EARNINGS INSIGHT

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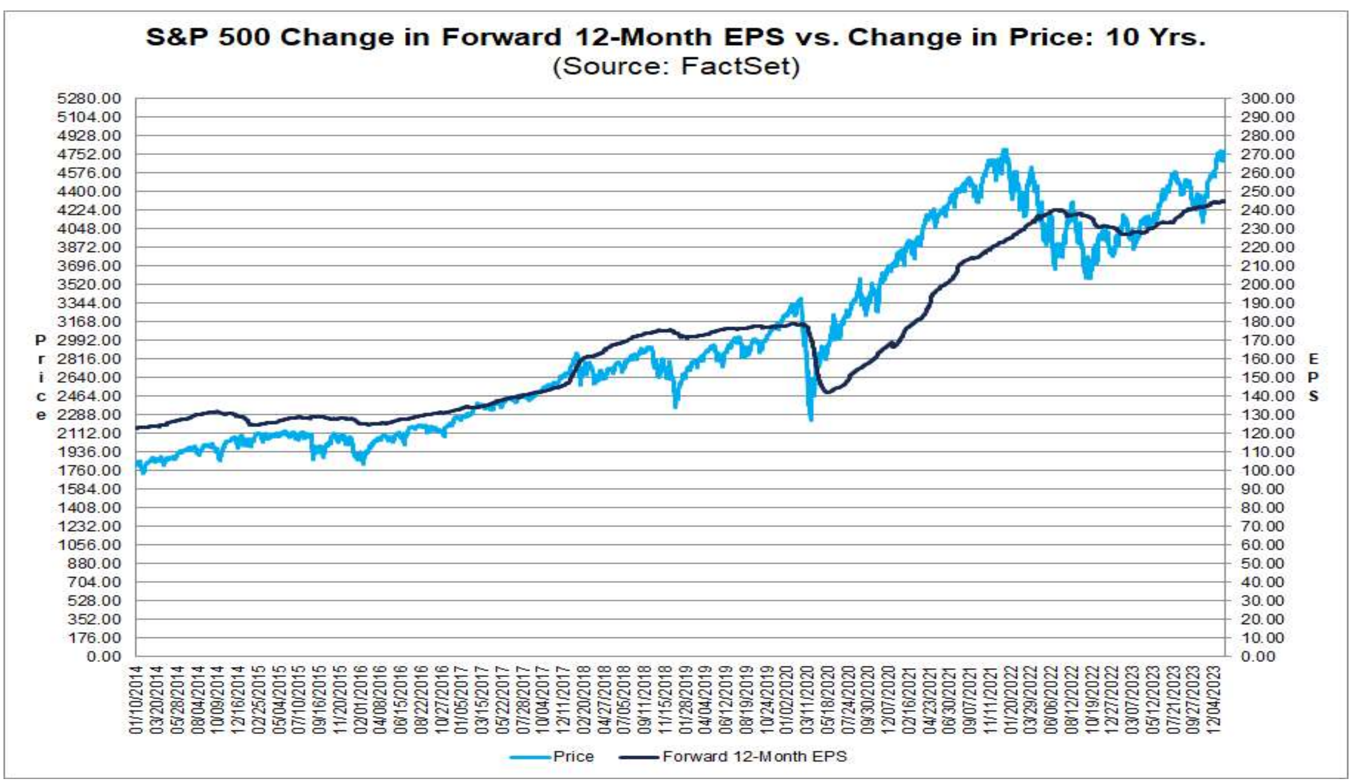
Key Metrics

- **Earnings Scorecard:** For Q4 2023 (with 6% of S&P 500 companies reporting actual results), 76% of S&P 500 companies have reported a positive EPS surprise and 55% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q4 2023, the blended (year-over-year) earnings decline for the S&P 500 is -0.1%. If -0.1% is the actual decline for the quarter, it will mark the fourth time in the past five quarters that the index has reported a year-over-year decline in earnings.
- **Earnings Revisions:** On December 31, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q4 2023 was 1.6%. Seven sectors are reporting (or are expected to report) lower earnings today compared to December 31 due to negative EPS surprises and downward revisions to EPS estimates.
- **Earnings Guidance:** For Q1 2024, 4 S&P 500 companies have issued negative EPS guidance and 3 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 19.5. This P/E ratio is above the 5-year average (18.9) and above the 10-year average (17.6).



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Topic of the Week: 1

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

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

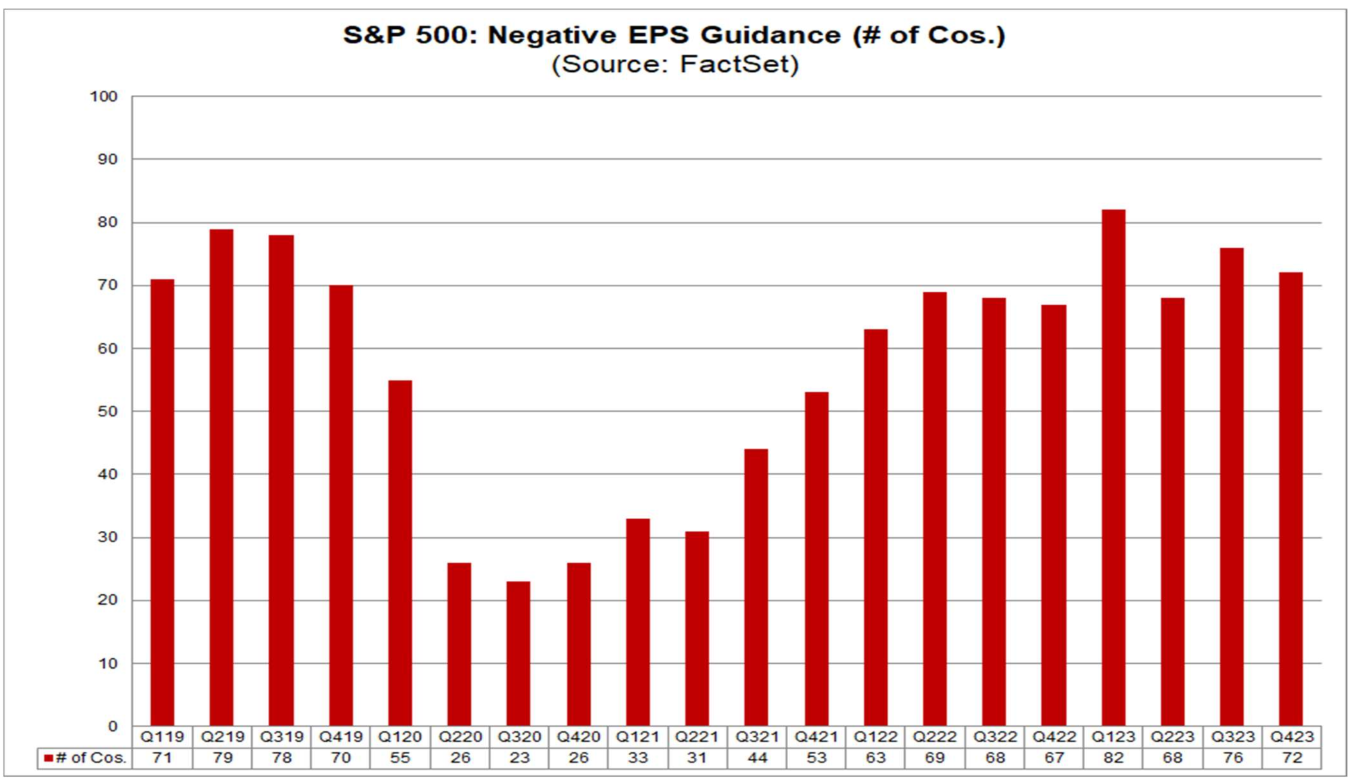
The answer is yes. Both the number and percentage of S&P 500 companies issuing negative EPS guidance for Q4 2023 are above their 5-year and 10-year averages.

Overall, 111 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 111 companies, 72 have issued negative EPS guidance and 39 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is above the 5-year average of 57 and above the 10-year average of 62. On the other hand, the number of companies issuing positive EPS guidance is below the 5-year average of 40, but above the 10-year average of 36.

The percentage of companies issuing negative EPS guidance is 65% (72 out of 111), which is above the 5-year average of 59% and above the 10-year average of 63%.

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.



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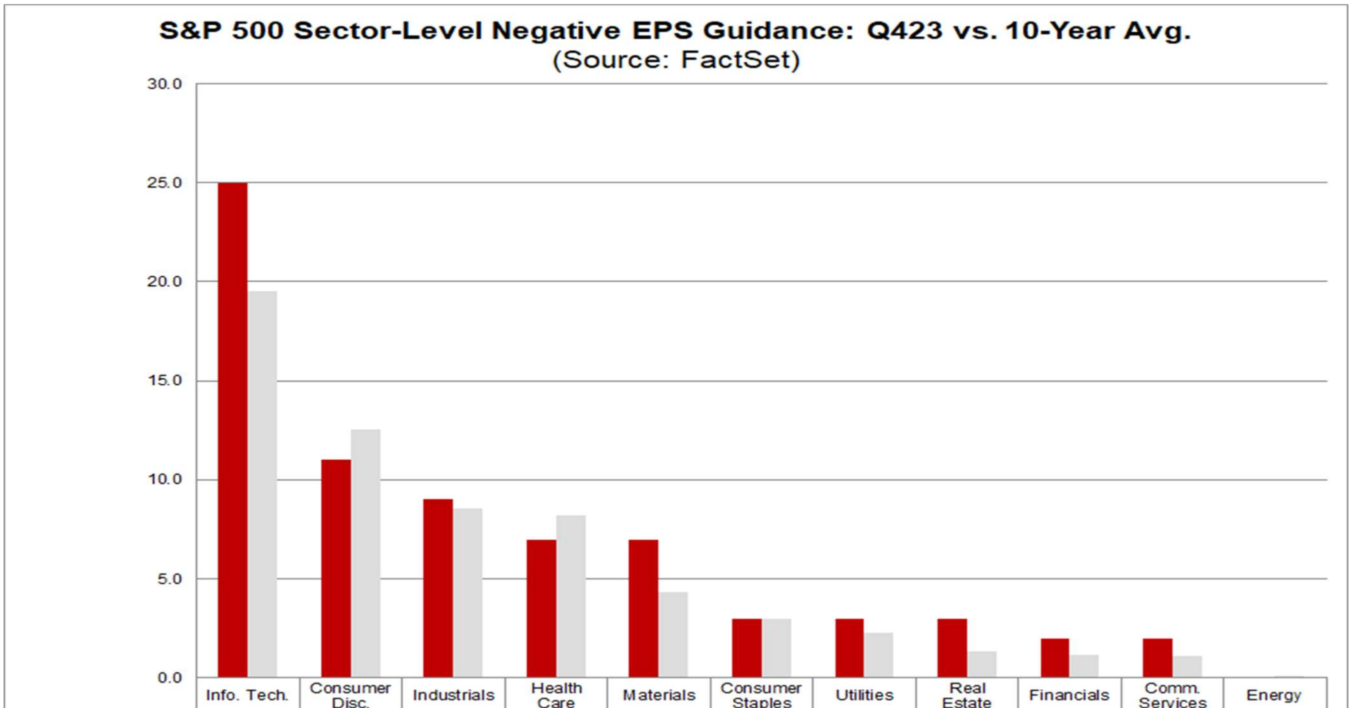

	Info. Tech.	Consumer Disc.	Industrials	Health Care	Materials	Consumer Staples	Utilities	Real Estate	Financials	Comm. Services	Energy
Q4 2023	25.0	11.0	9.0	7.0	7.0	3.0	3.0	3.0	2.0	2.0	0.0
10-Year Avg.	19.5	12.5	8.6	8.2	4.4	3.0	2.3	1.3	1.2	1.1	0.1

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Topic of the Week: 2

S&P 500 Will Likely Report Year-Over-Year Earnings Growth of At Least 4% for Q4

As of today, the S&P 500 is reporting a year-over-year earnings decline of -0.1% for the fourth quarter, which would mark the fourth decline in earnings in the past five quarters reported by the index. Given that most S&P 500 companies report actual earnings above estimates, what is the likelihood the index will report an actual decline in earnings of -0.1% 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 of more than 4.0% for Q4.

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, 74% 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 5.5 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 1.6%, the actual earnings growth rate for the quarter would be 7.1% (1.6% + 5.5% = 7.1%).

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 7.2 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 1.6%, the actual earnings growth rate for the quarter would be 8.8% (1.6% + 7.2% = 8.8%).

Over the past four quarters (Q4 2022 through Q3 2023), actual earnings reported by S&P 500 companies have exceeded estimated earnings by 5.7% 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 increased by 2.9 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 1.6%, the actual earnings growth rate for the quarter would be 4.5% (1.6% + 2.9% = 4.5%).

How are the numbers trending to date? Of the 29 S&P 500 companies that have reported actual earnings for Q4 2023 through January 12, 76% have reported actual EPS above the mean EPS estimate. In aggregate, actual earnings reported by these 29 companies have fallen short of estimated earnings by 9.8%. Thus, at this very early stage of the earnings season for Q4, the percentage of companies reporting positive EPS surprises is trending closer to the 1-year and 5-year averages. However, in aggregate companies are missing earnings estimates by 9.8%. As a result, the earnings growth rate for the S&P 500 has decreased by 1.7 percentage points (to -0.1% from 1.6%) since December 31.

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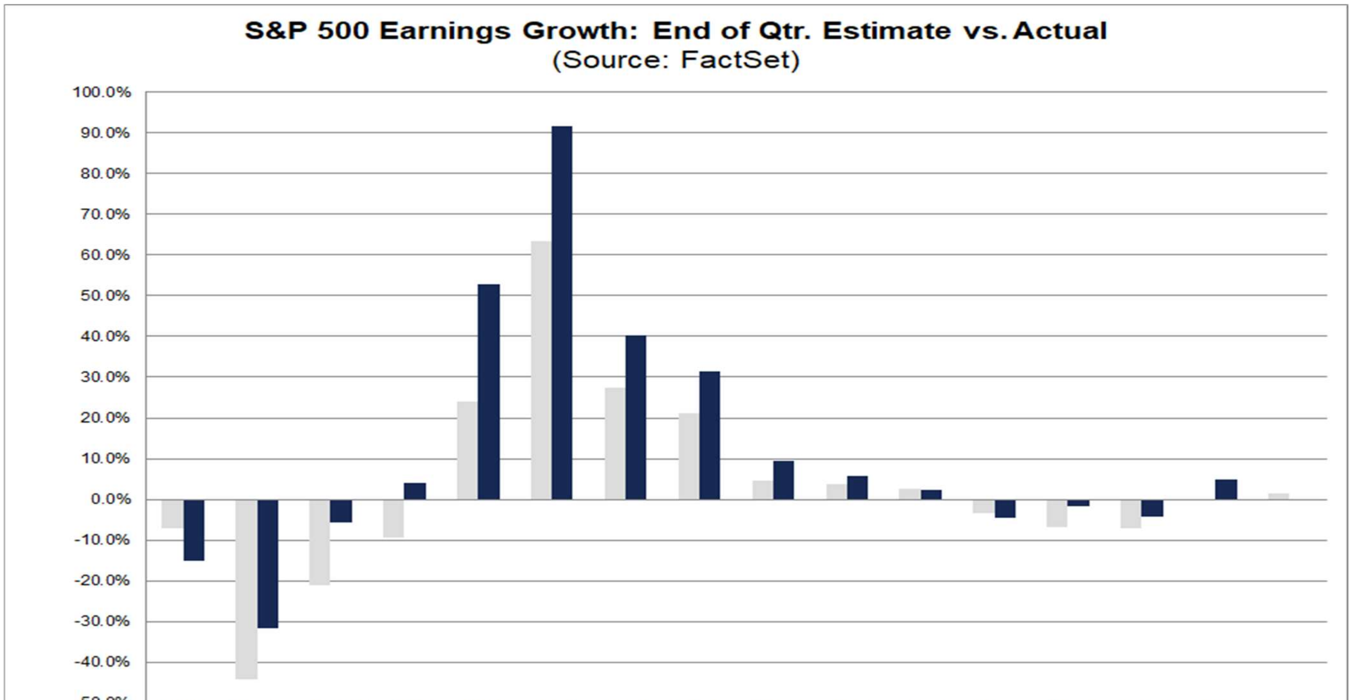
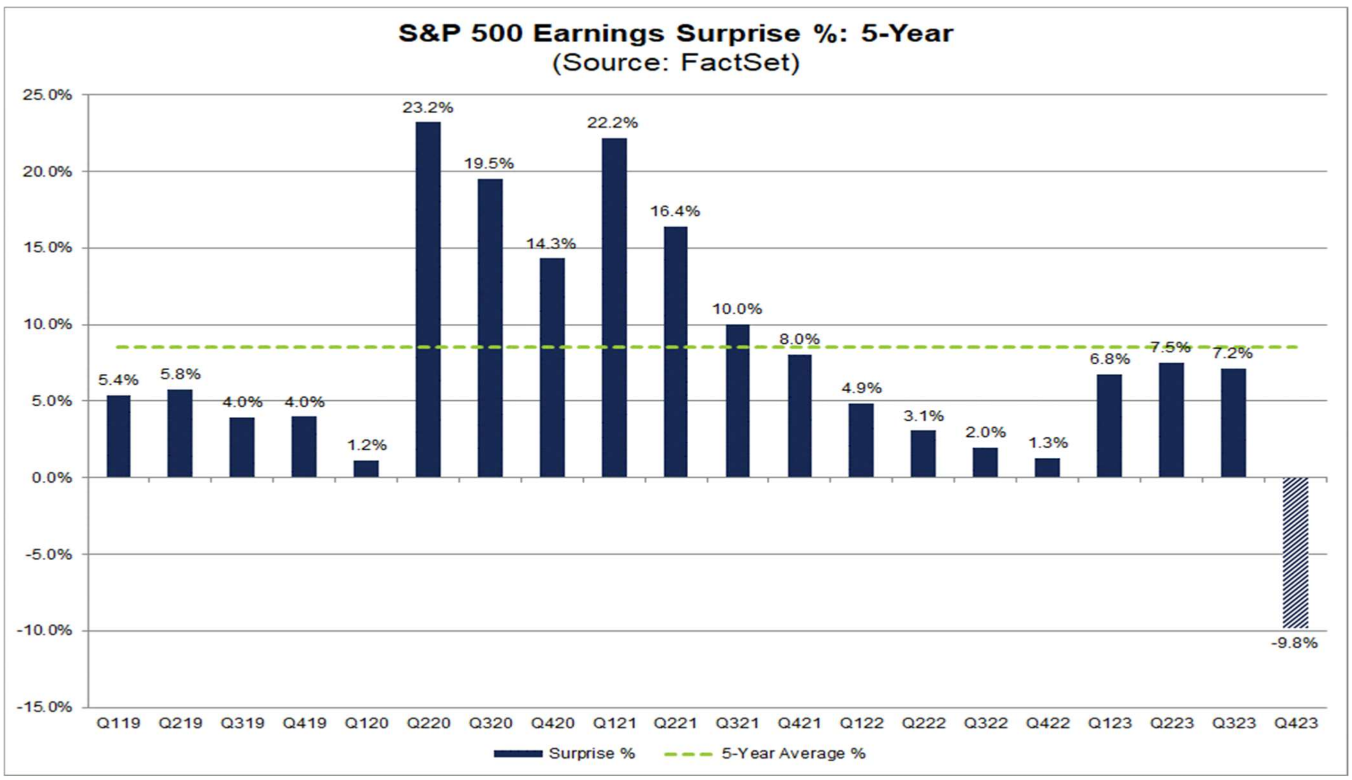


	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423
End of Qtr.	-7.0%	-44.3%	-21.2%	-9.3%	23.9%	63.3%	27.5%	21.3%	4.6%	3.9%	2.6%	-3.3%	-6.7%	-7.1%	-0.3%	1.6%
Actual	-15.0%	-31.7%	-5.7%	4.0%	52.9%	91.5%	40.2%	31.3%	9.4%	5.8%	2.3%	-4.7%	-1.7%	-4.1%	4.9%	



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Q4 Earnings Season: By The Numbers

Overview

At this very early stage, the fourth quarter earnings season for the S&P 500 is off to a weak start. The percentage of S&P 500 companies reporting positive earnings surprises is at average levels. However, companies are reporting earnings that are nearly 10% below estimates in aggregate, mainly due to negative EPS surprises reported by companies in the Financials sector. As a result, the index is reporting lower earnings for the fourth quarter today relative to the end of last week and relative to the end of the quarter. The index is now reporting a year-over-year decline in earnings for the fourth time in the past five quarters.

Overall, 6% of the companies in the S&P 500 have reported actual results for Q4 2023 to date. Of these companies, 76% have reported actual EPS above estimates, which is below the 5-year average of 77% but above the 10-year average of 74%. In aggregate, companies are reporting earnings that are 9.8% below estimates, which is below the 5-year average of 8.5% above estimates and below the 10-year average of 6.7% above estimates. Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

As a result, the index is reporting lower earnings for the fourth quarter today relative to the end of last week and relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the fourth quarter is -0.1% today, compared to an earnings growth rate of 1.1% last week and an earnings growth rate of 1.6% at the end of the fourth quarter (December 31).

Negative earnings surprises reported by companies in the Financials sector have been the largest contributor to the decrease in the overall earnings growth rate for the index over the past week and since the end of the quarter.

If -0.1% is the actual decline for the quarter, it will mark the fourth time in the past five quarters that the index has reported a year-over-year decline in earnings.

Five of the eleven sectors are reporting (or are expected to report) year-over-year earnings growth, led by the Communication Services, Utilities, and Consumer Discretionary sectors. On the other hand, five sectors are reporting (or are expected to report) a year-over-year decline in earnings, led by the Energy, Materials, and Health Care sectors. The Consumer Staples sector is currently reporting flat year-over-year earnings (0.0%).

In terms of revenues, 55% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 68% and below the 10-year average of 64%. In aggregate, companies are reporting revenues that are 0.6% above the estimates, which is below the 5-year average of 2.0% and below the 10-year average of 1.3%. Again, historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The blended revenue growth rate for the fourth quarter is 2.8% today, compared to a revenue growth rate of 3.0% last week and a revenue growth rate of 3.0% at the end of the fourth quarter (December 31).

Downward revisions to revenue estimates and negative revenue surprises for companies in the Financials sector have been the largest contributor to the decrease in the overall revenue growth rate for the index over the past week and since the end of the quarter.

If 2.8% is the actual revenue growth rate for the quarter, it will mark the 12th consecutive quarter of revenue growth for the index.

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Eight sectors are reporting (or are projected to report) year-over-year growth in revenues, led by the Real Estate, Information Technology, and Communication Services sectors. On the other hand, three sectors are predicted to report a year-over-year decline in revenues, led by the Energy and Materials sectors.

Looking ahead, analysts expect (year-over-year) earnings growth of 5.7% for Q1 2024 and 10.2% for Q2 2024. For CY 2024, analysts are calling for (year-over-year) earnings growth of 11.8%.

The forward 12-month P/E ratio is 19.5, which is above the 5-year average (18.9) and above the 10-year average (17.6). It is also equal to the forward P/E ratio of 19.5 recorded at the end of the fourth quarter (December 31).

During the upcoming week, 23 S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the fourth quarter.

Scorecard: Number of Positive EPS Surprises Are Below 5-Year Average

Percentage of Companies Beating EPS Estimates (76%) is Below 5-Year Average

Overall, 6% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 76% have reported actual EPS above the mean EPS estimate, 7% have reported actual EPS equal to the mean EPS estimate, and 17% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (77%) and below the 5-year average (77%), but above the 10-year average (74%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Consumer Discretionary (100%), Consumer Staples (100%), Health Care (100%), and Information Technology (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Financials (14%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (-9.8%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 9.8% below expectations. This surprise percentage is below the 1-year average (+5.7%), below the 5-year average (+8.5%), and below the 10-year average (+6.7%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Financials (-26.0%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Citigroup (-$1.16 vs. $0.11), Bank of New York Mellon ($0.33 vs. $0.85), and Bank of America ($0.35 vs. $0.53) have reported the largest negative EPS surprises.

On the other hand, the Consumer Discretionary (+13.8%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, CarMax ($0.52 vs. $0.42) and NIKE ($1.03 vs. $0.84) have reported the largest positive EPS surprises.

Market Punishing Positive EPS Surprises

To date, the market is punishing positive earnings surprises reported by S&P 500 companies on average.

Companies that have reported positive earnings surprises for Q4 2023 have seen an average price decrease of -0.4% two days before the earnings release through two days after the earnings release. This percentage decrease is much smaller than the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

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Companies that have reported negative earnings surprises for Q4 2023 have seen an average price decrease of -2.2% two days before the earnings release through two days after the earnings. This percentage decrease is slightly smaller than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (55%) is Below 5-Year Average

In terms of revenues, 55% of companies have reported actual revenues above estimated revenues and 45% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (67%), below the 5-year average (68%), and below the 10-year average (64%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Health Care (100%) sector has the highest percentage of companies reporting revenues above estimates, while the Financials (43%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+0.6%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 0.6% above expectations. This surprise percentage is below the 1-year average (+1.6%), below the 5-year average (+2.0%), and below the 10-year average (+1.3%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Health Care (+2.5%) sector is reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Financials (-2.1%) sector is reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings This Week Due to Financials Sector

Decrease in Blended Earnings This Week Due to Financials Sector

The blended (year-over-year) earnings decline for the fourth quarter is -0.1%, which is below the earnings growth rate of 1.1% last week. Negative earnings surprises reported by companies in the Financials sector were the largest contributor to the decline in earnings for the index during the past week.

In the Financials sector, the negative EPS surprises reported by Citigroup (-$1.16 vs. $0.11), JPMorgan Chase ($3.04 vs. $3.35), and Bank of America ($0.35 vs. $0.53) were the largest contributors to the decrease in earnings for the index during the week. As a result, the blended earnings decline for the Financials sector increased to -11.5% from -4.0% over this period.

Decrease in Blended Revenues This Week Due to Financials Sector

The blended (year-over-year) revenue growth rate for the fourth quarter is 2.8%, which is below the revenue growth rate of 3.0% last week. Downward revisions to revenue estimates and negative revenue surprises reported by companies in the Financials sector were the largest contributors to the decline in revenues for the index during the past week.

Earnings Decline: -0.1%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings decline for Q4 2023 is -0.1%, which is below the 5-year average earnings growth rate of 9.5% and below the 10-year average earnings growth rate of 8.4%. If -0.1% is the actual decline for the quarter, it will mark the fourth time in the past five quarters that the index has reported a year-over-year decline in earnings.

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Five of the eleven sectors are reporting (or are expected to report) year-over-year earnings growth, led by the Communication Services, Utilities, and Consumer Discretionary sectors. On the other hand, five sectors are reporting (or are expected to report) a year-over-year decline in earnings, led by the Energy, Materials, and Health Care sectors. The Consumer Staples sector is reporting flat year-over-year earnings (0.0%).

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

The Communication Services sector is expected to report the largest (year-over-year) earnings growth rate of all eleven sectors at 41.3%. At the industry level, 3 of the 5 industries in the sector are expected to report a year-over-year increase in earnings of 50% or more: Entertainment (173%), Interactive Media & Services (76%), and Wireless Telecommunication Services (52%). On the other hand, two industries are expected to report a (year-over-year) decline in earnings: Diversified Telecommunication Services (-9%) and Media (-8%).

At the company level, Meta Platforms ($4.84 vs. $1.76) is predicted to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated earnings growth rate for Communication Services sector would fall to 24.6% from 41.3%.

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

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

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

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

The Consumer Discretionary sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 22.9%. At the industry level, 3 of the 9 industries in the sector are reporting (or are expected to report) year-over-year earnings growth. Two of these three industries are reporting (or are expected to report) a year-over-year increase in earnings of more than 100%: Broadline Retail (787%) and Hotels, Restaurants, & Leisure (128%). On the other hand, six industries are reporting (or are expected to report) a year-over-year decline in earnings. Two of these six industries are predicted to report a decrease in earnings of 10% or more: Automobiles (-51%) and Leisure Products (-51%).

At the industry level, the Broadline Retail and Hotels, Restaurants, & Leisure industries are the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would be reporting a (year-over-year) decline in earnings of -20.5% instead of year-over-year earnings growth of 22.9%. On the other hand, the Automobiles industry is the largest detractor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Consumer Discretionary sector would improve to 53.8% from 22.9%

At the company level, Amazon.com ($0.78 vs. $0.03) is the largest contributor to earnings growth for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting a (year-over-year) decline in earnings of -3.2% instead of earnings growth of 22.9%.

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

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -29.6%. At the sub-industry level, three of the five sub-industries in the sector are expected to report a (year-over-year) decrease in earnings: Oil & Gas Refining & Marketing (-62%), Integrated Oil & Gas (-33%), and Oil & Gas Exploration & Production (-14%). On the other hand, two sub-industries are predicted to report (year-over-year) earnings growth: Oil & Gas Equipment & Services (17%) and Oil & Gas Storage & Transportation (7%).

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

The Materials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -21.2%. 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 (-31%), Chemicals (-20%), and Containers & Packaging (-18%). On the other hand, the Construction Materials (30%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

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

The Health Care sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -20.2%. At the industry level, three of the five industries in this sector are predicted to report a year-over-year decline in earnings of 10% or more: Pharmaceuticals (-51%), Biotechnology (-18%), and Life Sciences, Tools, & Services (-11%). On the other hand, two industries are reporting (or are projected to report) year-over-year earnings growth: Health Care Providers & Services (6%) and Health Care Equipment & Supplies (4%).

At the company level, Pfizer (-$0.21 vs. $1.14), Merck ($0.00 vs. $1.62), and Moderna (-$1.18 vs. $3.61) are the largest contributors to the earnings decline for the sector. If these three companies were excluded, the blended earnings decline for the Health Care sector would improve to -1.3% from -20.2%.

Revenue Growth: 2.8%

The blended (year-over-year) revenue growth rate for Q4 2023 is 2.8%, which is below the 5-year average revenue growth rate of 6.9% and below the 10-year average revenue growth rate of 5.0%. If 2.8% is the actual revenue growth rate for the quarter, it will mark the 12th consecutive quarter of revenue growth for the index.

At the sector level, eight sectors are reporting (or are expected to report) year-over-year growth in revenues, led by the Real Estate, Information Technology, and Communication Services sectors. On the other hand, three sectors are expected to report a year-over-year decline in revenues, led by the Energy and Materials sectors.

Real Estate: All 8 Industries Expected to Report Year-Over-Year Growth

The Real Estate sector is expected to report the highest (year-over-year) revenue growth rate at 6.4%. At the industry level, all eight industries in the sector are predicted to report (year-over-year) growth in revenues. Two of these eight industries are expected to report double-digit growth: Industrial REITs (16%) and Health Care REITs (11%).

Information Technology: Semiconductors Industry Leads Year-Over-Year Growth

The Information Technology sector is tied with the Communications Services sector for the second-highest estimated earnings growth rate at 6.1%. At the industry level, three of the six industries in the sector are reporting (or are predicted to report) year-over-year growth in revenues, led by the Semiconductors & Semiconductor Equipment (18%) and Software (13%) industries.

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Communication Service: Interactive Media & Services Industry Leads Year-Over-Year Growth

The Communications Services sector is tied with the Information Technology sector for the second-highest estimated earnings growth rate at 6.1%. At the industry level, two of the five industries in the sector are predicted to report (year-over-year) growth in revenues, led by the Interactive Media & Services (14%) industry.

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

The Energy sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -6.7%. At the sub-industry level, four of the five sub-industries in the sector are expected to report a (year-over-year) decrease in revenues: Oil & Gas Refining & Marketing (-11%), Oil & Gas Exploration & Production (-10%), Integrated Oil & Gas (-5%), and Oil & Gas Storage & Transportation (-1%). On the other hand, the Oil & Gas Equipment & Services (12%) sub-industry is the only sub-industry predicted to report (year-over-year) revenue growth in the sector.

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

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

Net Profit Margin: 10.9%

The blended net profit margin for the S&P 500 for Q4 2023 is 10.9%, which is below the previous quarter's net profit margin of 12.2%, below the 5-year average of 11.5%, and below the year-ago net profit margin of 11.2%.

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

Five sectors are reporting (or are expected to report) net profit margins in Q4 2023 that are above their 5-year averages, led by the Information Technology (25.2% vs. 23.1%) sector. On the other hand, six sectors are reporting (or are expected to report) net profit margins in Q4 2023 that are below their 5-year averages, led by the Health Care (7.2% vs. 10.1%) sector.

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Forward Estimates and Valuation

Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q1 Below 5-Year Average

At this point in time, 7 companies in the index have issued EPS guidance for Q1 2024. Of these 7 companies, 4 have issued negative EPS guidance and 3 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q1 2024 is 57% (4 out of 7), which is below the 5-year average of 59% and below the 10-year average of 63%.

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

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

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

For the fourth quarter, S&P 500 companies are reporting a year-over-year decline in earnings of -0.1% and year-over-year growth in revenues of 2.8%. For CY 2023, S&P 500 companies are reporting year-over-year growth in earnings of 0.5% and year-over-year growth in revenues of 2.2%

For Q1 2024, analysts are projecting earnings growth of 5.7% and revenue growth of 4.0%.

For Q2 2024, analysts are projecting earnings growth of 10.2% and revenue growth of 5.0%.

For Q3 2024, analysts are projecting earnings growth of 8.3% and revenue growth of 5.2%.

For Q4 2024, analysts are projecting earnings growth of 19.8% and revenue growth of 6.0%.

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

Valuation: Forward P/E Ratio is 19.5, Above the 10-Year Average (17.6)

The forward 12-month P/E ratio for the S&P 500 is 19.5. This P/E ratio is above the 5-year average of 18.9 and above the 10-year average of 17.6. However, it is equal to the forward 12-month P/E ratio of 19.5 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has increased by 0.2%, while the forward 12-month EPS estimate has increased by 0.2%. At the sector level, the Information Technology (26.6) and Consumer Discretionary (25.1) sectors have the highest forward 12-month P/E ratios, while the Energy (11.2) and Financials (14.5) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 23.6, which is above the 5-year average of 22.5 and above the 10-year average of 20.9.

Targets & Ratings: Analysts Project 9% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 5208.43, which is 9.0% above the closing price of 4780.24. At the sector level, the Energy (+23.3%) 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 Industrials (+6.8%) and Health Care (+6.8%) 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.

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Overall, there are 11,424 ratings on stocks in the S&P 500. Of these 11,424 ratings, 54.8% are Buy ratings, 40.0% are Hold ratings, and 5.2% are Sell ratings. At the sector level, the Energy (65%) and Communication Service (63%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (46%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 23

During the upcoming week, 23 S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the fourth quarter.

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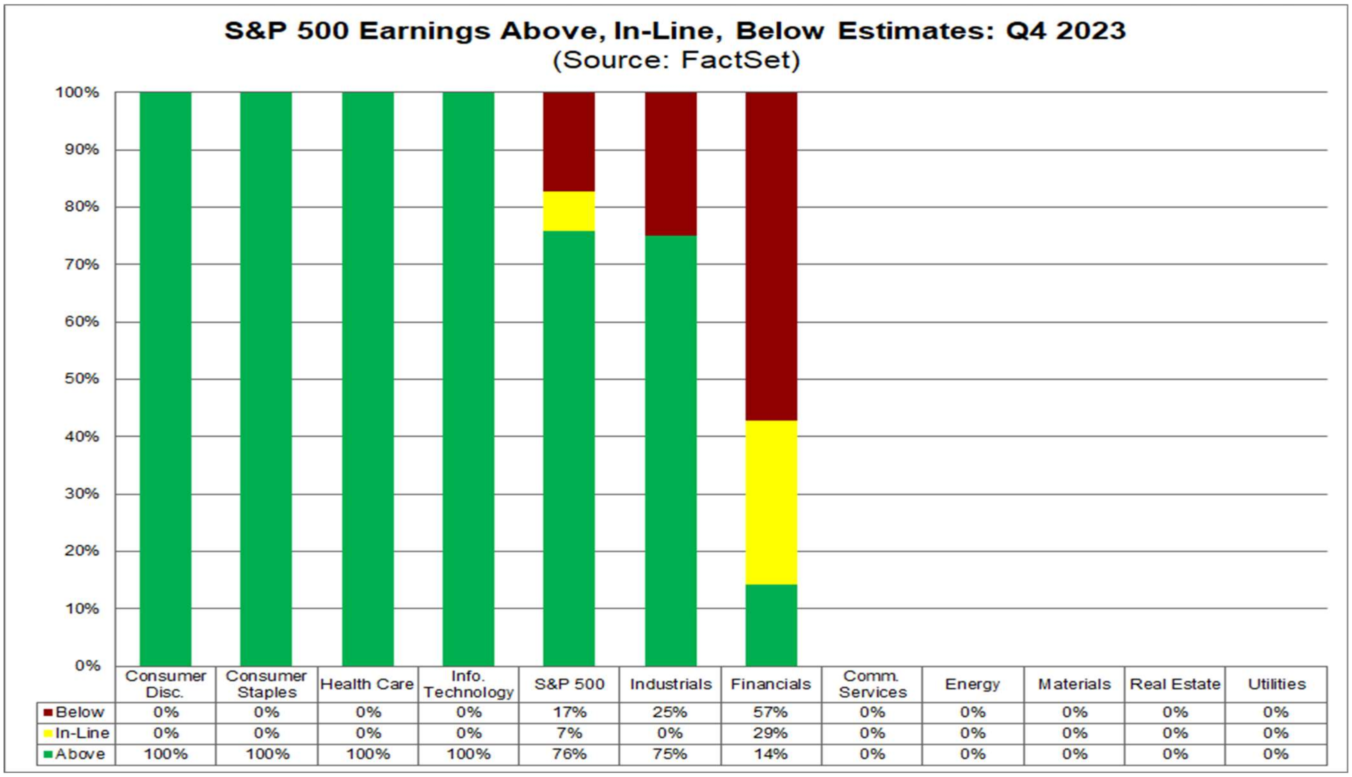
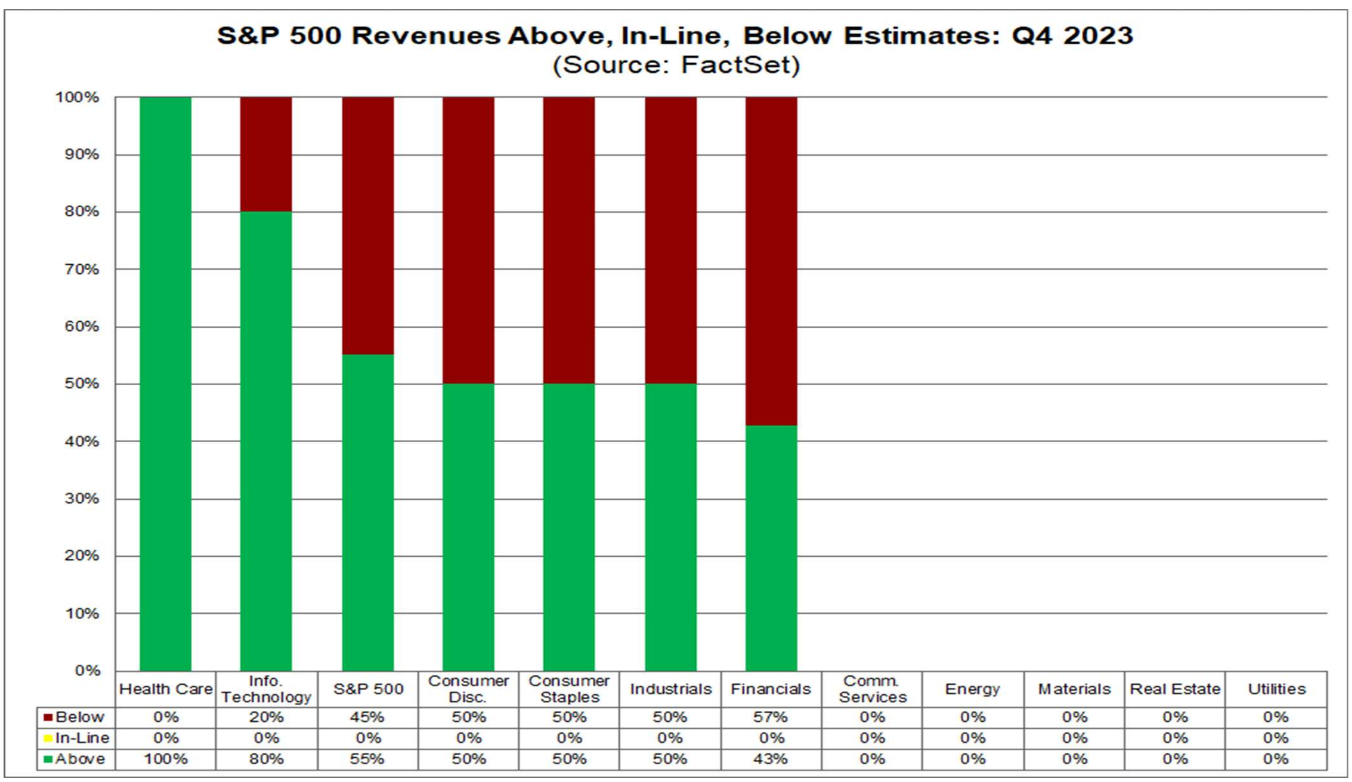
Q4 2023: Scorecard



	Consumer Disc.	Consumer Staples	Health Care	Info. Technology	S&P 500	Industrials	Financials	Comm. Services	Energy	Materials	Real Estate	Utilities
Below	0%	0%	0%	0%	17%	25%	57%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	7%	0%	29%	0%	0%	0%	0%	0%
Above	100%	100%	100%	100%	76%	75%	14%	0%	0%	0%	0%	0%



	Health Care	Info. Technology	S&P 500	Consumer Disc.	Consumer Staples	Industrials	Financials	Comm. Services	Energy	Materials	Real Estate	Utilities
Below	0%	20%	45%	50%	50%	50%	57%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	80%	55%	50%	50%	50%	43%	0%	0%	0%	0%	0%

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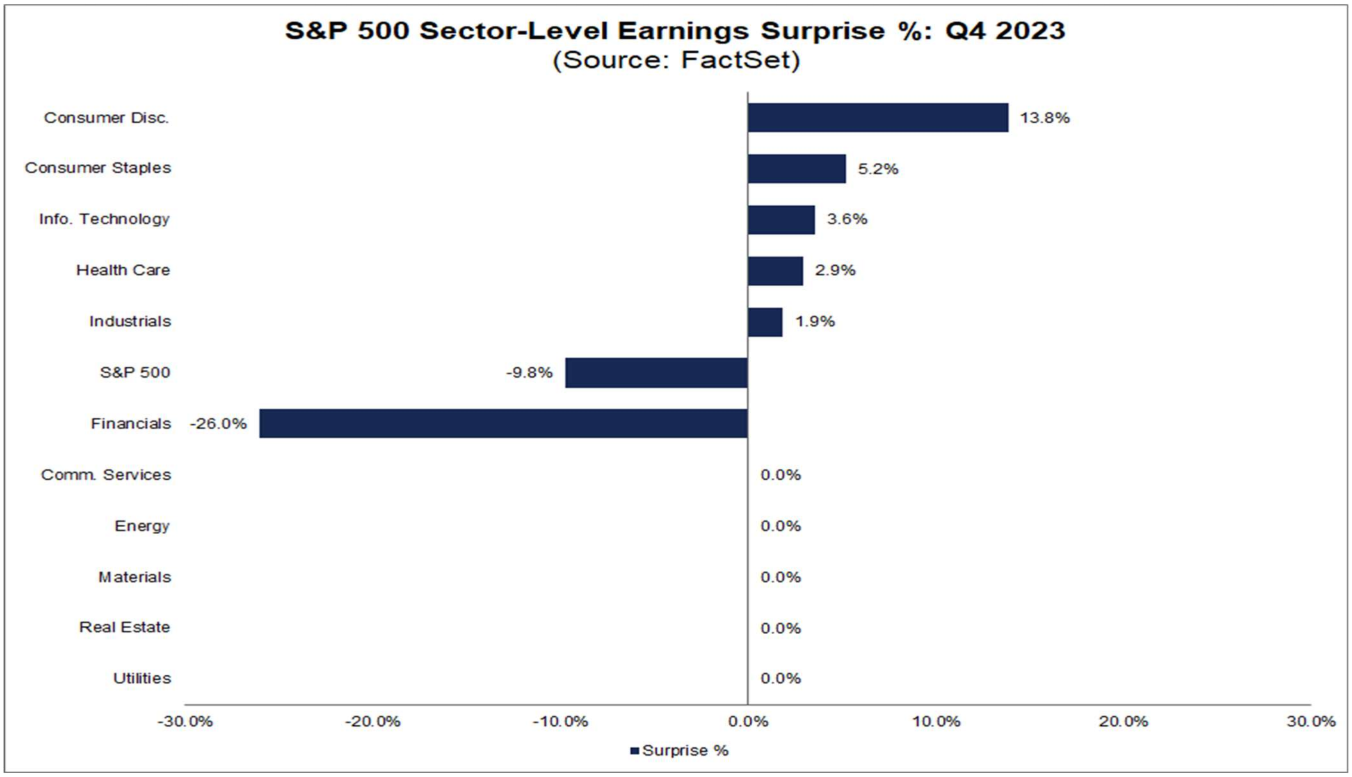
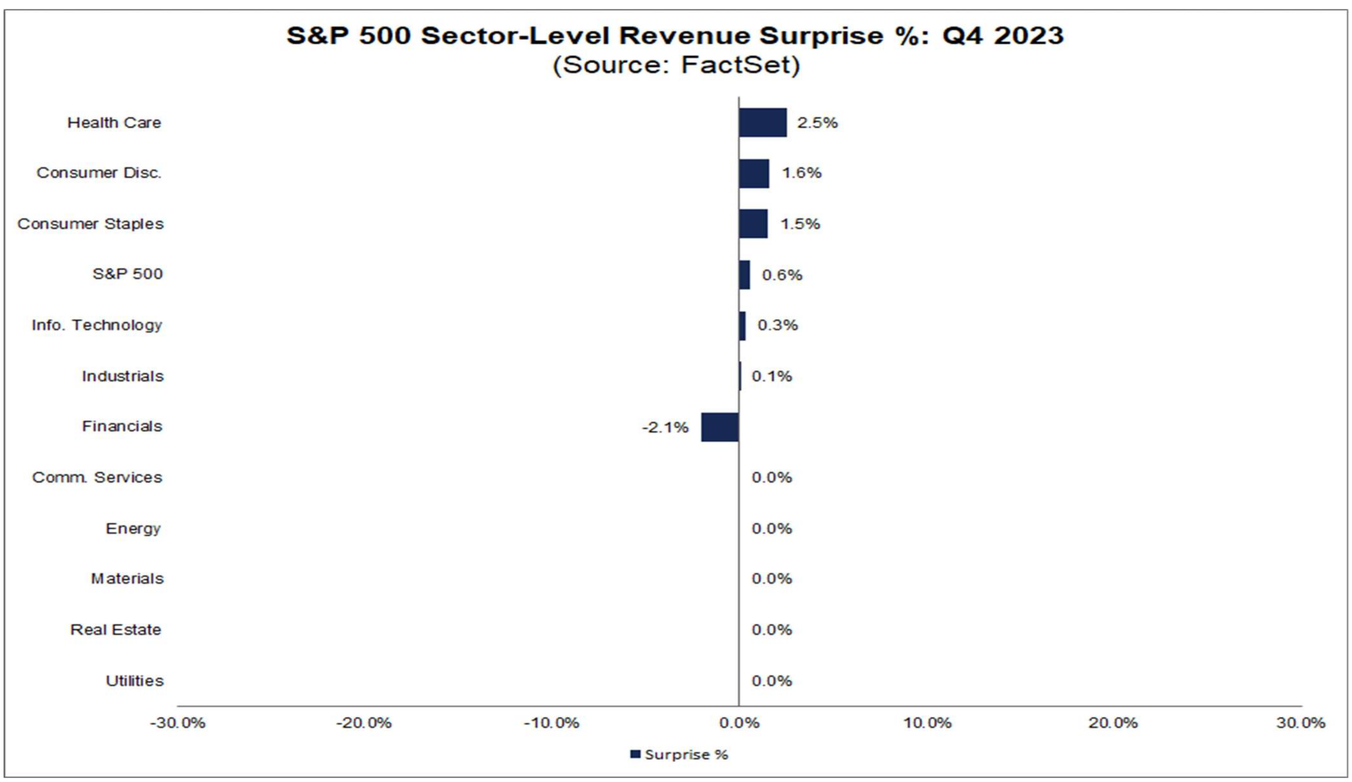
Q4 2023: Surprise





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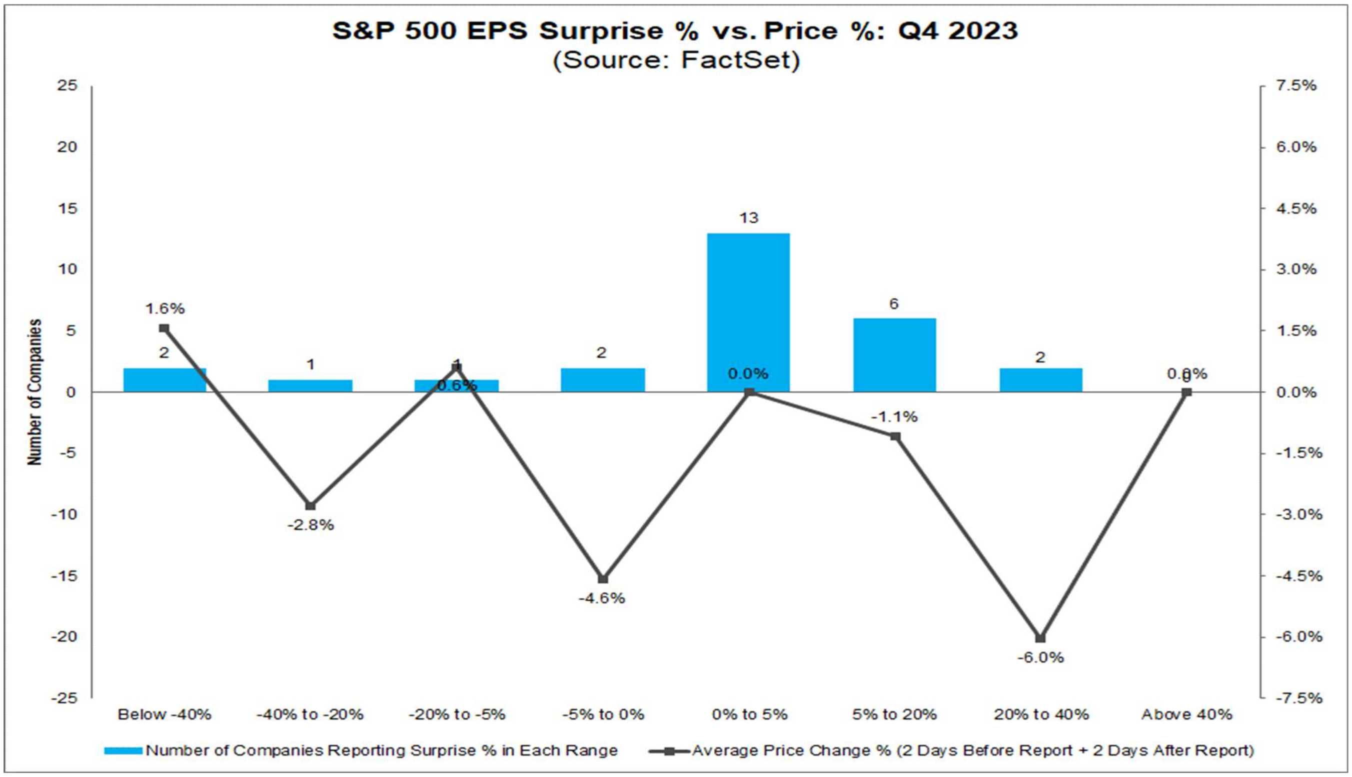
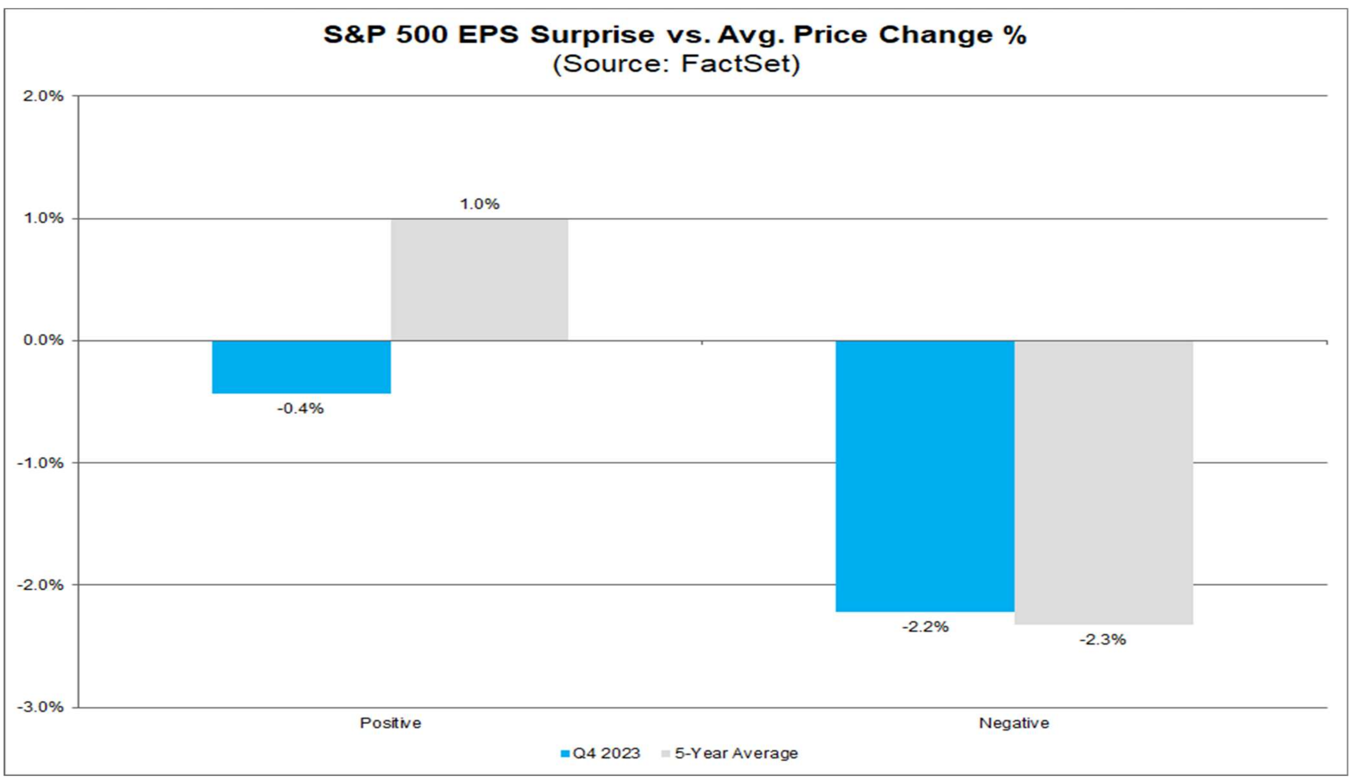
Q4 2023: Surprise





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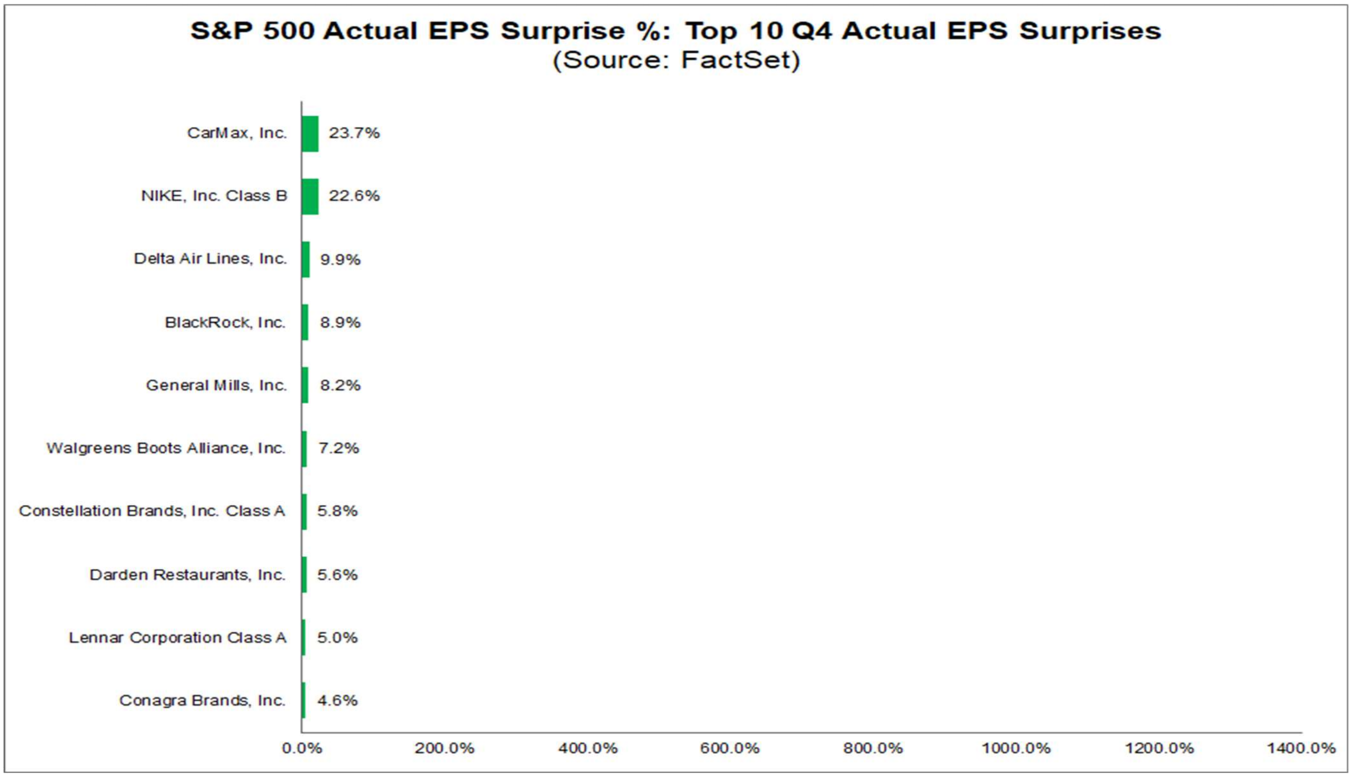
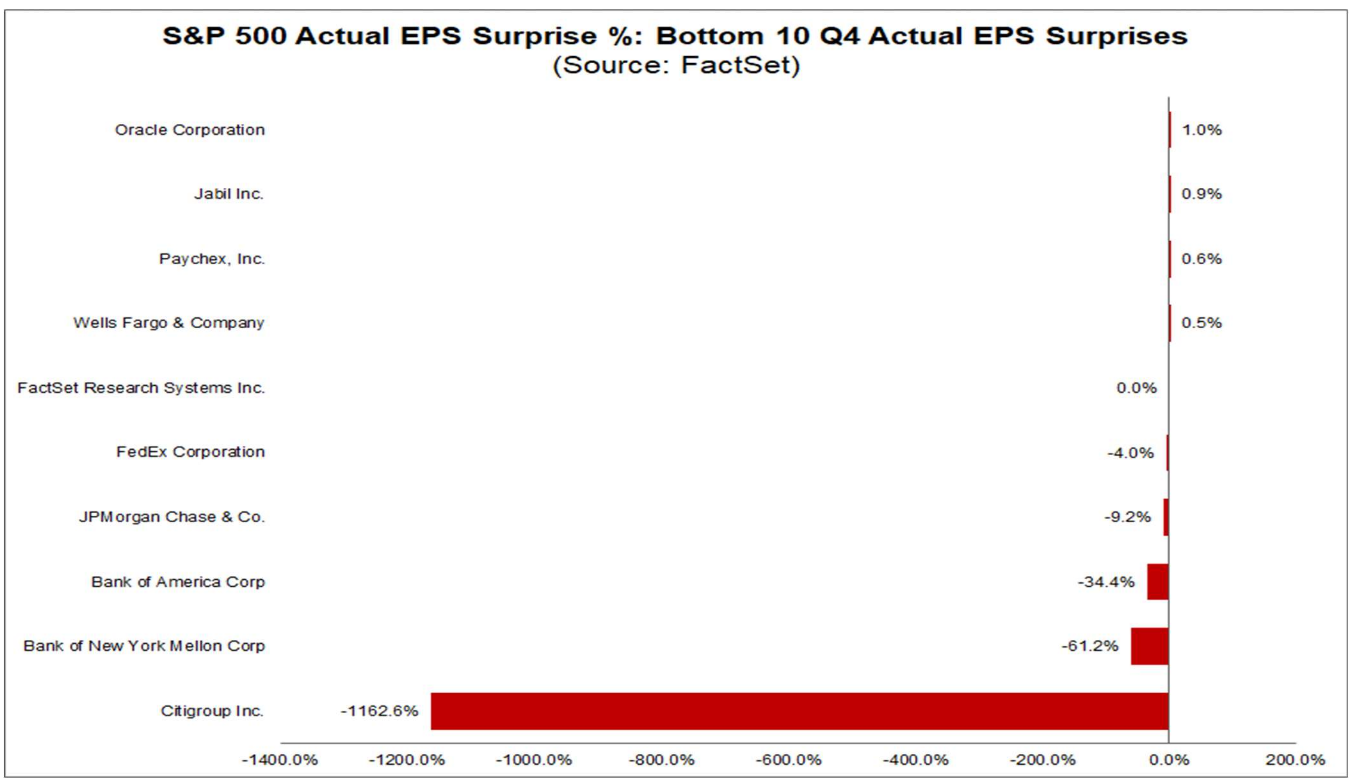
Q4 2023: Surprise





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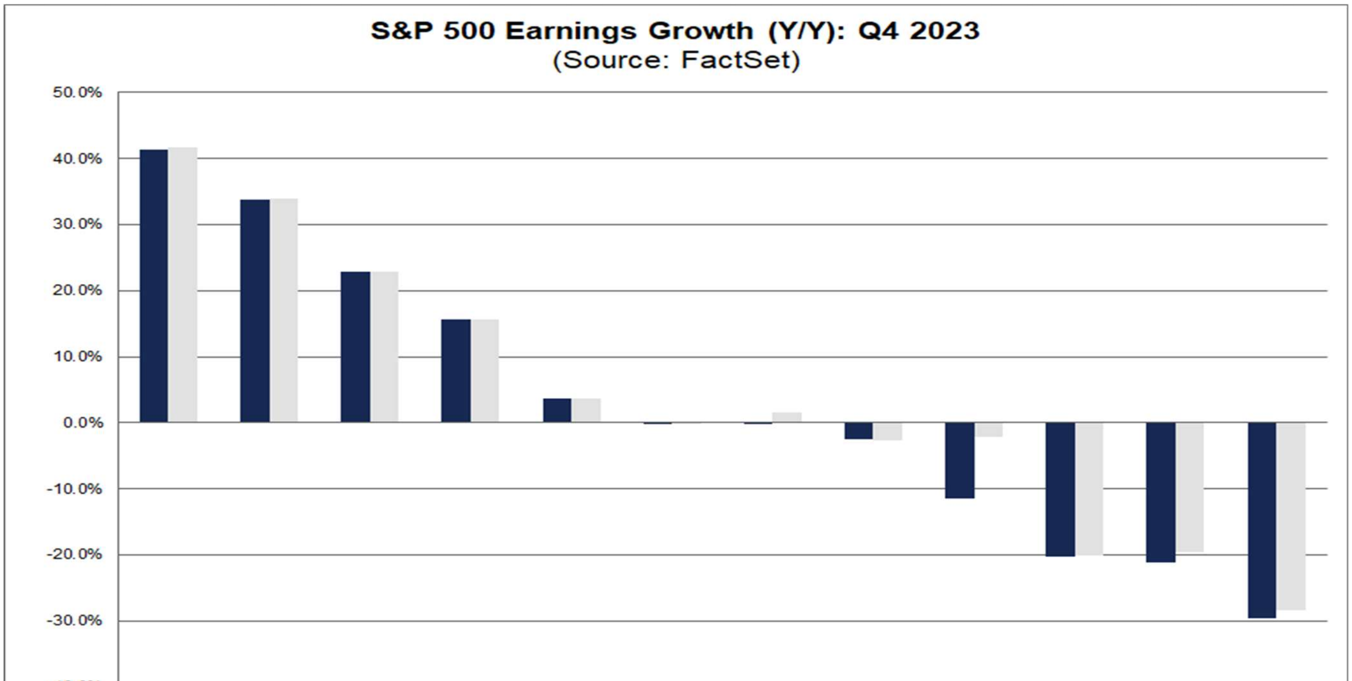
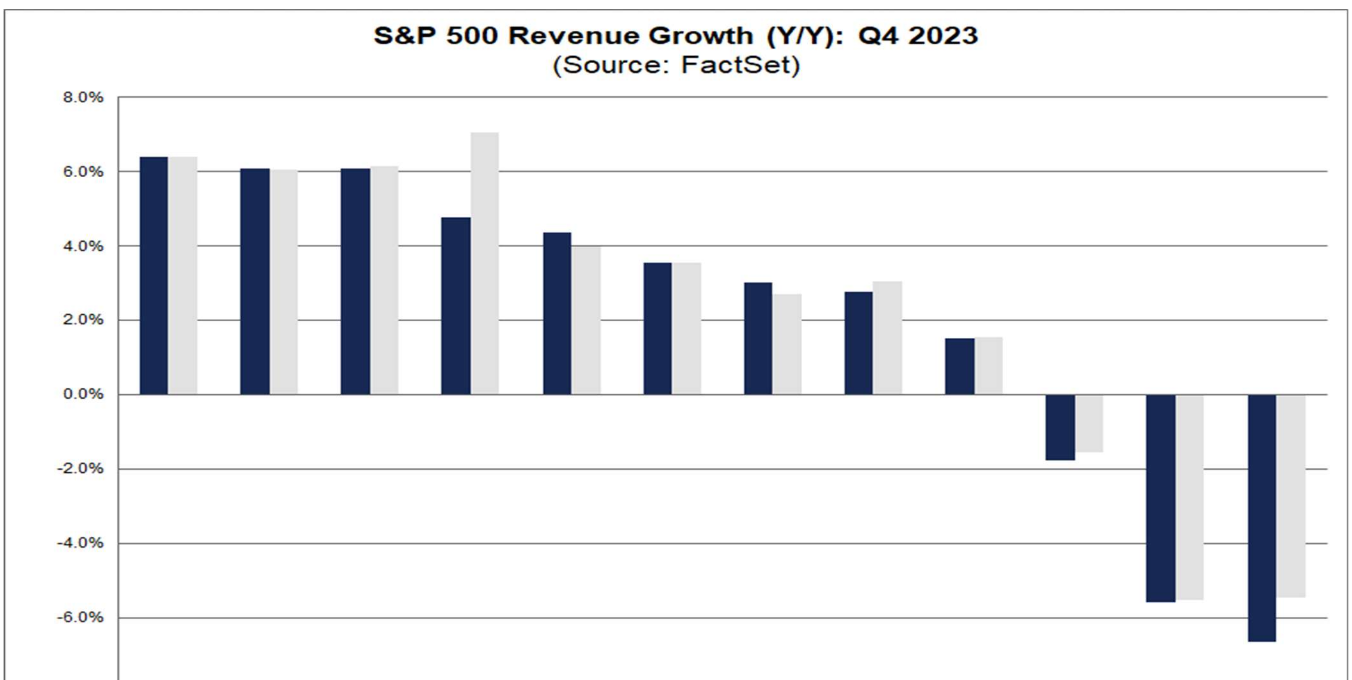
Q4 2023: Growth



	Comm. Services	Utilities	Consumer Disc.	Info. Technology	Real Estate	Consumer Staples	S&P 500	Industrials	Financials	Health Care	Materials	Energy
Today	41.3%	33.7%	22.9%	15.6%	3.6%	0.0%	-0.1%	-2.5%	-11.5%	-20.2%	-21.2%	-29.6%
31-Dec	41.7%	33.9%	22.8%	15.6%	3.7%	-0.3%	1.6%	-2.7%	-2.2%	-20.1%	-19.5%	-28.4%



	Real Estate	Info. Technology	Comm. Services	Financials	Health Care	Consumer Disc.	Consumer Staples	S&P 500	Industrials	Utilities	Materials	Energy
Today	6.4%	6.1%	6.1%	4.8%	4.4%	3.6%	3.0%	2.8%	1.5%	-1.8%	-5.6%	-6.7%
31-Dec	6.4%	6.1%	6.2%	7.0%	4.0%	3.6%	2.7%	3.0%	1.5%	-1.6%	-5.5%	-5.5%

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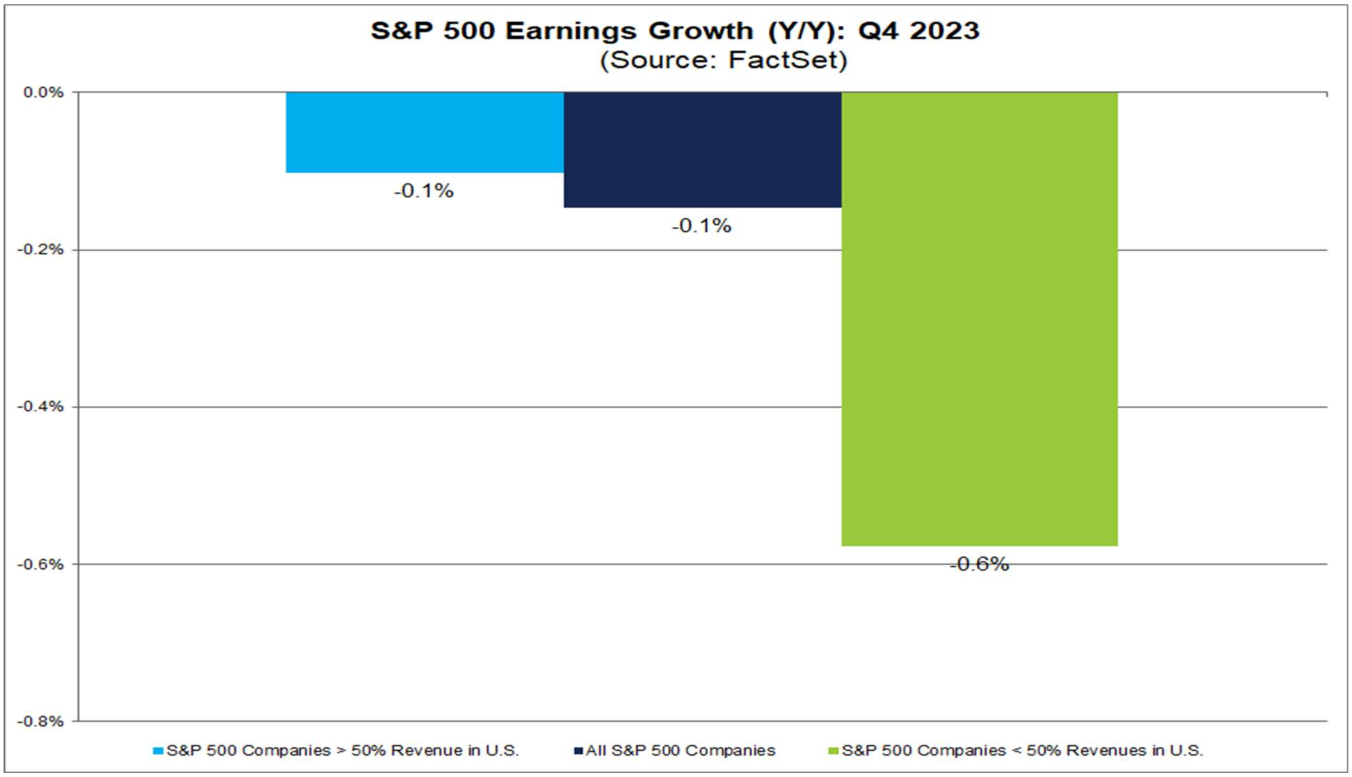
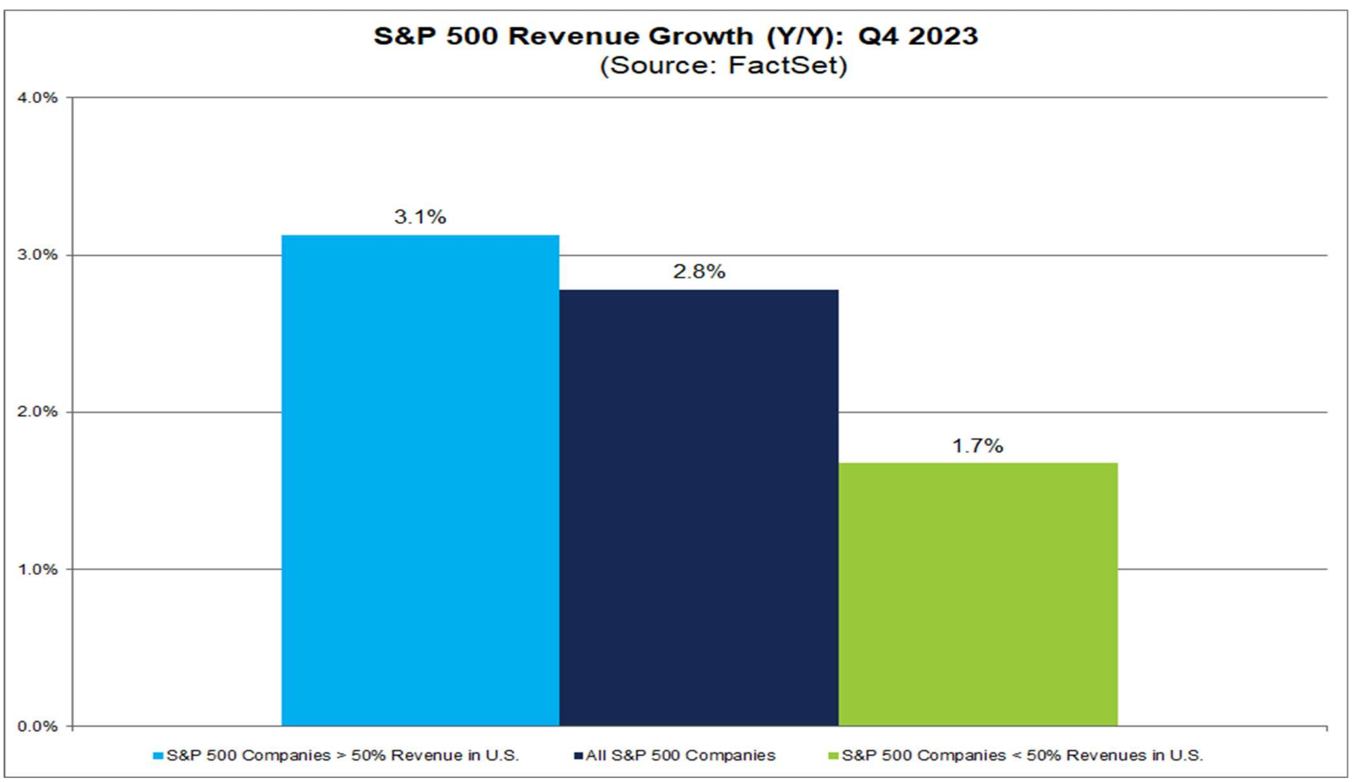
Q4 2023: Growth





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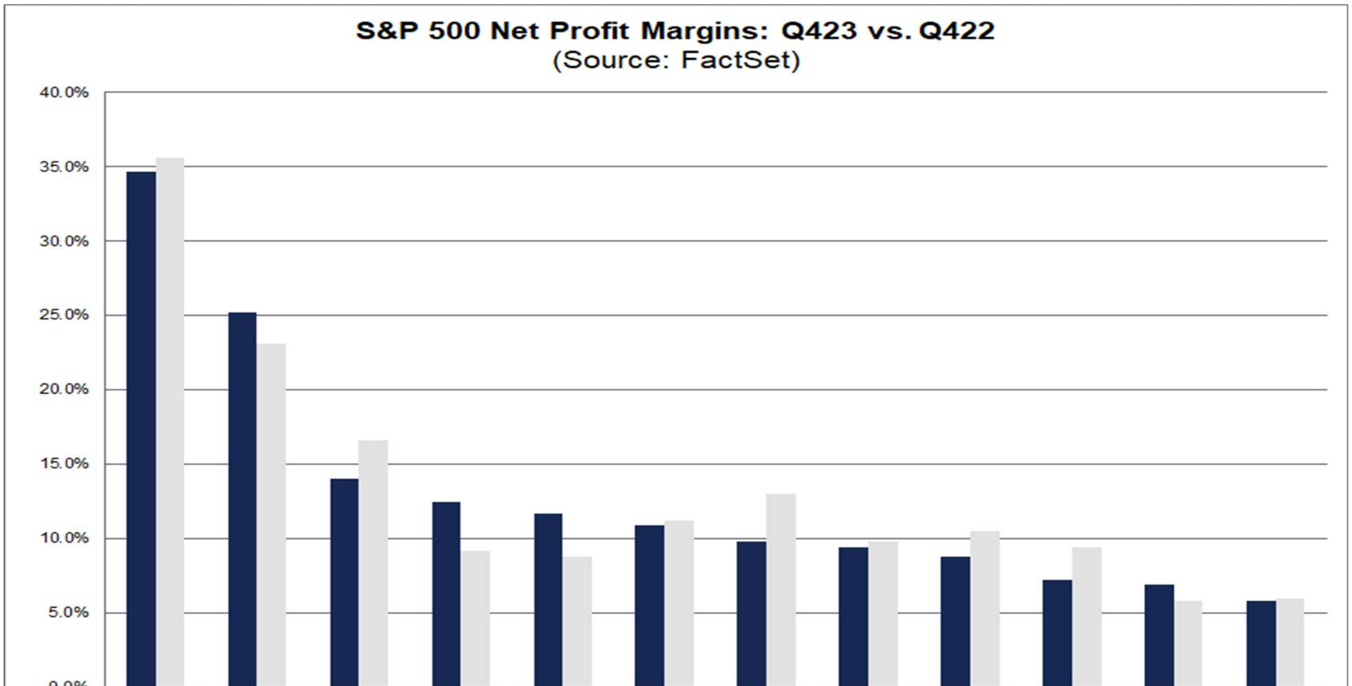
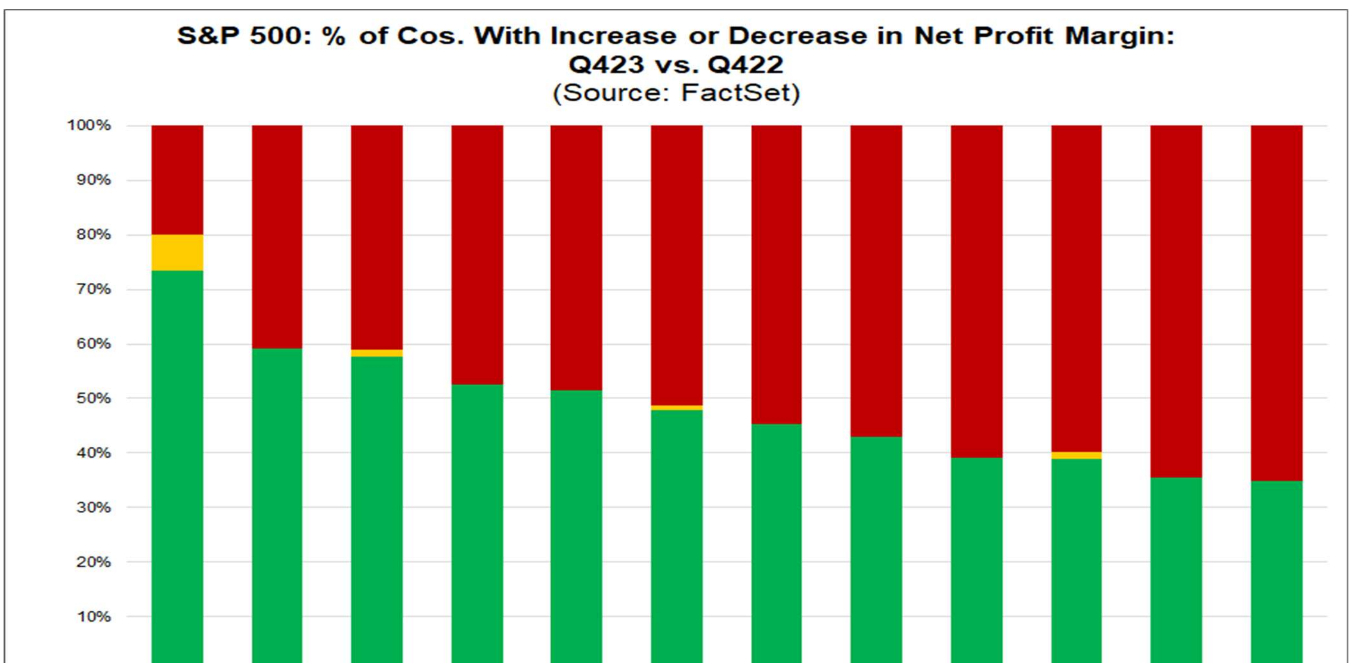
Q4 2023: Net Profit Margin



	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Energy	Industrials	Materials	Health Care	Consumer Disc.	Consumer Staples
Q423	34.7%	25.2%	14.0%	12.4%	11.7%	10.9%	9.8%	9.4%	8.8%	7.2%	6.9%	5.8%
Q422	35.6%	23.1%	16.6%	9.1%	8.8%	11.2%	13.0%	9.8%	10.5%	9.4%	5.8%	5.9%



	Utilities	Comm. Services	Industrials	Consumer Staples	Information Tech.	S&P 500	Consumer Disc.	Materials	Health Care	Financials	Real Estate	Energy
Down %	20%	41%	41%	47%	48%	51%	55%	57%	61%	60%	65%	65%
None %	7%	0%	1%	0%	0%	1%	0%	0%	0%	1%	0%	0%
Up %	73%	59%	58%	53%	52%	48%	45%	43%	39%	39%	35%	35%

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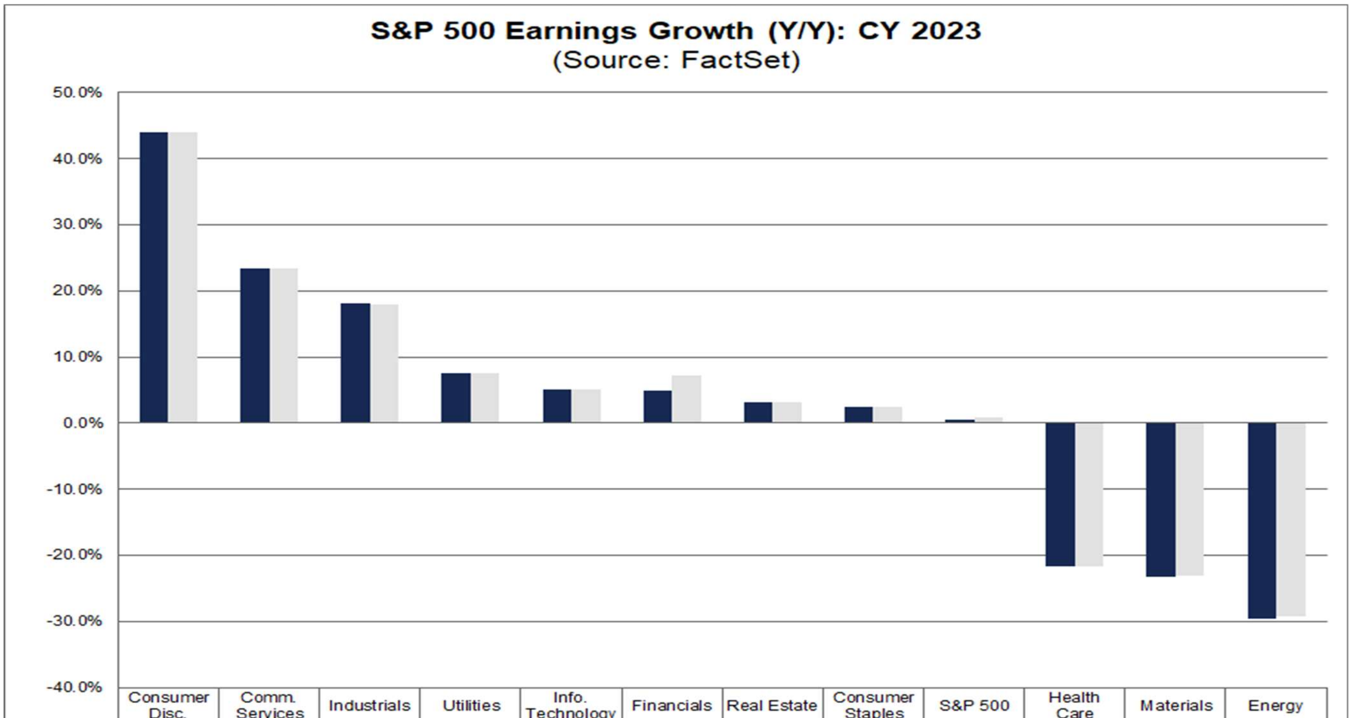
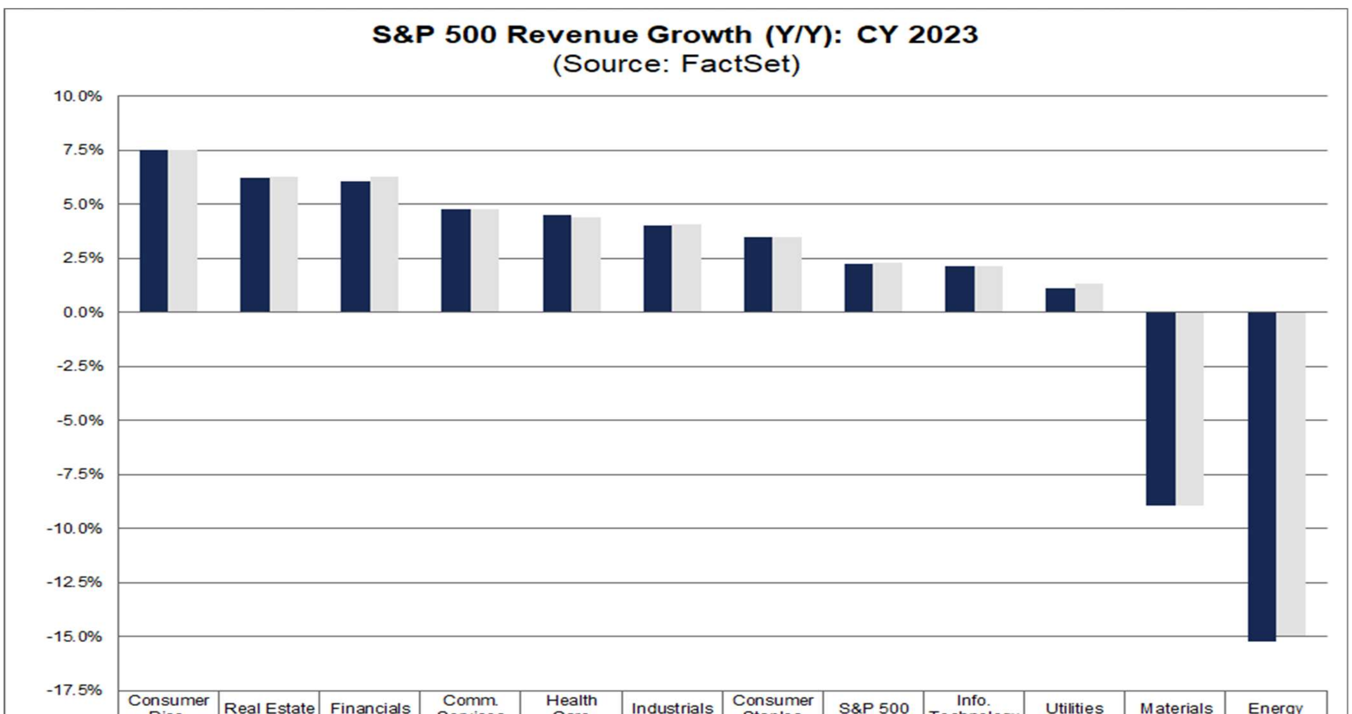
CY 2023: Growth



	Consumer Disc.	Comm. Services	Industrials	Utilities	Info. Technology	Financials	Real Estate	Consumer Staples	S&P 500	Health Care	Materials	Energy
Today	44.0%	23.3%	18.1%	7.5%	5.1%	5.0%	3.2%	2.4%	0.5%	-21.6%	-23.2%	-29.6%
31-Dec	44.0%	23.4%	18.0%	7.6%	5.1%	7.2%	3.1%	2.4%	0.9%	-21.6%	-23.1%	-29.2%



	Consumer Disc.	Real Estate	Financials	Comm. Services	Health Care	Industrials	Consumer Staples	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	7.5%	6.2%	6.1%	4.8%	4.5%	4.0%	3.5%	2.2%	2.1%	1.1%	-9.0%	-15.2%
31-Dec	7.5%	6.3%	6.3%	4.8%	4.4%	4.1%	3.5%	2.3%	2.2%	1.3%	-8.9%	-14.9%

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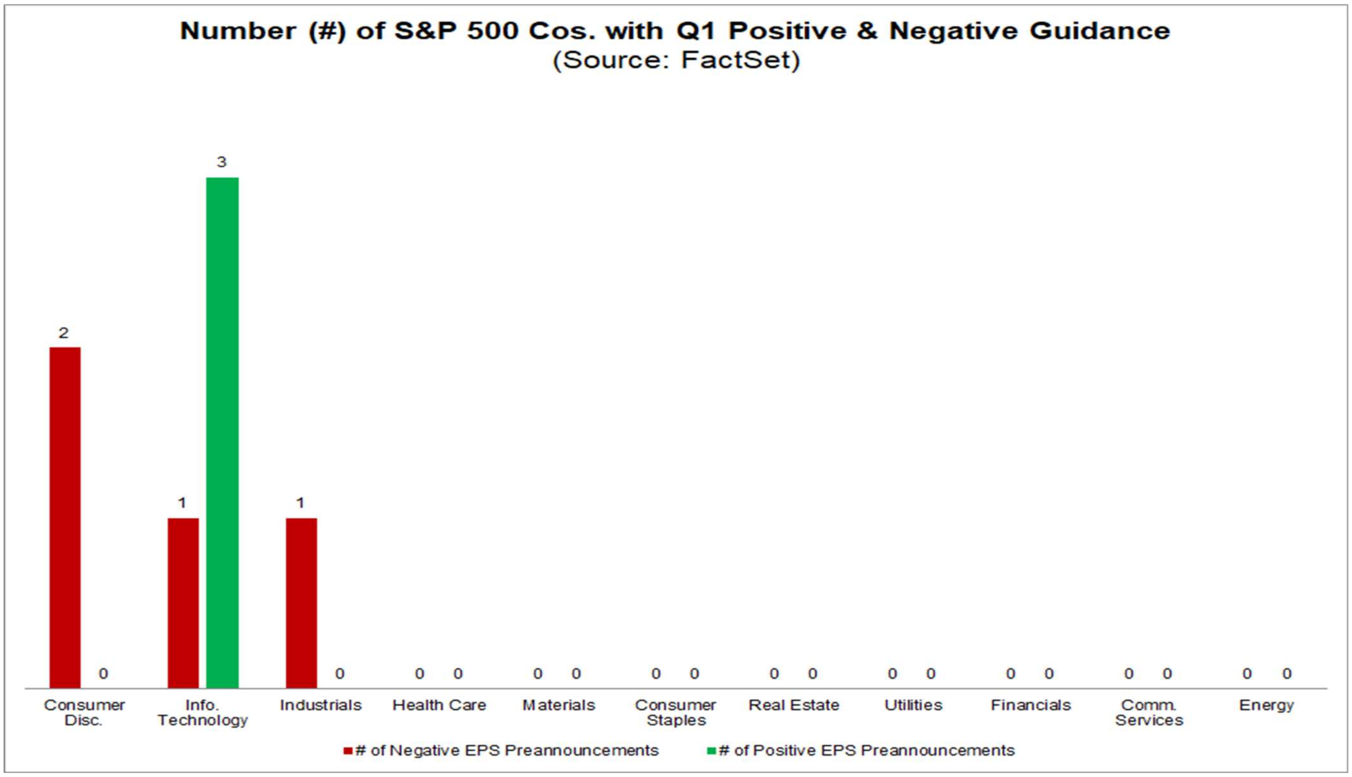
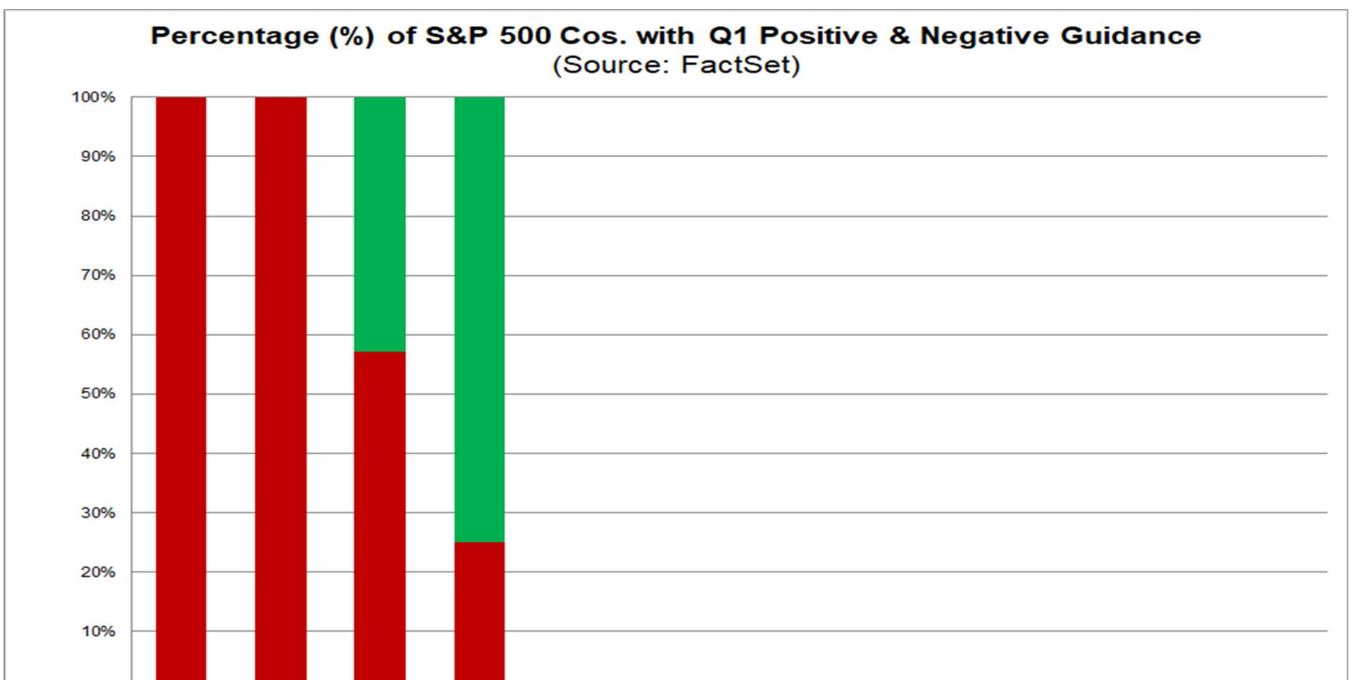
Q1 2024: Guidance





	Consumer Disc.	Industrials	S&P 500	Info. Technology	Utilities	Comm. Services	Financials	Materials	Health Care	Real Estate	Consumer Staples	Energy
Positive	0%	0%	43%	75%	0%	0%	0%	0%	0%	0%	0%	0%
Negative	100%	100%	57%	25%	0%	0%	0%	0%	0%	0%	0%	0%

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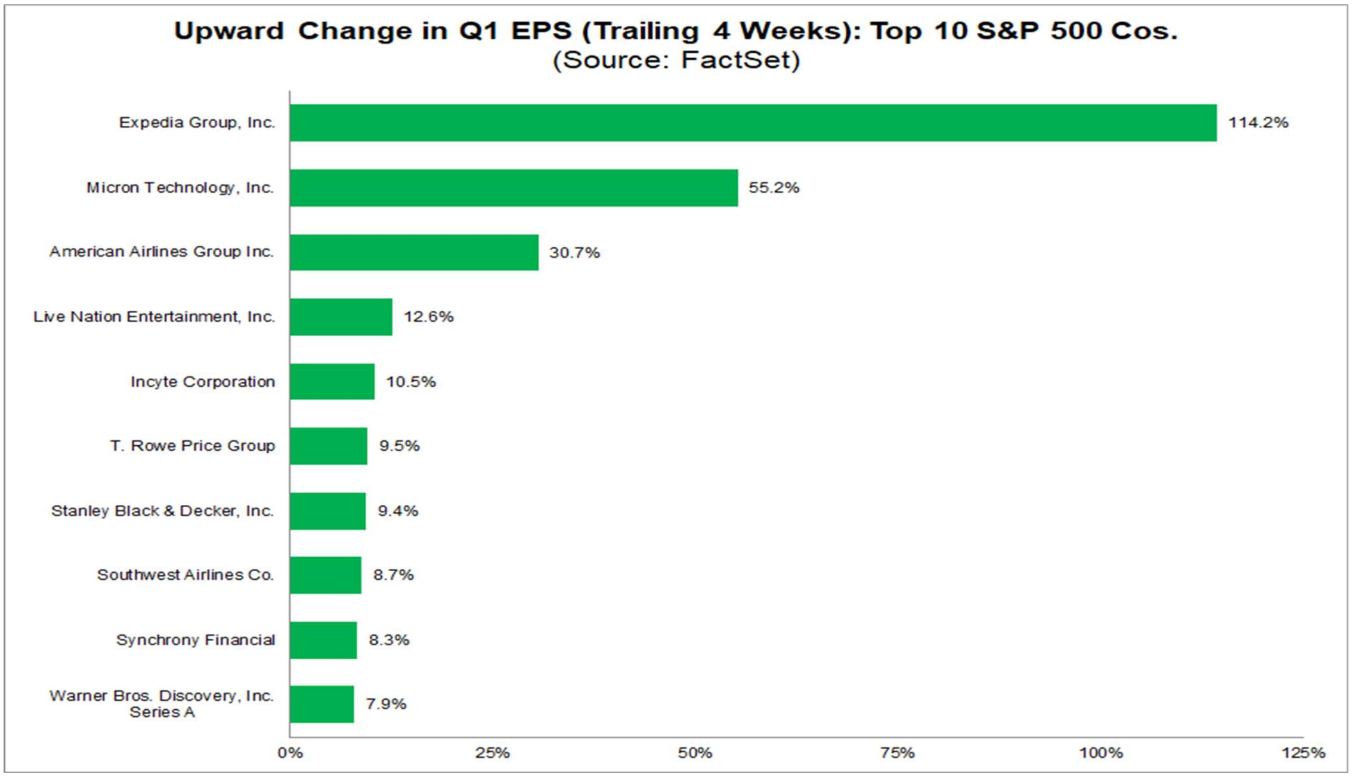
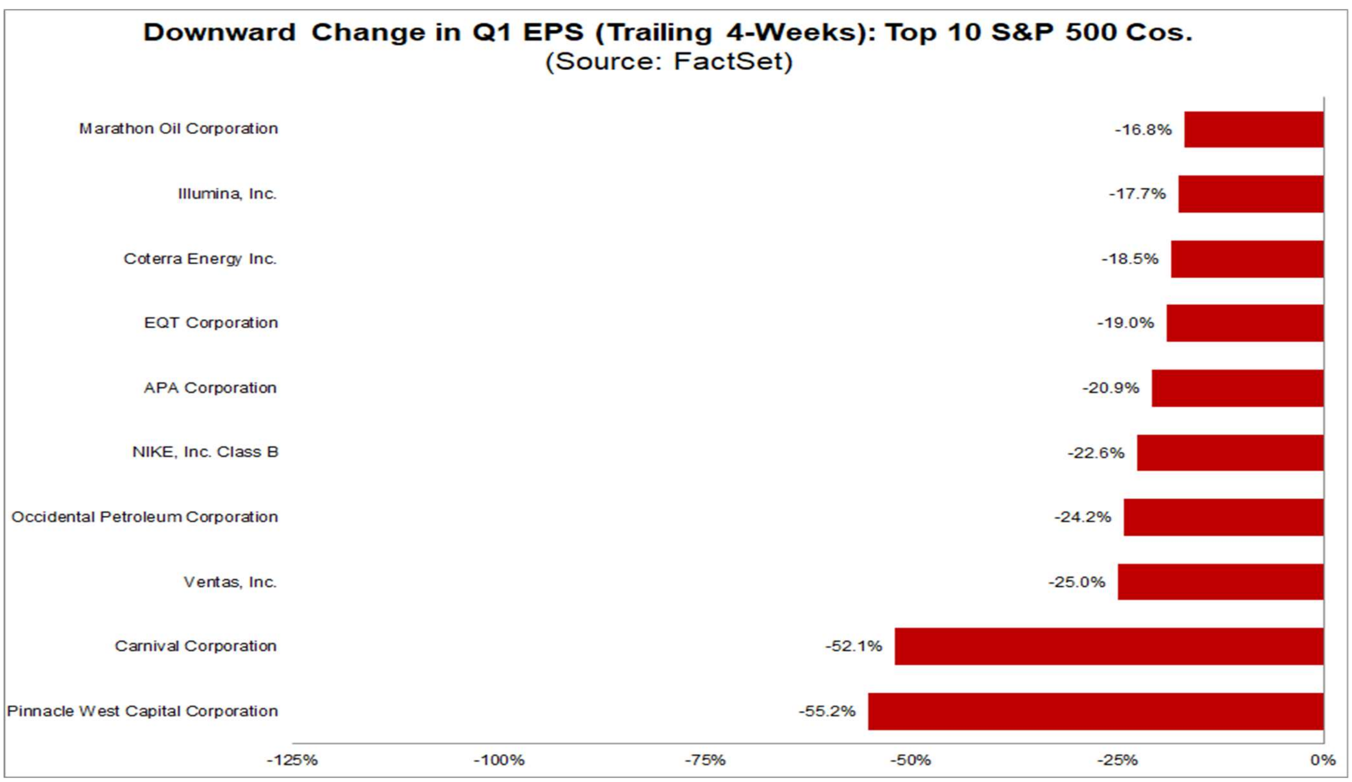
Q1 2024: EPS Revisions





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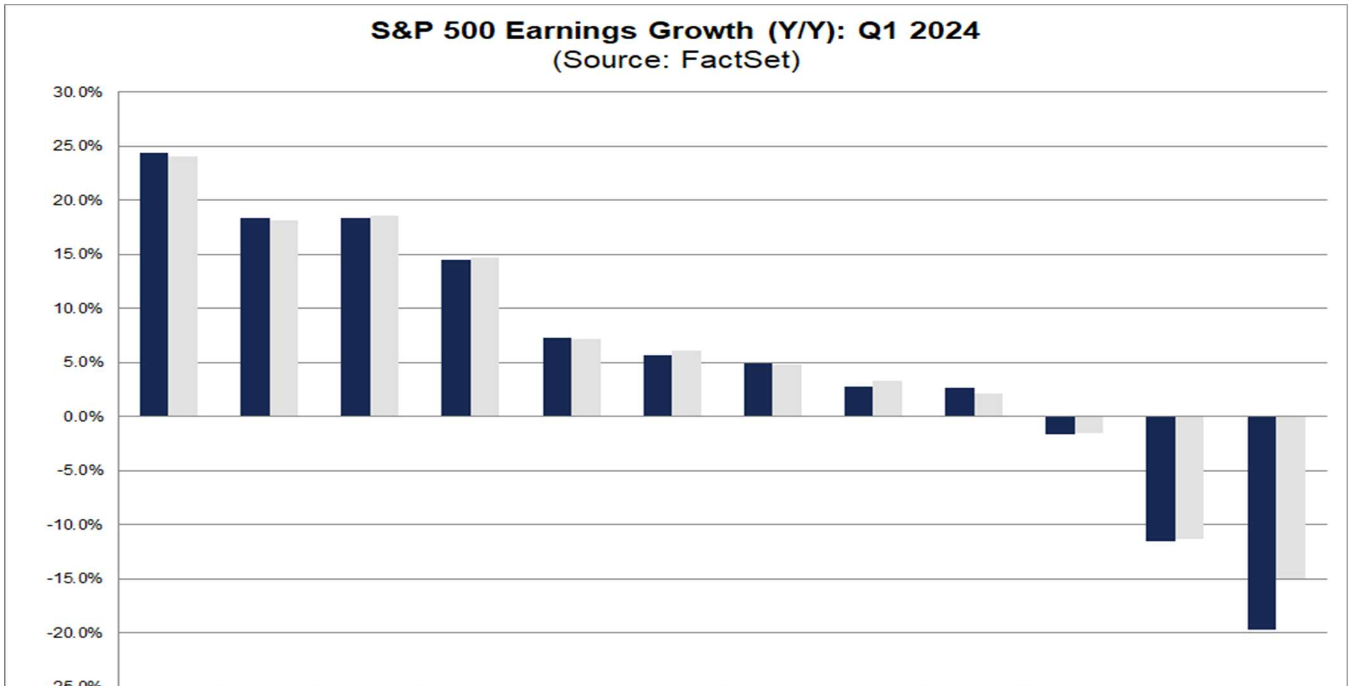
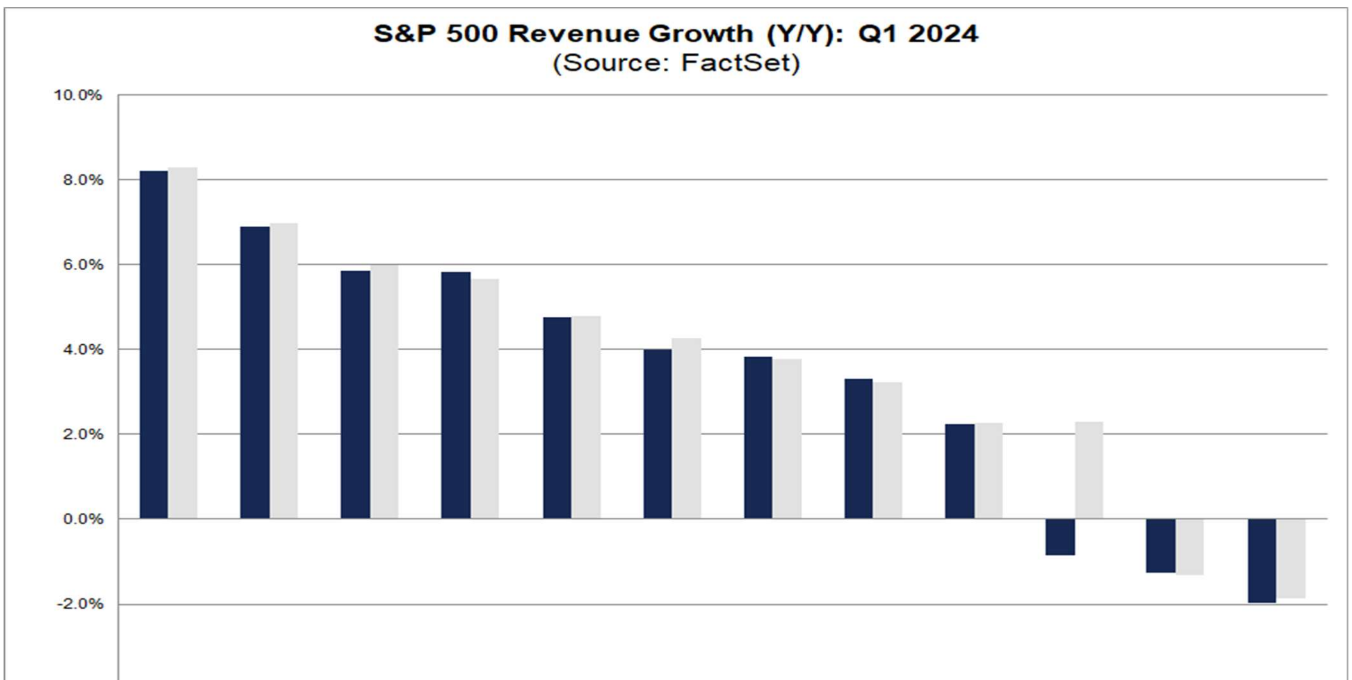
Q1 2024: Growth



	Utilities	Info. Technology	Comm. Services	Consumer Disc.	Industrials	S&P 500	Real Estate	Consumer Staples	Financials	Health Care	Materials	Energy
Today	24.4%	18.3%	18.3%	14.5%	7.3%	5.7%	4.9%	2.7%	2.7%	-1.7%	-11.5%	-19.7%
31-Dec	24.0%	18.2%	18.6%	14.6%	7.2%	6.1%	4.8%	3.3%	2.1%	-1.5%	-11.3%	-15.0%



	Info. Technology	Comm. Services	Consumer Disc.	Real Estate	Health Care	S&P 500	Industrials	Financials	Consumer Staples	Energy	Utilities	Materials
Today	8.2%	6.9%	5.9%	5.8%	4.8%	4.0%	3.8%	3.3%	2.2%	-0.8%	-1.3%	-2.0%
31-Dec	8.3%	7.0%	6.0%	5.7%	4.8%	4.3%	3.8%	3.2%	2.3%	2.3%	-1.3%	-1.9%

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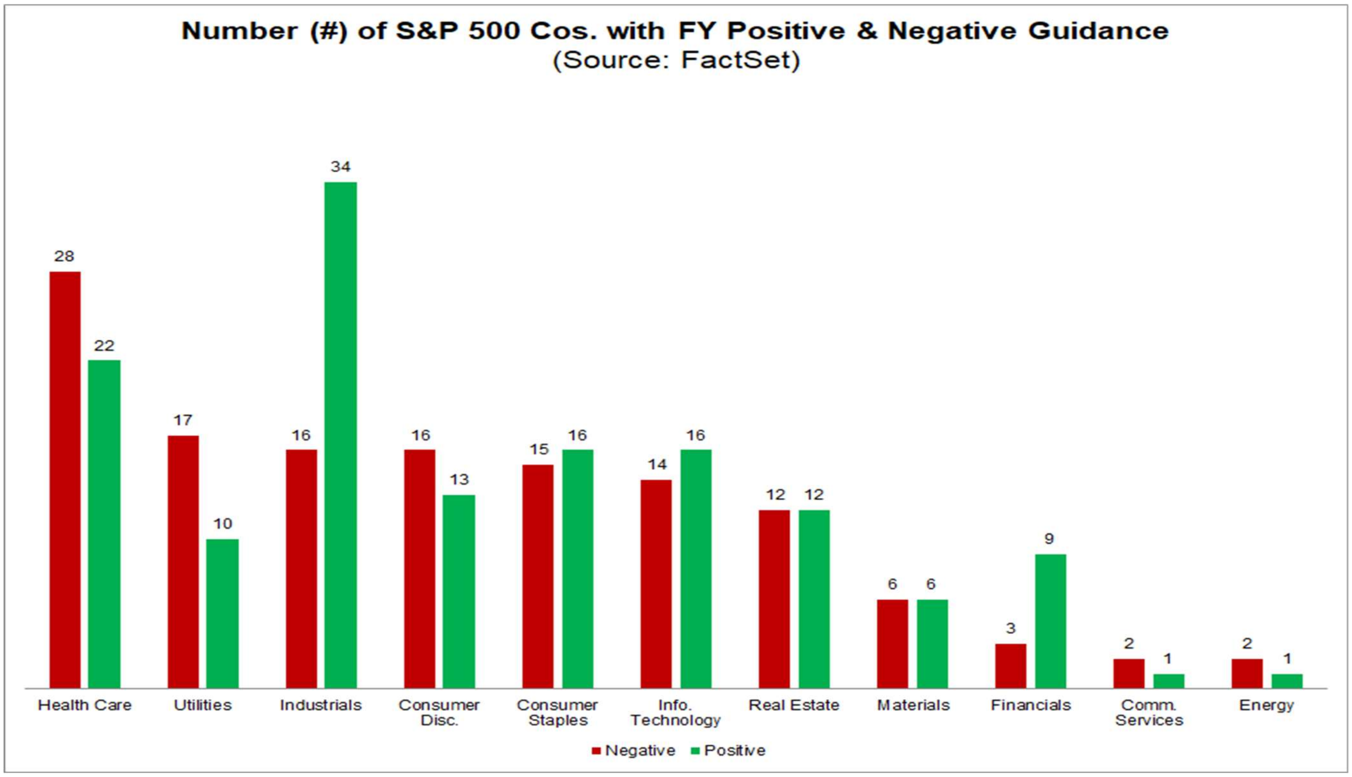
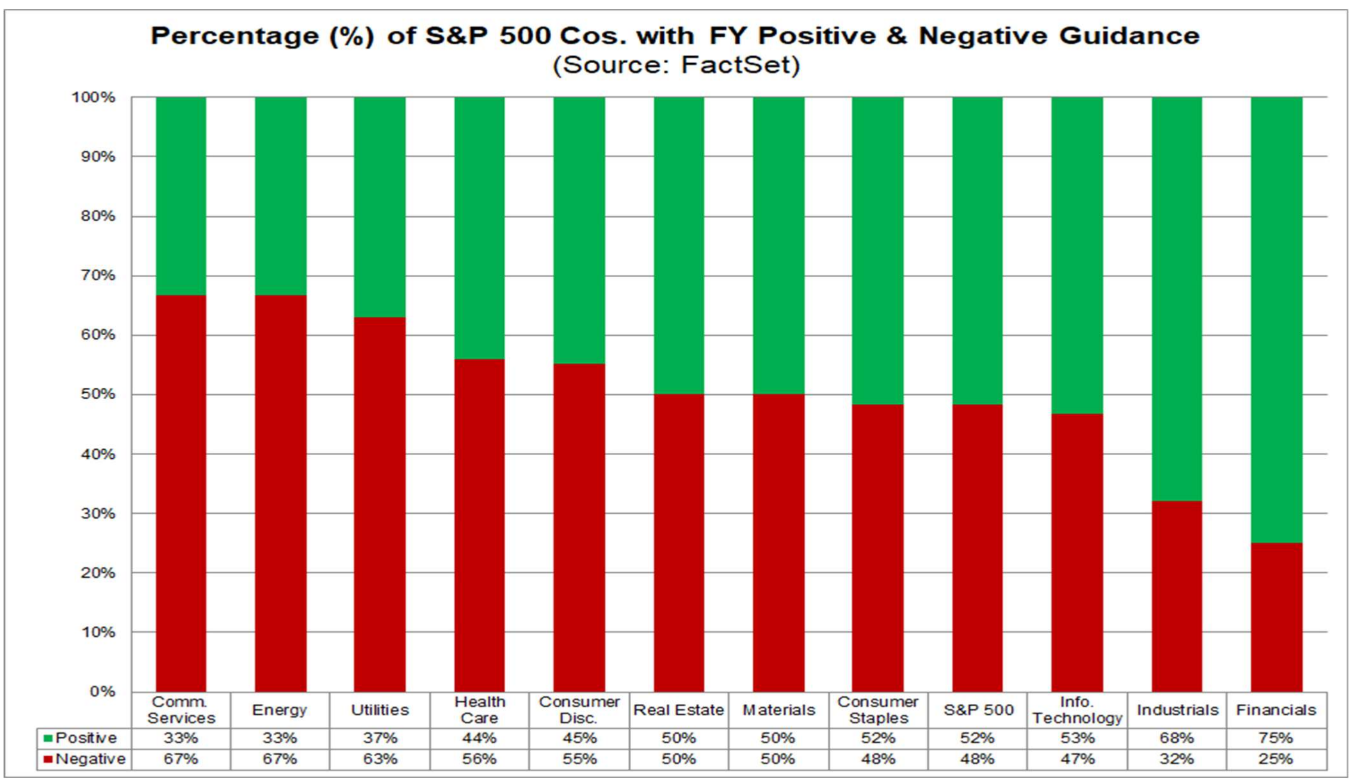
FY 2023 / 2024: EPS Guidance





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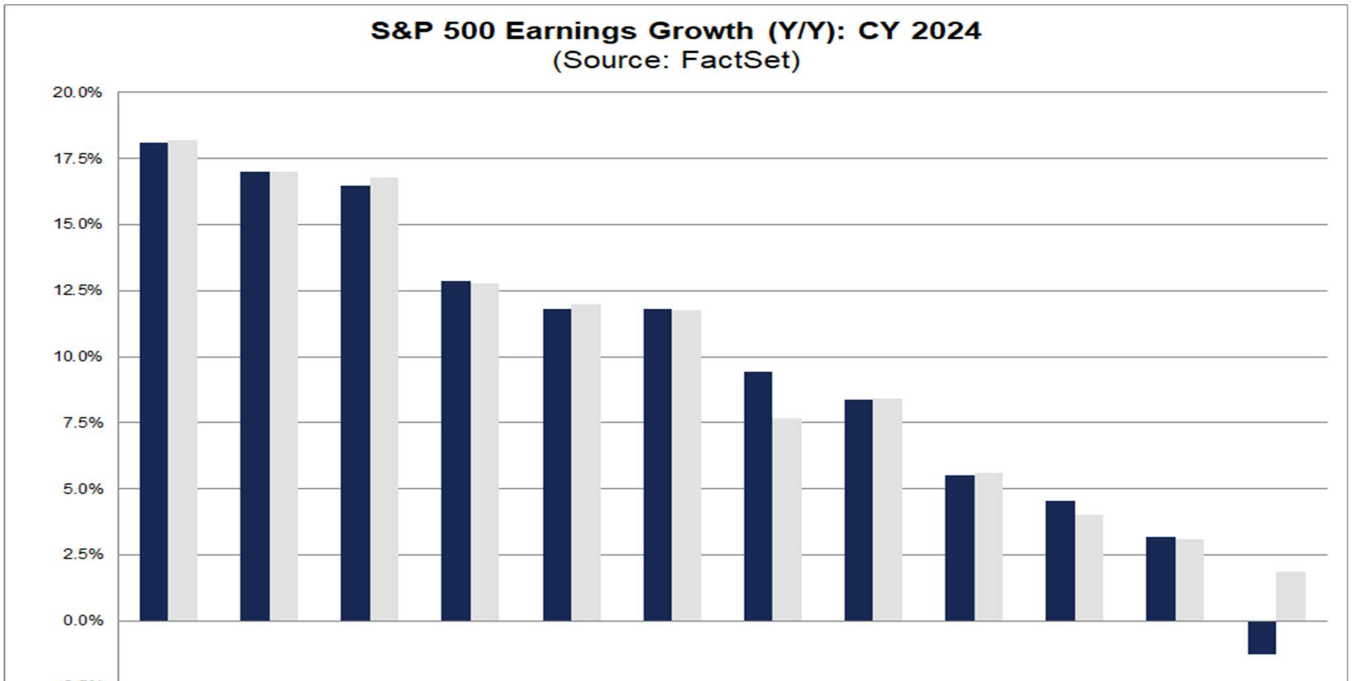
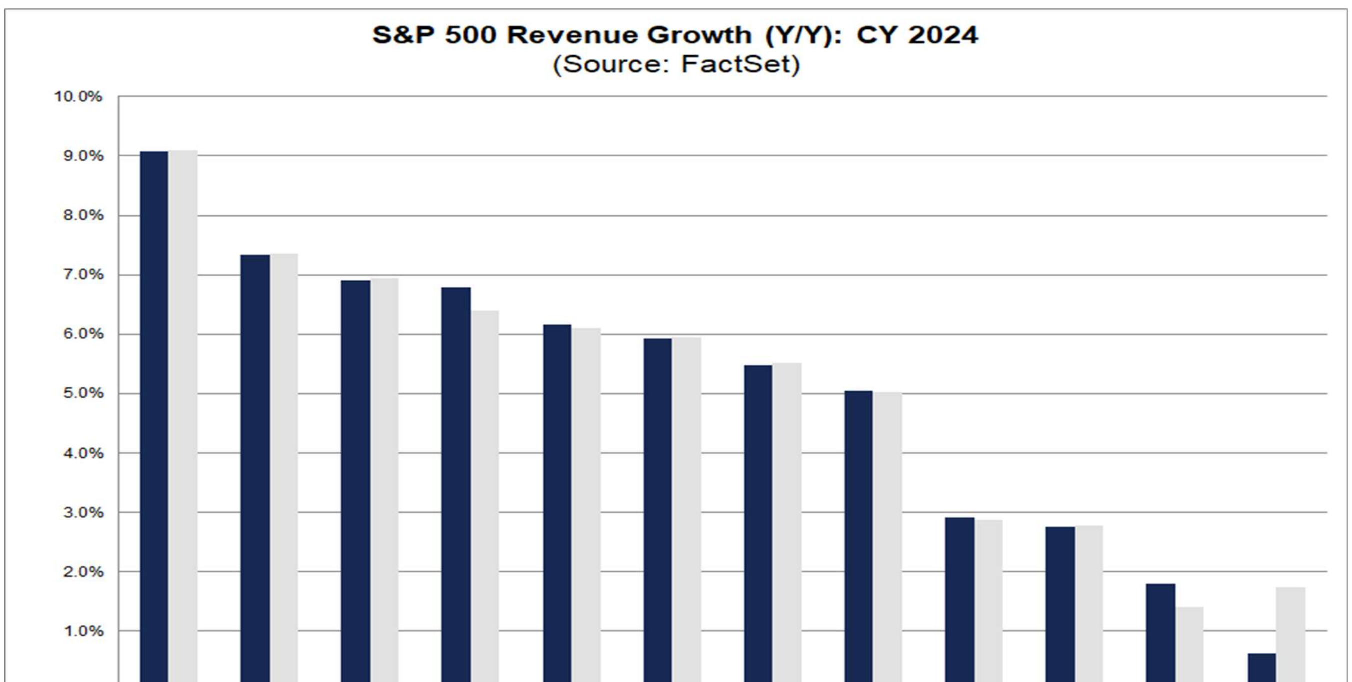
CY 2024: Growth



	Health Care	Info. Technology	Comm. Services	Consumer Disc.	Industrials	S&P 500	Financials	Utilities	Consumer Staples	Materials	Real Estate	Energy
Today	18.1%	17.0%	16.5%	12.9%	11.8%	11.8%	9.4%	8.4%	5.5%	4.6%	3.2%	-1.3%
31-Dec	18.2%	17.0%	16.8%	12.8%	12.0%	11.8%	7.7%	8.4%	5.6%	4.0%	3.1%	1.8%



	Info. Technology	Comm. Services	Consumer Disc.	Financials	Real Estate	Health Care	S&P 500	Industrials	Consumer Staples	Utilities	Materials	Energy
Today	9.1%	7.3%	6.9%	6.8%	6.2%	5.9%	5.5%	5.0%	2.9%	2.8%	1.8%	0.6%
31-Dec	9.1%	7.4%	6.9%	6.4%	6.1%	5.9%	5.5%	5.0%	2.9%	2.8%	1.4%	1.7%

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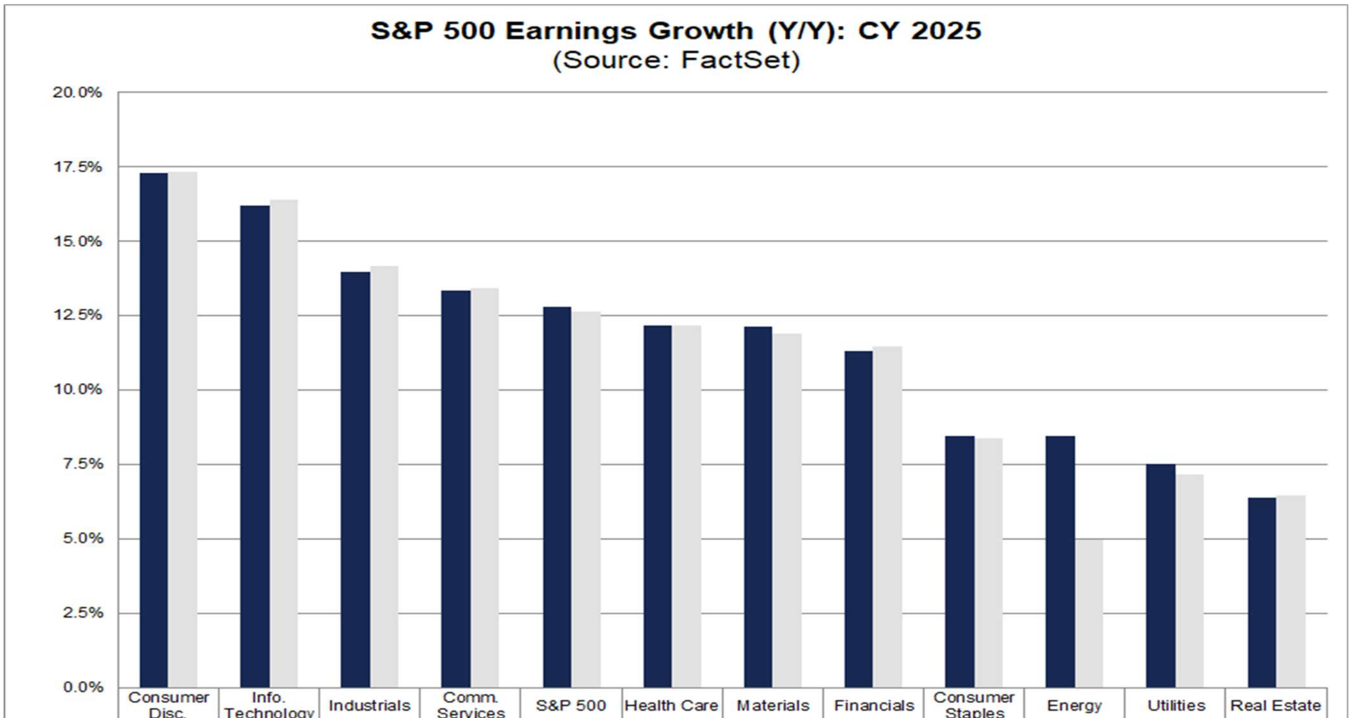
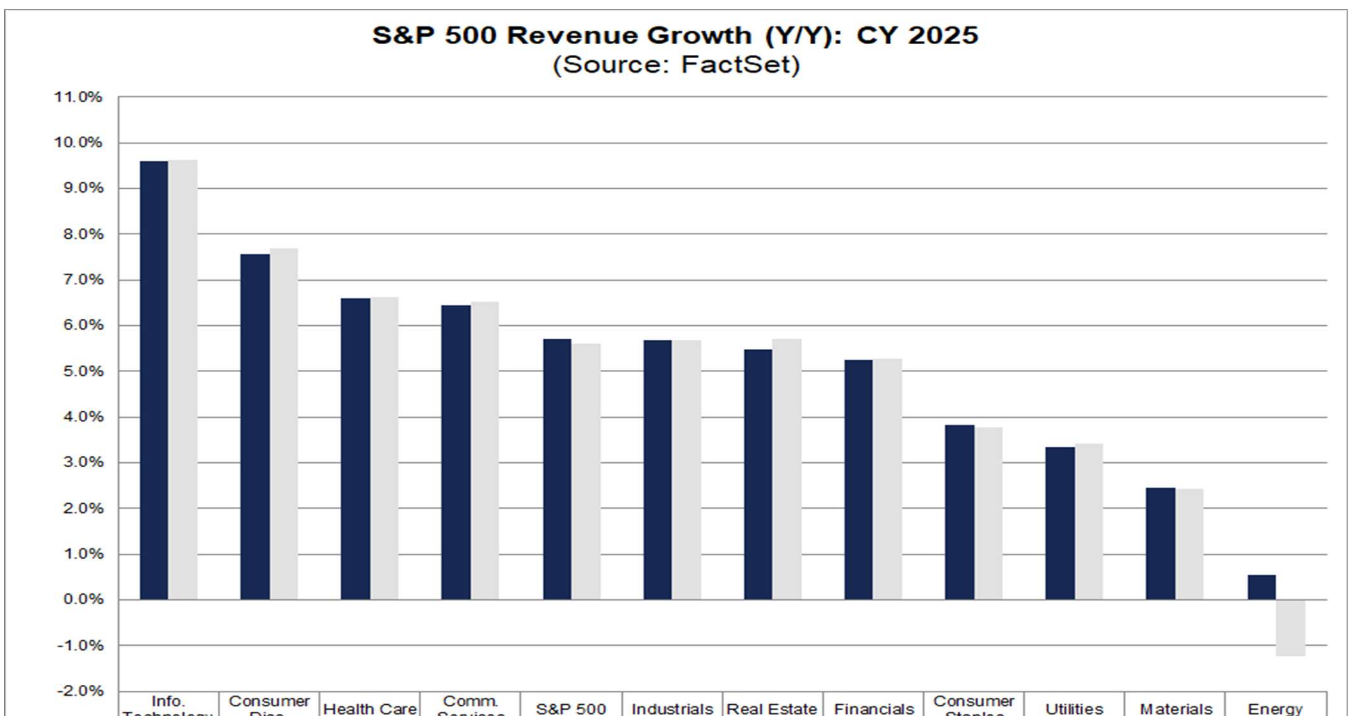
CY 2025: Growth



	Consumer Disc.	Info. Technology	Industrials	Comm. Services	S&P 500	Health Care	Materials	Financials	Consumer Staples	Energy	Utilities	Real Estate
Today	17.3%	16.2%	14.0%	13.4%	12.8%	12.1%	12.1%	11.3%	8.4%	8.4%	7.5%	6.4%
31-Dec	17.3%	16.4%	14.2%	13.4%	12.6%	12.2%	11.9%	11.5%	8.4%	5.0%	7.1%	6.5%



	Info. Technology	Consumer Disc.	Health Care	Comm. Services	S&P 500	Industrials	Real Estate	Financials	Consumer Staples	Utilities	Materials	Energy
Today	9.6%	7.6%	6.6%	6.4%	5.7%	5.7%	5.5%	5.3%	3.8%	3.3%	2.5%	0.5%
31-Dec	9.6%	7.7%	6.6%	6.5%	5.6%	5.7%	5.7%	5.3%	3.8%	3.4%	2.4%	-1.2%

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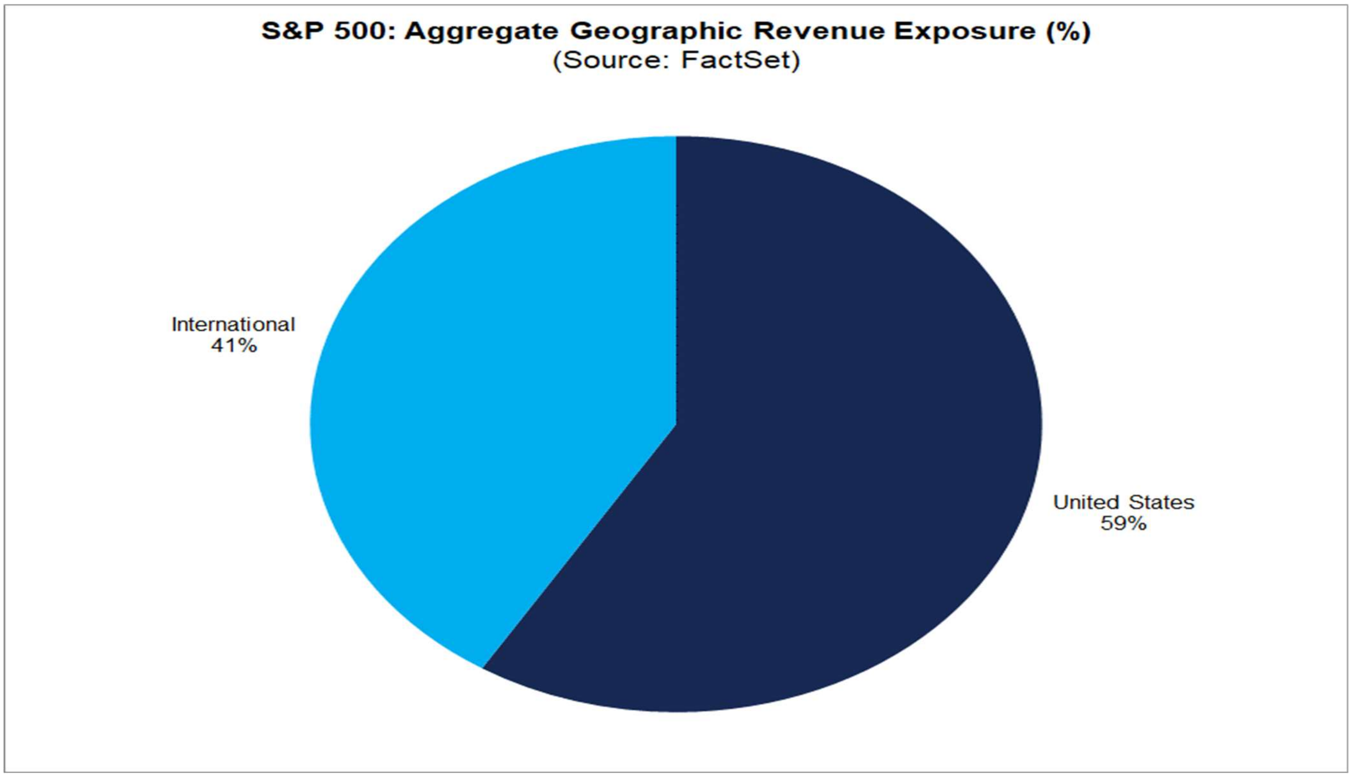
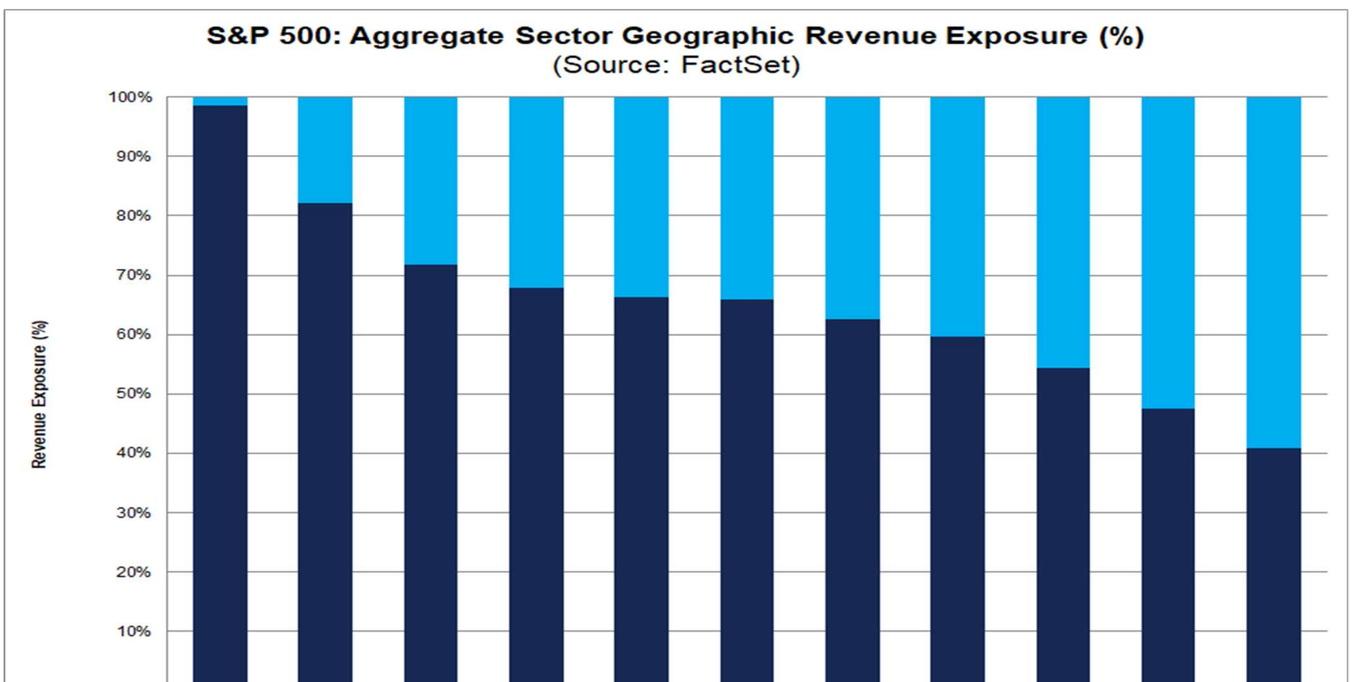
Geographic Revenue Exposure





	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	28%	32%	34%	34%	37%	40%	46%	52%	59%
United States	99%	82%	72%	68%	66%	66%	63%	60%	54%	48%	41%

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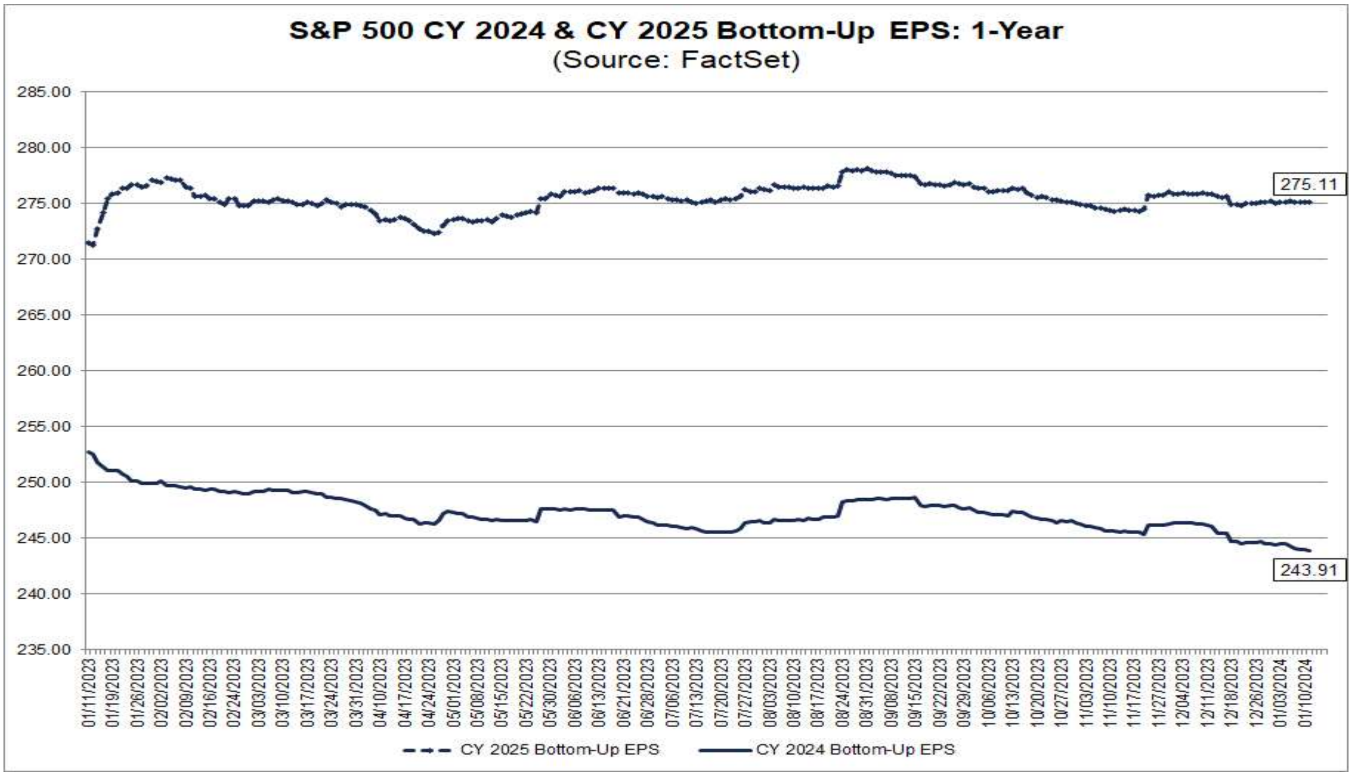
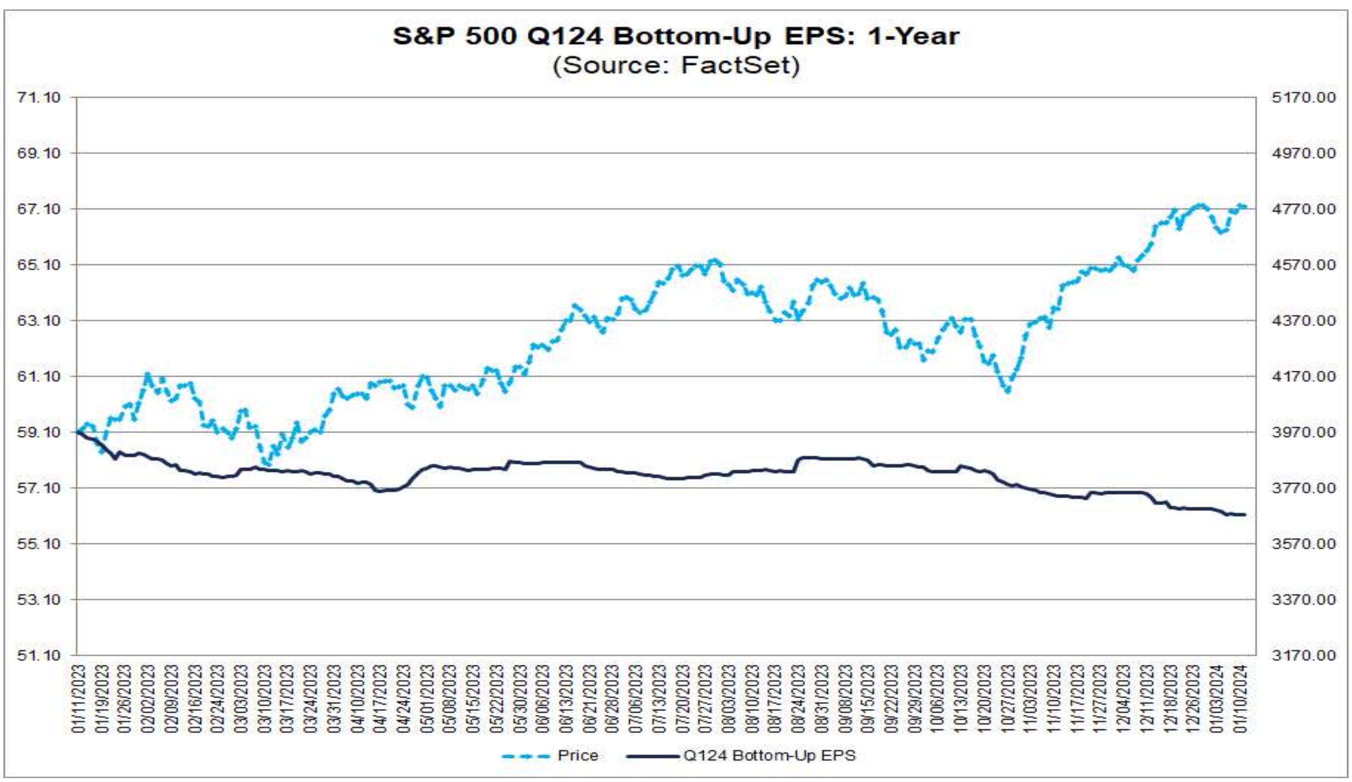
Bottom-Up EPS Estimates





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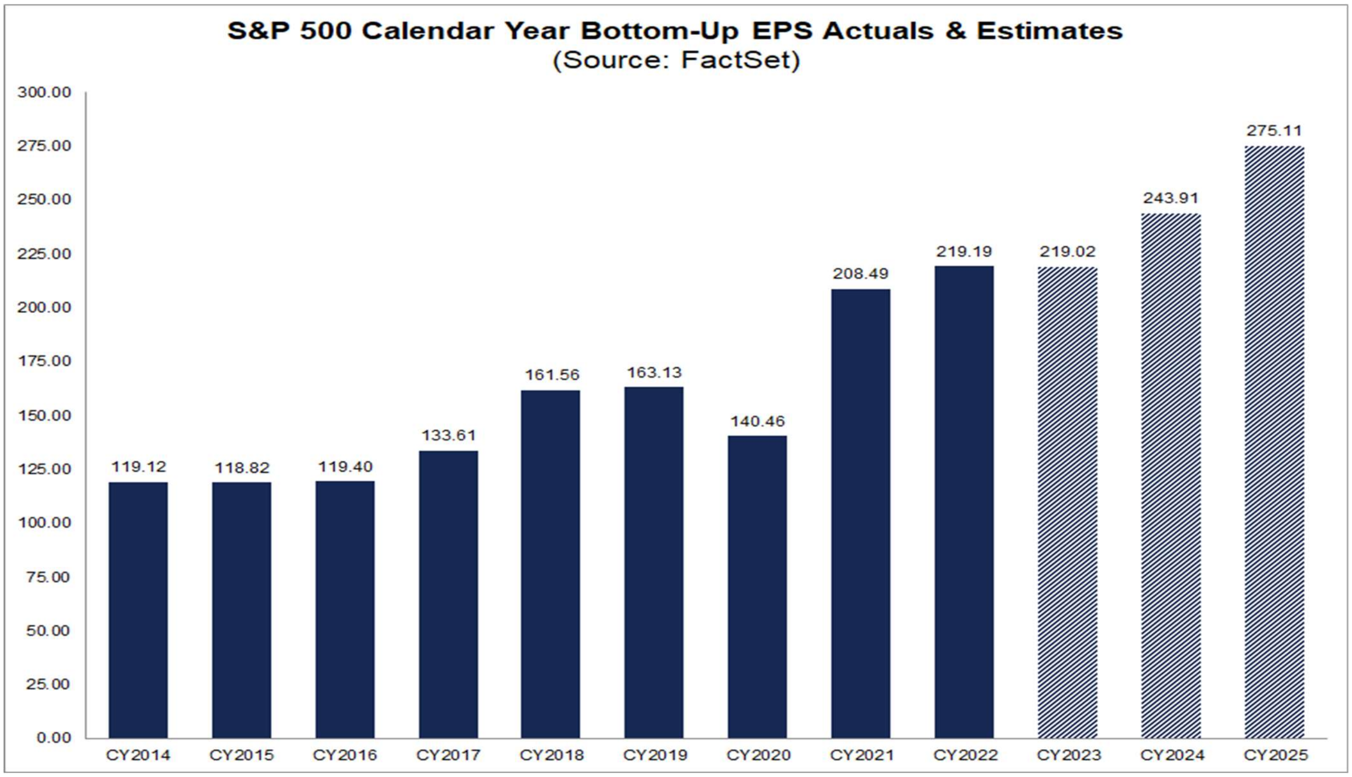
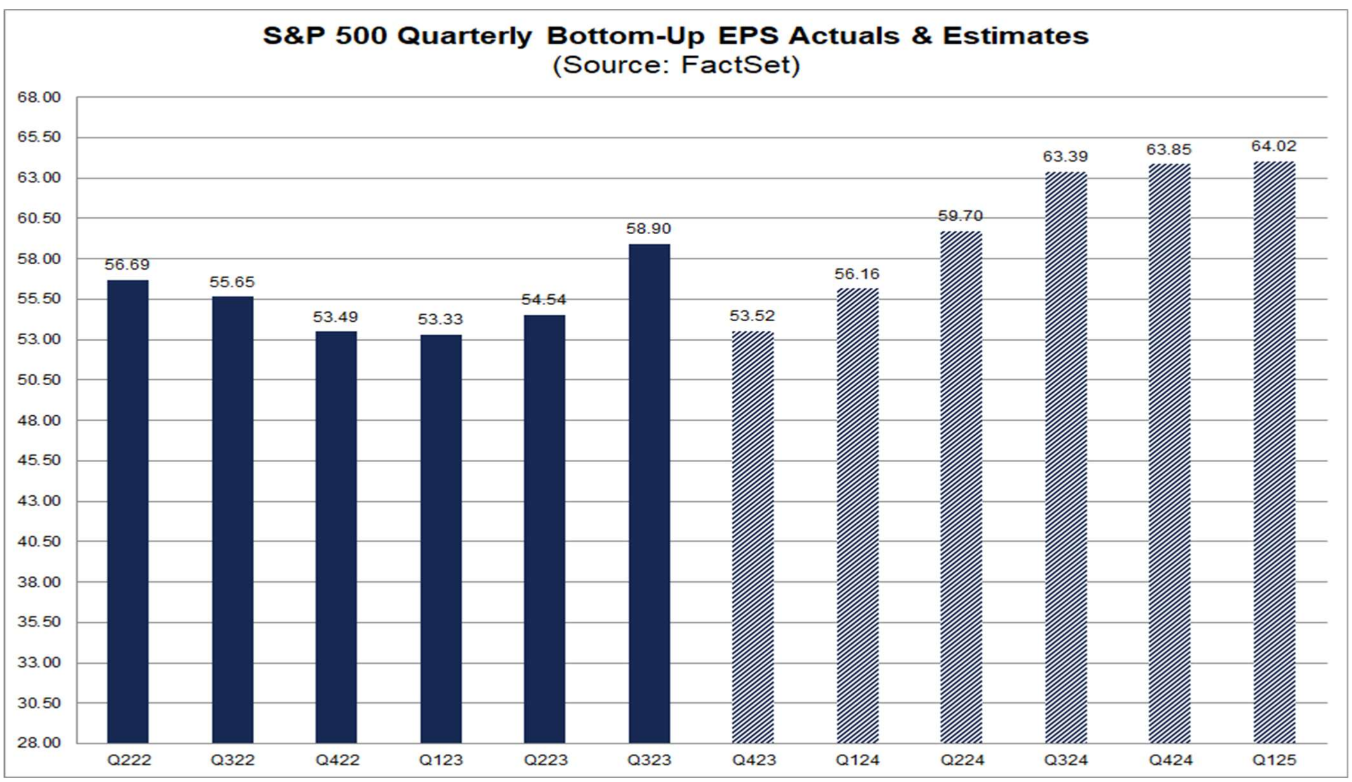
Bottom-Up EPS Estimates: Current & Historical





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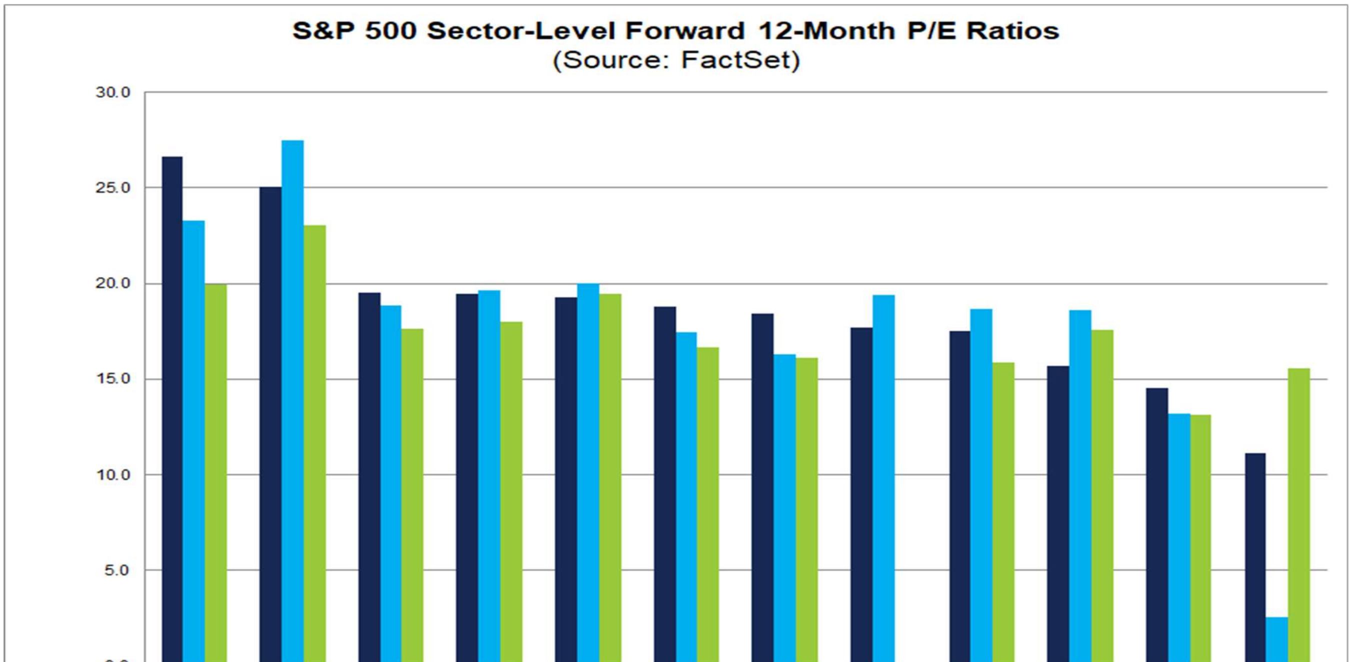
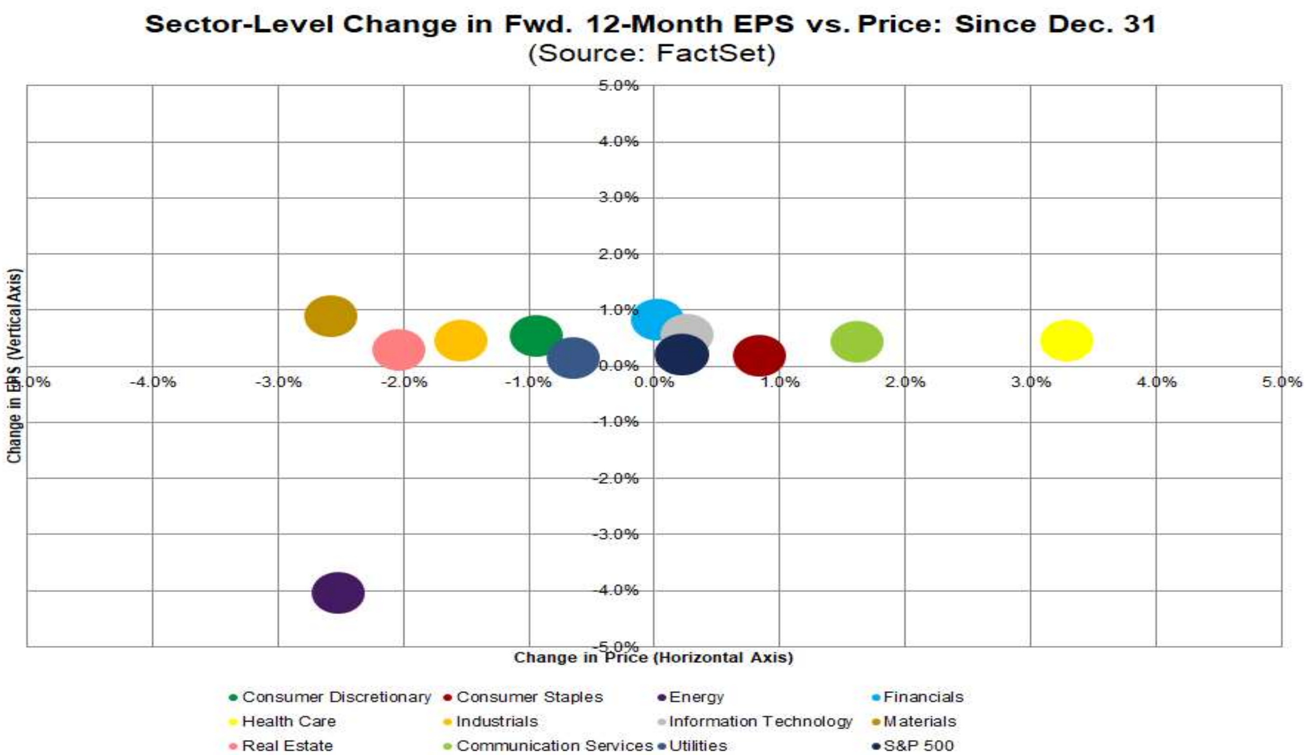
Forward 12M P/E Ratio: Sector Level



	Info. Technology	Consumer Disc.	S&P 500	Industrials	Consumer Staples	Materials	Health Care	Real Estate	Comm. Services	Utilities	Financials	Energy
Fwd P/E	26.6	25.1	19.5	19.5	19.3	18.8	18.4	17.7	17.5	15.7	14.5	11.2
5-Yr Avg.	23.3	27.5	18.9	19.6	20.0	17.4	16.3	19.4	18.7	18.6	13.2	2.6
10-Yr Avg.	19.9	23.1	17.6	18.0	19.5	16.7	16.1	0.0	15.9	17.6	13.1	15.6



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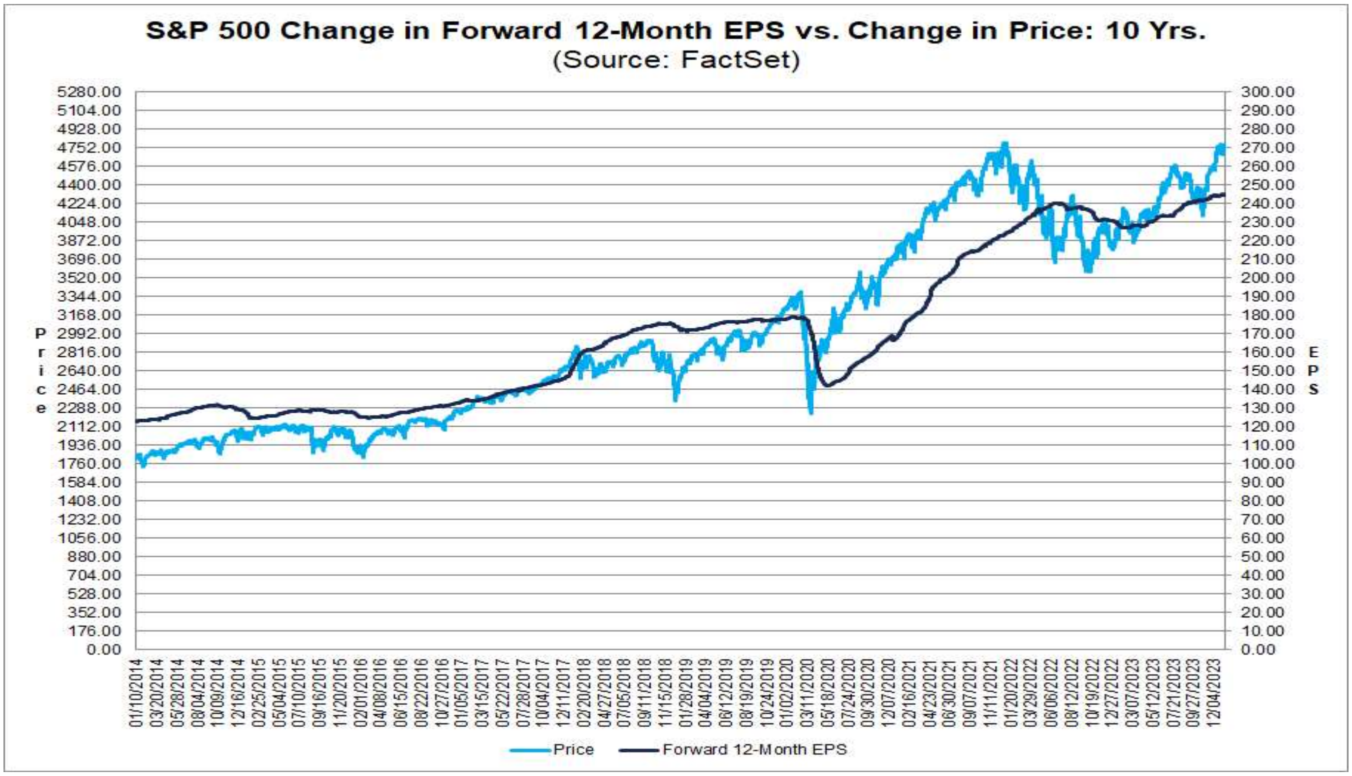
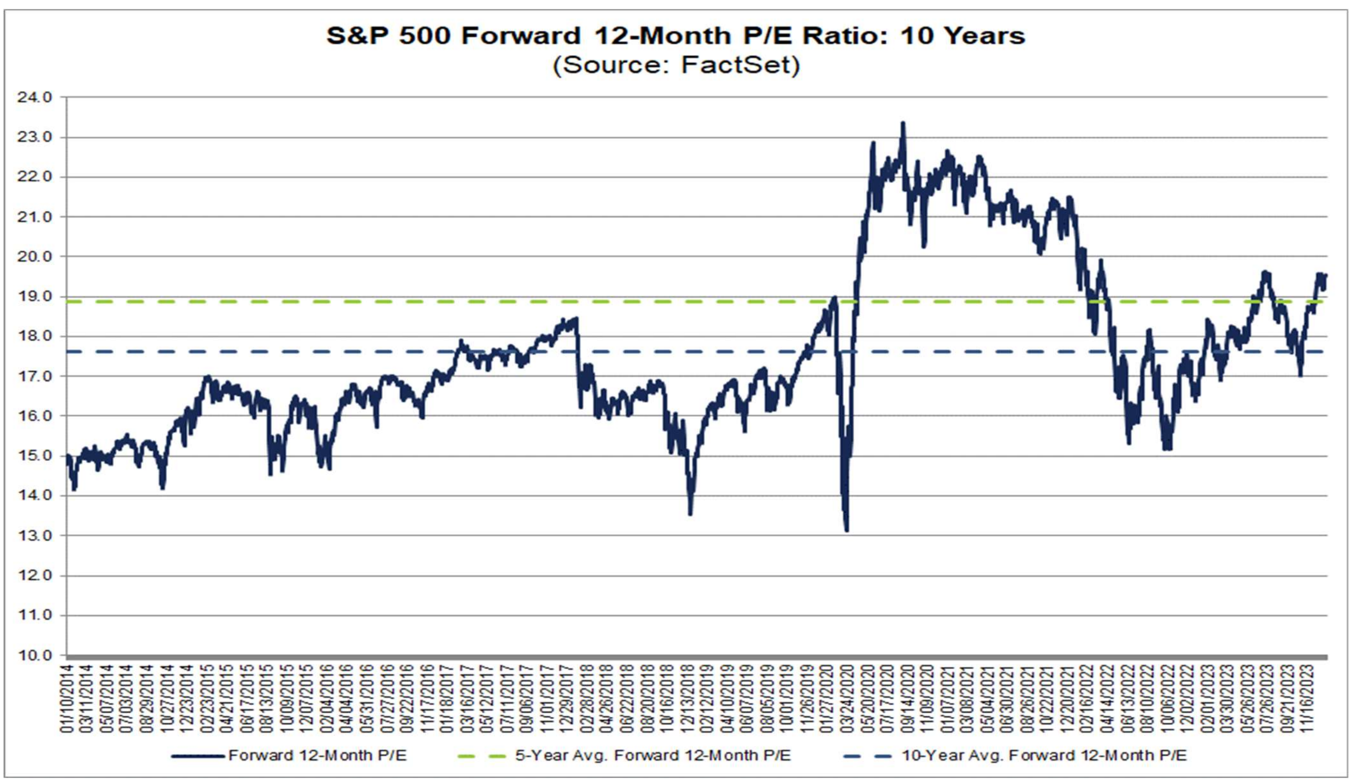
Forward 12M P/E Ratio: 10-Years





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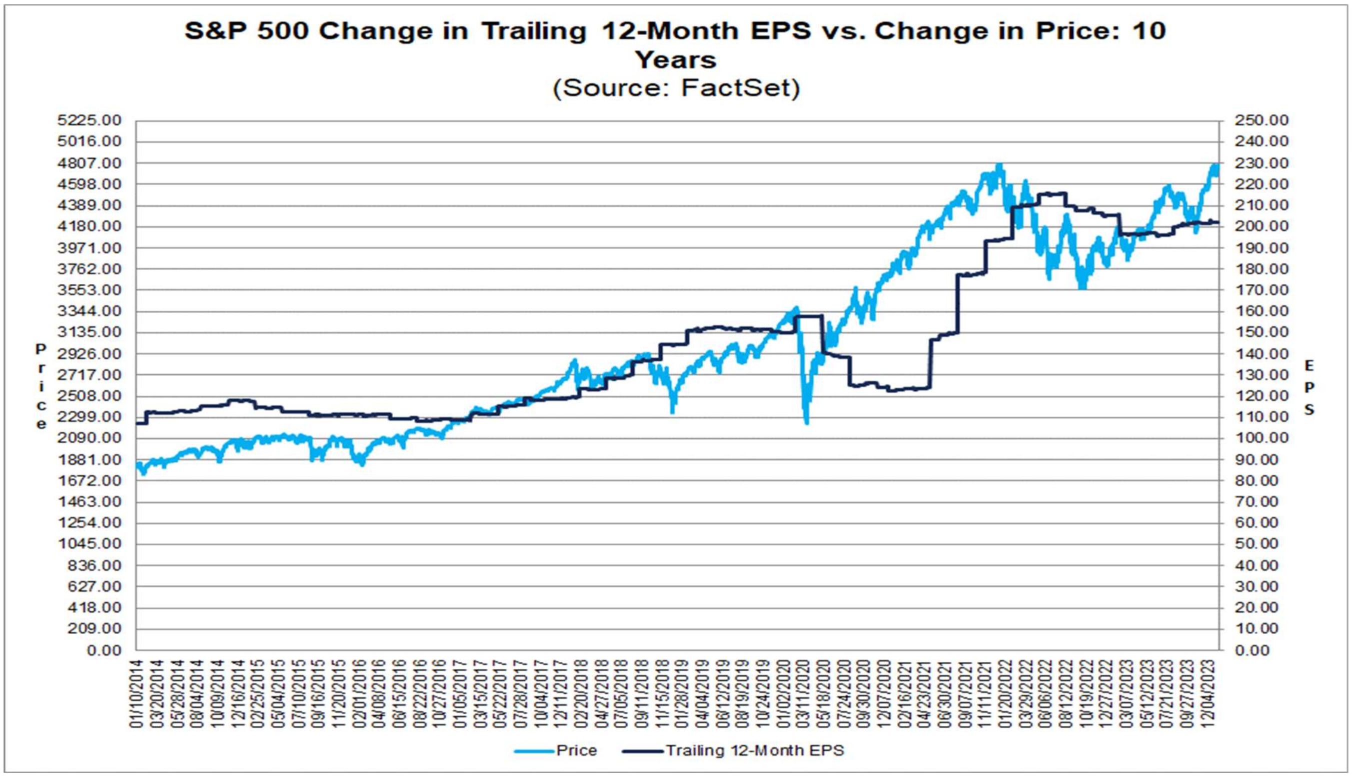
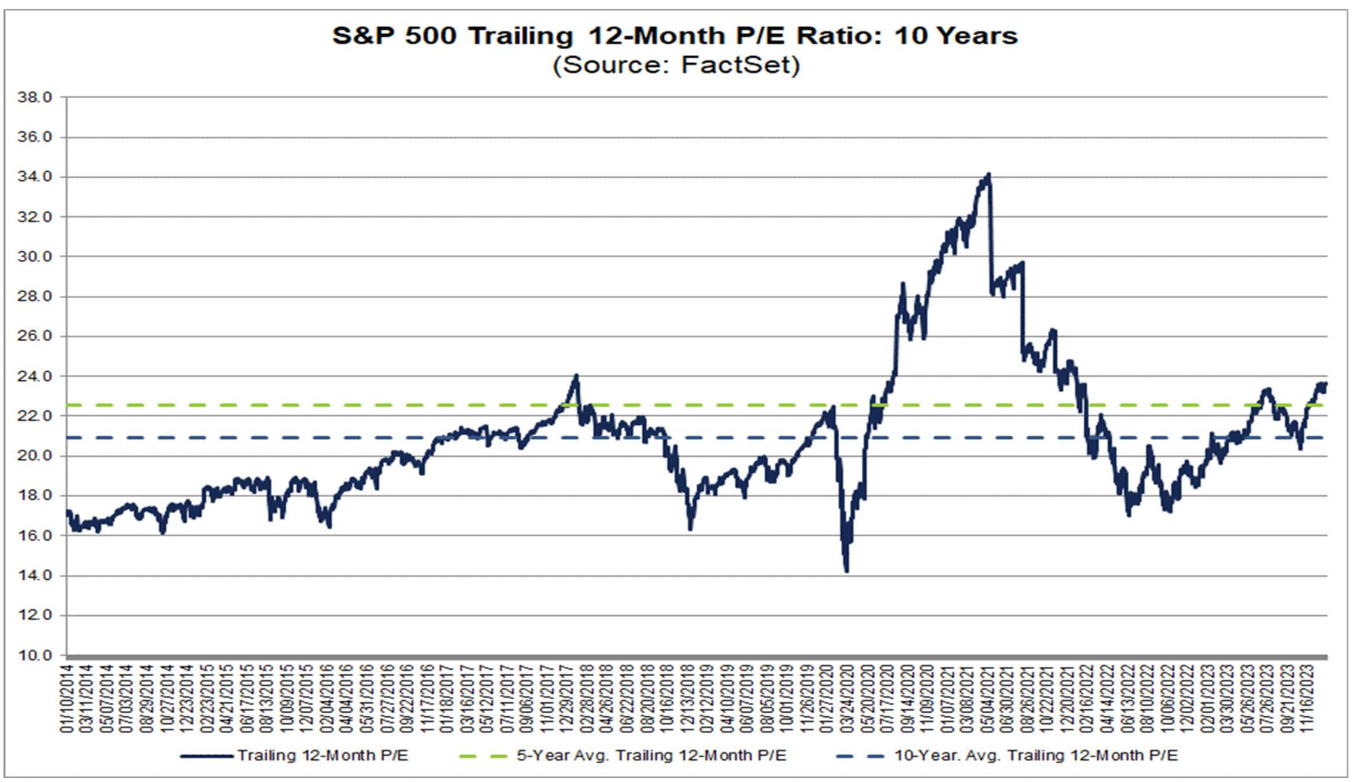
Trailing 12M P/E Ratio: 10-Years





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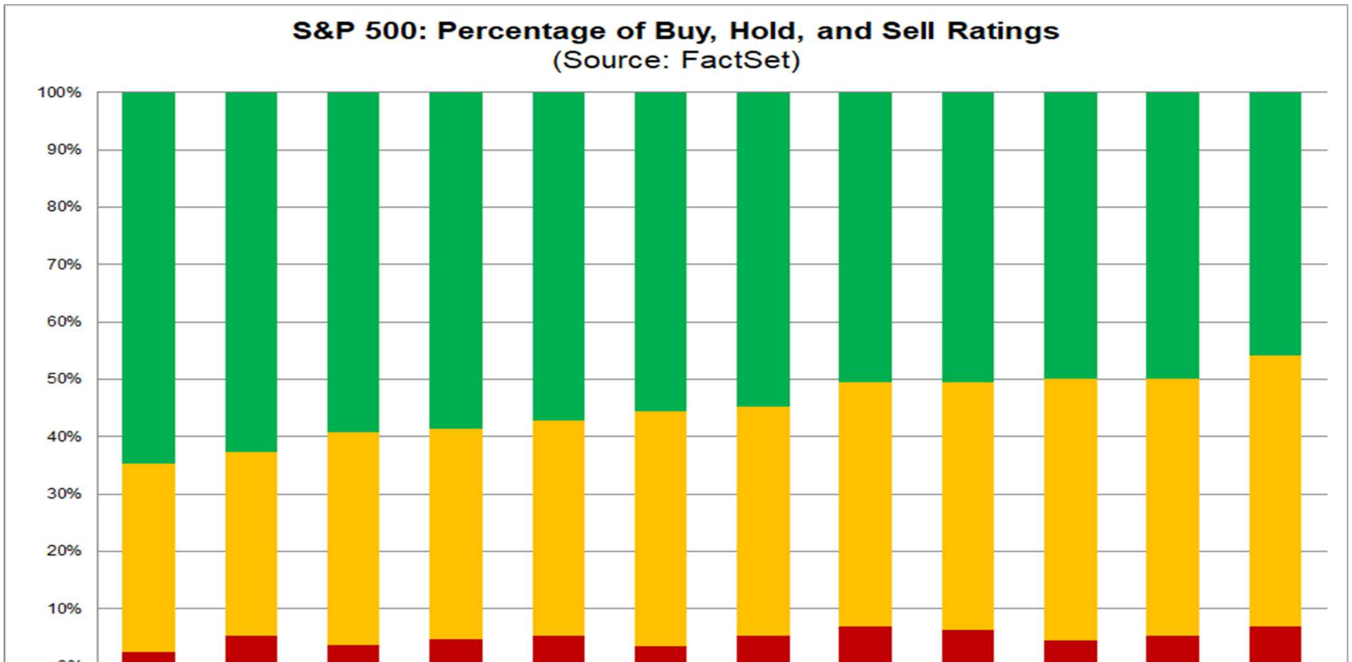
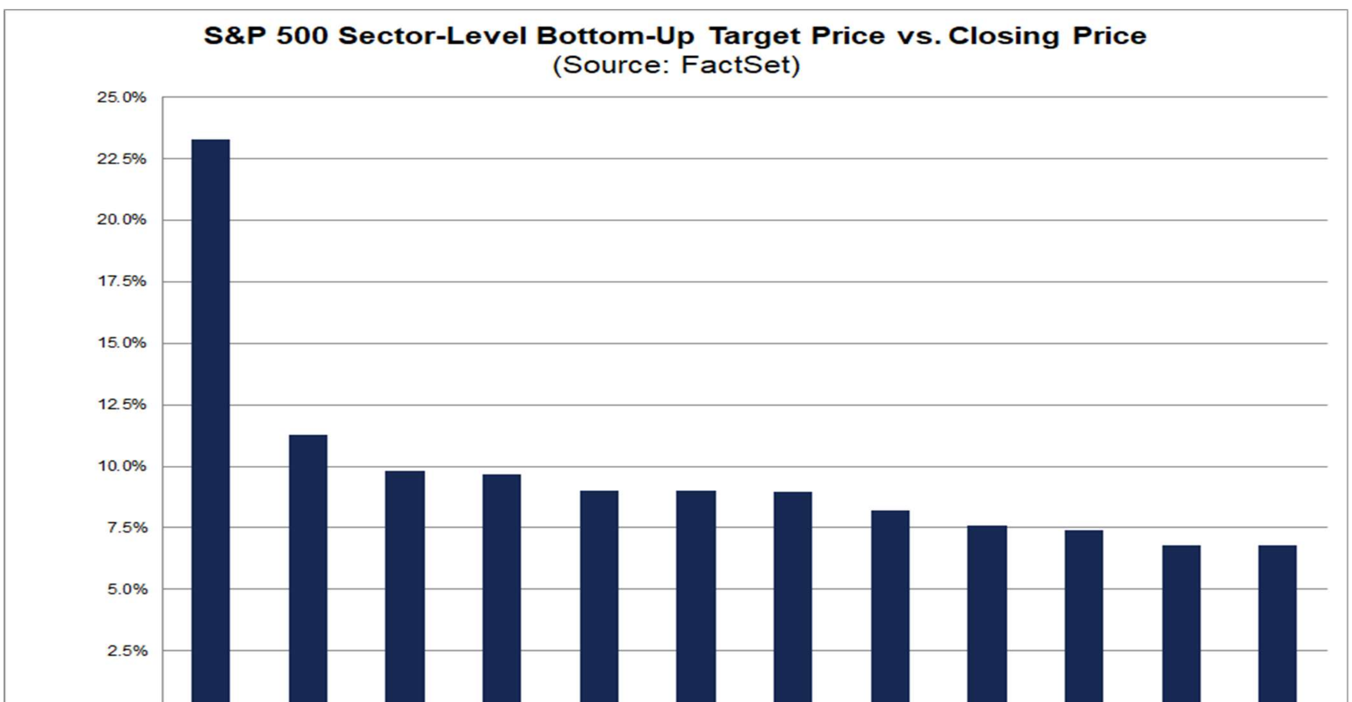
Targets & Ratings



	Energy	Comm. Services	Health Care	Info. Tech.	Consumer Disc.	Real Estate	S&P 500	Industrials	Financials	Utilities	Materials	Consumer Staples
Buy	65%	63%	59%	59%	57%	56%	55%	51%	50%	50%	50%	46%
Hold	33%	32%	37%	37%	38%	41%	40%	42%	43%	45%	45%	47%
Sell	2%	5%	4%	5%	5%	3%	5%	7%	6%	5%	5%	7%



	Energy	Consumer Disc.	Financials	Materials	Consumer Staples	Comm. Services	S&P 500	Utilities	Info. Tech.	Real Estate	Health Care	Industrials
Target/Close	23.3%	11.3%	9.8%	9.7%	9.0%	9.0%	9.0%	8.2%	7.6%	7.4%	6.8%	6.8%

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