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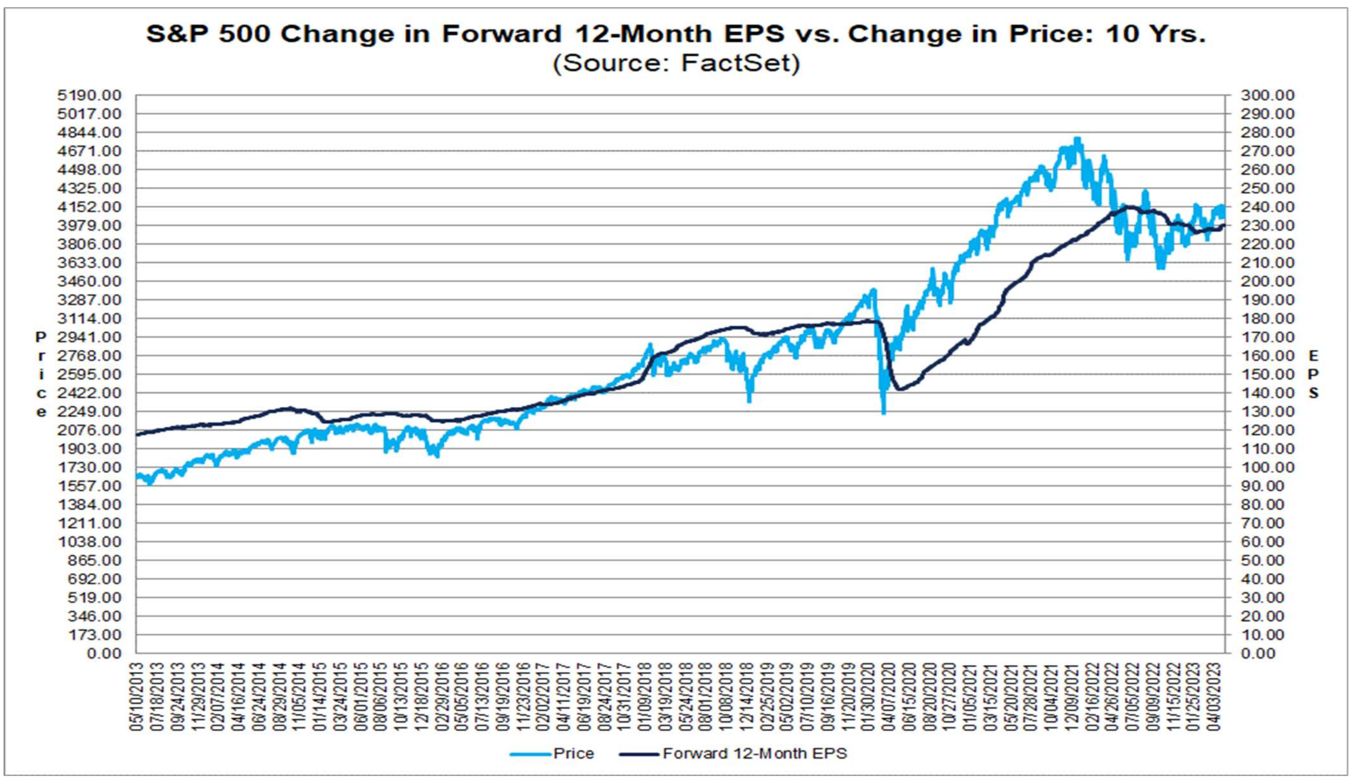
Key Metrics

- **Earnings Scorecard:** For Q1 2023 (with 92% of S&P 500 companies reporting actual results), 78% of S&P 500 companies has reported a positive EPS surprise and 75% 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 -2.5%. If -2.5% is the actual decline for the quarter, it will mark the second straight quarter that the index has reported a decline in earnings.
- **Earnings Revisions:** On March 31, the estimated earnings decline for Q1 2023 was -6.7%. Ten sectors are reporting higher earnings today (compared to Mar. 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q2 2023, 50 S&P 500 companies have issued negative EPS guidance and 37 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.0. This P/E ratio is below the 5-year average (18.6) but above the 10-year average (17.3).



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Topic of the Week: 1

S&P 500 Companies Reporting Positive EPS Surprises For Q1 See Below Average Price Increases

To date, 92% of the companies in the S&P 500 have reported earnings for the first quarter. Of these companies, 78% have reported actual EPS above the mean EPS estimate, which is above the 10-year average of 73%. It is also the highest percentage of S&P 500 companies reporting a positive EPS surprise since Q3 2021 (82%). In aggregate, earnings have exceeded estimates by 6.5%, which is above the 10-year average of 6.4%. It is also the highest surprise percentage reported by S&P 500 companies since Q4 2021 (8.1%). Given this strong performance relative to recent quarters and the 10-yeave averages, how has the market responded to positive and negative EPS surprises reported by S&P 500 companies during the Q1 earnings season?

S&P 500 companies that have reported positive EPS surprises have seen a smaller price increase than average.

Companies that have reported positive earnings surprises for Q1 2023 have seen an average price increase of 0.3% two days before the earnings release through two days after the earnings release. This percentage increase is below the 5-year average price increase of 1.0% during this same window for companies reporting positive earnings surprises.

One example of a company that reported a positive EPS surprise in Q1 and saw a price decrease is Tesla. On April 19, the company reported actual (non-GAAP) EPS of $0.85 for Q1, which was above the mean (non-GAAP) EPS estimate of $0.84. From April 17 to April 21, the stock price for Tesla decreased by 11.7% (to $165.08 from $187.04).

Overall, 46% of the S&P 500 companies that have reported a positive EPS surprise for Q1 have seen a decrease in price two days before the earnings release through two days after the earnings release.

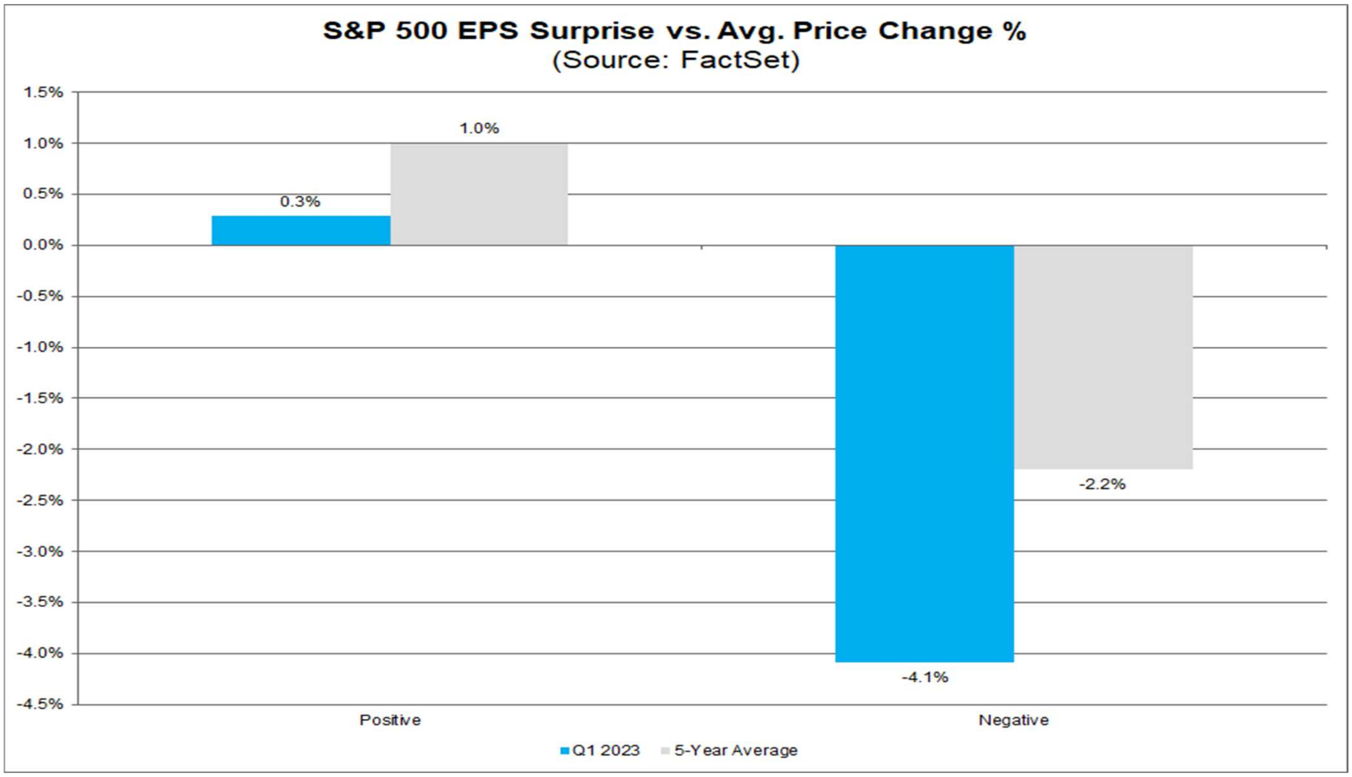
On the other hand, S&P 500 companies that have reported negative EPS surprises have seen a larger price decrease than average.

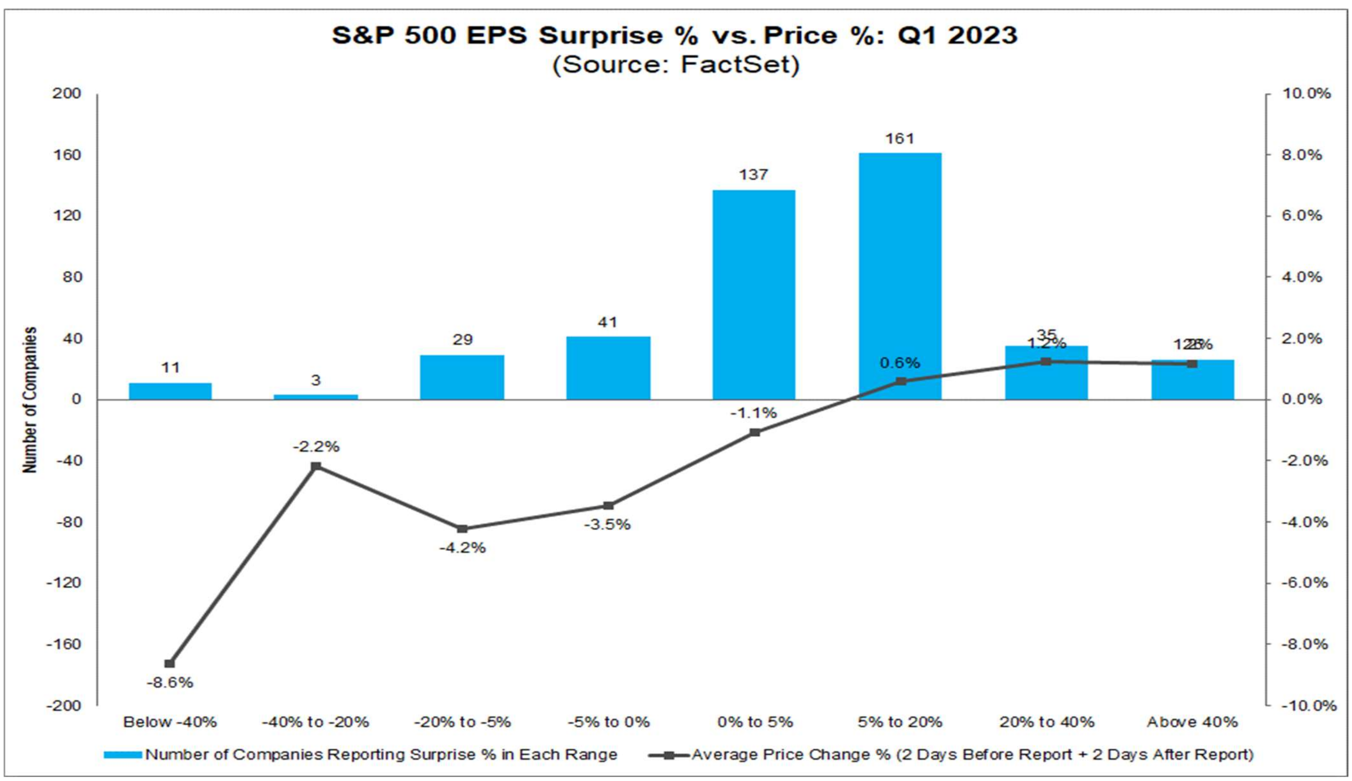
Companies that have reported negative earnings surprises for Q1 2023 have seen an average price decrease of 4.1% two days before the earnings release through two days after the earnings release. This percentage decline is larger than the 5-year average price decrease of 2.2% during this same window for companies reporting negative earnings surprises.

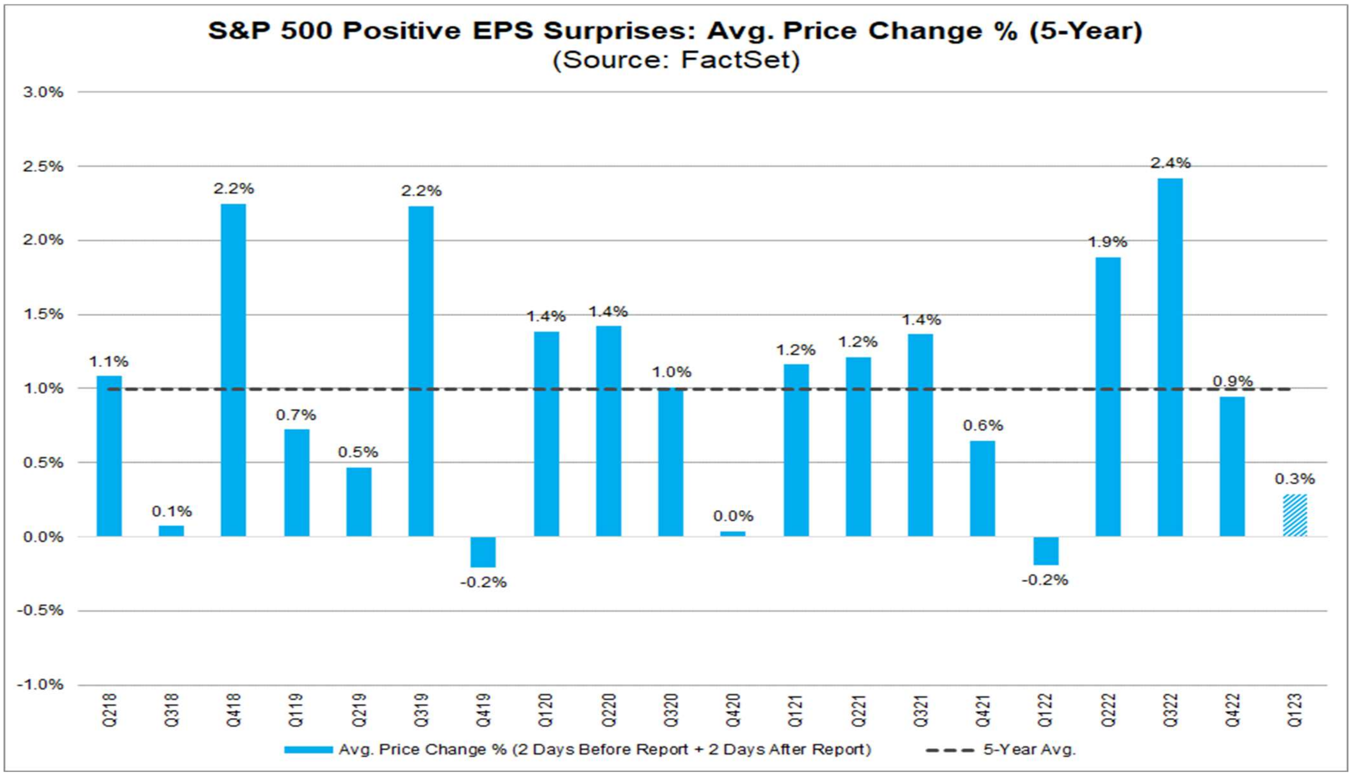
One example of a company that reported a negative EPS surprise for Q1 and witnessed a substantial decrease in price is Tyson Foods. On May 8, the company reported actual (non-GAAP) EPS of -$0.04 for Q1, which was below the mean (non-GAAP) EPS estimate of $0.79. From May 4 to May 10, the stock price for Tyson Foods decreased by 21.4% (to $47.28 from $60.13).

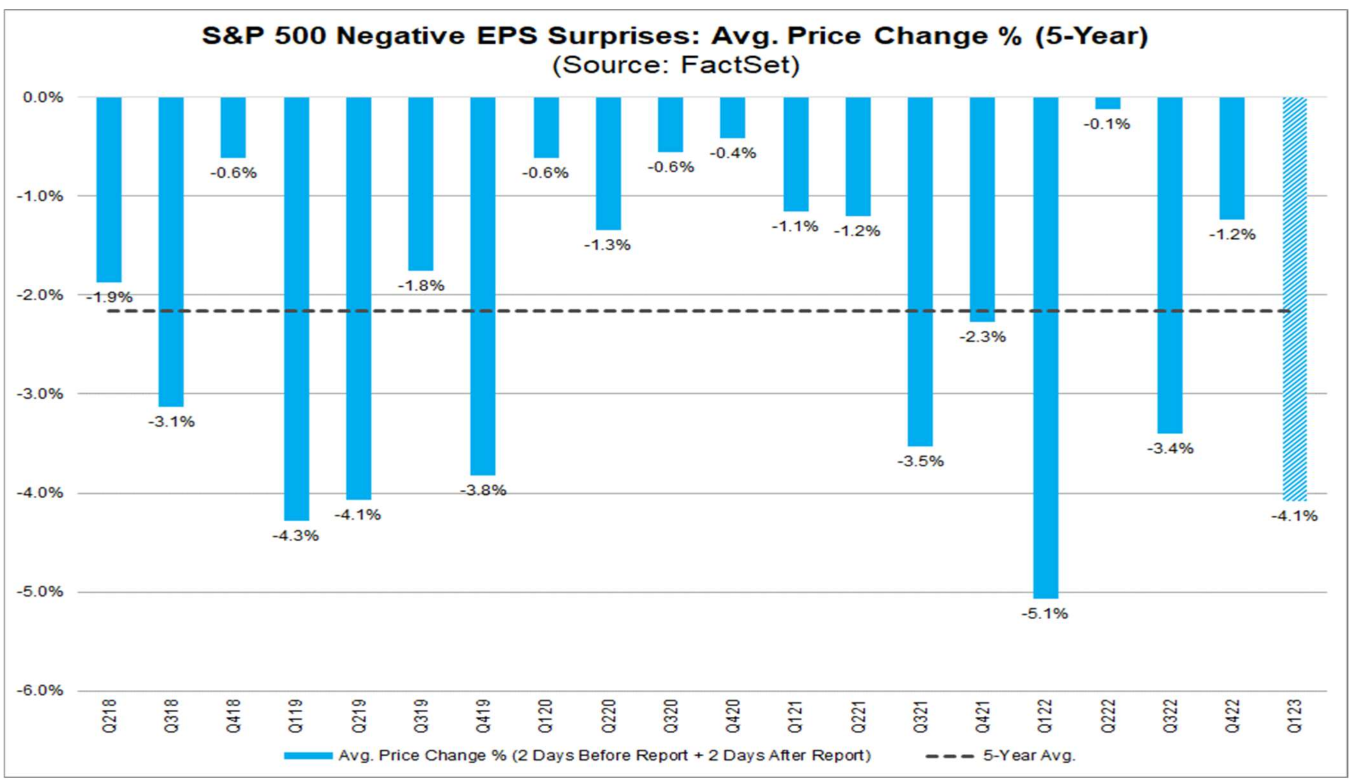
Why is the market rewarding positive earnings surprises less than average and punishing negative EPS surprises more than average?

It is likely not related to the earnings outlooks for Q2 2023 provided by companies and analysts during the Q1 earnings season, which overall have been less negative compared to recent averages. In terms of earnings guidance, 57% of the S&P 500 companies (50 out of 87) that have issued EPS guidance for Q2 2023 have issued negative guidance. This percentage is below the 5-year average of 59% and below the 10-year average of 67%. In terms of revisions to EPS estimates, analysts lowered EPS estimates for Q2 2023 for S&P 500 companies by 0.8% in aggregate during the month of April, which was much smaller than the 5-year average of -1.9% and the 10-year average of -1.8% for the first month of a quarter. For more details on estimate revisions, please see our article at this link: https://insight.factset.com/analysts-making-smaller-cuts-than-average-to-eps-estimates-for-sp-500-companies-for-q2


S&P 500 EPS Surprise vs. Avg. Price Change %
(Source: FactSet)
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
-1.5%
-2.0%
-2.5%
-3.0%
-3.5%
-4.0%
-4.5%
0.3%
1.0%
-4.1%
-2.2%
Positive
Negative
Q1 2023
5-Year Average


S&P 500 EPS Surprise % vs. Price %: Q1 2023
(Source: FactSet)
Number of Companies
200
160
120
80
40
0
-40
-80
-120
-160
-200
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%
-6.0%
-8.0%
-10.0%
11
3
29
41
137
161
35
-8.6%
-2.2%
-4.2%
-3.5%
-1.1%
0.6%
1.2%
Below -40%
-40% to -20%
-20% to -5%
-5% to 0%
0% to 5%
5% to 20%
20% to 40%
Above 40%
Number of Companies Reporting Surprise % in Each Range
Average Price Change % (2 Days Before Report + 2 Days After Report)


S&P 500 Positive EPS Surprises: Avg. Price Change % (5-Year)
(Source: FactSet)
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
1.1%
0.1%
2.2%
0.7%
0.5%
2.2%
-0.2%
1.4%
1.4%
1.0%
0.0%
1.2%
1.2%
1.4%
0.6%
-0.2%
1.9%
2.4%
0.9%
0.3%
Q218
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Q121
Q221
Q321
Q421
Q122
Q222
Q322
Q422
Q123
Avg. Price Change % (2 Days Before Report + 2 Days After Report)
5-Year Avg.


S&P 500 Negative EPS Surprises: Avg. Price Change % (5-Year)
(Source: FactSet)
0.0%
-1.0%
-2.0%
-3.0%
-4.0%
-5.0%
-6.0%
-1.9%
-3.1%
-0.6%
-4.3%
-4.1%
-1.8%
-3.8%
-0.6%
-1.3%
-0.6%
-0.4%
-1.1%
-1.2%
-3.5%
-2.3%
-5.1%
-0.1%
-3.4%
-1.2%
-4.1%
Q218
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Q121
Q221
Q321
Q421
Q122
Q222
Q322
Q422
Q123
Avg. Price Change % (2 Days Before Report + 2 Days After Report)
5-Year Avg.

Topic of the Week: 2

Fewer S&P 500 Companies Are Discussing "Inflation" on Q1 Earnings Calls

With consumer prices increasing by less than 5% (year-over-year) in April 2023 for the first time since April 2021, have fewer S&P 500 companies than normal commented on inflation during their earnings conference calls for the first quarter?

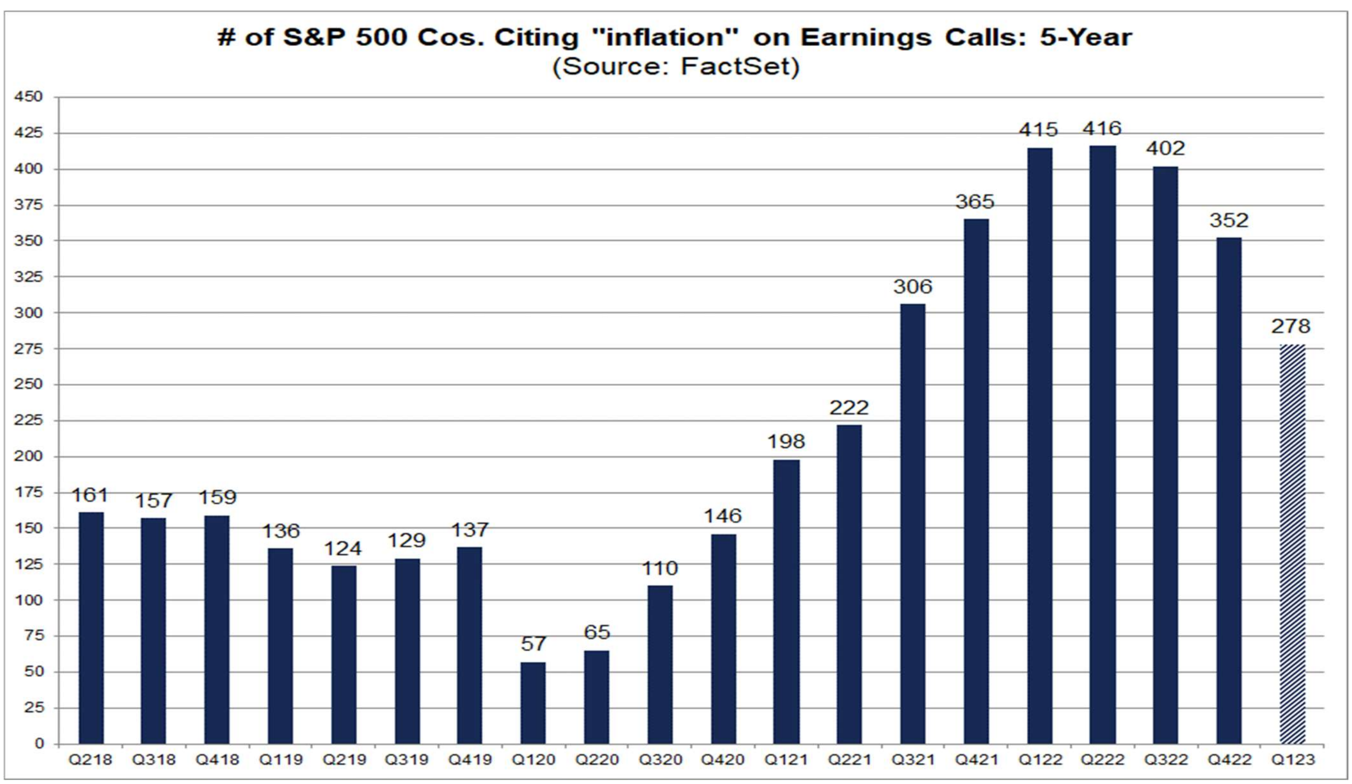
The answer is yes. FactSet Document Search (which allows users to search for key words or phrases across multiple document types) was used to answer this question. Through Document Search, FactSet searched for the term "inflation" in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from March 15 through May 11.

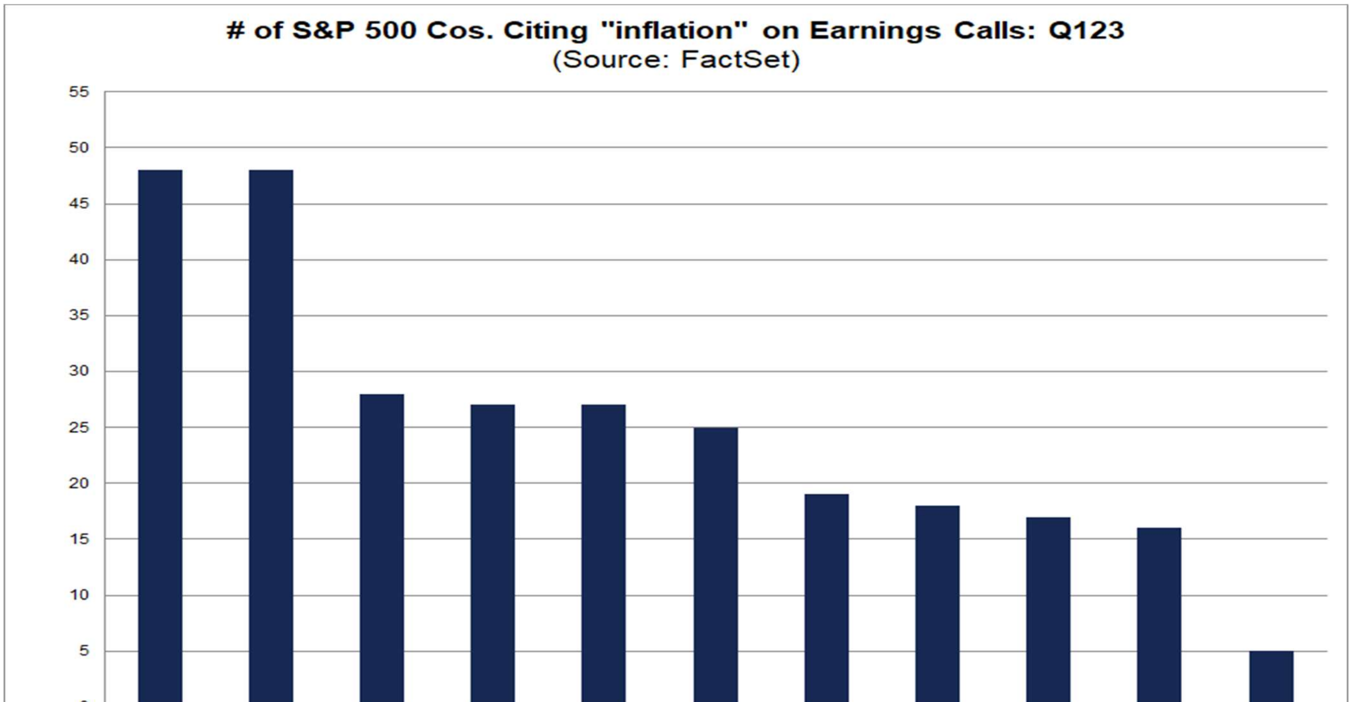
Of these companies, 278 have cited the term "inflation" during their earnings calls for the first quarter. This number is above the 5-year average of 211 and above the 10-year average of 163.

However, it should be noted that this is the lowest number of S&P 500 companies citing "inflation" on earnings calls going back to Q2 2021 at 222 (using current constituents and going back in time). It also marks the third consecutive quarter in which the number of S&P 500 companies citing the term "inflation" has declined quarter-over-quarter. There are still about 40 S&P 500 companies that have not reported actual earnings for the first quarter. So while the final number will likely finish higher than 278, it will fall short of the 352 from the previous quarter.

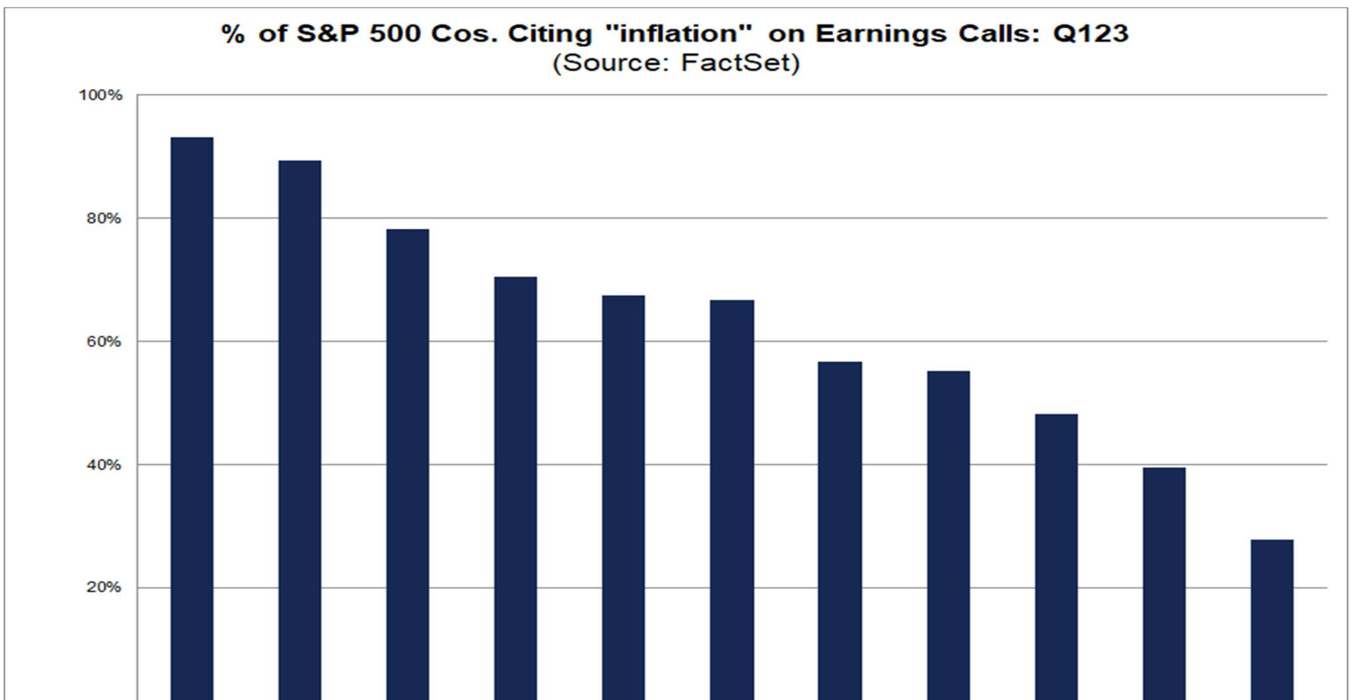
At the sector level, the Financials (48) and Industrials (48) sectors have the highest number of companies that have cited "inflation" on earnings calls for Q1. On the other hand, the Materials (93%) and Consumer Staples (89%) sectors have the highest percentages of companies that cited "inflation" on their Q1 earnings calls during this period.

Despite the decrease in the number of S&P 500 companies citing "inflation" on Q1 earnings calls, estimates for net profit margins for Q2 2023 (to 11.5% from 11.6%) and CY 2023 (to 11.6% from 11.7%) have declined slightly since March 31.

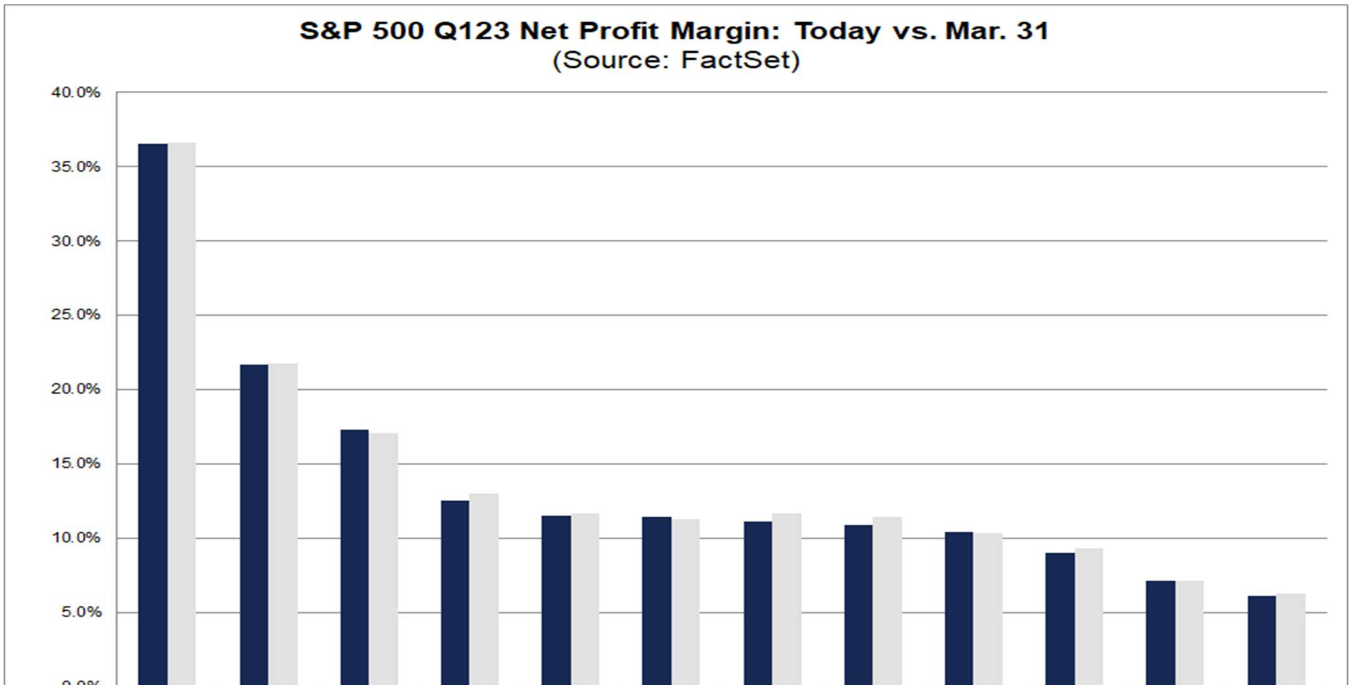




	Financials	Industrials	Health Care	Consumer Disc.	Materials	Consumer Staples	Info. Technology	Energy	Real Estate	Utilities	Comm. Services
Q123	48	48	28	27	27	25	19	18	17	16	5



	Materials	Consumer Staples	Energy	Financials	Consumer Disc.	Industrials	Real Estate	Utilities	Health Care	Info. Technology	Comm. Services
% of Cos.	93%	89%	78%	71%	68%	67%	57%	55%	48%	40%	28%



	Real Estate	Info. Technology	Financials	Utilities	S&P 500	Comm. Services	Materials	Energy	Industrials	Health Care	Consumer Disc.	Consumer Staples
Today	36.6%	21.7%	17.3%	12.5%	11.5%	11.4%	11.1%	10.9%	10.4%	9.0%	7.1%	6.1%
31-Mar	36.6%	21.8%	17.1%	13.0%	11.6%	11.2%	11.7%	11.5%	10.3%	9.3%	7.2%	6.3%

Q1 Earnings Season: By The Numbers

Overview

At this late stage of the Q1 2023 earnings season, S&P 500 companies are recording their best performance relative to analyst expectations since Q4 2021. Both the number of companies reporting positive EPS surprises and the magnitude of these earnings surprises are above their 10-year averages. The index is reporting higher earnings for the first quarter relative to the end of the quarter. However, the index is still reporting a year-over-year decline in earnings for the second straight quarter.

Overall, 92% of the companies in the S&P 500 have reported actual results for Q1 2023 to date. Of these companies, 78% 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 6.5% above estimates, which is below the 5-year average of 8.4% but above the 10-year average of 6.4%.

As a result, the index is reporting higher earnings for the first quarter today 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 -2.5% today, compared to an earnings decline of -6.7% at the end of the first quarter (March 31).

Positive earnings surprises reported by companies in multiple sectors (led by the Information Technology, Consumer Discretionary, and Health Care sectors) have led to the decrease in the overall earnings decline for the index since March 31.

If -2.5% is the actual decline for the quarter, it will mark the second straight quarter in which the index has reported a decrease in earnings.

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

In terms of revenues, 75% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 69% and above the 10-year average of 63%. In aggregate, companies are reporting revenues that are 2.5% 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 the quarter. The blended revenue growth rate for the first quarter is 4.0% today, compared to a revenue growth rate of 1.9% at the end of the first quarter (March 31).

Positive revenue surprises reported by companies in multiple sectors (led by the Health Care, Utilities, Financials, and Consumer Discretionary sectors) have led to the increase in the overall revenue growth rate for the index since March 31.

If 4.0% is the actual growth rate for the quarter, it will mark the lowest revenue growth rate reported by the index since Q4 2020 (3.2%).

Eight sectors are reporting (or have reported) year-over-year growth in revenues, led by the Utilities, Financials, and Consumer Discretionary sectors. On the other hand, three sectors are reporting (or have reported) 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 -6.3%. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 0.7% and 8.1%, respectively. For all of CY 2023, analysts predict earnings growth of 1.0%.

The forward 12-month P/E ratio is 18.0, which is below the 5-year average (18.6) but above the 10-year average (17.3). It is also slightly below the forward P/E ratio of 18.1 recorded at the end of the first quarter (March 31).

During the upcoming week, 13 S&P 500 companies (including three 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 (78%) is Above 5-Year Average

Overall, 92% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 78% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 18% 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 Energy (87%), Information Technology (87%), and Industrials (86%) sectors have the highest percentages of companies reporting earnings above estimates, while the Utilities (60%) and Financials (64%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+6.5%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 6.5% 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 (+23.8%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Wynn Resorts ($0.29 vs. $0.04), MGM Resorts ($0.44 vs. $0.06), CarMax ($0.44 vs. $0.20), Royal Caribbean Group (-$0.23 vs. -$0.69), Ford Motor ($0.63 vs. $0.42), and Amazon.com ($0.31 vs. $0.21) have reported the largest positive EPS surprises.

The Materials (+17.6%) sector reported the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Martin Marietta Materials ($2.16 vs. $0.98), Dow ($0.58 vs. $0.36), Vulcan Materials ($0.95 vs. $0.61), and WestRock Company ($0.77 vs. $0.50) reported the largest positive EPS surprises.

The Industrials (+10.6%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, General Electric ($0.27 vs. $0.14), Cummins ($6.70 vs. $4.72), Masco Corporation ($0.87 vs. $0.63), Generac Holdings ($0.63 vs. $0.48), American Airlines Group ($0.05 vs. $0.04), and Caterpillar ($4.91 vs. $3.80) have reported the largest positive EPS surprises.

The Energy (+7.9%) sector reported the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, EQT Corporation ($1.70 vs. $1.30), Coterra Energy ($0.87 vs. $0.70), Williams Companies ($0.56 vs. $0.47), and Phillips 66 ($4.21 vs. $3.56) reported the largest positive EPS surprises.

On the other hand, the Utilities (-11.4%) sector reported the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, NRG Energy (-$6.67 vs. $0.49), Pinnacle West Capital (-$0.03 vs. $0.01), and Constellation Energy ($0.29 vs. $1.09) reported the largest negative EPS surprises.

Market Rewarding Positive EPS Surprises Less Than Average

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

Companies that have reported positive earnings surprises for Q1 2023 have seen an average price increase of +0.3% two days before the earnings release through two days after the earnings release. This percentage decrease is well below the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q1 2023 have seen an average price decrease of -4.1% two days before the earnings release through two days after the earnings. This percentage decrease is larger than the 5-year average price decrease of -2.2% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (75%) is Above 5-Year Average

In terms of revenues, 75% of companies have reported actual revenues above estimated revenues and 25% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (70%), above the 5-year average (69%), and above the 10-year average (63%).

At the sector level, the Utilities (90%), Consumer Discretionary (88%), and Information Technology (87%) sectors have the highest percentages of companies reporting revenues above estimates, while the Materials (52%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.5%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.5% above expectations. This surprise percentage is equal to 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 Utilities (+14.6%) sector reported the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Materials (+0.5%) sector reported the smallest positive (aggregate) difference between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings Decline Since March 31 Led by Information Technology

No Change in Blended Earnings Decline This Week

The blended (year-over-year) earnings decline for the first quarter is -2.5%, which is equal to the earnings decline of -2.5% last week.

Increase in Blended Revenue Growth Rate This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the first quarter is 4.0%, which is slightly above the revenue growth rate of 3.9% last week. Positive revenue surprises reported by companies in the multiple sectors (led by the Financials, Health Care, and Utilities sectors) were the largest contributors to the increase in the overall revenue growth rate for the index over the past week.

Information Technology Sector Has Seen Largest Increase in Earnings since March 31

The blended (year-over-year) earnings decline for Q1 2023 of -2.5% is smaller than the estimate of -6.7% at the end of the first quarter (March 31). Ten sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Consumer Discretionary (to 53.6% from 33.9%) sector. The Information Technology, Consumer Discretionary, and Health Care sectors have been the largest contributors to the increase in earnings for the index since March 31. On the other hand, the Utilities (to -22.3% from -8.5%) is the only sector that recorded a decrease in its earnings growth rate or an increase in its earnings decline during this period.

In the Information Technology sector, the positive EPS surprises reported by Microsoft ($2.45 vs. $2.24), Apple ($1.52 vs. $1.43), and Intel (-$0.04 vs. -$0.16) have been substantial contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings decline for the Information Technology sector improved to -10.7% from -15.1% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com ($0.31 vs. $0.21), Ford Motor ($0.63 vs. $0.42), and General Motors ($2.21 vs. $1.72) have been significant contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings growth rate for the Consumer Discretionary sector has improved to 53.6% from 33.9% over this period.

In the Health Care sector, the positive EPS surprises reported by Pfizer ($1.23 vs. $0.98), Moderna ($0.19 vs. -$1.75), and Johnson & Johnson ($2.68 vs. $2.50) have been substantial contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings decline for the Health Care sector improved to -16.3% from -20.5% over this period.

In the Utilities sector, the negative EPS surprise reported by NRG Energy (-$6.67 vs. $0.49) has been a significant detractor to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings decline for the Utilities sector increased to -22.3% from -8.5% over this period.

Health Care Sector Has Seen Largest Increase in Revenues since March 31

The blended (year-over-year) revenue growth rate for Q1 2023 of 4.0% is above the estimate of 1.9% at the end of the first quarter (March 31). All eleven sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Utilities (to 13.1% from -2.4%) sector. The Health Care, Utilities, Financials, and Consumer Discretionary sectors have been the largest contributors to the increase in revenues for the index since March 31.

In the Health Care sector, the positive revenue surprises reported by CVS Health ($85.28 billion vs. $80.69 billion), AmerisourceBergen ($63.46 billion vs. $60.46 billion), Centene Corporation ($38.90 billion vs. $36.14 billion), and UnitedHealth Group ($91.93 billion vs. $89.71 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 Health Care sector has increased to 4.0% from 0.9% over this period.

In the Utilities sector, the positive revenue surprises reported by NRG Energy ($7.72 billion vs. $2.65 billion) and Sempra Energy ($6.56 billion vs. $3.95 billion) have been significant 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 Utilities sector has increased to 13.1% from -2.4% over this period.

In the Financials sector, the positive revenue surprise reported by JPMorgan Chase ($38.35 billion vs. $36.12 billion) has been a substantial contributor 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 has increased to 11.3% from 9.2% over this period.

In the Consumer Discretionary sector, the positive revenue surprises reported by Amazon.com ($127.36 billion vs. $124.60 billion), General Motors ($39.99 billion vs. $38.55 billion), and Ford Motor ($41.47 billion vs. $39.25 billion) have been significant 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 Consumer Discretionary sector has increased to 9.1% from 6.6% over this period.

Earnings Decline: -2.5%

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 -2.5%, 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 -2.5% is the actual decline for the quarter, it will mark the second consecutive quarter in which earnings have declined year-over-year.

Five of the eleven sectors are reporting (or have reported) year-over-year earnings growth, led by the Consumer Discretionary and Industrials sectors. On the other hand, six sectors are reporting (or have reported) a year-over-year decline in earnings, led by the Materials and Health Care 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 53.6%. At the industry level, 4 of the 9 industries in the sector reported a year-over-year increase in earnings. A growth rate was not 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 reported profits in Q1 2023. The Hotels, Restaurants, & Leisure industry reported a profit of $4.6 billion in Q1 2023 compared to a loss of -$829 million in Q1 2022, while the Broadline Retail industry reported a profit of $3.8 billion in Q1 2023 compared to a loss of -$3.2 billion in Q1 2022. The other two industries that reported earnings growth are the Auto Components (19%) and Automobiles (5%) industries. On the other hand, 5 industries are reporting (or have reported) a year-over-year decline in earnings. Three of these five industries are reporting (or have reported) a decrease in earnings of more than 10%: Leisure Products (-98%), Household Durables (-24%), and Textiles, Apparel, & Luxury Goods (-14%).

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 -6.6% instead of year-over-year earnings growth of 53.6%.

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 15.8% from 53.6%.

Industrials: Passenger 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 21.3%. At the industry level, 9 of the 12 industries in the sector are reporting (or have reported) a year-over-year increase in earnings. A growth rate was not calculated for the Passenger Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry reported a much smaller loss in Q1 2023 (-$253 million) compared to Q1 2022 (-$4.0 billion). Three of the remaining eight industries are reporting (or have reported) earnings growth above 10%: Machinery (28%), Trading Companies & Distributors (27%), and Aerospace & Defense (18%). On the other hand, 3 industries reported a year-over-year decline in earnings, led by the Air Freight & Logistics (-31%) industry.

At the industry level, the Passenger Airlines industry is the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 7.3% from 21.3%.

Materials: 3 of 4 Industries Reported a Year-Over-Year Decline of More Than 15%

The Materials sector reported the largest (year-over-year) earnings decline of all eleven sectors at -25.3%. At the industry level, three of the four industries in this sector reported a year-over-year decline in earnings of more than 15%: Metals & Mining (-46%), Containers & Packaging (-26%), and Chemicals (-16%). On the other hand, the Construction Materials (115%) industry is the only industry in the sector that reported (year-over-year) earnings growth.

Utilities: NRG Energy Was Largest Contributor to Year-Over-Year Decline

The Utilities sector reported the second-largest (year-over-year) earnings decline of all eleven sectors at -22.3%. At the industry level, two of the five industries in this sector reported a year-over-year decline in earnings: Electric Utilities (-33%) and Multi-Utilities (-6%). On the other hand, three industries reported year-over-year earnings growth: Water Utilities (12%), Gas Utilities (12%), and Independent Power And Renewable Electricity Producers (5%).

At the company level, NRG Energy was the largest contributor to the earnings decline for the sector. If this company were excluded, the blended earnings decline for the sector improves to -1.4% from -22.3%.

Revenue Growth: 4.0%

The blended (year-over-year) revenue growth rate for Q1 2023 is 4.0%, 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 4.0% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) revenue growth rate reported by the index since Q4 2020 (3.2%).

At the sector level, eight sectors are reporting (or have reported) year-over-year growth in revenues, led by the Financials, Utilities, and Consumer Discretionary sectors. On the other hand, three sectors are reporting a year-over-year decline in revenues, led by the Materials sector.

Utilities: 4 of 5 Industries Reported Year-Over-Year Growth Above 10%

The Utilities sector reported the highest (year-over-year) revenue growth rate of all eleven sectors at 13.1%. At the industry level, four of the five industries in this sector reported year-over-year growth in revenues above 10%: Multi-Utilities (16%), Independent Power And Renewable Electricity Producers (14%), Electric Utilities (12%), and Water Utilities (11%). On the other hand, the Gas Utilities (-7%) industry is the only industry in the sector that reported a year-over-year decline in earnings.

At the company level, NRG Energy and Sempra Energy were the largest contributors to the revenue growth for the sector. If these two companies were excluded, the blended revenue growth rate for the sector decreases to 7.2% from 13.1%.

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

The Financials sector reported the second-highest (year-over-year) revenue growth rate of all eleven sectors at 11.3%. At the industry level, four of the five industries in the sector reported year-over-year growth in revenues. Three of these four industries reported revenue growth at or above 15%: Banks (18%), Consumer Finance (18%), and Financial Services (17%). On the other hand, the Capital Markets industry (-1%) is the only industry that reported a year-over-year decline in revenues.

Consumer Discretionary: 6 of 9 Industries Reporting Year-Over-Year Growth

The Consumer Discretionary sector is reporting the third-highest (year-over-year) revenue growth rate of all eleven sectors at 9.1%. At the industry level, six of the nine industries in the sector are reporting (or have reported) year-over-year growth in revenues, led by the Hotels, Restaurants, & Leisure (36%), Automobiles (17%), and Auto Components (12) industries. On the other hand, three industries are reporting (or have reported) a year-over-year decline in revenues, led by the Leisure Products (-14%) industry.

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

The Materials sector reported the largest (year-over-year) decline in revenues at -7.7%. At the industry level, three of the four industries in the sector reported a year-over-year decrease in revenues: Metals & Mining (-16%), Chemicals (-7%), and Containers & Packaging (-5%). On the other hand, the Construction Materials (11%) industry is the only industry that reported year-over-year growth in revenues.

Net Profit Margin: 11.5%

The blended net profit margin for the S&P 500 for Q1 2023 is 11.5%, which is above the previous quarter’s net profit margin of 11.3% and above the 5-year average of 11.4%, but below the year-ago net profit margin of 12.2%.

At the sector level, three sectors are reporting (or have reported) a year-over-year increase in their net profit margins in Q1 2023 compared to Q1 2022, led by the Energy (to 12.4% vs. 10.4%) and Consumer Discretionary (6.6% vs. 4.7%) sectors. On the other hand, eight sectors are reporting (or have reported) a year-over-year decrease in their net profit margins in Q1 2023 compared to Q1 2022, led by the Utilities (10.3% vs. 15.0%) sector.

Six sectors are reporting (or have reported) net profit margins in Q1 2023 that are above their 5-year averages, led by the Energy (12.4% vs. 7.9%) sector. On the other hand, five sectors are reporting (or have reported) net profit margins in Q1 2023 that are below their 5-year averages, led by the Utilities (10.3% vs. 13.4%) sector.

Looking Ahead: Forward Estimates and Valuation

Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q2 Below 5-Yr. Avg.

At this point in time, 87 companies in the index have issued EPS guidance for Q2 2023. Of these 87 companies, 50 have issued negative EPS guidance and 37 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q2 2023 is 57% (50 out of 87), which is below the 5-year average of 59% and below the 10-year average of 66%.

At this point in time, 265 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 265 companies, 109 have issued negative EPS guidance and 156 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 41% (109 out of 265).

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 -2.5% and revenue growth of 4.0%.

For Q2 2023, analysts are projecting an earnings decline of -6.3% and a revenue decline of -0.4%.

For Q3 2023, analysts are projecting earnings growth of 0.7% and revenue growth of 1.2%.

For Q4 2023, analysts are projecting earnings growth of 8.1% and revenue growth of 3.4%.

For CY 2023, analysts are projecting earnings growth of 1.0% and revenue growth of 2.3%.

Valuation: Forward P/E Ratio is 18.0, Above the 10-Year Average (17.3)

The forward 12-month P/E ratio for the S&P 500 is 18.0. This P/E ratio is below the 5-year average of 18.6 but above the 10-year average of 17.3. It is also below 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 0.5%, while the forward 12-month EPS estimate has increased by 1.0%. At the sector level, the Information Technology (24.7) and Consumer Discretionary (24.1) sectors have the highest forward 12-month P/E ratios, while the Energy (10.0) and Financials (12.7) sectors have the lowest forward 12-month P/E ratios.

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

Targets & Ratings: Analysts Project 14% Increase in Price Over Next 12 Months

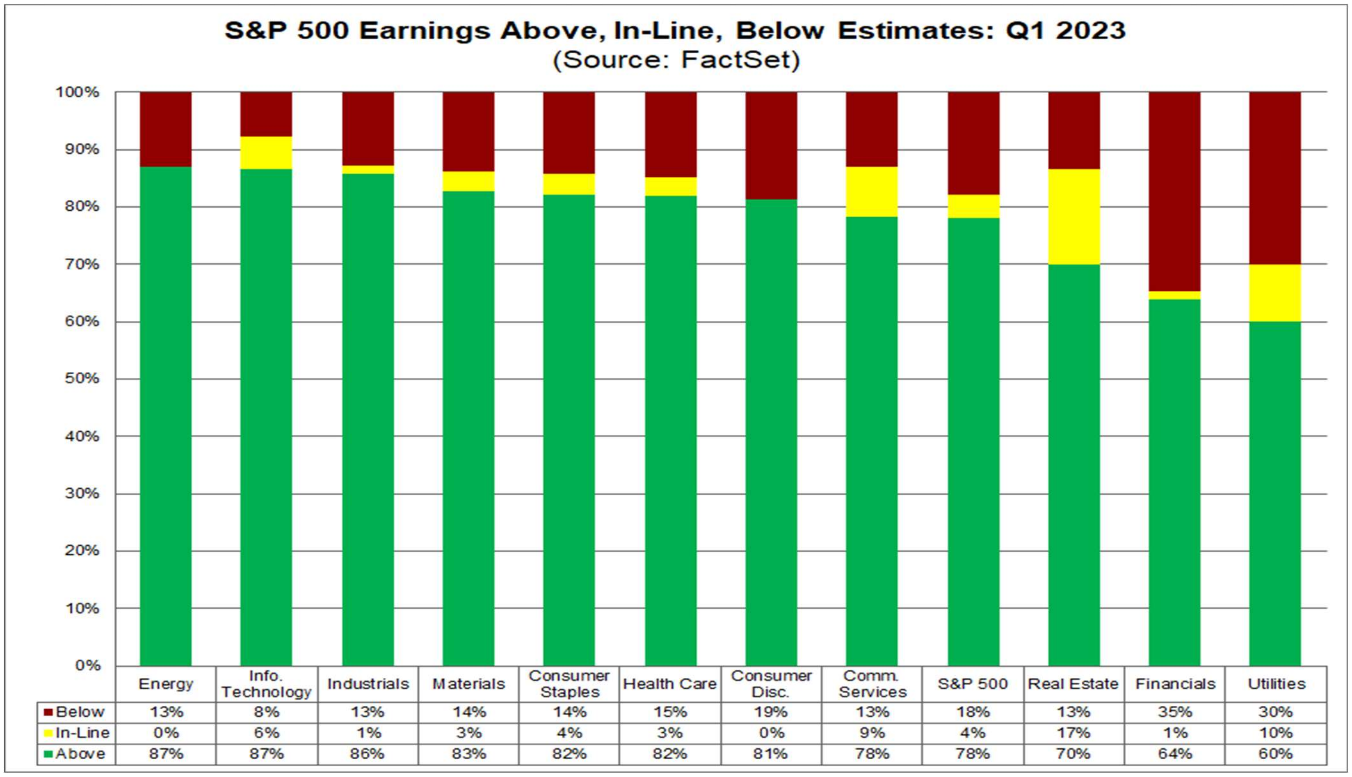
The bottom-up target price for the S&P 500 is 4700.99, which is 13.8% above the closing price of 4130.62. At the sector level, the Energy (+26.8%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Consumer Staples (+8.5%) and Information Technology (+9.5%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 11,038 ratings on stocks in the S&P 500. Of these 11,038 ratings, 54.2% are Buy ratings, 39.9% are Hold ratings, and 5.8% 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.

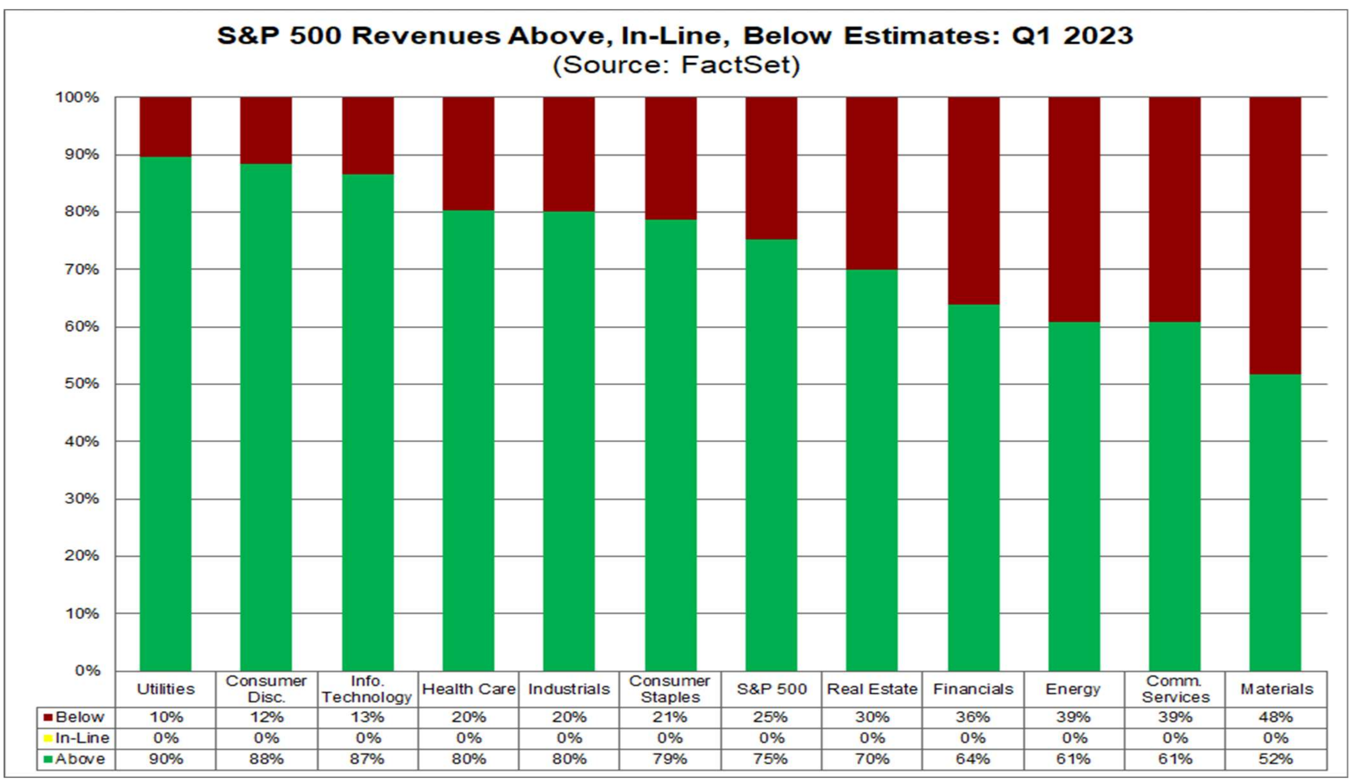
Companies Reporting Next Week: 13

During the upcoming week, 13 S&P 500 companies (including three Dow 30 components) are scheduled to report results for the first quarter.

Q1 2023: Scorecard

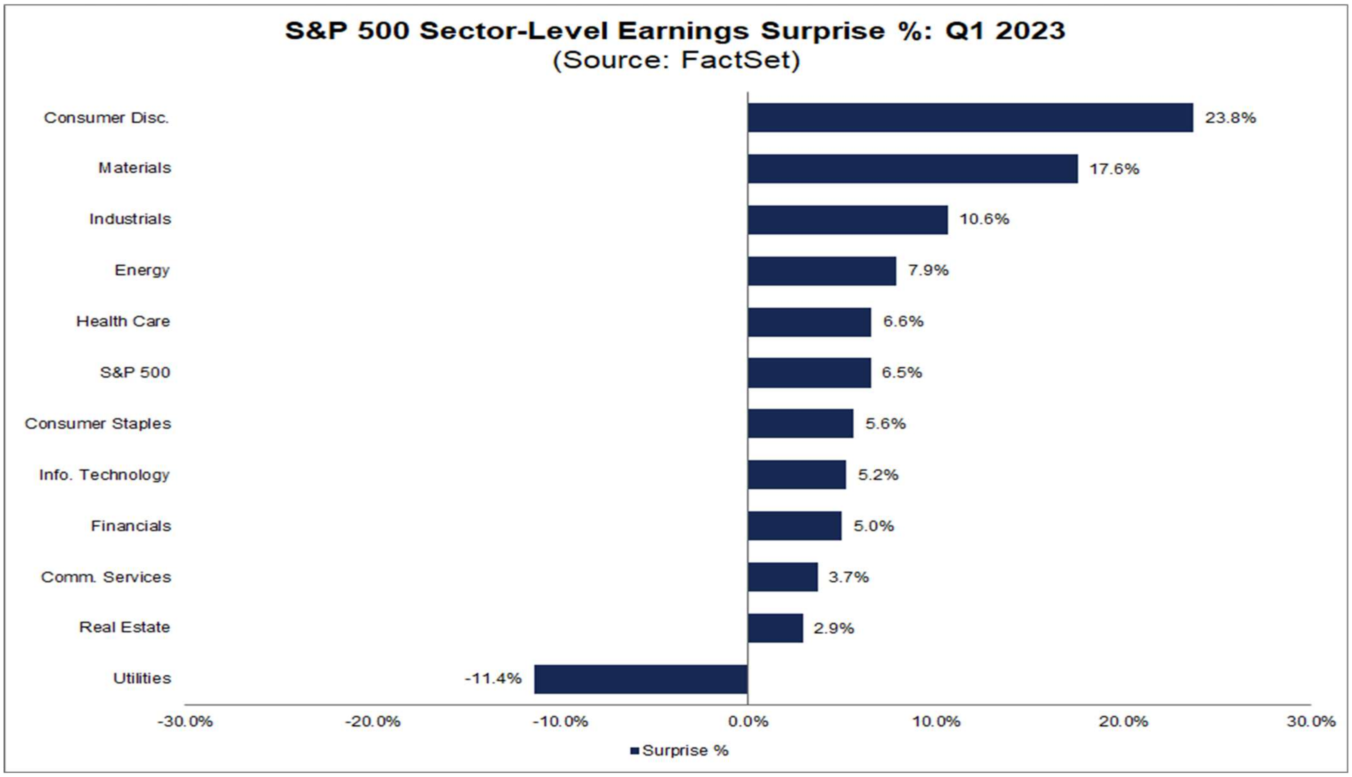


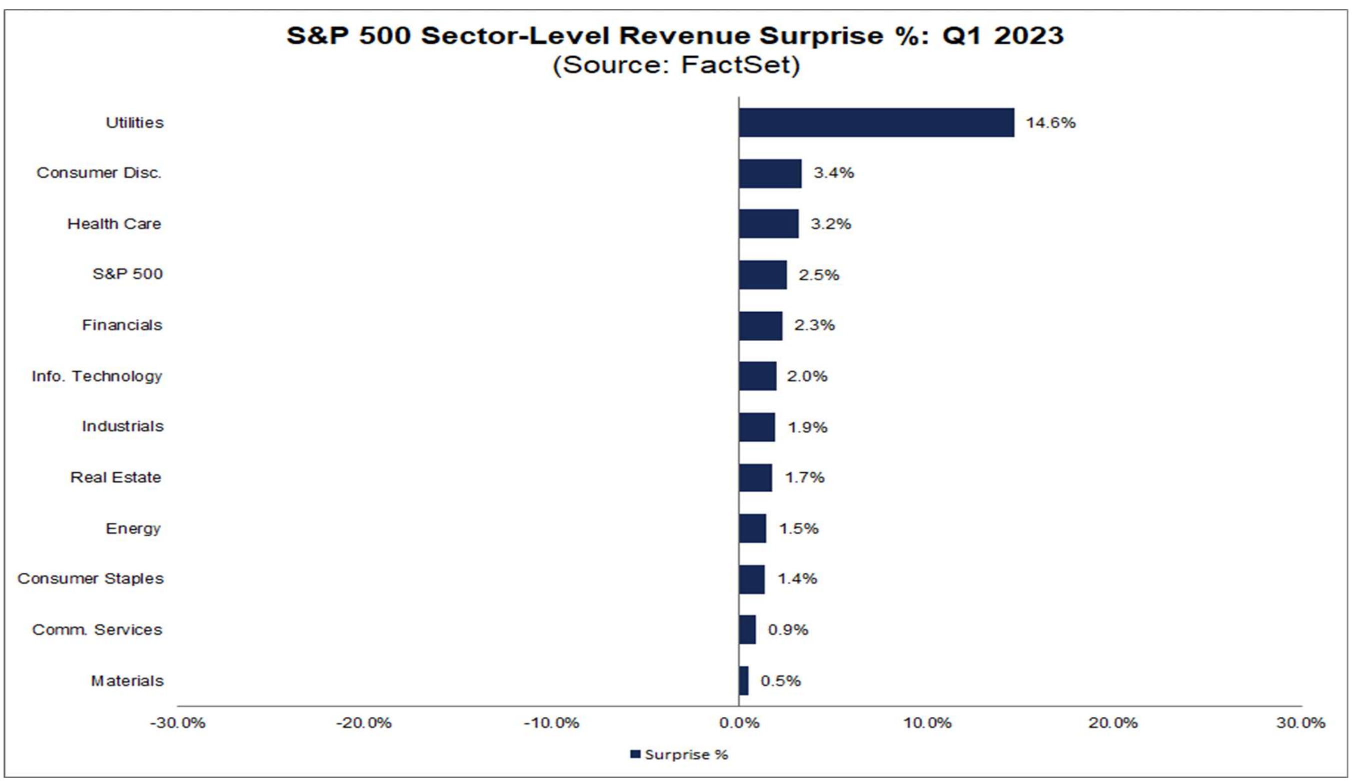
	Energy	Info. Technology	Industrials	Materials	Consumer Staples	Health Care	Consumer Disc.	Comm. Services	S&P 500	Real Estate	Financials	Utilities
Below	13%	8%	13%	14%	14%	15%	19%	13%	18%	13%	35%	30%
In-Line	0%	6%	1%	3%	4%	3%	0%	9%	4%	17%	1%	10%
Above	87%	87%	86%	83%	82%	82%	81%	78%	78%	70%	64%	60%



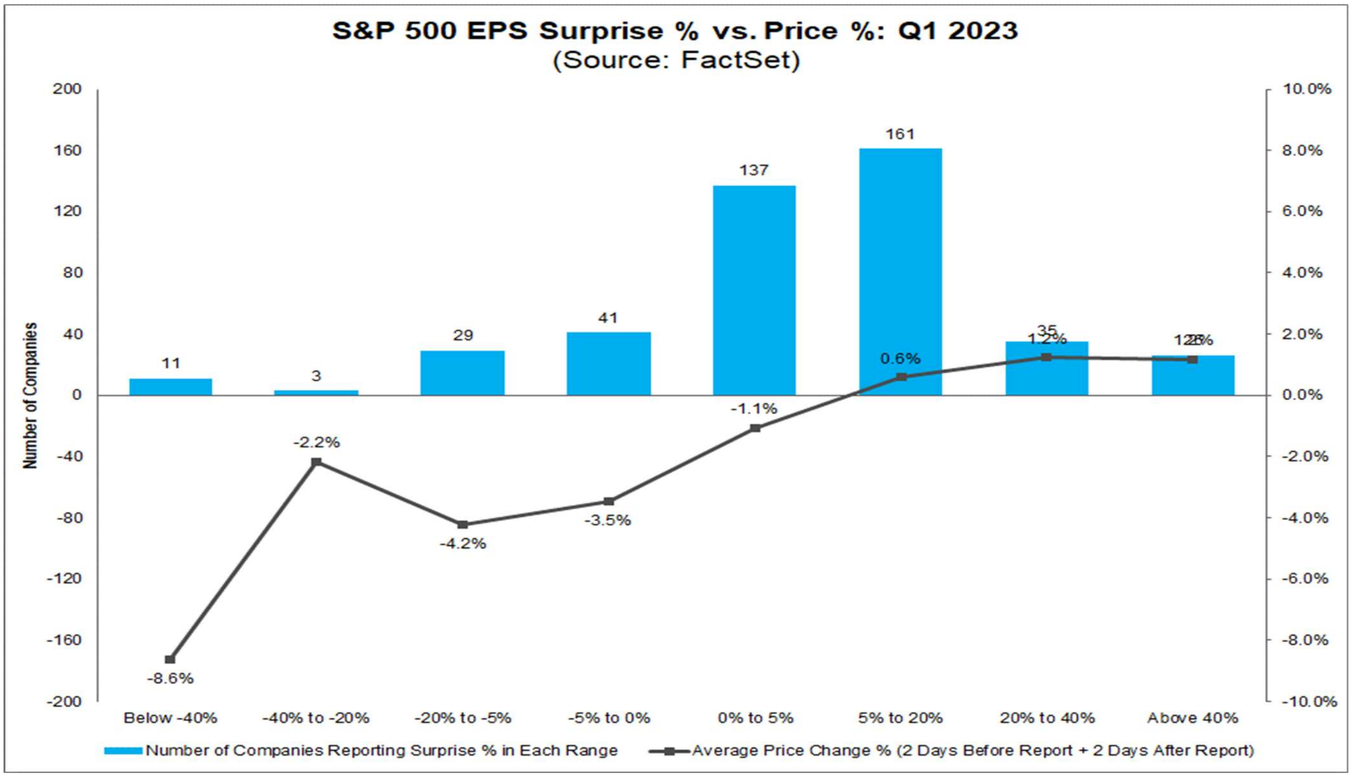
	Utilities	Consumer Disc.	Info. Technology	Health Care	Industrials	Consumer Staples	S&P 500	Real Estate	Financials	Energy	Comm. Services	Materials
Below	10%	12%	13%	20%	20%	21%	25%	30%	36%	39%	39%	48%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	90%	88%	87%	80%	80%	79%	75%	70%	64%	61%	61%	52%

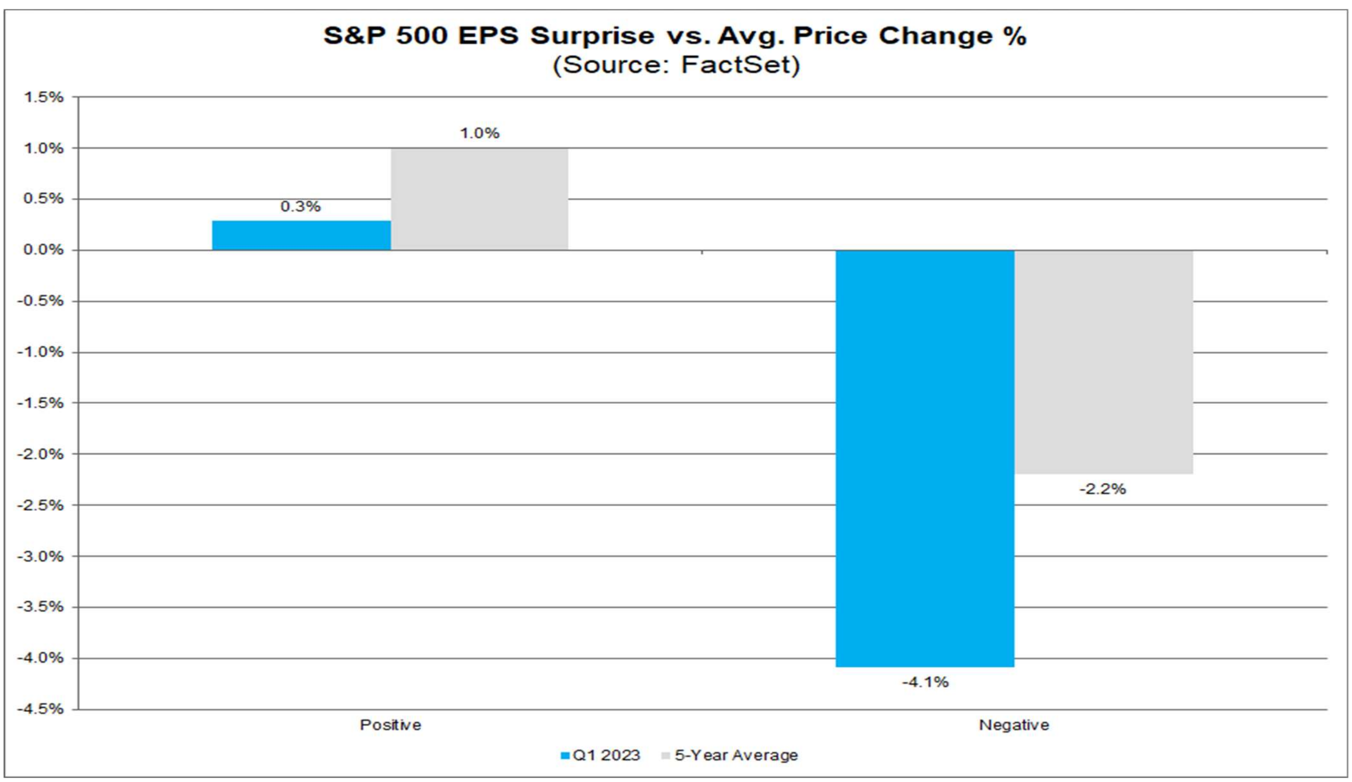
Q1 2023: Scorecard



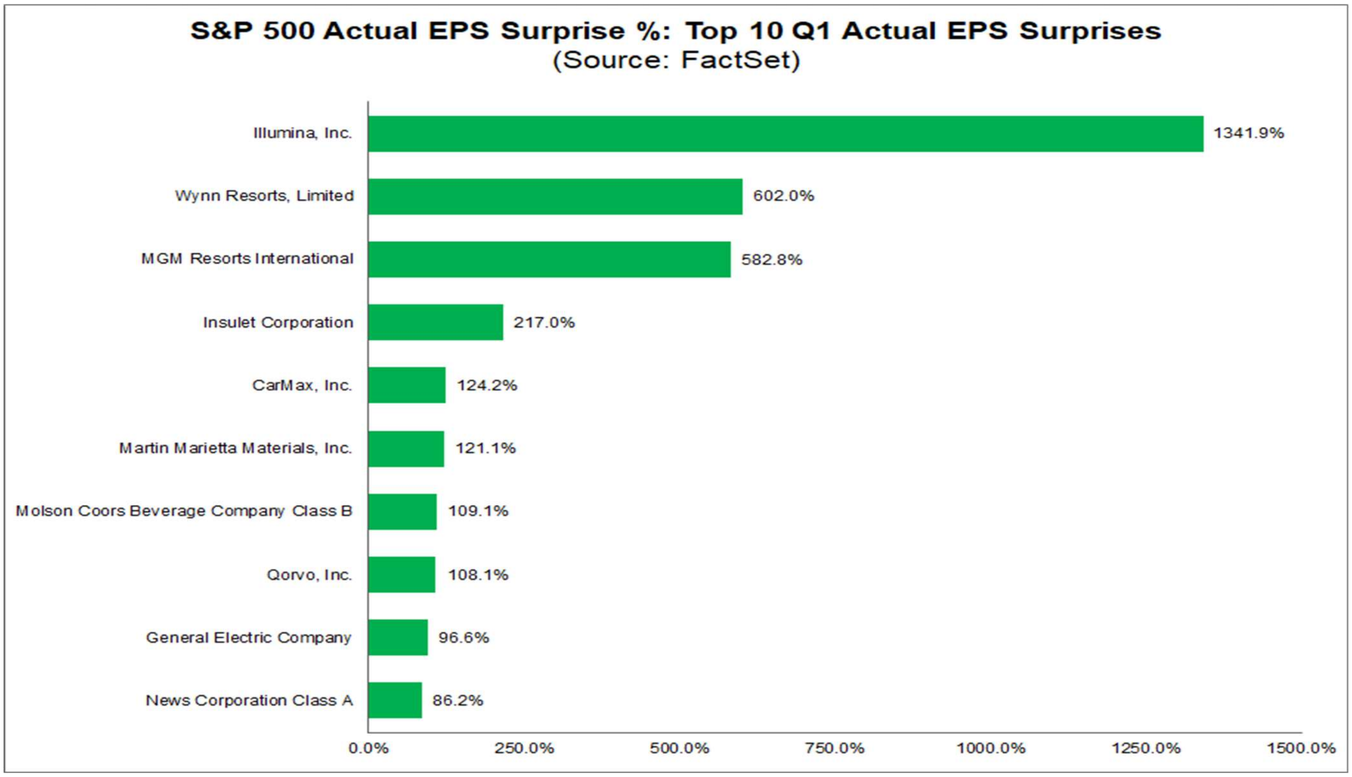


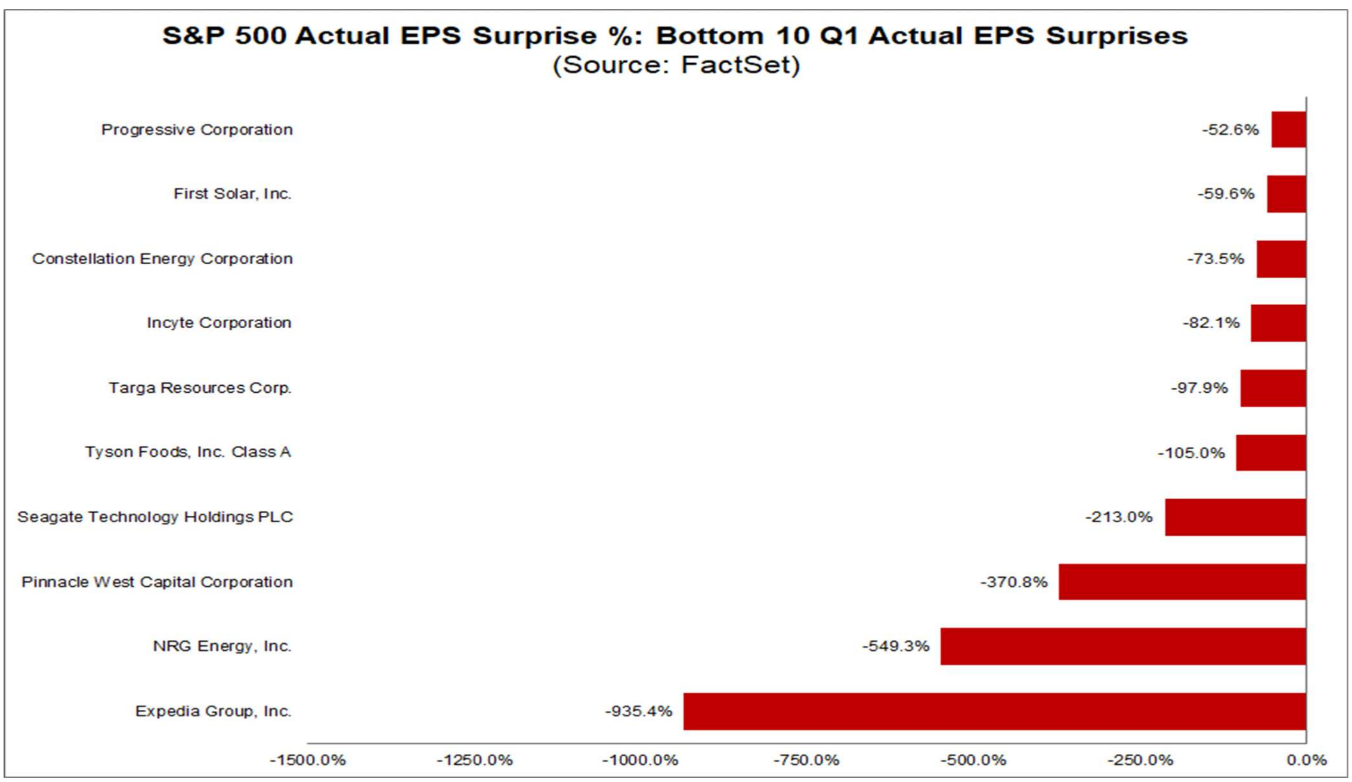
Q1 2023: Scorecard



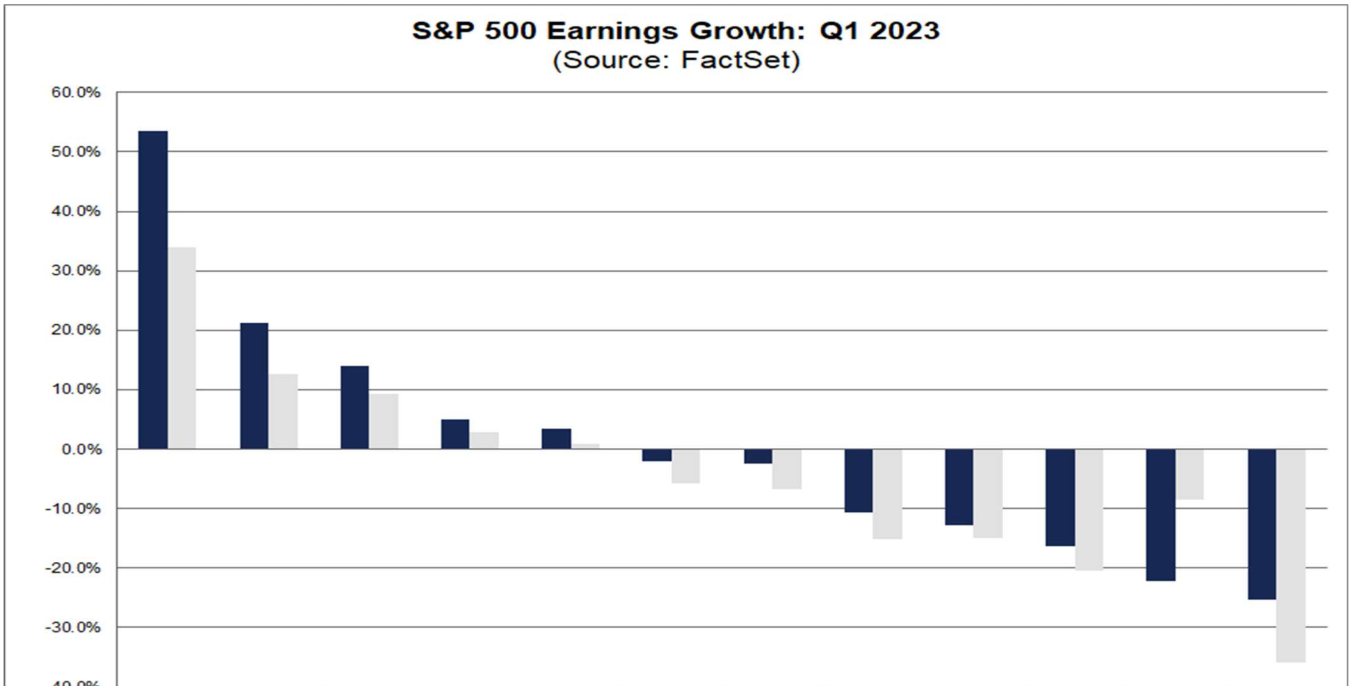


Q1 2023: Scorecard

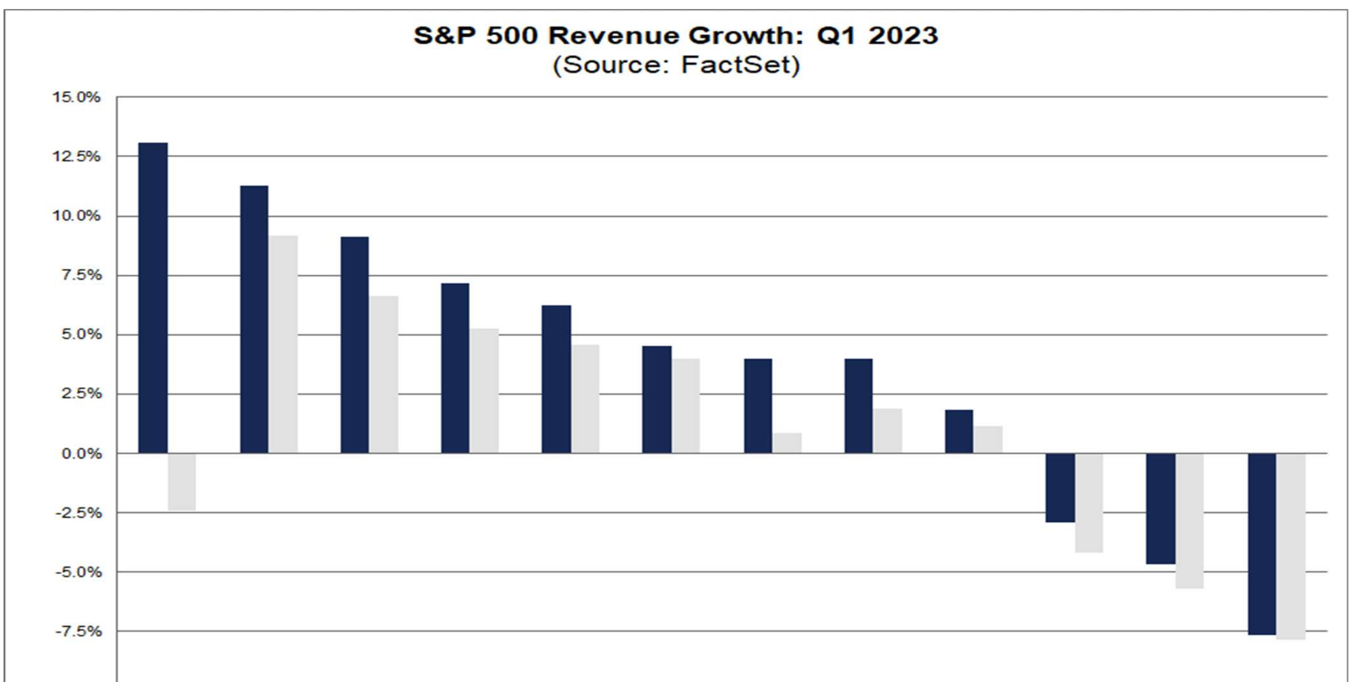




Q1 2023: Growth

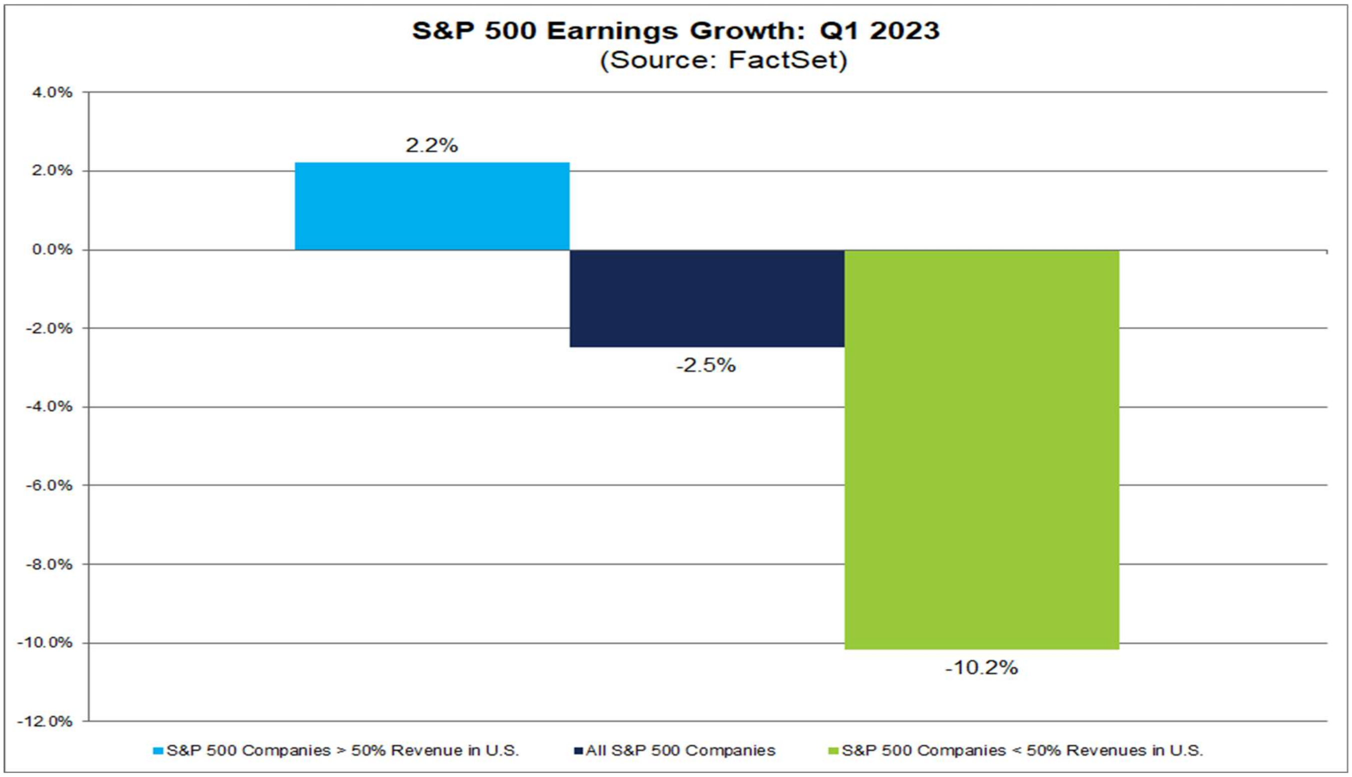


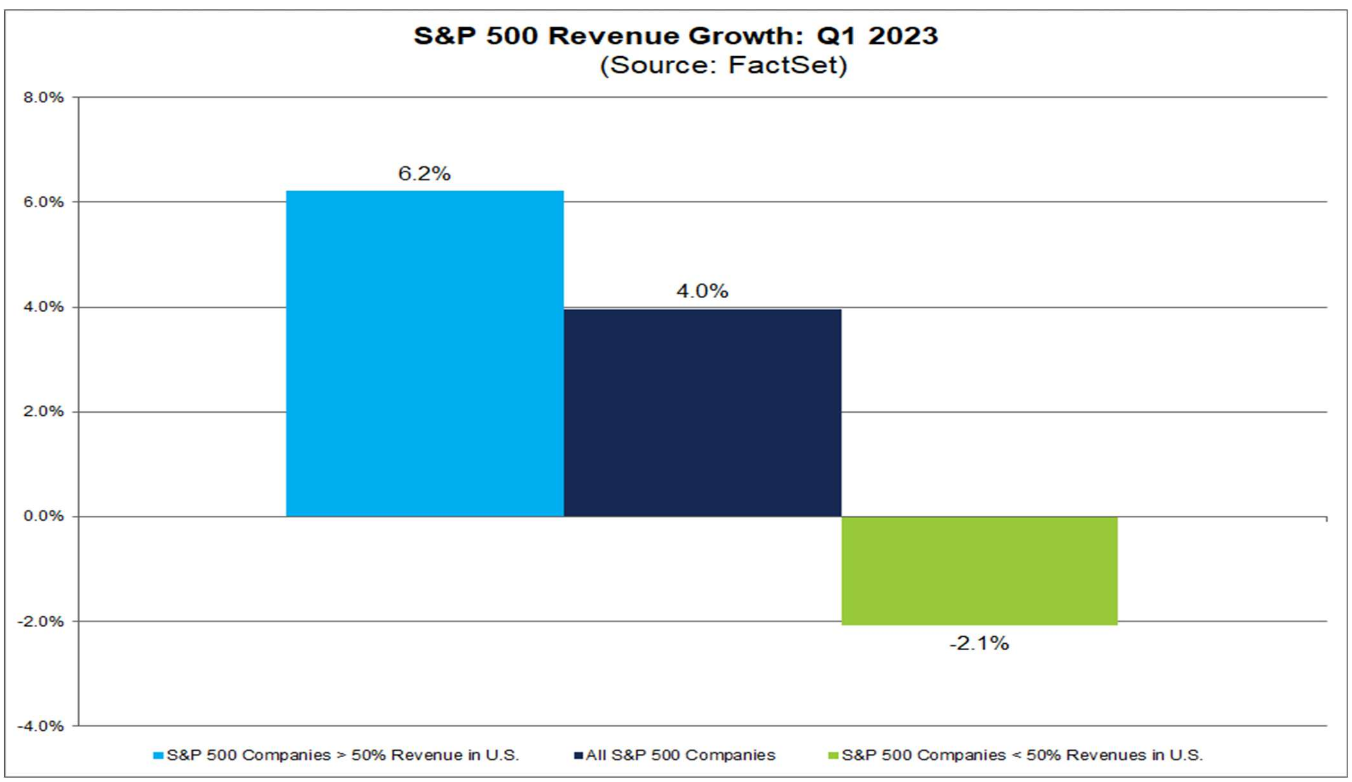
	Consumer Disc.	Industrials	Energy	Financials	Real Estate	Consumer Staples	S&P 500	Info. Technology	Comm. Services	Health Care	Utilities	Materials
Today	53.6%	21.3%	14.0%	5.0%	3.4%	-2.0%	-2.5%	-10.7%	-12.8%	-16.3%	-22.3%	-25.3%
31-Mar	33.9%	12.7%	9.4%	2.9%	0.8%	-5.8%	-6.7%	-15.1%	-15.0%	-20.5%	-8.5%	-35.9%



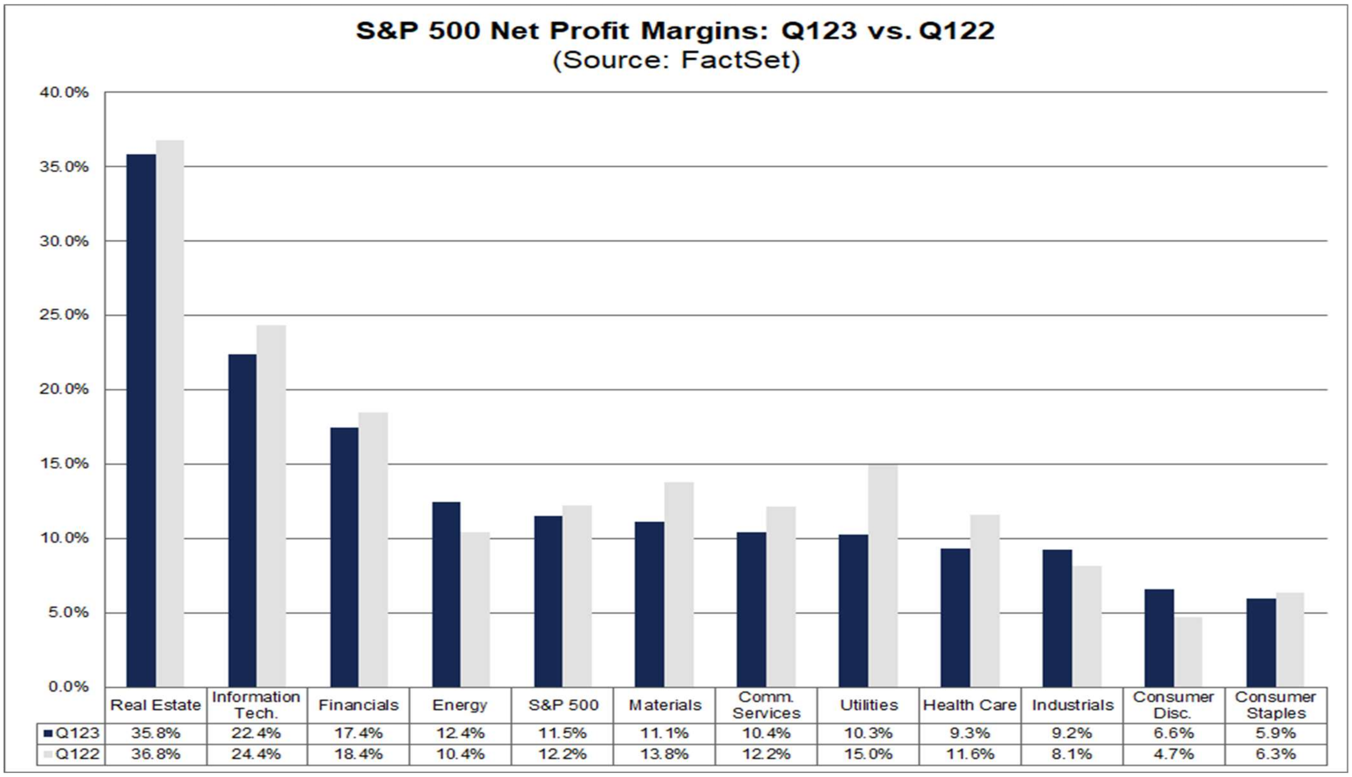
	Utilities	Financials	Consumer Disc.	Industrials	Real Estate	Consumer Staples	Health Care	S&P 500	Comm. Services	Info. Technology	Energy	Materials
Today	13.1%	11.3%	9.1%	7.2%	6.2%	4.5%	4.0%	4.0%	1.9%	-2.9%	-4.7%	-7.7%
31-Mar	-2.4%	9.2%	6.6%	5.3%	4.6%	4.0%	0.9%	1.9%	1.2%	-4.2%	-5.7%	-7.9%

Q1 2023: Growth

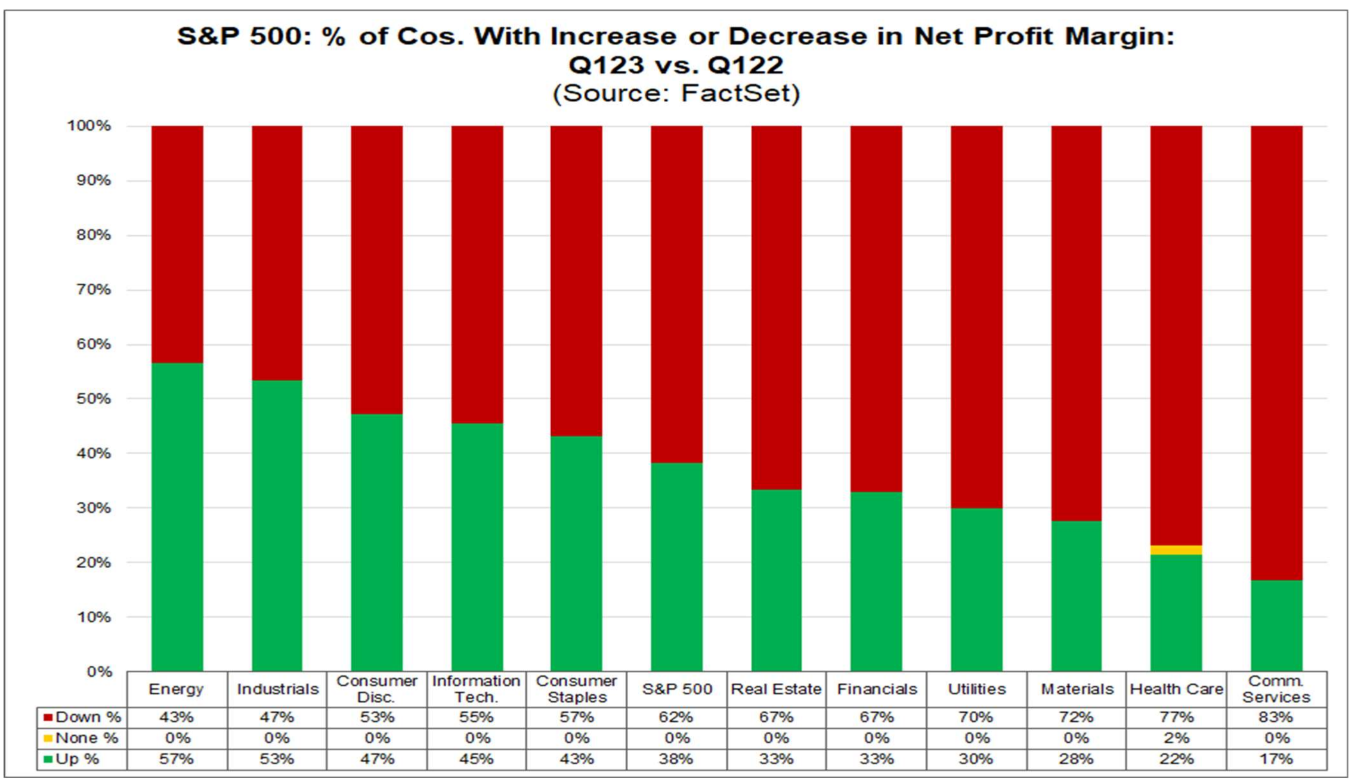




Q1 2023: Net Profit Margin

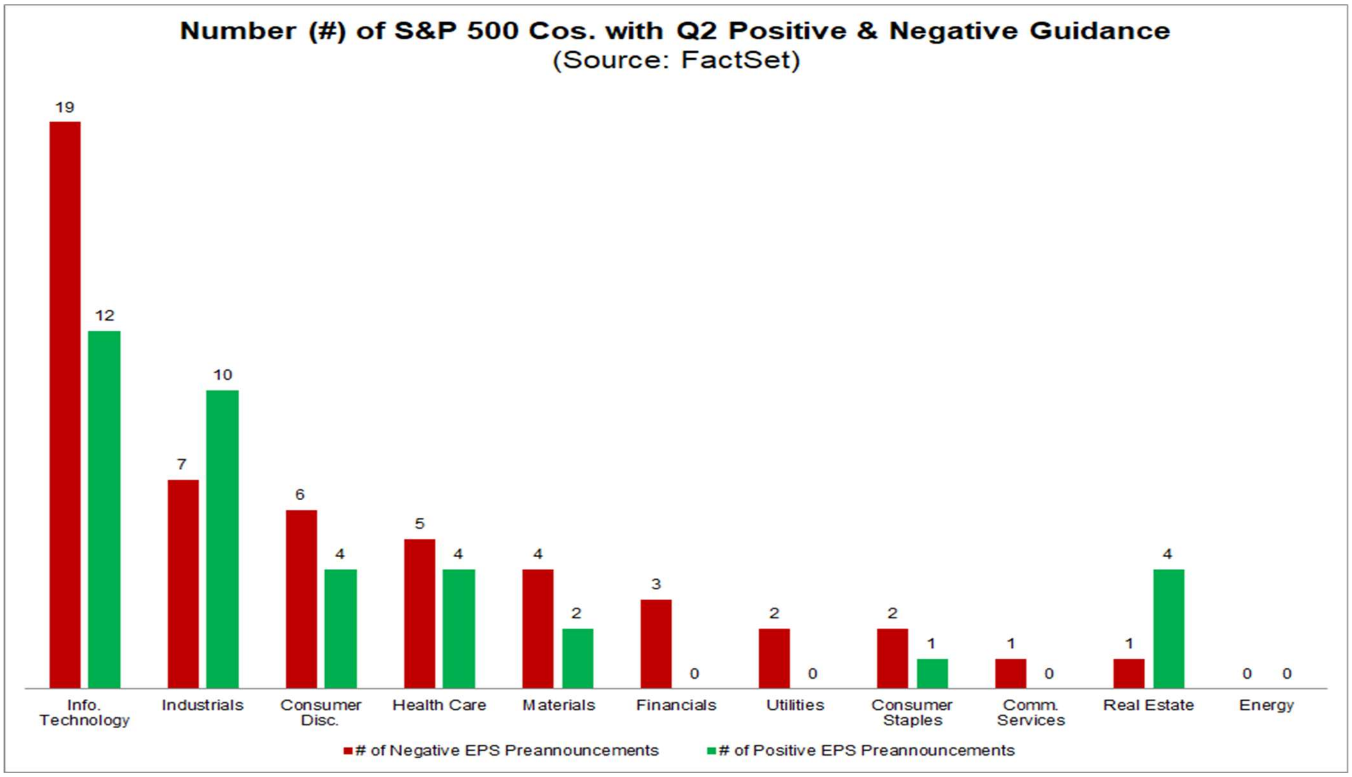


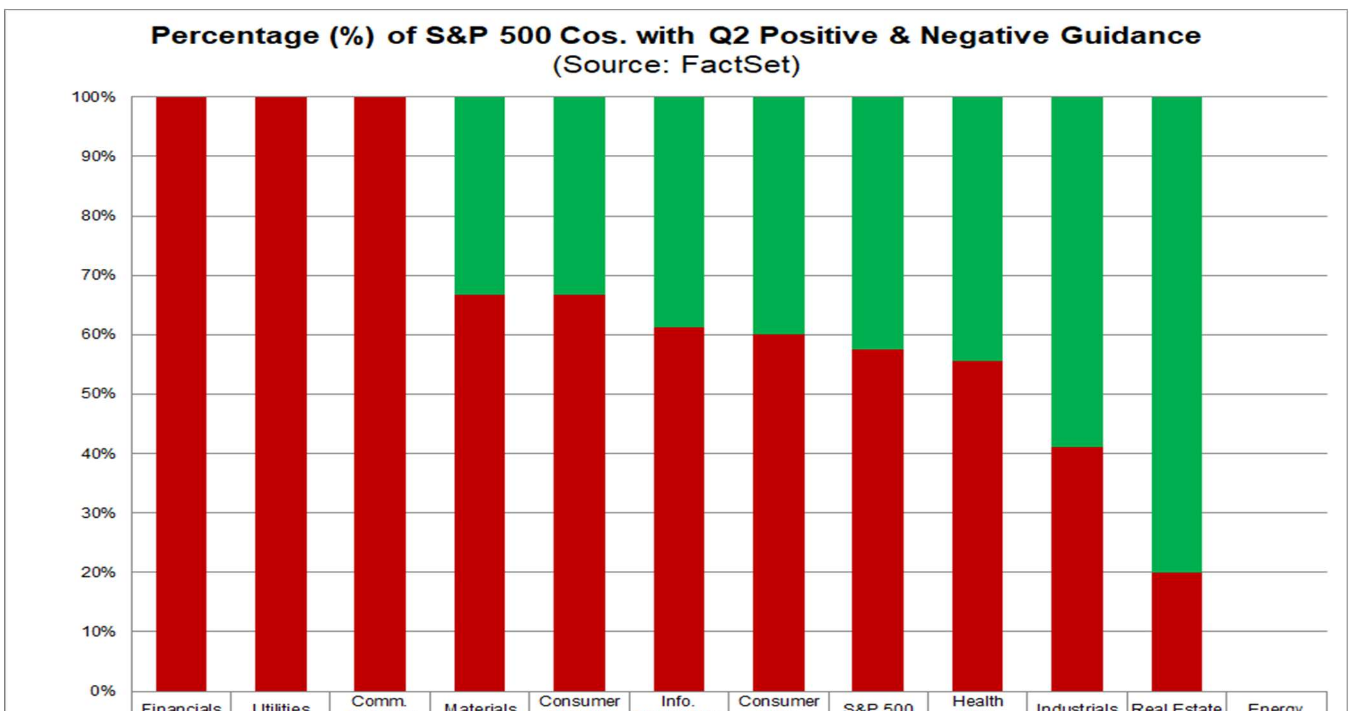
	Real Estate	Information Tech.	Financials	Energy	S&P 500	Materials	Comm. Services	Utilities	Health Care	Industrials	Consumer Disc.	Consumer Staples
Q123	35.8%	22.4%	17.4%	12.4%	11.5%	11.1%	10.4%	10.3%	9.3%	9.2%	6.6%	5.9%
Q122	36.8%	24.4%	18.4%	10.4%	12.2%	13.8%	12.2%	15.0%	11.6%	8.1%	4.7%	6.3%



	Energy	Industrials	Consumer Disc.	Information Tech.	Consumer Staples	S&P 500	Real Estate	Financials	Utilities	Materials	Health Care	Comm. Services
Down %	43%	47%	53%	55%	57%	62%	67%	67%	70%	72%	77%	83%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%
Up %	57%	53%	47%	45%	43%	38%	33%	33%	30%	28%	22%	17%

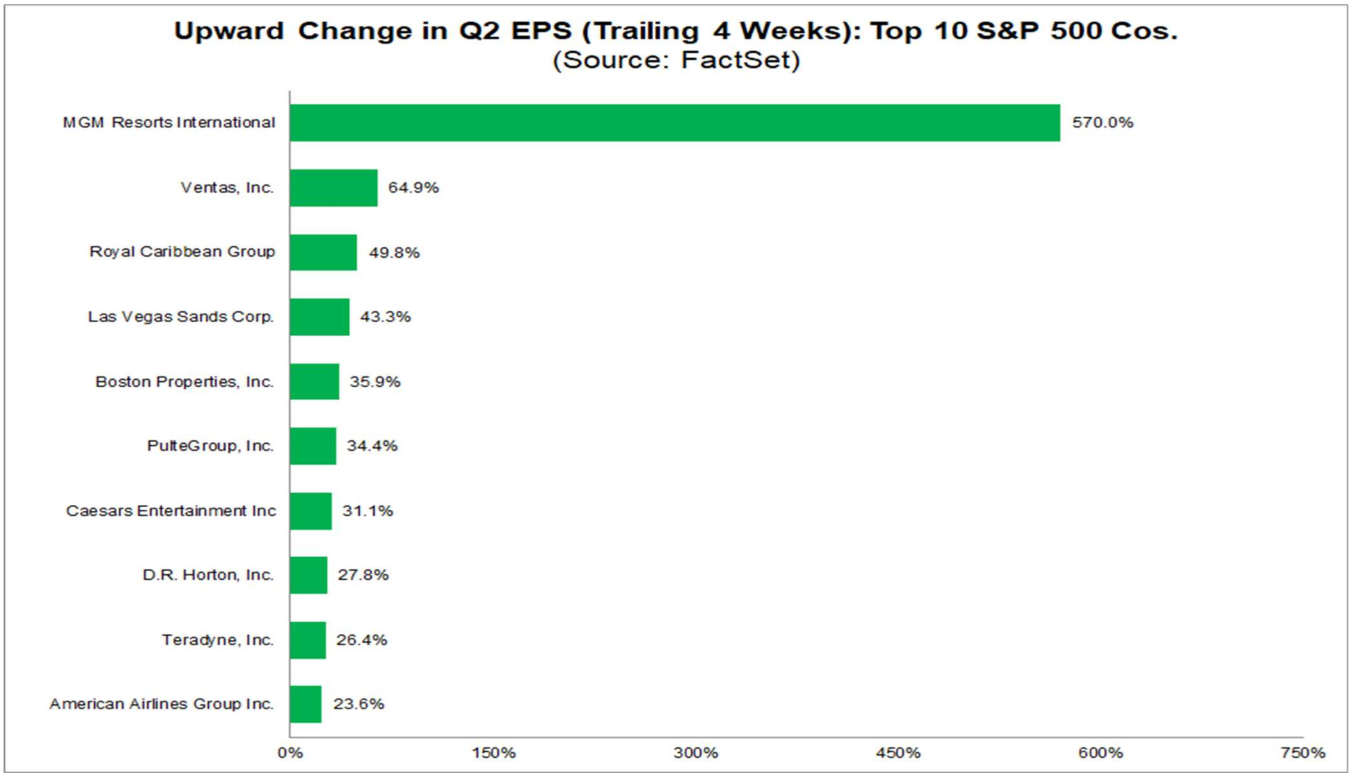
Q2 2023: Guidance

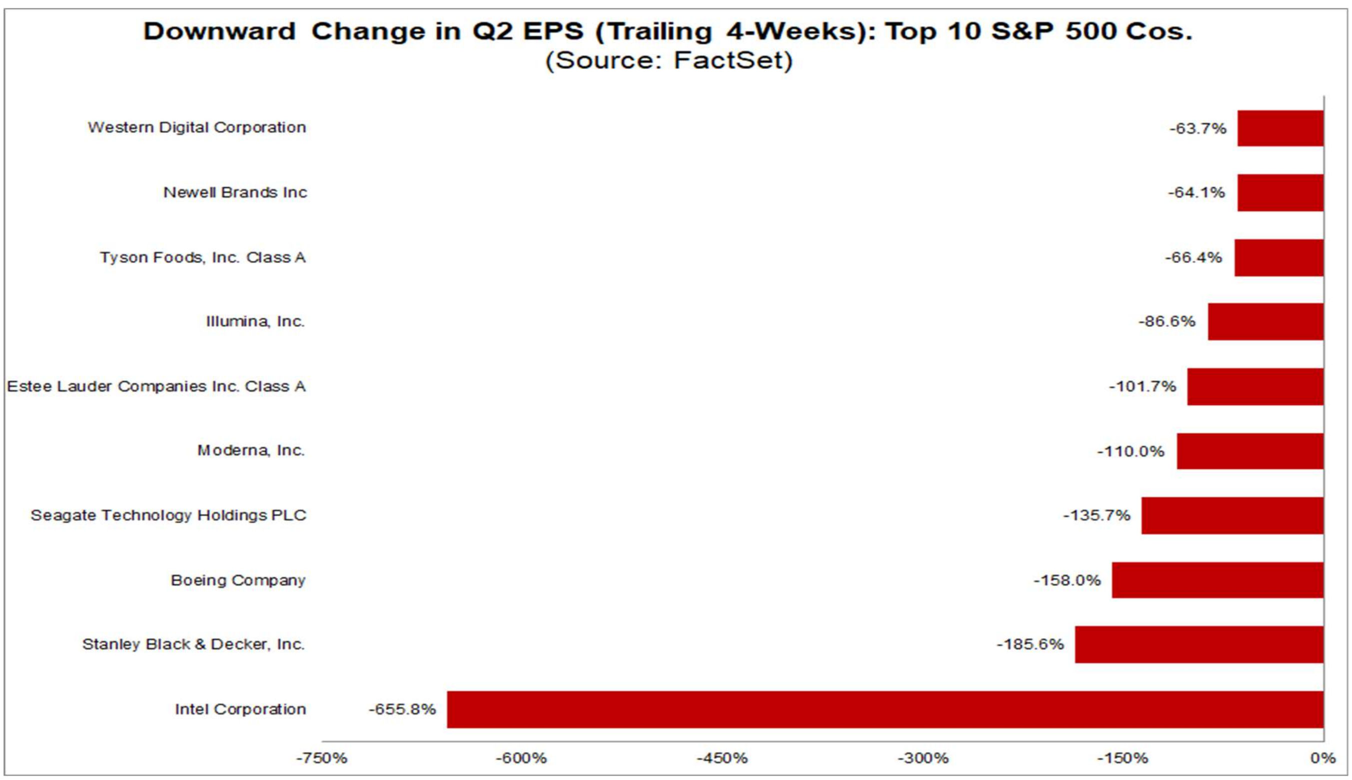




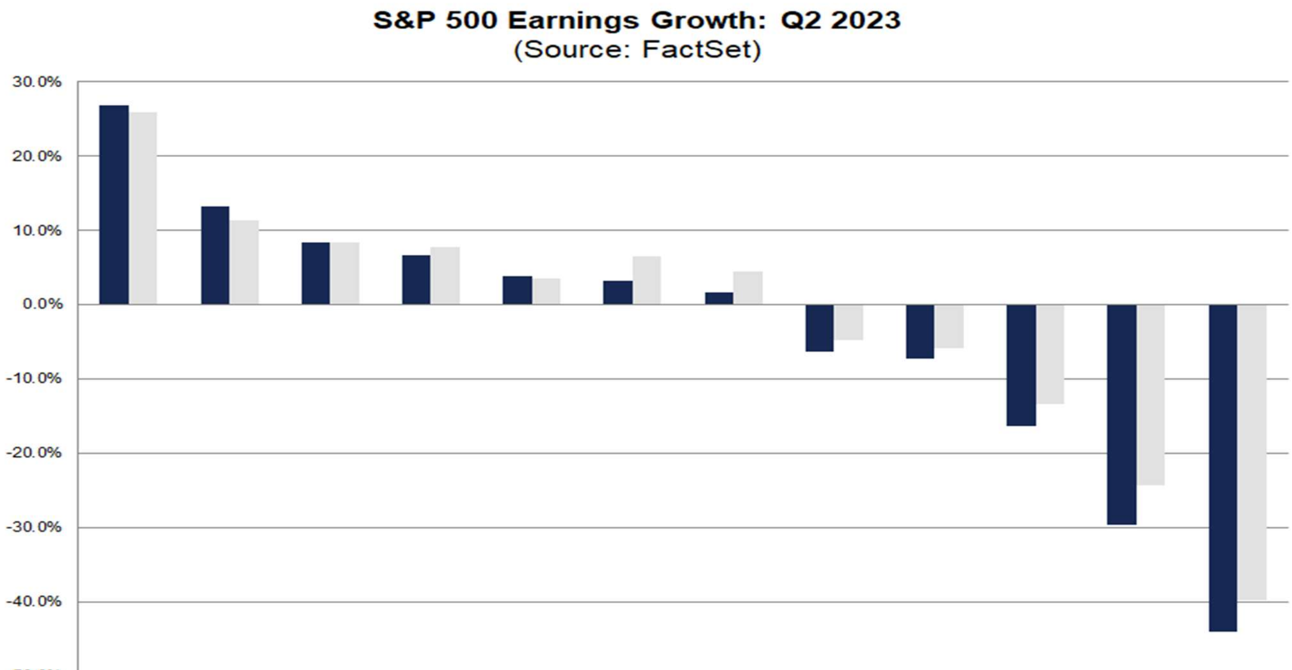
	Financials	Utilities	Comm. Services	Materials	Consumer Staples	Info. Technology	Consumer Disc.	S&P 500	Health Care	Industrials	Real Estate	Energy
Positive	0%	0%	0%	33%	33%	39%	40%	43%	44%	59%	80%	0%
Negative	100%	100%	100%	67%	67%	61%	60%	57%	56%	41%	20%	0%

Q2 2023: EPS Revisions

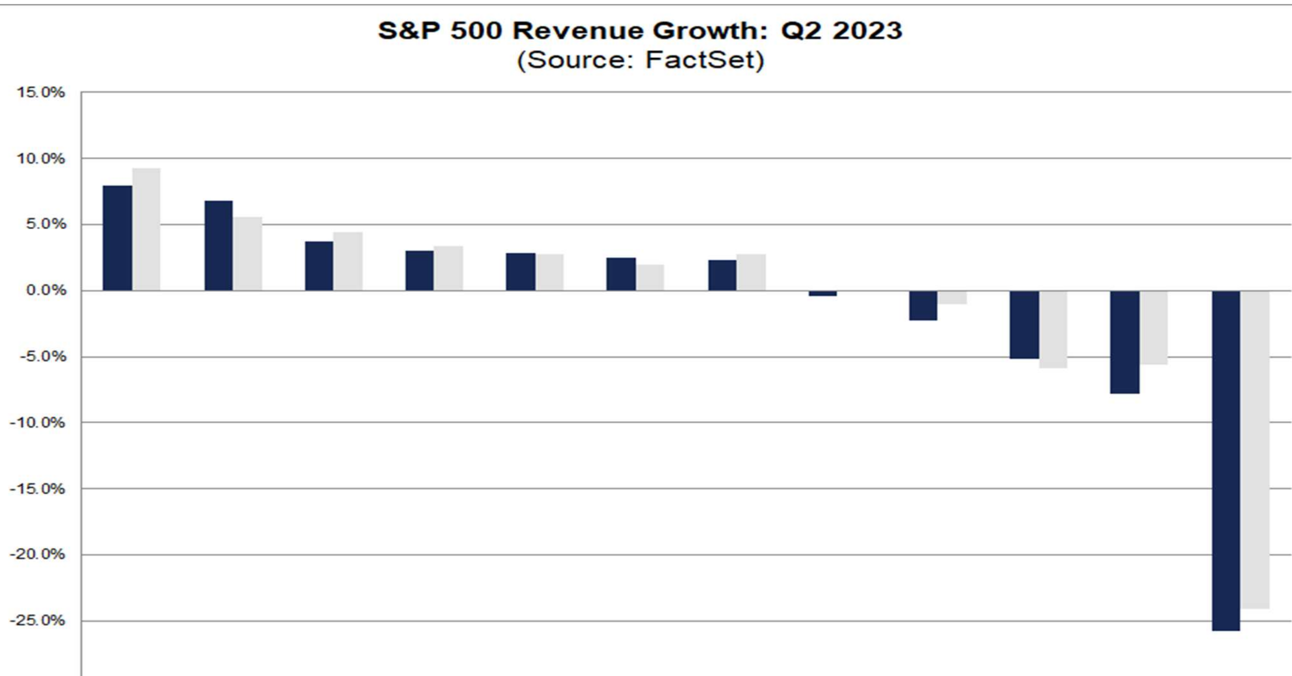




Q2 2023: Growth

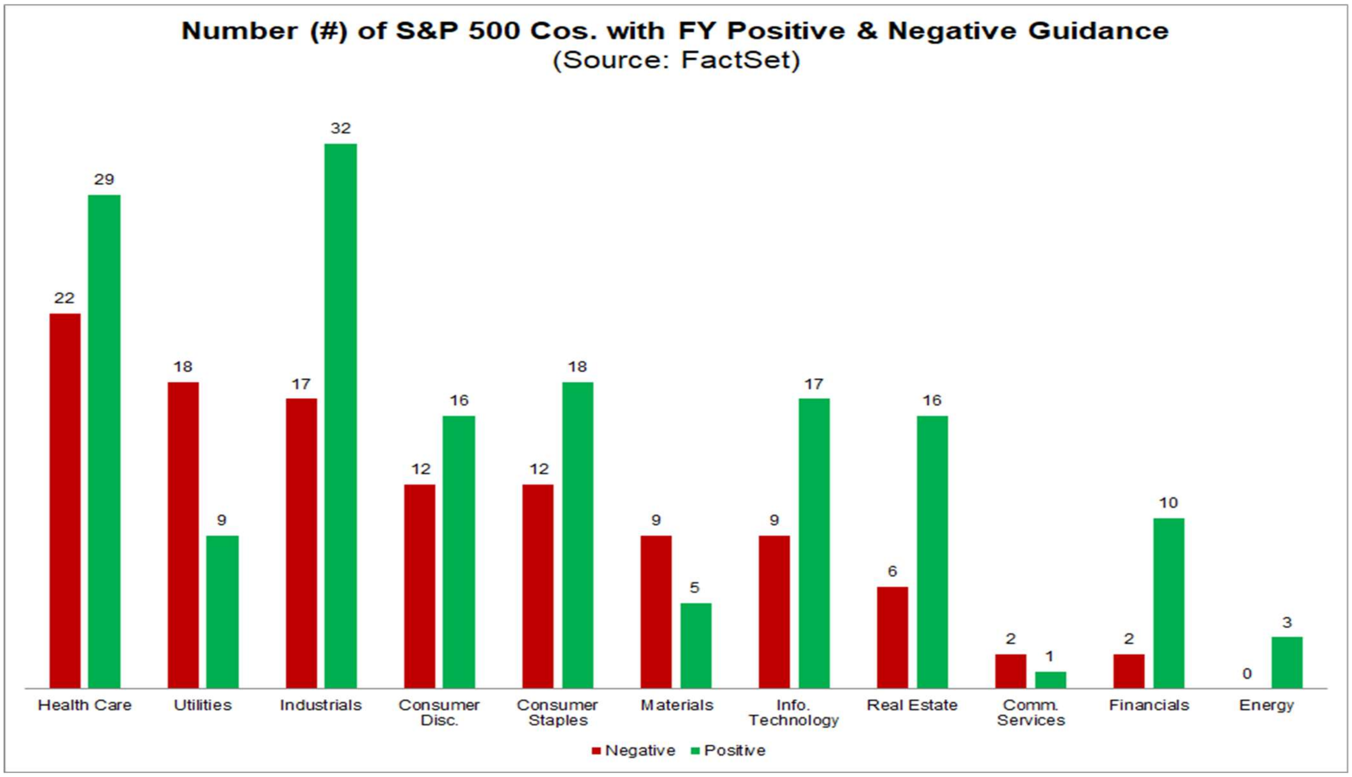


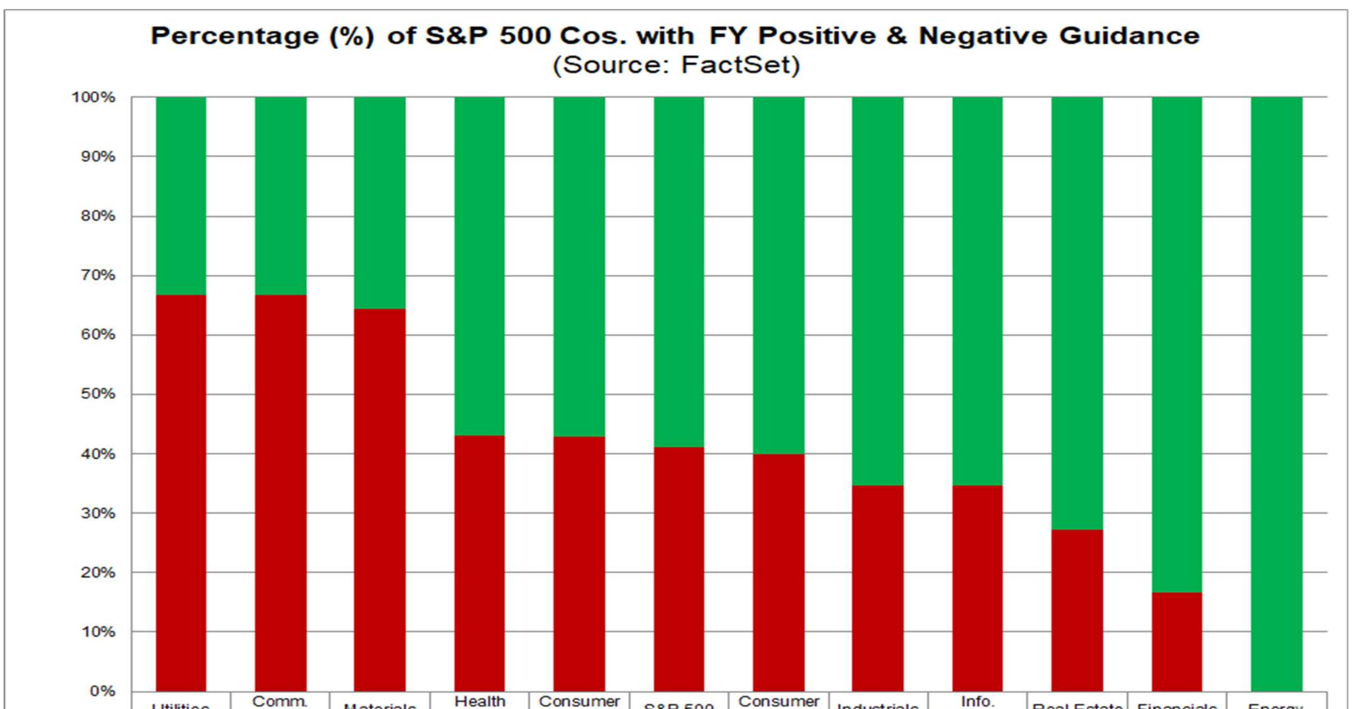
	Consumer Disc.	Comm. Services	Financials	Real Estate	Industrials	Consumer Staples	Utilities	S&P 500	Info. Technology	Health Care	Materials	Energy
Today	26.9%	13.1%	8.4%	6.7%	3.9%	3.3%	1.6%	-6.3%	-7.3%	-16.4%	-29.6%	-44.0%
31-Mar	26.0%	11.4%	8.4%	7.7%	3.5%	6.4%	4.4%	-4.7%	-5.9%	-13.4%	-24.3%	-39.8%



	Financials	Consumer Disc.	Real Estate	Consumer Staples	Comm. Services	Health Care	Industrials	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	7.9%	6.8%	3.7%	3.0%	2.8%	2.4%	2.3%	-0.4%	-2.3%	-5.2%	-7.9%	-25.7%
31-Mar	9.3%	5.5%	4.4%	3.4%	2.7%	2.0%	2.7%	-0.1%	-1.0%	-5.9%	-5.6%	-24.1%

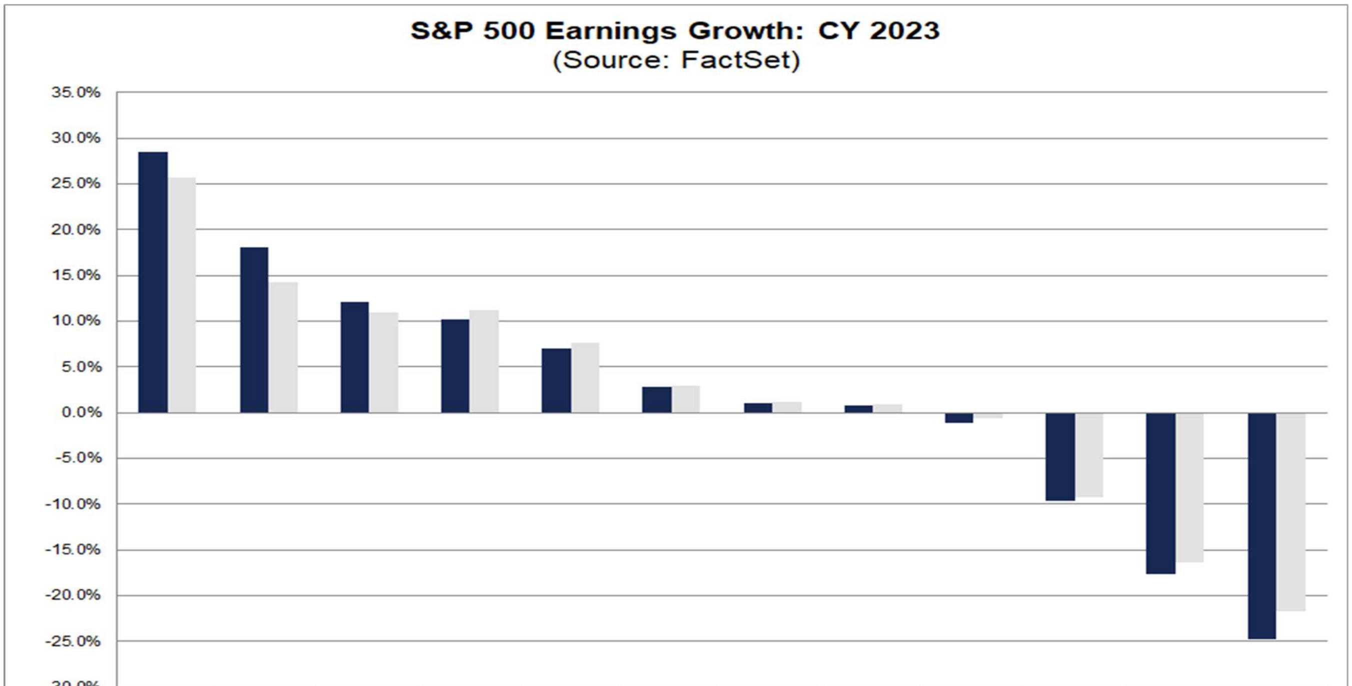
FY 2023 / 2024: EPS Guidance



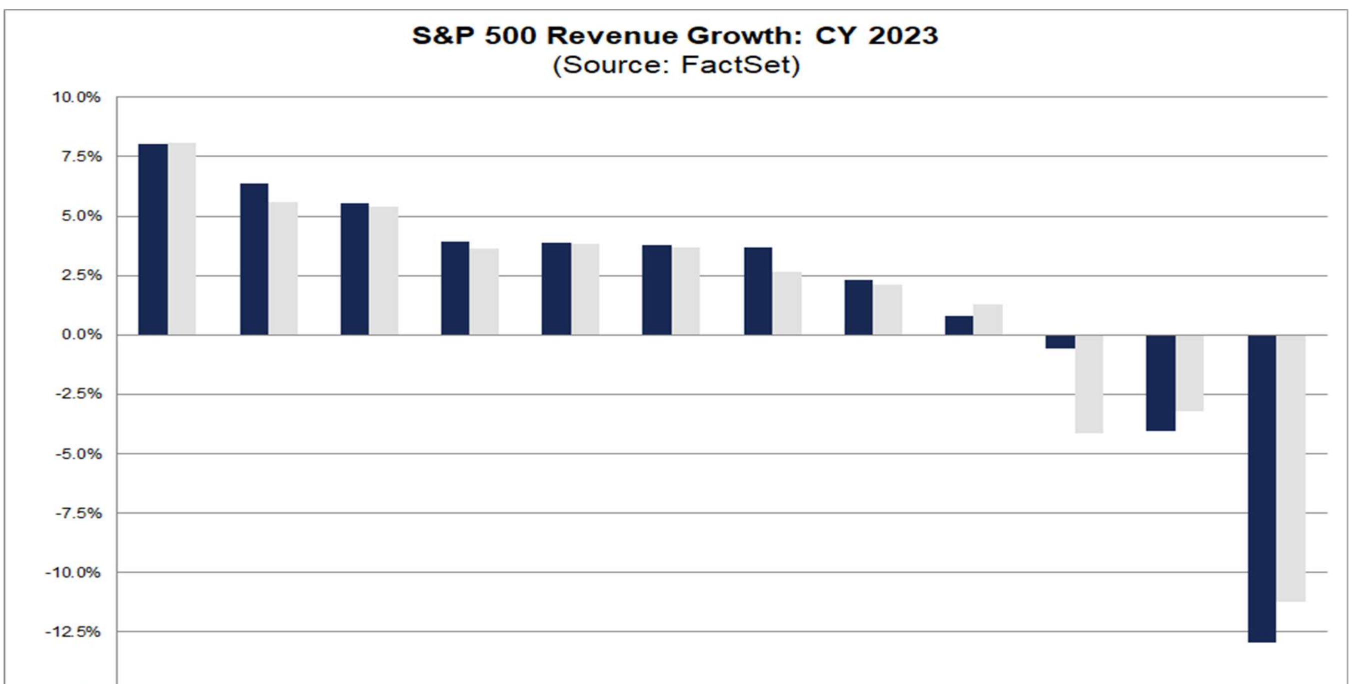


	Utilities	Comm. Services	Materials	Health Care	Consumer Disc.	S&P 500	Consumer Staples	Industrials	Info. Technology	Real Estate	Financials	Energy
Positive	33%	33%	36%	57%	57%	59%	60%	65%	65%	73%	83%	100%
Negative	67%	67%	64%	43%	43%	41%	40%	35%	35%	27%	17%	0%

CY 2023: Growth

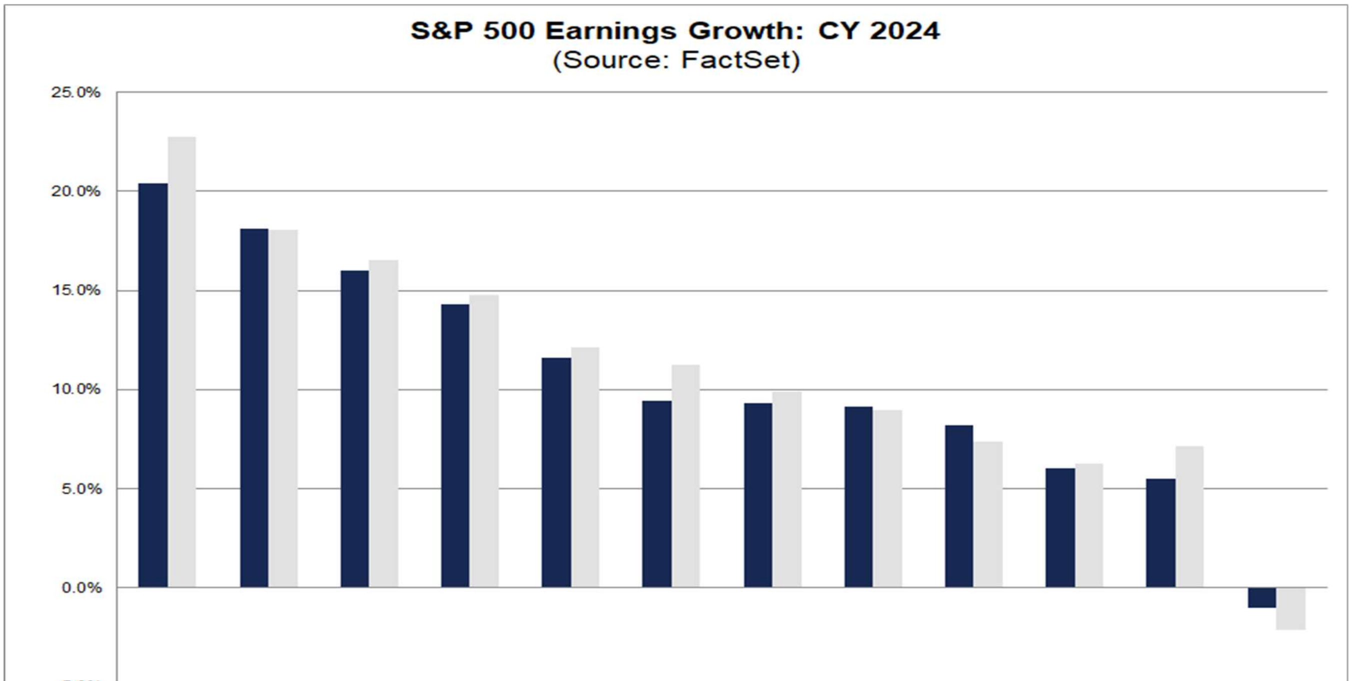


	Consumer Disc.	Comm. Services	Industrials	Financials	Utilities	Consumer Staples	S&P 500	Real Estate	Info. Technology	Health Care	Materials	Energy
Today	28.5%	18.1%	12.1%	10.2%	7.0%	2.8%	1.0%	0.7%	-1.1%	-9.6%	-17.6%	-24.7%
31-Mar	25.6%	14.2%	11.0%	11.2%	7.6%	2.9%	1.1%	0.9%	-0.7%	-9.3%	-16.4%	-21.7%

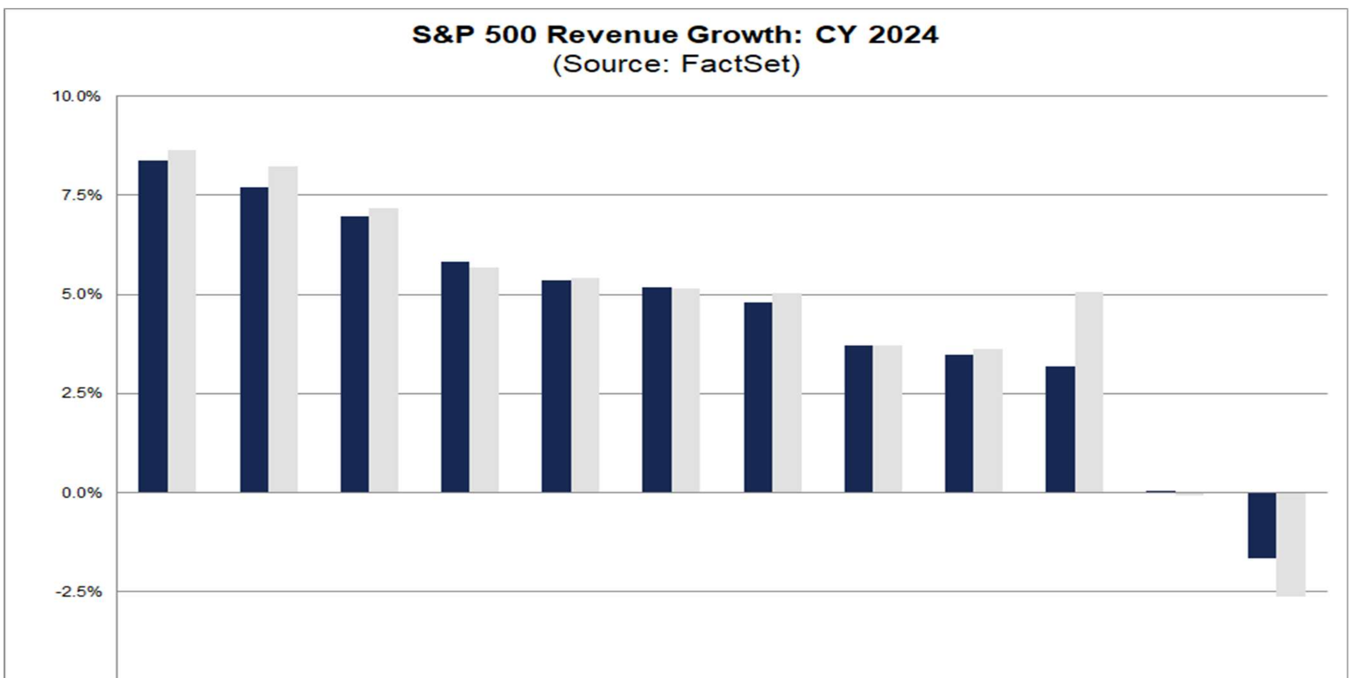


	Financials	Consumer Disc.	Real Estate	Industrials	Consumer Staples	Comm. Services	Health Care	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	8.1%	6.4%	5.6%	3.9%	3.9%	3.8%	3.7%	2.3%	0.8%	-0.6%	-4.1%	-13.0%
31-Mar	8.1%	5.6%	5.4%	3.6%	3.8%	3.7%	2.7%	2.1%	1.3%	-4.1%	-3.2%	-11.2%

CY 2024: Growth

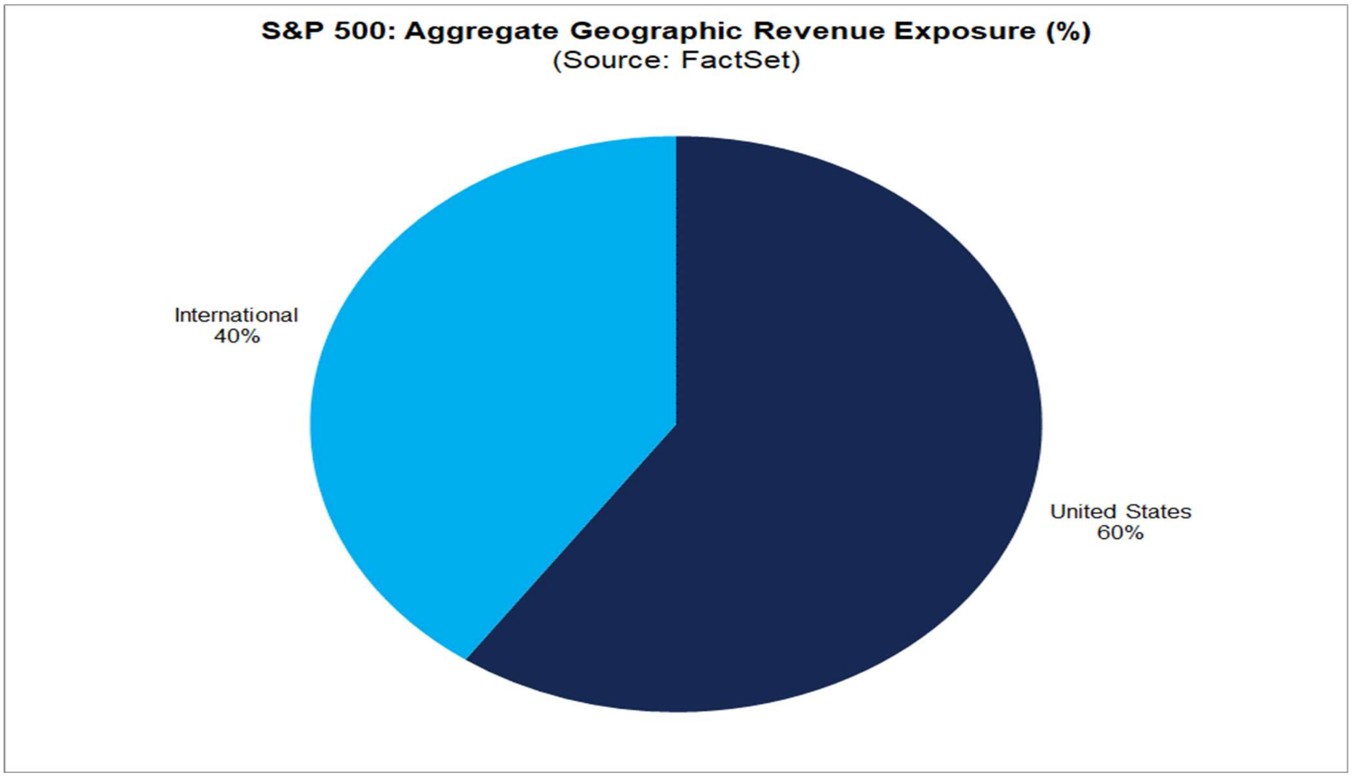


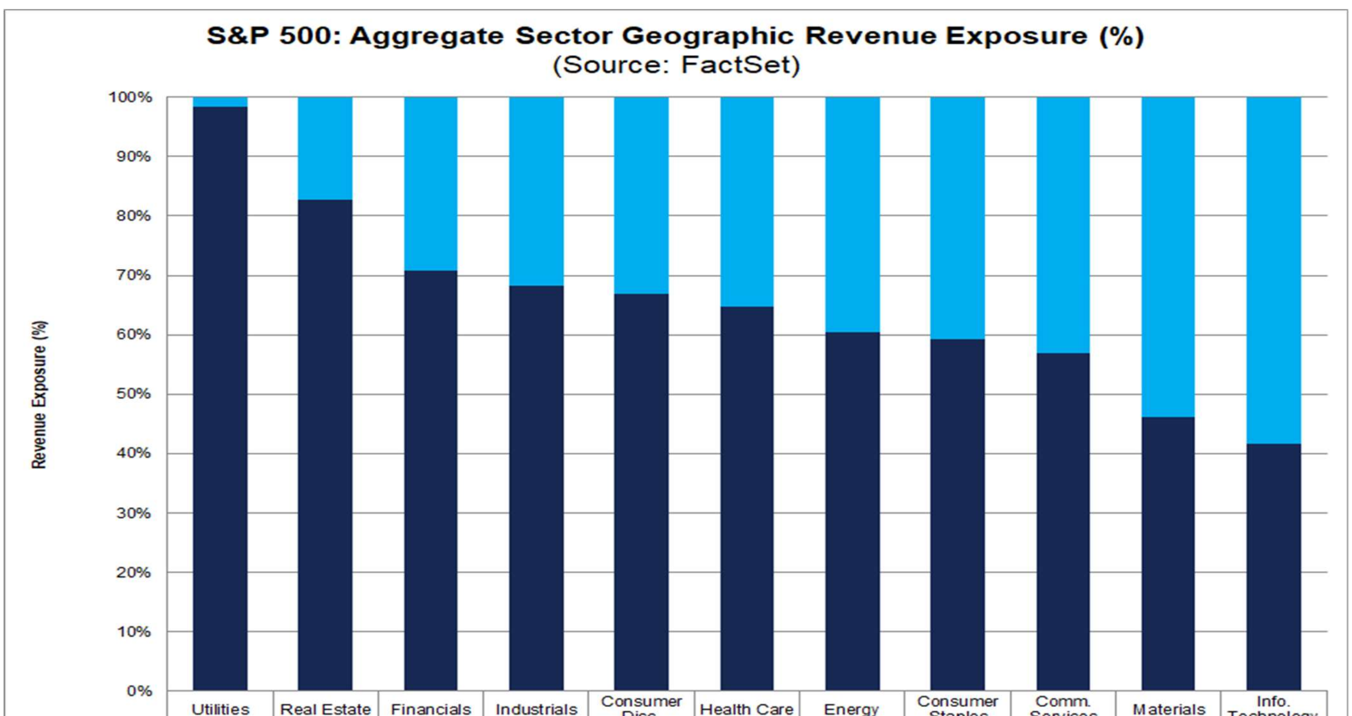
	Consumer Disc.	Comm. Services	Info. Technology	Industrials	S&P 500	Financials	Health Care	Consumer Staples	Utilities	Real Estate	Materials	Energy
Today	20.4%	18.1%	16.0%	14.3%	11.6%	9.4%	9.3%	9.2%	8.2%	6.0%	5.5%	-1.0%
31-Mar	22.7%	18.1%	16.5%	14.8%	12.1%	11.3%	9.9%	9.0%	7.4%	6.3%	7.1%	-2.1%



	Info. Technology	Consumer Disc.	Comm. Services	Real Estate	Health Care	Industrials	S&P 500	Consumer Staples	Utilities	Financials	Materials	Energy
Today	8.4%	7.7%	7.0%	5.8%	5.3%	5.2%	4.8%	3.7%	3.5%	3.2%	0.0%	-1.7%
31-Mar	8.6%	8.2%	7.2%	5.7%	5.4%	5.1%	5.0%	3.7%	3.6%	5.1%	-0.1%	-2.6%

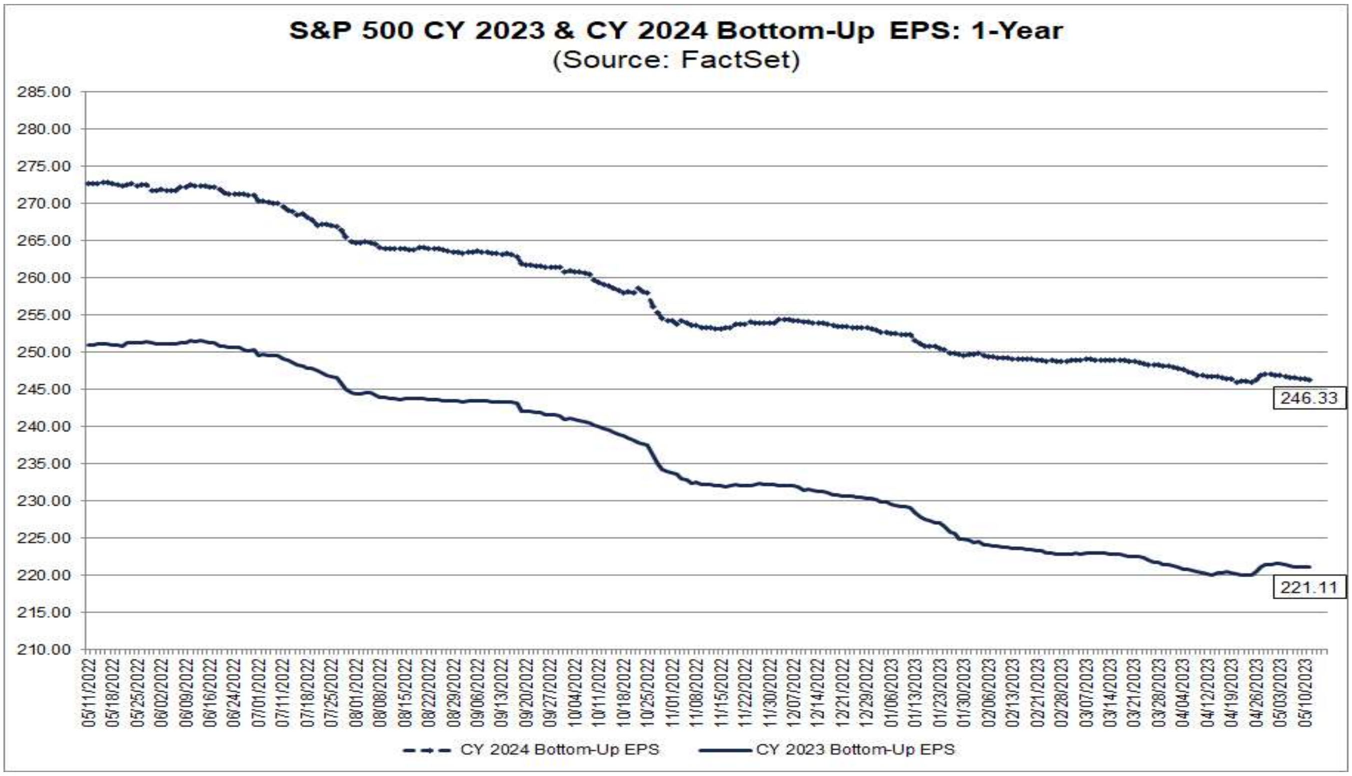
Geographic Revenue Exposure

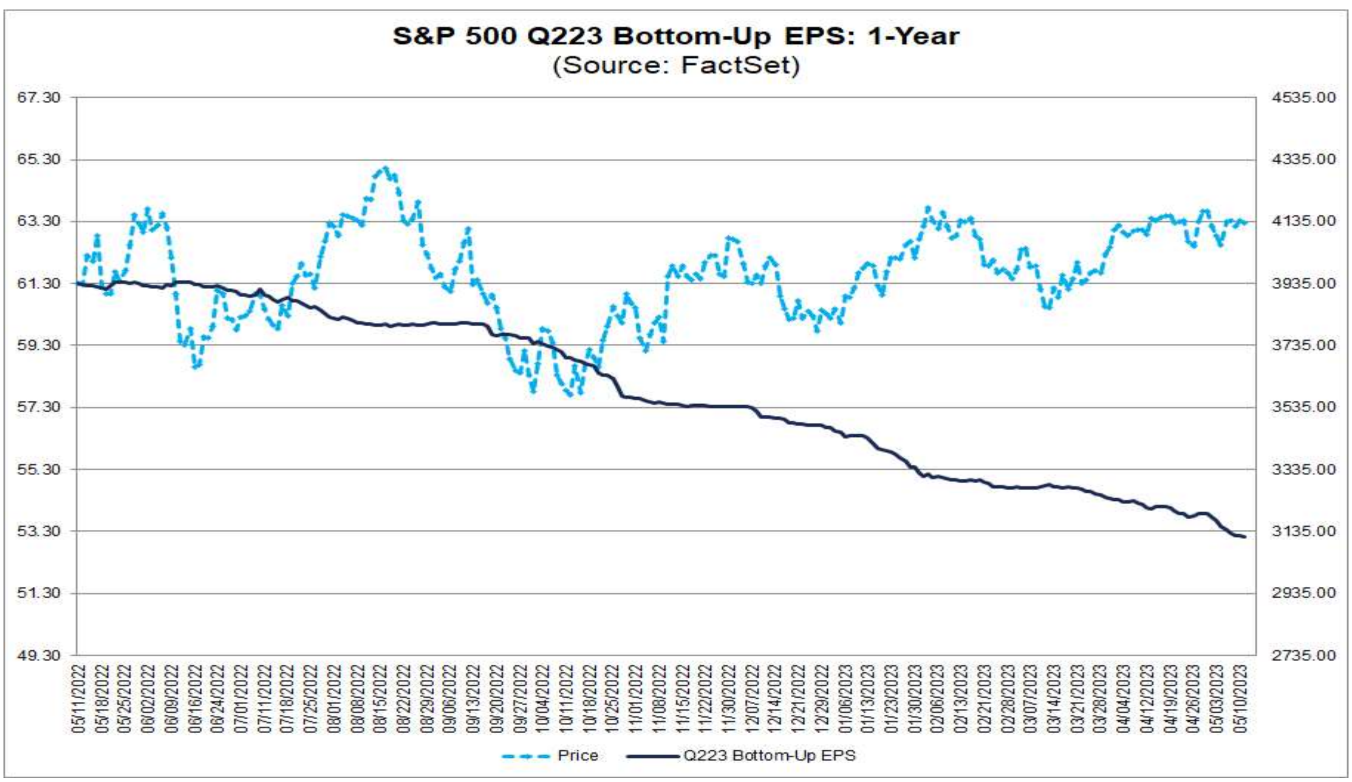




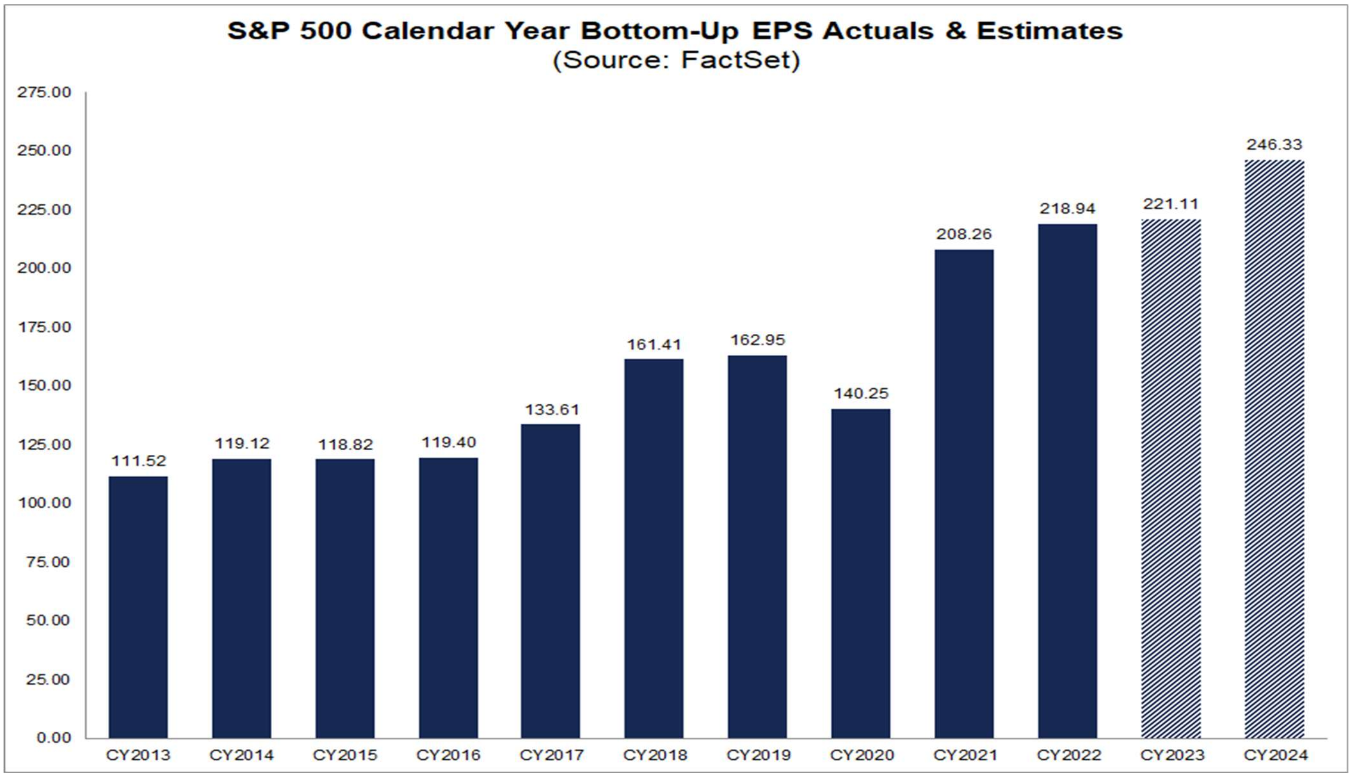
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	2%	17%	29%	32%	33%	35%	39%	41%	43%	54%	58%
United States	98%	83%	71%	68%	67%	65%	61%	59%	57%	46%	42%

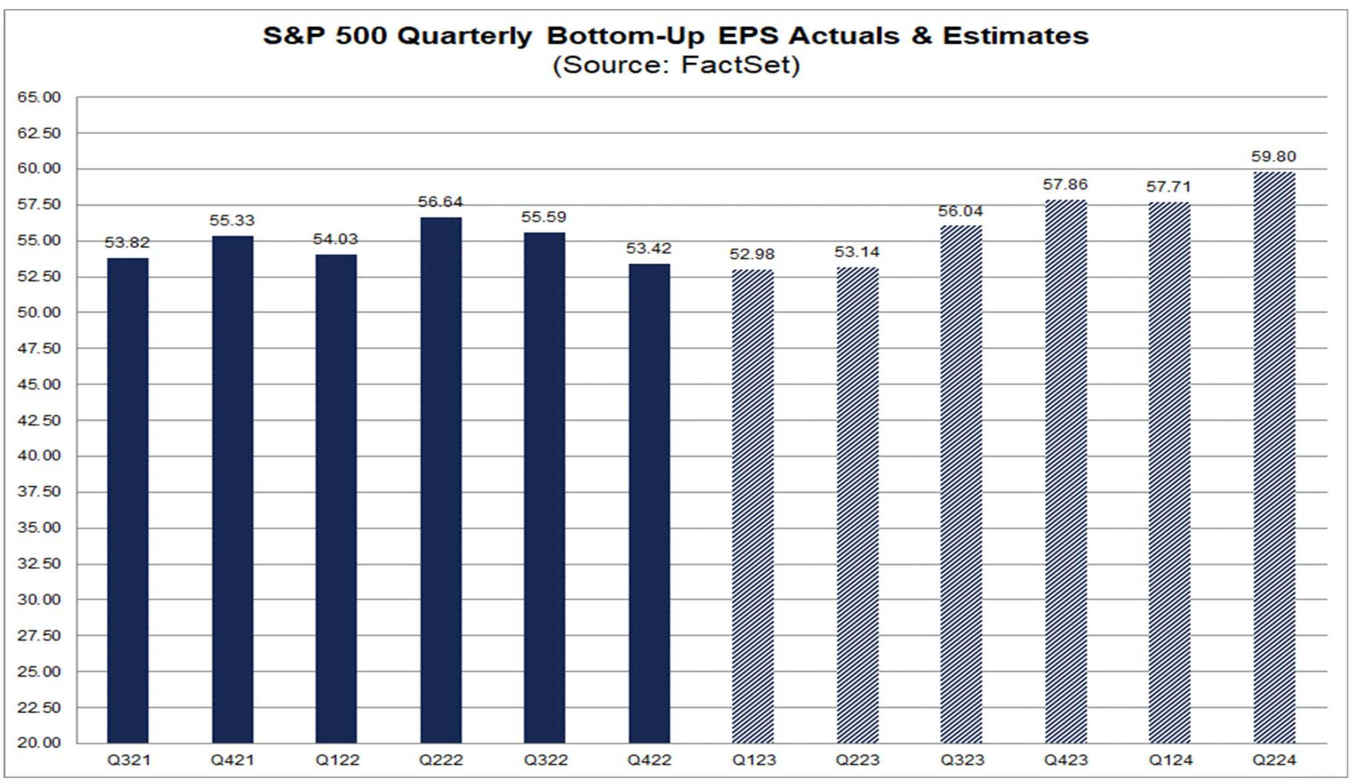
Bottom-Up EPS Estimates



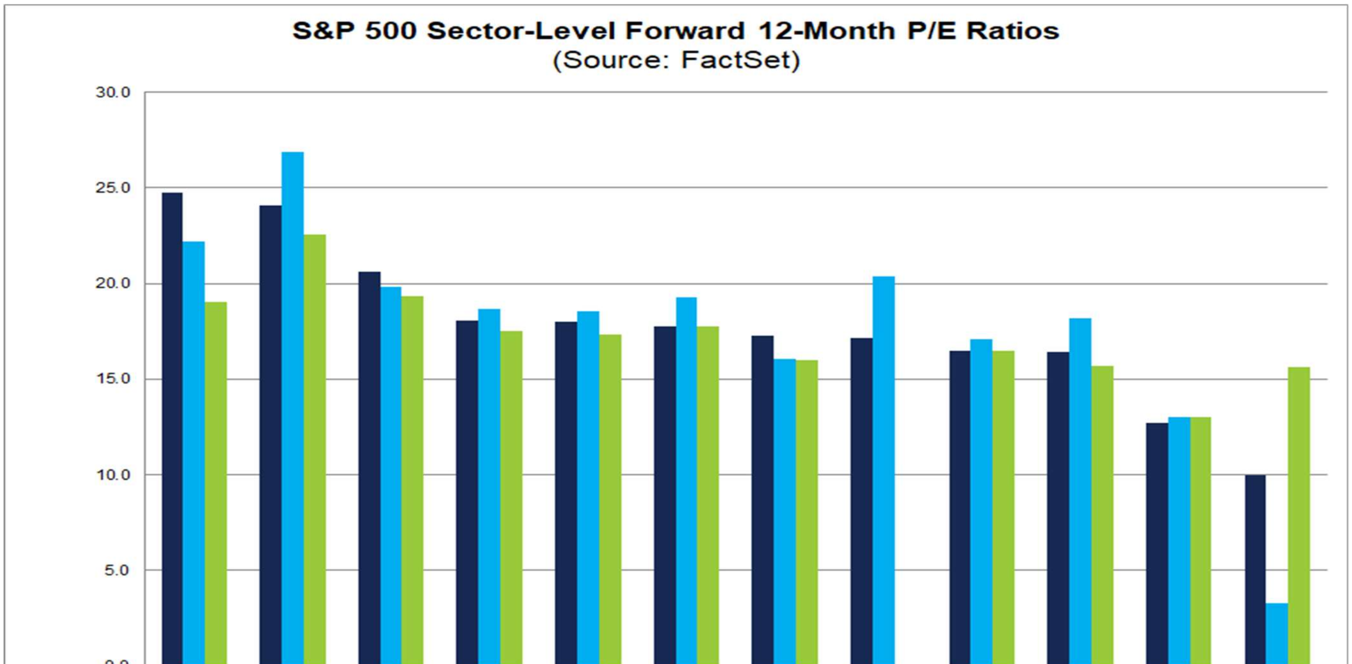


Bottom-Up EPS Estimates: Current & Historical

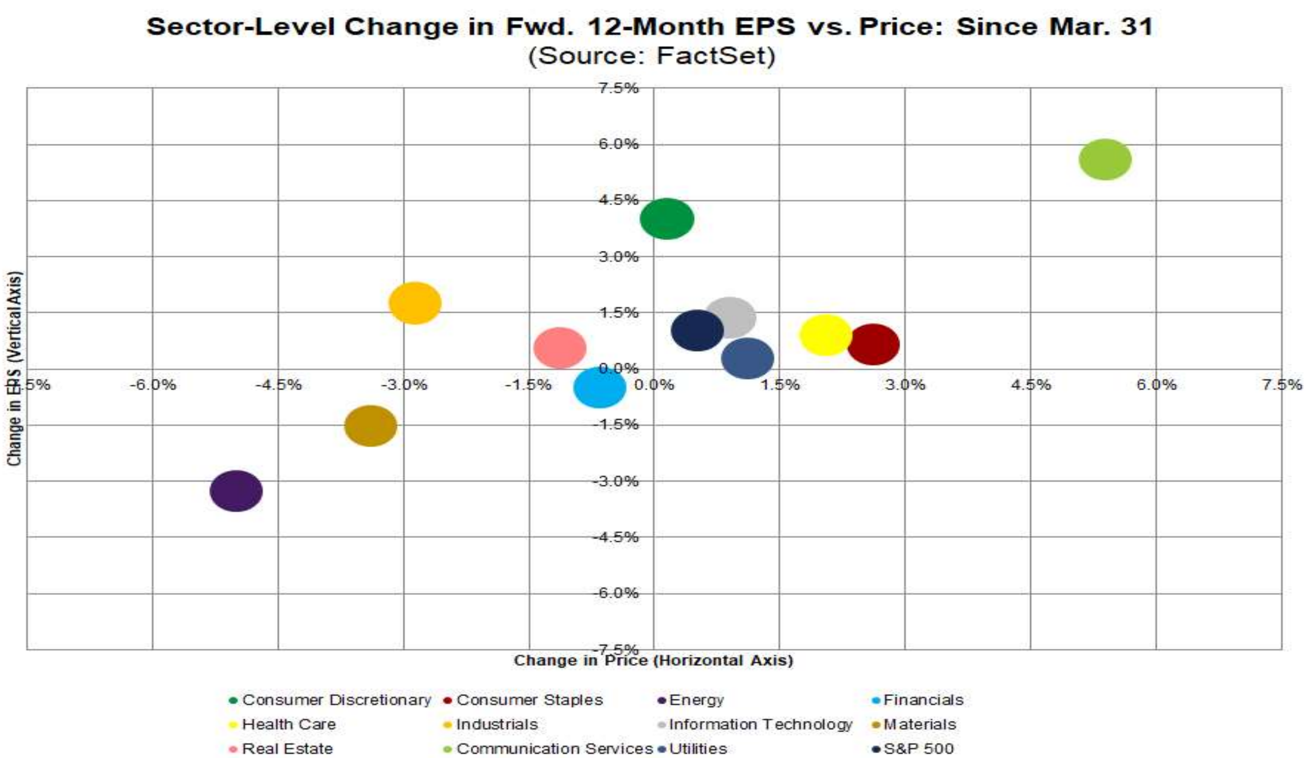




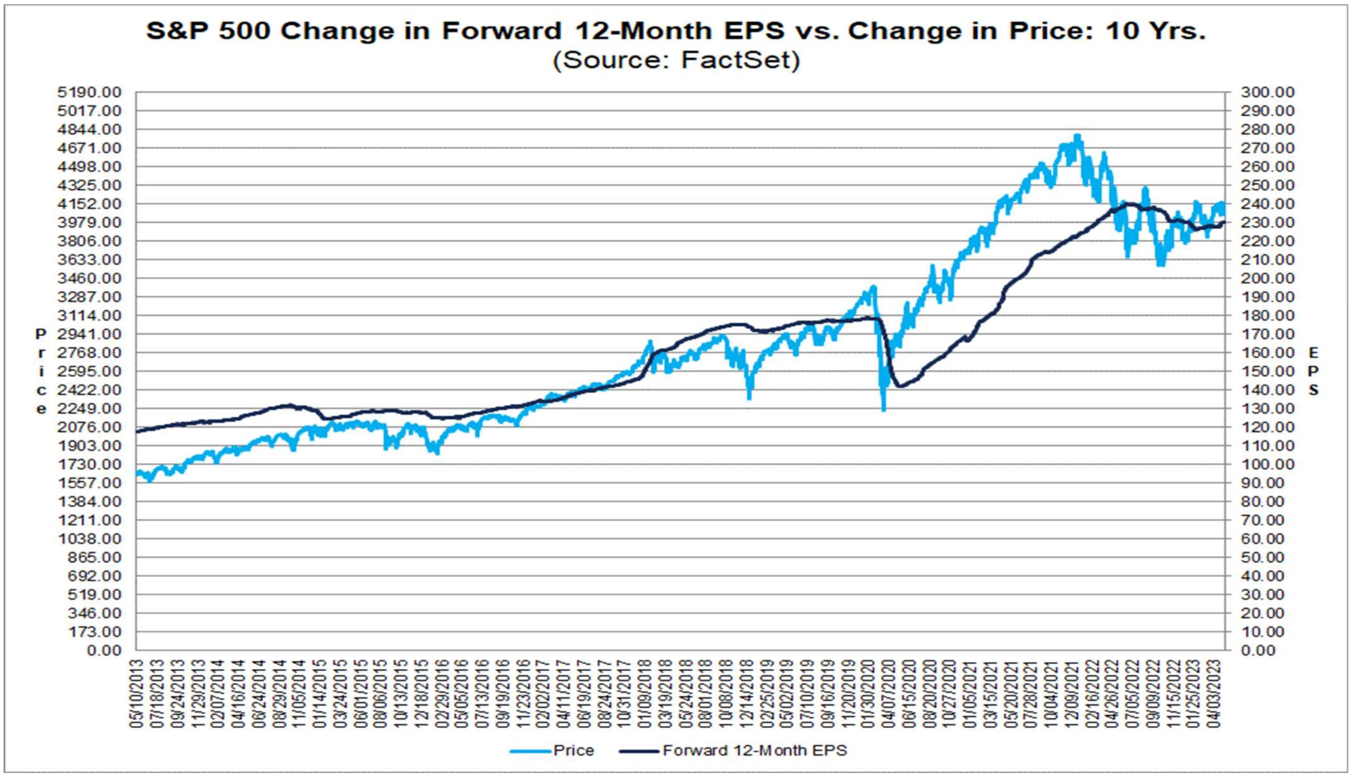
Forward 12M P/E Ratio: Sector Level

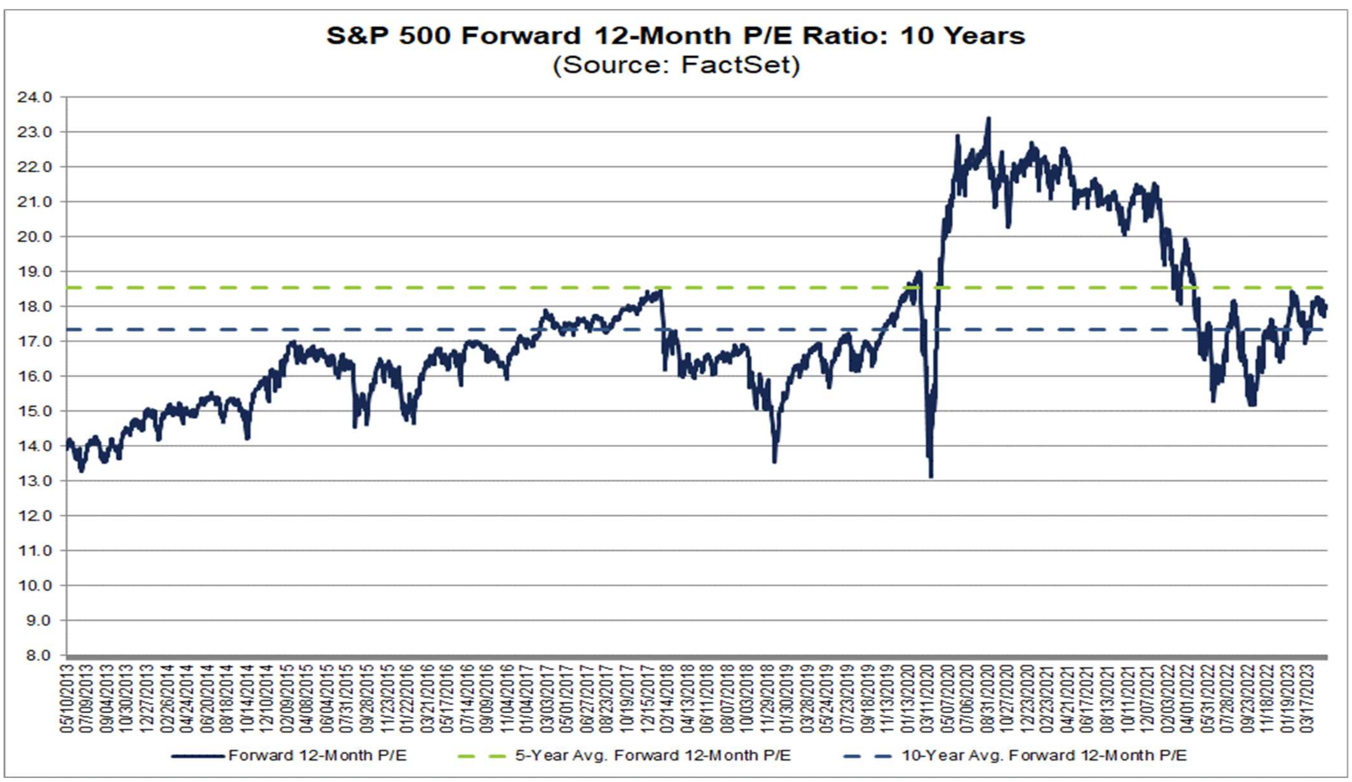


	Info. Technology	Consumer Disc.	Consumer Staples	Utilities	S&P 500	Industrials	Health Care	Real Estate	Materials	Comm. Services	Financials	Energy
Fwd P/E	24.7	24.1	20.6	18.0	18.0	17.8	17.3	17.2	16.5	16.4	12.7	10.0
5-Yr Avg.	22.2	26.9	19.8	18.7	18.6	19.3	16.1	20.4	17.1	18.2	13.0	3.3
10-Yr Avg.	19.1	22.5	19.3	17.5	17.3	17.8	16.0		16.5	15.7	13.0	15.6

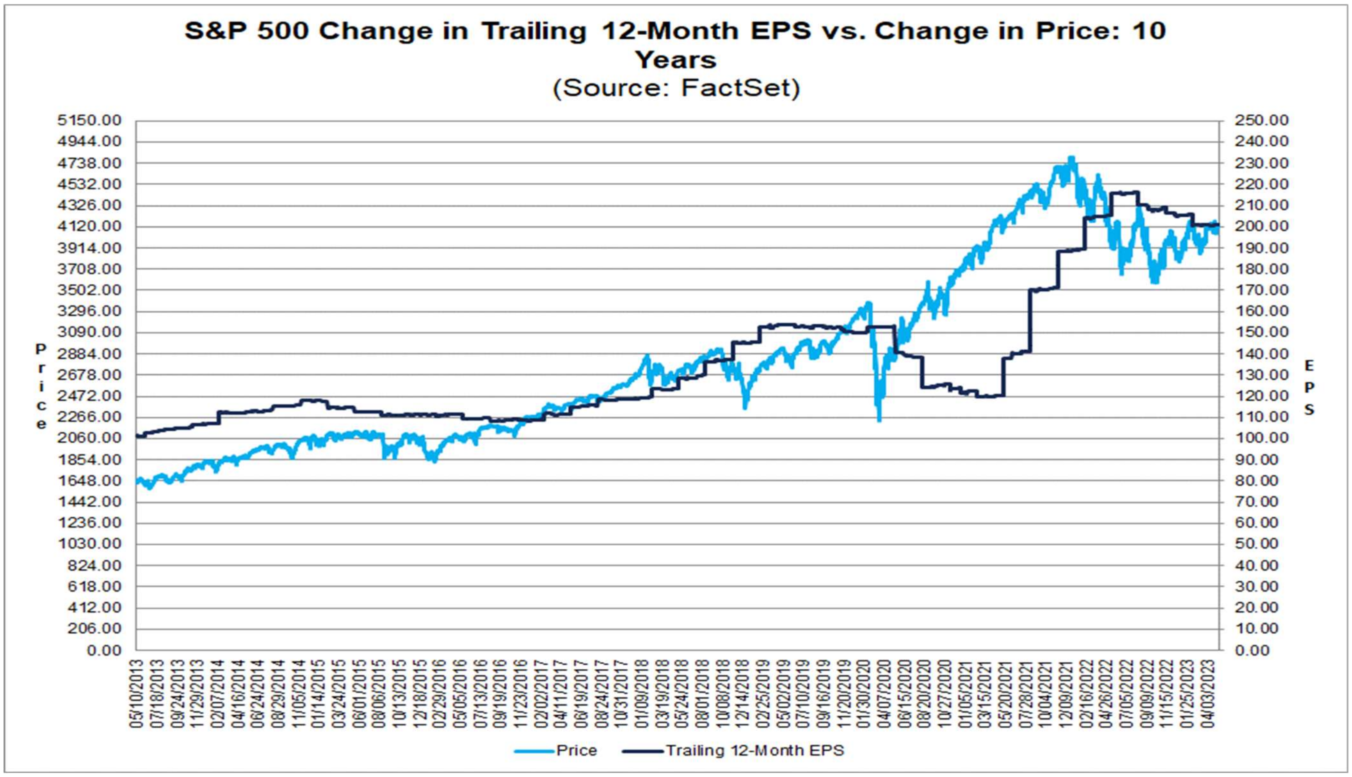


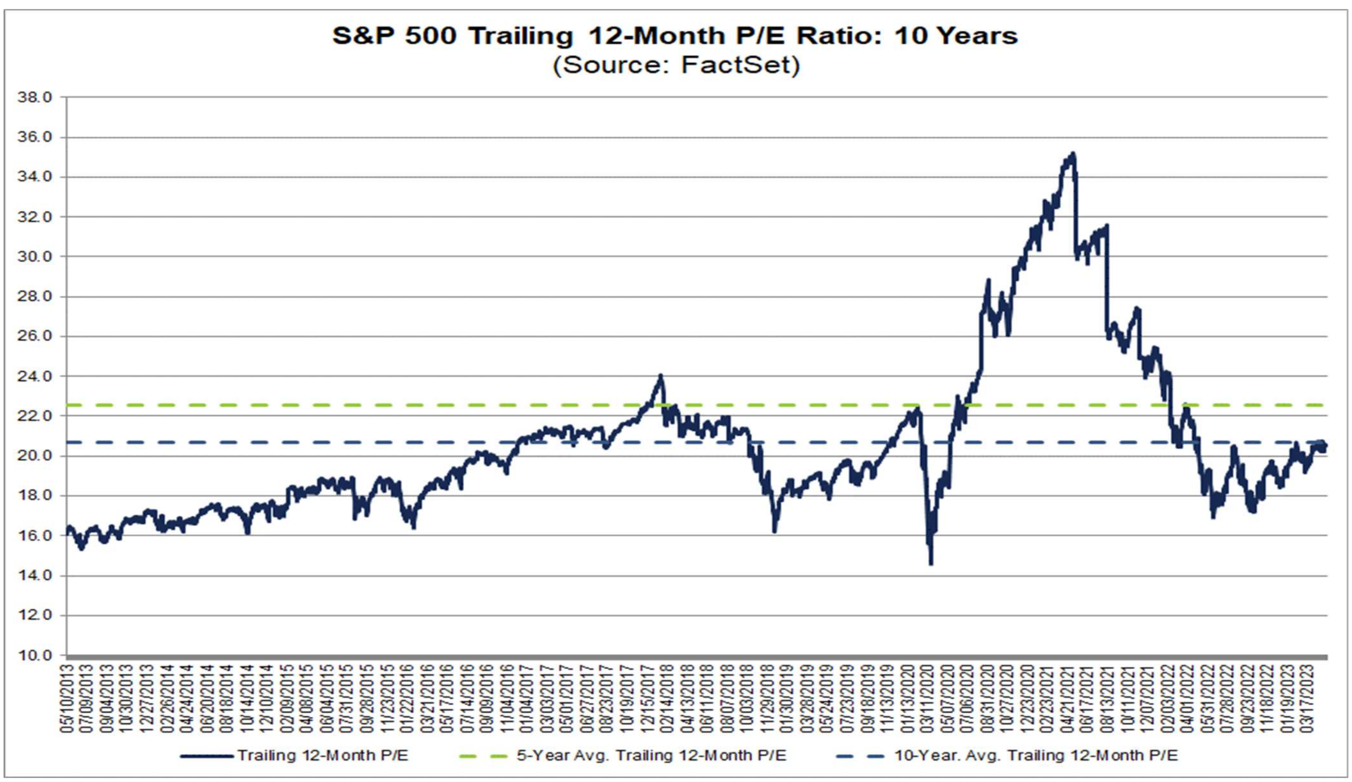
Forward 12M P/E Ratio: 10-Years



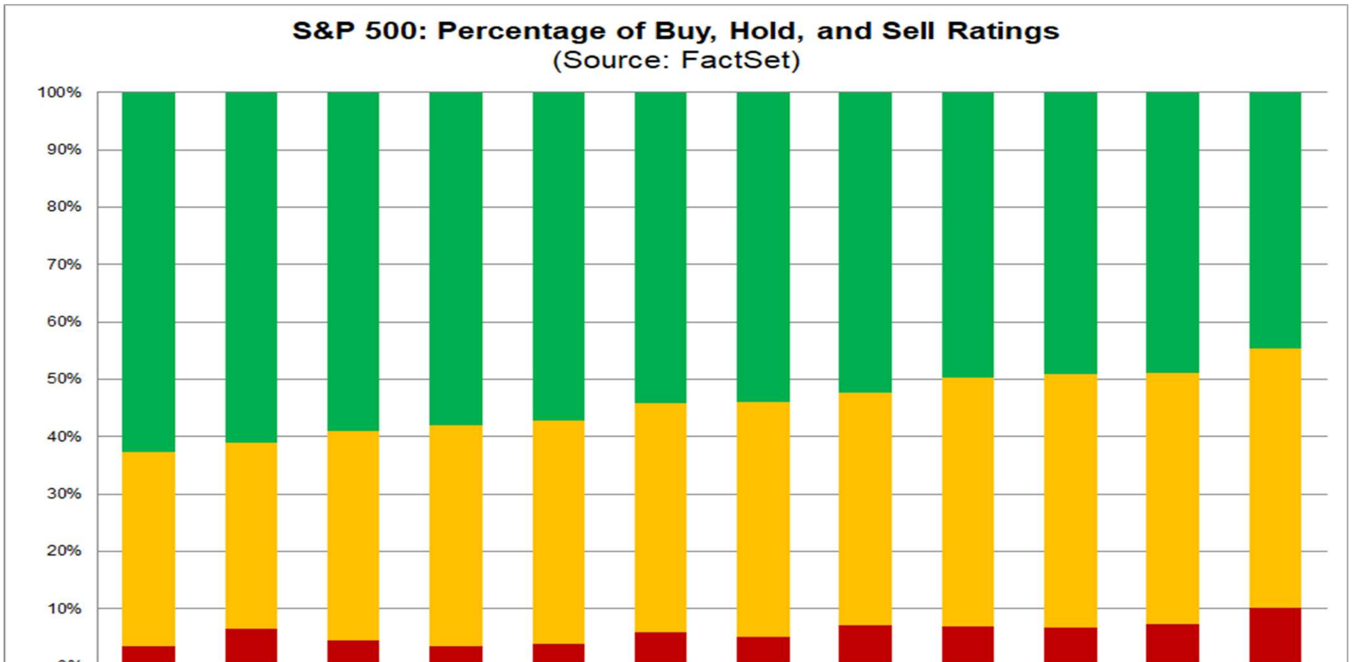


Trailing 12M P/E Ratio: 10-Years

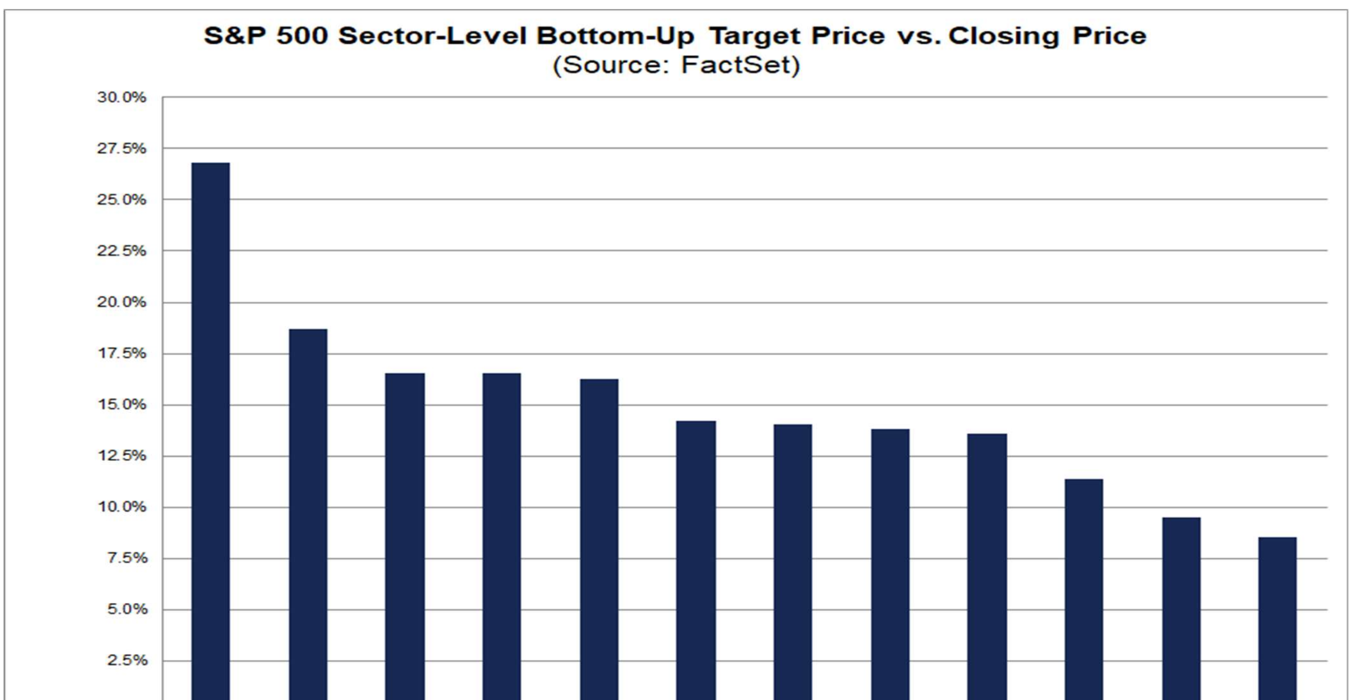




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Real Estate	S&P 500	Consumer Disc.	Financials	Industrials	Materials	Utilities	Consumer Staples
Buy	63%	61%	59%	58%	57%	54%	54%	52%	50%	49%	49%	45%
Hold	34%	32%	37%	39%	39%	40%	41%	40%	43%	44%	44%	45%
Sell	3%	7%	4%	4%	4%	6%	5%	7%	7%	7%	7%	10%



	Energy	Financials	Real Estate	Materials	Comm. Services	Health Care	Industrials	S&P 500	Consumer Disc.	Utilities	Info. Tech.	Consumer Staples
Target/Close	26.8%	18.7%	16.5%	16.5%	16.2%	14.2%	14.0%	13.8%	13.6%	11.4%	9.5%	8.5%

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