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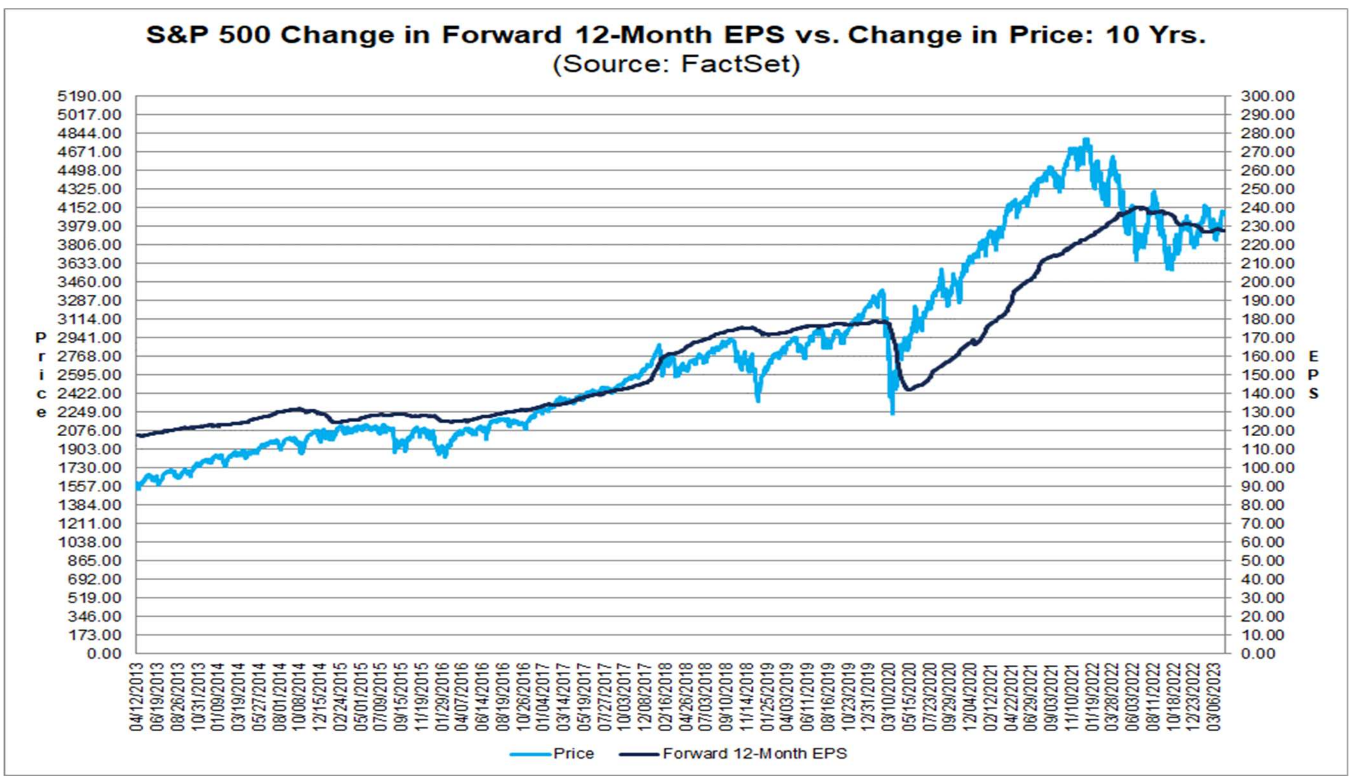
Key Metrics

- **Earnings Scorecard:** For Q1 2023 (with 6% of S&P 500 companies reporting actual results), 90% of S&P 500 companies has reported a positive EPS surprise and 63% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Decline:** For Q1 2023, the blended earnings decline for the S&P 500 is -6.5%. If -6.5% is the actual decline for the quarter, it will mark the largest earnings decline reported by the index since Q2 2020 (-31.6%).
- **Earnings Revisions:** On March 31, the estimated earnings decline for Q1 2023 was -6.7%. Three sectors are reporting higher earnings today (compared to Mar. 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q1 2023, 80 S&P 500 companies have issued negative EPS guidance and 27 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.3. This P/E ratio is below the 5-year average (18.5) but above the 10-year average (17.3).



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Topic of the Week:

S&P 500 Will Likely Report a Decline in Earnings for 2nd Consecutive Quarter in Q1 2023

As of today, the S&P 500 is reporting a year-over-year decline in earnings of -6.5% for the first quarter, which would mark the largest earnings decline reported by the index since Q2 2020 (-31.6%) and the second straight quarter the index has reported a decline in earnings. Given that most S&P 500 companies report actual earnings above estimates, what is the likelihood the index will report an actual decline in earnings of -6.5% for the quarter?

Based on both the average improvement in the earnings growth rate over the past 10 years and the below-average improvement in the earnings growth rate over the past three earnings seasons, the index will likely report a year-over-year decline in earnings for Q1.

When companies in the S&P 500 report actual earnings above estimates during an earnings season, the overall earnings growth rate for the index increases because the higher actual EPS numbers replace the lower estimated EPS numbers in the calculation of the growth rate. For example, if a company is projected to report EPS of $1.05 compared to year ago EPS of $1.00, the company is projected to report earnings growth of 5%. If the company reports actual EPS of $1.10 (a $0.05 upside earnings surprise compared to the estimate), the actual earnings growth rate for the company for the quarter is now 10%, five percentage points above the estimated growth rate (10% - 5% = 5%).

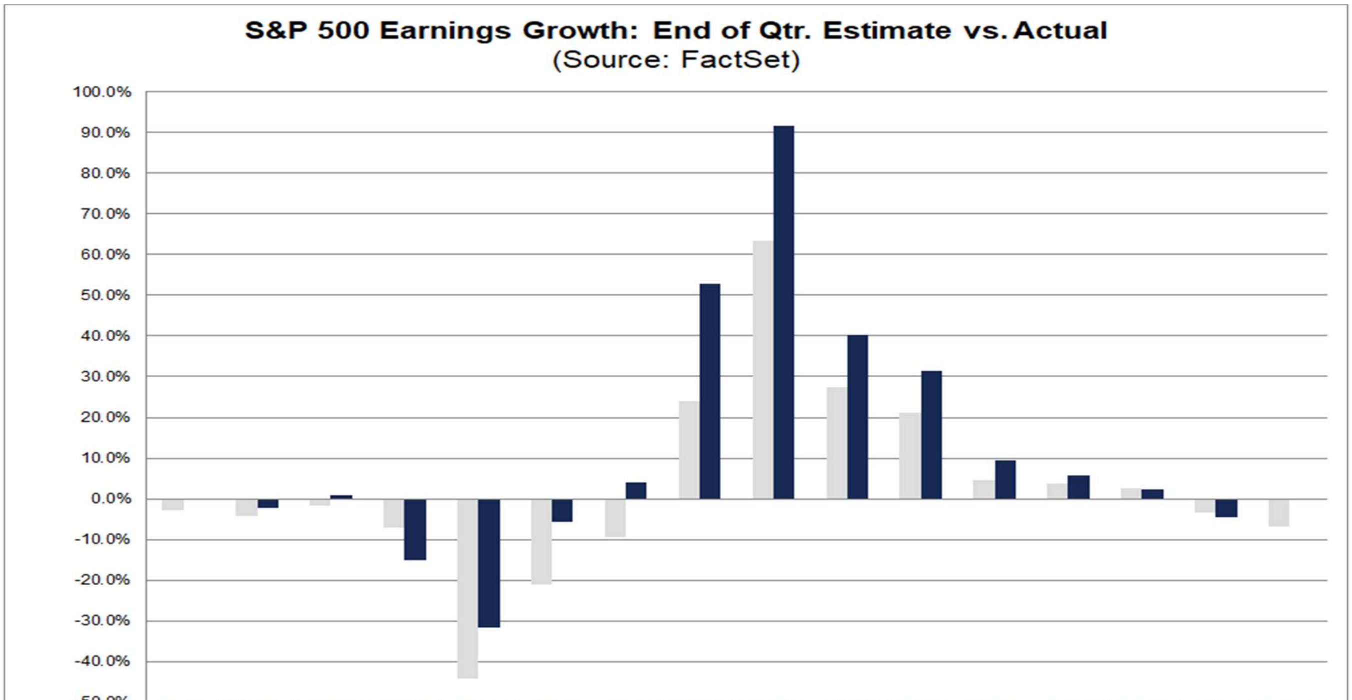
In fact, the actual earnings growth rate has exceeded the estimated earnings growth rate at the end of the quarter in 37 of the past 40 quarters for the S&P 500. The only exceptions were Q1 2020, Q3 2022, and Q4 2022.

Over the past ten years, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 6.4% on average. During this same period, 73% of companies in the S&P 500 have reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has increased by 5.3 percentage points on average (over the past ten years) due to the number and magnitude of positive earnings surprises. If this average increase is applied to the estimated earnings decline at the end of Q1 (March 31) of -6.7%, the actual earnings decline for the quarter would be -1.4% (-6.7% + 5.3% = -1.4%).

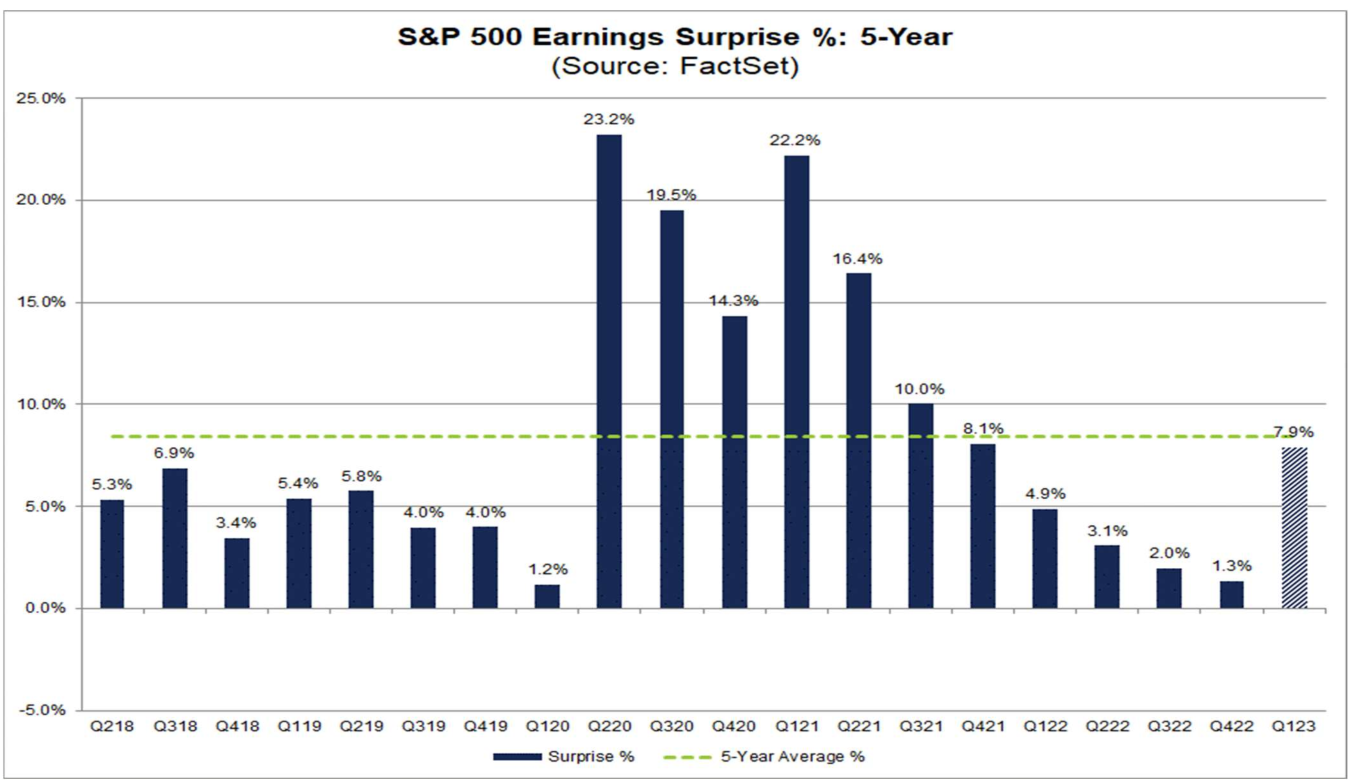
Over the past five years, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 8.4% on average. During this same period, 77% of companies in the S&P 500 have reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has increased by 7.5 percentage points on average (over the past five years) due to the number and magnitude of positive earnings surprises. If this average increase is applied to the estimated earnings decline at the end of Q1 (March 31) of -6.7%, the actual earnings growth rate for the quarter would be 0.8% (-6.7% + 7.5% = 0.8%).

Over the past three quarters (Q2 2022 through Q4 2022), however, actual earnings reported by S&P 500 companies have exceeded estimated earnings by only 2.1% on average. During these three quarters, 71% of companies in the S&P 500 reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate only increased by 0.8 percentage points on average (during the past three quarters) due to the number and magnitude of positive earnings surprises. If this average increase is applied to the estimated earnings decline at the end of Q1 (March 31) of -6.7%, the index would report an actual decline in earnings of -5.9% (-6.7% + 0.8% = -5.9%).

How are the numbers trending to date? Of the 30 S&P 500 companies that have reported actual earnings for Q1 2023 through April 14, 90% have reported actual EPS above the mean EPS estimate. In aggregate, actual earnings reported by these 30 companies have exceeded estimated earnings by 7.9%. Thus, at this very early stage of the earnings season for Q1, both the number of companies reporting positive EPS surprises and the magnitude of these EPS surprises are trending closer to the 5-year average. Will this strong performance continue for the rest of the earnings season? Since March 31, the earnings decline for the S&P 500 has decreased by only 0.2 percentage points (to -6.5% from -6.7%).



	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123
End of Qtr.	-2.7%	-4.3%	-1.8%	-7.0%	-44.3%	-21.2%	-9.3%	24.0%	63.3%	27.5%	21.2%	4.6%	3.9%	2.6%	-3.3%	-6.7%
Actual	-0.3%	-2.2%	0.8%	-15.0%	-31.6%	-5.7%	4.1%	52.9%	91.5%	40.2%	31.3%	9.4%	5.8%	2.3%	-4.6%	



Q1 Earnings Season: By The Numbers

Overview

At this very early stage, the first quarter earnings season for the S&P 500 is off to a strong start. Both the number of positive earnings surprises and the magnitude of these earnings surprises are above their 10-year averages. As a result, the index is reporting higher earnings for the first quarter today relative to the end of last week and relative to the end of the quarter. However, the index is still reporting the largest year-over-year decline in earnings since Q2 2020.

Overall, 6% of the companies in the S&P 500 have reported actual results for Q1 2023 to date. Of these companies, 90% have reported actual EPS above estimates, which is above the 5-year average of 77% and above the 10-year average of 73%. In aggregate, companies are reporting earnings that are 7.9% above estimates, which is below the 5-year average of 8.4% but above the 10-year average of 6.4%.

The index is reporting higher earnings for the first quarter today relative to the end of last week and relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the first quarter is -6.5% today, compared to an earnings decline of -6.9% last week and an earnings decline of -6.7% at the end of the first quarter (March 31).

Positive earnings surprises reported by companies in the Financials sector have been the largest contributor to the decrease in the overall earnings decline for the index over the past week and since March 31.

If -6.5% is the actual decline for the quarter, it will mark the largest earnings decline reported by the index since Q2 2020 (-31.6%). It will also mark the second straight quarter in which the index has reported a decrease in earnings.

Five of the eleven sectors are reporting (or are expected to report) year-over-year earnings growth, led by the Consumer Discretionary and Industrials sectors. On the other hand, six sectors are reporting (or are expected to report) a year-over-year decline in earnings, led by the Materials, Health Care, Information Technology, and Communication Services sectors.

In terms of revenues, 63% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% but equal to the 10-year average of 63%. In aggregate, companies are reporting revenues that are 2.3% above the estimates, which is above the 5-year average of 2.0% and above the 10-year average of 1.3%.

The index is also reporting higher revenues for the first quarter today relative to the end of last week and relative to the end of the quarter. The blended revenue growth rate for the first quarter is 2.0% today, compared to a revenue growth rate of 1.8% last week and a revenue growth rate of 1.9% at the end of the first quarter (March 31).

Positive revenue surprises reported by companies in the Financials sector have been the largest contributor to the increase in the overall revenue growth rate for the index over the past week and since March 31.

If 2.0% is the actual growth rate for the quarter, it will mark the lowest revenue growth rate reported by the index since Q3 2020 (-1.1%). Seven sectors are reporting (or are projected to report) year-over-year growth in revenues, led by the Financials sector. On the other hand, four sectors are reporting (or are predicted to report) a year-over-year decline in revenues, led by the Materials sector.

Looking ahead, analysts still expect earnings growth for the second half of 2023. For Q2 2023, analysts are projecting an earnings decline of -4.6%. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 1.9% and 8.8%, respectively. For all of CY 2023, analysts predict earnings growth of 0.9%.

The forward 12-month P/E ratio is 18.3, which is below the 5-year average (18.5) but above the 10-year average (17.3). It is also above the forward P/E ratio of 18.1 recorded at the end of the first quarter (March 31), as the price of the index has increased while the forward 12-month EPS estimate has decreased since March 31.

During the upcoming week, 60 S&P 500 companies (including 6 Dow 30 components) are scheduled to report results for the first quarter.

Scorecard: Number and Magnitude of Positive EPS Surprises Are Above 10-Year Averages

Percentage of Companies Beating EPS Estimates (95%) is Above 5-Year Average

Overall, 6% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 90% have reported actual EPS above the mean EPS estimate, 0% have reported actual EPS equal to the mean EPS estimate, and 10% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year average (73%), above the 5-year average (77%), and above the 10-year average (73%).

At the sector level, the Consumer Discretionary (100%), Consumer Staples (100%), and Health Care (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Information Technology (75%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+7.9%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 7.9% above expectations. This surprise percentage is above the 1-year average (+2.8%), below the 5-year average (+8.4%), and above the 10-year average (6.4%).

The Consumer Discretionary (+51.1%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, CarMax ($0.44 vs. $0.20), NIKE ($0.79 vs. $0.56), and Lennar ($2.06 vs. $1.55) have reported the largest positive EPS surprises.

The Financials (+14.8%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Citigroup ($2.19 vs. $1.65) and JPMorgan Chase ($4.10 vs. $3.41) have reported the largest positive EPS surprises.

The Industrials (+9.6%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, FedEx ($3.41 vs. $2.71) has reported the largest positive EPS surprises.

On the other hand, the Information Technology (-19.5%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Micron Technology (-$1.91 vs. -$0.67) has reported the largest negative EPS surprise.

Market Rewarding Positive EPS Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q1 2023 have seen an average price increase of +3.1% two days before the earnings release through two days after the earnings release. This percentage increase is much higher than the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q1 2023 have seen an average price decrease of -2.4% two days before the earnings release through two days after the earnings. This percentage decrease is slightly larger 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 (63%) is Below 5-Year Average

In terms of revenues, 63% of companies have reported actual revenues above estimated revenues and 37% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (70%) and below the 5-year average (69%), but equal to the 10-year average (63%).

At the sector level, the Health Care (100%) and Consumer Discretionary (83%) sectors have the highest percentages of companies reporting revenues above estimates, while the Industrials (40%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.3%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.3% above expectations. This surprise percentage is below the 1-year average (+2.5%), but above the 5-year average (+2.0%) and above the 10-year average (+1.3%).

At the sector level, the Financials (+4.9%) and Consumer Discretionary (+4.1%) sectors are reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Industrials (-1.5%) sector is reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings Decline This Week Due to Financials

Decrease in Blended Earnings Decline This Week Due to Financials Sector

The blended (year-over-year) earnings decline for the first quarter is -6.5%, which is smaller than the earnings decline of -6.9% last week. Positive earnings surprises reported by companies in the Financials sector were the largest contributor to the decrease in the overall earnings decline during the past week.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase ($4.10 vs. $3.41) and Citigroup ($2.19 vs. $1.65) were the largest contributors to the decrease in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Financials sector increased to 5.4% from 2.3% over this period.

Increase in Blended Revenue Growth Rate This Week Due to Financials Sector

The blended (year-over-year) revenue growth rate for the first quarter is 2.0%, which is slightly above the revenue growth rate of 1.8% last week. Positive revenue surprises reported by companies in the Financials sector were the largest contributor to the increase in the overall revenue growth rate during the past week.

Financials Sector Has Seen Largest Increase in Earnings since March 31

The blended (year-over-year) earnings decline for Q1 2023 of -6.5% is below the estimate of -6.7% at the end of the first quarter (March 31). Three 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 Financials (to 5.4% from 2.9%) sector. The Financials sector is also the largest contributor to the increase in earnings for the index since March 31. On the other hand, six sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline during this period, led by the Energy (to 7.6% from 9.4%) and Industrials (to 11.7% from 12.8%) sectors. Two sectors (Information Technology and Materials) have the same earnings decline today relative to March 31.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase ($4.10 vs. $3.41) and Citigroup ($2.19 vs. $1.65) have been the largest contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings growth rate for the Financials sector increased to 5.4% from 2.9% over this period.

Financials Sector Has Seen Largest Increase in Revenues since March 31

The blended (year-over-year) revenue growth rate for Q1 2023 of 2.0% is slightly above the estimate of 1.9% at the end of the first quarter (March 31). Three sectors have recorded an increase in revenue growth since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Financials (to 10.1% from 9.2%) sector. The Financials sector is also the largest contributor to the increase in revenues for the index since March 31. On the other hand, two sectors have recorded a decrease in their revenue growth rate since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises: Communication Services (to 1.0% from 1.2%) and Industrials (to 5.1% from 5.3%). The remaining six sectors all have the same revenue growth rate (or revenue decline) today relative to March 31.

In the Financials sector, the positive revenue surprises reported by JPMorgan Chase ($38.35 billion vs. $36.12 billion) and Citigroup ($21.45 billion vs. $20.01 billion) have been substantial contributors to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Financials sector increased to 10.1% from 9.2% over this period.

Earnings Decline: -6.5%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings decline for Q1 2023 is -6.5%, which is below the 5-year average earnings growth rate of 13.4% and below the 10-year average earnings growth rate of 8.7%. If -6.5% is the actual decline for the quarter, it will mark the largest (year-over-year) earnings decline reported by the index since Q2 2020 (-31.6%). It will also mark the second consecutive quarter in which earnings have declined year-over-year.

Five of the eleven sectors are reporting (or are expected to report) year-over-year earnings growth, led by the Consumer Discretionary and Industrials sectors. On the other hand, six sectors are reporting (or are expected to report) a year-over-year decline in earnings, led by the Materials, Health Care, Information Technology, and Communication Services sectors.

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

The Consumer Discretionary sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 34.3%. At the industry level, 3 of the 9 industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings. A growth rate is not being calculated for the Hotels, Restaurants, & Leisure and Broadline Retail industries due to the losses reported by both industries in the year-ago quarter. However, both industries are projected to report profits in Q1 2023. The Hotels, Restaurants, & Leisure industry is reporting a profit of $3.8 billion in Q1 2023 compared to a loss of -829 million in Q1 2022, while the Broadline Retail industry is projected to report a profit of $2.7 billion in Q1 2023 compared to a loss of -$3.2 billion in Q1 2022. The other industry predicted to report (year-over-year) earnings growth is the Auto Components (18%) industry. On the other hand, 6 industries are reporting (or are expected to report) a year-over-year decline in earnings. Four of these six industries are reporting (or are predicted to report) a decrease in earnings of more than 10%: Leisure Products (-99%), Household Durables (-37%), Textiles, Apparel, & Luxury Goods (-16%), and Automobiles (-16%).

At the industry level, the Broadline Retail and Hotels, Restaurants, & Leisure industries are the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would be reporting a (year-over-year) decline in earnings of -15.0% instead of year-over-year earnings growth of 34.3%.

At the company level, Amazon.com is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the sector would fall to 4.0% from 34.3%

Industrials: Airlines Industry Is Largest Contributor to Year-Over-Year Growth

The Industrials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 11.7%. At the industry level, 5 of the 12 industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings. A growth rate is not being calculated for the Passenger Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry is reporting a much smaller loss in Q1 2023 (-$254 million) compared to Q1 2022 (-$4.0 billion). Three of the remaining four industries are predicted to report earnings growth at or above 10%: Trading Companies & Distributors (22%), Aerospace & Defense (14%), and Machinery (10%). On the other hand, 7 industries are reporting (or are expected to report) a year-over-year decline in earnings. Three of these seven industries are reporting (or are predicted to report) a year-over-year decline of 10% or more: Air Freight & Logistics (-31%), Industrials Conglomerates (-24%), and Construction & Engineering (-14%).

At the industry level, the Passenger Airlines industry is the largest contributor to earnings growth for the sector. If this industry were excluded, the Industrials sector would report a year-over-year decline in earnings of -1.1% rather than earnings growth of 11.7%.

Materials: 3 of 4 Industries Expected To Report Year-Over-Year Decline of More Than 25%

The Materials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -35.9%. At the industry level, three of the four industries in this sector are predicted to report a year-over-year decline in earnings of more than 25%: Metals & Mining (-52%), Containers & Packaging (-34%), and Chemicals (-29%). On the other hand, the Construction Materials (20%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Health Care: 4 of 5 Industries Expected To Report Year-Over-Year Decline of More Than 15%

The Health Care sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -20.7%. At the industry level, four of the five industries in this sector are reporting (or are predicted to report) a year-over-year earnings decline of more than 15%: Biotechnology (-38%), Pharmaceuticals (-24%), Life Sciences, Tools, and Services (-24%), and Health Care Equipment & Supplies (-18%). On the other hand, the Health Care Providers & Services (1%) industry is the only industry predicted to report year-over-year growth in earnings.

Information Technology: Semiconductors Industry is Largest Contributor to Year-Over-Year Decline

The Information sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -15.1%. At the industry level, three of the six industries in this sector are reporting (or are predicted to report) a year-over-year earnings decline: Semiconductors & Semiconductor Equipment (-43%), Technology Hardware, Storage, & Peripherals (-14%), and Electronic Equipment, Instruments, & Components (-8%). On the other hand, three of the six industries in this sector are reporting (or are projected to report) year-over-year earnings growth: Communications Equipment (14%), Software (6%), and IT Services (1%).

At the industry level, the Semiconductors & Semiconductor Equipment industry is the largest contributor to the earnings decline for the sector. If this industry were excluded, the blended earnings decline for the sector would improve to -2.9 from -15.1%.

Communication Services: 4 of 5 Industries Expected To Report Year-Over-Year Decline

The Communication Services sector is expected to report the fourth-largest (year-over-year) earnings decline of all eleven sectors at -15.0%. At the industry level, four of the five industries in this sector are predicted to report a year-over-year decline in earnings of more than 10%: Entertainment (-21%), Interactive Media & Services (-19%), Diversified Telecommunication Services (-18%), and Media (-12%). On the other hand, the Wireless Telecommunication Services (160%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Revenue Growth: 2.0%

The blended (year-over-year) revenue growth rate for Q1 2023 is 2.0%, which is below the 5-year average revenue growth rate of 7.9% and below the 10-year average revenue growth rate of 4.9%. If 2.0% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) revenue growth rate reported by the index since Q3 2020 (-1.1%).

At the sector level, seven sectors are reporting (or are expected to report) year-over-year growth in revenues, led by the Financials sector. On the other hand, four sectors are reporting (or are expected to report) a year-over-year decline in revenues, led by the Materials sector.

Financials: 3 of 5 Industries Reporting Year-Over-Year Growth At Or Above 15%

The Financials sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 10.1%. At the industry level, four of the five industries in the sector are reporting (or are predicted to report) year-over-year growth in revenues. Three of these four industries are reporting (or are projected to report) revenue growth above 10%: Banks (17%), Consumer Finance (17%), and Financial Services (15%). On the other hand, the Capital Markets industry (-1%) is the only industry expected to report a year-over-year decline in revenues.

Materials: Metals & Mining Industry Leads Year-Over-Year Decline

The Materials sector is expected to report the highest (year-over-year) decline in revenues at -7.9%. At the industry level, three of the four industries in the sector are predicted to report a (year-over-year) decrease in revenues: Metals & Mining (-15%), Chemicals (-7%), and Containers & Packaging (-3%). On the other hand, the Construction Materials (4%) industry is the only industry expected to report a year-over-year growth in revenues.

Net Profit Margin: 11.2%

The blended net profit margin for the S&P 500 for Q1 2023 is 11.2%, which is below the previous quarter's net profit margin of 11.3%, below the 5-year average of 11.4% and below the year-ago net profit margin of 12.2%.

At the sector level, three sectors are reporting (or are expected to report) a year-over-year increase in their net profit margins in Q1 2023 compared to Q1 2022, led by the Energy (to 11.9% vs. 10.4%) and Consumer Discretionary (5.9% vs. 4.7%) sectors. On the other hand, eight sectors are reporting (or are expected to report) a year-over-year decrease in their net profit margins in Q1 2023 compared to Q1 2022, led by the Materials (9.6% vs. 13.8%) sector.

Five sectors are reporting (or are expected to report) net profit margins in Q1 2023 that are above their 5-year averages, led by the Energy (11.9% vs. 7.4%) sector. On the other hand, six sectors are reporting (or are expected to report) net profit margins in Q1 2023 that are below their 5-year averages, led by the Communication Services (10.2% vs. 11.7%) and Health Care (9.1% vs. 10.6%) sectors.

Looking Ahead: Forward Estimates and Valuation

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

At this point in time, 107 companies in the index have issued EPS guidance for Q1 2023. Of these 107 companies, 80 have issued negative EPS guidance and 27 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q1 2023 (80) is above the 5-year average (57) and above the 10-year average (65). The percentage of companies issuing negative EPS guidance for Q1 2023 is 75% (80 out of 107), which is above the 5-year average of 59% and above the 10-year average of 66%.

The first quarter has seen the highest number of S&P 500 companies issuing negative EPS guidance for a quarter since Q3 2019 (81). If 80 is the final number for the quarter, it will also mark the fourth-highest number of companies in the S&P 500 issuing negative EPS guidance for a quarter since FactSet ben tracking this metric in 2006.

At the sector level, the Information Technology (27) and Industrials (17) sectors have the highest numbers of companies issuing negative EPS guidance for the quarter. Combined, these two sectors account for more than half (44) of all the companies in the S&P 500 issuing negative EPS guidance for the first quarter (80).

At this point in time, 254 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 254 companies, 136 have issued negative EPS guidance and 118 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 54% (136 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 1% for CY 2023

For the first quarter, S&P 500 companies are reporting a year-over-year earnings decline of -6.5% and revenue growth of 2.0%.

For Q2 2023, analysts are projecting an earnings decline of -4.6% and a revenue decline of <-0.1%.

For Q3 2023, analysts are projecting earnings growth of 1.9% and revenue growth of 1.5%.

For Q4 2023, analysts are projecting earnings growth of 8.8% and revenue growth of 3.7%.

For CY 2023, analysts are projecting earnings growth of 0.9% and revenue growth of 2.1%.

Valuation: Forward P/E Ratio is 18.3, Above the 10-Year Average (17.3)

The forward 12-month P/E ratio for the S&P 500 is 18.3. This P/E ratio is below the 5-year average of 18.5 but above the 10-year average of 17.3. It is also above the forward 12-month P/E ratio of 18.1 recorded at the end of the first quarter (March 31). Since the end of the first quarter (March 31), the price of the index has increased by 0.9%, while the forward 12-month EPS estimate has decreased by 0.1%. At the sector level, the Information Technology (24.5) and Consumer Discretionary (24.5) sectors have the highest forward 12-month P/E ratios, while the Energy (10.9) and Financials (13.1) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 20.7, which is below the 5-year average of 22.5 but above the 10-year average of 20.6.

Targets & Ratings: Analysts Project 11% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 4619.32, which is 11.4% above the closing price of 4146.22. At the sector level, the Real Estate (+16.9%) and Consumer Discretionary (+16.8%) 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 Information Technology (+6.6%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

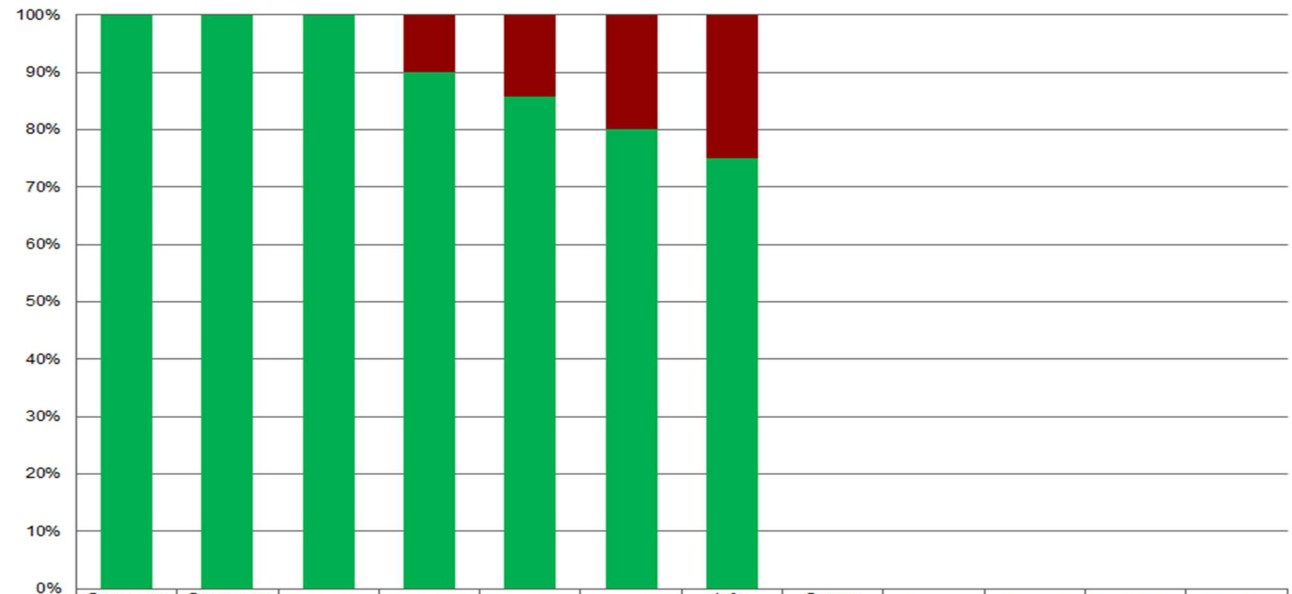
Overall, there are 11,014 ratings on stocks in the S&P 500. Of these 11,014 ratings, 53.8% are Buy ratings, 40.1% are Hold ratings, and 6.1% are Sell ratings. At the sector level, the Energy (63%) and Communication Services (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 60

During the upcoming week, 60 S&P 500 companies (including 6 Dow 30 components) are scheduled to report results for the first quarter.

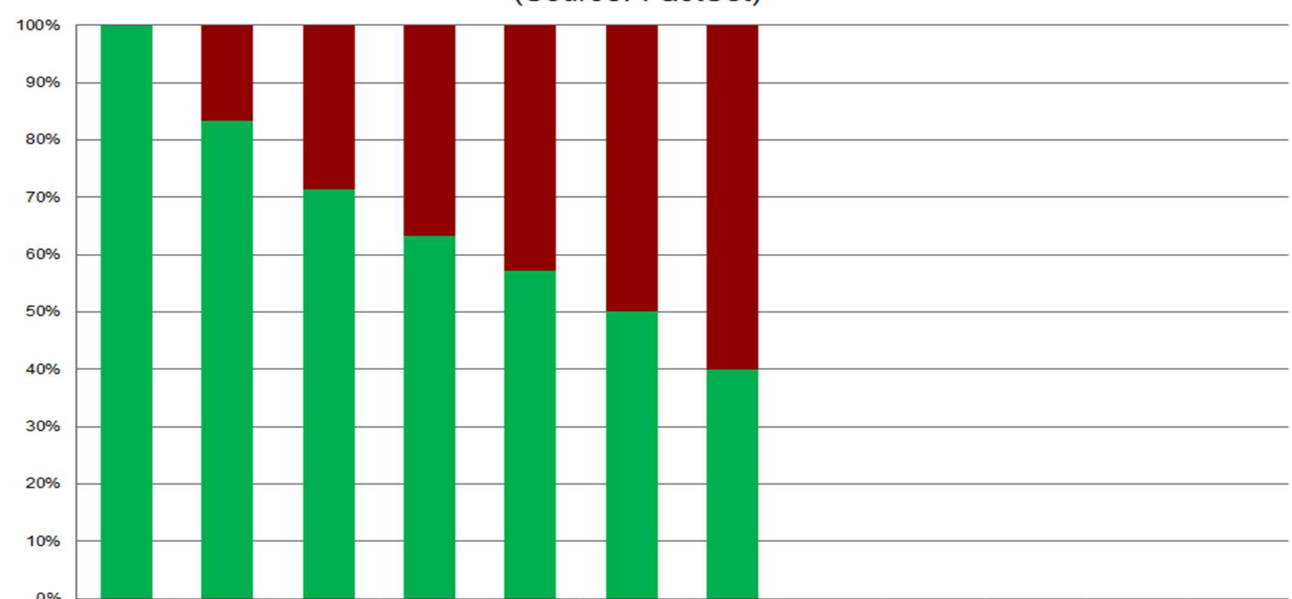
Q1 2023: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q1 2023
(Source: FactSet)



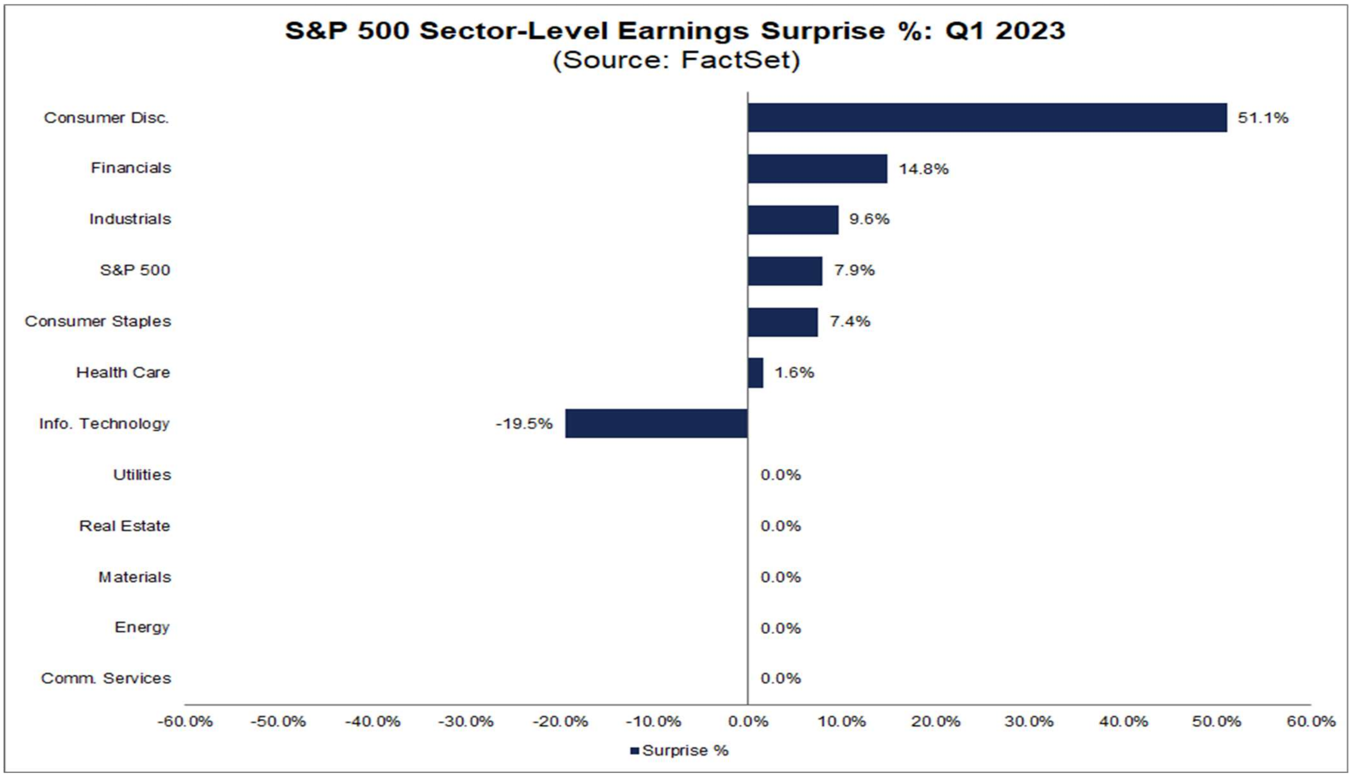
	Consumer Disc.	Consumer Staples	Health Care	S&P 500	Financials	Industrials	Info. Technology	Comm. Services	Energy	Materials	Real Estate	Utilities
Below	0%	0%	0%	10%	14%	20%	25%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	100%	90%	86%	80%	75%	0%	0%	0%	0%	0%

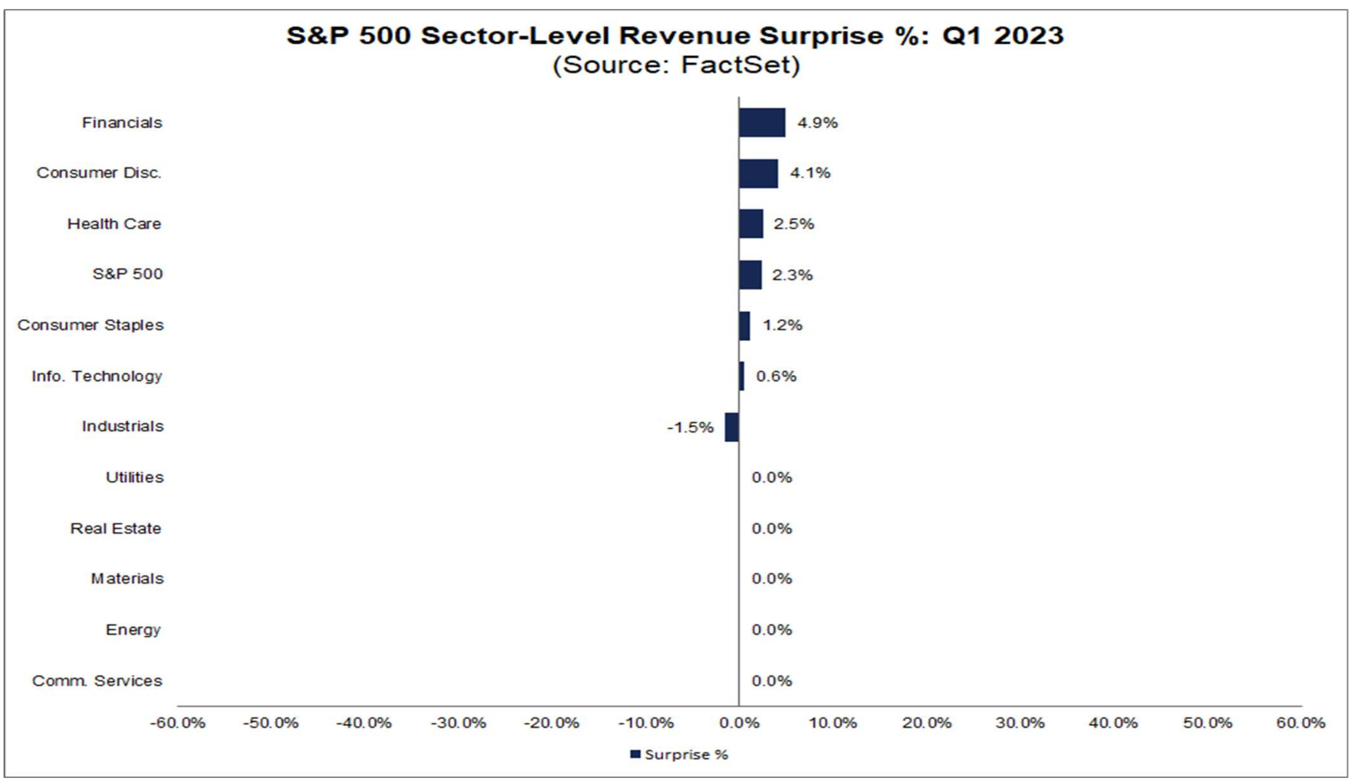
S&P 500 Revenues Above, In-Line, Below Estimates: Q1 2023
(Source: FactSet)



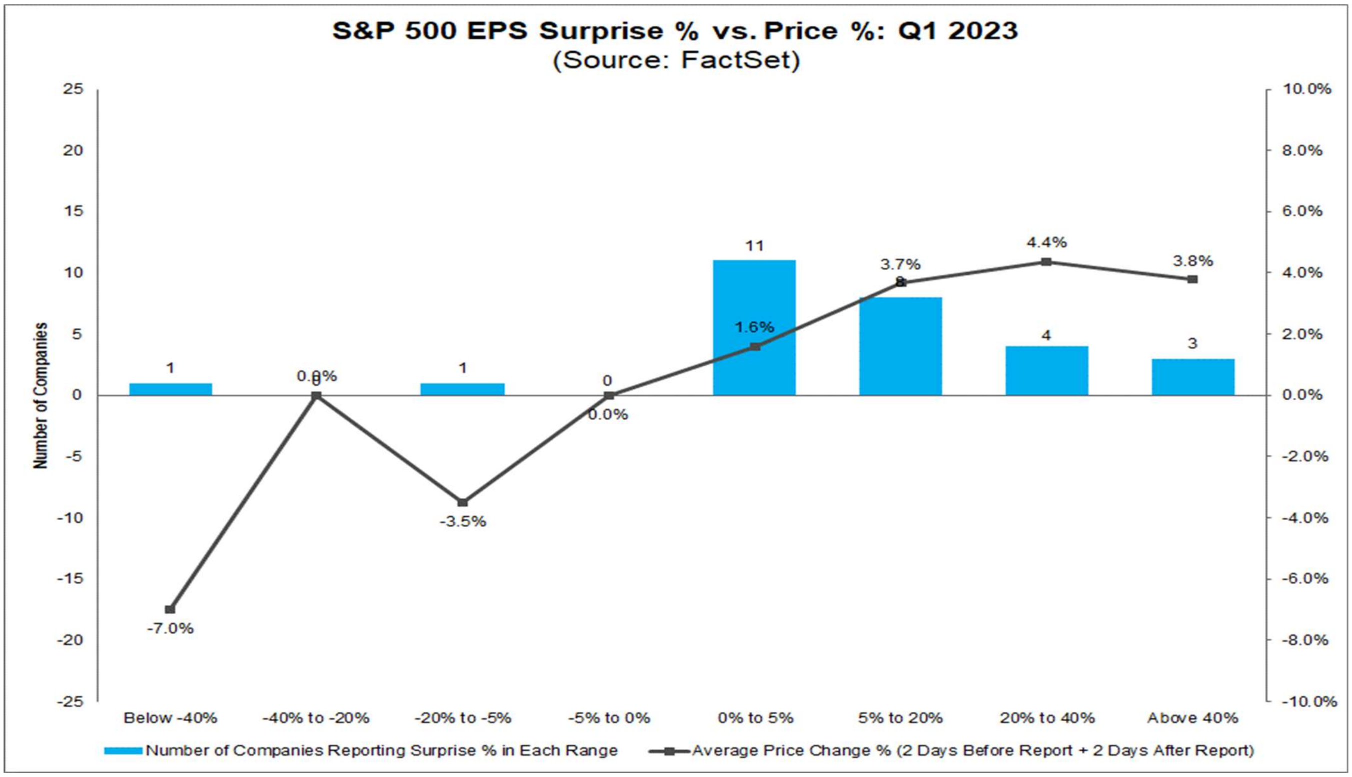
	Health Care	Consumer Disc.	Consumer Staples	S&P 500	Financials	Info. Technology	Industrials	Comm. Services	Energy	Materials	Real Estate	Utilities
Below	0%	17%	29%	37%	43%	50%	60%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	83%	71%	63%	57%	50%	40%	0%	0%	0%	0%	0%

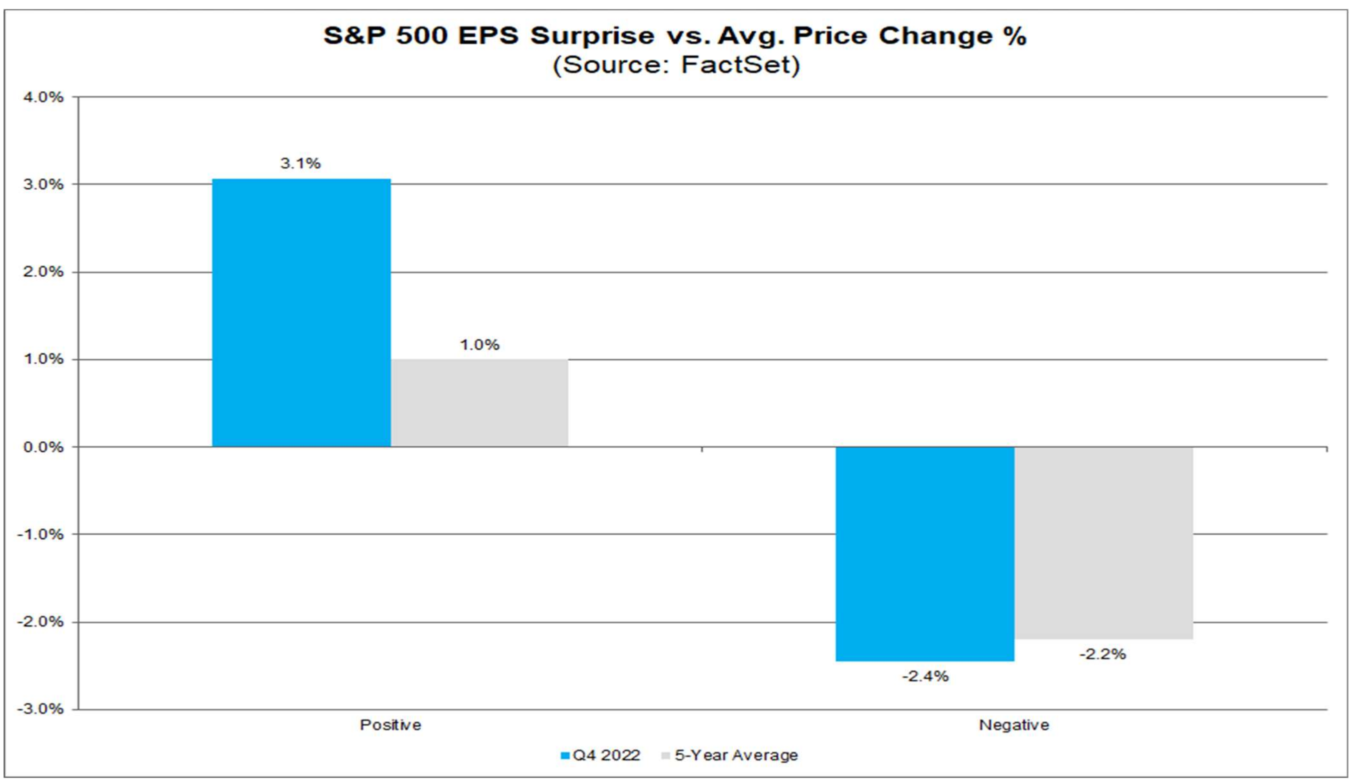
Q1 2023: Scorecard



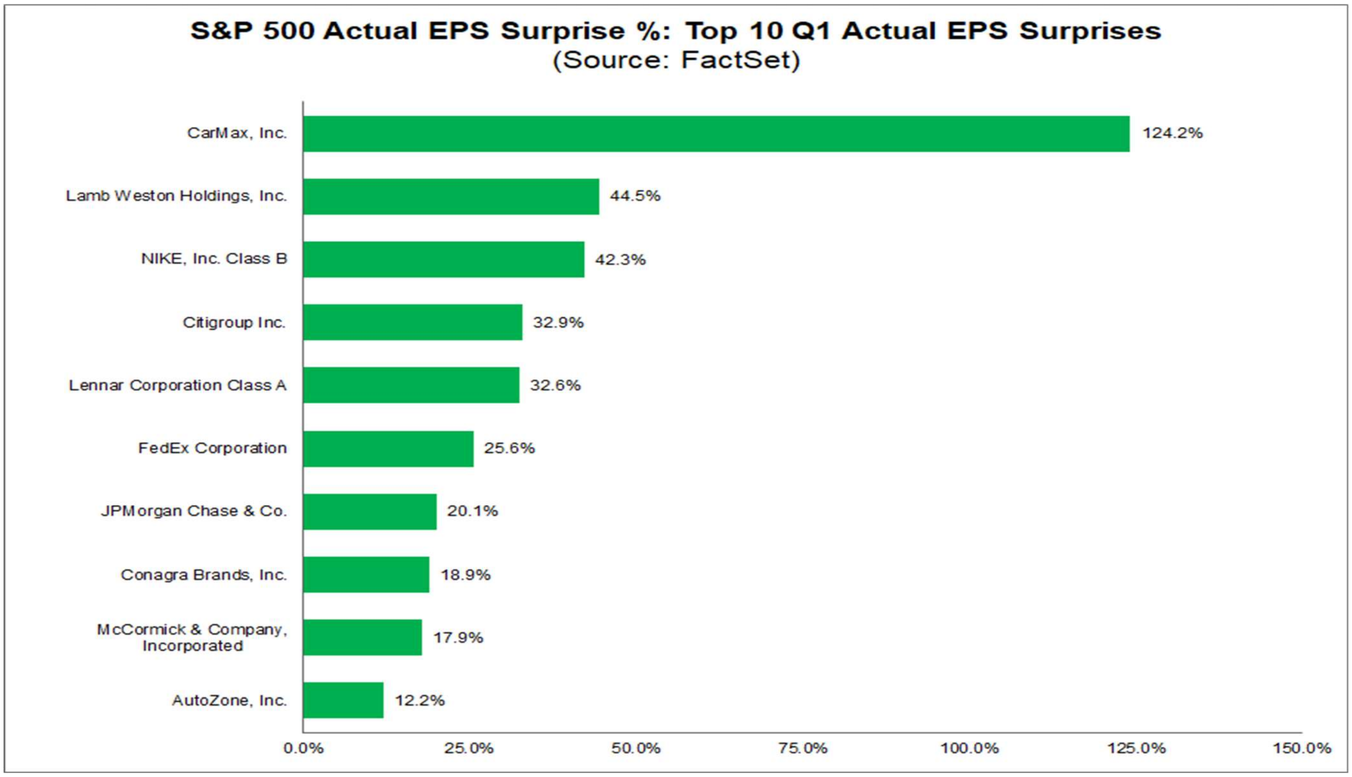


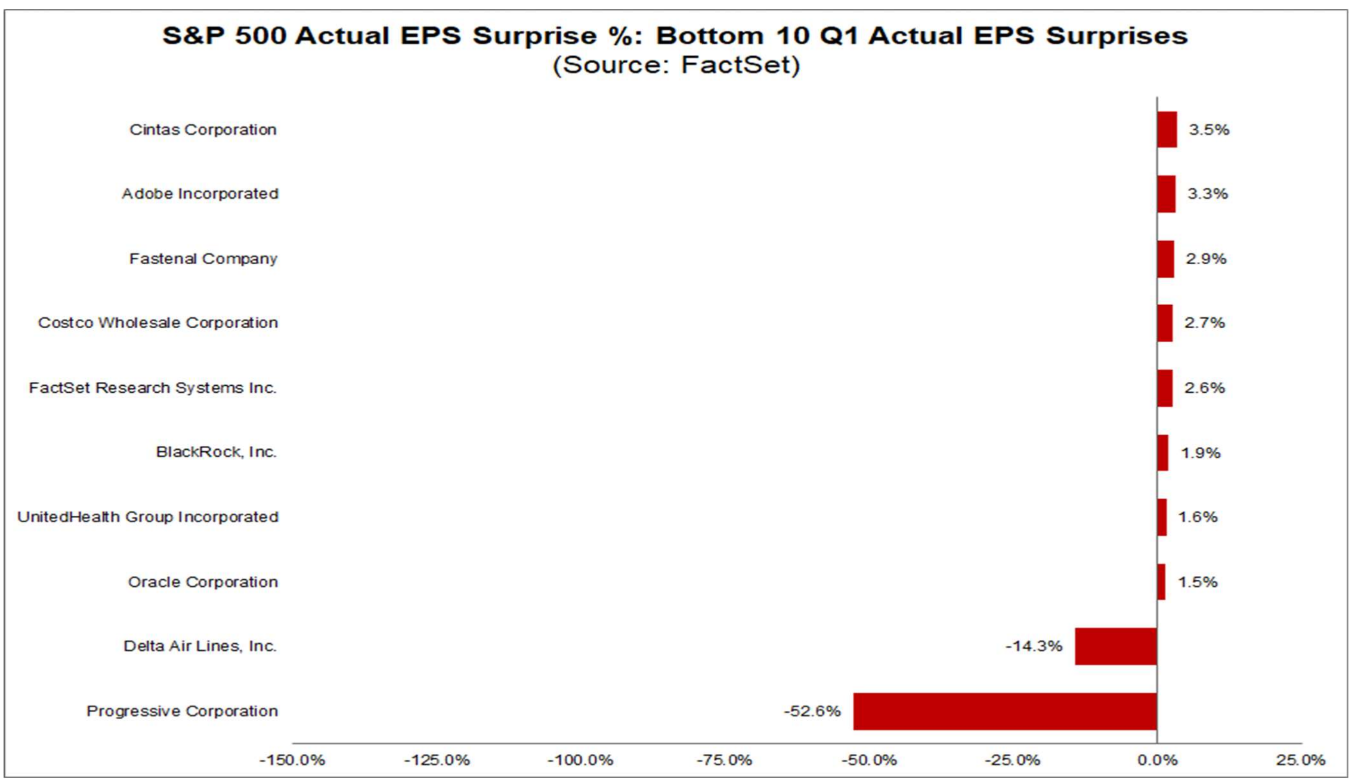
Q1 2023: Scorecard



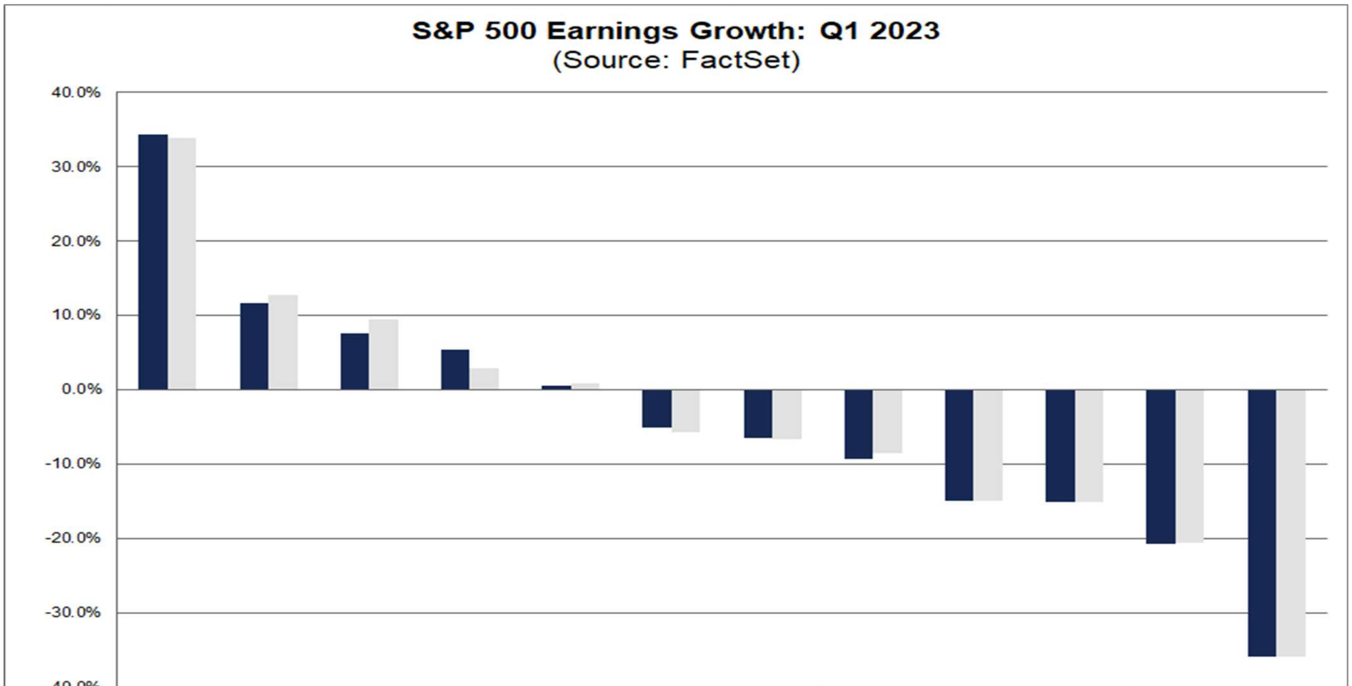


Q1 2023: Scorecard

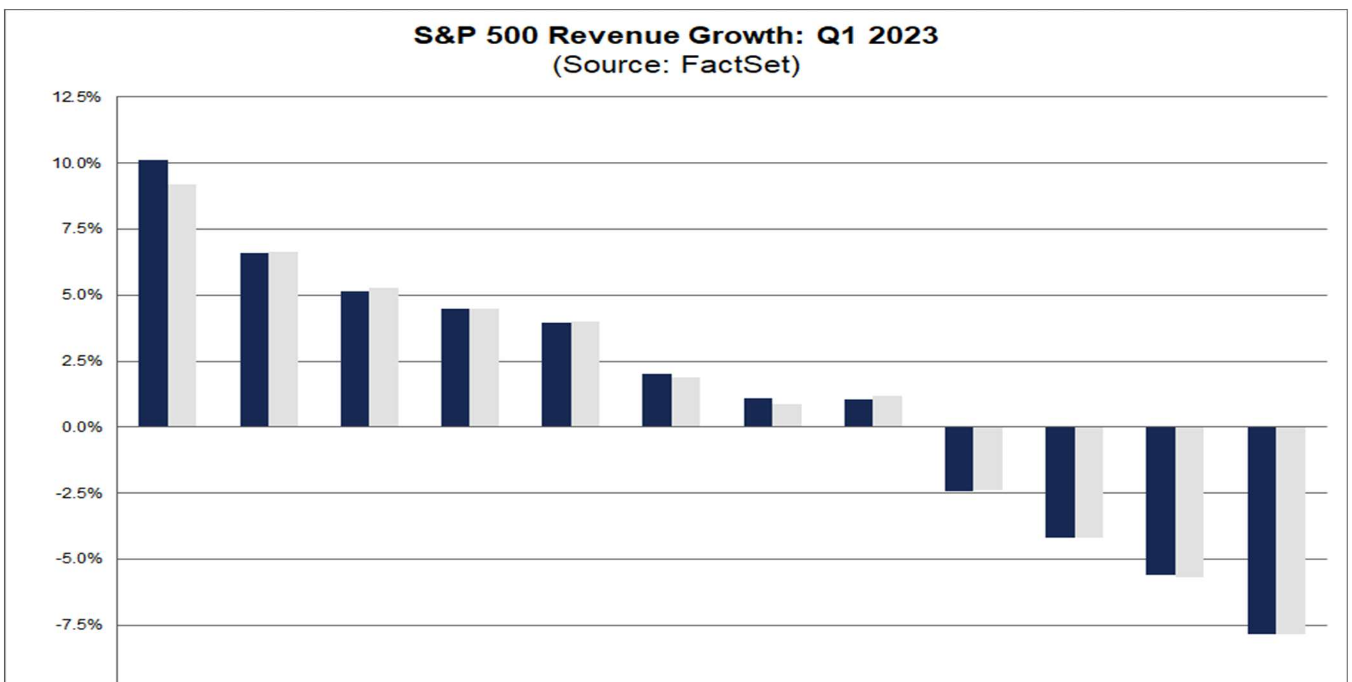




Q1 2023: Growth

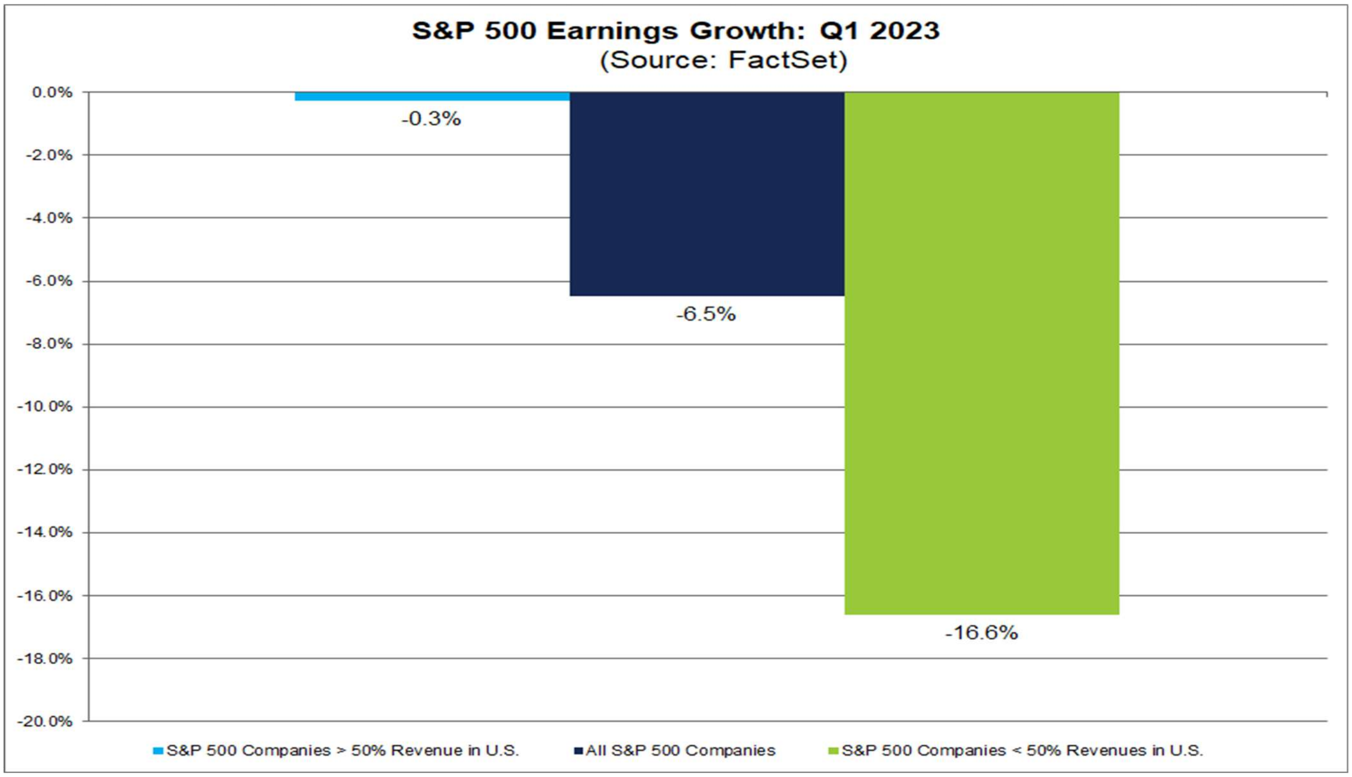


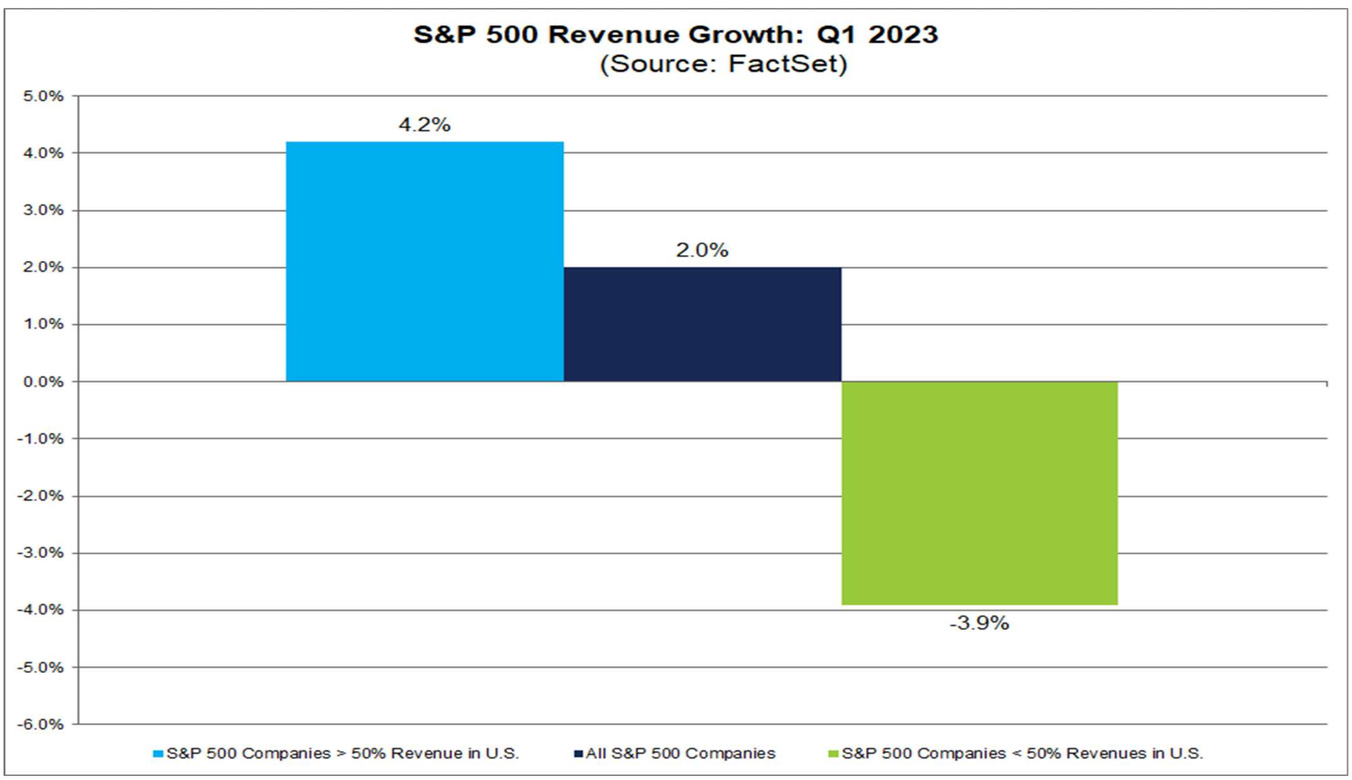
	Consumer Disc.	Industrials	Energy	Financials	Real Estate	Consumer Staples	S&P 500	Utilities	Comm. Services	Info. Technology	Health Care	Materials
Today	34.3%	11.7%	7.6%	5.4%	0.5%	-5.1%	-6.5%	-9.3%	-15.0%	-15.1%	-20.7%	-35.9%
31-Mar	33.8%	12.8%	9.4%	2.9%	0.8%	-5.7%	-6.7%	-8.6%	-14.9%	-15.1%	-20.5%	-35.9%



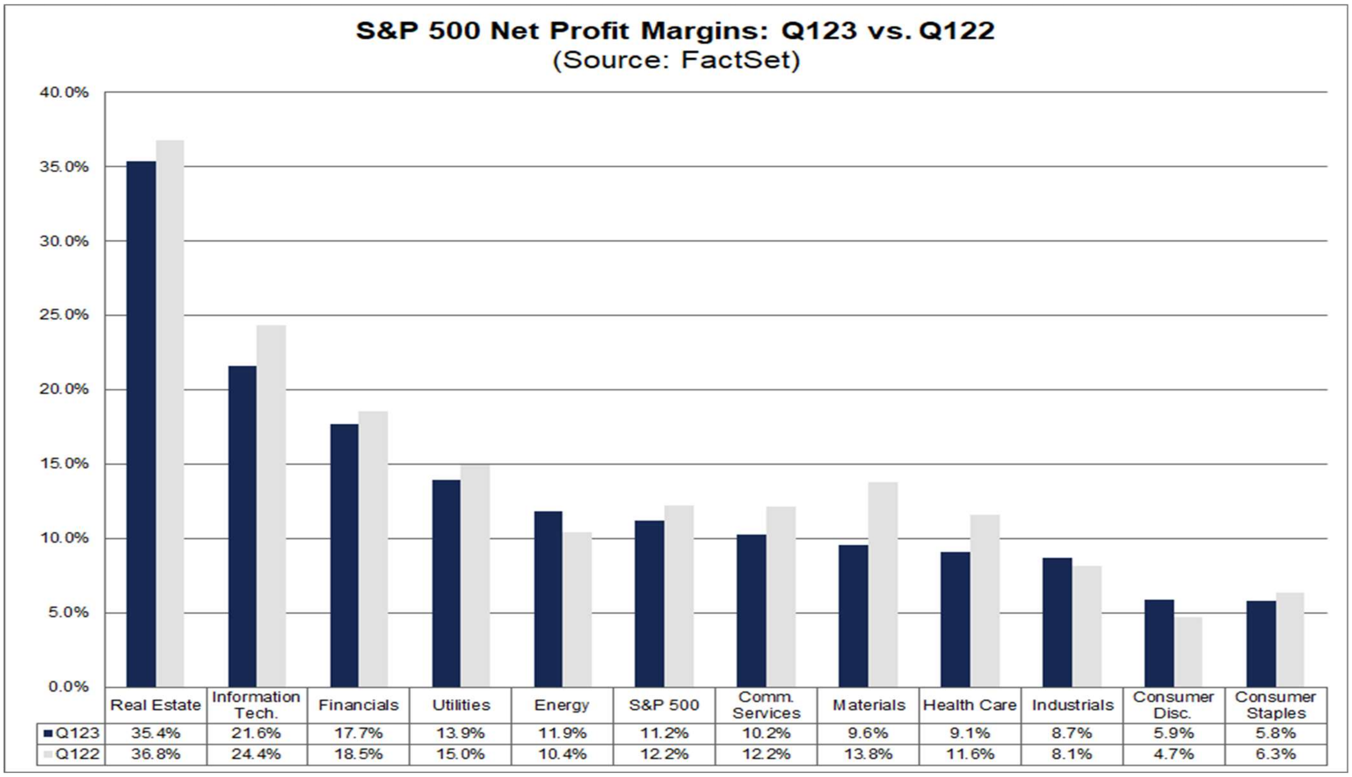
	Financials	Consumer Disc.	Industrials	Real Estate	Consumer Staples	S&P 500	Health Care	Comm. Services	Utilities	Info. Technology	Energy	Materials
Today	10.1%	6.6%	5.1%	4.5%	4.0%	2.0%	1.1%	1.0%	-2.4%	-4.2%	-5.6%	-7.9%
31-Mar	9.2%	6.6%	5.3%	4.5%	4.0%	1.9%	0.9%	1.2%	-2.4%	-4.2%	-5.7%	-7.9%

Q1 2023: Growth

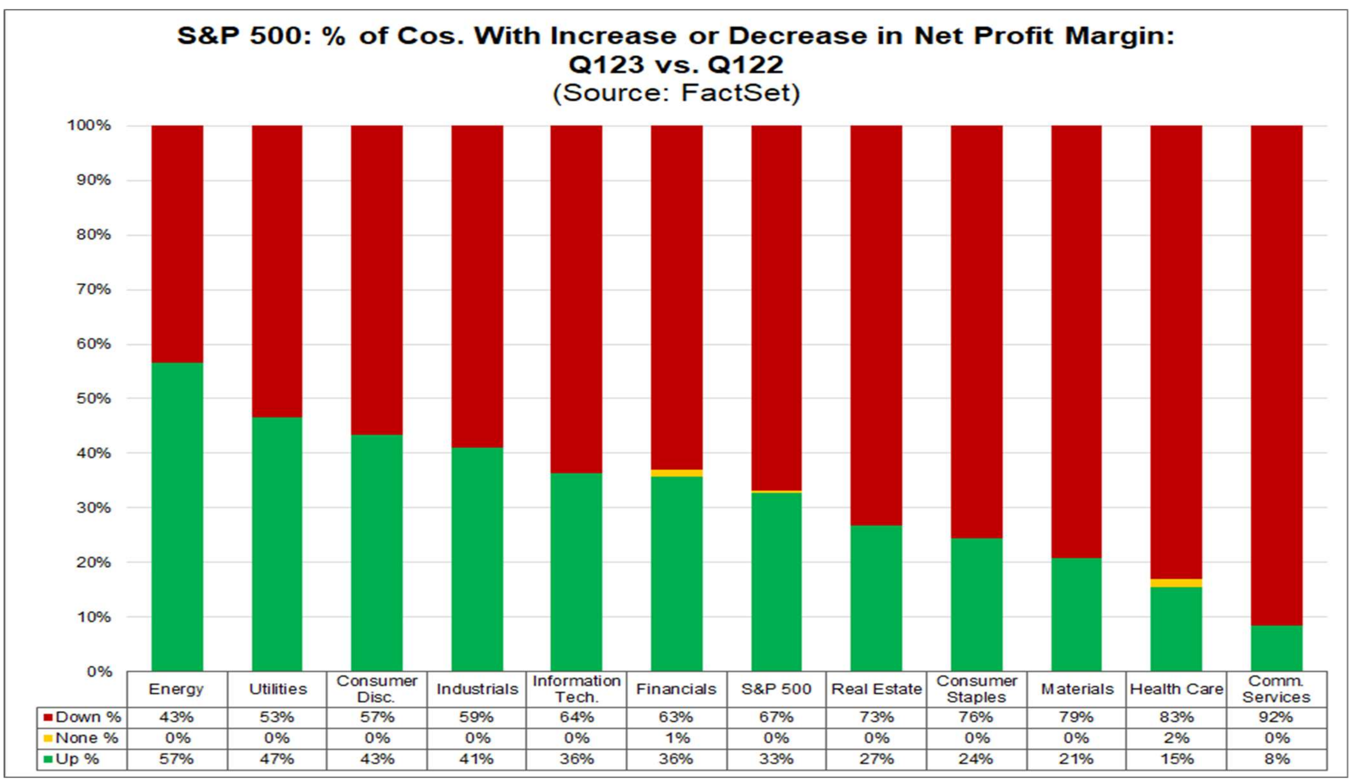




Q1 2023: Net Profit Margin

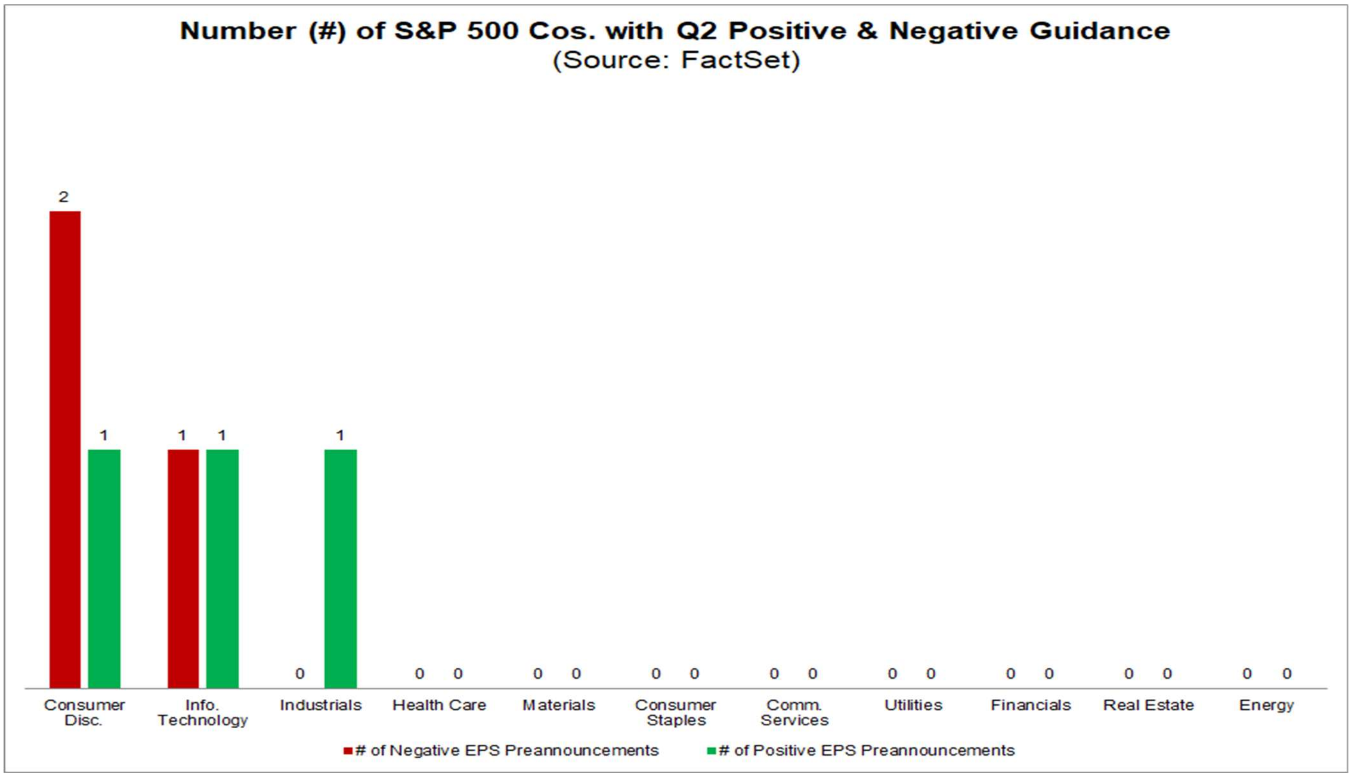


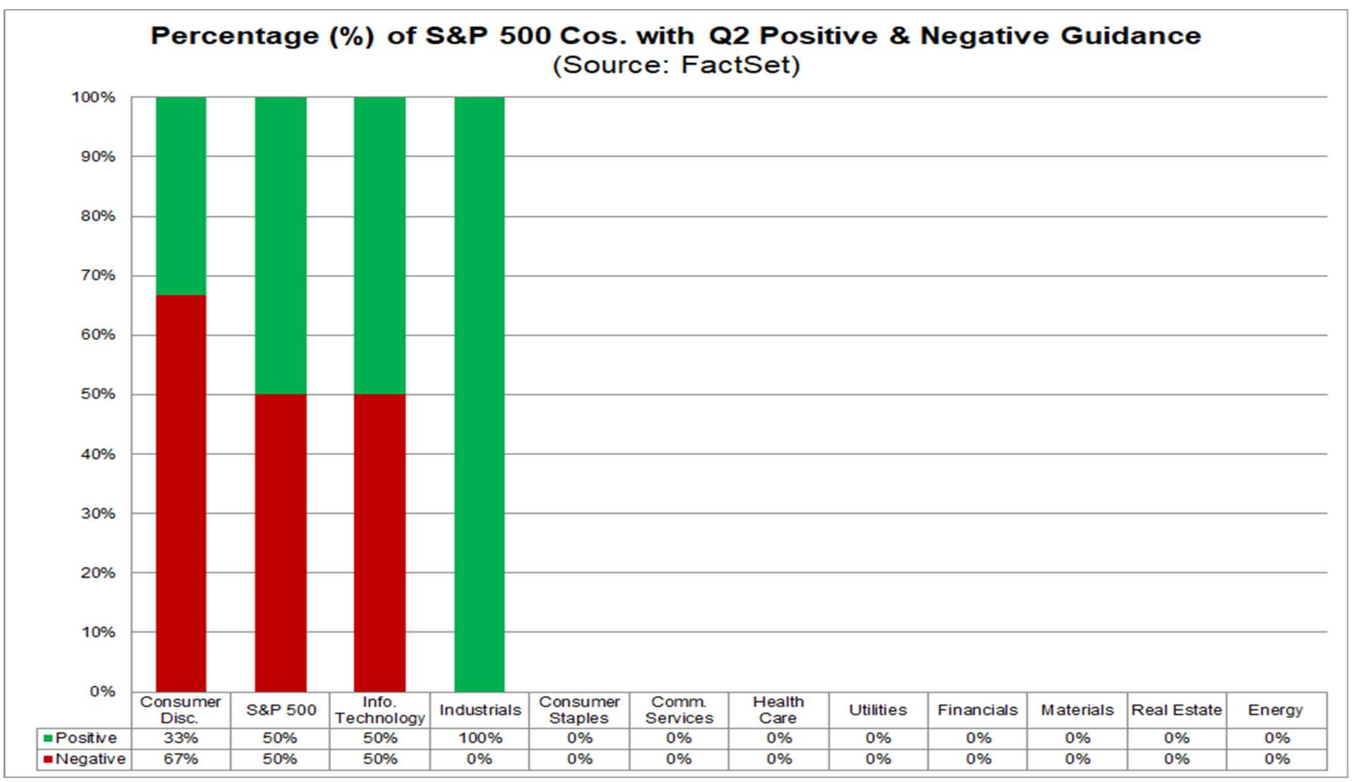
	Real Estate	Information Tech.	Financials	Utilities	Energy	S&P 500	Comm. Services	Materials	Health Care	Industrials	Consumer Disc.	Consumer Staples
Q123	35.4%	21.6%	17.7%	13.9%	11.9%	11.2%	10.2%	9.6%	9.1%	8.7%	5.9%	5.8%
Q122	36.8%	24.4%	18.5%	15.0%	10.4%	12.2%	12.2%	13.8%	11.6%	8.1%	4.7%	6.3%



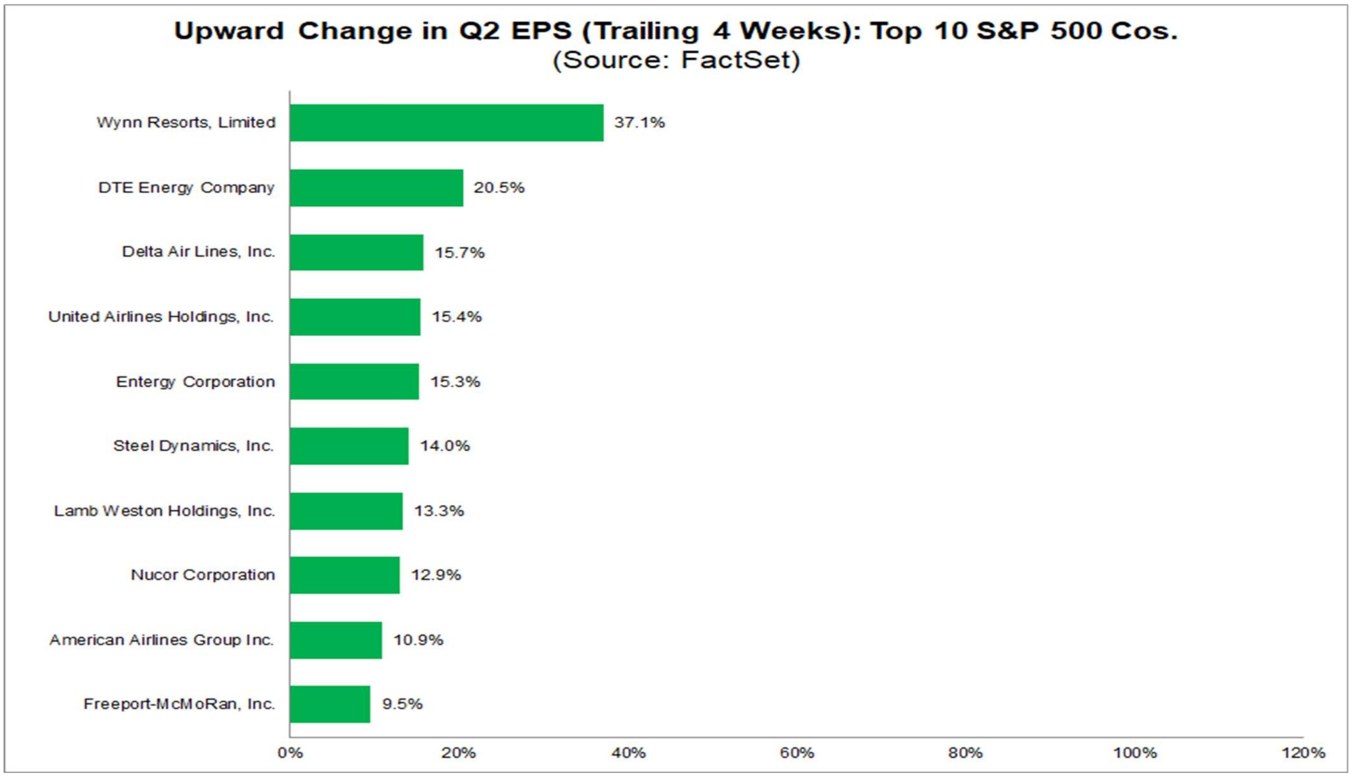
	Energy	Utilities	Consumer Disc.	Industrials	Information Tech.	Financials	S&P 500	Real Estate	Consumer Staples	Materials	Health Care	Comm. Services
Down %	43%	53%	57%	59%	64%	63%	67%	73%	76%	79%	83%	92%
None %	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	2%	0%
Up %	57%	47%	43%	41%	36%	36%	33%	27%	24%	21%	15%	8%

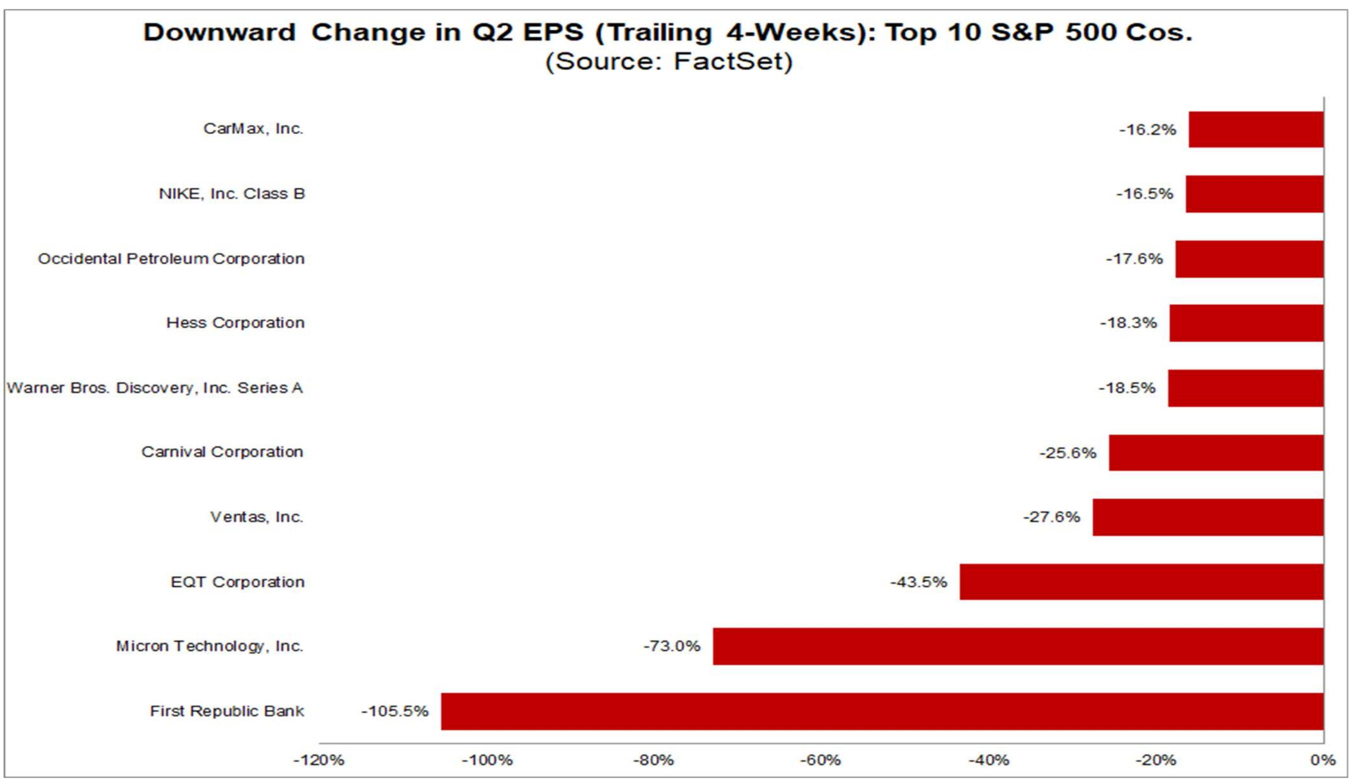
Q2 2023: Guidance



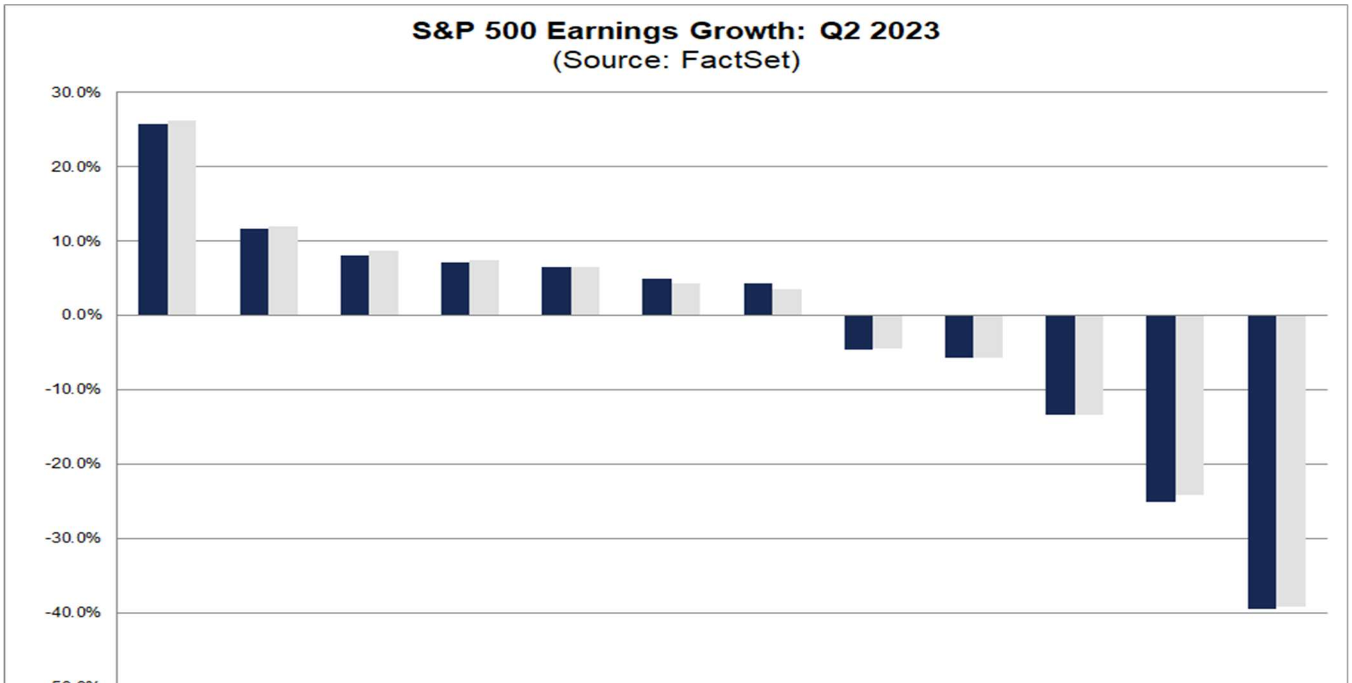


Q2 2023: EPS Revisions

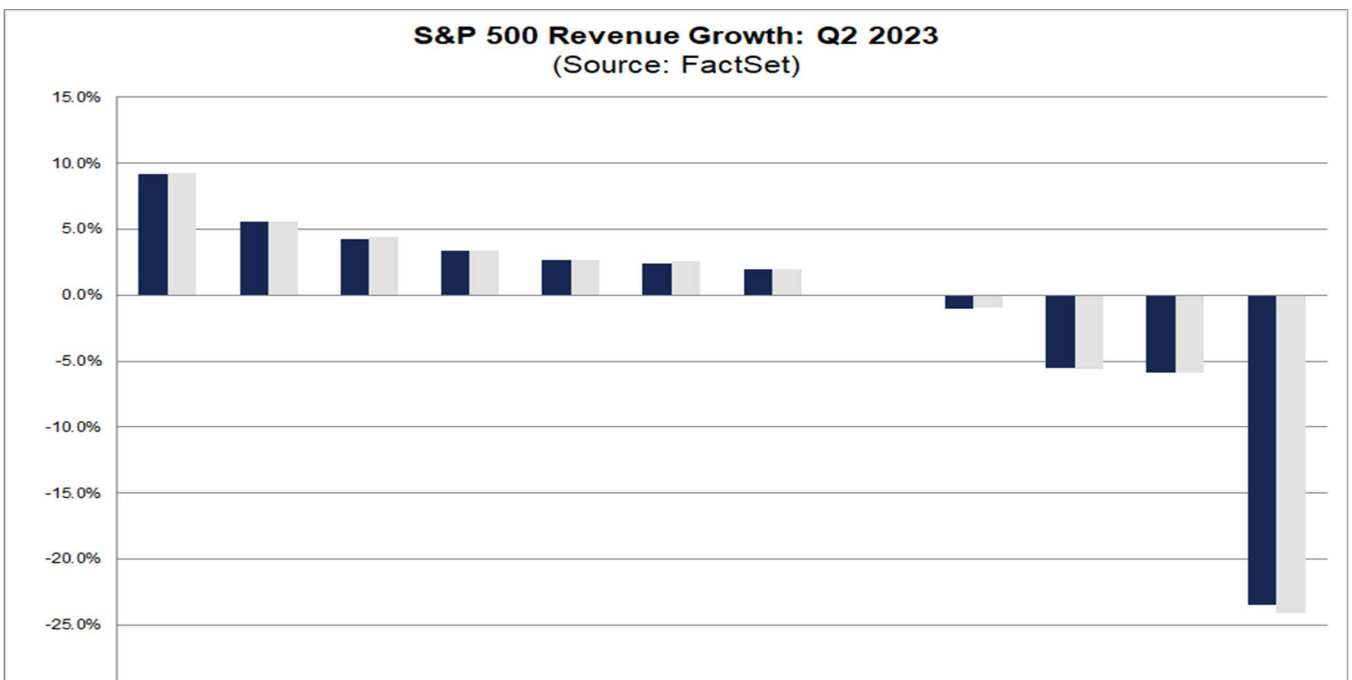




Q2 2023: Growth

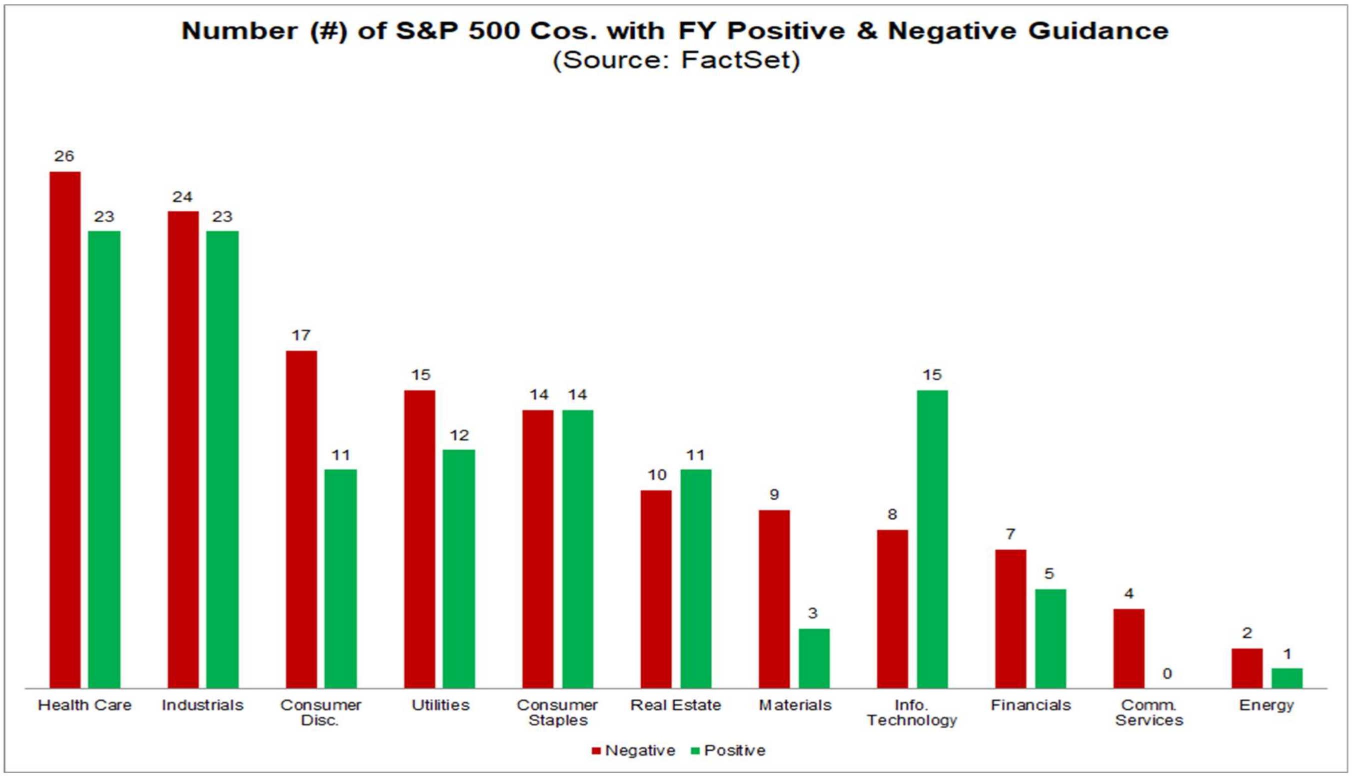


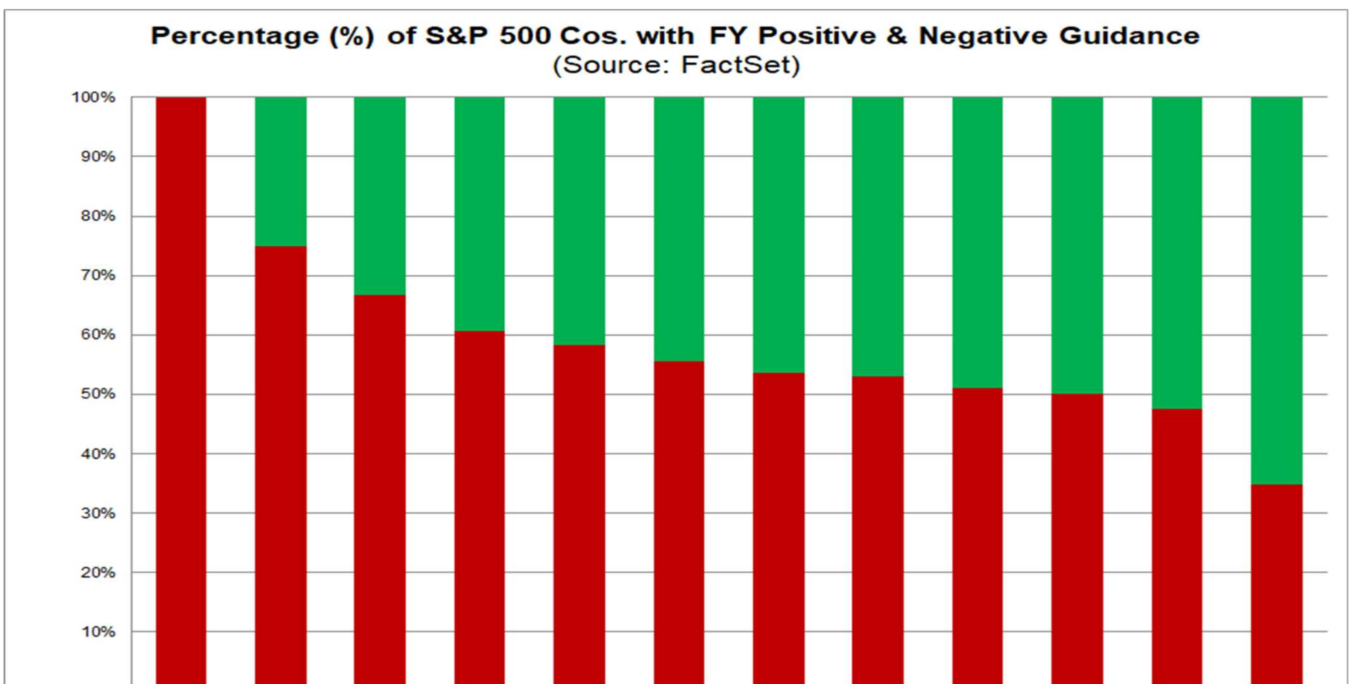
	Consumer Disc.	Comm. Services	Financials	Real Estate	Consumer Staples	Utilities	Industrials	S&P 500	Info. Technology	Health Care	Materials	Energy
■ Today	25.7%	11.7%	8.1%	7.2%	6.5%	4.9%	4.3%	-4.6%	-5.7%	-13.5%	-25.1%	-39.5%
■ 31-Mar	26.1%	11.9%	8.7%	7.4%	6.5%	4.3%	3.5%	-4.5%	-5.6%	-13.4%	-24.2%	-39.2%



	Financials	Consumer Disc.	Real Estate	Consumer Staples	Industrials	Comm. Services	Health Care	S&P 500	Info. Technology	Materials	Utilities	Energy
■ Today	9.2%	5.5%	4.3%	3.4%	2.7%	2.4%	2.0%	0.0%	-1.0%	-5.6%	-5.9%	-23.4%
■ 31-Mar	9.2%	5.5%	4.5%	3.4%	2.7%	2.5%	2.0%	-0.1%	-1.0%	-5.6%	-5.9%	-24.1%

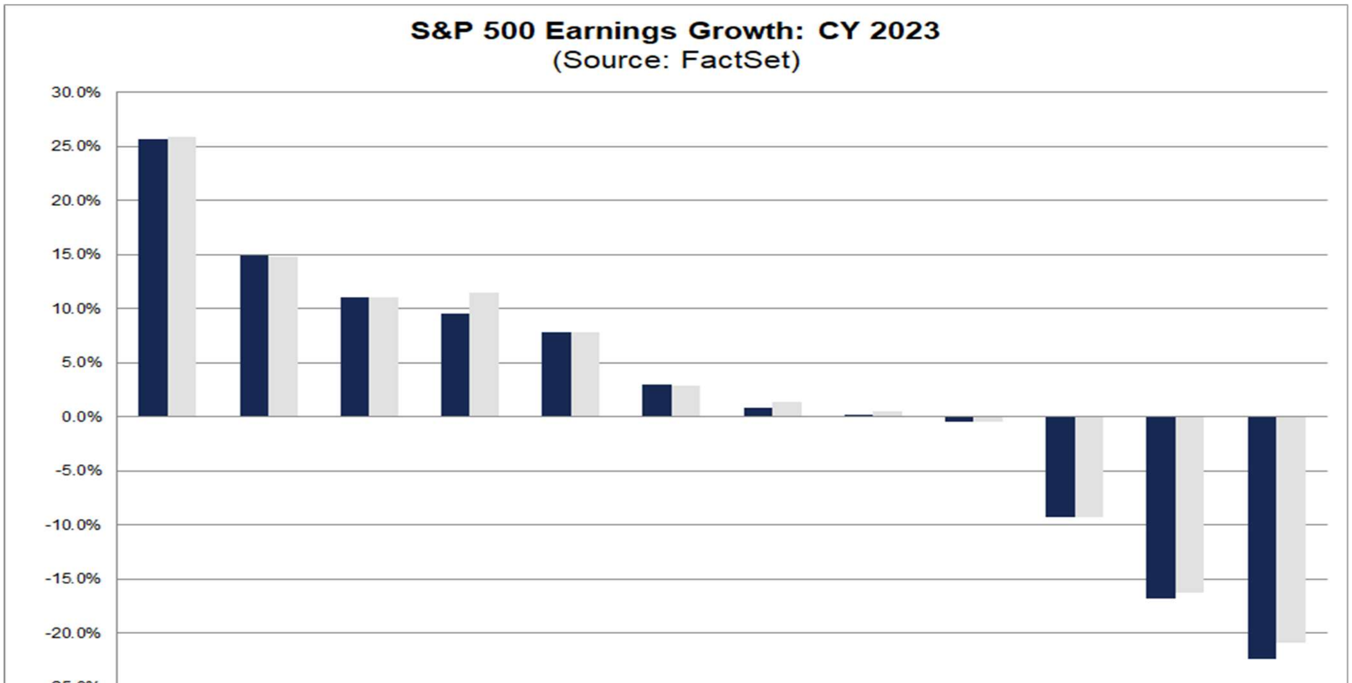
FY 2023 / 2024: EPS Guidance



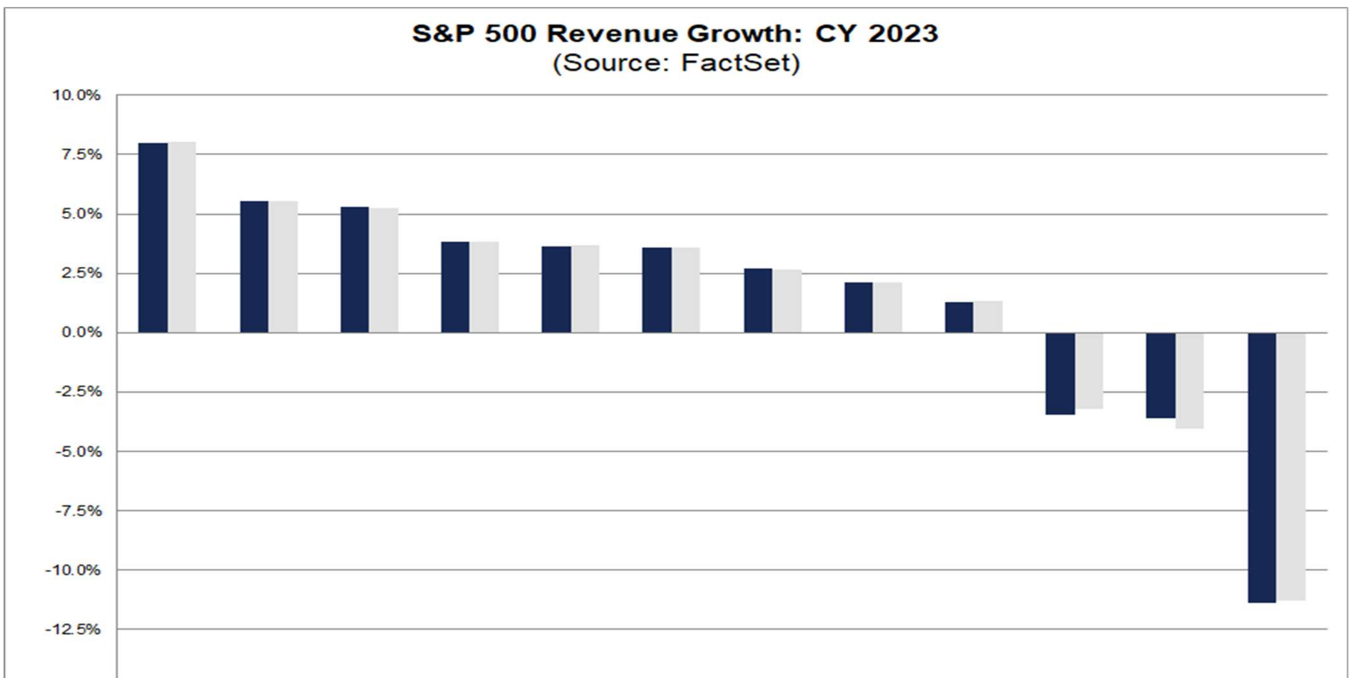


	Comm. Services	Materials	Energy	Consumer Disc.	Financials	Utilities	S&P 500	Health Care	Industrials	Consumer Staples	Real Estate	Info. Technology
Positive	0%	25%	33%	39%	42%	44%	46%	47%	49%	50%	52%	65%
Negative	100%	75%	67%	61%	58%	56%	54%	53%	51%	50%	48%	35%

CY 2023: Growth

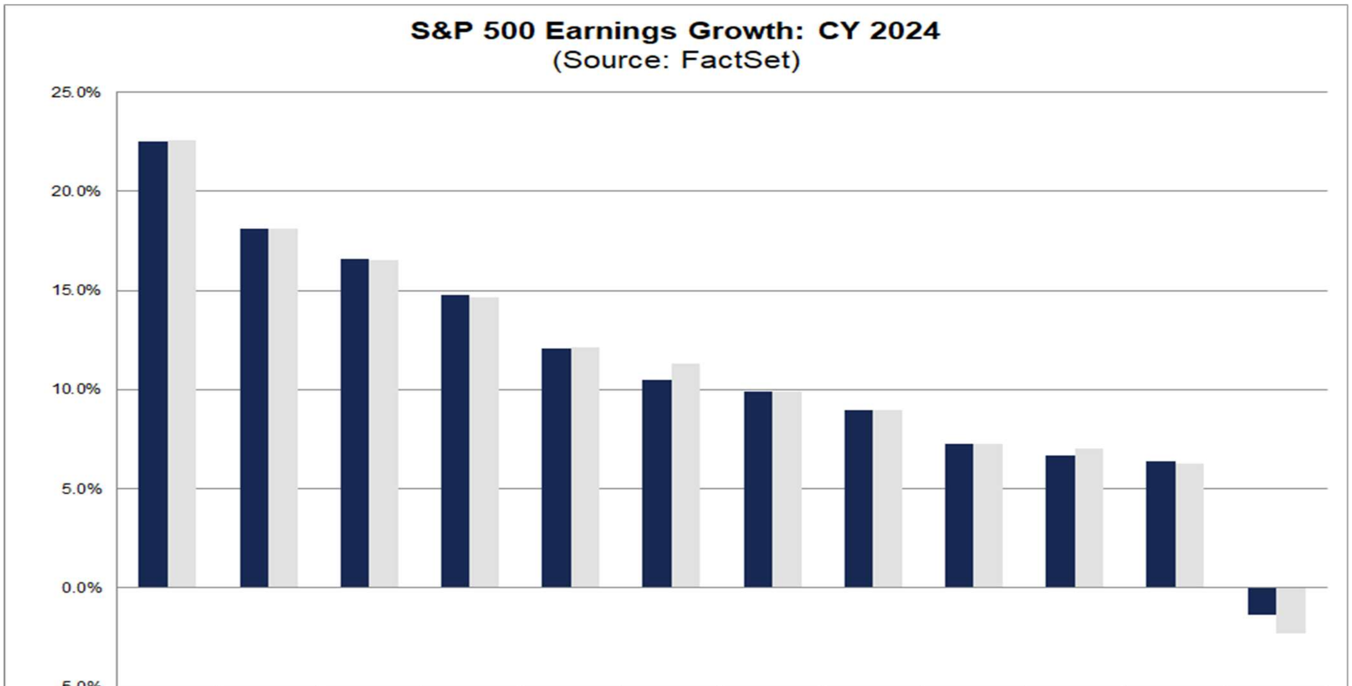


	Consumer Disc.	Comm. Services	Industrials	Financials	Utilities	Consumer Staples	S&P 500	Real Estate	Info. Technology	Health Care	Materials	Energy
Today	25.6%	14.9%	11.1%	9.5%	7.8%	2.9%	0.9%	0.2%	-0.4%	-9.3%	-16.9%	-22.4%
31-Mar	25.9%	14.8%	11.1%	11.4%	7.8%	2.9%	1.4%	0.5%	-0.5%	-9.3%	-16.3%	-20.9%

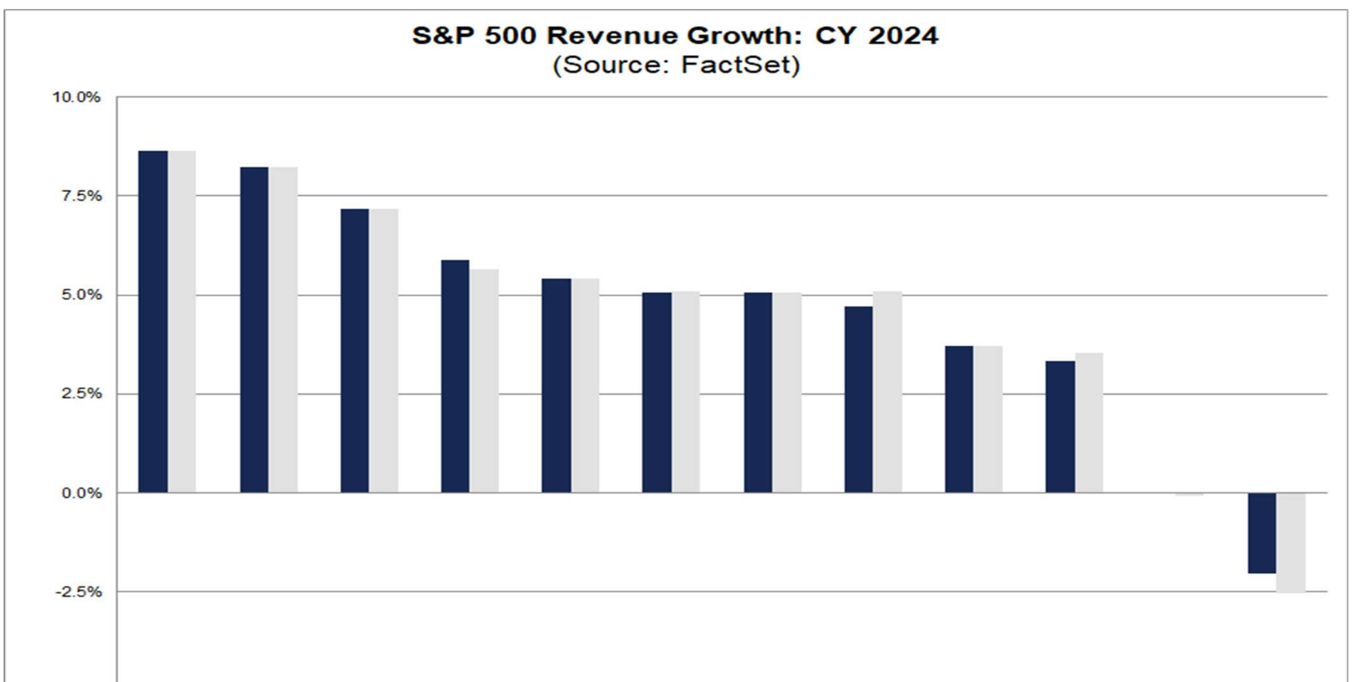


	Financials	Consumer Disc.	Real Estate	Consumer Staples	Comm. Services	Industrials	Health Care	S&P 500	Info. Technology	Materials	Utilities	Energy
Today	8.0%	5.5%	5.3%	3.8%	3.6%	3.6%	2.7%	2.1%	1.3%	-3.4%	-3.6%	-11.4%
31-Mar	8.0%	5.6%	5.3%	3.8%	3.7%	3.6%	2.7%	2.1%	1.3%	-3.2%	-4.1%	-11.3%

CY 2024: Growth

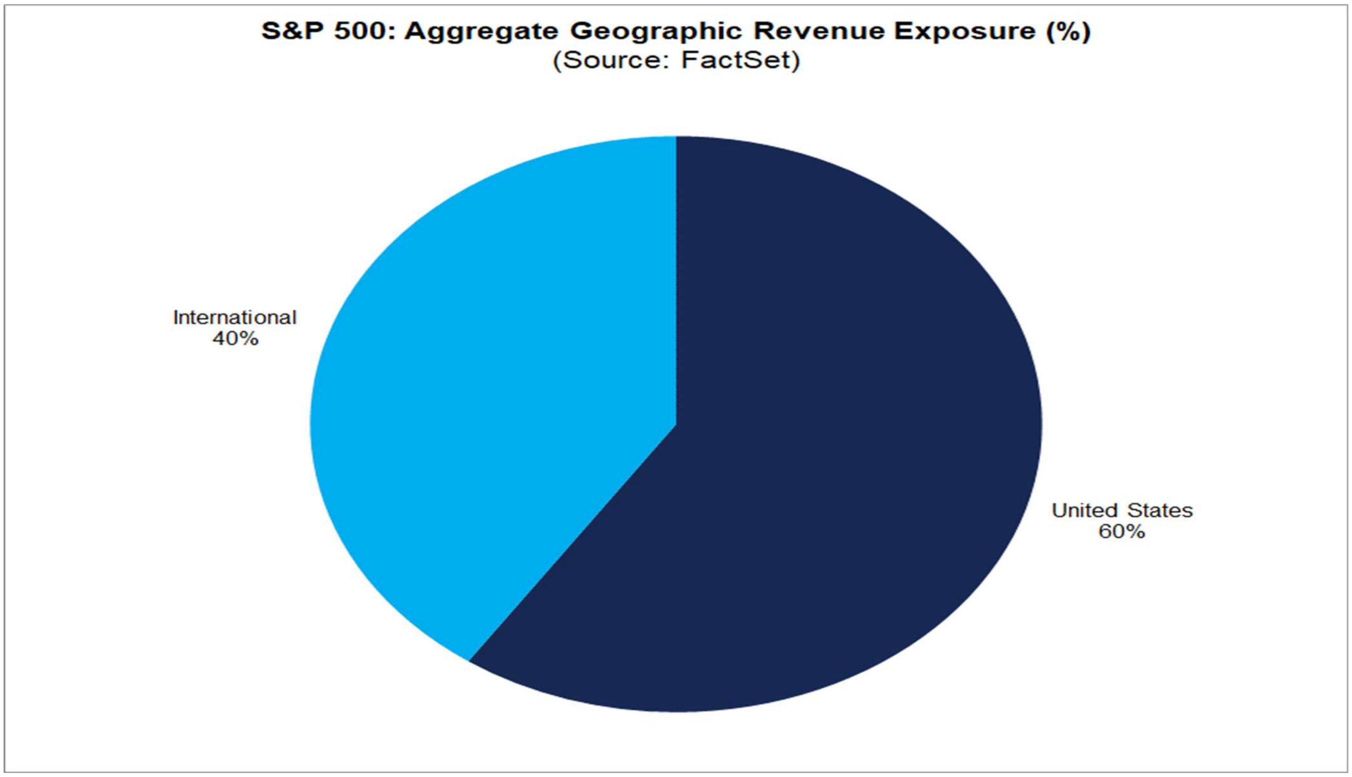


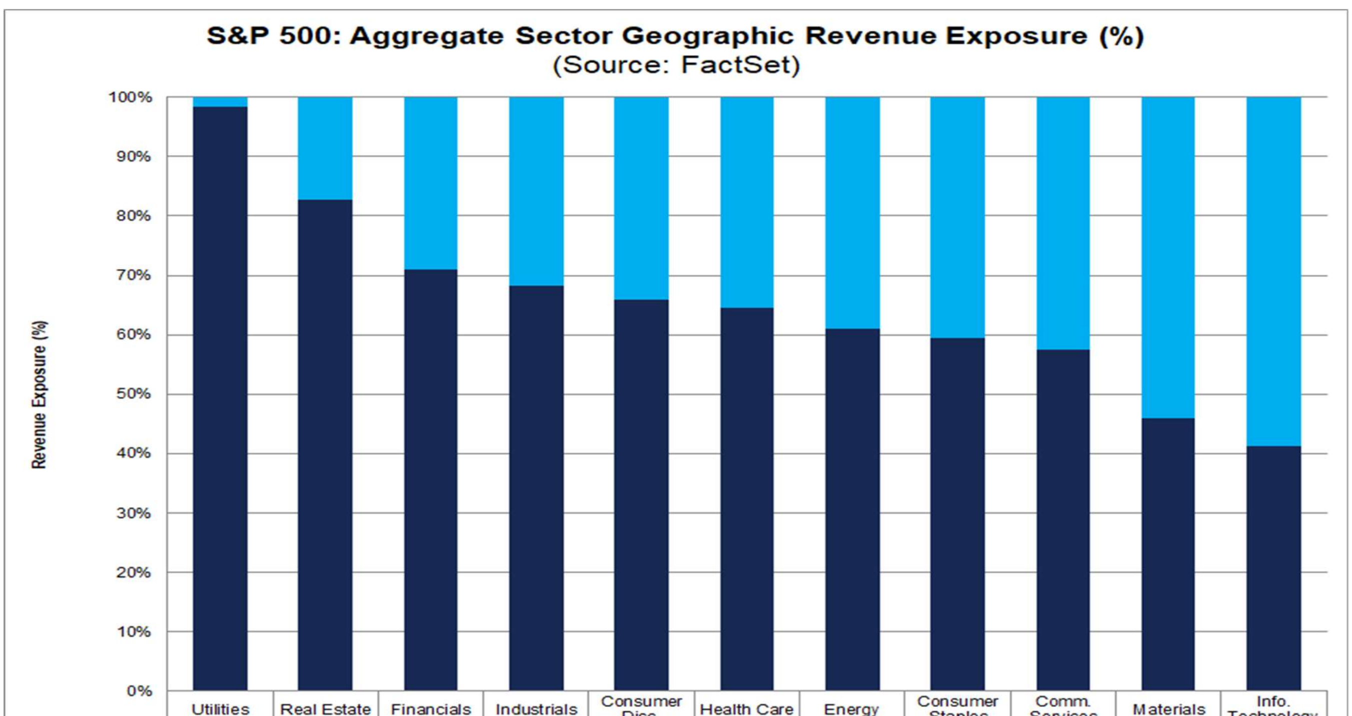
	Consumer Disc.	Comm. Services	Info. Technology	Industrials	S&P 500	Financials	Health Care	Consumer Staples	Utilities	Materials	Real Estate	Energy
Today	22.5%	18.1%	16.6%	14.8%	12.1%	10.5%	9.9%	9.0%	7.3%	6.7%	6.4%	-1.4%
31-Mar	22.6%	18.1%	16.5%	14.7%	12.1%	11.3%	9.9%	9.0%	7.3%	7.0%	6.3%	-2.3%



	Info. Technology	Consumer Disc.	Comm. Services	Real Estate	Health Care	Industrials	S&P 500	Financials	Consumer Staples	Utilities	Materials	Energy
Today	8.7%	8.2%	7.2%	5.9%	5.4%	5.1%	5.1%	4.7%	3.7%	3.3%	0.0%	-2.0%
31-Mar	8.7%	8.2%	7.2%	5.6%	5.4%	5.1%	5.1%	5.1%	3.7%	3.5%	-0.1%	-2.5%

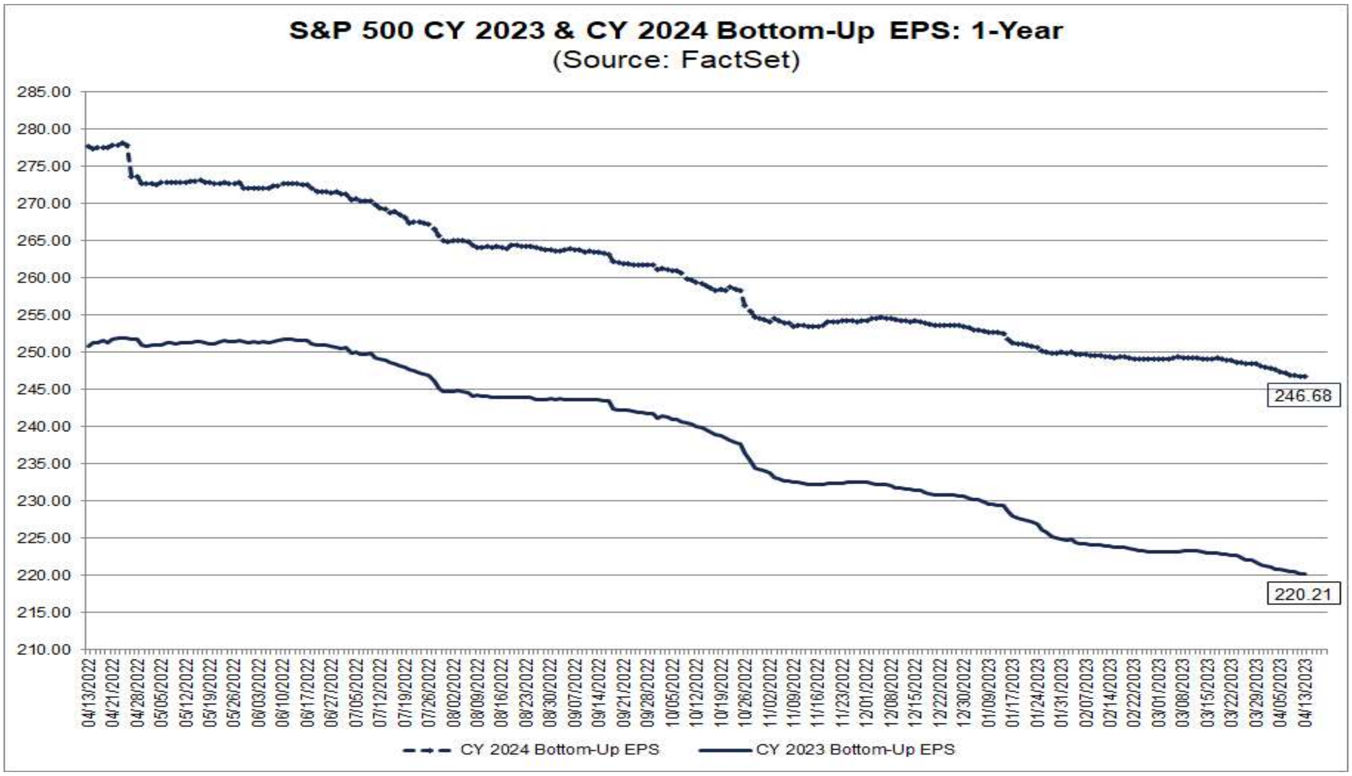
Geographic Revenue Exposure

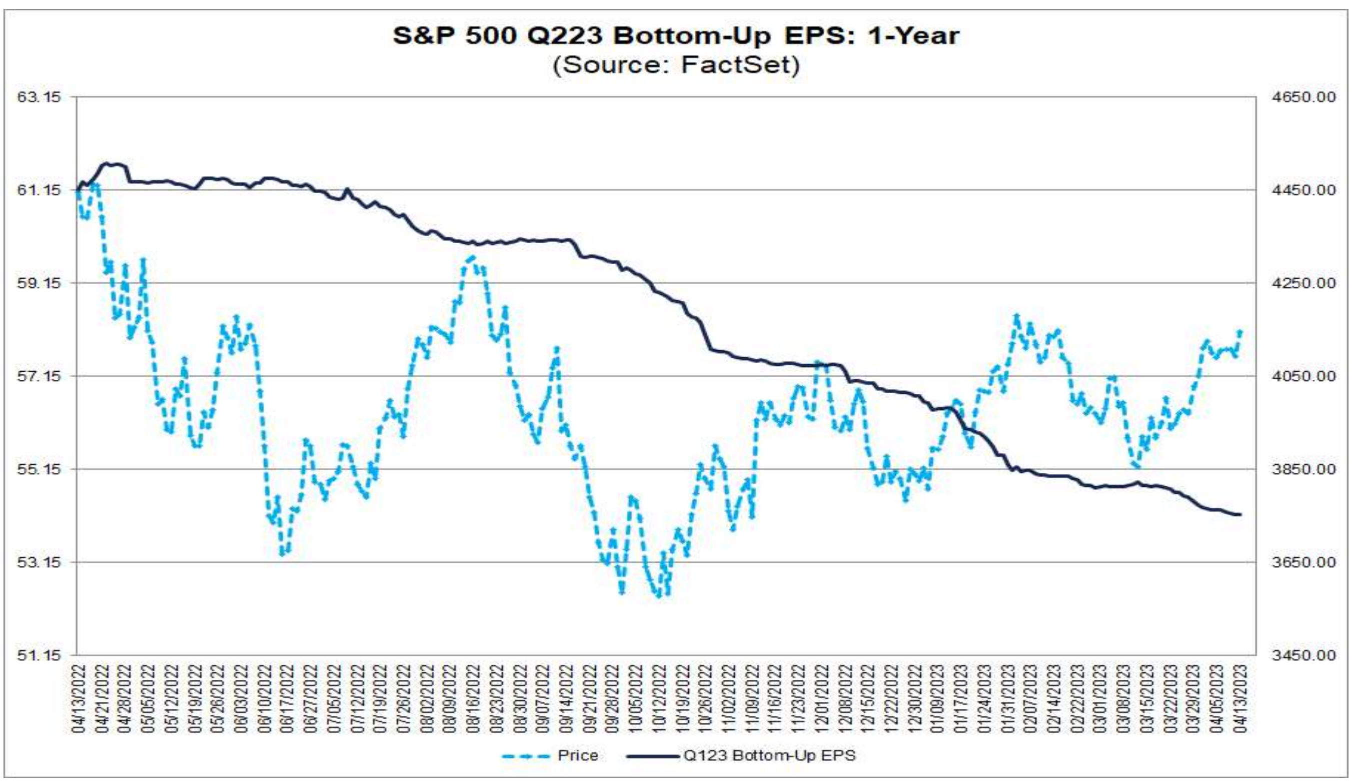




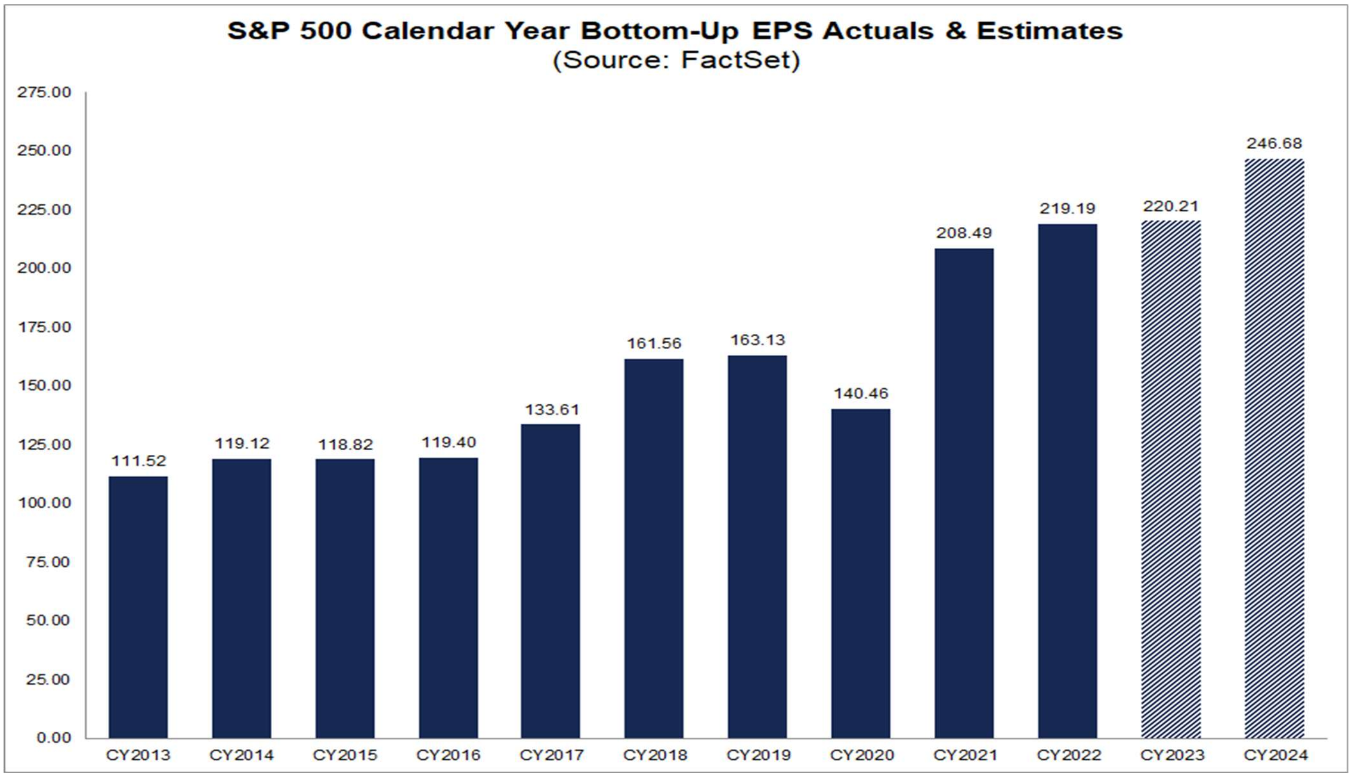
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	2%	17%	29%	32%	34%	35%	39%	41%	42%	54%	59%
United States	98%	83%	71%	68%	66%	65%	61%	59%	58%	46%	41%

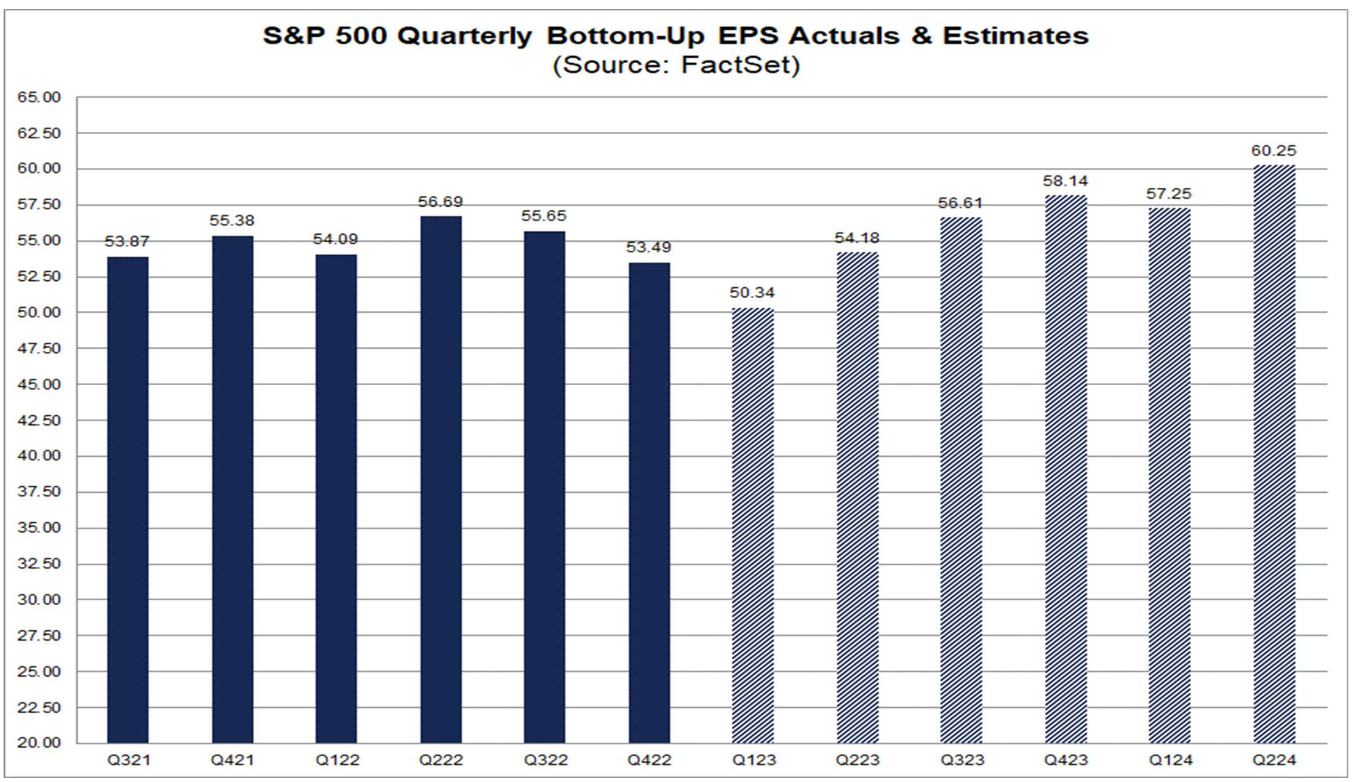
Bottom-Up EPS Estimates



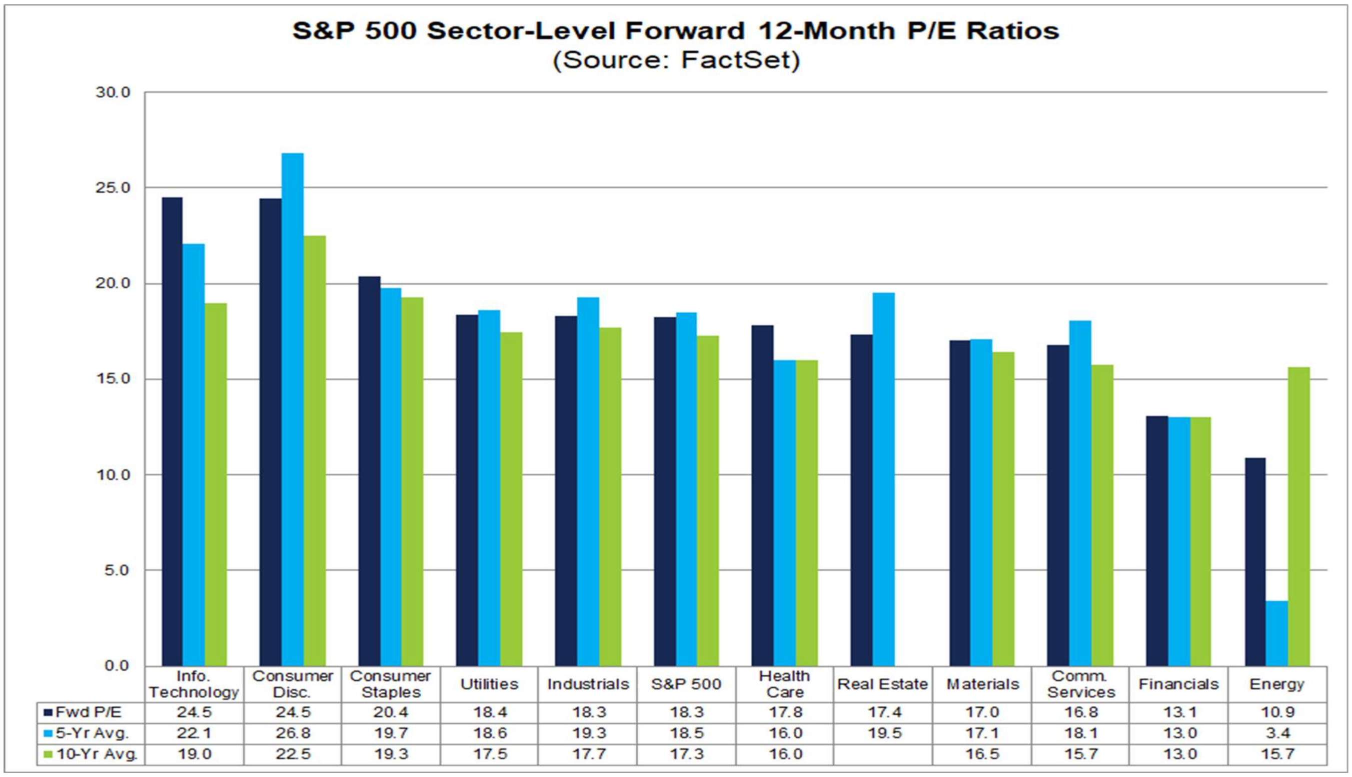


Bottom-Up EPS Estimates: Current & Historical

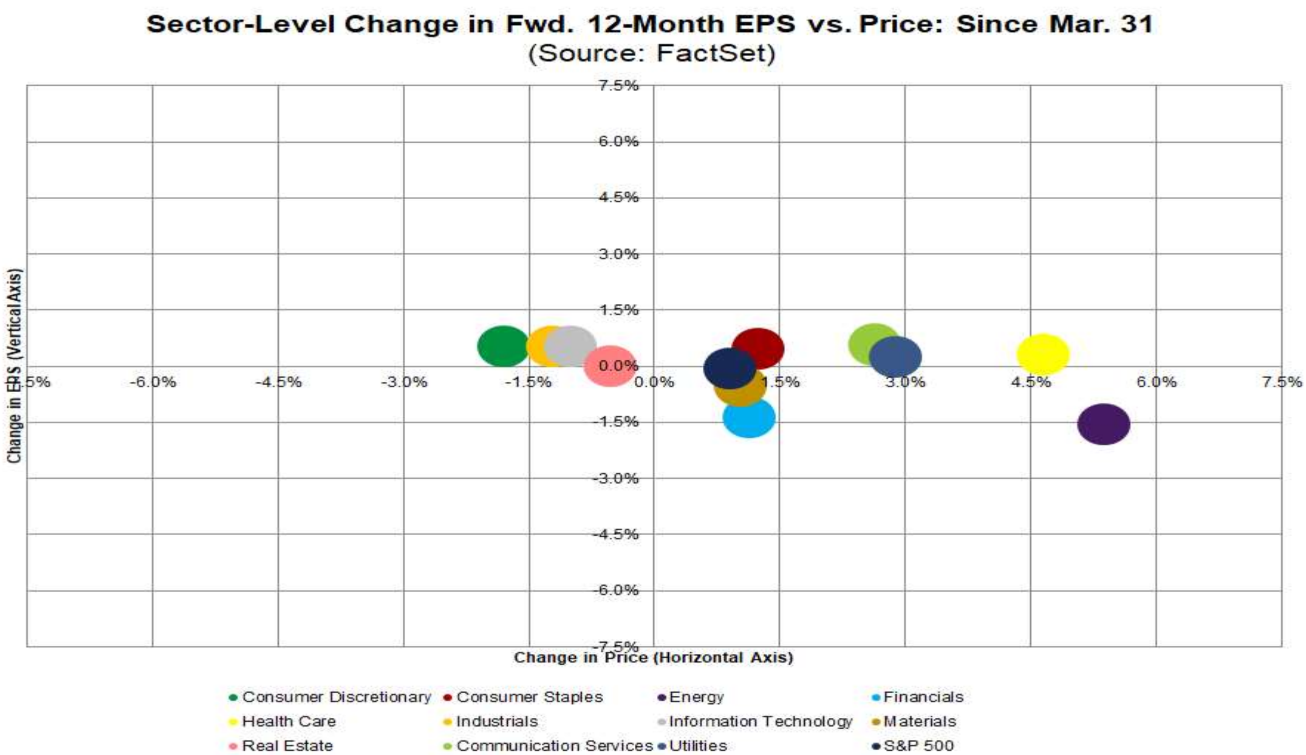




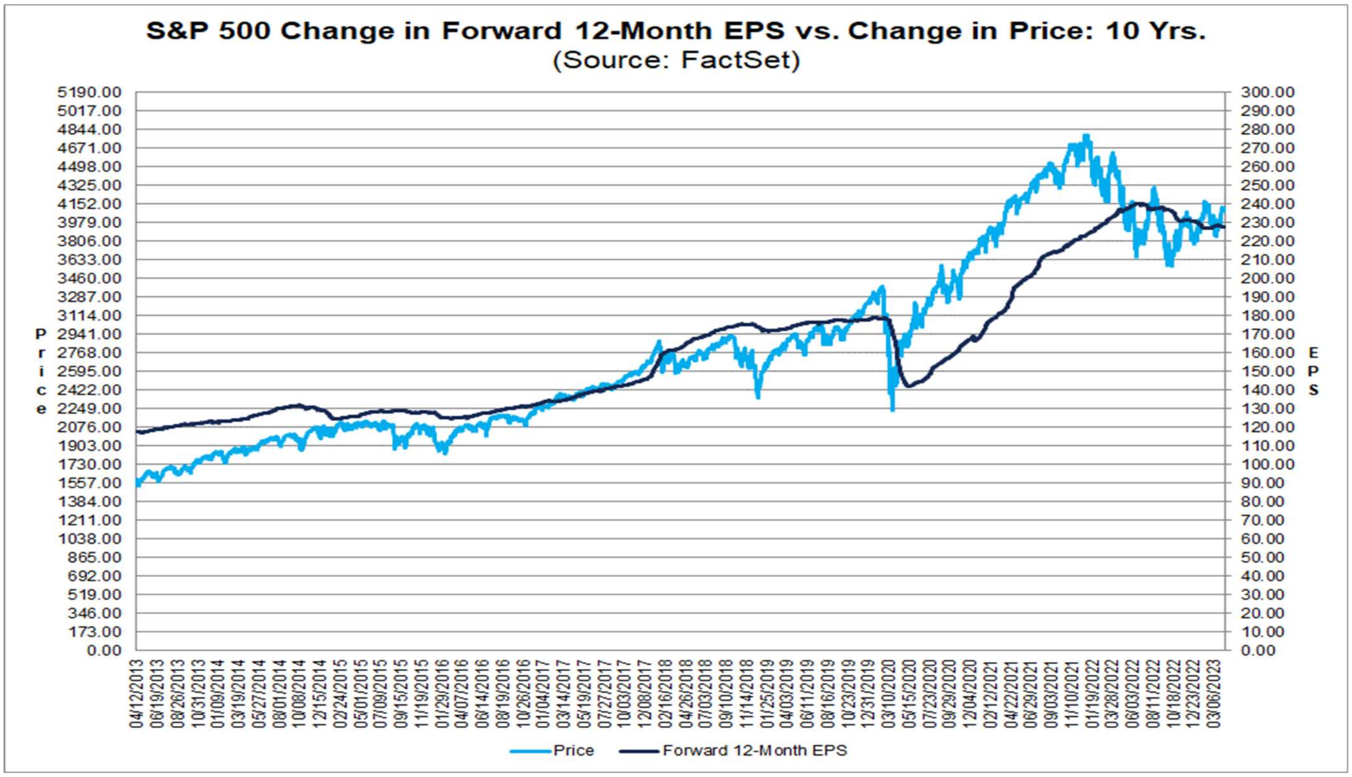
Forward 12M P/E Ratio: Sector Level

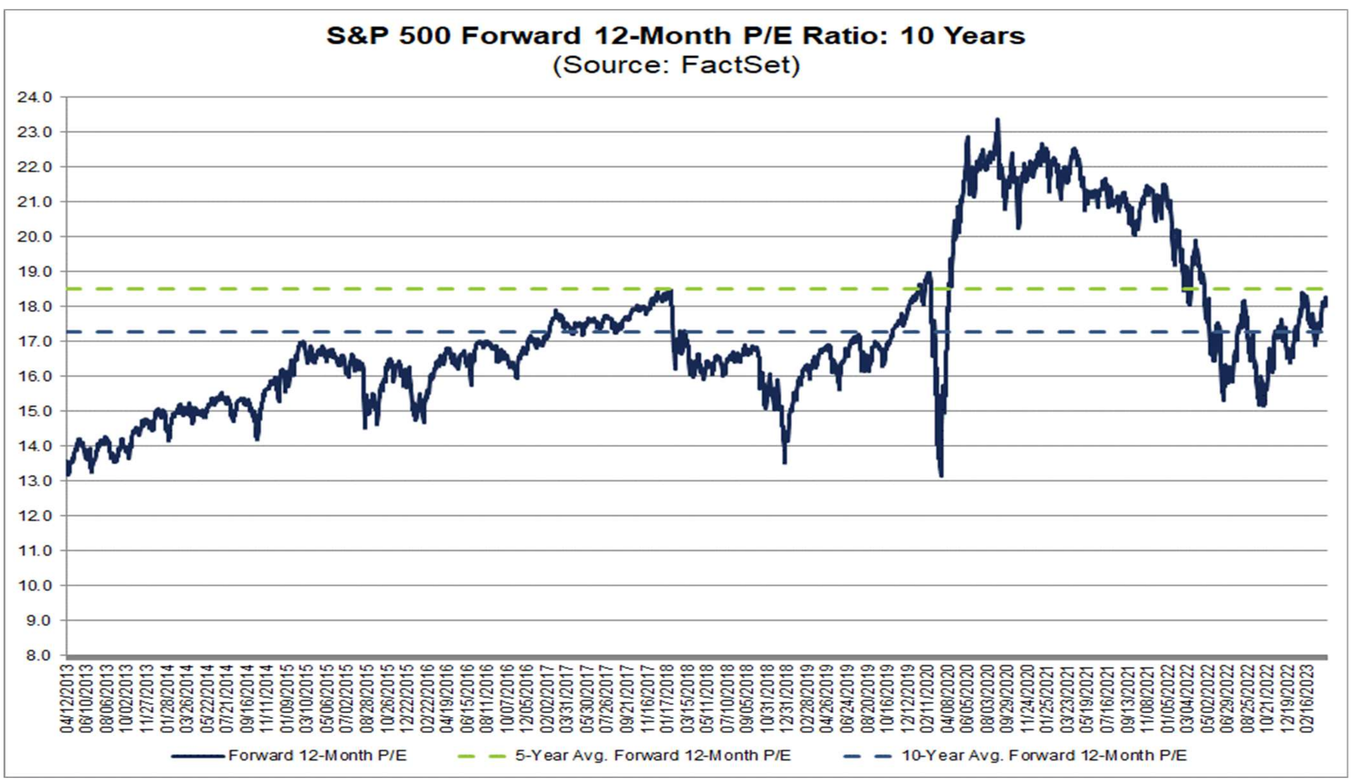


	Info. Technology	Consumer Disc.	Consumer Staples	Utilities	Industrials	S&P 500	Health Care	Real Estate	Materials	Comm. Services	Financials	Energy
Fwd P/E	24.5	24.5	20.4	18.4	18.3	18.3	17.8	17.4	17.0	16.8	13.1	10.9
5-Yr Avg.	22.1	26.8	19.7	18.6	19.3	18.5	16.0	19.5	17.1	18.1	13.0	3.4
10-Yr Avg.	19.0	22.5	19.3	17.5	17.7	17.3	16.0		16.5	15.7	13.0	15.7

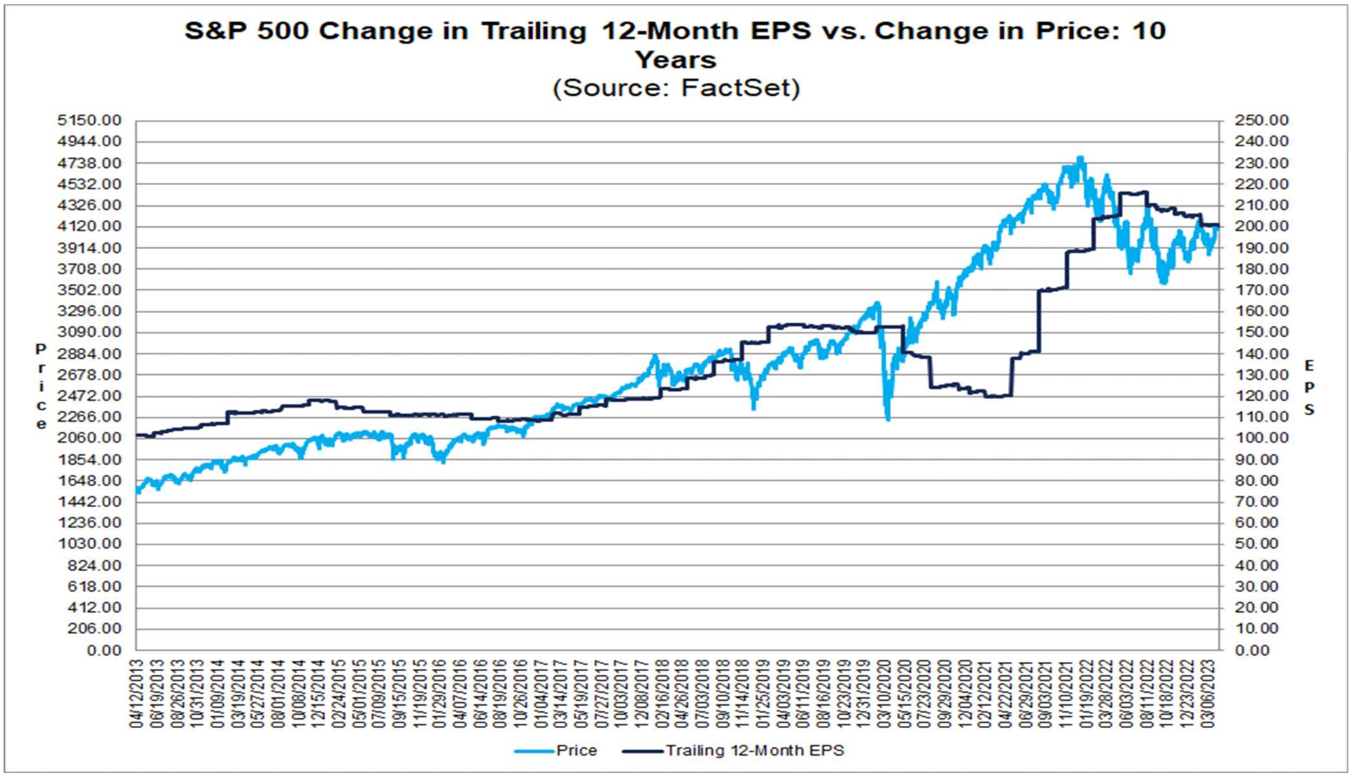


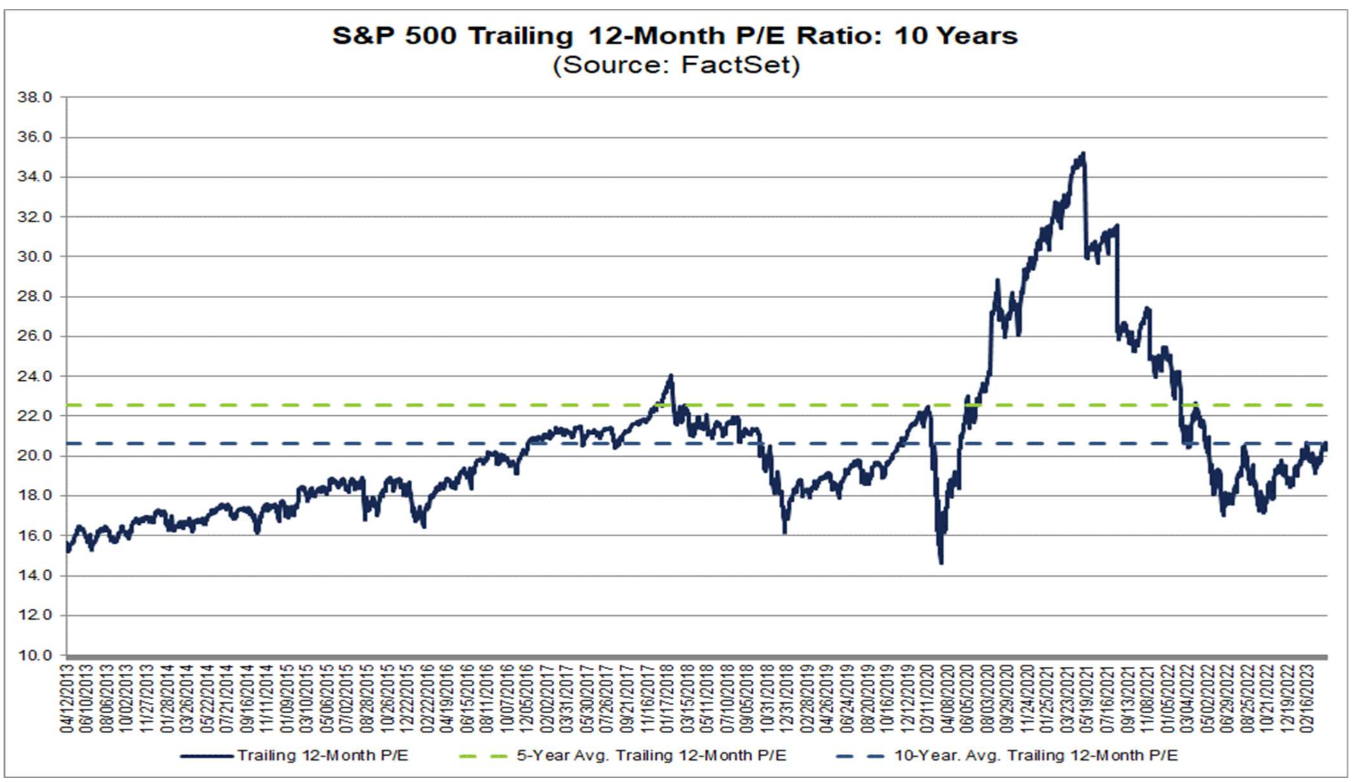
Forward 12M P/E Ratio: 10-Years



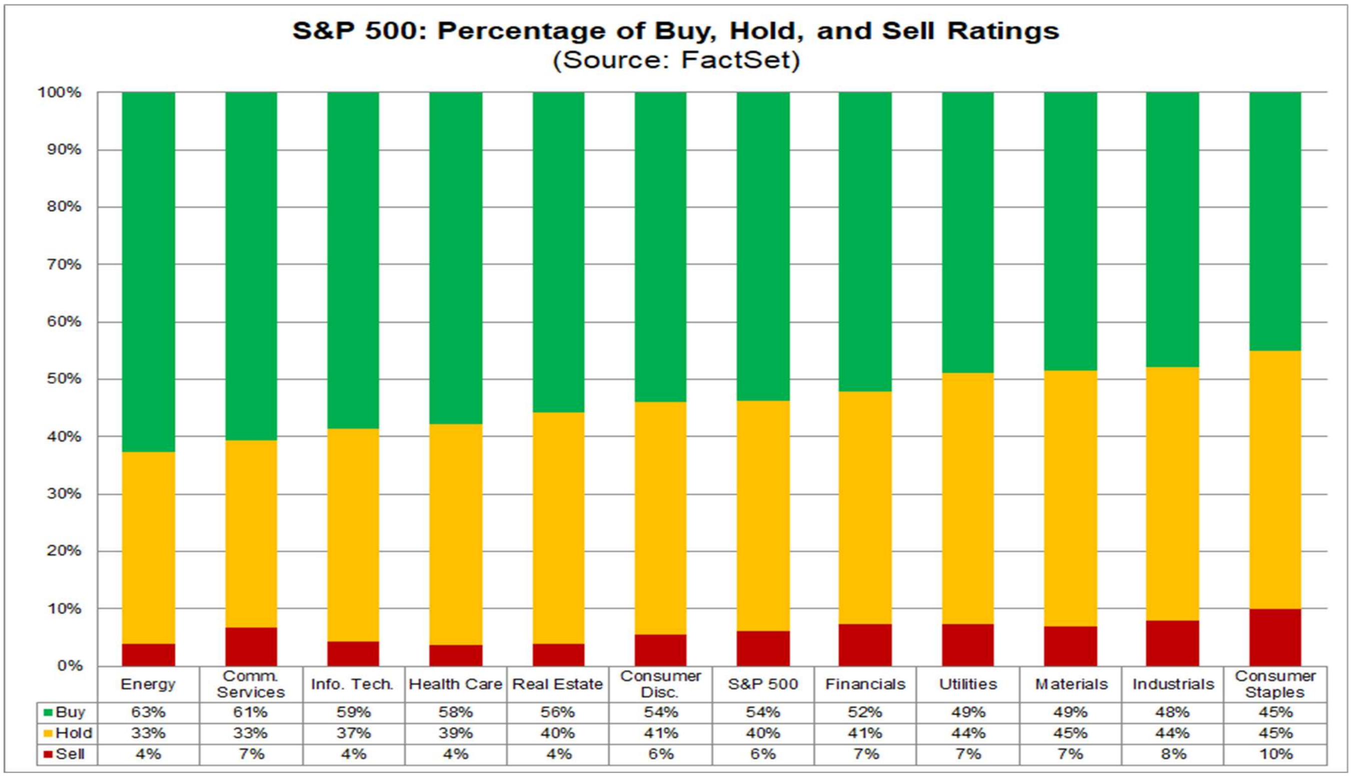


Trailing 12M P/E Ratio: 10-Years

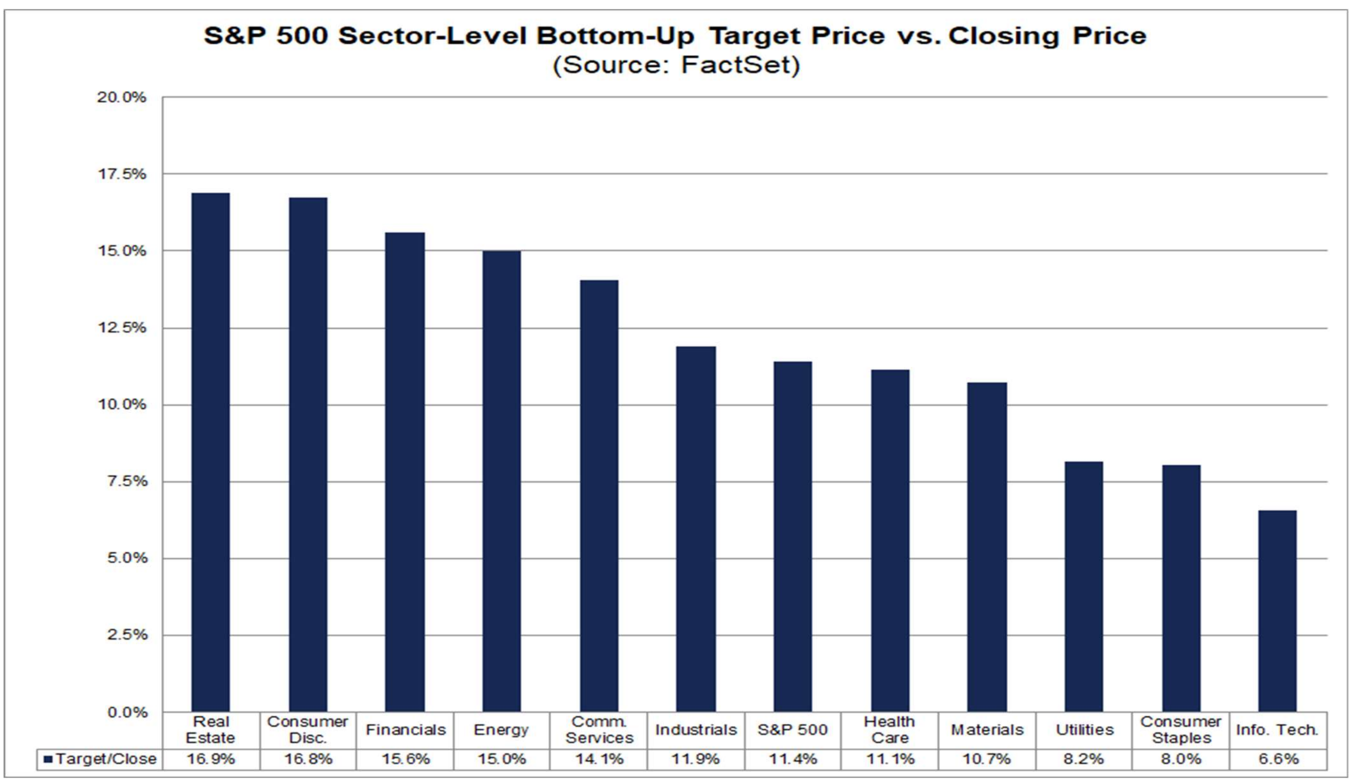




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Real Estate	Consumer Disc.	S&P 500	Financials	Utilities	Materials	Industrials	Consumer Staples
Buy	63%	61%	59%	58%	56%	54%	54%	52%	49%	49%	48%	45%
Hold	33%	33%	37%	39%	40%	41%	40%	41%	44%	45%	44%	45%
Sell	4%	7%	4%	4%	4%	6%	6%	7%	7%	7%	8%	10%



	Real Estate	Consumer Disc.	Financials	Energy	Comm. Services	Industrials	S&P 500	Health Care	Materials	Utilities	Consumer Staples	Info. Tech.
Target/Close	16.9%	16.8%	15.6%	15.0%	14.1%	11.9%	11.4%	11.1%	10.7%	8.2%	8.0%	6.6%

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