June 9, 2023

Author’s Note: *The FactSet Earnings Insight report will not be published on June 16. The next edition of the report will be published on June 23.*

**Key Metrics**

- **Earnings Decline:** For Q2 2023, the estimated earnings decline for the S&P 500 is -6.4%. If -6.4% is the actual decline for the quarter, it will mark the largest earnings decline reported by the index since Q2 2020 (-31.6%).
- **Earnings Revisions:** On March 31, the estimated earnings decline for Q2 2023 was -4.8%. Seven sectors are expected to report lower earnings today (compared to Mar. 31) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q2 2023, 66 S&P 500 companies have issued negative EPS guidance and 44 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.5. This P/E ratio is below the 5-year average (18.6) but above the 10-year average (17.3).
Topic of the Week: 1
What is Driving the Expected Rebound in S&P 500 Earnings Growth in Q4 2023?

While analysts expect earnings for the S&P 500 to decline in Q2 2023, they also project earnings growth to return in the second half of 2023. For Q3 2023, the estimated earnings growth rate is 0.8%. For Q4 2023, the estimated earnings growth rate is 8.2%. If 8.2% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q1 2022 (9.4%). What is driving the expected improvement in earnings growth in Q4 2023?

At the sector level, nine of the eleven sectors are predicted to report year-over-year earnings growth in Q4 2023. Five of these nine sectors are expected to report double-digit earnings growth for the quarter: Communication Services (36.3%), Utilities (26.2%), Consumer Discretionary (21.3%), Information Technology (12.4%), and Financials (11.2%). The Communication Services and Information Technology sectors are expected to be the largest contributors to earnings growth for the fourth quarter of all eleven sectors. If these two sectors were excluded, the estimated earnings growth rate for the S&P 500 for Q4 2023 would fall to 3.9% from 8.2%.

At the company level, Amazon.com, Meta Platforms, Alphabet, and NVIDIA are expected to be the largest contributors to earnings growth for the S&P 500 for Q4 2023. Amazon.com, Meta Platforms, and NVIDIA are expected to report year-over-year EPS growth of more than 100% in Q4 2023. In addition, analysts have increased EPS estimates for all four companies for the fourth quarter since December 31. If these four companies were excluded, the estimated earnings growth rate for the S&P 500 for Q4 2023 would fall to 4.2% from 8.2%.

It is interesting to note that the expected top contributors to earnings growth for the S&P 500 for Q4 2023 have all seen significant price increases since the start of the year. The Communication Services and Information Technology sectors have seen the largest price increases of all eleven sectors since the start of the year, with gains of over 30%. Meta Platforms and NVIDIA have seen their stock prices increase by more than 100% since December 31, while Amazon.com and Alphabet have seen their stock prices increase by more than 35% during this period.
Topic of the Week: 2

Lowest Number of S&P 500 Companies Citing “ESG” on Earnings Calls Since Q2 2020

During each corporate earnings season, companies often comment on their ongoing corporate goals and initiatives. Thus, did companies in the S&P 500 comment on environmental, social, and governance factors during their earnings conference calls for the first quarter?

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 “ESG” in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from March 15 through June 9.

Of these companies, 74 cited the term “ESG” during their earnings calls. This is the lowest number of S&P 500 companies citing “ESG” on earnings calls going back to Q2 2020 (57). Since peaking at 156 in Q4 2021, the number of S&P 500 companies citing “ESG” on earnings calls has declined (quarter-over-quarter) in four of the past five quarters. Compared to Q4 2022, the number of S&P 500 companies citing “ESG” on earnings for Q1 2023 decreased by 23%.

At the sector level, the Financials (11) and Health Care (11) sectors had the highest number of S&P 500 companies citing “ESG” on earnings calls for Q1. Combined, these two sectors accounted for 30% of the total number of S&P 500 companies discussing “ESG” on earnings calls for Q1 2023. On a quarter-over-quarter basis, eight of the eleven sectors recorded a decrease in the number of companies citing “ESG” on earnings calls, led by the Industrials (-5) and Information Technology (-4) sectors.

It is interesting to note that while the number of companies citing “ESG” on earnings calls decreased on a sequential basis in Q1, the number of S&P 500 companies citing “AI” on earnings calls increased on a sequential basis. For more details, please see this article: https://insight.factset.com/highest-number-of-sp-500-companies-citing-ai-on-q1-earnings-calls-in-over-10-years
Q1 Earnings Season: By The Numbers

Overview

Analysts and companies have been less pessimistic in their earnings outlooks for the second quarter compared to historical averages. Although these outlooks have been less negative than normal, estimated earnings for the S&P 500 for the second quarter are still lower today compared to expectations at the start of the quarter. The index is now expected to report its largest year-over-year decline in earnings since Q2 2020.

In terms of estimate revisions, analysts have lowered earnings estimates for Q2 2023 by a smaller margin than average. On a per-share basis, estimated earnings for the second quarter have decreased by 2.2% since March 31. This decrease is smaller than the 5-year average of -3.4% and smaller than the 10-year average of -3.4%.

In terms of guidance, the percentage of S&P 500 companies issuing negative EPS guidance for Q2 2023 is smaller than average. At this point in time, 110 companies in the index have issued EPS guidance for Q2 2023. Of these 110 companies, 66 have issued negative EPS guidance and 44 have issued positive EPS guidance. The percentage of S&P 500 companies issuing negative EPS guidance for Q2 2023 is 60% (66 out of 110), which is below the 5-year average of 61% and below the 10-year average of 66%.

Although estimate revisions and guidance have been less negative than average, the estimated (year-over-year) earnings decline for Q2 2023 is still larger today relative to the start of the first quarter. As of today, the S&P 500 is expected to report a (year-over-year) earnings decline of -6.4%, compared to the estimated (year-over-year) earnings decline of -4.8% on March 31.

If -6.4% is the actual decline for the quarter, it will mark the largest earnings decline reported by the index since Q2 2020 (-31.6%). It will also mark the third straight quarter in which the index has reported a (year-over-year) decrease in earnings.

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

In terms of revenues, analysts have also lowered their estimates during the quarter. As of today, the S&P 500 is expected to report a (year-over-year) revenue decline of -0.4%, compared to the expectations for flat revenues (0.0%) on March 31.

If -0.4% is the actual decline for the quarter, it will mark the first time the index has reported a year-over-year decline in revenues since Q3 2020 (-1.1%). Seven sectors are projected to report year-over-year growth in revenues, led by the Financials and Consumer Discretionary sectors. On the other hand, four sectors are predicted to report a year-over-year decline in revenues, led by the Energy and Materials sectors.

Looking ahead, analysts still expect earnings growth for the second half of 2023. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 0.8% and 8.2%, respectively. For all of CY 2023, analysts predict earnings growth of 1.2%.

The forward 12-month P/E ratio is 18.5, which is below the 5-year average (18.6) but above the 10-year average (17.3). It is also above the forward P/E ratio of 18.1 recorded at the end of the first quarter (March 31).

During the upcoming week, one S&P 500 company is scheduled to report results for the first quarter and three S&P 500 companies are scheduled to report results for the second quarter.
Earnings Revisions: Energy Sector Sees Largest Decrease in EPS Estimates

Slight Increase in Estimated Earnings Decline for Q1 This Week

During the past week, the estimated earnings decline for the S&P 500 for Q2 2023 increased slightly to -6.4% from -6.3%.

The estimated earnings decline for the S&P 500 for Q2 2023 of -6.4% today is larger than the estimate of -4.8% at the start of the quarter (March 31), as estimated earnings for the index of $460.0 billion today are 1.7% below the estimate of $467.8 billion at the start of the quarter. Seven sectors have recorded a decrease in expected (dollar-level) earnings due to downward revisions to earnings estimates, led by the Energy and Materials sectors. On the other hand, four sectors have recorded an increase in dollar-level earnings due to upward revisions to earnings estimates, led by the Information Technology and Communication Services sectors.

Energy: Chevron Leads Earnings Decrease Since March 31

The Energy sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -10.8% (to $34.3 billion from $38.5 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -46.3% today from -39.8% on March 31. This sector has also witnessed the third-largest decrease in price (-1.6%) of all eleven sectors during this time. Falling oil prices are helping to drive the decrease in expected earnings for this sector, as the price of oil has declined by 6% since March 31 (to $71.29 from $75.67). Overall, 21 of the 23 companies (91%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 21 companies, 11 have recorded a decrease in their mean EPS estimate of more than 10%, led by EQT Corporation (to $0.09 from $0.37) and Hess Corporation (to $1.03 from $1.43). However, Chevron (to $3.20 from $3.61), Exxon Mobil (to $2.34 from $2.51), Marathon Petroleum (to $4.72 from $6.30), Valero Energy (to $5.24 from $6.54) and Phillips 66 (to $3.63 from $4.43) have been the largest contributors to the decrease in estimated (dollar-level) earnings for this sector since March 31.

Materials: 62% of Companies Have Seen EPS Estimates Decrease Since December 31

The Materials sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -7.6% (to $14.3 billion from $15.3 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -30.1% today from -24.3% on March 31. This sector has also witnessed the fourth-largest decrease in price (-1.6%) of all eleven sectors since March 31. Overall, 18 of the 29 companies (62%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 18 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by International Paper (to $0.43 from $0.76), WestRock (to $0.52 from $0.87), Mosaic (to $1.27 from $2.11), CF Industries (to $2.43 from $3.64) and Albemarle (to $4.72 from $6.95). Mosaic, Albemarle, and CF Industries have also been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since March 31.

Information Technology: NVIDIA and Microsoft Lead Earnings Increase Since March 31

The Information Technology sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 1.5% (to $82.3 billion from $81.1 billion). As a result, the estimated (year-over-year) earnings decline for this sector has fallen to -4.7% today from -8.0% on March 31. This sector has also witnessed the second-largest increase in price (+10.5%) of all eleven sectors since March 31. Overall, 26 of the 64 companies (41%) in the Information Technology sector have seen an increase in their mean EPS estimate during this time. Of these 26 companies, 5 have recorded an increase in their mean EPS estimate of more than 10%, led by NVIDIA (to $1.94 from $1.05) and Teradyne (to $0.66 from $0.51). NVIDIA and Microsoft (to $2.56 from $2.47) have been the largest contributors to the increase in expected (dollar-level) earnings for this sector since March 31.
Communication Services: Meta Platforms and Alphabet Lead Earnings Increase Since March 31

The Communication Services sector has recorded the second-largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 1.4% (to $43.6 billion from $43.0 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has improved to 12.6% today from 11.0% on March 31. This sector has also witnessed the largest increase in price (+10.7%) of all eleven sectors since March 31. Overall, just 6 of the 21 companies (29%) in the Communication Services sector have seen an increase in their mean EPS estimate during this time. Of these 6 companies, 2 have recorded an increase in their mean EPS estimate of more than 10%: Meta Platforms (to $2.87 from $2.38) and Electronic Arts (to $1.03 from $0.89). Meta Platforms and Alphabet (to $1.33 from $1.28) have been the largest contributors to the increase in expected (dollar-level) earnings for this sector since March 31.

Index-Level EPS Estimate: 2.2% Decrease Since March 31

The Q2 bottom-up EPS estimate (which is an aggregation of the median Q2 earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) has decreased by 2.2% (to $53.21 from $54.38) since March 31. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 3.4% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have also fallen by 3.4% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 4.5% on average during a quarter. Over the past twenty years (60 quarters), earnings expectations have fallen by 3.8% on average during a quarter.

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

Guidance: Lower % of S&P 500 Companies Issuing Negative Guidance for Q2 Than Average

Quarterly Guidance: Lower % of S&P 500 Companies Issuing Negative Guidance for Q2 Than Average

At this point in time, 110 companies in the index have issued EPS guidance for Q2 2023. Of these 110 companies, 66 have issued negative EPS guidance and 44 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q2 2023 is above the 5-year average (59) and above the 10-year average (65). However, the number of S&P 500 companies issuing positive EPS guidance for Q2 2023 is also above the 5-year average (38) and above the 10-year average (33). The percentage of companies issuing negative EPS guidance for Q2 2023 is 60% (66 out of 110), which is below the 5-year average of 61% and below the 10-year average of 66%.

Annual Guidance: 42% of S&P 500 Companies Issuing Negative Guidance for Current Year

At this point in time, 266 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 266 companies, 112 have issued negative EPS guidance and 154 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 42% (112 out of 266).

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 Decline: -6.4%

The estimated (year-over-year) earnings decline for Q2 2023 is -6.4%, which is below the 5-year average earnings growth rate of 13.4% and below the 10-year average earnings growth rate of 8.7%. If -6.4% is the actual decline for the quarter, it will mark the largest (year-over-year) earnings decline reported by the index since Q2 2020 (-31.6%). It will also mark the third consecutive quarter in which earnings have declined year-over-year.

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

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

The Consumer Discretionary sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 24.5%. At the industry level, 3 of the 9 industries in the sector are expected to report a year-over-year increase in earnings. A growth rate is not being calculated for the Broadline Retail industry due to the loss reported by the industry in the year-ago quarter. However, this industry is projected to report a profit of $4.2 billion in Q2 2023 compared to a loss of -$1.4 billion in Q2 2022. The other two industries predicted to report (year-over-year) earnings growth are the Hotels, Restaurants, & Leisure (177%) and Auto Components (76%) industries. On the other hand, six industries are expected to report a (year-over-year) decline in earnings. Four of these six industries are predicted to report a decrease in earnings of 10% or more: Leisure Products (-53%), Household Durables (-37%), Textiles, Apparel, & Luxury Goods (-25%), and Specialty Retail (-10%).

At the industry level, the Broadline Retail and Hotels, Restaurants, & Leisure industries are predicted to be the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would be projected to report a (year-over-year) decline in earnings of -13.2% instead of year-over-year earnings growth if 24.5%.

At the company level, Amazon.com is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the expected earnings growth rate for the sector would fall to 4.0% from 24.5%

**Communication Services: 3 of 5 Industries Expected To Report Year-Over-Year Growth**

The Communication Services sector is expected to report the second-largest (year-over-year) earnings growth rate of all eleven sectors at 12.6%. At the industry level, 3 of the 5 industries in the sector are expected to report a year-over-year increase in earnings. A growth rate is not being calculated for the Wireless Telecommunication Services industry due to the loss reported by the industry in the year-ago quarter. However, this industry is projected to report a profit of $2.0 billion in Q2 2023 compared to a loss of -$113 million in Q2 2022. The other two industries predicted to report (year-over-year) earnings growth are the Entertainment (620%) and Interactive Media & Services (8%) industries. On the other hand, two industries are expected to report a (year-over-year) decline in earnings: Media (-17%) and Diversified Telecommunication Services (-9%).

At the company level, Warner Bros. Discovery and T-Mobile are predicted to be the largest contributors to earnings growth for the sector. If these two companies were excluded, the Communication Services sector would be projected to report a (year-over-year) decline in earnings of -0.4% instead of year-over-year earnings growth if 12.6%.
Earnings Insight

Energy: 3 of 5 Sub-Industries Expected To Report Year-Over-Year Decline of More Than 45%

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -46.3%. Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector, as the average price of oil to date in Q2 2023 ($74.78) is 31% below the average price for oil in Q2 2022 ($108.52). At the sub-industry level, four of the five sub-industries in the sector are expected to report a (year-over-year) decrease in earnings. Three of these four sub-industries are projected to report (year-over-year) earnings declines above -45%: Oil & Gas Refining & Marketing (-59%), Integrated Oil & Gas (-48%), and Oil & Gas Exploration & Production (-46%). On the other hand, the Oil & Gas Equipment & Services (61%) sub-industry is the only sub-industry predicted to report (year-over-year) earnings growth in the sector.

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

The Materials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -30.1%. At the industry level, three of the four industries in this sector are predicted to report a year-over-year decline in earnings of more than 25%: Containers & Packaging (-44%), Metals & Mining (-33%), and Chemicals (-28%). On the other hand, the Construction Materials (22%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Health Care: 3 of 5 Industries Expected To Report Year-Over-Year Decline of More Than 10%

The Health Care sector is expected to report the third-largest (year-over-year) earnings decline of all eleven sectors at -16.5%. At the industry level, four of the five industries in this sector are predicted to report a year-over-year decline in earnings. Three of these four industries are projected to report (year-over-year) declines in earnings above -10% Biotechnology (-29%), Pharmaceuticals (-25%), and Life Sciences, Tools, and Services (-14%). On the other hand, the Health Care Providers & Services (<1%) is the only industry projected to report (year-over-year) earnings growth.

Revenue Decline: -0.4%

The estimated (year-over-year) revenue decline for Q2 2023 is -0.4%, which is below the 5-year average revenue growth rate of 7.8% and below the 10-year average revenue growth rate of 4.6%. If -0.4% is the actual decline for the quarter, it will mark the first time the index has reported a year-over-year decline in revenues since Q3 2020 (-1.1%).

At the sector level, seven sectors are expected to report year-over-year growth in revenues, led by the Financials and Consumer Discretionary sectors. On the other hand, four sectors are expected to report a year-over-year decline in revenues, led by the Energy and Materials sectors.

Financials: All 5 Industries Expected To Report Year-Over-Year Growth

The Financials sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 8.1%. At the industry level, all five industries in the sector are predicted to report (year-over-year) growth in revenues. Two of these five industries are projected to report revenue growth above 10%: Consumer Finance (15%) and Banks (14%).

Consumer Discretionary: 6 of 9 Industries Expected to Report Year-Over-Year Growth

The Consumer Discretionary sector is expected to report the second-highest (year-over-year) revenue growth rate of all eleven sectors at 6.5%. At the industry level, 6 of the 9 industries in the sector are expected to report a year-over-year increase in revenues. Three of these six industries are projected to report revenue growth above 10%: Hotels, Restaurants, & Leisure (23%), Automobile Components (16%), and Automobiles (16%).
Energy: 4 of 5 Sub-Industries Expected To Report Year-Over-Year Decline of More Than 10%

The Energy sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -25.9%. Lower year-over-year oil prices are contributing to the year-over-year decrease in revenues for this sector, as the average price of oil to date in Q2 2023 ($74.78) is 31% below the average price for oil in Q2 2022 ($108.52). At the sub-industry level, four of the five sub-industries in the sector are expected to report a (year-over-year) decrease in revenues of more than 10%: Oil & Gas Refining & Marketing (-34%), Oil & Gas Exploration & Production (-29%), Integrated Oil & Gas (-24%), and Oil & Gas Storage & Transportation (-11%). On the other hand, the Oil & Gas Equipment & Services (20%) sub-industry is the only sub-industry predicted to report (year-over-year) revenue growth in the sector.

Materials: Chemicals Industry Leads Year-Over-Year Decline

The Materials sector is expected to report the second-highest (year-over-year) decline in revenues at -8.1%. At the industry level, three of the four industries in the sector are predicted to report a (year-over-year) decrease in revenues: Chemicals (-10%), Metals & Mining (-6%), and Containers & Packaging (-6%). On the other hand, the Construction Materials (11%) industry is the only industry expected to report a year-over-year growth in revenues.

Net Profit Margin: 11.5%

The estimated net profit margin for the S&P 500 for Q2 2023 is 11.5%, which is equal to the previous quarter’s net profit margin of 11.5%, above the 5-year average of 11.4%, but below the year-ago net profit margin of 12.2%.

At the sector level, six sectors are expected to report a year-over-year increase in their net profit margins in Q2 2023 compared to Q2 2022, led by the Real Estate (to 36.6% vs. 35.5%), Communication Services (11.4% vs. 10.4%), and Consumer Discretionary (7.0% vs. 6.0%) sectors. On the other hand, five sectors are expected to report a year-over-year decrease in their net profit margins in Q2 2023 compared to Q2 2022, led by the Energy (10.5% vs. 11.4%) and Materials (11.1% vs. 14.5%) sectors.

Six sectors are expected to report net profit margins in Q2 2023 that are above their 5-year averages, led by the Energy (10.5% vs. 7.9%) and Industrials (10.5% vs. 8.1%) sectors. On the other hand, five sectors are expected to report net profit margins in Q2 2023 that are below their 5-year averages, led by the Health Care (8.9% vs. 10.5%) sectors.
Looking Ahead: Forward Estimates and Valuation

**Earnings: S&P 500 Expected to Report Earnings Growth of 1% for CY 2023**
For the second quarter, S&P 500 companies are expected to report a year-over-year earnings decline of -6.4% and a year-over-year revenue decline of -0.4%.

For Q3 2023, analysts are projecting earnings growth of 0.8% and revenue growth of 1.2%.

For Q4 2023, analysts are projecting earnings growth of 8.2% and revenue growth of 3.2%.

For CY 2023, analysts are projecting earnings growth of 1.2% and revenue growth of 2.4%.

For CY 2024, analysts are projecting earnings growth of 12.3% and revenue growth of 4.9%.

**Valuation: Forward P/E Ratio is 18.5, Above the 10-Year Average (17.3)**
The forward 12-month P/E ratio for the S&P 500 is 18.5. 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 above the forward 12-month P/E ratio of 18.1 recorded at the end of the first quarter (March 31). Since the end of the first quarter (March 31), the price of the index has increased by 4.5%, while the forward 12-month EPS estimate has increased by 2.1%. At the sector level, the Information Technology (26.2) and Consumer Discretionary (25.6) sectors have the highest forward 12-month P/E ratios, while the Energy (10.6) and Financials (13.1) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 21.8, which is below the 5-year average of 22.5 but above the 10-year average of 20.7.

**Targets & Ratings: Analysts Project 11% Increase in Price Over Next 12 Months**
The bottom-up target price for the S&P 500 is 4778.07, which is 11.3% above the closing price of 4293.93. At the sector level, the Energy (+21.7%) 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 Information Technology (+6.4%) and Consumer Discretionary (+6.9%) 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 10,930 ratings on stocks in the S&P 500. Of these 10,930 ratings, 54.7% are Buy ratings, 39.5% are Hold ratings, and 5.8% are Sell ratings. At the sector level, the Energy (64%) and Communication Services (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (44%) sector has the lowest percentage of Buy ratings.

**Companies Reporting Next Week: 4**
During the upcoming week, one S&P 500 company is scheduled to report results for the first quarter and three S&P 500 companies are scheduled to report results for the second quarter.
Q1 2023: Scorecard
Q1 2023: Scorecard

**S&P 500 Sector-Level Earnings Surprise %: Q1 2023**
(Source: FactSet)

- Materials: 17.6%
- Consumer Disc.: 17.2%
- Industrials: 10.8%
- Energy: 7.9%
- S&P 500: 6.4%
- Consumer Staples: 6.4%
- Health Care: 6.3%
- Info. Technology: 5.3%
- Financials: 5.0%
- Comm. Services: 3.7%
- Real Estate: 2.9%
- Utilities: -11.4%

**S&P 500 Sector-Level Revenue Surprise %: Q1 2023**
(Source: FactSet)

- Utilities: 14.6%
- Health Care: 3.2%
- Consumer Disc.: 2.6%
- Financials: 2.5%
- S&P 500: 2.4%
- Industrials: 2.2%
- Real Estate: 1.8%
- Info. Technology: 1.7%
- Energy: 1.5%
- Consumer Staples: 1.5%
- Comm. Services: 0.9%
- Materials: 0.5%
Q1 2023: Scorecard

S&P 500 EPS Surprise % vs. Price %: Q1 2023
(Source: FactSet)

S&P 500 EPS Surprise vs. Avg. Price Change %
(Source: FactSet)
Q1 2023: Scorecard

**S&P 500 Actual EPS Surprise %: Top 10 Q1 Actual EPS Surprises**  
(Source: FactSet)

- Illumina, Inc. 1341.9%
- Wynn Resorts, Limited 602.0%
- MGM Resorts International 582.8%
- Insulet Corporation 217.0%
- CarMax, Inc. 124.2%
- Martin Marietta Materials, Inc. 121.1%
- Molson Coors Beverage Company Class B 109.1%
- Qorvo, Inc. 108.1%
- General Electric Company 96.6%
- News Corporation Class A 86.2%

**S&P 500 Actual EPS Surprise %: Bottom 10 Q1 Actual EPS Surprises**  
(Source: FactSet)

- First Solar, Inc. -59.6%
- Advance Auto Parts, Inc. -71.9%
- Constellation Energy Corporation -73.5%
- Incyte Corporation -82.1%
- Targa Resources Corp. -98.0%
- Tyson Foods, Inc. Class A -105.0%
- Seagate Technology Holdings PLC -213.0%
- Pinnacle West Capital Corporation -370.8%
- NRG Energy, Inc. -549.3%
- Expedia Group, Inc. -935.4%
Q1 2023: Growth

S&P 500 Earnings Growth: Q1 2023
(Source: FactSet)

S&P 500 Revenue Growth: Q1 2023
(Source: FactSet)
Q1 2023: Growth

S&P 500 Earnings Growth: Q1 2023
(Source: FactSet)

S&P 500 Revenue Growth: Q1 2023
(Source: FactSet)
Q1 2023: Net Profit Margin

S&P 500 Net Profit Margins: Q123 vs. Q122
(Source: FactSet)

S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin:
Q123 vs. Q122
(Source: FactSet)
Q2 2023: Guidance

Number (＃) of S&P 500 Cos. with Q2 Positive & Negative Guidance
(Source: FactSet)

Percentage (%) of S&P 500 Cos. with Q2 Positive & Negative Guidance
(Source: FactSet)
Q2 2023: EPS Revisions

**Upward Change in Q2 EPS (Trailing 4 Weeks): Top 10 S&P 500 Cos.**

(Source: FactSet)

- NVIDIA Corporation: 62.8%
- NRG Energy, Inc.: 79.0%
- Wynn Resorts, Limited: 63.1%
- Veritas, Inc.: 28.0%
- American Airlines Group Inc.: 15.4%
- Salesforce, Inc.: 11.8%
- News Corporation Class A: 10.0%
- News Corporation Class B: 10.0%
- Constellation Energy Corporation: 9.8%
- Expedia Group, Inc.: 9.2%

**Downward Change in Q2 EPS (Trailing 4-Weeks): Top 10 S&P 500 Cos.**

(Source: FactSet)

- EOG Corporation: -17.7%
- Dollar General Corporation: -18.0%
- Dollar Tree, Inc.: -26.1%
- Boston Properties, Inc.: -28.6%
- Paramount Global Class B: -35.8%
- Advance Auto Parts, Inc.: -36.9%
- Take-Two Interactive Software, Inc.: -55.9%
- Catalent Inc: -55.7%
- Allstate Corporation: -136.1%
- V.F. Corporation: -1251.1%
Earnings Insight

Q2 2023: Growth

S&P 500 Earnings Growth: Q2 2023
(Source: FactSet)

S&P 500 Revenue Growth: Q2 2023
(Source: FactSet)
FY 2023 / 2024: EPS Guidance

**Number (#) of S&P 500 Cos. with FY Positive & Negative Guidance**
(Source: FactSet)

**Percentage (%) of S&P 500 Cos. with FY Positive & Negative Guidance**
(Source: FactSet)
CY 2023: Growth

S&P 500 Earnings Growth: CY 2023
(Source: FactSet)

S&P 500 Revenue Growth: CY 2023
(Source: FactSet)
CY 2024: Growth

S&P 500 Earnings Growth: CY 2024
(Source: FactSet)

S&P 500 Revenue Growth: CY 2024
(Source: FactSet)
Geographic Revenue Exposure

S&P 500: Aggregate Geographic Revenue Exposure (%)
(Source: FactSet)

International 41%
United States 59%

S&P 500: Aggregate Sector Geographic Revenue Exposure (%)
(Source: FactSet)

Utilities: International 1%, United States 99%
Real Estate: International 16%, United States 82%
Financials: International 29%, United States 71%
Industrials: International 31%, United States 69%
Consumer Disc.: International 34%, United States 66%
Health Care: International 35%, United States 65%
Energy: International 39%, United States 61%
Consumer Staples: International 39%, United States 61%
Comm. Services: International 45%, United States 55%
Materials: International 53%, United States 47%
Info. Technology: International 59%, United States 41%
Bottom-Up EPS Estimates

S&P 500 CY 2023 & CY 2024 Bottom-Up EPS: 1-Year
(Source: FactSet)

S&P 500 Q223 Bottom-Up EPS: 1-Year
(Source: FactSet)
Bottom-Up EPS Estimates: Current & Historical

**S&P 500 Calendar Year Bottom-Up EPS Actuals & Estimates**
(Source: FactSet)

**S&P 500 Quarterly Bottom-Up EPS Actuals & Estimates**
(Source: FactSet)
Forward 12M P/E Ratio: Sector Level

S&P 500 Sector-Level Forward 12-Month P/E Ratios
(Source: FactSet)

Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Mar. 31
(Source: FactSet)
Forward 12M P/E Ratio: 10-Years

S&P 500 Change in Forward 12-Month EPS vs. Change in Price: 10 Yrs.
(Source: FactSet)

S&P 500 Forward 12-Month P/E Ratio: 10 Years
(Source: FactSet)
Trailing 12M P/E Ratio: 10-Years
Targets & Ratings

S&P 500: Percentage of Buy, Hold, and Sell Ratings
(Source: FactSet)

- Energy: 64% Buy, 3% Hold, 55% Sell
- Comm Services: 62% Buy, 2% Hold, 33% Sell
- Info. Tech: 59% Buy, 3% Hold, 39% Sell
- Health Care: 59% Buy, 3% Hold, 34% Sell
- Real Estate: 67% Buy, 2% Hold, 26% Sell
- S&P 500: 55% Buy, 3% Hold, 42% Sell
- Consumer Disc: 55% Buy, 3% Hold, 41% Sell
- Financials: 53% Buy, 3% Hold, 43% Sell
- Industrials: 51% Buy, 3% Hold, 44% Sell
- Utilities: 49% Buy, 3% Hold, 45% Sell
- Materials: 49% Buy, 3% Hold, 45% Sell
- Consumer Staples: 44% Buy, 3% Hold, 46% Sell

S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)

- Energy: 21.7% Target/Close
- Health Care: 16.9%
- Real Estate: 16.0%
- Financials: 14.6%
- Materials: 13.9%
- Consumer Staples: 13.5%
- Utilities: 13.2%
- S&P 500: 11.3%
- Comm Services: 10.4%
- Industrials: 9.6%
- Consumer Disc: 6.9%
- Info. Tech: 6.4%
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