FACTSET

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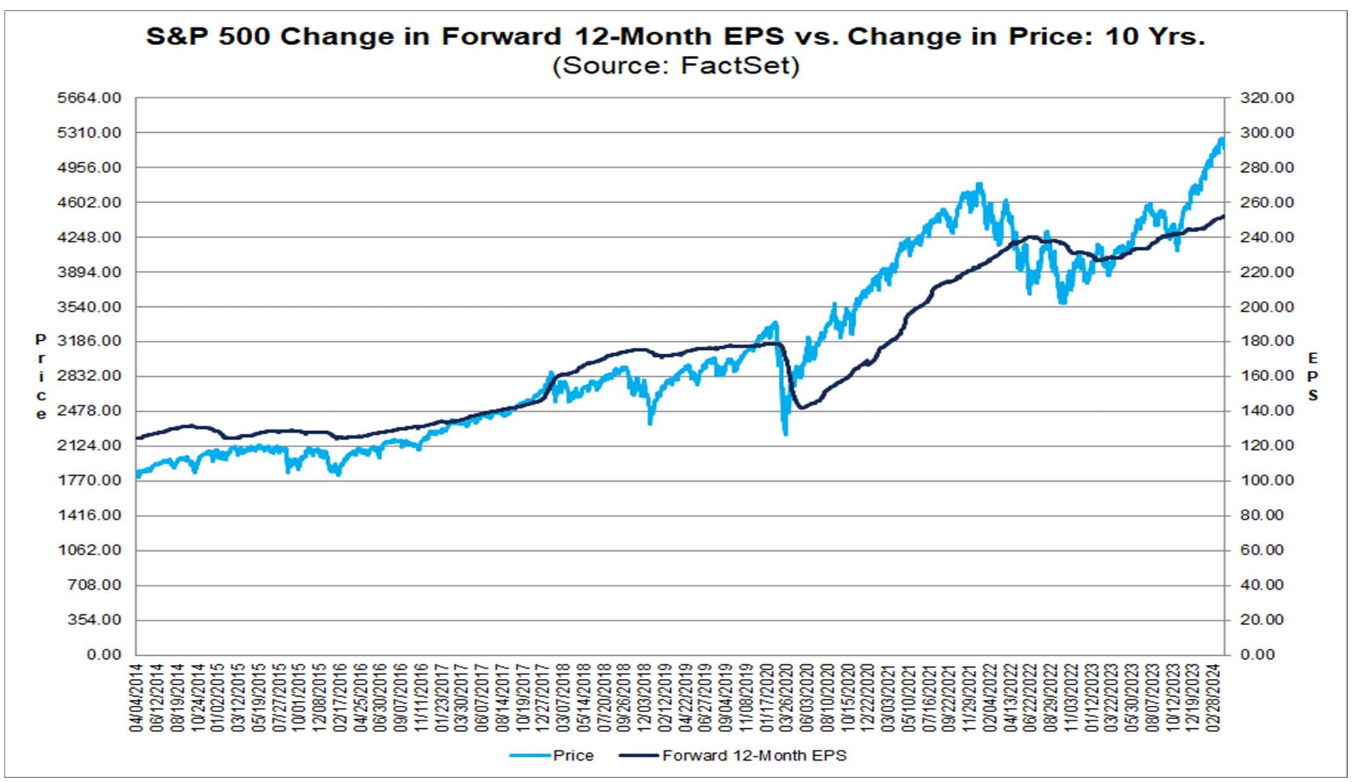
Key Metrics

- **Earnings Growth:** For Q1 2024, the estimated (year-over-year) earnings growth rate for the S&P 500 is 3.2%. If 3.2% 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 5.7%. Eight 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 20.5. This P/E ratio is above the 5-year average (19.1) and above the 10-year average (17.7).
- **Earnings Scorecard:** For Q1 2024 (with 20 S&P 500 companies reporting actual results), 18 S&P 500 companies have reported a positive EPS surprise and 9 S&P 500 companies have reported a positive revenue surprise.



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Topic of the Week: 1

Second-Highest Number of S&P 500 Companies Issuing Negative EPS Guidance Since Q2 2019

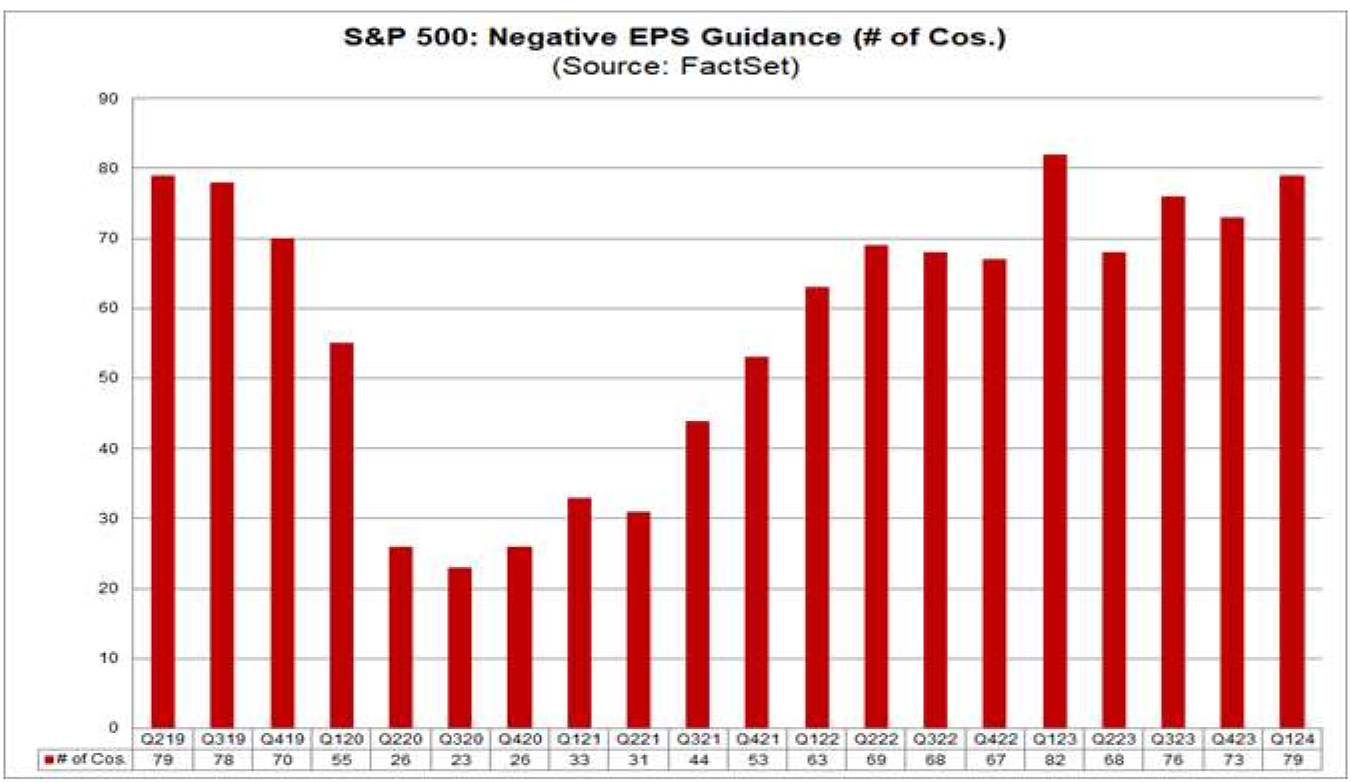
While analysts lowered Q1 earnings estimates for S&P 500 companies by a smaller margin than average, have fewer S&P 500 companies issued negative EPS guidance than average for Q1 as well? The answer is no. Both the number and percentage of S&P 500 companies issuing negative EPS guidance for Q1 2024 are above their recent averages.

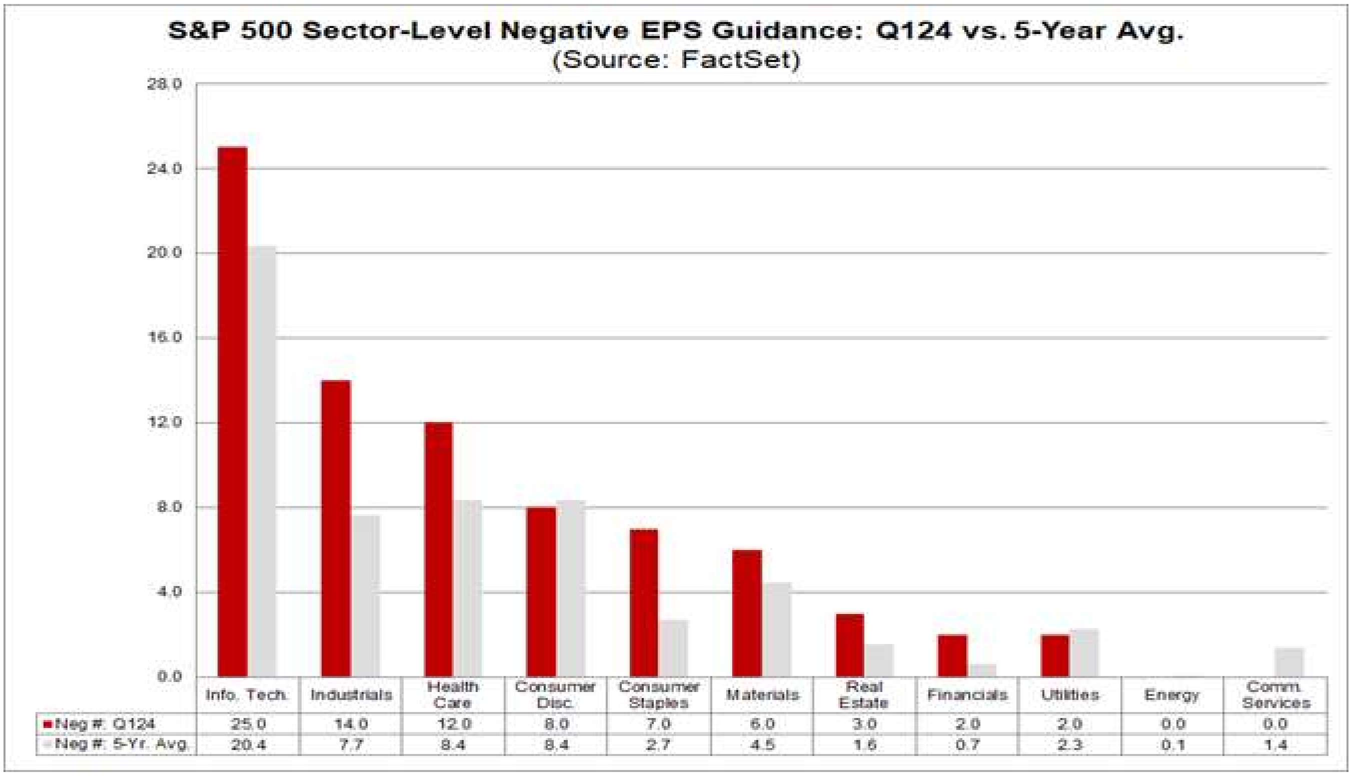
Overall, 112 S&P 500 companies have issued quarterly EPS guidance for the first quarter. Of these companies, 79 have issued negative EPS guidance and 33 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is above the 5-year average of 58 and above the 10-year average of 62. In fact, this quarter ties the mark with Q2 2019 and Q1 2016 for the second-highest number of S&P 500 companies issuing negative EPS guidance for a quarter since FactSet began tracking this metric in 2006. The record-high number is 82, which occurred in Q1 2023.

Seven sectors have seen more companies issue negative EPS guidance for Q1 2024 compared to their 5-year averages, led by the Industrials (14.0 vs. 7.7), Information Technology (25.0 vs. 20.4), Consumer Staples (7.0 vs. 2.7), and Health Care (12.0 vs. 8.4) sectors.

The percentage of companies issuing negative EPS guidance is 71% (79 out of 112), which is also above the 5-year average of 59% and above the 10-year average of 63%. This quarter marks the second-highest percentage of S&P 500 companies issuing negative EPS guidance since Q3 2019 (72%), trailing only Q1 2023 (75%).

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.





S&P 500 Sector-Level Negative EPS Guidance: Q124 vs. 5-Year Avg.
(Source: FactSet)
28.0
24.0
20.0
16.0
12.0
8.0
4.0
0.0
Info. Tech.
Industrials
Health Care
Consumer Disc.
Consumer Staples
Materials
Real Estate
Financials
Utilities
Energy
Comm. Services
Neg #: Q124
Neg #: 5-Yr. Avg.
25.0 14.0 12.0 8.0 7.0 6.0 3.0 2.0 2.0 0.0 0.0
20.4 7.7 8.4 8.4 2.7 4.5 1.6 0.7 2.3 0.1 1.4

Topic of the Week: 2

S&P 500 Financials Sector Q1 Earnings Preview: Banks Expected to Report Largest Decline

The Financials sector will be a focus for the market during the next two weeks, as 50% of the S&P 500 companies that are scheduled to report earnings for the first quarter over this period are part of this sector. Companies in the Financials sector that are expected to report earnings during these two weeks include Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo. The Financials sector is predicted to report the sixth-highest (year-over-year) earnings growth rate of all eleven sectors for Q1 at 0.7%.

At the industry level, three of the five industries in the sector are expected to report year-over-year earnings growth, led by the Insurance industry at 37%. This industry is also expected to be the largest contributor to year-over-year earnings for the sector. If the Insurance industry were excluded, the Financials sector would be expected to report a (year-over-year) decline in earnings of -6.0% rather than a year-over-year increase in earnings of 0.7%. At the sub-industry level, all five sub-industries are expected to report year-over-year earnings growth. Four of these sub-industries are predicted to report double-digit earnings growth: Property & Casualty Insurance (87%), Reinsurance (62%), Life & Health Insurance (12%), and Multi-line Insurance (12%).

The other two industries projected to report year-over-year increases in earnings are the Consumer Finance and Financial Services industries. The Consumer Finance industry is predicted to report the second-highest (year-over-year) earnings growth rate at 13%, while the Financial Services industry is projected to report the third-highest (year-over-year) earnings growth rate at 11%. Both sub-industries in the Financial Services industry are expected to report earnings growth: Multi-Sector Holdings (19%) and Transaction & Payment Processing Services (7%).

On the other hand, two industries in the sector are expected to report a year-over-year decline in earnings, led by the Banks industry at -18%. This industry is also expected to be the largest detractor to year-over-year earnings growth for the sector. If the Banks industry were excluded, the estimated earnings growth rate for the Financials sector would increase to 14.2% from 0.7%. At the sub-industry level, both the Diversified Banks (-16%) and Regional Banks (-28%) sub-industries are expected to report year-over-year declines in earnings.

Sean Ryan, VP/Associate Director for the banking and specialty finance sector at FactSet, highlighted a number of key themes and metrics to watch for banks in the S&P 500 during this earnings season:

Bank earnings season begins on Friday, April 12, and is likely to be characterized by mixed spread revenue trends, relative strength in fee income (with some corresponding pressure on expenses), and further reserve building amid continued mean reversion in credit quality. Key areas to watch include signs of net interest margins bottoming (some banks are hitting the inflection point, while for others it may be a few quarters off), any acceleration of credit deterioration (or broadening out beyond known areas such as CRE and credit cards), and for universal banks, management commentary around the durability of the investment banking improvement year-to-date.

The interest rate environment was a marginal negative in the first quarter; the 32bp increase in the 10 year yield implies banks will give back some of their OCI gains from the fourth quarter of 2023 (during which the yield dropped 69bps). At the short end of the curve, while Fed Funds futures continue to discount rate cuts, the trajectory moderated further; futures now imply that the June FOMC meeting will see the first of three 25-bp cuts in 2024, with another three priced in for 2025. Welcome as that would be, it is a less bullish outlook than had been priced in three or six months ago.

Nonetheless, with the course of rate hikes seemingly having run its course, pressure on deposit costs should continue to decelerate, with several banks likely to post improved net interest margins for the first quarter, and more likely to guide to the same for 2H24.

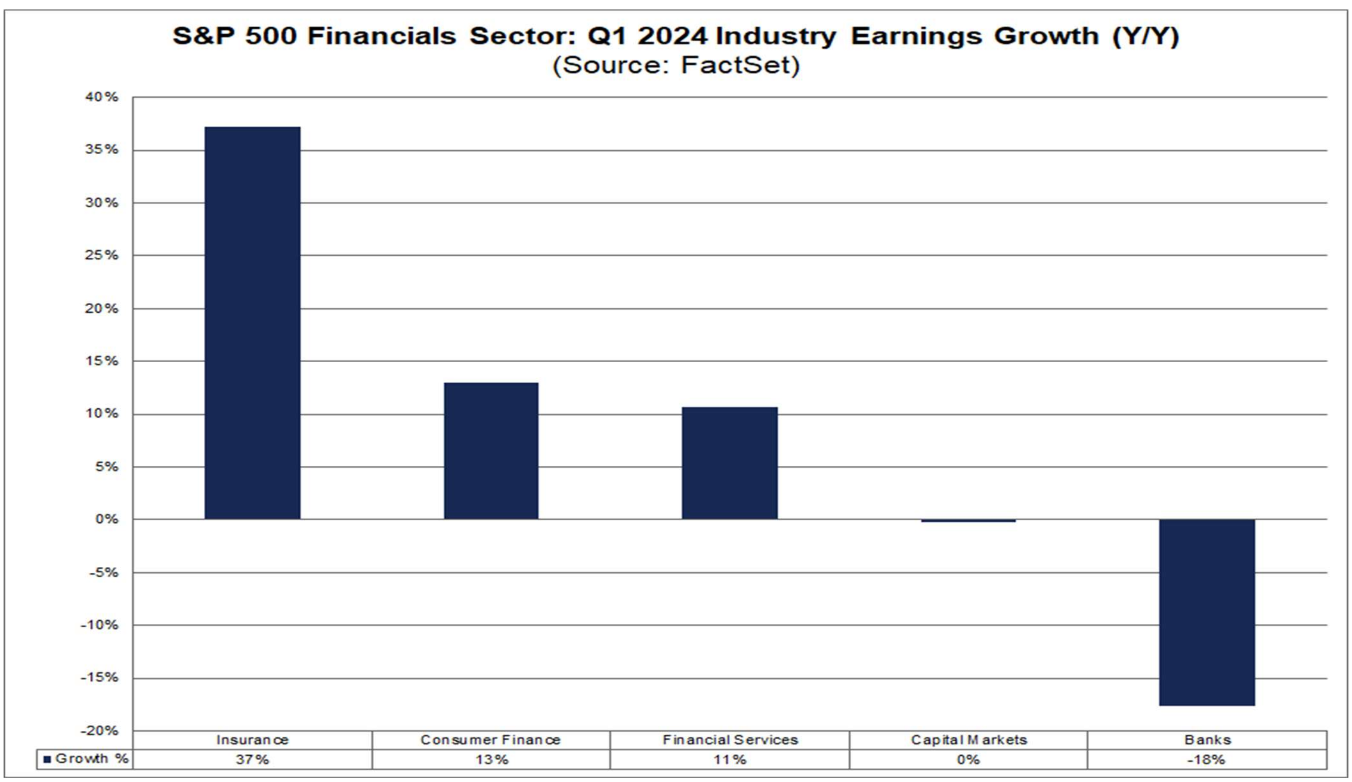
Noninterest revenues should be a relative bright spot. Investment banking revenues should see strong gains, and while M&A results will remain the weak link, the quarter saw an uptick in announced transactions. The increase in mortgage applications, including refis, during the quarter should translate into improved revenues, though the overall level remains weak. First quarter market performance should bolster AUM in both wealth and asset management, though flows for the latter remain a mixed bag.

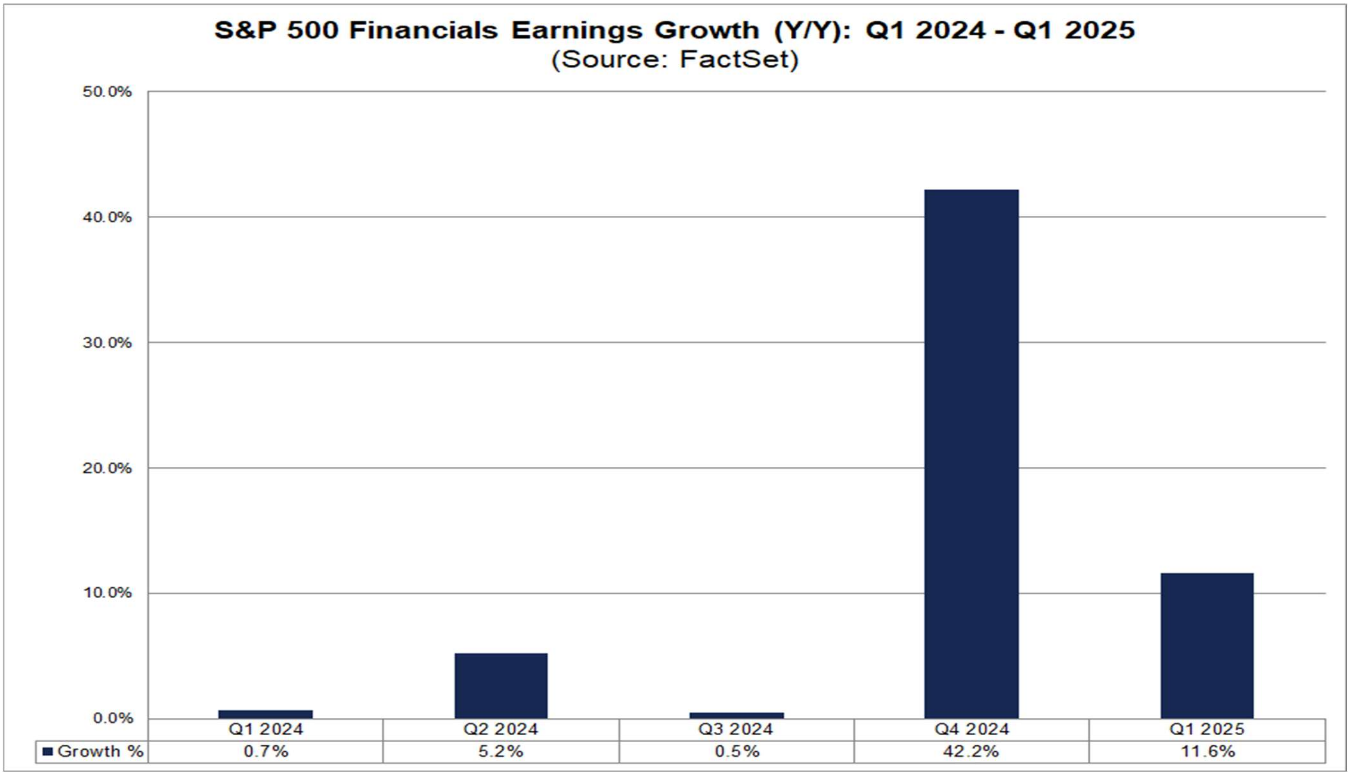
Credit should remain a swing factor; the problems afflicting commercial real estate are well understood at this point, but both overall, and in the pockets with the greatest deterioration - CRE and credit cards - the rising delinquencies and charge-offs continue to reflect mean reversion from unsustainably low levels, rather than the traditional down side of a credit cycle. So while incremental deterioration (and related reserve building) are expected, we would look for any signs of either an acceleration of the credit deterioration, or a broadening out of distress to other loan portfolios.

For more commentary and analysis on the banking industry, please see Sean's articles on the FactSet Insight blog at this link: https://insight.factset.com/author/sean-ryan

The Capital Markets industry is projected to report a (year-over-year) earnings decline of less than -1%. At the sub-industry level, the Financial Exchanges & Data (6%) and Asset Management & Custody Banks (5%) sub-industries are expected to report year-over-year earnings growth, while the Investment Banking & Brokerage (-7%) sub-industry is expected to report a year-over-year earnings decline.

Looking ahead, analysts are predicting earnings growth rates for the Financials sector of 5.2%, 0.5%, and 42.2% for Q2 2024, Q3 2024, and Q4 2024, respectively.




S&P 500 Financials Earnings Growth (Y/Y): Q1 2024 - Q1 2025
(Source: FactSet)
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
Q1 2024
Q2 2024
Q3 2024
Q4 2024
Q1 2025
Growth %
0.7%
5.2%
0.5%
42.2%
11.6%

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 lowered earnings estimates for Q1 2024 by a smaller margin than average during the quarter. On a per-share basis, estimated earnings for the first quarter decreased by 2.5% from December 31 to March 31. This decrease was 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 3.2%, compared to the estimated (year-over-year) earnings growth rate of 5.7% on December 31. If 3.2% 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 sector.

Looking ahead, analysts expect (year-over-year) earnings growth rates of 9.4%, 8.5%, and 17.5% for Q2 2024, Q3 2024, and Q4 2024, respectively. For CY 2024, analysts are calling for (year-over-year) earnings growth of 10.9%.

The forward 12-month P/E ratio is 20.5, which is above the 5-year average (19.1) and above the 10-year average (17.7). However, it is below the forward P/E ratio of 21.0 recorded at the end of the first quarter (March 31).

During the upcoming week, nine S&P 500 companies (including one Dow 30 component) are scheduled to report results for the first quarter.

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

Decline in Estimated Earnings Growth Rate for Q1 This Week Due to Financials Sector

During the past week, the estimated earnings growth rate for the S&P 500 for Q1 2024 decreased to 3.2% from 3.5%. Downward revisions to EPS estimates for companies in multiple sectors (led by the Financials sector) were responsible for the decline in the overall earnings growth rate during the week.

The estimated earnings growth rate for the S&P 500 for Q1 2024 of 3.2% today is below the estimate of 5.7% at the start of the quarter (December 31), as estimated earnings for the index of $476.8 billion today are 2.3% below the estimate of $488.1 billion at the start of the quarter. Eight sectors have recorded a decrease in dollar-level earnings due to downward revisions to earnings estimates, led by the Materials, Energy, Industrials, and Health Care sectors. On the other hand, three 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.

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

The Materials sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the first quarter at -13.8% (to $10.1 billion from $11.7 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -24.1% today from -11.9% on December 31. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 7.3% 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, 18 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 $0.22 from $0.50), International Paper (to $0.22 from $0.38), and Newmont (to $0.41 from $0.61).

Energy: Chevron Leads Earnings Decrease Since December 31

The Energy sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -12.0% (to $30.3 billion from $34.5 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -25.8% today from -15.7% on December 31. Despite the decrease in expected earnings, this sector has witnessed the second-largest price increase of all eleven sectors since December 31 at 15.8%. 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 $0.61 from $1.21), EQT Corporation (to $0.66 from $1.24), and APA Corporation (to $0.84 from $1.42). However, Chevron (to $2.98 from $3.51), Occidental Petroleum, and ConocoPhillips (to $2.02 from $2.37) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since December 31.

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 $35.9 billion from $38.4 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -0.5% today from 6.4% on December 31. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 8.8% since December 31. Overall, 56 of the 78 companies (72%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 56 companies, 14 have recorded a decrease in their mean EPS estimate of more than 10%, led by Boeing (to -$1.39 from $0.64), United Airlines Holding (to -$0.57 from -$0.21), and Generac Holdings (to $0.80 from $1.42). Boeing and UPS (to $1.35 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 -5.5% (to $64.9 billion from $68.7 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -7.2% today from -1.9% on December 31. Despite the decrease in expected earnings, this sector witnessed a price increase of 4.1% 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, 16 have recorded a decrease in their mean EPS estimate of more than 10%, led by West Pharmaceutical Services (to $1.26 from $2.11), Illumina (to $0.04 from $0.07), and Humana (to $6.33 from $10.32). However, Bristol-Myers Squibb (to $1.60 from $2.00), Humana, Pfizer (to $0.54 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 1.9% (to $36.1 billion from $35.5 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 15.0% today from 12.9% on December 31. Despite the increase in expected earnings, this sector has witnessed the smallest price increase of all eleven sectors since December 31 at 1.8%. Overall, 22 of the 53 companies (42%) in the Consumer Discretionary sector have seen an increase in their mean EPS estimate during this time. Of these 22 companies, 9 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 20.4% today from 18.3% on December 31. This sector has also witnessed the third-largest price increase of all eleven sectors since December 31 at 9.8%. 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 $0.15 from -$0.60), Seagate Technology (to $0.27 from $0.16), and Super Micro Computer (to $5.84 from $4.35). However, NVIDIA (to $5.55 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: Decreased by 2.5% During Q1

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) decreased by 2.5% (to $54.93 from $56.34) from December 31 to March 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 was 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, 263 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 263 companies, 141 have issued negative EPS guidance and 122 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 54% (141 out of 263).

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: 3.2%

The estimated (year-over-year) earnings growth rate for Q1 2024 is 3.2%, 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 3.2% 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 23.7%. At the industry level, all 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: Electric Utilities (43%), Independent Power and Renewable Electricity Producers (40%), and Gas Utilities (11%).

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 2.1% from 23.7%.

Information Technology: NVIDA 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 20.4%. 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 ($5.55 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 20.4%.

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 (16%). On the other hand, two industries are expected to report a year-over-year decline in earnings: Diversified Telecommunication Services (-9%) 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 15.0%. 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 (2,621%), Broadline Retail (143%), and Hotels, Restaurants, & Leisure (39%). 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 (-28%).

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 -2.7% instead of earnings growth of 15.0%.

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 -25.8%. 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 (-60%), Integrated Oil & Gas (-24%), Oil & Gas Exploration & Production (-16%), and Oil & Gas Storage & Transportation (-2%). 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 15% or More

The Materials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -24.1%. 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 (-26%), Chemicals (-26%), Metals & Mining (-18%), and Construction Materials (-16%).

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 sector.

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 7.3%. At the industry level, four of the five industries in this sector are predicted to reported (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.

Net Profit Margin: 11.5%

The estimated net profit margin for the S&P 500 for Q1 2024 is 11.5%, which is above the previous quarter's net profit margin of 11.2%, equal to the 5-year average of 11.5%, and below 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 (9.6% vs. 12.4%) and Materials (8.9% vs. 11.1%) 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, five 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 (8.9% vs. 10.9%) sectors.

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 3.2% 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 4.7%.

For Q3 2024, analysts are projecting earnings growth of 8.5% and revenue growth of 5.2%.

For Q4 2024, analysts are projecting earnings growth of 17.5% and revenue growth of 5.8%.

For CY 2024, analysts are projecting earnings growth of 10.9% and revenue growth of 5.1%.

For CY 2025, analysts are projecting earnings growth of 11.6% and revenue growth of 5.9%.

Valuation: Forward P/E Ratio is 20.5, Above the 10-Year Average (17.7)

The forward 12-month P/E ratio for the S&P 500 is 20.5. 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 7.9%, while the forward 12-month EPS estimate has increased by 3.2%. At the sector level, the Information Technology (27.7) and Consumer Discretionary (24.9) sectors have the highest forward 12-month P/E ratios, while the Energy (13.2) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 25.5, which is above the 5-year average of 23.1 and above the 10-year average of 21.3.

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

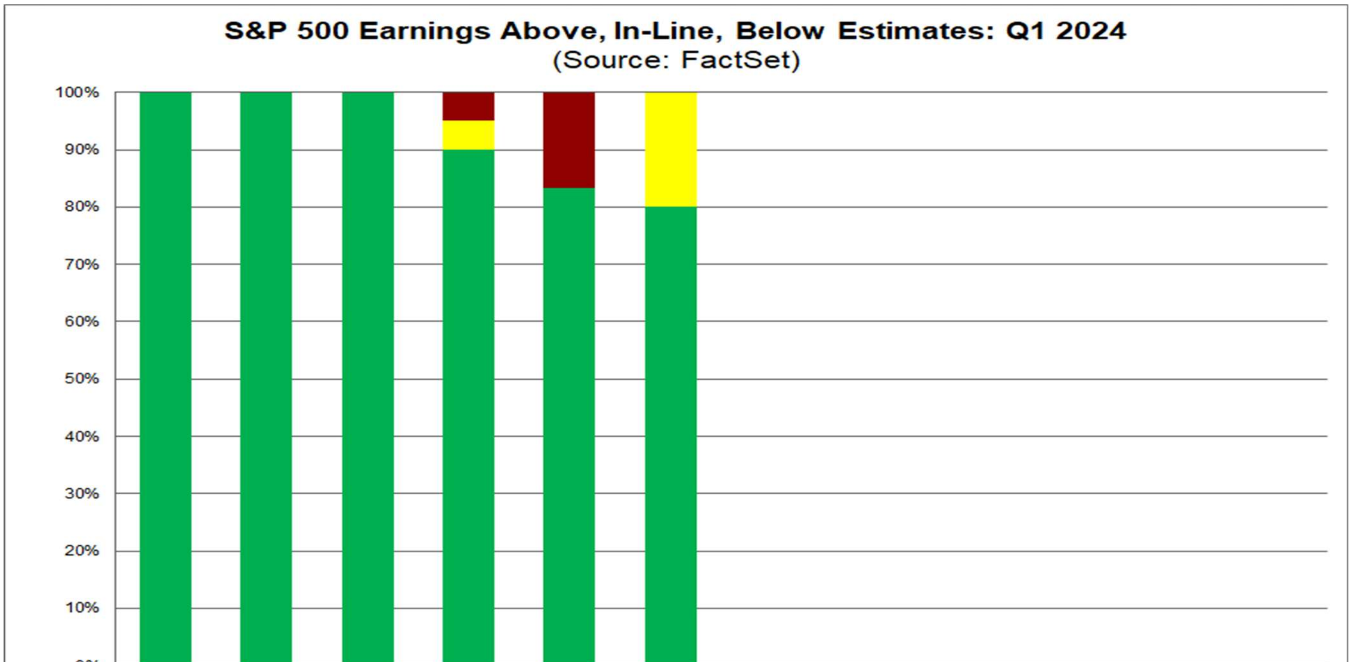
The bottom-up target price for the S&P 500 is 5758.66, which is 11.9% above the closing price of 5147.21. At the sector level, the Information Technology (+15.4%) and Health Care (+14.9%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Materials (+3.2%) 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 11,599 ratings on stocks in the S&P 500. Of these 11,599 ratings, 53.9% are Buy ratings, 40.5% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Communication Service (64%) and Energy (62%) sectors have the highest percentages of Buy ratings, while the Materials (45%) and Consumer Staples (45%) sectors have the lowest percentages of Buy ratings.

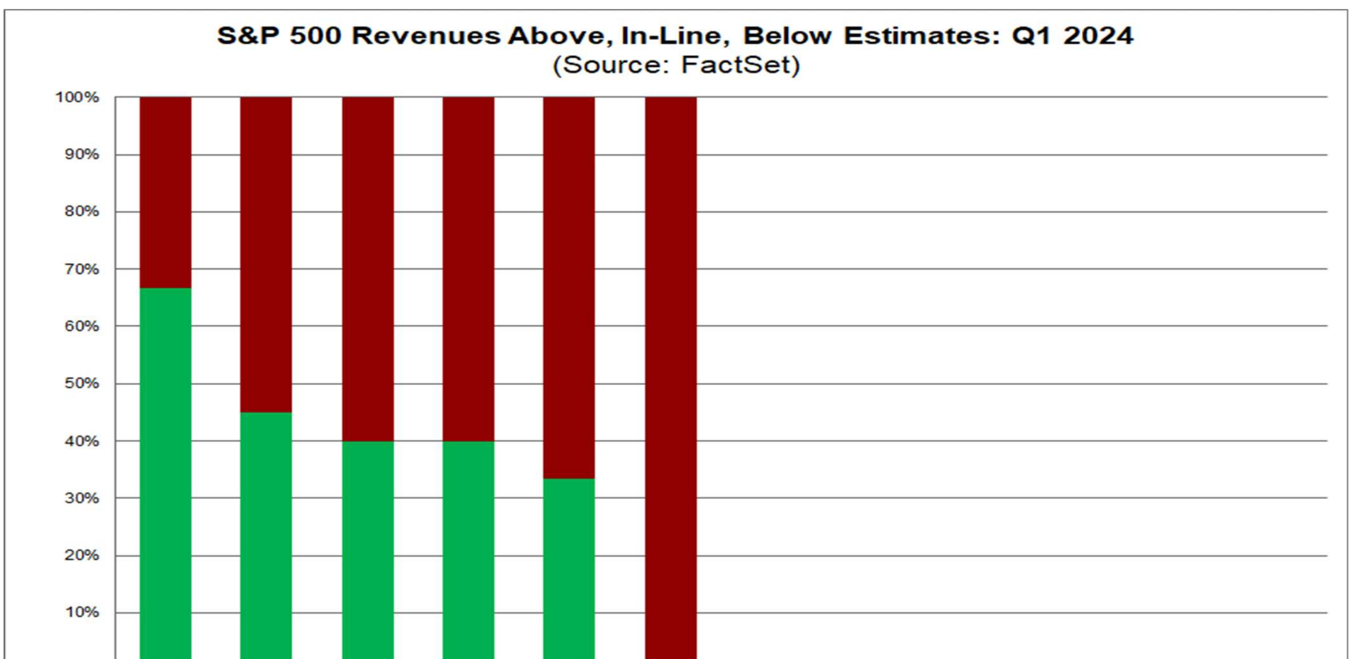
Companies Reporting Next Week: 9

During the upcoming week, nine S&P 500 companies (including one Dow 30 component) are scheduled to report results for the first quarter.

Q1 2024: Scorecard

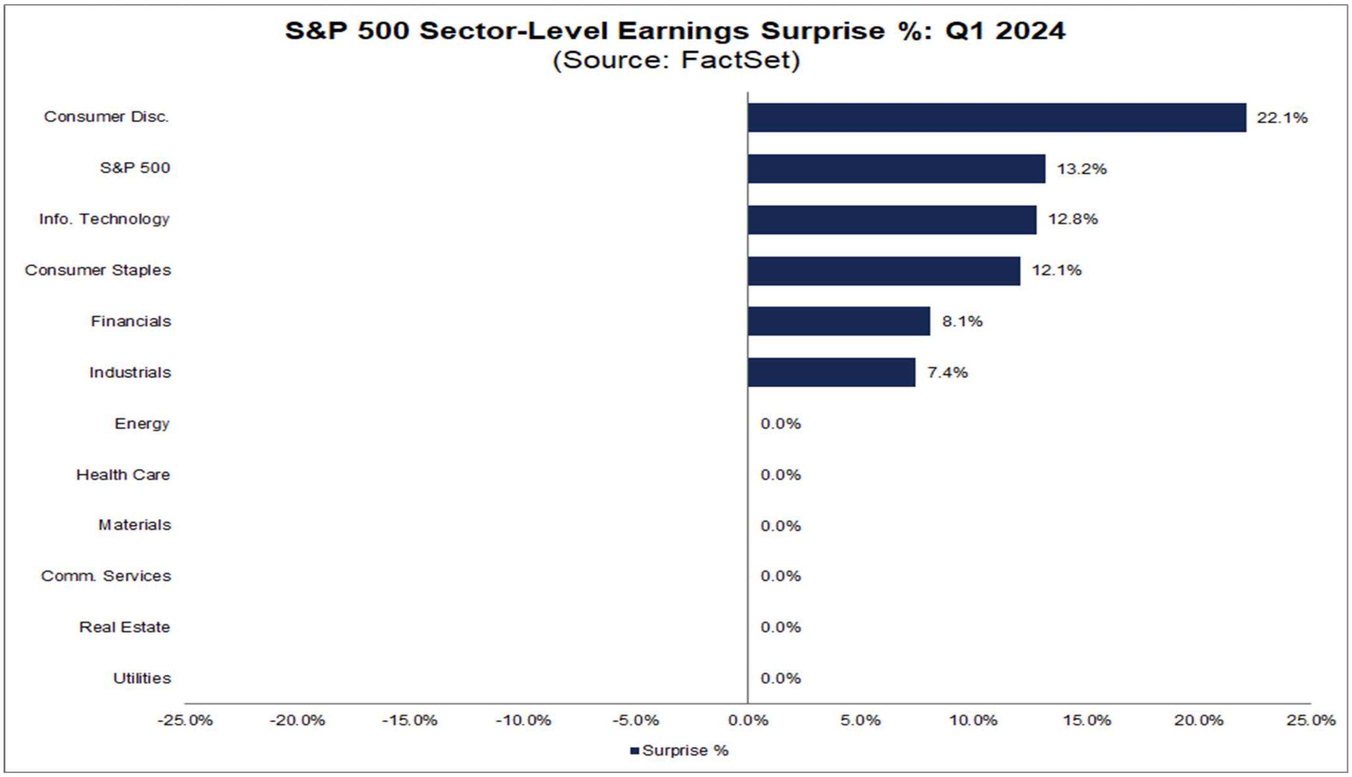


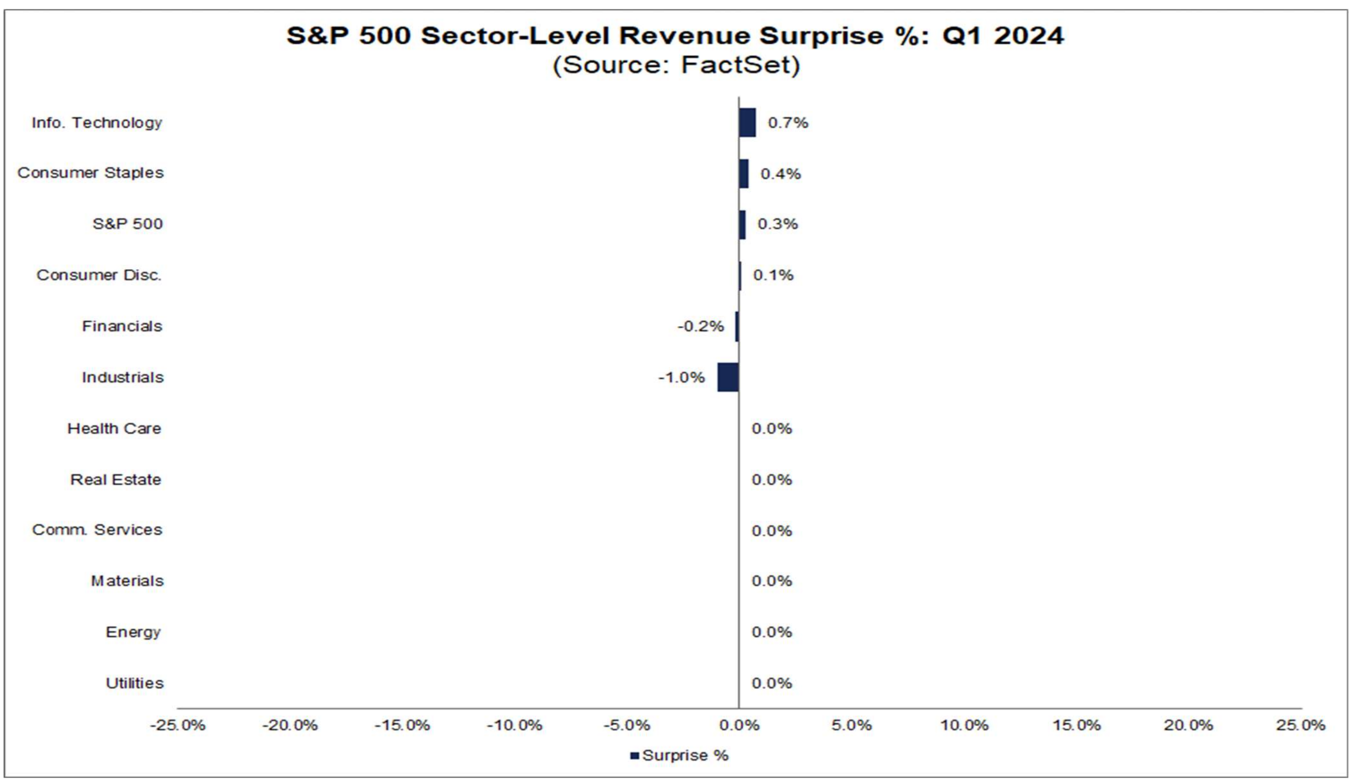
	Financials	Industrials	Info. Technology	S&P 500	Consumer Staples	Consumer Disc.	Health Care	Energy	Comm. Services	Materials	Utilities	Real Estate
Below	0%	0%	0%	5%	17%	0%	0%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	5%	0%	20%	0%	0%	0%	0%	0%	0%
Above	100%	100%	100%	90%	83%	80%	0%	0%	0%	0%	0%	0%



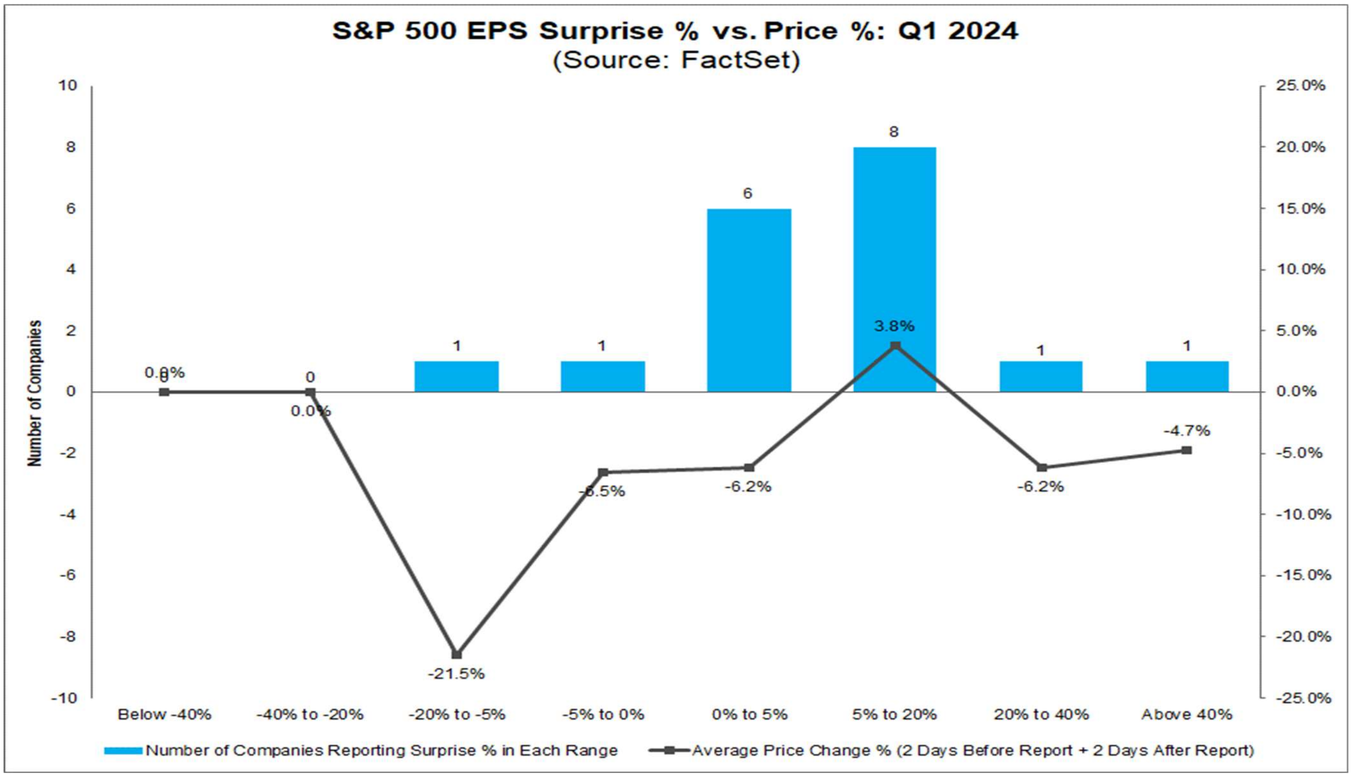
	Consumer Staples	S&P 500	Consumer Disc.	Info. Technology	Industrials	Financials	Health Care	Comm. Services	Real Estate	Energy	Materials	Utilities
Below	33%	55%	60%	60%	67%	100%	0%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	67%	45%	40%	40%	33%	0%	0%	0%	0%	0%	0%	0%

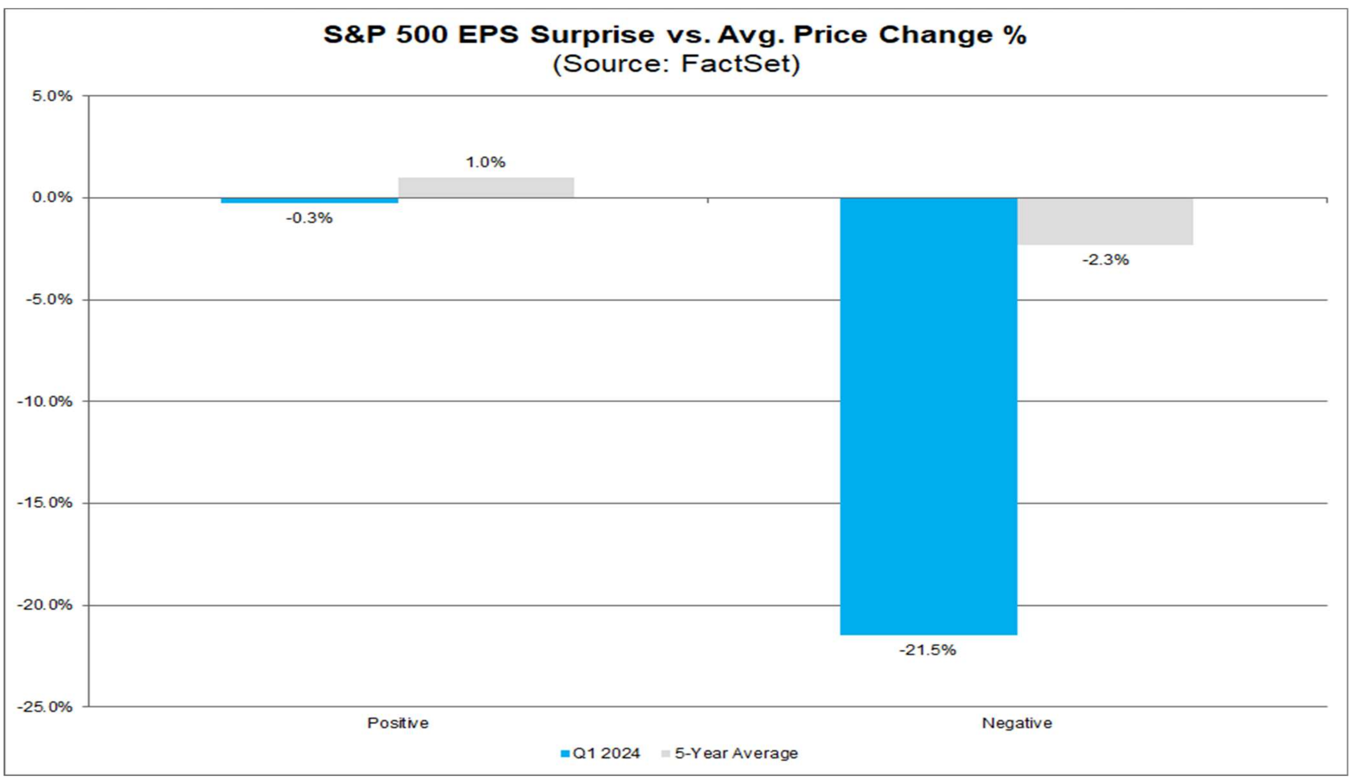
Q1 2024: Surprise



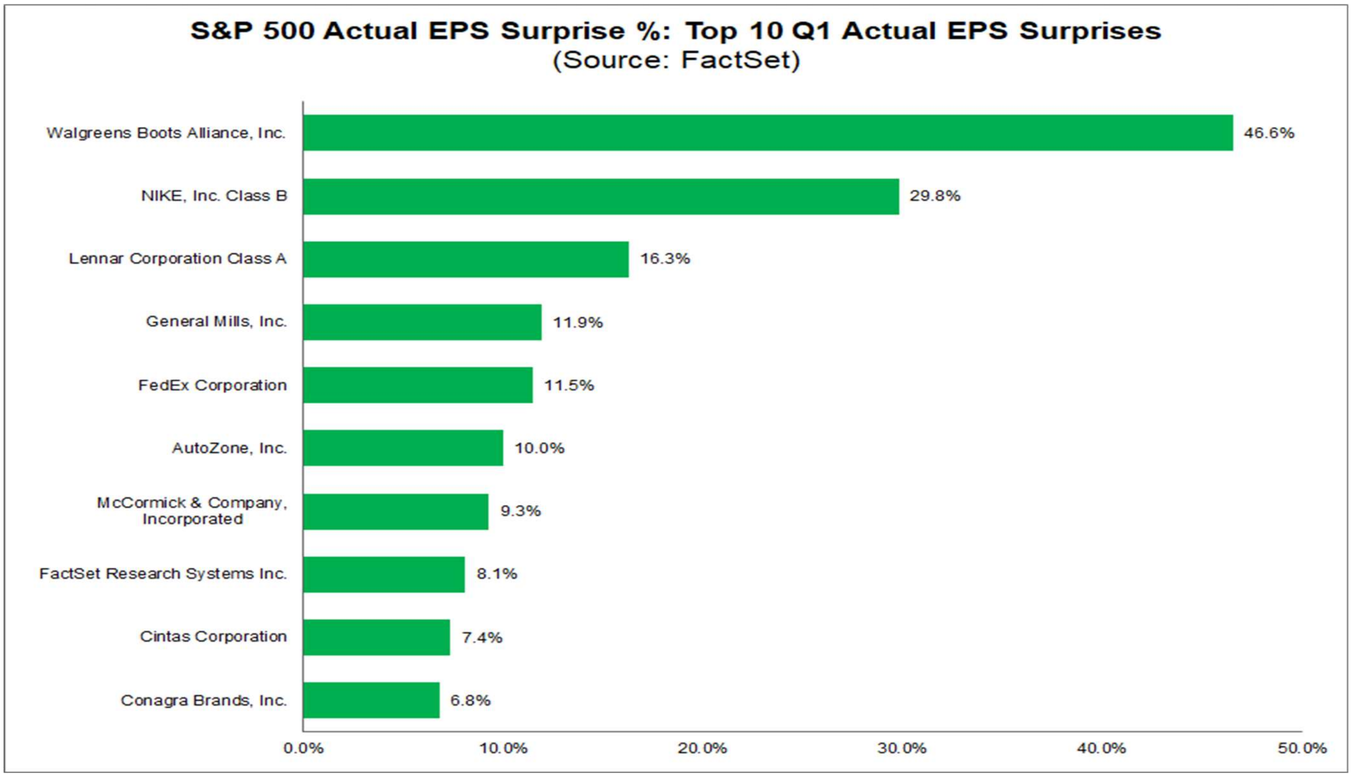


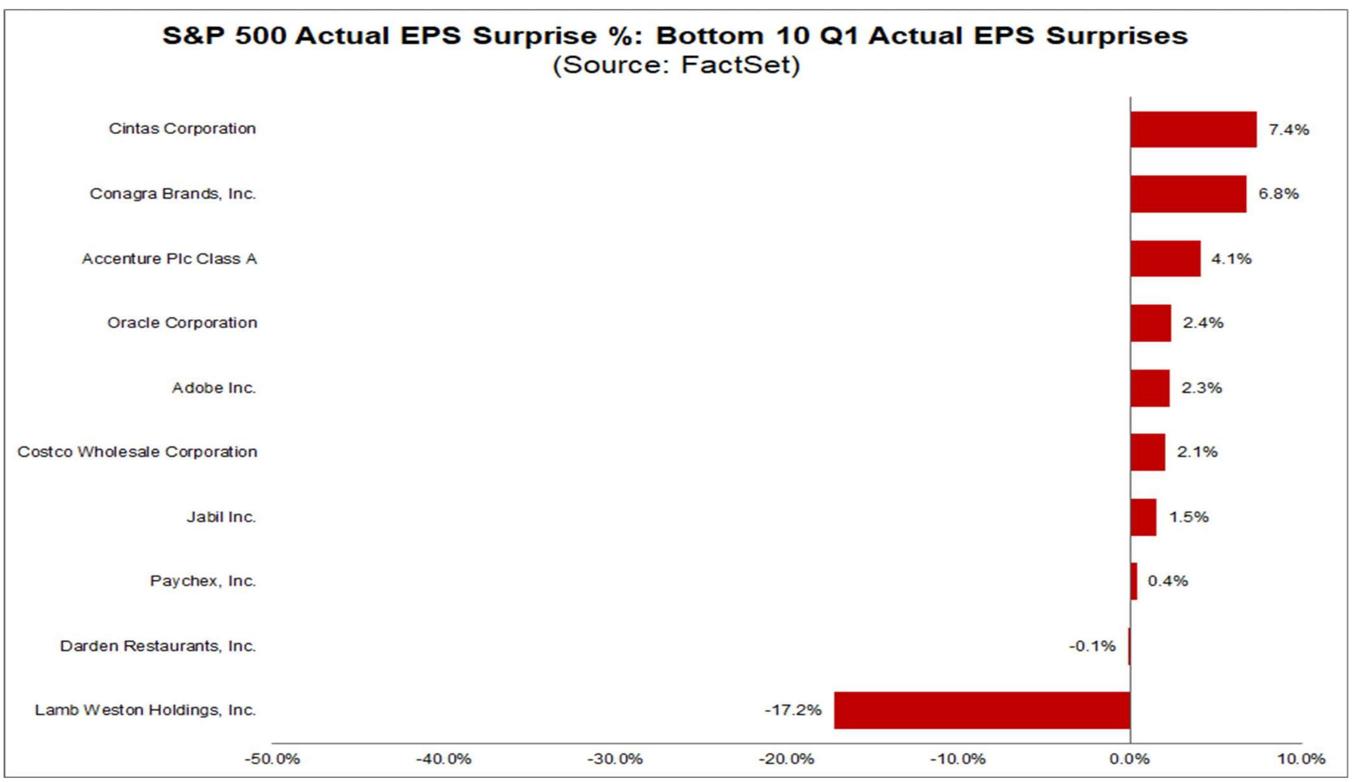
Q1 2024: Surprise



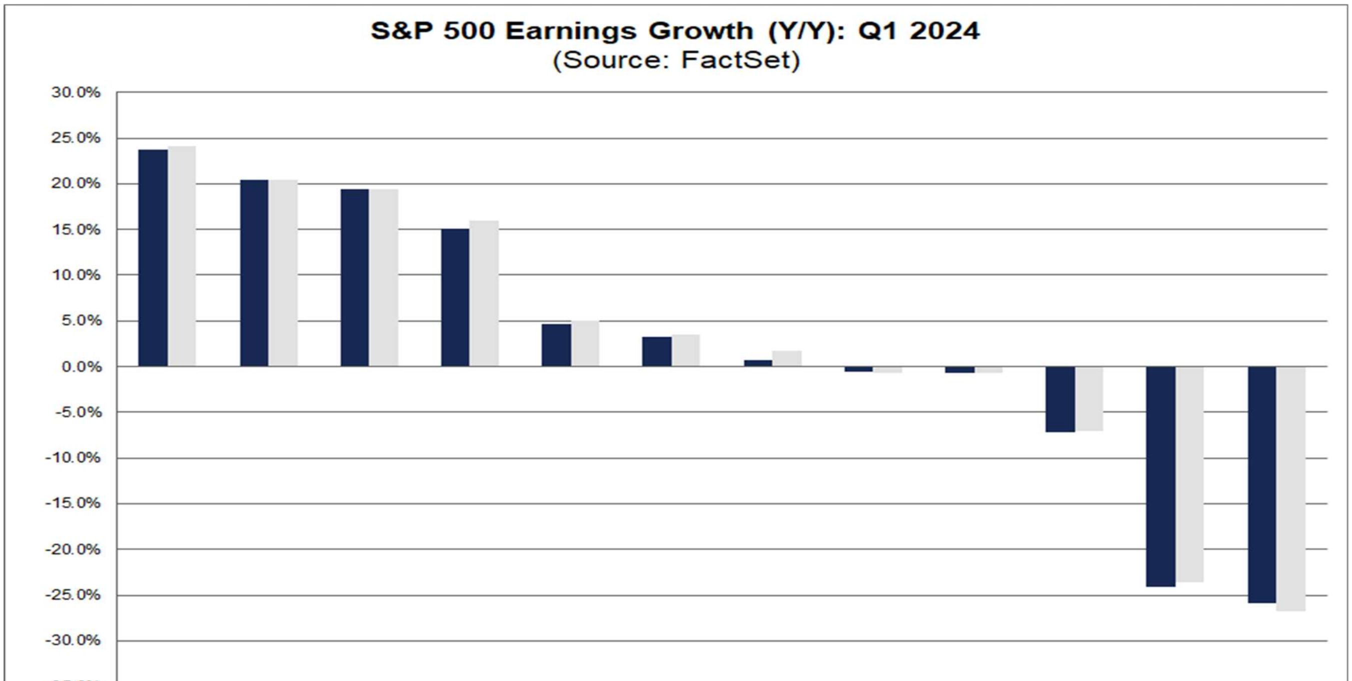


Q1 2024: Surprise

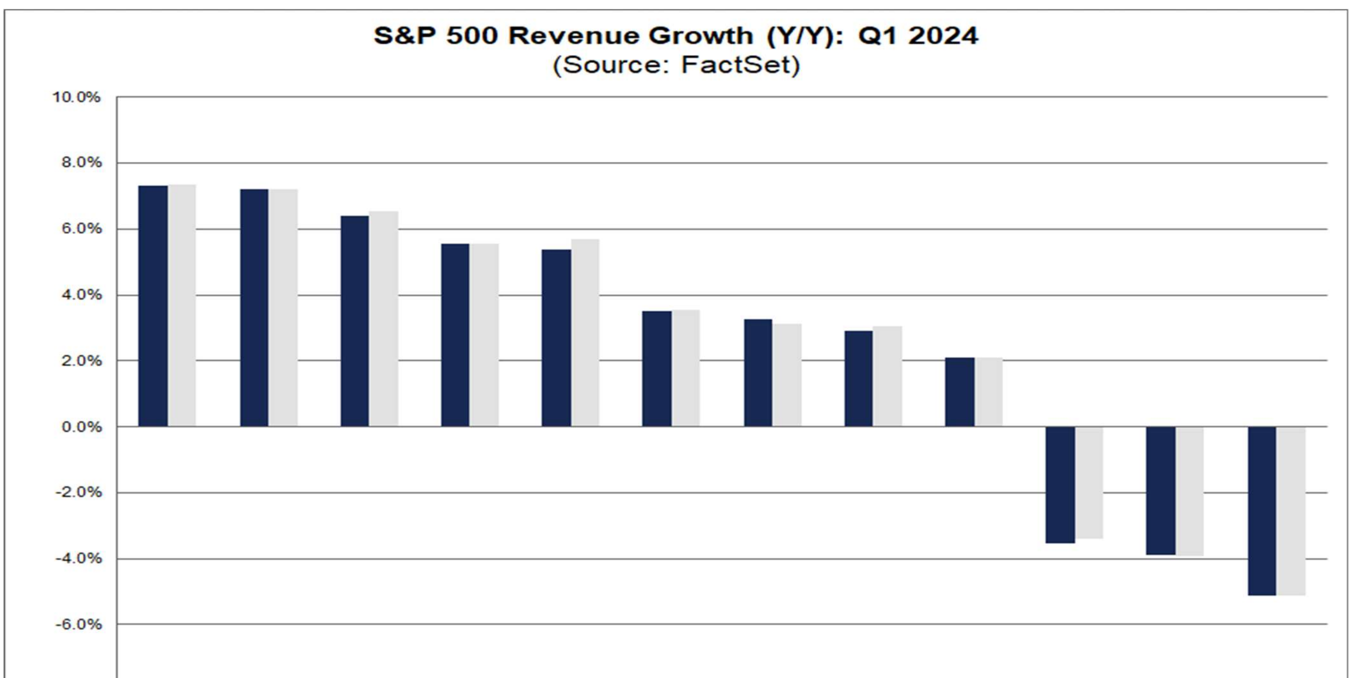




Q1 2024: Growth

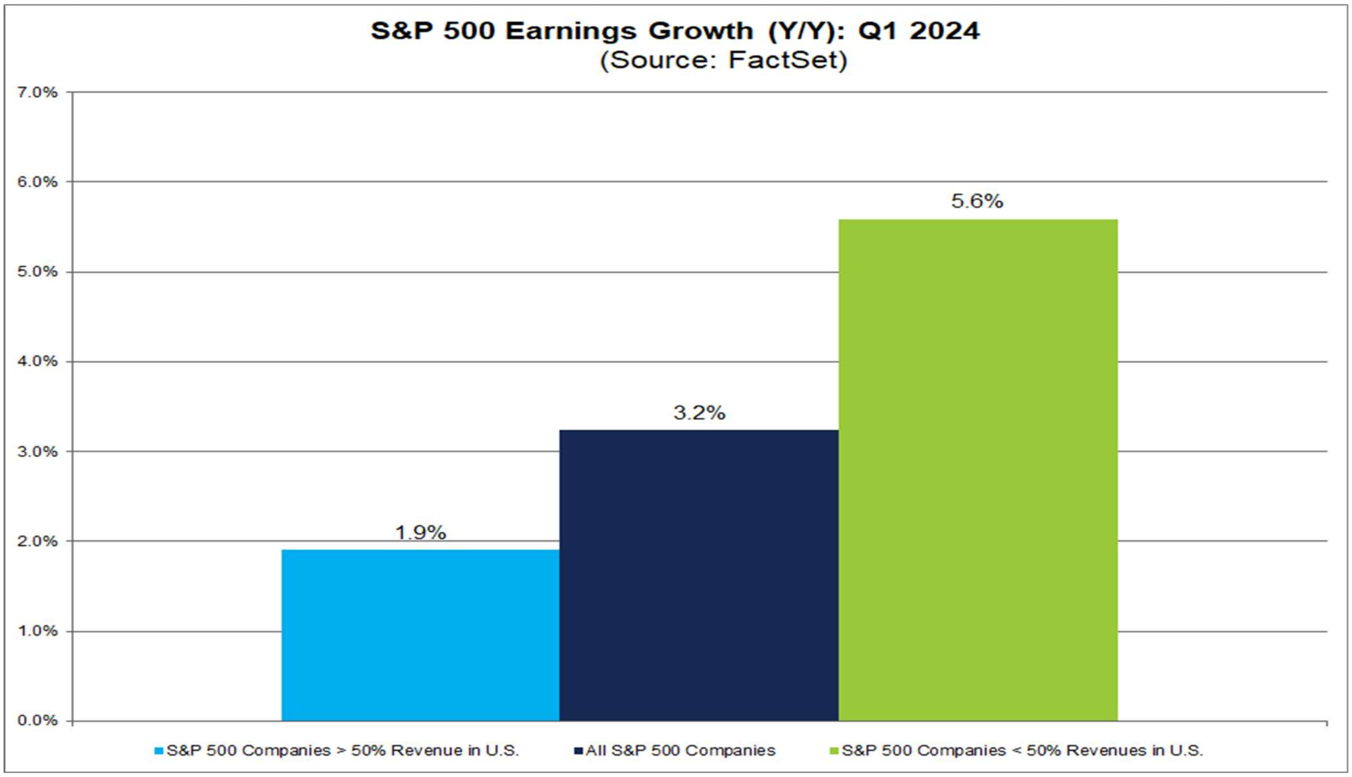


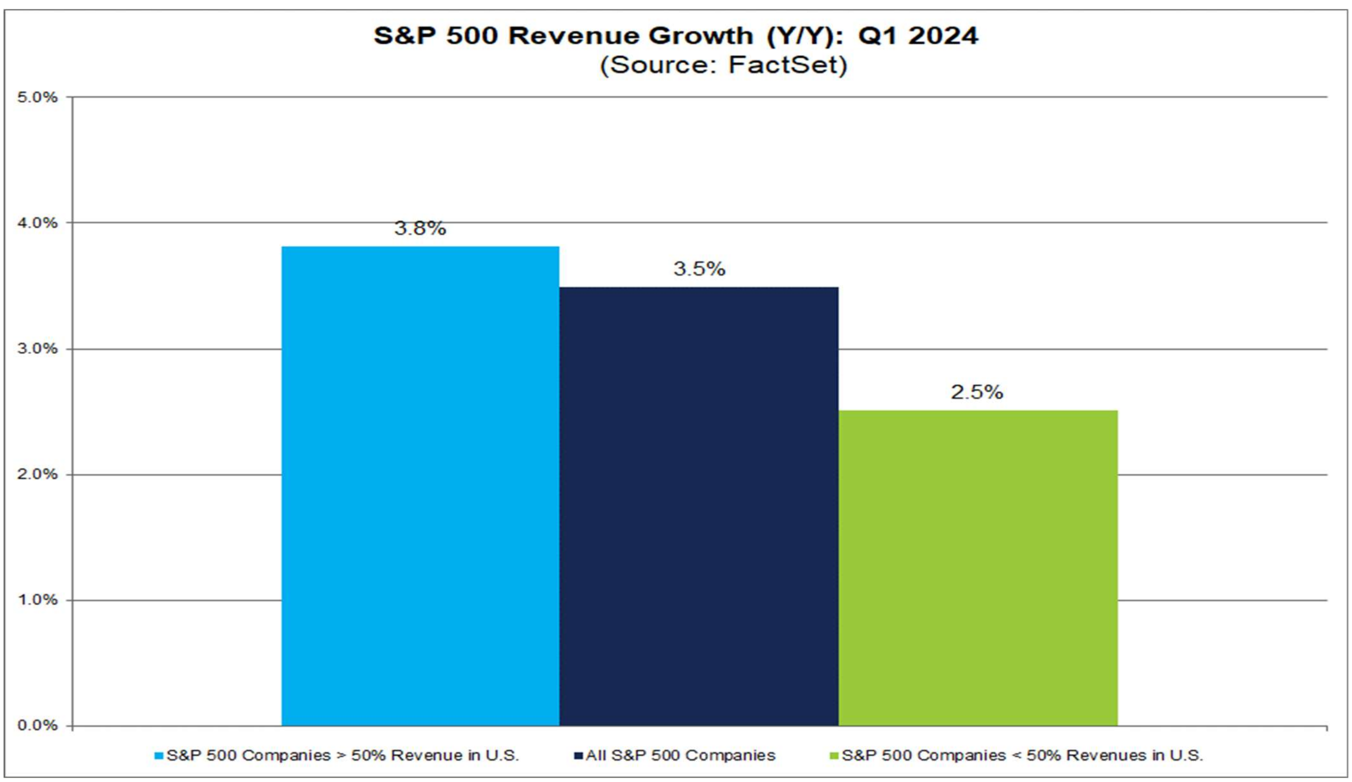
	Utilities	Info. Technology	Comm. Services	Consumer Disc.	Real Estate	S&P 500	Financials	Industrials	Consumer Staples	Health Care	Materials	Energy
Today	23.7%	20.4%	19.4%	15.0%	4.7%	3.2%	0.7%	-0.5%	-0.7%	-7.2%	-24.1%	-25.8%
31-Mar	24.1%	20.4%	19.4%	16.0%	5.1%	3.5%	1.7%	-0.7%	-0.7%	-7.1%	-23.6%	-26.8%



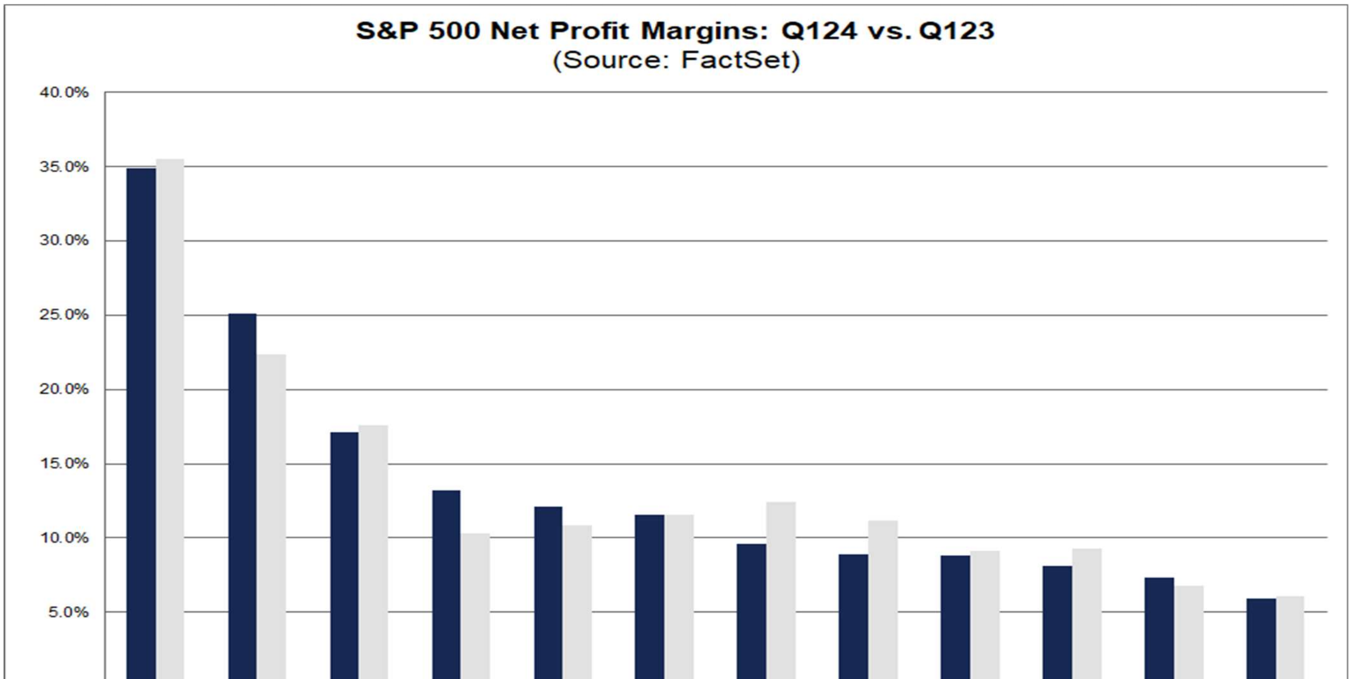
	Comm. Services	Info. Technology	Real Estate	Health Care	Consumer Disc.	S&P 500	Financials	Industrials	Consumer Staples	Utilities	Energy	Materials
Today	7.3%	7.2%	6.4%	5.6%	5.4%	3.5%	3.3%	2.9%	2.1%	-3.5%	-3.9%	-5.1%
31-Mar	7.3%	7.2%	6.5%	5.6%	5.7%	3.5%	3.1%	3.1%	2.1%	-3.4%	-3.9%	-5.1%

Q1 2024: Growth

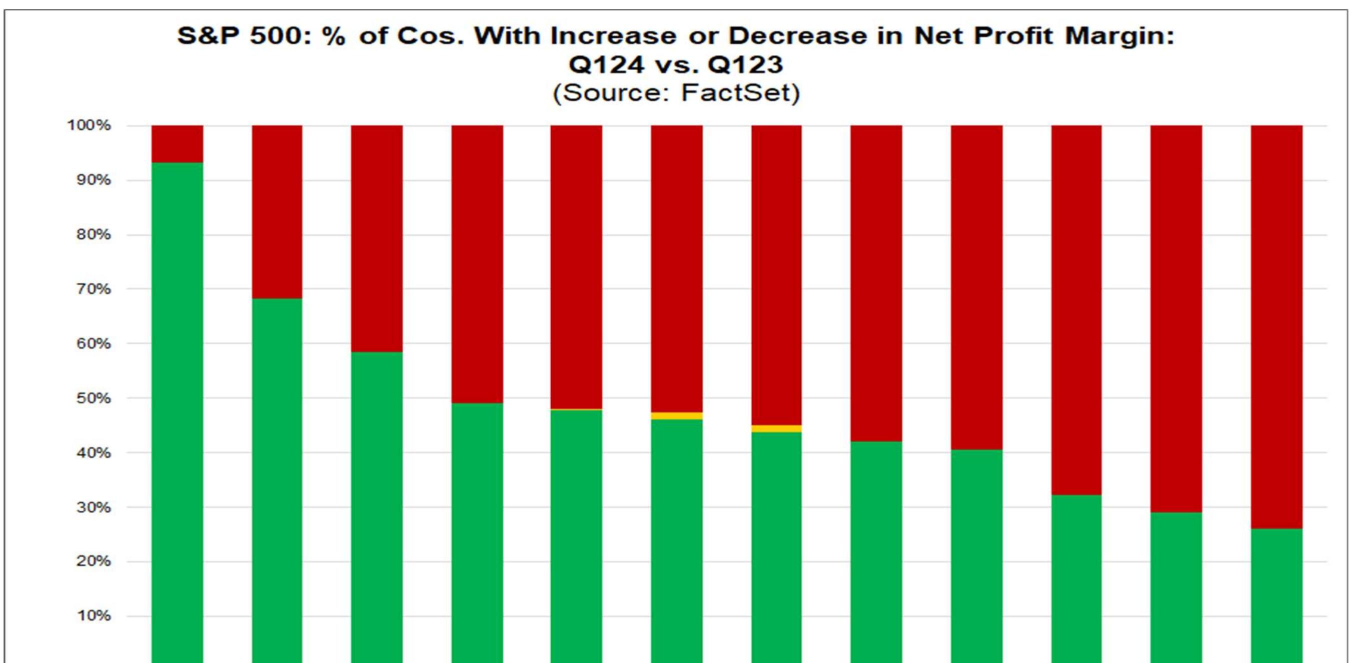




Q1 2024: Net Profit Margin

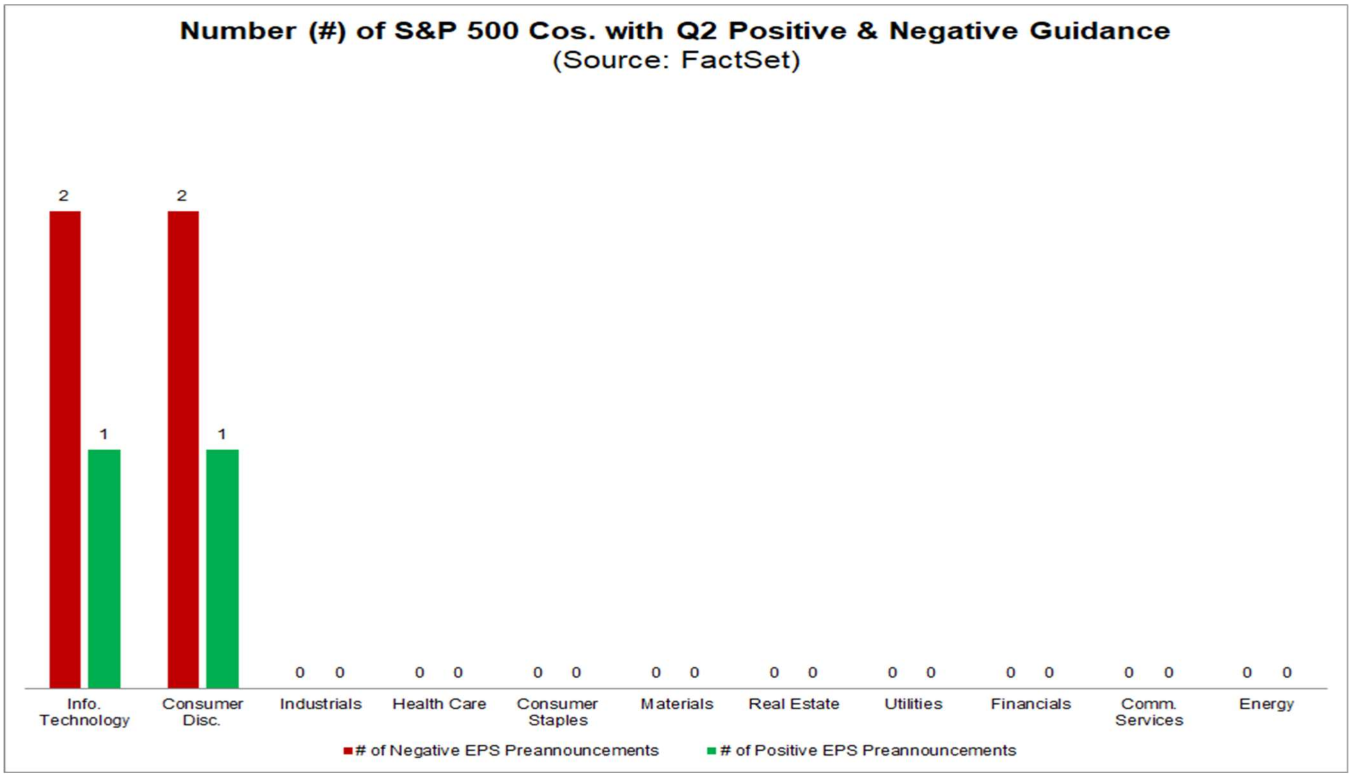


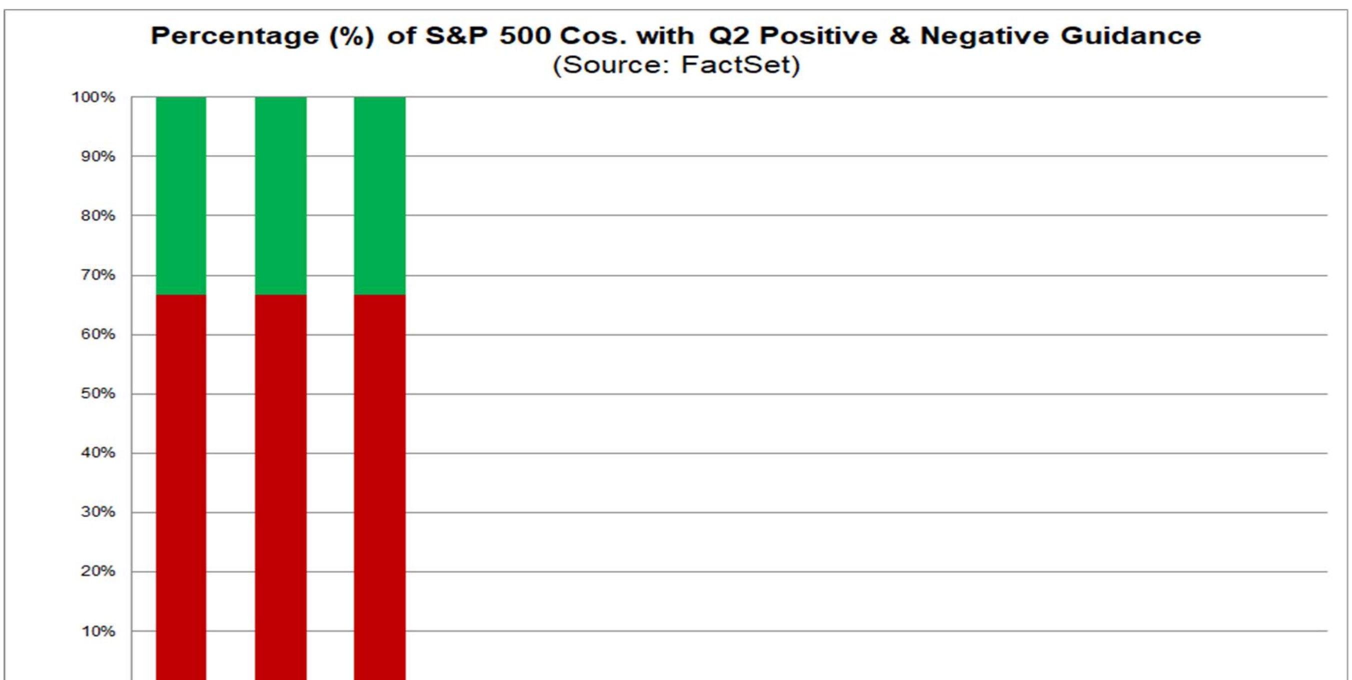
	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Energy	Materials	Industrials	Health Care	Consumer Disc.	Consumer Staples
Q124	34.9%	25.1%	17.2%	13.2%	12.1%	11.5%	9.6%	8.9%	8.8%	8.2%	7.4%	5.9%
Q123	35.5%	22.4%	17.6%	10.3%	10.9%	11.6%	12.4%	11.1%	9.1%	9.3%	6.8%	6.1%



	Utilities	Comm. Services	Information Tech.	Consumer Disc.	S&P 500	Industrials	Financials	Consumer Staples	Health Care	Materials	Real Estate	Energy
Down %	7%	32%	42%	51%	52%	53%	55%	58%	59%	68%	71%	74%
None %	0%	0%	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%
Up %	93%	68%	58%	49%	48%	46%	44%	42%	41%	32%	29%	26%

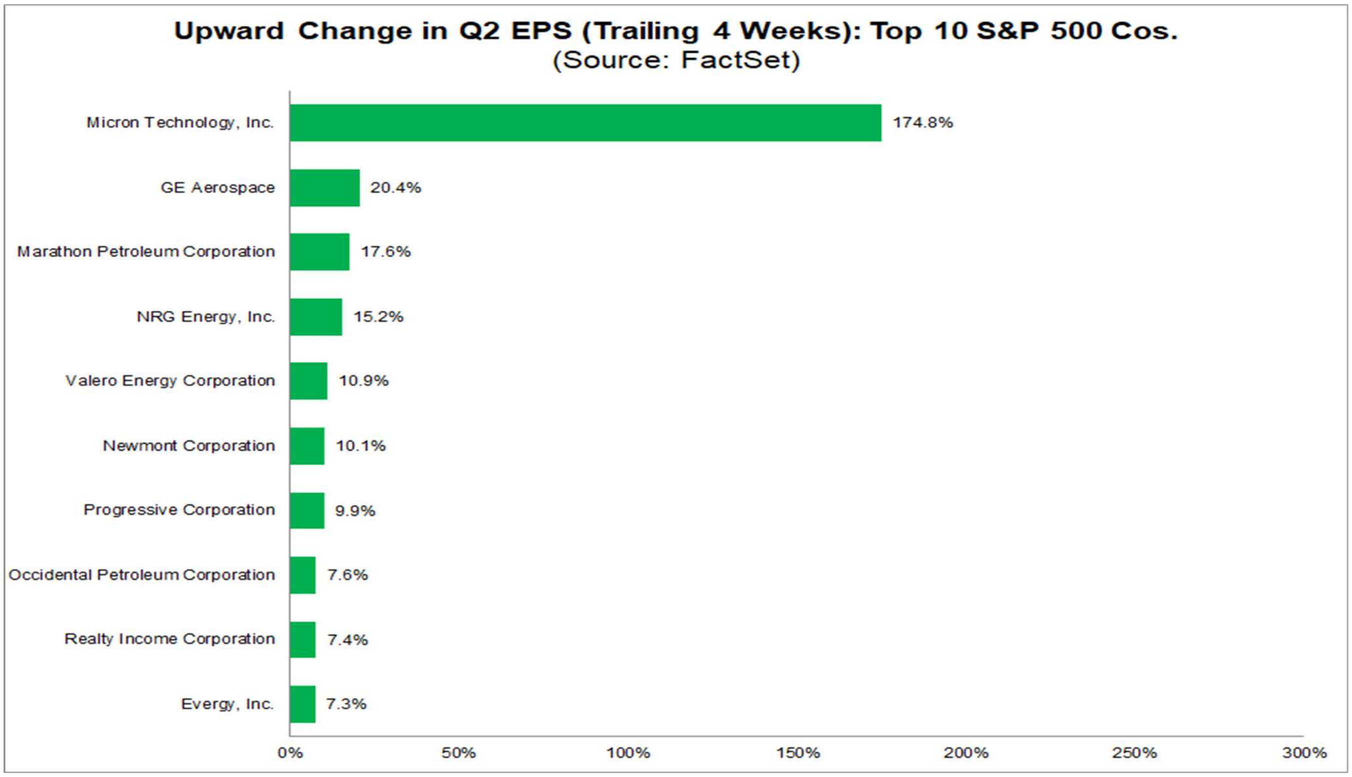
Q2 2024: Guidance

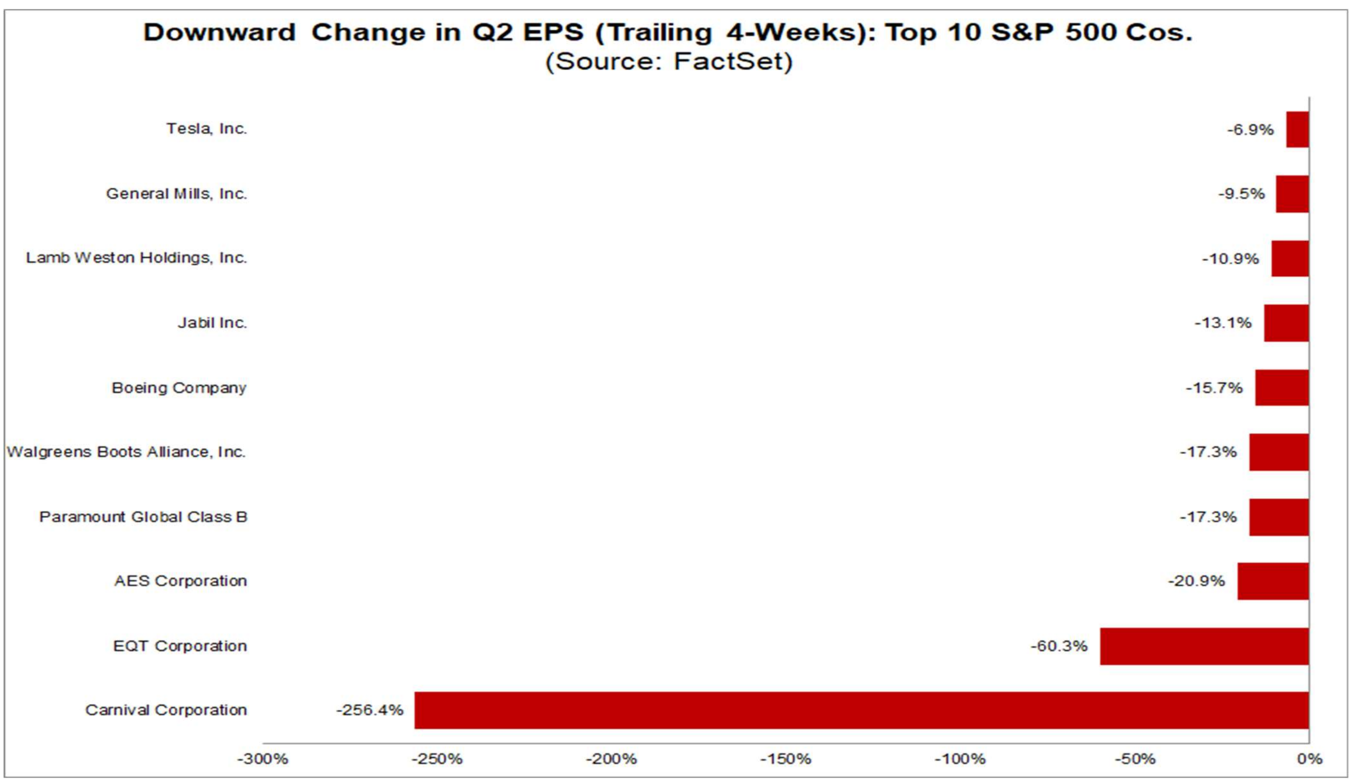




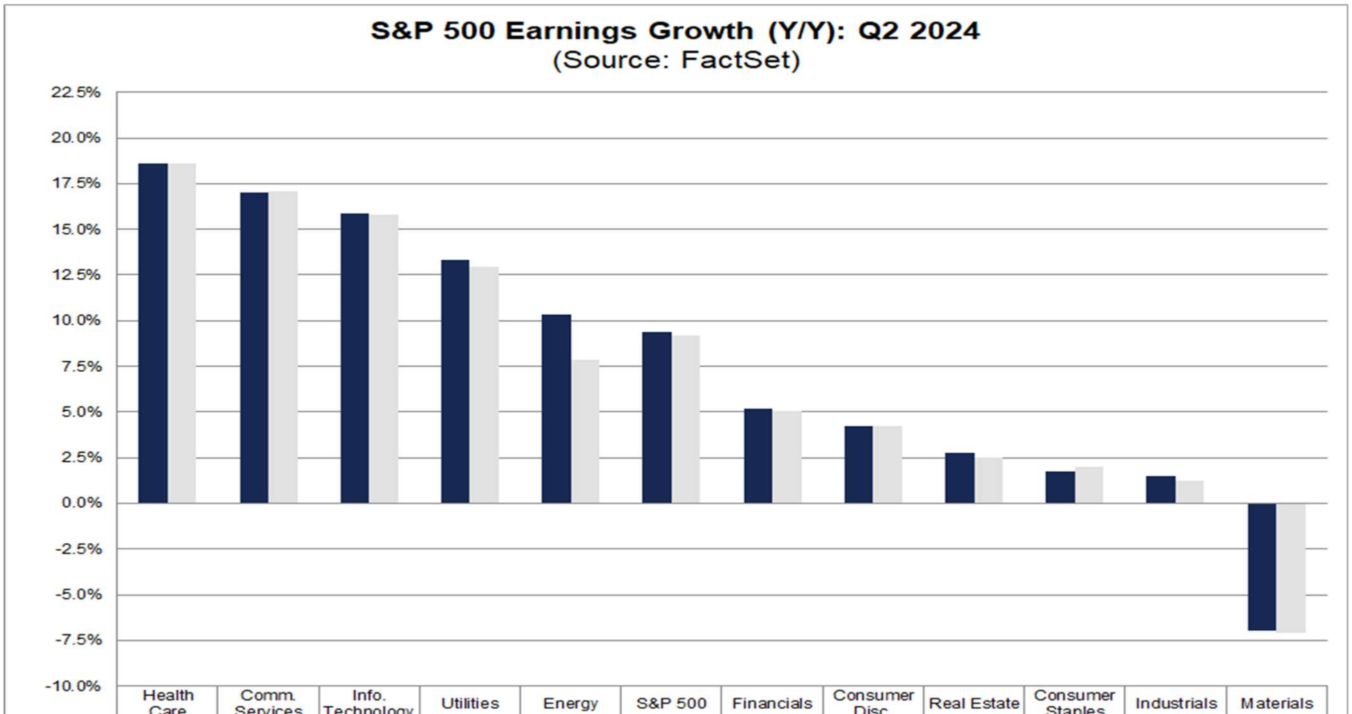
	S&P 500	Consumer Disc.	Info. Technology	Health Care	Consumer Staples	Financials	Industrials	Materials	Utilities	Real Estate	Comm. Services	Energy
Positive	33%	33%	33%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Negative	67%	67%	67%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Q2 2024: EPS Revisions

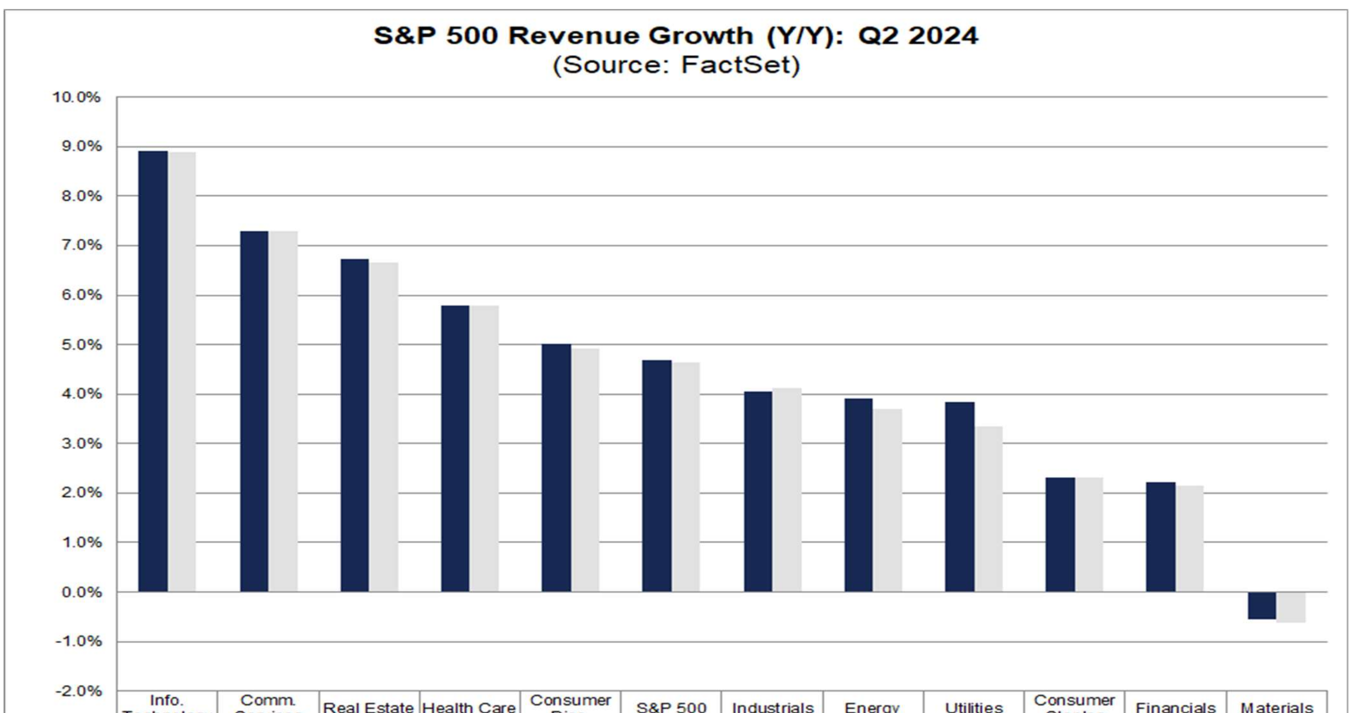




Q2 2024: Growth

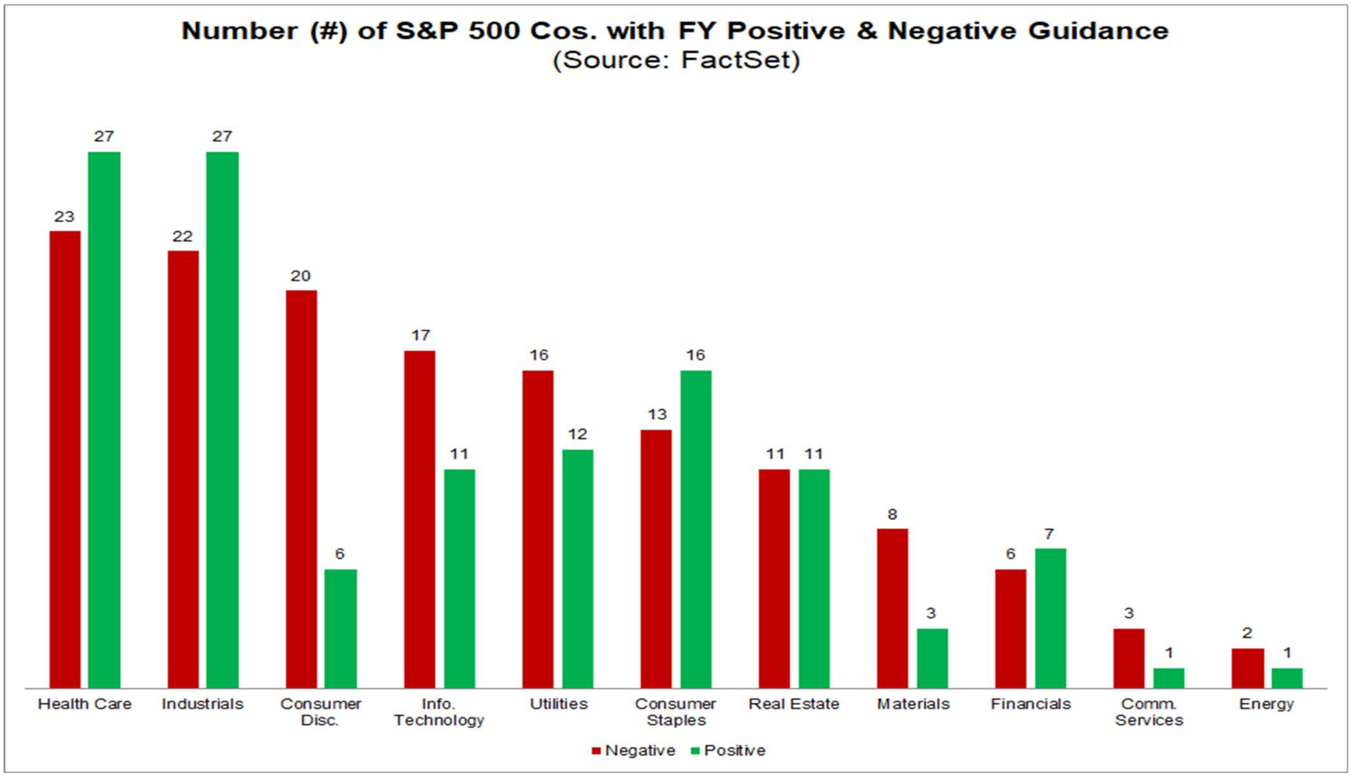


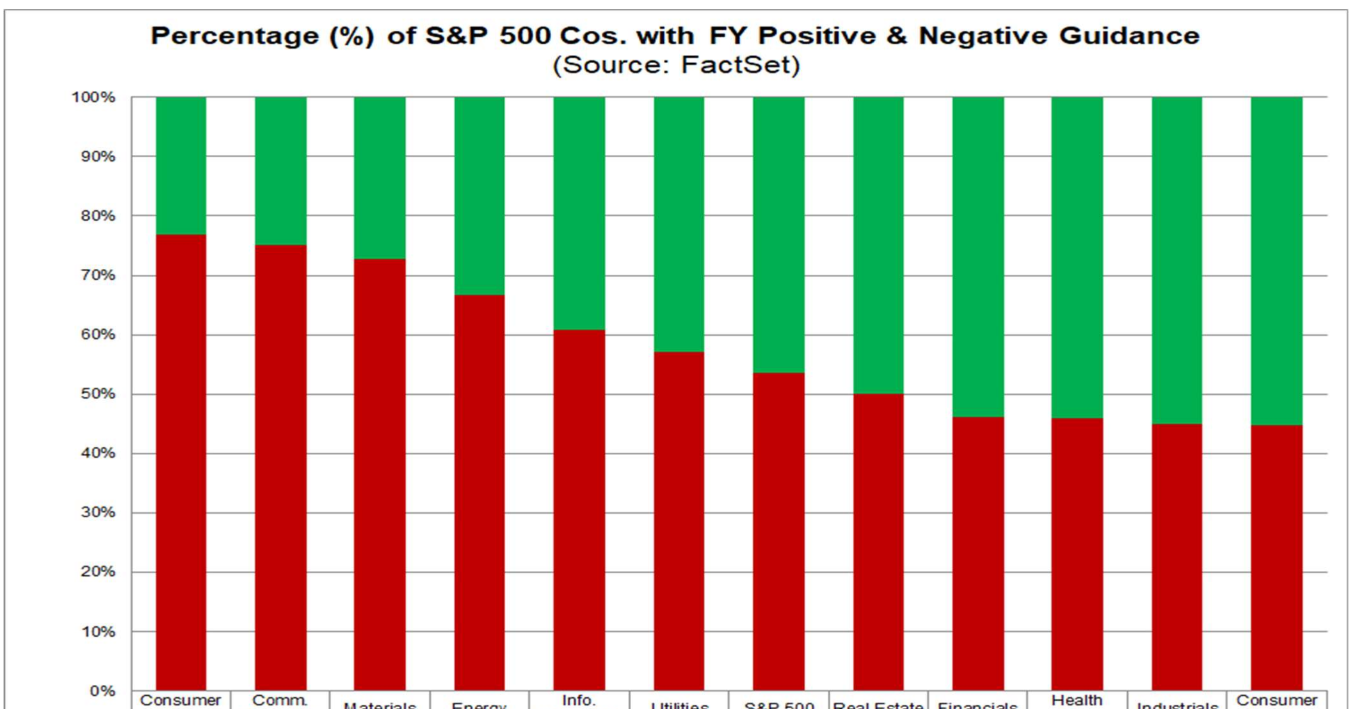
	Health Care	Comm. Services	Info. Technology	Utilities	Energy	S&P 500	Financials	Consumer Disc.	Real Estate	Consumer Staples	Industrials	Materials
Today	18.6%	17.0%	15.9%	13.3%	10.3%	9.4%	5.2%	4.3%	2.8%	1.8%	1.5%	-7.0%
31-Mar	18.6%	17.1%	15.8%	13.0%	7.9%	9.2%	5.0%	4.2%	2.5%	2.0%	1.2%	-7.1%



	Info. Technology	Comm. Services	Real Estate	Health Care	Consumer Disc.	S&P 500	Industrials	Energy	Utilities	Consumer Staples	Financials	Materials
Today	8.9%	7.3%	6.7%	5.8%	5.0%	4.7%	4.1%	3.9%	3.8%	2.3%	2.2%	-0.6%
31-Mar	8.9%	7.3%	6.6%	5.8%	4.9%	4.6%	4.1%	3.7%	3.3%	2.3%	2.2%	-0.6%

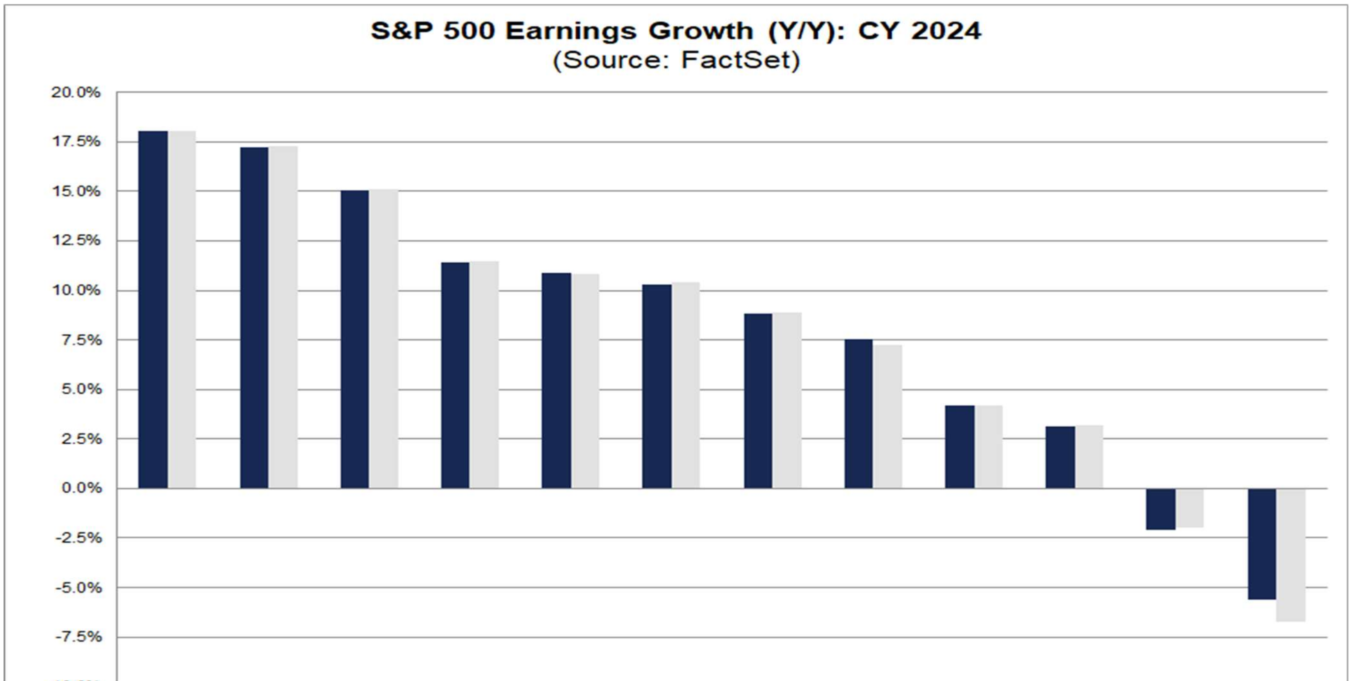
FY 2024 / 2025: EPS Guidance



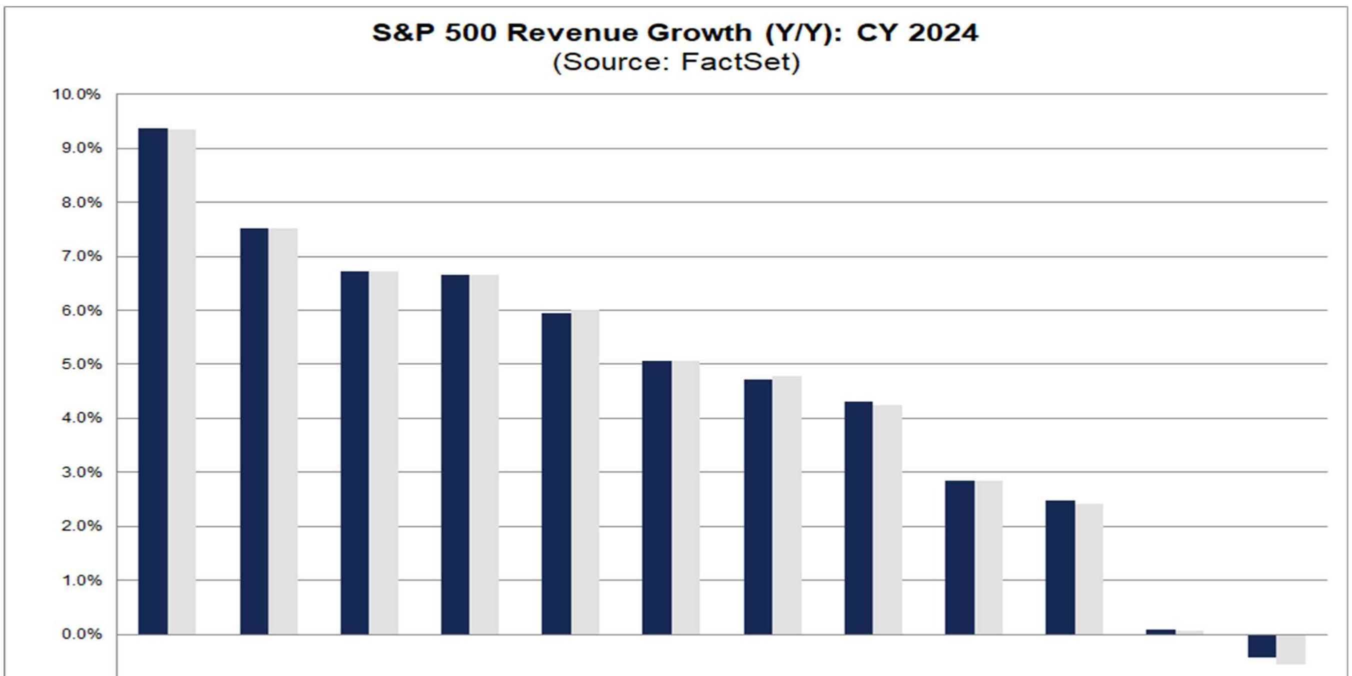


	Consumer Disc.	Comm. Services	Materials	Energy	Info. Technology	Utilities	S&P 500	Real Estate	Financials	Health Care	Industrials	Consumer Staples
Positive	23%	25%	27%	33%	39%	43%	46%	50%	54%	54%	55%	55%
Negative	77%	75%	73%	67%	61%	57%	54%	50%	46%	46%	45%	45%

CY 2024: Growth

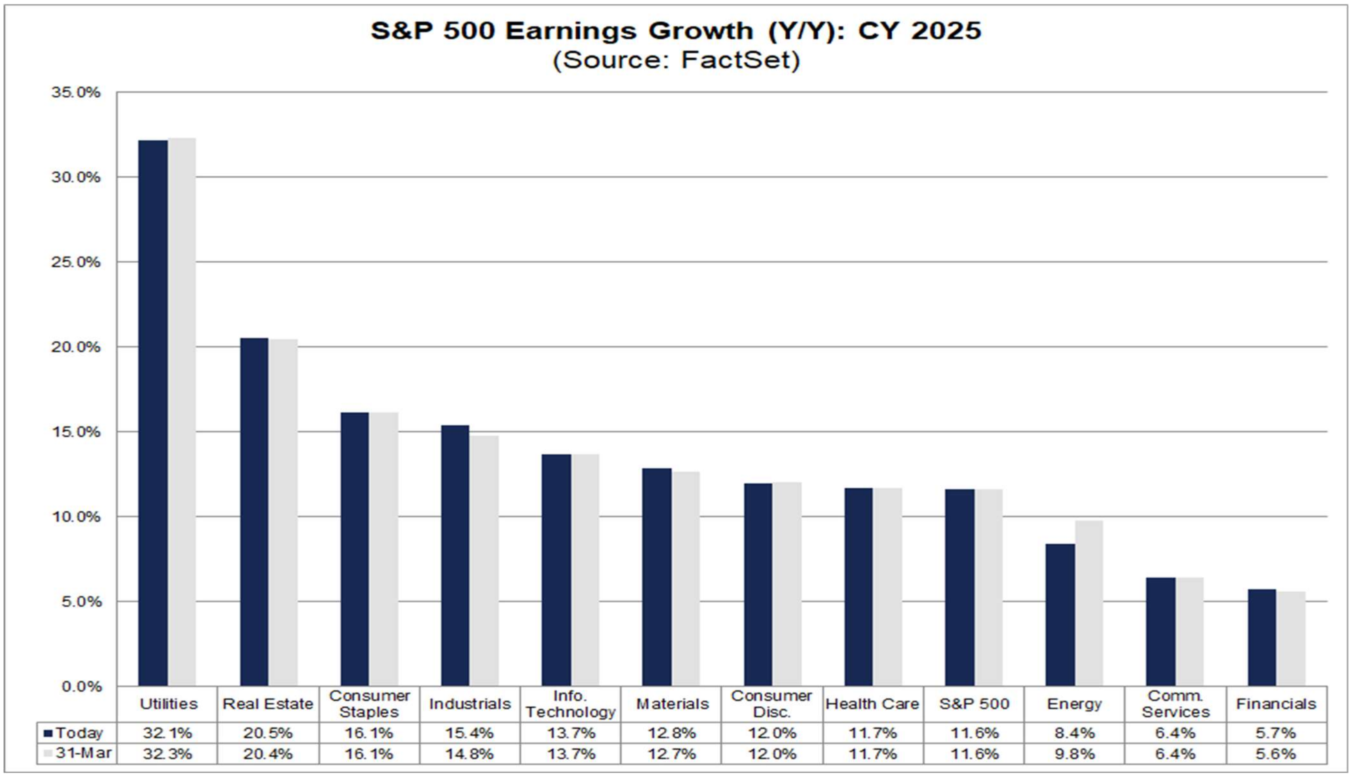


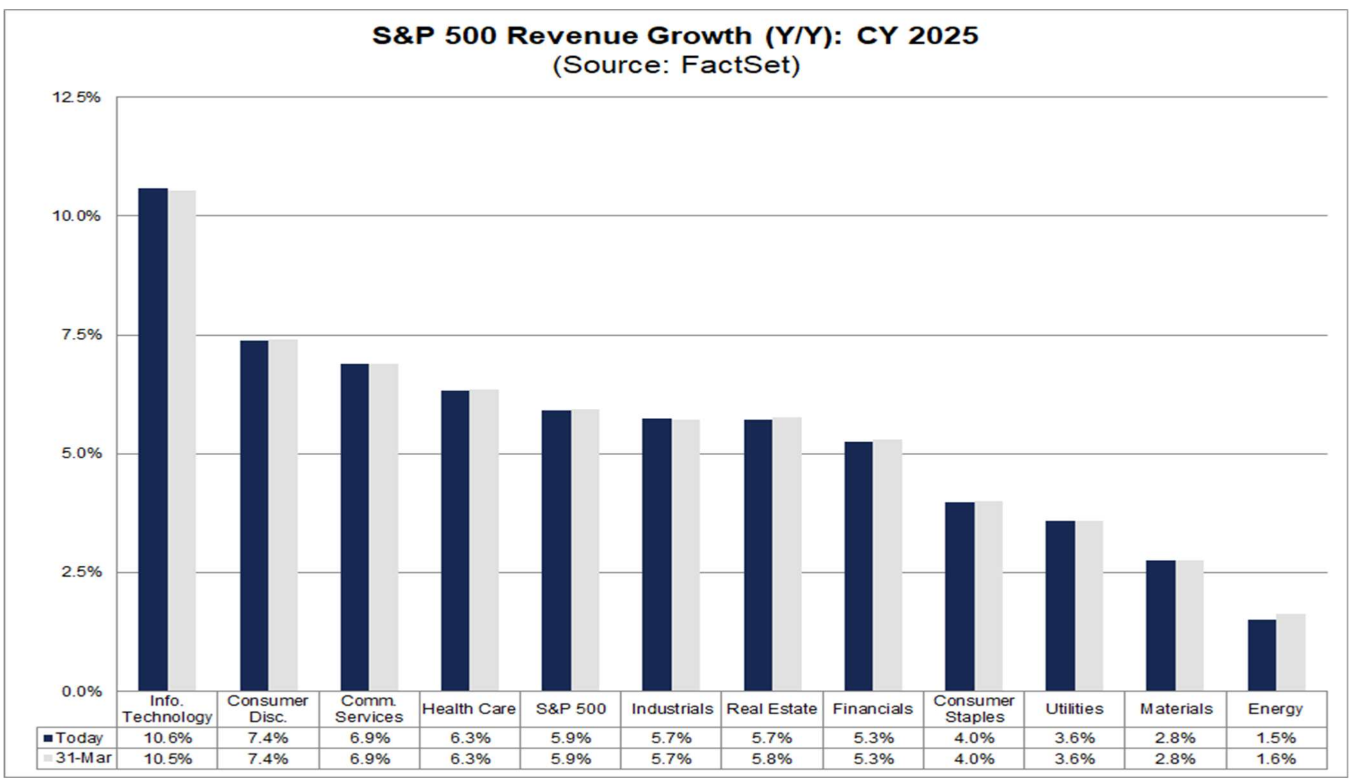
	Info. Technology	Comm. Services	Health Care	Financials	S&P 500	Consumer Disc.	Utilities	Industrials	Consumer Staples	Real Estate	Materials	Energy
Today	18.0%	17.2%	15.1%	11.4%	10.9%	10.3%	8.9%	7.5%	4.2%	3.1%	-2.1%	-5.6%
31-Mar	18.0%	17.3%	15.1%	11.5%	10.8%	10.4%	8.9%	7.3%	4.2%	3.2%	-2.0%	-6.7%



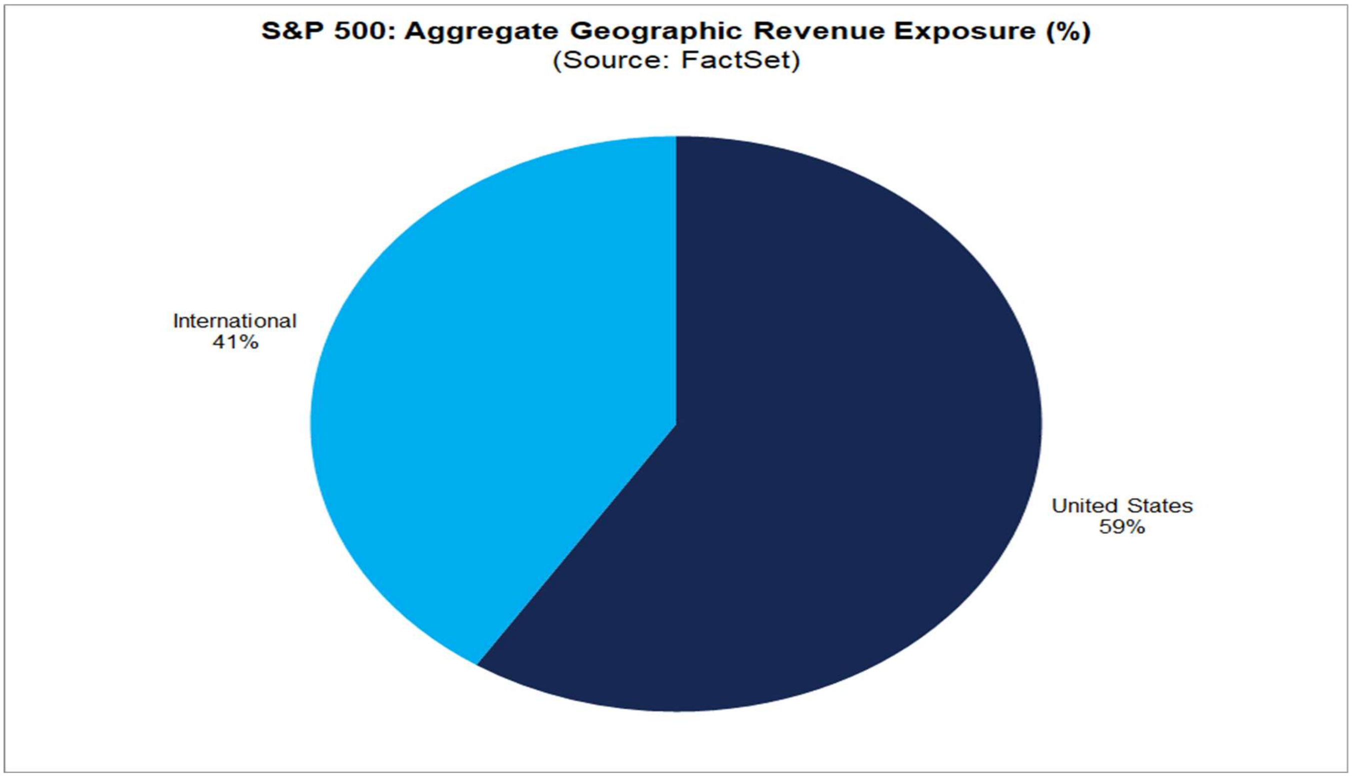
	Info. Technology	Comm. Services	Real Estate	Health Care	Consumer Disc.	S&P 500	Industrials	Financials	Consumer Staples	Utilities	Materials	Energy
Today	9.4%	7.5%	6.7%	6.7%	5.9%	5.1%	4.7%	4.3%	2.9%	2.5%	0.1%	-0.4%
31-Mar	9.3%	7.5%	6.7%	6.7%	6.0%	5.1%	4.8%	4.2%	2.8%	2.4%	0.1%	-0.6%

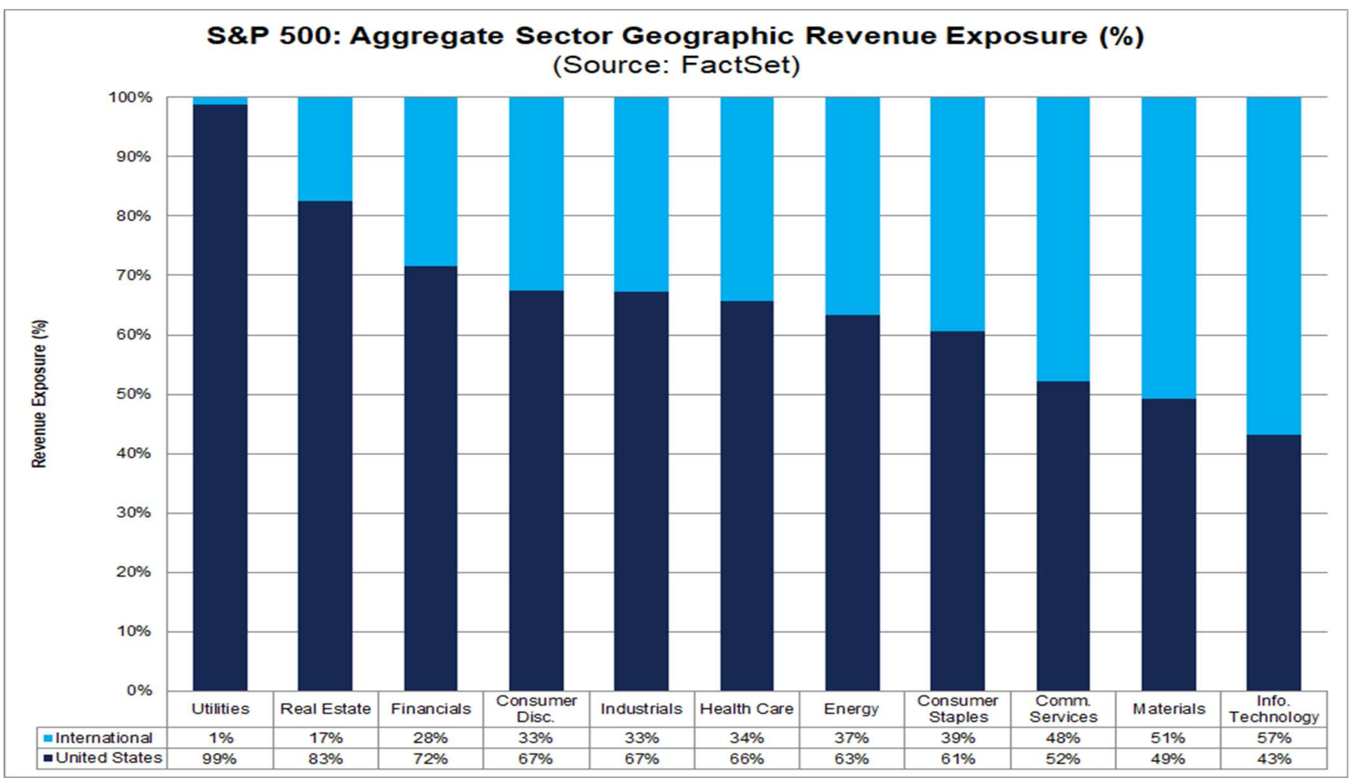
CY 2025: Growth



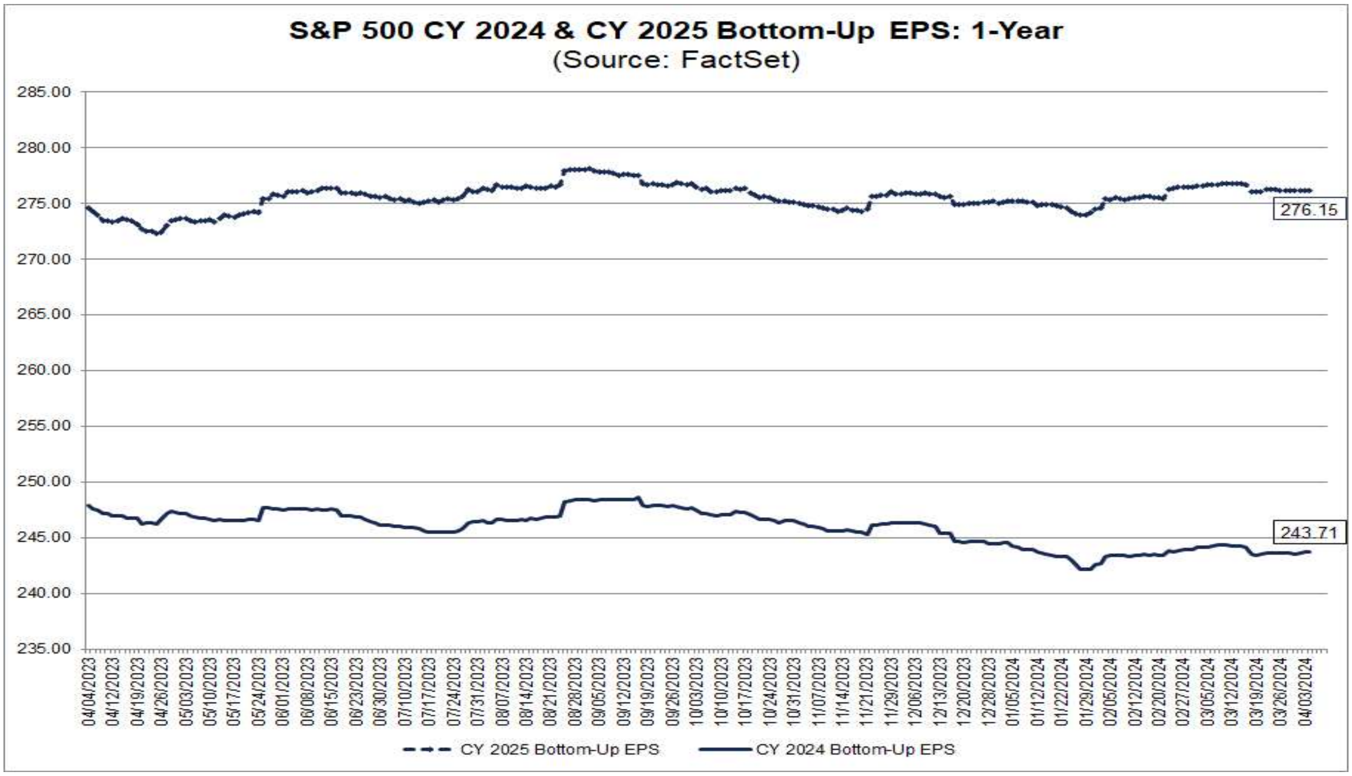


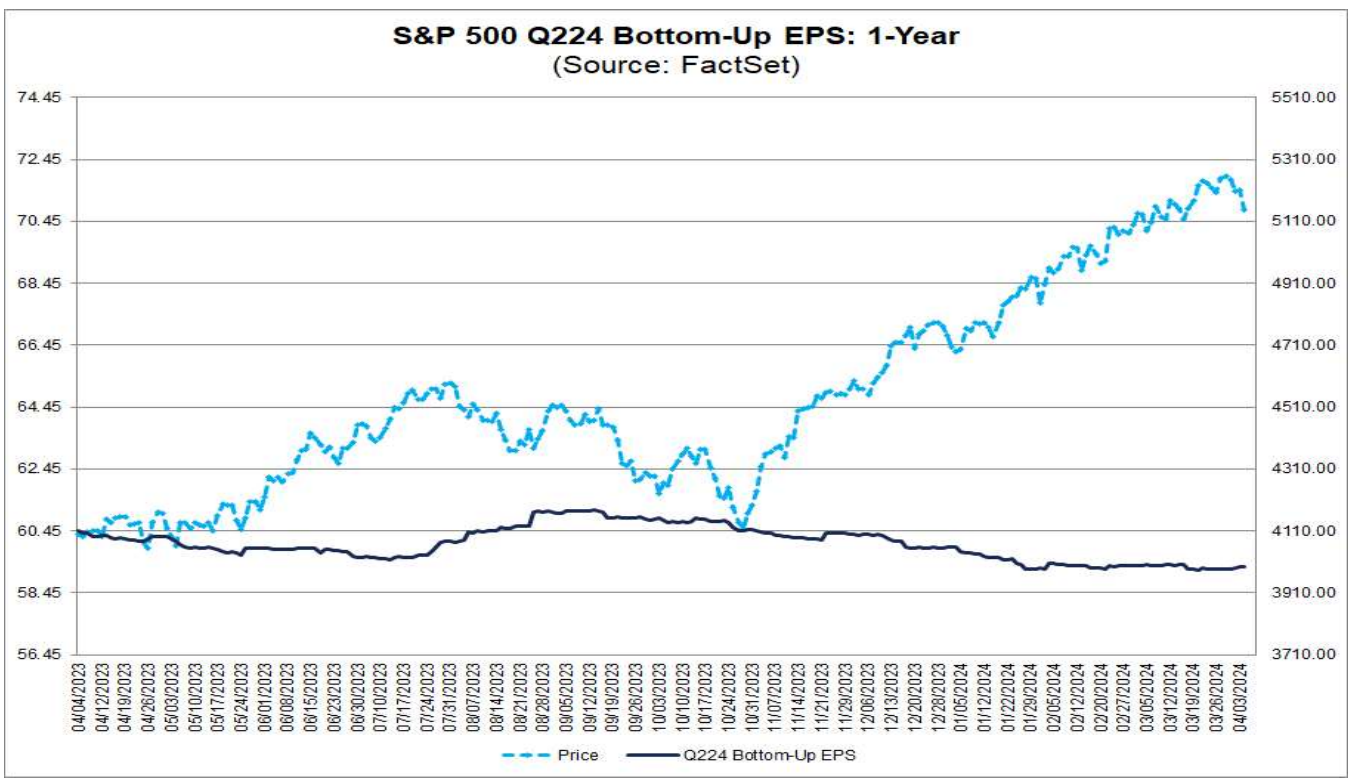
Geographic Revenue Exposure



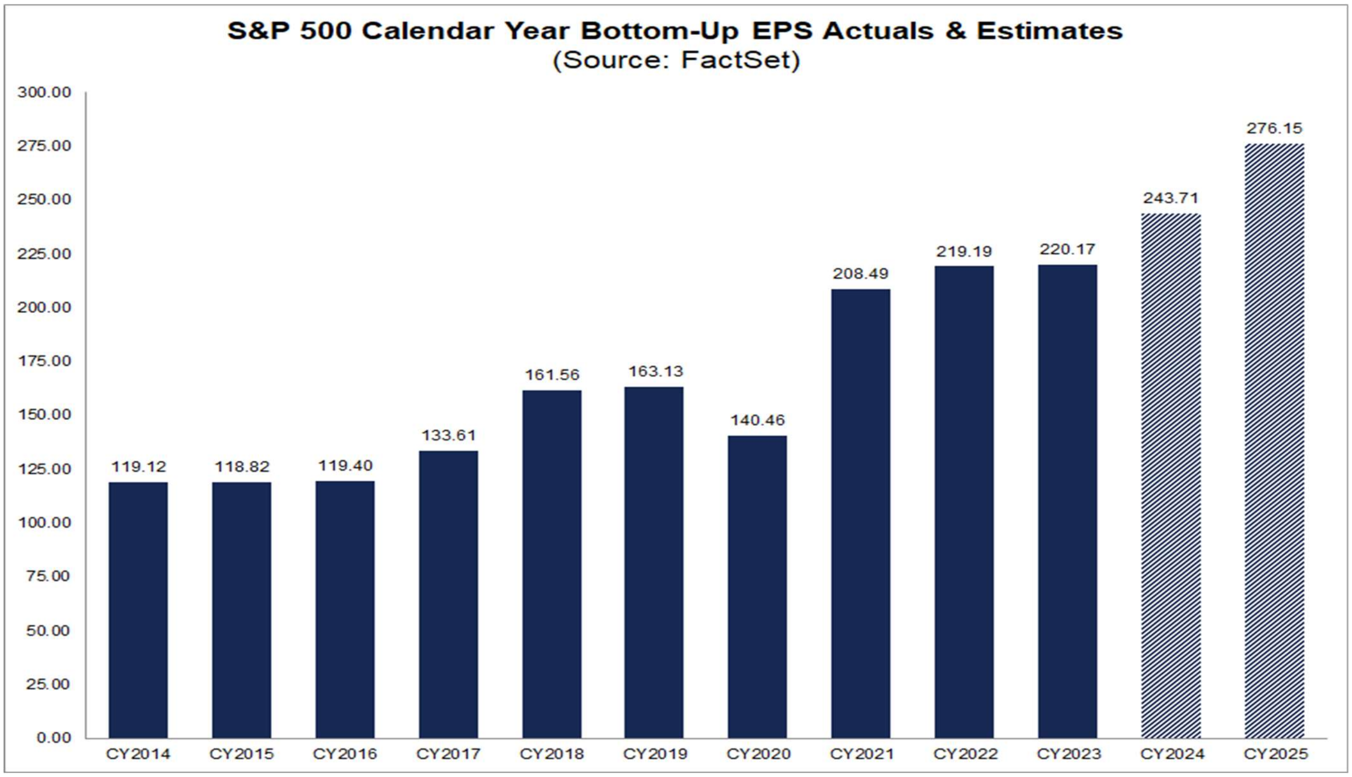


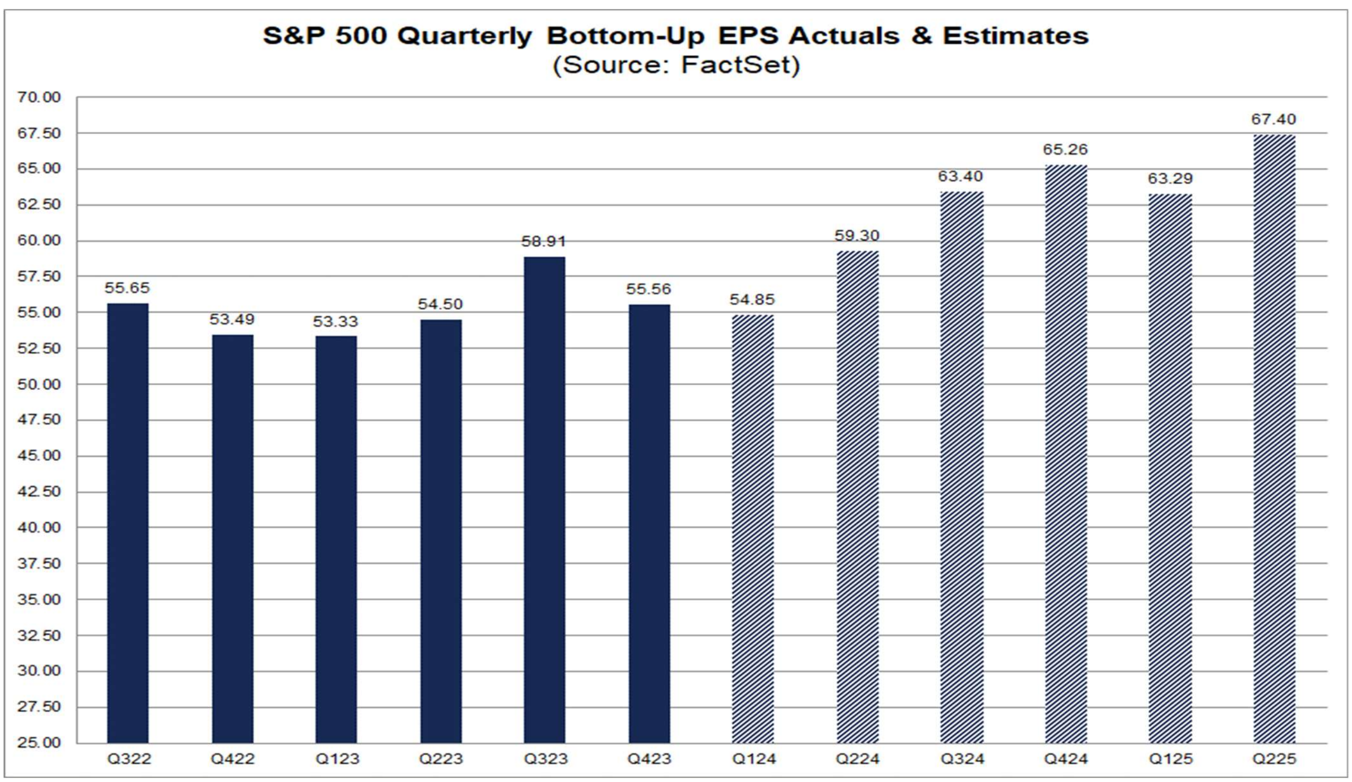
Bottom-Up EPS Estimates



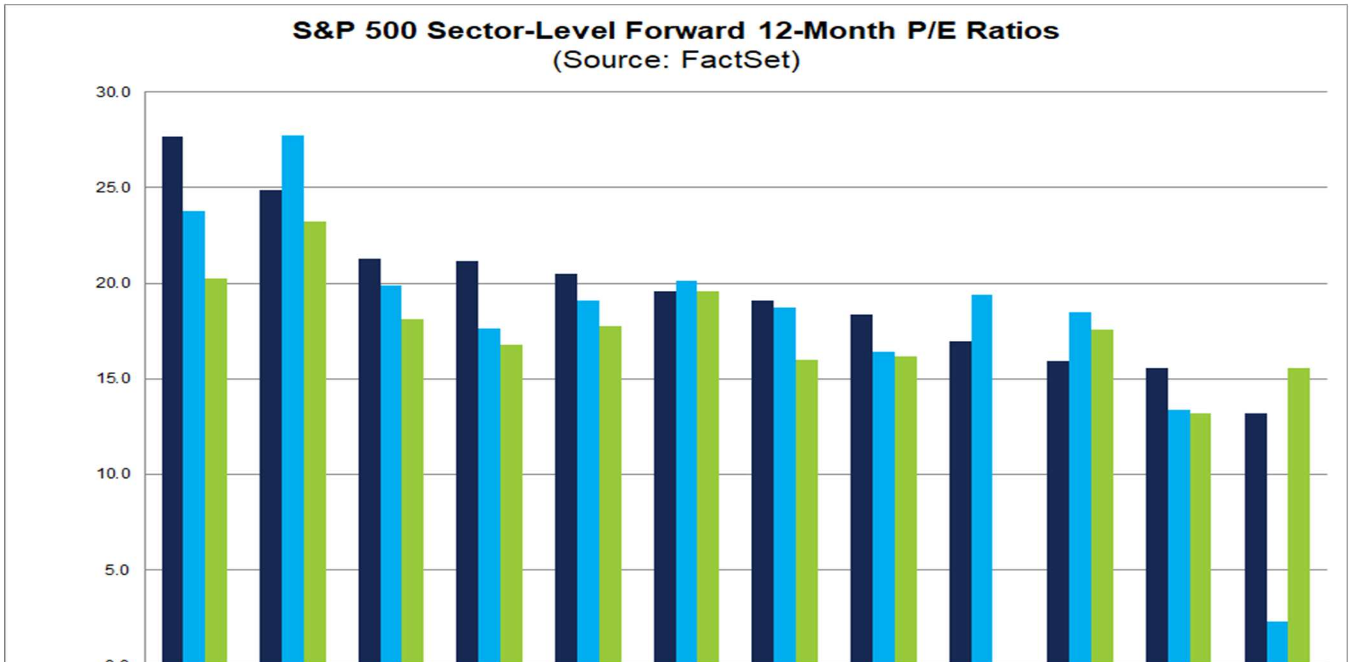


Bottom-Up EPS Estimates: Current & Historical

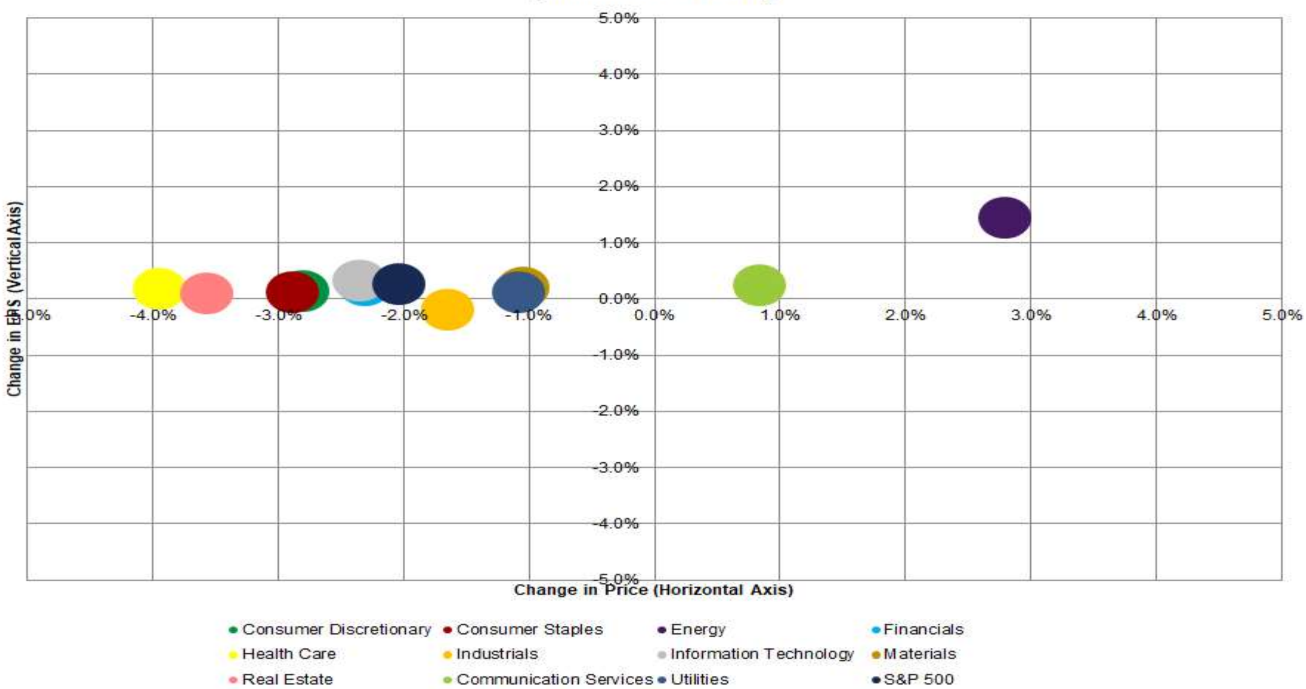




Forward 12M P/E Ratio: Sector Level

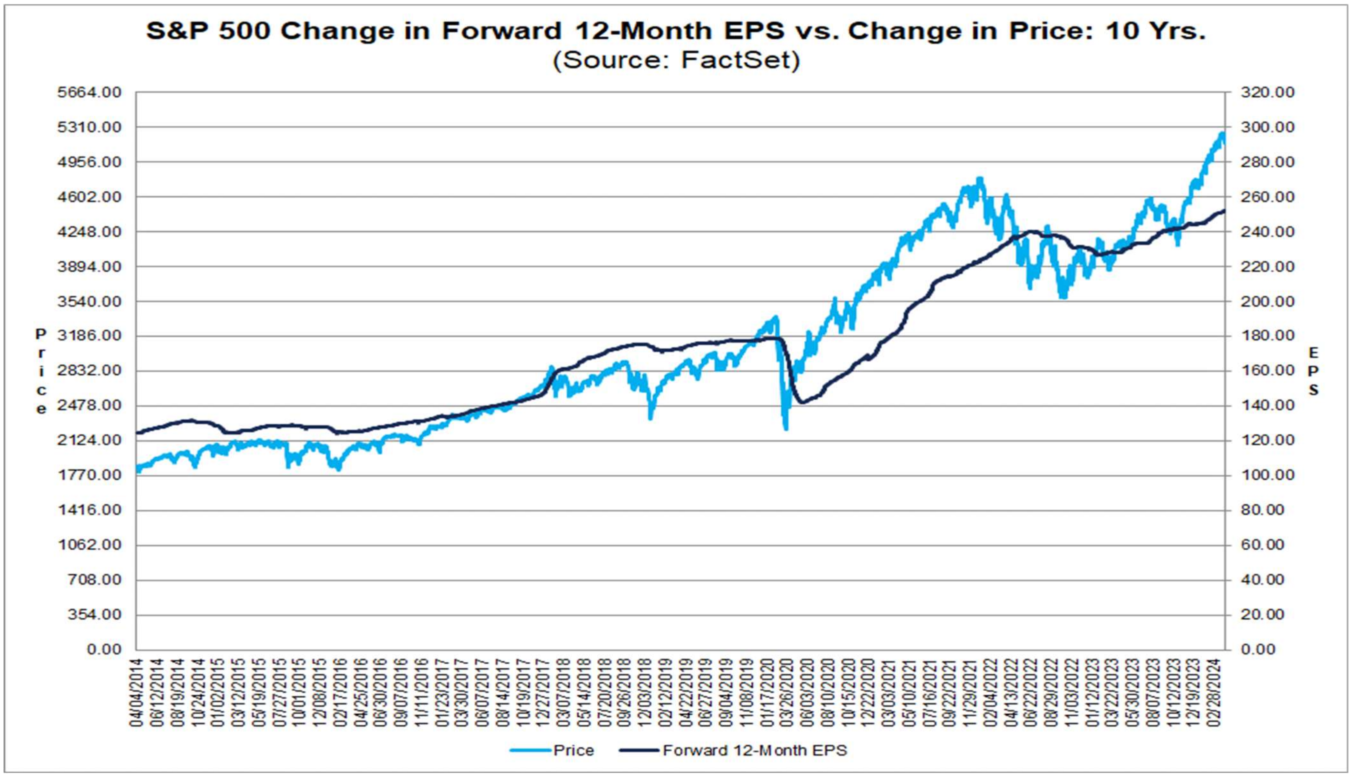


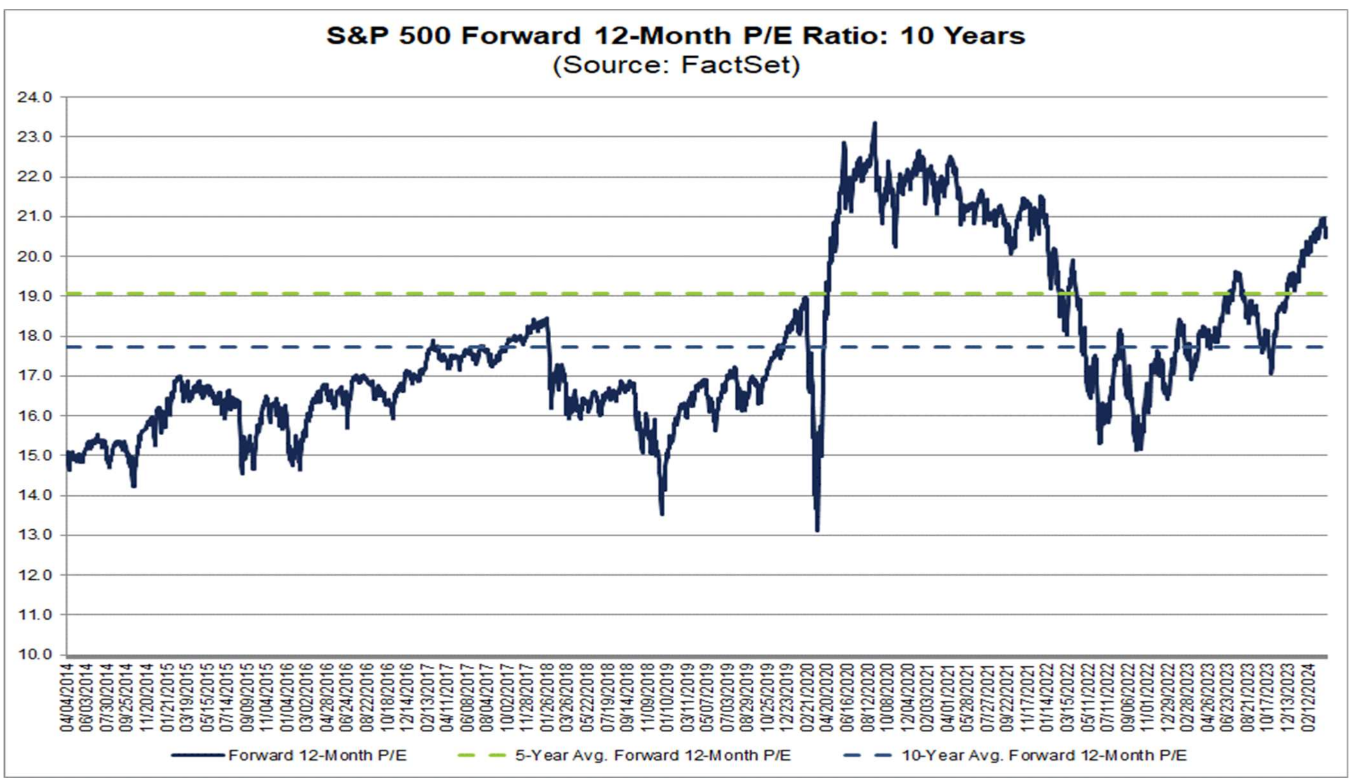
	Info. Technology	Consumer Disc.	Industrials	Materials	S&P 500	Consumer Staples	Comm. Services	Health Care	Real Estate	Utilities	Financials	Energy
Fwd P/E	27.7	24.9	21.3	21.2	20.5	19.6	19.1	18.3	17.0	16.0	15.6	13.2
5-Yr Avg.	23.8	27.7	19.9	17.7	19.1	20.1	18.7	16.4	19.4	18.5	13.4	2.3
10-Yr Avg.	20.2	23.2	18.1	16.8	17.7	19.6	16.0	16.2	0.0	17.6	13.2	15.5



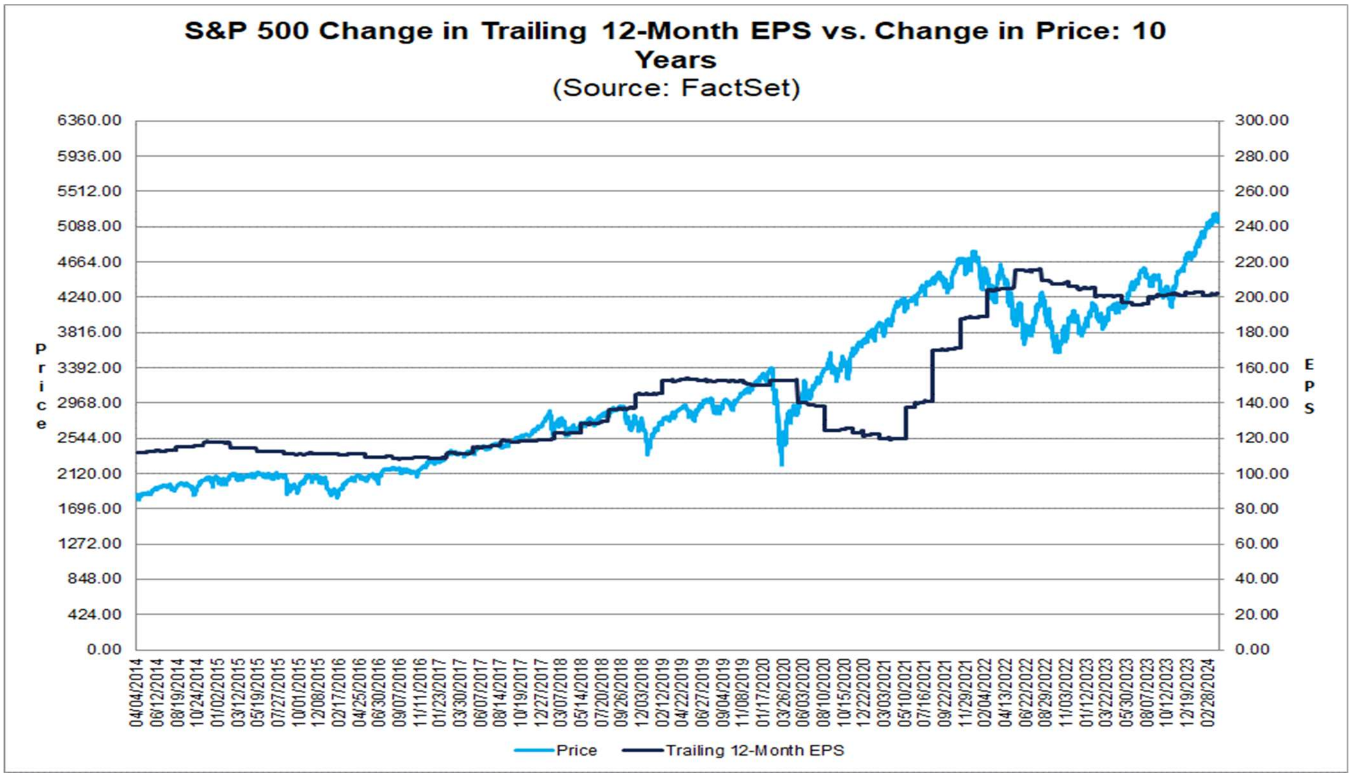
FACTSET

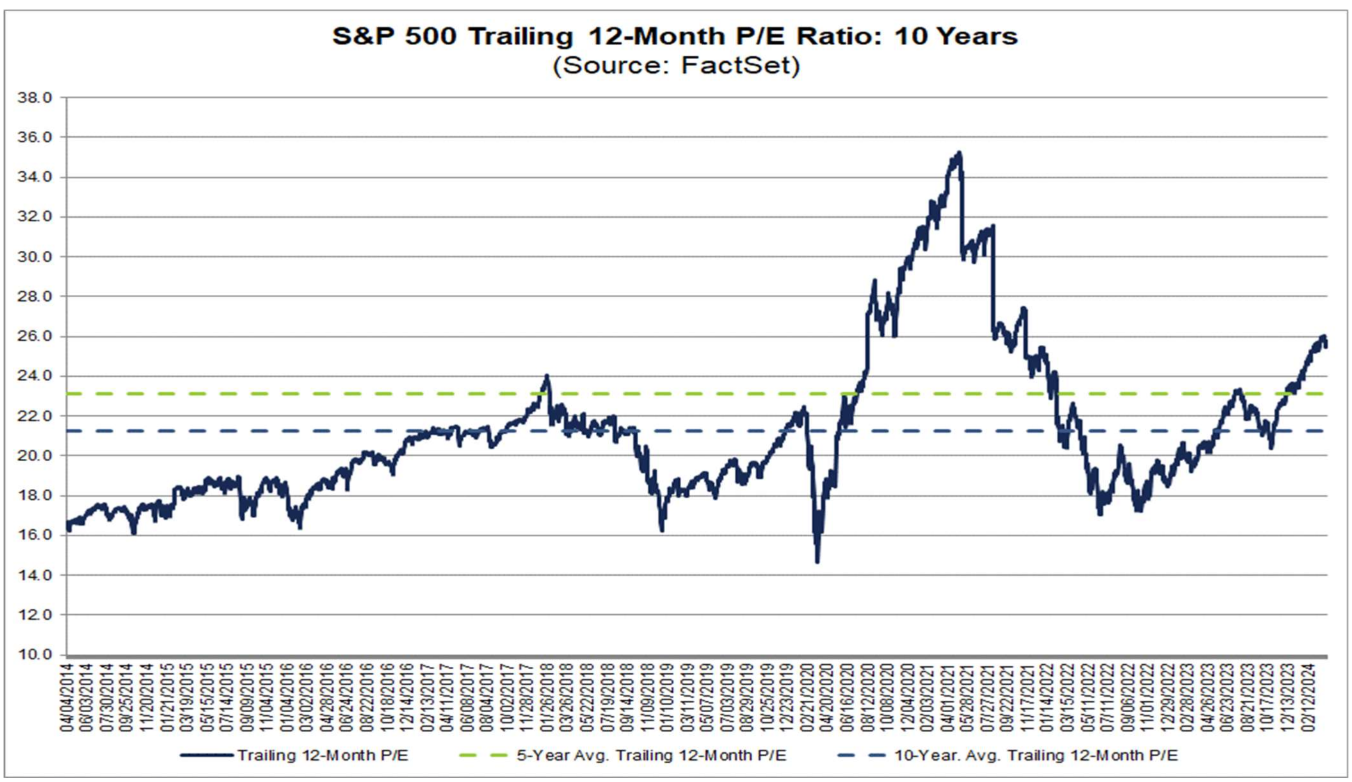
Forward 12M P/E Ratio: 10-Years



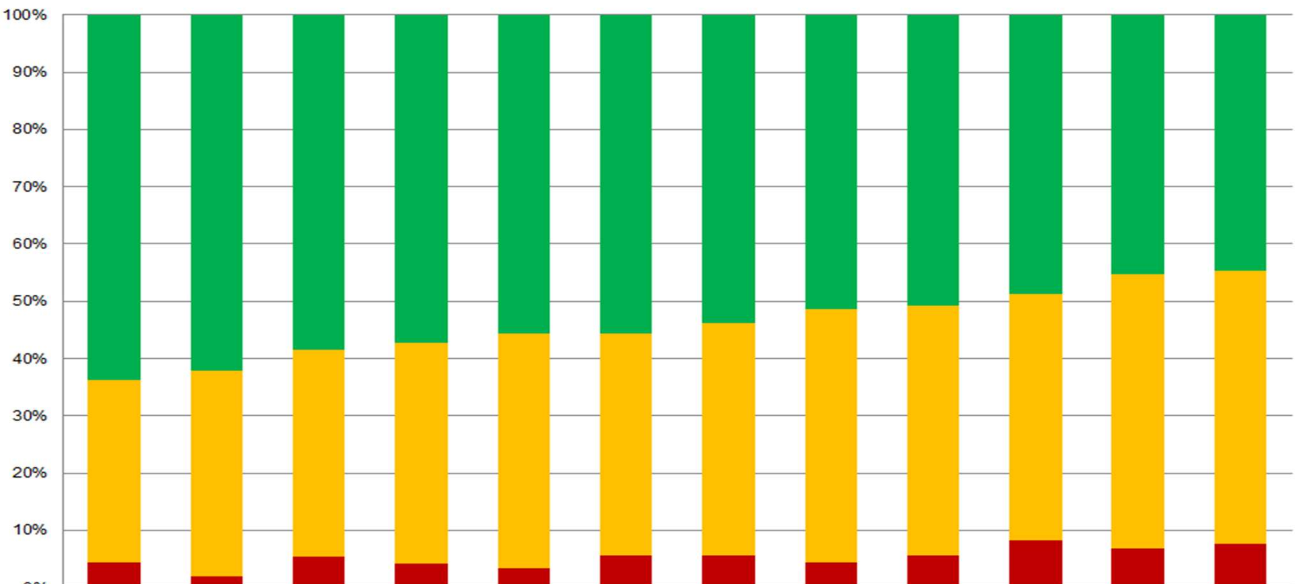


Trailing 12M P/E Ratio: 10-Years

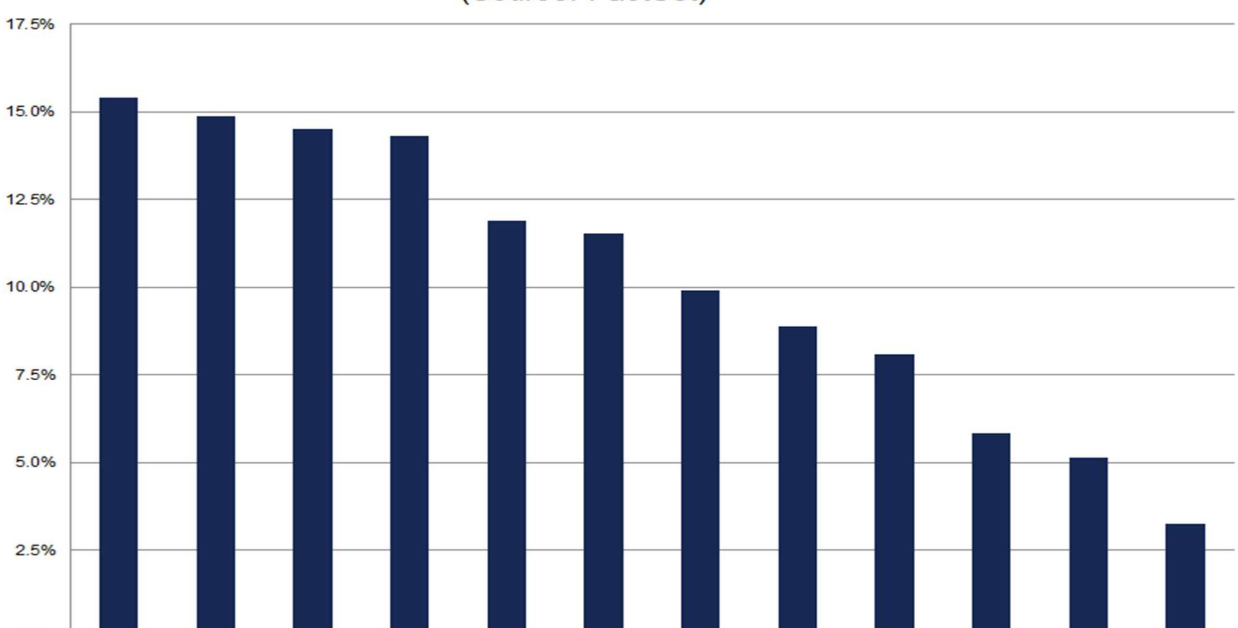




Targets & Ratings



	Comm. Services	Energy	Info. Tech.	Health Care	Real Estate	Consumer Disc.	S&P 500	Utilities	Financials	Industrials	Consumer Staples	Materials
Buy	64%	62%	58%	57%	56%	56%	54%	51%	51%	49%	45%	45%
Hold	32%	36%	36%	38%	41%	39%	41%	44%	44%	43%	48%	48%
Sell	4%	2%	5%	4%	3%	6%	6%	4%	6%	8%	7%	8%



	Info. Tech.	Health Care	Real Estate	Consumer Disc.	S&P 500	Consumer Staples	Comm. Services	Financials	Utilities	Industrials	Energy	Materials
Target/Close	15.4%	14.9%	14.5%	14.3%	11.9%	11.5%	9.9%	8.9%	8.1%	5.8%	5.1%	3.2%

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