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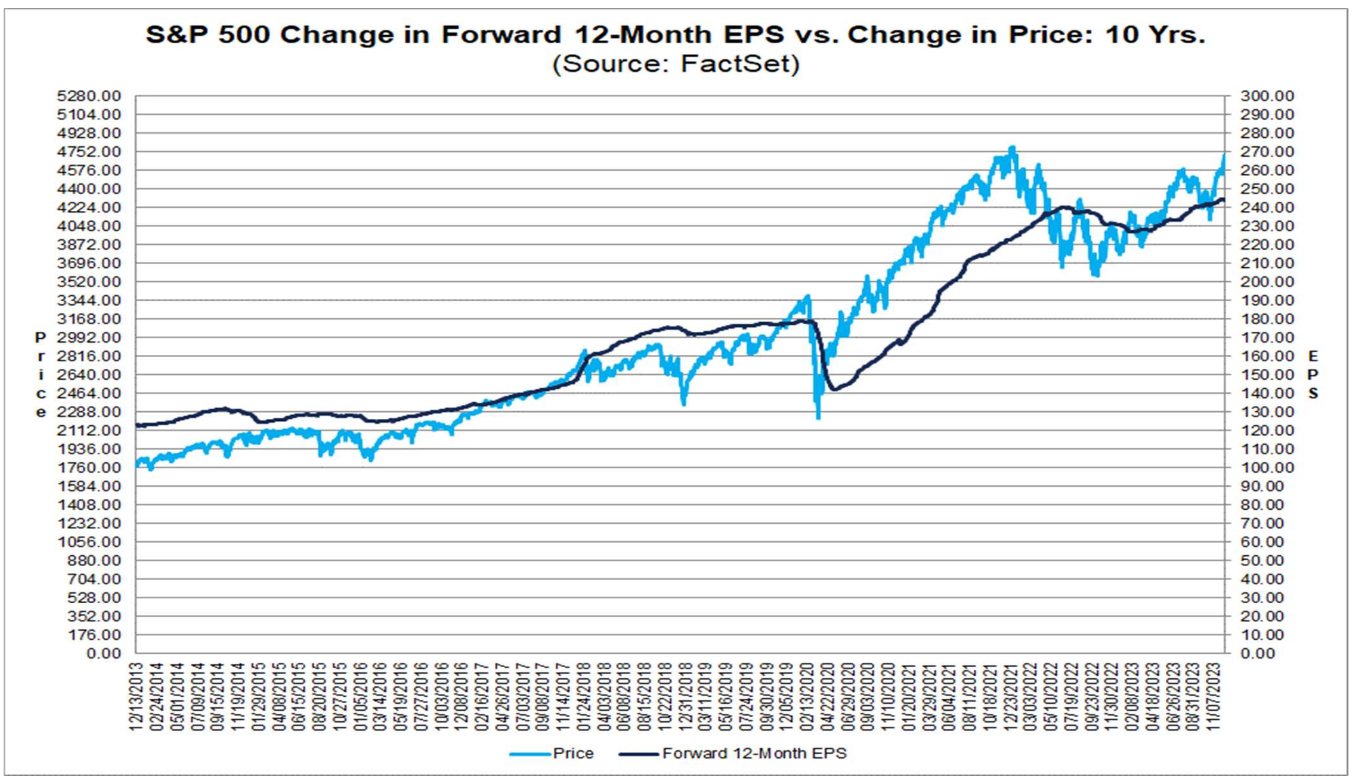
January 5, 2024

Key Metrics

- **Earnings Growth:** For Q4 2023, the estimated (year-over-year) earnings growth rate for the S&P 500 is 1.3%. If 1.3% is the actual growth rate for the quarter, it will mark the second straight quarter of year-over-year earnings growth for the index.
- **Earnings Revisions:** On September 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q4 2023 was 8.0%. Nine sectors are expected to report lower earnings today (compared to September 30) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2023, 72 S&P 500 companies have issued negative EPS guidance and 39 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 19.2. This P/E ratio is above the 5-year average (18.9) and above the 10-year average (17.6).
- **Earnings Scorecard:** For Q4 2023 (with 21 S&P 500 companies reporting actual results), 19 S&P 500 companies have reported a positive EPS surprise and 12 S&P 500 companies have reported a positive revenue surprise.



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Analysts Made Larger Cuts Than Average to EPS Estimates for S&P 500 Companies for Q4

Given concerns in the market about a possible economic slowdown or recession, have analysts lowered EPS estimates more than normal for S&P 500 companies for the fourth quarter?

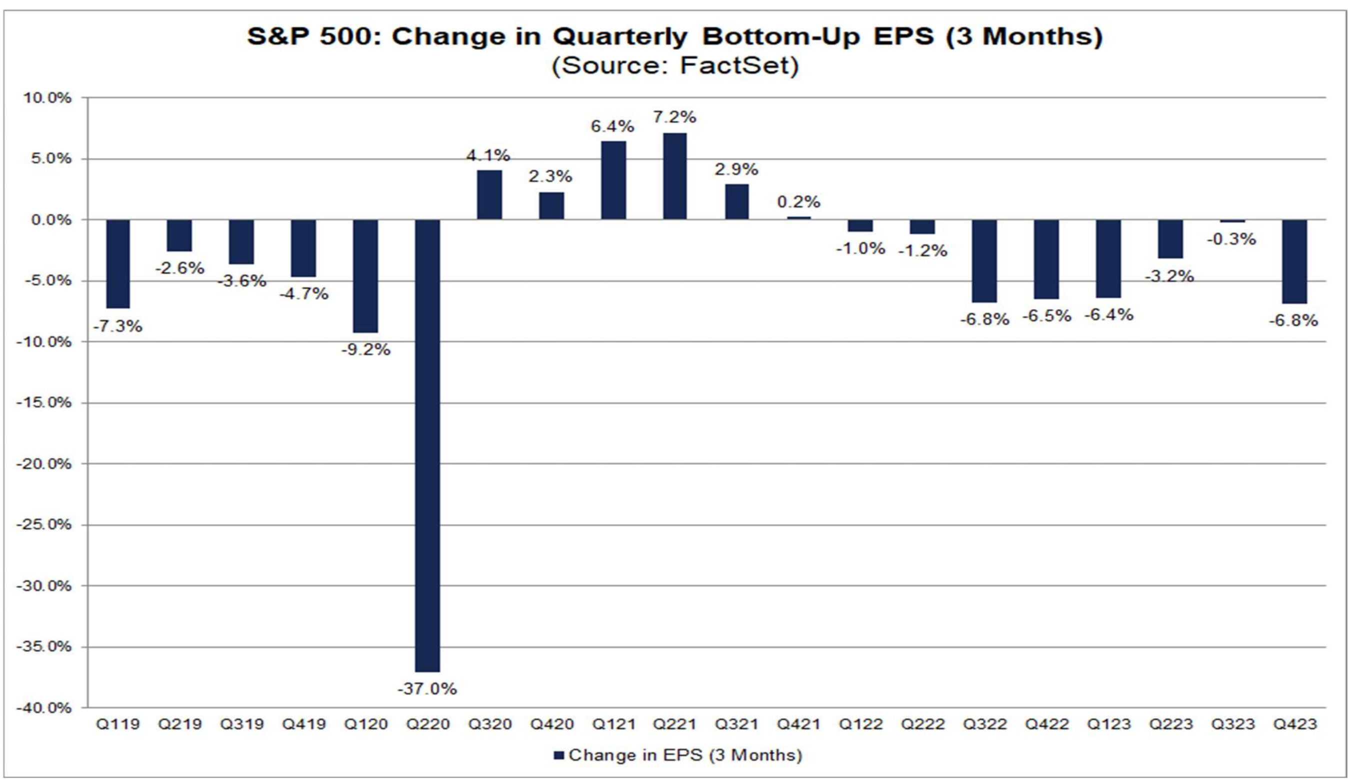
The answer is yes. During the fourth quarter, analysts lowered EPS estimates for the quarter by a larger margin than average. The Q4 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q4 for all the companies in the index) decreased by 6.8% (to $53.90 from $57.86) from September 30 to December 31.

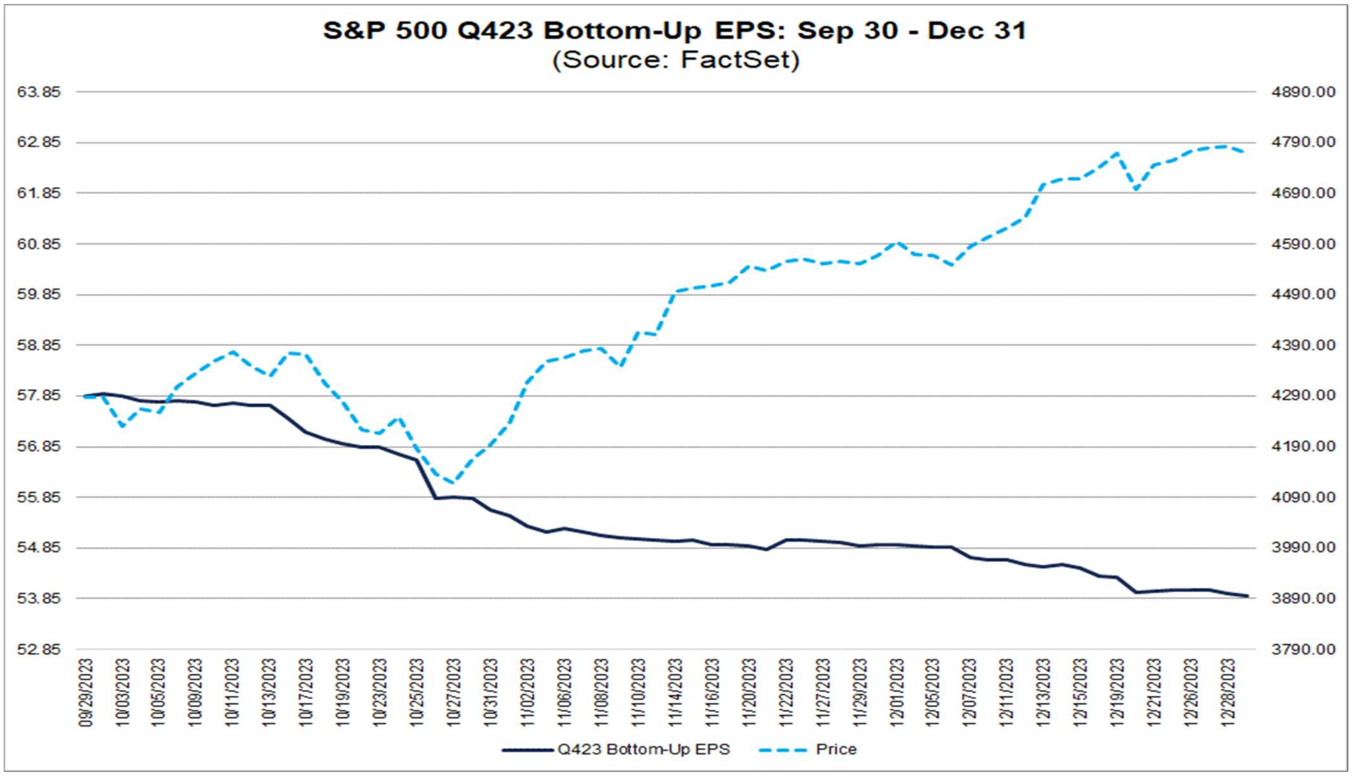
In a typical quarter, analysts usually reduce earnings estimates during the quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the quarter has been 3.5%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the quarter has also been 3.3%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the quarter has been 4.2%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during quarter has been 3.8%.

Thus, the decline in the bottom-up EPS estimate recorded during the fourth quarter was larger than the 5-year average, the 10-year average, the 15-year average, and the 20-year average. This quarter also marked the largest decrease in the bottom-up EPS estimate since Q3 2022 (also -6.8%).

At the sector level, nine of the eleven sectors witnessed a decrease in their bottom-up EPS estimates for Q4 2023 from September 30 to December 31, led by the Health Care (-21.3%) and Materials (-13.5%) sectors. On the other hand, the Utilities (+1.9%) and Information Technology (+1.7%) sectors were the only two sectors that recorded an increase in their bottom-up EPS estimates for Q4 2023 during this period.

It is interesting to note that while the bottom-up EPS estimate for Q4 2023 declined by 6.8% during the quarter, the bottom-up EPS estimate for CY 2024 declined by just 1.3% (to $244.45 from $247.66) during this same period.




S&P 500 Q423 Bottom-Up EPS: Sep 30 - Dec 31
(Source: FactSet)
63.85
62.85
61.85
60.85
59.85
58.85
57.85
56.85
55.85
54.85
53.85
52.85
4890.00
4790.00
4690.00
4590.00
4490.00
4390.00
4290.00
4190.00
4090.00
3990.00
3890.00
3790.00
09/29/2023
10/03/2023
10/05/2023
10/09/2023
10/11/2023
10/13/2023
10/17/2023
10/19/2023
10/23/2023
10/25/2023
10/27/2023
10/31/2023
11/02/2023
11/06/2023
11/08/2023
11/10/2023
11/14/2023
11/16/2023
11/20/2023
11/22/2023
11/27/2023
11/29/2023
12/01/2023
12/05/2023
12/07/2023
12/11/2023
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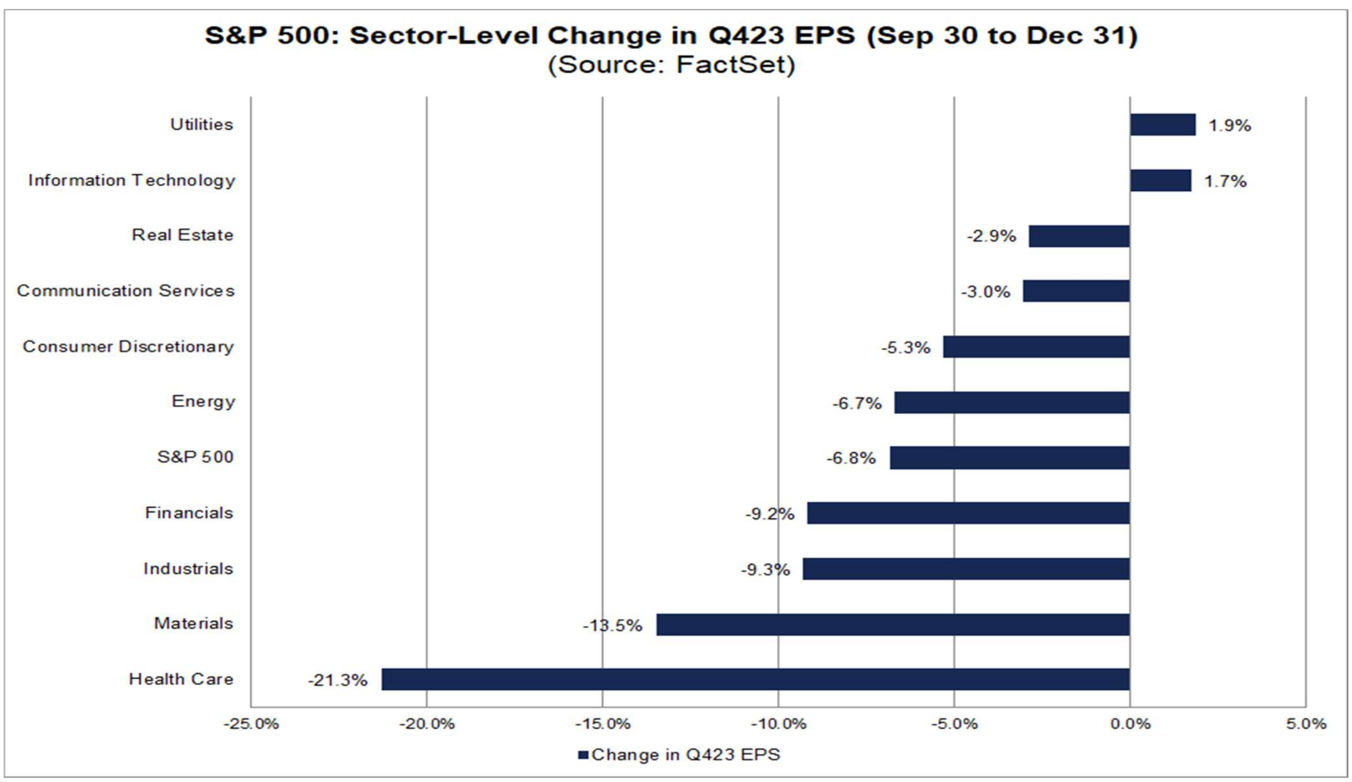
Q423 Bottom-Up EPS
Price


S&P 500: Sector-Level Change in Q423 EPS (Sep 30 to Dec 31)
(Source: FactSet)
Utilities
1.9%
Information Technology
1.7%
Real Estate
-2.9%
Communication Services
-3.0%
Consumer Discretionary
-5.3%
Energy
-6.7%
S&P 500
-6.8%
Financials
-9.2%
Industrials
-9.3%
Materials
-13.5%
Health Care
-21.3%
-25.0%
-20.0%
-15.0%
-10.0%
-5.0%
0.0%
5.0%
Change in Q423 EPS

Topic of the Week: 2

S&P 500 Financials Sector Q4 Earnings Preview: Banks Lead Earnings Decline

The Financials sector will be a focus for the market during the next two weeks, as more than 70% of the S&P 500 companies that are scheduled to report earnings for the fourth quarter over this period are part of this sector. Companies in this sector expected to report earnings during these two weeks include Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo. The Financials sector is predicted to report the fourth-highest (year-over-year) earnings decline of all 11 sectors for Q4 at -3.1%.

At the industry level, two of the five industries in the sector are expected to report year-over-year earnings growth, led by the Insurance industry at 26%. This industry is also expected to be the largest positive contributor to year-over-year earnings for the sector. If the Insurance industry were excluded, the estimated (year-over-year) earnings decline for the Financials sector would increase to -8.9% from -3.1%. At the sub-industry level, all five sub-industries in the Insurance industry are expected to report year-over-year earnings growth. Three of these five sub-industries are predicted to report double-digit earnings growth: Property & Casualty Insurance (48%), Reinsurance (30%), and Multi-line Insurance (17%).

Stewart Johnson, Associate Director for Deep Sector Content at FactSet, highlighted a number of key themes and metrics to watch for insurance companies in the S&P 500 during the Q4 earnings season, which kicks off in the second half of January:

"P&C sub-industry estimates reflect expectations for a healthy increase in YOY earnings, which likely stems from an anticipated improvement in YOY claims experience. Following prior upticks in claims losses, management should provide details regarding underwriting experience as well as any efforts to boost product prices. Results of pricing efforts will be especially important to the future earnings of big writers of homeowners and personal auto lines.

"Multi-Line and Life & Health sub-industries should benefit from rising interest rates, as well as the higher market index levels. Rising rates should boost interest earned on the fixed income investments that dominate life & health company investment portfolio, while higher market indexes bode well for asset management fees driven by performance and levels of assets under management (AUM).

"Insurance companies with investment management and wealth management businesses should discuss AUM levels for fixed income and equity portfolios. Recent changes and flows in AUM balances provide important indications of future fee income. Investment portfolios that include real estate investments should also include updates on appraised values, LTV metrics, and any changes to internal ratings."

For more commentary and analysis on the insurance industry, please see Stewart's articles on the FactSet Insight blog at this link: https://insight.factset.com/author/stewart-johnson

The Financial Services industry is projected to report the second-highest (year-over-year) earnings growth rate in this sector at 10%. Both sub-industries in this sector are expected to report earnings growth: Multi-Sector Holdings (30%) and Transaction & Payment Processing Services (2%).

On the other hand, three industries in the sector are expected to report a year-over-year decline in earnings, led by the Banks industry at -21%. This industry is also expected to be the largest negative contributor to year-over-year earnings for the sector. If the Banks industry were excluded, the Financials sector would be expected to report year-over-year earnings growth of 8.8% rather than a year-over-year decline in earnings of -3.1%. At the sub-industry level, both the Diversified Banks (-18%) and Regional Banks (-40%) sub-industries are expected to report year-over-year declines.

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

"When bank earnings kick off on Friday, January 12, attention will be focused primarily on 1) the impact of the sharp decline in interest rates during the quarter; 2) the level (and breadth) of credit quality deterioration; and 3) updates to 2024 guidance in light of more benign rate and GDP expectations.

"The 69bp decline in the 10 year Treasury yield during 4Q23 (almost perfectly mirroring the 76bp increase in 3Q23) is a substantial positive for bank capital levels, although we note several banks announced large restructurings of their bond books during the quarter, and more will likely disclose such along with earnings. Time will tell whether this was farsighted, or an ill-timed locking in of losses at the bottom. The effect on NIMs is more mixed. While it theoretically means an end is in sight for increasing funding costs, the lags in deposit pricing suggest that they will generally trend upward well into 2024, continuing to pressure NIMs.

"On credit, the decline in rates is unlikely to bring much solace to the CRE market. Relative to expectations, community banks may be positioned to outperform, however, as the types of CRE found in their portfolios holds up better than the collateral getting the most media attention (though we note that this is a general observation, and within the large population of community banks, there will inevitably be some sloppy underwriters revealed at this stage of the cycle).

"Among non-interest revenues, mortgage will remain very weak, reflecting both seasonality and the reality that the Q4 retracement in rates wasn't of sufficient magnitude to cure the post-ZIRP affordability problem, let alone revive the refi market. Elsewhere in consumer lending, credit card delinquencies and charge-offs will continue their increase, particularly in lower credit bands (seen most plainly in private label). That subprime weakness should also be increasingly evident in auto credit, particularly on loans in COVID-affected vintages as borrowers find themselves much further underwater than historical norms. While both of those business lines are afflicted with deteriorating credit, the decline in rates will tend to drive their NIMs in opposite directions; variable rate card margins should compress while fixed rate auto loan margins should widen.

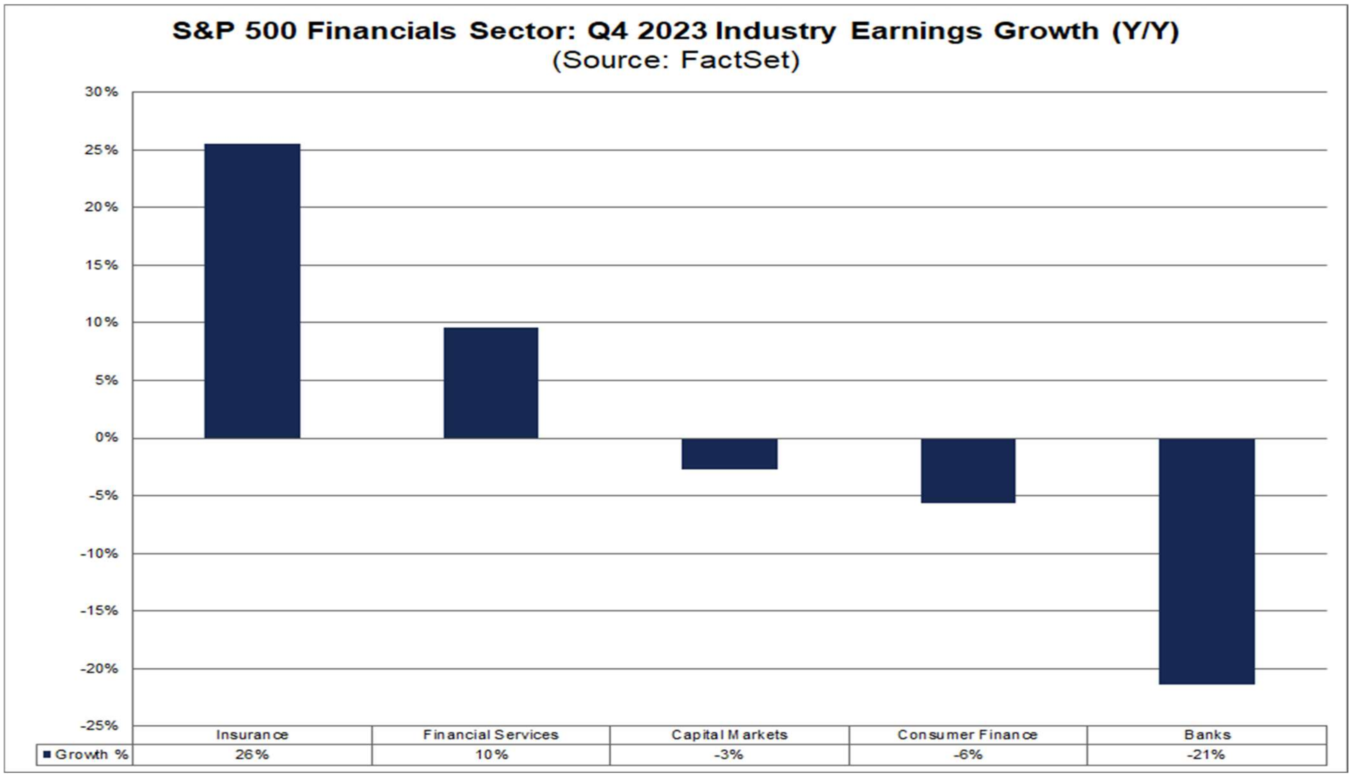
"Investment banking revenues should remain relatively weak, with M&A remaining more so than underwriting. Management commentary regarding the outlook for M&A may be especially interesting, given the crosscurrents of cheaper financing but higher valuations, and the heightened market belief in a soft landing scenario. Wealth management revenues will benefit from the impact of the year-end rally on both equity and fixed income AUM, as well as from more firms moving past the worst cash sorting headwinds.

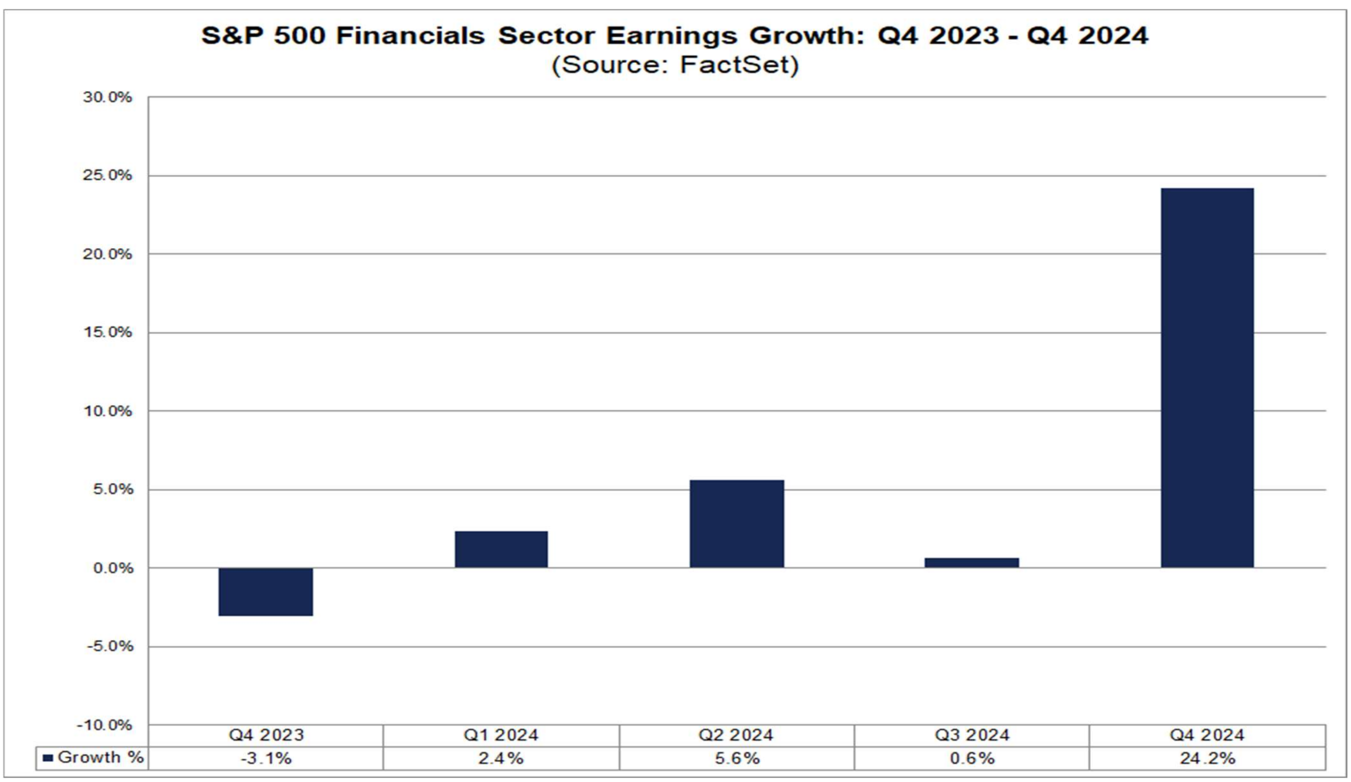
"We continue to anticipate more actions on expense control, in the form of both formal programs, and layoffs. Larger banks will face relatively more such pressure to attack costs, given higher capital markets exposure, and the growing need to fund AI-related investments."

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

The other two industries projected to report year-over-year decreases in earnings are the Consumer Finance and Capital Markets industries. The Consumer Finance industry is predicted to report the second-largest (year-over-year) decline in earnings at -6%, while the Capital Markets industry is projected to report the third-highest (year-over-year) decline in earnings at -3%. At the sub-industry level within the Capital Markets industry, the Financial Data & Exchanges (17%) sub-industry is the only sub-industry expected to report year-over-year earnings growth, while both the Investment Banking & Brokerage (-14%) and Asset Management & Custody Banks (-3%) sub-industries are expected to report year-over-year earnings declines.

Looking ahead, analysts are predicting earnings growth rates of 2.4%, 5.6%, 0.6%, and 24.2% for Q1 2024 through Q4 2024 for the Financials sector.


S&P 500 Financials Sector: Q4 2023 Industry Earnings Growth (Y/Y)
(Source: FactSet)
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
Insurance
Financial Services
Capital Markets
Consumer Finance
Banks
Growth %
26%
10%
-3%
-6%
-21%


S&P 500 Financials Sector Earnings Growth: Q4 2023 - Q4 2024
(Source: FactSet)
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
Q4 2023
Q1 2024
Q2 2024
Q3 2024
Q4 2024
Growth %
-3.1%
2.4%
5.6%
0.6%
24.2%

Q4 Earnings Season: By The Numbers

Overview

Analysts and companies have been more pessimistic in their earnings outlooks for S&P 500 companies for the fourth quarter compared to historical 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 lower earnings growth for the fourth quarter relative to the third quarter.

In terms of estimate revisions for companies in the S&P 500, analysts lowered earnings estimates for Q4 2023 by a larger margin than average during the fourth quarter. On a per-share basis, estimated earnings for the fourth quarter decreased by 6.8% from September 30 to December 31. This decrease was larger than the 5-year average (-3.5%) and the 10-year average (-3.3%) for a quarter. It is also the largest decline in the quarterly EPS estimate for a quarter since Q3 2022 (also -6.8%).

In terms of guidance, both the number and the percentage of S&P 500 companies issuing negative EPS guidance for Q4 2023 is higher than average. At this point in time, 111 companies in the index have issued EPS guidance for Q4 2023, Of these companies, 72 have issued negative EPS guidance and 39 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is above the 5-year average (57) and above the 10-year average (62). The percentage of S&P 500 companies issuing negative EPS guidance for Q4 2023 is 65% (72 out of 111), which is also above the 5-year average of 59% and above the 10-year average of 63%.

Because of the downward revisions to earnings estimates by analysts and the negative EPS guidance issued by companies, the estimated (year-over-year) earnings growth rate for Q4 2023 is lower now relative to the start of the fourth quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 1.3%, compared to the estimated (year-over-year) earnings growth rate of 8.0% on September 30.

If 1.3% is the actual growth rate for the quarter, it will mark the second consecutive quarter of year-over-year earnings growth for the index. However, it will also mark a lower growth rate compared to the third quarter (4.9%).

Five of the eleven sectors are projected to report year-over-year earnings growth, led by the Communication Services, Utilities, and Consumer Discretionary sectors. On the other hand, six sectors are predicted to report a year-over-year decline in earnings, led by the Energy, Health Care, and Materials sectors.

In terms of revenues, analysts also decreased their estimates during the quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 3.1%, compared to the expectations for revenue growth of 3.9% on September 30.

If 3.1% is the actual revenue growth rate for the quarter, it will mark the 12th consecutive quarter of revenue growth.

Eight sectors are projected to report year-over-year growth in revenues, led by the Financials sector. On the other hand, three sectors are predicted to report a year-over-year decline in revenues, led by the Energy and Materials and sectors.

Looking ahead, analysts expect (year-over-year) earnings growth of 6.0% for Q1 2024 and 10.6% for Q2 2024. For CY 2024, analysts are calling for (year-over-year) earnings growth of 11.8%

The forward 12-month P/E ratio is 19.2, which is above the 5-year average (18.9) and above the 10-year average (17.6). It is also above the forward P/E ratio of 17.8 recorded at the end of the third quarter (September 30).

During the upcoming week, 8 S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the fourth quarter.

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

Decline in Estimated Earnings Growth Rate for Q4 This Week Due to Financials Sector

During the past week, the estimated earnings growth rate for the S&P 500 for Q4 2023 decreased to 1.3% from 1.6%. Downward revisions to EPS estimates for companies in multiple sectors (led by the Financials sector) were responsible for the decline in the overall earnings growth rate during the week.

The estimated earnings growth rate for the S&P 500 for Q4 2023 of 1.3% today is below the estimate of 8.0% at the start of the quarter (September 30), as estimated earnings for the index of $469.9 billion today are 6.2% below the estimate of $500.7 billion at the start of the quarter. Nine sectors have recorded a decrease in dollar-level earnings due to downward revisions to earnings estimates, led by the Health Care, Materials, and Financials sectors. On the other hand, two sectors have recorded an increase in expected (dollar-level) earnings due upward revisions to earnings estimates: Utilities and Information Technology.

Health Care: Pfizer and Merck Lead Earnings Decrease Since September 30

The Health Care sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -20.3% (to $56.2 billion from $70.5 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -20.3% today from 0.0% on September 30. Despite the decrease in expected earnings, this sector has witnessed a price increase of 8.2% since September 30. Overall, 50 of the 64 companies (78%) in the Health Care sector have seen a decrease in their mean EPS estimate during this time. Of these 50 companies, 20 have recorded a decrease in their mean EPS estimate of more than 10%, led by Moderna (to -$1.42 from $1.33), Catalent (to -$0.03 from $0.05), Pfizer (to -$0.21 from $0.80), Illumina (to -$0.05 from $0.27), and Merck (to $0.00 from $1.73). Pfizer, Merck, and Moderna have also been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

Materials: 75% of Companies Have Seen a Decline in EPS Since September 30

The Materials sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -14.3% (to $9.9 billion from $11.6 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -20.3% today from -7.1% on September 30. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 7.3% since September 30. Overall, 21 of the 28 companies (75%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 21 companies, 14 have recorded a decrease in their mean EPS estimate of more than 10%, led by Corteva (to $0.07 from $0.28), Albemarle (to $1.38 from $5.07), and FMC Corporation (to $1.09 from $2.78). Albemarle has also been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since September 30.

Financials: Citigroup Leads Earnings Decrease Since September 30

The Financials sector has recorded the third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -8.9% (to $74.2 billion from $81.5 billion). As a result, the estimated (year-over-year) decline for this sector is -3.1% today compared to estimated earnings growth of 6.4% on September 30. Despite the decrease in expected earnings, this sector has witnessed the second-largest increase in price of all 11 sectors since September 30 at 13.2%. Overall, 49 of the 72 companies (68%) in the Financials sector have seen a decrease in their mean EPS estimate during this time. Of these 49 companies, 23 have recorded a decrease in their mean EPS estimate of more than 10%, led by Citigroup (to $0.09 from $1.06), Fidelity National Information Services (to $0.93 from $1.61), and Goldman Sachs (to $4.39 from $6.67). Citigroup, Bank of America (to $0.60 from $0.74), and Goldman Sachs have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30

Index-Level EPS Estimate: 6.8% Decrease During Q4

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) decreased by 6.8% (to $53.90 from $57.86) from September 30 to December 31. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 3.5% 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 4.2% 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 was larger than the 5-year average, the 10-year average, the 15-year average, and the 20-year average. It is also the largest decline in the quarterly EPS estimate for a quarter since Q3 2022 (also -6.8%).

Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q4 Above Average

Quarterly Guidance: Negative Guidance for Q4 is Above 5-Year and 10-Year Averages

At this point in time, 111 companies in the index have issued EPS guidance for Q4 2023, Of these companies, 72 have issued negative EPS guidance and 39 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is above the 5-year average (57) and above the 10-year average (62). The percentage of S&P 500 companies issuing negative EPS guidance for Q4 2023 is 65% (72 out of 111), which is also above the 5-year average of 59% and above the 10-year average of 63%.

Annual Guidance: 48% of S&P 500 Companies Issuing Negative Guidance for Current Year

At this point in time, 271 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 271 companies, 131 have issued negative EPS guidance and 140 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 48% (131 out of 271).

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

Earnings Growth: 1.3%

The estimated (year-over-year) earnings growth rate for Q4 2023 is 1.3%, which is below the 5-year average earnings growth rate of 10.6% and below the 10-year average earnings growth rate of 8.4%. If 1.3% is the actual growth rate for the quarter, it will mark the second straight quarter of year-over-year earnings growth reported by the index. However, it will also mark a lower growth rate compared to the third quarter (4.9%).

Five of the eleven sectors are expected to report year-over-year earnings growth, led by the Communication Services, Utilities, and Consumer Discretionary sectors. On the other hand, six sectors are expected to report a year-over-year decline in earnings, led by the Energy, Health Care, and Materials sectors.

Communication Services: Meta Platforms is Largest Contributor to Year-Over-Year Growth

The Communication Services sector is expected to report the largest (year-over-year) earnings growth rate of all eleven sectors at 41.6%. At the industry level, 3 of the 5 industries in the sector are expected to report a year-over-year increase in earnings of 50% or more: Entertainment (177%), Interactive Media & Services (77%), and Wireless Telecommunication Services (51%). On the other hand, two industries are expected to report a (year-over-year) decline in earnings: Diversified Telecommunication Services (-9%) and Media (-8%).

At the company level, Meta Platforms ($4.84 vs. $1.76) is predicted to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated earnings growth rate for Communication Services sector would fall to 25.0% from 41.6%.

Utilities: Electric Utilities Industry Is Largest Contributor to Year-Over-Year Growth

The Utilities sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 33.7%. At the industry level, 4 of the 5 industries in this sector are expected to report year-over-year earnings growth. Three of these four industries are projected to report double-digit growth: Electric Utilities (59%), Independent Power and Renewable Electricity Producers (42%), and Gas Utilities (15%). On the other hand, the Multi-Utilities (-6%) industry is the only industry expected to report a (year-over-year) decline in earnings.

At the industry level, the Electric Utilities industry is predicted to be the largest contributor to earnings growth for the sector. If this industry were excluded, the Utilities sector would be projected to report a year-over-year decline in earnings of -0.3% rather than (year-over-year) earnings growth of 33.7%.

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

The Consumer Discretionary sector is expected to report the third-highest (year-over-year) earnings growth rate of all eleven sectors at 23.0%. At the industry level, 3 of the 9 industries in the sector are expected to report (year-over-year) earnings growth. Two of these three industries are projected to report a year-over-year increase in earnings of more than 100%: Broadline Retail (791%) and Hotels, Restaurants, & Leisure (128%). On the other hand, six industries are expected to report a (year-over-year) decline in earnings. Two of these six industries are predicted to report a decrease in earnings of 10% or more: Leisure Products (-52%) and Automobiles (-51%).

At the industry level, the Broadline Retail and Hotels, Restaurants, & Leisure industries are predicted to be the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would be projected to report a (year-over-year) decline in earnings of -20.5% instead of year-over-year earnings growth of 23.0%. On the other hand, the Automobiles industry is projected to be the largest detractor to earnings growth for the sector. If this industry were excluded, the estimated earnings growth rate for the Consumer Discretionary sector would improve to 53.9% from 23.0%

At the company level, Amazon.com ($0.79 vs. $0.03) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the Consumer Discretionary sector would be projected to report a (year-over-year) decline in earnings of -3.2% instead of earnings growth of 23.0%.

Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Decline

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -28.8%. At the sub-industry level, three of the five sub-industries in the sector are expected to report a (year-over-year) decrease in earnings: Oil & Gas Refining & Marketing (-60%), Integrated Oil & Gas (-33%), and Oil & Gas Exploration & Production (-12%). On the other hand, two sub-industries are predicted to report (year-over-year) earnings growth: Oil & Gas Equipment & Services (17%) and Oil & Gas Storage & Transportation (7%).

Health Care: Pfizer, Merck, and Moderna Are Largest Contributors to Year-Over-Year Decline

The Health Care sector (along with Materials sector) is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -20.3%. At the industry level, three of the five industries in this sector are predicted to report a year-over-year decline in earnings of 10% or more: Pharmaceuticals (-50%), Biotechnology (-18%), and Life Sciences, Tools, & Services (-11%). On the other hand, two industries are projected to report year-over-year earnings growth: Health Care Providers & Services (5%) and Health Care Equipment & Supplies (4%).

At the company level, Pfizer (-$0.21 vs. $1.14), Merck ($0.00 vs. $1.62), and Moderna (-$1.42 vs. $3.61) are the largest contributors to the earnings decline for the sector. If these three companies were excluded, the estimated earnings decline for the Health Care sector would improve to -1.2% from -20.3%.

Materials: 3 of 4 Industries Expected To Report Year-Over-Year Decline of More Than 15%

The Materials sector (along with the Health Care sector) is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -20.3%. 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 15%: Metals & Mining (-28%), Chemicals (-20%), and Containers & Packaging (-17%). On the other hand, the Construction Materials (30%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Revenue Growth: 3.1%

The estimated (year-over-year) revenue growth rate for Q4 2023 is 3.1%, which is below the 5-year average revenue growth rate of 7.7% and below the 10-year average revenue growth rate of 5.0%. If 3.1% is the actual revenue growth rate for the quarter, it will mark the 12th consecutive quarter of revenue growth for the index.

At the sector level, eight sectors are expected to report year-over-year growth in revenues, led by the Financials sector. On the other hand, three sectors are expected to report a year-over-year decline in revenues, led by the Energy and Materials sectors.

Financials: All 5 Industries Expected to Report Year-Over-Year Growth

The Financials sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 7.0%. At the industry level, all 5 industries in the sector are expected to report a year-over-year increase in revenues. Two of these five industries are projected to report revenue growth at or above 10%: Financials Services (10%) and Consumer Finance (10%).

Energy: 4 of 5 Sub-Industries Expected To Report Year-Over-Year Decline

The Energy sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -6.0%. At the sub-industry level, four of the five sub-industries in the sector are expected to report a (year-over-year) decrease in revenues: Oil & Gas Refining & Marketing (-10%), Oil & Gas Exploration & Production (-9%), Integrated Oil & Gas (-5%), and Oil & Gas Storage & Transportation (-1%). On the other hand, the Oil & Gas Equipment & Services (12%) sub-industry is the only sub-industry predicted to report (year-over-year) revenue growth in the sector.

Materials: Metals & Mining and Chemicals Industries Lead Year-Over-Year Decline

The Materials sector is expected to report the second-highest (year-over-year) decline in revenues at -5.6%. At the industry level, three of the four industries in the sector are predicted to report a (year-over-year) decrease in revenues: Metals & Mining (-7%), Chemicals (-6%), and Containers & Packaging (-4%). On the other hand, the Construction Materials (12%) industry is the only industry expected to report a year-over-year growth in revenues.

Net Profit Margin: 11.0%

The estimated net profit margin for the S&P 500 for Q4 2023 is 11.0%, which is below the previous quarter's net profit margin of 12.2%, below the 5-year average of 11.4%, and below the year-ago net profit margin of 11.2%.

At the sector level, four sectors are expected to report a year-over-year increase in their net profit margins in Q4 2023 compared to Q4 2022, led by the Utilities (12.4% vs. 9.1%) and Communication Services (11.7% vs. 8.8%) sectors. On the other hand, seven sectors are expected to report a year-over-year decrease in their net profit margins in Q4 2023 compared to Q4 2022, led by the Energy (9.8% vs. 13.0%) sector.

Five sectors are expected to report net profit margins in Q4 2023 that are above their 5-year averages, led by the Information Technology (25.2% vs. 23.1%) sector. On the other hand, six sectors are expected to report net profit margins in Q4 2023 that are below their 5-year averages, led by the Health Care (7.2% vs. 10.3%) sector.

Forward Estimates and Valuation

Earnings: S&P 500 Expected to Report Earnings Growth of 12% for CY 2024

For the fourth quarter, S&P 500 companies are expected to report year-over-year growth in earnings of 1.3% and year-over-year growth in revenues of 3.1%. For CY 2023, S&P 500 companies are expected to report year-over-year growth in earnings of 0.8% and year-over-year growth in revenues of 2.3%

For Q1 2024, analysts are projecting earnings growth of 6.0% and revenue growth of 4.1%.

For Q2 2024, analysts are projecting earnings growth of 10.6% and revenue growth of 5.0%.

For Q3 2024, analysts are projecting earnings growth of 8.6% and revenue growth of 5.3%.

For Q4 2024, analysts are projecting earnings growth of 19.0% and revenue growth of 5.8%.

For CY 2024, analysts are projecting earnings growth of 11.8% and revenue growth of 5.5%.

Valuation: Forward P/E Ratio is 19.2, Above the 10-Year Average (17.6)

The forward 12-month P/E ratio for the S&P 500 is 19.2. This P/E ratio is above the 5-year average of 18.9 and above the 10-year average of 17.6. It is also above the forward 12-month P/E ratio of 17.8 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 9.3%, while the forward 12-month EPS estimate has increased by 1.6%. At the sector level, the Information Technology (25.5) and Consumer Discretionary (24.4) sectors have the highest forward 12-month P/E ratios, while the Energy (11.1) and Financials (14.6) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 23.2, which is above the 5-year average of 22.5 and above the 10-year average of 20.9.

Targets & Ratings: Analysts Project 10% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 5152.95, which is 9.9% above the closing price of 4688.68. At the sector level, the Energy (+19.1%) 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 (+4.9%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

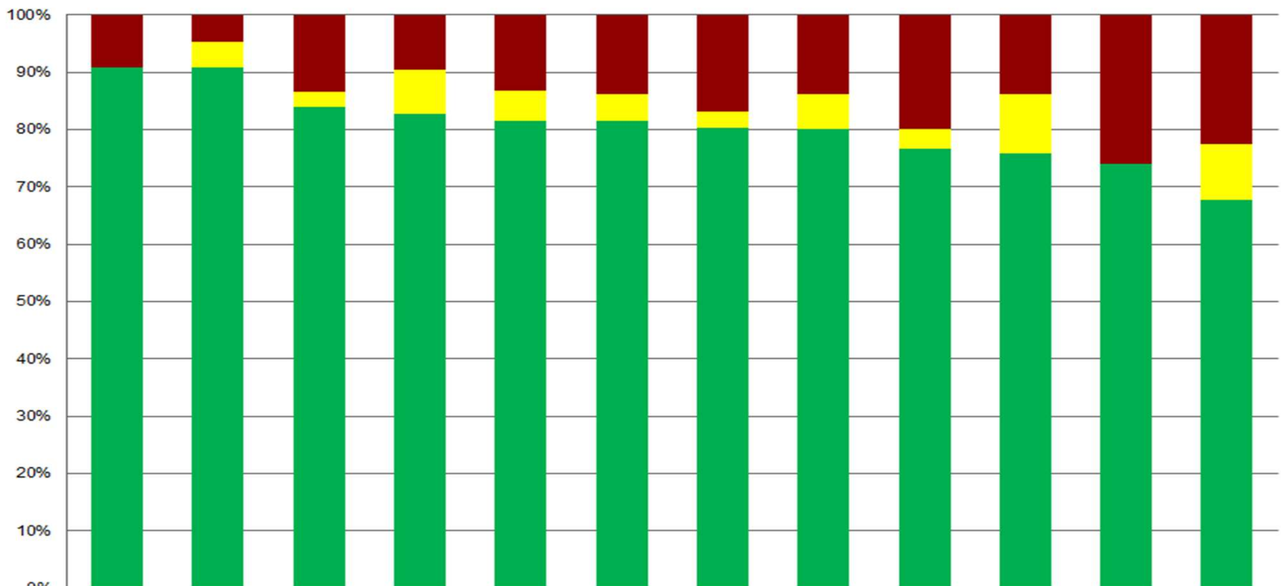
Overall, there are 11,357 ratings on stocks in the S&P 500. Of these 11,357 ratings, 55.0% are Buy ratings, 39.7% are Hold ratings, and 5.3% are Sell ratings. At the sector level, the Energy (64%) and Communication Service (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (46%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 8

During the upcoming week, 8 S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the fourth quarter.

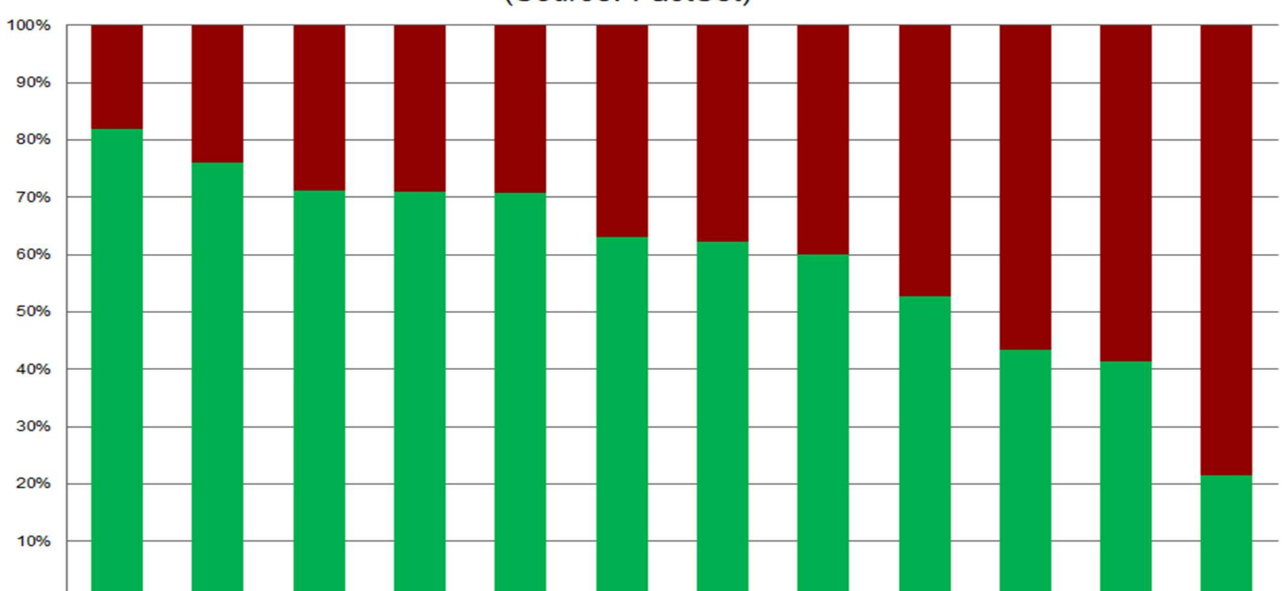
Q3 2023: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q3 2023
(Source: FactSet)



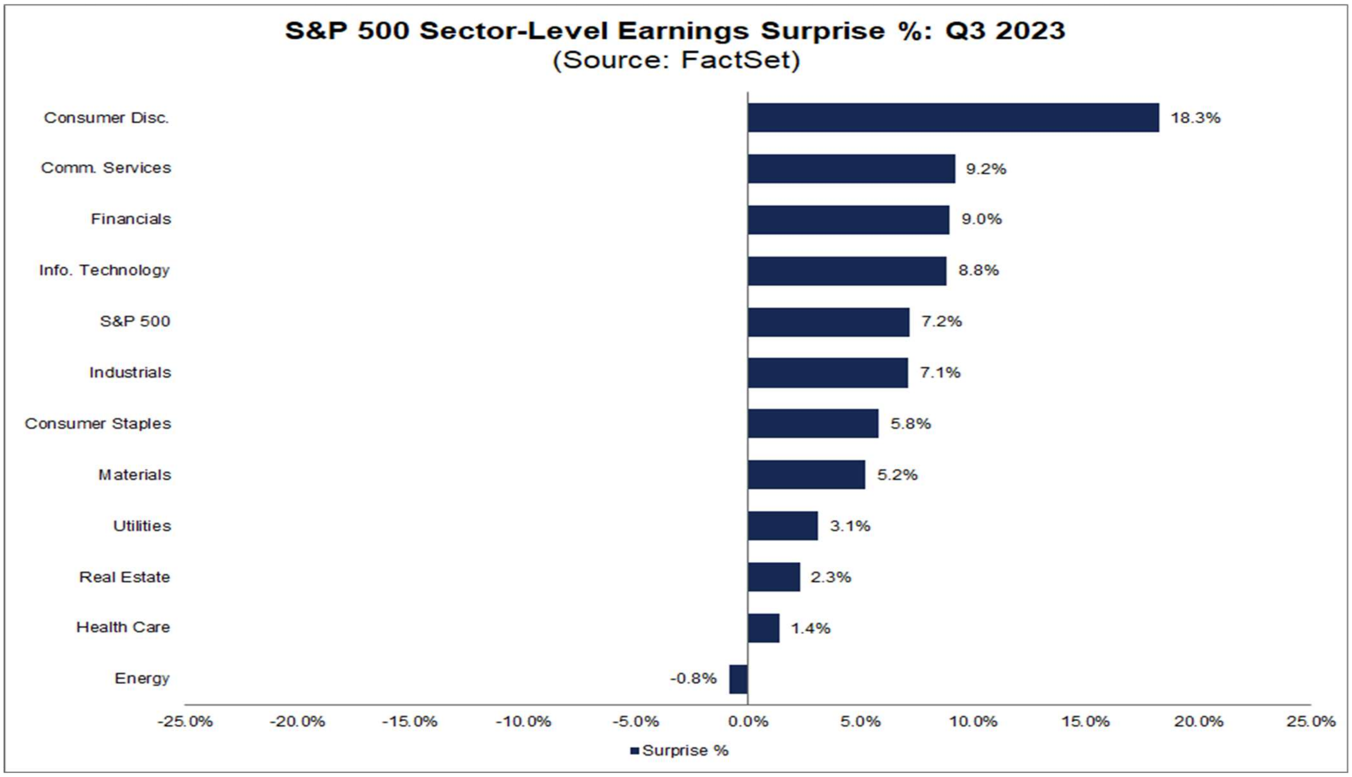
	Comm. Services	Info. Technology	Industrials	Consumer Disc.	Consumer Staples	S&P 500	Financials	Health Care	Utilities	Materials	Energy	Real Estate
Below	9%	5%	13%	10%	13%	14%	17%	14%	20%	14%	26%	23%
In-Line	0%	5%	3%	8%	5%	5%	3%	6%	3%	10%	0%	10%
Above	91%	91%	84%	83%	82%	81%	80%	80%	77%	76%	74%	68%

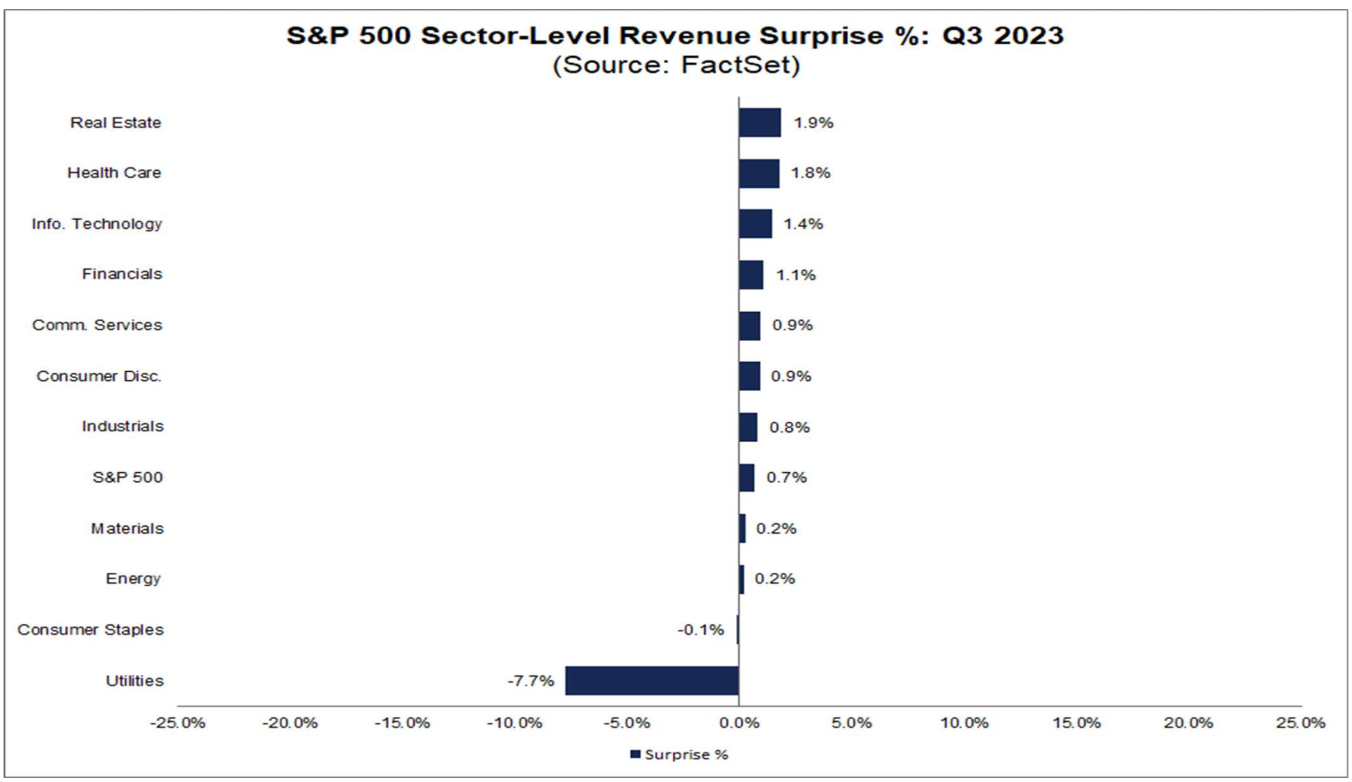
S&P 500 Revenues Above, In-Line, Below Estimates: Q3 2023
(Source: FactSet)



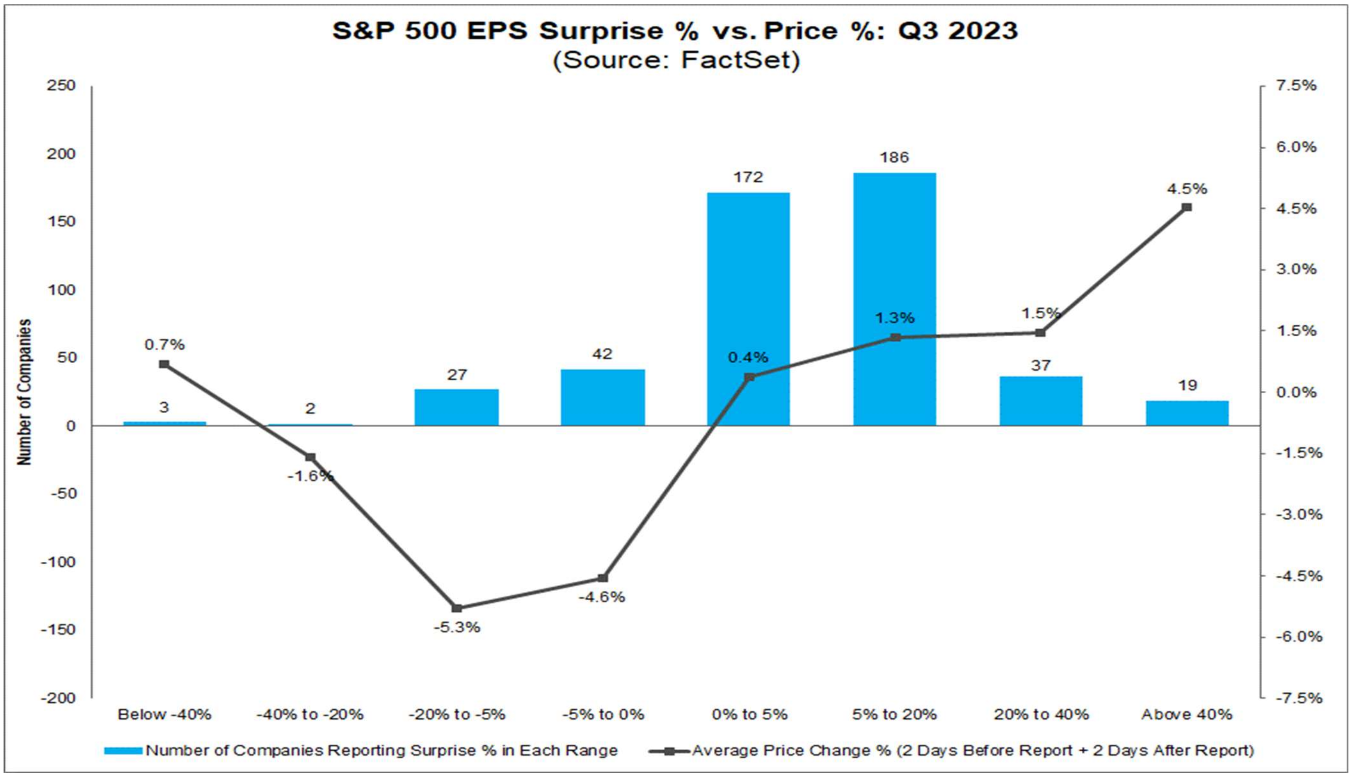
	Comm. Services	Financials	Consumer Disc.	Real Estate	Info. Technology	Health Care	S&P 500	Industrials	Consumer Staples	Energy	Materials	Utilities
Below	18%	24%	29%	29%	29%	37%	38%	40%	47%	57%	59%	79%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	82%	76%	71%	71%	71%	63%	62%	60%	53%	43%	41%	21%

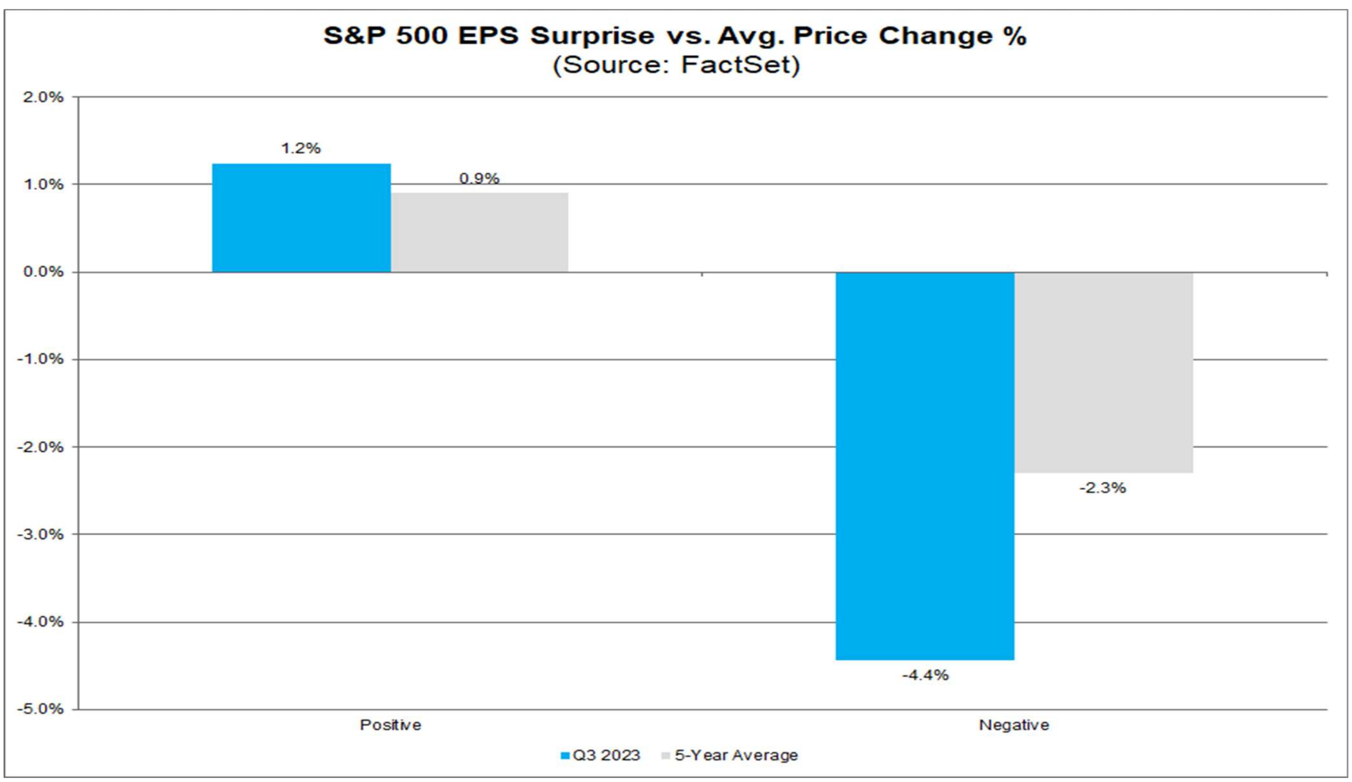
Q3 2023: Scorecard



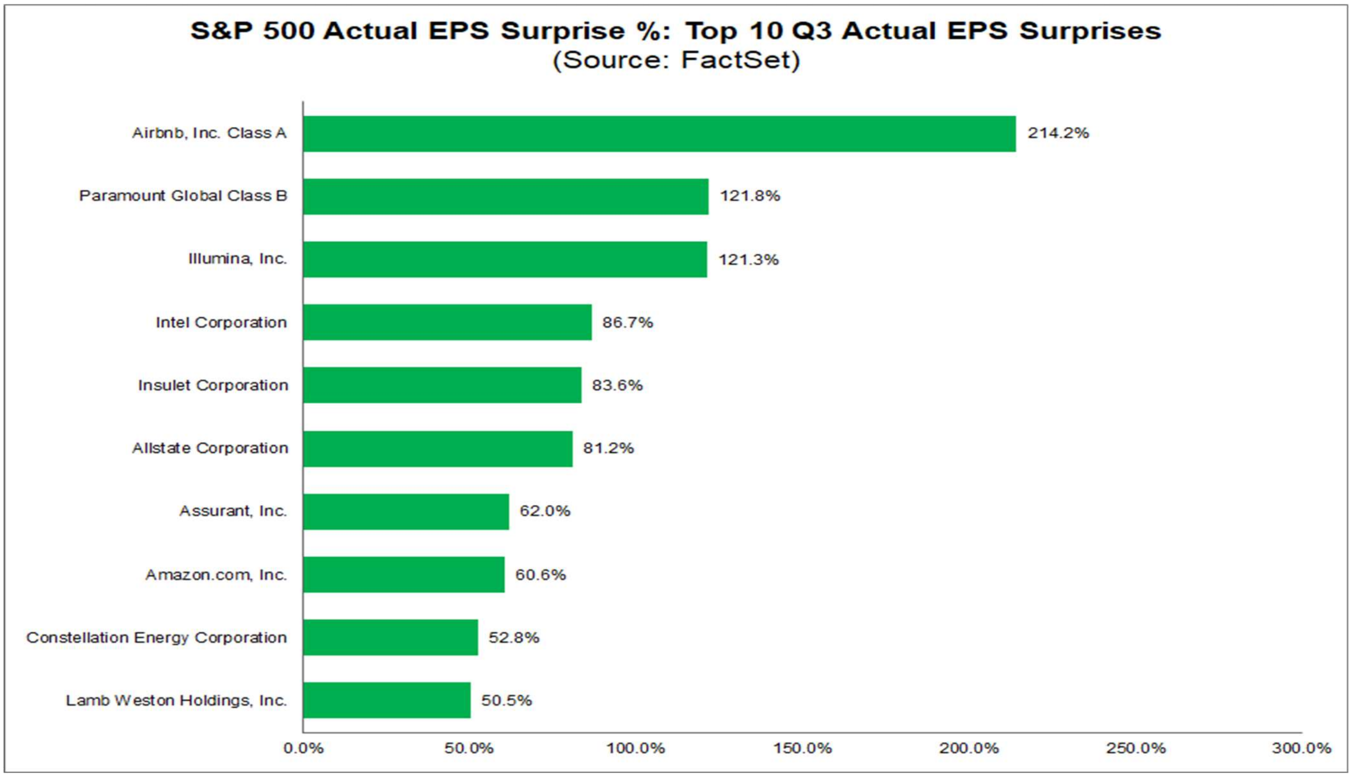


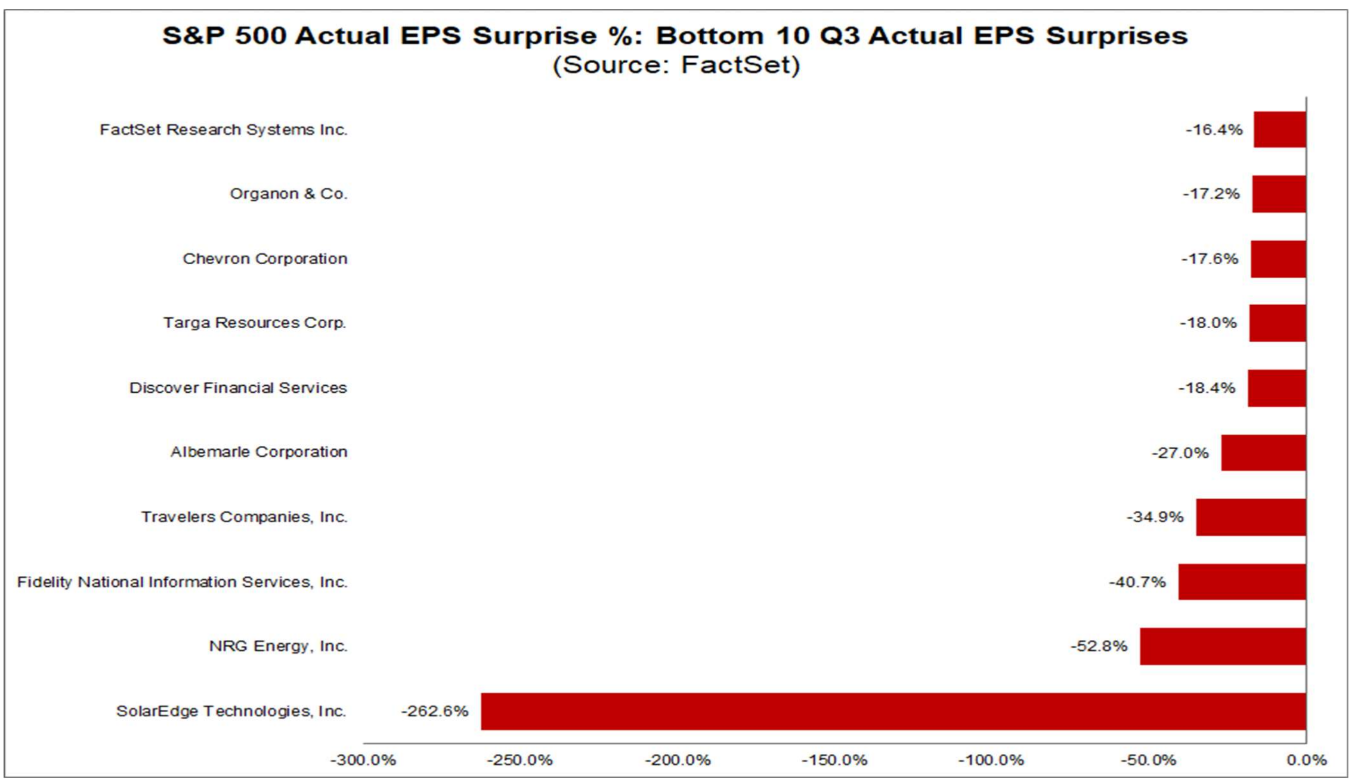
Q3 2023: Scorecard



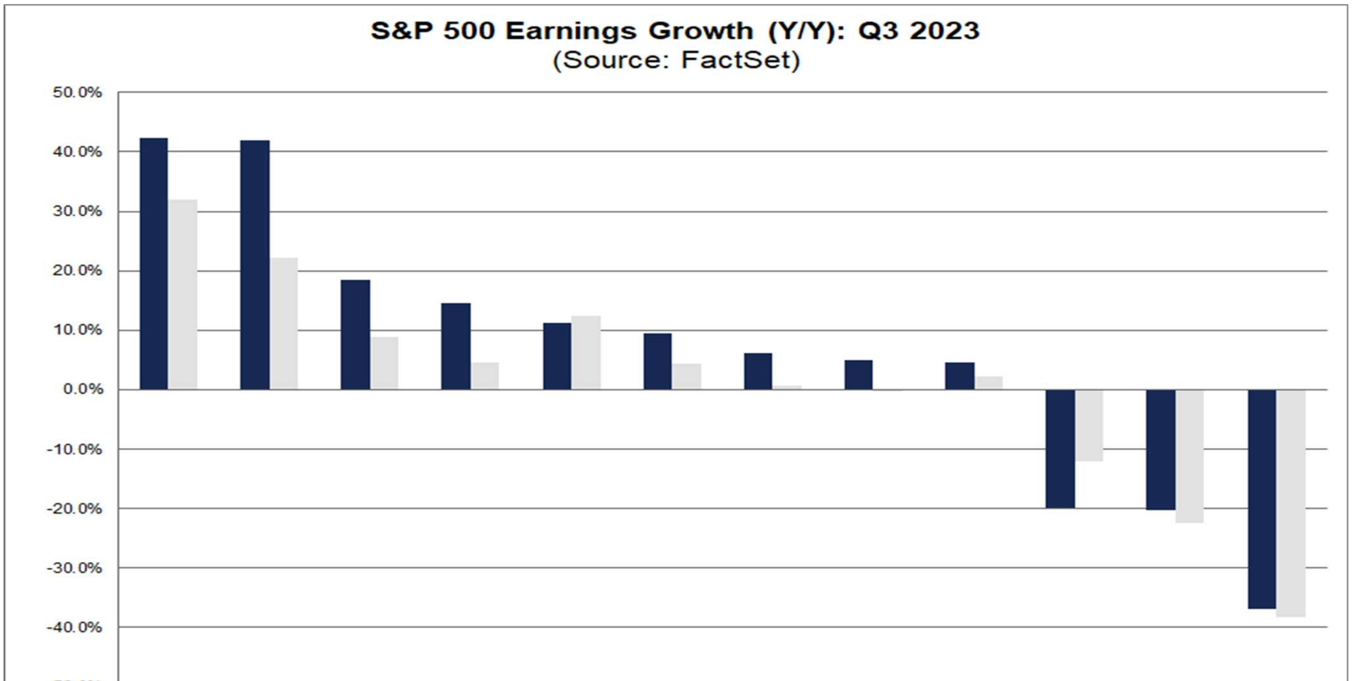


Q3 2023: Scorecard

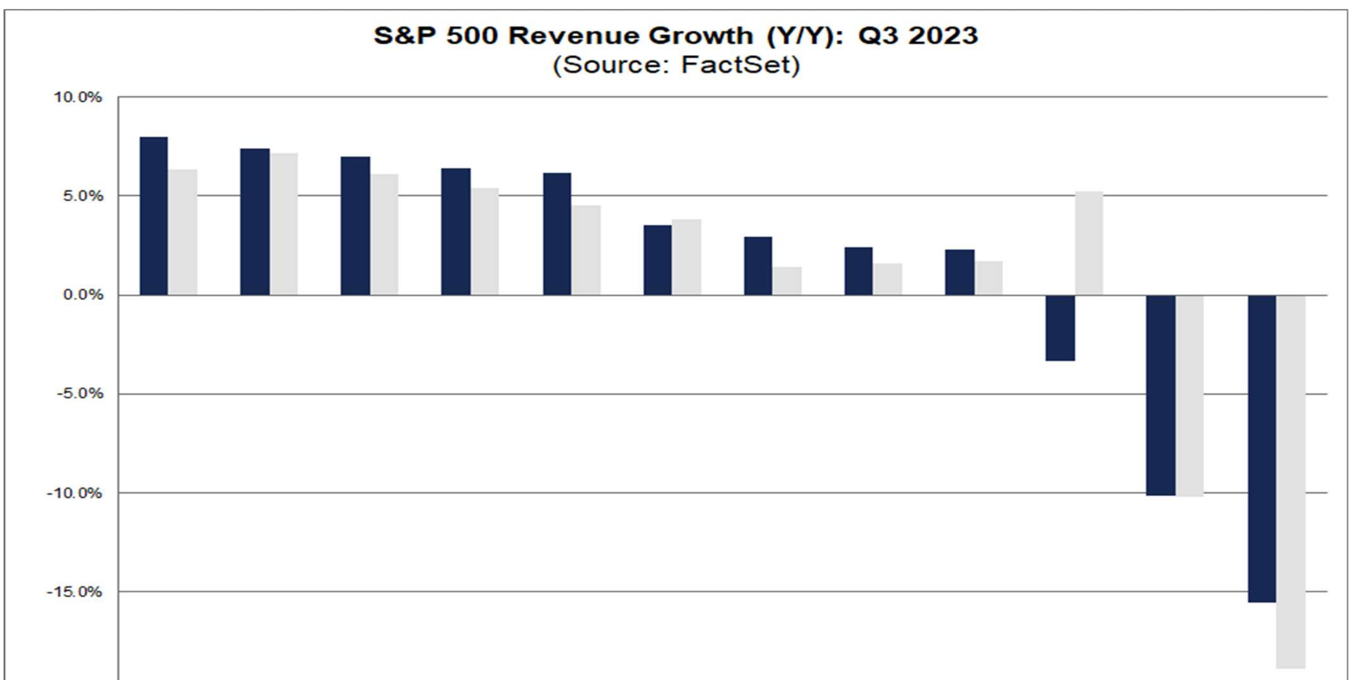




Q3 2023: Growth

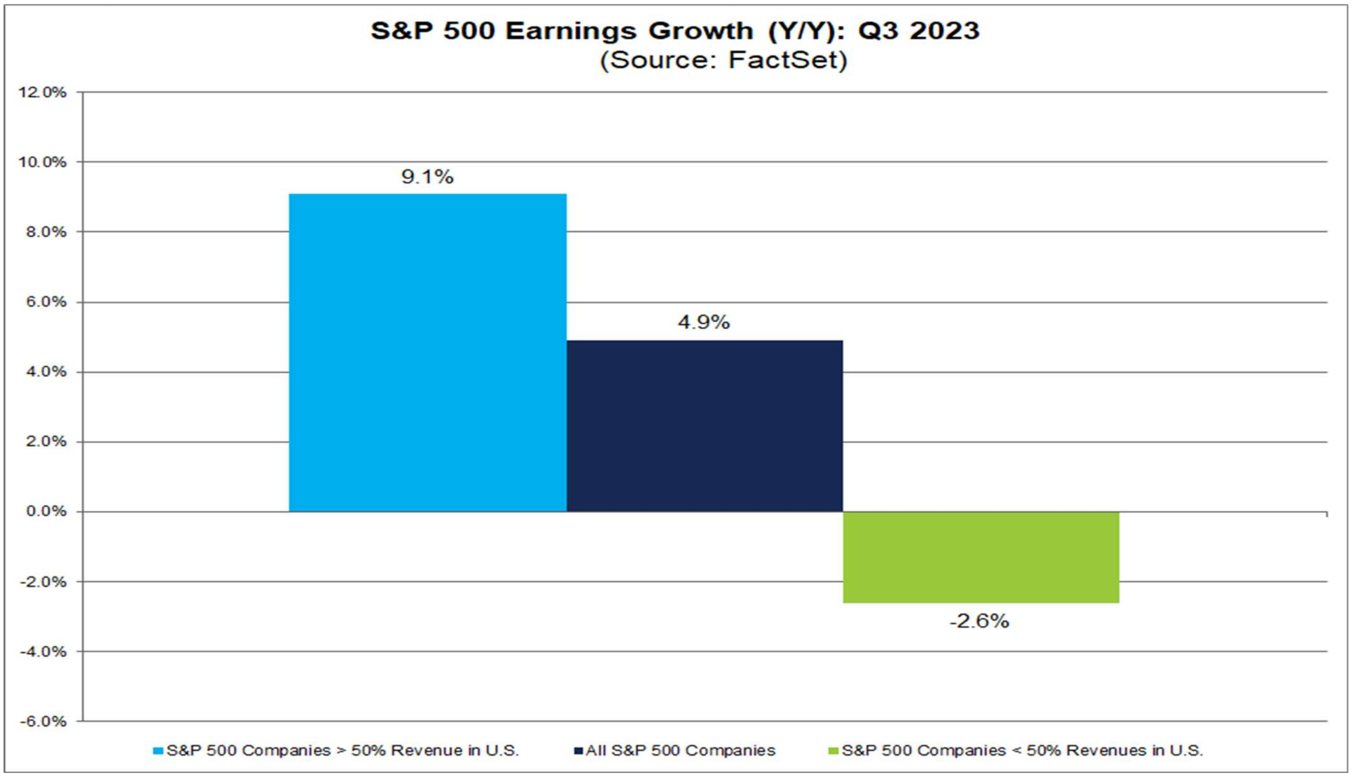


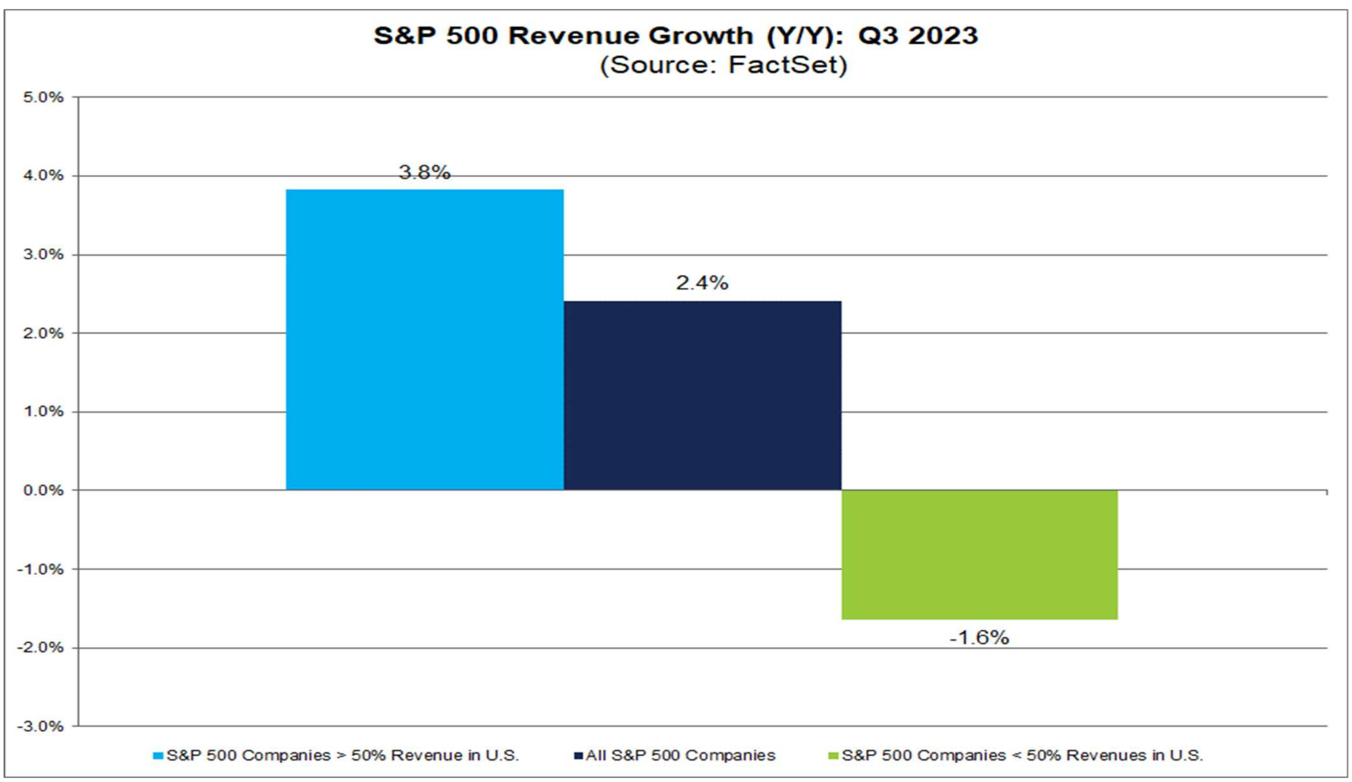
	Comm. Services	Consumer Disc.	Financials	Info. Technology	Utilities	Industrials	Consumer Staples	S&P 500	Real Estate	Health Care	Materials	Energy
Today	42.4%	41.9%	18.4%	14.5%	11.3%	9.5%	6.1%	4.9%	4.5%	-19.9%	-20.3%	-36.9%
30-Sep	32.0%	22.1%	8.9%	4.6%	12.4%	4.3%	0.7%	-0.3%	2.2%	-12.0%	-22.4%	-38.2%



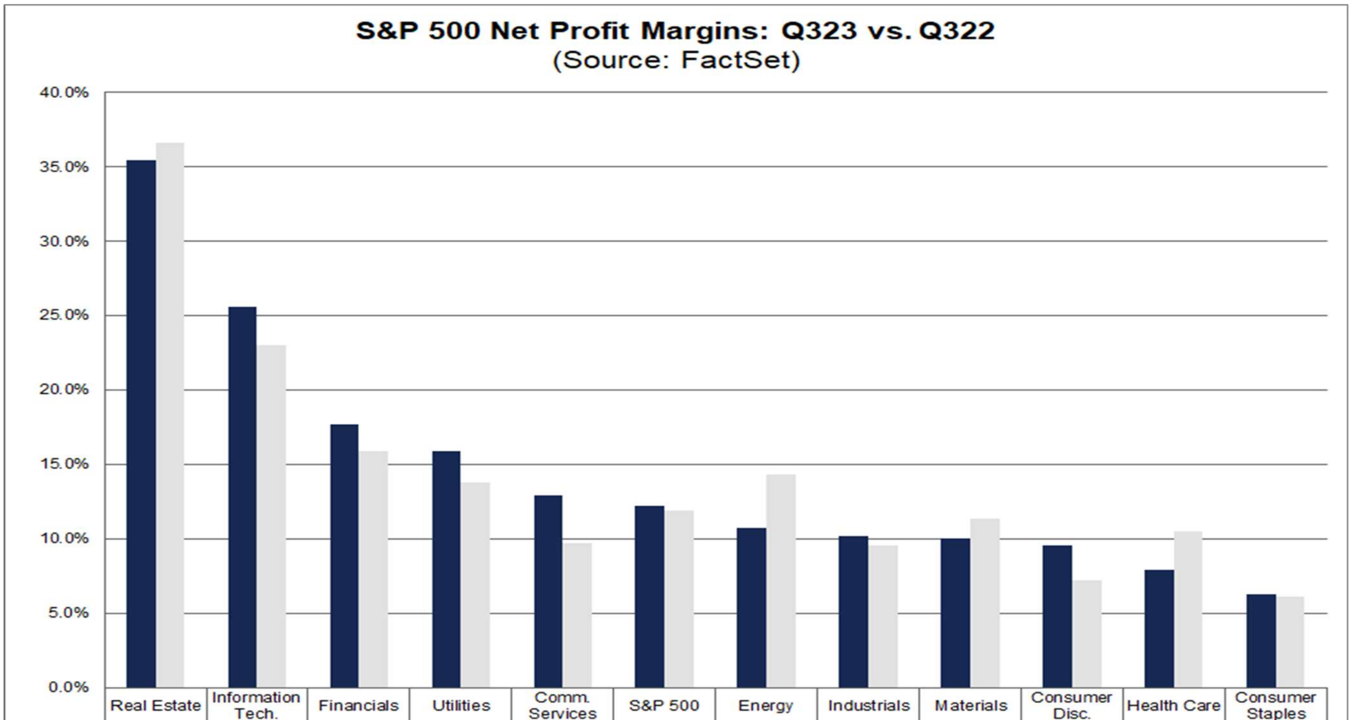
	Real Estate	Consumer Disc.	Comm. Services	Financials	Health Care	Consumer Staples	Info. Technology	S&P 500	Industrials	Utilities	Materials	Energy
Today	8.0%	7.4%	7.0%	6.4%	6.2%	3.5%	2.9%	2.4%	2.3%	-3.3%	-10.2%	-15.5%
30-Sep	6.4%	7.2%	6.1%	5.4%	4.5%	3.8%	1.4%	1.6%	1.7%	5.2%	-10.2%	-18.9%

Q3 2023: Growth

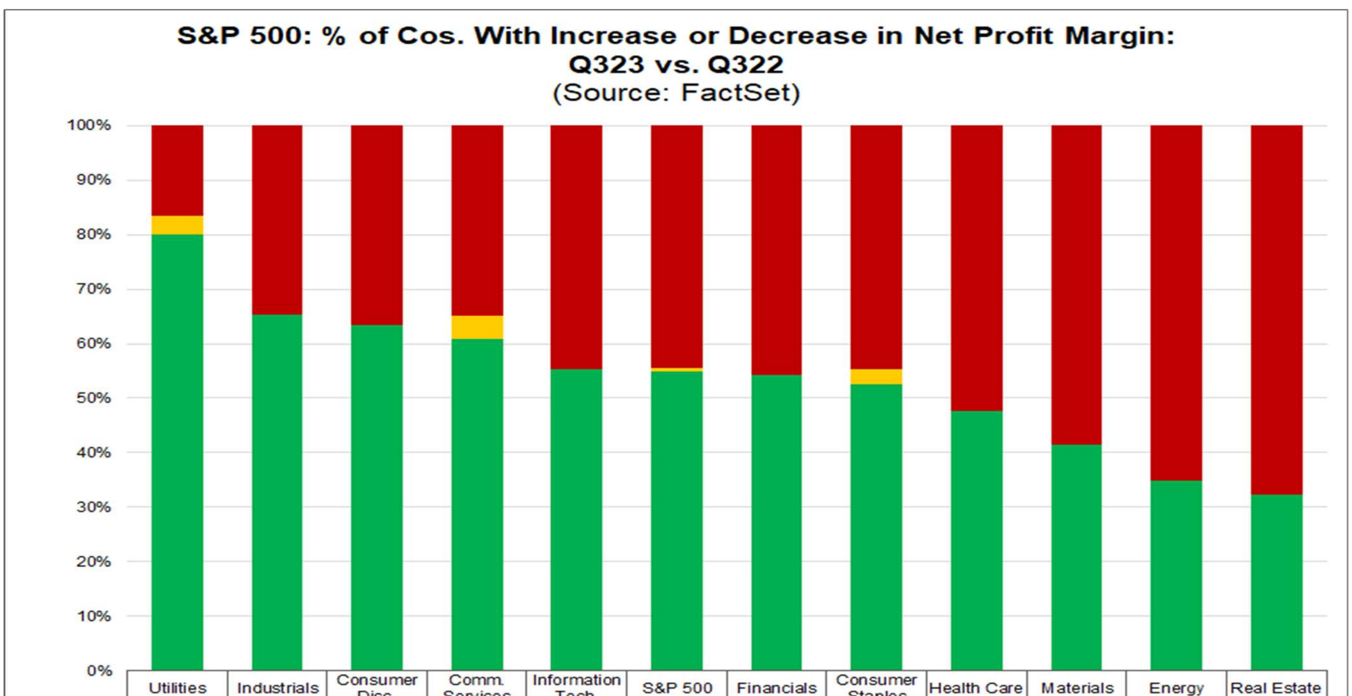




Q3 2023: Net Profit Margin

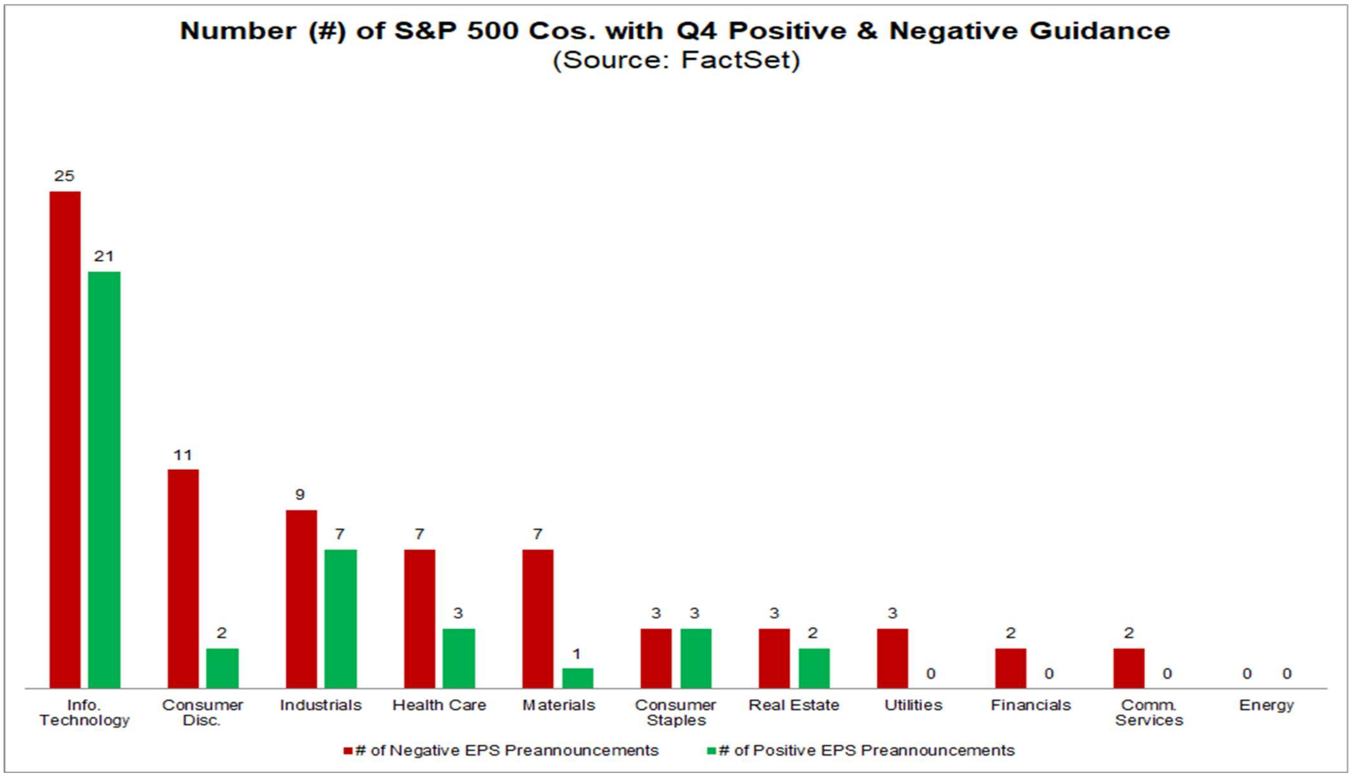


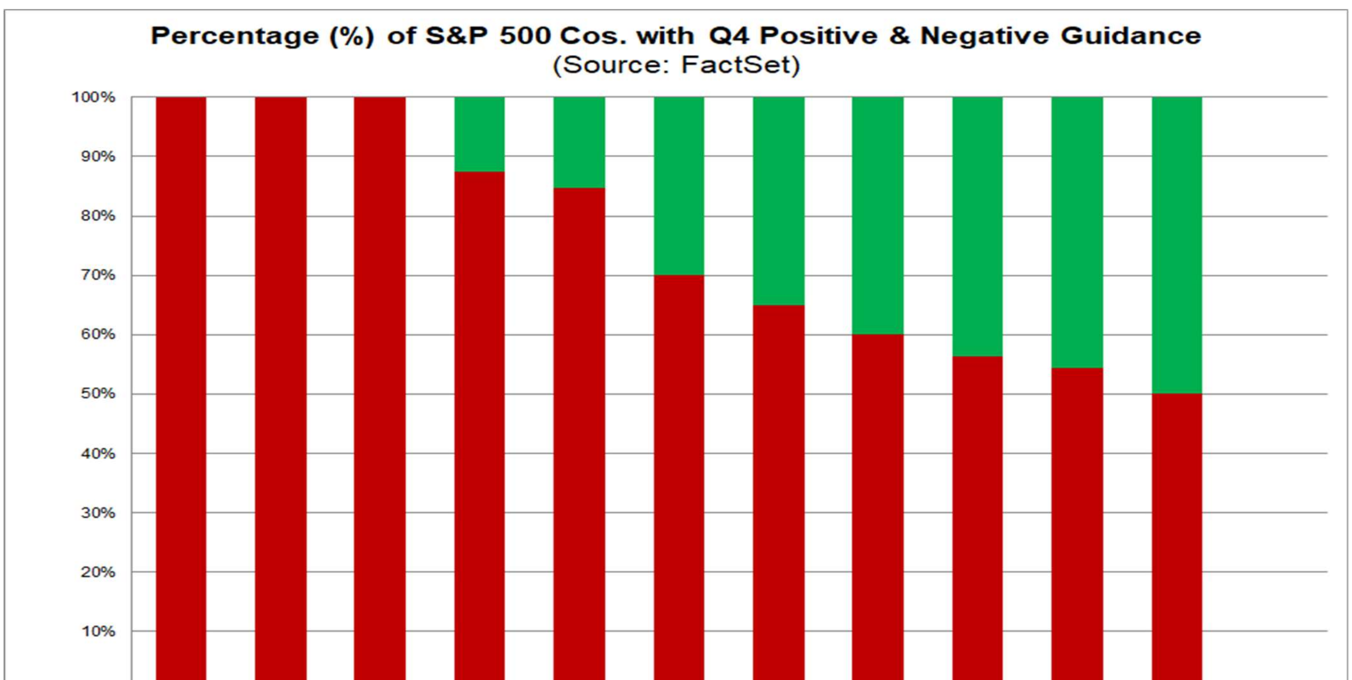
	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Energy	Industrials	Materials	Consumer Disc.	Health Care	Consumer Staples
Q323	35.4%	25.5%	17.7%	15.9%	12.9%	12.2%	10.7%	10.2%	10.0%	9.5%	7.9%	6.3%
Q322	36.6%	23.0%	15.9%	13.7%	9.7%	11.9%	14.4%	9.5%	11.3%	7.2%	10.5%	6.1%



	Utilities	Industrials	Consumer Disc.	Comm. Services	Information Tech.	S&P 500	Financials	Consumer Staples	Health Care	Materials	Energy	Real Estate
Down %	17%	35%	37%	35%	45%	45%	46%	45%	52%	59%	65%	68%
None %	3%	0%	0%	4%	0%	1%	0%	3%	0%	0%	0%	0%
Up %	80%	65%	63%	61%	55%	55%	54%	53%	48%	41%	35%	32%

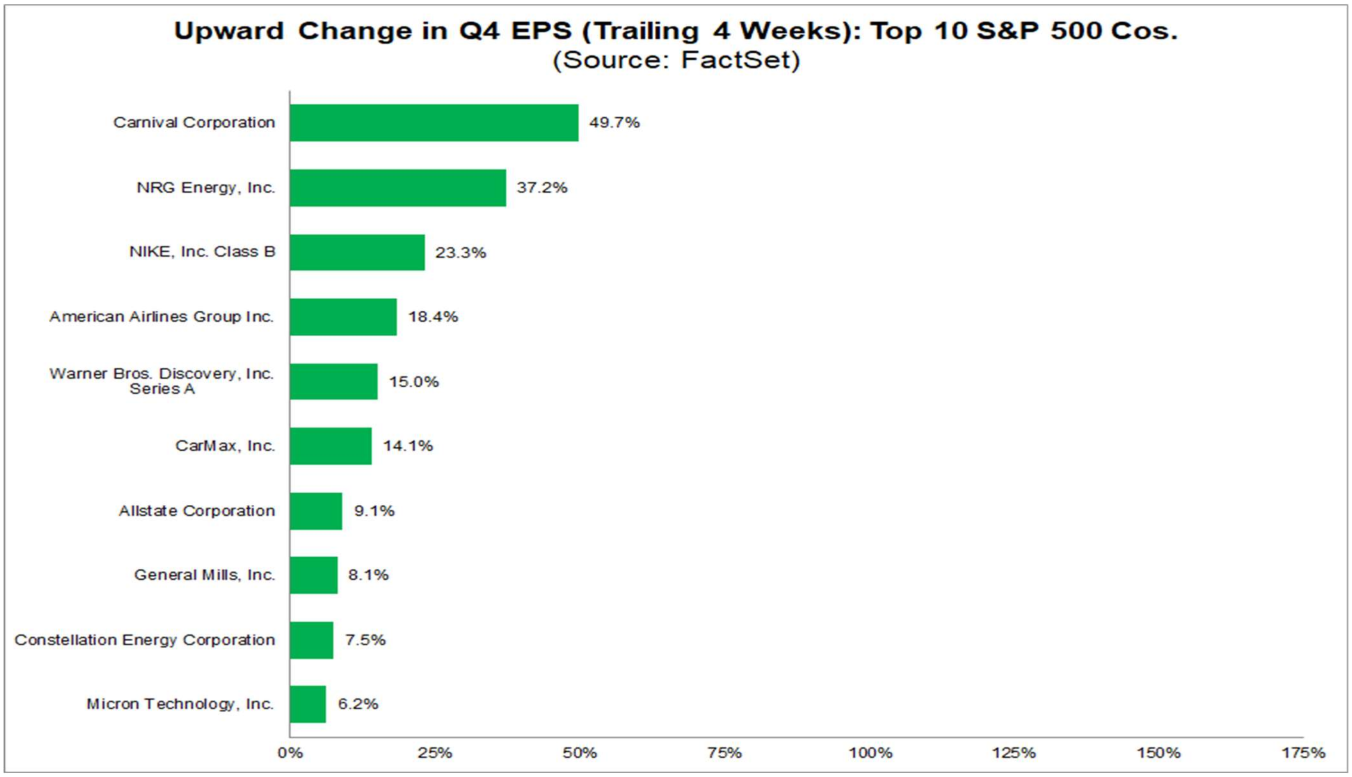
Q4 2023: Guidance

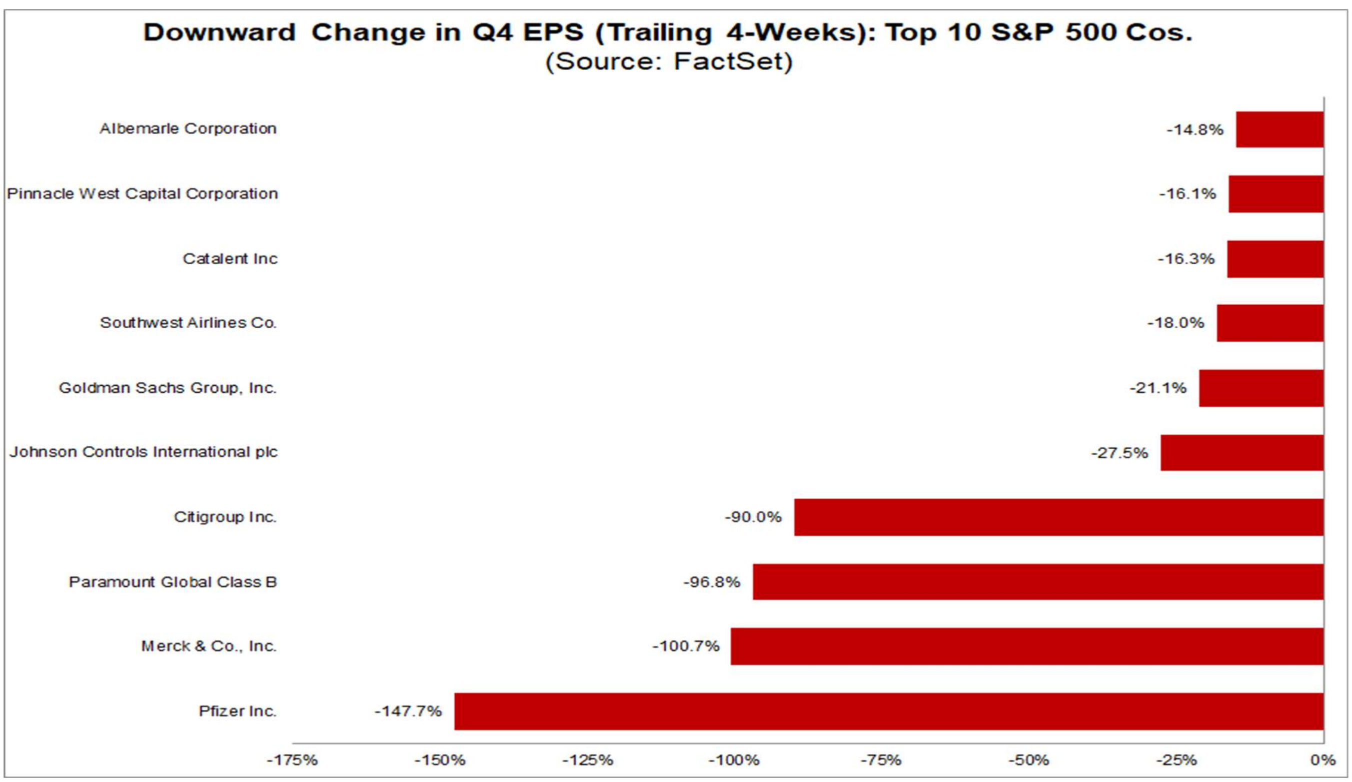




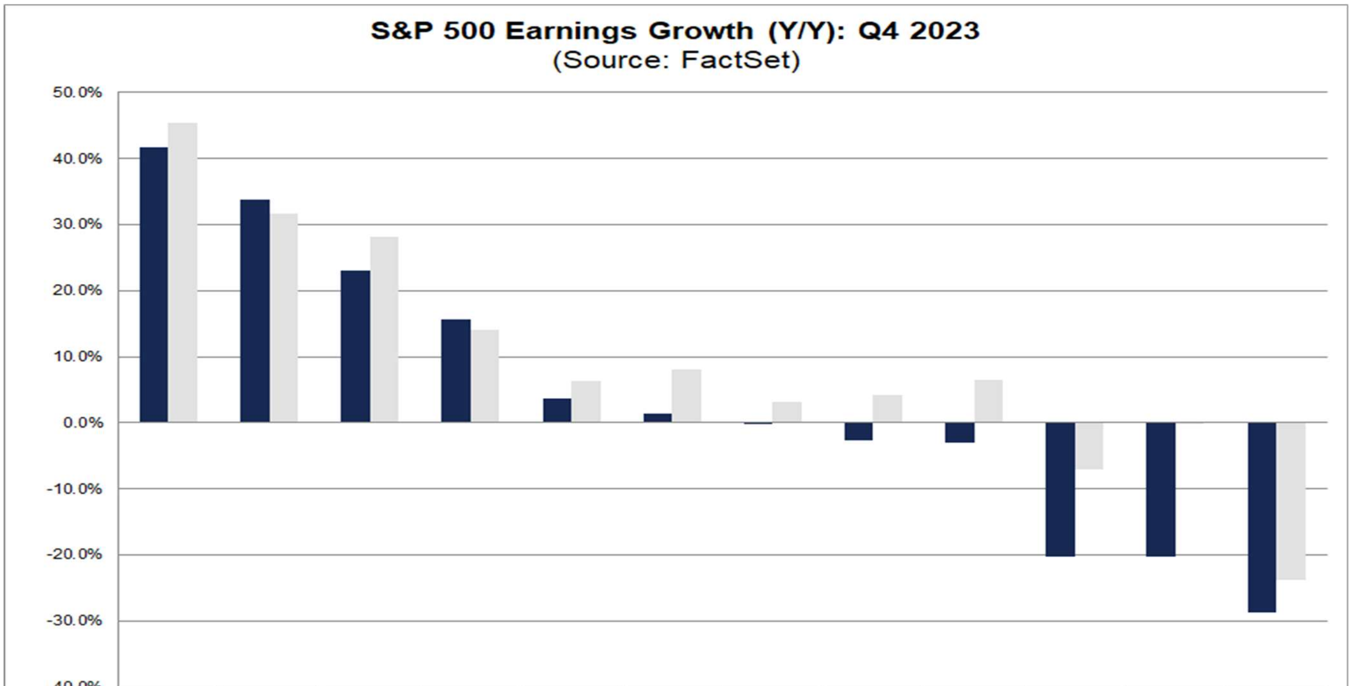
	Utilities	Comm. Services	Financials	Materials	Consumer Disc.	Health Care	S&P 500	Real Estate	Industrials	Info. Technology	Consumer Staples	Energy
Positive	0%	0%	0%	13%	15%	30%	35%	40%	44%	46%	50%	0%
Negative	100%	100%	100%	88%	85%	70%	65%	60%	56%	54%	50%	0%

Q4 2023: EPS Revisions

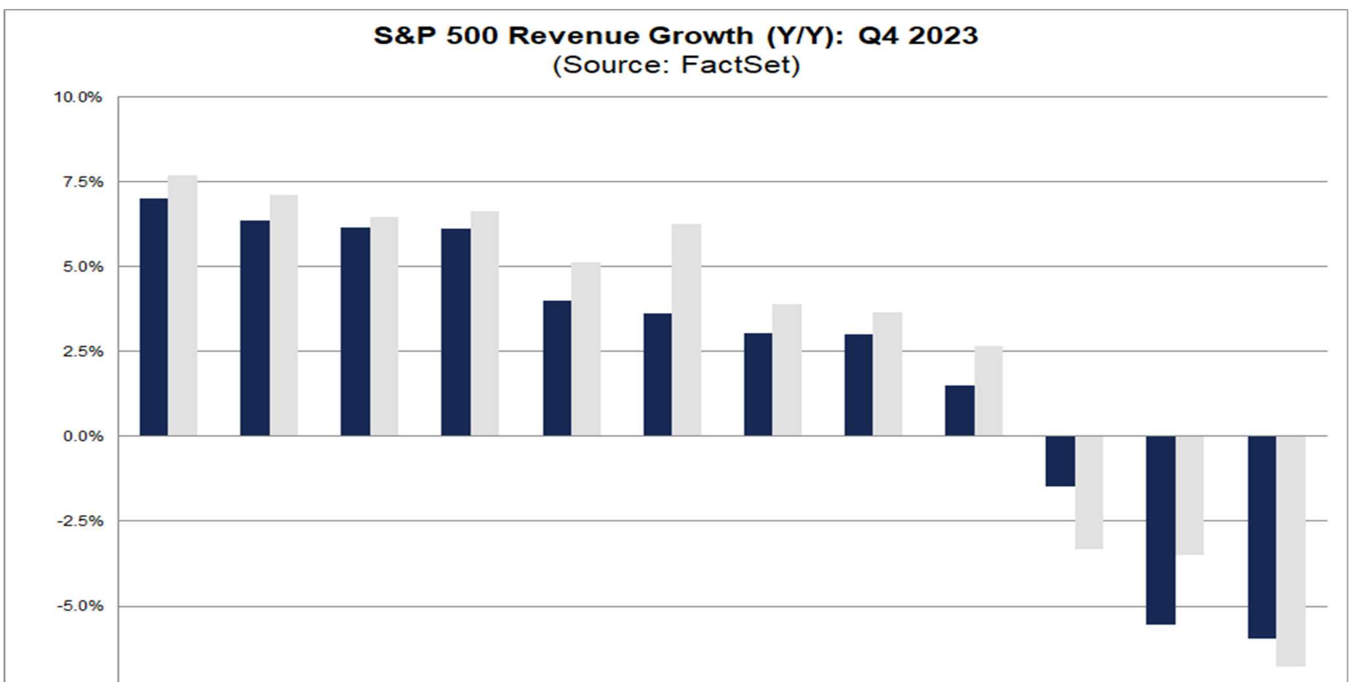




Q4 2023: Growth

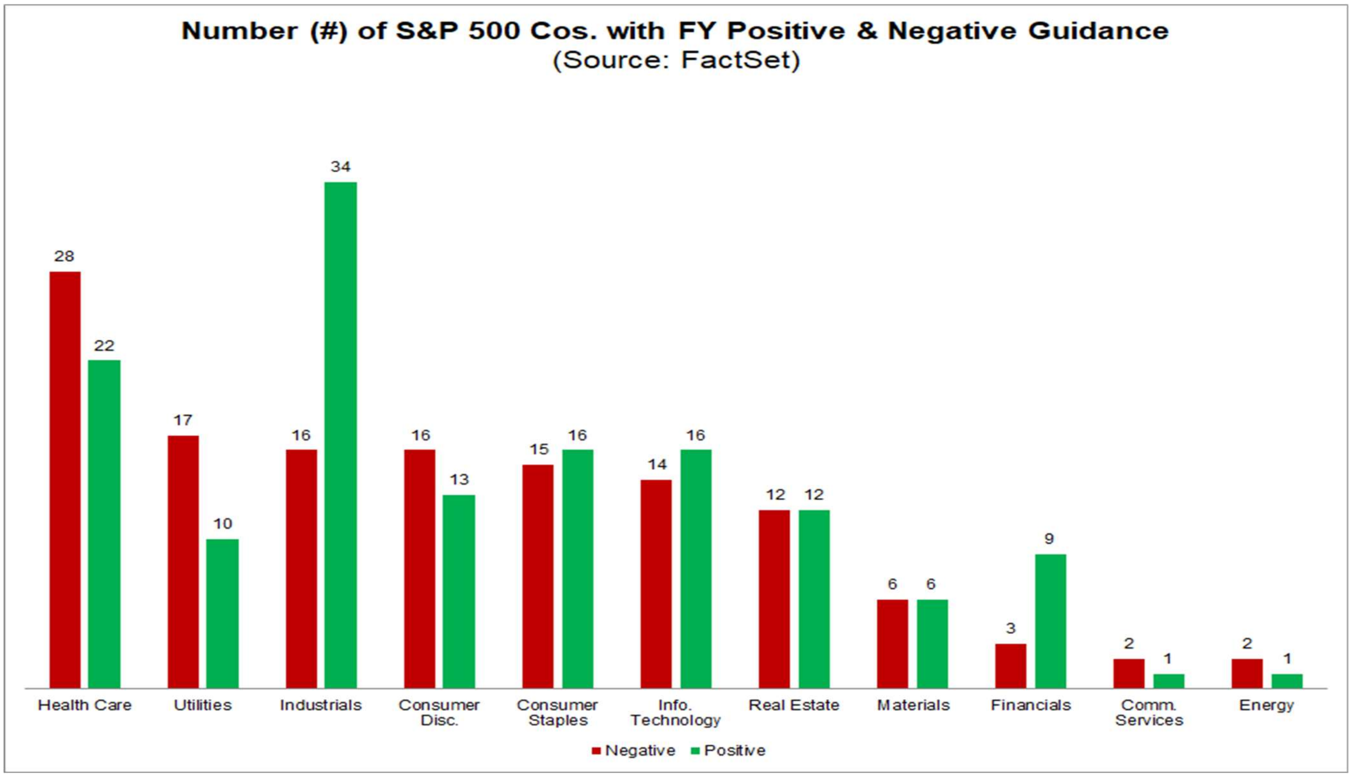


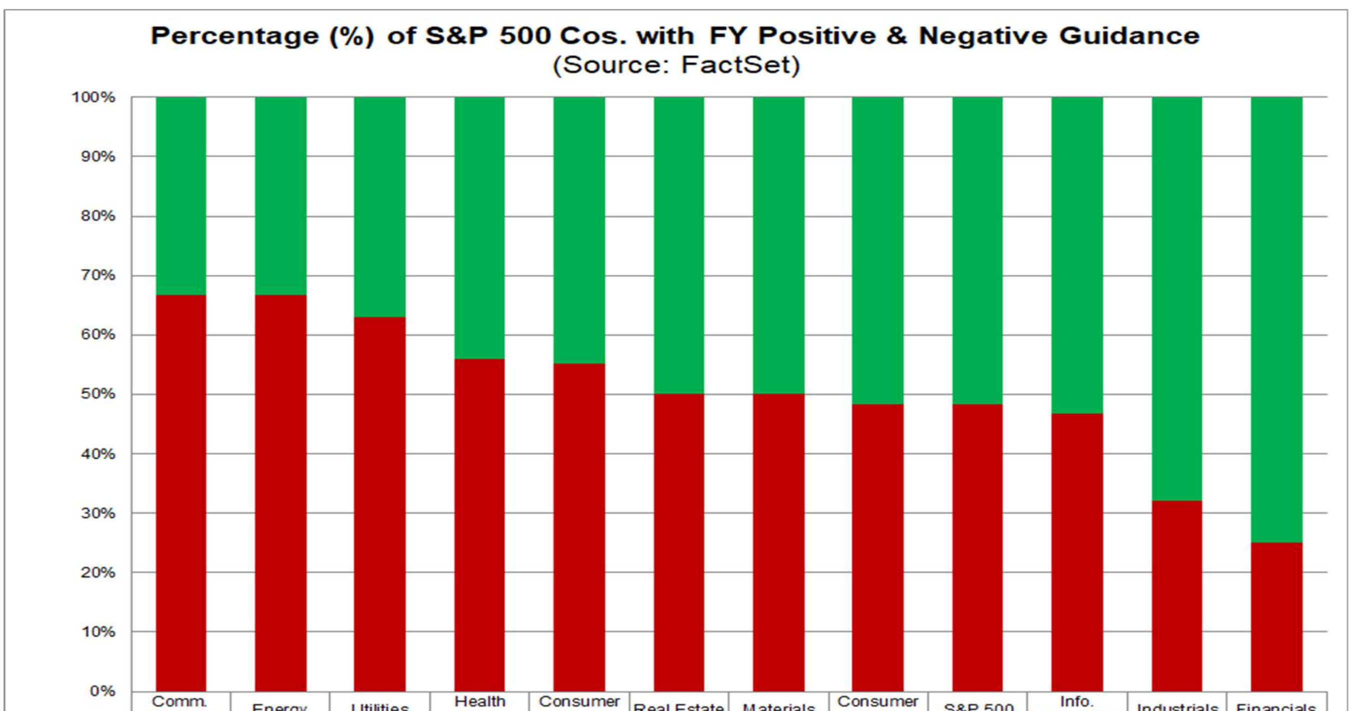
	Comm. Services	Utilities	Consumer Disc.	Info. Technology	Real Estate	S&P 500	Consumer Staples	Industrials	Financials	Materials	Health Care	Energy
Today	41.6%	33.7%	23.0%	15.6%	3.7%	1.3%	-0.1%	-2.7%	-3.1%	-20.3%	-20.3%	-28.8%
30-Sep	45.5%	31.7%	28.2%	14.0%	6.4%	8.0%	3.1%	4.1%	6.4%	-7.1%	0.0%	-23.9%



	Financials	Real Estate	Comm. Services	Info. Technology	Health Care	Consumer Disc.	S&P 500	Consumer Staples	Industrials	Utilities	Materials	Energy
Today	7.0%	6.4%	6.1%	6.1%	4.0%	3.6%	3.1%	3.0%	1.5%	-1.5%	-5.6%	-6.0%
30-Sep	7.7%	7.1%	6.5%	6.6%	5.1%	6.3%	3.9%	3.7%	2.7%	-3.3%	-3.5%	-6.8%

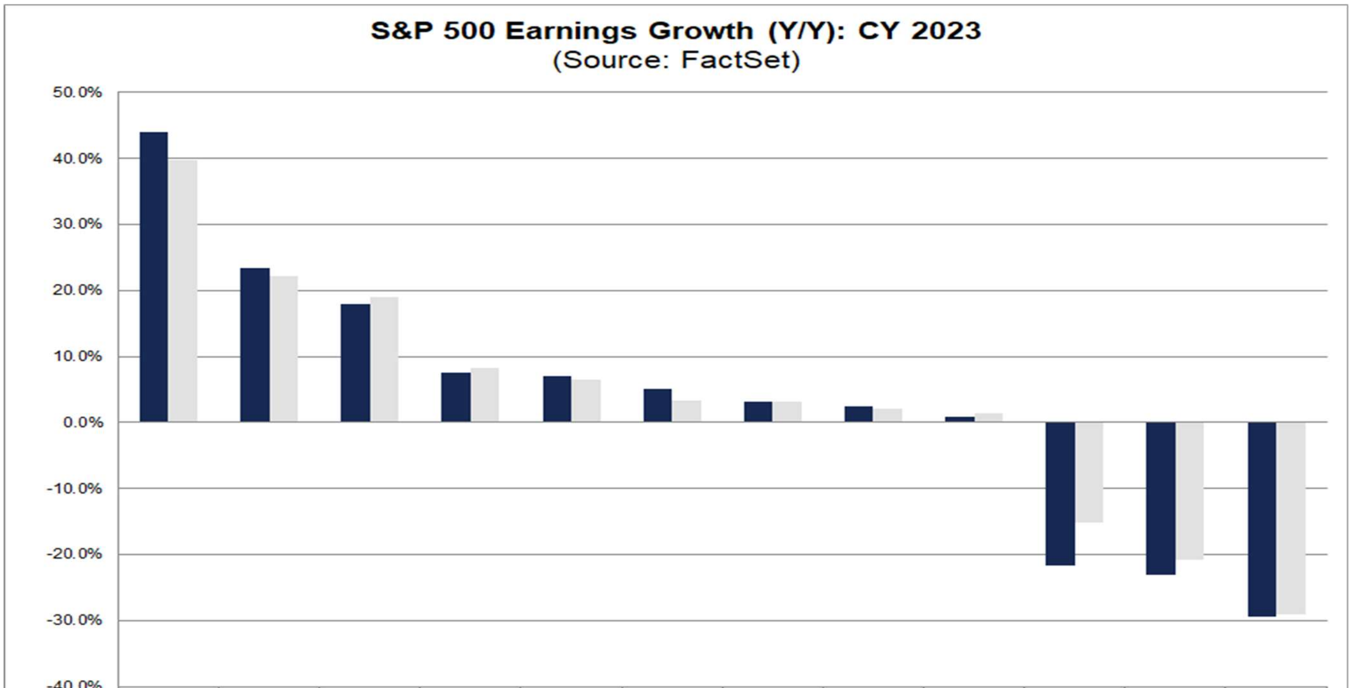
FY 2023 / 2024: EPS Guidance



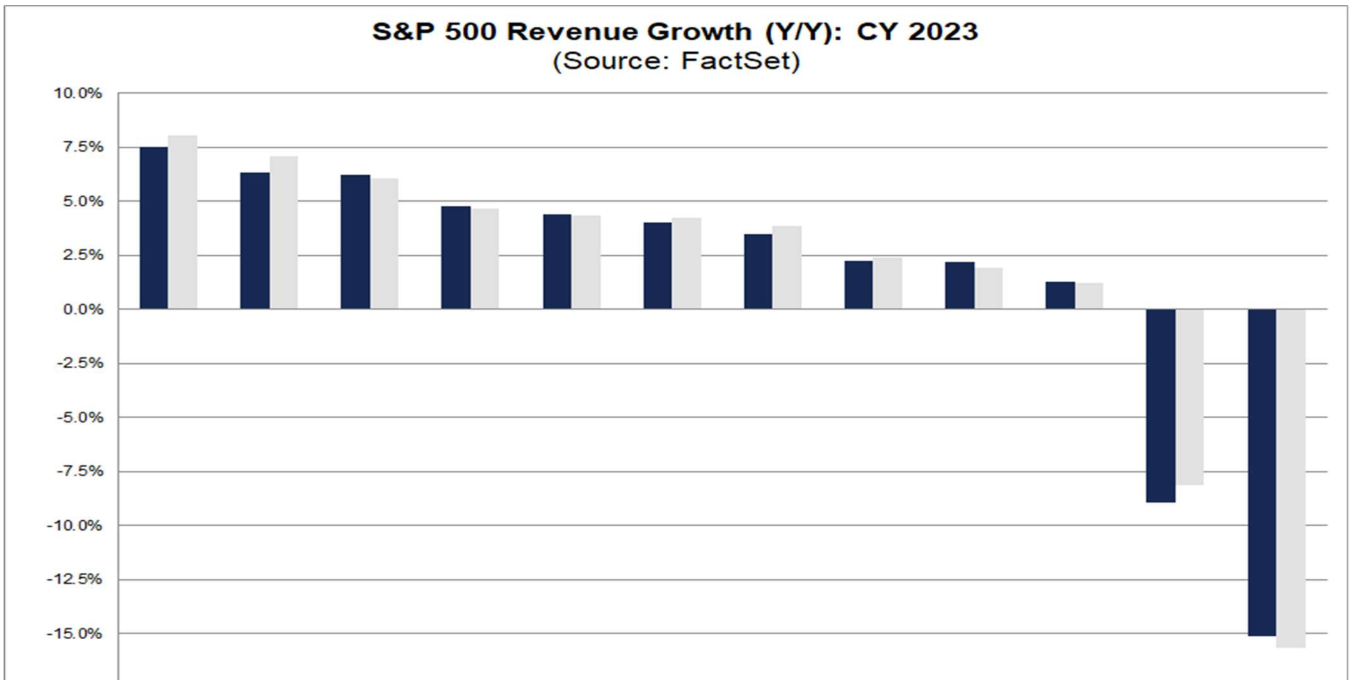


	Comm. Services	Energy	Utilities	Health Care	Consumer Disc.	Real Estate	Materials	Consumer Staples	S&P 500	Info. Technology	Industrials	Financials
Positive	33%	33%	37%	44%	45%	50%	50%	52%	52%	53%	68%	75%
Negative	67%	67%	63%	56%	55%	50%	50%	48%	48%	47%	32%	25%

CY 2023: Growth

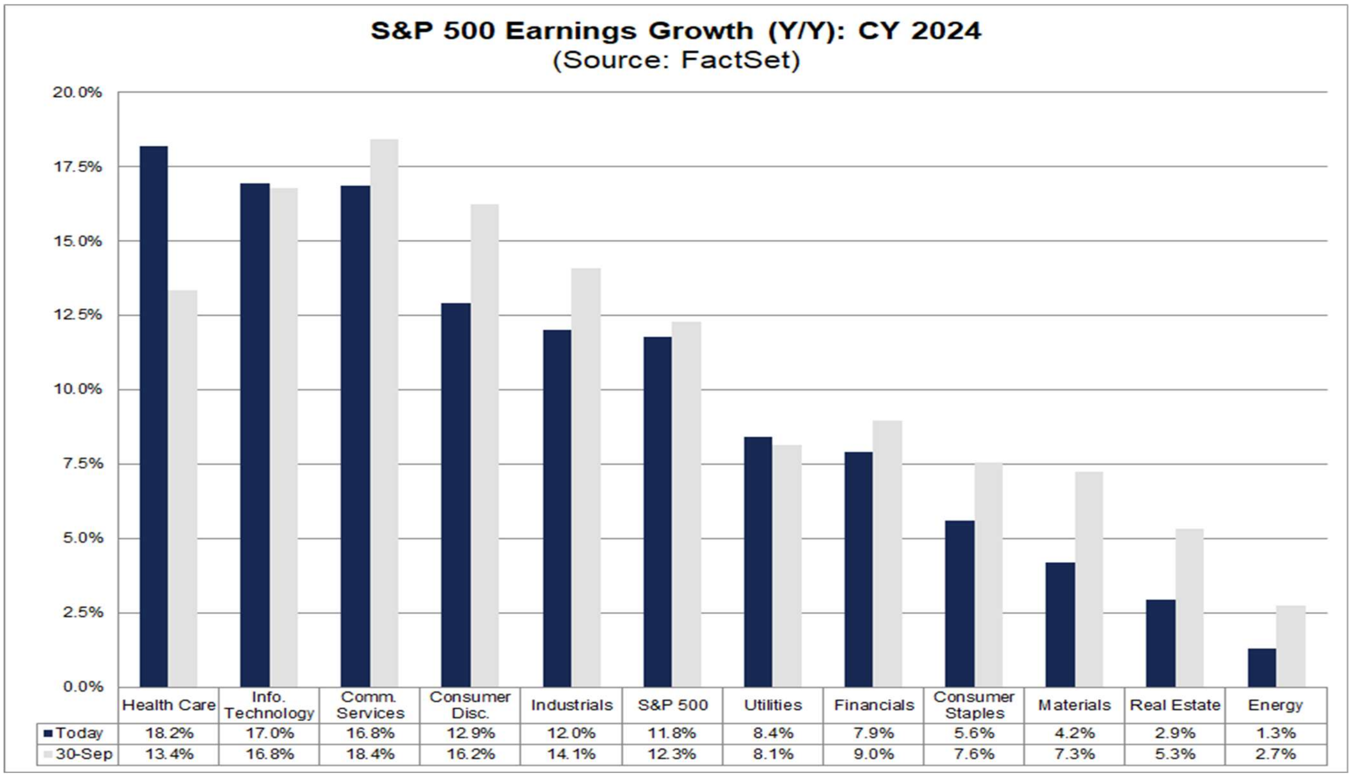


	Consumer Disc.	Comm. Services	Industrials	Utilities	Financials	Info. Technology	Real Estate	Consumer Staples	S&P 500	Health Care	Materials	Energy
Today	44.0%	23.4%	18.0%	7.6%	6.9%	5.1%	3.1%	2.3%	0.8%	-21.6%	-23.1%	-29.4%
30-Sep	39.8%	22.1%	19.0%	8.2%	6.5%	3.3%	3.1%	2.0%	1.3%	-15.1%	-20.8%	-29.0%

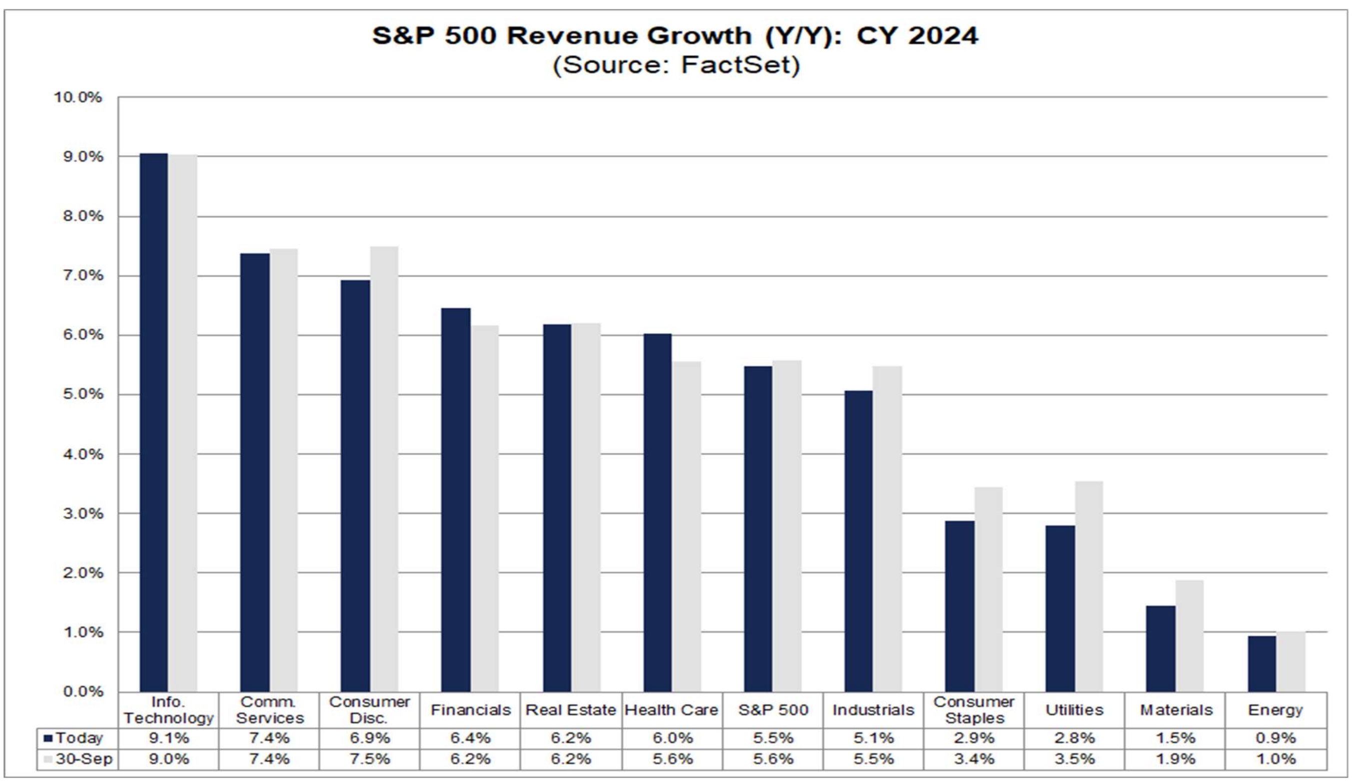


	Consumer Disc.	Financials	Real Estate	Comm. Services	Health Care	Industrials	Consumer Staples	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	7.5%	6.3%	6.2%	4.8%	4.4%	4.0%	3.5%	2.3%	2.2%	1.3%	-8.9%	-15.1%
30-Sep	8.1%	7.1%	6.1%	4.6%	4.3%	4.2%	3.9%	2.4%	1.9%	1.2%	-8.2%	-15.7%

CY 2024: Growth

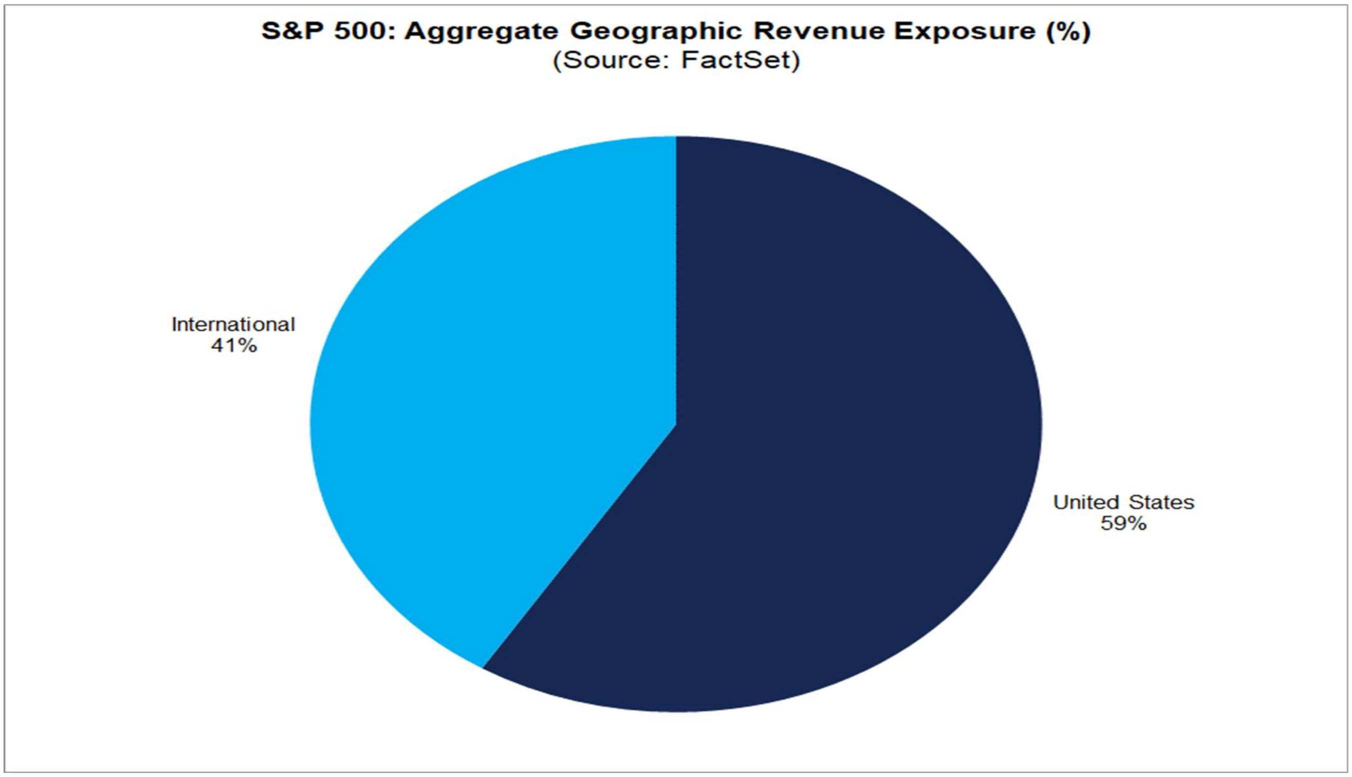


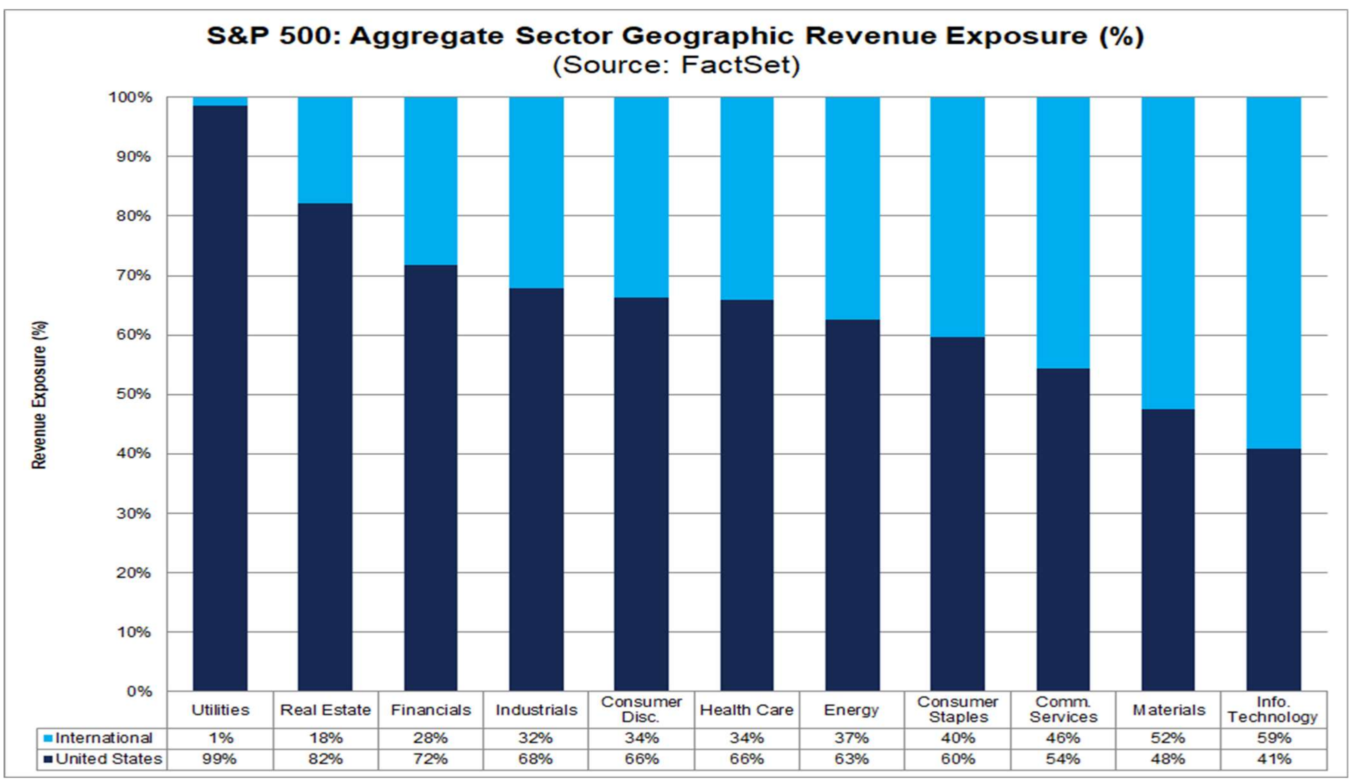
	Health Care	Info. Technology	Comm. Services	Consumer Disc.	Industrials	S&P 500	Utilities	Financials	Consumer Staples	Materials	Real Estate	Energy
Today	18.2%	17.0%	16.8%	12.9%	12.0%	11.8%	8.4%	7.9%	5.6%	4.2%	2.9%	1.3%
30-Sep	13.4%	16.8%	18.4%	16.2%	14.1%	12.3%	8.1%	9.0%	7.6%	7.3%	5.3%	2.7%



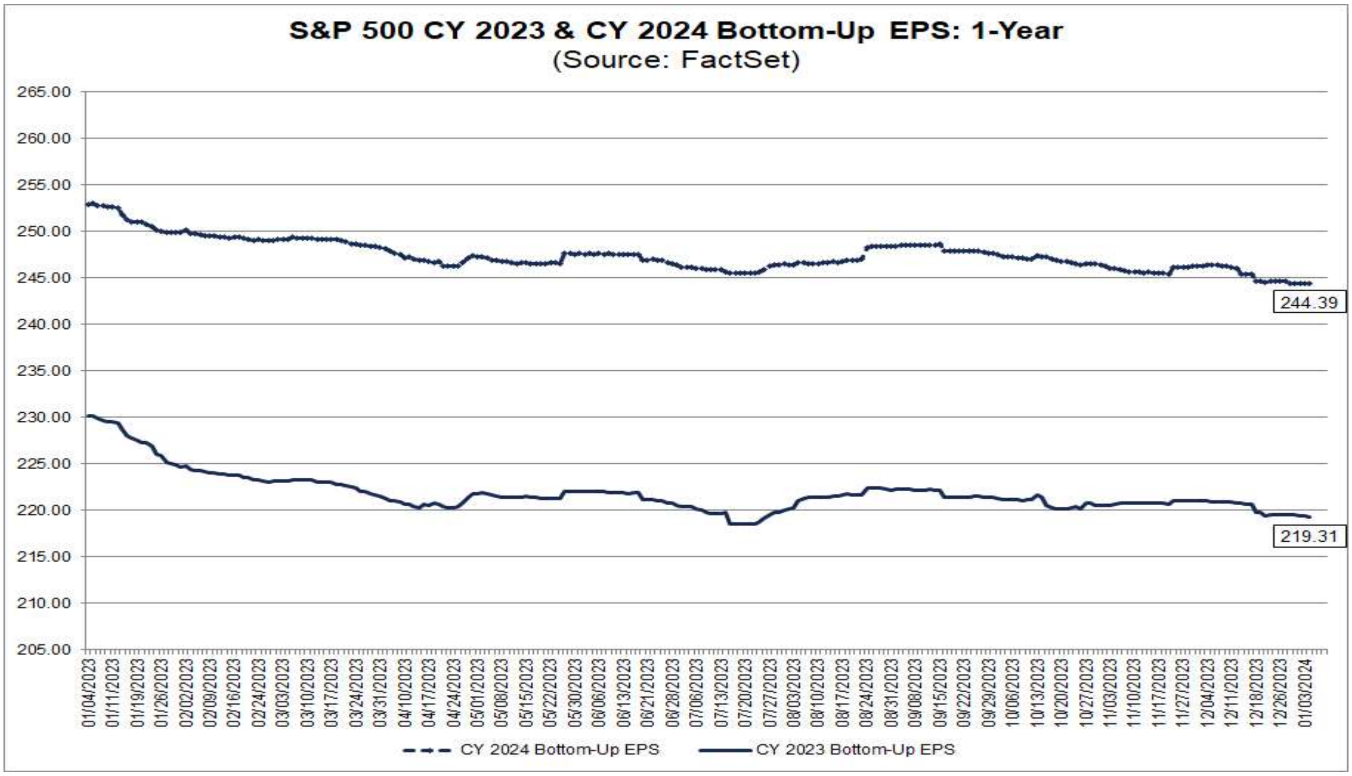
	Info. Technology	Comm. Services	Consumer Disc.	Financials	Real Estate	Health Care	S&P 500	Industrials	Consumer Staples	Utilities	Materials	Energy
Today	9.1%	7.4%	6.9%	6.4%	6.2%	6.0%	5.5%	5.1%	2.9%	2.8%	1.5%	0.9%
30-Sep	9.0%	7.4%	7.5%	6.2%	6.2%	5.6%	5.6%	5.5%	3.4%	3.5%	1.9%	1.0%

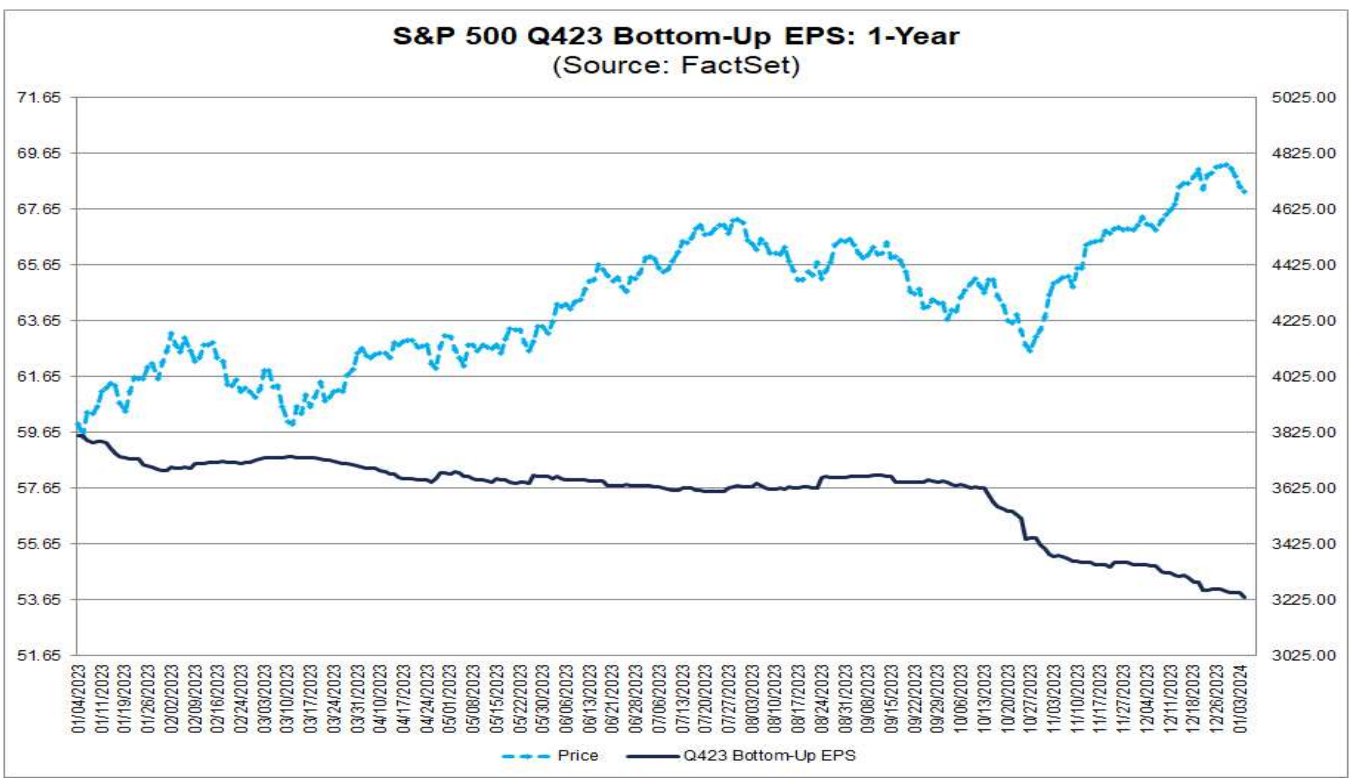
Geographic Revenue Exposure



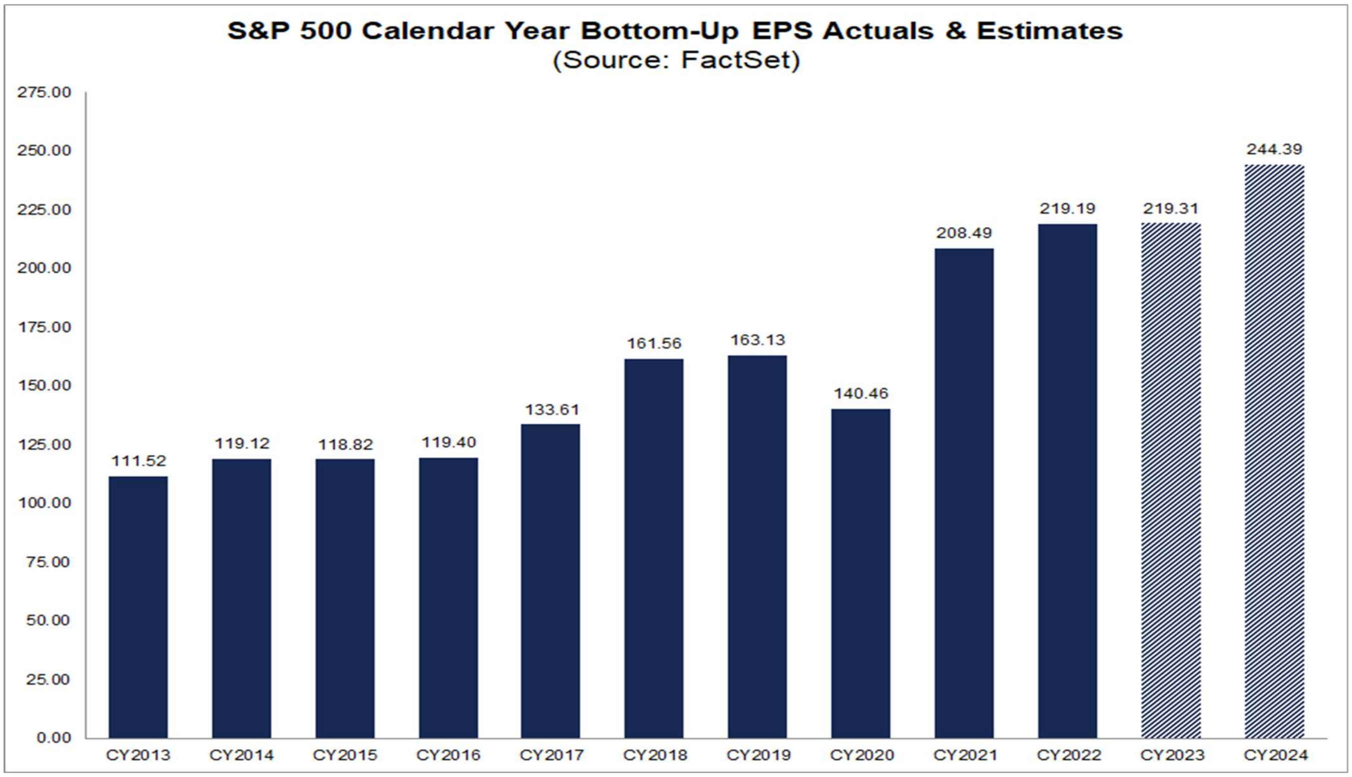


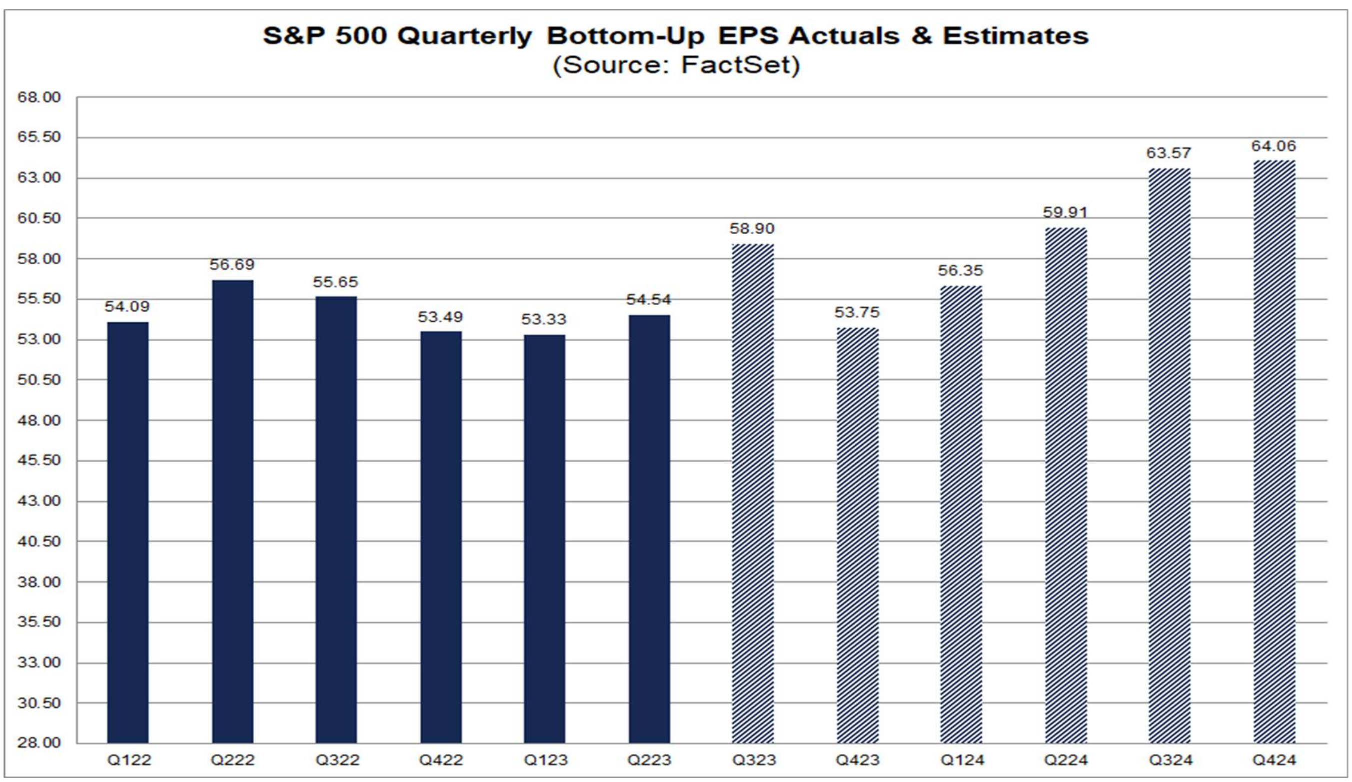
Bottom-Up EPS Estimates



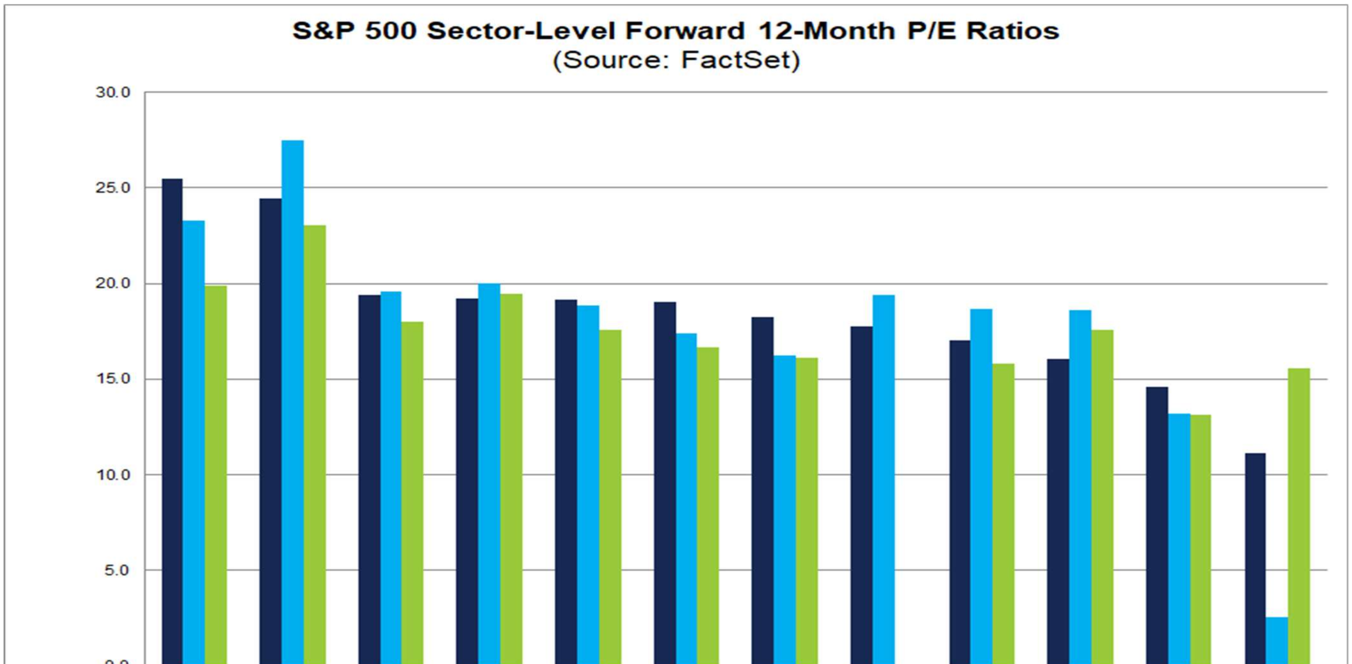


Bottom-Up EPS Estimates: Current & Historical

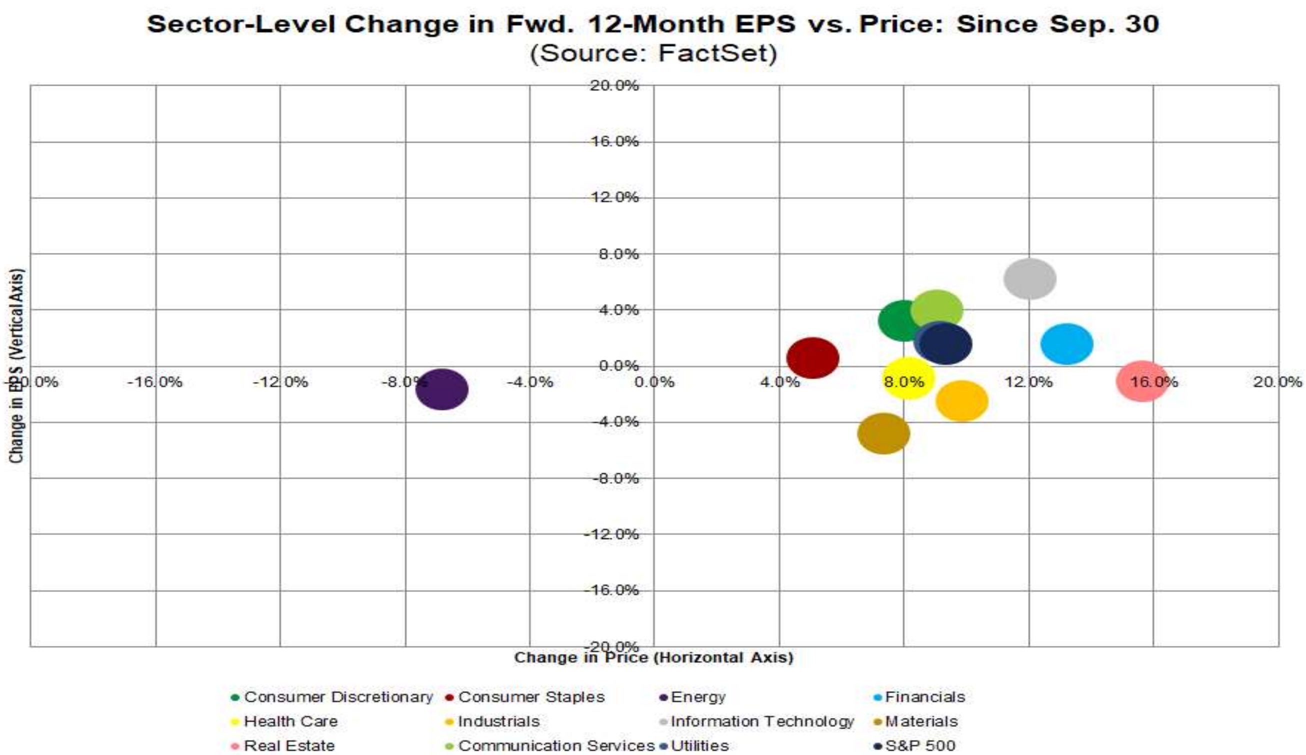




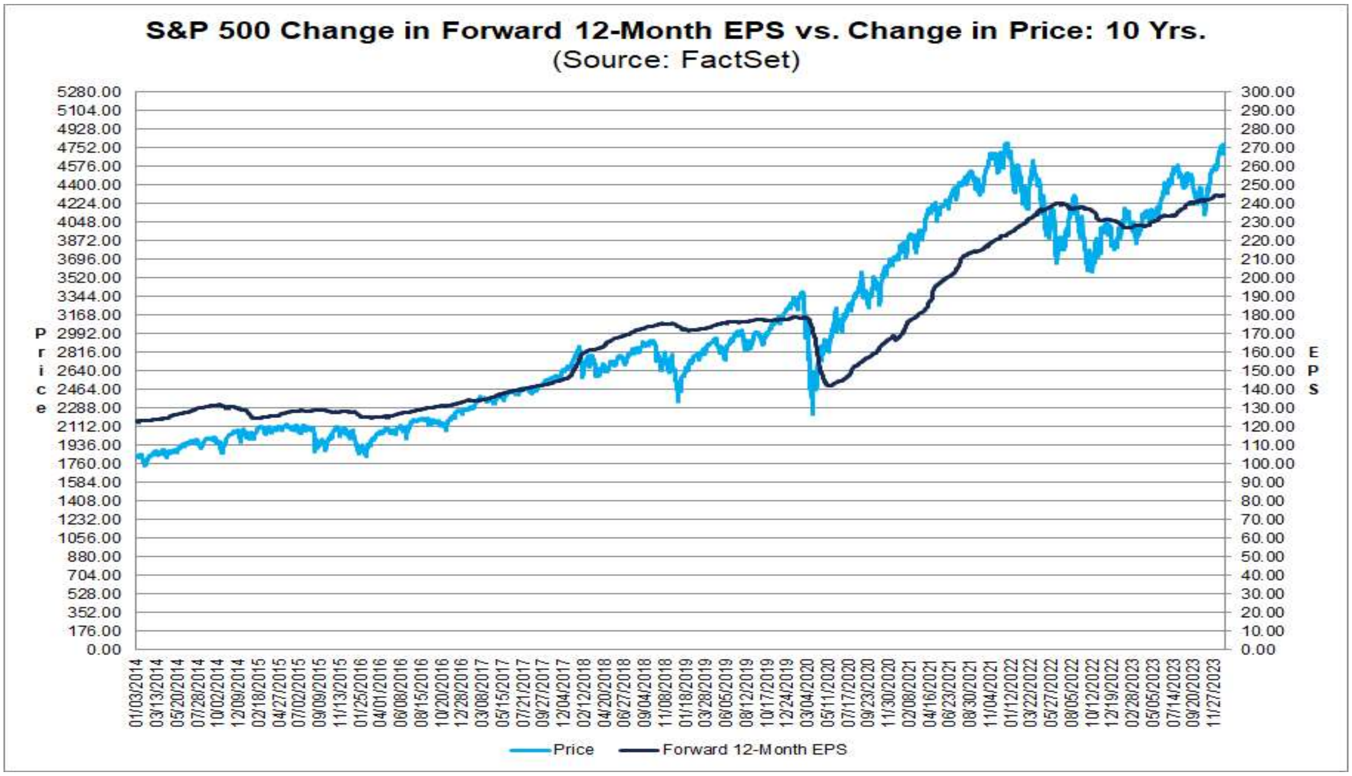
Forward 12M P/E Ratio: Sector Level

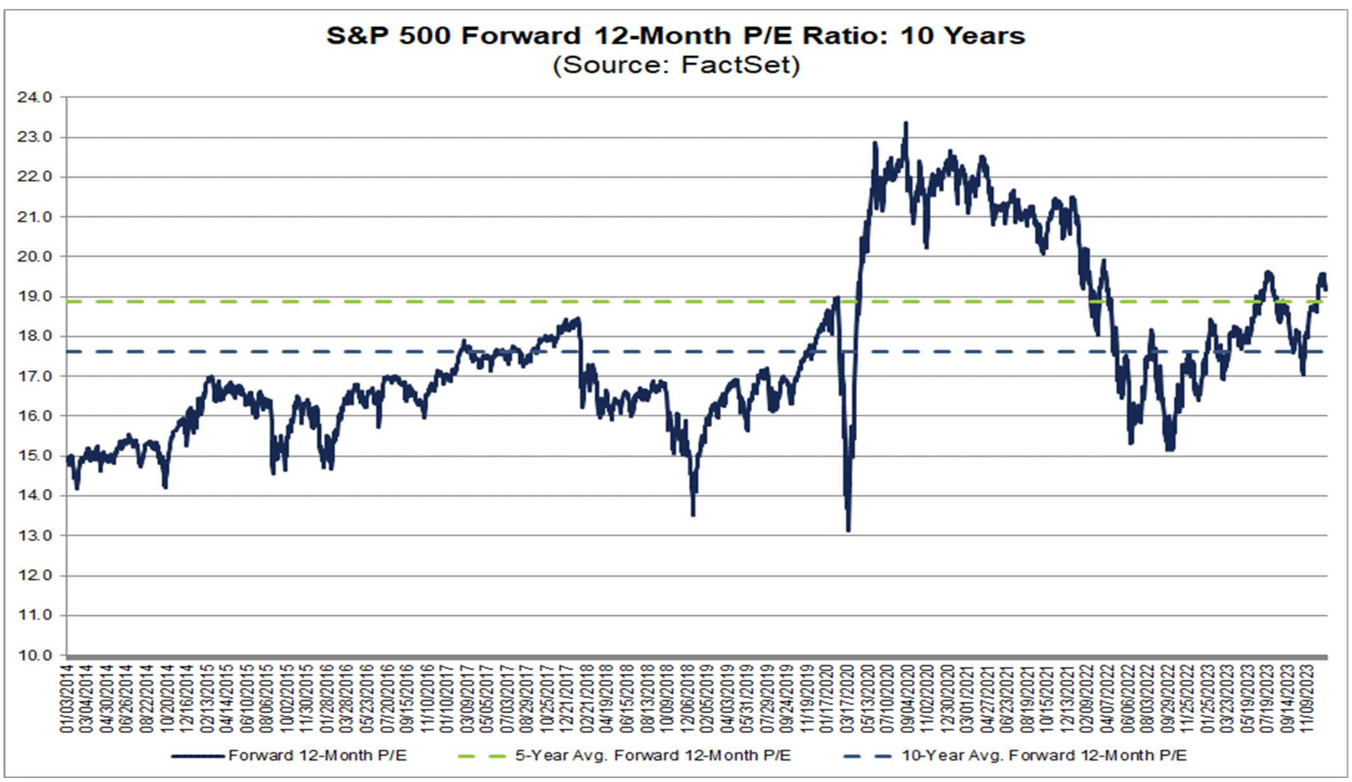


	Info. Technology	Consumer Disc.	Industrials	Consumer Staples	S&P 500	Materials	Health Care	Real Estate	Comm. Services	Utilities	Financials	Energy
Fwd P/E	25.5	24.4	19.4	19.2	19.2	19.1	18.3	17.8	17.0	16.1	14.6	11.1
5-Yr Avg.	23.3	27.5	19.6	20.0	18.9	17.4	16.3	19.4	18.7	18.6	13.2	2.6
10-Yr Avg.	19.9	23.0	18.0	19.5	17.6	16.7	16.1	0.0	15.8	17.6	13.1	15.6

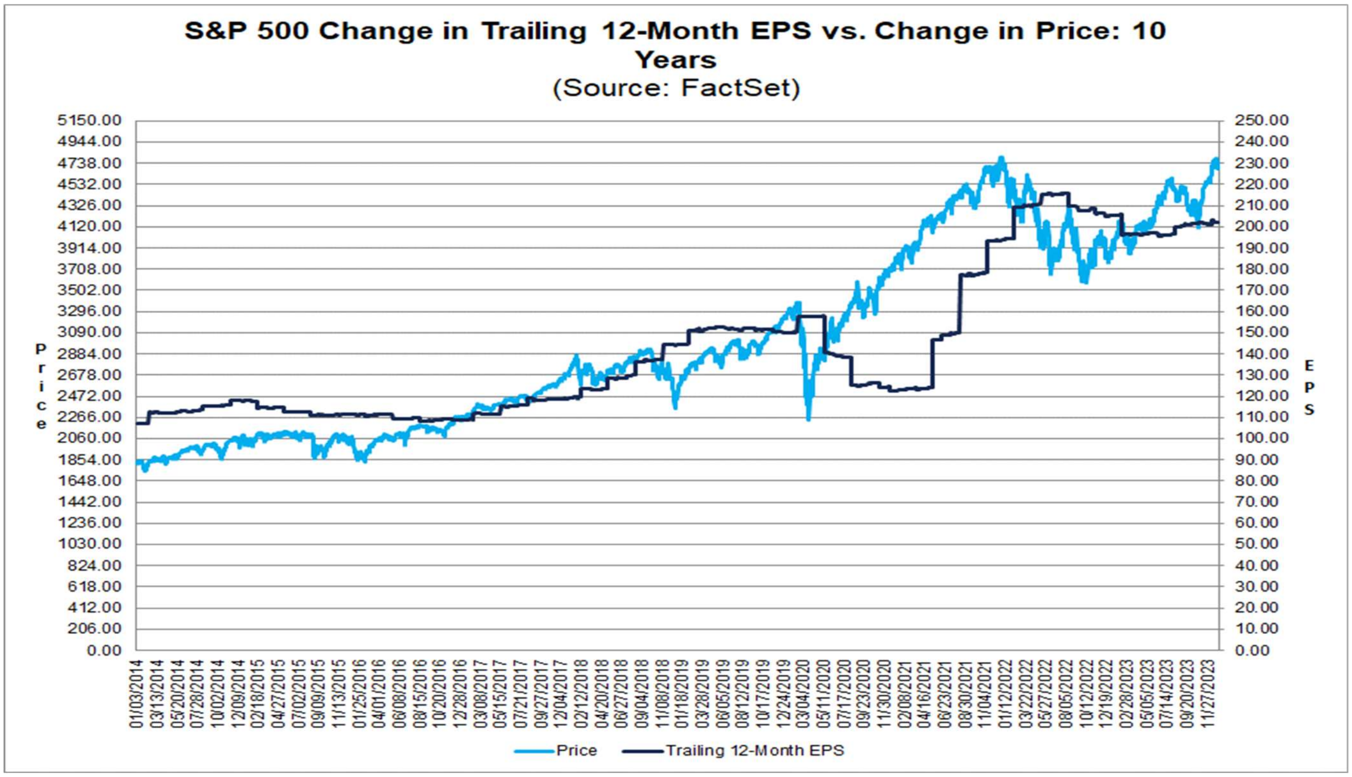


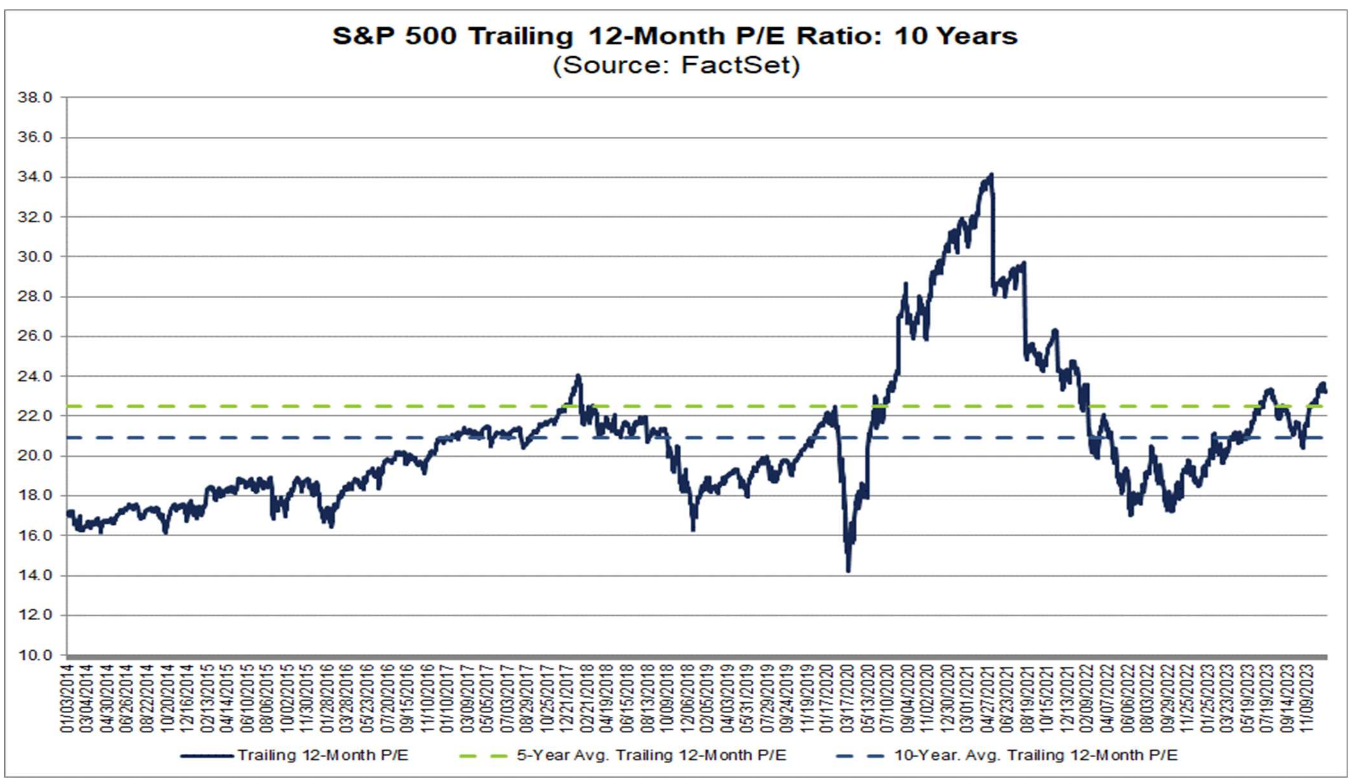
Forward 12M P/E Ratio: 10-Years





Trailing 12M P/E Ratio: 10-Years

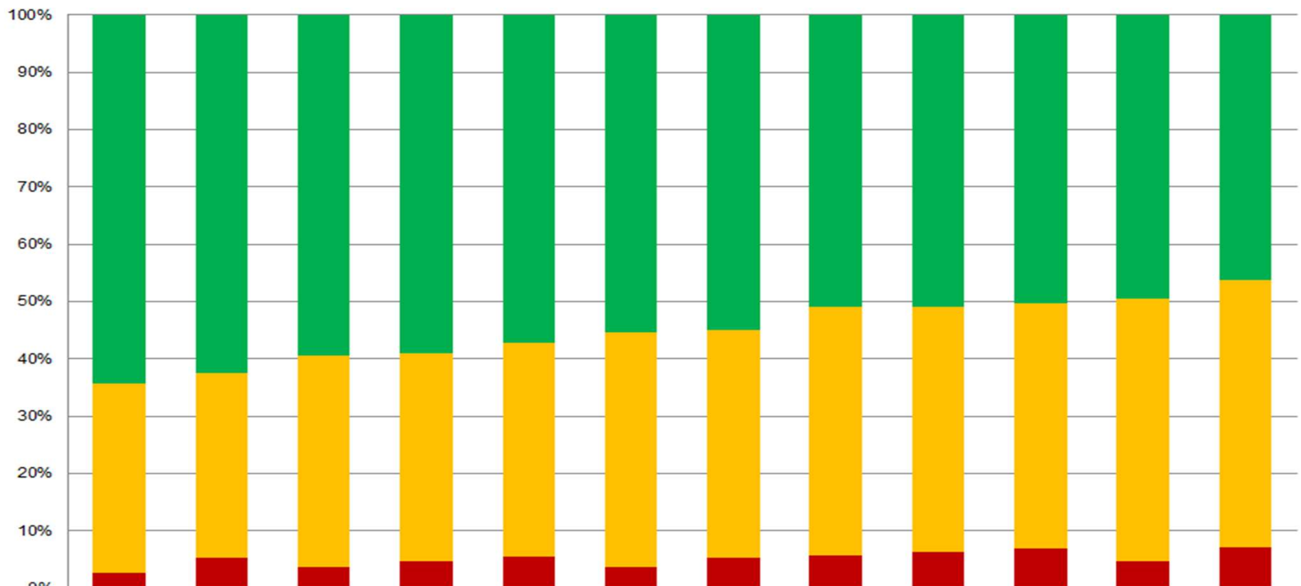




FACTSET

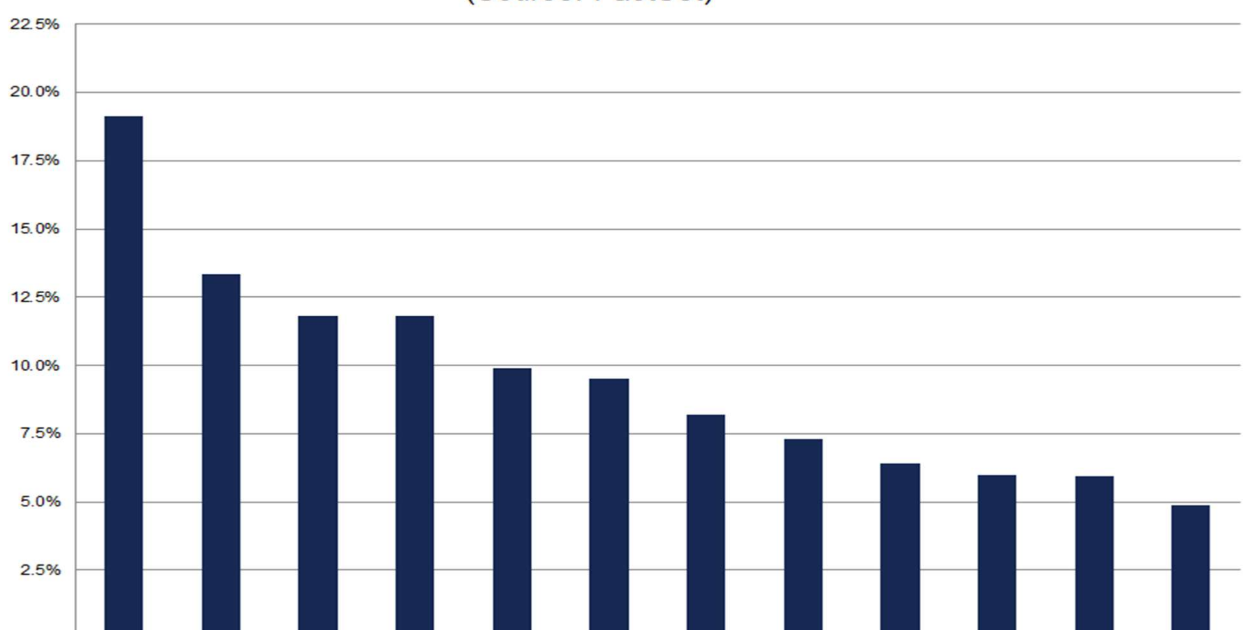
Targets & Ratings

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



	Energy	Comm. Services	Health Care	Info. Tech.	Consumer Disc.	Real Estate	S&P 500	Materials	Financials	Industrials	Utilities	Consumer Staples
Buy	64%	62%	59%	59%	57%	55%	55%	51%	51%	50%	49%	46%
Hold	33%	32%	37%	36%	37%	41%	40%	43%	43%	43%	46%	47%
Sell	3%	5%	4%	5%	6%	4%	5%	6%	6%	7%	5%	7%

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



	Energy	Consumer Disc.	Comm. Services	Info. Tech.	S&P 500	Consumer Staples	Materials	Health Care	Financials	Industrials	Real Estate	Utilities
Target/Close	19.1%	13.3%	11.8%	11.8%	9.9%	9.5%	8.2%	7.3%	6.4%	6.0%	5.9%	4.9%

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