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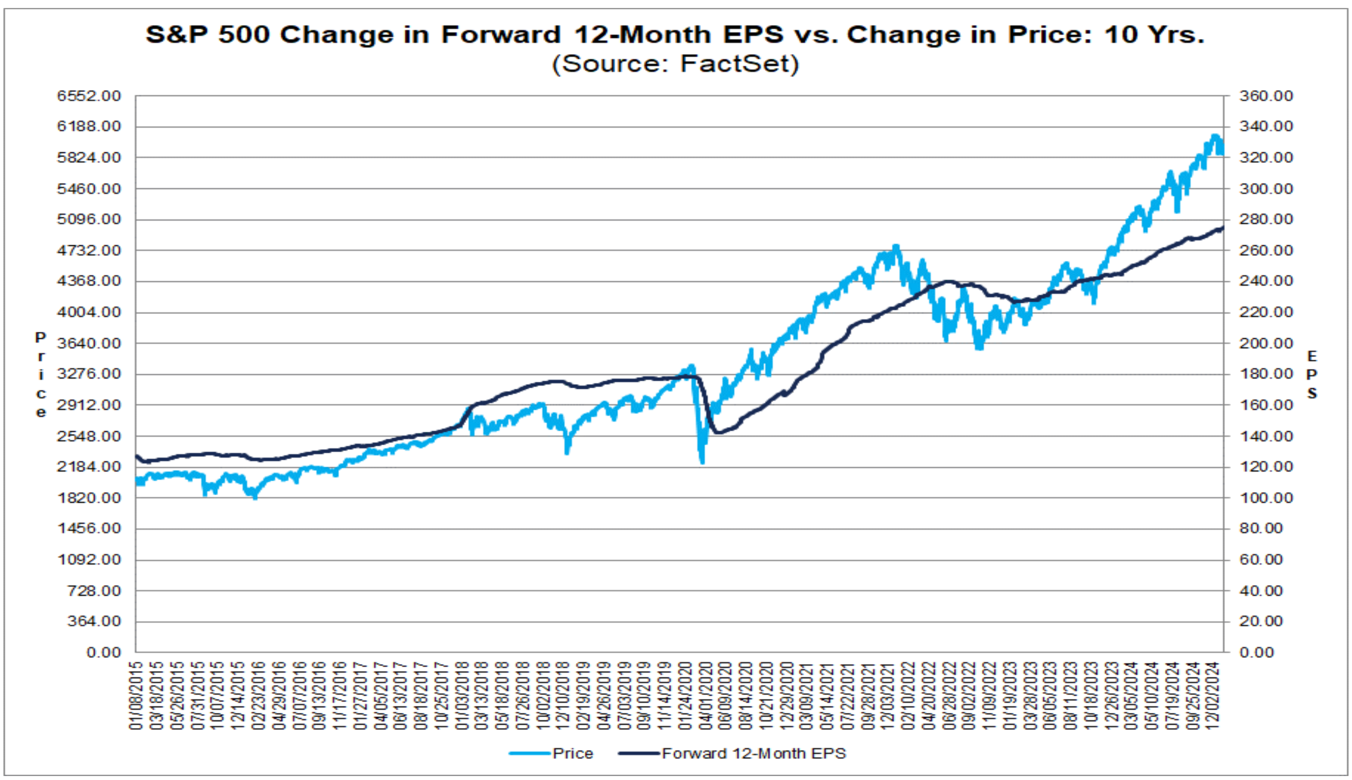
Key Metrics

- **Earnings Growth:** For Q4 2024, the estimated (year-over-year) earnings growth rate for the S&P 500 is 11.7%. If 11.7% is the actual growth rate for the quarter, it will mark the highest (year-over-year) earnings growth rate reported by the index since Q4 2021.
- **Earnings Revisions:** On September 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q4 2024 was 14.5%. Seven sectors are expected to report lower earnings today (compared to September 30) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2024, 71 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 21.5. This P/E ratio is above the 5-year average (19.7) and above the 10-year average (18.2).
- **Earnings Scorecard:** For Q4 2024 (with 22 S&P 500 companies reporting actual results), 17 S&P 500 companies have reported a positive EPS surprise and 13 S&P 500 companies have reported a positive revenue surprise.



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S&P 500 Will Likely Report Highest Earnings Growth in 3 Years For Q4

The S&P 500 is currently expected to report earnings growth of 11.7% for the fourth quarter, which would mark the highest (year-over-year) growth rate reported by the index since Q4 2021 (31.4%). Given that most S&P 500 companies report actual earnings above estimates, what is the likelihood the index will report earnings growth of 11.7% for the quarter?

Based on the average improvement in the earnings growth rate during the earnings season, the index will likely report year-over-year growth in earnings above 14% for the fourth quarter.

When companies in the S&P 500 report actual earnings above estimates during an earnings season, the overall earnings growth rate for the index increases because the higher actual EPS numbers replace the lower estimated EPS numbers in the calculation of the growth rate. For example, if a company is projected to report EPS of $1.05 compared to year ago EPS of $1.00, the company is projected to report earnings growth of 5%. If the company reports actual EPS of $1.10 (a $0.05 upside earnings surprise compared to the estimate), the actual earnings growth rate for the company for the quarter is now 10%, five percentage points above the estimated growth rate (10% - 5% = 5%).

In fact, the actual earnings growth rate has exceeded the estimated earnings growth rate at the end of the quarter in 37 of the past 40 quarters for the S&P 500. The only exceptions were Q1 2020, Q3 2022, and Q4 2022.

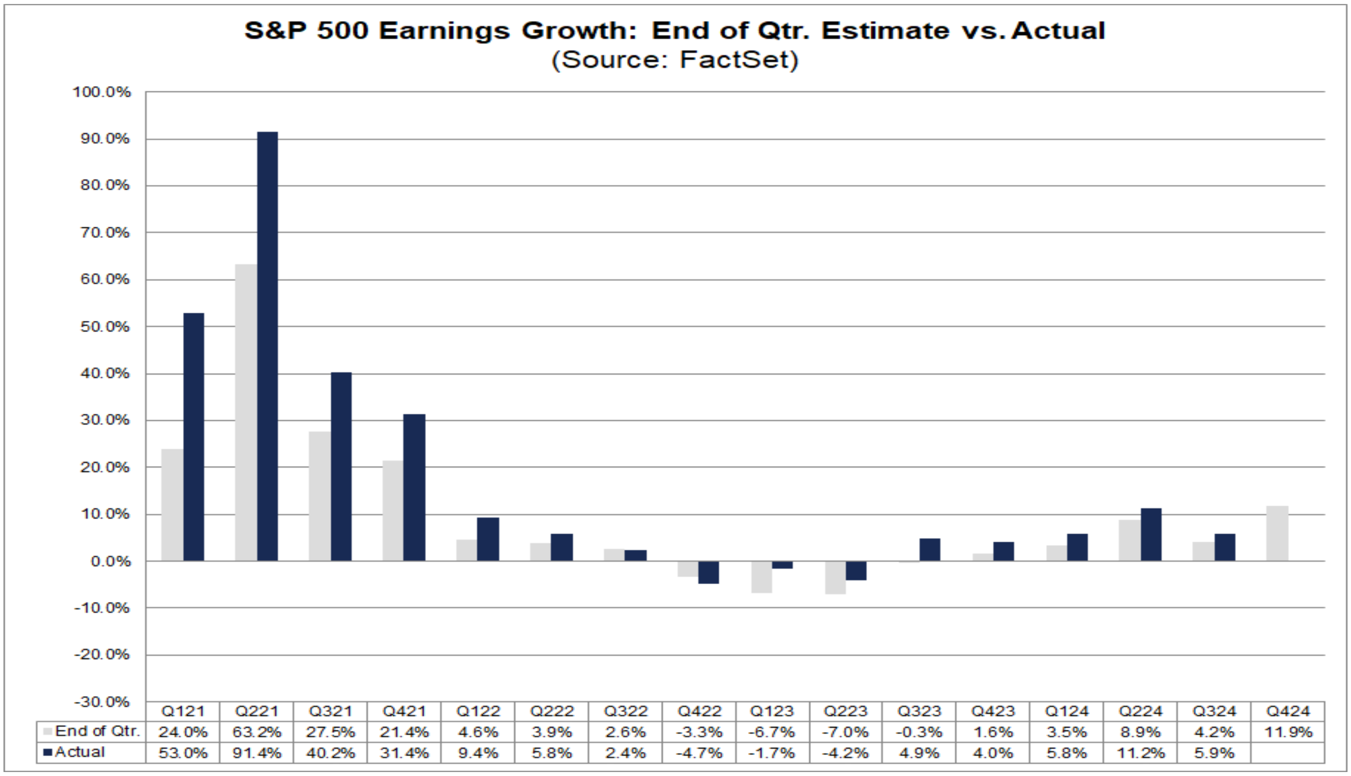
Over the past ten years, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 6.7% on average. During this same period, 75% of companies in the S&P 500 have reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has increased by 5.4 percentage points on average (over the past ten years) due to the number and magnitude of positive earnings surprises. If this average increase is applied to the estimated earnings growth rate at the end of Q4 (December 31) of 11.9%, the actual earnings growth rate for the quarter would be 17.3% (11.9% + 5.4% = 17.3%).

Over the past five years, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 8.5% on average. During this same period, 77% of companies in the S&P 500 have reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has increased by 7.1 percentage points on average (over the past five years) due to the number and magnitude of positive earnings surprises. If this average increase is applied to the estimated earnings growth rate at the end of Q4 (December 31) of 11.9%, the actual earnings growth rate for the quarter would be 19.0% (11.9% + 7.1% = 19.0%).

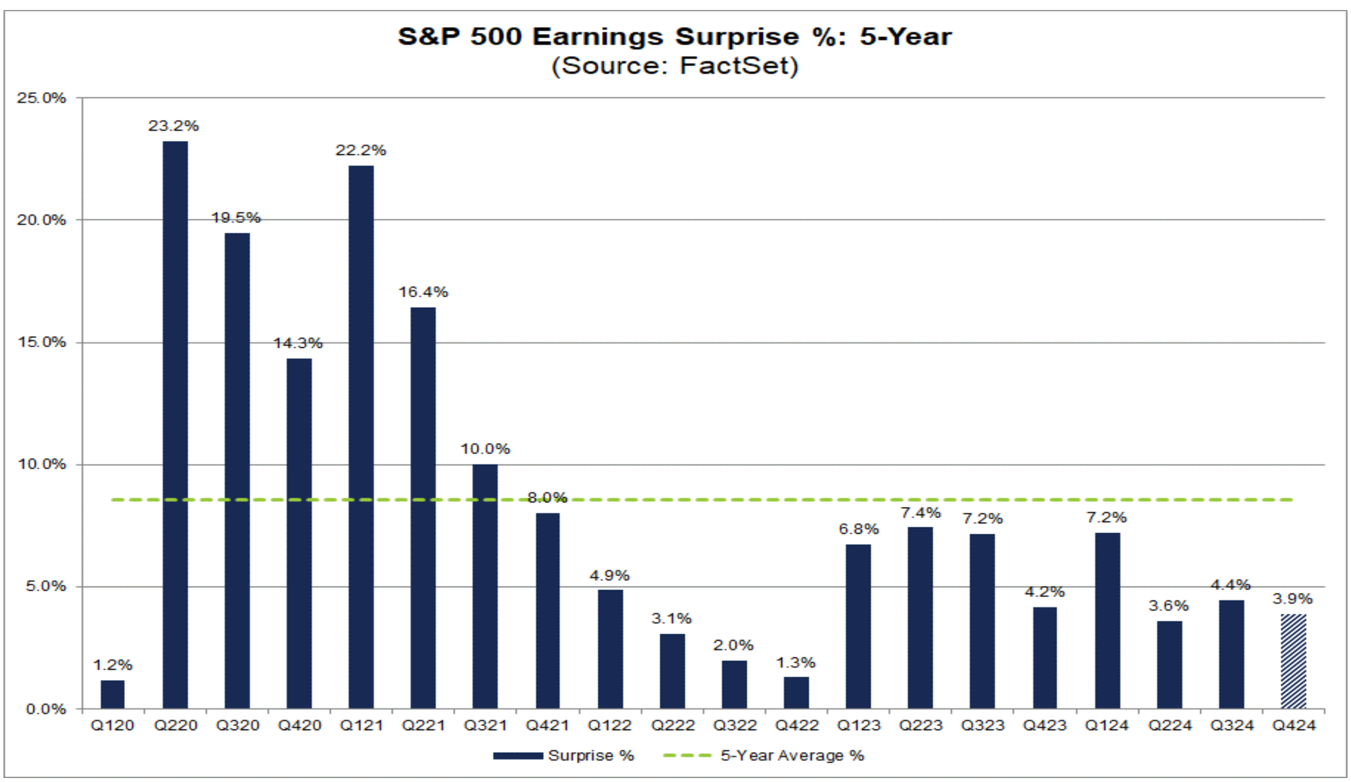
Over the past four quarters (Q4 2023 through Q3 2024), actual earnings reported by S&P 500 companies have exceeded estimated earnings by 4.9% on average. During these four quarters, 77% of companies in the S&P 500 reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has increased by 2.2 percentage points on average (during the past four quarters) due to the number and magnitude of positive earnings surprises. If this average increase is applied to the estimated earnings growth rate at the end of Q4 (December 31) of 11.9%, the actual earnings growth rate for the quarter would be 14.1% (11.9% + 2.2% = 14.1%).

Thus, using the most conservative average improvement of these three periods, the index will likely report year-over-year earnings growth of 14.1% for the fourth quarter.

How are the numbers trending to date? Of the 22 S&P 500 companies that have reported actual earnings for Q4 2024 through January 10, 77% have reported actual EPS above the mean EPS estimate. In aggregate, actual earnings reported by these 22 companies have exceeded estimated earnings by 3.9%. However, downward revisions to EPS estimates have offset these positive EPS surprises to date. As a result, the earnings growth rate for the S&P 500 has decreased by 0.2 percentage points since December 31 (to 11.7% from 11.9%).



	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423	Q124	Q224	Q324	Q424
End of Qtr.	24.0%	63.2%	27.5%	21.4%	4.6%	3.9%	2.6%	-3.3%	-6.7%	-7.0%	-0.3%	1.6%	3.5%	8.9%	4.2%	11.9%
Actual	53.0%	91.4%	40.2%	31.4%	9.4%	5.8%	2.4%	-4.7%	-1.7%	-4.2%	4.9%	4.0%	5.8%	11.2%	5.9%	



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S&P 500 Financials Sector Earnings Preview: Q4 2024

The Financials sector will be a focus for the market during this week, as 80% 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 that are expected to report earnings during the week include Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo. The Financials sector is predicted to report the highest year-over-year earnings growth rate of all eleven sectors for the fourth quarter at 39.5%.

At the industry level, four of the five industries in the sector are expected to report year-over-year earnings growth, led by the Banks industry at 187%. A large number of companies in the Banks industry are benefitting from easy comparisons to weaker (GAAP) earnings reported in the year-ago quarter due to significant charges related to FDIC special assessments and other items that were included in their GAAP EPS. This industry is also expected to be the largest contributor to year-over-year earnings growth for the sector. If the Banks industry were excluded, the estimated earnings growth rate for the Financials sector would fall to 11.0% from 39.5%.

Within the Banks industry, the Regional Banks sub-industry is projected to report year-over-year earnings of $3.1 billion compared to a year-ago loss of -$3.8 billion, while the Diversified Banks sub-industry is projected to year-over-year earnings growth of 91%. At the company level, Truist Financial ($0.88 vs. -$3.85), Citigroup ($1.22 vs. -$1.16), and Bank of America ($0.77 vs. $0.35) are expected report significant improvements in year-over-year earnings.

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

Bank earnings season begins on Wednesday, January 15, and while trends will be mixed - NIMs, loan and deposit growth should be positives, while noninterest income and the effects of higher long rates may be negatives at most banks - the most important new information is likely to be refreshed forward guidance on the earnings calls, which is likely to skew bullish based on late fourth quarter conference commentary, a steeper yield curve, and industry anticipation of a more favorable regulatory environment than has existed in several years.

The interest rate environment was generally a positive in the fourth quarter, given the steepening of the yield curve, though the 79bps rise in the 10 year Treasury yield to 4.57%, will exacerbate OCI losses (weighing on book values), hurt mortgage banking results, and make the refinancing of maturing CRE loans more difficult.

Net interest income should benefit from the steeper yield curve, as well as healthy industry wide growth in loans (up 7.7% annualized at large domestic banks) and deposits (up 7.2% annualized at large domestic banks).

Noninterest revenues should be mixed. Lackluster M&A volumes will continue to weigh on investment banking results, though market participants generally articulated rosy outlooks for 2025 at conferences in the fourth quarter, so it will be interesting to see the extent to which management comments remain bullish on earnings calls. Mortgage banking revenues will likely be under pressure due to the increase in rates, which drove a significant decline in mortgage applications (particularly refis), though the downward pressure will be mitigated by the impact on MSRs at lenders with large servicing portfolios. Credit card results will enjoy the seasonal fourth quarter rise in receivables and spend volume even as the recent trend of rising charge-offs seems to have moderated based on master trust data for October and November. Wealth and asset management results should see a slight tailwind from the 2.1% rise in the S&P 500 during the quarter, albeit a much smaller one than the 5.5% and 3.9% increases in the previous two quarters.

Credit concerns are likely to persist, the aforementioned moderation of card losses notwithstanding. The consumer, particularly at the less affluent end of the spectrum, remains under pressure despite low unemployment. Meanwhile, CRE risks persist, and are exacerbated by the rise in interest rates (which further constrains refinancing options).

Overall, fourth quarter bank results look to be a mixed bag, but with bank stocks at historically moderate valuations (both absolute and relative to the S&P) and healthy earnings growth expectations, the expectations bar may not be very high.

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

Outside of the Banks industry, three of the other four industries in the sector are also expected to report double-digit earnings growth: Consumer Finance, Capital Markets, and Financial Services.

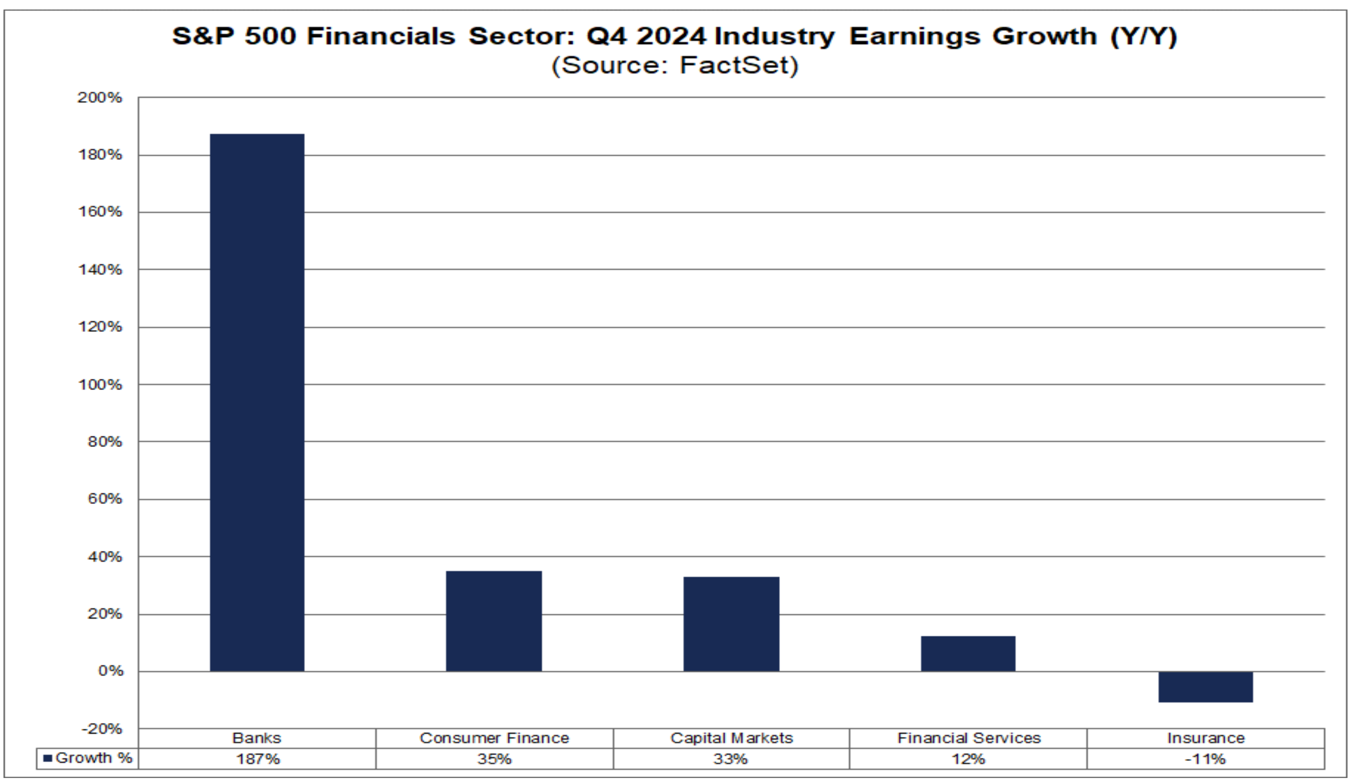
The Consumer Finance industry is expected to report the second-highest earnings growth in the sector at 35%.

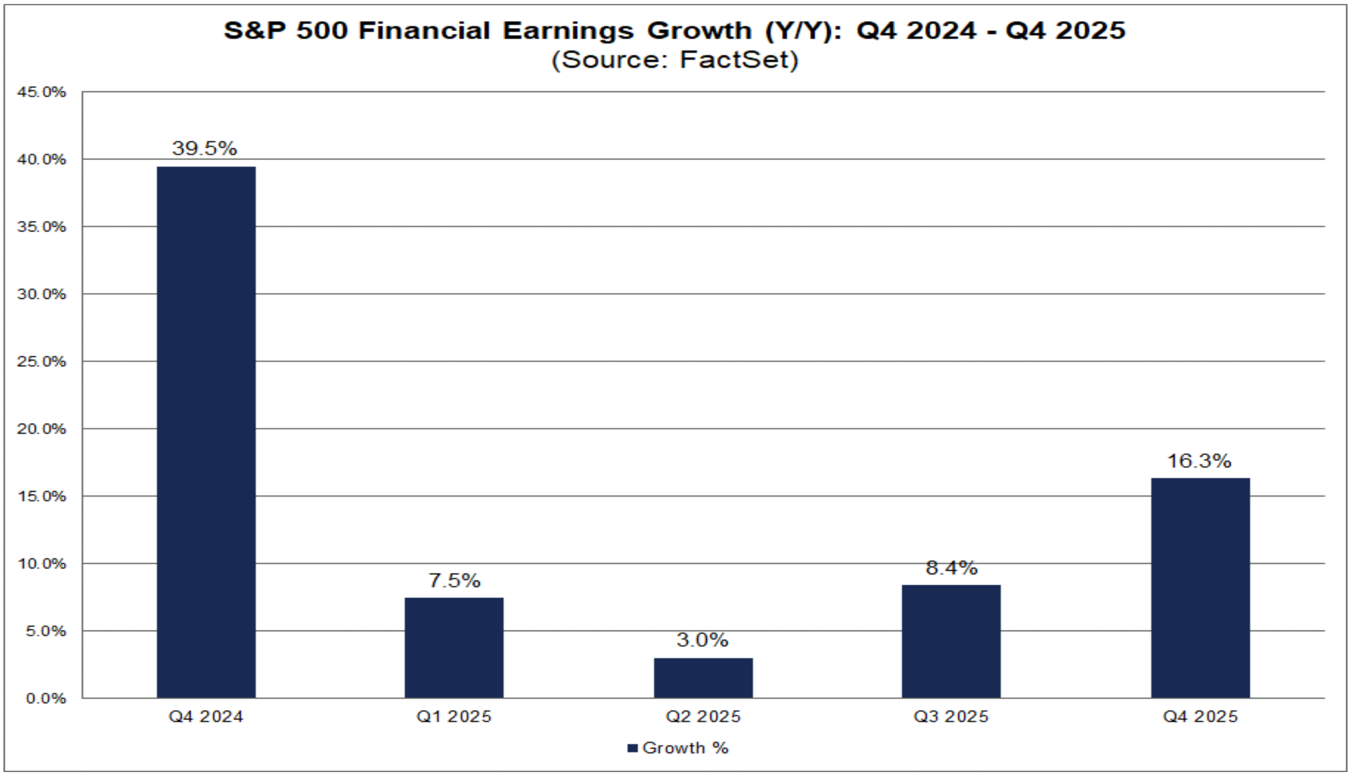
The Capital Markets industry is expected to report the third-highest earnings growth in the sector at 33%. Within the Capital Markets industry, all three sub-industries are projected to report year-over-year earnings growth: Investment Banking & Brokerage (52%), Asset Management & Custody Banks (36%), and Financial Exchanges & Data (7%).

The Financial Services industry is expected to report the fourth-highest earnings growth in the sector at 12%. Within this industry, two of the three sub-industries are projected to report year-over-year earnings growth: Multi-Sector Holdings (20%) and Transaction & Payment Processing Services (10%). The Diversified Financials Services sub-industry is the only sub-industry in the Financial Services industry expected to a report a year-over-year decline in earnings (less than -1%).

On the other hand, the Insurance industry is the only industry in the Financials sector expected to report a year-over-year decline in earnings at -11%. Within the Insurance industry, three sub-industries are projected to report a year-over-year decline in earnings: Reinsurance (-111%), Multi-line Insurance (-39%), and Property & Casualty Insurance (-13%). Two sub-industries are projected to report year-over-year earnings growth: Life & Health Insurance (14%) and Insurance Brokers (13%).

Looking ahead, analysts are predicting earnings growth rates for the Financials sector of 7.5%, 3.0%, 8.4%, and 16.3% for Q1 2025 through Q4 2025.




S&P 500 Financial Earnings Growth (Y/Y): Q4 2024 - Q4 2025
(Source: FactSet)
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
39.5%
7.5%
3.0%
8.4%
16.3%
Q4 2024
Q1 2025
Q2 2025
Q3 2025
Q4 2025
Growth %

Q4 Earnings Season: By The Numbers

Overview

Heading into the start of the Q4 earnings season, analysts and companies have lowered earnings expectations for the quarter. 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. Despite the decline in estimated earnings, the index is still expected to report its highest year-over-year earnings growth rate for Q4 2024 in three years.

In terms of estimate revisions for companies in the S&P 500, analysts lowered earnings estimates for Q4 2024 by a smaller margin than average during the quarter. On a per-share basis, estimated earnings for the fourth quarter decreased by 2.7% during the quarter. This decline was smaller than the 5-year average (-3.3%) and the 10-year average (-3.2%) for a quarter.

In terms of guidance for the fourth quarter, the number of S&P 500 companies issuing negative EPS guidance for Q4 2024 is above average levels. At this point in time, 106 companies in the index have issued EPS guidance for Q4 2024. Of these companies, 71 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 2024 is above the 5-year average of 56 and above the 10-year average of 62.

Due to 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 2024 is lower today 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 11.7%, compared to the estimated (year-over-year) earnings growth rate of 14.5% on September 30.

If 11.7% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q4 2021 (31.4%). It will also mark the sixth consecutive quarter of year-over-year earnings growth for the index.

Seven of the eleven sectors are projected to report year-over-year growth. Six of these seven sectors are predicted to report double-digit growth: Financials, Communication Services, Information Technology, Consumer Discretionary, Utilities, and Health Care. On the other hand, four sectors are predicted to report a year-over-year decline in earnings. Only one of these four sectors is projected to report a double-digit decline: Energy.

In terms of revenues, analysts have also lowered their estimates during the quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 4.7%, compared to the expectations for revenue growth of 5.2% on September 30.

If 4.7% is the actual revenue growth rate for the quarter, it will mark the 17th consecutive quarter of revenue growth for the index.

Eight sectors are projected to report year-over-year growth in revenue, led by the Information Technology sector. On the other hand, three sectors are predicted to report a year-over-year decline in revenue, led by the Energy and Industrials sectors.

For CY 2024, analysts expect (year-over-year) earnings growth of 9.4%. For Q1 2025 and Q2 2025, analysts are calling for earnings growth rates of 11.8% and 11.6%, respectively. For CY 2025, analysts are predicting (year-over-year) earnings growth of 14.8%.

The forward 12-month P/E ratio is 21.5, which is above the 5-year average (19.7) and above the 10-year average (18.2). This P/E ratio is slightly below the forward P/E ratio of 21.6 recorded at the end of the third quarter (September 30).

During the upcoming week, 20 S&P 500 companies (including 3 Dow 30 components) are scheduled to report results for the fourth quarter.

Earnings Revisions: Energy and Materials Sectors Have Seen Largest Decreases in EPS Estimates

Decrease In Estimated Earnings Growth Rate for Q4 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q4 2024 decreased slightly to 11.7% from 11.9%. Downward revisions to EPS estimates for companies in multiple sectors (led by the Energy sector) were responsible for the small decrease in the overall earnings growth rate for the index during the week.

The estimated earnings growth rate for the S&P 500 for Q4 2024 of 11.7% today is below the estimate of 14.5% at the start of the quarter (September 30), as estimated earnings for the index of $542.0 billion today are 2.5% below the estimate of $555.8 billion at the start of the quarter. Seven sectors have recorded a decrease in dollar-level earnings due to downward revisions to earnings estimates, led by the Materials and Energy sectors. On the other hand, four sectors have recorded an increase in expected dollar-level earnings, led by the Communication Services sector.

Energy: Exxon Mobil and Chevron Lead Earnings Decrease Since September 30

The Energy sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -15.7% (to $24.8 billion from $29.4 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -26.4% today from -12.6% on September 30. This sector has also recorded a decrease in price of -0.8% since September 30. Overall, 16 of the 22 companies (73%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 16 companies, 12 have recorded a decrease in their mean EPS estimate of more than 10%, led by Valero Energy (to $0.29 from $1.67), Marathon Petroleum (to $0.41 from $1.70), and Phillips 66 (to $0.65 from $1.93). However, Exxon Mobil (to $1.70 from $1.95) and Chevron (to $2.32 from $2.77) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

Materials: 86% of Companies Have Recorded a Decrease In Earnings 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 -15.5% (to $9.4 billion from $11.2 billion). As a result, this sector is expected to report a year-over-year decline in earnings of -4.6% compared to estimated (year-over-year) earnings growth of 12.9% on September 30. This sector has also witnessed the largest decrease in price of all eleven sectors since September 30 at -12.8%. Overall, 24 of the 28 companies (86%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 24 companies, 11 have recorded a decrease in their mean EPS estimate of more than 10%, led by Albemarle Corporation (to -$0.65 from -$0.14), International Paper (to -$0.07 from $0.46), Celanese Corporation (to $1.23 from $3.01), Nucor Corporation (to $0.69 from $1.57), LyondellBasell Industries (to $0.79 from $1.79), and Dow (to $0.27 from $0.57).

Communication Services: Alphabet and Meta Platforms Lead Earnings Increase Since September 30

The Communication Services sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 3.2% (to $61.0 billion from $59.1 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 20.8% today from 17.0% on September 30. This sector has also witnessed the second-largest price increase of all 11 sectors since September 30 at 10.5%. Overall, 6 of the 19 companies (32%) in the Communication Services sector have seen an increase in their mean EPS estimate during this time. Of these 6 companies, 1 has recorded an increase in its mean EPS estimate of more than 10%: Fox Corporation ($0.65 vs. $0.56). However, Alphabet (to $2.12 from $2.03) and Meta Platforms (to $6.75 from $6.28) have been the largest contributors to the increase in expected (dollar-level) earnings for this sector since September 30.

Index-Level EPS Estimate: 2.7% 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 2.7% (to $61.88 from $63.60) 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 3.3% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 3.2% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 3.2% on average during a quarter. Over the past twenty years (60 quarters), earnings expectations have fallen by 4.2% on average during a quarter.

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

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

At this point in time, 106 companies in the index have issued EPS guidance for Q4 2024. Of these 106 companies, 71 have issued negative EPS guidance and 35 have issued positive EPS guidance. The number of companies issuing negative EPS guidance for Q4 2024 is above the 5-year average of 56 and above the 10-year average of 62. The number of companies issuing positive EPS guidance is below the 5-year average of 42 and below the 10-year average of 38.

The percentage of companies issuing negative EPS guidance for Q4 2024 is 67% (71 out of 106), which is above the 5-year average of 57% and above the 10-year average of 62%.

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

At this point in time, 269 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 269 companies, 129 have issued negative EPS guidance and 140 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 48% (129 out of 269).

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: 11.7%

The estimated (year-over-year) earnings growth rate for Q4 2024 is 11.7%, which is above the 5-year average earnings growth rate of 10.4% and above the 10-year average earnings growth rate of 8.5%. If 11.7% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q4 2021 (31.4%). It will also mark the sixth consecutive quarter of year-over-year earnings growth.

Seven of the eleven sectors are expected to report year-over-year earnings growth. Six of these seven sectors are predicted to report double-digit earnings growth: Financials, Communication Services, Information Technology, Consumer Discretionary, Utilities, and Health Care. On the other hand, four sectors are projected to report year-over-year decline in earnings. Only one sector is projected to report a double-digit earnings decline: Energy.

Financials: Banks Industry is Largest Contributor to Year-Over-Year Growth

The Financials sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 39.5%. At the industry level, 4 of the 5 industries in the sector are projected to report year-over-year earnings growth. All four of these industries are expected to report double-digit growth: Banks (187%), Consumer Finance (35%), Capital Markets (33%), and Financial Services (12%). On the other hand, the Insurance (-11%) industry is the only industry predicted to report a year-over-year decline in earnings.

The Banks industry is also expected to be the largest contributor to earnings growth for the sector. A large number of companies in this industry are benefitting from easy comparisons to weaker (GAAP) earnings reported in the year-ago quarter due to significant charges related to FDIC special assessments and other items that were included in their GAAP EPS. If this industry were excluded, the estimated earnings growth rate for the Financials sector would fall to 11.0% from 39.5%.

Communication Services: Interactive Media Industry is Largest Contributor to Year-Over-Year Growth

The Communication Services sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 20.8%. At the industry level, 4 of the 5 industries in the sector are predicted to report year-over-year earnings growth: Entertainment (52%), Wireless Telecommunication Services (38%), Interactive Media & Services (25%), and Media (8%). On the other hand, the Diversified Telecommunication Services (-3%) industry is the only industry projected to report a year-over-year decline in earnings.

The Interactive Media & Services industry is also expected to be the largest contributor to earnings growth for the sector. If this industry were excluded, the estimated earnings growth rate for the Communication Services sector would fall to 13.9% from 20.8%.

Information Technology: Semiconductors Industry Is Largest Contributor to Year-Over-Year Growth

The Information Technology sector is expected to report the third-highest (year-over-year) earnings growth rate of all eleven sectors at 13.9%. At the industry level, 5 of the 6 industries in the sector are projected to report year-over-year earnings growth: Semiconductors & Semiconductor Equipment (35%), Electronic Equipment, Instruments, & Components (10%), Technology Hardware, Storage, & Peripherals (9%), Software (8%), and Communications Equipment (3%). On the other hand, the IT Services (-12%) industry is the only industry predicted to report a year-over-year decline in earnings.

The Semiconductors & Semiconductor Equipment industry is also expected to be the largest contributor to earnings growth for the sector. If this industry were excluded, the estimated earnings growth rate for the Information Technology sector would fall to 6.1% from 13.9%.

Consumer Discretionary: Amazon.com is Largest Contributor to Year-Over-Year Growth

The Consumer Discretionary sector is expected to report the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 12.8%. At the industry level, 3 of the 9 industries in the sector are projected to report year-over-year earnings growth. Two of these three industries are predicted to report double-digit growth: Broadline Retail (48%) and Automobiles (12%). On the other hand, six industries are predicted to report a year-over-year decline in earnings. Four of these six industries are expected to report a double-digit decline: Distributors (-25%), Leisure Products (-15%), Household Durables (-11%), and Textiles, Apparel, & Luxury Goods (-10%).

At the company level, Amazon.com ($1.48 vs. $1.00) 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 -0.2% instead of (year-over-year) earnings growth of 12.8%.

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

The Utilities sector is expected to report the fifth-highest (year-over-year) earnings growth rate of all eleven sectors at 12.5%. At the industry level, all 5 industries in the sector are projected to report year-over-year earnings growth: Independent Power and Renewable Energy Producers (185%), Water Utilities (27%), Multi-Utilities (25%), Gas Utilities (9%), and Electric Utilities (1%).

Health Care: Pharmaceuticals Industry is Largest Contributor to Year-Over-Year Growth

The Health Care sector is expected to report the sixth-highest (year-over-year) earnings growth rate of all eleven sectors at 11.4%. At the industry level, 3 of the 5 industries in the sector are projected to report year-over-year earnings growth: Pharmaceuticals (61%), Health Care Equipment & Supplies (4%), and Life Sciences, Tools, & Services (4%). On the other hand, two industries are predicted to report a year-over-year decline in earnings: Health Care Providers & Services (-8%) and Biotechnology (-6%).

The Pharmaceuticals industry is also expected to be the largest contributor to earnings growth for the sector. Similar to the Banks industry, a number of companies in this industry are benefitting from easy comparisons to weaker (non-GAAP) earnings reported in the year-ago quarter due to various charges that were included in their non-GAAP EPS. If this industry were excluded, the Health Care sector would be projected to report a (year-over-year) decline in earnings of -3.0% instead of (year-over-year) earnings growth of 11.4%.

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) earnings decline of all eleven sectors at -26.4%. Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector, as the average price of oil in Q4 2024 ($70.32) was 10% below the average price for oil in Q4 2023 ($78.53). At the sub-industry level, 4 of the 5 sub-industries in the sector are predicted to report a year-over-year decline in earnings: Oil & Gas Refining & Marketing (-88%), Integrated Oil & Gas (-28%), Oil & Gas Exploration & Production (-12%), and Oil & Gas Equipment & Services (less than -1%). On the other hand, the Oil & Gas Storage & Transportation (20%) sub-industry is the only sub-industry predicted to report year-over-year growth in earnings.

Revenue Growth: 4.7%

The estimated (year-over-year) revenue growth rate for Q4 2024 is 4.7%, which is below the 5-year average revenue growth rate of 6.9% and below the 10-year average revenue growth rate of 5.2%. If 4.7% is the actual growth rate for the quarter. it will mark the 17th 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 Information Technology sector. On the other hand, three sectors are predicted to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Information Technology: All 6 Industries Expected to Report Year-Over-Year Growth

The Information Technology sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 11.1%. At the industry level, all 6 industries in the sector are predicted to report year-over-year revenue growth: Semiconductors & Semiconductor Equipment (23%), Software (11%), Communication Equipment (8%), Technology Hardware, Storage, & Peripherals (8%), IT Services (5%), and Electronic Equipment, Instruments, & Components (1%).

Energy: 2 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 -2.6%. At the sub-industry level, two sub-industries are predicted to report a year-over-year decline in revenue: Oil & Gas Refining & Marketing (-12%) and Oil & Gas Exploration & Production (-1%). On the other hand, the other 3 sub-industries in the sector are projected to report year-over-year revenue growth: Oil & Gas Storage & Transportation (8%), Integrated Oil & Gas (2%), and Oil & Gas Equipment & Services (2%).

Industrials: 5 of 12 Industries Expected to Report Year-Over-Year Decline

The Industrials sector is expected to report the second-largest (year-over-year) revenue decline of all eleven sectors at -2.3%. At the industry level, 5 of the 12 industries in the sector are predicted to report year-over-year decline in revenue, led by the Aerospace & Defense (-9%), Industrial Conglomerates (-8%), and Machinery (-6%) industries. On the other hand, 7 industries are projected to report year-over-year revenue growth, led by the Construction & Engineering (14%) industry.

Net Profit Margin: 12.0%

The estimated net profit margin for the S&P 500 for Q4 2024 is 12.0%, which is below the previous quarter's net profit margin of 12.2%, but above the year-ago net profit margin of 11.3% and above the 5-year average of 11.6%.

At the sector level, six sectors are expected to report a year-over-year increase in their net profit margins in Q4 2024 compared to Q4 2023, led by the Financials (17.7% vs. 13.4%) sector. On the other hand, five sectors are expected to report a year-over-year decrease in their net profit margins in Q4 2024 compared to Q4 2023, led by the Energy (7.9% vs. 10.4%) sector.

Five sectors are expected to report net profit margins in Q4 2024 that are above their 5-year averages, led by the Information Technology (26.0% vs. 24.0%) sector. On the other hand, six sectors are expected to report net profit margins in Q4 2024 that are below their 5-year averages, led by the Materials (8.8% vs. 11.1%) and Health Care (7.7% vs. 9.6%) sectors.

Forward Estimates & Valuation

Earnings: S&P 500 Expected to Report Earnings Growth of 15% for CY 2025

For the fourth quarter, S&P 500 companies are expected to report year-over-year growth in earnings of 11.7% and year-over-year growth in revenues of 4.7%. For CY 2024, S&P 500 companies are expected to report year-over-year growth in earnings of 9.4% and year-over-year growth in revenues of 5.0%.

For Q1 2025, analysts are projecting earnings growth of 11.8% and revenue growth of 5.1%.

For Q2 2025, analysts are projecting earnings growth of 11.6% and revenue growth of 5.0%.

For Q3 2025, analysts are projecting earnings growth of 15.3% and revenue growth of 5.7%.

For Q4 2025, analysts are projecting earnings growth of 17.2% and revenue growth of 6.7%.

For CY 2025, analysts are projecting earnings growth of 14.8% and revenue growth of 5.8%.

For CY 2026, analysts are projecting earnings growth of 13.6% and revenue growth of 6.4%.

Valuation: Forward P/E Ratio is 21.5, Above the 10-Year Average (18.2)

The forward 12-month P/E ratio for the S&P 500 is 21.5. This P/E ratio is above the 5-year average of 19.7 and above the 10-year average of 18.2. However, it is slightly below the forward 12-month P/E ratio of 21.6 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 2.7%, while the forward 12-month EPS estimate has increased by 2.7%. At the sector level, the Information Technology (28.9) and Consumer Discretionary (28.5) sectors have the highest forward 12-month P/E ratios, while the Energy (13.8) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 27.7, which is above the 5-year average of 24.2 and above the 10-year average of 22.0.

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

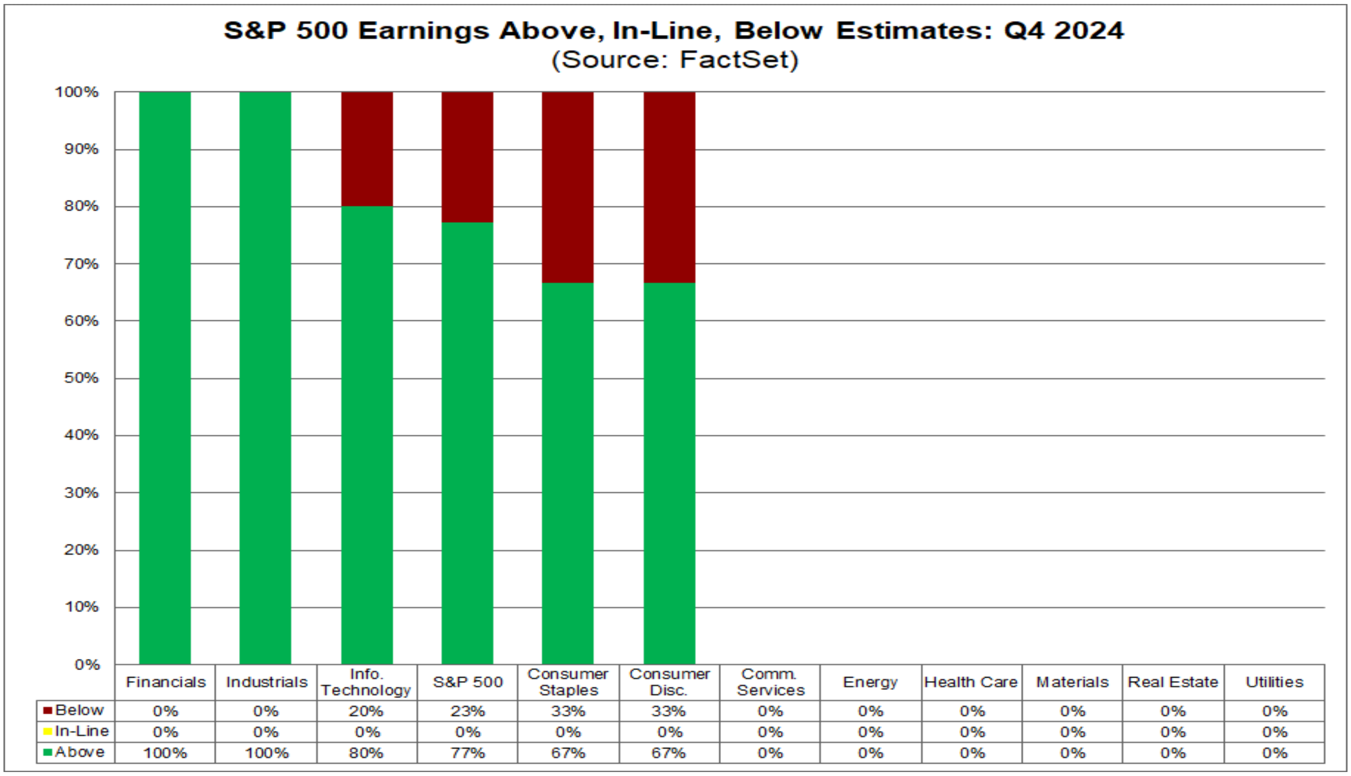
The bottom-up target price for the S&P 500 is 6755.54, which is 14.1% above the closing price of 5918.25. At the sector level, the Materials (+23.8%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Consumer Discretionary (+5.1%) 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 12,301 ratings on stocks in the S&P 500. Of these 12,301 ratings, 54.5% are Buy ratings, 39.7% are Hold ratings, and 5.8% are Sell ratings. At the sector level, the Energy (63%), Communication Services (62%), and Information Technology (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (41%) sector has the lowest percentage of Buy ratings.

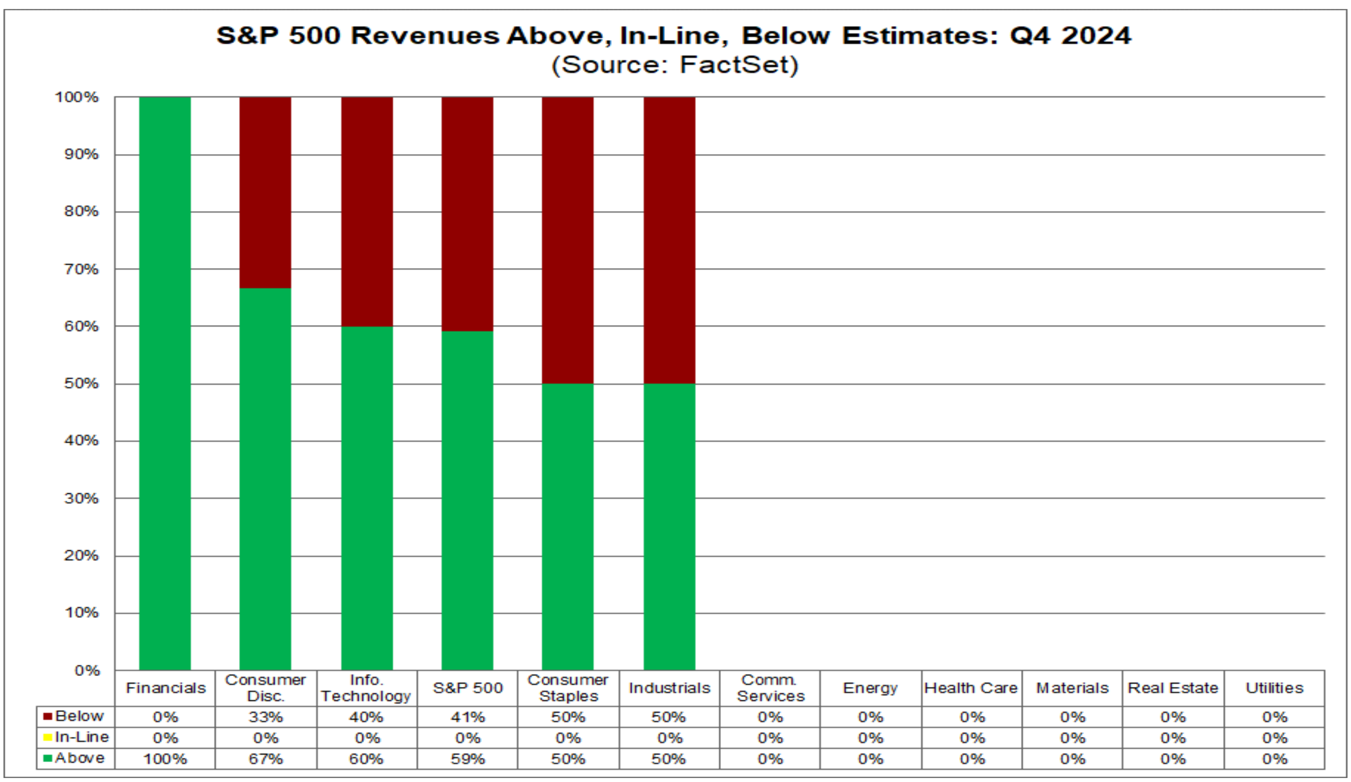
Companies Reporting Next Week: 20

During the upcoming week, 20 S&P 500 companies (including 3 Dow 30 components) are scheduled to report results for the fourth quarter.

Q4 2024: Scorecard

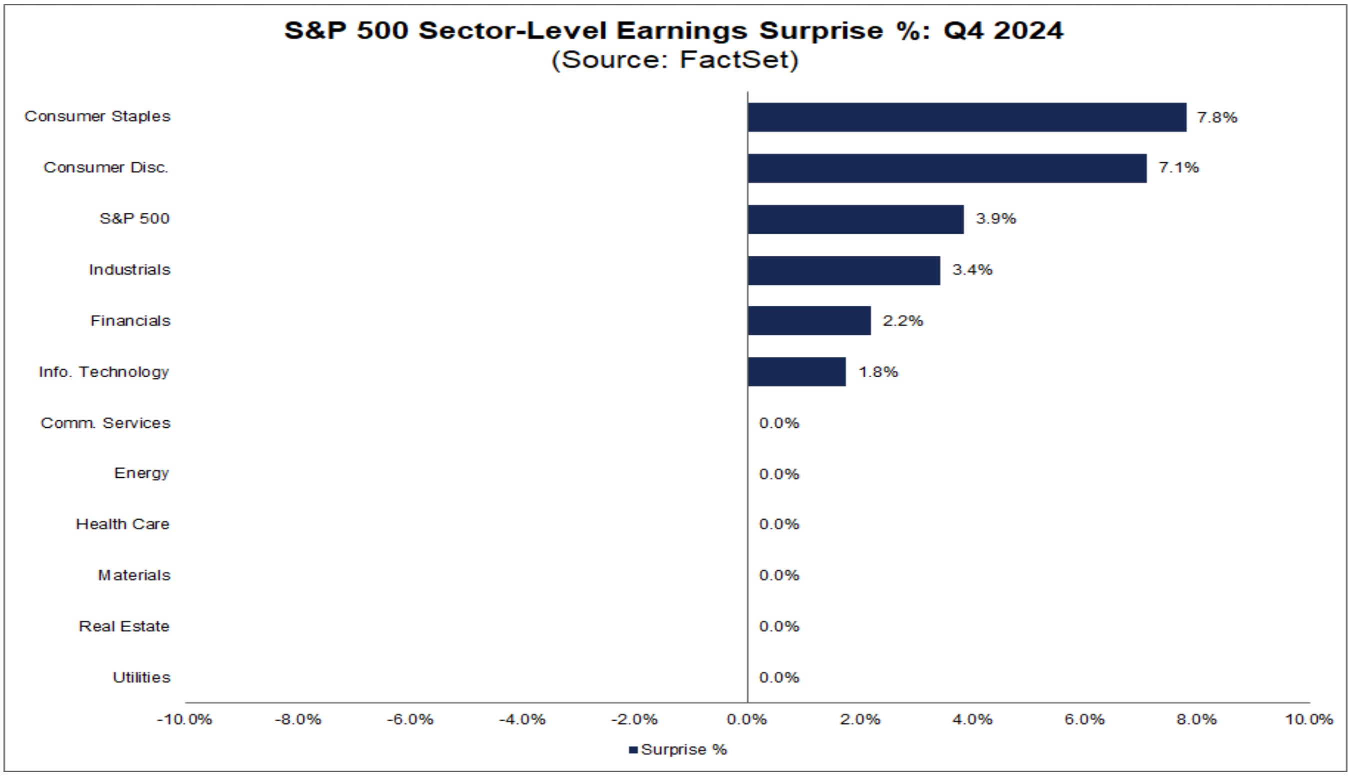


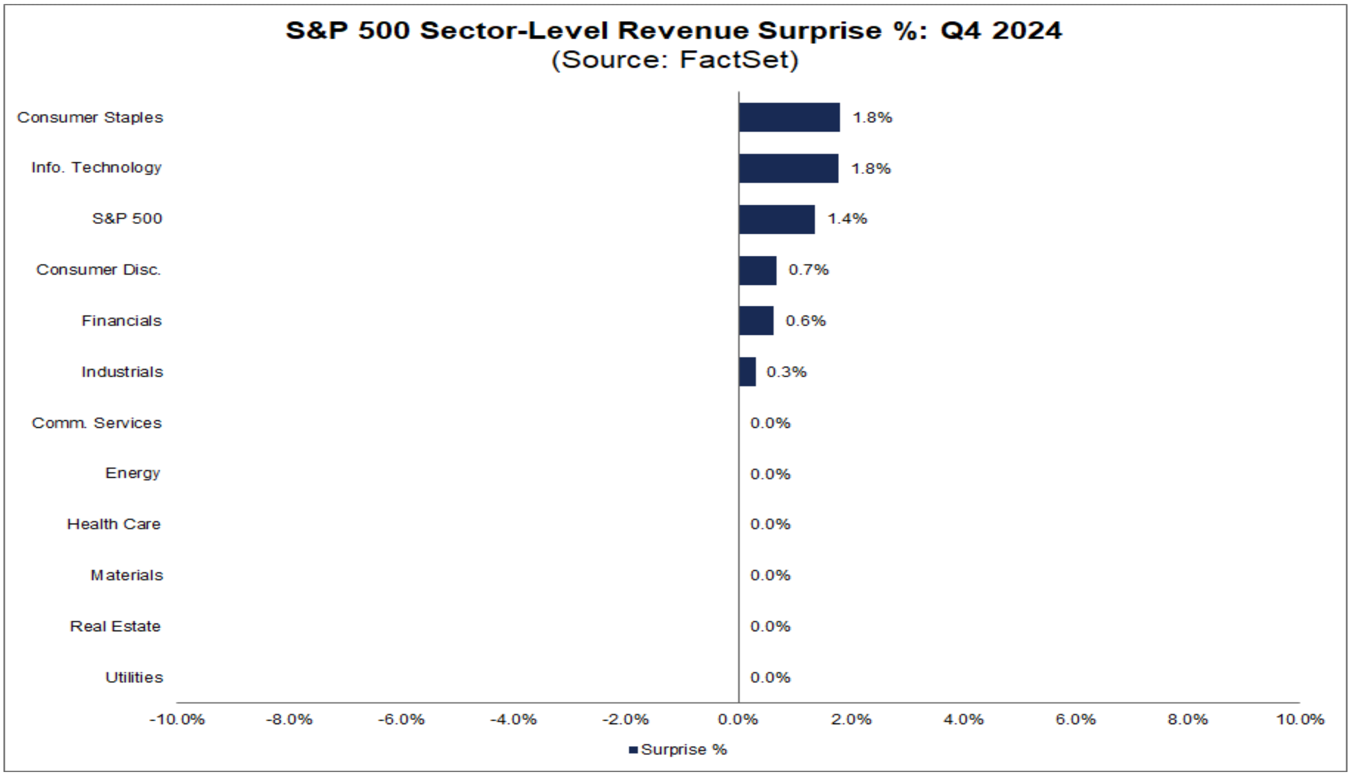
	Financials	Industrials	Info. Technology	S&P 500	Consumer Staples	Consumer Disc.	Comm. Services	Energy	Health Care	Materials	Real Estate	Utilities
Below	0%	0%	20%	23%	33%	33%	0%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	80%	77%	67%	67%	0%	0%	0%	0%	0%	0%



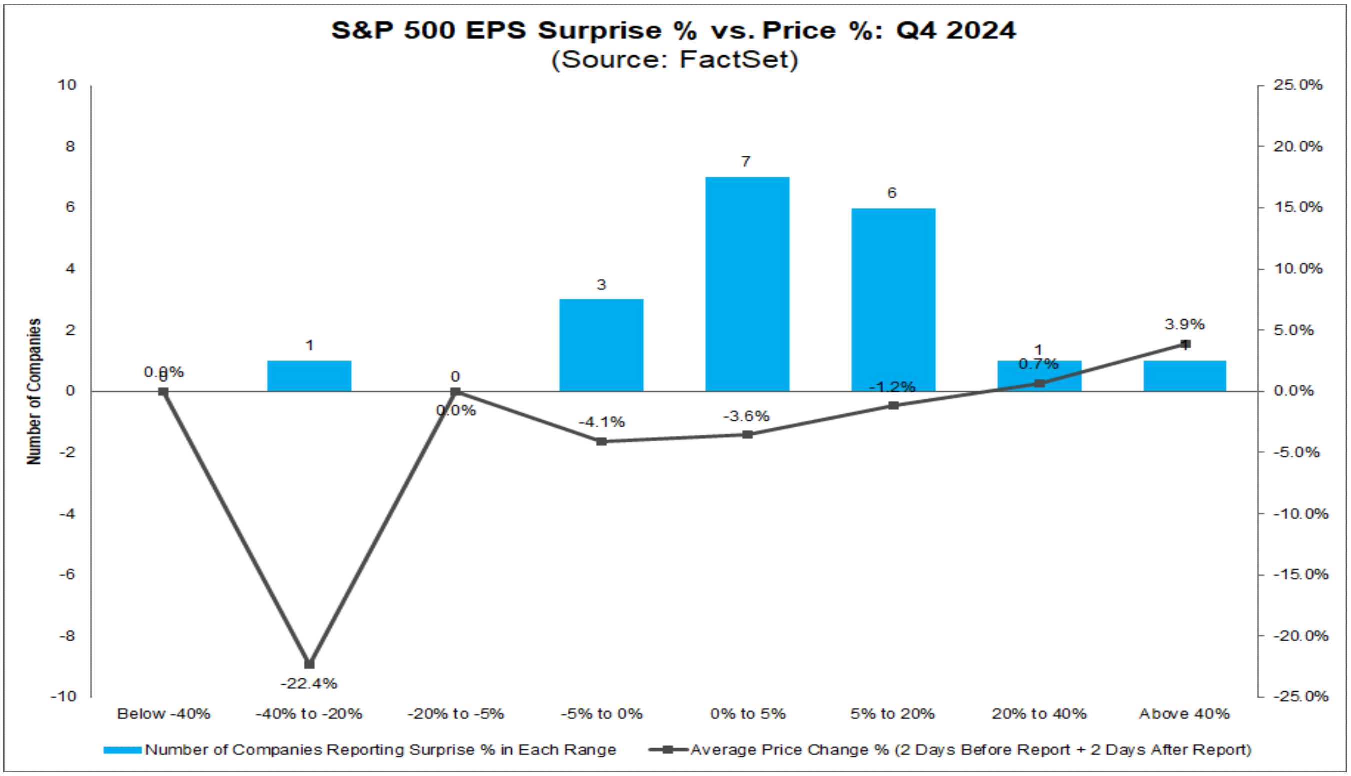
	Financials	Consumer Disc.	Info. Technology	S&P 500	Consumer Staples	Industrials	Comm. Services	Energy	Health Care	Materials	Real Estate	Utilities
Below	0%	33%	40%	41%	50%	50%	0%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	67%	60%	59%	50%	50%	0%	0%	0%	0%	0%	0%

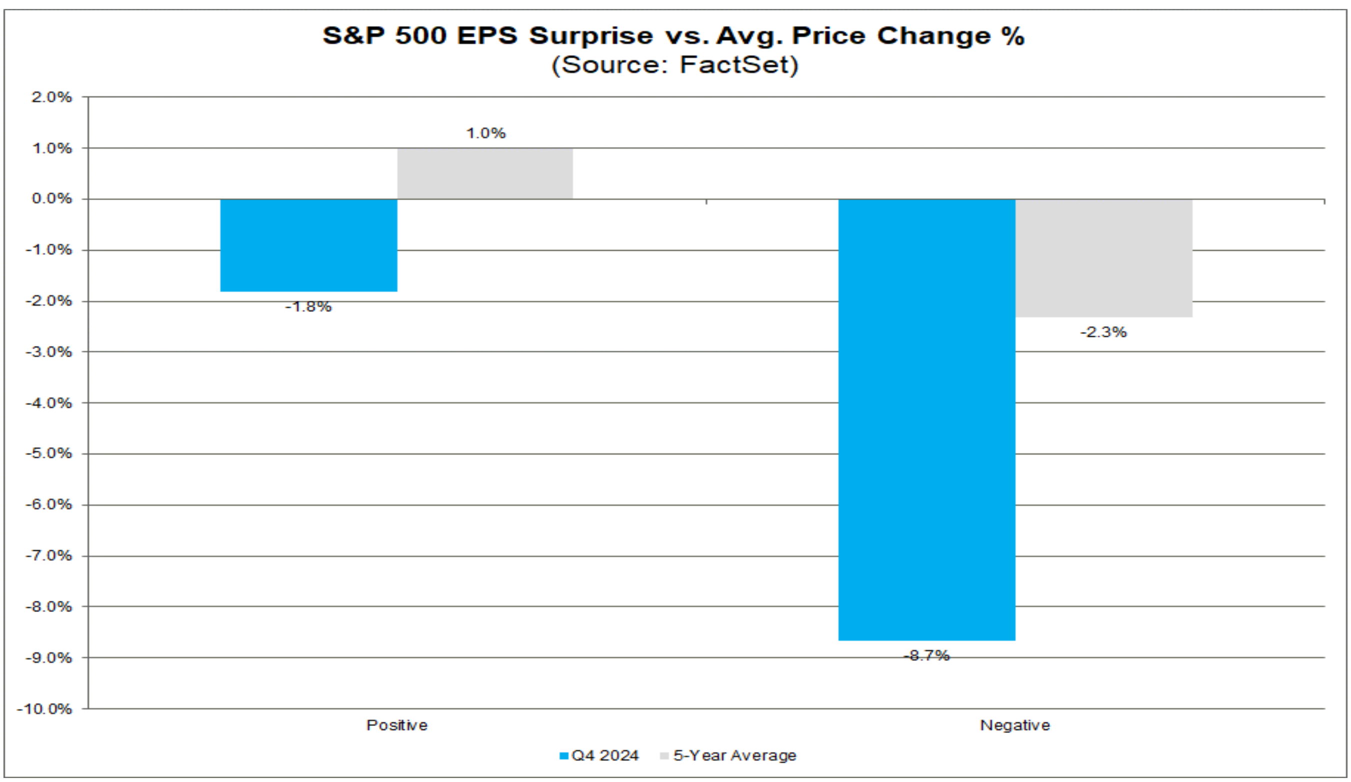
Q4 2024: Surprise



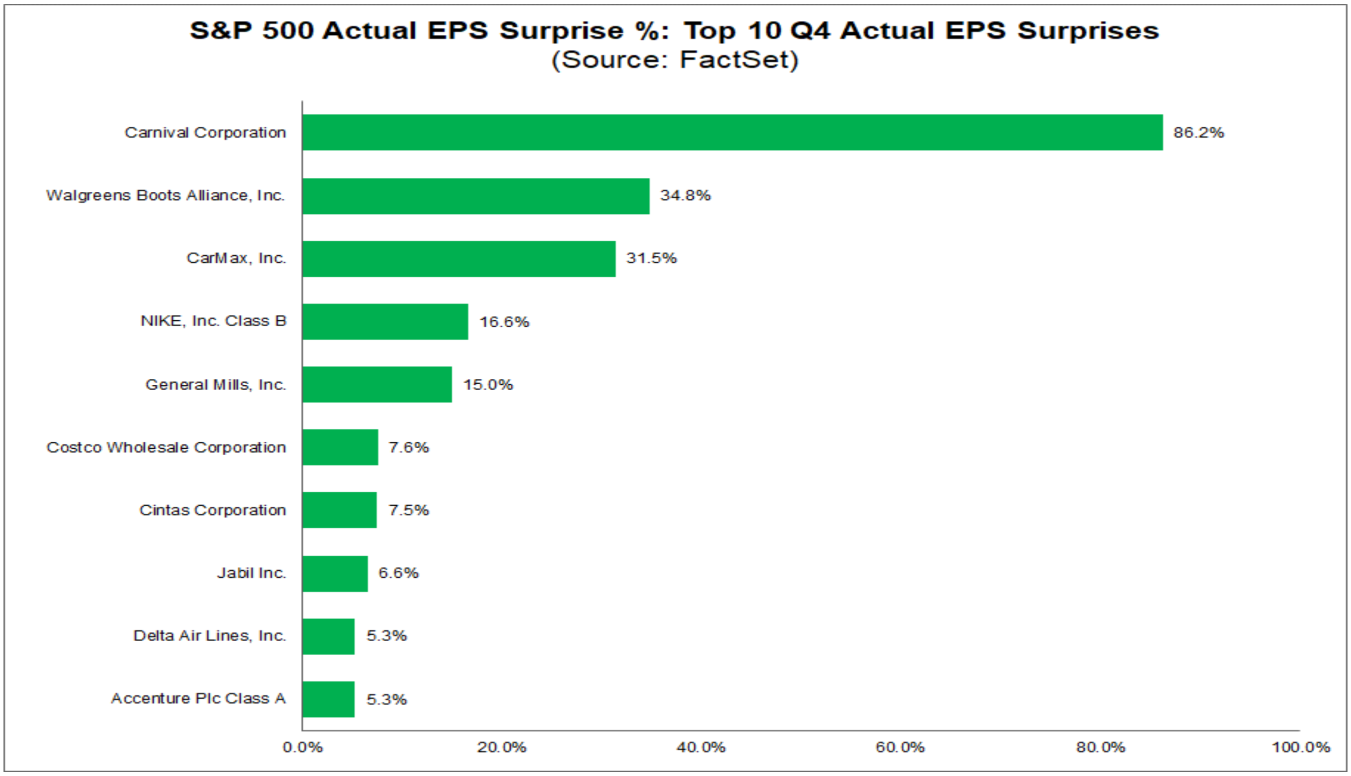


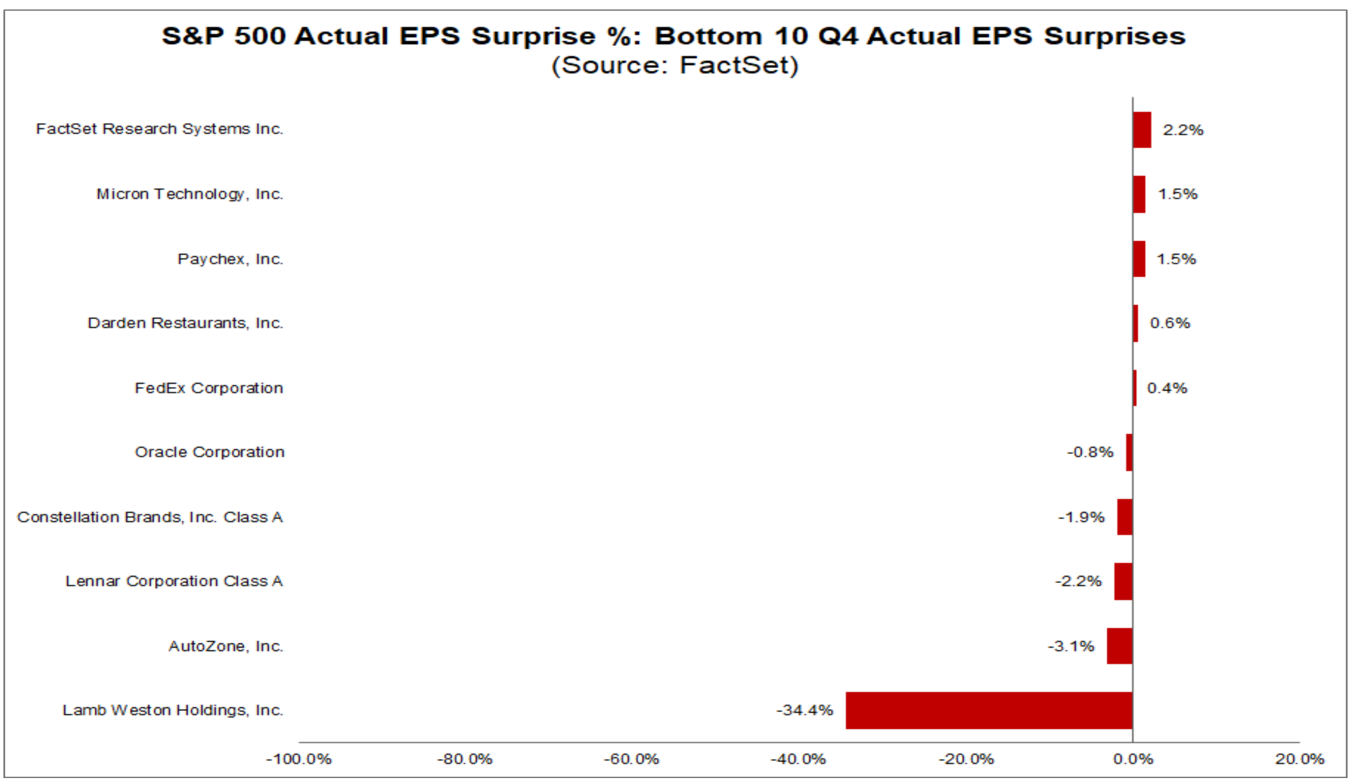
Q4 2024: Surprise



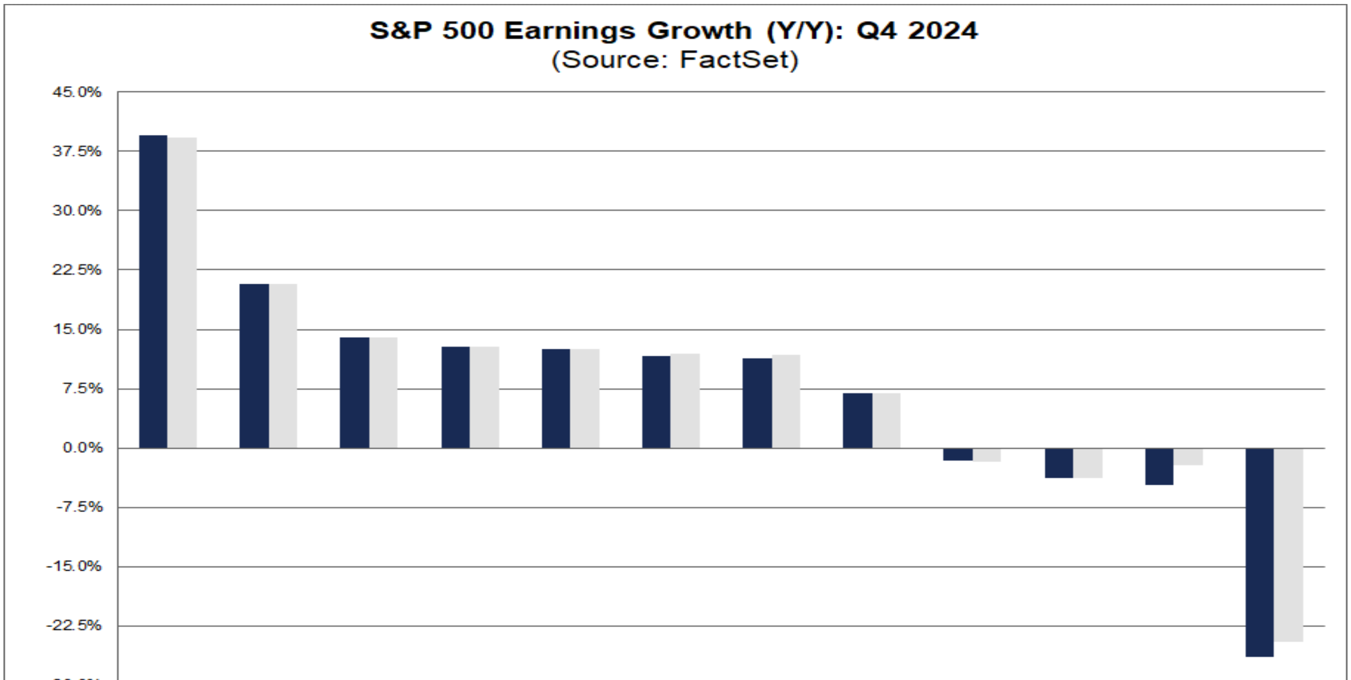


Q4 2024: Surprise

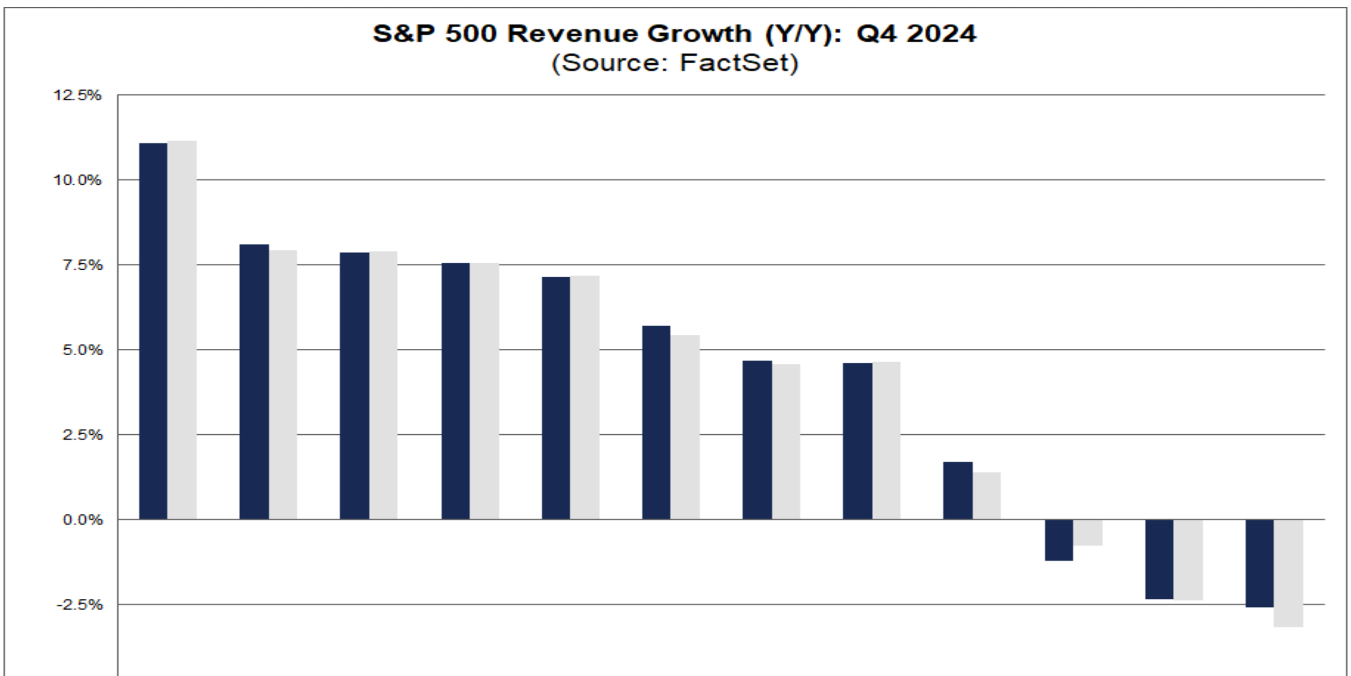




Q4 2024: Growth

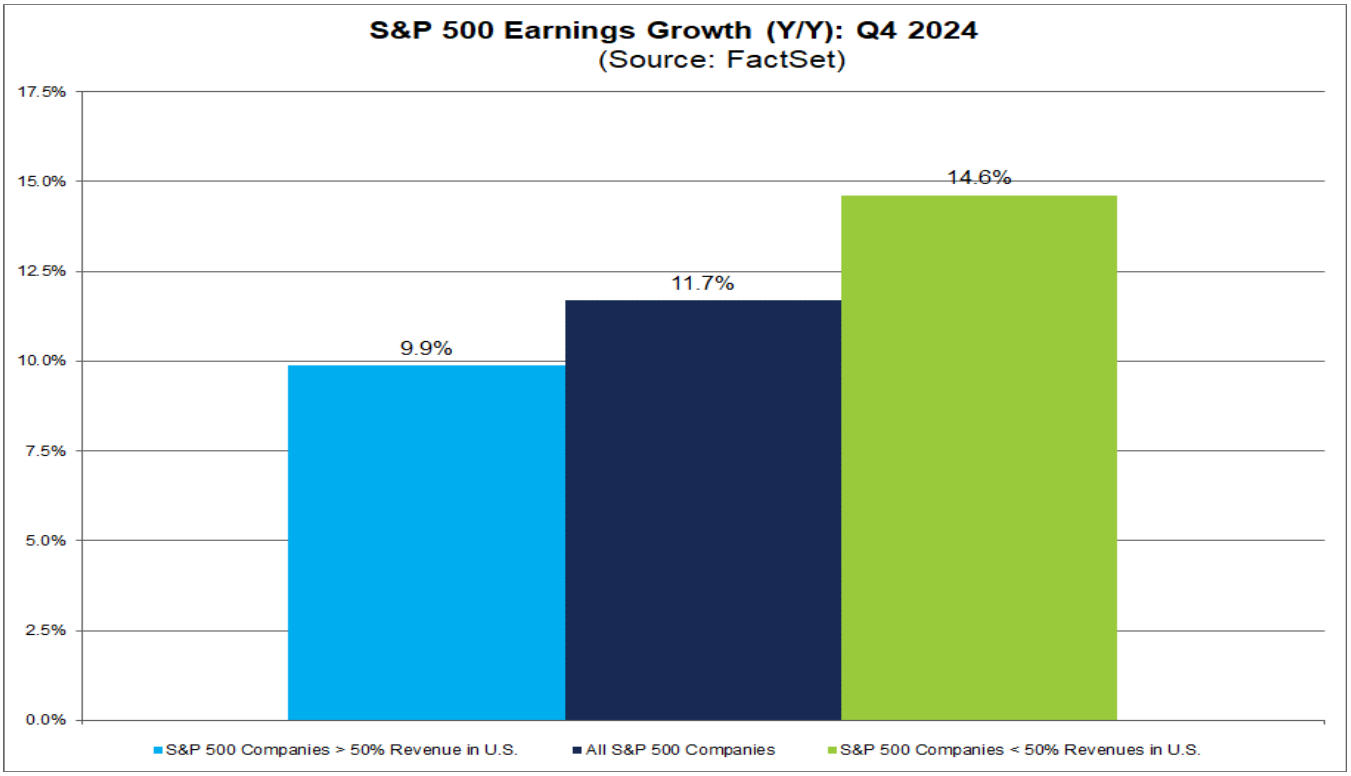


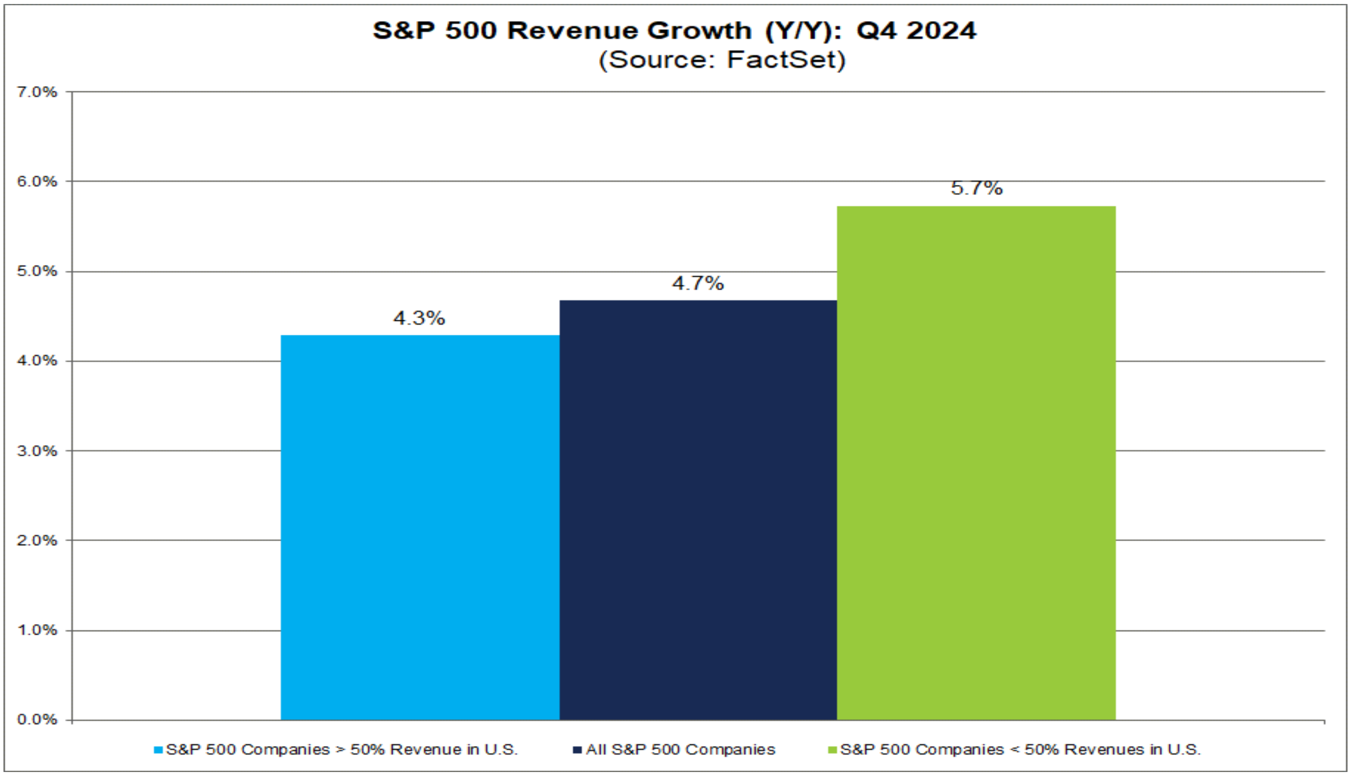
	Financials	Comm. Services	Info. Technology	Consumer Disc.	Utilities	S&P 500	Health Care	Real Estate	Consumer Staples	Industrials	Materials	Energy
Today	39.5%	20.8%	13.9%	12.8%	12.5%	11.7%	11.4%	7.0%	-1.6%	-3.7%	-4.6%	-26.4%
31-Dec	39.3%	20.7%	14.0%	12.9%	12.5%	11.9%	11.7%	6.9%	-1.8%	-3.8%	-2.1%	-24.5%



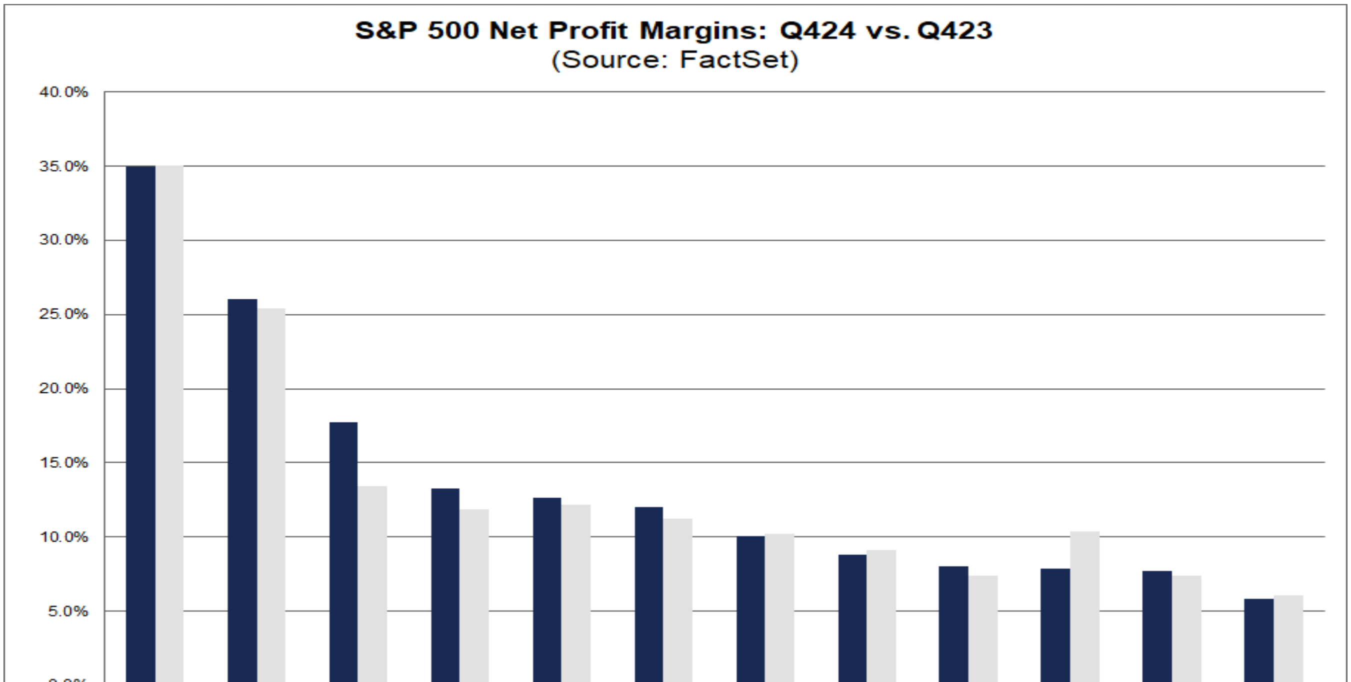
	Info. Technology	Utilities	Comm. Services	Health Care	Real Estate	Financials	S&P 500	Consumer Disc.	Consumer Staples	Materials	Industrials	Energy
Today	11.1%	8.1%	7.9%	7.6%	7.1%	5.7%	4.7%	4.6%	1.7%	-1.2%	-2.3%	-2.6%
31-Dec	11.1%	7.9%	7.9%	7.5%	7.2%	5.4%	4.6%	4.6%	1.4%	-0.8%	-2.4%	-3.2%

Q4 2024: Growth

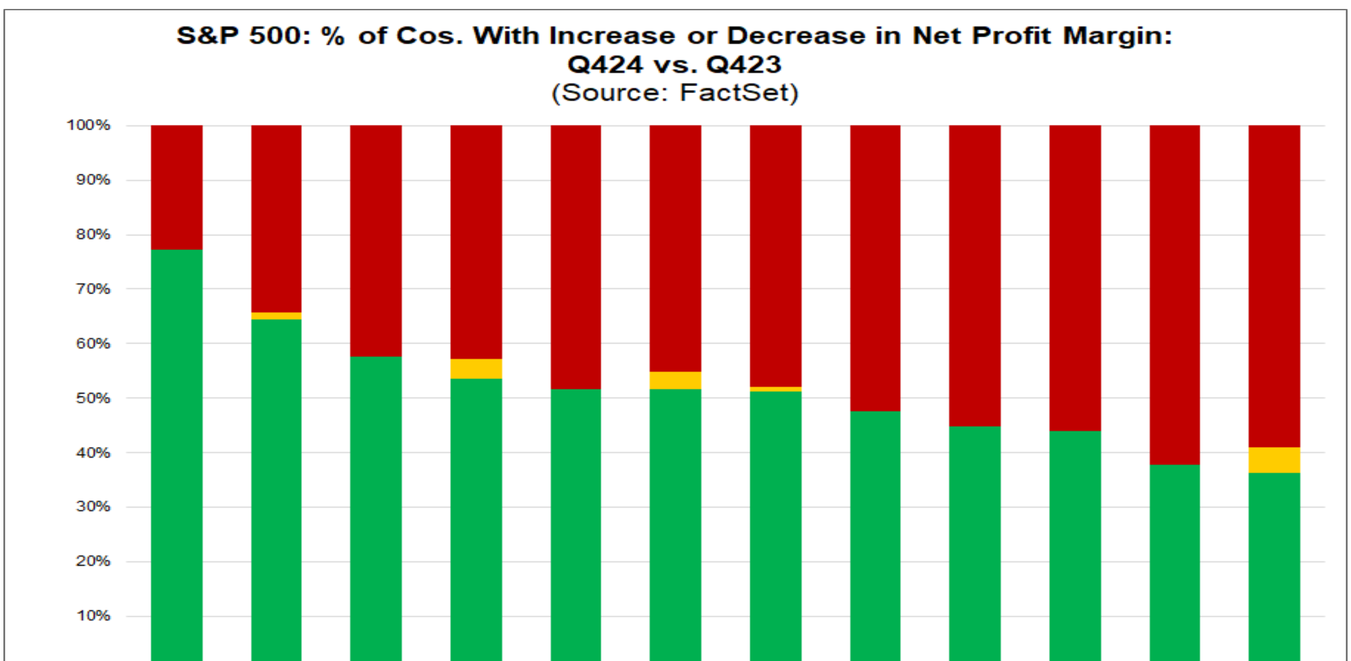




Q4 2024: Net Profit Margin

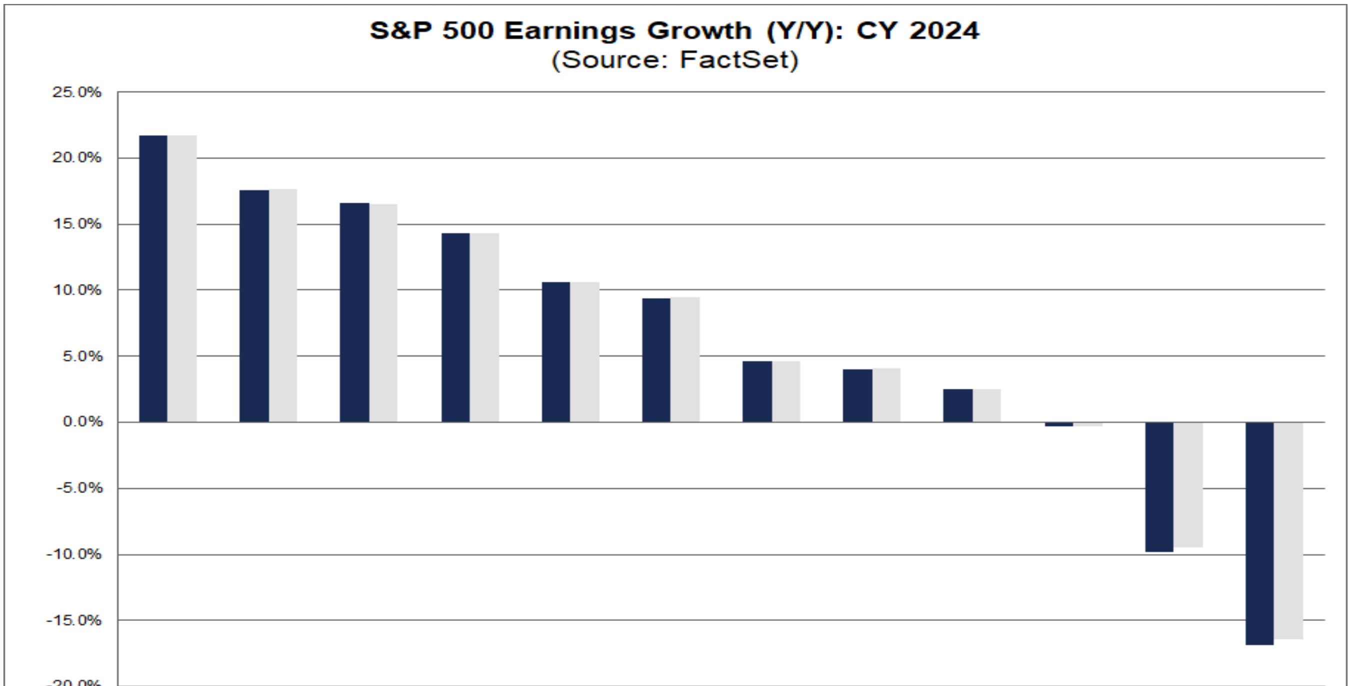


	Real Estate	Information Tech.	Financials	Comm. Services	Utilities	S&P 500	Industrials	Materials	Consumer Disc.	Energy	Health Care	Consumer Staples
Q424	35.0%	26.0%	17.7%	13.3%	12.7%	12.0%	10.1%	8.8%	8.0%	7.9%	7.7%	5.9%
Q423	35.0%	25.4%	13.4%	11.9%	12.2%	11.3%	10.2%	9.1%	7.4%	10.4%	7.4%	6.0%

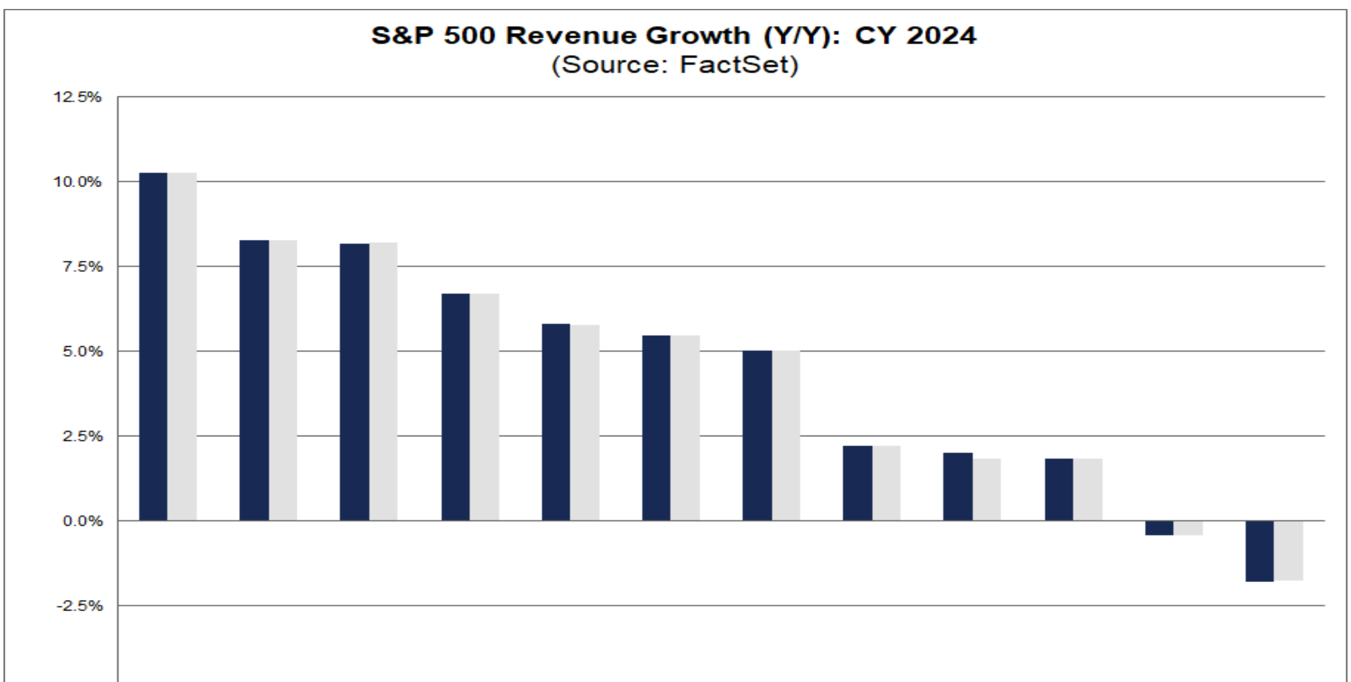


	Comm. Services	Financials	Industrials	Materials	Real Estate	Utilities	S&P 500	Health Care	Consumer Staples	Consumer Disc.	Information Tech.	Energy
Down %	23%	34%	42%	43%	48%	45%	48%	52%	55%	56%	62%	59%
None %	0%	1%	0%	4%	0%	3%	1%	0%	0%	0%	0%	5%
Up %	77%	64%	58%	54%	52%	52%	51%	48%	45%	44%	38%	36%

CY 2024: Growth

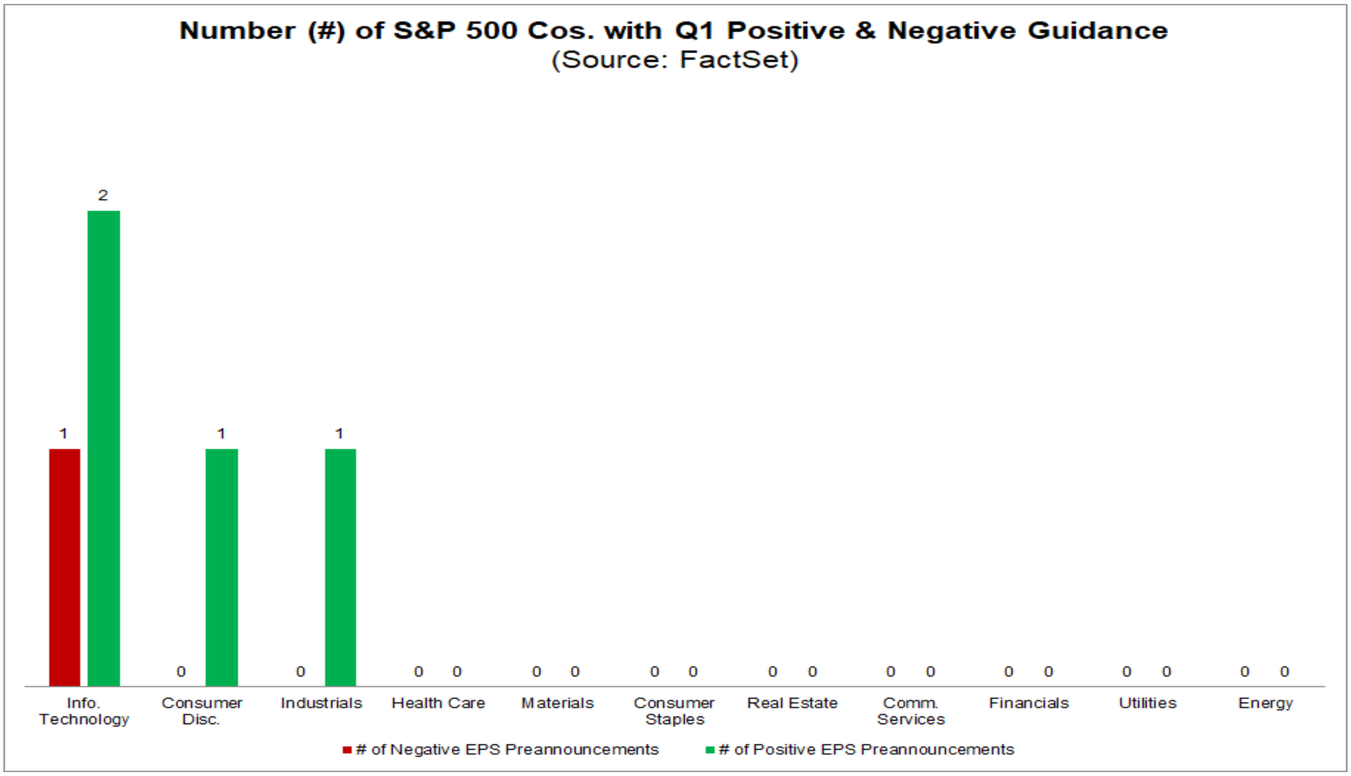


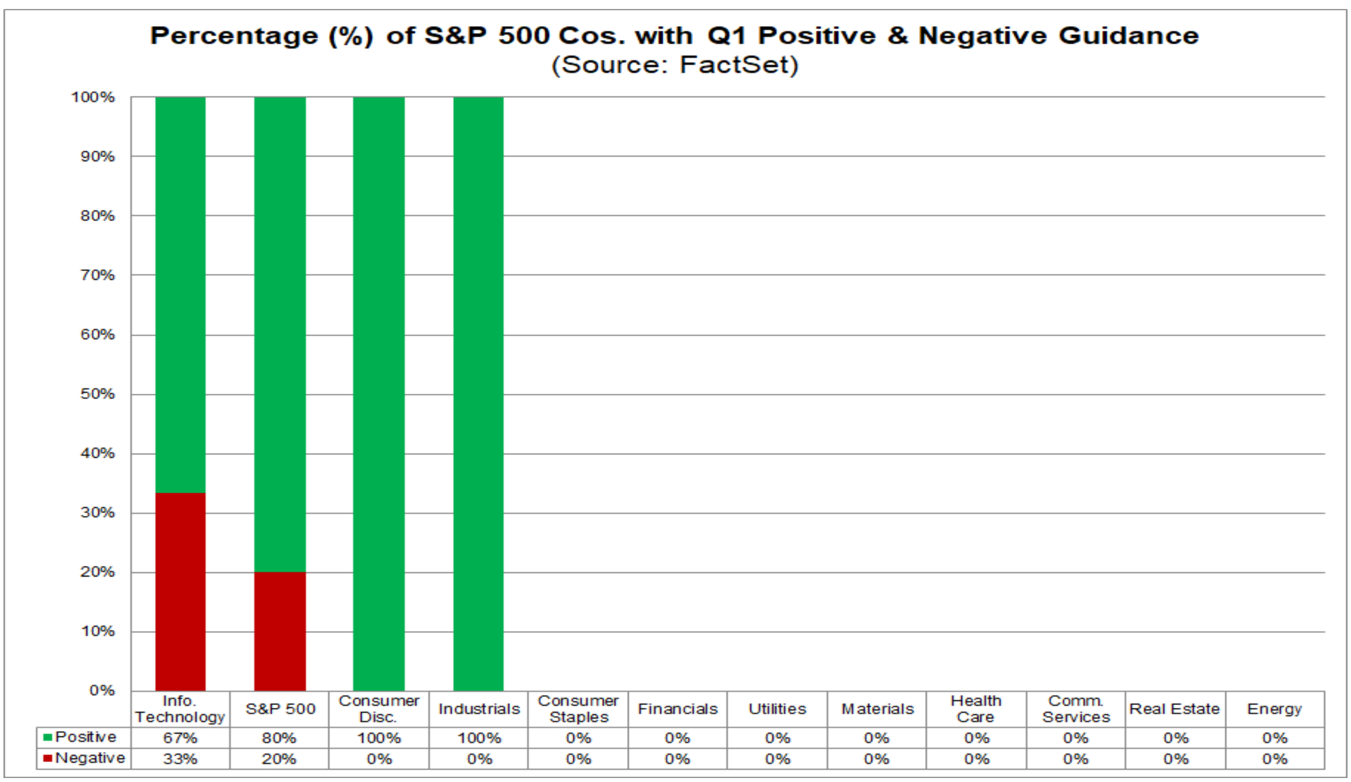
	Comm. Services	Info. Technology	Financials	Consumer Disc.	Utilities	S&P 500	Real Estate	Health Care	Consumer Staples	Industrials	Materials	Energy
Today	21.7%	17.6%	16.6%	14.3%	10.6%	9.4%	4.6%	4.0%	2.5%	-0.3%	-9.9%	-16.9%
31-Dec	21.7%	17.7%	16.5%	14.3%	10.6%	9.5%	4.6%	4.1%	2.5%	-0.3%	-9.5%	-16.5%



	Info. Technology	Health Care	Comm. Services	Real Estate	Financials	Consumer Disc.	S&P 500	Consumer Staples	Materials	Utilities	Industrials	Energy
Today	10.3%	8.3%	8.2%	6.7%	5.8%	5.5%	5.0%	2.2%	2.0%	1.8%	-0.4%	-1.8%
31-Dec	10.3%	8.3%	8.2%	6.7%	5.8%	5.5%	5.0%	2.2%	1.8%	1.8%	-0.4%	-1.8%

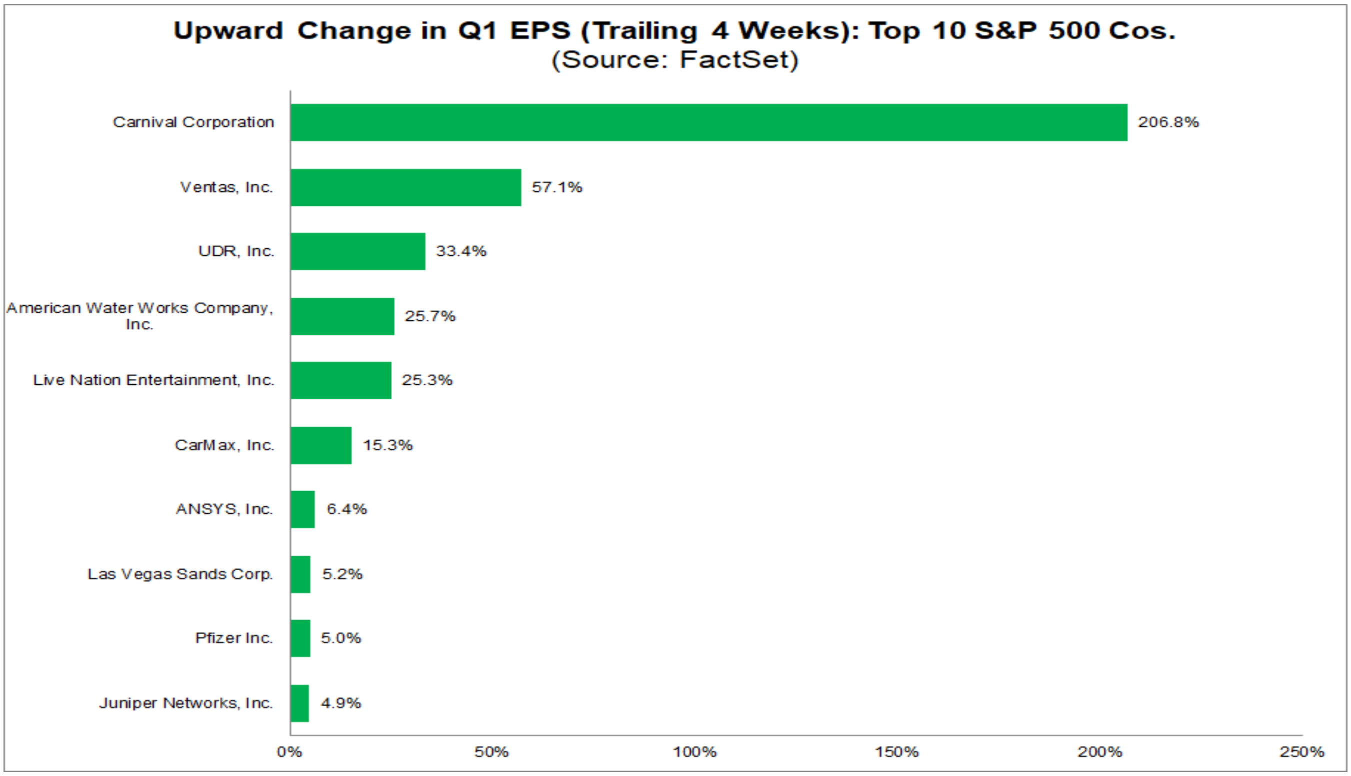
Q1 2025: Guidance

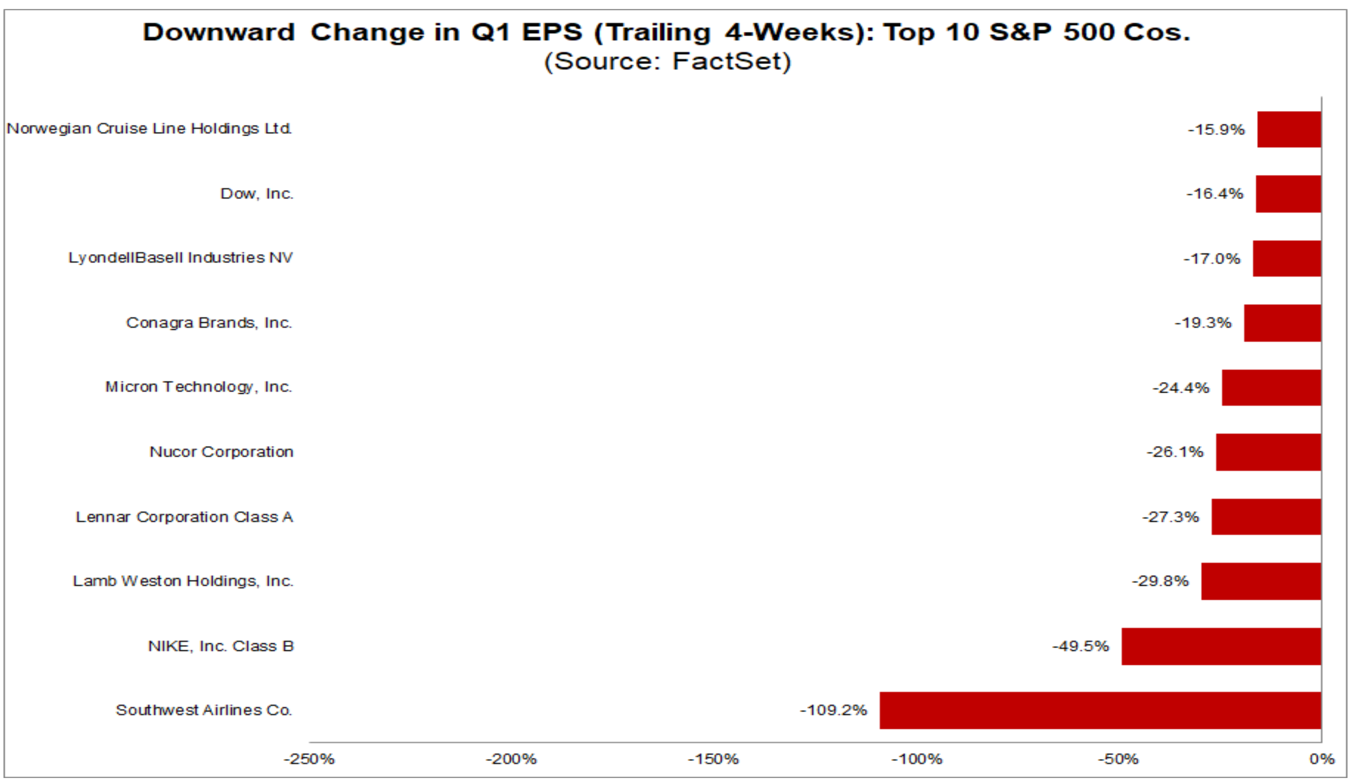




	Info. Technology	S&P 500	Consumer Disc.	Industrials	Consumer Staples	Financials	Utilities	Materials	Health Care	Comm. Services	Real Estate	Energy
Positive	67%	80%	100%	100%	0%	0%	0%	0%	0%	0%	0%	0%
Negative	33%	20%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

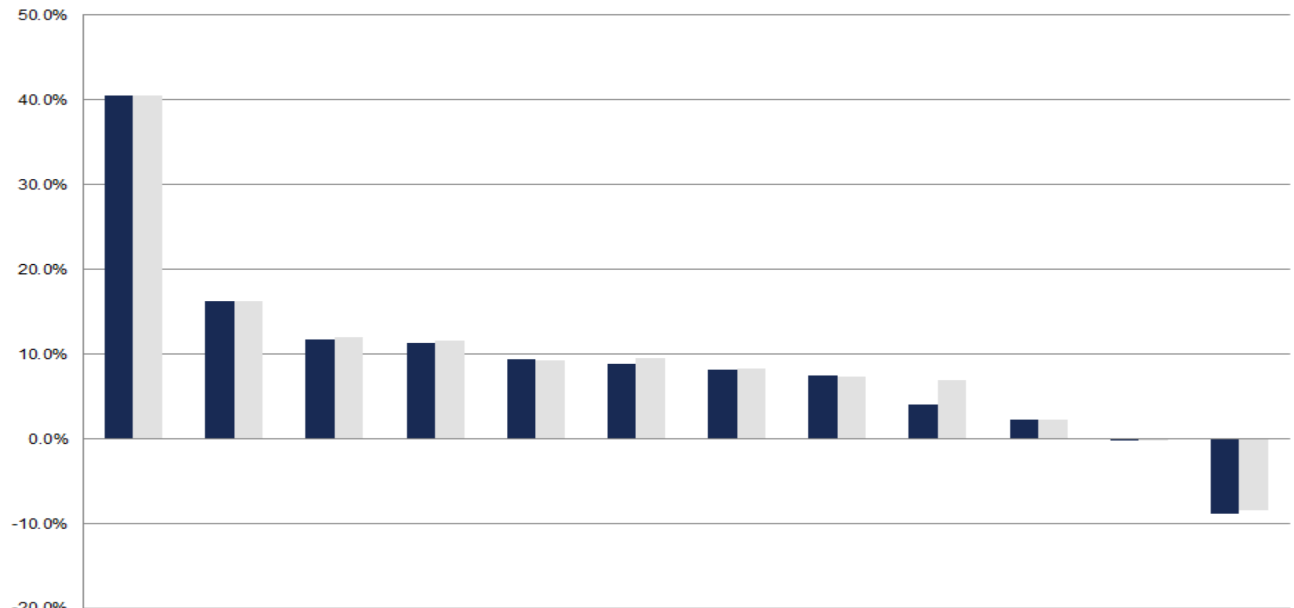
Q1 2025: EPS Revisions





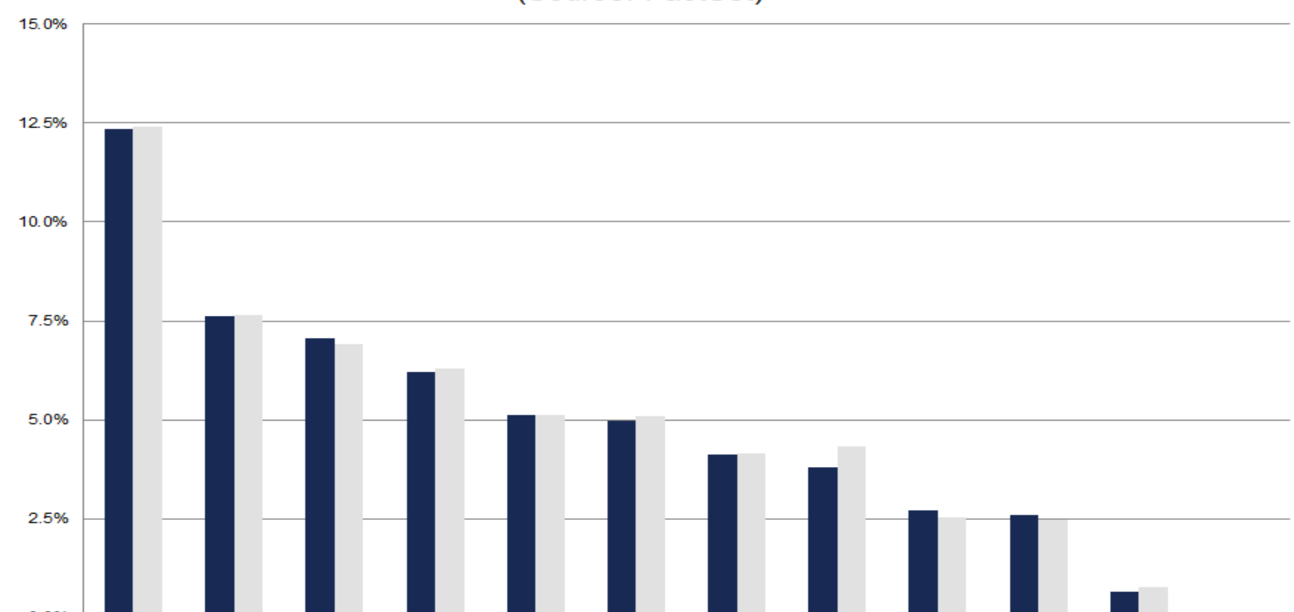
Q1 2025: Growth

S&P 500 Earnings Growth (Y/Y): Q1 2025
(Source: FactSet)



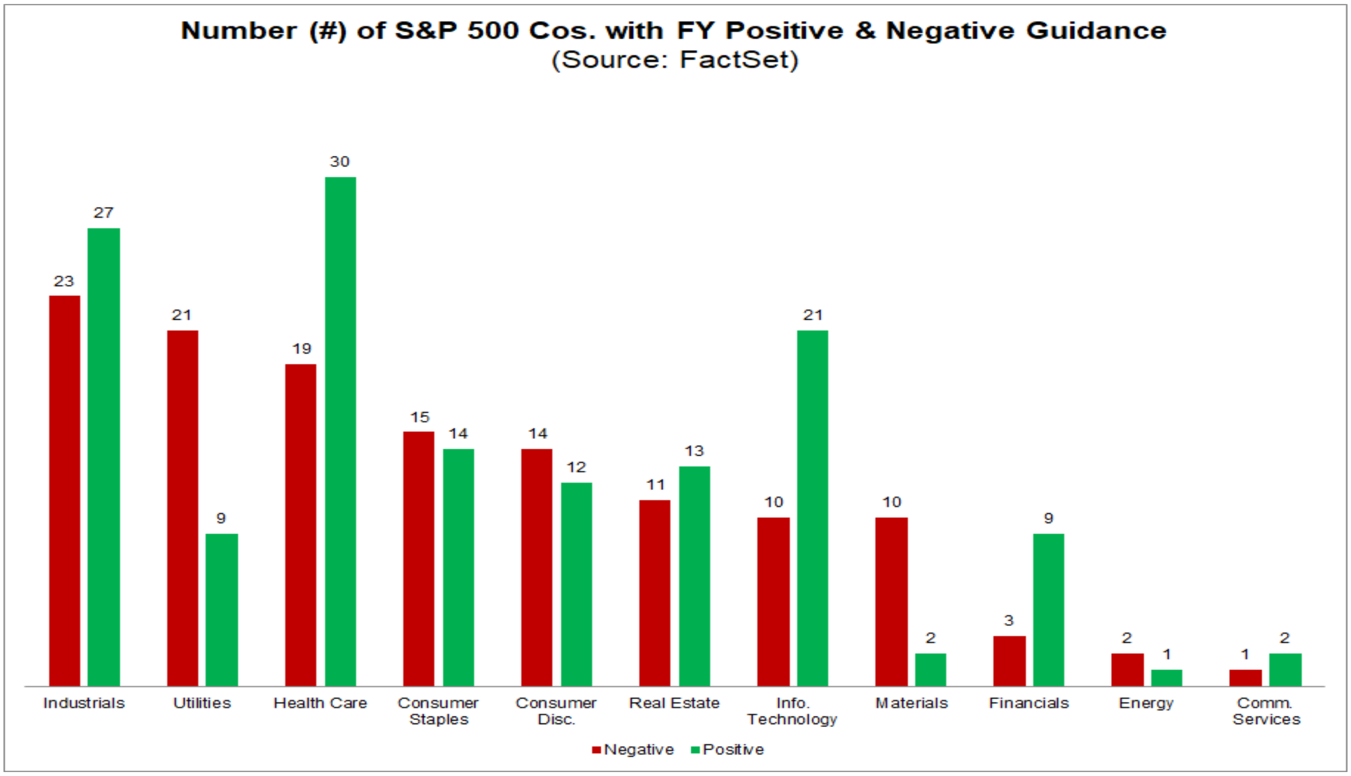
	Health Care	Info. Technology	S&P 500	Consumer Disc.	Utilities	Industrials	Comm. Services	Financials	Materials	Real Estate	Consumer Staples	Energy
Today	40.5%	16.2%	11.8%	11.4%	9.4%	8.9%	8.2%	7.5%	4.1%	2.3%	-0.2%	-8.8%
31-Dec	40.5%	16.3%	11.9%	11.6%	9.2%	9.5%	8.3%	7.3%	6.9%	2.3%	0.0%	-8.4%

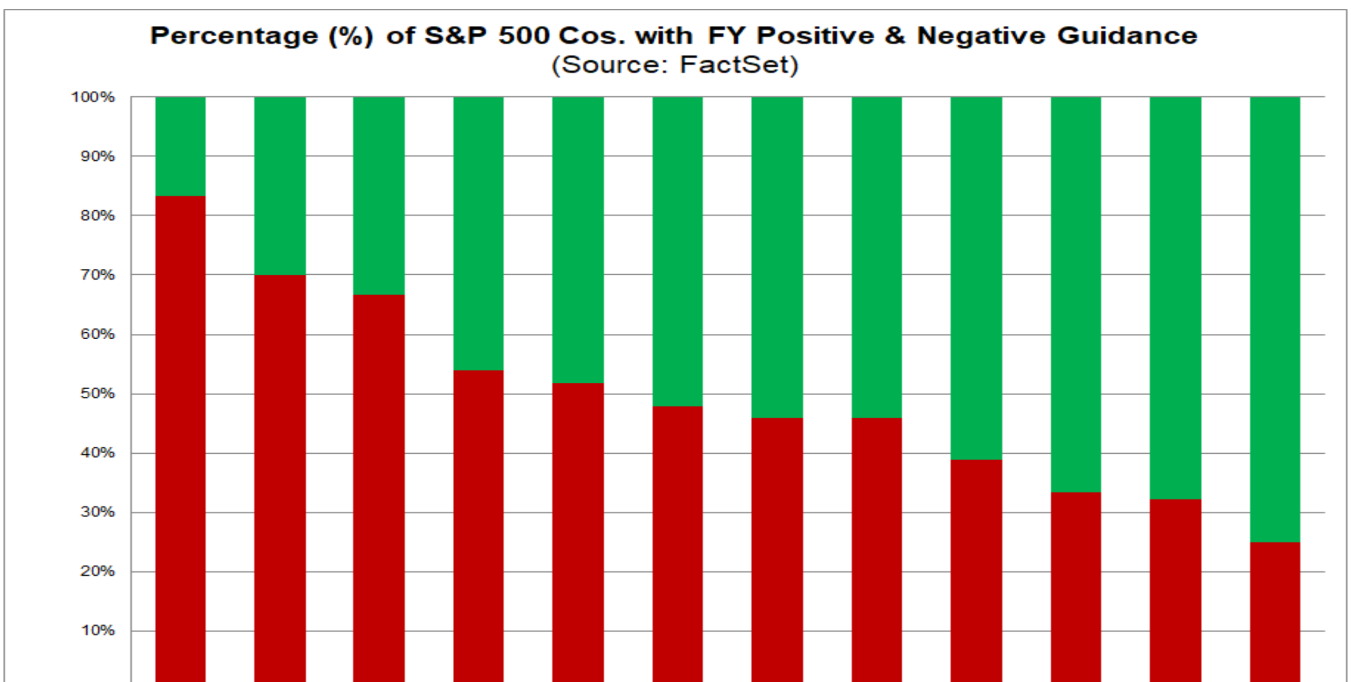
S&P 500 Revenue Growth (Y/Y): Q1 2025
(Source: FactSet)



	Info. Technology	Comm. Services	Health Care	Consumer Disc.	S&P 500	Real Estate	Utilities	Materials	Consumer Staples	Financials	Industrials	Energy
Today	12.4%	7.6%	7.1%	6.2%	5.1%	5.0%	4.1%	3.8%	2.7%	2.6%	0.7%	0.0%
31-Dec	12.4%	7.7%	6.9%	6.3%	5.1%	5.1%	4.2%	4.3%	2.6%	2.5%	0.8%	0.1%

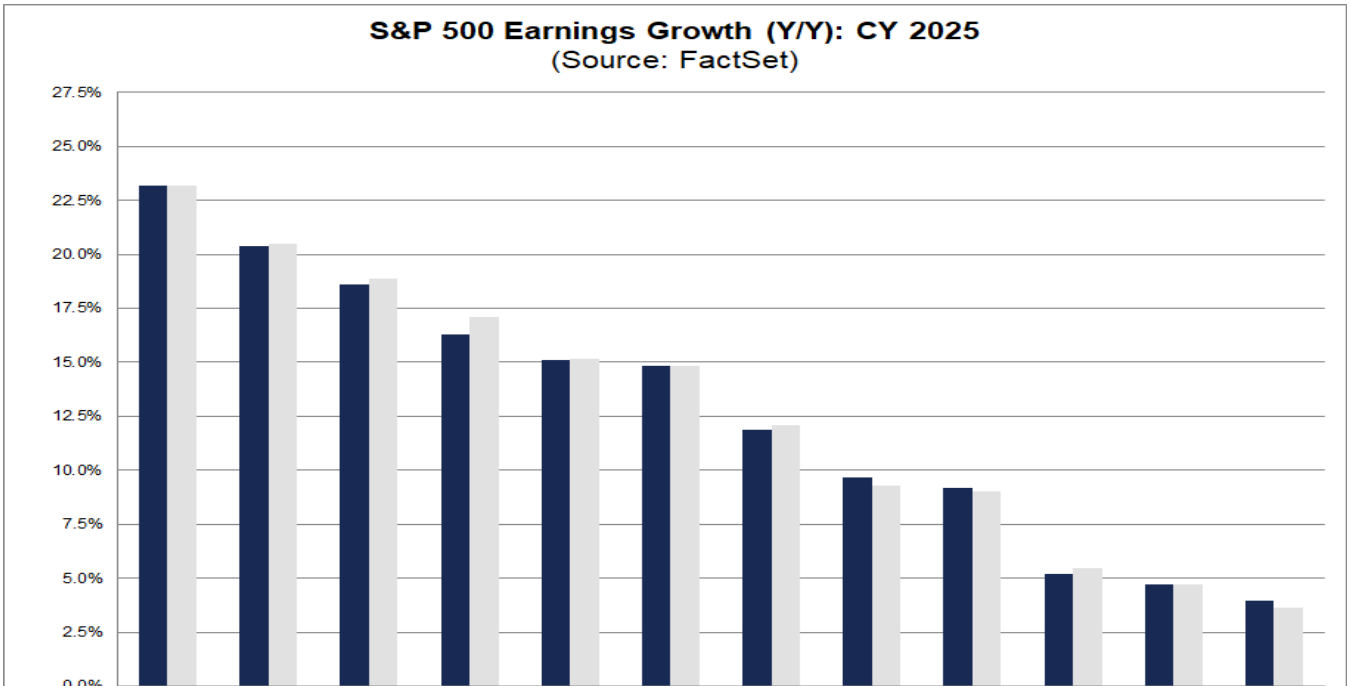
FY 2024 / 2025: EPS Guidance



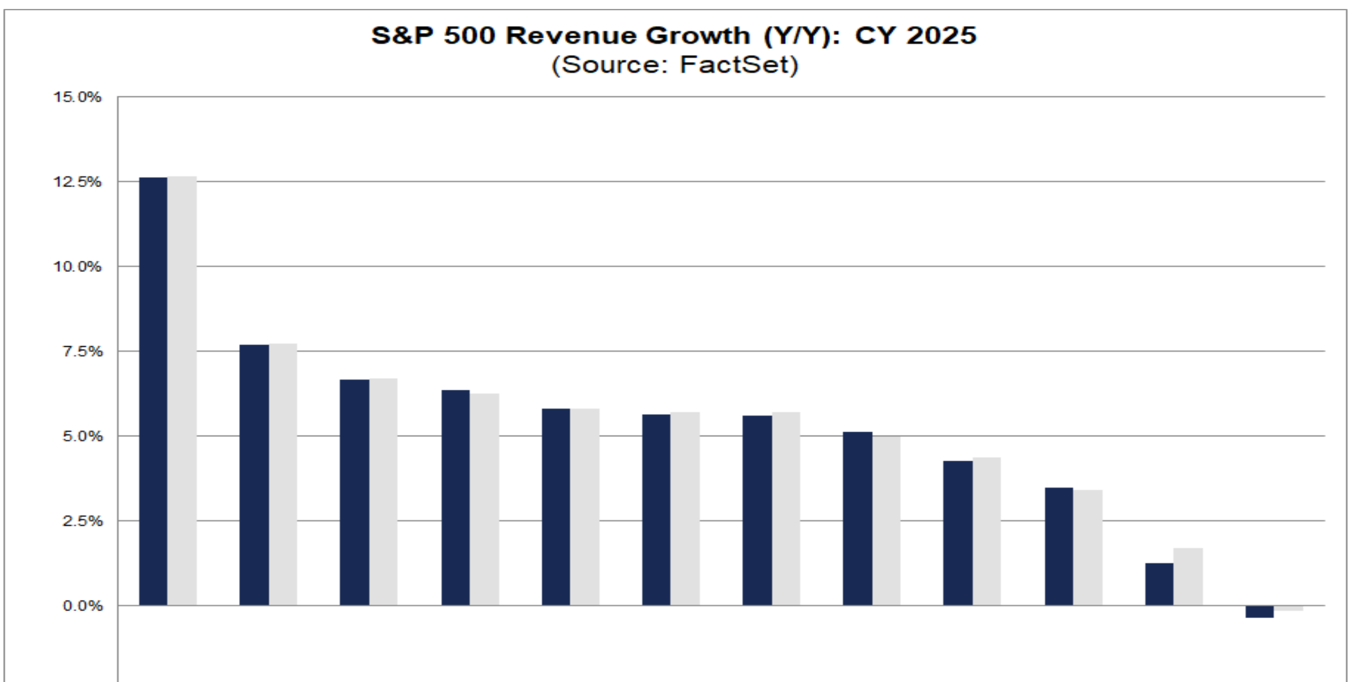


	Materials	Utilities	Energy	Consumer Disc.	Consumer Staples	S&P 500	Industrials	Real Estate	Health Care	Comm. Services	Info. Technology	Financials
Positive	17%	30%	33%	46%	48%	52%	54%	54%	61%	67%	68%	75%
Negative	83%	70%	67%	54%	52%	48%	46%	46%	39%	33%	32%	25%

CY 2025: Growth

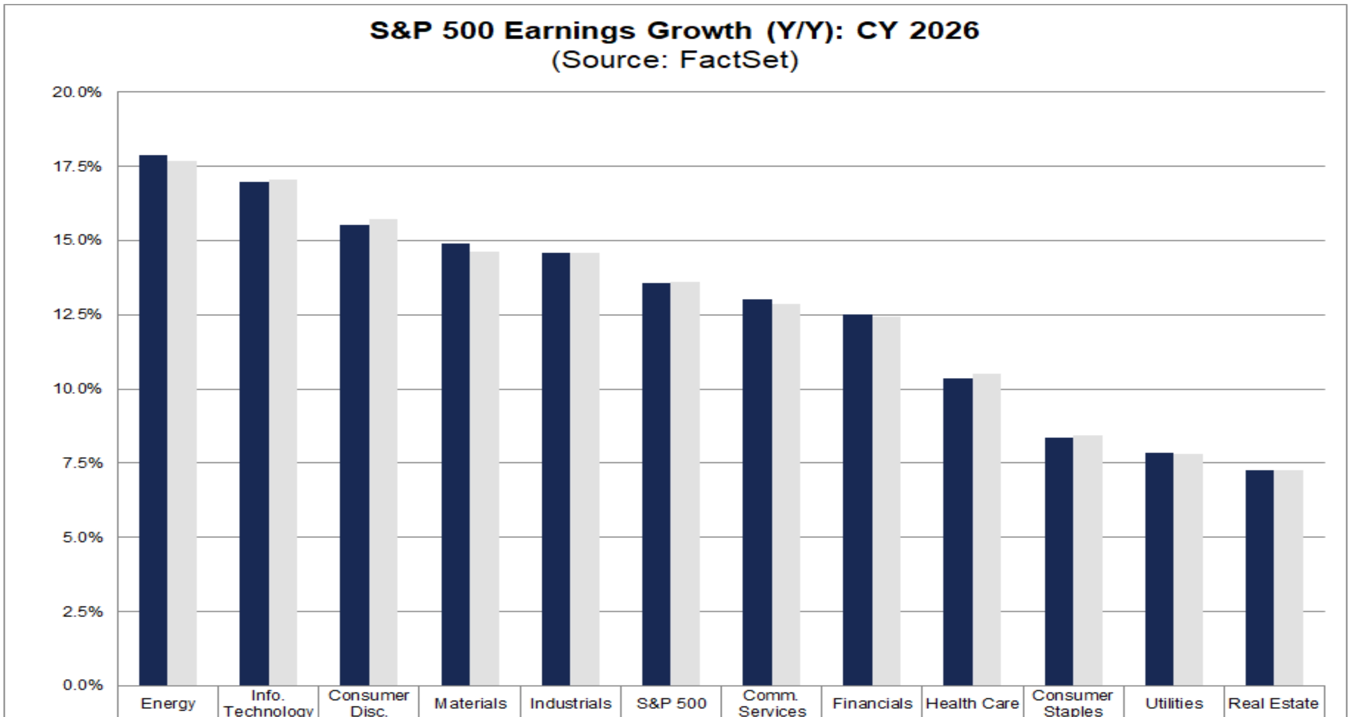


	Info. Technology	Health Care	Industrials	Materials	Comm. Services	S&P 500	Consumer Disc.	Financials	Utilities	Consumer Staples	Real Estate	Energy
Today	23.2%	20.4%	18.6%	16.3%	15.1%	14.8%	11.9%	9.7%	9.2%	5.2%	4.7%	4.0%
31-Dec	23.2%	20.5%	18.9%	17.1%	15.2%	14.8%	12.1%	9.3%	9.0%	5.5%	4.7%	3.6%

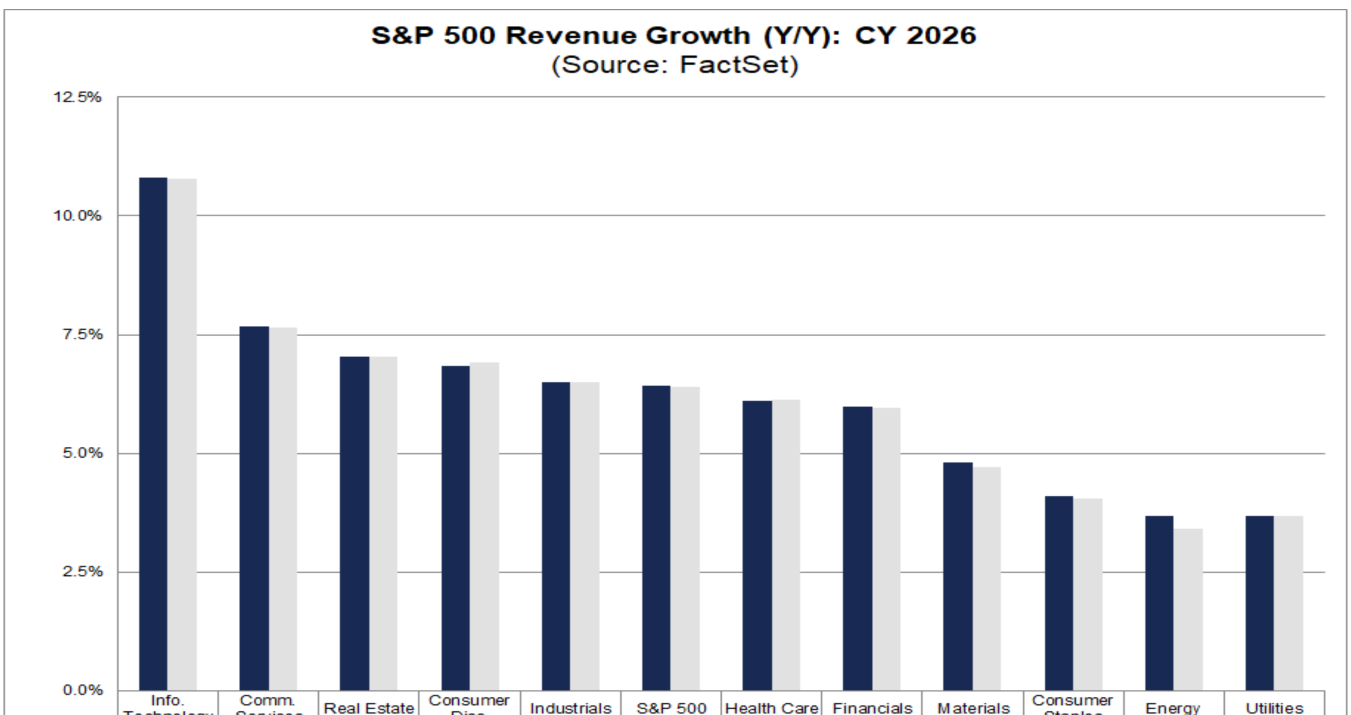


	Info. Technology	Comm. Services	Real Estate	Health Care	S&P 500	Consumer Disc.	Industrials	Financials	Utilities	Consumer Staples	Materials	Energy
Today	12.6%	7.7%	6.7%	6.4%	5.8%	5.6%	5.6%	5.1%	4.3%	3.5%	1.3%	-0.4%
31-Dec	12.7%	7.7%	6.7%	6.3%	5.8%	5.7%	5.7%	5.0%	4.4%	3.4%	1.7%	-0.2%

CY 2026: Growth

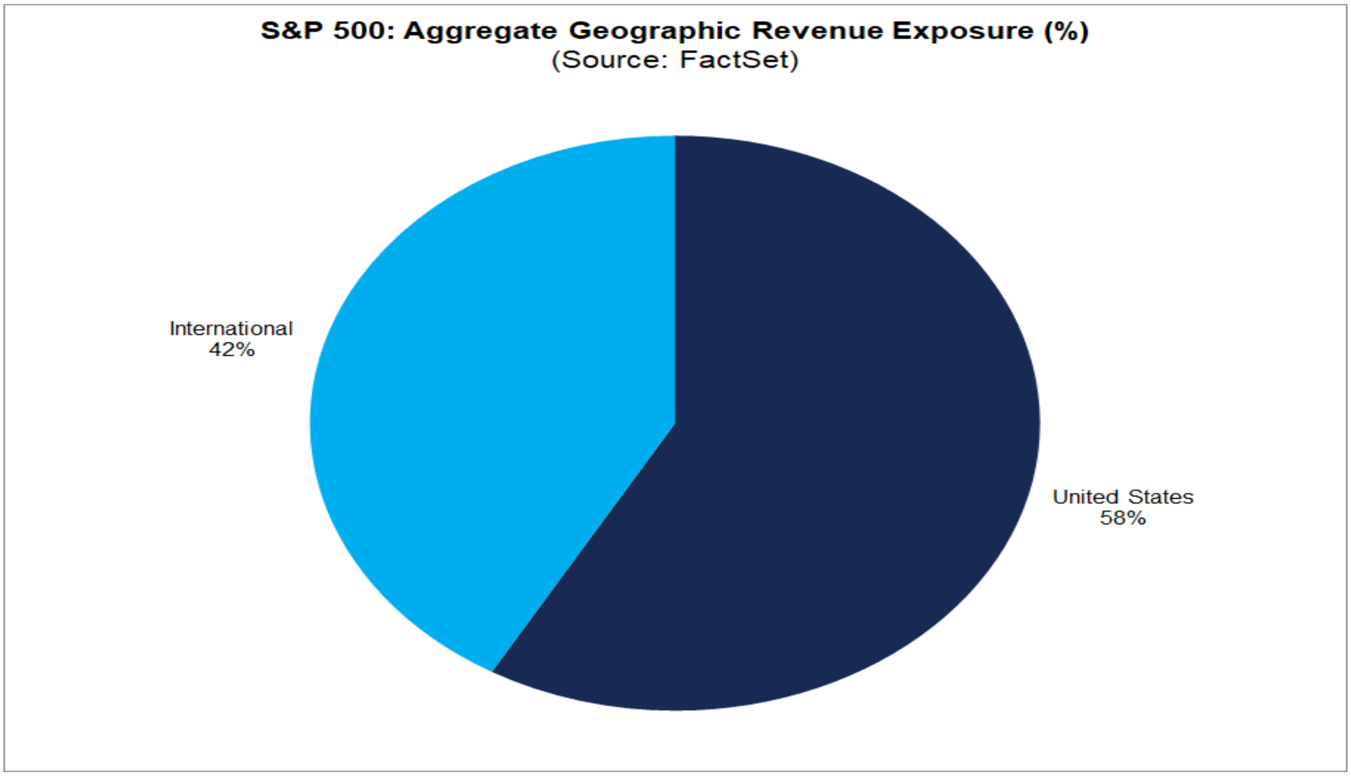


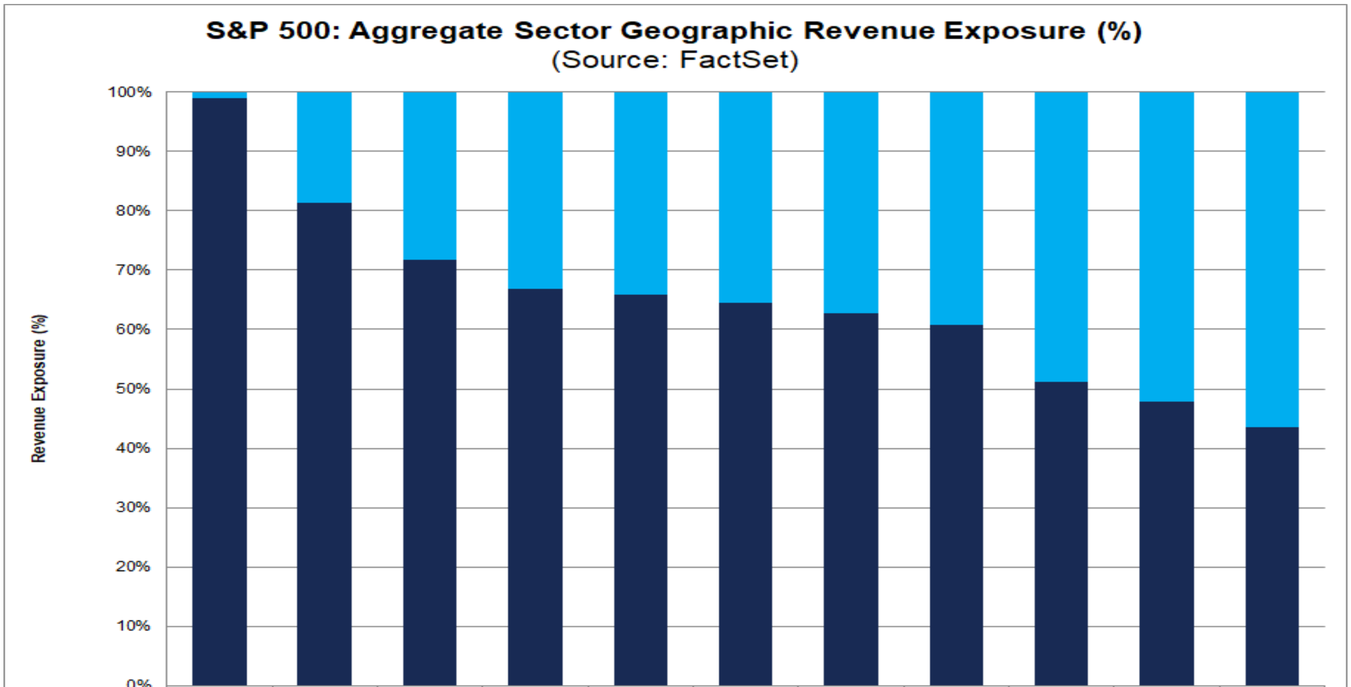
	Energy	Info. Technology	Consumer Disc.	Materials	Industrials	S&P 500	Comm. Services	Financials	Health Care	Consumer Staples	Utilities	Real Estate
Today	17.9%	17.0%	15.5%	14.9%	14.6%	13.6%	13.0%	12.5%	10.4%	8.4%	7.8%	7.3%
31-Dec	17.7%	17.1%	15.7%	14.6%	14.6%	13.6%	12.9%	12.5%	10.5%	8.4%	7.8%	7.3%



	Info. Technology	Comm. Services	Real Estate	Consumer Disc.	Industrials	S&P 500	Health Care	Financials	Materials	Consumer Staples	Energy	Utilities
Today	10.8%	7.7%	7.0%	6.8%	6.5%	6.4%	6.1%	6.0%	4.8%	4.1%	3.7%	3.7%
31-Dec	10.8%	7.6%	7.0%	6.9%	6.5%	6.4%	6.1%	6.0%	4.7%	4.0%	3.4%	3.7%

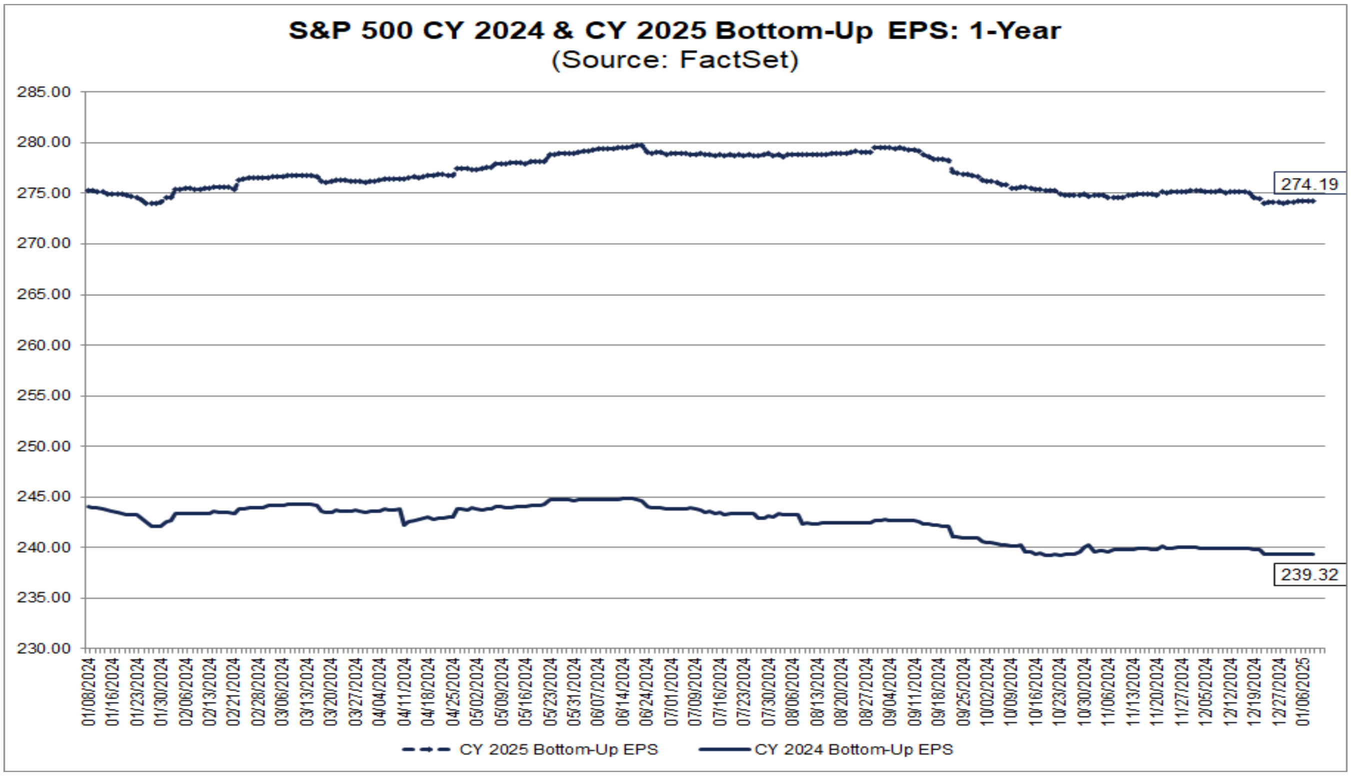
Geographic Revenue Exposure

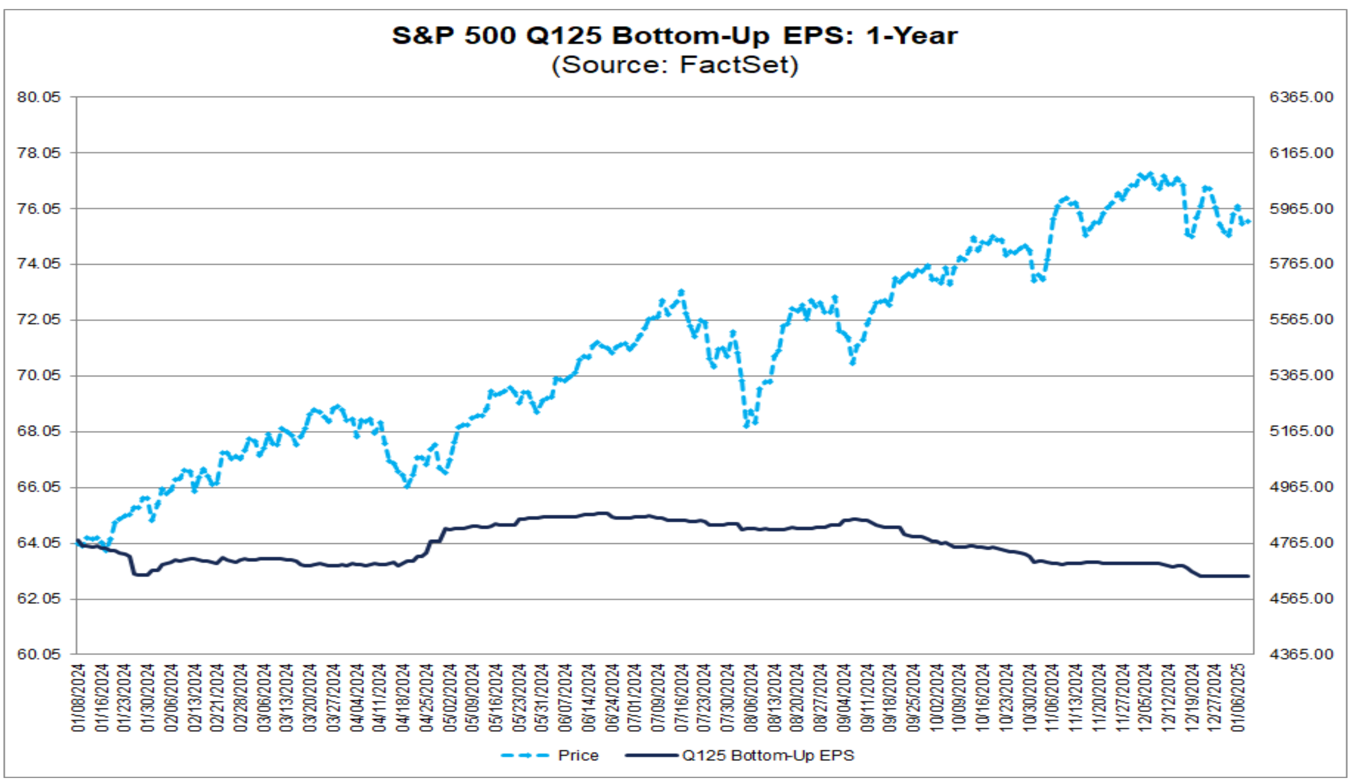




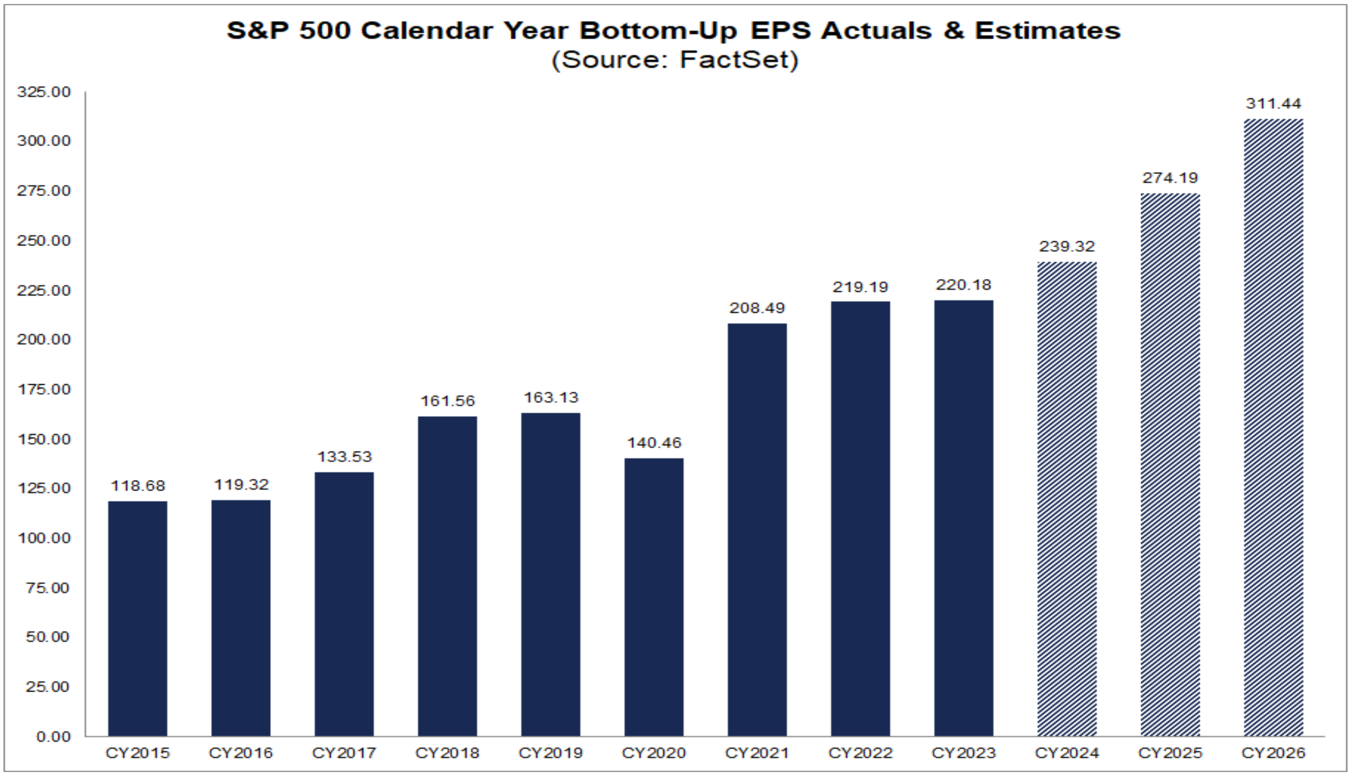
	Utilities	Real Estate	Financials	Industrials	Health Care	Consumer Disc.	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	19%	28%	33%	34%	35%	37%	39%	49%	52%	56%
United States	99%	81%	72%	67%	66%	65%	63%	61%	51%	48%	44%

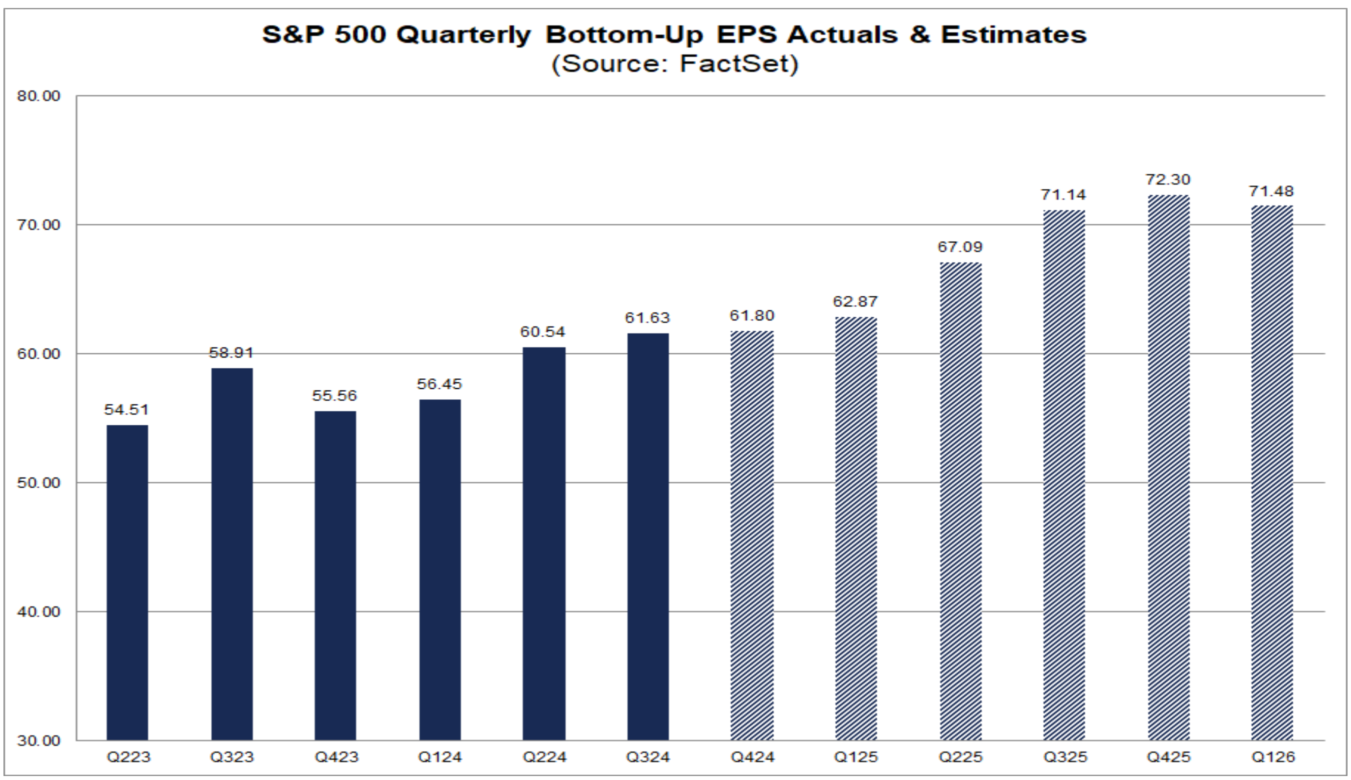
Bottom-Up EPS Estimates



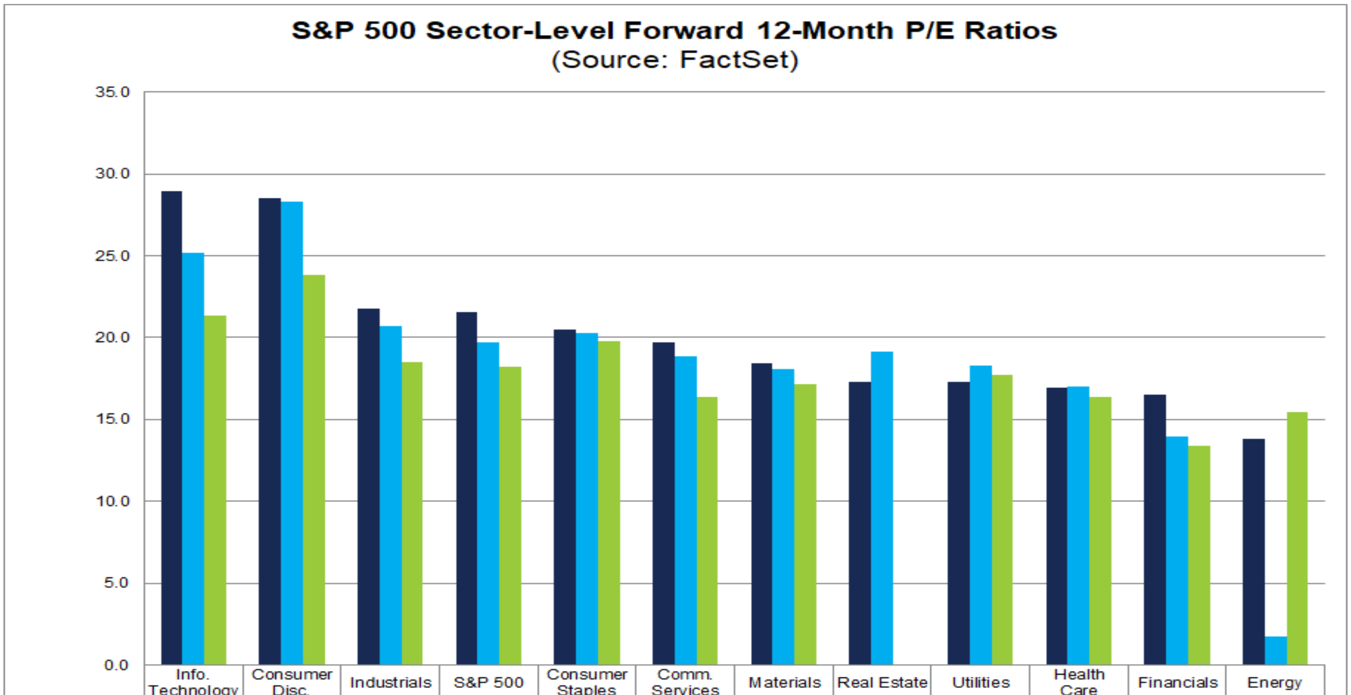


Bottom-Up EPS Estimates: Current & Historical

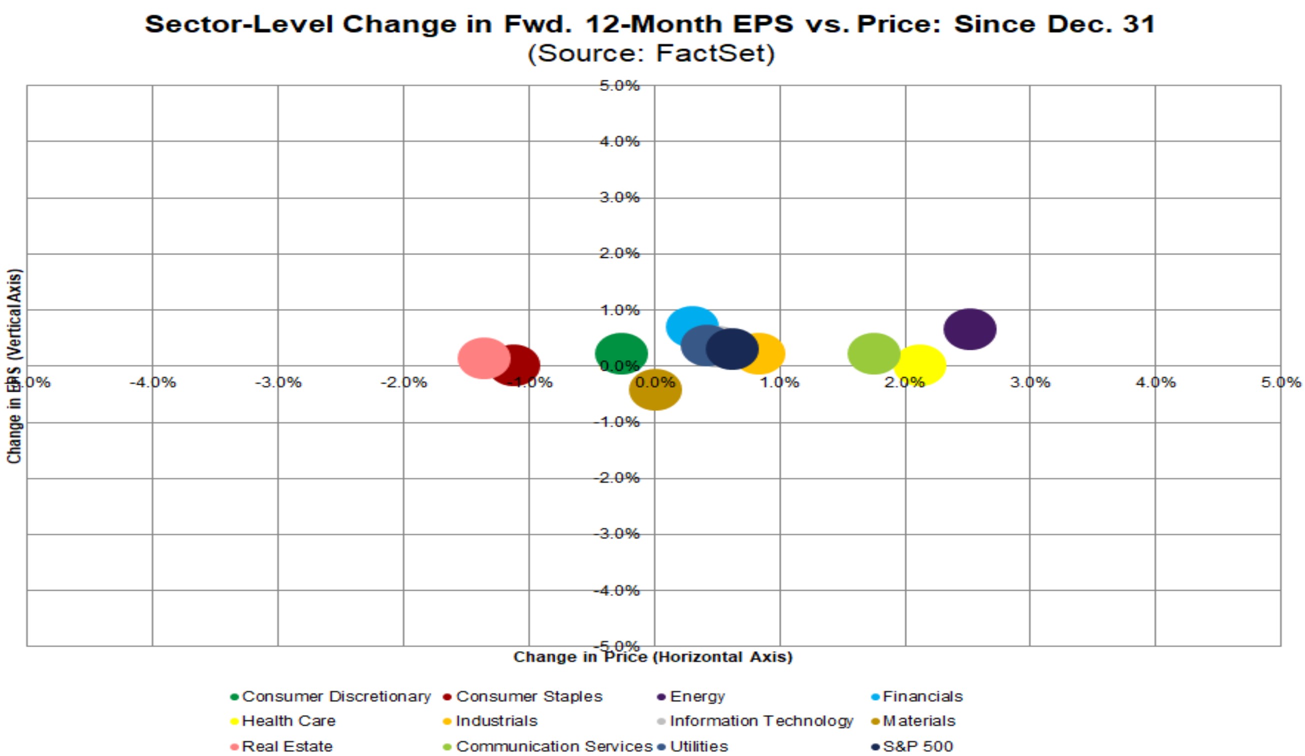




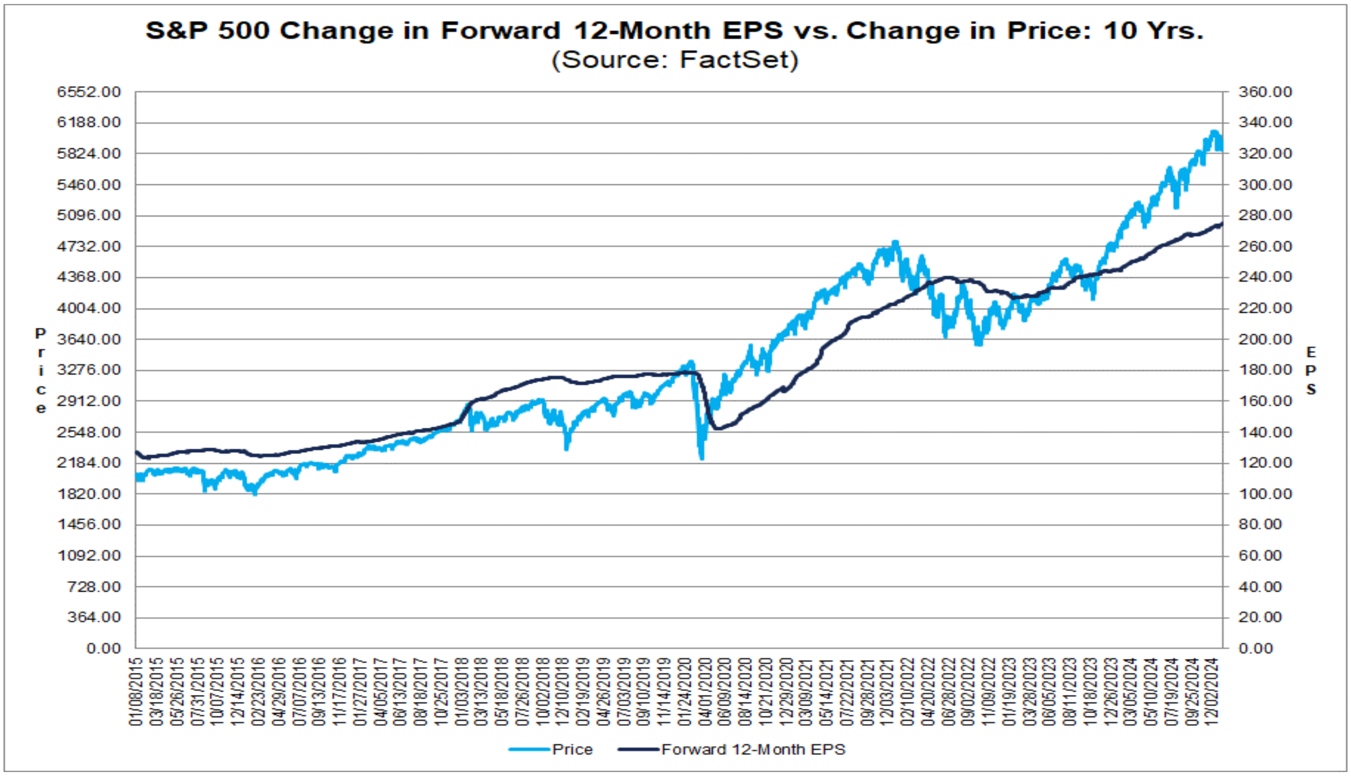
Forward 12M P/E Ratio: Sector Level

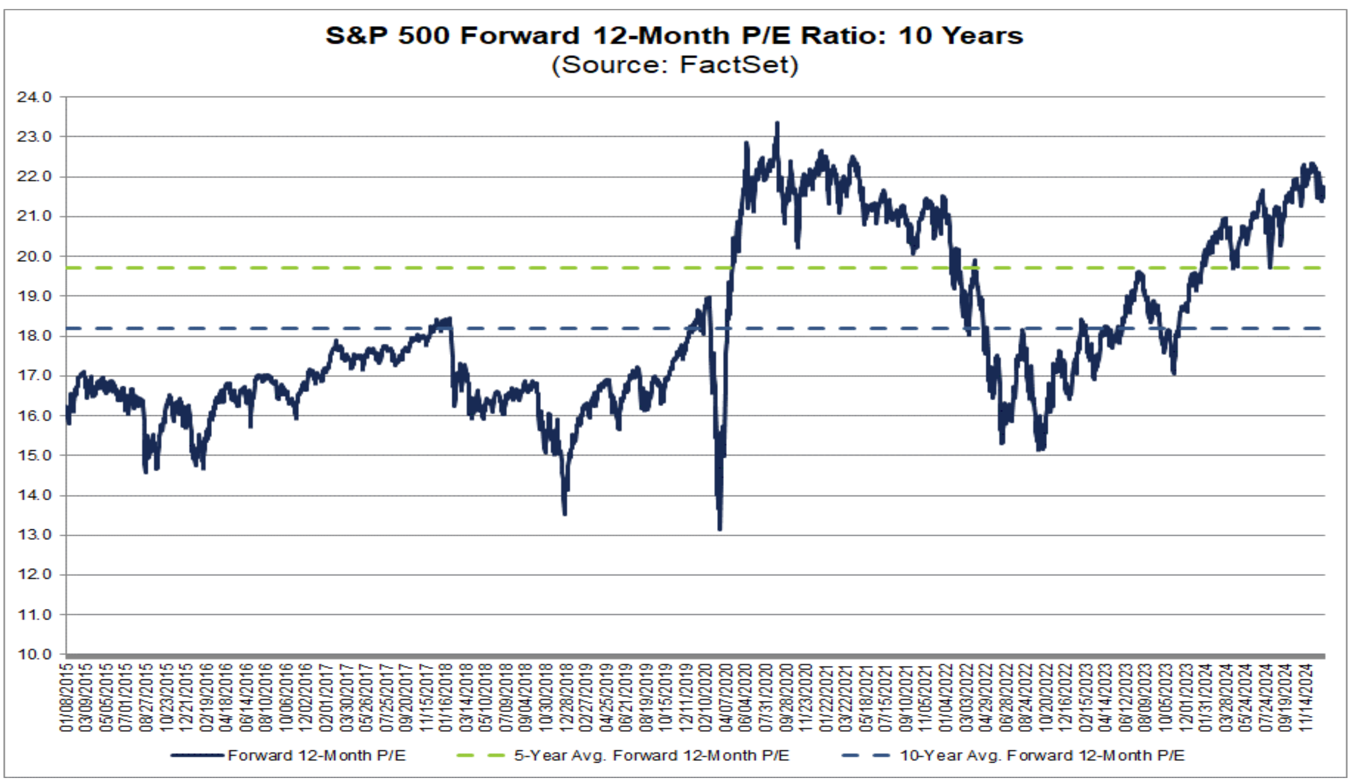


	Info. Technology	Consumer Disc.	Industrials	S&P 500	Consumer Staples	Comm. Services	Materials	Real Estate	Utilities	Health Care	Financials	Energy
Fwd P/E	28.9	28.5	21.8	21.5	20.5	19.7	18.4	17.3	17.3	17.0	16.5	13.8
5-Yr Avg.	25.2	28.3	20.7	19.7	20.3	18.9	18.1	19.1	18.3	17.0	13.9	1.7
10-Yr Avg.	21.3	23.8	18.5	18.2	19.8	16.4	17.1	0.0	17.7	16.4	13.4	15.4

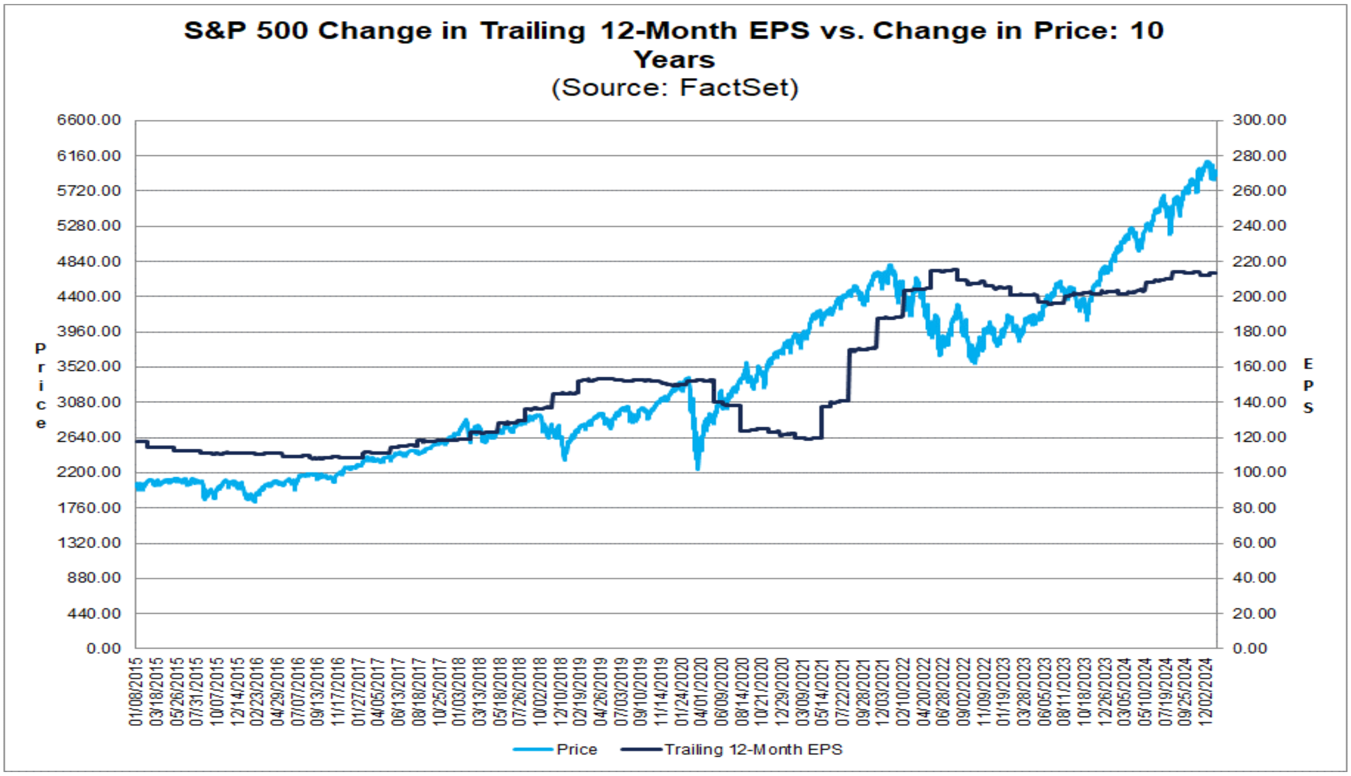


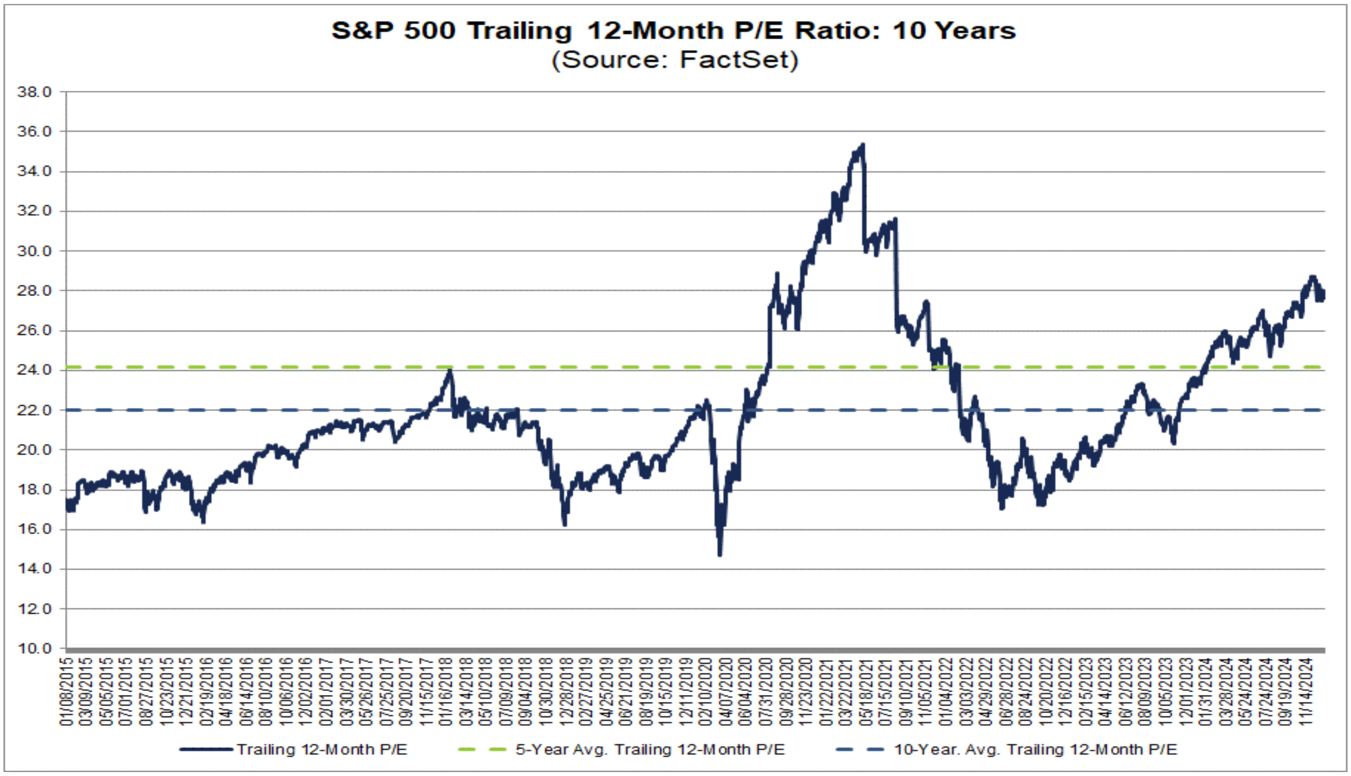
Forward 12M P/E Ratio: 10-Years



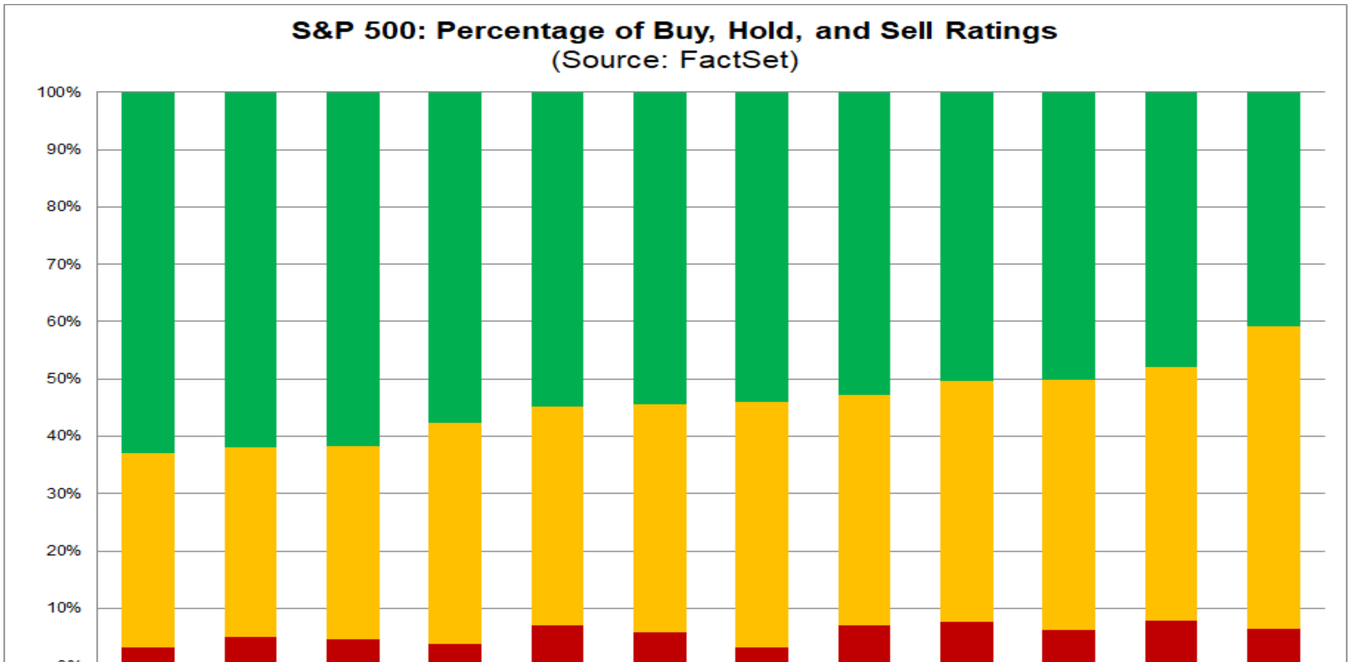


Trailing 12M P/E Ratio: 10-Years

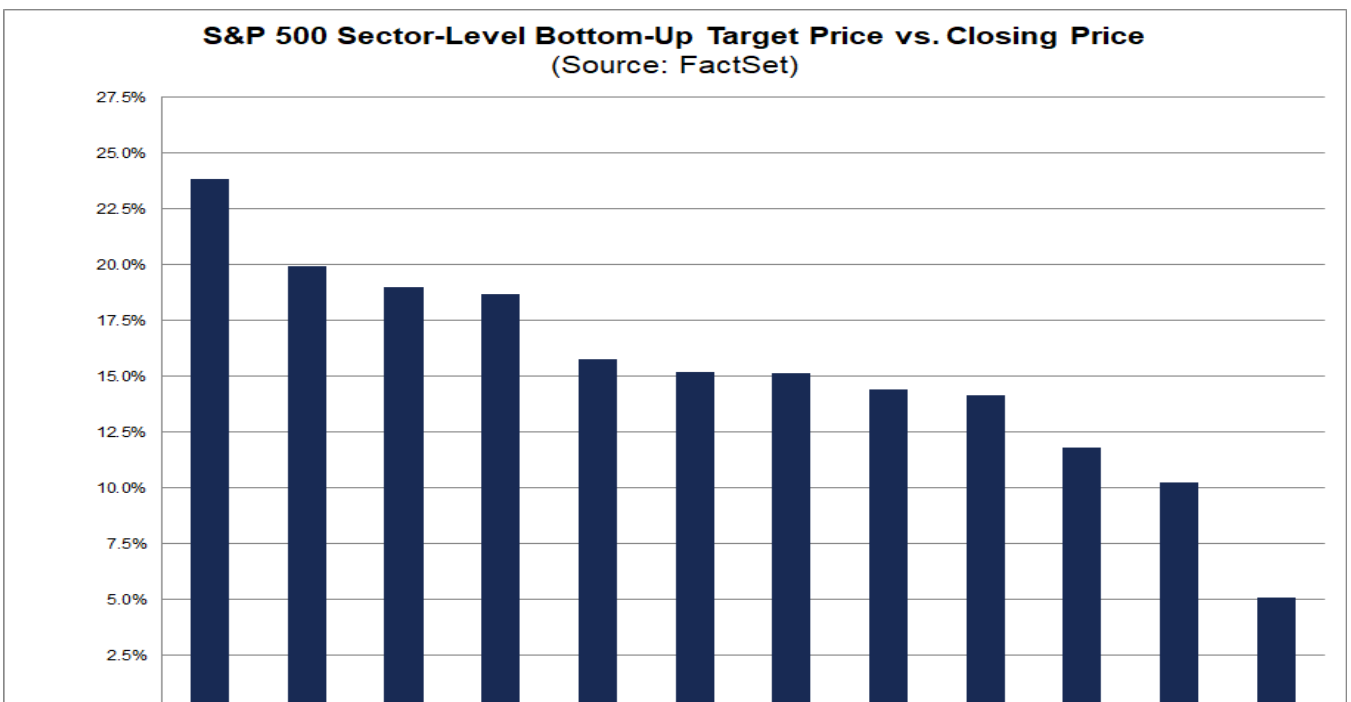




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Consumer Disc.	S&P 500	Real Estate	Financials	Industrials	Materials	Utilities	Consumer Staples
Buy	63%	62%	62%	58%	55%	54%	54%	53%	50%	50%	48%	41%
Hold	34%	33%	34%	39%	38%	40%	43%	40%	42%	44%	44%	53%
Sell	3%	5%	5%	4%	7%	6%	3%	7%	8%	6%	8%	6%



	Materials	Health Care	Real Estate	Energy	Info. Tech.	Consumer Staples	Industrials	Utilities	S&P 500	Financials	Comm. Services	Consumer Disc.
Target/Close	23.8%	20.0%	19.0%	18.7%	15.8%	15.2%	15.1%	14.4%	14.1%	11.8%	10.2%	5.1%

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