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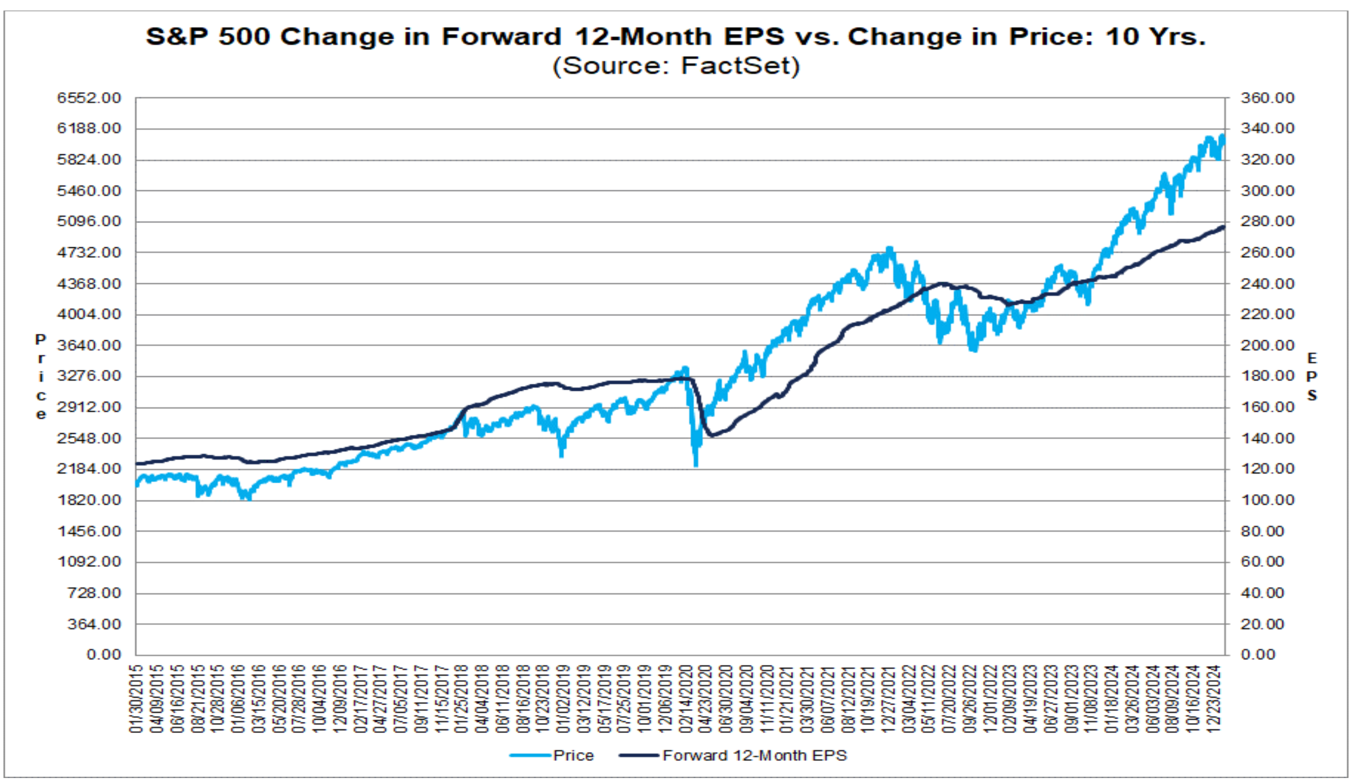
Key Metrics

- **Earnings Scorecard:** For Q4 2024 (with 36% of S&P 500 companies reporting actual results), 77% of S&P 500 companies have reported a positive EPS surprise and 63% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q4 2024, the blended (year-over-year) earnings growth rate for the S&P 500 is 13.2%. If 13.2% 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 December 31, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q4 2024 was 11.8%. Six sectors are reporting higher earnings today (compared to December 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q1 2025, 12 S&P 500 companies have issued negative EPS guidance and 13 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 22.0. This P/E ratio is above the 5-year average (19.8) and above the 10-year average (18.2).



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Topic of the Week

Market Is Rewarding Positive EPS Surprises More Than Average for Q4

To date, 36% of the companies in the S&P 500 have reported earnings for the fourth quarter. Of these companies, 77% have reported actual EPS above the mean EPS estimate, which is equal to the 5-year average of 77% and above the 10-year average of 75%. In aggregate, earnings have exceeded estimates by 5.0%, which is below the 5-year average of 8.5% and below the 10-year average of 6.7%. Given this mixed performance relative to the averages, how has the market responded to EPS surprises reported by S&P 500 companies during the Q4 earnings season?

To date, the market is rewarding positive earnings surprises reported by S&P 500 companies more than average for the fourth quarter.

Companies that have reported positive earnings surprises for Q4 2024 have seen an average price increase of 1.5% two days before the earnings release through two days after the earnings release. This percentage increase is larger than the 5-year average price increase of 1.0% during this same window for companies reporting positive earnings surprises.

One example of a company that reported a positive EPS surprise for Q4 and witnessed a significant increase in stock price is Netflix. On January 21, the company reported actual (GAAP) EPS of $4.27 for Q4, which was above the mean (GAAP) EPS estimate of $4.21. From January 17 to January 23, the stock price for Netflix increased by 14.8% (to $984.86 from $858.10).

However, the market is also punishing negative earnings surprises reported by S&P 500 companies slightly less than average for the fourth quarter.

Companies that have reported negative earnings surprises for Q4 2024 have seen an average price decrease of 2.2% two days before the earnings release through two days after the earnings release. 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.

One example of a company that reported a negative EPS surprise for Q4 and witnessed an increase in stock price is AutoZone. On December 10, the company reported actual (GAAP) EPS of $32.52 for Q4, which was below the mean (GAAP) EPS estimate of $33.56. From December 6 to December 12, the stock price for AutoZone increased by 0.9% (to $3,340.48 from $3,309.44).

What is driving the market's more positive (and less negative) reactions to EPS surprises for Q4?

It may be due to positive EPS guidance issued by S&P 500 companies to date for the first quarter. In terms of EPS guidance, the percentage of S&P 500 companies issuing positive EPS guidance for Q1 is above average. At this point in time, 25 companies in the index have issued EPS guidance for Q1 2025. Of these 25 companies, 12 have issued negative EPS guidance and 13 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance for Q1 2025 is 52% (13 out of 25), which is above the 5-year average of 42% and above the 10-year average of 38%.

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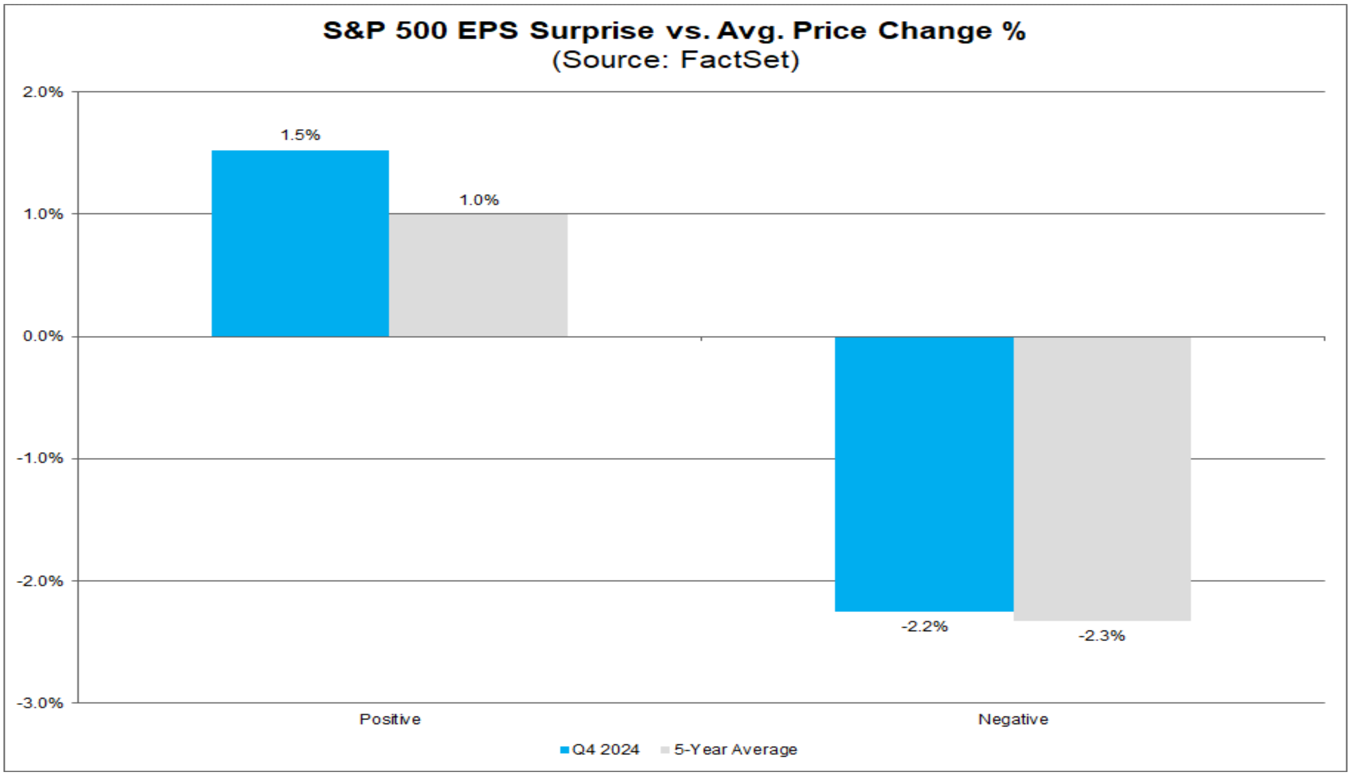

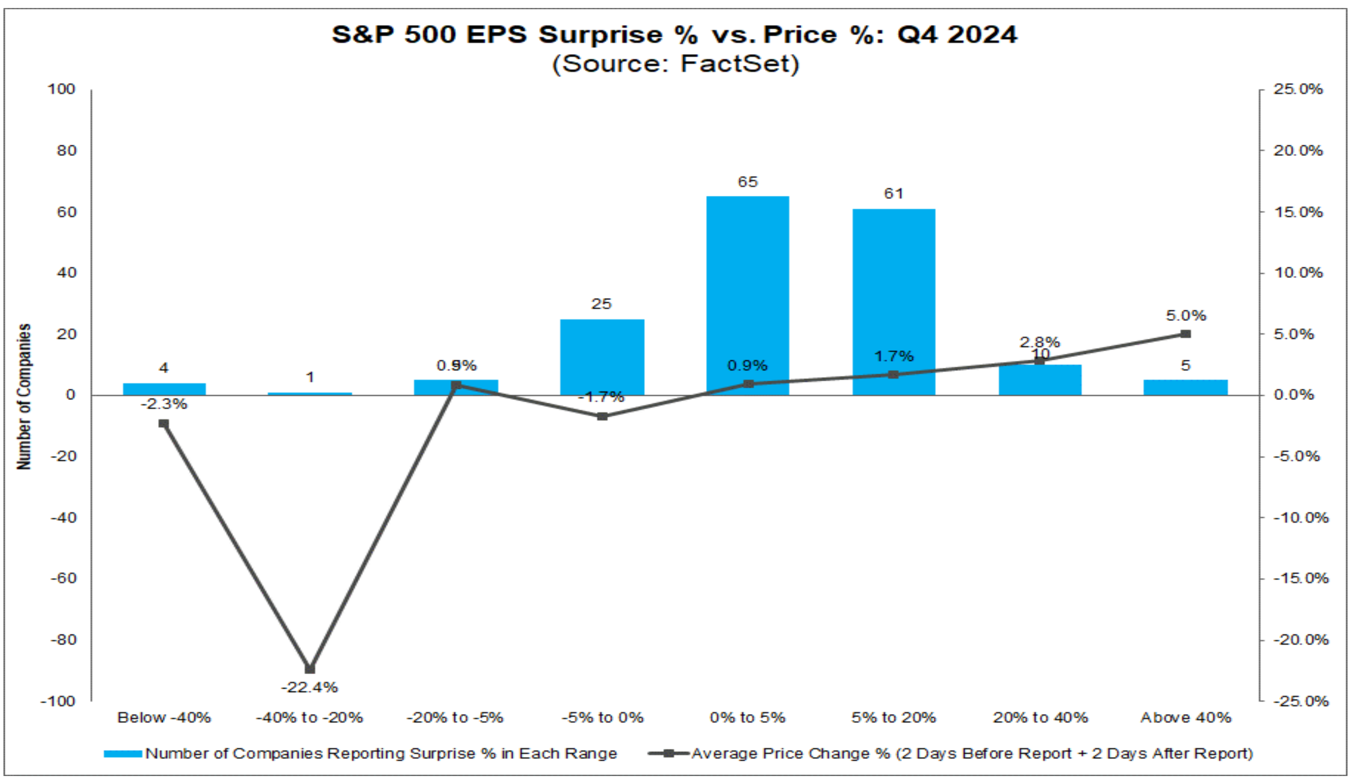

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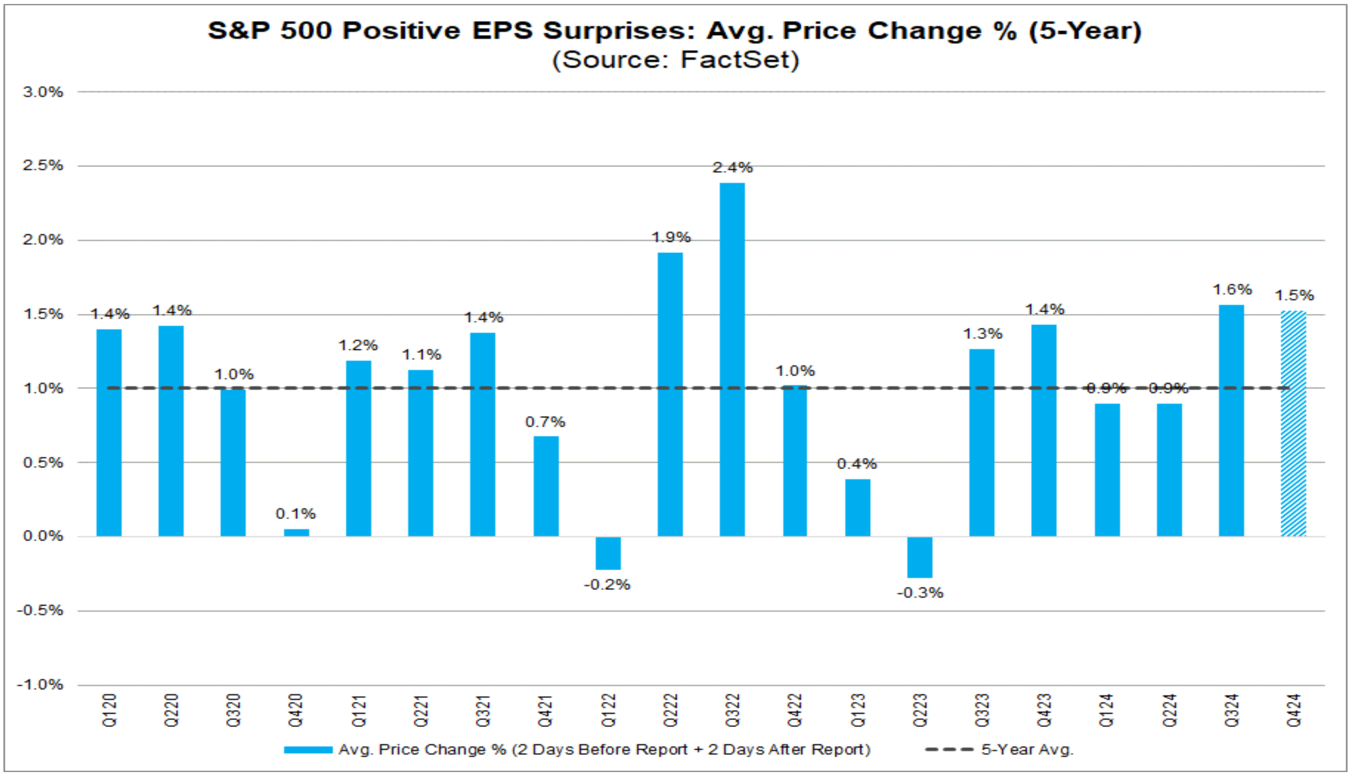

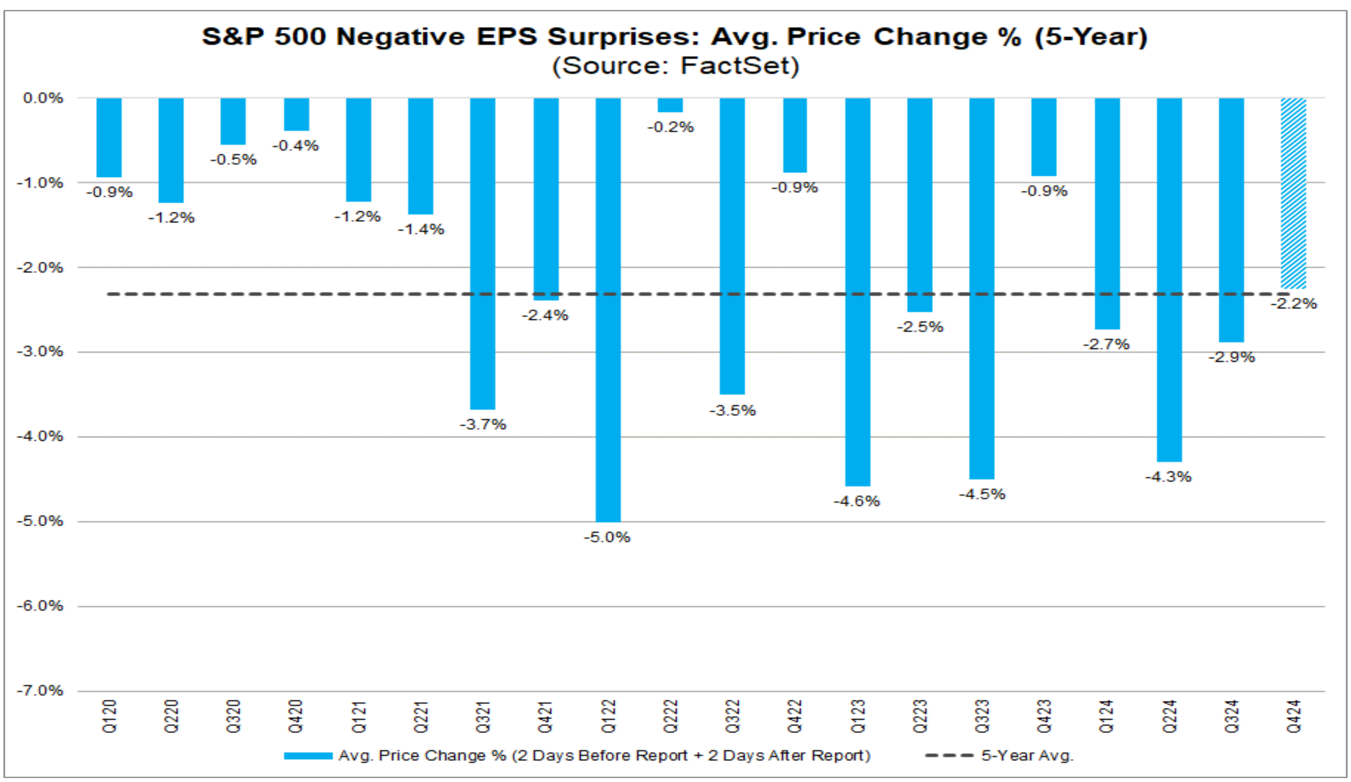

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Q4 Earnings Season: By The Numbers

Overview

At this stage of the fourth quarter earnings season, S&P 500 companies are reporting mixed results relative to expectations. While the percentage of S&P 500 companies reporting positive earnings surprises is above the 10-year average, the magnitude of earnings surprises is below the 10-year average. However, the index is still reporting higher earnings for the fourth quarter today relative to the end of last week and relative to the end of the quarter. In addition, the index is reporting its highest year-over-year earnings growth rate for Q4 2024 in three years.

Overall, 36% of the companies in the S&P 500 have reported actual results for Q4 2024 to date. Of these companies, 77% have reported actual EPS above estimates, which is equal to the 5-year average of 77% but above the 10-year average of 75%. In aggregate, companies are reporting earnings that are 5.0% above estimates, which is below the 5-year average of 8.5% and below the 10-year average of 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.

During the past week, positive EPS surprises reported by companies in the Communication Services and Information Technology sectors, partially offset by negative EPS surprises reported by companies in the Industrials sector, were the largest contributors to the increase in the overall earnings growth rate for the index over this period. Since December 31, positive EPS surprises reported by companies in the Financials and Communication sectors, partially offset by negative EPS surprises reported by companies in the Industrials sector, have been the largest contributors to the increase in the overall earnings growth rate for the index over this period.

As a result, the index is reporting higher 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 growth rate for the fourth quarter is 13.2% today, compared to an earnings growth rate of 12.3% last week and an earnings growth rate of 11.8% at the end of the fourth quarter (December 31).

If 13.2% 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 reporting year-over-year earnings growth for Q4. Five of these seven sectors are reporting double-digit growth: Financials, Communication Services, Information Technology, Consumer Discretionary, and Utilities. On the other hand, four sectors are reporting a year-over-year decline in earnings for the quarter. Two of these four sectors are reporting a double-digit decline: Energy and Industrials.

In terms of revenues, 63% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% and below the 10-year average of 64%. In aggregate, companies are reporting revenues that are 0.9% above the estimates, which is below the 5-year average of 2.1% and below the 10-year average of 1.4%. 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.

During the past week, positive revenue surprises reported by companies in multiples sectors (led by the Energy and Health Care sectors) were the largest contributors to the increase in the overall revenue growth rate for the index over this period. Since December 31, positive revenue surprises reported by companies in the Financials, Consumer Discretionary, Health Care, and Energy sectors have been the largest contributors to the increase in the overall revenue growth rate for the index over this period.

As a result, the blended revenue growth rate for the fourth quarter is 5.0% today, compared to a revenue growth rate of 4.6% last week and a revenue growth rate of 4.6% at the end of the fourth quarter (December 31).

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If 5.0% 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 reporting year-over-year growth in revenue for Q4, led by the Information Technology sector. On the other hand, three sectors are reporting a year-over-year decline in revenue for Q4, led by the Industrials sector.

Looking ahead, analysts expect (year-over-year) earnings growth rates of 10.1% and 10.9% for Q1 2025 and Q2 2025, respectively. For CY 2025, analysts are predicting (year-over-year) earnings growth of 14.3%.

The forward 12-month P/E ratio is 22.0, which is above the 5-year average (19.8) and above the 10-year average (18.2). This P/E ratio is also above the forward P/E ratio of 21.5 recorded at the end of the fourth quarter (December 31).

During the upcoming week, 131 S&P 500 companies (including 5 Dow 30 components) are scheduled to report results for the fourth quarter.

Scorecard: Magnitude of EPS Surprises Is Below 5-Year and 10-Year Averages

Percentage of Companies Beating EPS Estimates (77%) is Equal to 5-Year Average

Overall, 36% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 77% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 19% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is equal to the 1-year average (77%) and the 5-year average (77%), but above the 10-year average (75%). 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 Communication Services (100%), Information Technology (91%), and Financials (91%) sectors have the highest percentages of companies reporting earnings above estimates, while the Utilities (0%) and Real Estate (25%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+5.0%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 5.0% above expectations. This surprise percentage is above the 1-year average (+4.9%), but below the 5-year average (+8.5%) and 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 Communication Services (+12.4%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Meta Platforms ($8.02 vs. $6.76) has reported the largest positive EPS surprise.

The Financials (+11.6%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Goldman Sachs ($11.95 vs. $8.21), Discover Financial Services ($5.11 vs. $3.61), Travelers Companies ($9.15 vs. $6.70), and Morgan Stanley ($2.22 vs. $1.70) have reported the largest positive EPS surprises.

On the other hand, the Industrials (-8.6%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Boeing (-$5.90 vs. -$3.25), Lockheed Martin ($2.22 vs. $6.63), and GE Vernova ($0.81 vs. $2.28) have reported the largest negative EPS surprises.

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Market Rewarding Positive EPS Surprises More Than Average

To date, the market is rewarding positive earnings surprises reported by S&P 500 companies for Q4 more than average and punishing negative earnings surprises reported by S&P 500 companies for Q4 slightly less than average.

Companies that have reported positive earnings surprises for Q4 2024 have seen an average price increase of +1.5% two days before the earnings release through two days after the earnings release. This percentage increase is above the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q4 2024 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 (63%) is Below 5-Year Average

In terms of revenues, 63% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 37% of the companies have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (62%), but below the 5-year average (69%) and 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 Communication Services (100%) and Health Care (87%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (0%), Real Estate (25%), and Materials (33%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+0.9%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 0.9% above expectations. This surprise percentage is below the 1-year average (+1.0%), below the 5-year average (+2.1%), and below the 10-year average (+1.4%). 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 (+1.7%), Communication Services (+1.6%), and Consumer Staples (+1.5%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-28.9%) sector is reporting the largest negative (aggregate difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings This Week Due to Communication Services Sector

Increase in Blended Earnings This Week Due to Communication Services Sector

The blended (year-over-year) earnings growth rate for the fourth quarter is 13.2%, which is above the earnings growth rate of 12.3% last week. Positive EPS surprises reported by companies in the Communication Services and Information Technology sectors, partially offset by negative EPS surprises reported by companies in the Industrials sectors, were the largest contributors to the increase in the overall earnings growth rate during the past week.

In the Communication Services sector, the positive EPS surprise reported by Meta Platforms ($8.02 vs. $6.76) was the largest contributor to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Communication Services sector increased to 28.5% from 20.8% over this period.

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In the Information Technology sector, the positive EPS surprises reported by Microsoft ($3.23 vs. $3.11) and Apple ($2.40 vs. $2.35) were substantial contributors to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Information Technology sector increased to 15.5% from 14.0% over this period.

In the Industrials sector, the negative EPS surprises reported by Boeing (-$5.90 vs. -$3.25) and Lockheed Martin ($2.22 vs. $6.63) were the largest detractors to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings decline for the Industrials sector increased to -12.0% from -6.4% over this period.

Increase in Blended Revenues This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the fourth quarter is 5.0%, which is above the revenue growth rate of 4.6% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Energy and Health Care sectors) were the largest contributors to the increase in the overall revenue growth rate for the index over this period.

Financials Sector Has Seen Largest Increase in Earnings since December 31

The blended (year-over-year) earnings growth rate for Q4 2024 of 13.2% is above the estimate of 11.8% at the end of the fourth quarter (December 31). Six sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to EPS estimates and positive earnings surprises, led by the Financials (to 50.7% from 39.1%) and Communication Services (to 28.5% from 20.6%) sectors. These two sectors have also been the largest contributors to the increase in earnings for the index since December 31. On the other hand, four sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises, led by the Industrials (to -12.0% from -3.8%) sector. The Industrials sector has also been the largest detractor to the increase in earnings for the index since December 31.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase ($4.81 vs. $4.09), Goldman Sachs ($11.95 vs. $8.21), Morgan Stanley ($2.22 vs. $1.70), Travelers Companies ($9.15 vs. $6.70), and Discover Financial Services ($5.11 vs. $3.61) have been significant contributors to the increase in the overall earnings growth rate for the index since December 31. As a result, the blended earnings growth rate for the Financials sector has increased to 50.7% from 39.1% over this period.

In the Communication Services sector, the positive EPS surprise reported by Meta Platforms ($8.02 vs. $6.76) has been a substantial contributor to the increase in the overall earnings growth rate for the index since December 31. As a result, the blended earnings growth rate for the Communication Services sector has increased to 28.5% from 20.6% over this period.

In the Industrials sector, the negative EPS surprises reported by Boeing (-$5.90 vs. -$3.25) and Lockheed Martin ($2.22 vs. $6.63) have been the largest detractors to the increase in the earnings growth rate since December 31. As a result, the blended earnings decline for the Industrials sector increased to -12.0% from -3.8% over this period.

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Financials Sector Has Seen Largest Increase in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2024 of 5.0% is above the estimate of 4.6% at the end of the fourth quarter (December 31). Seven sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Financials (to 6.6% from 5.4%) and Energy (to -2.1% from -3.2%) sectors. The Financials, Consumer Discretionary, Health Care, and Energy sectors have been the largest contributors to the increase in revenues for the index since December 31. On the other hand, three sectors have recorded a decrease in their revenue growth rate or an increase in their revenue decline since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Utilities (to 5.6% from 7.9%) sector. One sector (Real Estate) has recorded no change in its revenue growth rate (7.2%) since December 31.

In the Financials sector, the positive revenue surprises reported by Goldman Sachs ($13.87 billion vs. $12.36 billion), JPMorgan Chase ($42.77 billion vs. $41.90 billion) and Morgan Stanley ($16.22 billion vs. $15.02 billion) have been substantial contributors to the increase in revenues for the index since December 31. As a result, the blended revenue growth rate for the Financials sector has increased to 6.6% from 5.4% over this period.

In the Consumer Discretionary sector, the positive revenue surprise reported by General Motors ($47.70 billion vs. $44.98 billion) has been a significant contributor to the increase in revenues for the index since December 31. As a result, the blended revenue growth rate for the Consumer Discretionary sector has increased to 5.5% from 4.6% over this period.

In the Health Care sector, the positive revenue surprise reported by Cigna Group ($65.68 billion vs. $63.44 billion) has been a substantial contributor to the increase in revenues for the index since December 31. As a result, the blended revenue growth rate for the Health Care sector has increased to 8.0% from 7.5% over this period.

In the Energy sector, the positive revenue surprise reported by Chevron ($52.23 billion vs. $46.00 billion) has been a significant contributor to the increase in revenues for the index since December 31. As a result, the blended revenue decline for the Energy sector has decreased to -2.1% from -3.2% over this period.

Earnings Growth: 13.2%

The blended (year-over-year) earnings growth rate for Q4 2024 is 13.2%, 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 13.2% 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 reporting year-over-year earnings growth for Q4. Five of these seven sectors are reporting double-digit earnings growth: Financials, Communication Services, Information Technology, Consumer Discretionary, and Utilities. On the other hand, four sectors are reporting a year-over-year decline in earnings for Q4. Two of these sectors are reporting a double-digit earnings decline: Energy and Industrials.

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

The Financials sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 50.7%. At the industry level, 4 of the 5 industries in the sector are reporting year-over-year earnings growth. All four of these industries are reporting double-digit growth: Banks (216%), Capital Markets (51%), Consumer Finance (50%), and Financial Services (14%). On the other hand, the Insurance (-6%) industry is the only industry reporting a year-over-year decline in earnings.

The Banks industry is also 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 blended earnings growth rate for the Financials sector would fall to 18.8% from 50.7%.

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

The Communication Services sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 28.5%. At the industry level, all 5 industries in the sector are reporting year-over-year earnings growth: Wireless Telecommunication Services (54%), Entertainment (48%), Interactive Media & Services (34%), Media (17%), and Diversified Telecommunication Services (1%).

The Interactive Media & Services industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Communication Services sector would fall to 19.2% from 28.5%.

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

The Information Technology sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 15.5%. At the industry level, 5 of the 6 industries in the sector are reporting year-over-year earnings growth: Semiconductors & Semiconductor Equipment (36%), Electronic Equipment, Instruments, & Components (13%), Software (10%), Technology Hardware, Storage, & Peripherals (10%), and Communications Equipment (3%). On the other hand, the IT Services (-10%) industry is the only industry reporting a year-over-year decline in earnings.

The Semiconductors & Semiconductor Equipment industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Information Technology sector would fall to 7.9% from 15.5%.

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

The Consumer Discretionary sector is reporting the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 14.0%. At the industry level, 3 of the 9 industries in the sector are reporting (or are projected to report) year-over-year earnings growth. Two of these three industries are reporting (or are predicted to report) double-digit growth: Broadline Retail (49%) and Automobiles (10%). On the other hand, six industries are reporting (or are predicted to report) a year-over-year decline in earnings. Two of these six industries are expected to report a double-digit decline: Distributors (-25%) and Leisure Products (-16%).

At the company level, Amazon.com ($1.49 vs. $1.00) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the Consumer Discretionary sector would fall to 0.9% from 14.0%.

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

The Utilities sector is reporting the fifth-highest (year-over-year) earnings growth rate of all eleven sectors at 10.8%. At the industry level, all 5 industries in the sector are reporting (or are projected to report) year-over-year earnings growth: Independent Power and Renewable Energy Producers (162%), Water Utilities (28%), Multi-Utilities (23%), Gas Utilities (9%), and Electric Utilities (1%).

At the company level, Vistra Corp. ($1.39 vs. -$0.60) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the Utilities sector would fall to 5.0% from 10.8%

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Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -28.8%. 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, 3 of the 5 sub-industries in the sector are reporting a year-over-year decline in earnings: Oil & Gas Refining & Marketing (-96%), Integrated Oil & Gas (-32%), and Oil & Gas Exploration & Production (-11%). On the other hand, two sub-industries are reporting year-over-year growth in earnings: Oil & Gas Storage & Transportation (18%) and Oil & Gas Equipment & Services (3%).

Industrials: Boeing is Largest Contributor to Year-Over-Year Decline

The Industrials sector is reporting the second-highest (year-over-year) earnings decline of all eleven sectors at -12.0%. At the industry level, 5 of the 12 industries in the sector are reporting a year-over-year decline in earnings. Three of these industries are reporting a double-digit decline: Aerospace & Defense (-57%), Industrial Conglomerates (-15%), and Machinery (-13%). On the other hand, 7 of the 12 industries are reporting (or are predicted to report) year-over-year earnings growth. Three of these industries are reporting (or are expected to report) double-digit growth: Passenger Airlines (53%), Construction & Engineering (30%), and Air Freight & Logistics (11%).

At the company level, Boeing (-$5.90 vs. -$0.47) is also the largest contributor to the earnings decline for the sector. If this company were excluded, the blended (year-over-year) earnings decline for the Industrials sector would improve to -2.5% from -12.0%.

Revenue Growth: 5.0%

The blended (year-over-year) revenue growth rate for Q4 2024 is 5.0%, 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 5.0% 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 reporting year-over-year growth in revenues for Q4, led by the Information Technology sector. On the other hand, three sectors are reporting a year-over-year decline in revenues for Q4, led by the Energy sector.

Information Technology: All 6 Industries Reporting Year-Over-Year Growth

The Information Technology sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 11.4%. At the industry level, all 6 industries in the sector are reporting year-over-year revenue growth: Semiconductors & Semiconductor Equipment (24%), Software (12%), Communication Equipment (8%), Technology Hardware, Storage, & Peripherals (7%), IT Services (5%), and Electronic Equipment, Instruments, & Components (2%).

Industrials: 5 of 12 Industries Reporting Year-Over-Year Decline

The Industrials sector is reporting the second-largest (year-over-year) revenue decline of all eleven sectors at -2.7%. At the industry level, 5 of the 12 industries in the sector are reporting year-over-year decline in revenue, led by the Aerospace & Defense (-10%), Industrial Conglomerates (-9%), and Machinery (-7%) industries. On the other hand, 7 industries are reporting year-over-year revenue growth, led by the Construction & Engineering (14%) industry.

Net Profit Margin: 12.1%

The blended net profit margin for the S&P 500 for Q4 2024 is 12.1%, 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%.

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At the sector level, five sectors are reporting a year-over-year increase in their net profit margins in Q4 2024 compared to Q4 2023, led by the Financials (19.0% vs, 13.4%) sector. On the other hand, four sectors are reporting a year-over-year decrease in their net profit margins in Q4 2024 compared to Q4 2023, led by the Energy (7.5% vs. 10.4%) sector. Two sectors (Real Estate and Health Care) are reporting no year-over-year change in net profit margins.

Five sectors are reporting net profit margins in Q4 2024 that are above their 5-year averages, led by the Financials (19.0% vs. 16.6%), Information Technology (26.3% vs. 24.0%), and Communication Services (14.1% vs. 11.8%) sectors. On the other hand, six sectors are reporting net profit margins in Q4 2024 that are below their 5-year averages, led by the Materials (8.9% vs. 11.1%), Health Care (7.4% vs. 9.6%), and Energy (7.6% vs. 9.4%) sectors.

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Forward Estimates & Valuation

Guidance: Negative Guidance Percentage for Q1 is Below 5-Year and 10-Year Averages

At this point in time, 25 companies in the index have issued EPS guidance for Q1 2025. Of these 25 companies, 12 have issued negative EPS guidance and 13 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q1 2025 is 48% (12 out of 25), which is below the 5-year average of 58% and below the 10-year average of 62%.

At this point in time, 264 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 264 companies, 137 have issued negative EPS guidance and 127 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 52% (137 out of 264).

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 14% for CY 2025

For the fourth quarter, S&P 500 companies are reporting year-over-year growth in earnings of 13.2% and year-over-year growth in revenues of 5.0%. For CY 2024, S&P 500 companies are reporting year-over-year growth in earnings of 9.4% and year-over-year growth in revenues of 5.1%.

For Q1 2025, analysts are projecting earnings growth of 10.1% and revenue growth of 4.8%.

For Q2 2025, analysts are projecting earnings growth of 10.9% and revenue growth of 4.8%.

For Q3 2025, analysts are projecting earnings growth of 14.9% and revenue growth of 5.5%.

For Q4 2025, analysts are projecting earnings growth of 16.1% and revenue growth of 6.4%.

For CY 2025, analysts are projecting earnings growth of 14.3% and revenue growth of 5.7%.

For CY 2026, analysts are projecting earnings growth of 13.7% and revenue growth of 6.4%.

Valuation: Forward P/E Ratio is 22.0, Above the 10-Year Average (18.2)

The forward 12-month P/E ratio for the S&P 500 is 22.0. This P/E ratio is above the 5-year average of 19.8 and above the 10-year average of 18.2. It is also above the forward 12-month P/E ratio of 21.5 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 3.2%, while the forward 12-month EPS estimate has increased by 0.9%. At the sector level, the Consumer Discretionary (29.6) and Information Technology (28.0) sectors have the highest forward 12-month P/E ratios, while the Energy (14.3) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 28.3, which is above the 5-year average of 24.2 and above the 10-year average of 22.1.

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

The bottom-up target price for the S&P 500 is 6822.85, which is 12.4% above the closing price of 6071.17. At the sector level, the Information Technology (+18.7%) 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 (+2.7%) 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 12,387 ratings on stocks in the S&P 500. Of these 12,387 ratings, 54.7% are Buy ratings, 39.4% are Hold ratings, and 5.9% are Sell ratings. At the sector level, the Communication Services (63%), Energy (63%), and Information Technology (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (40%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 131

During the upcoming week, 131 S&P 500 companies (including 5 Dow 30 components) are scheduled to report results for the fourth quarter.

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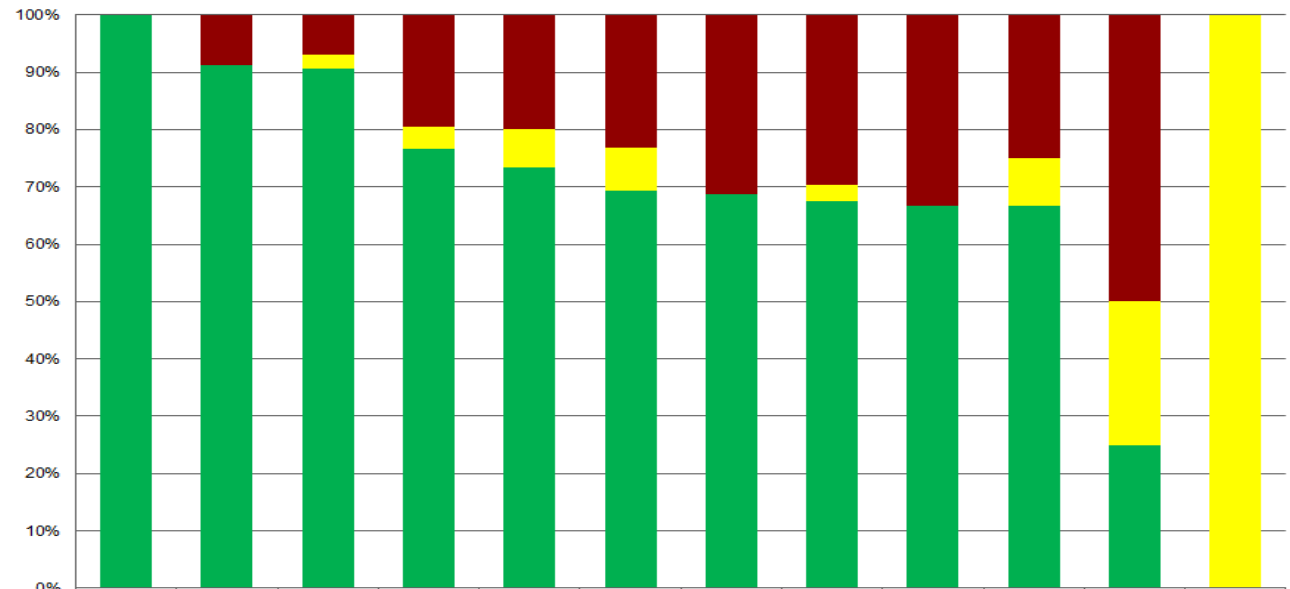
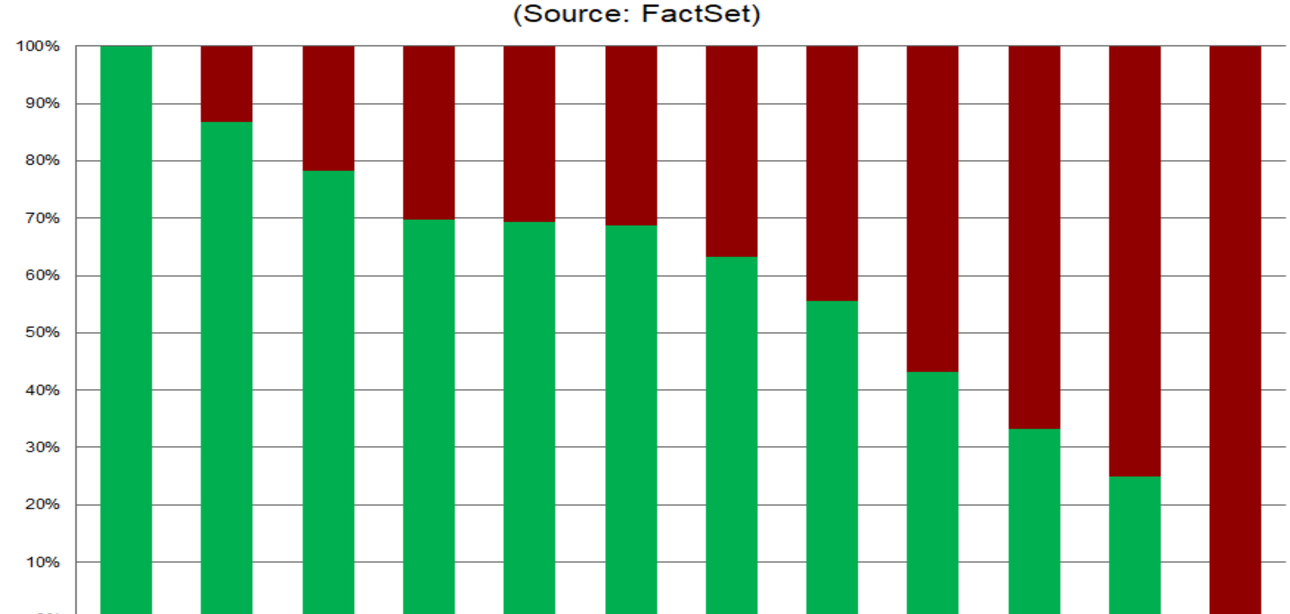
Q4 2024: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q4 2024
(Source: FactSet)



	Comm. Services	Info. Technology	Financials	S&P 500	Health Care	Consumer Staples	Consumer Disc.	Industrials	Energy	Materials	Real Estate	Utilities
Below	0%	9%	7%	19%	20%	23%	31%	30%	33%	25%	50%	0%
In-Line	0%	0%	2%	4%	7%	8%	0%	3%	0%	8%	25%	100%
Above	100%	91%	91%	77%	73%	69%	69%	68%	67%	67%	25%	0%

S&P 500 Revenues Above, In-Line, Below Estimates: Q4 2024
(Source: FactSet)



	Comm. Services	Health Care	Info. Technology	Financials	Consumer Staples	Consumer Disc.	S&P 500	Energy	Industrials	Materials	Real Estate	Utilities
Below	0%	13%	22%	30%	31%	31%	37%	44%	57%	67%	75%	100%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	87%	78%	70%	69%	69%	63%	56%	43%	33%	25%	0%

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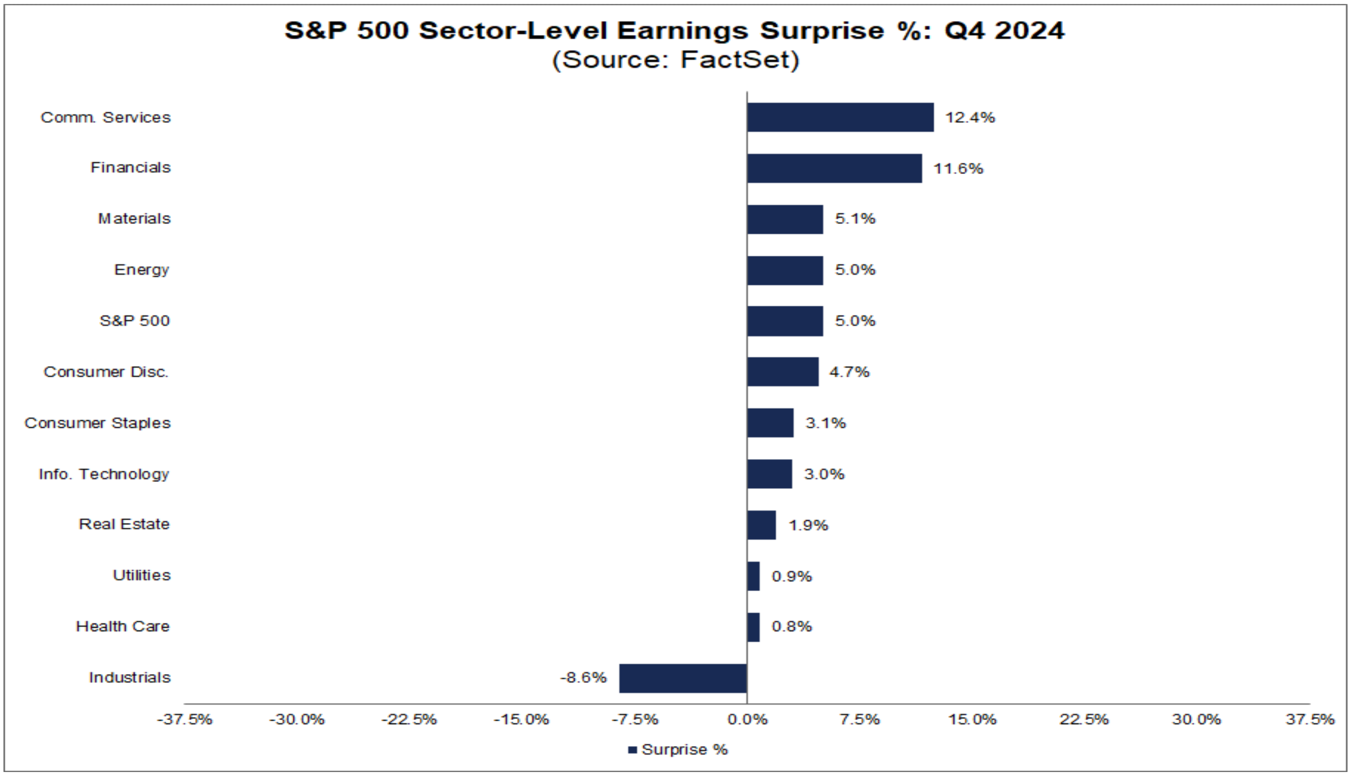
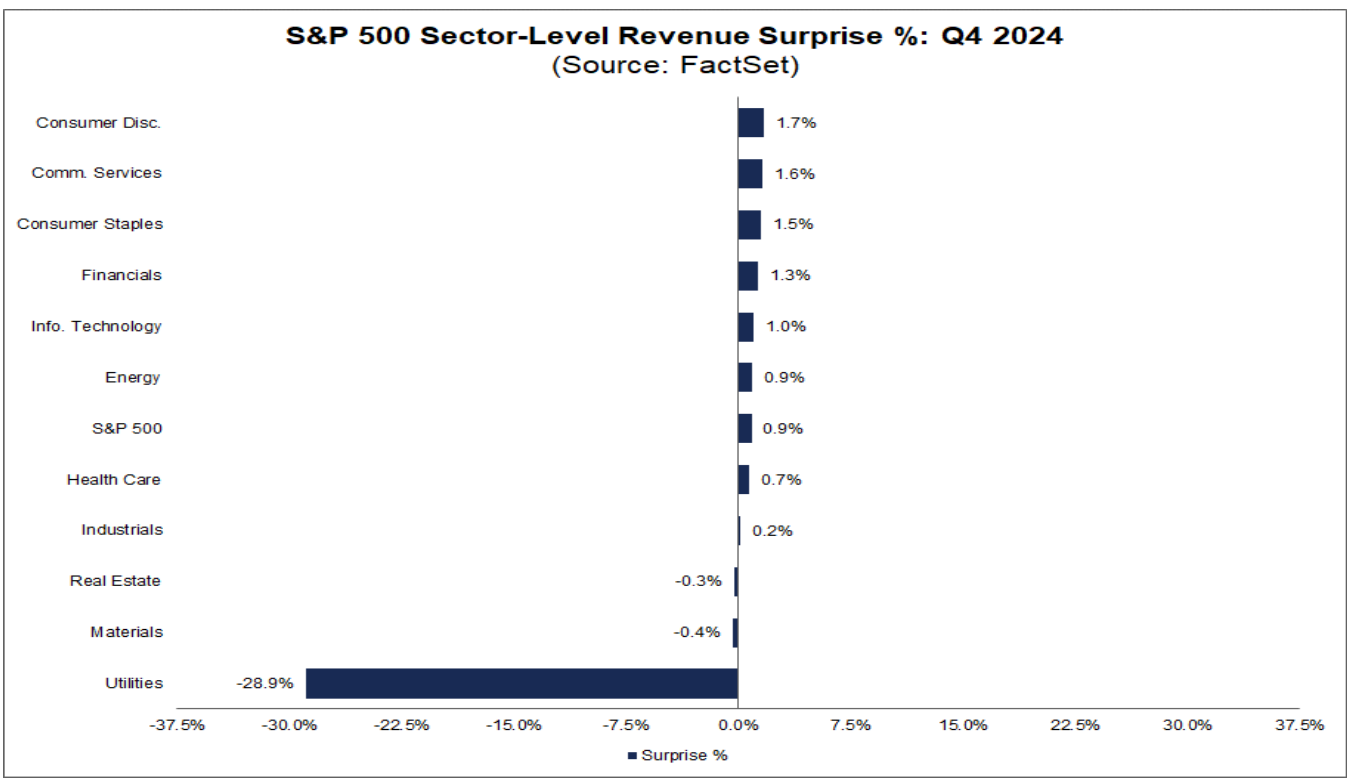
Q4 2024: Surprise





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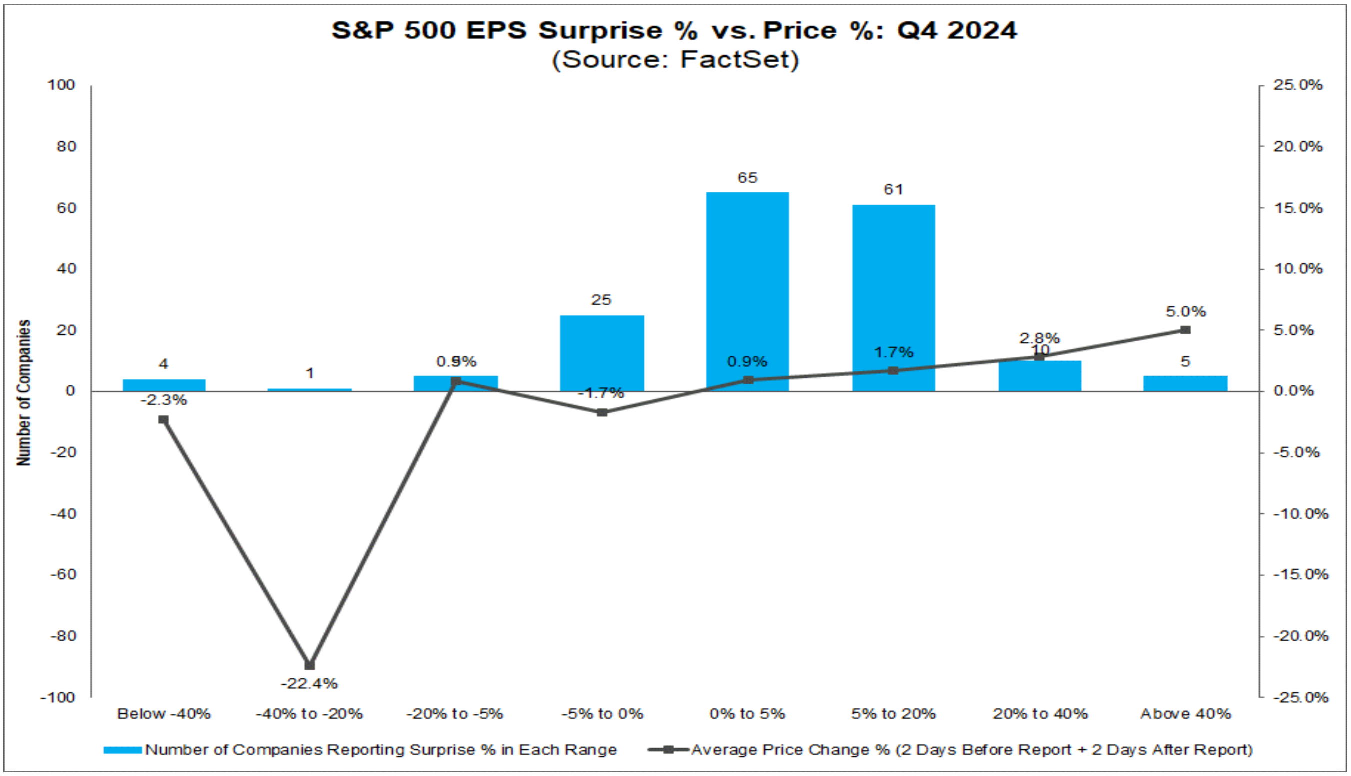
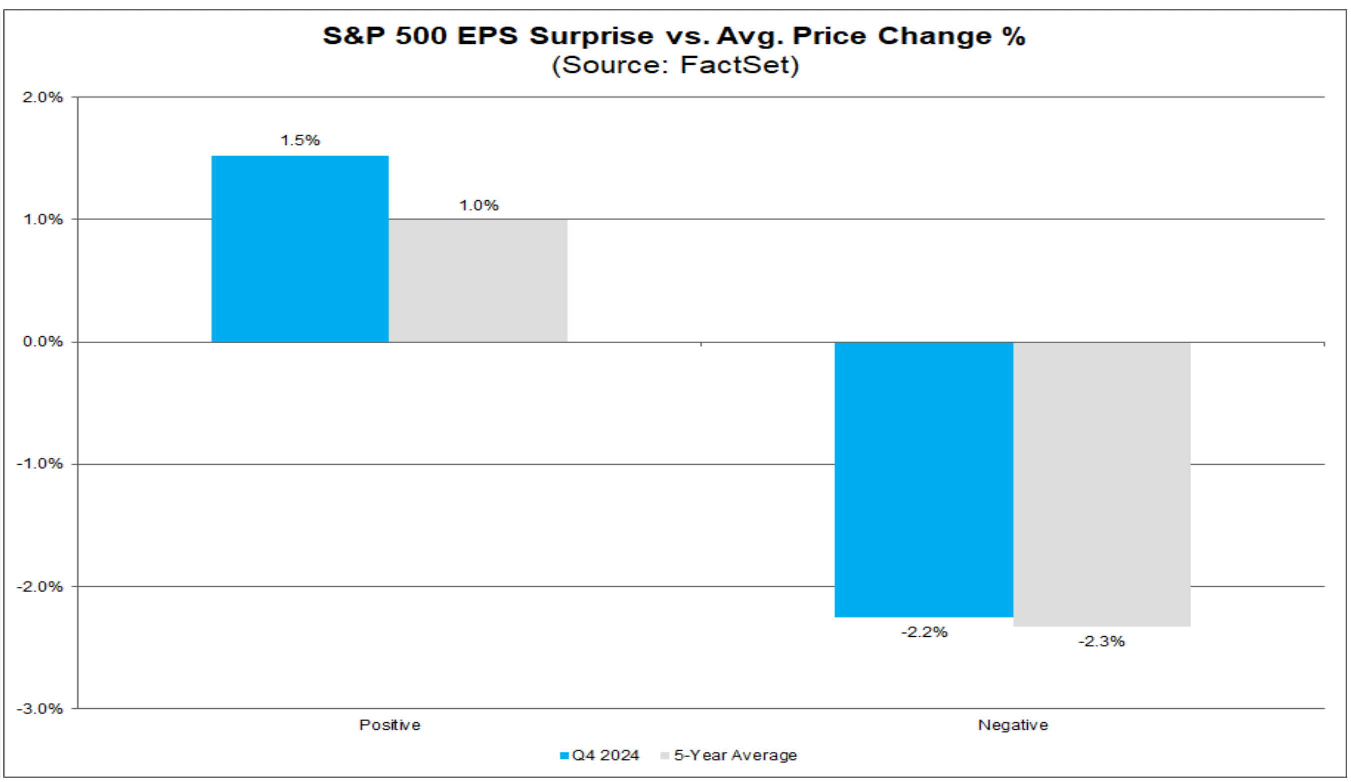
Q4 2024: Surprise





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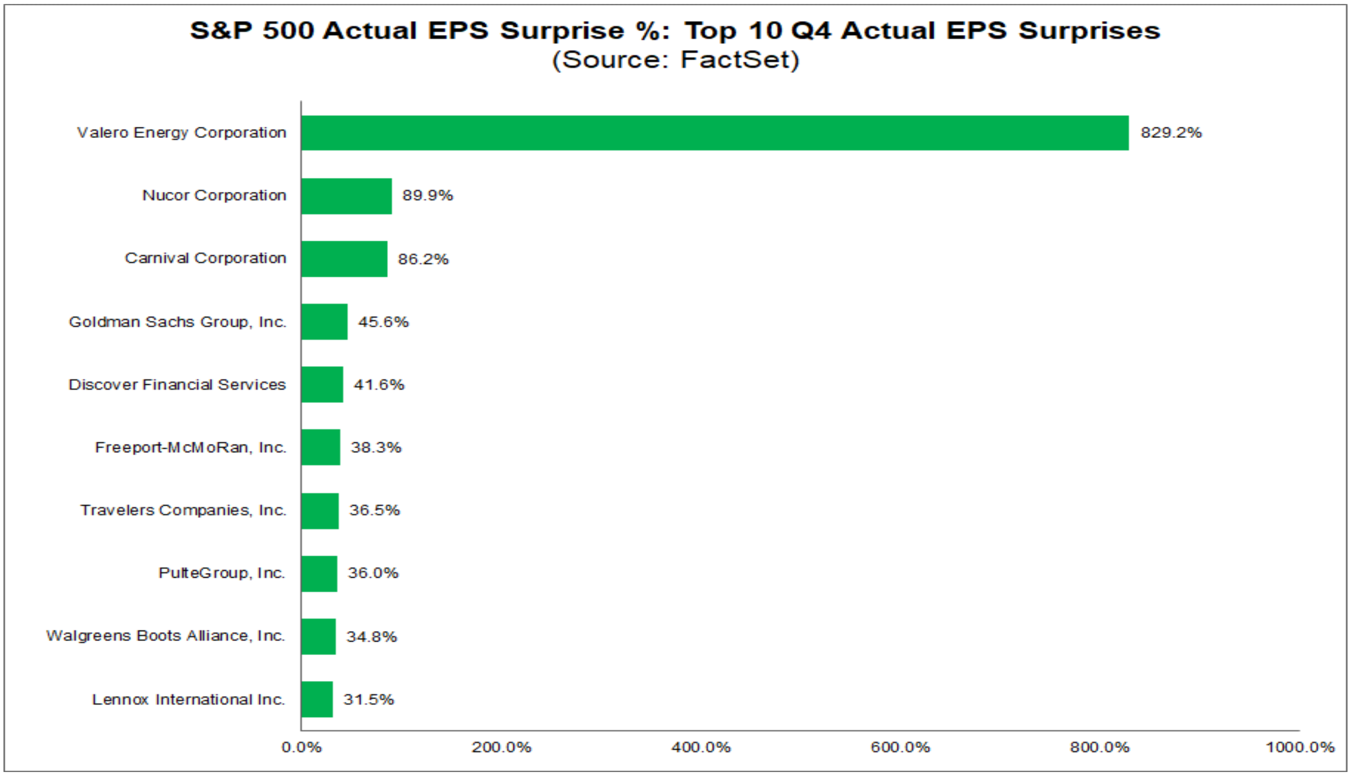
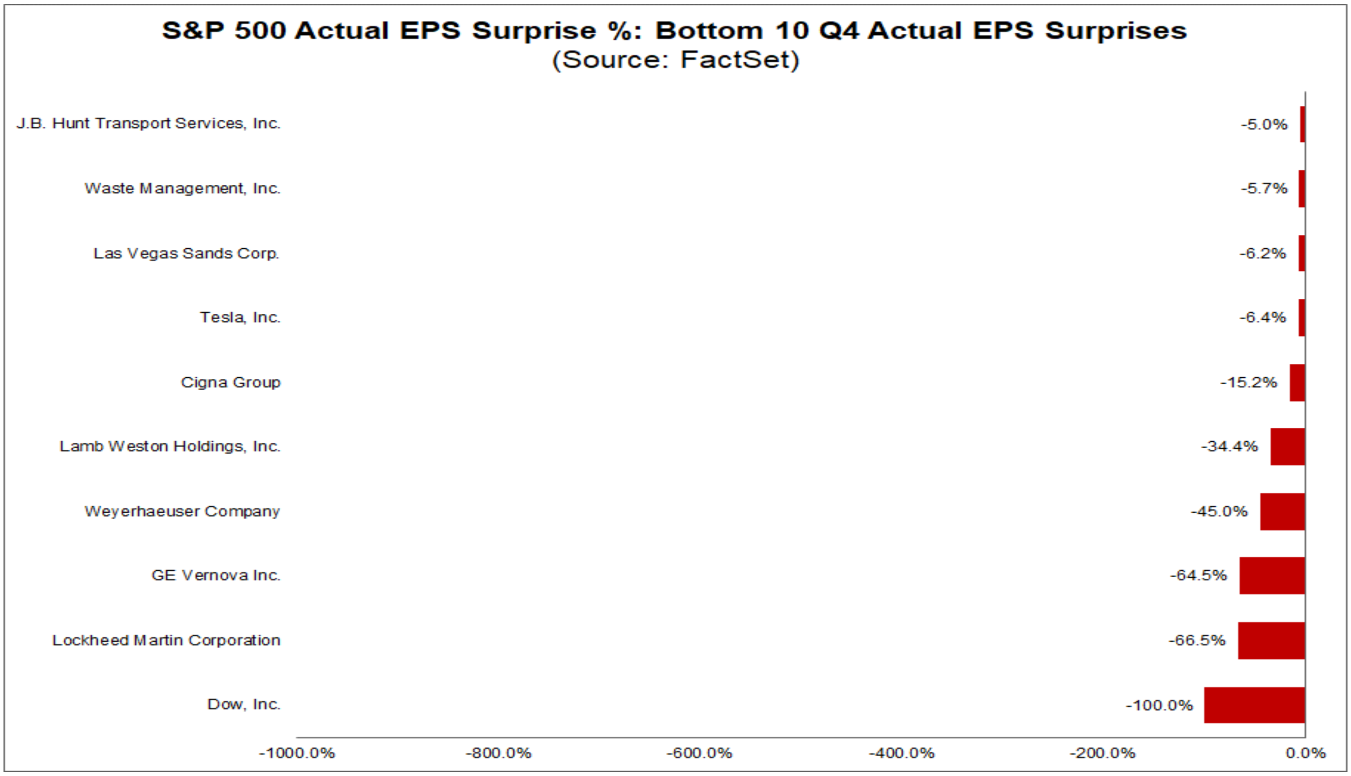
Q4 2024: Surprise





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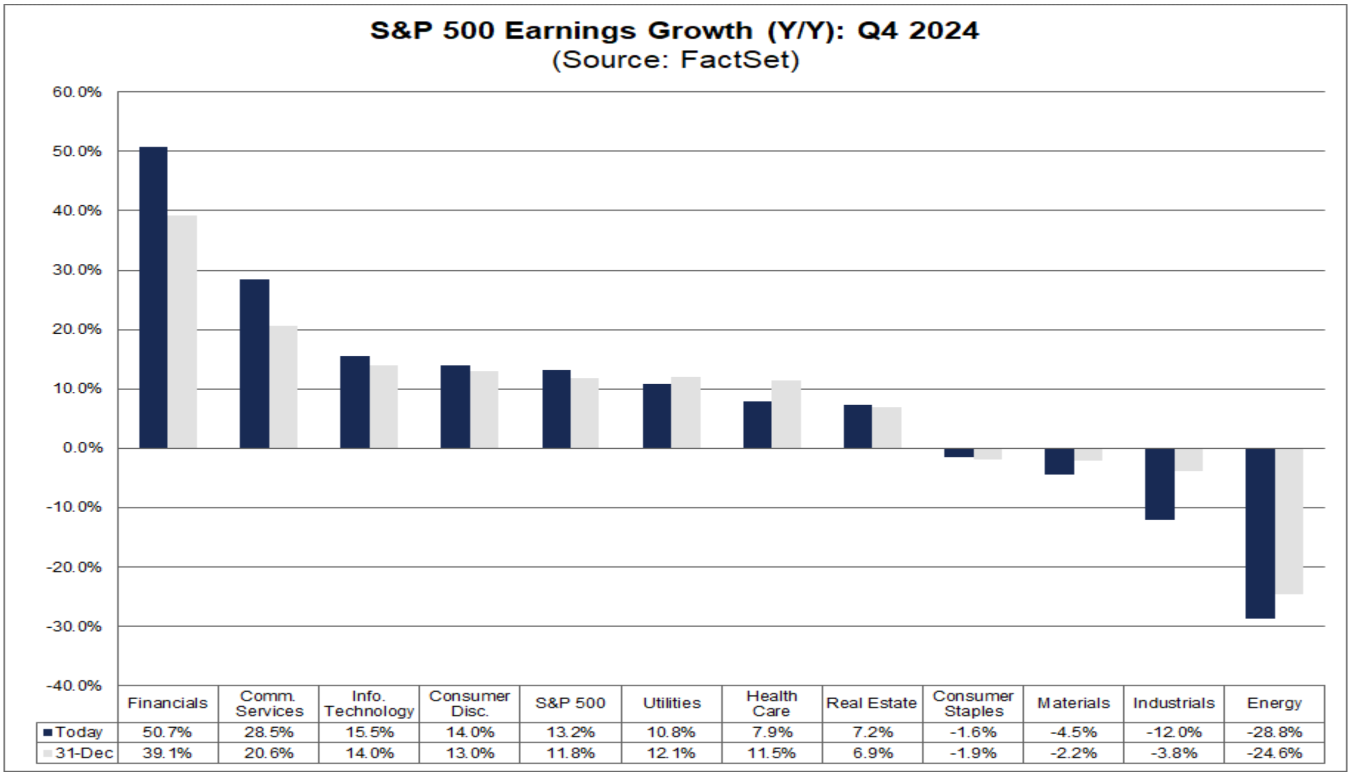
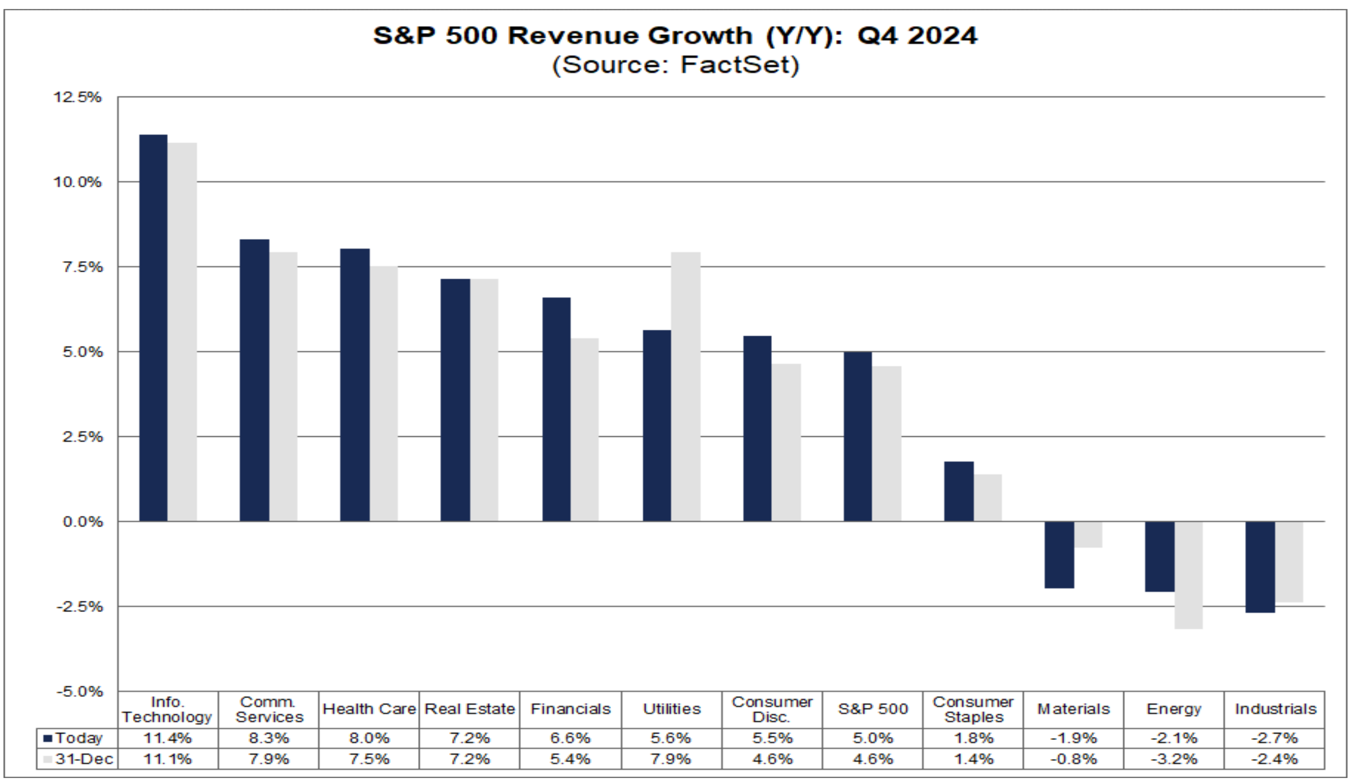
Q4 2024: Growth



	Financials	Comm. Services	Info. Technology	Consumer Disc.	S&P 500	Utilities	Health Care	Real Estate	Consumer Staples	Materials	Industrials	Energy
Today	50.7%	28.5%	15.5%	14.0%	13.2%	10.8%	7.9%	7.2%	-1.6%	-4.5%	-12.0%	-28.8%
31-Dec	39.1%	20.6%	14.0%	13.0%	11.8%	12.1%	11.5%	6.9%	-1.9%	-2.2%	-3.8%	-24.6%



	Info. Technology	Comm. Services	Health Care	Real Estate	Financials	Utilities	Consumer Disc.	S&P 500	Consumer Staples	Materials	Energy	Industrials
Today	11.4%	8.3%	8.0%	7.2%	6.6%	5.6%	5.5%	5.0%	1.8%	-1.9%	-2.1%	-2.7%
31-Dec	11.1%	7.9%	7.5%	7.2%	5.4%	7.9%	4.6%	4.6%	1.4%	-0.8%	-3.2%	-2.4%

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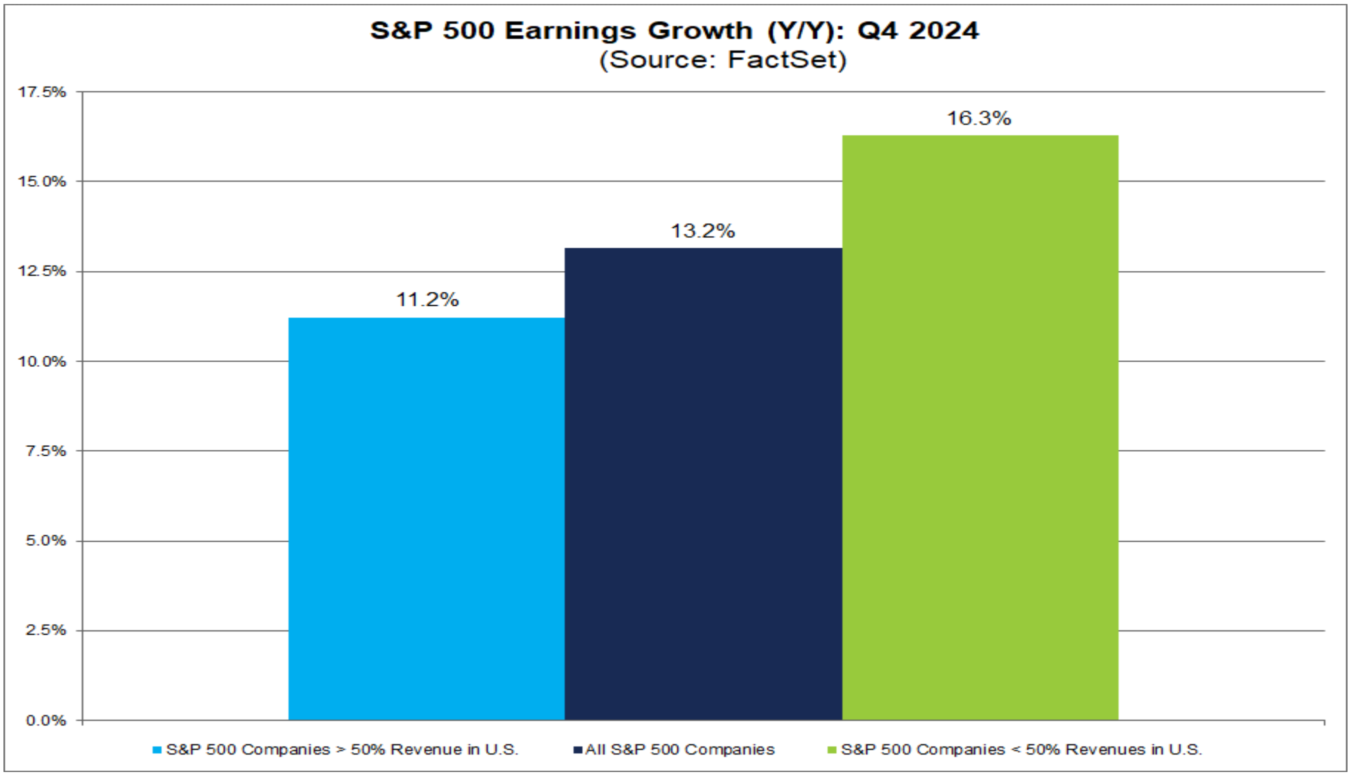
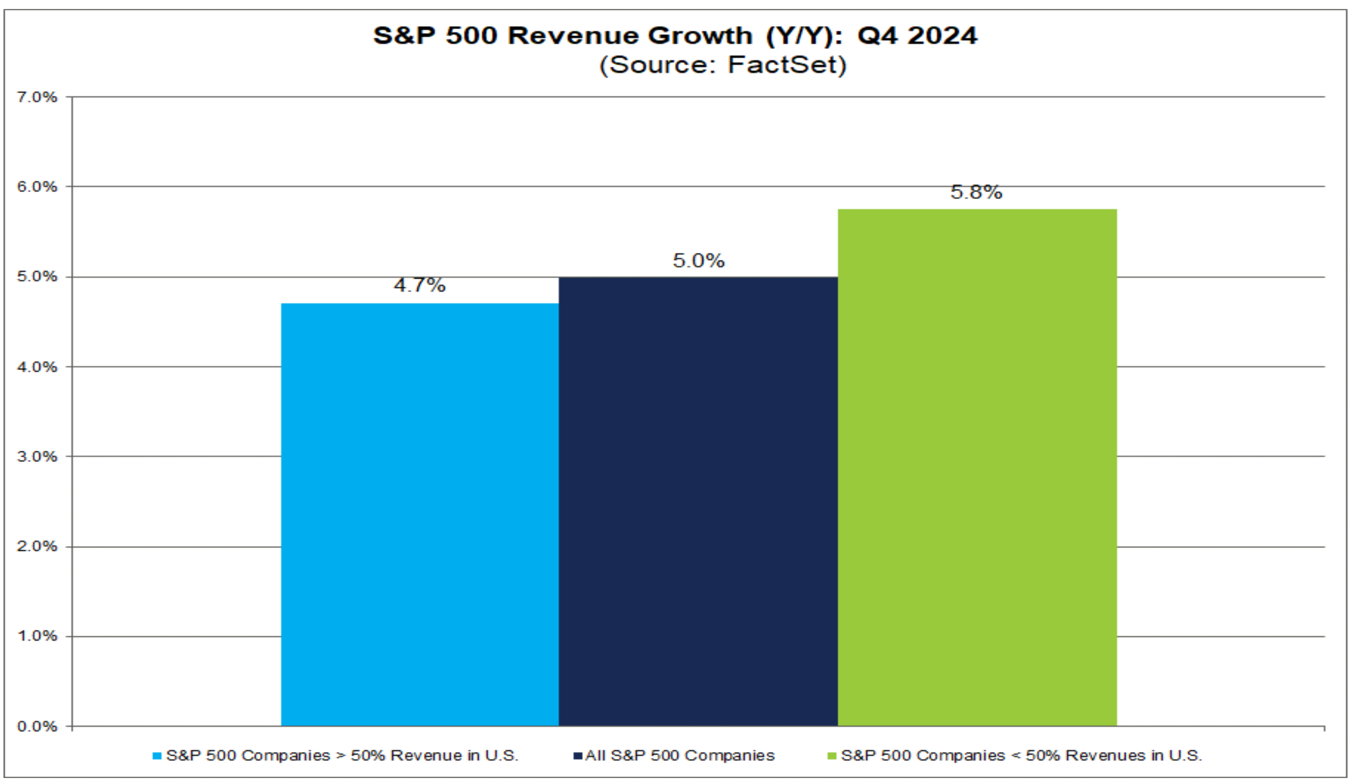
Q4 2024: Growth





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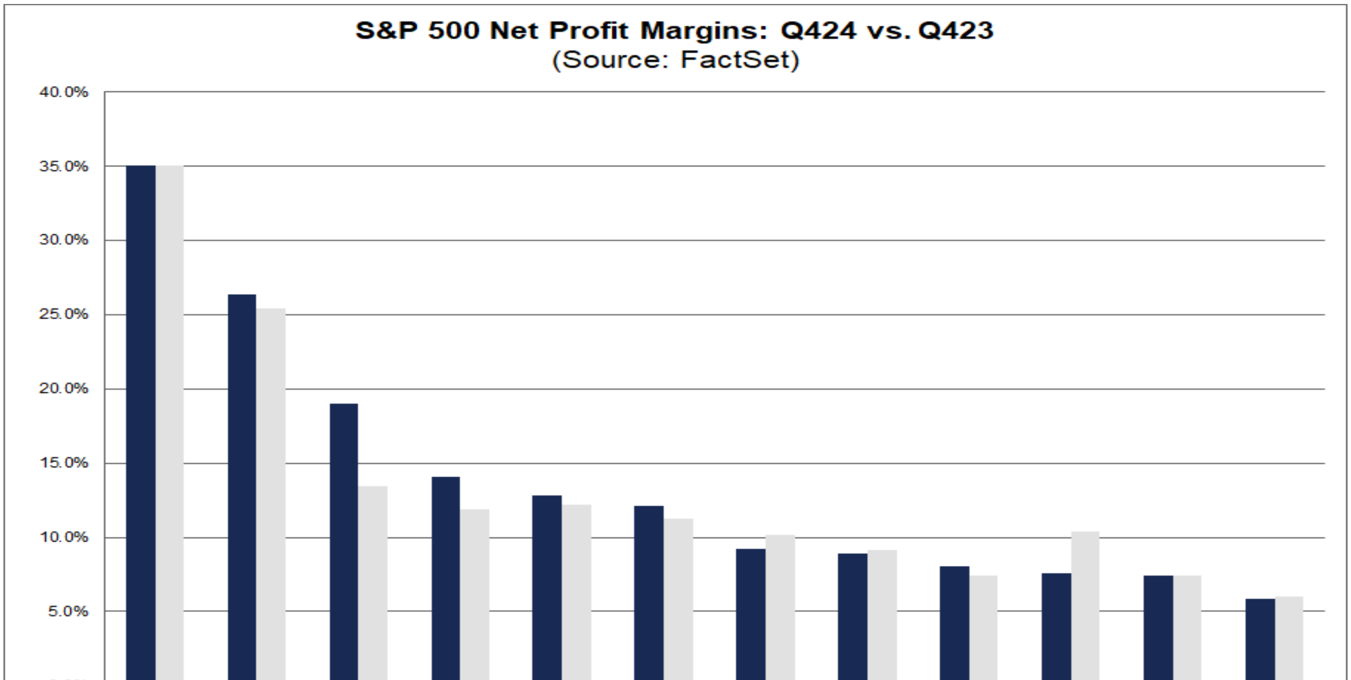
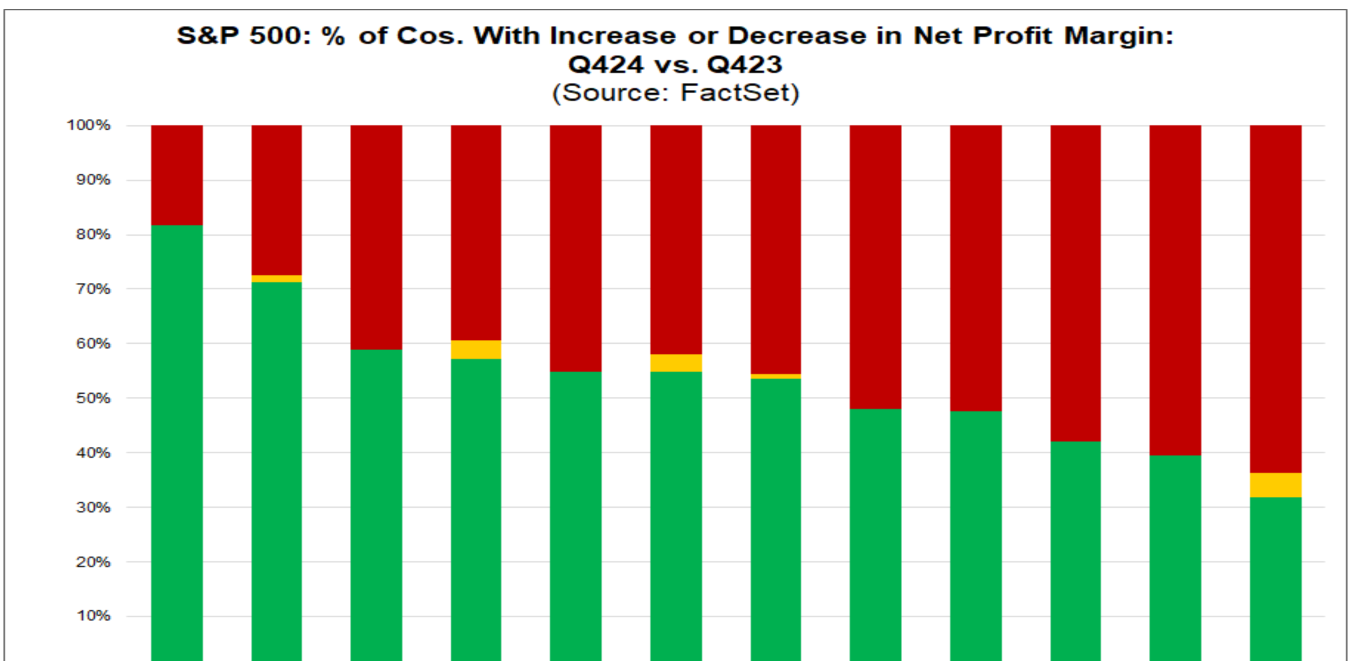
Q4 2024: Net Profit Margin



	Real Estate	Information Tech.	Financials	Comm. Services	Utilities	S&P 500	Industrials	Materials	Consumer Disc.	Energy	Health Care	Consumer Staples
Q424	35.0%	26.3%	19.0%	14.1%	12.8%	12.1%	9.2%	8.9%	8.0%	7.6%	7.4%	5.8%
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	Consumer Disc.	Health Care	Information Tech.	Consumer Staples	Energy
Down %	18%	27%	41%	39%	45%	42%	46%	52%	52%	58%	61%	64%
None %	0%	1%	0%	4%	0%	3%	1%	0%	0%	0%	0%	5%
Up %	82%	71%	59%	57%	55%	55%	54%	48%	48%	42%	39%	32%

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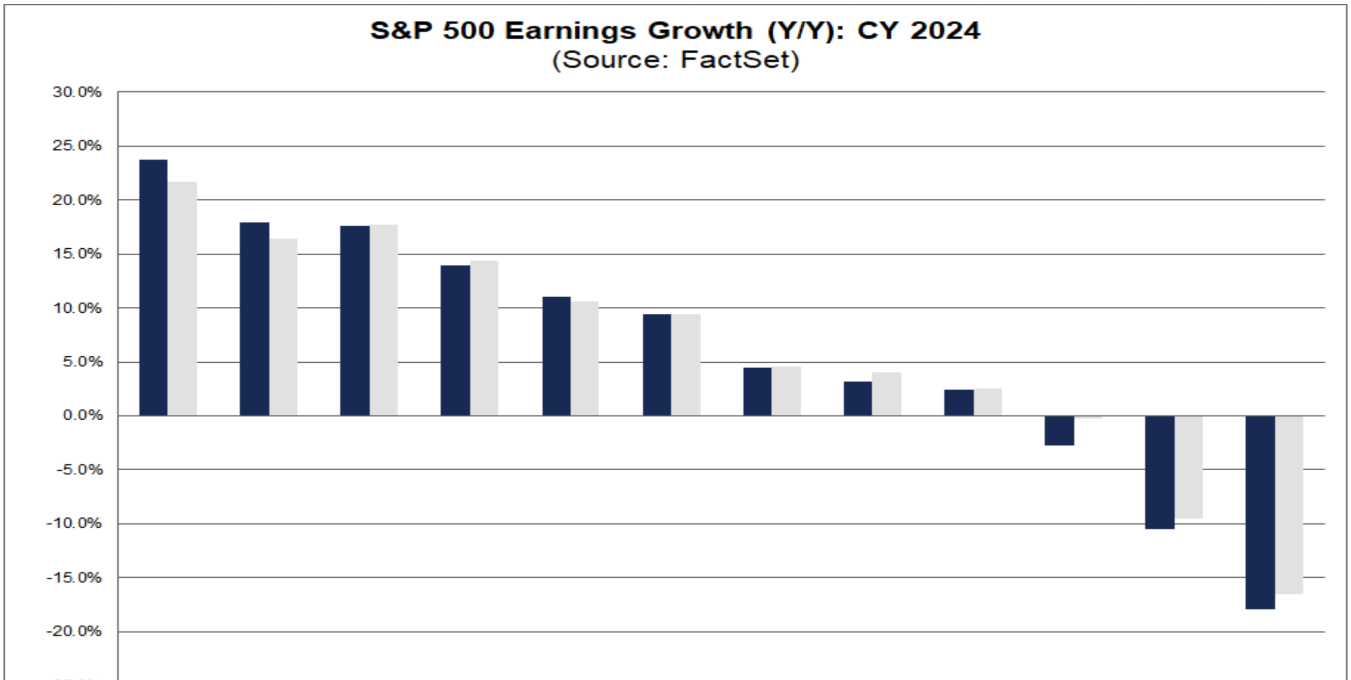
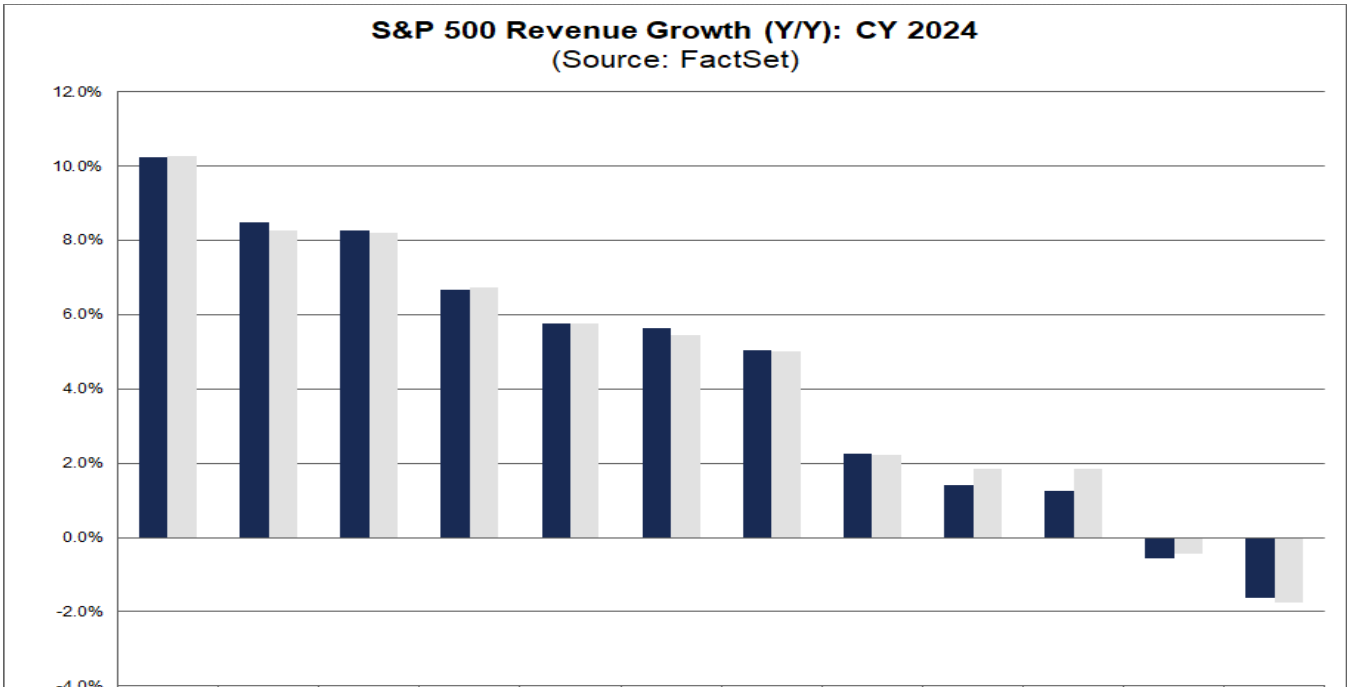
CY 2024: Growth



	Comm. Services	Financials	Info. Technology	Consumer Disc.	Utilities	S&P 500	Real Estate	Health Care	Consumer Staples	Industrials	Materials	Energy
Today	23.8%	17.9%	17.6%	13.9%	11.0%	9.4%	4.5%	3.2%	2.4%	-2.7%	-10.5%	-17.9%
31-Dec	21.7%	16.4%	17.7%	14.3%	10.6%	9.4%	4.6%	4.0%	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	10.2%	8.5%	8.3%	6.7%	5.8%	5.6%	5.1%	2.2%	1.4%	1.2%	-0.6%	-1.6%
31-Dec	10.3%	8.3%	8.2%	6.7%	5.8%	5.5%	5.0%	2.2%	1.8%	1.8%	-0.4%	-1.7%

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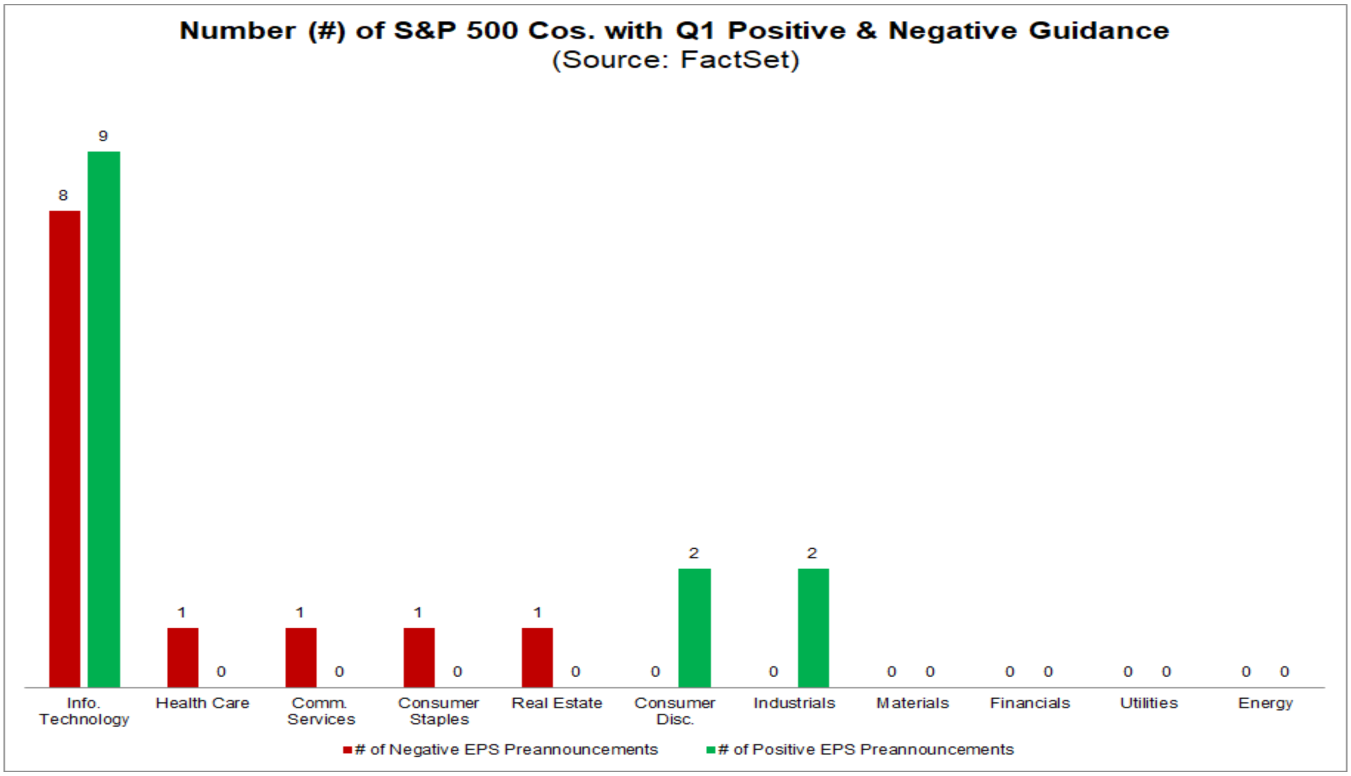
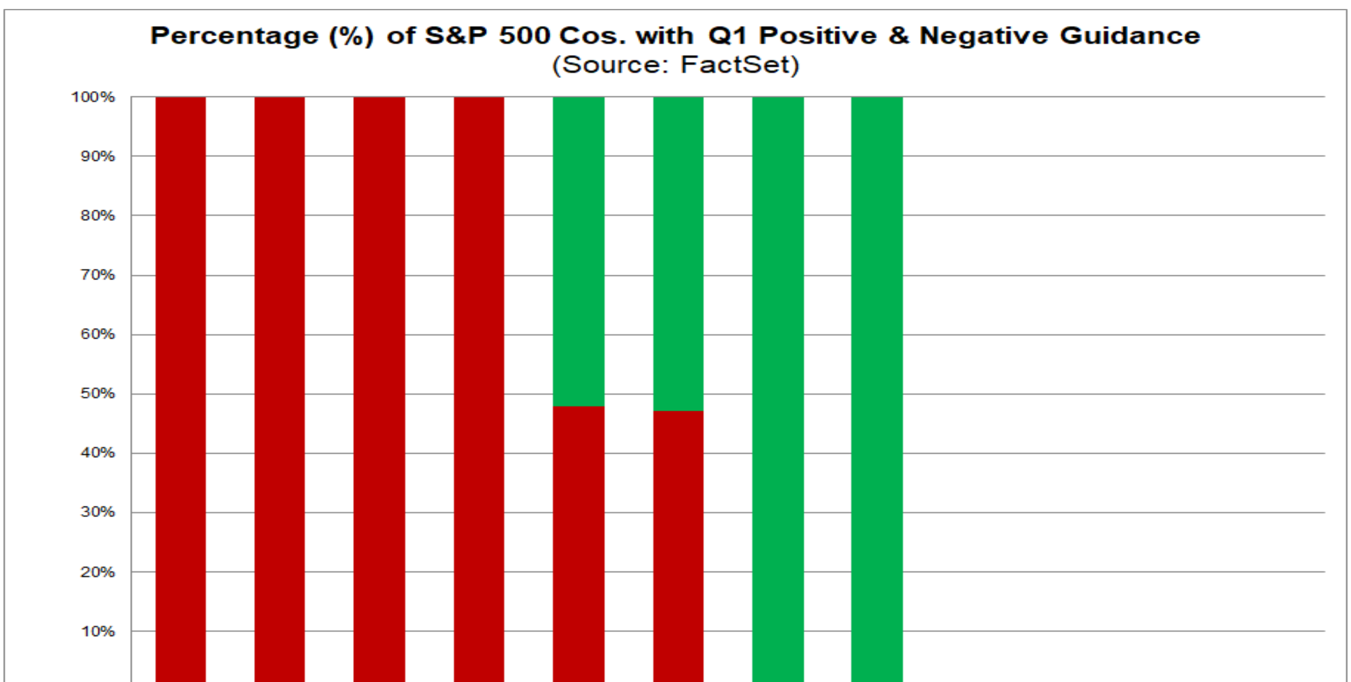
Q1 2025: Guidance





	Health Care	Comm. Services	Consumer Staples	Real Estate	S&P 500	Info. Technology	Consumer Disc.	Industrials	Financials	Utilities	Materials	Energy
Positive	0%	0%	0%	0%	52%	53%	100%	100%	0%	0%	0%	0%
Negative	100%	100%	100%	100%	48%	47%	0%	0%	0%	0%	0%	0%

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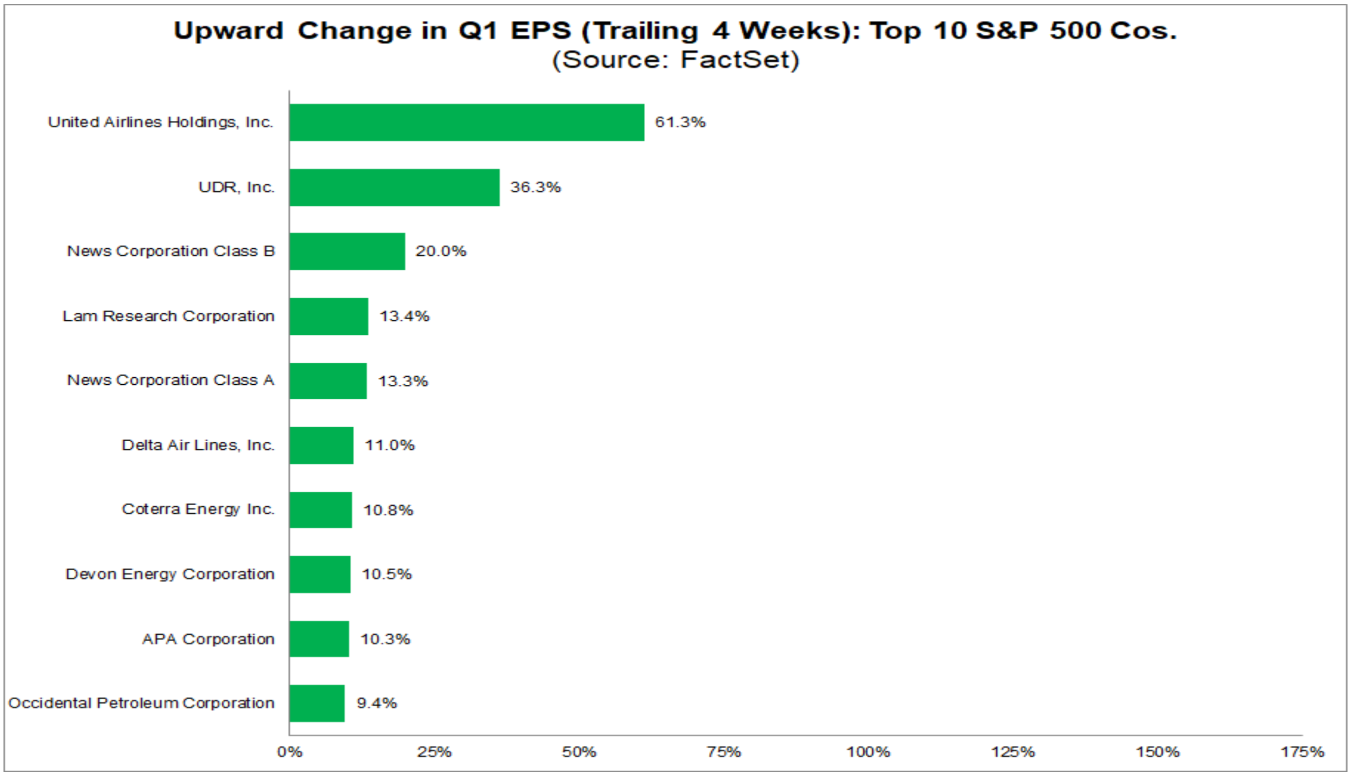
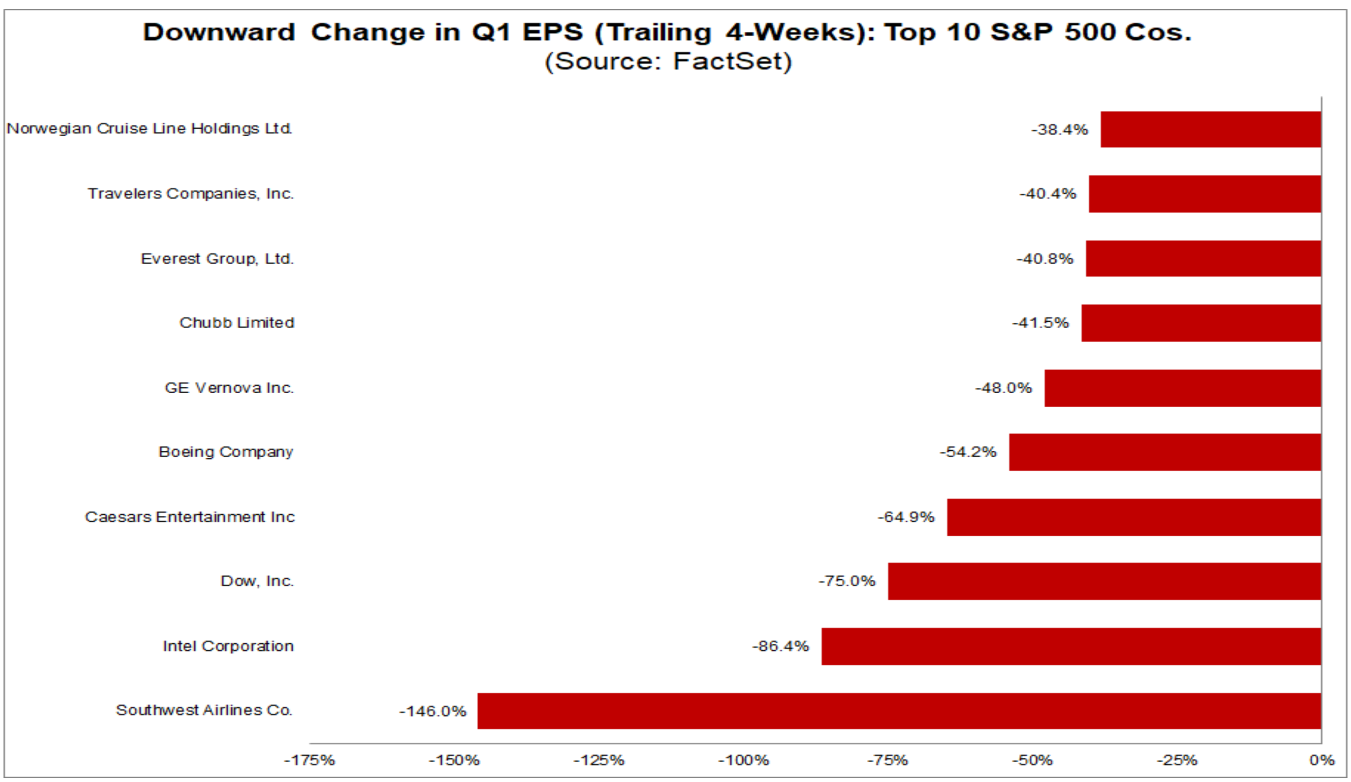
Q1 2025: EPS Revisions





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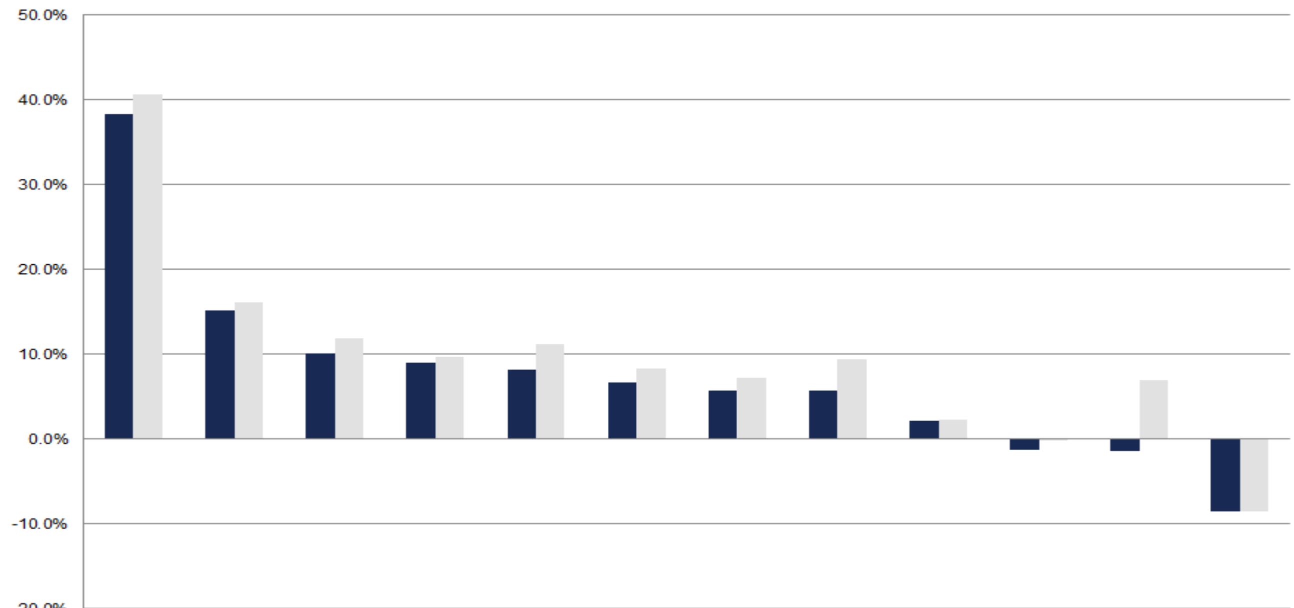
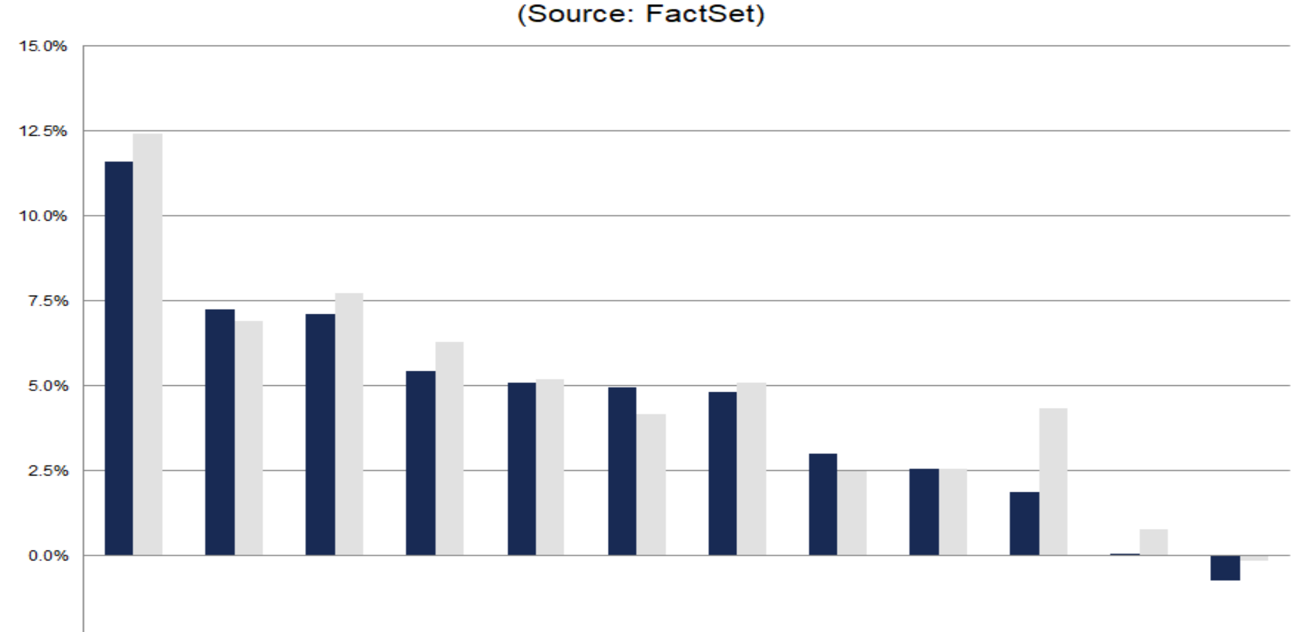
Q1 2025: Growth

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



	Health Care	Info. Technology	S&P 500	Utilities	Consumer Disc.	Comm. Services	Financials	Industrials	Real Estate	Consumer Staples	Materials	Energy
Today	38.3%	15.2%	10.1%	9.0%	8.1%	6.7%	5.8%	5.8%	2.2%	-1.2%	-1.4%	-8.5%
31-Dec	40.6%	16.2%	11.9%	9.8%	11.2%	8.3%	7.2%	9.4%	2.2%	-0.1%	7.0%	-8.5%

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



	Info. Technology	Health Care	Comm. Services	Consumer Disc.	Real Estate	Utilities	S&P 500	Financials	Consumer Staples	Materials	Industrials	Energy
Today	11.6%	7.3%	7.1%	5.4%	5.1%	4.9%	4.8%	3.0%	2.6%	1.9%	0.1%	-0.7%
31-Dec	12.4%	6.9%	7.7%	6.3%	5.2%	4.2%	5.1%	2.5%	2.6%	4.3%	0.8%	-0.1%

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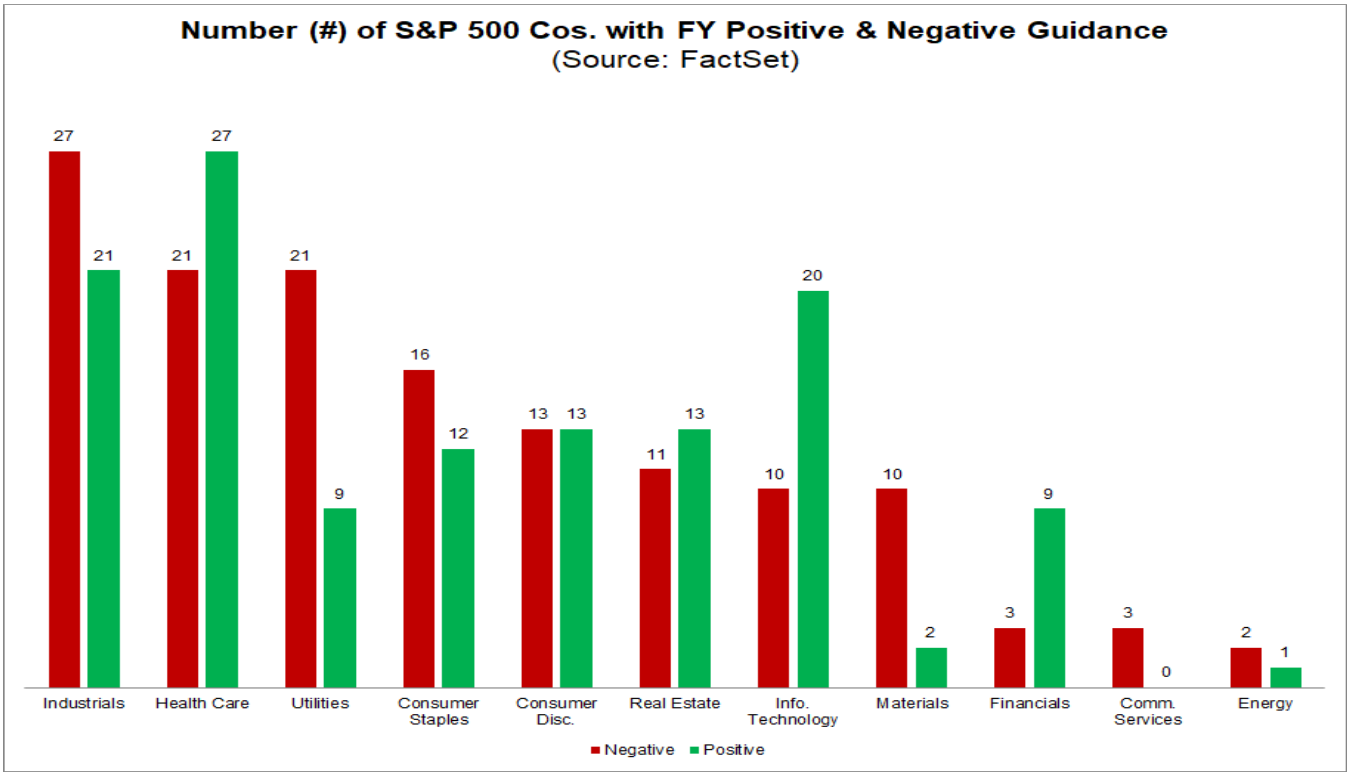
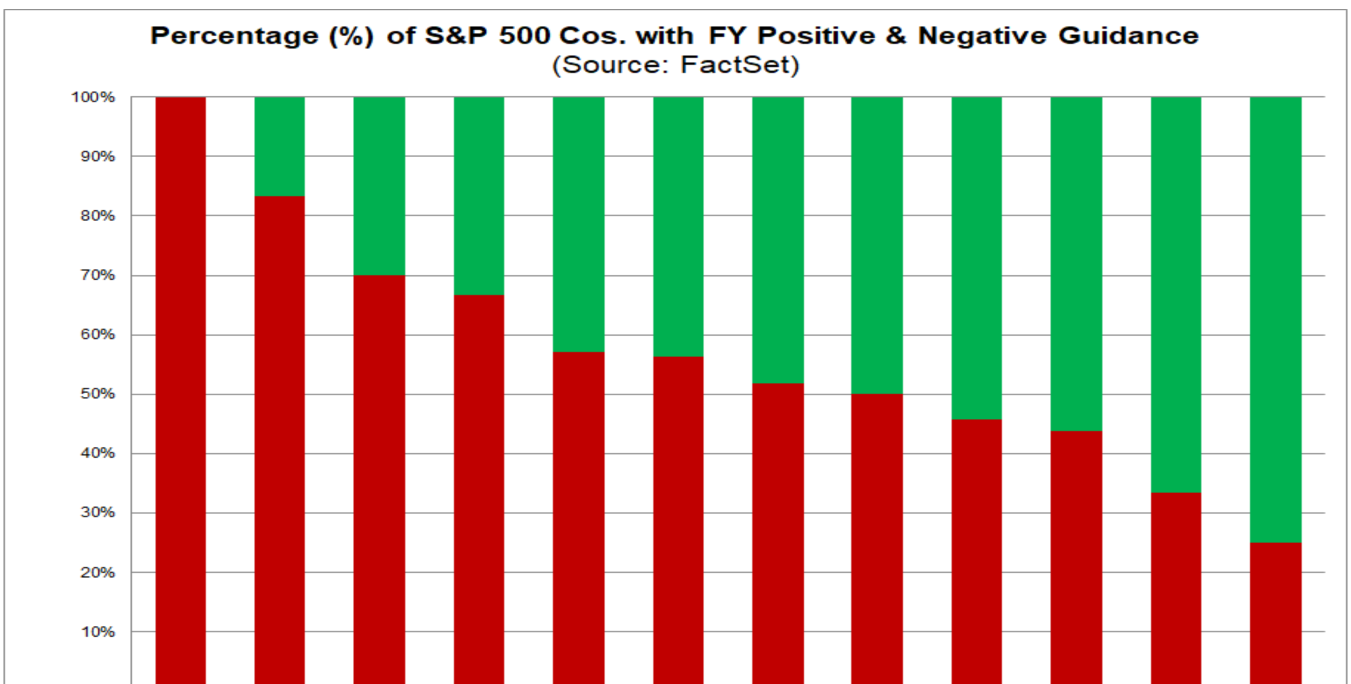
FY 2024 / 2025: EPS Guidance





	Comm. Services	Materials	Utilities	Energy	Consumer Staples	Industrials	S&P 500	Consumer Disc.	Real Estate	Health Care	Info. Technology	Financials
Positive	0%	17%	30%	33%	43%	44%	48%	50%	54%	56%	67%	75%
Negative	100%	83%	70%	67%	57%	56%	52%	50%	46%	44%	33%	25%

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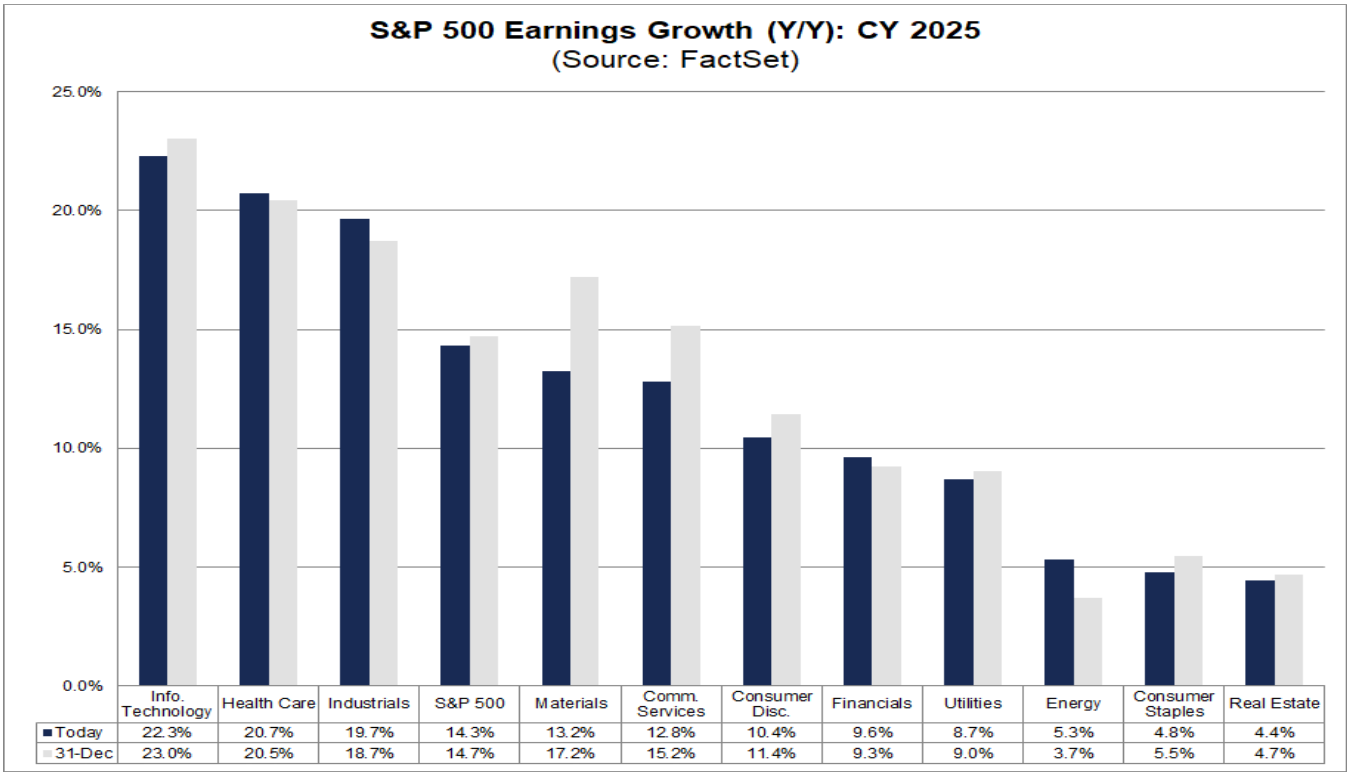
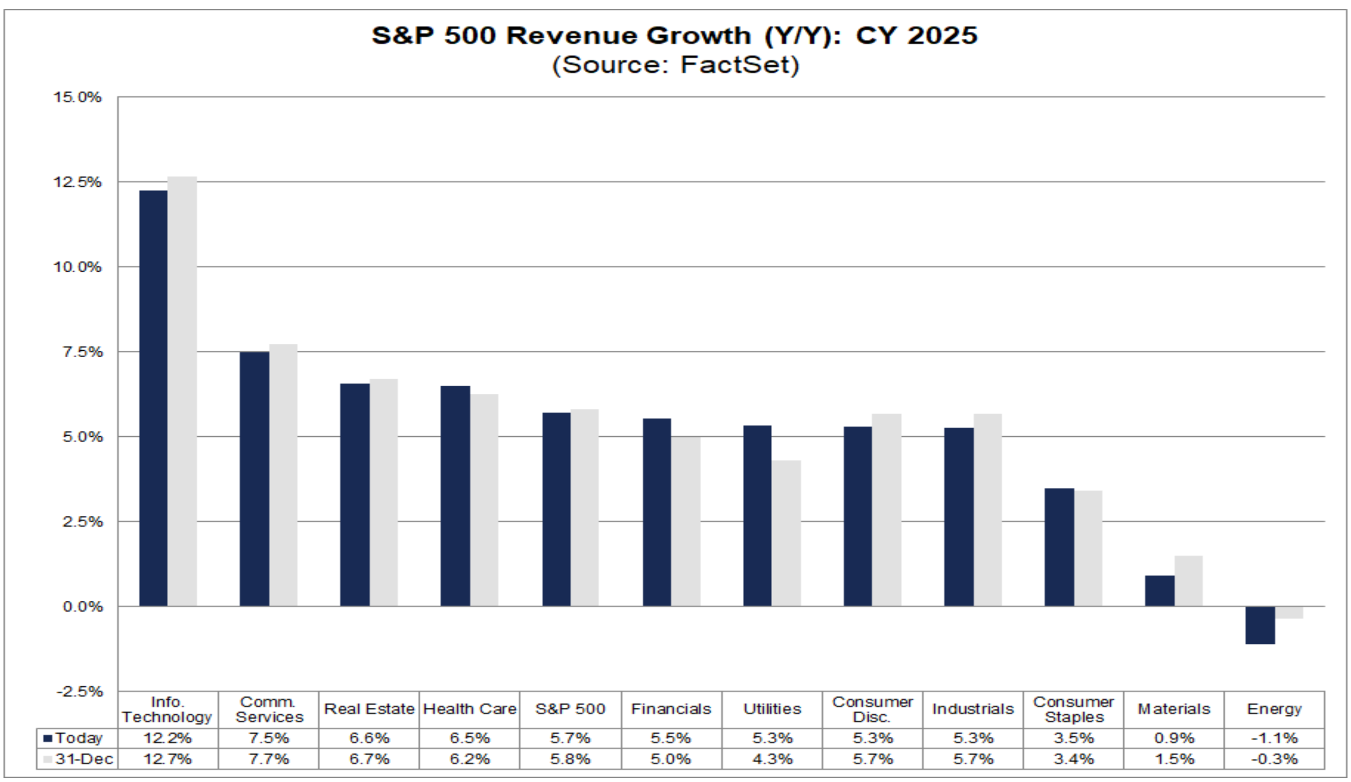
CY 2025: Growth



	Info. Technology	Health Care	Industrials	S&P 500	Materials	Comm. Services	Consumer Disc.	Financials	Utilities	Energy	Consumer Staples	Real Estate
Today	22.3%	20.7%	19.7%	14.3%	13.2%	12.8%	10.4%	9.6%	8.7%	5.3%	4.8%	4.4%
31-Dec	23.0%	20.5%	18.7%	14.7%	17.2%	15.2%	11.4%	9.3%	9.0%	3.7%	5.5%	4.7%



	Info. Technology	Comm. Services	Real Estate	Health Care	S&P 500	Financials	Utilities	Consumer Disc.	Industrials	Consumer Staples	Materials	Energy
Today	12.2%	7.5%	6.6%	6.5%	5.7%	5.5%	5.3%	5.3%	5.3%	3.5%	0.9%	-1.1%
31-Dec	12.7%	7.7%	6.7%	6.2%	5.8%	5.0%	4.3%	5.7%	5.7%	3.4%	1.5%	-0.3%

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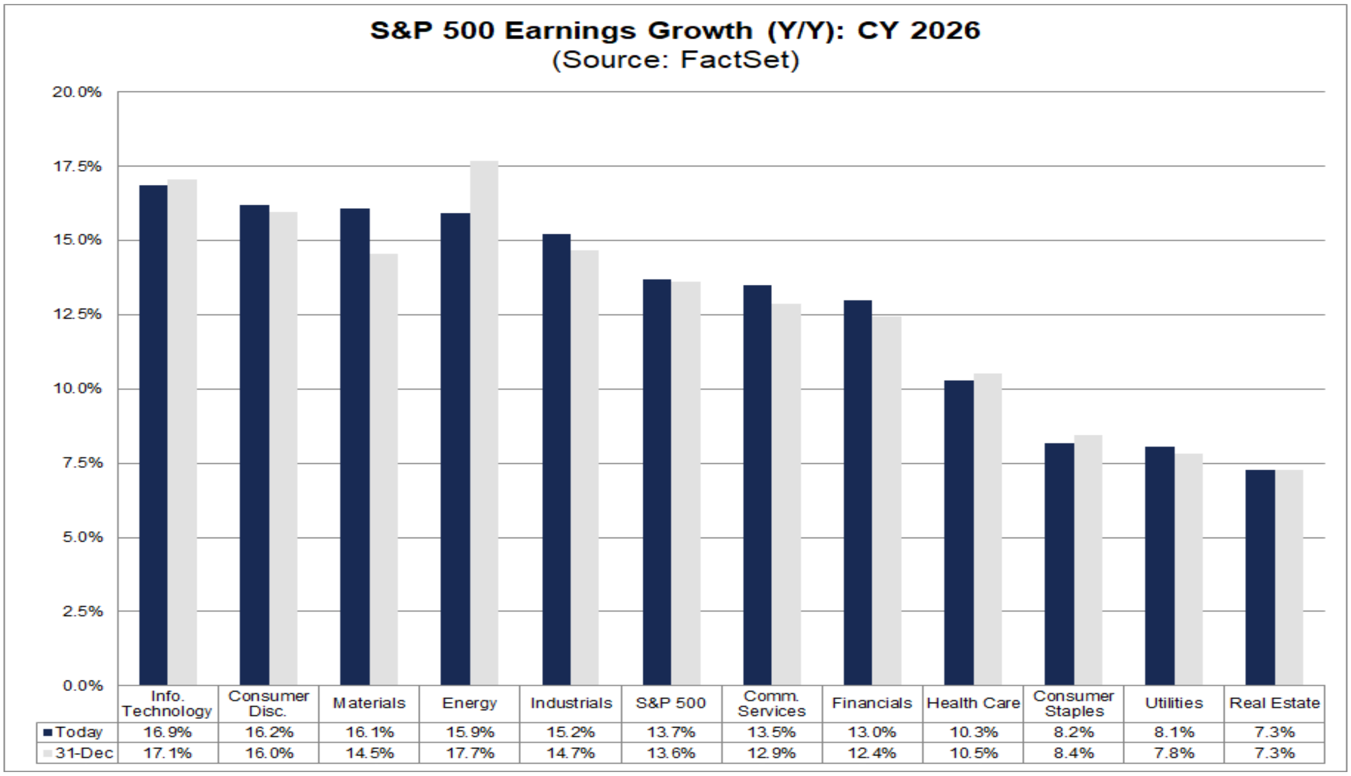
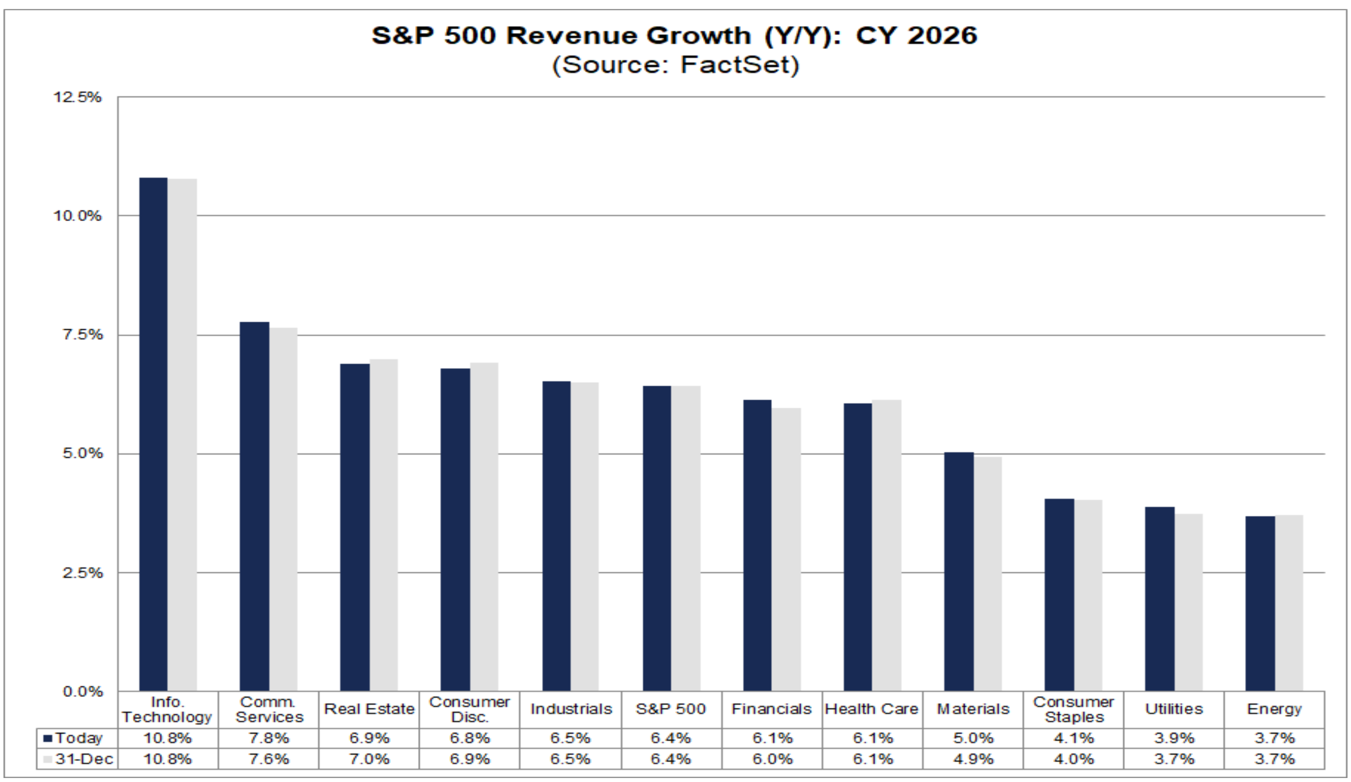
CY 2026: Growth



	Info. Technology	Consumer Disc.	Materials	Energy	Industrials	S&P 500	Comm. Services	Financials	Health Care	Consumer Staples	Utilities	Real Estate
Today	16.9%	16.2%	16.1%	15.9%	15.2%	13.7%	13.5%	13.0%	10.3%	8.2%	8.1%	7.3%
31-Dec	17.1%	16.0%	14.5%	17.7%	14.7%	13.6%	12.9%	12.4%	10.5%	8.4%	7.8%	7.3%



	Info. Technology	Comm. Services	Real Estate	Consumer Disc.	Industrials	S&P 500	Financials	Health Care	Materials	Consumer Staples	Utilities	Energy
Today	10.8%	7.8%	6.9%	6.8%	6.5%	6.4%	6.1%	6.1%	5.0%	4.1%	3.9%	3.7%
31-Dec	10.8%	7.6%	7.0%	6.9%	6.5%	6.4%	6.0%	6.1%	4.9%	4.0%	3.7%	3.7%

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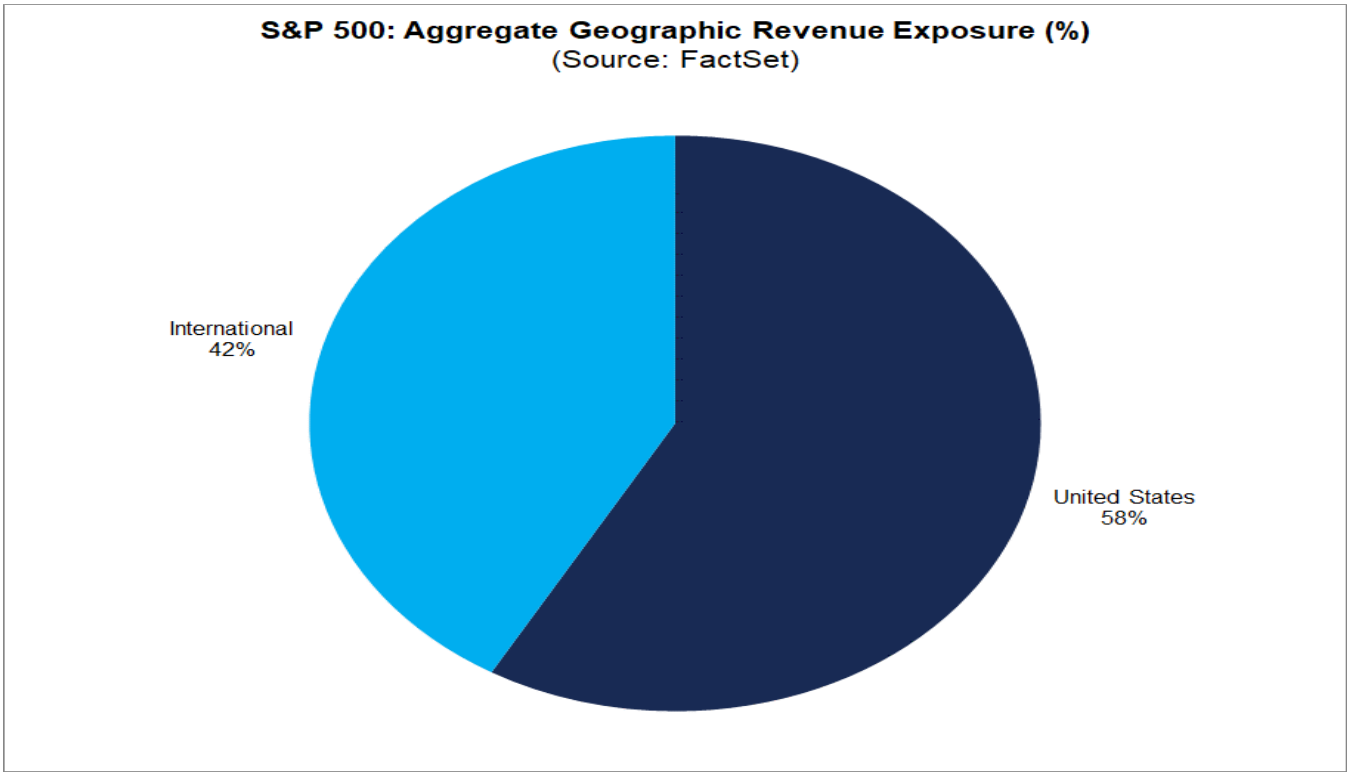
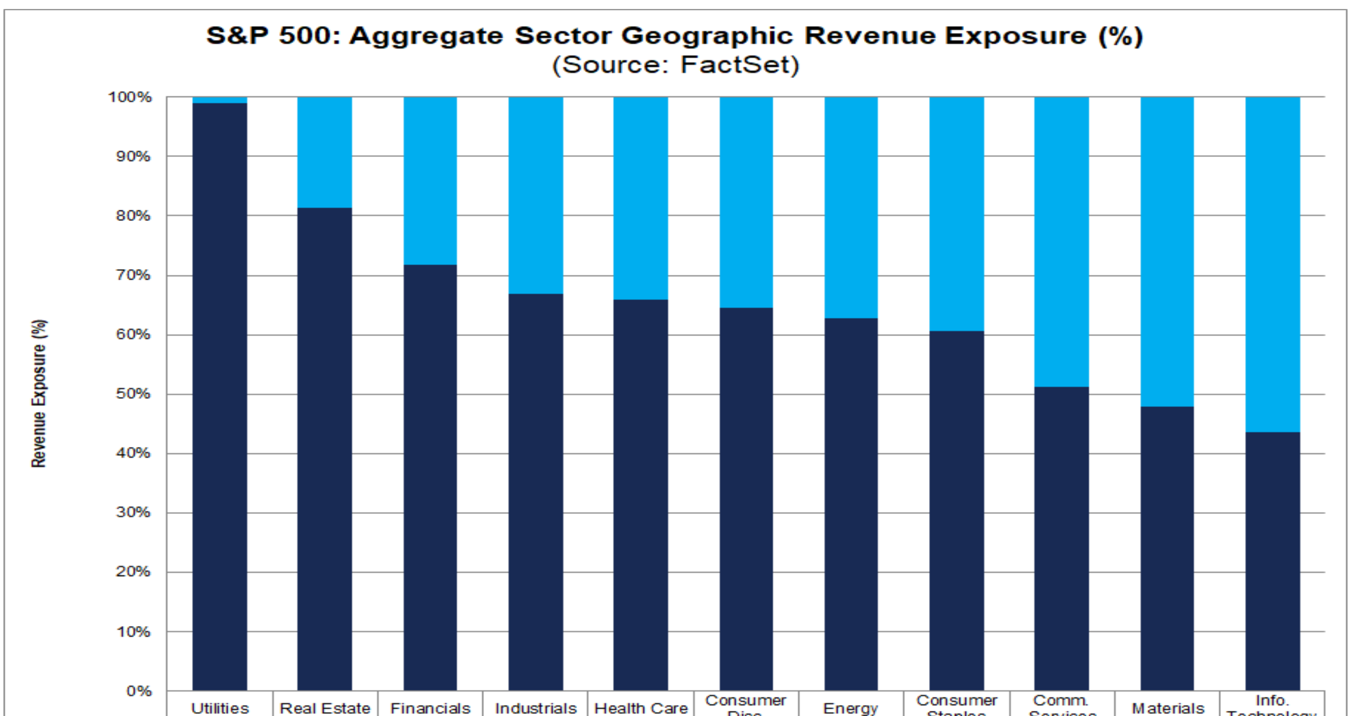
Geographic Revenue Exposure





	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%

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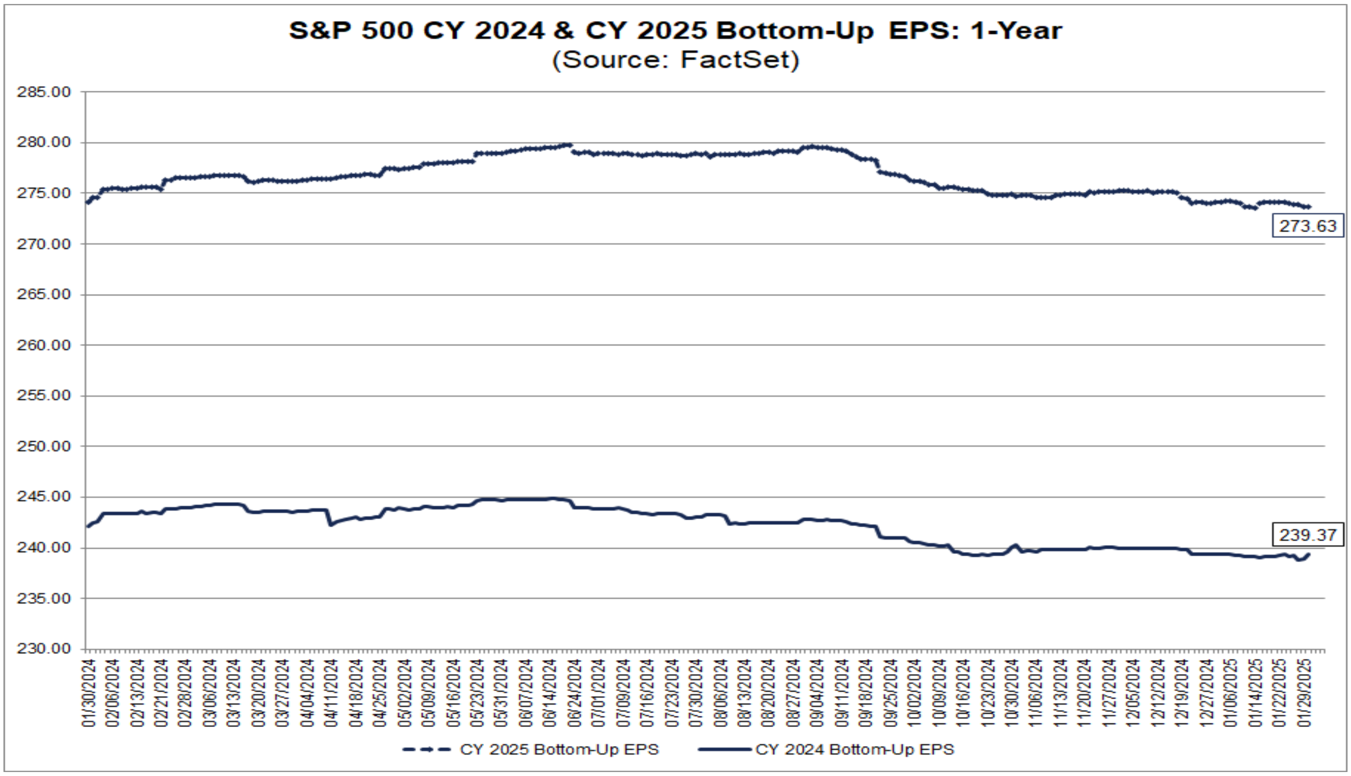
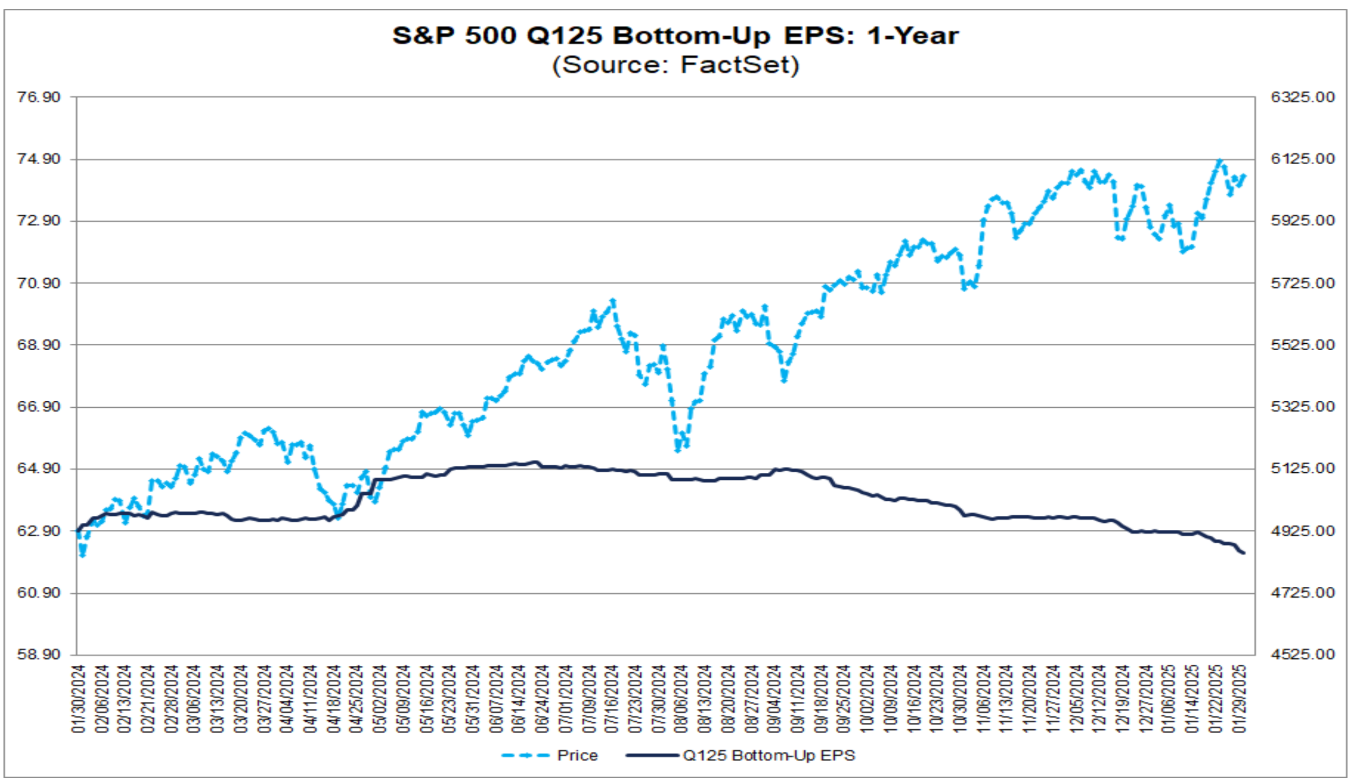
Bottom-Up EPS Estimates





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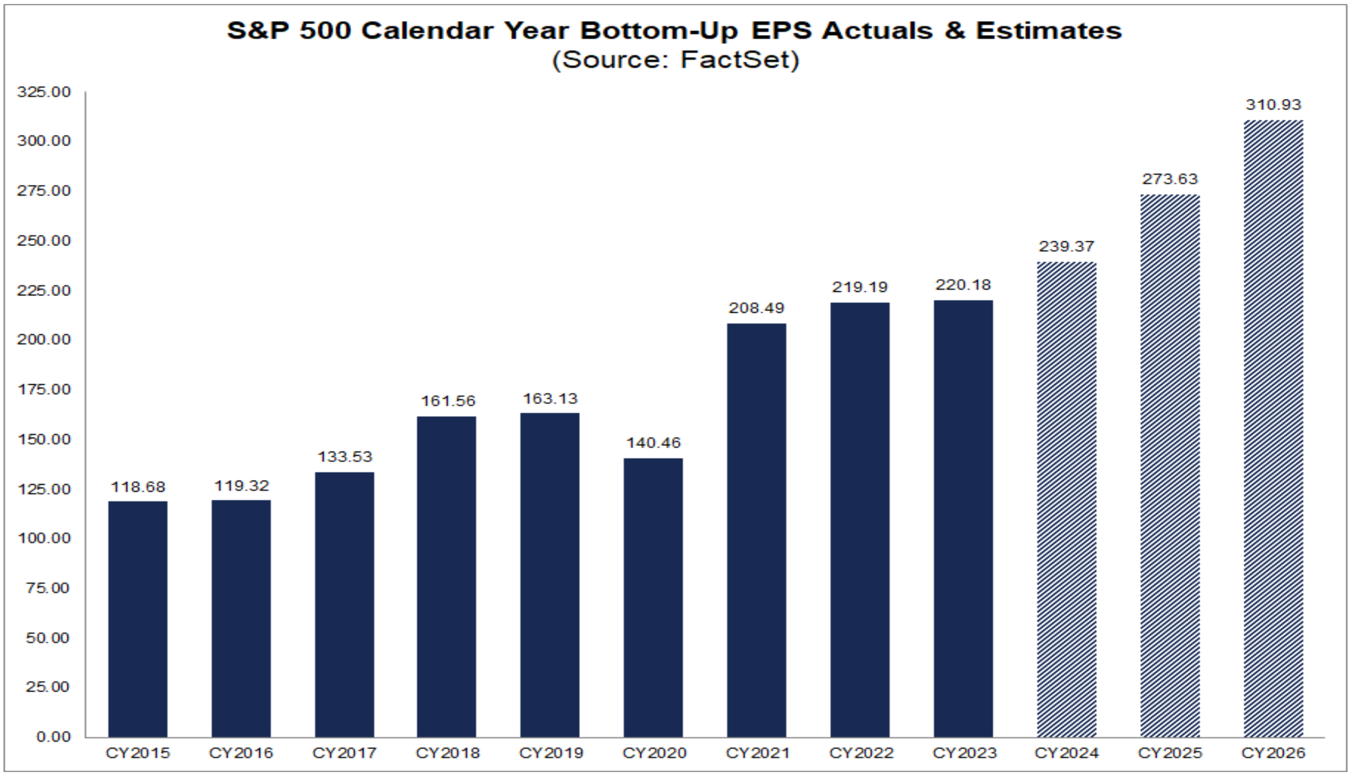
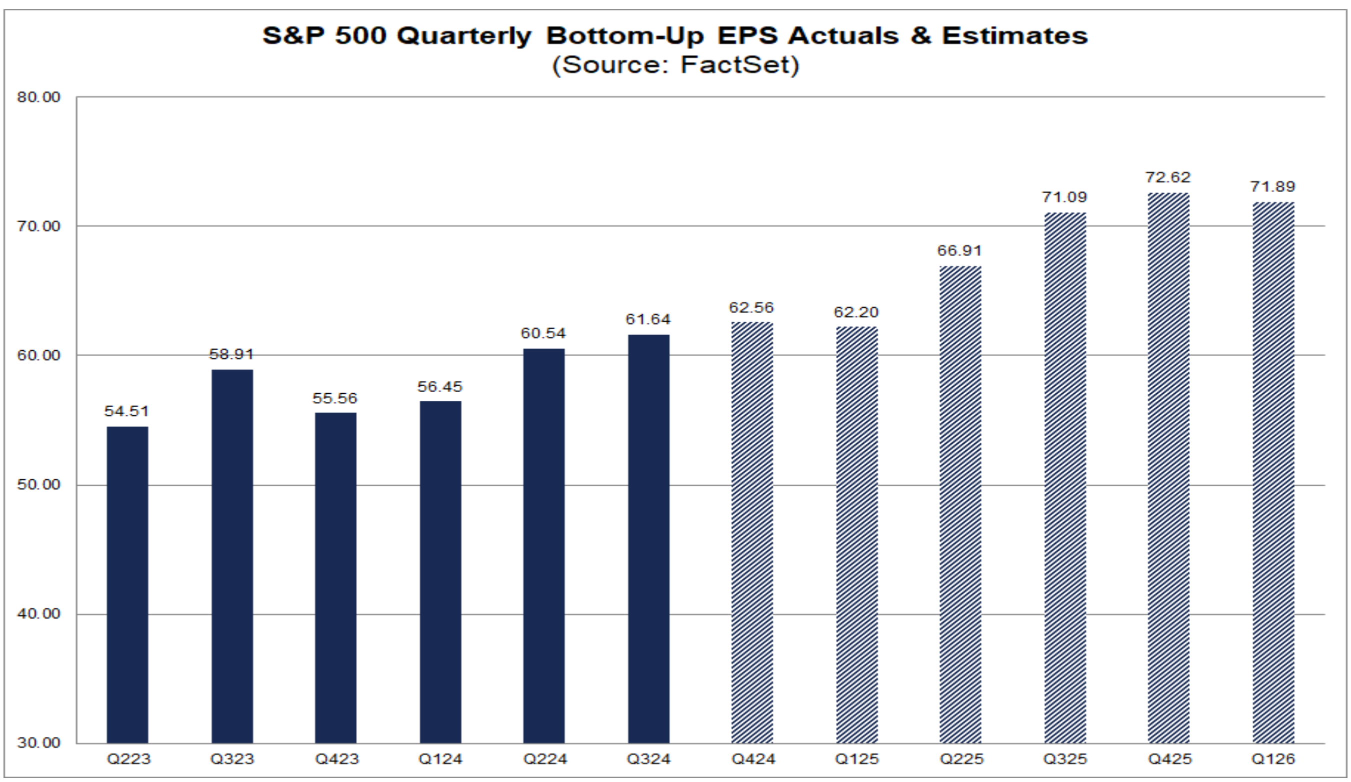
Bottom-Up EPS Estimates: Current & Historical





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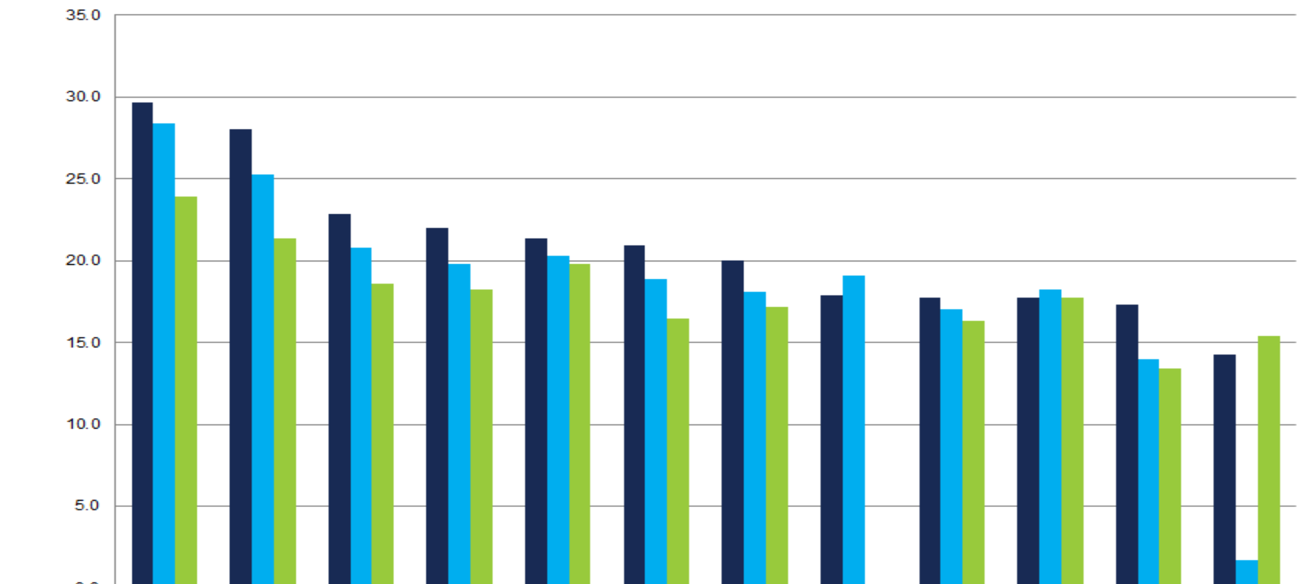
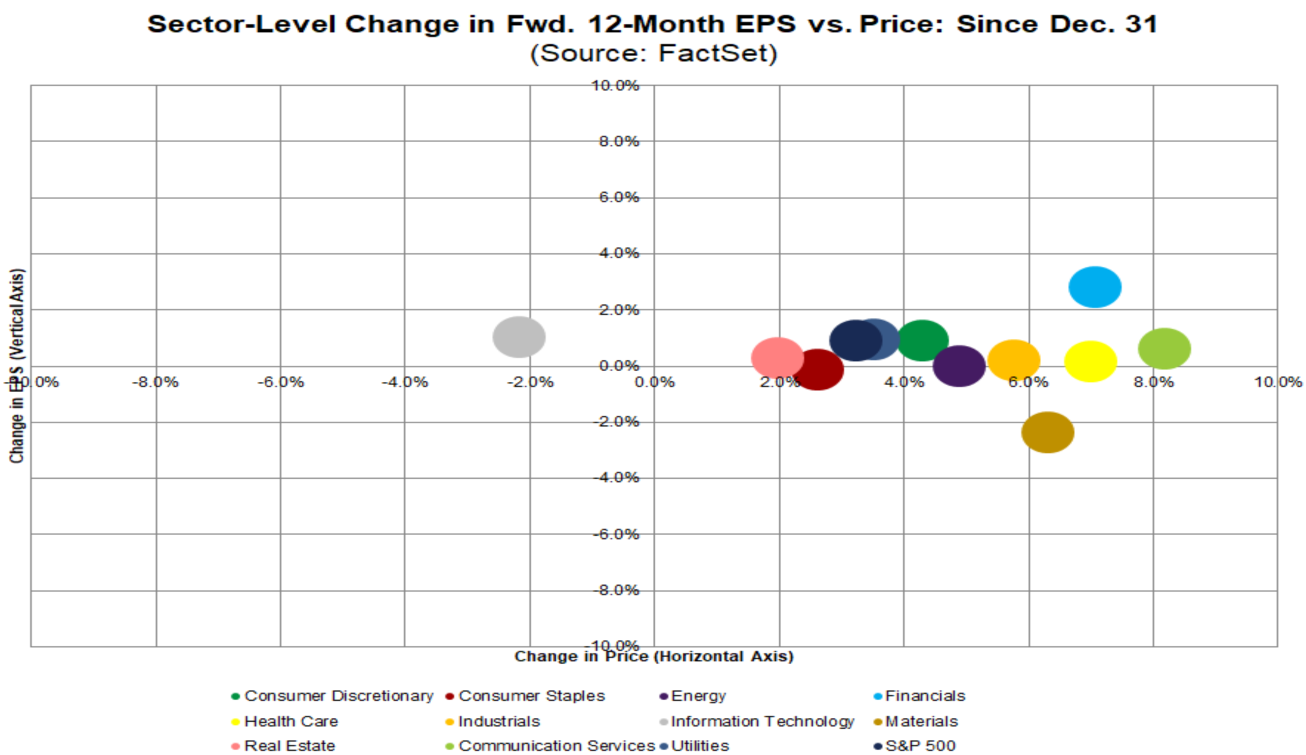
Forward 12M P/E Ratio: Sector Level

S&P 500 Sector-Level Forward 12-Month P/E Ratios
(Source: FactSet)



	Consumer Disc.	Info. Technology	Industrials	S&P 500	Consumer Staples	Comm. Services	Materials	Real Estate	Health Care	Utilities	Financials	Energy
Fwd P/E	29.6	28.0	22.9	22.0	21.3	20.9	20.0	17.9	17.8	17.7	17.3	14.3
5-Yr Avg.	28.4	25.3	20.8	19.8	20.3	18.9	18.1	19.1	17.0	18.2	14.0	1.7
10-Yr Avg.	23.9	21.4	18.6	18.2	19.8	16.4	17.2	0.0	16.4	17.7	13.4	15.4



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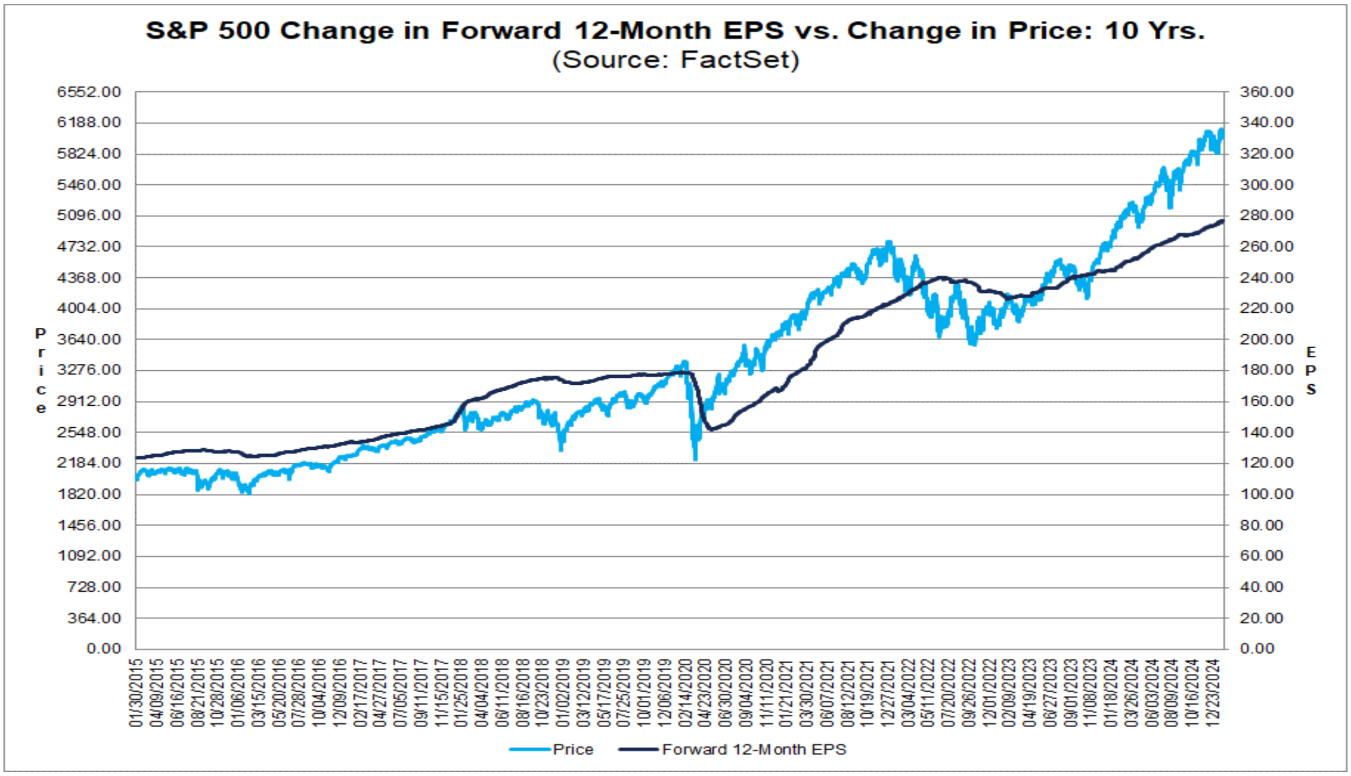
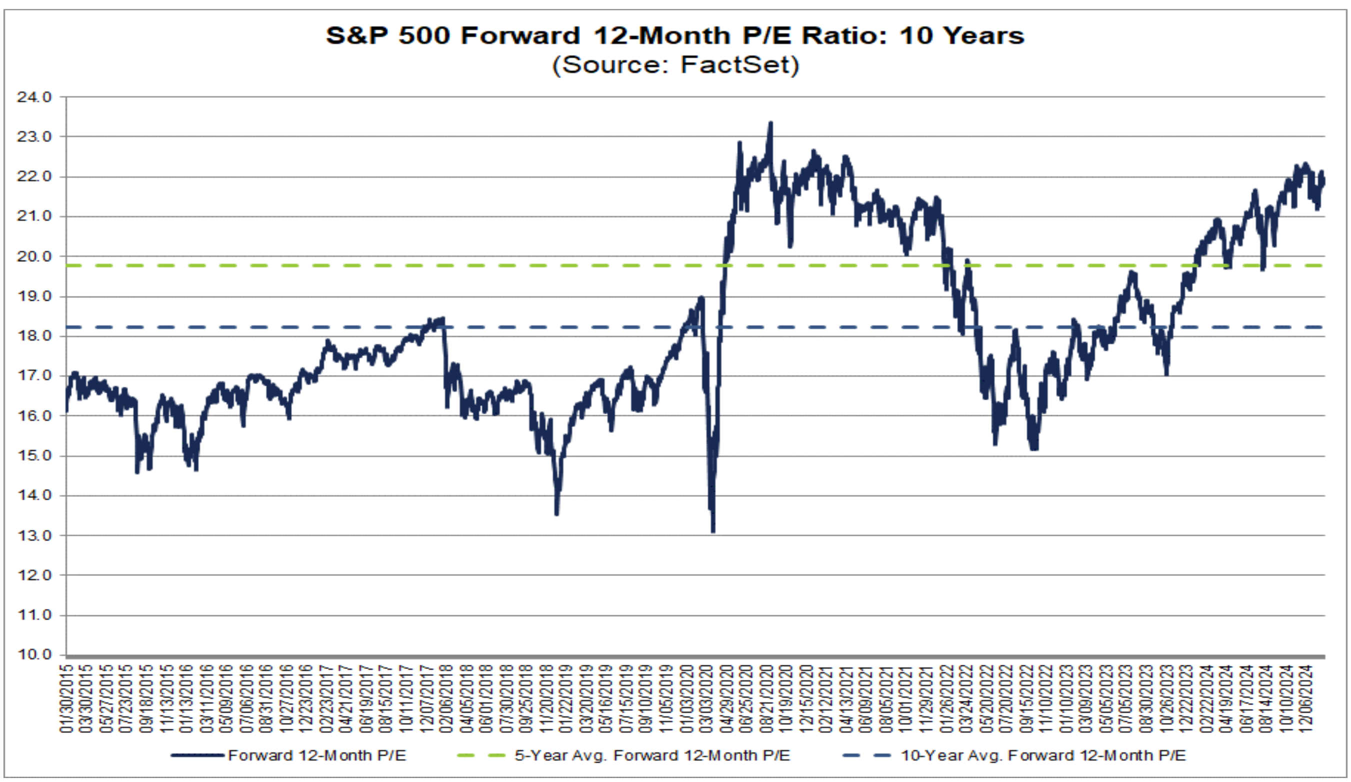
Forward 12M P/E Ratio: 10-Years





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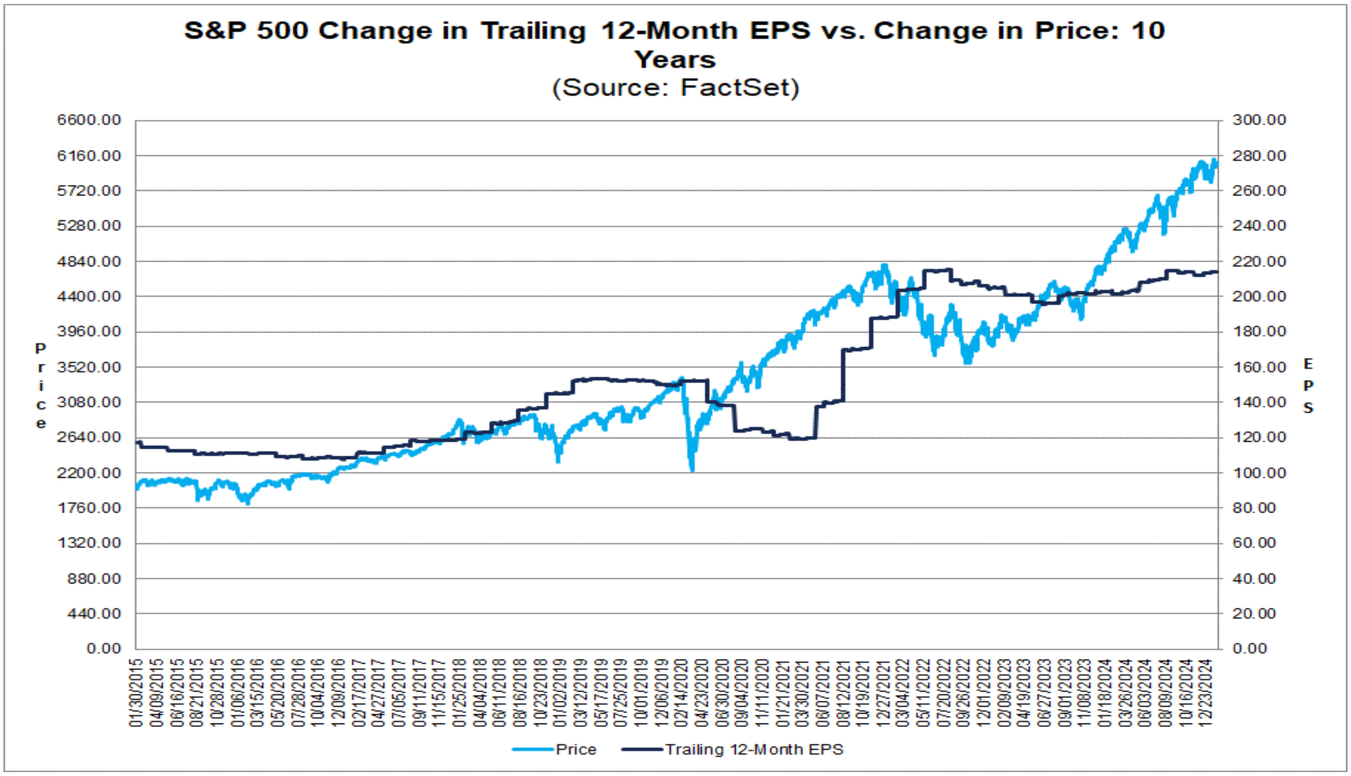
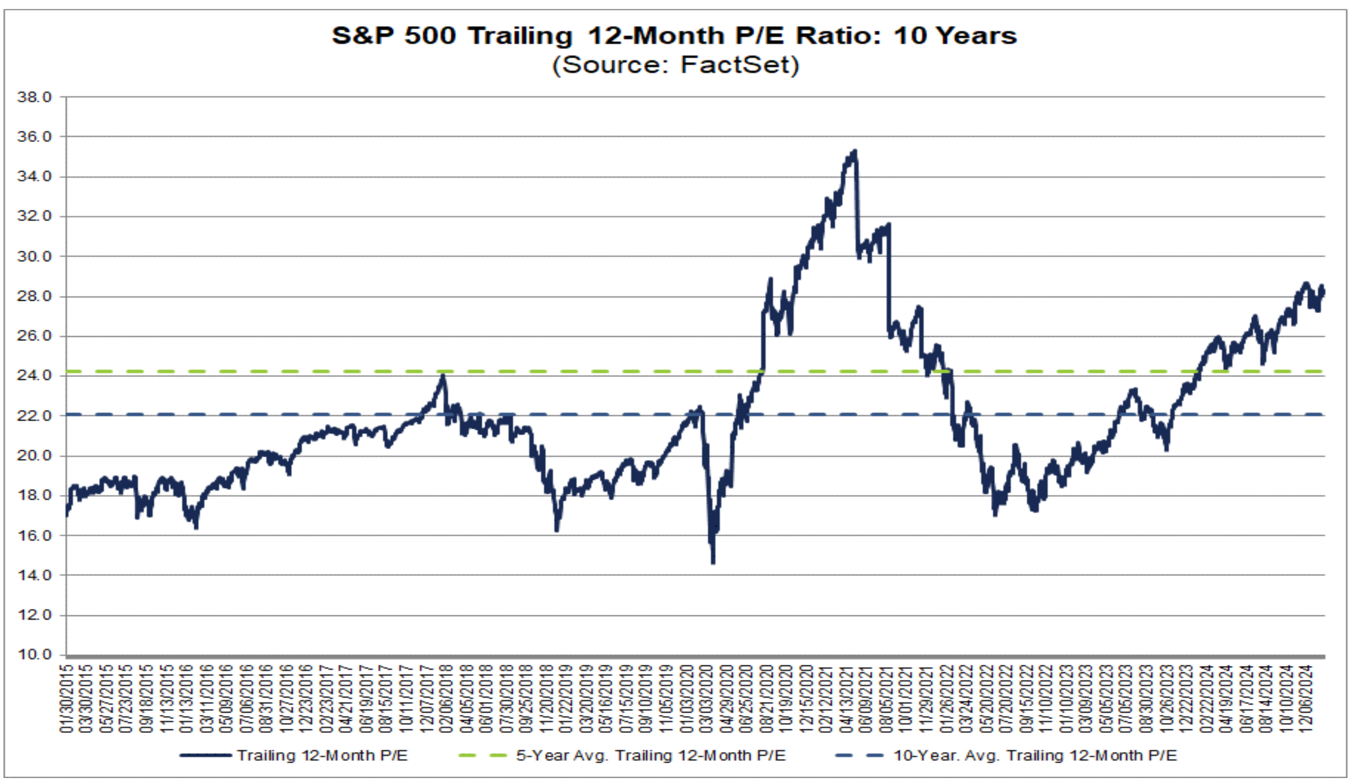
Trailing 12M P/E Ratio: 10-Years





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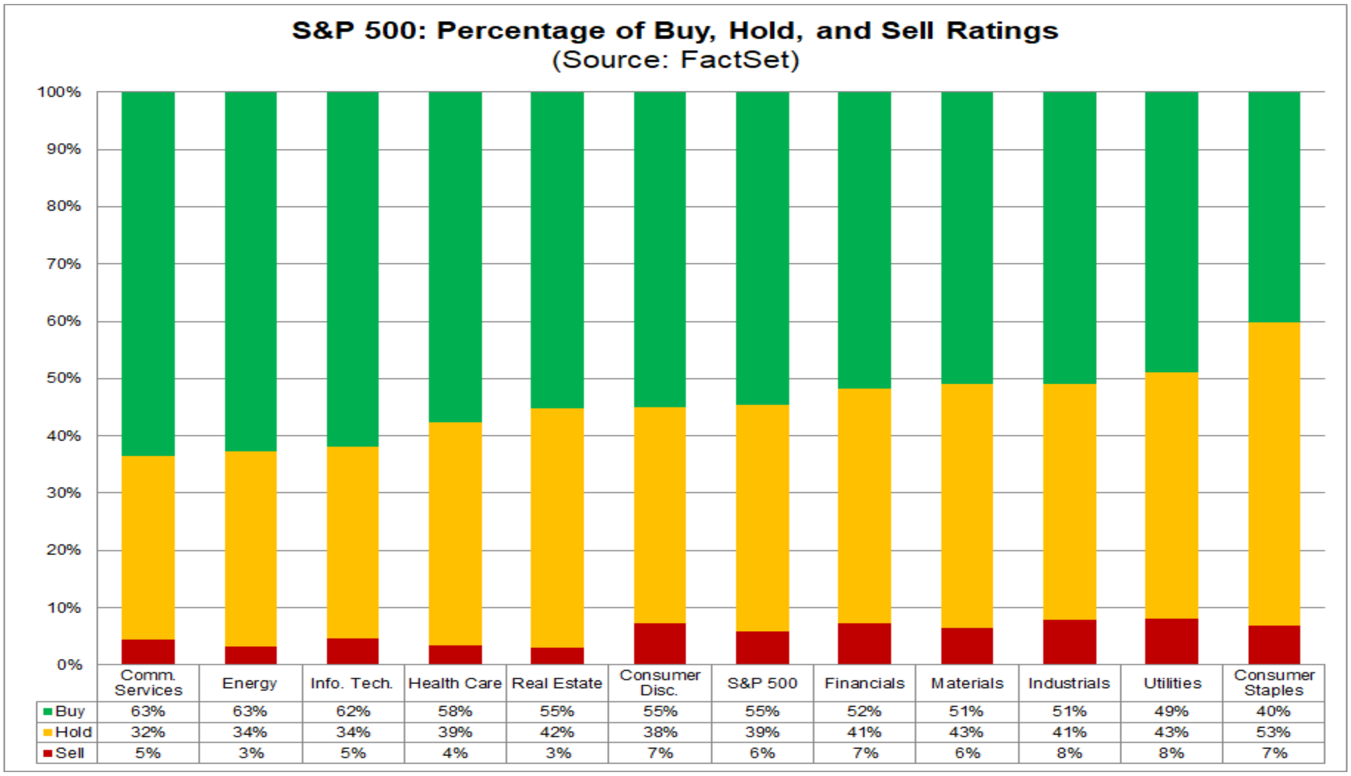
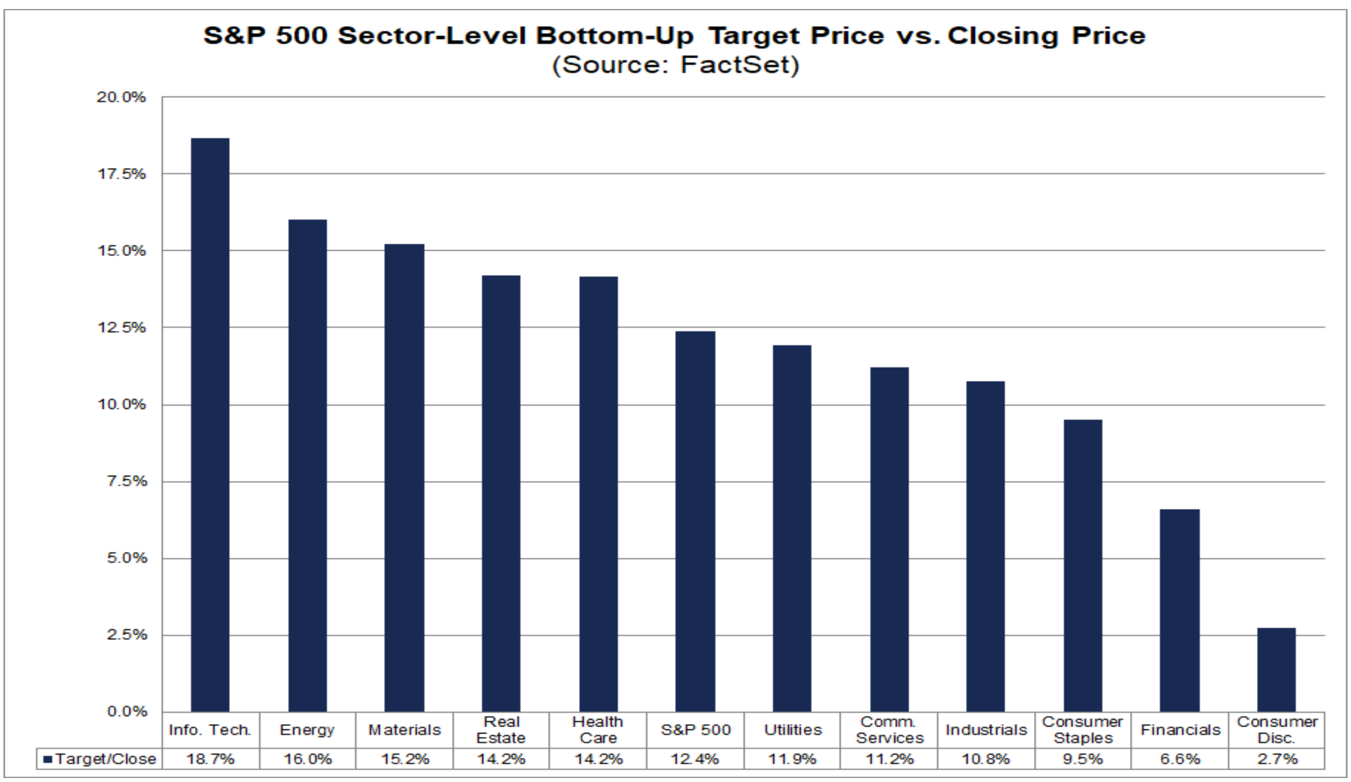
Targets & Ratings





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