

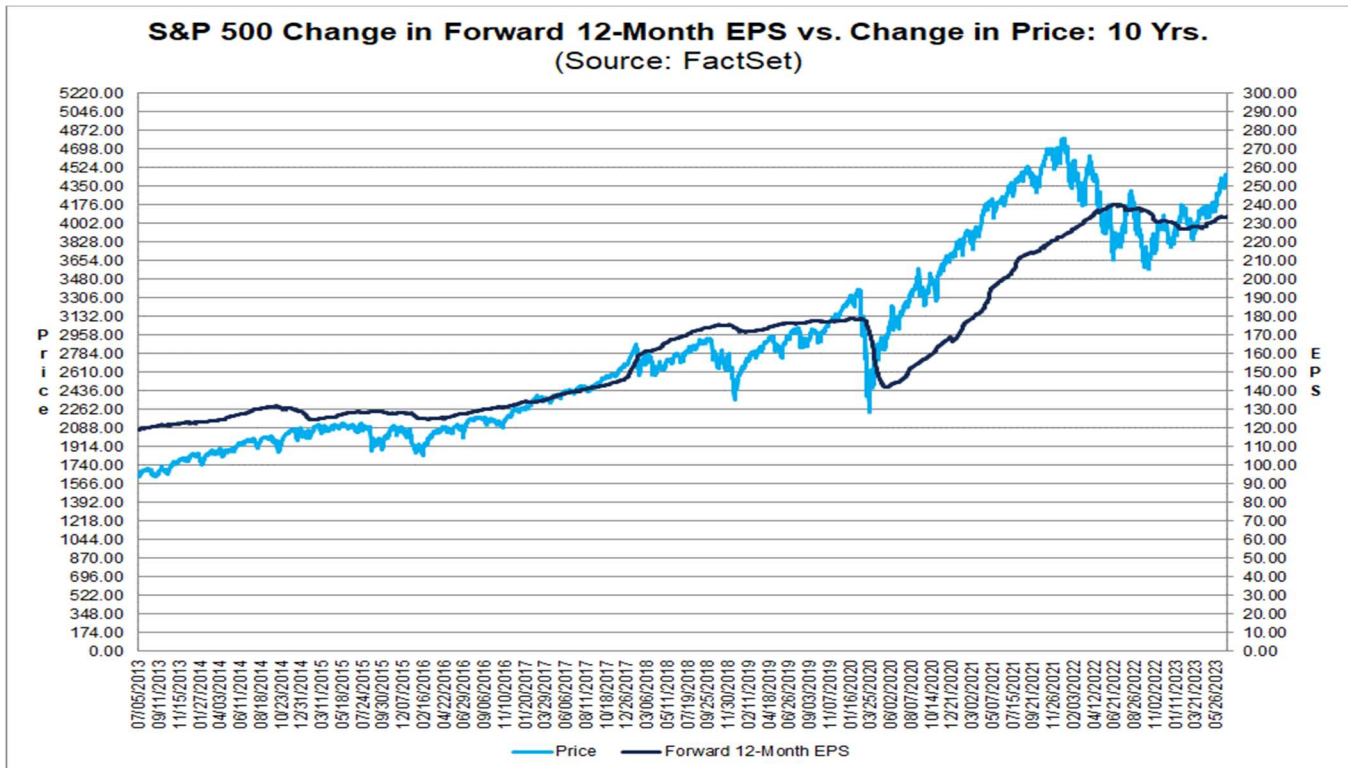
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Key Metrics

- **Earnings Decline:** For Q2 2023, the estimated earnings decline for the S&P 500 is -7.2%. If -7.2% 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 -4.7%. 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, 67 S&P 500 companies have issued negative EPS guidance and 46 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.9. This P/E ratio is above the 5-year average (18.6) and above the 10-year average (17.4).
- **Earnings Scorecard:** For Q2 2023 (with 18 S&P 500 companies reporting actual results), 14 S&P 500 companies have reported a positive EPS surprise and 12 S&P 500 companies have reported a positive revenue surprise.



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Topic of the Week: 1

Industry Analysts Project 9% Increase in S&P 500 Price Over the Next 12 Months

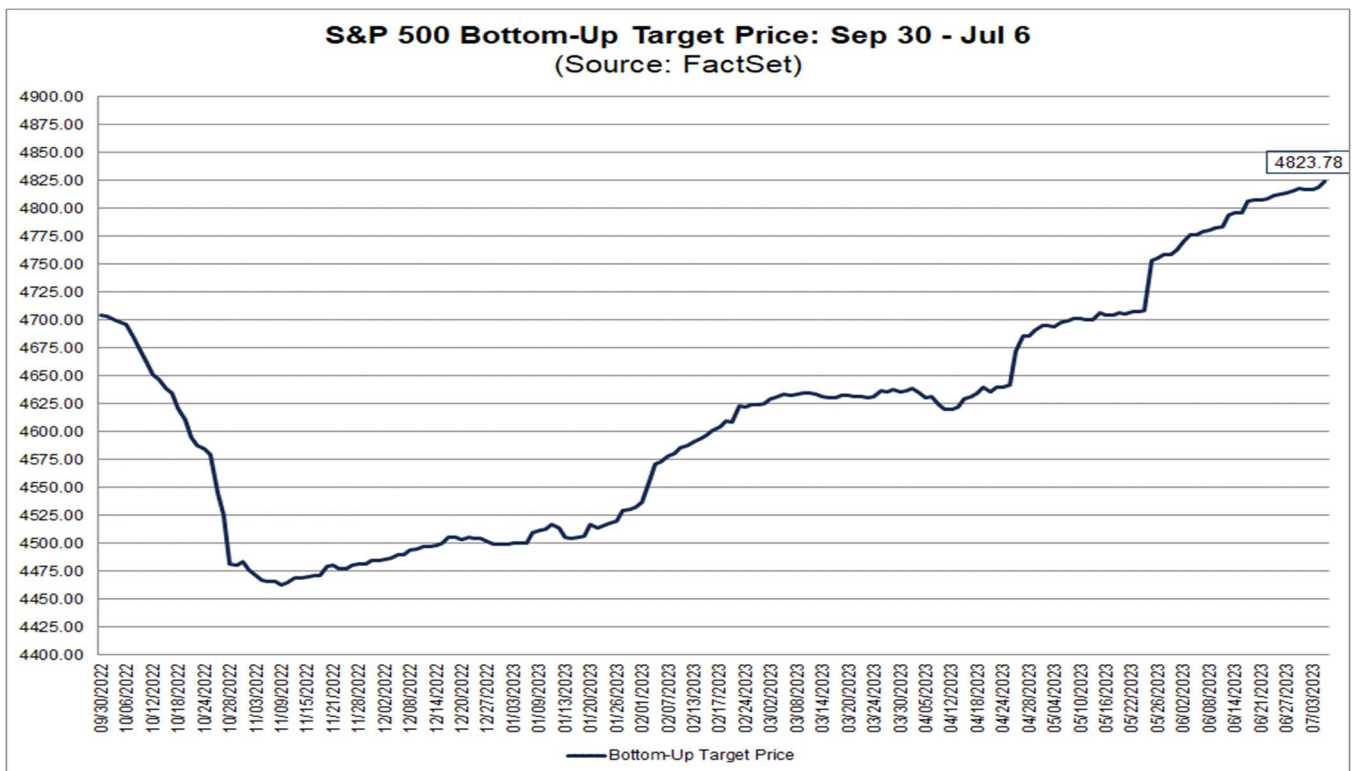
Since March 31, the price of the S&P 500 has increased by 7.4% (to 4411.59 from 4109.31). Where do industry analysts believe the price of the S&P 500 will go from here?

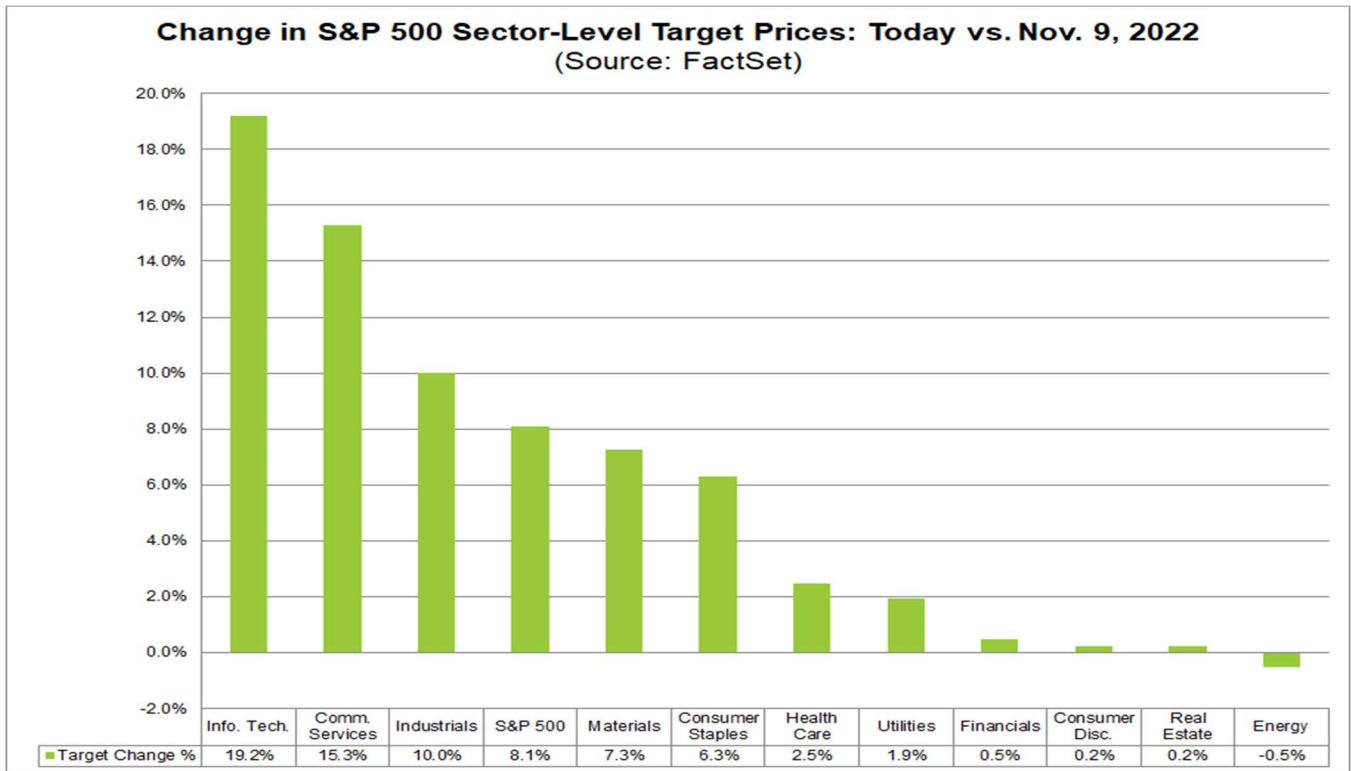
Industry analysts in aggregate predict the S&P 500 will see a price increase of 9.3% over the next 12 months. This percentage is based on the difference between the bottom-up target price and the closing price for the index as of yesterday (July 6). The bottom-up target price is calculated by aggregating the median target price estimates (based on company-level estimates submitted by industry analysts) for all the companies in the index. On July 6, the bottom-up target price for the S&P 500 was 4823.78, which was 9.3% above the closing price of 4411.59.

At the sector level, the Energy (+23.0%) and Health Care (+15.6%) sectors are expected to see the largest price increases, as these two sectors had the largest upside differences between the bottom-up target price and the closing price on July 6. On the other hand, the Consumer Discretionary (+3.8%) and Information Technology (+4.6%) sectors are expected to see the smallest price increases, as these two sectors had the smallest upside differences between the bottom-up target price and the closing price on July 6.

At the company level, the ten stocks in the S&P 500 with the largest upside and downside differences between their median target price and closing price (on July 6) can be found on page 4.

Since bottoming at 4462.27 on November 9, 2022, the bottom-up target price for the S&P 500 has increased by 8.1% to 4823.78. Ten of the eleven sectors have seen an increase in their bottom-up target price since November 9, led by the Information Technology sector at 19.2% (to 3194.85 from 2679.83) and the Communication Services sector at 15.3% (to 236.25 from 204.90). On the other hand, the Energy sector is the only sector that has seen a decrease in its bottom-up target price over this time at -0.5% (to 746.42 from 750.38).





Difference Between Median Target Price & Closing Price: Top 10 (Source: FactSet)

Company	Target	Closing	Diff (\$)	Diff (%)
Moderna, Inc.	200.00	118.29	81.71	69.1%
Enphase Energy, Inc.	251.26	161.38	89.88	55.7%
Warner Bros. Discovery, Inc.	19.00	12.67	6.33	50.0%
Caesars Entertainment Inc	70.00	47.33	22.68	47.9%
SolarEdge Technologies, Inc.	375.00	255.08	119.92	47.0%
Halliburton Company	48.50	33.01	15.49	46.9%
APA Corporation	49.00	33.65	15.35	45.6%
Etsy, Inc.	120.00	82.91	37.09	44.7%
Bio-Rad Laboratories, Inc. Class A	543.00	377.68	165.32	43.8%
AES Corporation	30.00	21.10	8.90	42.2%

Difference Between Median Target Price & Closing Price: Bottom 10 (Source: FactSet)

Company	Target	Closing	Diff (\$)	Diff (%)
Norwegian Cruise Line Holdings Ltd.	16.00	21.74	-5.74	-26.4%
Tesla, Inc.	220.00	276.54	-56.54	-20.4%
Expeditors Intl. of Washington, Inc.	100.00	117.55	-17.55	-14.9%
T. Rowe Price Group	95.00	109.81	-14.81	-13.5%
Ford Motor Company	13.00	14.98	-1.98	-13.2%
Old Dominion Freight Line, Inc.	323.00	366.06	-43.06	-11.8%
Netflix, Inc.	390.00	438.84	-48.84	-11.1%
Robert Half International Inc.	69.00	76.87	-7.87	-10.2%
Lam Research Corporation	557.50	621.00	-63.50	-10.2%
Carnival Corporation	17.00	18.86	-1.86	-9.9%

Topic of the Week: 2

Highest Number of S&P 500 Companies Issuing Positive EPS Guidance Since Q3 2021

As of today, 113 S&P 500 companies have issued EPS guidance for the second quarter. This number is above the 5-year average of 96 and above the 10-year average of 98.

Of these companies, 67 have issued negative EPS guidance and 46 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is above the 5-year average of 57 and above the 10-year average of 63. The number of companies issuing positive EPS guidance is also above the 5-year average of 40 and above the 10-year average of 35.

While the number of S&P 500 companies issuing negative EPS guidance for Q2 is consistent with the numbers in three of the past four quarters, the number of S&P 500 companies issuing positive EPS guidance for Q2 is well above the numbers of the past few quarters.

In fact, the second quarter has seen the highest number of S&P 500 companies issuing positive EPS guidance for a quarter since Q3 2021 (56).

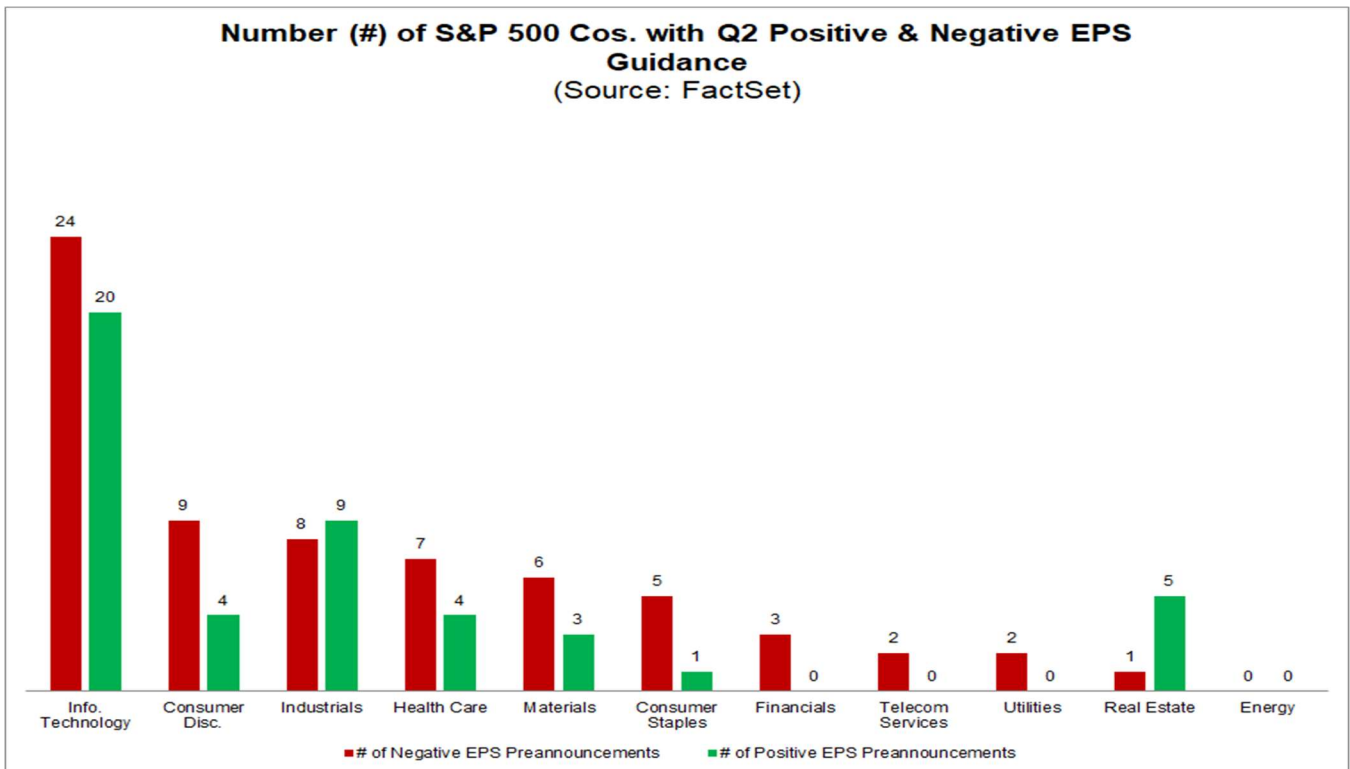
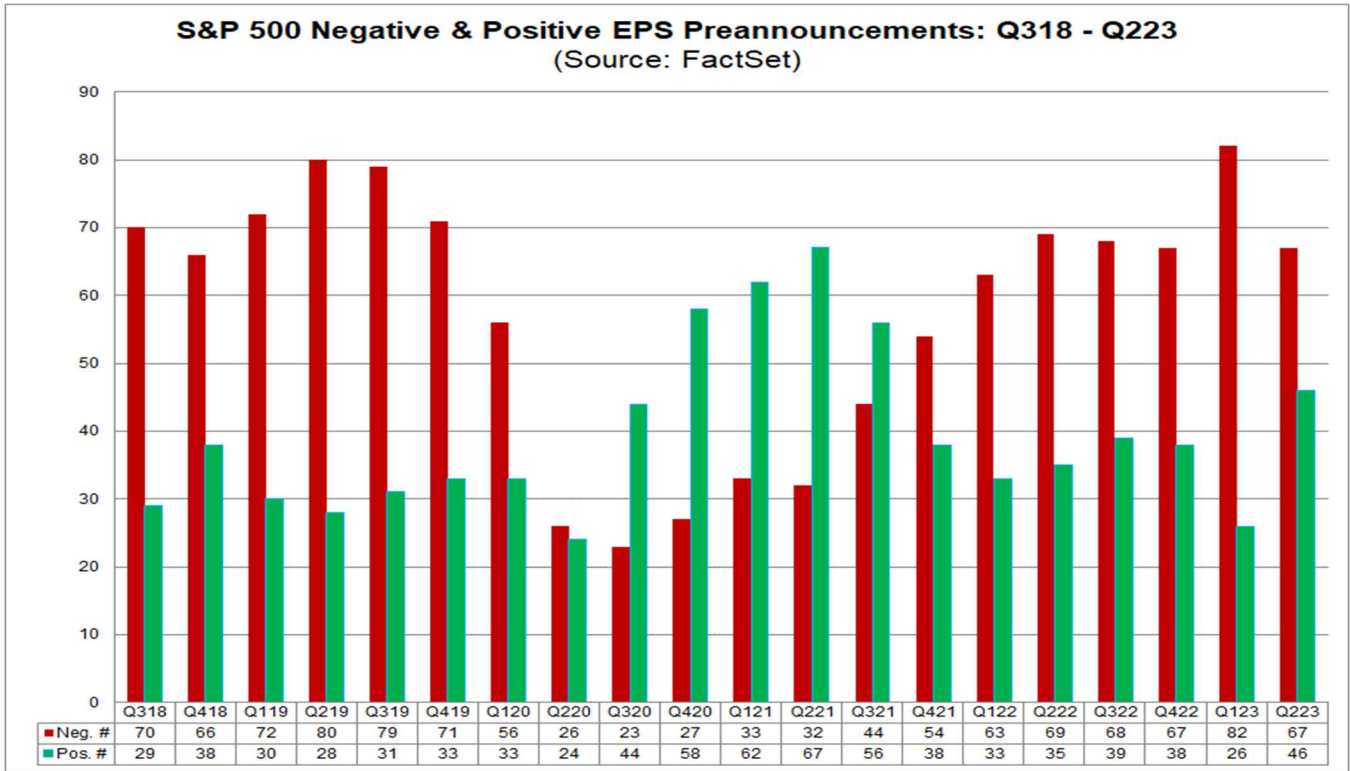
At the sector level, the Information Technology and Industrials sectors have the highest number of companies issuing positive EPS guidance for the second quarter at 20 and 9, respectively. Combined, these two sectors account for more than half (29) of all the companies in the S&P 500 issuing positive EPS guidance for the second quarter (46).

If 20 is the final number for the Information Technology sector, it will mark with the highest number of companies issuing positive EPS guidance in this sector since Q3 2021 (27). At the industry level, the Software (7) and Semiconductors & Semiconductor Equipment (6) industries have the highest number of companies issuing positive EPS guidance in the sector.

If 9 is the final number for the Industrials sector, it will mark the highest number of companies issuing positive EPS guidance in this sector since Q2 2021 (10). At the industry level, the Electrical Equipment (3) and Passenger Airlines (3) industries have the highest number of companies issuing positive EPS guidance in the sector.

It is interesting to note that while more companies are issuing positive EPS guidance relative to recent quarters, the percentage of S&P 500 companies issuing positive EPS guidance is equal to the 5-year average. Overall, 41% (46 out of 113) of the S&P 500 companies issuing EPS guidance for Q2 2023 are issuing positive EPS guidance. This percentage is equal to the 5-year average of 41% and higher than the 10-year average of 36%.

The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS (or revenue) provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or midpoint of a range estimates) provided by a company is lower than the mean EPS estimate (or revenue 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 (or revenue estimate) the day before the guidance was issued.



Q2 Earnings Season: By The Numbers

Overview

Downward revisions to Q2 earnings estimates for S&P 500 companies by analysts have been less pessimistic than average, while negative earnings guidance issued by companies for the second quarter has been consistent with recent averages. Overall, estimated earnings for the S&P 500 for the second quarter are 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 lowered earnings estimates for Q2 2023 by a smaller margin than average during the quarter. On a per-share basis, estimated earnings for the second quarter decreased by 3.0% from March 31 to June 30. 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 equal to the 5-year average. At this point in time, 113 companies in the index have issued EPS guidance for Q2 2023. Of these 113 companies, 67 have issued negative EPS guidance and 46 have issued positive EPS guidance. The percentage of S&P 500 companies issuing negative EPS guidance for Q2 2023 is 59% (67 out of 113), which is equal to the 5-year average of 59% and below the 10-year average of 64%.

As a result, the estimated (year-over-year) earnings decline for Q2 2023 is larger today relative to the start of the second quarter. As of today, the S&P 500 is expected to report a (year-over-year) earnings decline of -7.2%, compared to the estimated (year-over-year) earnings decline of -4.7% on March 31.

If -7.2% 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 -0.3%, compared to the expectations for flat revenues (0.0%) on March 31.

If -0.3% 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 0.3% and 7.8%, respectively. For all of CY 2023, analysts predict earnings growth of 0.8%.

The forward 12-month P/E ratio is 18.9, which is above the 5-year average (18.6) and above the 10-year average (17.4). However, it is slightly below the forward P/E ratio of 19.1 recorded at the end of the second quarter (June 30).

During the upcoming week, 12 S&P 500 companies (including two Dow 30 components) are scheduled to report results for the second quarter.

Earnings Revisions: Energy Sector Sees Largest Decrease in EPS Estimates

Increase in Estimated Earnings Decline for Q2 This Week

During the past week, the estimated earnings decline for the S&P 500 for Q2 2023 increased to -7.2% from -6.9%. Downward revisions to EPS estimates for companies in the Financials and Energy sectors were the largest contributors to the increase in the overall earnings decline for the index during the week.

The estimated earnings decline for the S&P 500 for Q2 2023 of -7.2% today is larger than the estimate of -4.7% at the start of the quarter (March 31), as estimated earnings for the index of \$455.9 billion today are 2.6% below the estimate of \$467.9 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 sector.

Energy: Exxon Mobil and Chevron and Lead 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 -14.0% (to \$33.1 billion from \$38.5 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -48.3% today from -39.8% on March 31. This sector has also witnessed the largest decrease in price (-4.4%) 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 declined by 7% during the quarter (to \$70.64 from \$75.67). Overall, 22 of the 23 companies (96%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 22 companies, 14 have recorded a decrease in their mean EPS estimate of more than 10%, led by EQT Corporation (to -\$0.01 from \$0.37) and Hess Corporation (to \$0.84 from \$1.43). However, Exxon Mobil (to \$2.21 from \$2.51), Chevron (to \$3.11 from \$3.61), Marathon Petroleum (to \$4.69 from \$6.30), Valero Energy (to \$5.25 from \$6.54), and Phillips 66 (to \$3.61 from \$4.43) have been the largest contributors to the decrease in estimated (dollar-level) earnings for this sector since March 31.

Materials: 69% of Companies Have Seen EPS Estimates Decrease Since March 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 -9.5% (to \$14.0 billion from \$15.5 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -31.4% today from -24.3% on March 31. This sector has also witnessed the third-largest decrease in price (-0.2%) of all eleven sectors during this time. Overall, 20 of the 29 companies (69%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 20 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by International Paper (to \$0.41 from \$0.76), Mosaic (to \$1.20 from \$2.11), WestRock (to \$0.51 from \$0.87), CF Industries (to \$2.27 from \$3.64) and Albemarle (to \$4.74 from \$6.95). Mosaic has also been the largest contributor 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 2.3% (to \$83.4 billion from \$81.5 billion). As a result, the estimated (year-over-year) earnings decline for this sector has fallen to -3.7% today from -5.9% on March 31. This sector has also witnessed the largest increase in price (+15.7%) of all eleven sectors since March 31. Overall, 31 of the 65 companies (48%) in the Information Technology sector have seen an increase in their mean EPS estimate during this time. Of these 31 companies, 5 have recorded an increase in their mean EPS estimate of more than 10%, led by NVIDIA (to \$1.97 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.

Index-Level EPS Estimate: 3.0% Decrease During Q2

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) decreased by 3.0% (to \$52.73 from \$54.38) from March 31 to June 30. 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 was smaller than the 5-year average, the 10-year average, the 15-year average, and the 20-year average.

Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q2 Equals 5-Year Average**Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q2 Equals 5-Year Average**

At this point in time, 113 companies in the index have issued EPS guidance for Q2 2023. Of these 113 companies, 67 have issued negative EPS guidance and 46 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 (57) and above the 10-year average (63). However, the number of S&P 500 companies issuing positive EPS guidance for Q2 2023 is also above the 5-year average (40) and above the 10-year average (35). In fact, the second quarter has seen the highest number of S&P 500 companies issuing positive EPS guidance for a quarter since Q3 2021 (56). The percentage of companies issuing negative EPS guidance for Q2 2023 is 59% (67 out of 113), which is equal to the 5-year average of 59% and below the 10-year average of 64%.

Annual Guidance: 43% of S&P 500 Companies Issuing Negative Guidance for Current Year

At this point in time, 267 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 267 companies, 116 have issued negative EPS guidance and 151 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 43% (116 out of 267).

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: -7.2%

The estimated (year-over-year) earnings decline for Q2 2023 is -7.2%, which is below the 5-year average earnings growth rate of 12.0% and below the 10-year average earnings growth rate of 8.5%. If -7.2% 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 26.8%. At the industry level, 4 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 three industries predicted to report (year-over-year) earnings growth are the Hotels, Restaurants, & Leisure (179%), Automobile Components (90%), and Automobiles (3%) industries. On the other hand, five industries are expected to report a (year-over-year) decline in earnings. Three of these five industries are predicted to report a decrease in earnings of more than 10%: Leisure Products (-52%), Household Durables (-34%), and Textiles, Apparel, & Luxury Goods (-26%).

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 -11.0% instead of year-over-year earnings growth if 26.8%.

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 6.2% from 26.8%

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 (589%) and Interactive Media & Services (9%) industries. On the other hand, two industries are expected to report a (year-over-year) decline in earnings: Media (-16%) 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%.

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 -48.3%. 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 in Q2 2023 (\$73.56) was 32% 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 (-50%), and Oil & Gas Exploration & Production (-48%). 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 -31.4%. 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 (-45%), Metals & Mining (-36%), and Chemicals (-29%). 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 -16.8%. At the industry level, all five industries in this sector are predicted to report a year-over-year decline in earnings. Three of these five industries are projected to report (year-over-year) declines in earnings above -10%: Biotechnology (-29%), Pharmaceuticals (-25%), and Life Sciences, Tools, and Services (-14%).

Revenue Decline: -0.3%

The estimated (year-over-year) revenue decline for Q2 2023 is -0.3%, which is below the 5-year average revenue growth rate of 7.7% and below the 10-year average revenue growth rate of 5.0%. If -0.3% 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: 4 of 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 7.6%. At the industry level, four of the 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 (14%) 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 6.9%. 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%), Automobiles (17%), and Automobile Components.

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 -26.2%. 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 in Q2 2023 (\$73.56) was 32% 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 (-32%), Oil & Gas Exploration & Production (-31%), Integrated Oil & Gas (-26%), 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 -8.9%. At the industry level, three of the four industries in the sector are predicted to report a (year-over-year) decrease in revenues: Chemicals (-11%), Metals & Mining (-9%), 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: 11.4%

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

At the sector level, five 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 Consumer Discretionary (7.1% vs. 6.0%), Real Estate (to 36.6% vs. 35.5%), Communication Services (11.4% vs. 10.4%) sectors. On the other hand, six 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 (10.1% vs. 14.4%) and Materials (10.9% 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 Industrials (10.5% vs. 8.2%) sector. 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. 10.4%) and Utilities (11.8% vs. 13.3%) 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 -7.2% and a year-over-year revenue decline of -0.3%.

For Q3 2023, analysts are projecting earnings growth of 0.3% and revenue growth of 1.2%.

For Q4 2023, analysts are projecting earnings growth of 7.8% and revenue growth of 3.4%.

For CY 2023, analysts are projecting earnings growth of 0.8% and revenue growth of 2.4%.

For CY 2024, analysts are projecting earnings growth of 12.4% and revenue growth of 4.9%.

Valuation: Forward P/E Ratio is 18.9, Above the 10-Year Average (17.4)

The forward 12-month P/E ratio for the S&P 500 is 18.9. This P/E ratio is above the 5-year average of 18.6 and above the 10-year average of 17.4. However, it is below the forward 12-month P/E ratio of 19.1 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has decreased by 0.9%, while the forward 12-month EPS estimate has increased by 0.2%. At the sector level, the Information Technology (27.2) and Consumer Discretionary (26.7) sectors have the highest forward 12-month P/E ratios, while the Energy (10.4) and Financials (13.3) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 22.5, which is equal to the 5-year average of 22.5 but above the 10-year average of 20.8.

Targets & Ratings: Analysts Project 9.3% Increase in Price Over Next 12 Months

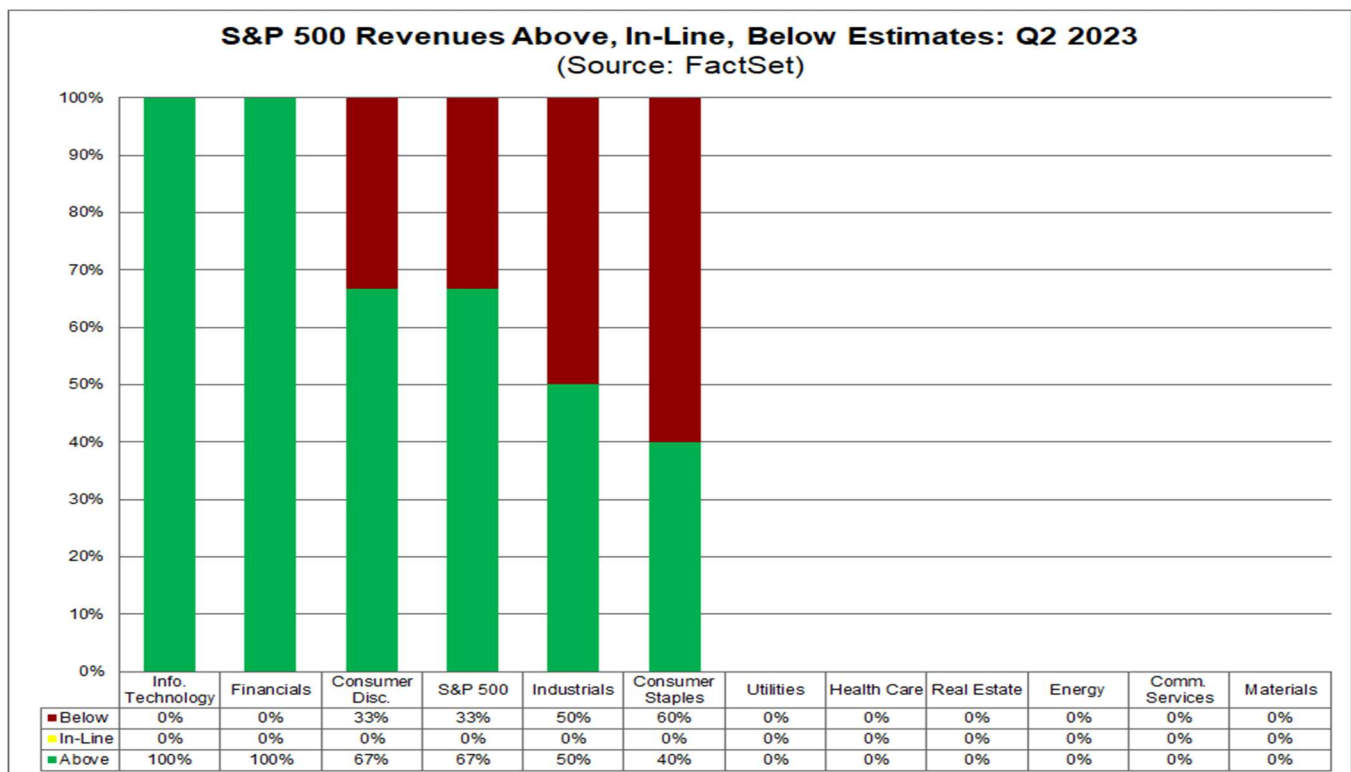
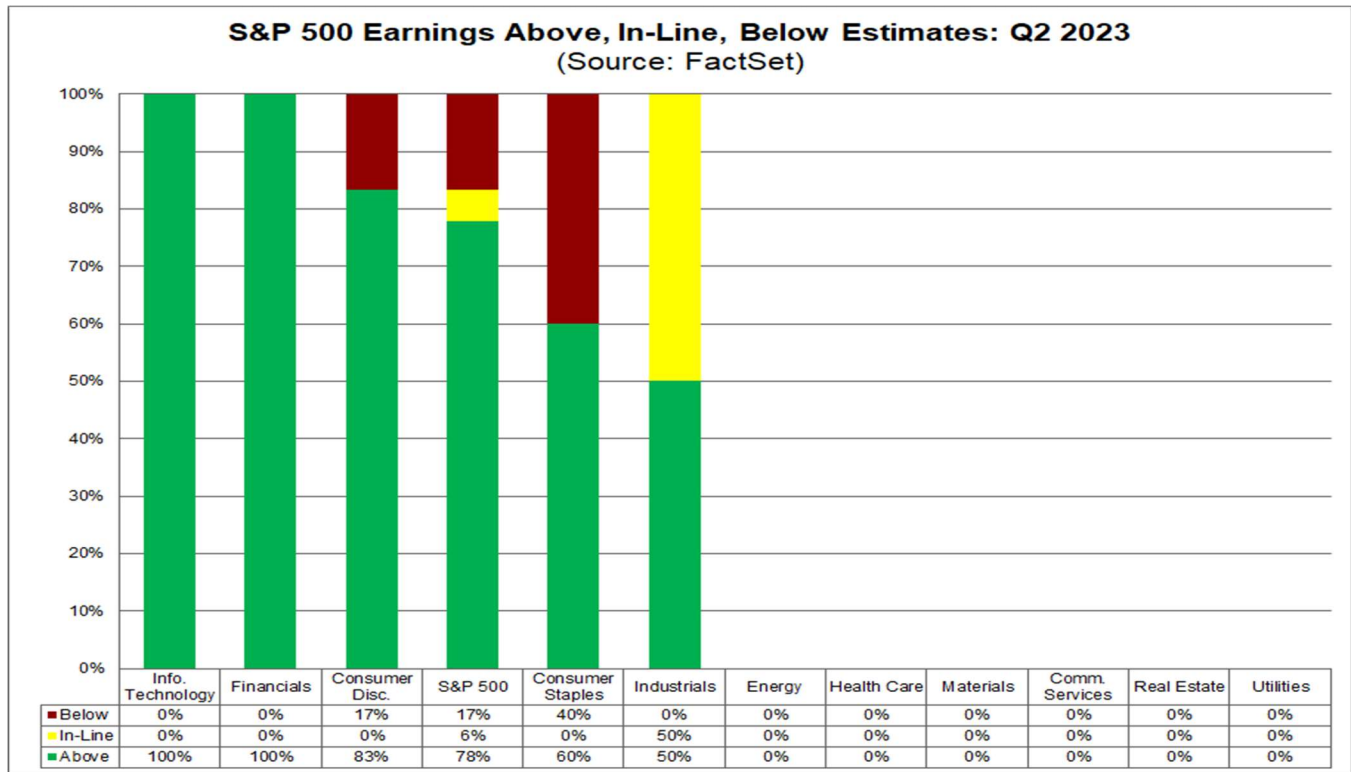
The bottom-up target price for the S&P 500 is 4823.78, which is 9.3% above the closing price of 4411.59. At the sector level, the Energy (+23.0%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Consumer Discretionary (+3.8%) and Information Technology (+4.6%) sectors are expected to see the smallest price increases, as these two sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,939 ratings on stocks in the S&P 500. Of these 10,939 ratings, 54.7% are Buy ratings, 39.7% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Energy (65%) sector has the highest percentage of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

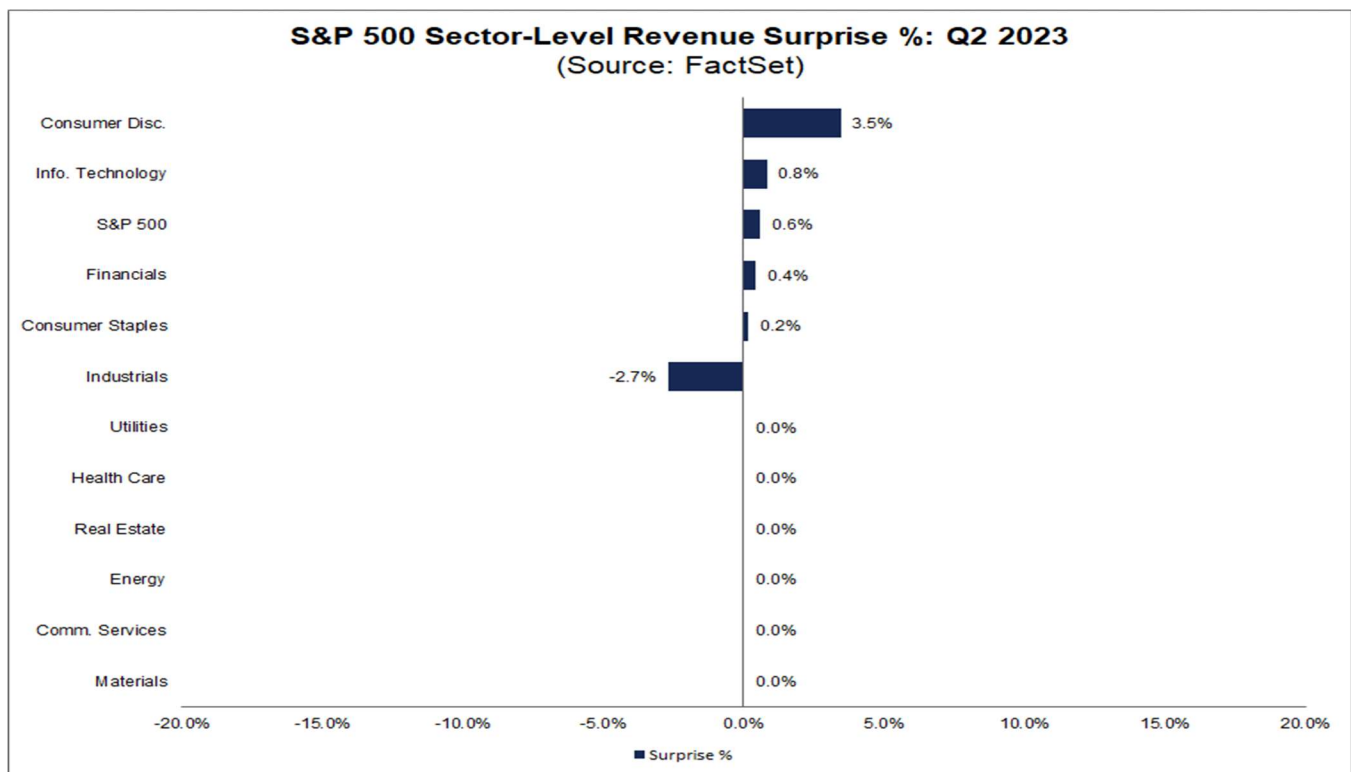
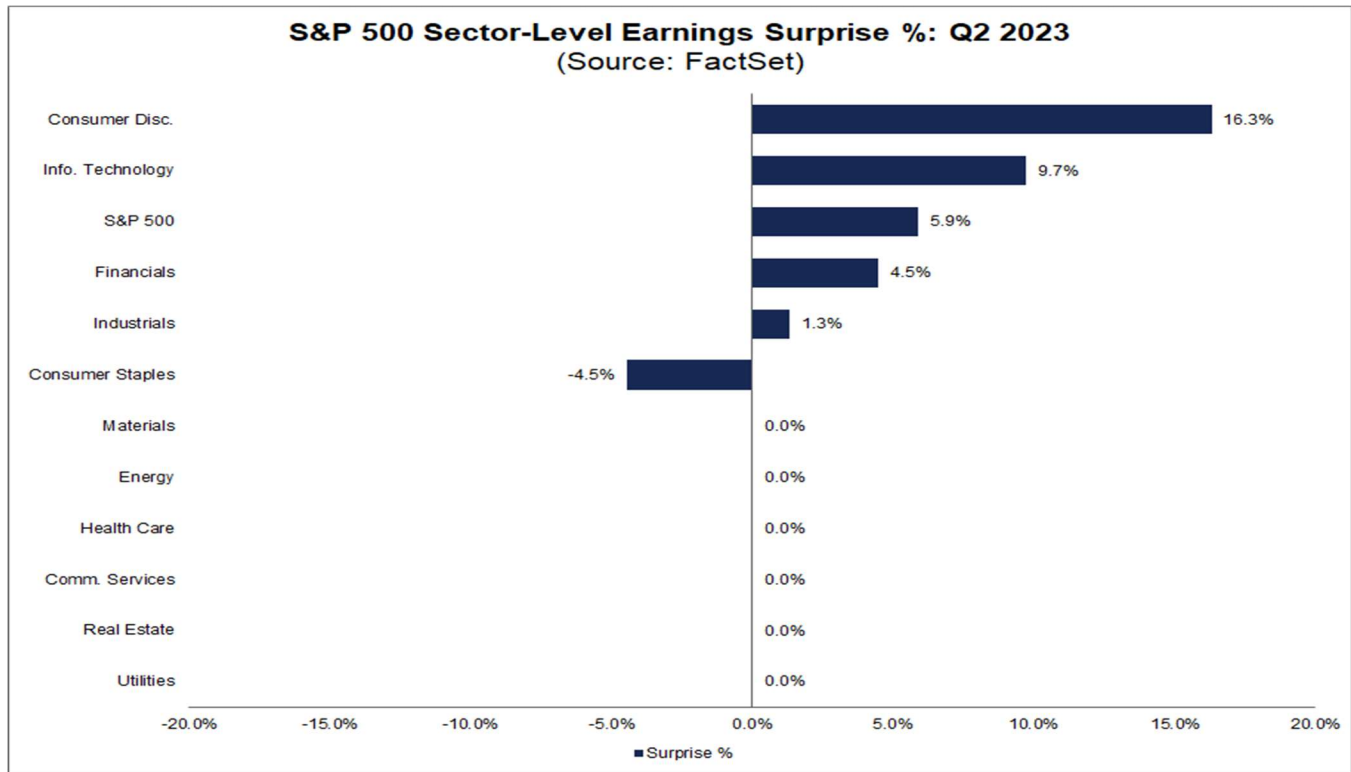
Companies Reporting Next Week: 12

During the upcoming week, 12 S&P 500 companies (including two Dow 20 components) are scheduled to report results for the second quarter.

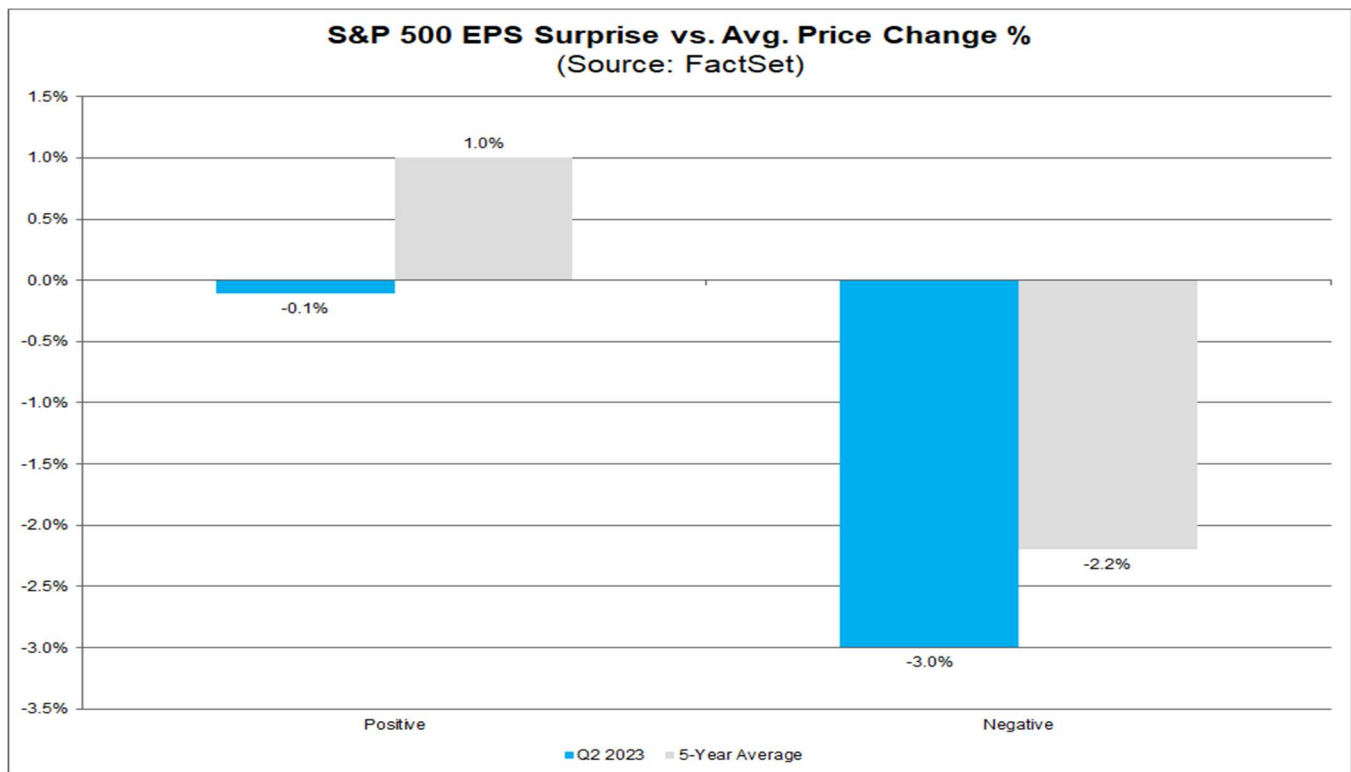
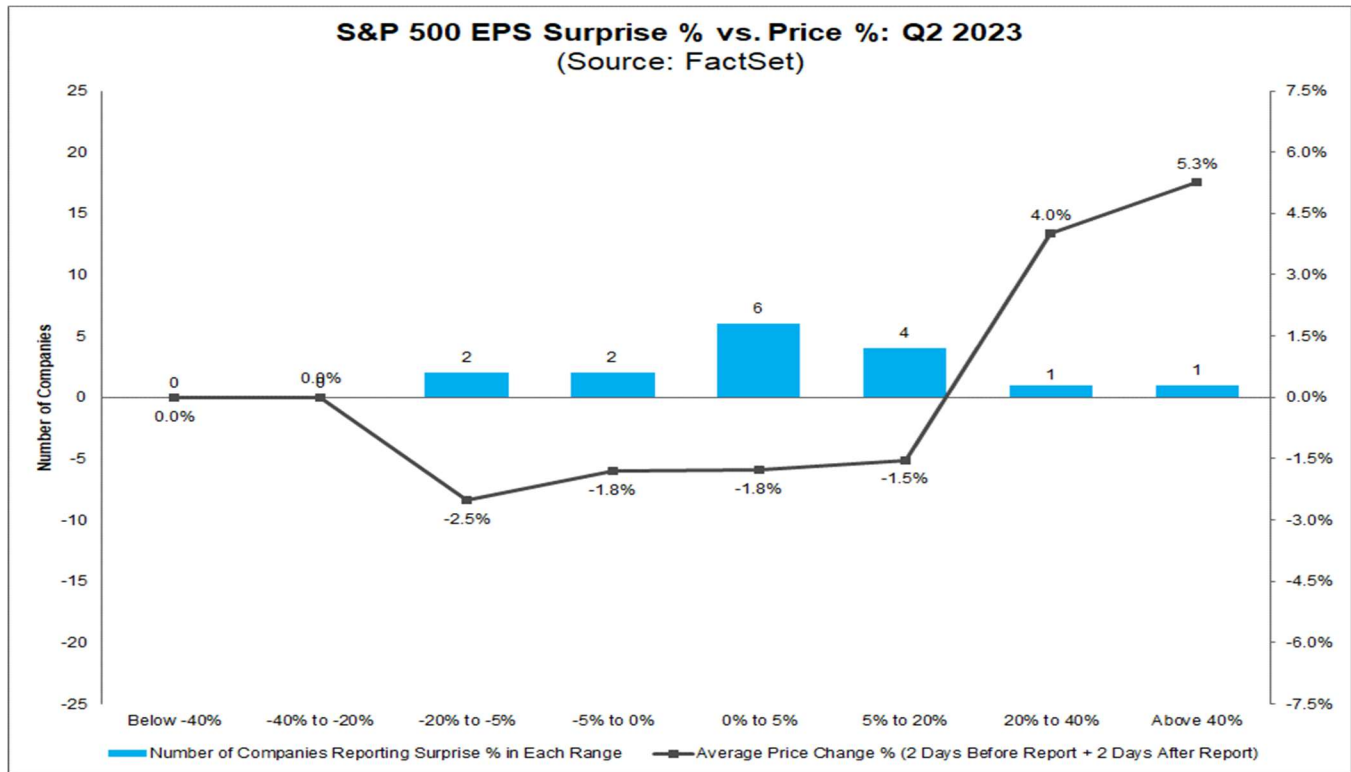
Q2 2023: Scorecard



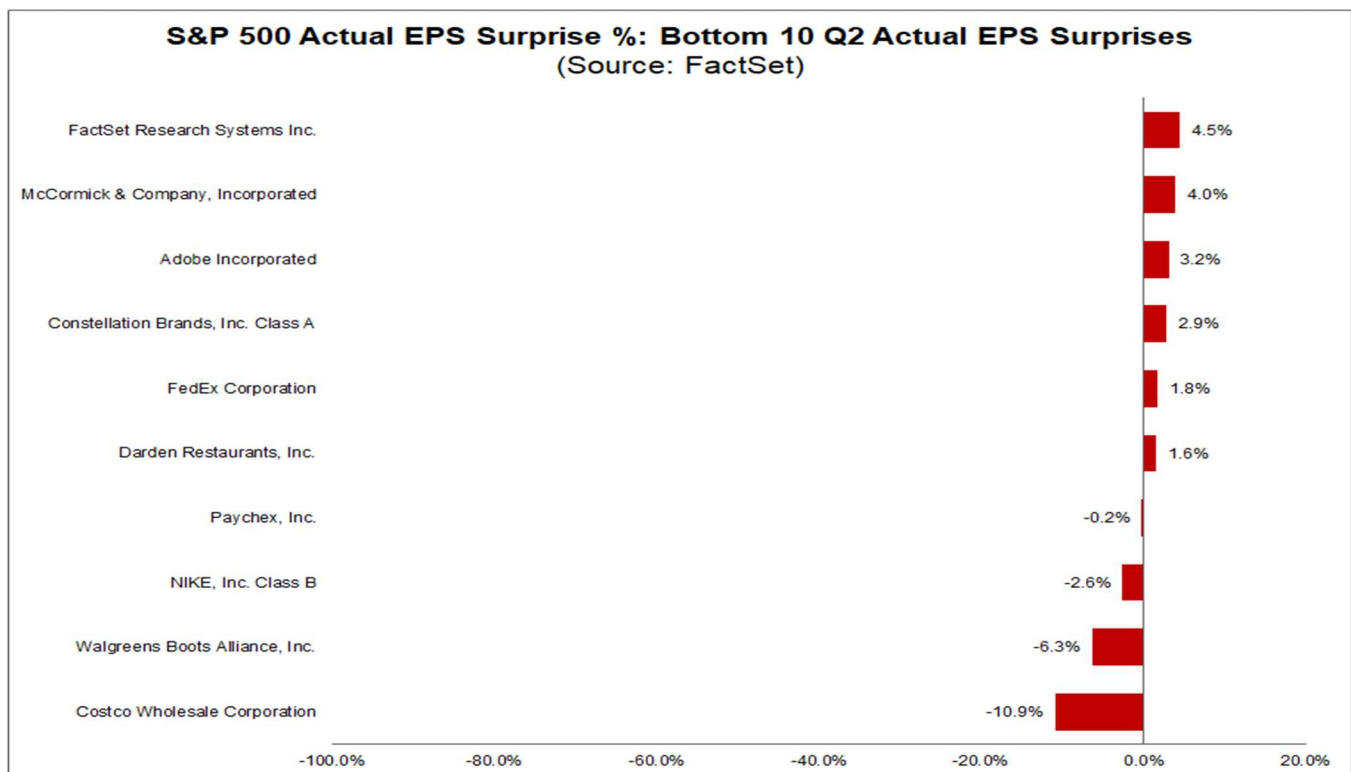
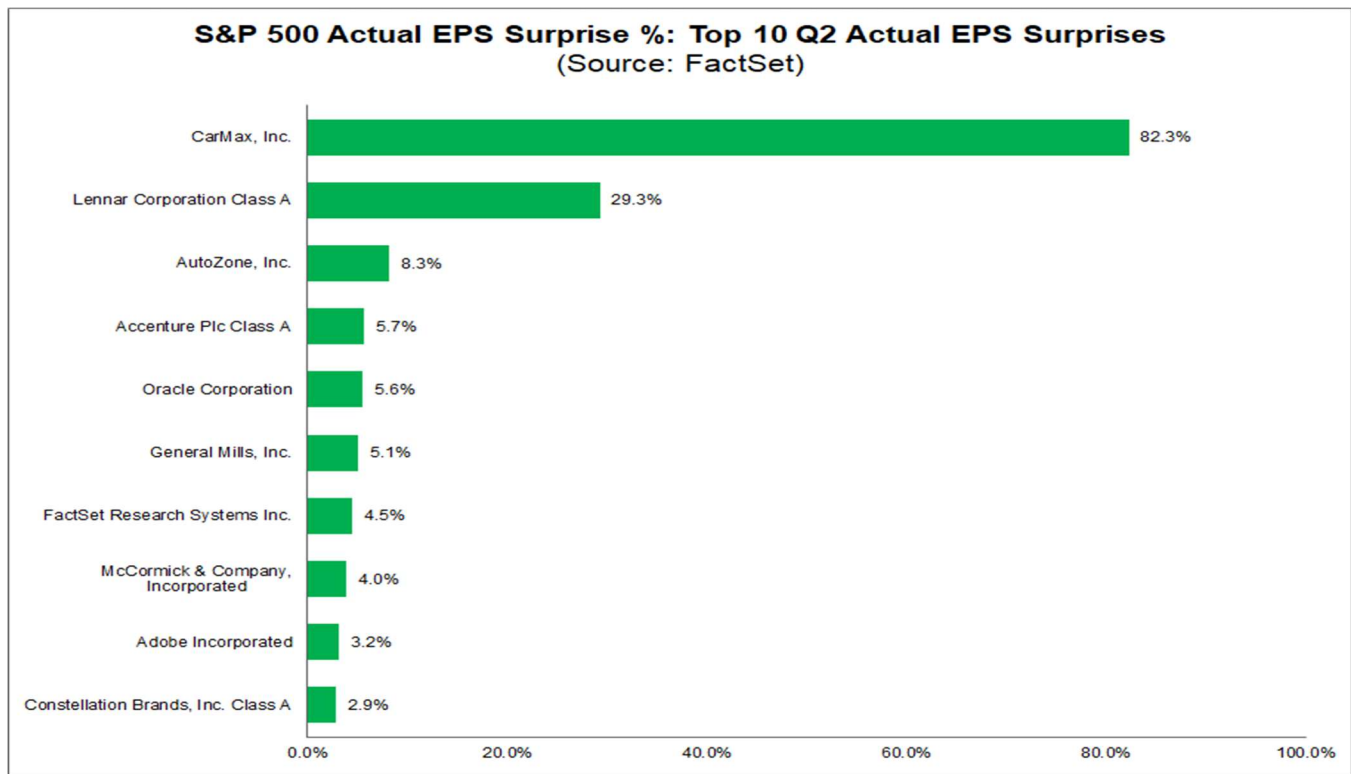
Q2 2023: Scorecard



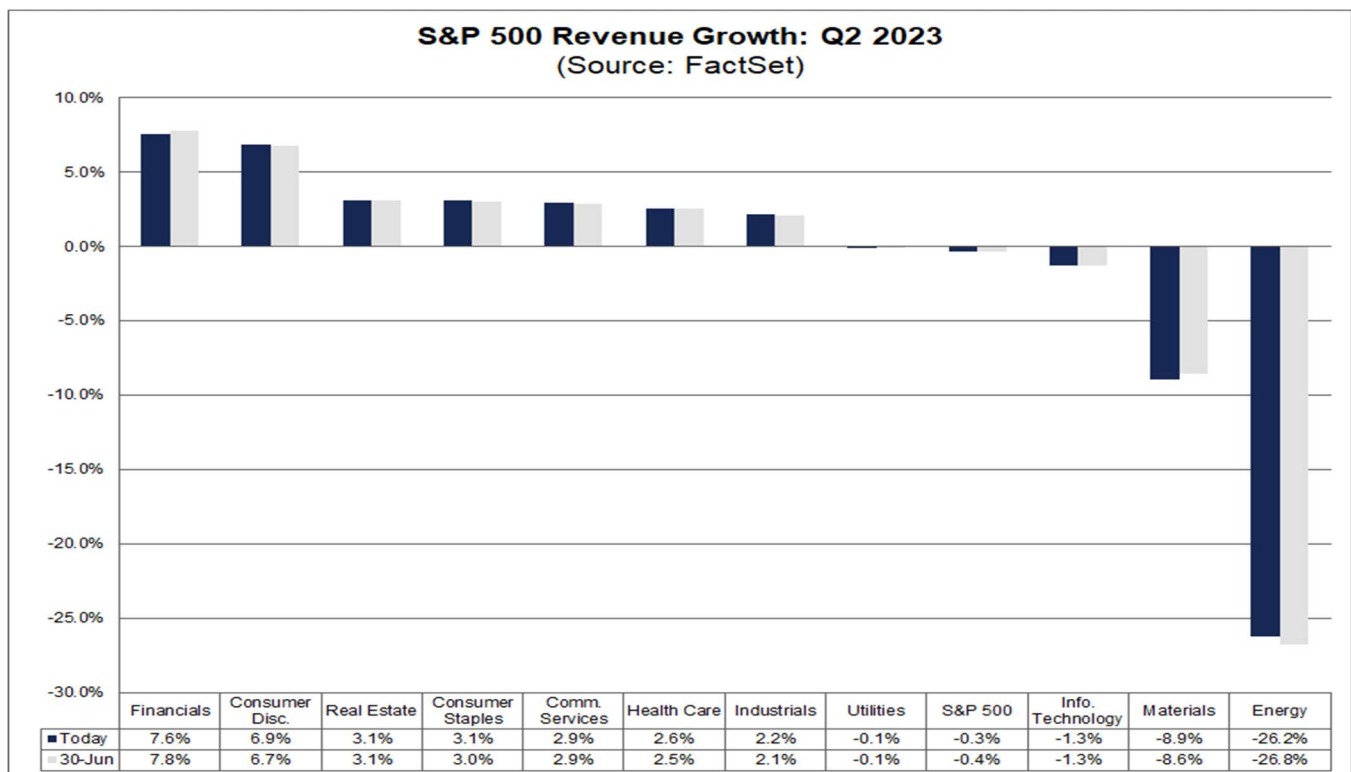
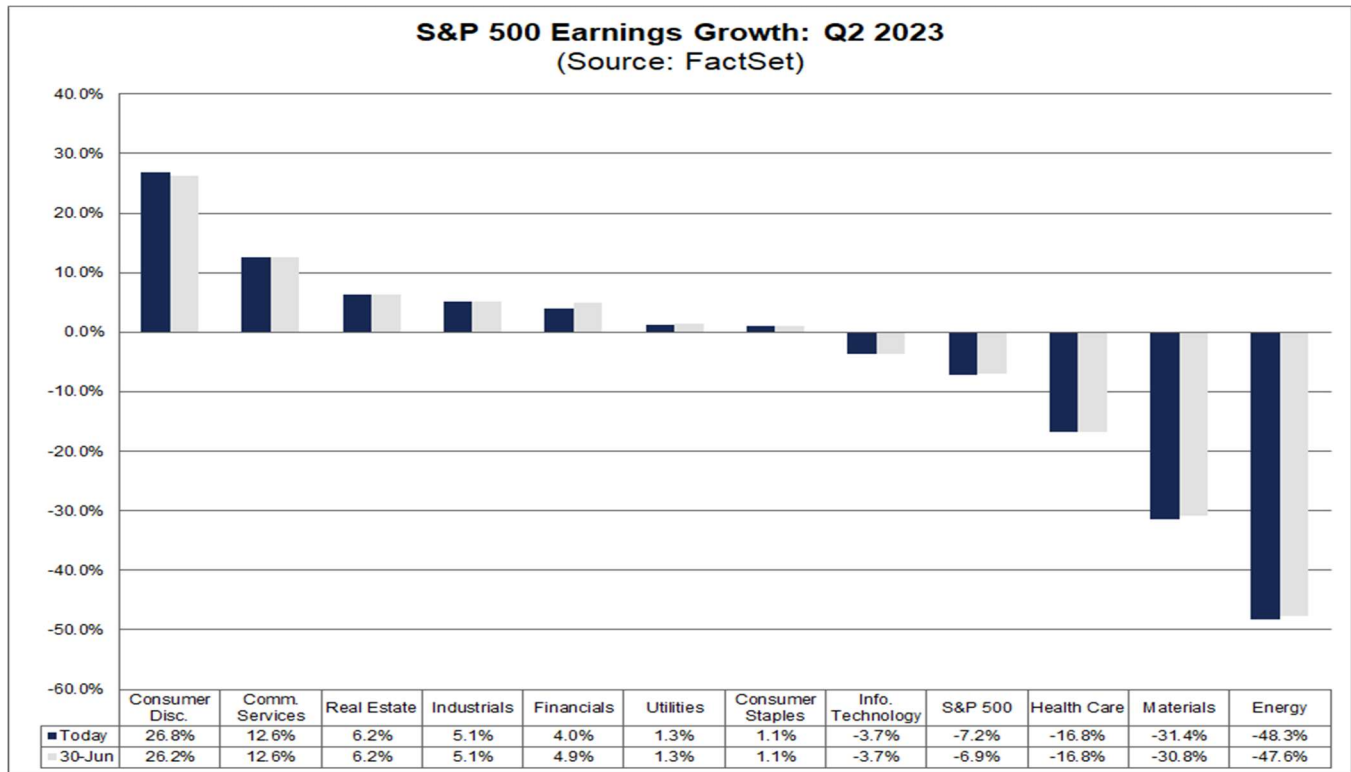
Q2 2023: Scorecard



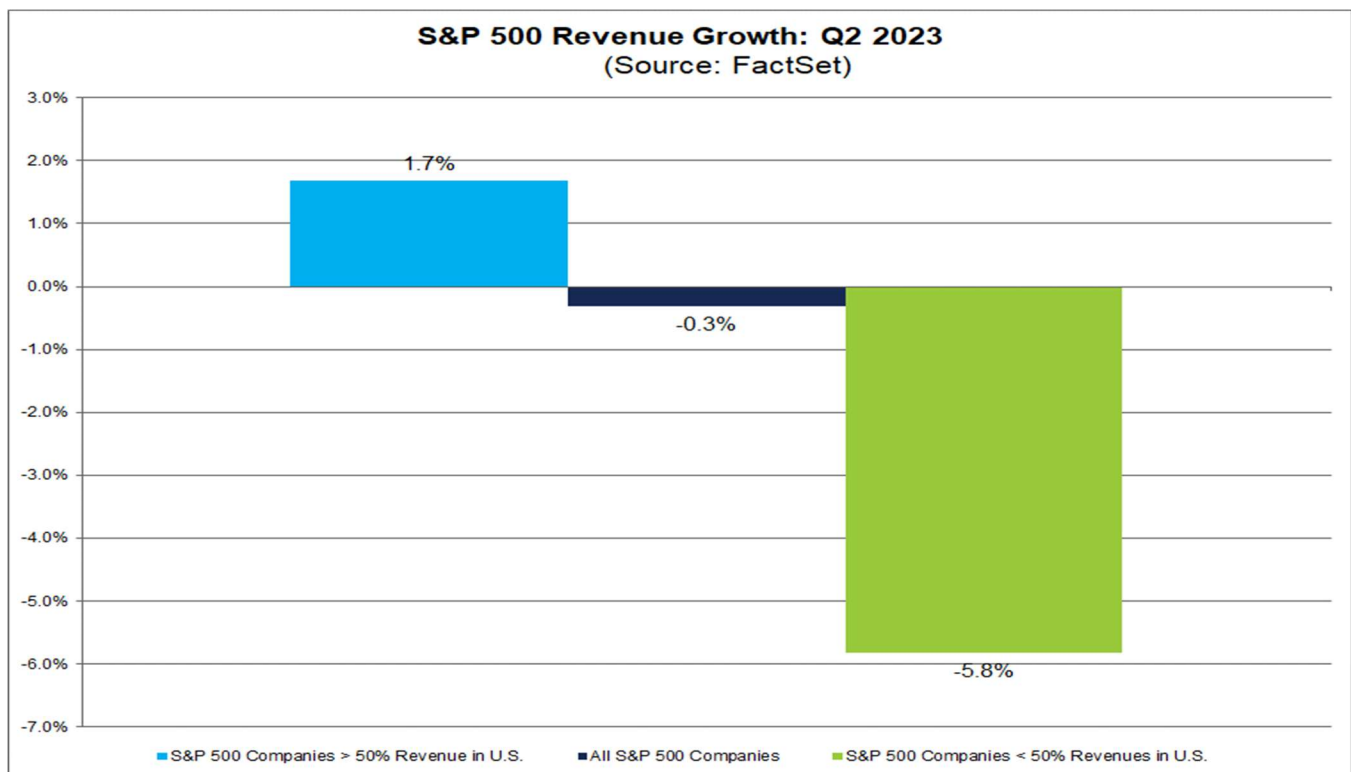
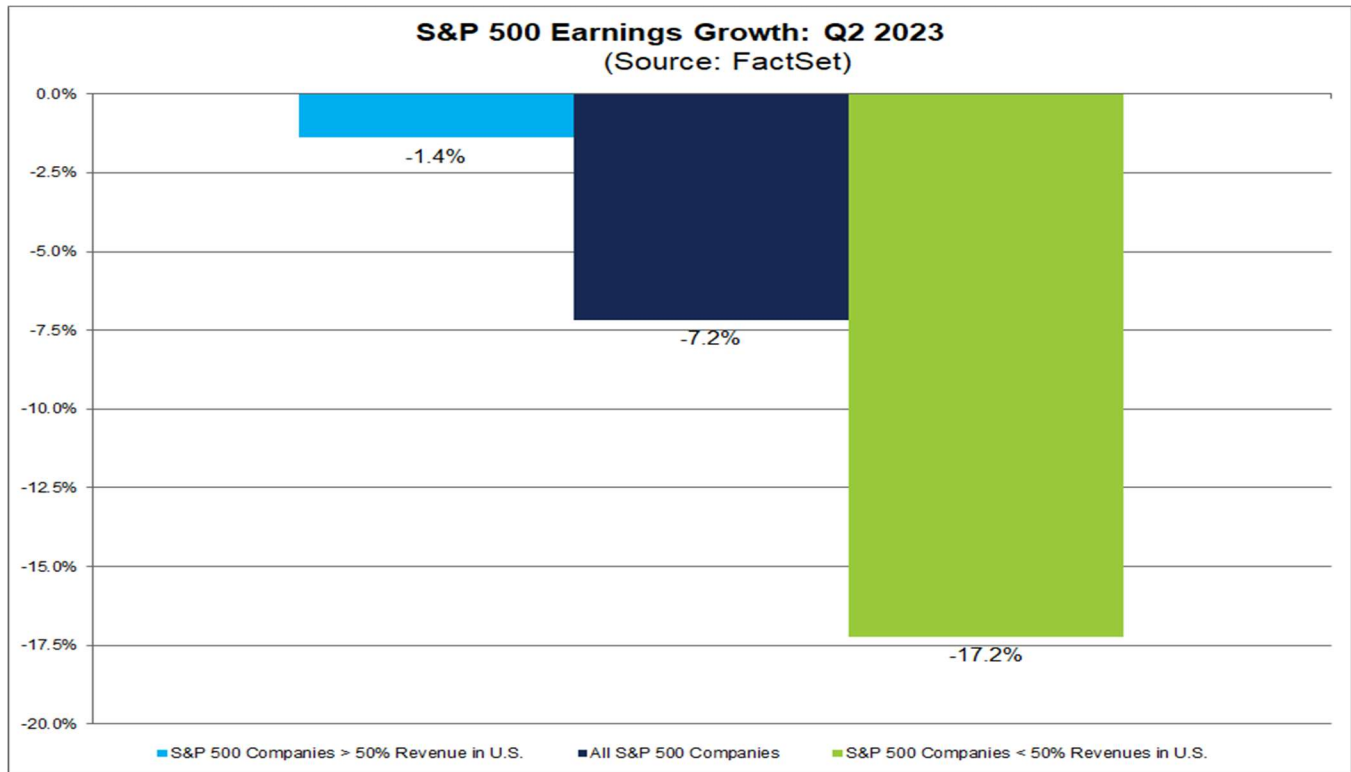
Q2 2023: Scorecard



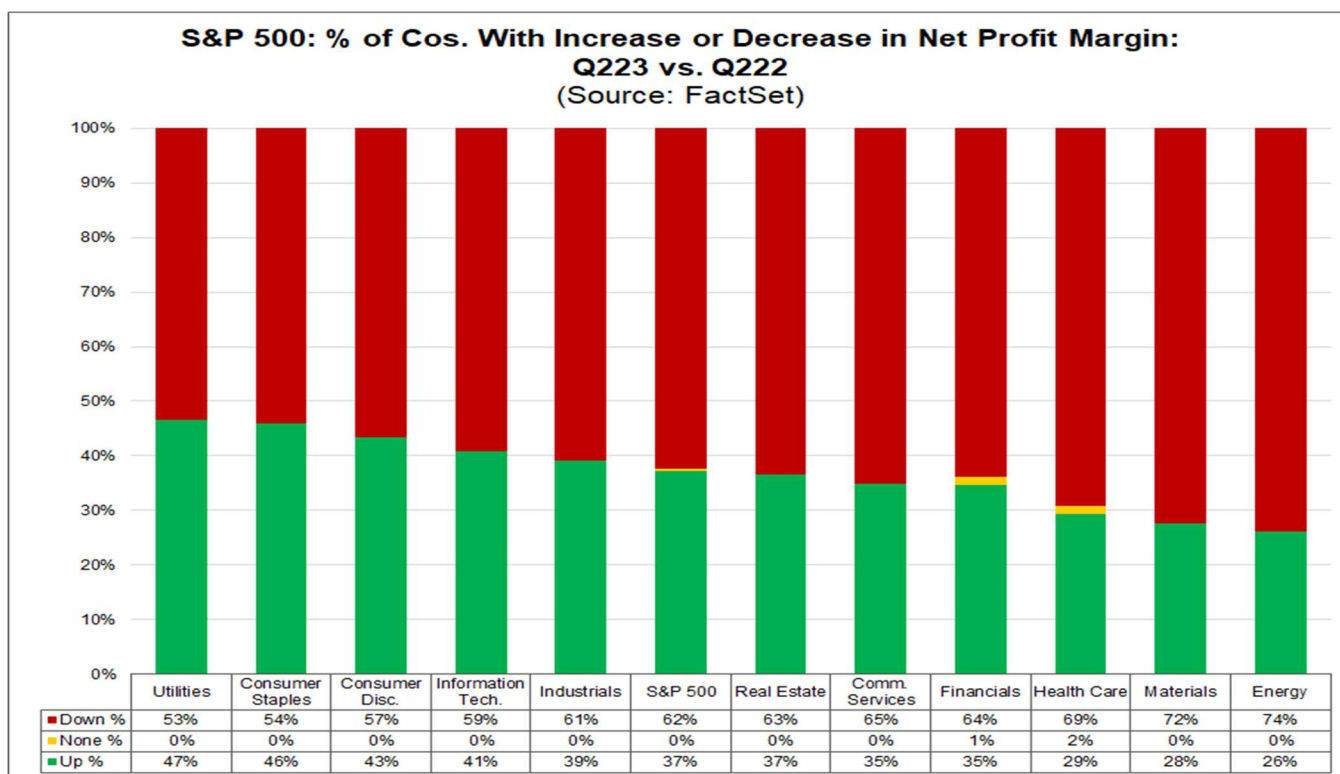
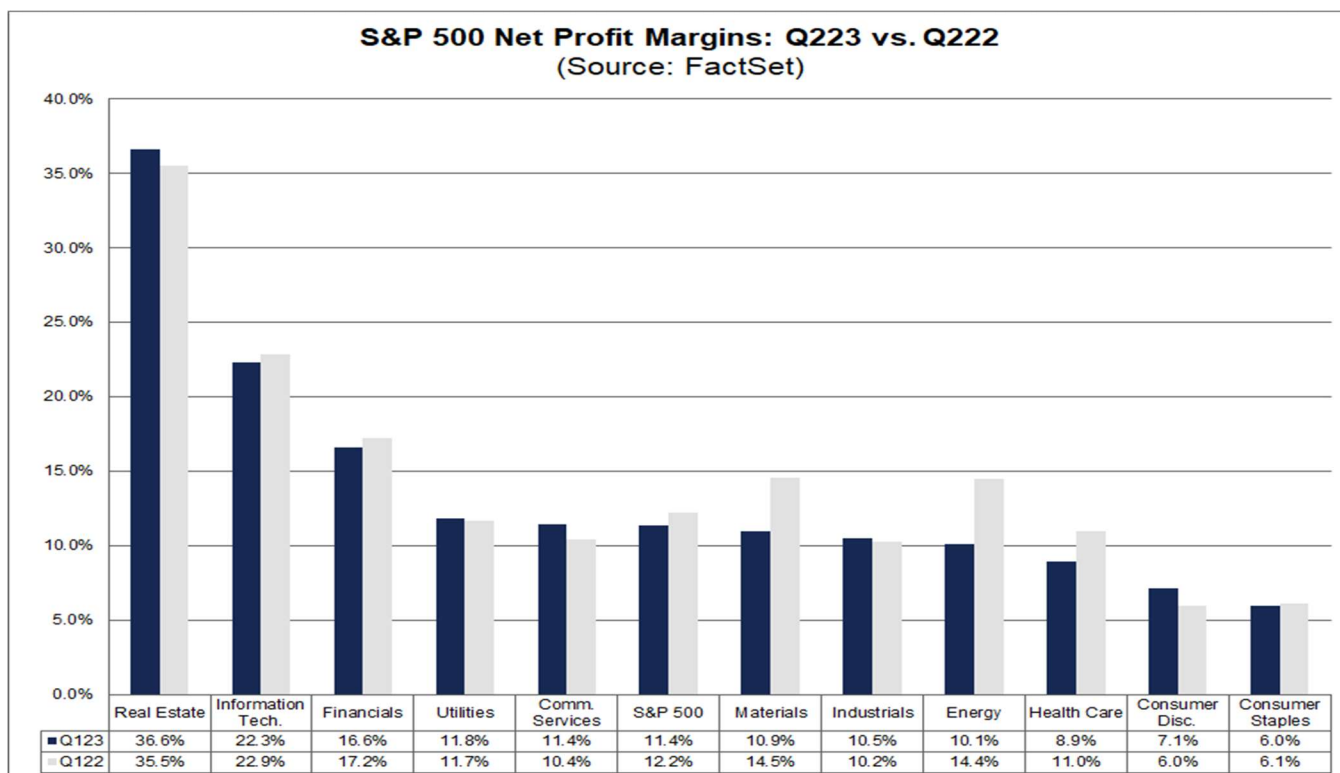
Q2 2023: Growth



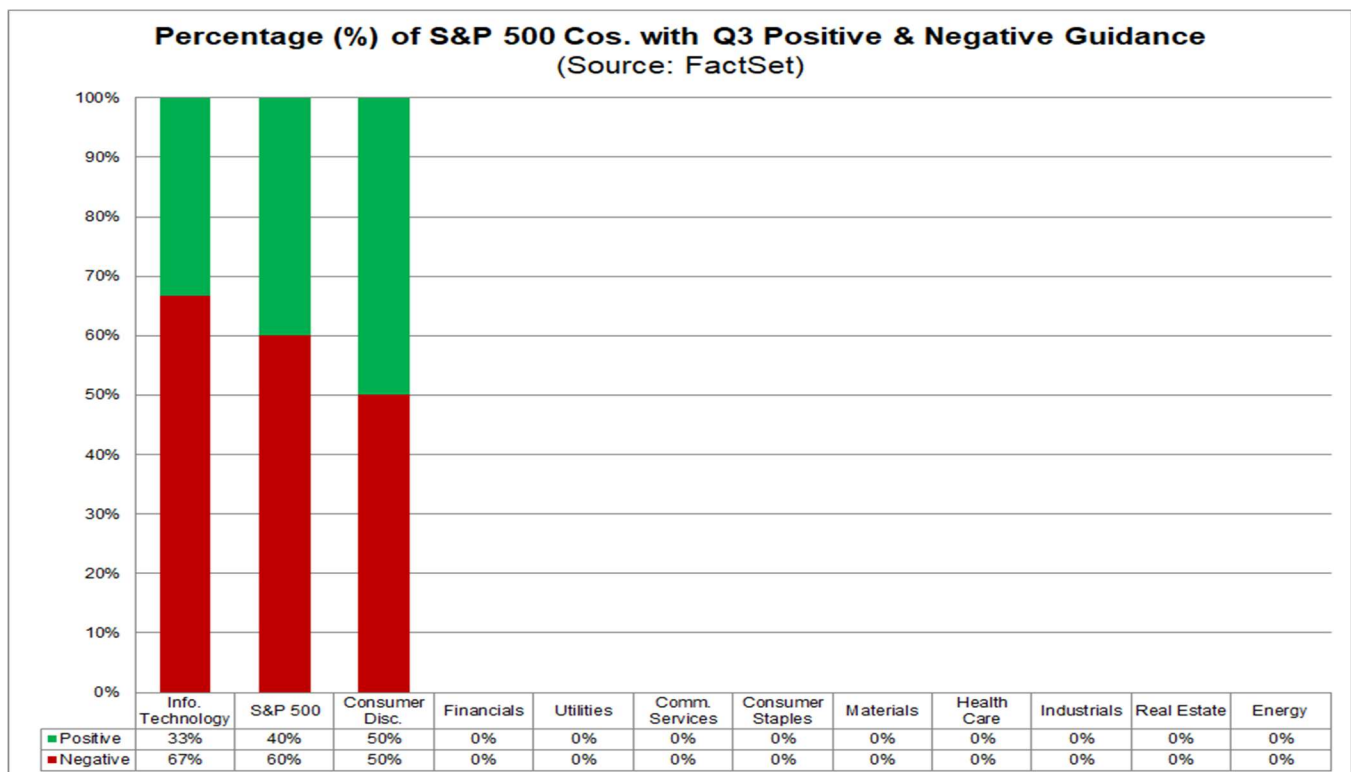
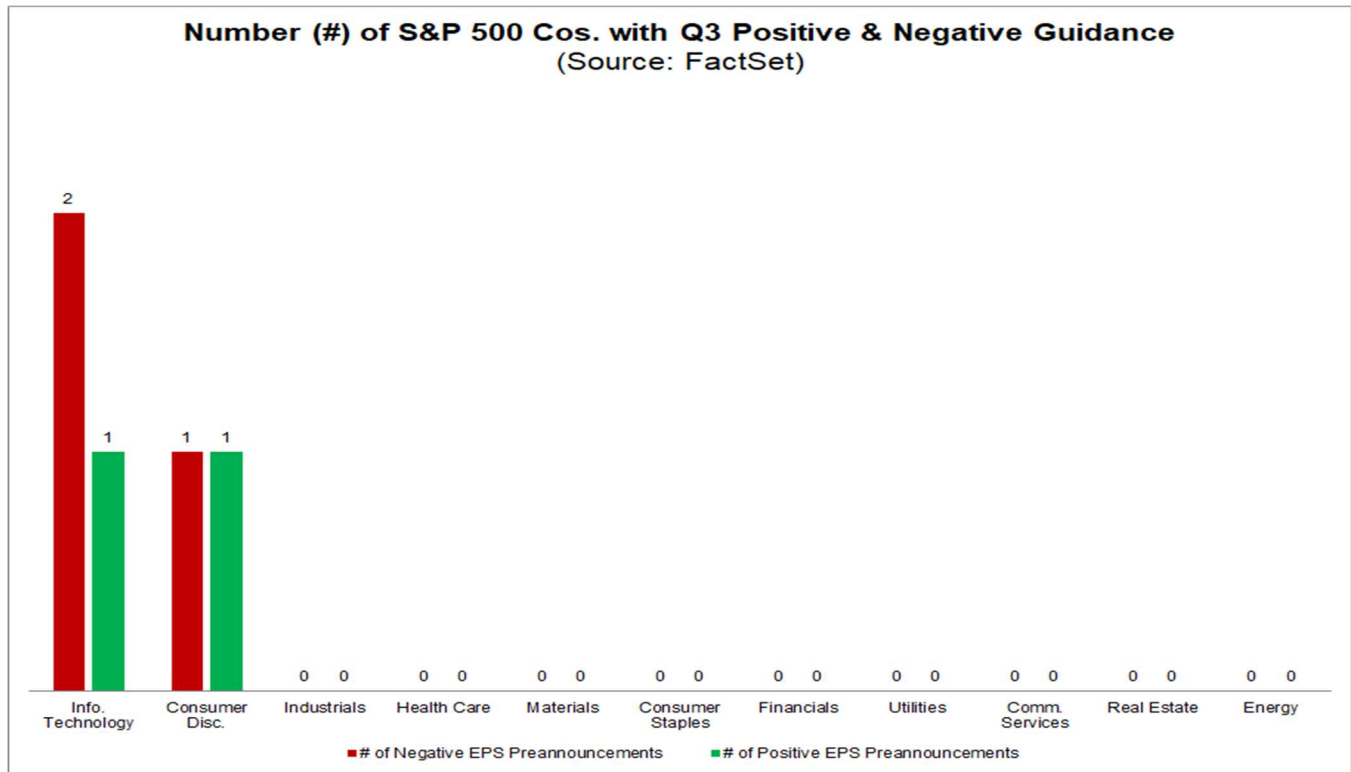
Q2 2023: Growth



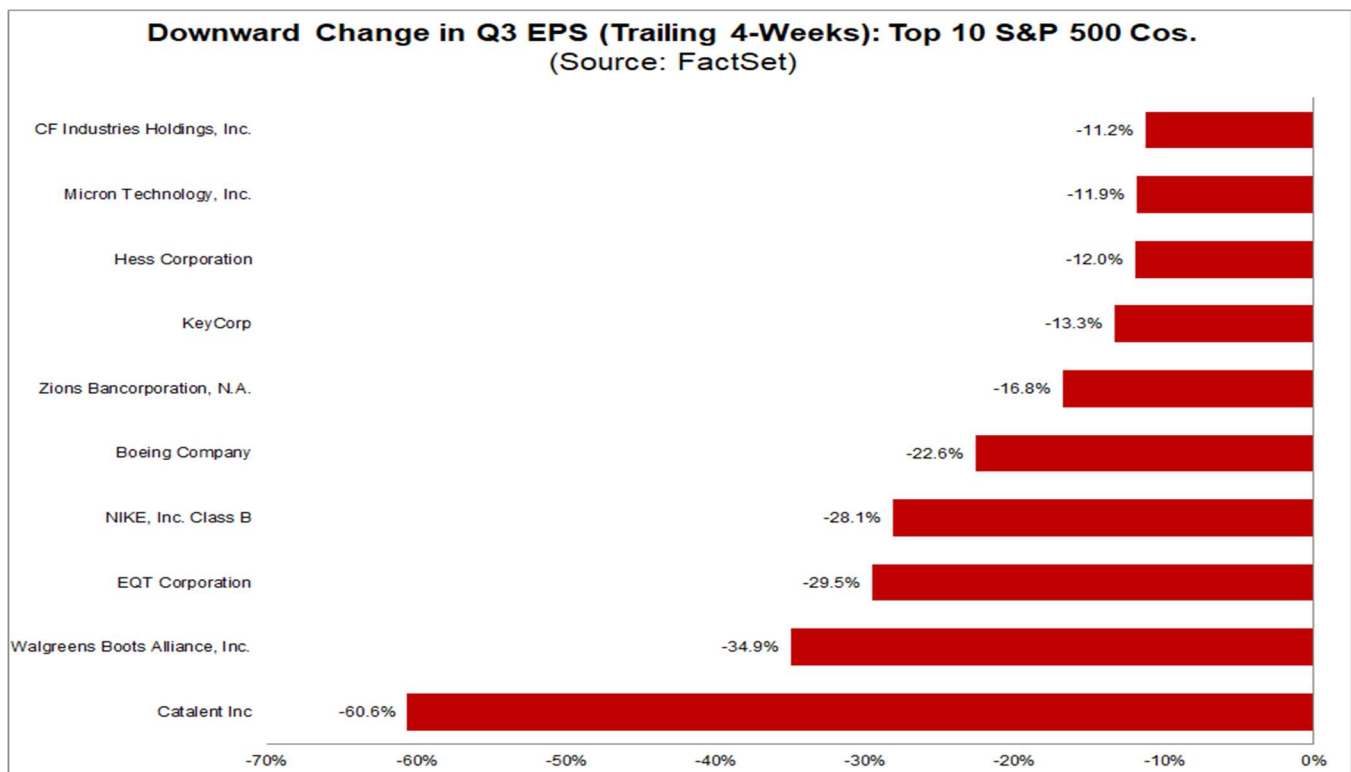
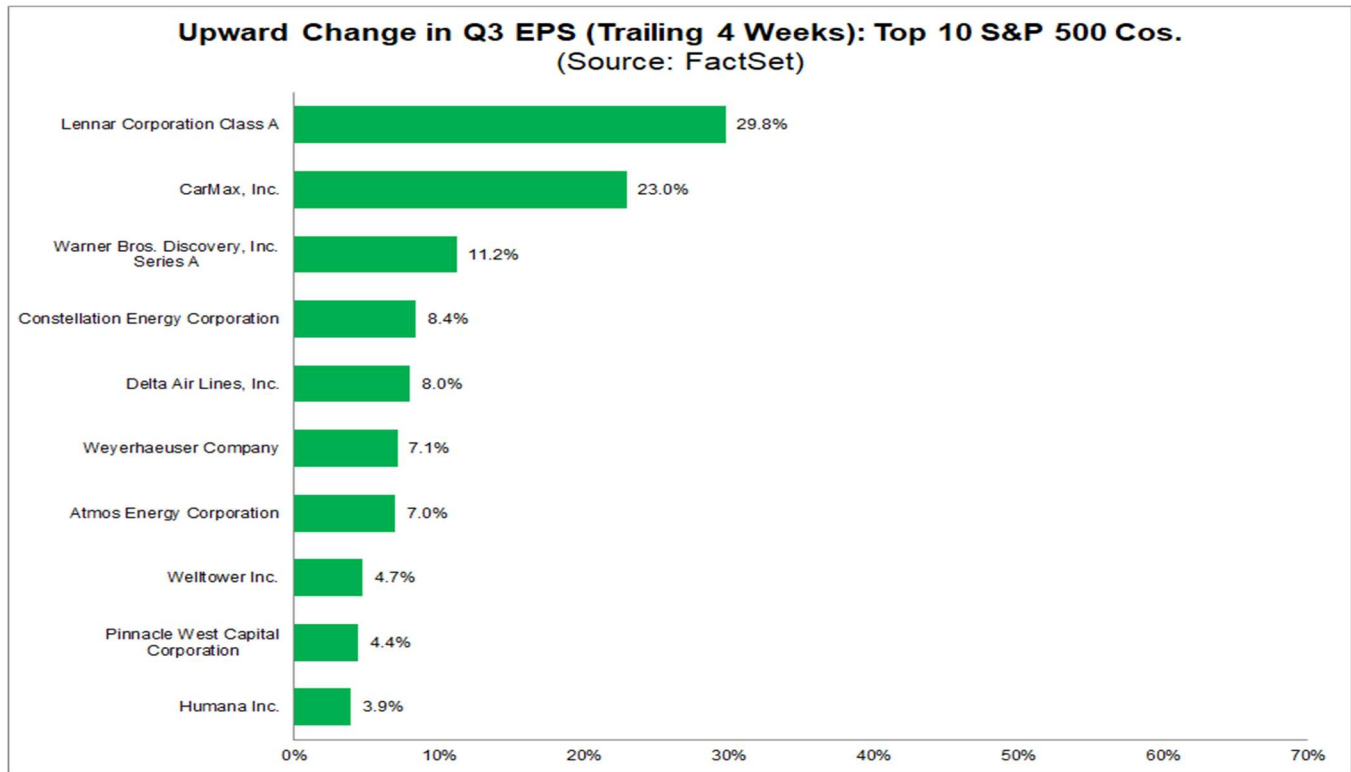
Q2 2023: Net Profit Margin



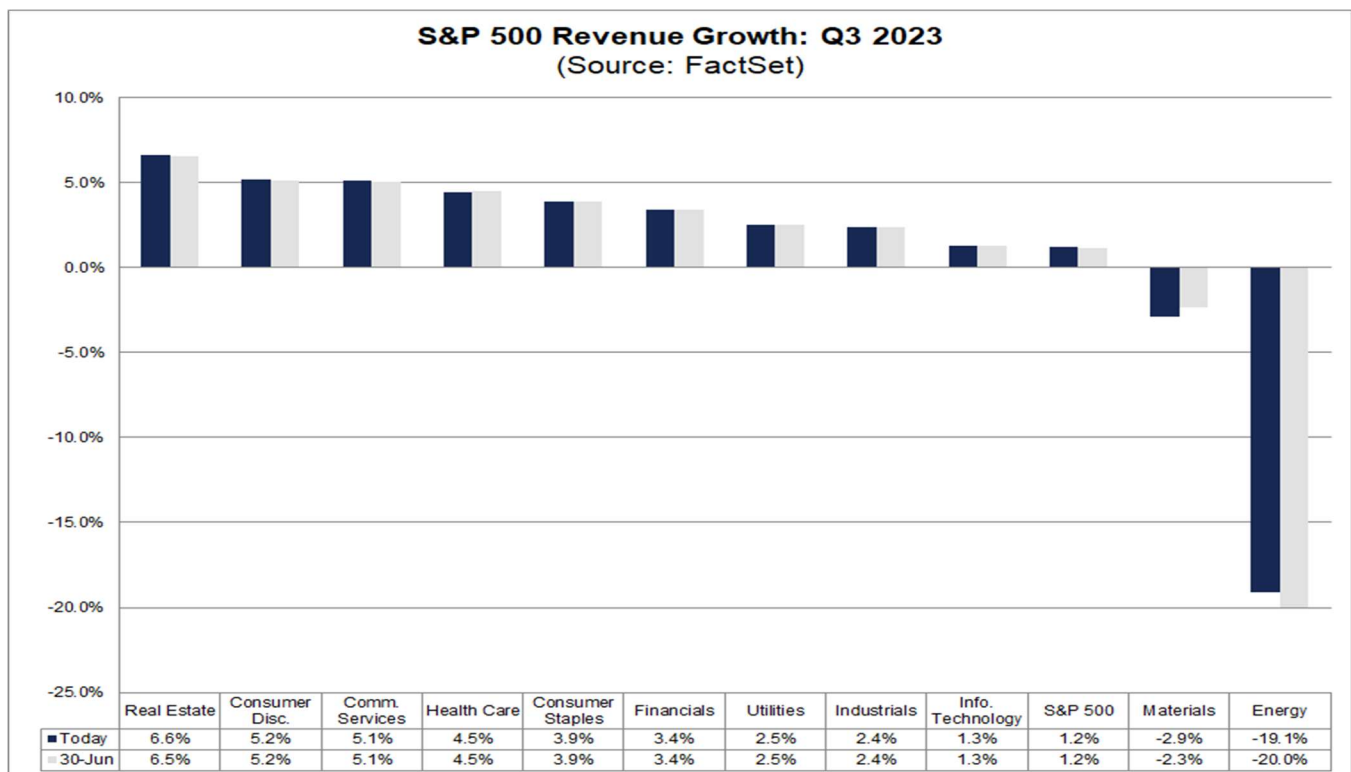
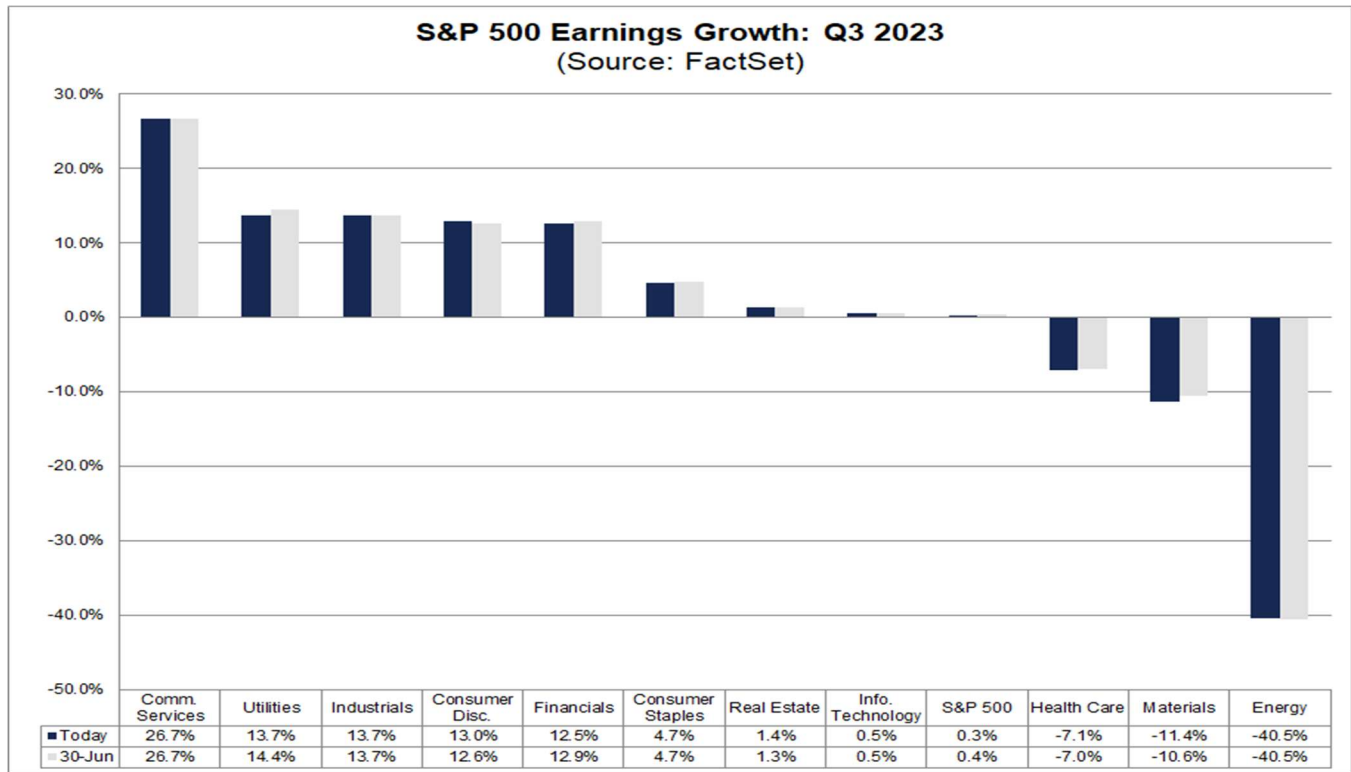
Q3 2023: Guidance



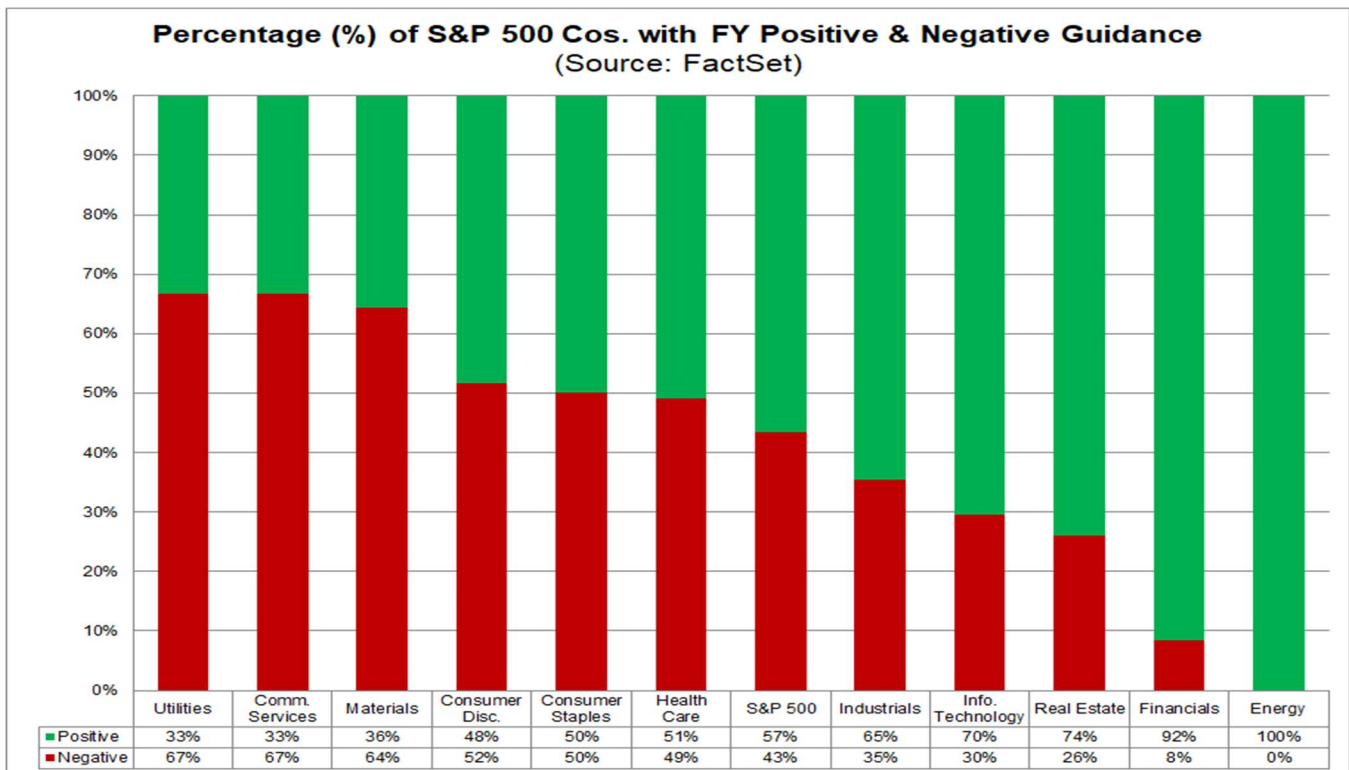
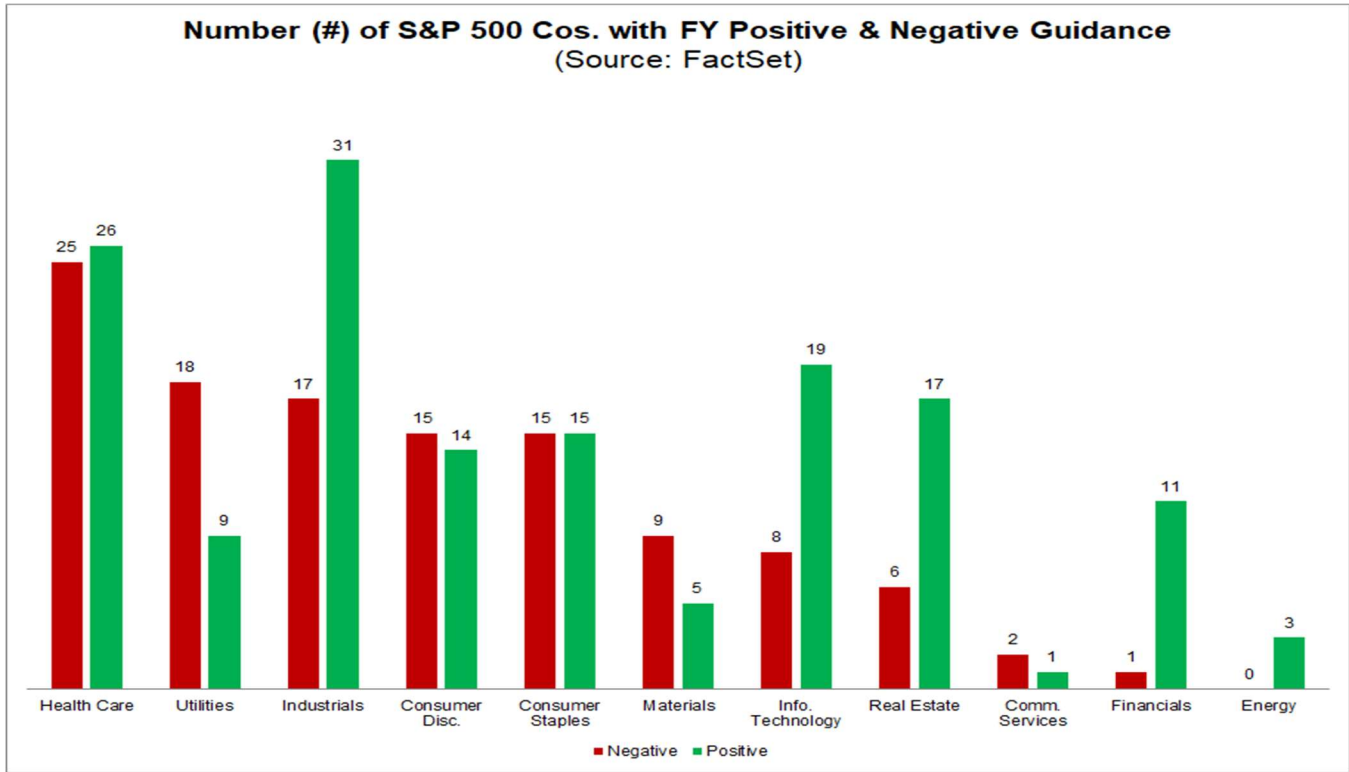
Q3 2023: EPS Revisions



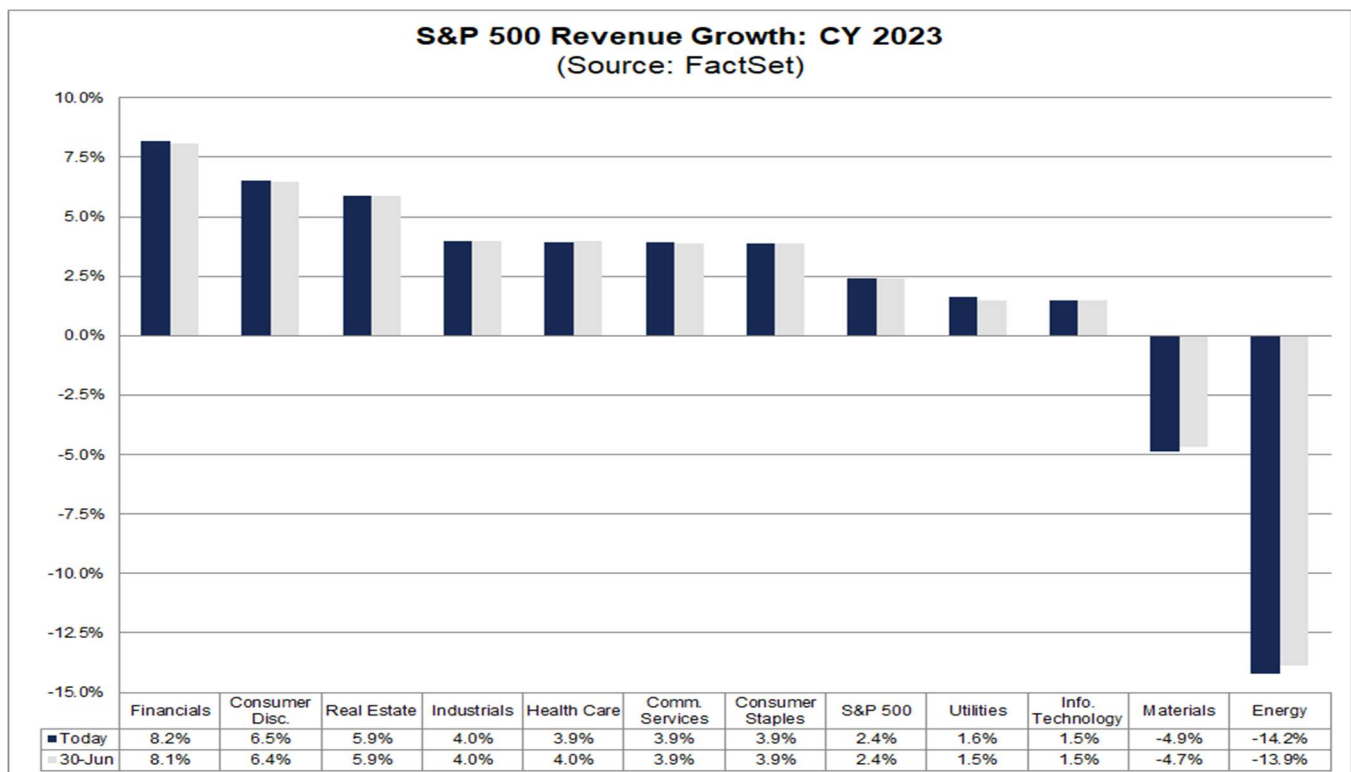
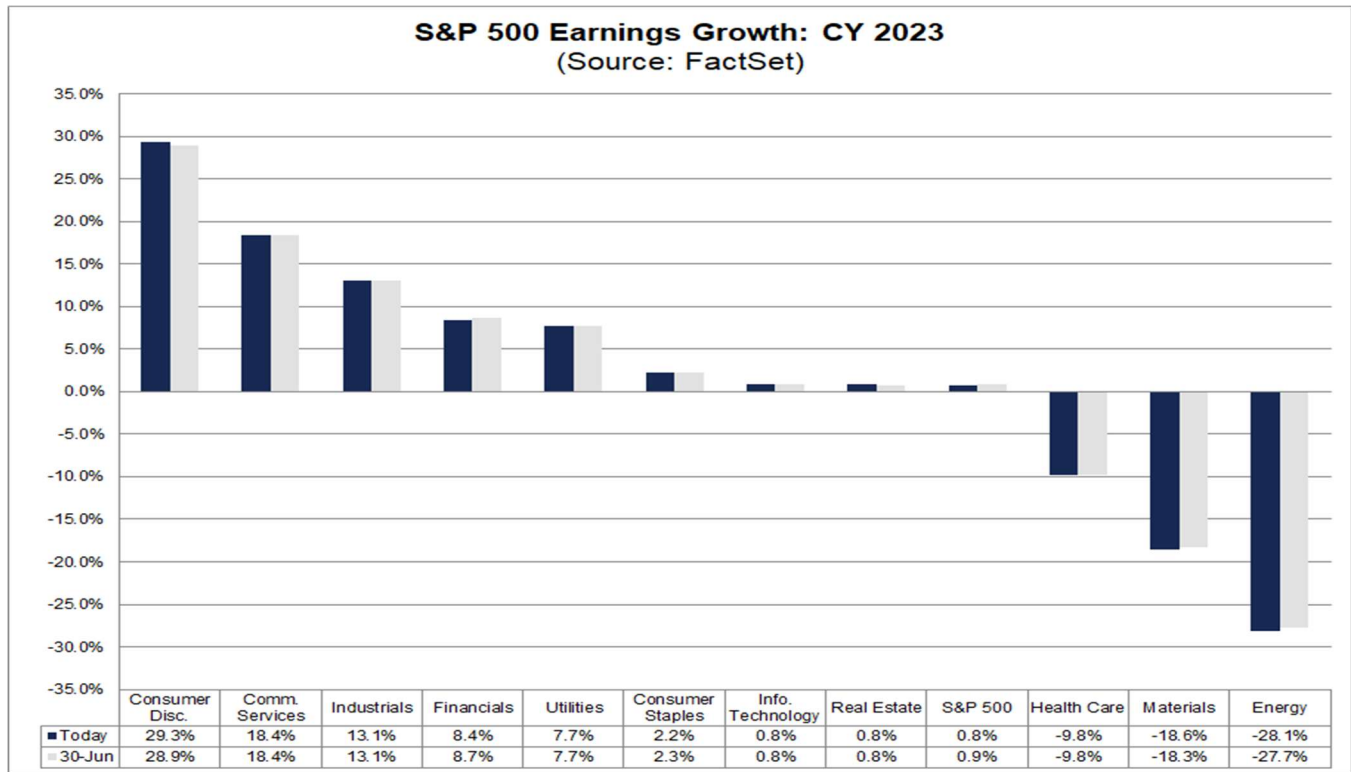
Q3 2023: Growth



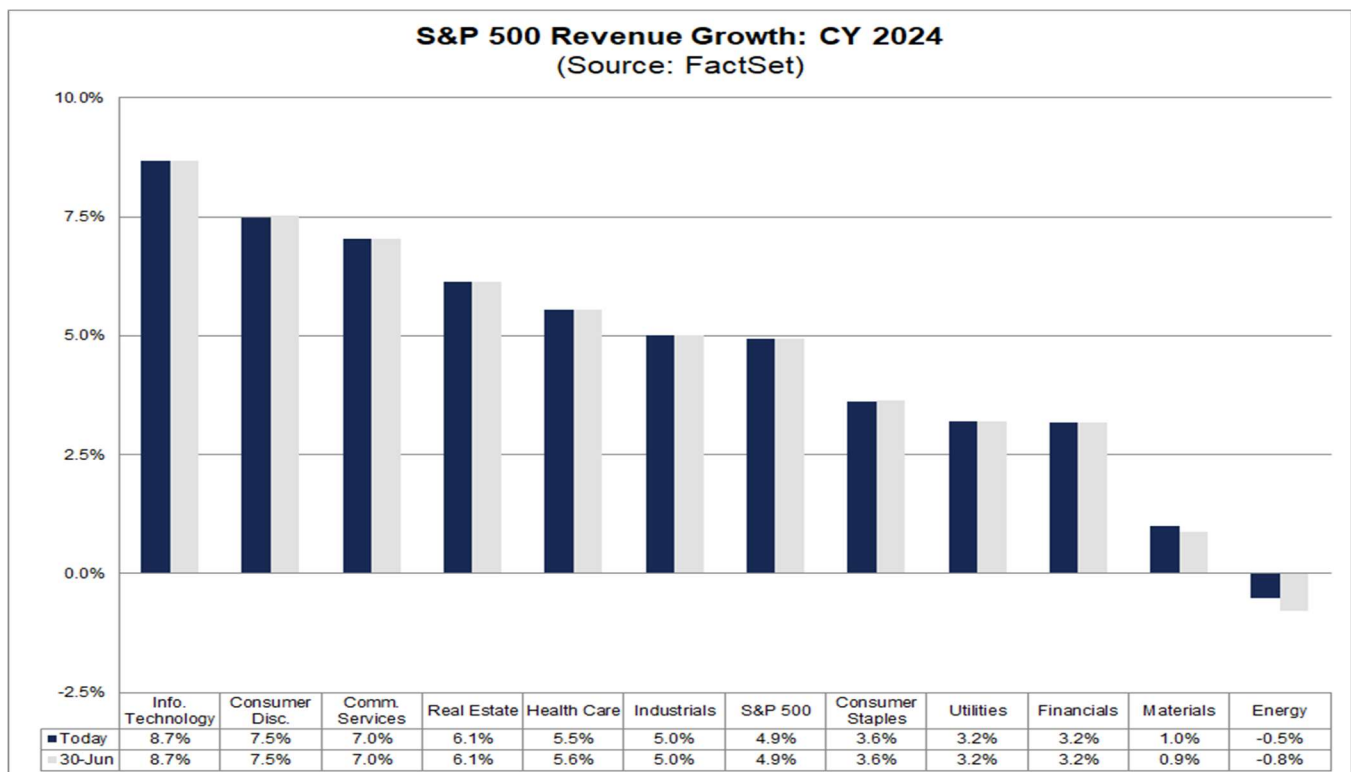
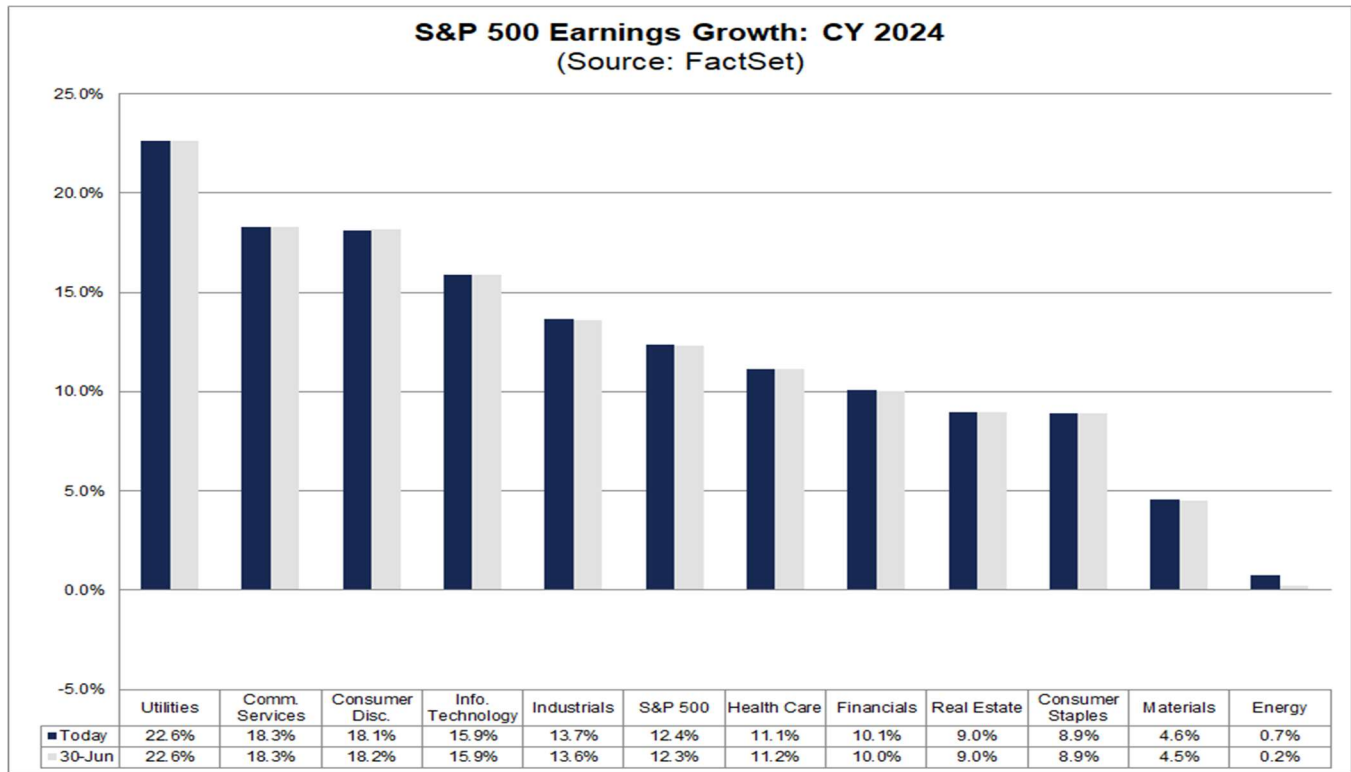
FY 2023 / 2024: EPS Guidance



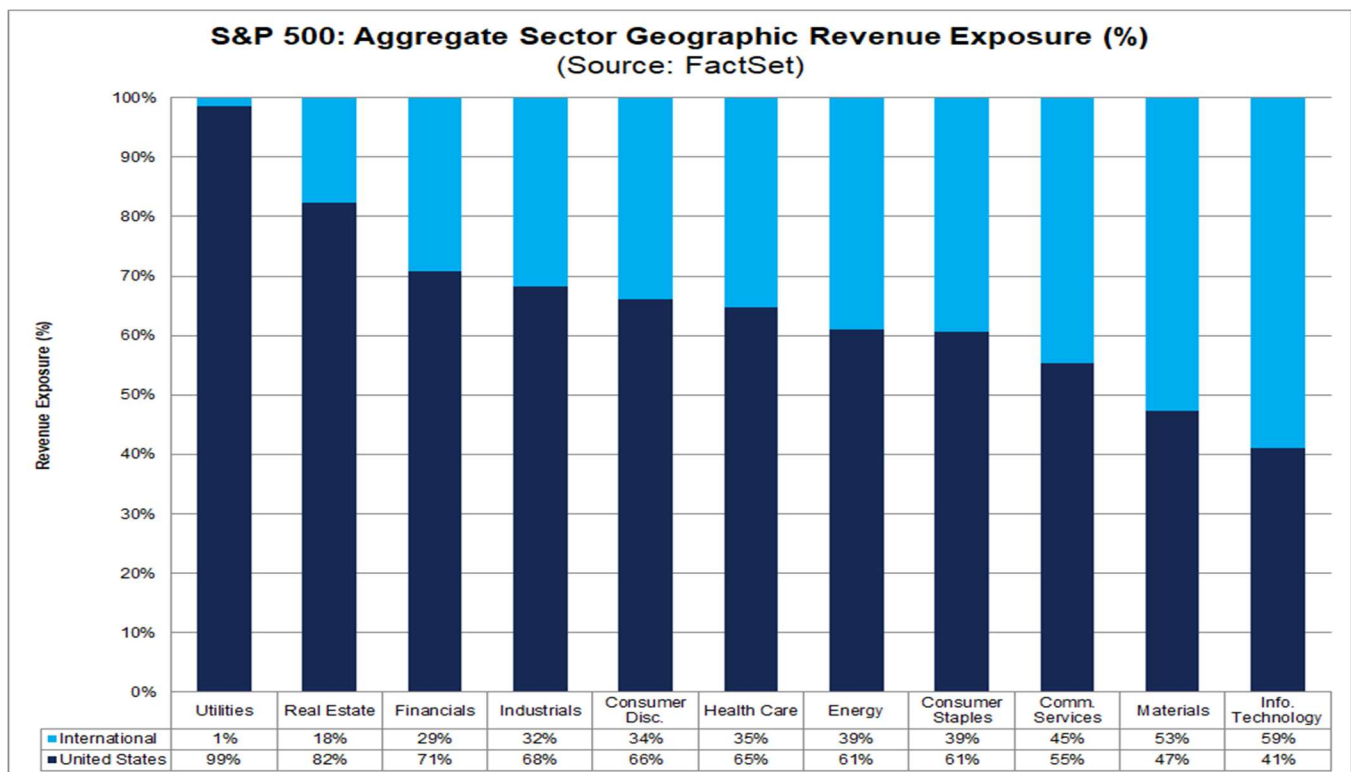
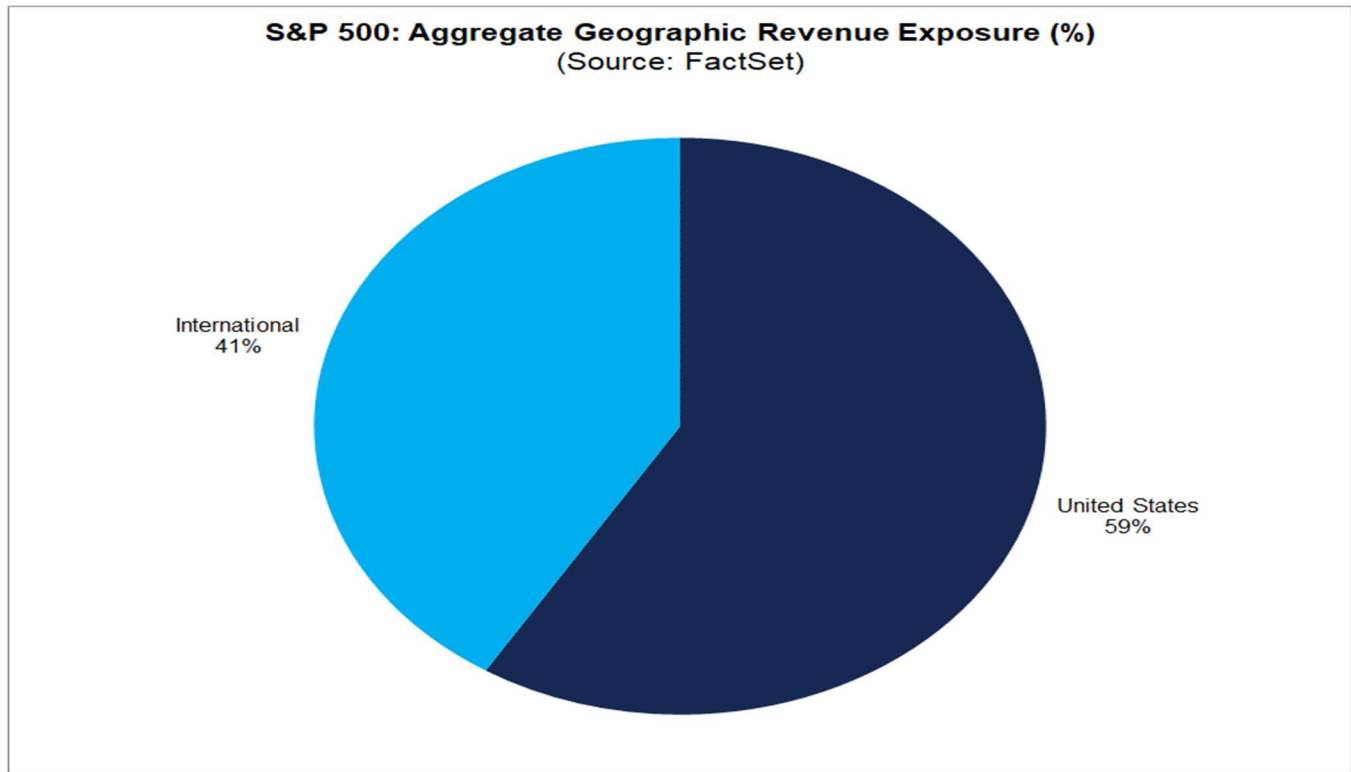
CY 2023: Growth



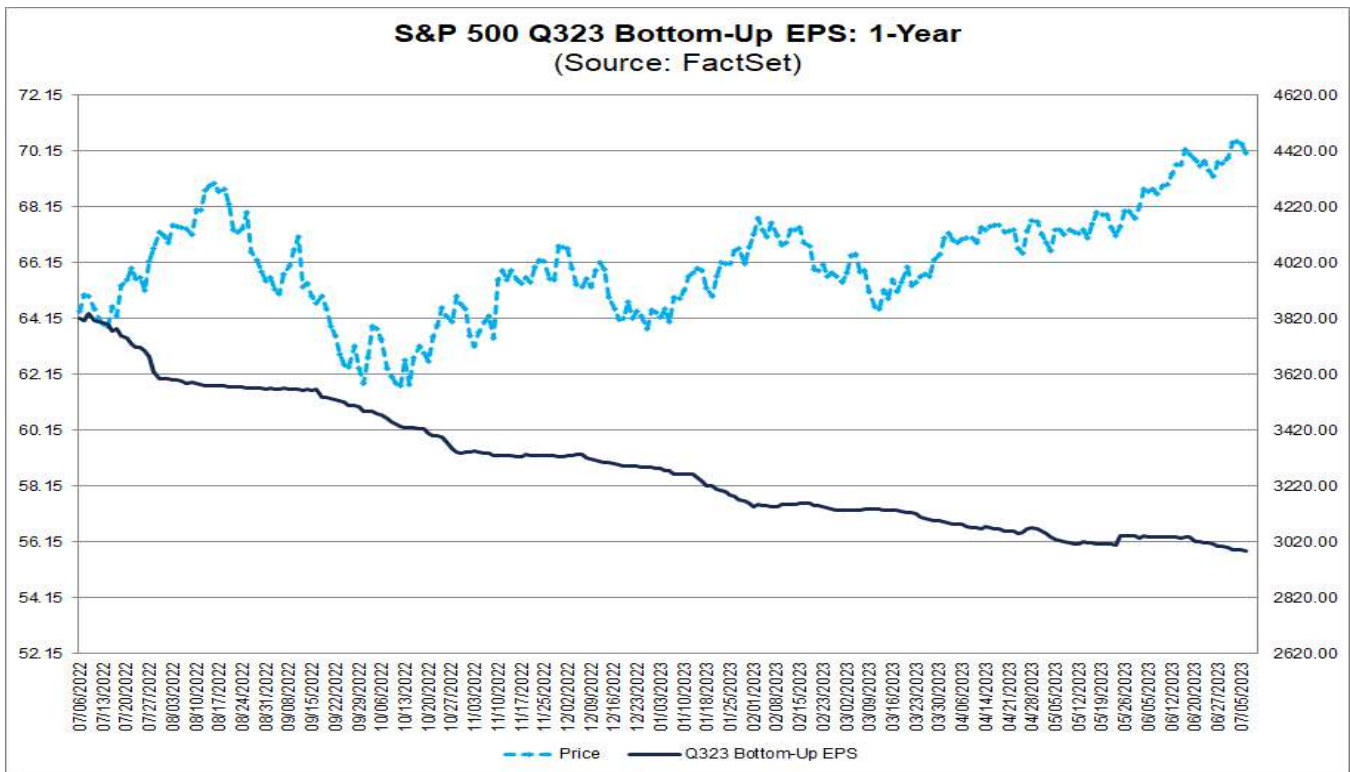
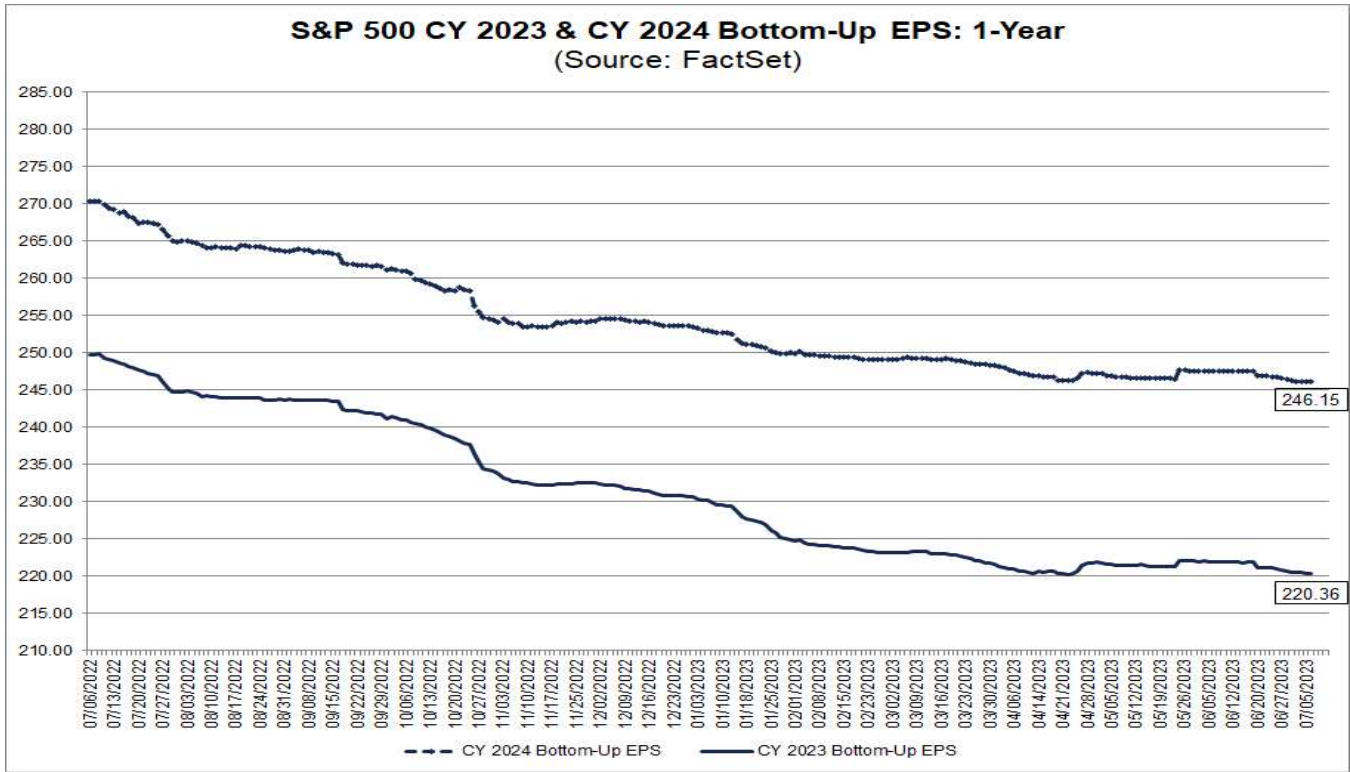
CY 2024: Growth



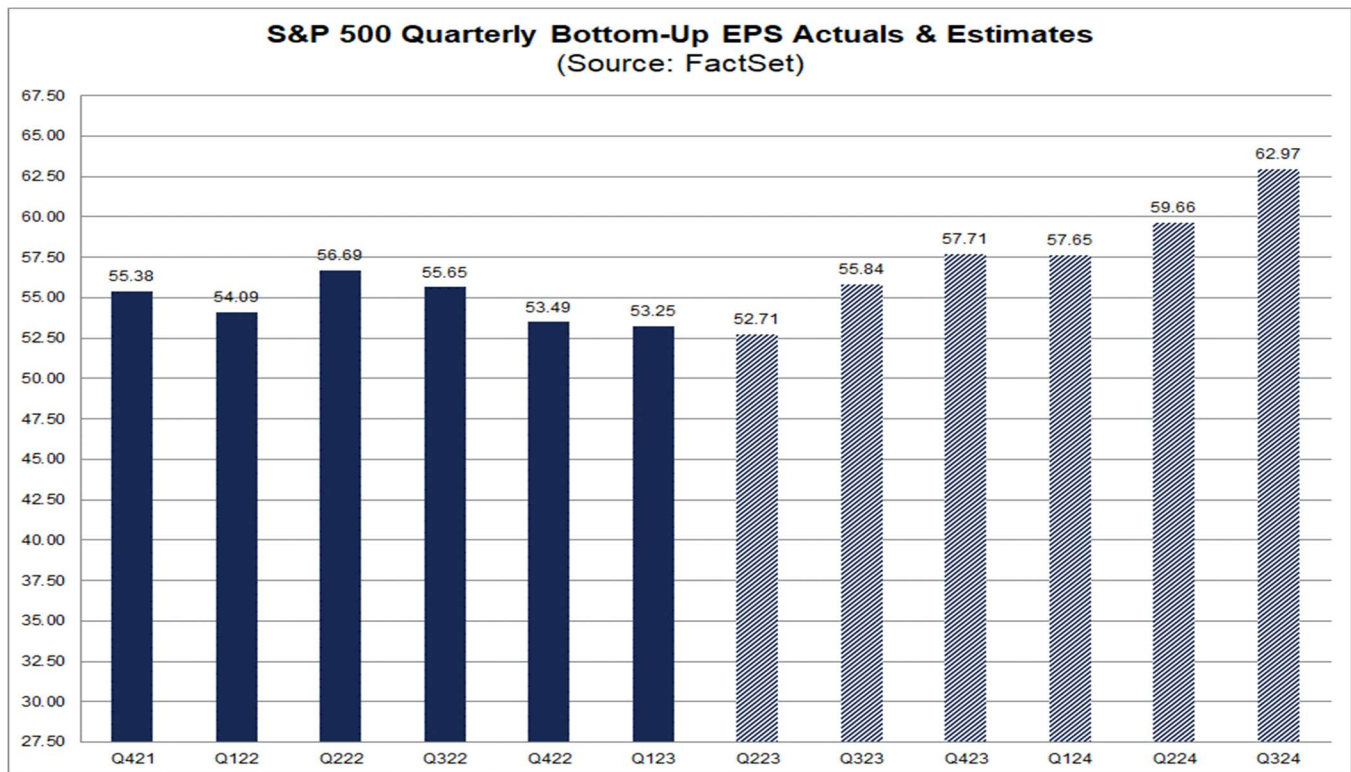
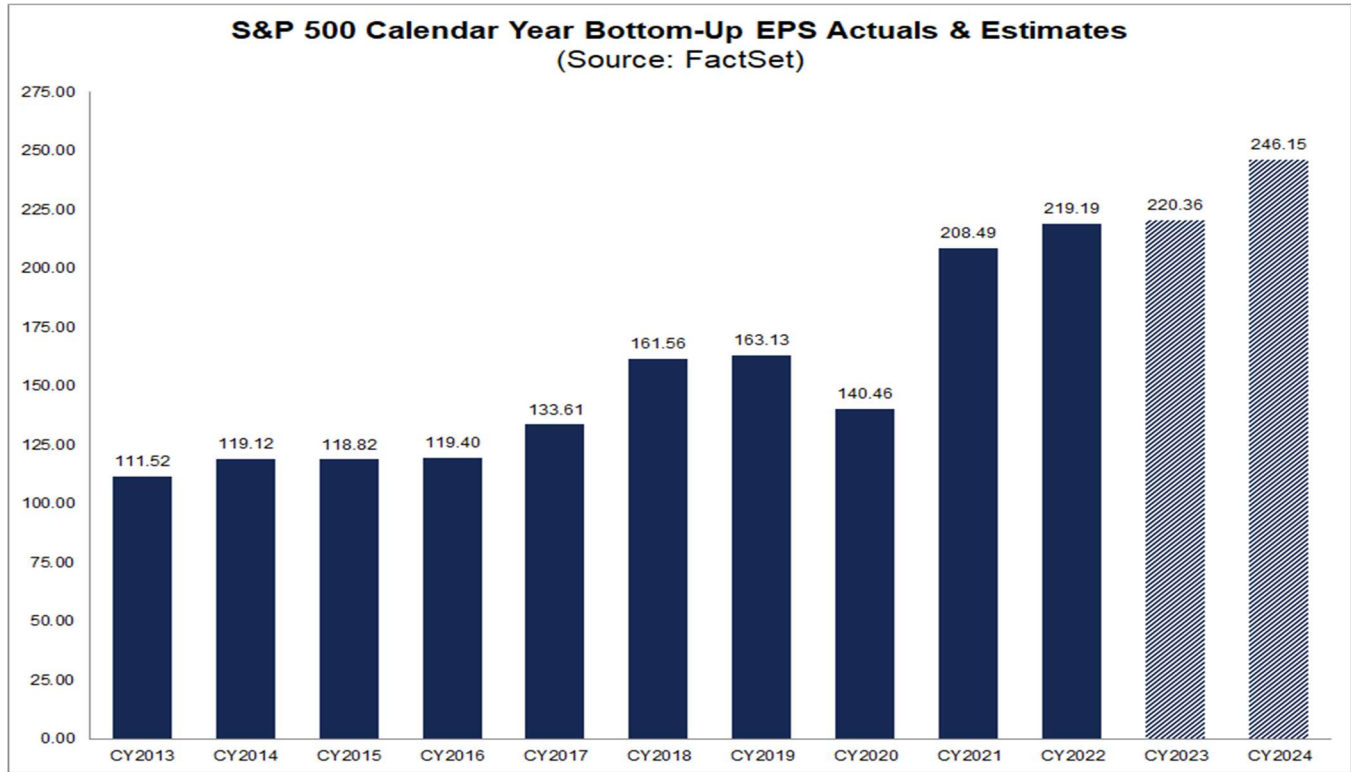
Geographic Revenue Exposure



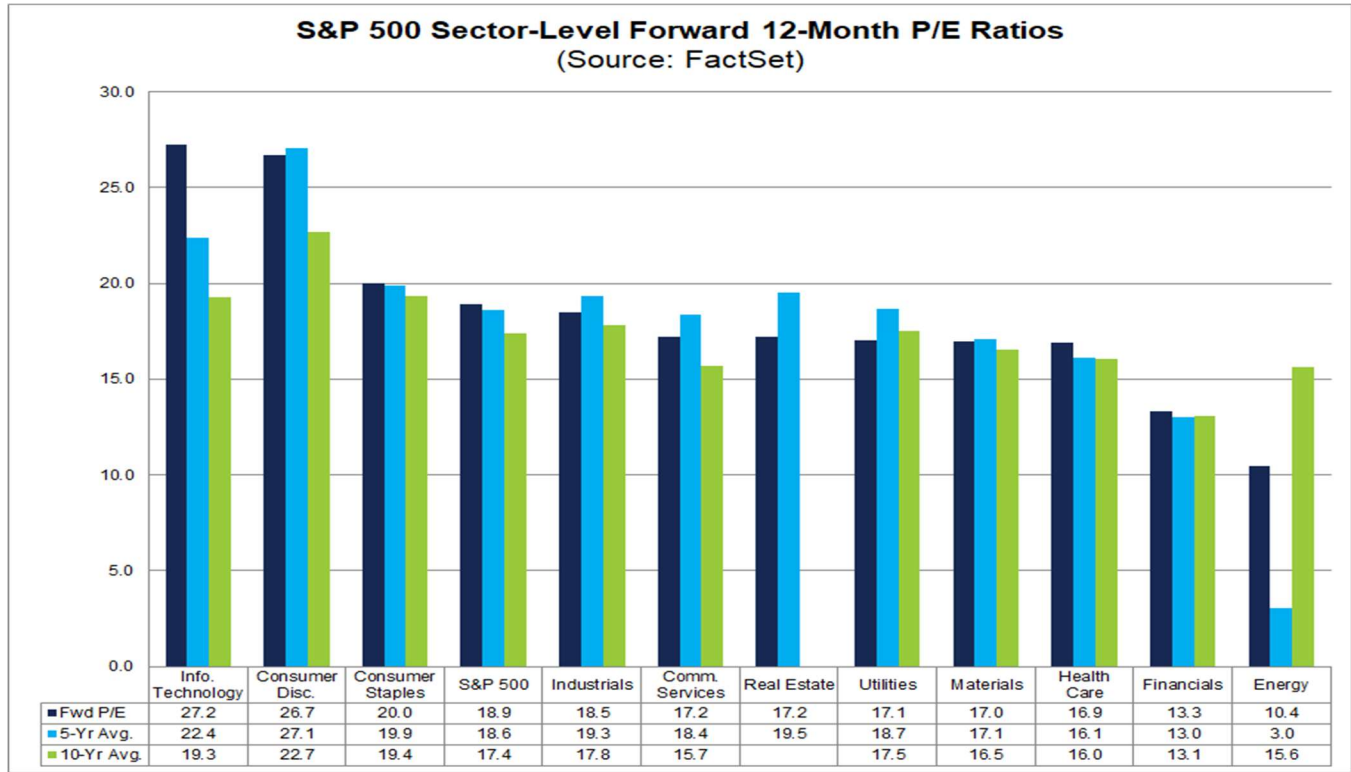
Bottom-Up EPS Estimates



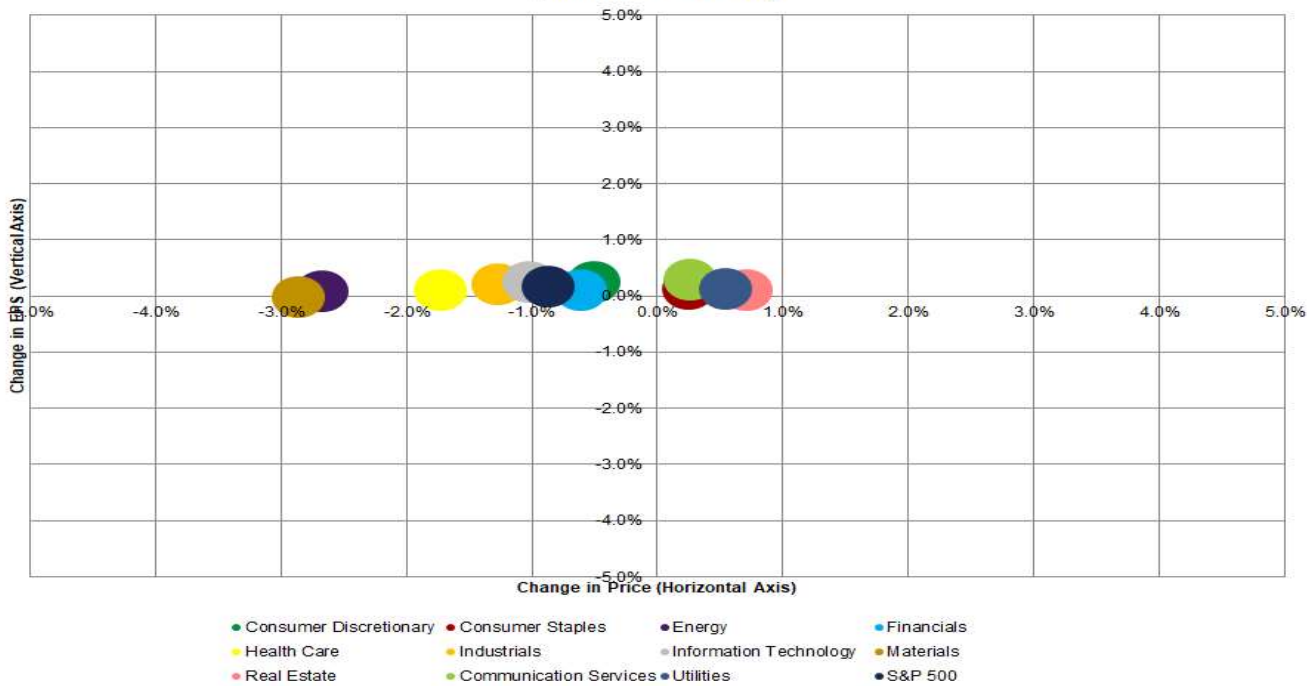
Bottom-Up EPS Estimates: Current & Historical



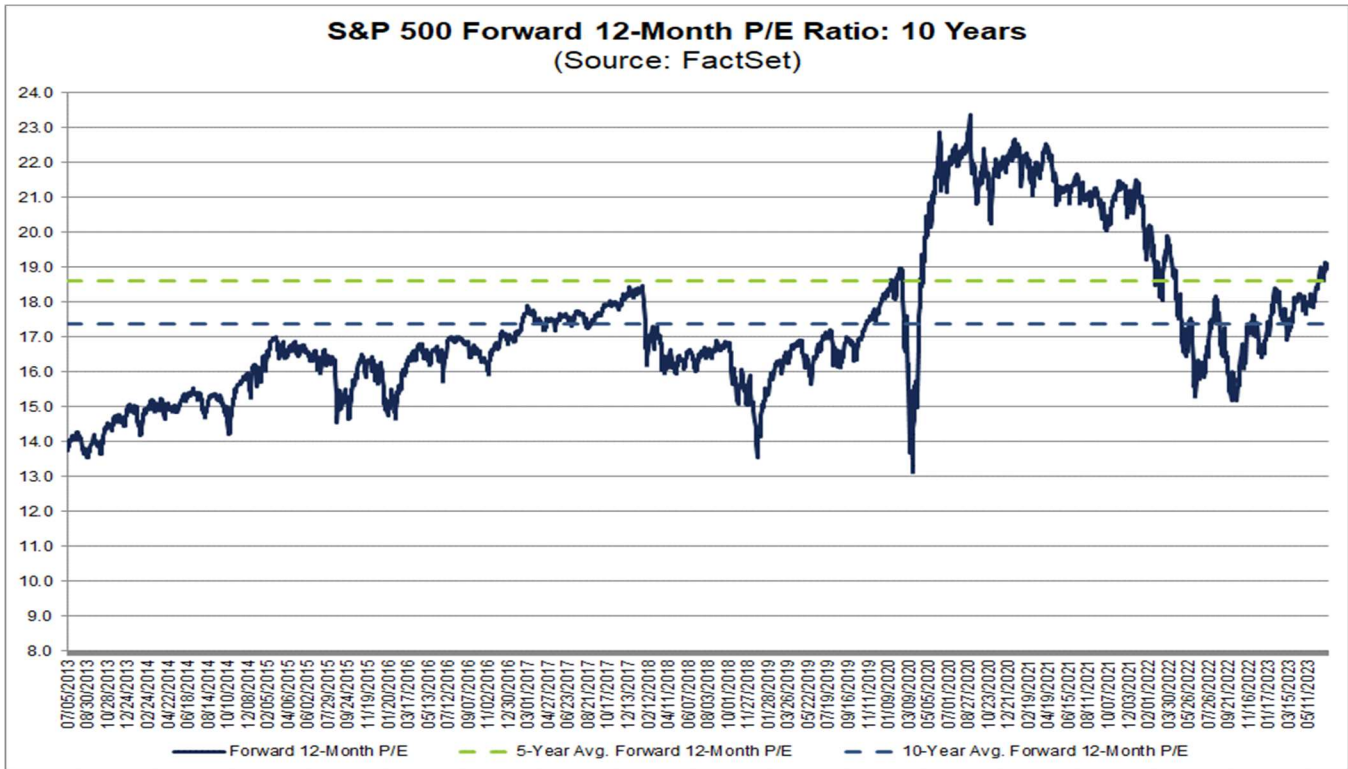
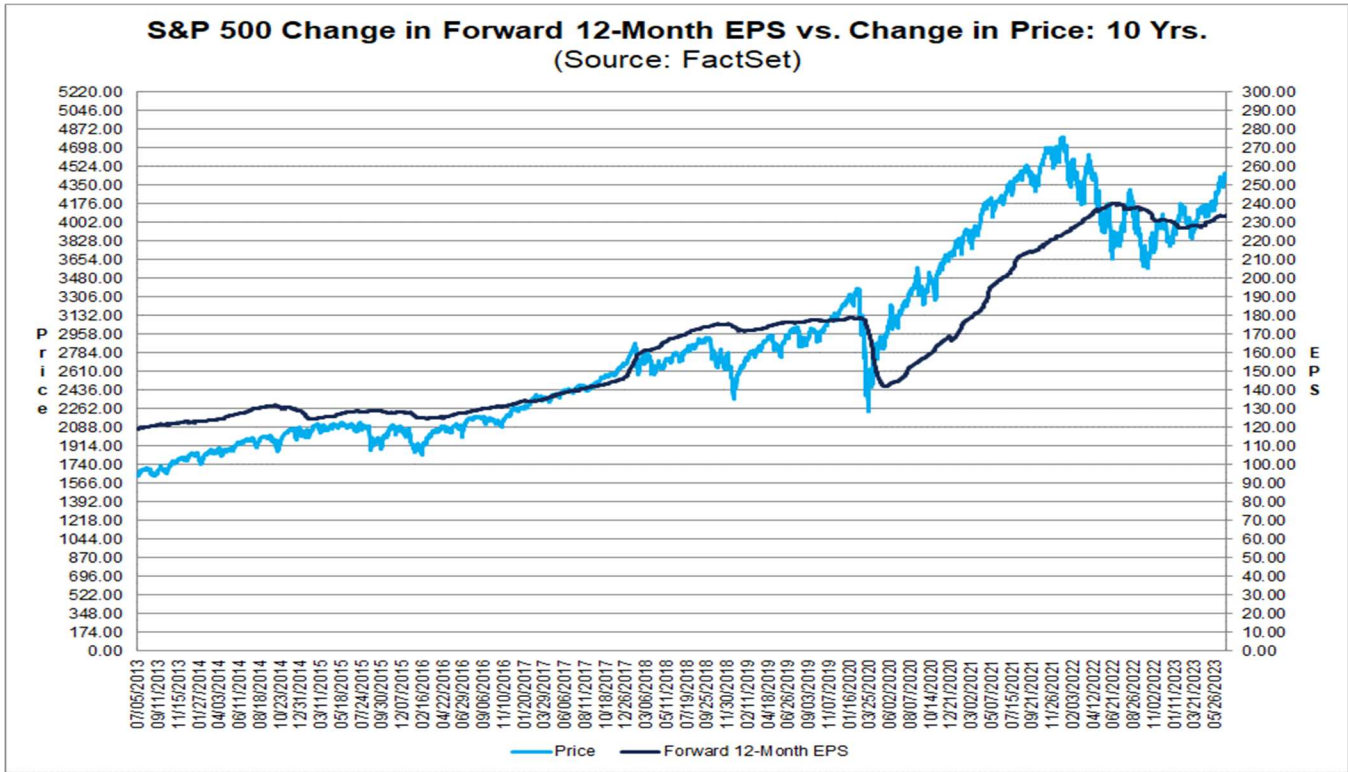
Forward 12M P/E Ratio: Sector Level



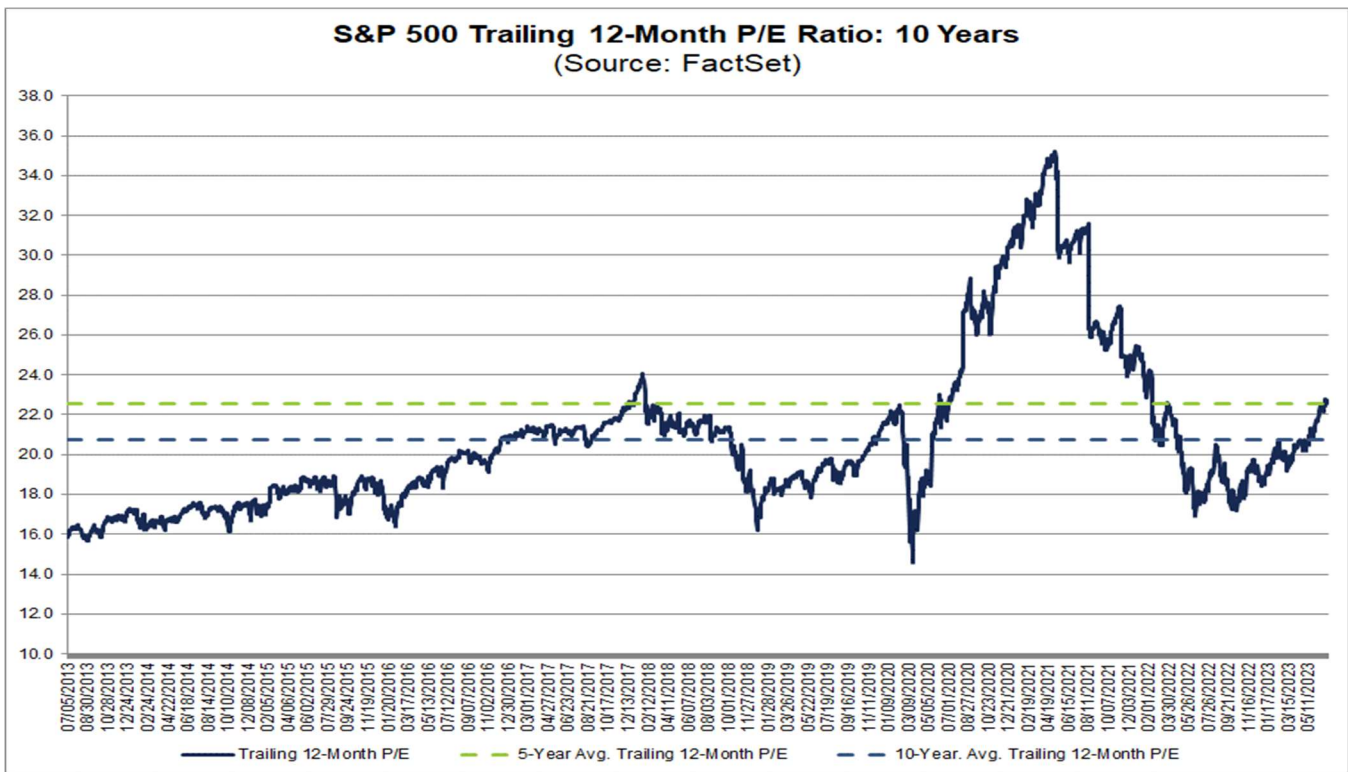
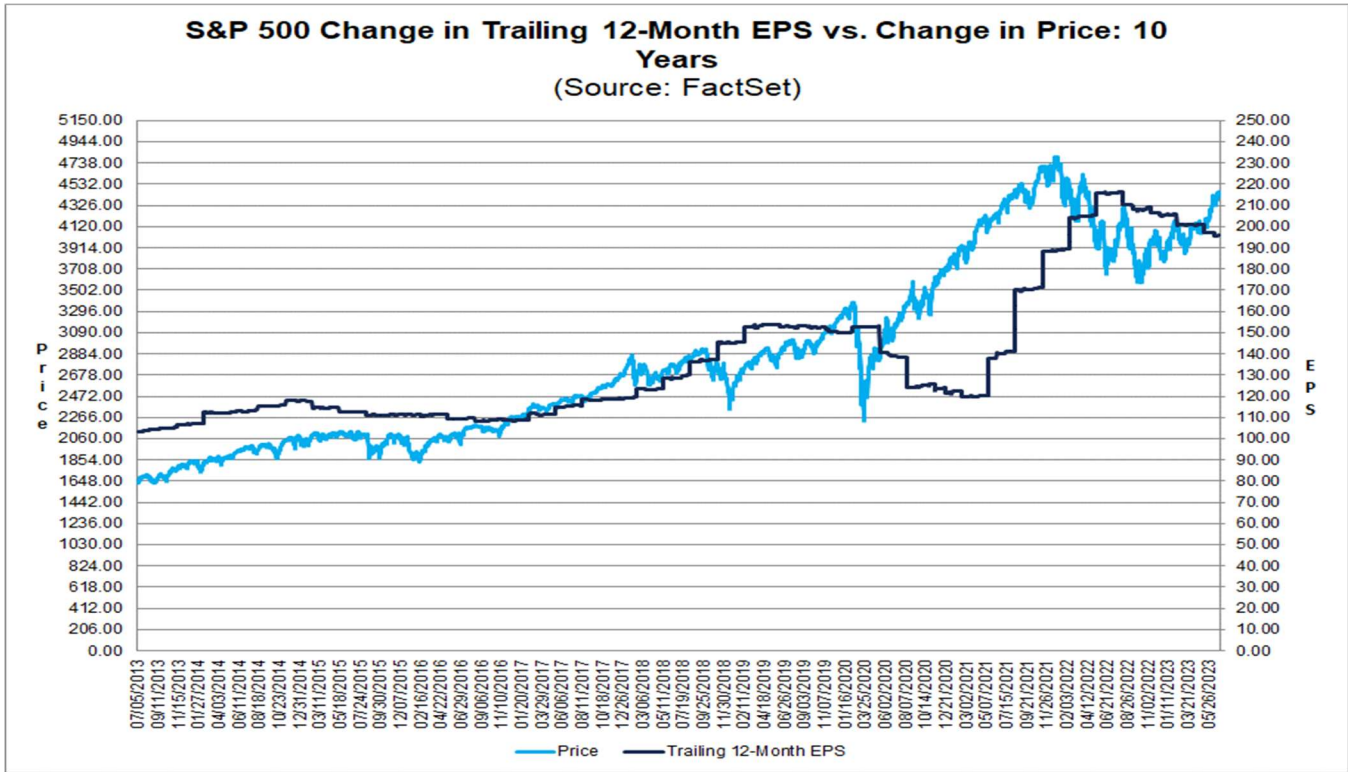
Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Jun. 30 (Source: FactSet)



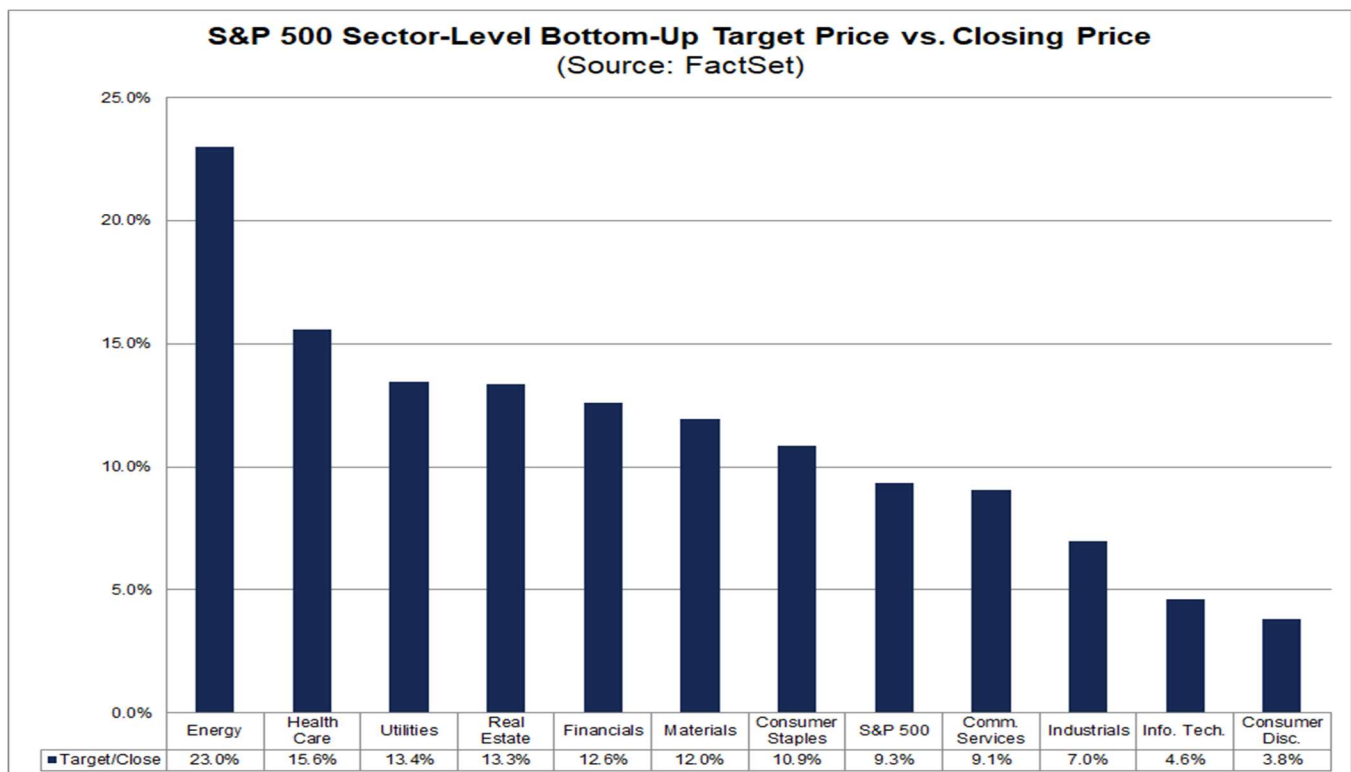
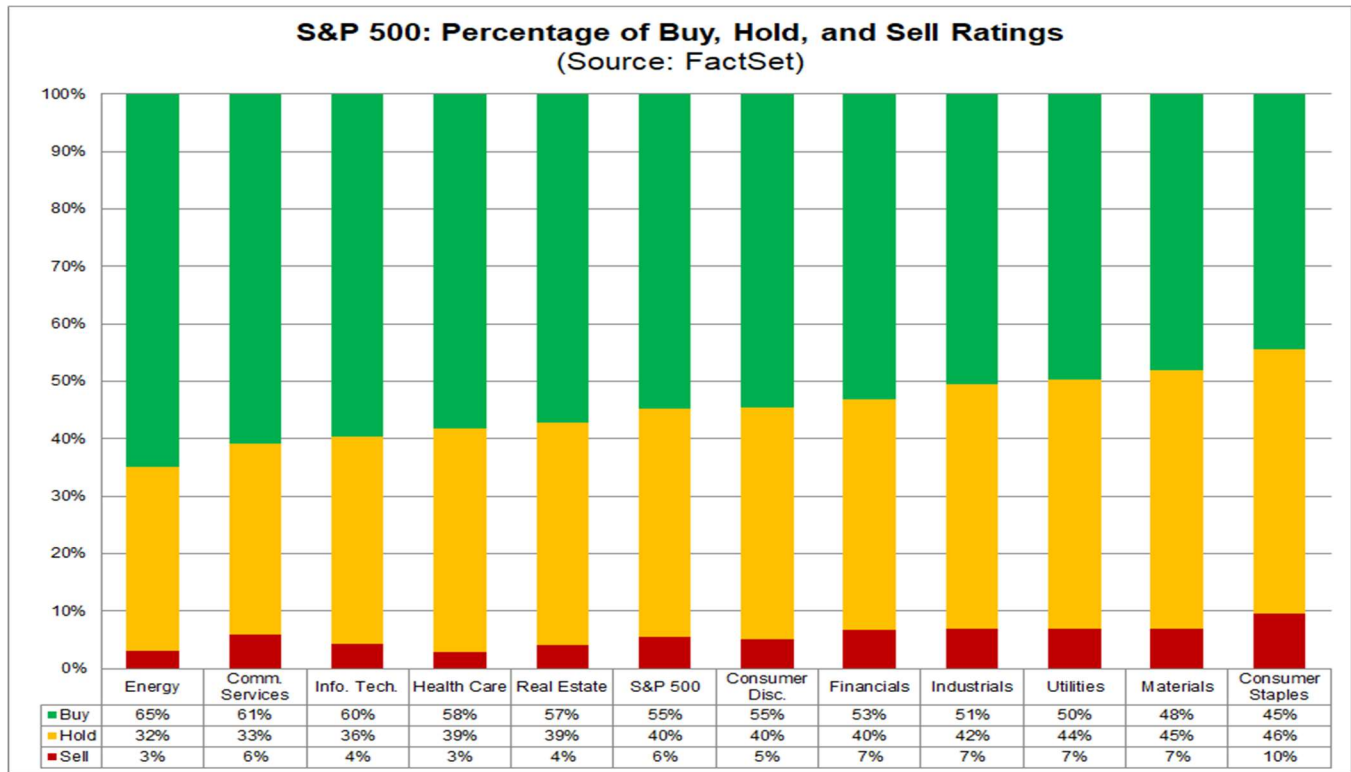
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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