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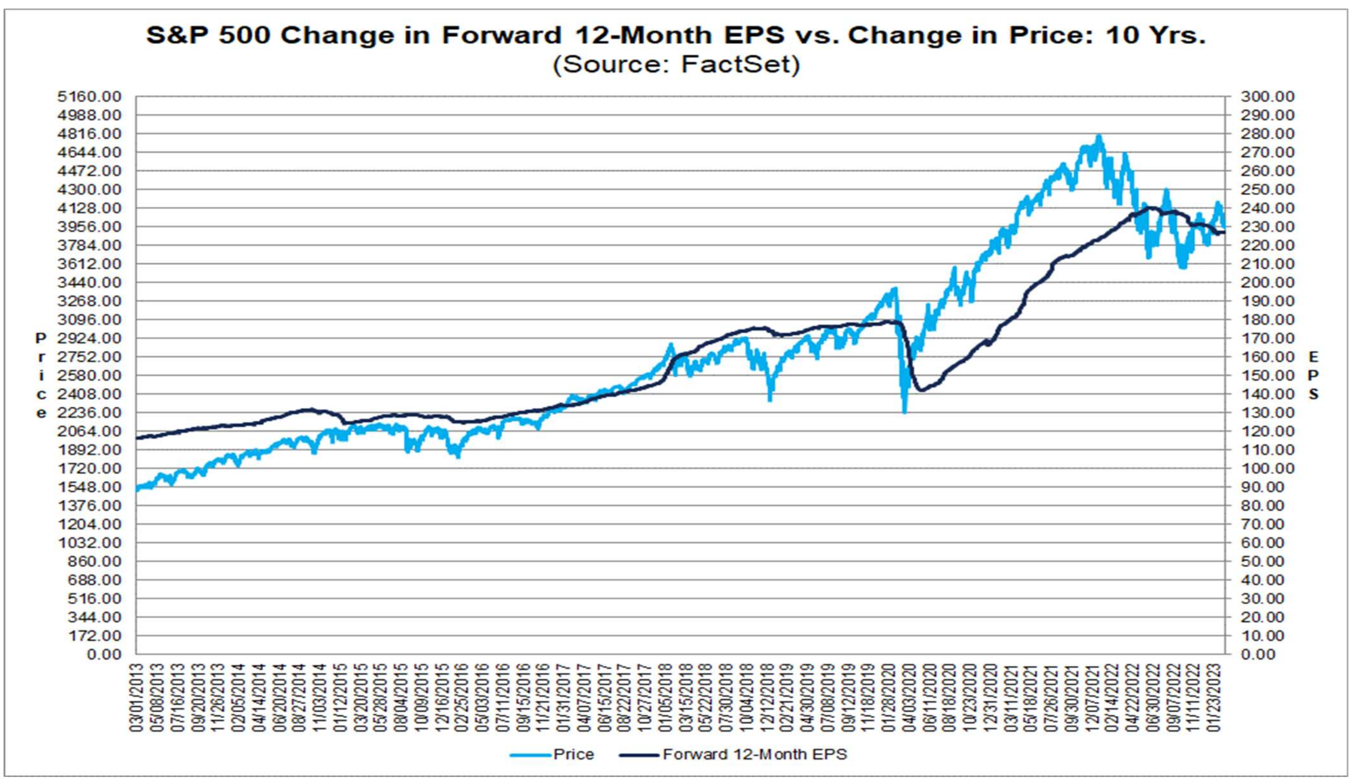
Key Metrics

- **Earnings Scorecard:** For Q4 2022 (with 99% of S&P 500 companies reporting actual results), 69% 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 2022, the blended earnings decline for the S&P 500 is -4.6%. The fourth quarter will mark the first time the index has reported a year-over-year decline in earnings since Q3 2020 (-5.7%).
- **Earnings Revisions:** On December 31, the estimated earnings decline for Q4 2022 was -3.3%. Five sectors are reporting lower earnings today (compared to December 31) due to downward revisions to EPS estimates and negative EPS surprises.
- **Earnings Guidance:** For Q1 2023, 81 S&P 500 companies have issued negative EPS guidance and 24 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.5. This P/E ratio is below the 5-year average (18.5) but above the 10-year average (17.2).



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Topic of the Week:

Larger Cuts Than Average to EPS Estimates for S&P 500 Companies for Q1 To Date

Given concerns in the market about a possible economic slowdown or recession, 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 for the first quarter 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 5.7% (to $51.13 from $54.20) from December 31 to February 28.

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 2.3%. 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 been 2.7%. 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 3.4%. 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 2.9%.

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. The first quarter also marked the largest decrease in the bottom-up EPS estimate during the first two months of a quarter since Q2 2020 (-35.9%).

At the sector level, ten of the eleven sectors witnessed a decrease in their bottom-up EPS estimate for Q1 2023 from December 31 to February 28, led by the Materials (-12.6%), Health Care (-8.6%), Consumer Discretionary (-8.5%), and Industrials (-8.2%) sectors. On the other hand, the Utilities (+3.1%) sector was the only sector that recorded an increase in its bottom-up EPS estimate for Q1 2023 during this period.

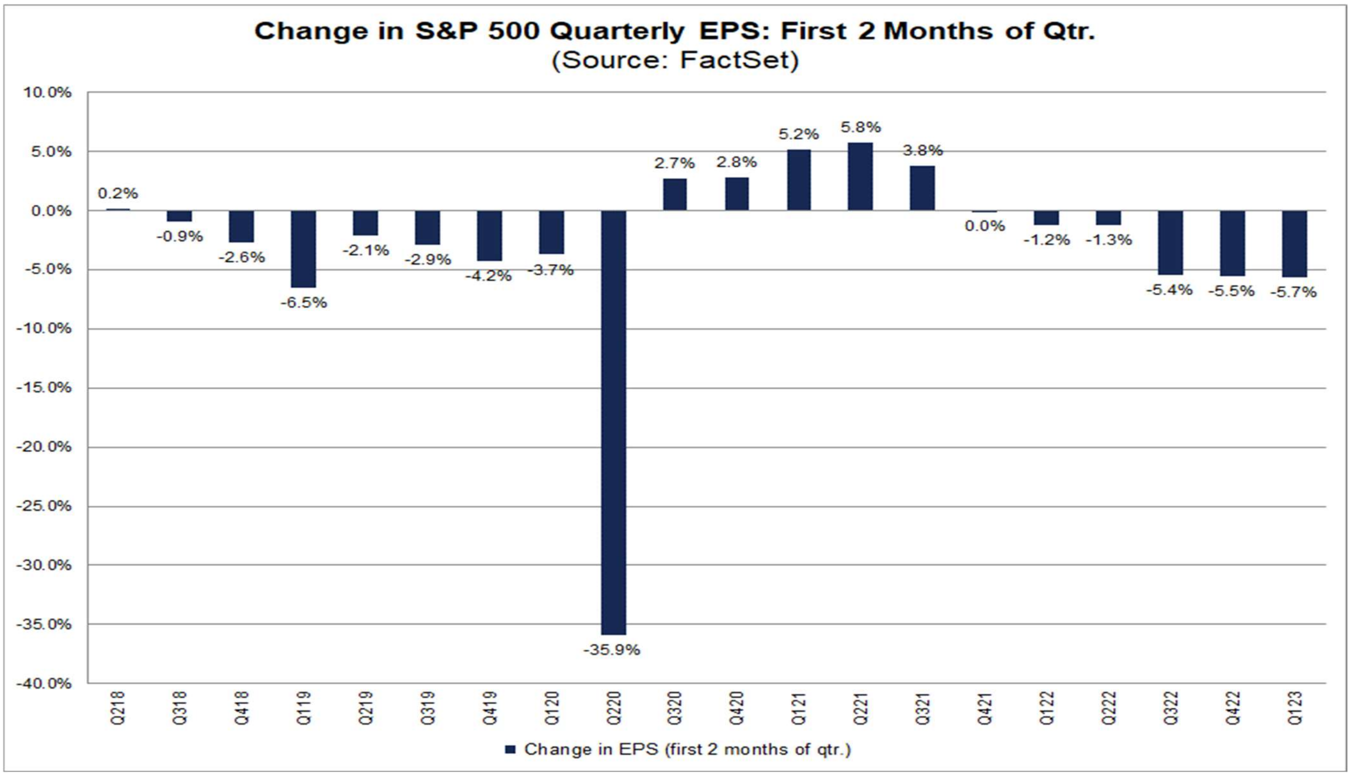
While analysts were decreasing EPS estimates in aggregate for the first quarter, they were also decreasing EPS estimates in aggregate for all of 2023. The bottom-up EPS estimate for CY 2023 declined by 3.4% (to $222.80 from $230.57) from December 31 to February 28.

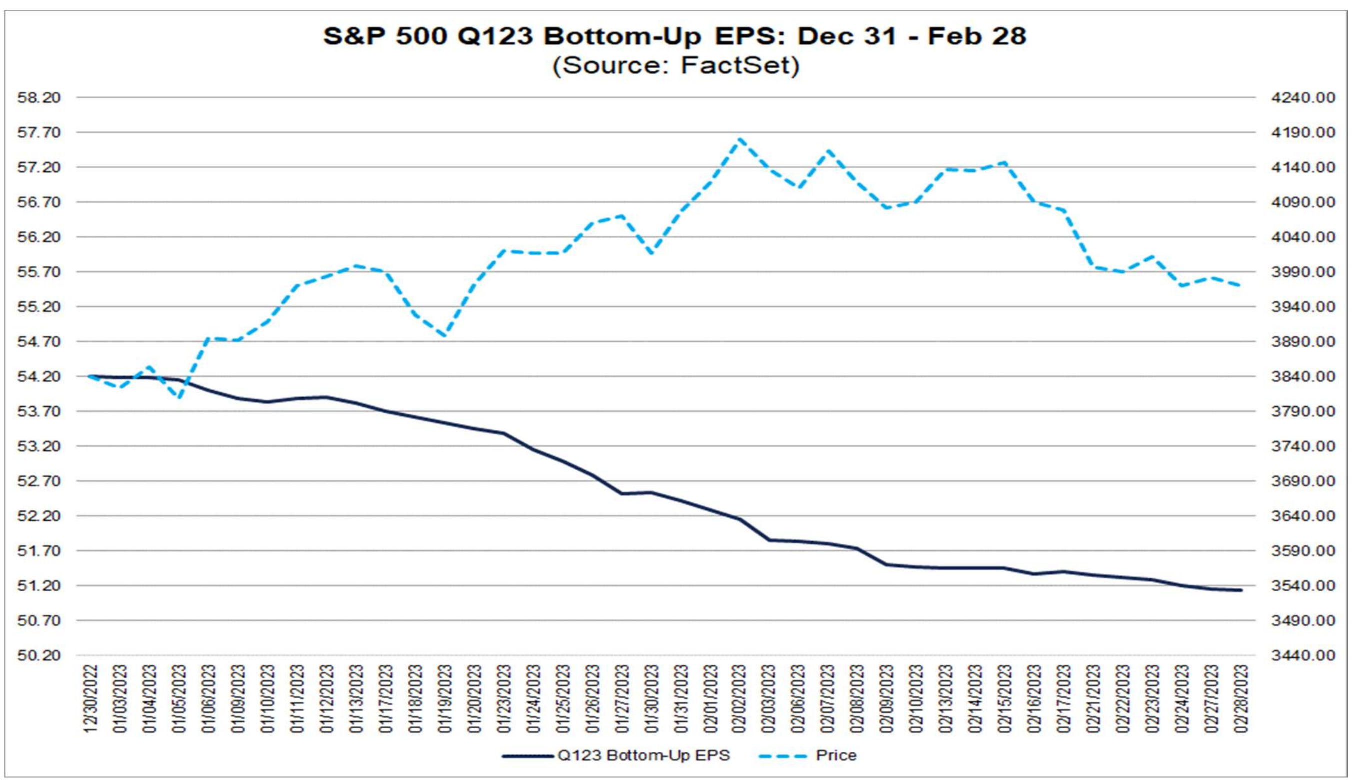
Over longer timeframes, analysts usually reduce annual earnings estimates modestly during the first two months of the year. During the past five years, the average increase in the annual bottom-up EPS estimate during the first two months of the year has been 1.6%. During the past ten years, the average decline in the annual bottom-up EPS estimate during the first two months of the year has been 0.5%. 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 1.7%. 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 1.4%.

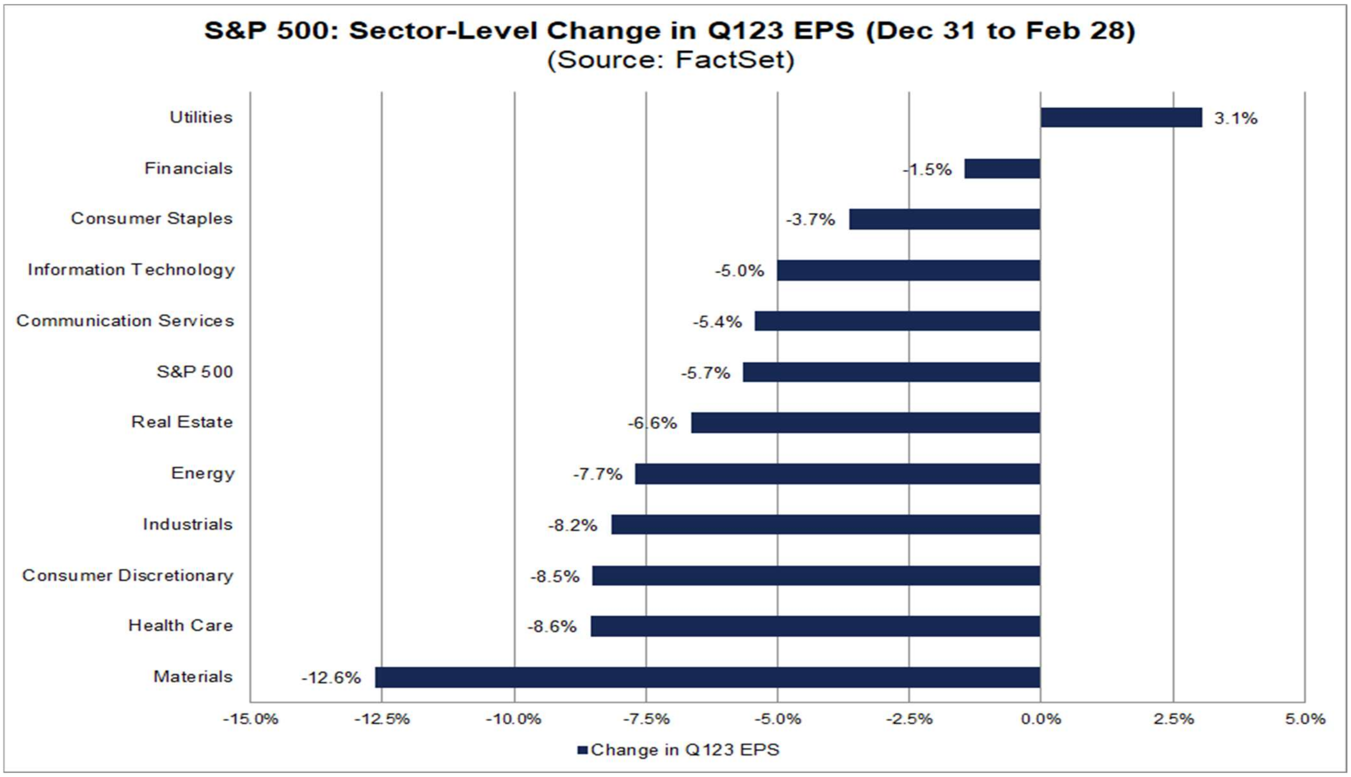
Thus, the decline in the CY 2023 bottom-up EPS estimate recorded during the first two months of 2023 was larger than the 5-year average, the 10-year average, the 15-year average, and the 20-year average for the first two months of a year. It also marked the largest decline in the annual bottom-up EPS estimate during the first two months of a year since 2016, when the bottom-up EPS estimate for CY 2016 decreased by 4.4% during the first two months of 2016.

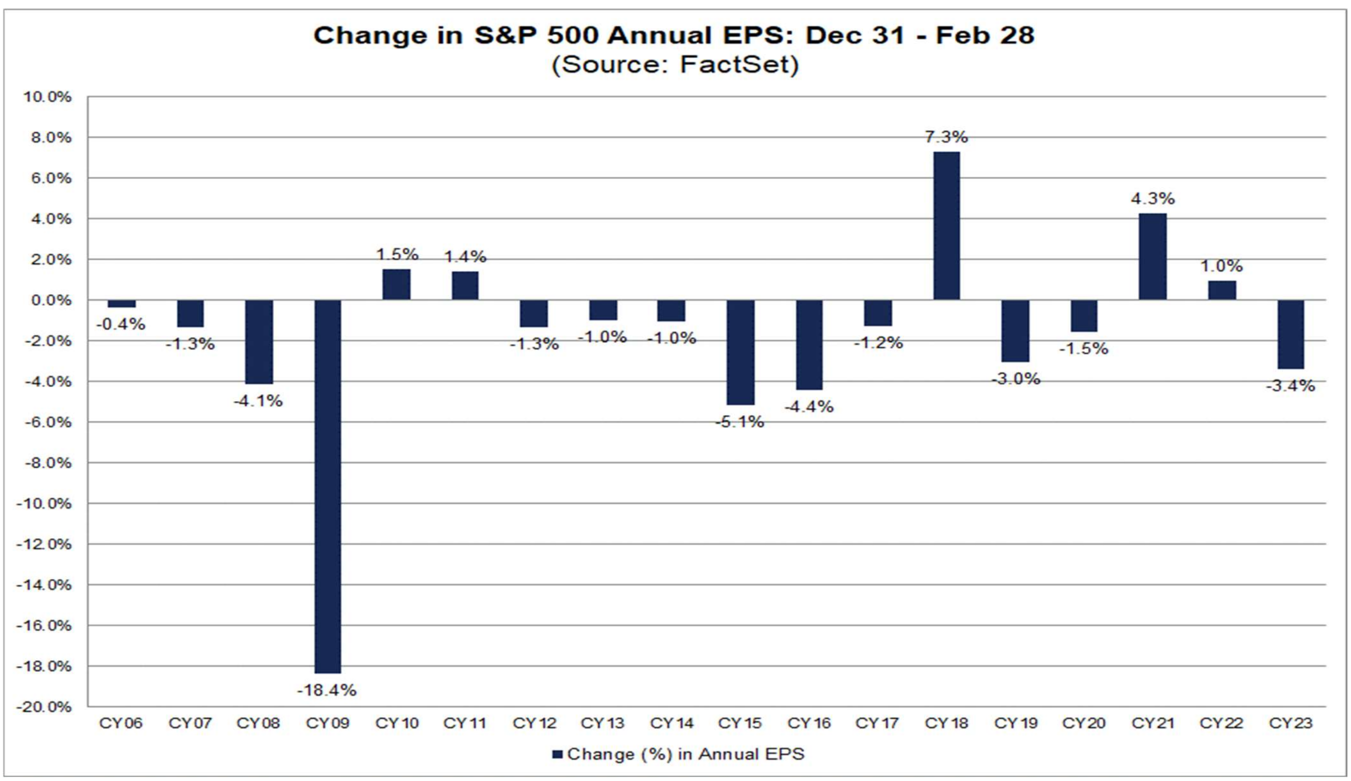
At the sector level, ten sectors witnessed a decrease in their bottom-up EPS estimate for CY 2023 from December 31 to February 28, led by the Consumer Discretionary (-6.3%), Materials (-5.7%), and Real Estate (-5.7%) sectors. On the other hand, the Consumer Staples (+0.2%) sector was the only sector that recorded an increase in its bottom-up EPS estimate for CY 2023 during this period.

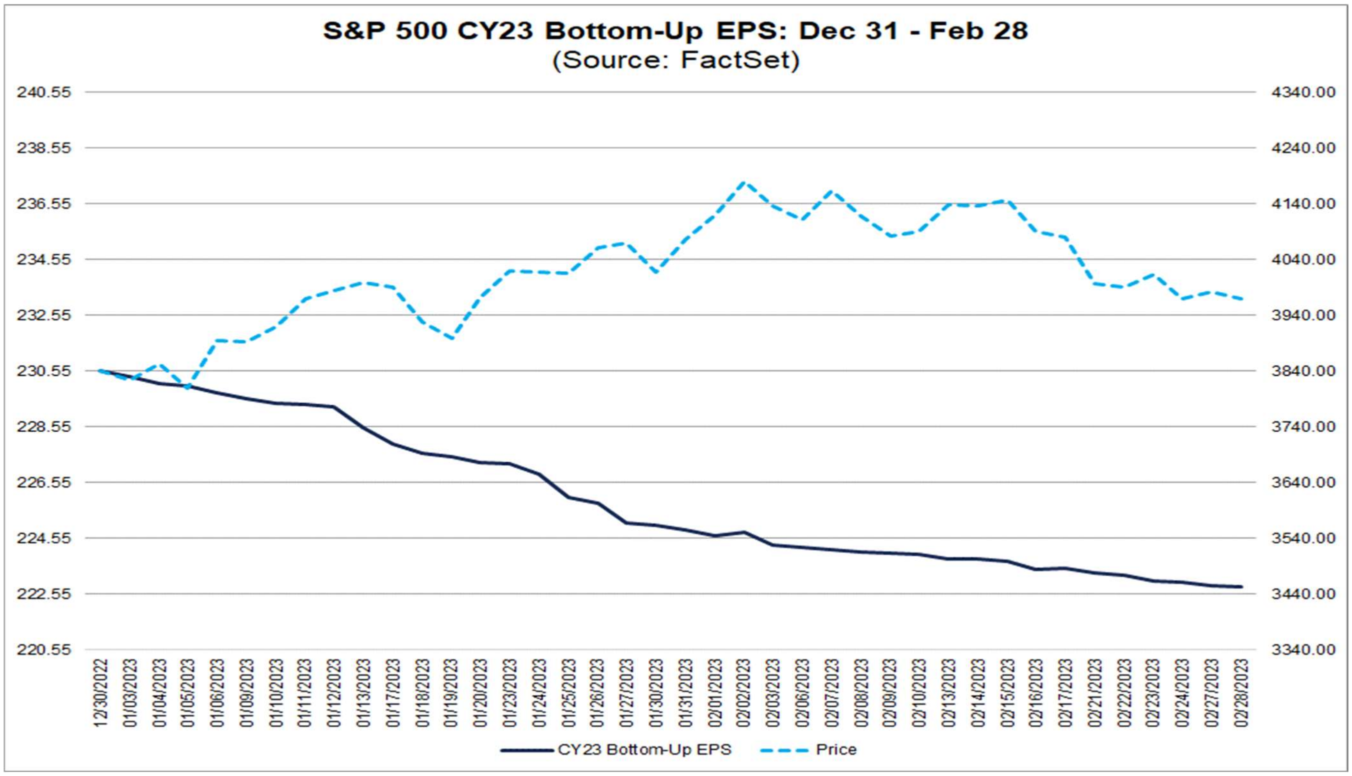
It is interesting to note that the forward 12-month P/E ratio for the S&P 500 has increased to 17.5 from 16.7 since December 31, as the price of the index has increased while EPS estimates for CY 2023 have decreased during this time.


Change in S&P 500 Quarterly EPS: First 2 Months of Qtr.
(Source: FactSet)
0.2%
-0.9%
-2.6%
-6.5%
-2.1%
-2.9%
-4.2%
-3.7%
-35.9%
2.7%
2.8%
5.2%
5.8%
3.8%
0.0%
-1.2%
-1.3%
-5.4%
-5.5%
-5.7%
Q218
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Q121
Q221
Q321
Q421
Q122
Q222
Q322
Q422
Q123
Change in EPS (first 2 months of qtr.)


S&P 500 Q123 Bottom-Up EPS: Dec 31 - Feb 28
(Source: FactSet)
Q123 Bottom-Up EPS
Price


S&P 500: Sector-Level Change in Q123 EPS (Dec 31 to Feb 28)
(Source: FactSet)
Utilities
Financials
Consumer Staples
Information Technology
Communication Services
S&P 500
Real Estate
Energy
Industrials
Consumer Discretionary
Health Care
Materials
3.1%
-1.5%
-3.7%
-5.0%
-5.4%
-5.7%
-6.6%
-7.7%
-8.2%
-8.5%
-8.6%
-12.6%
-15.0% -12.5% -10.0% -7.5% -5.0% -2.5% 0.0% 2.5% 5.0%
Change in Q123 EPS


Change in S&P 500 Annual EPS: Dec 31 - Feb 28
(Source: FactSet)
10.0% 8.0% 6.0% 4.0% 2.0% 0.0% -2.0% -4.0% -6.0% -8.0% -10.0% -12.0% -14.0% -16.0% -18.0% -20.0%
CY06 CY07 CY08 CY09 CY10 CY11 CY12 CY13 CY14 CY15 CY16 CY17 CY18 CY19 CY20 CY21 CY22 CY23
-0.4% -1.3% -4.1% -18.4% 1.5% 1.4% -1.3% -1.0% -1.0% -5.1% -4.4% -1.2% 7.3% -3.0% -1.5% 4.3% 1.0% -3.4%
Change (%) in Annual EPS


S&P 500 CY23 Bottom-Up EPS: Dec 31 - Feb 28
(Source: FactSet)
240.55
238.55
236.55
234.55
232.55
230.55
228.55
226.55
224.55
222.55
220.55
4340.00
4240.00
4140.00
4040.00
3940.00
3840.00
3740.00
3640.00
3540.00
3440.00
3340.00
12/30/2022
01/03/2023
01/04/2023
01/05/2023
01/06/2023
01/09/2023
01/10/2023
01/11/2023
01/12/2023
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01/27/2023
01/30/2023
01/31/2023
02/01/2023
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02/10/2023
02/13/2023
02/14/2023
02/15/2023
02/16/2023
02/17/2023
02/21/2023
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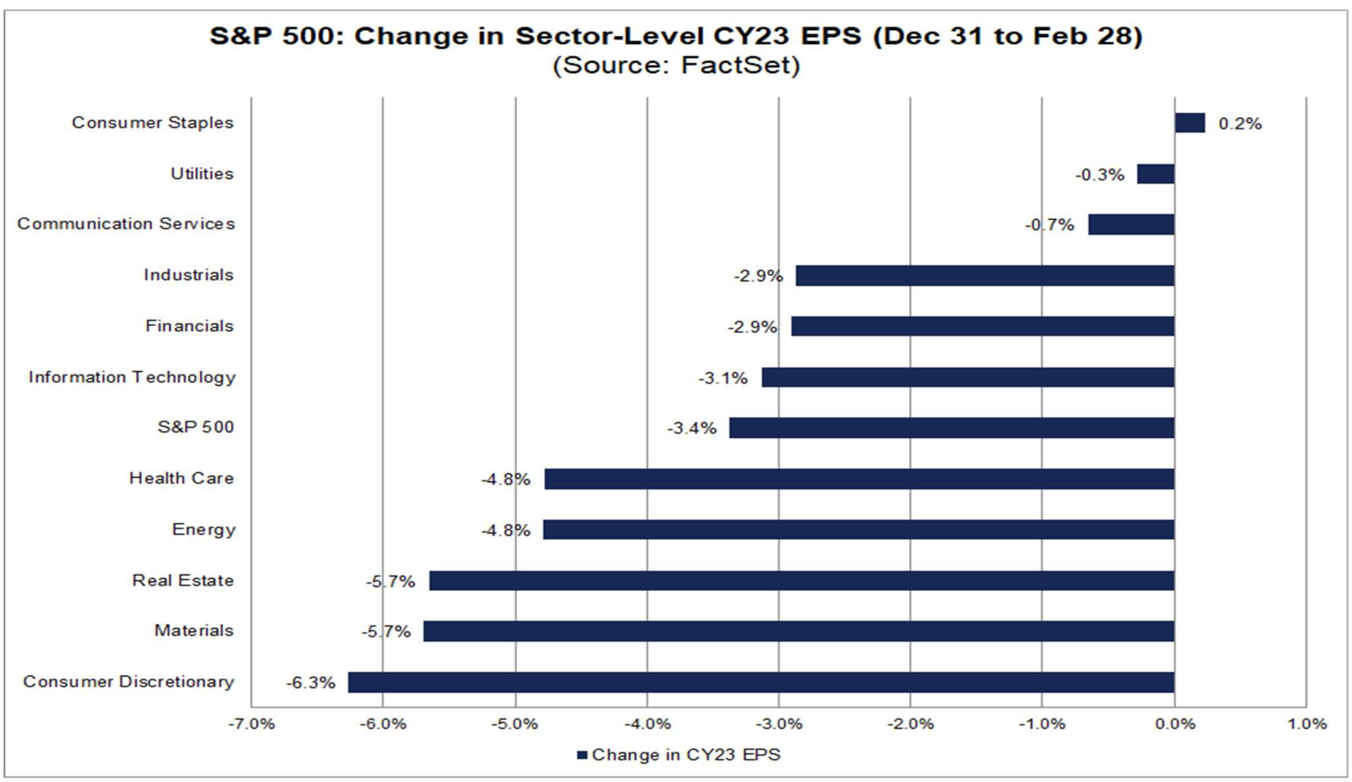
02/23/2023
02/24/2023
02/27/2023
02/28/2023
CY23 Bottom-Up EPS
Price


S&P 500: Change in Sector-Level CY23 EPS (Dec 31 to Feb 28)
(Source: FactSet)
Consumer Staples
0.2%
Utilities
-0.3%
Communication Services
-0.7%
Industrials
-2.9%
Financials
-2.9%
Information Technology
-3.1%
S&P 500
-3.4%
Health Care
-4.8%
Energy
-4.8%
Real Estate
-5.7%
Materials
-5.7%
Consumer Discretionary
-6.3%
-7.0%
-6.0%
-5.0%
-4.0%
-3.0%
-2.0%
-1.0%
0.0%
1.0%
Change in CY23 EPS

Q4 Earnings Season: By The Numbers

Overview

The earnings performance of S&P 500 companies during the Q4 earnings season was subpar. Fewer S&P 500 companies reported positive EPS surprises than average, and the magnitude of earnings surprises was smaller than average. The index will report an actual decline in earnings for Q4 2022 for the first time since Q3 2020.

Overall, 99% of the companies in the S&P 500 have reported actual results for Q4 2022 to date. Of these companies, 69% have reported actual EPS above estimates, which is below the 5-year average of 77% and below the 10-year average of 73%. In aggregate, companies are reporting earnings that are 1.3% above estimates, which is below the 5-year average of 8.6% and below the 10-year average of 6.4%. If 1.3% is the actual surprise percentage for the quarter, it will mark the second-lowest surprise percentage reported by the index since 2008.

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the fourth quarter is -4.6% today, compared to an earnings decline of -3.3% at the end of the fourth quarter (December 31). The index will report a year-over-year decrease in earnings for Q4 2022 (-4.6%) for the first time since Q3 2020 (-5.7%).

Five of the eleven sectors are reporting (or have reported) year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, six sectors are reporting (or have reported) a year-over-year decline in earnings, led by the Communication Services, Materials, and Consumer Discretionary sectors.

Negative earnings surprises and downward revisions to earnings estimates for companies in the Financials and Communication Services sectors have been the largest contributors to the increase in the overall earnings decline for the index since December 31.

The revenue performance of S&P companies during the Q4 earning season has been more positive than the earnings performance. Overall, 65% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69%, but above the 10-year average of 63%. In aggregate, companies are reporting revenues that are 1.7% above the estimates, which is below the 5-year average of 1.9%, but above the 10-year average of 1.3%.

The blended revenue growth rate for the fourth quarter is 5.3% today, compared to a revenue growth rate of 3.9% at the end of the fourth quarter (December 31). The revenue growth rate for Q4 2022 (5.3%) will mark the lowest revenue growth rate reported by the index since Q4 2020 (3.2%).

Nine sectors are reporting (or have reported) year-over-year growth in revenues, led by the Energy, Consumer Discretionary, and Industrials sectors. On the other hand, two sectors are reporting (or have reported) a year-over-year decline in revenues: Materials and Information Technology.

Positive revenue surprises reported by companies in the Utilities, Health Care, Consumer Discretionary, and Consumer Staples sectors have been the top contributors to the increase in the overall revenue growth rate since December 31.

Looking ahead, analysts expect earnings declines for the first half of 2023, but earnings growth for the second half of 2023. For Q1 2023 and Q2 2023, analysts are projecting earnings declines of -5.9% and -3.8%, respectively. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 2.9% and 9.6%, respectively. For all of CY 2023, analysts predict earnings growth of 2.1%.

The forward 12-month P/E ratio is 17.5, which is below the 5-year average (18.5) but above the 10-year average (17.2). It is also above the forward P/E ratio of 16.7 recorded at the end of the fourth quarter (December 31), as the price of the index has increased while the forward 12-month EPS estimate has decreased since December 31.

During the upcoming week, three S&P 500 companies are scheduled to report results for the fourth quarter and one S&P 500 company is scheduled to report results for the first quarter.

Scorecard: Number And Magnitude of Positive EPS Surprises Are Below Average

Percentage of Companies Beating EPS Estimates (69%) is Below 5-Year Average

Overall, 99% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 69% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 27% 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 (75%), below the 5-year average (77%), and below the 10-year average (73%).

At the sector level, the Information Technology (83%) sector has the highest percentage of companies reporting earnings above estimates, while the Communication Services (44%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+1.3%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 1.3% above expectations. This surprise percentage is below the 1-year average (+4.5%), below the 5-year average (+8.6%), and below the 10-year average (6.4%).

If 1.3% is the actual surprise percentage for the quarter, it will mark the second-lowest surprise percentage reported by the index since Q4 2008, trailing only Q1 2020 (+1.1%).

The Consumer Staples (+4.4%) sector (along with the Health Care sector) is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Lamb Weston ($1.28 vs. $0.74), Clorox ($0.98 vs. $0.66), Conagra Brands ($0.81 vs. $0.66), and Molson Coors ($1.30 vs. $1.07) have reported the largest positive EPS surprises.

The Health Care (+4.4%) sector (along with the Consumer Staples sector) is also reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, DENTSPLY SIRONA ($0.46 vs. $0.33), West Pharmaceutical Services ($1.77 vs. $1.38), DexCom ($0.34 vs. $0.27), and Regeneron Pharmaceuticals ($12.56 vs. $10.17) have reported the largest positive EPS surprises.

The Communication Services (-5.4%) sector reported the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Warner Bros. Discovery (-$0.58 vs. -$0.29), Netflix ($0.12 vs. $0.55), Paramount Global ($0.08 vs. $0.24), Match Group ($0.30 vs. $0.46), News Corporation ($0.14 vs. $0.20), and Meta Platforms ($1.76 vs. $2.26) have reported the largest negative EPS surprises.

Market Punishing Negative EPS Surprises Less Than Average

To date, the market is rewarding positive earnings surprises slightly more than average and punishing negative earnings surprises much less than average for the fourth quarter.

Companies that have reported positive earnings surprises for Q4 2022 have seen an average price increase of +1.0% two days before the earnings release through two days after the earnings release. This percentage increase is slightly larger than the 5-year average price increase of +0.9% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q4 2022 have seen an average price decrease of -0.8% two days before the earnings release through two days after the earnings. This percentage decrease is much smaller than the 5-year average price decrease of -2.2% 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 (73%) and below the 5-year average (69%), but above the 10-year average (63%).

At the sector level, the Utilities (84%) sector has the highest percentage of companies reporting revenues above estimates, while the Materials (38%) and Communication Services (44%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.7%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.7% above expectations. This surprise percentage is below the 1-year average (+2.8%) and below the 5-year average (+1.9%), but above the 10-year average (+1.3%).

At the sector level, the Utilities (+32.9%) sector reported the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Materials (-0.9%), Information Technology (-0.5%), and Financials (-0.4%) sectors are reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Financials Sector Has Seen Largest Decrease in Earnings since December 31

Financials Sector Has Seen Largest Decrease in Earnings since December 31

The blended (year-over-year) earnings decline for Q4 2022 of -4.6% is below the estimate of -3.3% at the end of the fourth quarter (December 31). Six sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Consumer Staples (to 0.3% from -3.9%) and Real Estate (to 13.7% from 9.8%) sectors. On the other hand, five sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline during this period, led by the Financials (to -14.4% from -7.5%), Communication Services (to -24.9% from -19.0%), and Energy (to 57.2% from 62.7%) sectors. The Financials and Communication Services sectors have also been the largest contributors to the decrease in earnings for the index since December 31.

In the Financials sector, the negative EPS surprises reported by Goldman Sachs ($3.32 vs. $5.56) and U.S. Bancorp ($0.57 vs. $1.12) and the downward revisions to EPS estimates for Wells Fargo (to $0.59 from $1.26) and Allstate (to -$1.36 from $1.94) have been substantial contributors to the increase in the earnings decline for the index since December 31. As a result, the blended earnings decline for the Financials sector has increased to -14.4% from -7.5% over this period.

In the Communication Services sector, the negative EPS surprises reported by Alphabet ($1.05 vs. $1.18), Meta Platforms ($1.76 vs. $2.26), and Warner Bros. Discovery (to -$0.58 from -$0.29) have been significant contributors to the increase in the earnings decline for the index since December 31. As a result, the blended earnings decline for the Communication Services sector has increased to -24.9% from -19.0% over this period.

Utilities Sector Has Seen Largest Increase in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2022 of 5.3% is above estimate of 3.9% 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 Utilities (to 6.7% from -17.7%) sector. On the other hand, four 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 Materials (to -4.8% from -3.6%) and Information Technology (to -1.5% from -0.4%) sectors. The Utilities, Health Care, Consumer Discretionary, and Consumer Staples sectors have been the top contributors to the increase in the overall revenue growth rate since December 31.

In the Utilities sector, the positive revenue surprises reported by NRG Energy ($7.86 billion vs. $3.09 billion), Constellation Energy ($7.33 billion vs. $3.63 billion), Southern Company ($7.05 billion vs. $4.52 billion), and Duke Energy ($7.35 billion vs. $5.04 billion) have been significant contributors to the increase in the revenue growth rate for the index since December 31. As a result, the blended revenue growth rate for the Utilities sector has increased to 6.7% from -17.7% over this period.

In the Health Care sector, the positive revenue surprise reported by CVS Health ($83.85 billion vs. $76.43 billion) was a substantial contributor to the increase in the revenue growth rate for the index since December 31. As a result, the blended revenue growth rate for the Health Care sector has increased to 4.2% from 2.4% over this period.

In the Consumer Discretionary sector, the positive revenue surprises reported by Amazon.com ($149.20 billion vs. $145.71 billion), General Motors ($43.11 billion vs. $40.27 billion), and Ford Motor ($44.00 billion vs. $41.39 billion) have been significant contributors to the increase in the revenue growth rate for the index since December 31. As a result, the blended revenue growth rate for the Consumer Discretionary sector has increased to 10.2% from 8.1% over this period.

In the Consumer Staples sector, the positive revenue surprise reported by Walmart ($164.05 billion vs. $159.76 billion) was a substantial contributor to the increase in the revenue growth rate for the index since December 31. As a result, the blended revenue growth rate for the Consumer Staples sector has increased to 6.3% from 4.2% over this period.

Earnings Decline: -4.6%

The blended (year-over-year) earnings decline for Q4 2022 is -4.6%, which is below the 5-year average earnings growth rate of 14.3% and below the 10-year average earnings growth rate of 8.9%. The fourth quarter will mark the first time the index has reported a (year-over-year) decline in earnings since Q3 2020 (-5.7%).

S&P 500 companies with more international revenue exposure are reporting a larger (year-over-year) decline in earnings compared to S&P 500 companies with more domestic revenue exposure. For companies that generate more than 50% of sales outside the U.S., the blended earnings decline is -7.8%. For companies that generate more than 50% of sales inside the U.S., the blended earnings decline is -2.6%.

Five of the eleven sectors are reporting year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, six sectors are reporting a year-over-year decline in earnings, led by the Communication Services, Materials, and Consumer Discretionary sectors.

Energy: Largest Positive Contributor to Year-Over-Year Earnings for S&P 500 For Q4

The Energy sector reported the highest (year-over-year) earnings growth of all eleven sectors at 57.2%. Higher year-over-year oil prices contributed to the year-over-year improvement in earnings for this sector, as the average price of oil in Q4 2022 ($82.64) was 7% above the average price for oil in Q4 2021 ($77.10). At the sub-industry level, all five sub-industries in the sector reported a year-over-year increase in earnings of 15% or more: Oil & Gas Refining & Marketing (167%), Oil & Gas Storage & Transportation (90%), Oil & Gas Equipment & Services (81%), Integrated Oil & Gas (56%), and Oil & Gas Exploration & Production (17%).

The Energy sector was also the largest positive contributor to year-over-year earnings for the S&P 500 for the fourth quarter. If this sector were excluded, the blended earnings decline for the index would increase to -8.7% from -4.6%.

Industrials: Boeing and Airlines Were Largest Contributors to Year-Over-Year Growth

The Industrials sector reported the second-highest (year-over-year) earnings growth rate of all eleven sectors at 38.3%. At the industry level, 9 of the 12 industries in the sector reported a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to the loss reported by the industry in the year-ago quarter. However, the Airlines industry reported a profit of $2.4 billion in Q4 2022 compared to a loss of -$1.2 billion in Q4 2021. Four of the remaining eight industries reported earnings growth above 20%: Aerospace & Defense (174%), Machinery (34%), Trading Companies & Distributors (23%), and Industrial Conglomerates (22%). On the other hand, three industries reported a year-over-year decline in earnings for the quarter, led by the Air Freight & Logistics (-17%) industry.

At the company level, Boeing, American Airlines Group, and United Airlines Holdings were the largest contributors to earnings growth for the sector. If these three companies were excluded, the blended earnings growth rate for the Industrials sector would fall to 12.1% from 38.3%.

Communication Services: Meta Platforms and Alphabet Led Year-Over-Year Decline

The Communication Services sector reported the largest (year-over-year) earnings decline of all eleven sectors at -24.9%. At the industry level, four of the five industries in this sector reported a year-over-year decline in earnings, led by the Interactive Media & Services (-40%) and Entertainment (-39%) industries. On the other hand, the Wireless Telecommunication Services (246%) industry is the only industry in the sector that reported (year-over-year) earnings growth.

At the company level, Meta Platforms, Alphabet, and Warner Bros. Discovery were the largest contributors to the earnings decline for the sector. If these three companies were excluded, the Communications Services sector would have reported (year-over-year) earnings growth of 1.8% instead of an earnings decline of -24.9%.

Materials: Metals & Mining Industry Led Year-Over-Year Earnings Decline

The Materials sector reported the second-largest (year-over-year) earnings decline of all eleven sectors at -24.7%. At the industry level, all four industries in this sector reported a year-over-year decline in earnings: Metals & Mining (-42%), Containers & Packaging (-18%), Chemicals (-17%), and Construction Materials (-8%).

Consumer Discretionary: Amazon Leads Year-Over-Year Earnings Decline

The Consumer Discretionary sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -21.2%. At the industry level, 6 of the 10 industries in the sector are reporting (or have reported) a year-over-year decrease in earnings. Two of these six industries are reporting (or have reported) a decline in earnings or more than 20%: Internet & Direct Marketing Retail (-93%), and Multiline Retail (-23%). On the other hand, four industries reported year-over-year earnings growth for the quarter. Three of these four industries reported earnings growth of 55% or more: Hotels, Restaurants, & Leisure (945%), Automobiles (59%), and Auto Components (58%).

At the company level, Amazon.com is the largest contributor to the earnings decline for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting (year-over-year) earnings growth of 20.8% instead of an earnings decline of -21.2%.

On the other hand, the Automobiles and Hotels, Restaurants, & Leisure industries are the largest detractors to the earnings decline for the sector at the industry level. If these two industries were excluded, the blended earnings decline for the Consumer Discretionary sector would increase to -42.9% from -21.9%.

Revenue Growth: 5.3%

The blended (year-over-year) revenue growth rate for Q4 2022 is 5.3%, which is below the 5-year average revenue growth rate of 7.8%, but above the 10-year average revenue growth rate of 4.6%. If 5.3% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) revenue growth reported by the index since Q4 2020 (3.2%).

S&P 500 companies with more international revenue exposure are reporting lower (year-over-year) revenue growth compared to S&P 500 companies with more domestic revenue exposure. For companies that generate more than 50% of sales outside the U.S., the blended revenue growth rate is 2.1%. For companies that generate more than 50% of sales inside the U.S., the blended revenue growth rate is 6.6%.

Nine of the eleven sectors are reporting (or have reported) year-over-year growth in revenues, led by the Energy, Consumer Discretionary, and Industrials sectors. On the other hand, two sectors are reporting (or have reported) a year-over-year decline in revenues: Materials and Information Technology.

Energy: 4 of 5 Sub-Industries Reported Year-Over-Year Growth

The Energy sector reported the highest (year-over-year) revenue growth rate of all eleven sectors at 13.6%. Higher year-over-year oil prices contributed to the year-over-year improvement in earnings for this sector, as the average price of oil in Q4 2022 ($82.64) was 7% above the average price for oil in Q4 2021 ($77.10). At the sub-industry level, four of the five sub-industries in the sector reported year-over-year growth in revenues: Oil & Gas Equipment & Services (21%), Oil & Gas Refining & Marketing (17%), Integrated Oil & Gas (14%), and Oil & Gas Exploration & Production (12%). The Oil & Gas Storage & Transportation (-8%) sub-industry is the only sub-industry that reported a (year-over-year) decline in revenues.

Consumer Discretionary: Automobiles Industry Leads Year-Over-Year Growth

The Consumer Discretionary sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 10.2%. At the industry level, 8 of the 10 industries in the sector are reporting (or have reported) year-over-year growth in revenues. Three of these eight industries reported revenue growth of 10% or more: Automobiles (25%), Hotels, Restaurants, & Leisure (25%), and Auto Components (12%).

Industrials: Airlines Industry Led Year-Over-Year Growth

The Industrials sector reported the third-highest (year-over-year) revenue growth rate of all eleven sectors at 9.8%. At the industry level, 10 of the 12 industries in the sector reported year-over-year growth in revenues. Six of these ten industries reported revenue growth of 10% or more: Airlines (37%), Machinery (18%), Trading Companies & Distributors (15%), Aerospace & Defense (13%), Construction & Engineering (13%), and Commercial Services & Supplies (11%).

Net Profit Margin: 11.3%

The blended net profit margin for the S&P 500 for Q4 2022 is 11.3%, which is below the 5-year average of 11.4%, below the previous quarter's net profit margin of 11.9% and below the year-ago net profit margin of 12.4%. If 11.3% is the actual net profit margin for the quarter, it will mark the lowest net profit margin reported by the index since Q4 2020 (10.9%).

At the sector level, three sectors reported a year-over-year increase in their net profit margins in Q4 2022 compared to Q4 2021, led by the Energy (to 12.9% vs. 9.3%) sector. On the other hand, eight sectors are reporting (or have reported) a year-over-year decrease in their net profit margins in Q4 2022 compared to Q4 2021, led by the Financials (15.2% vs. 18.5%) and Communication Services (9.0% vs. 12.1%) sectors.

Four sectors are reporting (or have reported) net profit margins in Q4 2022 that are above their 5-year averages, led by the Energy (12.9% vs. 7.4%) sector. On the other hand, seven sectors are reporting (or have reported) net profit margins in Q4 2022 that are below their 5-year averages, led by the Utilities (9.5% vs. 13.3%) and Communication Services (9.0% vs. 11.7%) sectors.

Looking Ahead: Forward Estimates and Valuation

Guidance: % of Companies Issuing Negative EPS Guidance for Q1 Above 10-Year Average

At this point in time, 105 companies in the index have issued EPS guidance for Q1 2023. Of these 105 companies, 81 have issued negative EPS guidance and 24 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q1 2023 is 77% (81 out of 105), which is above the 5-year average of 59% and above the 10-year average of 67%. At the sector level, the Information Technology (29), Industrials (15), and Consumer Discretionary (11) sectors have the highest number of companies issuing negative EPS guidance.

At this point in time, 254 companies in the index have issued EPS guidance for the current fiscal year (FY 2023). Of these 254 companies, 142 have issued negative EPS guidance and 112 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 56% (142 out of 254).

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 2% for CY 2023

For the fourth quarter, S&P 500 companies are reporting a year-over-year earnings decline of -4.6% and revenue growth of 5.3%. For CY 2022, S&P 500 companies are reporting earnings growth of 3.9% and revenue growth of 11.1%.

For Q1 2023, analysts are projecting an earnings decline of -5.9% and revenue growth of 1.9%.

For Q2 2023, analysts are projecting an earnings decline of -3.8% and a revenue decline of -0.1%.

For Q3 2023, analysts are projecting earnings growth of 2.9% and revenue growth of 1.4%.

For Q4 2023, analysts are projecting earnings growth of 9.6% and revenue growth of 3.5%.

For CY 2023, analysts are projecting earnings growth of 2.1% and revenue growth of 2.0%.

Valuation: Forward P/E Ratio is 17.5, Above the 10-Year Average (17.2)

The forward 12-month P/E ratio for the S&P 500 is 17.5. This P/E ratio is below the 5-year average of 18.5 but above 10-year average of 17.2. It is also above the forward 12-month P/E ratio of 16.7 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has increased by 3.7%, while the forward 12-month EPS estimate has decreased by 1.4%. At the sector level, the Consumer Discretionary (23.9) and Information Technology (22.3) sectors have the highest forward 12-month P/E ratios, while the Energy (10.2) and Financials (12.6) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 19.8, which is below the 5-year average of 22.6 and below the 10-year average of 20.6.

Targets & Ratings: Analysts Project 16% Increase in Price Over Next 12 Months

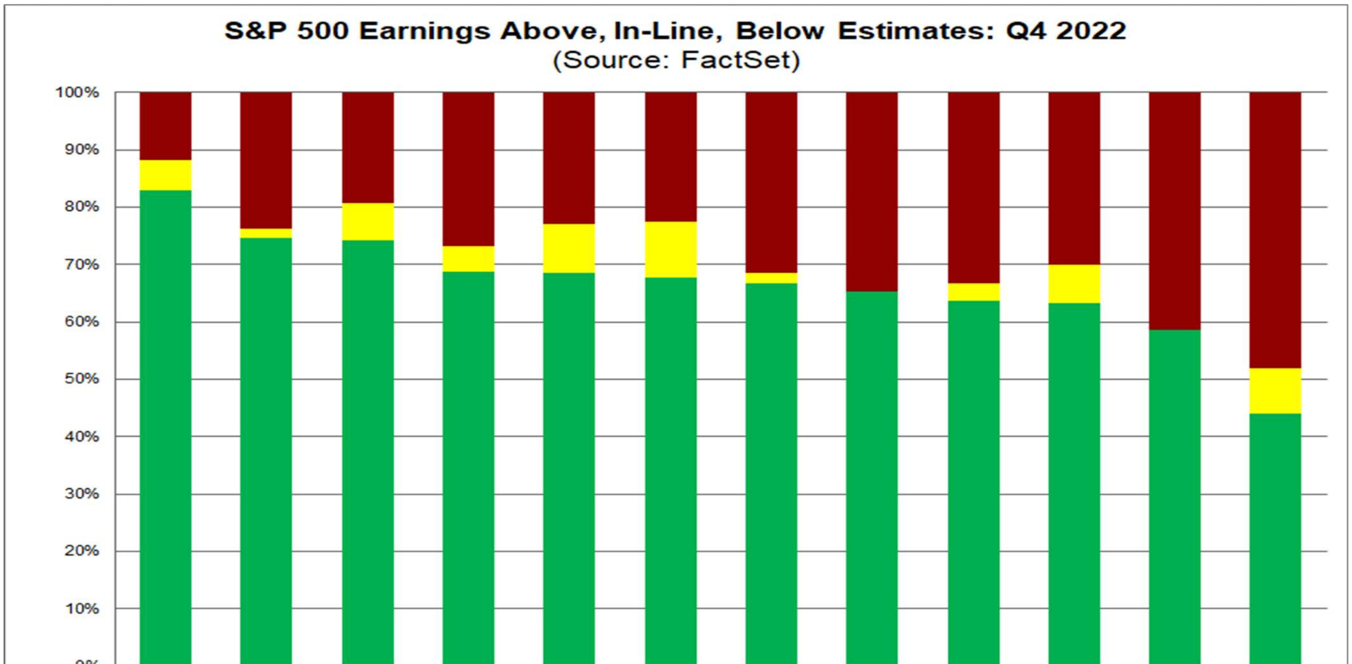
The bottom-up target price for the S&P 500 is 4628.51, which is 16.3% above the closing price of 3981.35. At the sector level, the Communication Services (+27.6%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Materials (+8.2%) and Industrials (+8.4%) 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 10,968 ratings on stocks in the S&P 500. Of these 10,968 ratings, 53.2% are Buy ratings, 40.6% are Hold ratings, and 6.2% are Sell ratings. At the sector level, the Energy (63%) and Communication Services (60%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) sector has the lowest percentage of Buy ratings.

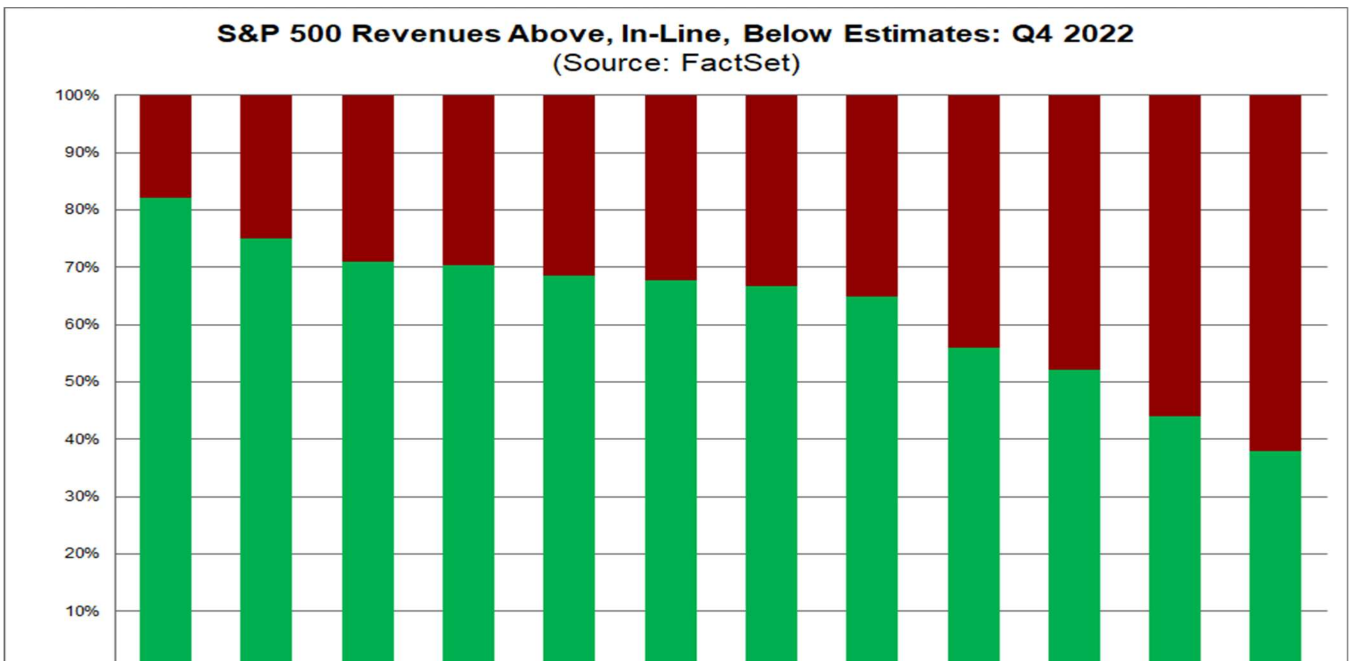
Companies Reporting Next Week: 4

During the upcoming week, three S&P 500 companies are scheduled to report results for the fourth quarter and one S&P 500 company is scheduled to report results for the first quarter.

Q4 2022: Scorecard

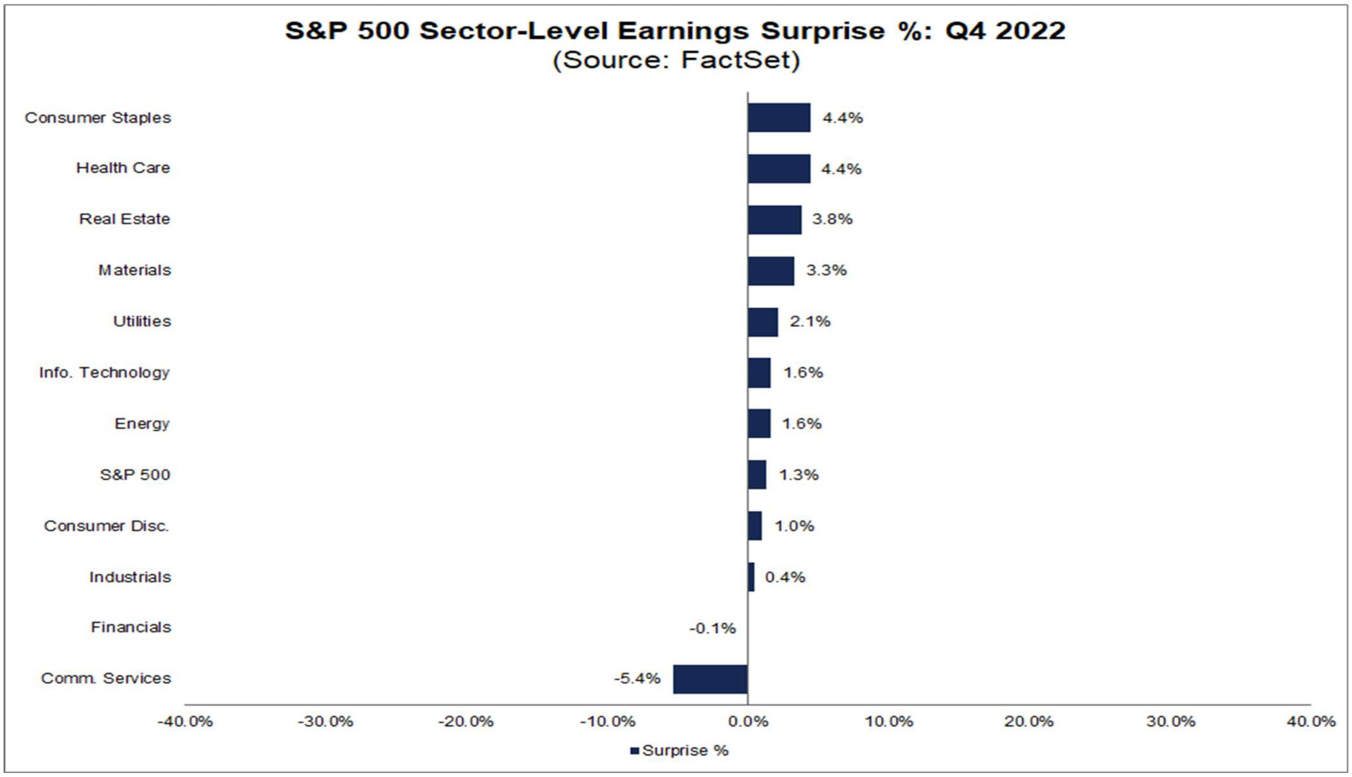


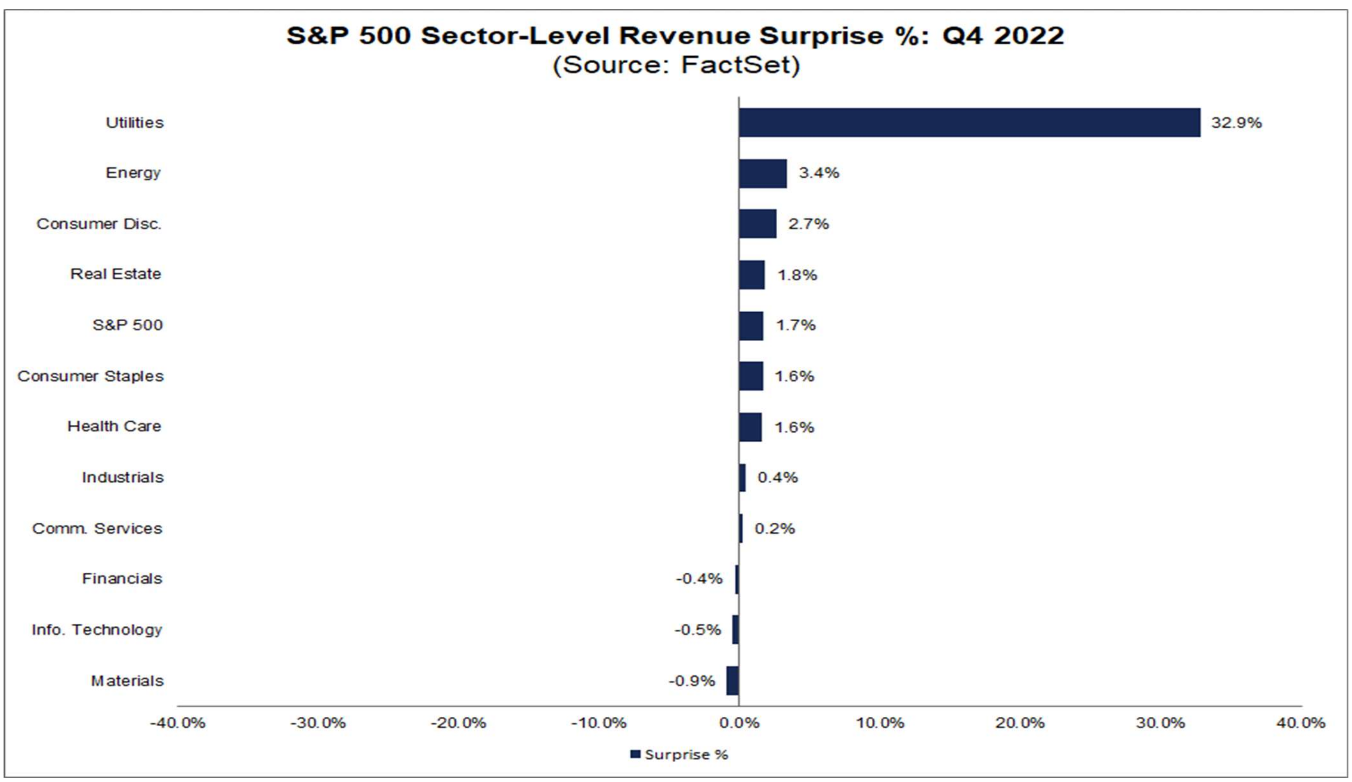
	Info. Technology	Health Care	Real Estate	S&P 500	Industrials	Consumer Staples	Consumer Disc.	Energy	Financials	Utilities	Materials	Comm. Services
Below	12%	24%	19%	27%	23%	23%	31%	35%	33%	30%	41%	48%
In-Line	5%	2%	6%	5%	9%	10%	2%	0%	3%	7%	0%	8%
Above	83%	75%	74%	69%	69%	68%	67%	65%	64%	63%	59%	44%



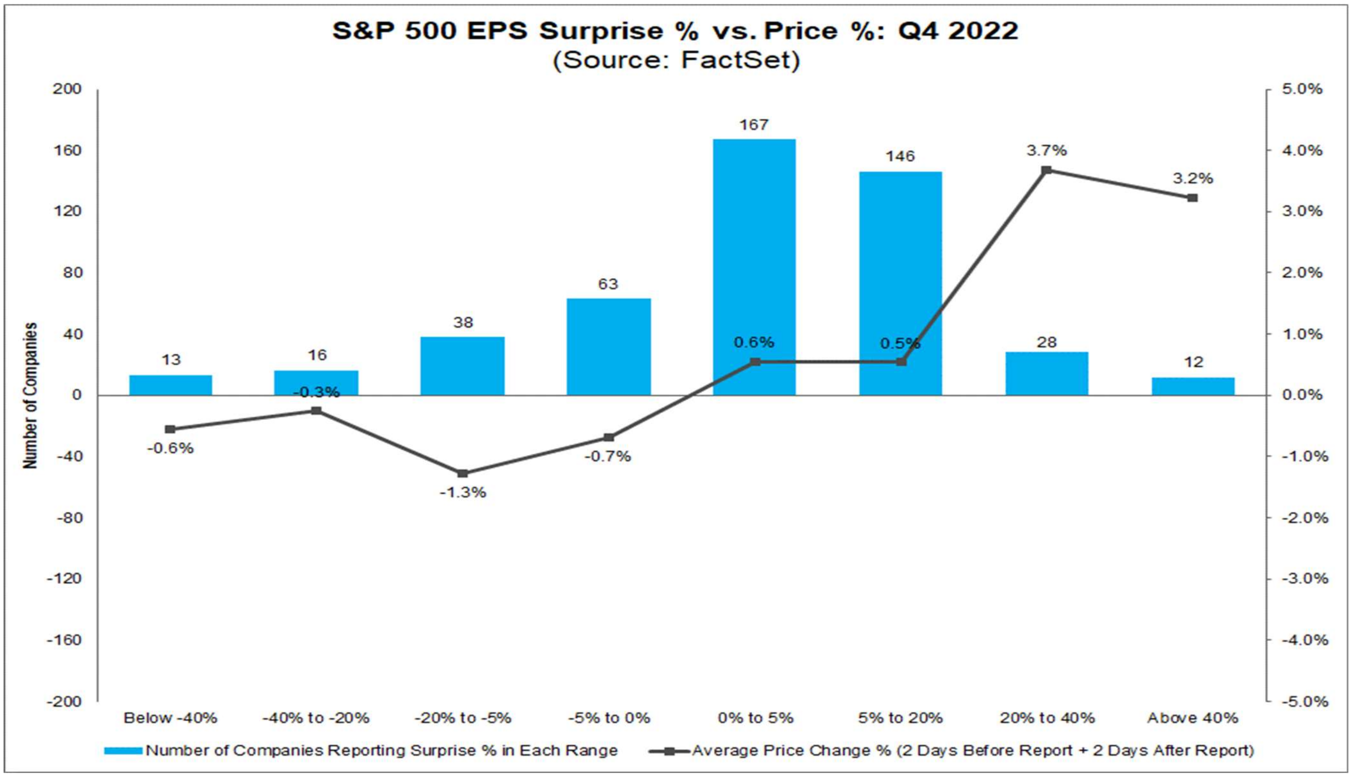
	Utilities	Info. Technology	Real Estate	Consumer Disc.	Industrials	Consumer Staples	Health Care	S&P 500	Financials	Energy	Comm. Services	Materials
Below	18%	25%	29%	30%	31%	32%	33%	35%	44%	48%	56%	62%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	82%	75%	71%	70%	69%	68%	67%	65%	56%	52%	44%	38%

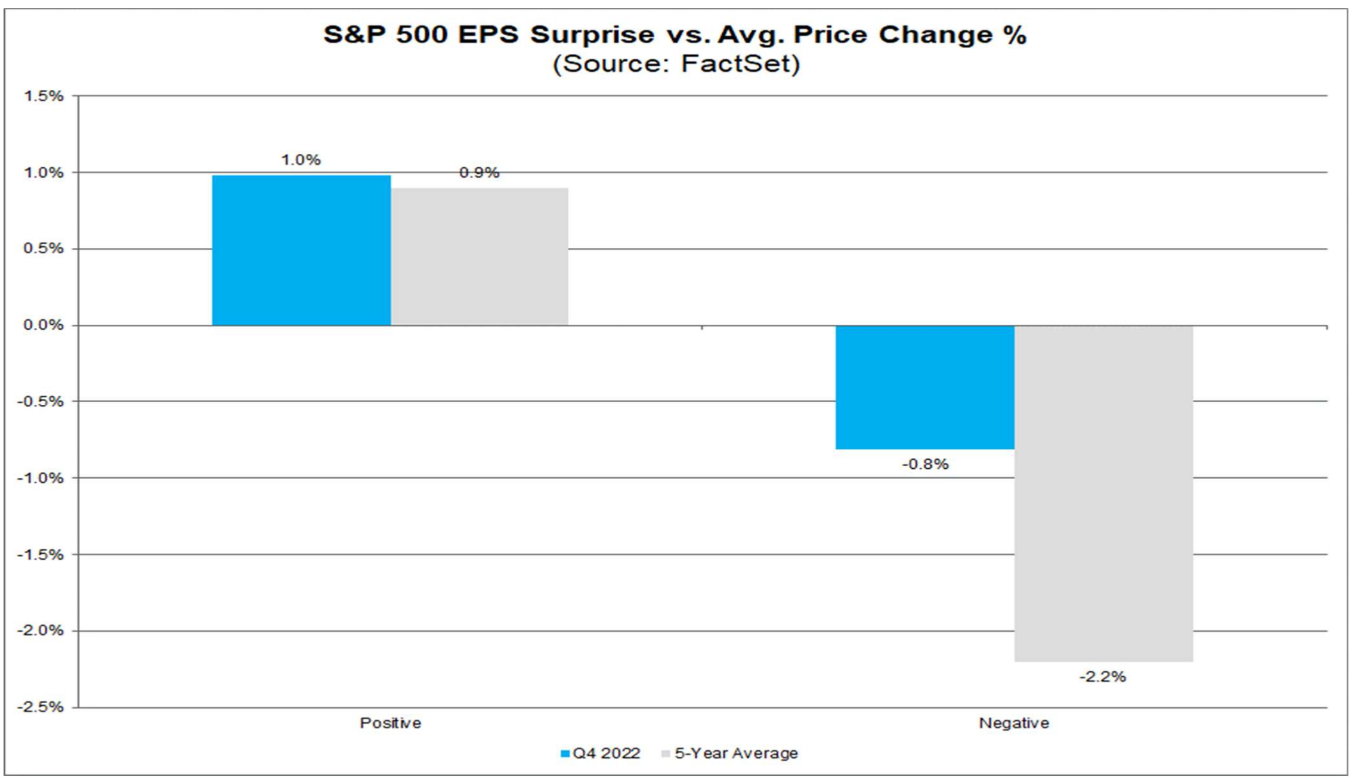
Q4 2022: Scorecard



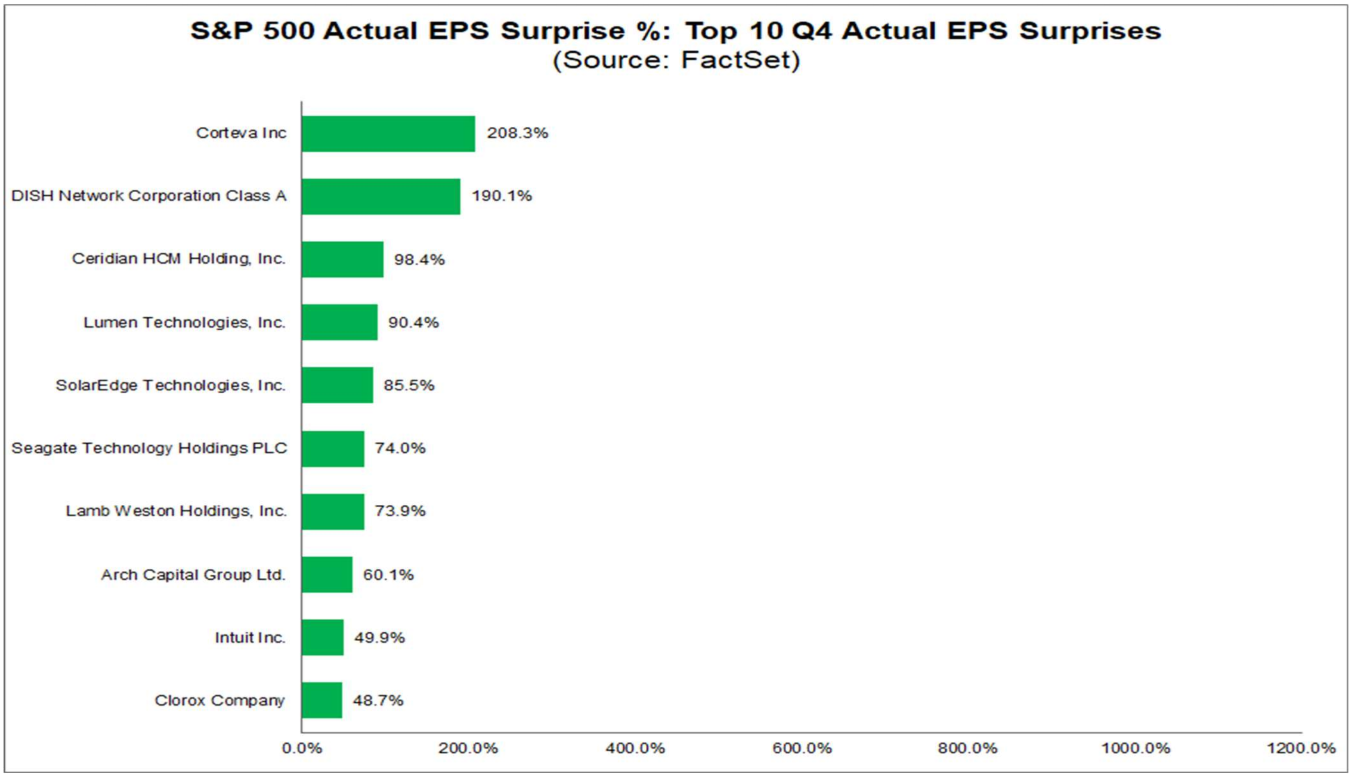


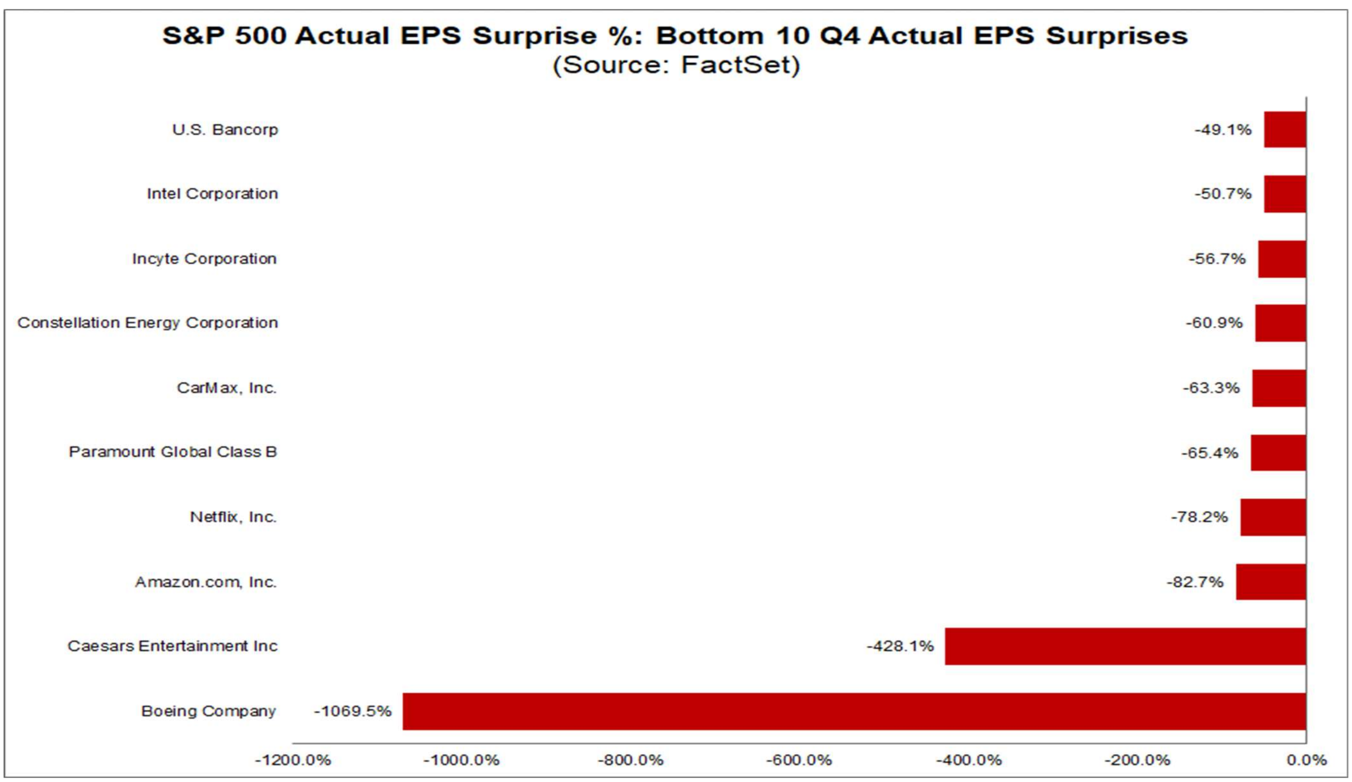
Q4 2022: Scorecard



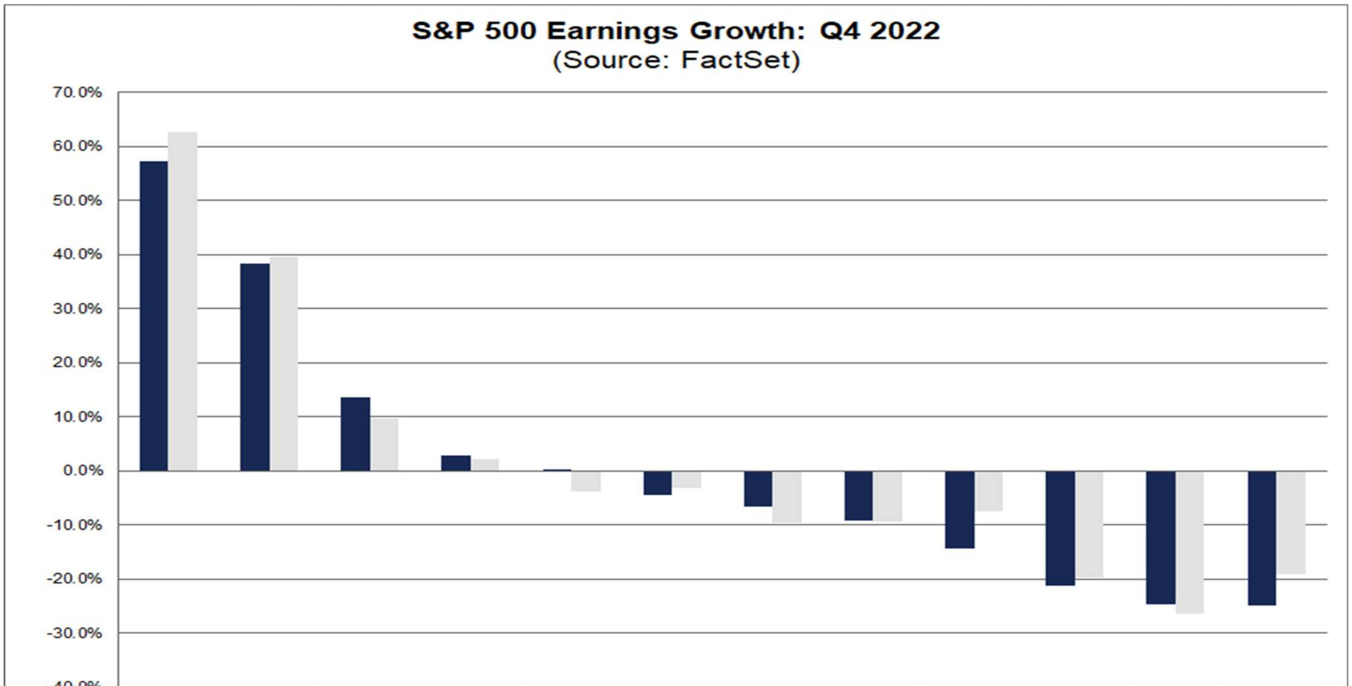


Q4 2022: Scorecard

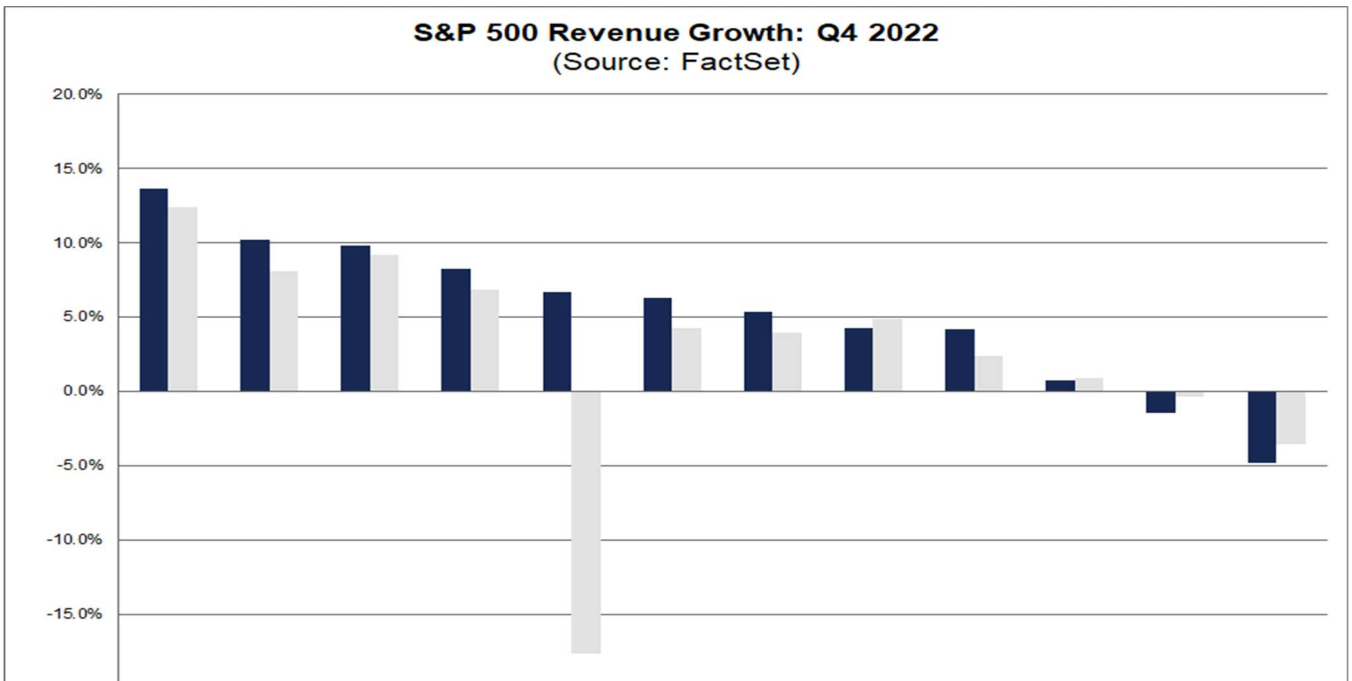




Q4 2022: Growth

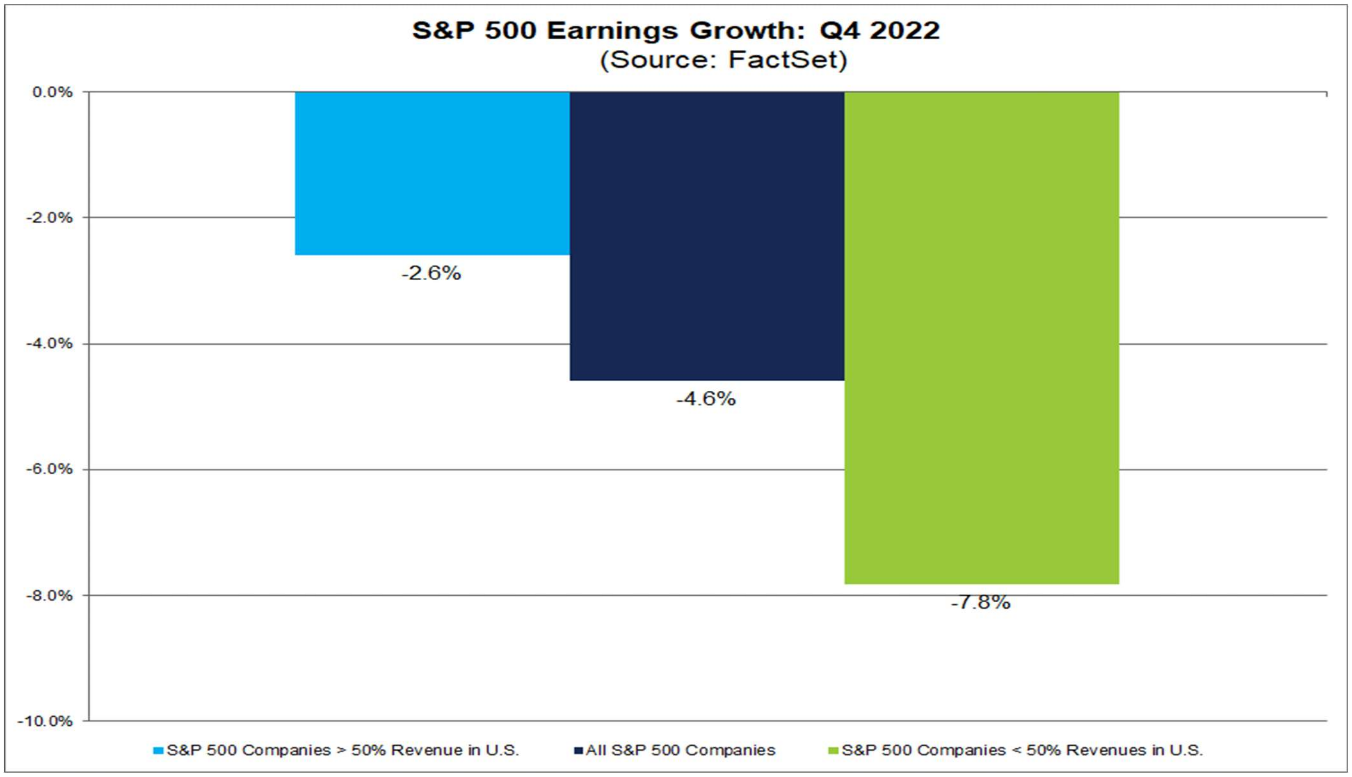


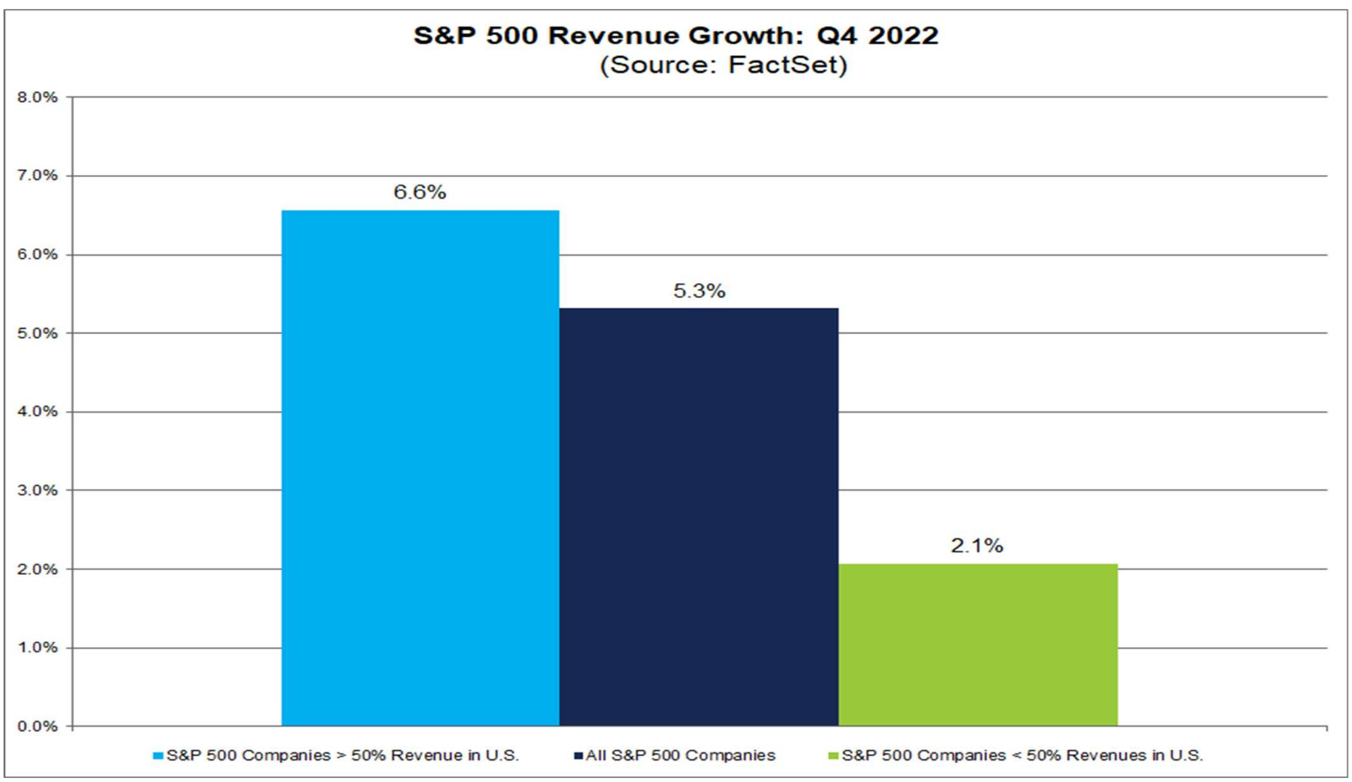
	Energy	Industrials	Real Estate	Utilities	Consumer Staples	S&P 500	Health Care	Info. Technology	Financials	Consumer Disc.	Materials	Comm. Services
Today	57.2%	38.3%	13.7%	2.8%	0.3%	-4.6%	-6.7%	-9.2%	-14.4%	-21.2%	-24.7%	-24.9%
31-Dec	62.7%	39.5%	9.8%	2.2%	-3.9%	-3.3%	-9.6%	-9.4%	-7.5%	-19.7%	-26.4%	-19.0%



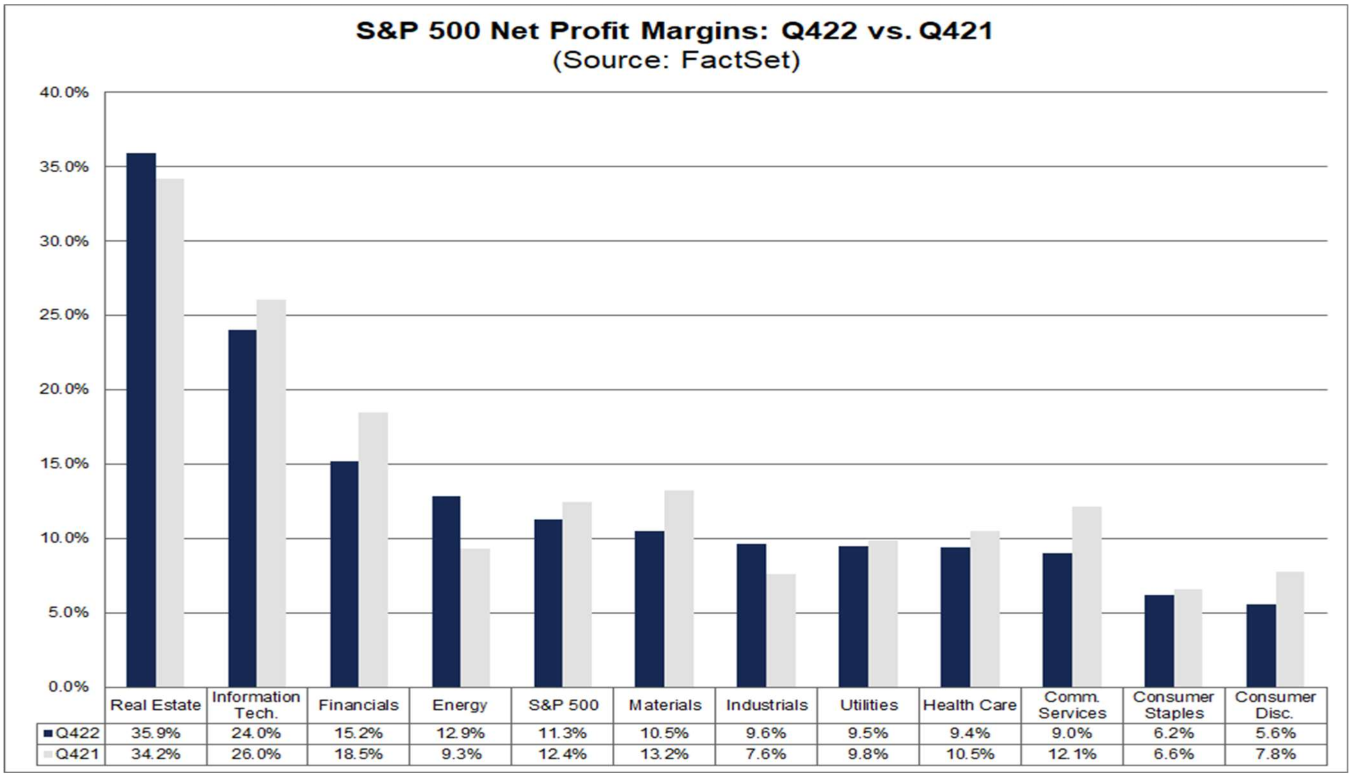
	Energy	Consumer Disc.	Industrials	Real Estate	Utilities	Consumer Staples	S&P 500	Financials	Health Care	Comm. Services	Info. Technology	Materials
Today	13.6%	10.2%	9.8%	8.2%	6.7%	6.3%	5.3%	4.3%	4.2%	0.7%	-1.5%	-4.8%
31-Dec	12.4%	8.1%	9.1%	6.8%	-17.7%	4.2%	3.9%	4.8%	2.4%	0.9%	-0.4%	-3.6%

Q4 2022: Growth

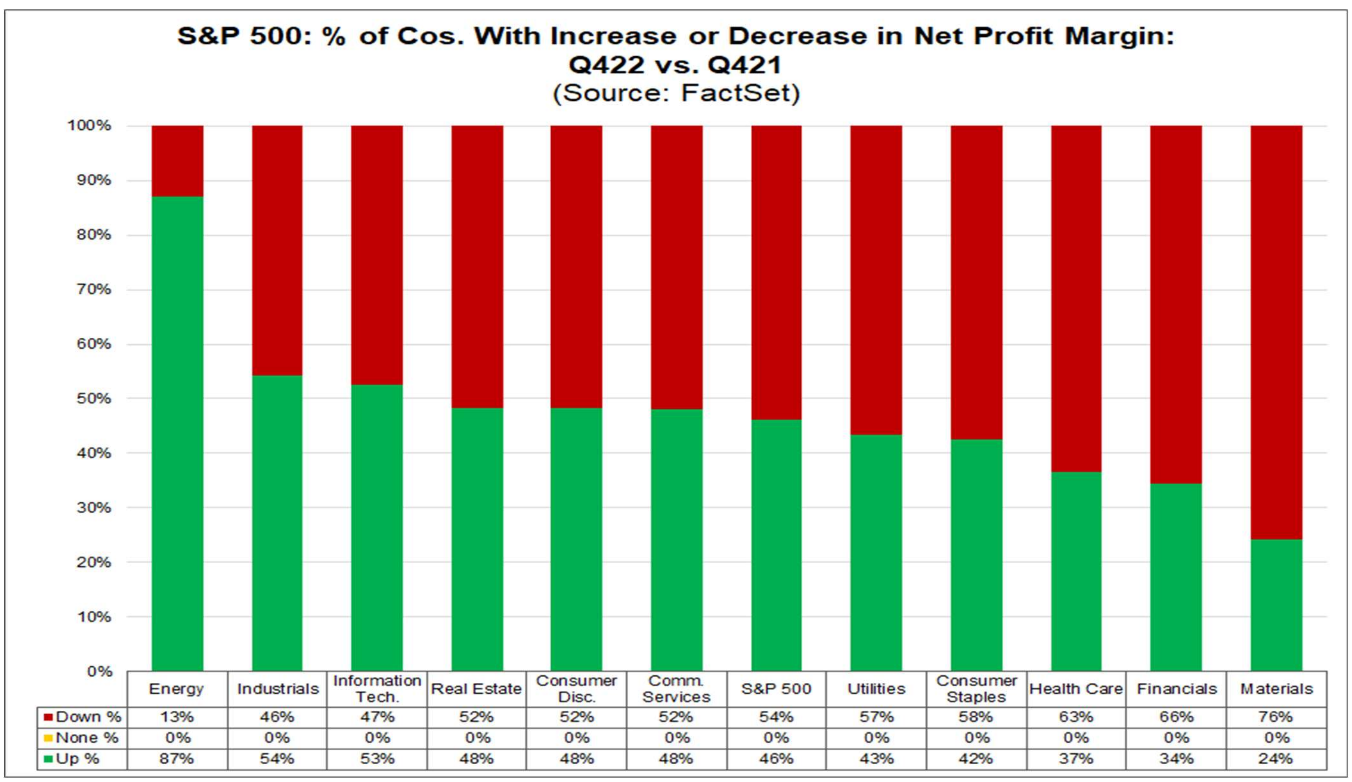




Q4 2022: Net Profit Margin

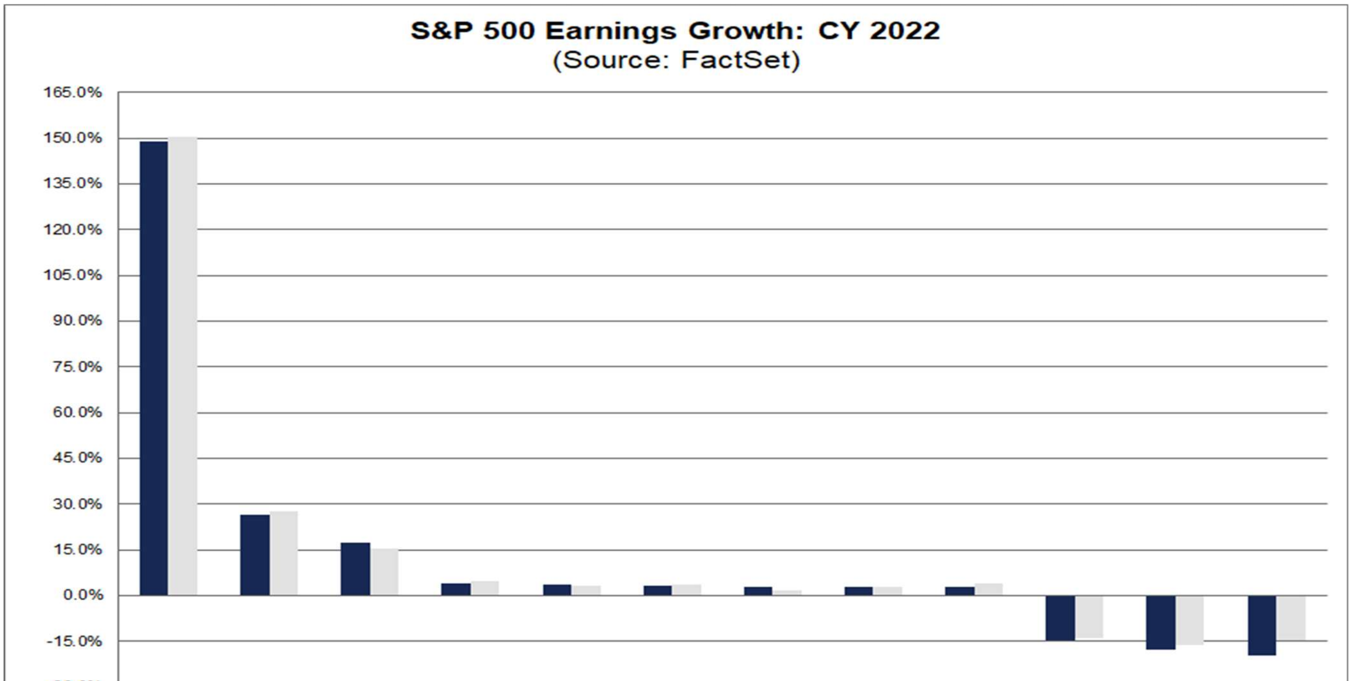


	Real Estate	Information Tech.	Financials	Energy	S&P 500	Materials	Industrials	Utilities	Health Care	Comm. Services	Consumer Staples	Consumer Disc.
Q422	35.9%	24.0%	15.2%	12.9%	11.3%	10.5%	9.6%	9.5%	9.4%	9.0%	6.2%	5.6%
Q421	34.2%	26.0%	18.5%	9.3%	12.4%	13.2%	7.6%	9.8%	10.5%	12.1%	6.6%	7.8%

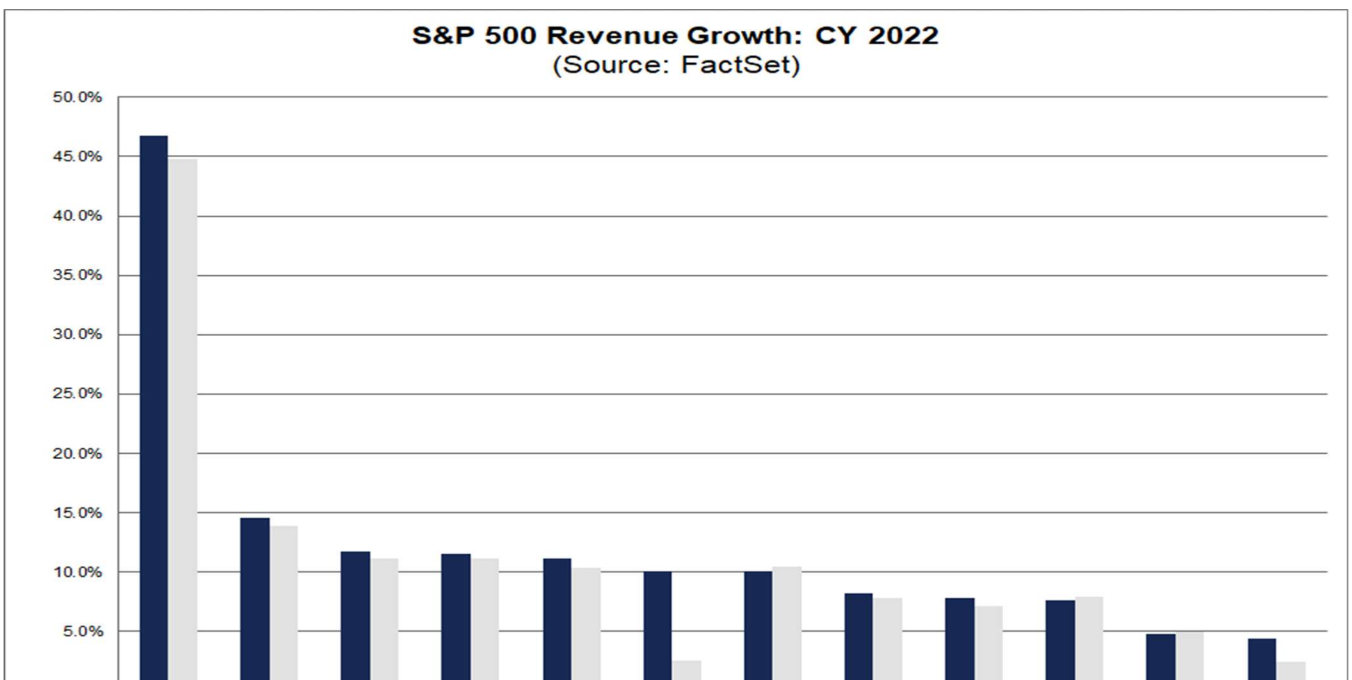


	Energy	Industrials	Information Tech.	Real Estate	Consumer Disc.	Comm. Services	S&P 500	Utilities	Consumer Staples	Health Care	Financials	Materials
Down %	13%	46%	47%	52%	52%	52%	54%	57%	58%	63%	66%	76%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Up %	87%	54%	53%	48%	48%	48%	46%	43%	42%	37%	34%	24%

CY 2022: Growth

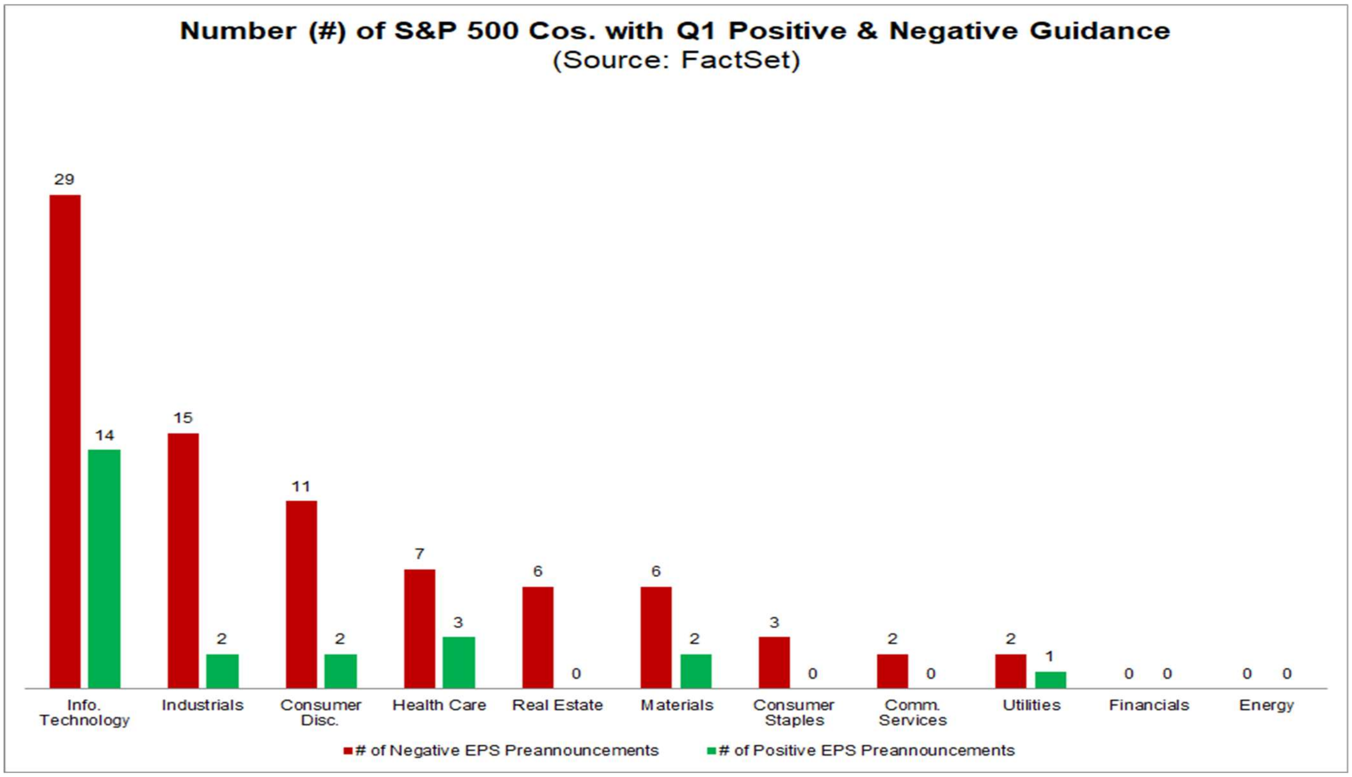


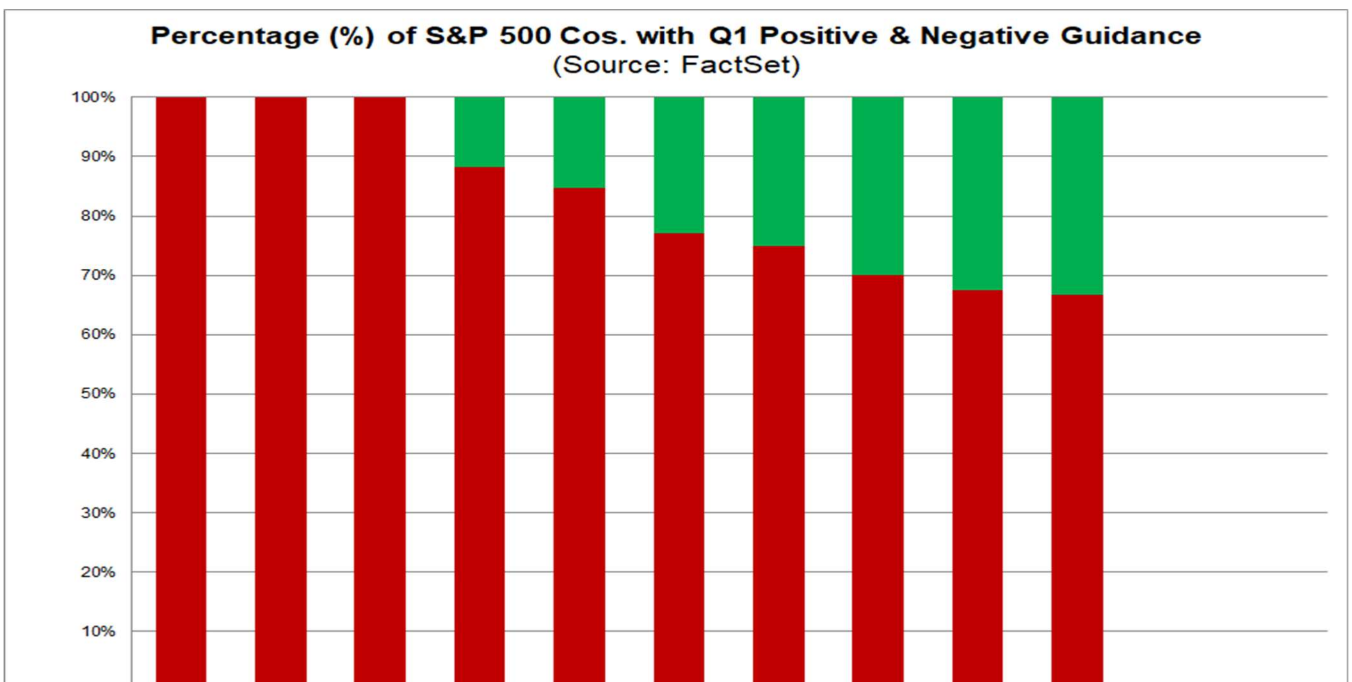
	Energy	Industrials	Real Estate	S&P 500	Health Care	Info. Technology	Consumer Staples	Materials	Utilities	Consumer Disc.	Financials	Comm. Services
Today	148.7%	26.3%	17.2%	3.9%	3.7%	3.2%	2.8%	2.7%	2.7%	-14.8%	-17.8%	-19.7%
31-Dec	150.5%	27.6%	15.5%	4.9%	3.2%	3.6%	1.7%	2.9%	3.9%	-13.9%	-16.2%	-14.8%



	Energy	Real Estate	Consumer Disc.	Industrials	S&P 500	Utilities	Materials	Health Care	Consumer Staples	Info. Technology	Comm. Services	Financials
Today	46.8%	14.6%	11.7%	11.5%	11.1%	10.1%	10.1%	8.3%	7.8%	7.6%	4.8%	4.4%
31-Dec	44.8%	13.8%	11.1%	11.2%	10.3%	2.5%	10.5%	7.8%	7.2%	8.0%	5.0%	2.4%

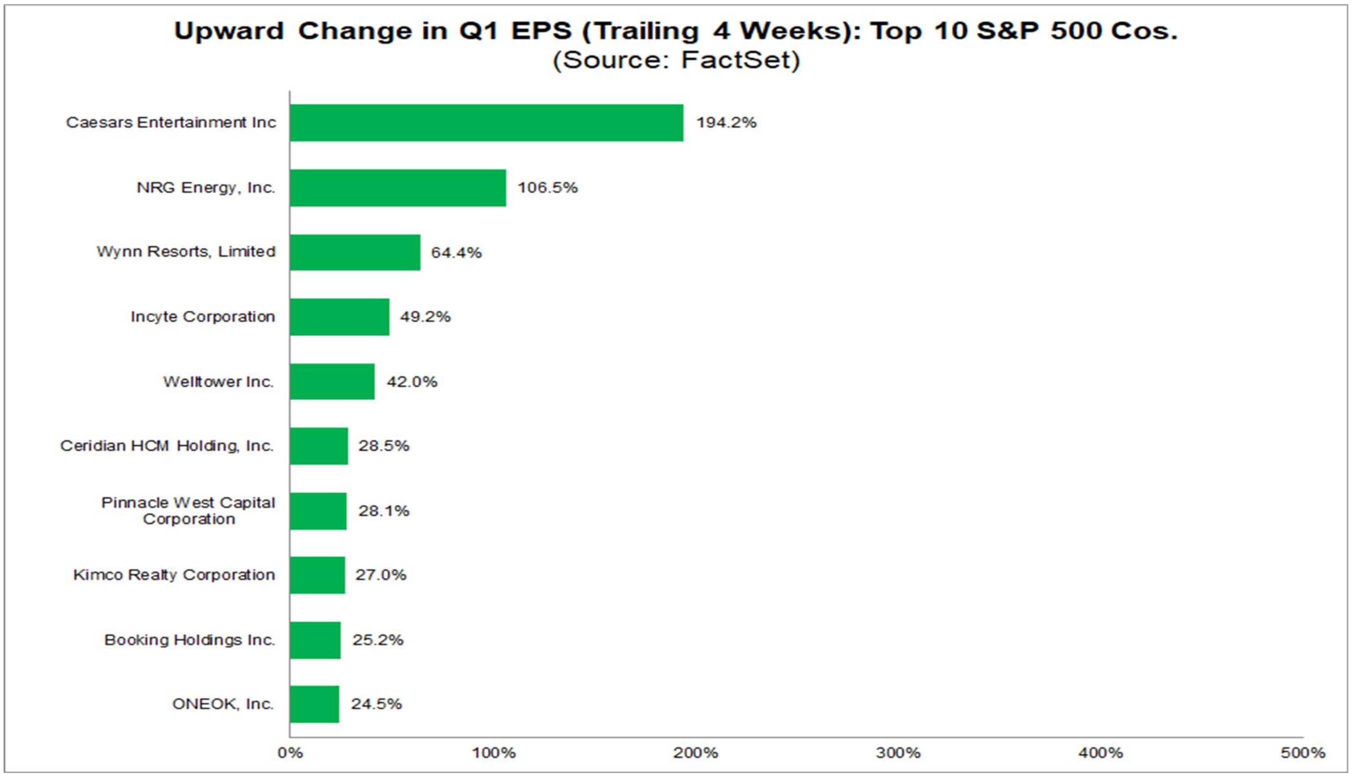
Q1 2023: Guidance

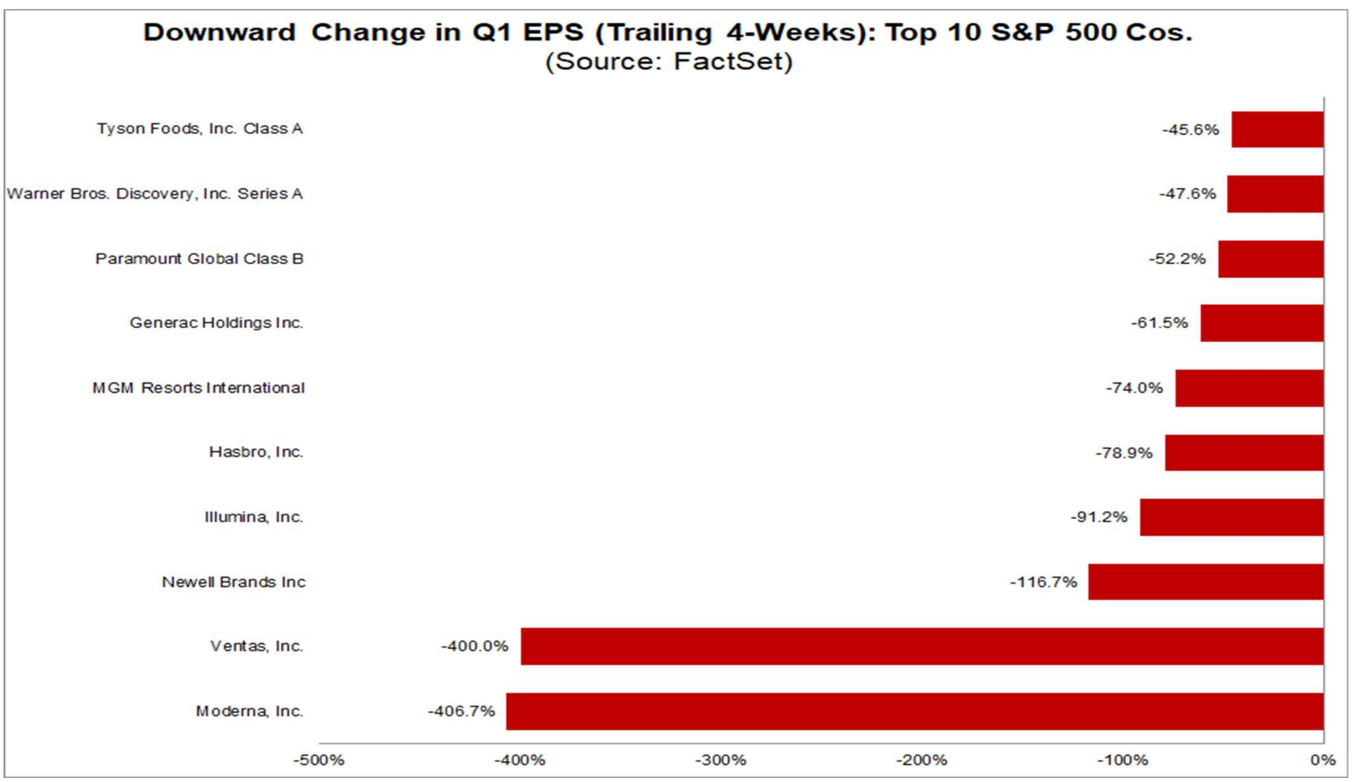




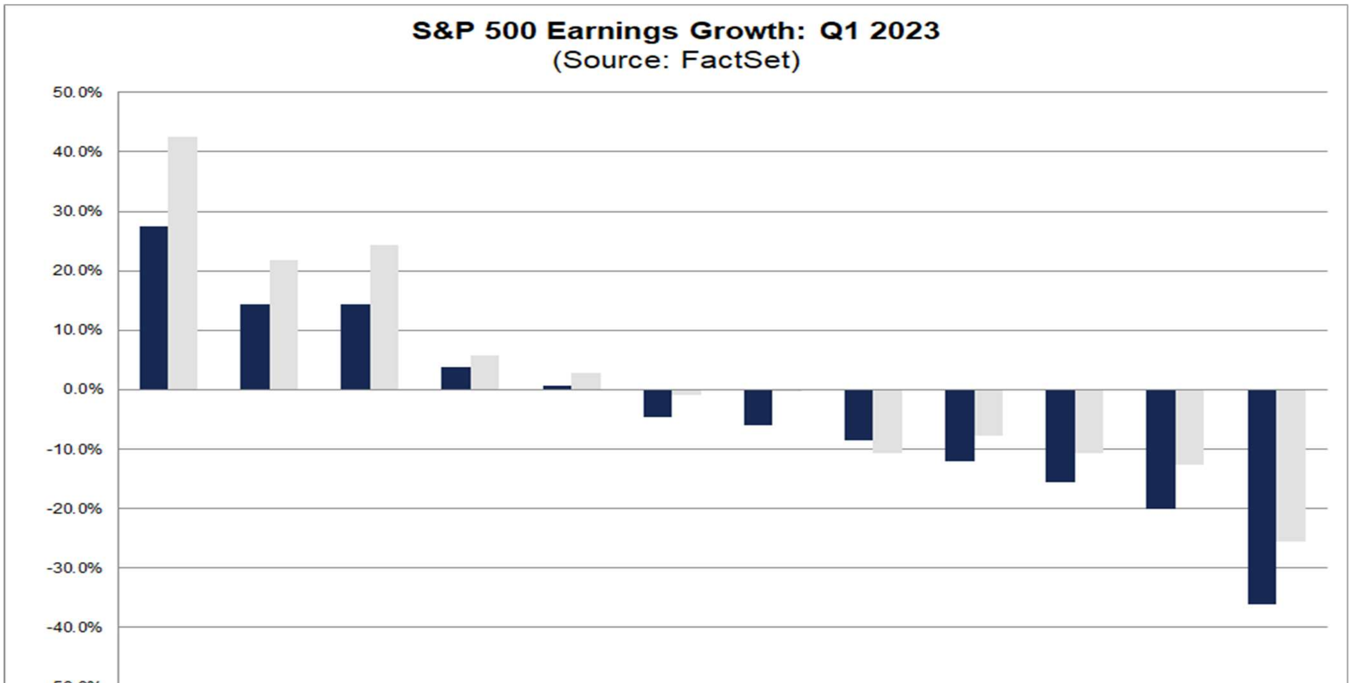
	Real Estate	Consumer Staples	Comm. Services	Industrials	Consumer Disc.	S&P 500	Materials	Health Care	Info. Technology	Utilities	Financials	Energy
Positive	0%	0%	0%	12%	15%	23%	25%	30%	33%	33%	0%	0%
Negative	100%	100%	100%	88%	85%	77%	75%	70%	67%	67%	0%	0%

Q1 2023: EPS Revisions

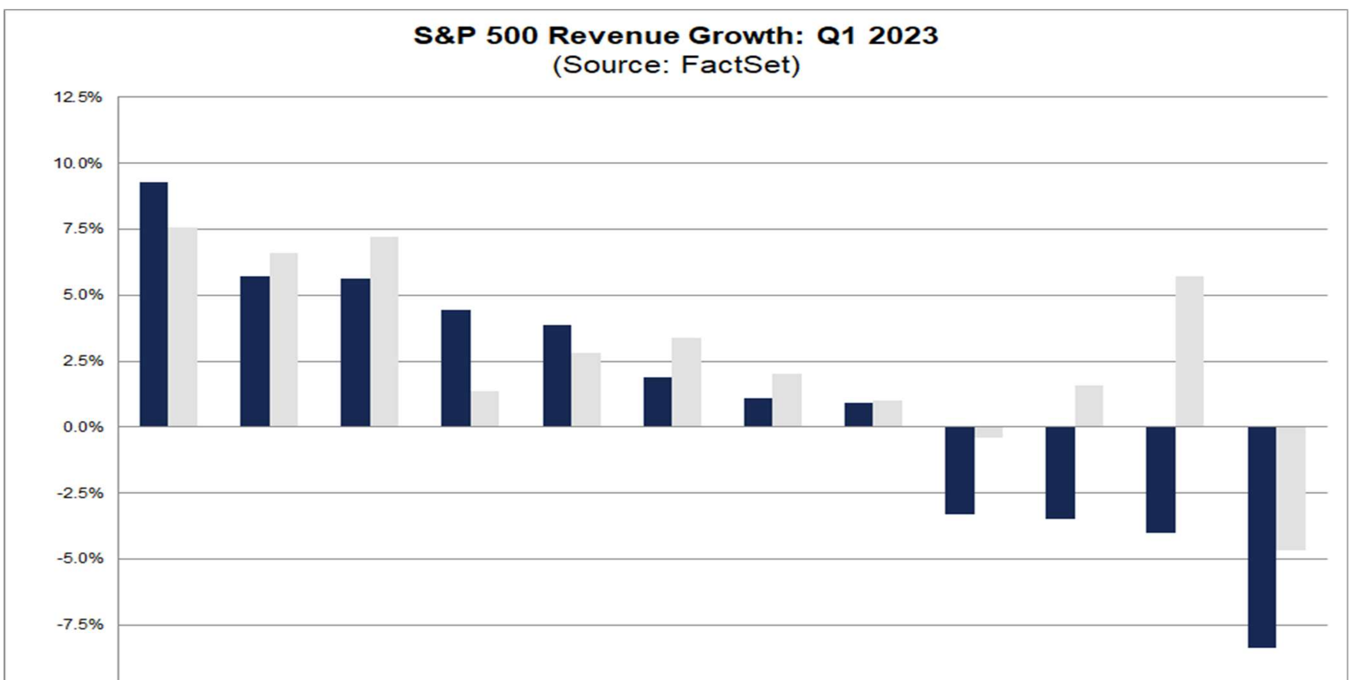




Q1 2023: Growth

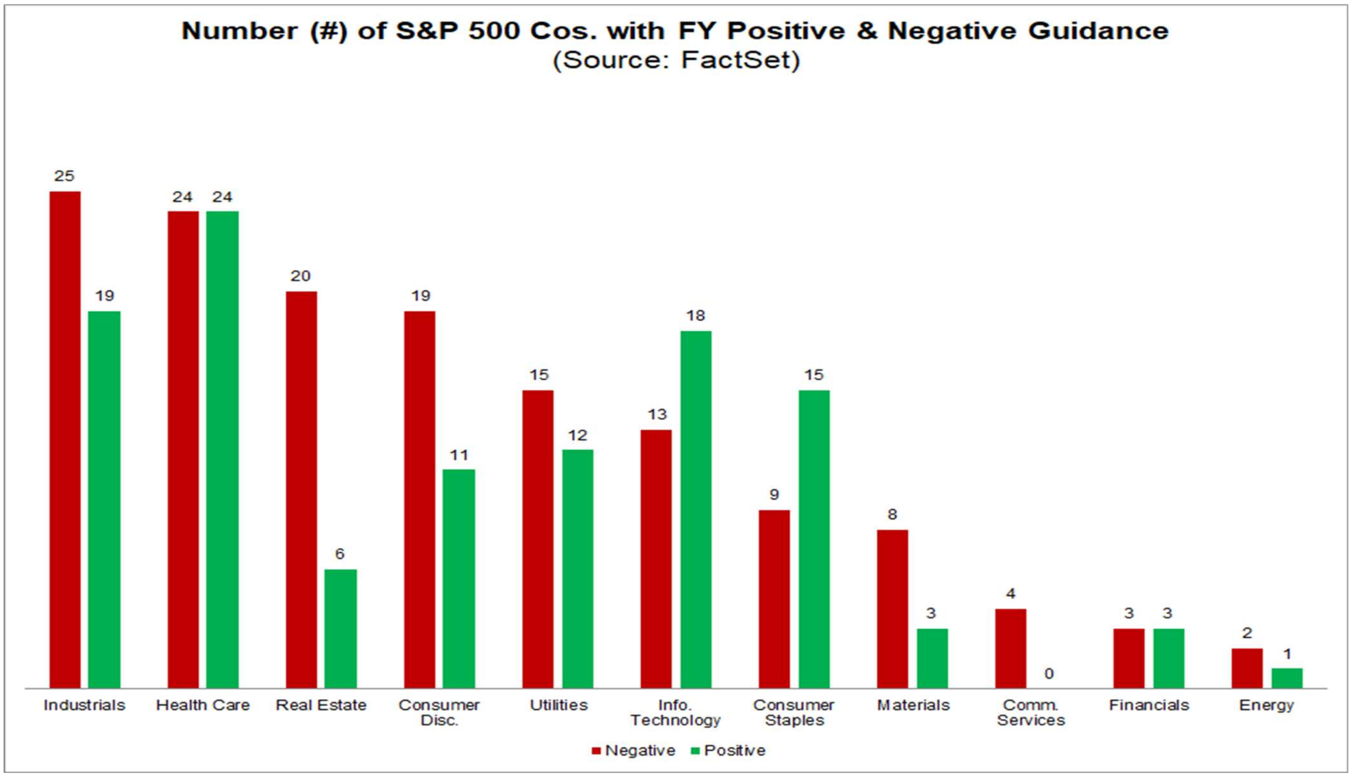


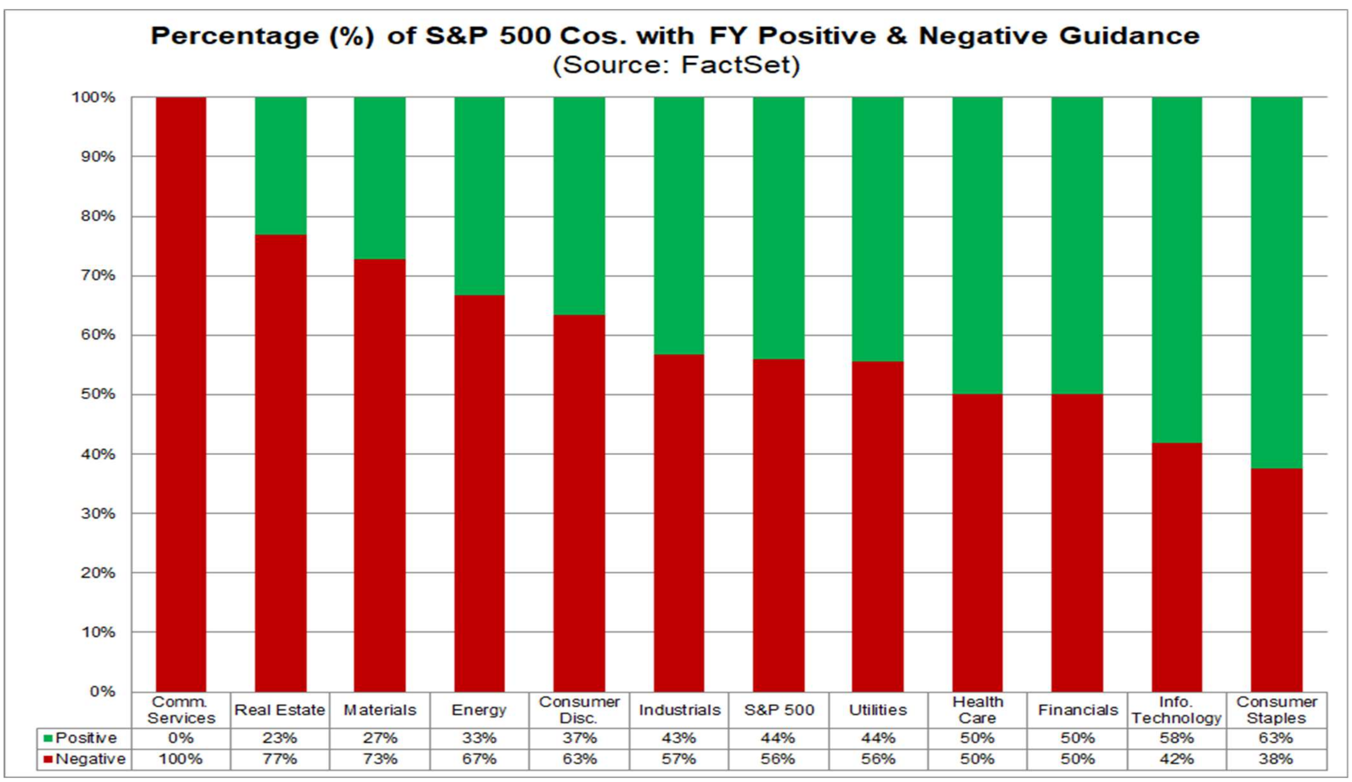
	Consumer Disc.	Energy	Industrials	Financials	Real Estate	Consumer Staples	S&P 500	Utilities	Info. Technology	Comm. Services	Health Care	Materials
Today	27.5%	14.3%	14.3%	3.7%	0.7%	-4.7%	-5.9%	-8.6%	-12.0%	-15.6%	-20.0%	-36.0%
31-Dec	42.4%	21.7%	24.4%	5.8%	2.9%	-1.0%	-0.3%	-10.6%	-7.7%	-10.6%	-12.6%	-25.5%



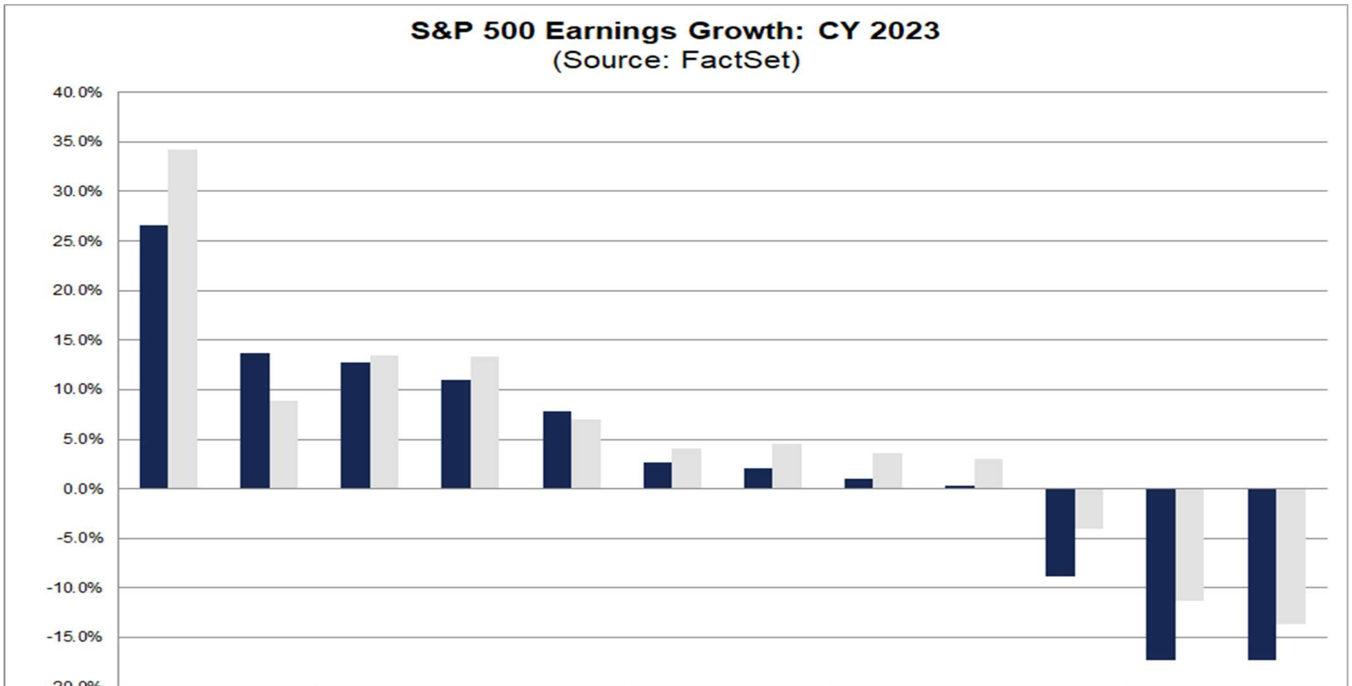
	Financials	Consumer Disc.	Industrials	Real Estate	Consumer Staples	S&P 500	Comm. Services	Health Care	Info. Technology	Utilities	Energy	Materials
Today	9.3%	5.7%	5.6%	4.4%	3.9%	1.9%	1.1%	0.9%	-3.3%	-3.5%	-4.0%	-8.4%
31-Dec	7.5%	6.6%	7.2%	1.3%	2.8%	3.4%	2.0%	1.0%	-0.4%	1.6%	5.7%	-4.7%

FY 2022 / 2023: EPS Guidance

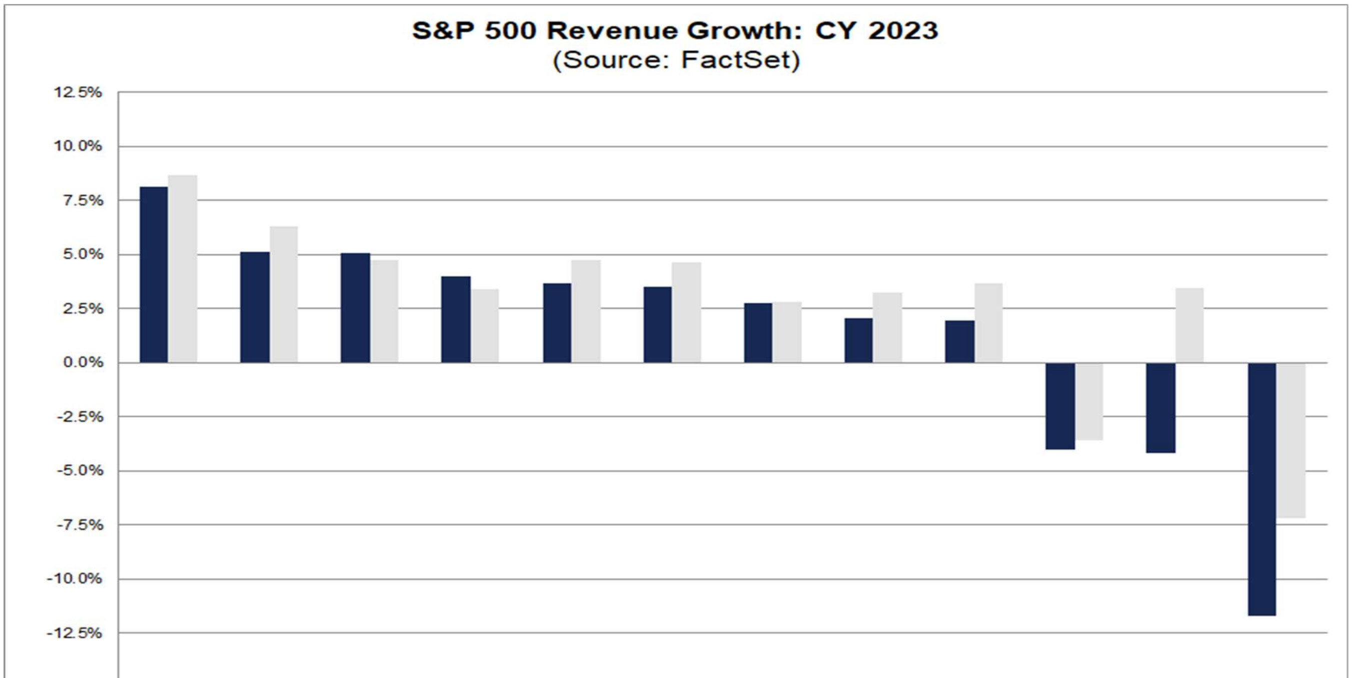




CY 2023: Growth

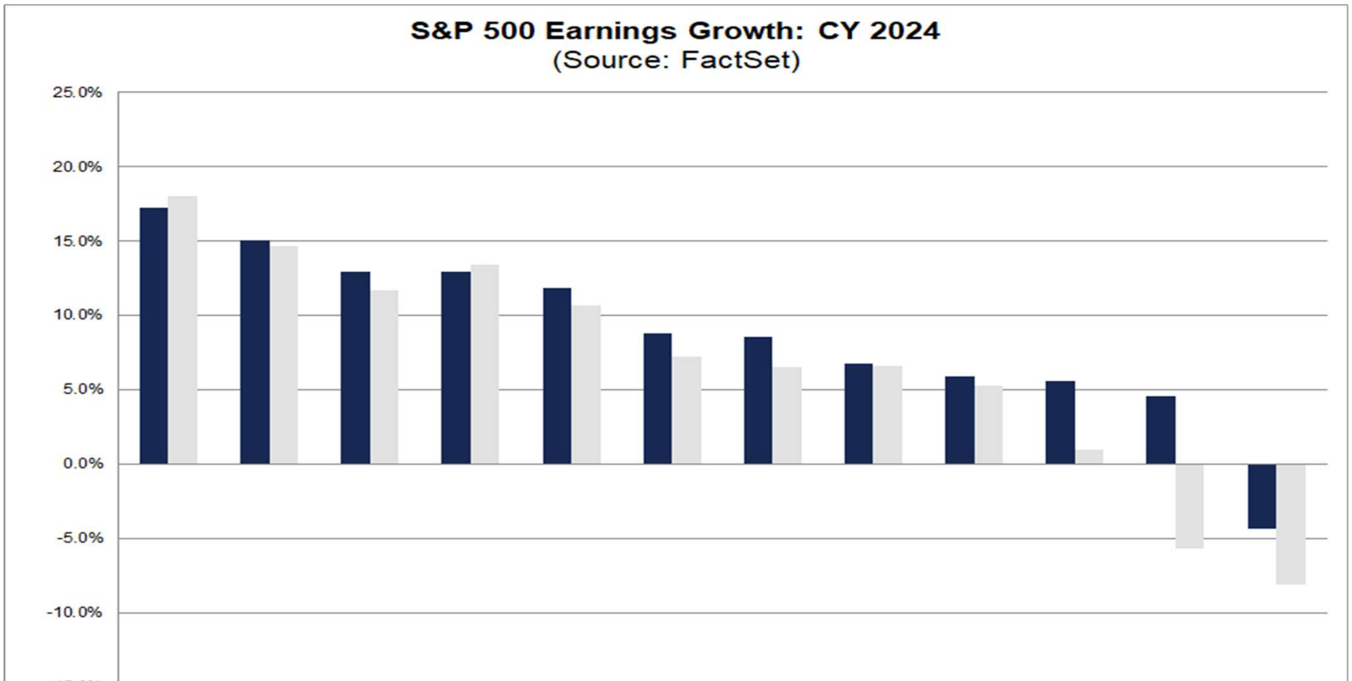


	Consumer Disc.	Comm. Services	Financials	Industrials	Utilities	Consumer Staples	S&P 500	Info. Technology	Real Estate	Health Care	Materials	Energy
Today	26.6%	13.6%	12.8%	11.0%	7.9%	2.7%	2.1%	1.0%	0.4%	-8.8%	-17.3%	-17.3%
31-Dec	34.2%	8.9%	13.5%	13.4%	7.0%	4.0%	4.6%	3.5%	3.0%	-4.0%	-11.3%	-13.7%

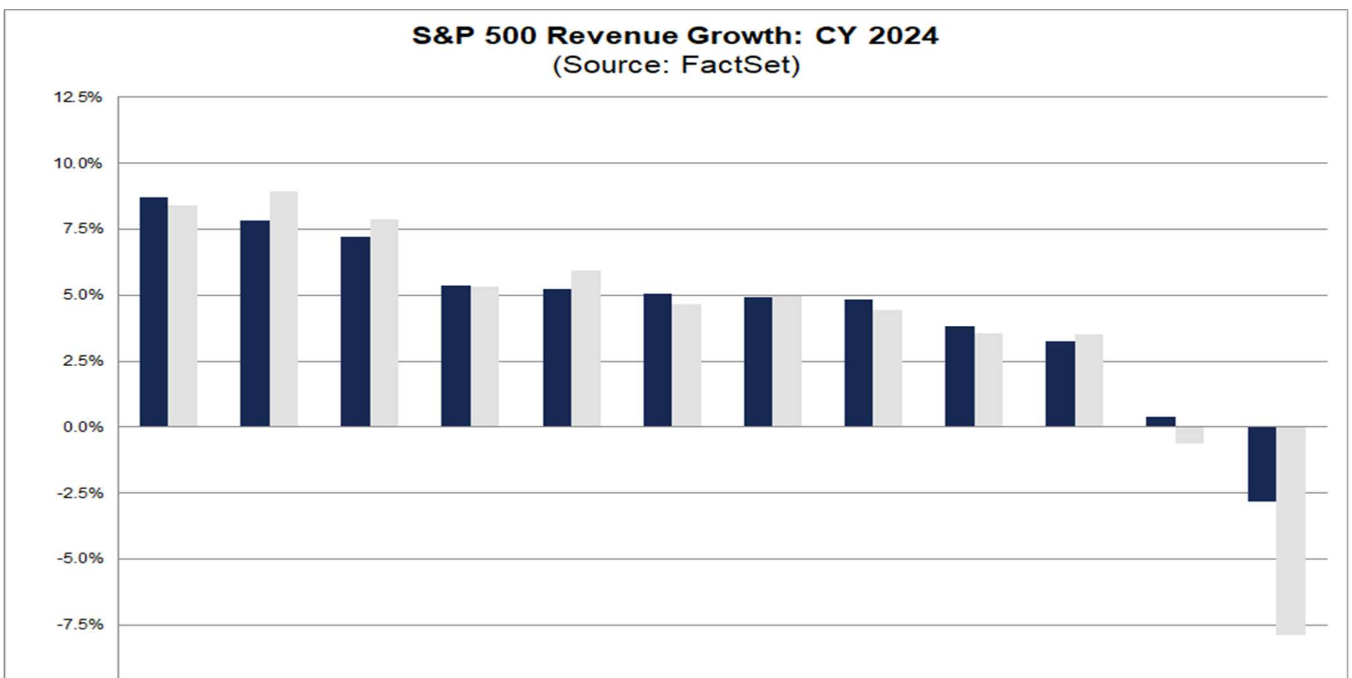


	Financials	Consumer Disc.	Real Estate	Consumer Staples	Comm. Services	Industrials	Health Care	S&P 500	Info. Technology	Materials	Utilities	Energy
Today	8.1%	5.1%	5.1%	4.0%	3.7%	3.5%	2.7%	2.0%	1.9%	-4.0%	-4.2%	-11.7%
31-Dec	8.7%	6.3%	4.8%	3.4%	4.7%	4.6%	2.8%	3.3%	3.7%	-3.6%	3.5%	-7.2%

CY 2024: Growth

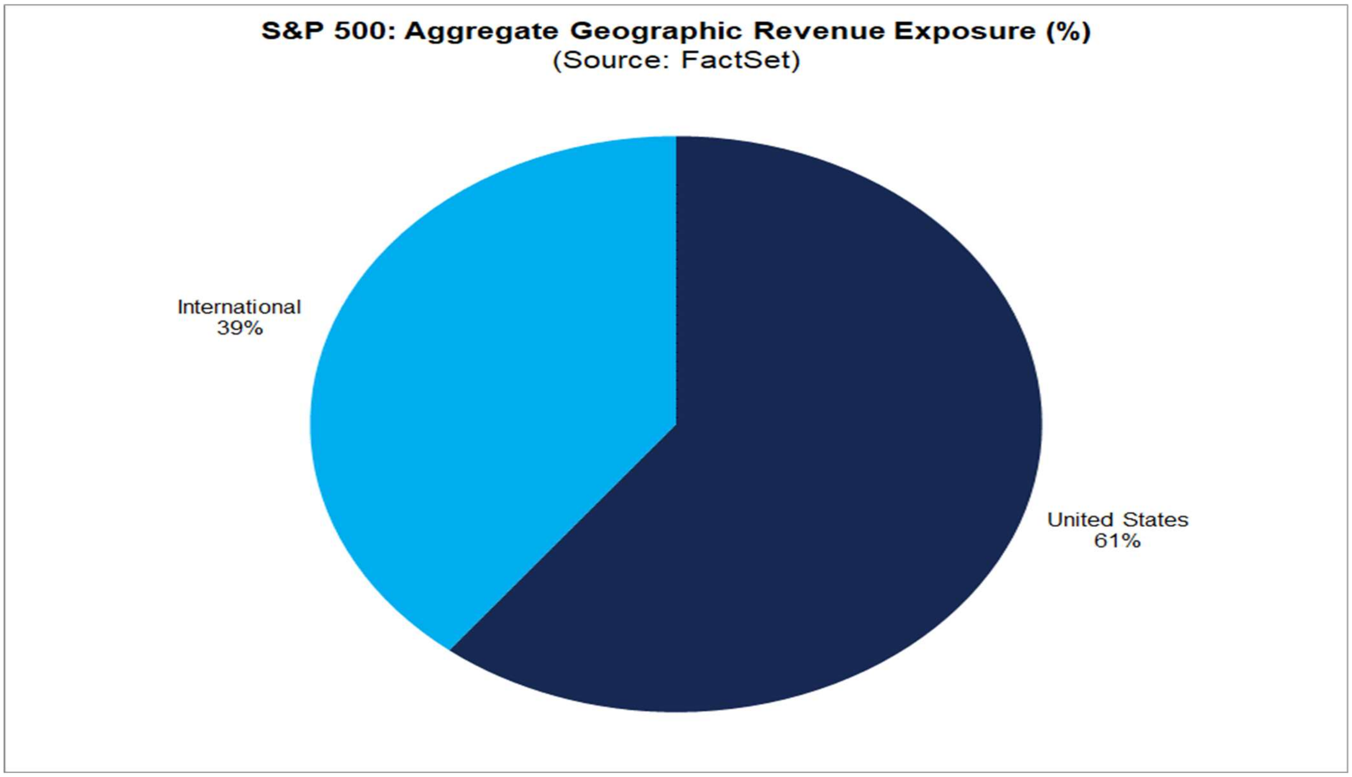


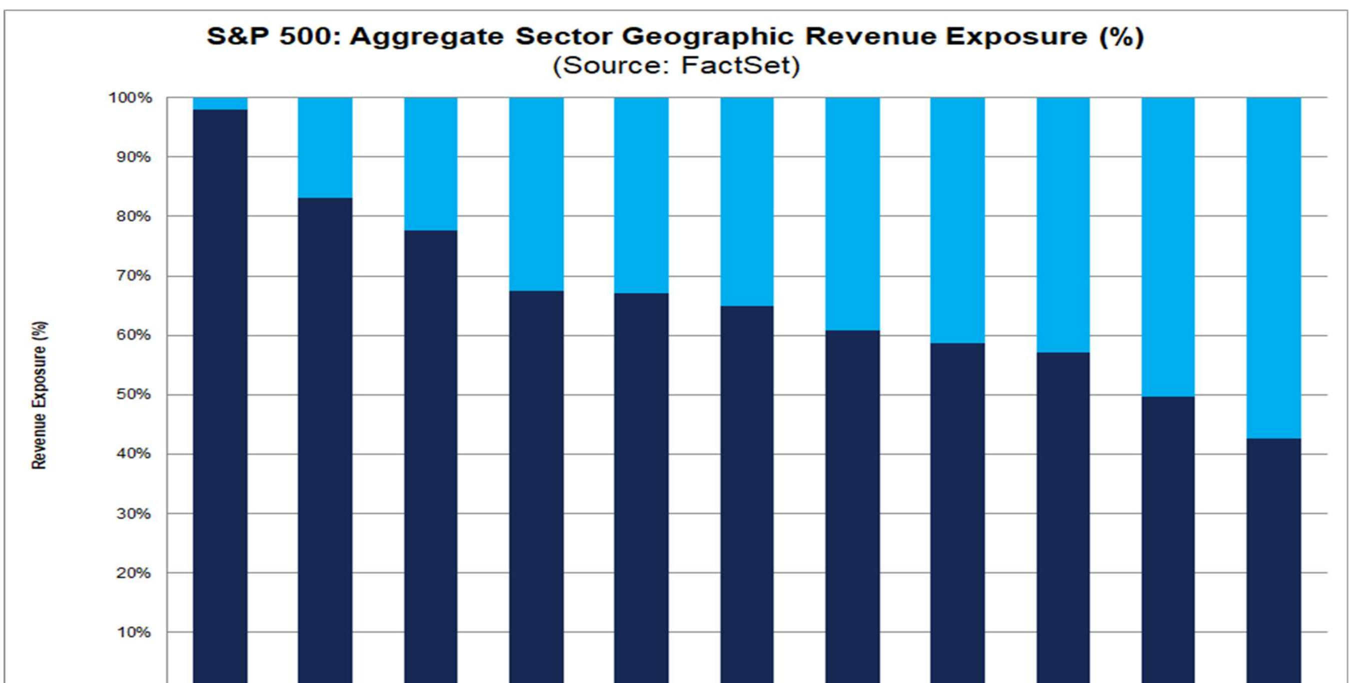
	Consumer Disc.	Real Estate	Comm. Services	Utilities	Info. Technology	Health Care	S&P 500	Consumer Staples	Financials	Materials	Industrials	Energy
Today	17.2%	15.1%	13.0%	12.9%	11.9%	8.8%	8.6%	6.8%	5.9%	5.6%	4.5%	-4.3%
31-Dec	18.0%	14.6%	11.7%	13.4%	10.7%	7.2%	6.5%	6.6%	5.2%	1.0%	-5.7%	-8.1%



	Info. Technology	Consumer Disc.	Comm. Services	Health Care	Real Estate	S&P 500	Industrials	Financials	Consumer Staples	Utilities	Materials	Energy
Today	8.7%	7.8%	7.2%	5.4%	5.2%	5.0%	4.9%	4.8%	3.8%	3.3%	0.4%	-2.8%
31-Dec	8.4%	8.9%	7.9%	5.3%	5.9%	4.7%	5.0%	4.4%	3.6%	3.5%	-0.6%	-7.9%

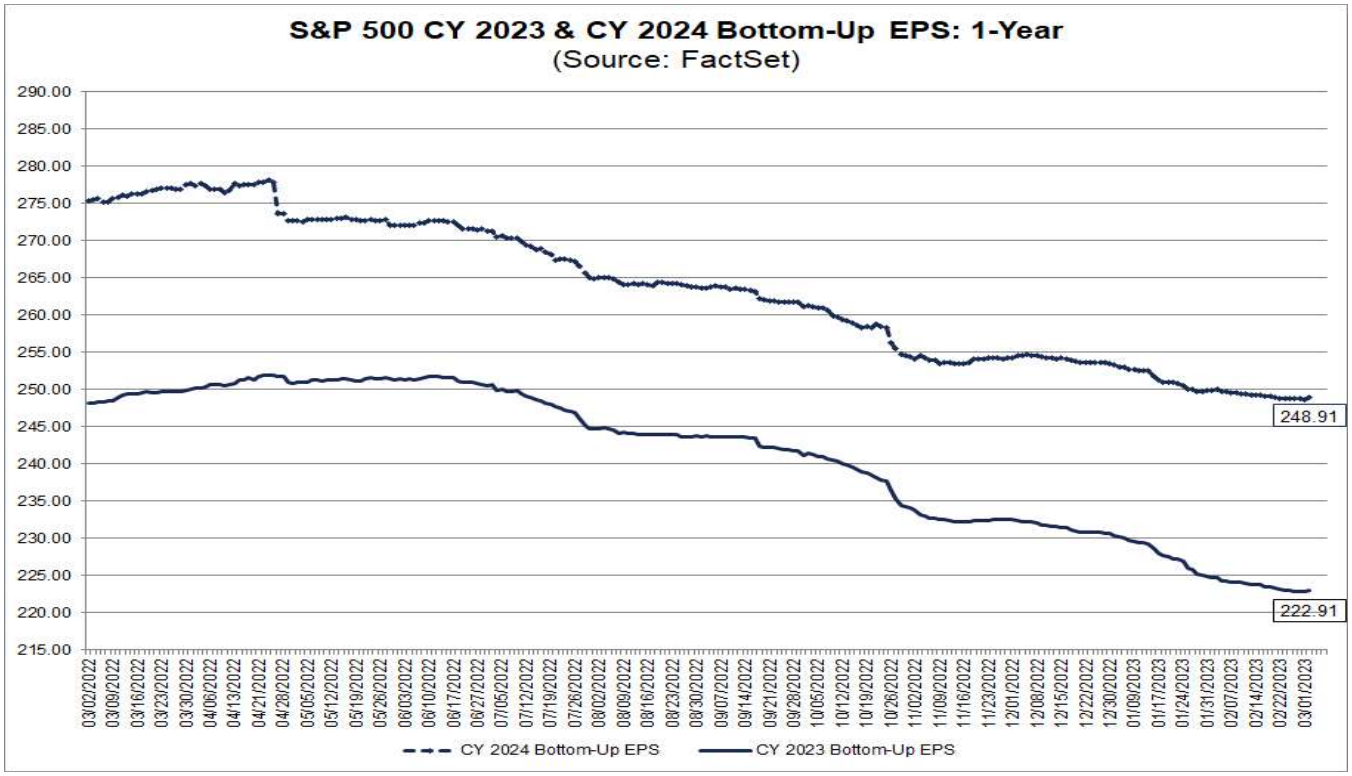
Geographic Revenue Exposure

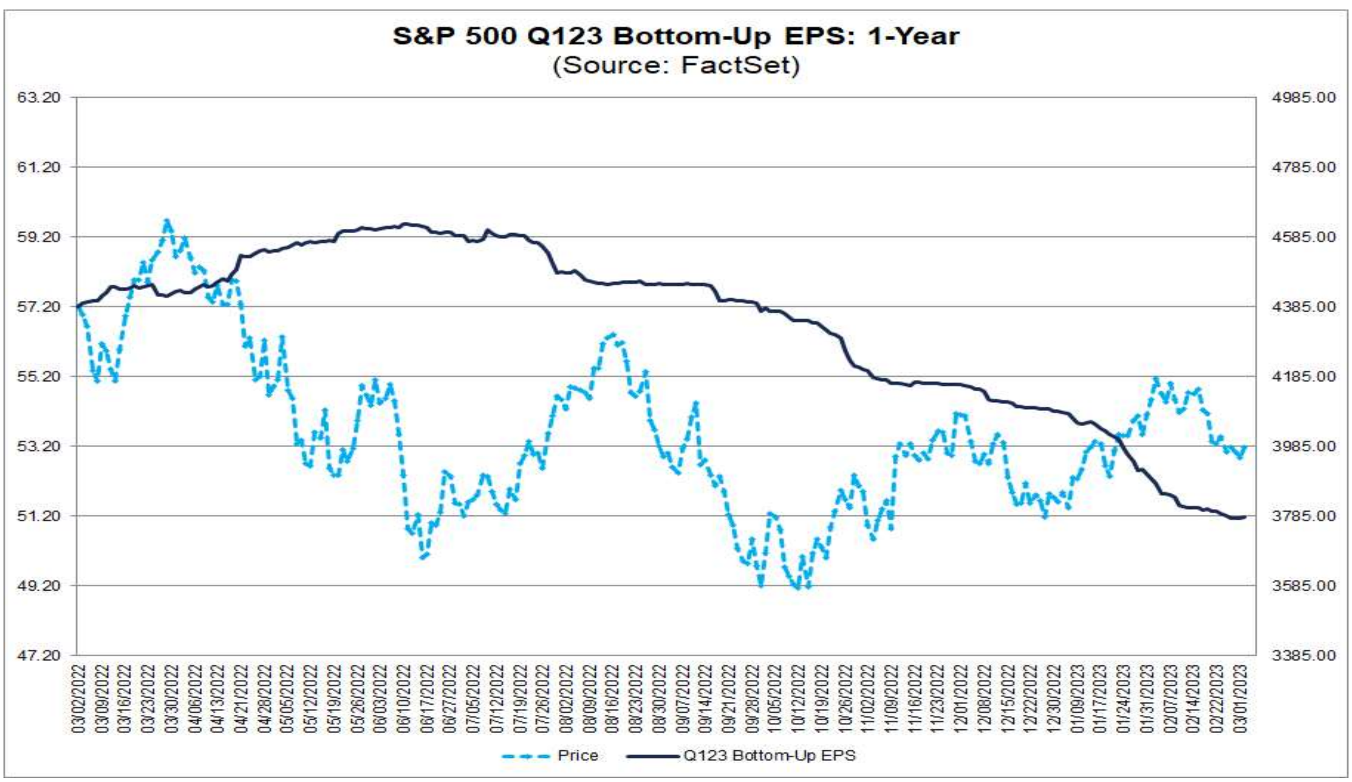




	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	2%	17%	22%	33%	33%	35%	39%	41%	43%	50%	57%
United States	98%	83%	78%	67%	67%	65%	61%	59%	57%	50%	43%

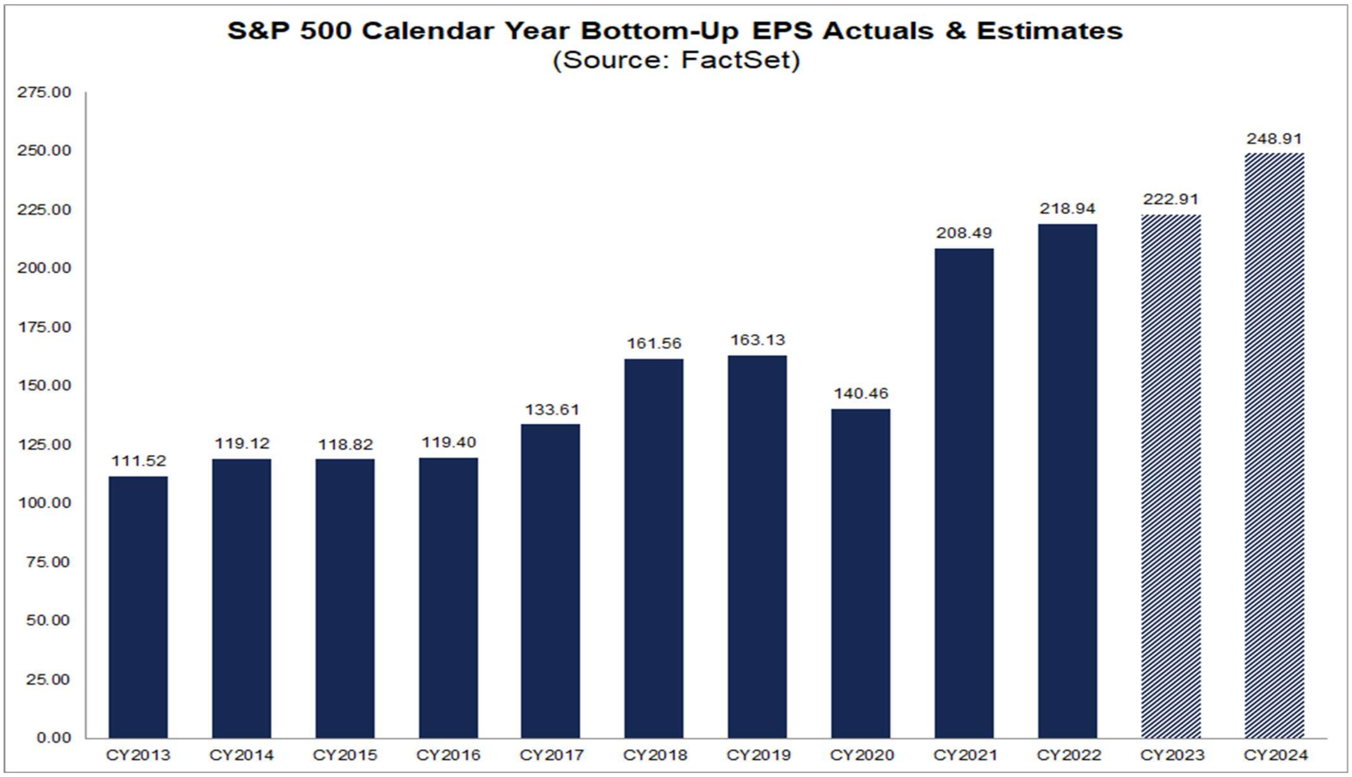
Bottom-Up EPS Estimates

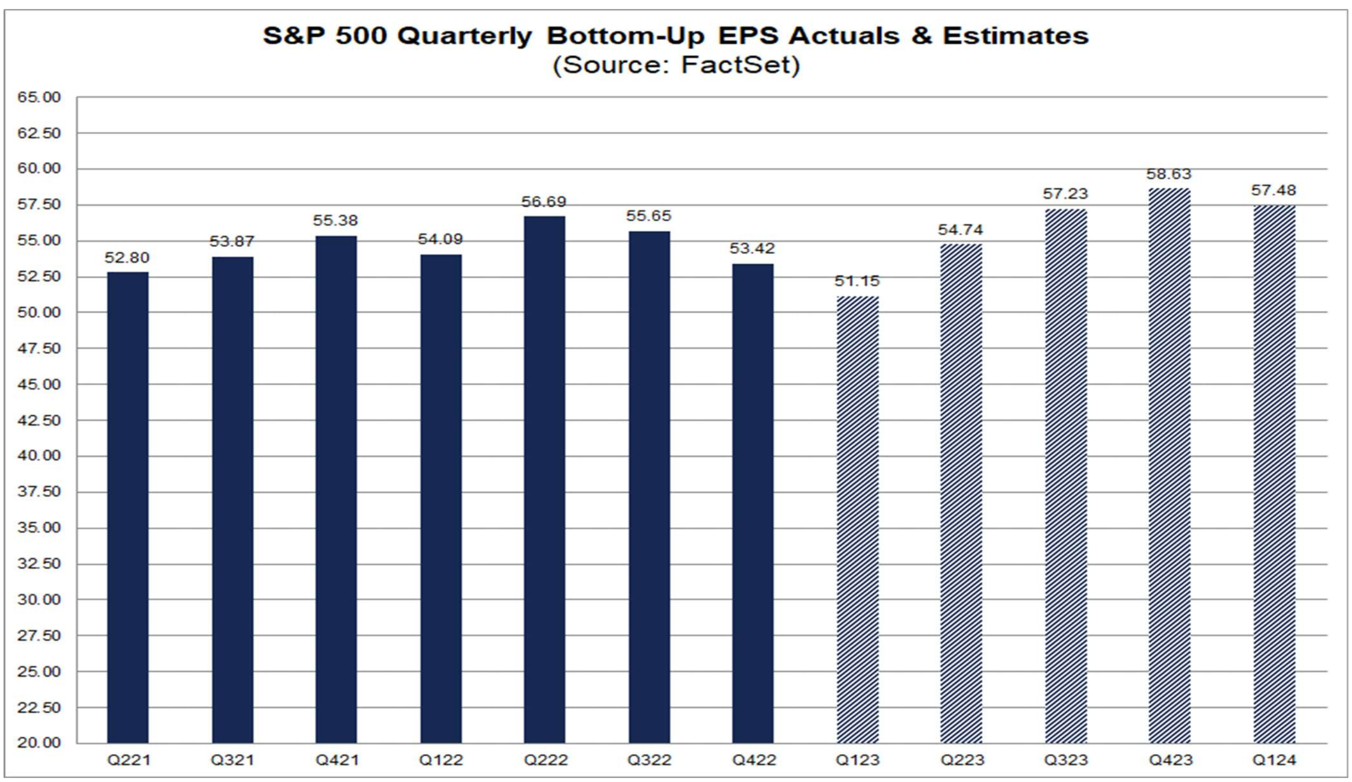




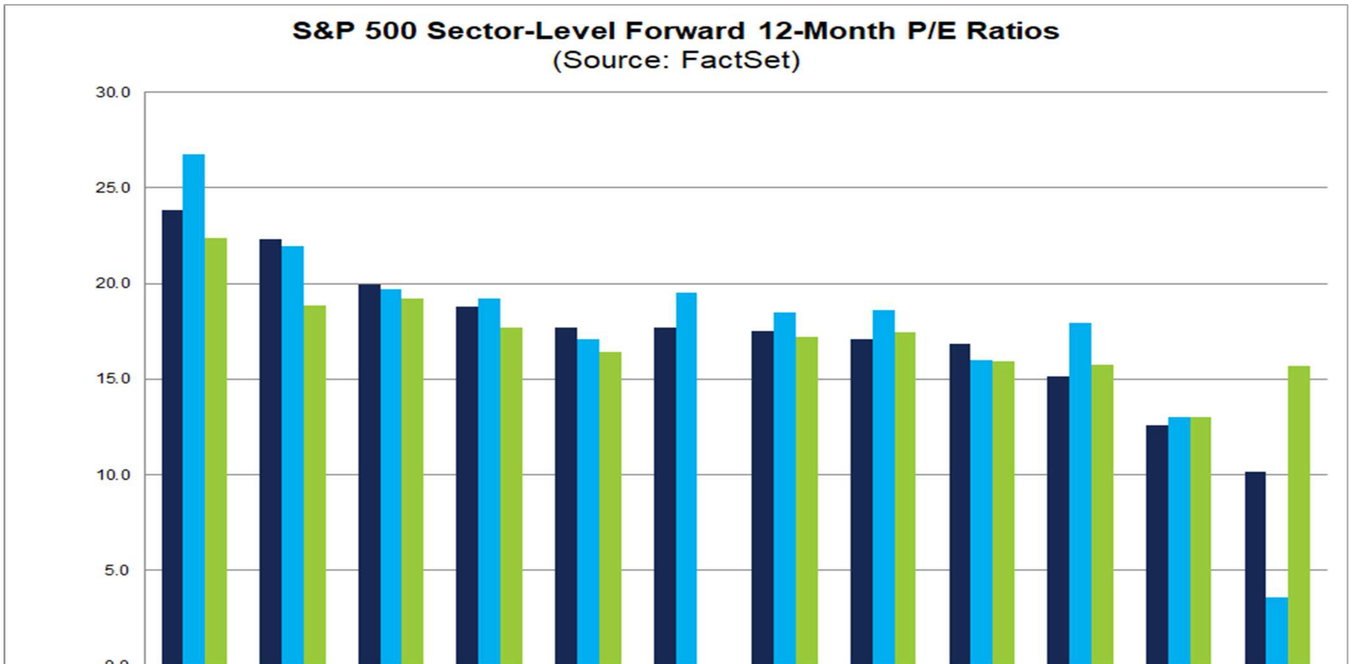
FACTSET SEE THE ADVANTAGE

Bottom-Up EPS Estimates: Current & Historical

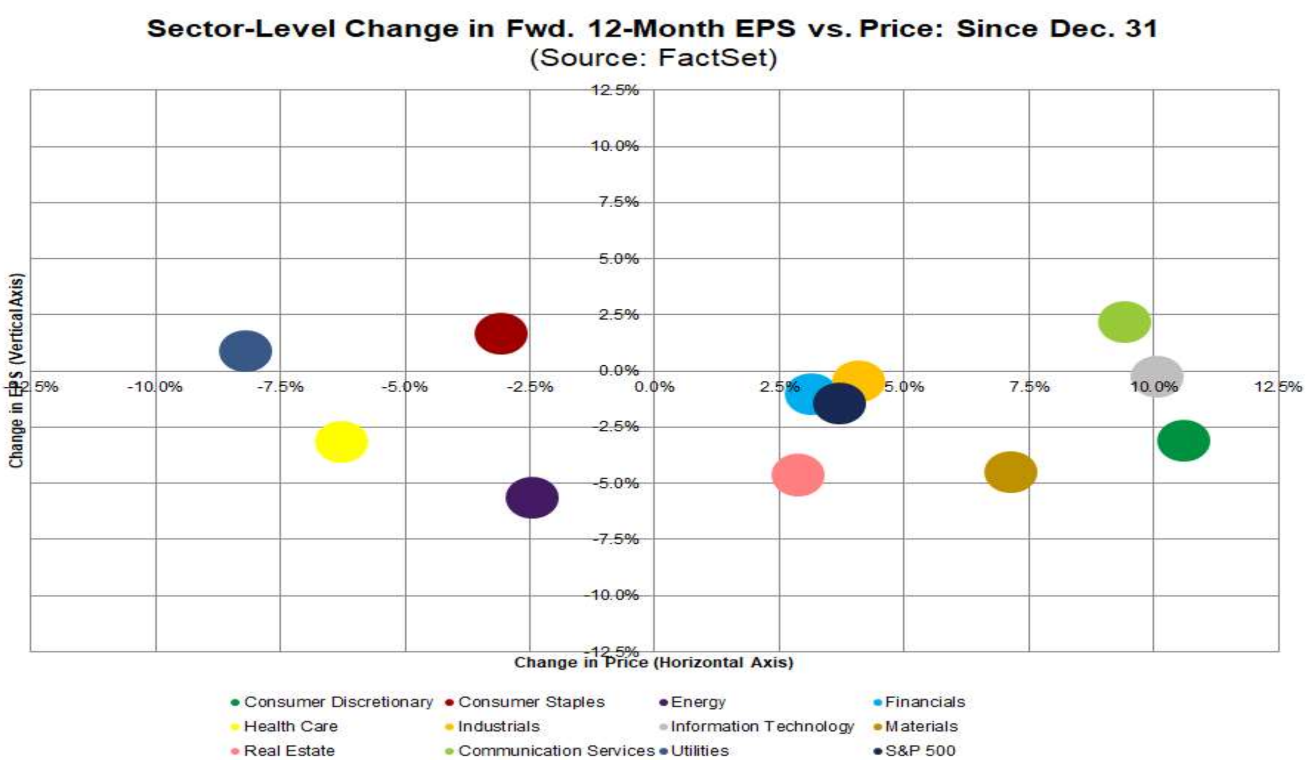




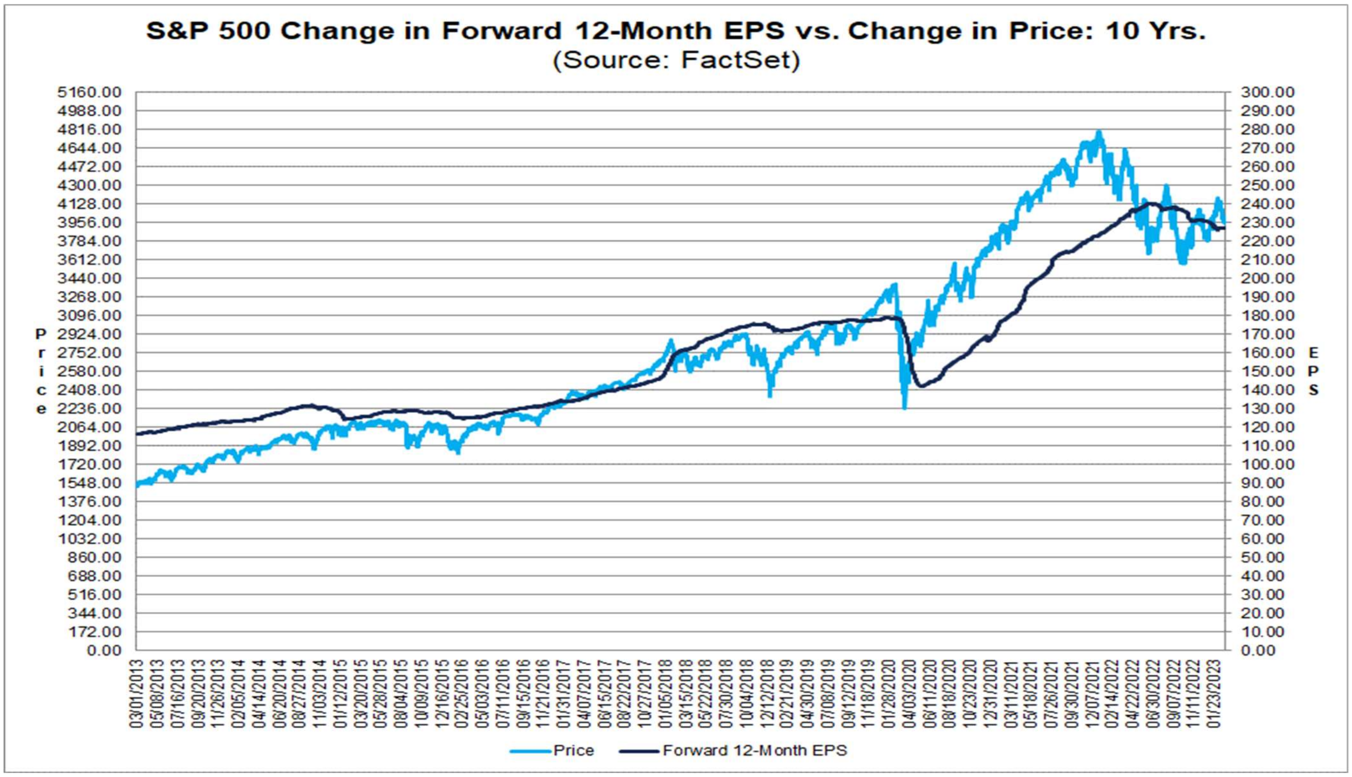
Forward 12M P/E Ratio: Sector Level

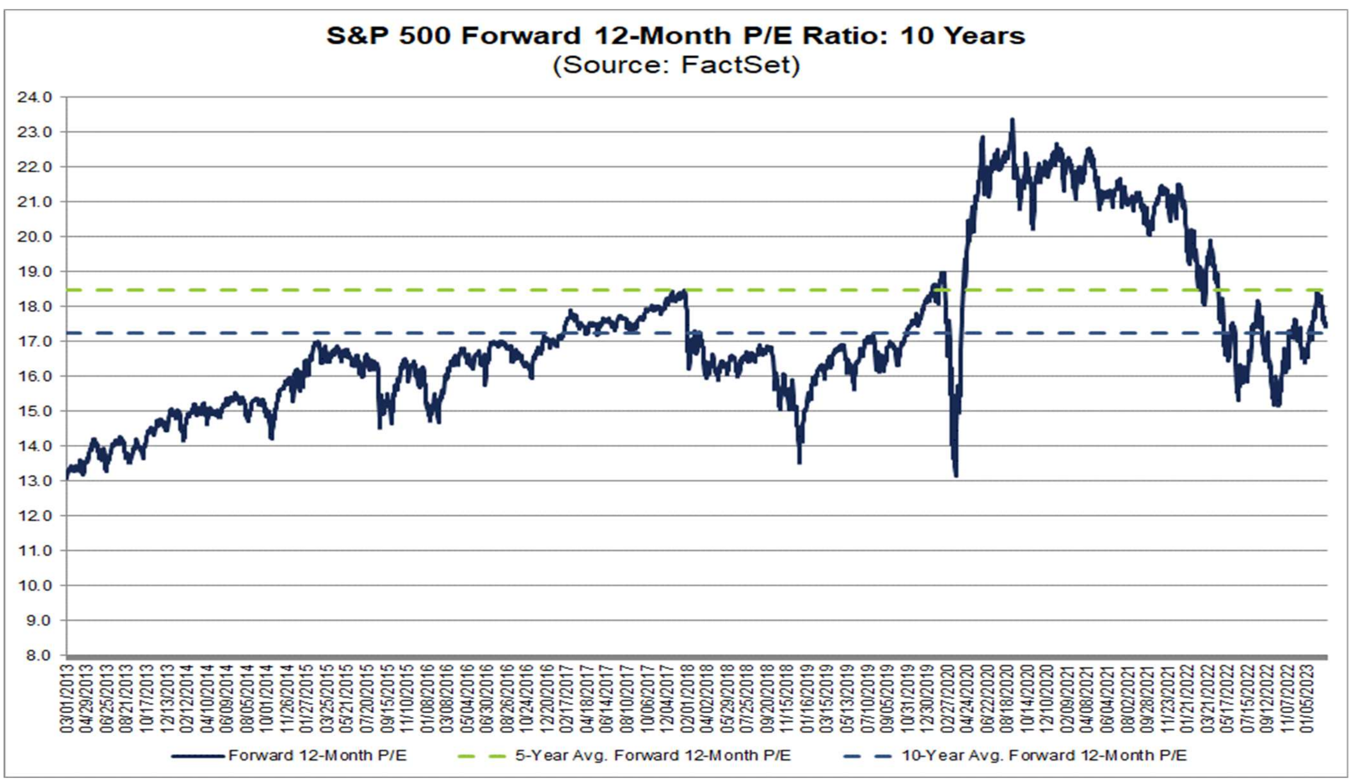


	Consumer Disc.	Info. Technology	Consumer Staples	Industrials	Materials	Real Estate	S&P 500	Utilities	Health Care	Comm. Services	Financials	Energy
Fwd P/E	23.9	22.3	20.0	18.8	17.7	17.7	17.5	17.1	16.9	15.2	12.6	10.2
5-Yr Avg.	26.7	22.0	19.7	19.2	17.1	19.6	18.5	18.6	16.0	18.0	13.0	3.6
10-Yr Avg.	22.4	18.8	19.2	17.7	16.4		17.2	17.4	15.9	15.8	13.0	15.7

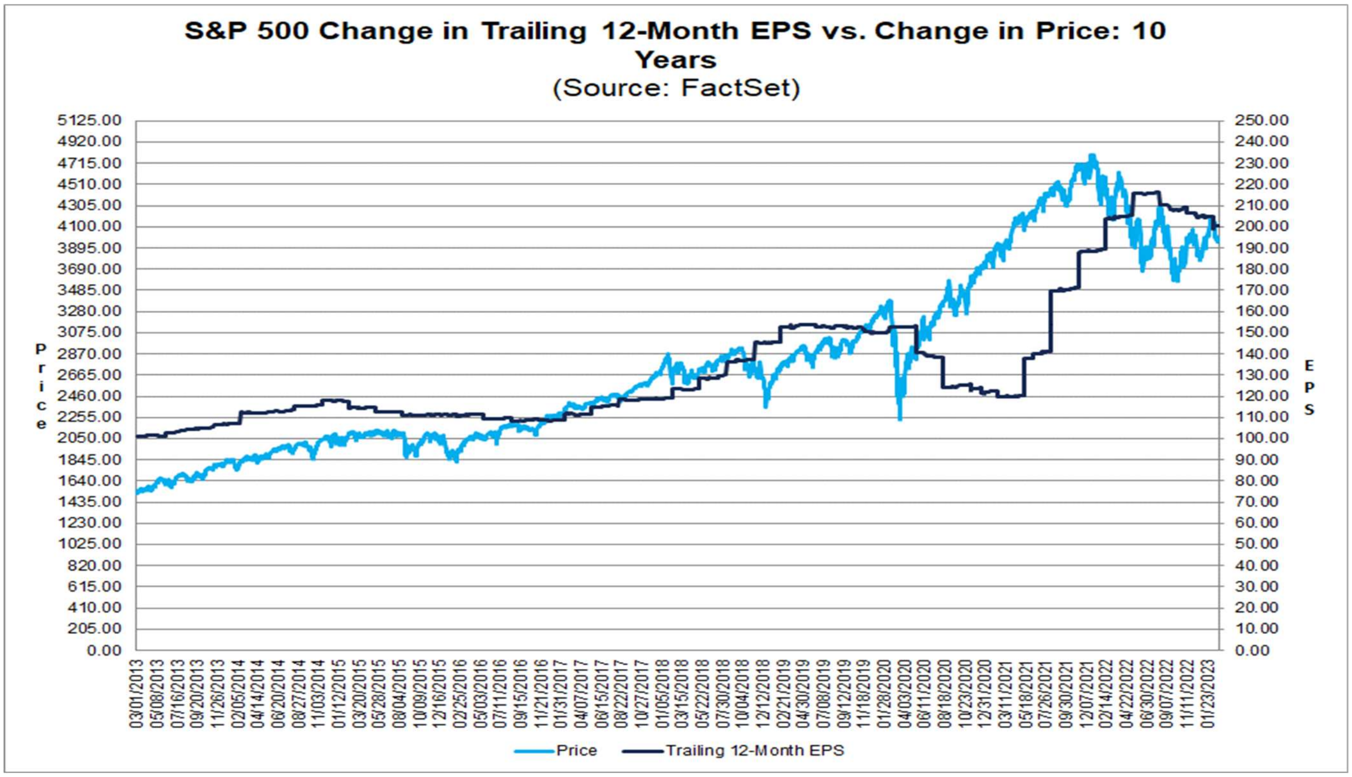


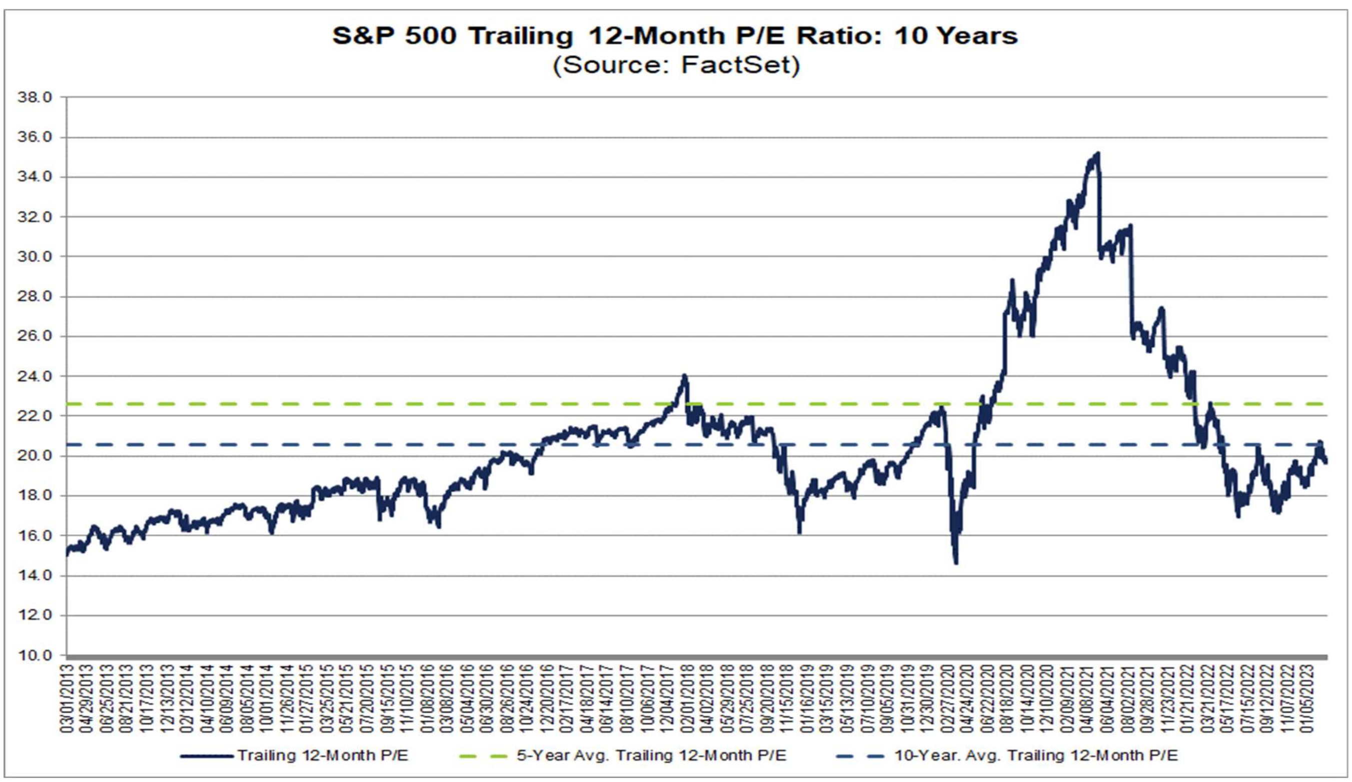
Forward 12M P/E Ratio: 10-Years



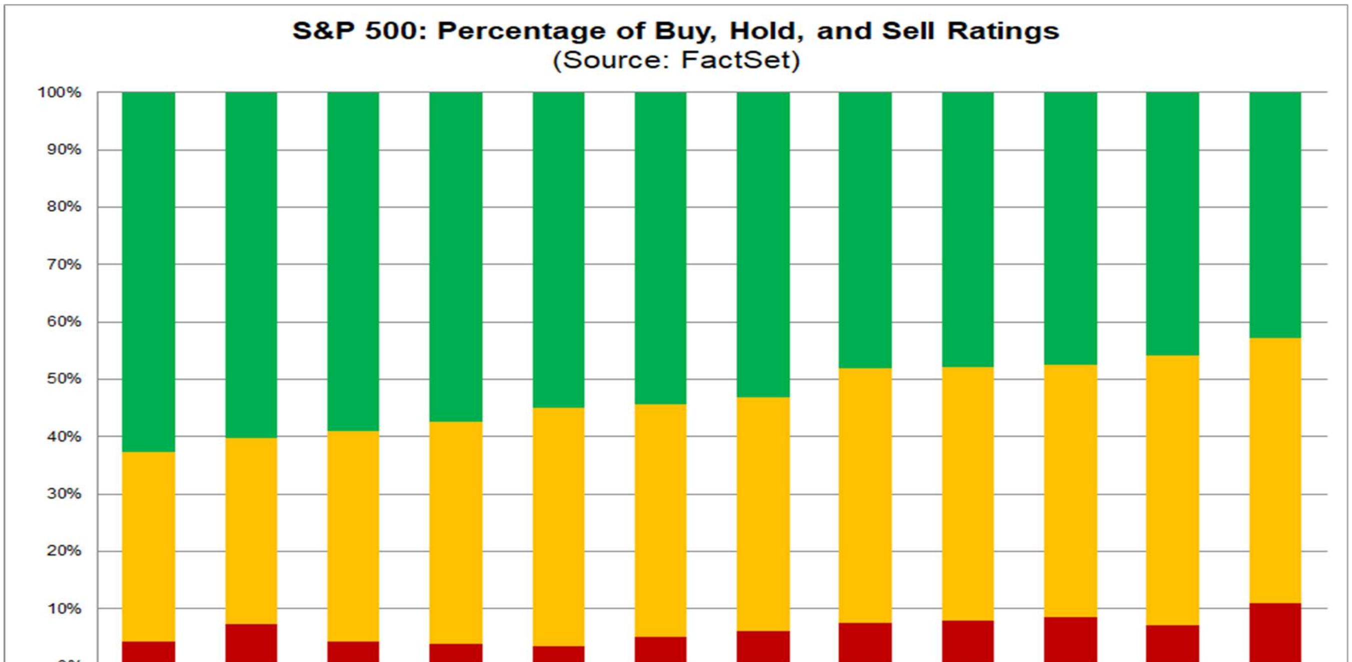


Trailing 12M P/E Ratio: 10-Years

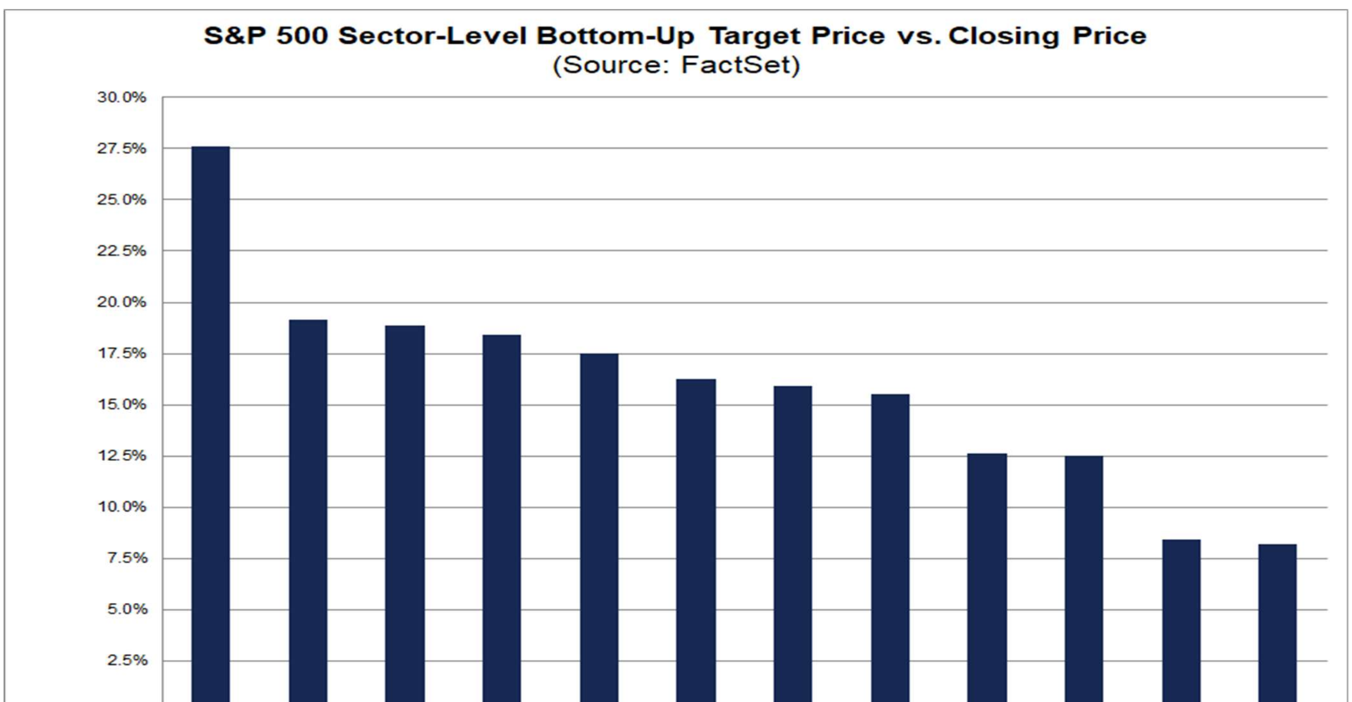




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Real Estate	Consumer Disc.	S&P 500	Industrials	Utilities	Financials	Materials	Consumer Staples
Buy	63%	60%	59%	57%	55%	54%	53%	48%	48%	47%	46%	43%
Hold	33%	32%	37%	39%	42%	40%	41%	44%	44%	44%	47%	46%
Sell	4%	7%	4%	4%	3%	5%	6%	7%	8%	9%	7%	11%



	Comm. Services	Consumer Disc.	Health Care	Energy	Utilities	S&P 500	Info. Tech.	Real Estate	Financials	Consumer Staples	Industrials	Materials
Target/Close	27.6%	19.1%	18.9%	18.4%	17.5%	16.3%	15.9%	15.5%	12.6%	12.5%	8.4%	8.2%

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