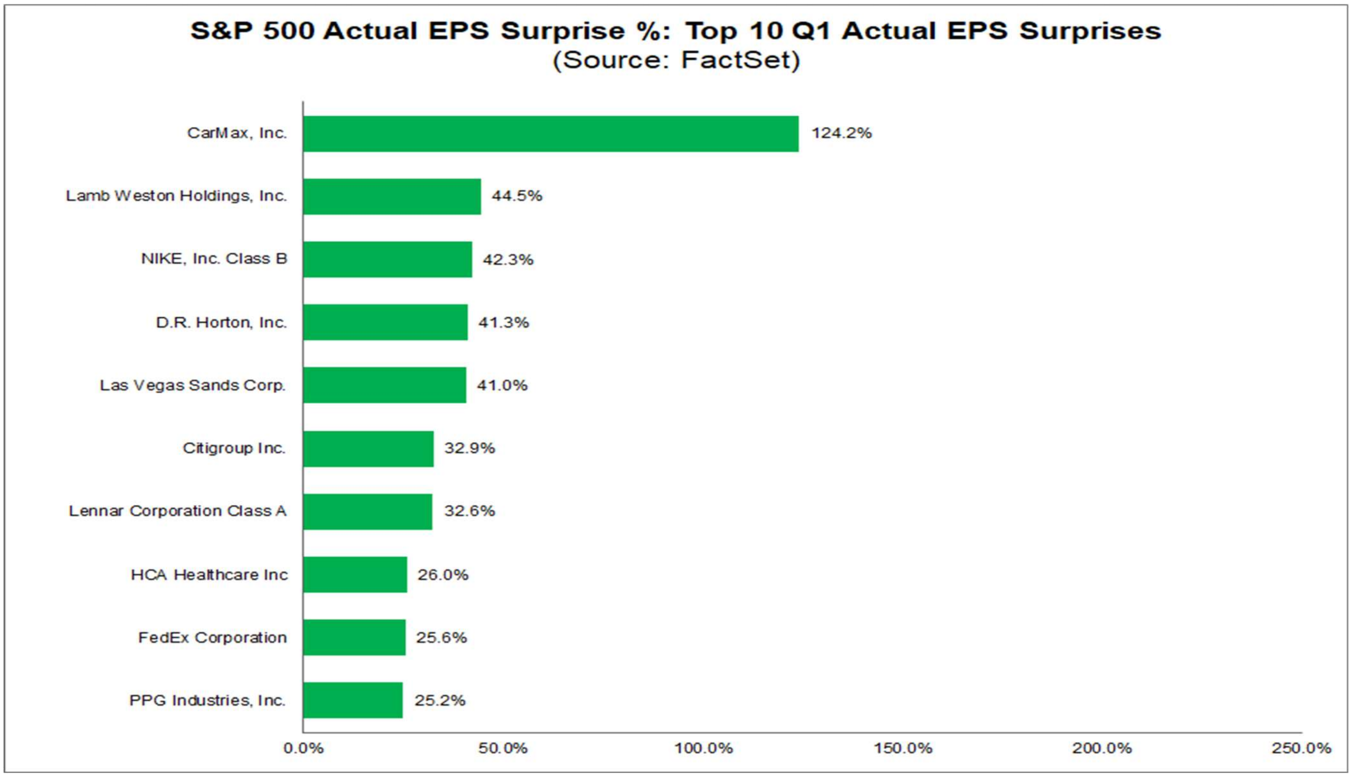


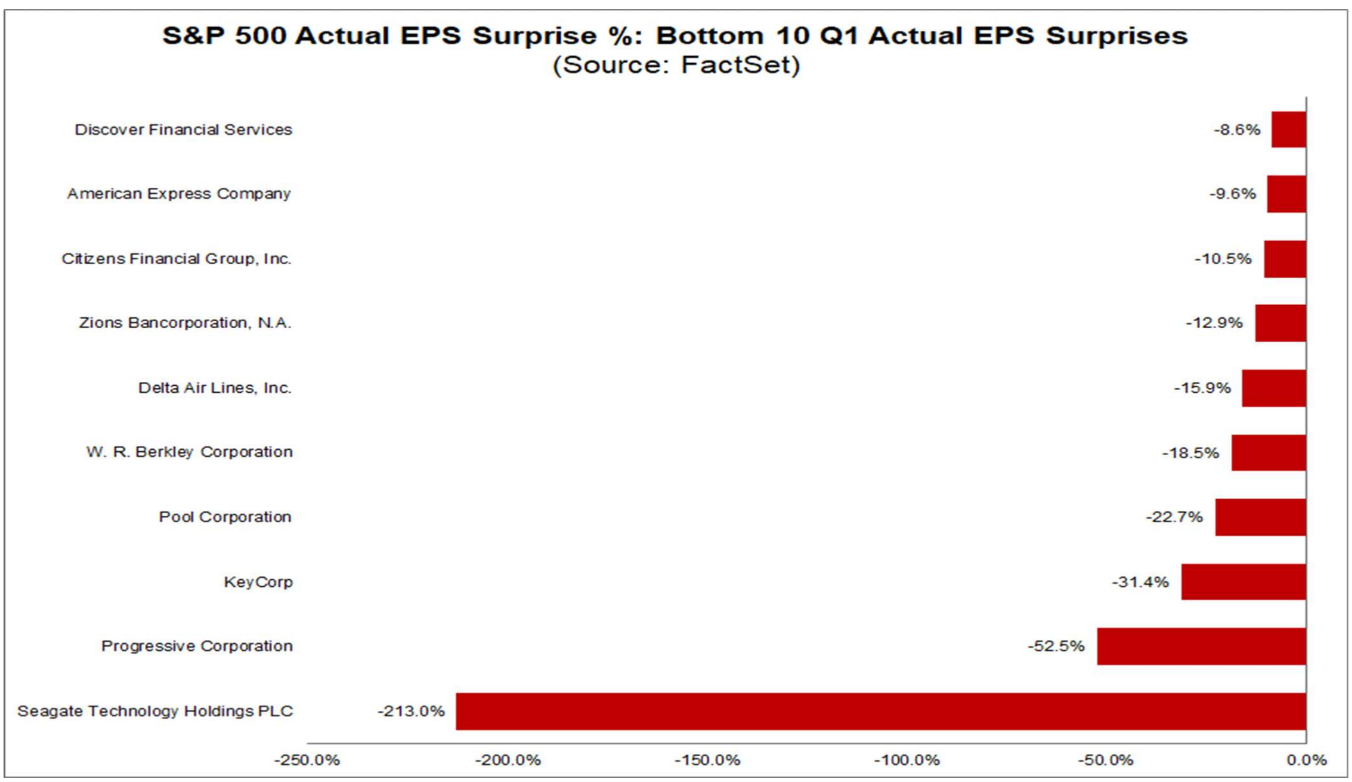
Q1 2023: Scorecard



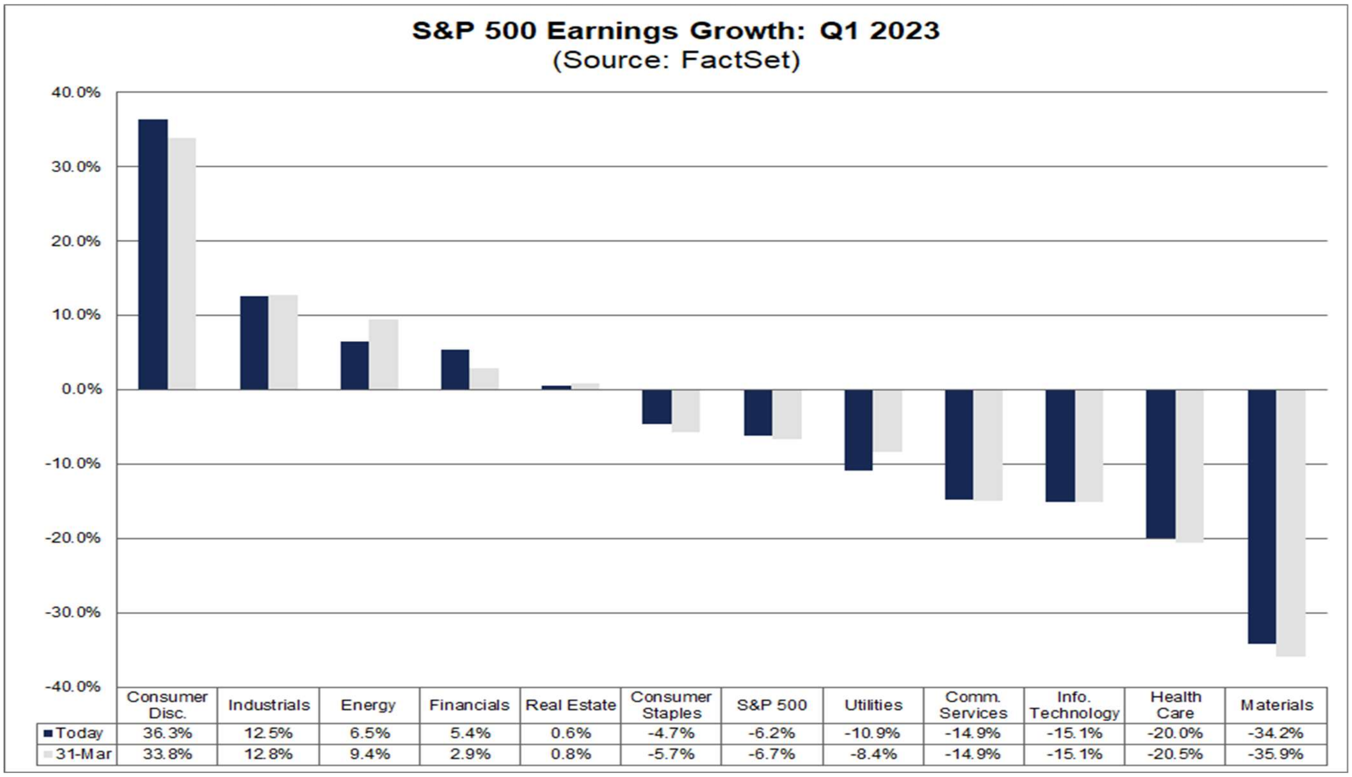


Q1 2023: Scorecard

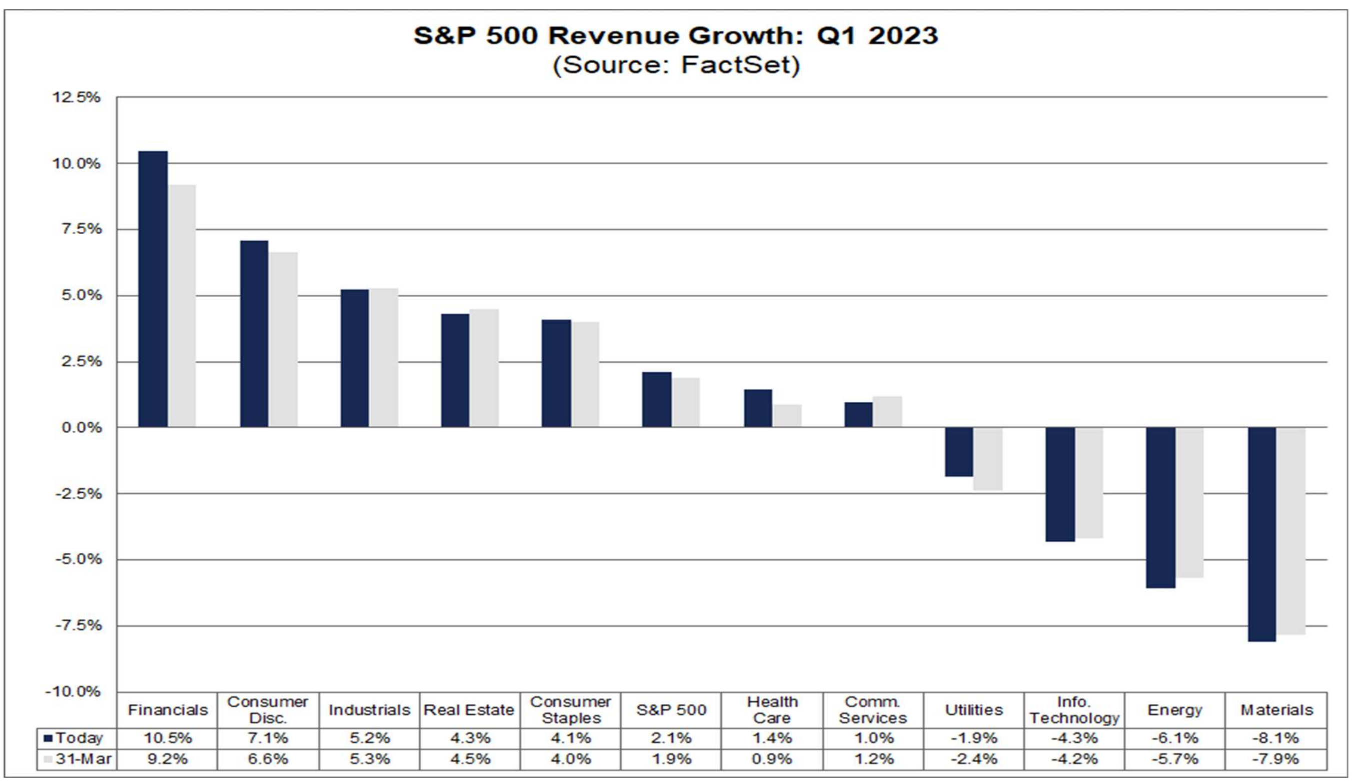




Q1 2023: Growth

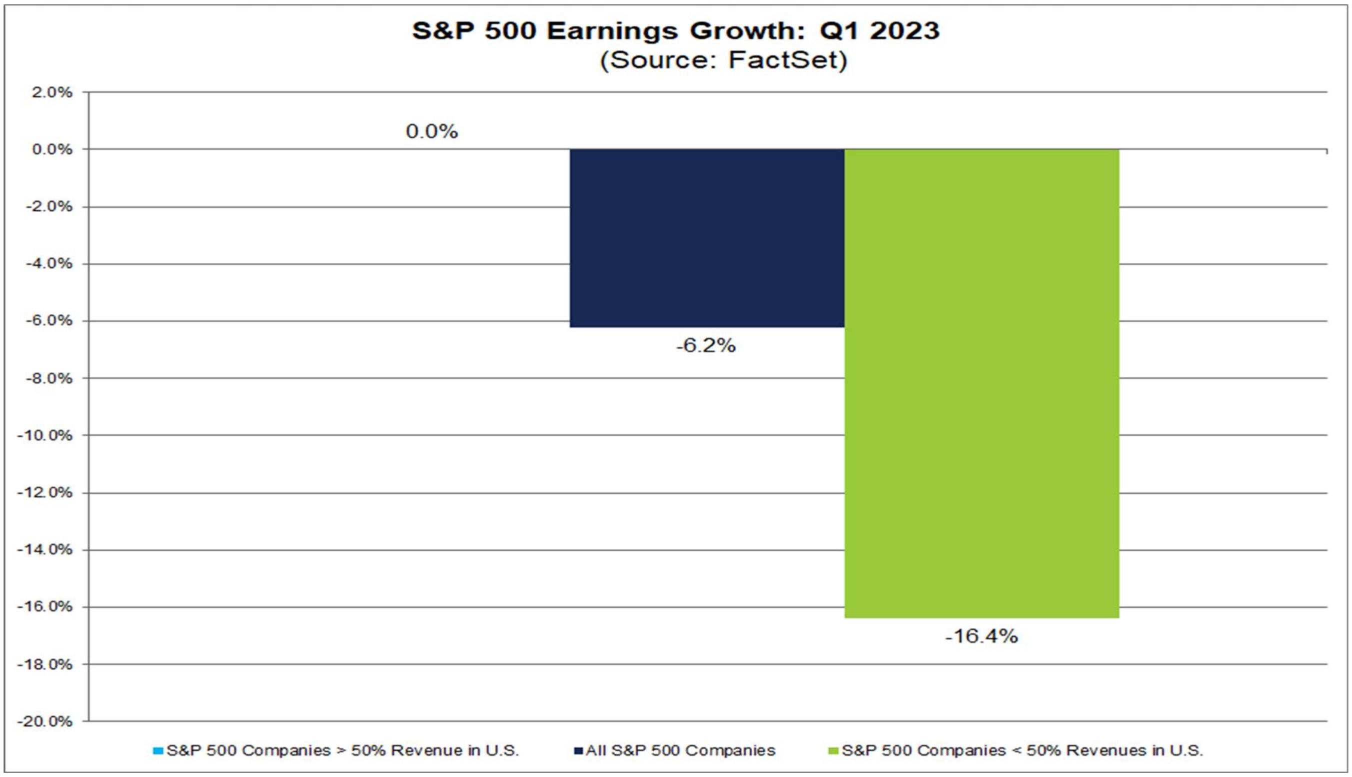


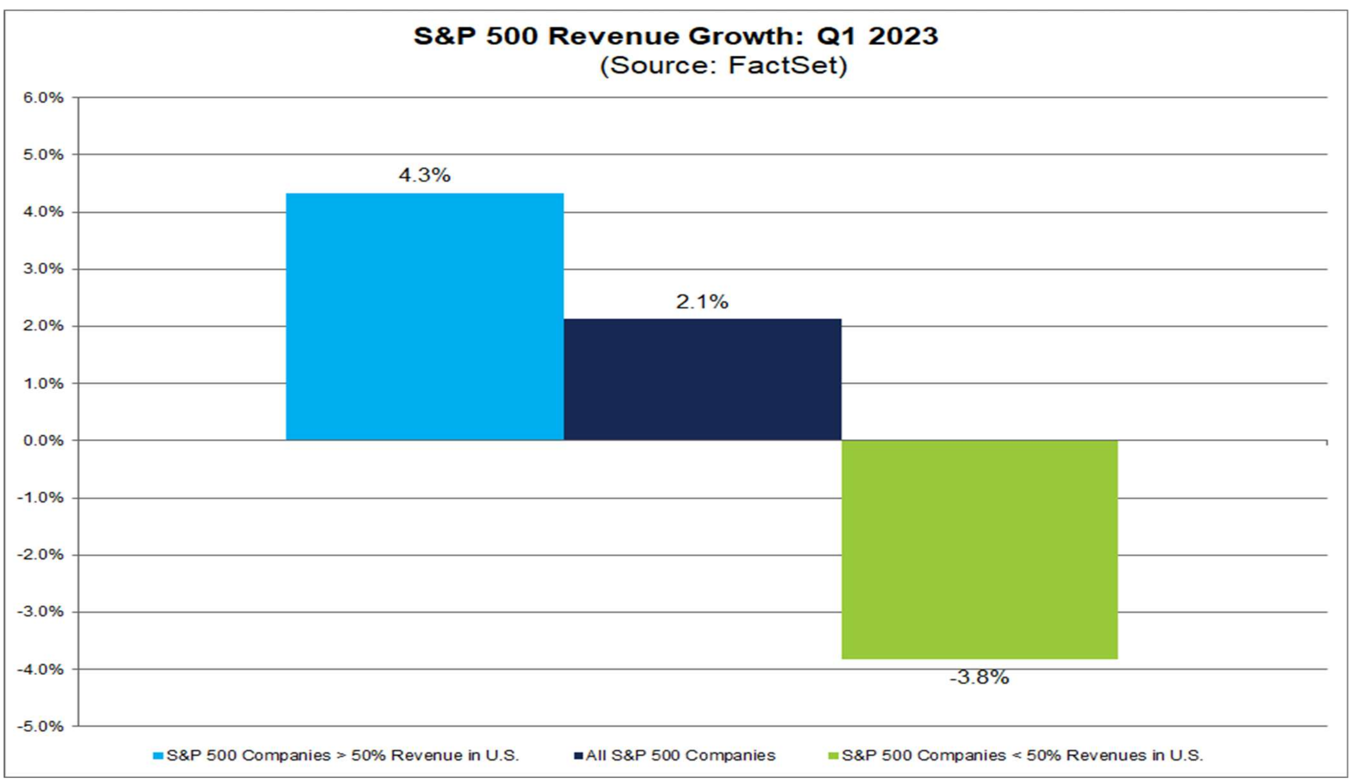
	Consumer Disc.	Industrials	Energy	Financials	Real Estate	Consumer Staples	S&P 500	Utilities	Comm. Services	Info. Technology	Health Care	Materials
Today	36.3%	12.5%	6.5%	5.4%	0.6%	-4.7%	-6.2%	-10.9%	-14.9%	-15.1%	-20.0%	-34.2%
31-Mar	33.8%	12.8%	9.4%	2.9%	0.8%	-5.7%	-6.7%	-8.4%	-14.9%	-15.1%	-20.5%	-35.9%



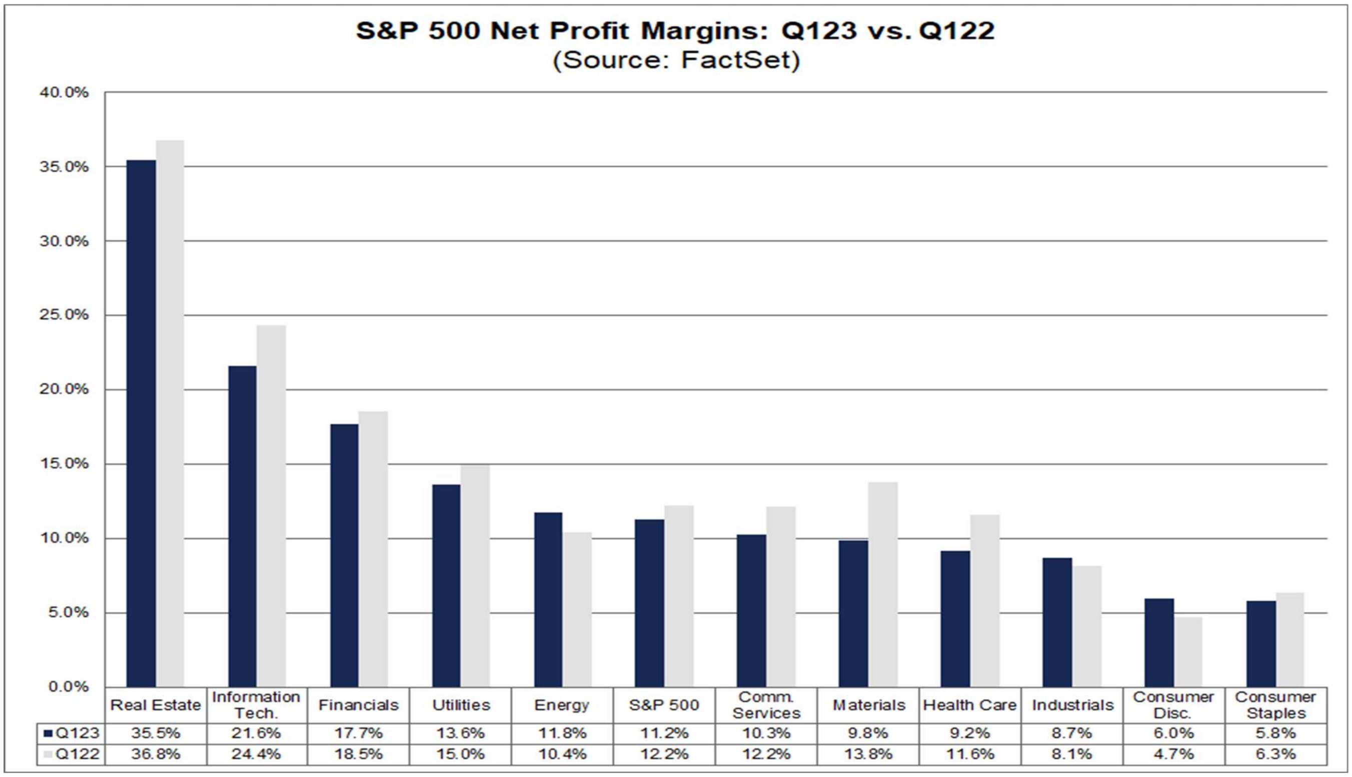
	Financials	Consumer Disc.	Industrials	Real Estate	Consumer Staples	S&P 500	Health Care	Comm. Services	Utilities	Info. Technology	Energy	Materials
Today	10.5%	7.1%	5.2%	4.3%	4.1%	2.1%	1.4%	1.0%	-1.9%	-4.3%	-6.1%	-8.1%
31-Mar	9.2%	6.6%	5.3%	4.5%	4.0%	1.9%	0.9%	1.2%	-2.4%	-4.2%	-5.7%	-7.9%

Q1 2023: Growth

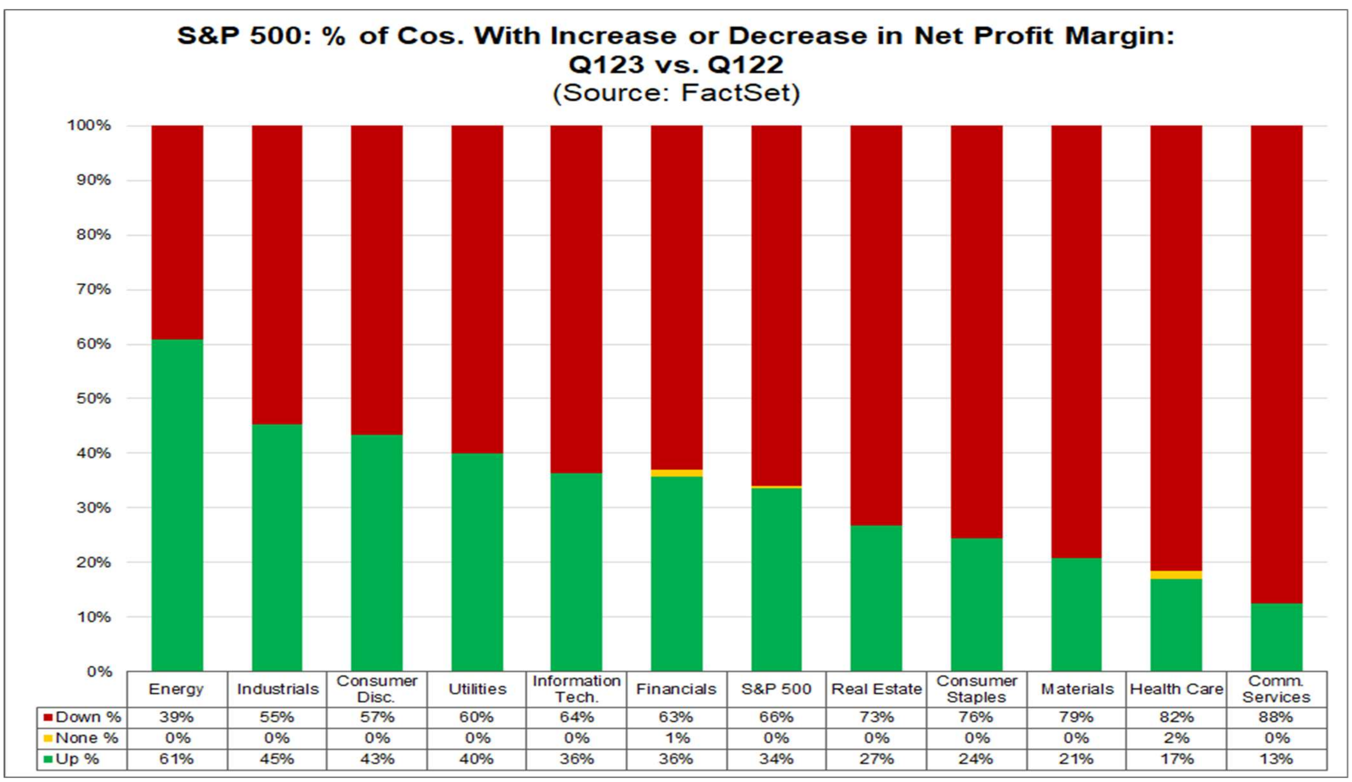




Q1 2023: Net Profit Margin

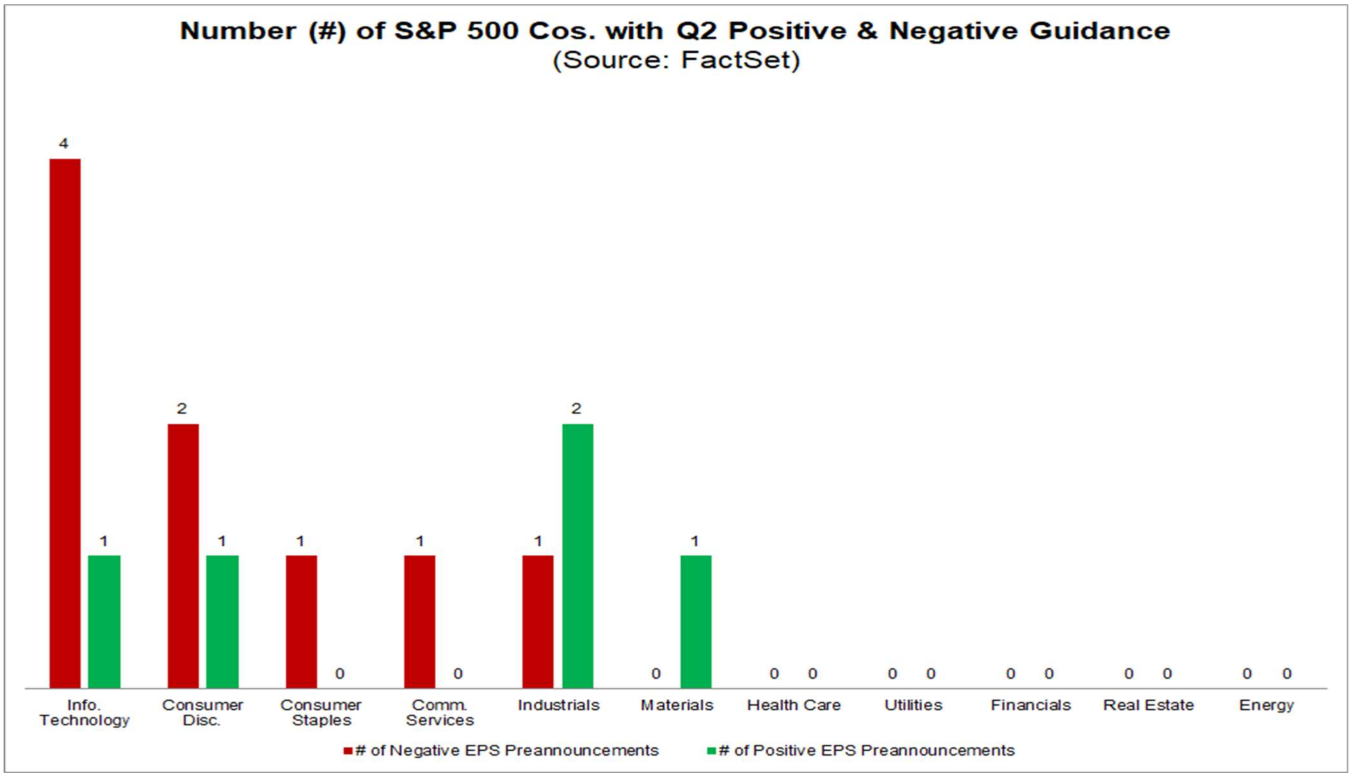


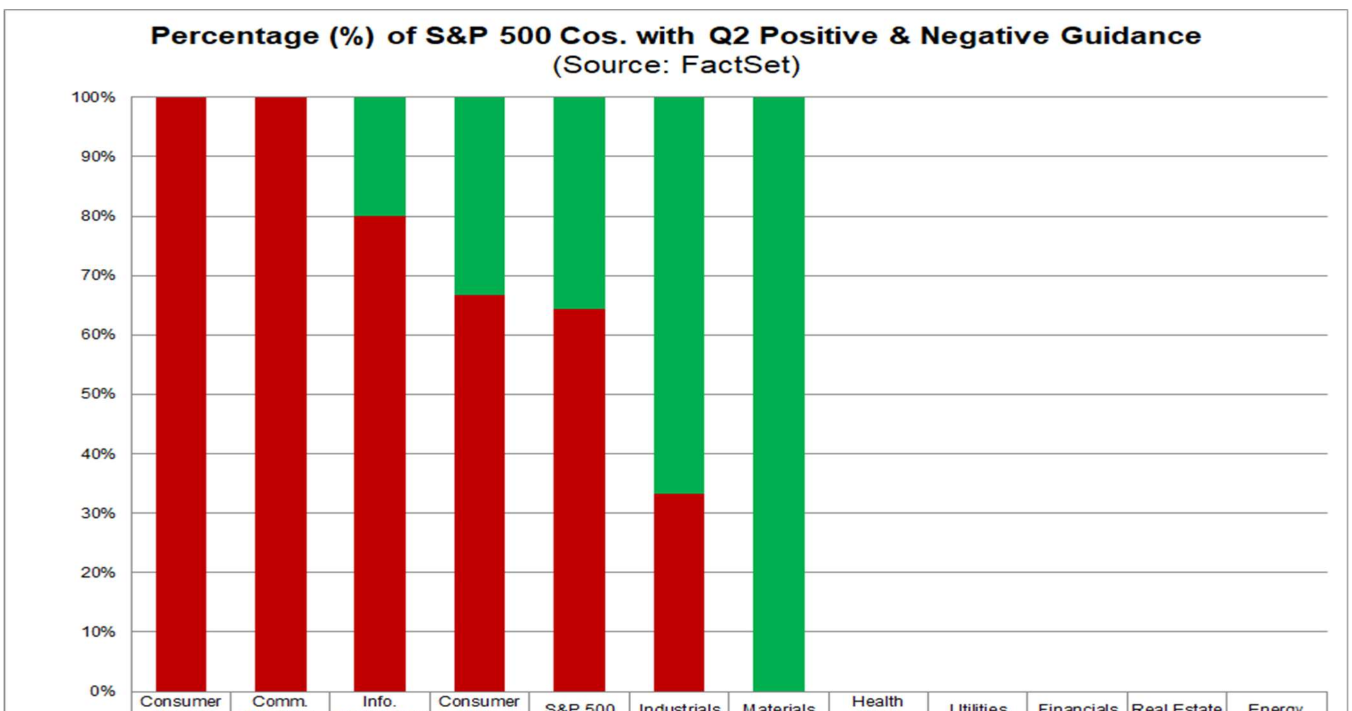
	Real Estate	Information Tech.	Financials	Utilities	Energy	S&P 500	Comm. Services	Materials	Health Care	Industrials	Consumer Disc.	Consumer Staples
Q123	35.5%	21.6%	17.7%	13.6%	11.8%	11.2%	10.3%	9.8%	9.2%	8.7%	6.0%	5.8%
Q122	36.8%	24.4%	18.5%	15.0%	10.4%	12.2%	12.2%	13.8%	11.6%	8.1%	4.7%	6.3%



	Energy	Industrials	Consumer Disc.	Utilities	Information Tech.	Financials	S&P 500	Real Estate	Consumer Staples	Materials	Health Care	Comm. Services
Down %	39%	55%	57%	60%	64%	63%	66%	73%	76%	79%	82%	88%
None %	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	2%	0%
Up %	61%	45%	43%	40%	36%	36%	34%	27%	24%	21%	17%	13%

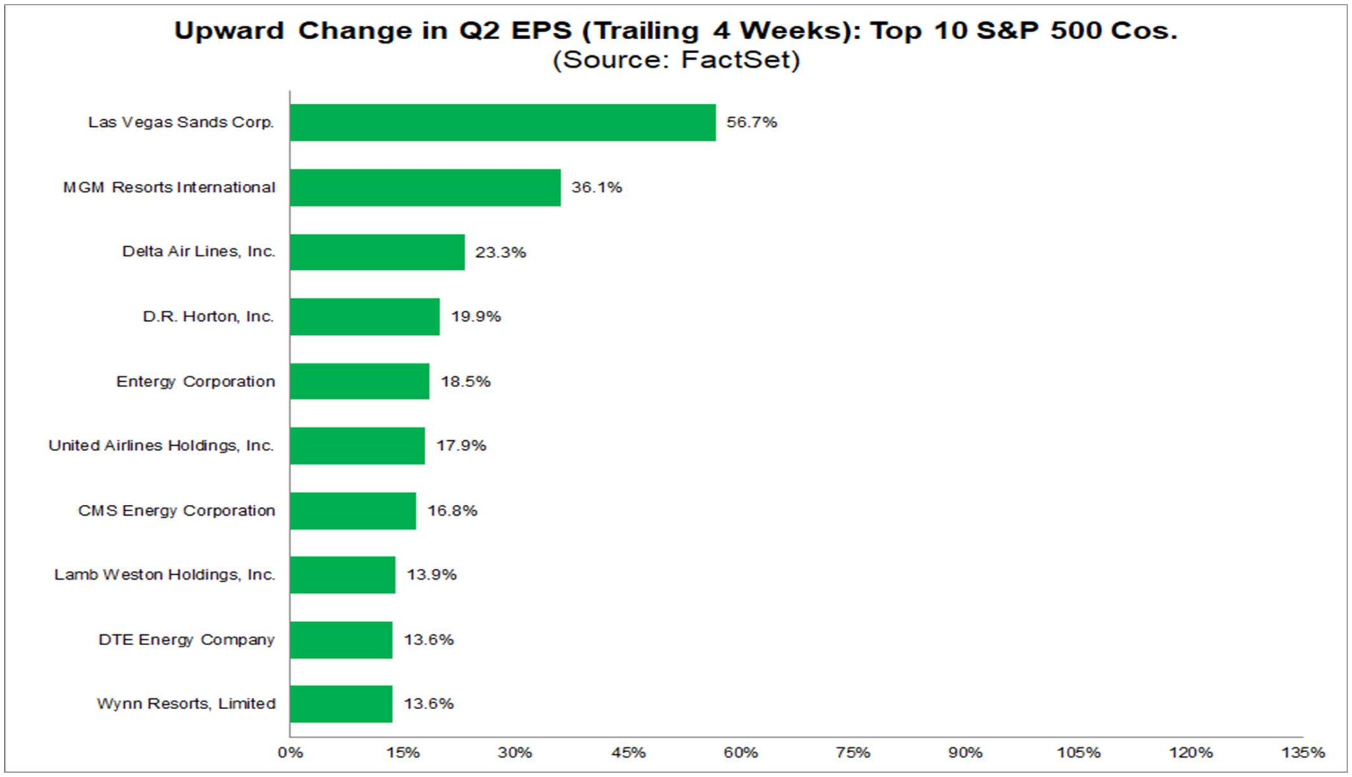
Q2 2023: Guidance

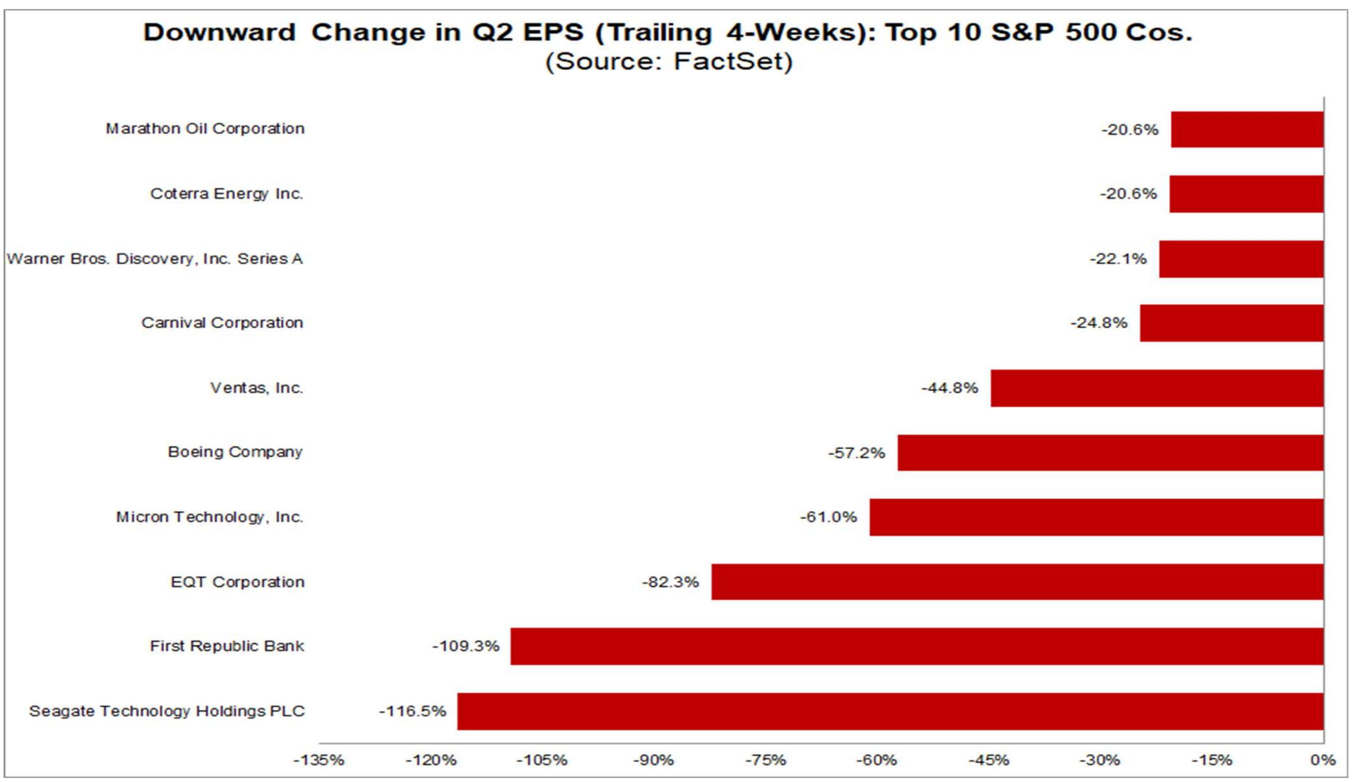




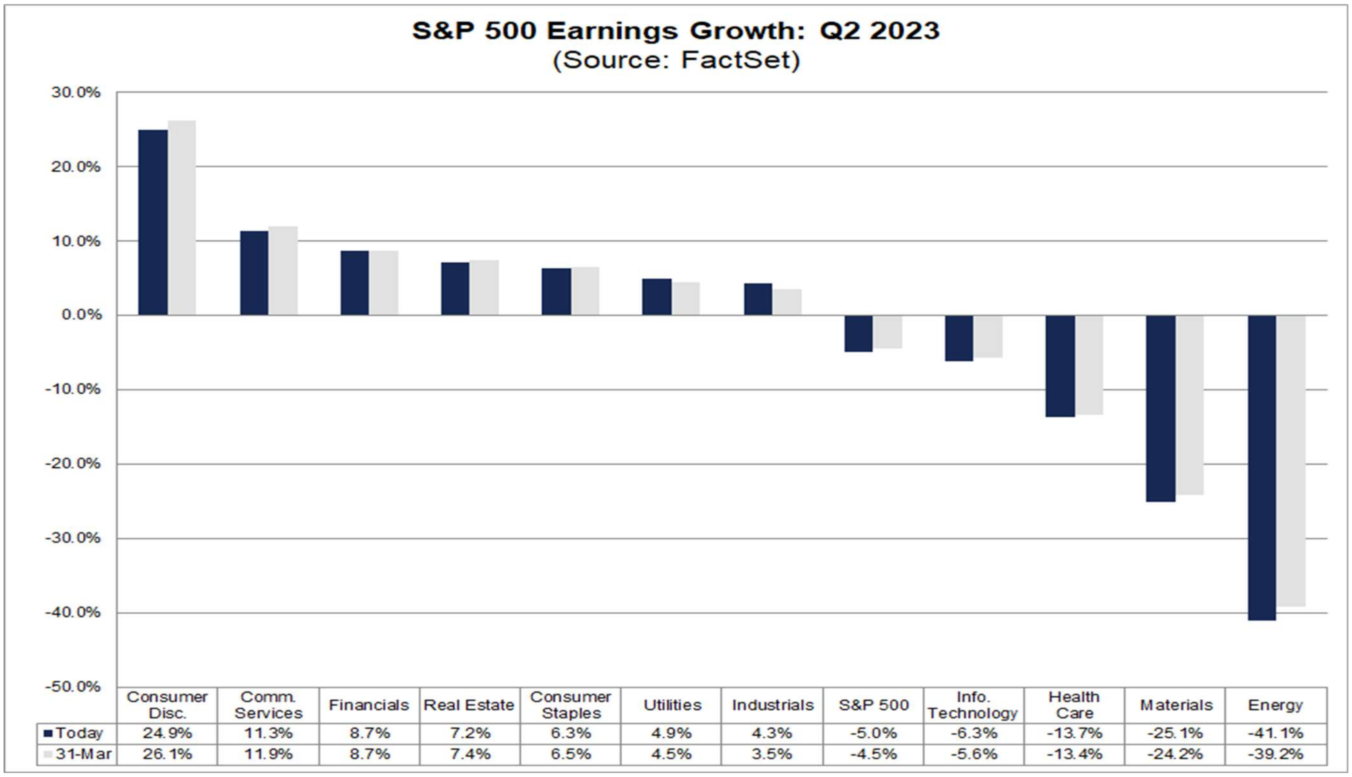
	Consumer Staples	Comm. Services	Info. Technology	Consumer Disc.	S&P 500	Industrials	Materials	Health Care	Utilities	Financials	Real Estate	Energy
Positive	0%	0%	20%	33%	36%	67%	100%	0%	0%	0%	0%	0%
Negative	100%	100%	80%	67%	64%	33%	0%	0%	0%	0%	0%	0%

Q2 2023: EPS Revisions

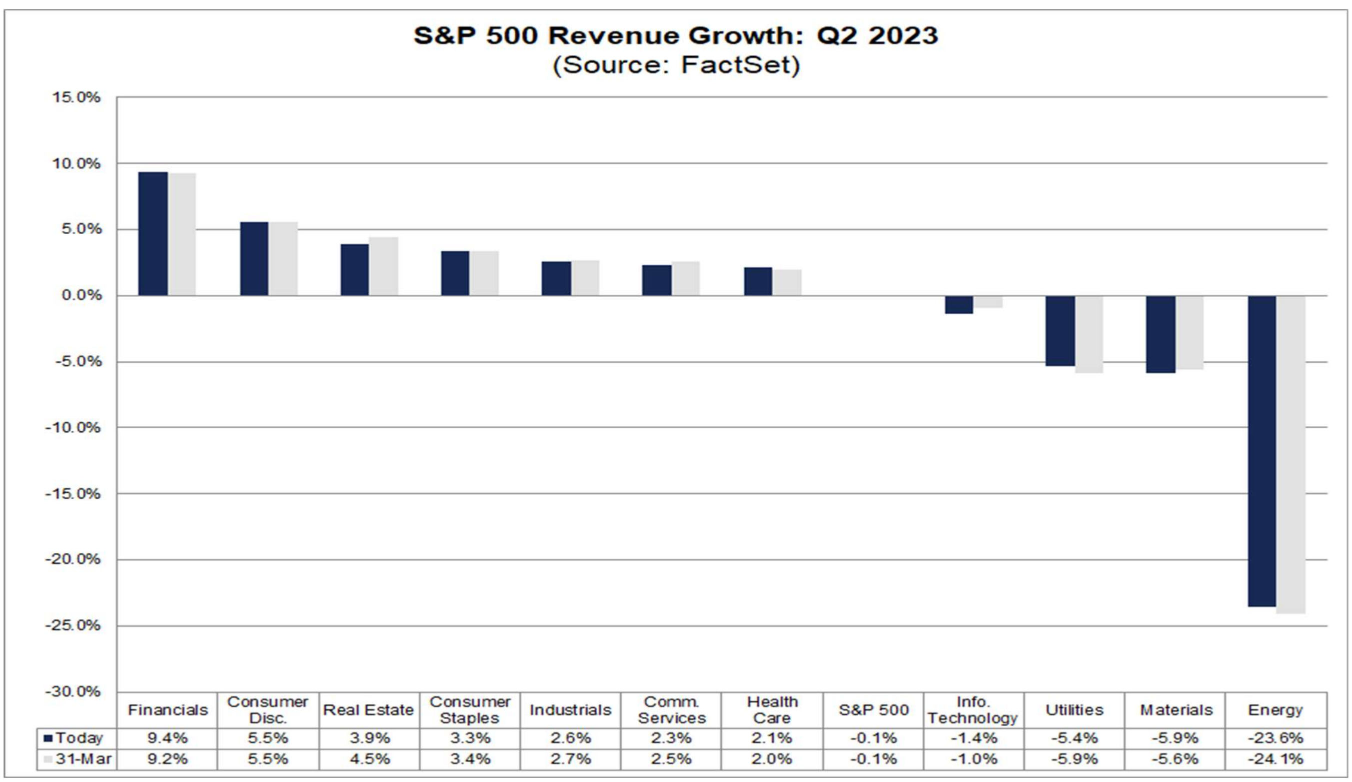




Q2 2023: Growth

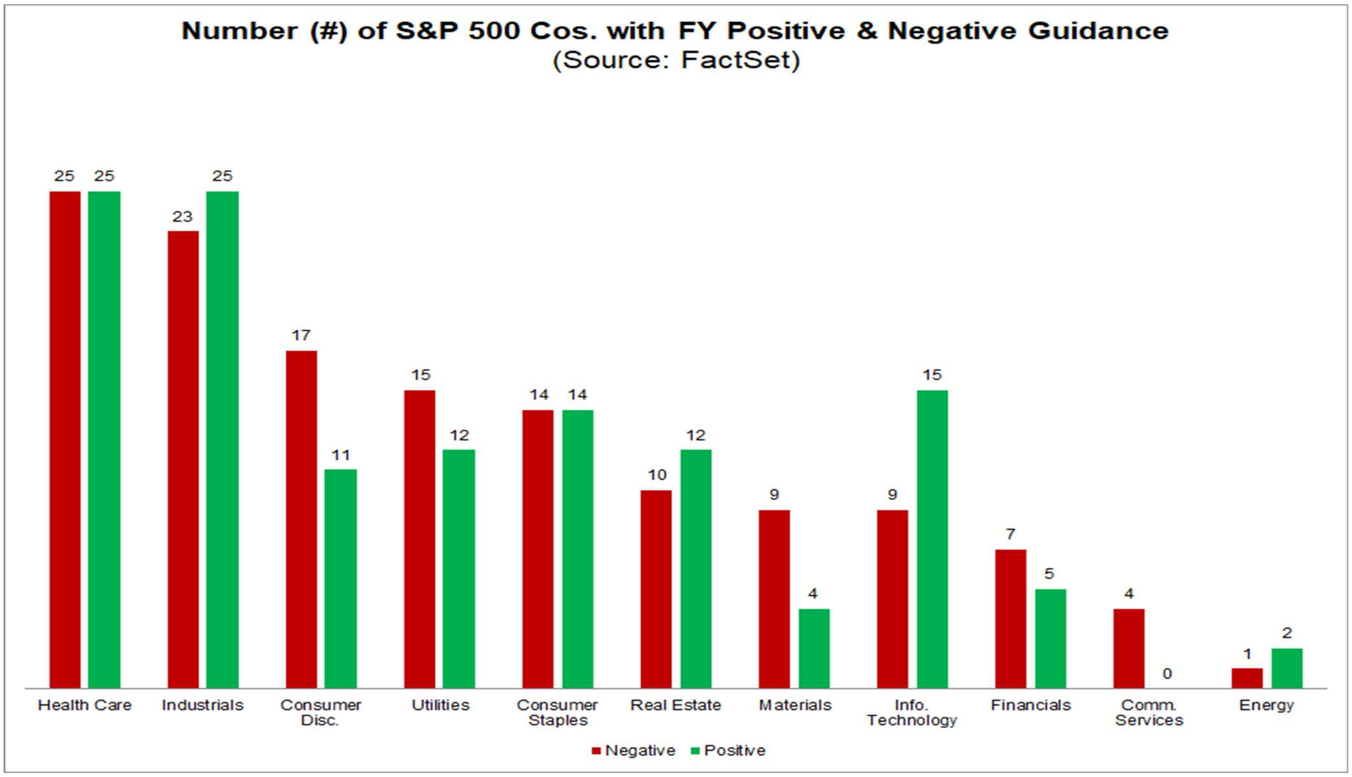


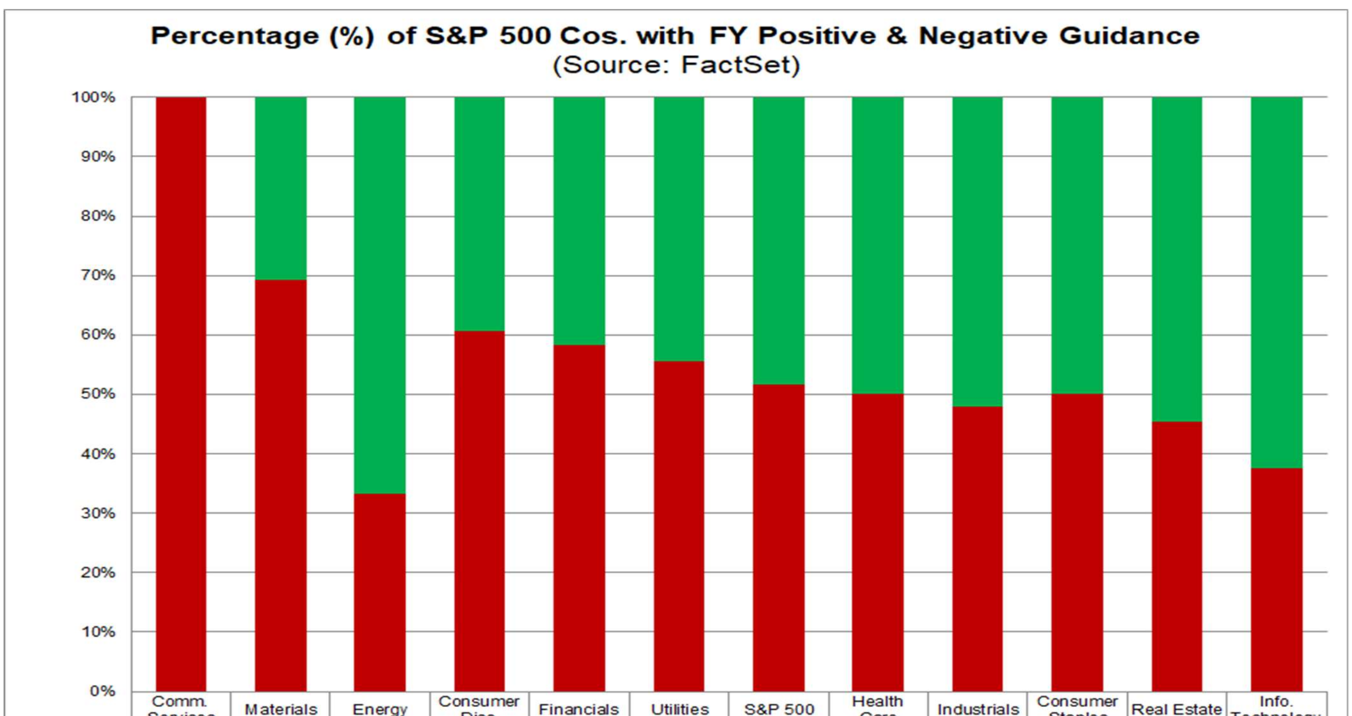
	Consumer Disc.	Comm. Services	Financials	Real Estate	Consumer Staples	Utilities	Industrials	S&P 500	Info. Technology	Health Care	Materials	Energy
Today	24.9%	11.3%	8.7%	7.2%	6.3%	4.9%	4.3%	-5.0%	-6.3%	-13.7%	-25.1%	-41.1%
31-Mar	26.1%	11.9%	8.7%	7.4%	6.5%	4.5%	3.5%	-4.5%	-5.6%	-13.4%	-24.2%	-39.2%



	Financials	Consumer Disc.	Real Estate	Consumer Staples	Industrials	Comm. Services	Health Care	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	9.4%	5.5%	3.9%	3.3%	2.6%	2.3%	2.1%	-0.1%	-1.4%	-5.4%	-5.9%	-23.6%
31-Mar	9.2%	5.5%	4.5%	3.4%	2.7%	2.5%	2.0%	-0.1%	-1.0%	-5.9%	-5.6%	-24.1%

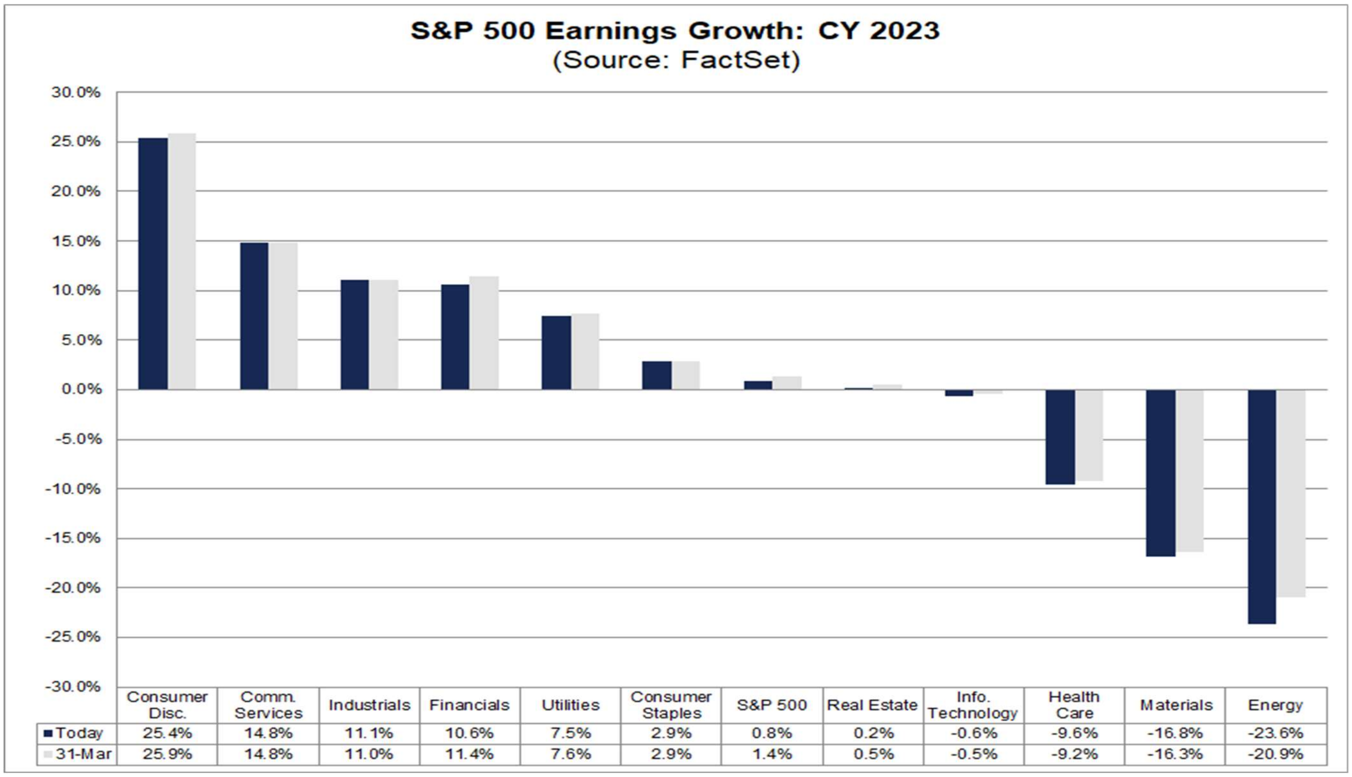
FY 2023 / 2024: EPS Guidance



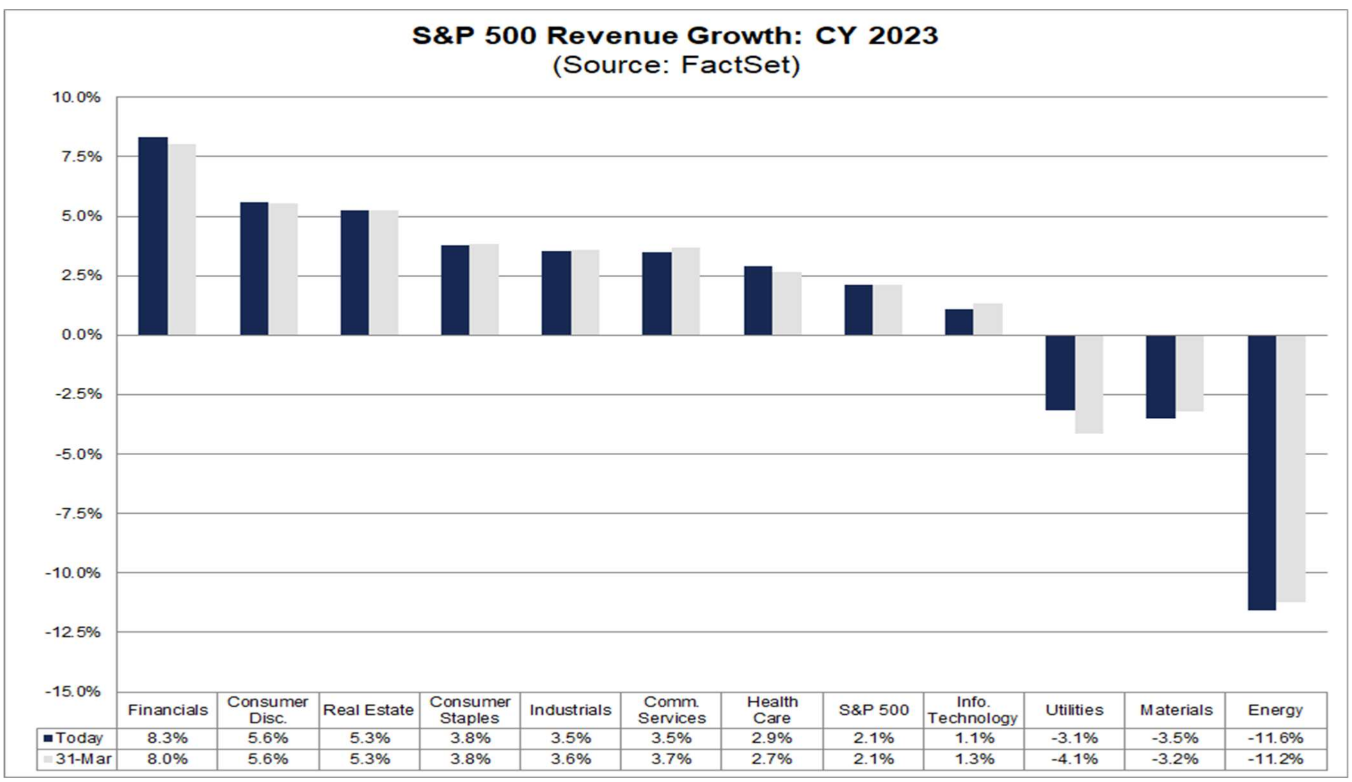


	Comm. Services	Materials	Energy	Consumer Disc.	Financials	Utilities	S&P 500	Health Care	Industrials	Consumer Staples	Real Estate	Info. Technology
Positive	0%	31%	67%	39%	42%	44%	48%	50%	52%	50%	55%	63%
Negative	100%	69%	33%	61%	58%	56%	52%	50%	48%	50%	45%	38%

CY 2023: Growth

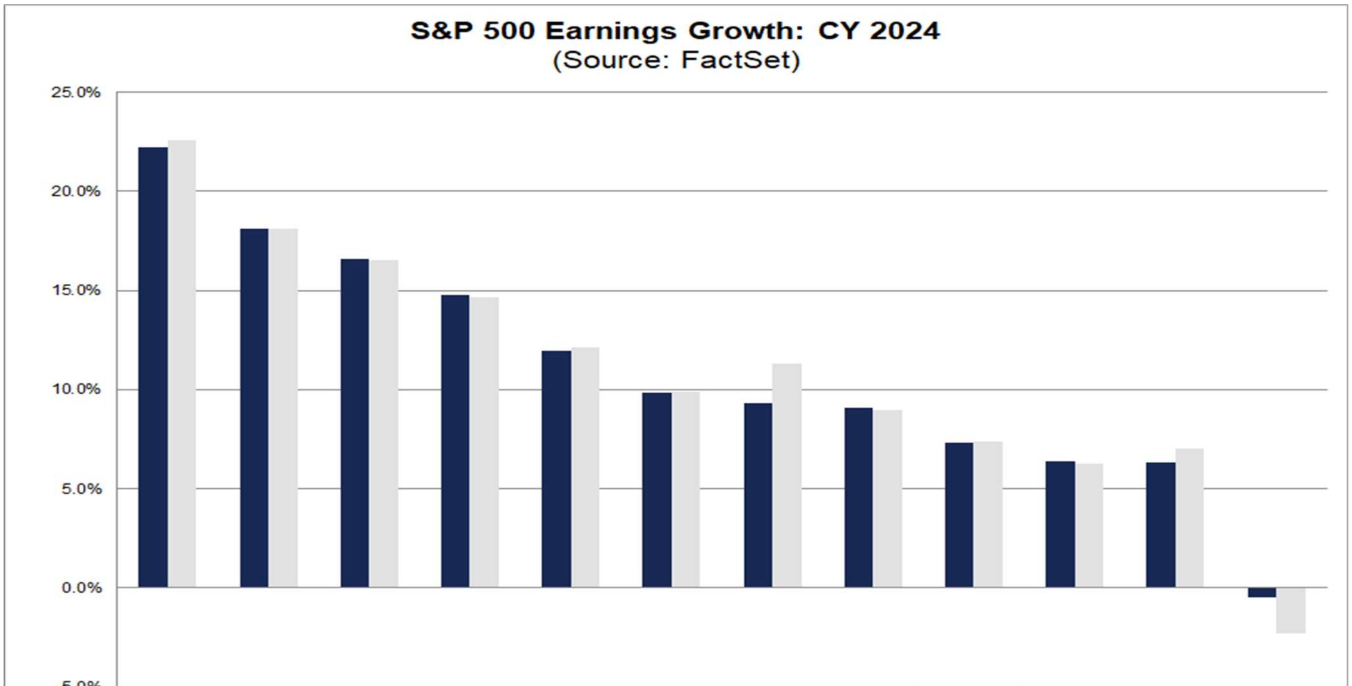


	Consumer Disc.	Comm. Services	Industrials	Financials	Utilities	Consumer Staples	S&P 500	Real Estate	Info. Technology	Health Care	Materials	Energy
Today	25.4%	14.8%	11.1%	10.6%	7.5%	2.9%	0.8%	0.2%	-0.6%	-9.6%	-16.8%	-23.6%
31-Mar	25.9%	14.8%	11.0%	11.4%	7.6%	2.9%	1.4%	0.5%	-0.5%	-9.2%	-16.3%	-20.9%

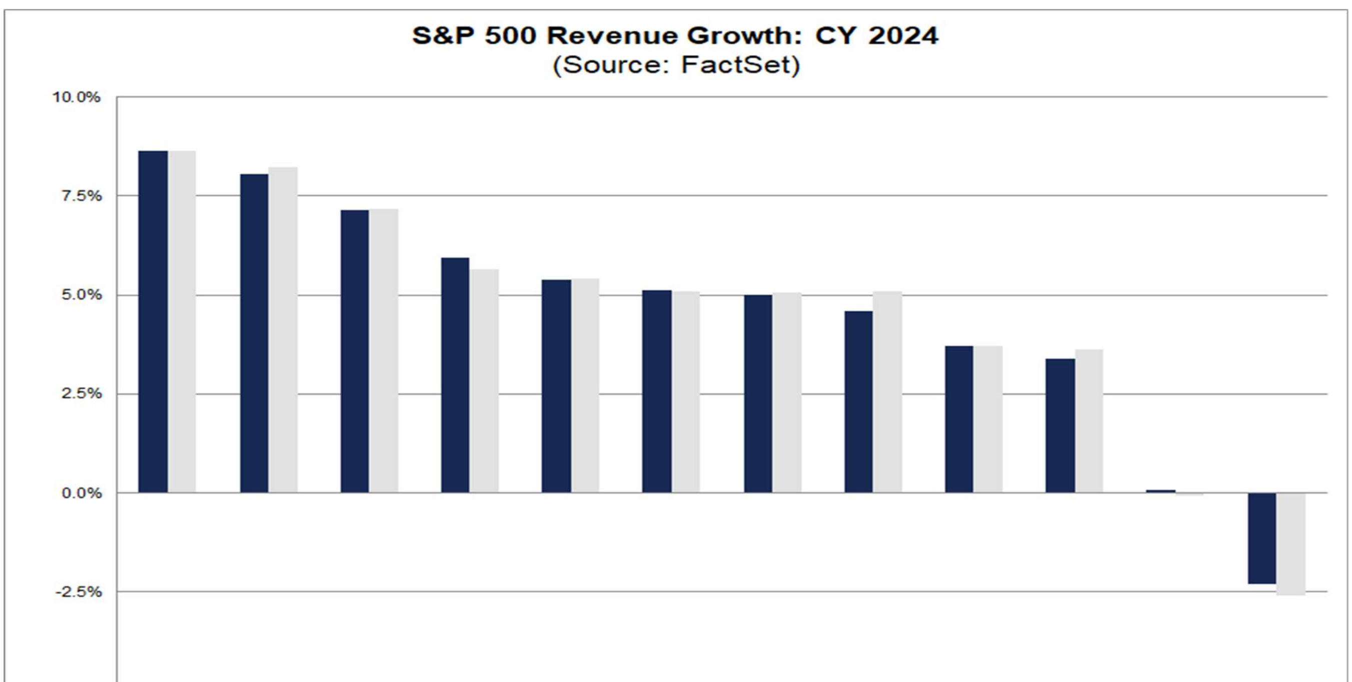


	Financials	Consumer Disc.	Real Estate	Consumer Staples	Industrials	Comm. Services	Health Care	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	8.3%	5.6%	5.3%	3.8%	3.5%	3.5%	2.9%	2.1%	1.1%	-3.1%	-3.5%	-11.6%
31-Mar	8.0%	5.6%	5.3%	3.8%	3.6%	3.7%	2.7%	2.1%	1.3%	-4.1%	-3.2%	-11.2%

CY 2024: Growth

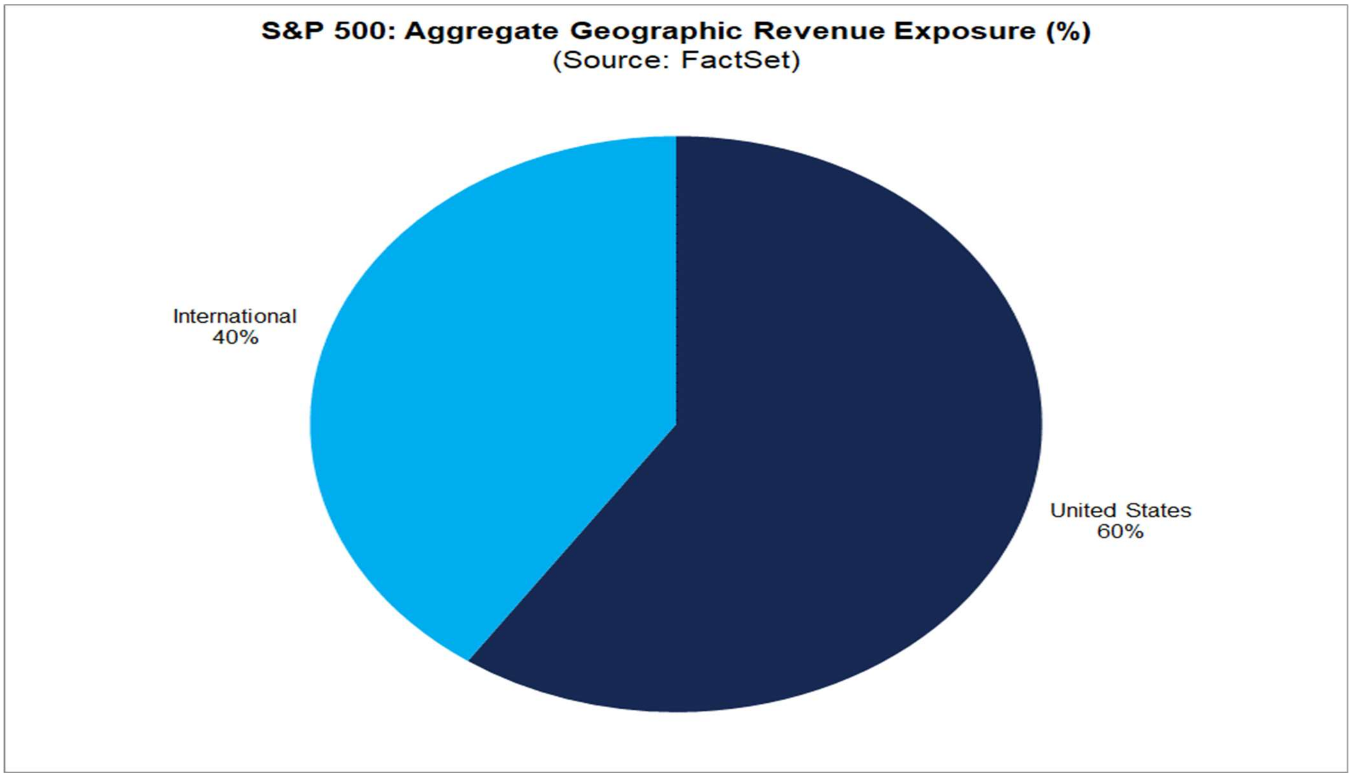


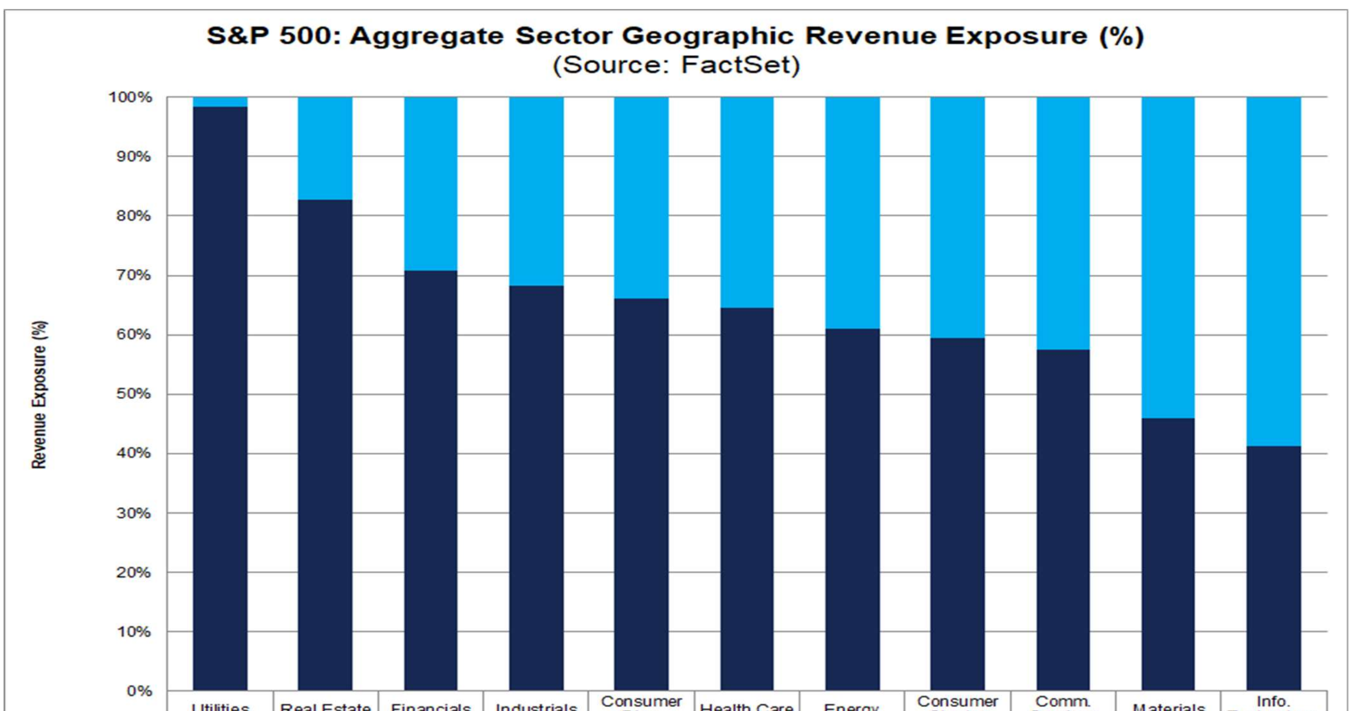
	Consumer Disc.	Comm. Services	Info. Technology	Industrials	S&P 500	Health Care	Financials	Consumer Staples	Utilities	Real Estate	Materials	Energy
Today	22.3%	18.1%	16.6%	14.8%	11.9%	9.9%	9.3%	9.1%	7.3%	6.4%	6.3%	-0.5%
31-Mar	22.6%	18.1%	16.5%	14.7%	12.1%	9.9%	11.3%	9.0%	7.4%	6.3%	7.1%	-2.3%



	Info. Technology	Consumer Disc.	Comm. Services	Real Estate	Health Care	Industrials	S&P 500	Financials	Consumer Staples	Utilities	Materials	Energy
Today	8.7%	8.1%	7.2%	5.9%	5.4%	5.1%	5.0%	4.6%	3.7%	3.4%	0.1%	-2.3%
31-Mar	8.7%	8.2%	7.2%	5.6%	5.4%	5.1%	5.1%	5.1%	3.7%	3.6%	-0.1%	-2.6%

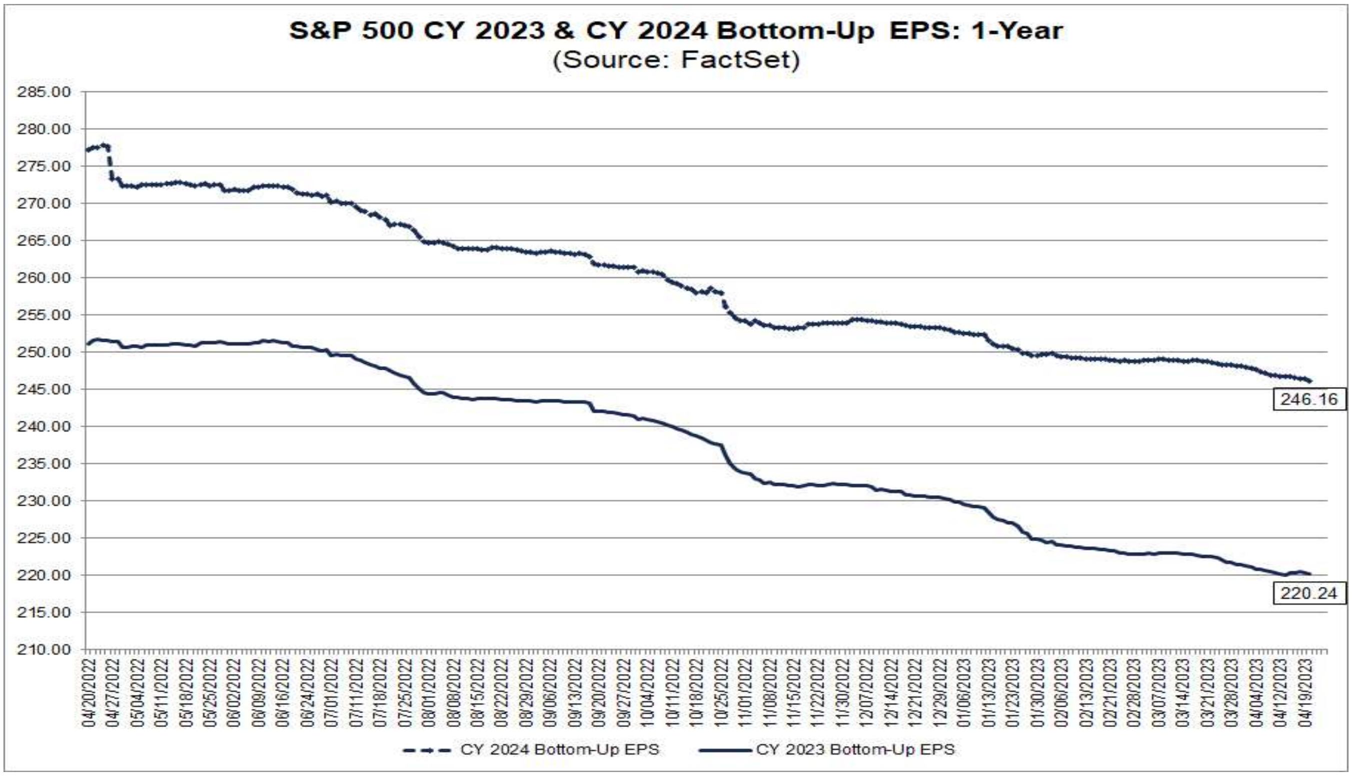
Geographic Revenue Exposure

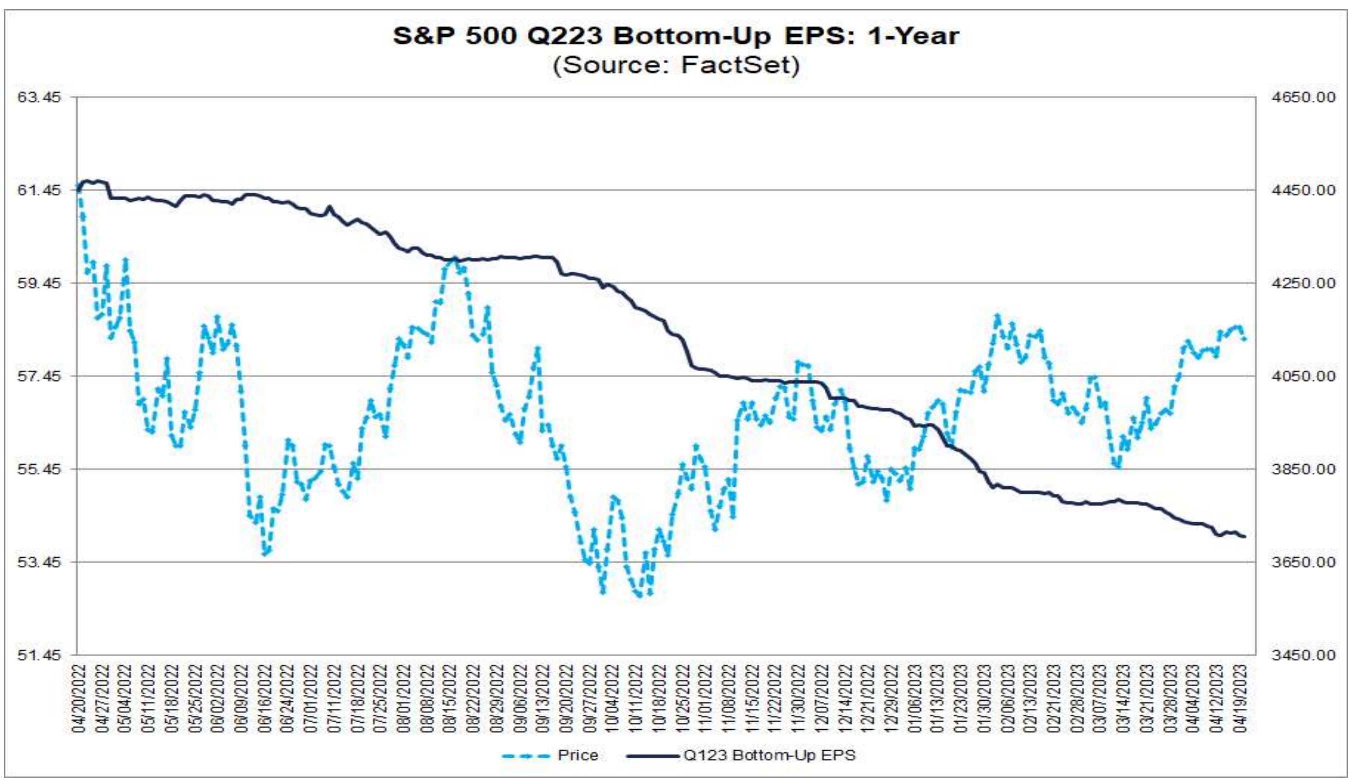




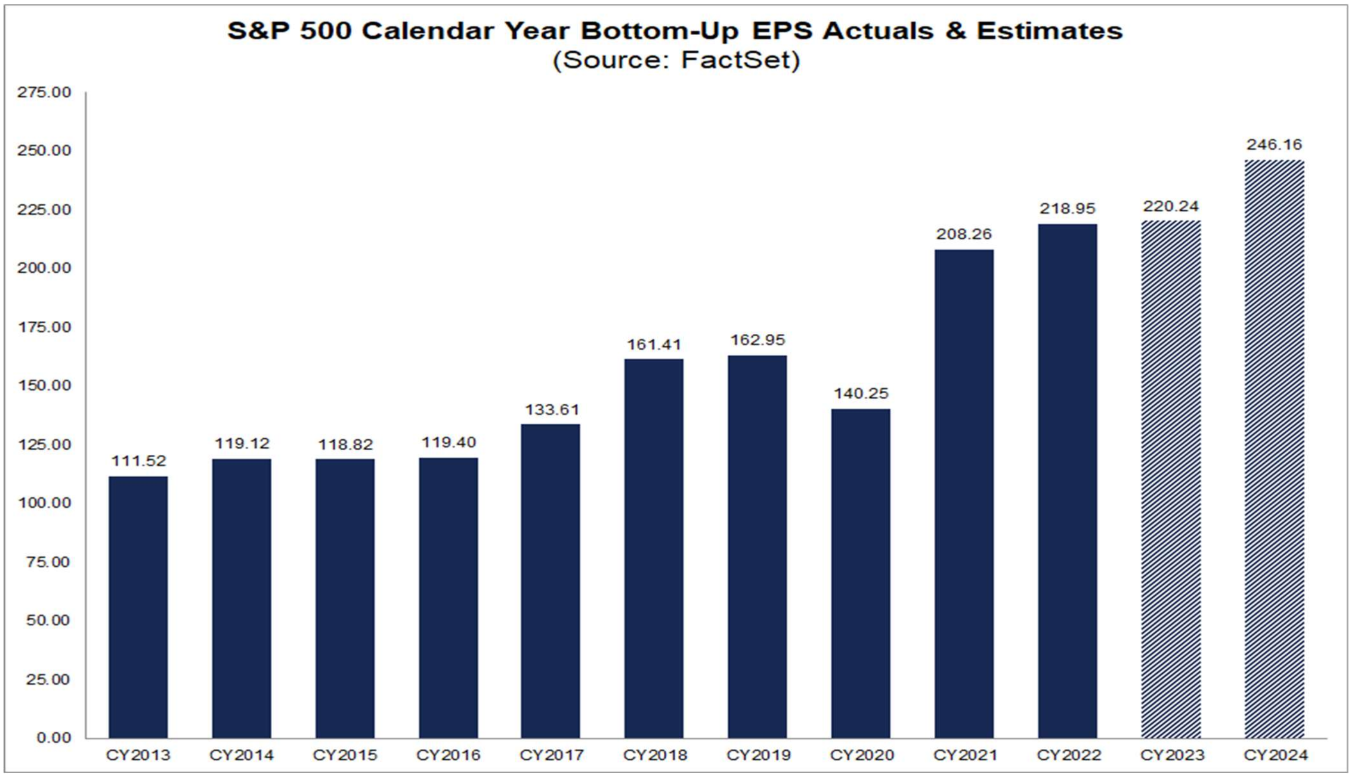
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	2%	17%	29%	32%	34%	35%	39%	41%	42%	54%	59%
United States	98%	83%	71%	68%	66%	65%	61%	59%	58%	46%	41%

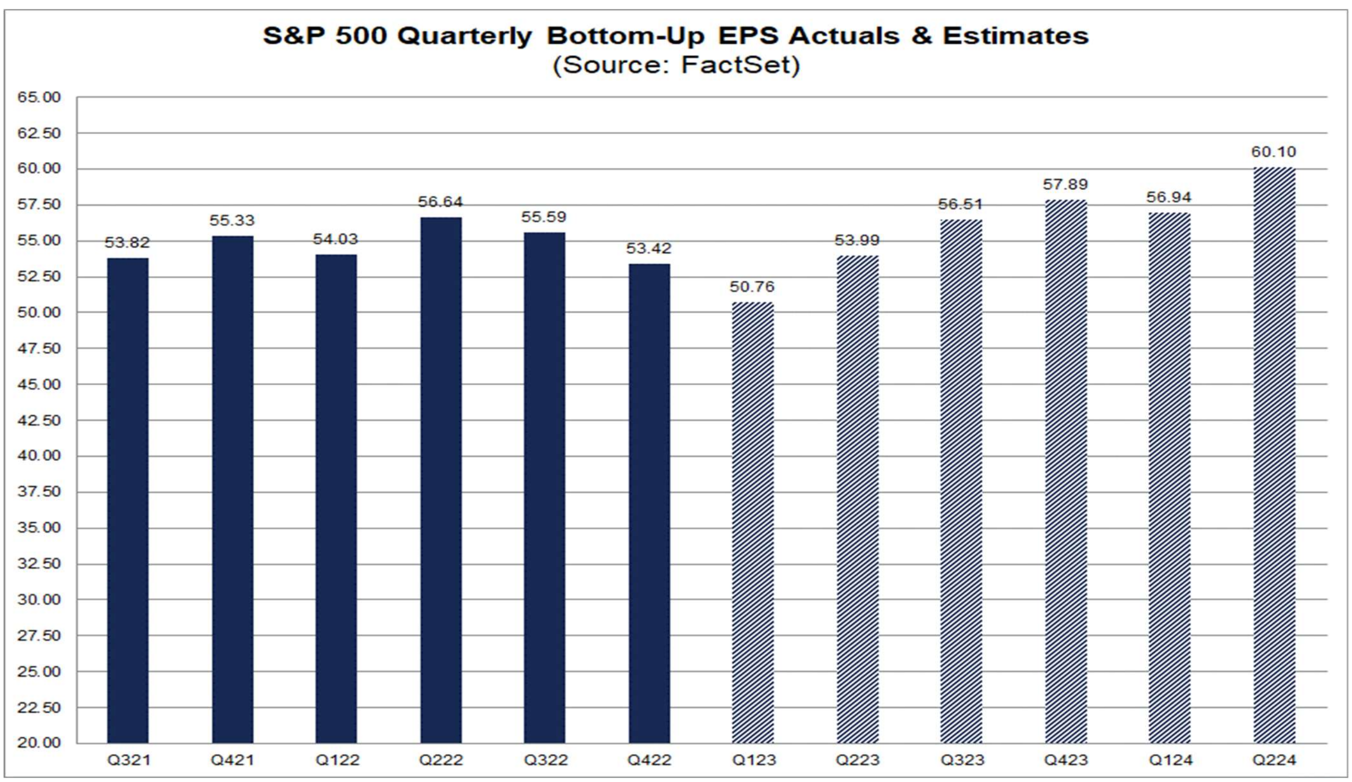
Bottom-Up EPS Estimates



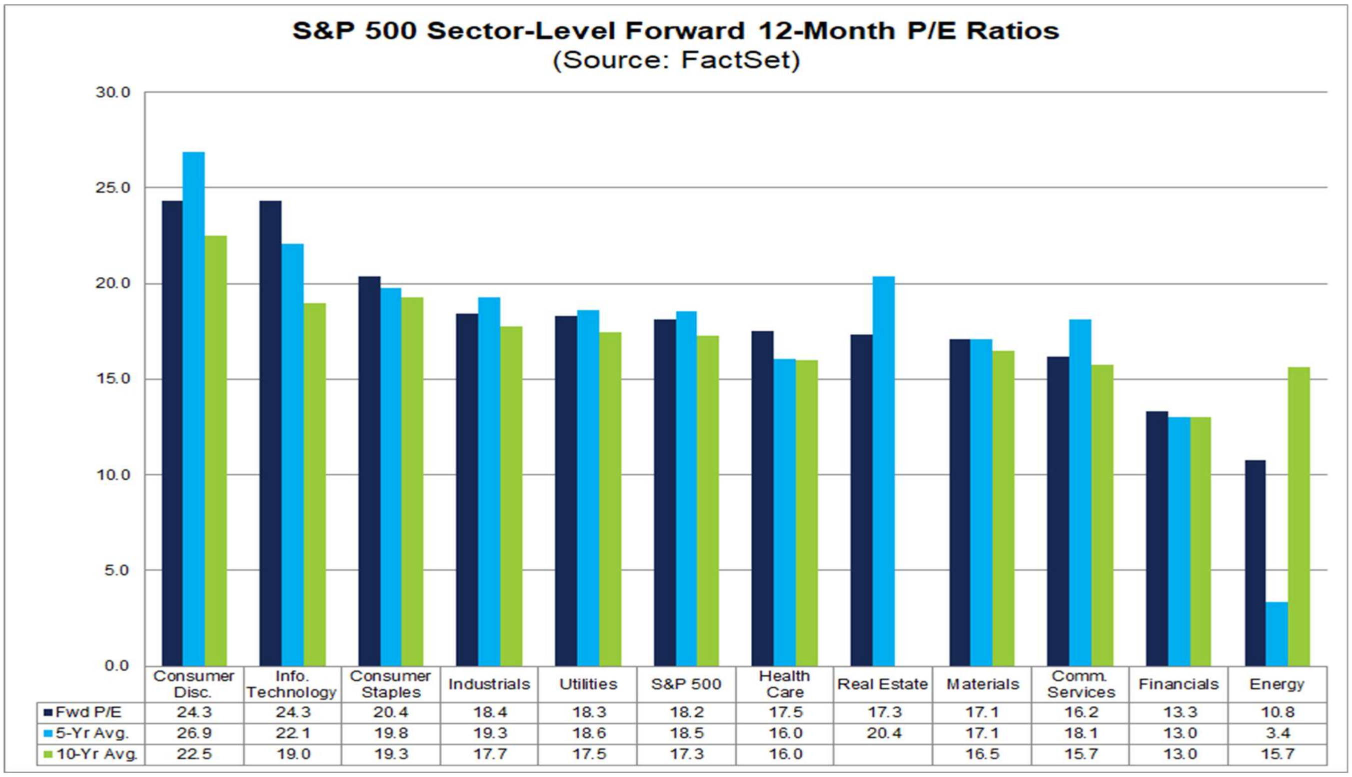


Bottom-Up EPS Estimates: Current & Historical

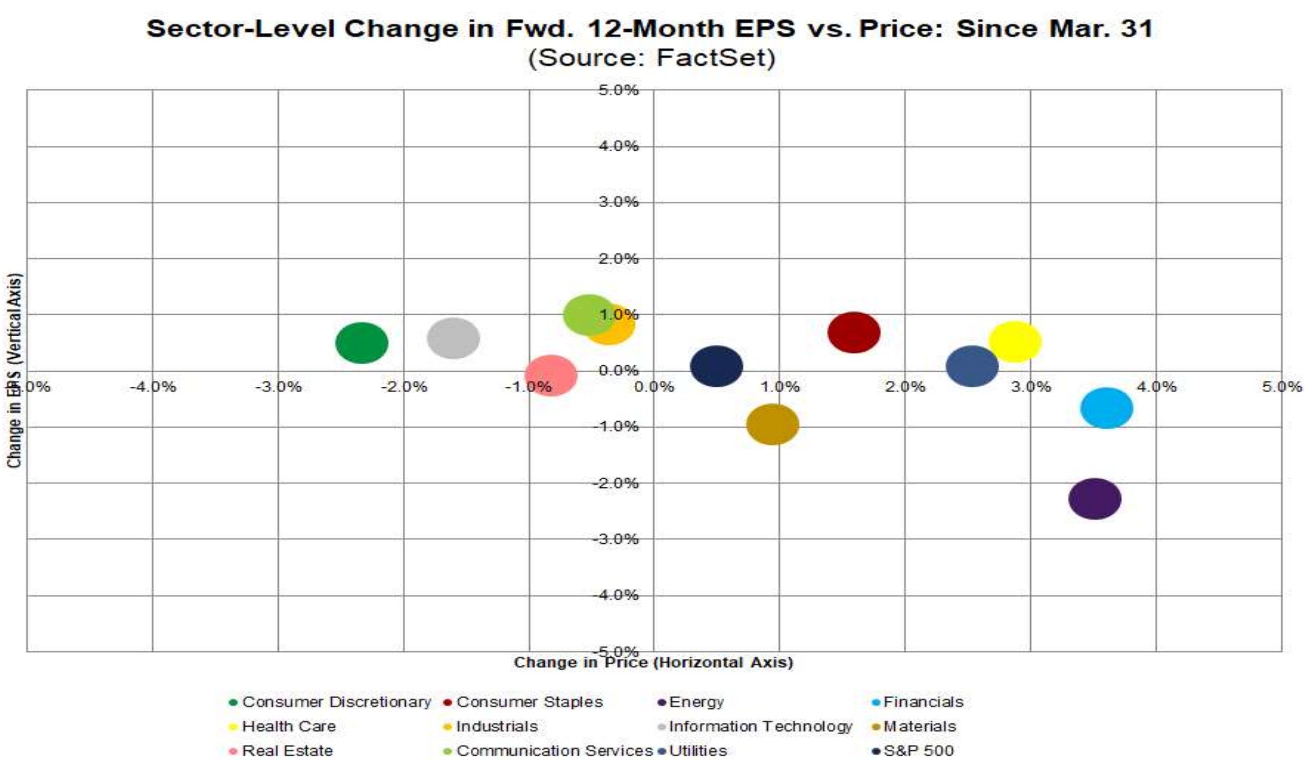




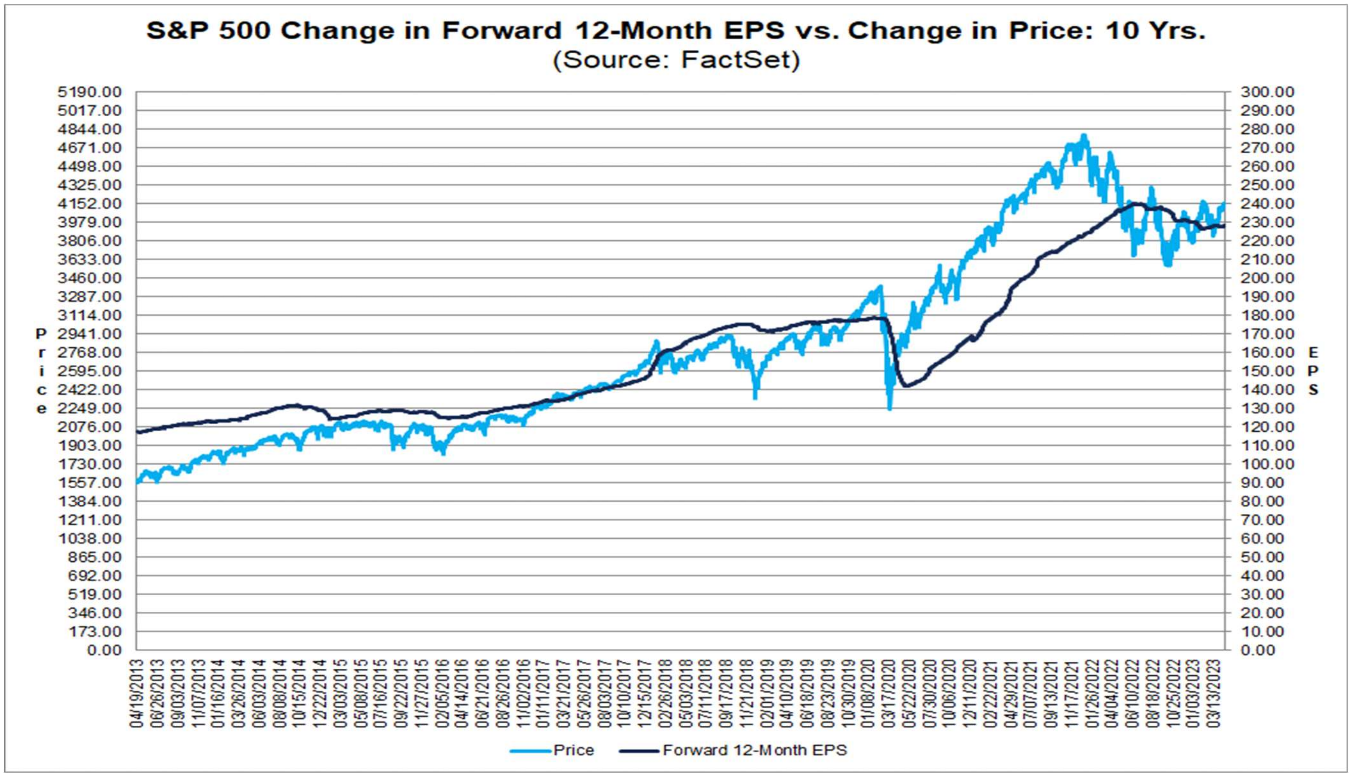
Forward 12M P/E Ratio: Sector Level

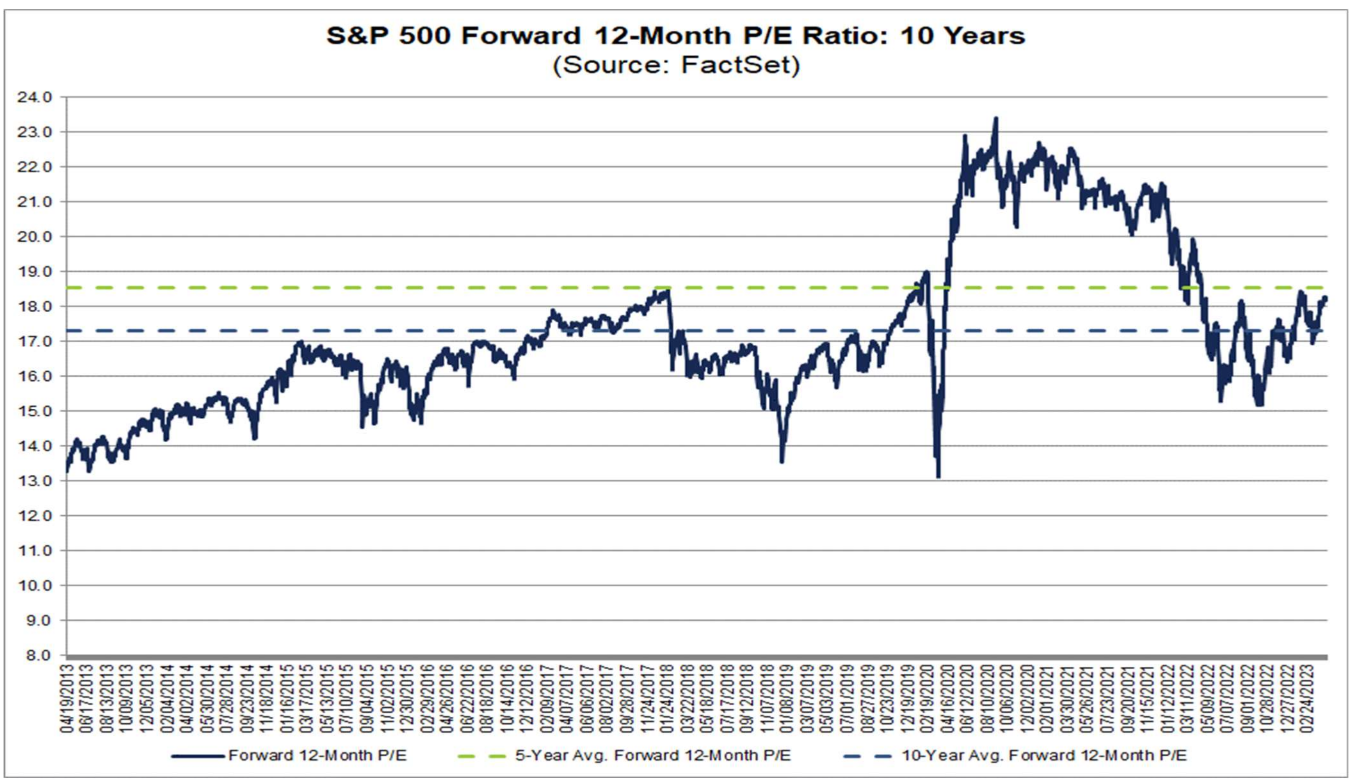


	Consumer Disc.	Info. Technology	Consumer Staples	Industrials	Utilities	S&P 500	Health Care	Real Estate	Materials	Comm. Services	Financials	Energy
Fwd P/E	24.3	24.3	20.4	18.4	18.3	18.2	17.5	17.3	17.1	16.2	13.3	10.8
5-Yr Avg.	26.9	22.1	19.8	19.3	18.6	18.5	16.0	20.4	17.1	18.1	13.0	3.4
10-Yr Avg.	22.5	19.0	19.3	17.7	17.5	17.3	16.0		16.5	15.7	13.0	15.7

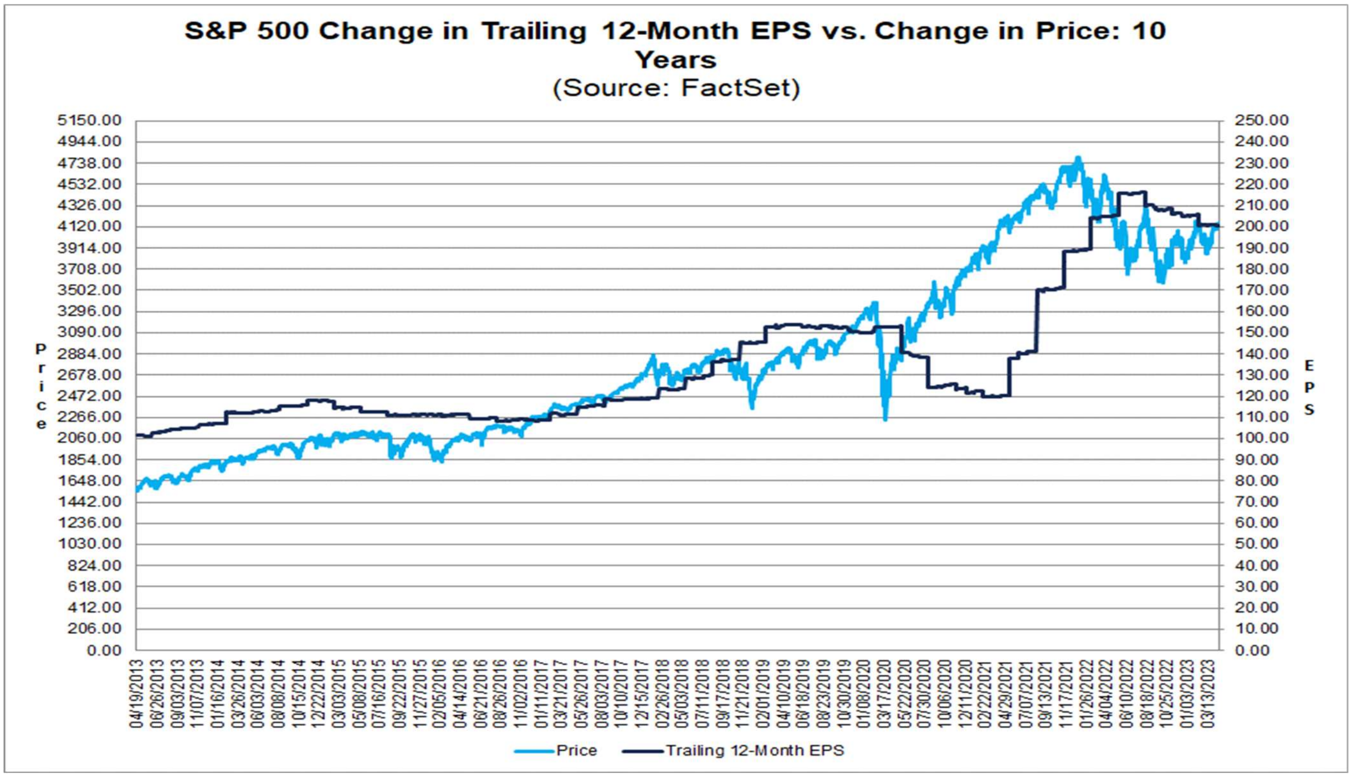


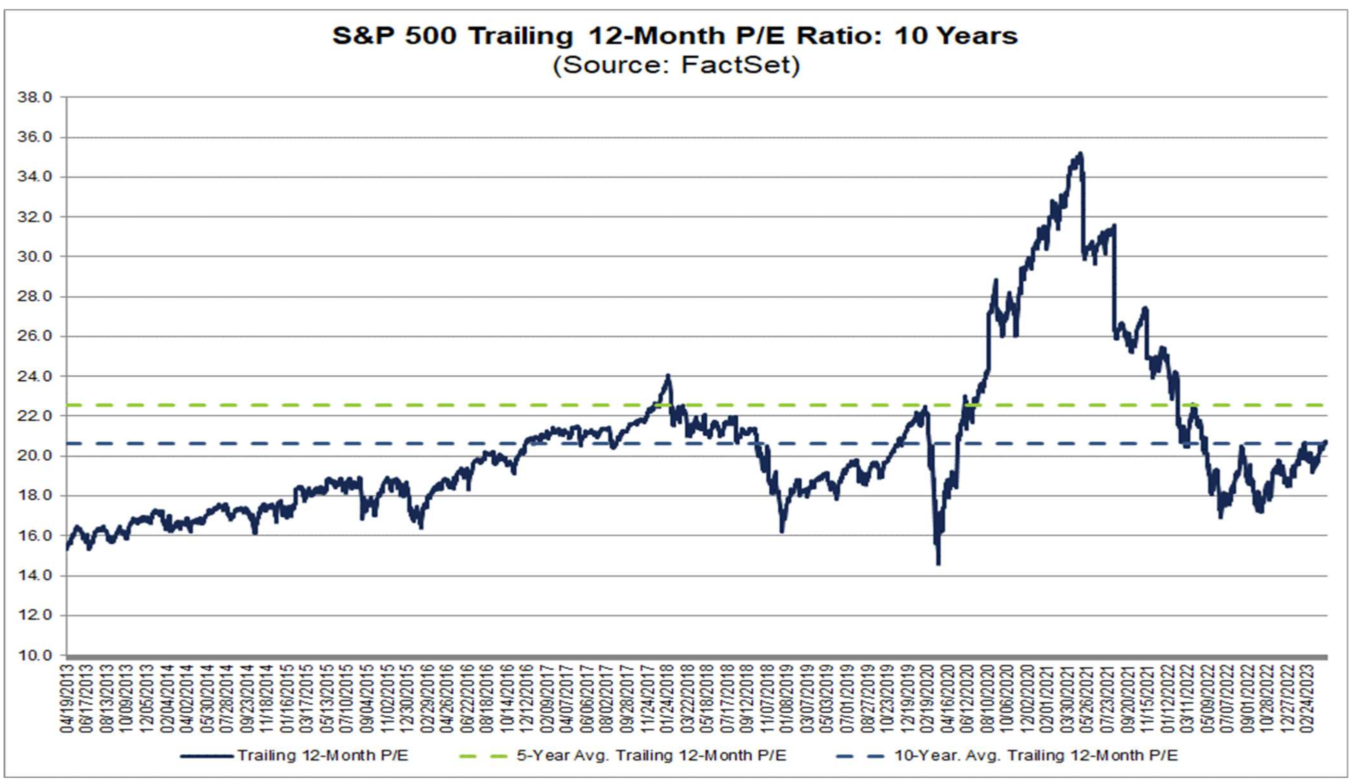
Forward 12M P/E Ratio: 10-Years





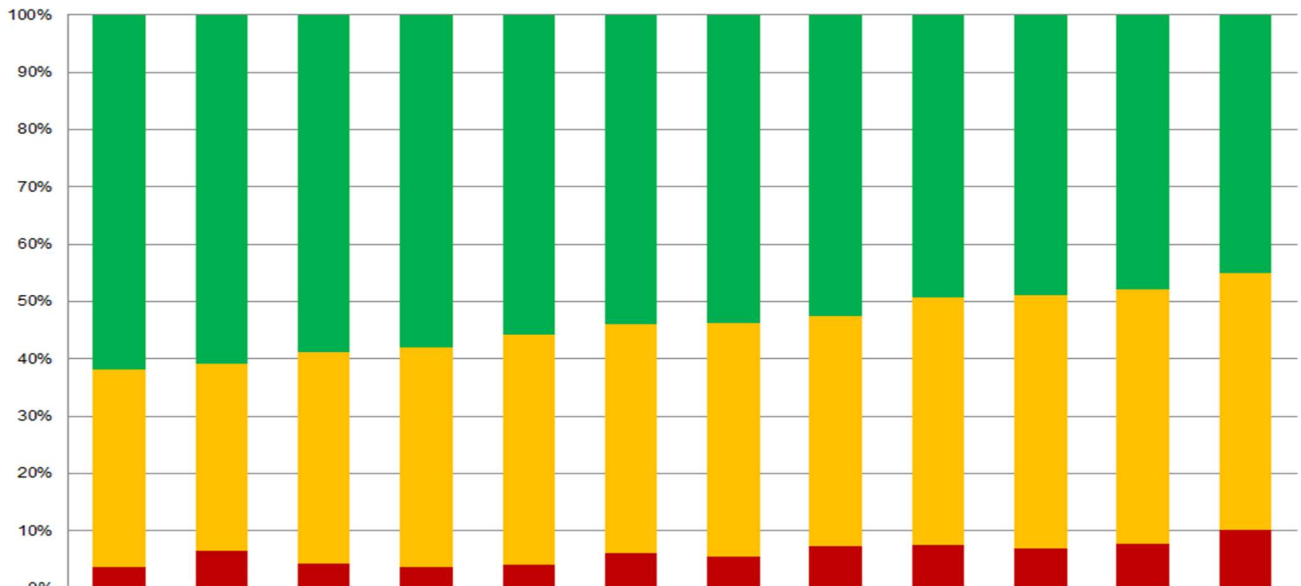
Trailing 12M P/E Ratio: 10-Years





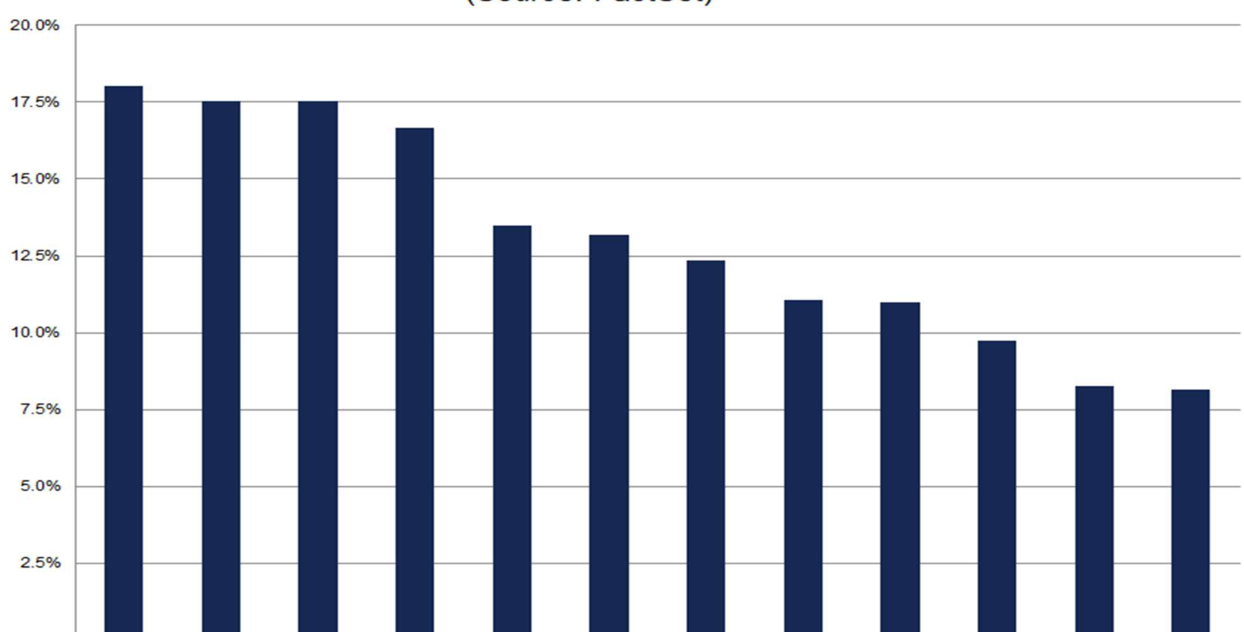
Targets & Ratings

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



	Energy	Comm. Services	Info. Tech.	Health Care	Real Estate	S&P 500	Consumer Disc.	Financials	Utilities	Materials	Industrials	Consumer Staples
Buy	62%	61%	59%	58%	56%	54%	54%	52%	49%	49%	48%	45%
Hold	34%	33%	37%	38%	40%	40%	41%	40%	43%	44%	44%	45%
Sell	4%	6%	4%	4%	4%	6%	6%	7%	8%	7%	8%	10%

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



	Comm. Services	Consumer Disc.	Energy	Real Estate	Health Care	Financials	S&P 500	Materials	Industrials	Utilities	Consumer Staples	Info. Tech.
Target/Close	18.0%	17.5%	17.5%	16.7%	13.5%	13.2%	12.4%	11.1%	11.0%	9.8%	8.3%	8.2%

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