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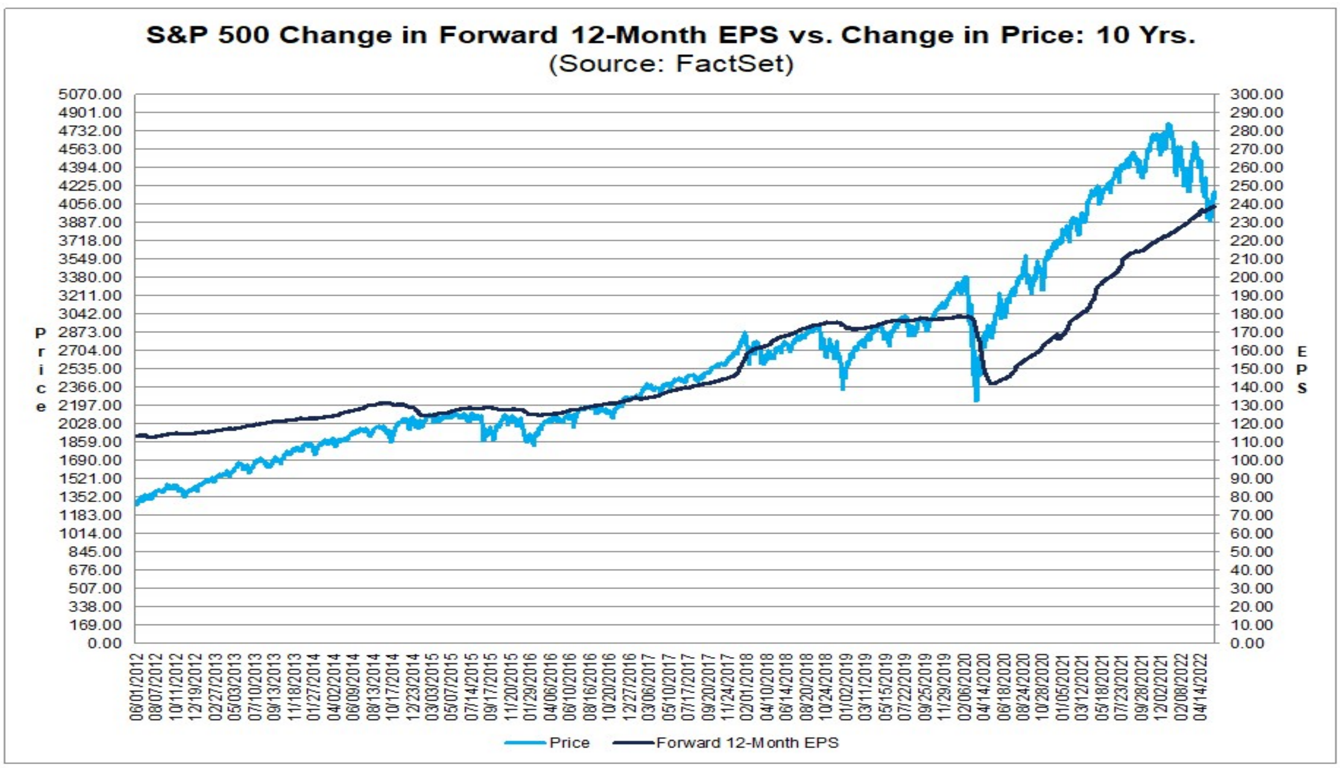
Key Metrics

- **Earnings Scorecard:** For Q1 2022 (with 99% of S&P 500 companies reporting actual results), 77% of S&P 500 companies have reported a positive EPS surprise and 73% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q1 2022, the blended earnings growth rate for the S&P 500 is 9.2%. If 9.2% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q4 2020 (3.8%).
- **Earnings Revisions:** On March 31, the estimated earnings growth rate for Q1 2022 was 4.6%. Ten sectors have higher earnings growth rates today (compared to March 31) due to positive EPS surprises and upward revisions to EPS estimates.
- **Earnings Guidance:** For Q2 2022, 70 S&P 500 companies have issued negative EPS guidance and 31 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.5. This P/E ratio is below the 5-year average (18.6) but above the 10-year average (16.9).



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Topic of the Week:

Analysts Lowering EPS Estimates for Q2 2022 But Not Lowering EPS Estimates For 2H 2022

During the first two months of the second quarter, analysts decreased earnings estimates for companies in the S&P 500 for the quarter. The Q2 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q2 for all the companies in the index) decreased by 1.3% (to $55.36 from $56.06) during this period. How significant is a 1.3% decrease in the bottom-up EPS estimate during the first two months of a quarter? How does this decrease compare to recent quarters?

In a typical quarter, analysts usually reduce earnings estimates during the first two months of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 1.9%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.7%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 3.4%.

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

However, it should be noted that the second quarter also marked the largest decrease in the bottom-up EPS estimate during the first two months of a quarter since Q2 2020 (-35.9%), when there were widespread lockdowns in the U.S. due to COVID-19.

At the sector level, seven of the eleven sectors witnessed a decrease in their bottom-up EPS estimate for Q2 2022 from March 31 to May 31, led by the Consumer Discretionary (-15.8%) and Communication Services (-7.3%) sectors. On the other hand, four sectors recorded an increase in their bottom-up EPS estimate for Q2 2022 during this period, led by the Energy (+29.4%) and Materials (+8.7%) sectors.

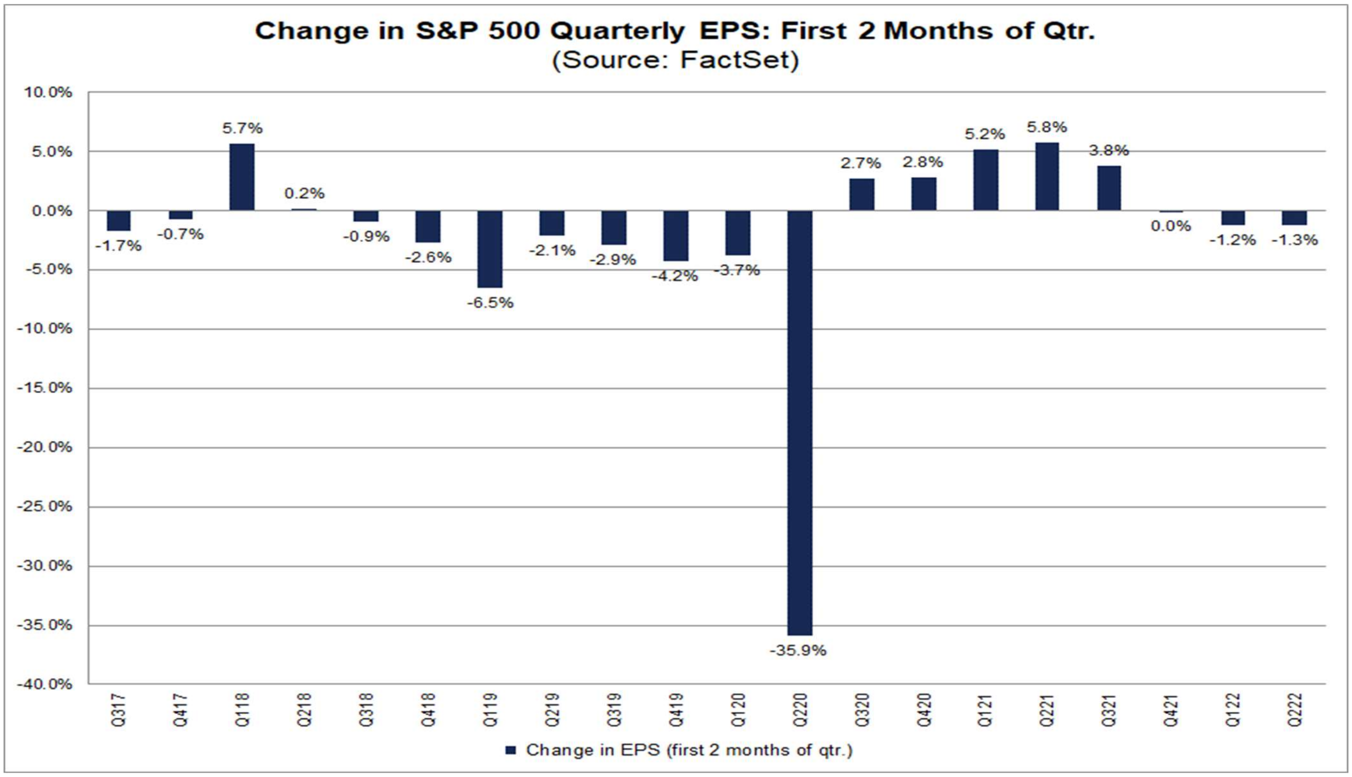
While analysts were decreasing EPS estimates in aggregate for the second quarter, they were also increasing EPS estimates in aggregate for the next two quarters by small margins. The bottom-up EPS estimate for the third quarter increased by 0.4% (to $59.52 from $59.26) from March 31 to May 31, while the bottom-up EPS estimate for the fourth quarter increased by 0.2% (to $60.78 from $60.74) during this same period.

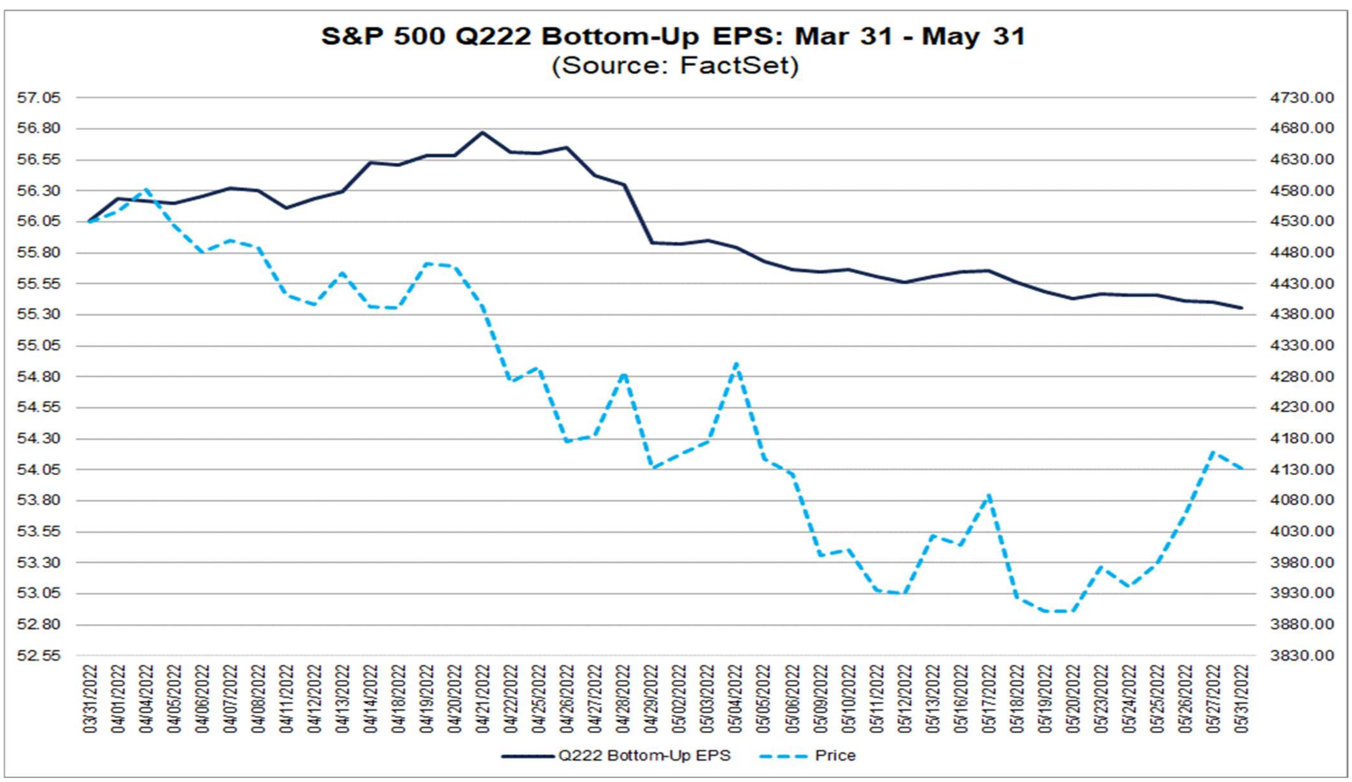
Given the slight increases in bottom-up EPS estimates for third and fourth quarters and the larger increase in the bottom-up EPS estimate for the first quarter (+4.5%) due to companies reporting positive earnings surprises, analysts also increased EPS estimates for all of 2022 during this period. The CY 2022 bottom-up EPS estimate increased by 0.7% (to $229.49 from $227.83) from March 31 to May 31.

At the sector level, five sectors witnessed a decrease in their bottom-up EPS estimate for CY 2022 from March 31 to May 31, led by the Consumer Discretionary (-10.8%) sector. On the other hand, five sectors witnessed an increase in their bottom-up EPS estimates for CY 2022 during this time, led by the Energy (+24.4%) and Materials (+9.3%) sectors. One sector (Utilities) recorded no change in its bottom-up EPS estimate for CY 2022 during this period.

In addition, analysts have increased earnings estimates for CY 2023, as the bottom-up EPS estimate for CY 2023 increased by 0.6% (to $251.53 from $250.03) from March 31 to May 31.

It is interesting to note that as the bottom-up EPS estimate for Q2 2022 decreased and the bottom-up EPS estimates for CY 2022 and CY 2023 increased during the first two months of the quarter, the value of the S&P 500 decreased during this same period. From March 31 through May 31, the value of the index decreased by 8.8% (to 4132.15 from 4530.41). With prices falling and earnings estimates rising, the forward 12-month P/E ratio for the S&P 500 declined to 17.4 from 19.4 during this period.


Change in S&P 500 Quarterly EPS: First 2 Months of Qtr.
(Source: FactSet)
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
-25.0%
-30.0%
-35.0%
-40.0%
-1.7%
-0.7%
5.7%
0.2%
-0.9%
-2.6%
-6.5%
-2.1%
-2.9%
-4.2%
-3.7%
-35.9%
2.7%
2.8%
5.2%
5.8%
3.8%
0.0%
-1.2%
-1.3%
Q317
Q417
Q118
Q218
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Q121
Q221
Q321
Q421
Q122
Q222
Change in EPS (first 2 months of qtr.)


S&P 500 Q222 Bottom-Up EPS: Mar 31 - May 31
(Source: FactSet)
57.05
56.80
56.55
56.30
56.05
55.80
55.55
55.30
55.05
54.80
54.55
54.30
54.05
53.80
53.55
53.30
53.05
52.80
52.55
4730.00
4680.00
4630.00
4580.00
4530.00
4480.00
4430.00
4380.00
4330.00
4280.00
4230.00
4180.00
4130.00
4080.00
4030.00
3980.00
3930.00
3880.00
3830.00
03/31/2022
04/01/2022
04/04/2022
04/05/2022
04/06/2022
04/07/2022
04/08/2022
04/11/2022
04/12/2022
04/13/2022
04/14/2022
04/18/2022
04/19/2022
04/20/2022
04/21/2022
04/22/2022
04/25/2022
04/26/2022
04/27/2022
04/28/2022
04/29/2022
05/02/2022
05/03/2022
05/04/2022
05/05/2022
05/06/2022
05/09/2022
05/10/2022
05/11/2022
05/12/2022
05/13/2022
05/16/2022
05/17/2022
05/18/2022
05/19/2022
05/20/2022
05/23/2022
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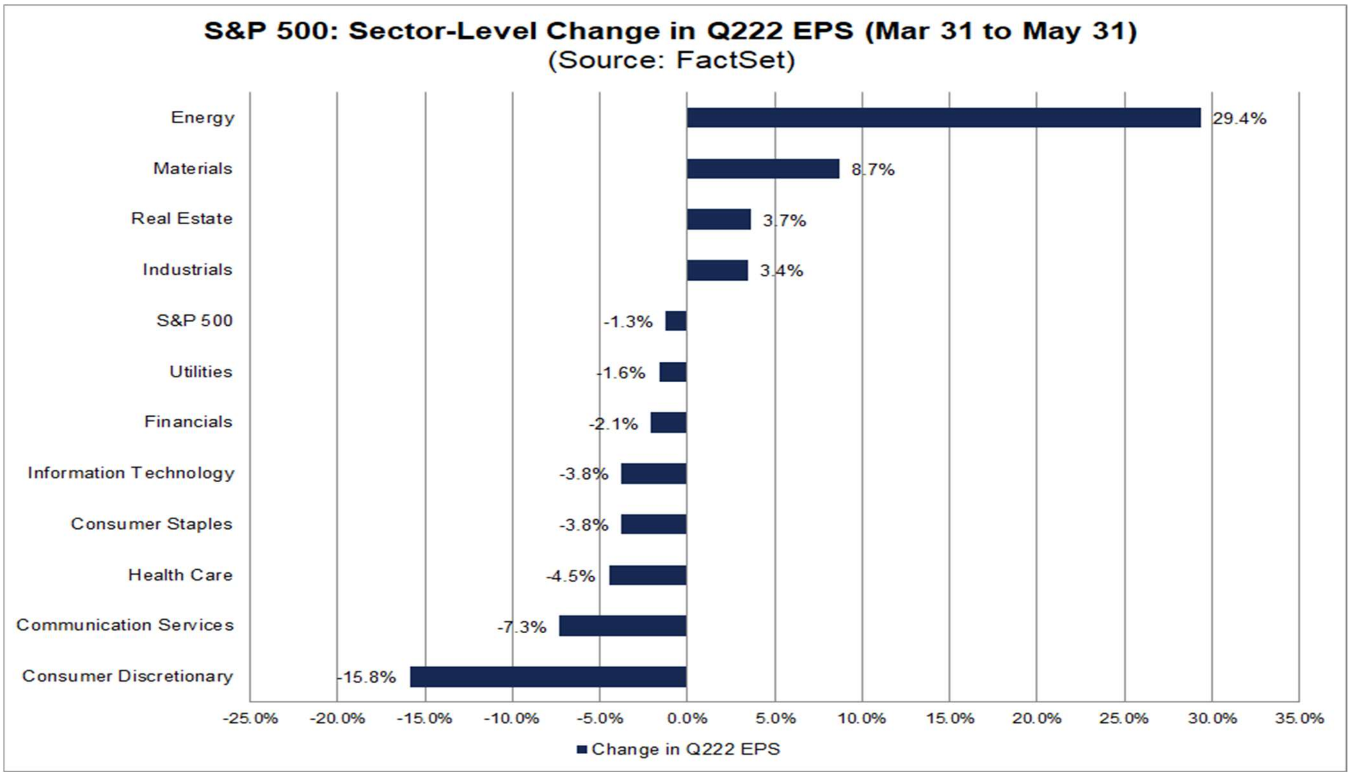
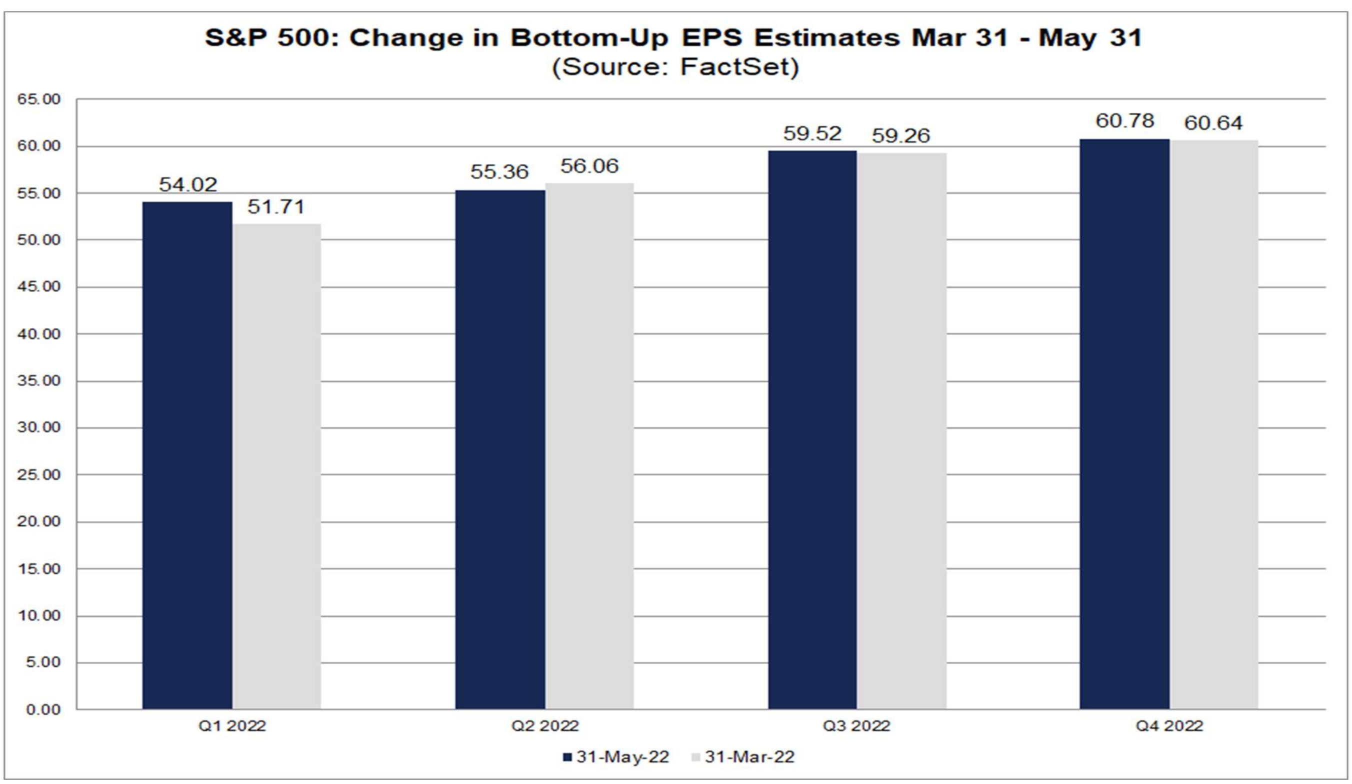
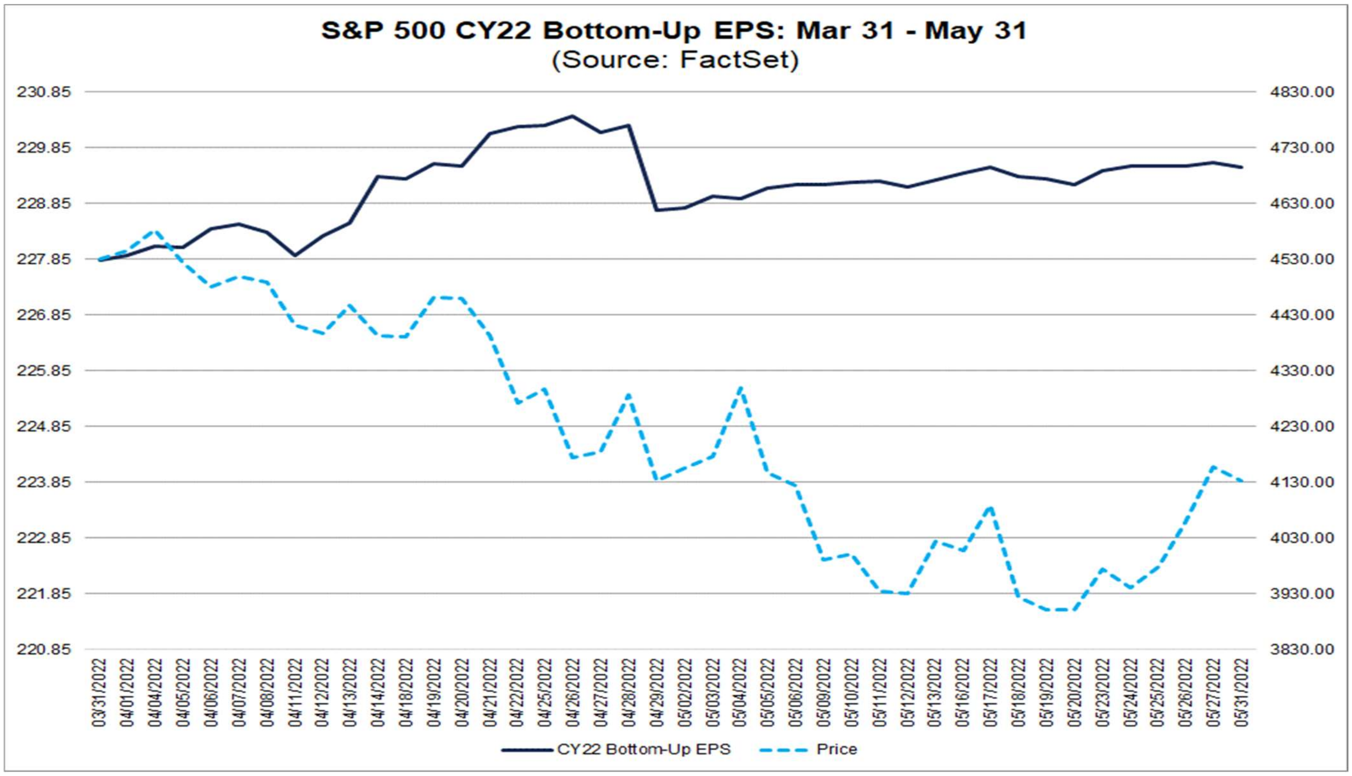
05/26/2022
05/27/2022
05/31/2022
Q222 Bottom-Up EPS
Price


S&P 500: Sector-Level Change in Q222 EPS (Mar 31 to May 31)
(Source: FactSet)
Energy
Materials
Real Estate
Industrials
S&P 500
Utilities
Financials
Information Technology
Consumer Staples
Health Care
Communication Services
Consumer Discretionary
29.4%
8.7%
3.7%
3.4%
-1.3%
-1.6%
-2.1%
-3.8%
-3.8%
-4.5%
-7.3%
-15.8%
-25.0% -20.0% -15.0% -10.0% -5.0% 0.0% 5.0% 10.0% 15.0% 20.0% 25.0% 30.0% 35.0%
Change in Q222 EPS


S&P 500: Change in Bottom-Up EPS Estimates Mar 31 - May 31
(Source: FactSet)
65.00
60.00
55.00
50.00
45.00
40.00
35.00
30.00
25.00
20.00
15.00
10.00
5.00
0.00
54.02
51.71
55.36
56.06
59.52
59.26
60.78
60.64
Q1 2022
Q2 2022
Q3 2022
Q4 2022
31-May-22
31-Mar-22


S&P 500 CY22 Bottom-Up EPS: Mar 31 - May 31
(Source: FactSet)
230.85
229.85
228.85
227.85
226.85
225.85
224.85
223.85
222.85
221.85
220.85
4830.00
4730.00
4630.00
4530.00
4430.00
4330.00
4230.00
4130.00
4030.00
3930.00
3830.00
03/31/2022
04/01/2022
04/04/2022
04/05/2022
04/06/2022
04/07/2022
04/08/2022
04/11/2022
04/12/2022
04/13/2022
04/14/2022
04/18/2022
04/19/2022
04/20/2022
04/21/2022
04/22/2022
04/25/2022
04/26/2022
04/27/2022
04/28/2022
04/29/2022
05/02/2022
05/03/2022
05/04/2022
05/05/2022
05/06/2022
05/09/2022
05/10/2022
05/11/2022
05/12/2022
05/13/2022
05/16/2022
05/17/2022
05/18/2022
05/19/2022
05/20/2022
05/23/2022
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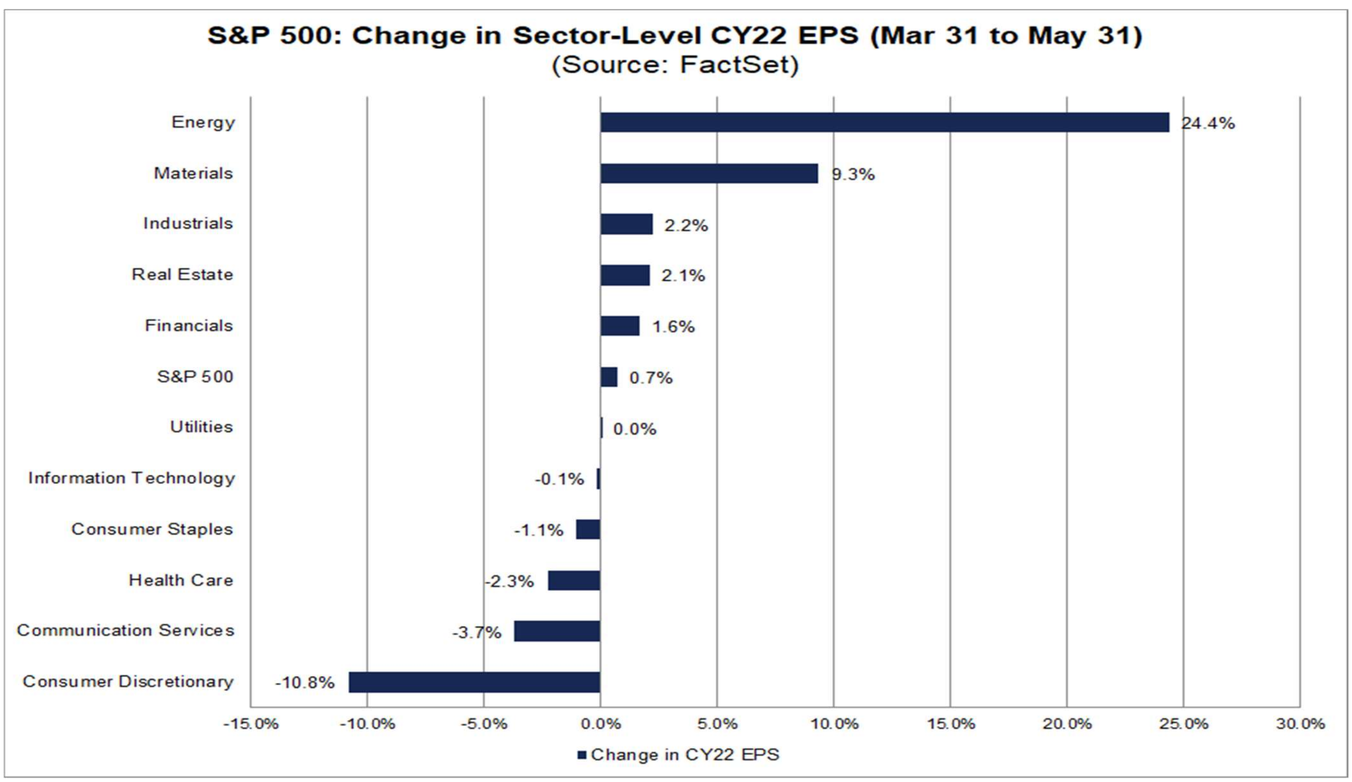
05/25/2022
05/26/2022
05/27/2022
05/31/2022
CY22 Bottom-Up EPS
Price


S&P 500: Change in Sector-Level CY22 EPS (Mar 31 to May 31)
(Source: FactSet)
Energy
Materials
Industrials
Real Estate
Financials
S&P 500
Utilities
Information Technology
Consumer Staples
Health Care
Communication Services
Consumer Discretionary
24.4%
9.3%
2.2%
2.1%
1.6%
0.7%
0.0%
-0.1%
-1.1%
-2.3%
-3.7%
-10.8%
-15.0%
-10.0%
-5.0%
0.0%
5.0%
10.0%
15.0%
20.0%
25.0%
30.0%
Change in CY22 EPS

Q1 Earnings Season: By The Numbers

Overview

At this point in time, the percentage of S&P 500 companies beating EPS estimates is equal to the 5-year average, but the magnitude of these positive surprises is below the 5-year average. As a result, the index is reporting higher earnings for the first quarter today relative to the end of the quarter. However, the index is also reporting single-digit earnings growth for the first time since Q4 2020. The lower earnings growth rate for Q1 2022 relative to recent quarters can be attributed to both a difficult comparison to unusually high earnings growth in Q1 2021 and continuing macroeconomic headwinds.

Overall, 99% of the companies in the S&P 500 have reported actual results for Q1 2022 to date. Of these companies, 77% have reported actual EPS above estimates, which is equal to the 5-year average of 77%. In aggregate, companies are reporting earnings that are 4.6% above estimates, which is below the 5-year average of 8.9%.

Due to these positive EPS surprises, 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 growth rate for the first quarter is 9.2% today, compared to an earnings growth rate of 4.6% at the end of the first quarter (March 31). Positive earnings surprises reported by companies in the Health Care, Information Technology, and Financials sectors, partially offset by a negative earnings surprise reported by a company in the Consumer Discretionary sector, have been the largest contributors to the increase in the earnings growth rate since the end of the first quarter (March 31).

If 9.2% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q4 2020 (3.8%). Nine of the eleven sectors are reporting (or have reported) year-over-year earnings growth, led by the Energy, Materials, and Industrials sectors. On the other hand, two sectors reported a year-over-year decline in earnings: Consumer Discretionary and Financials.

In terms of revenues, 73% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 69%. In aggregate, companies are reporting revenues that are 2.7% above estimates, which is also above the 5-year average of 1.7%.

Due to these positive revenue surprises, the index is 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 13.6% today, compared to a revenue growth rate of 10.7% at the end of the first quarter (March 31). Upward revisions to revenue estimates and positive revenue surprises reported by companies in the Energy and Health Care sectors have been the largest contributors to the improvement in the revenue growth rate since the end of the first quarter (March 31).

If 13.6% is the actual growth rate for the quarter, it will mark the fourth-highest revenue growth rate reported by the index since FactSet began tracking this metric in 2008. It will also mark the fifth-straight quarter of year-over-year revenue growth above 10% for the index. All eleven sectors are reporting (or have reported) year-over-year growth in revenues, led by the Energy, Materials, and Real Estate sectors.

Looking ahead, analysts expect earnings growth of 4.1% for Q2 2022, 10.3% for Q3 2022, and 9.9% for Q4 2022. For CY 2022, analysts are predicting earnings growth of 10.2%.

The forward 12-month P/E ratio is 17.5, which is below the 5-year average (18.6) but above the 10-year average (16.9). It is also below the forward P/E ratio of 19.4 recorded at the end of the first quarter (March 31), as prices have decreased while the forward 12-month EPS estimate has increased over the past several weeks.

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

Scorecard: More Companies Beating Revenue Estimates Than Average

Percentage of Companies Beating EPS Estimates (77%) is Equal to 5-Year Average

Overall, 99% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 77% have reported actual EPS above the mean EPS estimate, 2% have reported actual EPS equal to the mean EPS estimate, and 21% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (83%), equal to the 5-year average (77%), and above the 10-year average (72%).

At the sector level, the Industrials (90%), Consumer Staples (86%), and Information Technology (84%) sectors have the highest percentages of companies reporting earnings above estimates, while the Consumer Discretionary (60%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+4.6%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 4.6% above expectations. This surprise percentage is below the 1-year average (+14.1%), below the 5-year average (+8.9%), and below the 10-year average (6.5%). If 4.6% is the final percentage for the quarter, it will mark the lowest earnings surprise percentage reported by the index since Q1 2020 (+1.1%).

The Utilities (+14.7%) sector reported the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, NRG Energy ($7.17 vs. $0.60), Pinnacle West Capital ($0.15 vs. $0.07), and Edison International ($1.07 vs. $0.81) reported the largest positive EPS surprises.

The Materials (+9.5%) sector reported the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, International Paper ($0.76 vs. $0.52) and Albemarle Corporation ($2.38 vs. $1.64) reported the largest positive EPS surprises.

The Financials (+8.6%) sector reported the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Citigroup ($2.02 vs. $1.43), SVB Financial Group ($7.92 vs. $5.60), Assurant ($3.75 vs. $2.84), and MetLife ($2.08 vs. $1.65) reported the largest positive EPS surprises.

The Health Care (+8.2%) sector reported the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Moderna ($8.58 vs. $5.37), Bio-Rad laboratories ($4.94 vs. $3.37), Hologic ($2.07 vs. $1.60), and Organon ($1.65 vs. $1.30) reported the largest positive EPS surprises.

On the other hand, the Consumer Discretionary (-20.6%) sector reported the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Amazon.com (-$7.56 vs. $8.35) and Under Armour (-$0.01 vs. $0.04) reported the largest negative EPS surprises. It should be noted that the GAAP EPS number for Amazon.com of -$7.56 included a pre-tax (valuation) loss of $7.6 billion. The majority of analysts provide estimates for Amazon.com on a GAAP basis.

Market Punishing Positive Surprises

To date, the market is not rewarding positive earnings surprises and punishing negative earnings surprises more than average.

Companies that have reported positive earnings surprises for Q1 2022 have seen an average price decrease of -0.2% 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 +0.8% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q1 2022 have seen an average price decrease of -5.0% 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 -2.3% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (73%) is Above 5-Year Average

In terms of revenues, 73% of companies have reported actual revenues above estimated revenues and 27% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (79%), but above the 5-year average (69%) and above the 10-year average (61%).

At the sector level, the Materials (86%), Consumer Staples (86%), and Information Technology (85%) sectors have the highest percentages of companies reporting revenues above estimates, while the Communication Services (35%) and Financials (54%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.7%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.7% above expectations. This surprise percentage is below the 1-year average (+3.5%), but above the 5-year average (+1.7%) and above the 10-year average (+1.1%).

At the sector level, the Utilities (+10.4%) and Energy (+10.3%) sectors reported the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Communication Services (-0.1%) reported the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Health Care Sector Has Seen Largest Increase in Earnings Since March 31

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

The blended (year-over-year) earnings growth rate for Q1 2022 of 9.2% is larger than the estimate of 4.6% at the end of the first quarter (March 31). Ten sectors have recorded an increase in their earnings growth rate since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Energy (to 268.2% from 245.7%), Utilities (to 26.8% from 8.2%), and Materials (to 42.1% form 30.4%) sectors. However, the Health Care, Information Technology, and Financials sectors have been the largest contributors to the increase in the earnings growth rate for the index during this period. On the other hand, the Consumer Discretionary (to -32.6% from -15.1%) sector is the only sector that recorded an increase in its earnings decline since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises. This sector was also the largest detractor to the improvement in the earnings growth rate for the index since March 31.

In the Health Care sector, the positive EPS surprises reported by Moderna ($8.58 vs. $5.37), Merck ($2.14 vs. $1.83), Eli Lilly ($2.62 vs. $2.29), and Abbott Laboratories ($1.73 vs. $1.47) were significant contributors to the increase in the earnings growth rate for the index since March 31. As a result, the blended earnings growth rate for the Health Care sector increased to 16.1% from 8.4% over this period.

In the Financials sector, the positive EPS surprises reported by Citigroup ($2.02 vs. $1.43) and Goldman Sachs were significant contributors to the increase in the earnings growth rate for the index since March 31. As a result, the blended earnings decline for the Financials sector decreased to -19.8% from -24.4% over this period.

In the Information Technology sector, the positive EPS surprises reported by Apple ($1.52 vs. $1.42) and Mastercard ($2.76 vs. $2.18) were substantial contributors to the increase in the earnings growth rate for the index since March 31. As a result, the blended earnings growth rate for the Information Technology sector increased to 13.4% from 8.3% over this period.

In the Consumer Discretionary sector, the negative EPS surprise reported by Amazon.com (-$7.56 vs. $8.35) was the largest detractor to the increase in the earnings growth rate for the index since March 31. It should be noted that the GAAP EPS number for Amazon.com of -$7.56 included a pre-tax (valuation) loss of $7.6 billion. The majority of analysts provide estimates for Amazon.com on a GAAP basis. As a result, the blended earnings decline for the Consumer Discretionary sector increased to -32.6% from -15.1% over this period.

Energy Sector Has Seen Largest Increase in Revenues since March 31

The blended (year-over-year) revenue growth rate for Q1 2022 of 13.6% is larger than the estimate of 10.7% at the end of the first quarter (March 31). Ten 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 Energy (to 60.2% from 43.5%) and Utilities (to 2.5% from -7.3%) sectors. However, the Energy and Health Care sectors have been the largest contributors to the increase in the revenue growth rate for the index during this period. On the other hand, one sector has recorded a decrease in its revenue growth rate since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises: Communication Services (to 10.2% from 10.3%).

In the Energy sector, upward revisions to revenue estimates and positive revenue surprises reported by Exxon Mobil ($90.5 billion vs. $82.8 billion), Valero Energy (to $38.5 billion from $31.6 billion), Marathon Petroleum ($38.4 billion vs. $30.8 billion), and Chevron ($54.4 billion vs. $51.1 billion) were the largest contributors to the increase in the revenue growth rate for the index after March 31. As a result, the blended revenue growth rate for the Energy sector increased to 60.2% from 43.5% over this period.

In the Health Care sector, positive revenue surprises reported by Centene Corporation ($37.2 billion vs. $34.5 billion), McKesson ($66.1 billon vs. $63.7 billion), Cardinal Health ($44.8 billion vs. $43.1 billion), Moderna ($6.1 billion vs. $4.4 billion), and UnitedHealth Group ($80.1 billion vs. $78.7 billion) were significant contributors to the increase in the revenue growth rate for the index after March 31. As a result, the blended revenue growth rate for the Health Care sector increased to 14.4% from 11.3% over this period.

Earnings Growth: 9.2%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings growth rate for Q1 2021 is 9.2%, which is below the 5-year average earnings growth rate of 15.0% but above the 10-year average earnings growth rate of 8.8%. If 9.2% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) earnings growth rate reported by the index since Q4 2020 (3.8%).

The lower earnings growth rate for Q1 2022 relative to recent quarters can be attributed to both a difficult comparison to unusually high earnings growth in Q1 2021 and continuing macroeconomic headwinds. In Q1 2021, the S&P 500 reported (year-over-year) earnings growth of 91.1%, which is the second-highest year-over-year earnings growth rate reported by the index since 2008. Companies also continue to face macroeconomic headwinds, including higher costs, supply chain disruptions, labor shortages, and the military conflict in Ukraine. During the earnings season for Q1 2022, 85% of S&P 500 companies have cited “inflation” on their earnings calls from March 15 to June 1, while 74% of S&P 500 companies have cited “supply chain” on their earnings calls from March 15 to June 1. These are the highest percentages of S&P 500 companies citing “inflation” and “supply chain” on earnings calls going back to at least 2010.

Nine of the eleven sectors are reporting (or have reported) earnings growth, led by the Energy, Materials, and Industrials sectors. On the other hand, two sectors reported a decline in earnings: Consumer Discretionary and Financials.

Energy: Largest Contributor to (Year-Over-Year) Earnings Growth for S&P 500 For Q1

The Energy sector reported the highest (year-over-year) earnings growth of all eleven sectors at 268.2%. Higher year-over-year oil prices contributed to the year-over-year improvement in earnings for this sector, as the average price of oil in Q1 2022 ($95.01) was 63% above the average price for oil in Q1 2021 ($58.14). At the sub-industry level, four of the five sub-industries in the sector reported a year-over-year increase in earnings. A growth rate was not calculated for the Oil & Gas Refining & Marketing sub-industry due to the loss reported by the sub-industry in the year-ago quarter. However, this sub-industry reported a profit in Q1 2022 ($2.4 billion) compared to a loss in Q1 2021 (-$1.3 billion). The other three sub-industries that are reported year-over-year earnings growth were the Integrated Oil & Gas (299%), Oil & Gas Exploration & Production (237%), and Oil & Gas Equipment & Services (70%) sub-industries. On the other hand, the Oil & Gas Storage & Transportation (-26%) sub-industry is the only sub-industry that reported a (year-over-year) decline in earnings in the sector.

The Energy sector is also the largest contributor to earnings growth for the S&P 500 for the first quarter. If this sector were excluded, the blended earnings growth rate for the index would fall to 3.3% from 9.2%.

Materials: Metals & Mining Industry Led Year-over-Year Growth

The Materials sector reported the second-highest (year-over-year) earnings growth rate of all eleven sectors at 42.1%. At the industry level, three of the four industries in this sector reported year-over-year earnings growth above 20%: Metals & Mining (83%), Chemicals (35%), and Containers & Packaging (22%). On the other hand, the Construction Materials industry (-22%) is the only industry that reported a (year-over-year) decline in earnings.

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

The Industrials sector reported the third-highest (year-over-year) earnings growth rate of all eleven sectors at 33.6%. At the industry level, 10 of the 12 industries in the sector reported a year-over-year increase in earnings. A growth rate was not calculated for the Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry reported a smaller loss in Q1 2022 (-$4.0 billion) compared to Q1 2021 (-$8.9 billion). Six of the remaining nine industries reported earnings growth above 10%: Construction & Engineering (72%), Trading Companies & Distributors (50%), Road & Rail (22%), Air Freight & Logistics (20%), Commercial Services & Supplies (13%), and Electrical Equipment (12%). On the other hand, two industries reported a year-over-year decline in earnings: Aerospace & Defense (-9%) and Industrial Conglomerates (-3%).

At the industry level, the Airlines industry was the largest contributor to earnings growth for the sector. If the five companies in this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 7.4% from 33.6%.

Consumer Discretionary: Amazon Was Largest Contributor to Year-Over-Year Decline

The Consumer Discretionary sector reported the largest (year-over-year) earnings decline of all eleven sectors at -32.6%. At the industry level, 5 of the 10 industries in the sector reported a year-over-year decrease in earnings. Four of these five industries reported a double-digit decline in earnings: Internet & Direct Marketing Retail (-136%), Leisure Products (-42%), Multiline Retail (-27%), and Auto Components (-27%). On the other hand, five industries reported year-over-year earnings growth. A growth rate was not calculated for the Hotels, Restaurants, & Leisure industry due to the loss reported in the year-ago quarter. However, this industry reported a smaller loss in Q1 2022 (-$780 million) compared to Q1 2021 (-$2.4 billion). Of the remaining four industries, the Distributors (21%) industry is the only industry that reported earnings growth above 10%.

At the company level, Amazon.com was the largest contributor to the decline in earnings for the sector. If this company were excluded, the Consumer Discretionary sector would have reported earnings growth of 3.8% rather than an earnings decline of 32.6%.

Financials: Banks Industry Led Year-Over-Year Decline

The Financials sector reported the second-largest (year-over-year) earnings decline of all eleven sectors at -19.8%. At the industry level, four of the five industries in this sector reported a year-over-year earnings decline. Three of these four industries reported a year-over-year decrease in earnings of 10% or more: Banks (-31%), Consumer Finance (-19%), and Capital Markets (-14%).

The Financials sector is also the largest detractor to earnings growth for the S&P 500 for the first quarter. If this sector were excluded, the blended earnings growth rate for the index would improve to 17.1% from 9.2%.

Revenue Growth: 13.6%

The blended (year-over-year) revenue growth rate for Q1 2022 is 13.6%, which is above the 5-year average revenue growth rate of 7.1% and above the 10-year average revenue growth rate of 4.0%. If 13.6% is the actual growth rate for the quarter, it will mark the fourth-highest revenue growth rate reported by the index since FactSet began tracking this metric in 2008. It will also mark the fifth-straight quarter of (year-over-year) revenue growth above 10%.

All eleven sectors are reporting (or have reported) year-over-year growth in revenues, led by the Energy, Materials, and Real Estate sectors.

Energy: 3 of 5 Sub-Industries Reported Year-Over-Year Growth Above 55%

The Energy sector reported the highest (year-over-year) revenue growth rate of all eleven sectors at 60.2%. Higher year-over-year oil prices contributed to the year-over-year improvement in revenues for this sector, as the average price of oil in Q1 2022 ($95.01) was 63% above the average price for oil in Q1 2021 ($58.14). At the sub-industry level, all five sub-industries in the sector reported year-over-year revenue growth above 10%: Oil & Gas Exploration & Production (79%), Oil & Gas Refining & Marketing (73%), Integrated Oil & Gas (59%), Oil & Gas Equipment & Services (12%), and Oil & Gas Storage & Transportation (11%).

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

The Materials sector reported the second-highest (year-over-year) revenue growth of all eleven sectors at 24.1%. At the industry level, all four industries in this sector reported double-digit (year-over-year) growth in revenues: Metals & Mining (37%), Construction Materials (35%), Chemicals (25%), and Containers & Packaging (13%).

Real Estate: 6 of 8 Sub-Industries Reported Year-Over-Year Growth At or Above 10%

The Real Estate sector reported the third-highest (year-over-year) revenue growth of all eleven sectors at 20.5%. At the sub-industry level, all eight sub-industries in this sector reported year-over-year growth in revenues. Six of these eight sub-industries reported double-digit revenue growth, with four of these six sub-industries reporting revenue growth at or above 20%: Hotel & Resort REITs (169%), Retail REITs (27%), Real Estate Services (23%), and Health Care REITs (20%).

Net Profit Margin: 12.3%

The blended net profit margin for the S&P 500 for Q1 2022 is 12.3%, which is above the 5-year average of 11.2%, but below the year-ago net profit margin of 12.8% and below the previous quarter’s net profit margin of 12.4%.

If 12.3% is the actual net profit margin for the quarter, it will mark the third straight quarter in which the net profit margin for the index has declined. On the other hand, it will also mark the fifth-highest net profit margin reported by the index since FactSet began tracking this metric in 2008, trailing only the previous four quarters.

At the sector level, seven sectors have reported a year-over-year increase in their net profit margins in Q1 2022 compared to Q1 2021, led by the Energy (to 10.5% vs. 4.6%) sector. On the other hand, four sectors are reporting (or have reported) a year-over-year decrease in their net profit margins in Q1 2022 compared to Q1 2021, led by the Financials (17.6% vs. 22.6%) and Consumer Discretionary (4.7% vs. 7.6%) sectors.

Eight sectors reported net profit margins in Q1 2022 that were above their 5-year averages, led by the Energy (10.5% vs. 5.7%) sector. On the other hand, three sectors are reporting (or have reported) net profit margins in Q1 2022 that are below their 5-year averages, led by the Consumer Discretionary (4.7% vs. 6.7%) sector.

Looking Ahead: Forward Estimates and Valuation

Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance for Q2 is Above Average

At this point in time, 101 companies in the index have issued EPS guidance for Q2 2022. Of these 101 companies, 70 have issued negative EPS guidance and 31 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 69% (70 out of 101), which is above the 5-year average of 60% and above the 10-year average of 67%.

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 10% for CY 2022

For the first quarter, S&P 500 companies are reporting earnings growth of 9.2% and revenue growth of 13.6%.

For Q2 2022, analysts are projecting earnings growth of 4.1% and revenue growth of 9.8%.

For Q3 2022, analysts are projecting earnings growth of 10.3% and revenue growth of 9.3%.

For Q4 2022, analysts are projecting earnings growth of 9.9% and revenue growth of 7.1%.

For CY 2022, analysts are projecting earnings growth of 10.2% and revenue growth of 10.3%.

Valuation: Forward P/E Ratio is 17.5, Above the 10-Year Average (16.9)

The forward 12-month P/E ratio for the S&P 500 is 17.5. This P/E ratio is below the 5-year average of 18.6 but above the 10-year average of 16.9. It is also below the forward 12-month P/E ratio of 19.4 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 decreased by 7.8%, while the forward 12-month EPS estimate has increased by 2.3%. At the sector level, the Consumer Discretionary (24.8) has the highest forward 12-month P/E ratio, while the Energy (10.8) and Financials (12.8) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 19.4, which is below the 5-year average of 23.1 and below the 10-year average of 20.2.

Targets & Ratings: Analysts Project 21% Increase in Price Over Next 12 Months

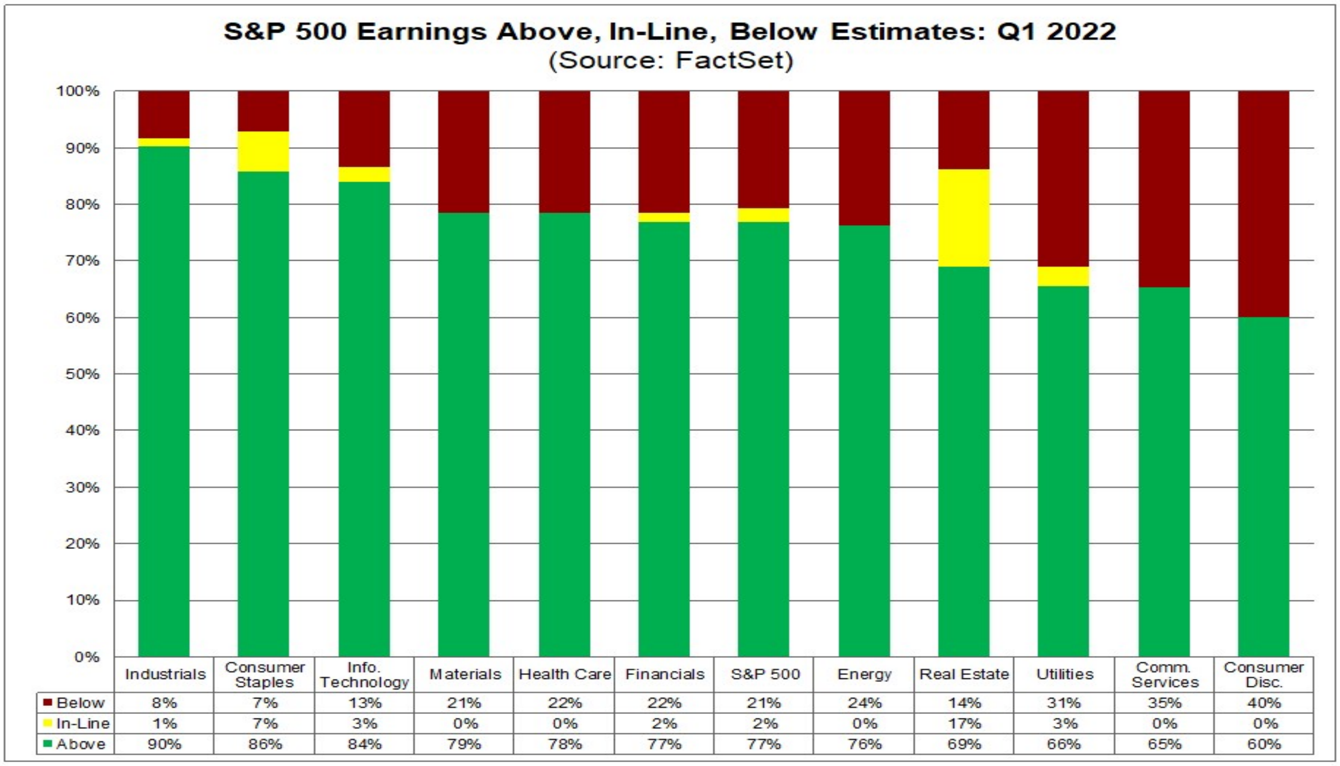
The bottom-up target price for the S&P 500 is 5035.43, which is 20.6% above the closing price of 4176.82. At the sector level, the Communication Services (+32.9%), Consumer Discretionary (+27.5%), and Information Technology (+24.1%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Energy (+5.0%) and Utilities (+6.4%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,729 ratings on stocks in the S&P 500. Of these 10,729 ratings, 56.8% are Buy ratings, 37.7% are Hold ratings, and 5.4% are Sell ratings. At the sector level, the Information Technology (65%) and Energy (65%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (39%) sector has the lowest percentage of Buy ratings.

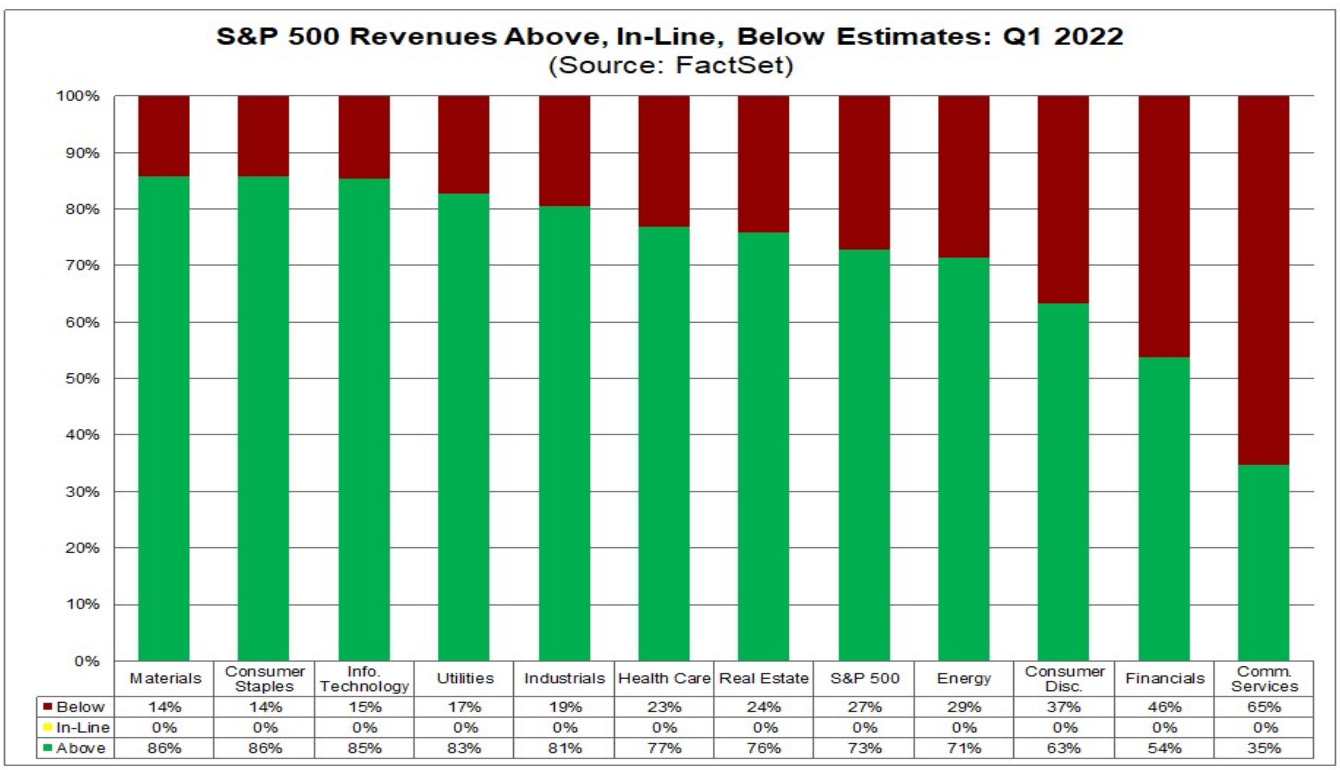
Companies Reporting Next Week: 3

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

Q1 2022: Scorecard

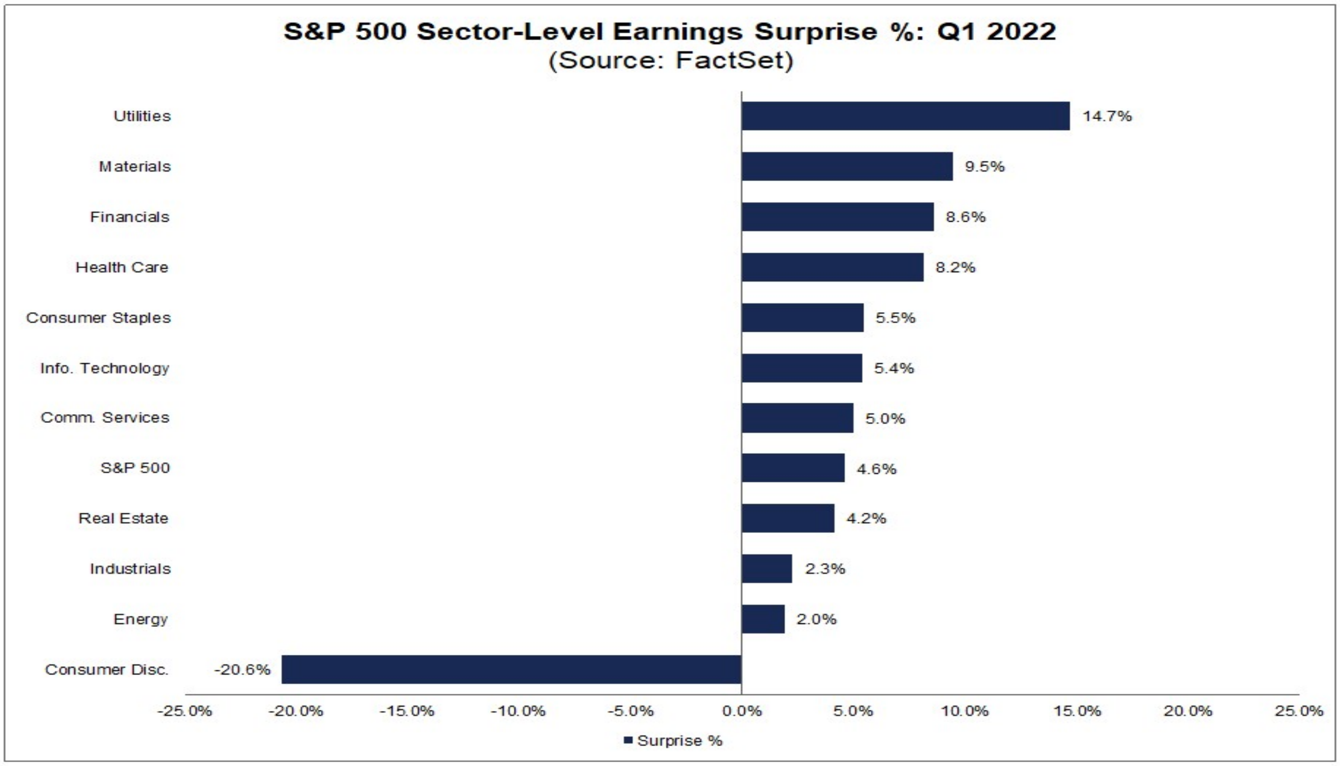


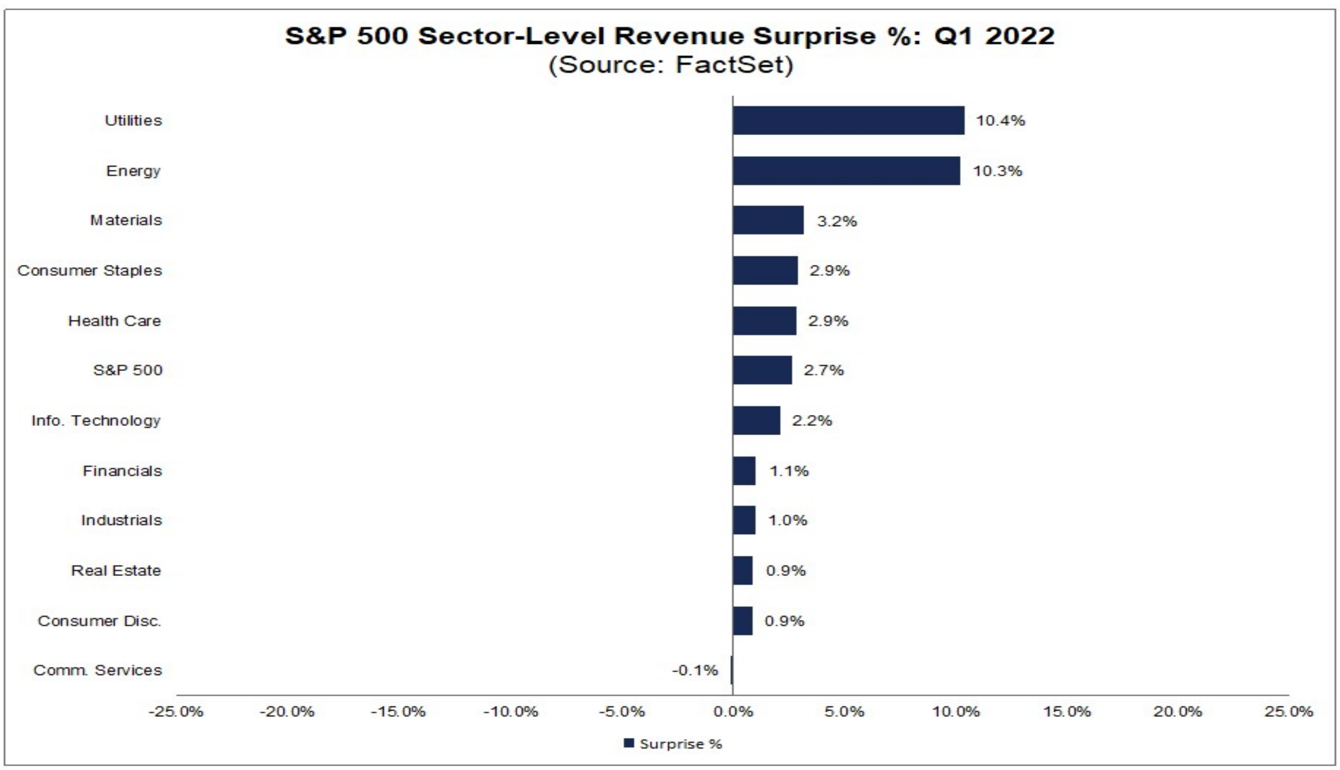
	Industrials	Consumer Staples	Info. Technology	Materials	Health Care	Financials	S&P 500	Energy	Real Estate	Utilities	Comm. Services	Consumer Disc.
Below	8%	7%	13%	21%	22%	22%	21%	24%	14%	31%	35%	40%
In-Line	1%	7%	3%	0%	0%	2%	2%	0%	17%	3%	0%	0%
Above	90%	86%	84%	79%	78%	77%	77%	76%	69%	66%	65%	60%



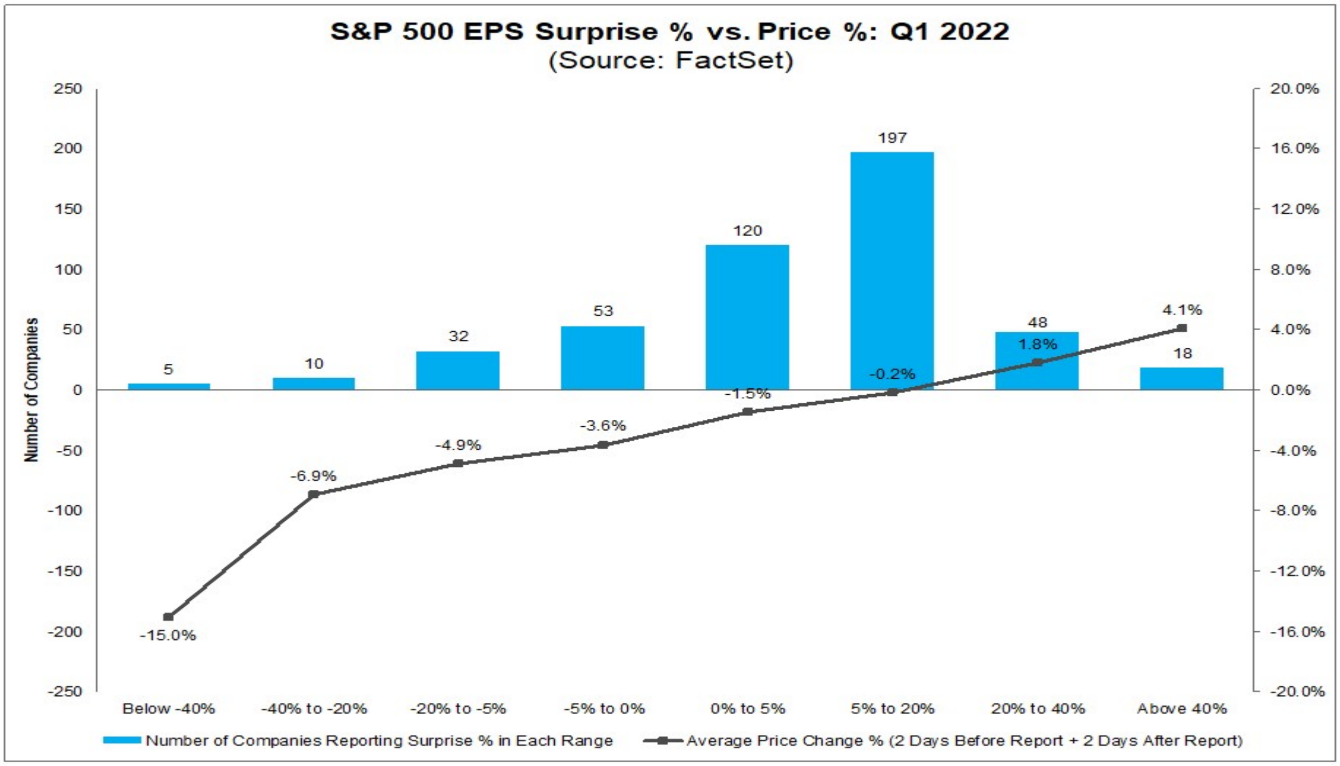
	Materials	Consumer Staples	Info. Technology	Utilities	Industrials	Health Care	Real Estate	S&P 500	Energy	Consumer Disc.	Financials	Comm. Services
Below	14%	14%	15%	17%	19%	23%	24%	27%	29%	37%	46%	65%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	86%	86%	85%	83%	81%	77%	76%	73%	71%	63%	54%	35%

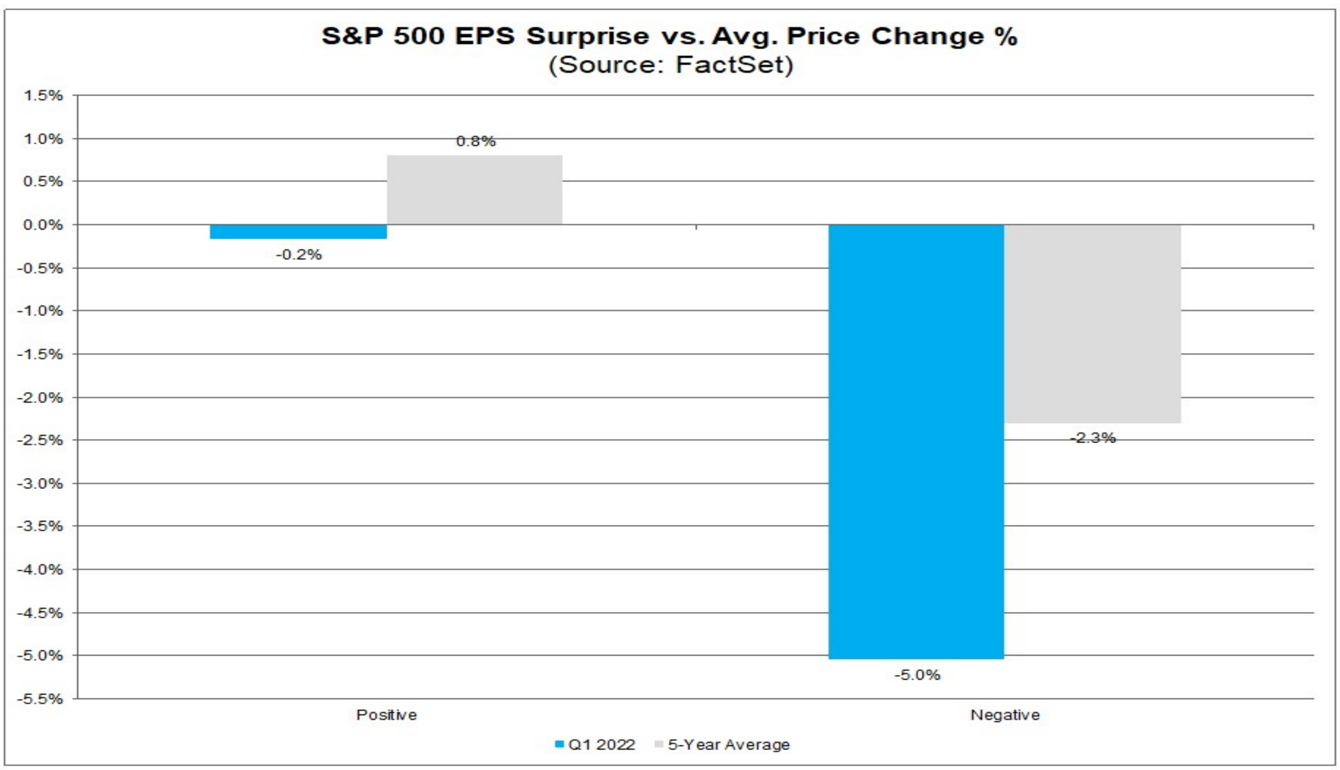
Q1 2022: Scorecard



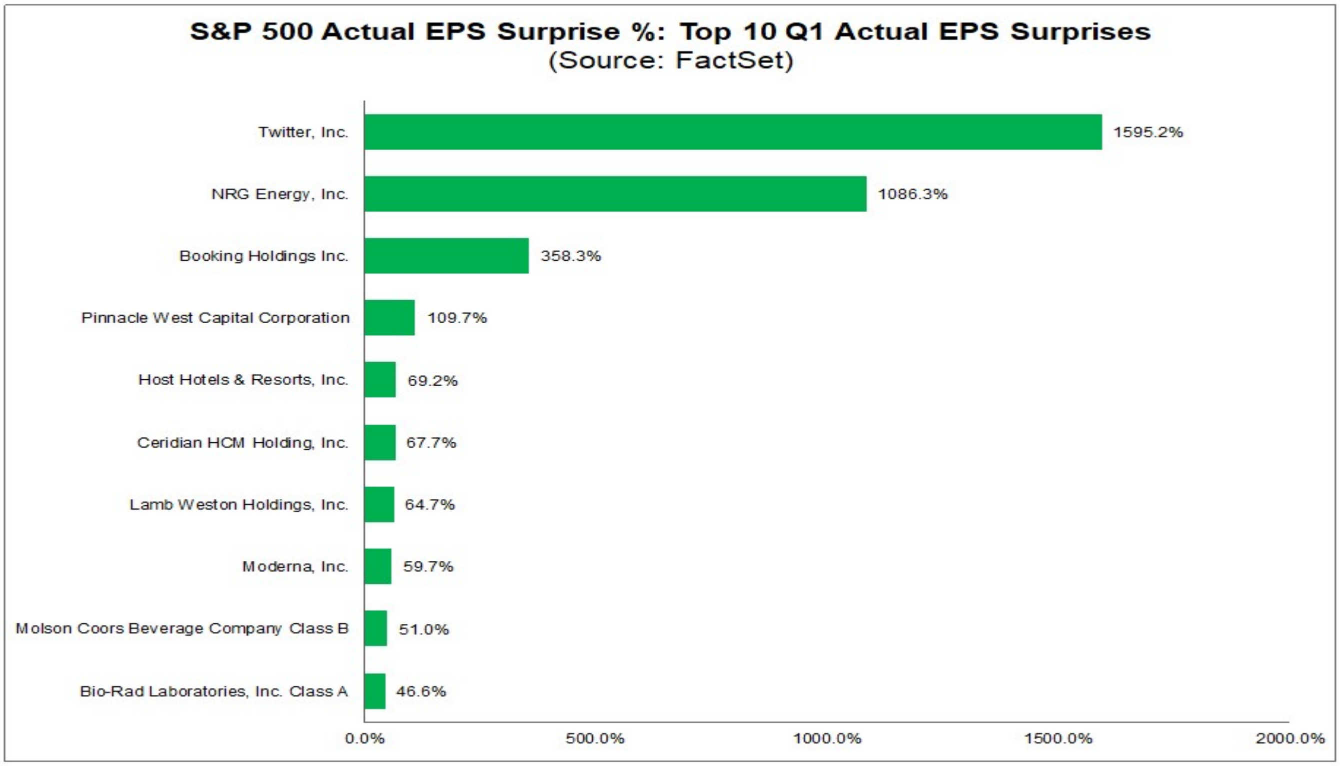


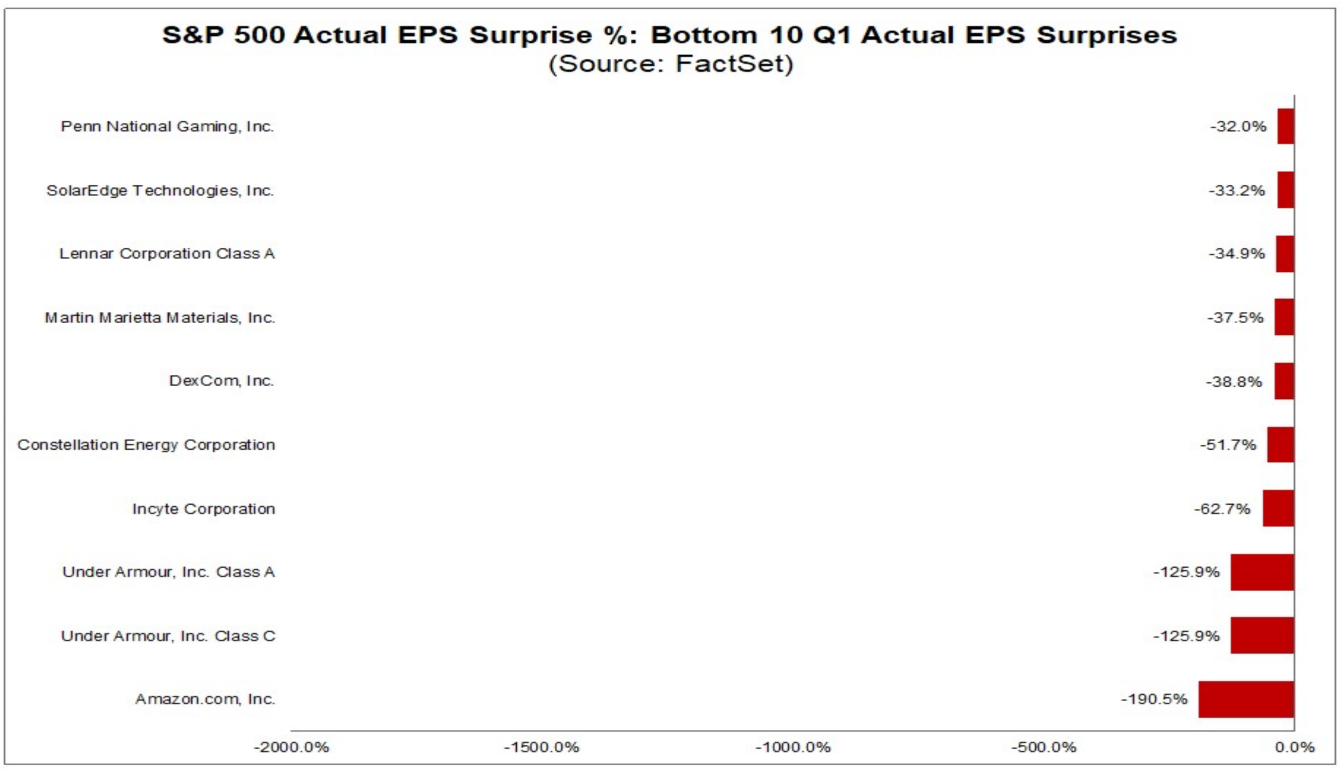
Q1 2022: Scorecard



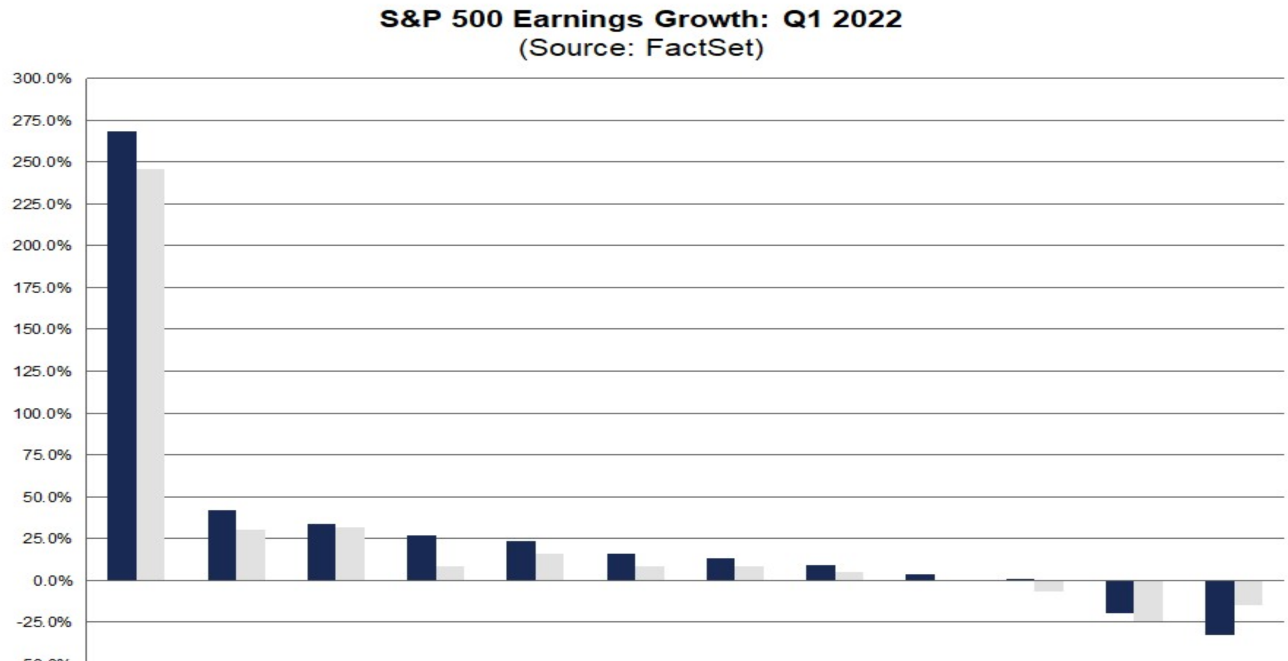


Q1 2022: Scorecard

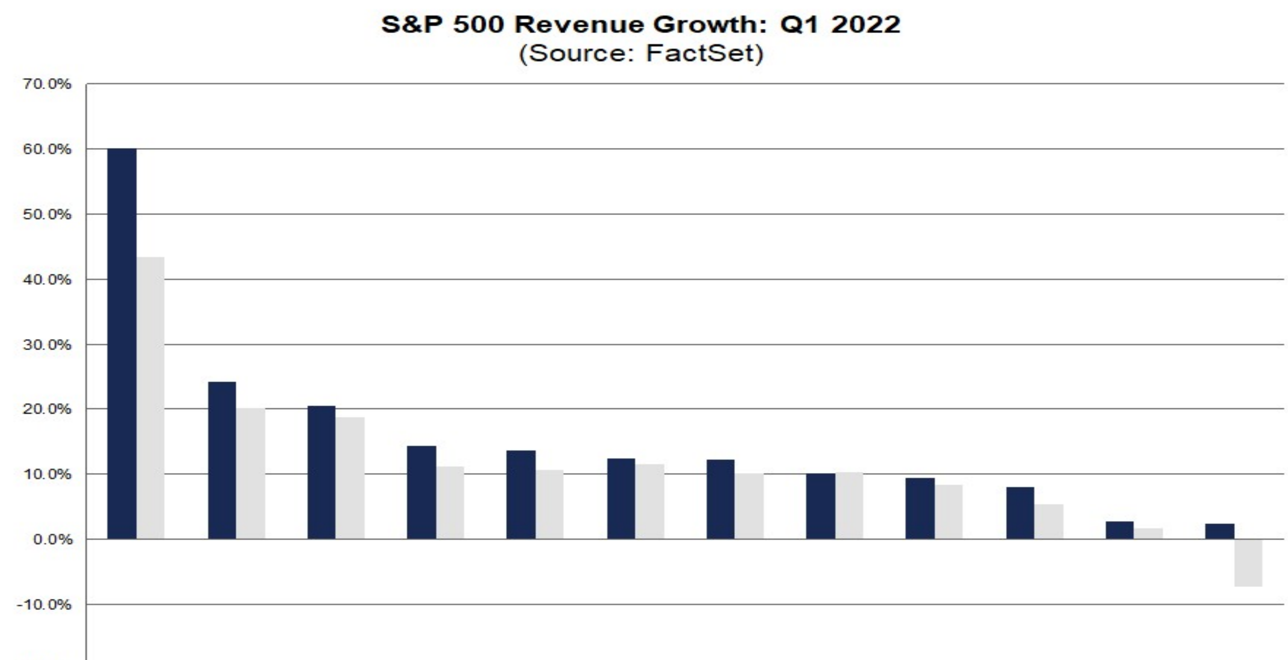




Q1 2022: Growth

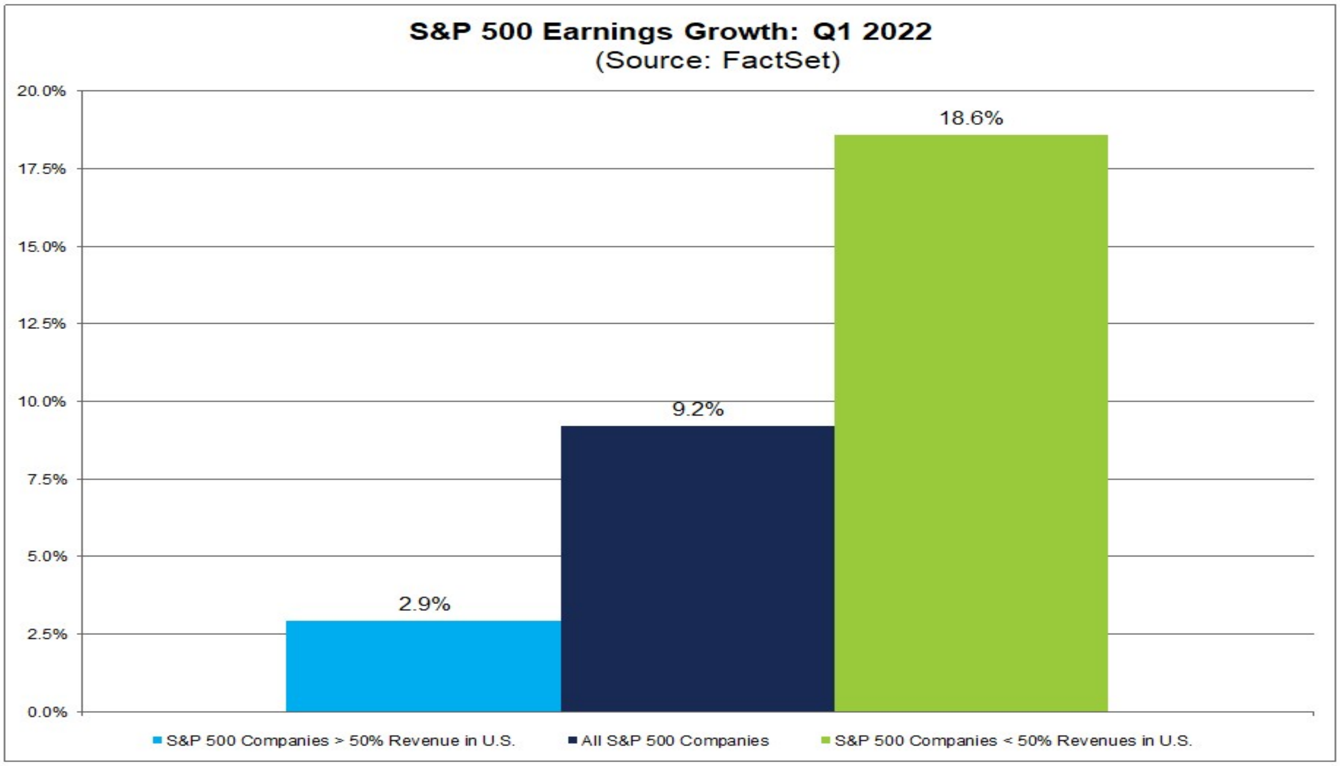


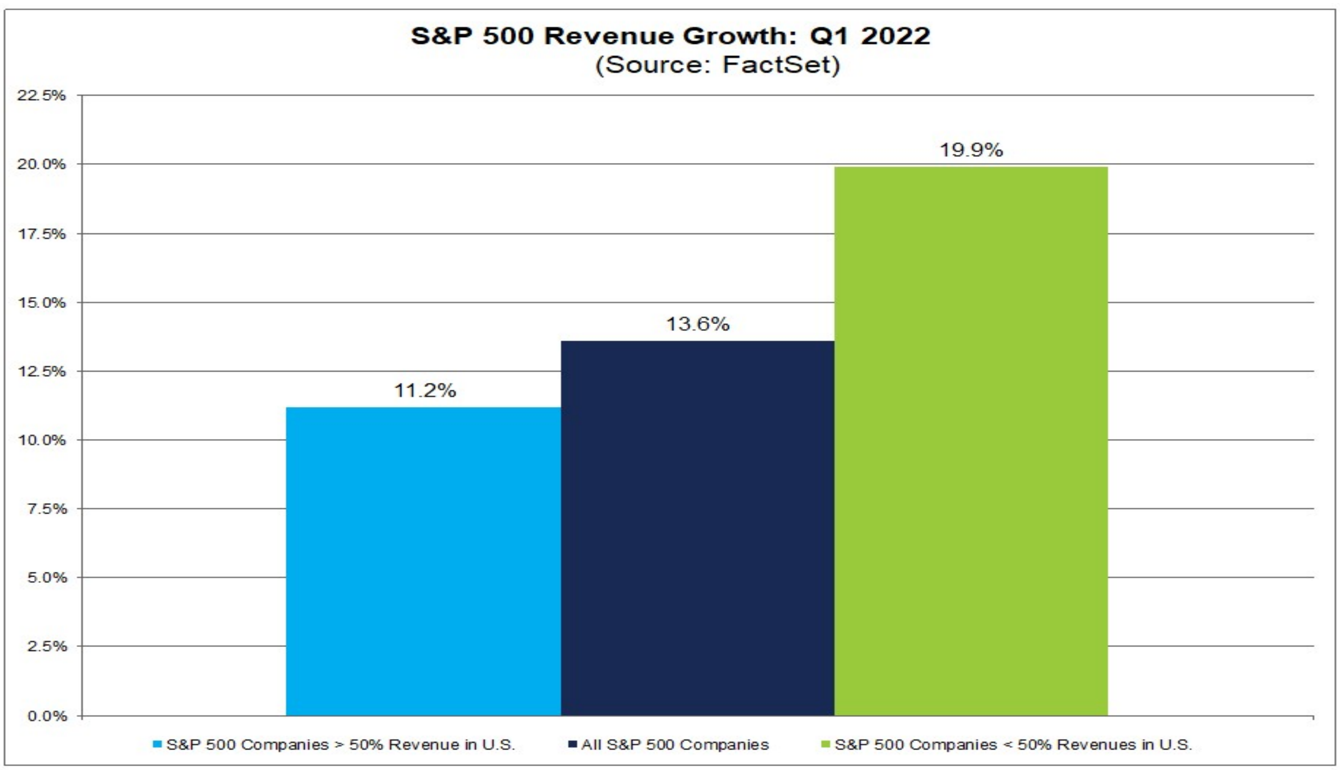
	Energy	Materials	Industrials	Utilities	Real Estate	Health Care	Info. Technology	S&P 500	Consumer Staples	Comm. Services	Financials	Consumer Disc.
Today	268.2%	42.1%	33.6%	26.8%	23.3%	16.1%	13.4%	9.2%	3.4%	0.1%	-19.8%	-32.6%
31-Mar	245.7%	30.4%	31.7%	8.2%	15.7%	8.4%	8.3%	4.6%	-0.6%	-6.5%	-24.4%	-15.1%



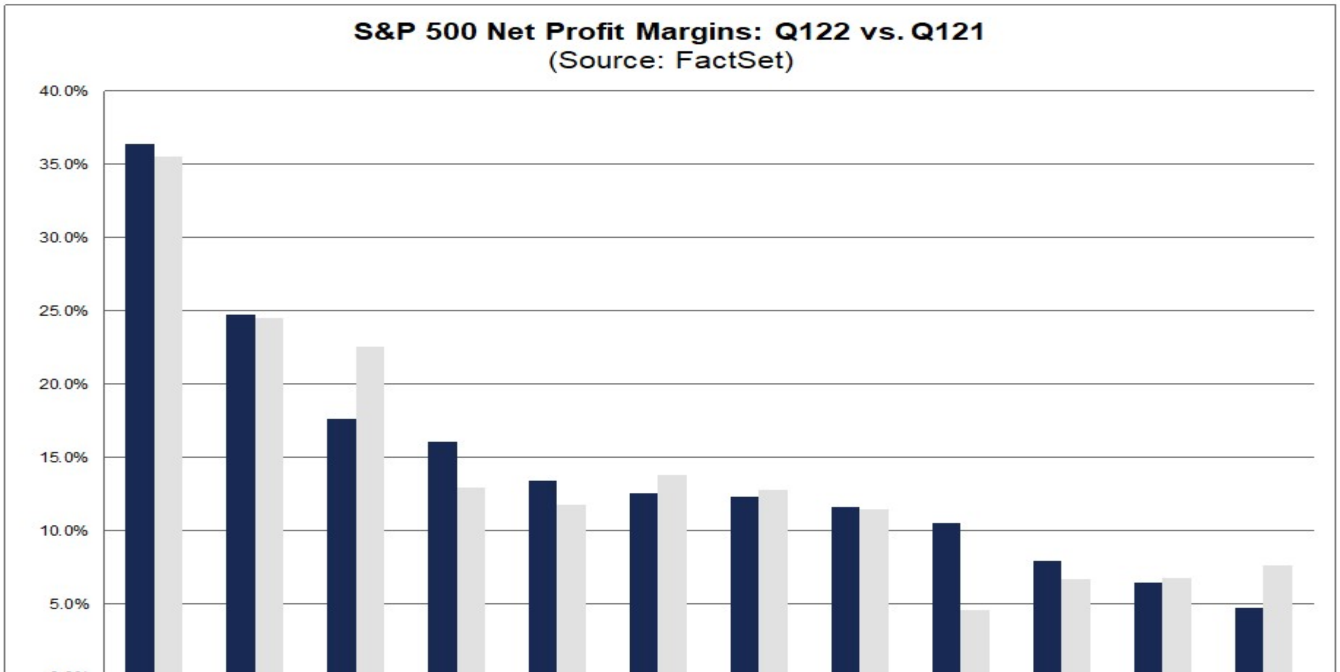
	Energy	Materials	Real Estate	Health Care	S&P 500	Industrials	Info. Technology	Comm. Services	Consumer Disc.	Consumer Staples	Financials	Utilities
Today	60.2%	24.1%	20.5%	14.4%	13.6%	12.4%	12.3%	10.2%	9.4%	8.0%	2.7%	2.5%
31-Mar	43.5%	20.2%	18.7%	11.3%	10.7%	11.5%	10.1%	10.3%	8.4%	5.4%	1.7%	-7.3%

Q1 2022: Growth

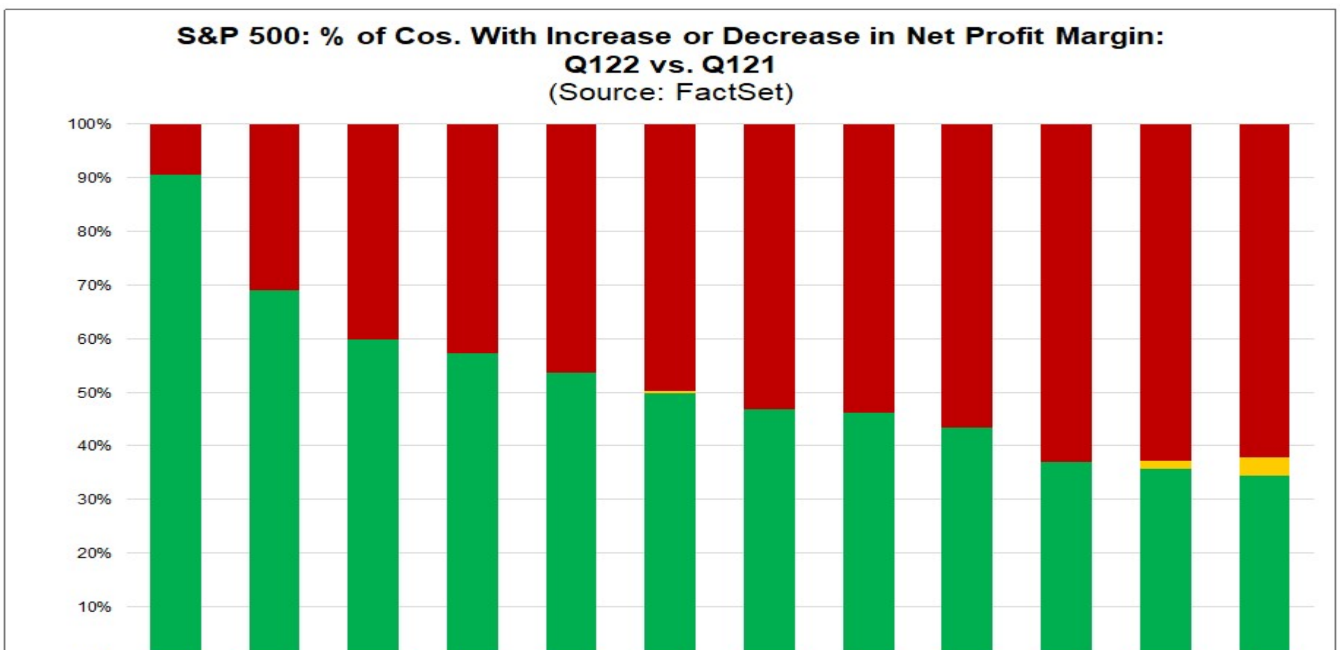




Q1 2022: Net Profit Margin

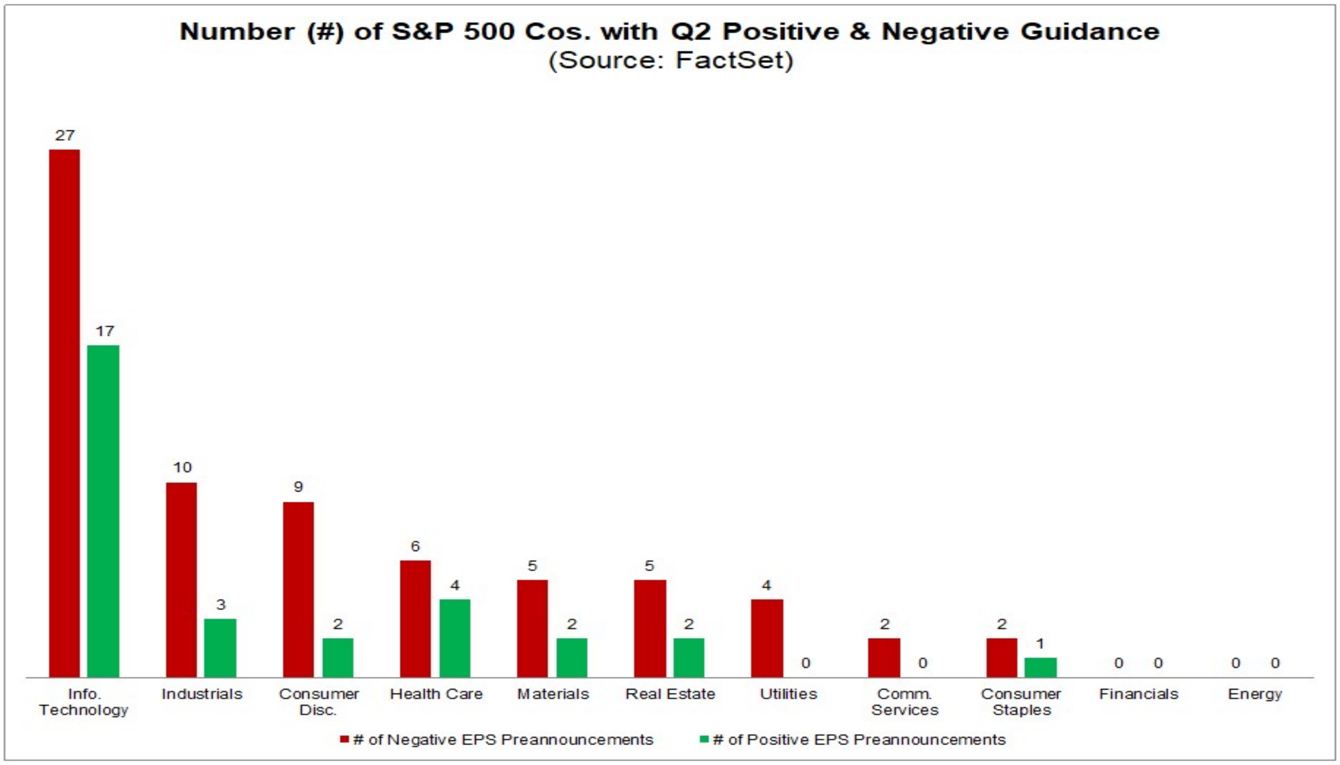


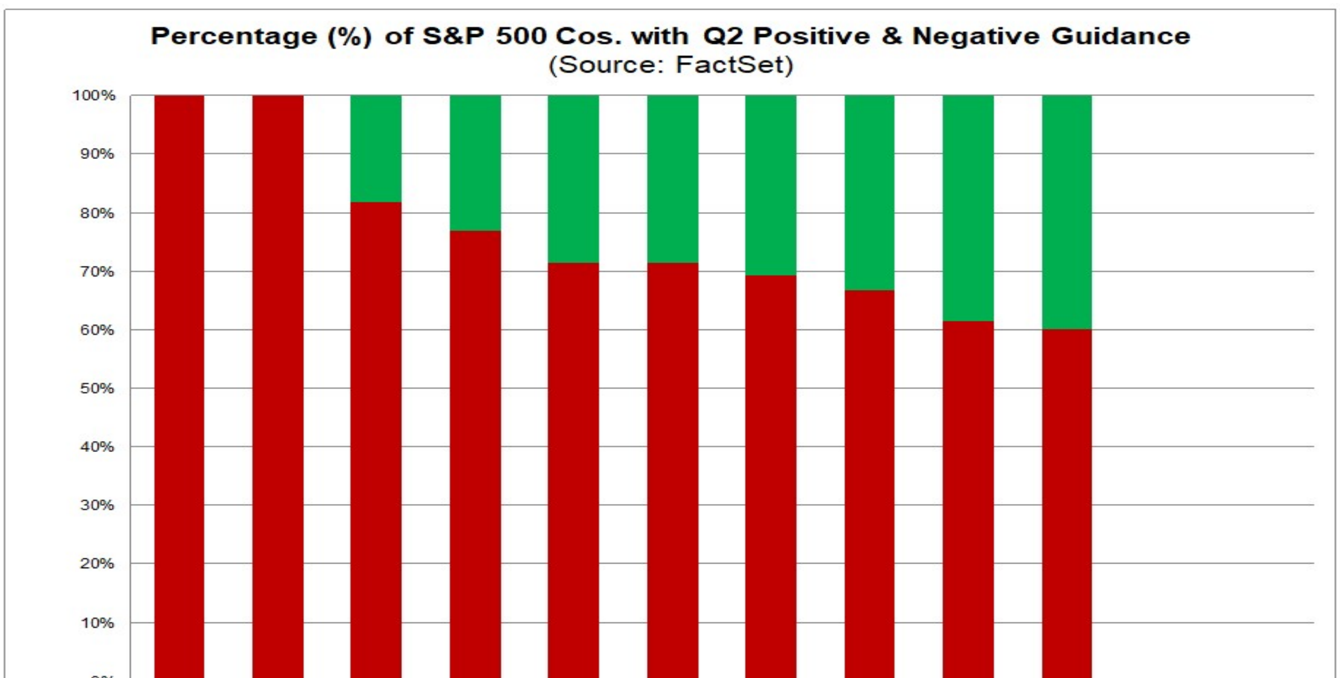
	Real Estate	Information Tech.	Financials	Utilities	Materials	Comm. Services	S&P 500	Health Care	Energy	Industrials	Consumer Staples	Consumer Disc.
Q122	36.4%	24.8%	17.6%	16.0%	13.4%	12.5%	12.3%	11.6%	10.5%	7.9%	6.4%	4.7%
Q121	35.6%	24.5%	22.6%	13.0%	11.7%	13.8%	12.8%	11.5%	4.6%	6.7%	6.7%	7.6%



	Energy	Real Estate	Industrials	Information Tech.	Materials	S&P 500	Consumer Staples	Comm. Services	Consumer Disc.	Health Care	Financials	Utilities
Down %	10%	31%	40%	43%	46%	50%	53%	54%	57%	63%	63%	62%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	3%
Up %	90%	69%	60%	57%	54%	50%	47%	46%	43%	37%	36%	34%

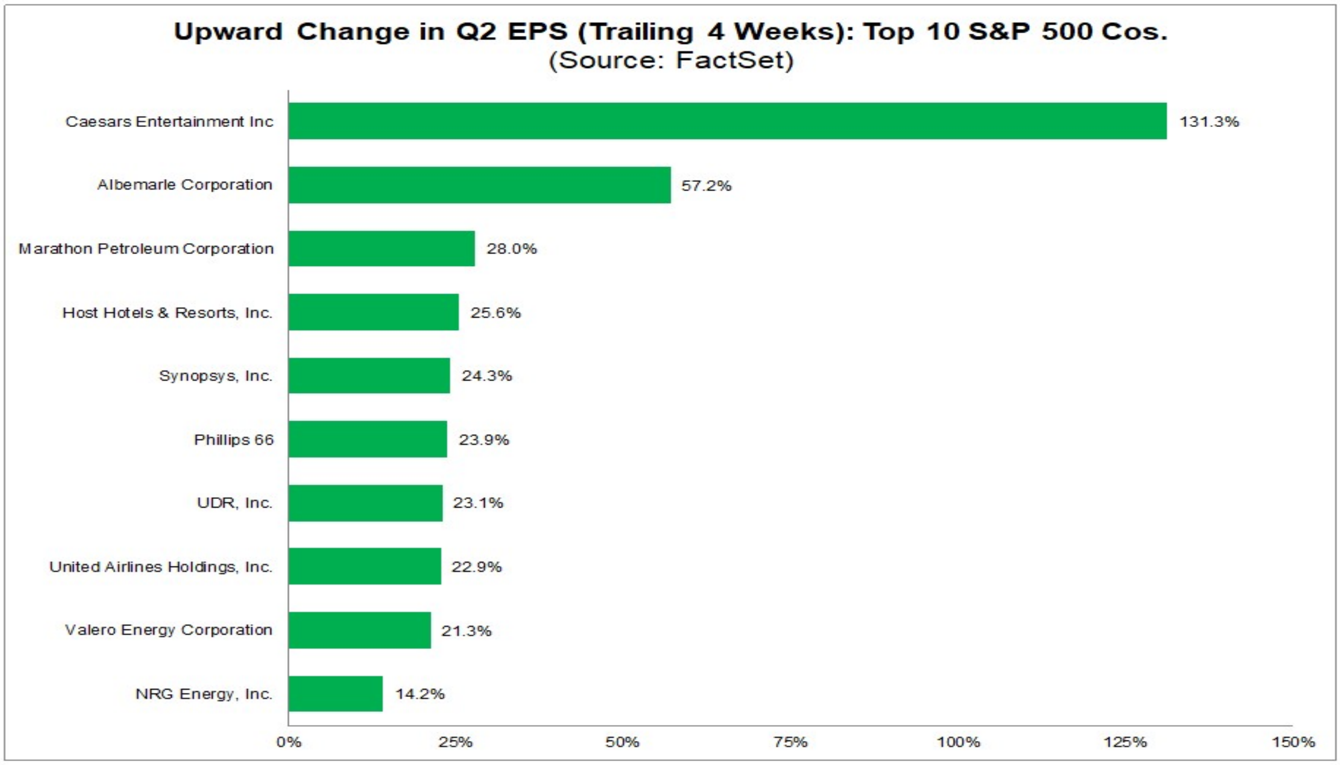
Q2 2022: EPS Guidance

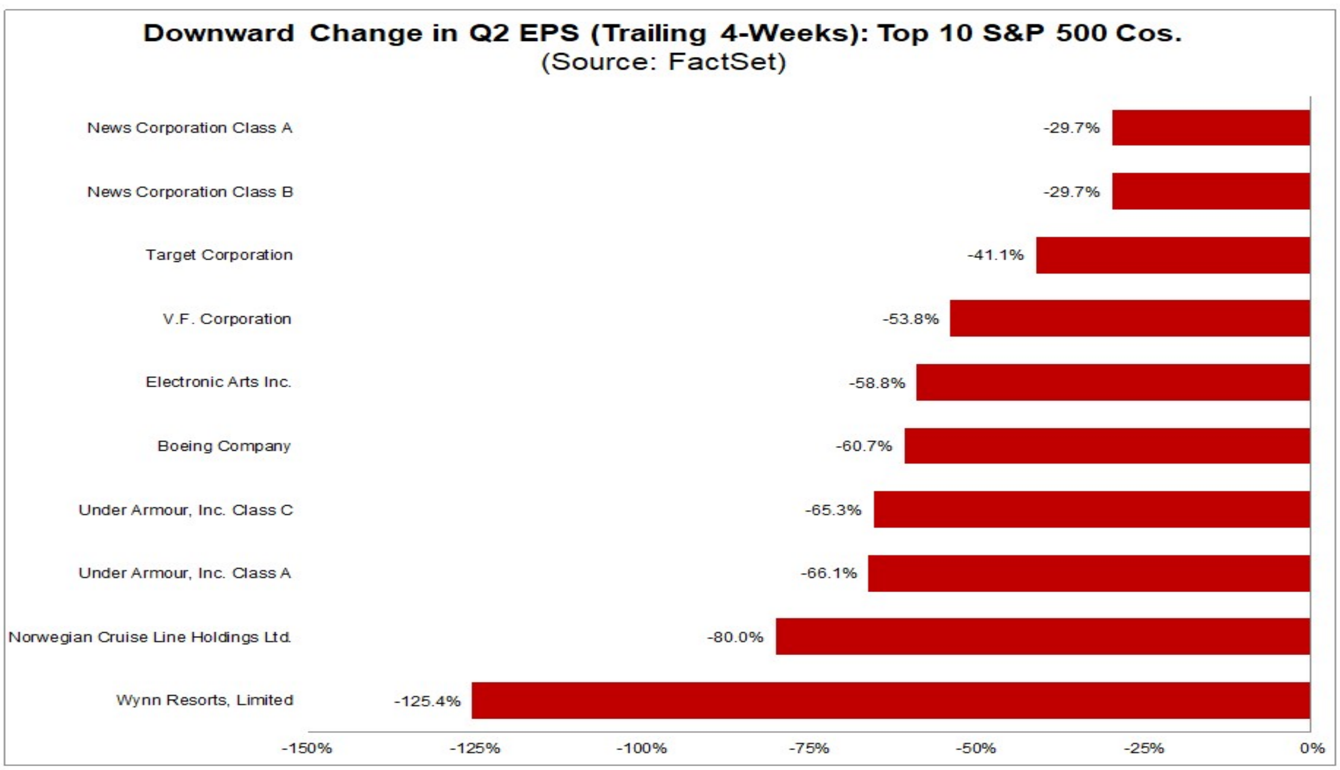




	Utilities	Comm. Services	Consumer Disc.	Industrials	Materials	Real Estate	S&P 500	Consumer Staples	Info. Technology	Health Care	Financials	Energy
Positive	0%	0%	18%	23%	29%	29%	31%	33%	39%	40%	0%	0%
Negative	100%	100%	82%	77%	71%	71%	69%	67%	61%	60%	0%	0%

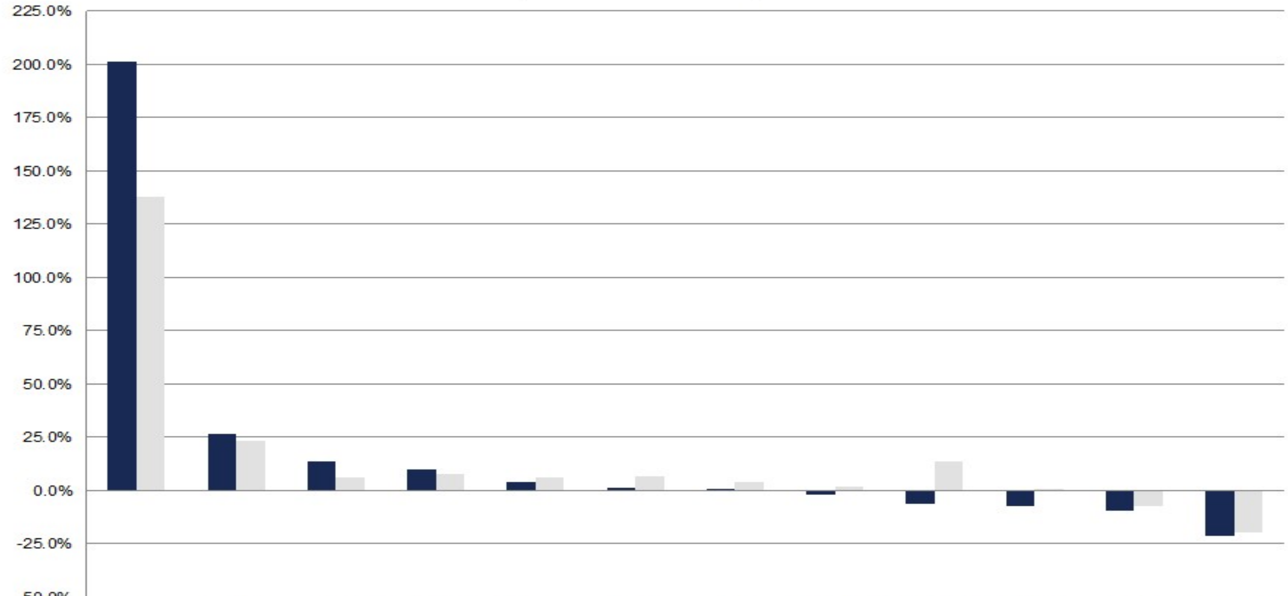
Q2 2022: EPS Revisions





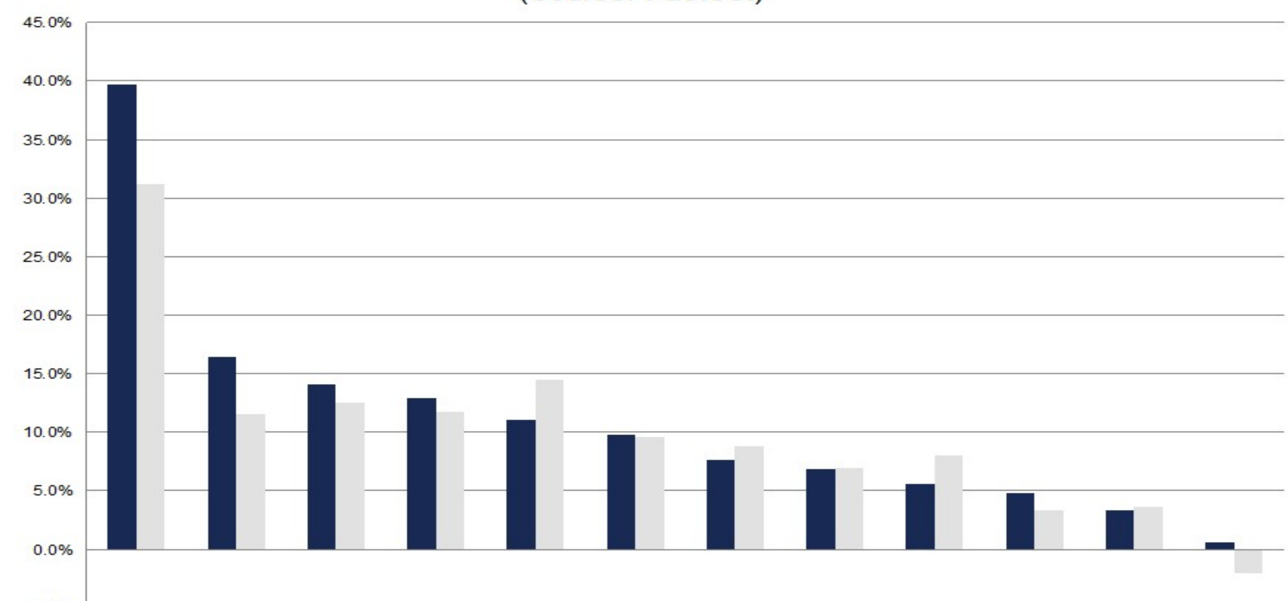
Q2 2022: Growth

S&P 500 Earnings Growth: Q2 2022
(Source: FactSet)



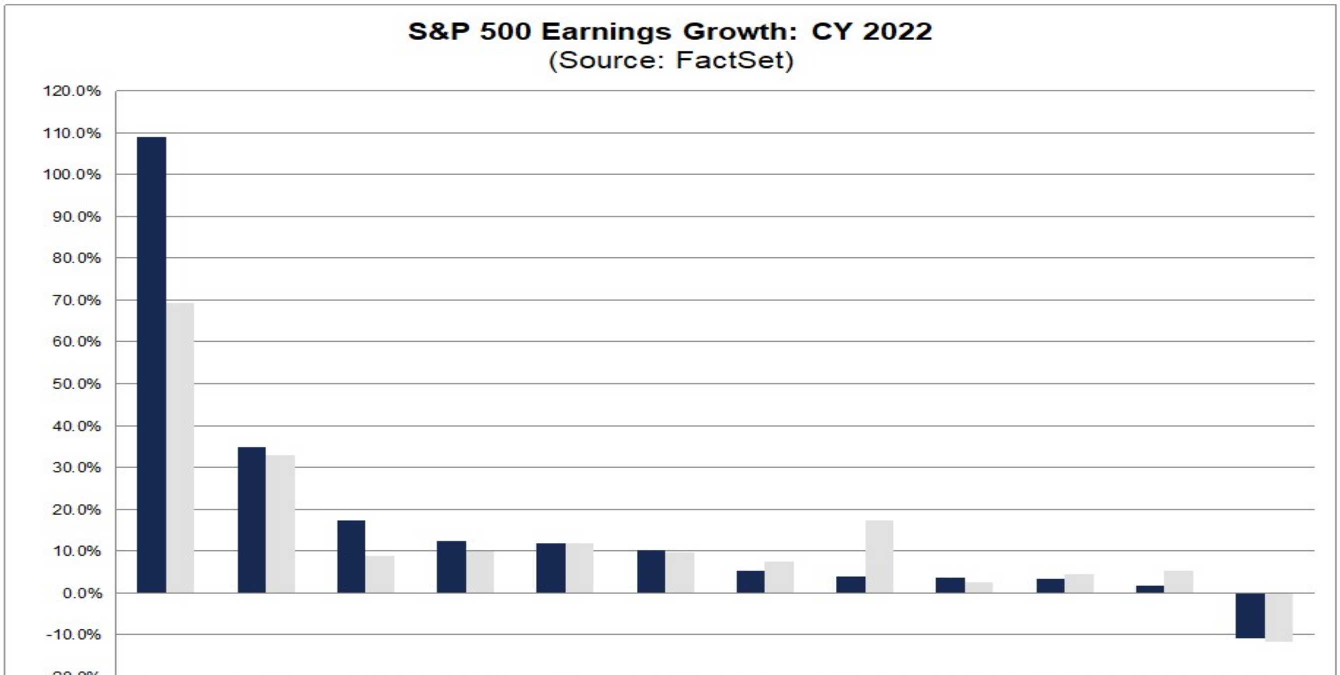
	Energy	Industrials	Materials	Real Estate	S&P 500	Health Care	Info. Technology	Consumer Staples	Consumer Disc.	Comm. Services	Utilities	Financials
Today	201.0%	26.6%	13.7%	9.6%	4.1%	1.1%	0.8%	-2.2%	-6.5%	-7.4%	-9.7%	-21.2%
31-Mar	137.6%	23.1%	5.9%	7.4%	5.9%	6.4%	4.1%	1.8%	13.5%	0.3%	-7.4%	-19.7%

S&P 500 Revenue Growth: Q2 2022
(Source: FactSet)

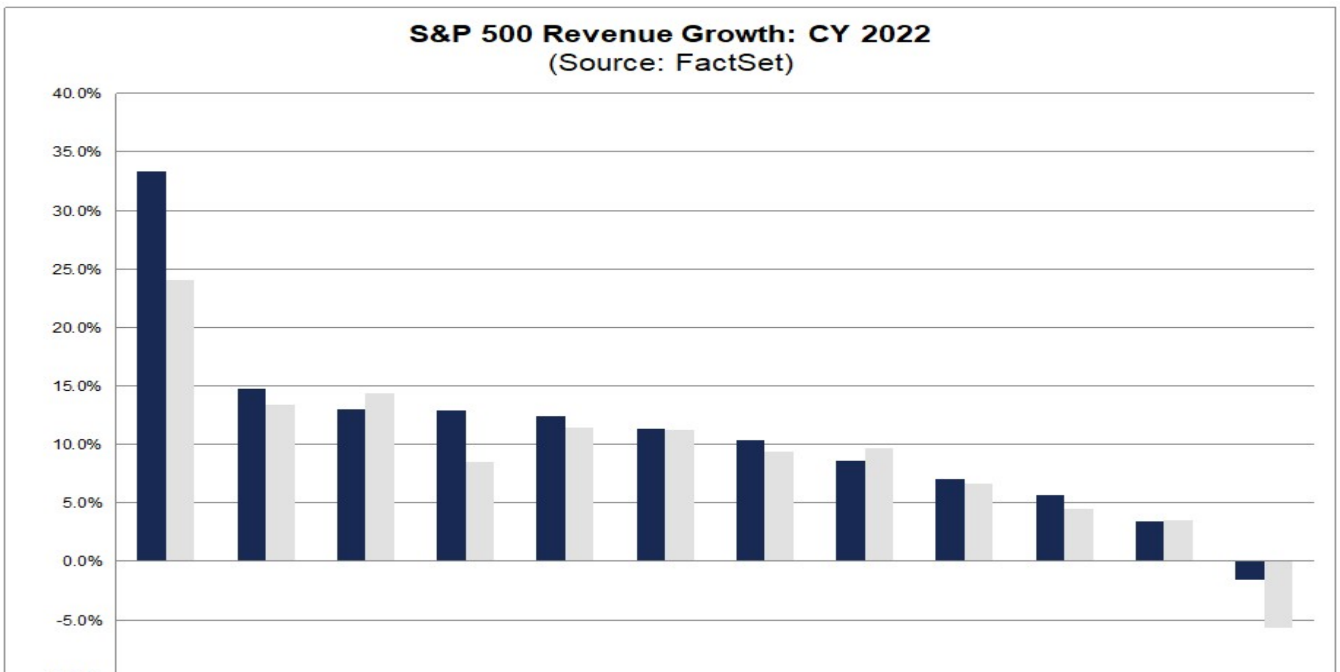


	Energy	Materials	Real Estate	Industrials	Consumer Disc.	S&P 500	Info. Technology	Health Care	Comm. Services	Consumer Staples	Financials	Utilities
Today	39.7%	16.4%	14.0%	12.9%	11.1%	9.8%	7.6%	6.9%	5.5%	4.8%	3.3%	0.6%
31-Mar	31.2%	11.5%	12.5%	11.7%	14.5%	9.6%	8.8%	7.0%	8.0%	3.3%	3.6%	-2.0%

CY 2022: Growth

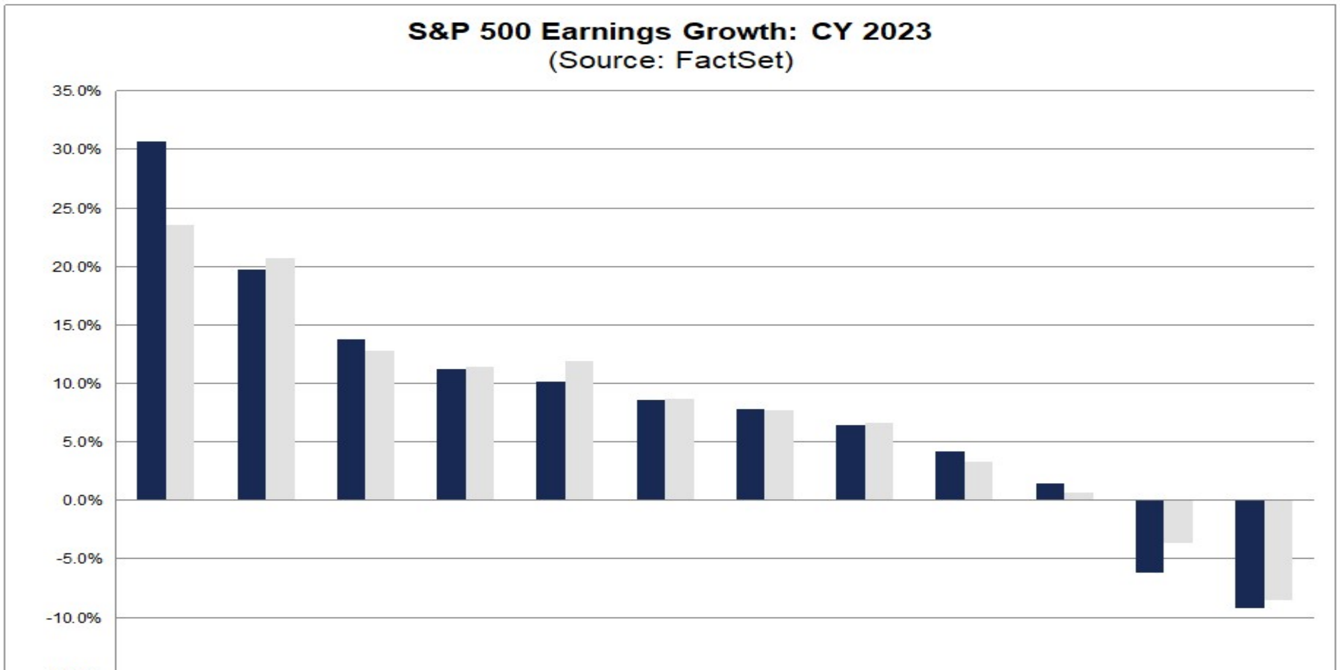


	Energy	Industrials	Materials	Real Estate	Info. Technology	S&P 500	Health Care	Consumer Disc.	Utilities	Consumer Staples	Comm. Services	Financials
Today	109.1%	34.8%	17.4%	12.3%	11.8%	10.2%	5.3%	3.8%	3.5%	3.2%	1.8%	-10.8%
31-Mar	69.2%	32.9%	8.7%	10.0%	11.8%	9.5%	7.3%	17.3%	2.4%	4.5%	5.2%	-11.6%

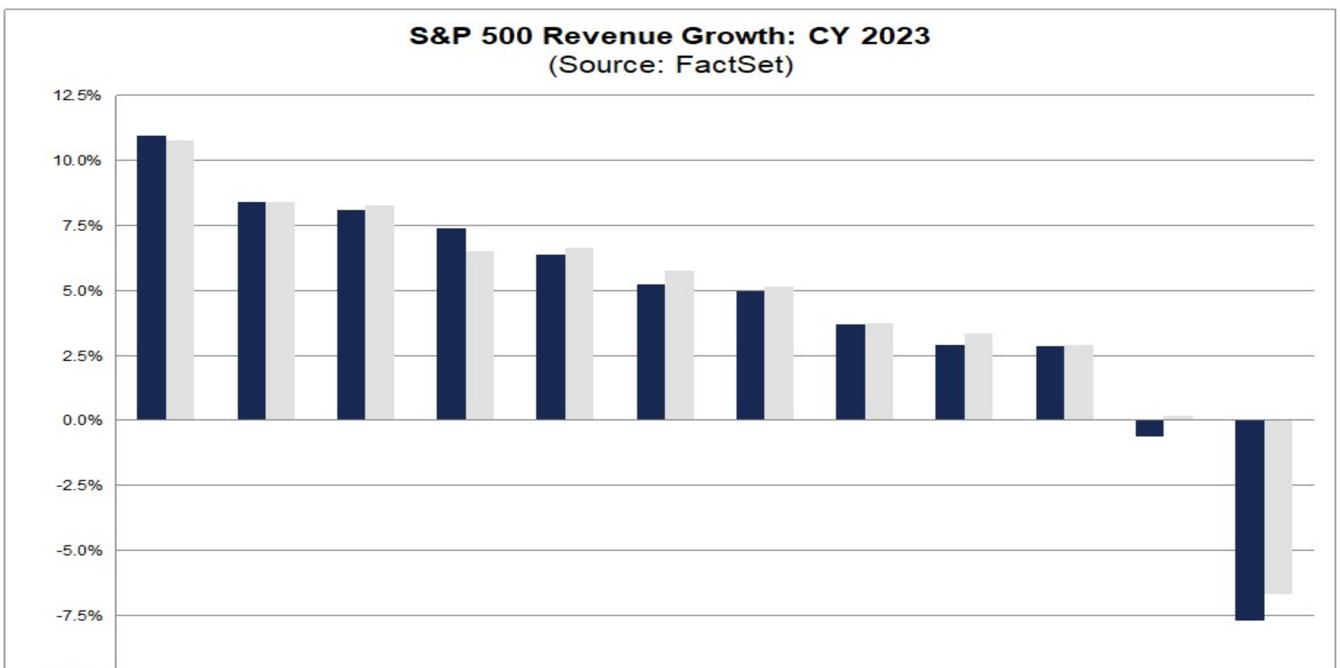


	Energy	Real Estate	Consumer Disc.	Materials	Industrials	Info. Technology	S&P 500	Comm. Services	Health Care	Consumer Staples	Financials	Utilities
Today	33.3%	14.8%	13.0%	12.9%	12.5%	11.3%	10.3%	8.6%	7.0%	5.7%	3.4%	-1.6%
31-Mar	24.1%	13.4%	14.3%	8.5%	11.4%	11.2%	9.4%	9.6%	6.7%	4.5%	3.5%	-5.7%

CY 2023: Growth

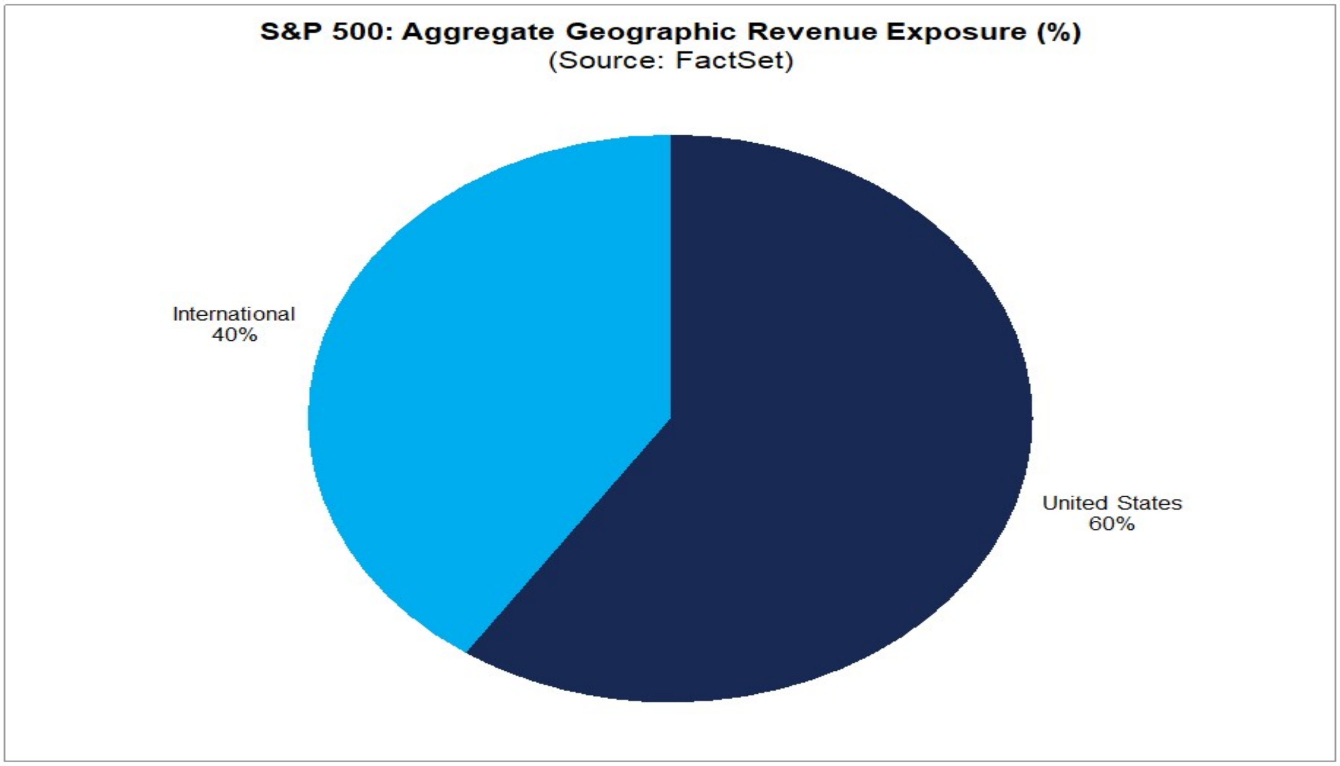


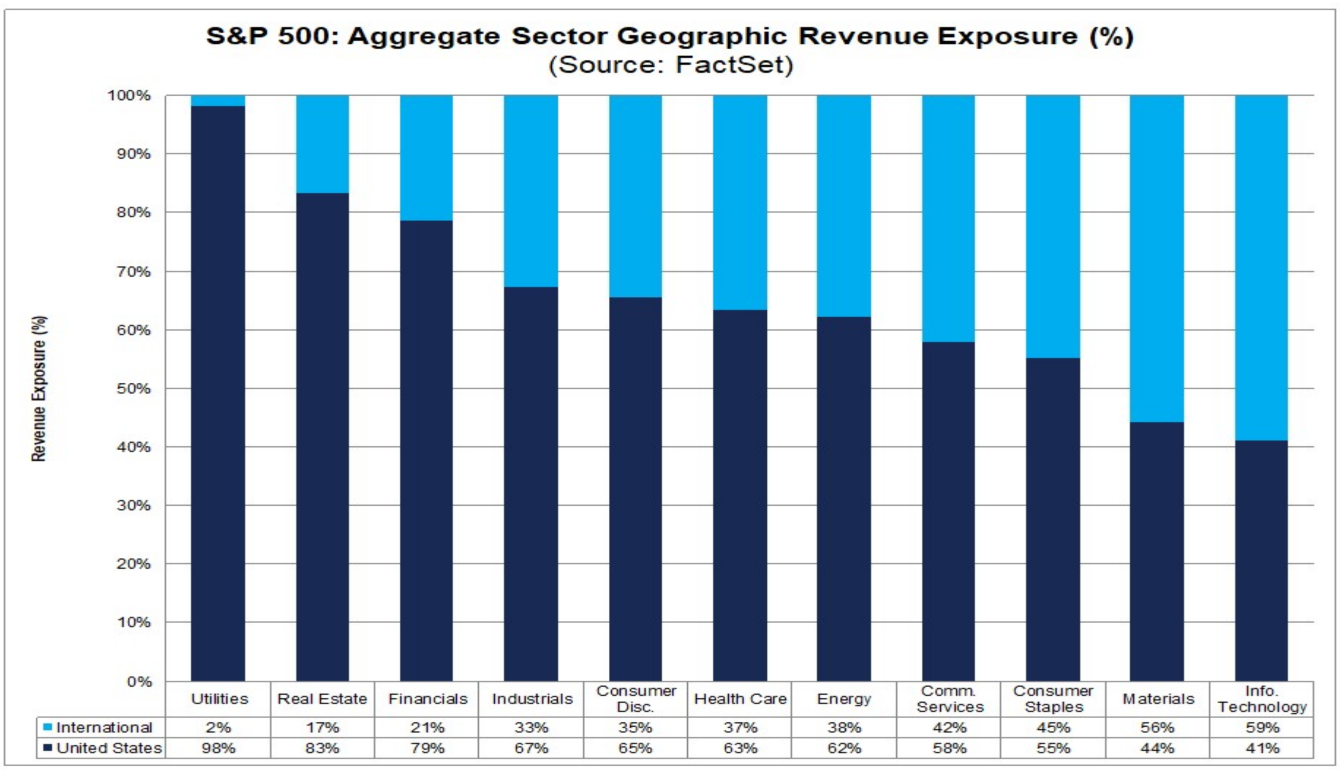
	Consumer Disc.	Utilities	Comm. Services	Financials	Real Estate	Info. Technology	S&P 500	Consumer Staples	Industrials	Health Care	Materials	Energy
Today	30.7%	19.7%	13.8%	11.2%	10.2%	8.6%	7.8%	6.4%	4.1%	1.4%	-6.2%	-9.3%
31-Mar	23.5%	20.7%	12.8%	11.4%	11.9%	8.7%	7.7%	6.7%	3.3%	0.7%	-3.6%	-8.5%



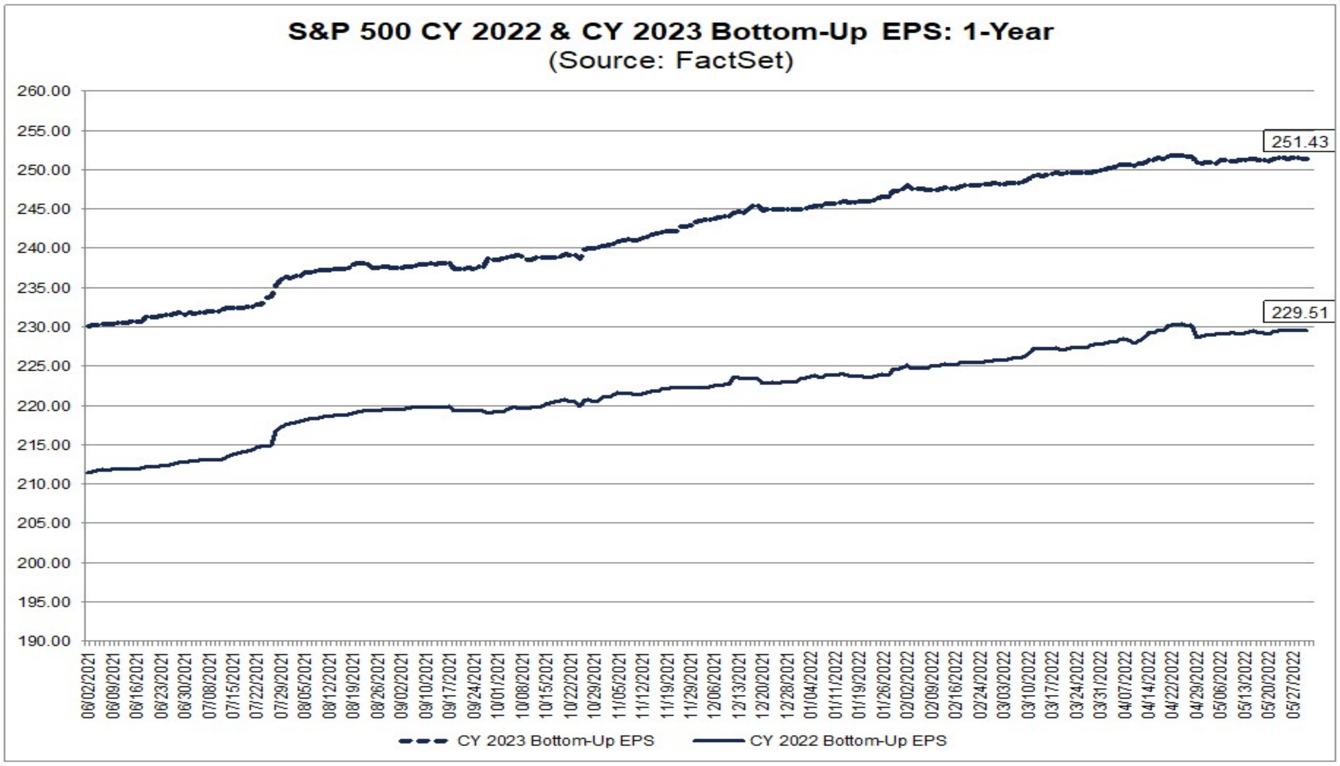
	Consumer Disc.	Comm. Services	Info. Technology	Financials	Industrials	Real Estate	S&P 500	Consumer Staples	Utilities	Health Care	Materials	Energy
Today	11.0%	8.4%	8.1%	7.4%	6.4%	5.2%	5.0%	3.7%	2.9%	2.8%	-0.6%	-7.7%
31-Mar	10.8%	8.4%	8.3%	6.5%	6.6%	5.8%	5.1%	3.7%	3.3%	2.9%	0.2%	-6.7%

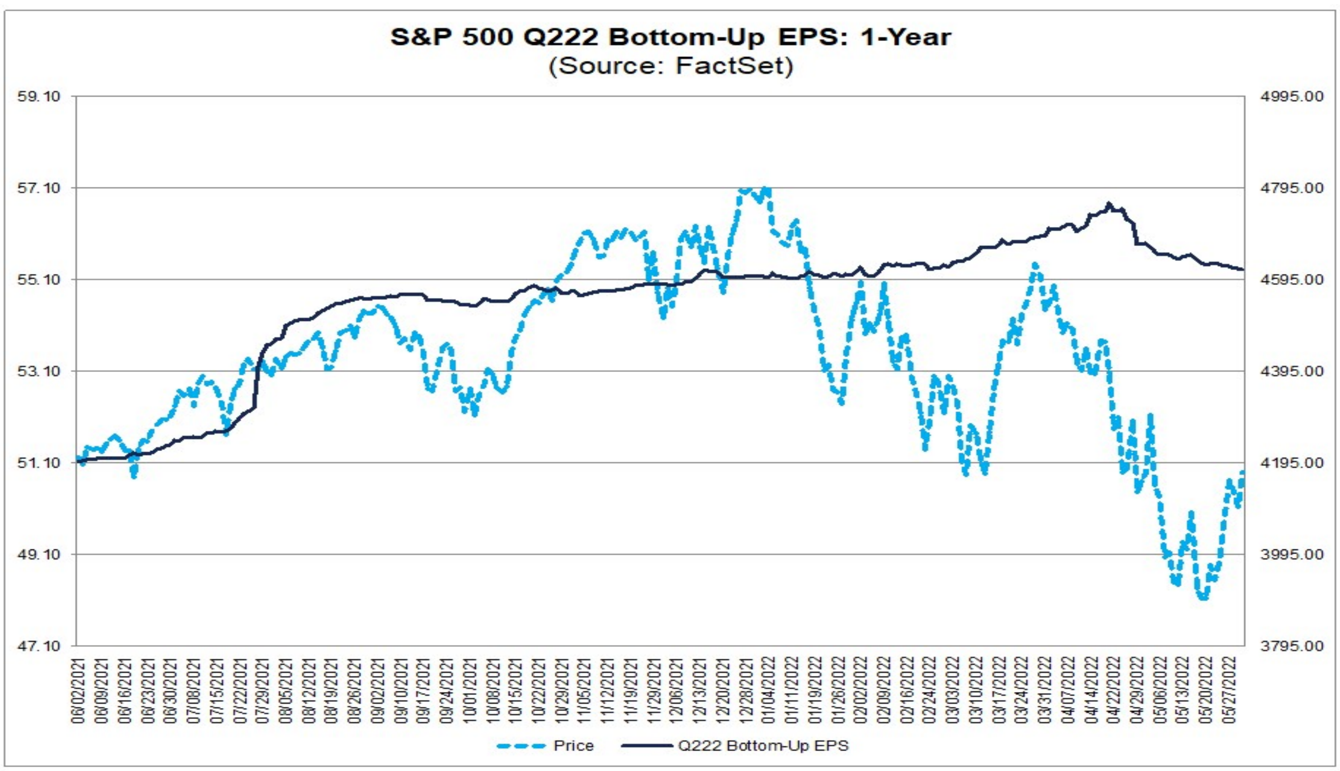
Geographic Revenue Exposure



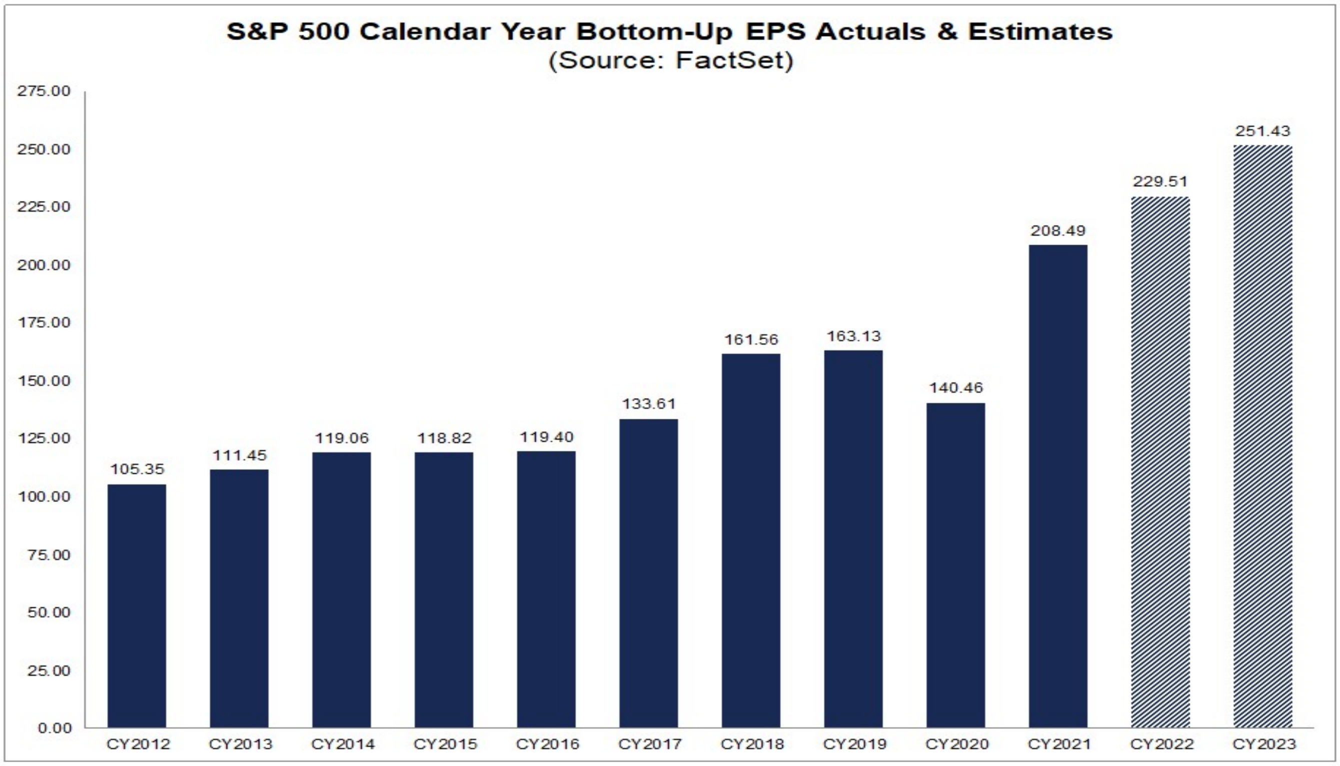


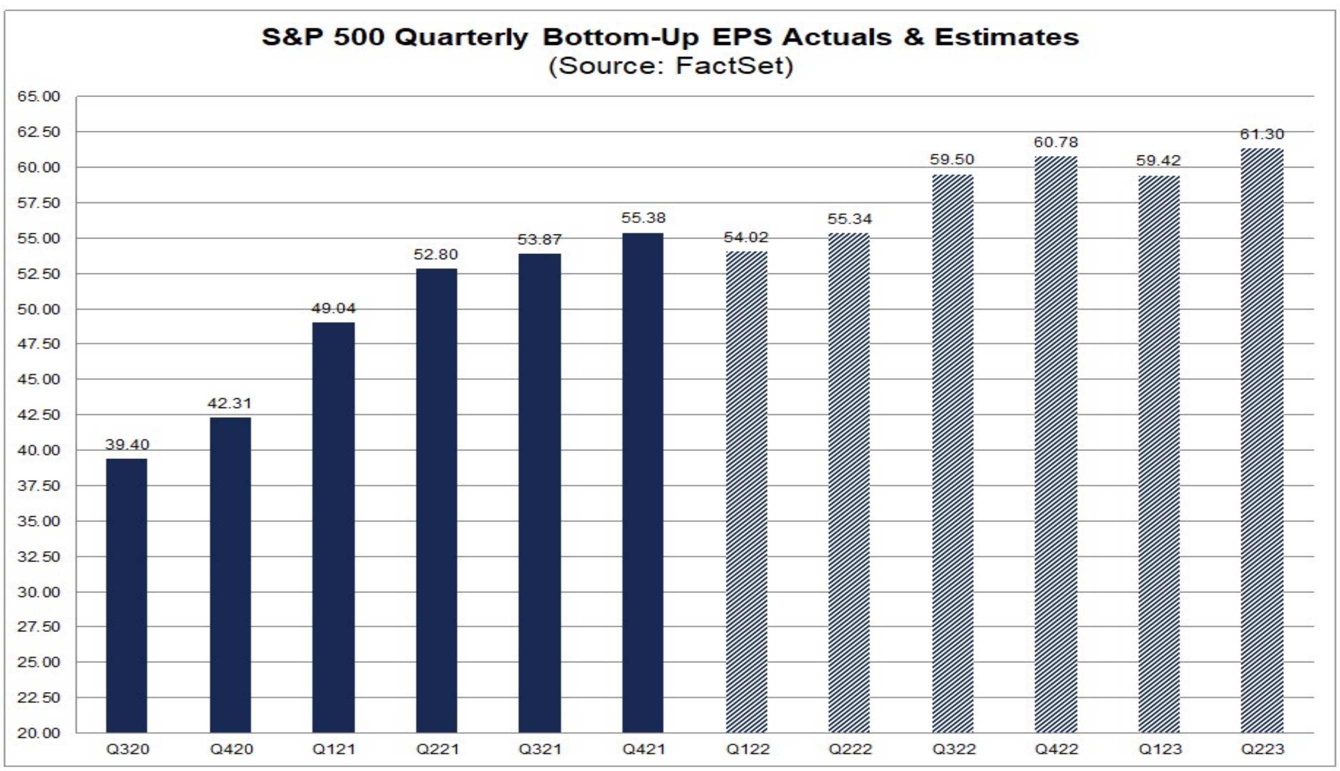
Bottom-up EPS Estimates: Revisions



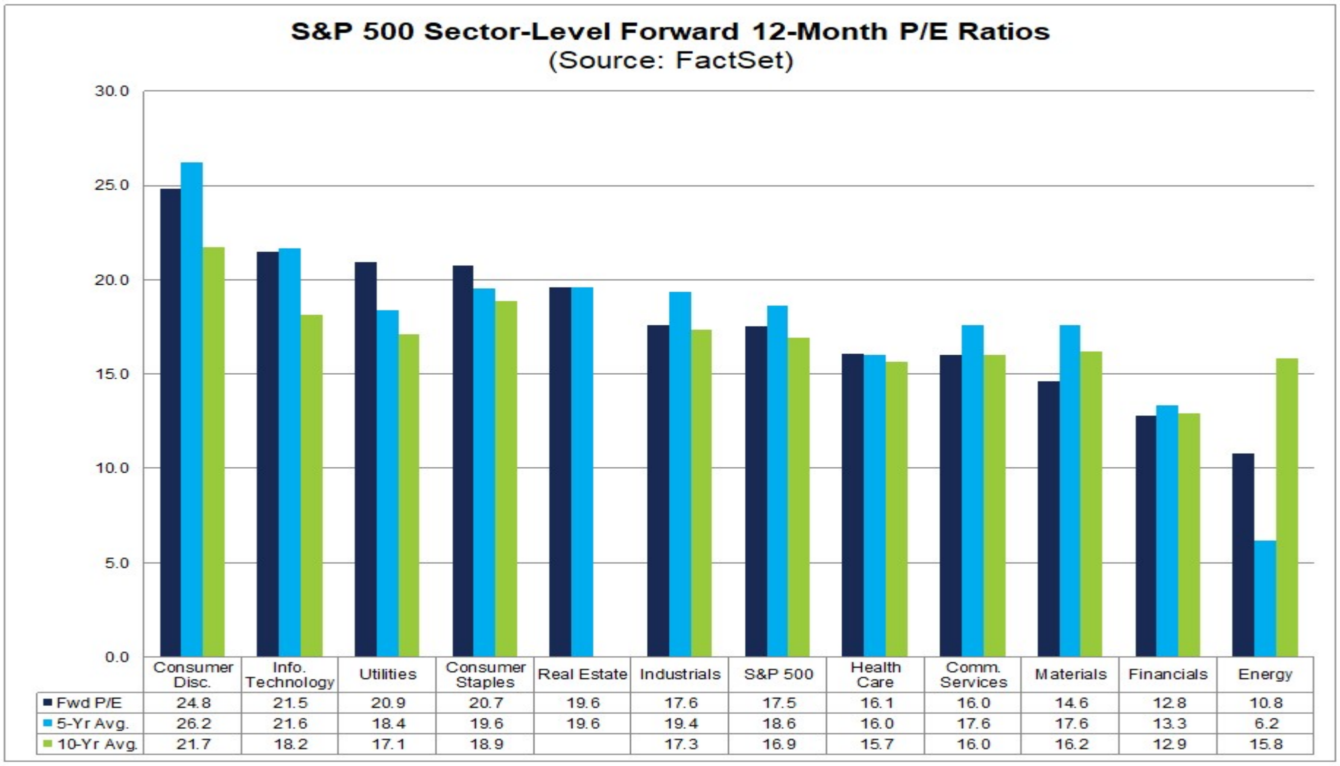


Bottom-up EPS Estimates: Current & Historical

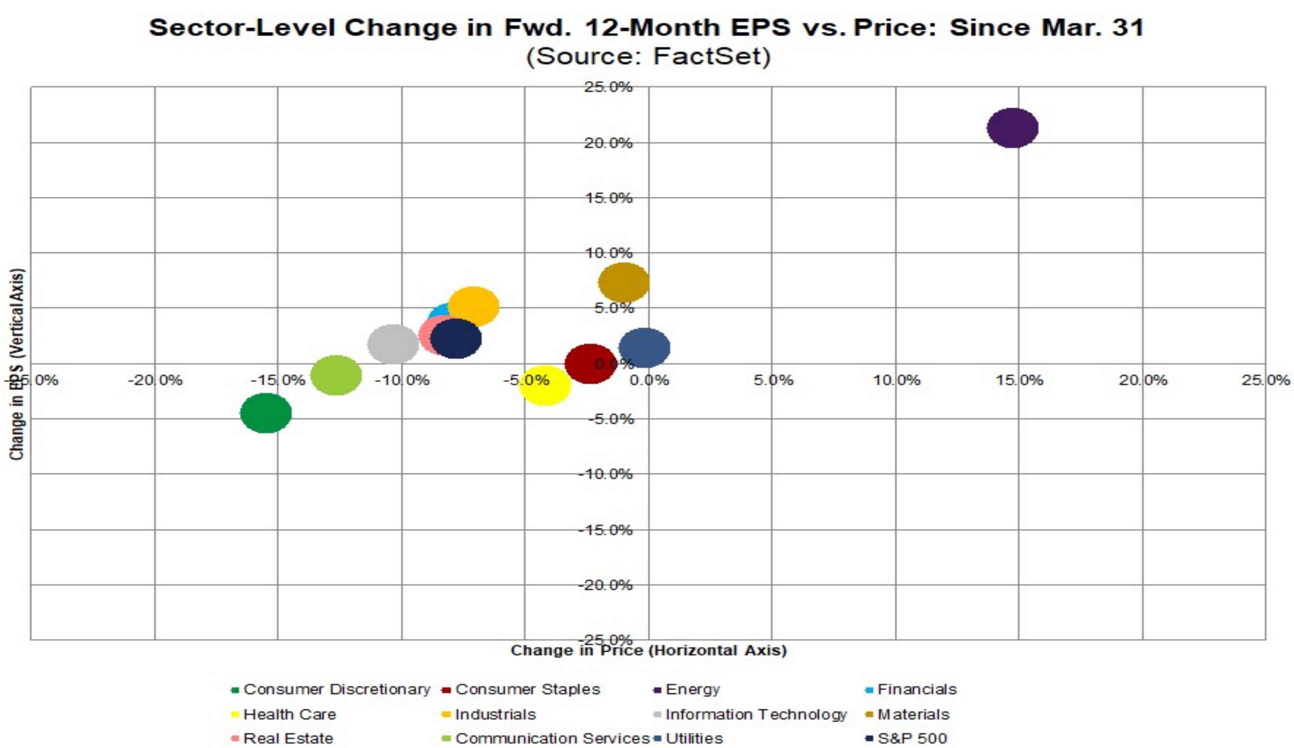




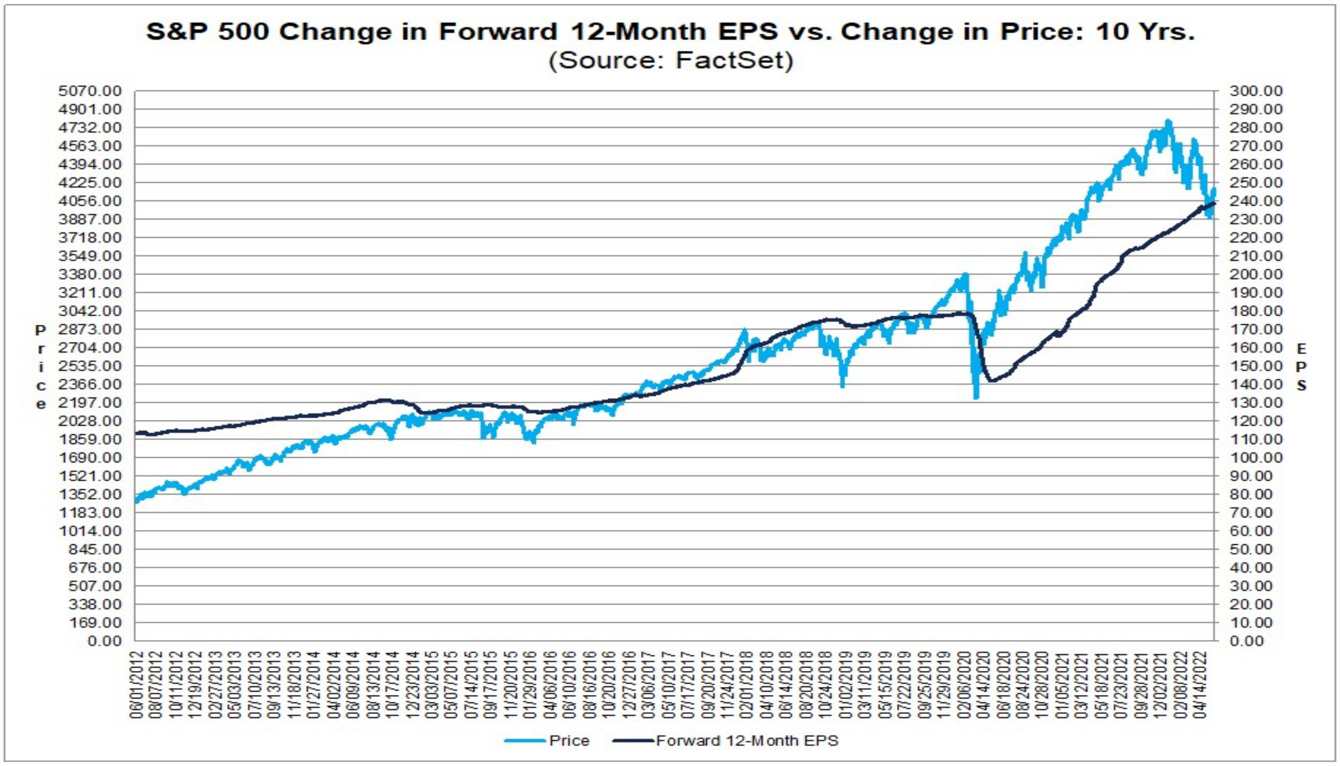
Forward 12M P/E Ratio: Sector Level

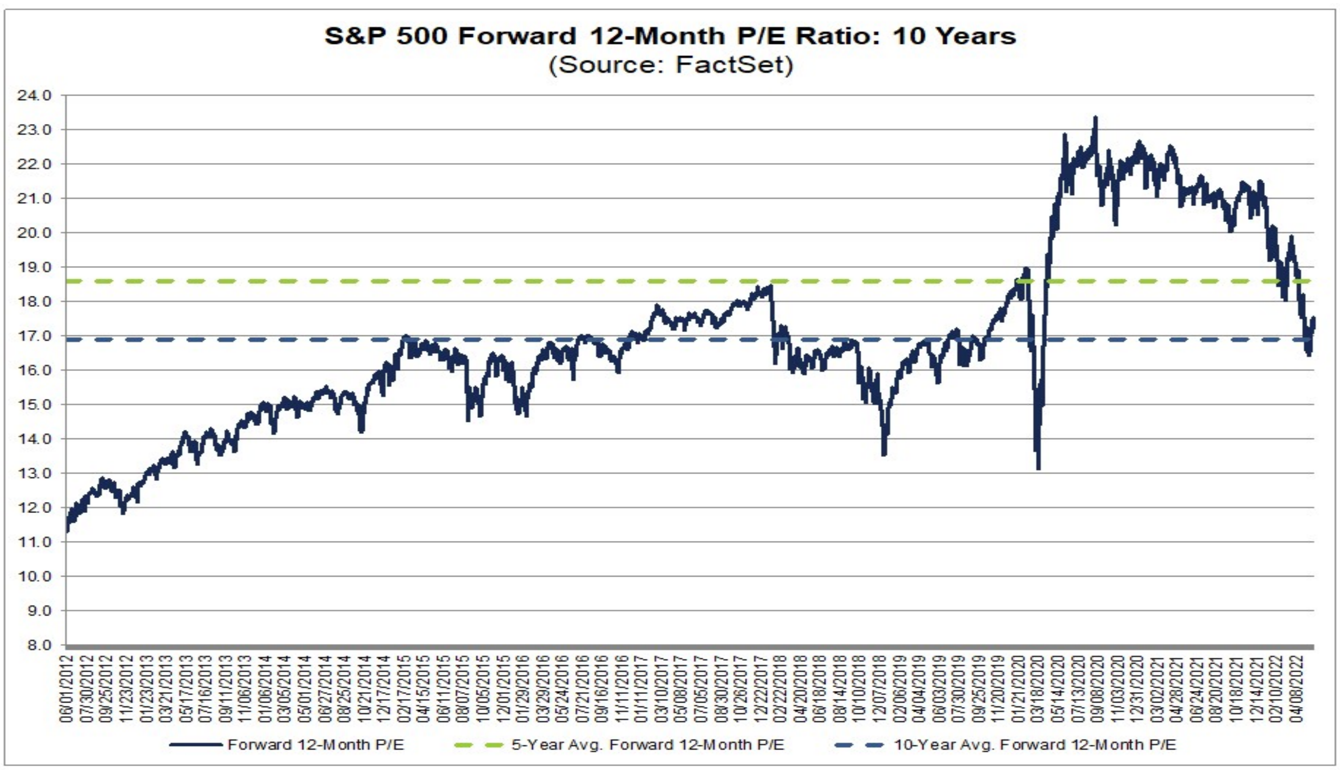


	Consumer Disc.	Info. Technology	Utilities	Consumer Staples	Real Estate	Industrials	S&P 500	Health Care	Comm. Services	Materials	Financials	Energy
Fwd P/E	24.8	21.5	20.9	20.7	19.6	17.6	17.5	16.1	16.0	14.6	12.8	10.8
5-Yr Avg.	26.2	21.6	18.4	19.6	19.6	19.4	18.6	16.0	17.6	17.6	13.3	6.2
10-Yr Avg.	21.7	18.2	17.1	18.9		17.3	16.9	15.7	16.0	16.2	12.9	15.8

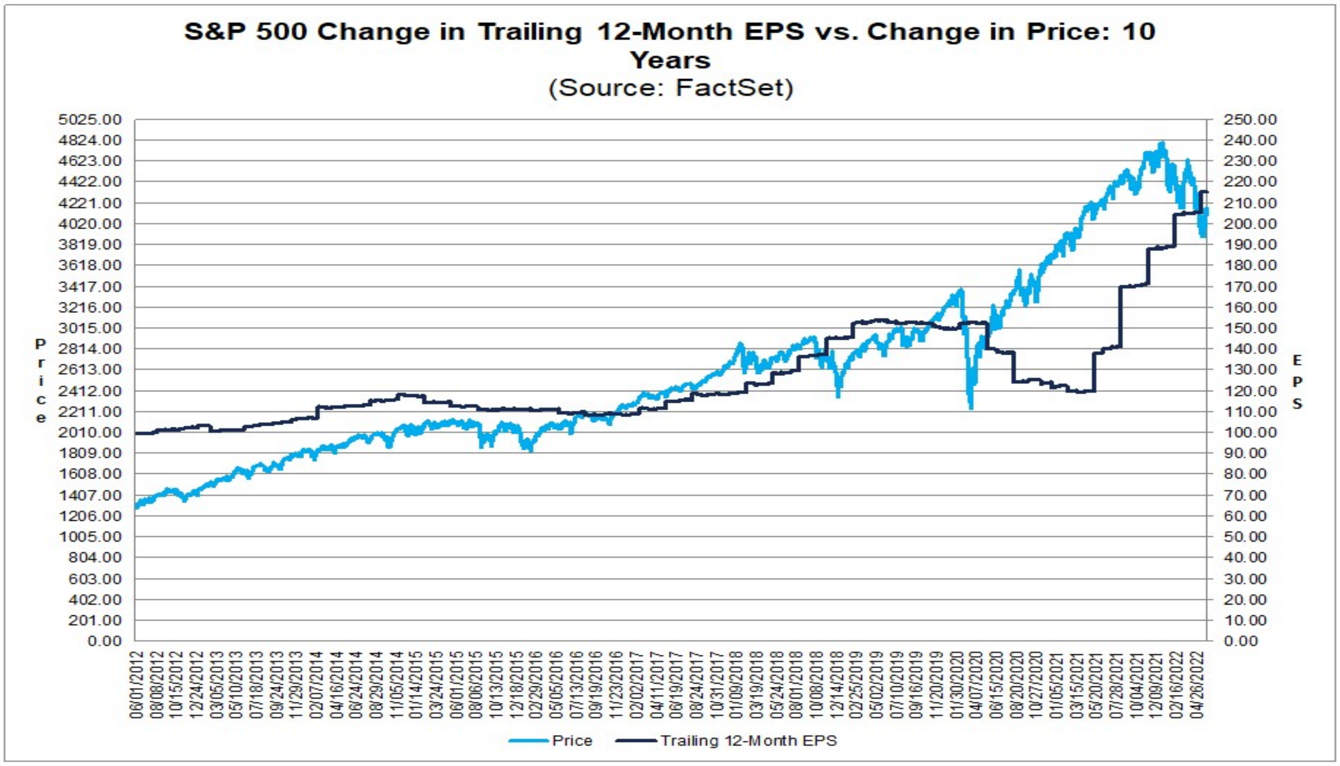


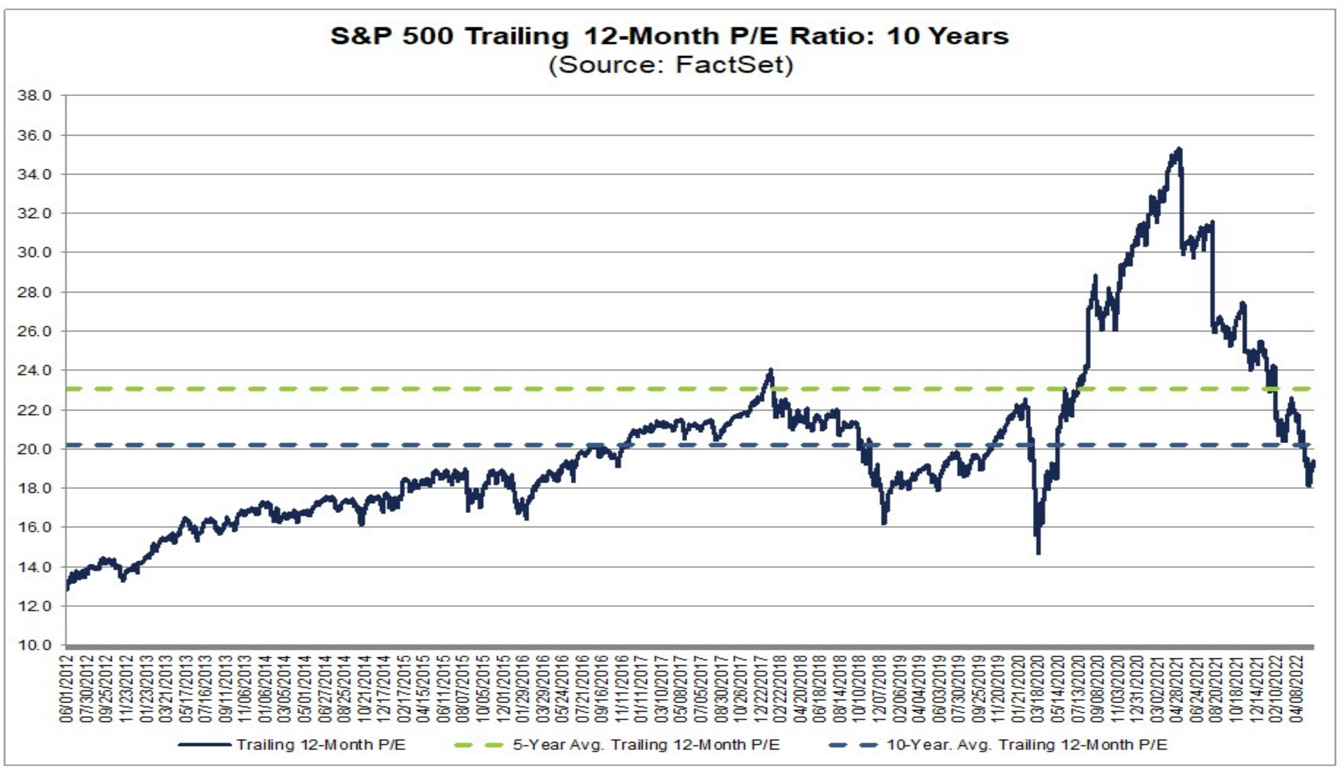
Forward 12M P/E Ratio: 10-Years



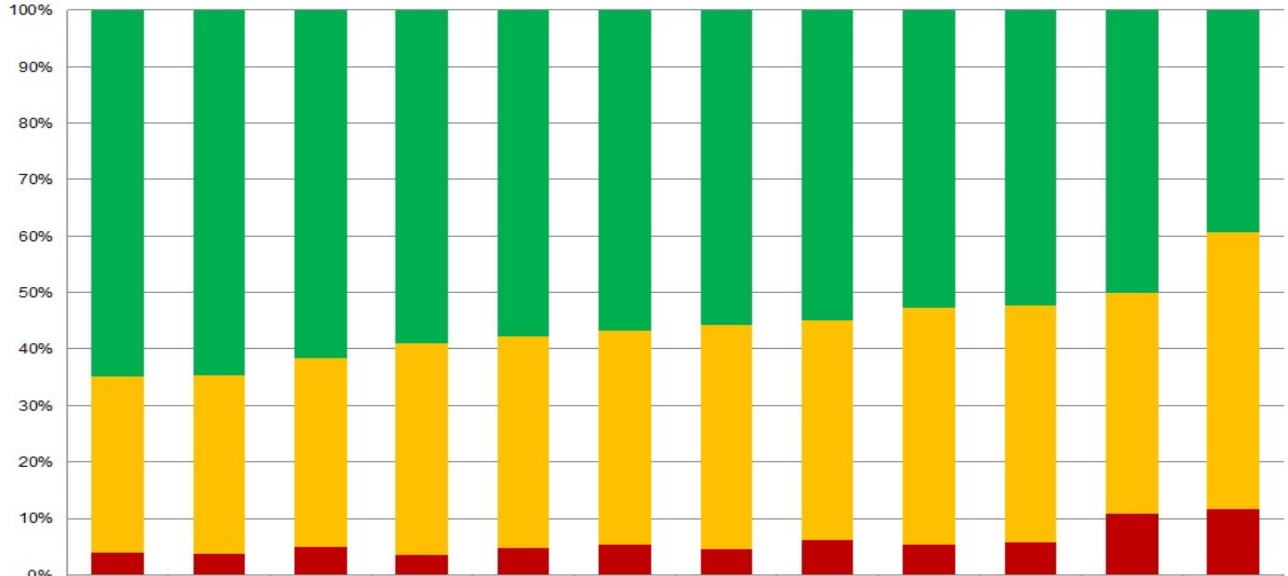


Trailing 12M P/E Ratio: 10-Years

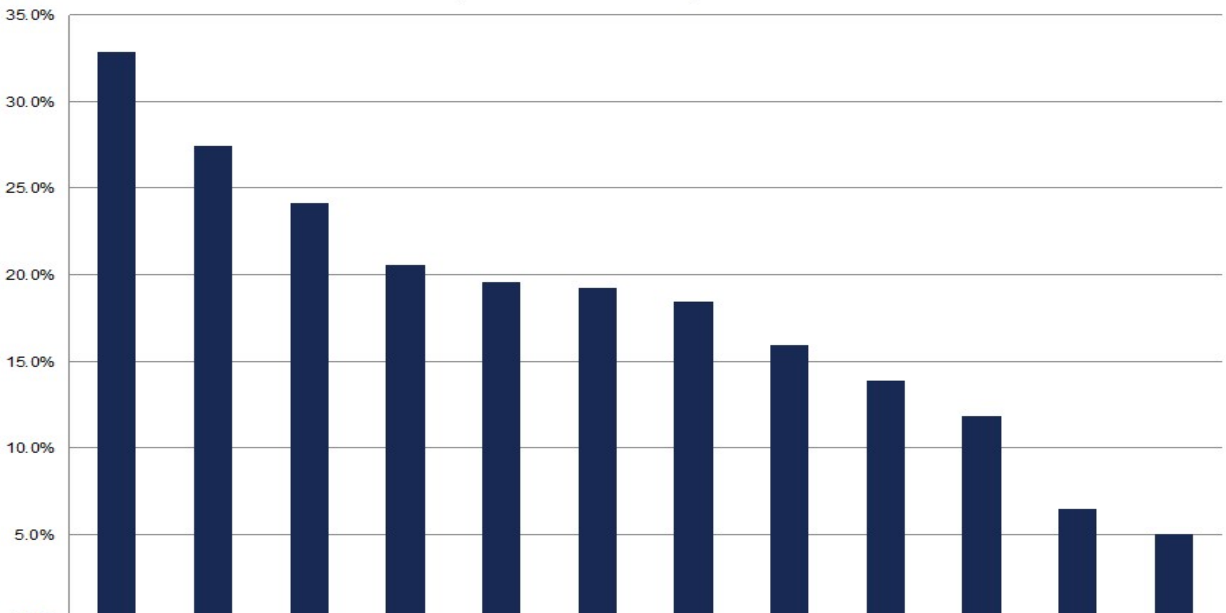




Targets & Ratings



	Info. Tech.	Energy	Comm. Services	Consumer Disc.	Health Care	S&P 500	Real Estate	Industrials	Materials	Financials	Utilities	Consumer Staples
Buy	65%	65%	62%	59%	58%	57%	56%	55%	53%	52%	50%	39%
Hold	31%	32%	34%	37%	37%	38%	40%	39%	42%	42%	39%	49%
Sell	4%	4%	5%	3%	5%	5%	5%	6%	5%	6%	11%	12%



	Comm. Services	Consumer Disc.	Info. Tech.	S&P 500	Financials	Industrials	Real Estate	Health Care	Materials	Consumer Staples	Utilities	Energy
Target/Close	32.9%	27.5%	24.1%	20.6%	19.6%	19.2%	18.5%	16.0%	13.9%	11.8%	6.4%	5.0%

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