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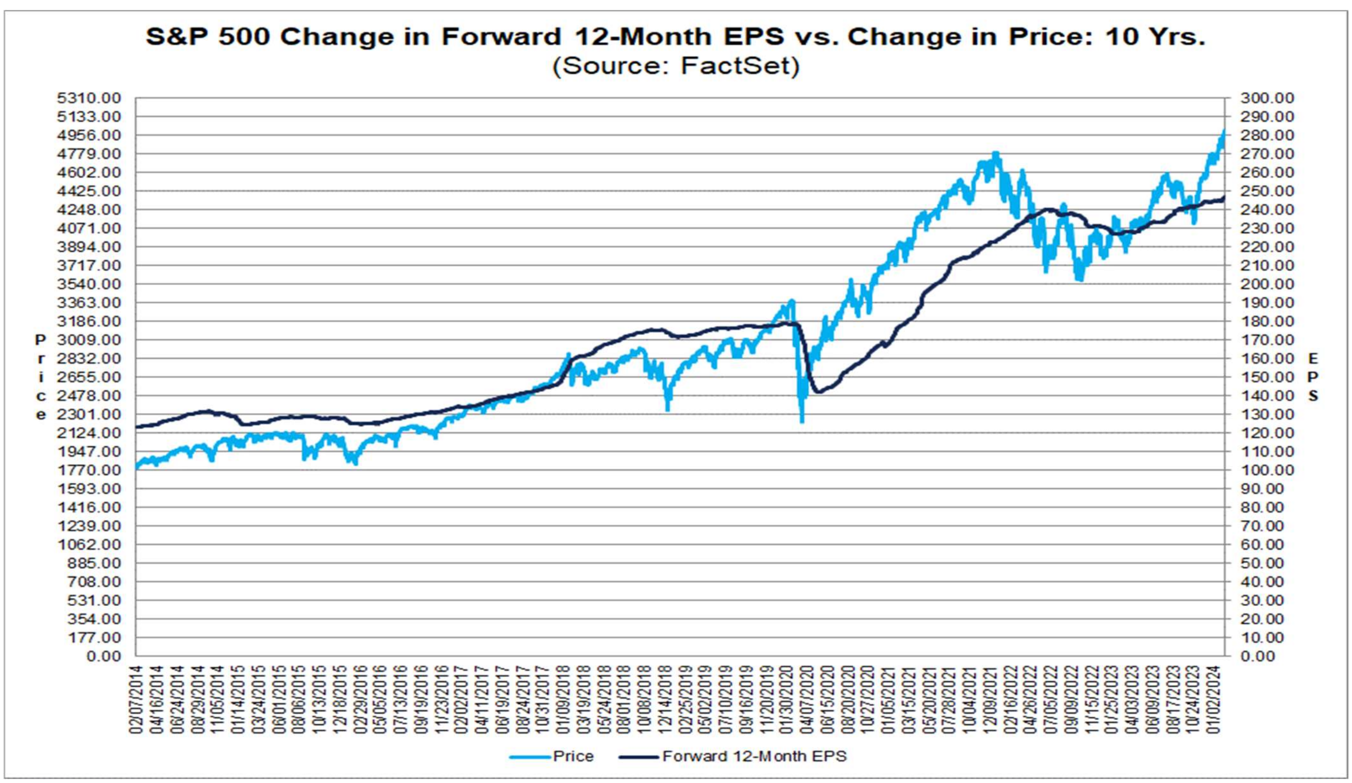
February 9, 2024

Key Metrics

- **Earnings Scorecard:** For Q4 2023 (with 67% of S&P 500 companies reporting actual results), 75% of S&P 500 companies have reported a positive EPS surprise and 65% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q4 2023, the blended (year-over-year) earnings growth rate for the S&P 500 is 2.9%. If 2.9% is the actual growth rate for the quarter, it will mark the second-straight quarter that the index has reported earnings growth.
- **Earnings Revisions:** On December 31, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q4 2023 was 1.5%. Eight sectors are reporting higher earnings today compared to December 31 due to positive EPS surprises.
- **Earnings Guidance:** For Q1 2024, 52 S&P 500 companies have issued negative EPS guidance and 21 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.3. This P/E ratio is above the 5-year average (18.9) and above the 10-year average (17.7).



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Topic of the Week:

S&P 500 Forward P/E Ratio Rises Above 20.0 For First Time in 2 Years

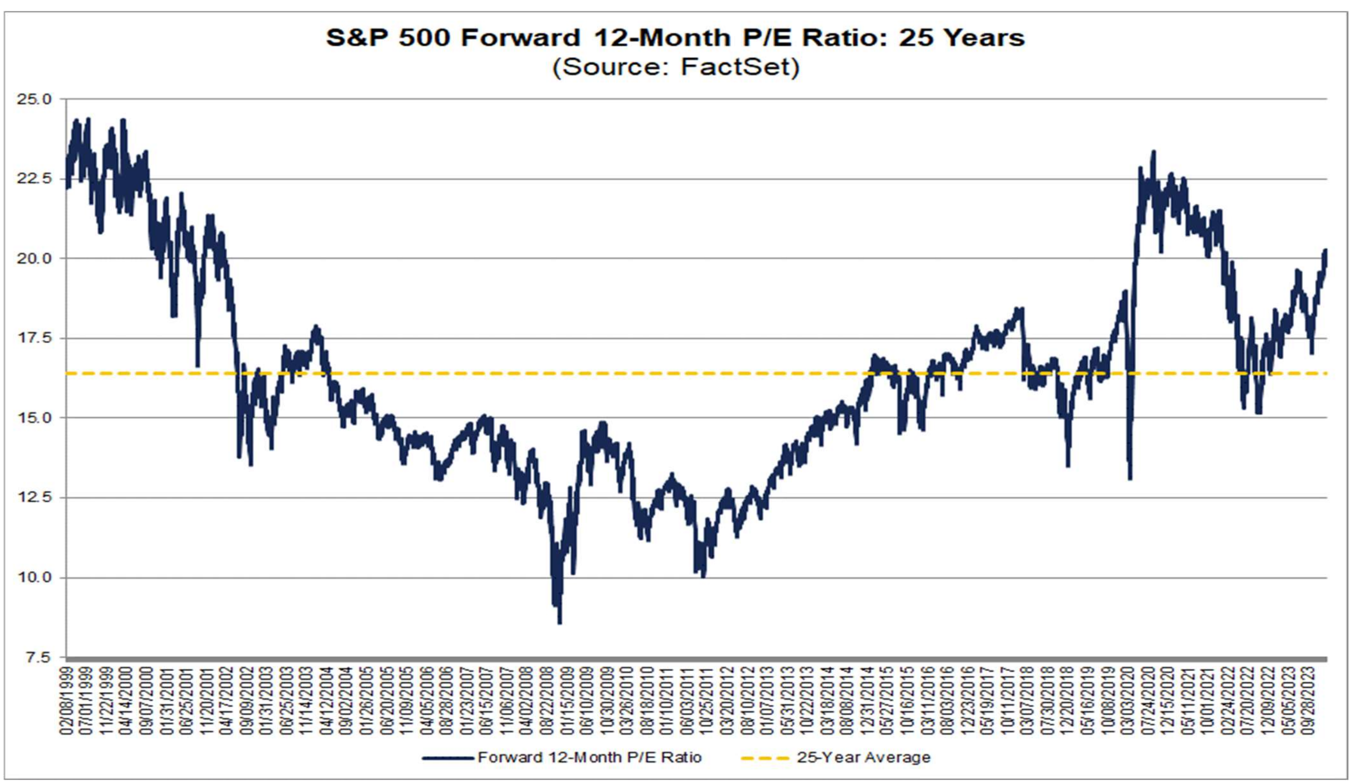
On February 8, the forward 12-month P/E ratio for the S&P 500 was 20.3, which marked the seventh time in the past nine trading days in which the P/E ratio for the index was above 20.0. How does this 20.3 P/E ratio compare to historical averages? What is driving the recent increase in the P/E ratio?

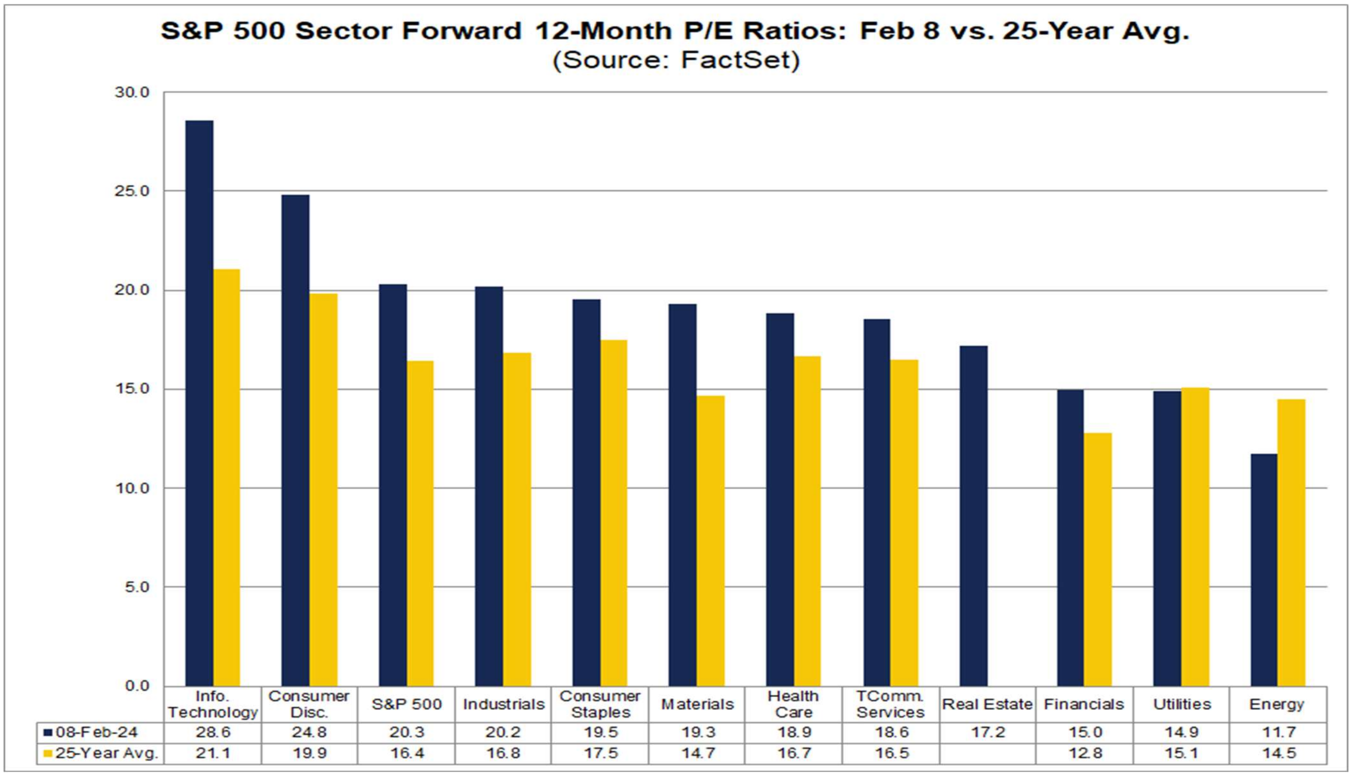
The forward 12-month P/E ratio of 20.3 on February 8 was above the five most recent historical averages for the S&P 500: 5-year (18.9), 10-year (17.7), 15-year (16.1), 20-year (15.6), and 25-year (16.4). In fact, prior to January 29, the last time the forward 12-month P/E ratio had been above 20.0 was February 9, 2022 (20.2). However, it is important to note that even at 20.3, the forward 12-month P/E ratio was still below the peak P/E ratio of the past 25 years for the index of 24.4 recorded on July 16, 1999.

At the sector level, eight sectors had forward 12-month P/E ratios on February 8 that exceeded their 25-year averages, led by the Information Technology (28.6 vs. 21.1), Materials (19.3 vs. 14.7), and Consumer Discretionary (24.8 vs. 19.9) sectors. The only two sectors with forward 12-month P/E ratios on February 8 that were below their 25-year averages were the Energy (11.7 vs. 14.5) and Utilities (14.9 vs. 15.1) sectors. A 25-year average P/E ratio is not available for the Real Estate sector.

What is driving the rise in the forward 12-month P/E ratio? On October 27, the forward 12-month P/E ratio was 17.0, as the price of the index hit its lowest value since May 24 at 4117.37. Since October 27, the price of the S&P 500 has increased by 21.4%, while the forward 12-month EPS estimate has increased by 2.0%. Thus, the increase in the "P" has been the main driver of the increase in the P/E ratio over the past few months.

It is interesting to note that analysts were projecting record-high EPS for the S&P 500 of $243.41 in CY 2024 and $275.34 in CY 2025 on February 8. If not, the forward 12-month P/E ratio would have been higher than 20.3.





	Info. Technology	Consumer Disc.	S&P 500	Industrials	Consumer Staples	Materials	Health Care	TComm. Services	Real Estate	Financials	Utilities	Energy
08-Feb-24	28.6	24.8	20.3	20.2	19.5	19.3	18.9	18.6	17.2	15.0	14.9	11.7
25-Year Avg.	21.1	19.9	16.4	16.8	17.5	14.7	16.7	16.5		12.8	15.1	14.5

Q4 Earnings Season: By The Numbers

Overview

At this stage of the Q4 earnings season, the overall performance of the S&P 500 relative to earnings estimates continues to improve. The percentage of S&P 500 companies reporting positive earnings surprises is now above the 10-year average, while the magnitude of earnings surprises is still below the 10-year average. However, both metrics are above the numbers from last week. 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. On a year-over-year basis, the index is reporting earnings growth for the second consecutive quarter.

Overall, 67% of the companies in the S&P 500 have reported actual results for Q4 2023 to date. Of these companies, 75% have reported actual EPS above estimates, which is below the 5-year average of 77% but above the 10-year average of 74%. It is also above last week's number of 72%. In aggregate, companies are reporting earnings that are 3.8% above estimates, which is below the 5-year average of 8.5% and below the 10-year average of 6.7%. However, it is also above last week's number of 2.6%. 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 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 2.9% today, compared to an earnings growth rate of 1.6% last week and an earnings growth rate of 1.5% at the end of the fourth quarter (December 31).

Positive earnings surprises reported by companies in multiple sectors (led by the Financials and Industrials sectors) were the largest contributors to the increase in overall earnings for the index during the past week. Positive earnings surprises reported by companies in multiple sectors (led by the Information Technology, Industrials, Consumer Discretionary, and Health Care sectors), partially offset by negative earnings surprises reported by companies in the Financials sector, have been the largest contributors to the increase in overall earnings for the index since the end of the quarter.

If 2.9% is the actual growth rate for the quarter, it will mark the second consecutive quarter that the index has reported year-over-year growth in earnings.

Seven of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services, Consumer Discretionary, Utilities, and Information Technology sectors. On the other hand, four sectors are reporting a year-over-year decline in earnings: Energy, Materials, Health Care, and Financials.

In terms of revenues, 65% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 68% but above the 10-year average of 64%. In aggregate, companies are reporting revenues that are 1.2% 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 3.9% today, compared to a revenue growth rate of 3.5% last week and a revenue growth rate of 3.1% at the end of the fourth quarter (December 31).

Positive revenue surprises reported by companies in multiple sectors (led by the Health Care sector), were the largest contributors to the increase in overall revenues for the index over the past week. Positive revenue surprises reported by companies in the Health Care and Consumer Discretionary sectors, partially offset by downward revisions to revenue estimates and negative revenue surprises in the Energy sector, have been the largest contributors to the increase in overall revenues for the index since the end of the quarter.

If 3.9% is the actual revenue growth rate for the quarter, it will mark the 13th consecutive quarter of revenue growth for the index.

Nine sectors are reporting year-over-year growth in revenues, led by the Communication Services, Health Care, and Information sectors. On the other hand, two sectors are reporting a year-over-year decline in revenues: Energy and Materials.

Looking ahead, analysts expect (year-over-year) earnings growth of 4.0% for Q1 2024 and 9.1% for Q2 2024. For CY 2024, analysts are calling for (year-over-year) earnings growth of 10.9%.

The forward 12-month P/E ratio is 20.3, which is above the 5-year average (18.9) and above the 10-year average (17.7). It is also above the forward P/E ratio of 19.5 recorded at the end of the fourth quarter (December 31).

During the upcoming week, 62 S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the fourth quarter.

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

Percentage of Companies Beating EPS Estimates (75%) is Below 5-Year Average

Overall, 67% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 75% have reported actual EPS above the mean EPS estimate, 6% 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 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 Energy (91%) sector has the highest percentage of companies reporting earnings above estimates, while the Real Estate (53%) and Financials (59%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+3.8%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 3.8% above 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 Energy (+14.2%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Marathon Petroleum ($3.98 vs. $2.19), Phillips 66 ($3.09 vs. $2.35), Valero Energy ($3.55 vs. $2.95), and Hess Corporation ($1.63 vs. $1.36) have reported the largest positive EPS surprises.

The Consumer Discretionary (+13.4%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Ford Motor ($0.29 vs. $0.12), Wynn Resorts ($1.91 vs. $1.15), Carnival (-$0.07 vs. -$0.13), Amazon.com ($1.00 vs. $0.79), CarMax ($0.52 vs. $0.42), and NIKE ($1.03 vs. $0.84) have reported the largest positive EPS surprises.

The Industrials (+9.5%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Uber Technologies ($0.66 vs. $0.16), Southwest Airlines ($0.37 vs. $0.12), and American Airlines ($0.29 vs. $0.11) have reported the largest positive EPS surprises.

The Health Care (+7.8%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Illumina ($0.14 vs. $0.02), Pfizer ($0.10 vs. -$0.16), Merck ($0.03 vs. -$0.11), HCA Healthcare ($5.90 vs. $5.05), and DexCom ($0.50 vs. $0.43) have reported the largest positive EPS surprises.

On the other hand, the Financials (-12.5%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Citigroup (-$1.16 vs. $0.11), Truist Financial (-$3.85 vs. $0.68), Comerica ($0.20 vs. $0.87), and Bank of New York Mellon ($0.33 vs. $0.85) have reported the largest negative EPS surprises. Actual results for these four companies included FDIC special assessments, which had a negative impact on earnings for the quarter.

Market Rewarding Positive EPS Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q4 2023 have seen an average price increase of +1.4% 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.

Companies that have reported negative earnings surprises for Q4 2023 have seen an average price decrease of -2.0% two days before the earnings release through two days after the earnings. This percentage decrease is 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 (65%) is Below 5-Year Average

In terms of revenues, 65% of companies have reported actual revenues above estimated revenues and 35% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (67%) and below the 5-year average (68%), but above 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 (91%) and Communication Services (79%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (29%) and Consumer Staples (35%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.2%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.2% above expectations. This surprise percentage is below the 1-year average (+1.6%) and 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 (+3.1%) and Consumer Discretionary (+2.7%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-3.6%) and Energy (-2.4%), sectors are reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings This Week Due to Multiple Sectors

Increase in Blended Earnings This Week Due to Multiple Sectors

The blended (year-over-year) earnings growth rate for the fourth quarter is 2.9%, which is above the earnings growth rate of 1.6% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Financials and Industrials sectors) were the largest contributors to the increase in earnings for the index during the past week.

In the Financials sector, the positive EPS surprises reported by Allstate ($5.82 vs. $3.94) and Everest Group ($25.18 vs. $14.64) were substantial contributors to the increase in earnings for the index during the week. As a result, the blended earnings decline for the Financials sector improved to -15.3% from -17.1% over this period.

In the Industrials sector, the positive EPS surprises reported by Uber Technologies ($0.66 vs. $0.16) and Caterpillar ($5.23 vs. $4.76) were significant contributors to the increase in earnings for the index during the week. As a result, the blended earnings growth rate for the Industrials sector increased to 5.3% from 1.4% 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 3.9%, which is above the revenue growth rate of 3.5% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Health Care sector) were the largest contributors to the increase in overall revenues for the index over the past week.

Information Technology Sector Has Seen Largest Increase in Earnings since December 31

The blended (year-over-year) earnings growth rate for Q4 2023 of 2.9% is above the estimate of 1.5% at the end of the fourth quarter (December 31). Eight 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 Consumer Discretionary (to 32.9% from 22.8%) and Industrials (to 5.3% from -2.7%) sectors. The Information Technology, Industrials, Consumer Discretionary, and Health Care sectors have been the largest contributors to the increase in earnings for the index since December 31. On the other hand, three 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 Financials (to -15.3% from -2.2%) sector. This sector has also been the largest detractor to the increase in earnings for the index since December 31.

In the Information Technology sector, the positive EPS surprises reported by Microsoft ($2.93 vs. $2.77), Apple ($2.18 vs. $2.10), QUALCOMM ($2.75 vs. $2.37), and Intel ($0.54 vs. $0.45) have been significant contributors to the increase in earnings for the index since December 31. As a result, the blended earnings growth rate for the Information Technology sector increased to 20.2% from 15.7% over this period.

In the Industrials sector, the positive EPS surprise reported by Uber Technologies ($0.66 vs. $0.16) has been a substantial contributors to the increase in earnings for the index since December 31. As a result, the blended earnings growth rate for the Industrials sector improved to 5.3% from -2.7% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com ($1.00 vs. $0.79) and Ford Motor ($0.29 vs. $0.12) have been significant contributors to the increase in earnings for the index since December 31. As a result, the blended earnings growth rate for the Consumer Discretionary sector improved to 32.9% from 22.8% over this period.

In the Health Care sector, the positive EPS surprise reported by Pfizer ($0.10 vs. -$0.16) has been a substantial contributor to the increase in earnings for the index since December 31. As a result, the blended earnings decline for the Health Care sector improved to -16.6% from -20.1% over this period.

In the Energy sector, the positive EPS surprises reported by Exxon Mobil ($2.48 vs. $2.20) and Marathon Petroleum ($3.98 vs. $2.19) have been significant contributors to the increase in earnings for the index since December 31. As a result, the blended earnings decline for the Energy sector improved to -25.2% from -29.0% over this period.

In the Communication Services sector, the positive EPS surprise reported by Meta Platforms ($5.33 vs. $4.82) has been a substantial contributor to the increase in earnings for the index since December 31. As a result, the blended earnings growth rate for the Communication Services sector improved to 45.2% from 41.4% over this period.

In the Financials sector, the negative EPS surprises reported by Truist Financial (-$3.85 vs. $0.68), Citigroup (-$1.16 vs. $0.11), Bank of America ($0.35 vs. $0.53), and JPMorgan Chase ($3.04 vs. $3.35) have been the largest detractors to the increase in earnings for the index since December 31. Actual results for all four companies included FDIC special assessments, which had a negative impact on earnings for the quarter. In addition, actual results for Truist Financial also included a non-cash goodwill impairment of $4.53, which also had a negative impact on earnings for the quarter. As a result, the blended earnings decline for the Financials sector increased to -15.3% from -2.2% over this period.

Health Care Sector Has Seen Largest Increase in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2023 of 3.9% is above the estimate of 3.1% 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 Health Care (to 7.2% from 4.0%) and Consumer Discretionary (to 5.8% from 3.7%) sectors. These two sectors have also been the largest contributors to the increase in revenues for the index since the end of the quarter. 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 Energy (to -9.4% from -6.1%) sector. The Energy sector has also been the largest detractor to the increase in revenues for the index since the end of the quarter. The Consumer Staples sector has the same revenue growth rate today (2.7%) compared to December 31.

In the Health Care sector, the positive revenue surprises reported by CVS Health ($93.81 billion vs. $90.56 billion), Cetene Corporation ($39.46 billion vs. $36.14 billion), McKesson Corporation ($80.90 billion vs. $77.93 billion), Cencora ($72.25 billion vs. $69.25 billion), UnitedHealth Group ($94.43 billion vs. $92.13 billion), and Cigna ($51.15 billion vs. $48.91 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 Health Care sector has increased to 7.2% from 4.0% over this period.

In the Consumer Discretionary sector, the positive revenue surprises reported by General Motors ($42.98 billion vs. $38.73 billion), Amazon.com ($169.96 billion vs. $164.89 billion), and Ford Motor ($46.00 billion vs. $43.06 billion) have been significant contributors 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 5.8% from 3.7% over this period.

In the Energy sector, the downward revisions to revenue estimates and negative revenue surprises for Chevron (to $47.18 billion from $52.28 billion), Exxon Mobil (to $84.34 billion from $89.40 billion), and Phillips 66 (to $38.60 billion from $40.06 billion, and the downward revisions to revenue estimates for Valero Energy (to $35.41 billion from $36.73 billion) have been substantial detractors to the increase in revenues for the index since December 31. As a result, the blended revenue decline for the Energy sector has increased to -9.4% from -6.1% over this period.

Earnings Growth: 2.9%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings growth rate for Q4 2023 is 2.9%, 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 2.9% is the actual growth rate for the quarter, it will mark the second consecutive quarter that the index has reported year-over-year earnings growth.

Seven of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services, Consumer Discretionary, Utilities, and Information Technology sectors. On the other hand, four sectors are reporting a year-over-year decline in earnings: Energy, Materials, Health Care, and Financials.

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

The Communication Services sector is reporting the largest (year-over-year) earnings growth rate of all eleven sectors at 45.2%. At the industry level, 3 of the 5 industries in the sector are reporting a year-over-year increase in earnings of 30% or more: Entertainment (191%), Interactive Media & Services (85%), and Wireless Telecommunication Services (32%). On the other hand, two industries are reporting a (year-over-year) decline in earnings: Diversified Telecommunication Services (-10%) and Media (-7%).

At the company level, Meta Platforms ($5.33 vs. $1.76) is the largest contributor to earnings growth for the sector. If this company were excluded, the estimated earnings growth rate for Communication Services sector would fall to 25.8% from 45.2%.

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

The Consumer Discretionary sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 32.9%. At the industry level, 4 of the 9 industries in the sector are reporting year-over-year earnings growth. Two of these four industries are reporting a year-over-year increase in earnings of more than 100%: Broadline Retail (1,020%) and Hotels, Restaurants, & Leisure (131%). On the other hand, five industries are reporting a year-over-year decline in earnings. Two of these five industries are reporting a decrease in earnings of 10% or more: Leisure Products (-50%) and Automobiles (-45%) and Leisure Products.

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 -18.2% instead of year-over-year earnings growth of 32.9%. 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 65.3% from 32.9%.

At the company level, Amazon.com ($1.00 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 -0.9% instead of earnings growth of 32.9%.

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

The Utilities sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 29.9%. At the industry level, 4 of the 5 industries in this sector are reporting year-over-year earnings growth. Three of these four industries are reporting double-digit growth: Electric Utilities (52%), Independent Power and Renewable Electricity Producers (36%), and Gas Utilities (17%). On the other hand, the Multi-Utilities (-5%) industry is the only industry reporting a (year-over-year) decline in earnings.

At the industry level, the Electric Utilities industry is the largest contributor to earnings growth for the sector. If this industry were excluded, the Utilities sector would be reporting a year-over-year decline in earnings of -0.3% rather than (year-over-year) earnings growth of 29.9%.

Information Technology: NVIDA Is Largest Contributor to Year-Over-Year Growth

The Information Technology sector is reporting the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 20.2%. At the industry level, 4 of the 6 industries in the sector are reporting year-over-year earnings growth. Three of these four industries are reporting double-digit growth: Semiconductors & Semiconductor Equipment (42%), Software (23%), and Technology Hardware, Storage & Peripherals (11%). On the other hand, two industries are reporting a year-over-year decline in earnings: Electronic Equipment, Instruments, & Components (-4%) and Communications Equipment (-1%).

At the company level, NVIDIA ($4.56 vs. $0.88) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended (year-over-year) earnings growth rate for the Information Technology sector would drop to 10.9% from 20.2%.

Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline of 15% or More

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -25.2%. At the sub-industry level, three of the five sub-industries in the sector are reporting a (year-over-year) decrease in earnings: Oil & Gas Refining & Marketing (-51%), Integrated Oil & Gas (-27%), and Oil & Gas Exploration & Production (-17%). On the other hand, two sub-industries are reporting year-over-year earnings growth: Oil & Gas Equipment & Services (23%) and Oil & Gas Storage & Transportation (3%).

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline of 15% or More

The Materials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -21.4%. At the industry level, three of the four industries in this sector are reporting a year-over-year decline in earnings of 15% or more: Metals & Mining (-33%), Chemicals (-20%), and Containers & Packaging (-15%). 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 and Merck 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 -16.6%. At the industry level, three of the five industries in this sector are reporting a year-over-year decline in earnings: Pharmaceuticals (-44%), Biotechnology (-18%), and Life Sciences, Tools, & Services (-8%). On the other hand, two industries are reporting year-over-year earnings growth: Health Care Providers & Services (8%) and Health Care Equipment & Supplies (8%).

At the company level, Pfizer (-$0.10 vs. $1.14) and Merck (-$0.03 vs. $1.62) are the largest contributors to the earnings decline for the sector. If these two companies were excluded, the blended earnings decline for the Health Care sector would improve to -3.1% from -16.6%.

Financials: Banks Industry Leads Year-Over-Year Decline

The Financials sector is reporting the fourth-largest (year-over-year) earnings decline of all eleven sectors at -15.3%. At the industry level, three of the five industries in this sector are reporting a year-over-year decline in earnings: Banks (-64%), Consumer Finance (-15%), and Capital Markets (-3%). On the other hand, the other two industries in the sector are reporting earnings growth: Insurance (51%) and Financial Services (11%).

At the industry level, the Banks industry is the largest contributor to the year-over-year decline in earnings for the sector. Actual results for most of the companies in the Banks industry include FDIC special assessments, which had a negative impact on earnings for the quarter. If this industry were excluded, the Financials sector would be reporting would be reporting (year-over-year) growth in earnings of 15.9% instead of a year-over-year earnings decline of -15.3%.

Revenue Growth: 3.9%

The blended (year-over-year) revenue growth rate for Q4 2023 is 3.9%, 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 3.9% is the actual revenue growth rate for the quarter, it will mark the 13th consecutive quarter of revenue growth for the index.

At the sector level, nine sectors are reporting year-over-year growth in revenues, led by the Communication Services, Health, Care, Information Technology, and Financials sectors. On the other hand, two sectors are reporting a year-over-year decline in revenues: Energy and Materials.

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

The Communications Services sector is reporting the highest (year-over-year) revenue growth rate at 7.6%. At the industry level, all five industries in the sector are reporting (year-over-year) growth in revenues, led by the Interactive Media & Services (15%) industry.

Health Care: Health Care Providers & Services Industry Leads Year-Over-Year Growth

The Health Care sector is reporting the second-highest (year-over-year) revenue growth rate at 7.2%. At the industry level, two of the five industries in the sector are reporting year-over-year growth in revenues, led by the Health Care Providers & Services (12%) industry.

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

The Information Technology sector is reporting the third-highest (year-over-year) revenue growth rate at 7.0%. At the industry level, four of the six industries in the sector are reporting year-over-year growth in revenues, led by the Semiconductors & Semiconductor Equipment (19%) and Software (15%) industries.

Financials: All 5 Industries Reporting Year-Over-Year Growth

The Financials sector is reporting the fourth-highest (year-over-year) revenue growth rate at 6.7%. At the industry level, all five industries in the sector are reporting year-over-year growth in revenues. Two of these five industries are reporting double-digit growth: Financials Services (11%) and Consumer Finance (10%).

Energy: 4 of 5 Sub-Industries Reporting Year-Over-Year Decline

The Energy sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -9.4%. At the sub-industry level, four of the five sub-industries in the sector are reporting a year-over-year decrease in revenues: Integrated Oil & Gas (-12%), Oil & Gas Exploration & Production (-10%), Oil & Gas Refining & Marketing (-9%), and Oil & Gas Storage & Transportation (-3%). On the other hand, the Oil & Gas Equipment & Services (11%) sub-industry is the only sub-industry reporting (year-over-year) revenue growth in the sector.

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline

The Materials sector is reporting the second-highest (year-over-year) decline in revenues at -5.8%. At the industry level, three of the four industries in the sector are reporting a year-over-year decrease in revenues: Chemicals (-6%), Containers & Packaging (-6%), and Metals & Mining (-6%). On the other hand, the Construction Materials (11%) industry is the only industry expected to report a year-over-year growth in revenues.

Net Profit Margin: 11.1%

The blended net profit margin for the S&P 500 for Q4 2023 is 11.1%, 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, five sectors are reporting a year-over-year increase in their net profit margins in Q4 2023 compared to Q4 2022, led by the Communication Services (11.8% vs. 8.8%), Information Technology (25.9% vs. 23.1%), and Utilities (11.8% vs. 9.1%) sectors. On the other hand, six sectors are reporting a year-over-year decrease in their net profit margins in Q4 2023 compared to Q4 2022, led by the Financials (13.1% vs. 16.5%) sector.

Six sectors are reporting net profit margins in Q4 2023 that are above their 5-year averages, led by the Information Technology (25.9% vs. 23.3%) sector. On the other hand, five sectors are reporting net profit margins in Q4 2023 that are below their 5-year averages, led by the Financials (13.1% vs. 16.6%) and Health Care (7.3% vs. 10.1%) sectors.

Forward Estimates and Valuation

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

At this point in time, 73 companies in the index have issued EPS guidance for Q1 2024. Of these 73 companies, 52 have issued negative EPS guidance and 21 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q1 2024 is 71% (52 out of 71), which is above the 5-year average of 59% and above the 10-year average of 63%.

At this point in time, 269 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 269 companies, 137 have issued negative EPS guidance and 132 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 51% (137 out of 269).

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

Earnings: S&P 500 Expected to Report Earnings Growth of 11% for CY 2024

For the fourth quarter, S&P 500 companies are reporting a year-over-year growth in earnings of 2.9% and year-over-year growth in revenues of 3.9%. For CY 2023, S&P 500 companies are reporting year-over-year growth in earnings of 0.9% and year-over-year growth in revenues of 2.5%

For Q1 2024, analysts are projecting earnings growth of 4.0% and revenue growth of 3.6%.

For Q2 2024, analysts are projecting earnings growth of 9.1% and revenue growth of 4.7%.

For Q3 2024, analysts are projecting earnings growth of 8.0% and revenue growth of 5.1%.

For Q4 2024, analysts are projecting earnings growth of 17.7% and revenue growth of 5.6%.

For CY 2024, analysts are projecting earnings growth of 10.9% and revenue growth of 5.4%.

Valuation: Forward P/E Ratio is 20.3, Above the 10-Year Average (17.7)

The forward 12-month P/E ratio for the S&P 500 is 20.3. This P/E ratio is above the 5-year average of 18.9 and above the 10-year average of 17.7. It is also above 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 4.8%, while the forward 12-month EPS estimate has increased by 1.0%. At the sector level, the Information Technology (28.6) and Consumer Discretionary (24.8) sectors have the highest forward 12-month P/E ratios, while the Energy (11.7) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 24.6, which is above the 5-year average of 22.9 and above the 10-year average of 21.1.

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

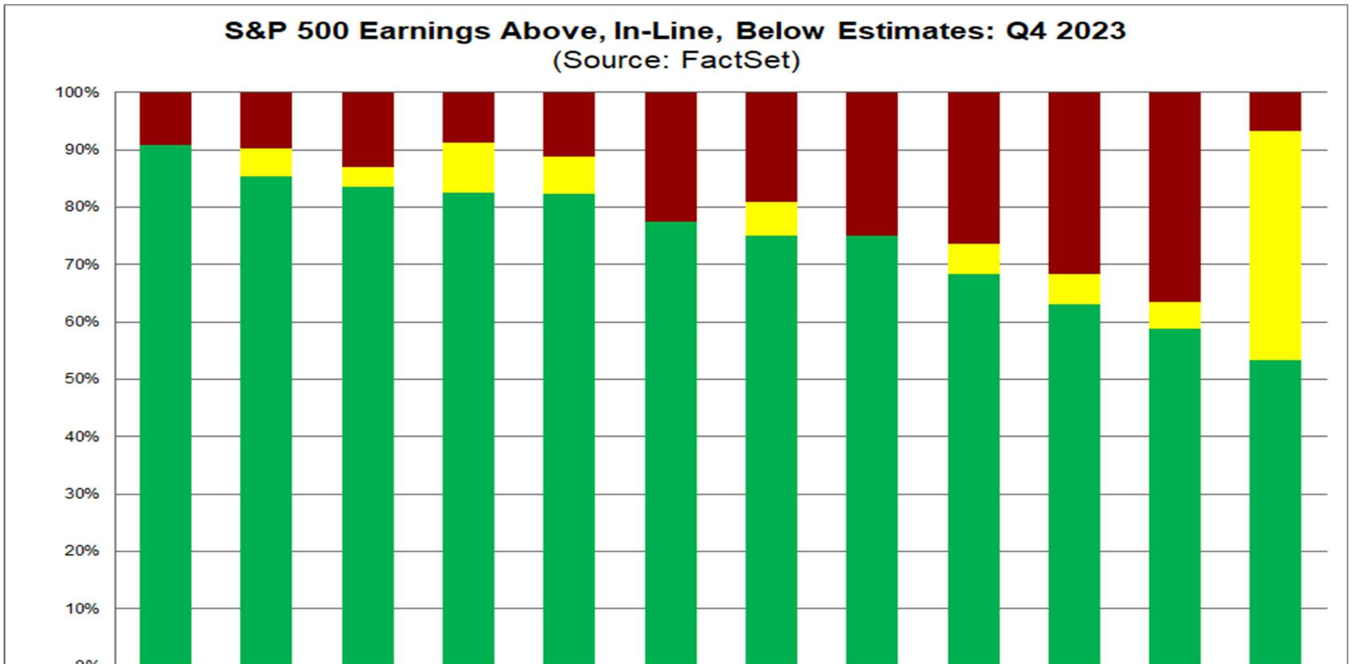
The bottom-up target price for the S&P 500 is 5451.98, which is 9.1% above the closing price of 4997.91. At the sector level, the Energy (+18.3%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Information Technology (+5.4%) and Industrials (+6.4%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 11,497 ratings on stocks in the S&P 500. Of these 11,497 ratings, 54.0% are Buy ratings, 40.3% are Hold ratings, and 5.7% are Sell ratings. At the sector level, the Energy (64%) and Communication Service (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (44%) and Materials (47%) sectors have the lowest percentages of Buy ratings.

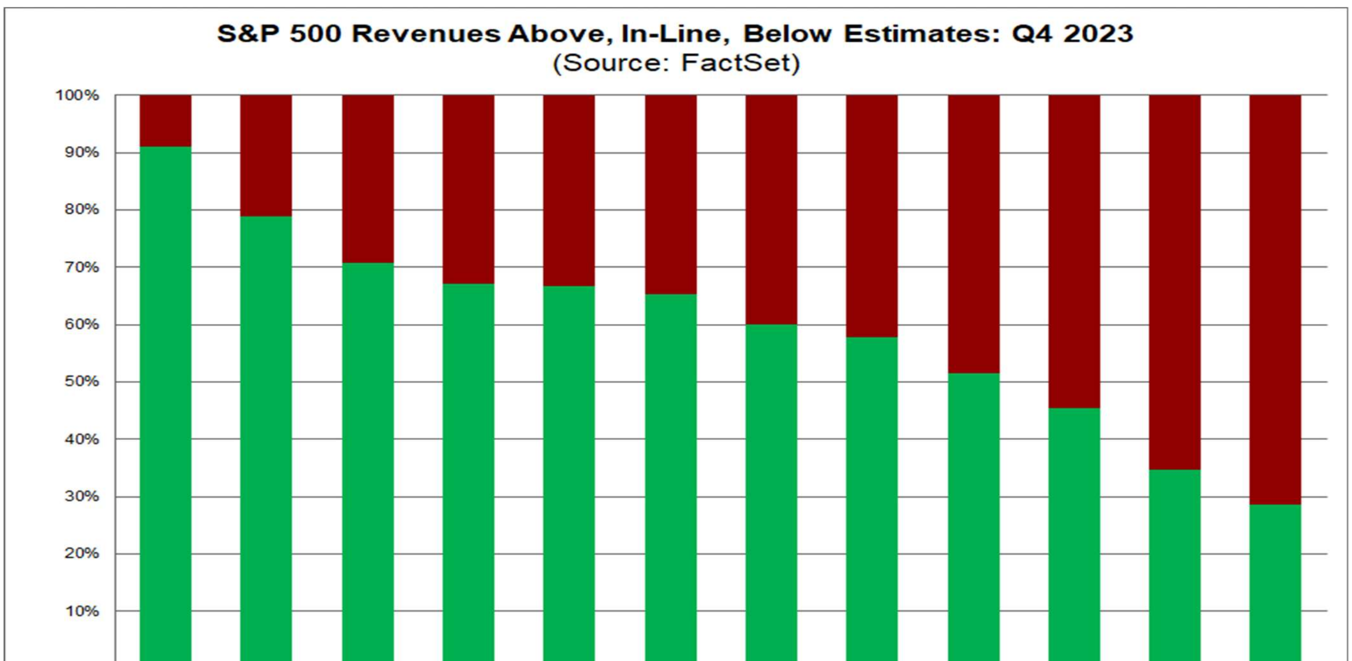
Companies Reporting Next Week: 62

During the upcoming week, 62 S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the fourth quarter.

Q4 2023: Scorecard

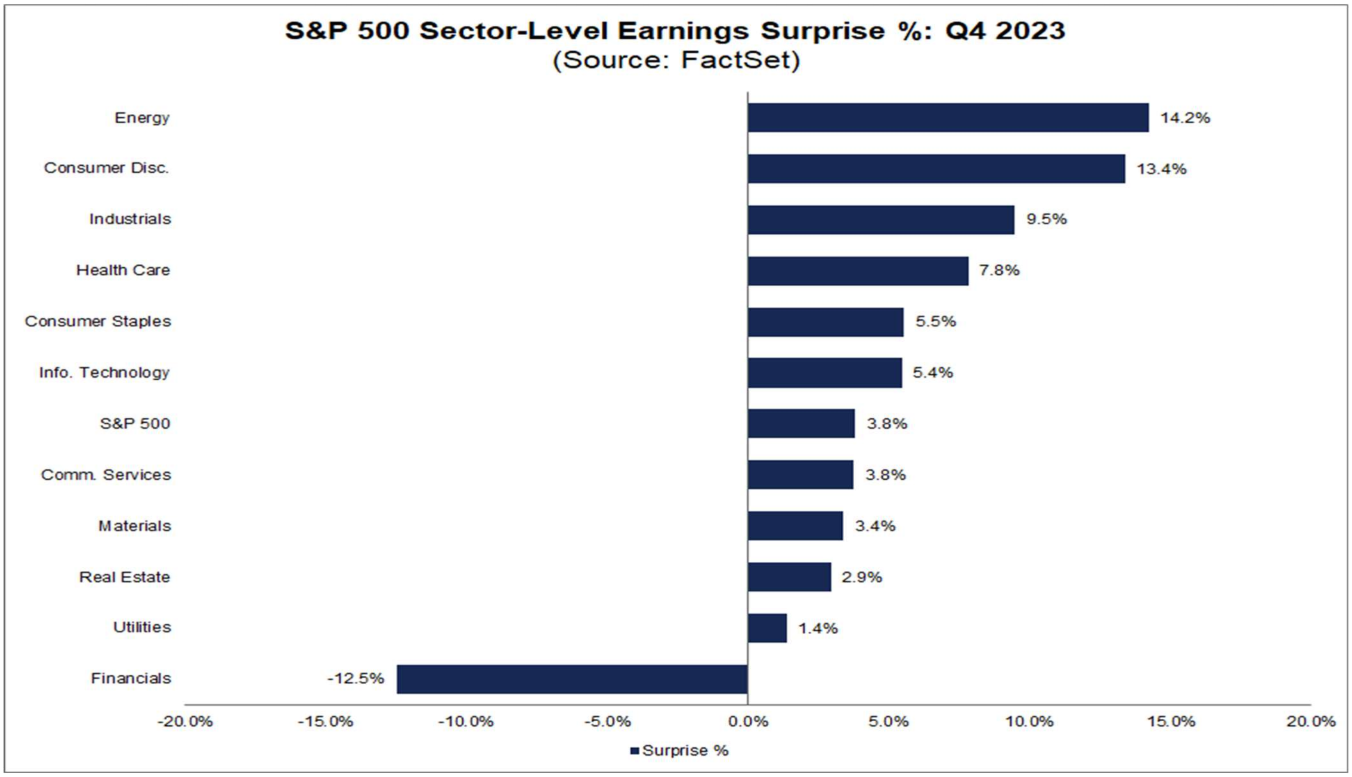


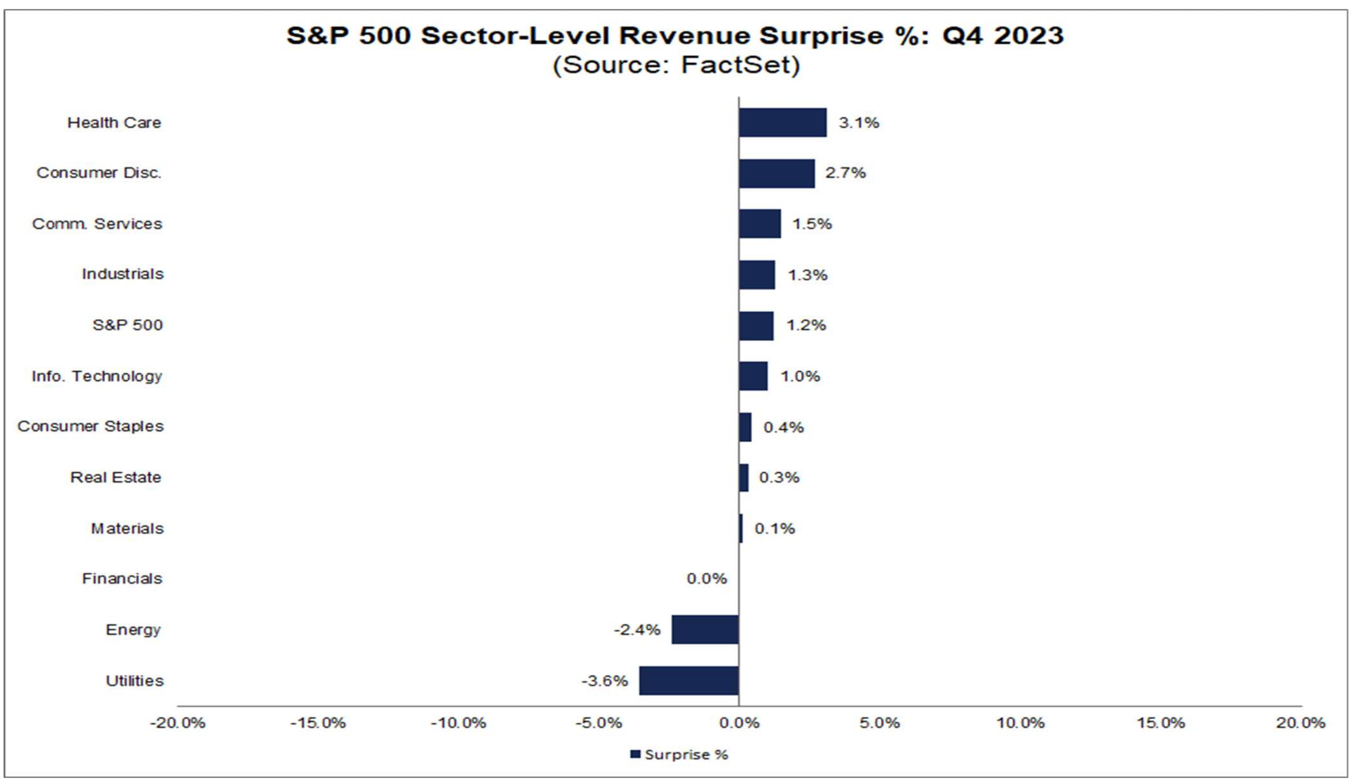
	Energy	Info. Technology	Industrials	Consumer Staples	Health Care	Consumer Disc.	S&P 500	Utilities	Comm. Services	Materials	Financials	Real Estate
Below	9%	10%	13%	9%	11%	23%	19%	25%	26%	32%	37%	7%
In-Line	0%	5%	3%	9%	7%	0%	6%	0%	5%	5%	5%	40%
Above	91%	85%	84%	83%	82%	77%	75%	75%	68%	63%	59%	53%



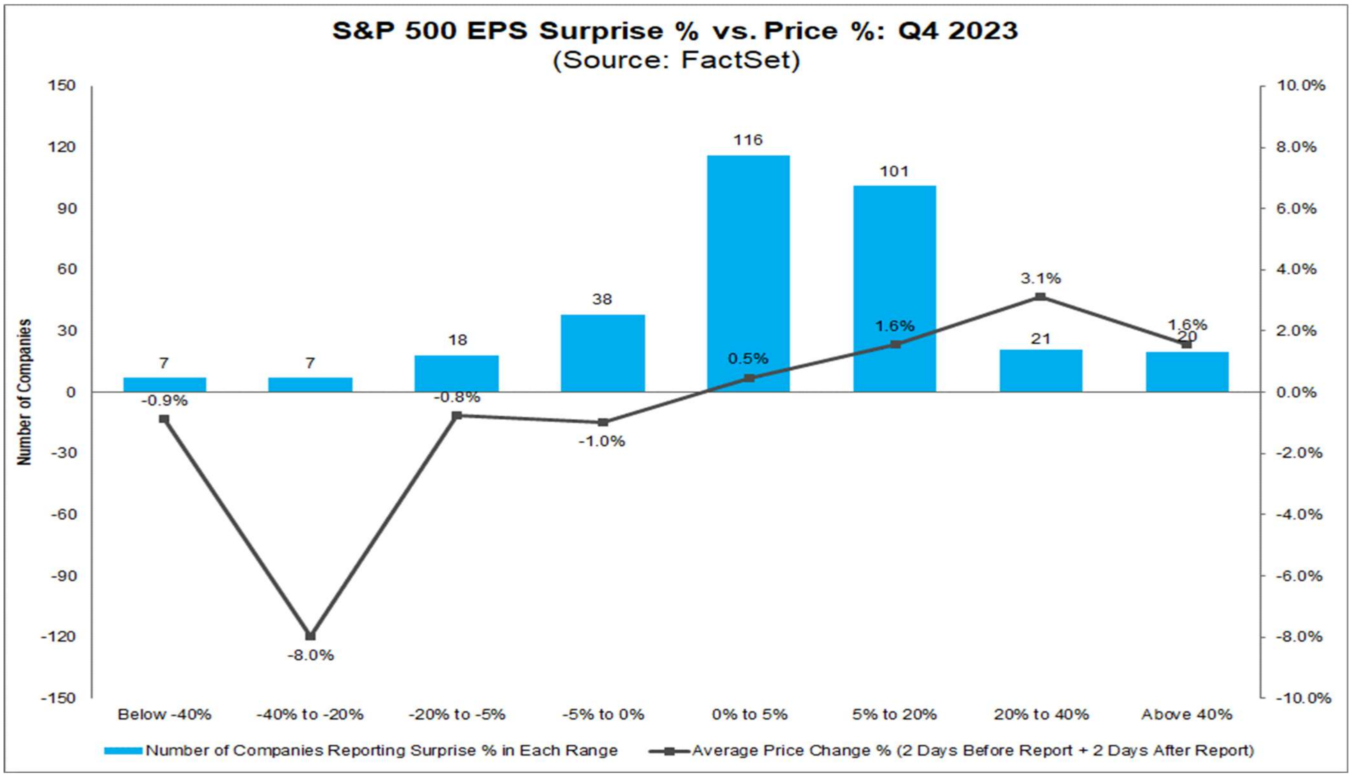
	Health Care	Comm. Services	Info. Technology	Industrials	Financials	S&P 500	Real Estate	Materials	Consumer Disc.	Energy	Consumer Staples	Utilities
Below	9%	21%	29%	33%	33%	35%	40%	42%	48%	55%	65%	71%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	91%	79%	71%	67%	67%	65%	60%	58%	52%	45%	35%	29%

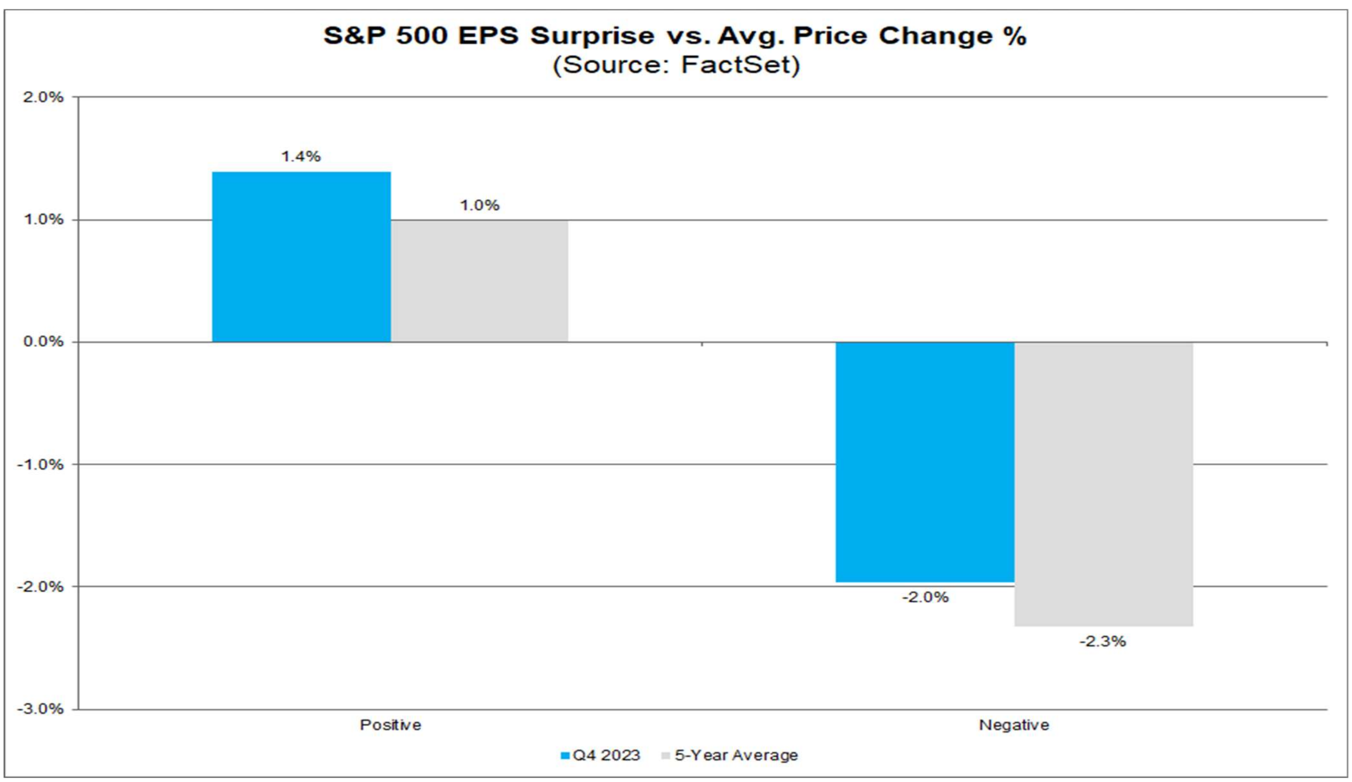
Q4 2023: Surprise



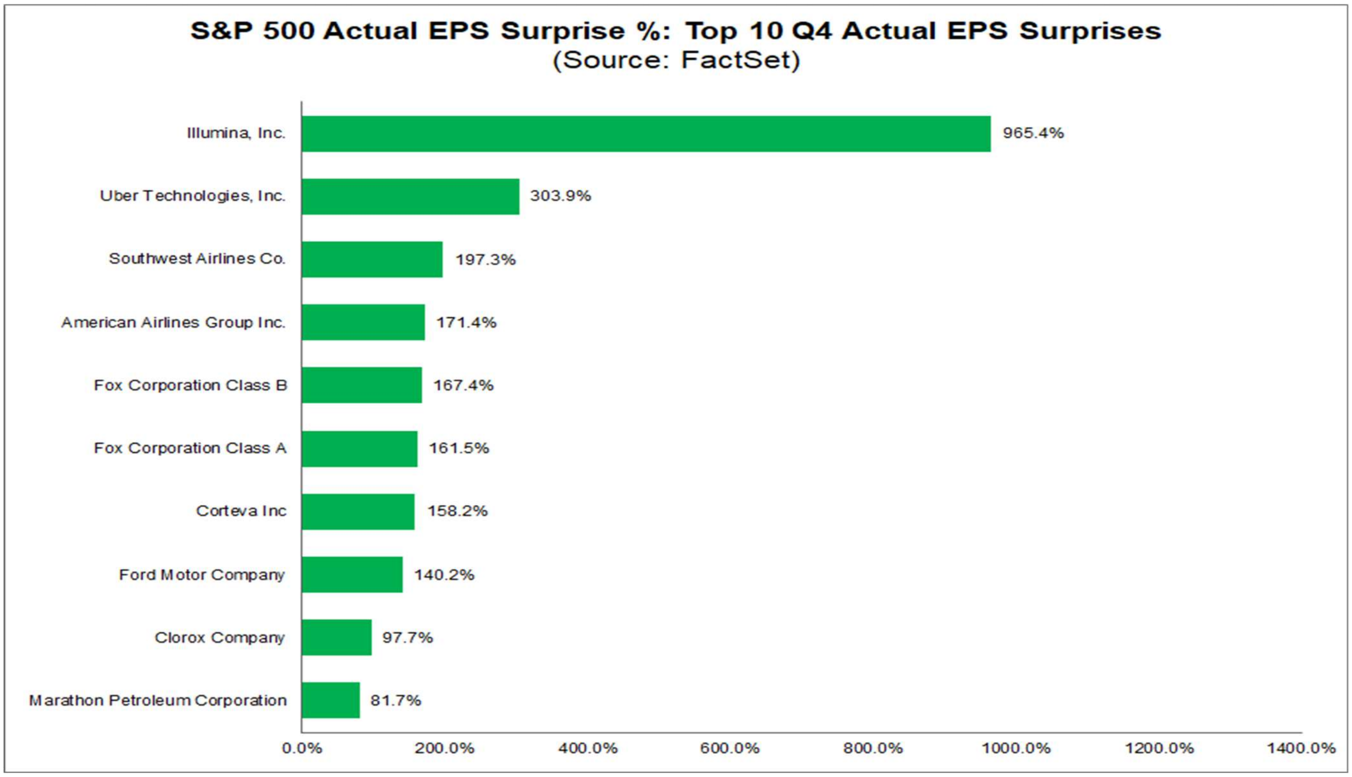


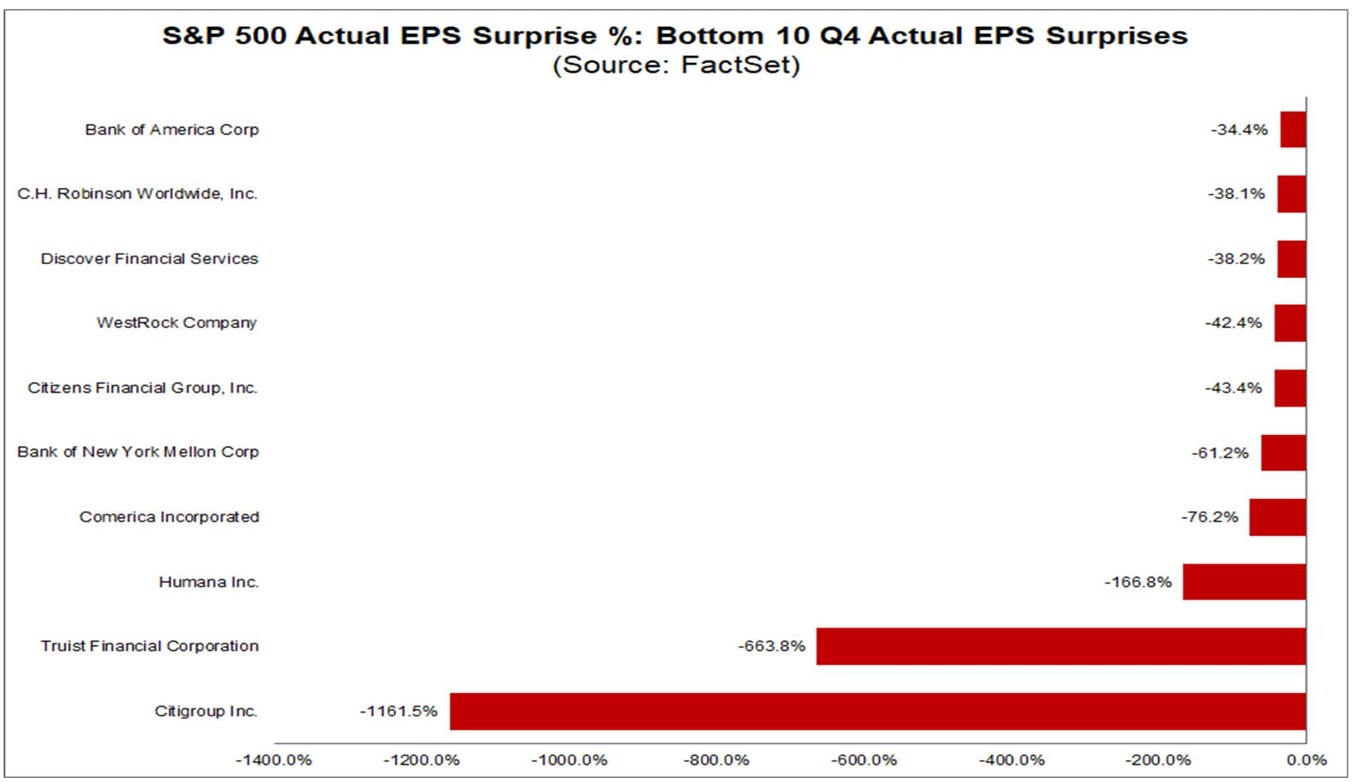
Q4 2023: Surprise



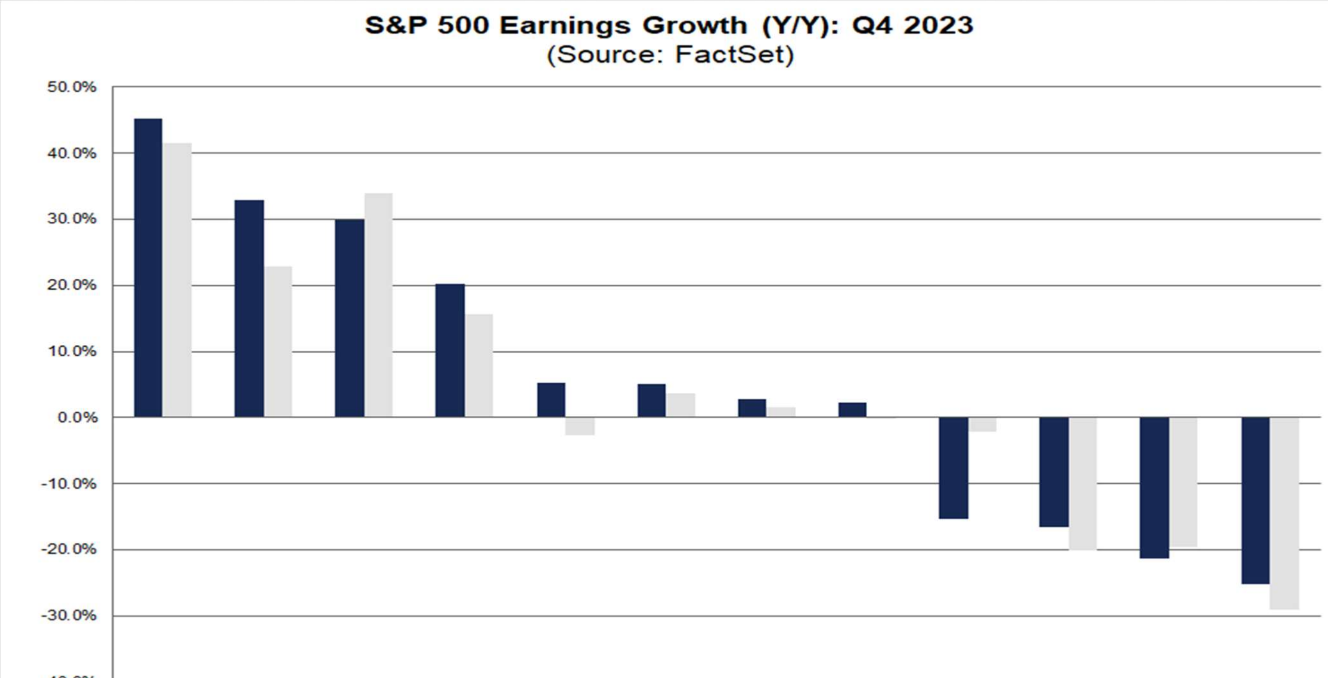


Q4 2023: Surprise

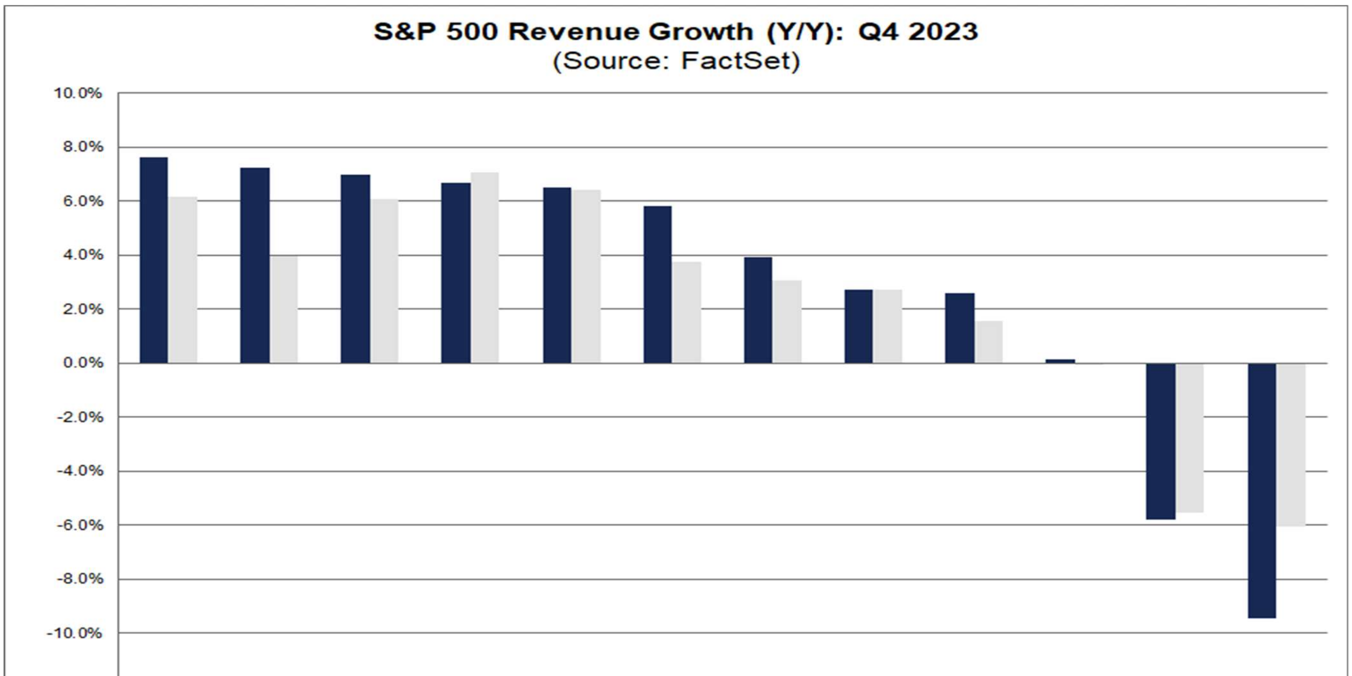




Q4 2023: Growth

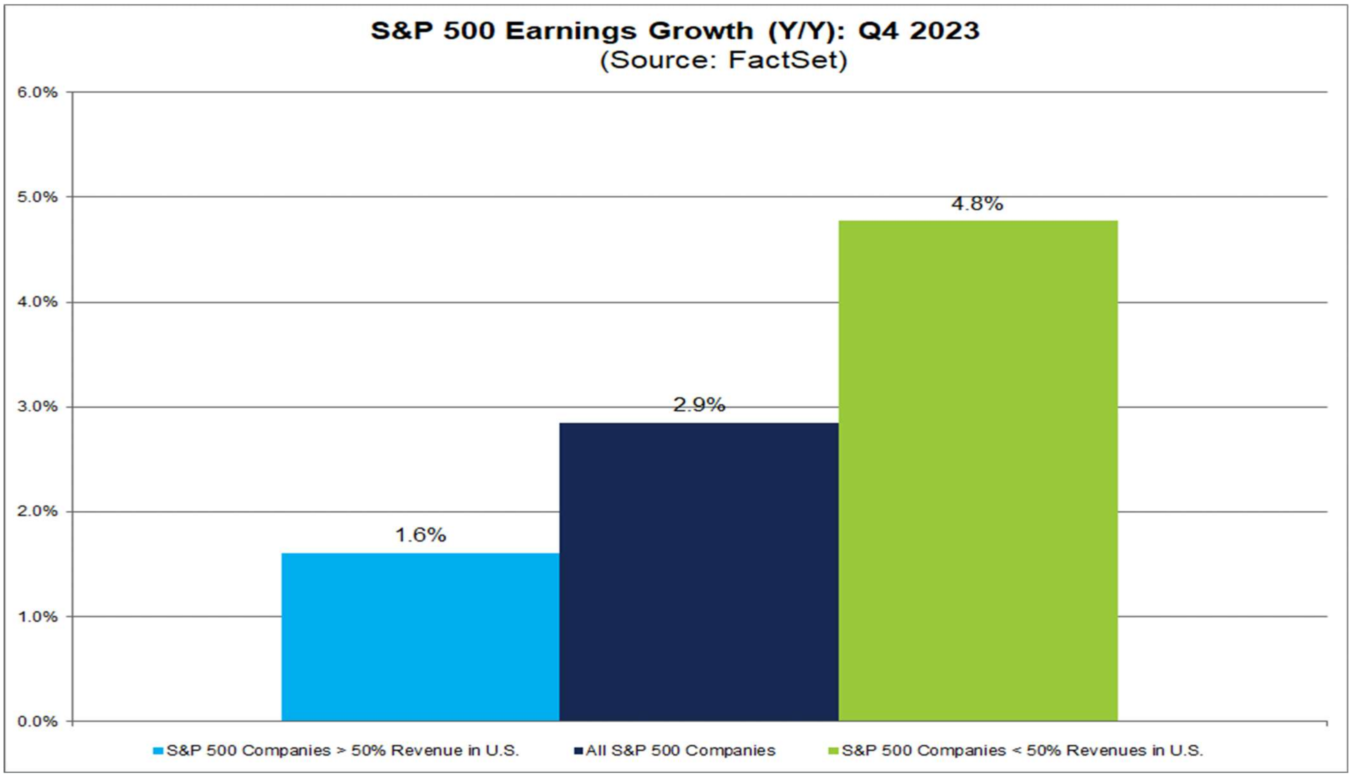


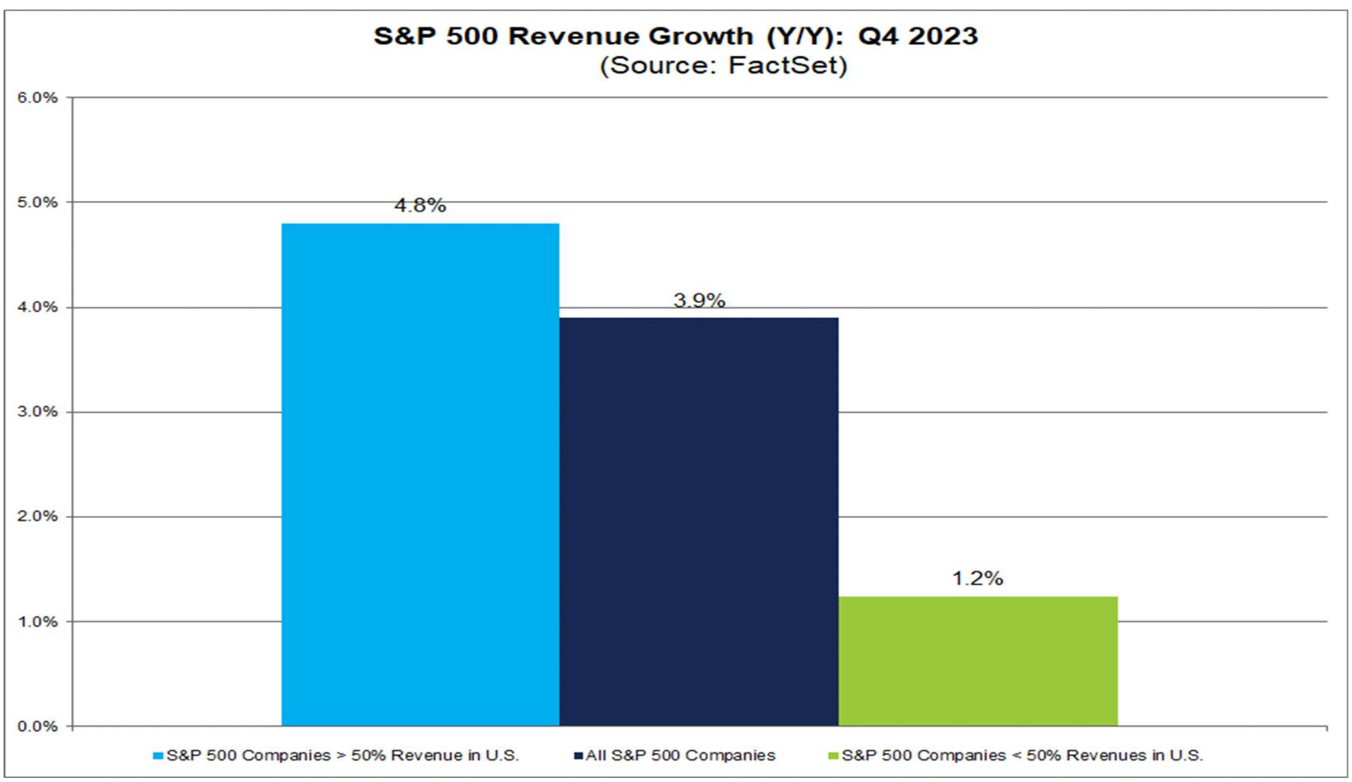
	Comm. Services	Consumer Disc.	Utilities	Info. Technology	Industrials	Real Estate	S&P 500	Consumer Staples	Financials	Health Care	Materials	Energy
Today	45.2%	32.9%	29.9%	20.2%	5.3%	5.0%	2.9%	2.3%	-15.3%	-16.6%	-21.4%	-25.2%
31-Dec	41.4%	22.8%	34.0%	15.7%	-2.7%	3.7%	1.5%	-0.3%	-2.2%	-20.1%	-19.5%	-29.0%



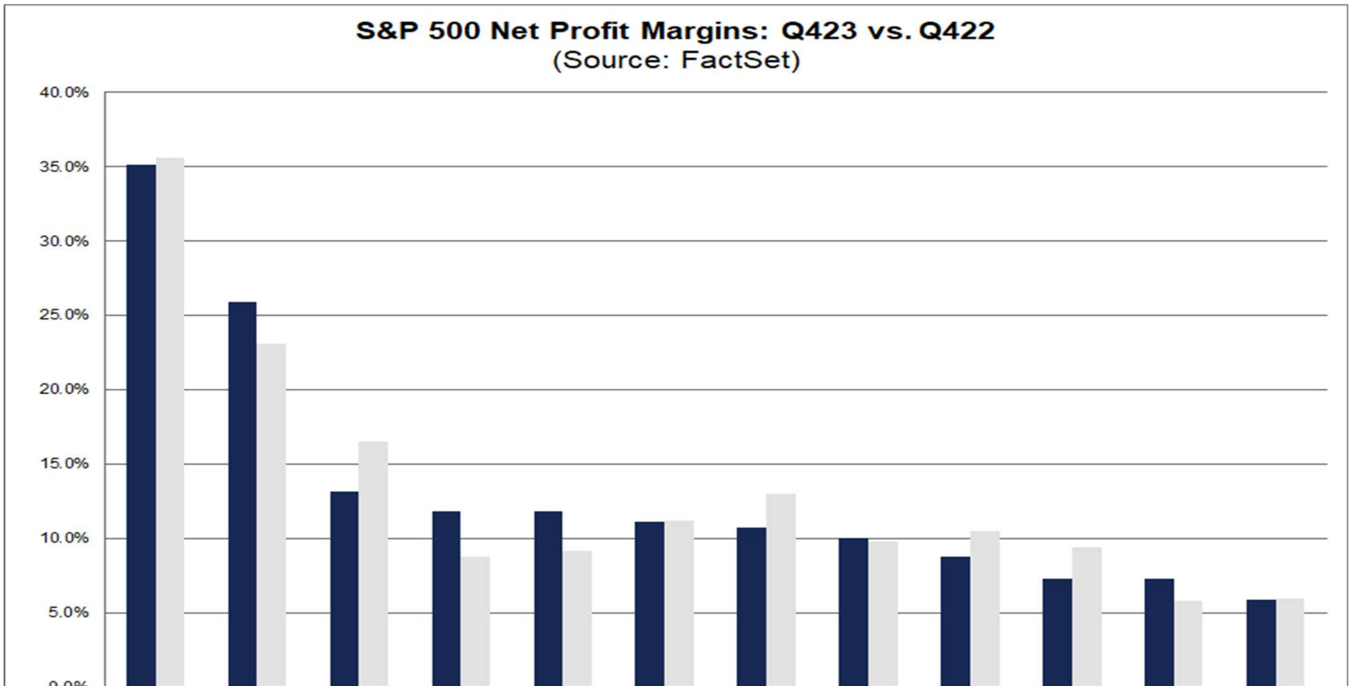
	Comm. Services	Health Care	Info. Technology	Financials	Real Estate	Consumer Disc.	S&P 500	Consumer Staples	Industrials	Utilities	Materials	Energy
Today	7.6%	7.2%	7.0%	6.7%	6.5%	5.8%	3.9%	2.7%	2.6%	0.1%	-5.8%	-9.4%
31-Dec	6.2%	4.0%	6.1%	7.0%	6.4%	3.7%	3.1%	2.7%	1.5%	-0.1%	-5.5%	-6.1%

Q4 2023: Growth

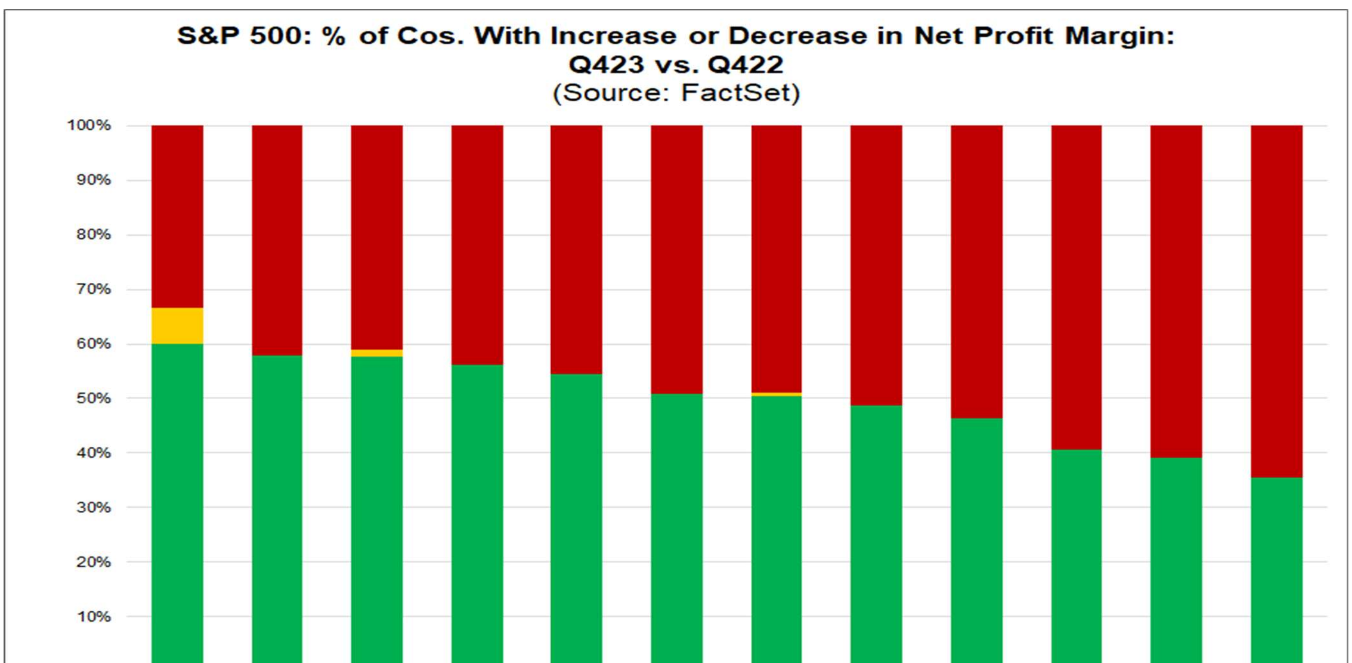




Q4 2023: Net Profit Margin

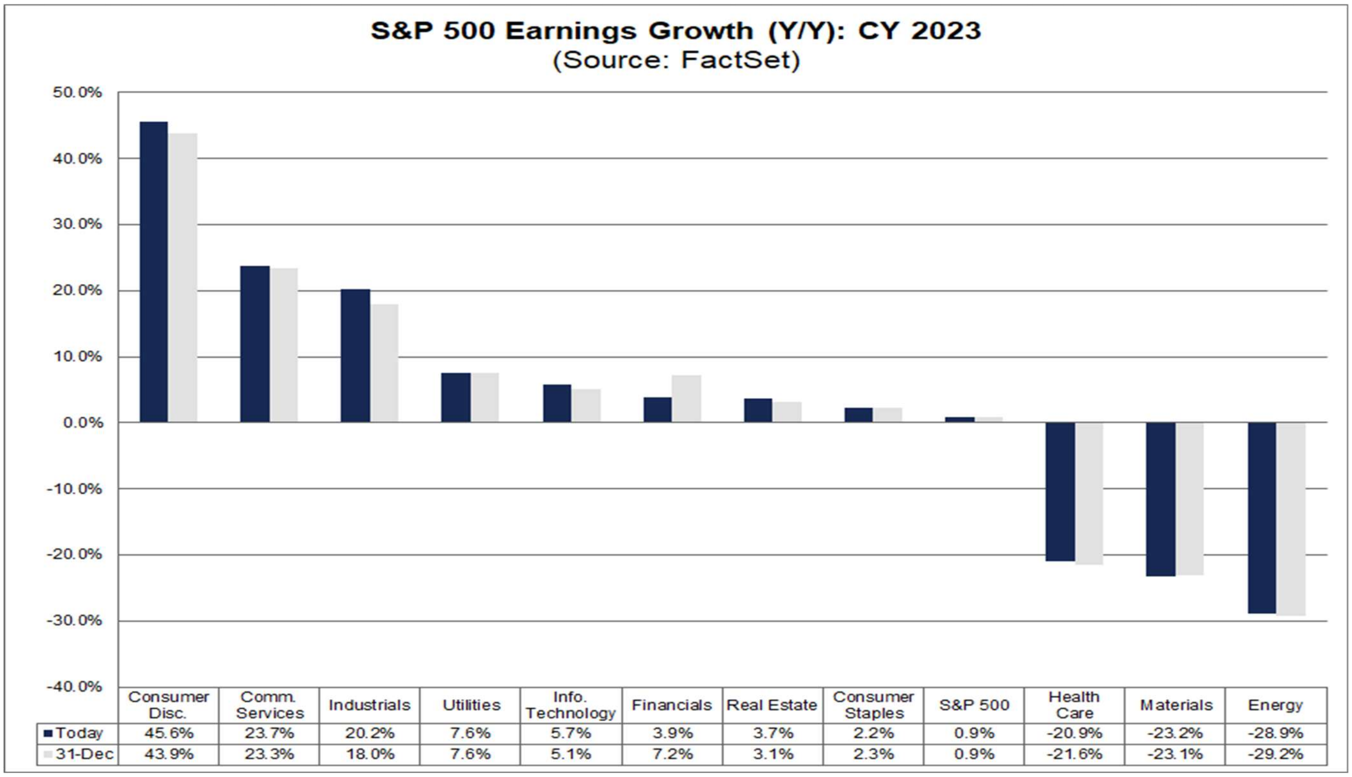


	Real Estate	Information Tech.	Financials	Comm. Services	Utilities	S&P 500	Energy	Industrials	Materials	Health Care	Consumer Disc.	Consumer Staples
Q423	35.1%	25.9%	13.1%	11.8%	11.8%	11.1%	10.7%	10.0%	8.8%	7.3%	7.3%	5.9%
Q422	35.6%	23.1%	16.5%	8.8%	9.1%	11.2%	13.0%	9.8%	10.5%	9.4%	5.8%	5.9%

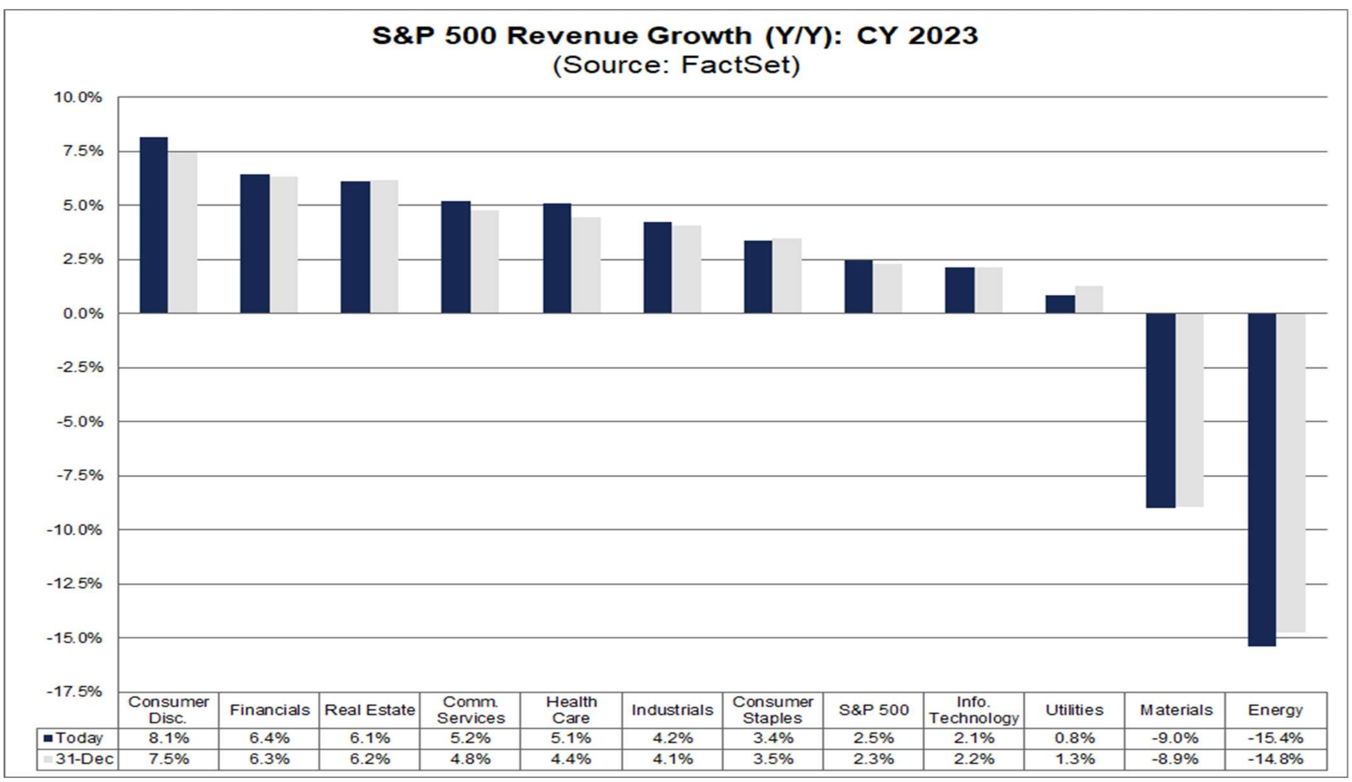


	Utilities	Consumer Staples	Industrials	Information Tech.	Comm. Services	Consumer Disc.	S&P 500	Financials	Materials	Health Care	Energy	Real Estate
Down %	33%	42%	41%	44%	45%	49%	49%	51%	54%	59%	61%	65%
None %	7%	0%	1%	0%	0%	0%	1%	0%	0%	0%	0%	0%
Up %	60%	58%	58%	56%	55%	51%	50%	49%	46%	41%	39%	35%

CY 2023: Growth

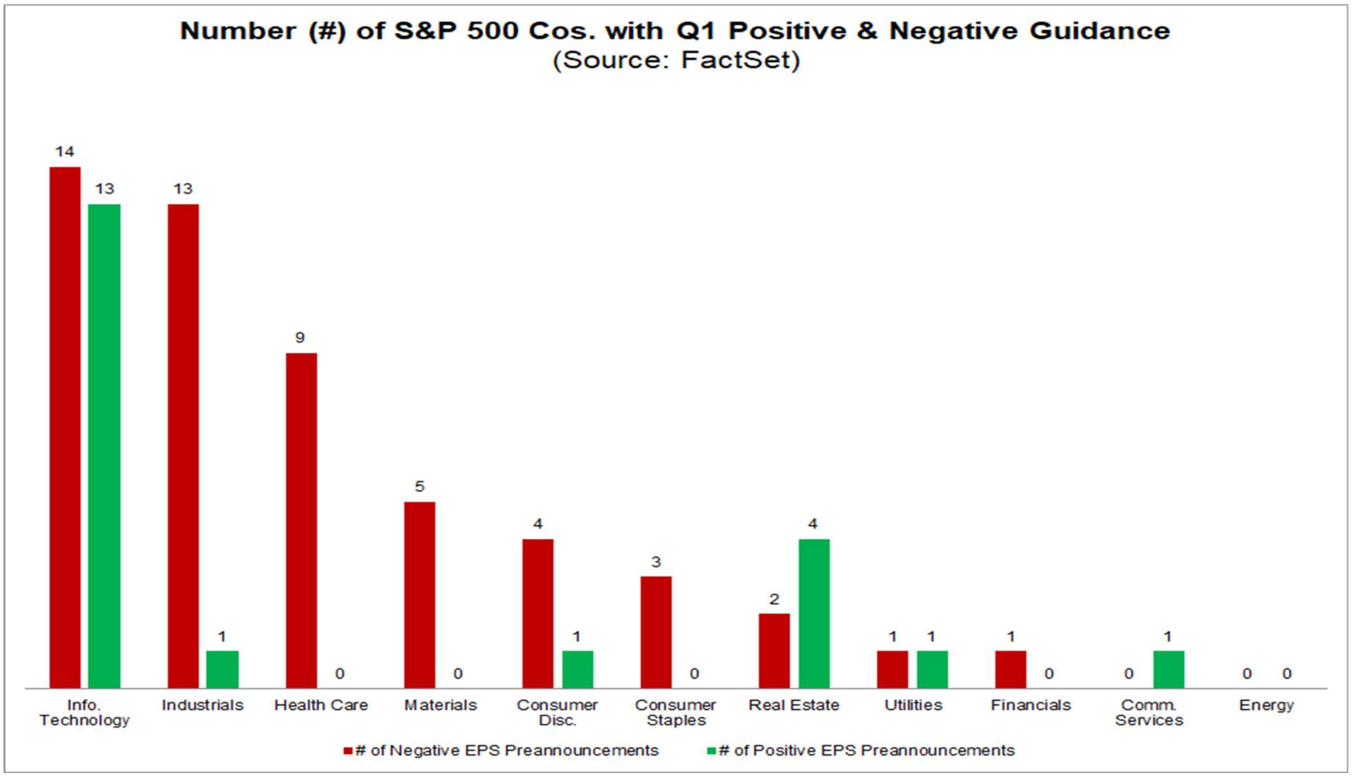


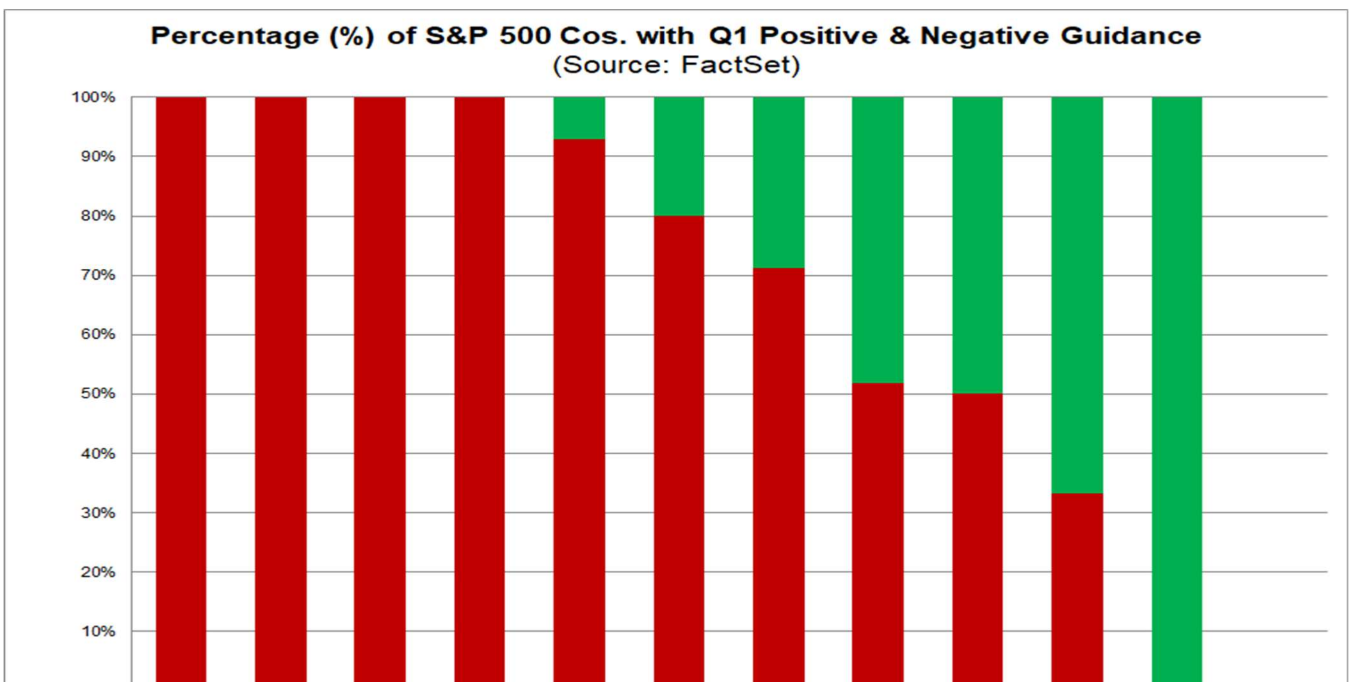
	Consumer Disc.	Comm. Services	Industrials	Utilities	Info. Technology	Financials	Real Estate	Consumer Staples	S&P 500	Health Care	Materials	Energy
Today	45.6%	23.7%	20.2%	7.6%	5.7%	3.9%	3.7%	2.2%	0.9%	-20.9%	-23.2%	-28.9%
31-Dec	43.9%	23.3%	18.0%	7.6%	5.1%	7.2%	3.1%	2.3%	0.9%	-21.6%	-23.1%	-29.2%



	Consumer Disc.	Financials	Real Estate	Comm. Services	Health Care	Industrials	Consumer Staples	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	8.1%	6.4%	6.1%	5.2%	5.1%	4.2%	3.4%	2.5%	2.1%	0.8%	-9.0%	-15.4%
31-Dec	7.5%	6.3%	6.2%	4.8%	4.4%	4.1%	3.5%	2.3%	2.2%	1.3%	-8.9%	-14.8%

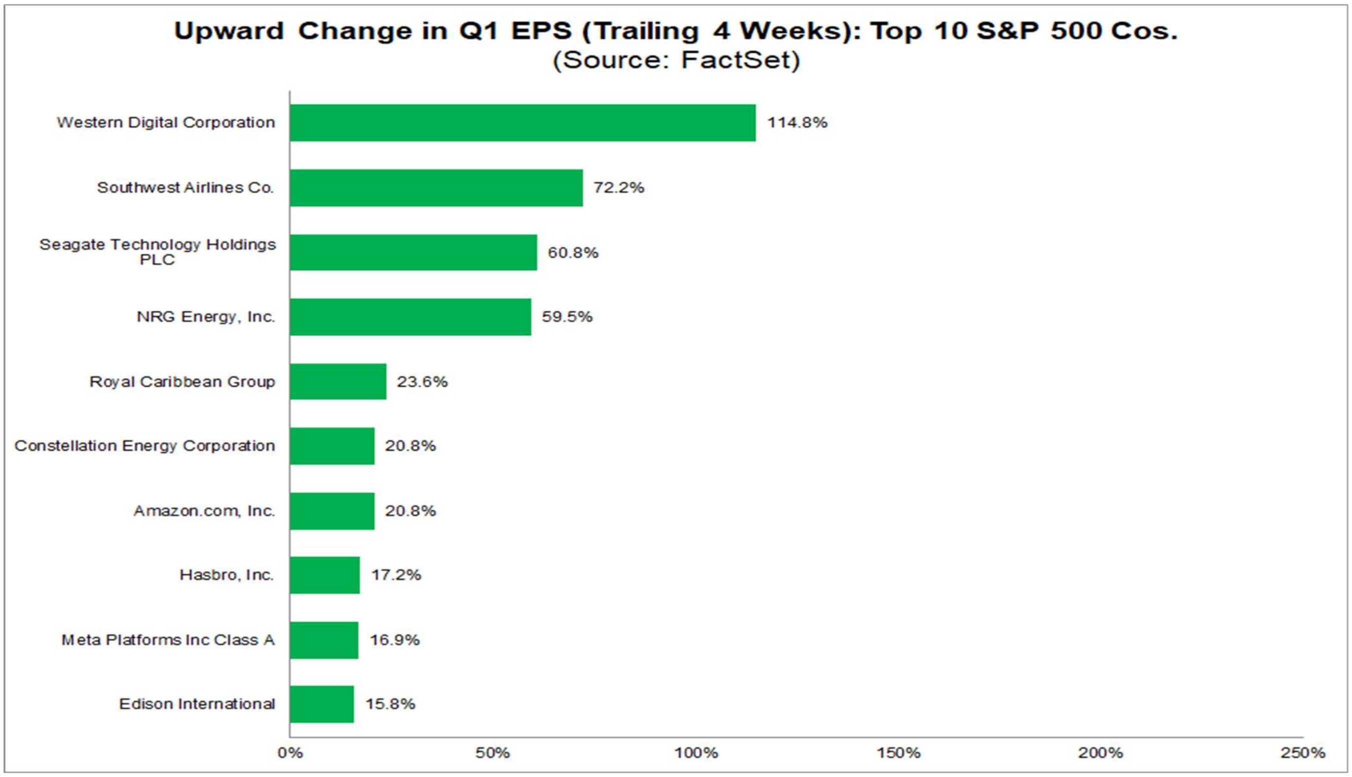
Q1 2024: Guidance

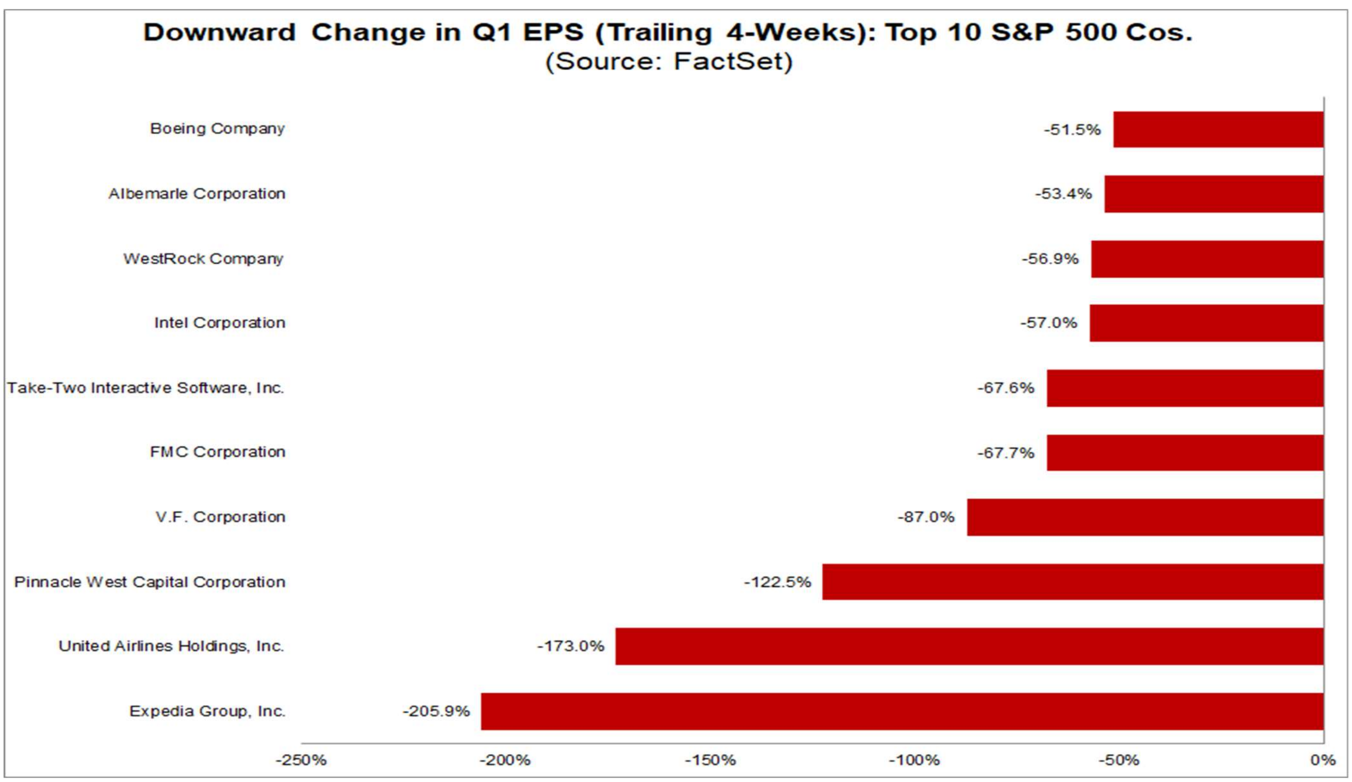




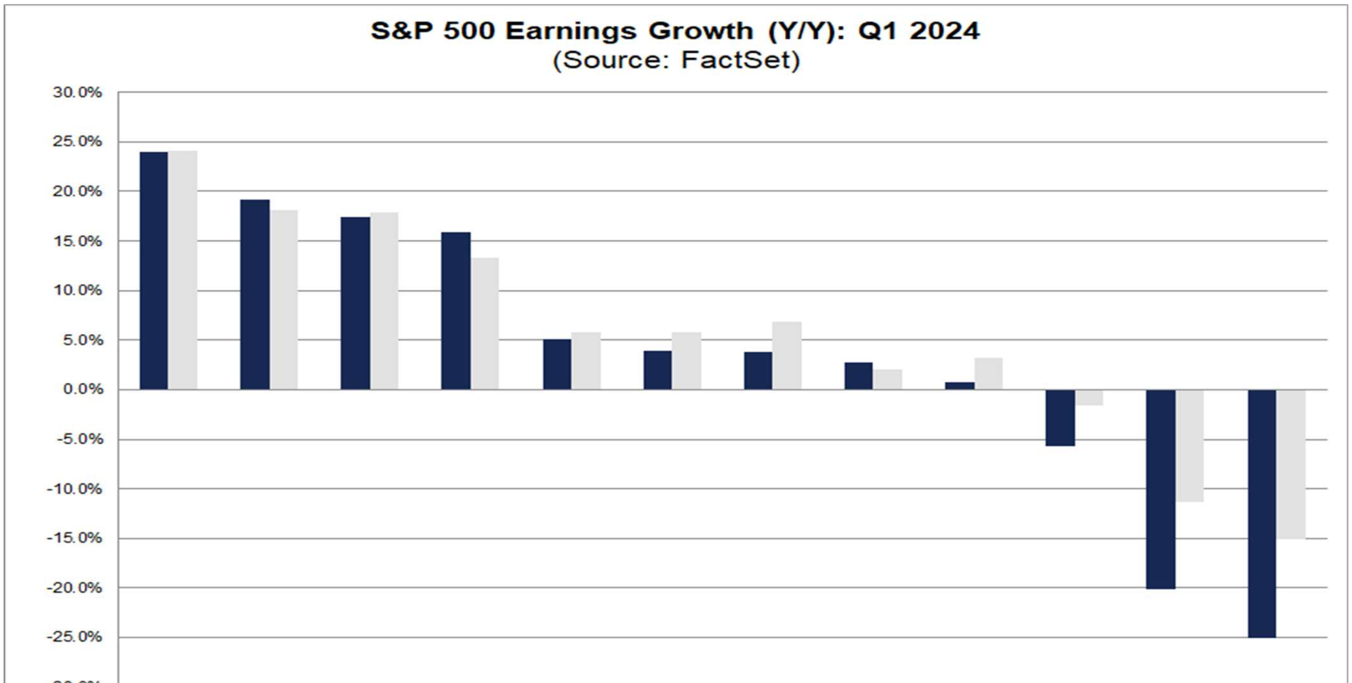
	Health Care	Materials	Consumer Staples	Financials	Industrials	Consumer Disc.	S&P 500	Info. Technology	Utilities	Real Estate	Comm. Services	Energy
Positive	0%	0%	0%	0%	7%	20%	29%	48%	50%	67%	100%	0%
Negative	100%	100%	100%	100%	93%	80%	71%	52%	50%	33%	0%	0%

Q1 2024: EPS Revisions

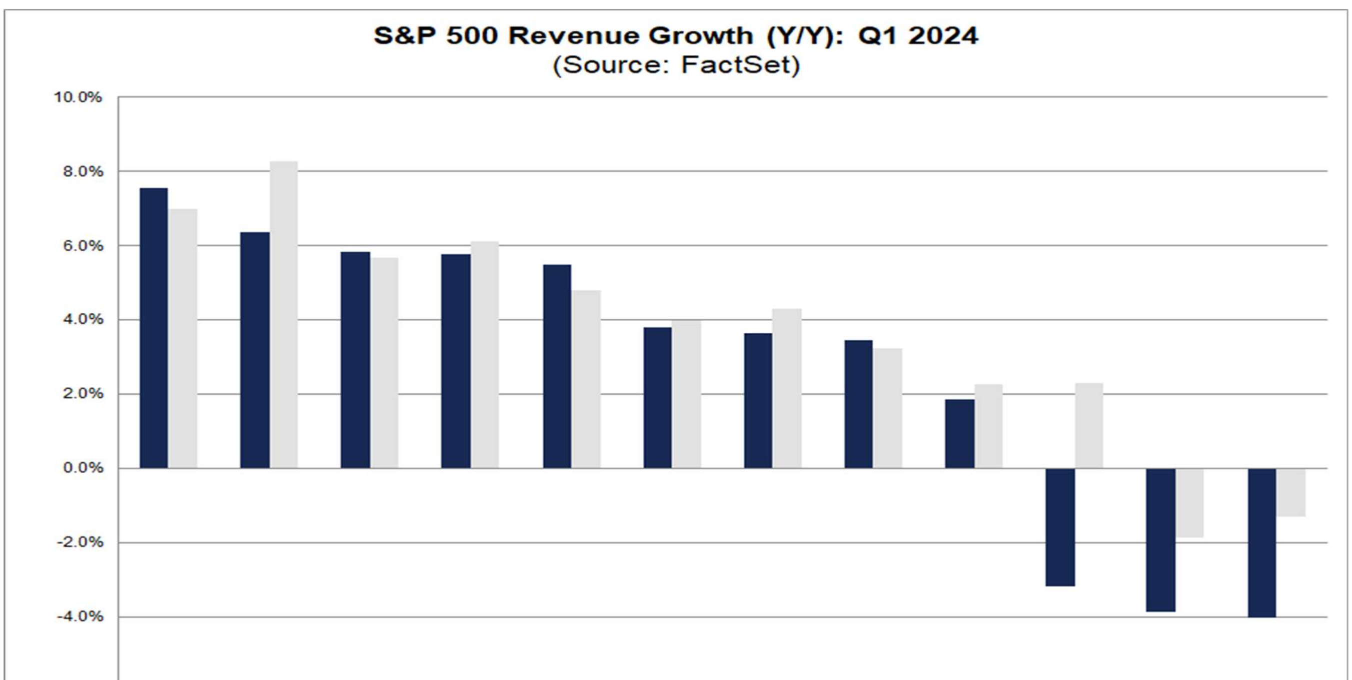




Q1 2024: Growth

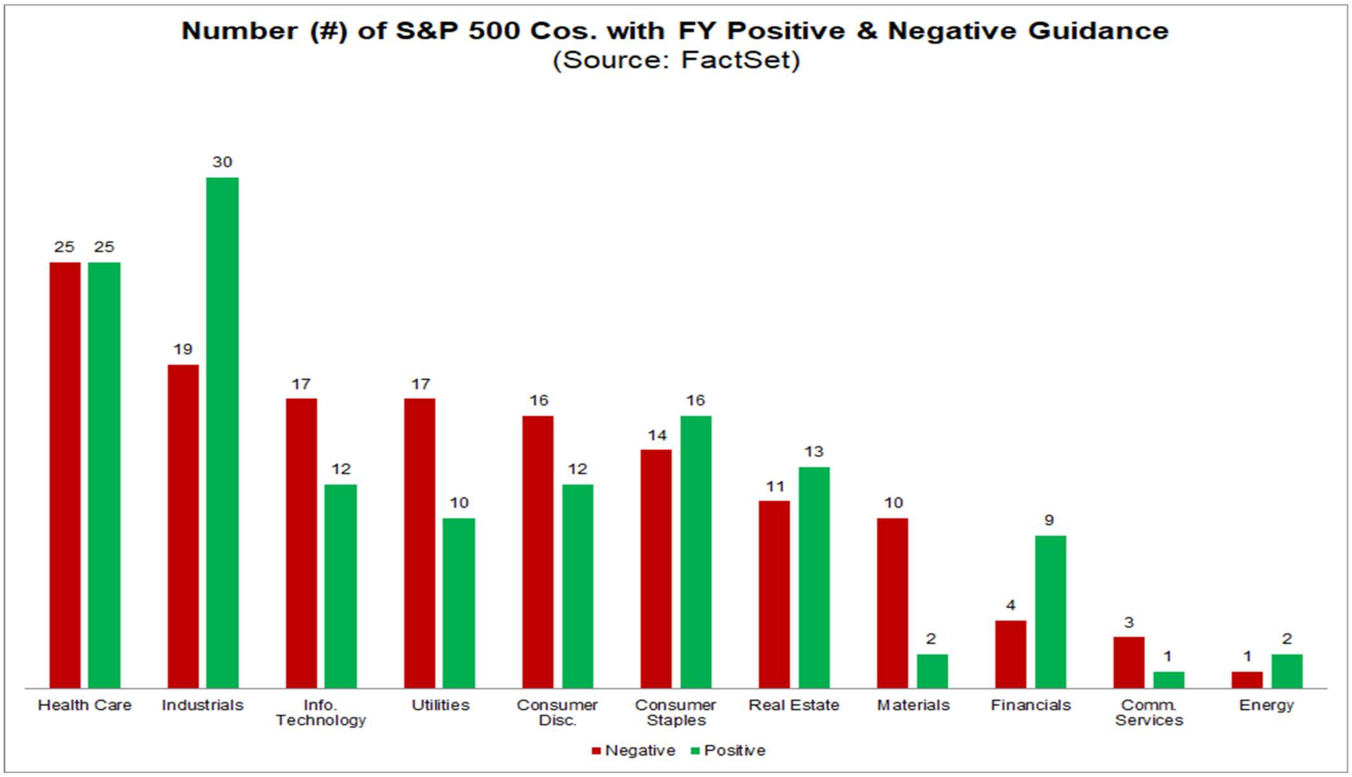


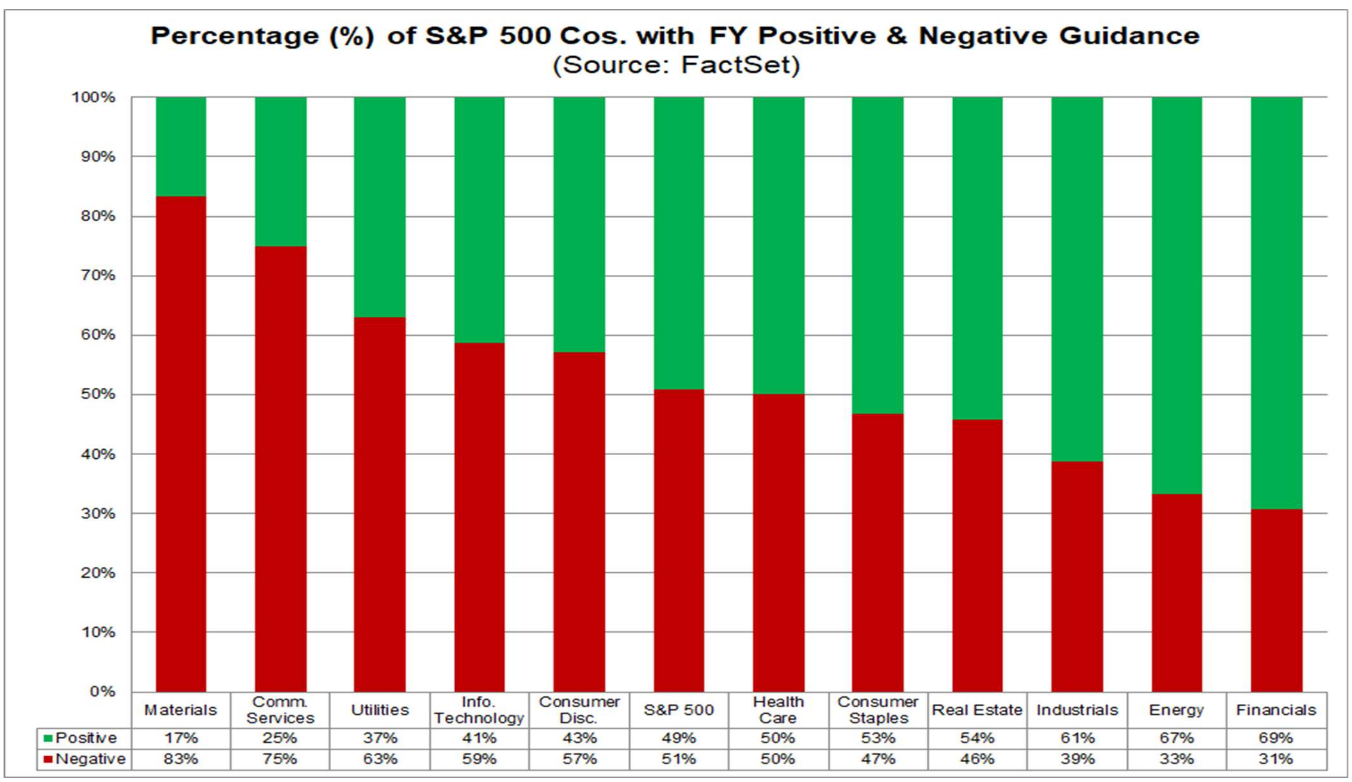
	Utilities	Comm. Services	Info. Technology	Consumer Disc.	Real Estate	S&P 500	Industrials	Financials	Consumer Staples	Health Care	Materials	Energy
Today	24.0%	19.2%	17.4%	15.9%	5.1%	4.0%	3.8%	2.7%	0.8%	-5.8%	-20.2%	-25.0%
31-Dec	24.0%	18.1%	17.9%	13.3%	5.7%	5.8%	6.9%	2.1%	3.2%	-1.6%	-11.3%	-15.1%



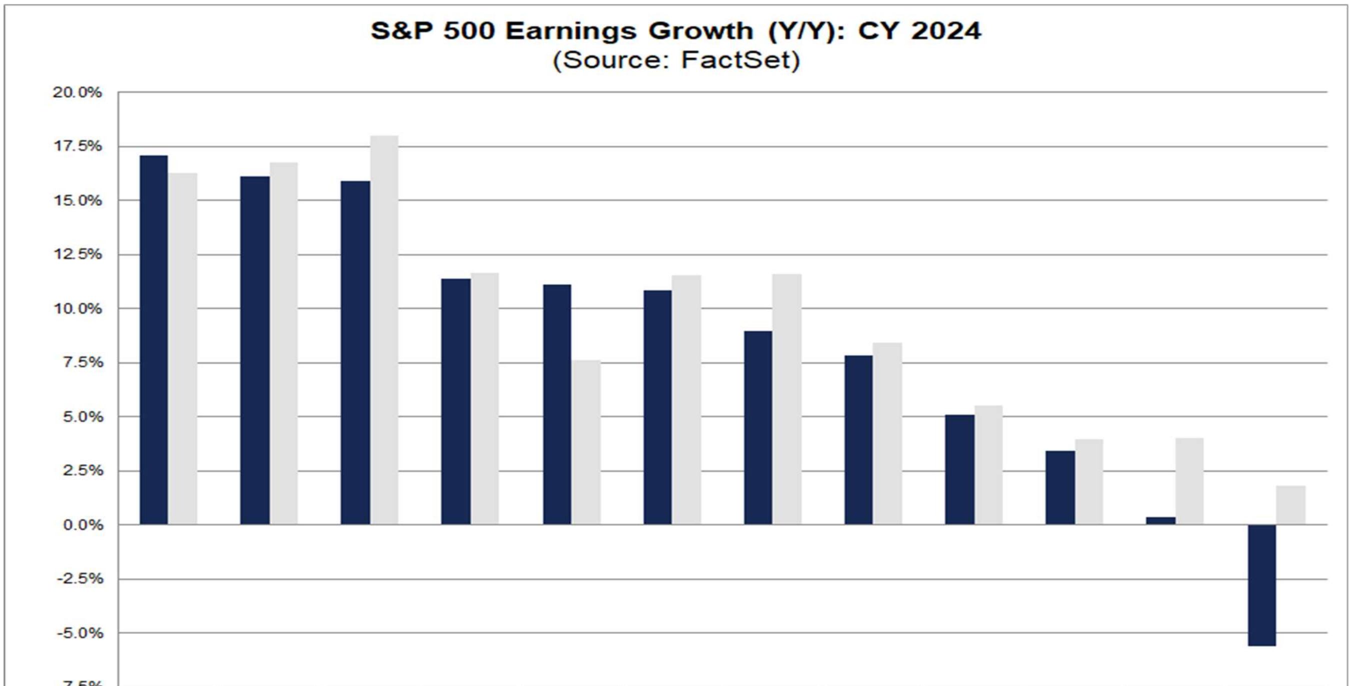
	Comm. Services	Info. Technology	Real Estate	Consumer Disc.	Health Care	Industrials	S&P 500	Financials	Consumer Staples	Energy	Materials	Utilities
Today	7.5%	6.3%	5.8%	5.8%	5.5%	3.8%	3.6%	3.5%	1.9%	-3.2%	-3.9%	-4.0%
31-Dec	7.0%	8.3%	5.7%	6.1%	4.8%	4.0%	4.3%	3.2%	2.3%	2.3%	-1.9%	-1.3%

FY 2023 / 2024: EPS Guidance

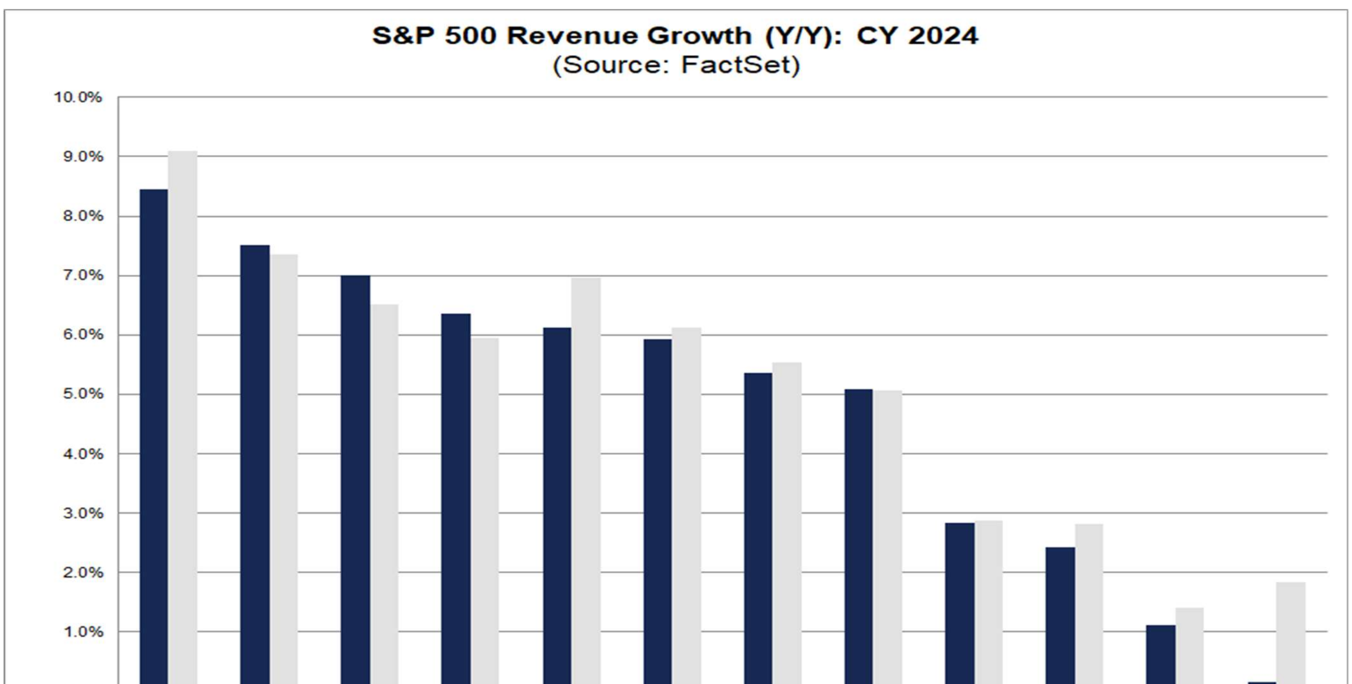




CY 2024: Growth

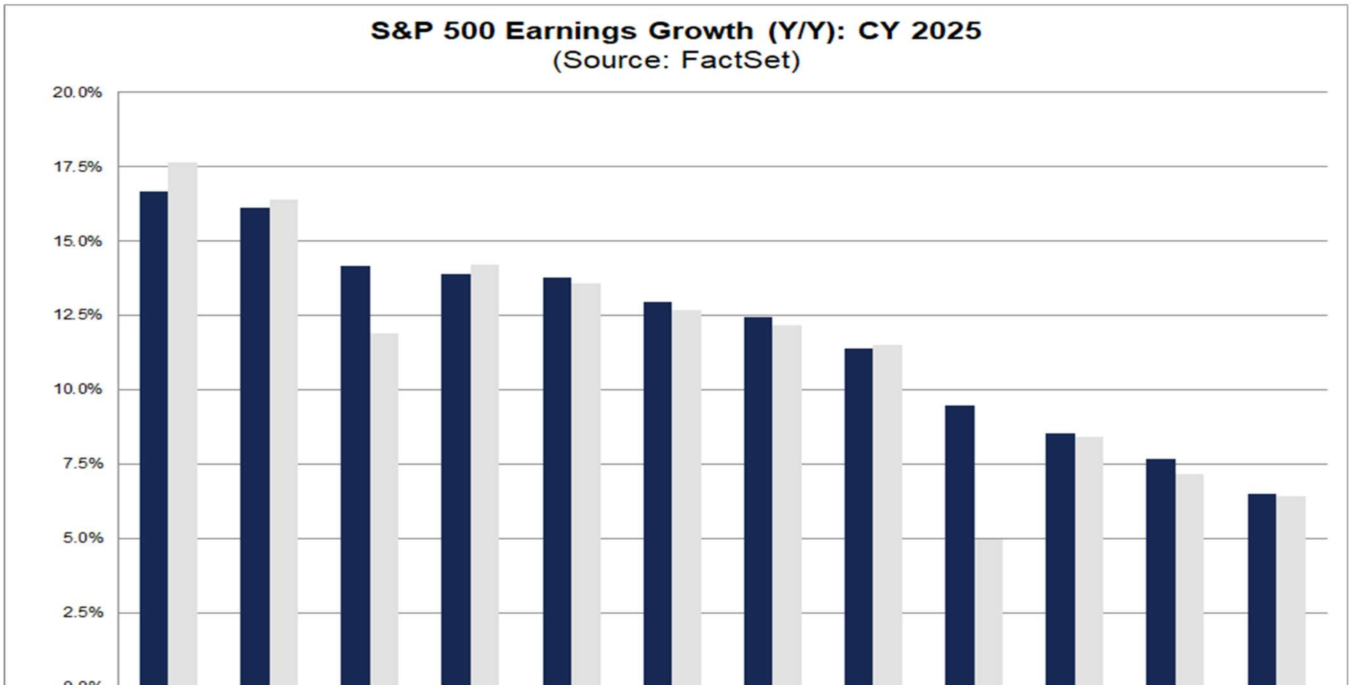


	Comm. Services	Info. Technology	Health Care	Consumer Disc.	Financials	S&P 500	Industrials	Utilities	Consumer Staples	Real Estate	Materials	Energy
Today	17.1%	16.1%	15.9%	11.4%	11.1%	10.9%	8.9%	7.8%	5.1%	3.4%	0.4%	-5.6%
31-Dec	16.3%	16.8%	18.0%	11.7%	7.6%	11.5%	11.6%	8.4%	5.5%	4.0%	4.0%	1.8%

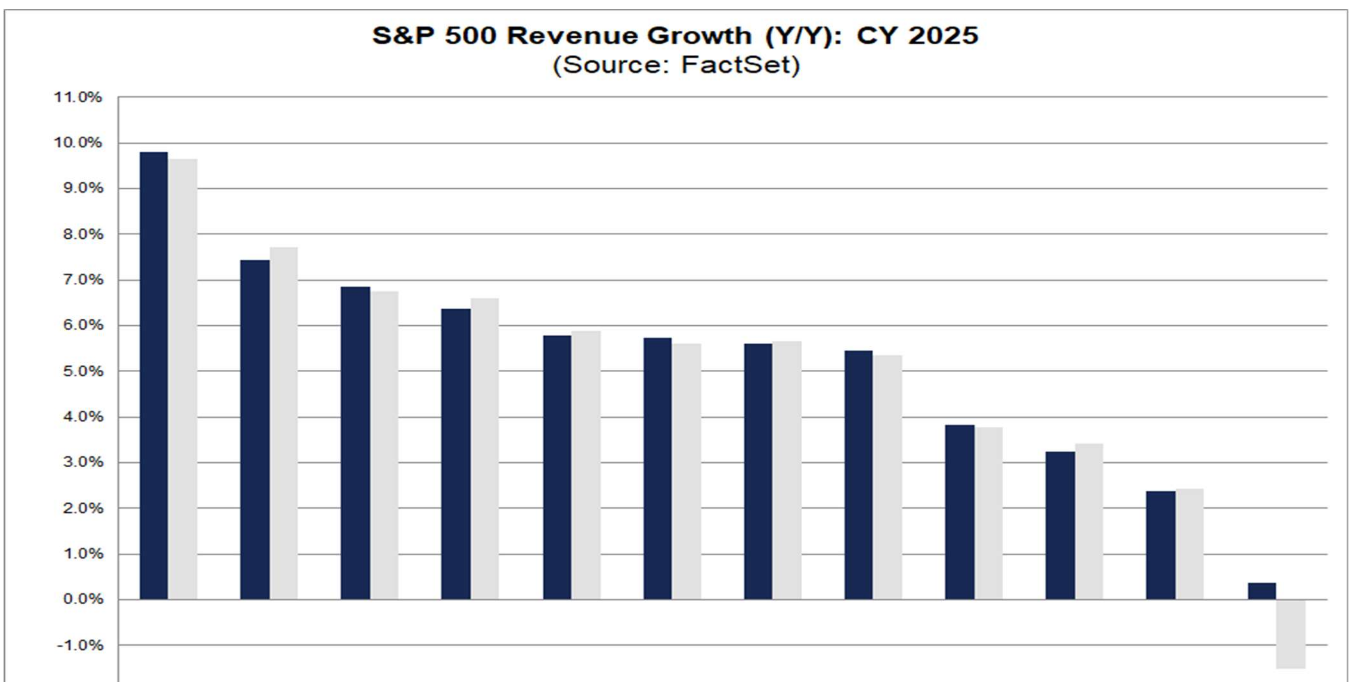


	Info. Technology	Comm. Services	Financials	Health Care	Consumer Disc.	Real Estate	S&P 500	Industrials	Consumer Staples	Utilities	Materials	Energy
Today	8.4%	7.5%	7.0%	6.4%	6.1%	5.9%	5.4%	5.1%	2.8%	2.4%	1.1%	0.2%
31-Dec	9.1%	7.4%	6.5%	5.9%	7.0%	6.1%	5.5%	5.1%	2.9%	2.8%	1.4%	1.8%

CY 2025: Growth

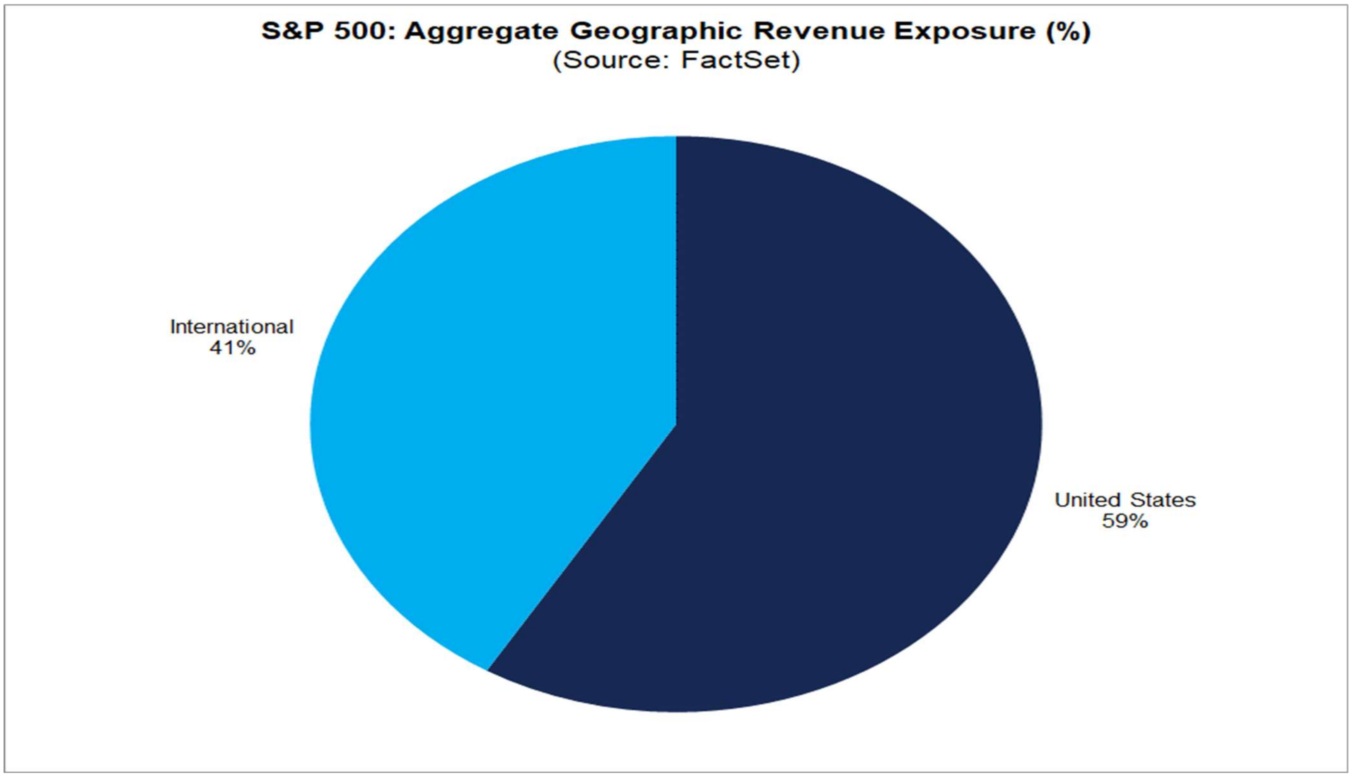


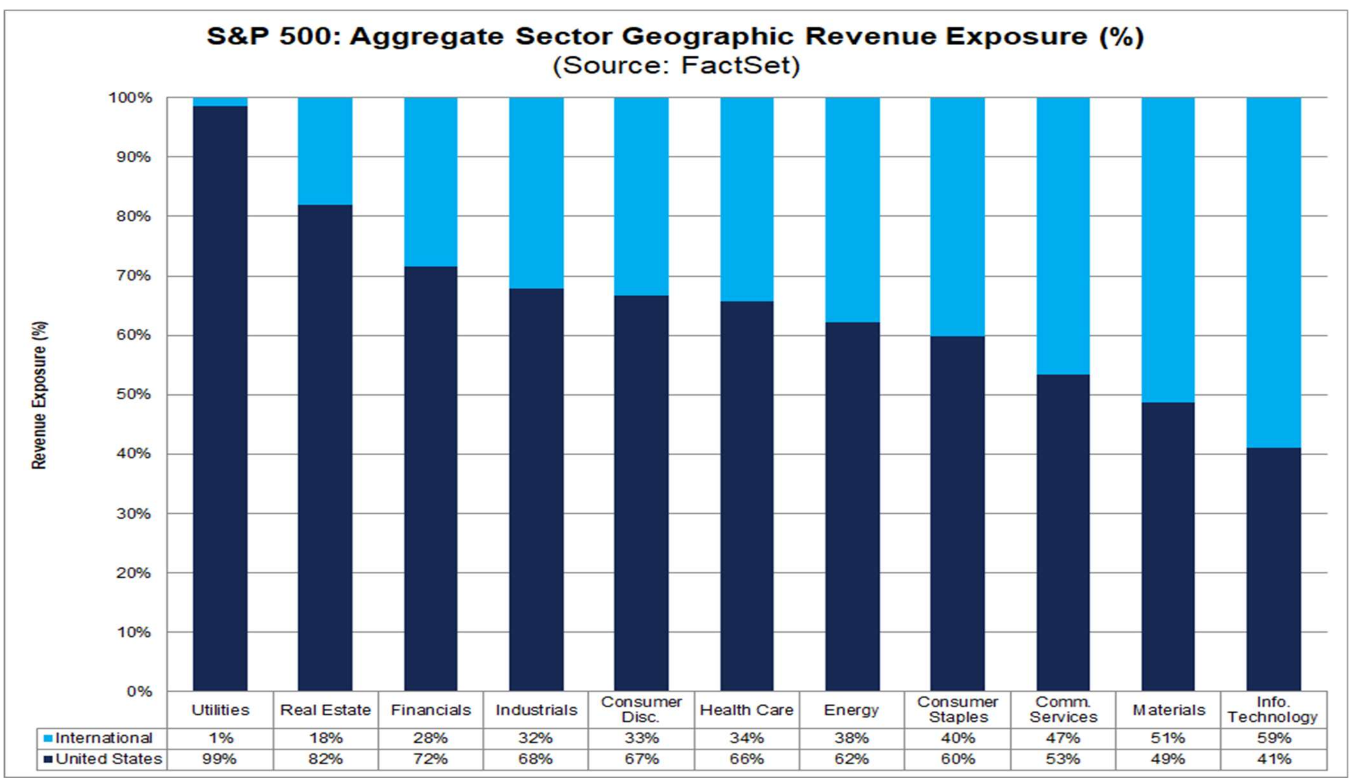
	Consumer Disc.	Info. Technology	Materials	Industrials	Comm. Services	S&P 500	Health Care	Financials	Energy	Consumer Staples	Utilities	Real Estate
Today	16.7%	16.1%	14.2%	13.9%	13.8%	13.0%	12.5%	11.4%	9.5%	8.5%	7.7%	6.5%
31-Dec	17.6%	16.4%	11.9%	14.2%	13.6%	12.7%	12.2%	11.5%	5.0%	8.4%	7.1%	6.4%



	Info. Technology	Consumer Disc.	Comm. Services	Health Care	Real Estate	S&P 500	Industrials	Financials	Consumer Staples	Utilities	Materials	Energy
Today	9.8%	7.4%	6.9%	6.4%	5.8%	5.7%	5.6%	5.5%	3.8%	3.2%	2.4%	0.4%
31-Dec	9.7%	7.7%	6.7%	6.6%	5.9%	5.6%	5.6%	5.4%	3.8%	3.4%	2.4%	-1.5%

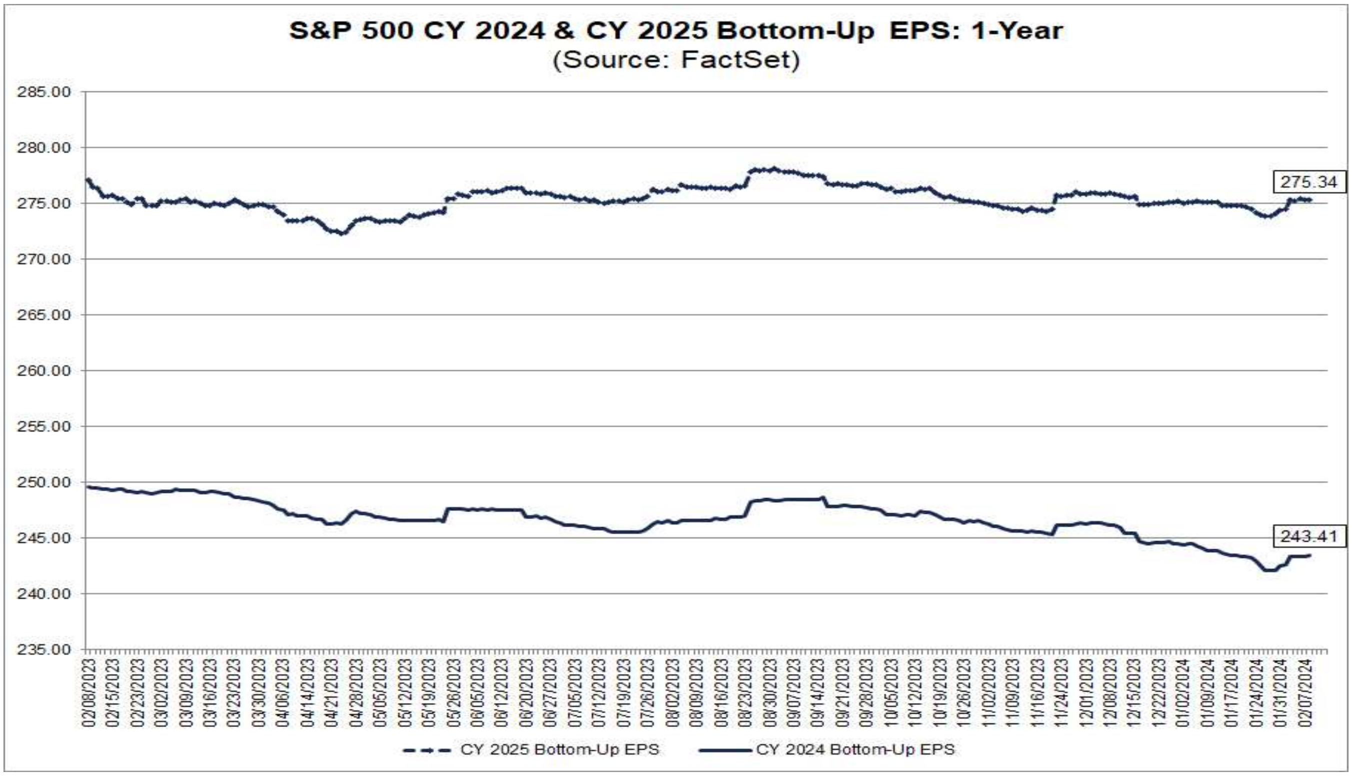
Geographic Revenue Exposure

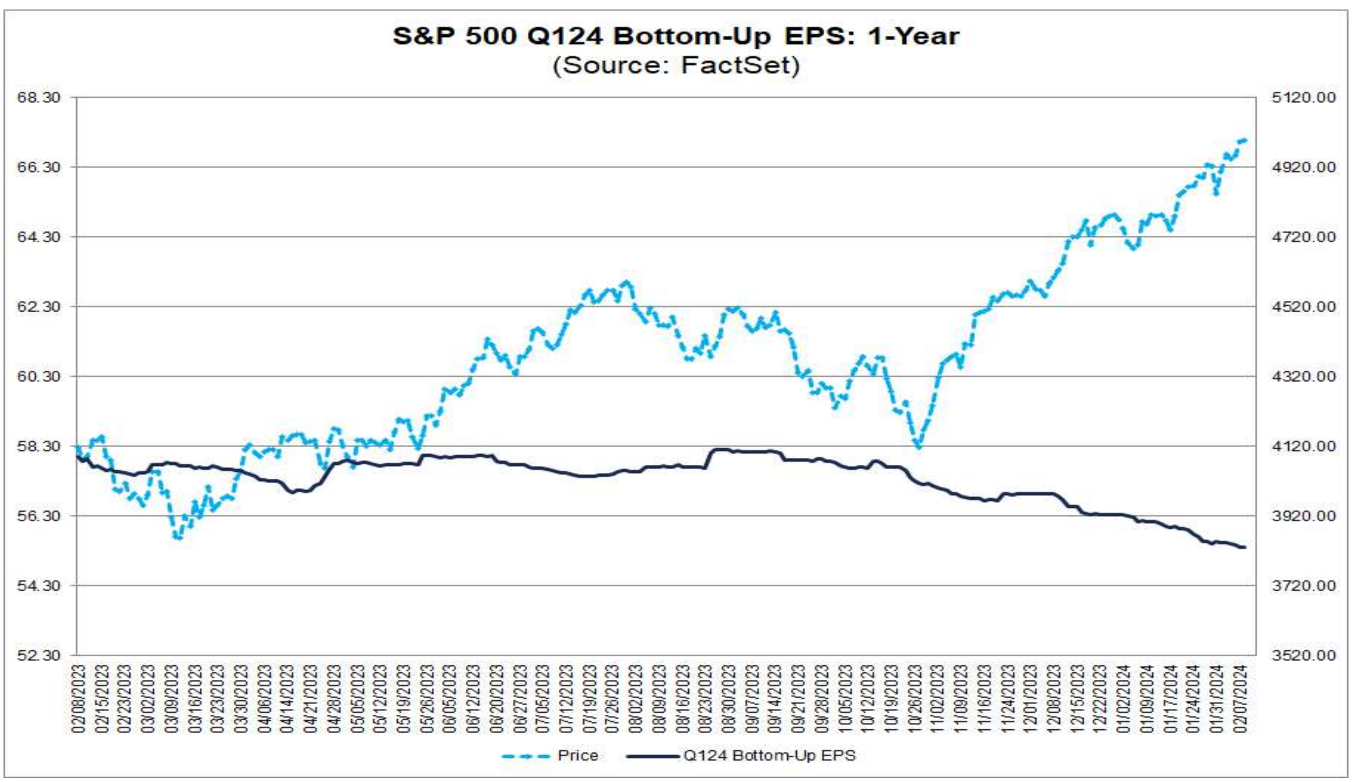




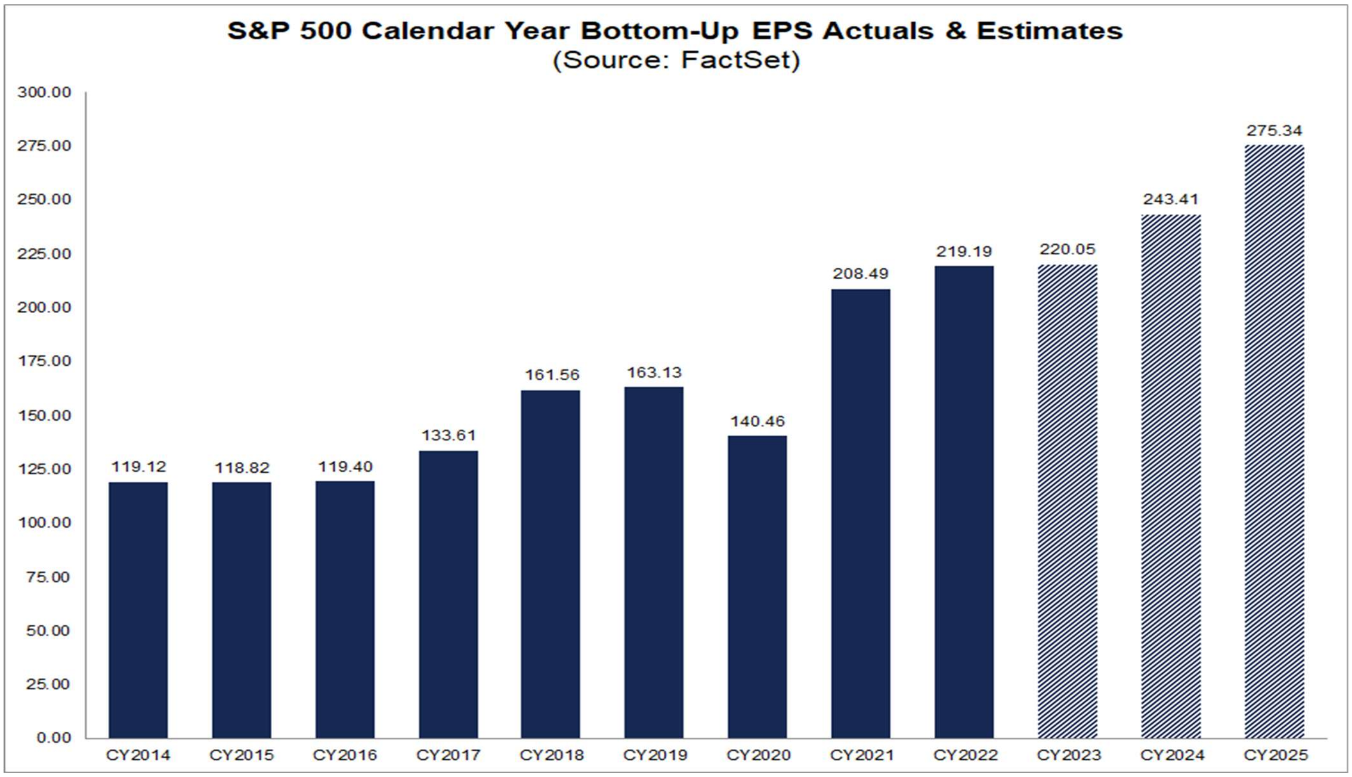
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	28%	32%	33%	34%	38%	40%	47%	51%	59%
United States	99%	82%	72%	68%	67%	66%	62%	60%	53%	49%	41%

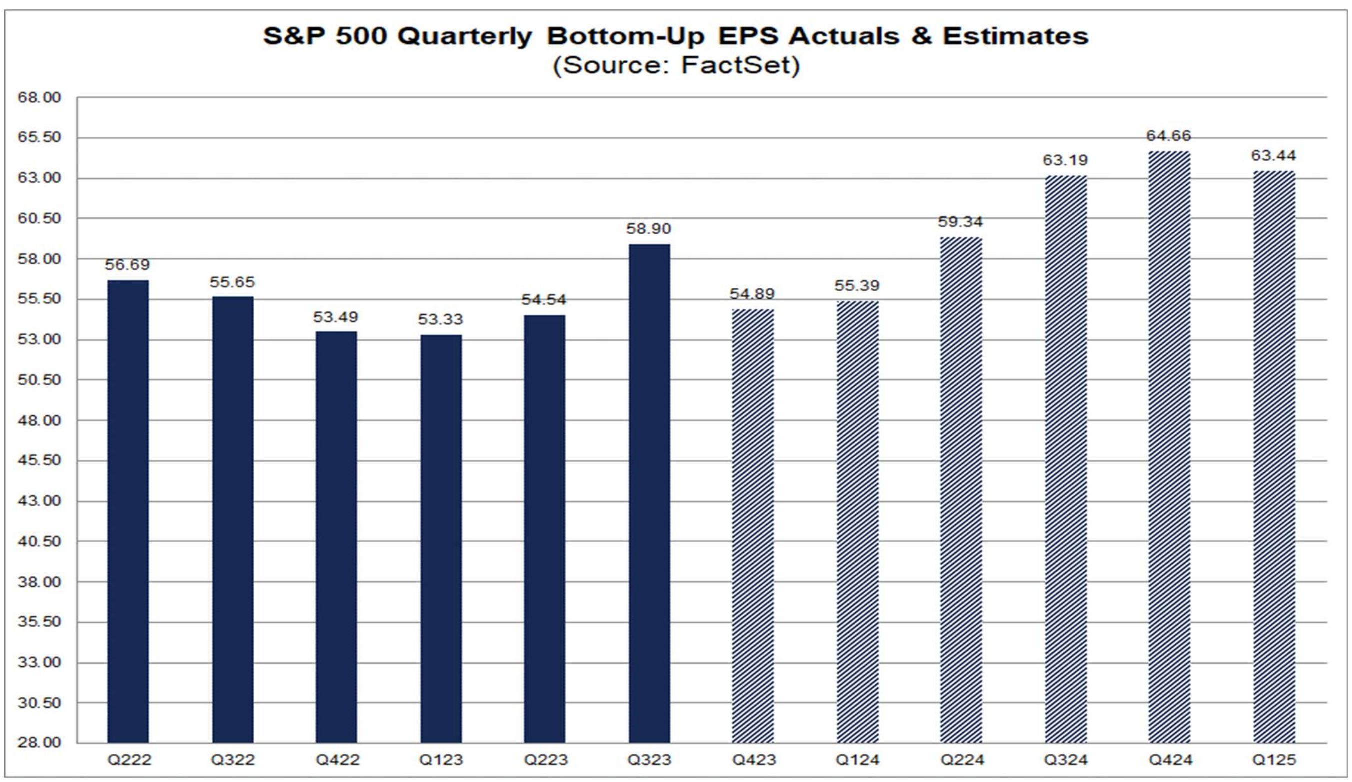
Bottom-Up EPS Estimates



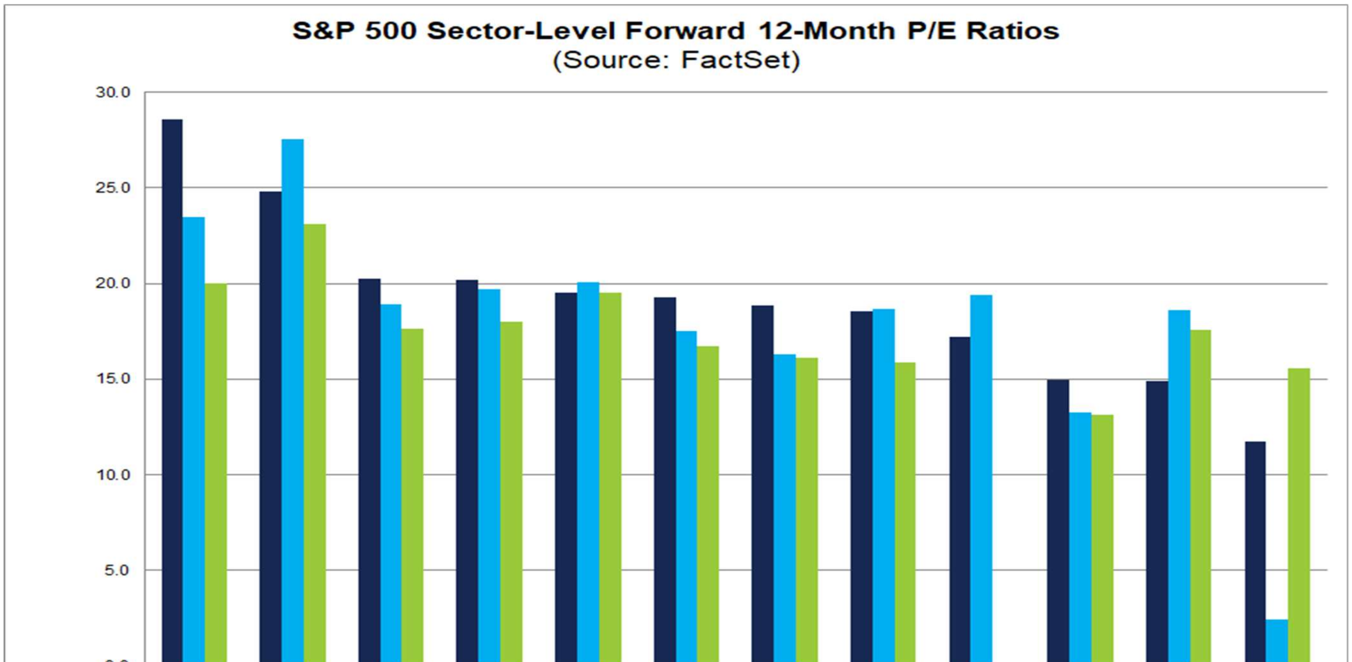


Bottom-Up EPS Estimates: Current & Historical

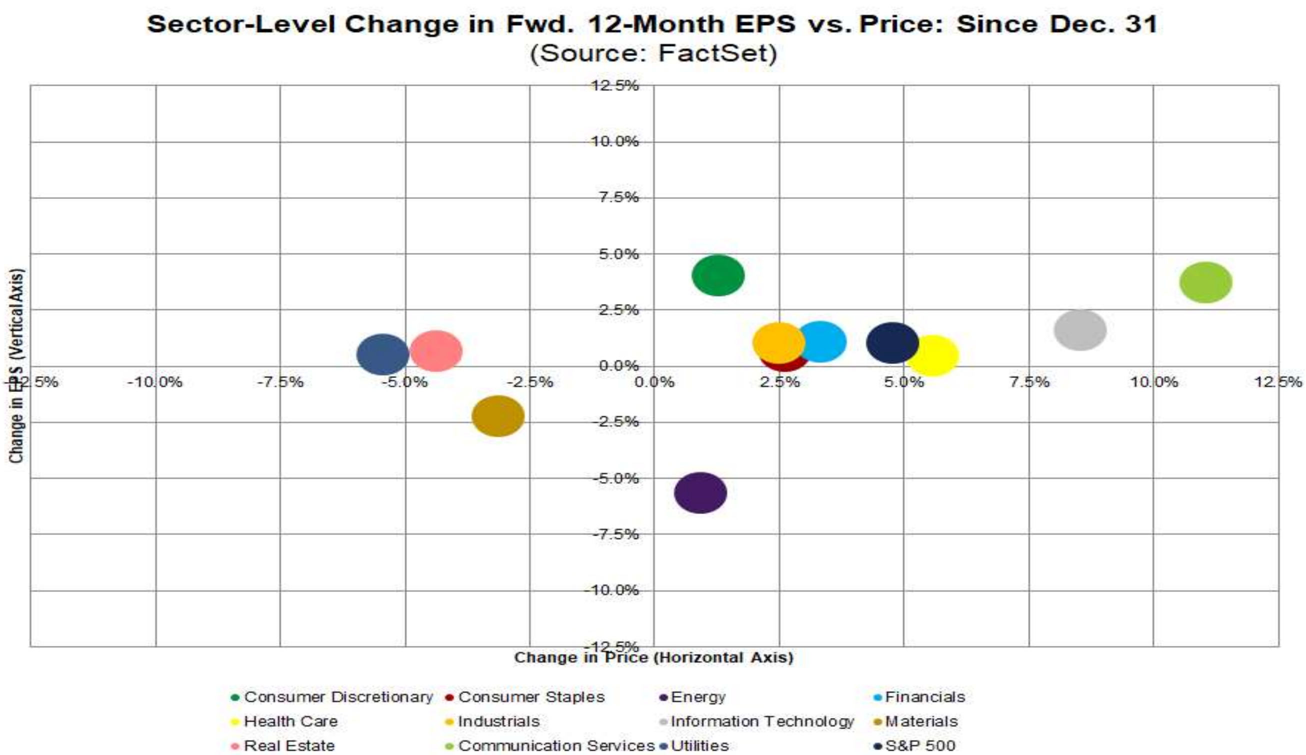




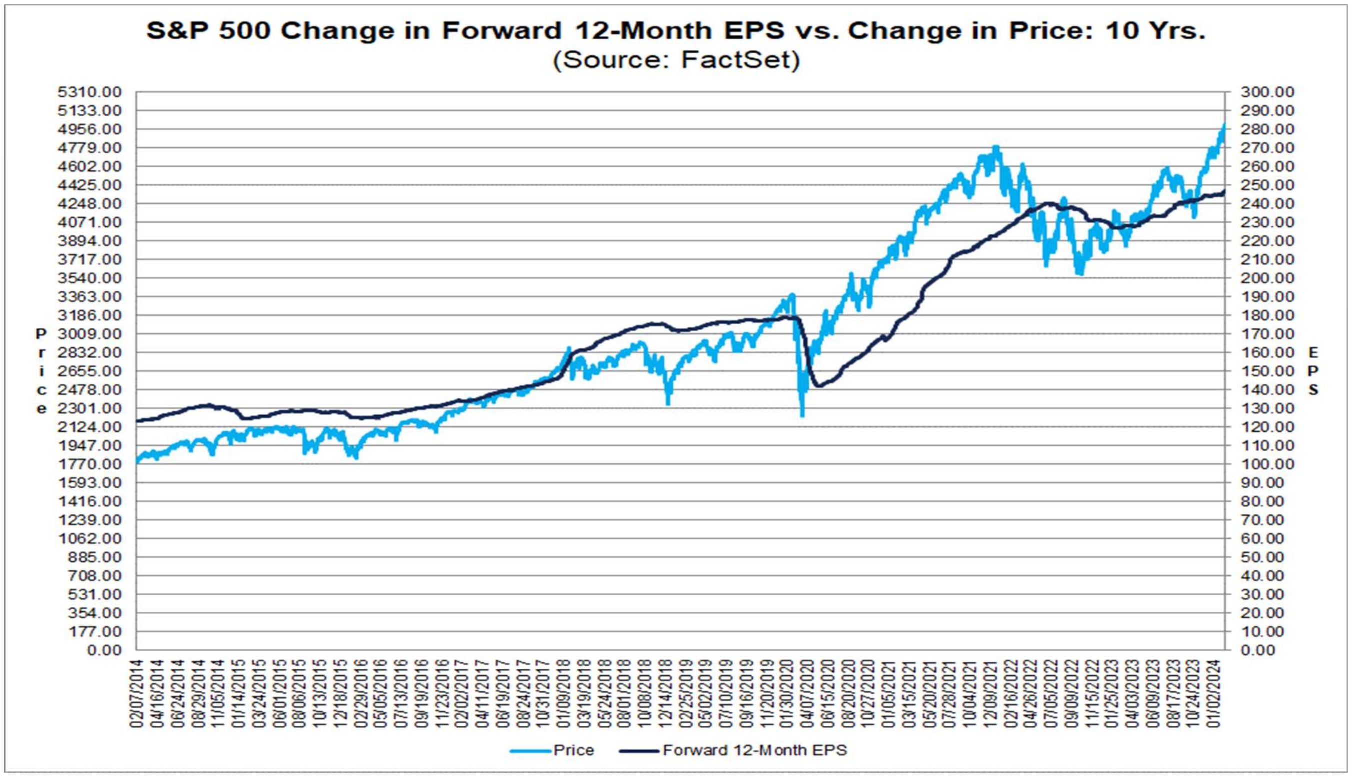
Forward 12M P/E Ratio: Sector Level

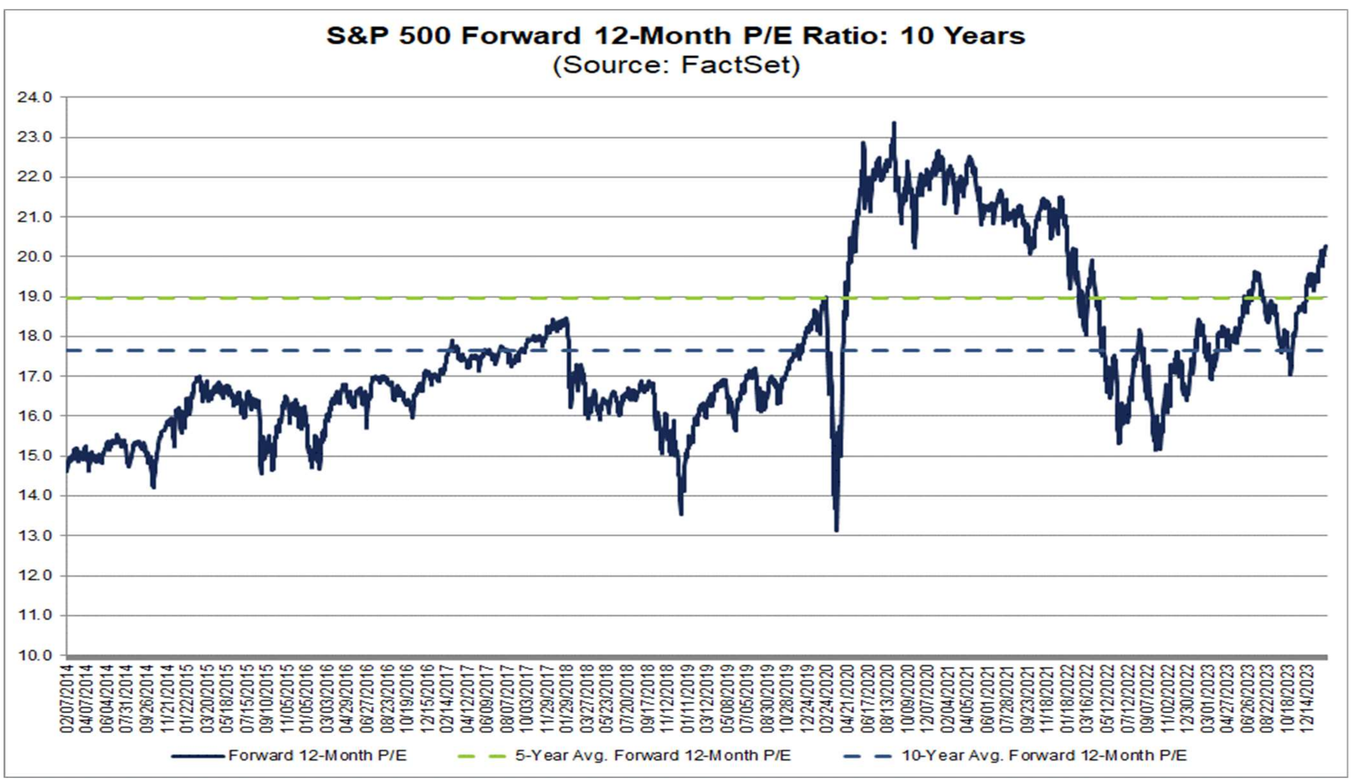


	Info. Technology	Consumer Disc.	S&P 500	Industrials	Consumer Staples	Materials	Health Care	Comm. Services	Real Estate	Financials	Utilities	Energy
Fwd P/E	28.6	24.8	20.3	20.2	19.5	19.3	18.9	18.6	17.2	15.0	14.9	11.7
5-Yr Avg.	23.5	27.6	18.9	19.7	20.1	17.5	16.3	18.7	19.4	13.3	18.6	2.5
10-Yr Avg.	20.0	23.1	17.7	18.0	19.5	16.7	16.1	15.9	0.0	13.1	17.6	15.5

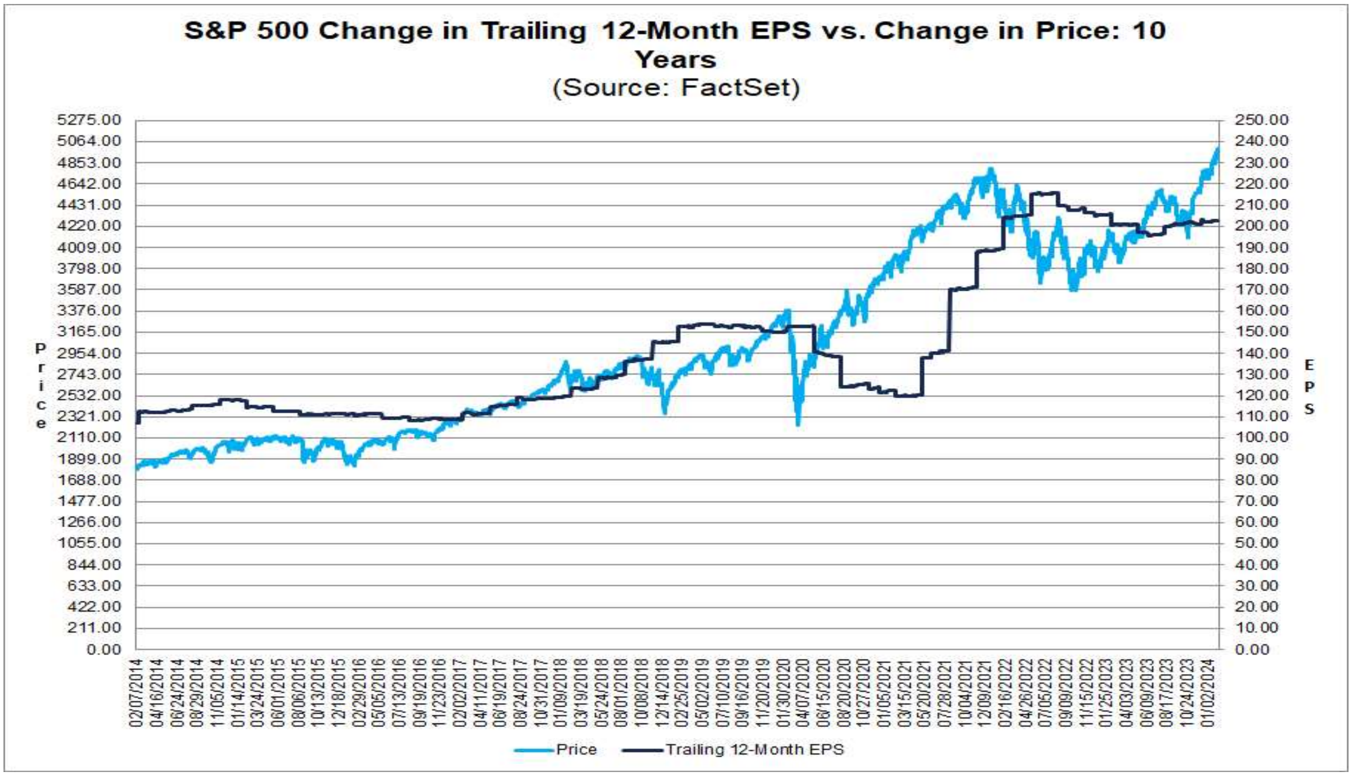


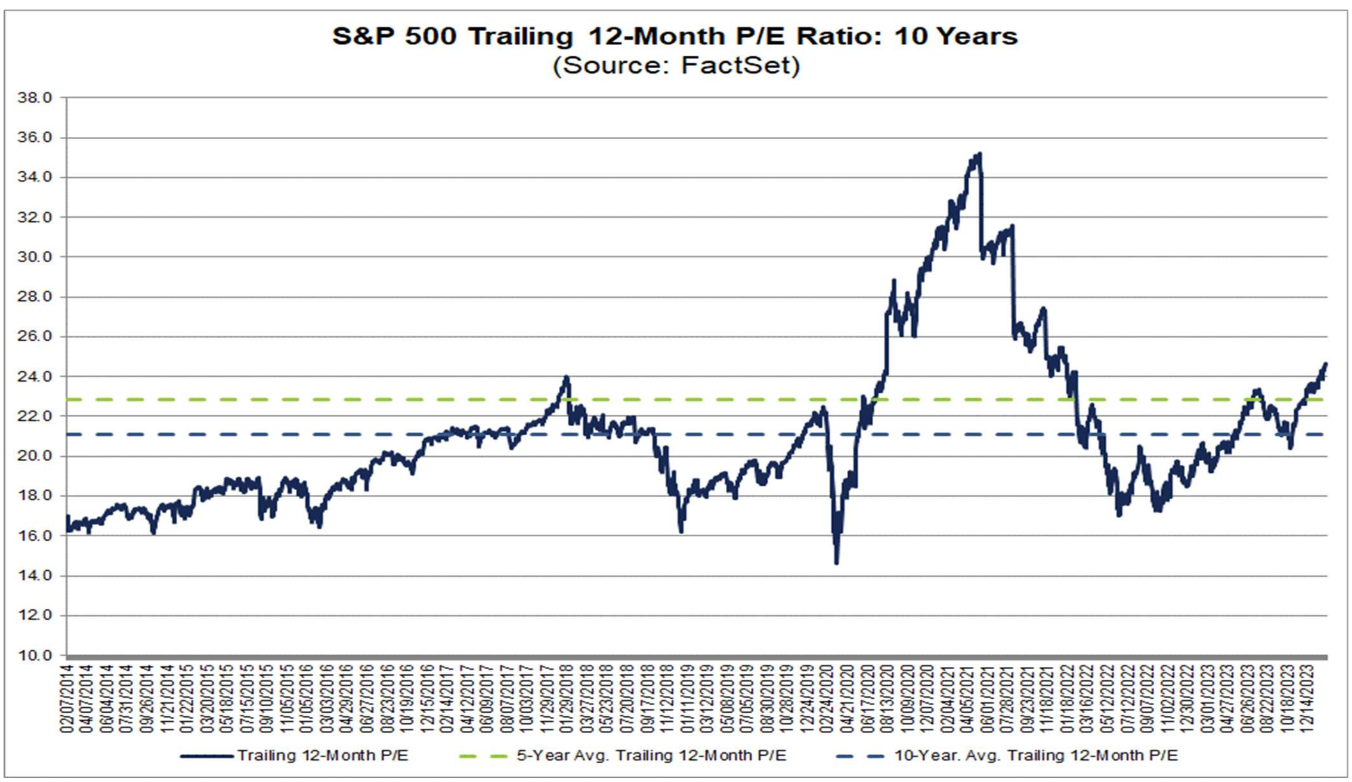
Forward 12M P/E Ratio: 10-Years



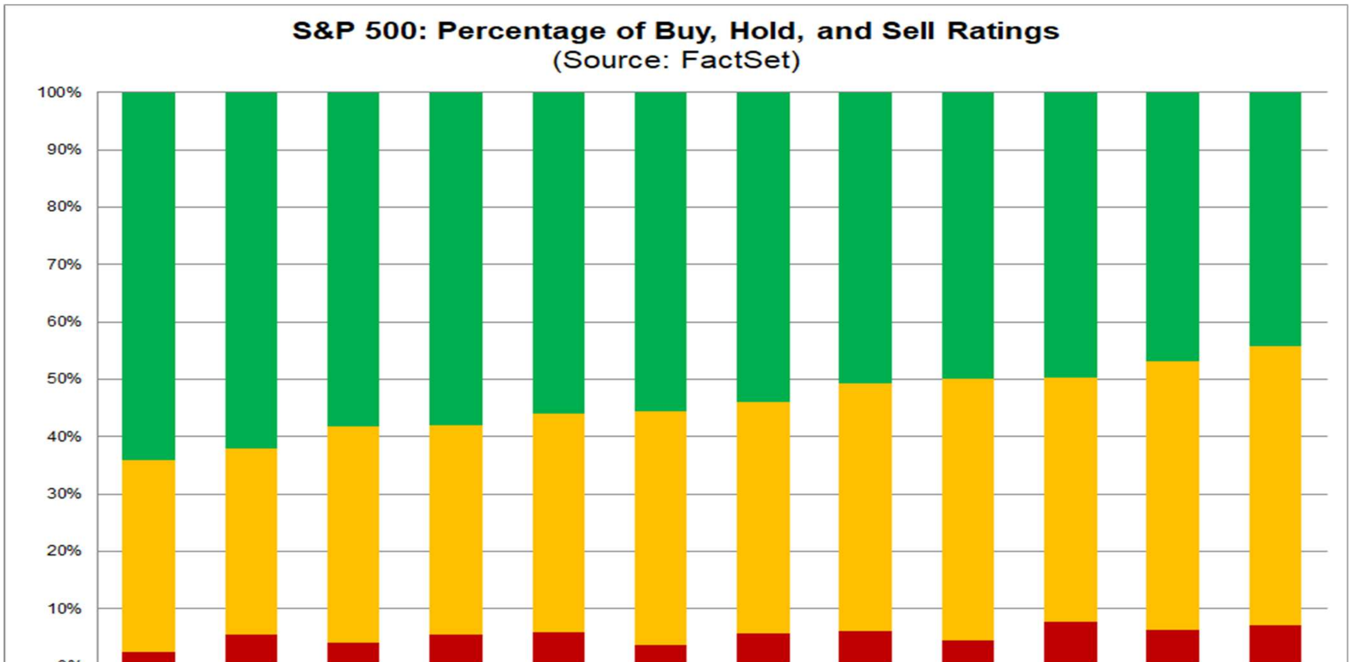


Trailing 12M P/E Ratio: 10-Years

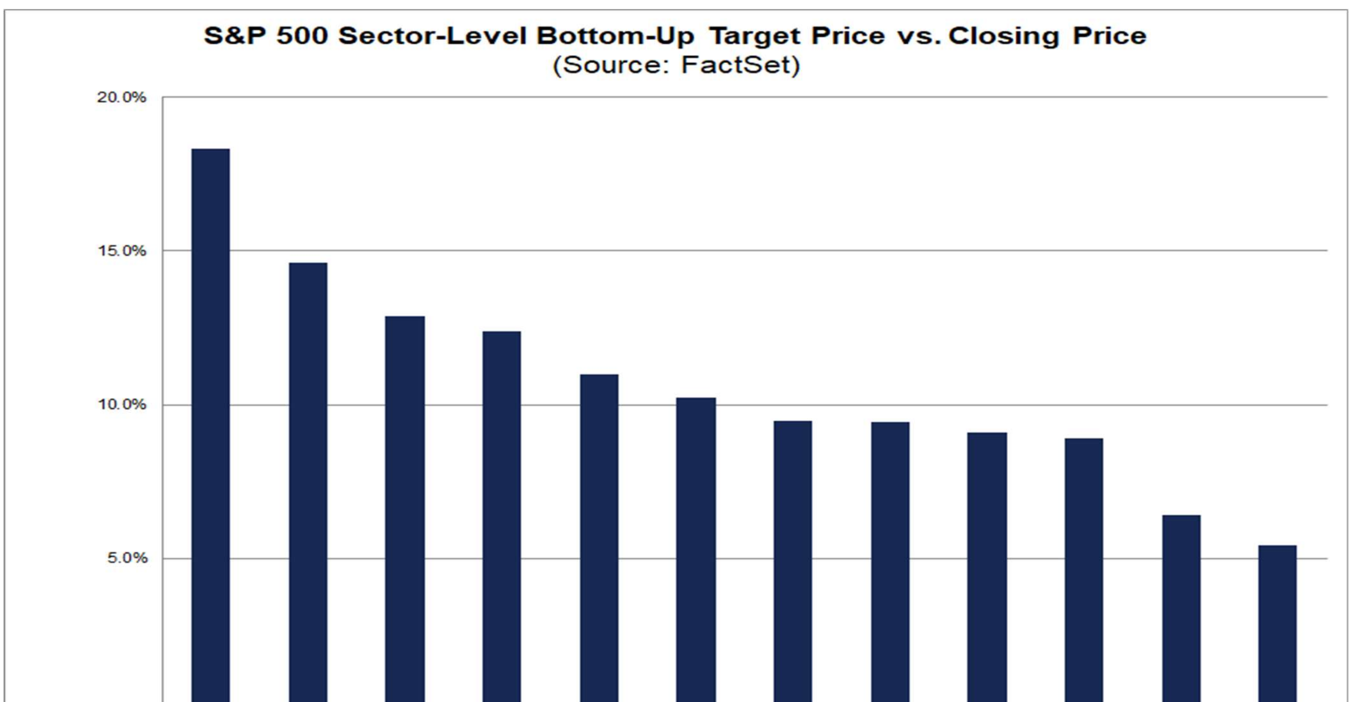




Targets & Ratings



	Energy	Comm. Services	Health Care	Info. Tech.	Consumer Disc.	Real Estate	S&P 500	Financials	Utilities	Industrials	Materials	Consumer Staples
Buy	64%	62%	58%	58%	56%	56%	54%	51%	50%	50%	47%	44%
Hold	33%	33%	38%	36%	38%	41%	40%	43%	46%	43%	47%	49%
Sell	2%	5%	4%	6%	6%	4%	6%	6%	4%	8%	6%	7%



	Energy	Utilities	Consumer Disc.	Comm. Services	Real Estate	Materials	Financials	Health Care	S&P 500	Consumer Staples	Industrials	Info. Tech.
Target/Close	18.3%	14.6%	12.9%	12.4%	11.0%	10.2%	9.5%	9.5%	9.1%	8.9%	6.4%	5.4%

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