

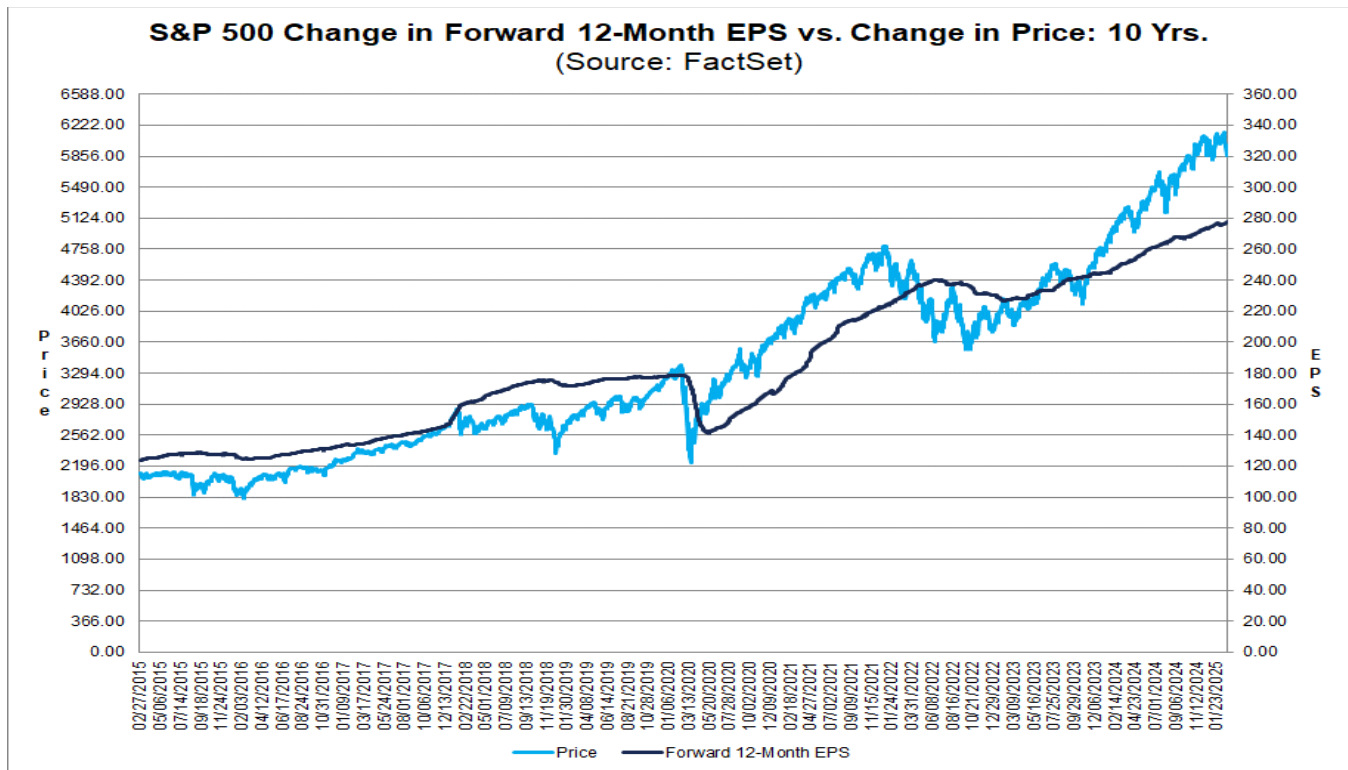
John Butters
 VP, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

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Key Metrics

- **Earnings Scorecard:** For Q4 2024 (with 97% of S&P 500 companies reporting actual results), 75% 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 18.2%. If 18.2% 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 11.7%. Ten sectors are reporting higher earnings today (compared to December 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q1 2025, 58 S&P 500 companies have issued negative EPS guidance and 40 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.2. This P/E ratio is above the 5-year average (19.8) and above the 10-year average (18.3).



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Topic of the Week

Analysts Making Larger Cuts Than Average to EPS Estimates for S&P 500 Companies for Q1

Given concerns in the market about inflation and tariffs, have analysts lowered EPS estimates more than normal for S&P 500 companies for the first quarter?

The answer is yes. During the months of January and February, analysts lowered EPS estimates by a larger margin than average. The Q1 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q1 for all the companies in the index) decreased by 3.5% (to \$60.66 from \$62.89) from December 31 to February 27.

In a typical quarter, analysts usually reduce earnings estimates during the first two months of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.6%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has also been 2.6%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.4%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 3.1%.

Thus, the decline in the bottom-up EPS estimate recorded during the first two months of the first quarter was larger than the 5-year average, the 10-year average, the 15-year average, and the 20-year average.

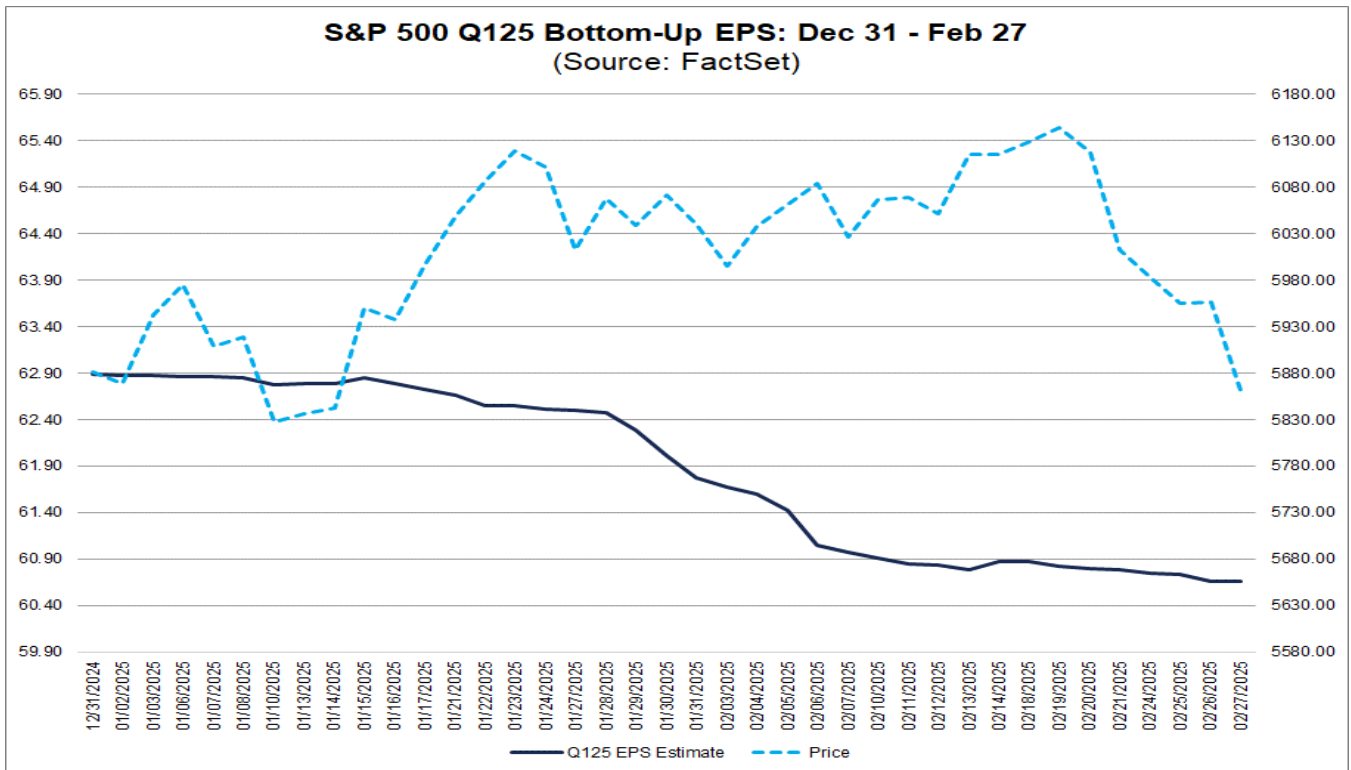
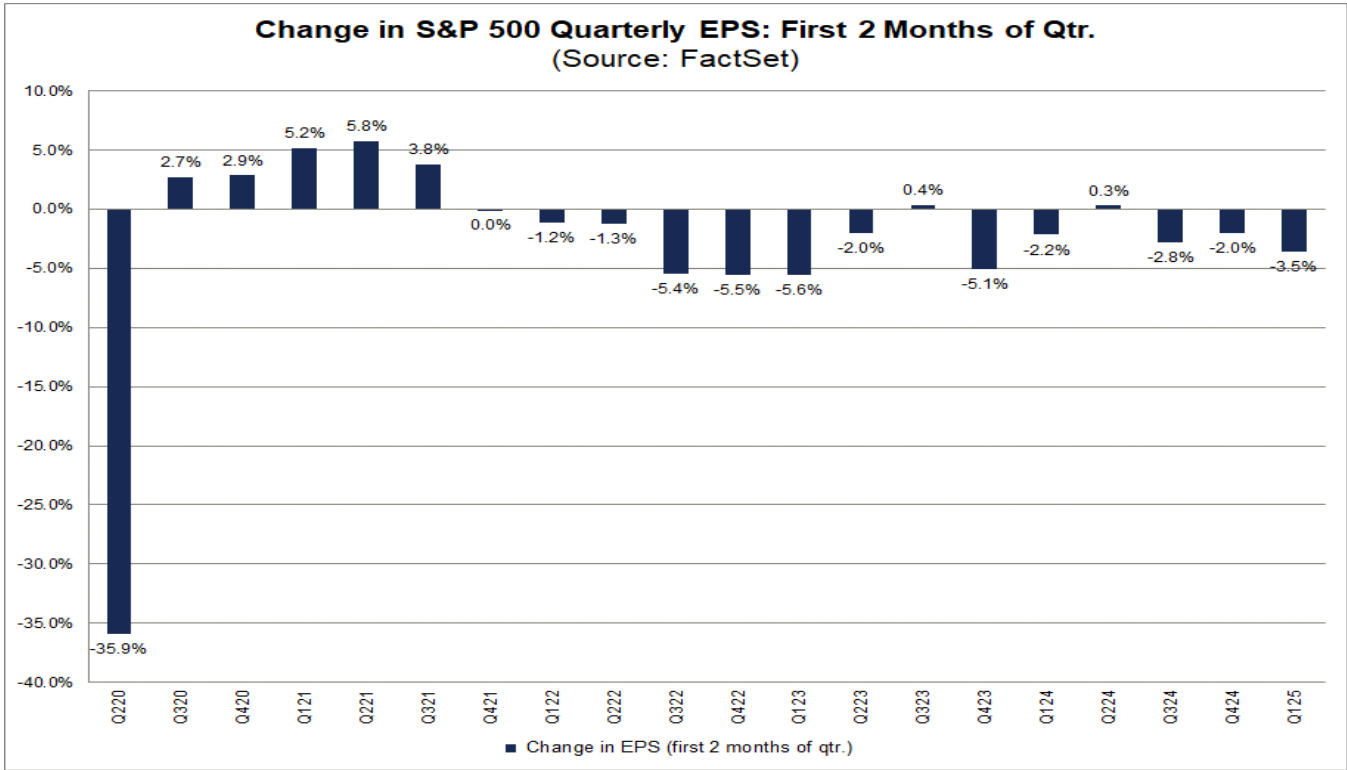
At the sector level, all eleven sectors have witnessed a decrease in their bottom-up EPS estimate for Q1 2025 from December 31 to February 27, led by the Materials (-16.2%) and Consumer Discretionary (-8.8%) sectors.

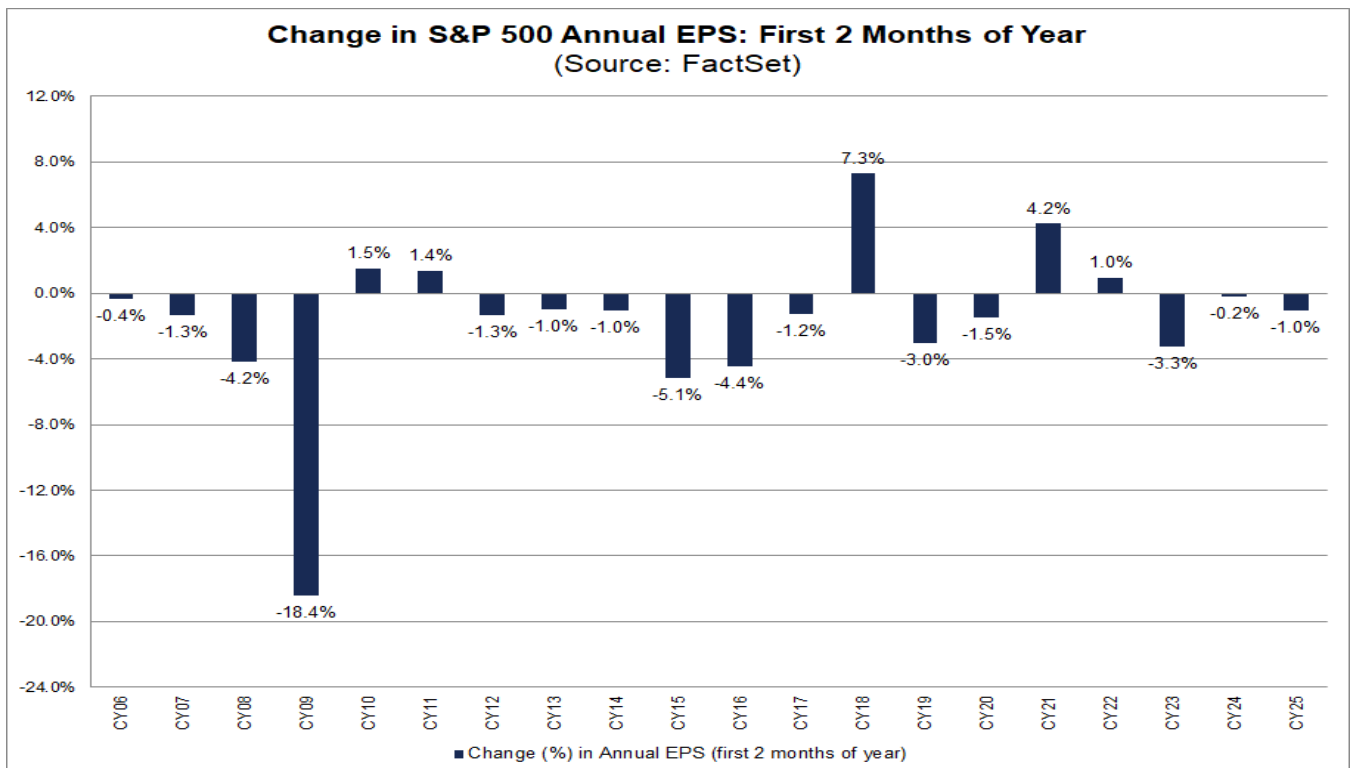
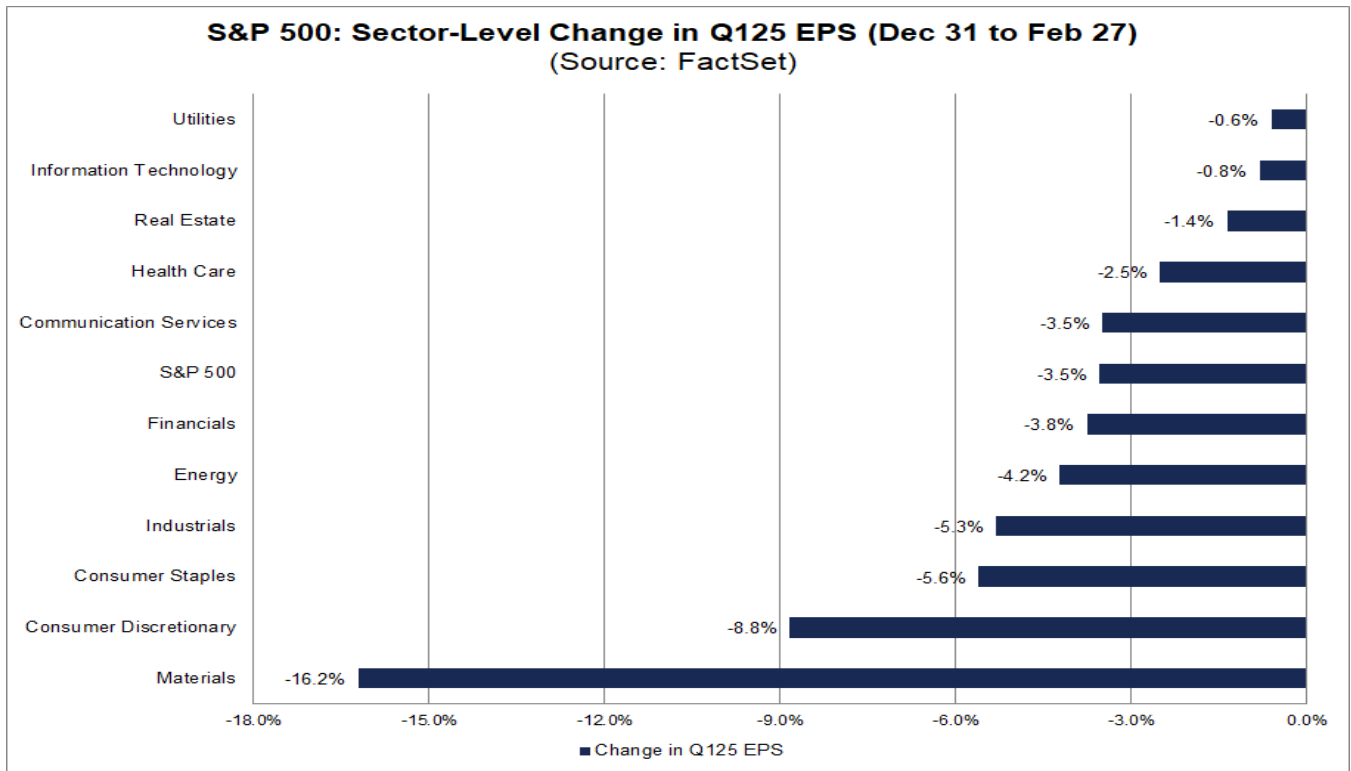
While the bottom-up EPS estimate for Q1 2025 declined by 3.5% during the months of January and February, analysts lowered EPS estimates for CY 2025 by 1.0% (to \$271.28 from \$274.12) during this same period.

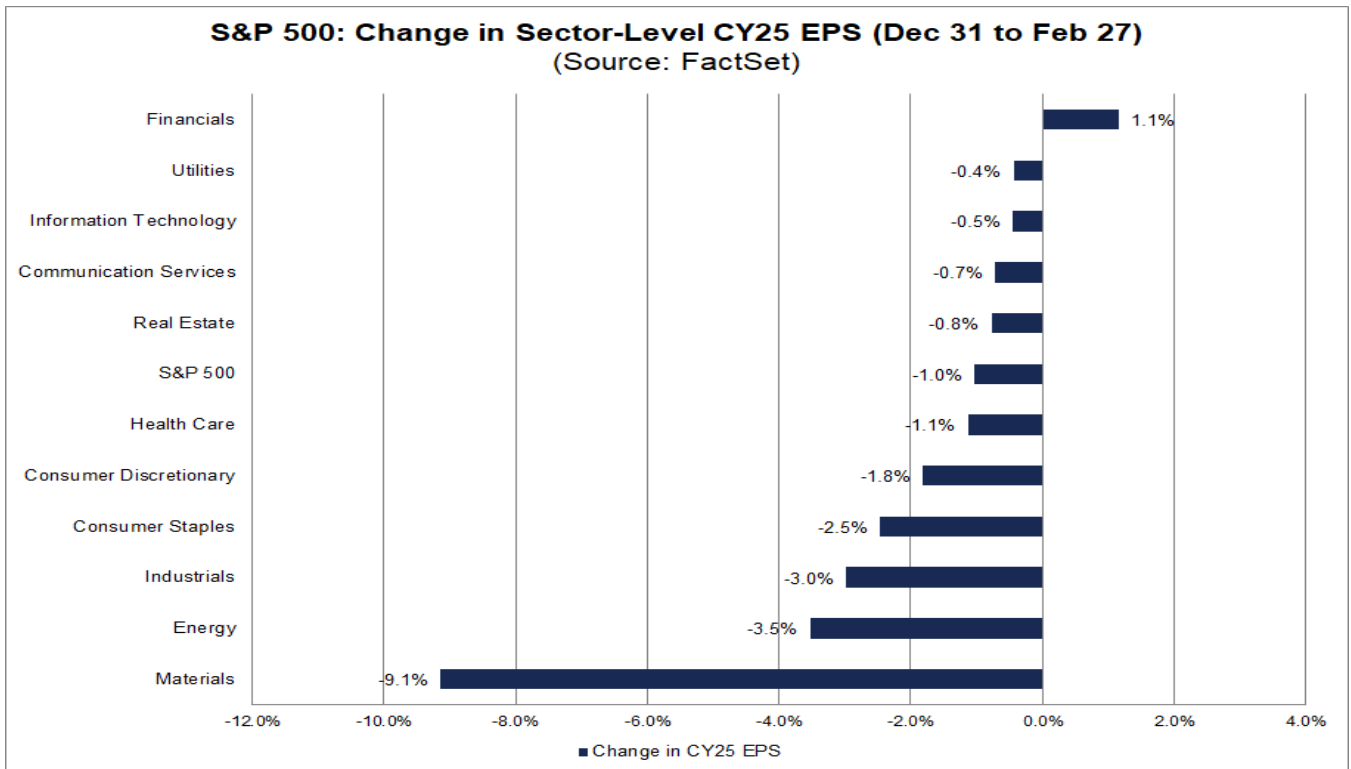
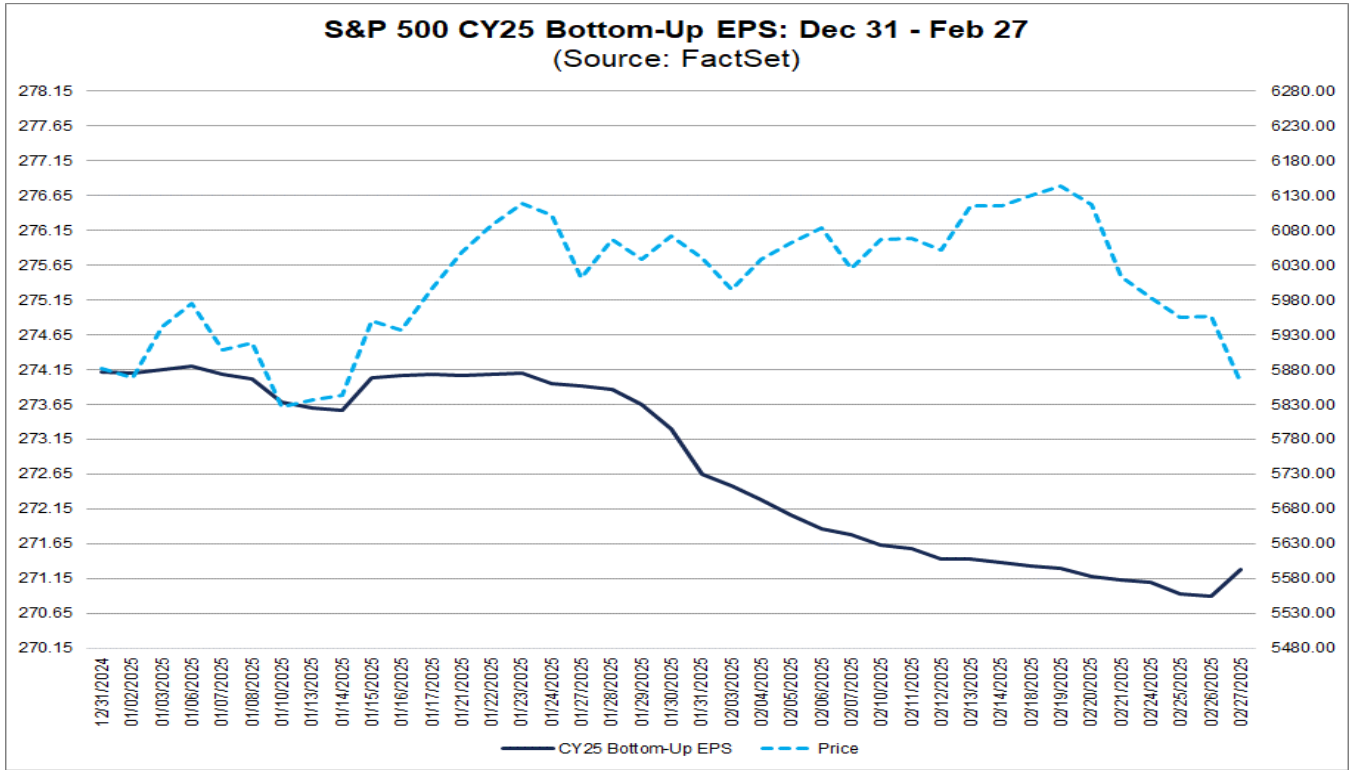
Over longer periods, analysts also usually reduce earnings estimates for the year during the months of January and February. During the past five years, the average increase in the annual bottom-up EPS estimate during the first two months of the year has been 0.1%. During the past ten years, the average decline in the annual bottom-up EPS estimate during the first two months of the year has been 0.6%. During the past fifteen years, the average decline in the annual bottom-up EPS estimate during the first two months of the year has been 0.4%. During the past 20 years, the average decline in the annual bottom-up EPS estimate during the first two months of the year has been 1.5%. During the past 25 years, the average decline in the annual bottom-up EPS estimate during the first two months of the year has been 1.6%.

Thus, the decline in the CY 2025 bottom-up EPS estimate recorded during the first two months of 2025 was larger than the 5-year average, the 10-year average, the 15-year average for the first two months of a year, but smaller than the 20-year average and the 25-year average for the first two months of a year.

At the sector level, ten sectors witnessed a decrease in their bottom-up EPS estimate for CY 2025 from December 31 to February 27, led by the Materials (-9.1%) sector. On the other hand, the Financials (+1.1%) sector is the only sector that recorded an increase in its bottom-up EPS estimate for CY 2025 during this period.







Q4 Earnings Season: By The Numbers

Overview

At this late stage of the fourth quarter earnings season, S&P 500 companies are reporting solid results relative to expectations. 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. In addition, the index is reporting its highest year-over-year earnings growth rate for Q4 2024 in three years.

Overall, 97% of the companies in the S&P 500 have reported actual results for Q4 2024 to date. Of these companies, 75% have reported actual EPS above estimates, which is below the 5-year average of 77% but equal to the 10-year average of 75%. In aggregate, companies are reporting earnings that are 7.5% above estimates, which is below the 5-year average of 8.5% but above 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 Financials and Information Technology sectors were mainly responsible for 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, Consumer Discretionary, Information Technology, and Communication Services sectors 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 18.2% today, compared to an earnings growth rate of 17.2% last week and an earnings growth rate of 11.7% at the end of the fourth quarter (December 31).

If 18.2% 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.

Ten of the eleven sectors are reporting (or have reported) year-over-year earnings growth for Q4. Six of these ten sectors are reporting (or have reported) double-digit growth: Financials, Communication Services, Consumer Discretionary, Information Technology, Utilities, and Health Care. On the other hand, the Energy sector is the only sector that reported a year-over-year decline in earnings for the quarter.

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 0.8% 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 and negative revenue surprises reported by companies mostly offset each other, resulting in no change to the overall revenue growth rate over this period. Since December 31, positive revenue surprises reported by companies in the Financials, Health Care, and Consumer Discretionary 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 5.3% today, compared to a revenue growth rate of 5.3% last week and a revenue growth rate of 4.6% at the end of the fourth quarter (December 31).

If 5.3% 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 (or have reported) year-over-year growth in revenue for Q4, led by the Information Technology sector. On the other hand, three sectors reported 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 7.5% and 9.8% for Q1 2025 and Q2 2025, respectively. For CY 2025, analysts are predicting (year-over-year) earnings growth of 12.1%.

The forward 12-month P/E ratio is 21.2, which is above the 5-year average (19.8) and above the 10-year average (18.3). However, this P/E ratio is below the forward P/E ratio of 21.5 recorded at the end of the fourth quarter (December 31).

During the upcoming week, 9 S&P 500 companies are scheduled to report results for the fourth quarter.

Scorecard: Magnitude of EPS Surprises Is Above 10-Year Average

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

Overall, 97% 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, 5% 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 the 5-year average (77%), but equal to 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 Financials (85%), Information Technology (82%), and Consumer Discretionary (80%) sectors have the highest percentages of companies reporting earnings above estimates, while the Real Estate (53%) and Utilities (53%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+7.5%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 7.5% above expectations. This surprise percentage is above the 1-year average (+4.9%), below the 5-year average (+8.5%), and above 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 Consumer Discretionary (+13.2%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Norwegian Cruise Line Holdings (\$0.26 vs. \$0.11), Carnival (\$0.14 vs. \$0.08), Wynn Resorts (\$2.42 vs. \$1.34), MGM Resorts (\$0.45 vs. \$0.32), PulteGroup (\$4.43 vs. \$3.26), Hasbro (\$0.46 vs. \$0.34), CarMax (\$0.81 vs. \$0.62), Airbnb (\$0.73 vs. \$0.58), and Amazon.com (\$1.86 vs. \$1.49) have reported the largest positive EPS surprises.

The Financials (+12.6%) sector reported the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Cincinnati Financial (\$3.14 vs. \$1.90), Berkshire Hathaway (\$6.74 vs. \$4.62), 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) reported the largest positive EPS surprises.

The Industrials (+10.6%) sector reported the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Uber Technologies (\$3.21 vs. \$0.50), Axon Enterprise (\$2.08 vs. \$1.40), Dayforce (\$0.60 vs. \$0.45), Lennox International (\$5.60 vs. \$4.26), GE Aerospace (\$1.32 vs. \$1.04), and Southwest Airlines (\$0.56 vs. \$0.46) reported the largest positive EPS surprises.

The Communication Services (+7.8%) sector reported the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Fox Corporation (\$0.96 vs. \$0.68), Take-Two Interactive Software (\$0.72 vs. \$0.58), Walt Disney (\$1.76 vs. \$1.45), and Meta Platforms (\$8.02 vs. \$6.76) reported the largest positive EPS surprises.

Market Rewarding Positive EPS Surprises Less Than Average

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

Companies that have reported positive earnings surprises for Q4 2024 have seen an average price change of 0.0% (no change) two days before the earnings release through two days after the earnings release. This percentage change is below 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 -2.6% two days before the earnings release through two days after the earnings. This percentage decrease is larger 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 Information Technology (83%) and Health Care (82%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (35%) and Materials (36%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+0.8%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 0.8% 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 Financials (+1.5%), Health Care (+1.2%), and Energy (+1.2%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-5.8%) sector reported the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings This Week Due to Financials and Technology Sectors

Increase in Blended Earnings This Week Due to Financials and Technology Sectors

The blended (year-over-year) earnings growth rate for the fourth quarter is 18.2%, which is above the earnings growth rate of 17.2% last week. Positive EPS surprises reported by companies in the Financials and Information Technology sectors were mainly responsible for the increase in the overall earnings growth rate during the past week.

In the Financials sector, the positive EPS surprise reported by Berkshire Hathaway (\$6.74 vs. \$4.62) 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 Financials sector increased to 55.9% from 51.6% over this period.

In the Information Technology sector, the positive EPS surprise reported by NVIDIA (\$0.89 vs. \$0.85) was the second-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 Information Technology sector increased to 17.6% from 16.4% over this period.

No Change in Blended Revenues This Week

The blended (year-over-year) revenue growth rate for the fourth quarter is 5.3%, which is equal to the revenue growth rate of 5.3% last week. Positive and negative revenue surprises reported by companies mostly offset each other, resulting in no change to the overall revenue growth rate during the past week.

Financials Sector Has Seen Largest Increase in Earnings since December 31

The blended (year-over-year) earnings growth rate for Q4 2024 of 18.2% is above the estimate of 11.7% at the end of the fourth quarter (December 31). Ten 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 55.9% from 39.1%), Consumer Discretionary (to 27.0% from 13.0%), and Communication Services (to 29.6% from 20.6%) sectors. These three sectors along with the Information Technology sector have been the largest contributors to the increase in earnings for the index since December 31. On the other hand, the Energy (to -26.3% from -24.6%) sector is the only sector that has recorded an increase in its earnings decline since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises.

In the Financials sector, the positive EPS surprises reported by Berkshire Hathaway (\$6.74 vs. \$4.62), JPMorgan Chase (\$4.81 vs. \$4.09), Goldman Sachs (\$11.95 vs. \$8.21), and Morgan Stanley (\$2.22 vs. \$1.70) 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 55.9% from 39.1% over this period.

In the Consumer Discretionary sector, the positive EPS surprise reported by Amazon.com (\$1.86 vs. \$1.49) 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 Consumer Discretionary sector has increased to 27.0% from 13.0% over this period.

In the Information Technology sector, the positive EPS surprises reported by NVIDIA (\$0.89 vs. \$0.85) and Microsoft (\$3.23 vs. \$3.12) 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 Information Technology sector has increased to 17.6% from 13.8% 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 29.6% from 20.6% over this period.

Financials and Health Care Sectors Have Seen Largest Increases in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2024 of 5.3% is above the estimate of 4.6% at the end of the fourth quarter (December 31). Eight 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 7.4% from 5.4%) sector. The Financials, Health Care (to 9.0% from 7.5%), and Consumer Discretionary (to 5.9% from 4.6%) 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 1.4% from 7.9%) sector.

In the Financials sector, the positive revenue surprises reported by Berkshire Hathaway (\$94.92 billion vs. \$92.16 billion), Goldman Sachs (\$13.87 billion vs. \$12.36 billion), JPMorgan Chase (\$42.77 billion vs. \$41.90 billion), Morgan Stanley (\$16.22 billion vs. \$15.02 billion), Allstate (\$15.06 billion vs. \$13.72 billion), and Aflac (\$5.40 billion vs. \$4.20 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 7.4% from 5.4% over this period.

In the Health Care sector, the positive revenue surprises reported by Cencora (\$81.49 billion vs. \$78.31 billion), Cigna Group (\$65.68 billion vs. \$63.44 billion), and Centene (\$40.81 billion vs. \$39.36 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 Health Care sector has increased to 9.0% from 7.5% 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 6.2% from 4.7% over this period.

Earnings Growth: 18.2%

The blended (year-over-year) earnings growth rate for Q4 2024 is 18.2%, 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 18.2% 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.

Ten of the eleven sectors are reporting (or have reported) year-over-year earnings growth for Q4. Six of these ten sectors are reporting (or have reported) double-digit earnings growth: Financials, Communication Services, Consumer Discretionary, Information Technology, Utilities, and Health Care. On the other hand, the Energy sector is the only sector that reported a year-over-year decline in earnings for Q4.

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

The Financials sector reported the highest (year-over-year) earnings growth rate of all eleven sectors at 55.9%. At the industry level, 4 of the 5 industries in the sector reported year-over-year earnings growth. All four of these industries reported growth above 30%: Banks (216%), Capital Markets (52%), Consumer Finance (50%), and Financial Services (31%). On the other hand, the Insurance (-4%) industry is the only industry that reported a year-over-year decline in earnings.

The Banks industry was also the largest contributor to earnings growth for the sector. A large number of companies in this industry benefitted 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 25.3% from 55.9%.

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

The Communication Services sector reported the second-highest (year-over-year) earnings growth rate of all eleven sectors at 29.6%. At the industry level, all 5 industries in the sector reported year-over-year earnings growth: Entertainment (61%), Wireless Telecommunication Services (52%), Interactive Media & Services (35%), Media (15%), and Diversified Telecommunication Services (1%).

The Interactive Media & Services industry was 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 20.8% from 29.6%.

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

The Consumer Discretionary sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 27.0%. At the industry level, 7 of the 9 industries in the sector are reporting (or have reported) year-over-year earnings growth. Three of these seven industries reported double-digit growth: Broadline Retail (87%), Leisure Products (22%), and Automobiles (13%). On the other hand, two industries are reporting (or have reported) a year-over-year decline in earnings: Distributors (-21%) and Textiles, Apparel, & Luxury Goods (-5%).

At the company level, Amazon.com (\$1.86 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 4.6% from 27.0%.

Information Technology: Semiconductors Industry 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 17.6%. At the industry level, 5 of the 6 industries in the sector are reporting (or have reported) year-over-year earnings growth: Semiconductors & Semiconductor Equipment (41%), Electronic Equipment, Instruments, & Components (15%), Software (12%), Technology Hardware, Storage, & Peripherals (10%), and Communications Equipment (8%). On the other hand, the IT Services (-8%) industry is the only industry that reported a year-over-year decline in earnings.

The Semiconductors & Semiconductor Equipment industry is 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 9.1% from 17.6%.

Utilities: All 5 Industries Reported Year-Over-Year Growth

The Utilities sector reported the fifth-highest (year-over-year) earnings growth rate of all eleven sectors at 16.3%. At the industry level, all 5 industries in the sector reported year-over-year earnings growth: Independent Power and Renewable Energy Producers (359%), Water Utilities (39%), Multi-Utilities (22%), Gas Utilities (13%), and Electric Utilities (2%).

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

The Health Care sector is reporting the sixth-highest (year-over-year) earnings growth rate of all eleven sectors at 13.0%. At the industry level, 3 of the 5 industries in the sector are reporting (or have reported) year-over-year earnings growth: Pharmaceuticals (70%), Health Care Equipment & Supplies (10%), and Life Sciences, Tools, & Services (5%). On the other hand, two industries reported a year-over-year decline in earnings: Biotechnology (-14%) and Health Care Providers & Services (-6%).

The Pharmaceuticals industry is also the largest contributor to earnings growth for the sector. Similar to the Banks industry, a number of companies in this industry are benefitting from easy comparisons to weaker (non-GAAP) earnings reported in the year-ago quarter due to various charges that were included in their non-GAAP EPS. If this industry were excluded, the Health Care sector would be reporting a (year-over-year) decline in earnings of -3.2% instead of (year-over-year) earnings growth of 13.0%.

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

The Energy sector reported the largest (year-over-year) earnings decline of all eleven sectors at -26.3%. Lower year-over-year oil prices contributed 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 reported a year-over-year decline in earnings: Oil & Gas Refining & Marketing (-91%), Integrated Oil & Gas (-32%), and Oil & Gas Exploration & Production (-4%). On the other hand, two sub-industries reported year-over-year growth in earnings: Oil & Gas Storage & Transportation (20%) and Oil & Gas Equipment & Services (3%).

Revenue Growth: 5.3%

The blended (year-over-year) revenue growth rate for Q4 2024 is 5.3%, which is below the 5-year average revenue growth rate of 6.9% but above the 10-year average revenue growth rate of 5.2%. If 5.3% 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 (or have reported) year-over-year growth in revenues for Q4, led by the Information Technology sector. On the other hand, three sectors reported a year-over-year decline in revenues for Q4, led by the Industrials 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 12.0%. At the industry level, all 6 industries in the sector are reporting (or have reported) year-over-year revenue growth: Semiconductors & Semiconductor Equipment (26%), Software (12%), Communication Equipment (10%), Technology Hardware, Storage, & Peripherals (7%), IT Services (5%), and Electronic Equipment, Instruments, & Components (3%).

Industrials: 4 of 12 Industries Reported Year-Over-Year Decline

The Industrials sector reported the largest (year-over-year) revenue decline of all eleven sectors at -2.7%. At the industry level, 4 of the 12 industries in the sector reported a year-over-year decline in revenue, led by the Aerospace & Defense (-10%), Machinery (-8%), and Industrial Conglomerates (-7%) industries. On the other hand, 8 industries reported year-over-year revenue growth, led by the Construction & Engineering (13%) industry.

Net Profit Margin: 12.6%

The blended net profit margin for the S&P 500 for Q4 2024 is 12.6%, which is above the previous quarter's net profit margin of 12.2%, above the year-ago net profit margin of 11.3% and above the 5-year average of 11.6%.

At the sector level, nine sectors are reporting (or have reported) a year-over-year increase in their net profit margins in Q4 2024 compared to Q4 2023, led by the Financials (19.5% vs, 13.4%) sector. On the other hand, the Energy (7.8% vs. 10.4%) sector is the only sector that reported a year-over-year decrease in net profit margins in Q4 2024 compared to Q4 2023. One sector (Consumer Staples) is reporting no change in net profit margin (6.0%) compared to Q4 2023.

Six sectors are reporting (or have reported) net profit margins in Q4 2024 that are above their 5-year averages, led by the Financials (19.5% vs. 16.6%) and Information Technology (26.7% vs. 24.0%) sectors. On the other hand, five sectors are reporting (or have reported) net profit margins in Q4 2024 that are below their 5-year averages, led by the Health Care (7.7% vs. 9.6%) sector.

Forward Estimates & Valuation

Guidance: Negative Guidance Percentage for Q1 is Below 10-Year Average

At this point in time, 98 companies in the index have issued EPS guidance for Q1 2025. Of these 98 companies, 58 have issued negative EPS guidance and 40 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q1 2025 is 59% (58 out of 98), which is above the 5-year average of 58% but below the 10-year average of 62%.

At this point in time, 258 companies in the index have issued EPS guidance for the current fiscal year (FY 2025 or FY 2026). Of these 258 companies, 151 have issued negative EPS guidance and 107 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 59% (151 out of 258).

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

Earnings: S&P 500 Expected to Report Earnings Growth of 12% for CY 2025

For the fourth quarter, S&P 500 companies are reporting year-over-year growth in earnings of 18.2% and year-over-year growth in revenues of 5.3%. For CY 2024, S&P 500 companies are reporting year-over-year growth in earnings of 10.4% and year-over-year growth in revenues of 5.2%.

For Q1 2025, analysts are projecting earnings growth of 7.6% and revenue growth of 4.3%.

For Q2 2025, analysts are projecting earnings growth of 9.8% and revenue growth of 4.7%.

For Q3 2025, analysts are projecting earnings growth of 14.3% and revenue growth of 5.5%.

For Q4 2025, analysts are projecting earnings growth of 11.6% and revenue growth of 6.1%.

For CY 2025, analysts are projecting earnings growth of 12.1% and revenue growth of 5.5%.

For CY 2026, analysts are projecting earnings growth of 14.0% and revenue growth of 6.5%.

Valuation: Forward P/E Ratio is 21.2, Above the 10-Year Average (18.3)

The forward 12-month P/E ratio for the S&P 500 is 21.2. This P/E ratio is above the 5-year average of 19.8 and above the 10-year average of 18.3. However, it is below 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 decreased by 0.3%, while the forward 12-month EPS estimate has increased by 1.1%. At the sector level, the Information Technology (26.7) and Consumer Discretionary (26.5) sectors have the highest forward 12-month P/E ratios, while the Energy (14.2) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 26.1, which is above the 5-year average of 24.3 and above the 10-year average of 22.1.

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

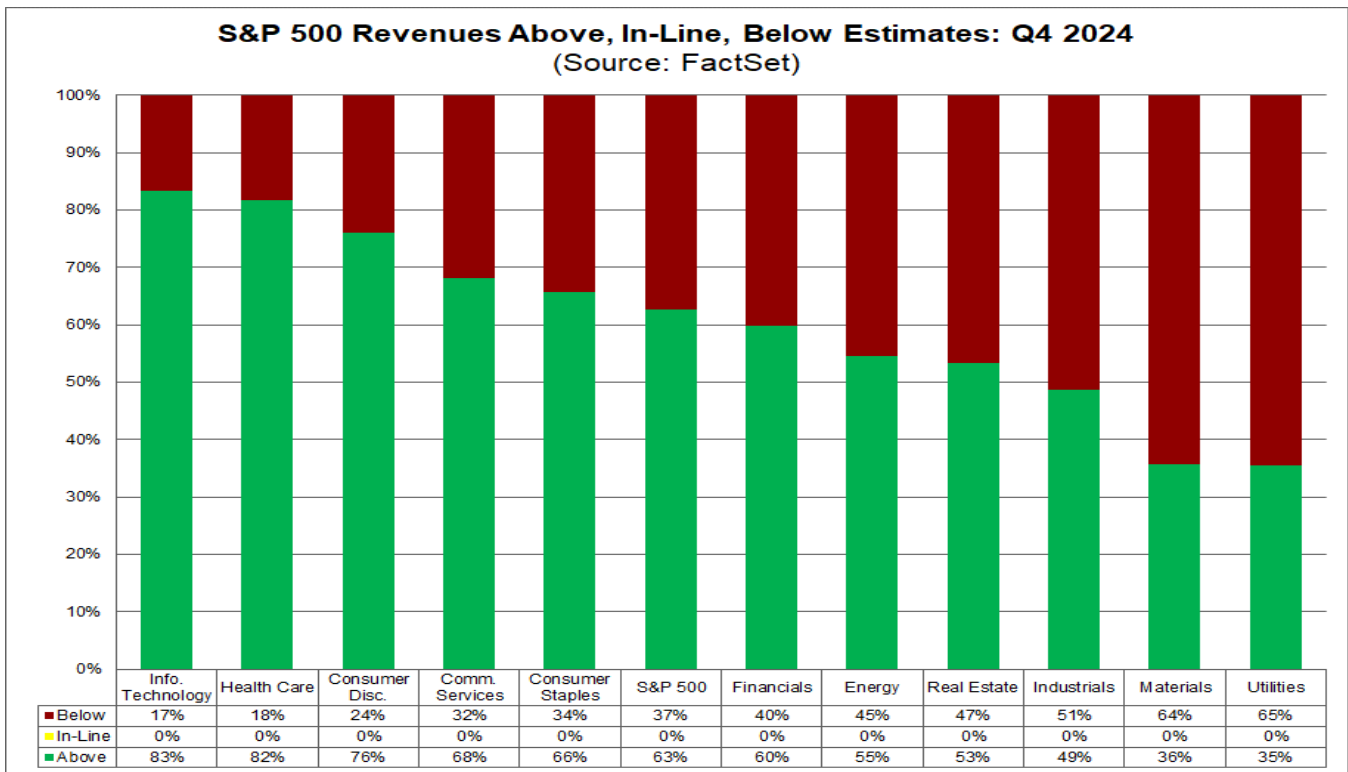
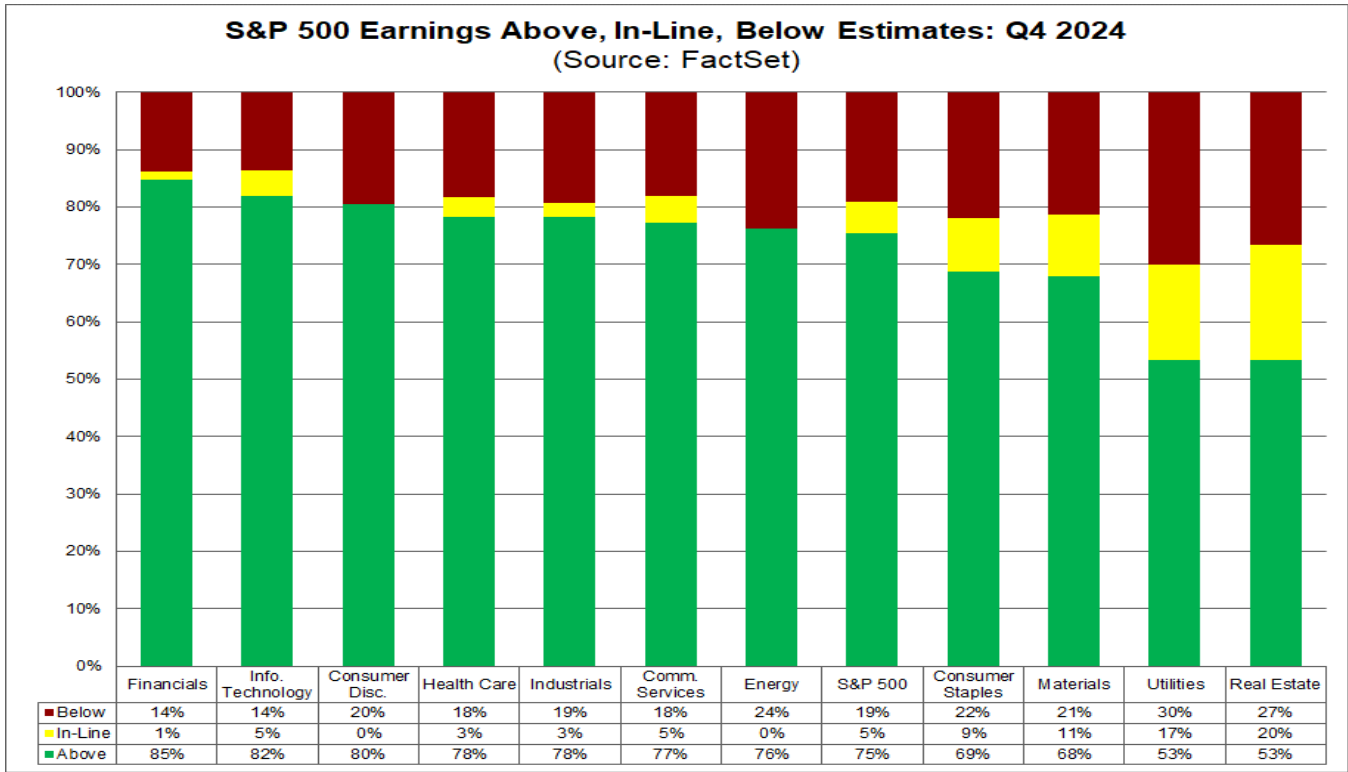
The bottom-up target price for the S&P 500 is 6938.52, which is 18.4% above the closing price of 5861.57. At the sector level, the Consumer Discretionary (+24.7%) and Information Technology (+24.6%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Consumer Staples (+7.6%) 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 12,250 ratings on stocks in the S&P 500. Of these 12,250 ratings, 55.0% are Buy ratings, 39.2% are Hold ratings, and 5.9% are Sell ratings. At the sector level, the Energy (64%), Communication Services (62%), and Information Technology (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (41%) sector has the lowest percentage of Buy ratings.

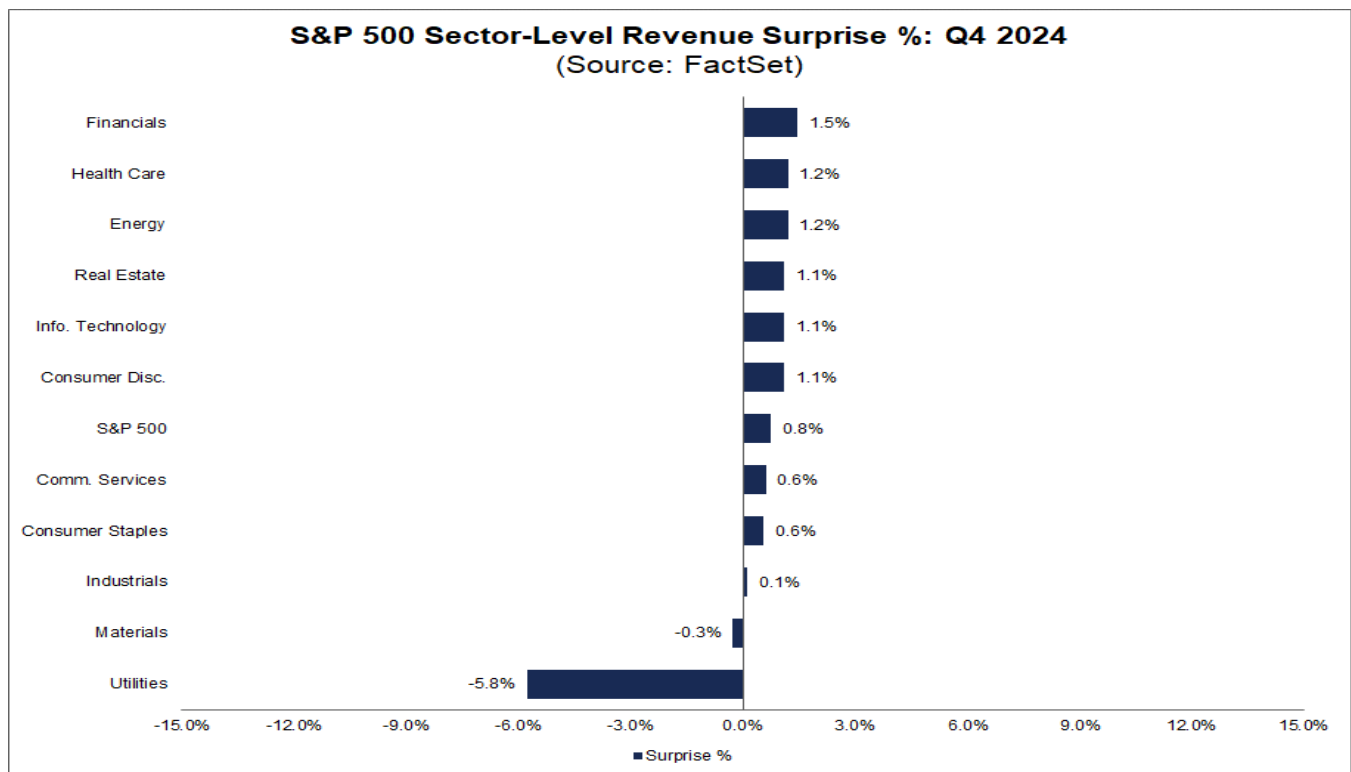
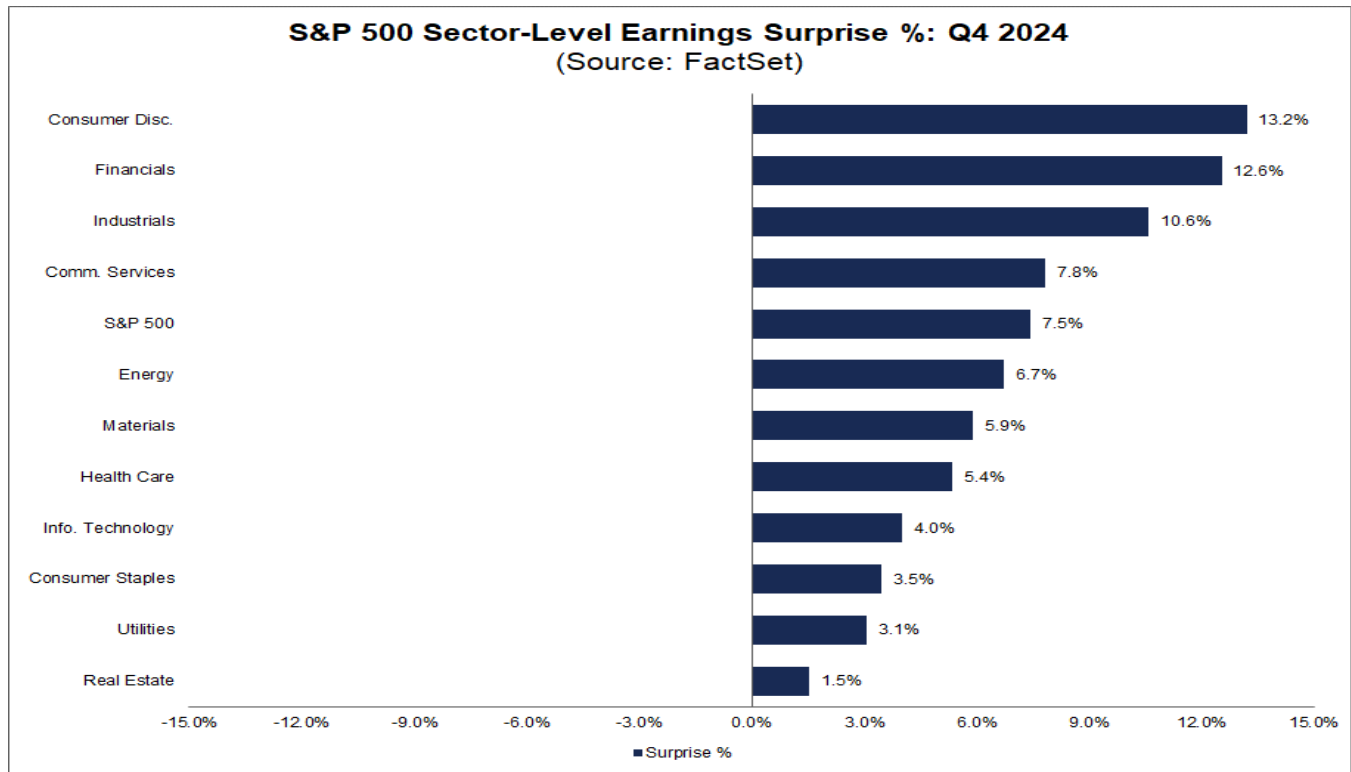
Companies Reporting Next Week: 9

During the upcoming week, 9 S&P 500 companies are scheduled to report results for the fourth quarter.

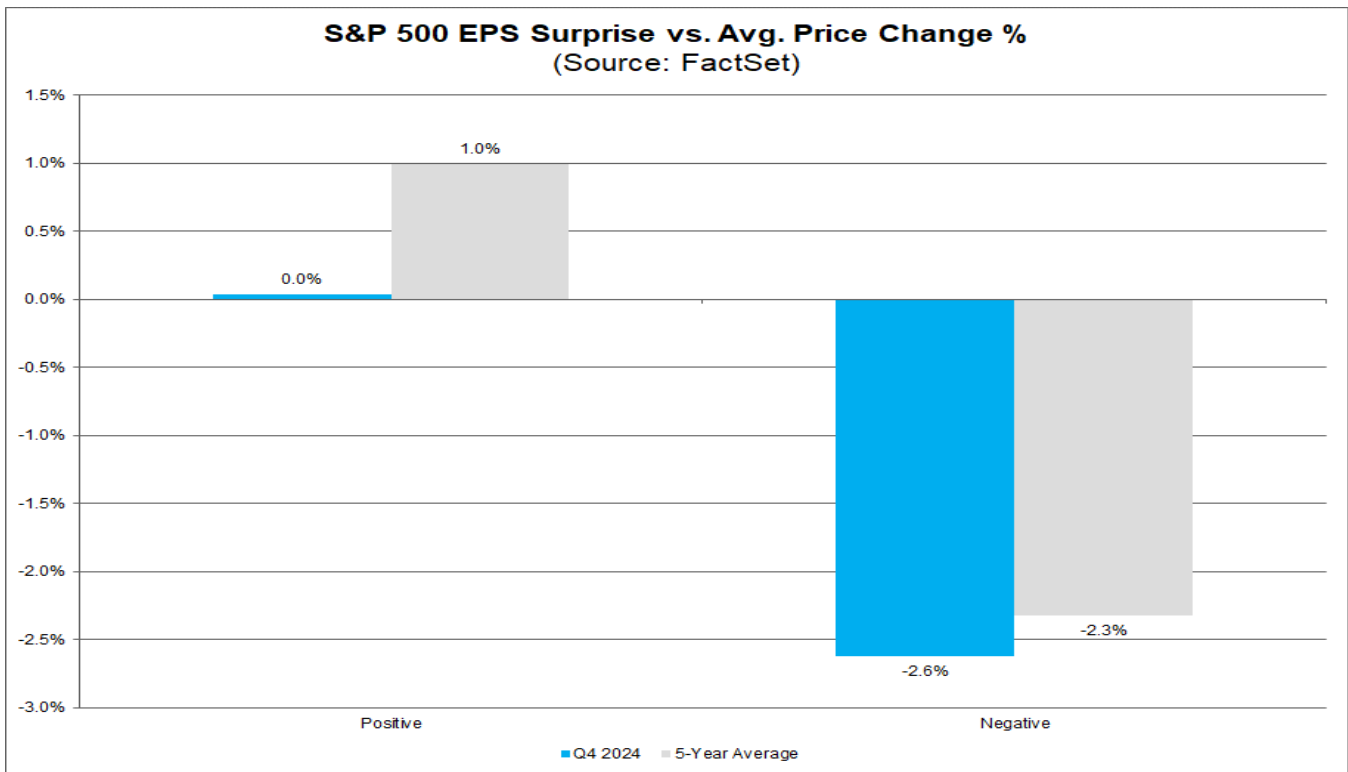
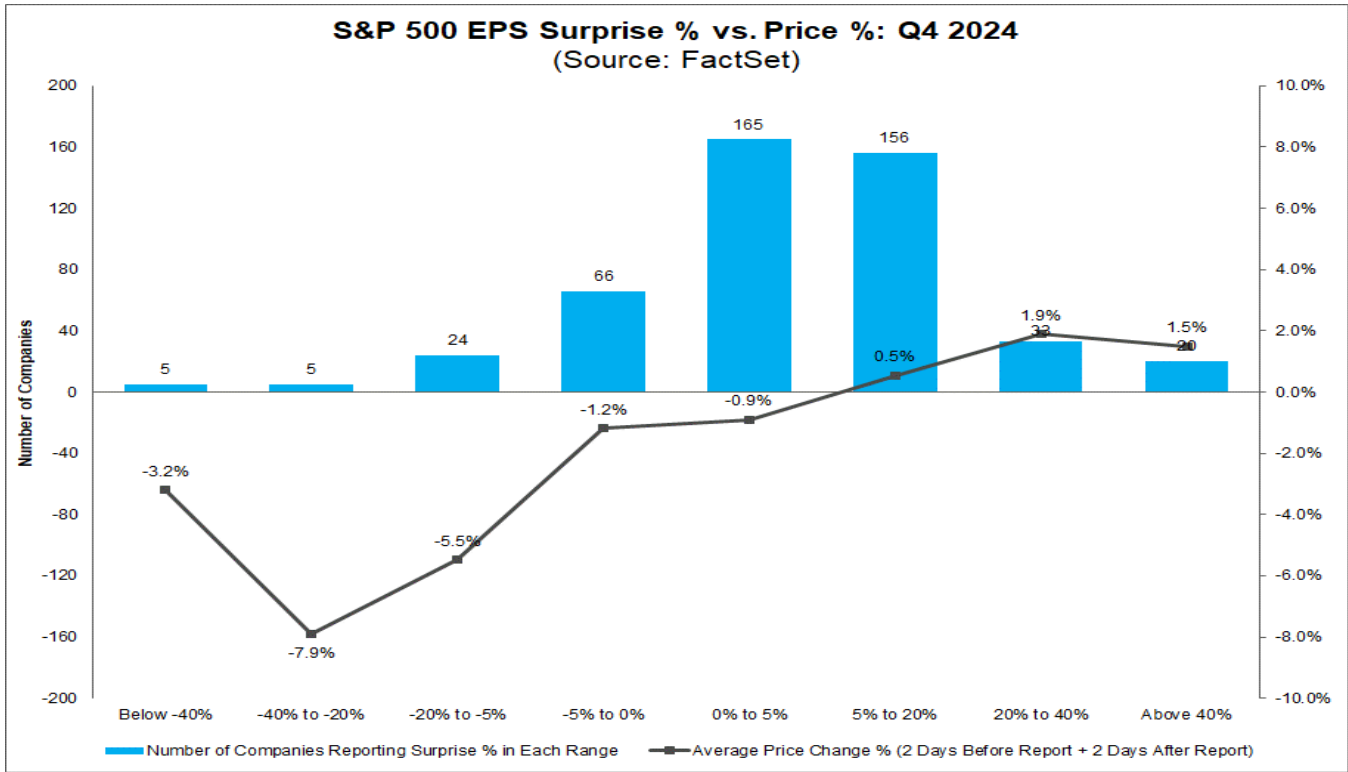
Q4 2024: Scorecard



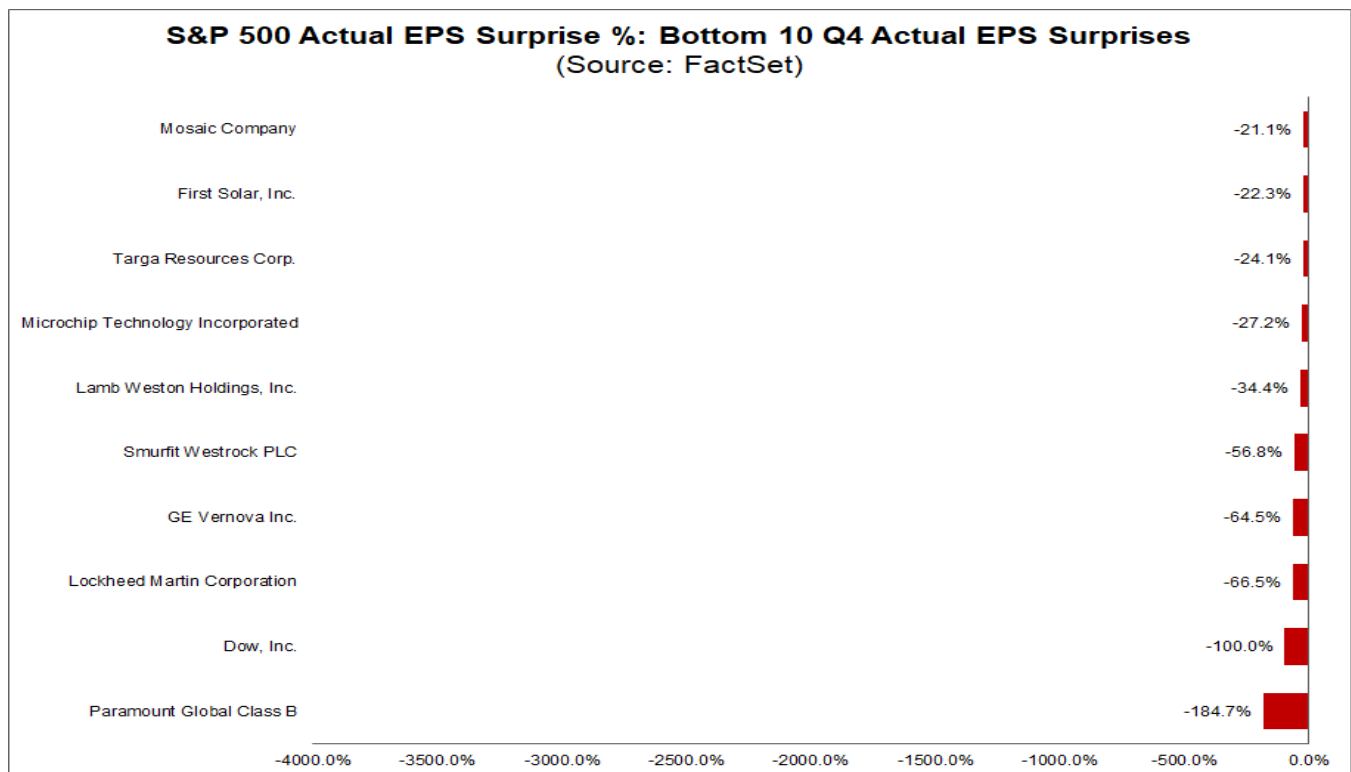
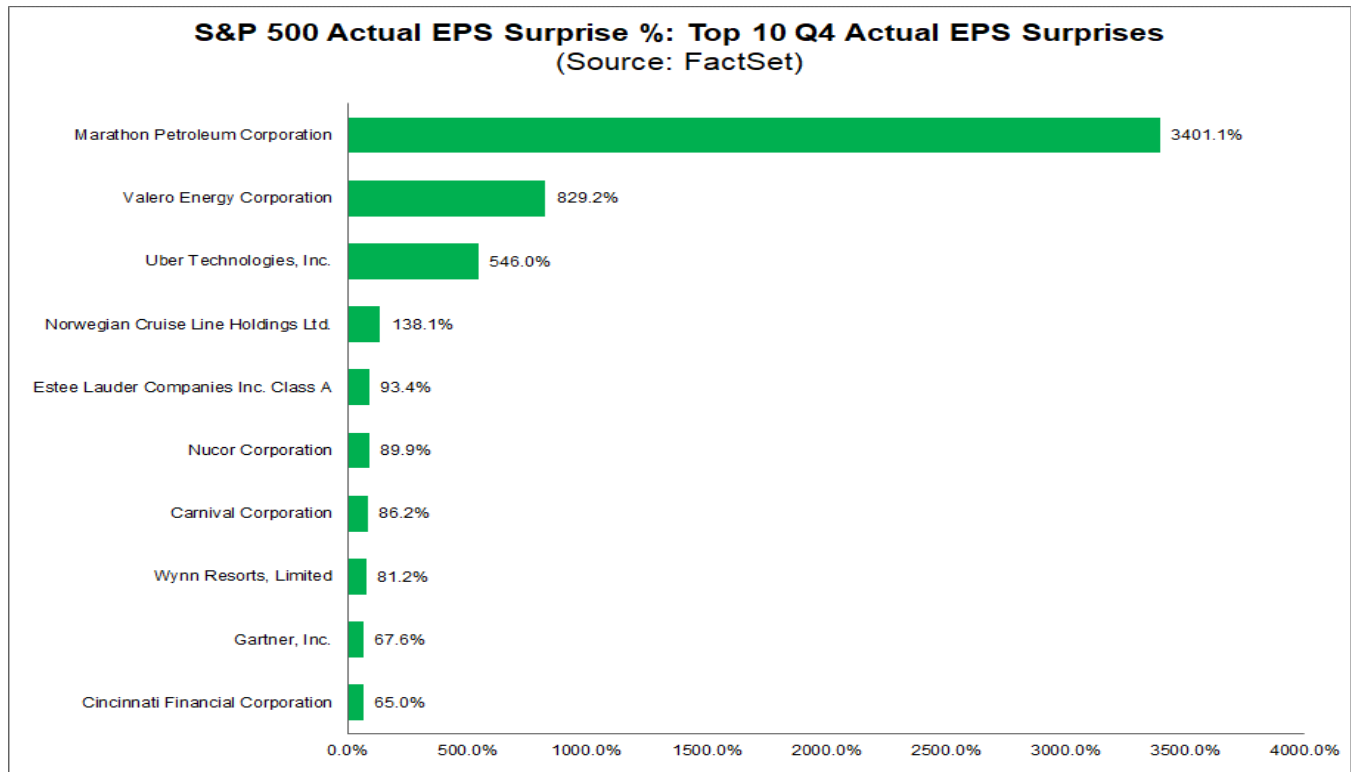
Q4 2024: Surprise



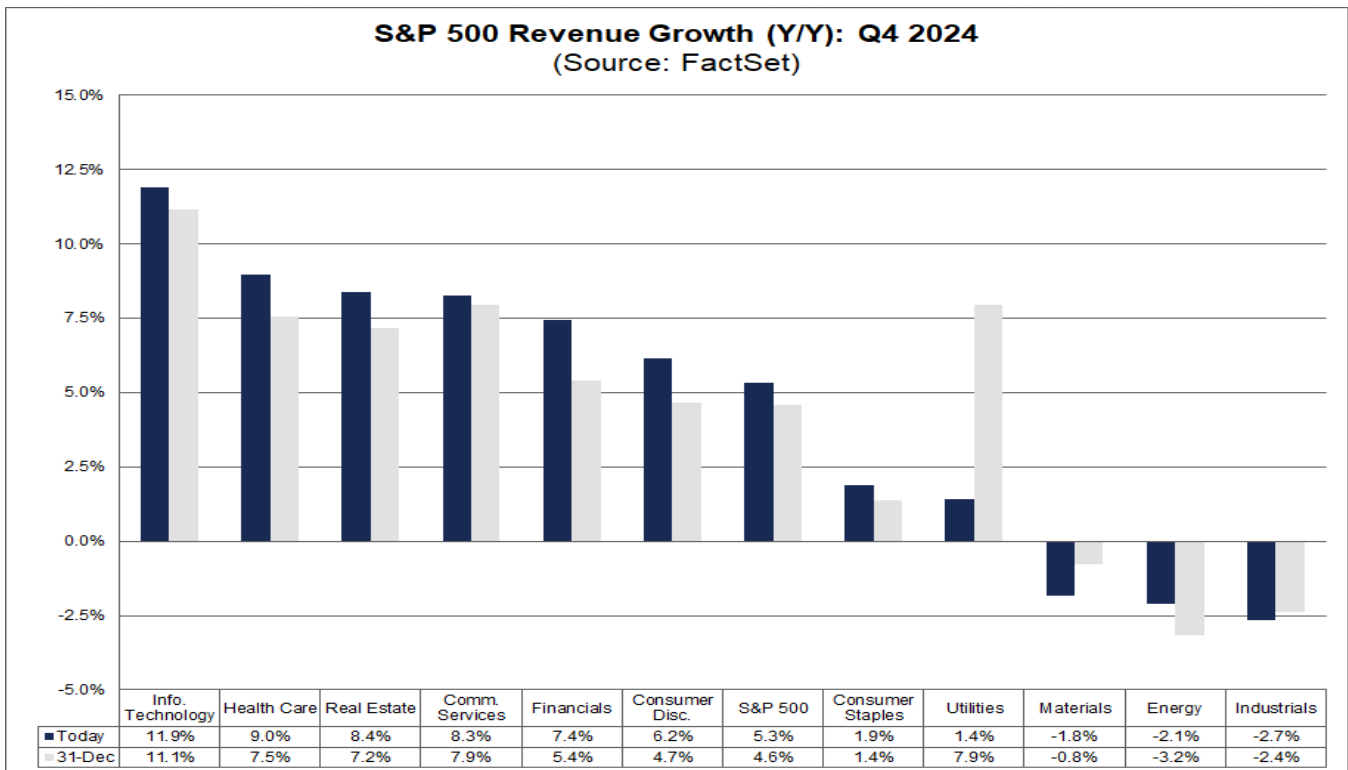
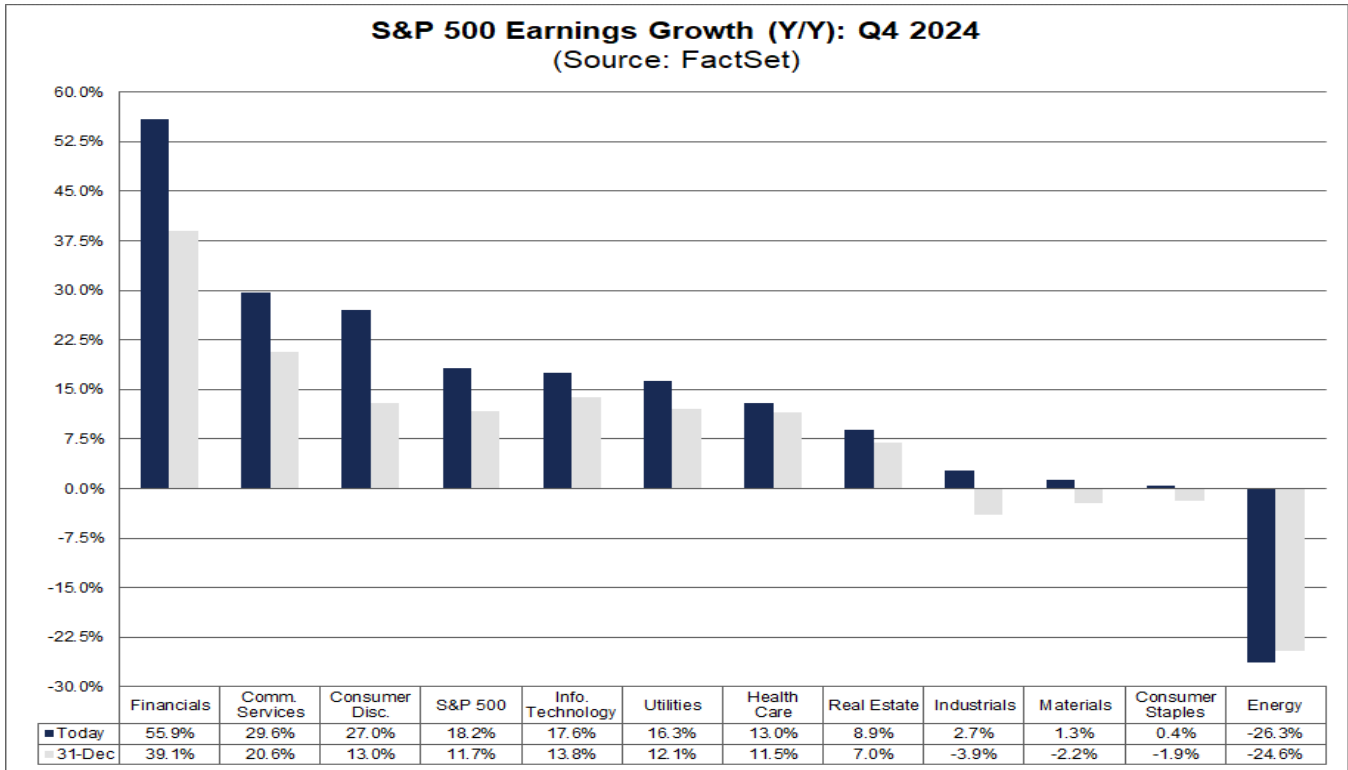
Q4 2024: Surprise



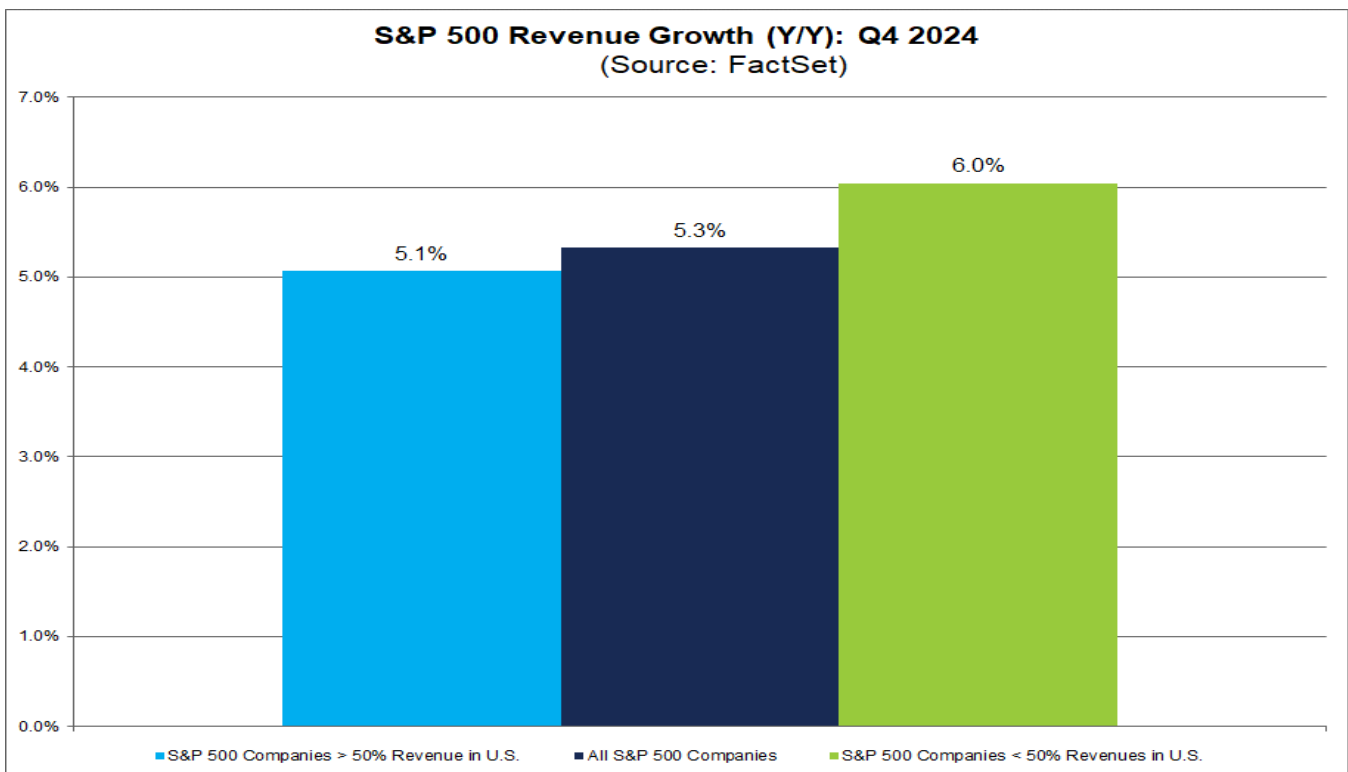
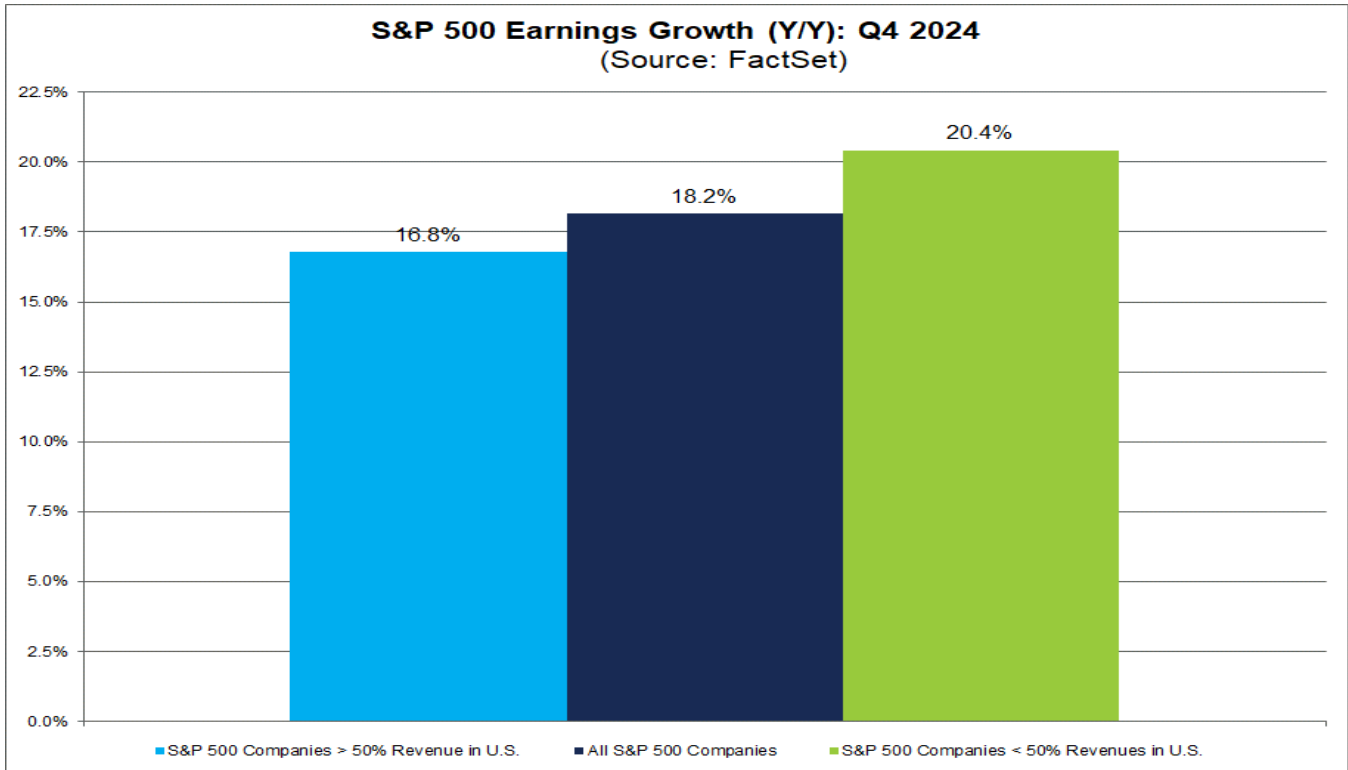
Q4 2024: Surprise



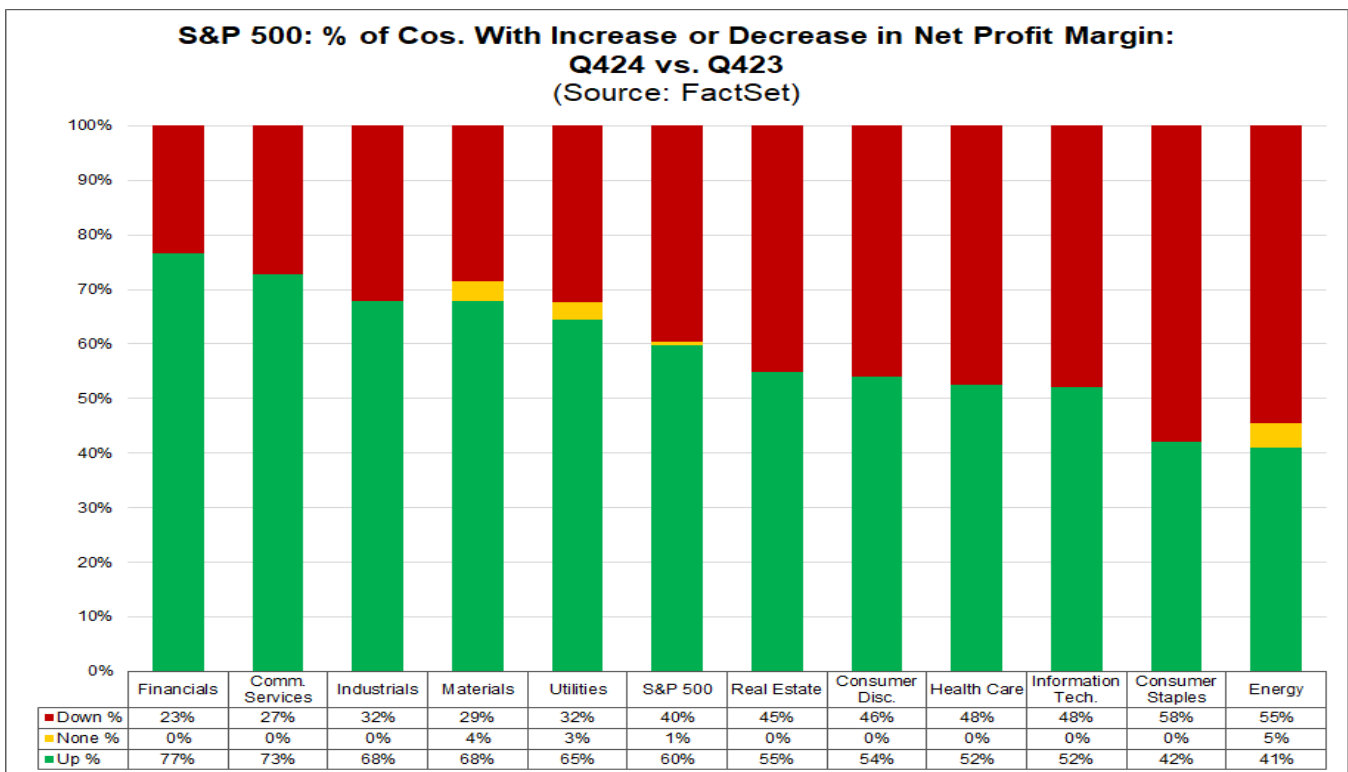
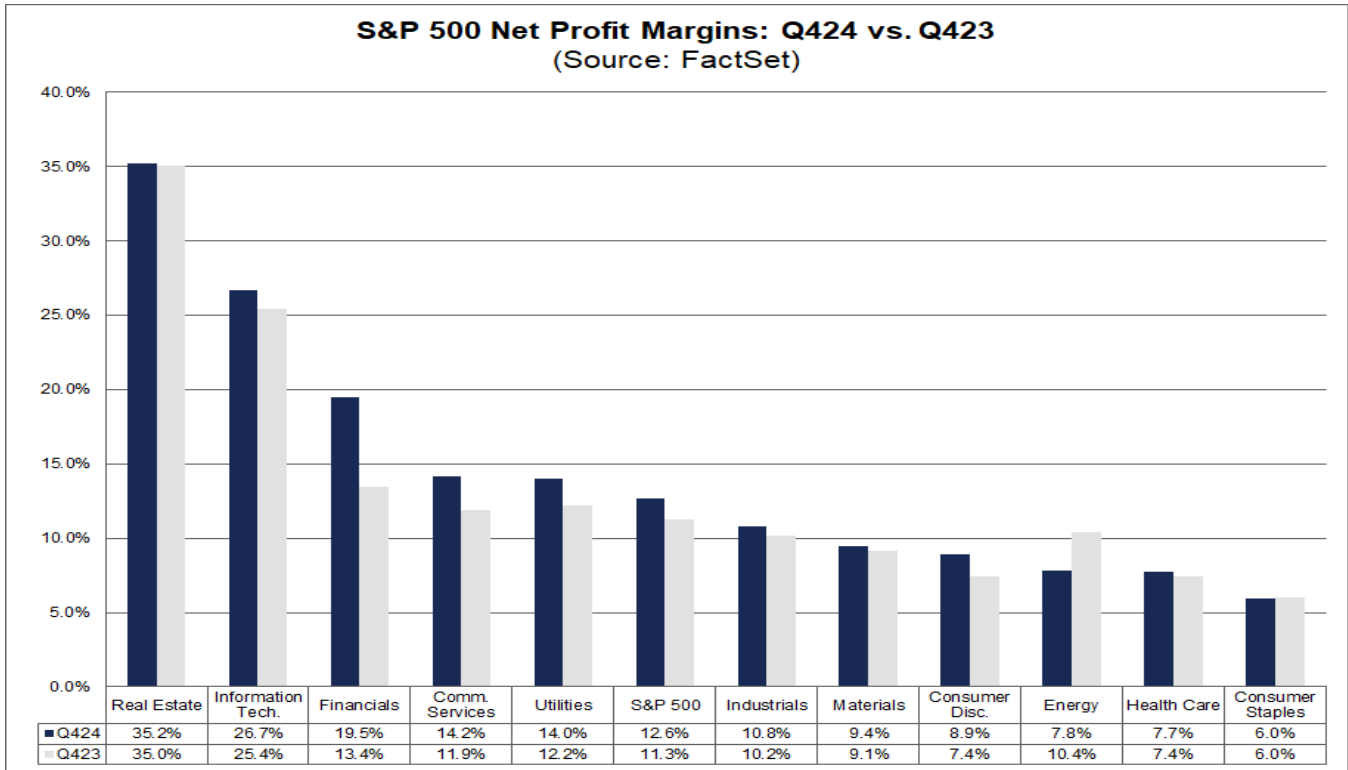
Q4 2024: Growth



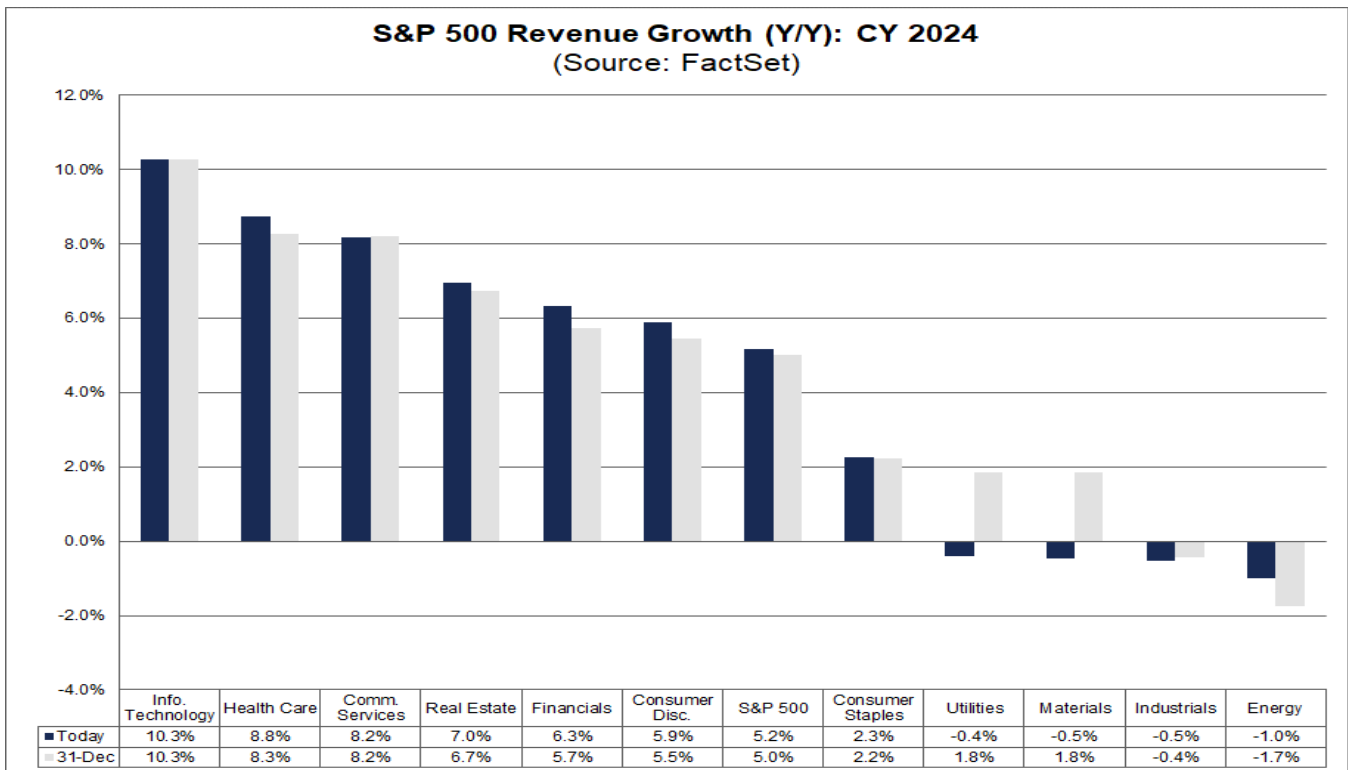
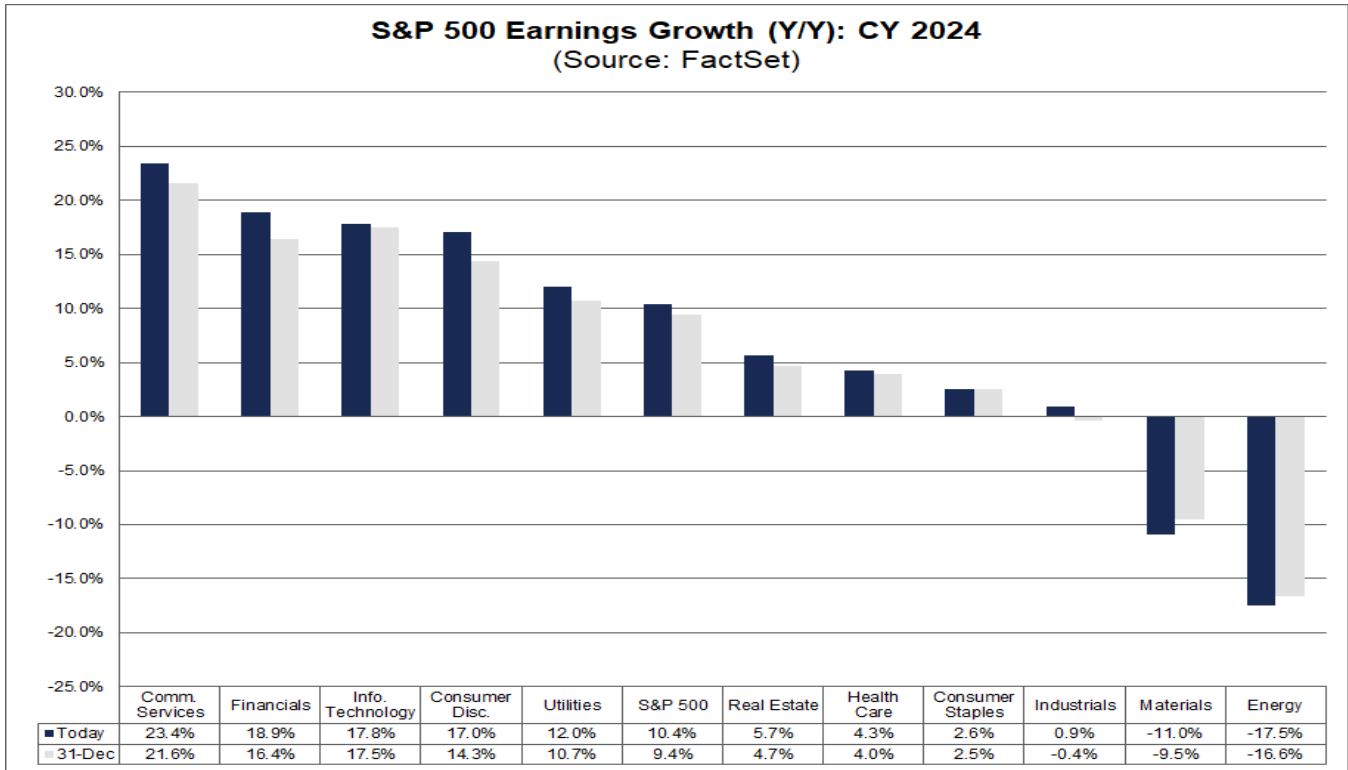
Q4 2024: Growth



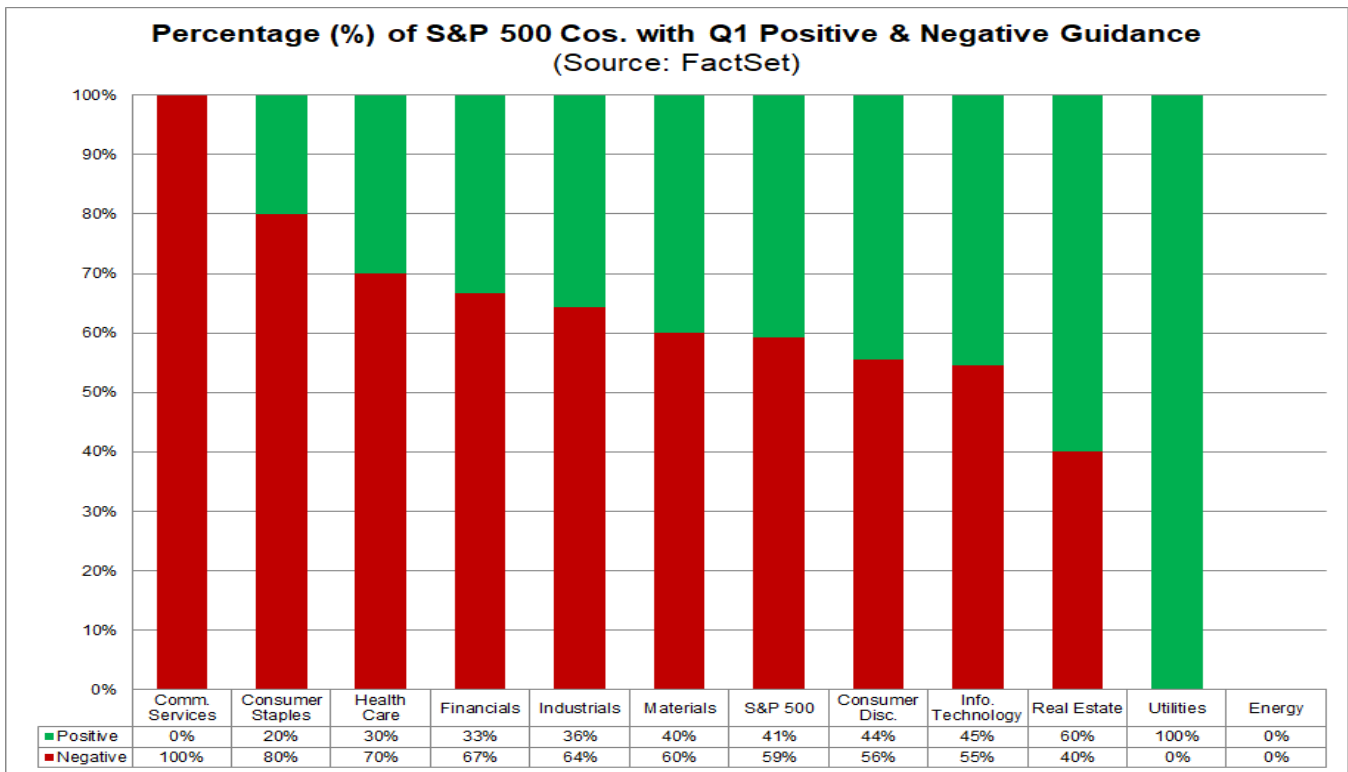
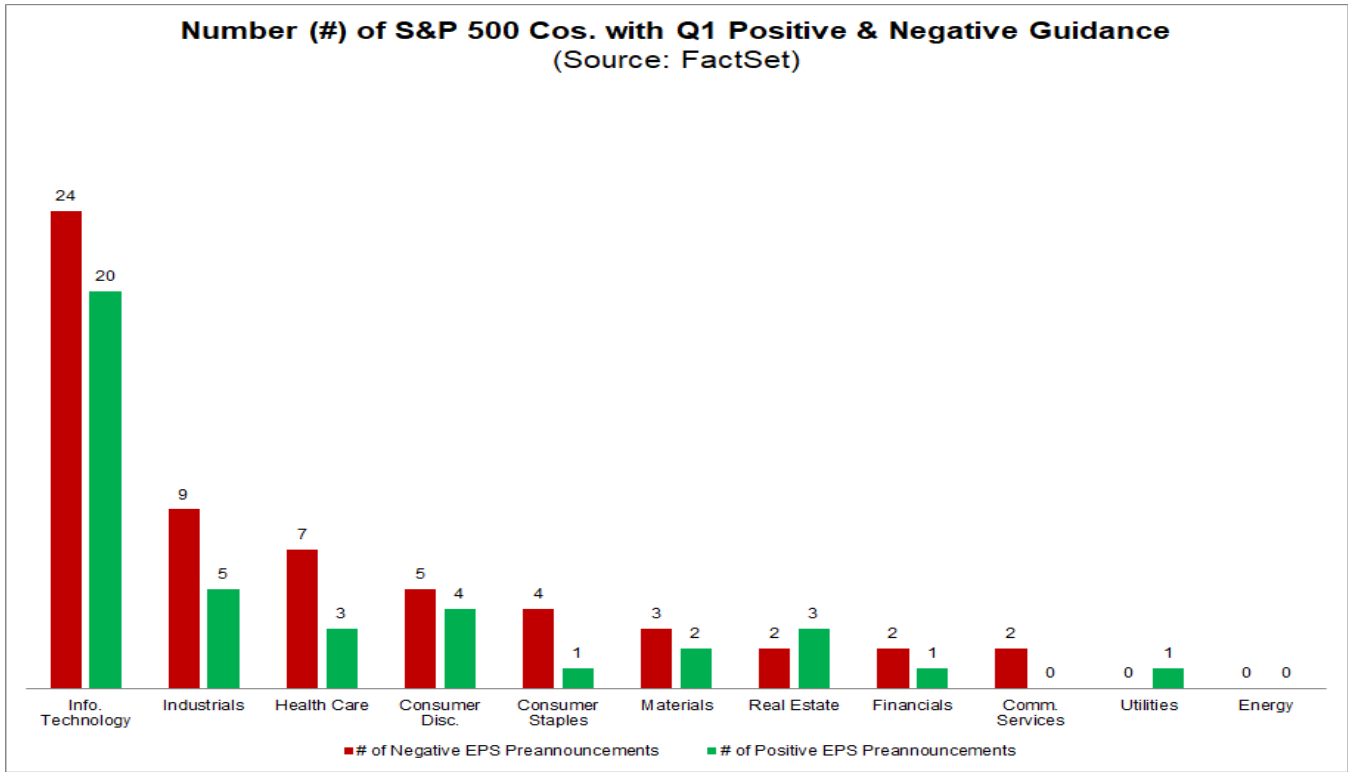
Q4 2024: Net Profit Margin



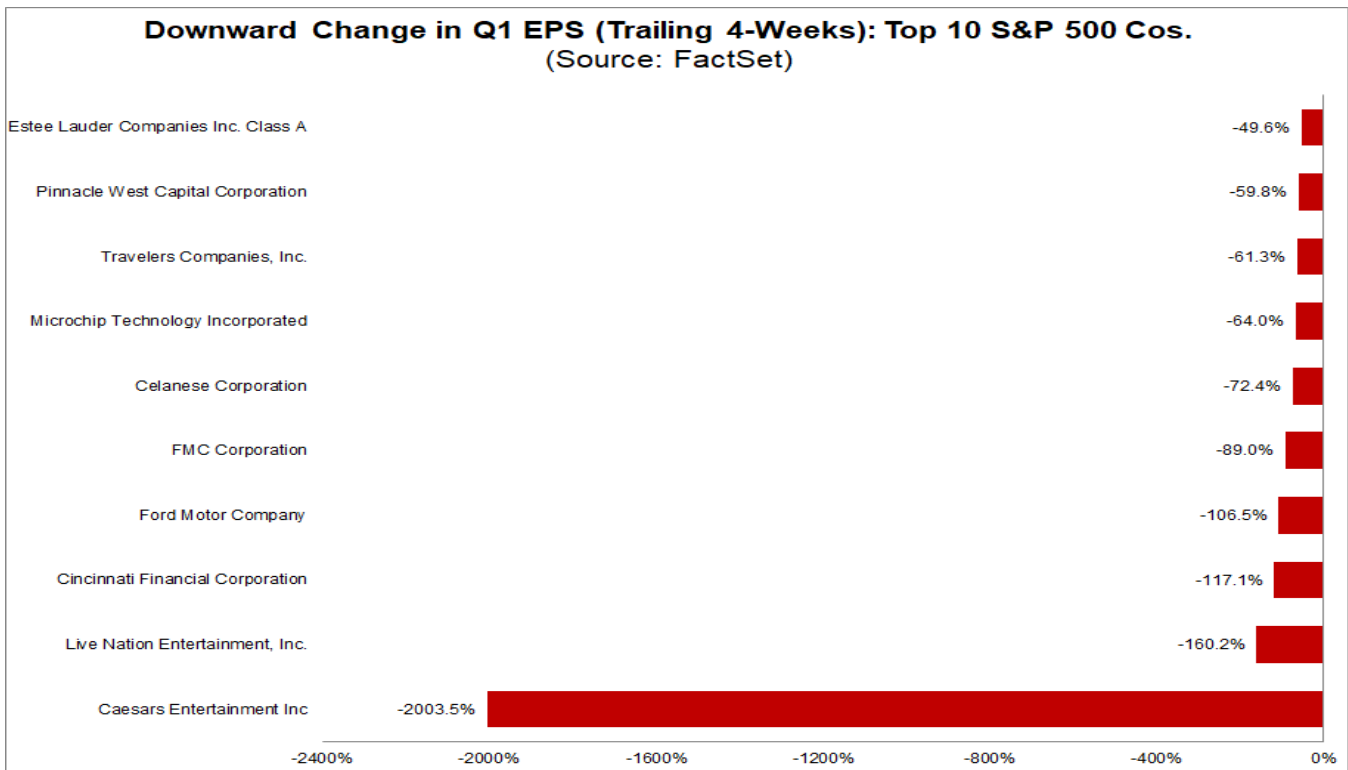
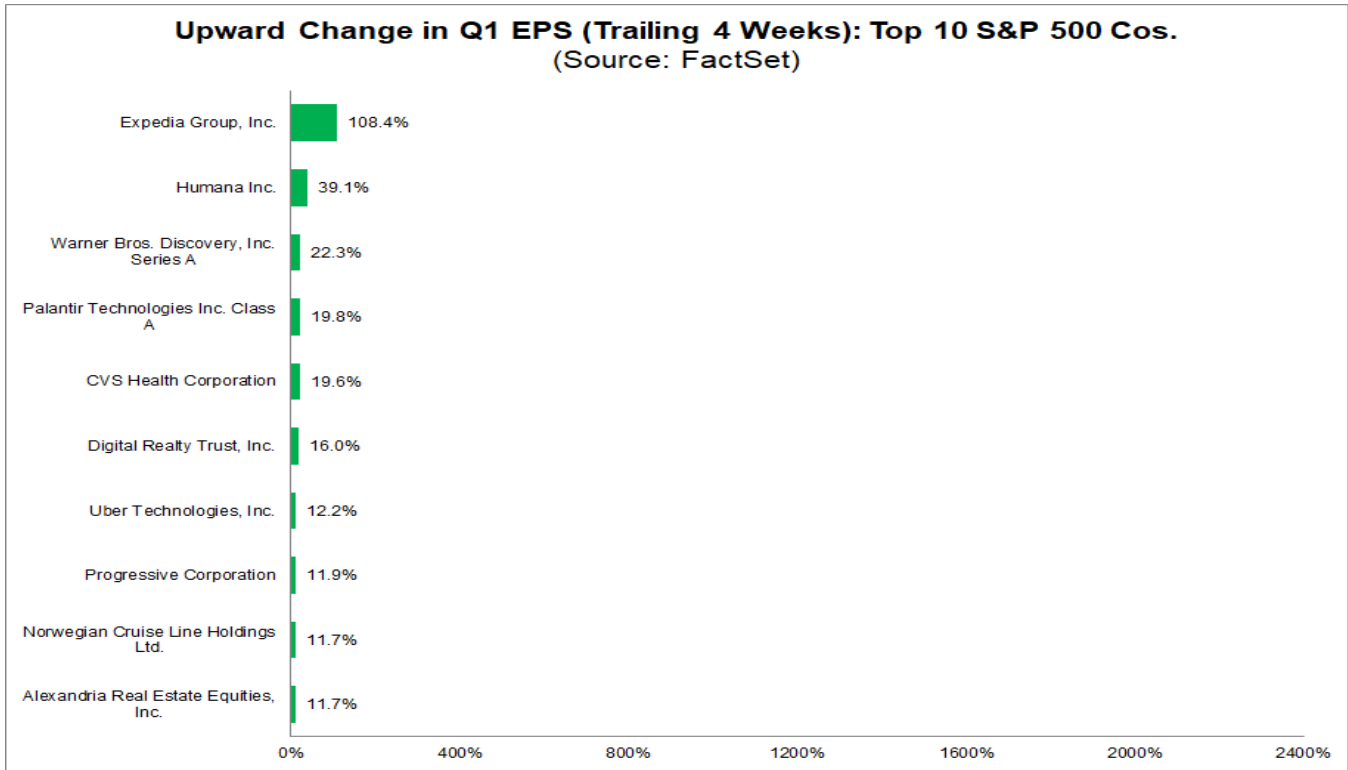
CY 2024: Growth



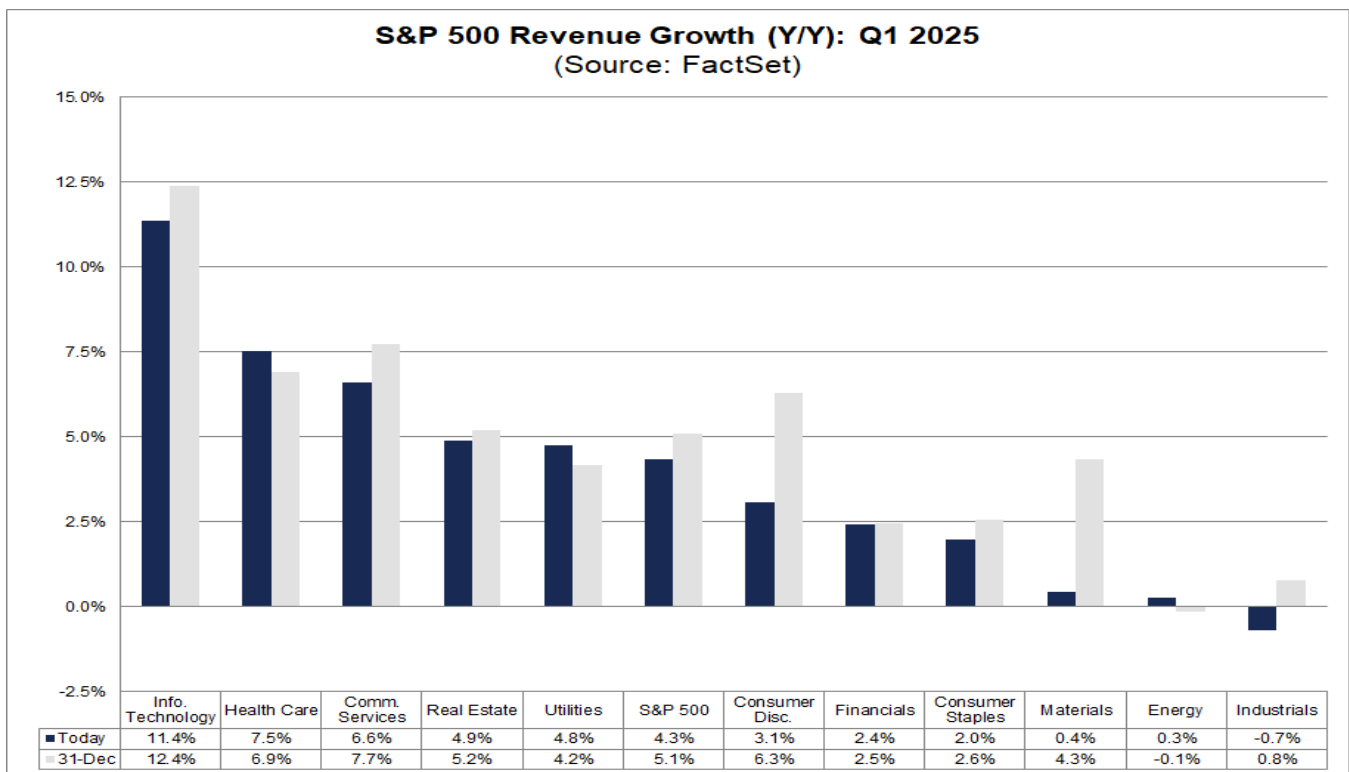
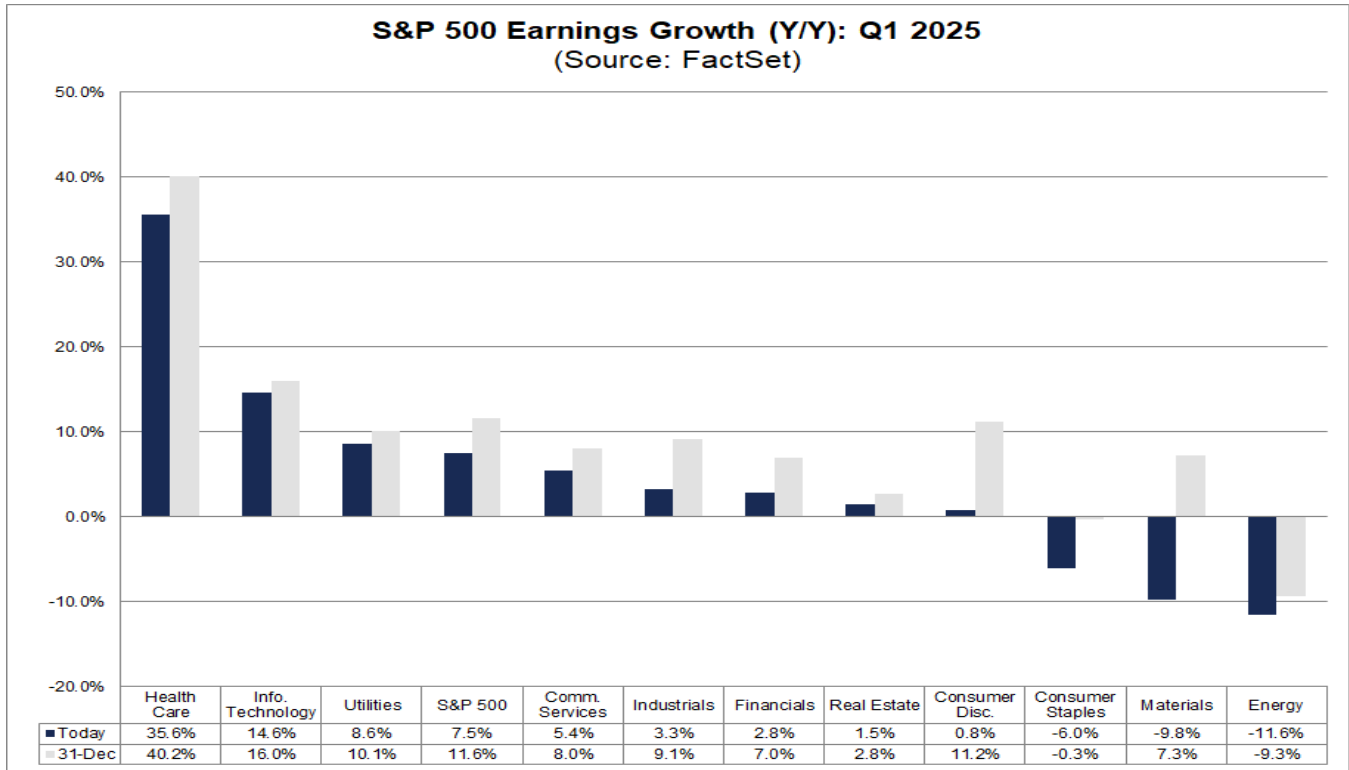
Q1 2025: Guidance



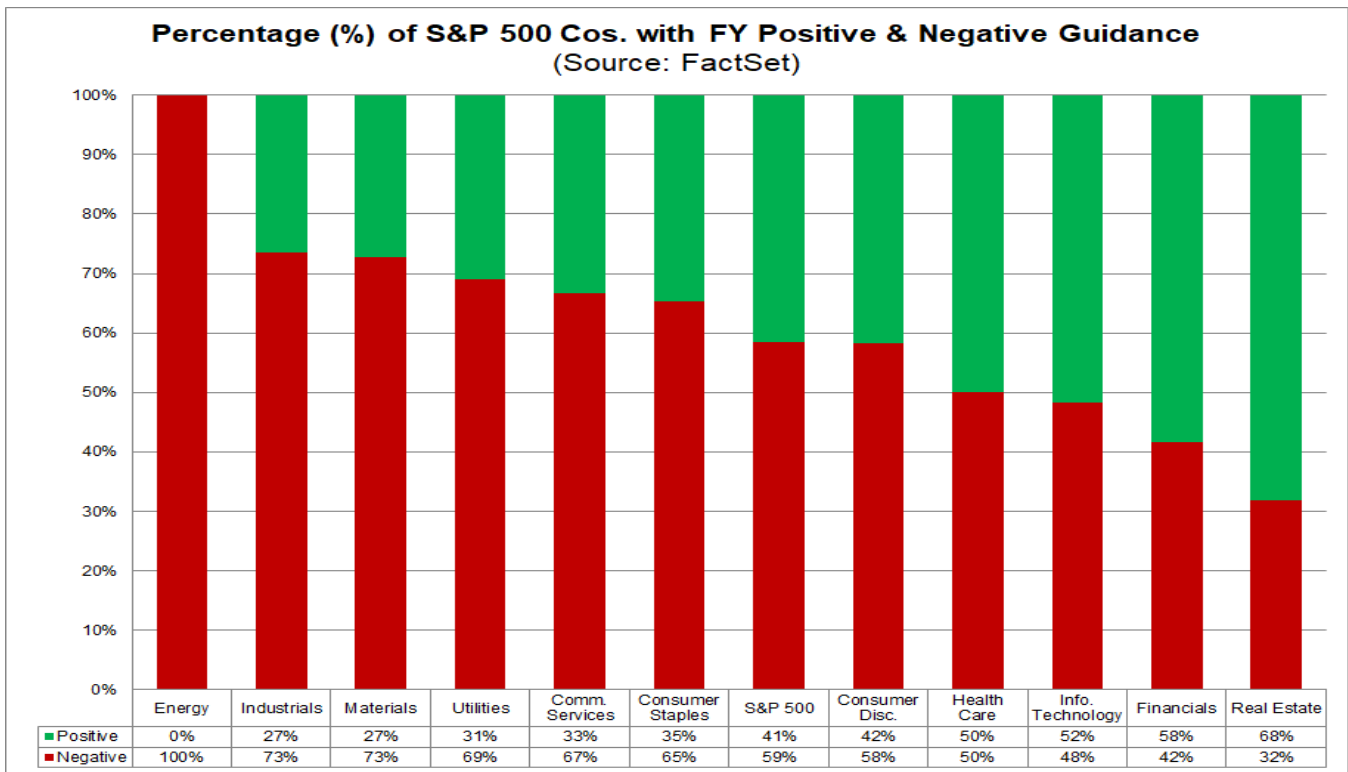
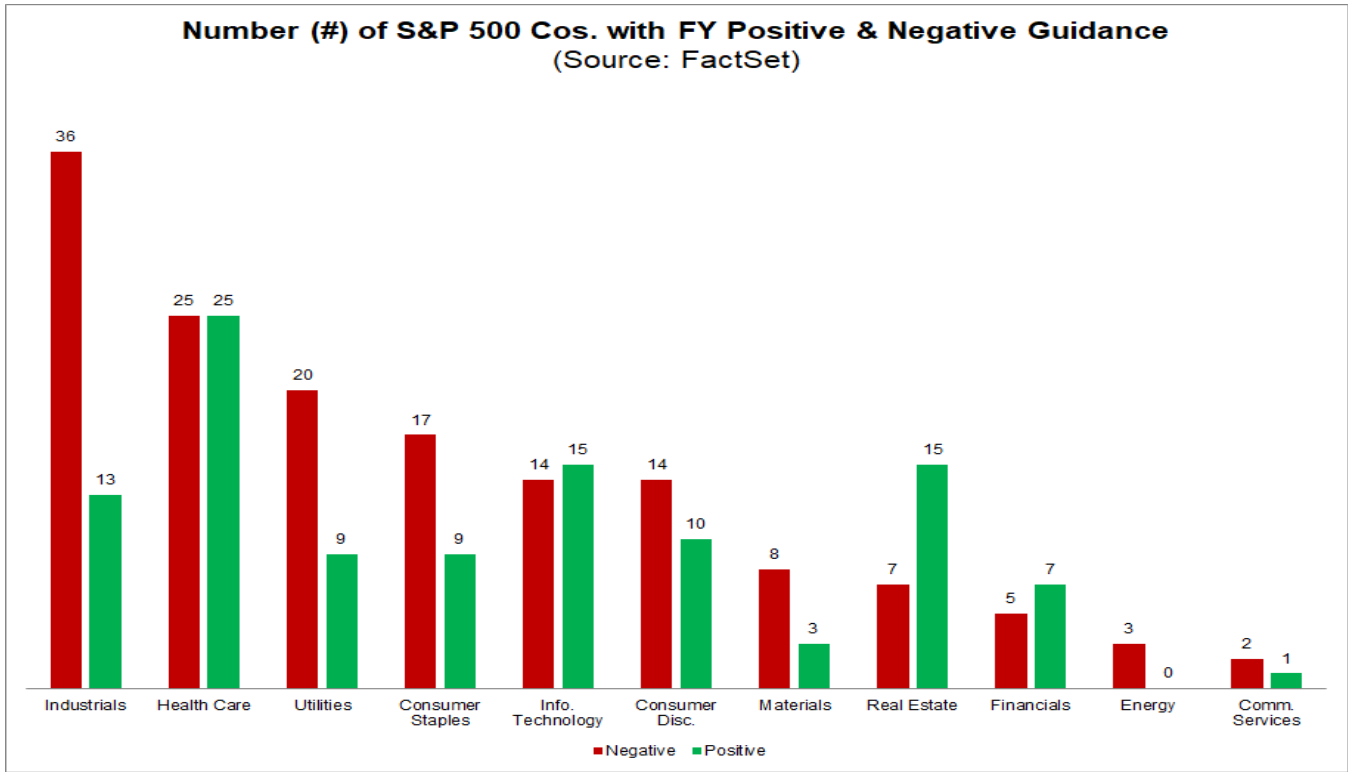
Q1 2025: EPS Revisions



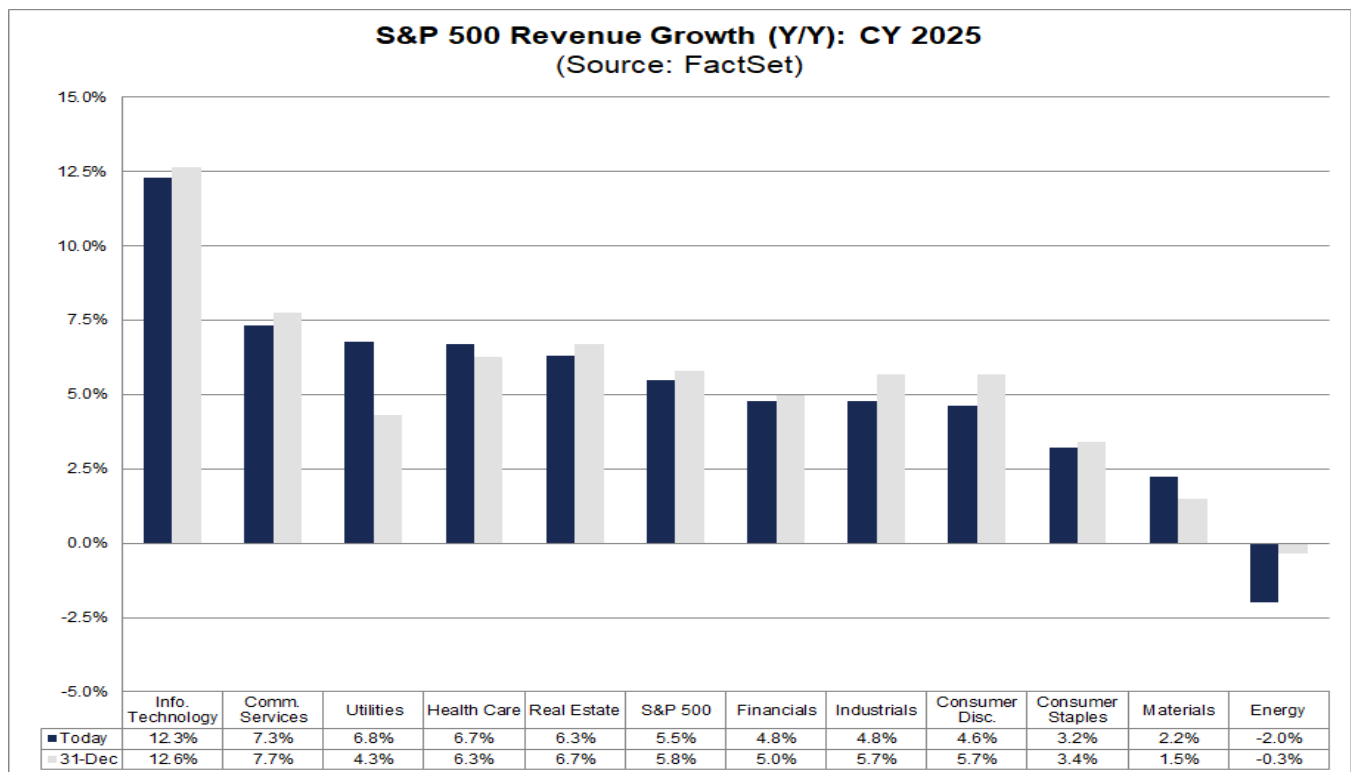
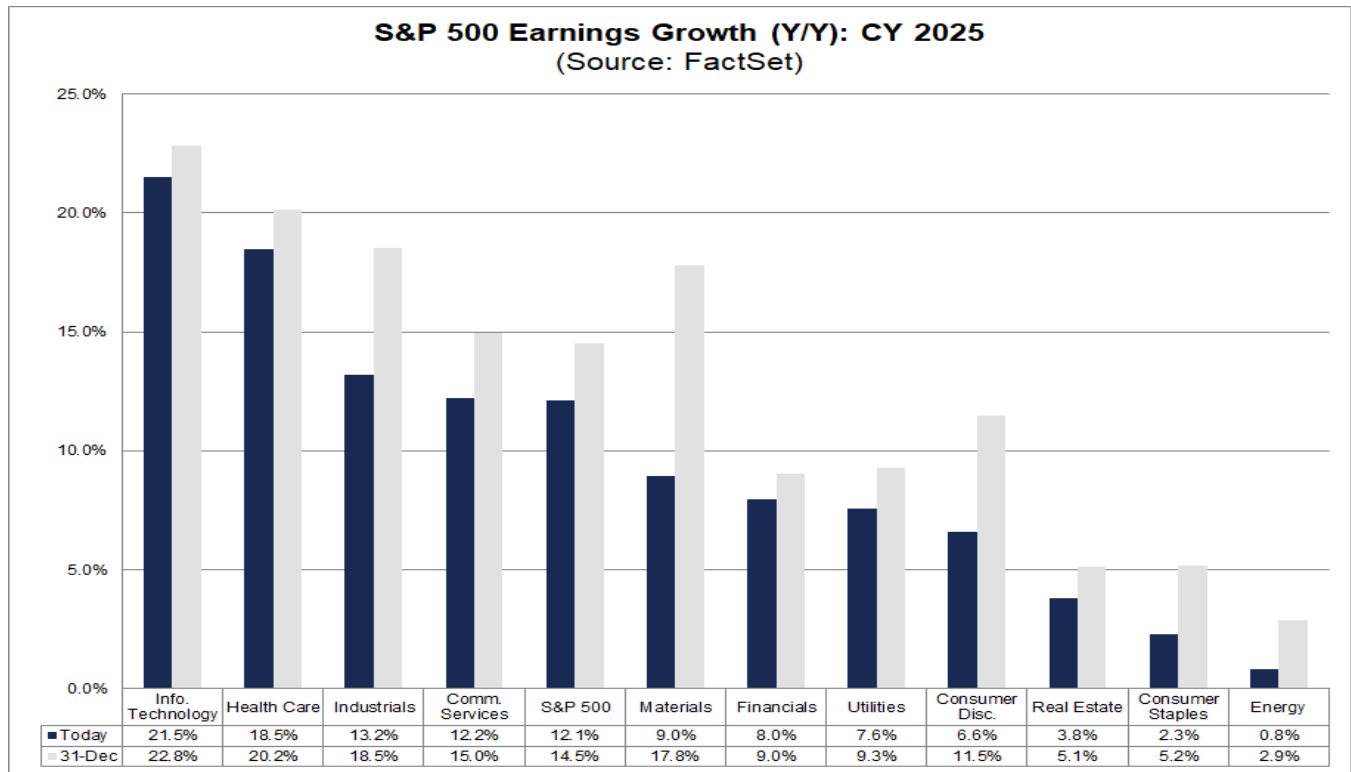
Q1 2025: Growth



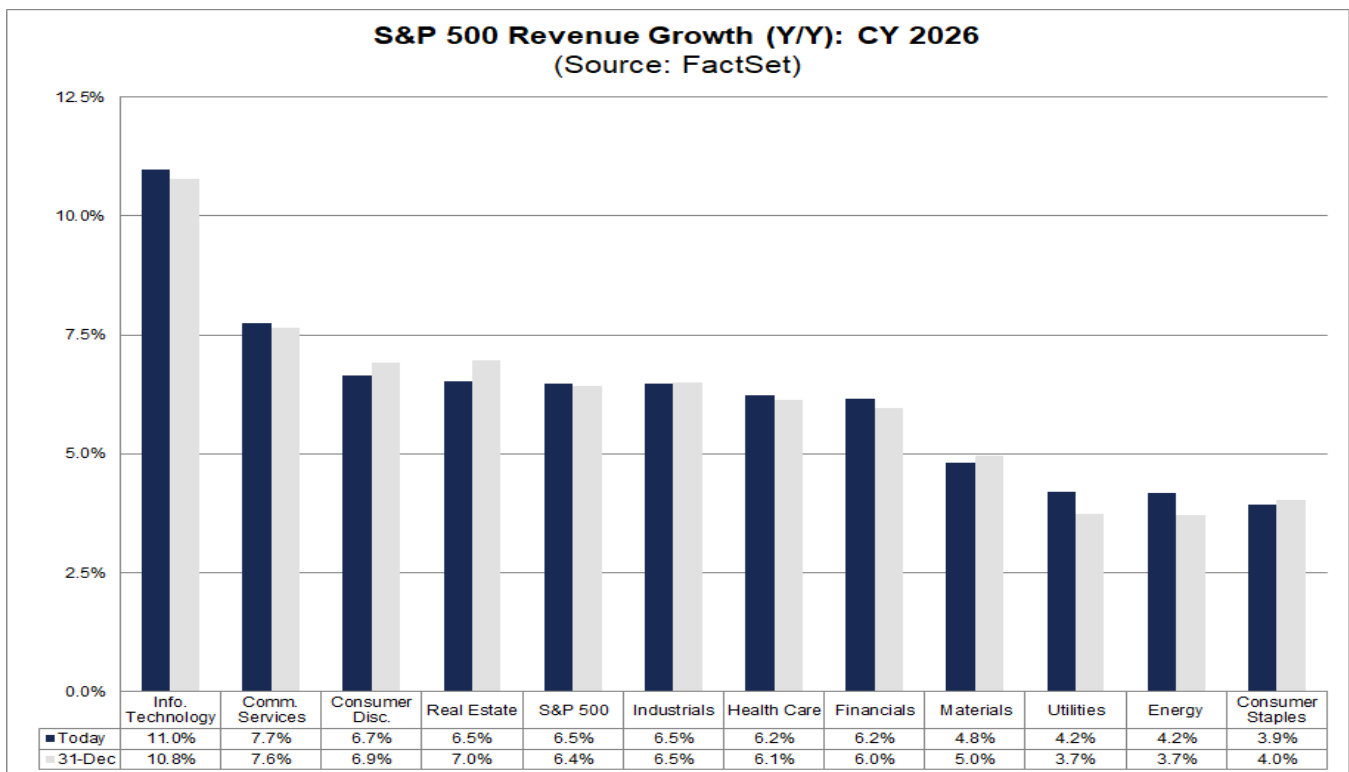
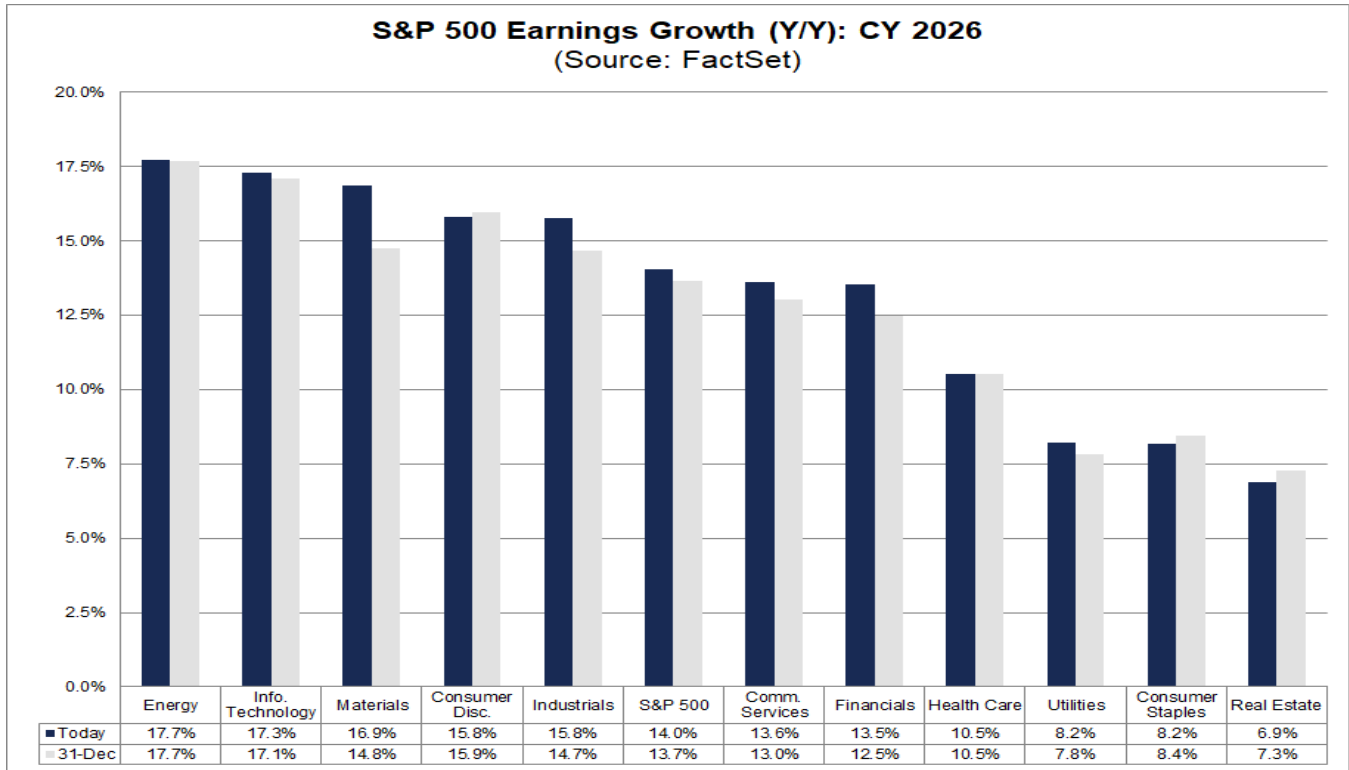
FY 2024 / 2025: EPS Guidance



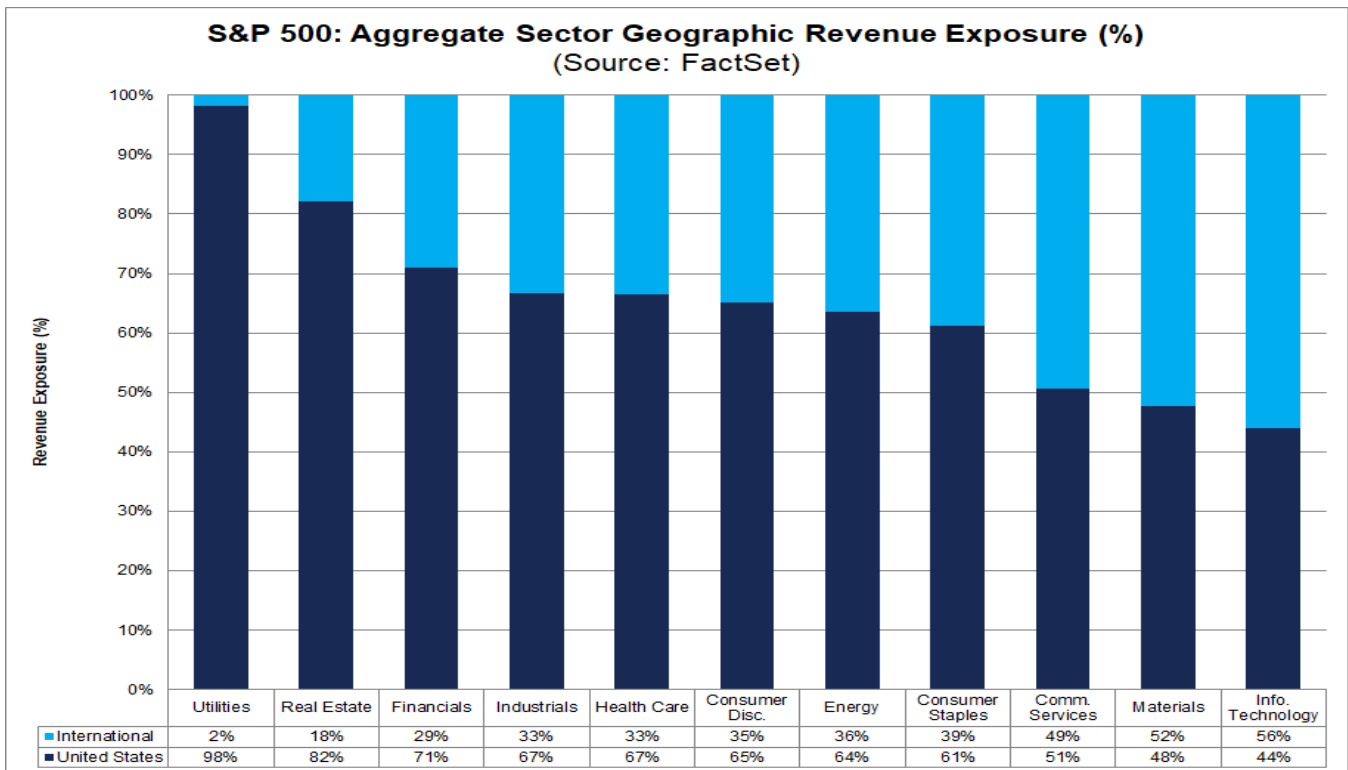
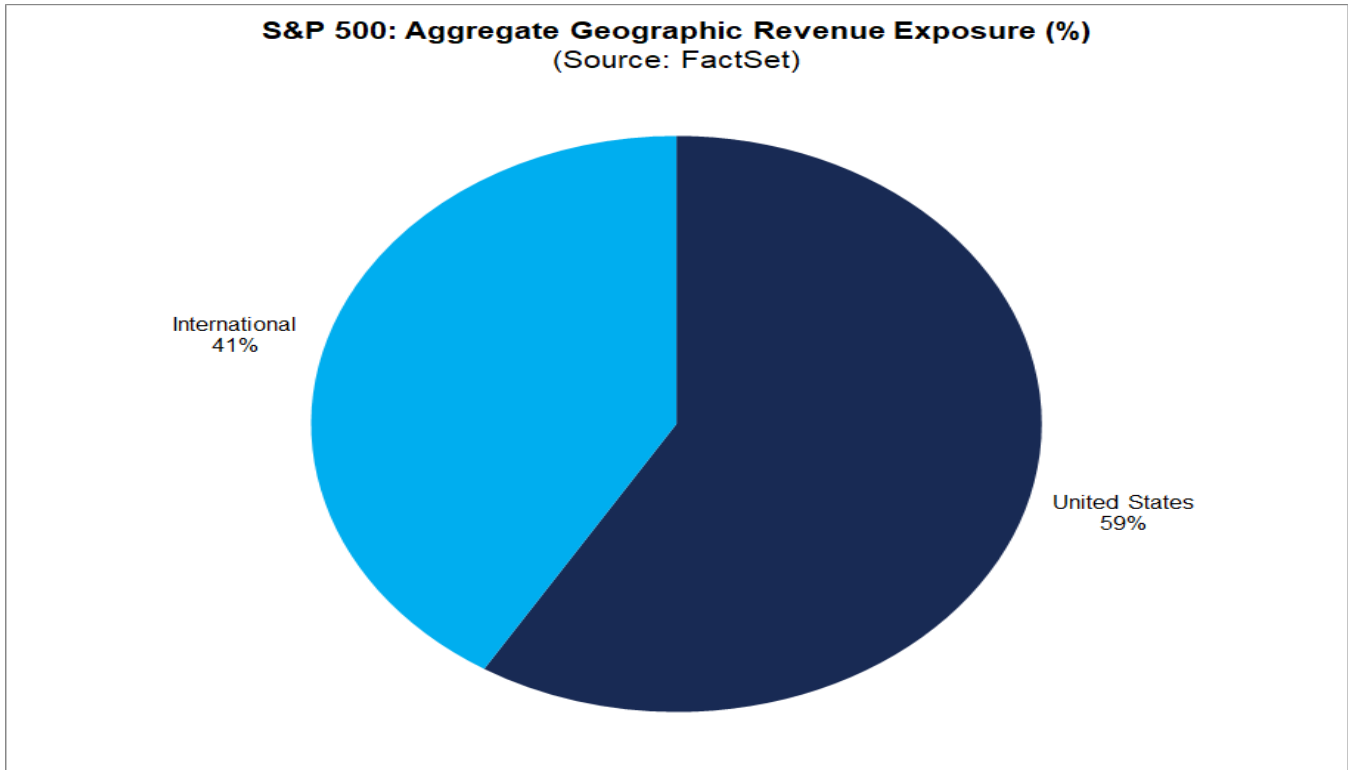
CY 2025: Growth



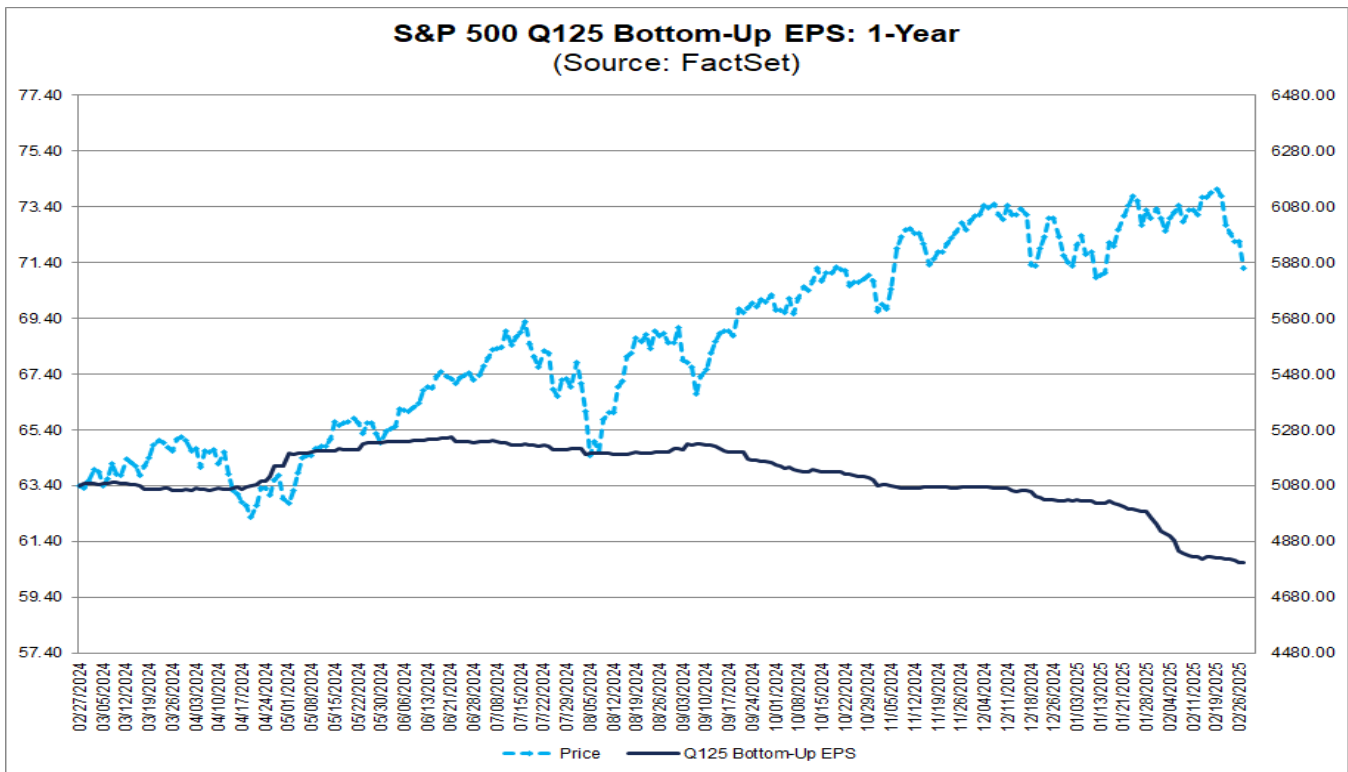
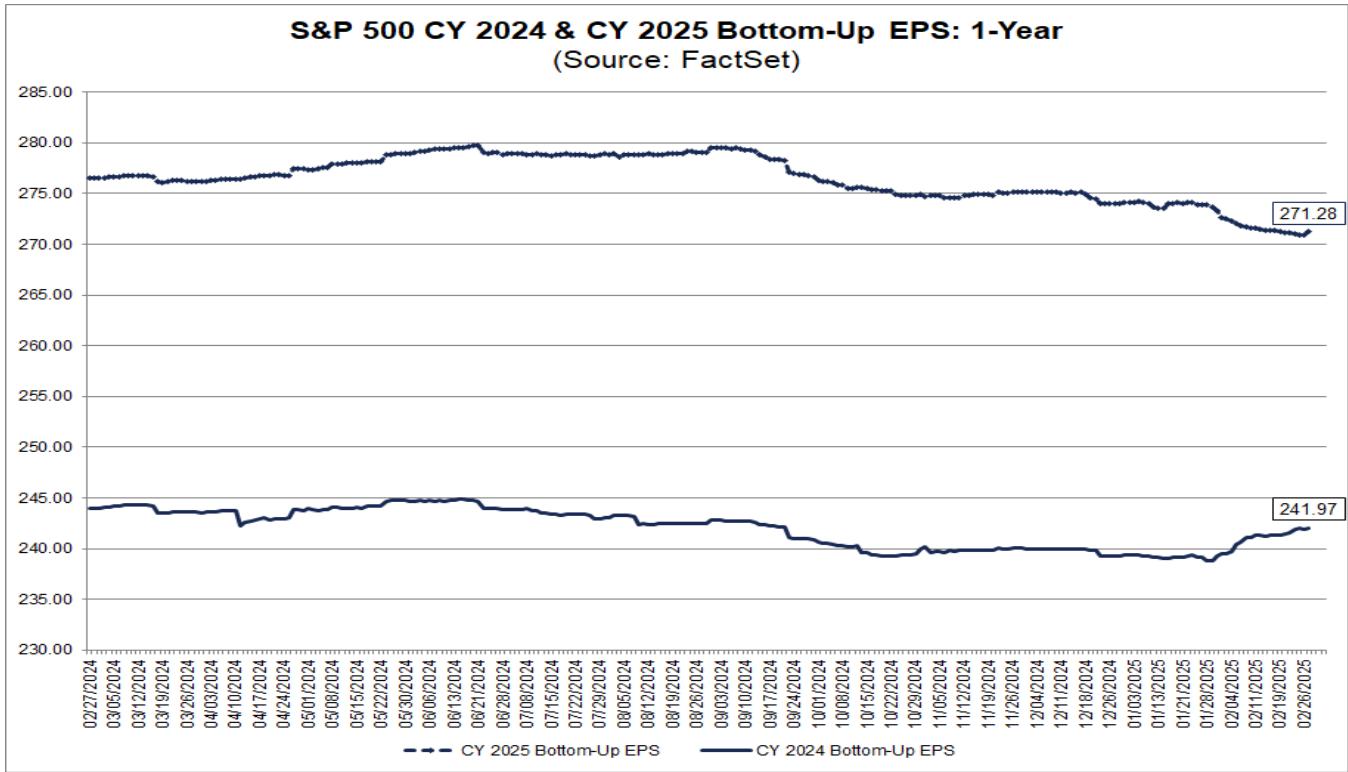
CY 2026: Growth



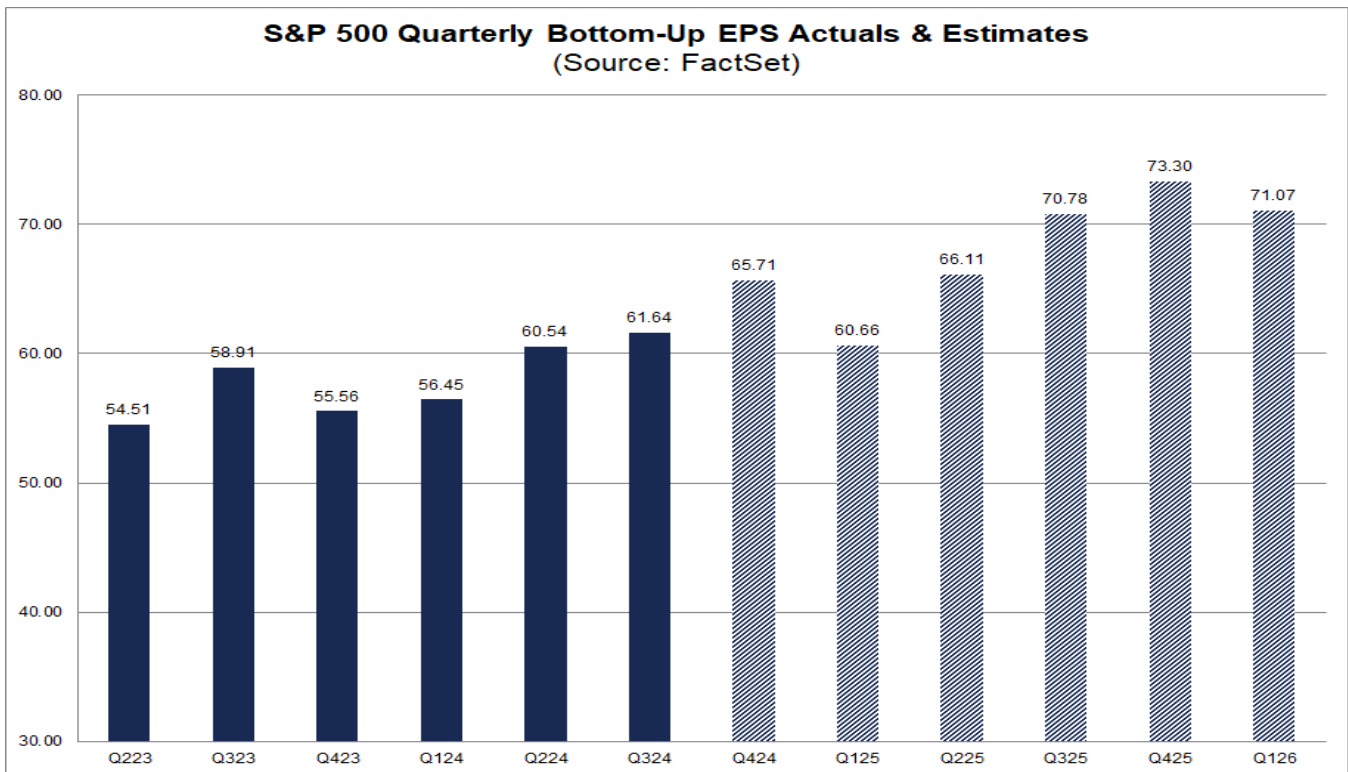
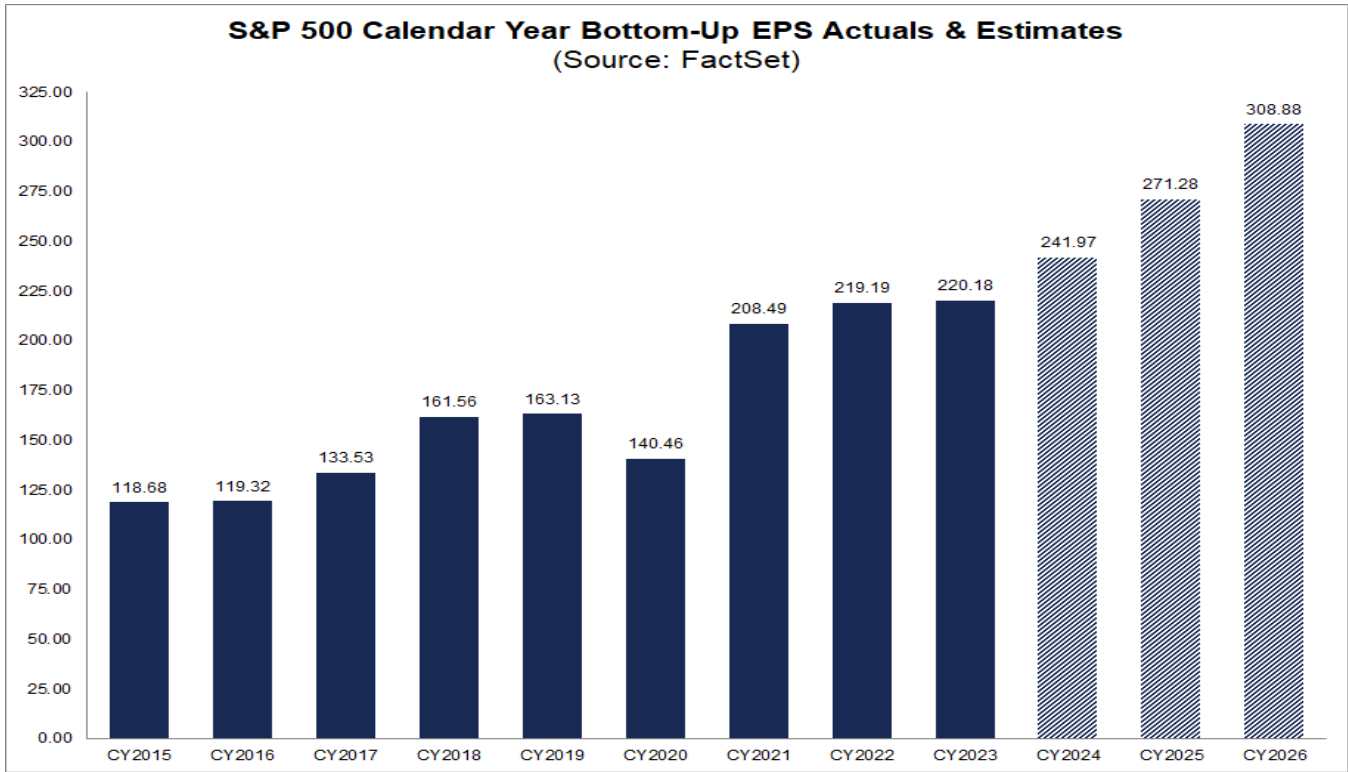
Geographic Revenue Exposure



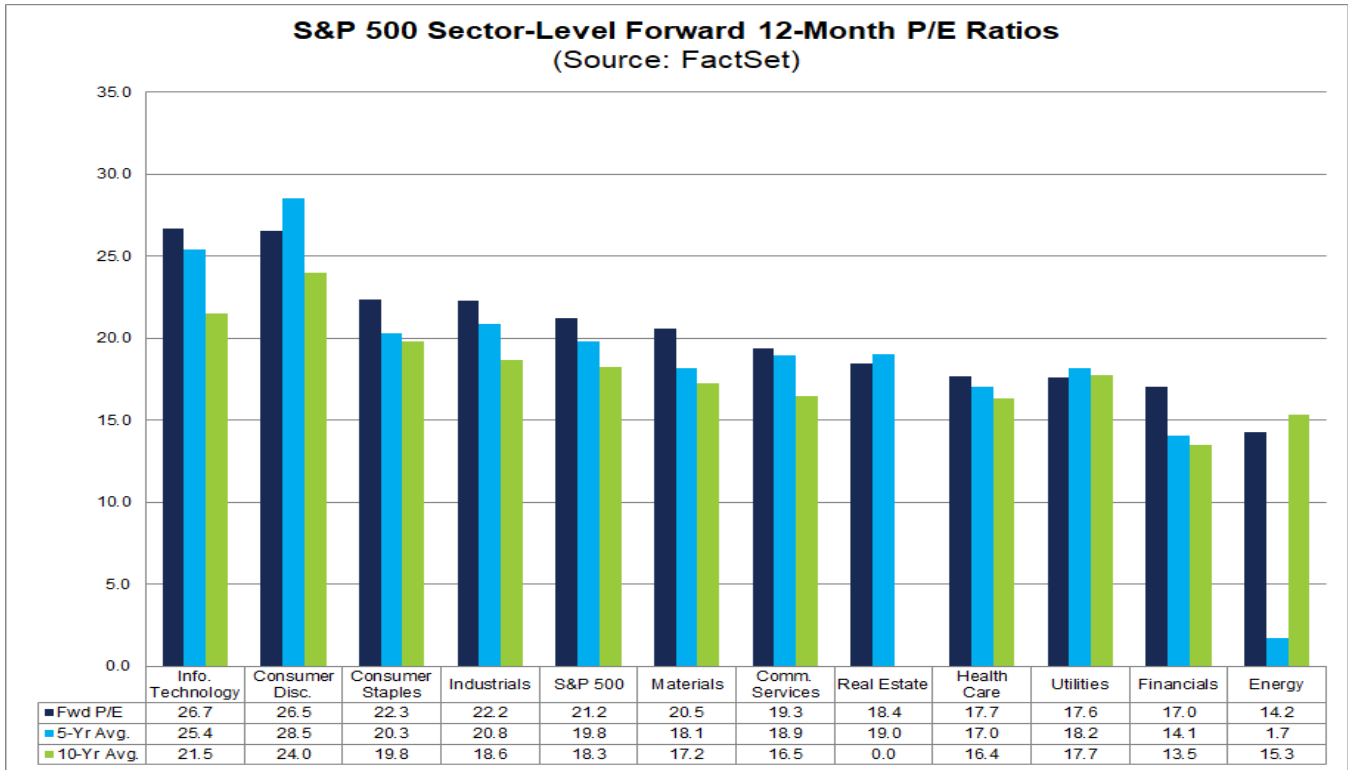
Bottom-Up EPS Estimates



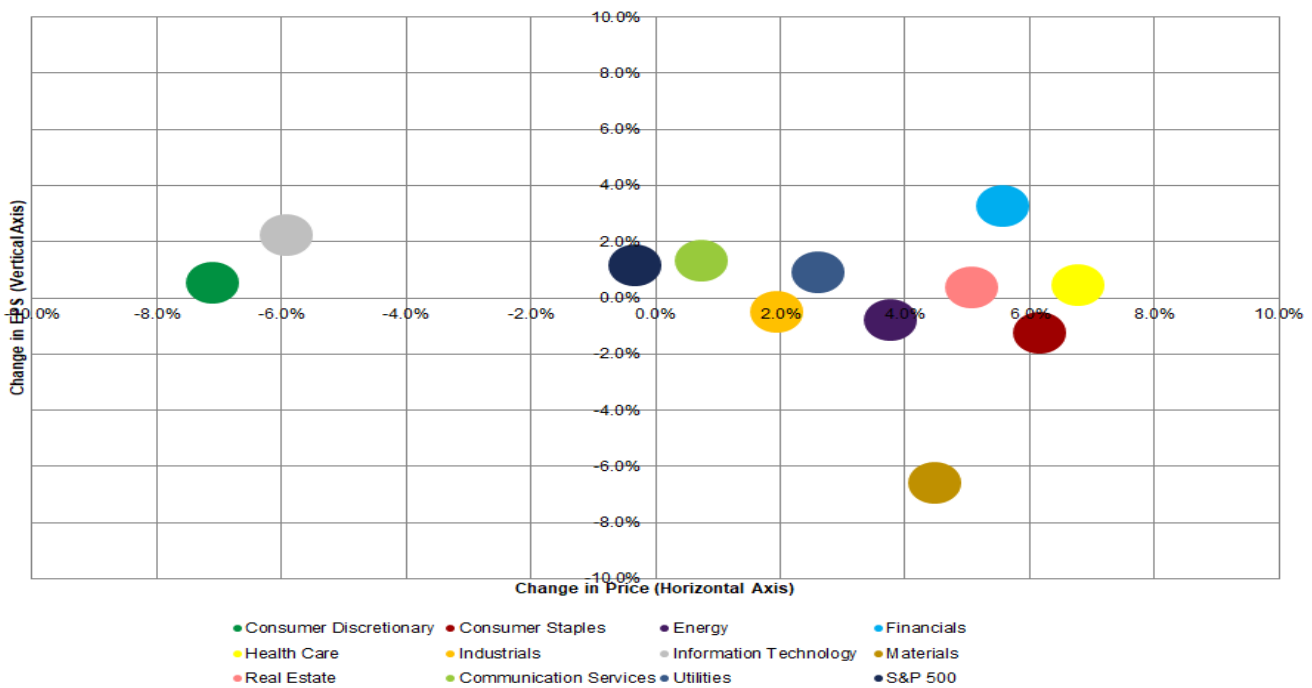
Bottom-Up EPS Estimates: Current & Historical



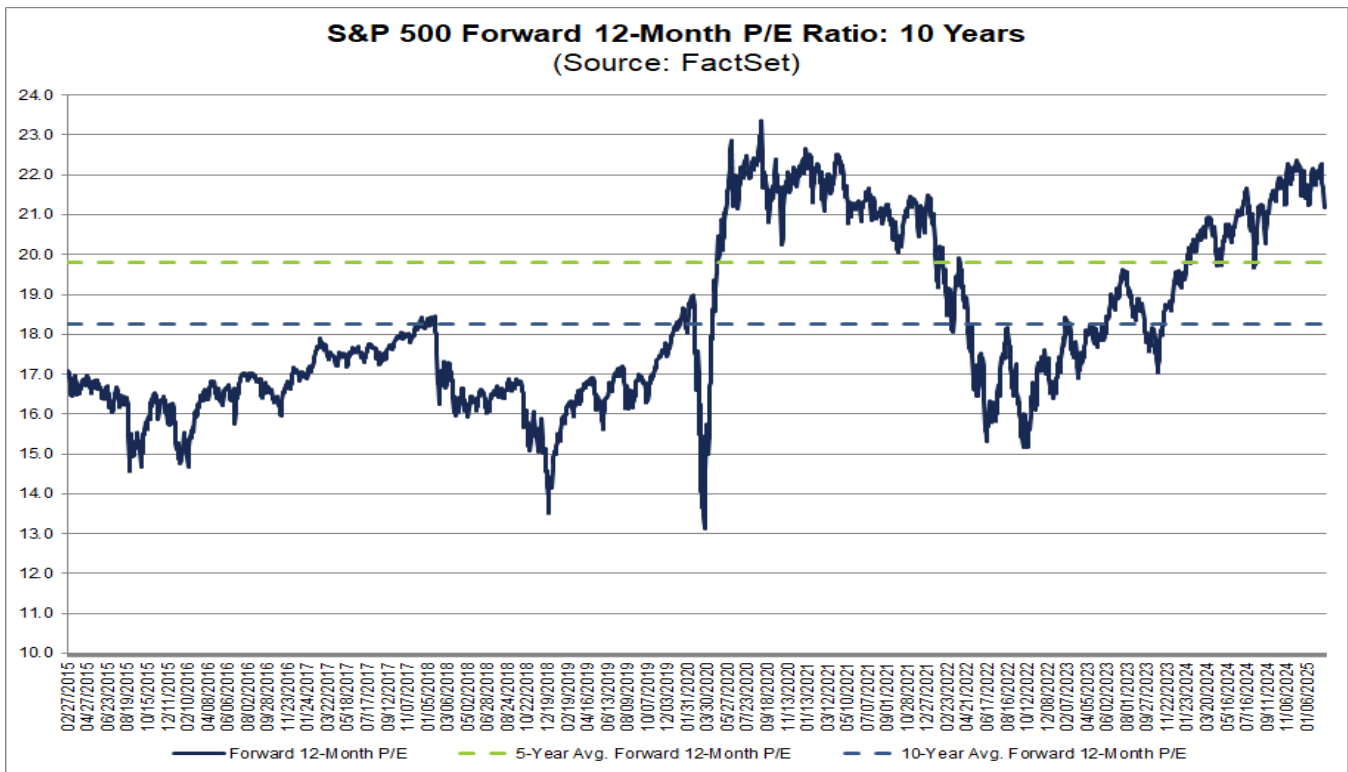
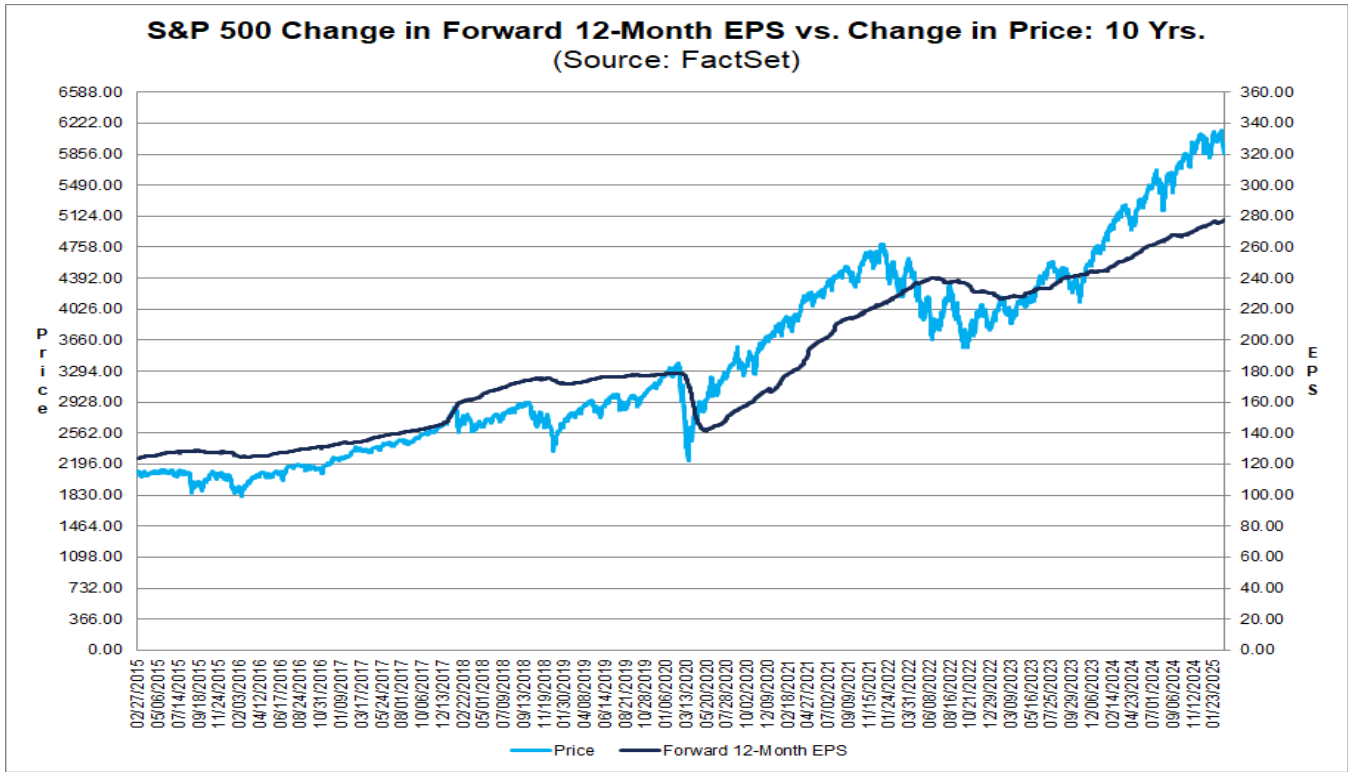
Forward 12M P/E Ratio: Sector Level



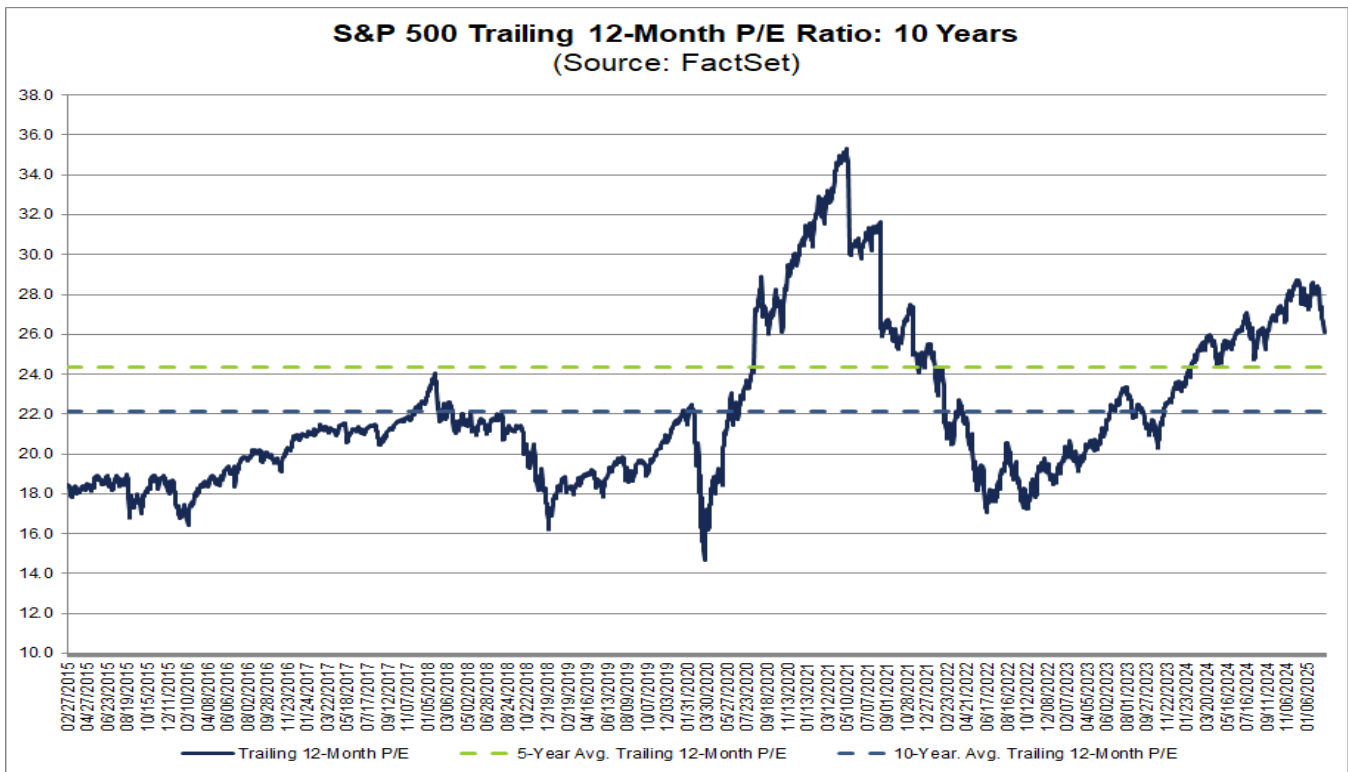
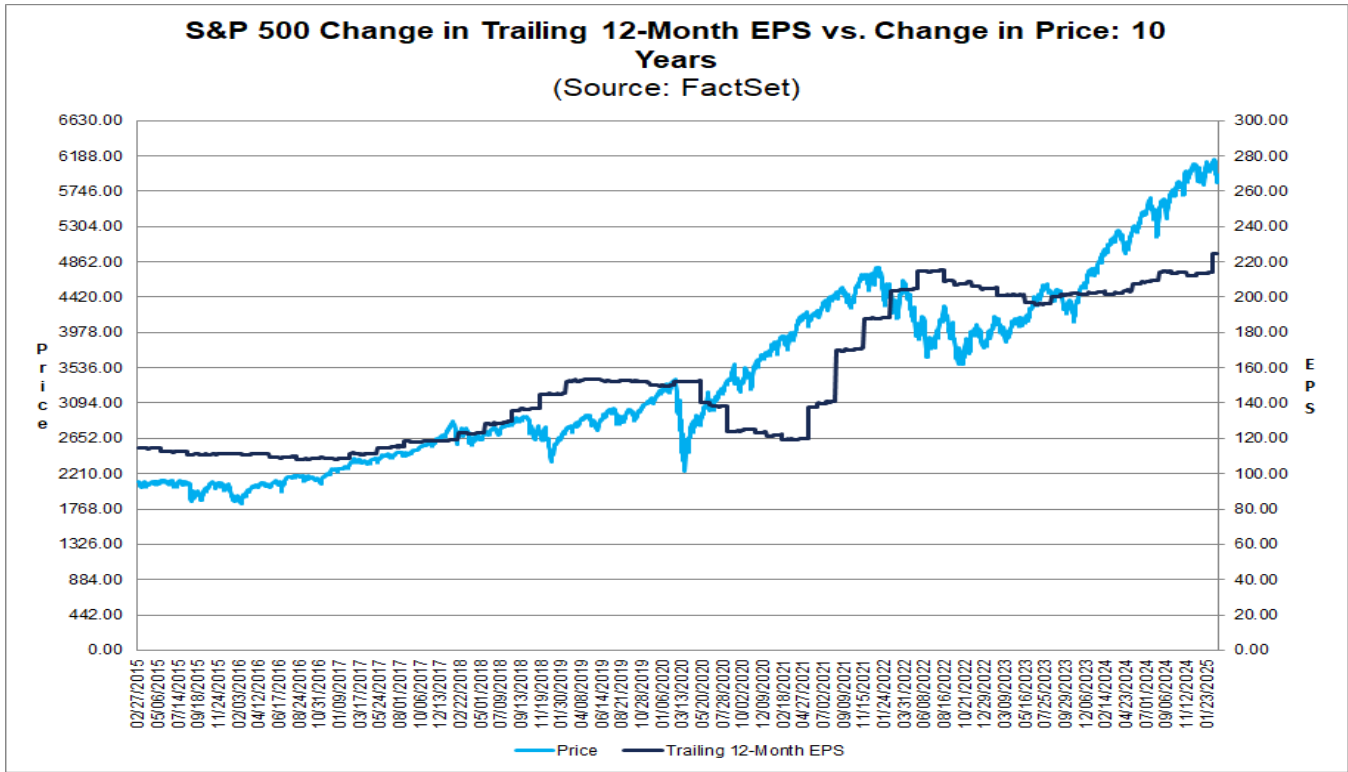
Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Dec. 31 (Source: FactSet)



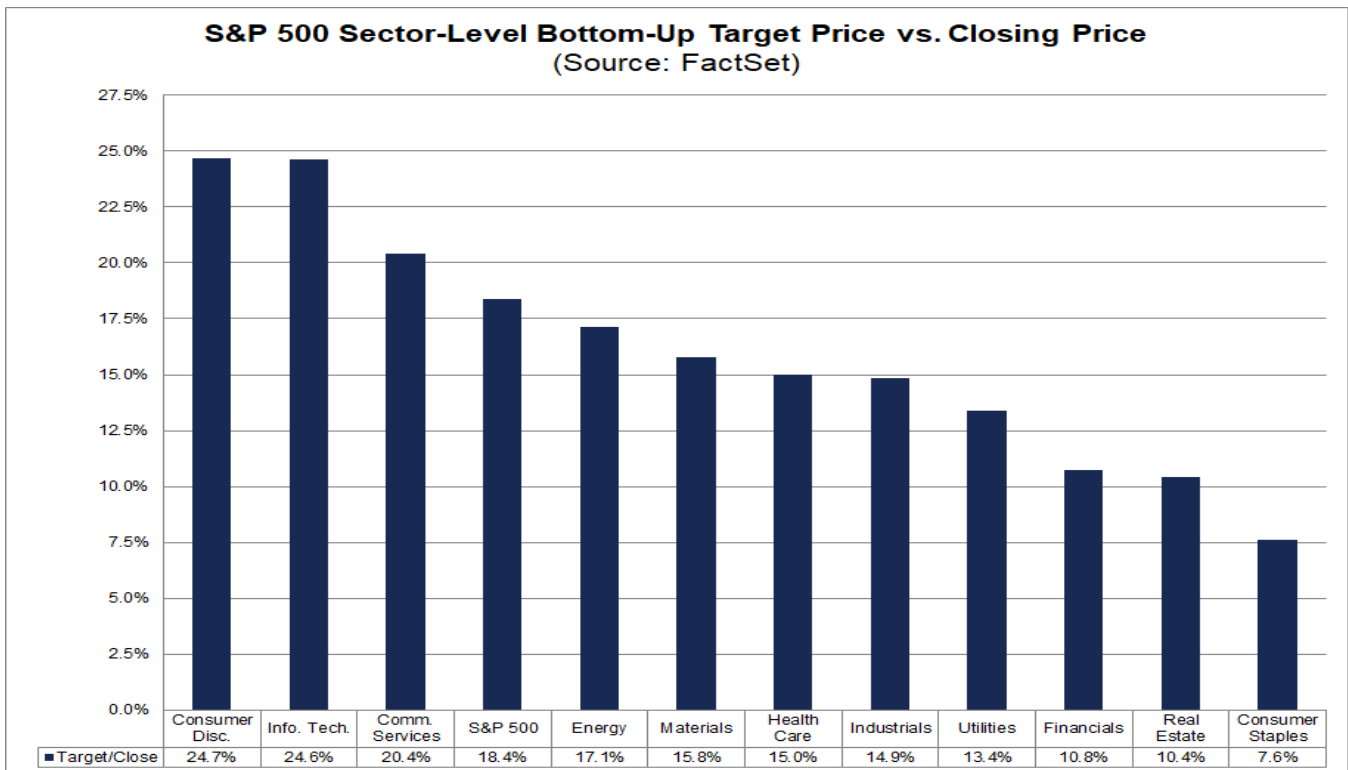
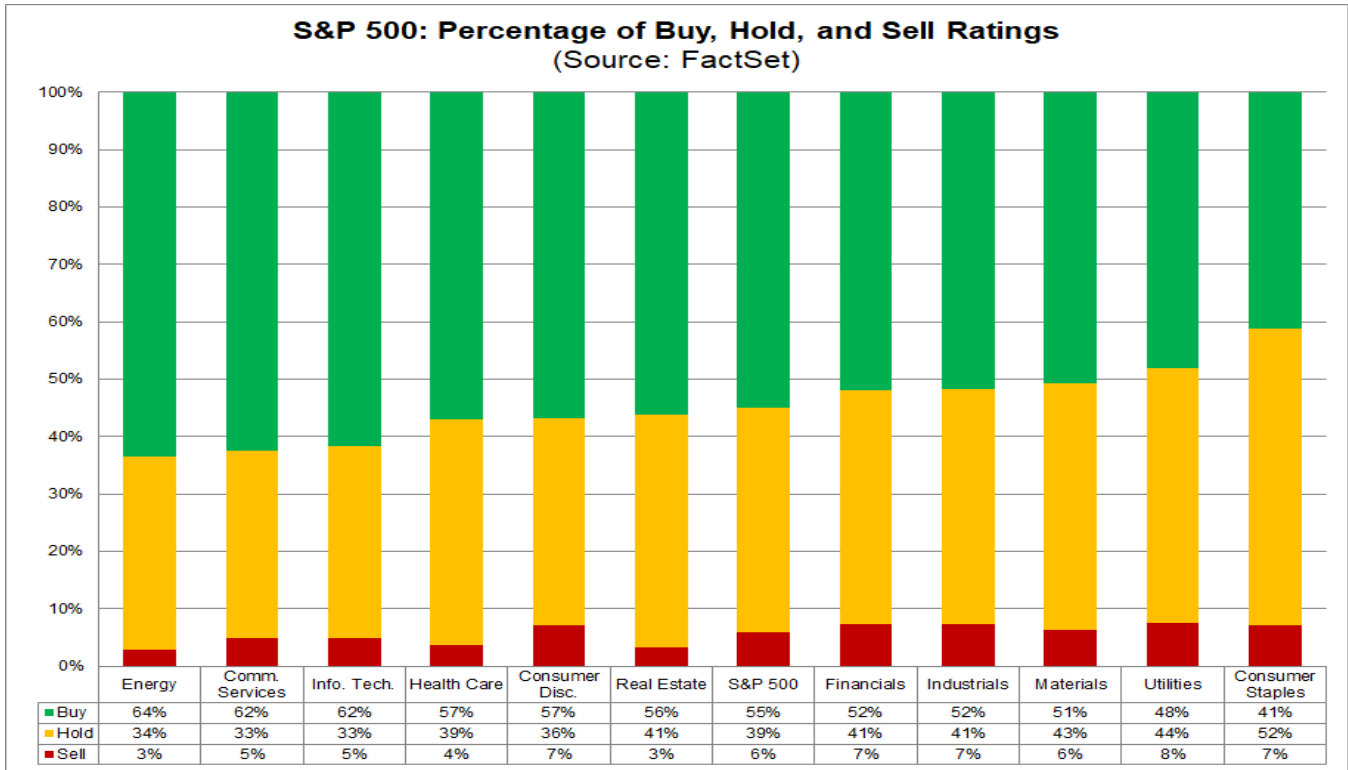
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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