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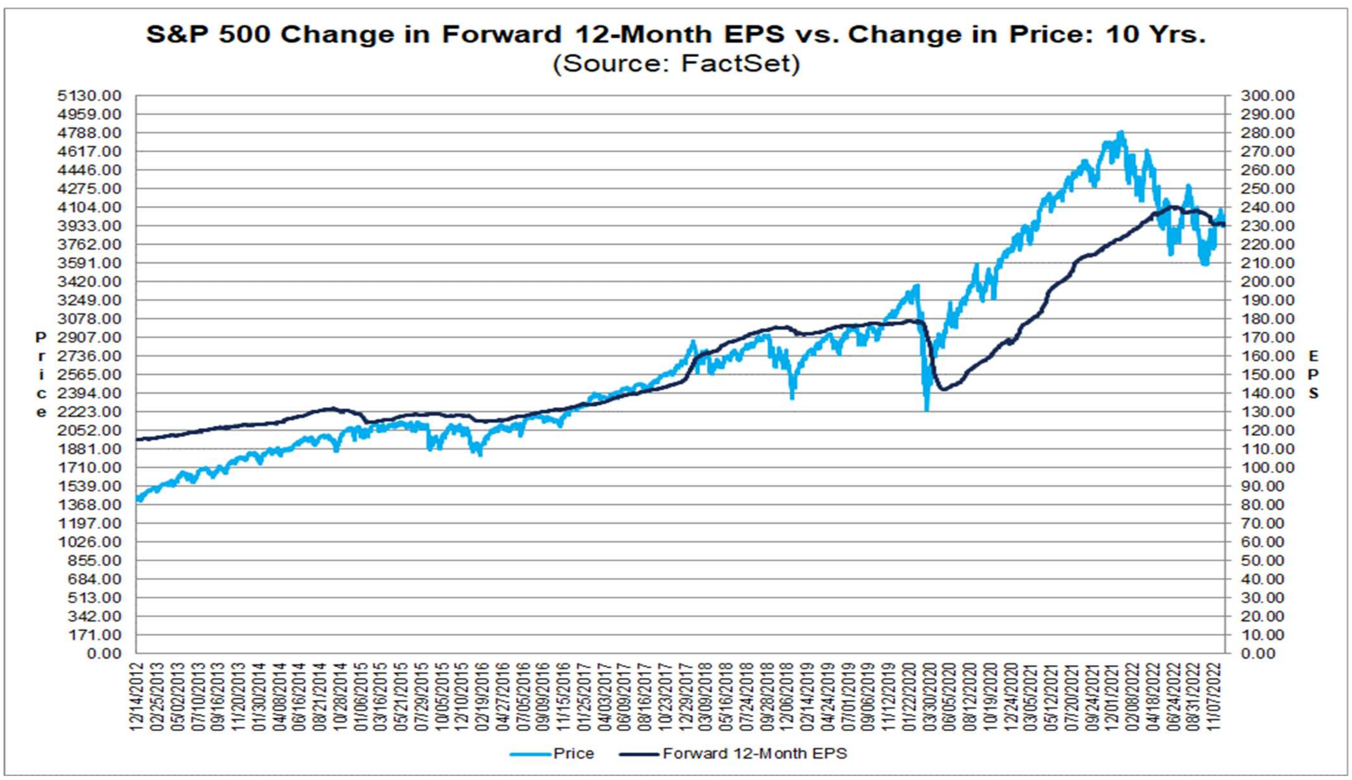
Author's Note: ***The FactSet Earnings Insight report will not be published on December 23 and December 30. The next edition of the report will be published on January 6.***

Key Metrics

- **Earnings Growth:** For Q4 2022, the estimated earnings decline for the S&P 500 is -2.8%. If -2.8% is the actual decline for the quarter, it will mark the first time the index has reported a (year-over-year) earnings decline since Q3 2020 (-5.7%).
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q4 2022 was 3.7%. Ten sectors are expected to report lower earnings today (compared to September 30) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2022, 63 S&P 500 companies have issued negative EPS guidance and 34 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.3. This P/E ratio is below the 5-year average (18.5) but above the 10-year average (17.1).



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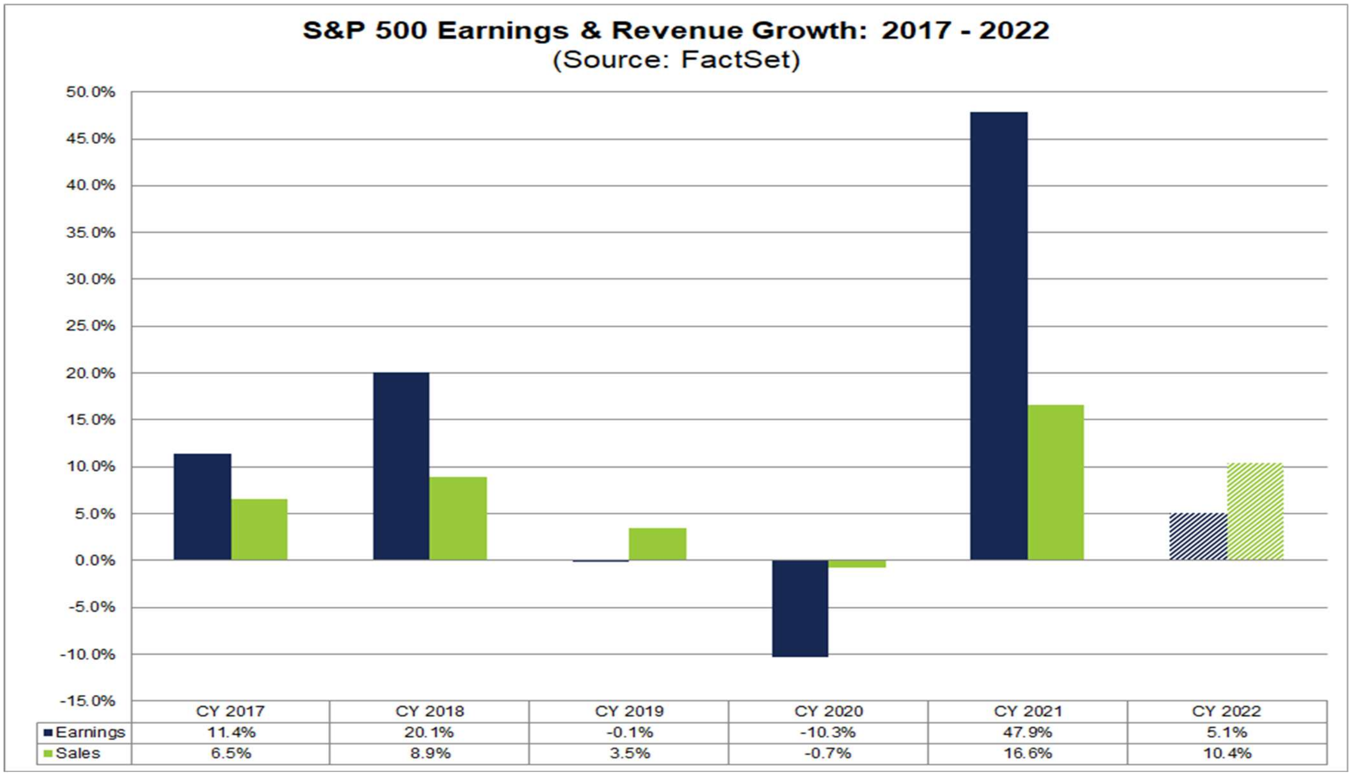
Topic of the Week: 1

S&P 500 CY 2022 Earnings Preview: Ex-Energy, S&P 500 Expected to Report Decline in Earnings



CY 2022 Earnings Growth: 5.1%

Despite a difficult comparison to an unusual high earnings growth rate in CY 2021, analysts still expect the S&P 500 to report single-digit earnings growth in CY 2022. The estimated (year-over-year) earnings growth rate for CY 2022 is 5.1%, which is below the trailing 10-year average (annual) earnings growth rate of 8.5% (2012 – 2021). It is also below the estimates of 9.1% on June 30 and 6.9% on September 30, as analysts have lowered earnings estimates in aggregate for CY 2022 over the past six months.

Most of the (year-over-year) earnings growth for CY 2022 occurred in the first half of the 2022. For Q1 2022 and Q2 2022, the S&P 500 reported earnings growth of 9.4% and 5.8%. However, the index reported earnings growth of 2.5% for Q3 2022 and is projected to report an earnings decline of -2.8% for Q4 2022.

Eight of the eleven sectors are predicted to report year-over-year growth in earnings in CY 2022, led by the Energy, Industrials, and Real Estate sectors. On the other hand, three sectors are projected to report a year-over-year decline in earnings: Financials, Communication Services, and Consumer Discretionary.

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 151.7%. 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 CY 2022 to date ($95.10) is 40% above the average price for oil in CY 2021 ($68.11). At the sub-industry level, all five sub-industries in the sector are expected to report a year-over-year increase in earnings. Four of the sub-industries are projected to report earnings growth above 75%: Oil & Gas Refining & Marketing (518%), Integrated Oil & Gas (152%), Oil & Gas Exploration & Production (120%), and Oil & Gas Equipment & Services (76%).

The Energy sector is also expected to be the largest contributor to earnings growth for the S&P 500 for CY 2022. If this sector were excluded, the index would be expected to report a decline in earnings of -1.8% rather than growth in earnings of 5.1%.

The Industrials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 27.4%. At the industry level, 11 of the 12 industries in the sector are expected to report 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 last year. However, the Airlines industry is projected to report a profit of $4.4 billion in CY 2022 compared to a loss of -$14.1 billion in CY 2021. Six of the remaining ten industries are predicted to report earnings growth at or above 10%: Trading Companies & Distributors (36%), Construction & Engineering (29%), Machinery (13%), Commercial Services & Supplies (13%), Road & Rail (12%), and Electrical Equipment (10%). On the other hand, the Air Freight & Logistics (-1%) industry is the only industry in the sector projected to report a year-over-year decline in earnings.

At the industry level, the Airlines industry is predicted to be the largest contributor to earnings growth for the sector. If the five companies in this industry were excluded, the estimated earnings growth rate for the Industrials sector would fall to 9.5% from 27.4%.

The Real Estate sector is expected to report the third-highest (year-over-year) earnings (FFO) growth rate of all eleven sectors at 15.5%. At the sub-industry level, seven of the eight sub-industries in the sector are expected to report a year-over-year increase in earnings (FFO), led by the Hotel & Resort REITs (194%) and Industrial REITs (54%) sub-industries. On the other hand, the Real Estate Services (-1%) sub-industry is the only sub-industry in this sector that is projected to report a year-over-year decline in earnings.

The Financials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -16.2%. At the industry level, four of the five industries in this sector are predicted to report a year-over-year earnings decline of more than 15%: Consumer Finance (-24%), Banks (-18%), Capital Markets (-17%), and Insurance (-16%). On the other hand, the Diversified Financial Services (19%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

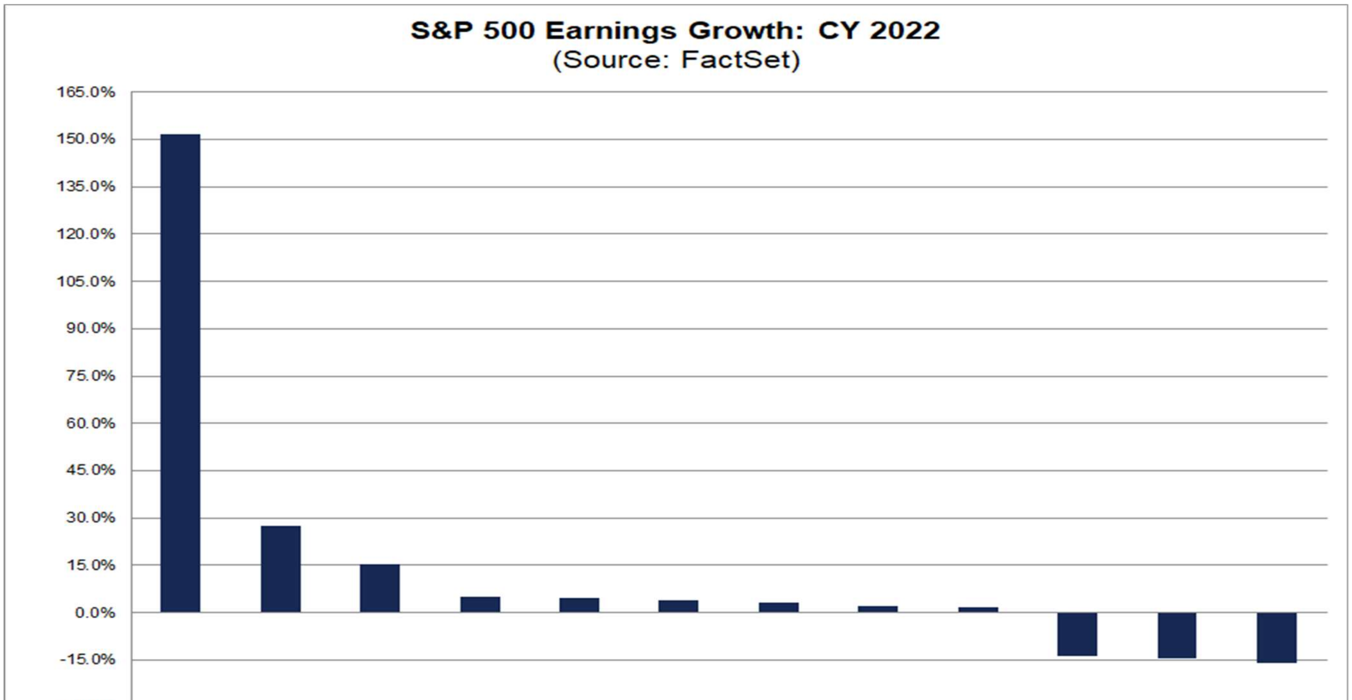
The Financials sector is also expected to be the largest detractor to earnings growth for the S&P 500 for CY 2022. If this sector were excluded, the estimated earnings growth for the index would improve to 9.8% from 5.1%.

The Communication Services sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -14.7%. At the industry level, four of the five industries in this sector are predicted to report a year-over-year decline in earnings. Three of these four industries are predicted to report a double-digit decline: Interactive Media & Services (-23%), Entertainment (-20%), and Wireless Telecommunication Services (-15%) industries. On the other hand, the Media (2%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

At the company level, Alphabet, Meta Platforms, and Warner Bros. Discovery are the largest contributors to the expected earnings decline for the sector. If these three companies were excluded, the sector would be expected to report earnings growth of 1.3% rather than a decline in earnings of -14.7%.

The Consumer Discretionary sector is expected to report the third-largest (year-over-year) earnings decline of all eleven sectors at -13.7%. At the industry level, four of the ten industries in the sector are expected to report a year-over-year decline in earnings of 10% or more: Internet & Direct Marketing Retail (-99%), Multiline Retail (-31%), Textiles, Apparel & Luxury Goods (-10%), and Leisure Products (-10%). On the other hand, the other six industries in the sector are projected to report earnings growth. A growth rate is not being calculated for the Hotels, Restaurants, and Leisure industry due to the loss reported by the industry last year. However, this industry is projected to report a profit of $11.2 billion in CY 2022 compared to a loss of -$210 million in CY 2021. Two of the remaining five industries are predicted to reporting earnings growth at or above 10%: Automobiles (37%) and Auto Components (14%).

At the company level, Amazon is the largest contributor to the expected earnings decline for the sector. If this company were excluded, the sector would be expected to report earnings growth of 14.7% rather than a decline in earnings of -13.7%.



	Energy	Industrials	Real Estate	S&P 500	Utilities	Info. Technology	Health Care	Materials	Consumer Staples	Consumer Disc.	Comm. Services	Financials
Earnings	151.7%	27.4%	15.5%	5.1%	4.5%	3.9%	3.3%	2.2%	1.7%	-13.7%	-14.7%	-16.2%

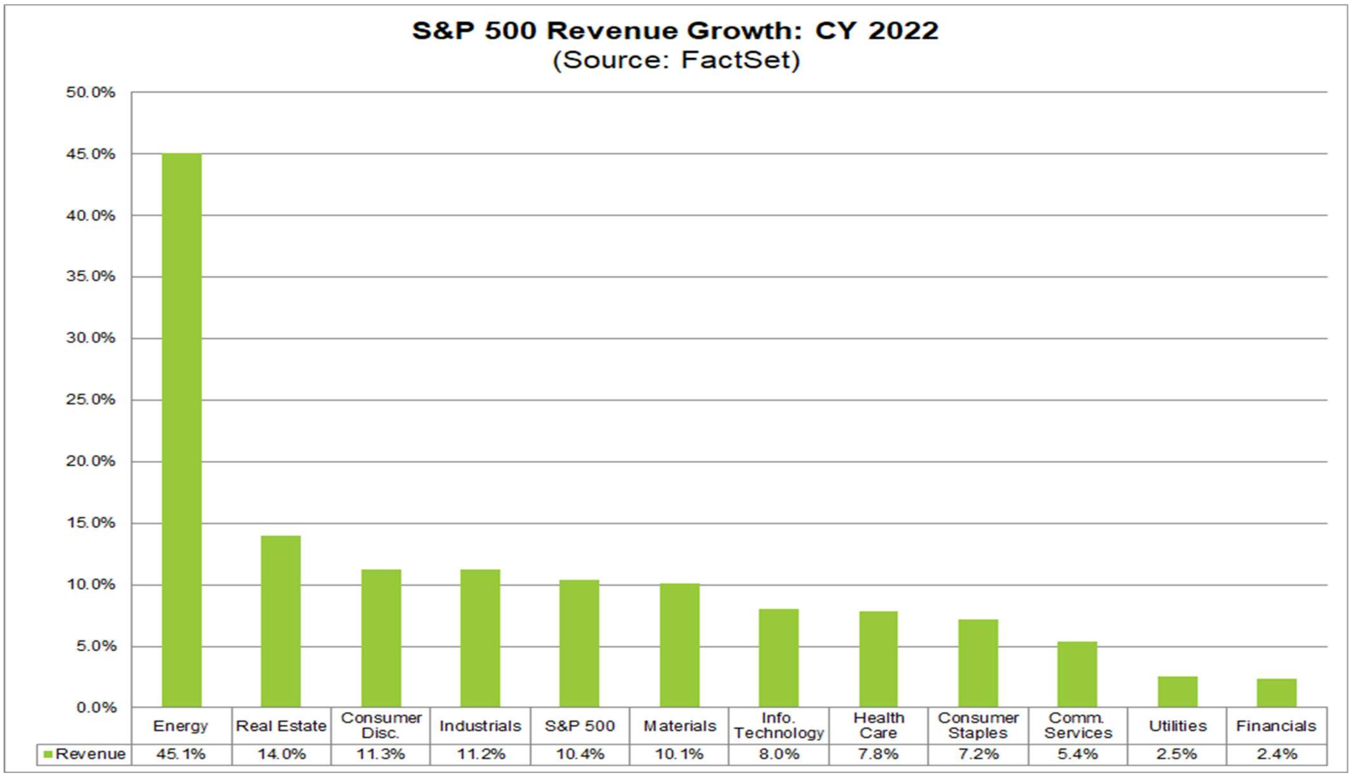
CY 2022 Revenue Growth: 10.4%

Despite a difficult comparison to an unusual high revenue growth rate in CY 2021, analysts still expect the S&P 500 to report double-digit growth in CY 2022 for the second consecutive year. The estimated (year-over-year) revenue growth rate for CY 2022 is 10.4%, which is above the trailing 10-year average (annual) revenue growth rate of 4.1% (2012 – 2021). It is also slightly below the estimates of 10.7% on June 30 and 10.8% on September 30.

All eleven sectors are projected to report year-over-year growth in revenues. Five of these eleven sectors are projected to report double-digit growth, led by the Energy sector.

The Energy sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 45.1%. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in CY 2022 to date ($95.10) is 40% above the average price for oil in CY 2021 ($68.11). At the sub-industry level, all five sub-industries in the sector are expected to report a year-over-year increase in revenues above 15%: Oil & Gas Exploration & Production (53%), Integrated Oil & Gas (50%), Oil & Gas Refining & Marketing (43%), Oil & Gas Storage & Transportation (25%), and Oil & Gas Equipment & Services (18%).

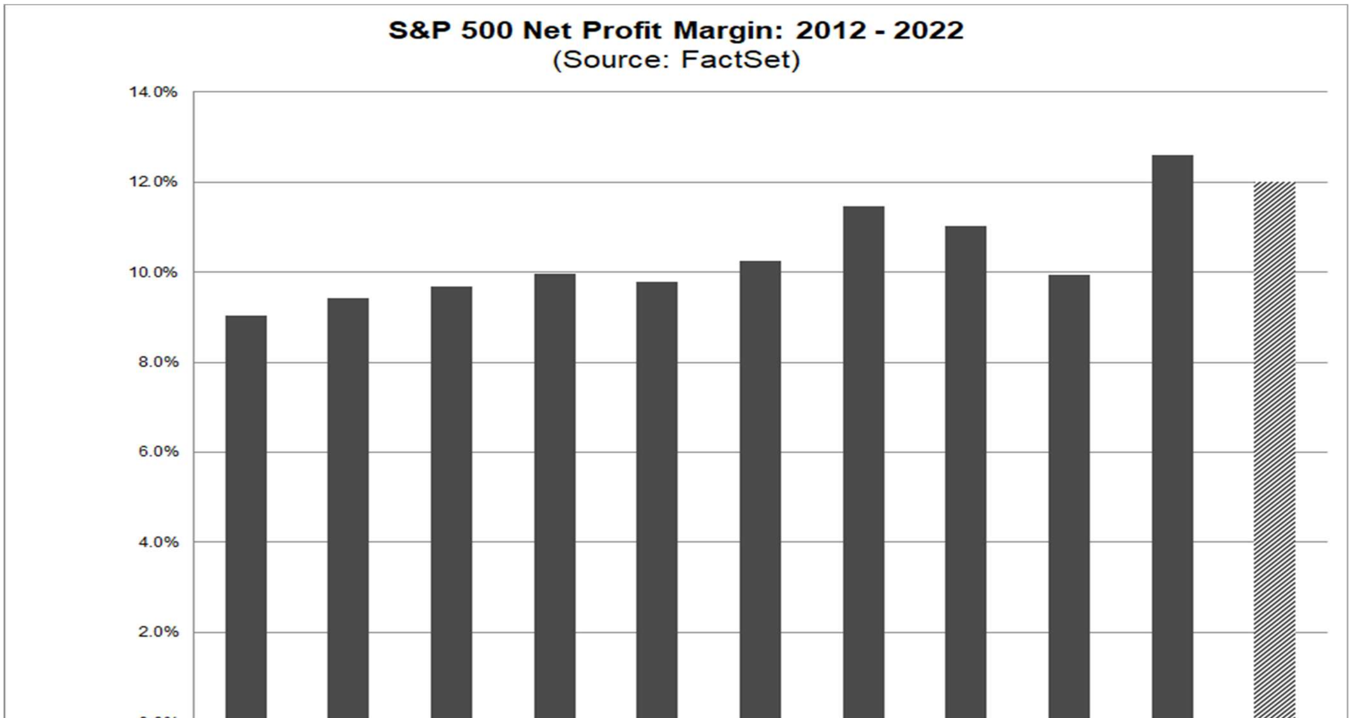
The Energy sector is also expected to be the largest contributor to revenue growth for the S&P 500 for CY 2022. If this sector were excluded, the estimated revenue growth rate for the index would fall to 7.6% from 10.4%.



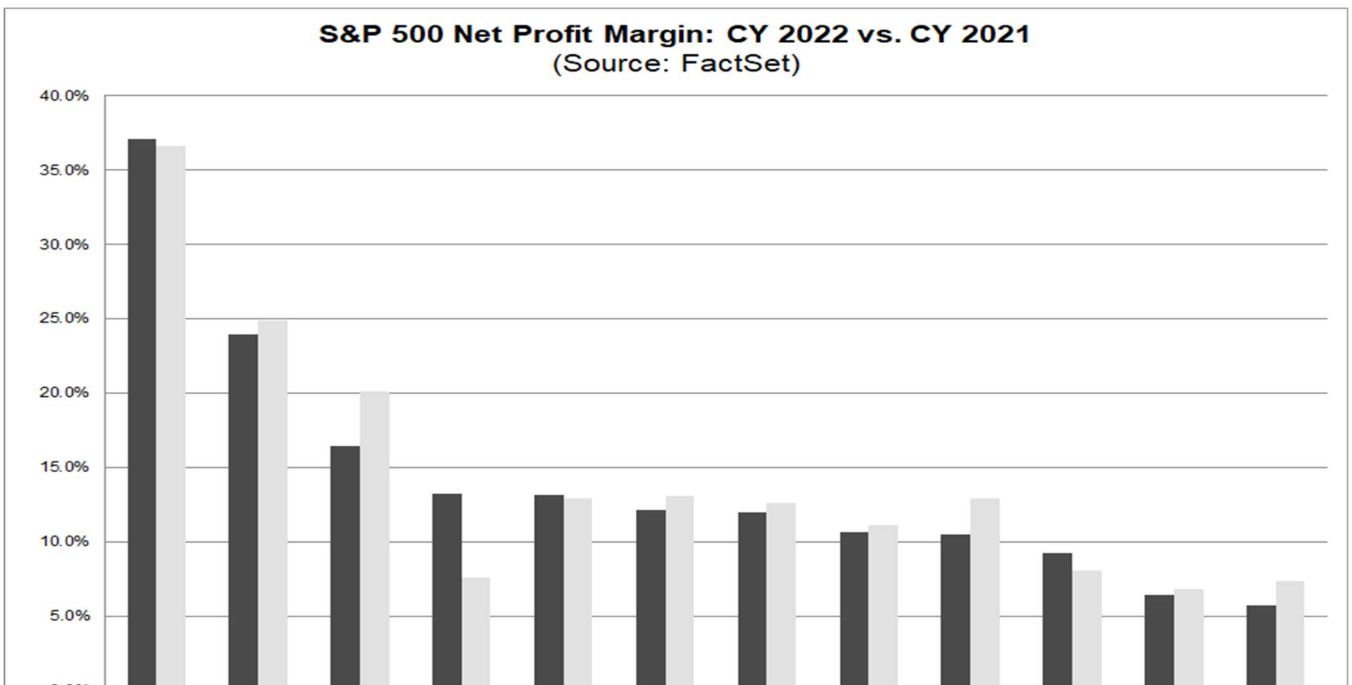
CY 2022 Net Profit Margin: 12.0%

The estimated net profit margin (based on aggregate estimates for revenues and earnings) for the S&P 500 for 2022 is 12.0%, which is below the net profit margin of 12.6% for CY 2021 but above the 10-year average (annual) net profit margin of 10.3%. If 12.0% is the actual net profit margin for the year, it will mark the second-highest (annual) net profit margin reported by the index since FactSet began tracking this metric in 2008. The current record is 12.6%, which occurred in CY 2021.

At the sector level, four of the eleven sectors are projected to report higher net profit margins in CY 2022 relative to CY 2021, led by the Energy (13.2% vs. 7.6%) sector. On the other hand, seven sectors are projected to report lower net profit margins in CY 2022 relative to CY 2021, led by the Financials (16.4% vs. 20.1%) sector.



	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Net Profit Margin	9.0%	9.4%	9.7%	10.0%	9.8%	10.3%	11.5%	11.0%	9.9%	12.6%	12.0%



	Real Estate	Info. Technology	Financials	Energy	Utilities	Materials	S&P 500	Health Care	Comm. Services	Industrials	Consumer Staples	Consumer Disc.
CY22	37.1%	23.9%	16.4%	13.2%	13.2%	12.2%	12.0%	10.6%	10.5%	9.3%	6.5%	5.7%
CY21	36.6%	24.9%	20.1%	7.6%	12.9%	13.1%	12.6%	11.1%	12.9%	8.1%	6.8%	7.4%

Topic of the Week: 2

Where Are Analysts Most Optimistic on Ratings for S&P 500 Companies Heading Into 2023?

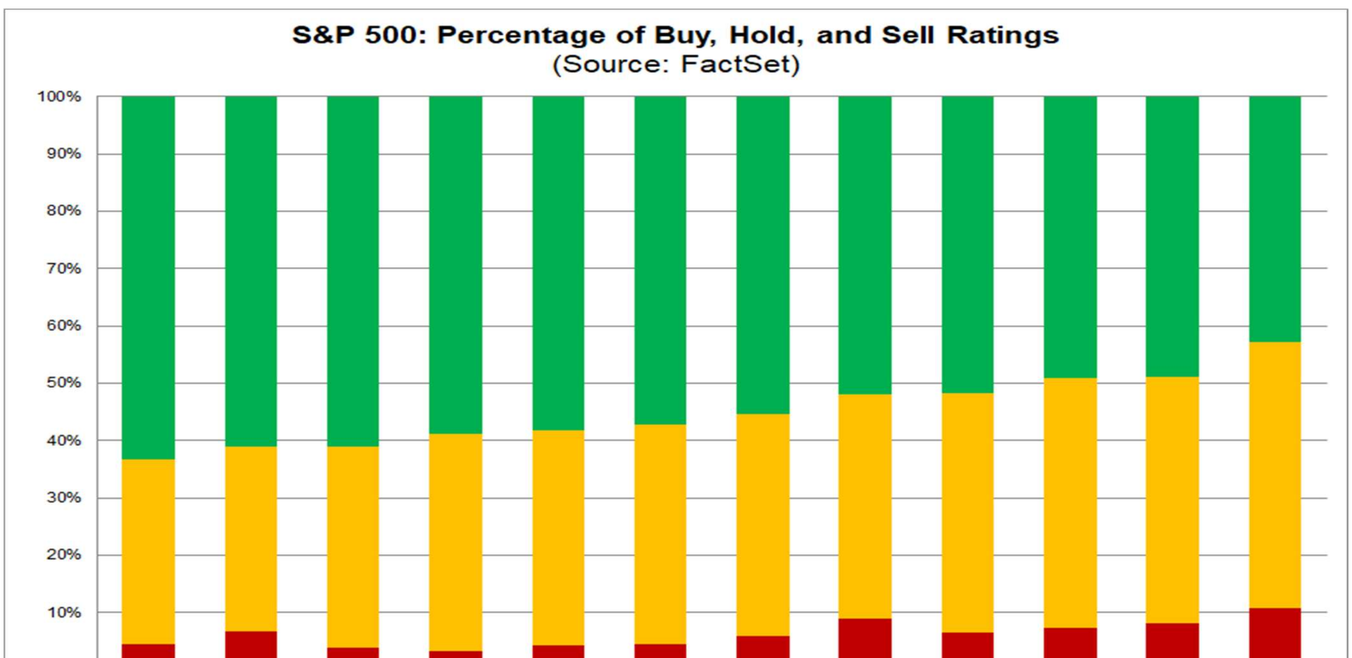
With the end of the year approaching, where are analysts most optimistic and pessimistic in terms of their ratings on stocks in the S&P 500?

Overall, there are 10,835 ratings on stocks in the S&P 500. Of these 10,835 ratings, 55.3% are Buy ratings, 38.8% are Hold ratings, and 5.9% are Sell ratings.

At the sector level, analysts are most optimistic on the Energy (63%), Communication Services (61%), and Information Technology (61%) sectors, as these three sectors have the highest percentages of Buy ratings. On the other hand, analysts are most pessimistic on the Consumer Staples (43%) sector, as this sector has the lowest percentage of Buy ratings. This sector also has the highest percentage of Hold ratings (46%) and Sell ratings (11%).

How accurate were the sector-level Buy ratings one-year ago (December 31, 2021) in terms of predicting price performance almost one year later? Overall, the price of the S&P 500 has decreased by 16% since December 31, 2021 (to 3995.32 from 4766.18). The Energy sector had the highest percentage of Buy ratings at the end of last year and has also recorded the largest price increase (+54%) of all eleven sectors since the end of last year. However, the two sectors with the next highest percentages of Buy ratings (Information Technology and Communication Services) at the end of last year have seen the largest price decline and fourth-largest price decline of all eleven sectors during this time. It is interesting to note that the same three sectors that had the highest percentages of Buy ratings at the end of last year also have the highest percentages of Buy ratings at the end of this year. On the other hand, the two sectors with smallest percentages of Buy ratings (Consumer Staples and Utilities) at the end of last year have been the second-best and fourth-best performers in terms of price returns of all eleven sectors during this time.

The S&P 500 companies with the highest percentages of Buy ratings and Sell ratings (with a minimum of 5 ratings) can be found on page 8.



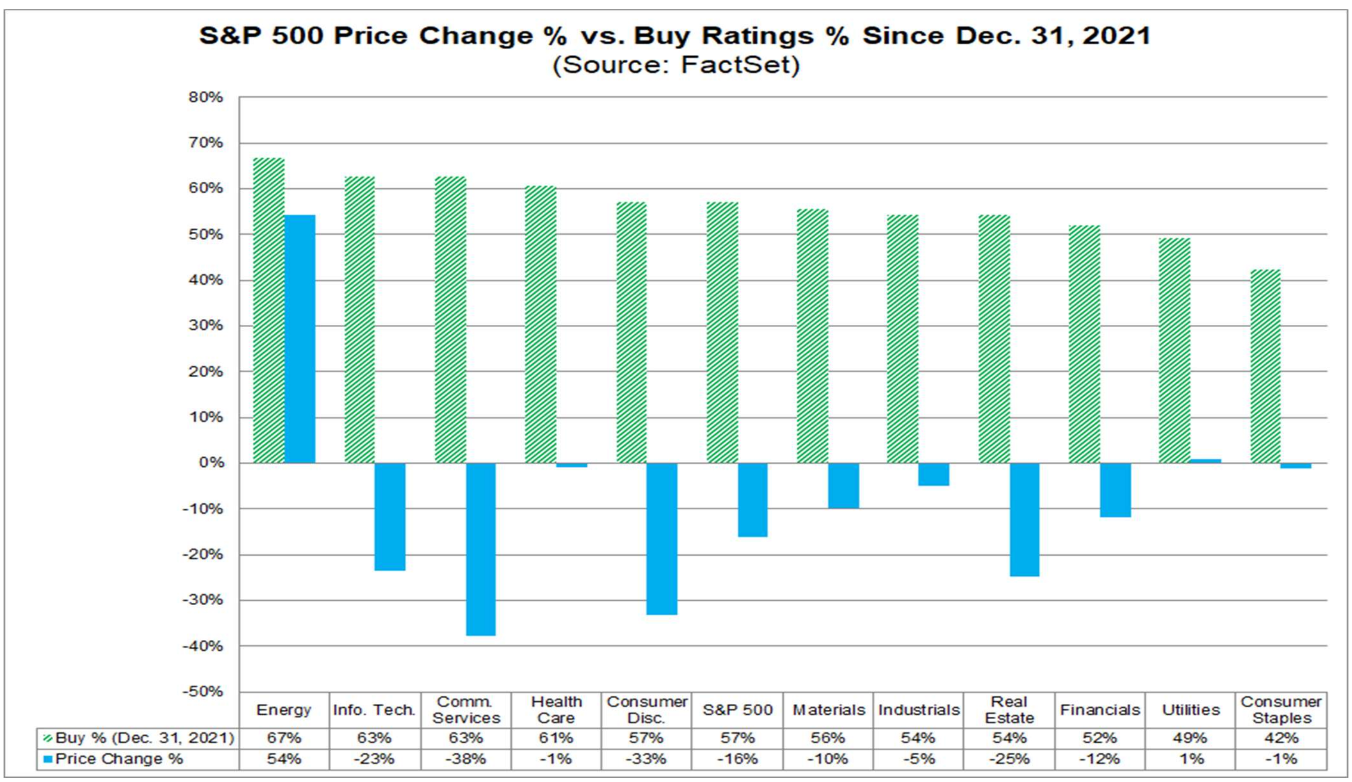
	Energy	Comm. Services	Info. Tech.	Real Estate	Health Care	Consumer Disc.	S&P 500	Utilities	Industrials	Materials	Financials	Consumer Staples
Buy	63%	61%	61%	59%	58%	57%	55%	52%	52%	49%	49%	43%
Hold	32%	32%	35%	38%	37%	38%	39%	39%	42%	44%	43%	46%
Sell	5%	7%	4%	3%	4%	5%	6%	9%	7%	7%	8%	11%

Highest % of Buy Ratings in S&P 500: Top 10 (Source: FactSet)

Company	**Buy**	Hold	Sell
Bio-Rad Laboratories, Inc. Class A	**100%**	0%	0%
S&P Global, Inc.	**95%**	5%	0%
Targa Resources Corp.	**95%**	5%	0%
VICI Properties Inc	**95%**	5%	0%
Jacobs Solutions Inc.	**95%**	5%	0%
Howmet Aerospace Inc.	**94%**	6%	0%
Monolithic Power Systems, Inc.	**93%**	7%	0%
Alaska Air Group, Inc.	**93%**	7%	0%
Arch Capital Group Ltd.	**92%**	8%	0%
ServiceNow, Inc.	**92%**	5%	3%

Highest % of Sell Ratings in S&P 500: Top 10 (Source: FactSet)

Company	Buy	Hold	**Sell**
Principal Financial Group, Inc.	6%	38%	**56%**
T. Rowe Price Group	0%	47%	**53%**
Consolidated Edison, Inc.	6%	41%	**53%**
Clorox Company	14%	38%	**48%**
Lumen Technologies, Inc.	7%	50%	**43%**
Robert Half International Inc.	29%	29%	**43%**
Franklin Resources, Inc.	0%	57%	**43%**
J.M. Smucker Company	7%	53%	**40%**
Paramount Global Class B	26%	37%	**37%**
Pinnacle West Capital Corporation	20%	47%	**33%**



Q4 Earnings Season: By The Numbers

Overview

Analysts and companies have been slightly less pessimistic in their earnings outlooks for S&P 500 companies for the fourth quarter compared to the third quarter, but more pessimistic in their outlooks compared to their 5-year averages. As a result, estimated earnings for the S&P 500 for the fourth quarter are lower today compared to expectations at the start of the quarter. On a year-over-year basis, the index is expected to report a decline in earnings for the first time since Q3 2020.

In terms of estimate revisions for companies in the S&P 500, analysts have lowered earnings estimates for Q4 2022 by a smaller margin compared to last quarter, but by a larger margin compared to the 5-year average. On a per-share basis, estimated earnings for the fourth quarter have decreased by 6.1% since September 30. This decline is smaller than the decline of -6.8% recorded in Q3 2022, but larger than the 5-year average of -2.5% and the 10-year average of -3.3% for a quarter.

The number of S&P 500 companies that have issued negative EPS guidance for Q4 2022 is smaller than the number for the previous quarter, but higher than the 5-year average. At this point in time, 97 companies in the index have issued EPS guidance for Q4 2022, Of these 97 companies, 63 have issued negative EPS guidance and 34 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q4 2022 is lower than the numbers for Q3 2022 (66), Q2 2022 (72), and Q1 2022 (68). However, it is higher than the 5-year average of 57 (but lower than the 10-year average of 65).

Because of the downward revisions to earnings estimates by analysts and the negative EPS guidance issued by companies, estimated earnings for Q4 2022 are lower now relative to the start of the fourth quarter. As of today, the S&P 500 is expected to report a (year-over-year) earnings decline of -2.8%, compared to estimated (year-over-year) earnings growth of 3.7% on September 30.

If -2.8% is the actual decline for the quarter, it will mark the first time the index has reported a (year-over-year) decline in earnings since Q3 2020 (-5.7%). Four of the eleven sectors are projected to report year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, seven sectors are predicted to report a year-over-year decline in earnings, led by the Materials, Communication Services, and Consumer Discretionary sectors.

In terms of revenues, analysts have also lowered their estimates during the quarter. As a result, estimated revenues for Q4 2022 are lower now relative to the start of the fourth quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 4.0%, compared to the estimated (year-over-year) revenue growth rate of 6.3% on September 30.

If 4.0% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) revenue growth rate reported by the index since Q4 2020 (3.2%). Eight of the eleven sectors are projected to report year-over-year growth in revenues, led by the Energy, Industrials, and Consumer Discretionary sectors. On the other hand, three sectors are predicted to a report a year-over-year decline in revenues, led by the Utilities sector.

The forward 12-month P/E ratio is 17.3, which is below the 5-year average (18.5) but above the 10-year average (17.1). It is also above the forward P/E ratio of 15.2 recorded at the end of the third quarter (September 30), as the price of the index has increased while the forward 12-month EPS estimate has decreased since September 30.

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

Earnings Revisions: 10 Sectors See Estimate Decreases, Led by Materials Sector

Small Increase in Estimated Earnings Decline for Q4 This Week

During the past week, the estimated earnings decline for the S&P 500 for Q4 2022 increased slightly to -2.8% from -2.7%. Downward revisions to earnings estimates for companies in the Energy sector were the largest contributor to the small increase in the earnings decline during the week.

The estimated earnings decline for the S&P 500 for Q4 2022 of -2.8% today is below the estimated growth rate of 3.7% at the start of the quarter (September 30), as estimated earnings for the index of $470.7 billion today are 6.3% below the estimate of $502.3 billion at the start of the quarter. Ten sectors have recorded a decrease in expected (dollar-level) earnings due to downward revisions to earnings estimates, led by the Materials, Communication Services, Consumer Discretionary, and Information Technology sectors. On the other hand, the Energy sector is the only sector that has recorded an increase in expected (dollar-level) earnings due to upward revisions to earnings estimates.

Materials: All 28 Companies Have Recorded a Decrease in Earnings Since September 30

The Materials sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -20.0% (to $11.8 billion from $14.8 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -24.3% today from -5.4% on September 30. Despite the decrease in expected earnings, this sector has witnessed the second-largest increase in price (+20.0%) of all 11 sectors since September 30. All 28 companies (100%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 28 companies, 17 have recorded a decrease in their mean EPS estimate of more than 10%, led by Corteva (to $0.05 from $0.15), LyondellBasell Industries (to $1.30 from $2.77), Celanese (to $1.76 from $3.31), International Paper (to $0.71 from $1.30), and Dow (to $0.61 from $1.08). LyondellBasell Industries has also been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since September 30.

Consumer Discretionary: Amazon Leads Earnings Decrease Since September 30

The Consumer Discretionary sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -13.4% (to $32.0 billion from $37.0 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -19.5% today from -7.1% on September 30. This sector has also witnessed the largest decrease in price (-3.9%) of all 11 sectors since September 30. Overall, 34 of the 56 companies (61%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 34 companies, 19 have recorded a decrease in their mean EPS estimate of more than 10%, led by MGM Resorts (to -$1.28 from $0.17), Wynn Resorts (to -$1.19 from -$0.38), Las Vegas Sands (to -$0.09 from -$0.03), and Royal Caribbean (to -$1.29 from -$0.68). However, Amazon.com (to $0.21 from $0.38) and Target (to $1.40 from $3.33) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

Communication Services: Alphabet Leads Earnings Decrease Since September 30

The Communication Services sector has recorded the third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -12.5% (to $39.9 billion from $45.6 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -18.5% today from -6.8% on September 30. This sector has also witnessed the smallest increase in price (+2.9%) of all 11 sectors since September 30. Overall, 16 of the 22 companies (73%) in the Communication Services sector have seen a decrease in their mean EPS estimate during this time. Of these 16 companies, 12 have recorded a decrease in their mean EPS estimate of more than 10%, led by Warner Bros. Discovery (to -$0.19 from $0.03), Netflix (to $0.62 from $1.20), and Paramount (to $0.34 from $0.58). However, Alphabet (to $1.19 from $1.41), Meta Platforms (to $2.26 from $2.67), and Walt Disney (to $0.81 from $1.29) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

Information Technology: Microsoft, Intel, and Apple Lead Earnings Decrease Since September 30

The Information Technology sector has recorded the fourth-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -8.6% (to $107.1 billion from $117.2 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -9.4% today from -0.9% on September 30. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 12.4% since September 30. Overall, 45 of the 75 companies (60%) in the Information Technology sector have seen a decrease in their mean EPS estimate during this time. Of these 45 companies, 20 have recorded a decrease in their mean EPS estimate of more than 10%, led by Western Digital (to -$0.11 from $0.47), Micron Technology (to -$0.01 from $0.06), Seagate Technology (to $0.14 from $1.05), Intel (to $0.22 from $0.74), and Qorvo (to $0.63 from $1.73). However, Microsoft (to $2.30 from $2.59), Intel, Apple (to $1.99 from $2.13), and QUALCOMM (to $2.36 from $3.47) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

Energy: Marathon Petroleum and Exxon Mobil Lead Earnings Increase Since September 30

The Energy sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 2.2% (to $49.4 billion from $48.3 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 64.4% today from 60.8% on September 30. This sector has also witnessed the third-largest increase in price (+18.1%) of all eleven sectors since September 30. Overall, 9 of the 23 companies (39%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 9 companies, 3 have recorded an increase in their mean EPS estimate of more than 10%: Marathon Petroleum (to $5.86 from $3.48), Phillips 66 (to $4.94 from $3.09), and Valero Energy (to $6.99 from $4.71). Exxon Mobil (to $3.34 from $3.08) and these three companies have been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since September 30.

Index-Level EPS Estimate: 6.1% Decrease Since September 30

The Q4 bottom-up EPS estimate (which is an aggregation of the median Q4 earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) has decreased by 6.1% (to $54.24 from $57.78) since September 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 2.5% 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 4.8% on average during a quarter. Over the past twenty years (60 quarters), earnings expectations have fallen by 3.8% on average during a quarter.

Thus, the decline in the bottom-up EPS estimate for the fourth quarter to date has been larger than the 5-year average, the 10-year average, the 15-year average, and the 20-year average. It is also the second-largest decrease in the bottom-up EPS estimate for a quarter since Q2 2020 (-37.0%).

Guidance: Fewer S&P 500 Companies Issuing Negative EPS Guidance for Q4 vs. Recent Quarters

At this point in time, 97 companies in the index have issued EPS guidance for Q4 2022. Of these 97 companies, 63 have issued negative EPS guidance and 34 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q4 2022 is lower than the numbers for Q3 2022 (66), Q2 2022 (72), and Q1 2022 (68). However, it is higher than the 5-year average of 57 (but lower than the 10-year average of 65). The percentage of companies issuing negative EPS guidance for Q4 2022 is 65% (63 out of 97), which is above the 5-year average of 59% but below the 10-year average of 67%.

At this point in time, 253 companies in the index have issued EPS guidance for the current fiscal year (FY 2022 or FY 2023). Of these 253 companies, 127 have issued negative EPS guidance and 126 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 50% (127 out of 253).

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 Decline: -2.8%

The estimated (year-over-year) earnings decline for Q4 2022 is -2.8%, which is below the 5-year average earnings growth rate of 14.3% and below the 10-year average earnings growth rate of 8.9%. If -2.8% is the actual growth rate for the quarter, it will mark the first time the has reported a (year-over-year) decline in earnings since Q3 2020 (-5.7%).

Four of the eleven sectors are expected to report year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, seven sectors are expected to report a year-over-year decline in earnings, led by the Materials, Consumer Discretionary, and Communication Services sectors.

Energy: Largest Contributor to Year-Over-Year Earnings Growth for S&P 500 For Q4

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 64.4%. 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 Q4 2022 to date ($83.70) is 9% above the average price for oil in Q4 2021 ($77.10). At the sub-industry level, all five sub-industries in the sector are expected to report a year-over-year increase in earnings of more than 35%: Oil & Gas Refining & Marketing (151%), Oil & Gas Storage & Transportation (81%), Oil & Gas Equipment & Services (75%), Integrated Oil & Gas (61%), and Oil & Gas Exploration & Production (39%).

The Energy sector is also expected to be the largest detractor to the estimated earnings decline for the S&P 500 for the fourth quarter. If this sector were excluded, the expected earnings decline for the index would increase to -7.3% from -2.8%.

Industrials: Boeing and Airlines Industry Are Largest Contributors to Year-Over-Year Growth

The Industrials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 38.4%. At the industry level, 9 of the 12 industries in the sector are expected to report 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, the Airlines industry is projected to report a profit of $2.4 billion in Q4 2022 compared to a loss of -$1.2 billion in Q4 2021. Four of the remaining eight industries are predicted to report earnings growth above 10%: Aerospace & Defense (218%), Machinery (25%), Trading Companies & Distributors (23%), and Industrial Conglomerates (14%). On the other hand, three industries are projected to report a (year-over-year) decline in earnings for the quarter, led by the Air Freight & Logistics (-15%) industry.

At the company level, Boeing and the five companies in the Airlines industry are predicted to be the largest contributors to earnings growth for the sector. If these six companies in this industry were excluded, the estimated earnings growth rate for the Industrials sector would fall to 7.0% from 38.4%.

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

The Materials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -24.3%. At the industry level, three of the four industries in this sector are predicted to report a year-over-year decline in earnings of more than 10%: Metals & Mining (-52%), Containers & Packaging (-16%), and Chemicals (-15%). On the other hand, the Construction Materials (6%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

The Metals & Mining industry is also the largest contributor to the expected earnings decline for the sector. If this industry were excluded, the estimated earnings decline for the Materials sector would improve to -14.2% from -24.3%.

Consumer Discretionary: Amazon Leads Year-Over-Year Earnings Decline

The Consumer Discretionary sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -19.5%. At the industry level, 6 of the 10 industries in the sector are expected to report a year-over-year decrease in earnings. Four of these six industries are predicted to report a decline in earnings or more than 10%: Internet & Direct Marketing Retail (-81%), Multiline Retail (-30%), Textiles, Apparel, & Luxury Goods (-23%), and Household Durables (-16%). On the other hand, four industries are projected to report (year-over-year) earnings growth for the quarter. All four of these industries are expected to report earnings growth of more than 25%: Hotels, Restaurants, & Leisure (959%), Automobiles (61%), Auto Components (43%), and Leisure Products (29%).

At the company level, Amazon.com is predicted to be the largest contributor to the expected earnings decline for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting (year-over-year) earnings growth of 16.3% instead of an earnings decline of -19.5%.

At the industry level, the Hotels, Restaurants, & Leisure and Automobiles industries are predicted to be the largest detractors to the expected earnings decline for the sector. If these two industries were excluded, the estimated earnings decline for the Consumer Discretionary sector would increase to -41.4% from -19.5%.

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

The Communication Services sector is expected to report the third-largest (year-over-year) earnings decline of all eleven sectors at -18.5%. At the industry level, four of the five industries in this sector are predicted to report a year-over-year decline in earnings, led by the Interactive Media & Services (-28%) and Entertainment (-26%) industries. On the other hand, the Wireless Telecommunication Services (208%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

At the company level, Alphabet and Meta Platforms are predicted to be the largest contributors to the expected earnings decline for the sector. If these two companies were excluded, the estimated earnings decline for the sector would improve to -4.7% from -18.5%.

Revenue Growth: 4.0%

The estimated (year-over-year) revenue growth rate for Q4 2022 is 4.0%, which is below the 5-year average revenue growth rate of 7.8% and below the 10-year average revenue growth rate of 4.6%. If 4.0% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) revenue growth reported by the index since Q4 2020 (3.2%).

Eight of the eleven sectors are expected to report year-over-year growth in revenues, led by the Energy, Industrials, and Consumer Discretionary sectors. On the other hand, three sectors are predicted to report a year-over-year decline in revenues, led by the Utilities sector.

Energy: All 5 Sub-Industries To Report Year-Over-Year Growth

The Energy sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 12.3%. 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 Q4 2022 to date ($83.70) is 9% above the average price for oil in Q4 2021 ($77.10). At the sub-industry level, all five sub-industries in the sector are predicted to report (year-over-year) growth in revenues: Oil & Gas Equipment & Services (21%), Integrated Oil & Gas (14%), Oil & Gas Exploration & Production (12%), Oil & Gas Storage & Transportation (10%), and Oil & Gas Refining & Marketing (9%).

Industrials: Airlines Industry Leads Year-Over-Year Growth

The Industrials sector is expected to report the second-highest (year-over-year) revenue growth rate of all eleven sectors at 9.4%. At the industry level, 10 of the 12 industries in the sector are expected to report (year-over-year) growth in revenues. Six of these ten industries are projected to report revenue growth of 10% or more: Airlines (36%), Trading Companies & Distributors (14%), Machinery (13%), Aerospace & Defense (11%), Road & Rail (11%), and Commercial Services & Supplies (10%).

Consumer Discretionary: 9 of 10 Industries To Report Year-Over-Year Growth

The Consumer Discretionary sector is expected to report the third-highest (year-over-year) revenue growth rate of all eleven sectors at 8.3%. At the industry level, 9 of the 10 industries in the sector are expected to report (year-over-year) growth in revenues. Two of these nine industries are projected to report revenue growth of 10% or more: Automobiles (22%) and Hotels, Restaurants, & Leisure (22%).

Utilities: 3 of 5 Industries To Report Year-Over-Year Decline

The Utilities sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -17.2%. At the industry level, 3 of the 5 industries in the sector are expected to report a (year-over-year) decline in revenues: Electric Utilities (-20%), Multi-Utilities (-14%), and Water Utilities (-5%). On the other hand, two industries are projected to report (year-over-year) growth in revenues: Gas Utilities (10%) and Independent Power & Renewable Electricity Producers (4%).

Net Profit Margin: 11.6%

The estimated net profit margin for the S&P 500 for Q4 2022 is 11.6%, which is above the 5-year average of 11.3%, but below the previous quarter's net profit margin of 11.9% and below the year-ago net profit margin of 12.4%. If 11.6% is the actual net profit margin for the quarter, it will mark the lowest net profit margin reported by the index since Q4 2020 (10.9%).

At the sector level, four sectors are expected to report a year-over-year increase in their net profit margins in Q4 2022 compared to Q4 2021, led by the Energy (to 13.6% vs. 9.3%) sector. On the other hand, seven sectors are expected to report a year-over-year decrease in their net profit margins in Q4 2022 compared to Q4 2021, led by the Materials (10.0% vs. 12.9%) sector.

Four sectors are expected to report net profit margins in Q4 2022 that are above their 5-year averages, led by the Energy (13.6% vs. 6.8%) sector. On the other hand, six sectors are expected to report net profit margins in Q4 2022 that are below their 5-year averages, led by the Communication Services (9.8% vs. 11.7%) sector.

Looking Ahead: Forward Estimates and Valuation

Earnings: S&P 500 Expected to Report Earnings Growth of 5% for CY 2022

For the third quarter, S&P 500 companies are reporting earnings growth of 2.5% and revenue growth of 11.0%.

For Q4 2022, analysts are projecting an earnings decline of -2.8% and revenue growth of 4.0%.

For CY 2022, analysts are projecting earnings growth of 5.1% and revenue growth of 10.4%.

For Q1 2023, analysts are projecting earnings growth of 0.7% and revenue growth of 3.6%.

For Q2 2023, analysts are projecting earnings growth of 0.3% and revenue growth of 1.1%.

For CY 2023, analysts are projecting earnings growth of 5.3% and revenue growth of 3.3%.

Valuation: Forward P/E Ratio is 17.3, Above the 10-Year Average (17.1)

The forward 12-month P/E ratio for the S&P 500 is 17.3. This P/E ratio is below the 5-year average of 18.5 but above the 10-year average of 17.1. It is also above the forward 12-month P/E ratio of 15.2 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has increased by 11.4%, while the forward 12-month EPS estimate has decreased by 2.4%. At the sector level, the Consumer Discretionary (22.2) sector has the highest forward 12-month P/E ratio, while the Energy (9.4) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 19.5, which is below the 5-year average of 22.7 and below the 10-year average of 20.5.

Targets & Ratings: Analysts Project 12.5% Increase in Price Over Next 12 Months

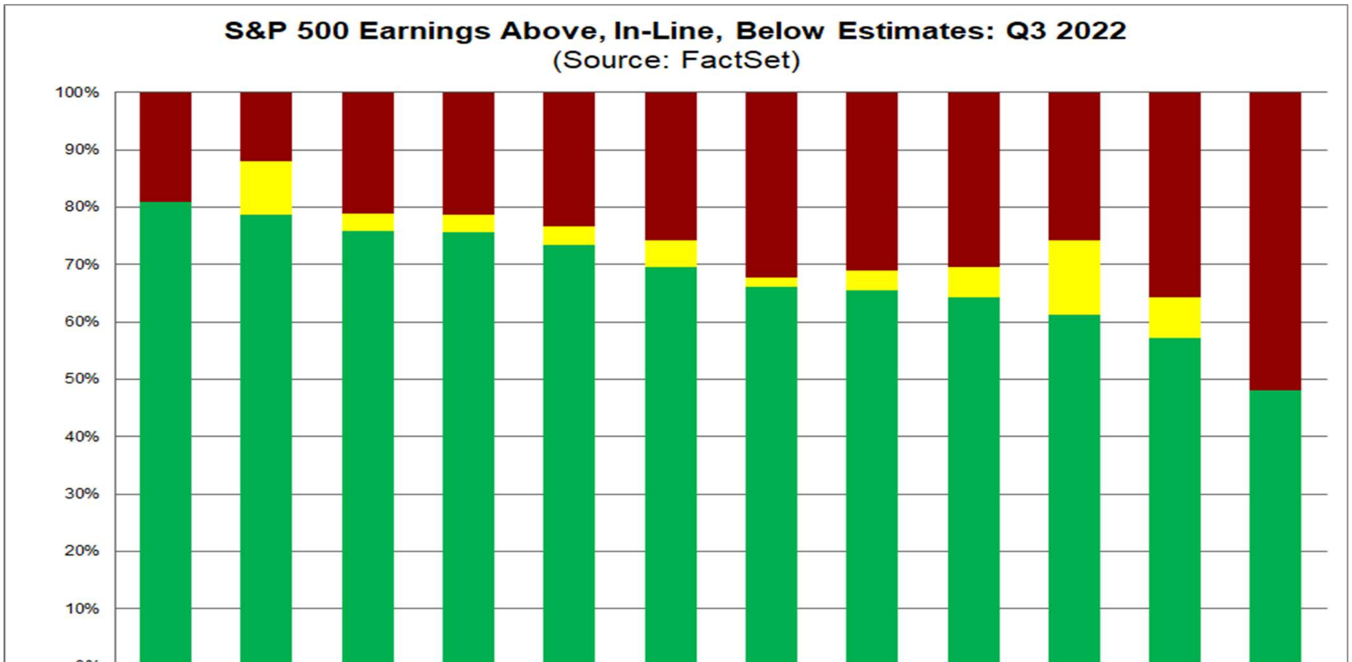
The bottom-up target price for the S&P 500 is 4496.65, which is 12.5% above the closing price of 3995.32. At the sector level, the Consumer Discretionary (+27.2%) and Communication Services (+23.2%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Utilities (+3.2%) and Consumer Staples (+3.2%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,835 ratings on stocks in the S&P 500. Of these 10,835 ratings, 55.3% are Buy ratings, 38.8% are Hold ratings, and 5.9% are Sell ratings. At the sector level, the Energy (63%), Communication Services (61%), and Information Technology (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) sector has the lowest percentage of Buy ratings.

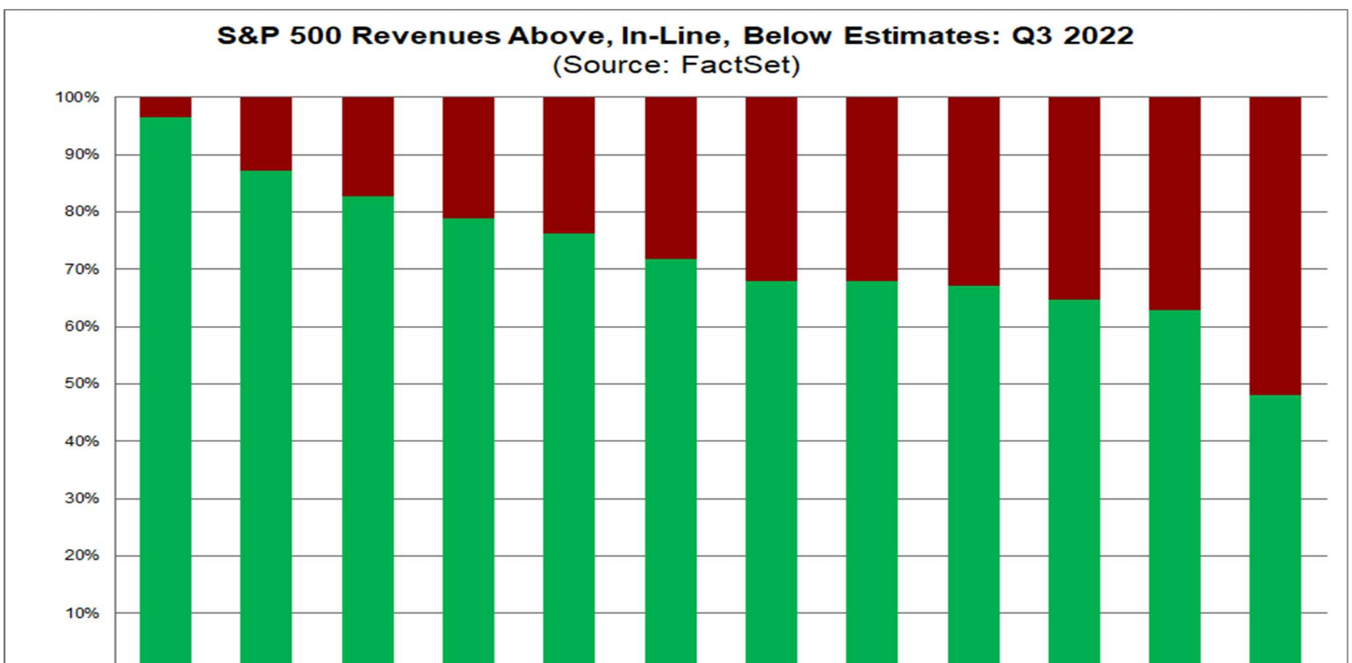
Companies Reporting Next Week: 9

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

Q3 2022: Scorecard

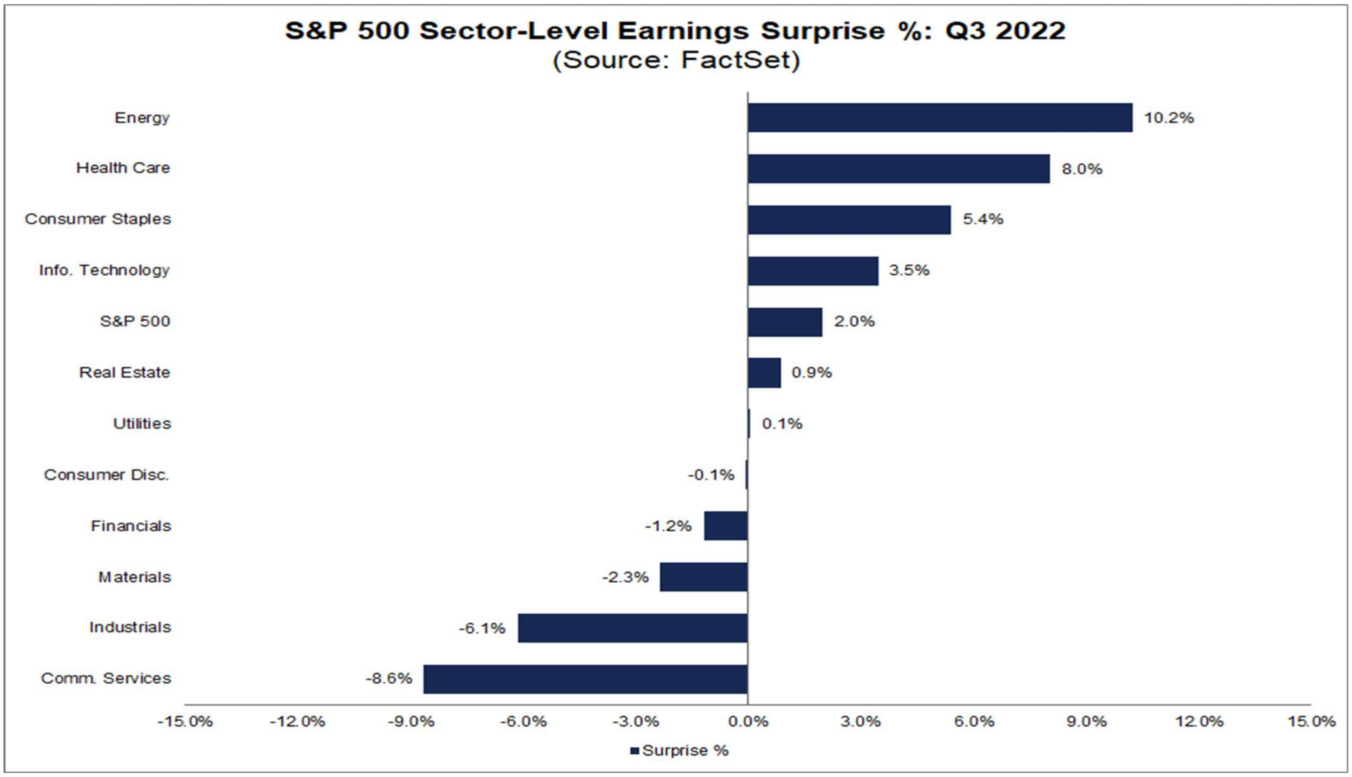


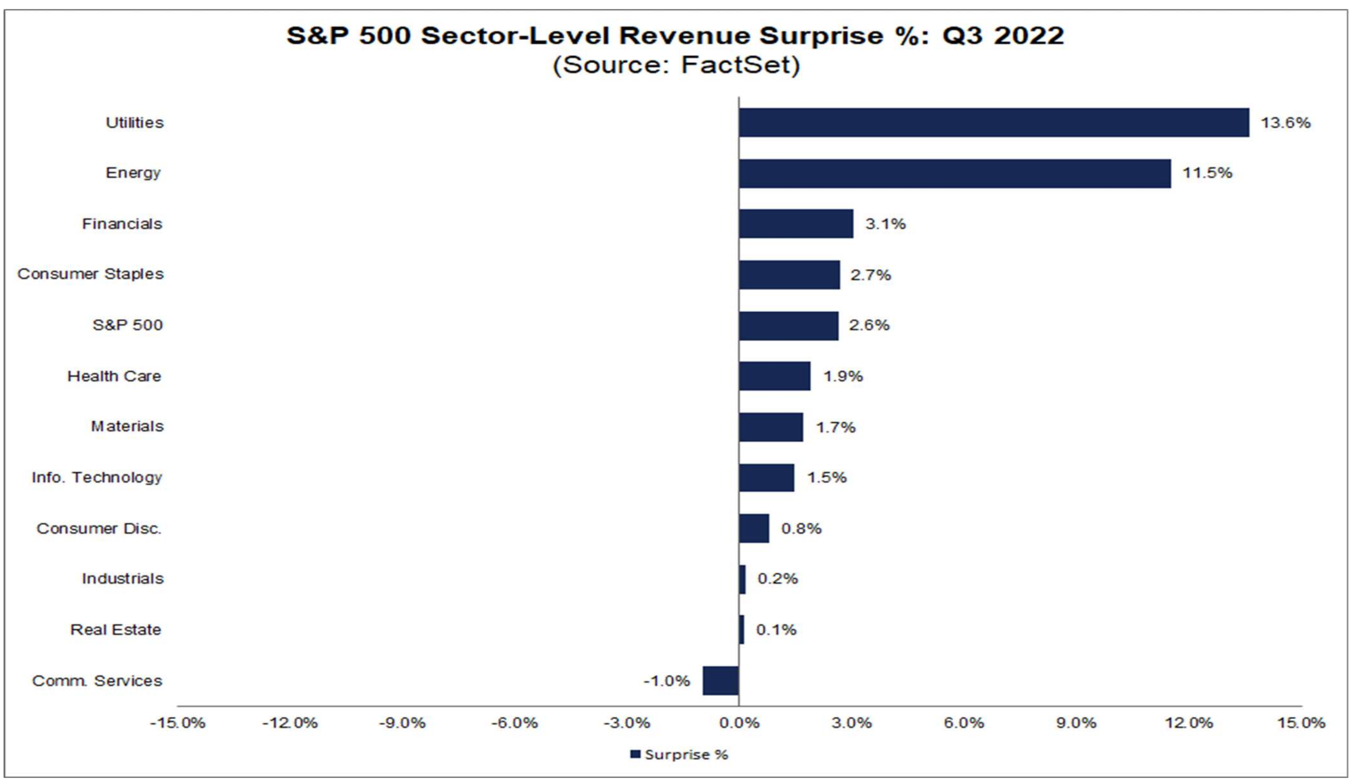
	Energy	Info. Technology	Consumer Staples	Industrials	Health Care	S&P 500	Financials	Utilities	Consumer Disc.	Real Estate	Materials	Comm. Services
Below	19%	12%	21%	21%	23%	26%	32%	31%	30%	26%	36%	52%
In-Line	0%	9%	3%	3%	3%	5%	2%	3%	5%	13%	7%	0%
Above	81%	79%	76%	76%	73%	70%	66%	66%	64%	61%	57%	48%



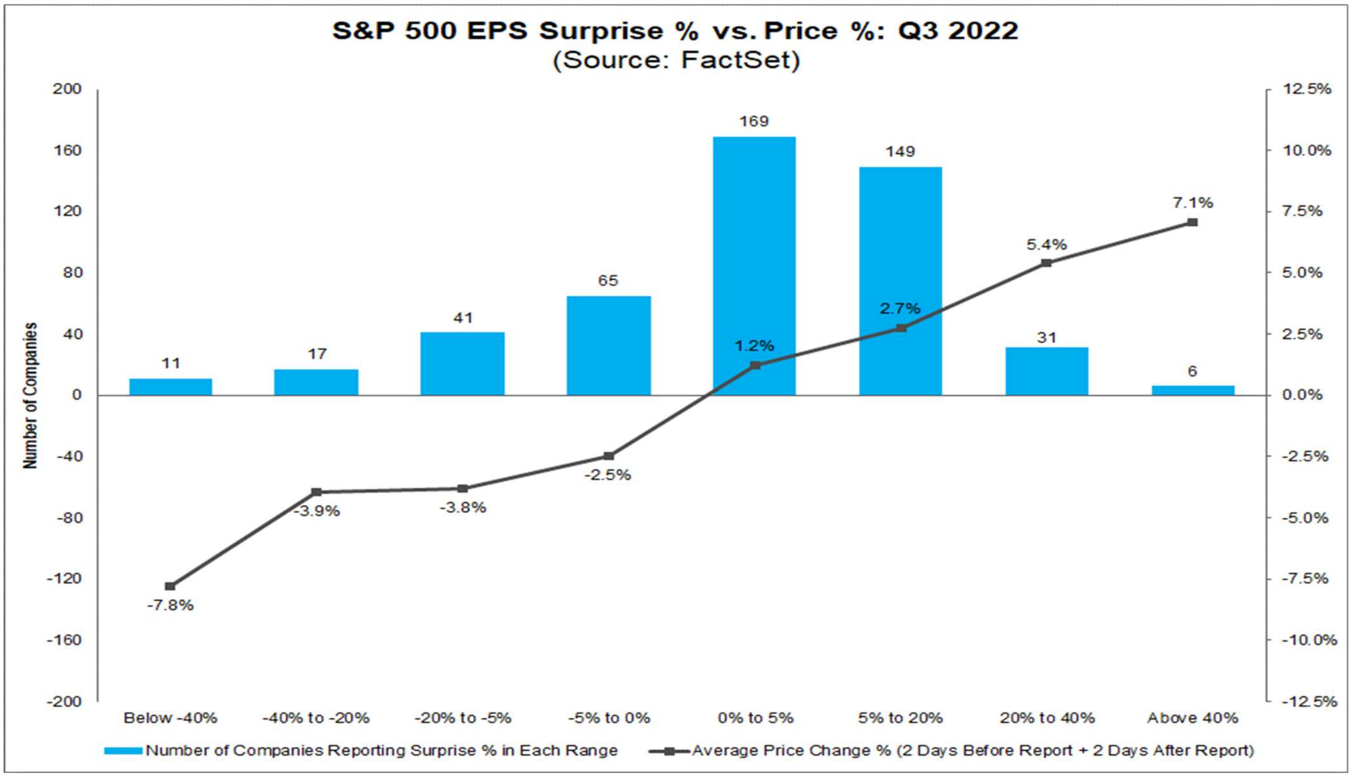
	Utilities	Real Estate	Info. Technology	Consumer Staples	Energy	S&P 500	Materials	Consumer Disc.	Health Care	Financials	Industrials	Comm. Services
Below	3%	13%	17%	21%	24%	28%	32%	32%	33%	35%	37%	52%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	97%	87%	83%	79%	76%	72%	68%	68%	67%	65%	63%	48%

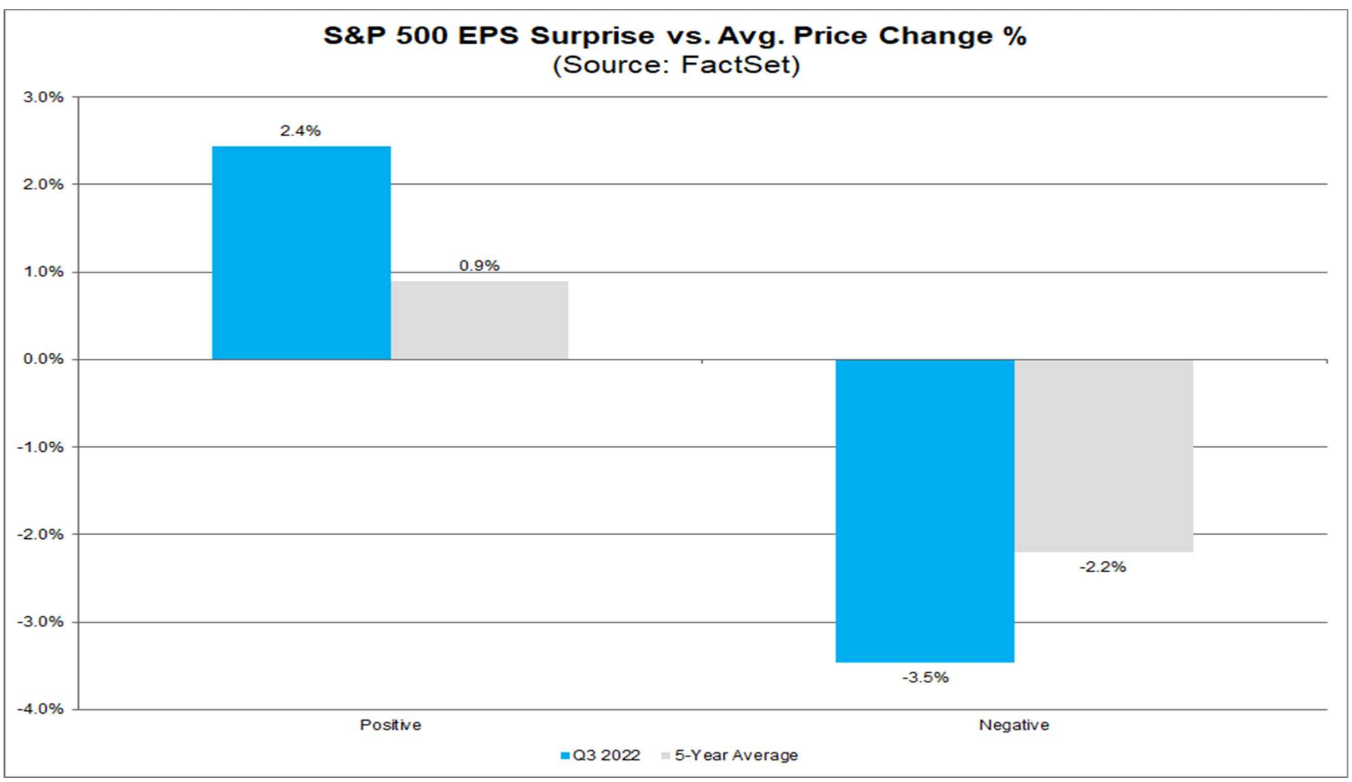
Q3 2022: Scorecard



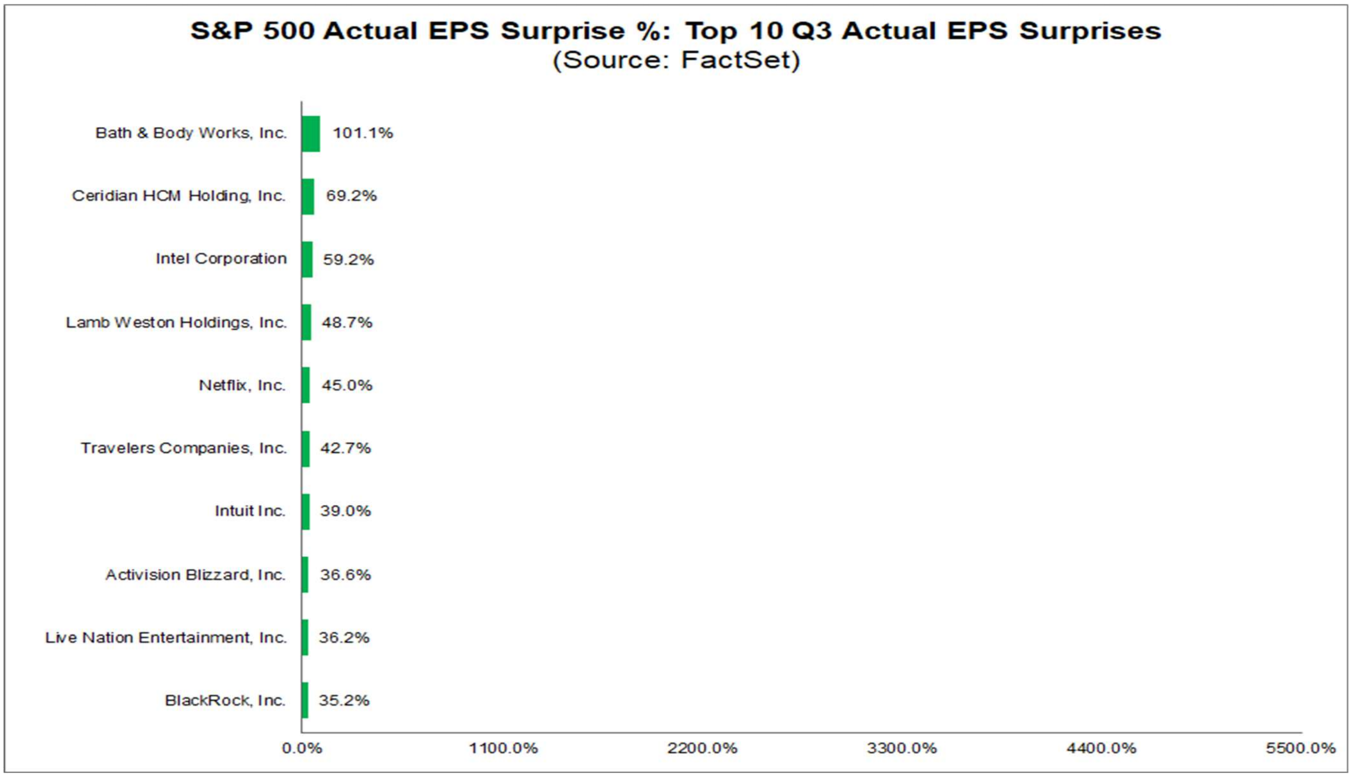


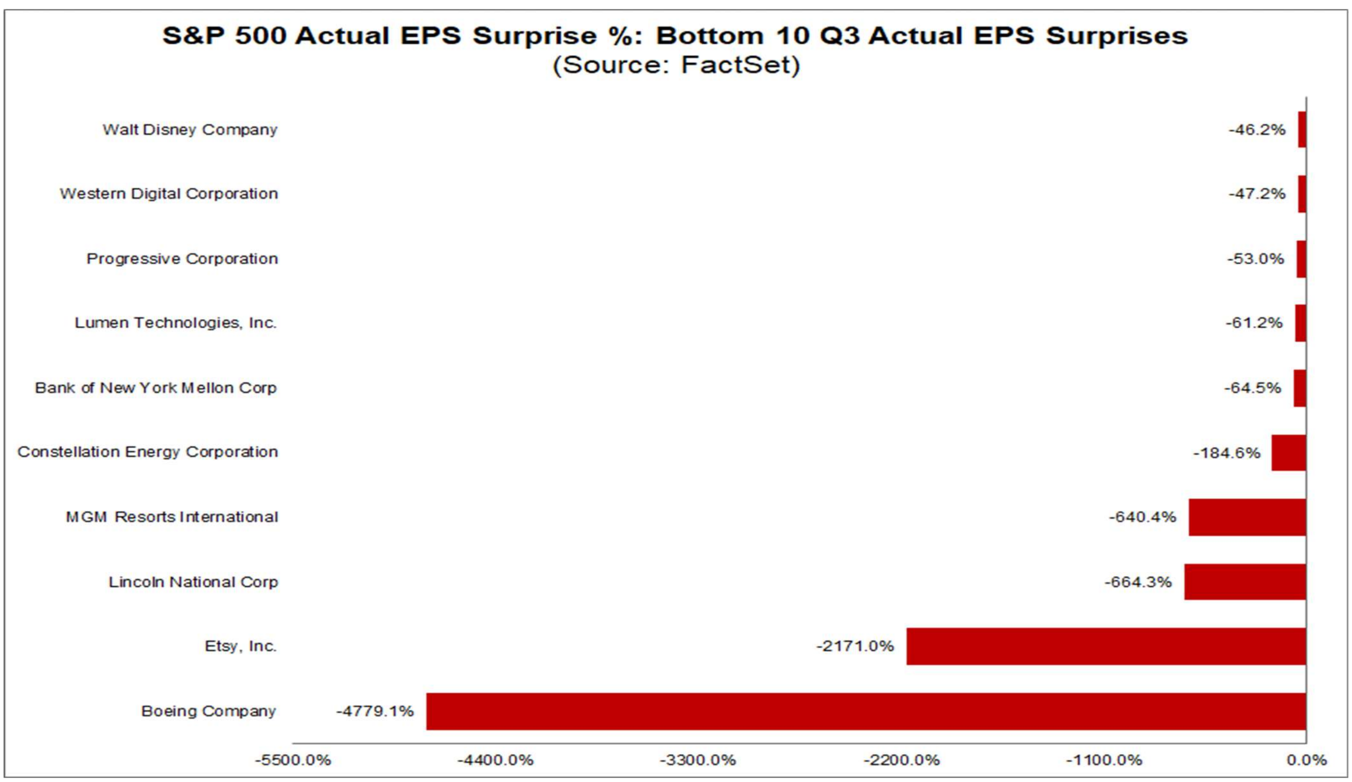
Q3 2022: Scorecard



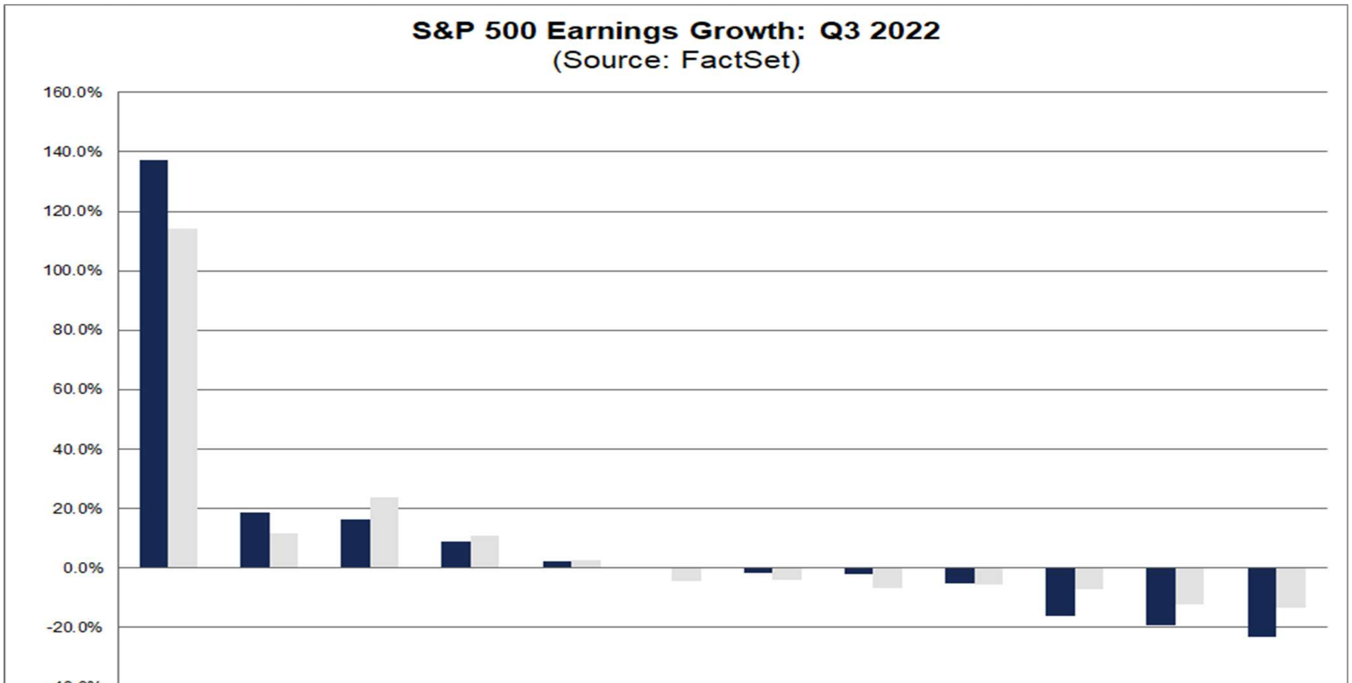


Q3 2022: Scorecard

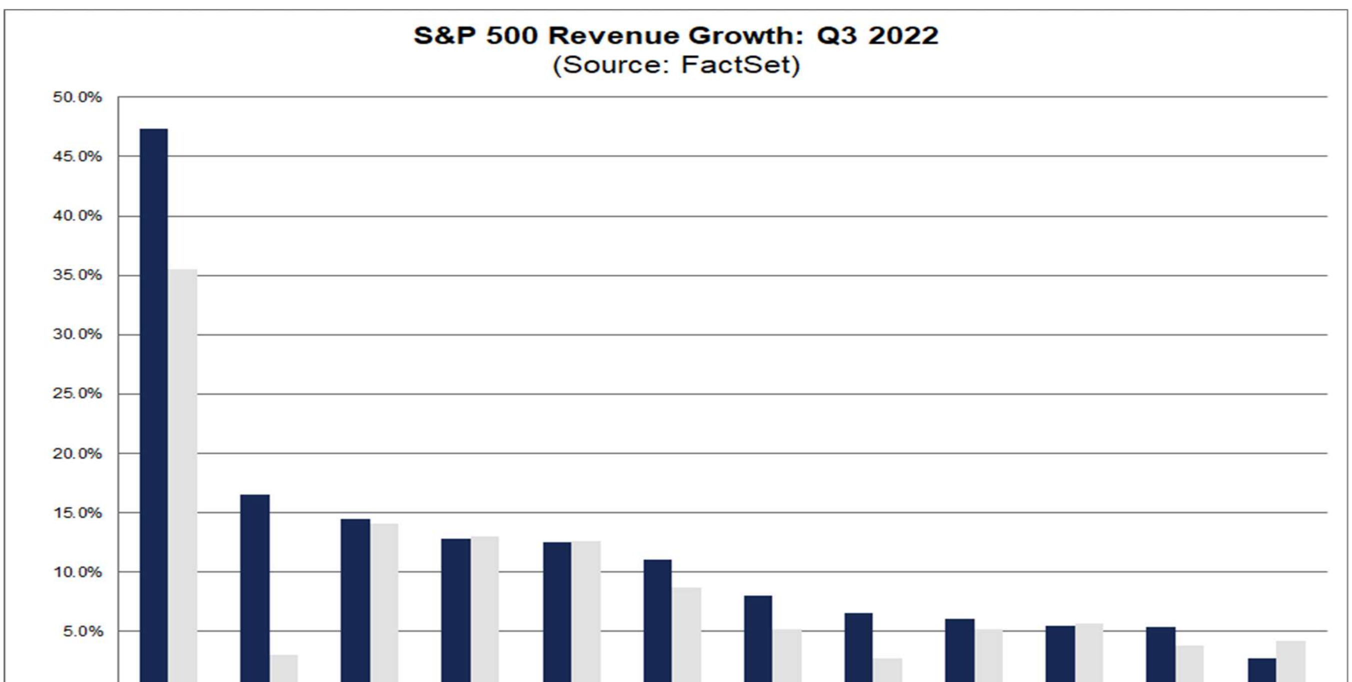




Q3 2022: Growth

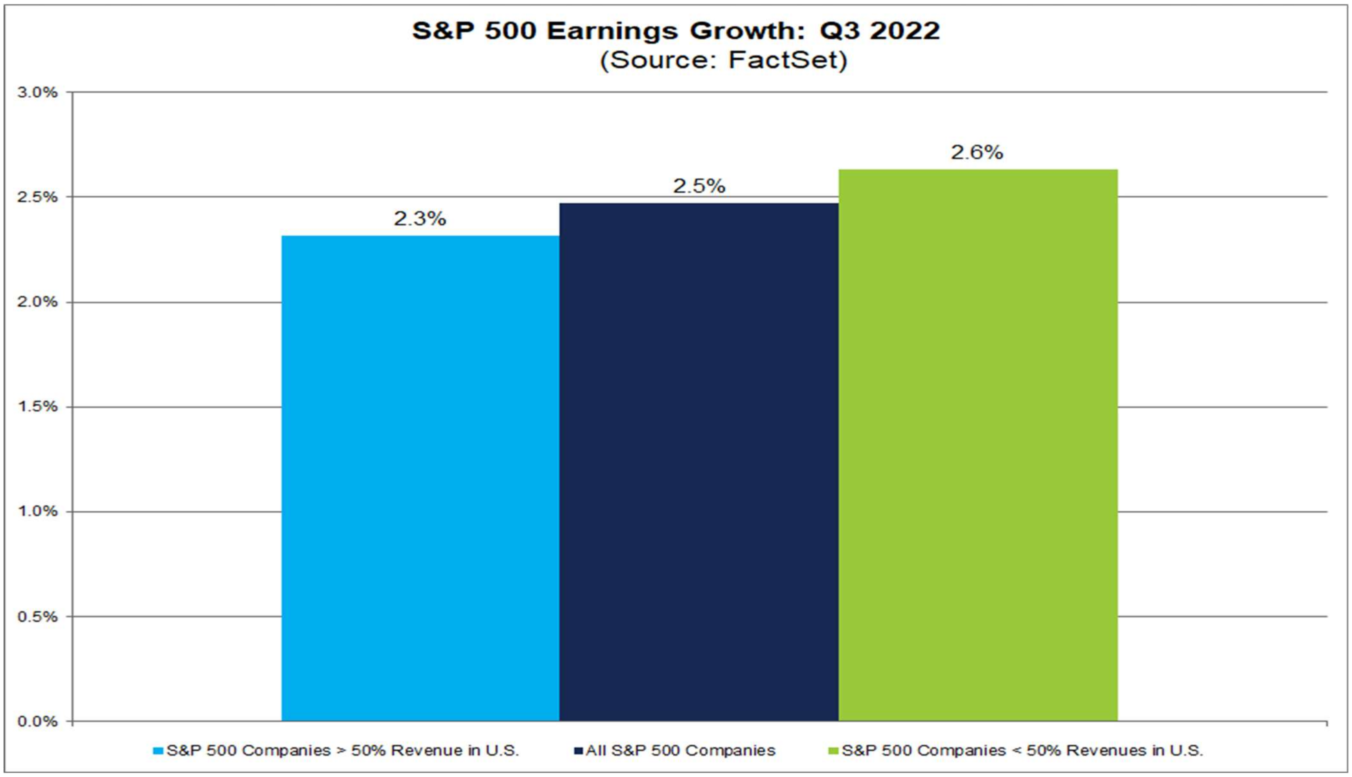


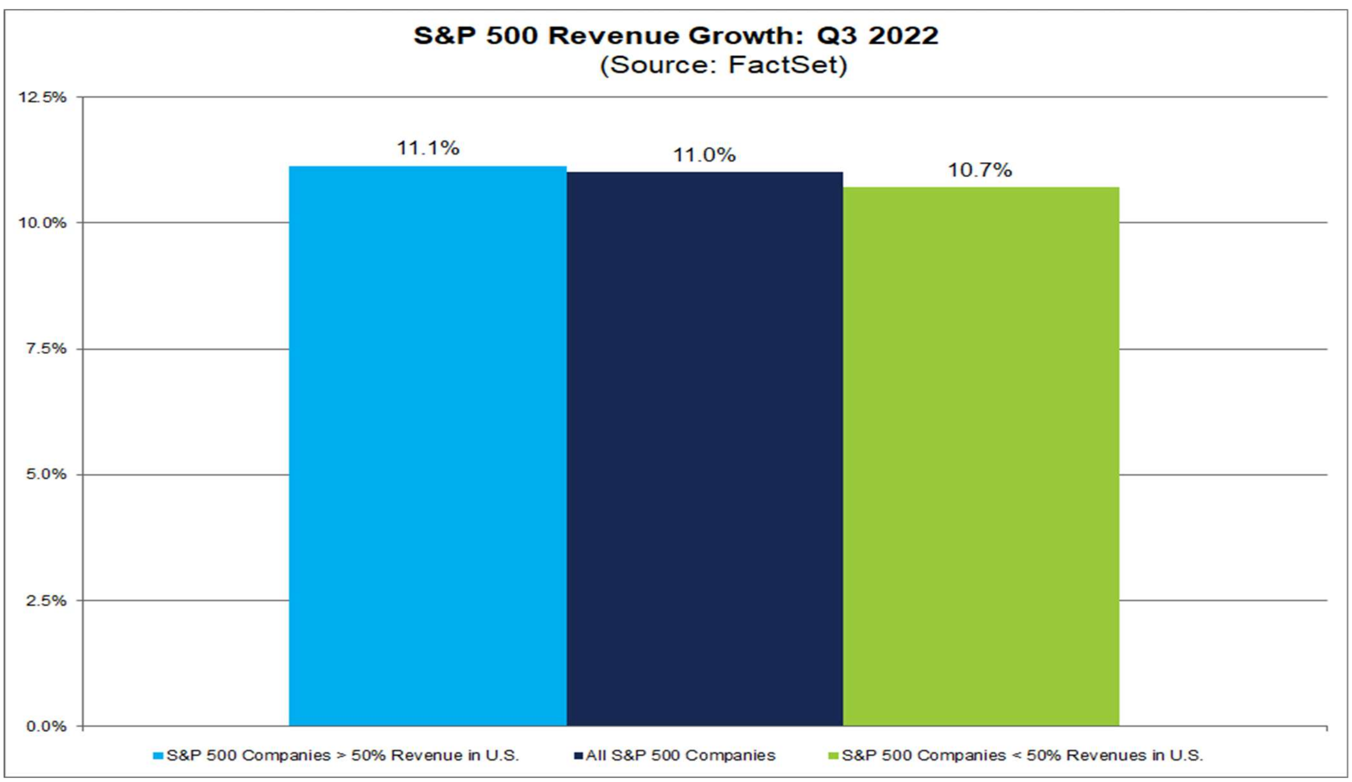
	Energy	Real Estate	Industrials	Consumer Disc.	S&P 500	Consumer Staples	Info. Technology	Health Care	Utilities	Materials	Financials	Comm. Services
Today	137.3%	18.7%	16.4%	9.0%	2.5%	0.1%	-1.6%	-1.8%	-5.3%	-16.2%	-19.1%	-23.0%
30-Sep	114.1%	11.8%	23.8%	11.0%	2.6%	-4.4%	-3.9%	-6.8%	-5.4%	-7.0%	-12.1%	-13.5%



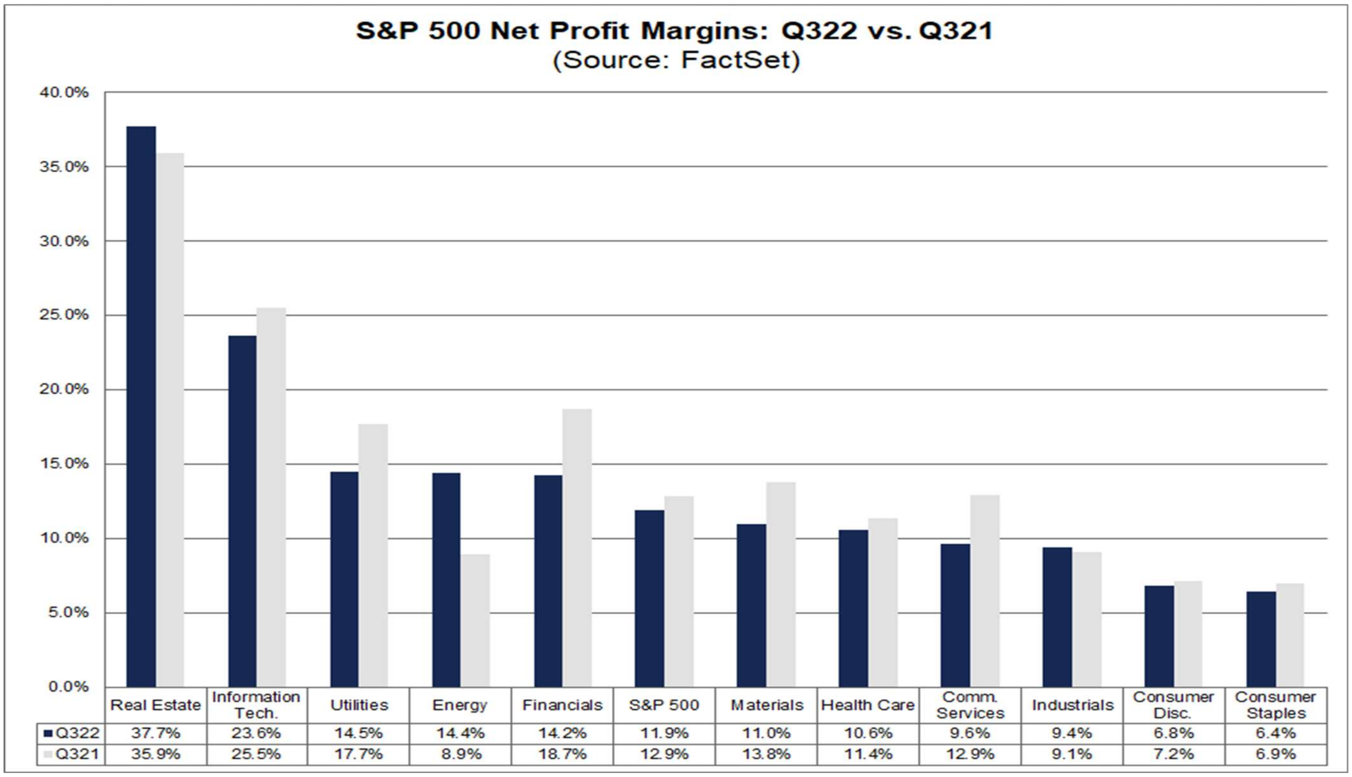
	Energy	Utilities	Consumer Disc.	Real Estate	Industrials	S&P 500	Consumer Staples	Financials	Info. Technology	Materials	Health Care	Comm. Services
Today	47.4%	16.5%	14.5%	12.8%	12.6%	11.0%	8.1%	6.5%	6.1%	5.5%	5.4%	2.8%
30-Sep	35.5%	3.1%	14.0%	13.0%	12.7%	8.7%	5.2%	2.7%	5.2%	5.7%	3.8%	4.3%

Q3 2022: Growth

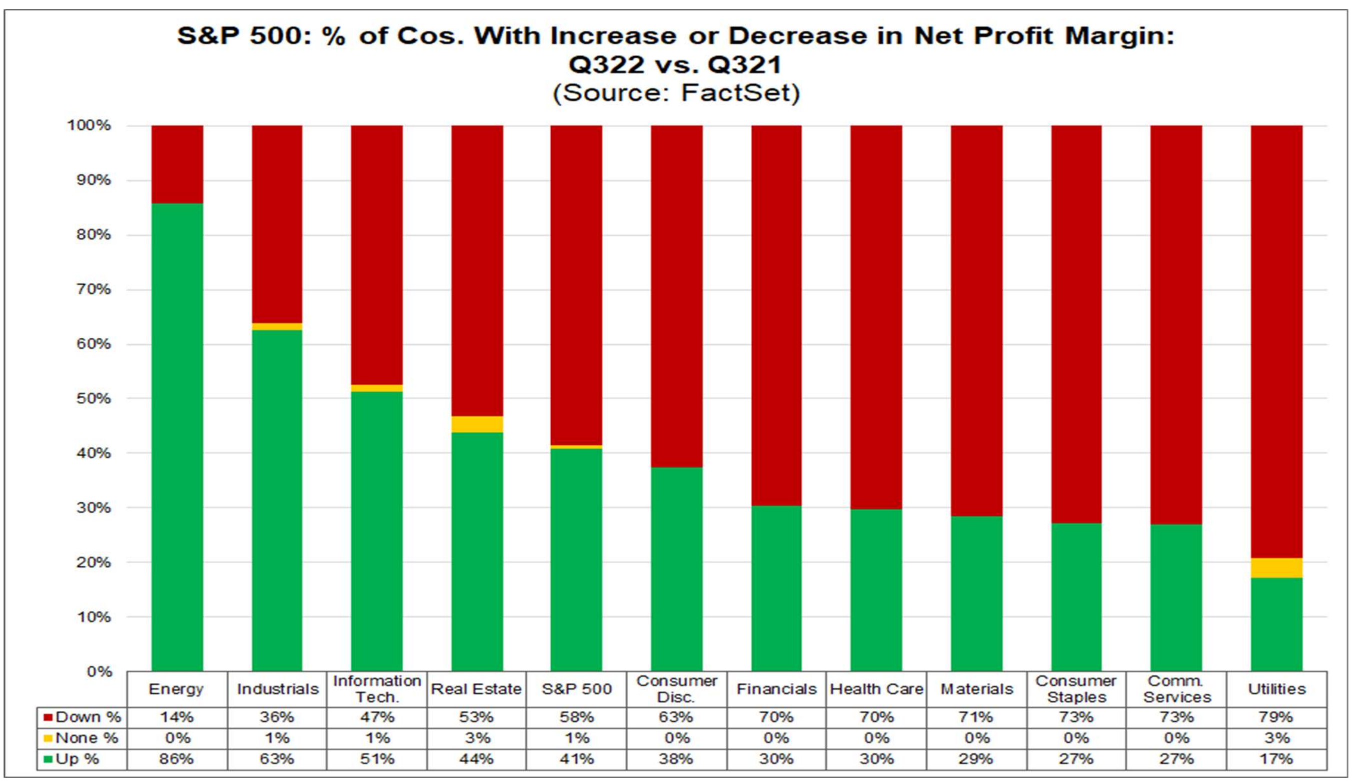




Q3 2022: Net Profit Margin

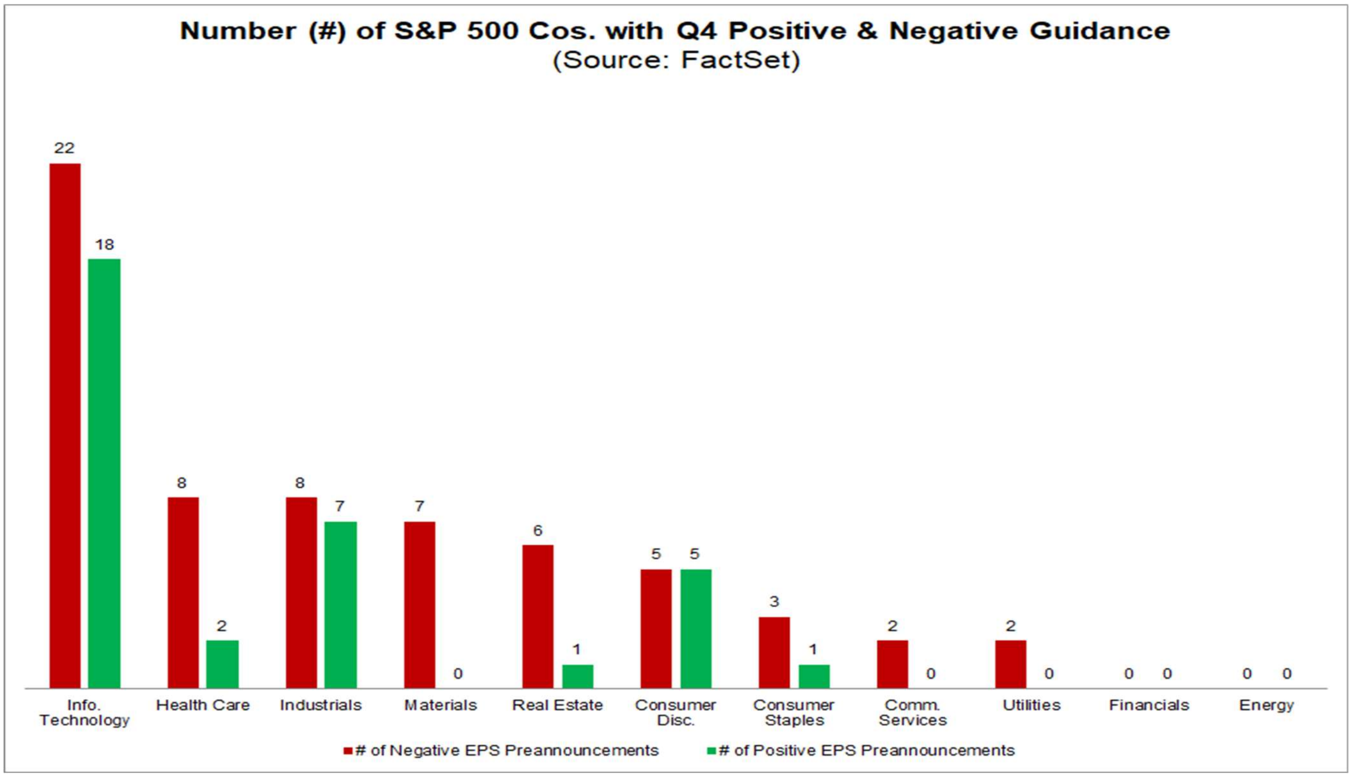


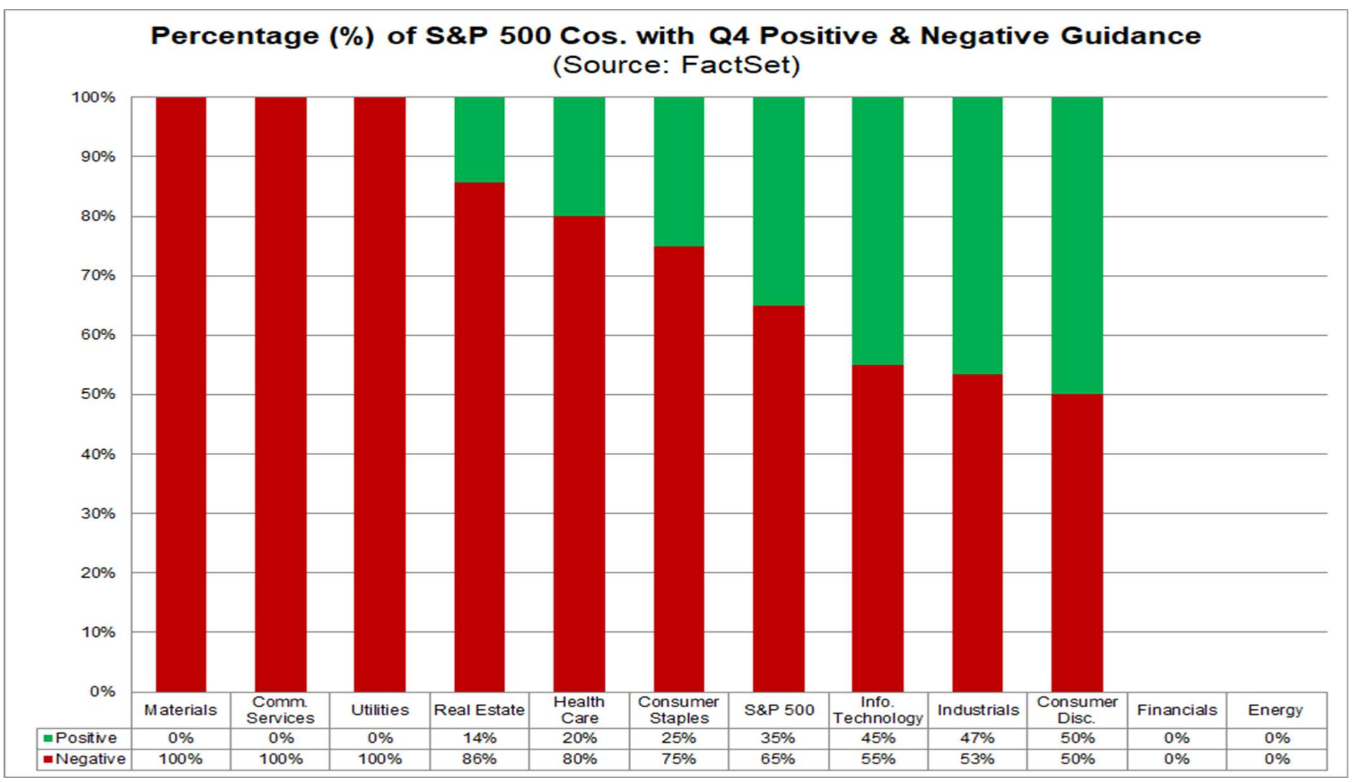
	Real Estate	Information Tech.	Utilities	Energy	Financials	S&P 500	Materials	Health Care	Comm. Services	Industrials	Consumer Disc.	Consumer Staples
Q322	37.7%	23.6%	14.5%	14.4%	14.2%	11.9%	11.0%	10.6%	9.6%	9.4%	6.8%	6.4%
Q321	35.9%	25.5%	17.7%	8.9%	18.7%	12.9%	13.8%	11.4%	12.9%	9.1%	7.2%	6.9%



	Energy	Industrials	Information Tech.	Real Estate	S&P 500	Consumer Disc.	Financials	Health Care	Materials	Consumer Staples	Comm. Services	Utilities
Down %	14%	36%	47%	53%	58%	63%	70%	70%	71%	73%	73%	79%
None %	0%	1%	1%	3%	1%	0%	0%	0%	0%	0%	0%	3%
Up %	86%	63%	51%	44%	41%	38%	30%	30%	29%	27%	27%	17%

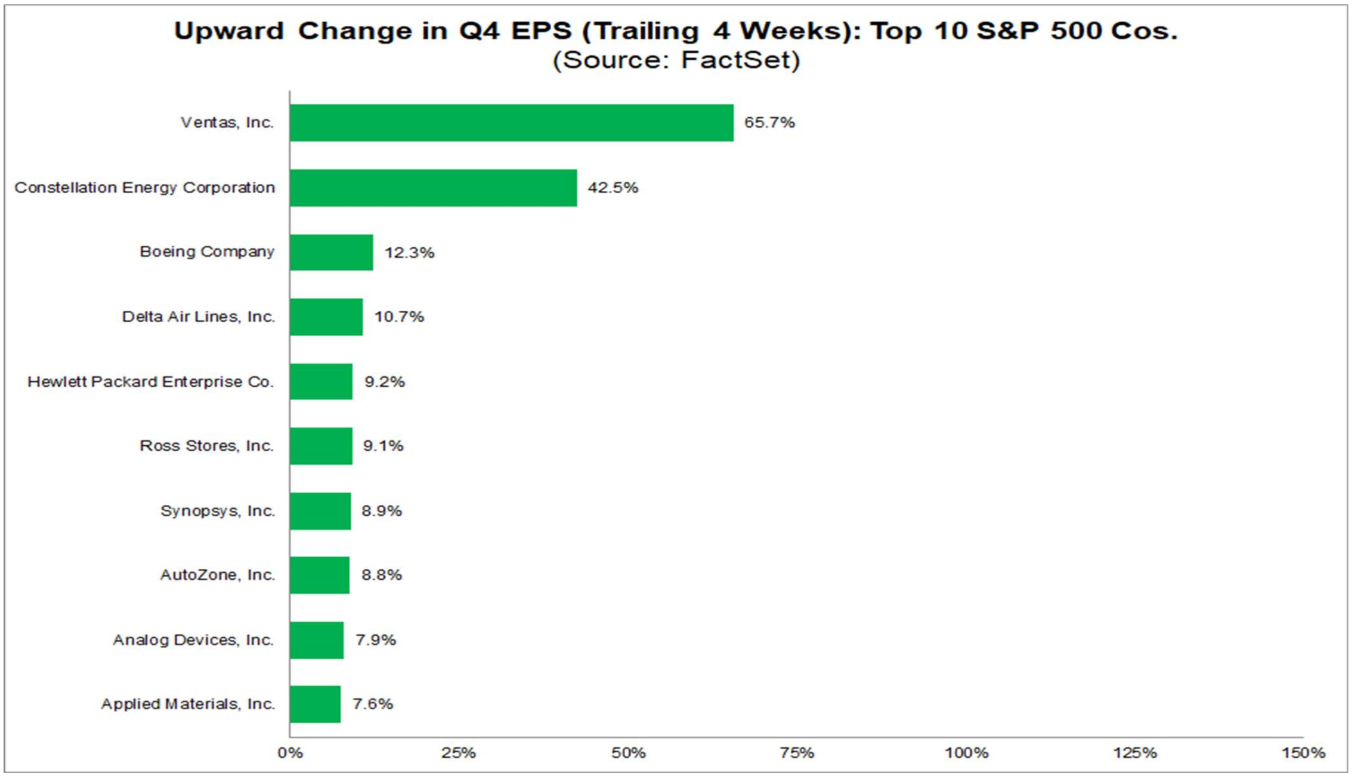
Q4 2022: Guidance

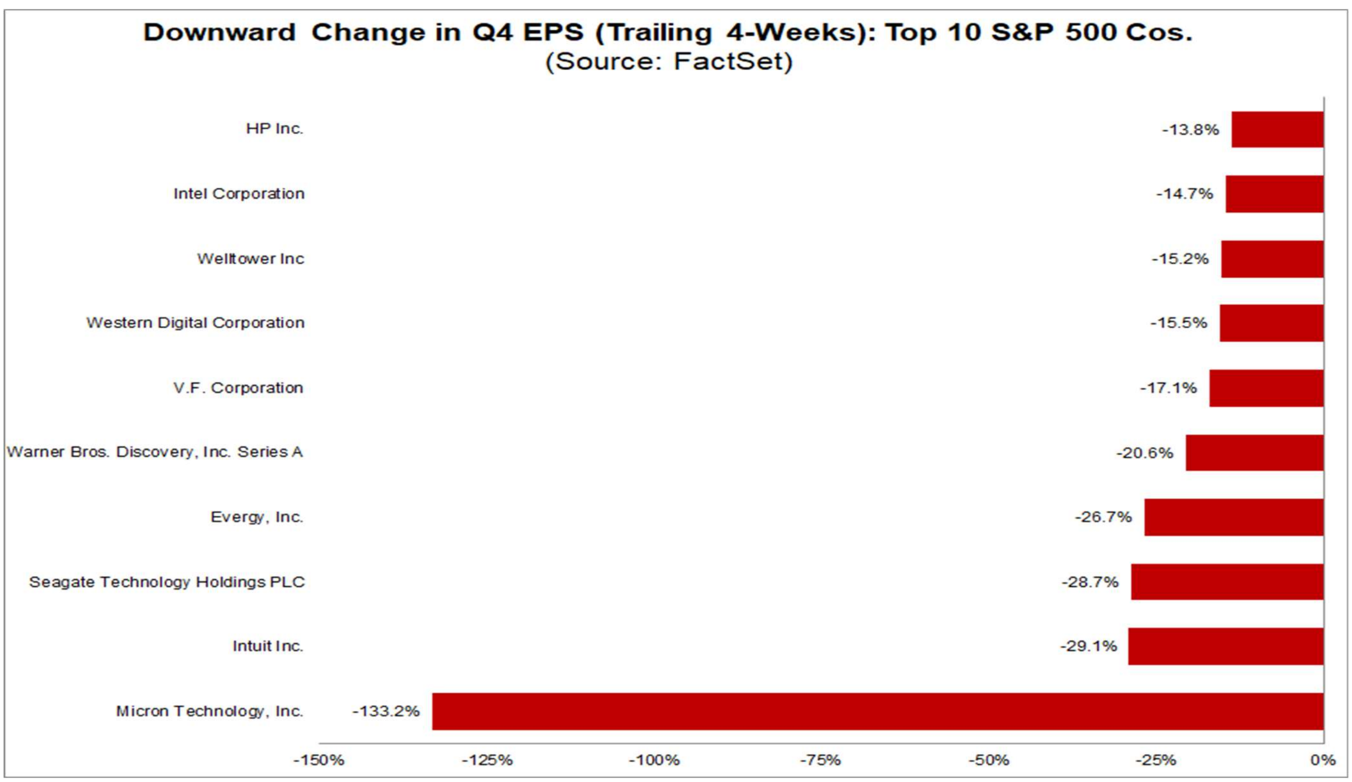




	Materials	Comm. Services	Utilities	Real Estate	Health Care	Consumer Staples	S&P 500	Info. Technology	Industrials	Consumer Disc.	Financials	Energy
Positive	0%	0%	0%	14%	20%	25%	35%	45%	47%	50%	0%	0%
Negative	100%	100%	100%	86%	80%	75%	65%	55%	53%	50%	0%	0%

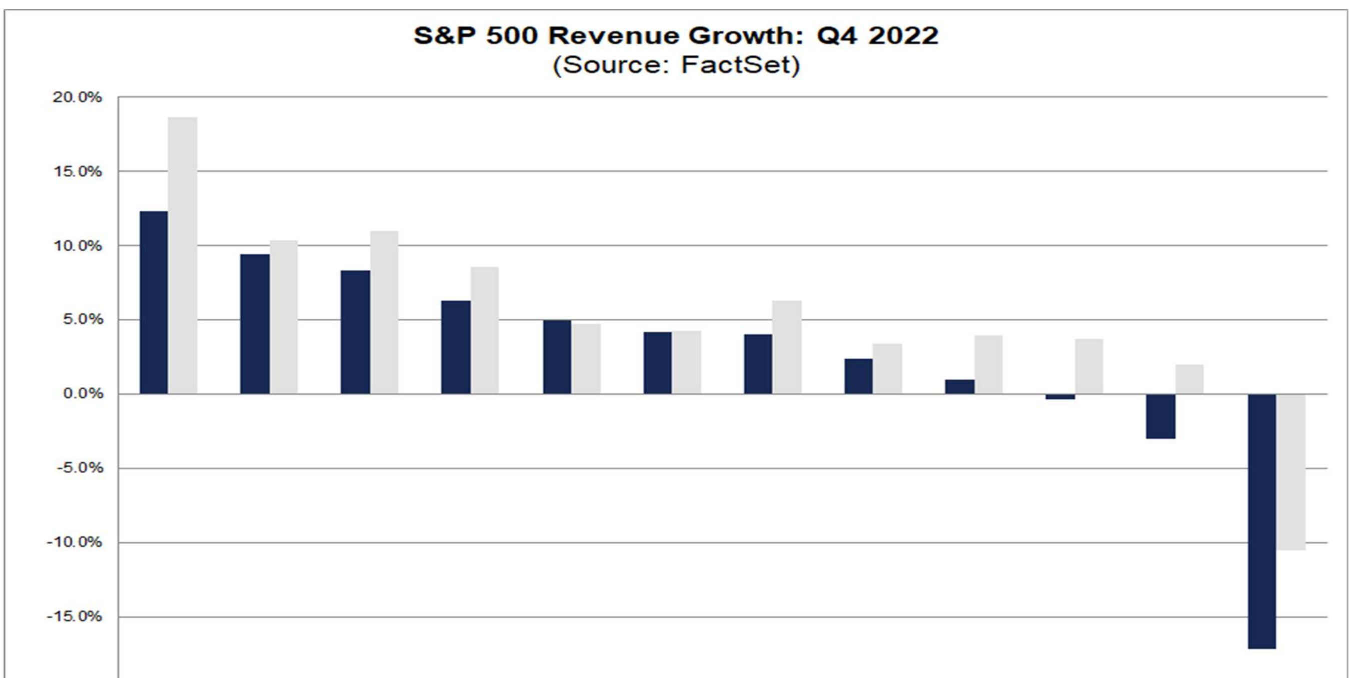
Q4 2022: EPS Revisions





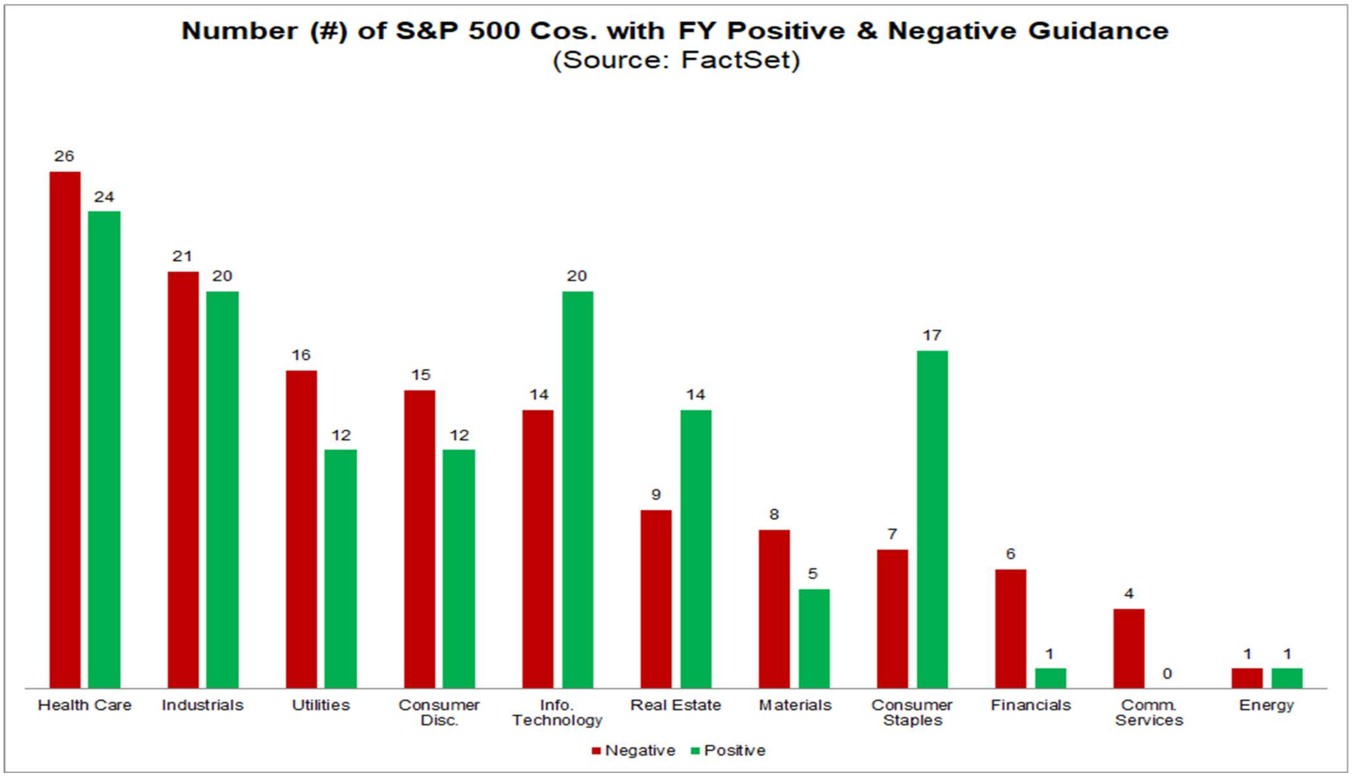
Q4 2022: Growth

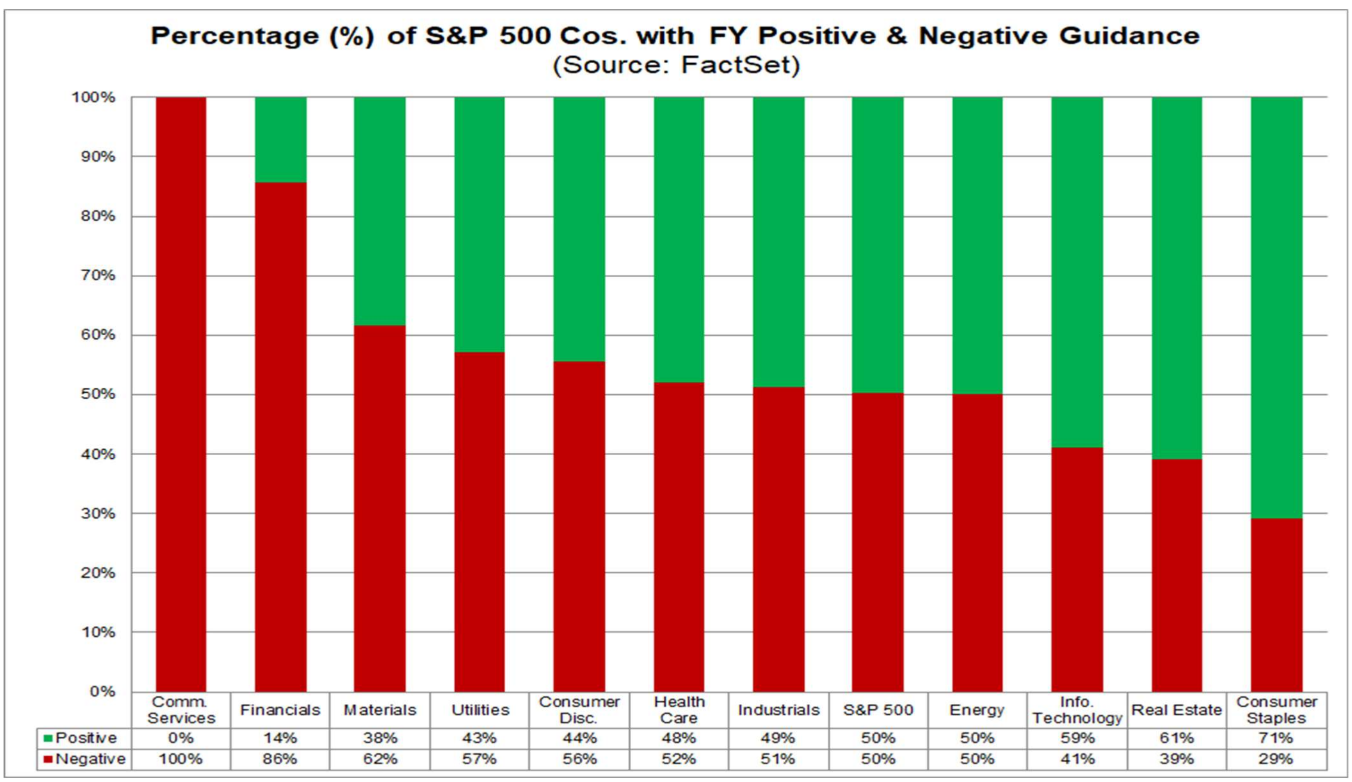
	Energy	Industrials	Real Estate	Utilities	S&P 500	Consumer Staples	Financials	Info. Technology	Health Care	Comm. Services	Consumer Disc.	Materials
Today	64.4%	38.4%	10.0%	3.0%	-2.8%	-4.0%	-6.7%	-9.4%	-9.4%	-18.5%	-19.5%	-24.3%
30-Sep	60.8%	40.5%	13.9%	4.7%	3.7%	-0.8%	-4.3%	-0.9%	-2.7%	-6.8%	-7.1%	-5.4%



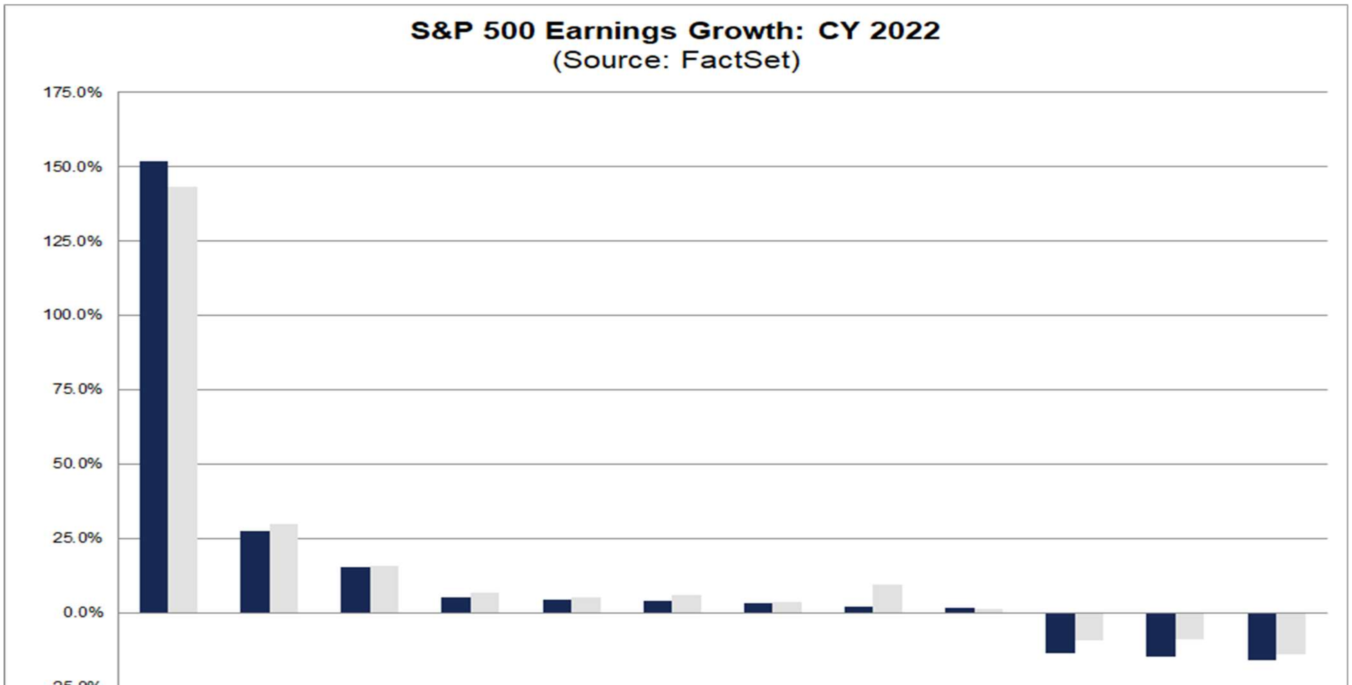
	Energy	Industrials	Consumer Disc.	Real Estate	Financials	Consumer Staples	S&P 500	Health Care	Comm. Services	Info. Technology	Materials	Utilities
Today	12.3%	9.4%	8.3%	6.3%	5.0%	4.1%	4.0%	2.4%	1.0%	-0.3%	-3.0%	-17.2%
30-Sep	18.6%	10.4%	11.0%	8.6%	4.7%	4.2%	6.3%	3.4%	3.9%	3.7%	2.0%	-10.6%

FY 2022 / 2023: EPS Guidance

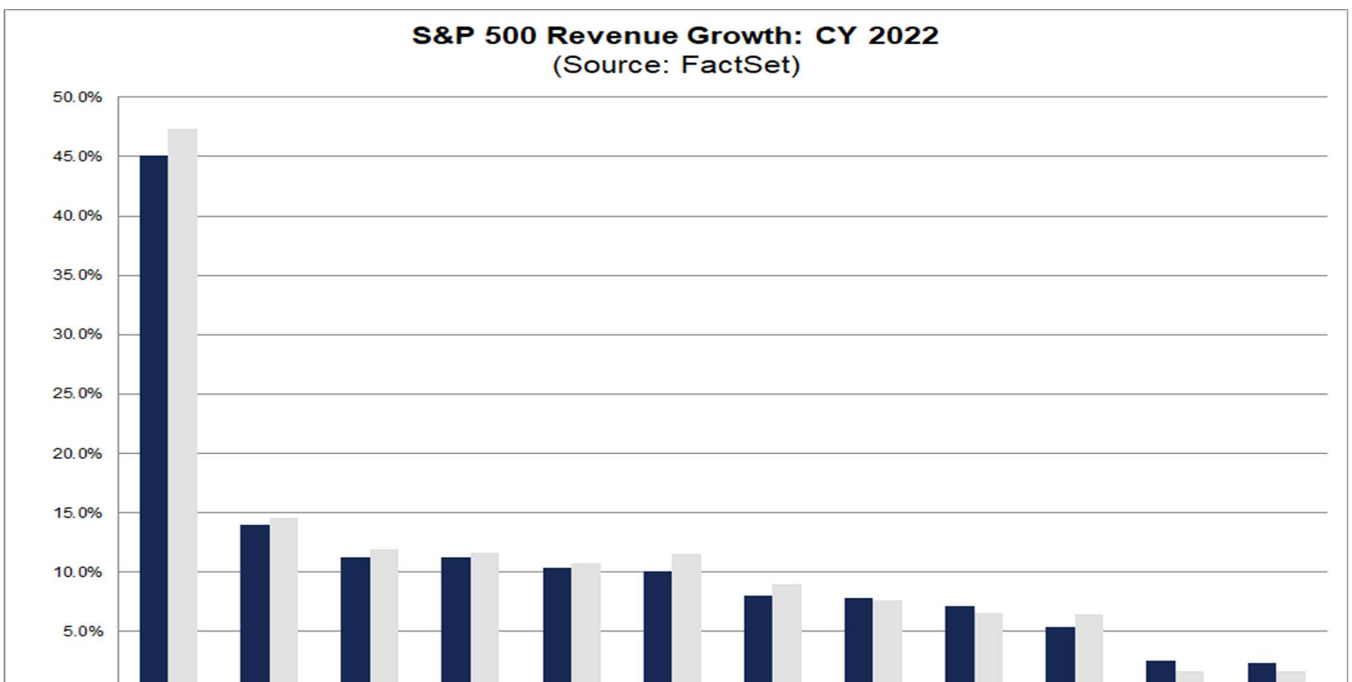




CY 2022: Growth

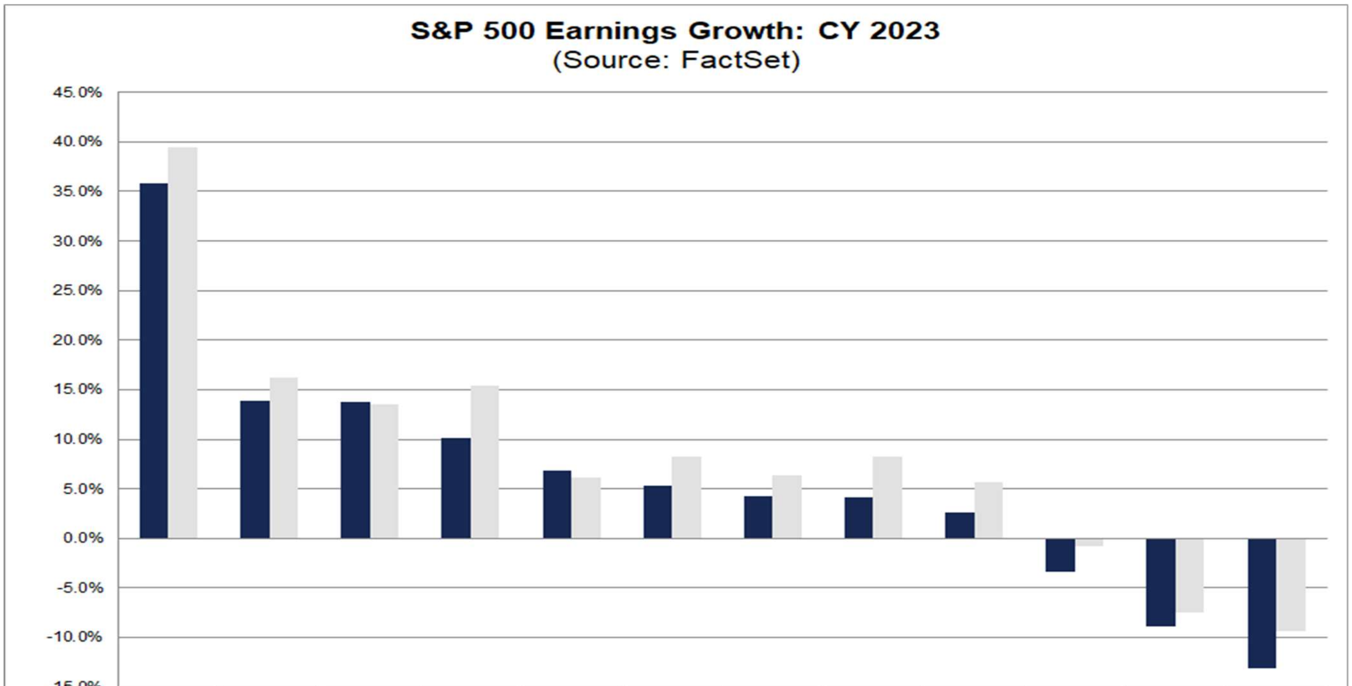


	Energy	Industrials	Real Estate	S&P 500	Utilities	Info. Technology	Health Care	Materials	Consumer Staples	Consumer Disc.	Comm. Services	Financials
Today	151.7%	27.4%	15.5%	5.1%	4.5%	3.9%	3.3%	2.2%	1.7%	-13.7%	-14.7%	-16.2%
30-Sep	143.3%	29.6%	15.9%	6.9%	5.2%	6.0%	3.7%	9.4%	1.1%	-9.4%	-9.1%	-13.9%

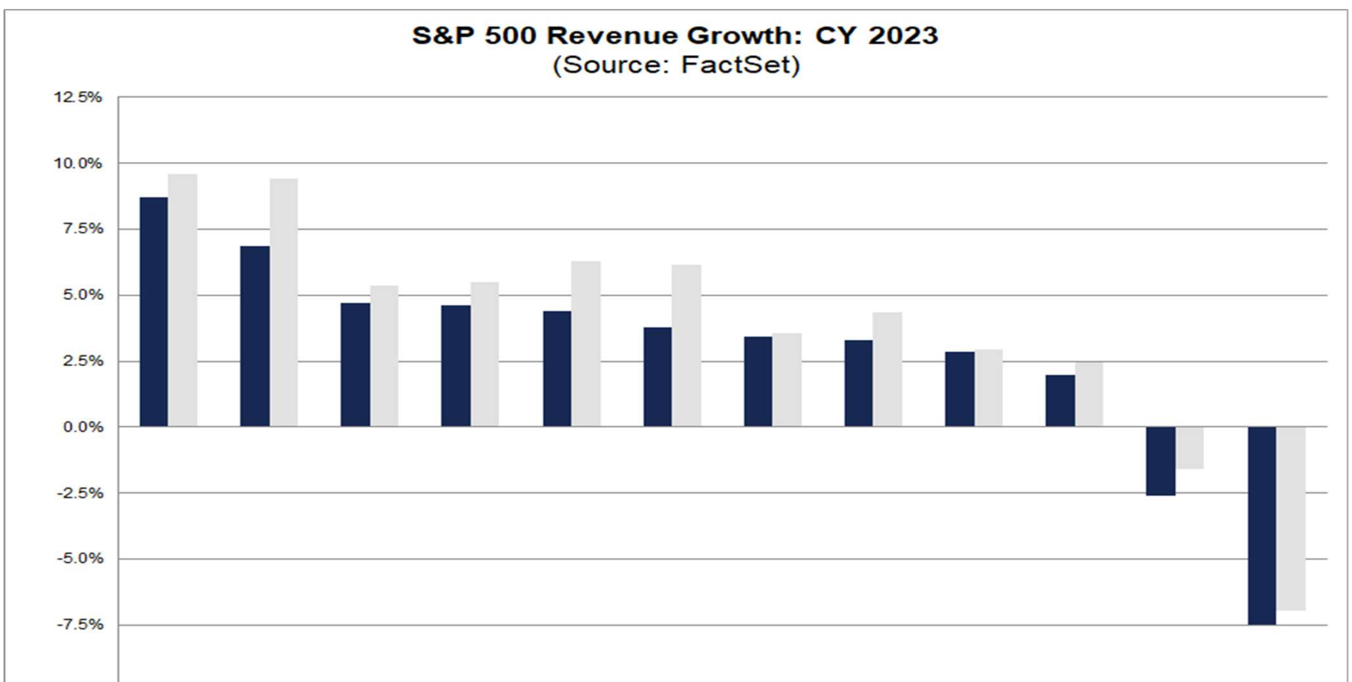


	Energy	Real Estate	Consumer Disc.	Industrials	S&P 500	Materials	Info. Technology	Health Care	Consumer Staples	Comm. Services	Utilities	Financials
Today	45.1%	14.0%	11.3%	11.2%	10.4%	10.1%	8.0%	7.8%	7.2%	5.4%	2.5%	2.4%
30-Sep	47.4%	14.6%	12.0%	11.7%	10.8%	11.5%	9.0%	7.7%	6.5%	6.5%	1.7%	1.7%

CY 2023: Growth

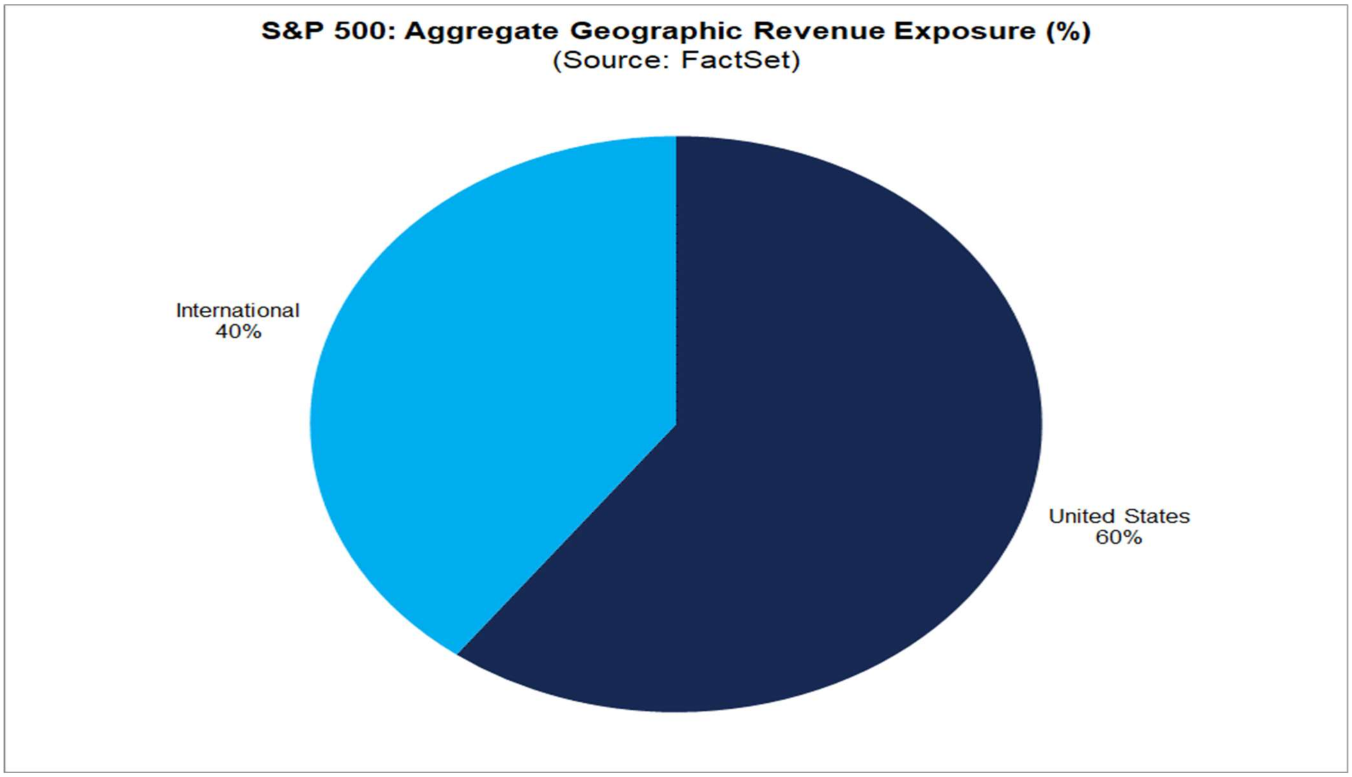


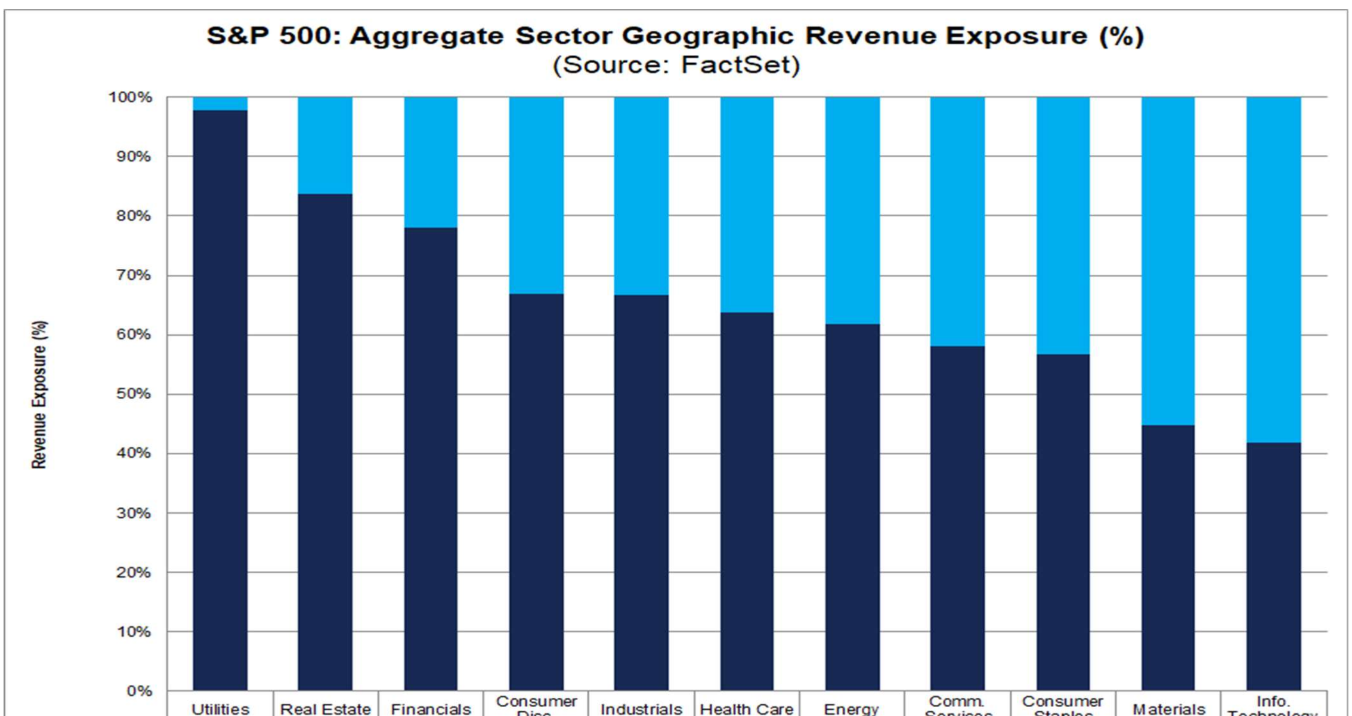
	Consumer Disc.	Industrials	Financials	Comm. Services	Utilities	S&P 500	Consumer Staples	Info. Technology	Real Estate	Health Care	Materials	Energy
Today	35.8%	13.8%	13.8%	10.1%	6.8%	5.3%	4.2%	4.2%	2.7%	-3.4%	-8.9%	-13.1%
30-Sep	39.4%	16.3%	13.5%	15.5%	6.1%	8.2%	6.4%	8.3%	5.7%	-0.8%	-7.5%	-9.4%



	Financials	Consumer Disc.	Real Estate	Industrials	Comm. Services	Info. Technology	Consumer Staples	S&P 500	Health Care	Utilities	Materials	Energy
Today	8.7%	6.9%	4.7%	4.6%	4.4%	3.8%	3.4%	3.3%	2.8%	2.0%	-2.6%	-7.5%
30-Sep	9.6%	9.4%	5.4%	5.5%	6.3%	6.2%	3.6%	4.4%	2.9%	2.5%	-1.6%	-7.0%

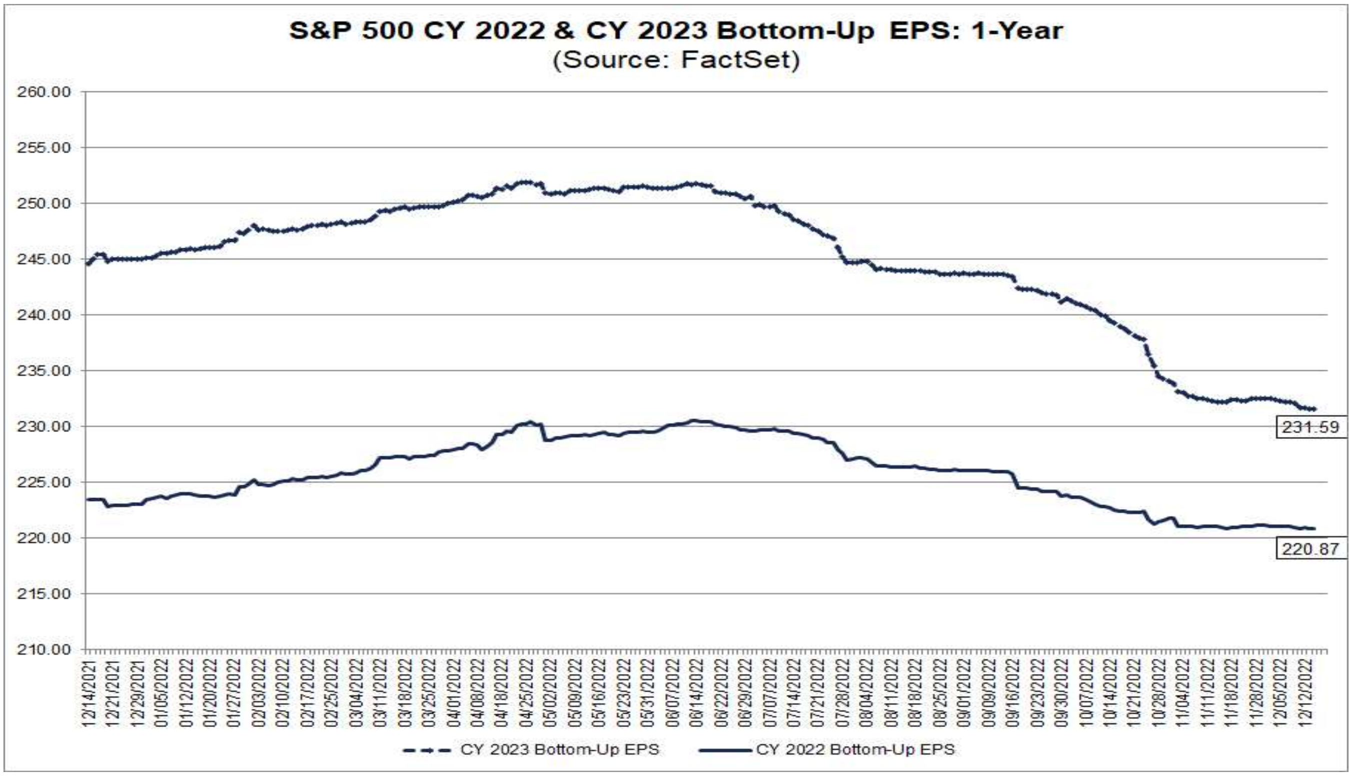
Geographic Revenue Exposure

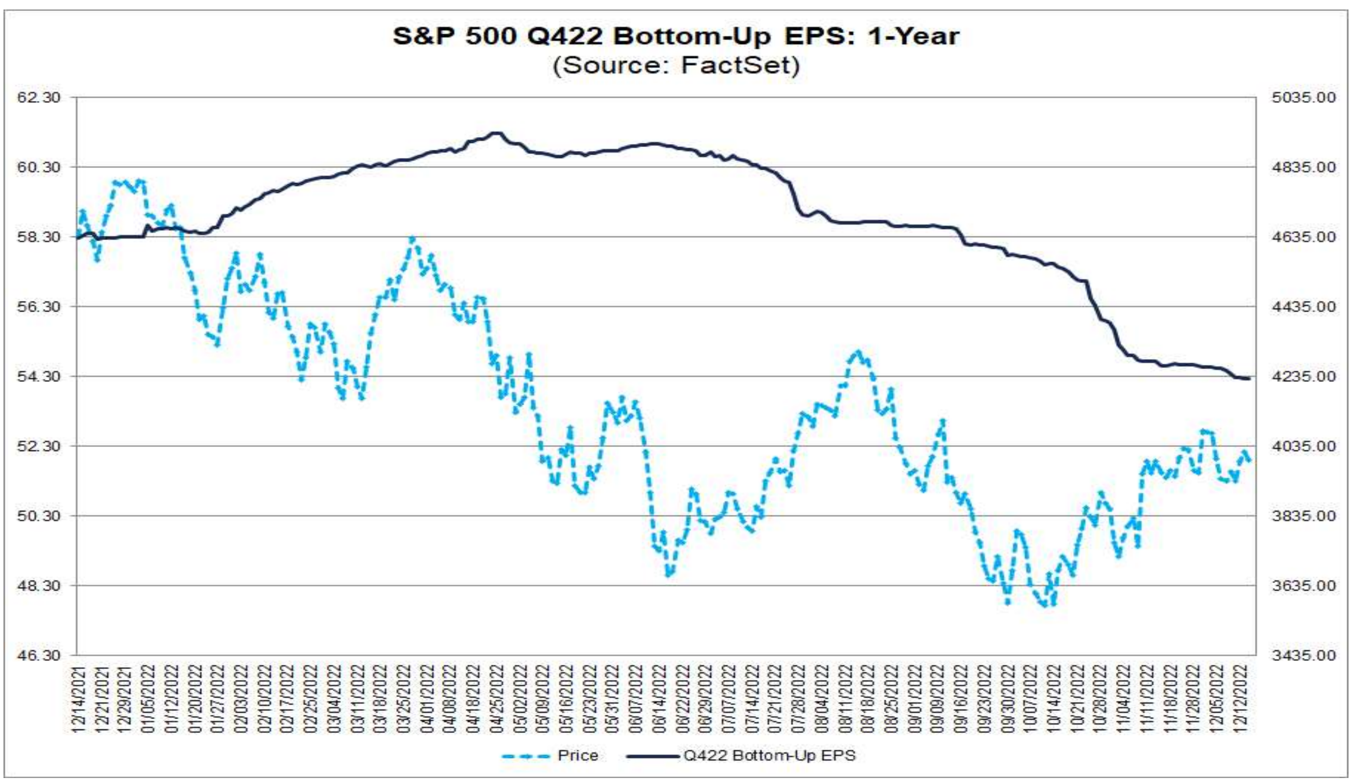




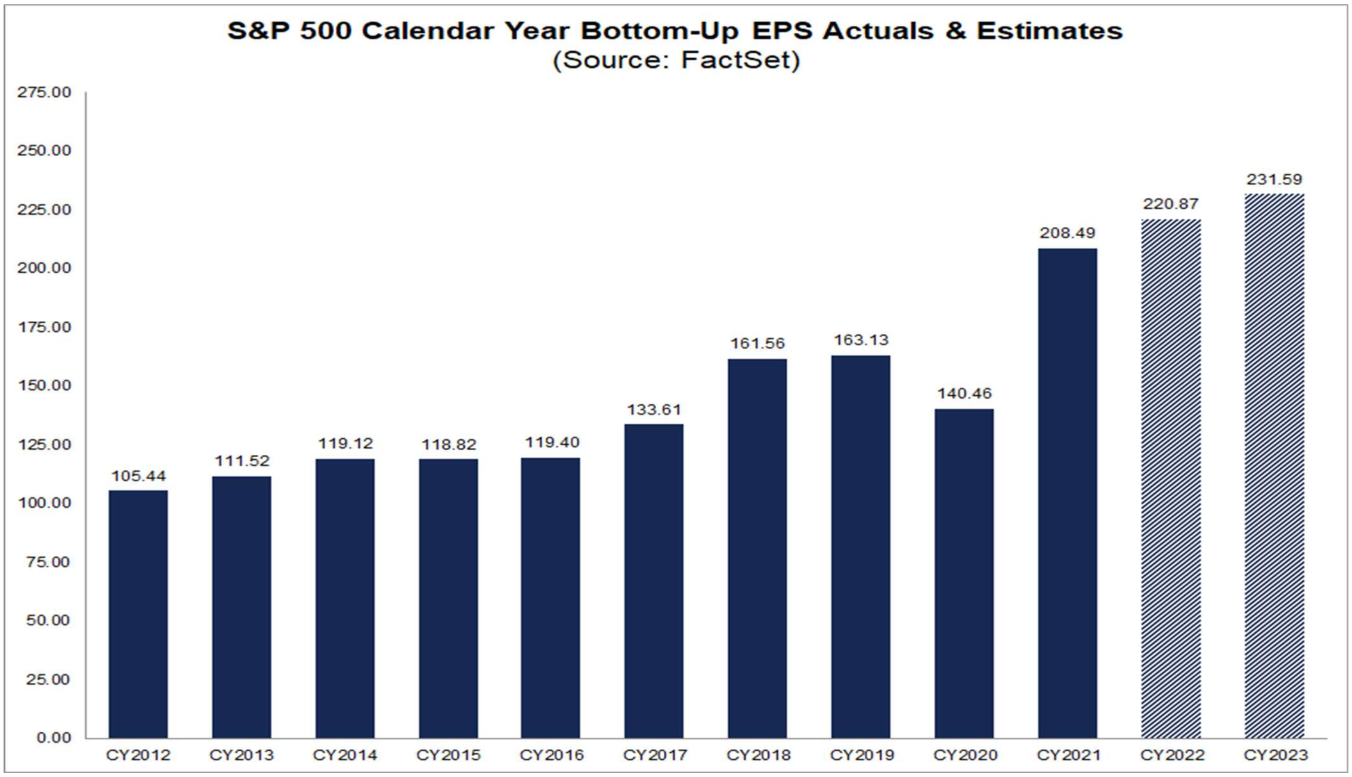
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	2%	16%	22%	33%	33%	36%	38%	42%	43%	55%	58%
United States	98%	84%	78%	67%	67%	64%	62%	58%	57%	45%	42%

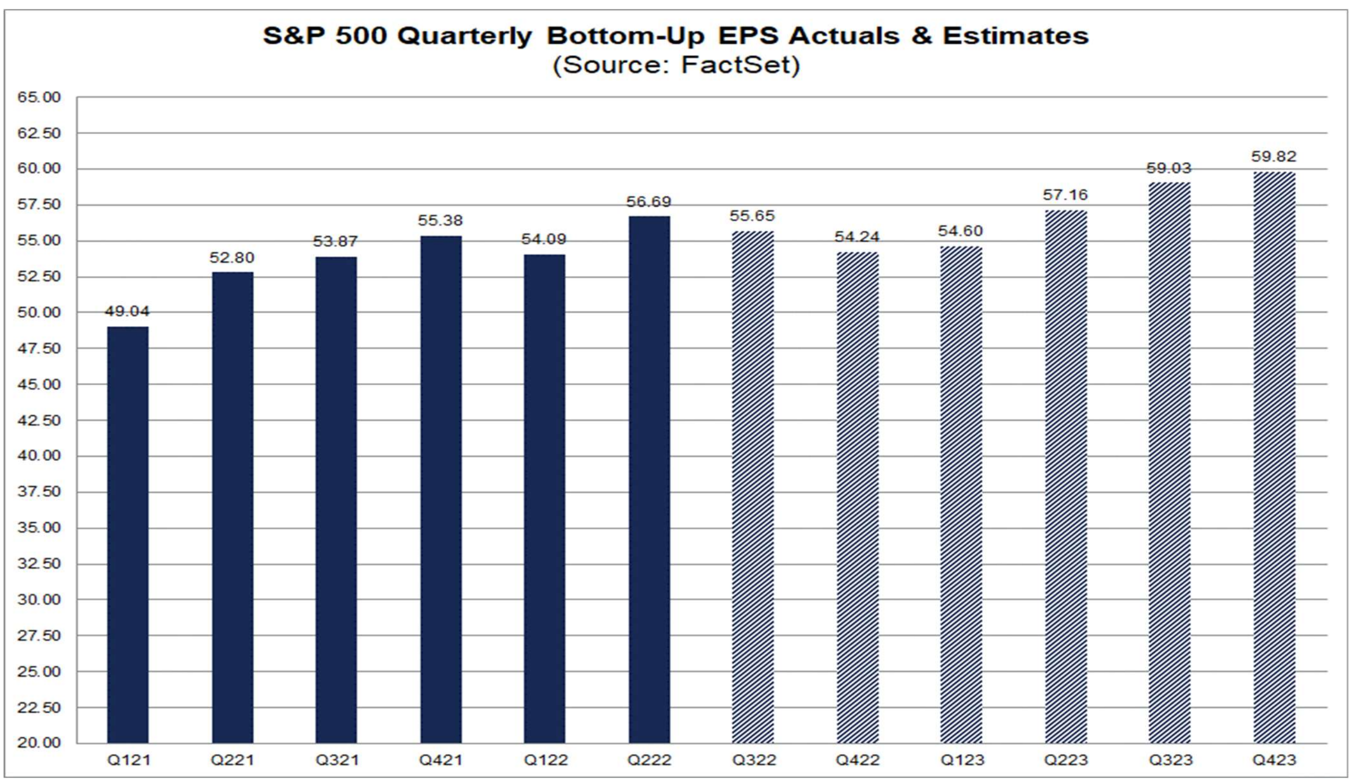
Bottom-Up EPS Estimates



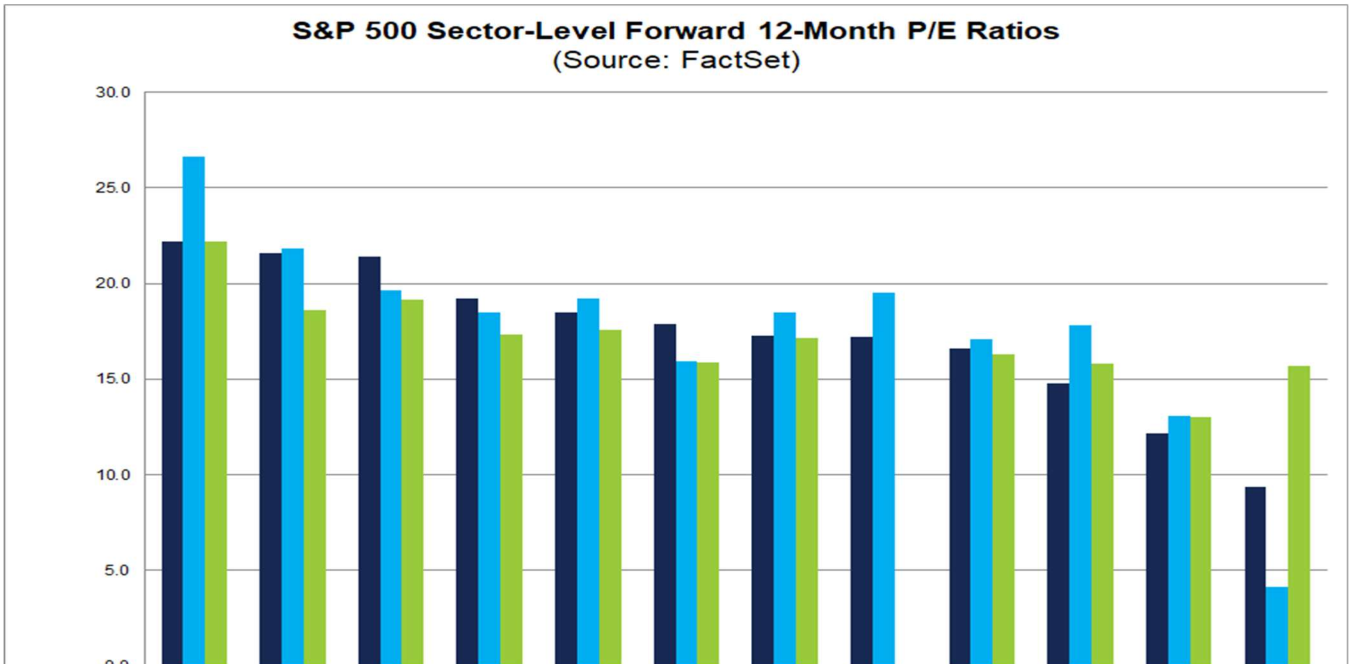


Bottom-Up EPS Estimates: Current & Historical

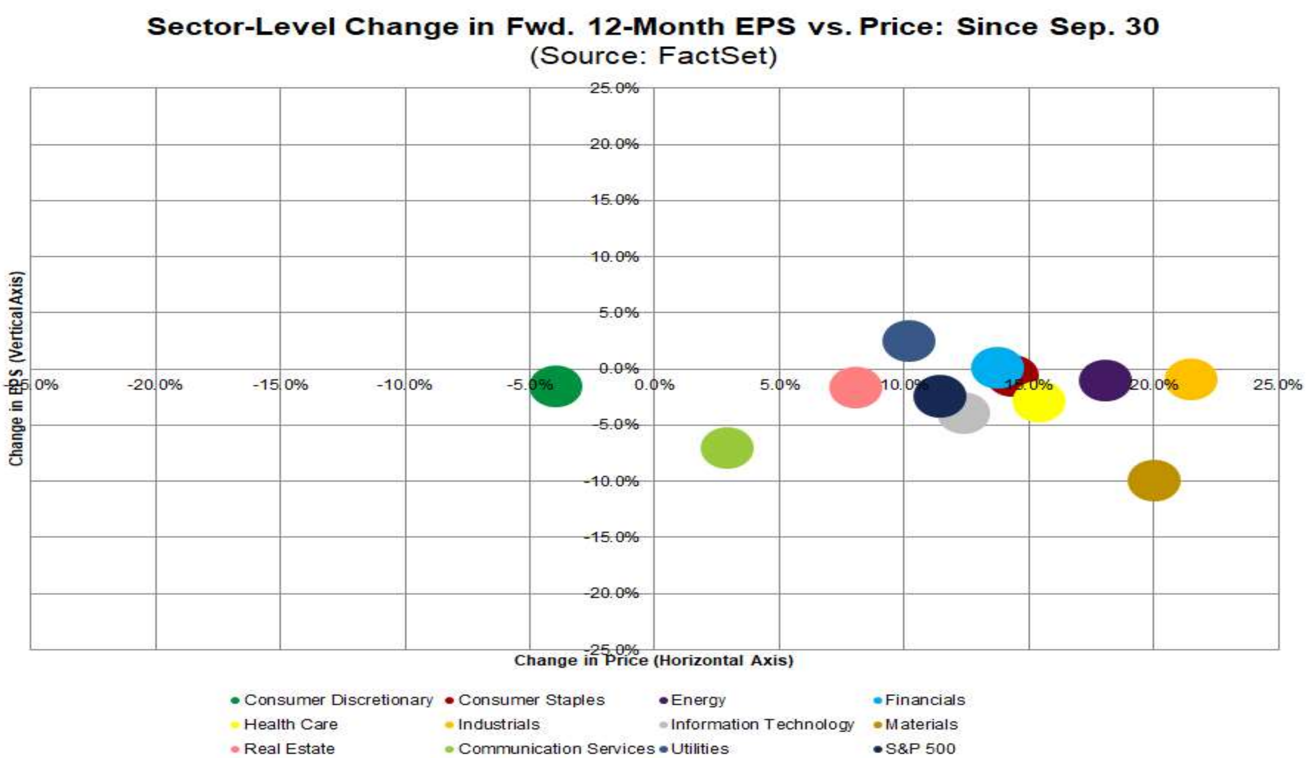




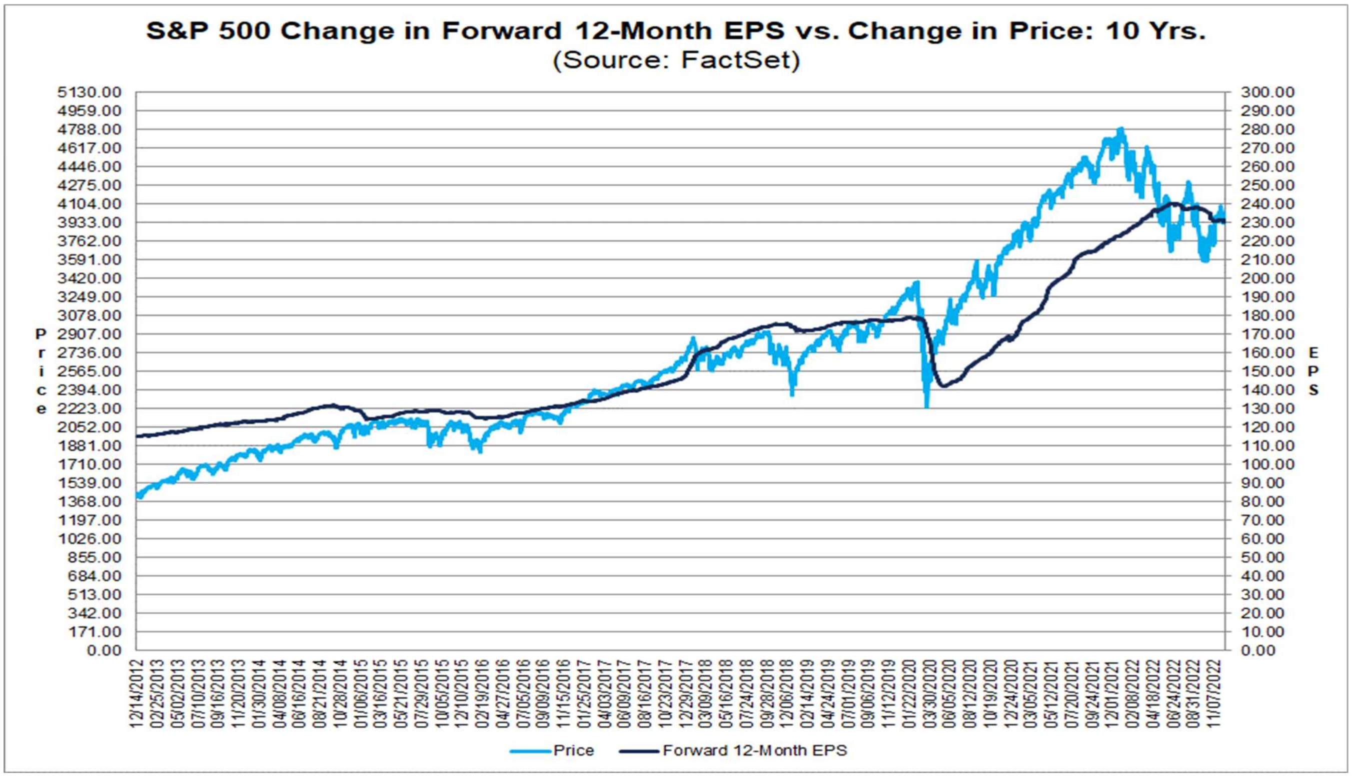
Forward 12M P/E Ratio: Sector Level

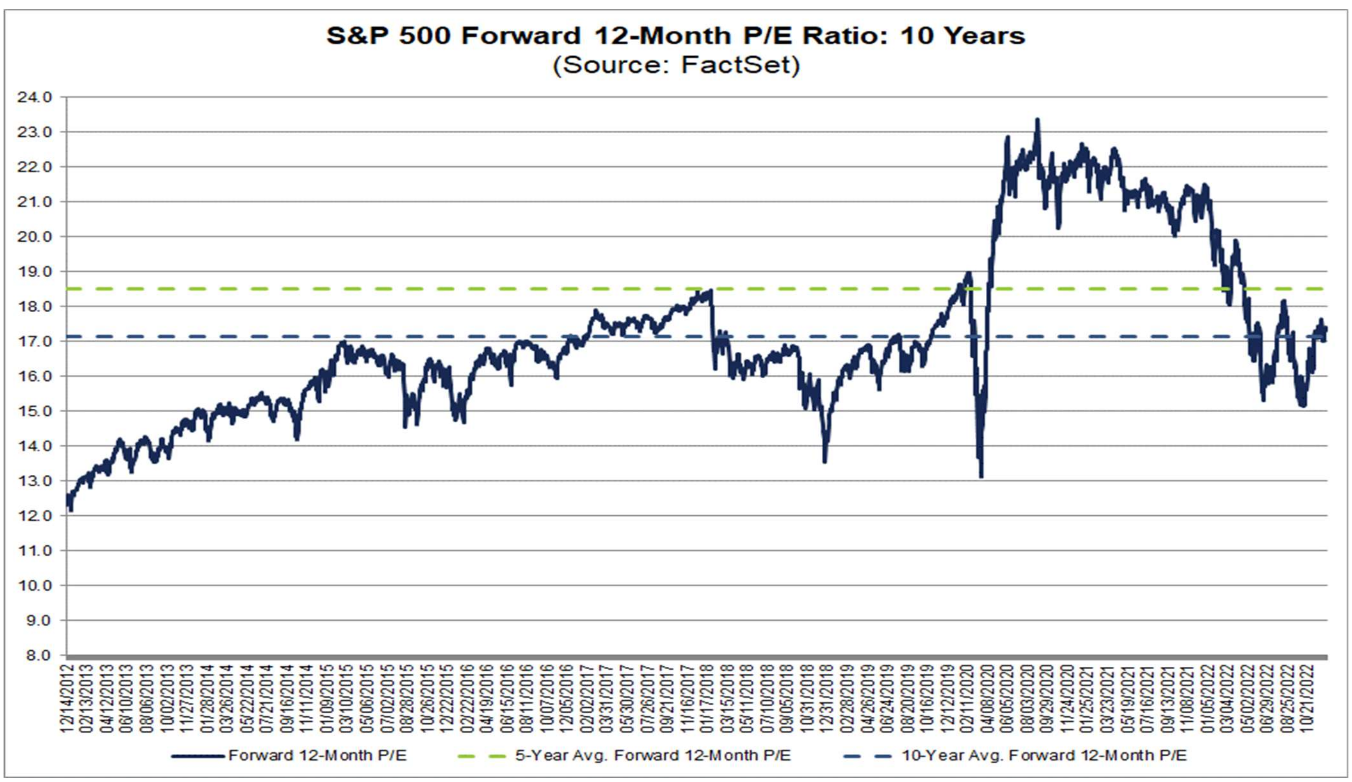


	Consumer Disc.	Info. Technology	Consumer Staples	Utilities	Industrials	Health Care	S&P 500	Real Estate	Materials	Comm. Services	Financials	Energy
Fwd P/E	22.2	21.6	21.4	19.2	18.5	17.9	17.3	17.2	16.6	14.8	12.2	9.4
5-Yr Avg.	26.7	21.8	19.6	18.5	19.2	16.0	18.5	19.5	17.1	17.8	13.1	4.1
10-Yr Avg.	22.2	18.6	19.1	17.4	17.6	15.9	17.1		16.3	15.8	13.0	15.7

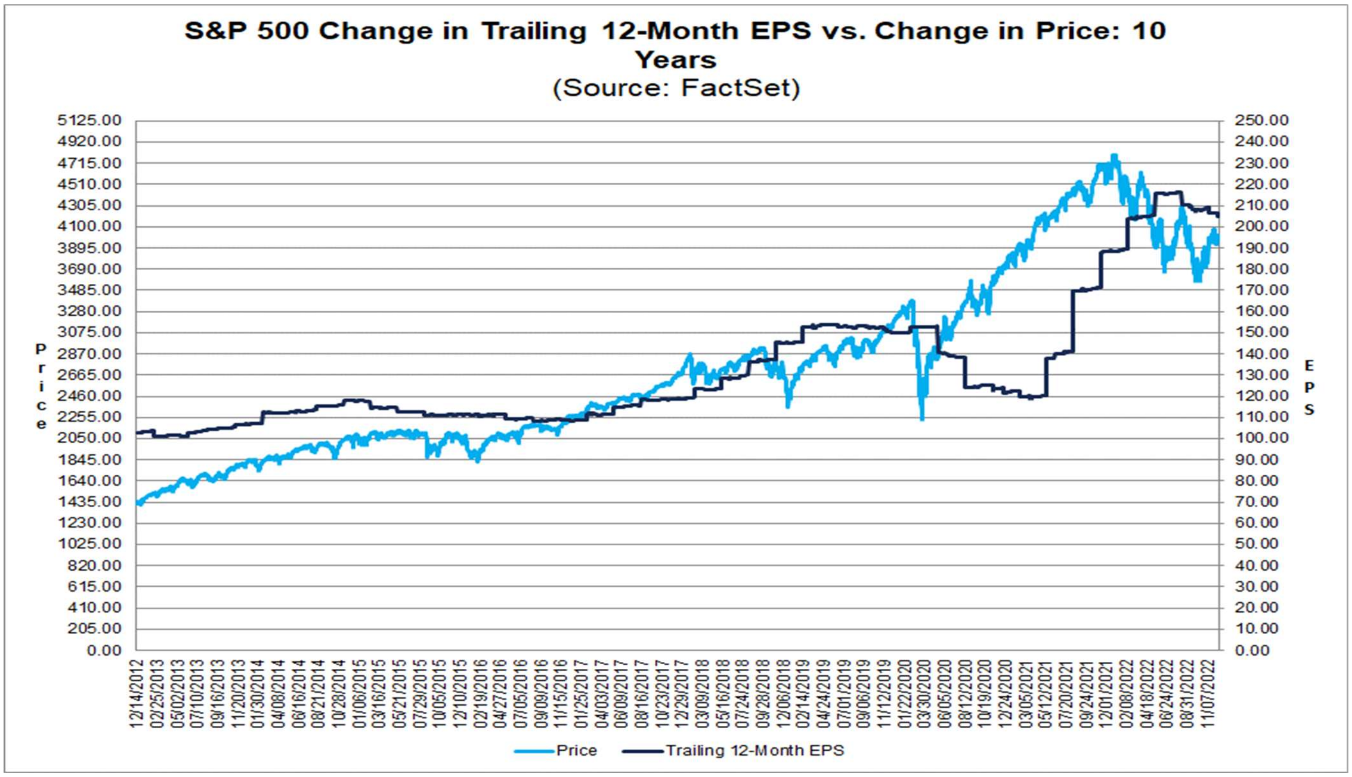


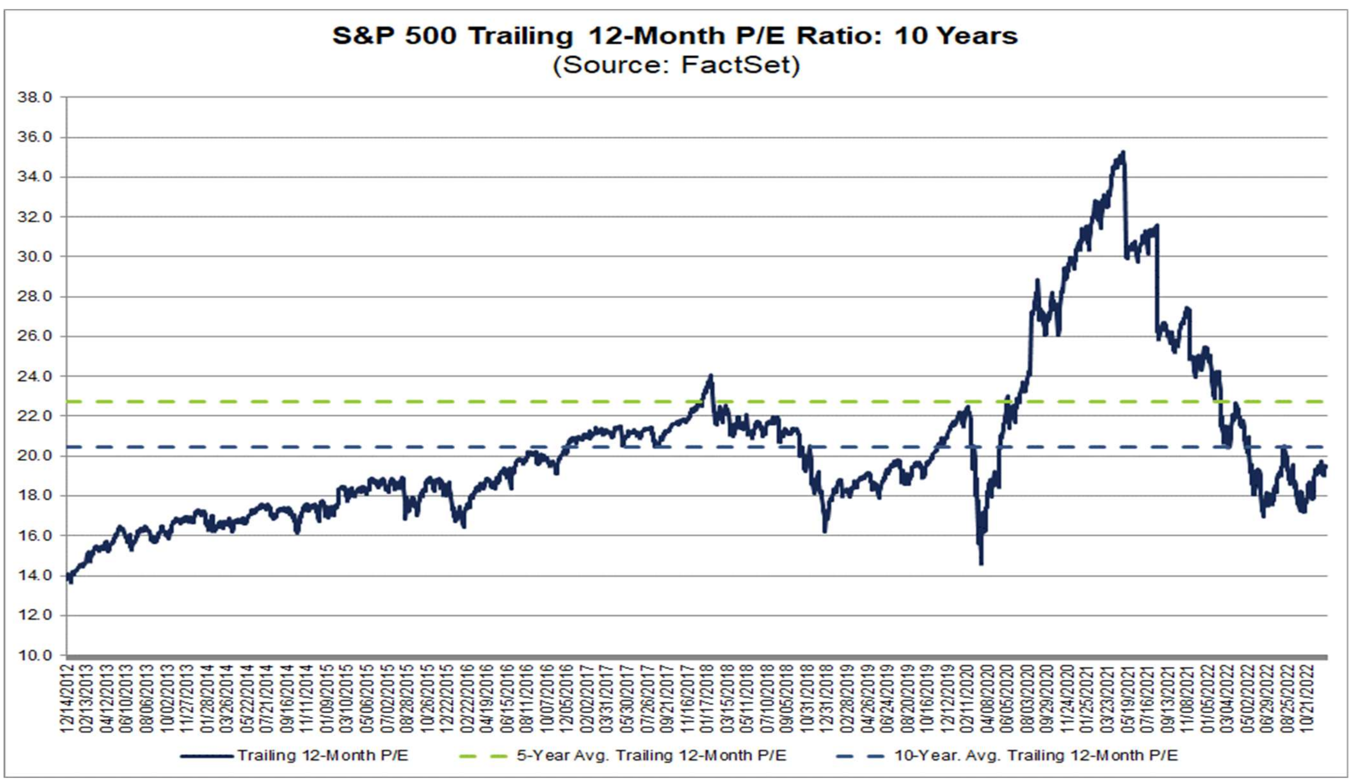
Forward 12M P/E Ratio: 10-Years



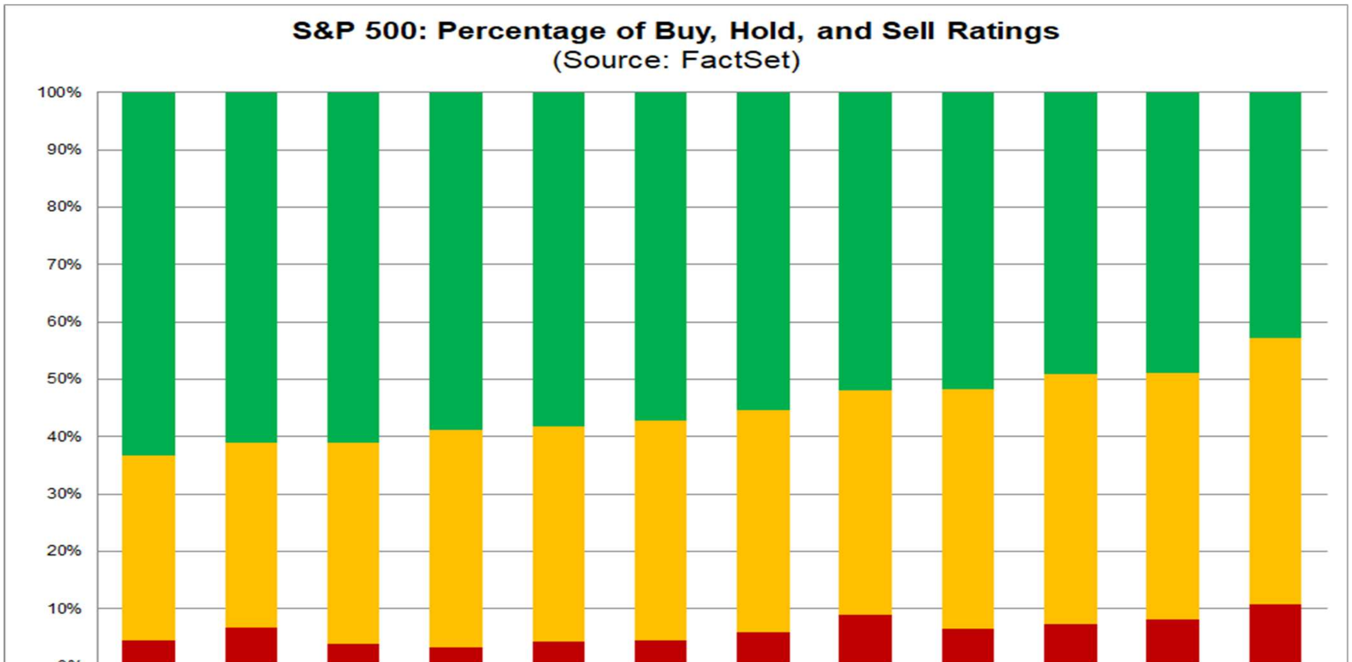


Trailing 12M P/E Ratio: 10-Years

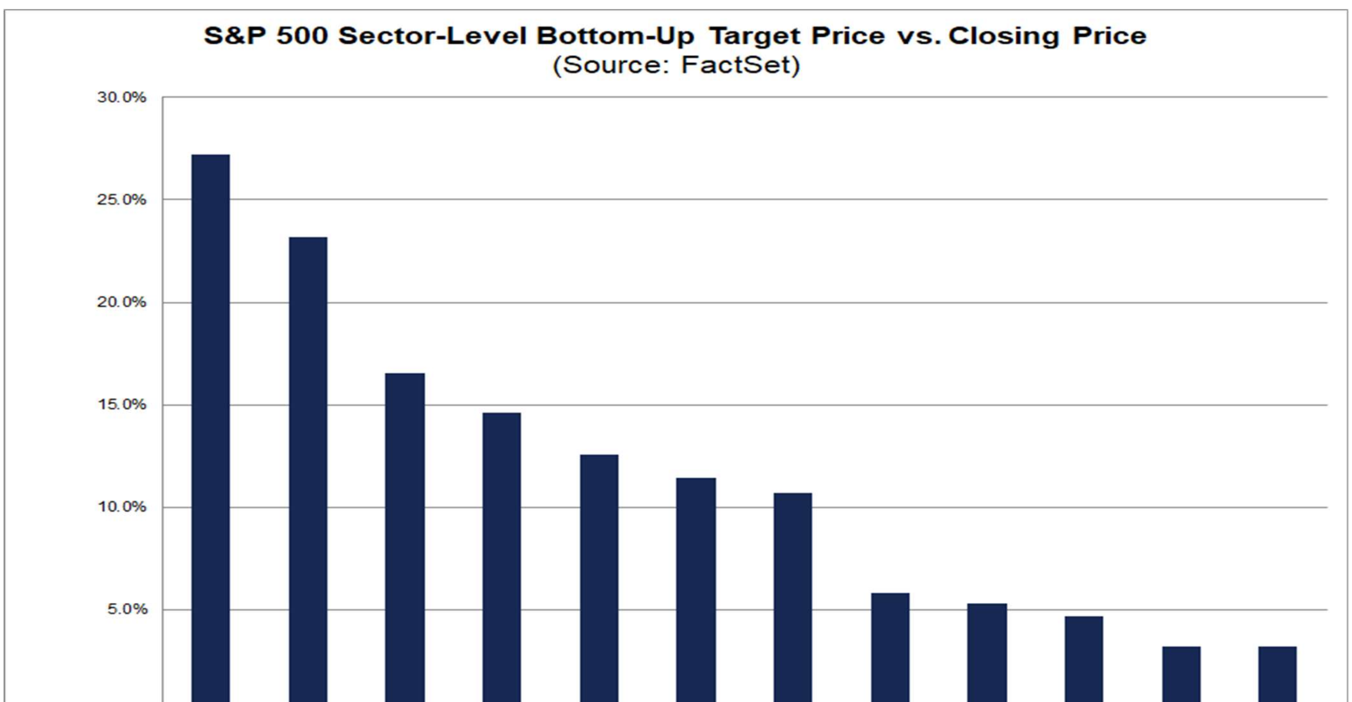




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Real Estate	Health Care	Consumer Disc.	S&P 500	Utilities	Industrials	Materials	Financials	Consumer Staples
Buy	63%	61%	61%	59%	58%	57%	55%	52%	52%	49%	49%	43%
Hold	32%	32%	35%	38%	37%	38%	39%	39%	42%	44%	43%	46%
Sell	5%	7%	4%	3%	4%	5%	6%	9%	7%	7%	8%	11%



	Consumer Disc.	Comm. Services	Energy	Info. Tech.	S&P 500	Financials	Real Estate	Health Care	Industrials	Materials	Consumer Staples	Utilities
Target/Close	27.2%	23.2%	16.5%	14.6%	12.5%	11.5%	10.7%	5.8%	5.3%	4.7%	3.2%	3.2%

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