

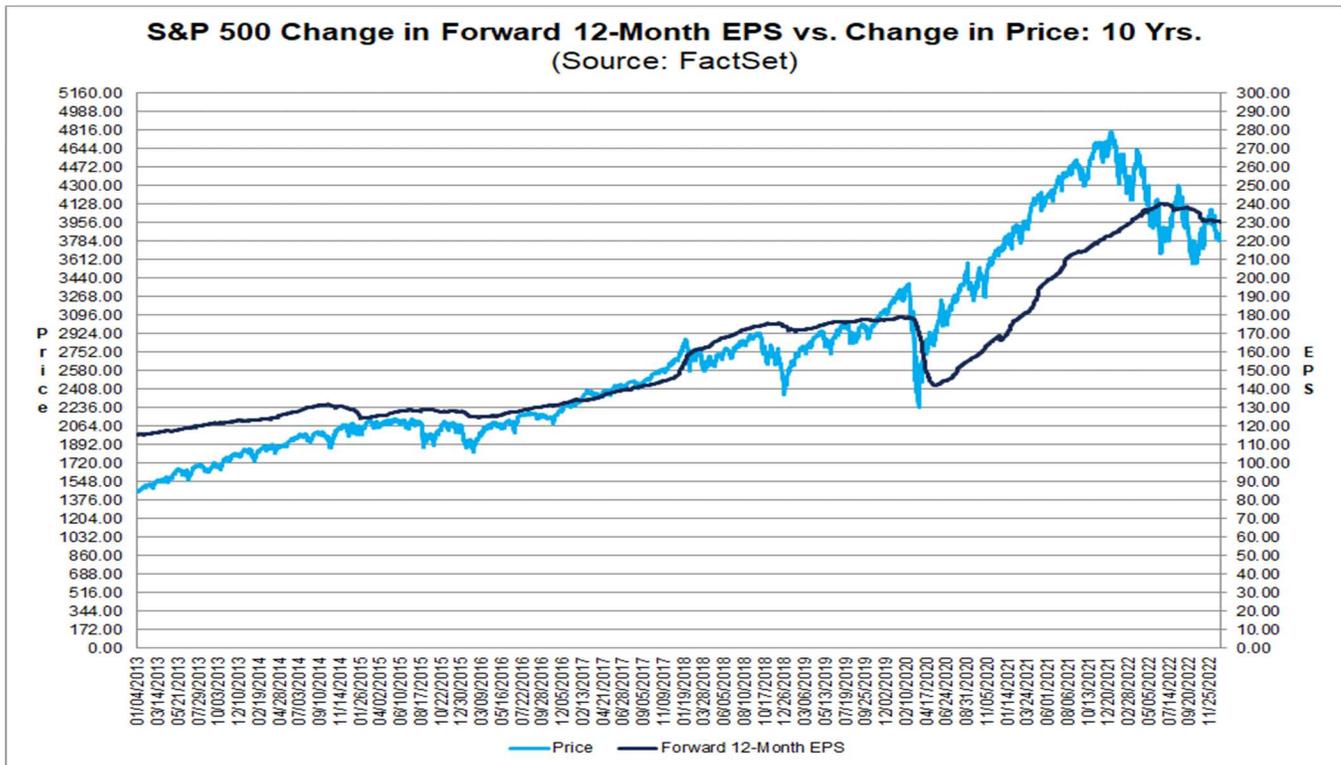
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Key Metrics

- **Earnings Growth:** For Q4 2022, the estimated earnings decline for the S&P 500 is -4.1%. If -4.1% 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 3.5%. 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, 65 S&P 500 companies have issued negative EPS guidance and 35 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 16.5. This P/E ratio is below the 5-year average (18.5) and below the 10-year average (17.2).
- **Earnings Scorecard:** For Q4 2022 (with 20 S&P 500 companies reporting actual results), 15 S&P 500 companies has reported a positive EPS surprise and 13 S&P 500 companies have reported a positive revenue surprise.



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Topic of the Week: 1

Have Analysts Lowered EPS Estimates More Than Average for S&P 500 Companies for Q4?

Given continuing concerns in the market about a possible recession, did analysts lower 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 6.5% (to \$54.01 from \$57.78) 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 a quarter has been 2.5%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.3%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 4.8%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during a 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. The fourth quarter also marked the second-largest decrease in the bottom-up EPS estimate during a quarter since Q2 2020 (-37.0%), trailing only the previous quarter (-6.8%).

At the sector level, nine of the eleven sectors witnessed a decrease in their bottom-up EPS estimate for Q4 2022 from September 30 to December 31, led by the Materials (-18.8%), Consumer Discretionary (-13.5%), and Communication Services (-11.8%) sectors. On the other hand, two sectors witnessed an increase in their bottom-up EPS estimates for Q4 2022 during this time: Energy (+2.0%) and Utilities (+2.0%).

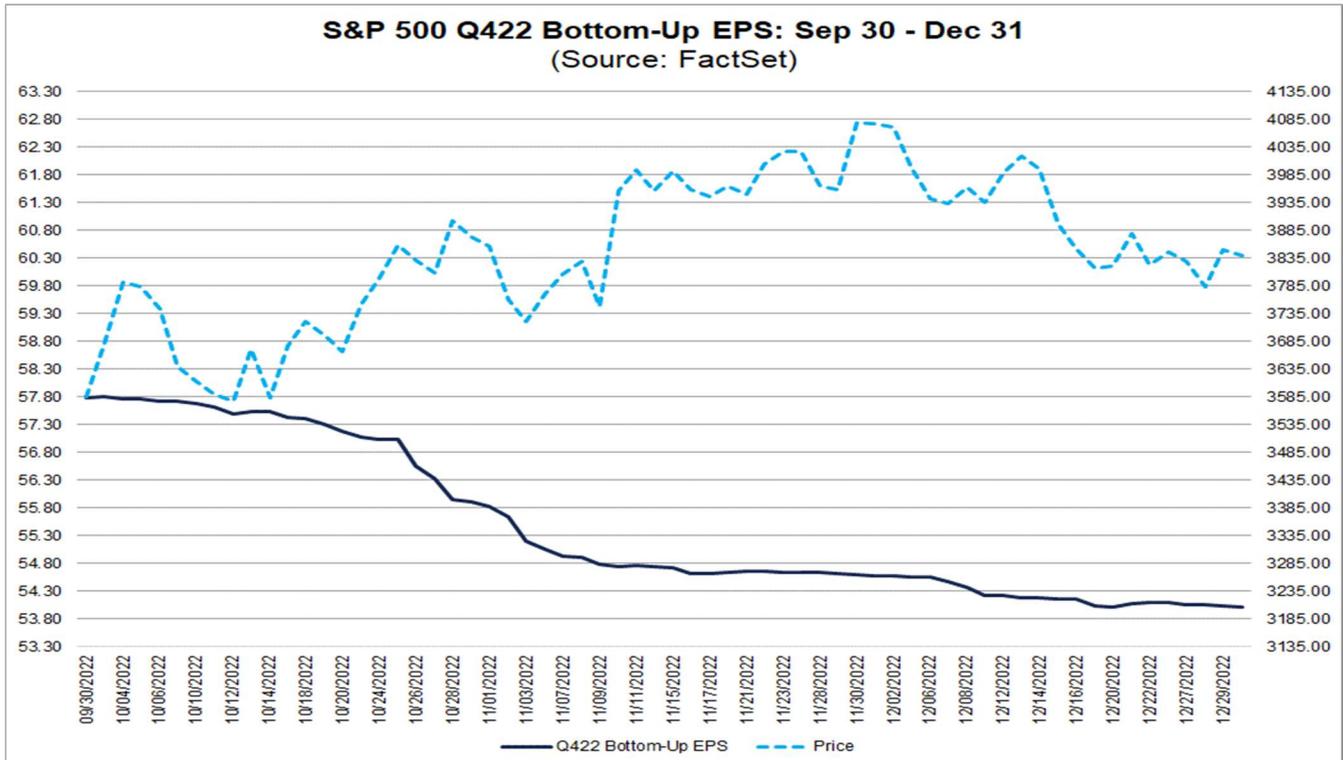
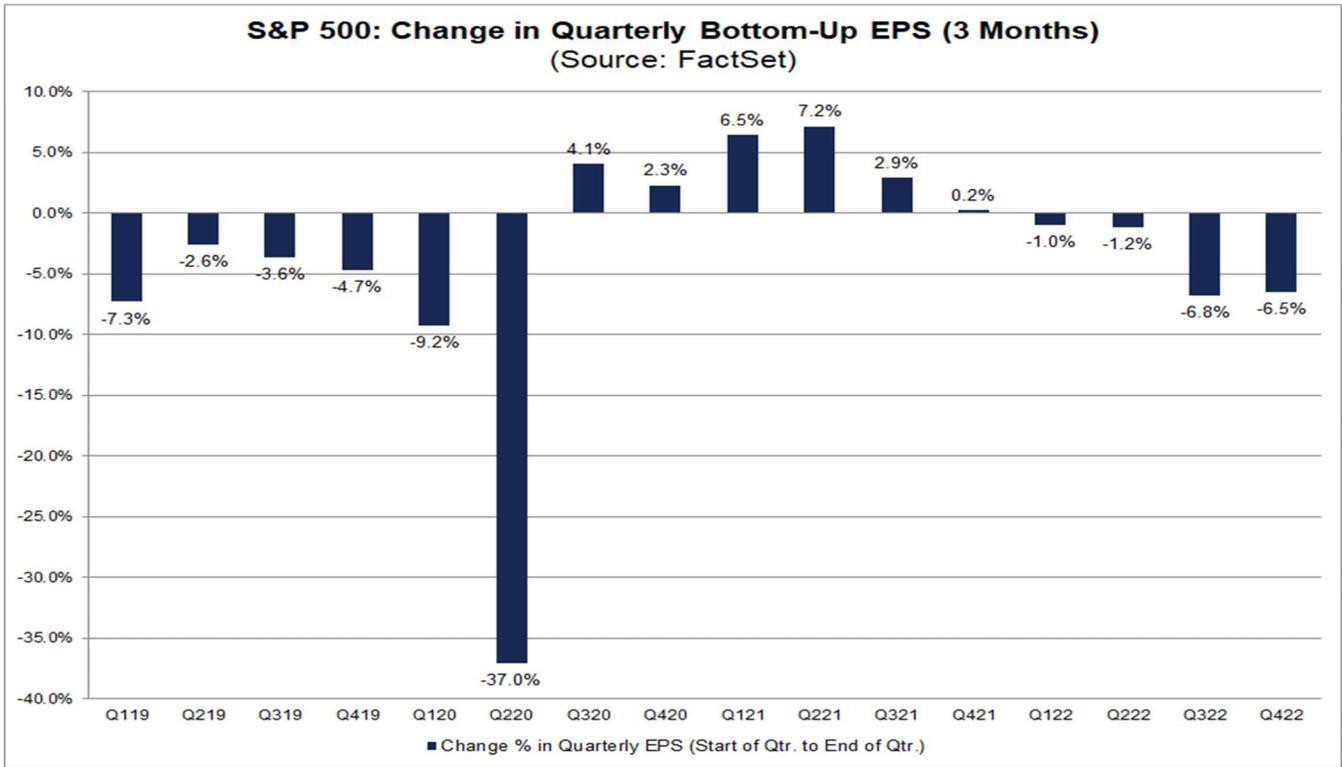
While analysts were decreasing EPS estimates in aggregate for the fourth quarter, they were also decreasing EPS estimates in aggregate for CY 2023. The bottom-up EPS estimate for CY 2023 declined by 4.4% (to \$230.51 from \$241.20) from September 30 to December 31.

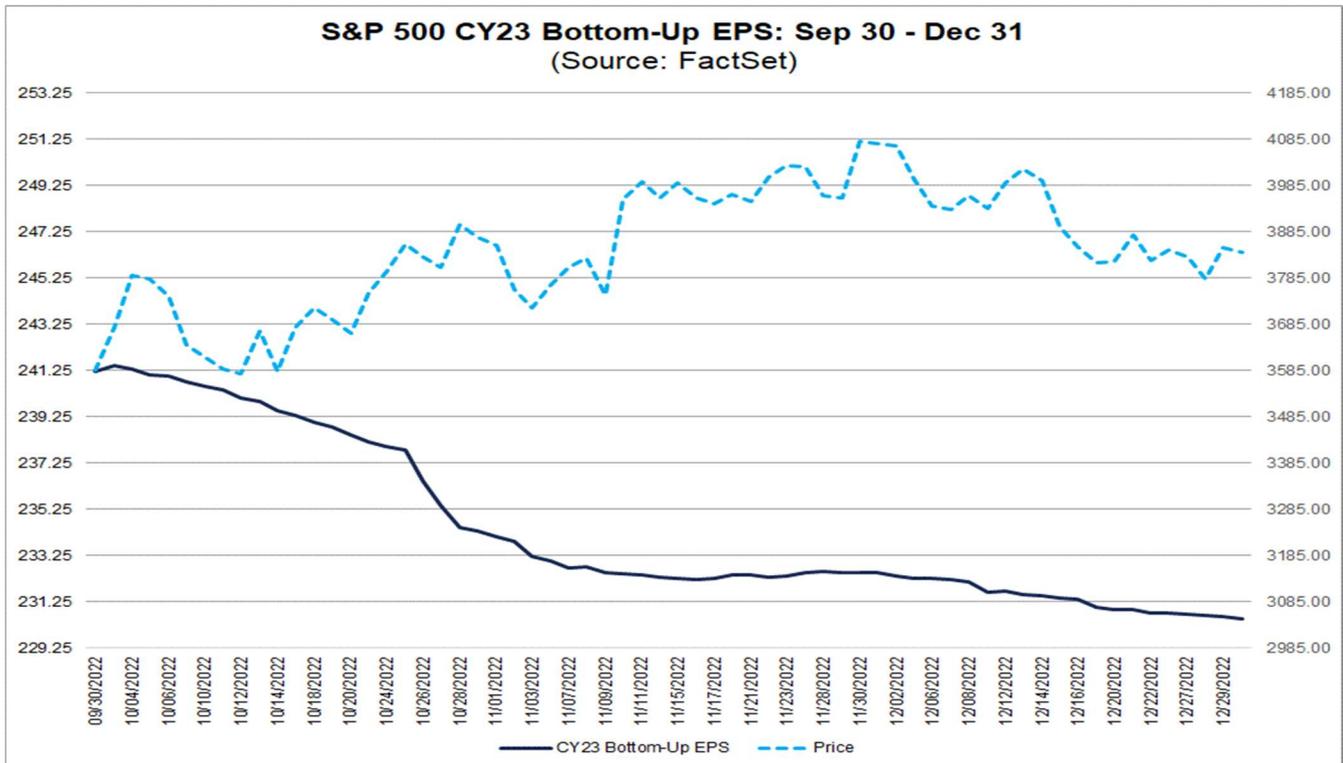
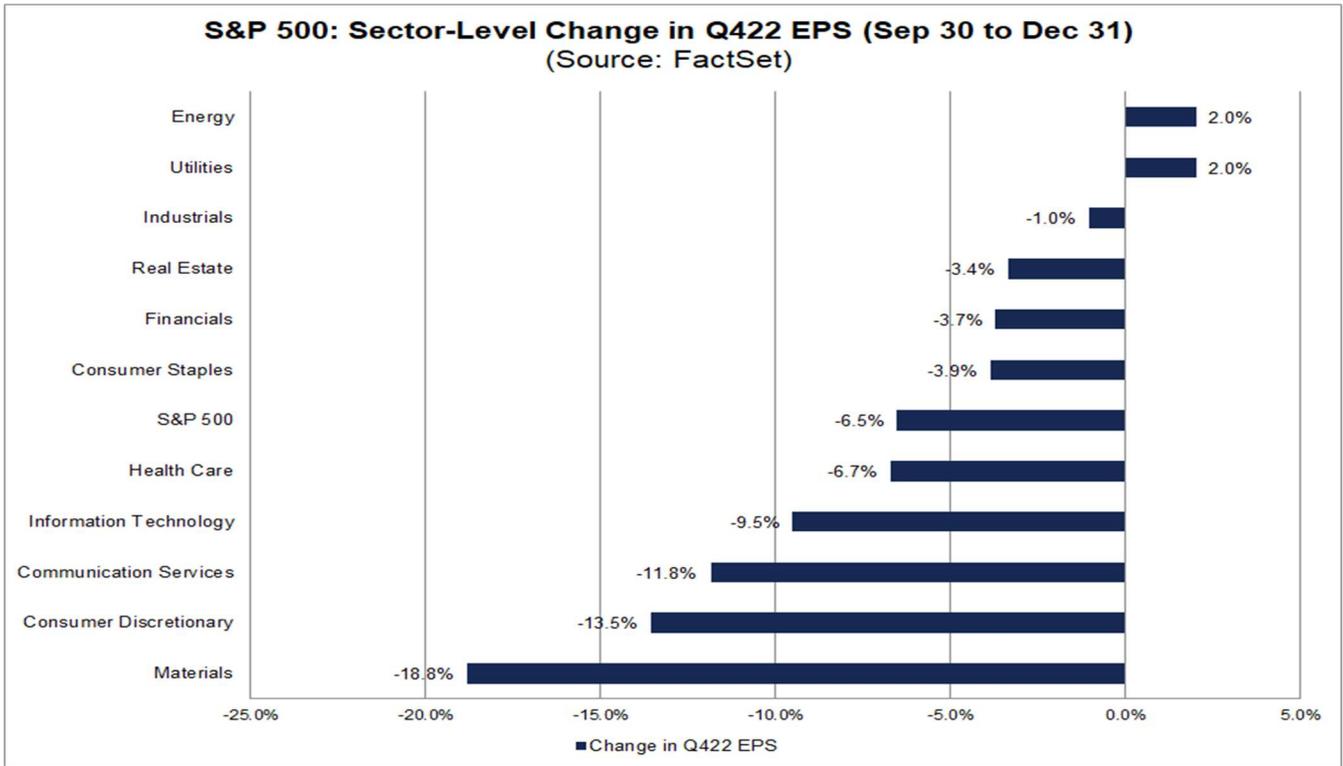
During the fourth quarter, analysts usually reduce earnings estimates for the next fiscal year. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate for the next year during the fourth quarter has been 0.2%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate for the next year during the fourth quarter has been 1.3%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate for the next year during the fourth quarter has been 2.7%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate for the next year during the fourth quarter has been 2.2%.

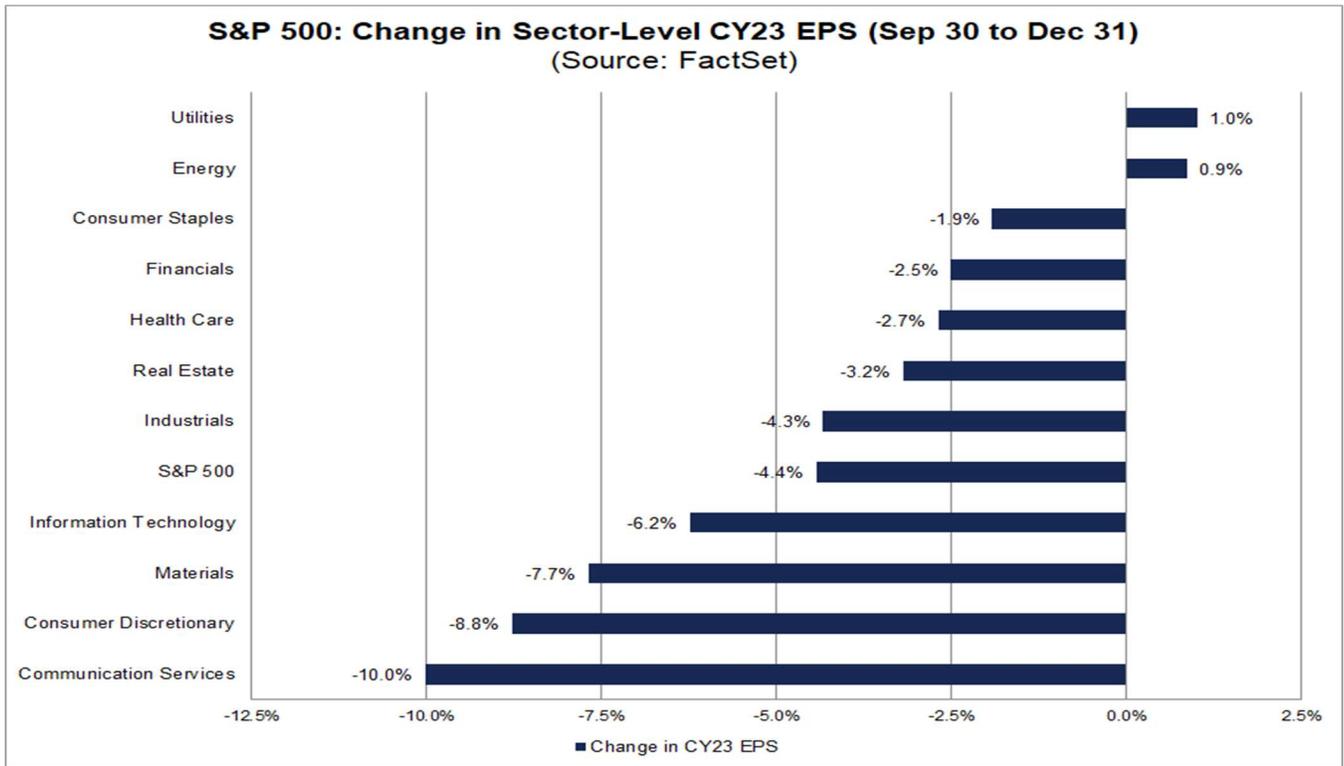
Thus, the decline in the CY 2023 bottom-up EPS estimate recorded during the fourth quarter was larger than the 5-year average, the 10-year average, the 15-year average, and the 20-year average for the fourth quarter. It also marked the largest decline in the bottom-up EPS estimate for the next year during a fourth quarter since Q4 2014, when the bottom-up EPS estimate for CY 2015 decreased by 4.6%.

At the sector level, nine sectors witnessed a decrease in their bottom-up EPS estimates for CY 2023 from September 30 to December 31, led by the Communication Services (-10.0%), Consumer Discretionary (-8.8%), and Materials (-7.7%) sectors. On the other hand, two sectors witnessed an increase in their bottom-up EPS estimates for CY 2023 during this time: Utilities (+1.0%) and Energy (+0.9%).

It is interesting to note that the forward 12-month P/E ratio for the S&P 500 has increased to 16.5 from 15.2 since September 30, as the price of the index has increased while EPS estimates for CY 2023 have decreased during this time.







Topic of the Week: 2

Are More S&P 500 Companies Issuing Negative EPS Guidance Than Average for Q4?

While analysts are revising earnings estimates down by a larger margin for Q4 relative to recent averages, are more S&P 500 companies issuing negative EPS guidance than average for Q4 as well?

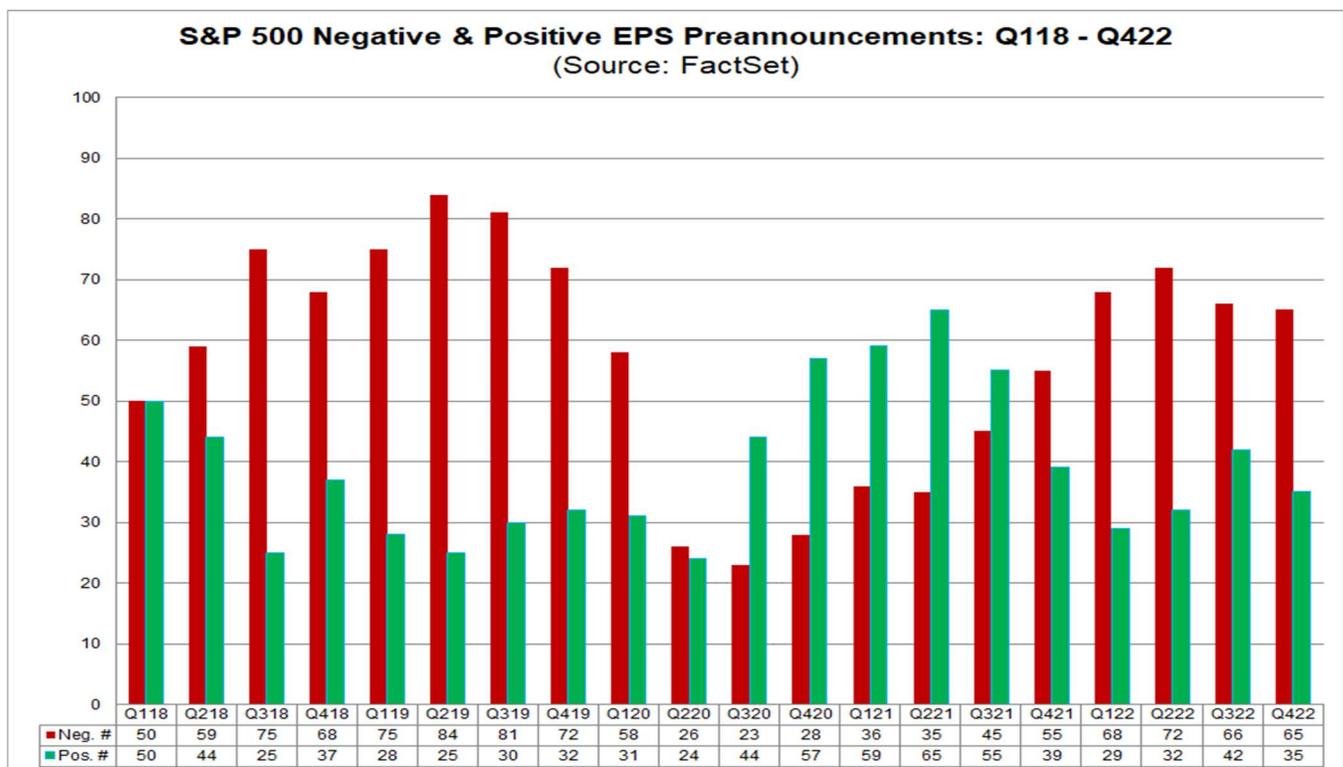
Overall, 100 S&P 500 companies have issued quarterly EPS guidance for the fourth quarter, which is above the 5-year average of 97 and above the 10-year average of 98.

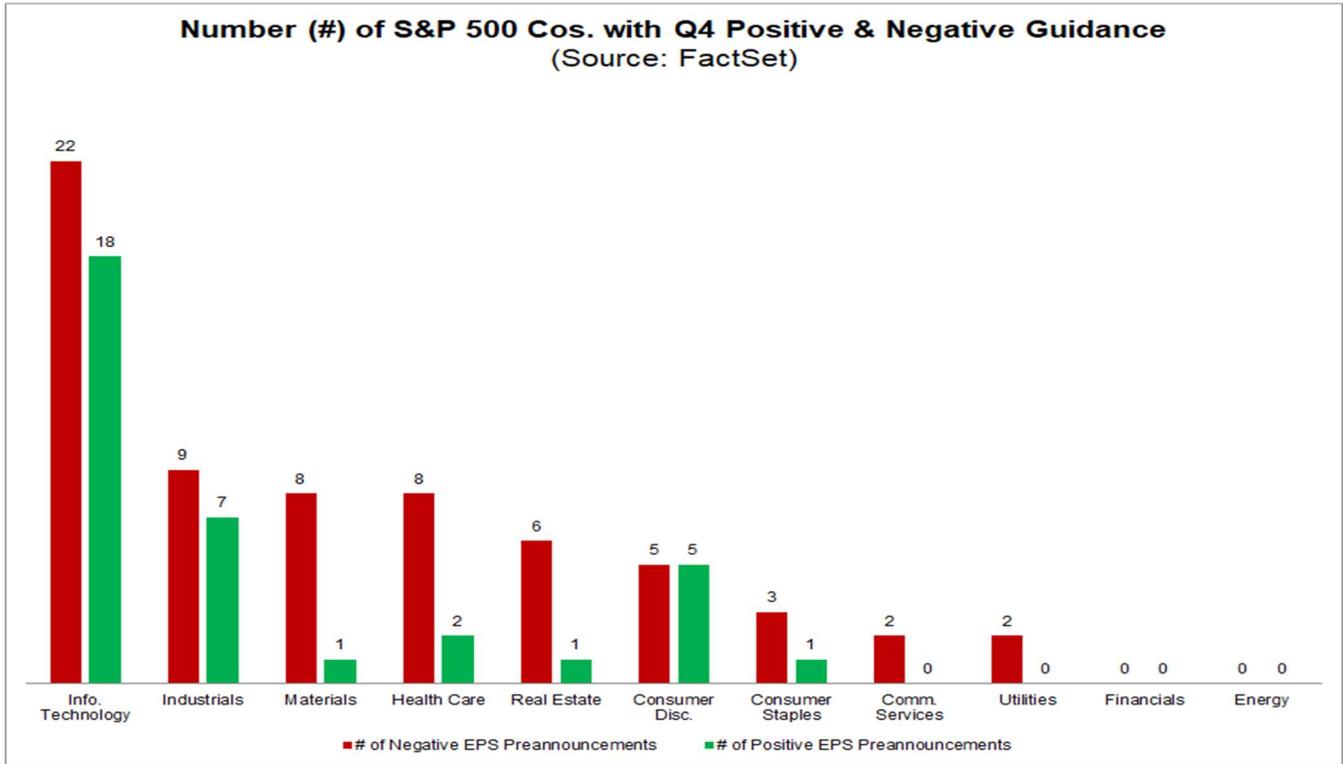
Of these companies, 65 have issued negative EPS guidance and 35 have issued positive EPS guidance.

The number of companies issuing negative EPS guidance is above the 5-year average of 57, but equal to the 10-year average of 65. This number is also nearly equal to the number of 66 recorded in Q3 2022. Relative to the previous quarter, the Real Estate (+4) and Industrials (+3) sectors have seen the largest increases in the number of companies issuing negative EPS guidance, while the Information Technology (-5) and Consumer Discretionary (-3) sectors have seen the largest decreases in the number of companies issuing negative EPS guidance.

On the other hand, the number of companies issuing positive EPS guidance is below the 5-year average of 39, but above the 10-year average of 33. This number is also below the number of 42 recorded in Q3 2022. Relative to the previous quarter, the Real Estate (-5) sector has seen the largest decrease in the number of companies issuing positive EPS (FFO) guidance.

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.





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 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 decreased by 6.5% from September 30 to December 31. 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, 100 companies in the index have issued EPS guidance for Q4 2022. Of these 100 companies, 65 have issued negative EPS guidance and 35 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q4 2022 is lower than the number of 66 for Q3 2022, but higher than the 5-year average of 57. However, it is equal to 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 -4.1%, compared to estimated (year-over-year) earnings growth of 3.5% on September 30.

If -4.1% 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, Consumer Discretionary, and Communication Services 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 3.8%, compared to the estimated (year-over-year) revenue growth rate of 6.3% on September 30.

If 3.8% 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 and Industrials sectors. On the other hand, three sectors are predicted to report a year-over-year decline in revenues, led by the Utilities sector.

The forward 12-month P/E ratio is 16.5, which is below the 5-year average (18.5) and below the 10-year average (17.2). However, it is 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 two Dow 30 components) are scheduled to report results for the fourth quarter.

Earnings Revisions: Estimates Decreasing in 10 Sectors, Led by Materials Sector

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 to -4.1% from -3.3%. Downward revisions to earnings estimates for companies in the Financials sector were the largest contributor to the increase in the earnings decline during the week.

The estimated earnings decline for the S&P 500 for Q4 2022 of -4.1% today is below the estimated earnings growth rate of 3.5% at the start of the quarter (September 30), as estimated earnings for the index of \$465.4 billion today are 7.4% below the estimate of \$502.4 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, Consumer Discretionary, Communication Services, 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: 97% of 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 -19.9% (to \$12.3 billion from \$15.4 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -26.3% today from -8.0% on September 30. Despite the decrease in expected earnings, this sector has witnessed the third-largest increase in price (+14.5%) of all 11 sectors since September 30. Overall, 28 of the 29 companies (97%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 28 companies, 18 have recorded a decrease in their mean EPS estimate of more than 10%, led by LyondellBasell Industries (to \$1.21 from \$2.77), Corteva (to \$0.07 from \$0.15), Celanese (to \$1.66 from \$3.31), Dow (to \$0.57 from \$1.08), and International Paper (to \$0.70 from \$1.30). 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 -14.2% (to \$31.7 billion from \$37.0 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. This sector has also witnessed the largest decrease in price (-10.5%) 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 -\$1.47 from \$0.17), Wynn Resorts (to -\$1.19 from -\$0.38), Las Vegas Sands (to -\$0.09 from -\$0.03), and Royal Caribbean (to -\$1.30 from -\$0.68). However, Amazon.com (to \$0.20 from \$0.38) and Target (to \$1.39 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 -13.1% (to \$39.7 billion from \$45.7 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -19.0% today from -6.8% on September 30. This sector has also witnessed the smallest increase in price (+0.3%) of all 11 sectors since September 30. Overall, 15 of the 22 companies (68%) in the Communication Services sector have seen a decrease in their mean EPS estimate during this time. Of these 15 companies, 12 have recorded a decrease in their mean EPS estimate of more than 10%, led by Warner Bros. Discovery (to -\$0.21 from \$0.03), Netflix (to \$0.63 from \$1.20), and Paramount (to \$0.33 from \$0.58). However, Alphabet (to \$1.19 from \$1.41), Meta Platforms (to \$2.26 from \$2.67), and Walt Disney (to \$0.80 from \$1.29) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

Information Technology: Apple, Intel, and Microsoft 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 \$117.1 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -9.5% today from -1.0% on September 30. This sector has also witnessed the second-smallest increase in price (+1.6%) of all 11 sectors since September 30. Overall, 44 of the 76 companies (58%) in the Information Technology sector have seen a decrease in their mean EPS estimate during this time. Of these 44 companies, 22 have recorded a decrease in their mean EPS estimate of more than 10%, led by First Solar (to -0.15 from \$0.00), Micron Technology (to -\$0.04 from \$0.06), Western Digital (to -\$0.11 from \$0.47), Seagate Technology (to \$0.13 from \$1.05), and Intel (to \$0.22 from \$0.74). However, Apple (to \$1.98 from \$2.13), Intel, Microsoft (to \$2.31 from \$2.59), 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 Leads 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 1.1% (to \$48.8 billion from \$48.3 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 62.7% today from 60.8% on September 30. This sector has also witnessed the largest increase in price (+19.7%) 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 \$5.84 from \$3.48), Phillips 66 (to \$4.74 from \$3.09), and Valero Energy (to \$6.81 from \$4.71). Exxon Mobil (to \$3.29 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: 6.5% 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 6.5% (to \$54.01 from \$57.78) 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 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 was larger than the 5-year average, the 10-year average, the 15-year average, and the 20-year average. It was also the second-largest decrease in the bottom-up EPS estimate for a quarter since Q2 2020 (-37.0%).

Guidance: Number of Companies Issuing Negative EPS Guidance Equal to 10-Year Average

At this point in time, 100 companies in the index have issued EPS guidance for Q4 2022. Of these 100 companies, 65 have issued negative EPS guidance and 35 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q4 2022 is lower than the number for Q3 2022 (66), but higher than the 5-year average of 57. However, it is also equal to the 10-year average of 65. The percentage of companies issuing negative EPS guidance for Q4 2022 is 65% (65 out of 100), which is above the 5-year average of 59% but below the 10-year average of 67%.

At this point in time, 255 companies in the index have issued EPS guidance for the current fiscal year (FY 2022 or FY 2023). Of these 255 companies, 127 have issued negative EPS guidance and 128 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 50% (127 out of 255).

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: -4.1%

The estimated (year-over-year) earnings decline for Q4 2022 is -4.1%, 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 -4.1% 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 Positive Contributor to Year-Over-Year Earnings 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 62.7%. 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 Q4 2022 (\$82.64) was 7% 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 (145%), Oil & Gas Storage & Transportation (80%), Oil & Gas Equipment & Services (75%), Integrated Oil & Gas (59%), and Oil & Gas Exploration & Production (36%).

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 -8.5% from -4.1%.

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 38.5%. 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 (24%), Trading Companies & Distributors (23%), and Industrial Conglomerates (13%). 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 (-14%) 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 6.8% from 38.5%.

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 -26.3%. 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 (-50%), Containers & Packaging (-16%), and Chemicals (-16%). On the other hand, the Construction Materials (5%) 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 -15.1% from -26.3%.

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 -20.3%. 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 (-82%), Multiline Retail (-30%), Household Durables (-17%), and Textiles, Apparel, & Luxury Goods (-11%), and. 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 30%: Hotels, Restaurants, & Leisure (948%), Automobiles (55%), Auto Components (43%), and Leisure Products (31%).

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 15.6% instead of an earnings decline of -20.3%.

On the other hand, the Automobiles and Hotels, Restaurants, & Leisure industries are predicted to be the largest detractors to the expected earnings decline for the sector at the industry level. If these two industries were excluded, the estimated earnings decline for the Consumer Discretionary sector would increase to -41.3% from -20.3%.

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 -19.0%. 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 (-29%) and Entertainment (-28%) industries. On the other hand, the Wireless Telecommunication Services (217%) 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 -5.3% from -19.0%.

Revenue Growth: 3.8%

The estimated (year-over-year) revenue growth rate for Q4 2022 is 3.8%, 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 3.8% 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 and Industrials 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 11.5%. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price in Q4 2022 (\$82.64) was 7% 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 (12%), Oil & Gas Exploration & Production (12%), Oil & Gas Refining & Marketing (10%), and Oil & Gas Storage & Transportation (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 9.1%. 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 (35%), Trading Companies & Distributors (14%), Machinery (13%), Aerospace & Defense (11%), Commercial Services & Supplies (11%), and Road & Rail (10%).

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 -18.5%. At the industry level, 4 of the 5 industries in the sector are expected to report a (year-over-year) decline in revenues: Electric Utilities (-21%), Independent Power & Renewable Electricity Producers (-15%), Multi-Utilities (-14%), and Water Utilities (-5%). On the other hand, the Gas Utilities (10%) industry is the only industry projected to report (year-over-year) revenue growth for the quarter.

Net Profit Margin: 11.5%

The estimated net profit margin for the S&P 500 for Q4 2022 is 11.5%, 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 11.5% 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 (10.1% vs. 13.2%) and Financials (15.5% vs. 18.5%) sectors.

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, seven 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 reported earnings growth of 2.5% and revenue growth of 11.0%.

For Q4 2022, analysts are projecting an earnings decline of -4.1% and revenue growth of 3.8%.

For CY 2022, analysts are projecting earnings growth of 4.7% and revenue growth of 10.4%.

For Q1 2023, analysts are projecting an earnings decline of -0.1% and revenue growth of 3.4%.

For Q2 2023, analysts are projecting an earnings decline of -0.5% and revenue growth of 0.9%.

For CY 2023, analysts are projecting earnings growth of 4.8% and revenue growth of 3.2%.

Valuation: Forward P/E Ratio is 16.5, Below the 10-Year Average (17.2)

The forward 12-month P/E ratio for the S&P 500 is 16.5. This P/E ratio is below the 5-year average of 18.5 and below the 10-year average of 17.2. However, it is 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 6.2%, while the forward 12-month EPS estimate has decreased by 2.7%. At the sector level, the Consumer Discretionary (20.8) and Consumer Staples (20.7) sectors have the highest forward 12-month P/E ratios, while the Energy (9.7) and Financials (12.2) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 18.6, which is below the 5-year average of 22.7 and below the 10-year average of 20.5.

Targets & Ratings: Analysts Project 18% Increase in Price Over Next 12 Months

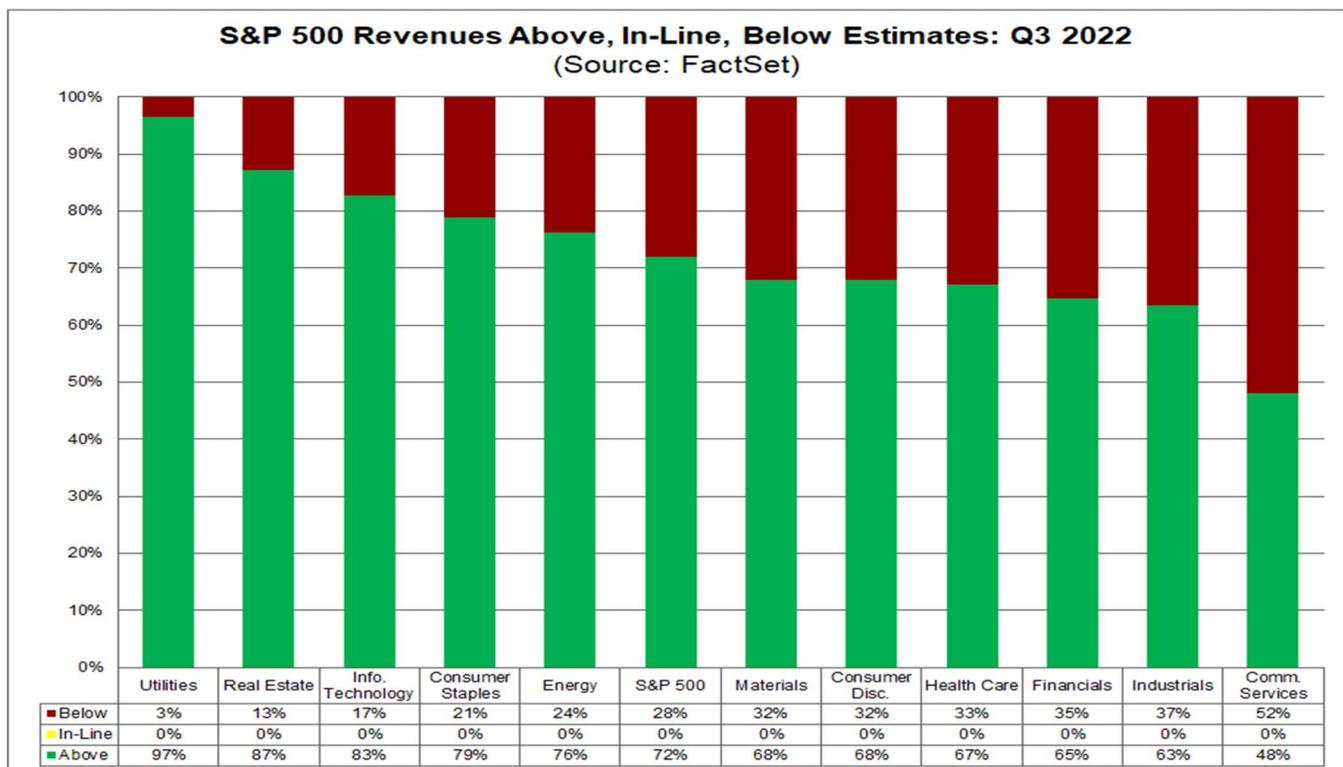
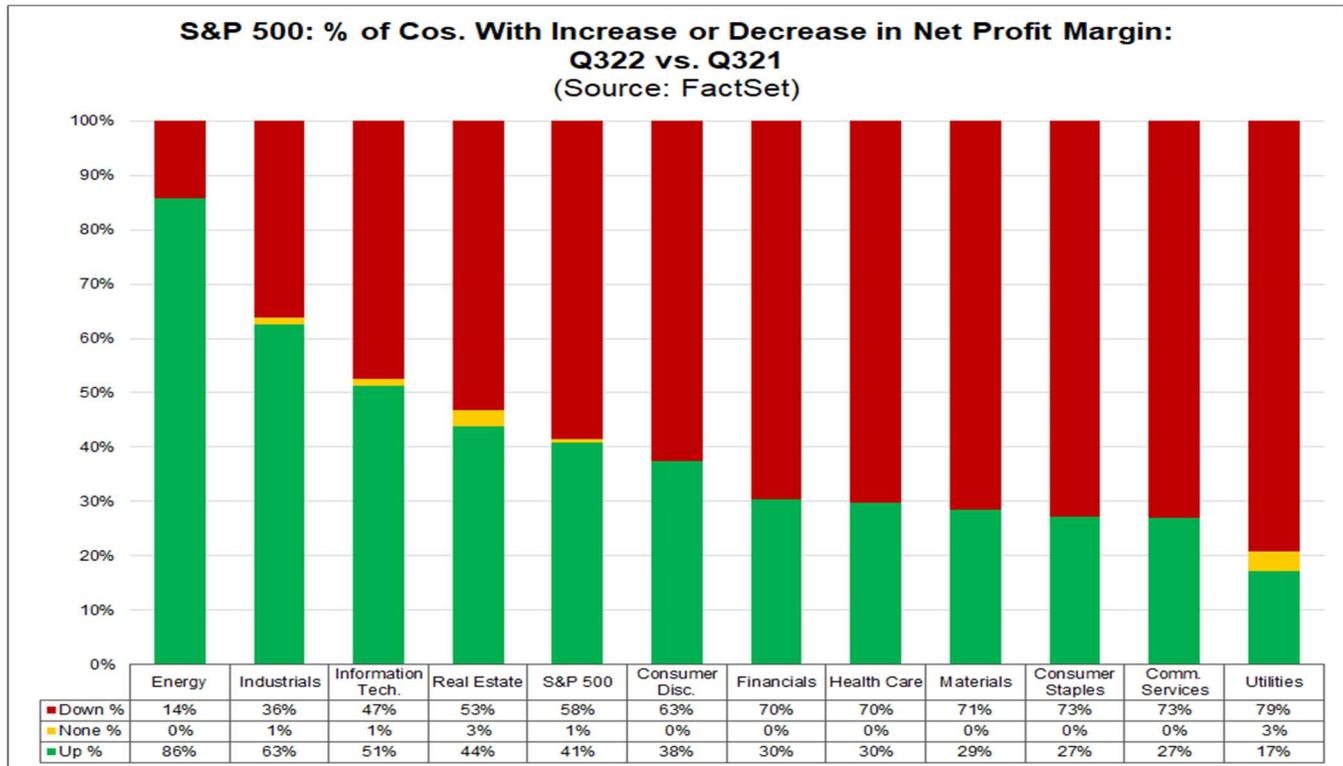
The bottom-up target price for the S&P 500 is 4501.15, which is 18.2% above the closing price of 3808.10. At the sector level, the Consumer Discretionary (+33.5%), Information Technology (+26.6%), and Communication Services (+25.3%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Consumer Staples (+7.8%) and Industrials (+8.5%) 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 10,916 ratings on stocks in the S&P 500. Of these 10,916 ratings, 54.9% are Buy ratings, 39.1% are Hold ratings, and 6.0% are Sell ratings. At the sector level, the Energy (63%), Communication Services (62%), and Information Technology (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (42%) sector has the lowest percentage of Buy ratings.

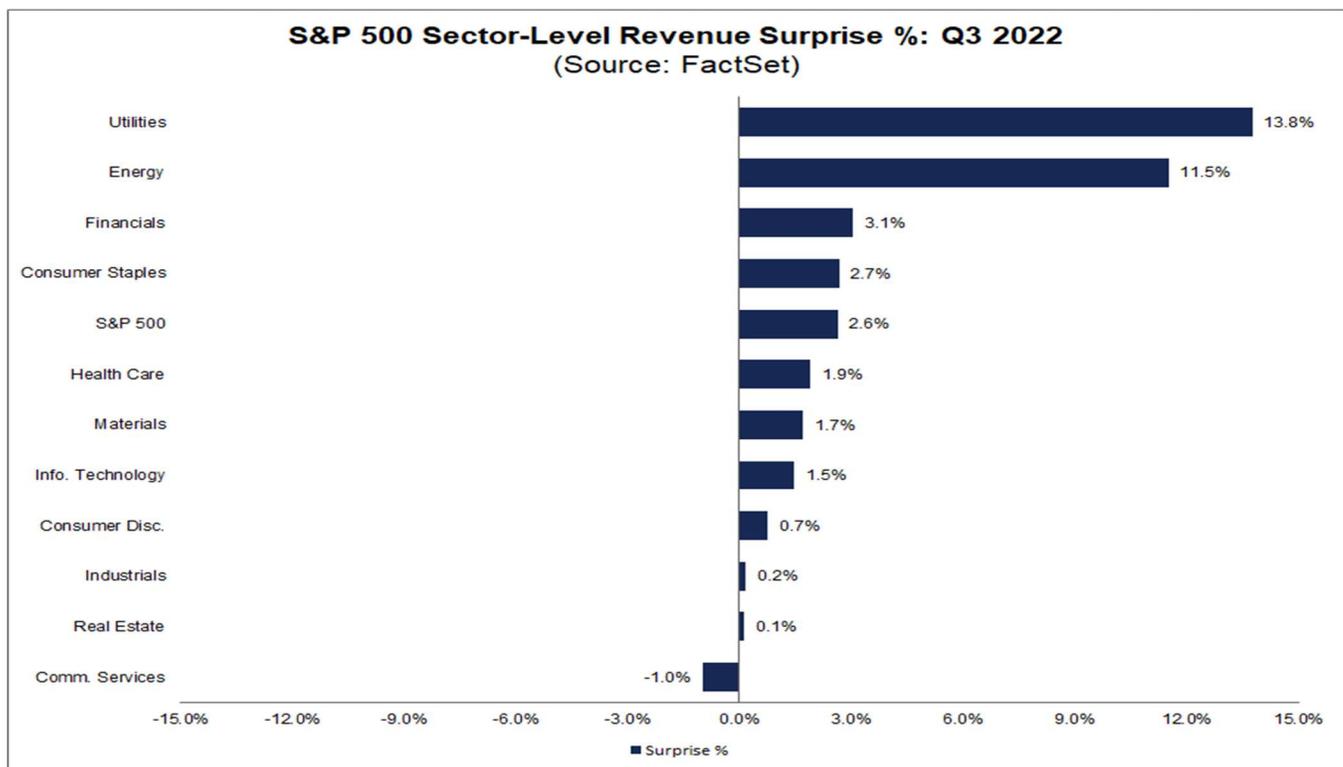
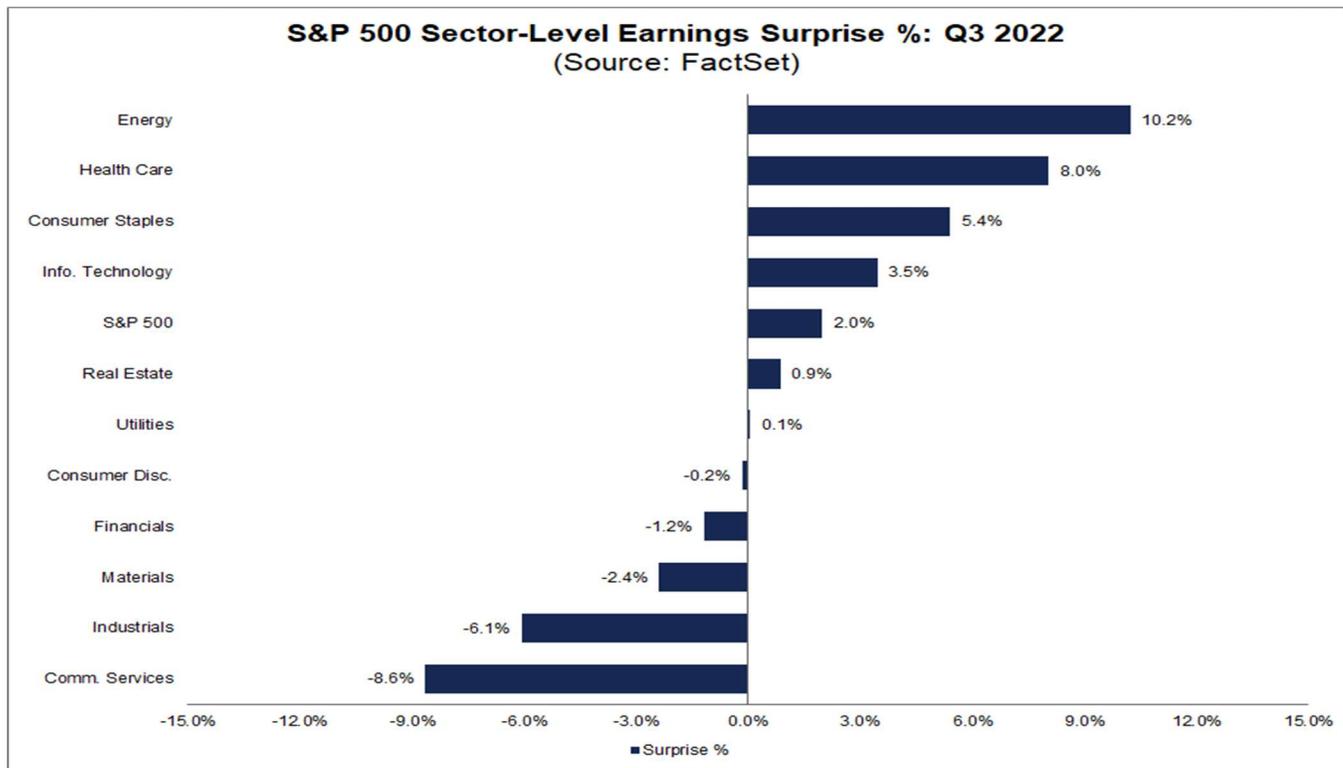
Companies Reporting Next Week: 9

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

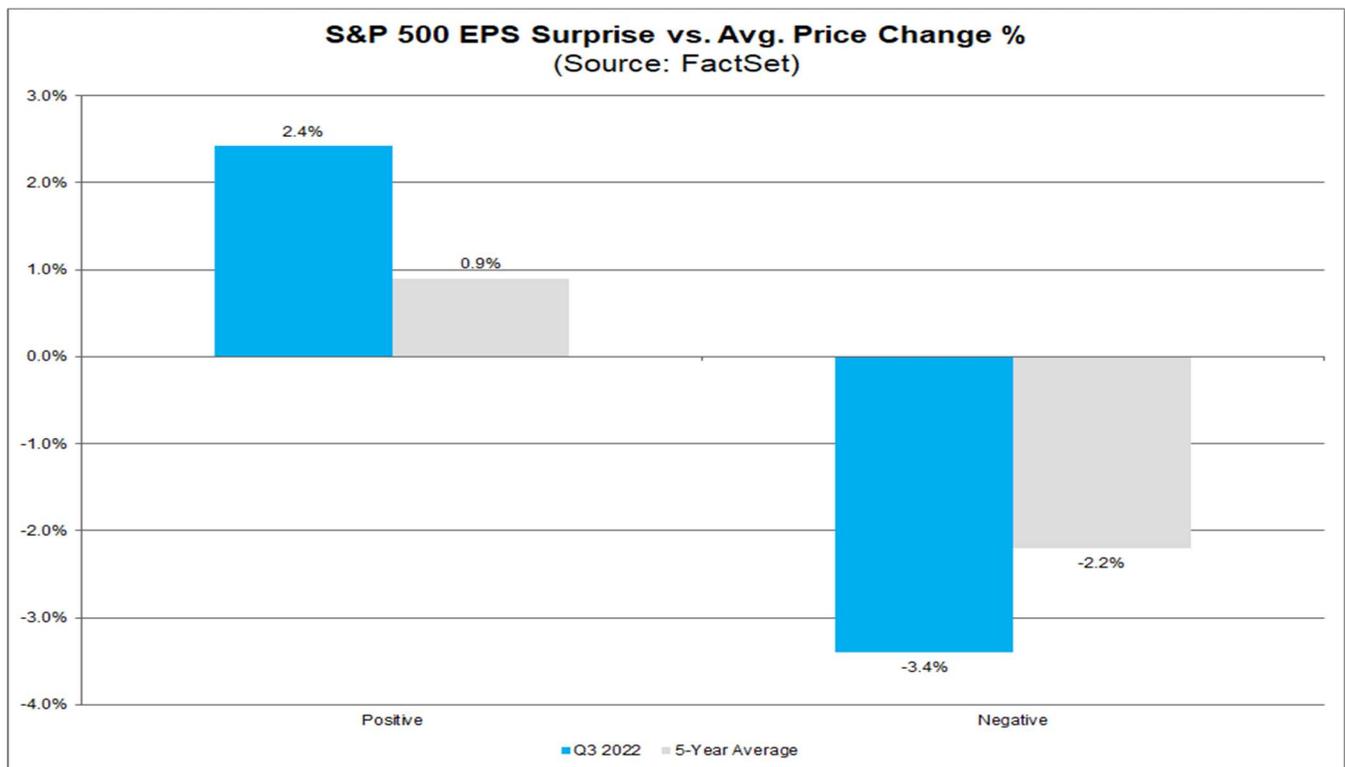
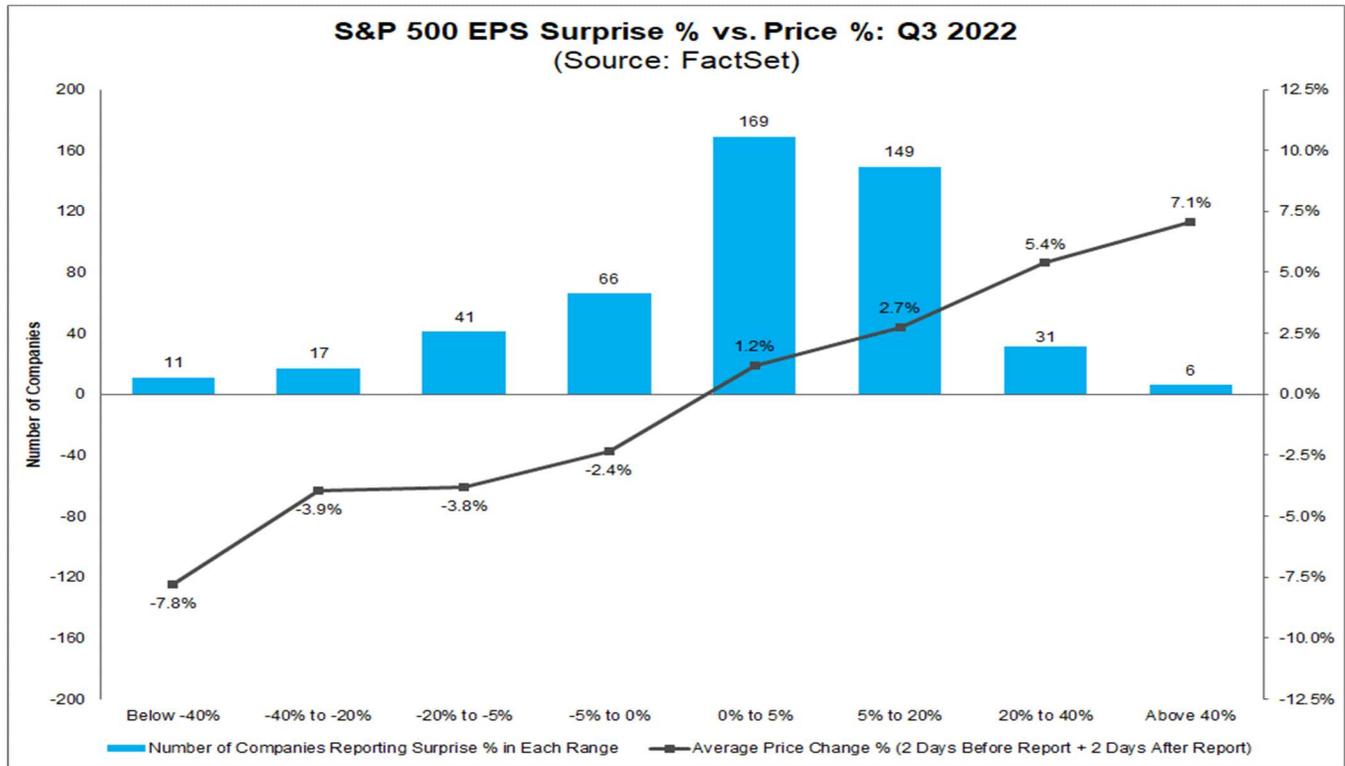
Q3 2022: Scorecard



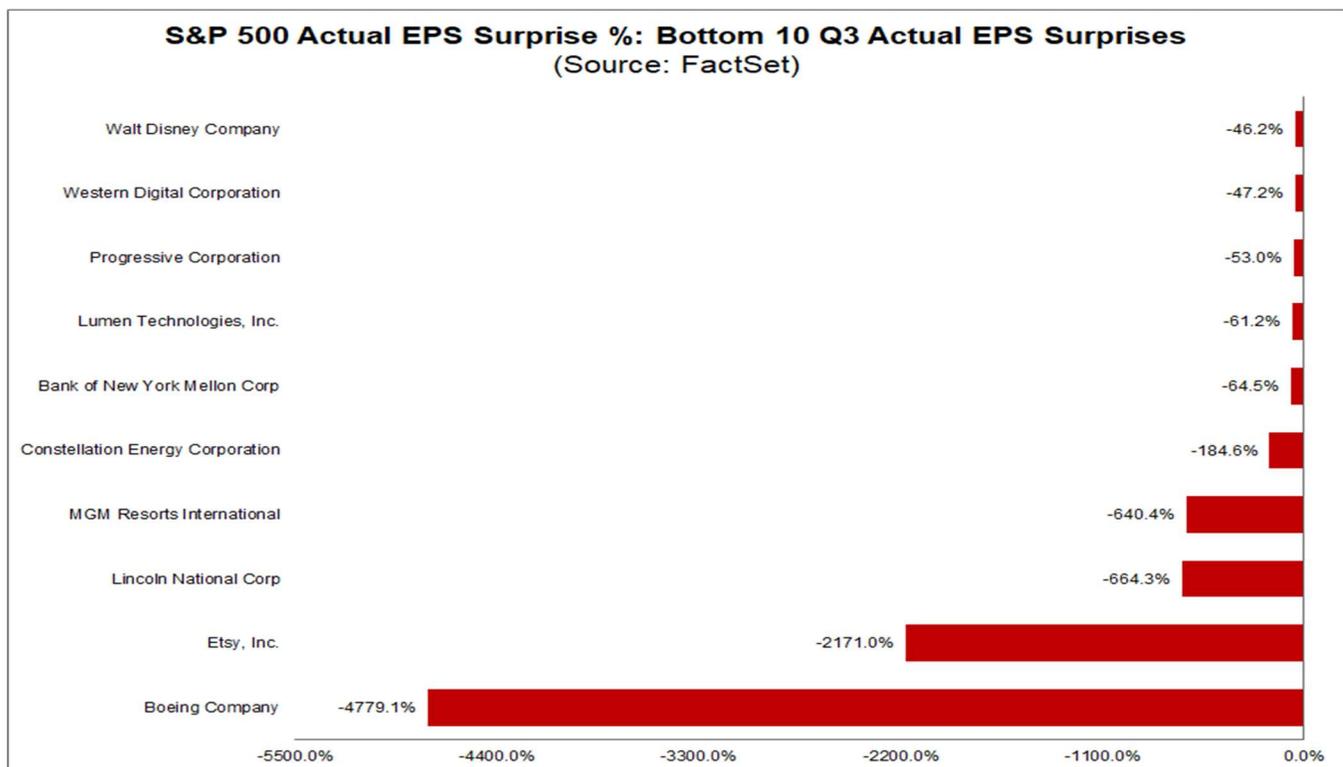
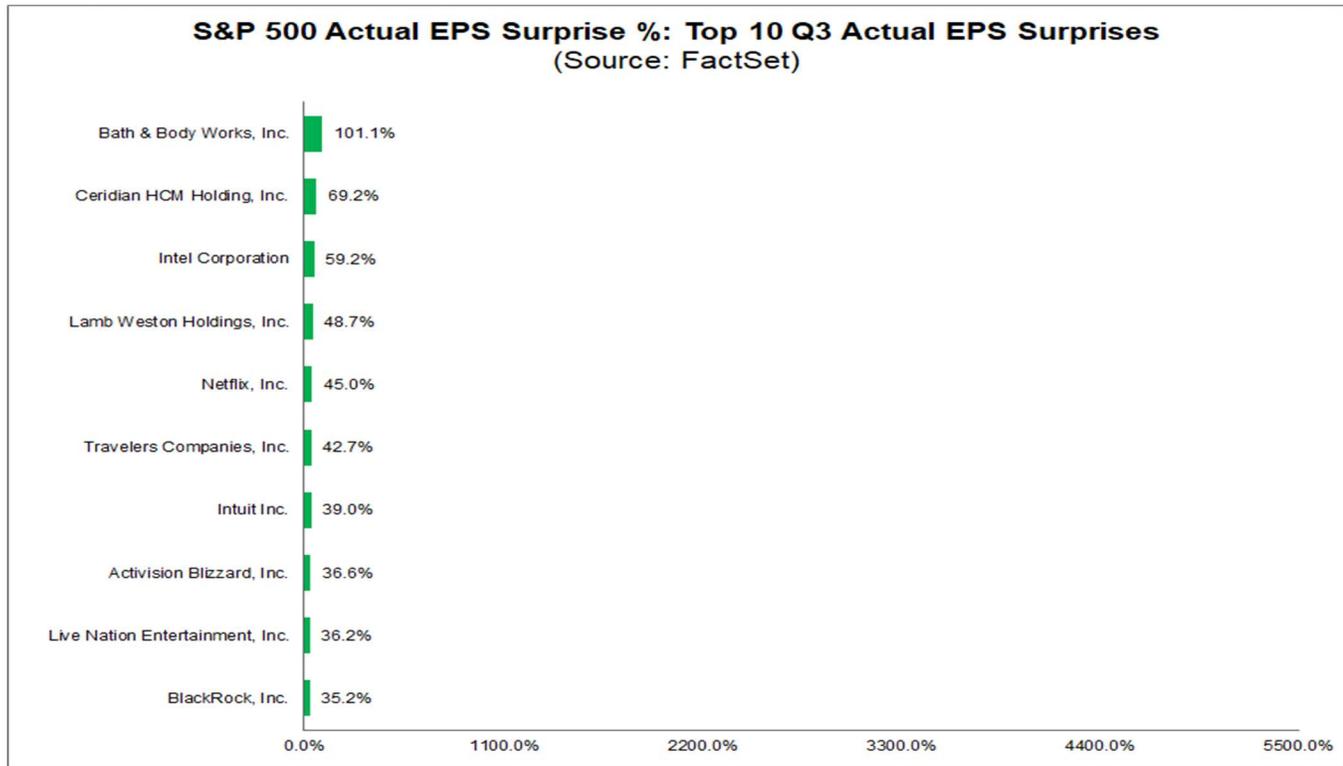
Q3 2022: Scorecard



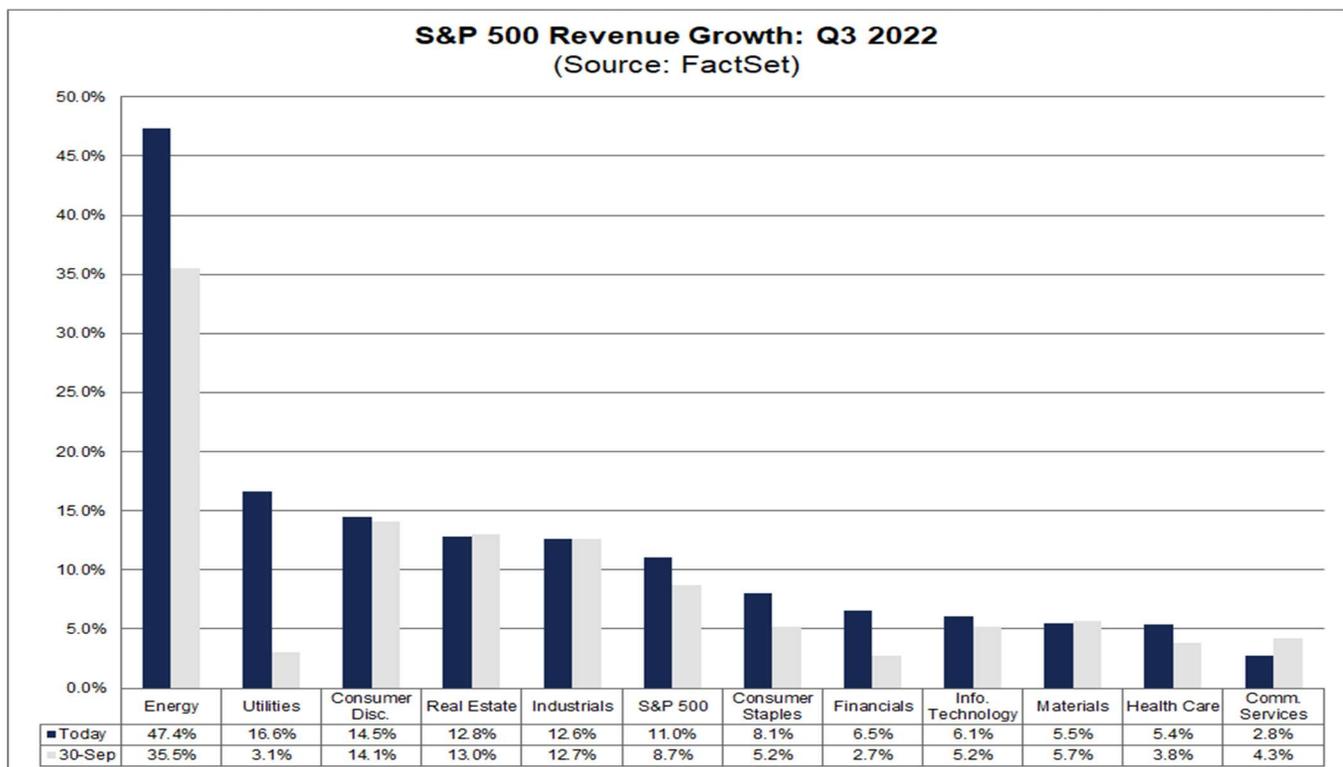
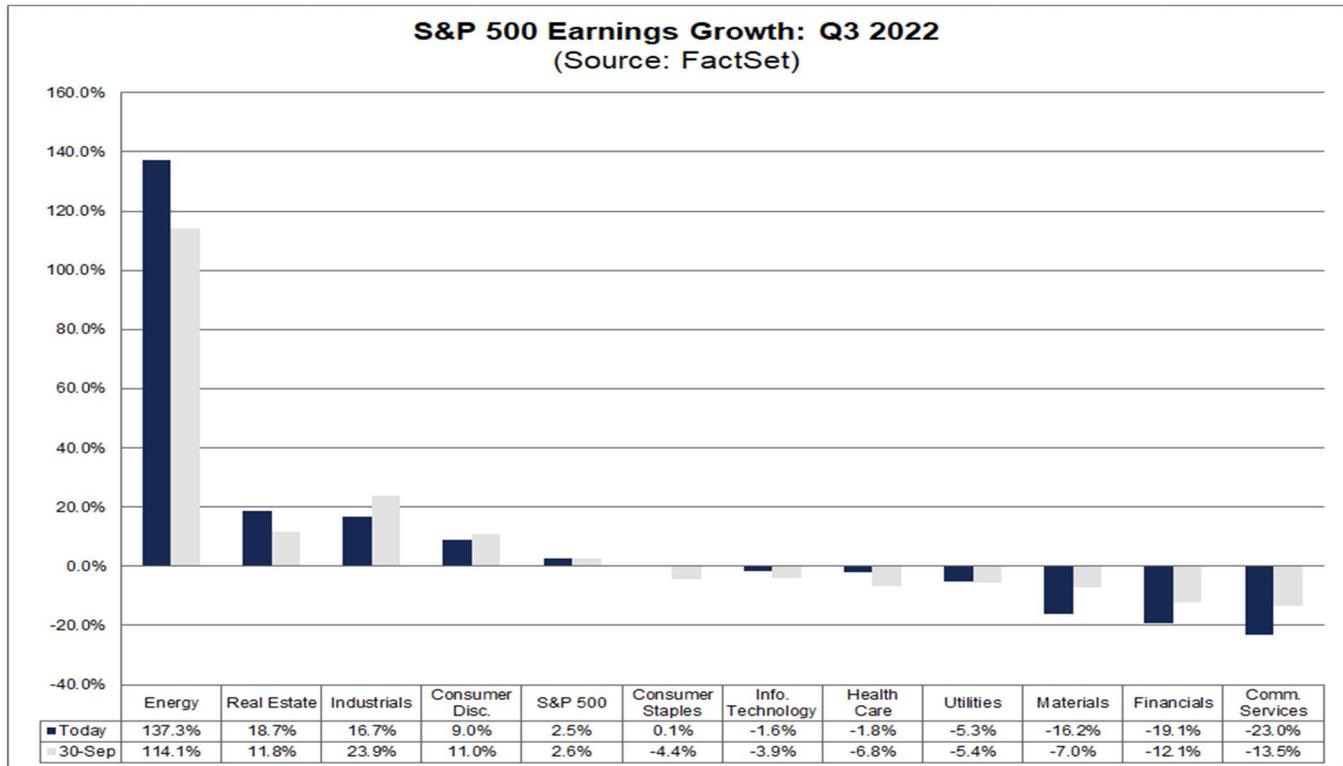
Q3 2022: Scorecard



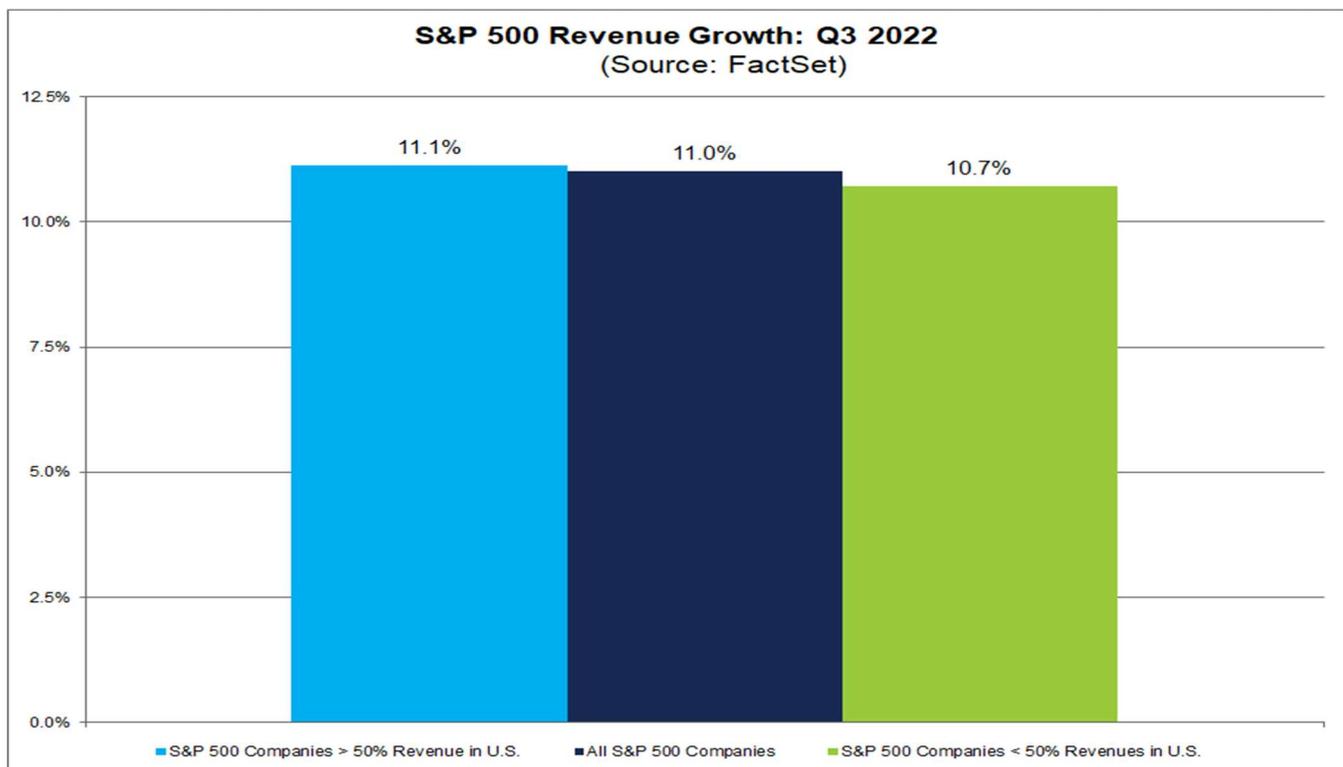
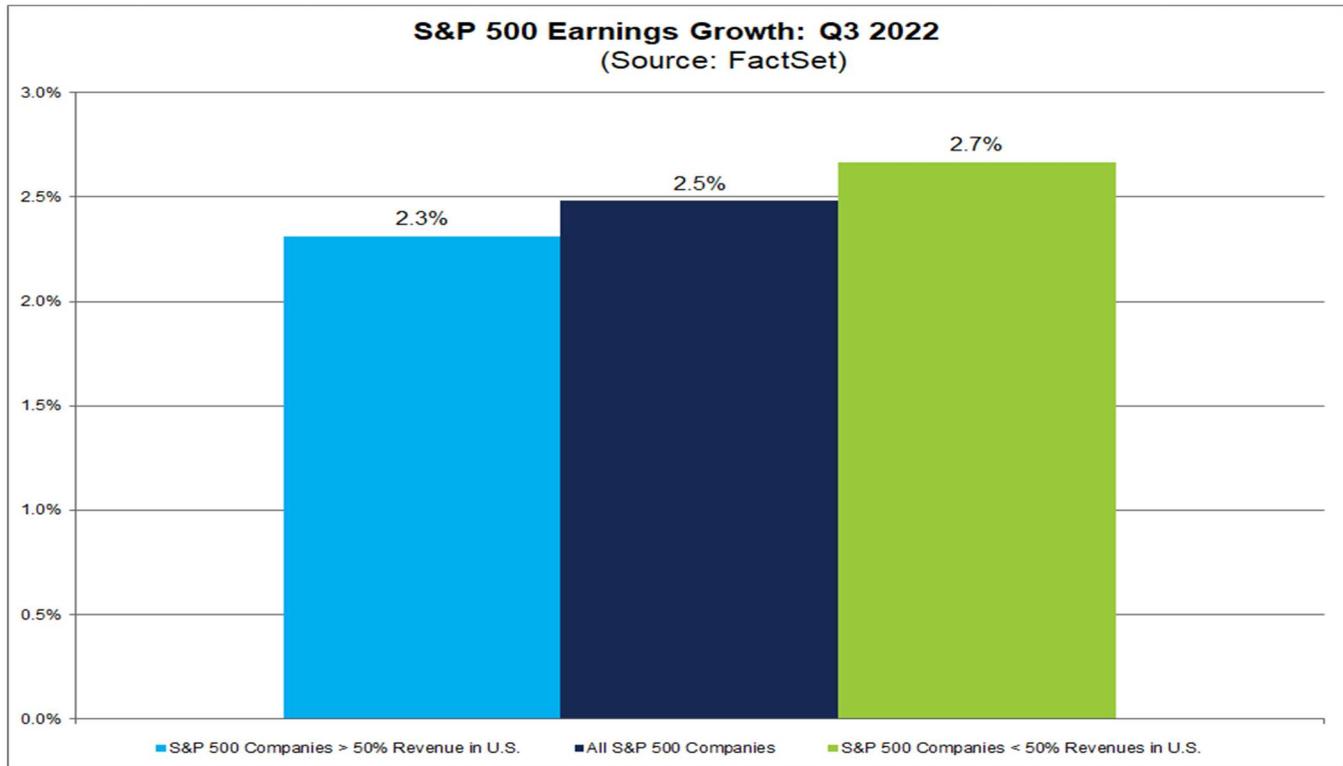
Q3 2022: Scorecard



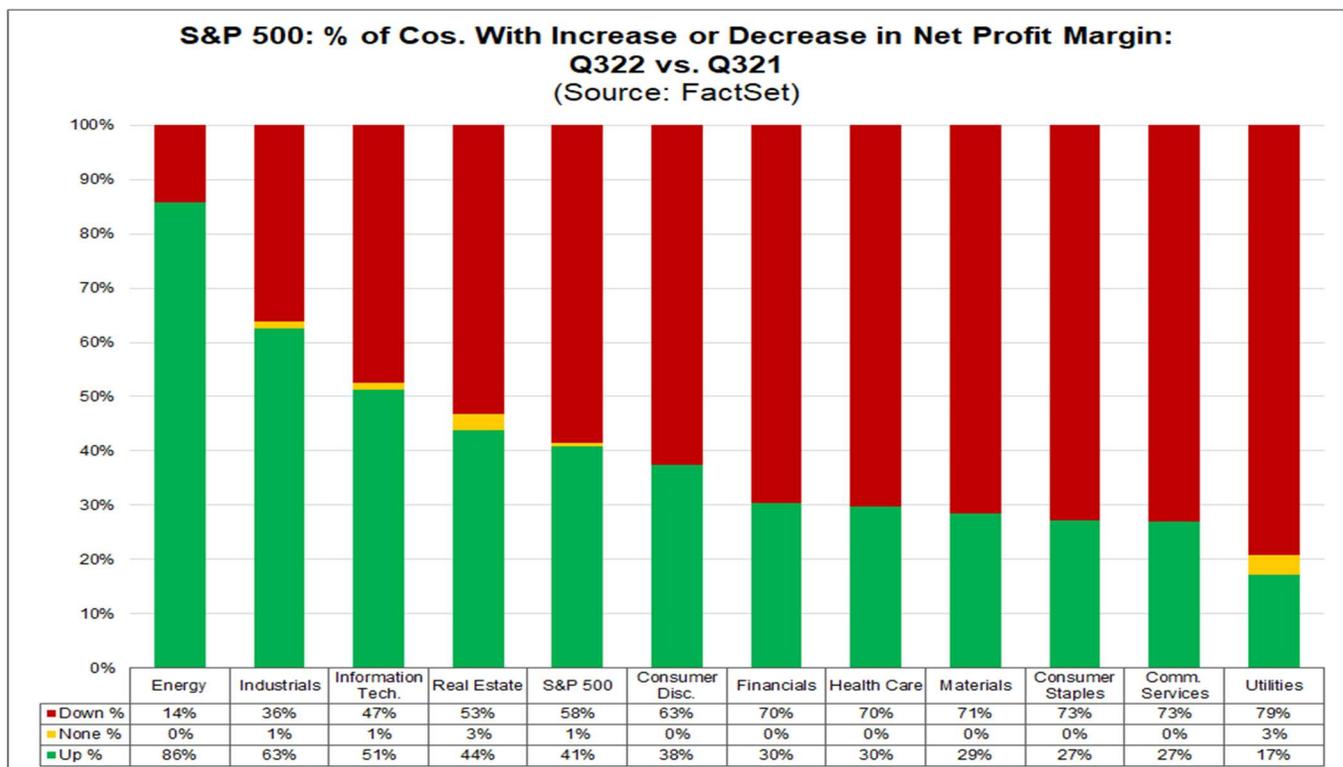
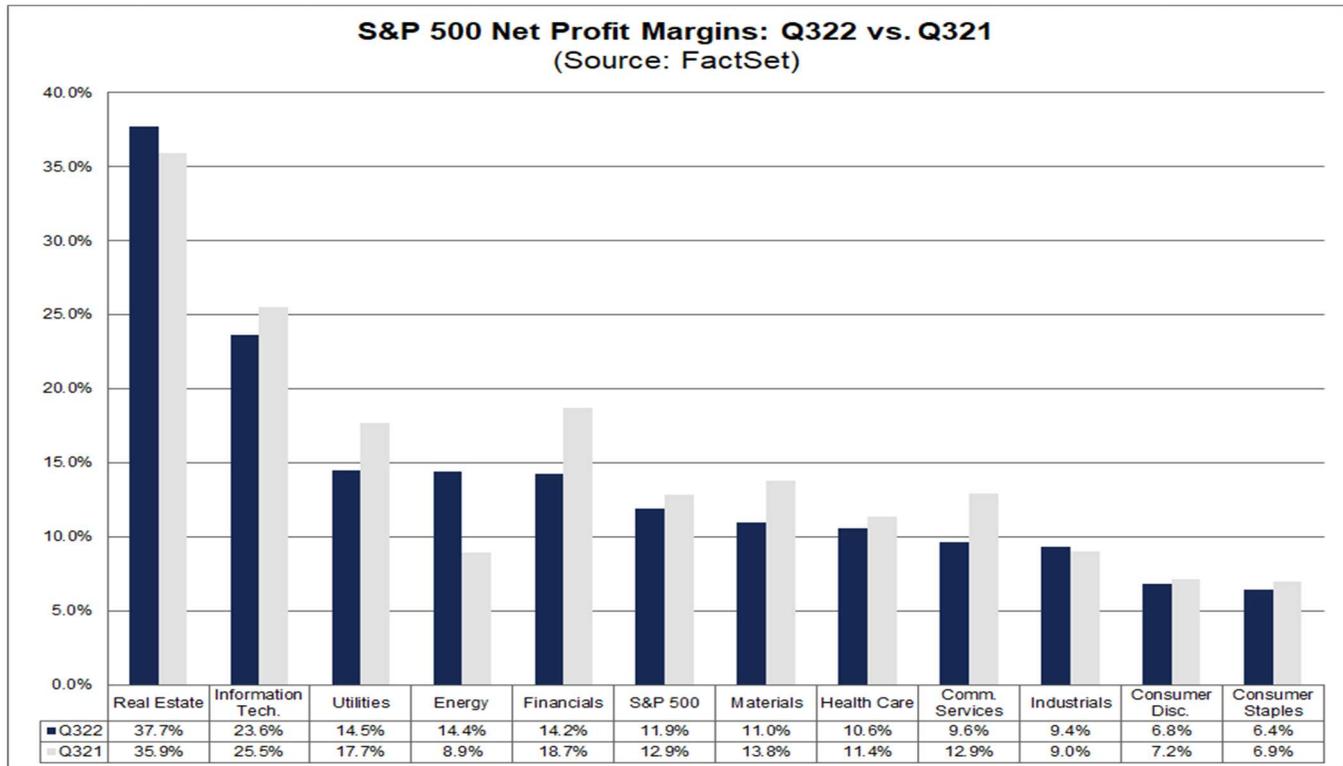
Q3 2022: Growth



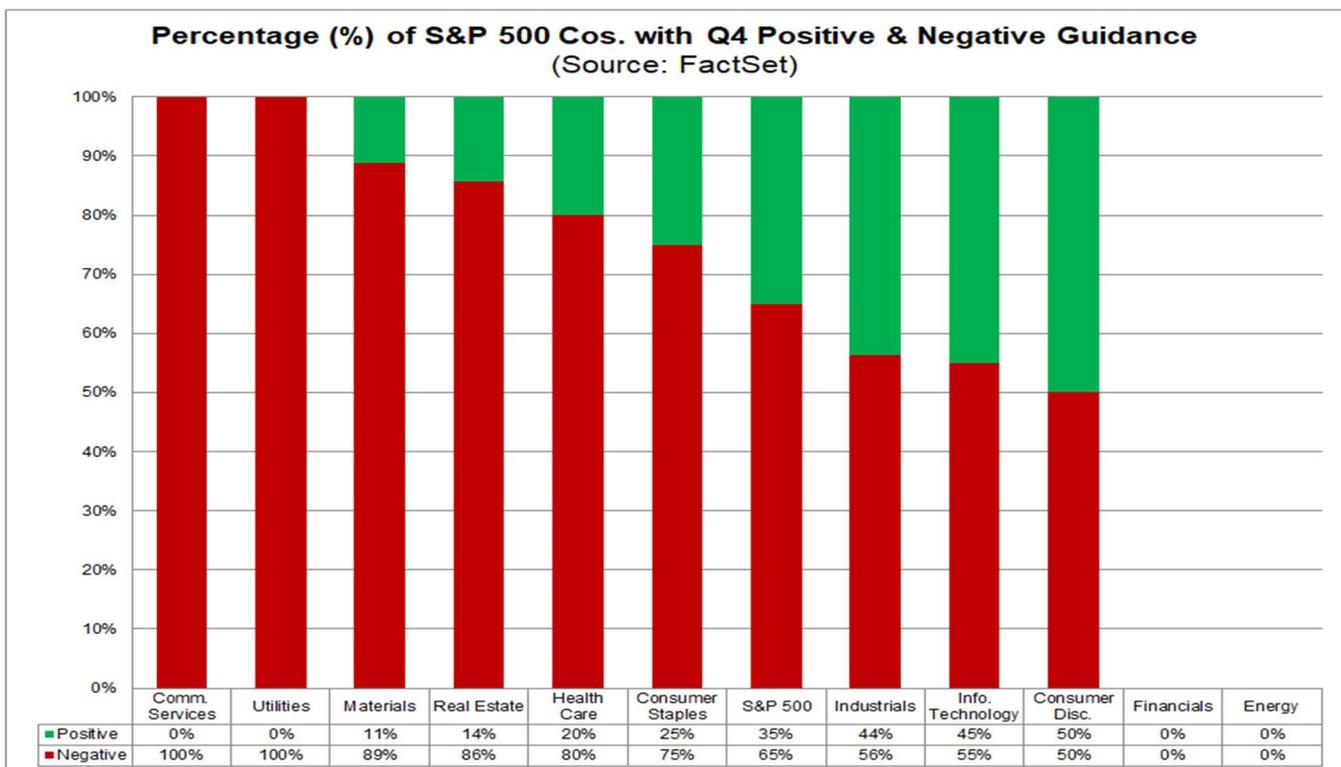
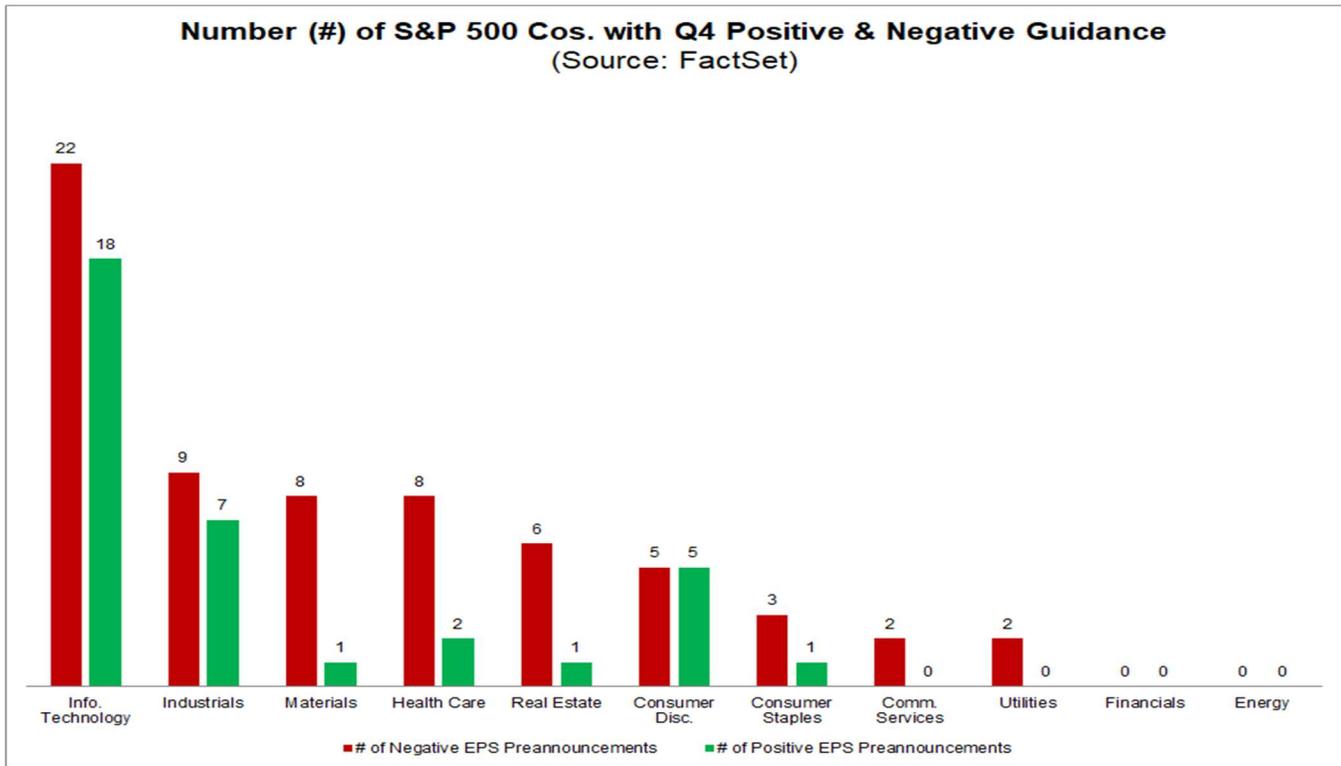
Q3 2022: Growth



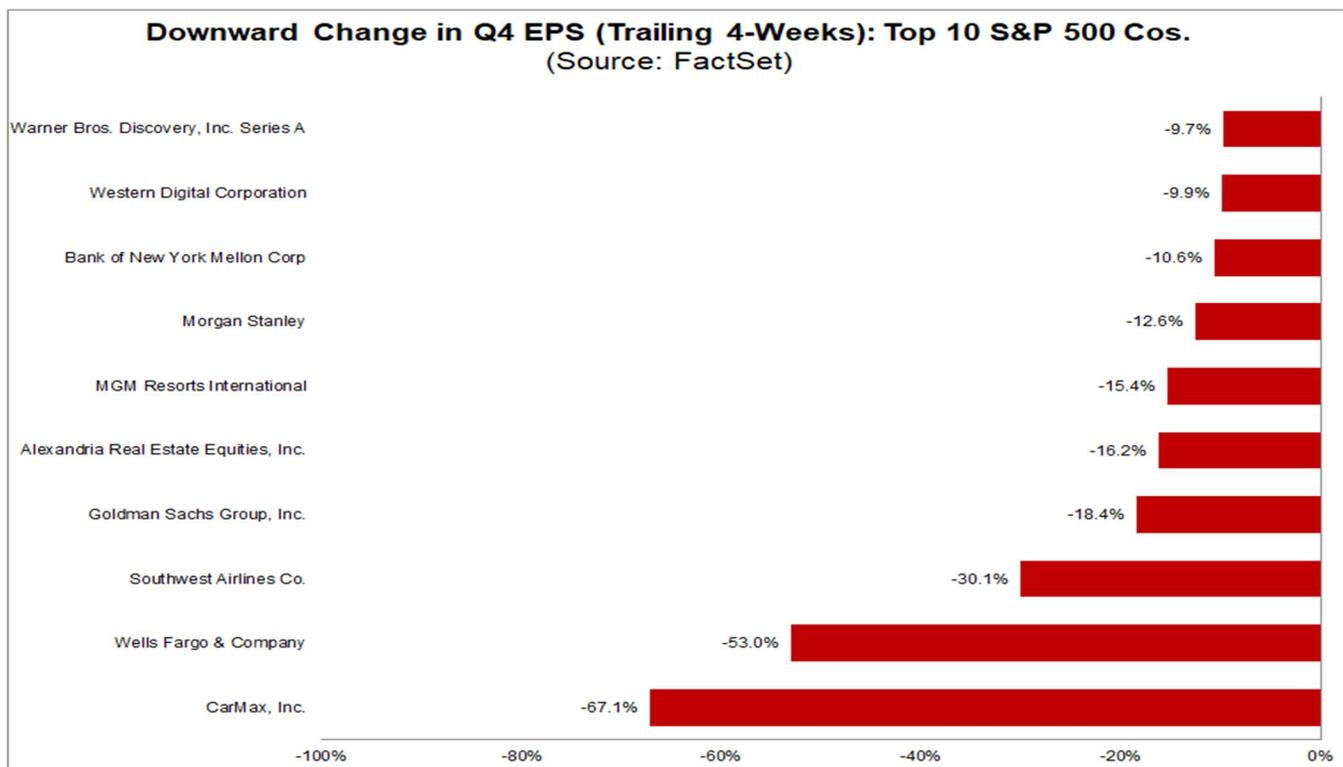
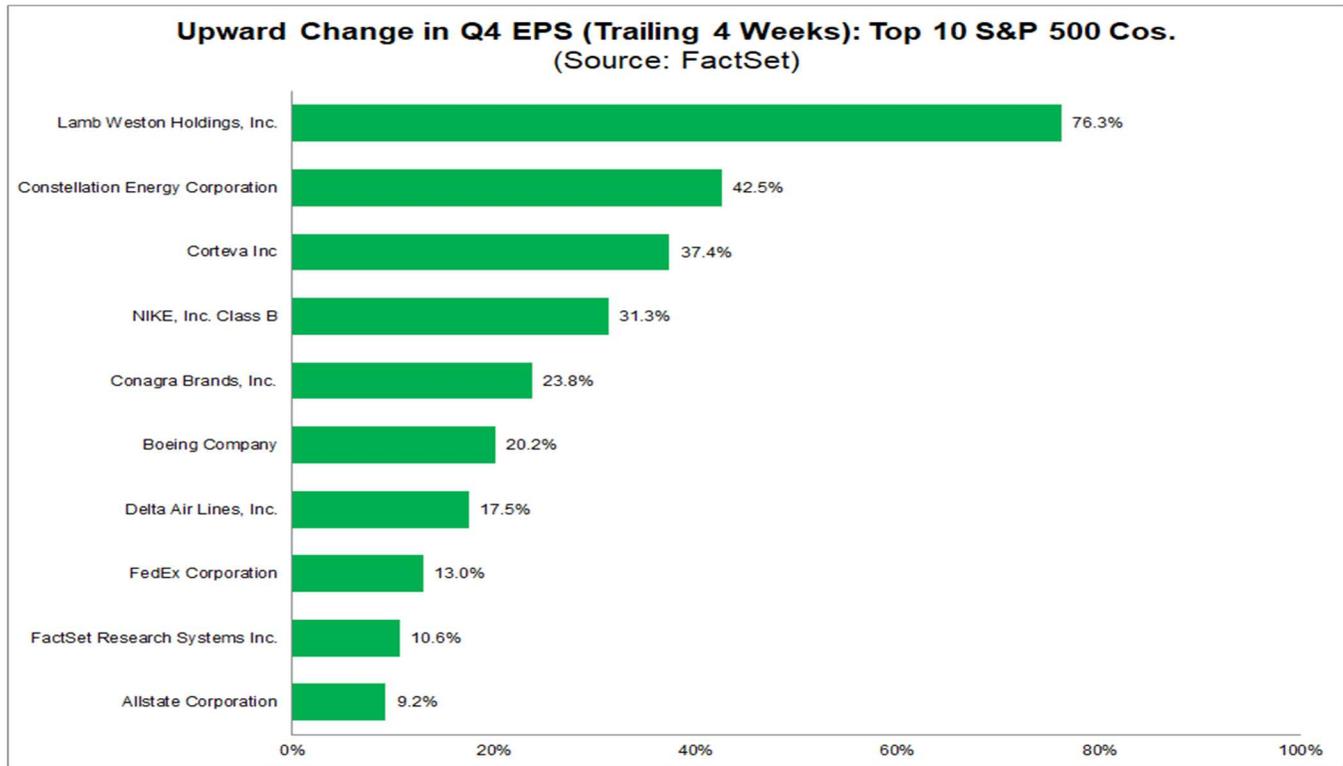
Q3 2022: Net Profit Margin



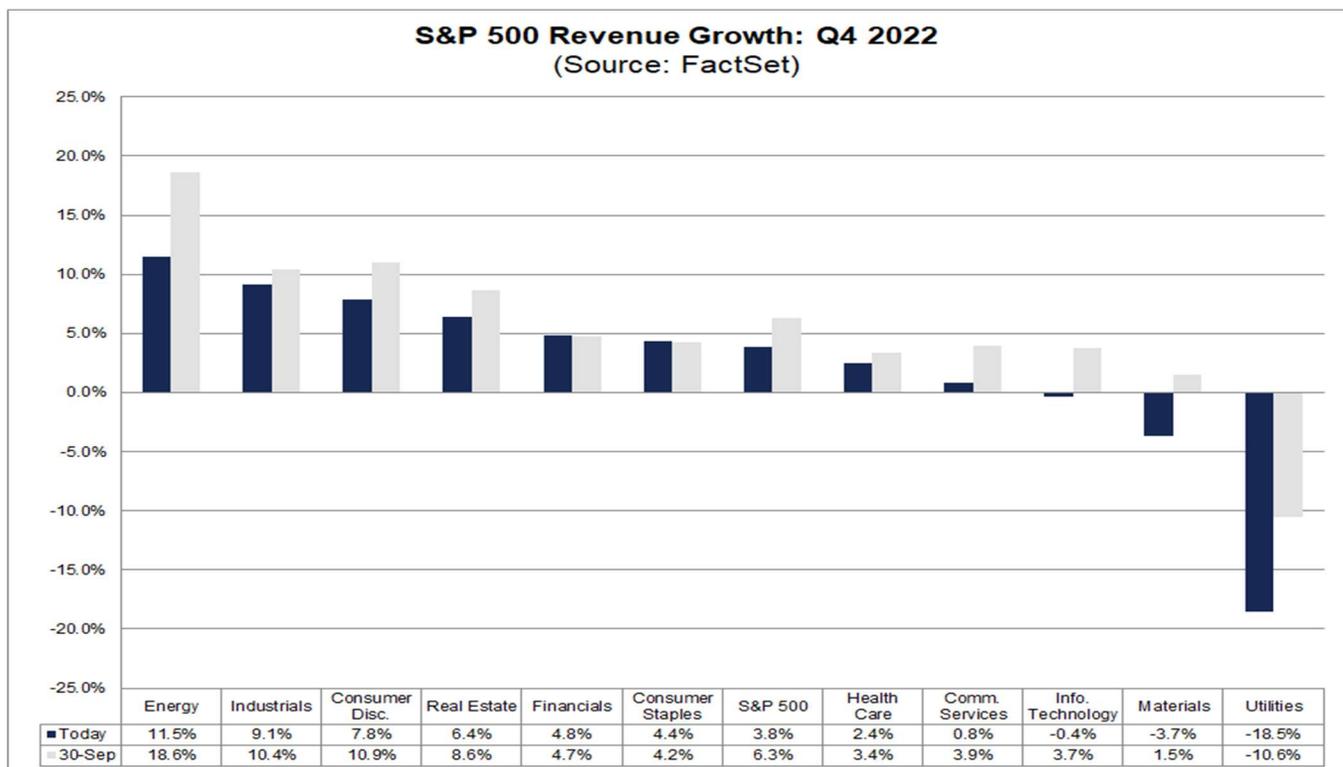
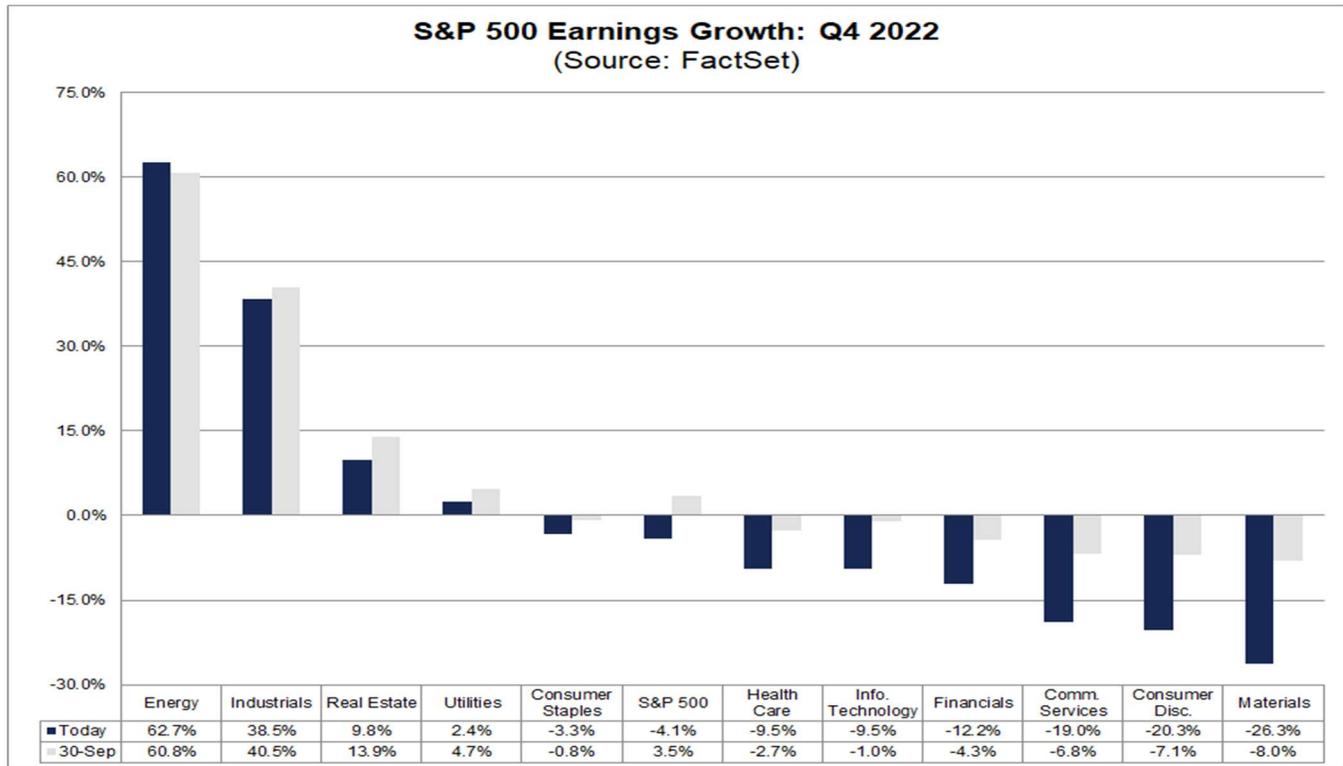
Q4 2022: Guidance



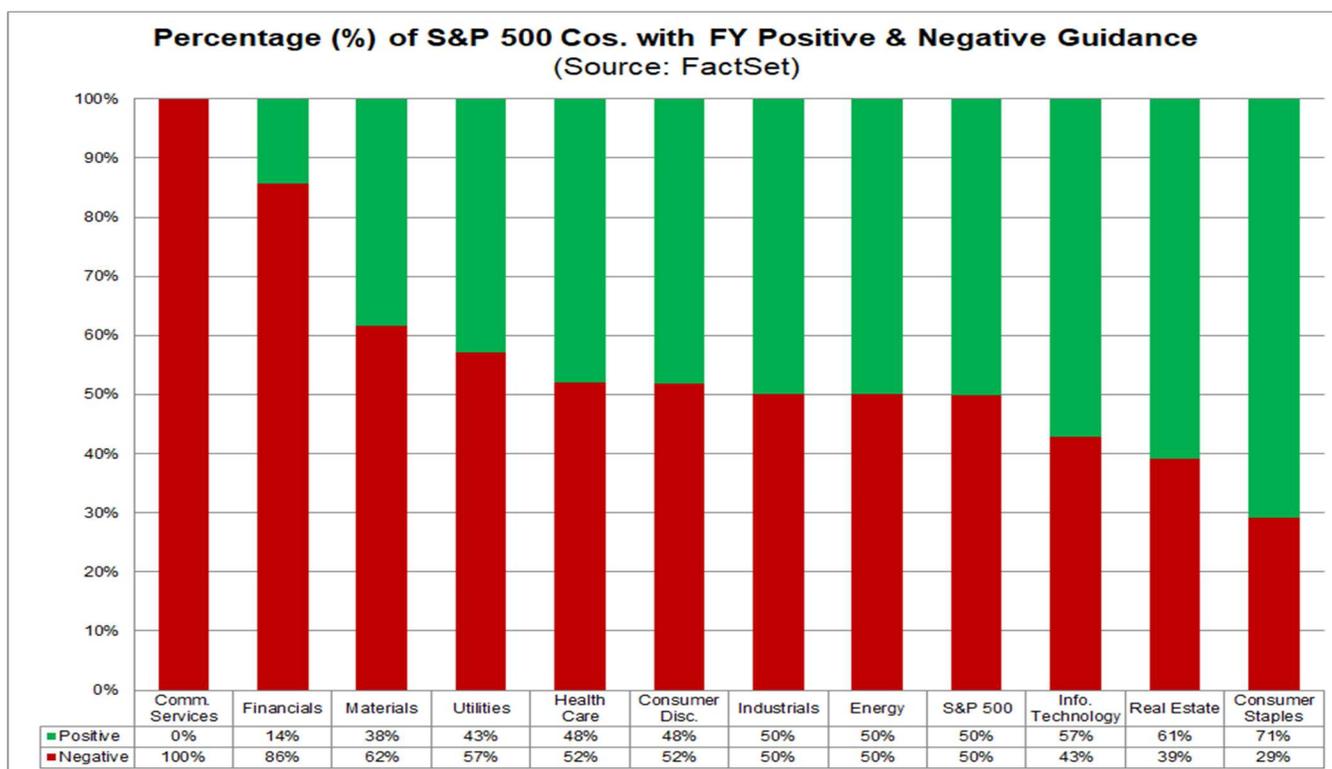
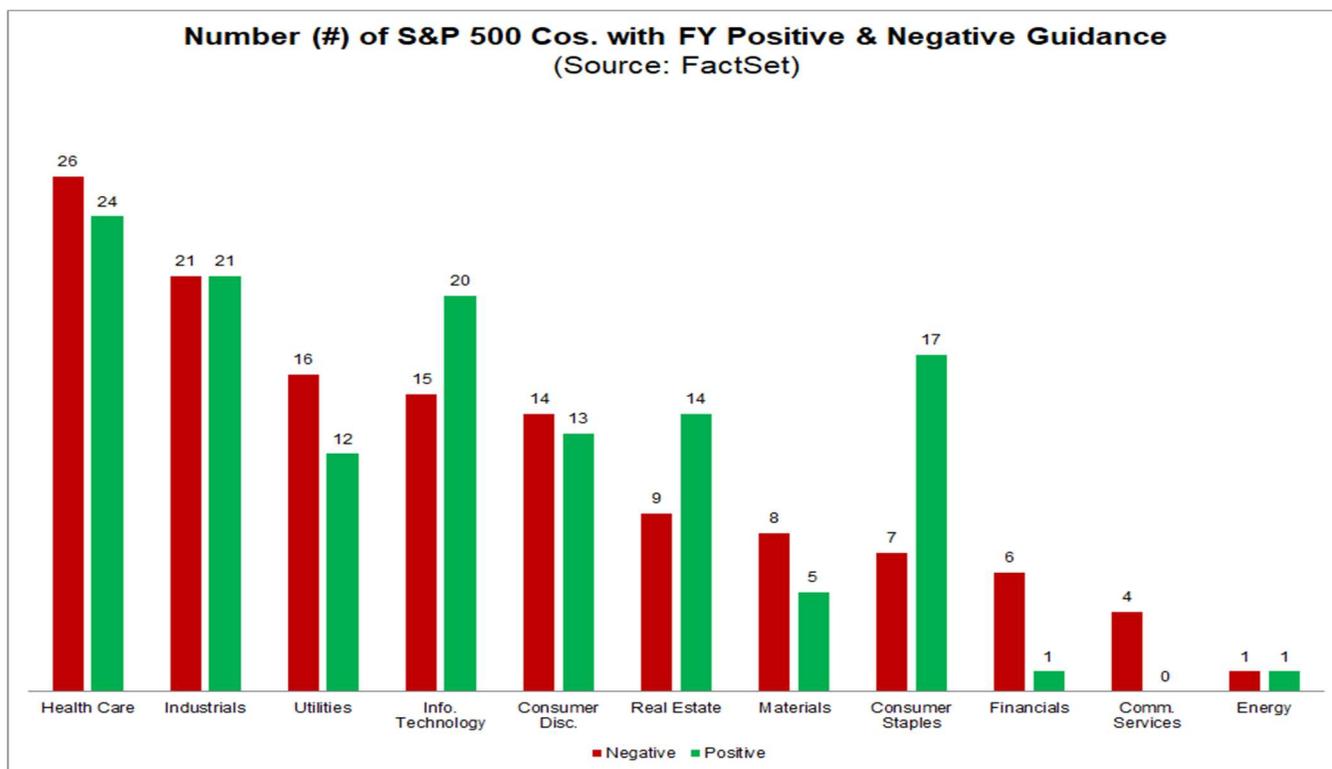
Q4 2022: EPS Revisions



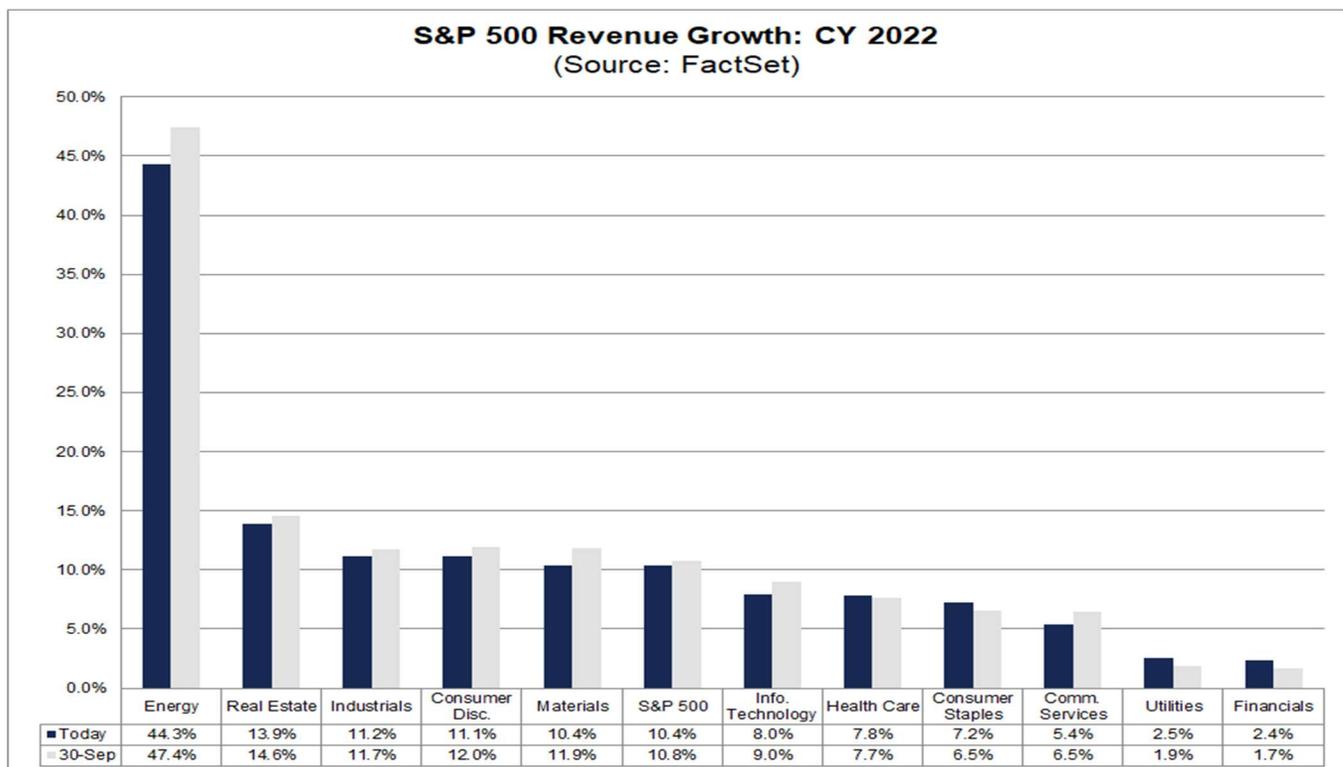
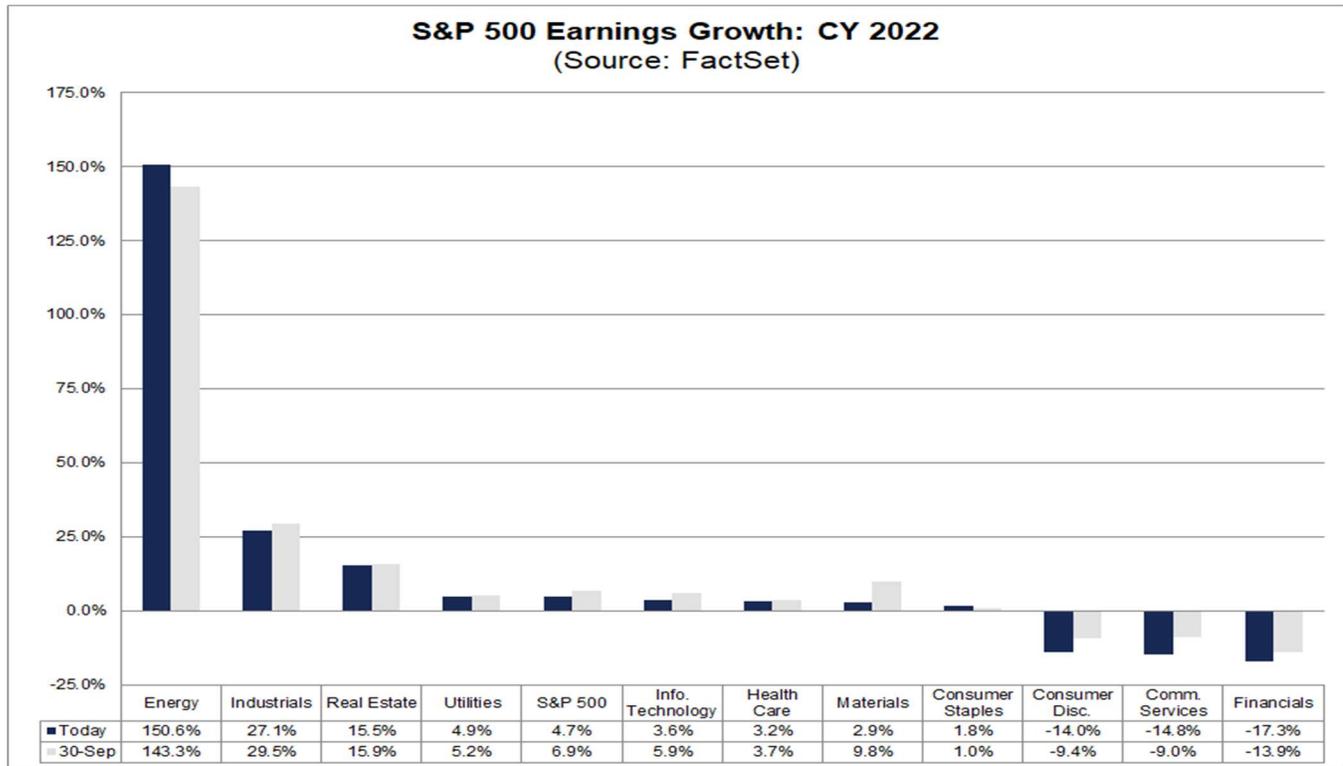
Q4 2022: Growth



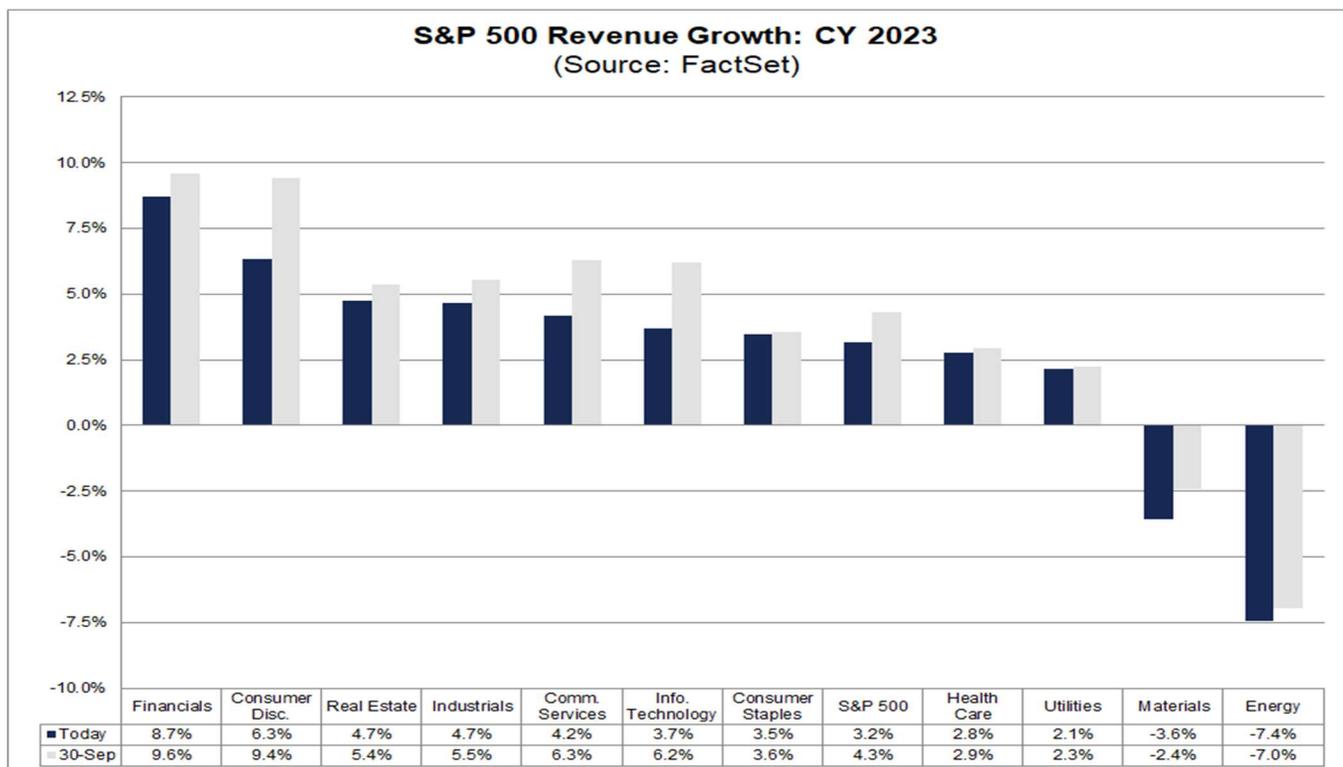
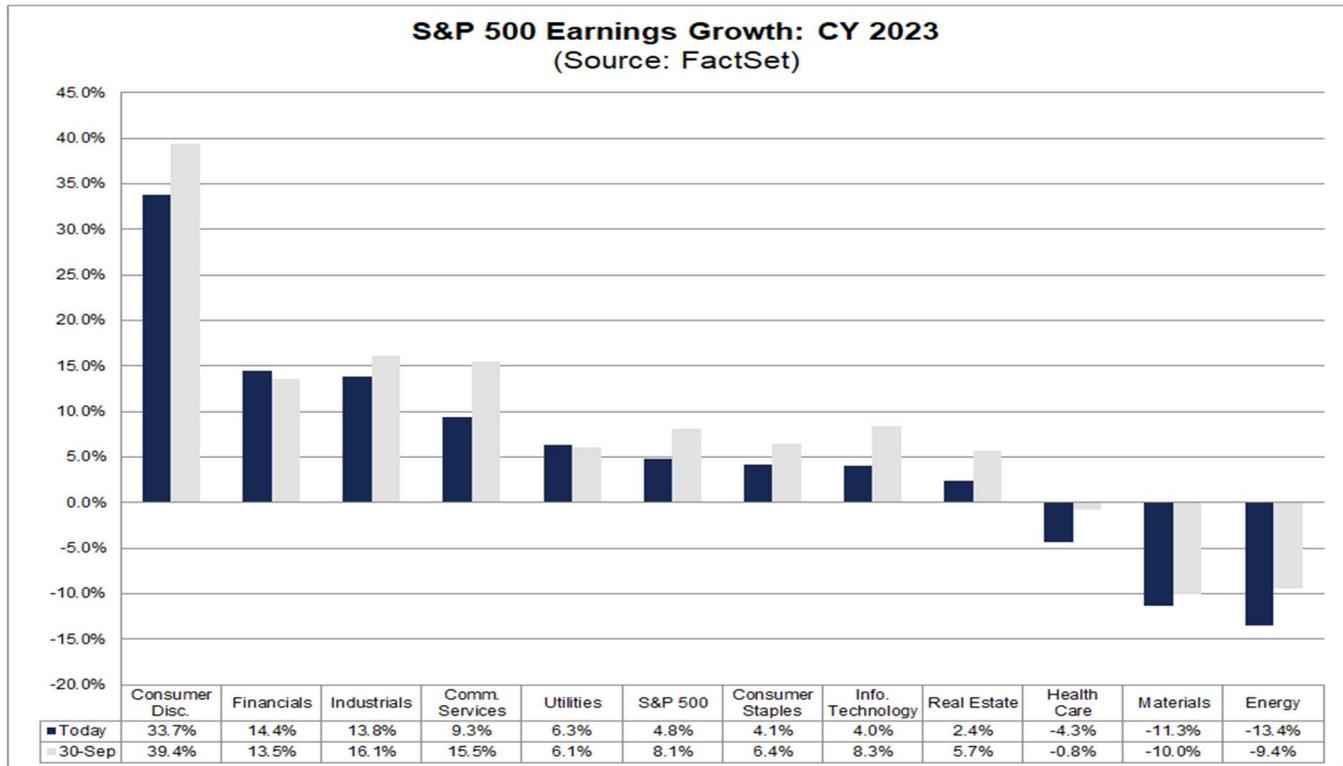
FY 2022 / 2023: EPS Guidance



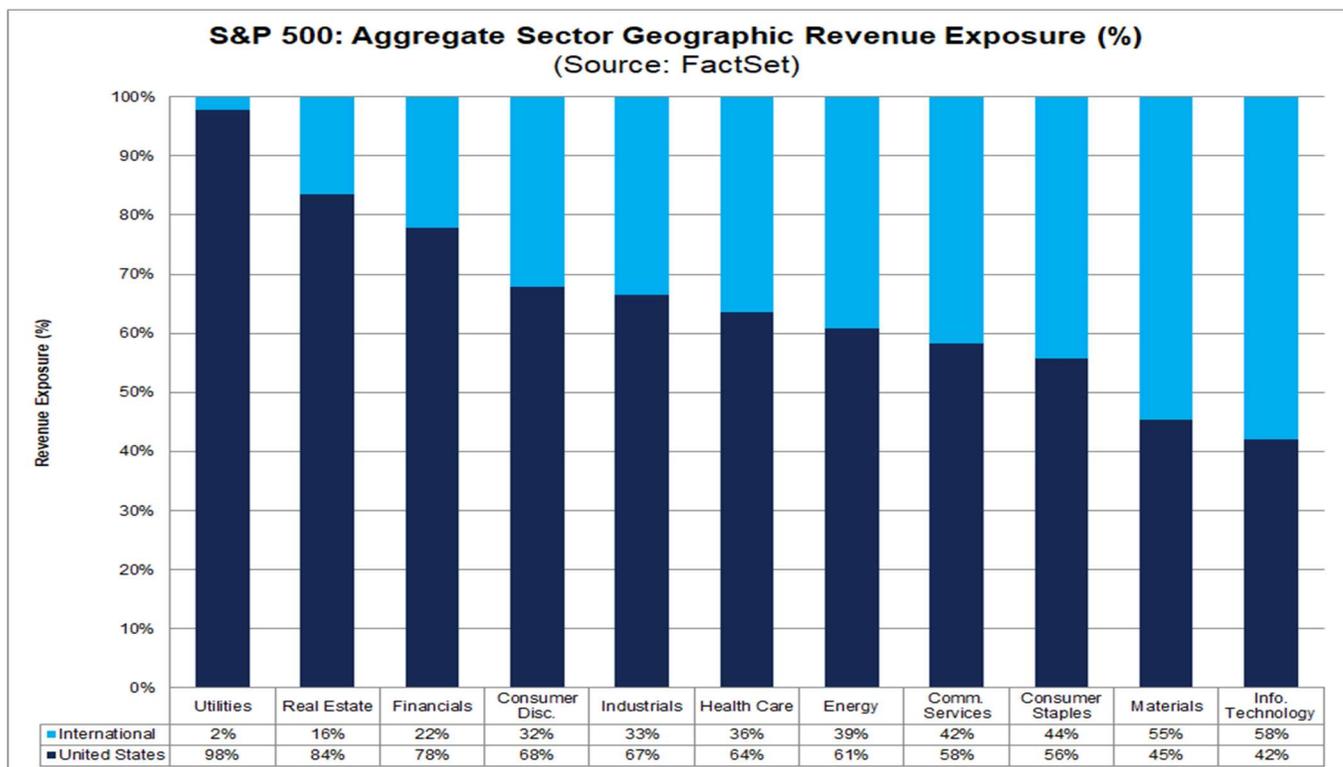
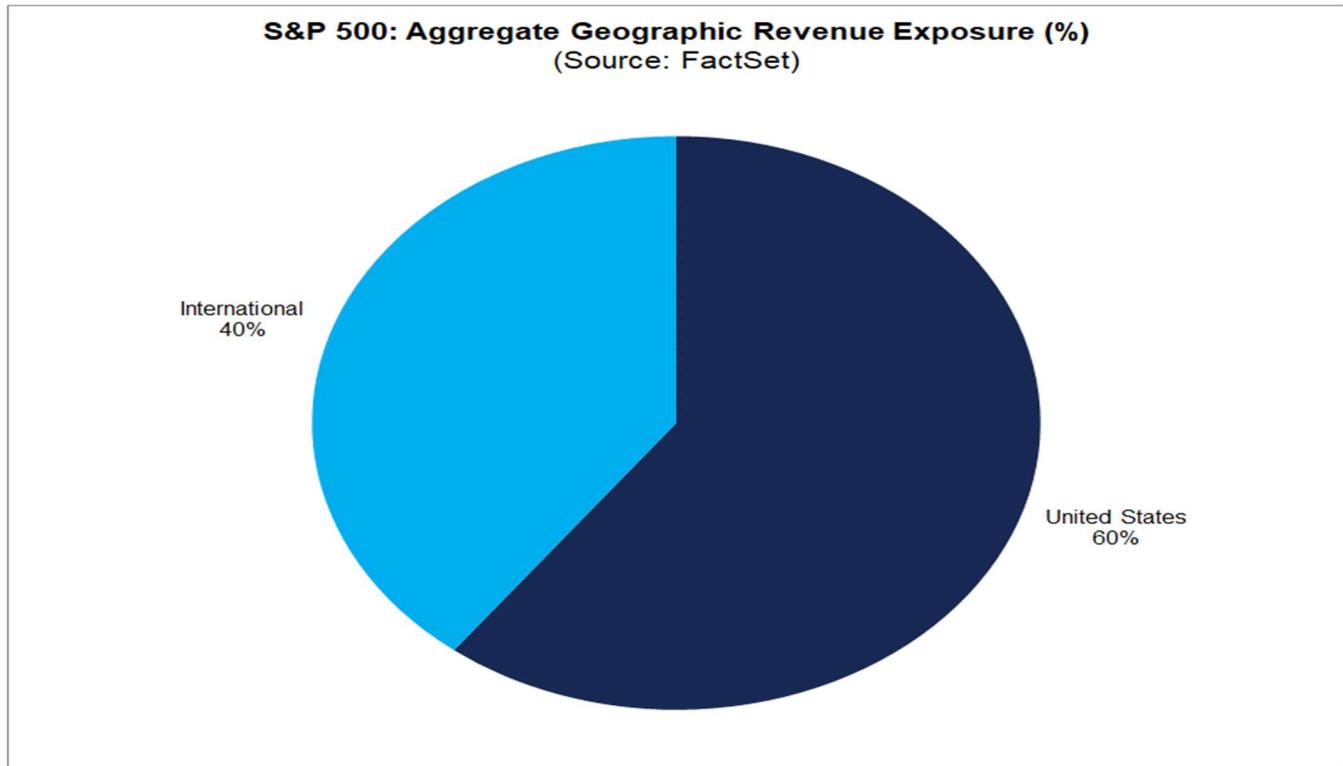
CY 2022: Growth



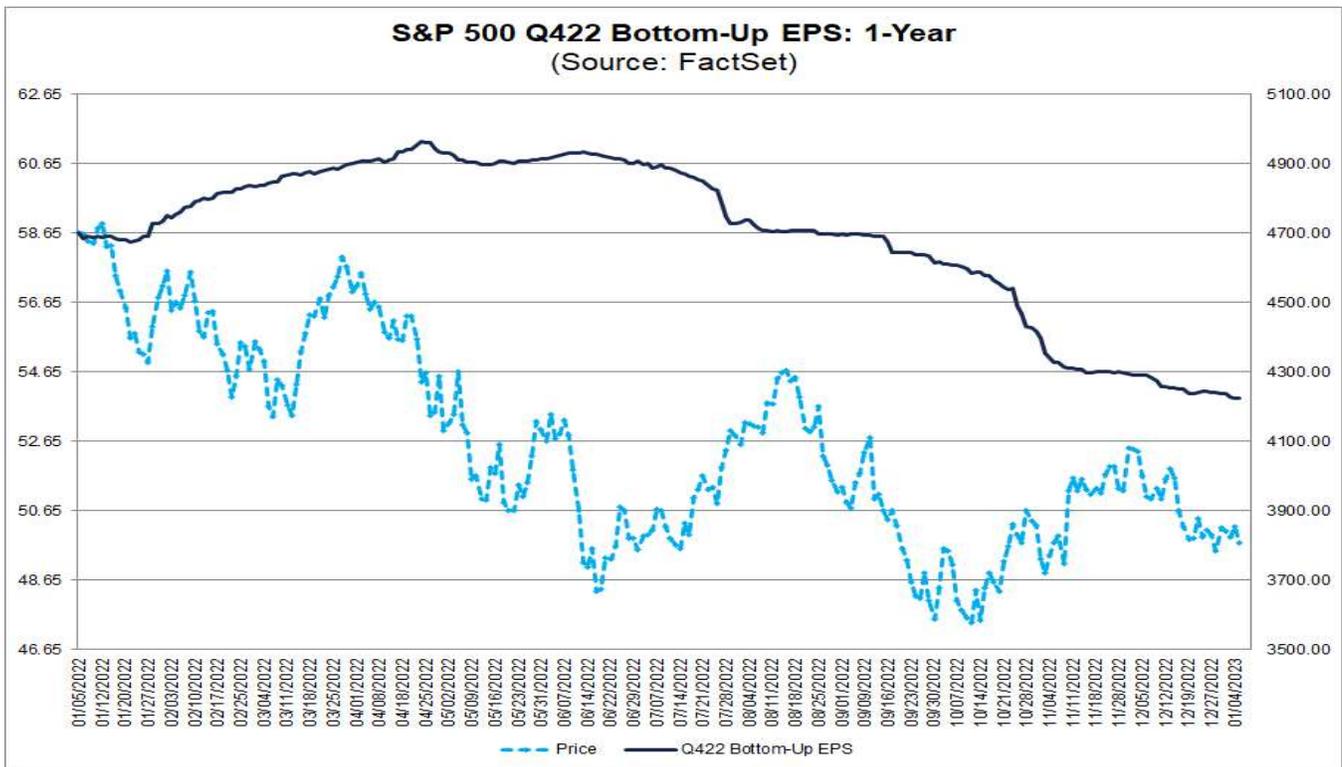
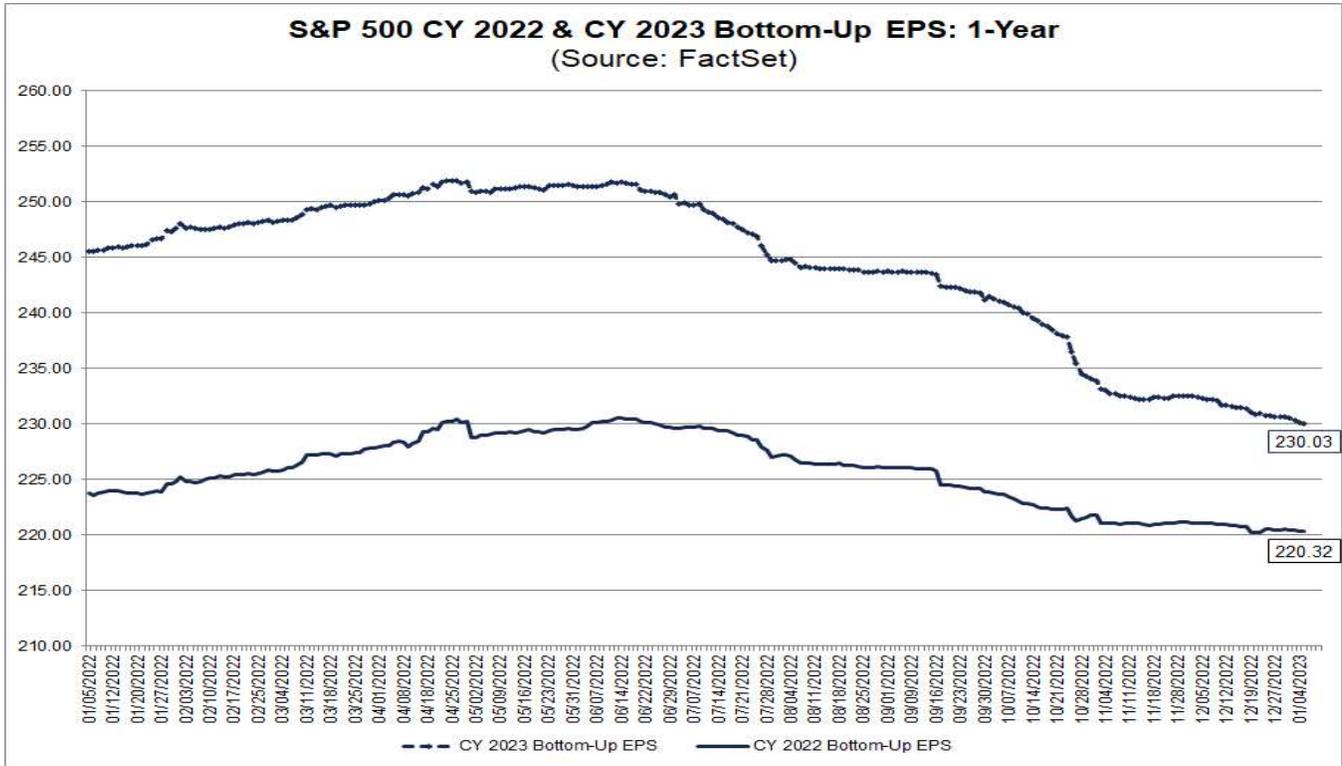
CY 2023: Growth



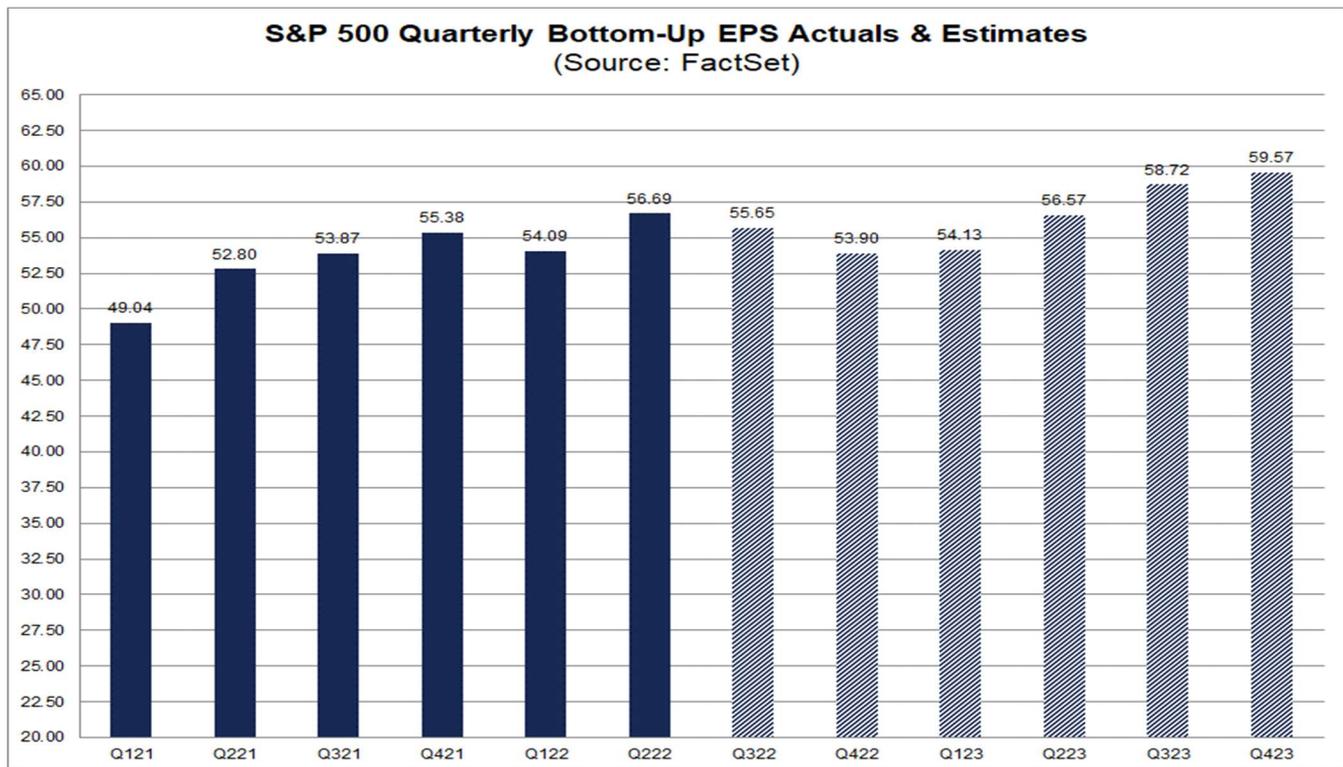
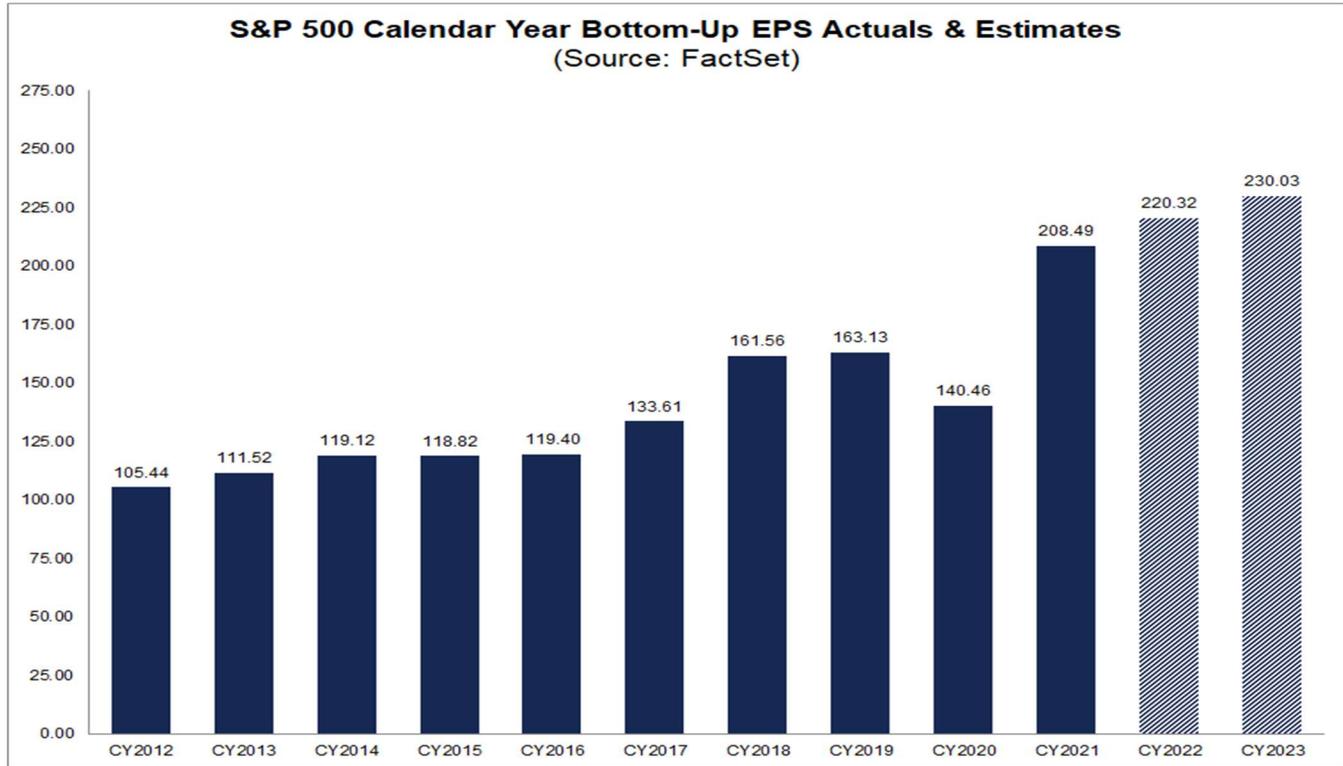
Geographic Revenue Exposure



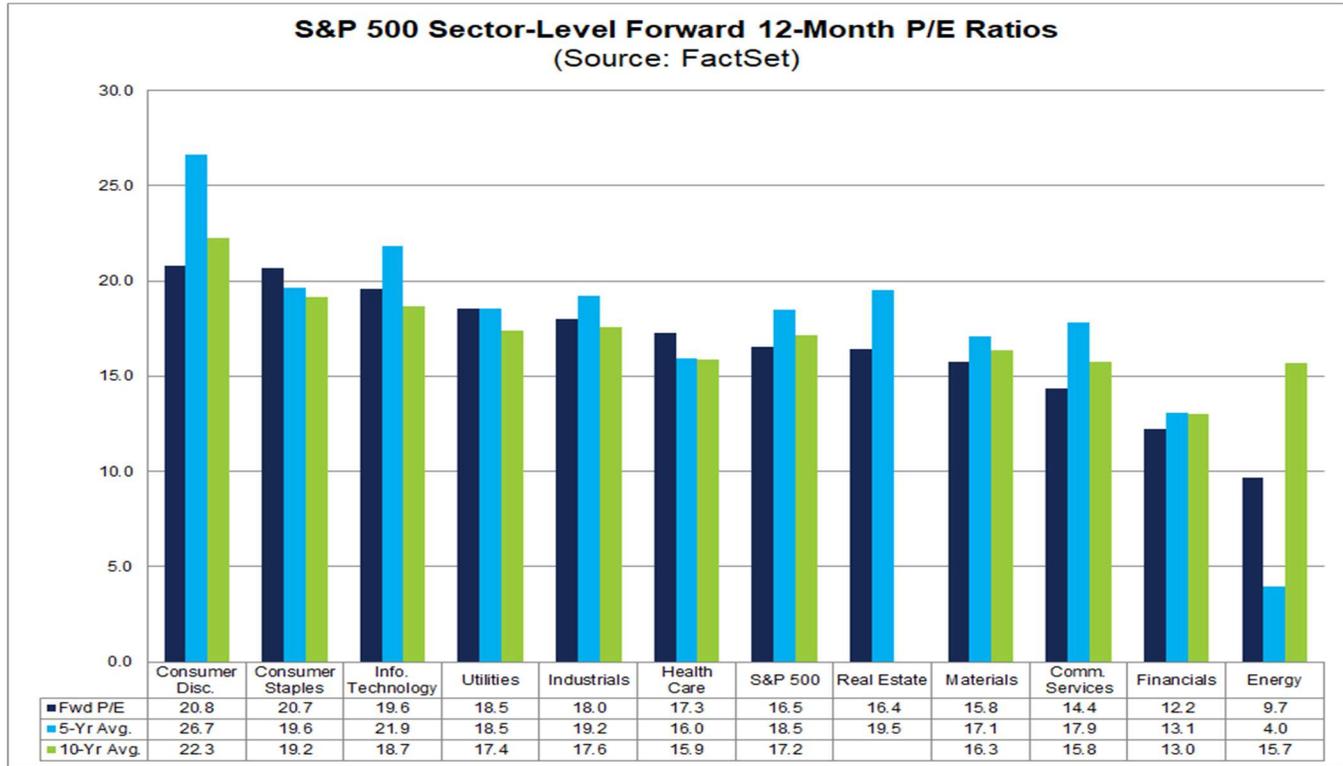
Bottom-Up EPS Estimates



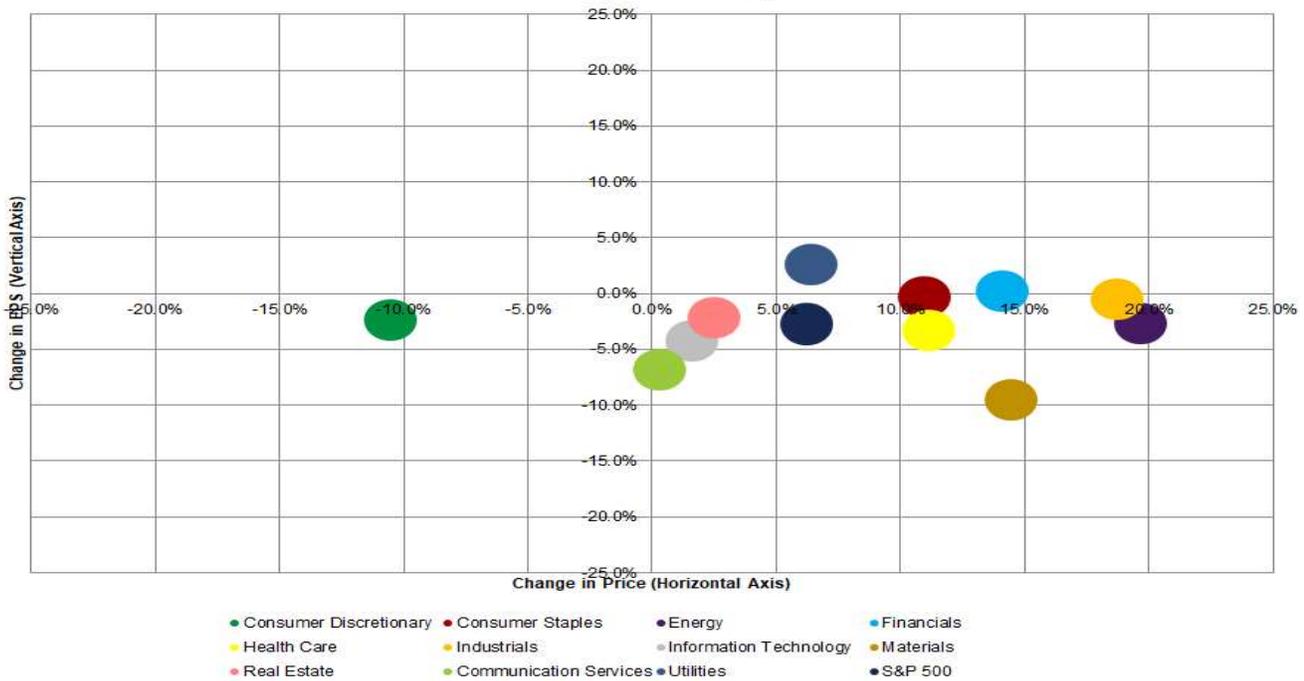
Bottom-Up EPS Estimates: Current & Historical



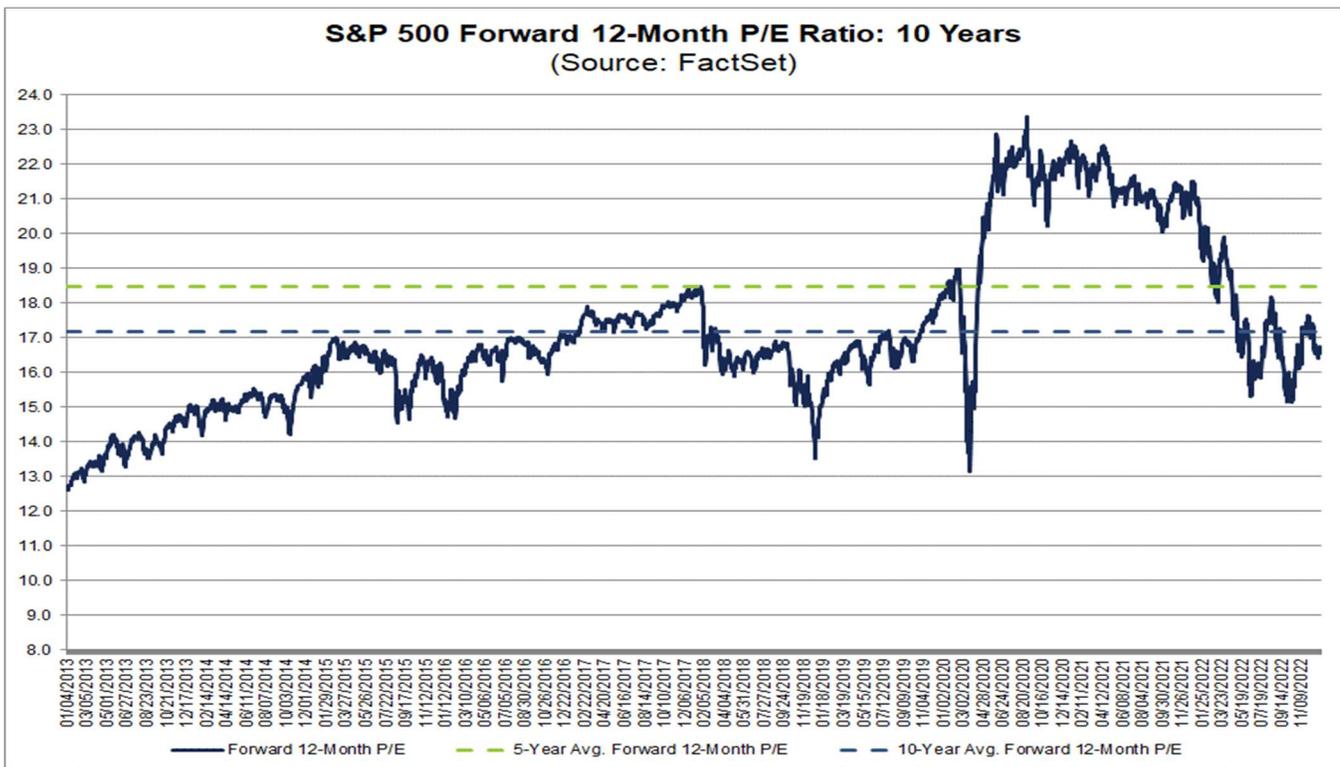
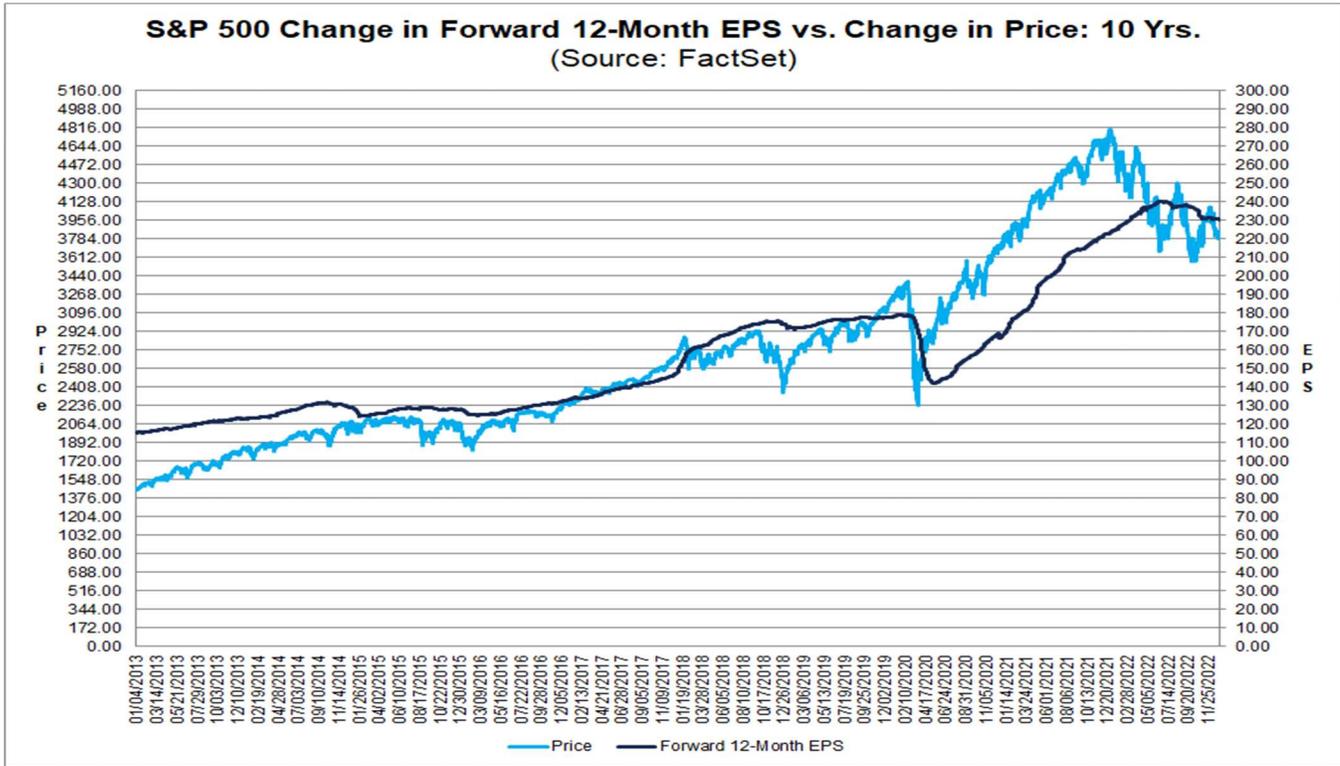
Forward 12M P/E Ratio: Sector Level



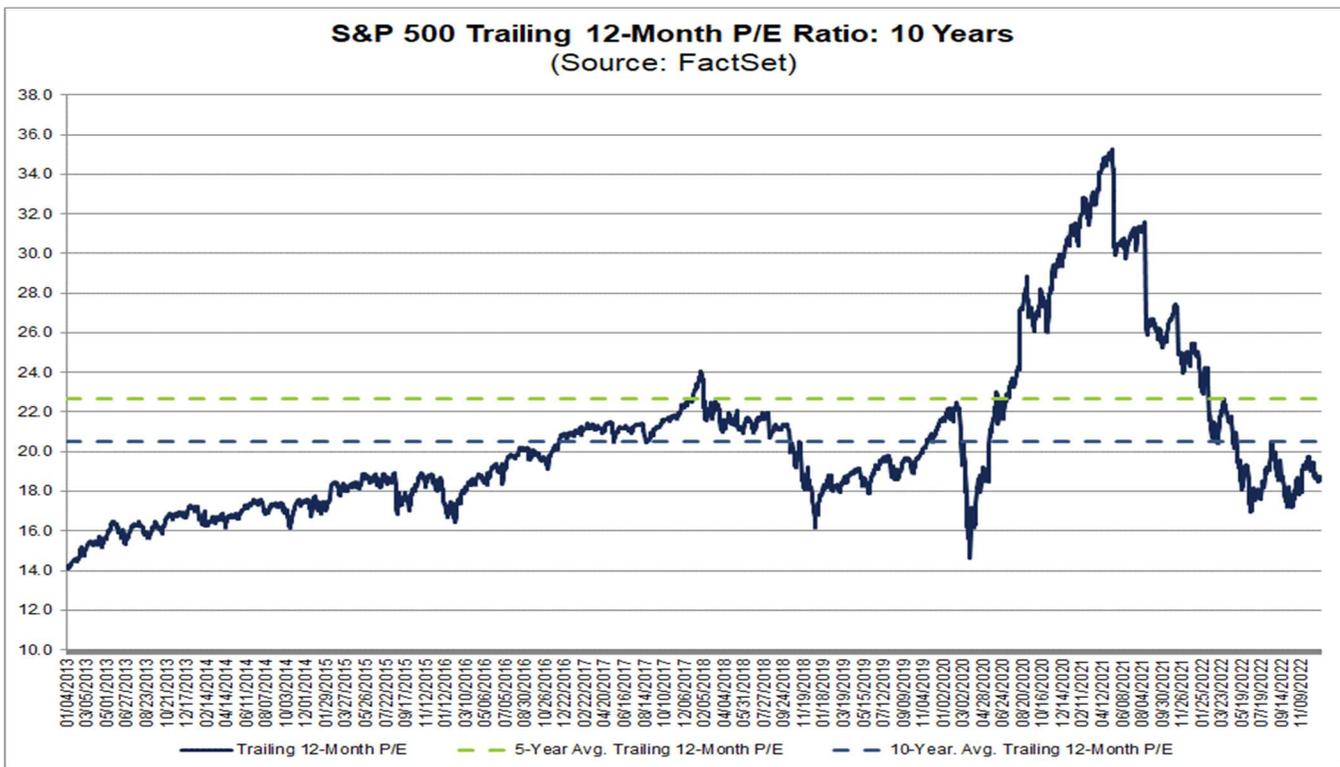
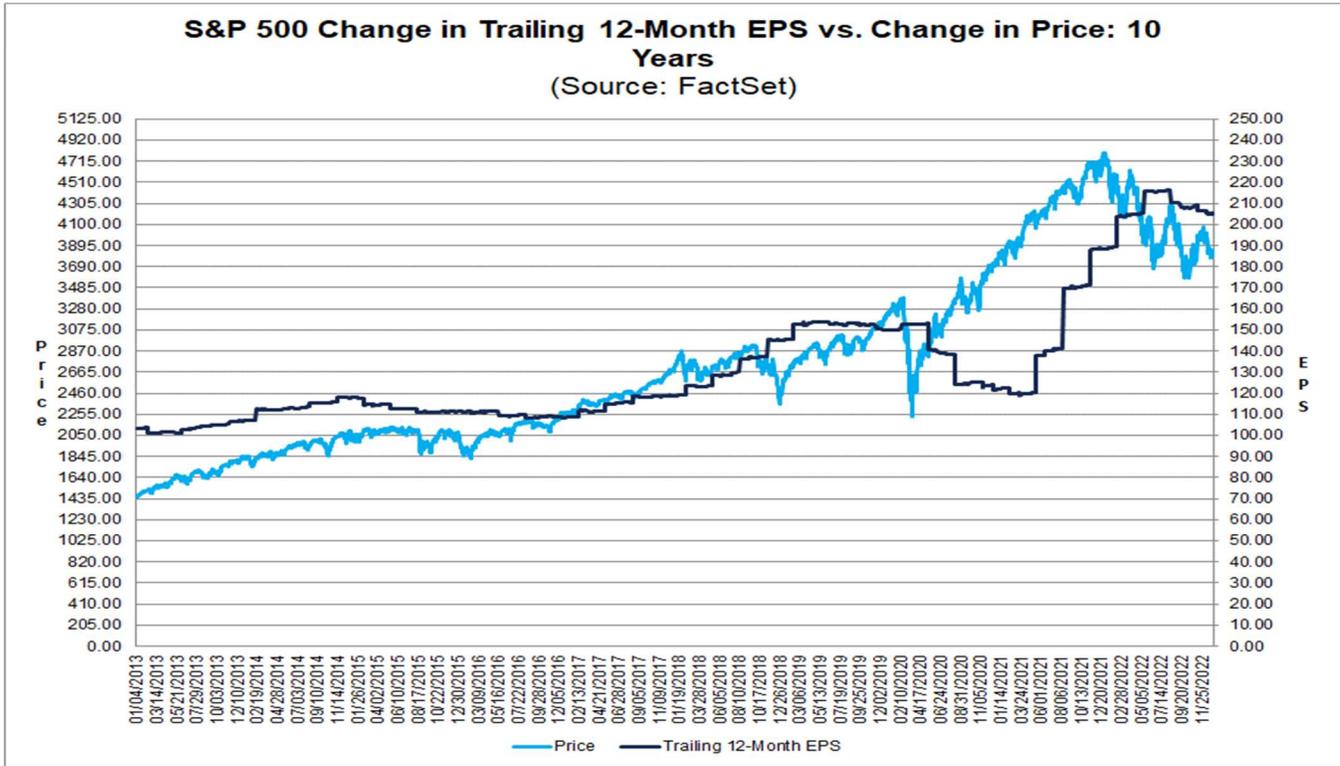
Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Sep. 30 (Source: FactSet)



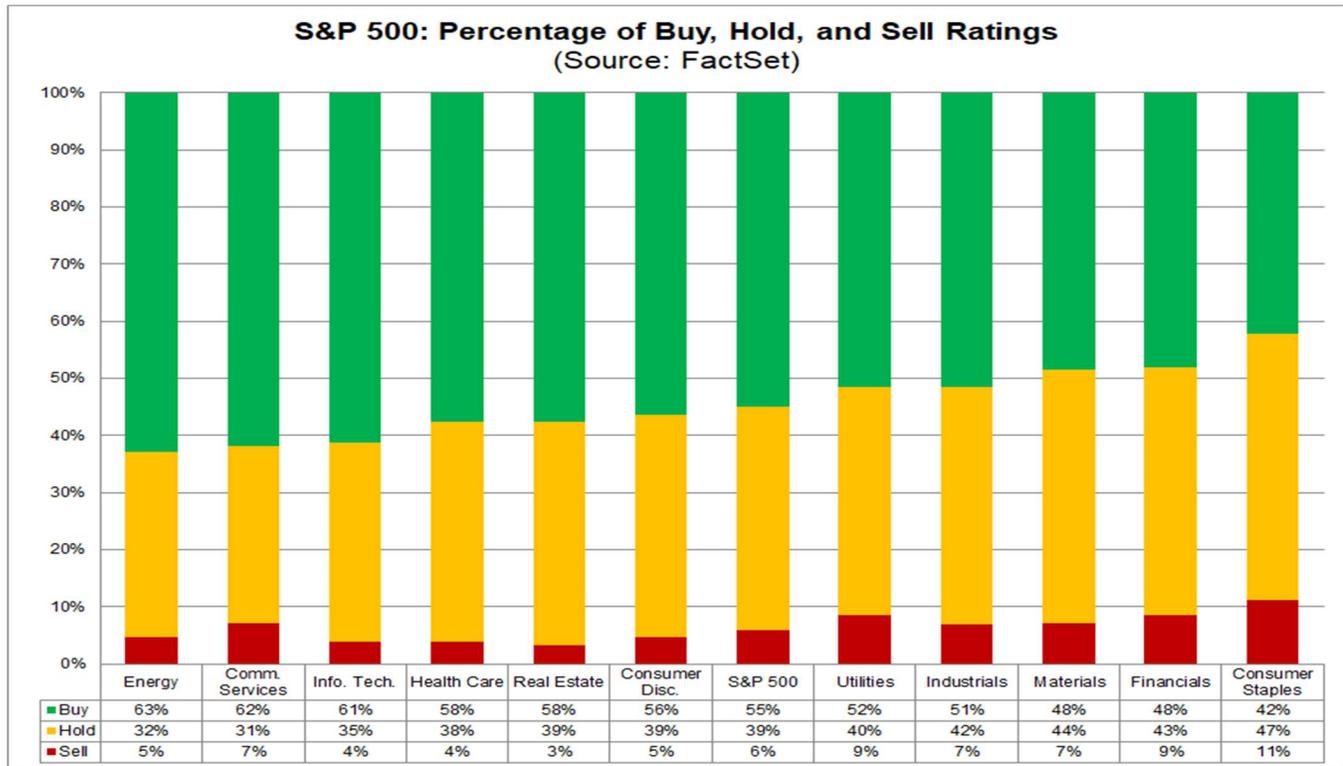
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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