John Butters
VP, Senior Earnings Analyst
jbutters@factset.com

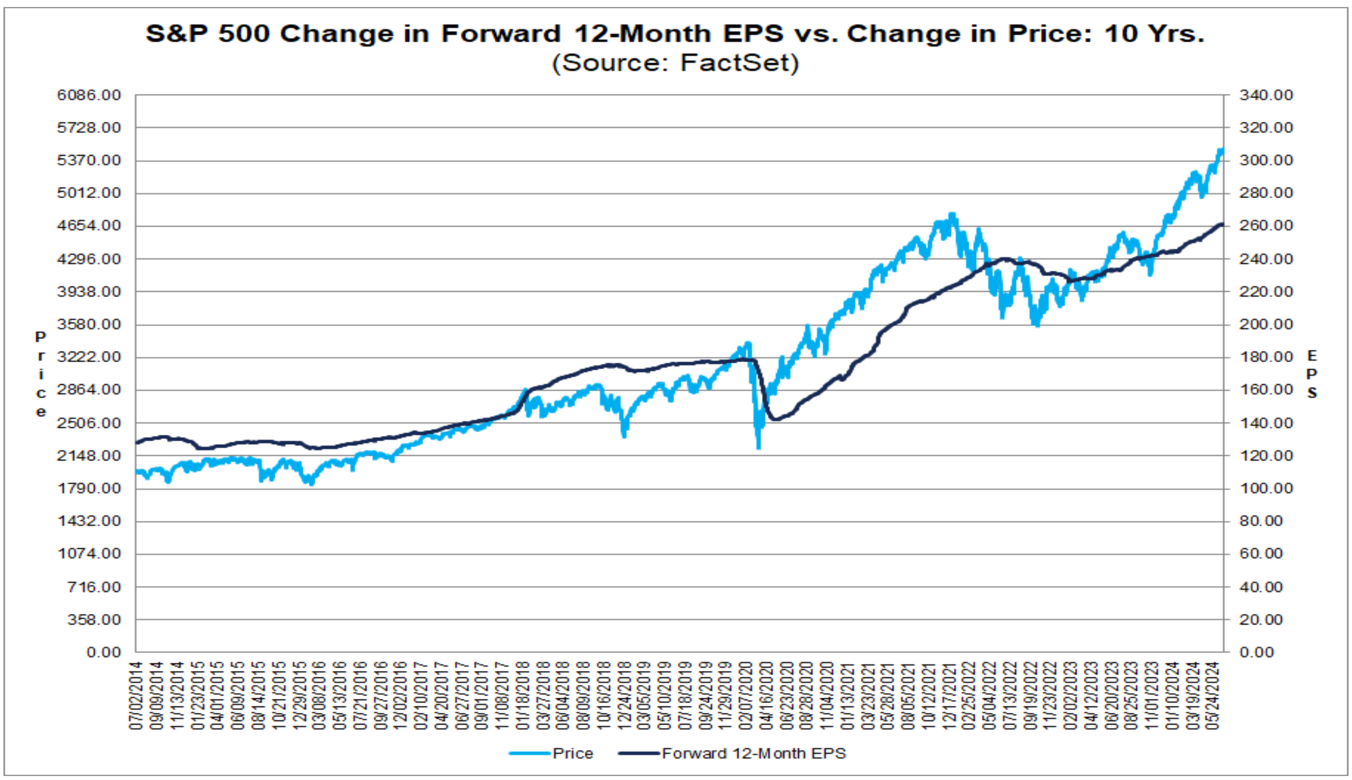
Media Questions/Requests
media_request@factset.com

July 3, 2024

Author's Note: ***The FactSet Earnings Insight report is being published two days early on July 3 due to the July 4 holiday. The next edition of the report will be published on Friday, July 12.***

Key Metrics

- **Earnings Growth:** For Q2 2024, the estimated (year-over-year) earnings growth rate for the S&P 500 is 8.8%. If 8.8% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q1 2022 (9.4%).
- **Earnings Revisions:** On March 31, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q2 2024 was 9.1%. Seven sectors are expected to report lower earnings today (compared to March 31) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q2 2024, 67 S&P 500 companies have issued negative EPS guidance and 45 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.2. This P/E ratio is above the 5-year average (19.3) and above the 10-year average (17.9).



To receive this report via e-mail or view other articles with FactSet content, please go to: https://insight.factset.com/
To learn more about the FactSet difference ("Why FactSet?"), please go to: https://www.factset.com/why-factset

Table of Contents

Commentary

Charts

Topic of the Week: 1

Analysts Made Smaller Cuts Than Average to EPS Estimates for S&P 500 Companies for Q2

Given concerns in the market about a possible economic slowdown, did analysts lower EPS estimates more than normal for S&P 500 companies for the second quarter?

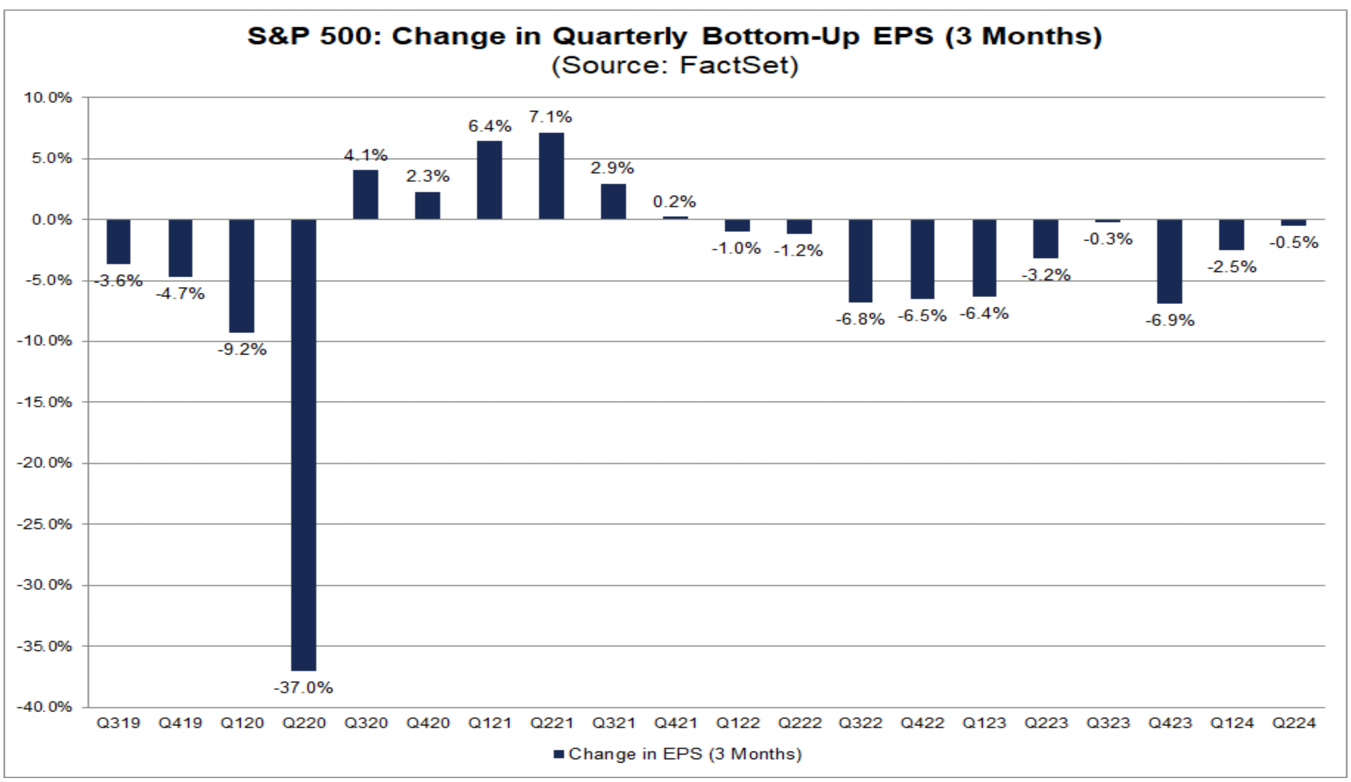
The answer is no. During the second quarter, analysts lowered EPS estimates for the quarter by a smaller margin than average. The Q2 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q2 for all the companies in the index) decreased by 0.5% (to $58.94 from $59.22) from March 31 to June 30.

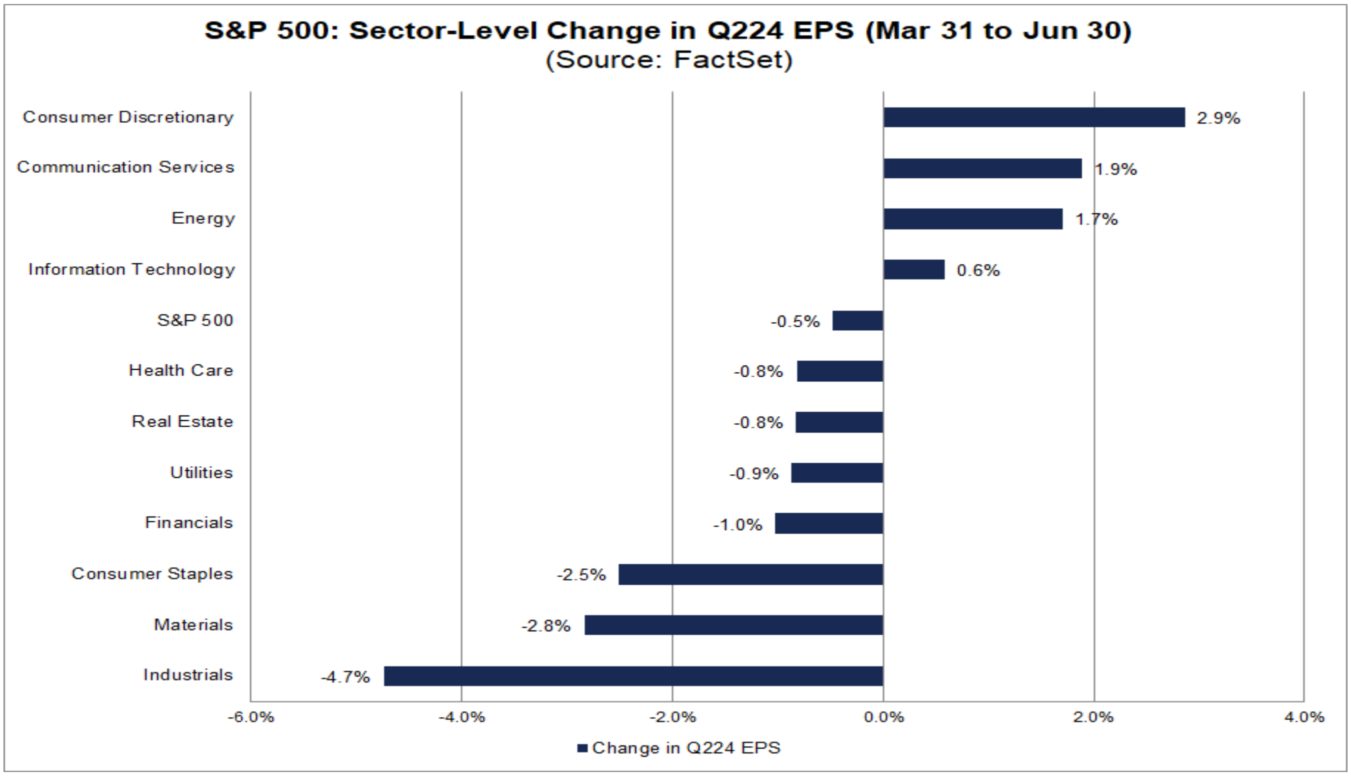
In a typical quarter, analysts usually reduce earnings estimates during the quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.4%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.3%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.2%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 4.0%.

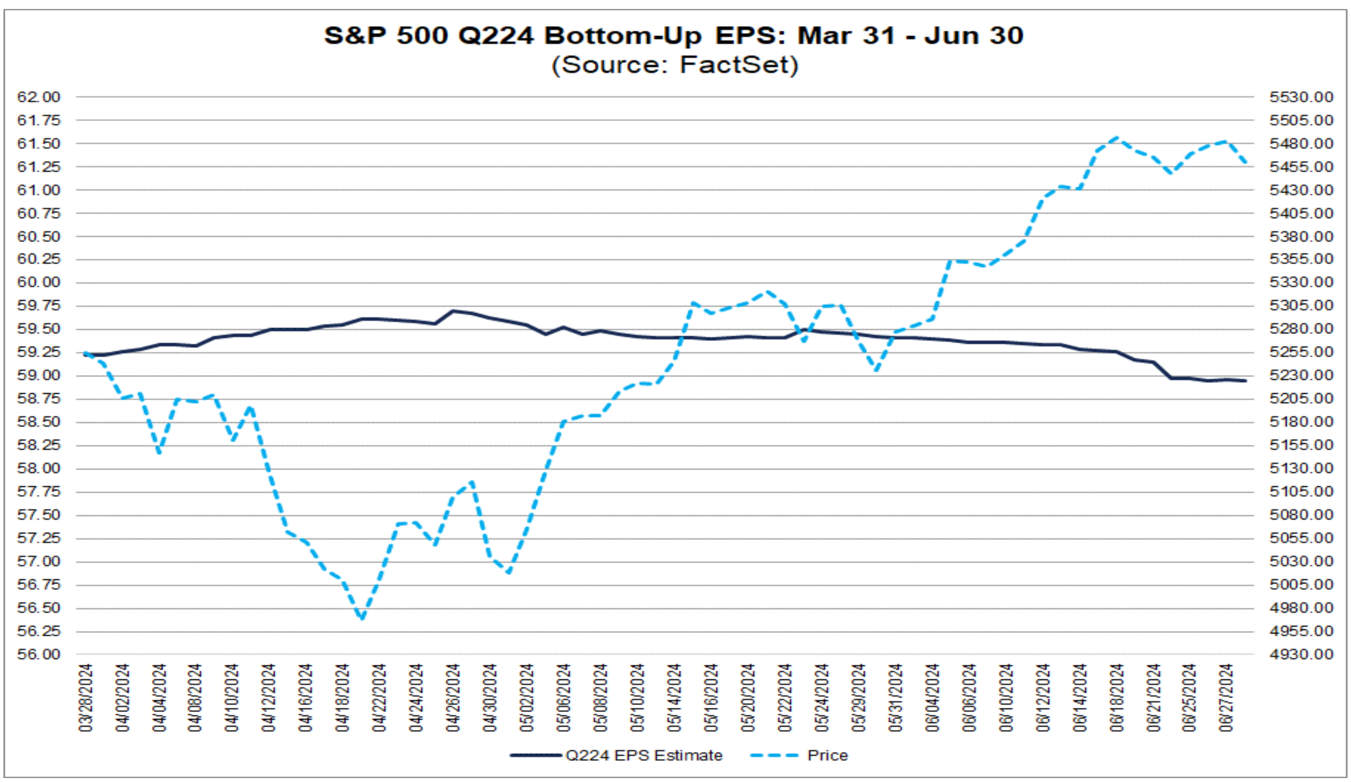
Thus, the decline in the bottom-up EPS estimate recorded during the second quarter was smaller than the 5-year average, the 10-year average, the 15-year average, and the 20-year average.

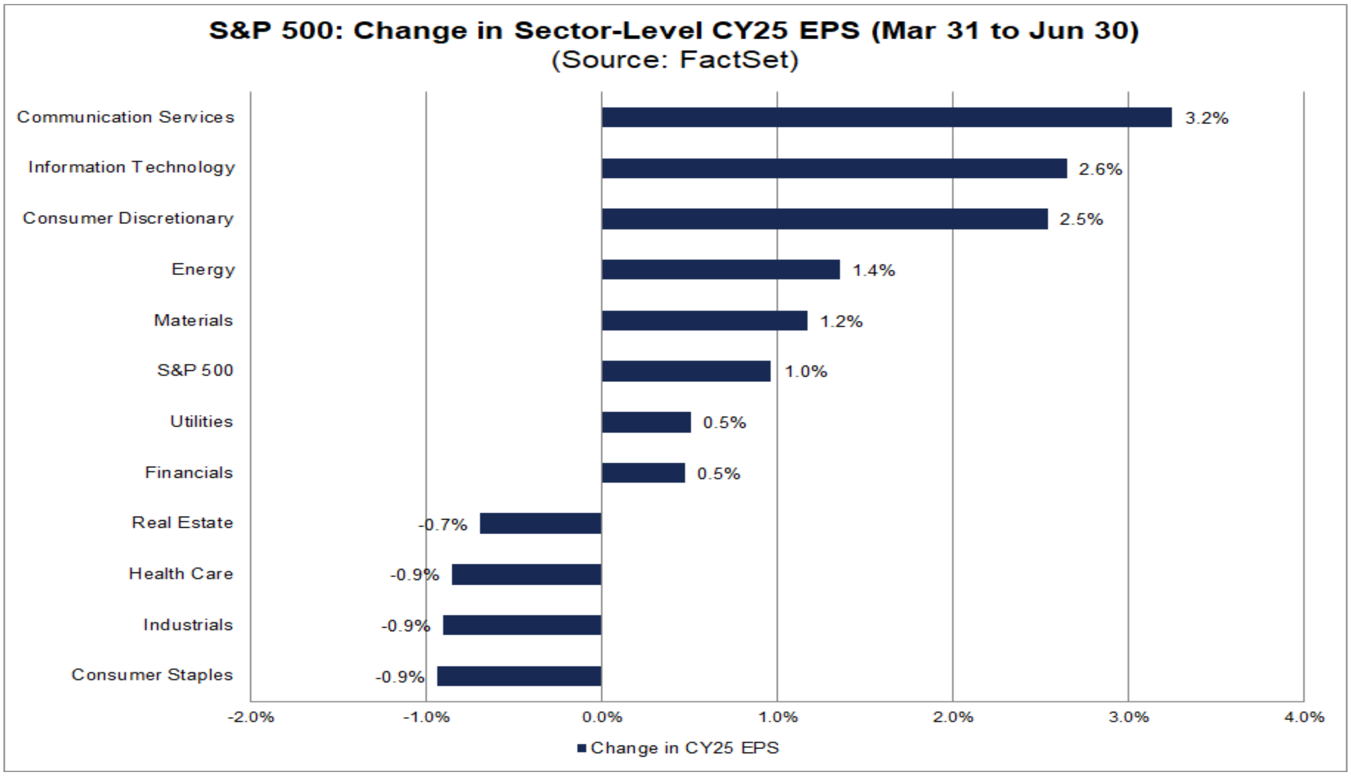
At the sector level, seven sectors recorded a decrease in their bottom-up EPS estimate for Q2 2024 from March 31 to June 30, led by the Industrials (-4.7%) sector. On the other hand, four sectors witnessed an increase in their bottom-up EPS estimate for Q2 2024 during this period, led by the Consumer Discretionary (+2.9%) sector.

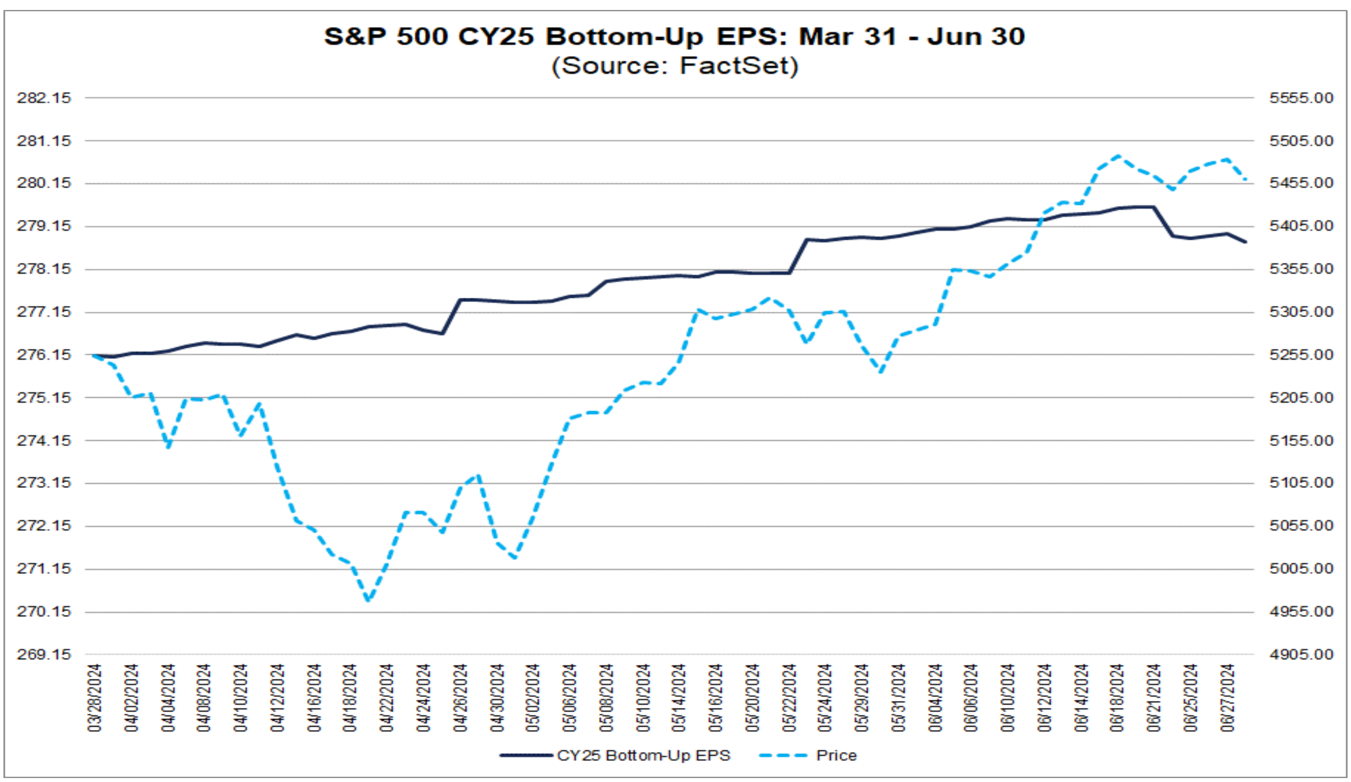
However, it is important to note that while analysts decreased EPS estimates in aggregate for Q2 2024 during the quarter, they increased EPS estimates for CY 2025 by 1.0% (to 278.80 from $276.14) over this period. At the sector level, seven of the eleven sectors witnessed an increase in their bottom-up EPS estimate for CY 2025 from March 31 to June 30, led by the Communication Services (+3.2%), Information Technology (+2.6%), and Consumer Discretionary (+2.5%) sectors.




S&P 500: Sector-Level Change in Q224 EPS (Mar 31 to Jun 30)
(Source: FactSet)
Consumer Discretionary
Communication Services
Energy
Information Technology
S&P 500
Health Care
Real Estate
Utilities
Financials
Consumer Staples
Materials
Industrials
2.9%
1.9%
1.7%
0.6%
-0.5%
-0.8%
-0.8%
-0.9%
-1.0%
-2.5%
-2.8%
-4.7%
-6.0%
-4.0%
-2.0%
0.0%
2.0%
4.0%
Change in Q224 EPS


S&P 500 Q224 Bottom-Up EPS: Mar 31 - Jun 30
(Source: FactSet)
62.00
56.00
5530.00
4930.00
Q224 EPS Estimate
Price


S&P 500: Change in Sector-Level CY25 EPS (Mar 31 to Jun 30)
(Source: FactSet)
Communication Services 3.2%
Information Technology 2.6%
Consumer Discretionary 2.5%
Energy 1.4%
Materials 1.2%
S&P 500 1.0%
Utilities 0.5%
Financials 0.5%
Real Estate -0.7%
Health Care -0.9%
Industrials -0.9%
Consumer Staples -0.9%
-2.0% -1.0% 0.0% 1.0% 2.0% 3.0% 4.0%
Change in CY25 EPS


S&P 500 CY25 Bottom-Up EPS: Mar 31 - Jun 30
(Source: FactSet)
282.15 281.15 280.15 279.15 278.15 277.15 276.15 275.15 274.15 273.15 272.15 271.15 270.15 269.15
5555.00 5505.00 5455.00 5405.00 5355.00 5305.00 5255.00 5205.00 5155.00 5105.00 5055.00 5005.00 4955.00 4905.00
03/28/2024 04/02/2024 04/04/2024 04/08/2024 04/10/2024 04/12/2024 04/16/2024 04/18/2024 04/22/2024 04/24/2024 04/26/2024 04/30/2024 05/02/2024 05/06/2024 05/08/2024 05/10/2024 05/14/2024 05/16/2024 05/20/2024 05/22/2024 05/24/2024 05/29/2024 05/31/2024 06/04/2024 06/06/2024 06/10/2024 06/12/2024 06/14/2024 06/18/2024 06/21/2024 06/25/2024 06/27/2024
CY25 Bottom-Up EPS
Price

Topic of the Week: 2

S&P 500 Financials Sector Q2 Earnings Preview: Banks Expected to Report Largest Decline

The Financials sector will be a focus for the market during the next two weeks, as over 40% of the S&P 500 companies that are scheduled to report earnings for the second quarter over this period are part of this sector. Companies in the Financials sector that are expected to report earnings during these two weeks include Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo. The Financials sector is predicted to report the seventh-highest (year-over-year) earnings growth rate of all eleven sectors for Q2 2024 at 4.3%.

At the industry level, three of the five industries in the sector are expected to report year-over-year earnings growth, led by the Insurance industry at 31% and the Capital Markets industry at 23%. These two industries are also expected to be the largest contributors to year-over-year earnings growth for the sector. If the Insurance and Capital Markets industries were excluded, the Financials sector would be expected to report a (year-over-year) decline in earnings of -6.4% rather than a year-over-year increase in earnings of 4.3%.

Within the Insurance industry, four of five sub-industries are expected to report year-over-year earnings growth: Property & Casualty Insurance (95%), Reinsurance (22%), Insurance Brokers (15%), and Life & Health Insurance (6%). On the other hand, the Multi-line Insurance (-16%) sub-industry is the only sub-industry in the industry predicted to report a year-over-year decline in earnings.

Within the Capital Markets industry, all three sub-industries are expected to report year-over-year earnings growth: Investment Banking & Brokerage (53%), Financial Exchanges & Data (10%), and Asset Management & Custody Banks (10%).

The other industry expected to report year-over-year earnings growth in the sector is the Financial Services industry at less than 1%. Within this industry, the Transaction & Payment Processing Services sub-industry is projected to report year-over-year earnings growth of 5%, while the Multi-Sector Holdings sub-industry is projected to report a year-over-year decline in earnings of -7%.

On the other hand, two industries in the sector are expected to report a year-over-year decline in earnings, led by the Banks industry at -10%. This industry is also expected to be the largest detractor to year-over-year earnings growth for the sector. If the Banks industry were excluded, the estimated earnings growth rate for the Financials sector would increase to 14.8% from 4.3%. At the sub-industry level, both the Regional Banks (-26%) and Diversified Banks (-9%) sub-industries are expected to report year-over-year declines in earnings.

Sean Ryan, VP/Associate Director for the banking and specialty finance sector at FactSet, highlighted a number of key themes and metrics to watch for banks in the S&P 500 during this earnings season:

Bank earnings season begins on Friday, July 12, and in the broad contours, is apt to look remarkably similar to the first quarter.

The interest rate environment remained a marginal negative in the second quarter, albeit slightly less so than in the first; the 10 year Treasury yield rose 17bps to 4.37%, suggesting further OCI losses (though perhaps a bit less than in the first quarter, when the 10 year yield rose 32bps). At the short end of the curve, markets continue to chase the prospect of rate cuts as they recede ever further into the horizon. Yet hope springs eternal, and Fed Funds futures currently price in 25-bp cuts at the September and December FOMC meetings, down from the 3 2024 cuts that were priced in a quarter ago.

Net interest income should be restrained by sluggish loan growth, but on the positive side, the bottoming process for net interest margins continues to play out, with another tranche of banks likely to post their first increases of this cycle, and more likely to guide to future increases.

Noninterest revenues should be mixed. Investment banking revenues will again be restrained by weakness in M&A as the market continues to await a resurgence in sponsor-led activity. Mortgage banking should see a benefit from higher origination activity, including refis (despite the slightly higher interest rates). Wealth and asset management results should again enjoy a tailwind from the 3.9% gain posted by the S&P 500 during the quarter (albeit a smaller one than last quarter when the index rose 10.2%) though the long term headwind of active flows of course persists.

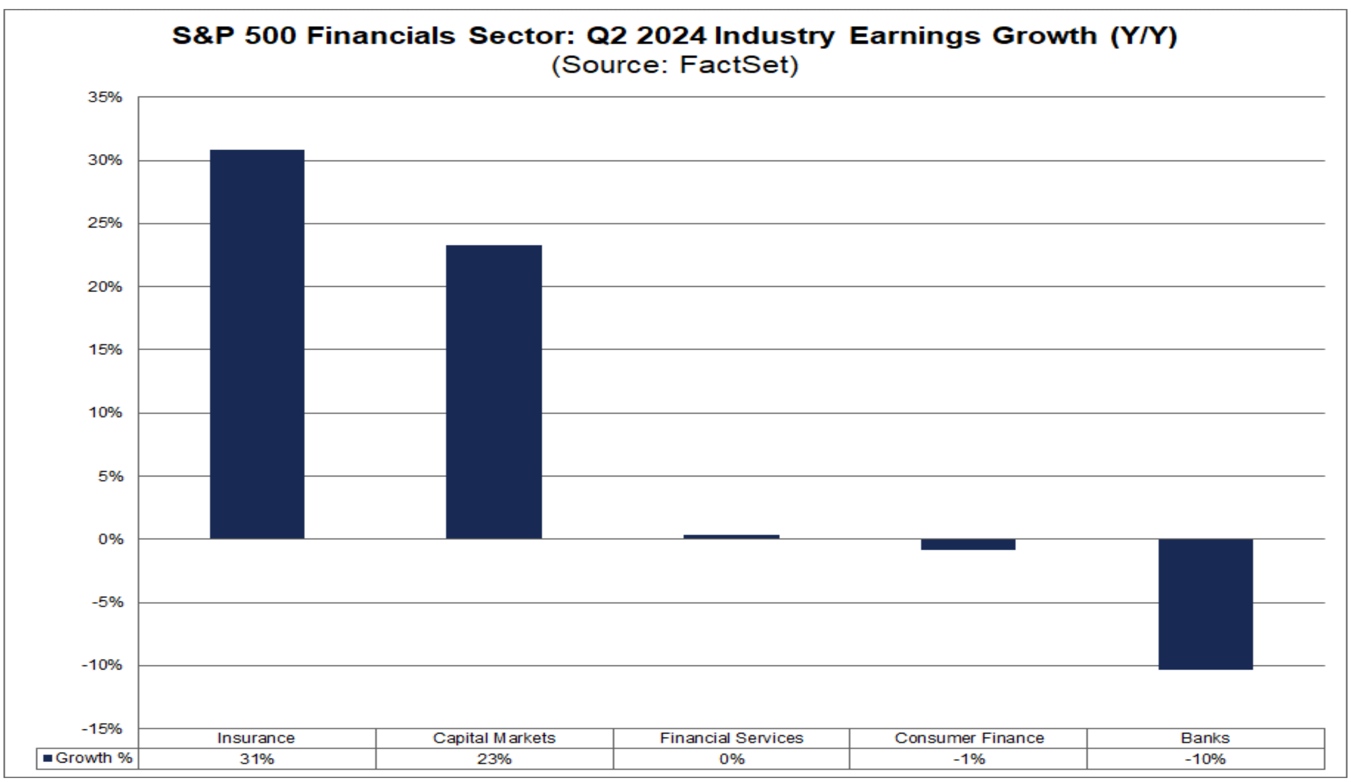
Credit will remain a headwind, though less so than some of the more sensational reporting around commercial real estate might lead one to believe. CRE and credit cards (particularly in the less affluent segments) should again be the drivers of provisioning, though the higher-longer rate environment raises the probability of rising C&I problems among borrowers with balance sheets that were too long configured for ZIRP.

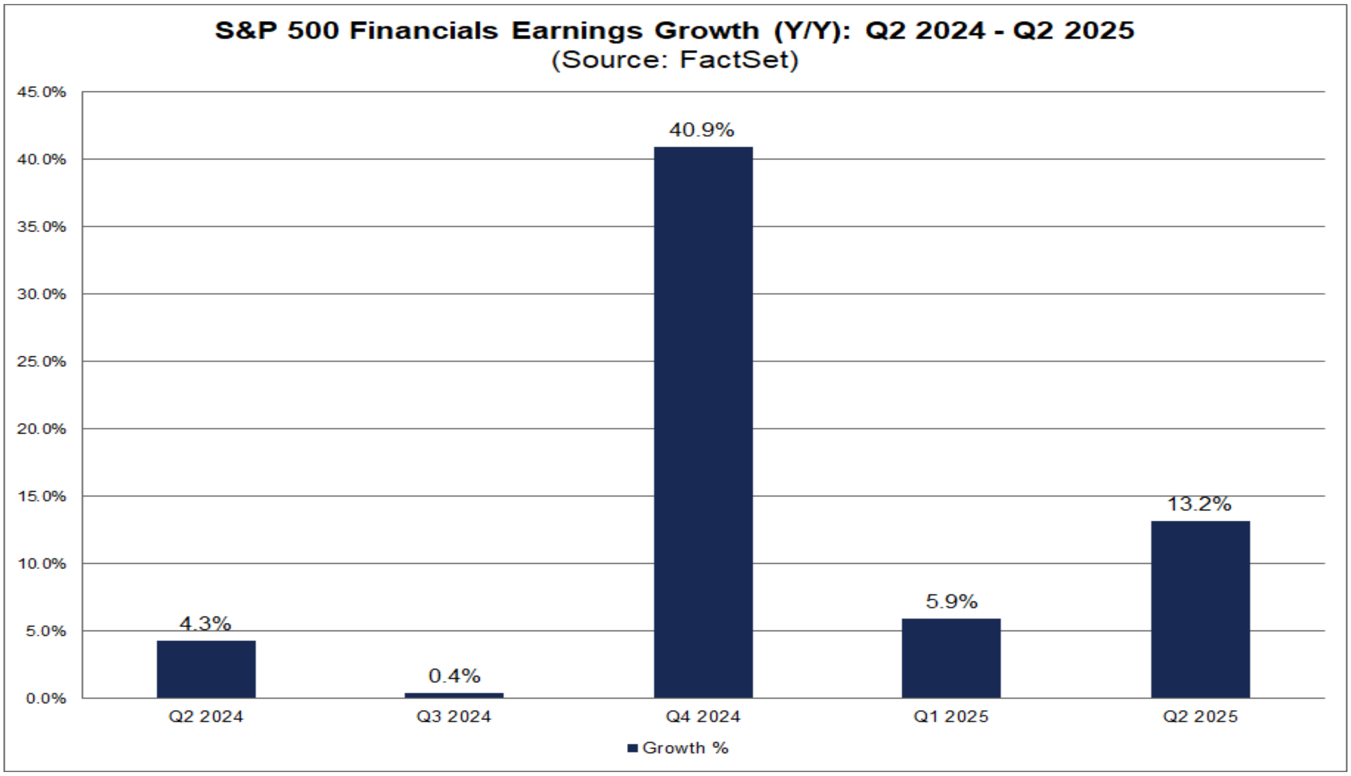
Estimates for the second quarter appear to have taken account of some of the incremental negatives, having trended down during the quarter, though of course whether they have adjusted appropriately, by too much or by too little remains to be seen.

For more commentary and analysis on the banking industry, please see Sean's articles on the FactSet Insight blog at this link: https://insight.factset.com/author/sean-ryan

The other industry expected to report a year-over-year decline in earnings is the Consumer Finance industry at -1%.

Looking ahead, analysts are predicting earnings growth rates for the Financials sector of 0.4%, 40.9%, and 5.9% for Q3 2024, Q4 2024, and Q1 2025, respectively.




S&P 500 Financials Earnings Growth (Y/Y): Q2 2024 - Q2 2025
(Source: FactSet)
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
4.3%
0.4%
40.9%
5.9%
13.2%
Q2 2024
Q3 2024
Q4 2024
Q1 2025
Q2 2025
Growth %

Q2 Earnings Season: By The Numbers

Overview

At the end of the second quarter, earnings expectations for the S&P 500 for the quarter are slightly below the estimate at the start of the quarter. Thus, analysts continue to expect that the index will report its highest (year-over-year) earnings growth rate in more than two years for the second quarter.

In terms of guidance for the second quarter, the percentage of S&P 500 companies issuing negative EPS guidance for Q2 2024 is within average levels. At this point in time, 112 companies in the index have issued EPS guidance for Q2 2024, Of these companies, 67 have issued negative EPS guidance and 45 have issued positive EPS guidance. The percentage of S&P 500 companies issuing negative EPS guidance for Q2 2024 is 60% (67 out of 112), which is above the 5-year average of 59% but below the 10-year average of 63%.

In terms of estimate revisions for companies in the S&P 500, analysts in aggregate lowered earnings estimates by a smaller margin than average for Q2 2024. On a per-share basis, estimated earnings for the second quarter decreased by 0.5% from March 31 to June 30. Typically, analysts reduce EPS estimates for S&P 500 companies by 3% to 4% during a quarter.

As a result, the estimated (year-over-year) earnings growth rate for Q2 2024 is slightly below the estimate at the start of the second quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 8.8%, compared to the estimated (year-over-year) earnings growth rate of 9.1% on March 31.

If 8.8% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q1 2022 (9.4%). It will also mark the fourth consecutive quarter of year-over-year earnings growth for the index.

Earnings growth for Q2 is expected to be broad across the index, as eight of the eleven sectors are projected to report year-over-year growth. Four of these eight sectors are predicted to report double-digit growth: Communication Services, Heath Care, Information Technology, and Energy. On the other hand, three sectors are predicted to report a year-over-year decline in earnings, led by the Materials sector.

In terms of revenues, analysts have also slightly lowered their expectations. As a result, the estimated (year-over-year) revenue growth rate for Q2 2024 is slightly below the estimate at the start of the quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 4.6%, compared to the expectations for revenue growth of 4.7% on March 31.

If 4.6% is the actual revenue growth rate for the quarter, it will mark the 15th consecutive quarter of revenue growth for the index.

Nine sectors are projected to report year-over-year growth in revenue, led by the Information Technology and Energy sectors. On the other hand, the Materials sector is the only sector expected to report a year-over-year decline in revenue.

Looking ahead, analysts expect (year-over-year) earnings growth rates of 8.1% and 17.3% for Q3 2024, and Q4 2024, respectively. For CY 2024, analysts are calling for (year-over-year) earnings growth of 11.2%.

The forward 12-month P/E ratio is 21.2, which is above the 5-year average (19.3) and above the 10-year average (17.9). This P/E ratio is slightly above the forward P/E ratio of 21.0 recorded at the end of the first quarter (March 31).

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

Earnings Revisions: Industrials Sector Has Seen Largest Decrease in EPS Estimates

Slight Decrease In Estimated Earnings Growth Rate for Q2 This Week Due to Energy

During the past week, the estimated earnings growth rate for the S&P 500 for Q2 2024 decreased slightly to 8.8% from 8.9%. Downward revisions to EPS estimates for companies in the Energy sector were mainly responsible for the small decrease in the overall earnings growth rate during the week.

The estimated earnings growth rate for the S&P 500 for Q2 2024 of 8.8% today is slightly below the estimate of 9.1% at the start of the quarter (March 31), as estimated earnings for the index of $513.1 billion today are 0.3% below the estimate of $514.5 billion at the start of the quarter. Seven sectors have recorded a decrease in expected (dollar-level) earnings due to downward revisions to earnings estimates, led by the Industrials, Utilities, Materials, and Consumer Staples sectors. On the other hand, four sectors have recorded an increase in dollar-level earnings due to upward revisions to earnings estimates, led by the Consumer Discretionary and Communication Services sectors.

Industrials: Boeing Leads Earnings Decrease Since March 31

The Industrials sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -4.3% (to $44.2 billion from $46.2 billion). As a result, the sector is now expected to report a (year-over-year) decline in earnings of -3.4% compared to estimated (year-over-year) earnings growth of 1.0% on March 31. This sector has also witnessed the second-largest decrease in price of all eleven sectors since March 31 at -3.8%. Overall, 47 of the 78 companies (60%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 47 companies, 11 have recorded a decrease in their mean EPS estimate of more than 10%, led by Boeing (to -$1.21 from $0.64), Rockwell Automation (to $2.09 from $3.58), and Southwest Airlines (to $0.52 from $0.84). Boeing and Deere & Company (to $5.87 from $6.99) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since March 31.

Utilities: 55% of Companies Have Seen a Decline in EPS Since March 31

The Utilities sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -2.7% (to $12.5 billion from $12.9 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has decreased to 8.5% today from 11.6% on March 31. Despite the decrease in expected earnings, this sector has witnessed the third-largest increase in price of all eleven sectors since March 31 at 3.6%. Overall, 17 of the 31 companies (55%) in the Utilities sector have seen a decrease in their mean EPS estimate during this time. Of these 17 companies, 3 have recorded a decrease in their mean EPS estimate of more than 10%: Vistra Corporation (to $0.34 from $0.92), WEC Energy Group (to $0.79 from $0.97), and NiSource (to $0.14 from $0.16). Vistra Corporation has also been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since March 31.

Materials: 71% of Companies Have Seen a Decline in EPS Since March 31

The Materials sector has recorded the third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -2.6% (to $13.0 billion from $13.4 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -9.7% today from -7.2% on March 31. This sector has also witnessed the largest decrease in price of all eleven sectors since March 31 at -6.2%. Overall, 20 of the 28 companies (71%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 20 companies, 4 have recorded a decrease in their mean EPS estimate of more than 10%: Nucor (to $2.53 from $3.64), International Paper (to $0.41 from $0.52), Mosaic Company (to $0.65 from $0.82), and FMC Corporation (to $0.58 from $0.67). Nucor has also been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since March 31.

Consumer Staples: 68% of Companies Have Seen a Decline in EPS Since March 31

The Consumer Staples sector has recorded the fourth-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -2.0% (to $34.6 billion from $35.4 billion). As a result, the sector is now expected to report a (year-over-year) decline in earnings of -0.4% compared to estimated (year-over-year) earnings growth of 1.7% on March 31. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 0.6% since March 31. Overall, 26 of the 38 companies (68%) in the Consumer Staples sector have seen a decrease in their mean EPS estimate during this time. Of these 26 companies, 6 have recorded a decrease in their mean EPS estimate of more than 10%, led by Estee Lauder Companies (to $0.29 from $0.75) and Walgreens Boots Alliance (to $0.63 from $0.79).

Consumer Discretionary: Amazon.com Leads Earnings Increase Since March 31

The Consumer Discretionary sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 2.7% (to $46.4 billion from $45.2 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 6.9% today from 4.1% on March 31. This sector has also witnessed the fourth-largest increase in price of all eleven sectors since March 31 at 3.0%. Overall, 24 of the 52 companies (46%) in the Consumer Discretionary sector have seen an increase in their mean EPS estimate during this time. Of these 24 companies, 10 have recorded an increase in their mean EPS estimate of more than 10%, led by Carnival Corporation (to $0.11 from -$0.01), Ford Motor (to $0.67 from $0.54), and General Motors (to $2.67 from $2.19). Amazon.com (to $1.03 from $0.96), General Motors, and Ford Motor have been the largest contributors to the increase in expected (dollar-level) earnings for this sector since March 31.

Communication Services: Alphabet Leads Earnings Increase Since March 31

The Communication Services sector has recorded the second-largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 1.9% (to $53.8 billion from $52.8 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 18.4% today from 16.3% on March 31. This sector has also witnessed the second-largest increase in price of all eleven sectors since March 31 at 10.1%. Overall, just 5 of the 19 companies (26%) in the Communication Services sector have seen an increase in their mean EPS estimate during this time. Of these 5 companies, none have recorded an increase in their mean EPS estimate of more than 10%. Alphabet (to $1.83 from $1.68) has been the largest contributor to the increase in estimated (dollar-level) earnings for this sector since March 31.

Index-Level EPS Estimate: 0.5% Decrease During Q2

The Q2 bottom-up EPS estimate (which is an aggregation of the median Q2 earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) decreased by 0.5% (to $58.94 from $59.22) from March 31 to June 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 3.4% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 3.3% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 3.2% on average during a quarter. Over the past twenty years (60 quarters), earnings expectations have fallen by 4.0% on average during a quarter.

Thus, the decline in the bottom-up EPS estimate recorded during the second quarter was smaller than the 5-year average, the 10-year average, the 15-year average, and the 20-year average.

Guidance: Negative Guidance Percentage for Q2 is Between 5-Year and 10-Year Averages

Quarterly Guidance: Negative Guidance Percentage for Q2 is Between 5-Year and 10-Year Averages

At this point in time, 112 companies in the index have issued EPS guidance for Q2 2024. Of these 112 companies, 67 have issued negative EPS guidance and 45 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is above the 5-year average (58) and above the 10-year average (62). However, then number of companies issuing positive EPS guidance is also above the 5-year average (40) and above the 10-year average (37).

The percentage of companies issuing negative EPS guidance for Q2 2024 is 60% (67 out of 112), which is above the 5-year average of 59% but below the 10-year average of 63%.

Annual Guidance: 47% of S&P 500 Companies Issuing Negative Guidance for Current Year

At this point in time, 270 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 270 companies, 128 have issued negative EPS guidance and 142 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 47% (128 out of 270).

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 Growth: 8.8%

The estimated (year-over-year) earnings growth rate for Q2 2024 is 8.8%, which is below the 5-year average earnings growth rate of 9.5% but above the 10-year average earnings growth rate of 8.4%. If 8.8% is the actual growth rate for the quarter, it will mark the highest (year-over-year) earnings growth rate since Q1 2022 (9.4%). It will also mark the fourth consecutive quarter of year-over-year earnings growth.

Eight of the eleven sectors are expected to report year-over-year earnings growth, led by the Communication Services, Health Care, Information Technology, and Energy sectors. On the other hand, three sectors are expected to report a year-over-year decline in earnings, led by the Materials sectors.

Communication Services: Meta Platforms and Alphabet Lead Year-Over-Year Growth

The Communication Services sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 18.4%. At the industry level, 3 of the 5 industries in the sector are predicted to report year-over-year earnings growth. All three industries are projected to report growth at or above 20%: Entertainment (48%) Interactive Media & Services (32%), and Wireless Telecommunication Services (20%). On the other hand, two industries are expected to report a year-over-year decline in earnings: Diversified Telecommunication Services (-7%) and Media (-6%).

At the company level, Meta Platforms ($4.69 vs. $2.98) and Alphabet ($1.83 vs. $1.44) are expected to be the largest contributors to earnings growth for the sector. If these two companies were excluded, the estimated (year-over-year) earnings growth rate for Communication Services sector would fall to 3.2% from 18.4%.

Health Care: Merck Is Largest Contributor to Year-Over-Year Growth

The Health Care sector is expected to report the second-largest (year-over-year) earnings growth rate of all eleven sectors at 16.8%. At the industry level, 3 of the 5 industries in the sector are expected to report year-over-year earnings growth. One of these three industries is projected to report a double-digit increase: Pharmaceuticals (70%). On the other hand, two industries are predicted to report a year-over-year decline in earnings, led by the Life Sciences, Tools, & Services (-7%) industry

At the company level, Merck ($2.15 vs. -$2.06) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the Health Care sector would be projected to report a (year-over-year) decline in earnings of -1.3% instead of (year-over-year) earnings growth of 16.8%.

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

The Information Technology sector is expected to report the third-highest (year-over-year) earnings growth rate of all eleven sectors at 16.4%. At the industry level, 4 of the 6 industries in the sector are predicted to report year-over-year earnings growth. Two of these four industries are projected to report double-digit growth: Semiconductors & Semiconductor Equipment (51%) and Technology Hardware, Storage, & Peripherals (10%). On the other hand, two industries are projected to report a year-over-year decline in earnings, led by the Communications Equipment (-19%) industry.

At the company level, NVIDIA ($0.64 vs. $0.27) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated (year-over-year) earnings growth rate for the Information Technology sector would fall to 6.9% from 16.4%.

Energy: Exxon Mobil Is Largest Contributor to Year-Over-Year Growth

The Energy sector is expected to report the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 12.4%. 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 Q2 2024 ($80.66) was 10% above the average price for oil in Q2 2023 ($73.56). At the sub-industry level, four of the five sub-industries in the sector are predicted to report a (year-over-year) growth in earnings. Three of these four industries are projected to report double-digit growth: Oil & Gas Exploration & Production (31%), Integrated Oil & Gas (22%), and Oil & Gas Equipment & Services (13%). On the other hand, the Oil & Gas Refining & Marketing (-29%) sub-industry is the only sub-industry in the sector projected to report a year-over-year decline in earnings.

At the company level, Exxon Mobil ($2.36 vs. $1.94) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated (year-over-year) earnings growth rate for the Energy sector would fall to 4.6% from 12.4%.

Materials: 3 of 4 Industries Expected to Report Year-Over-Year Decline

The Materials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -9.7%. At the industry level, three of the four industries in this sector are predicted to report a year-over-year decline in earnings: Metals & Mining (-23%), Chemicals (-7%), and Containers & Packaging (-5%). On the other hand, the Construction Materials (10%) industry is the only industry in the sector projected to report a year-over-year growth in earnings.

Revenue Growth: 4.6%

The estimated (year-over-year) revenue growth rate for Q1 2024 is 4.6%, which is below the 5-year average revenue growth rate of 6.9% and below the 10-year average revenue growth rate of 5.0%. If 4.6% is the actual revenue growth rate for the quarter, it will mark the 15th consecutive quarter of revenue growth for the index.

At the sector level, nine sectors are projected to report year-over-year growth in revenues, led by the Information Technology and Energy sectors. On the other hand, the Materials sector is the only sector predicted to report a year-over-year decline in revenues. One sector (Industrials) is projected to report flat year-over-year revenues (0.0%).

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

The Information Technology sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 9.5%. At the industry level, 4 of the 6 industries in the sector are predicted to report year-over-year revenue growth. Two of these four industries are projected to report double-digit growth: Semiconductors & Semiconductor Equipment (25%) and Software (12%). On the other hand, two industries are projected to report a year-over-year decline in revenue: Communications Equipment (-7%) and Electronic Equipment, Instruments, & Components (-7%).

At the company level, NVIDIA ($28.47 billion vs. $13.51 billion) is expected to be the largest contributor to revenue growth for the sector. If this company were excluded, the estimated (year-over-year) revenue growth rate for the Information Technology sector would fall to 5.8% from 9.5%.

Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Growth of 10% or More

The Energy sector is expected to report the second-highest (year-over-year) revenue growth rate of all eleven sectors at 9.0%. 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 Q2 2024 ($80.66) was 10% above the average price for oil in Q2 2023 ($73.56). At the sub-industry level, all five sub-industries in the sector are predicted to report (year-over-year) growth in revenues. Three of these five sub-industries are projected to report double-digit growth: Oil & Gas Storage & Transportation (26%), Oil & Gas Exploration & Production (19%), and Integrated Oil & Gas (11%).

Materials: 3 of 4 Industries Expected to Report Year-Over-Year Decline

The Materials sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -2.0%. At the industry level, three of the four industries in this sector are predicted to report a year-over-year decline in revenues: Metals & Mining (-3%), Chemicals (-2%), and Containers & Packaging (-2%). On the other hand, the Construction Materials (2%) industry is the only industry projected to report year-over-year growth in revenues.

Net Profit Margin: 12.0%

The estimated net profit margin for the S&P 500 for Q2 2024 is 12.0%, which is above the previous quarter's net profit margin of 11.8%, above the year-ago net profit margin of 11.6%, and above the 5-year average of 11.5%.

At the sector level, seven sectors are expected to report a year-over-year increase in their net profit margins in Q2 2024 compared to Q2 2023, led by the Information Technology (24.8% vs. 23.3%) and Communication Services (13.1% vs. 11.9%) sectors. On the other hand, four sectors are expected to report a year-over-year decrease in their net profit margins in Q2 2024 compared to Q2 2023, led by the Real Estate (35.3% vs. 36.7%) sector.

Seven sectors are expected to report net profit margins in Q2 2024 that are above their 5-year averages, led by the Industrials (10.6% vs. 8.3%) and Consumer Discretionary (8.8% vs. 6.5%) sectors. On the other hand, three sectors are expected to report net profit margins in Q2 2024 that are below their 5-year averages, led by the Health Care (8.3% vs. 10.0%) and Utilities (12.2% vs. 13.5%) sectors. One sector (Materials) is projected to report a net profit margin for Q2 2024 that equals its 5-year average (10.9%).

Forward Estimates and Valuation

Earnings: S&P 500 Expected to Report Earnings Growth of 11% for CY 2024

For the second quarter, S&P 500 companies are expected to report year-over-year growth in earnings of 8.8% and year-over-year growth in revenues of 4.6%.

For Q3 2024, analysts are projecting earnings growth of 8.1% and revenue growth of 5.0%.

For Q4 2024, analysts are projecting earnings growth of 17.3% and revenue growth of 5.6%.

For CY 2024, analysts are projecting earnings growth of 11.2% and revenue growth of 5.0%.

For Q1 2025, analysts are projecting earnings growth of 15.2% and revenue growth of 5.9%.

For Q2 2025, analysts are projecting earnings growth of 15.6% and revenue growth of 6.0%.

Valuation: Forward P/E Ratio is 21.2, Above the 10-Year Average (17.9)

The forward 12-month P/E ratio for the S&P 500 is 21.2. This P/E ratio is above the 5-year average of 19.3 and above the 10-year average of 17.9. It is also above the forward 12-month P/E ratio of 21.0 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 4.8%, while the forward 12-month EPS estimate has increased by 4.0%. At the sector level, the Information Technology (30.9) sector has the highest forward 12-month P/E ratio, while the Energy (12.0) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 26.4, which is above the 5-year average of 23.4 and above the 10-year average of 21.5.

Targets & Ratings: Analysts Project 8.5% Increase in Price Over Next 12 Months

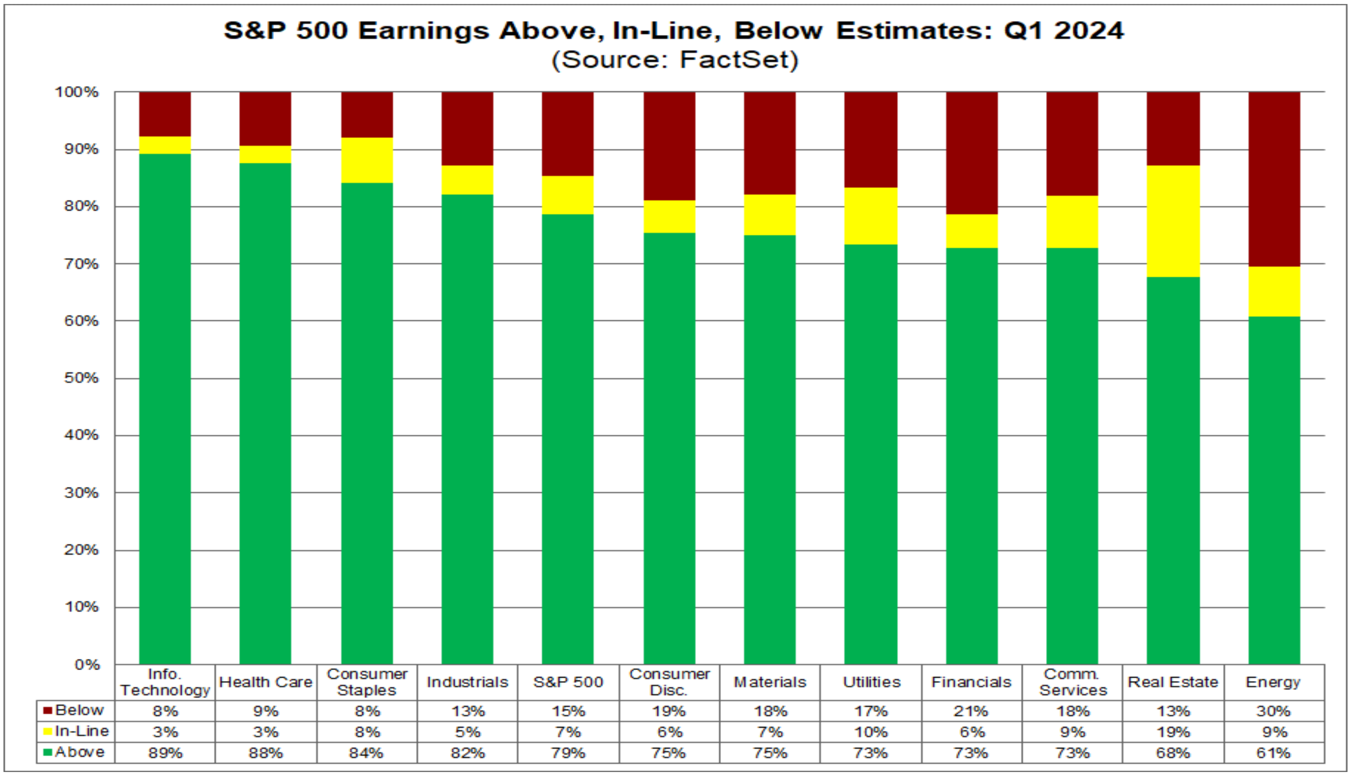
The bottom-up target price for the S&P 500 is 5978.24, which is 8.5% above the closing price of 5509.01. At the sector level, the Energy (+16.7%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Information Technology (+4.9%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 11,789 ratings on stocks in the S&P 500. Of these 11,789 ratings, 55.1% are Buy ratings, 39.9% are Hold ratings, and 4.9% are Sell ratings. At the sector level, the Energy (63%), Communication Services (62%), and Information Technology (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (46%) and Materials (47%) sectors have the lowest percentages of Buy ratings.

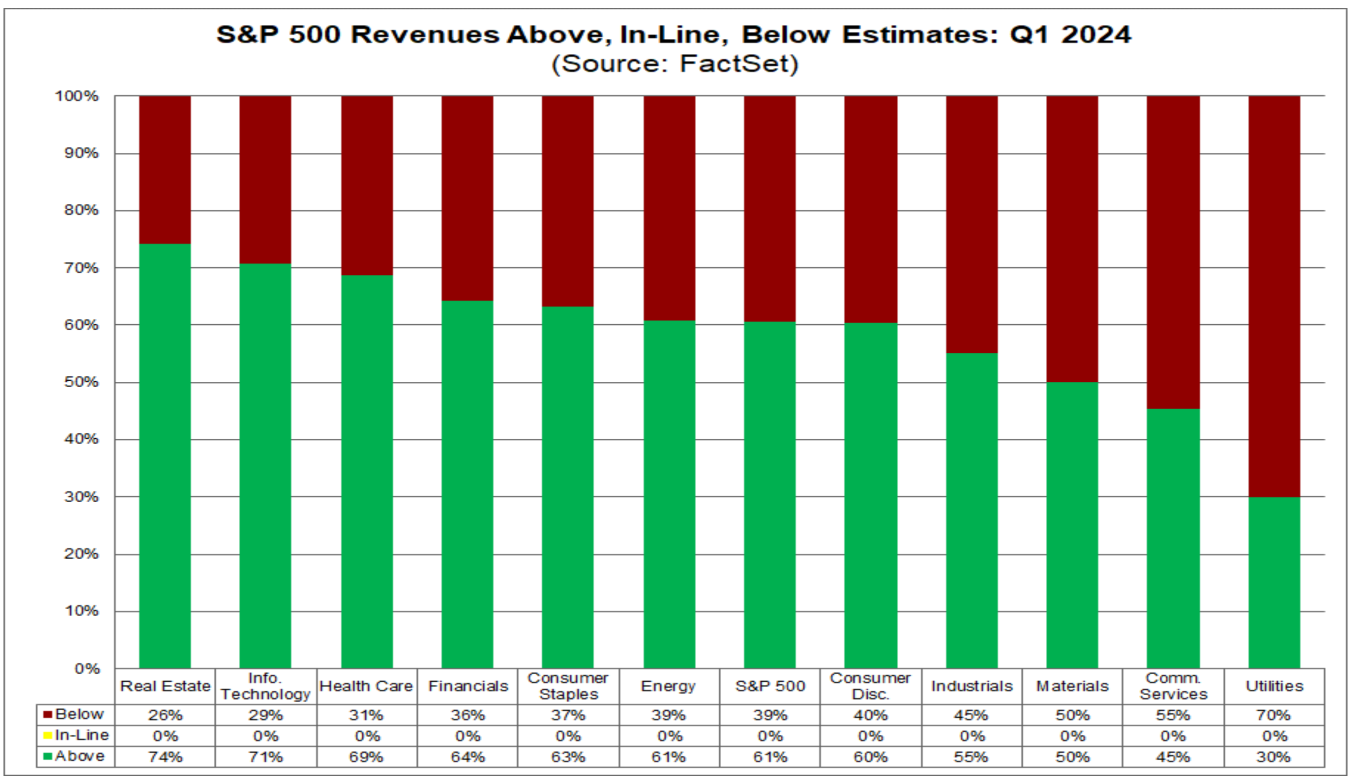
Companies Reporting Next Week: 10

During the upcoming week, 10 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the second quarter.

Q1 2024: Scorecard

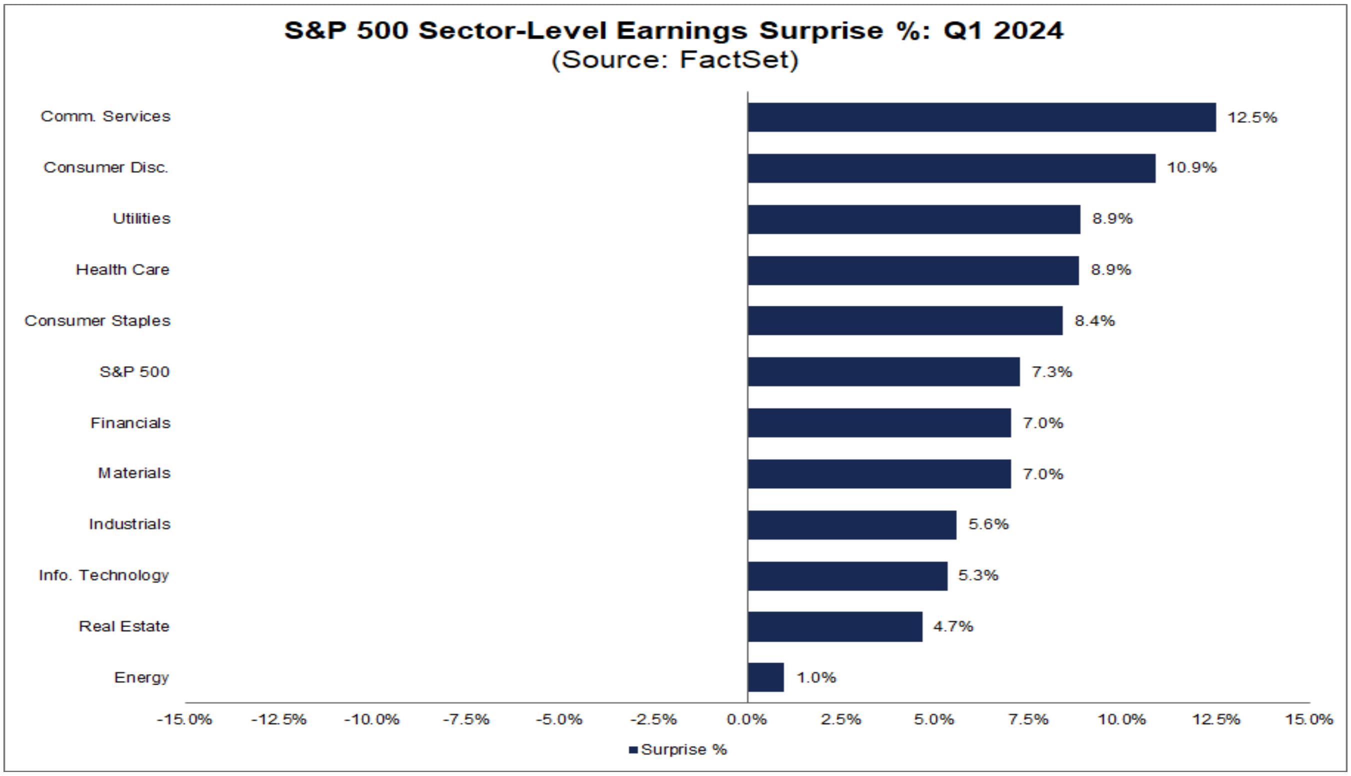


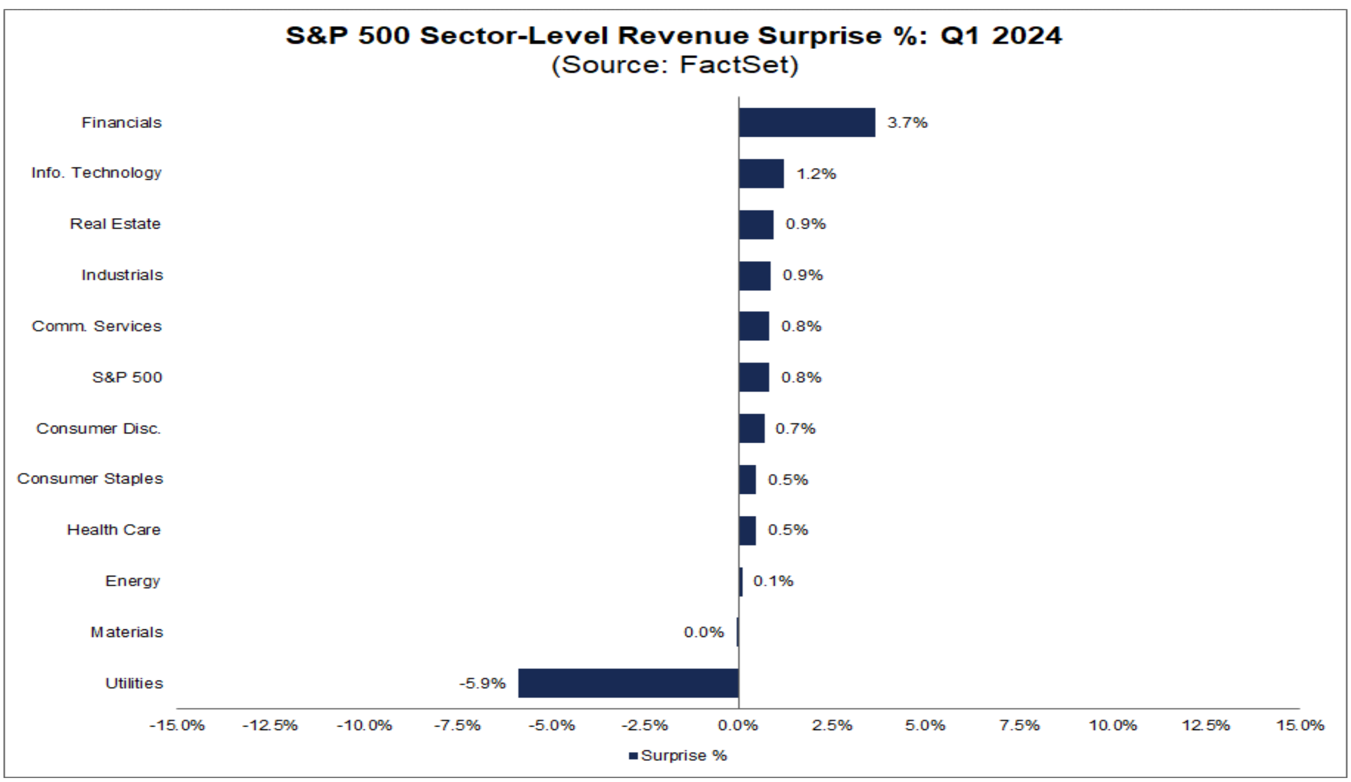
	Info. Technology	Health Care	Consumer Staples	Industrials	S&P 500	Consumer Disc.	Materials	Utilities	Financials	Comm. Services	Real Estate	Energy
Below	8%	9%	8%	13%	15%	19%	18%	17%	21%	18%	13%	30%
In-Line	3%	3%	8%	5%	7%	6%	7%	10%	6%	9%	19%	9%
Above	89%	88%	84%	82%	79%	75%	75%	73%	73%	73%	68%	61%



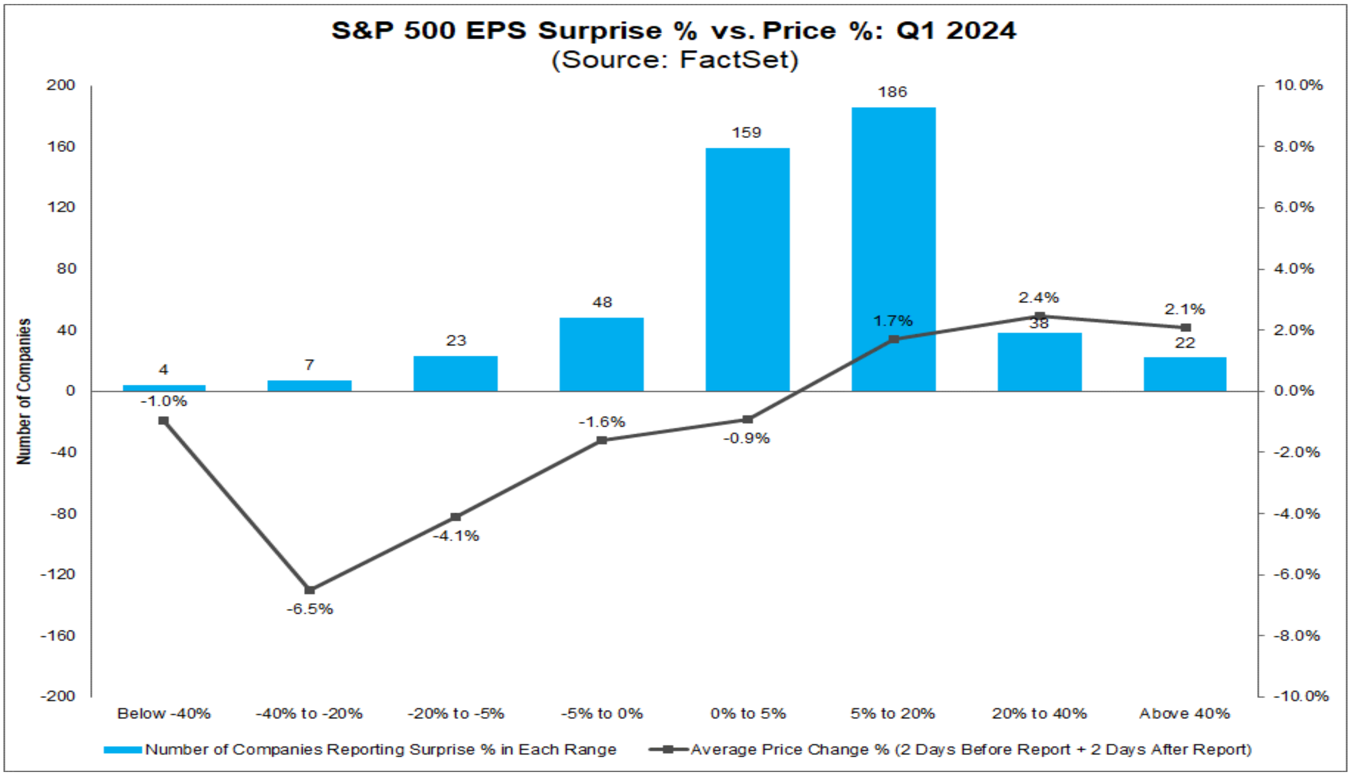
	Real Estate	Info. Technology	Health Care	Financials	Consumer Staples	Energy	S&P 500	Consumer Disc.	Industrials	Materials	Comm. Services	Utilities
Below	26%	29%	31%	36%	37%	39%	39%	40%	45%	50%	55%	70%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	74%	71%	69%	64%	63%	61%	61%	60%	55%	50%	45%	30%

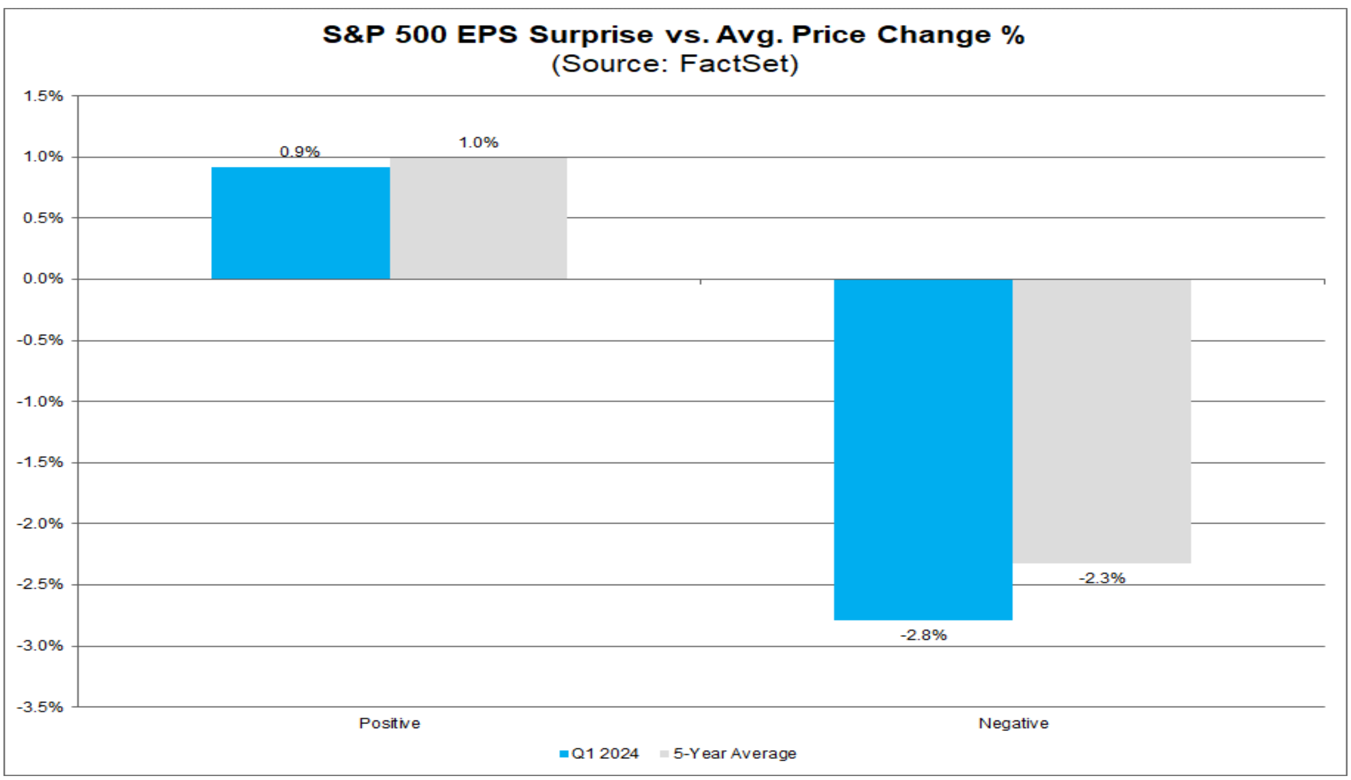
Q1 2024: Surprise



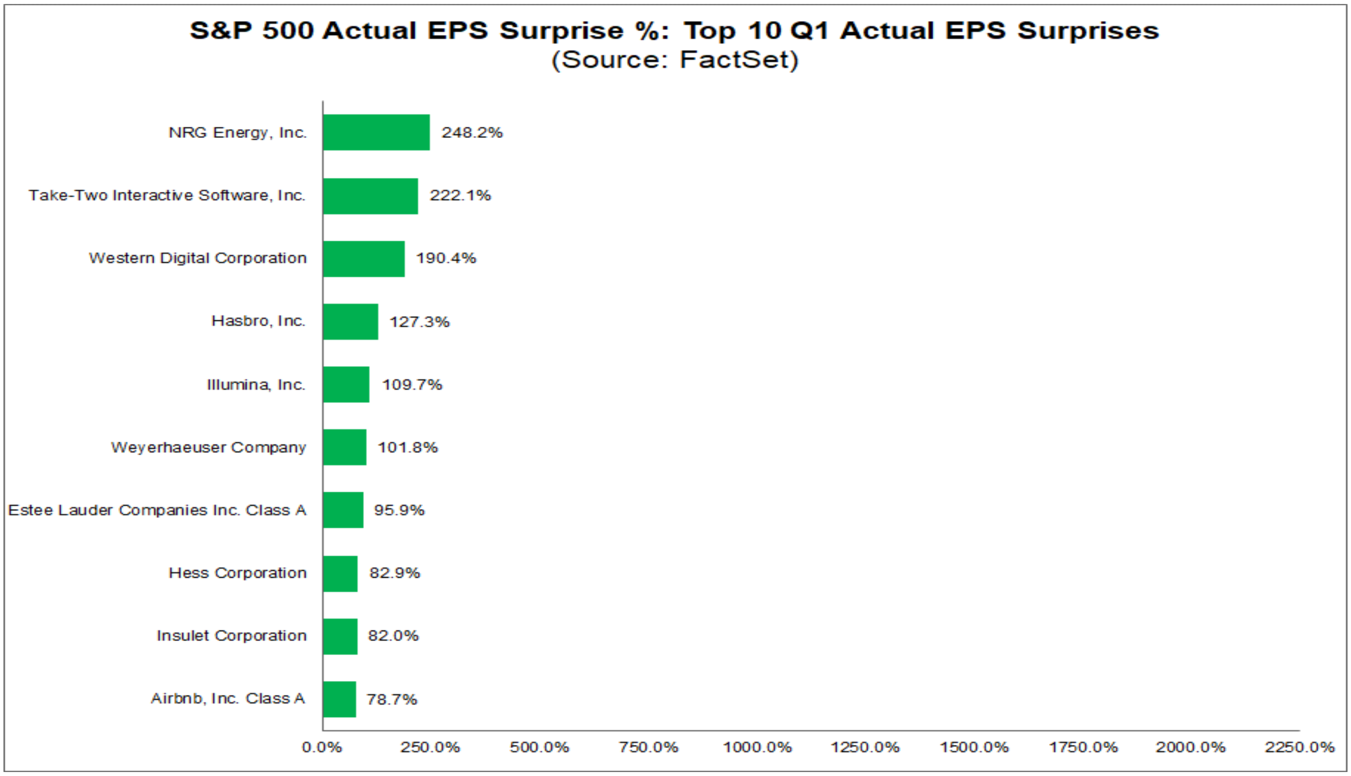


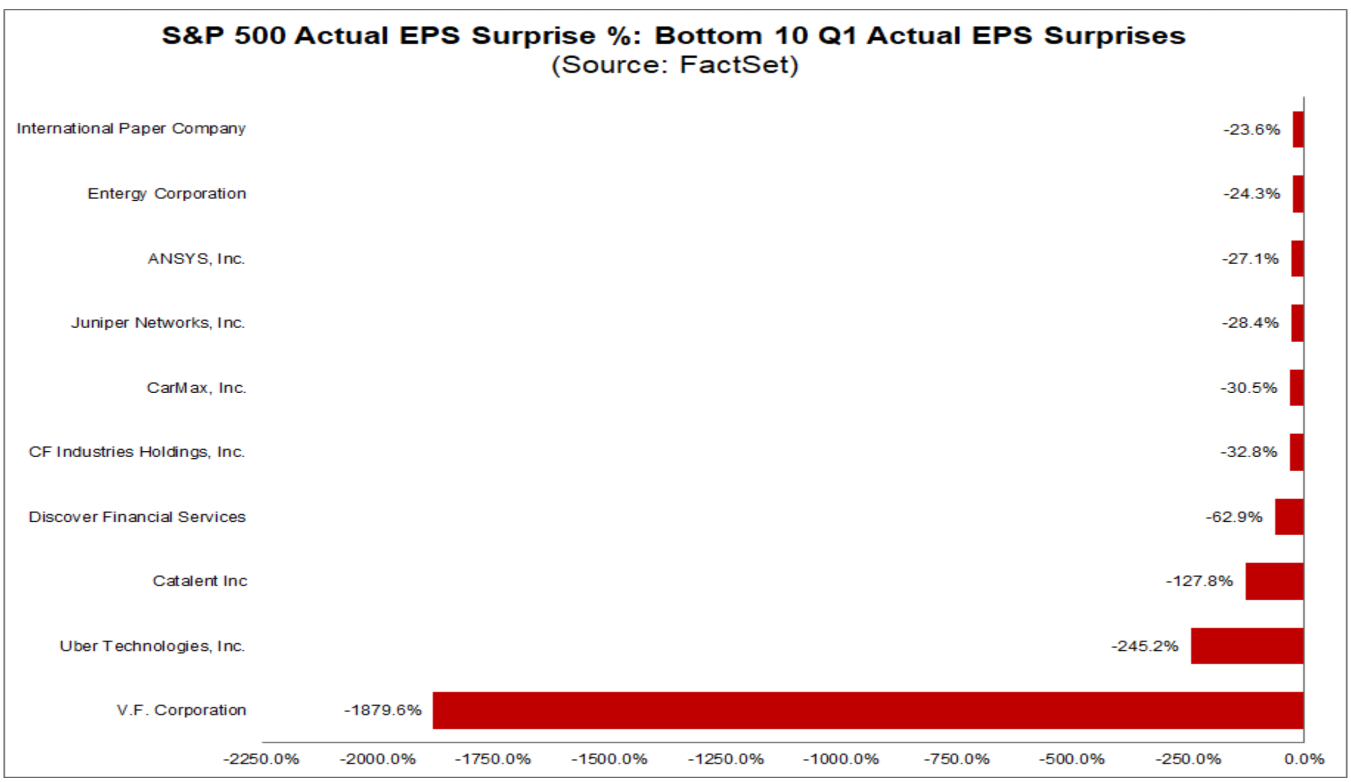
Q1 2024: Surprise



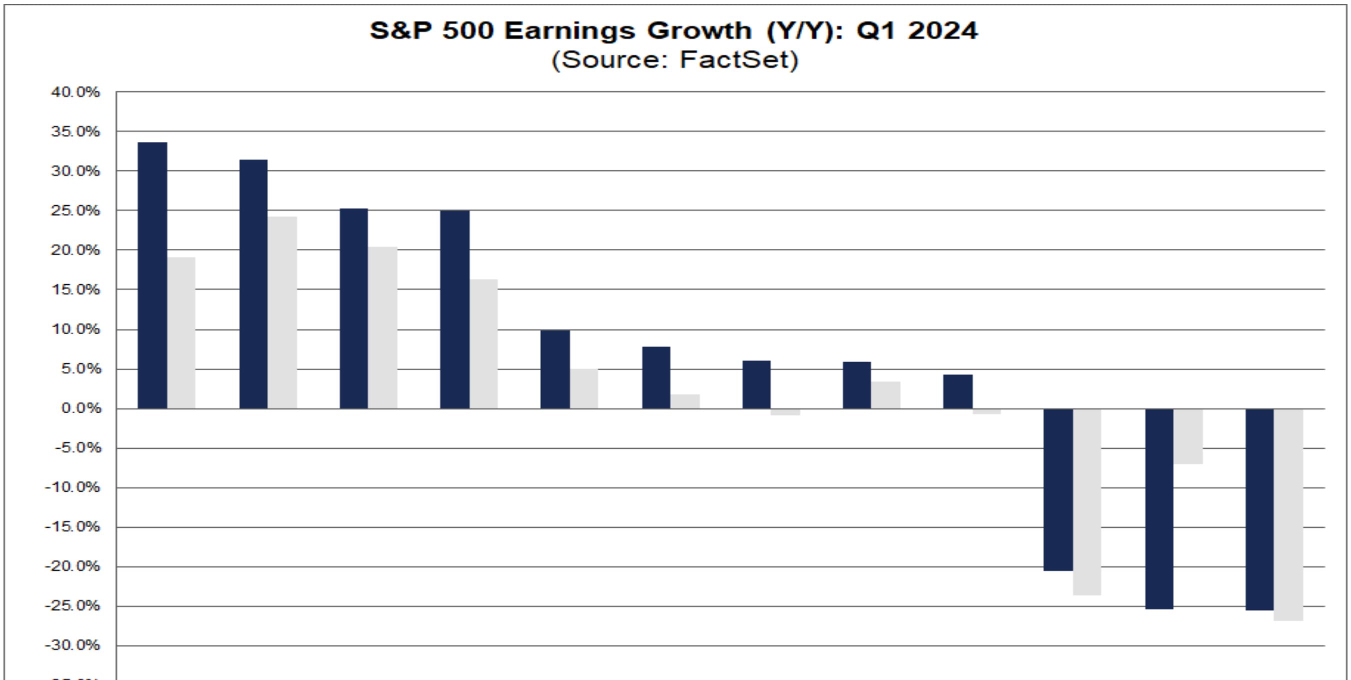


Q1 2024: Surprise

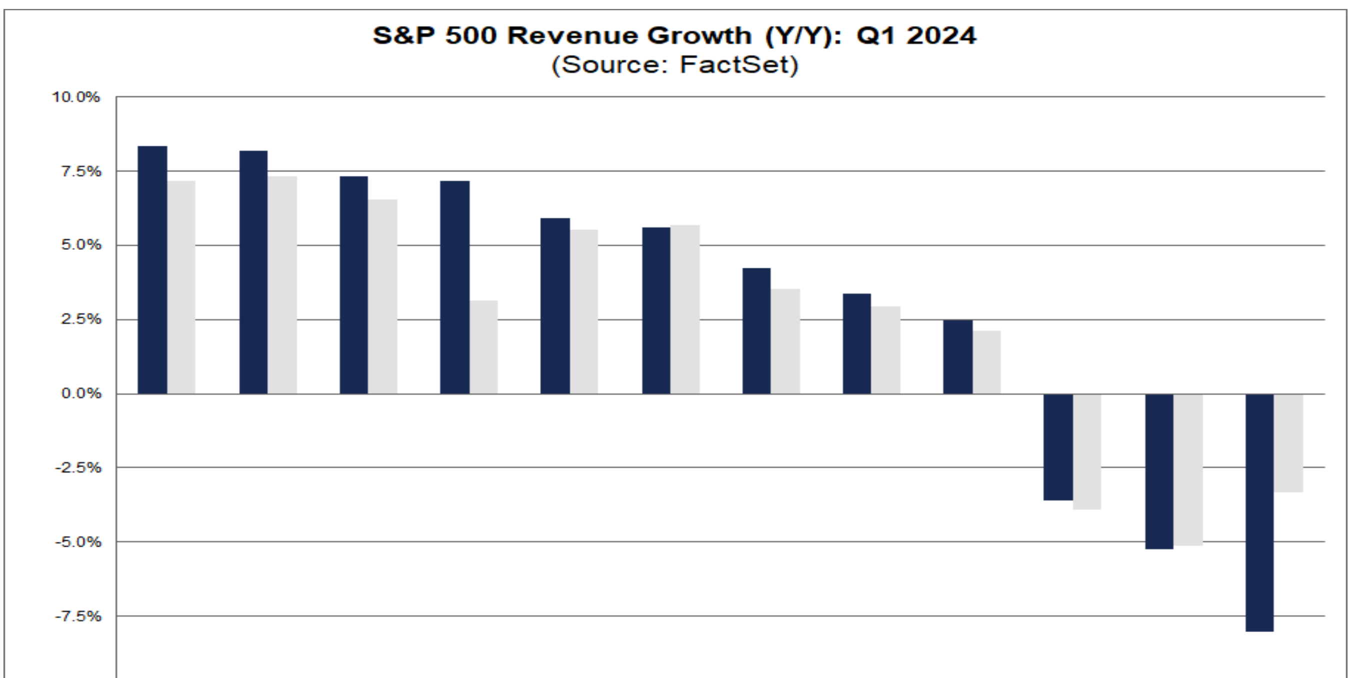




Q1 2024: Growth

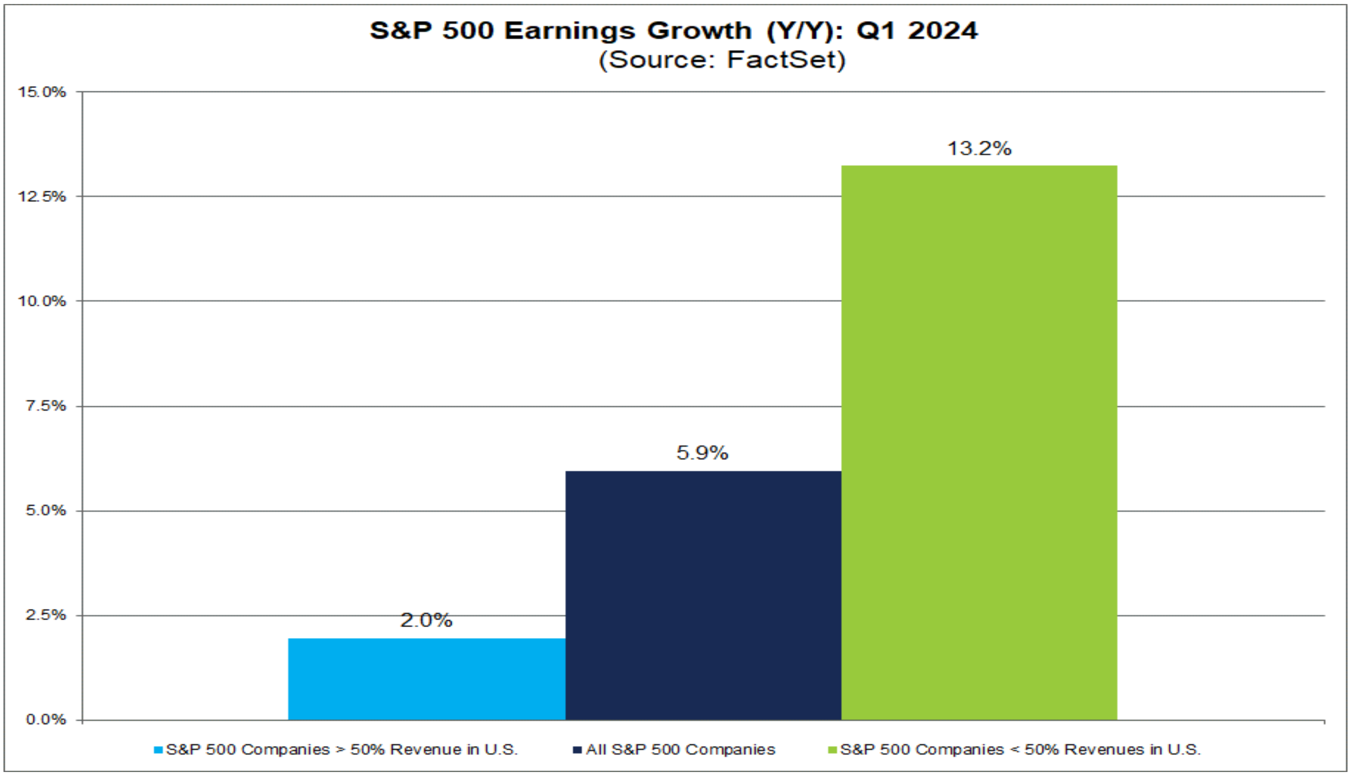


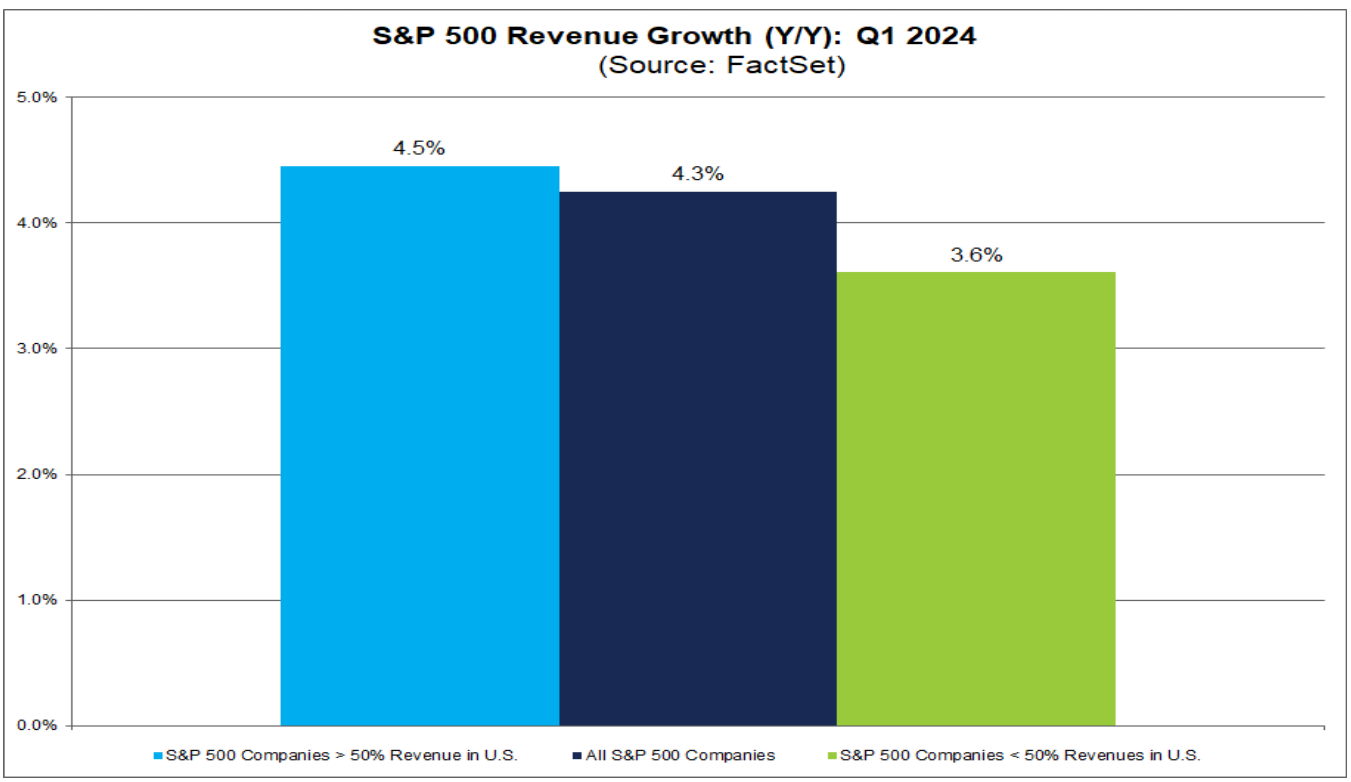
	Comm. Services	Utilities	Info. Technology	Consumer Disc.	Real Estate	Financials	Consumer Staples	S&P 500	Industrials	Materials	Health Care	Energy
Today	33.7%	31.5%	25.3%	25.0%	9.9%	7.7%	6.0%	5.9%	4.2%	-20.6%	-25.4%	-25.5%
31-Mar	19.2%	24.2%	20.4%	16.3%	5.1%	1.7%	-0.8%	3.4%	-0.6%	-23.6%	-7.1%	-26.8%



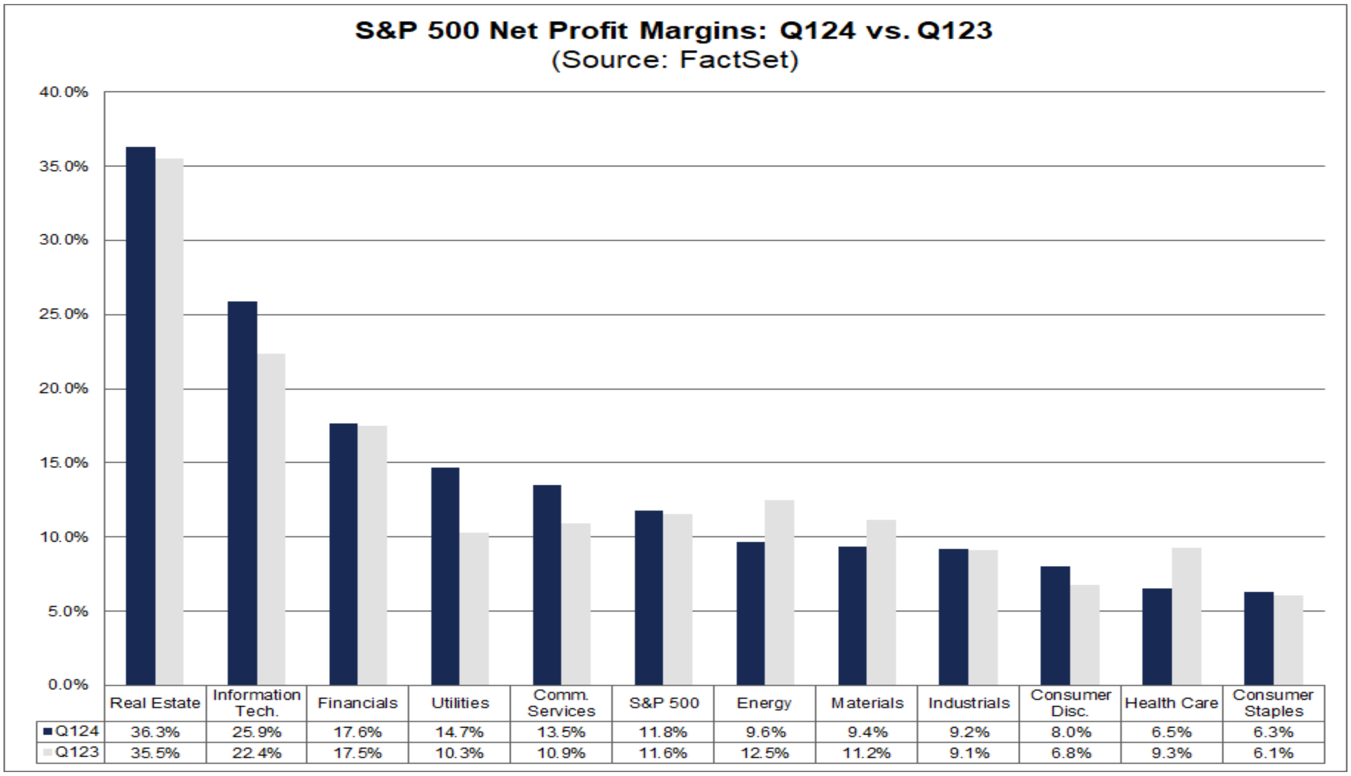
	Info. Technology	Comm. Services	Real Estate	Financials	Health Care	Consumer Disc.	S&P 500	Industrials	Consumer Staples	Energy	Materials	Utilities
Today	8.3%	8.2%	7.3%	7.2%	5.9%	5.6%	4.3%	3.4%	2.5%	-3.6%	-5.2%	-8.0%
31-Mar	7.2%	7.3%	6.5%	3.2%	5.5%	5.7%	3.5%	2.9%	2.1%	-3.9%	-5.1%	-3.3%

Q1 2024: Growth

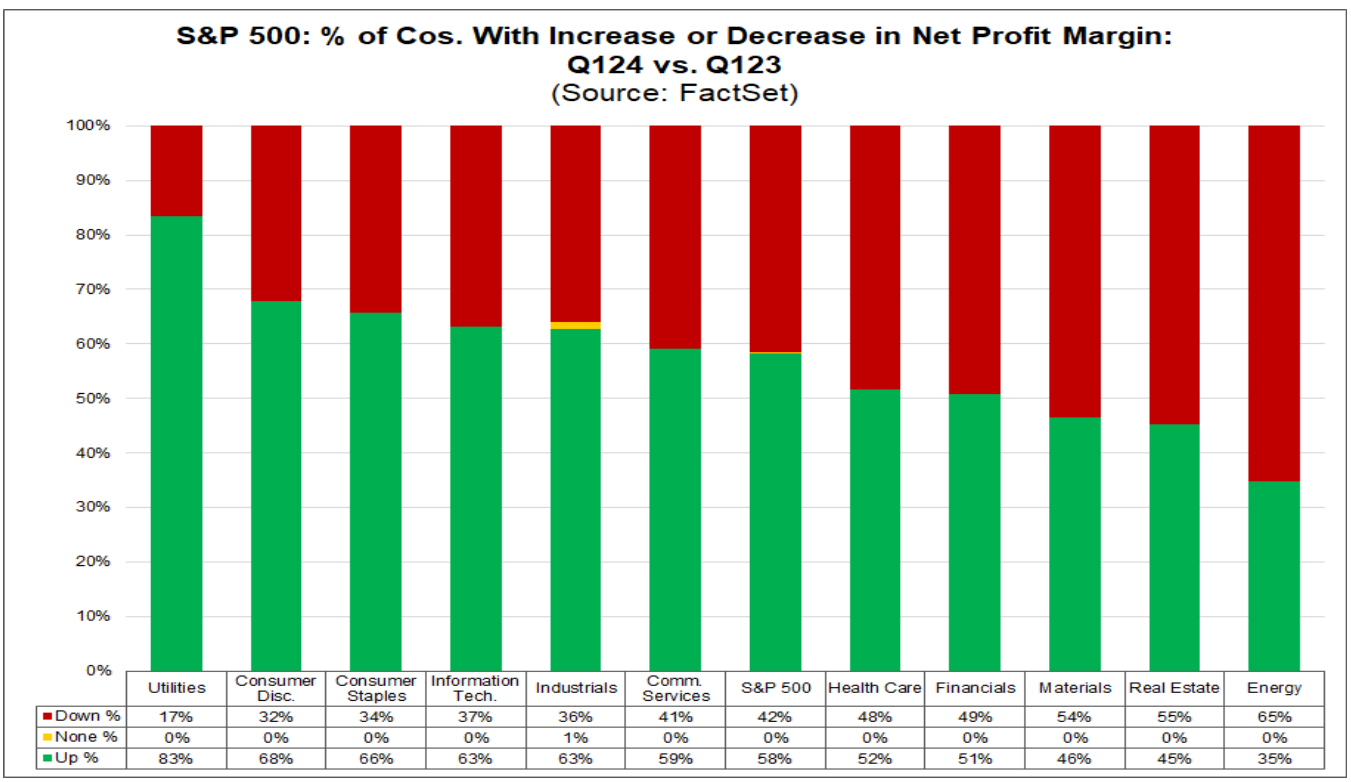




Q1 2024: Net Profit Margin

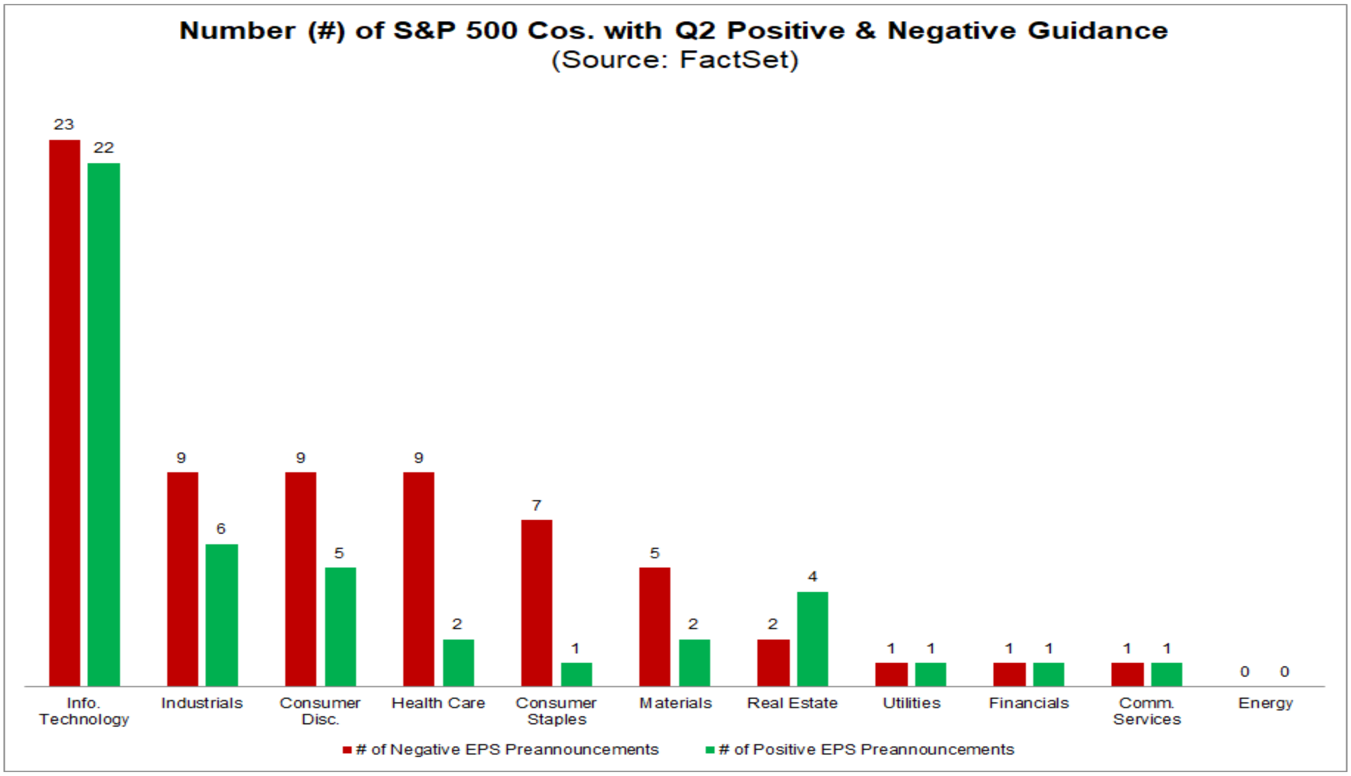


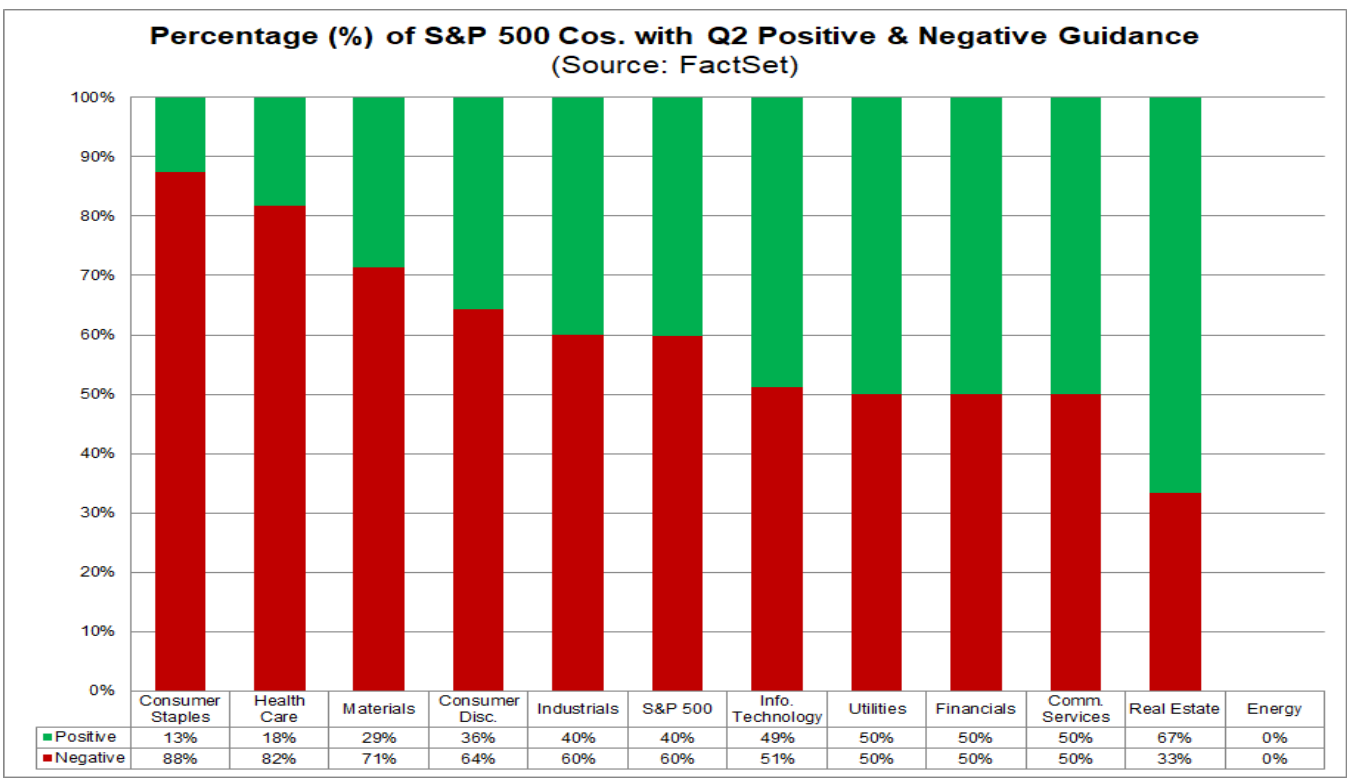
	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Energy	Materials	Industrials	Consumer Disc.	Health Care	Consumer Staples
Q124	36.3%	25.9%	17.6%	14.7%	13.5%	11.8%	9.6%	9.4%	9.2%	8.0%	6.5%	6.3%
Q123	35.5%	22.4%	17.5%	10.3%	10.9%	11.6%	12.5%	11.2%	9.1%	6.8%	9.3%	6.1%



	Utilities	Consumer Disc.	Consumer Staples	Information Tech.	Industrials	Comm. Services	S&P 500	Health Care	Financials	Materials	Real Estate	Energy
Down %	17%	32%	34%	37%	36%	41%	42%	48%	49%	54%	55%	65%
None %	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%
Up %	83%	68%	66%	63%	63%	59%	58%	52%	51%	46%	45%	35%

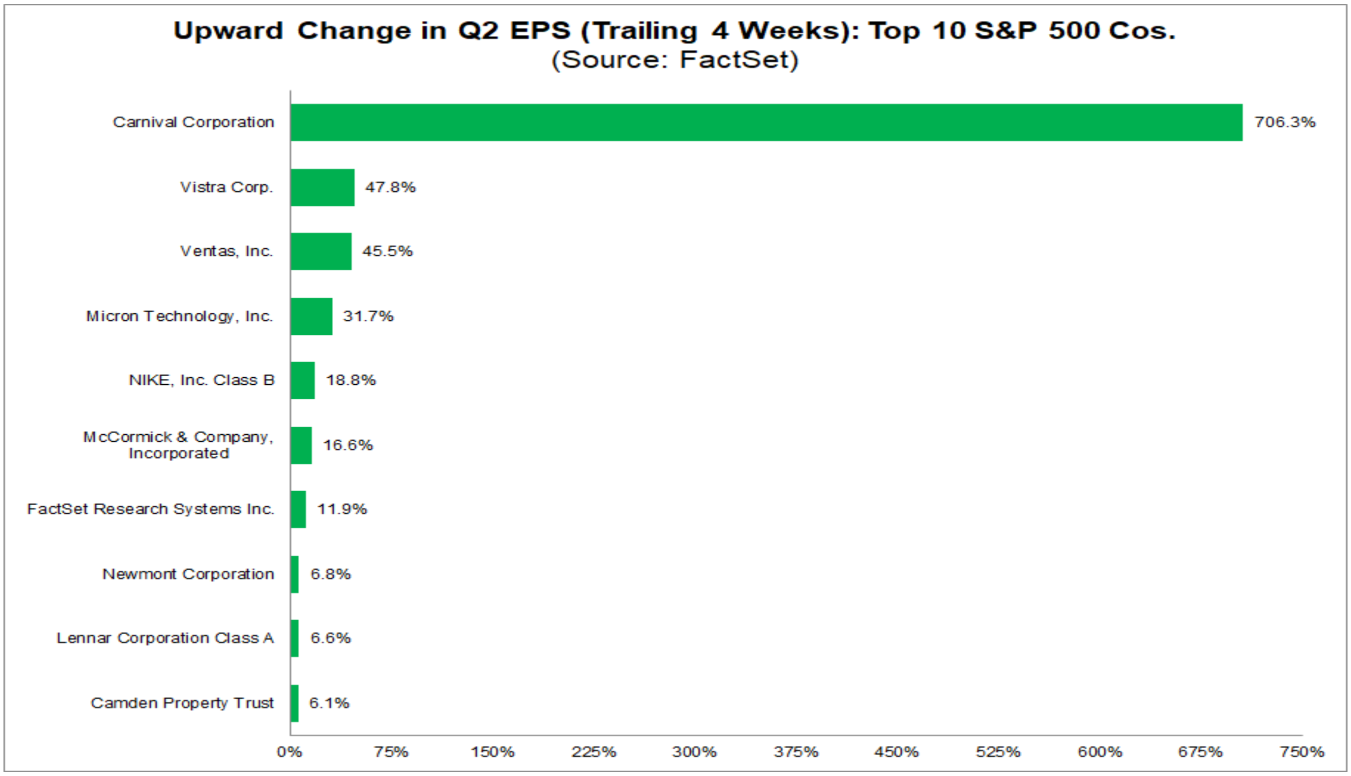
Q2 2024: Guidance

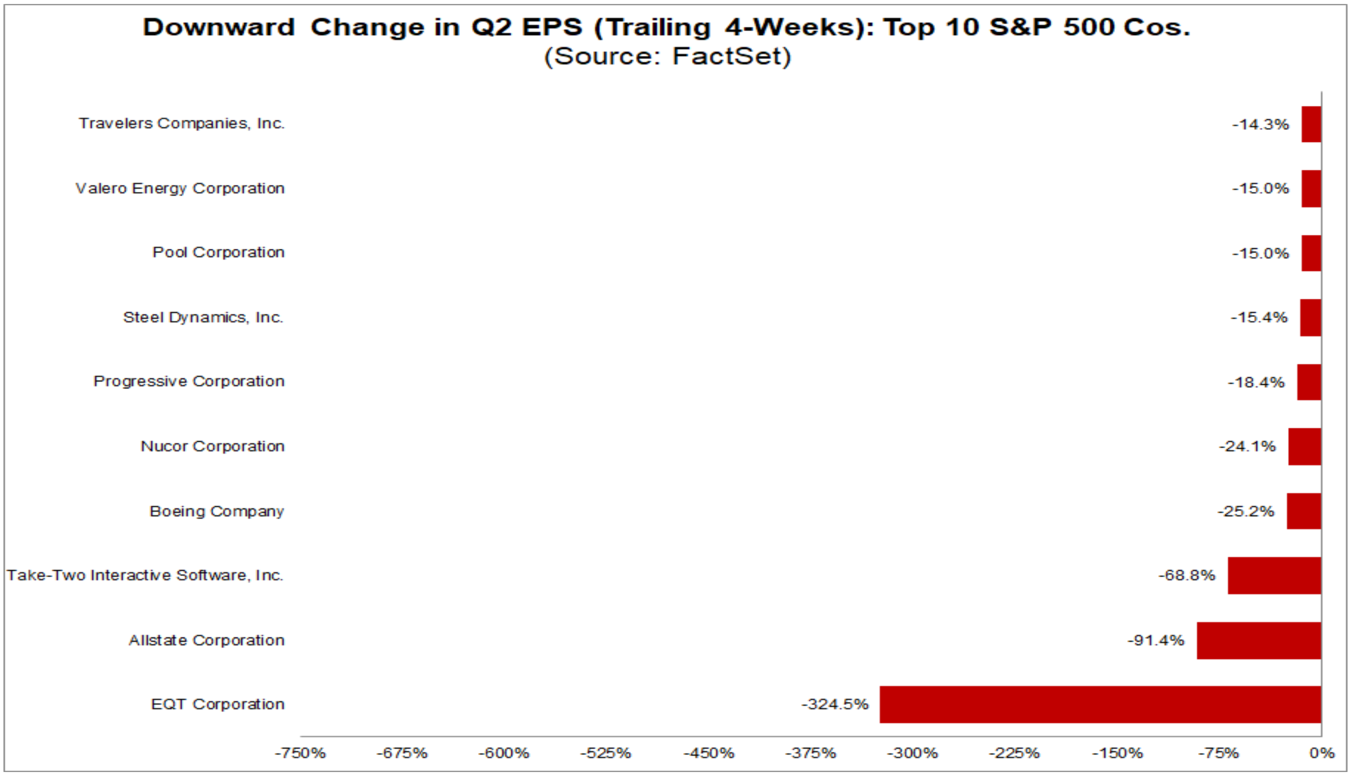




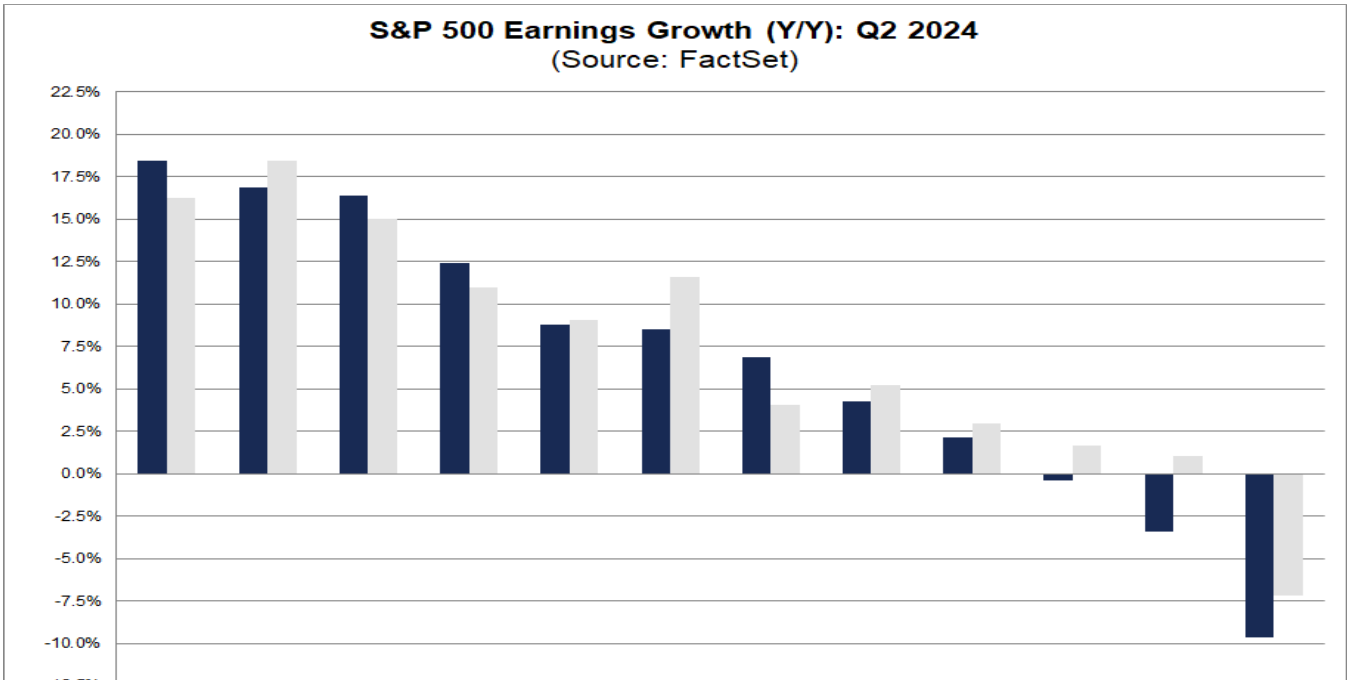
	Consumer Staples	Health Care	Materials	Consumer Disc.	Industrials	S&P 500	Info. Technology	Utilities	Financials	Comm. Services	Real Estate	Energy
Positive	13%	18%	29%	36%	40%	40%	49%	50%	50%	50%	67%	0%
Negative	88%	82%	71%	64%	60%	60%	51%	50%	50%	50%	33%	0%

Q2 2024: EPS Revisions

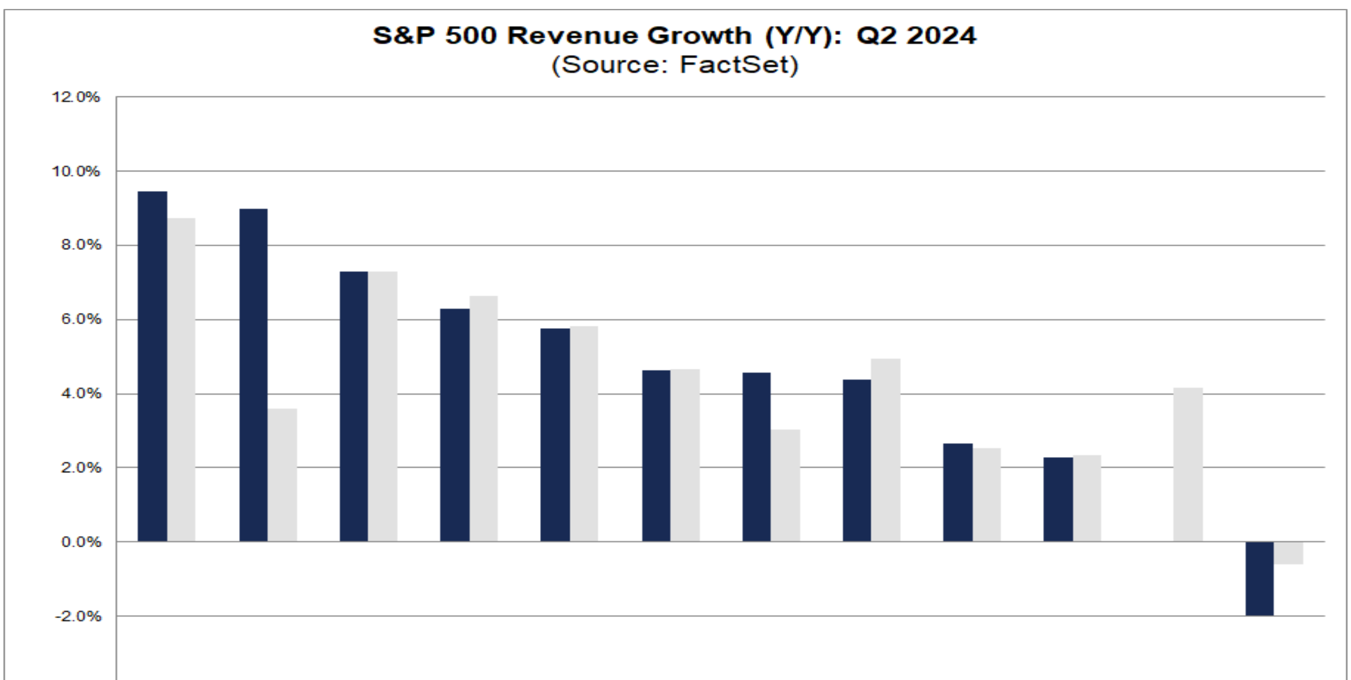




Q2 2024: Growth

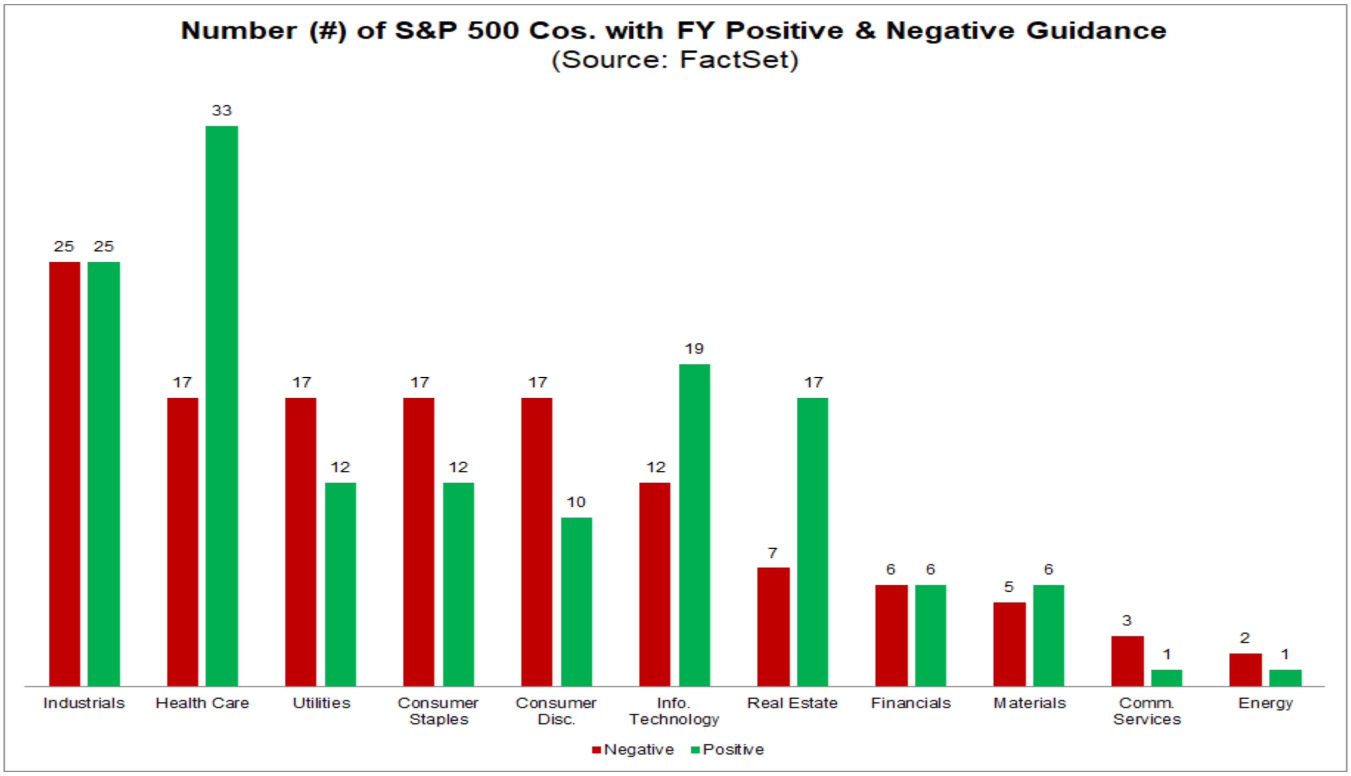


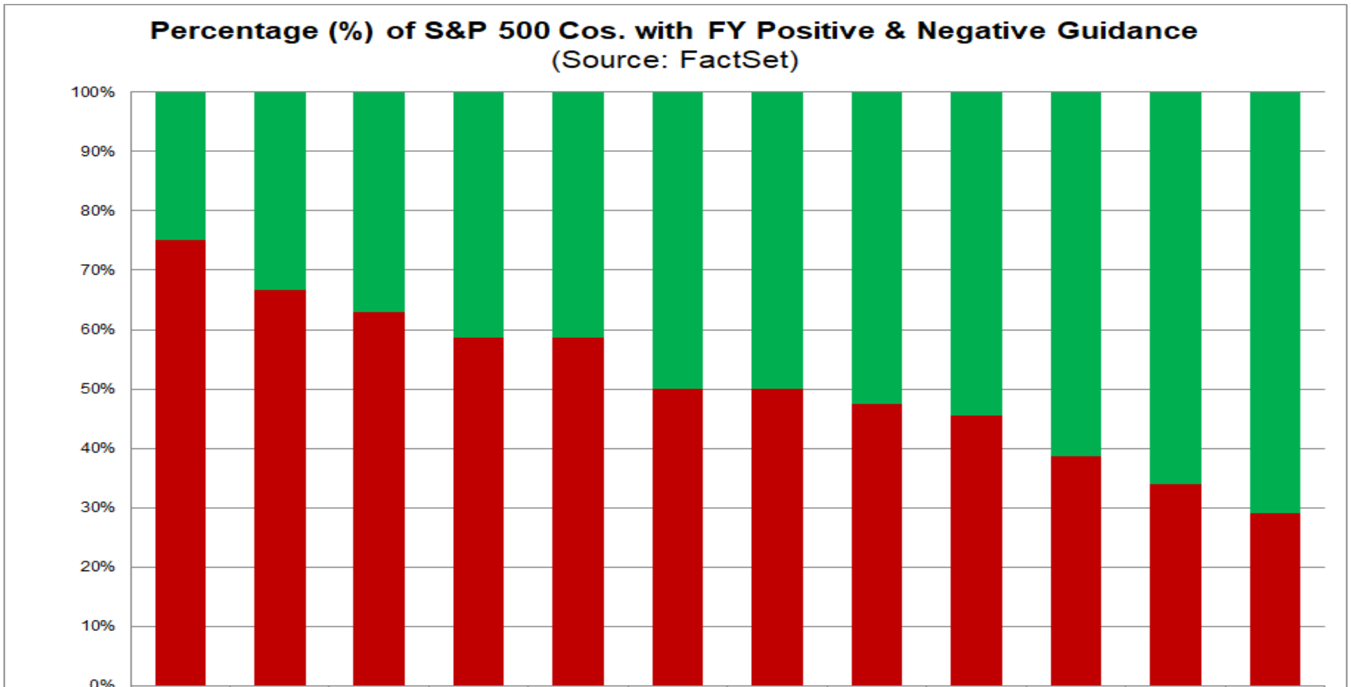
	Comm. Services	Health Care	Info. Technology	Energy	S&P 500	Utilities	Consumer Disc.	Financials	Real Estate	Consumer Staples	Industrials	Materials
Today	18.4%	16.8%	16.4%	12.4%	8.8%	8.5%	6.9%	4.3%	2.1%	-0.4%	-3.4%	-9.7%
31-Mar	16.3%	18.5%	15.0%	11.0%	9.1%	11.6%	4.1%	5.2%	3.0%	1.7%	1.0%	-7.2%



	Info. Technology	Energy	Comm. Services	Real Estate	Health Care	S&P 500	Utilities	Consumer Disc.	Financials	Consumer Staples	Industrials	Materials
Today	9.5%	9.0%	7.3%	6.3%	5.8%	4.6%	4.6%	4.4%	2.7%	2.3%	0.0%	-2.0%
31-Mar	8.7%	3.6%	7.3%	6.6%	5.8%	4.7%	3.0%	4.9%	2.5%	2.3%	4.2%	-0.6%

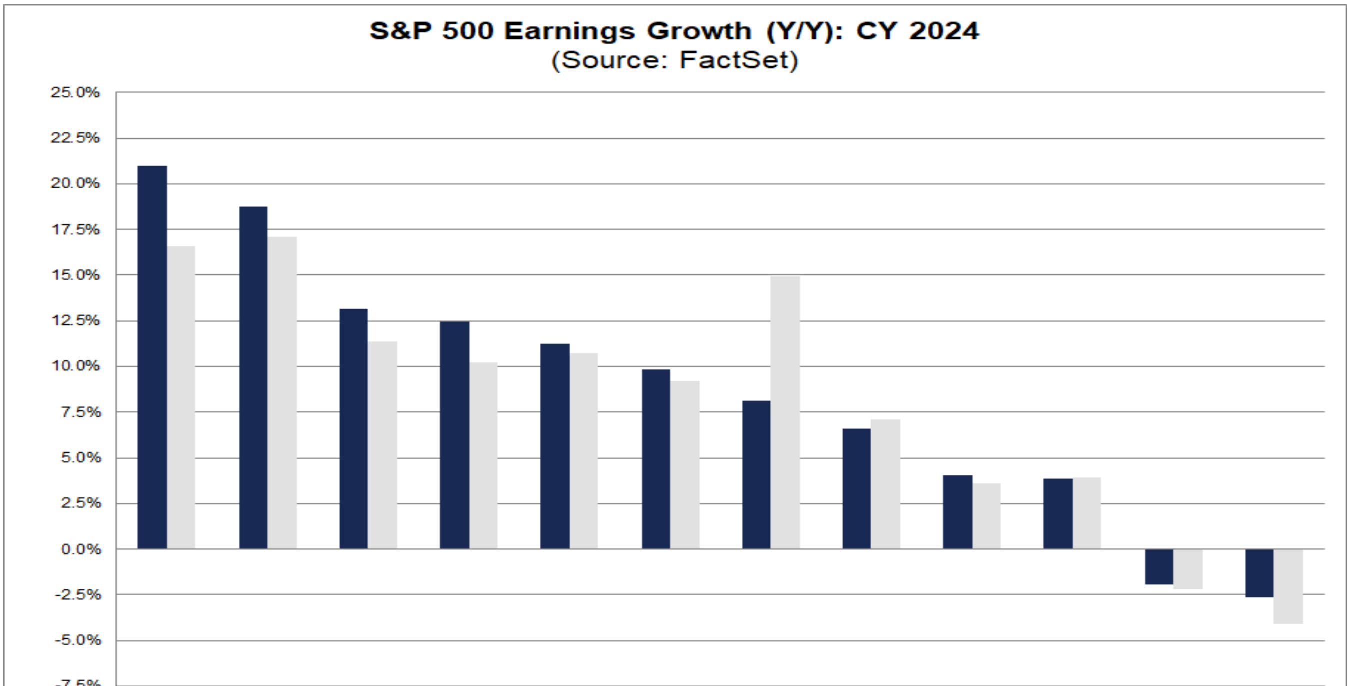
FY 2024 / 2025: EPS Guidance



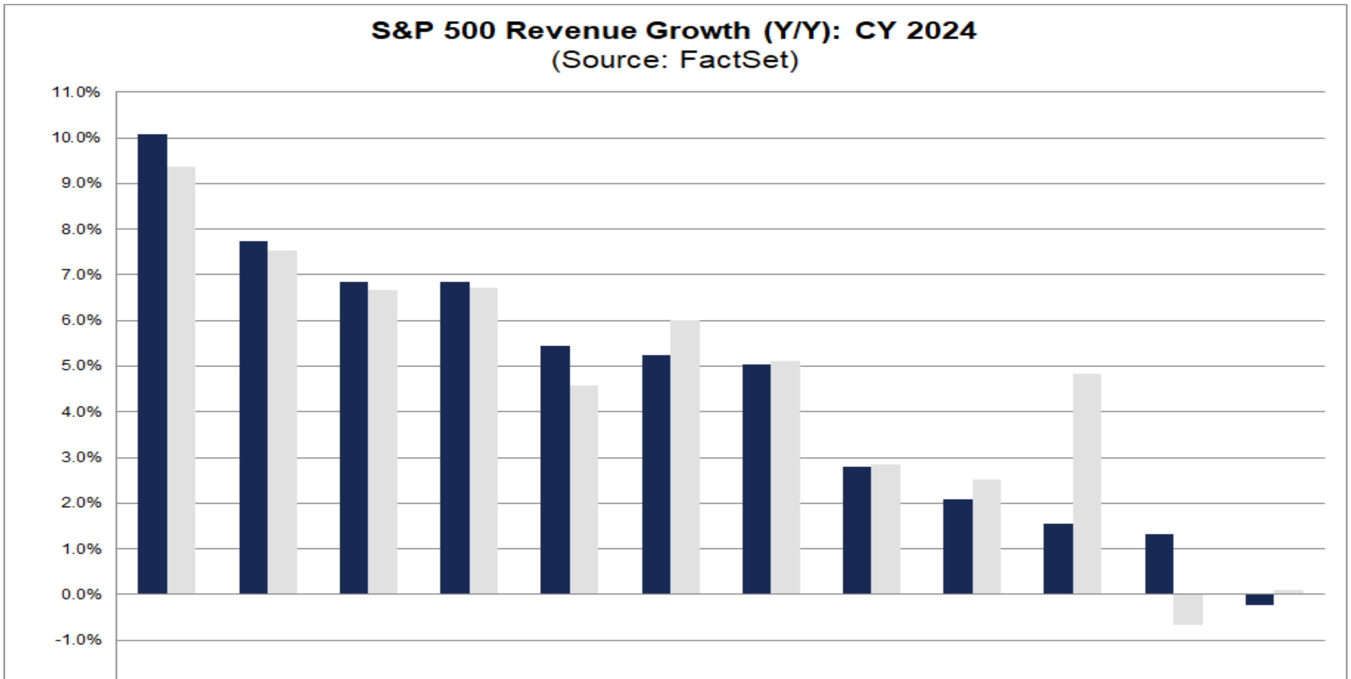


	Comm. Services	Energy	Consumer Disc.	Utilities	Consumer Staples	Industrials	Financials	S&P 500	Materials	Info. Technology	Health Care	Real Estate
Positive	25%	33%	37%	41%	41%	50%	50%	53%	55%	61%	66%	71%
Negative	75%	67%	63%	59%	59%	50%	50%	47%	45%	39%	34%	29%

CY 2024: Growth

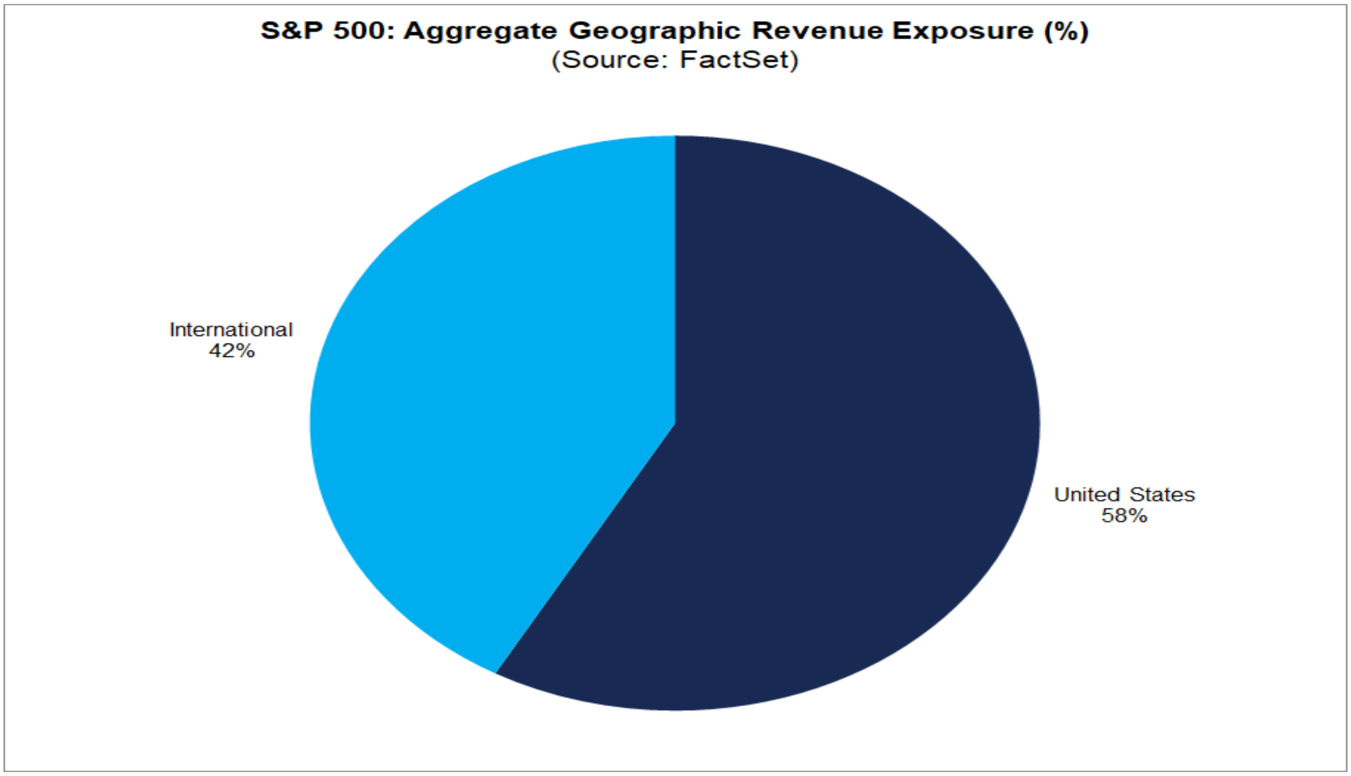


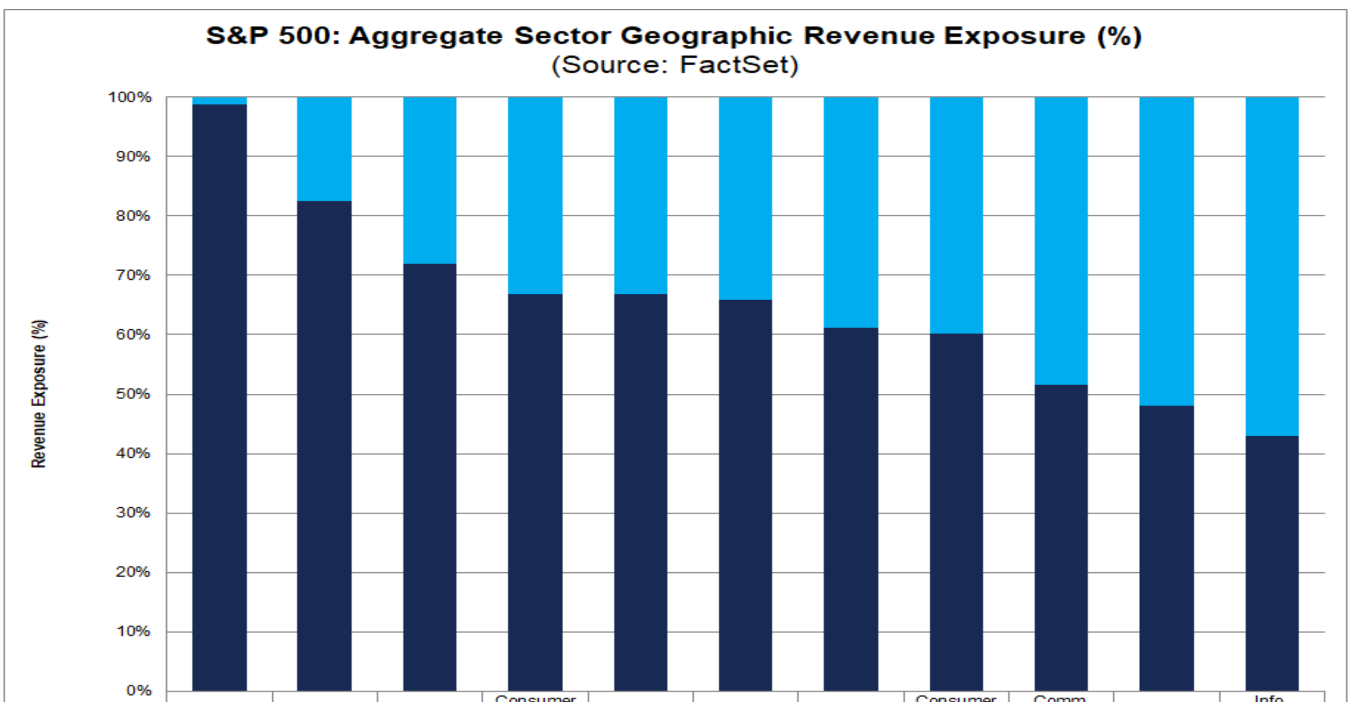
	Comm. Services	Info. Technology	Financials	Consumer Disc.	S&P 500	Utilities	Health Care	Industrials	Real Estate	Consumer Staples	Materials	Energy
Today	21.0%	18.7%	13.1%	12.5%	11.2%	9.9%	8.1%	6.6%	4.0%	3.8%	-1.9%	-2.7%
31-Mar	16.6%	17.1%	11.4%	10.2%	10.7%	9.2%	14.9%	7.1%	3.6%	3.9%	-2.2%	-4.1%



	Info. Technology	Comm. Services	Health Care	Real Estate	Financials	Consumer Disc.	S&P 500	Consumer Staples	Utilities	Industrials	Energy	Materials
Today	10.1%	7.7%	6.8%	6.8%	5.4%	5.2%	5.0%	2.8%	2.1%	1.6%	1.3%	-0.2%
31-Mar	9.4%	7.5%	6.7%	6.7%	4.6%	6.0%	5.1%	2.8%	2.5%	4.8%	-0.7%	0.1%

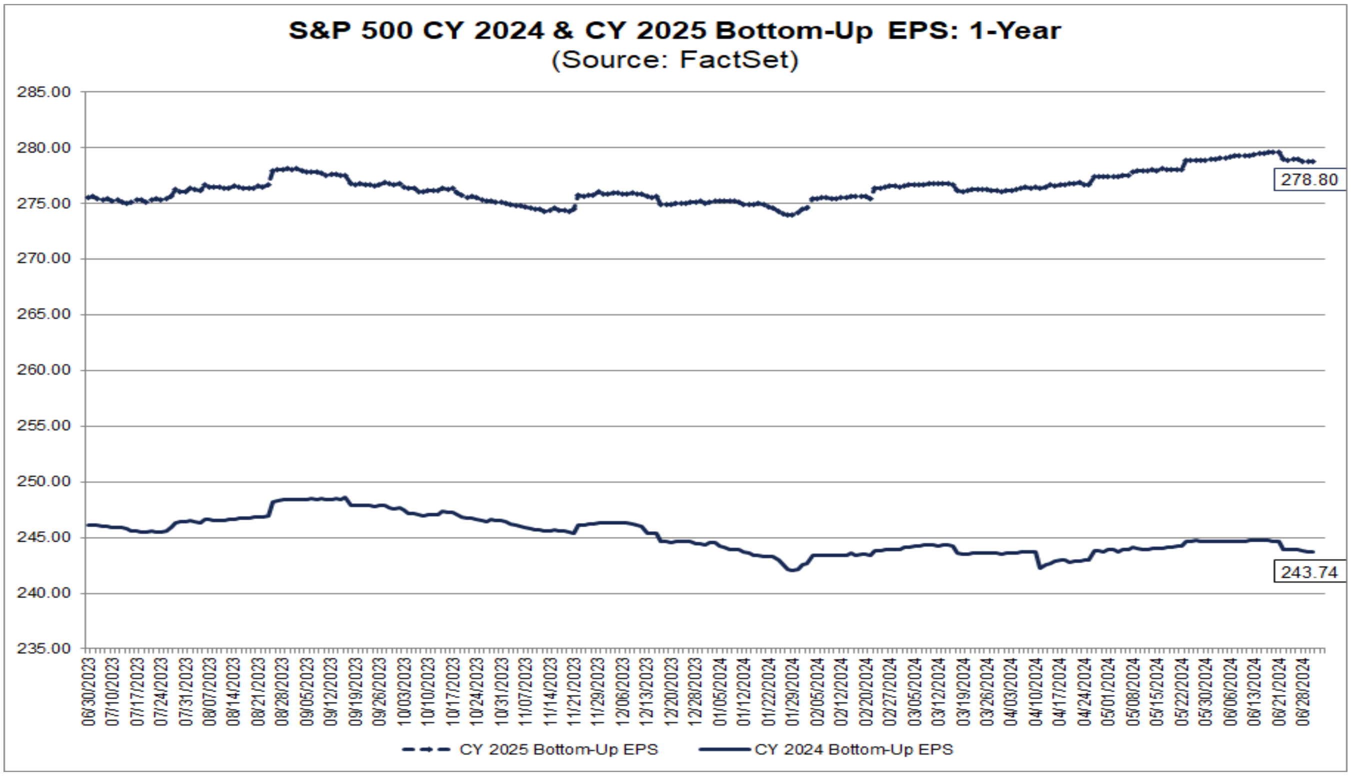
Geographic Revenue Exposure

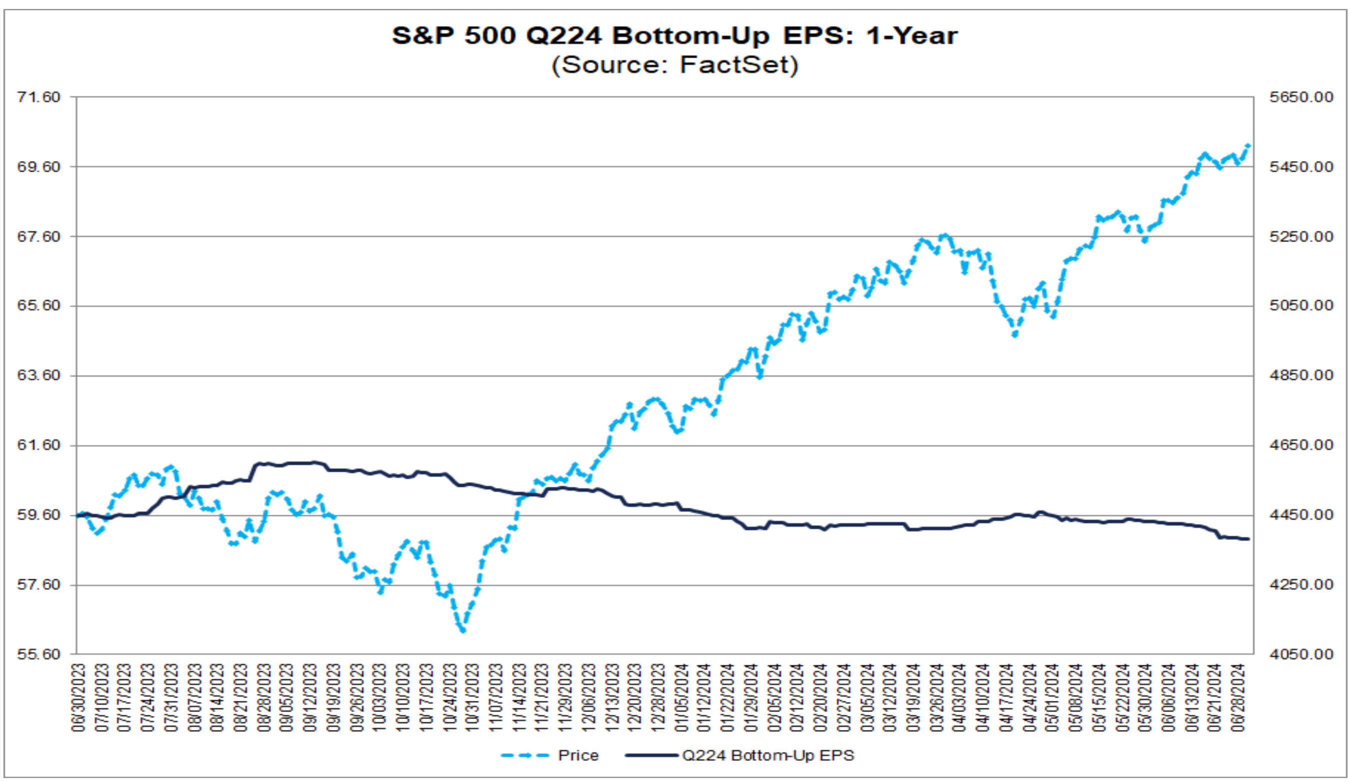




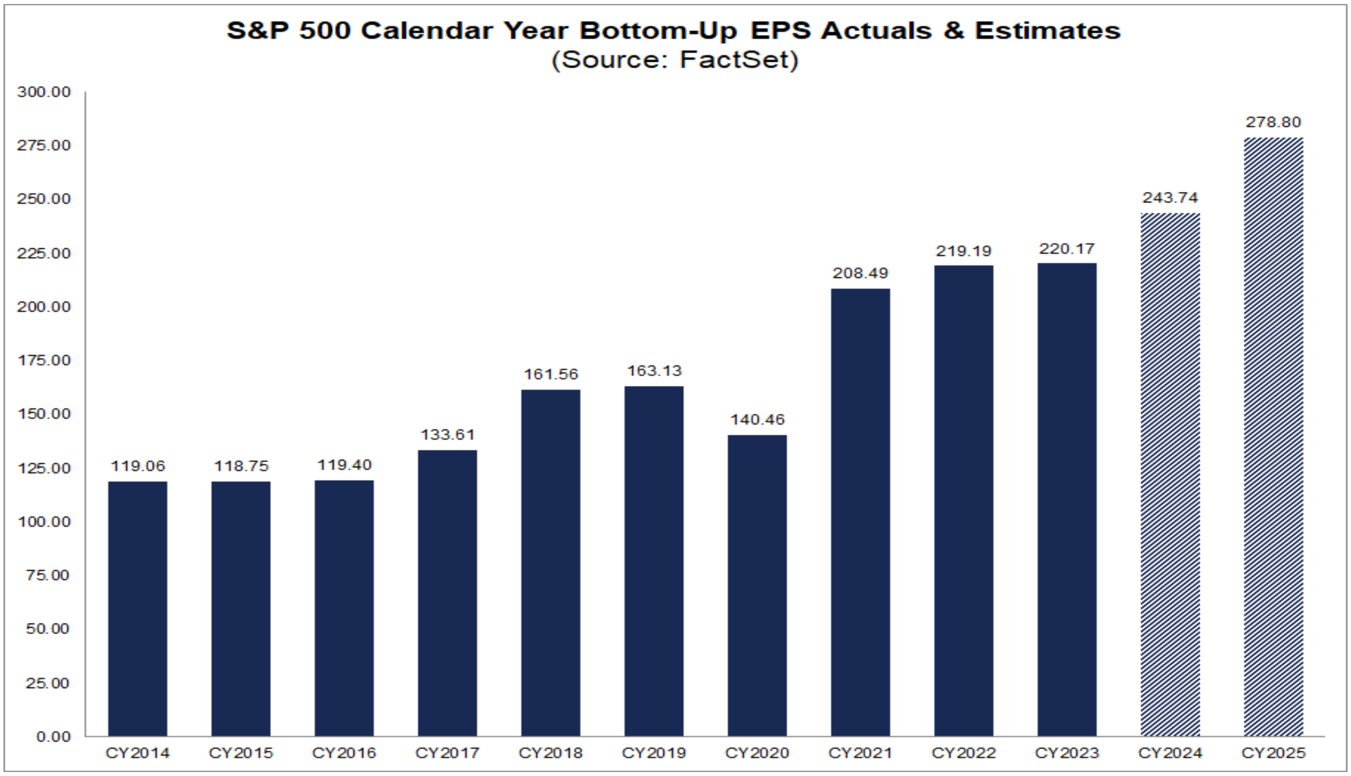
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	17%	28%	33%	33%	34%	39%	40%	49%	52%	57%
United States	99%	83%	72%	67%	67%	66%	61%	60%	51%	48%	43%

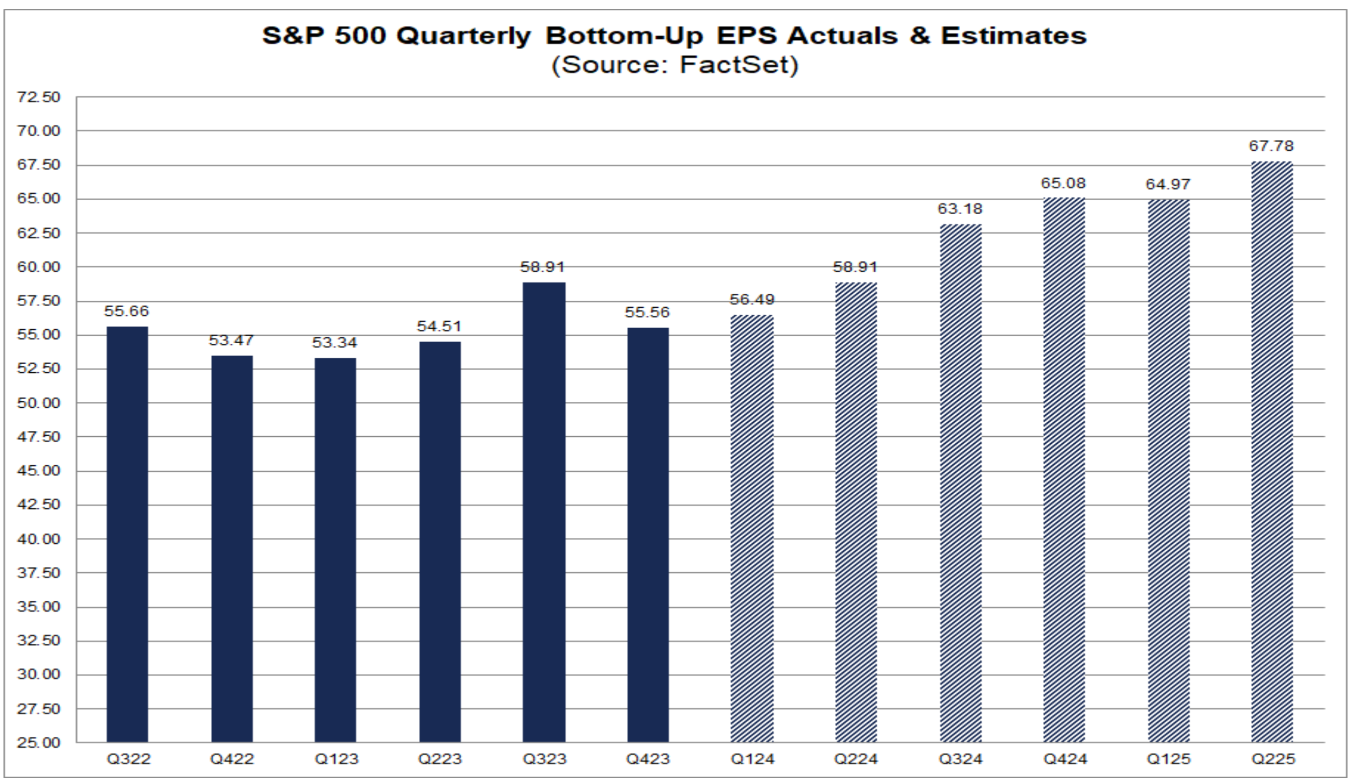
Bottom-Up EPS Estimates



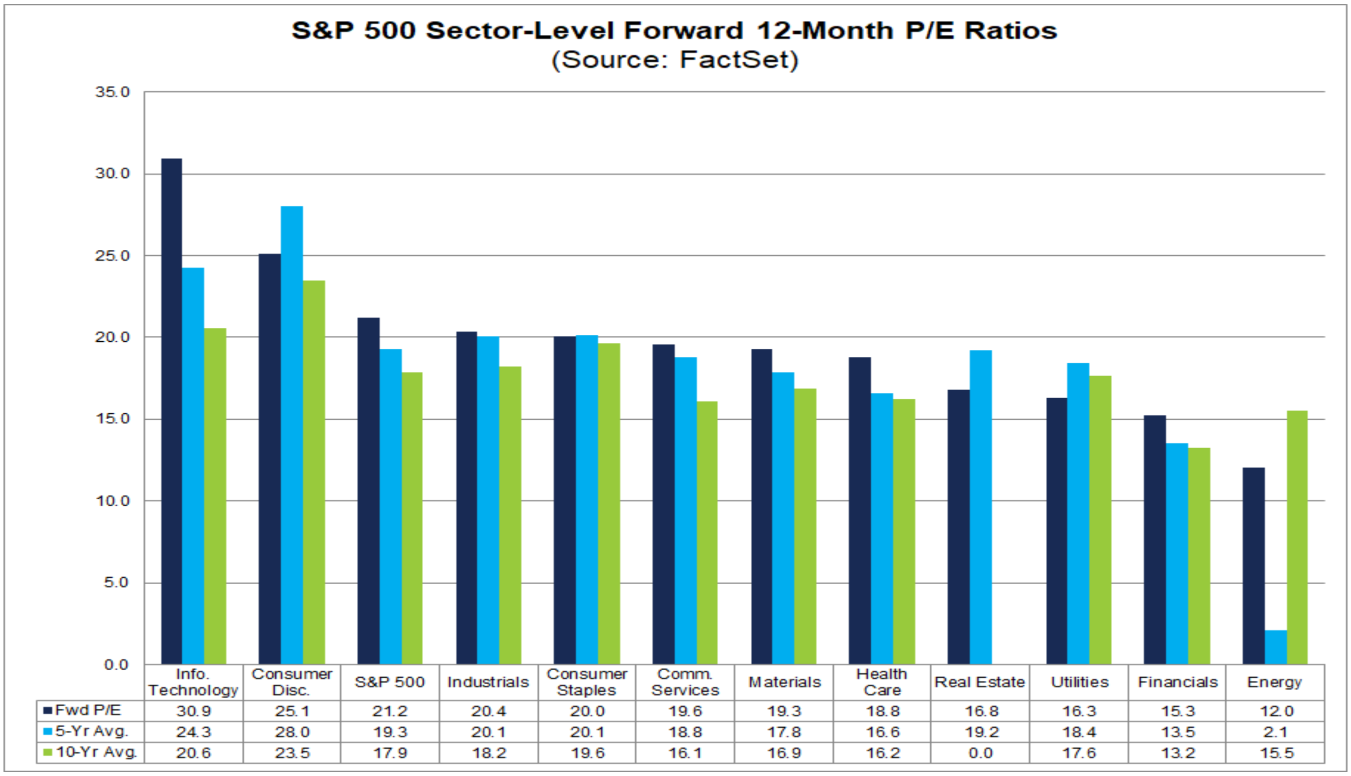


Bottom-Up EPS Estimates: Current & Historical

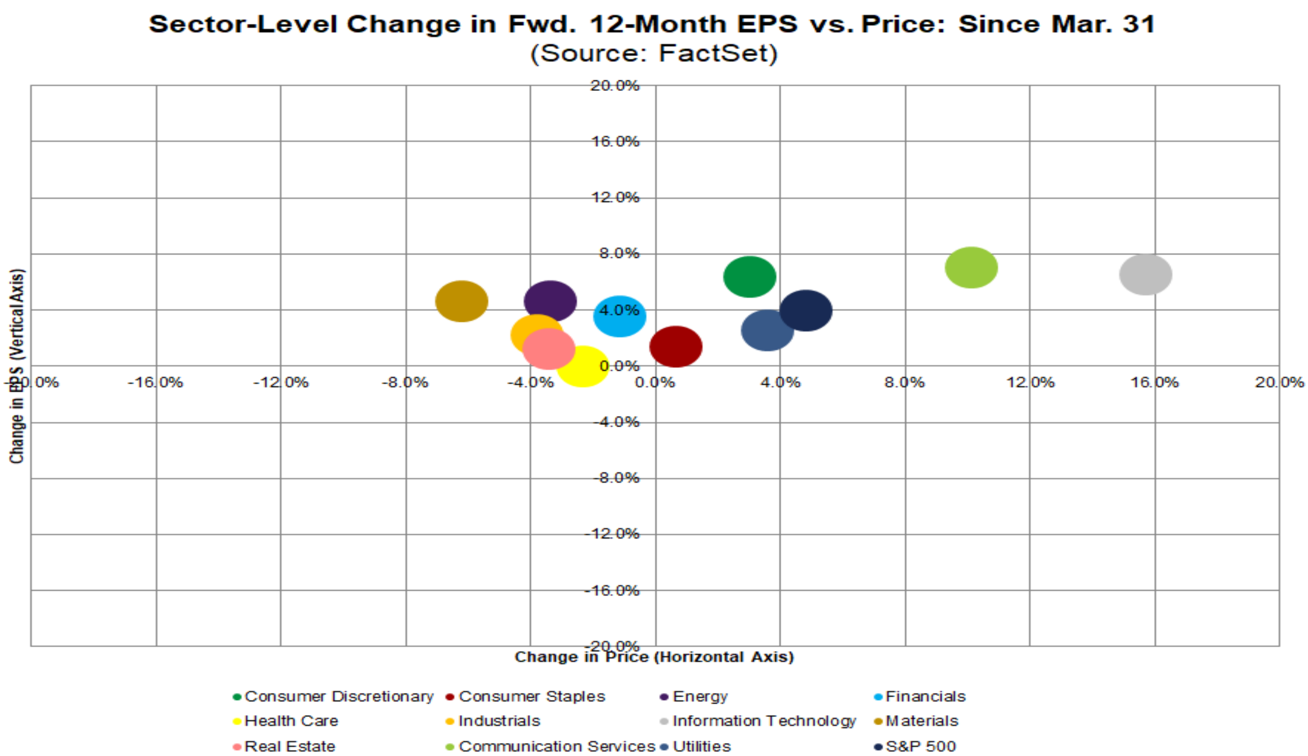




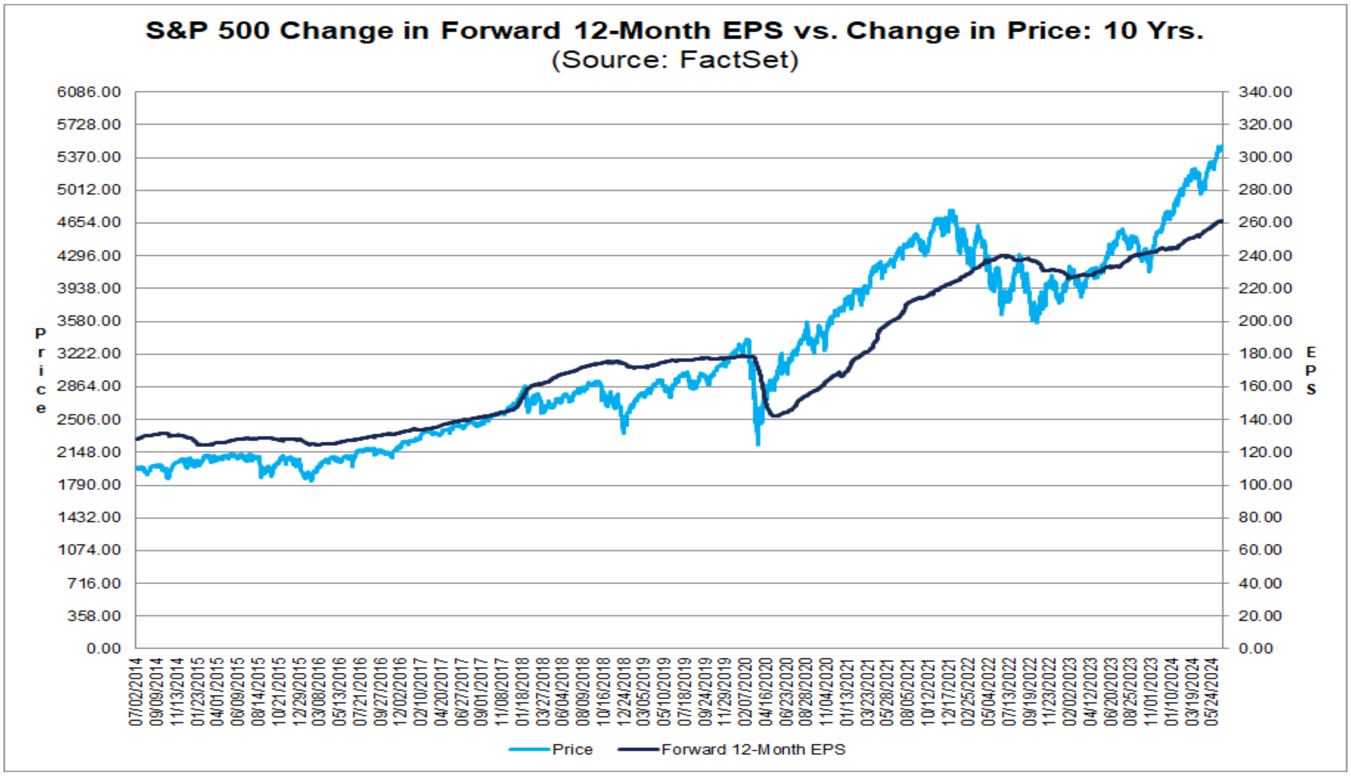
Forward 12M P/E Ratio: Sector Level

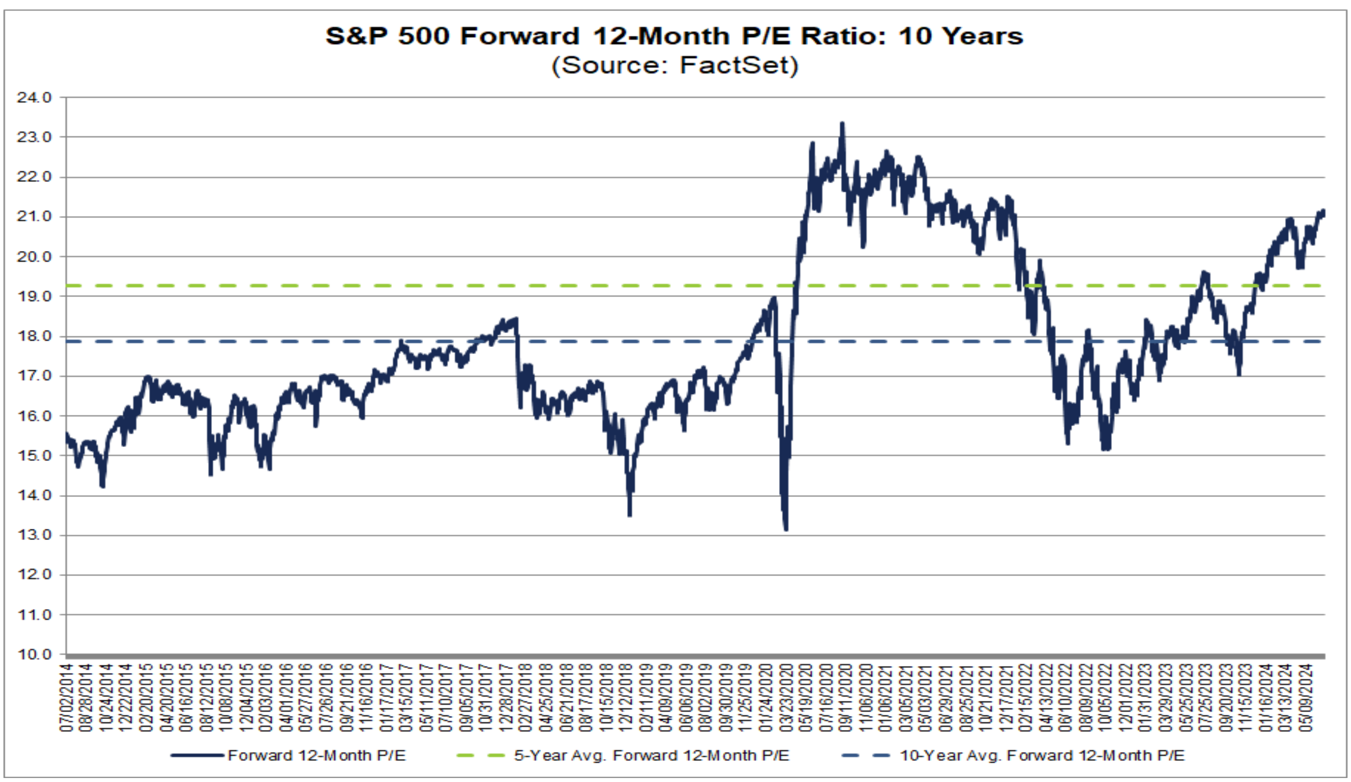


	Info. Technology	Consumer Disc.	S&P 500	Industrials	Consumer Staples	Comm. Services	Materials	Health Care	Real Estate	Utilities	Financials	Energy
Fwd P/E	30.9	25.1	21.2	20.4	20.0	19.6	19.3	18.8	16.8	16.3	15.3	12.0
5-Yr Avg.	24.3	28.0	19.3	20.1	20.1	18.8	17.8	16.6	19.2	18.4	13.5	2.1
10-Yr Avg.	20.6	23.5	17.9	18.2	19.6	16.1	16.9	16.2	0.0	17.6	13.2	15.5

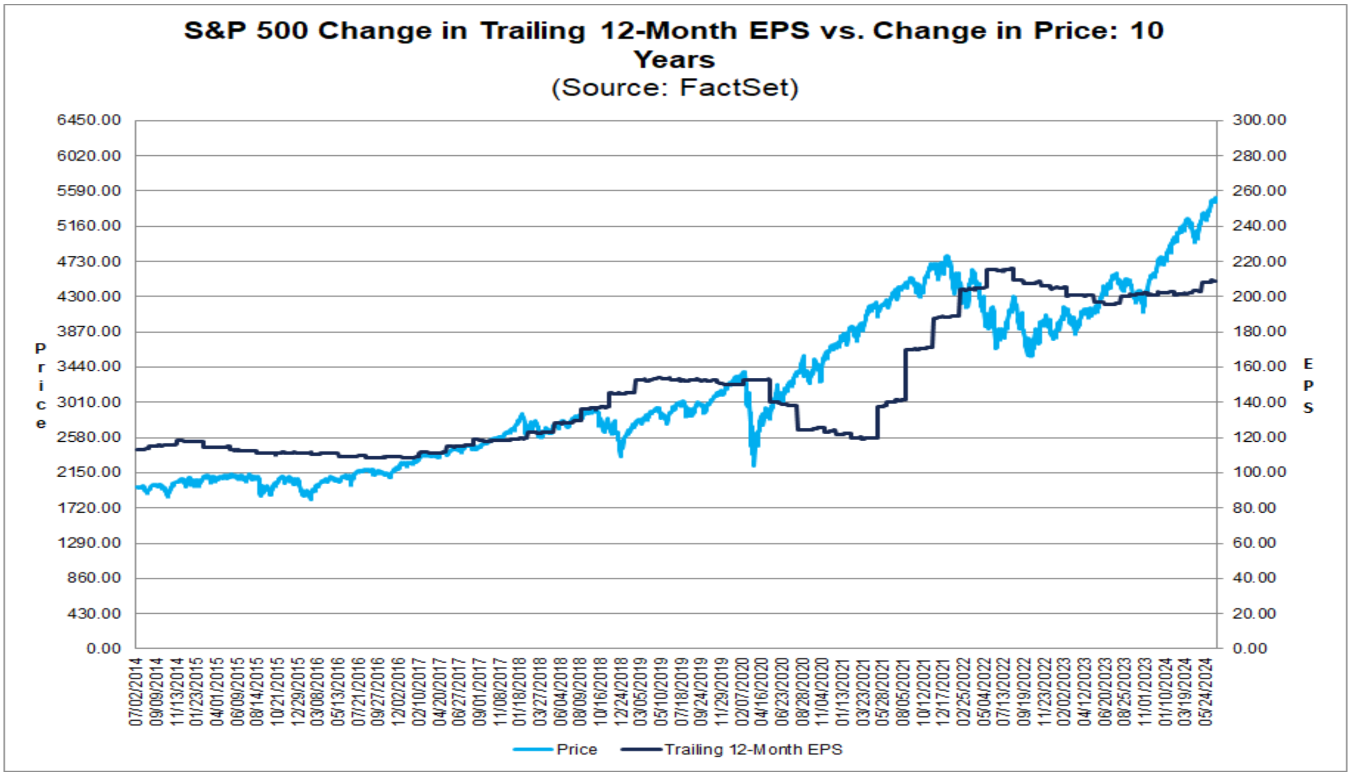


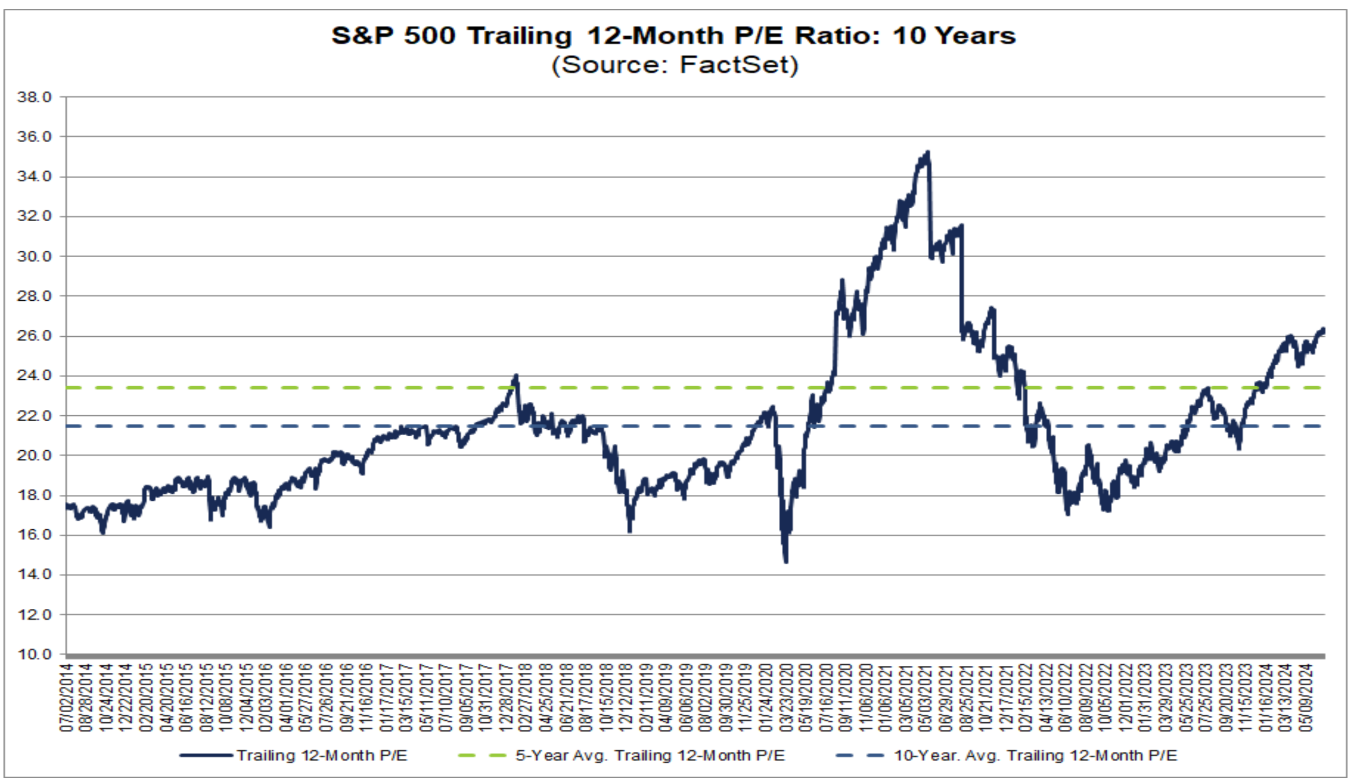
Forward 12M P/E Ratio: 10-Years



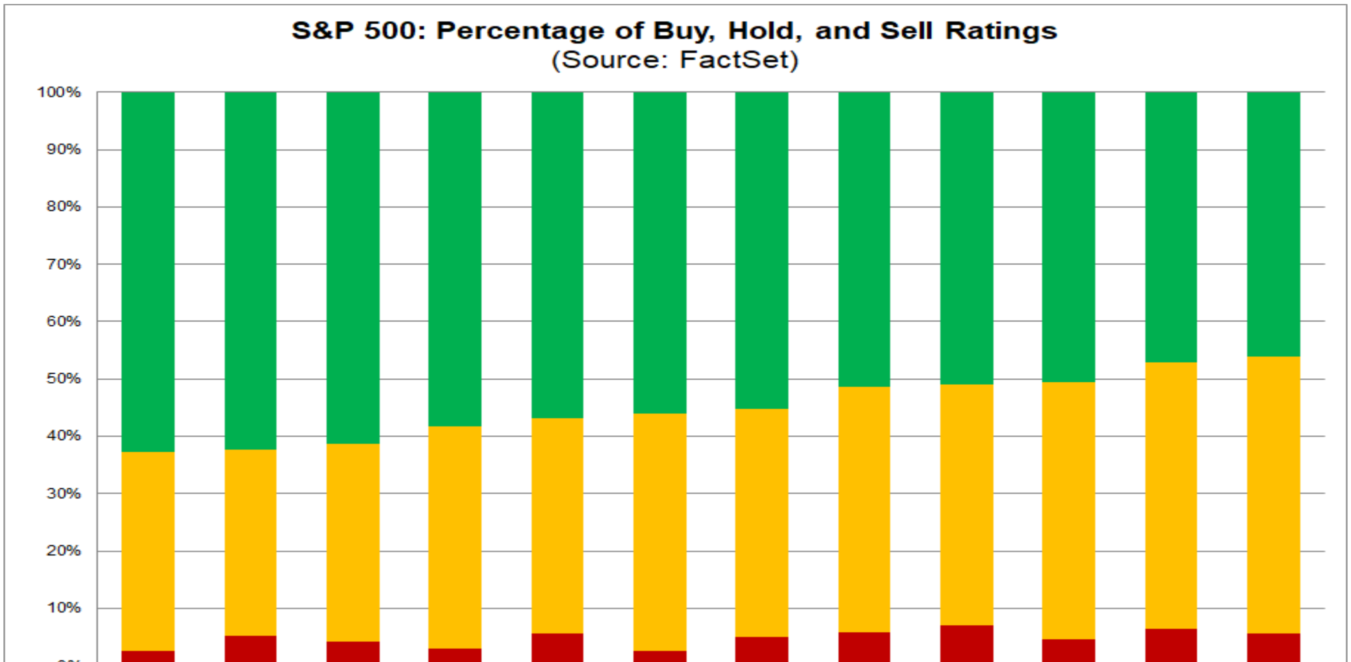


Trailing 12M P/E Ratio: 10-Years

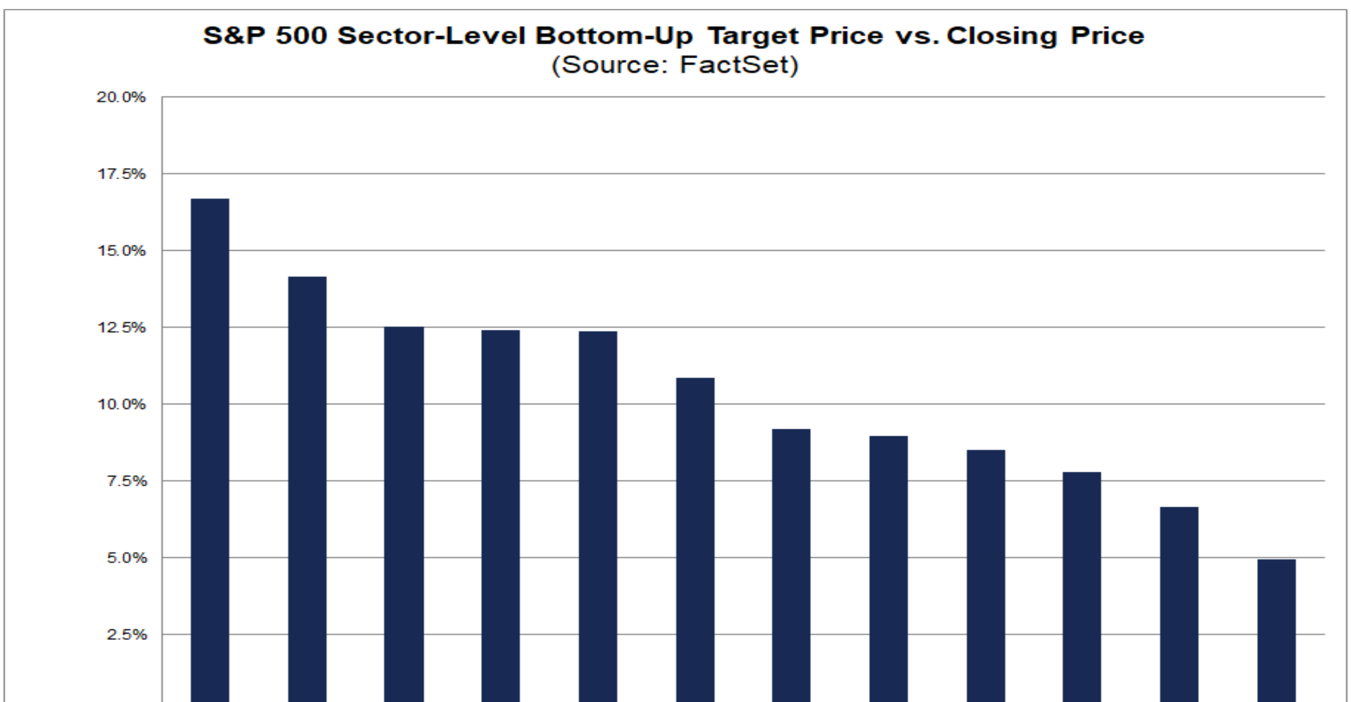




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Consumer Disc.	Real Estate	S&P 500	Financials	Industrials	Utilities	Materials	Consumer Staples
Buy	63%	62%	61%	58%	57%	56%	55%	51%	51%	50%	47%	46%
Hold	35%	32%	35%	39%	38%	41%	40%	43%	42%	45%	47%	48%
Sell	2%	5%	4%	3%	6%	3%	5%	6%	7%	5%	6%	6%



	Energy	Materials	Industrials	Real Estate	Health Care	Utilities	Consumer Staples	Financials	S&P 500	Consumer Disc.	Comm. Services	Info. Tech.
Target/Close	16.7%	14.2%	12.5%	12.4%	12.4%	10.9%	9.2%	9.0%	8.5%	7.8%	6.7%	4.9%

Important Notice

The information contained in this report is provided "as is" and all representations, warranties, terms and conditions, oral or written, express or implied (by common law, statute or otherwise), in relation to the information are hereby excluded and disclaimed to the fullest extent permitted by law. In particular, FactSet, its affiliates and its suppliers disclaim implied warranties of merchantability and fitness for a particular purpose and make no warranty of accuracy, completeness or reliability of the information. This report is for informational purposes and does not constitute a solicitation or an offer to buy or sell any securities mentioned within it. The information in this report is not investment advice. FactSet, its affiliates and its suppliers assume no liability for any consequence relating directly or indirectly to any action or inaction taken based on the information contained in this report.

FactSet aggregates and redistributes estimates data and does not conduct any independent research. Nothing in our service constitutes investment advice or FactSet recommendations of any kind. Estimates data is provided for information purposes only.

FactSet has no relationship with creators of estimates that may reasonably be expected to impair its objective presentation of such estimate or recommendation. FactSet redistributes estimates as promptly as reasonably practicable from research providers.

About FactSet

FactSet (NYSE:FDS | NASDAQ:FDS) helps the financial community to see more, think bigger, and work better. Our digital platform and enterprise solutions deliver financial data, analytics, and open technology to more than 8,000 global clients, including over 206,000 individual users. Clients across the buy-side and sell-side as well as wealth managers, private equity firms, and corporations achieve more every day with our comprehensive and connected content, flexible next-generation workflow solutions, and client-centric specialized support. As a member of the S&P 500, we are committed to sustainable growth and have been recognized amongst the Best Places to Work in 2023 by Glassdoor as a Glassdoor Employees' Choice Award winner. Learn more at www.factset.com and follow us on Twitter and LinkedIn.