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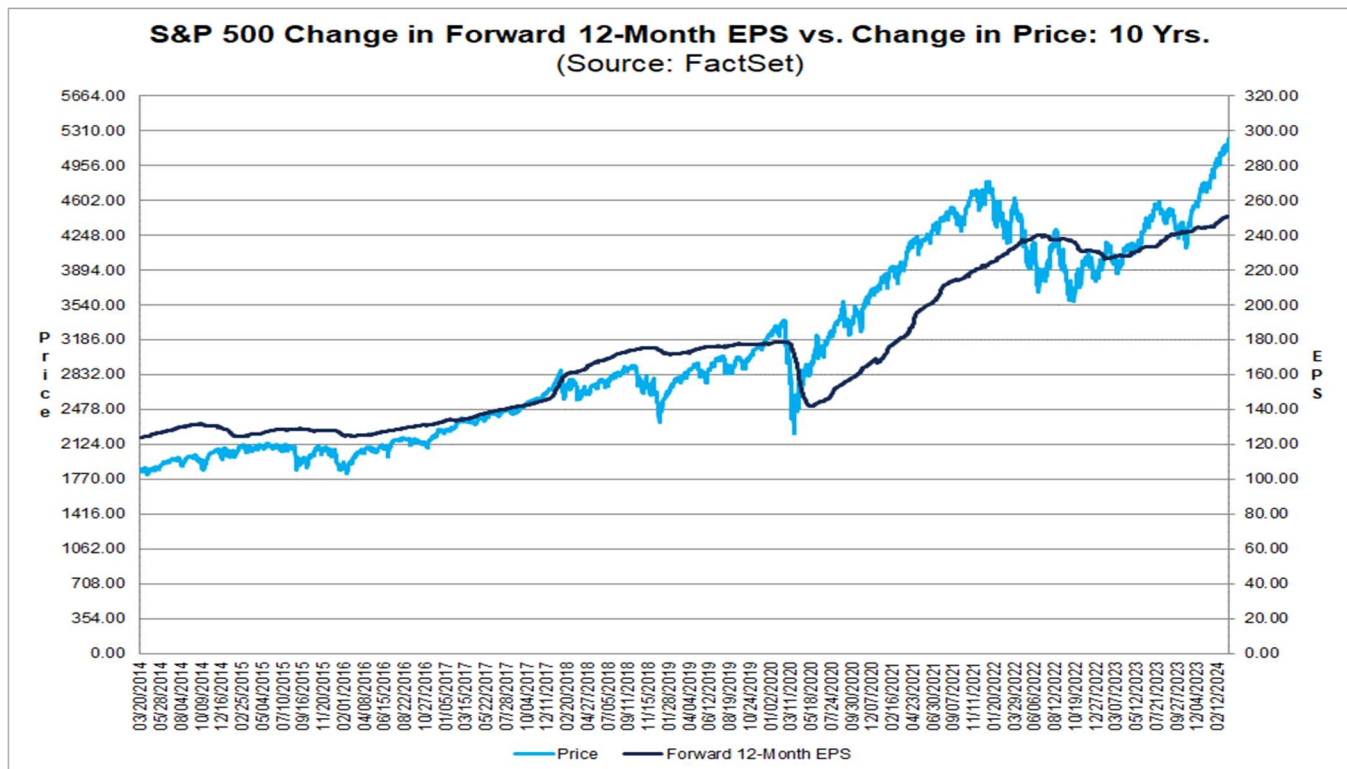
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March 28, 2024

Author’s Note: *The FactSet Earnings Insight report is being published one day early on March 28. The next edition of the report will be published on Friday, April 5.*

Key Metrics

- **Earnings Growth:** For Q1 2024, the estimated (year-over-year) earnings growth rate for the S&P 500 is 3.6%. If 3.6% is the actual growth rate for the quarter, it will mark the third-straight quarter of year-over-year earnings growth for the index.
- **Earnings Revisions:** On December 31, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q1 2024 was 5.8%. Seven sectors are expected to report lower earnings today (compared to December 31) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q1 2024, 79 S&P 500 companies have issued negative EPS guidance and 33 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.9. This P/E ratio is above the 5-year average (19.1) and above the 10-year average (17.7).



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Topic of the Week:

Analysts Made Smaller Cuts Than Average to EPS Estimates for S&P 500 Companies for Q1

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 no. During the first quarter, analysts lowered EPS estimates for the quarter by a smaller 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 2.5% (to \$54.94 from \$56.34) from December 31 to March 27.

In a typical quarter, analysts usually reduce earnings estimates during a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.7%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.4%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.7%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.9%.

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

At the sector level, seven of the eleven sectors witnessed a decrease in their bottom-up EPS estimate for Q1 2024 from December 31 to March 27, led by the Materials (-13.0%) and Energy (-12.3%) sectors. On the other hand, four sectors recorded an increase in their bottom-up EPS estimate for Q1 2024 during this period, led by the Communication Services (+2.2%) sector.

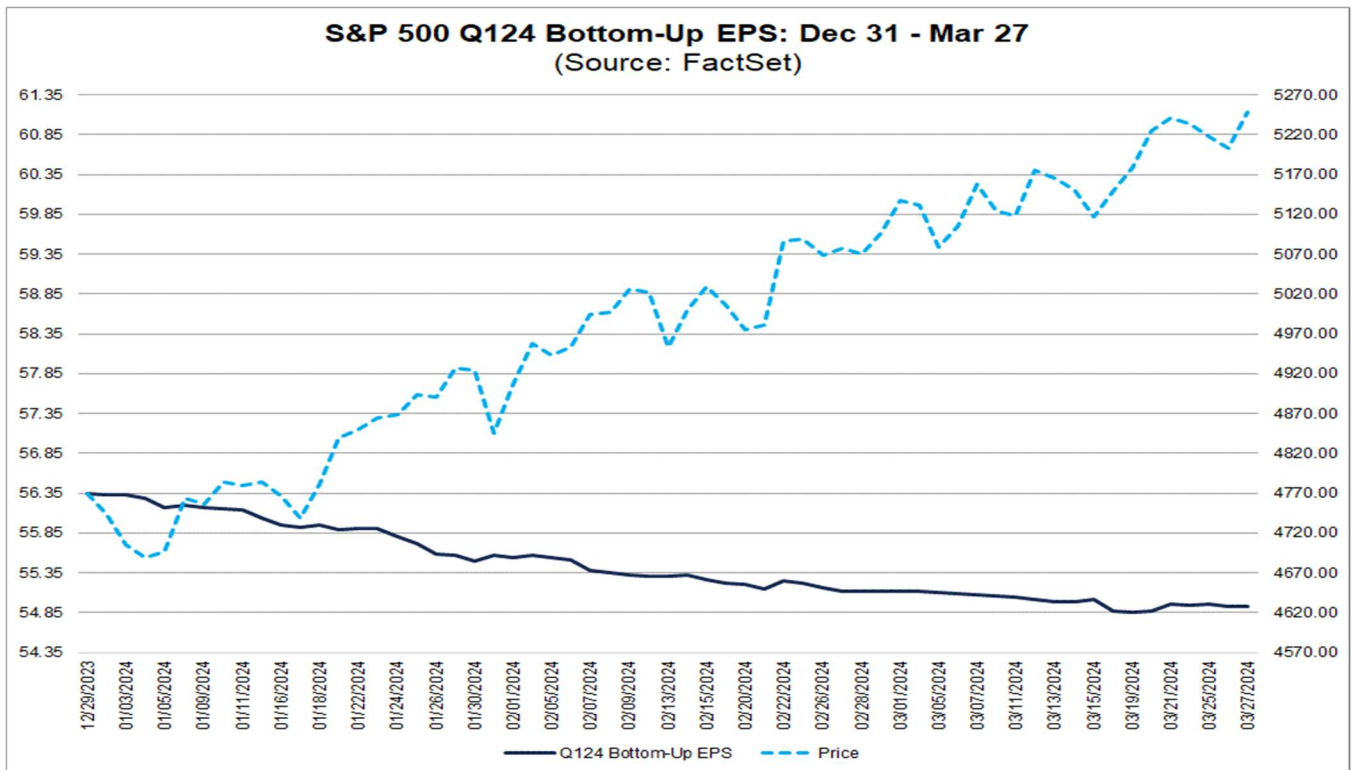
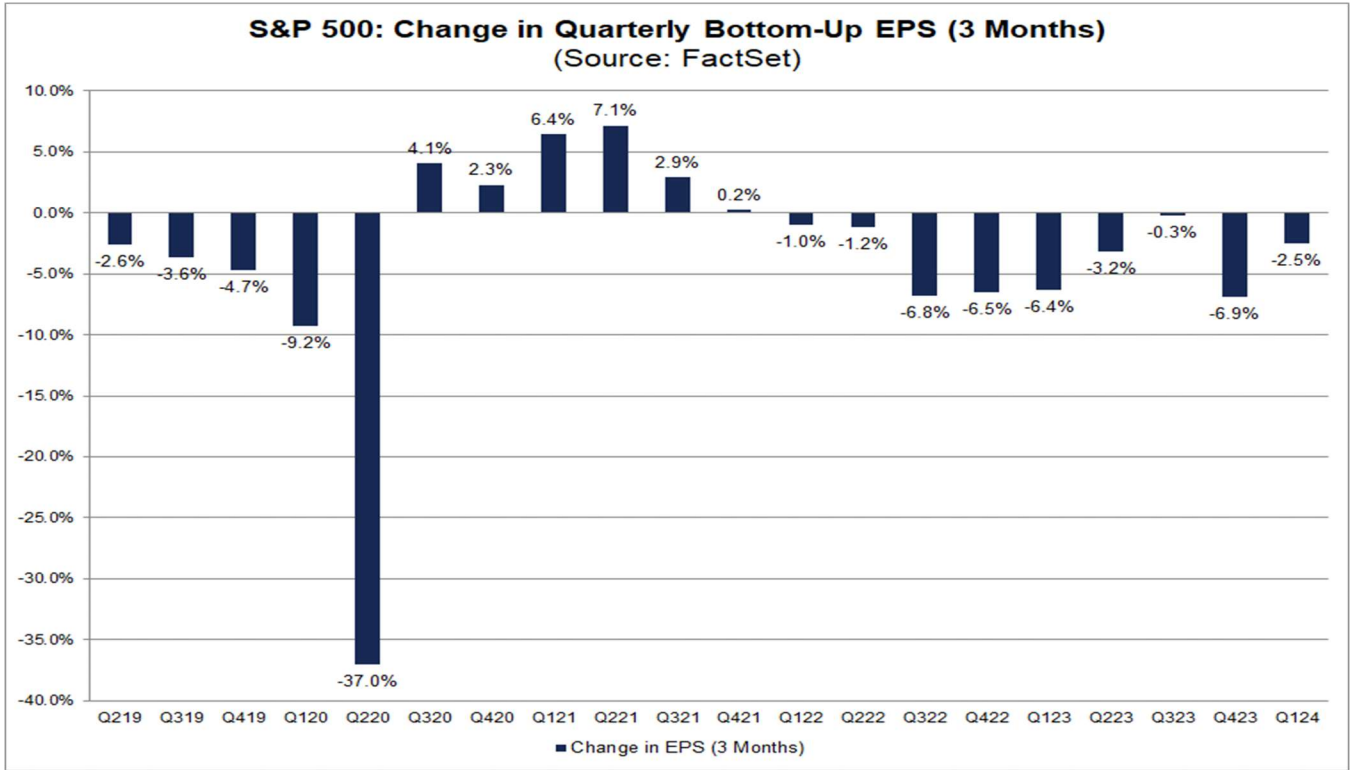
While the bottom-up EPS estimate for Q1 2024 declined by 2.5% during the first quarter, the bottom-up EPS estimate for CY 2024 decreased by 0.4% (to \$243.60 from \$244.47) during this same period.

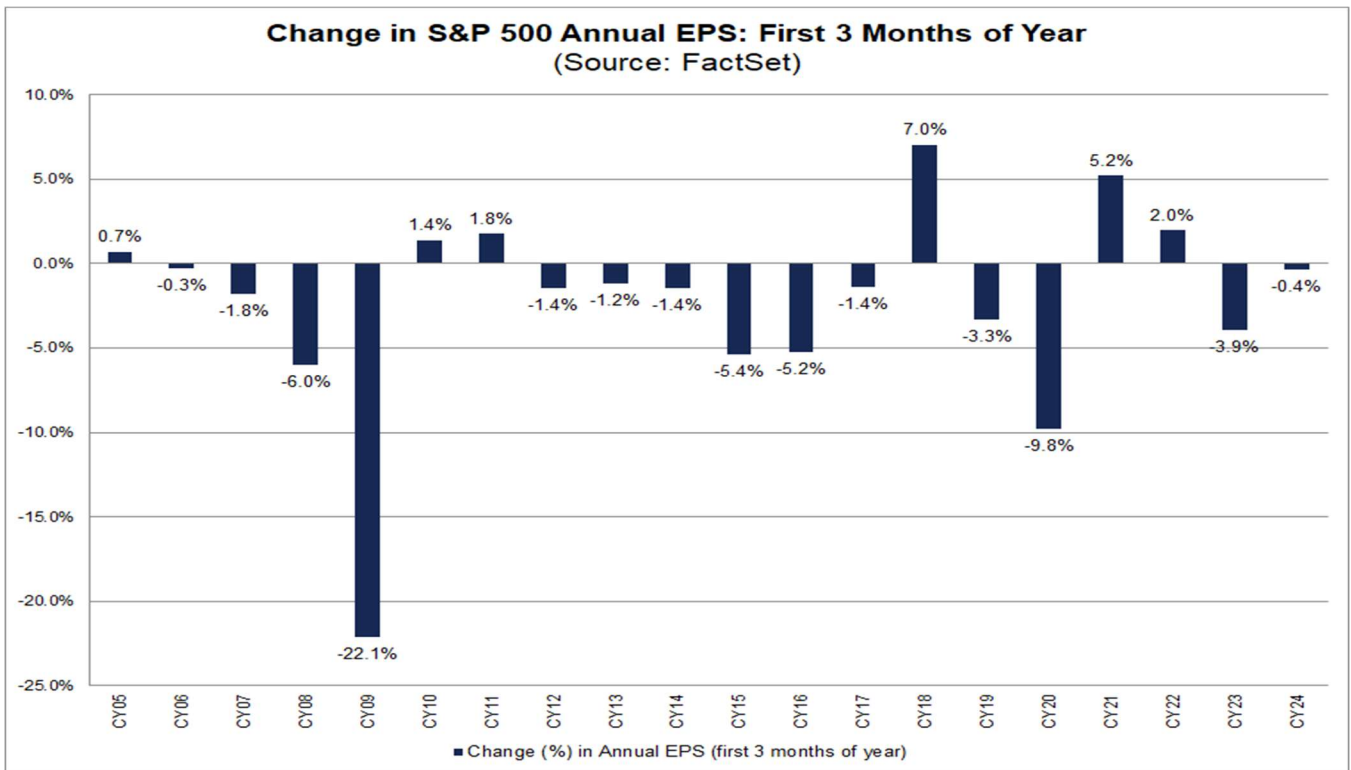
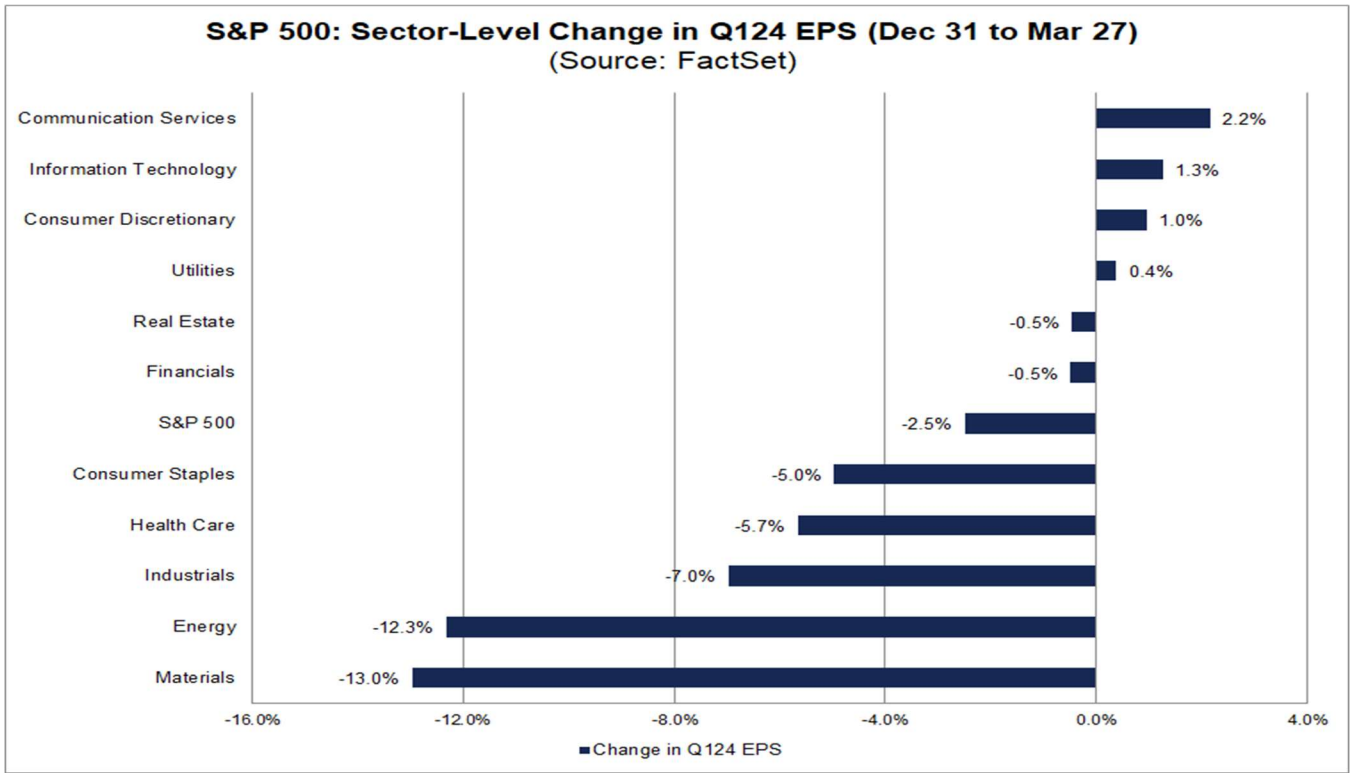
Analysts also usually reduce earnings estimates for the year during the first three months of the year. During the past five years, the average decline in the annual bottom-up EPS estimate during the first three months of the year has been 2.0%. During the past ten years, the average decline in the annual bottom-up EPS estimate during the first three months of the year has been 1.6%. During the past fifteen years, the average decline in the annual bottom-up EPS estimate during the first three months of the year has been 2.5%. During the past 20 years, the average decline in the annual bottom-up EPS estimate during the first three months of the year has been 2.1%. During the past 25 years, the average decline in the annual bottom-up EPS estimate during the first three months of the year has been 2.3%.

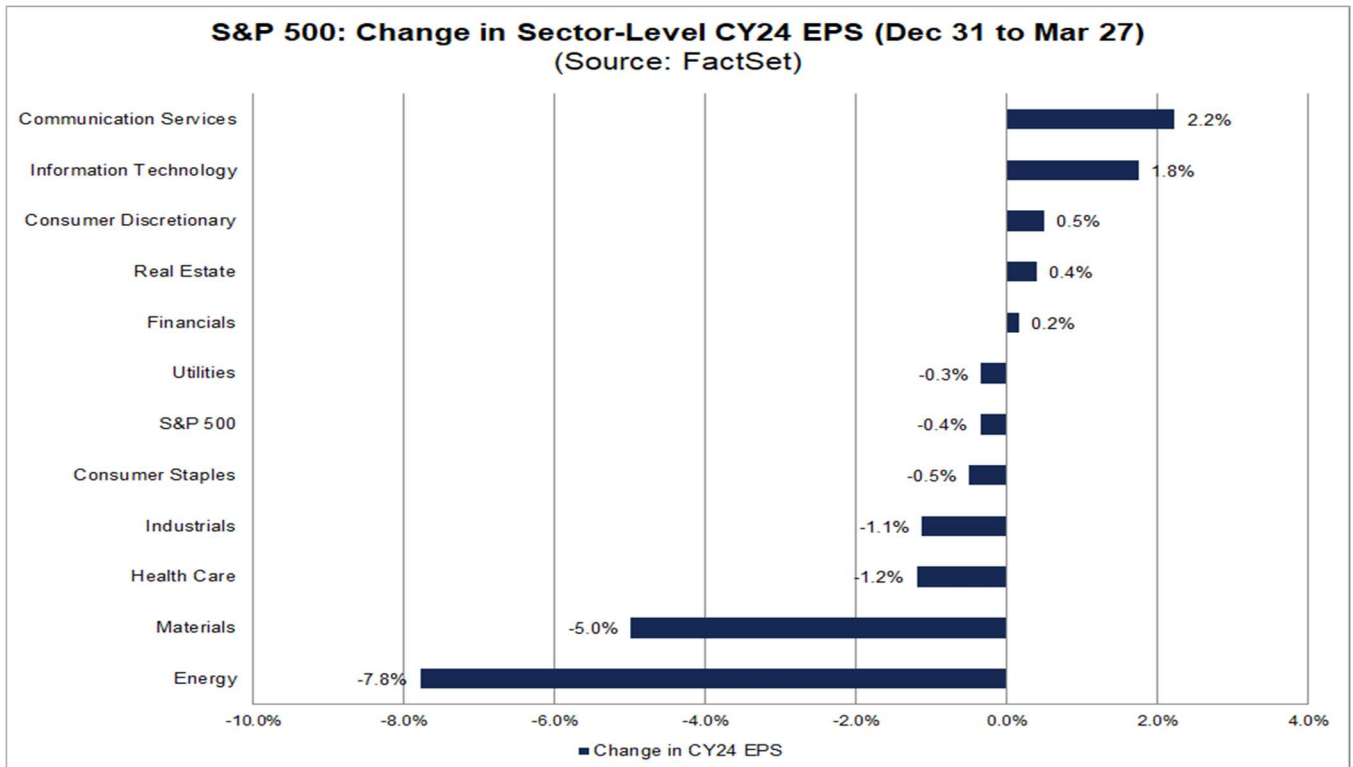
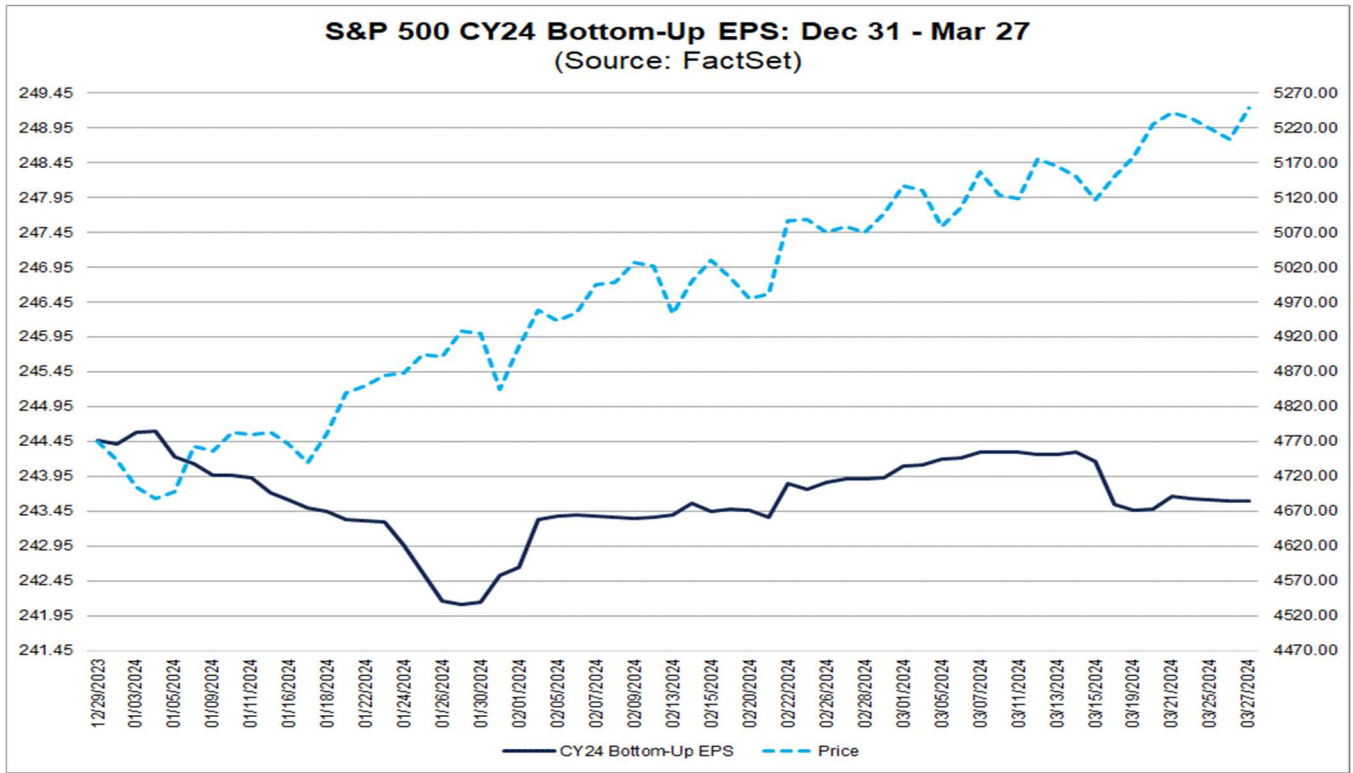
Thus, the decline in the CY 2024 bottom-up EPS estimate recorded during the first three months of 2024 was smaller than the 5-year average, the 10-year average, the 15-year average, the 20-year average, and the 25-year average for the first three months of a year.

At the sector level, six sectors witnessed a decrease in their bottom-up EPS estimate for CY 2024 from December 31 to March 27, led by the Energy (-7.8%) and Materials (-5.0%) sectors. On the other hand, five sectors recorded an increase in their bottom-up EPS estimate for CY 2024 during this period, led by the Communication Services (+2.2%) and Information Technology (+1.8%) sectors.

It is interesting to note that while the bottom-up EPS estimate for CY 2024 declined by 0.4% during the first three months of the year, the bottom-up EPS estimate for CY 2025 increased by 0.3% (to \$276.14 from \$275.19) during this same period.







Q1 Earnings Season: By The Numbers

Overview

While analysts have been less pessimistic in their estimate revisions for S&P 500 companies for the first quarter compared to recent averages, companies have been more pessimistic in their earnings outlooks for the first quarter compared to recent averages. As a result, estimated earnings for the S&P 500 for the first quarter are lower today compared to expectations at the start of the quarter. However, on a year-over-year basis, the index is expected to report earnings growth for the third-straight quarter.

In terms of estimate revisions for companies in the S&P 500, analysts have lowered earnings estimates for Q1 2024 by a smaller margin than average. On a per-share basis, estimated earnings for the first quarter have decreased by 2.5% since December 31. This decrease is smaller than the 5-year average (-3.7%) and the 10-year average (-3.4%).

In terms of guidance, both the number and percentage of S&P 500 companies issuing negative EPS guidance for Q1 2024 are higher than average. At this point in time, 112 companies in the index have issued EPS guidance for Q1 2024. Of these companies, 79 have issued negative EPS guidance and 33 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is above the 5-year average (58) and above the 10-year average (62). The percentage of S&P 500 companies issuing negative EPS guidance for Q1 2024 is 71% (79 out of 112), which is also above the 5-year average of 59% and above the 10-year average of 63%.

Because of the downward revisions to earnings estimates by analysts and the negative EPS guidance issued by companies, the estimated (year-over-year) earnings growth rate for Q1 2024 is lower now relative to the start of the first quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 3.6%, compared to the estimated (year-over-year) earnings growth rate of 5.8% on December 31. If 3.6% is the actual growth rate for the quarter, it will mark the third consecutive quarter of year-over-year earnings growth for the index.

Seven of the eleven sectors are projected to report year-over-year earnings growth, led by the Utilities, Information Technology, Communication Services, and Consumer Discretionary sectors. On the other hand, four sectors are predicted to report a year-over-year decline in earnings, led by the Energy and Materials sectors.

In terms of revenues, analysts have also decreased their estimates during the quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 3.5%, compared to the expectations for revenue growth of 4.4% on December 31. If 3.5% is the actual revenue growth rate for the quarter, it will mark the 14th consecutive quarter of revenue growth for the index.

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

Looking ahead, analysts expect (year-over-year) earnings growth rates of 9.4%, 8.5%, and 17.6% for Q2 2024, Q3 2024, and Q4 2024, respectively. For CY 2024, analysts are calling for (year-over-year) earnings growth of 11.0%.

The forward 12-month P/E ratio is 20.9, which is above the 5-year average (19.1) and above the 10-year average (17.7). It is also above the forward P/E ratio of 19.5 recorded at the end of the fourth quarter (December 31).

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

Earnings Revisions: Energy and Materials Sectors Have Seen Largest Decreases in EPS Estimates

No Change in Estimated Earnings Growth Rate for Q1 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q1 2024 remained unchanged at 3.6%.

The estimated earnings growth rate for the S&P 500 for Q1 2024 of 3.6% today is below the estimate of 5.8% at the start of the quarter (December 31), as estimated earnings for the index of \$479.1 billion today are 2.1% below the estimate of \$489.5 billion at the start of the quarter. Seven sectors have recorded a decrease in dollar-level earnings due to downward revisions to earnings estimates, led by the Energy, Materials, Industrials, and Health Care sectors. On the other hand, four sectors have recorded an increase in expected (dollar-level) earnings due upward revisions to earnings estimates, led by the Consumer Discretionary and Information Technology sectors.

Energy: Chevron Leads Earnings Decrease Since December 31

The Energy sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -13.8% (to \$29.8 billion from \$34.6 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -27.3% today from -15.7% on December 31. Despite the decrease in expected earnings, this sector has witnessed the third-largest price increase of all eleven sectors since December 31 at 11.5%. Overall, 21 of the 23 companies (91%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 21 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Occidental Petroleum (to \$0.60 from \$1.21), APA Corporation (to \$0.83 from \$1.42), and EQT Corporation (to \$0.74 from \$1.24). However, Chevron (to \$2.98 from \$3.51), Exxon Mobil (to \$2.05 from \$2.25), Occidental Petroleum, and ConocoPhillips (to \$2.00 from \$2.37) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since December 31.

Materials: 86% of Companies Have Seen a Decline in EPS Since December 31

The Materials sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -13.3% (to \$10.1 billion from \$11.7 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -23.7% today from -11.9% on December 31. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 8.2% since December 31. Overall, 24 of the 28 companies (86%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 24 companies, 19 have recorded a decrease in their mean EPS estimate of more than 10%, led by Albemarle (to \$0.22 from \$2.31), FMC Corporation (to \$0.33 from \$1.03), WestRock Company (to \$0.25 from \$0.55), International Paper (to \$0.22 from \$0.38), and Newmont (to \$0.40 from \$0.61).

Industrials: Boeing Leads Earnings Decrease Since December 31

The Industrials sector has recorded the third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -6.5% (to \$37.1 billion from \$39.6 billion). As a result, the estimated (year-over-year) growth rate for this sector has decreased to 1.3% today from 8.2% on December 31. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 10.5% since December 31. Overall, 58 of the 78 companies (74%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 58 companies, 14 have recorded a decrease in their mean EPS estimate of more than 10%, led by Boeing (to -\$1.20 from \$0.64), United Airlines Holding (to -\$0.54 from -\$0.21), and Generac Holdings (to \$0.82 from \$1.42). Boeing and UPS (to \$1.36 from \$1.97) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since December 31.

Health Care: Bristol-Myers Squibb Leads Earnings Decrease Since December 31

The Health Care sector has recorded the fourth-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -5.3% (to \$65.0 billion from \$68.7 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -7.0% today from -1.9% on December 31. Despite the decrease in expected earnings, this sector witnessed a price increase of 8.3% since December 31. Overall, 52 of the 64 companies (81%) in the Health Care sector have seen a decrease in their mean EPS estimate during this time. Of these 52 companies, 15 have recorded a decrease in their mean EPS estimate of more than 10%, led by West Pharmaceutical Services (to \$1.26 from \$2.11), Humana (to \$6.37 from \$10.32), and Illumina (to \$0.04 from \$0.07). However, Bristol-Myers Squibb (to \$1.62 from \$2.00), Humana, Pfizer (to \$0.55 from \$0.62), and CVS Health (to \$1.71 from \$2.02) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since December 31.

Consumer Discretionary: Amazon.com Leads Earnings Increase Since December 31

The Consumer Discretionary sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 2.7% (to \$36.4 billion from \$35.5 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 16.0% today from 12.9% on December 31. This sector has also witnessed a price increase of 4.9% since December 31. Overall, 21 of the 53 companies (40%) in the Consumer Discretionary sector have seen an increase in their mean EPS estimate during this time. Of these 21 companies, 11 have recorded an increase in their mean EPS estimate of more than 10%, led by Norwegian Cruise Line (to \$0.09 from -\$0.20), Royal Caribbean Group (to \$1.30 from \$0.90), NIKE (to \$0.98 from \$0.76), and Amazon.com (to \$0.83 from \$0.68). Amazon.com has also been the largest contributor to the increase in estimated (dollar-level) earnings for this sector since December 31.

Information Technology: NVIDIA Leads Earnings Increase Since December 31

The Information Technology sector has recorded the second-largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 1.8% (to \$103.8 billion from \$101.9 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 20.5% today from 18.3% on December 31. This sector has also witnessed the second-largest price increase of all eleven sectors since December 31 at 12.6%. Overall, 30 of the 65 companies (46%) in the Information Technology sector have seen an increase in their mean EPS estimate during this time. Of these 30 companies, 7 have recorded an increase in their mean EPS estimate of more than 10%, led by Micron Technology (to \$0.42 from -\$0.28), Western Digital (to \$0.14 from -\$0.60), Seagate Technology (to \$0.26 from \$0.16), and Super Micro Computer (to \$5.83 from \$4.35). However, NVIDIA (to \$5.54 from \$4.74), Microsoft (to \$2.81 from \$2.63), and Micron Technology have been the largest contributors to the increase in expected (dollar-level) earnings for this sector since December 31.

Index-Level EPS Estimate: 2.5% Decrease Since December 31

The Q1 bottom-up EPS estimate (which is an aggregation of the median Q1 earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) has decreased by 2.5% (to \$54.94 from \$56.34) since December 31. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 3.7% on average during a quarter. Over the past ten years (40 quarters), earnings expectations have fallen by 3.4% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 3.7% on average during a quarter. Over the past twenty years (60 quarters), earnings expectations have fallen by 3.9% on average during a quarter.

Thus, the decline in the bottom-up EPS estimate for the first quarter to date has been smaller than the 5-year average, the 10-year average, the 15-year average, and the 20-year average.

Guidance: More S&P 500 Companies Issuing Negative Guidance for Q1 Than Average

Quarterly Guidance: Negative Guidance for Q1 is Above 5-Year and 10-Year Averages

At this point in time, 112 companies in the index have issued EPS guidance for Q1 2024. Of these 112 companies, 79 have issued negative EPS guidance and 33 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is above the 5-year average (58) and above the 10-year average (62). The percentage of S&P 500 companies issuing negative EPS guidance for Q1 2024 is 71% (79 out of 112), which is also above the 5-year average of 59% and above the 10-year average of 63%.

Annual Guidance: 54% of S&P 500 Companies Issuing Negative Guidance for Current Year

At this point in time, 264 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 264 companies, 141 have issued negative EPS guidance and 123 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 53% (141 out of 264).

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

Earnings Growth: 3.6%

The estimated (year-over-year) earnings growth rate for Q1 2024 is 3.6%, which is below the 5-year average earnings growth rate of 9.5% and below the 10-year average earnings growth rate of 8.4%. If 3.6% is the actual growth rate for the quarter, it will mark the third consecutive quarter that the index has reported year-over-year earnings growth.

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

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

The Utilities sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 24.1%. At the industry level, 4 of 5 industries in this sector are predicted to report year-over-year earnings growth. Three of these five industries are projected to report double-digit growth: Independent Power and Renewable Electricity Producers (53%), Electric Utilities (43%), and Gas Utilities (11%). The Multi-Utilities industry (less than -1%) is the only industry expected to report a year-over-year decline in earnings.

At the industry level, the Electric Utilities industry is predicted to be the largest contributor to earnings growth for the sector. If this industry were excluded, the estimated earnings growth rate for the Utilities sector would fall to 2.3% from 24.1%.

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

The Information Technology sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 20.5%. At the industry level, 4 of the 6 industries in the sector are predicted to report year-over-year earnings growth. Two of these four industries are projected to report double-digit growth: Semiconductors & Semiconductor Equipment (75%) and Software (15%). On the other hand, two industries are projected to report a year-over-year decline in earnings: Communications Equipment (-10%) and Electronic Equipment, Instruments, & Components (-8%).

At the company level, NVIDIA (\$5.54 vs. \$1.09) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated (year-over-year) earnings growth rate for the Information Technology sector would fall to 7.7% from 20.5%.

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

The Communication Services sector is expected to report the third-highest (year-over-year) earnings growth rate of all eleven sectors at 19.4%. At the industry level, 3 of the 5 industries in the sector are predicted to report year-over-year earnings growth. Two of these three industries are projected to report double-digit growth: Interactive Media & Services (42%) and Wireless Telecommunication Services (17%). On the other hand, two industries are expected to report a year-over-year decline in earnings: Diversified Telecommunication Services (-8%) and Media (-3%).

At the company level, Meta Platforms (\$4.29 vs. \$2.20) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated (year-over-year) earnings growth rate for Communication Services sector would fall to 9.2% from 19.4%.

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

The Consumer Discretionary sector is expected to report the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 16.0%. At the industry level, 6 of the 9 industries in the sector are predicted to report year-over-year earnings growth. Three of these six industries are projected to report double-digit growth: Leisure Products (2,872%), Broadline Retail (143%), and Hotels, Restaurants, & Leisure (40%). On the other hand, three industries are expected to report a year-over-year decline in earnings. One of these three industries is predicted to report a double-digit decrease: Automobiles (-25%).

At the company level, Amazon.com (\$0.83 vs. \$0.31) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the Consumer Discretionary sector would be projected to report a (year-over-year) decline in earnings of -1.6% instead of earnings growth of 16.0%.

Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Decline of 15% or More

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -27.3%. At the sub-industry level, four of the five sub-industries in the sector are predicted to report a (year-over-year) decrease in earnings: Oil & Gas Refining & Marketing (-62%), Integrated Oil & Gas (-26%), Oil & Gas Exploration & Production (-17%), and Oil & Gas Storage & Transportation (-3%). On the other hand, the Oil & Gas Equipment & Services (17%) sub-industry is the only sub-industry in the sector projected to report year-over-year earnings growth.

Materials: All 4 Industries Expected to Report Year-Over-Year Decline of 10% or More

The Materials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -23.7%. At the industry level, all four industries in this sector are predicted to report a year-over-year decline in earnings of 10% or more: Containers & Packaging (-27%), Chemicals (-26%), Metals & Mining (-17%), and Construction Materials (-14%).

Revenue Growth: 3.5%

The estimated (year-over-year) revenue growth rate for Q1 2024 is 3.5%, which is below the 5-year average revenue growth rate of 6.9% and below the 10-year average revenue growth rate of 5.0%. If 3.5% is the actual revenue growth rate for the quarter, it will mark the 14th consecutive quarter of revenue growth for the index.

At the sector level, eight sectors are projected to report year-over-year growth in revenues, led by the Communication Services and Information Technology sectors. On the other hand, three sectors are predicted to report a year-over-year decline in revenues, led by the Materials and Energy sectors.

Communication Services: 4 of 5 Industries Expected to Report Year-Over-Year Growth

The Communication Services sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 7.4%. At the industry level, four of the five industries in this sector are predicted to report (year-over-year) growth in revenues. However, the Interactive Media & Services (15%) industry is the only industry that is projected to report double-digit growth.

Information Technology: 3 of 6 Industries Expected to Report Year-Over-Year Growth

The Information Technology sector is expected to report the second-highest (year-over-year) revenue growth rate of all eleven sectors at 7.2%. At the industry level, 3 of the 6 industries in the sector are predicted to report year-over-year revenue growth. Two of these three industries are projected to report double-digit growth: Semiconductors & Semiconductor Equipment (26%) and Software (13%). On the other hand, 3 industries are predicted to report a year-over-year decline in revenues, led by the Communications Equipment (-10%) and Electronic Equipment, Instruments, & Components (-8%) industries.

Materials: 3 of 4 Industries Expected to Report Year-Over-Year Decline

The Materials sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -5.1%. At the industry level, three of the four industries in this sector are predicted to report a year-over-year decline in revenues: Chemicals (-7%), Containers & Packaging (-6%), and Construction Materials (-4%). On the other hand, the Metals & Mining (3%) industry is the only industry projected to report year-over-year growth in revenues.

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

The Energy sector is expected to report the second-largest (year-over-year) revenue decline of all eleven sectors at -4.8%. At the sub-industry level, three of the five sub-industries in the sector are predicted to report a (year-over-year) decrease in revenues: Integrated Oil & Gas (-8%), Oil & Gas Refining & Marketing (-62%), and Oil & Gas Exploration & Production (-2%), and. On the other hand, two sub-industries are projected to report year-over-year revenue growth: Oil & Gas Equipment & Services (8%) and Oil & Gas Storage & Transportation (8%).

Net Profit Margin: 11.6%

The estimated net profit margin for the S&P 500 for Q1 2024 is 11.6%, which is above the previous quarter's net profit margin of 11.2% and above the 5-year average of 11.5%, but equal to the year-ago net profit margin of 11.6%.

At the sector level, four sectors are expected to report a year-over-year increase in their net profit margins in Q1 2024 compared to Q1 2023, led by the Utilities (13.2% vs. 10.3%) and Information Technology (25.1% vs. 22.4%) sectors. On the other hand, seven sectors are expected to report a year-over-year decrease in their net profit margins in Q1 2024 compared to Q1 2023, led by the Energy (9.5% vs. 12.5%) and Materials (9.0% vs. 11.2%) sectors.

Six sectors are expected to report net profit margins in Q1 2024 that are above their 5-year averages, led by the Information Technology (25.1% vs. 23.3%) sector. On the other hand, four sectors are expected to report net profit margins in Q1 2024 that are below their 5-year averages, led by the Health Care (8.2% vs. 10.1%) and Materials (9.0% vs. 10.9%) sectors. One sector (Real Estate) is expected to report a net profit margin equal to its 5-year average (35.1%).

Forward Estimates and Valuation

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

For the first quarter, S&P 500 companies are expected to report year-over-year growth in earnings of 3.6% and year-over-year growth in revenues of 3.5%.

For Q2 2024, analysts are projecting earnings growth of 9.4% and revenue growth of 4.6%.

For Q3 2024, analysts are projecting earnings growth of 8.5% and revenue growth of 5.0%.

For Q4 2024, analysts are projecting earnings growth of 17.6% and revenue growth of 5.7%.

For CY 2024, analysts are projecting earnings growth of 11.0% and revenue growth of 5.0%.

For CY 2025, analysts are projecting earnings growth of 13.4% and revenue growth of 6.0%.

Valuation: Forward P/E Ratio is 20.9, Above the 10-Year Average (17.7)

The forward 12-month P/E ratio for the S&P 500 is 20.9. This P/E ratio is above the 5-year average of 19.1 and above the 10-year average of 17.7. It is also above the forward 12-month P/E ratio of 19.5 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has increased by 10.0%, while the forward 12-month EPS estimate has increased by 2.9%. At the sector level, the Information Technology (28.5) and Consumer Discretionary (25.7) sectors have the highest forward 12-month P/E ratios, while the Energy (12.9) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 26.0, which is above the 5-year average of 23.1 and above the 10-year average of 21.2.

Targets & Ratings: Analysts Project 7% Increase in Price Over Next 12 Months

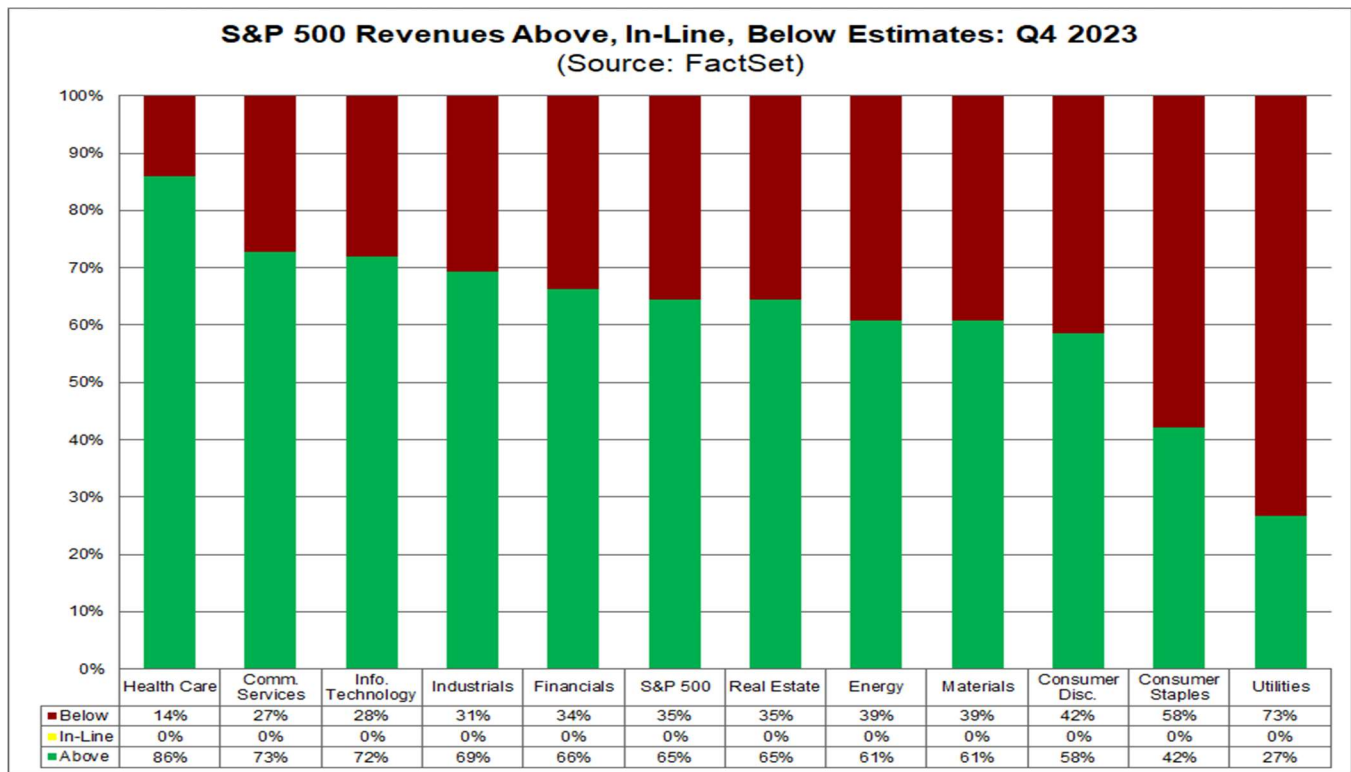
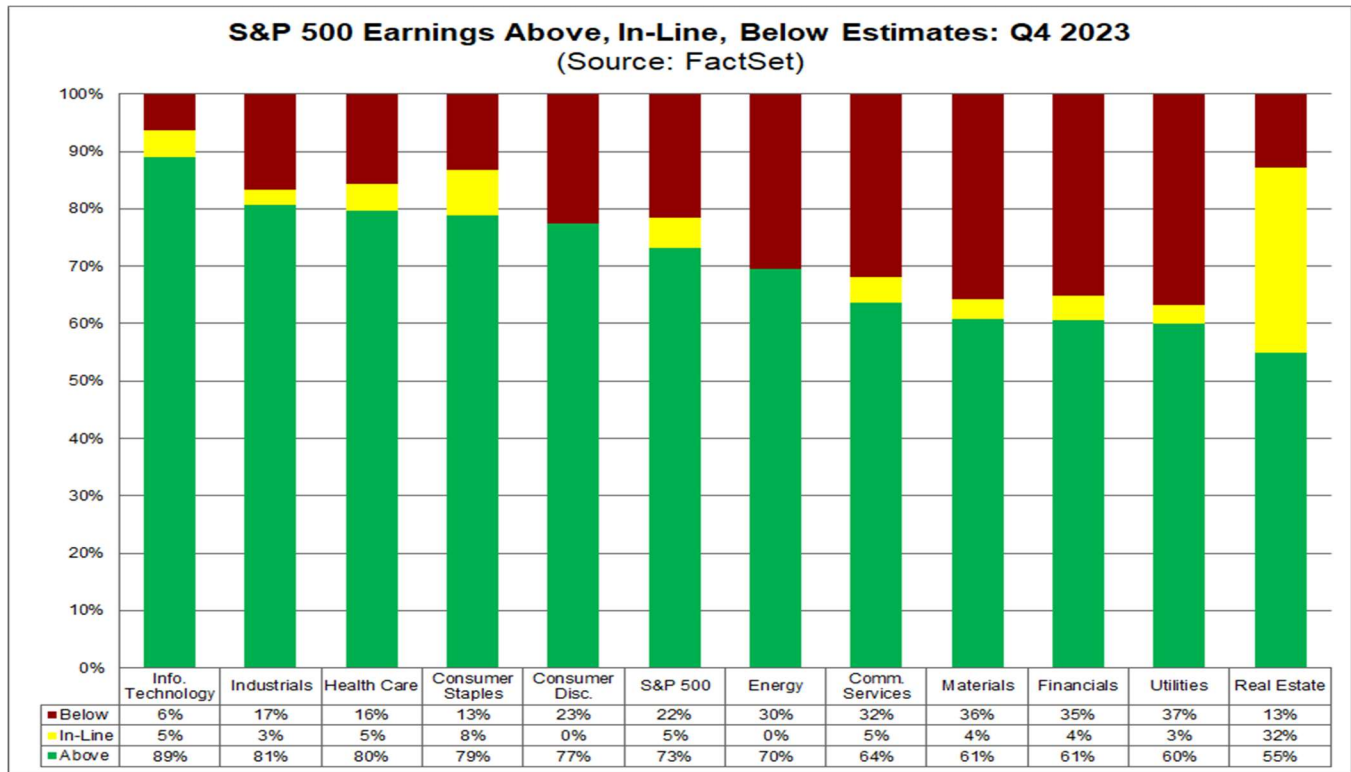
The bottom-up target price for the S&P 500 is 5614.61, which is 7.0% above the closing price of 5248.49. At the sector level, the Information Technology (+10.4%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Materials (-0.2%) sector is expected to see the largest price decrease, as this sector has the largest downside difference between the bottom-up target price and the closing price.

Overall, there are 11,617 ratings on stocks in the S&P 500. Of these 11,617 ratings, 53.9% are Buy ratings, 40.4% are Hold ratings, and 5.7% are Sell ratings. At the sector level, the Communication Service (63%) and Energy (62%) sectors have the highest percentages of Buy ratings, while the Materials (45%) and Consumer Staples (46%) sectors have the lowest percentages of Buy ratings.

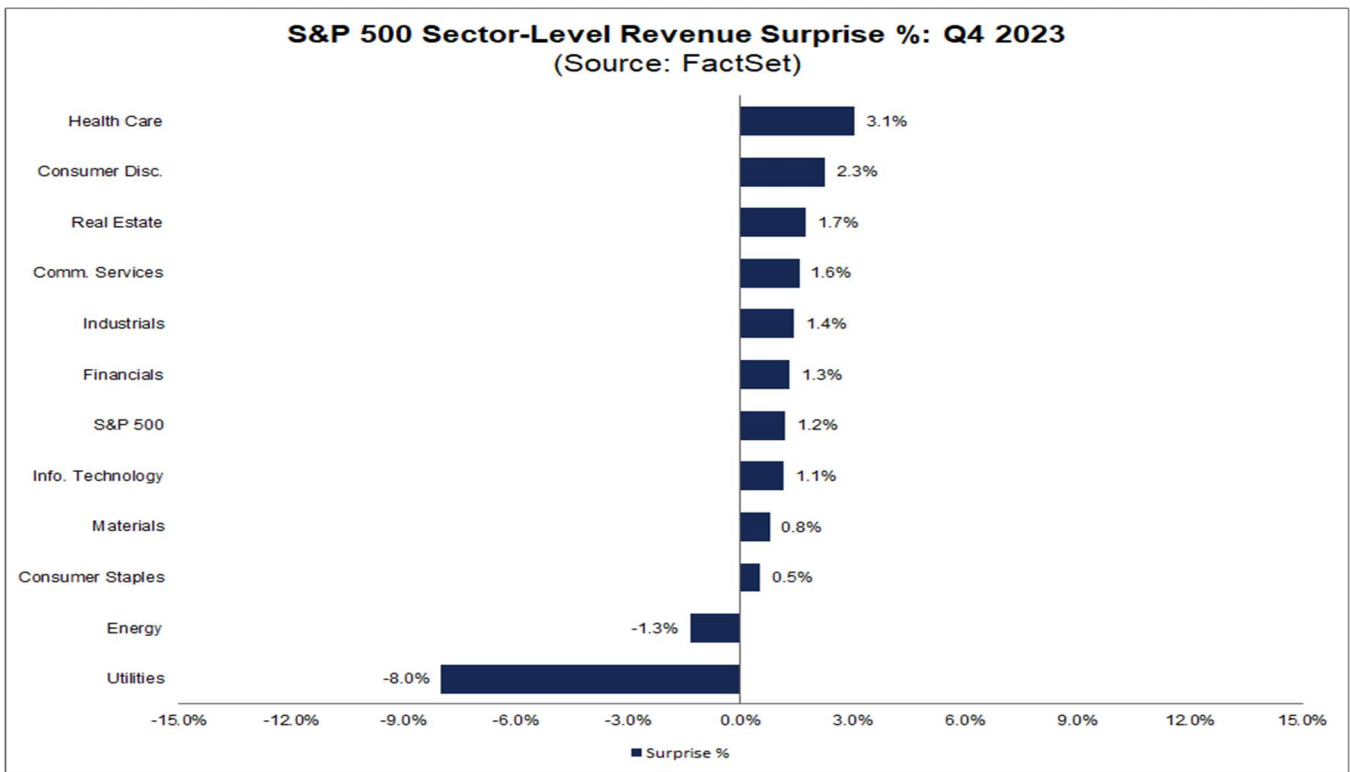
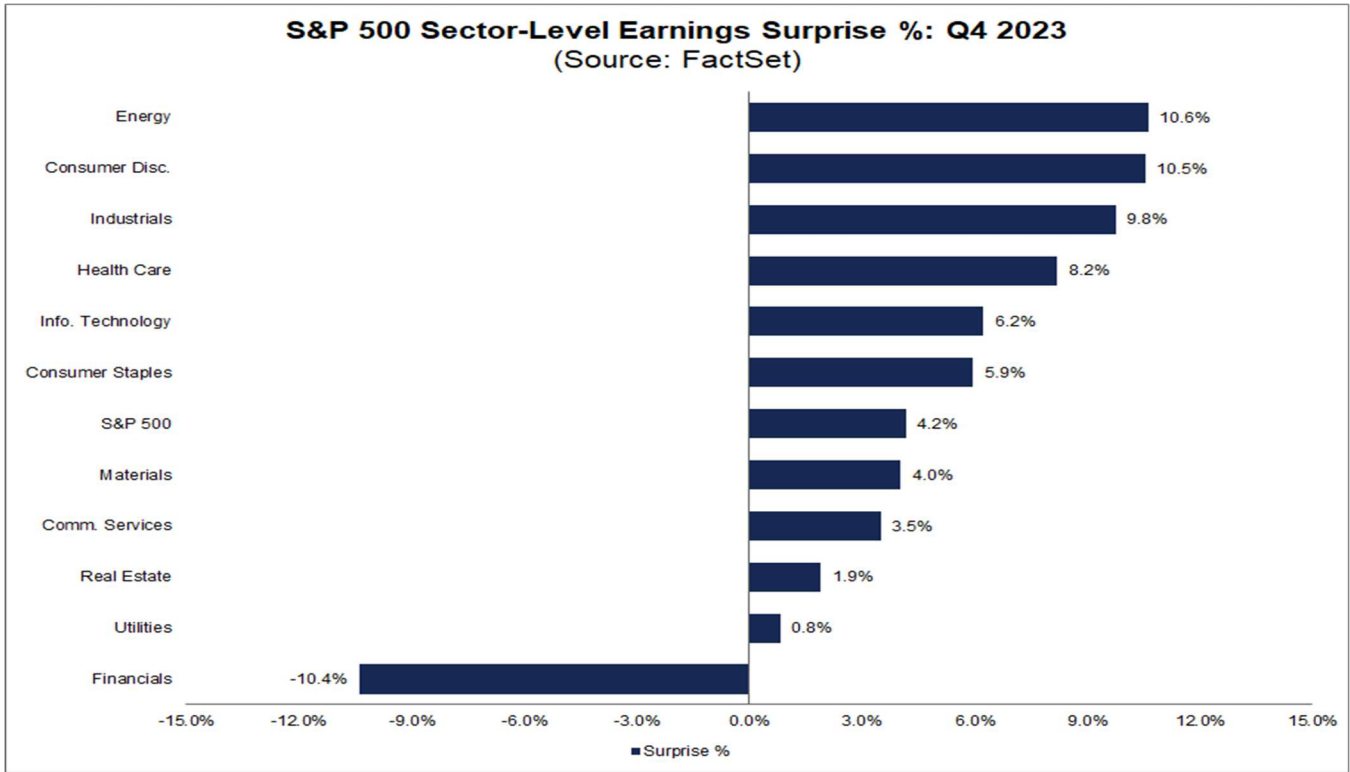
Companies Reporting Next Week: 3

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

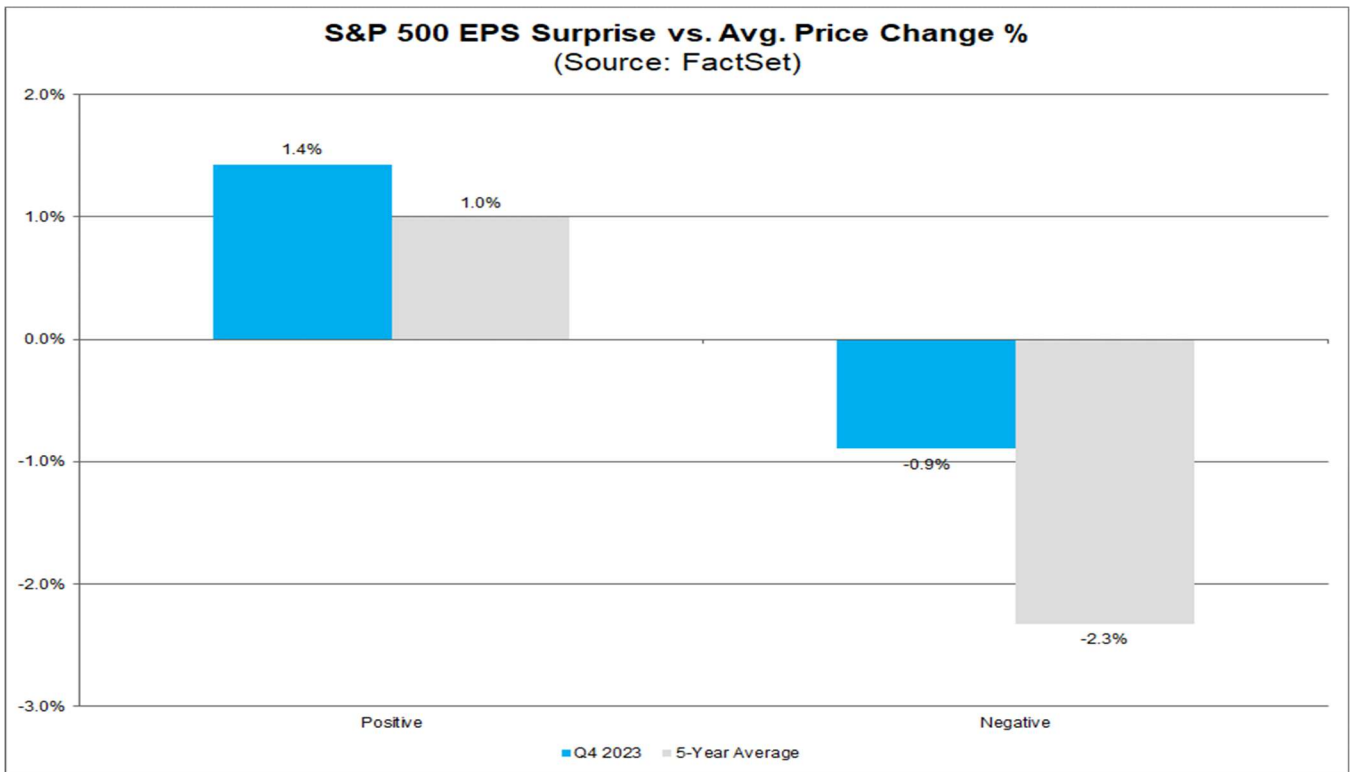
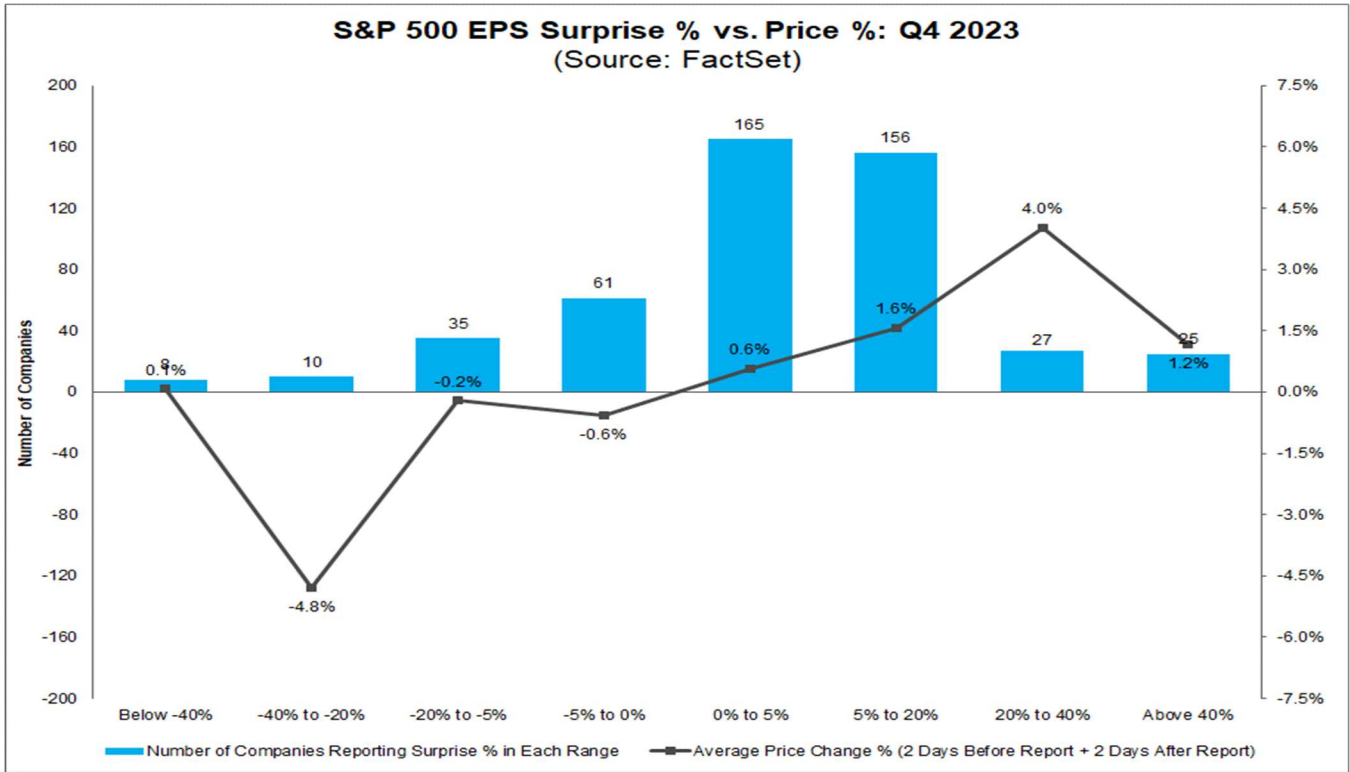
Q4 2023: Scorecard



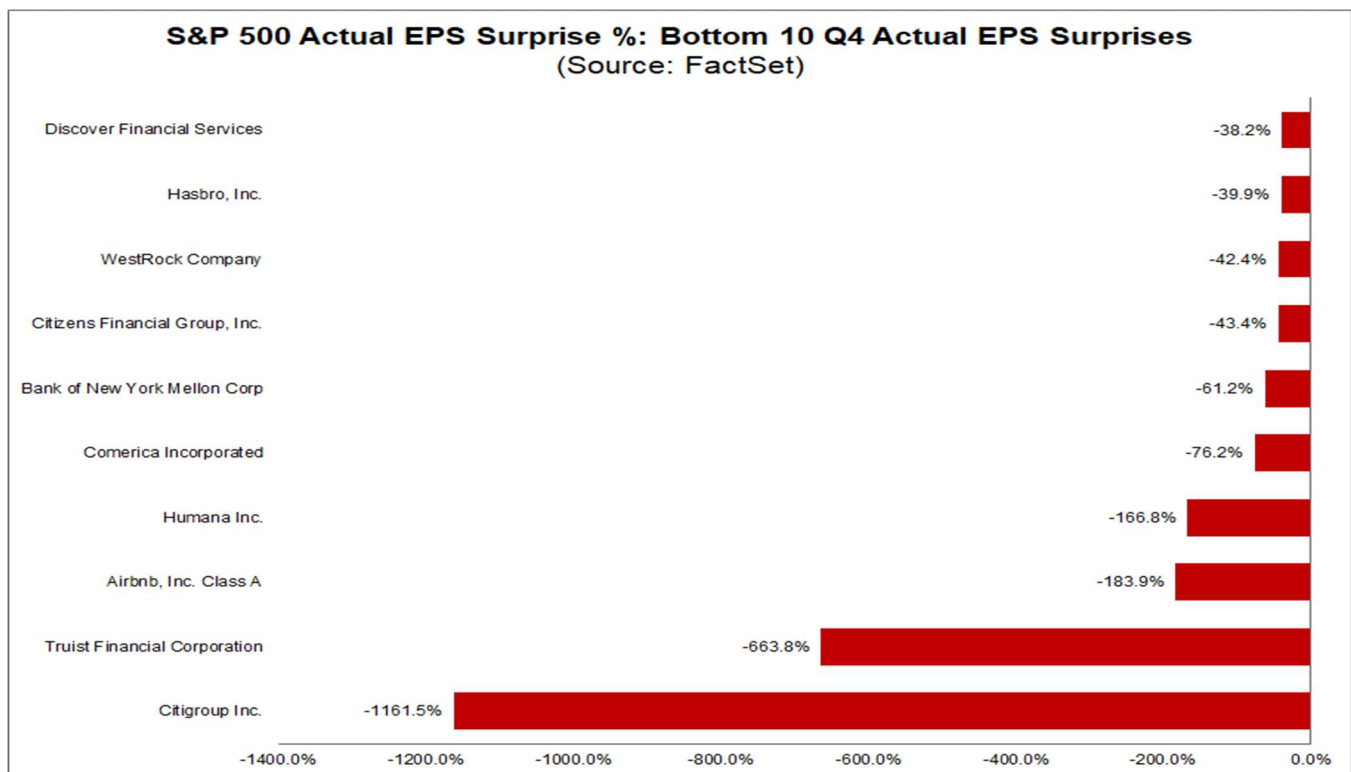
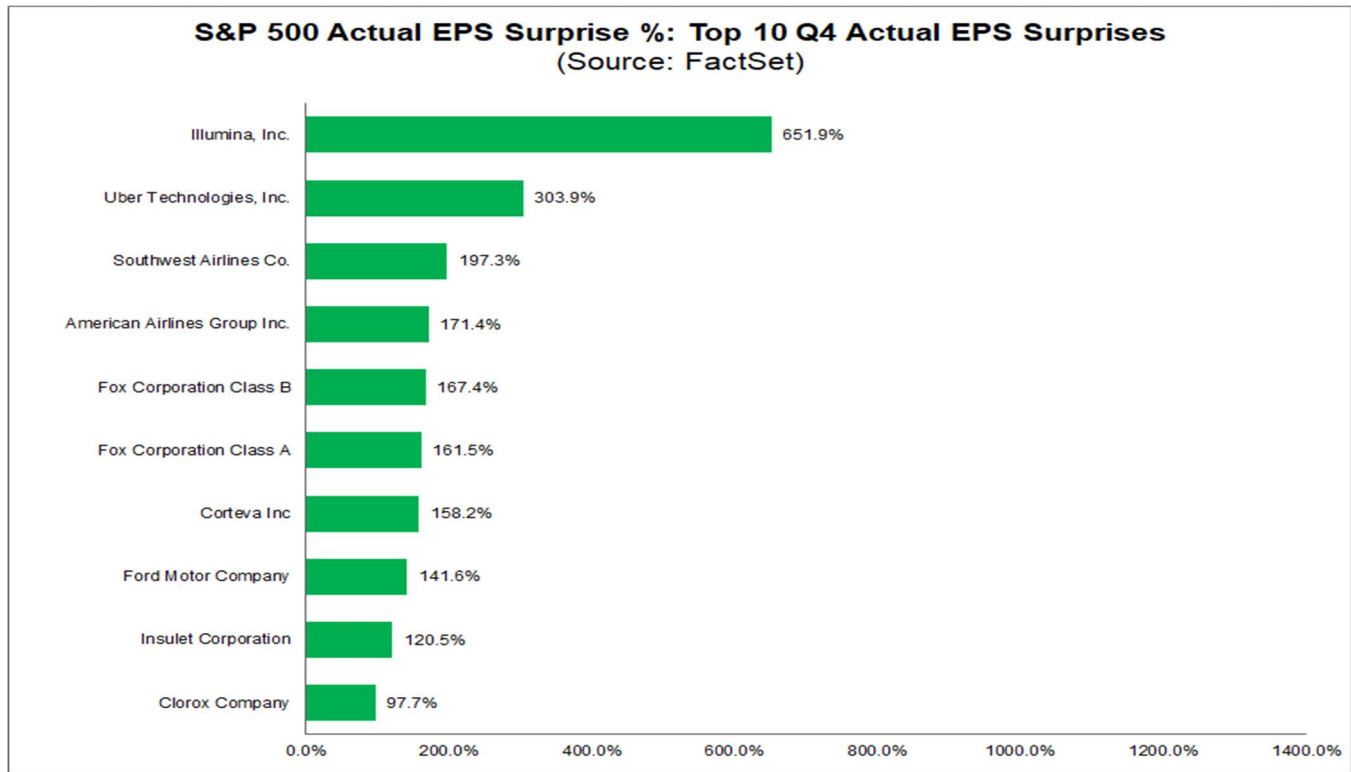
Q4 2023: Surprise



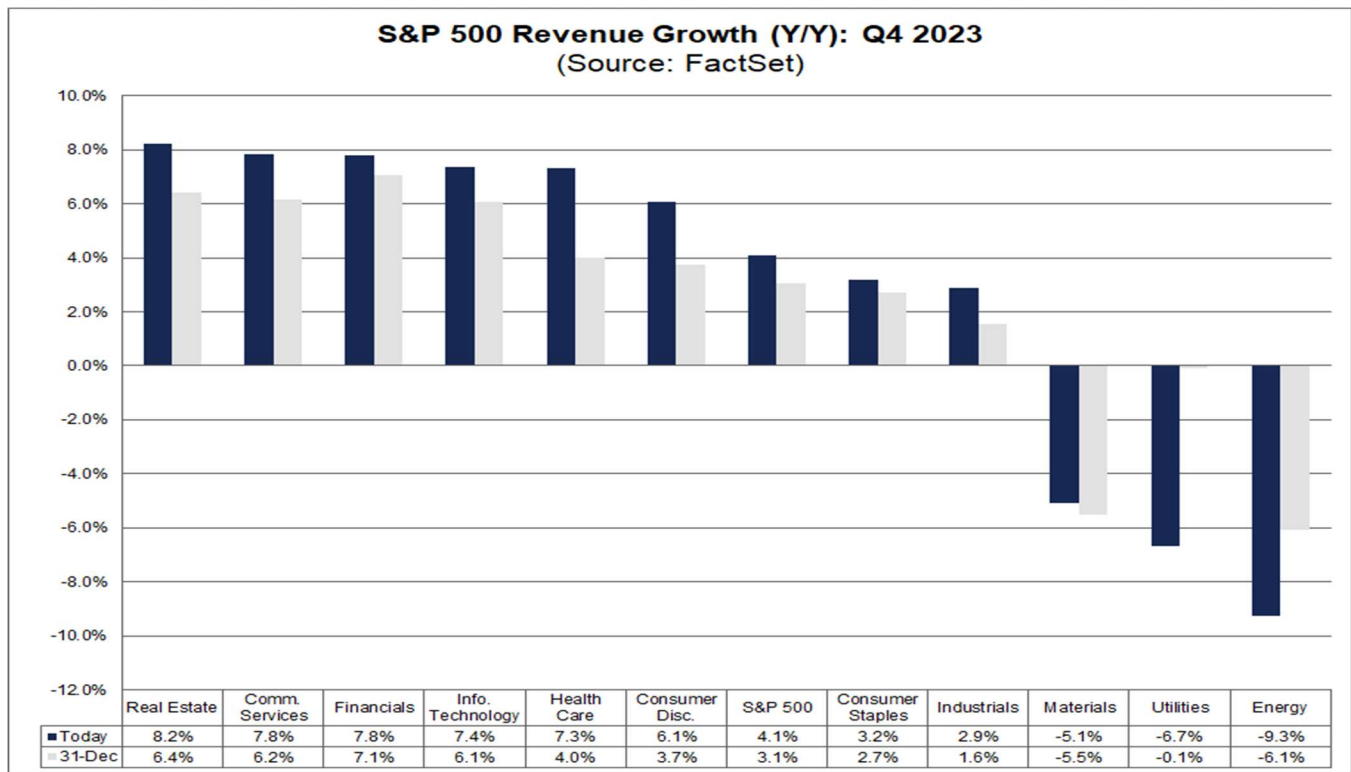
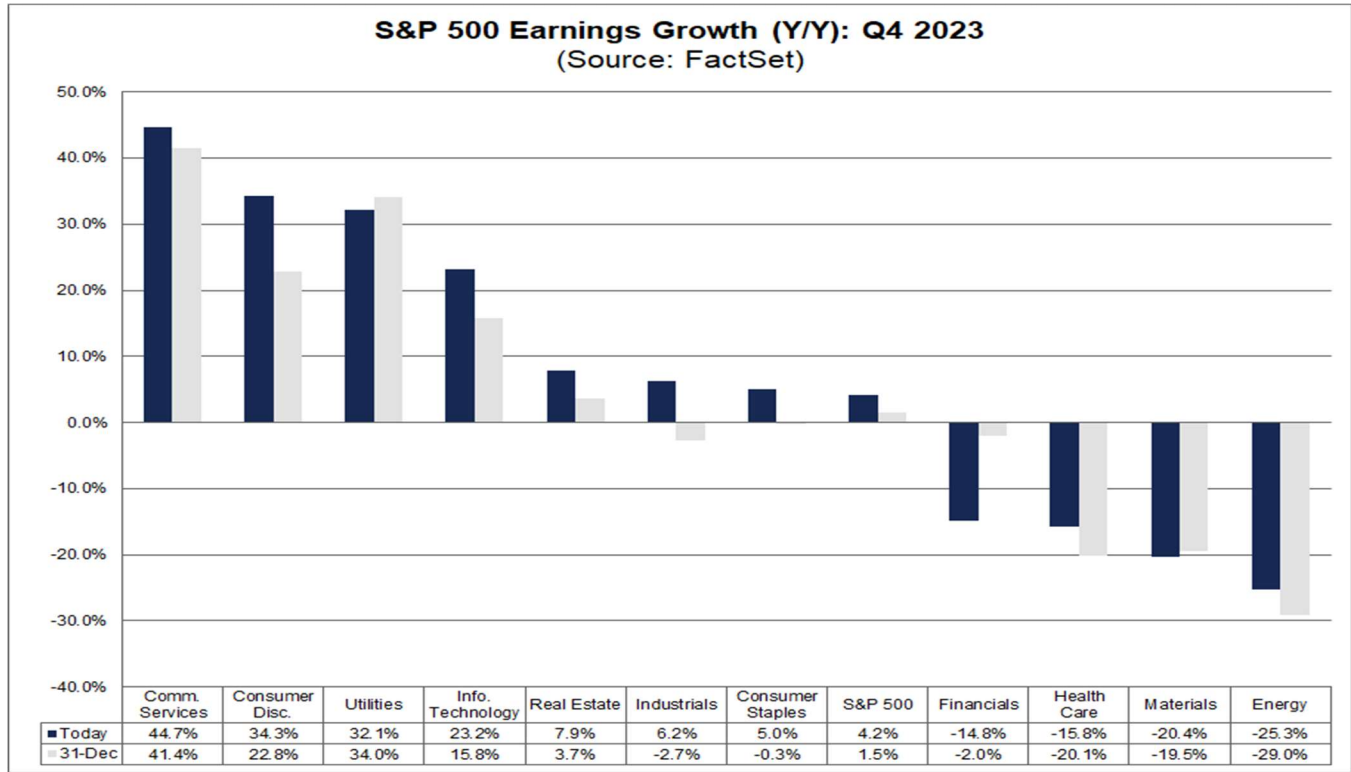
Q4 2023: Surprise



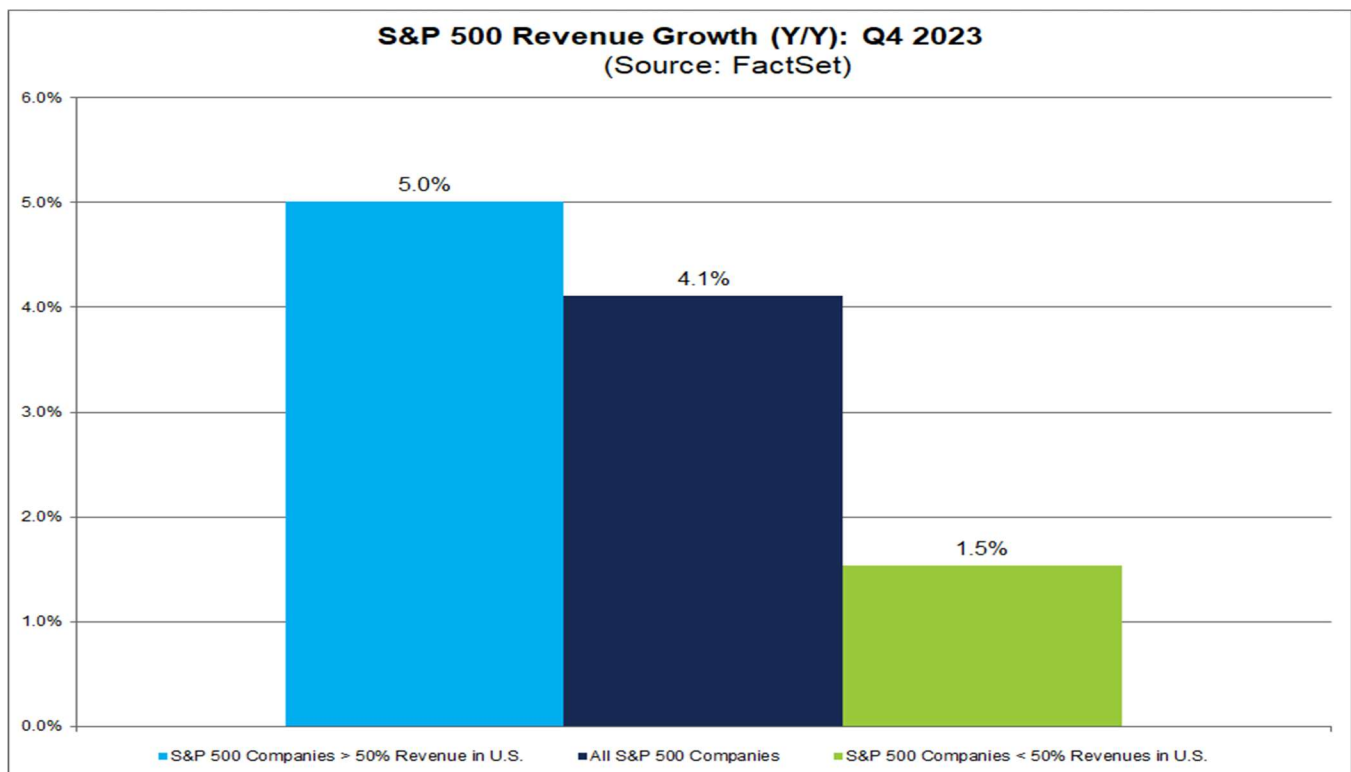
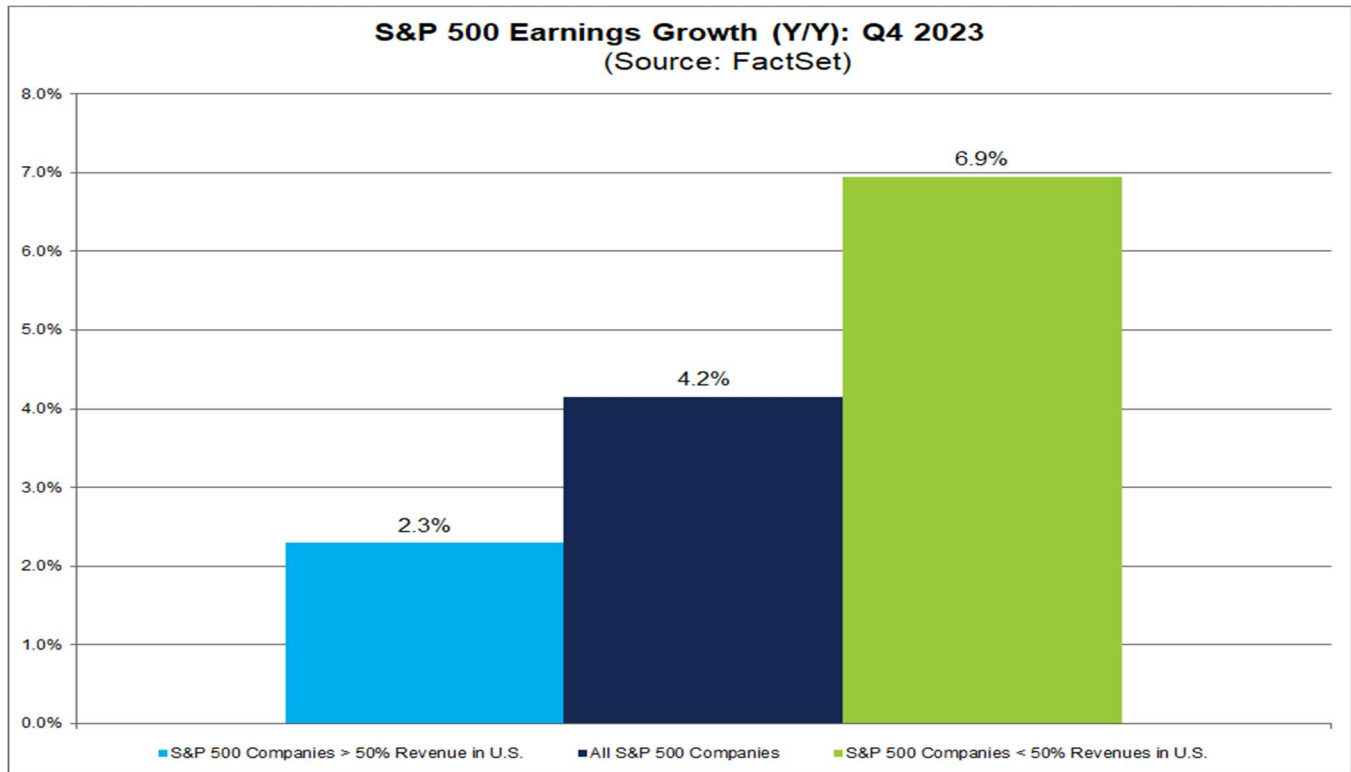
Q4 2023: Surprise



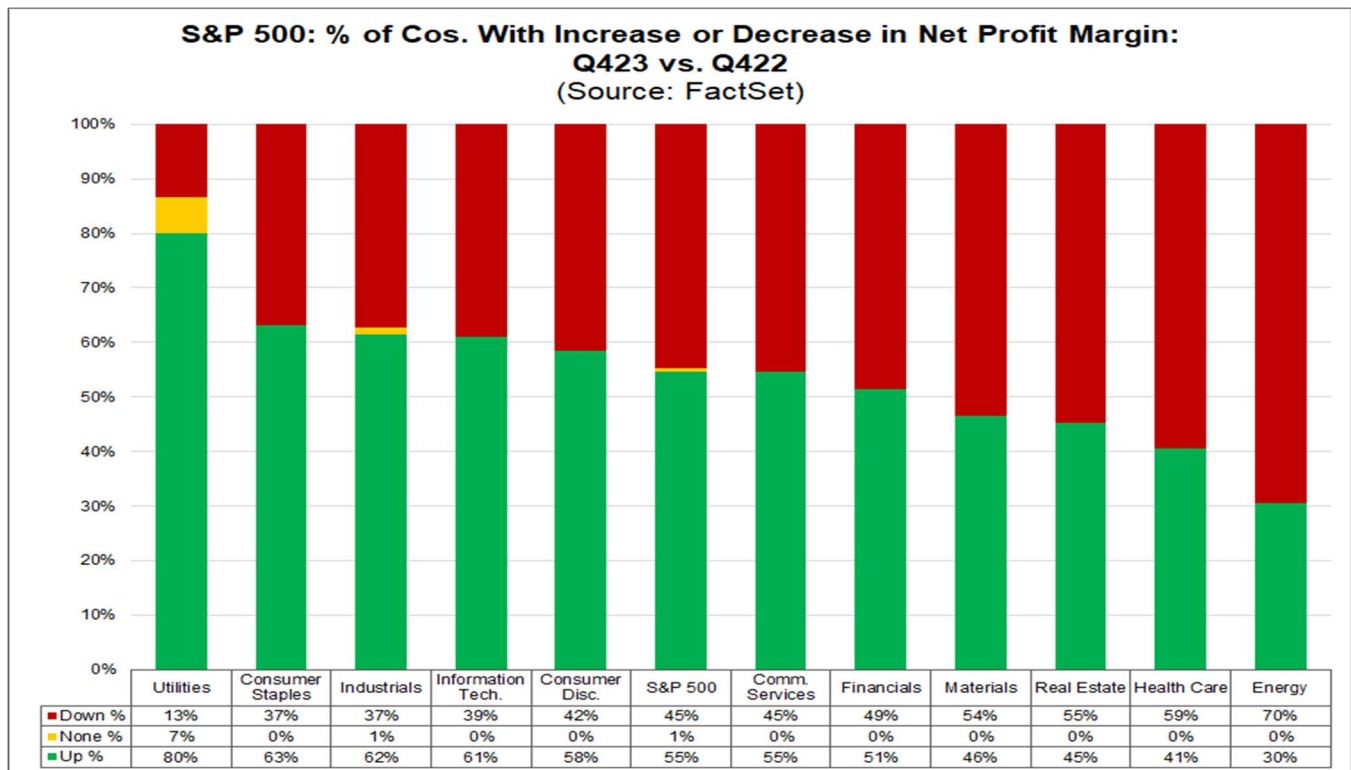
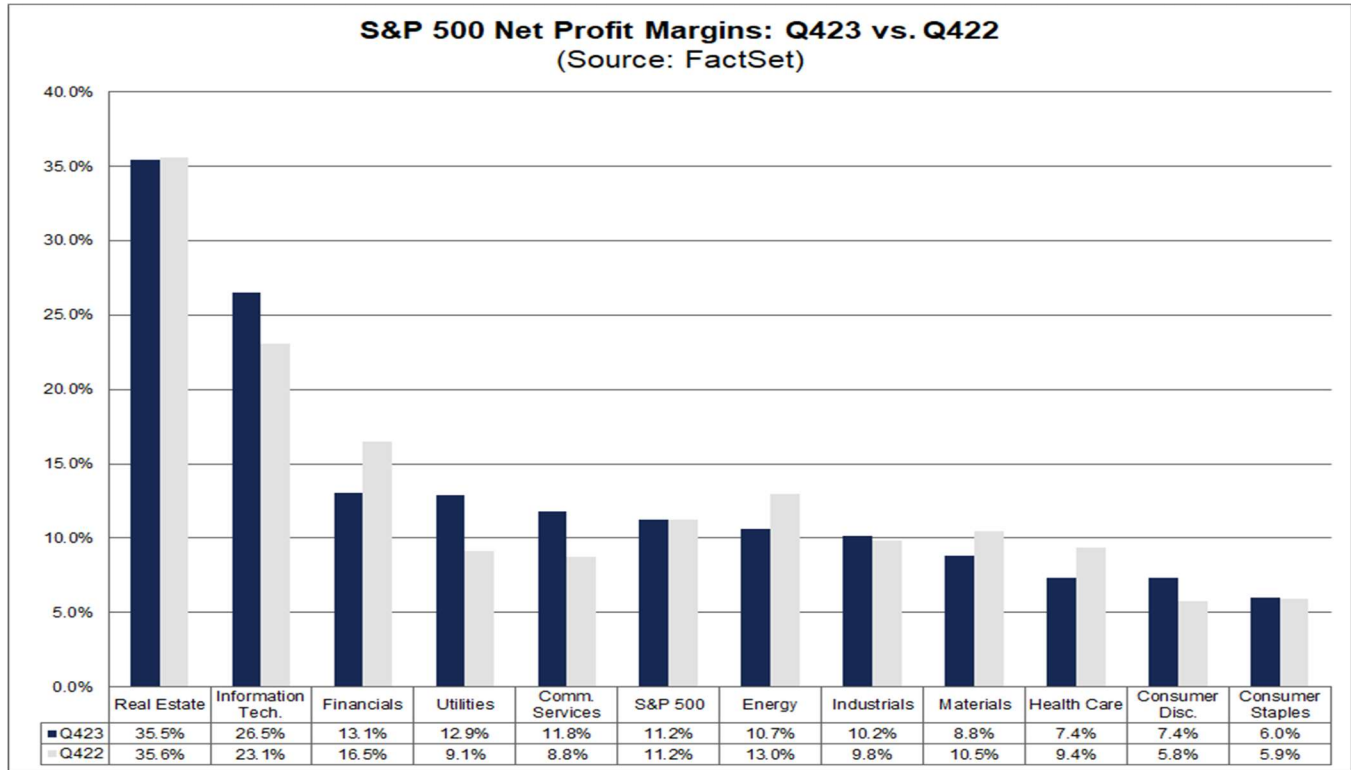
Q4 2023: Growth



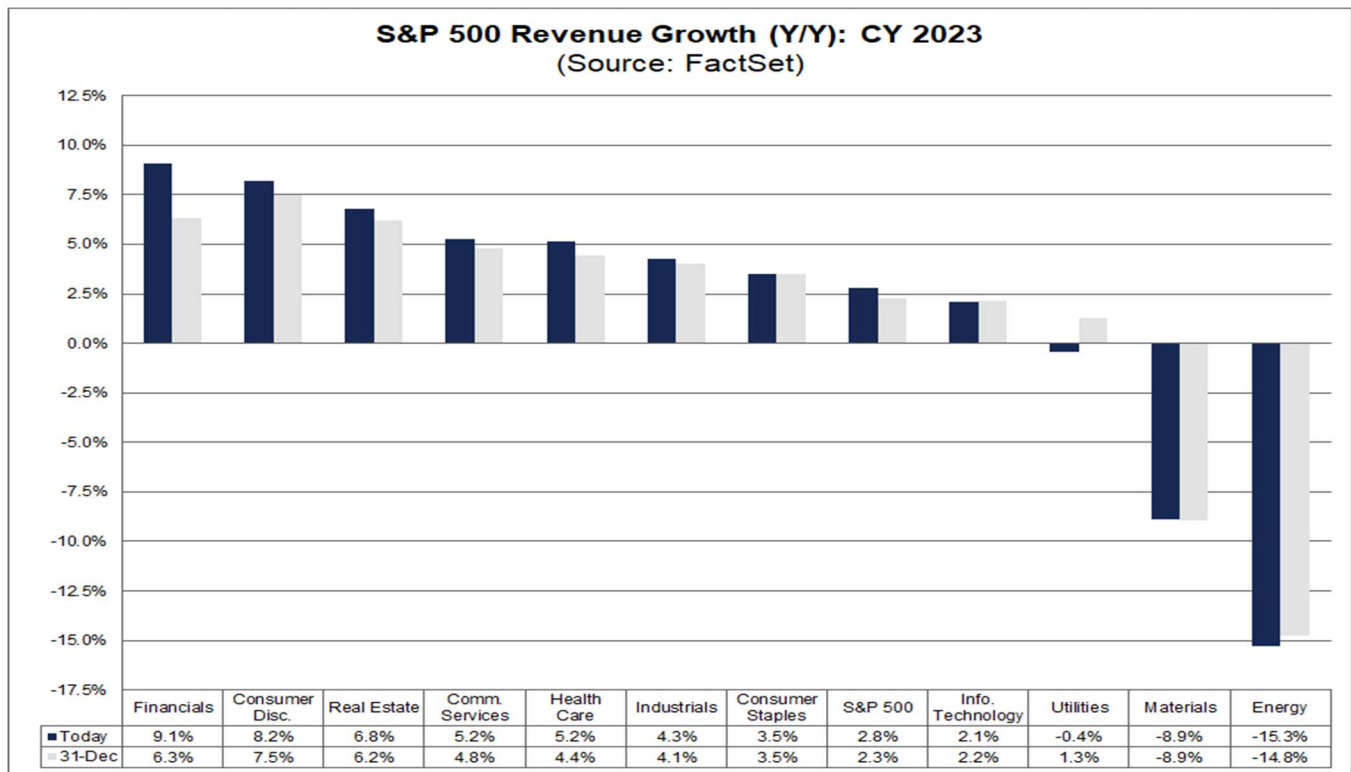
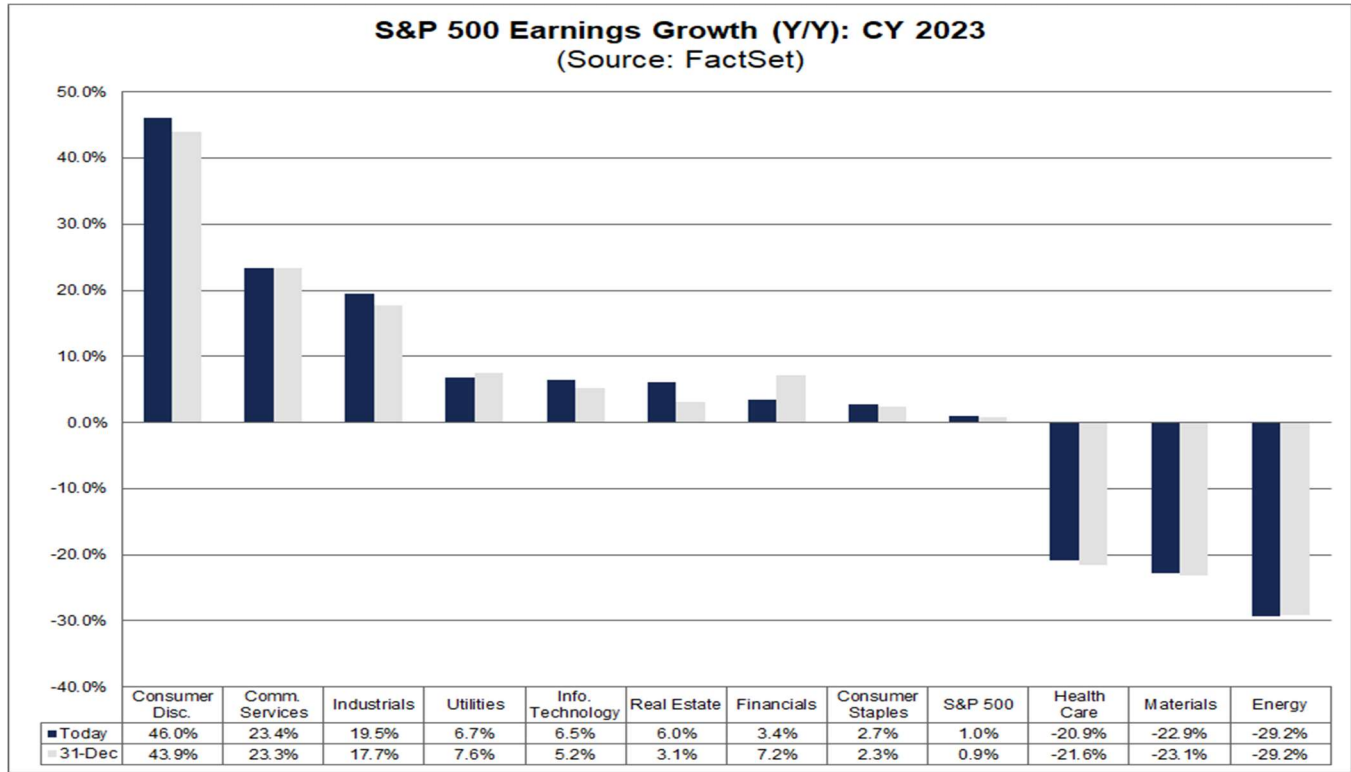
Q4 2023: Growth



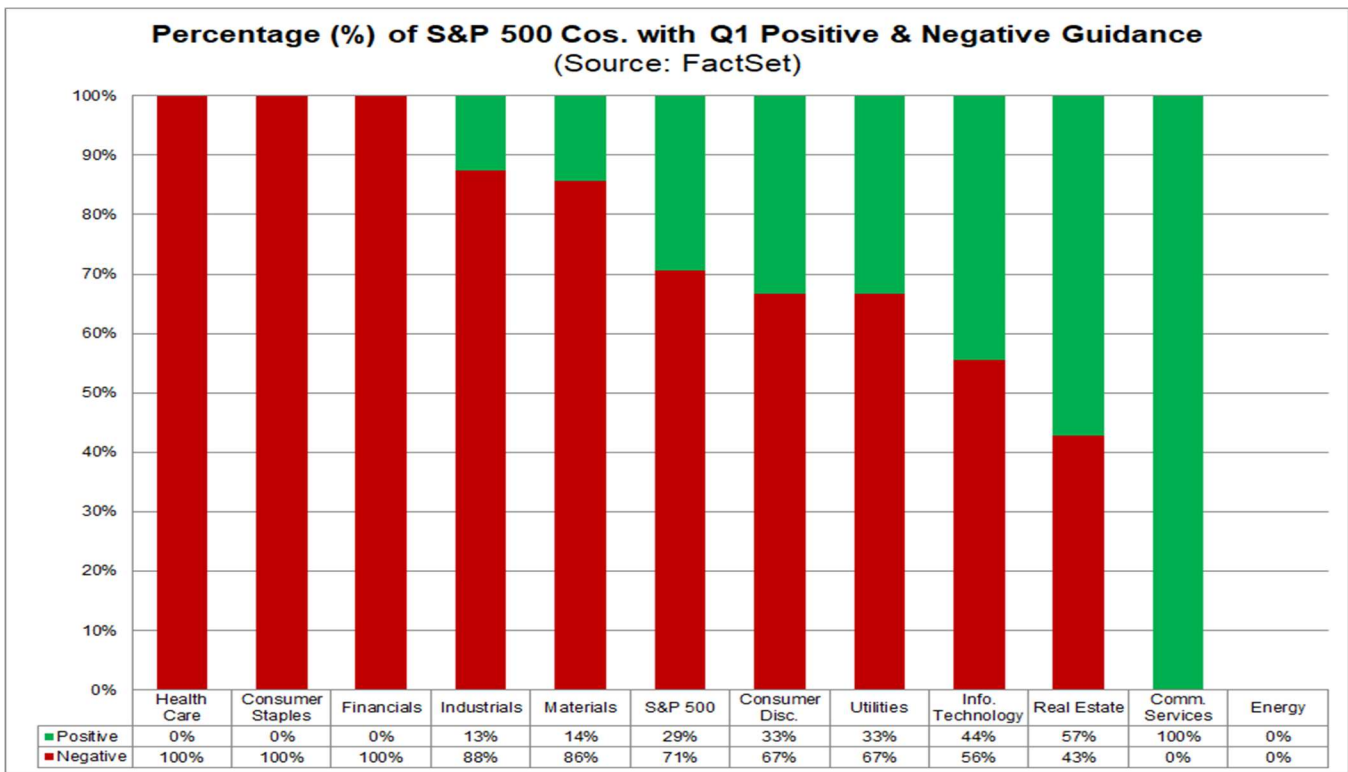
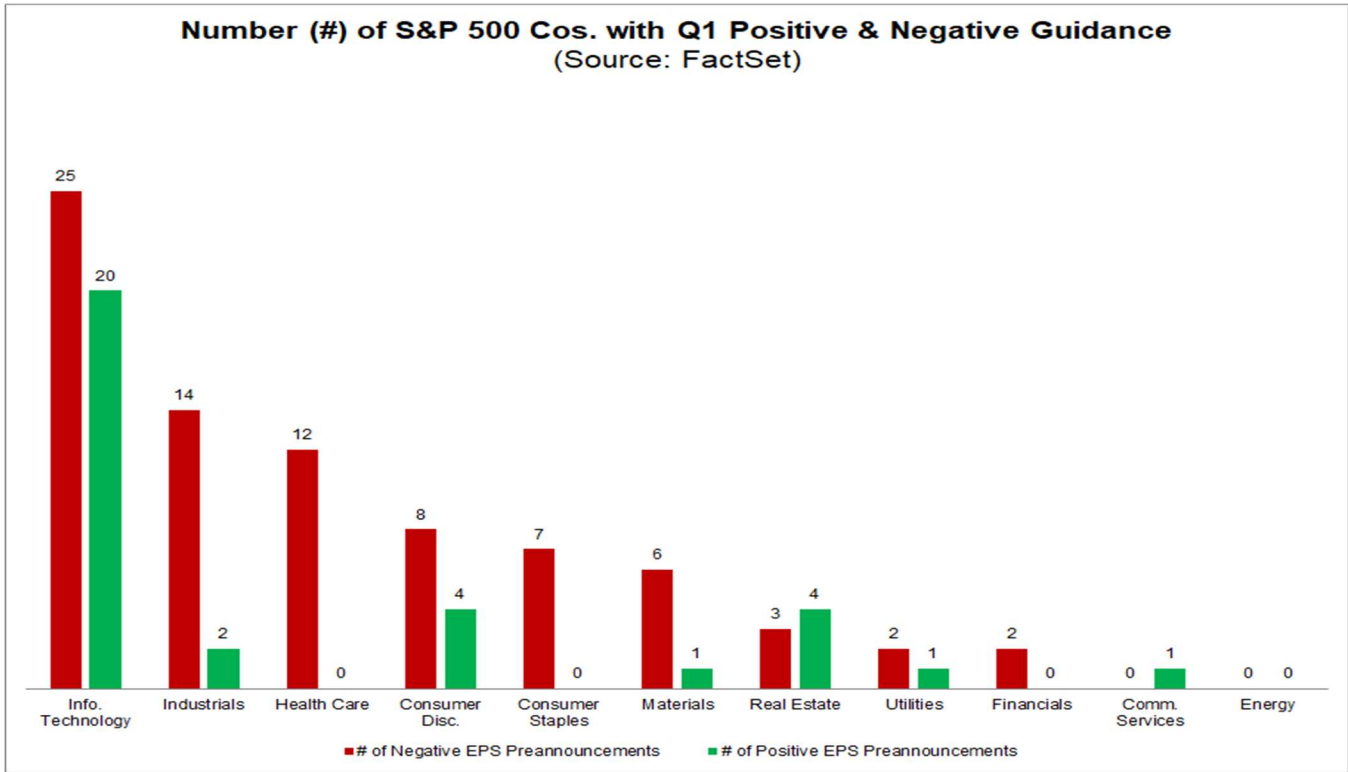
Q4 2023: Net Profit Margin



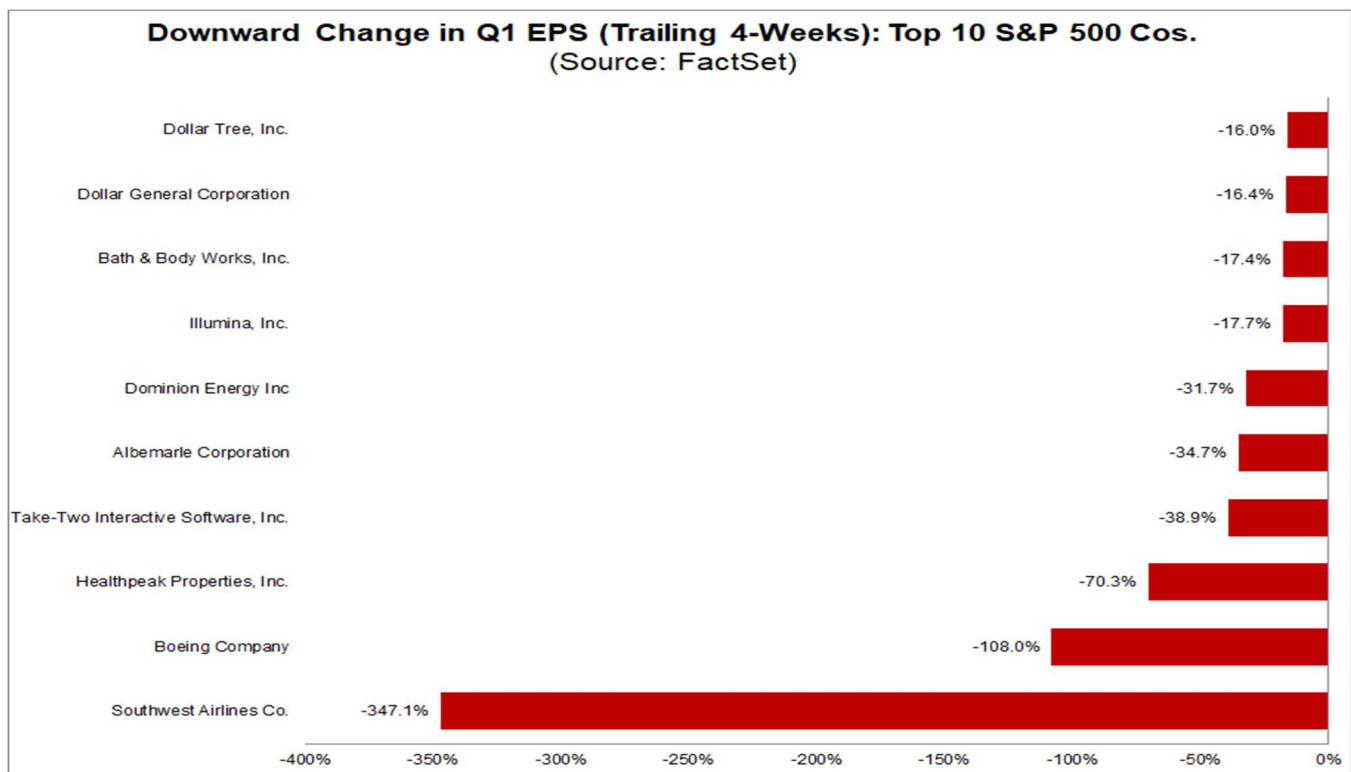
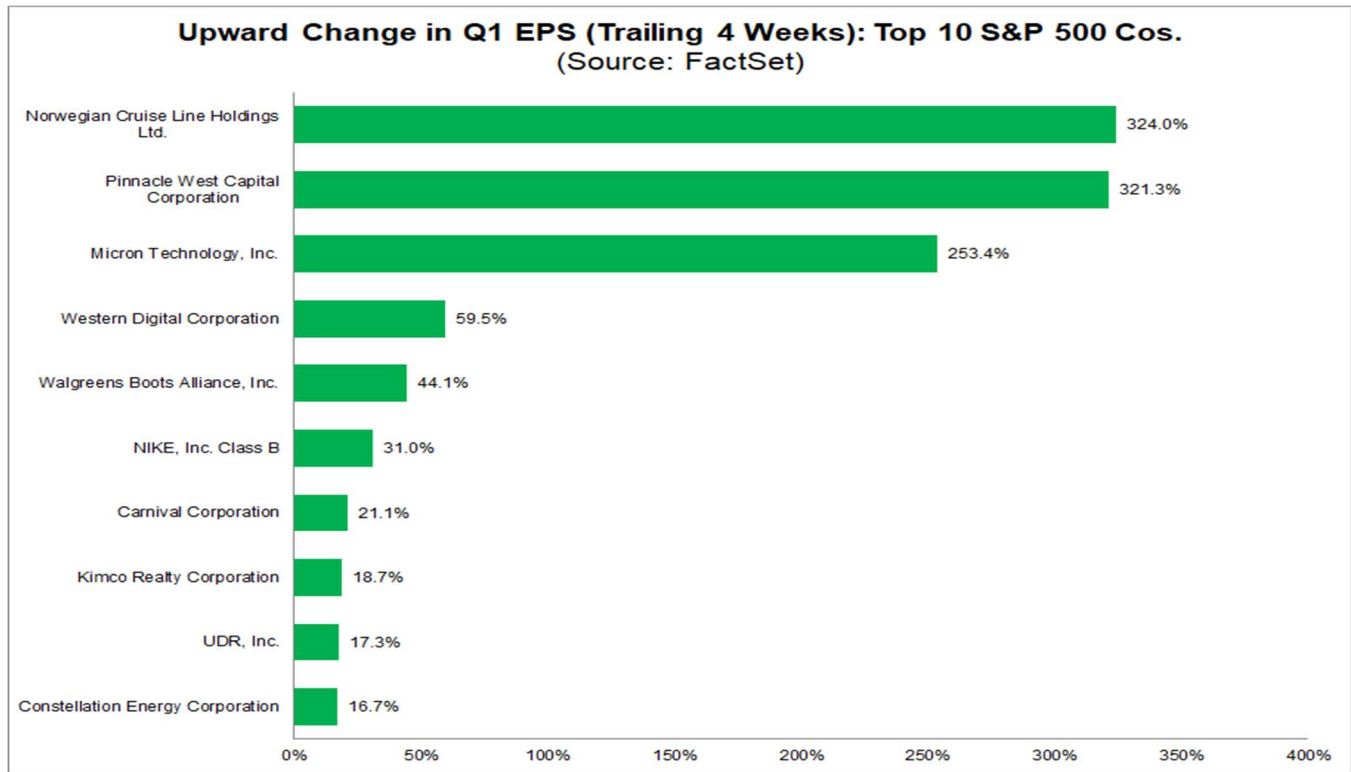
CY 2023: Growth



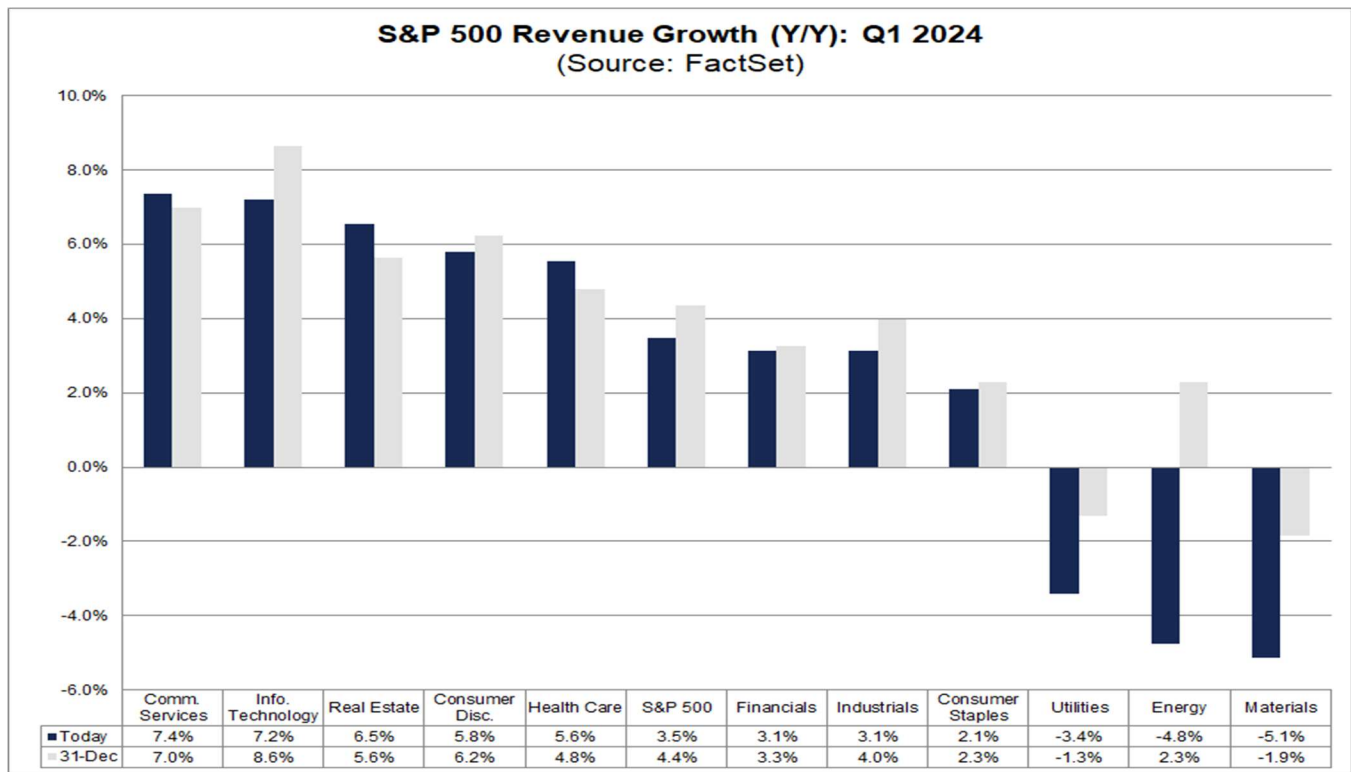
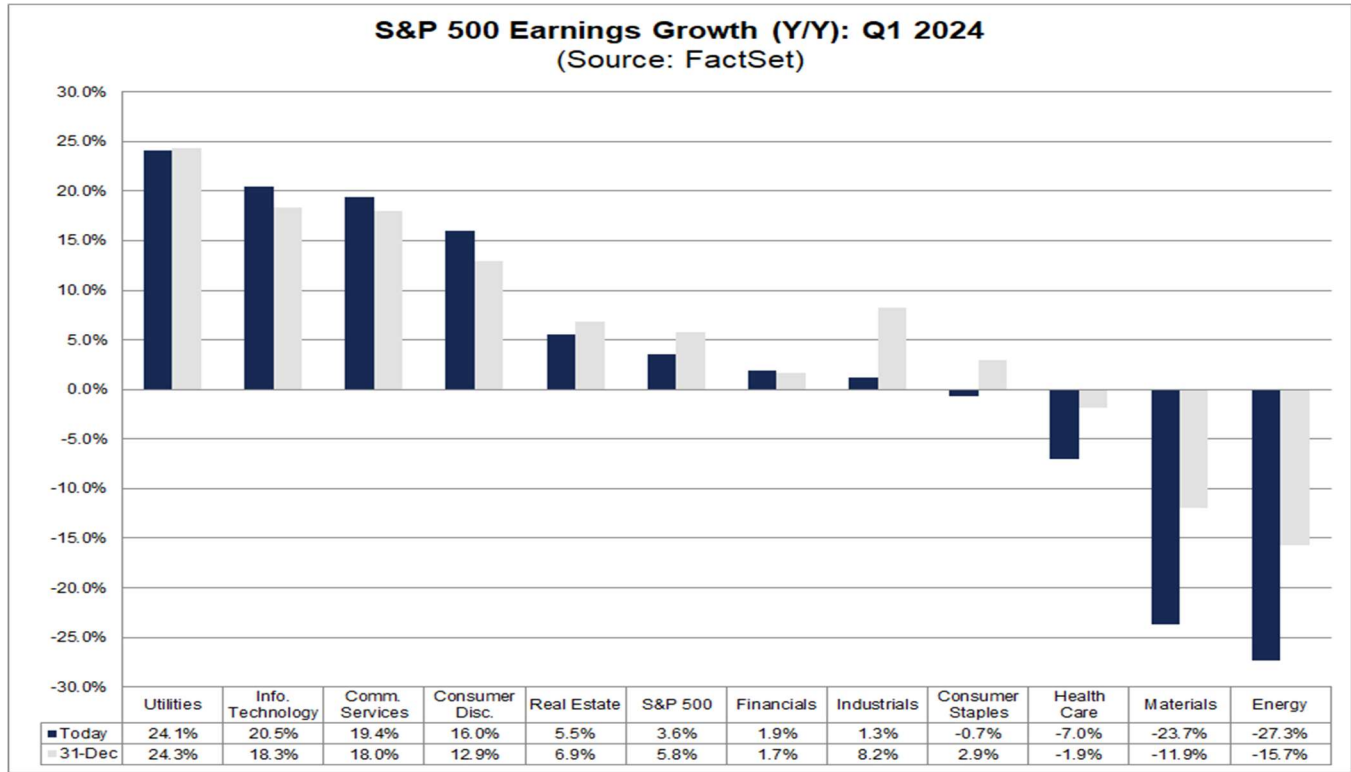
Q1 2024: Guidance



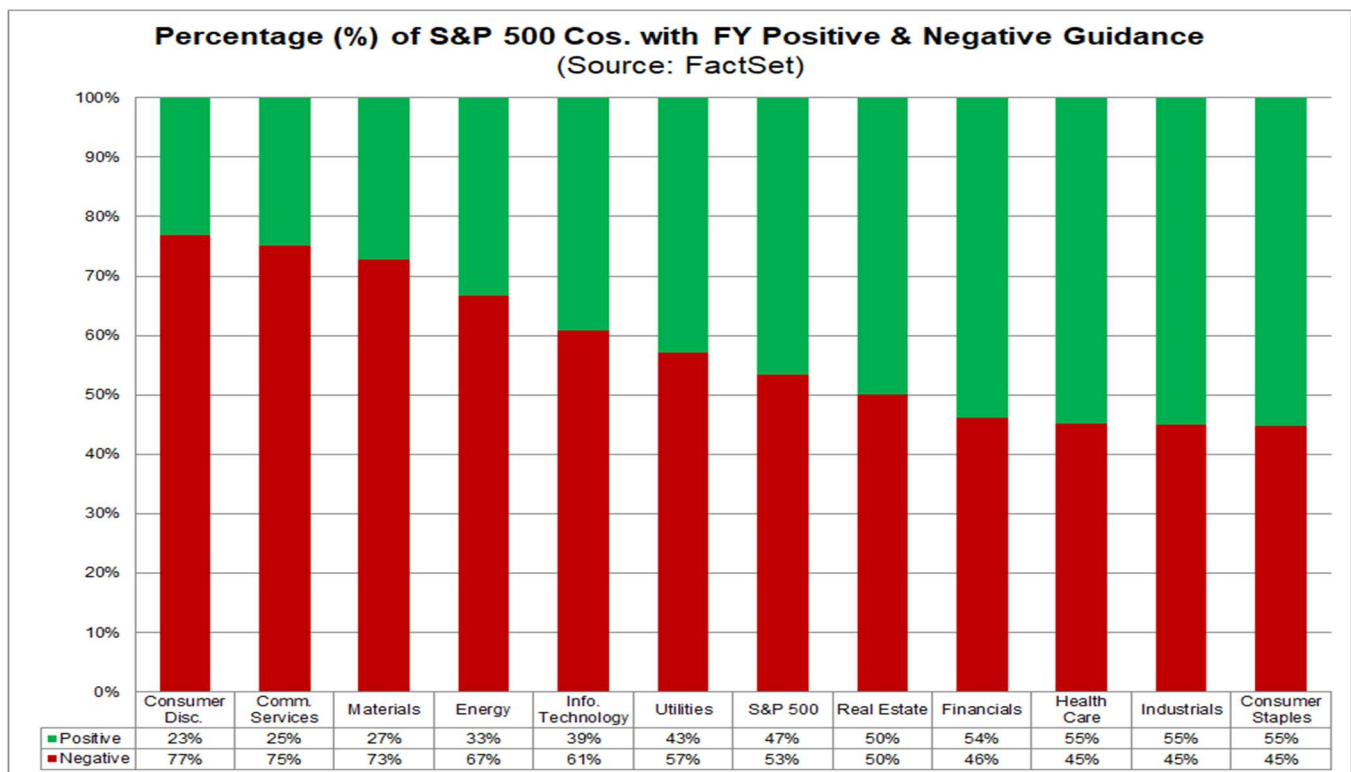
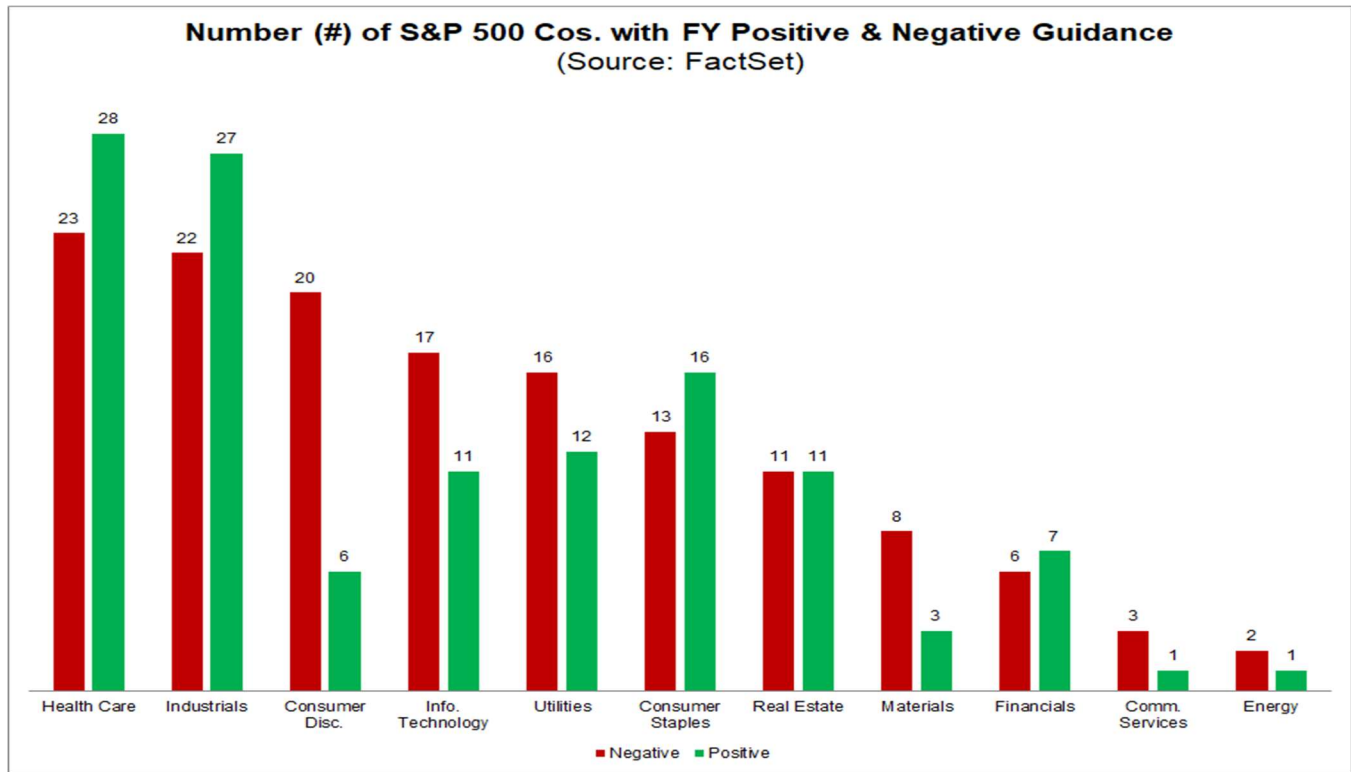
Q1 2024: EPS Revisions



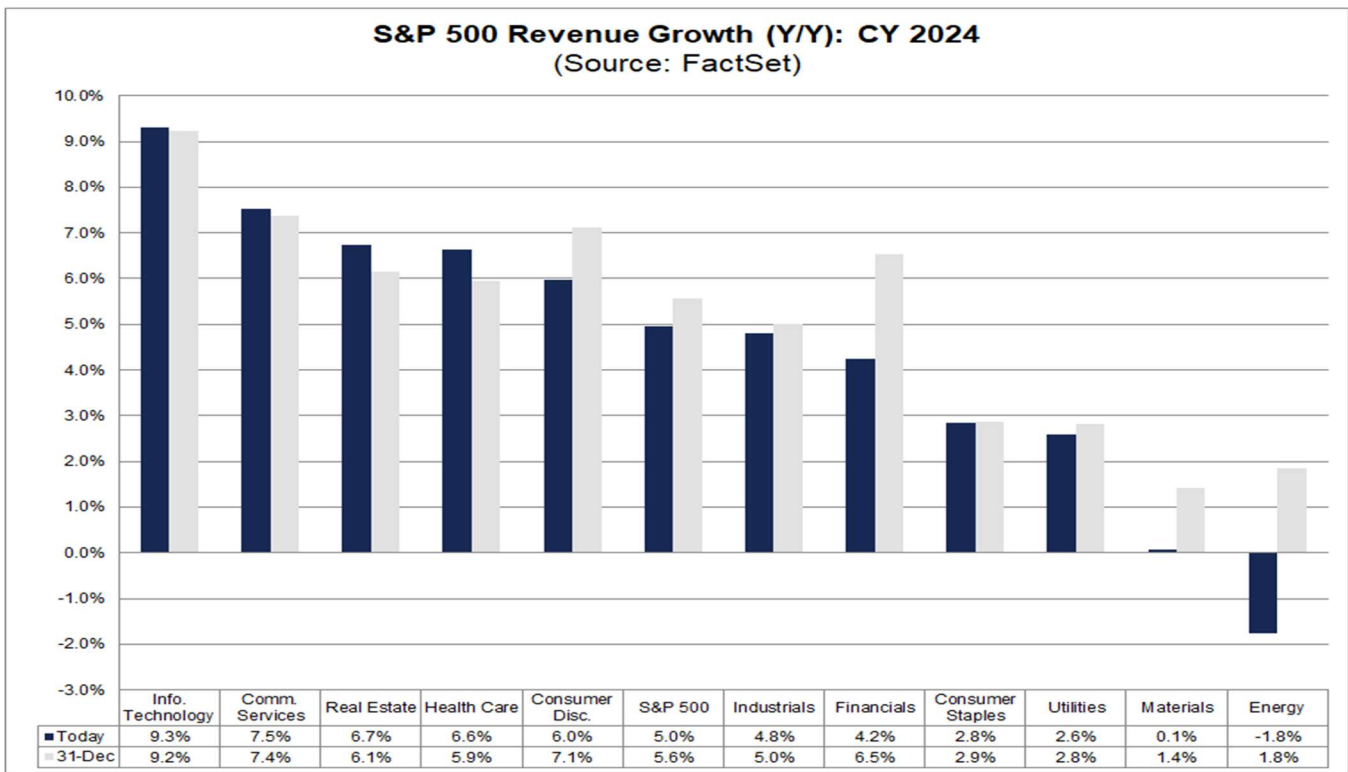
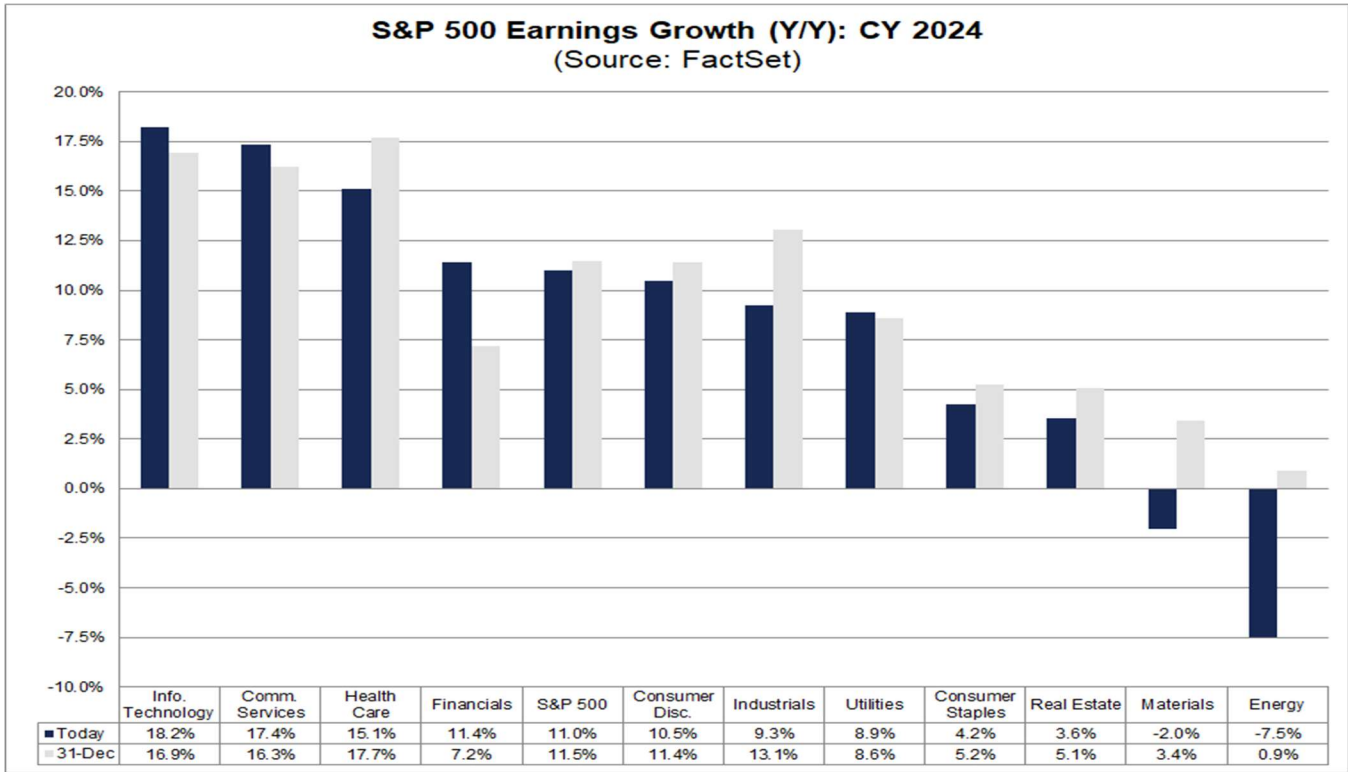
Q1 2024: Growth



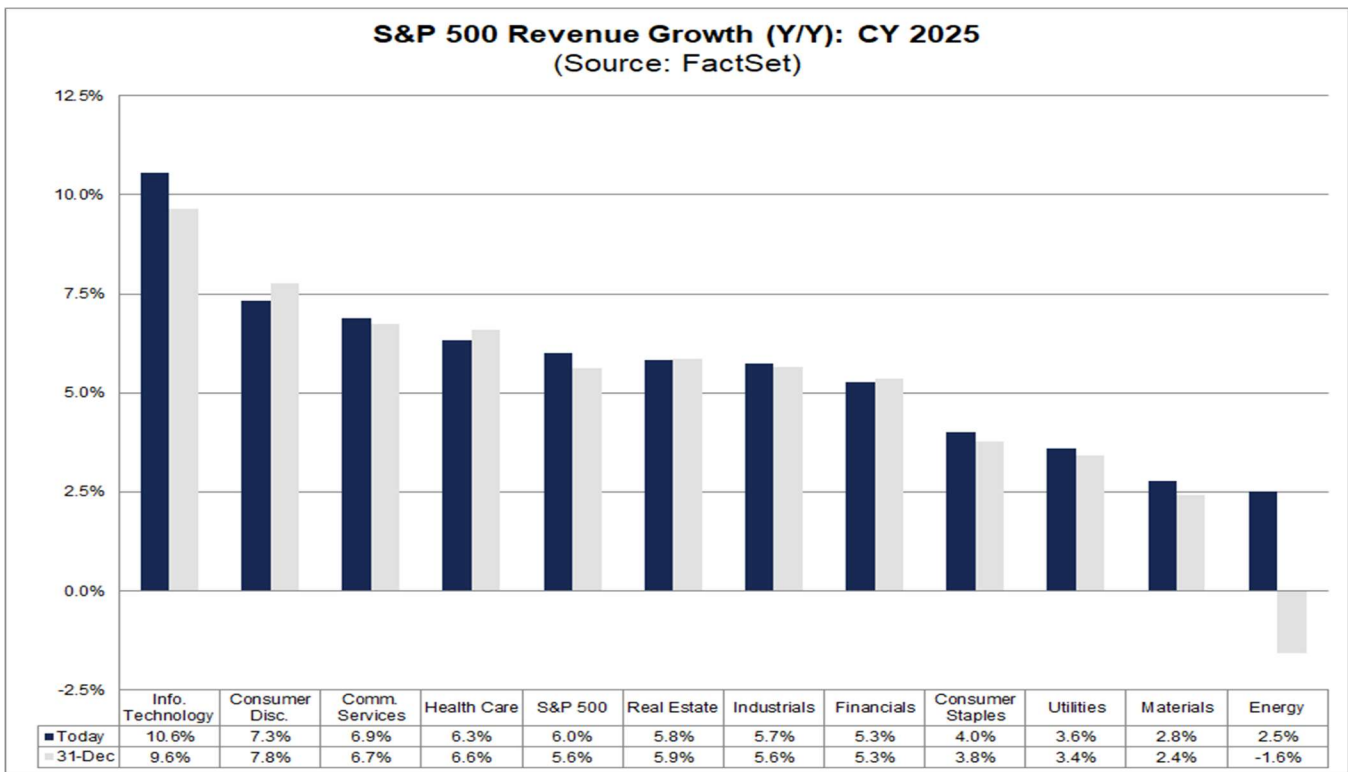
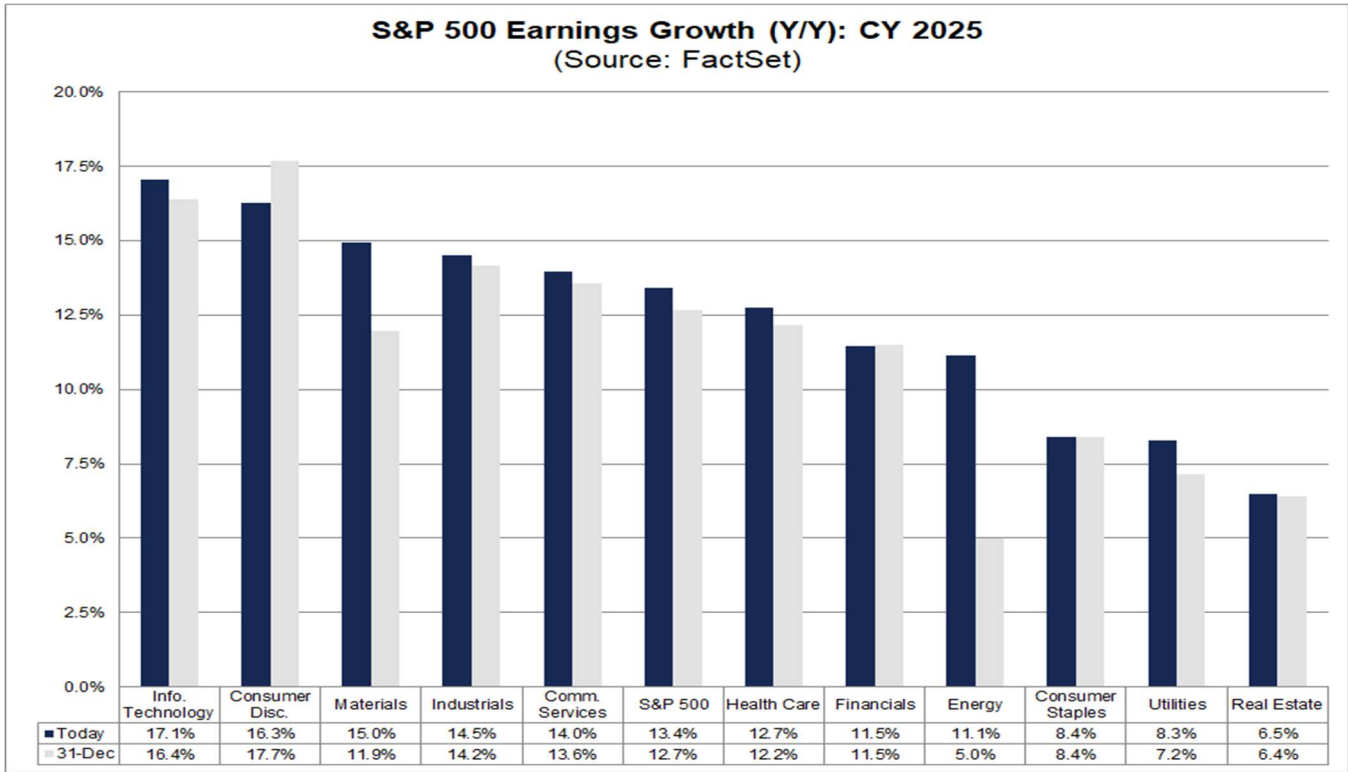
FY 2024 / 2025: EPS Guidance



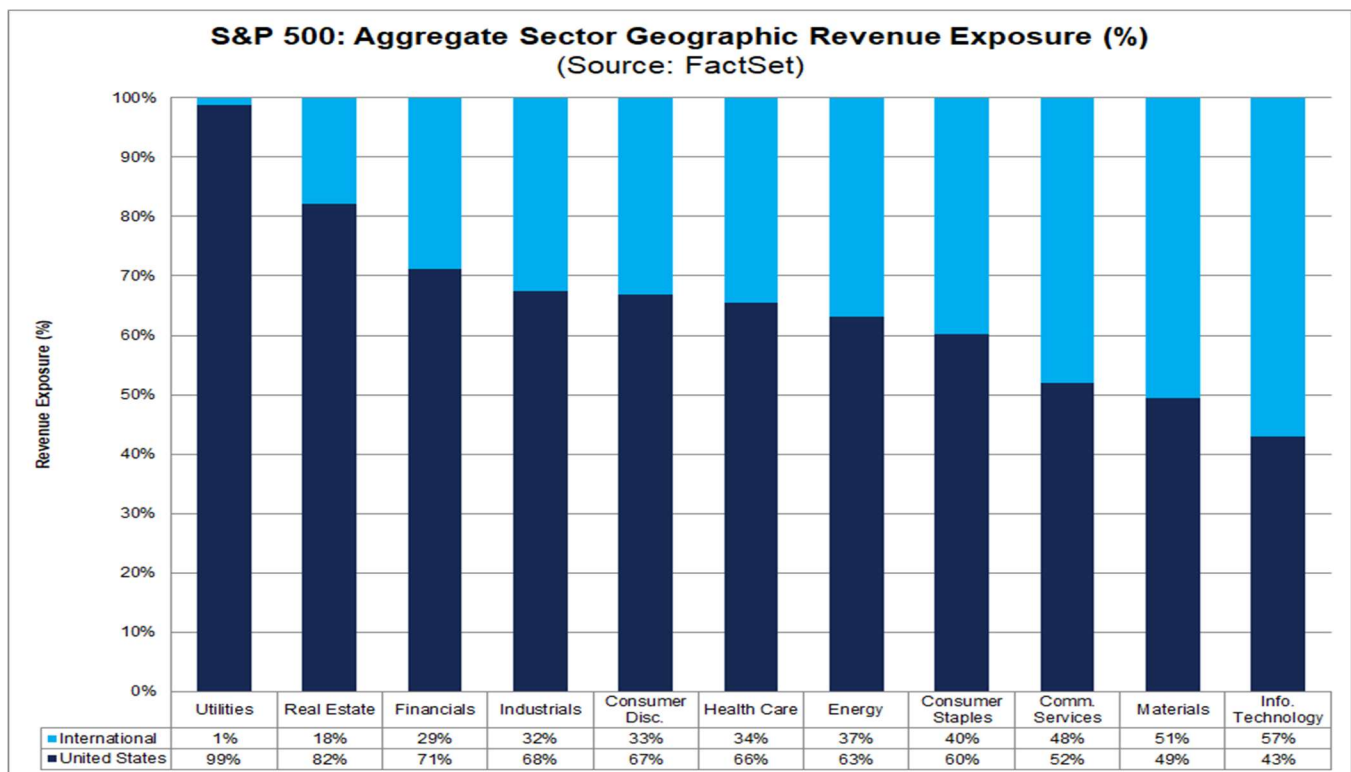
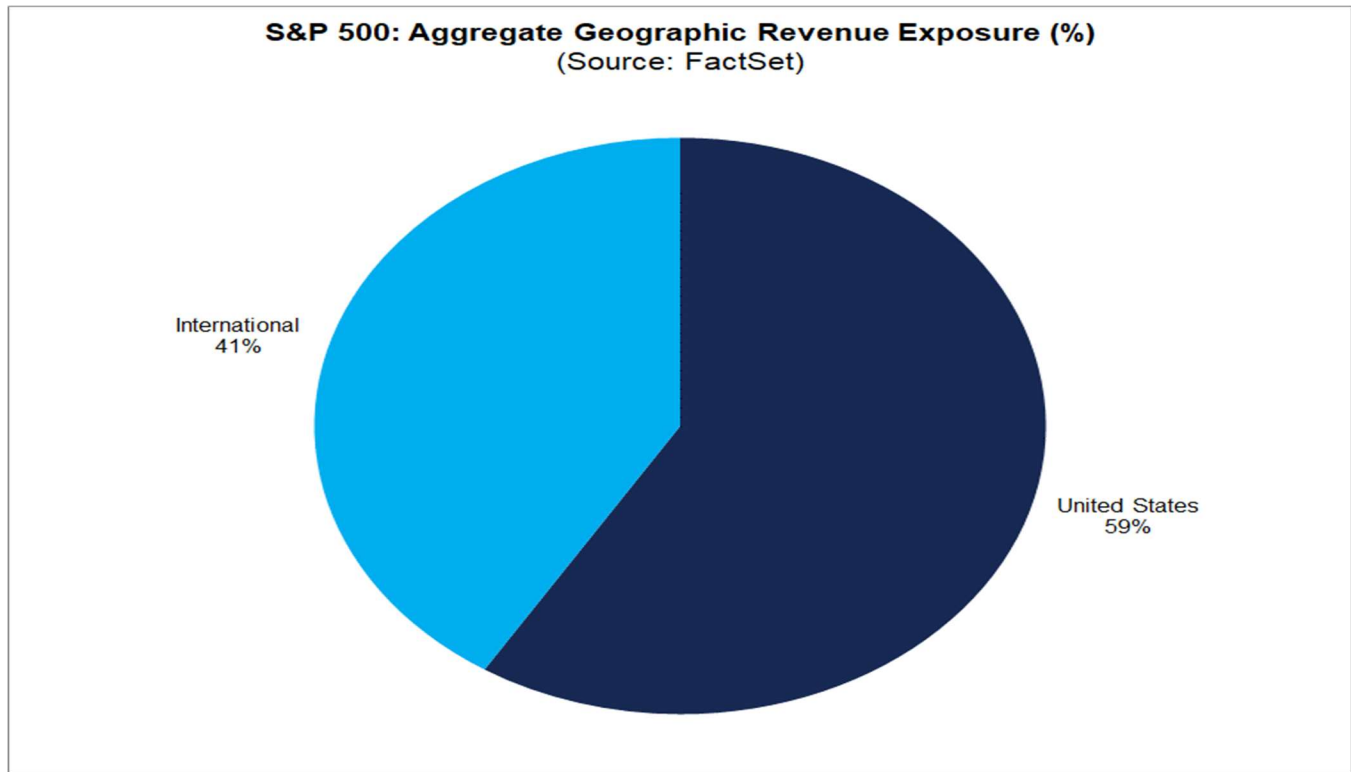
CY 2024: Growth



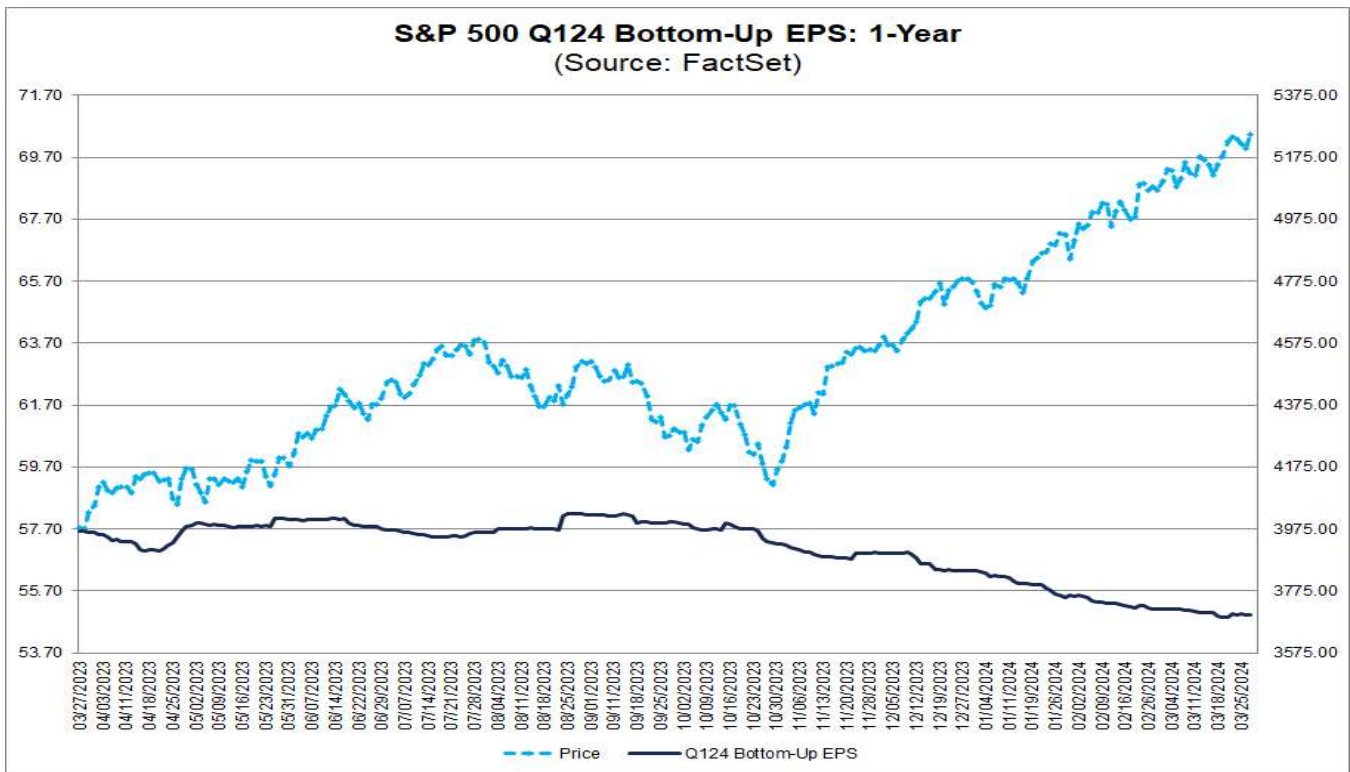
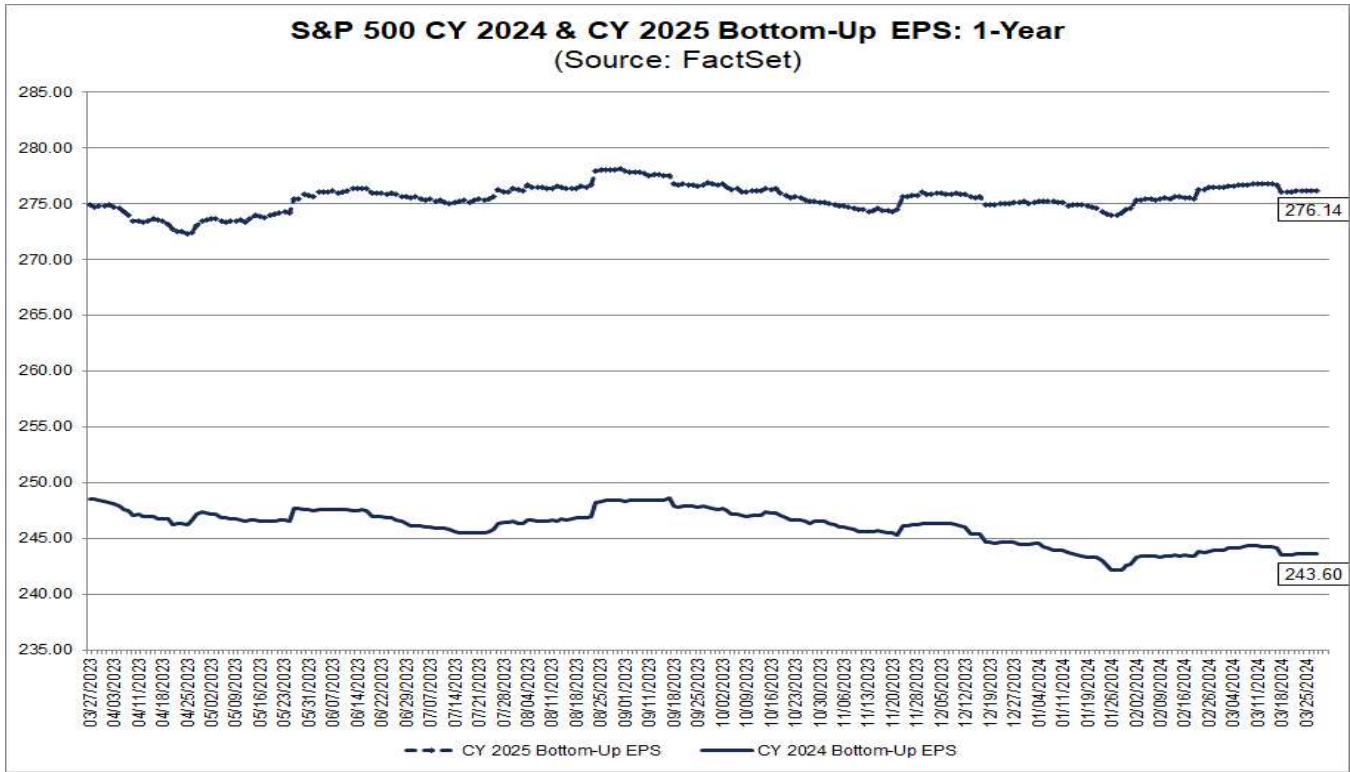
CY 2025: Growth



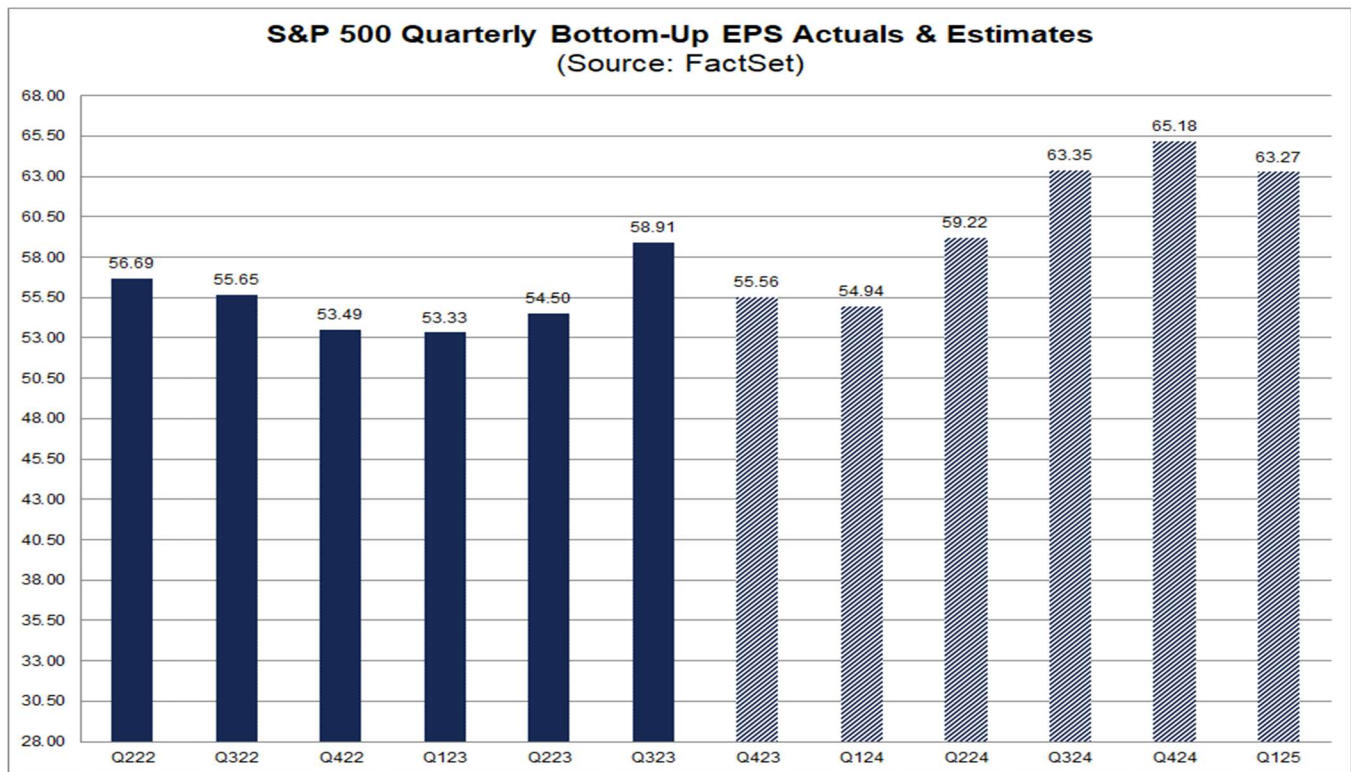
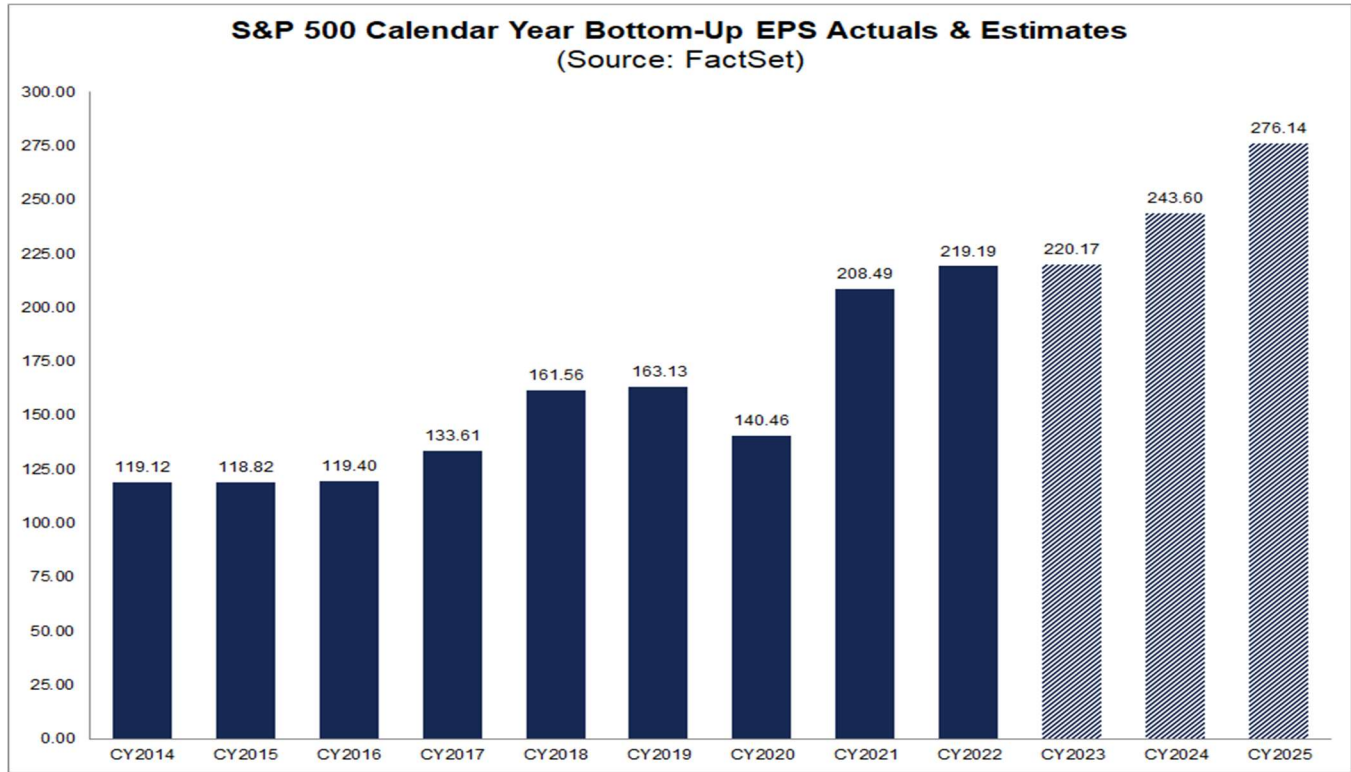
Geographic Revenue Exposure



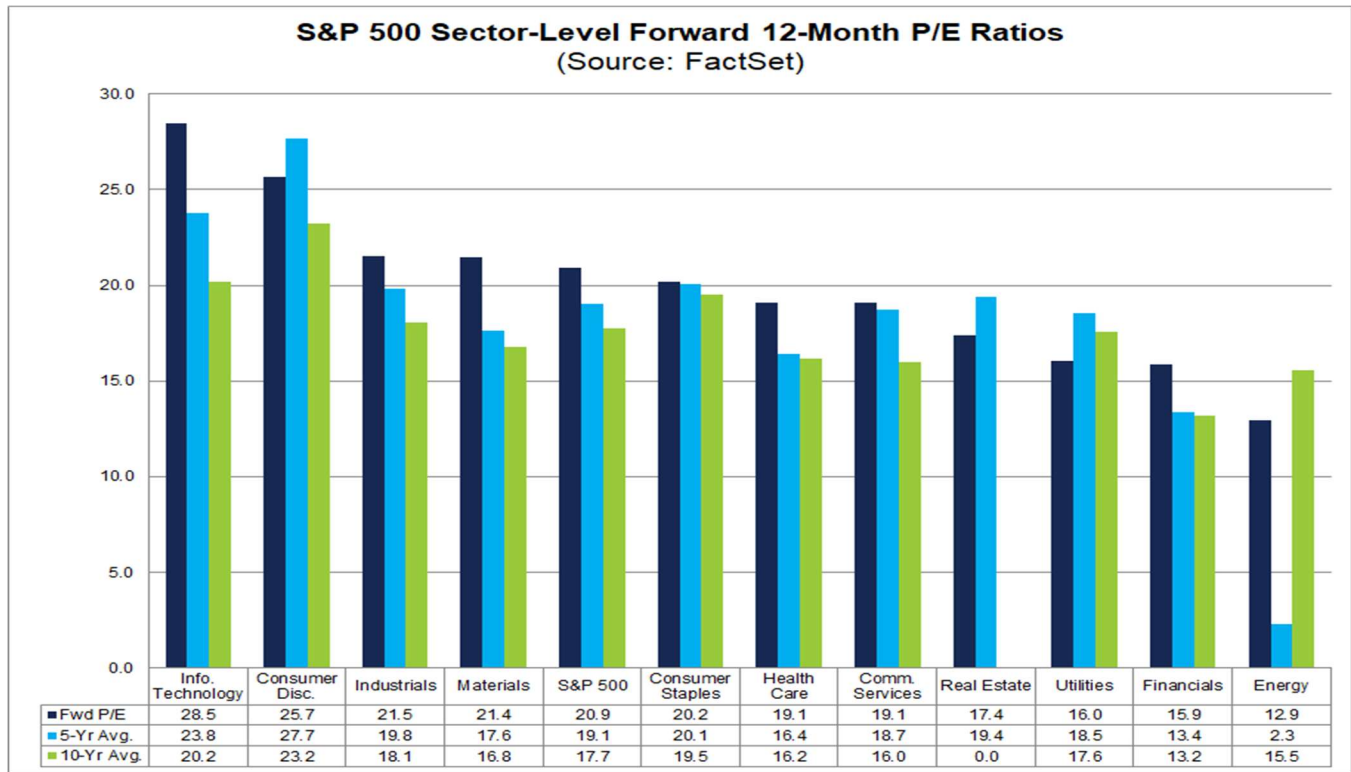
Bottom-Up EPS Estimates



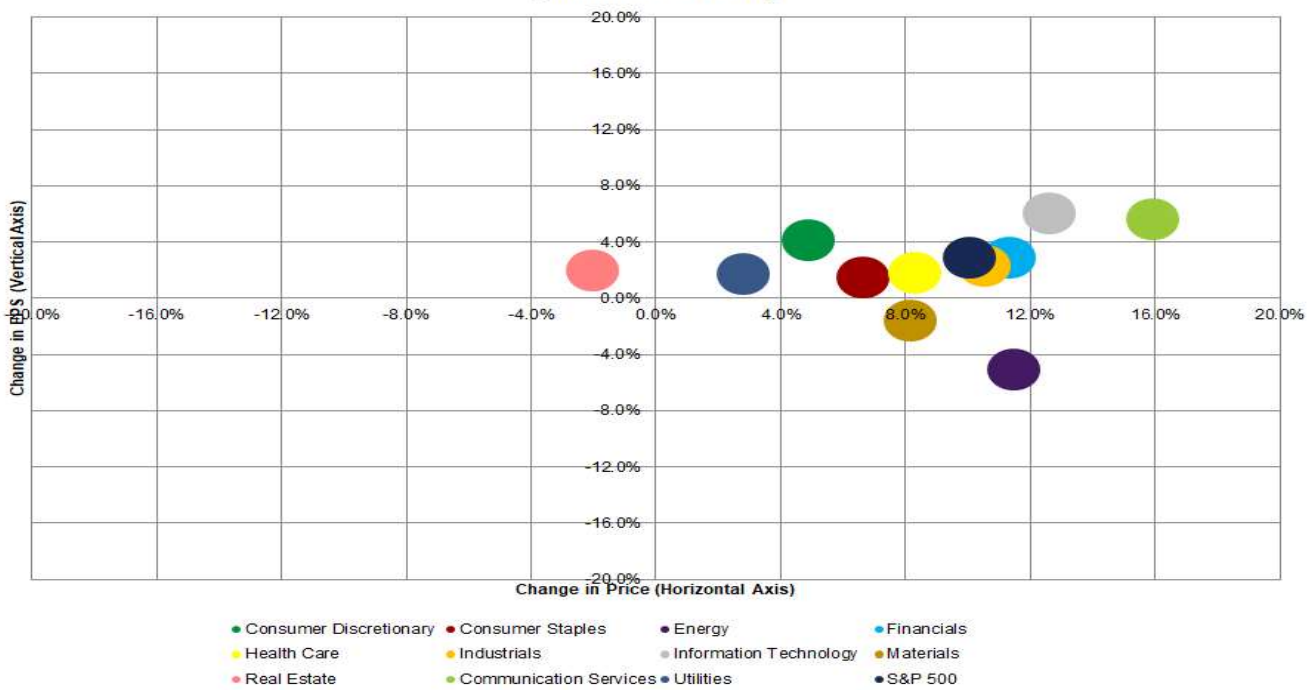
Bottom-Up EPS Estimates: Current & Historical



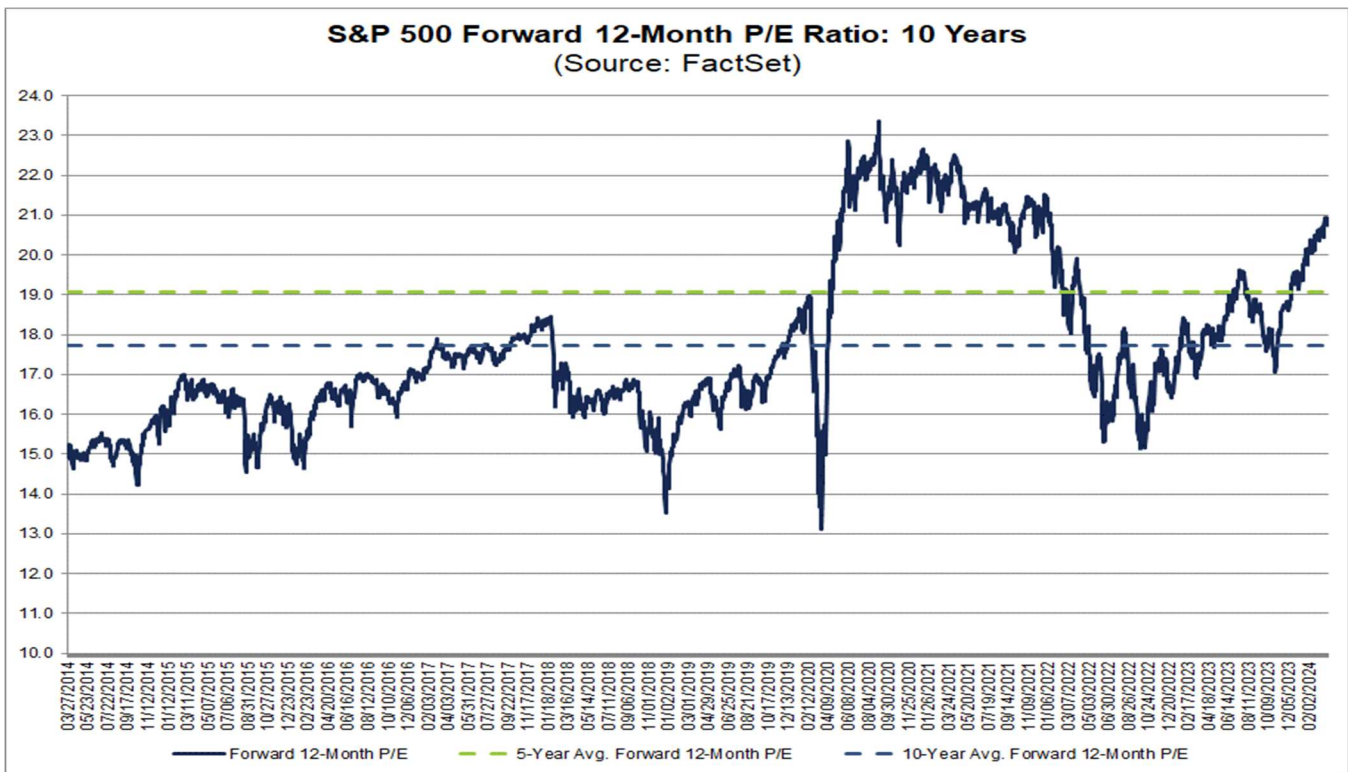
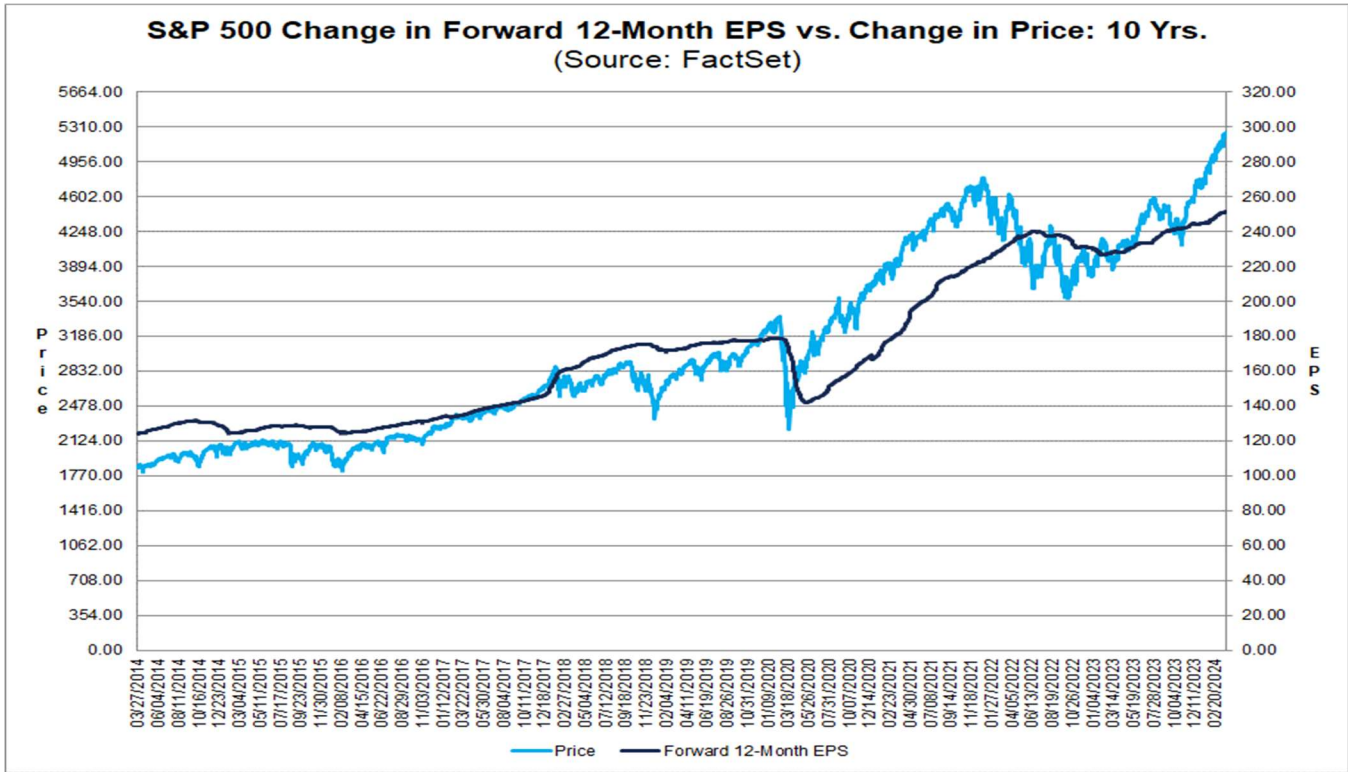
Forward 12M P/E Ratio: Sector Level



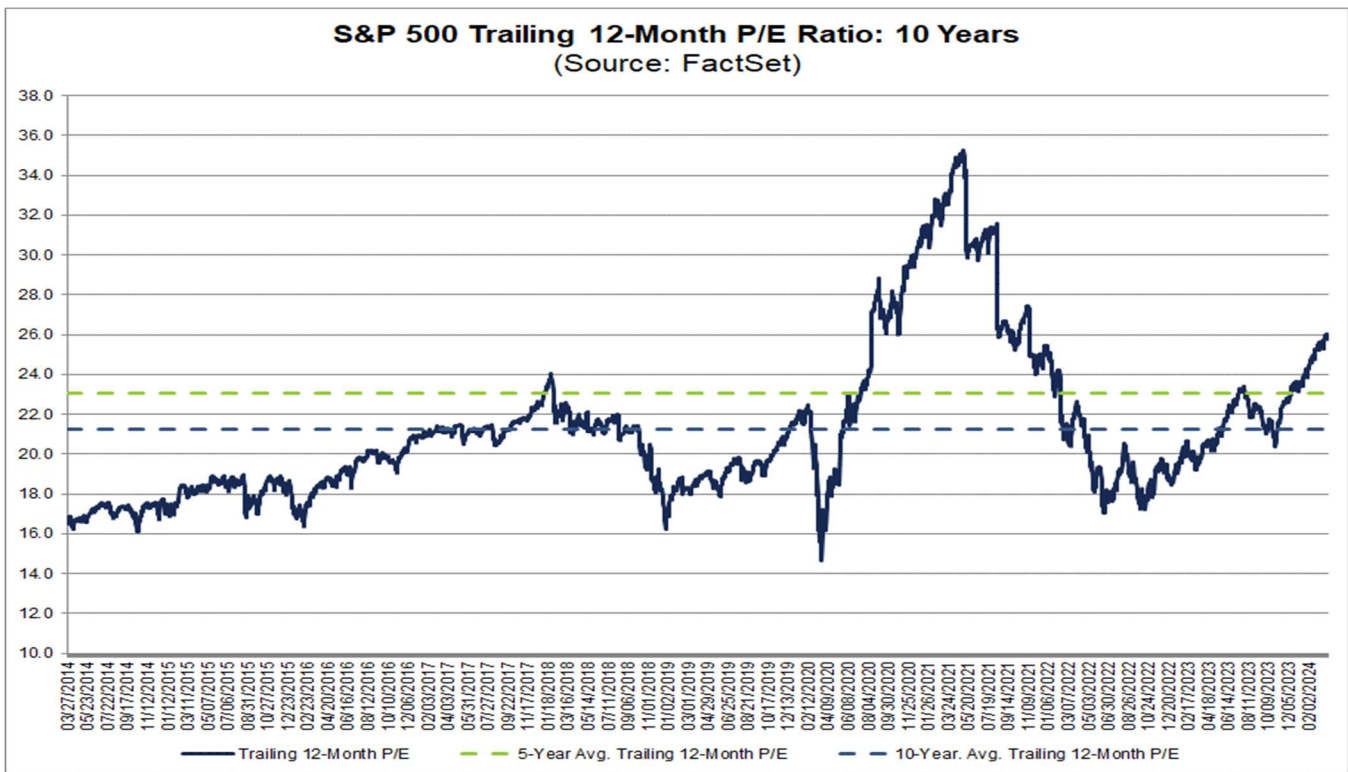
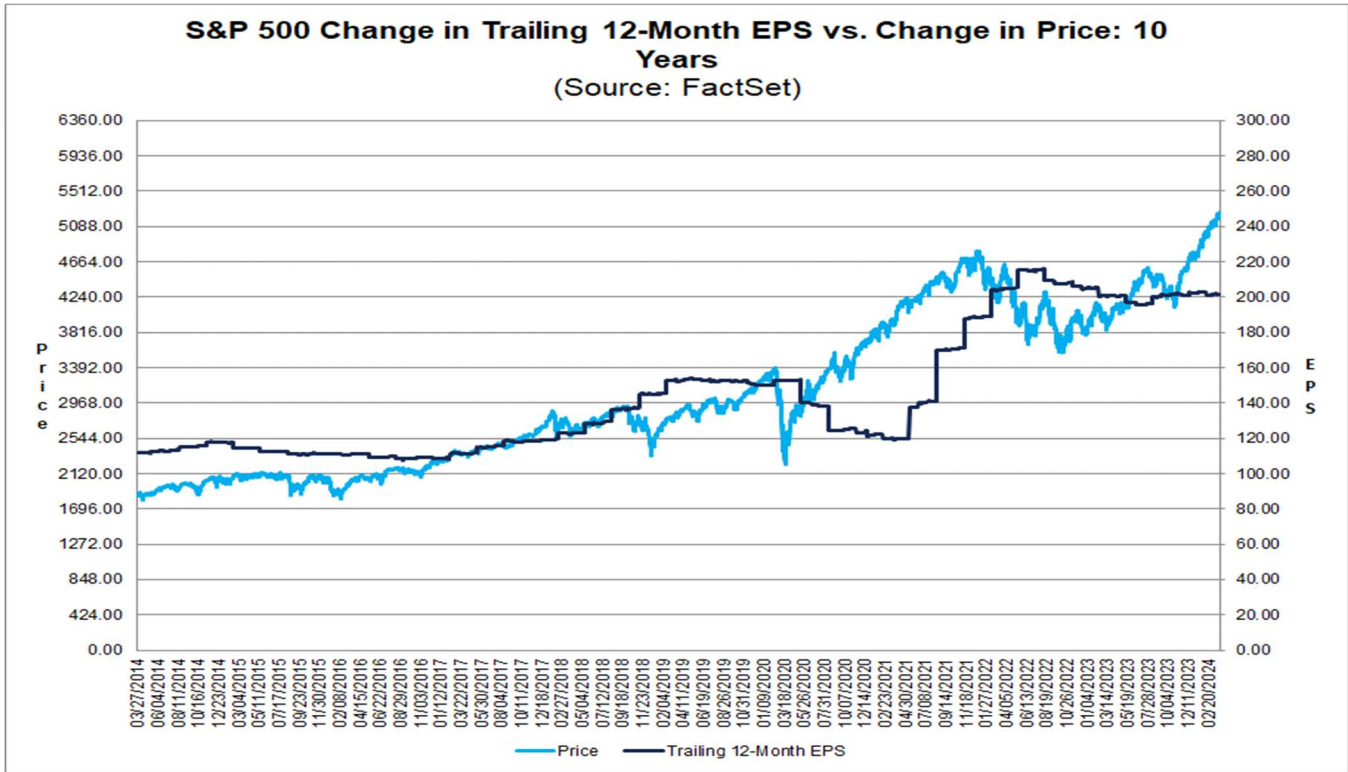
Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Dec. 31 (Source: FactSet)



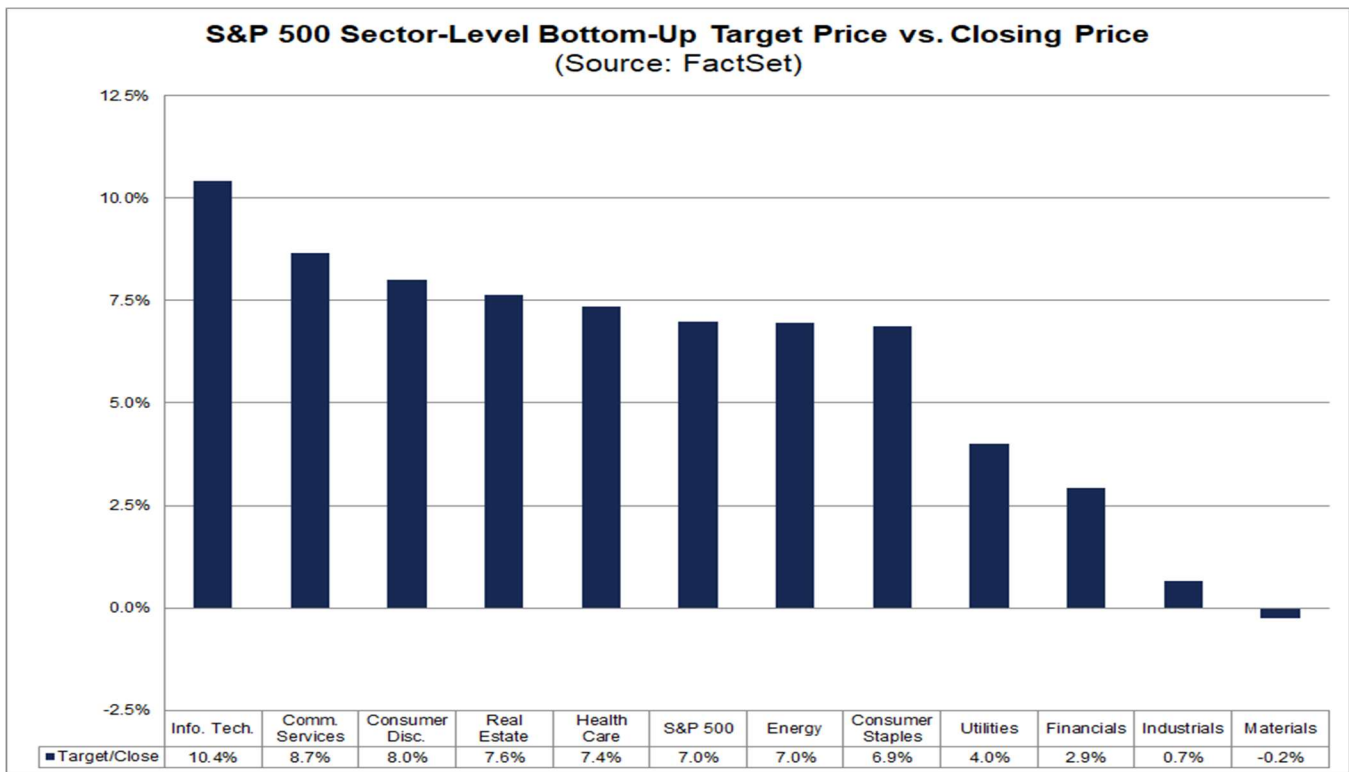
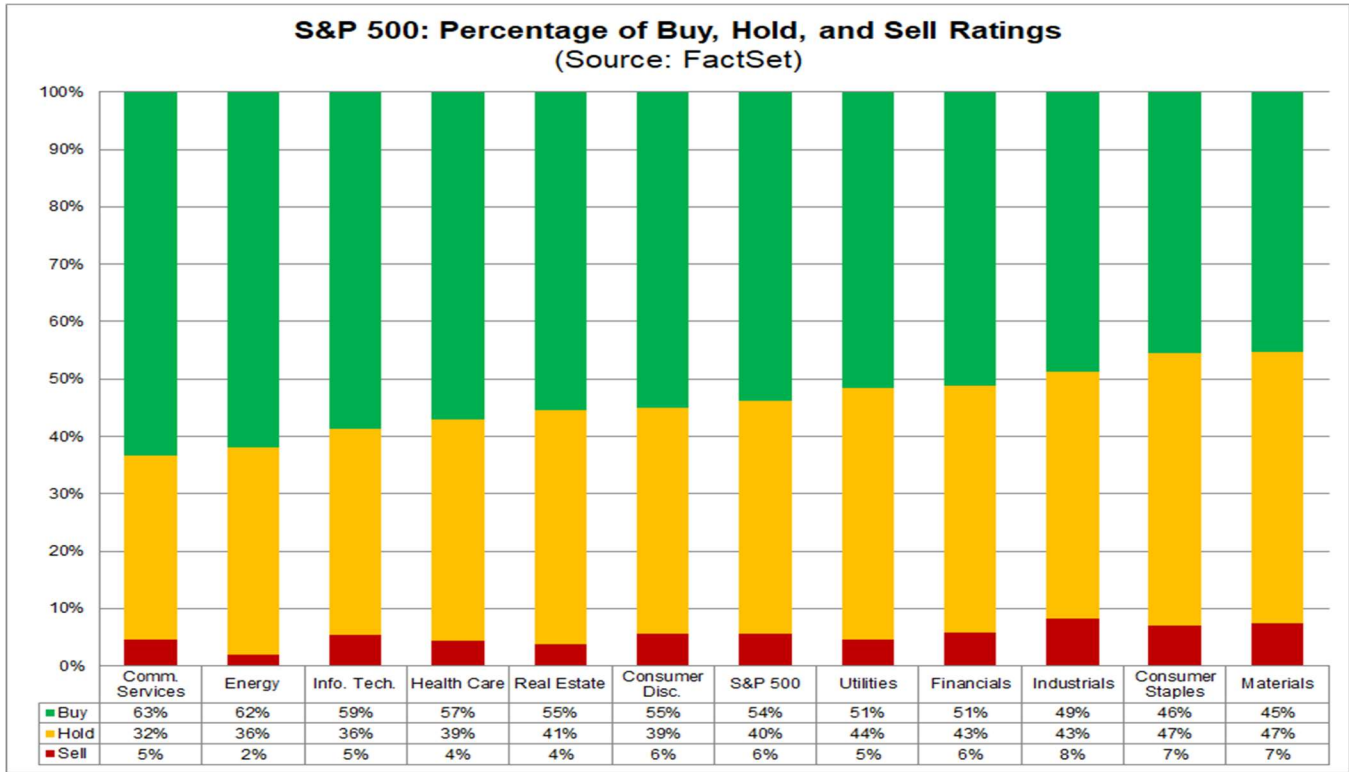
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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