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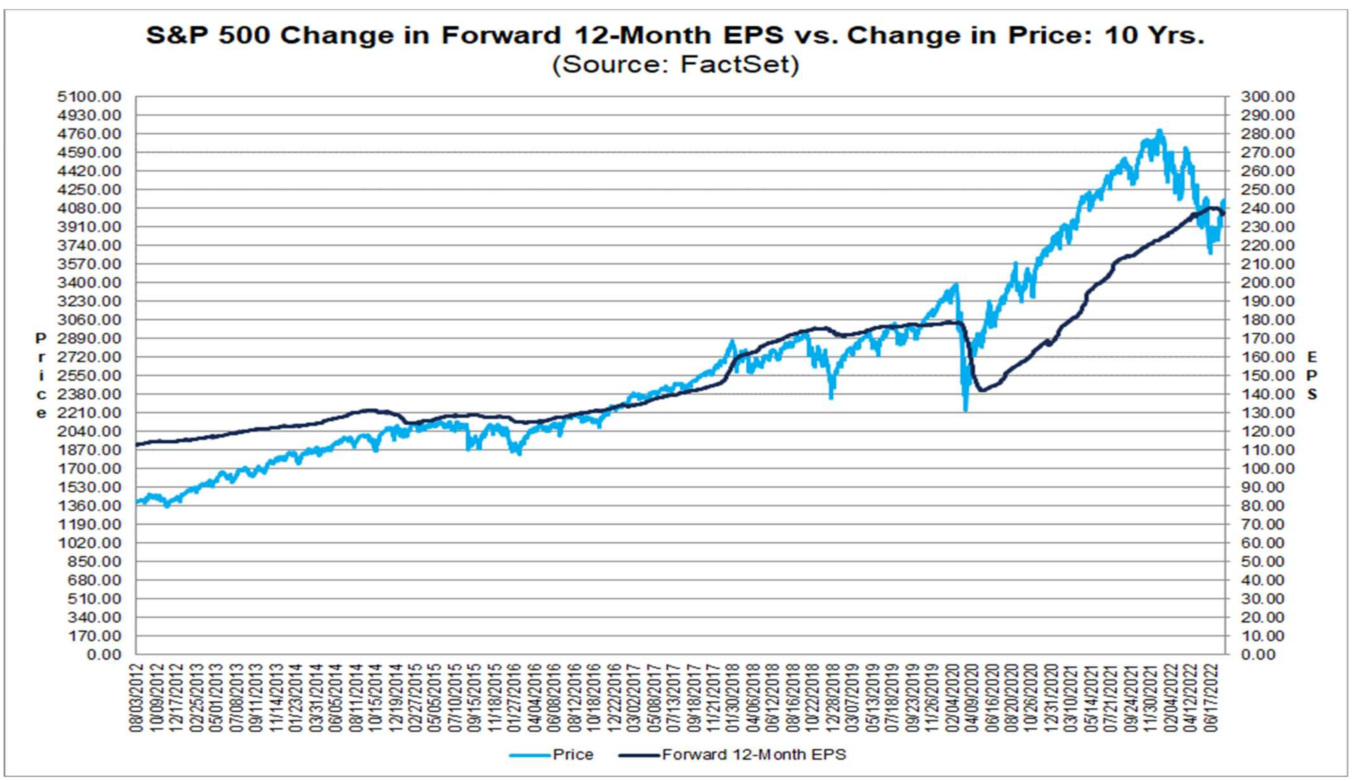
August 5, 2022

Author's Note: ***The FactSet Earnings Insight report will not be published on August 12, August 19, and August 26. The next edition of the report will be published on September 2.***

Key Metrics

- **Earnings Scorecard:** For Q2 2022 (with 87% S&P 500 companies reporting actual results), 75% of S&P 500 companies have reported a positive EPS surprise and 70% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q2 2022, the blended earnings growth rate for the S&P 500 is 6.7%. If 6.7% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q4 2020 (4.0%).
- **Earnings Guidance:** For Q3 2022, 42 S&P 500 companies have issued negative EPS guidance and 30 S&P 500 company has issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.5. This P/E ratio is below the 5-year average (18.6) but above the 10-year average (17.0).



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Topic of the Week: 1

Market Not Punishing Negative EPS Surprises Reported By S&P 500 Companies For Q2

To date, 87% of the companies in the S&P 500 have reported earnings for the second quarter. Of these companies, 75% have reported actual EPS above the mean EPS estimate, which is below the 5-year average of 77%. In aggregate, earnings have exceeded estimates by 3.4%, which is also below the 5-year average of 8.8%. Given this underperformance relative to the 5-year averages, how has the market responded to positive and negative EPS surprises reported by S&P 500 companies during the Q2 earnings season?

At this time, S&P 500 companies that have reported positive EPS surprises have seen a larger price increase than average.

Companies that have reported positive earnings surprises for Q2 2022 have seen an average price increase of 2.1% two days before the earnings release through two days after the earnings release. This percentage increase is much larger than the 5-year average price increase of 0.8% during this same window for companies reporting positive earnings surprises.

In fact, if this is the final percentage for the quarter, it will mark the largest average price increase for S&P 500 companies reporting positive EPS surprises for a quarter since Q3 2019 (+2.2%).

One example of a company that reported a positive EPS surprise in Q2 and saw a substantial price increase is Netflix. On July 19, the company reported actual EPS of $3.20 for Q2, which was above the mean EPS estimate of $2.95. From July 15 to July 21, the stock price for Netflix increased by 18.4% (to $223.88 from $189.11).

In addition, the market has not punished S&P 500 companies that have reported negative EPS surprises on average.

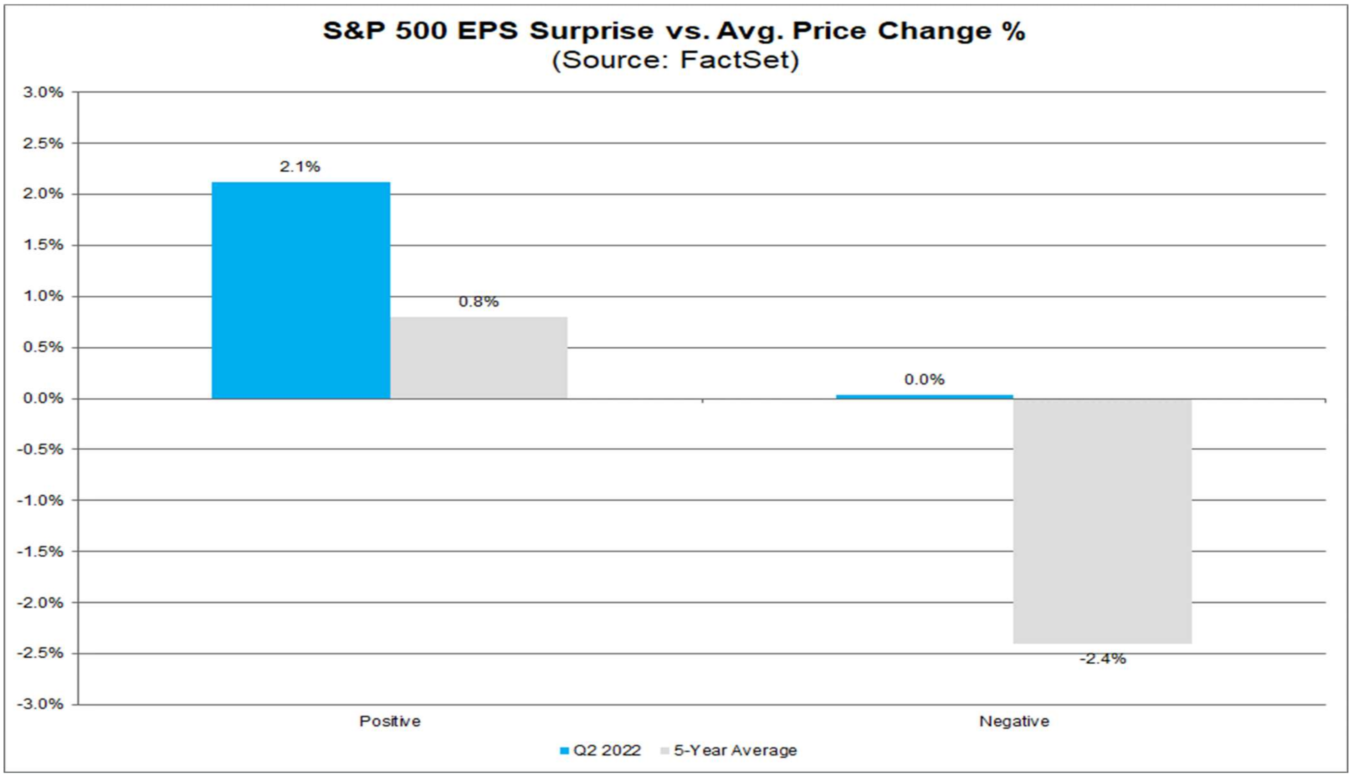
Companies that have reported negative earnings surprises for Q2 2022 have seen no price change (0.0%) on average two days before the earnings release through two days after the earnings release. This percentage is well above the 5-year average price decrease of 2.4% during this same window for companies reporting negative earnings surprises.

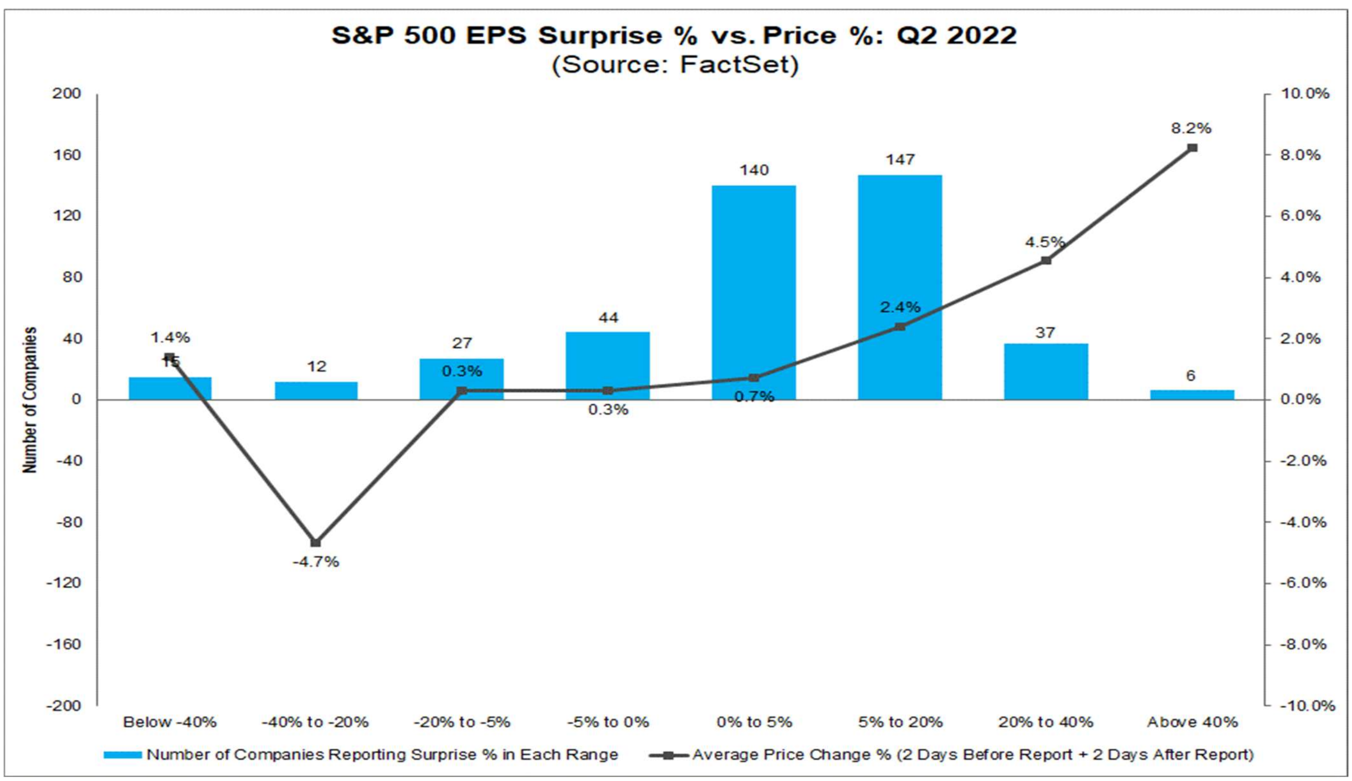
In fact, if this is the final percentage for the quarter, it will mark the first time the index has not seen a negative price reaction on average to negative EPS surprises reported by S&P 500 companies for a quarter since Q1 2009 (+0.3%).

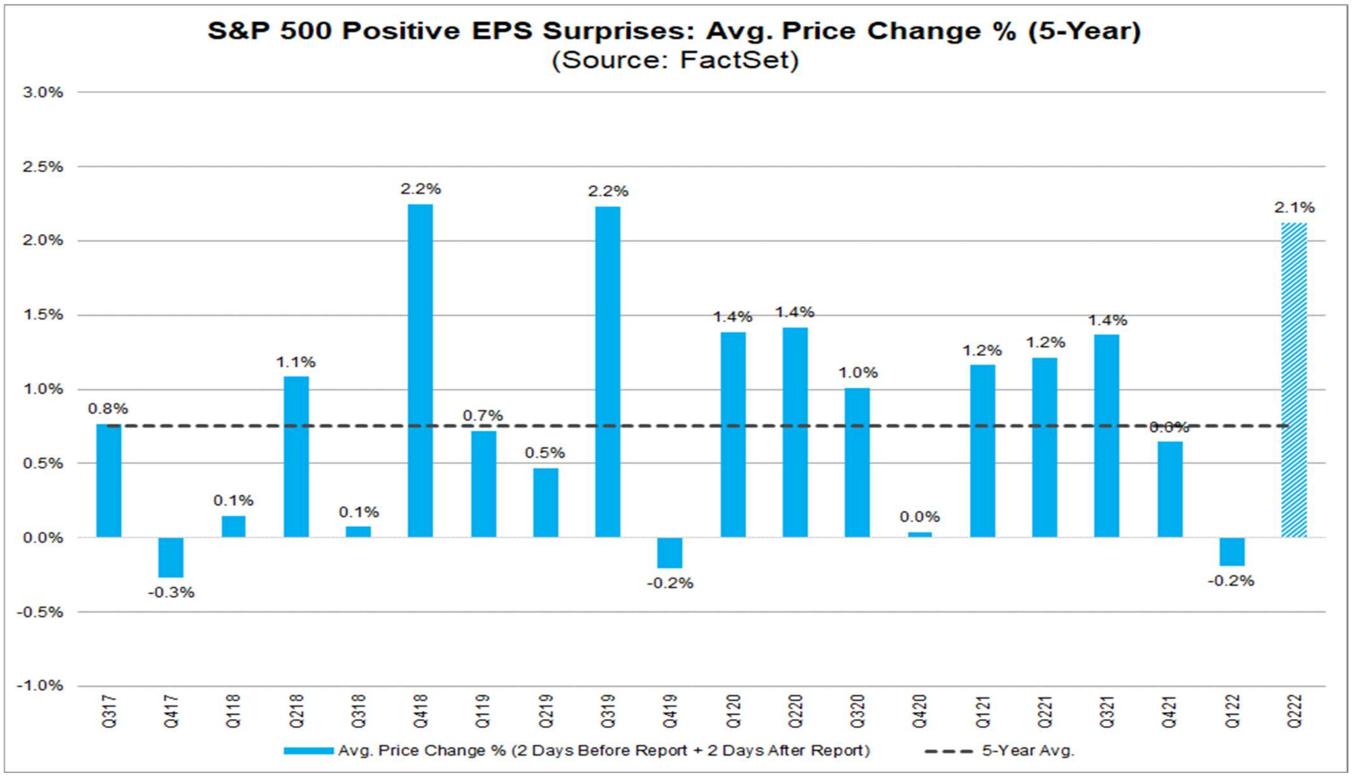
One example of a company that reported a negative EPS surprise in Q2 but witnessed an increase in price is Amazon.com. On July 28, the company reported actual EPS of -$0.20 for Q2, which was well below the mean EPS estimate of $0.12. However, from July 26 to August 1, the stock price for Amazon.com increased by 17.9% (to $135.39 from $114.81).

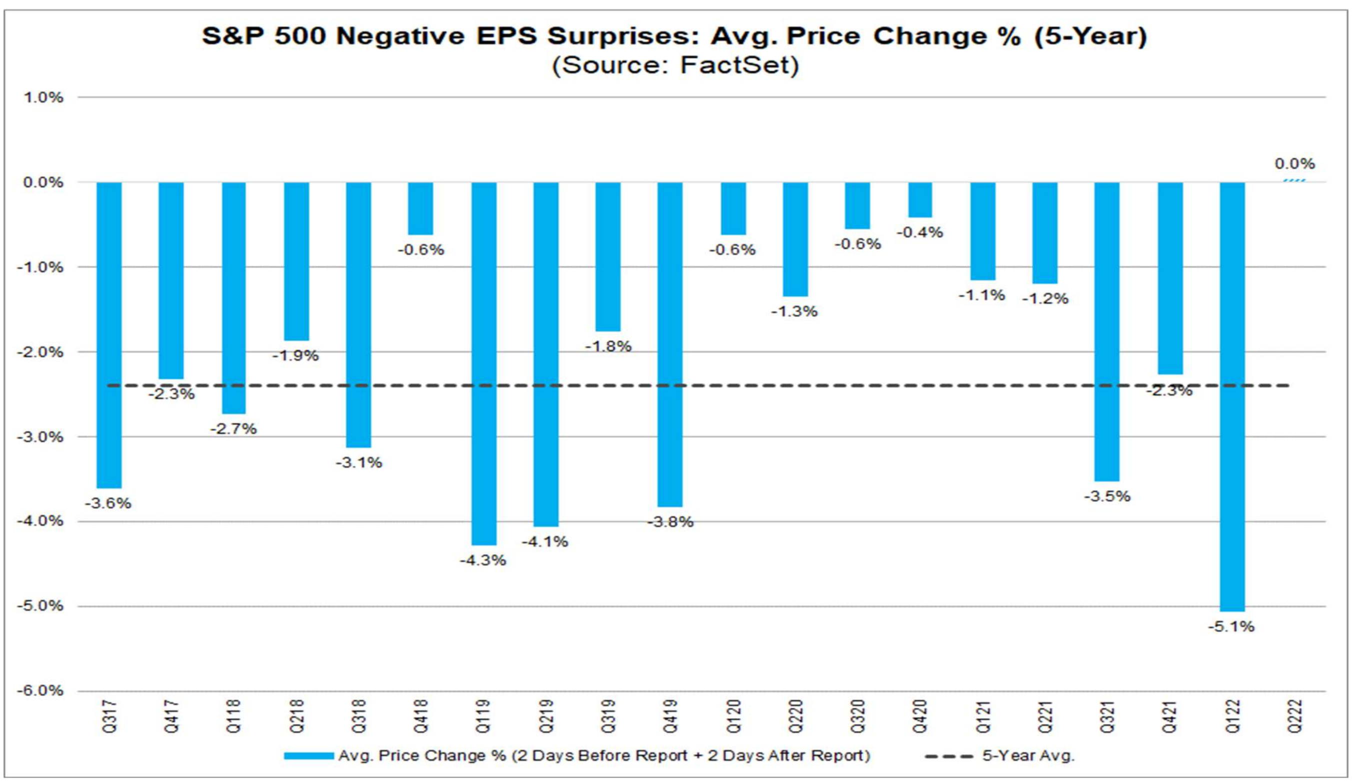
Why is the market rewarding positive EPS surprises more than average and punishing negative EPS surprises less than average?

One factor may be that S&P 500 companies have been less negative in their outlooks for the third quarter than average. In terms of earnings guidance, 58% of the S&P 500 companies (42 out of 72) that have issued EPS guidance for Q3 2022 have issued negative guidance. This percentage is below the 5-year average of 60% and below the 10-year average of 67%. Perhaps, the market is responding more to the earnings outlook for the current quarter rather than the earnings performance of the prior quarter.


S&P 500 EPS Surprise vs. Avg. Price Change %
(Source: FactSet)
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
-1.5%
-2.0%
-2.5%
-3.0%
2.1%
0.8%
0.0%
-2.4%
Positive
Negative
Q2 2022
5-Year Average


S&P 500 EPS Surprise % vs. Price %: Q2 2022
(Source: FactSet)
Number of Companies
200
160
120
80
40
0
-40
-80
-120
-160
-200
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%
-6.0%
-8.0%
-10.0%
15
12
27
44
140
147
37
6
1.4%
-4.7%
0.3%
0.3%
0.7%
2.4%
4.5%
8.2%
Below -40%
-40% to -20%
-20% to -5%
-5% to 0%
0% to 5%
5% to 20%
20% to 40%
Above 40%
Number of Companies Reporting Surprise % in Each Range
Average Price Change % (2 Days Before Report + 2 Days After Report)


S&P 500 Positive EPS Surprises: Avg. Price Change % (5-Year)
(Source: FactSet)
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
0.8%
-0.3%
0.1%
1.1%
0.1%
2.2%
0.7%
0.5%
2.2%
-0.2%
1.4%
1.4%
1.0%
0.0%
1.2%
1.2%
1.4%
-0.2%
2.1%
Q317
Q417
Q118
Q218
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Q121
Q221
Q321
Q421
Q122
Q222
Avg. Price Change % (2 Days Before Report + 2 Days After Report)
5-Year Avg.


S&P 500 Negative EPS Surprises: Avg. Price Change % (5-Year)
(Source: FactSet)
1.0%
0.0%
-1.0%
-2.0%
-3.0%
-4.0%
-5.0%
-6.0%
-3.6%
-2.3%
-2.7%
-1.9%
-3.1%
-0.6%
-4.3%
-4.1%
-1.8%
-3.8%
-0.6%
-1.3%
-0.6%
-0.4%
-1.1%
-1.2%
-3.5%
-2.3%
-5.1%
0.0%
Q317
Q417
Q118
Q218
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Q121
Q221
Q321
Q421
Q122
Q222
Avg. Price Change % (2 Days Before Report + 2 Days After Report)
5-Year Avg.

Topic of the Week: 2

Ex-Energy, S&P 500 Reporting a Year-Over-Year Decline in Earnings of 4% for Q2

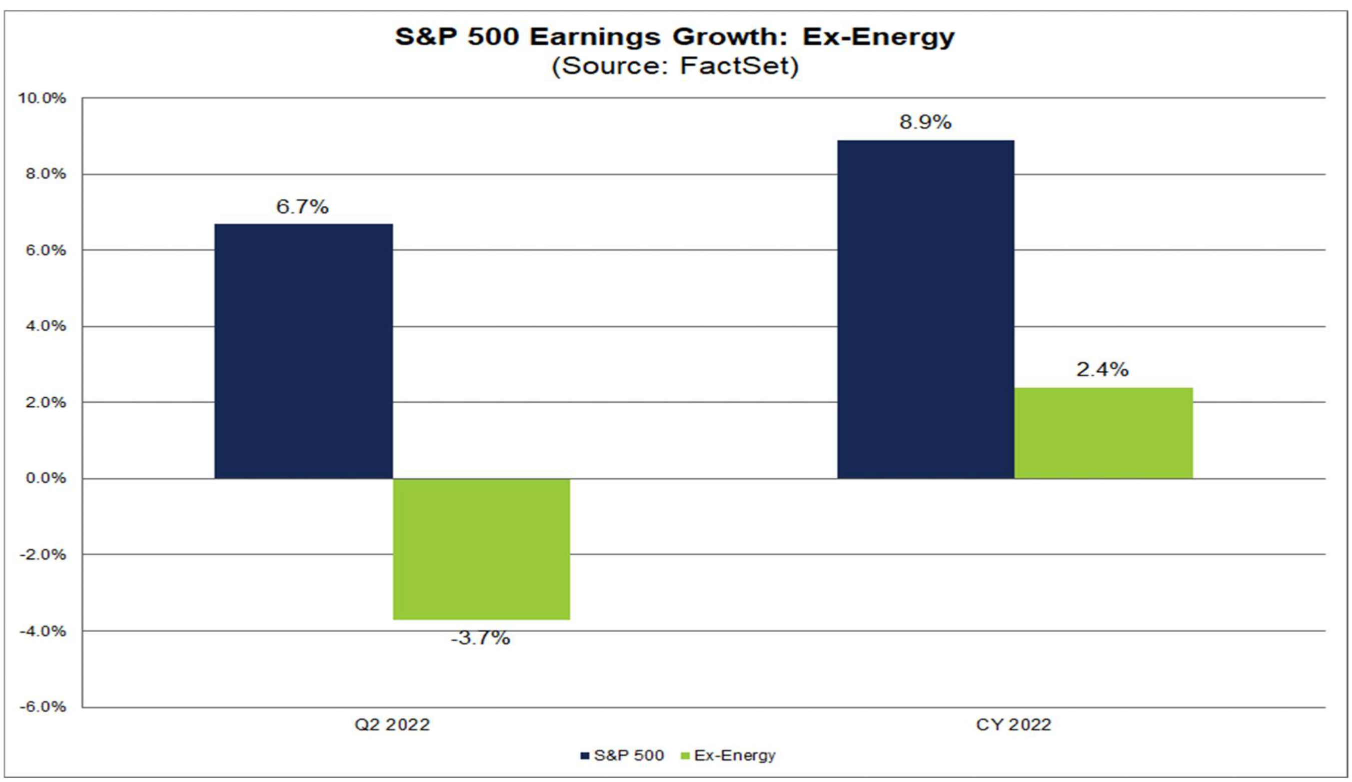
For Q2 2022, the blended earnings growth rate for the S&P 500 is 6.7%. At the sector level, six sectors are reporting year-over-year growth in earnings for the quarter. However, the Energy sector is reporting the highest earnings growth of all eleven sectors at 299%.

The Energy sector is also the largest contributor to earnings growth for the S&P 500 for Q2 2022. The sector is reporting an aggregate year-over-year increase in earnings of $47.7 billion, while the S&P 500 overall is reporting an aggregate year-over-year increase in earnings of $31.1 billion. In fact, if the Energy sector is excluded, the S&P 500 would be reporting a year-over-year decline in earnings of 3.7% rather than a year-over-year increase in earnings of 6.7%.

At the company level, Exxon Mobil and Chevron are the largest contributors to year-over-year earnings growth for the Energy sector and the S&P 500 as a whole for Q2. Exxon Mobil reported EPS of $4.14 for Q2 2022, compared to EPS of $1.10 for Q2 2021. Chevron reported actual EPS of $5.82 for Q2 2022, compared to EPS of $1.71 for Q2 2021. Combined, these two companies account for about $20.9 billion (or 44%) of the 47.7 billion year-over-year increase in earnings for the Energy sector.

The Energy sector is also expected to be the largest contributor to earnings growth for the S&P 500 for all of CY 2022. If this sector is excluded, the estimated earnings growth rate for the index for CY 2022 falls to 2.4% from 8.9%.

Higher year-over-year oil prices contributed to the year-over-year improvement in earnings for this sector in the second quarter, as the average price of oil in Q2 2022 ($108.52) was 64% above the average price for oil in Q2 2021 ($66.17). However, given the sharp decline in the price of oil over the past week (to $88.54 from $98.62), the market will certainly be watching for any continuation in the decrease in the price of oil over the next few weeks. There is a high correlation between changes in the price of oil and changes in future earnings estimates for companies in the Energy sector.



Q2 Earnings Season: By The Numbers

Overview

The number of S&P 500 companies reporting positive earnings surprises and the magnitude of these earnings surprises continued to rise over the past week. As a result, the earnings growth rate for the second quarter is higher today compared to the end of last week and compared to the end of the quarter. However, both the number and magnitude of positive earnings surprises are still below their 5-year averages. On a year-over-year basis, the S&P 500 is reporting its lowest earnings growth since Q4 2020. The lower earnings growth rate for Q2 2022 relative to recent quarters can be attributed to both a difficult comparison to unusually high earnings growth in Q2 2021 and continuing macroeconomic headwinds.

Overall, 87% of the companies in the S&P 500 have reported actual results for Q2 2022 to date. Of these companies, 75% have reported actual EPS above estimates, which is above last week's percentage of 73% but below the 5-year average of 77%. In aggregate, companies are reporting earnings that are 3.4% above estimates, which is above last week's percentage of 3.1% but below the 5-year average of 8.8%.

As a result, the index has a higher earnings growth rate for the second 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 second quarter is 6.7% today, compared to an earnings growth rate of 5.8% last week and an earnings growth rate of 4.0% at the end of the second quarter (June 30). Positive earnings surprises reported by companies in multiple sectors (led by the Energy and Health Care sectors) were responsible for the increase in the earnings growth rate over the past week. Upward revisions to EPS estimates and positive earnings surprises for companies in the Energy sector have been the largest contributors to the overall increase in the earnings growth rate for the index since the end of the second quarter (June 30).

If 6.7% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q4 2020 (4.0%). Six of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, and Materials sectors. On the other hand, five sectors are reporting a year-over-year decline in earnings, led by the Financials, Consumer Discretionary, and Communication Services sectors.

In terms of revenues, 70% 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 3.5% above the estimates, which is above the 5-year average of 1.8%. If 3.5% is the final percentage for the quarter, it will mark the third-highest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008.

As a result, the index has a higher revenue growth rate for the second quarter today relative to the end of last week and relative to the end of the quarter. The blended revenue growth rate for the second quarter is 13.6% today, compared to a revenue growth rate of 12.5% last week and a revenue growth rate of 10.1% at the end of the second quarter (June 30). Positive revenue surprises reported by companies in multiple sectors (led by the Energy and Health Care sectors) were responsible for the increase in the revenue growth rate over the past week. Upward revisions to revenue estimates and positive revenue surprises for companies in the Energy sector have been the largest contributors to the overall increase in the revenue growth rate for the index since the end of the quarter (June 30).

If 13.6% is the actual growth rate for the quarter, it will mark the sixth-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 sector.

Looking ahead, analysts expect earnings growth of 5.8% for Q3 2022 and 6.1% for Q4 2022. For CY 2022, analysts are predicting earnings growth of 8.9%.

The forward 12-month P/E ratio is 17.5, which is below the 5-year average (18.6) but above the 10-year average (17.0). It is also above the forward P/E ratio of 15.8 recorded at the end of the second quarter (June 30), as the price of the index has increased while the forward EPS estimate has decreased since June 30.

During the upcoming week, 23 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the second quarter.

Scorecard: Below-Average Performance for EPS, But Above-Average Performance for Revenues

Percentage of Companies Beating EPS Estimates (75%) is Below 5-Year Average

Overall, 87% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 75% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 21% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (81%) and below the 5-year average (77%), but above the 10-year average (72%).

If 75% is the final percentage for the quarter, it will mark the lowest percentage of S&P 500 companies reporting a positive EPS surprise since Q1 2020 (63%).

At the sector level, the Energy (90%) and Information Technology (87%) sectors have the highest percentages of companies reporting earnings above estimates, while the Communication Services (50%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+3.4%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 3.4% above expectations. This surprise percentage is below the 1-year average (+9.8%), below the 5-year average (+8.8%), and below the 10-year average (6.5%).

If 3.4% is the final percentage for the quarter, it will mark the lowest surprise percentage reporting by the index since Q1 2020 (1.1%).

The Energy (+9.2%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Schlumberger ($0.50 vs. $0.40), Valero Energy ($11.36 vs. $9.26), and Marathon Petroleum ($10.61 vs. $8.91) have reported the largest positive EPS surprises.

The Utilities (+8.4%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, NRG Energy ($2.74 vs. $0.25), Entergy ($1.78 vs. $1.37), and Southern Company ($1.07 vs. $0.84) have reported the largest positive EPS surprises.

The Health Care (+8.4%) sector is also reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Hologic ($0.95 vs. $0.71), Biogen ($5.25 vs. $4.06), Incyte Corporation ($0.72 vs. $0.56), and Abbott Laboratories ($1.43 vs. $1.14) have reported the largest positive EPS surprises.

The Consumer Discretionary (-8.9%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Caesars Entertainment (-$0.57 vs. $0.18) and Amazon.com (-$0.20 vs. $0.12) have reported the largest negative EPS surprises. It should be noted that the GAAP EPS number for Amazon.com of -$0.20 included a pre-tax (valuation) loss of $3.9 billion. The majority of analysts provide estimates for Amazon.com on a GAAP basis.

Market Rewarding Positive EPS Surprises More Than Average

To date, the market is rewarding positive earnings surprises more than average and punishing negative earnings surprises less than average.

Companies that have reported positive earnings surprises for Q2 2022 have seen an average price increase of +2.1% two days before the earnings release through two days after the earnings release. This percentage increase is well above the 5-year average price increase of +0.8% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q2 2022 have seen no price change (0.0%) on average two days before the earnings release through two days after the earnings. This percentage is well above the 5-year average price decrease of -2.4% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (70%) is Above 5-Year Average

In terms of revenues, 70% of companies have reported actual revenues above the mean revenue estimate and 30% of companies have reported actual revenues below the mean revenue estimate. The percentage of companies reporting revenues above estimates is below the 1-year average (78%), but above the 5-year average (69%) and above the 10-year average (61%).

If 70% is the final percentage for the quarter, it will mark the lowest percentage of S&P 500 companies reporting a positive revenue surprise since Q2 2020 (65%).

At the sector level, the Utilities (93%) and Energy (90%) sectors have the highest percentages of companies reporting revenues above estimates, while the Communication Services (55%) and Financials (56%) sectors have the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+3.5%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 3.5% above expectations. This surprise percentage is above the 1-year average (+3.2%), above the 5-year average (+1.8%), and above the 10-year average (1.1%).

If 3.5% is the final percentage for the quarter, it will mark the third-highest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008.

At the sector level, the Utilities (+16.4%) and Energy (+14.5%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Communication Services (-0.1%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings Growth 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 second quarter is 6.7%, which is above the earnings growth rate of 5.8% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Energy and Health Care sectors) were responsible for the increase in the overall earnings growth rate during the week.

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

The blended (year-over-year) revenue growth rate for the second quarter is 13.6%, which is above the revenue growth rate of 12.5% last week. Positive surprises reported by companies in multiple sectors (led by the Energy and Health Care sectors) were the top contributors to the increase in the overall revenue growth rate for the index during the week.

Energy Sector Has Seen Largest Increase in Earnings since June 30

The blended (year-over-year) earnings growth rate for Q2 2022 of 6.7% is larger than the estimate of 4.0% at the end of the second quarter (June 30). Six 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 299.2% from 219.6%) sector. The Energy sector has also been the largest contributor to the increase in the earnings growth rate for the index during this period. On the other hand, four sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline during this period, led by the Consumer Discretionary (to -18.2% from -9.4%) sector. The Real Estate sector (10.9%) has the same earnings (FFO) growth rate today compared to June 30.

In the Energy sector, upward revisions to EPS estimates and positive EPS surprises for Exxon Mobil ($4.14 vs. $3.94), Marathon Petroleum (to $10.61 vs $8.91), Chevron ($5.82 vs. $5.08), and Valero Energy (to $11.36 from $9.26) have been the largest contributors to the increase in the overall earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Energy sector increased to 299.2% from 219.6% during this period.

Energy Sector Has Seen Largest Increase in Revenues since June 30

The blended (year-over-year) revenue growth rate for Q2 2022 of 13.6% is larger than the estimate of 10.1% at the end of the second quarter (June 30). Nine 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 77.5% from 44.7%) sector. The Energy sector has also been the largest contributor to the increase in the revenue growth rate for the index during this period. On the other hand, two sectors have recorded a decrease in their revenue growth rate since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises: Financials (to 5.7% from 5.8%) and Information Technology (to 7.6% from 7.7%).

Earnings Growth: 6.7%

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 Q2 2022 is 6.7%, which is below the 5-year average earnings growth rate of 14.8% and below the 10-year average earnings growth rate of 8.9%. If 6.7% 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 (4.0%).

The lower earnings growth rate for Q2 2022 relative to recent quarters can be attributed to both a difficult comparison to unusually high earnings growth in Q2 2021 and continuing macroeconomic headwinds. In Q2 2021, the S&P 500 reported (year-over-year) earnings growth of 91.7%, 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 Q1 2022, 85% of S&P 500 companies cited “inflation” on their earnings calls from March 15 to June 14, while 74% of S&P 500 companies cited “supply chain” on their earnings calls from March 15 to June 14. These are the highest percentages of S&P 500 companies citing “inflation” and “supply chain” on earnings calls going back to at least 2010.

Six of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, and Materials sectors. On the other hand, five sectors are reporting a year-over-year decline in earnings, led by the Financials, Consumer Discretionary, and Communication Services sectors.

Energy: Largest Contributor to Year-Over-Year Earnings Growth for S&P 500 For Q2

The Energy sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 299.2%. 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 2022 ($108.52) was 64% above the average price for oil in Q2 2021 ($66.17). At the sub-industry level, all five sub-industries in the sector are reporting a year-over-year increase in earnings of 25% or more. Three of these five sub-industries are reporting a year-over-year increase in earnings of 220% or more: Oil & Gas Refining & Marketing (1,324%), Integrated Oil & Gas (285%), and Oil & Gas Exploration & Production (221%).

The Energy sector is also the largest contributor to earnings growth for the S&P 500 for the second quarter. If this sector were excluded, the index would be reporting a decline in earnings of 3.7% rather than growth in earnings of 6.7%.

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

The Industrials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 27.5%. At the industry level, 11 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 profit of $2.9 billion in Q2 2022 compared to a loss of -$3.3 billion in Q2 2021. Nine of the remaining ten industries are reporting earnings growth above 10%: Trading Companies & Distributors (50%), Construction & Engineering (50%), Air Freight & Logistics (21%), Electrical Equipment (15%), Machinery (14%), Road & Rail (12%), Commercial Services & Supplies (12%), Professional Services (11%), and Industrial Conglomerates (11%). On the other hand, the Aerospace & Defense (-26%) industry is the only industry reporting a year-over-year decline in earnings.

At the industry level, the Airlines industry is also 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 6.5% from 27.5%.

Materials: 3 of 4 Industries Reporting Year-Over-Year Growth Above 10%

The Materials sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 13.0%. At the industry level, all four industries in this sector are reporting year-over-year earnings growth. Three of the four industries are reporting earnings growth above 10%: Containers & Packaging (15%), Metals & Mining (13%), and Chemicals (13%).

Financials: Largest Detractor to Year-Over-Year Earnings Growth for S&P 500 For Q2

The Financials sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -24.5%. At the industry level, four of the five industries in this sector are reporting a year-over-year earnings decline of 15% or more: Consumer Finance (-33%), Banks (-28%), Insurance (-25%), and Capital Markets (-19%). Higher provisions for loan losses are having a negative impact on earnings growth for companies in the Banks industry. On the other hand, the Diversified Financial Services (4%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

The Financials sector is also the largest detractor to earnings growth for the S&P 500 for the second quarter. If this sector were excluded, the blended earnings growth rate for the index would improve to 14.2% from 6.7%.

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

The Consumer Discretionary sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -18.2%. At the industry level, 5 of the 10 industries in the sector are reporting a year-over-year decrease in earnings. Four of these five industries are reporting a double-digit decline in earnings: Internet & Direct Marketing Retail (-117%), Multiline Retail (-49%), Auto Components (-26%), and Textiles, Apparel, & Luxury Goods (-12%). On the other hand, five industries are reporting year-over-year earnings growth of more than 10%: Hotels, Restaurants, & Leisure (2,021%), Automobiles (41%), Household Durables (26%), Leisure Products (11%), and Distributors (11%).

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 11.2% rather than an earnings decline of 18.2%.

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

The Communication Services sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -13.5%. At the industry level, four of the five industries in this sector are reporting a year-over-year decline in earnings, led by the Wireless Telecommunication Services (-112%) and Interactive Media & Services (-22%) industries. On the other hand, the Media (11%) industry is the only industry reporting year-over-year earnings growth in the sector.

Revenue Growth: 13.6%

The blended, year-over-year revenue growth rate for Q2 2022 is 13.6%, which is above the 5-year average revenue growth rate of 7.4% and above the 10-year average revenue growth rate of 4.3%. If 13.6% is the actual growth rate for the quarter, it will mark the sixth-straight quarter of (year-over-year) revenue growth above 10% for the index.

All eleven sectors are reporting year-over-year growth in revenues. Six sectors are reporting double-digit revenue growth, led by the Energy sector.

Energy: Largest Contributor to Year-Over-Year Revenue Growth for S&P 500 For Q2

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 77.5%. 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 2022 ($108.52) was 64% above the average price for oil in Q2 2021 ($66.17). At the sub-industry level, all five sub-industries in the sector are reporting double-digit (year-over-year) growth in revenues: Oil & Gas Exploration & Production (110%), Oil & Gas Refining & Marketing (84%), Integrated Oil & Gas (75%), Oil & Gas Storage & Transportation (44%), and Oil & Gas Equipment & Services (17%).

The Energy sector is also the largest contributor to revenue growth for the S&P 500 for the second quarter. If this sector were excluded, the blended revenue growth for the index would fall to 8.8% from 13.6%.

Net Profit Margin: 12.3%

The blended net profit margin for the S&P 500 for Q2 2022 is 12.3%, which is above the 5-year average of 11.2%, equal to the previous quarter's net profit margin of 12.3%, and below the year-ago net profit margin of 13.1%. If 12.3% is the actual net profit margin for the quarter, it will tie the mark (with Q1 2022) for the fifth-highest net profit margin reported by the index since FactSet began tracking this metric in 2008.

At the sector level, two sectors are reporting a year-over-year increase in their net profit margins in Q2 2022 compared to Q2 2021, led by the Energy (to 14.6% vs. 6.5%) sector. On the other hand, nine sectors are reporting a year-over-year decrease in their net profit margins in Q2 2022 compared to Q2 2021, led by the Financials (16.0% vs. 21.8%) sector.

Six sectors are reporting net profit margins in Q2 2022 that are above their 5-year averages, led by the Energy (14.6% vs. 6.1%) and Materials (14.3% vs. 10.3%) sectors. On the other hand, four sectors are reporting net profit margins in Q2 2022 that are below their 5-year averages, led by the Consumer Discretionary (5.7% vs. 6.6%) and Utilities (to 12.4% from 13.2%) sectors.

Looking Ahead: Forward Estimates and Valuation

Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance for Q3 is Below 5-Year Average

At this point in time, 72 companies in the index have issued EPS guidance for Q3 2022. Of these 72 companies, 42 have issued negative EPS guidance and 30 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2022 is 58% (42 out of 72), which is below the 5-year average of 60% and below the 10-year average of 67%.

At this point in time, 246 companies in the index have issued EPS guidance for their current fiscal year (FY 2022 or FY 2023). Of these 246 companies, 127 have issued negative EPS guidance and 119 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for their current fiscal year is 52% (127 out of 246).

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

Earnings: S&P 500 Expected to Report Earnings Growth of 9% for CY 2022

For the second quarter, S&P 500 companies are reporting earnings growth of 6.7% and revenue growth of 13.6%.

For Q3 2022, analysts are projecting earnings growth of 5.8% and revenue growth of 9.1%.

For Q4 2022, analysts are projecting earnings growth of 6.1% and revenue growth of 6.7%.

For CY 2022, analysts are projecting earnings growth of 8.9% and revenue growth of 11.0%.

Valuation: Forward P/E Ratio is 17.5, Above the 10-Year Average (17.0)

The forward 12-month P/E ratio for the S&P 500 is 17.5. This P/E ratio is below the 5-year average of 18.6 but above the 10-year average of 17.0. It is also above the forward 12-month P/E ratio of 15.8 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has increased by 9.7%, while the forward 12-month EPS estimate has decreased by 1.0%. At the sector level, the Consumer Discretionary (27.3) sector has the highest forward 12-month P/E ratio, while the Energy (7.8) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 19.3, which is below the 5-year average of 22.9 and below the 10-year average of 20.3.

Targets & Ratings: Analysts Project 14% Increase in Price Over Next 12 Months

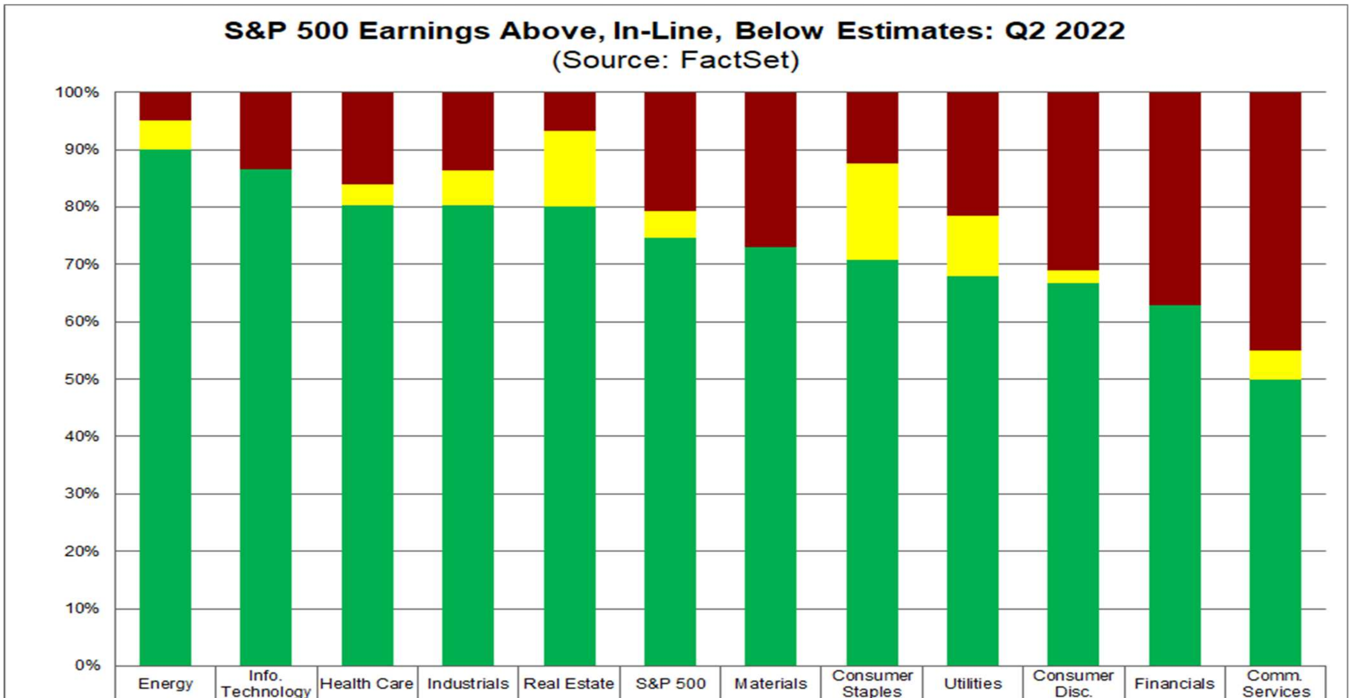
The bottom-up target price for the S&P 500 is 4725.82, which is 13.8% above the closing price of 4151.94. At the sector level, the Energy (+29.7%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Utilities (+4.3%) and Consumer Staples (+7.7%) sectors are expected to see the smallest price increases, as these two sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,648 ratings on stocks in the S&P 500. Of these 10,648 ratings, 56.1% are Buy ratings, 38.3% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Information Technology (64%) and Energy (63%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (39%) sector has the lowest percentage of Buy ratings.

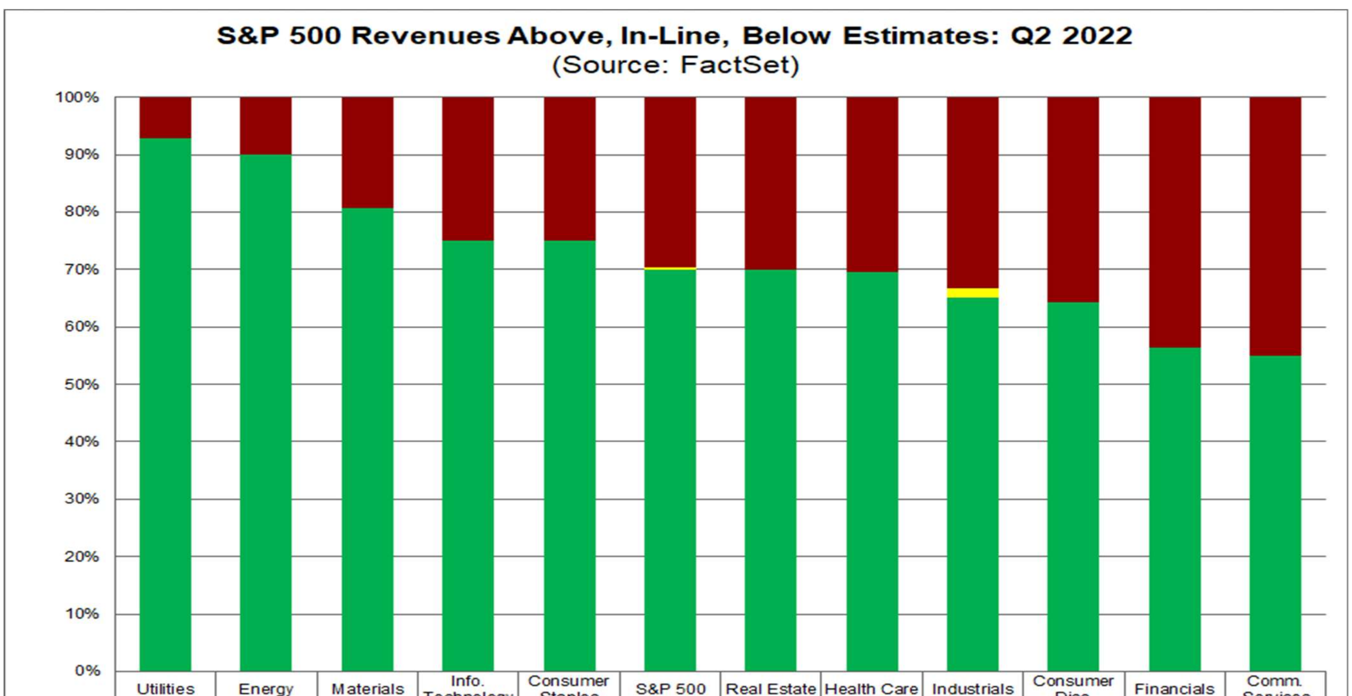
Companies Reporting Next Week: 23

During the upcoming week, 23 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the second quarter.

Q2 2022: Scorecard

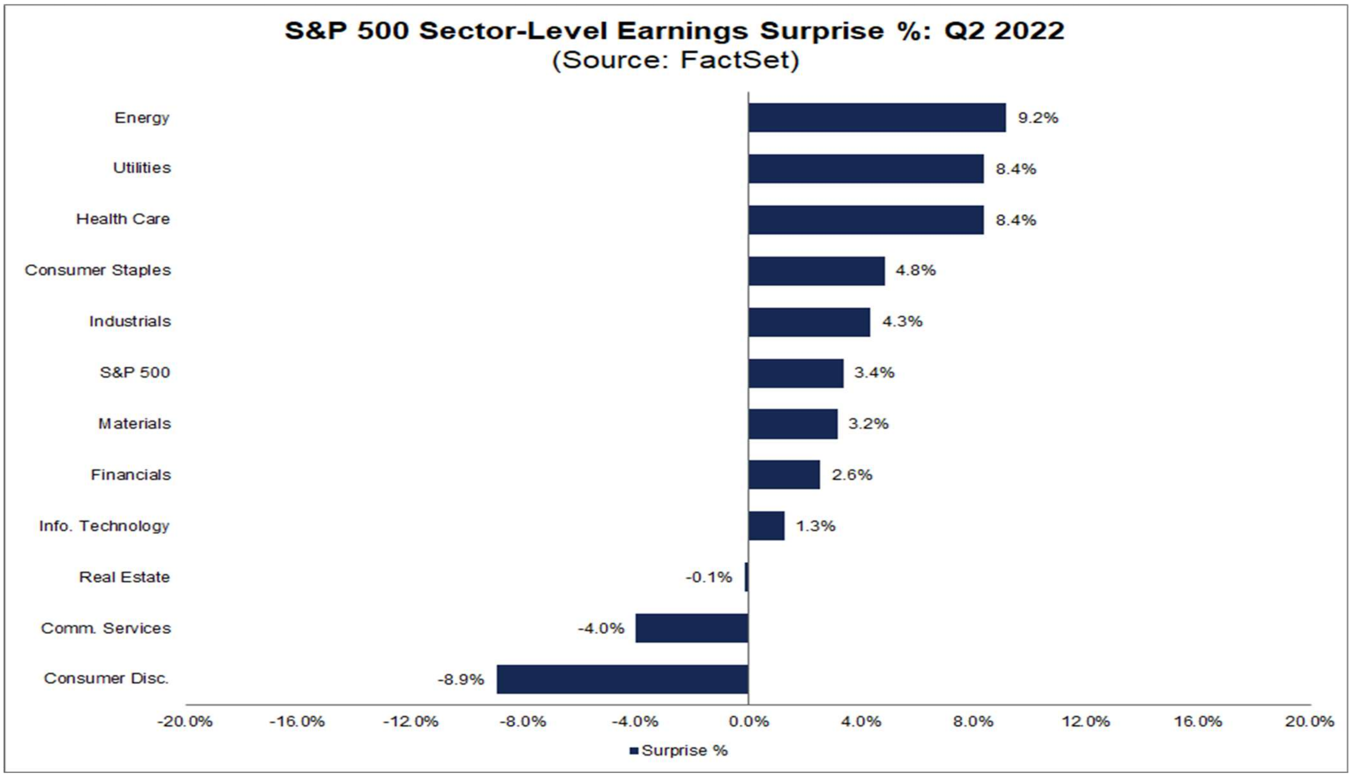


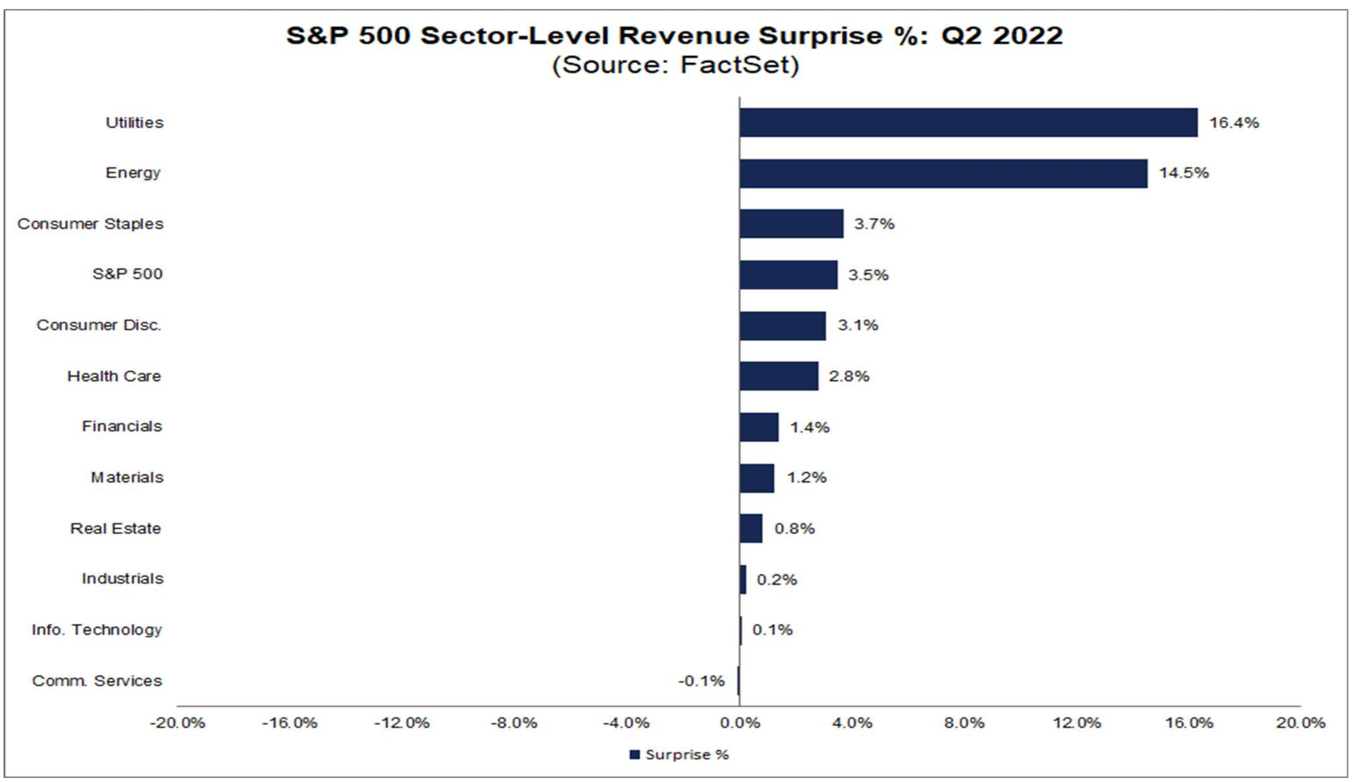
	Energy	Info. Technology	Health Care	Industrials	Real Estate	S&P 500	Materials	Consumer Staples	Utilities	Consumer Disc.	Financials	Comm. Services
Below	5%	13%	16%	14%	7%	21%	27%	13%	21%	31%	37%	45%
In-Line	5%	0%	4%	6%	13%	5%	0%	17%	11%	2%	0%	5%
Above	90%	87%	80%	80%	80%	75%	73%	71%	68%	67%	63%	50%



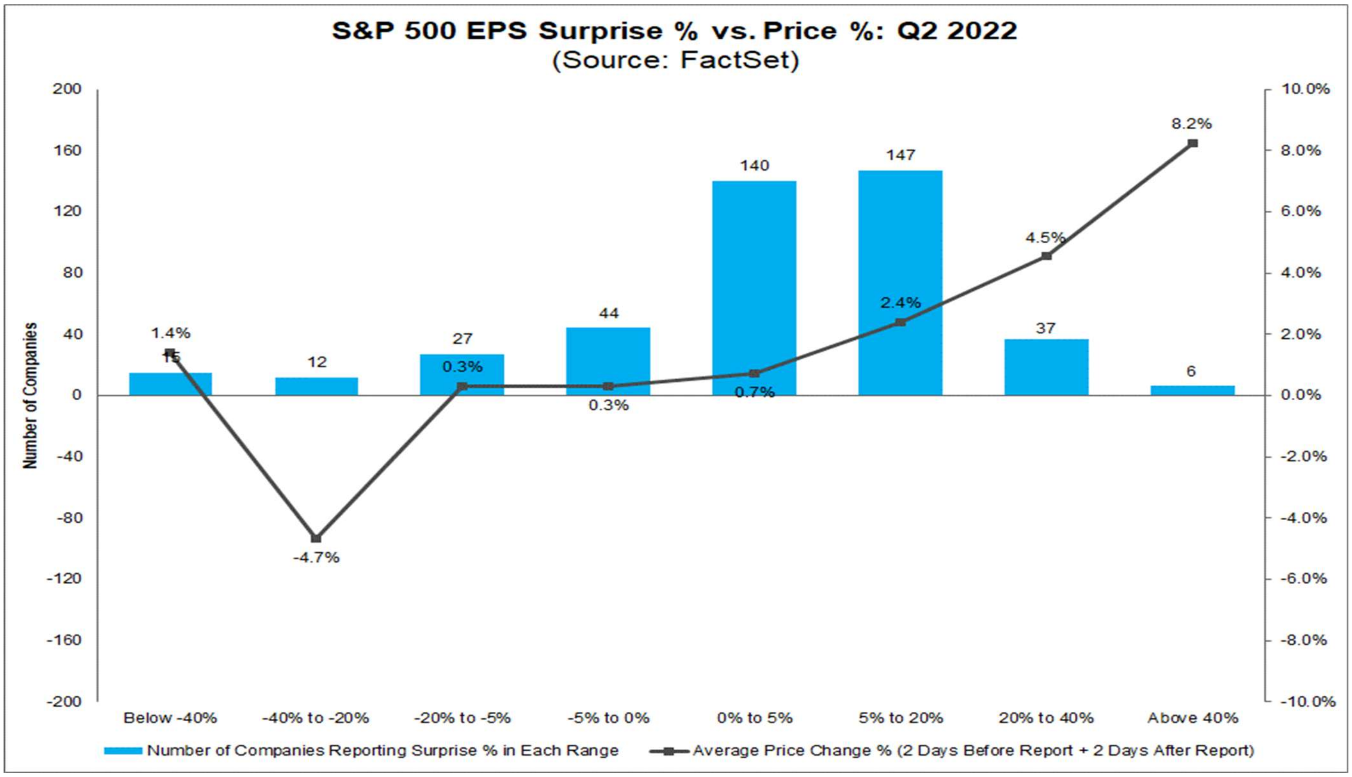
	Utilities	Energy	Materials	Info. Technology	Consumer Staples	S&P 500	Real Estate	Health Care	Industrials	Consumer Disc.	Financials	Comm. Services
Below	7%	10%	19%	25%	25%	30%	30%	30%	33%	36%	44%	45%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%
Above	93%	90%	81%	75%	75%	70%	70%	70%	65%	64%	56%	55%

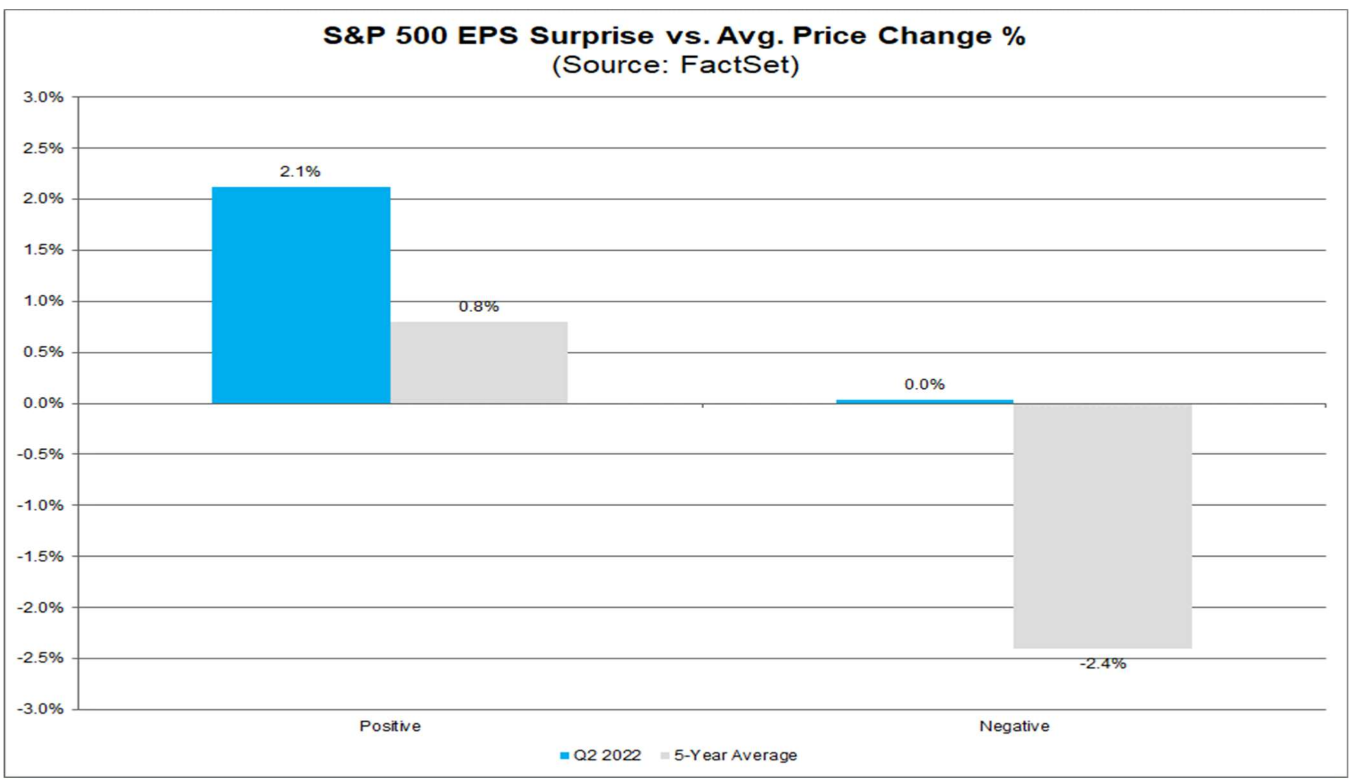
Q2 2022: Scorecard



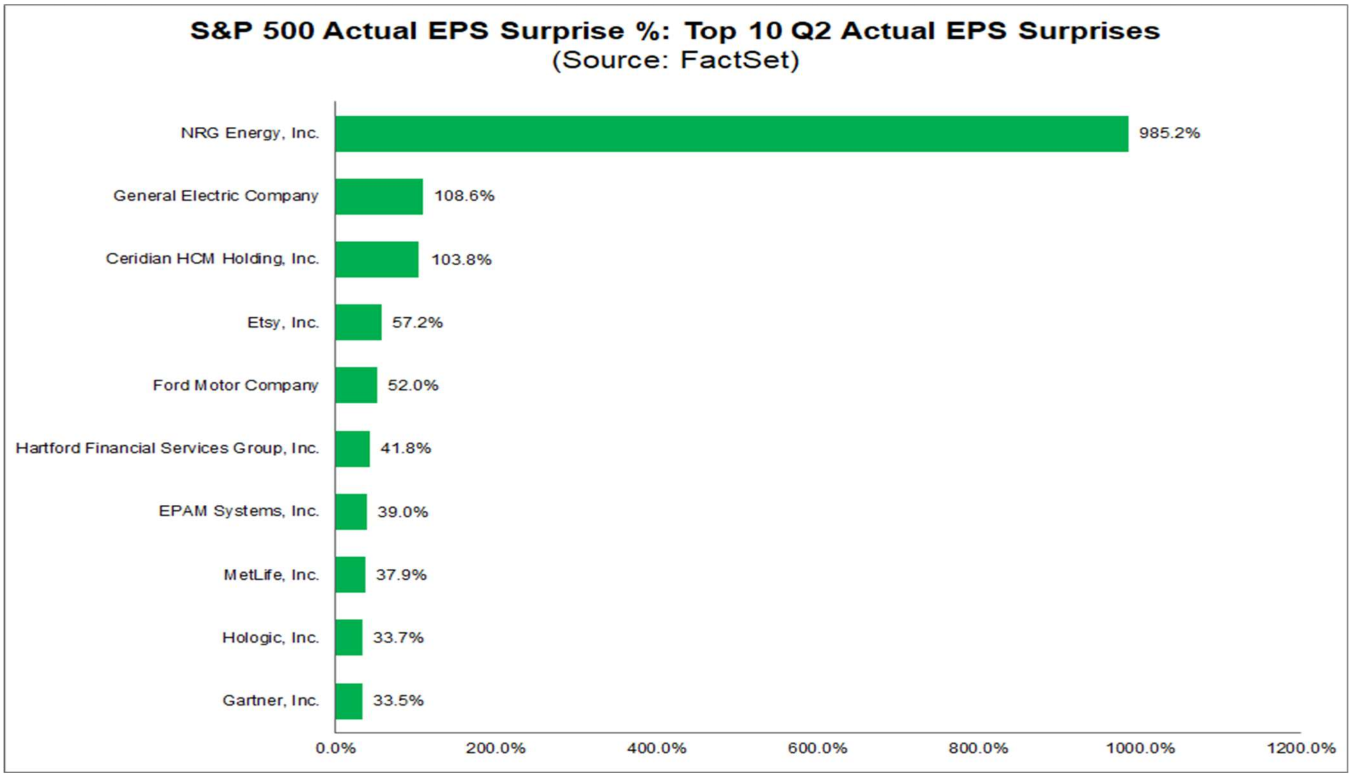


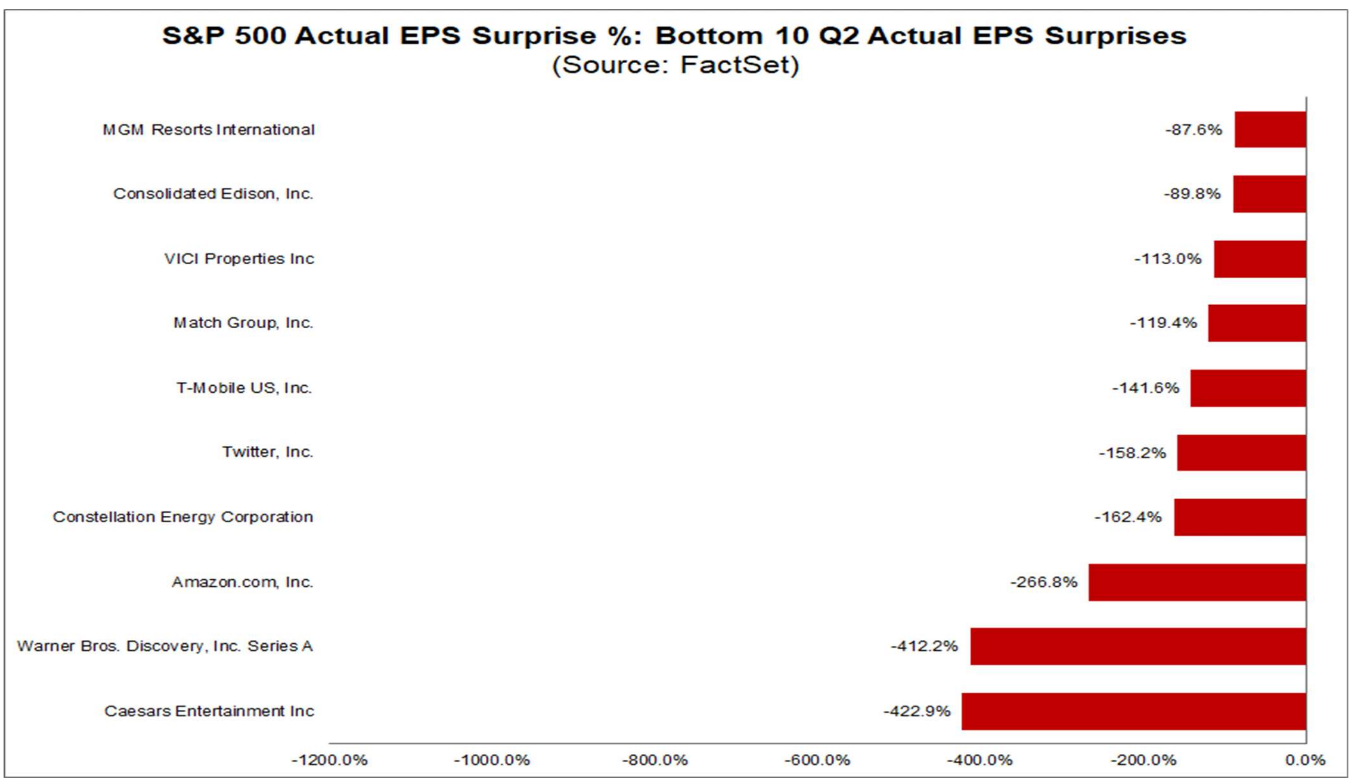
Q2 2022: Scorecard



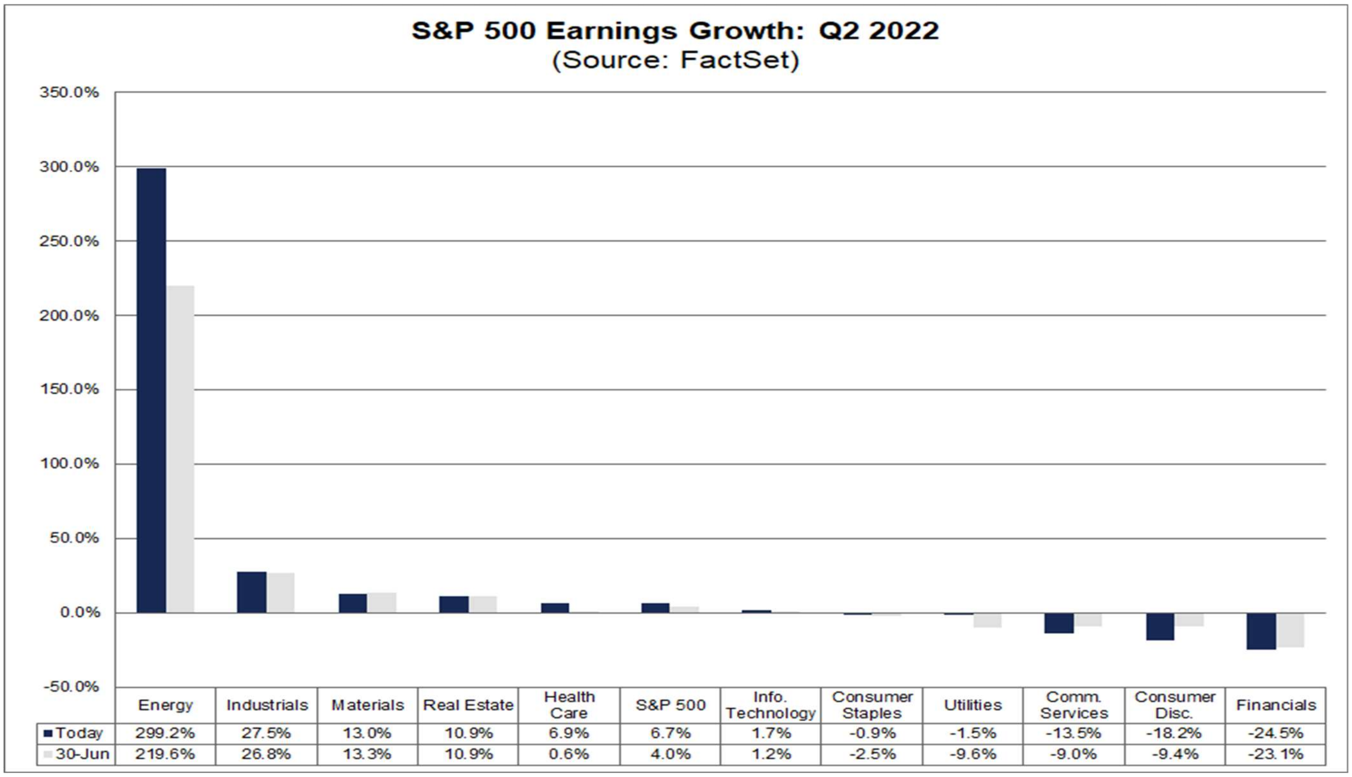


Q2 2022: Scorecard

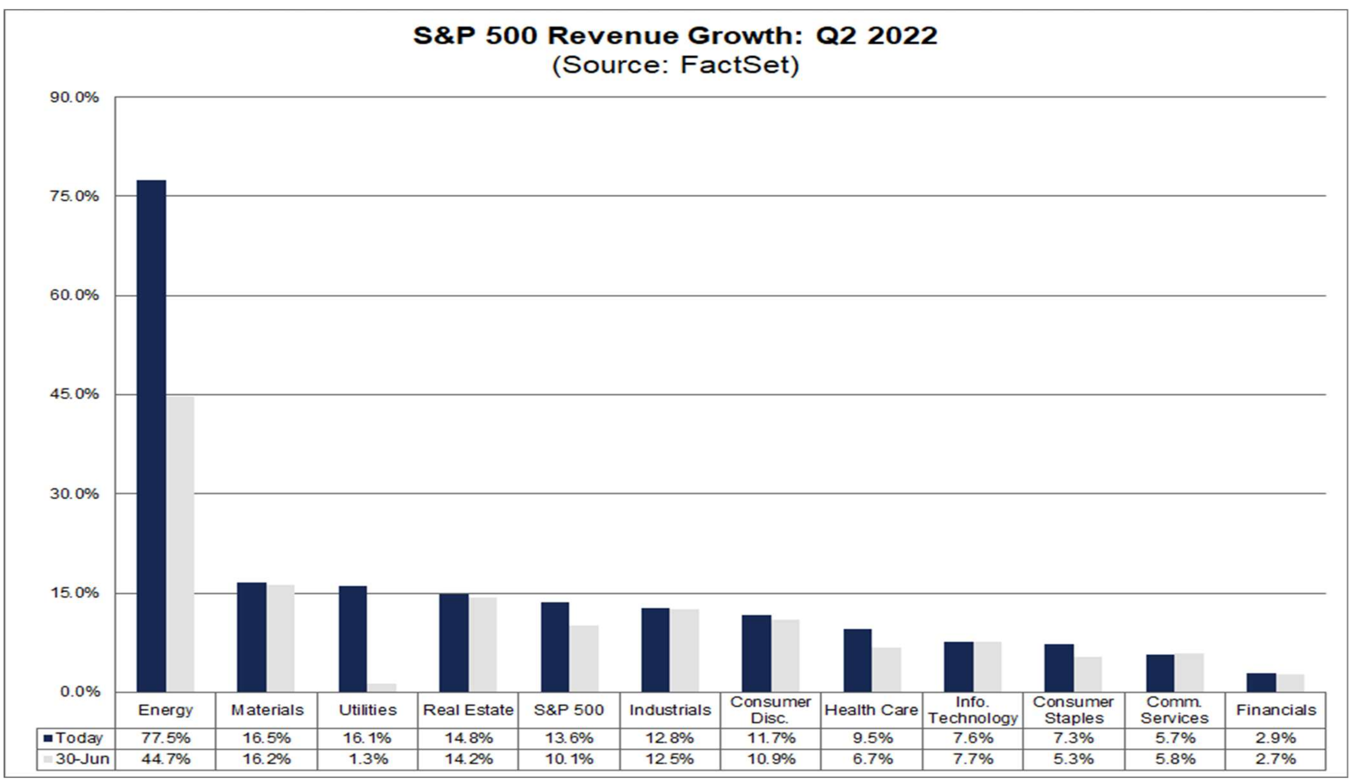




Q2 2022: Growth

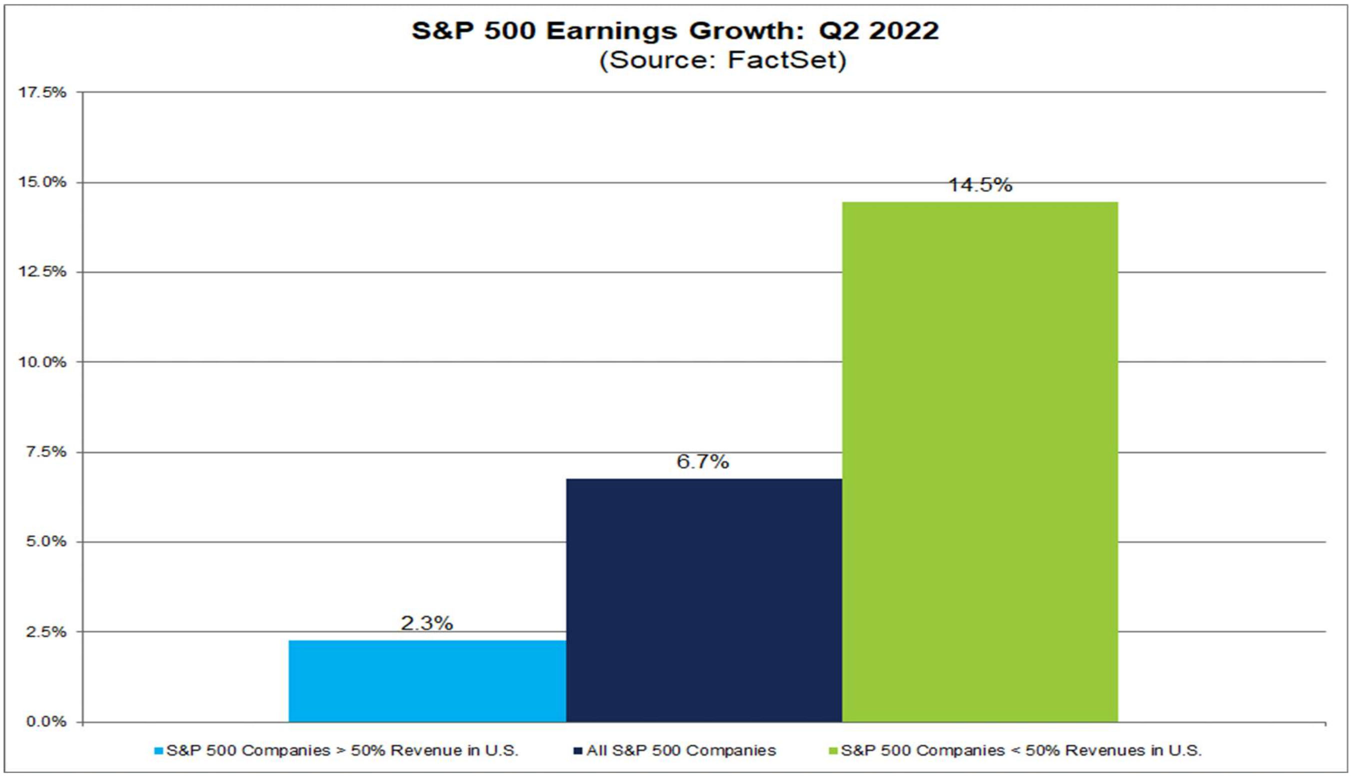


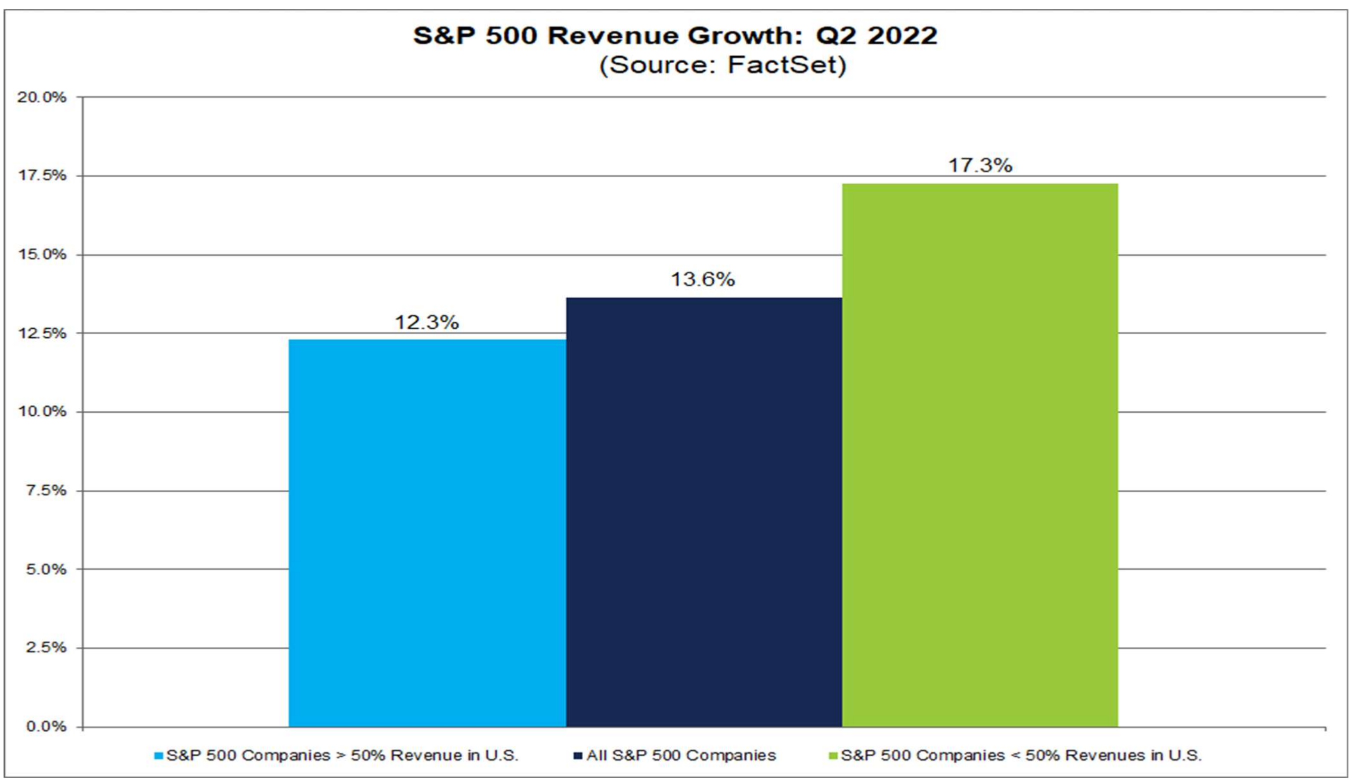
	Energy	Industrials	Materials	Real Estate	Health Care	S&P 500	Info. Technology	Consumer Staples	Utilities	Comm. Services	Consumer Disc.	Financials
Today	299.2%	27.5%	13.0%	10.9%	6.9%	6.7%	1.7%	-0.9%	-1.5%	-13.5%	-18.2%	-24.5%
30-Jun	219.6%	26.8%	13.3%	10.9%	0.6%	4.0%	1.2%	-2.5%	-9.6%	-9.0%	-9.4%	-23.1%



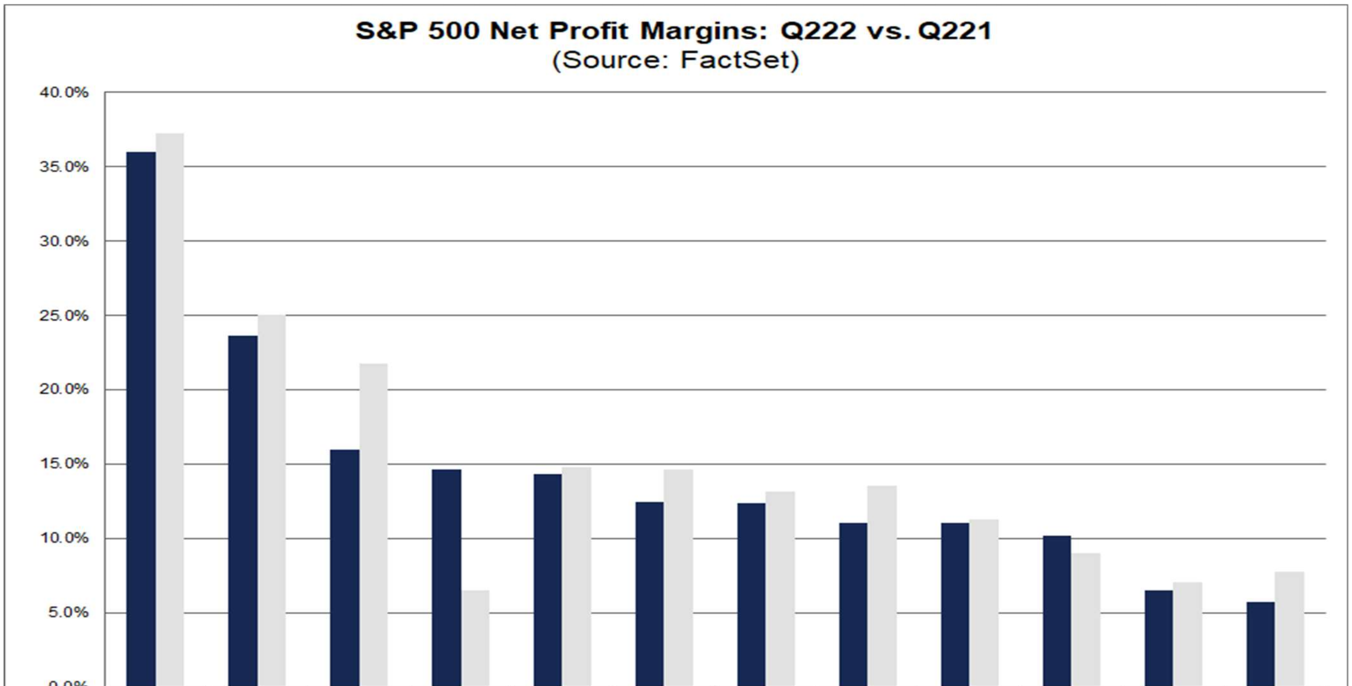
	Energy	Materials	Utilities	Real Estate	S&P 500	Industrials	Consumer Disc.	Health Care	Info. Technology	Consumer Staples	Comm. Services	Financials
Today	77.5%	16.5%	16.1%	14.8%	13.6%	12.8%	11.7%	9.5%	7.6%	7.3%	5.7%	2.9%
30-Jun	44.7%	16.2%	1.3%	14.2%	10.1%	12.5%	10.9%	6.7%	7.7%	5.3%	5.8%	2.7%

Q2 2022: Growth

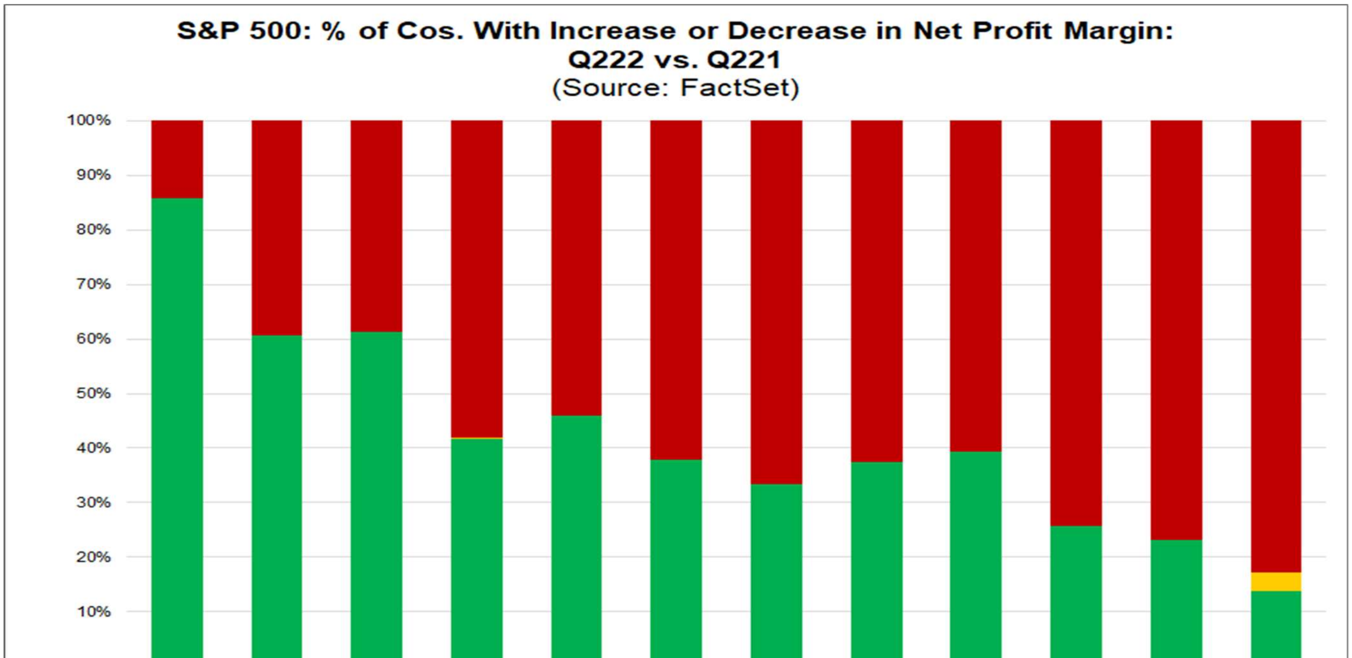




Q2 2022: Net Profit Margin

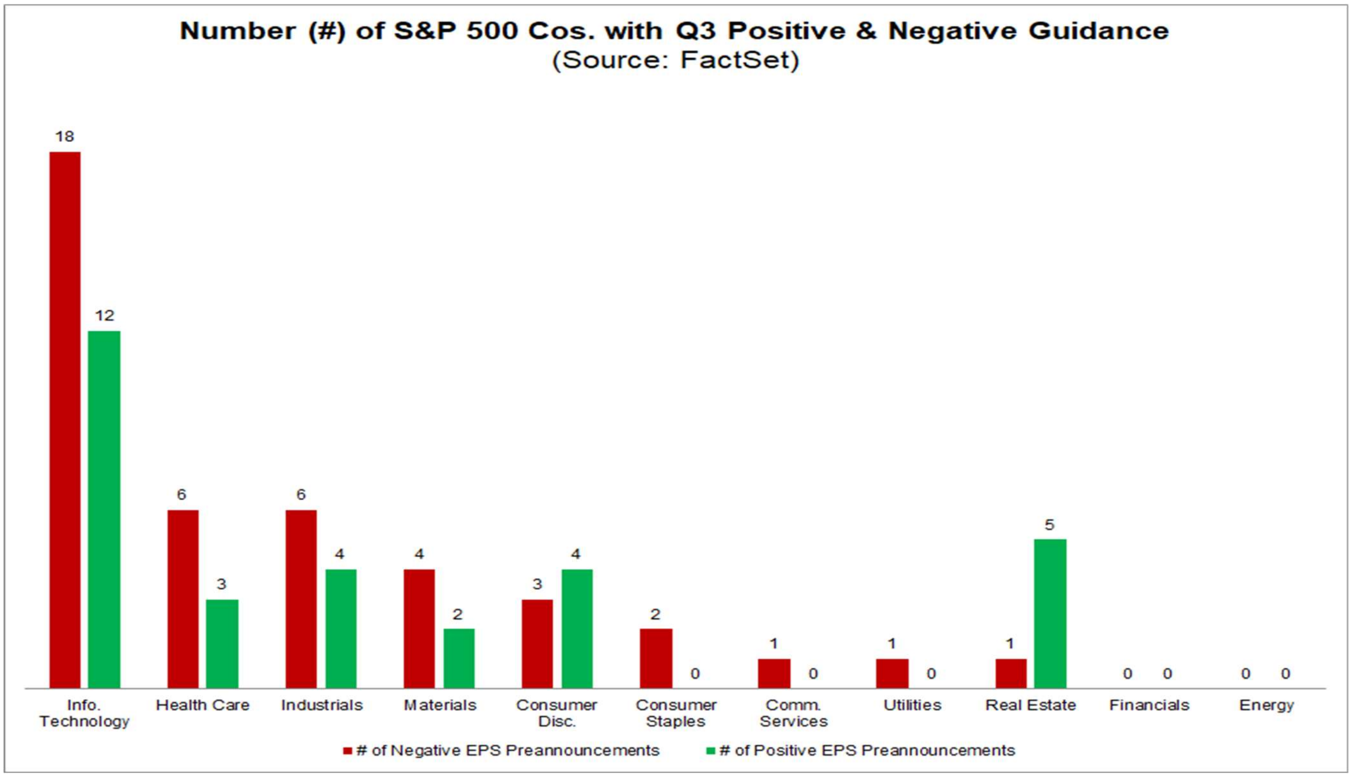


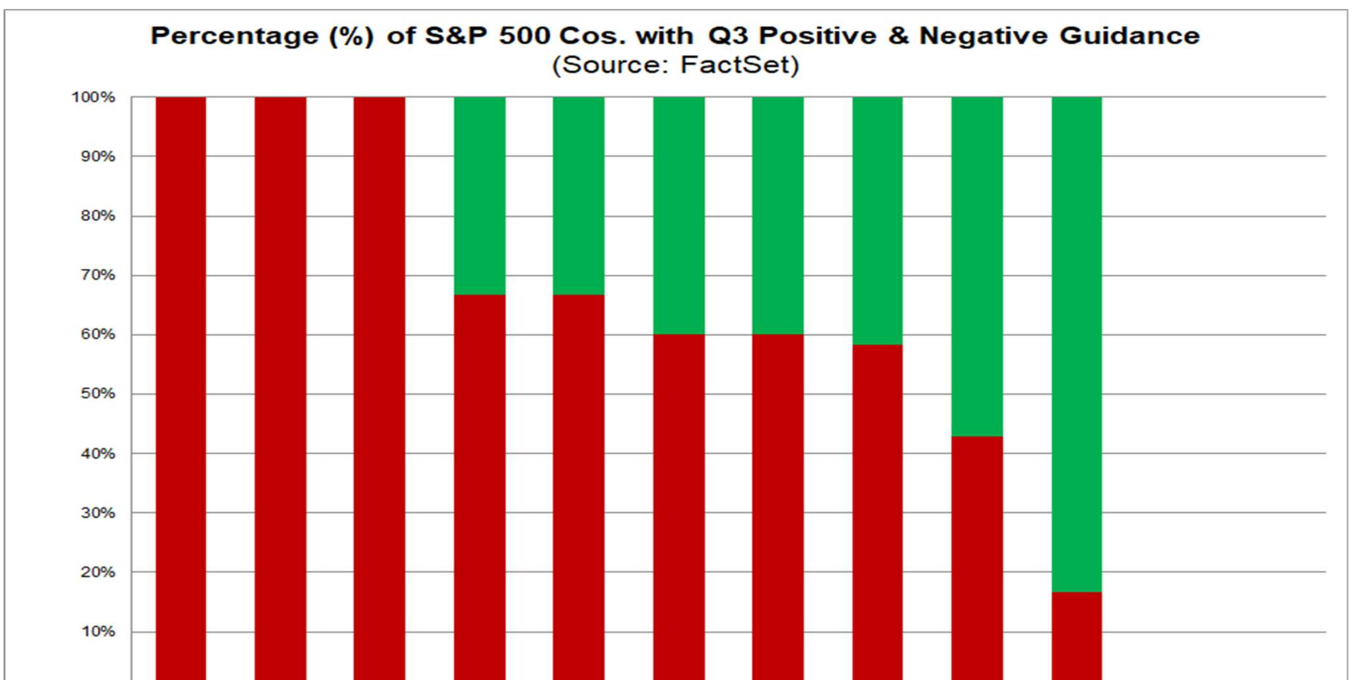
	Real Estate	Information Tech.	Financials	Energy	Materials	Utilities	S&P 500	Comm. Services	Health Care	Industrials	Consumer Staples	Consumer Disc.
Q222	36.0%	23.7%	16.0%	14.6%	14.3%	12.4%	12.3%	11.1%	11.0%	10.2%	6.5%	5.7%
Q221	37.3%	25.1%	21.8%	6.5%	14.8%	14.7%	13.1%	13.5%	11.3%	9.0%	7.1%	7.8%



	Energy	Industrials	Real Estate	S&P 500	Information Tech.	Consumer Disc.	Consumer Staples	Health Care	Materials	Financials	Comm. Services	Utilities
Down %	14%	39%	39%	58%	54%	62%	67%	63%	61%	74%	77%	83%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3%
Up %	86%	61%	61%	42%	46%	38%	33%	38%	39%	26%	23%	14%

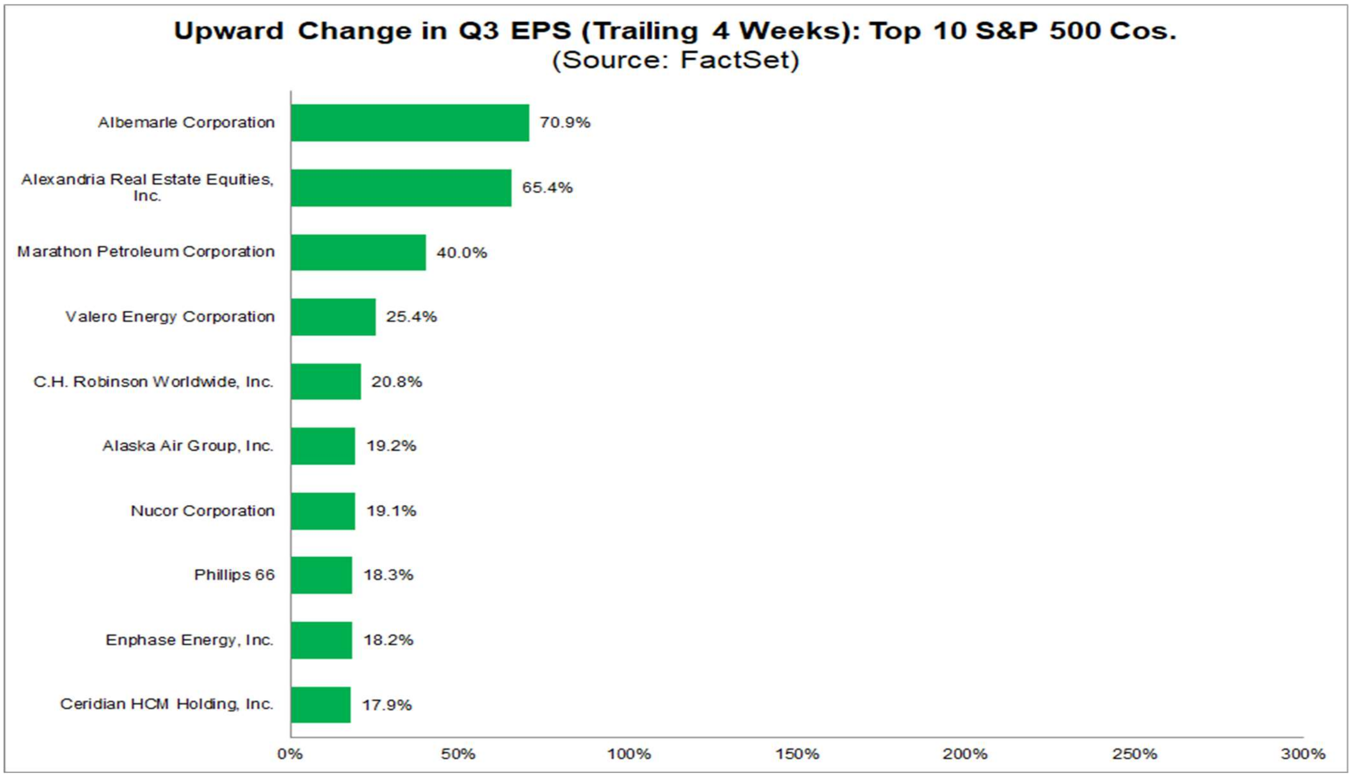
Q3 2022: Guidance

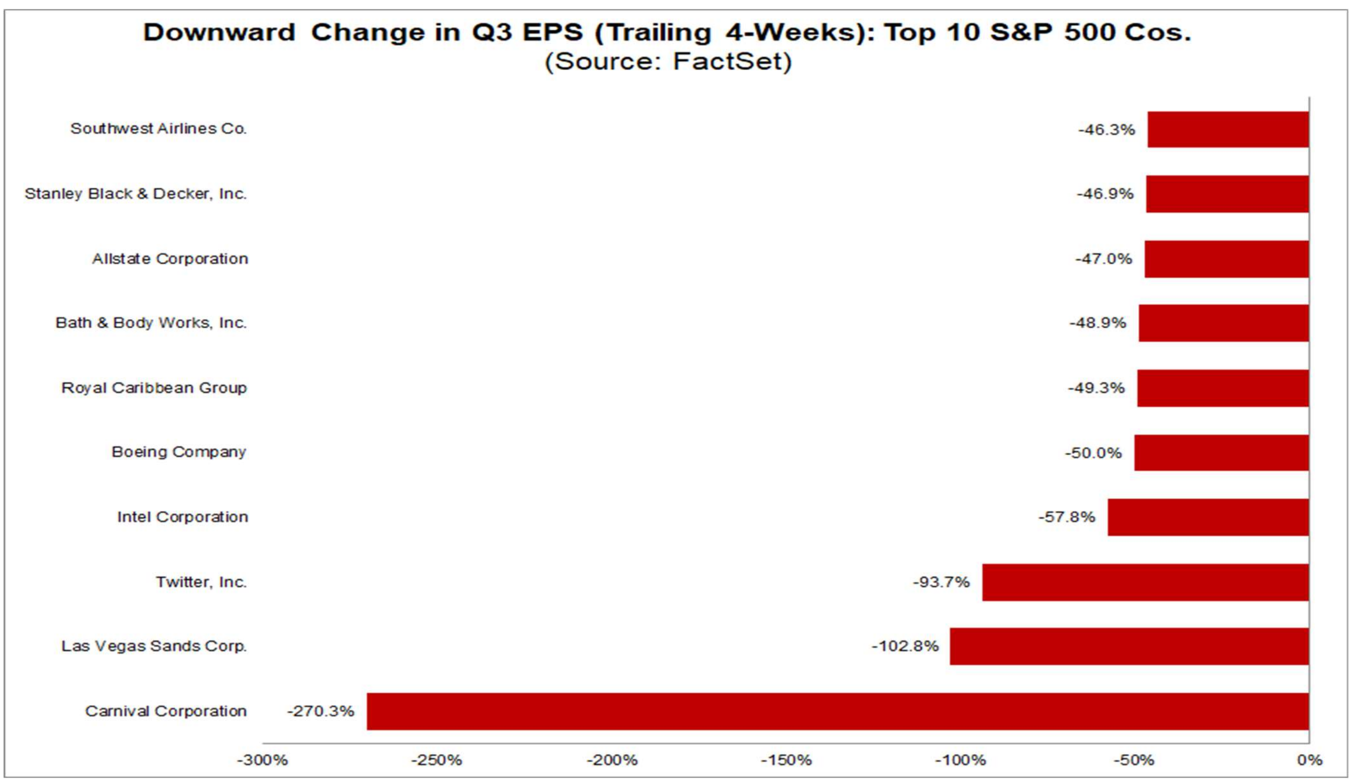




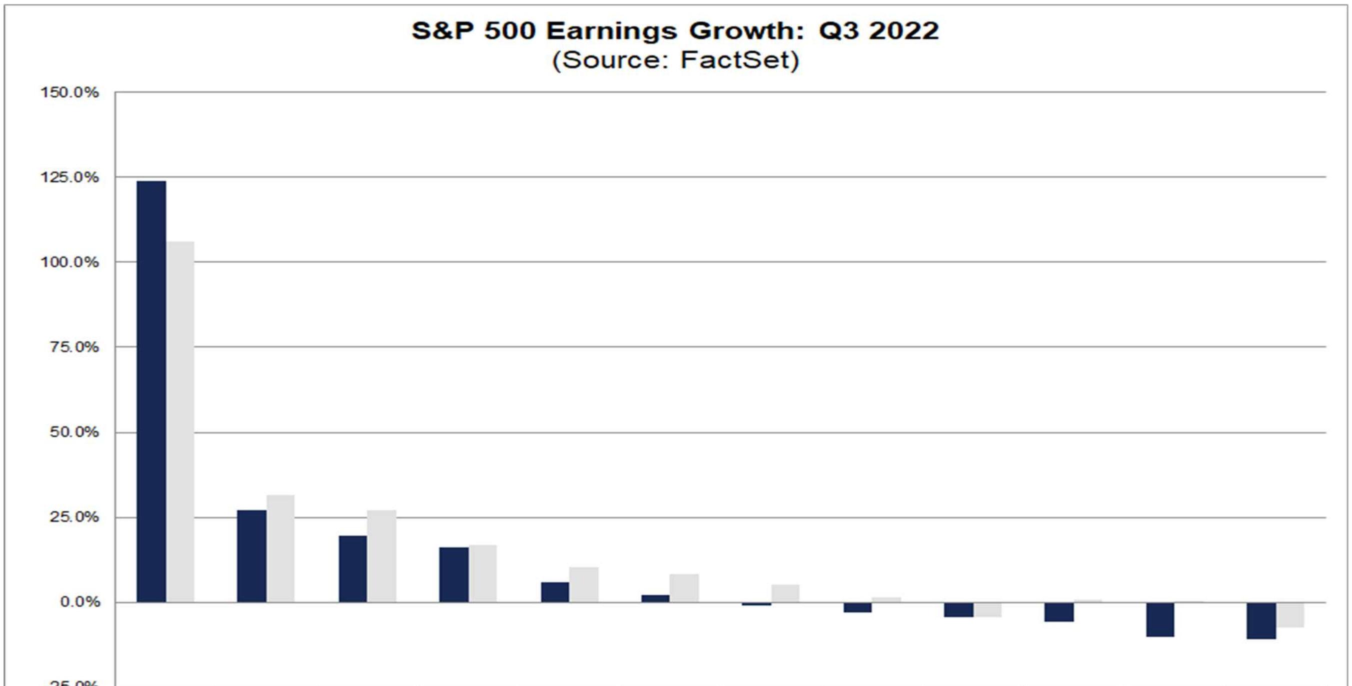
	Consumer Staples	Comm. Services	Utilities	Health Care	Materials	Info. Technology	Industrials	S&P 500	Consumer Disc.	Real Estate	Financials	Energy
Positive	0%	0%	0%	33%	33%	40%	40%	42%	57%	83%	0%	0%
Negative	100%	100%	100%	67%	67%	60%	60%	58%	43%	17%	0%	0%

Q3 2022: EPS Revisions

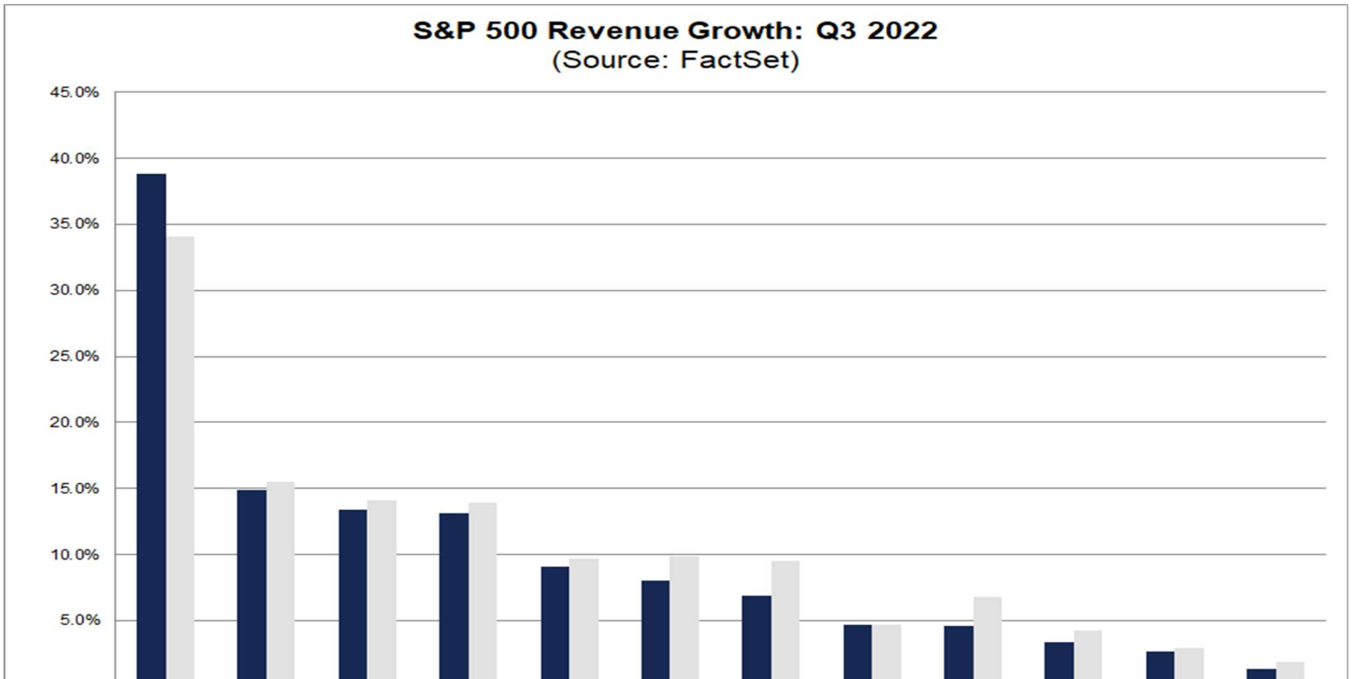




Q3 2022: Growth

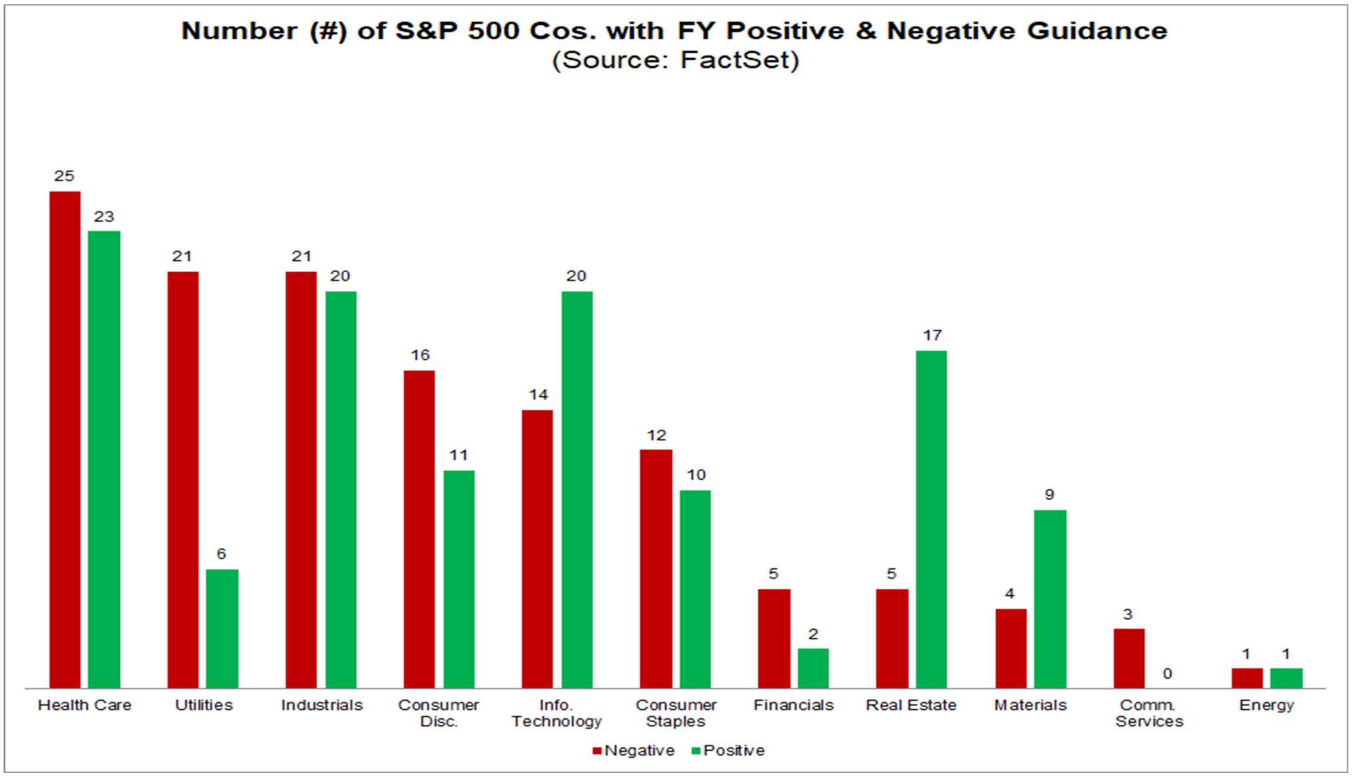


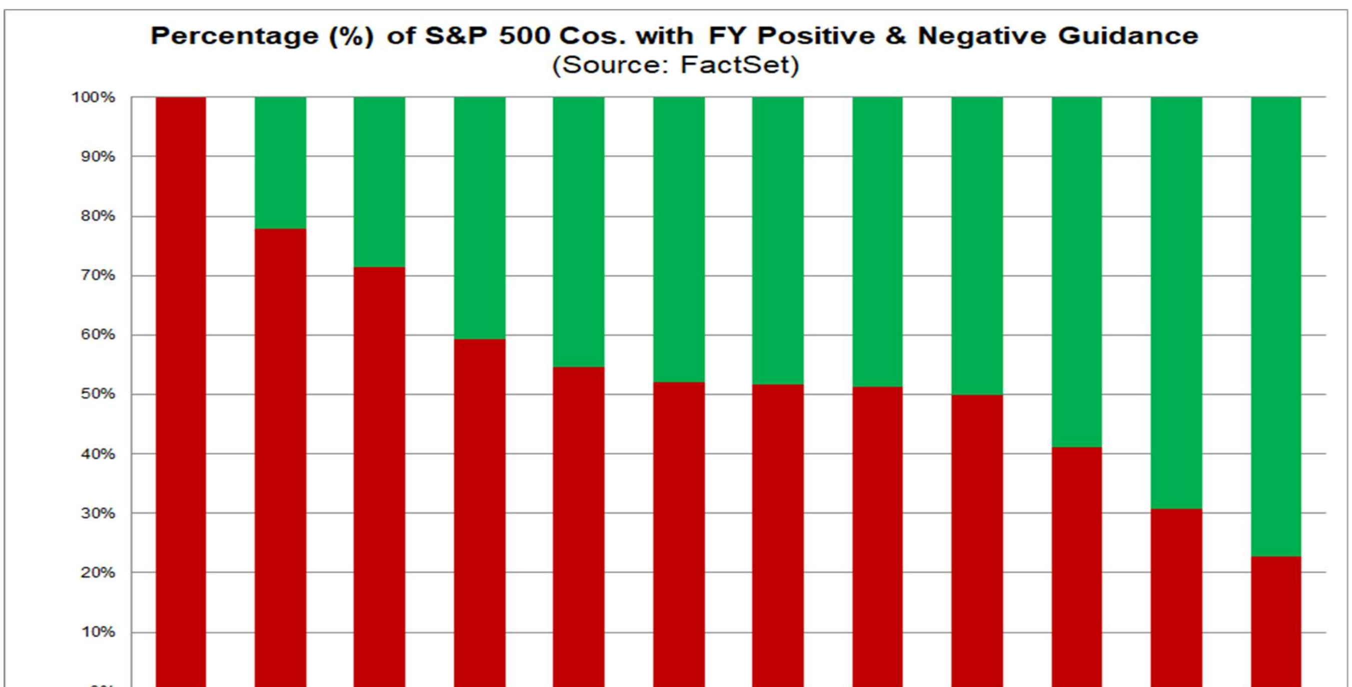
	Energy	Industrials	Consumer Disc.	Real Estate	S&P 500	Materials	Info. Technology	Consumer Staples	Utilities	Health Care	Comm. Services	Financials
Today	123.9%	27.0%	19.5%	16.1%	5.8%	2.2%	-1.0%	-3.2%	-4.3%	-5.6%	-10.3%	-10.9%
30-Jun	106.0%	31.5%	27.2%	16.7%	10.3%	8.2%	5.3%	1.5%	-4.3%	0.6%	0.3%	-7.4%



	Energy	Consumer Disc.	Real Estate	Industrials	S&P 500	Materials	Info. Technology	Consumer Staples	Comm. Services	Health Care	Utilities	Financials
Today	38.8%	14.9%	13.4%	13.1%	9.1%	8.0%	6.8%	4.7%	4.6%	3.4%	2.6%	1.3%
30-Jun	34.1%	15.5%	14.1%	13.9%	9.7%	9.9%	9.5%	4.7%	6.8%	4.2%	2.9%	1.9%

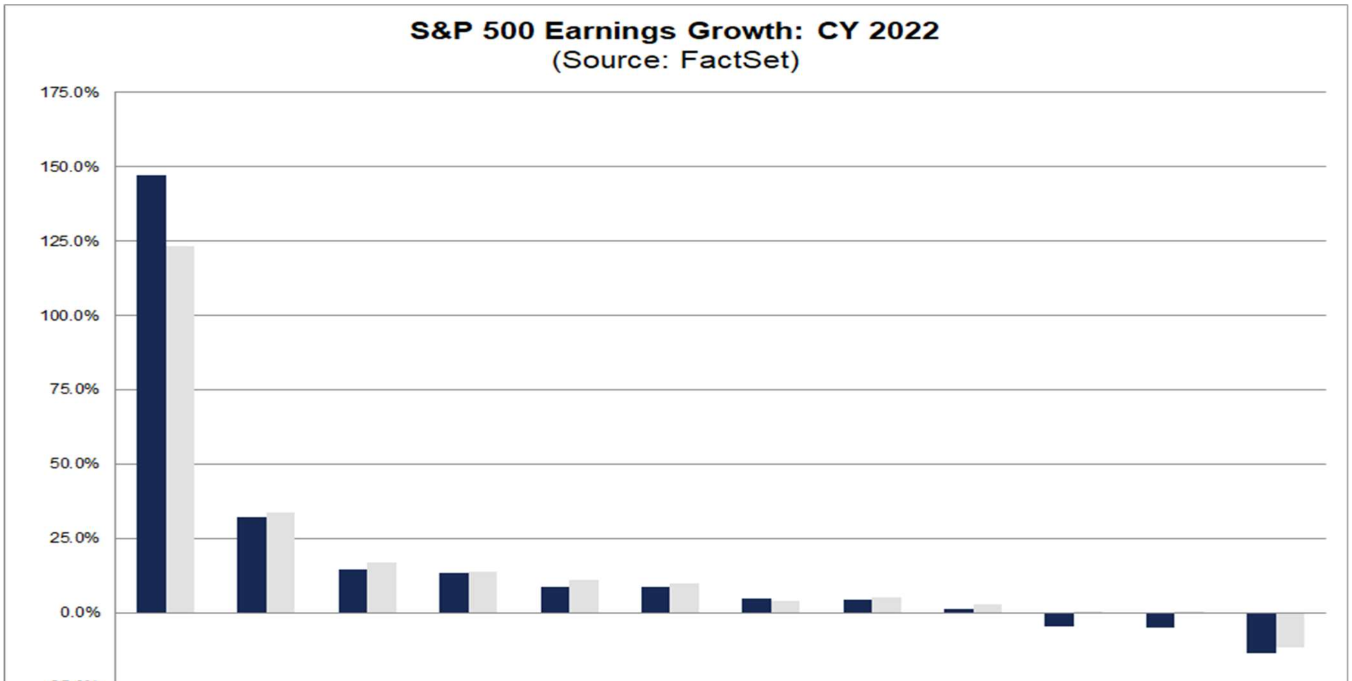
FY 2022 / 2023: EPS Guidance



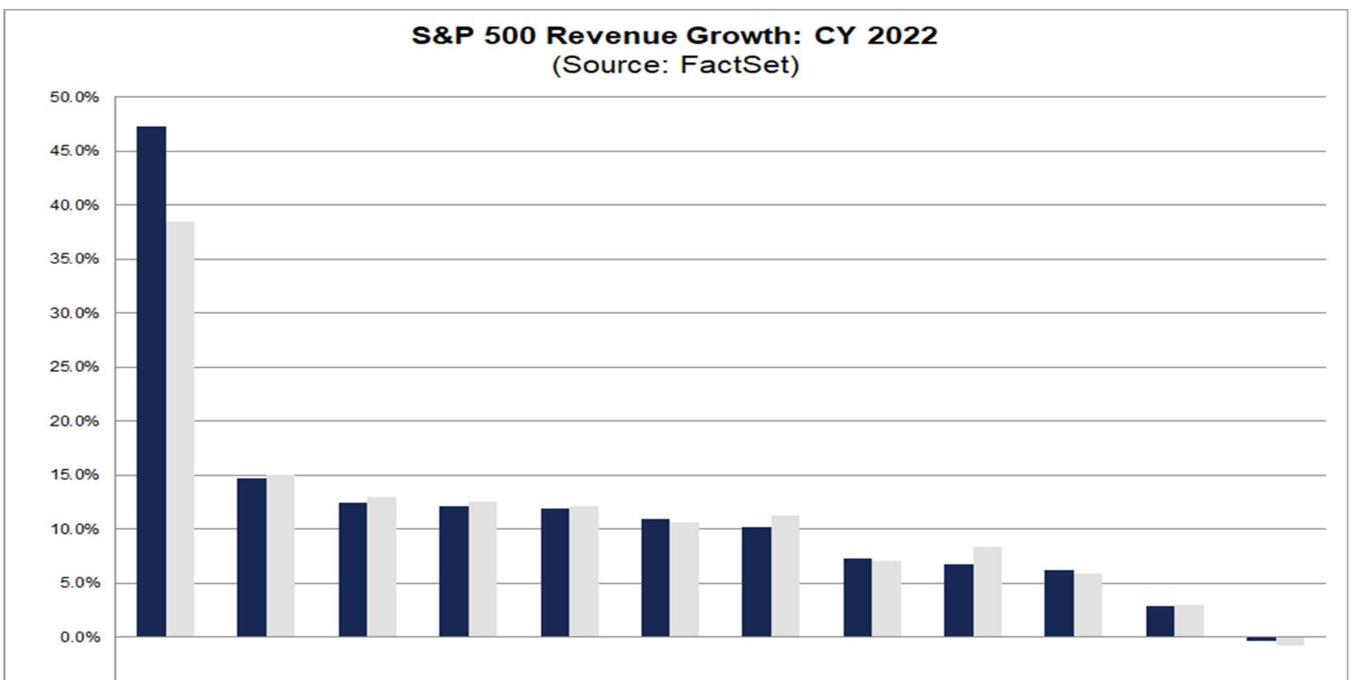


	Comm. Services	Utilities	Financials	Consumer Disc.	Consumer Staples	Health Care	S&P 500	Industrials	Energy	Info. Technology	Materials	Real Estate
Positive	0%	22%	29%	41%	45%	48%	48%	49%	50%	59%	69%	77%
Negative	100%	78%	71%	59%	55%	52%	52%	51%	50%	41%	31%	23%

CY 2022: Growth

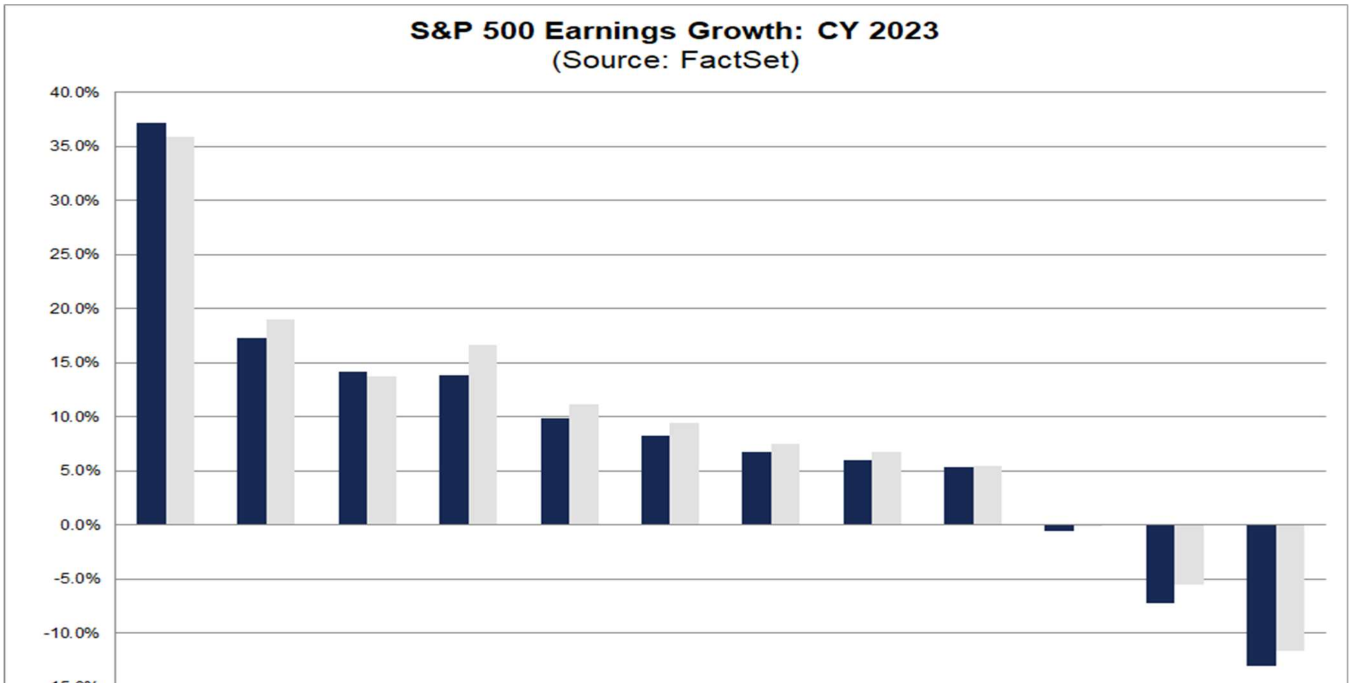


	Energy	Industrials	Materials	Real Estate	Info. Technology	S&P 500	Utilities	Health Care	Consumer Staples	Consumer Disc.	Comm. Services	Financials
Today	147.1%	32.1%	14.6%	13.6%	8.9%	8.9%	4.9%	4.3%	1.3%	-4.5%	-5.1%	-13.7%
30-Jun	123.2%	33.9%	17.1%	13.8%	11.1%	10.0%	4.1%	5.1%	2.8%	0.3%	0.5%	-11.8%

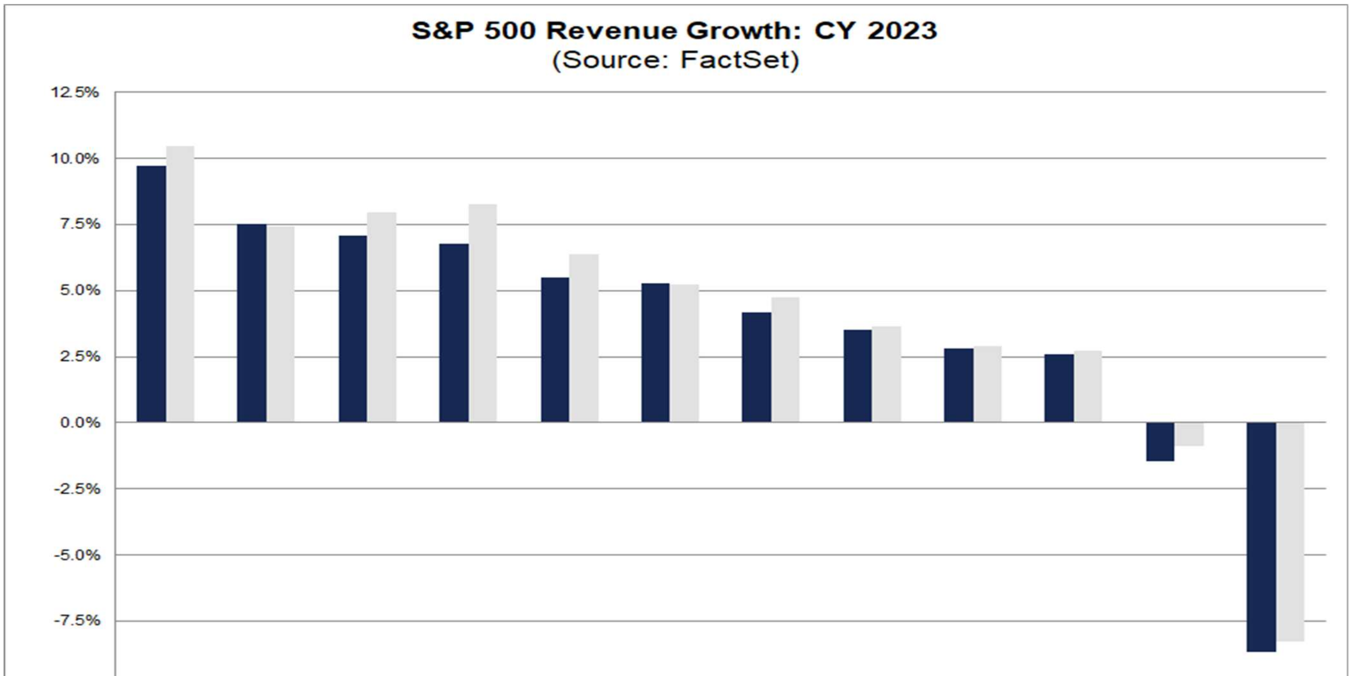


	Energy	Real Estate	Materials	Consumer Disc.	Industrials	S&P 500	Info. Technology	Health Care	Comm. Services	Consumer Staples	Financials	Utilities
Today	47.3%	14.7%	12.4%	12.1%	11.9%	11.0%	10.2%	7.3%	6.8%	6.2%	2.9%	-0.4%
30-Jun	38.5%	15.0%	13.0%	12.6%	12.2%	10.6%	11.3%	7.1%	8.4%	5.9%	3.0%	-0.8%

CY 2023: Growth

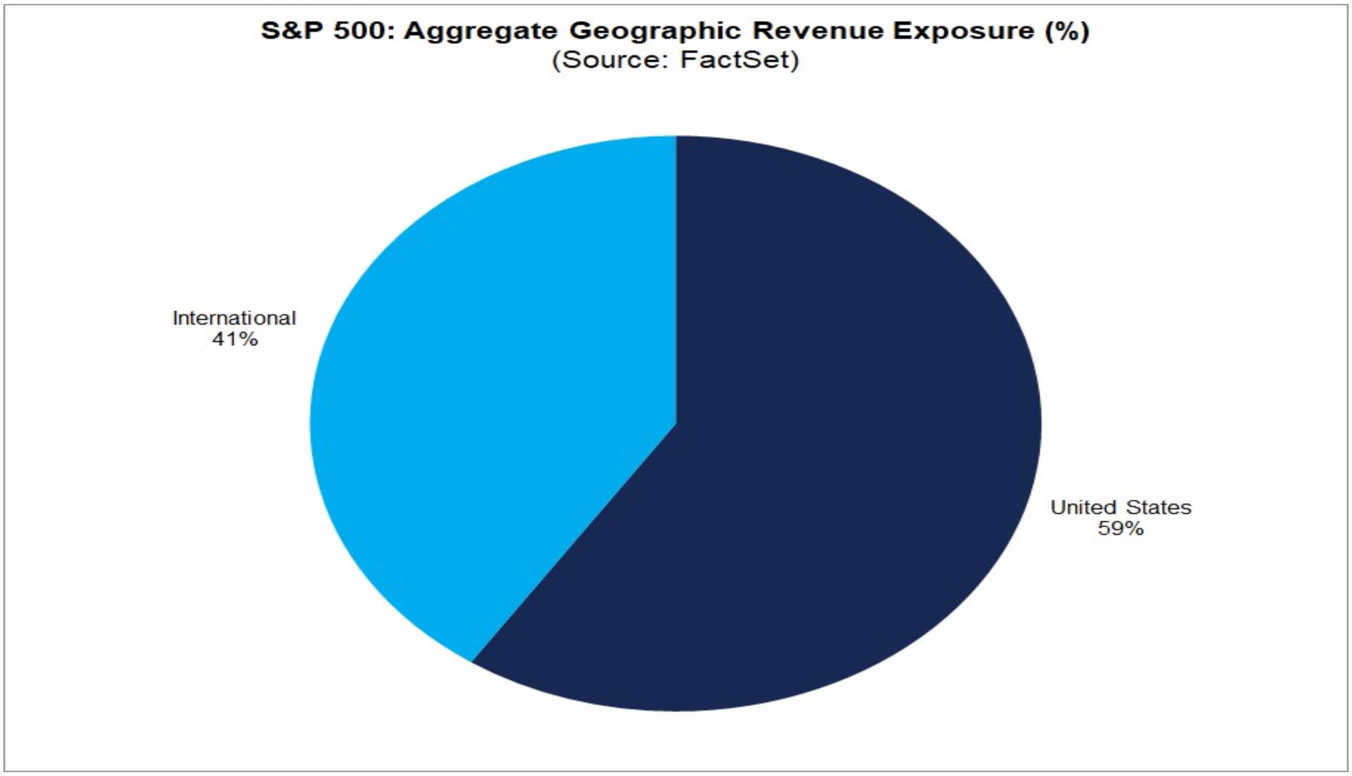


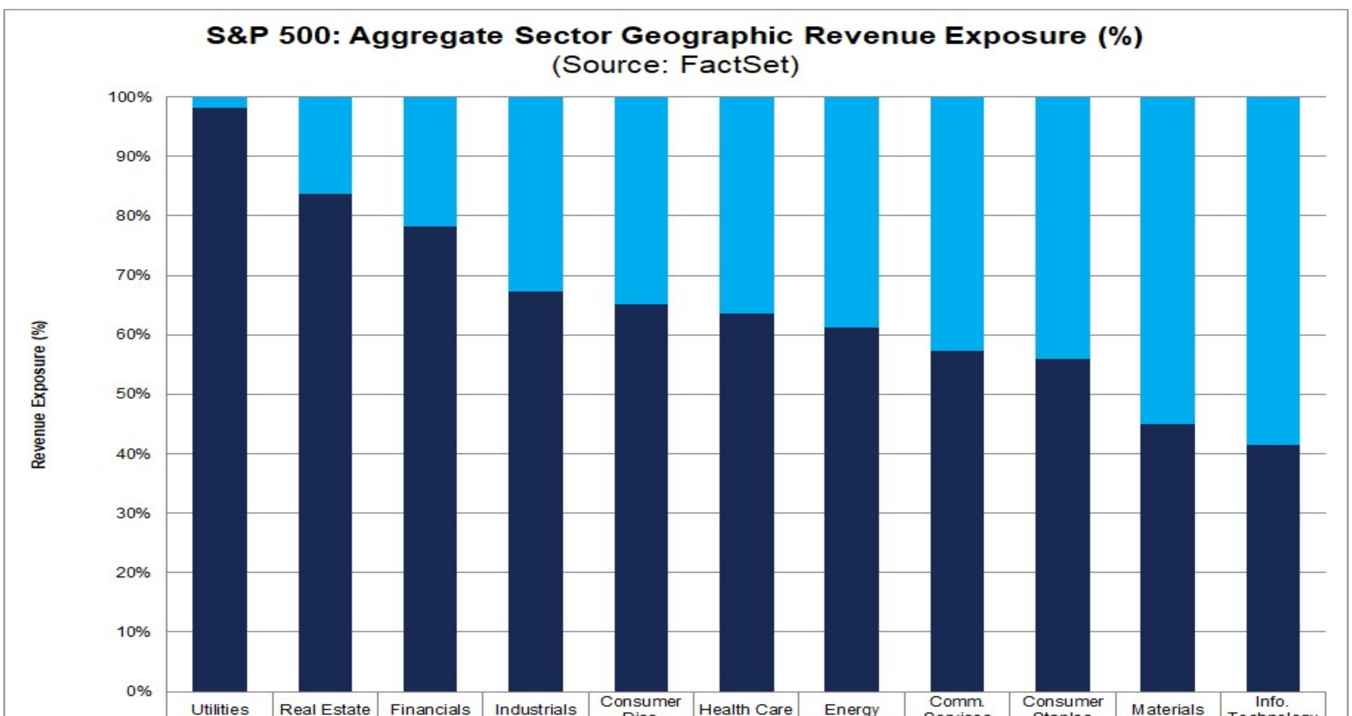
	Consumer Disc.	Industrials	Financials	Comm. Services	Info. Technology	S&P 500	Consumer Staples	Utilities	Real Estate	Health Care	Materials	Energy
Today	37.2%	17.3%	14.1%	13.9%	9.8%	8.2%	6.8%	6.0%	5.4%	-0.6%	-7.2%	-13.0%
30-Jun	35.8%	19.0%	13.7%	16.7%	11.2%	9.4%	7.5%	6.8%	5.5%	-0.2%	-5.5%	-11.6%



	Consumer Disc.	Financials	Info. Technology	Comm. Services	Industrials	Real Estate	S&P 500	Consumer Staples	Health Care	Utilities	Materials	Energy
Today	9.7%	7.5%	7.1%	6.8%	5.5%	5.3%	4.2%	3.5%	2.8%	2.6%	-1.5%	-8.7%
30-Jun	10.4%	7.4%	7.9%	8.3%	6.4%	5.2%	4.8%	3.6%	2.9%	2.7%	-0.9%	-8.3%

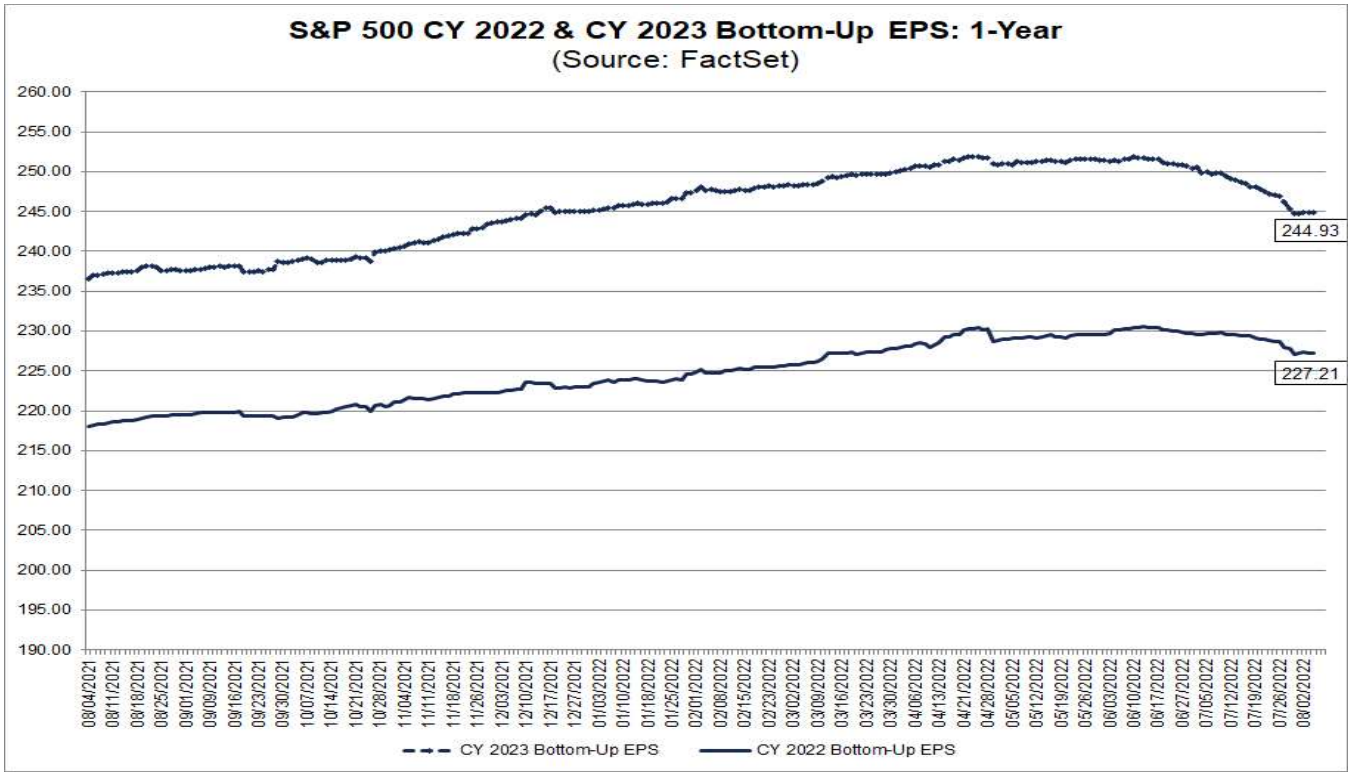
Geographic Revenue Exposure

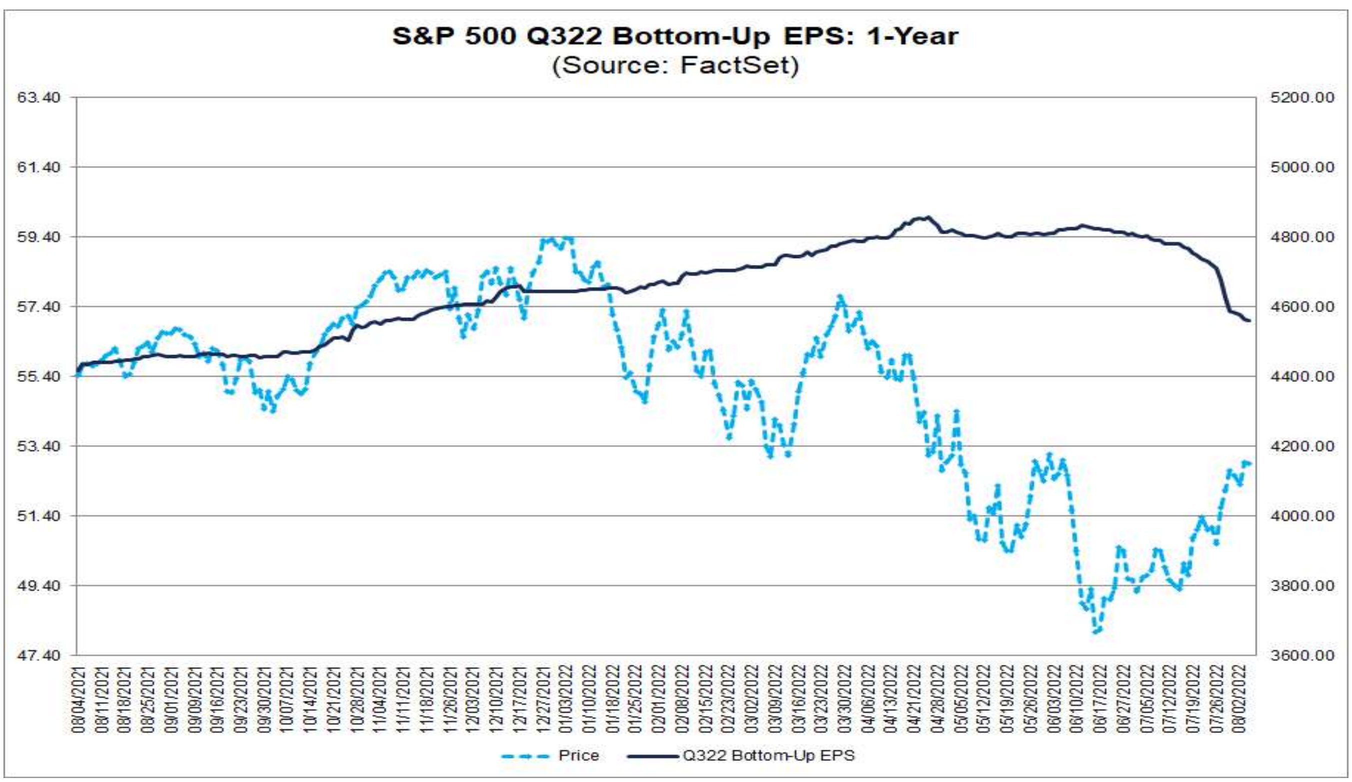




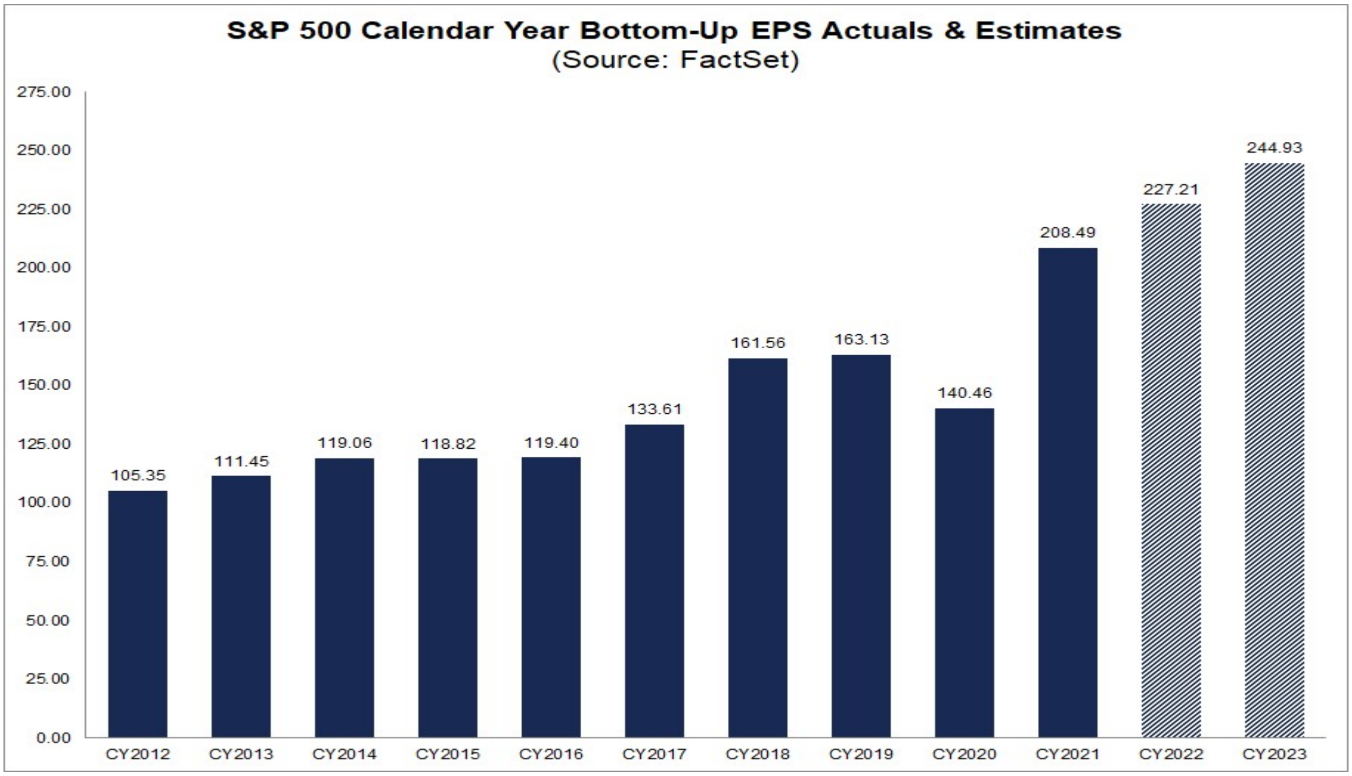
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	2%	16%	22%	33%	35%	36%	39%	43%	44%	55%	58%
United States	98%	84%	78%	67%	65%	64%	61%	57%	56%	45%	42%

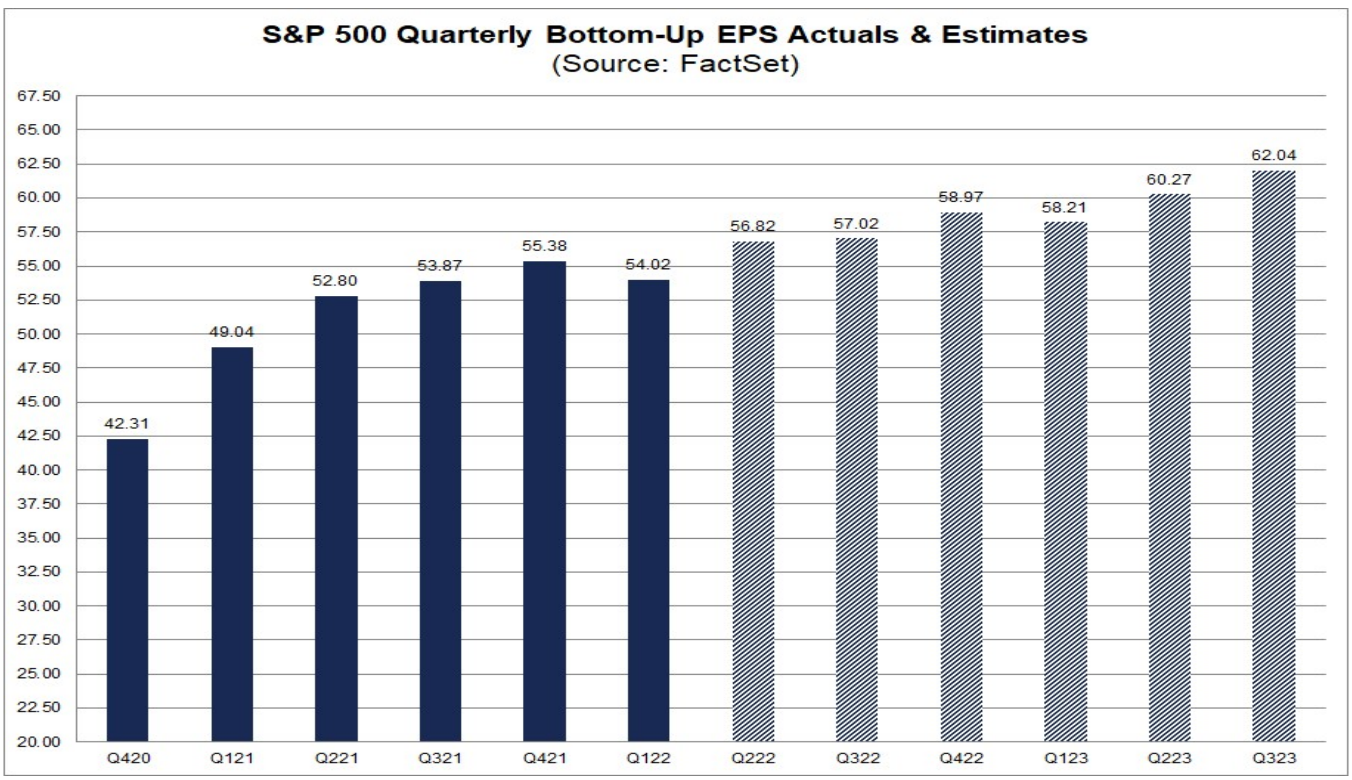
Bottom-Up EPS Estimates



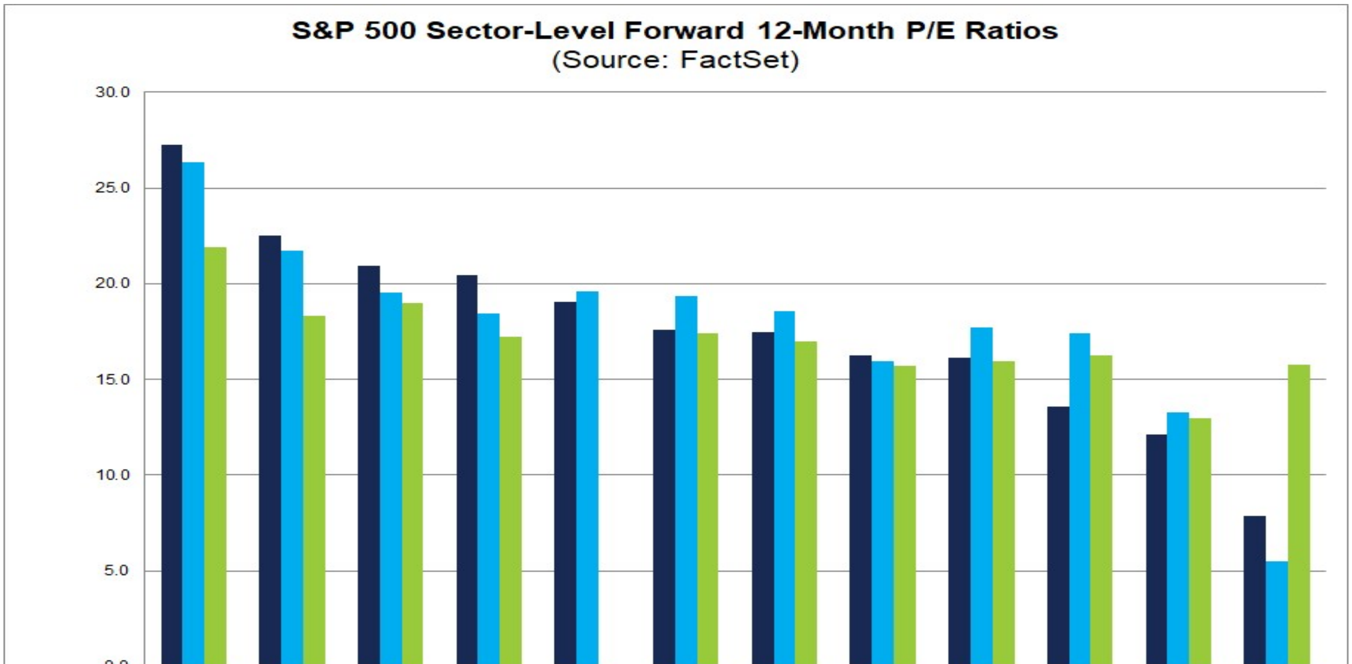


Bottom-Up EPS Estimates: Current & Historical

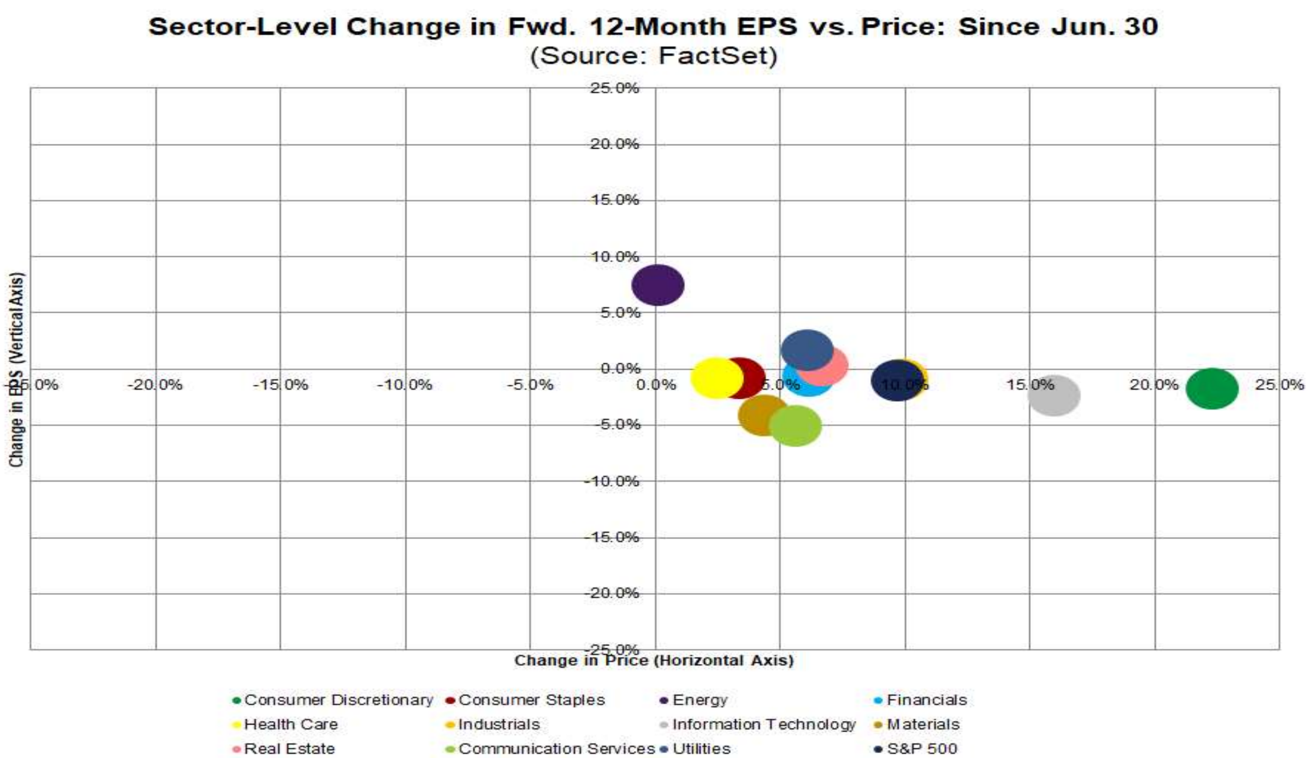




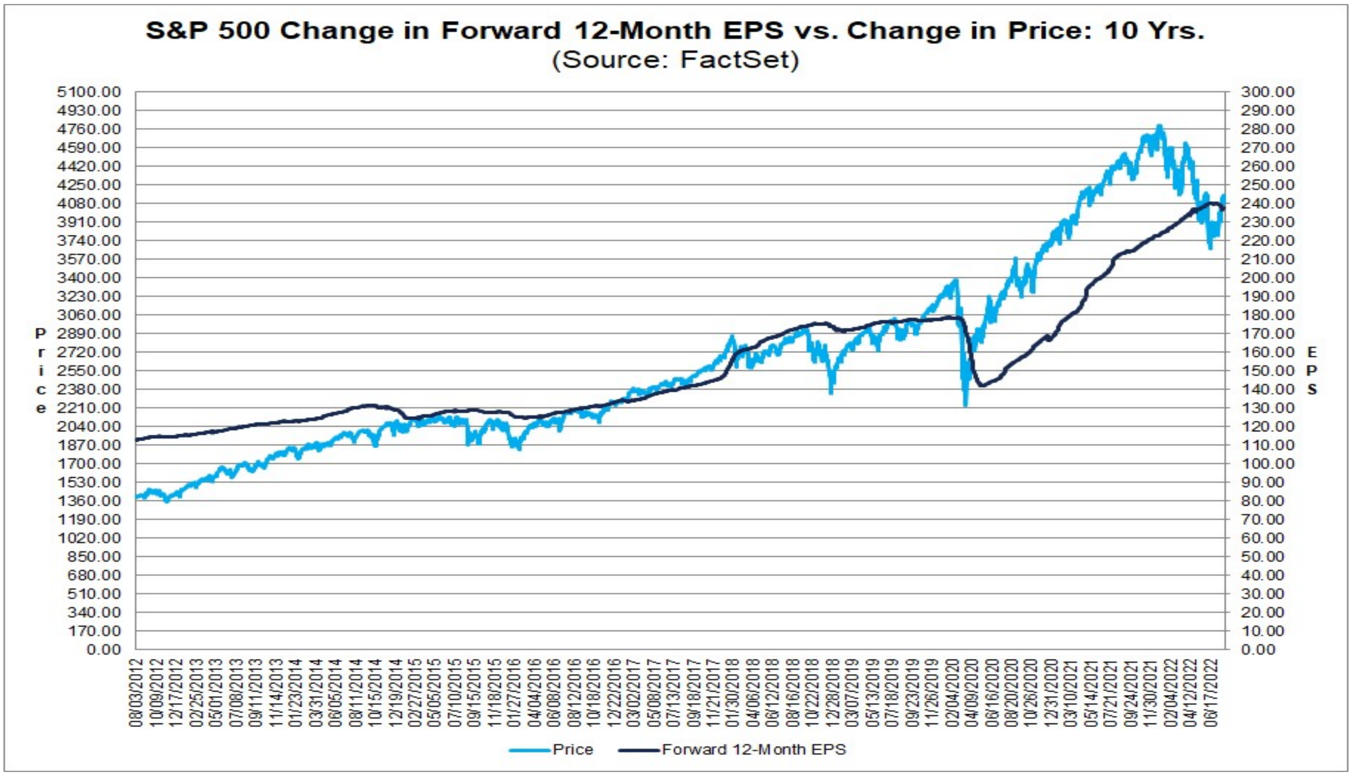
Forward 12M P/E Ratio: Sector Level

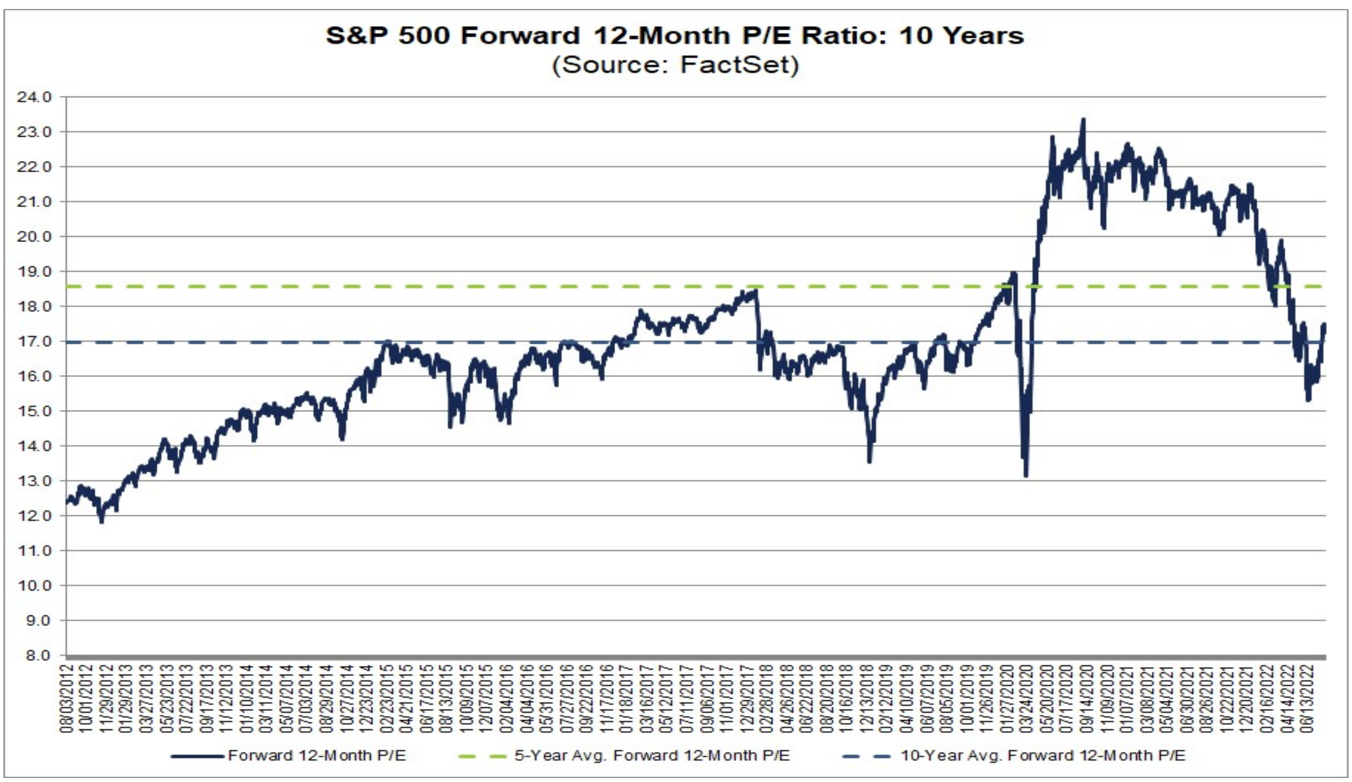


	Consumer Disc.	Info. Technology	Consumer Staples	Utilities	Real Estate	Industrials	S&P 500	Health Care	Comm. Services	Materials	Financials	Energy
Fwd P/E	27.3	22.5	20.9	20.4	19.1	17.6	17.5	16.2	16.1	13.6	12.1	7.8
5-Yr Avg.	26.3	21.7	19.6	18.5	19.6	19.3	18.6	16.0	17.7	17.4	13.3	5.5
10-Yr Avg.	21.9	18.3	19.0	17.2		17.4	17.0	15.7	15.9	16.2	13.0	15.8

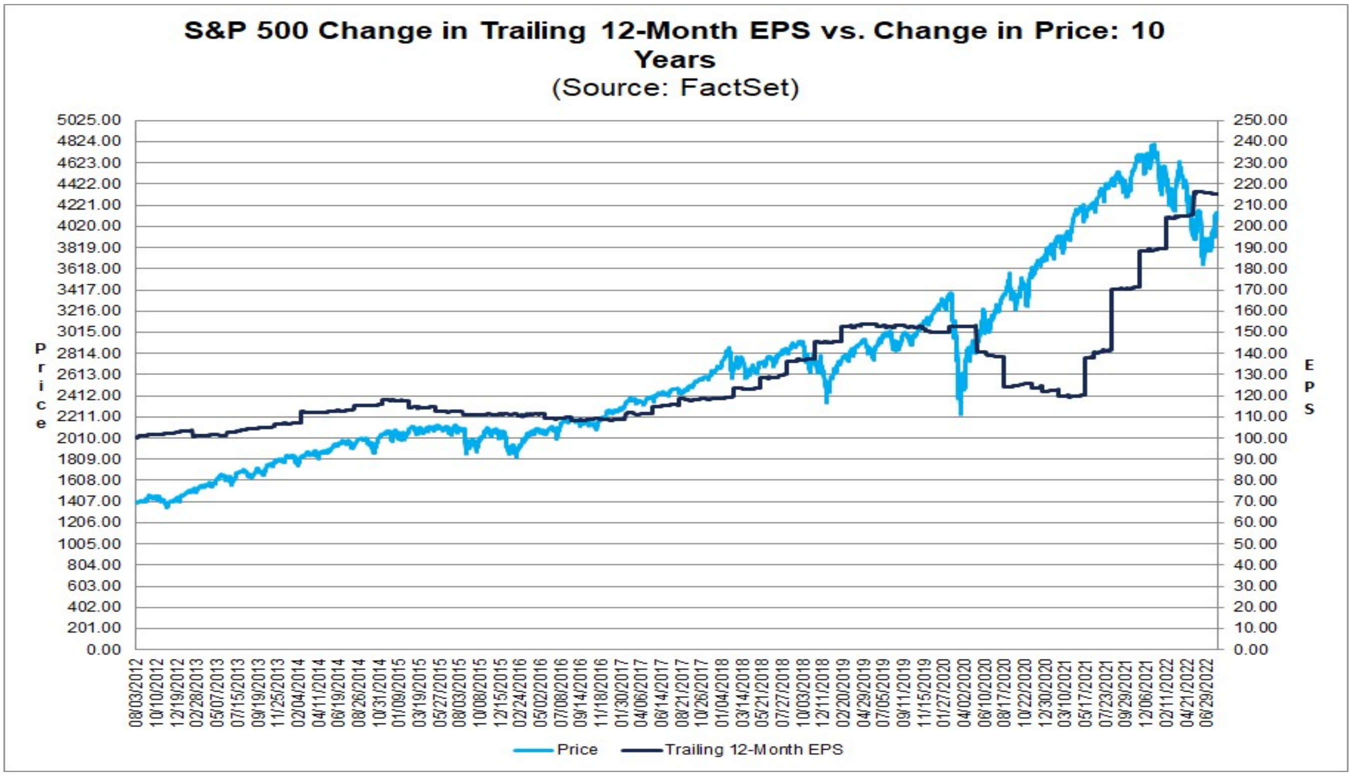


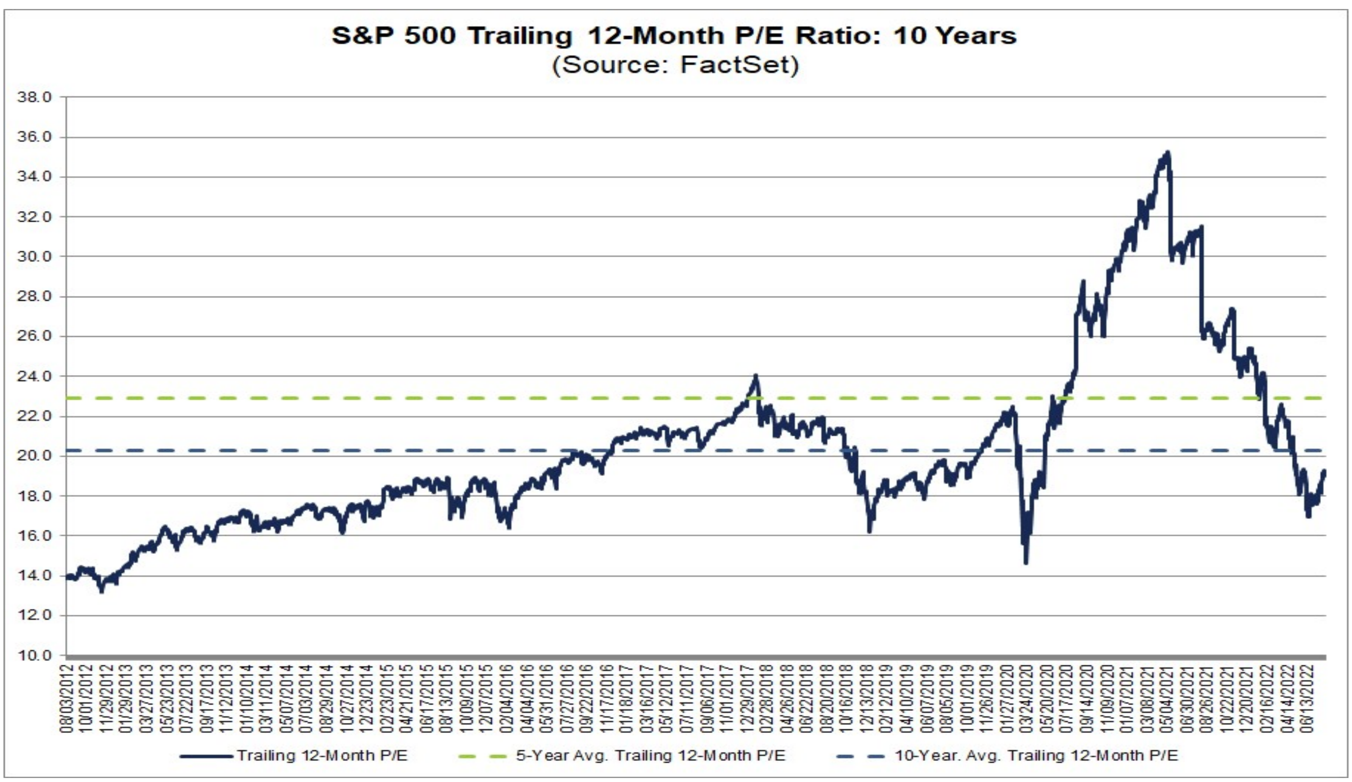
Forward 12M P/E Ratio: 10-Years



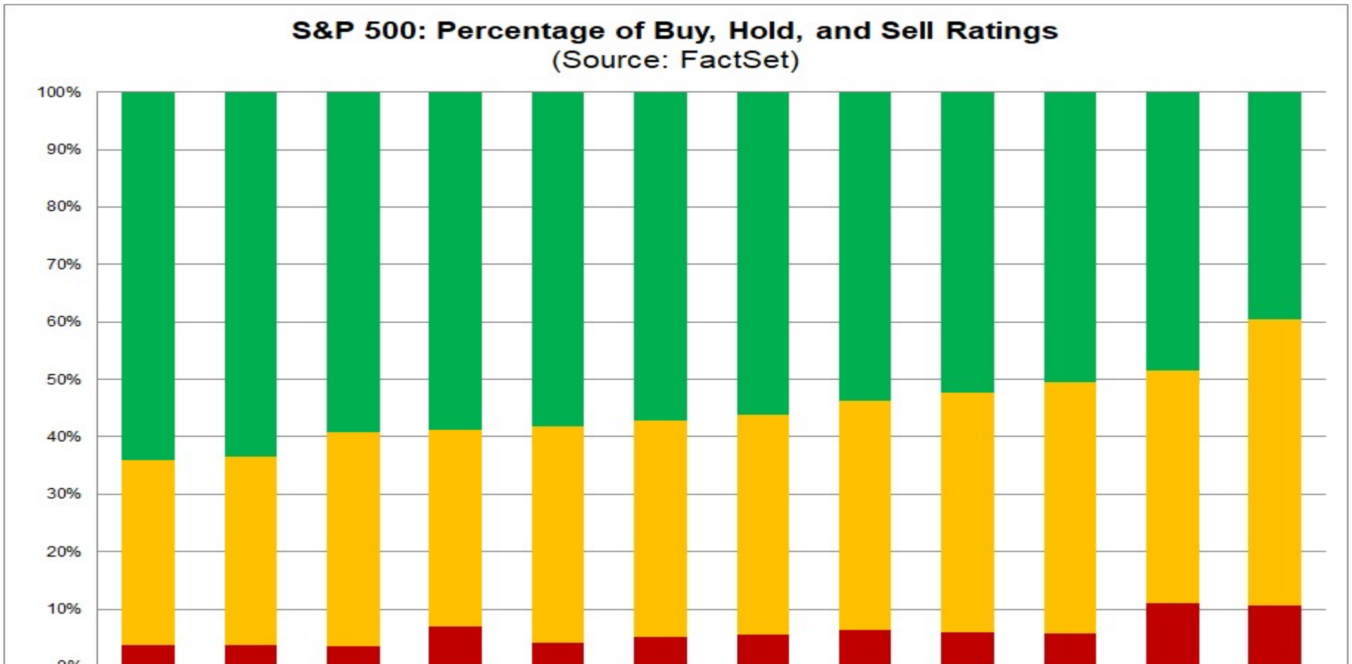


Trailing 12M P/E Ratio: 10-Years

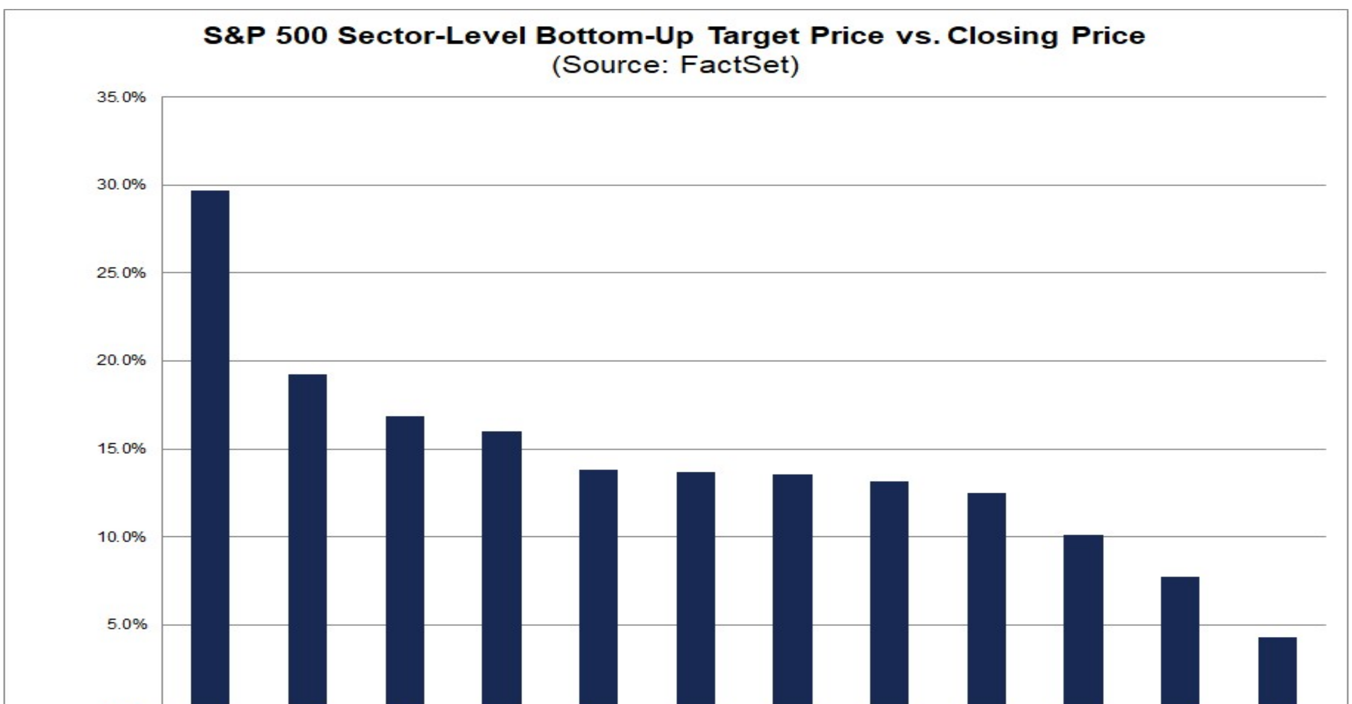




Targets & Ratings



	Info. Tech.	Energy	Real Estate	Comm. Services	Consumer Disc.	Health Care	S&P 500	Industrials	Financials	Materials	Utilities	Consumer Staples
Buy	64%	63%	59%	59%	58%	57%	56%	54%	52%	50%	48%	39%
Hold	32%	33%	37%	34%	38%	38%	38%	40%	42%	44%	40%	50%
Sell	4%	4%	3%	7%	4%	5%	6%	6%	6%	6%	11%	11%



	Energy	Comm. Services	Materials	Financials	S&P 500	Consumer Disc.	Real Estate	Info. Tech.	Health Care	Industrials	Consumer Staples	Utilities
Target/Close	29.7%	19.2%	16.8%	16.0%	13.8%	13.7%	13.5%	13.1%	12.5%	10.1%	7.7%	4.3%

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