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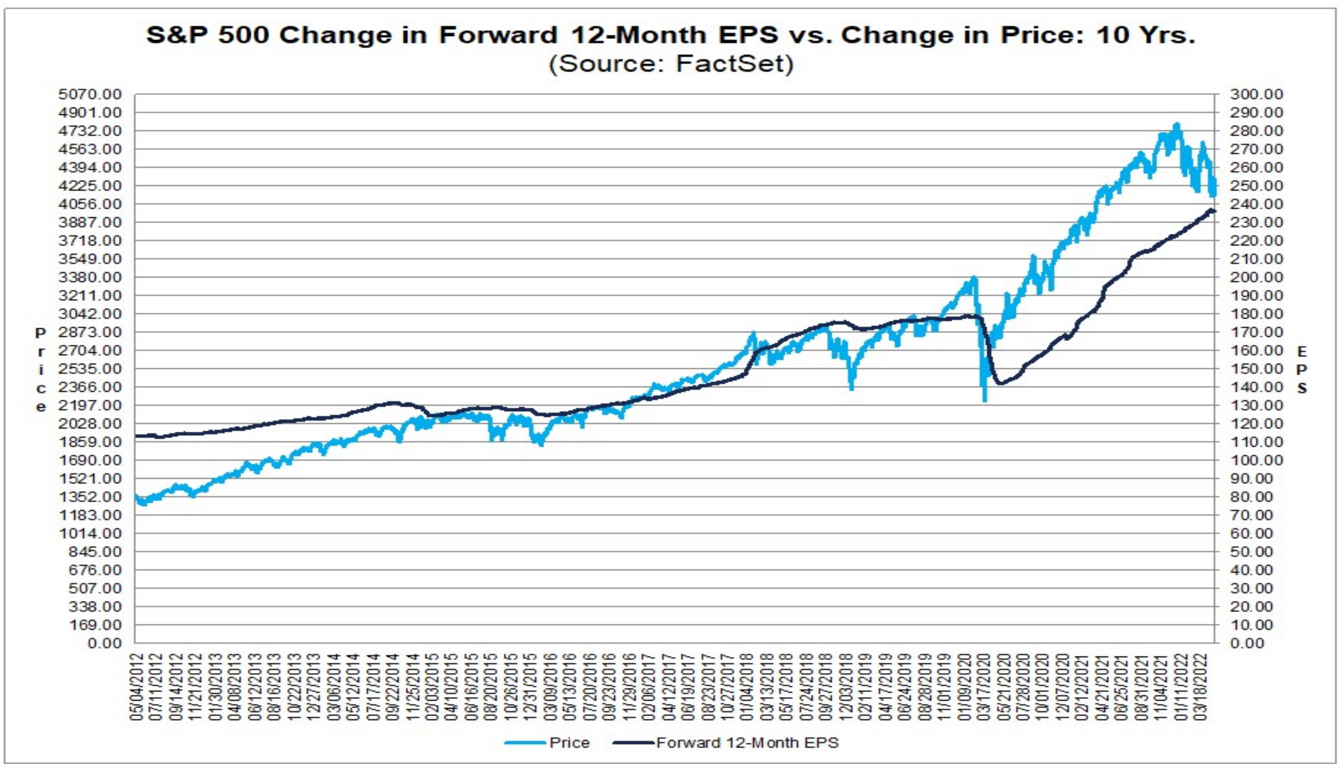
# Key Metrics

- **Earnings Scorecard:** For Q1 2022 (with 87% of S&P 500 companies reporting actual results), 79% of S&P 500 companies have reported a positive EPS surprise and 74% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q1 2022, the blended earnings growth rate for the S&P 500 is 9.1%. If 9.1% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q4 2020 (3.8%).
- **Earnings Revisions:** On March 31, the estimated earnings growth rate for Q1 2022 was 4.6%. Ten sectors have higher earnings growth rates today (compared to March 31) due to positive EPS surprises and upward revisions to EPS estimates.
- **Earnings Guidance:** For Q2 2022, 50 S&P 500 companies have issued negative EPS guidance and 22 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.6. This P/E ratio is below the 5-year average (18.6) but above the 10-year average (16.9).

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# Topic of the Week: 1

## S&P 500 Forward P/E Ratio Dips Below 18.0 For The First Time Since Q2 2020

On May 5, the closing price for the S&P 500 declined by 3.6% to 4146.87 (from 4300.17). Due to this decrease in price, the forward 12-month P/E ratio for the S&P 500 fell to 17.6 from 18.2. How does this 17.6 P/E ratio compare to historical averages? How much has it changed in recent months?

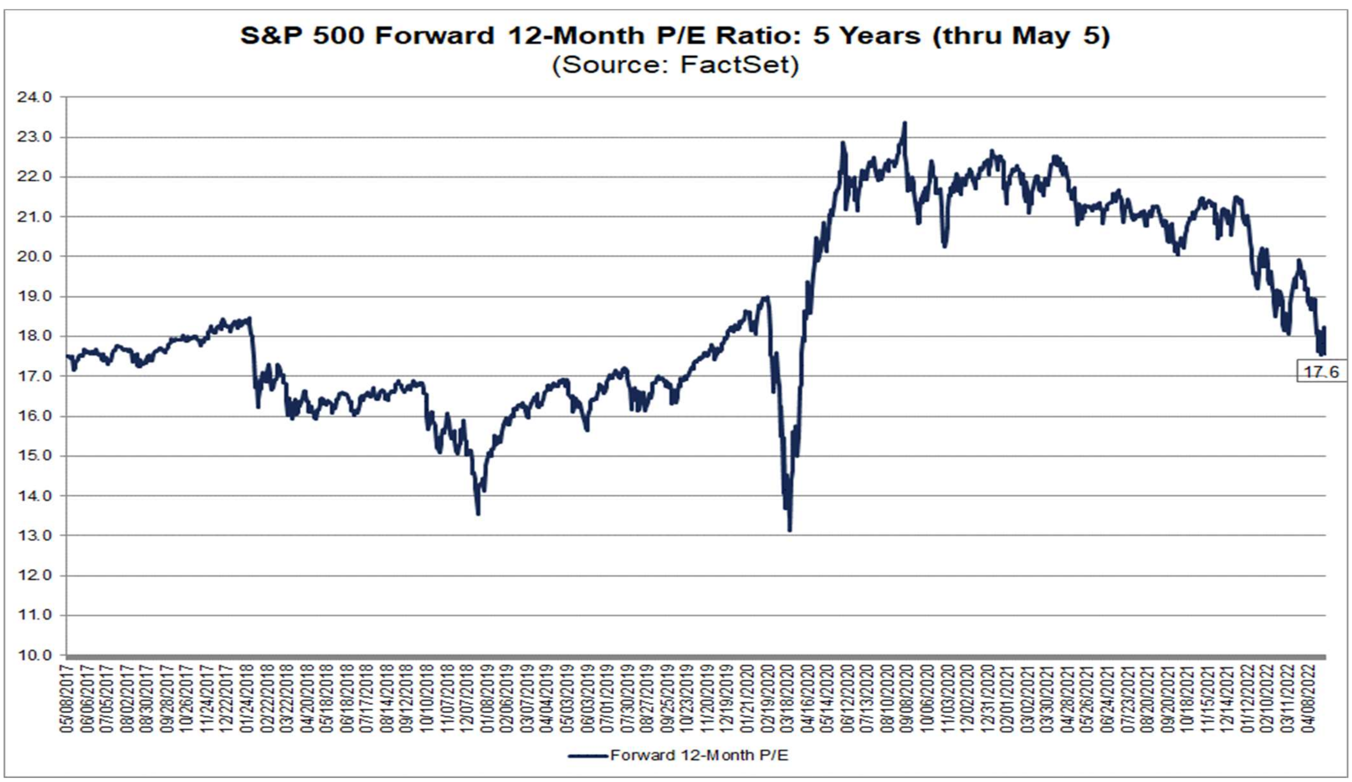
The forward 12-month P/E ratio of 17.6 on May 5 was below the 5-year average of 18.6. However, it was still above the next four most recent historical averages: 10-year (16.9), 15-year (15.5), 20-year (15.5) and 25-year (16.5).

In fact, prior to the last eight trading days, this marked the first time the forward 12-month P/E ratio was below 18.0 since April 13, 2020 (17.9). However, the forward 12-month P/E ratio of 17.6 on May 5 was still well above the lowest P/E ratio of the past 9 years of 13.1 recorded on March 23, 2020.

At the sector level, five sectors had forward 12-month P/E ratios on May 5 that were below 18.0, led by the Energy (10.3) and Financials (12.8) sectors. On the other hand, six sectors had forward 12-month P/E ratios that were at or above 18.0 on that date, led by the Consumer Discretionary (25.0) sector.

On January 3, 2022, the S&P 500 closed at a record-high value of 4796.56. The forward 12-month P/E ratio on that date was 21.4. From January 3 through May 5, the price of the S&P 500 decreased by 13.5%, while the forward 12-month EPS estimate increased by 5.7%. Thus, the decrease in the "P" has been the main driver of the decrease in the P/E ratio since January 3.

It is important to note that analysts were still projecting record-high EPS for the S&P 500 of $228.98 for CY 2022 and $250.95 for CY 2023 on May 5. If not, the forward 12-month P/E ratio would likely have been higher than 17.6.

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# Topic of the Week: 2

## S&P 500 Companies Seeing Negative Price Reaction to Positive EPS Surprises For Q1

To date, 87% of the companies in the S&P 500 have reported earnings for the first quarter. Of these companies, 79% have reported actual EPS above the mean EPS estimate, which is above the 5-year average of 77%. In aggregate, earnings have exceeded estimates by 4.9%, which is below the 5-year average of 8.9%. Given this mixed performance relative to analyst expectations, how has the market responded to positive EPS surprises reported by S&P 500 companies during the Q1 earnings season?

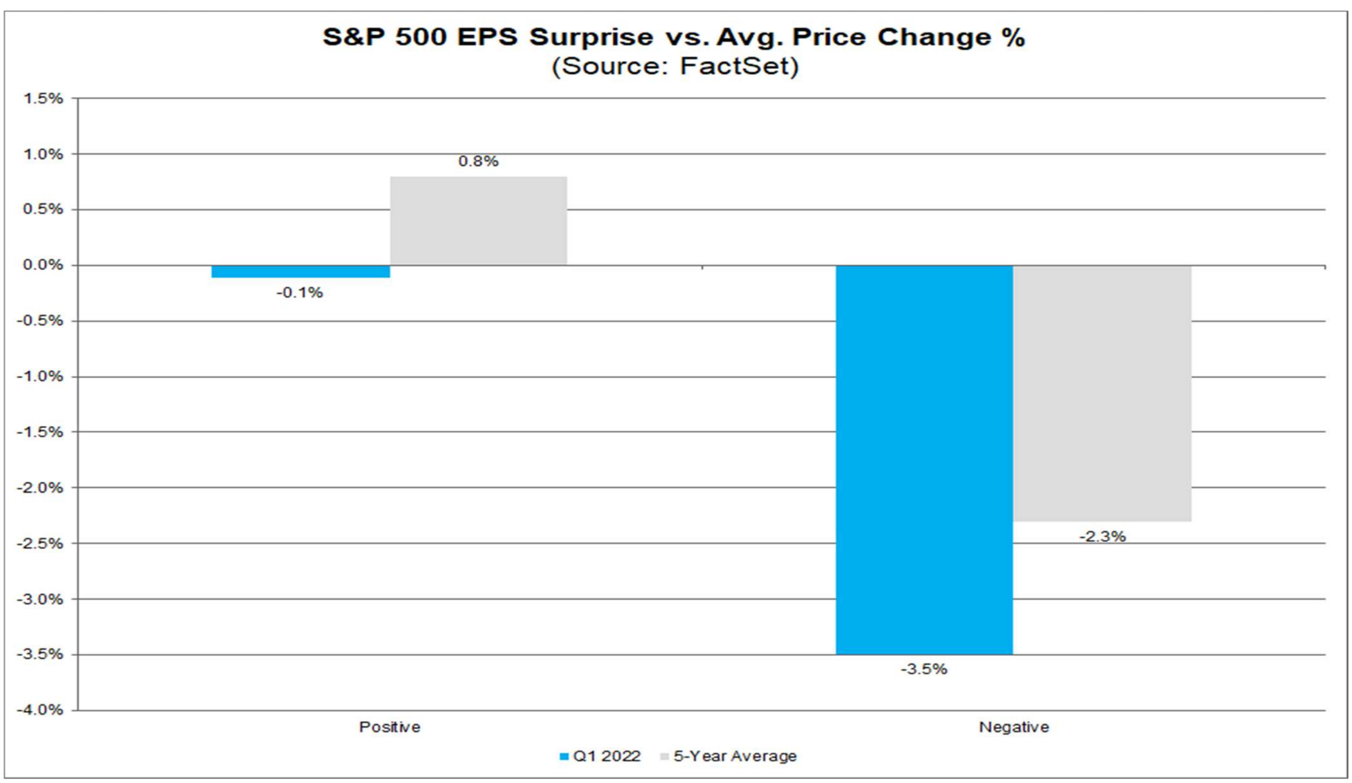
To date, S&P 500 companies that have reported a positive EPS surprise have seen a negative price reaction on average.

Companies that have reported positive earnings surprises for Q1 2022 have seen an average price decrease of -0.1% two days before the earnings release through two days after the earnings release. This percentage decrease is well below the 5-year average price increase of 0.8% during this same window for companies reporting positive earnings surprises. If this is the final percentage for the quarter, it will mark the first time since Q4 2019 that companies reporting positive EPS surprises have seen a negative price reaction on average.

One example of a company that reported a positive EPS surprise in Q1 but witnessed a negative stock price reaction is Netflix. On April 19, the company reported actual EPS of $3.53 for Q1, which was well above the mean EPS estimate of $2.90. However, from April 15 to April 21, the stock price for Netflix decreased by 36.0% (to $218.22 from $341.13).

Why is the market punishing positive EPS surprises on average?

One factor may be that companies and analysts have been more negative in their outlooks and estimate revisions for Q2 2022 relative to recent quarters. In terms of earnings guidance from corporations, 69% of the S&P 500 companies (50 out of 72) that have issued EPS guidance for Q2 2022 have issued negative guidance. This percentage is above the 5-year average of 60% and the 10-year average of 67%. In terms of revisions to EPS estimates, industry analysts have cut EPS estimates in aggregate for S&P 500 companies by 0.4% since March 31. While this decline is smaller than average, it also marks just the second time in the past seven quarters in which analysts have lowered earnings estimates in aggregate rather than increased earnings estimates in aggregate during a quarter.

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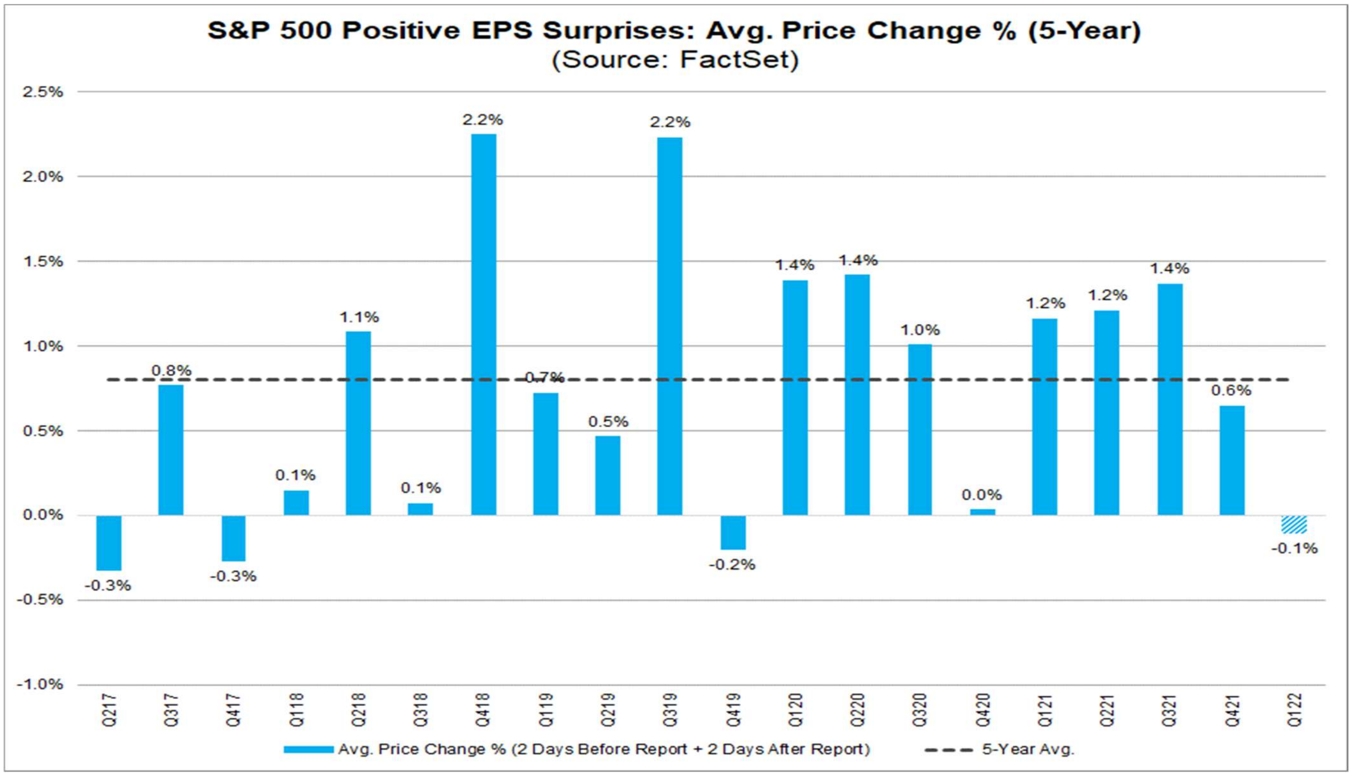


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# Q1 Earnings Season: By The Numbers

## Overview

At this point in time, the percentage of S&P 500 companies beating EPS estimates is above the 5-year average, but the magnitude of these positive surprises is below the 5-year average. As a result, 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. However, the index is also reporting single-digit earnings growth for the first time since Q4 2020. The lower earnings growth rate for Q1 2022 relative to recent quarters can be attributed to both a difficult comparison to unusually high earnings growth in Q1 2021 and continuing macroeconomic headwinds.

Overall, 87% of the companies in the S&P 500 have reported actual results for Q1 2022 to date. Of these companies, 79% have reported actual EPS above estimates, which is above the 5-year average of 77%. In aggregate, companies are reporting earnings that are 4.9% above estimates, which is below the 5-year average of 8.9%.

Due to these positive EPS surprises, 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 growth rate for the first quarter is 9.1% today, compared to an earnings growth rate of 7.0% last week and an earnings growth rate of 4.6% at the end of the first quarter (March 31). Positive earnings surprises reported by companies in multiple sectors (led by the Health Care, Utilities, and Financials sectors), were responsible for the improvement in the earnings growth rate over the past week. Positive earnings surprises reported by companies in the Health Care, Financials, Information Technology, and Communication Services sectors, partially offset by a negative earnings surprise reported by a company in the Consumer Discretionary sector, have been the largest contributors to the increase in the earnings growth rate since the end of the first quarter (March 31).

If 9.1% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q4 2020 (3.8%). Nine of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Materials, and Industrials sectors. On the other hand, two sectors are reporting a year-over-year decline in earnings: Consumer Discretionary and Financials.

In terms of revenues, 74% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 69%. In aggregate, companies are reporting revenues that are 2.7% above estimates, which is also above the 5-year average of 1.7%.

Due to these positive revenue surprises, the index is 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 13.3% today, compared to a revenue growth rate of 12.3% last week and a revenue growth rate of 10.7% at the end of the first quarter (March 31). Positive revenue surprises reported by companies in multiple sectors (led by the Energy and Health Care sectors) were responsible for the improvement in the revenue growth rate over the past week. Upward revisions to revenue estimates and positive revenue surprises reported by companies in the Energy and Health Care sectors have also been the largest contributors to the improvement in the revenue growth rate since the end of the first quarter (March 31).

If 13.3% is the actual growth rate for the quarter, it will mark the fifth-straight quarter of year-over-year revenue growth above 10% for the index. All eleven sectors are reporting year-over-year growth in revenues, led by the Energy, Materials, and Real Estate sectors.

Looking ahead, analysts expect earnings growth of 4.8% for Q2 2022, 10.6% for Q3 2022, and 10.1% for Q4 2022. For CY 2022, analysts are predicting earnings growth of 10.1%.

The forward 12-month P/E ratio is 17.6, which is below the 5-year average (18.6) but above the 10-year average (16.9). It is also below the forward P/E ratio of 19.4 recorded at the end of the first quarter (March 31), as prices have decreased while the forward 12-month EPS estimate has increased over the past several weeks.

During the upcoming week, 20 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the first quarter.

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## Scorecard: More Companies Beating EPS Estimates But By Smaller Margins Than Average

### Percentage of Companies Beating EPS Estimates (79%) is Above 5-Year Average

Overall, 87% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 79% have reported actual EPS above the mean EPS estimate, 3% have reported actual EPS equal to the mean EPS estimate, and 19% 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 (83%), but above the 5-year average (77%) and above the 10-year average (72%).

At the sector level, the Industrials (88%) and Consumer Staples (88%) sectors have the highest percentages of companies reporting earnings above estimates, while the Consumer Discretionary (60%) sector has the lowest percentage of companies reporting earnings above estimates.

### Earnings Surprise Percentage (+4.9%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 4.9% above expectations. This surprise percentage is below the 1-year average (+14.1%), below the 5-year average (+8.9%), and below the 10-year average (6.5%). If 4.9% is the final percentage for the quarter, it will mark the lowest earnings surprise percentage reported by the index since Q1 2020 (+1.1%).

The Utilities (+18.9%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, NRG Energy ($7.17 vs. $0.60) and Pinnacle West Capital ($0.15 vs. $0.07) have reported the largest positive EPS surprises.

The Materials (+8.9%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, International Paper ($0.76 vs. $0.52), Albemarle Corporation ($2.38 vs. $1.64), PPG Industries ($1.37 vs. $1.11), Celanese Corporation ($5.54 vs. $4.51), and DuPont ($0.82 vs. $0.67) have reported the largest positive EPS surprises.

The Financials (+8.7%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Citigroup ($2.02 vs. $1.43), SVB Financial Group ($7.92 vs. $5.60), Assurant ($3.75 vs. $2.84), and MetLife ($2.08 vs. $1.65) have reported the largest positive EPS surprises.

The Health Care (+8.5%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Moderna ($8.58 vs. $5.37), Bio-Rad laboratories ($4.94 vs. $3.37), Hologic ($2.07 vs. $1.60), and Organon ($1.65 vs. $1.30) have reported the largest positive EPS surprises.

The Consumer Staples (+8.3%) sector is reporting the fifth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Lamb Weston Holdings ($0.73 vs. $0.44), Molson Coors ($0.29 vs. $0.19), Clorox ($1.31 vs. $0.92), and Archer-Daniels-Midland ($1.90 vs. $1.41) have reported the largest positive EPS surprises.

On the other hand, the Consumer Discretionary (-34.2%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Amazon.com (-$7.56 vs. $8.35) and Under Armour (-$0.01 vs. $0.04) have reported the largest negative EPS surprises. It should be noted that the GAAP EPS number for Amazon.com of -$7.56 included a pre-tax (valuation) loss of $7.6 billion. The majority of analysts provide estimates for Amazon.com on a GAAP basis.

### Market Punishing Negative Surprises

To date, the market is not rewarding positive earnings surprises and punishing negative earnings surprises more than average.

Companies that have reported positive earnings surprises for Q1 2022 have seen an average price decrease of -0.1% two days before the earnings release through two days after the earnings release. This percentage decrease is well below the 5-year average price increase of +0.8% during this same window for companies reporting positive earnings surprises.

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Companies that have reported negative earnings surprises for Q1 2022 have seen an average price decrease of -3.5% 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 -2.3% during this same window for companies reporting negative earnings surprises.

### Percentage of Companies Beating Revenue Estimates (74%) is Above 5-Year Average

In terms of revenues, 74% of companies have reported actual revenues above estimated revenues and 26% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (79%), but above the 5-year average (69%) and above the 10-year average (61%).

At the sector level, the Information Technology (90%) and Materials (85%) sectors have the highest percentages of companies reporting revenues above estimates, while the Communication Services (29%) and Financials (54%) sectors have the lowest percentages of companies reporting revenues above estimates.

### Revenue Surprise Percentage (+2.7%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.7% above expectations. This surprise percentage is below the 1-year average (+3.5%), but above the 5-year average (+1.7%) and above the 10-year average (1.1%).

At the sector level, the Utilities (+9.6%) and Energy (+9.6%) sectors are reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Communication Services (-0.2%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

## Revisions: Increase in Blended Earnings Growth Rate This Week Due to Multiple Sectors

### Increase in Blended Earnings Growth Rate This Week Due to Multiple Sectors

The blended (year-over-year) earnings growth rate for the first quarter is 9.1%, which is above the earnings growth rate of 7.0% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Health Care, Utilities, and Financials sectors) were responsible for the increase in the overall earnings growth rate during the week.

In the Health Care sector, the positive EPS surprises reported by Moderna ($8.58 vs. $5.37) and Pfizer ($1.62 vs. $1.49) were significant contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Health Care sector increased to 16.1% from 12.3% over this period.

In the Utilities sector, the positive EPS surprise reported by NRG Energy ($7.17 vs. $0.60) was a substantial contributor to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Utilities sector increased to 27.3% from 11.1% over this period.

In the Financials sector, the positive EPS surprises reported by Berkshire Hathaway ($3.18 vs. $2.85) and MetLife ($2.08 vs. $1.65) were significant contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings decline for the Financials sector decreased to -19.7% from -20.9% over this period.

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

The blended (year-over-year) revenue growth rate for the first quarter is 13.3%, which is above the revenue growth rate of 12.3% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Energy and Health Care sectors) were responsible for the improvement in the revenue growth rate during the week.

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## Health Care Sector Has Seen Largest Increase in Earnings since March 31

The blended (year-over-year) earnings growth rate for Q1 2022 of 9.1% is larger than the estimate of 4.6% at the end of the first quarter (March 31). Ten sectors have recorded an increase in their earnings growth rate since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Energy (to 267.1% from 245.7%), Utilities (to 27.3% from 8.2%), and Materials (to 41.3% form 30.4%) sectors. However, the Health Care, Financials, Information Technology, and Communication Services sectors have been the largest contributors to the increase in the earnings growth rate for the index during this period. On the other hand, the Consumer Discretionary (to -33.9% from -15.1%) sector is the only sector that has recorded an increase in its earnings decline since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises. This sector is also the largest detractor to the improvement in the earnings growth rate for the index since March 31.

In the Health Care sector, the positive EPS surprises reported by Moderna ($8.58 vs. $5.37), Merck ($2.14 vs. $1.83), Eli Lilly ($2.62 vs. $2.29), and Abbott Laboratories ($1.73 vs. $1.47) have been significant contributors to the increase in the earnings growth rate for the index since March 31. As a result, the blended earnings growth rate for the Health Care sector increased to 16.1% from 8.4% over this period.

In the Financials sector, the positive EPS surprises reported by Citigroup ($2.02 vs. $1.43) and Goldman Sachs have been significant contributors to the increase in the earnings growth rate for the index since March 31. As a result, the blended earnings decline for the Financials sector has decreased to -19.7% from -24.4% over this period.

In the Information Technology sector, the positive EPS surprises reported by Apple ($1.52 vs. $1.42) and Mastercard ($2.76 vs. $2.18) have been substantial contributors to the increase in the earnings growth rate for the index since March 31. As a result, the blended earnings growth rate for the Information Technology sector has increased to 13.1% from 8.3% over this period.

In the Communication Services sector, the positive EPS surprises reported by AT&T ($0.77 vs. $0.62) and Twitter ($0.90 vs. $0.05) have been substantial contributors to the increase in the earnings growth rate for the index since March 31. As a result, the blended earnings growth rate for the Communications Services sector increased to 0.5% from -6.5% over this period.

In the Consumer Discretionary sector, the negative EPS surprise reported by Amazon.com (-$7.56 vs. $8.35) has been the largest detractor to the increase in the earnings growth rate for the index since March 31. It should be noted that the GAAP EPS number for Amazon.com of -$7.56 included a pre-tax (valuation) loss of $7.6 billion. The majority of analysts provide estimates for Amazon.com on a GAAP basis. As a result, the blended earnings decline for the Consumer Discretionary sector increased to -33.9% from -15.1% over this period.

## Energy Sector Has Seen Largest Increase in Revenues since March 31

The blended (year-over-year) revenue growth rate for Q1 2022 of 13.3% is larger than the estimate of 10.7% at the end of the first quarter (March 31). Ten 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 Energy (to 60.5% from 43.5%) sector. The Energy and Health Care sectors have been the largest contributors to the increase in the revenue growth rate for the index during this period. On the other hand, one sector has recorded a decrease in its revenue growth rate since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises: Communication Services (to 10.1% from 10.3%).

In the Energy sector, upward revisions to revenue estimates and positive revenue surprises reported by Exxon Mobil ($90.5 billion vs. $82.8 billion), Valero Energy (to $38.5 billion from $31.6 billion), Marathon Petroleum ($38.4 billion vs. $30.8 billion), and Chevron ($54.4 billion vs. $51.1 billion) have been the largest 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 Energy sector has increased to 60.5% from 43.5% over this period.

In the Health Care sector, positive revenue surprises reported by Centene Corporation ($37.2 billion vs. $34.5 billion), McKesson ($66.1 billon vs. $63.7 billion), Cardinal Health ($44.8 billion vs. $43.1 billion), Moderna ($6.1 billion vs. $4.4 billion), and UnitedHealth Group ($80.1 billion vs. $78.7 billion) have been significant 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 14.5% from 11.3% over this period.

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## Earnings Growth: 9.1%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings growth rate for Q1 2021 is 9.1%, which is below the 5-year average earnings growth rate of 15.0% but above the 10-year average earnings growth rate of 8.8%. If 9.1% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) earnings growth rate reported by the index since Q4 2020 (3.8%).

The lower earnings growth rate for Q1 2022 relative to recent quarters can be attributed to both a difficult comparison to unusually high earnings growth in Q1 2021 and continuing macroeconomic headwinds. In Q1 2021, the S&P 500 reported (year-over-year) earnings growth of 91.1%, which is the second-highest year-over-year earnings growth rate reported by the index since 2008. Companies also continue to face macroeconomic headwinds, including higher costs, supply chain disruptions, labor shortages, and the military conflict in Ukraine. During the earnings season for Q4 2021, 74% of S&P 500 companies cited “inflation” on their earnings calls from December 15 to March 14, while 74% of S&P 500 companies cited “supply chain” on their earnings calls from December 15 to March 14. These were the highest percentages of S&P 500 companies citing “inflation” and “supply chain” on earnings calls going back to at least 2010.

Nine of the eleven sectors are reporting earnings growth, led by the Energy, Materials, and Industrials sectors. On the other hand, two sectors are reporting a decline in earnings: Consumer Discretionary and Financials.

### Energy: Largest Contributor to (Year-Over-Year) Earnings Growth for S&P 500 For Q1

The Energy sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 267.1%. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q1 2022 ($95.01) was 63% above the average price for oil in Q1 2021 ($58.14). At the sub-industry level, four of the five sub-industries in the sector are reporting a year-over-year increase in earnings. A growth rate is not being calculated for the Oil & Gas Refining & Marketing sub-industry due to the loss reported by the sub-industry in the year-ago quarter. However, this sub-industry reported a profit in Q1 2022 ($2.4 billion) compared to a loss in Q1 2021 (-$1.3 billion). The other three sub-industries that are reporting year-over-year earnings growth are the Integrated Oil & Gas (296%), Oil & Gas Exploration & Production (238%), and Oil & Gas Equipment & Services (70%) sub-industries. On the other hand, the Oil & Gas Storage & Transportation (-26%) sub-industry is the only sub-industry that reported a (year-over-year) decline in earnings in the sector.

The Energy sector is also the largest contributor to earnings growth for the S&P 500 for the first quarter. If this sector were excluded, the blended earnings growth rate for the index would fall to 3.1% from 9.1%.

### Materials: Metals & Mining Industry Leads Year-over-Year Growth

The Materials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 41.3%. At the industry level, three of the four industries in this sector are reporting year-over-year earnings growth above 20%: Metals & Mining (83%), Chemicals (34%), and Containers & Packaging (23%). On the other hand, the Construction Materials industry (-22%) is the only industry that reported a (year-over-year) decline in earnings.

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

The Industrials sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 32.6%. At the industry level, 10 of the 12 industries in the sector are reporting a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry reported a smaller loss in Q1 2022 (-$4.0 billion) compared to Q1 2021 (-$8.9 billion). Six of the remaining nine industries are reporting earnings growth at or above 10%: Construction & Engineering (72%), Trading Companies & Distributors (50%), Road & Rail (22%), Air Freight & Logistics (20%), Commercial Services & Supplies (13%), and Electrical Equipment (12%). On the other hand, two industries are reporting a year-over-year decline in earnings: Aerospace & Defense (-10%) and Industrial Conglomerates (-3%).

At the industry level, the Airlines industry is the largest contributor to earnings growth for the sector. If the five companies in this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 6.7% from 32.6%.

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### Consumer Discretionary: Amazon Is Largest Contributor to Year-Over-Year Decline

The Consumer Discretionary sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -33.9%. At the industry level, 6 of the 10 industries in the sector are reporting a year-over-year decrease in earnings. Four of these six industries are reporting a double-digit decline in earnings: Internet & Direct Marketing Retail (-136%), Leisure Products (-42%), Auto Components (-27%), and Multiline Retail (-17%). On the other hand, four industries are reporting year-over-year earnings growth. A growth rate is not being calculated for the Hotels, Restaurants, & Leisure industry due to the loss reported in the year-ago quarter. This industry is reporting a smaller loss in Q1 2022 (-$654 million) compared to Q1 2021 (-$2.4 billion). Of the remaining three industries, the Distributors (21%) industry is the only industry reporting earnings growth above 10%.

At the company level, Amazon.com is the largest contributor to the decline in earnings for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting earnings growth of 2.1% rather than an earnings decline of 33.9%.

### Financials: Banks Industry Leads Year-Over-Year Decline

The Financials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -19.7%. At the industry level, all five industries in this sector are reporting a year-over-year earnings decline. Three of these five industries are reporting a year-over-year decrease in earnings of 10% or more: Banks (-31%), Consumer Finance (-19%), and Capital Markets (-14%).

The Financials sector is also the largest detractor to earnings growth for the S&P 500 for the first quarter. If this sector were excluded, the blended earnings growth rate for the index would improve to 16.9% from 9.1%.

## Revenue Growth: 13.3%

The blended (year-over-year) revenue growth rate for Q1 2022 is 13.3%, which is above the 5-year average revenue growth rate of 7.1% and above the 10-year average revenue growth rate of 4.0%. If 13.3% is the actual growth rate for the quarter, it will mark the fifth-straight quarter of (year-over-year) revenue growth above 10%.

All eleven sectors are reporting year-over-year growth in revenues, led by the Energy, Materials, and Real Estate sectors.

### Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Growth Above 55%

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 60.5%. Higher year-over-year oil prices are contributing to the year-over-year improvement in revenues for this sector, as the average price of oil in Q1 2022 ($95.01) was 63% above the average price for oil in Q1 2021 ($58.14). At the sub-industry level, all five sub-industries in the sector are reporting year-over-year revenue growth above 10%: Oil & Gas Exploration & Production (84%), Oil & Gas Refining & Marketing (73%), Integrated Oil & Gas (58%), Oil & Gas Equipment & Services (12%), and Oil & Gas Storage & Transportation (11%).

### Materials: Metals & Mining Industry Leads Year-Over-Year Growth

The Materials sector is reporting the second-highest (year-over-year) revenue growth of all eleven sectors at 24.0%. At the industry level, all four industries in this sector are reporting year-over-year growth in revenues. Three of these four industries are reporting (or are predicted to report) revenue growth above 20%: Metals & Mining (37%), Construction Materials (27%), and Chemicals (24%).

### Real Estate: 6 of 8 Sub-Industries Reporting Year-Over-Year Growth At or Above 10%

The Real Estate sector is reporting the third-highest (year-over-year) revenue growth of all eleven sectors at 20.0%. At the sub-industry level, all eight sub-industries in this sector are reporting year-over-year growth in revenues. Six of these eight sub-industries are reporting double-digit revenue growth, with three of these six sub-industries reporting revenue growth above 20%: Hotel & Resort REITs (169%), Real Estate Services (23%), and Retail REITs (23%).

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## Net Profit Margin: 12.3%

The blended net profit margin for the S&P 500 for Q1 2022 is 12.3%, which is above the 5-year average of 11.2%, but below the year-ago net profit margin of 12.8% and below the previous quarter's net profit margin of 12.4%.

If 12.3% is the actual net profit margin for the quarter, it will mark the third straight quarter in which the net profit margin for the index has declined. On the other hand, it will also mark the fifth-highest net profit margin reported by the index since FactSet began tracking this metric in 2008, trailing only the previous four quarters.

At the sector level, seven sectors are reporting a year-over-year increase in their net profit margins in Q1 2022 compared to Q1 2021, led by the Energy (to 10.5% vs. 4.6%) sector. On the other hand, four sectors are reporting a year-over-year decrease in their net profit margins in Q1 2022 compared to Q1 2021, led by the Financials (17.7% vs. 22.7%) sector.

Eight sectors are reporting net profit margins in Q1 2022 that are above their 5-year averages, led by the Energy (10.5% vs. 5.7%) sector. On the other hand, two sectors are reporting net profit margins in Q1 2022 that are below their 5-year averages, led by the Consumer Discretionary (4.6% vs. 6.7%) sector. One sector (Consumer Staples) is reporting a net profit margin (6.5%) that is equal to its 5-year average.

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# Looking Ahead: Forward Estimates and Valuation

## Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance for Q2 is Above Average

At this point in time, 72 companies in the index have issued EPS guidance for Q2 2022. Of these 72 companies, 50 have issued negative EPS guidance and 22 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 69% (50 out of 72), which is above the 5-year average of 60% and above the 10-year average of 67%.

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 Reported Earnings Growth of 10% for CY 2022

For the first quarter, S&P 500 companies are reporting earnings growth of 9.1% and revenue growth of 13.3%.

For Q2 2022, analysts are projecting earnings growth of 4.8% and revenue growth of 9.8%.

For Q3 2022, analysts are projecting earnings growth of 10.6% and revenue growth of 9.0%.

For Q4 2022, analysts are projecting earnings growth of 10.1% and revenue growth of 7.0%.

For CY 2022, analysts are projecting earnings growth of 10.1% and revenue growth of 10.0%.

## Valuation: Forward P/E Ratio is 17.6, Above the 10-Year Average (16.9)

The forward 12-month P/E ratio for the S&P 500 is 17.6. This P/E ratio is below the 5-year average of 18.6 but above the 10-year average of 16.9. It is also below the forward 12-month P/E ratio of 19.4 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 decreased by 8.5%, while the forward 12-month EPS estimate has increased by 1.4%. At the sector level, the Consumer Discretionary (25.0) sector has the highest forward 12-month P/E ratio, while the Energy (10.3) and Financials (12.8) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 20.2, which is below the 5-year average of 23.1 but equal to the 10-year average of 20.2.

## Targets & Ratings: Analysts Project 25% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 5187.38, which is 25.1% above the closing price of 4146.87. At the sector level, the Communication Services (+39.2%), Consumer Discretionary (+36.1%), and Information Technology (+30.9%) 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 Consumer Staples (+9.9%) and Utilities (+10.9%) 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 10,850 ratings on stocks in the S&P 500. Of these 10,850 ratings, 56.9% are Buy ratings, 37.5% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Energy (66%) and Information Technology (64%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (39%) and Utilities (49%) sectors have the lowest percentages of Buy ratings.

## Companies Reporting Next Week: 20

During the upcoming week, 20 S&P 500 companies (including 1 Dow 30 component) are scheduled to report results for the first quarter.

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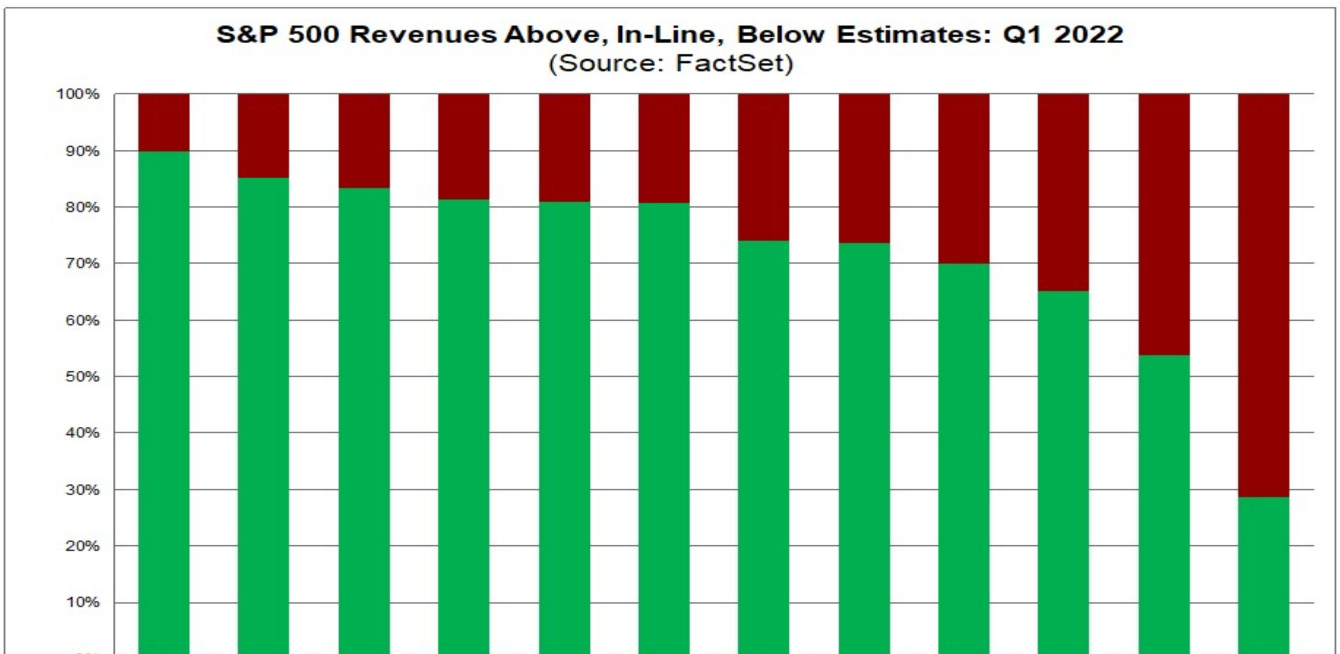
# Q1 2022: Scorecard


| | Industrials | Consumer Staples | Info. Technology | Health Care | S&P 500 | Materials | Financials | Comm. Services | Energy | Real Estate | Utilities | Consumer Disc. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Below | 10% | 4% | 12% | 19% | 19% | 22% | 22% | 24% | 25% | 11% | 23% | 40% |
| In-Line | 1% | 8% | 3% | 0% | 3% | 0% | 2% | 0% | 0% | 15% | 4% | 0% |
| Above | 88% | 88% | 85% | 81% | 79% | 78% | 77% | 76% | 75% | 74% | 73% | 60% |




| | Info. Technology | Materials | Consumer Staples | Health Care | Industrials | Utilities | Real Estate | S&P 500 | Energy | Consumer Disc. | Financials | Comm. Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Below | 10% | 15% | 17% | 19% | 19% | 19% | 26% | 26% | 30% | 35% | 46% | 71% |
| In-Line | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Above | 90% | 85% | 83% | 81% | 81% | 81% | 74% | 74% | 70% | 65% | 54% | 29% |

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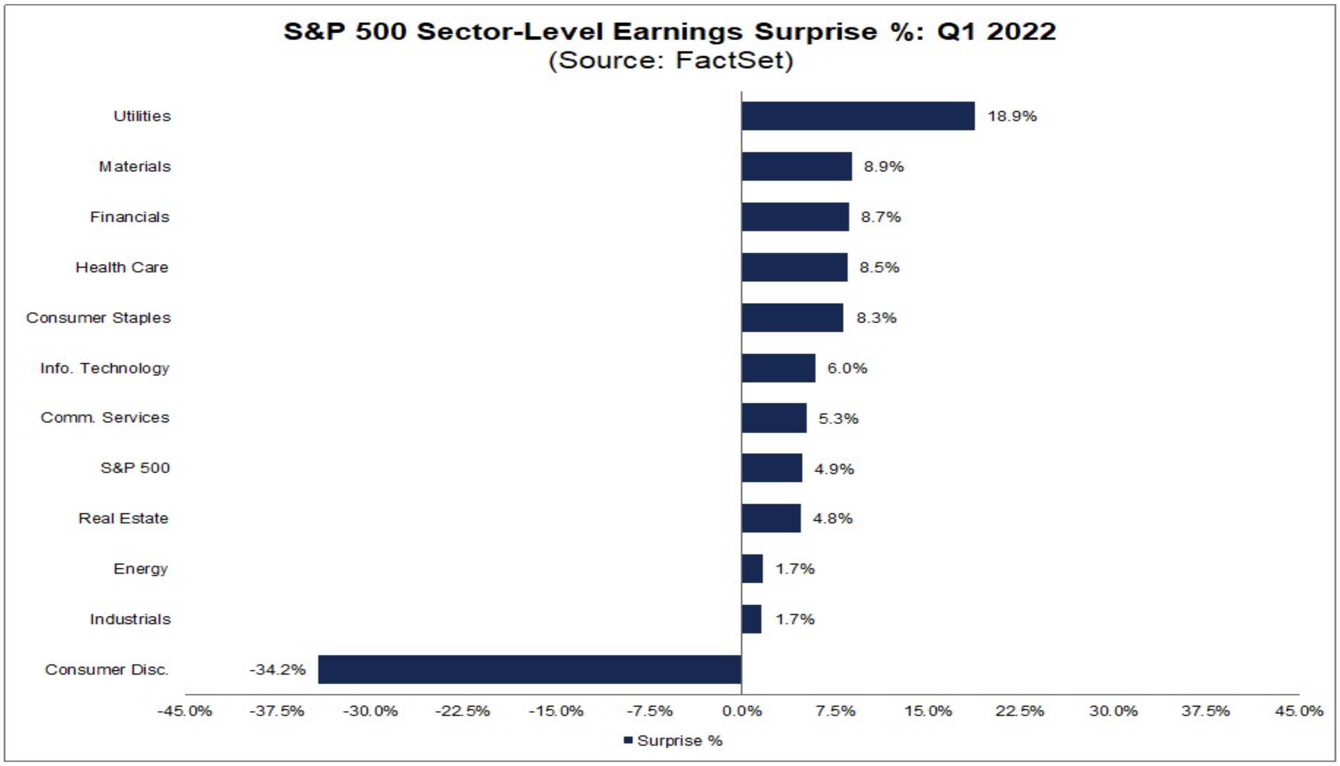
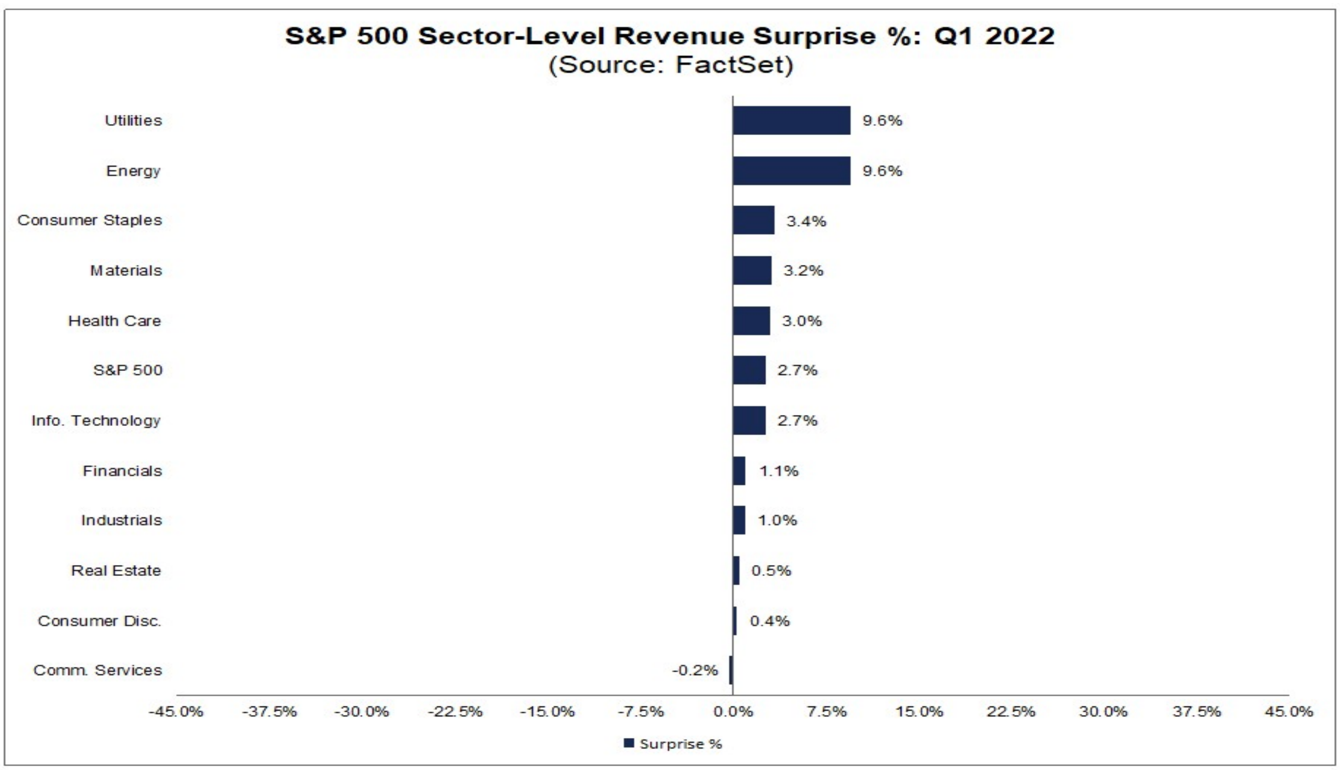
# Q1 2022: Scorecard

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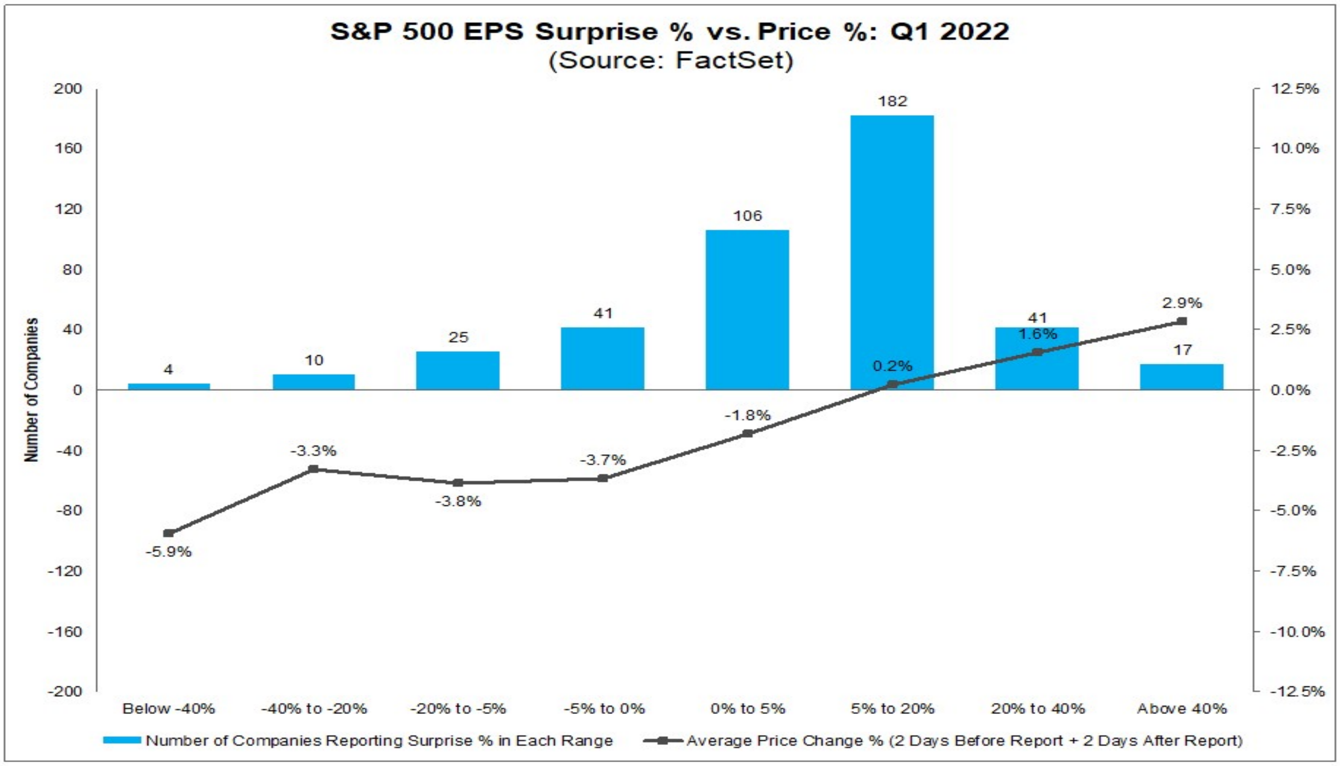
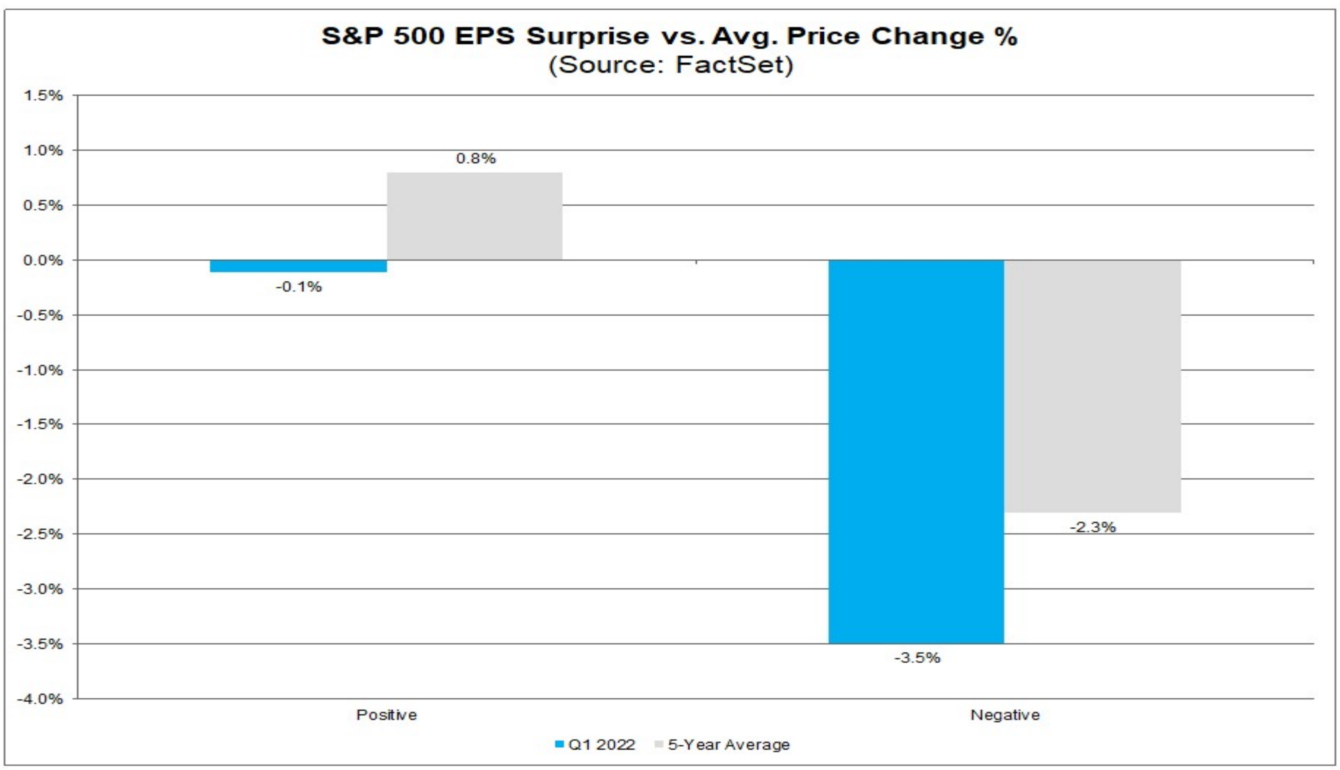
# Q1 2022: Scorecard

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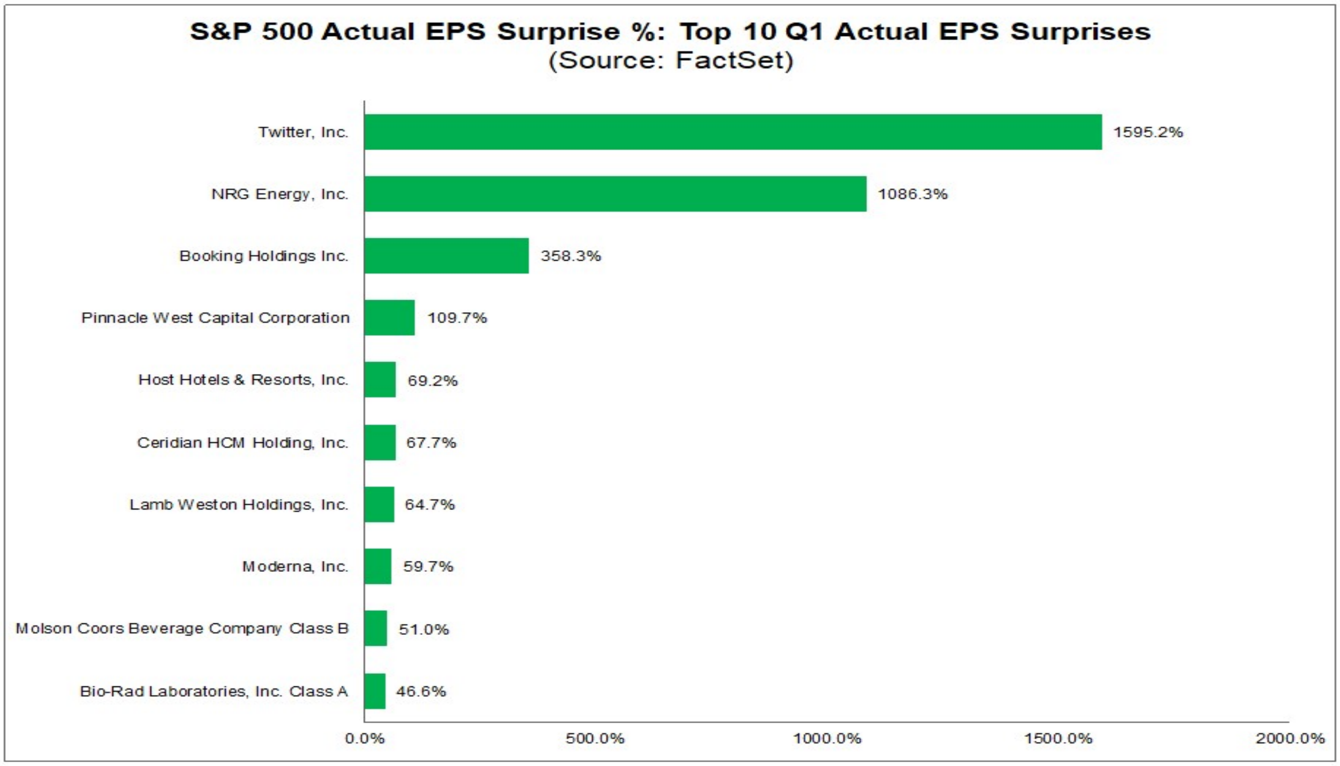
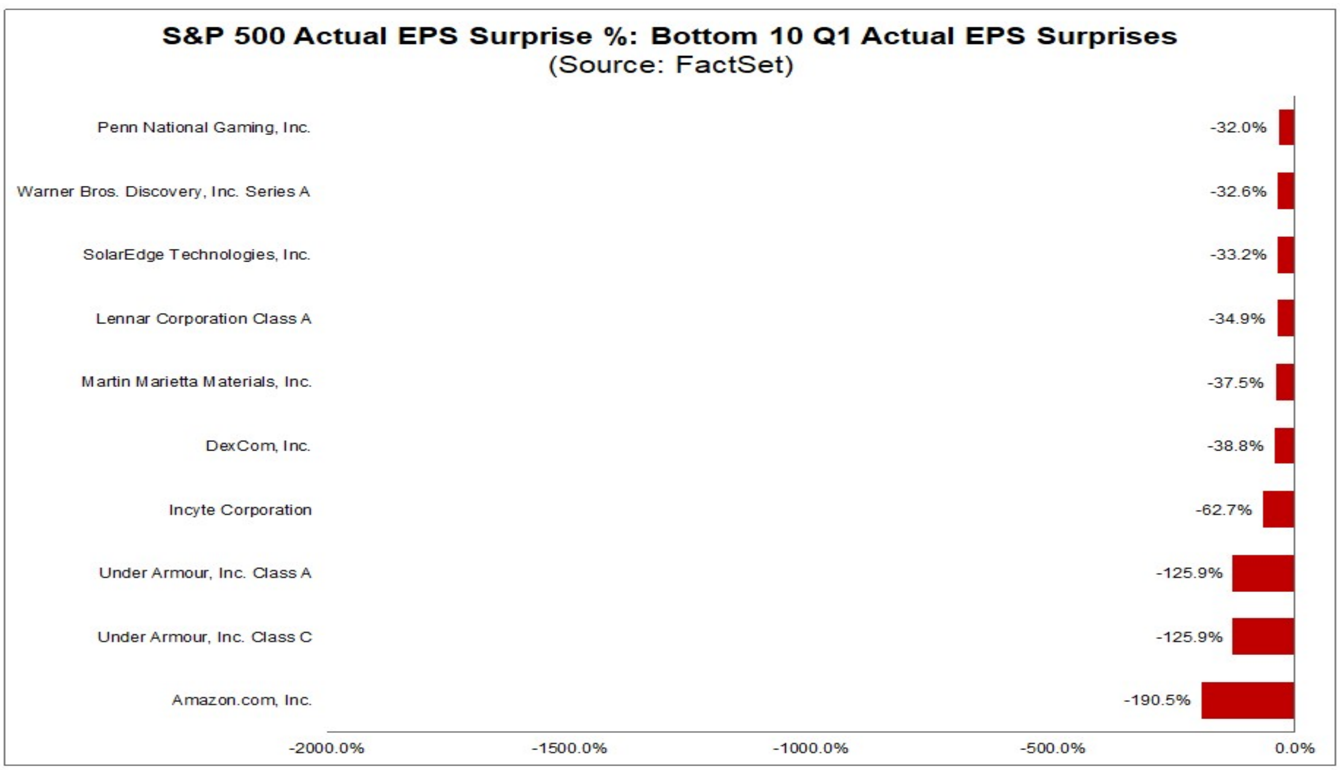
# Q1 2022: Scorecard

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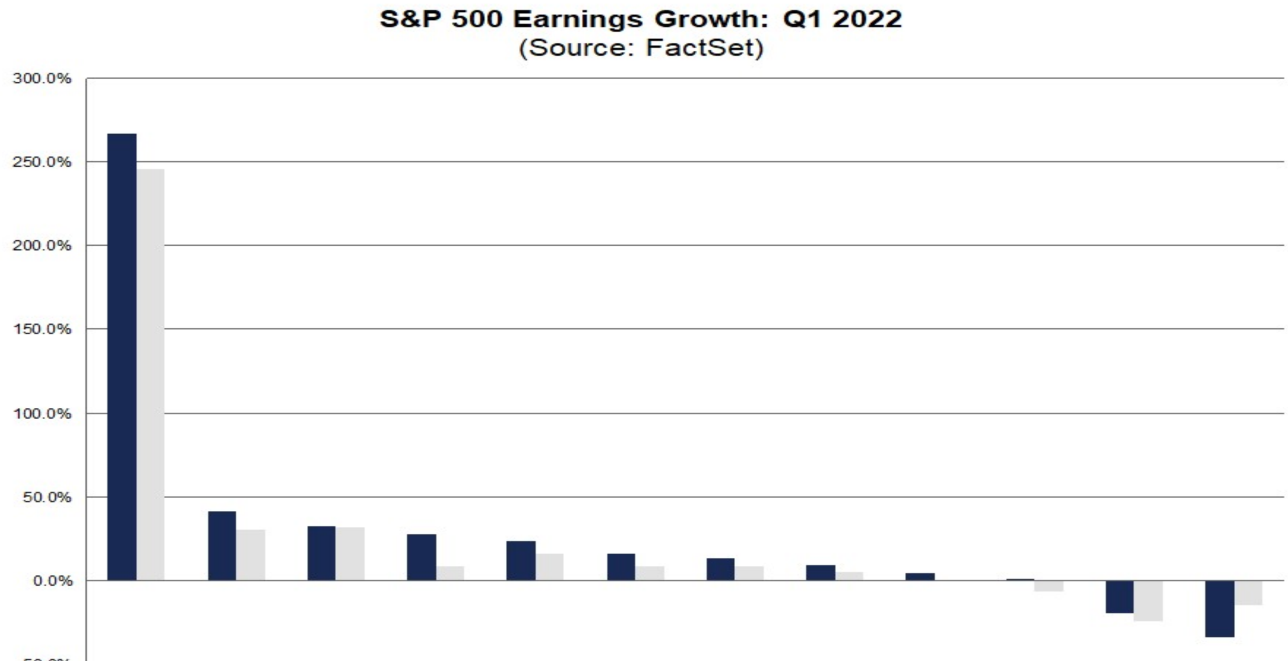
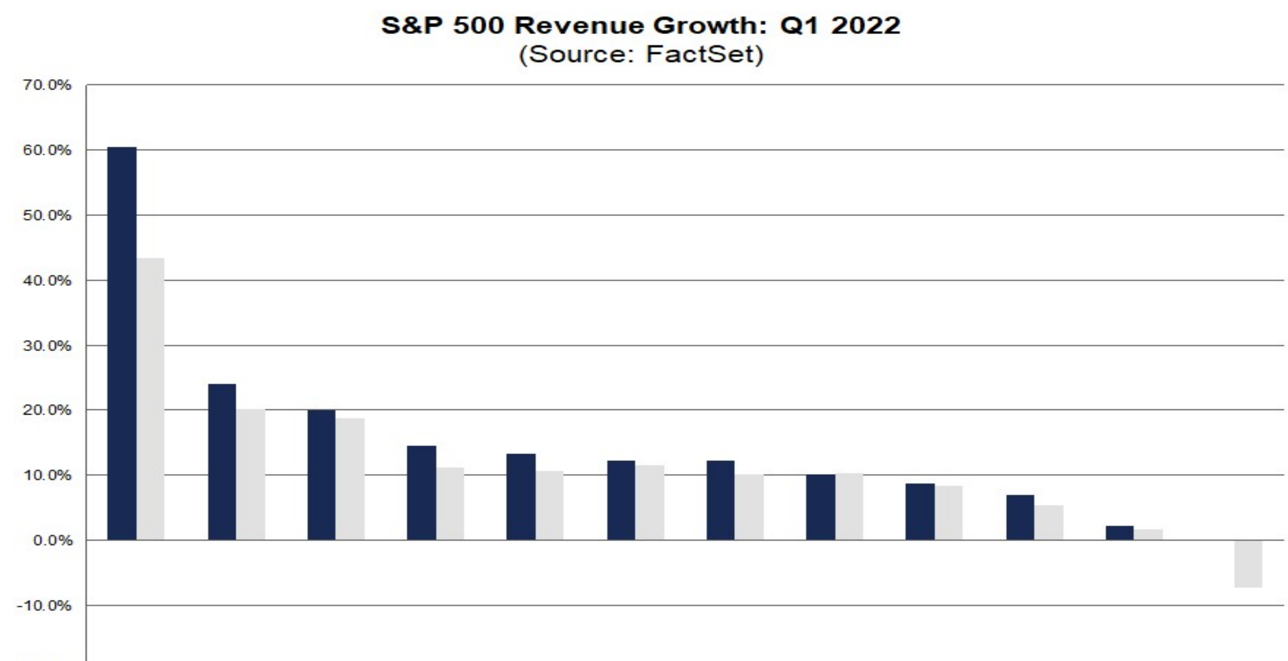
# Q1 2022: Growth




| | Energy | Materials | Industrials | Utilities | Real Estate | Health Care | Info. Technology | S&P 500 | Consumer Staples | Comm. Services | Financials | Consumer Disc. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 267.1% | 41.3% | 32.6% | 27.3% | 23.3% | 16.1% | 13.1% | 9.1% | 4.4% | 0.5% | -19.7% | -33.9% |
| 31-Mar | 245.7% | 30.4% | 31.7% | 8.2% | 15.7% | 8.4% | 8.3% | 4.6% | -0.6% | -6.5% | -24.4% | -15.1% |




| | Energy | Materials | Real Estate | Health Care | S&P 500 | Industrials | Info. Technology | Comm. Services | Consumer Disc. | Consumer Staples | Financials | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 60.5% | 24.0% | 20.0% | 14.5% | 13.3% | 12.3% | 12.2% | 10.1% | 8.7% | 6.9% | 2.3% | 0.1% |
| 31-Mar | 43.5% | 20.2% | 18.7% | 11.3% | 10.7% | 11.5% | 10.1% | 10.3% | 8.4% | 5.4% | 1.7% | -7.3% |

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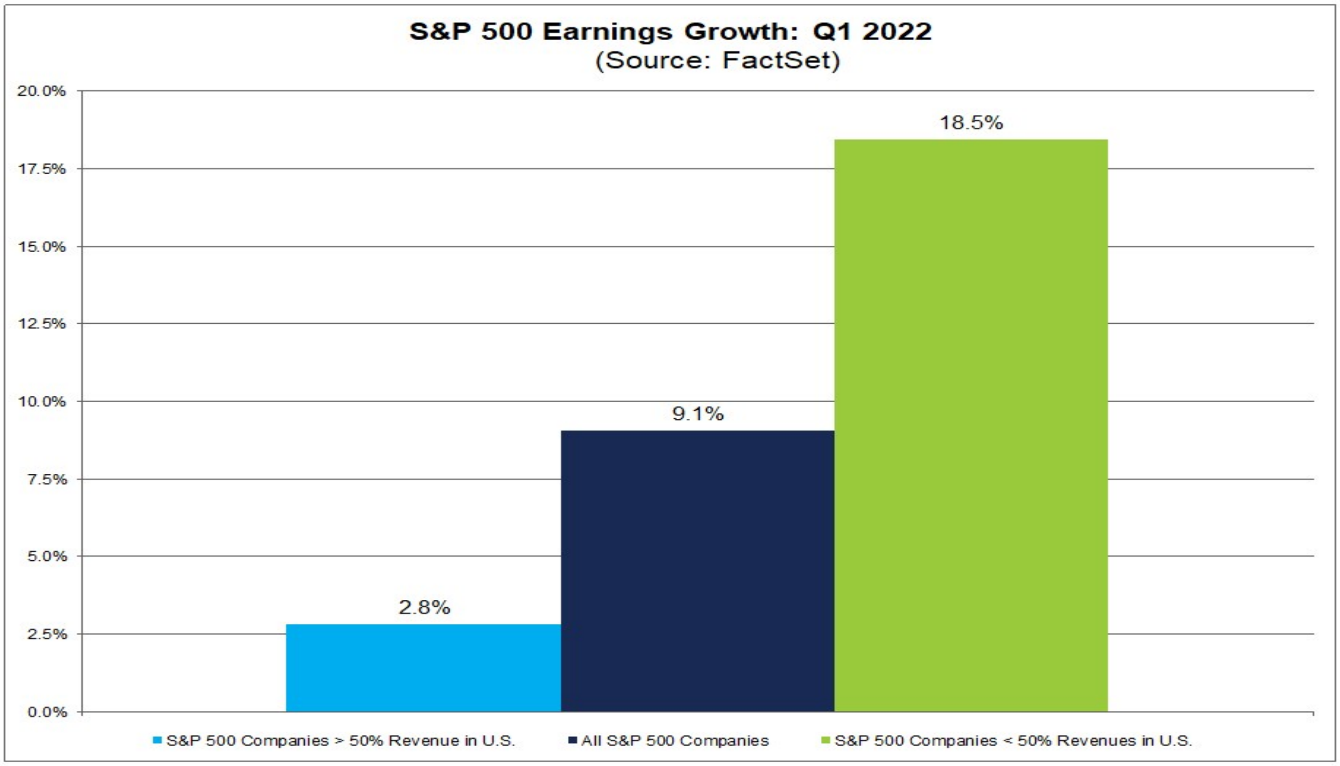
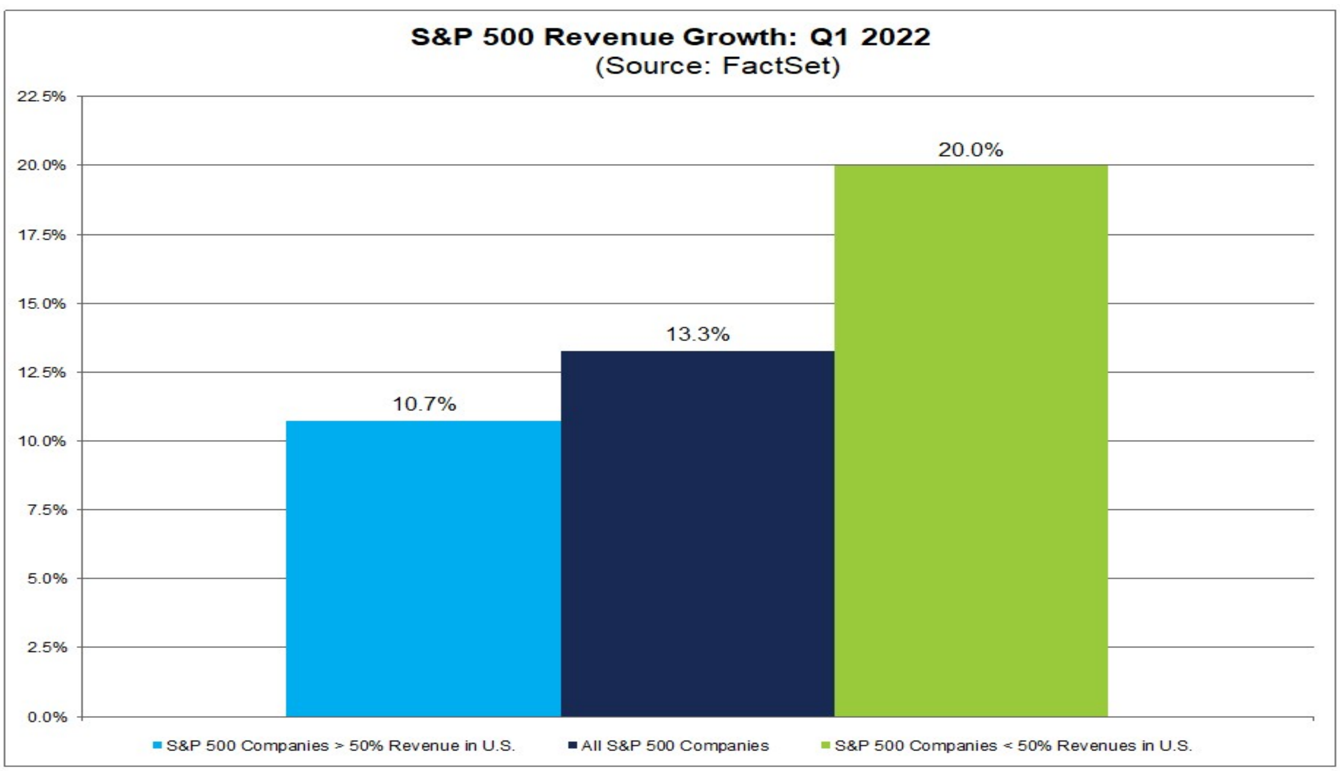
# Q1 2022: Growth

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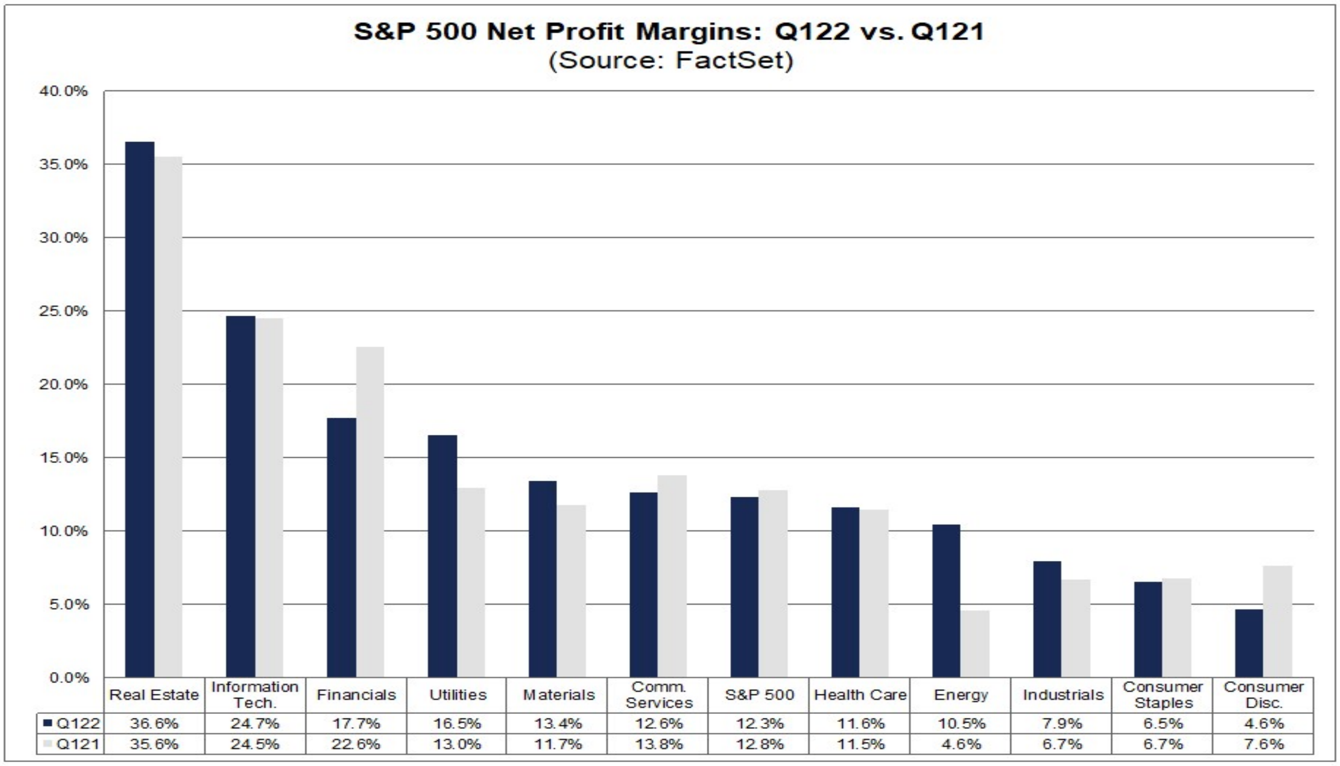
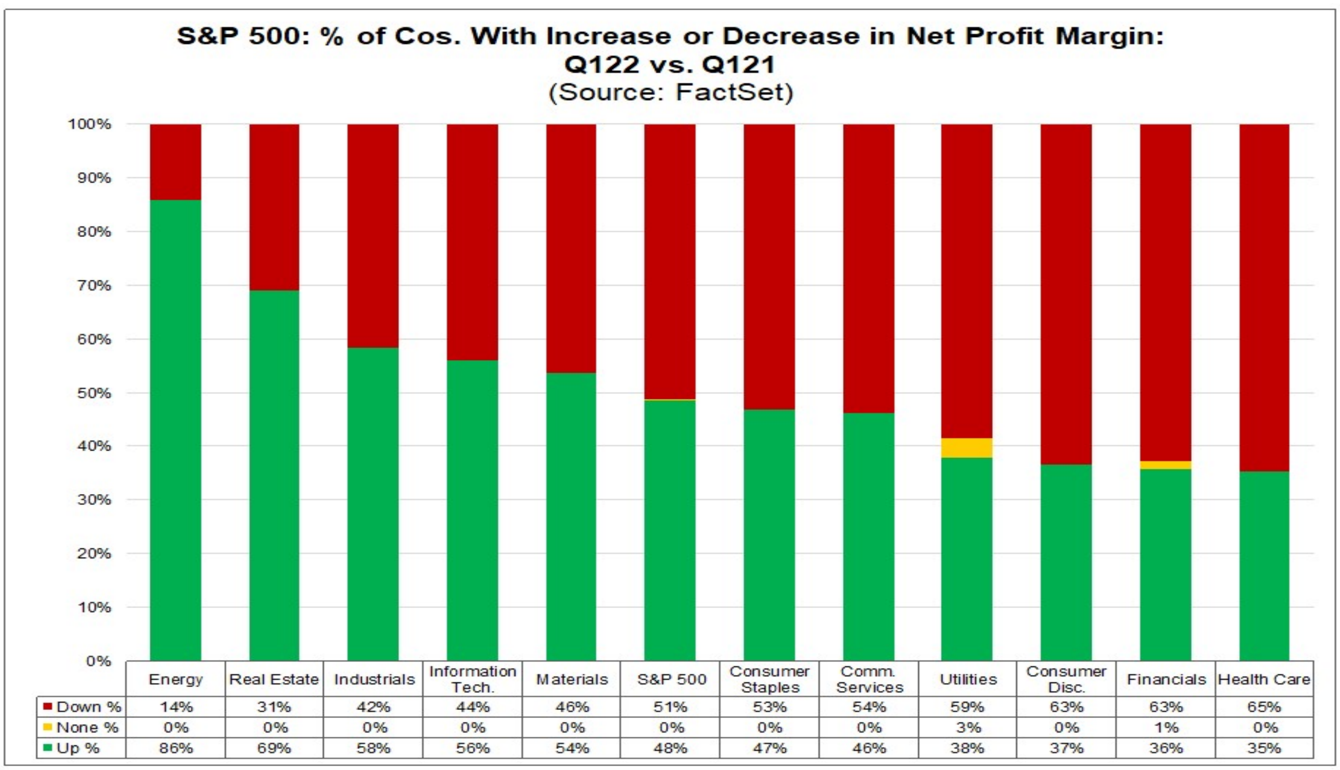
# Q1 2022: Net Profit Margin

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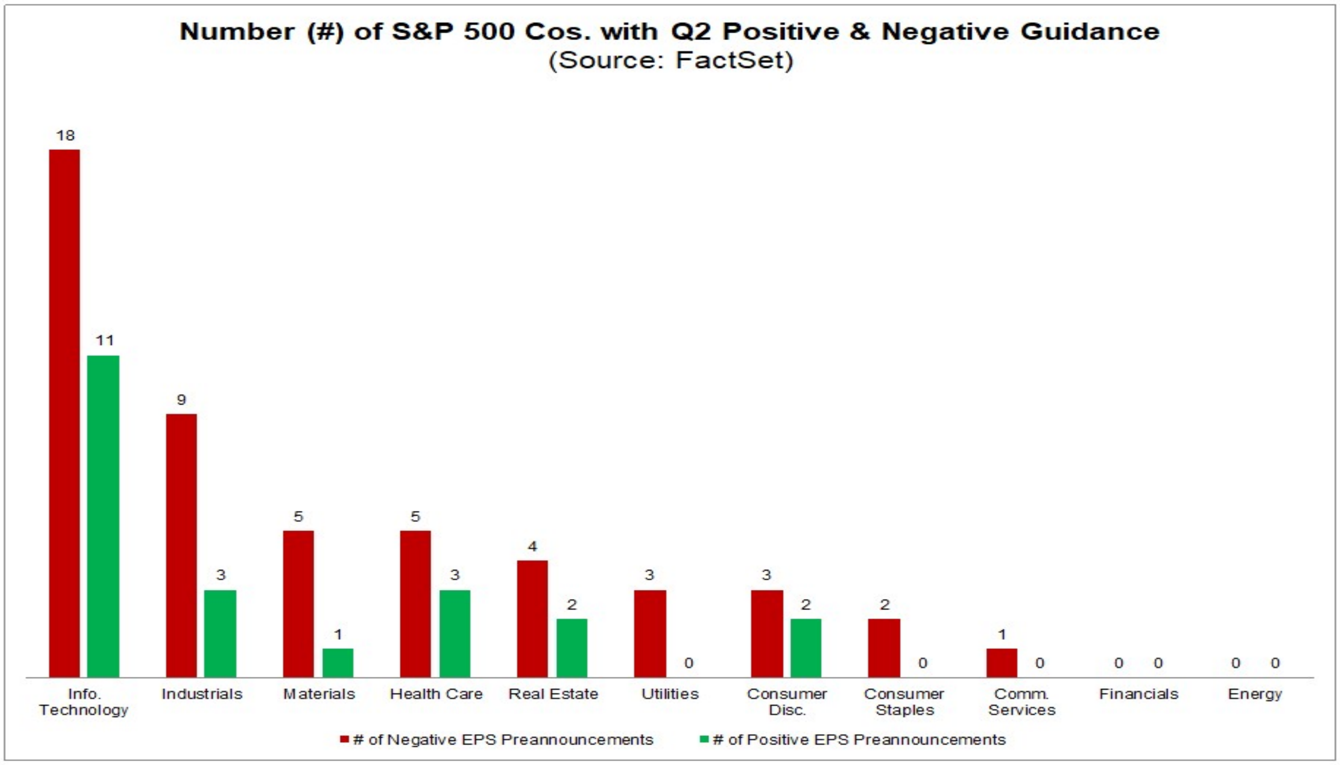
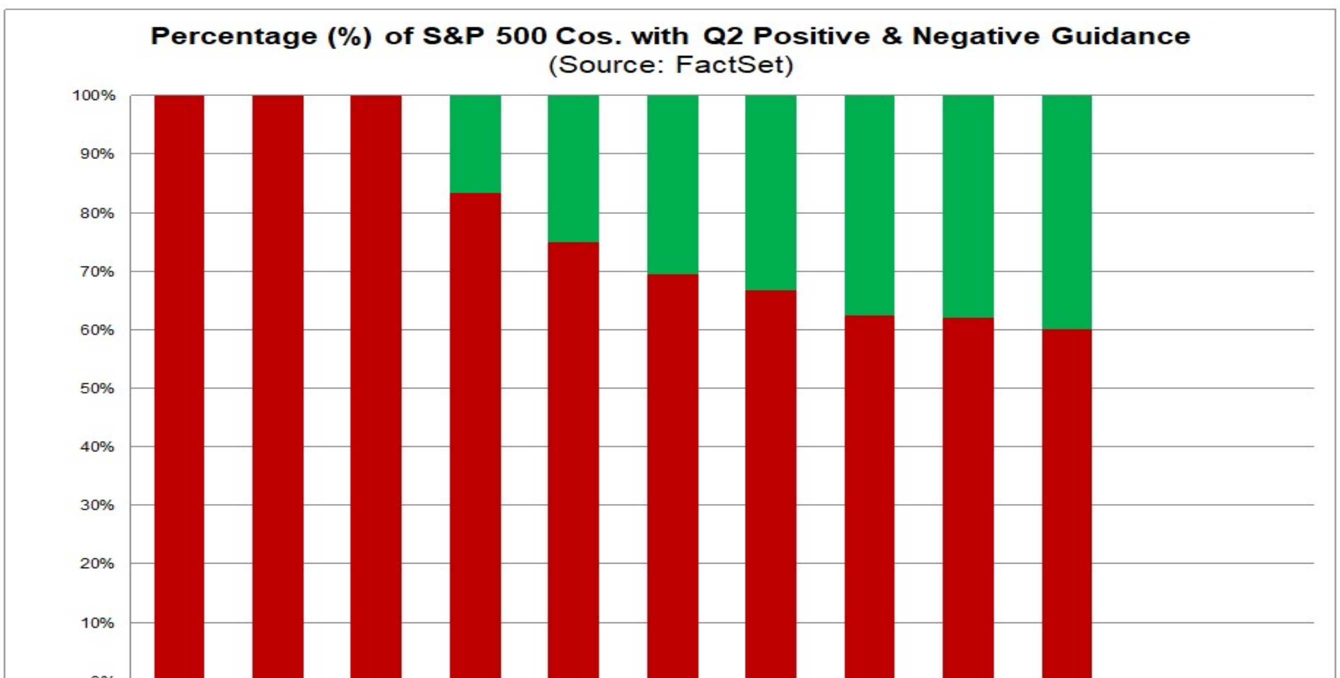
# Q2 2022: EPS Guidance




| | Utilities | Consumer Staples | Comm. Services | Materials | Industrials | S&P 500 | Real Estate | Health Care | Info. Technology | Consumer Disc. | Financials | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Positive | 0% | 0% | 0% | 17% | 25% | 31% | 33% | 38% | 38% | 40% | 0% | 0% |
| Negative | 100% | 100% | 100% | 83% | 75% | 69% | 67% | 63% | 62% | 60% | 0% | 0% |

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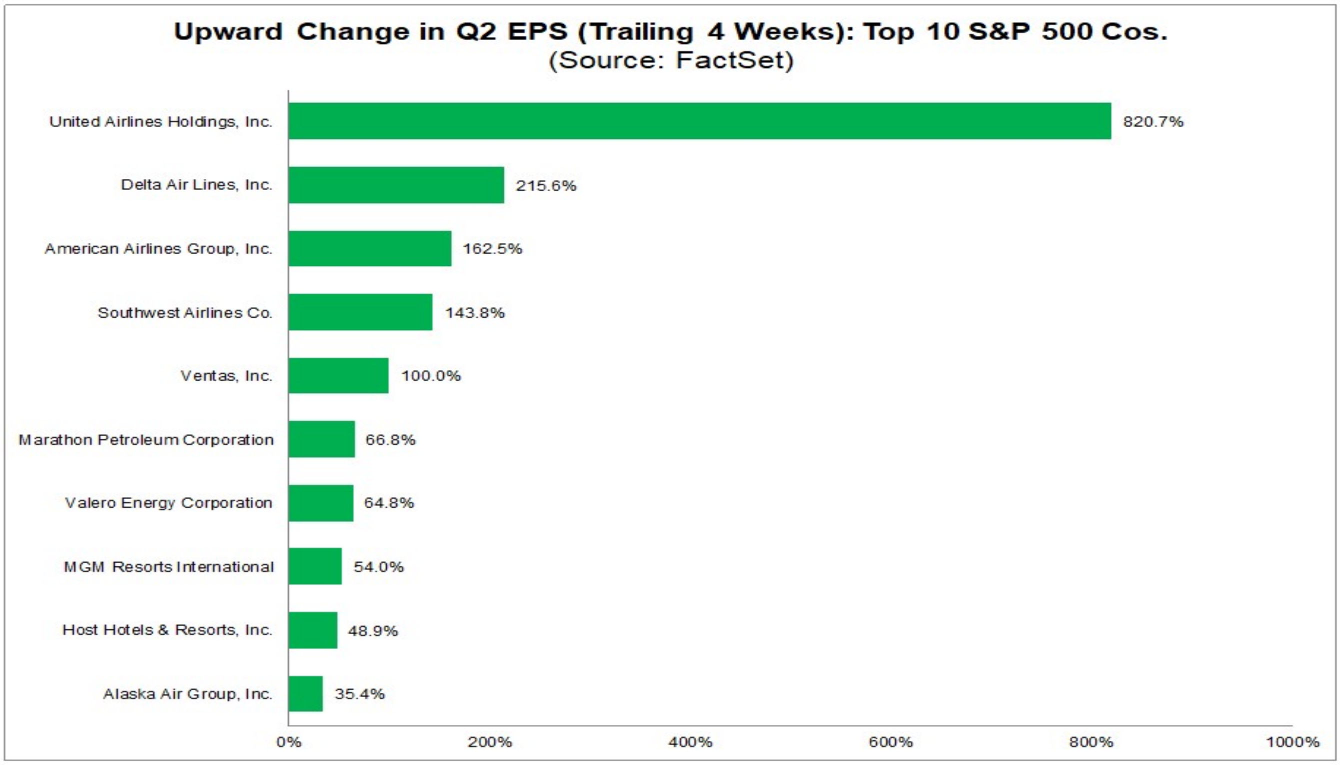
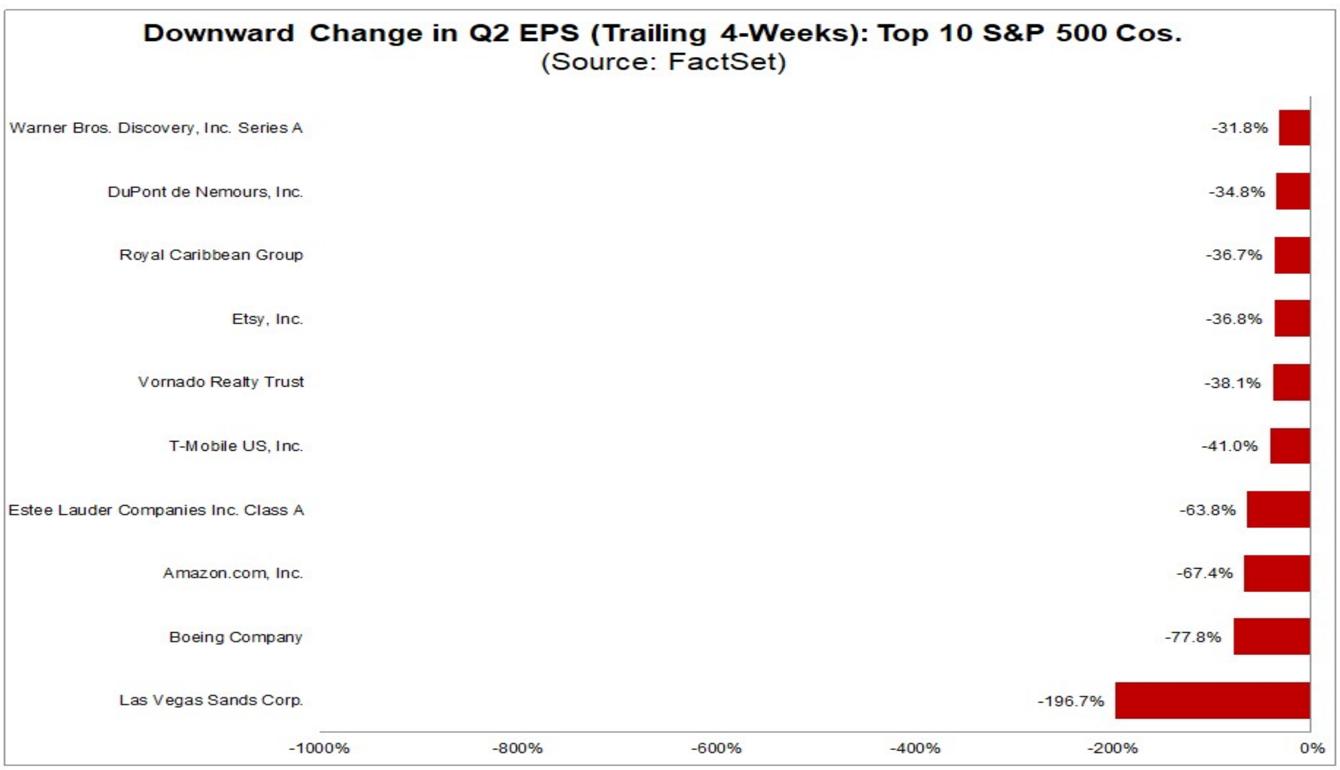
## Q2 2022: EPS Revisions

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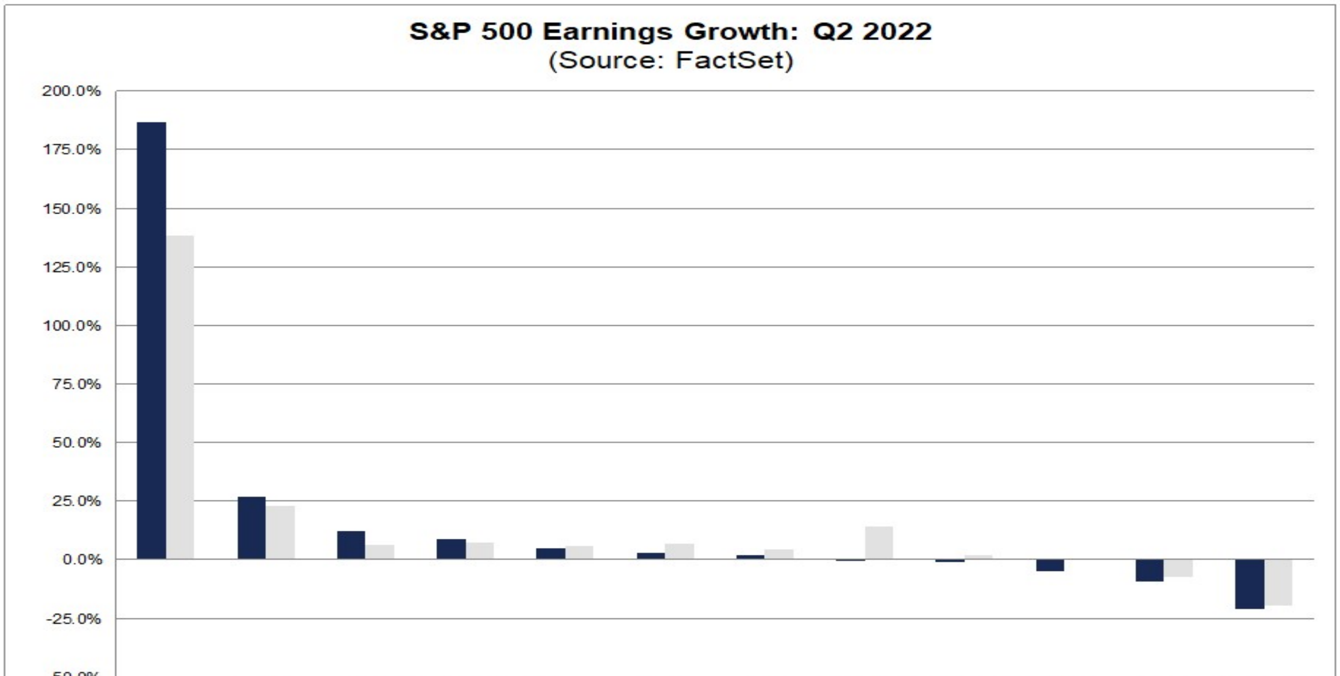
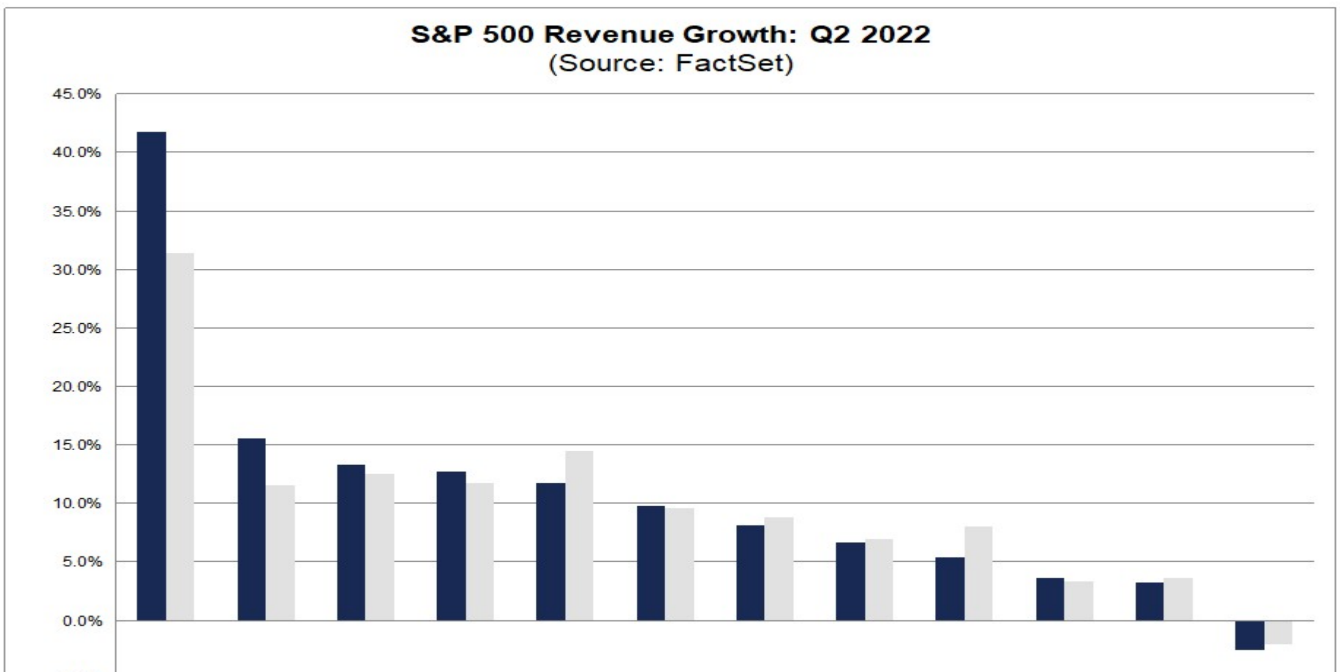
# Q2 2022: Growth




| | Energy | Industrials | Materials | Real Estate | S&P 500 | Health Care | Info. Technology | Consumer Disc. | Consumer Staples | Comm. Services | Utilities | Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 186.9% | 26.7% | 12.0% | 8.5% | 4.8% | 2.7% | 1.8% | -0.1% | -1.1% | -5.0% | -9.3% | -21.1% |
| 31-Mar | 138.1% | 23.1% | 6.1% | 7.4% | 6.1% | 6.6% | 4.4% | 14.2% | 1.8% | 0.3% | -7.6% | -19.4% |




| | Energy | Materials | Real Estate | Industrials | Consumer Disc. | S&P 500 | Info. Technology | Health Care | Comm. Services | Consumer Staples | Financials | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 41.8% | 15.5% | 13.3% | 12.7% | 11.7% | 9.8% | 8.1% | 6.7% | 5.3% | 3.7% | 3.2% | -2.5% |
| 31-Mar | 31.4% | 11.5% | 12.5% | 11.7% | 14.5% | 9.6% | 8.8% | 7.0% | 8.0% | 3.3% | 3.6% | -2.0% |

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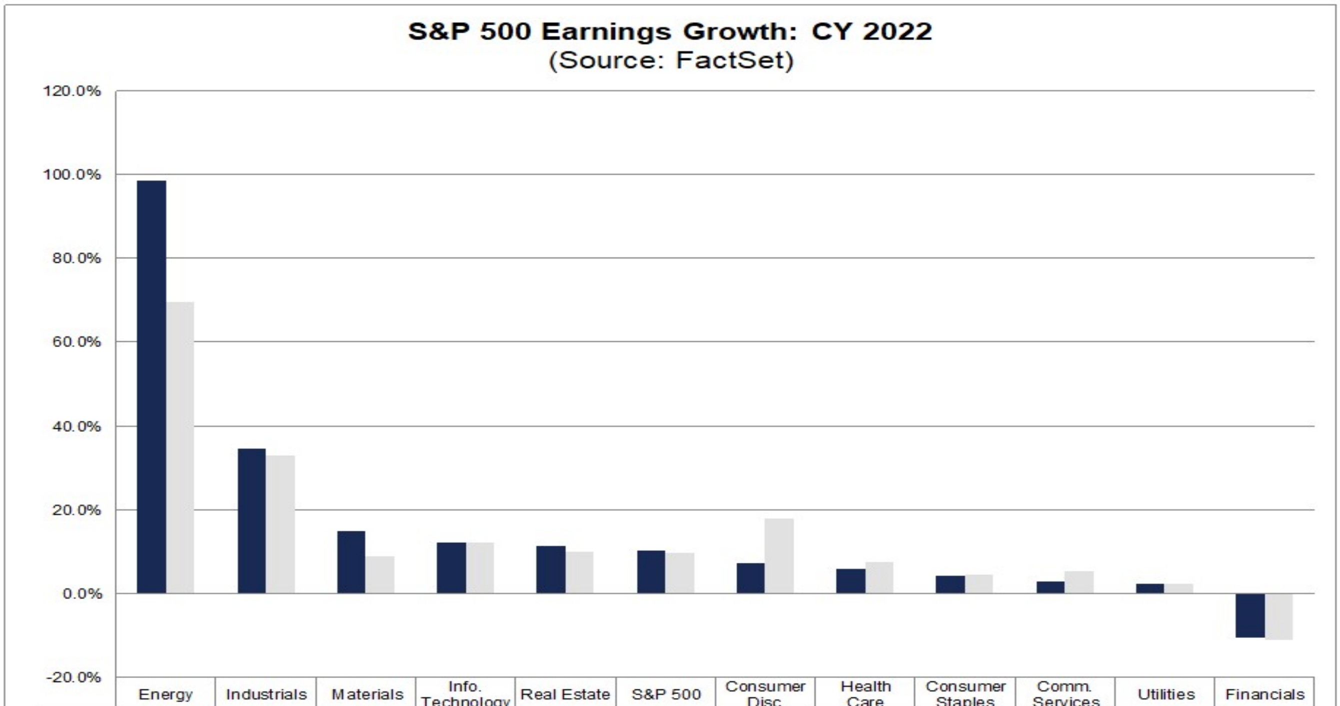
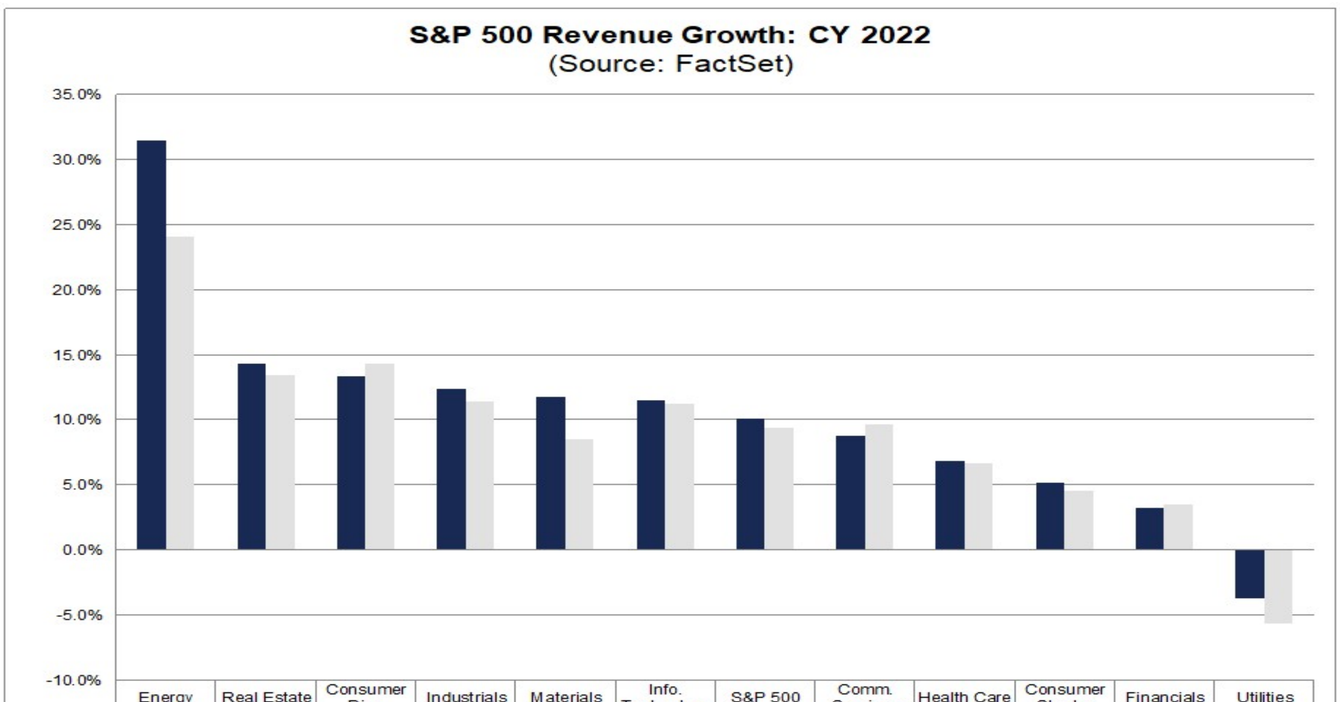
# CY 2022: Growth




| | Energy | Industrials | Materials | Info. Technology | Real Estate | S&P 500 | Consumer Disc. | Health Care | Consumer Staples | Comm. Services | Utilities | Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 98.6% | 34.6% | 14.9% | 12.0% | 11.4% | 10.1% | 7.3% | 5.8% | 4.0% | 2.8% | 2.3% | -10.7% |
| 31-Mar | 69.6% | 32.9% | 8.8% | 12.0% | 10.0% | 9.8% | 17.8% | 7.6% | 4.6% | 5.2% | 2.3% | -11.2% |




| | Energy | Real Estate | Consumer Disc. | Industrials | Materials | Info. Technology | S&P 500 | Comm. Services | Health Care | Consumer Staples | Financials | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 31.4% | 14.3% | 13.3% | 12.3% | 11.8% | 11.5% | 10.0% | 8.8% | 6.8% | 5.1% | 3.2% | -3.7% |
| 31-Mar | 24.1% | 13.4% | 14.3% | 11.4% | 8.5% | 11.2% | 9.4% | 9.6% | 6.7% | 4.5% | 3.5% | -5.7% |

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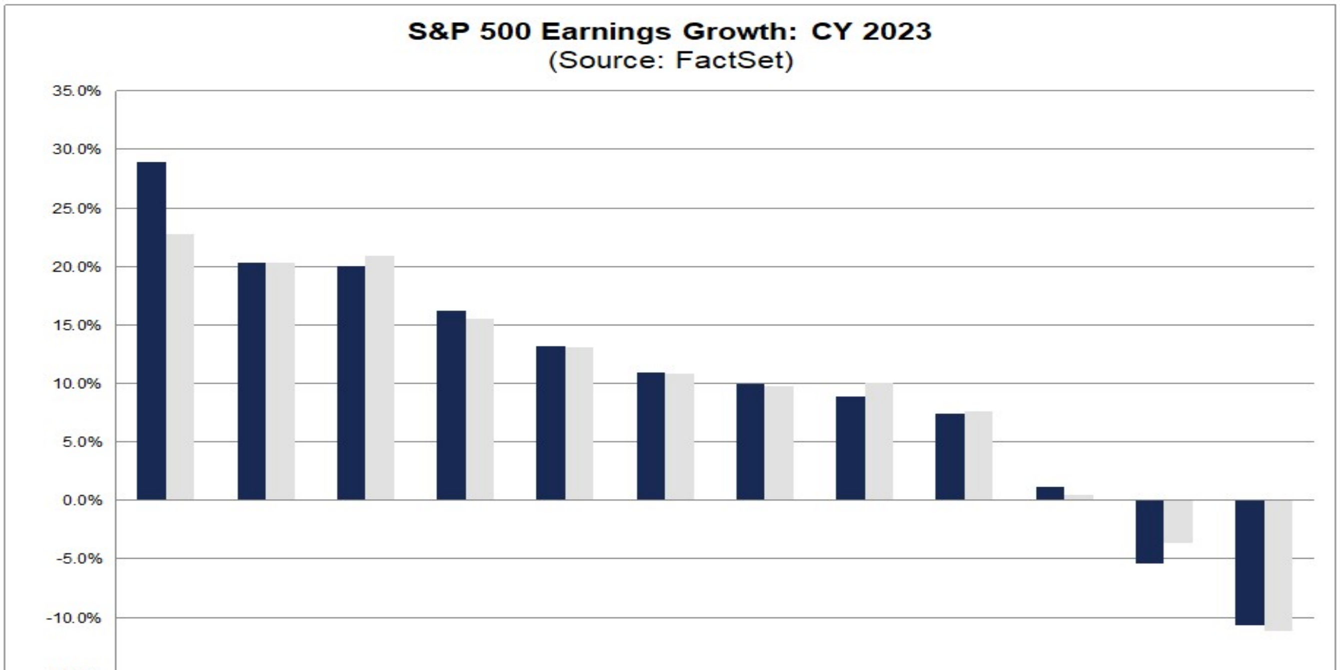
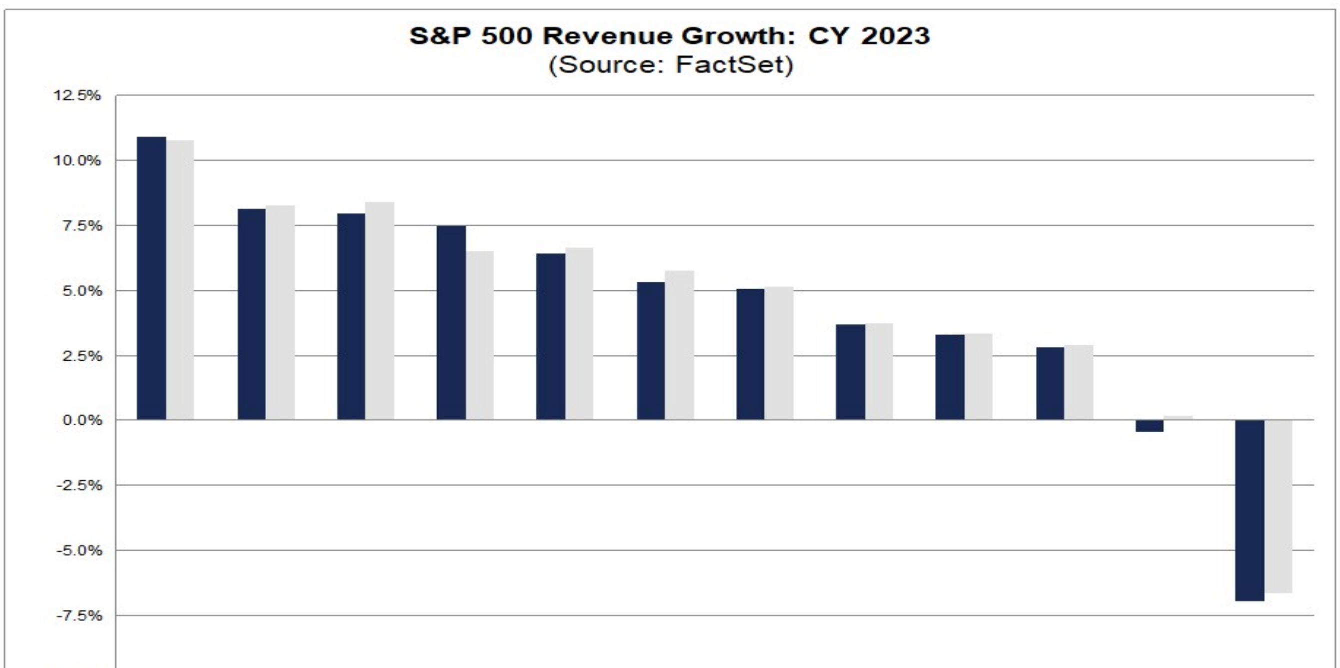
# CY 2023: Growth




| | Consumer Disc. | Utilities | Industrials | Comm. Services | Financials | Info. Technology | S&P 500 | Real Estate | Consumer Staples | Health Care | Materials | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 28.9% | 20.3% | 20.0% | 16.2% | 13.2% | 10.9% | 9.9% | 8.9% | 7.5% | 1.2% | -5.4% | -10.6% |
| 31-Mar | 22.7% | 20.3% | 20.9% | 15.5% | 13.1% | 10.9% | 9.7% | 10.1% | 7.6% | 0.4% | -3.7% | -11.2% |




| | Consumer Disc. | Info. Technology | Comm. Services | Financials | Industrials | Real Estate | S&P 500 | Consumer Staples | Utilities | Health Care | Materials | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 10.9% | 8.1% | 8.0% | 7.5% | 6.4% | 5.3% | 5.0% | 3.7% | 3.3% | 2.8% | -0.5% | -7.0% |
| 31-Mar | 10.8% | 8.3% | 8.4% | 6.5% | 6.6% | 5.8% | 5.1% | 3.7% | 3.3% | 2.9% | 0.2% | -6.7% |

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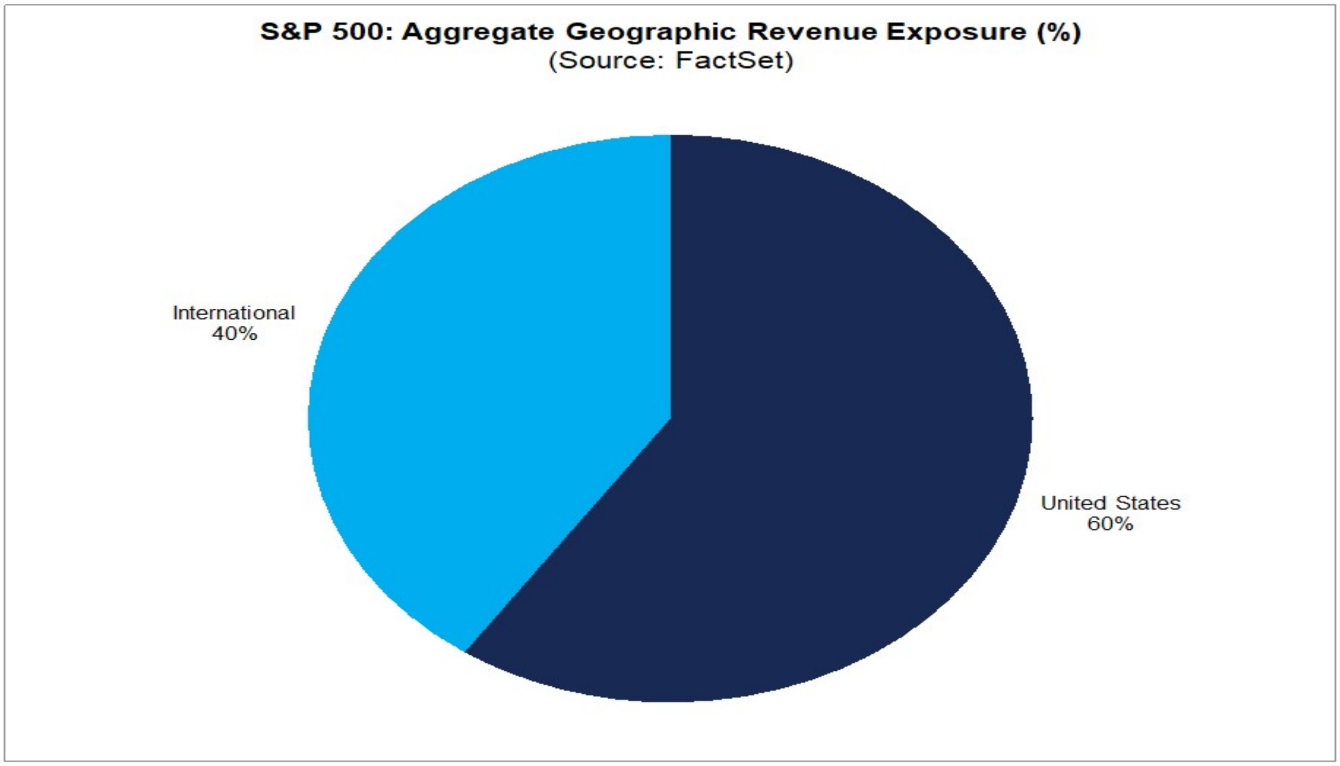
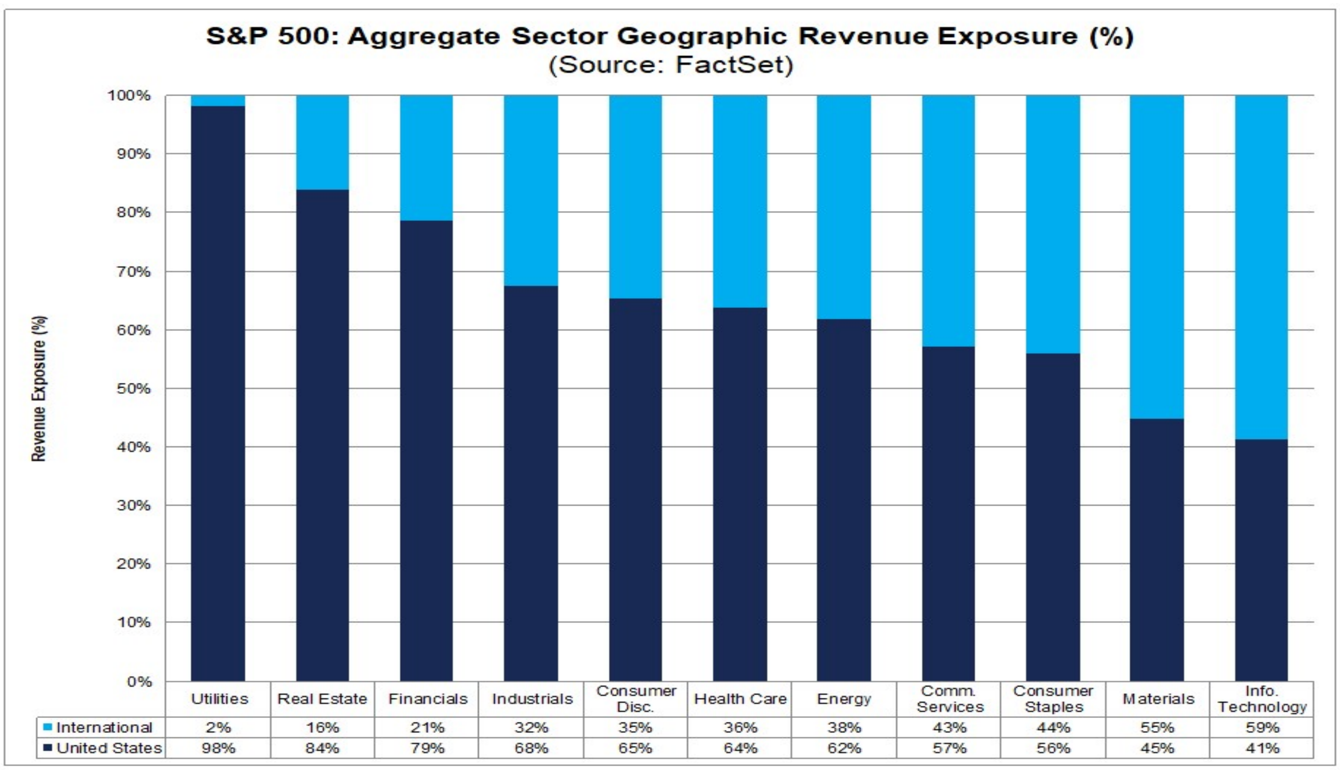
# Geographic Revenue Exposure




| | Utilities | Real Estate | Financials | Industrials | Consumer Disc. | Health Care | Energy | Comm. Services | Consumer Staples | Materials | Info. Technology |
|---|---|---|---|---|---|---|---|---|---|---|---|
| International | 2% | 16% | 21% | 32% | 35% | 36% | 38% | 43% | 44% | 55% | 59% |
| United States | 98% | 84% | 79% | 68% | 65% | 64% | 62% | 57% | 56% | 45% | 41% |

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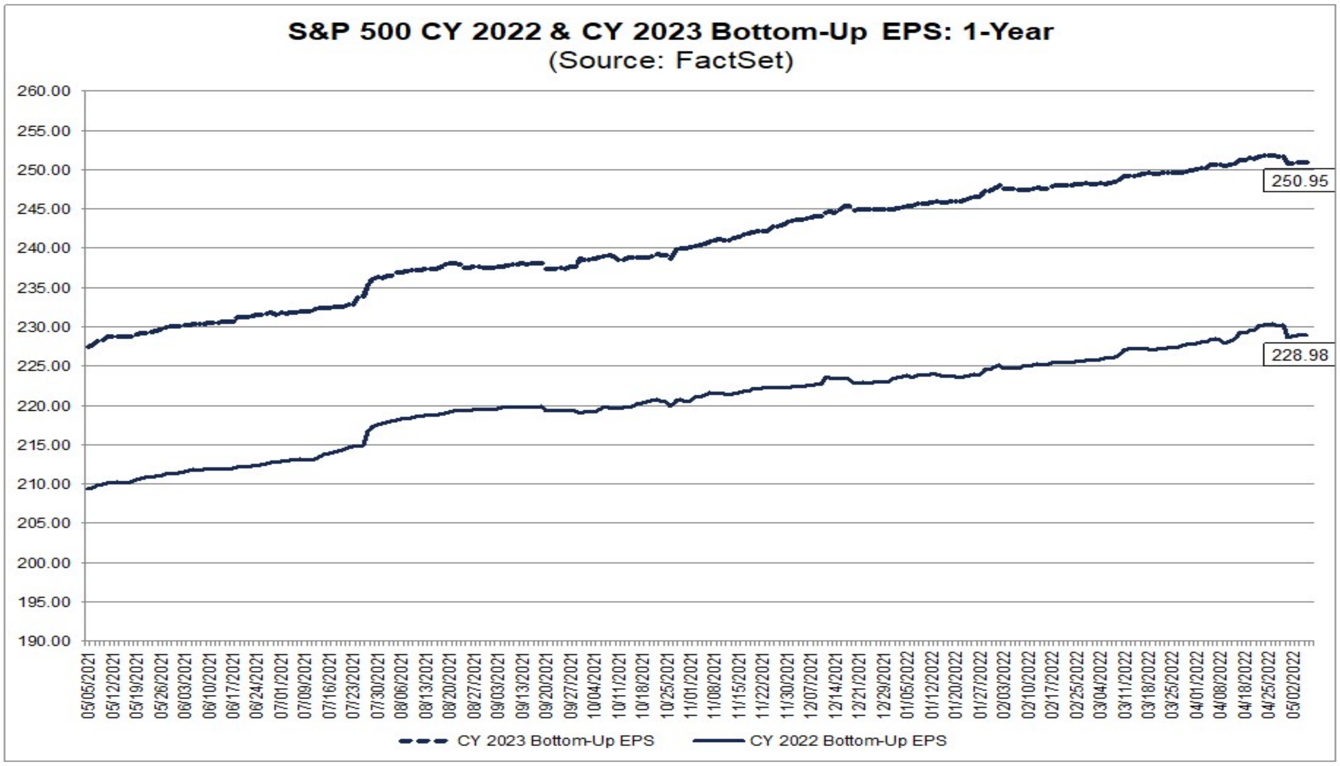
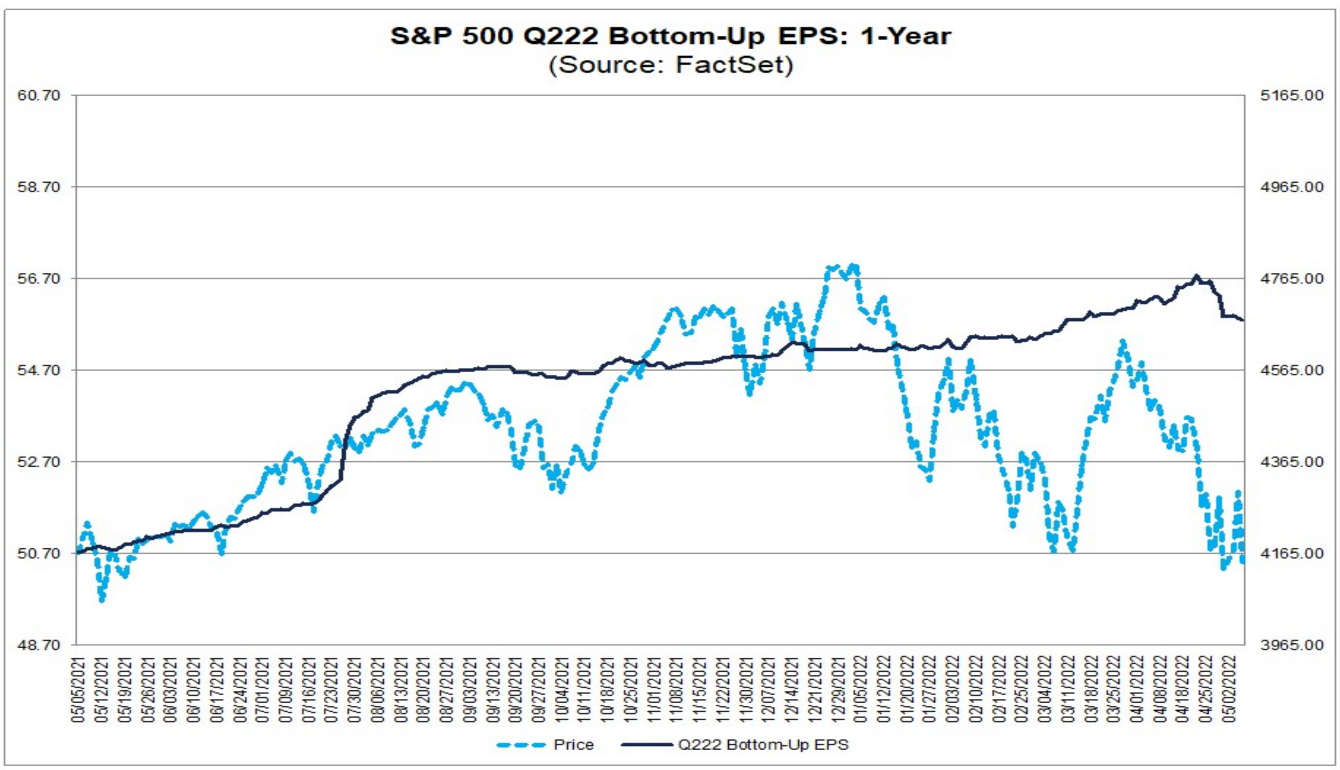
# Bottom-up EPS Estimates: Revisions

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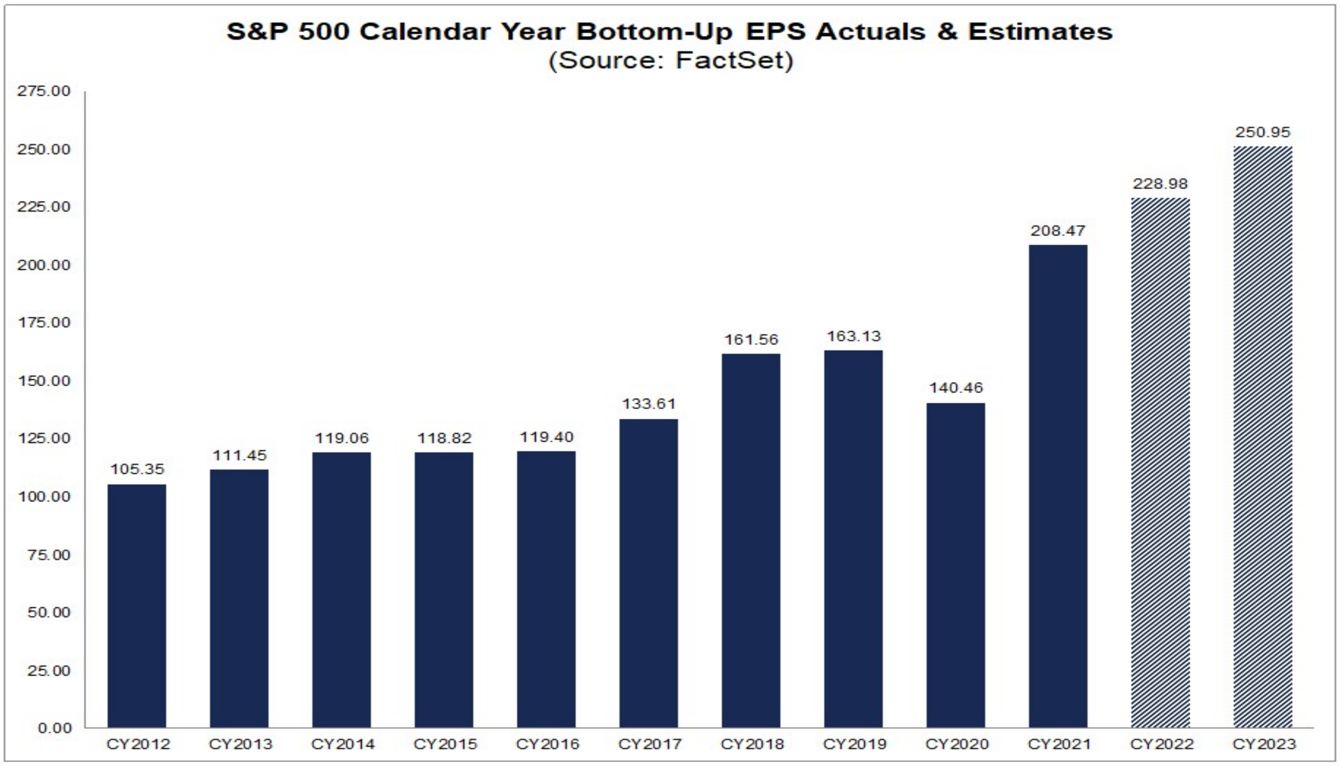
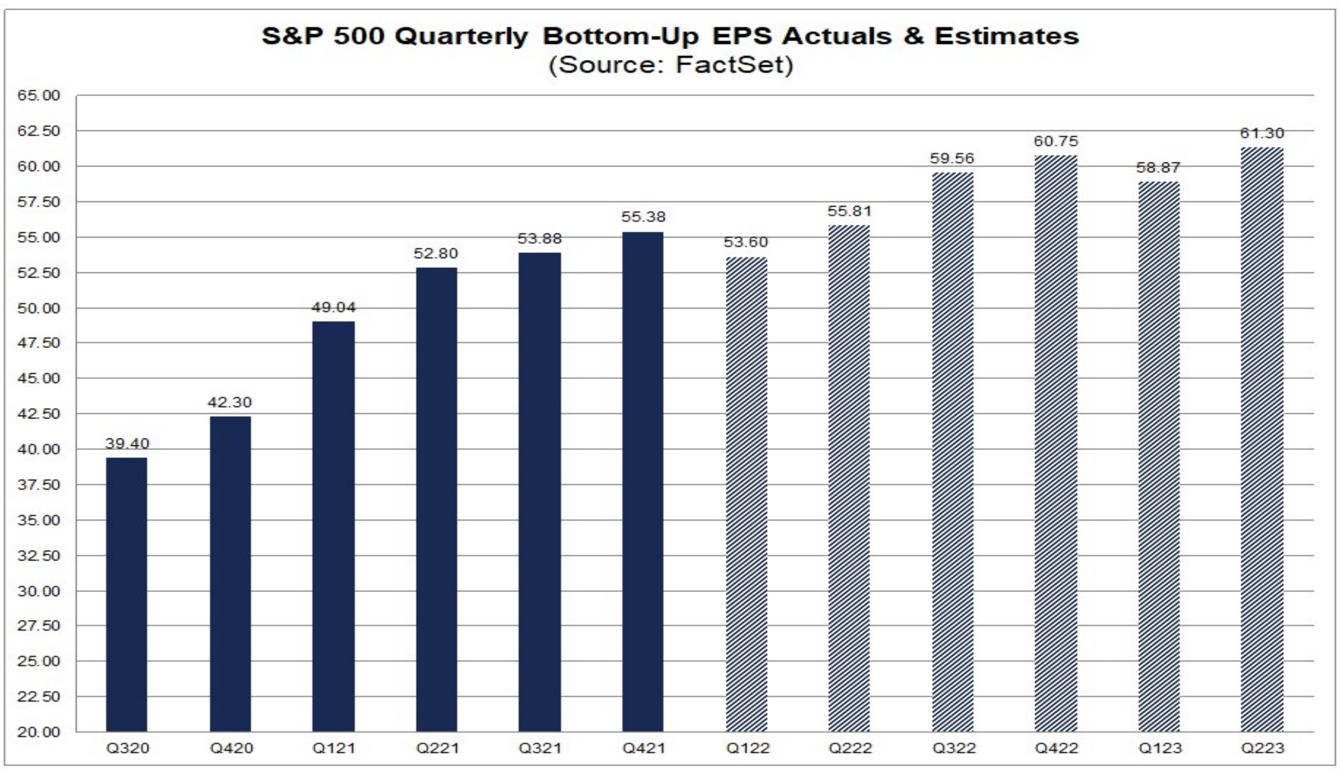
# Bottom-up EPS Estimates: Current & Historical

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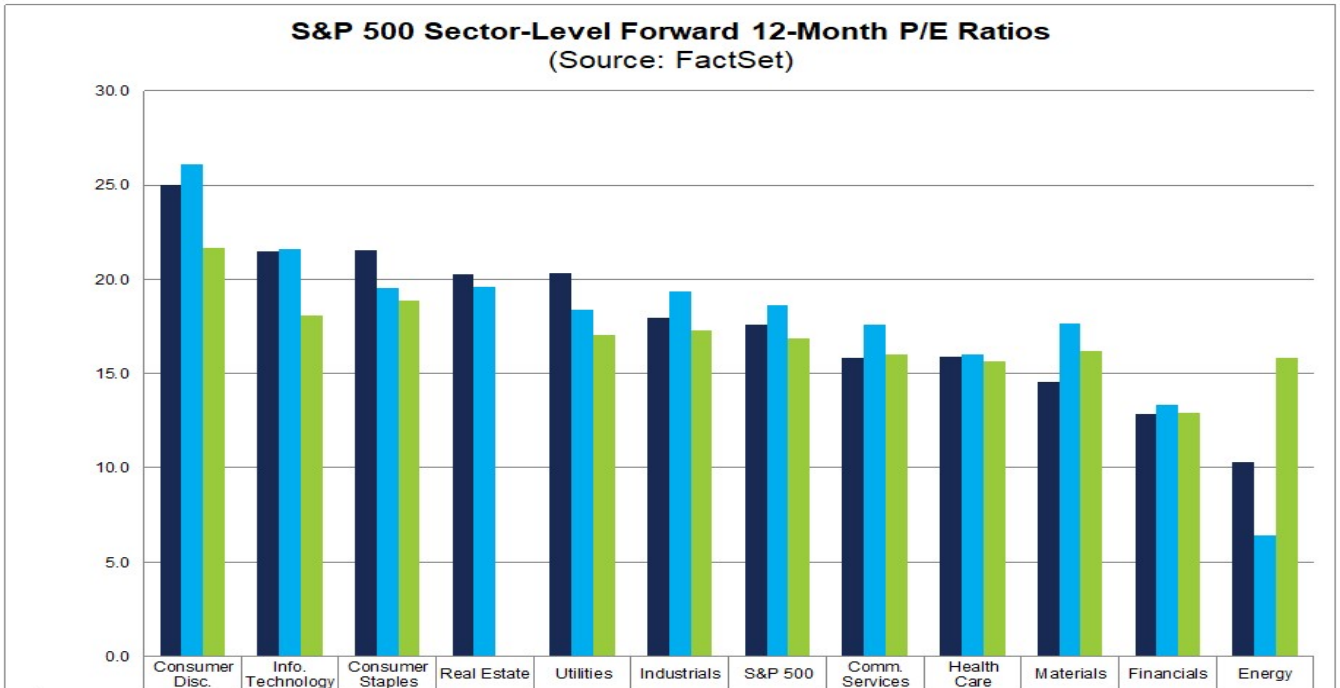
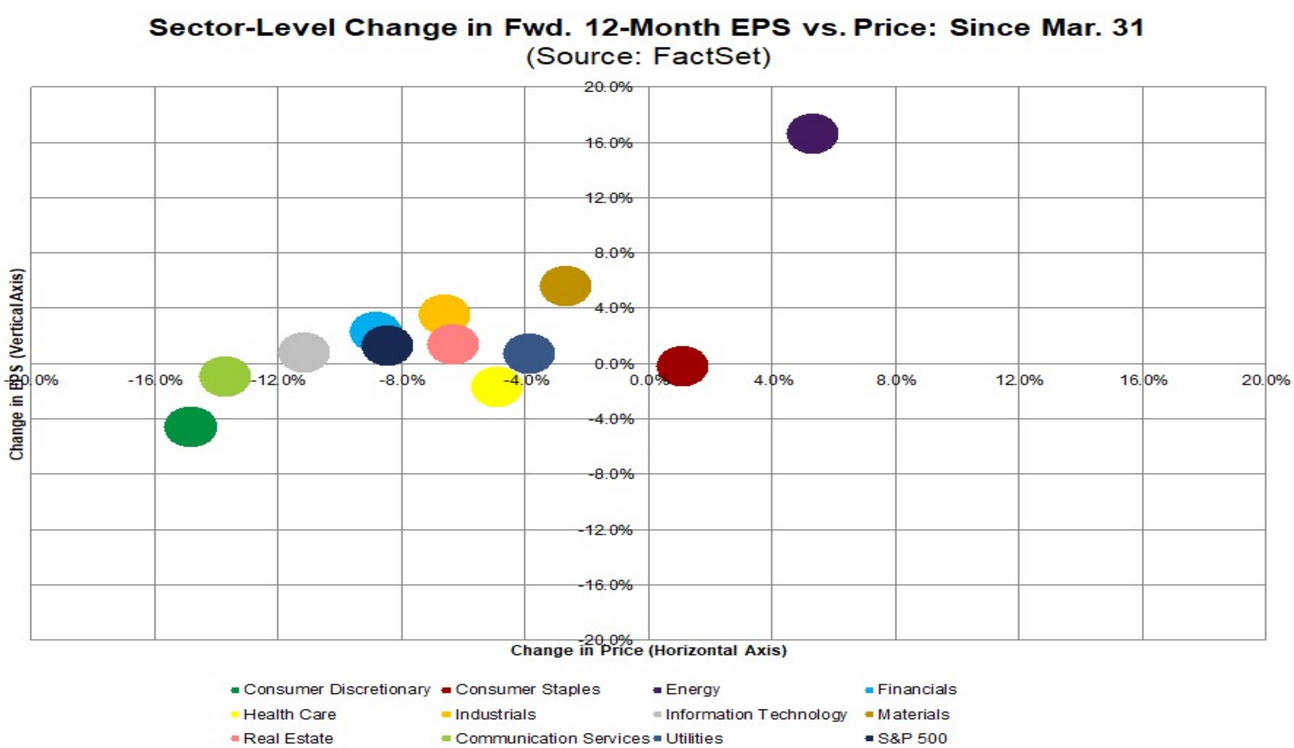
# Forward 12M P/E Ratio: Sector Level




| | Consumer Disc. | Info. Technology | Consumer Staples | Real Estate | Utilities | Industrials | S&P 500 | Comm. Services | Health Care | Materials | Financials | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fwd P/E | 25.0 | 21.5 | 21.5 | 20.3 | 20.3 | 18.0 | 17.6 | 15.8 | 15.9 | 14.6 | 12.8 | 10.3 |
| 5-Yr Avg. | 26.1 | 21.6 | 19.5 | 19.6 | 18.4 | 19.4 | 18.6 | 17.6 | 16.0 | 17.6 | 13.4 | 6.4 |
| 10-Yr Avg. | 21.6 | 18.1 | 18.8 | | 17.1 | 17.3 | 16.9 | 16.0 | 15.6 | 16.2 | 12.9 | 15.8 |

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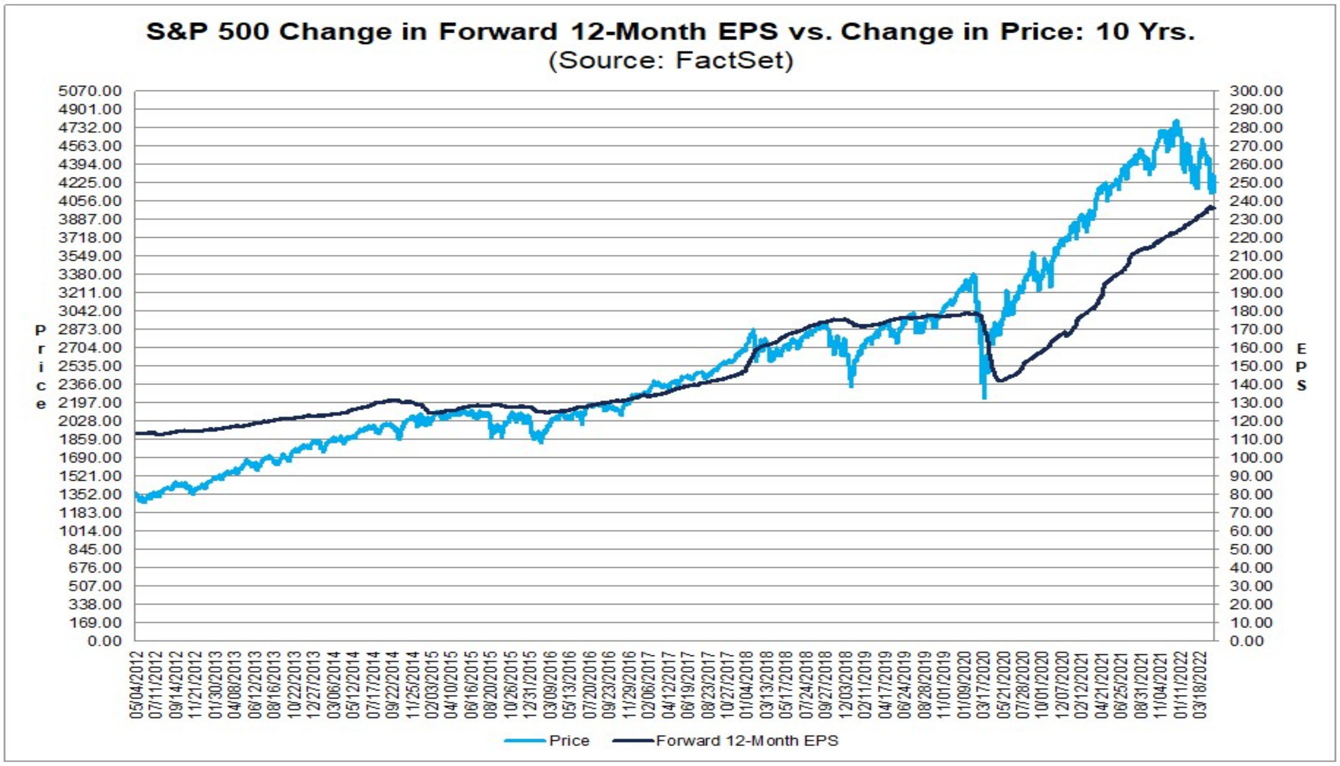
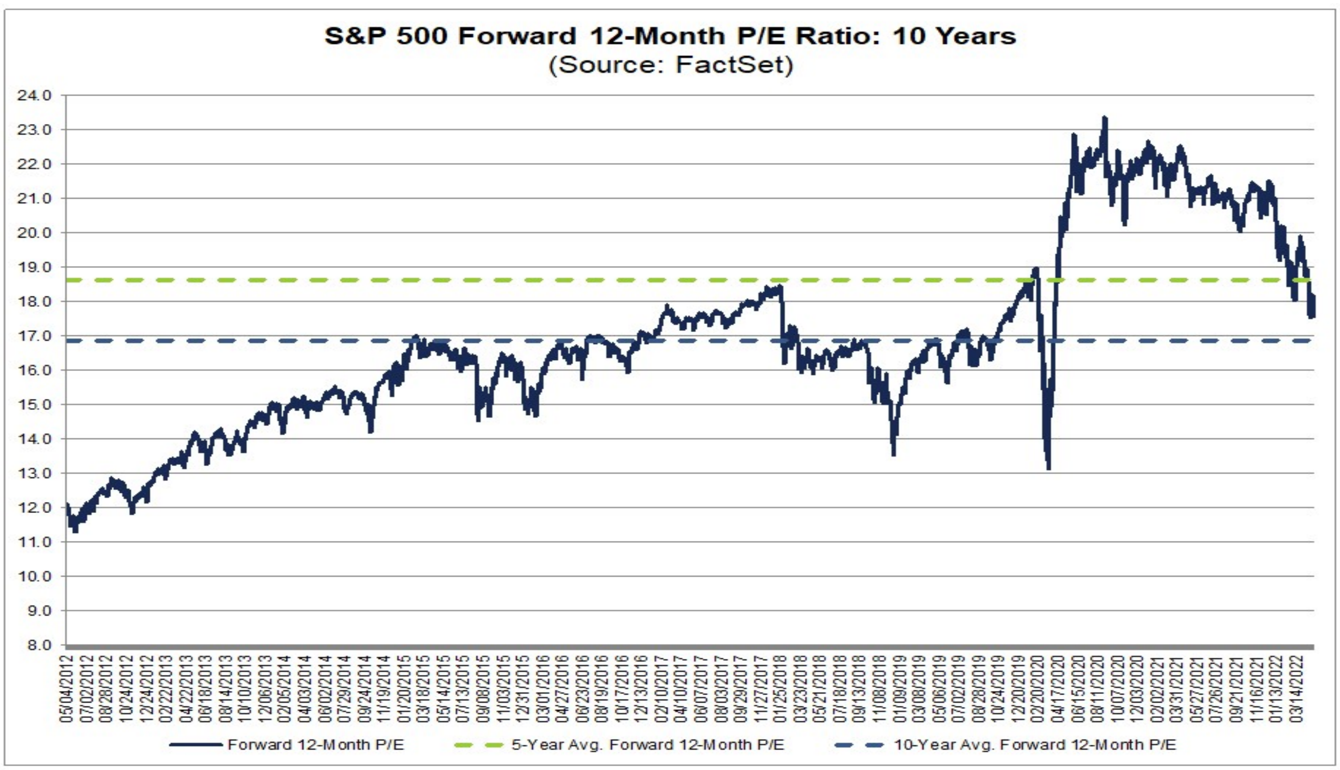
# Forward 12M P/E Ratio: 10-Years

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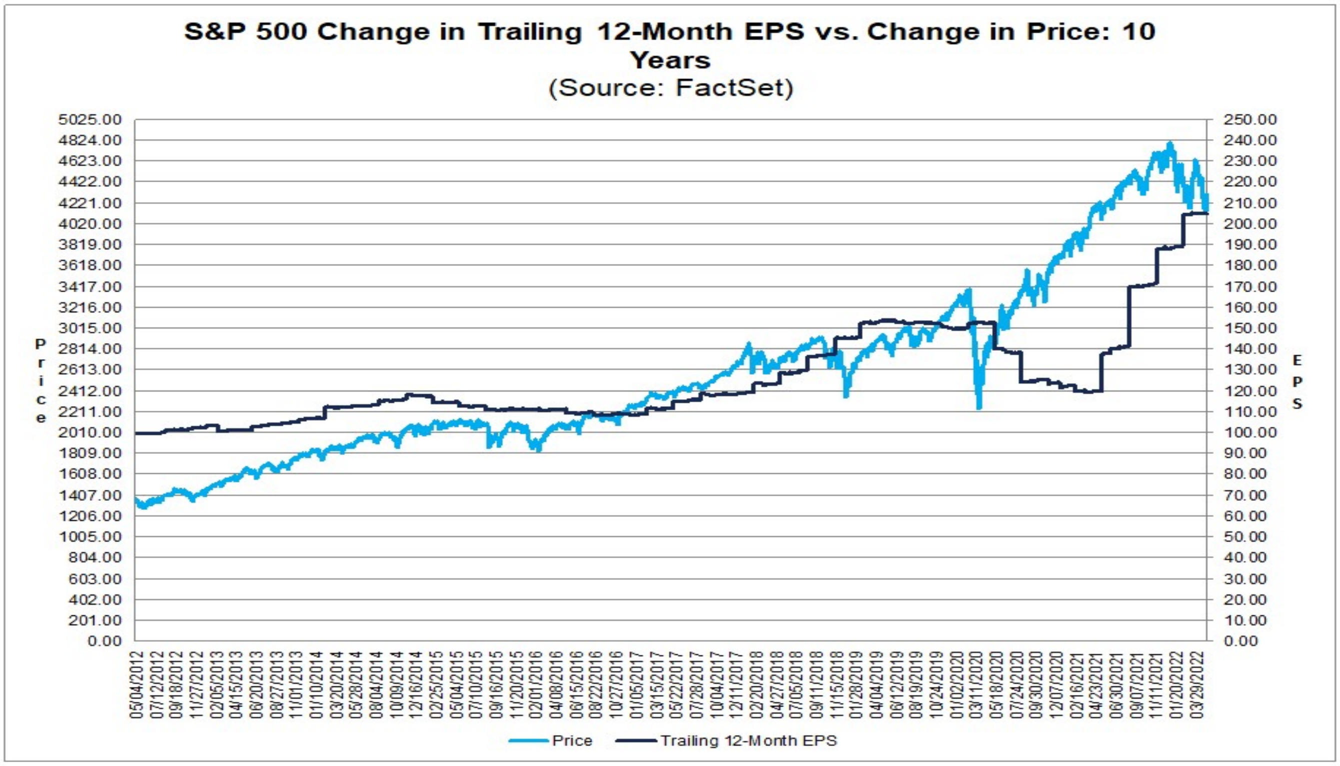
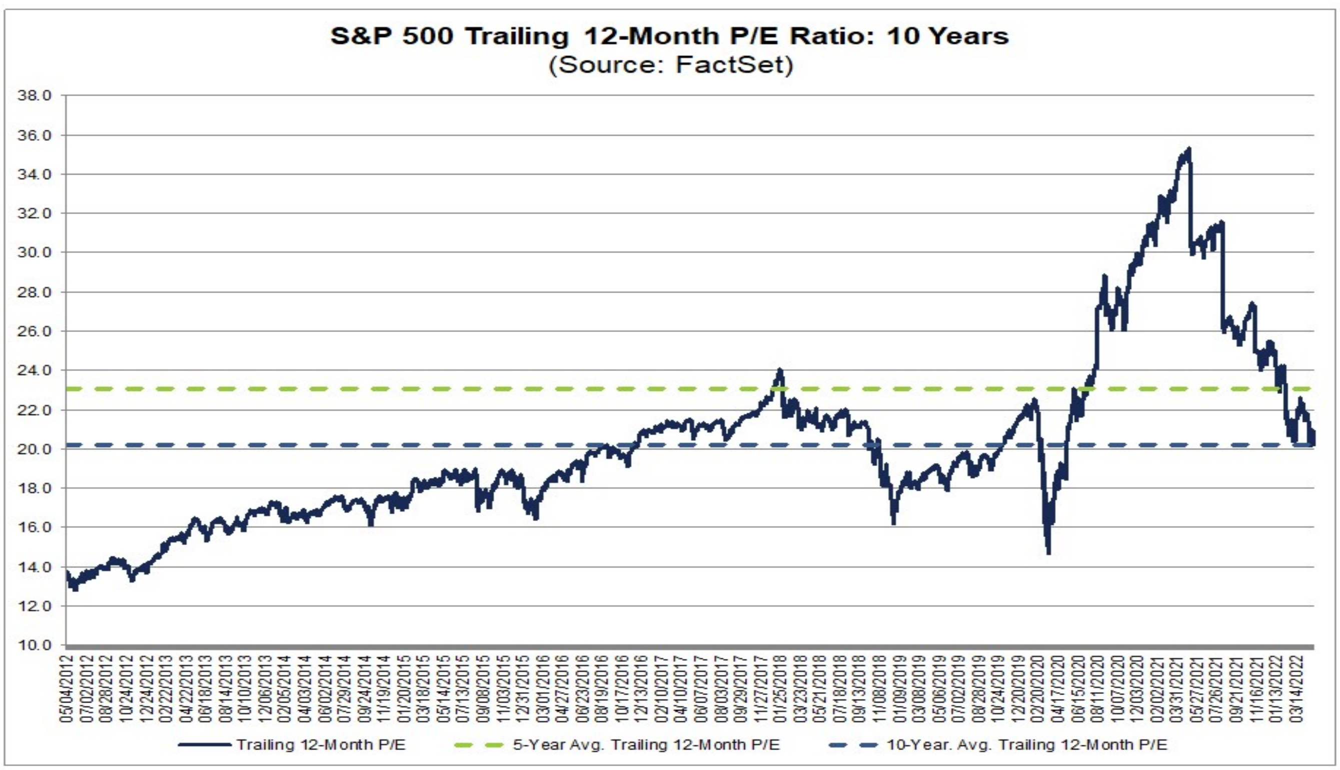
# Trailing 12M P/E Ratio: 10-Years

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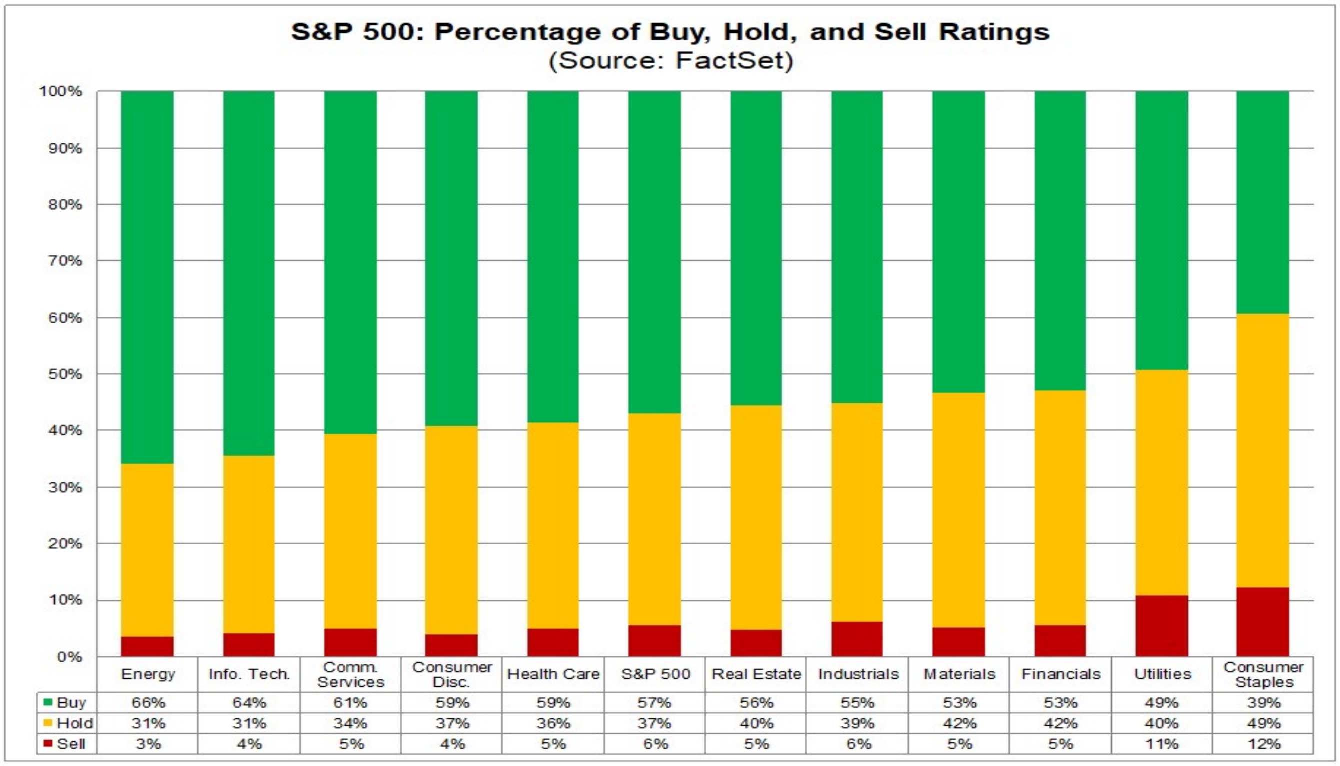
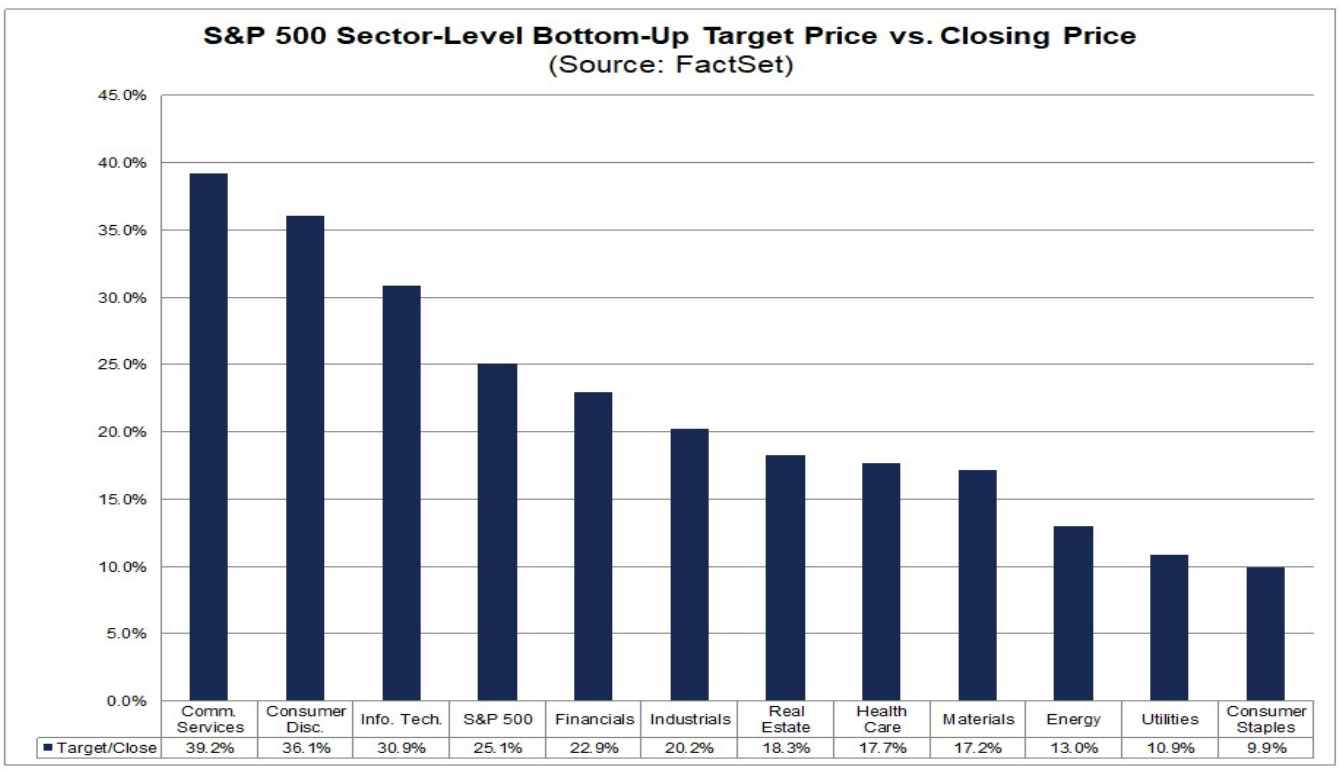
# Targets & Ratings




| | Energy | Info. Tech. | Comm. Services | Consumer Disc. | Health Care | S&P 500 | Real Estate | Industrials | Materials | Financials | Utilities | Consumer Staples |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Buy | 66% | 64% | 61% | 59% | 59% | 57% | 56% | 55% | 53% | 53% | 49% | 39% |
| Hold | 31% | 31% | 34% | 37% | 36% | 37% | 40% | 39% | 42% | 42% | 40% | 49% |
| Sell | 3% | 4% | 5% | 4% | 5% | 6% | 5% | 6% | 5% | 5% | 11% | 12% |




| | Comm. Services | Consumer Disc. | Info. Tech. | S&P 500 | Financials | Industrials | Real Estate | Health Care | Materials | Energy | Utilities | Consumer Staples |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Target/Close | 39.2% | 36.1% | 30.9% | 25.1% | 22.9% | 20.2% | 18.3% | 17.7% | 17.2% | 13.0% | 10.9% | 9.9% |

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