EARNINGS INSIGHT

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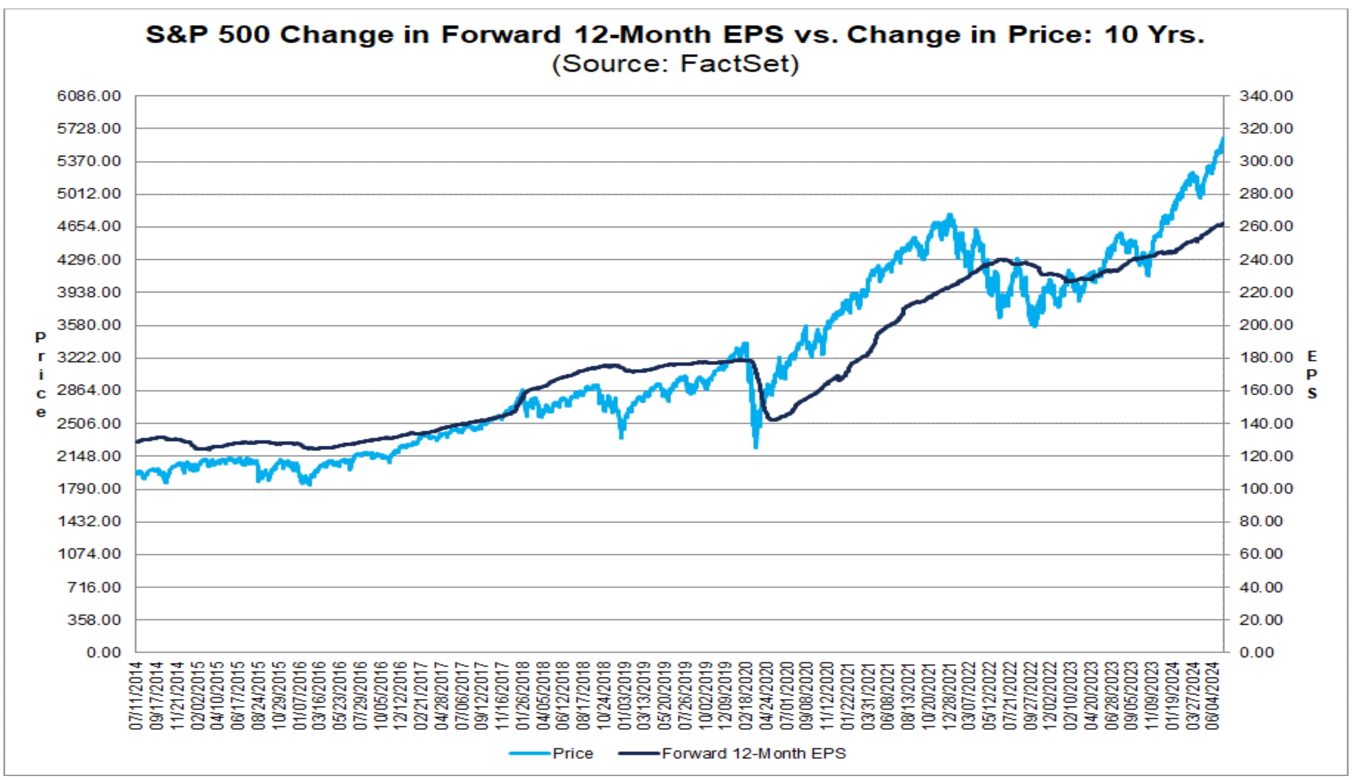
Key Metrics

- **Earnings Scorecard:** For Q2 2024 (with 5% of S&P 500 companies reporting actual results), 81% of S&P 500 companies have reported a positive EPS surprise and 56% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q2 2024, the blended (year-over-year) earnings growth rate for the S&P 500 is 9.3%. If 9.3% 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%).
- **Earnings Revisions:** On June 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q2 2024 was 8.9%. Three sectors are reporting higher earnings today (compared to June 30) due to upward revisions to EPS estimates and positive EPS surprises.
- **Earnings Guidance:** For Q3 2024, 2 S&P 500 companies have issued negative EPS guidance and 5 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.4. This P/E ratio is above the 5-year average (19.3) and above the 10-year average (17.9).



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Topic of the Week: 1

S&P 500 Will Likely Report Earnings Growth of At Least 12% For Q2

The S&P 500 is reporting earnings growth of 9.3% for the second quarter, which would mark the highest year-over-year earnings growth rate reported by the index since Q1 2022 (9.4%). Given that most S&P 500 companies report actual earnings above estimates, what is the likelihood the index will report earnings growth of 9.3% for the quarter?

Based on the average improvement in the earnings growth rate during the earnings season, the index will likely report year-over-year growth in earnings at or above 12% for the second quarter.

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

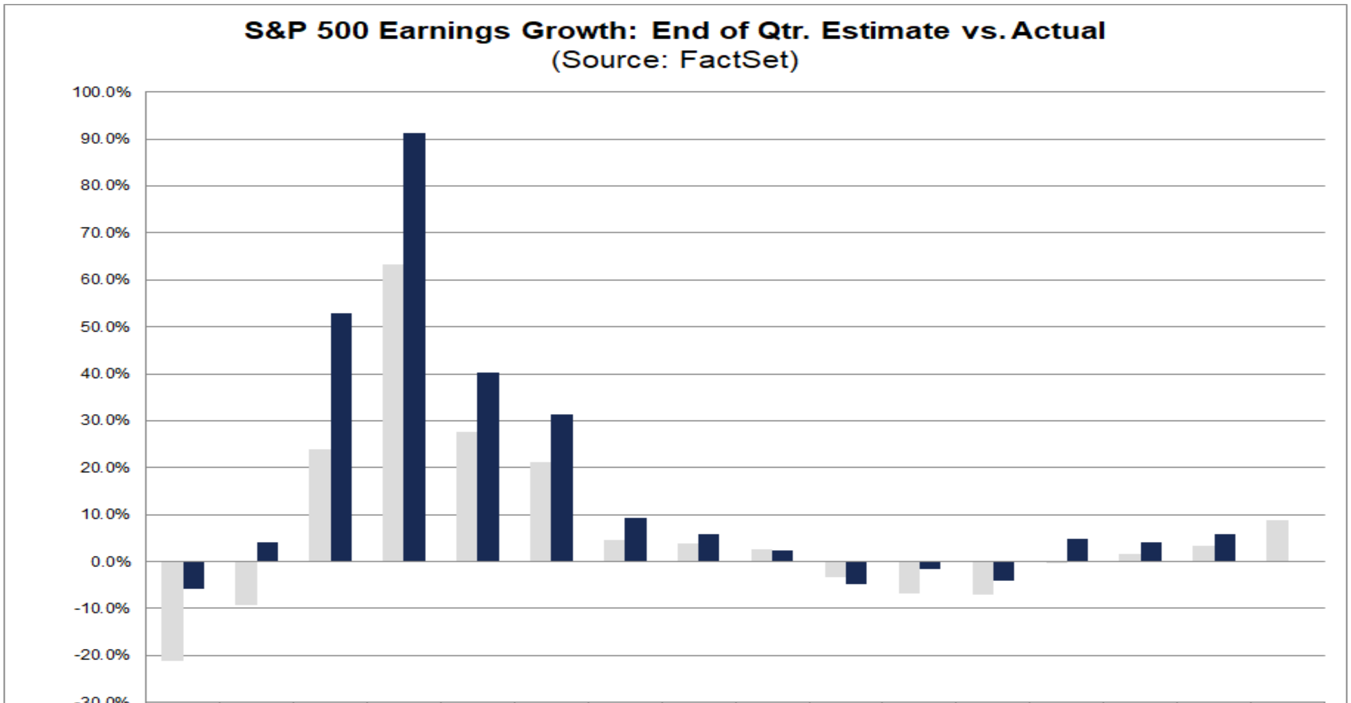
In fact, the actual earnings growth rate has exceeded the estimated earnings growth rate at the end of the quarter in 37 of the past 40 quarters for the S&P 500. The only exceptions were Q1 2020, Q3 2022, and Q4 2022.

Over the past ten years, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 6.8% on average. During this same period, 74% of companies in the S&P 500 have reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has increased by 5.5 percentage points on average (over the past ten years) due to the number and magnitude of positive earnings surprises. If this average increase is applied to the estimated earnings growth rate at the end of Q2 (June 30) of 8.9%, the actual earnings growth rate for the quarter would be 14.4% (8.9% + 5.5% = 14.4%).

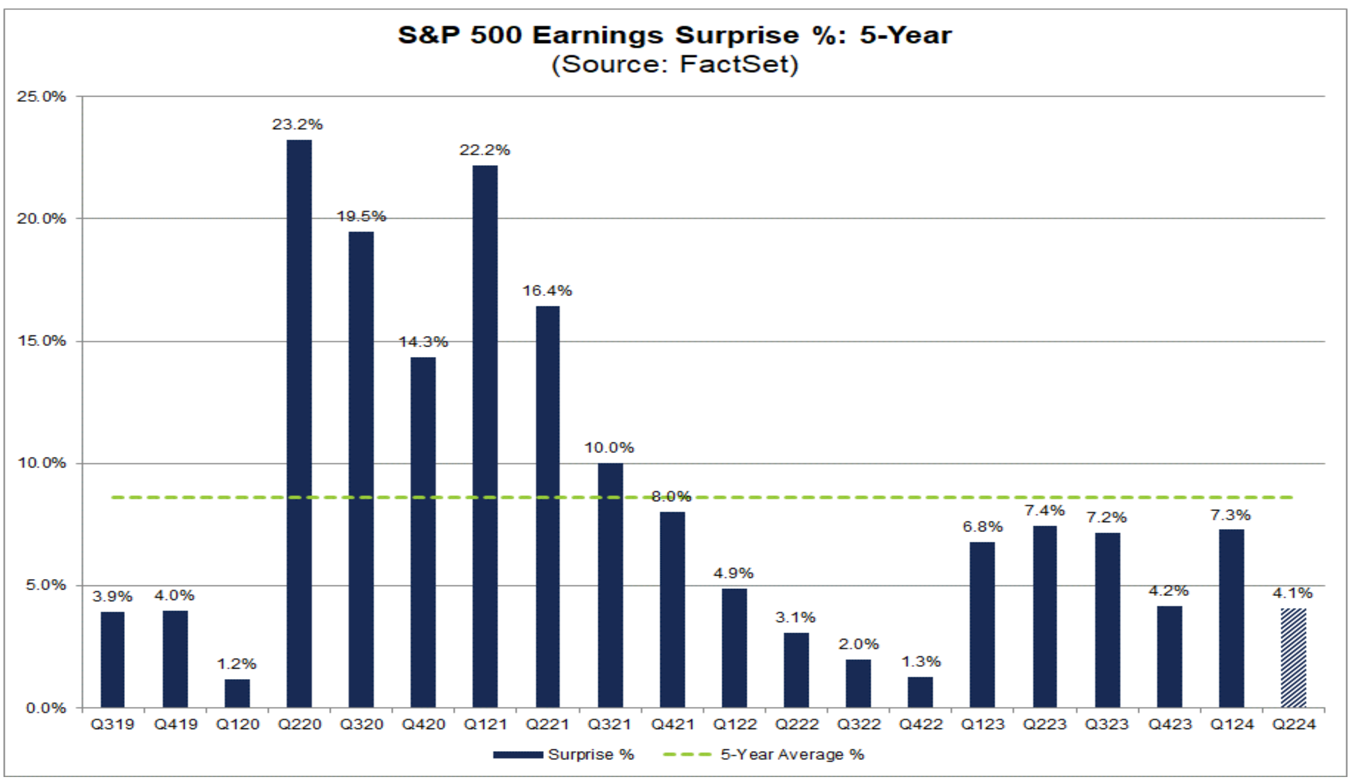
Over the past five years, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 8.6% on average. During this same period, 77% of companies in the S&P 500 have reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has increased by 7.2 percentage points on average (over the past five years) due to the number and magnitude of positive earnings surprises. If this average increase is applied to the estimated earnings growth rate at the end of Q2 (June 30) of 8.9%, the actual earnings growth rate for the quarter would be 16.1% (8.9% + 7.2% = 16.1%).

Over the past four quarters (Q2 2023 through Q1 2024), actual earnings reported by S&P 500 companies have exceeded estimated earnings by 6.5% on average. During these four quarters, 78% of companies in the S&P 500 reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has increased by 3.2 percentage points on average (during the past four quarters) due to the number and magnitude of positive earnings surprises. If this average increase is applied to the estimated earnings growth rate at the end of Q2 (June 30) of 8.9%, the actual earnings growth rate for the quarter would be 12.1% (8.9% + 3.2% = 12.1%).

How are the numbers trending to date? Of the 27 S&P 500 companies that have reported actual earnings for Q2 2024 through July 12, 81% have reported actual EPS above the mean EPS estimate. In aggregate, actual earnings reported by these 27 companies have exceeded estimated earnings by 4.1%. As a result, the earnings growth rate for the S&P 500 has increased by 0.4 percentage points (to 9.3% from 8.9%) since June 30.



	Q320	Q420	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423	Q124	Q224
End of Qtr.	-21.1%	-9.3%	24.0%	63.2%	27.5%	21.3%	4.6%	3.9%	2.6%	-3.3%	-6.7%	-7.0%	-0.3%	1.6%	3.5%	8.9%
Actual	-5.7%	4.1%	52.9%	91.4%	40.2%	31.4%	9.4%	5.8%	2.4%	-4.7%	-1.7%	-4.2%	4.9%	4.0%	5.9%	



Topic of the Week: 2

Industry Analysts Believe the S&P 500 Will Close Above 6,000 in the Next 12 Months

After closing at a record-high value on July 10 of 5,633.91, 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 7.6% over the next twelve 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 11). 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 11, the bottom-up target price for the S&P 500 was 6,006.66, which was 7.6% above the closing price of 5,584.54.

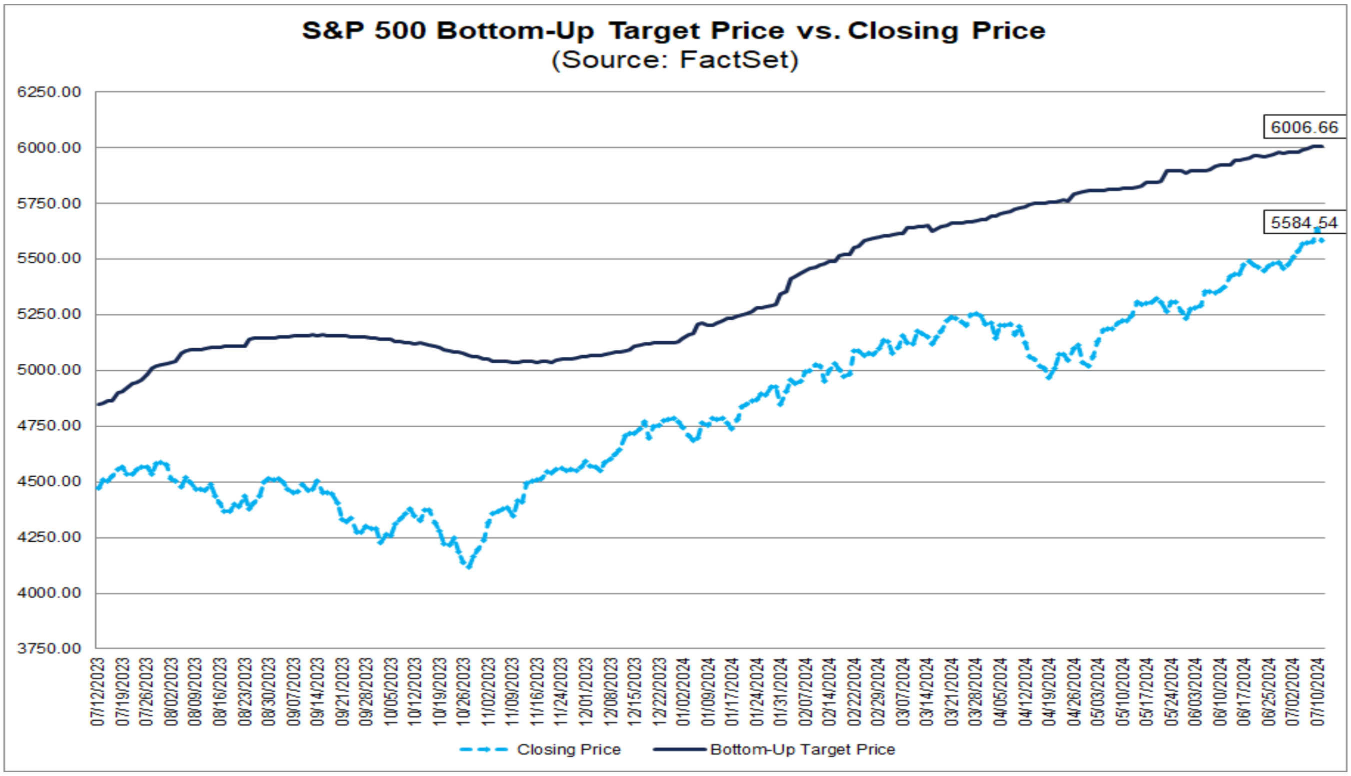
At the sector level, the Energy (+17.5%) sector is expected to see the largest price increase, as this sector had the largest upside difference between the bottom-up target price and the closing price on July 11. On the other hand, the Information Technology (+4.2%) sector is expected to see the smallest price increase, as this sector had the smallest upside difference between the bottom-up target price and the closing price on July 11.

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 11) can be found on page 6.

How accurate have the industry analysts been in predicting the future value of the S&P 500?

Historically, analysts have overestimated the (month-end) closing price of the index by about 3% to 8% on average over the past 20 years, depending on the time frame. Over the past five years, industry analysts have overestimated the price of the index by 3.4% on average (using month-end values). Over the past ten years, industry analysts have overestimated the price of the index by 2.8% on average (using month-end values). Over the past fifteen years, industry analysts have overestimated the price of the index by 3.3% on average (using month-end values). Over the past twenty years, industry analysts have overestimated the price of the index by 8.2% on average (using month-end values).

However, it should be noted that analysts have underestimated the closing price of the index over the past eight months. On June 30, 2023, the bottom-up target price was 4,818.10. One year later (on June 28, 2024), the S&P 500 closing price was 5,460.48. Thus, industry analysts underestimated the closing price at the end of June 2024 by nearly 12% nearly one-year ago.


S&P 500 Bottom-Up Target Price vs. Closing Price
(Source: FactSet)
6250.00
6000.00
5750.00
5500.00
5250.00
5000.00
4750.00
4500.00
4250.00
4000.00
3750.00
6006.66
5584.54
07/12/2023
07/19/2023
07/26/2023
08/02/2023
08/09/2023
08/16/2023
08/23/2023
08/30/2023
09/07/2023
09/14/2023
09/21/2023
09/28/2023
10/05/2023
10/12/2023
10/19/2023
10/26/2023
11/02/2023
11/09/2023
11/16/2023
11/24/2023
12/01/2023
12/08/2023
12/15/2023
12/22/2023
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03/14/2024
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05/17/2024
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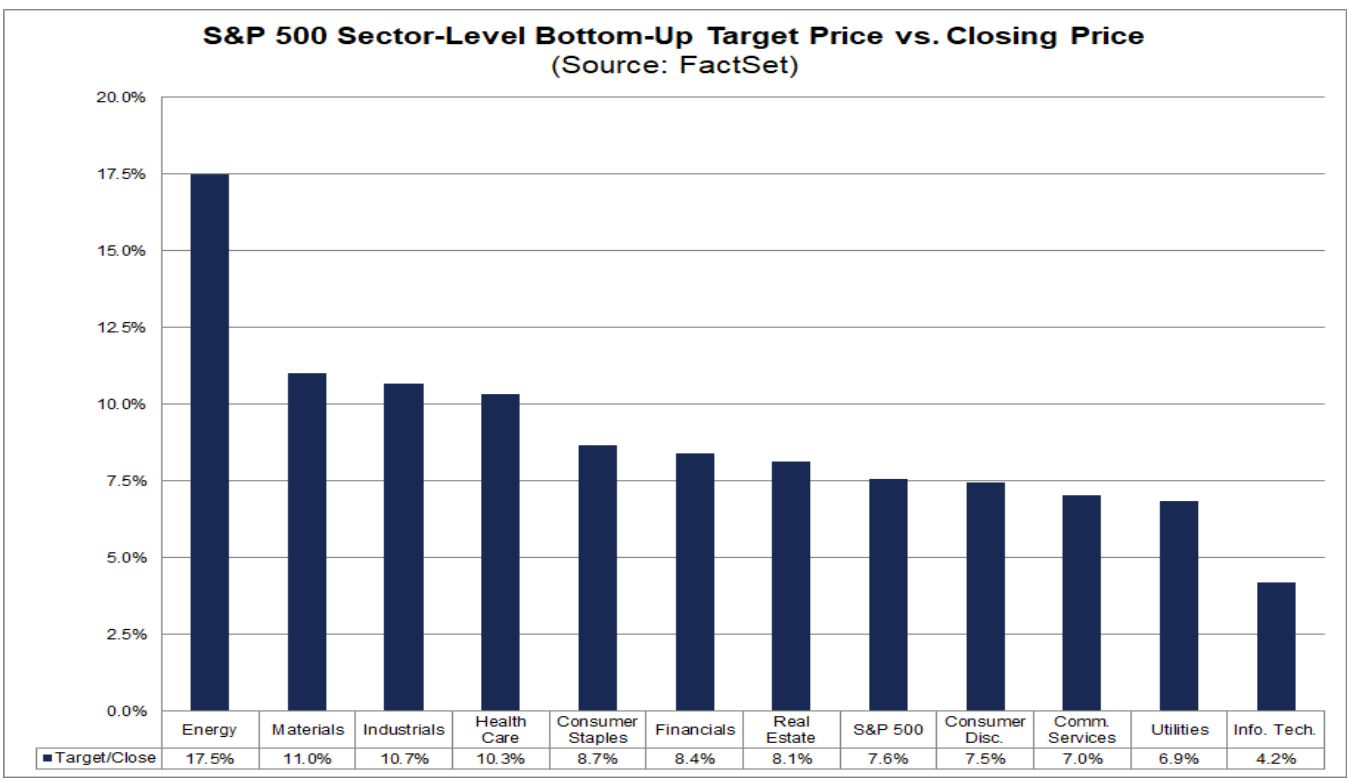
Closing Price
Bottom-Up Target Price

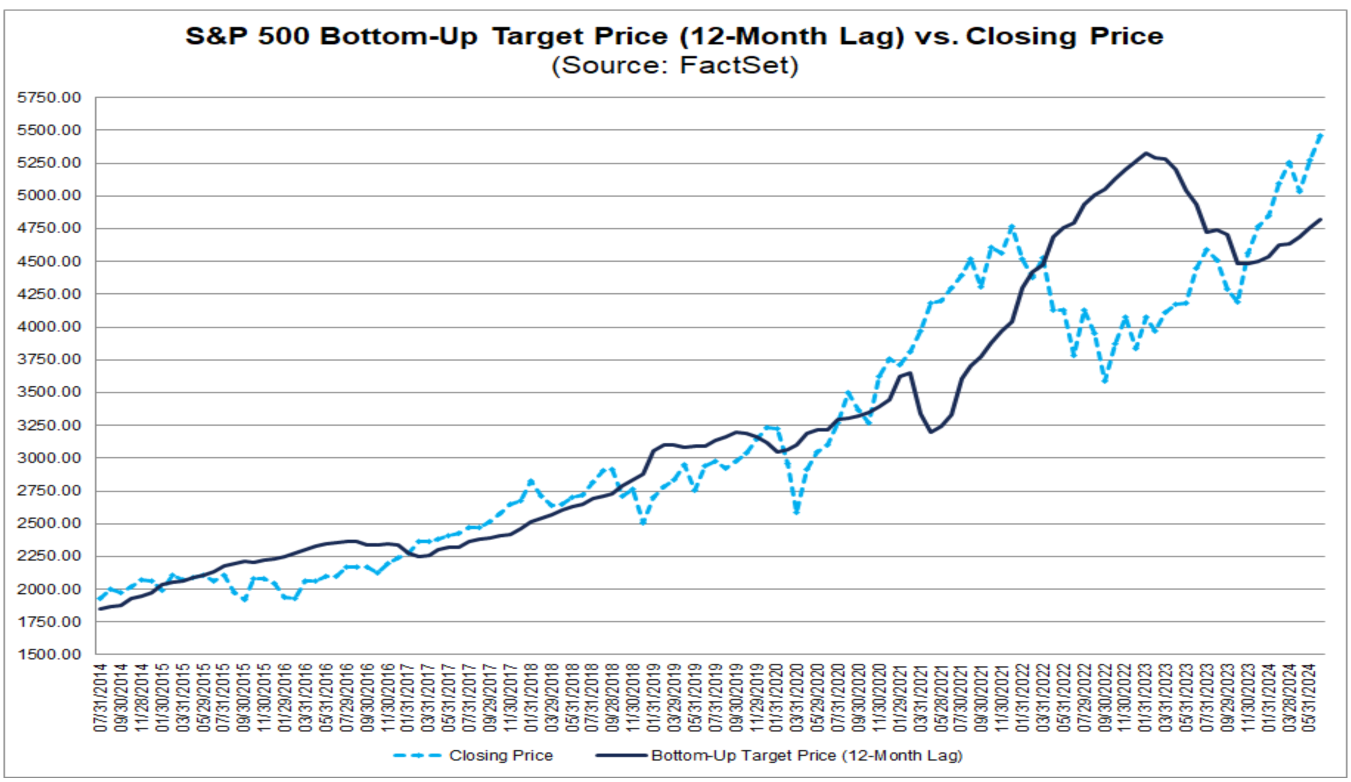

S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)
20.0%
17.5%
15.0%
12.5%
10.0%
7.5%
5.0%
2.5%
0.0%
Energy
Materials
Industrials
Health Care
Consumer Staples
Financials
Real Estate
S&P 500
Consumer Disc.
Comm. Services
Utilities
Info. Tech.
Target/Close
17.5%
11.0%
10.7%
10.3%
8.7%
8.4%
8.1%
7.6%
7.5%
7.0%
6.9%
4.2%

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

Company	Target	Closing	Diff ($)	Diff (%)
American Airlines Group Inc.	16.25	10.73	5.52	**51.4%**
Global Payments Inc.	145.00	96.84	48.16	**49.7%**
Warner Bros. Discovery, Inc. Series A	11.00	7.38	3.62	**49.1%**
United Airlines Holdings, Inc.	68.00	45.64	22.36	**49.0%**
Wynn Resorts, Limited	126.00	84.61	41.39	**48.9%**
SLB	66.50	46.19	20.31	**44.0%**
Bath & Body Works, Inc.	53.00	37.42	15.58	**41.6%**
Albemarle Corporation	138.50	97.95	40.55	**41.4%**
CoStar Group, Inc.	106.00	75.20	30.80	**41.0%**
LKQ Corporation	60.00	42.66	17.34	**40.6%**

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

Company	Target	Closing	Diff ($)	Diff (%)
Teradyne, Inc.	126.50	154.80	-28.30	**-18.3%**
Tesla, Inc.	204.40	241.03	-36.63	**-15.2%**
Skyworks Solutions, Inc.	97.00	109.95	-12.95	**-11.8%**
Qorvo, Inc.	110.00	122.51	-12.51	**-10.2%**
Fair Isaac Corporation	1418.00	1567.52	-149.52	**-9.5%**
Aflac Incorporated	84.00	92.42	-8.42	**-9.1%**
Garmin Ltd.	152.00	166.76	-14.76	**-8.9%**
Expeditors International of Washington, Inc.	112.00	122.78	-10.78	**-8.8%**
KLA Corporation	782.50	852.95	-70.45	**-8.3%**
Texas Instruments Incorporated	184.00	199.99	-15.99	**-8.0%**



Q2 Earnings Season: By The Numbers

Overview

At this very early stage, the second quarter earnings season for the S&P 500 is off to a mixed start. On the positive side, the percentage of S&P 500 companies reporting positive earnings surprises is above average levels. On the negative side, the magnitude of earnings surprises is below average levels. As a result, the index is reporting higher earnings for the second quarter today relative to the end of last week and relative to the end of the quarter. In addition, the index is reporting its highest (year-over-year) earnings growth rate since Q1 2022.

Overall, 5% of the companies in the S&P 500 have reported actual results for Q2 2024 to date. Of these companies, 81% have reported actual EPS above estimates, which is above the 5-year average of 77% and above the 10-year average of 74%. In aggregate, companies are reporting earnings that are 4.1% above estimates, which is below the 5-year average of 8.6% and below the 10-year average of 6.8%. Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

As a result, the index is reporting higher earnings for the second quarter today relative to the end of last week and relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the second quarter is 9.3% today, compared to an earnings growth rate of 8.6% last week and an earnings growth rate of 8.9% at the end of the second quarter (June 30).

The upward revisions to EPS estimates and positive EPS surprise reported by JPMorgan Chase, partially offset by downward revisions to EPS estimates for companies in the Energy sector, were the largest contributors to the increase in the overall earnings growth rate for the index since the end of last week and since the end of the quarter.

If 9.3% 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%). It will also mark the fourth consecutive quarter of year-over-year earnings growth for the index.

Nine of the eleven sectors are reporting (or are projected to report) year-over-year growth. Four of these eight sectors are reporting (or are predicted to report) double-digit growth: Communication Services, Information Technology, Heath Care, and Financials. On the other hand, two sectors are reporting (or are predicted to report) a year-over-year decline in earnings, led by the Materials sector.

In terms of revenues, 56% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% and below the 10-year average of 64%. In aggregate, companies are reporting revenues that are 2.9% above the estimates, which is above the 5-year average of 2.0% and above the 10-year average of 1.4%. Again, historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The blended revenue growth rate for the second quarter is 4.8% today, compared to a revenue growth rate of 4.7% last week and a revenue growth rate of 4.7% at the end of the second quarter (June 30).

The positive revenue surprise reported by JPMorgan Chase, partially offset by downward revisions to revenue estimates for companies in the Energy sector, was the largest contributor to the slight increase in the revenue growth rate since the end of last week and since the end of the quarter.

If 4.8% is the actual revenue growth rate for the quarter, it will mark the 15th consecutive quarter of revenue growth for the index.

Nine sectors are reporting (or are projected to report) year-over-year growth in revenue, led by the Information Technology sector. On the other hand, two sectors are reporting (or are predicted to report) a year-over-year decline in earnings, led by the Materials sector.

The forward 12-month P/E ratio is 21.4, which is above the 5-year average (19.3) and above the 10-year average (17.9). This P/E ratio is also above the forward P/E ratio of 21.0 recorded at the end of the second quarter (June 30).

During the upcoming week, 45 S&P 500 companies (including five Dow 30 components) are scheduled to report results for the second quarter.

Scorecard: Number of Positive EPS Surprises Is Above Average

Percentage of Companies Beating EPS Estimates (81%) is Above 5-Year Average

Overall, 5% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 81% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 15% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year average (78%), above the 5-year average (77%), and above the 10-year average (74%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Consumer Discretionary (100%) and Financials (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Industrials (50%) and Information Technology (60%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+4.1%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 4.1% above expectations. This surprise percentage is below the 1-year average (+6.5%), below the 5-year average (+8.6%), and below the 10-year average (+6.8%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Consumer Discretionary (+14.7%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Carnival Corporation ($0.11 vs, -$0.01) and NIKE ($1.01 vs. $0.84) have reported the largest positive EPS surprises.

Market Punishing Positive EPS Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q2 2024 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 below the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q2 2024 have seen an average price decrease of -2.9% 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 (56%) is Below 5-Year Average

In terms of revenues, 56% of the companies have reported actual revenues above estimated revenues, 4% of the companies have reported actual revenues equal to estimated revenues, and 41% of the companies have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (63%), below the 5-year average (69%), and below the 10-year average (64%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Financials (80%) and Industrials (75%) sectors have the highest percentages of companies reporting revenues above estimates, while the Consumer Discretionary (33%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.9%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.9% above expectations. This surprise percentage is above the 1-year average (+1.1%), above the 5-year average (+2.0%), and above the 10-year average (+1.4%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Financials (+10.6%) sector is reporting the largest positive (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings This Week Due to Financials Sector

Increase in Blended Earnings This Week Due to JPMorgan Chase

The blended (year-over-year) earnings growth rate for the second quarter is 9.3%, which is above the earnings growth rate of 8.6% last week. The upward revisions to EPS estimates and positive EPS surprise reported by JP Morgan Chase, partially offset by downward revisions to EPS estimates for companies in the Energy sector, were the largest contributors to the increase in the overall earnings growth rate during the past week.

In the Financials sector, the upward revisions to (GAAP) EPS estimates (to $5.88 from $4.20) and positive (GAAP) EPS surprise ($6.12 vs. $5.88) reported by JPMorgan Chase, along with the positive EPS surprise reported by Citigroup ($1.52 vs. $1.39), were the largest contributors to the increase in the earnings growth rate for the index during the past week. The GAAP EPS numbers for JPMorgan Chase included a net gain of $2.04 related to Visa shares. As a result, the blended earnings growth rate for the Financials sector increased to 10.7% from 4.3% over this period.

In the Energy sector, downward revisions to EPS estimates for Exxon Mobil (to $2.11 from $2.21), Marathon Petroleum (to $3.94 from $4.86), Chevron (to $3.13 from $3.24), and Phillips 66 (to $2.31 from $2.76) were the largest detractors to the increase in the overall earnings growth rate during the past week. As a result, the estimated earnings growth rate for the Energy sector decreased to 4.6% from 9.6% over this period.

Increase in Blended Revenues This Week Due to JPMorgan Chase

The blended (year-over-year) revenue growth rate for the second quarter is 4.8%, which is slightly above the revenue growth rate of 4.7% last week. The positive revenue surprise reported by JPMorgan Chase, partially offset by downward revisions to revenue estimates for companies in the Energy sector, was the largest contributor to the slight increase in the overall revenue growth rate for the index during the past week. The reported revenue for JPMorgan Chase included a net gain of $7.9 billion related to Visa shares.

Earnings Growth: 9.3%

The blended (year-over-year) earnings growth rate for Q2 2024 is 9.3%, which is below the 5-year average earnings growth rate of 9.4% but above the 10-year average earnings growth rate of 8.4%. If 9.3% is the actual growth rate for the quarter, it will mark the highest (year-over-year) earnings growth rate since Q1 2022 (9.4%). It will also mark the fourth consecutive quarter of year-over-year earnings growth.

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

Communication Services: Meta Platforms and Alphabet Lead Year-Over-Year Growth

The Communication Services sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 18.4%. At the industry level, 3 of the 5 industries in the sector are predicted to report year-over-year earnings growth. All three industries are projected to report growth at or above 20%: Entertainment (48%) Interactive Media & Services (32%), and Wireless Telecommunication Services (20%). On the other hand, two industries are expected to report a year-over-year decline in earnings: Diversified Telecommunication Services (-7%) and Media (-6%).

At the company level, Meta Platforms ($4.70 vs. $2.98) and Alphabet ($1.83 vs. $1.44) are expected to be the largest contributors to earnings growth for the sector. If these two companies were excluded, the estimated (year-over-year) earnings growth rate for Communication Services sector would fall to 3.0% from 18.4%.

Information Technology: NVIDA Is Largest Contributor to Year-Over-Year Growth

The Information Technology sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 16.4%. At the industry level, 4 of the 6 industries in the sector are reporting (or are predicted to report) year-over-year earnings growth, led by the Semiconductors & Semiconductor Equipment (51%), Technology Hardware, Storage, & Peripherals (10%), and Software (8%) industries. On the other hand, two industries are reporting (or are projected to report) a year-over-year decline in earnings, led by the Communications Equipment (-19%) industry.

At the company level, NVIDIA ($0.64 vs. $0.27) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated (year-over-year) earnings growth rate for the Information Technology sector would fall to 6.9% from 16.4%.

Health Care: Merck Is Largest Contributor to Year-Over-Year Growth

The Health Care sector is expected to report the third-largest (year-over-year) earnings growth rate of all eleven sectors at 16.2%. At the industry level, 3 of the 5 industries in the sector are expected to report year-over-year earnings growth. One of these three industries is projected to report a double-digit increase: Pharmaceuticals (69%). On the other hand, two industries are predicted to report a year-over-year decline in earnings, led by the Life Sciences, Tools, & Services (-7%) industry

At the company level, Merck ($2.15 vs. -$2.06) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the Health Care sector would be projected to report a (year-over-year) decline in earnings of -2.0% instead of (year-over-year) earnings growth of 16.2%.

Financials: Insurance and Capital Markets Industries Lead Year-Over-Year Growth

The Financials sector is reporting the fourth-highest (year-over-year) earnings growth rate of all eleven sectors for Q2 2024 at 10.7%. At the industry level, four of the five industries in the sector are reporting (or are expected to report) year-over-year earnings growth: Insurance (26%), Capital Markets (23%), Banks (7%), and Financial Services (1%). On the other hand, the Consumer Finance (less than -1%) industry is the only industry in the sector expected to report a year-over-year decline in earnings. The Insurance and Capital Markets industries are also the largest contributors to year-over-year earnings growth for the sector. If these two industries were excluded, the blended earnings growth rate for Financials sector would fall to 4.5% from 10.7%.

Materials: 3 of 4 Industries Expected to Report Year-Over-Year Decline

The Materials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -11.8%. At the industry level, three of the four industries in this sector are predicted to report a year-over-year decline in earnings: Containers & Packaging (-27%), Metals & Mining (-21%), and Chemicals (-8%), and. On the other hand, the Construction Materials (8%) industry is the only industry in the sector projected to report a year-over-year growth in earnings.

Revenue Growth: 4.8%

The blended (year-over-year) revenue growth rate for Q2 2024 is 4.8%, which is below the 5-year average revenue growth rate of 6.7% and below the 10-year average revenue growth rate of 5.1%. If 4.8% is the actual revenue growth rate for the quarter, it will mark the 15th consecutive quarter of revenue growth for the index.

At the sector level, nine sectors are reporting (or are projected to report) year-over-year growth in revenues, led by the Information Technology sector. On the other hand, two sectors are reporting (or expected to report) a year-over-year decline in revenues, led by the Materials sector.

Information Technology: NVIDIA Is Largest Contributor to Year-Over-Year Growth

The Information Technology sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 9.5%. At the industry level, 4 of the 6 industries in the sector are reporting (or are predicted to report) year-over-year revenue growth. Two of these four industries are reporting double-digit growth: Semiconductors & Semiconductor Equipment (25%) and Software (12%). On the other hand, two industries are reporting (or are projected to report) a year-over-year decline in revenue: Communications Equipment (-7%) and Electronic Equipment, Instruments, & Components (-6%).

At the company level, NVIDIA ($28.52 billion vs. $13.51 billion) is the largest contributor to revenue growth for the sector. If this company were excluded, the estimated (year-over-year) revenue growth rate for the Information Technology sector would fall to 5.9% from 9.5%.

Materials: 3 of 4 Industries Expected to Report Year-Over-Year Decline

The Materials sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -2.1%. At the industry level, three of the four industries in this sector are predicted to report a year-over-year decline in revenues: Metals & Mining (-3%), Chemicals (-2%), and Containers & Packaging (-2%). On the other hand, the Construction Materials (1%) industry is the only industry projected to report year-over-year growth in revenues.

Net Profit Margin: 12.1%

The blended net profit margin for the S&P 500 for Q2 2024 is 12.1%, which is above the previous quarter's net profit margin of 11.8%, above the year-ago net profit margin of 11.6%, and above the 5-year average of 11.5%.

At the sector level, six sectors are reporting (or are expected to report) a year-over-year increase in their net profit margins in Q2 2024 compared to Q2 2023, led by the Information Technology (24.8% vs. 23.3%) and Communication Services (13.1% vs. 11.9%) sectors. On the other hand, five sectors are reporting (or are expected to report) a year-over-year decrease in their net profit margins in Q2 2024 compared to Q2 2023, led by the Real Estate (35.3% vs. 36.7%) sector.

Eight sectors are reporting (or are expected to report) net profit margins in Q2 2024 that are above their 5-year averages, led by the Consumer Discretionary (8.8% vs. 6.5%) and Industrials (10.6% vs. 8.3%) sectors. On the other hand, three sectors are reporting (or are expected to report) net profit margins in Q2 2024 that are below their 5-year averages, led by the Health Care (8.3% vs. 10.0%) and Utilities (12.2% vs. 13.5%) sectors.

Forward Estimates and Valuation

Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q3 Below 5-Year Average

At this point in time, 7 companies in the index have issued EPS guidance for Q2 2024. Of these 7 companies, 2 have issued negative EPS guidance and 5 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q2 2024 is 29% (2 out of 7), which is below the 5-year average of 59% and below the 10-year average of 63%.

At this point in time, 270 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 270 companies, 132 have issued negative EPS guidance and 138 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 49% (132 out of 270).

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.

Valuation: Forward P/E Ratio is 21.4, Above the 10-Year Average (17.9)

The forward 12-month P/E ratio for the S&P 500 is 21.4. This P/E ratio is above the 5-year average of 19.3 and above the 10-year average of 17.9. It is also above the forward 12-month P/E ratio of 21.0 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 increased by 2.3%, while the forward 12-month EPS estimate has increased by 0.5%. At the sector level, the Information Technology (31.2) sector has the highest forward 12-month P/E ratio, while the Energy (12.1) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 26.8, which is above the 5-year average of 23.5 and above the 10-year average of 21.5.

Targets & Ratings: Analysts Project 7.6% Increase in Price Over Next 12 Months

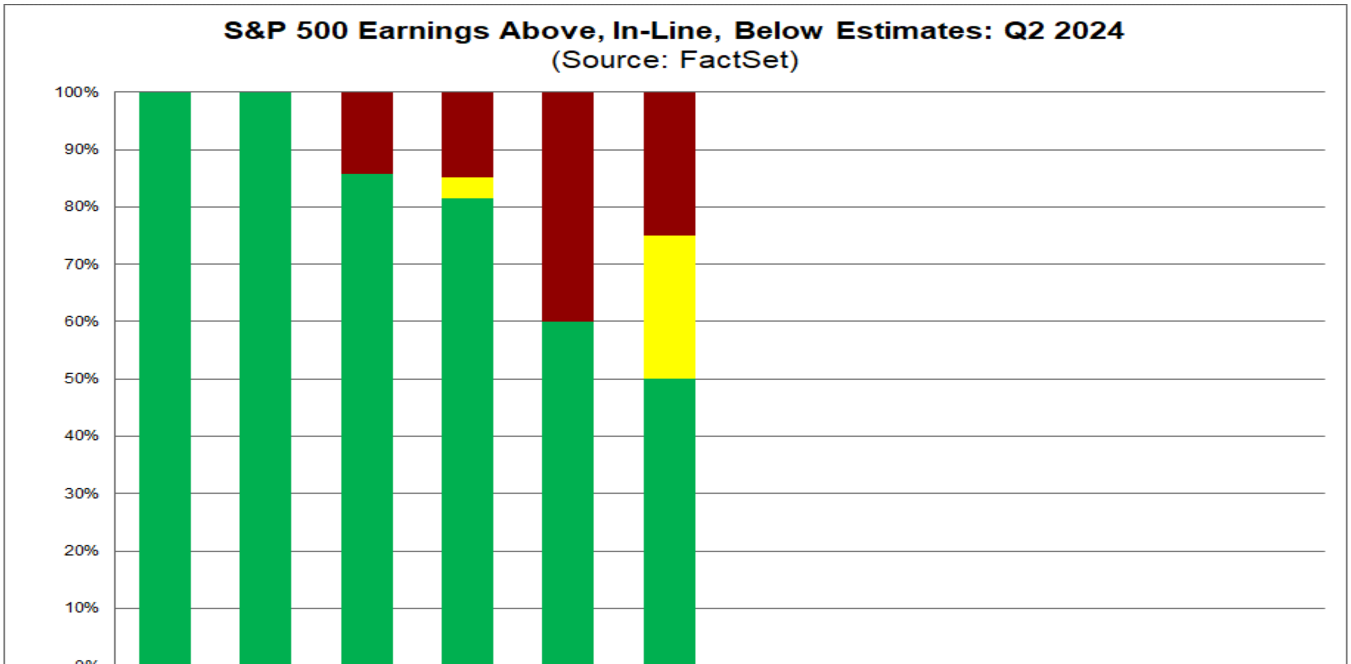
The bottom-up target price for the S&P 500 is 6006.66, which is 7.6% above the closing price of 5584.54. At the sector level, the Energy (+17.5%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Information Technology (+4.2%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 11,776 ratings on stocks in the S&P 500. Of these 11,776 ratings, 55.4% are Buy ratings, 39.7% are Hold ratings, and 4.9% are Sell ratings. At the sector level, the Energy (63%), Communication Services (63%), and Information Technology (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (46%) and Materials (48%) sectors have the lowest percentages of Buy ratings.

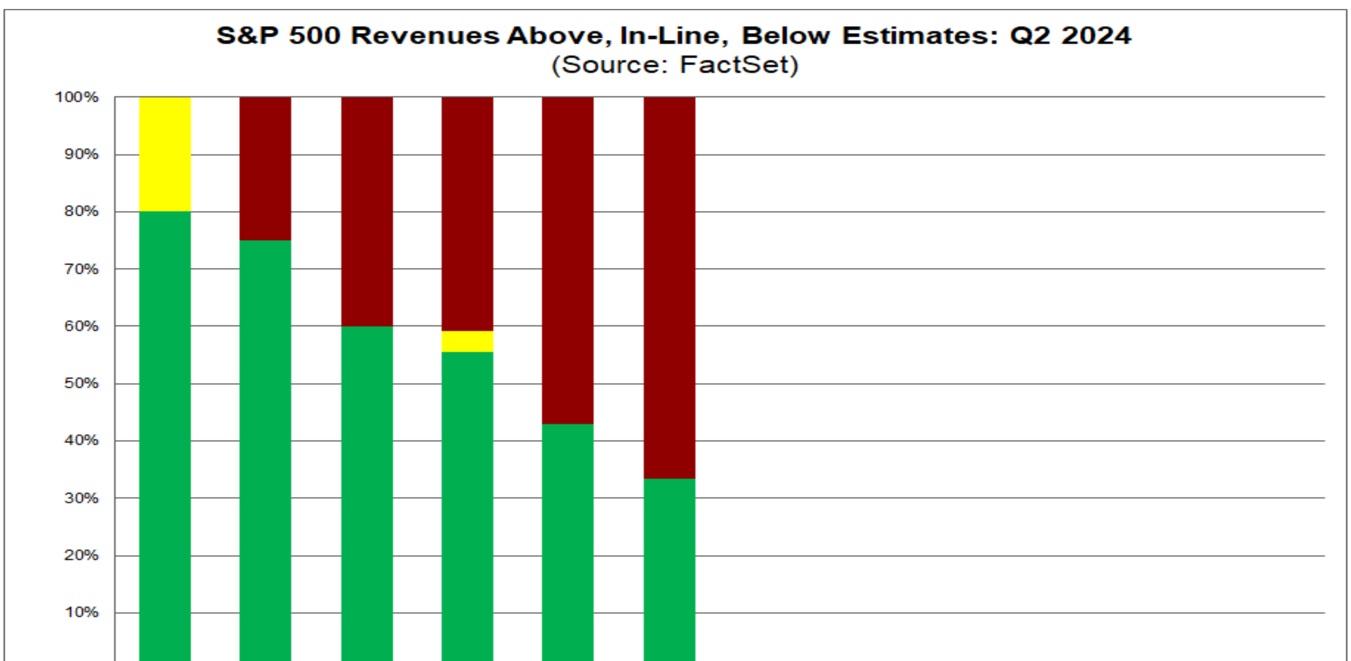
Companies Reporting Next Week: 45

During the upcoming week, 45 S&P 500 companies (including five Dow 30 components) are scheduled to report results for the second quarter.

Q2 2024: Scorecard

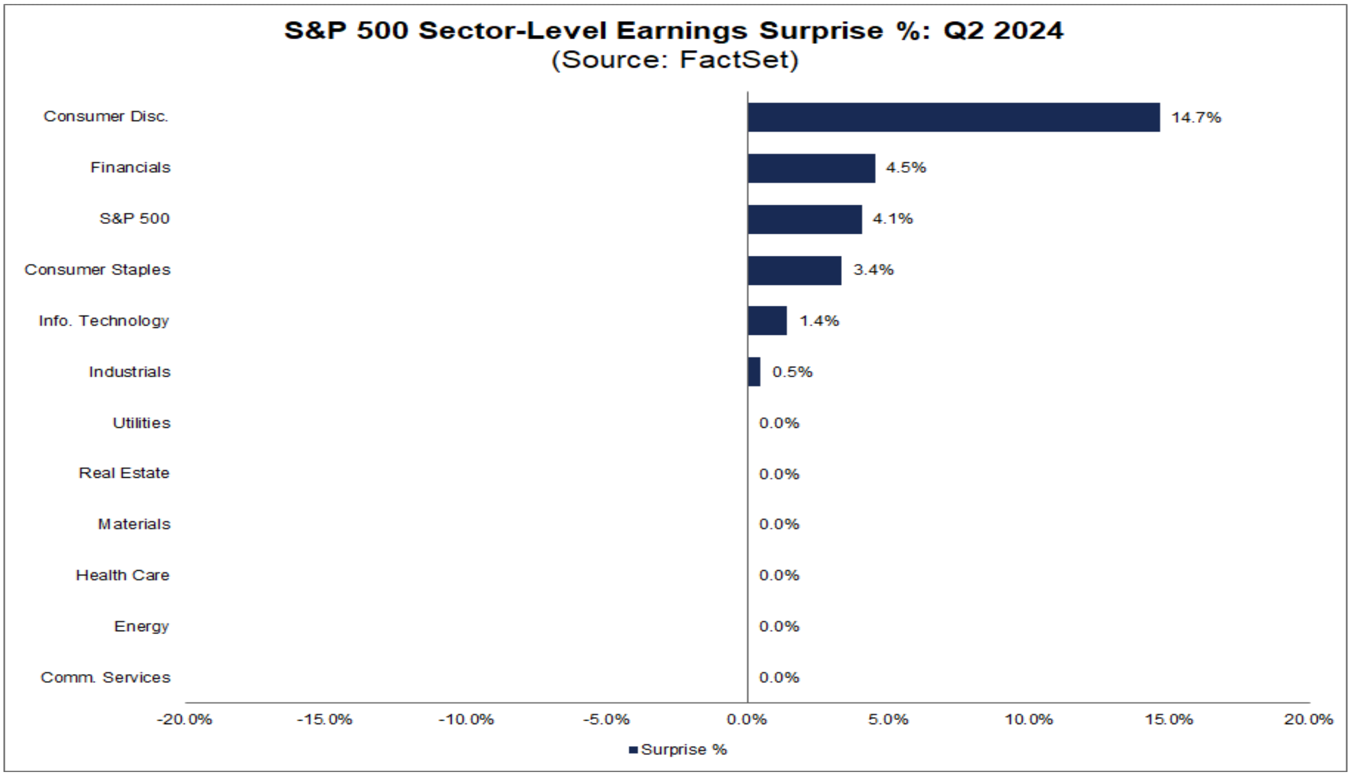


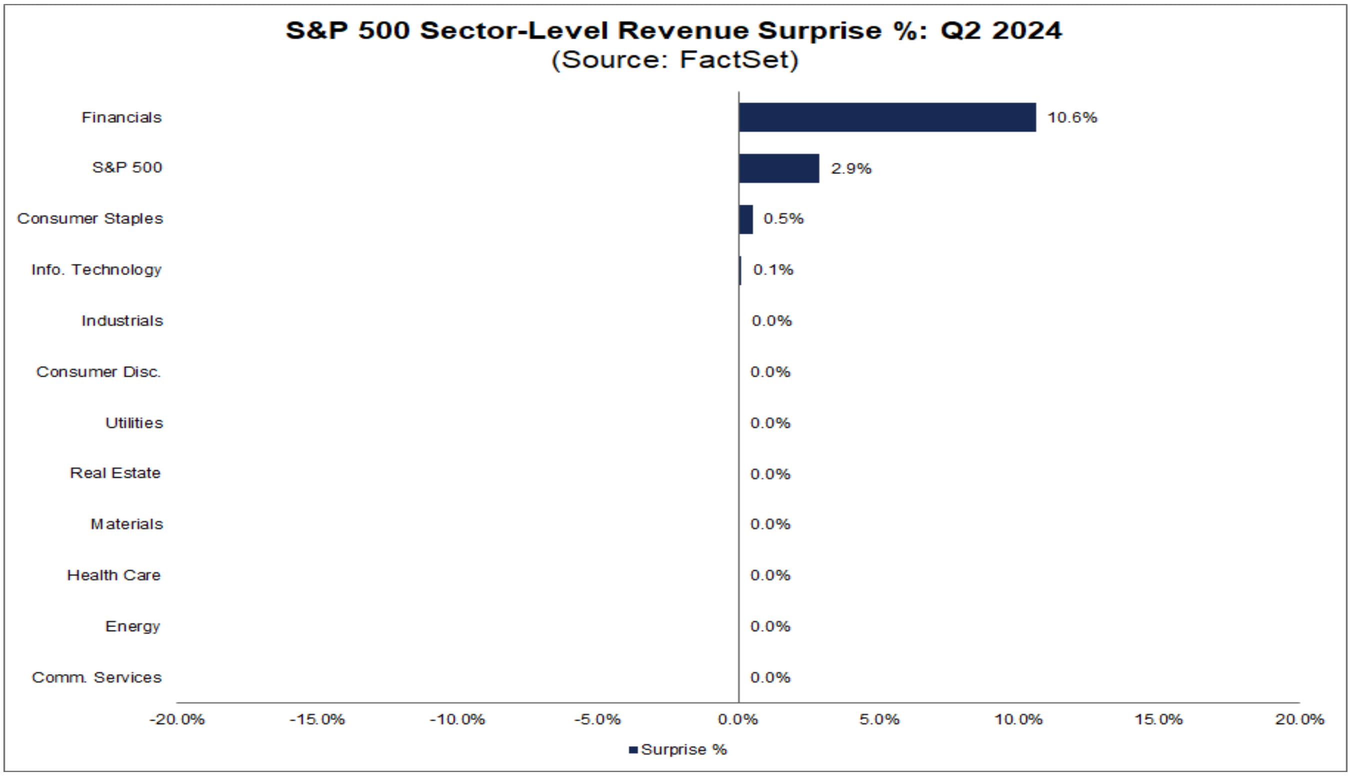
	Consumer Disc.	Financials	Consumer Staples	S&P 500	Info. Technology	Industrials	Comm. Services	Energy	Health Care	Materials	Real Estate	Utilities
Below	0%	0%	14%	15%	40%	25%	0%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	4%	0%	25%	0%	0%	0%	0%	0%	0%
Above	100%	100%	86%	81%	60%	50%	0%	0%	0%	0%	0%	0%



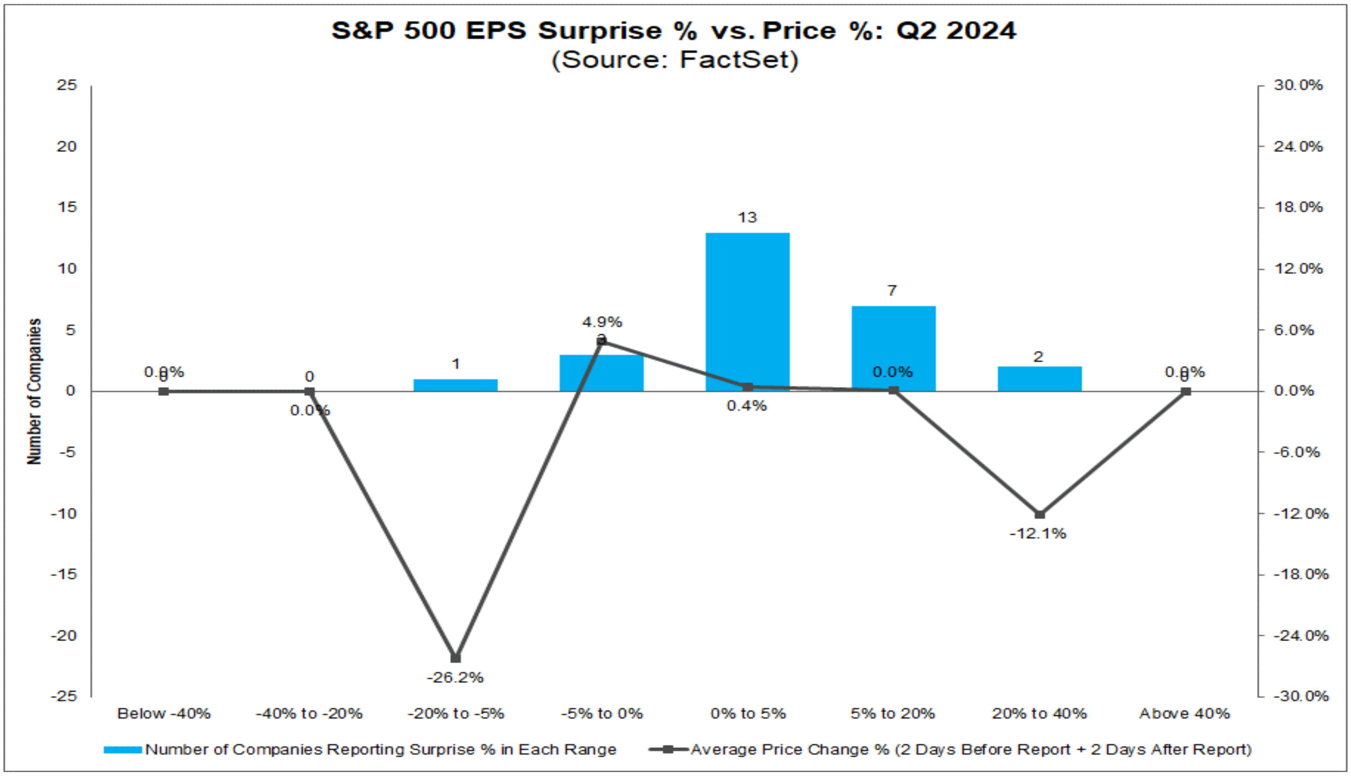
	Financials	Industrials	Info. Technology	S&P 500	Consumer Staples	Consumer Disc.	Comm. Services	Energy	Health Care	Materials	Real Estate	Utilities
Below	0%	25%	40%	41%	57%	67%	0%	0%	0%	0%	0%	0%
In-Line	20%	0%	0%	4%	0%	0%	0%	0%	0%	0%	0%	0%
Above	80%	75%	60%	56%	43%	33%	0%	0%	0%	0%	0%	0%

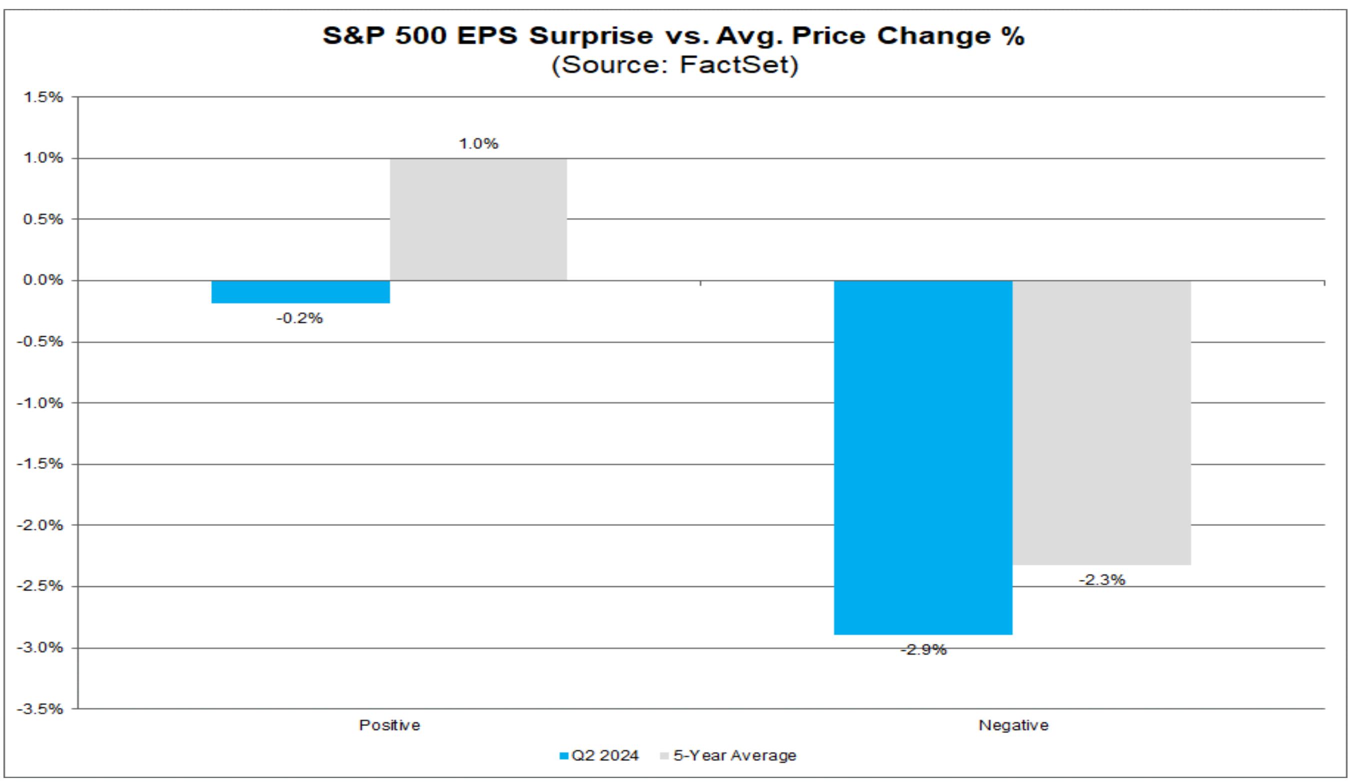
Q2 2024: Surprise



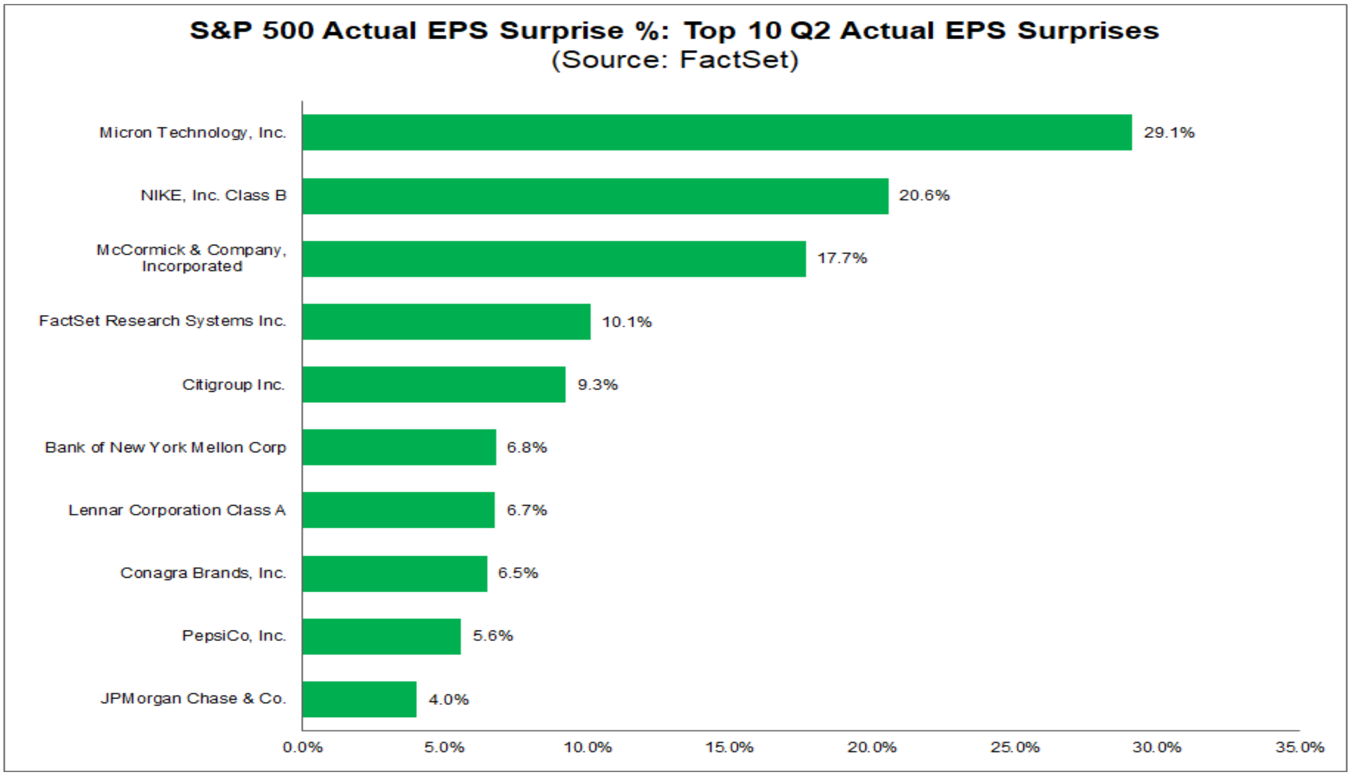


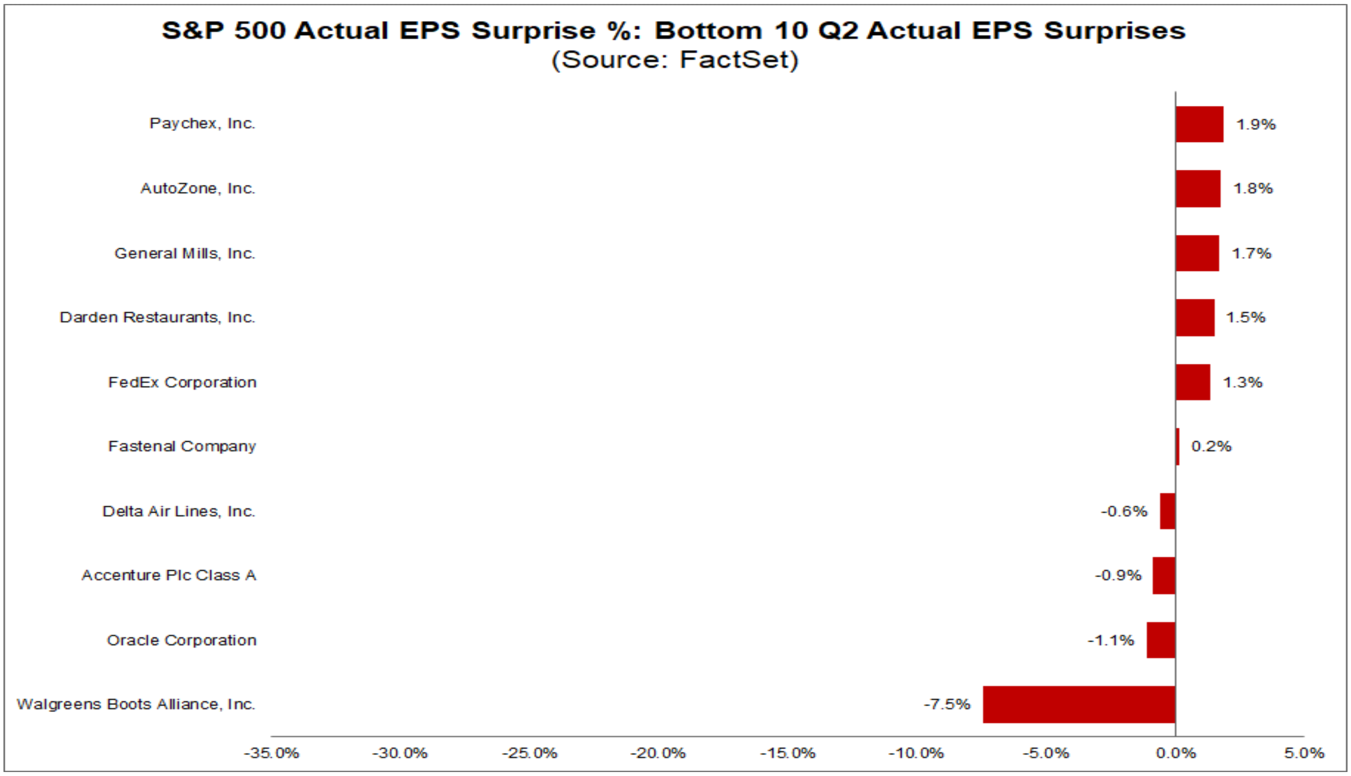
Q2 2024: Surprise





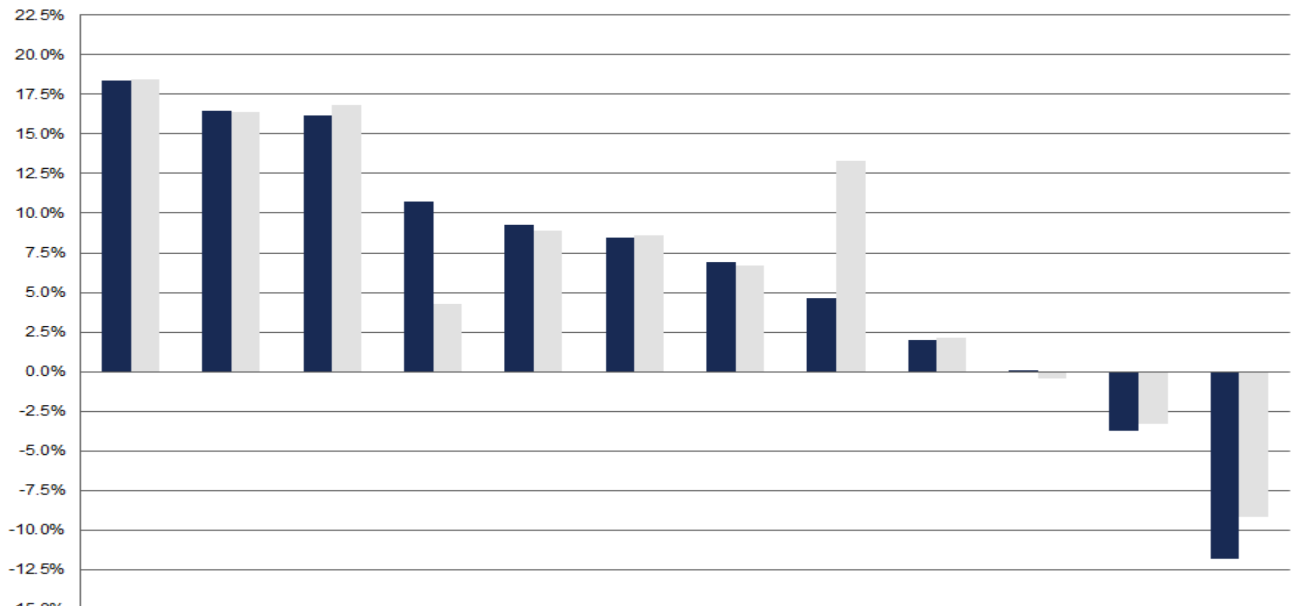
Q2 2024: Surprise





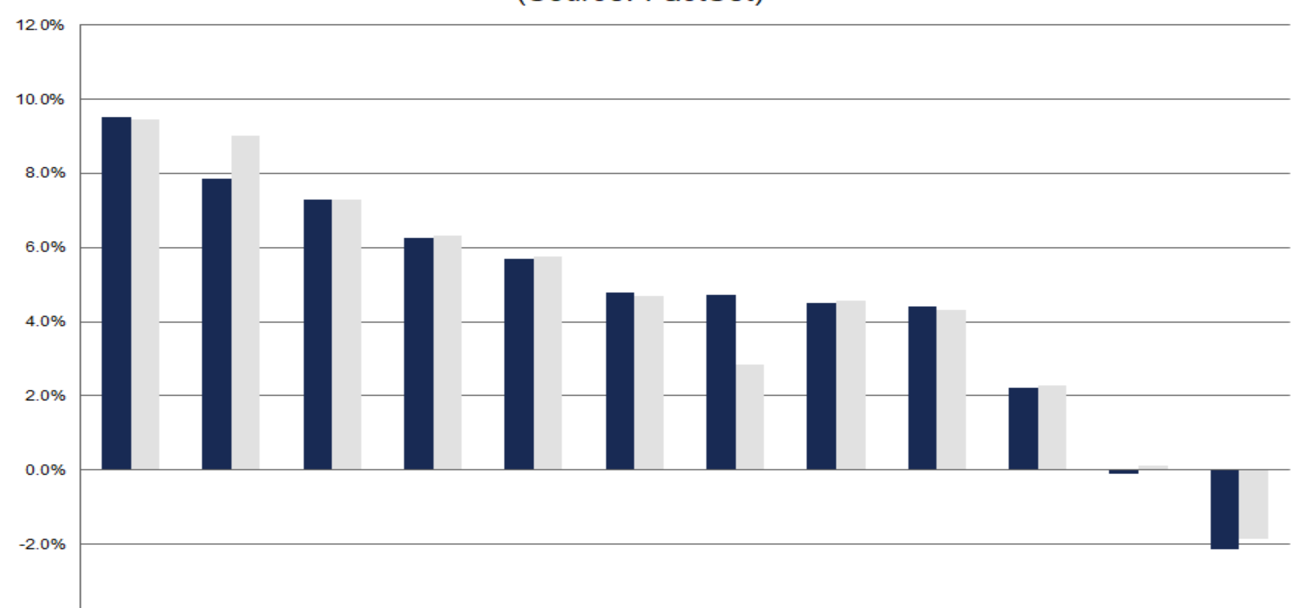
Q2 2024: Growth

S&P 500 Earnings Growth (Y/Y): Q2 2024
(Source: FactSet)



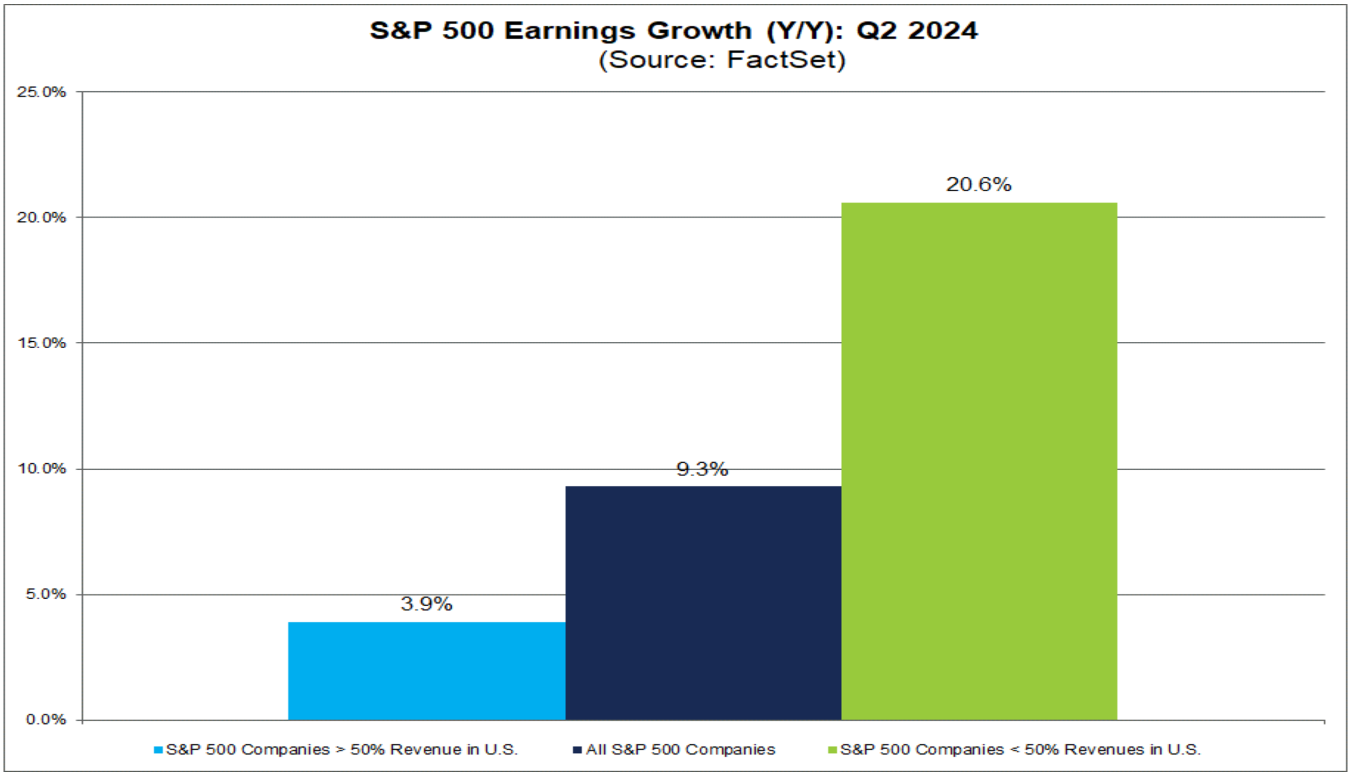
	Comm. Services	Info. Technology	Health Care	Financials	S&P 500	Utilities	Consumer Disc.	Energy	Real Estate	Consumer Staples	Industrials	Materials
Today	18.4%	16.4%	16.2%	10.7%	9.3%	8.5%	6.9%	4.6%	2.0%	0.1%	-3.7%	-11.8%
30-Jun	18.4%	16.4%	16.8%	4.3%	8.9%	8.6%	6.7%	13.3%	2.2%	-0.4%	-3.3%	-9.1%

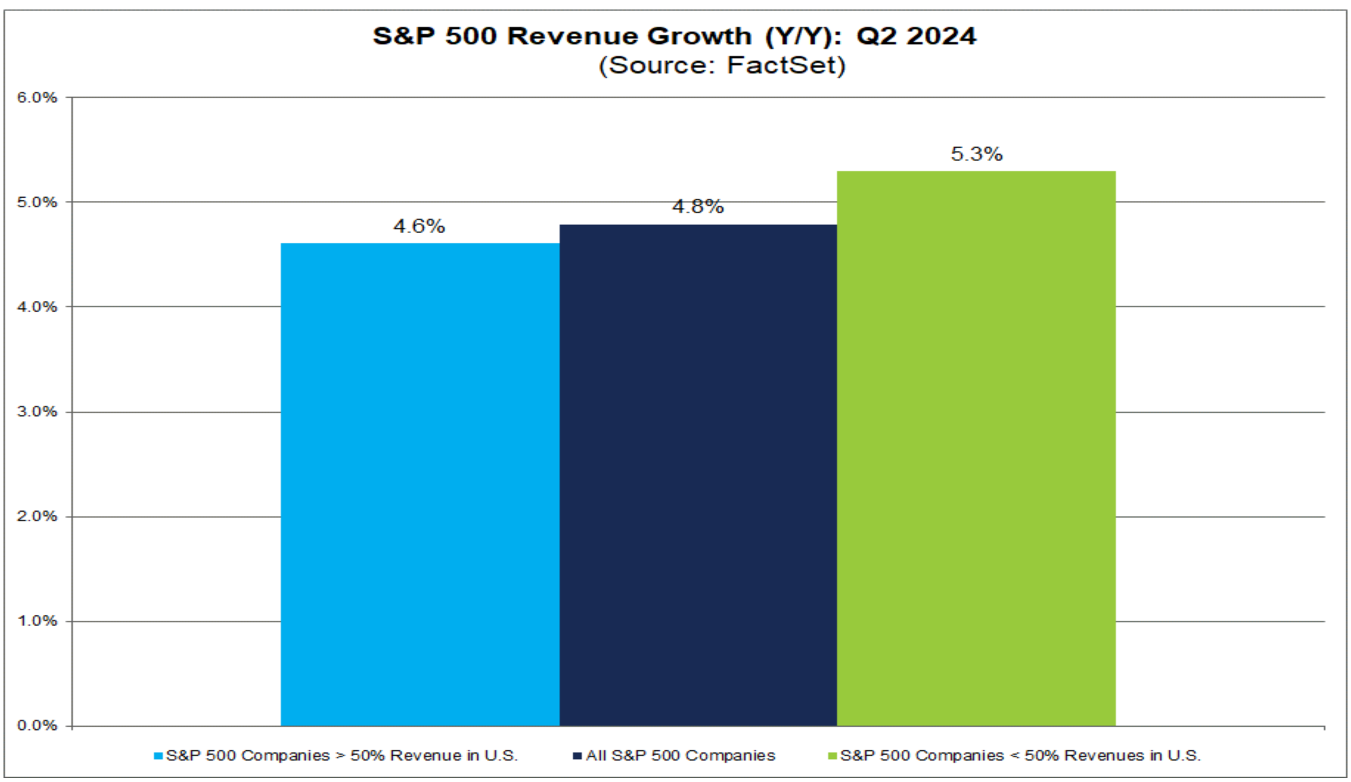
S&P 500 Revenue Growth (Y/Y): Q2 2024
(Source: FactSet)



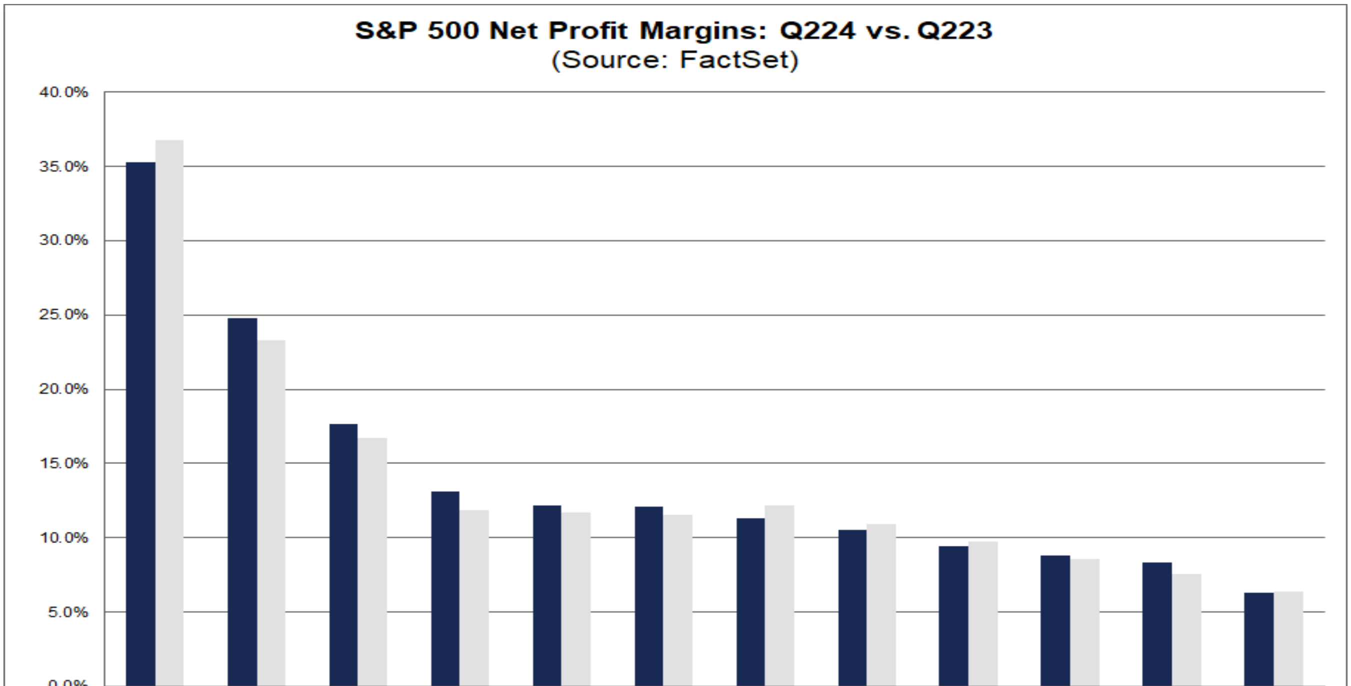
	Info. Technology	Energy	Comm. Services	Real Estate	Health Care	S&P 500	Financials	Utilities	Consumer Disc.	Consumer Staples	Industrials	Materials
Today	9.5%	7.9%	7.3%	6.3%	5.7%	4.8%	4.7%	4.5%	4.4%	2.2%	-0.1%	-2.1%
30-Jun	9.5%	9.0%	7.3%	6.3%	5.8%	4.7%	2.9%	4.6%	4.3%	2.3%	0.1%	-1.9%

Q2 2024: Growth

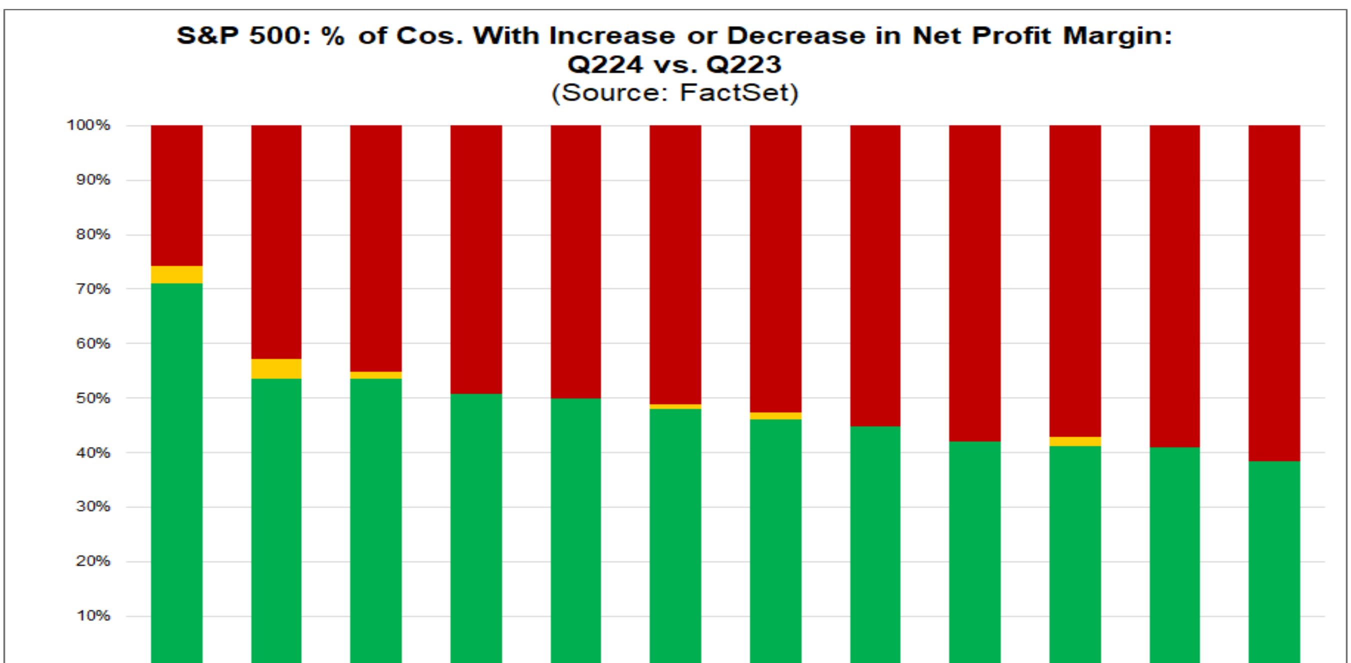




Q2 2024: Net Profit Margin

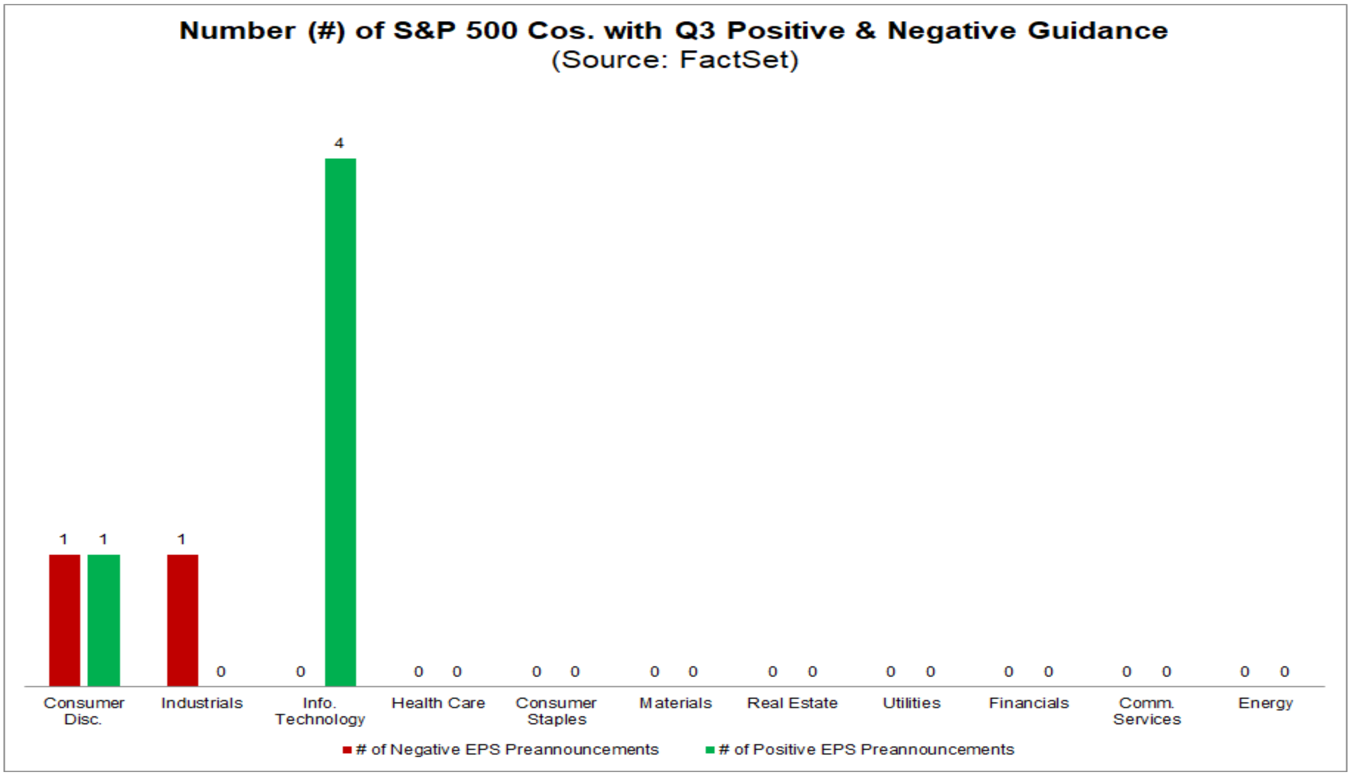


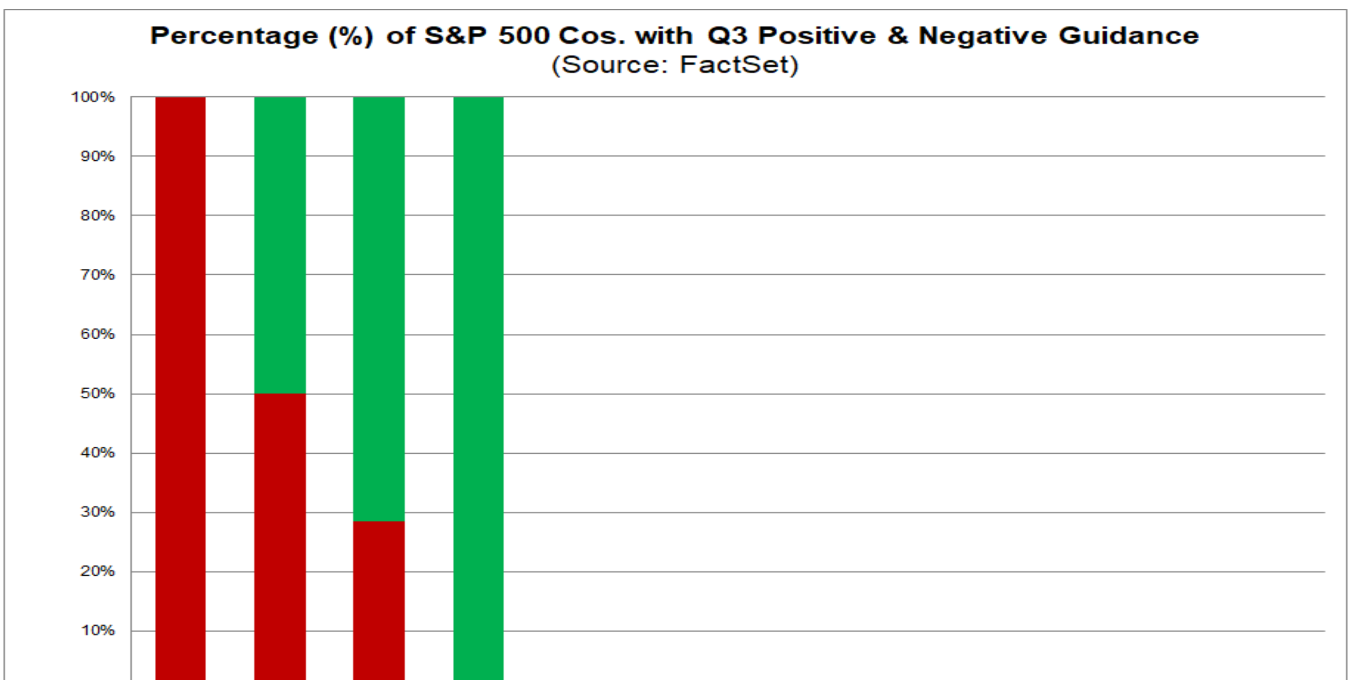
	Real Estate	Information Tech.	Financials	Comm. Services	Utilities	S&P 500	Materials	Industrials	Energy	Consumer Disc.	Health Care	Consumer Staples
Q124	35.3%	24.8%	17.6%	13.1%	12.2%	12.1%	11.3%	10.6%	9.4%	8.8%	8.3%	6.3%
Q123	36.7%	23.3%	16.7%	11.9%	11.7%	11.6%	12.2%	11.0%	9.7%	8.6%	7.6%	6.4%



	Utilities	Materials	Financials	Information Tech.	Energy	S&P 500	Industrials	Consumer Staples	Real Estate	Health Care	Comm. Services	Consumer Disc.
Down %	26%	43%	45%	49%	50%	51%	53%	55%	58%	57%	59%	62%
None %	3%	4%	1%	0%	0%	1%	1%	0%	0%	2%	0%	0%
Up %	71%	54%	54%	51%	50%	48%	46%	45%	42%	41%	41%	38%

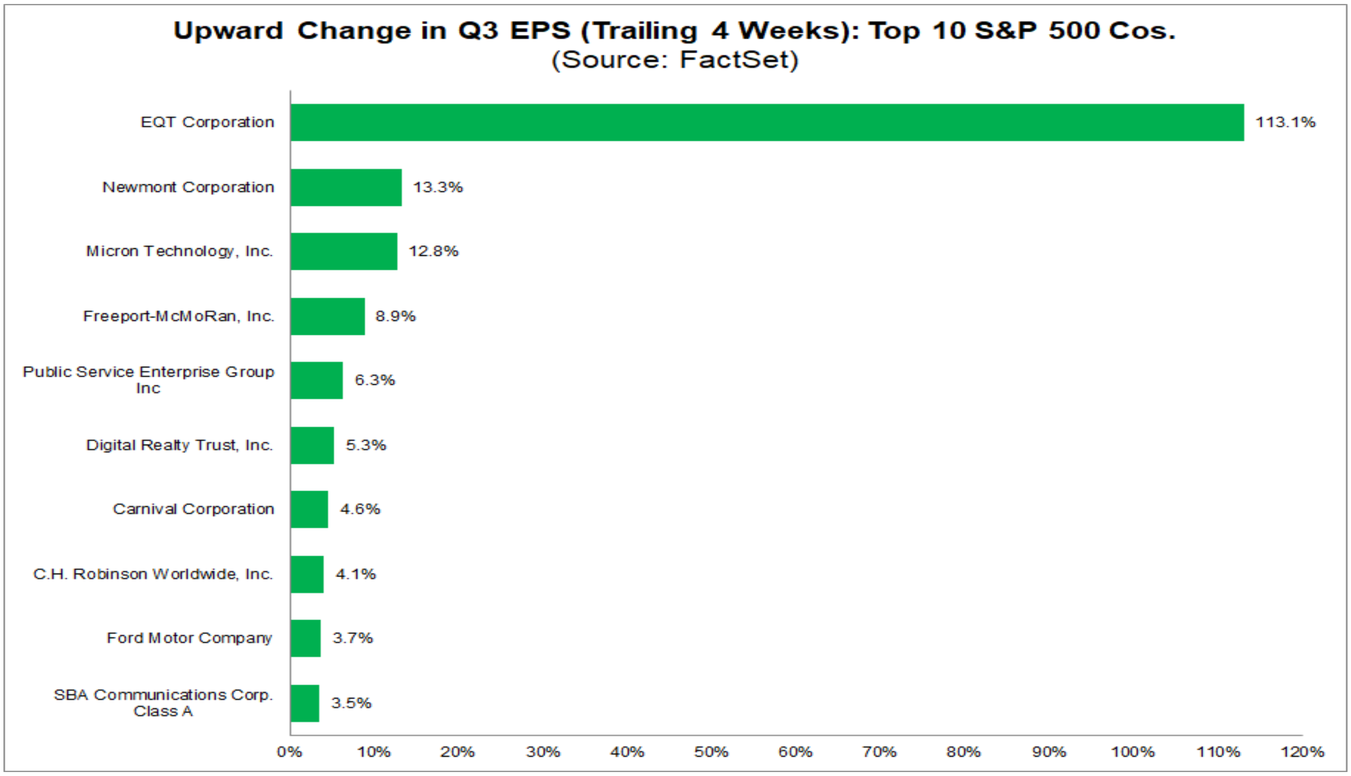
Q3 2024: Guidance

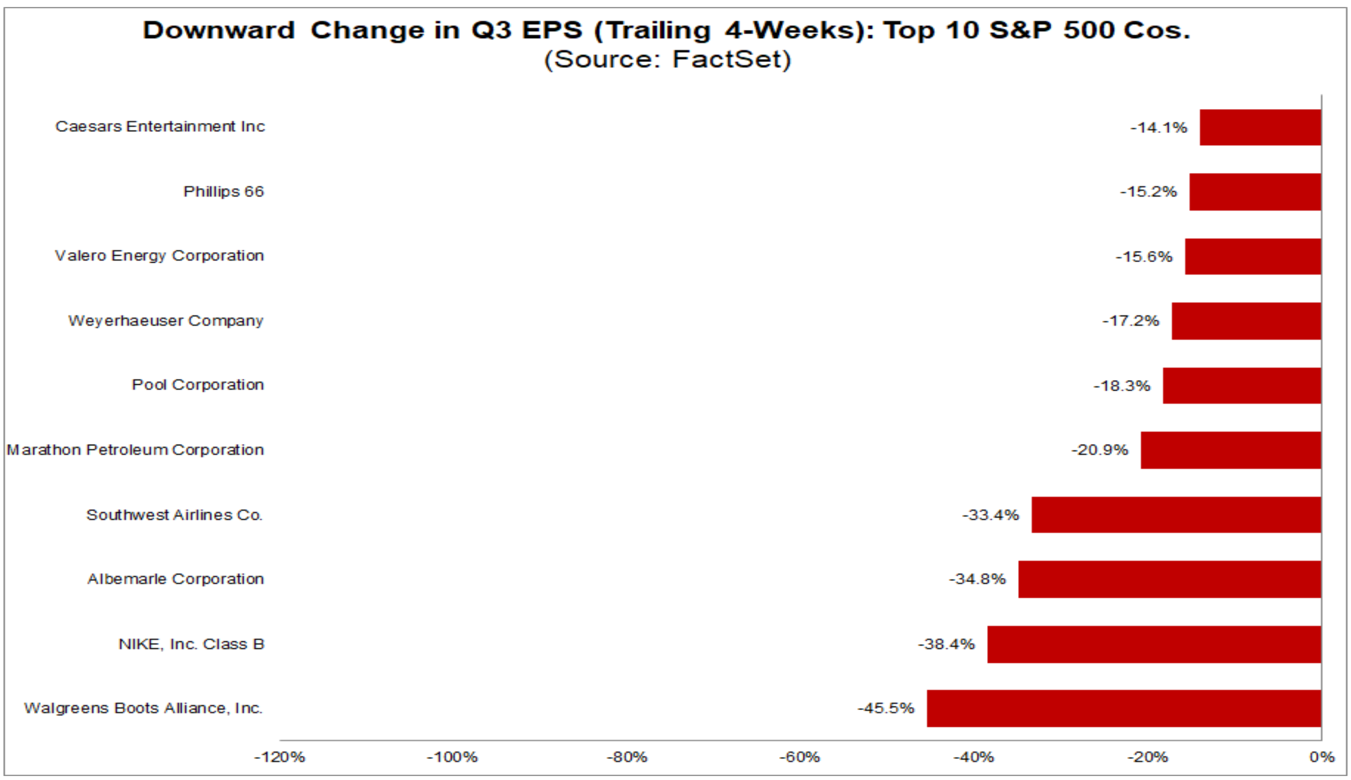




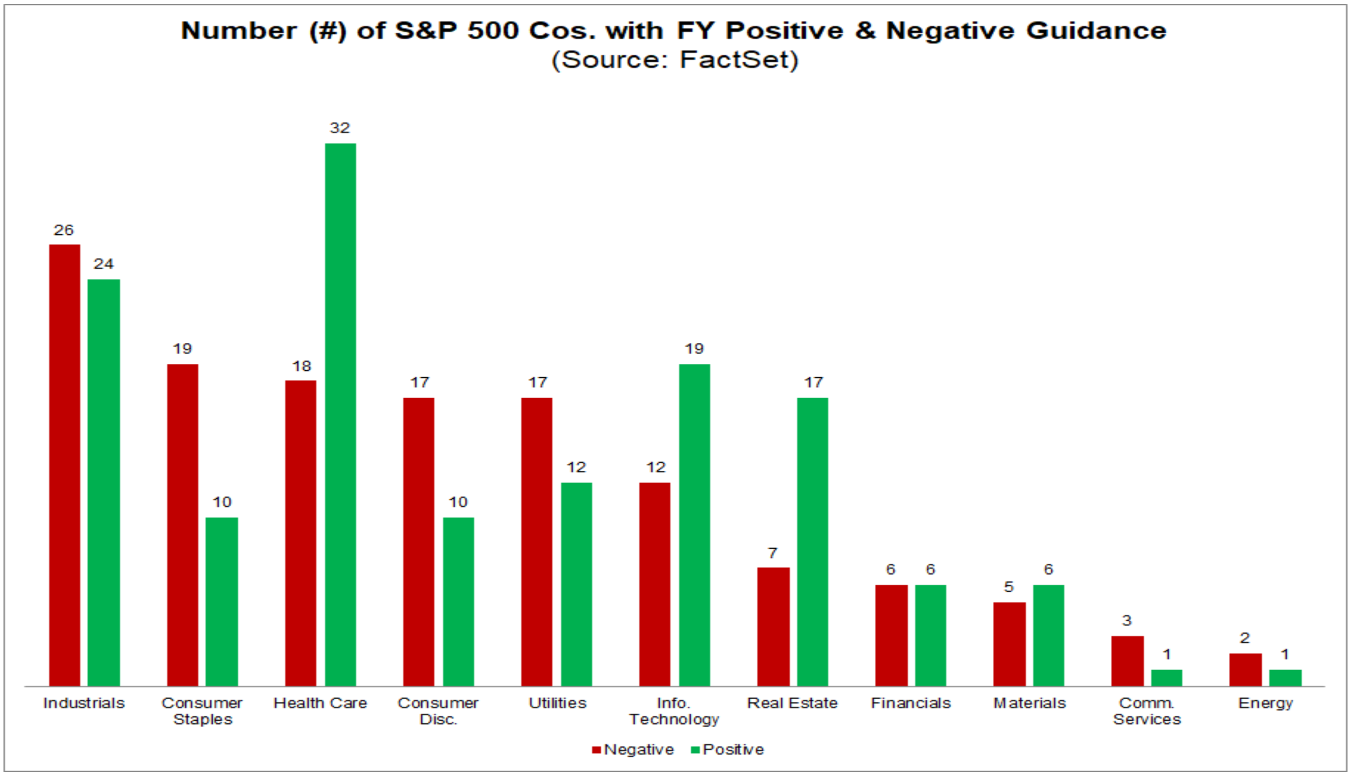
	Industrials	Consumer Disc.	S&P 500	Info. Technology	Consumer Staples	Health Care	Materials	Utilities	Financials	Comm. Services	Real Estate	Energy
Positive	0%	50%	71%	100%	0%	0%	0%	0%	0%	0%	0%	0%
Negative	100%	50%	29%	0%	0%	0%	0%	0%	0%	0%	0%	0%

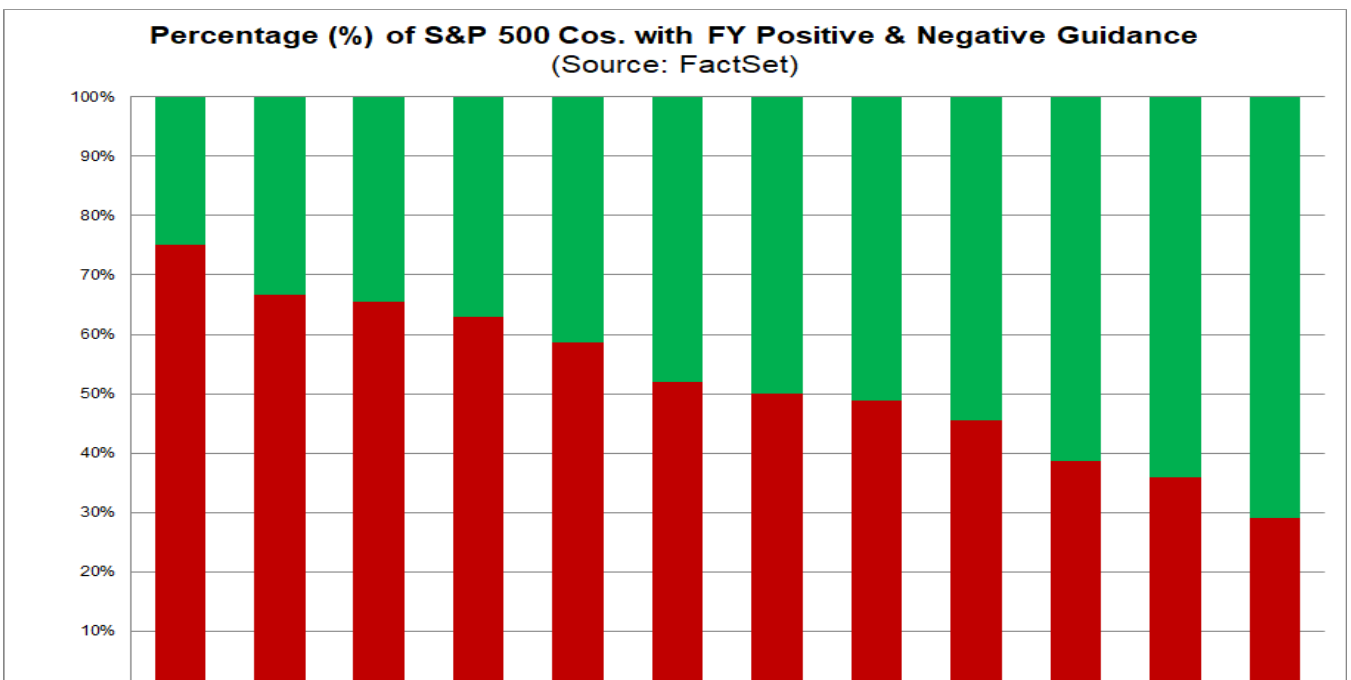
Q3 2024: EPS Revisions





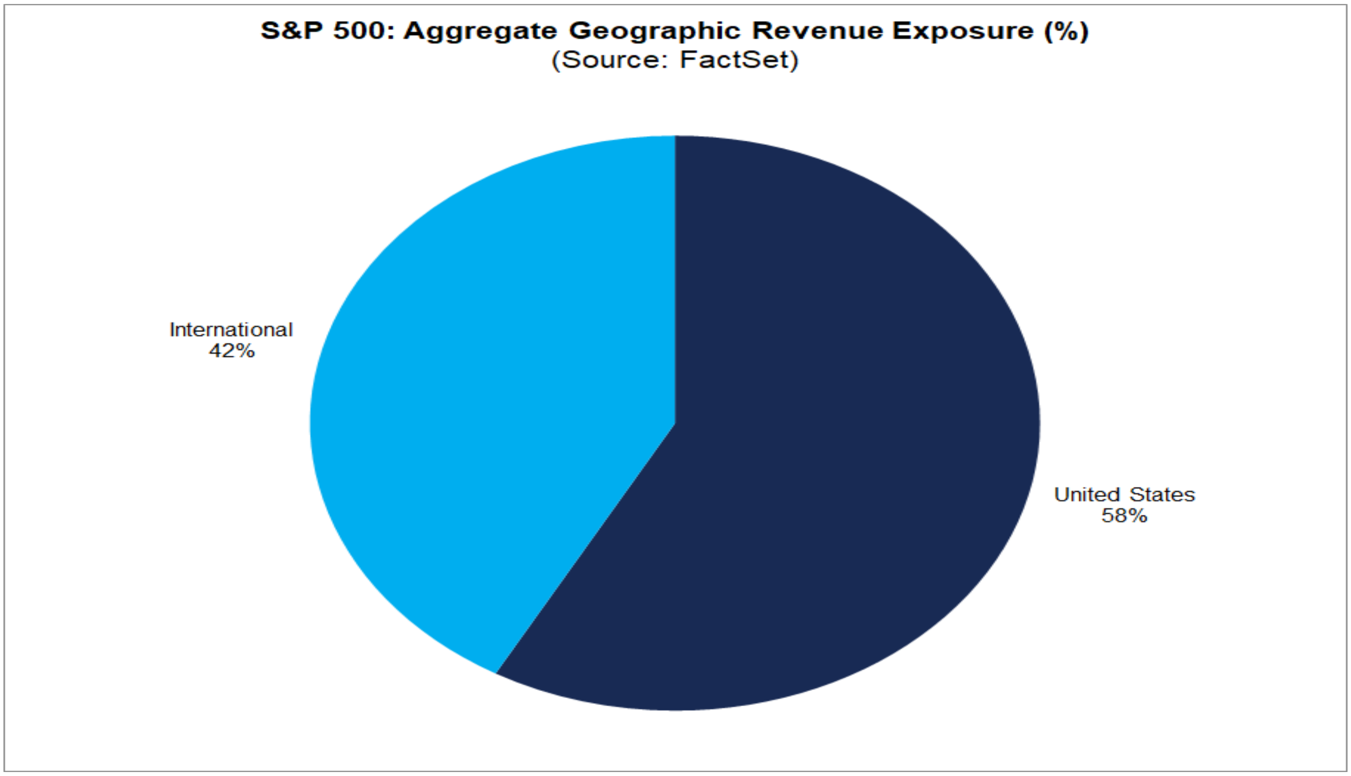
FY 2024 / 2025: EPS Guidance

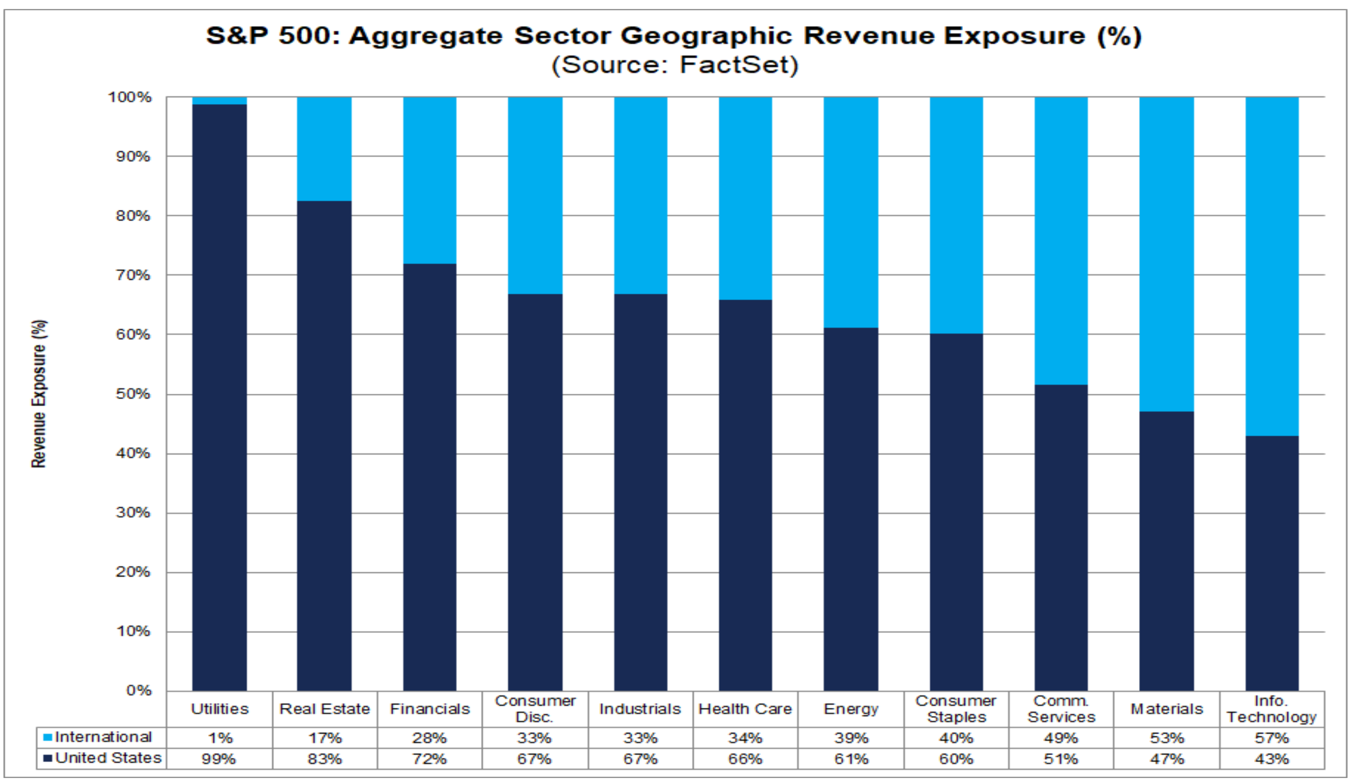




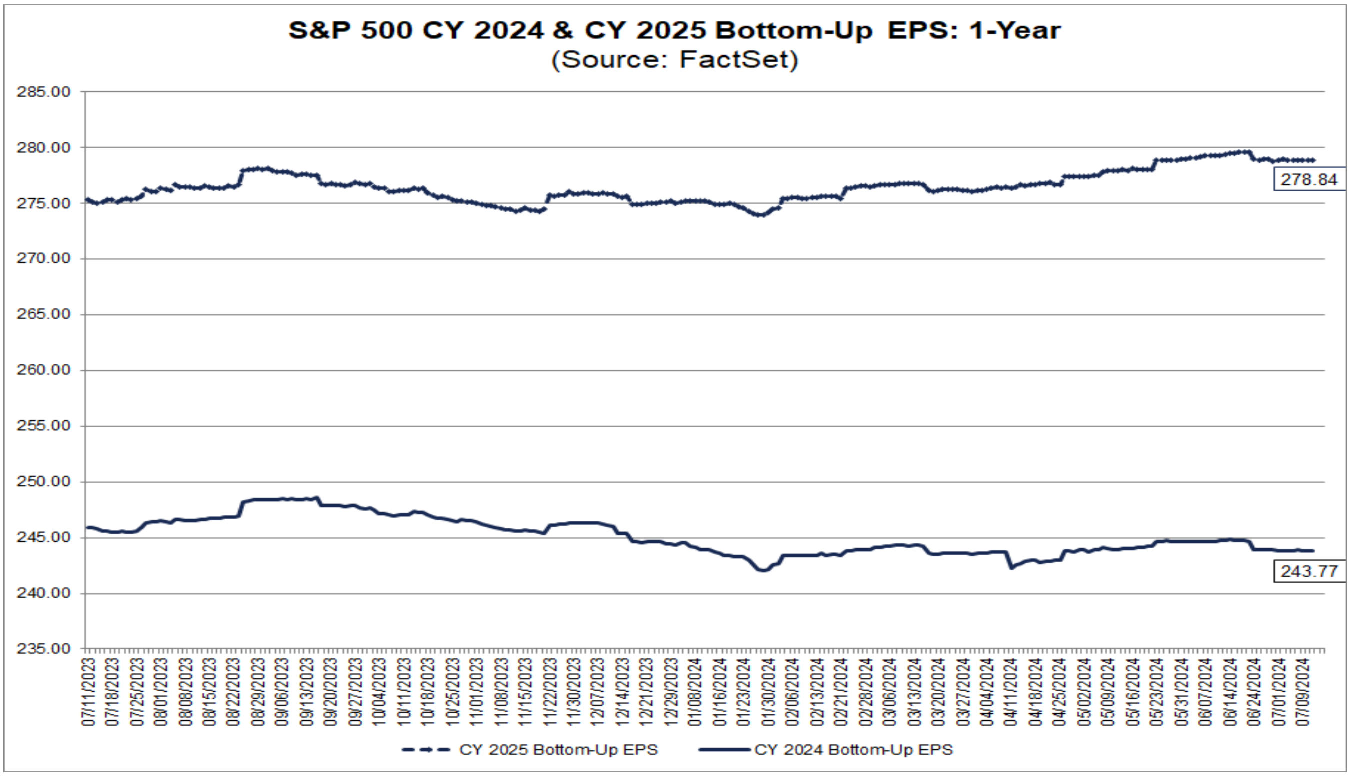
	Comm. Services	Energy	Consumer Staples	Consumer Disc.	Utilities	Industrials	Financials	S&P 500	Materials	Info. Technology	Health Care	Real Estate
Positive	25%	33%	34%	37%	41%	48%	50%	51%	55%	61%	64%	71%
Negative	75%	67%	66%	63%	59%	52%	50%	49%	45%	39%	36%	29%

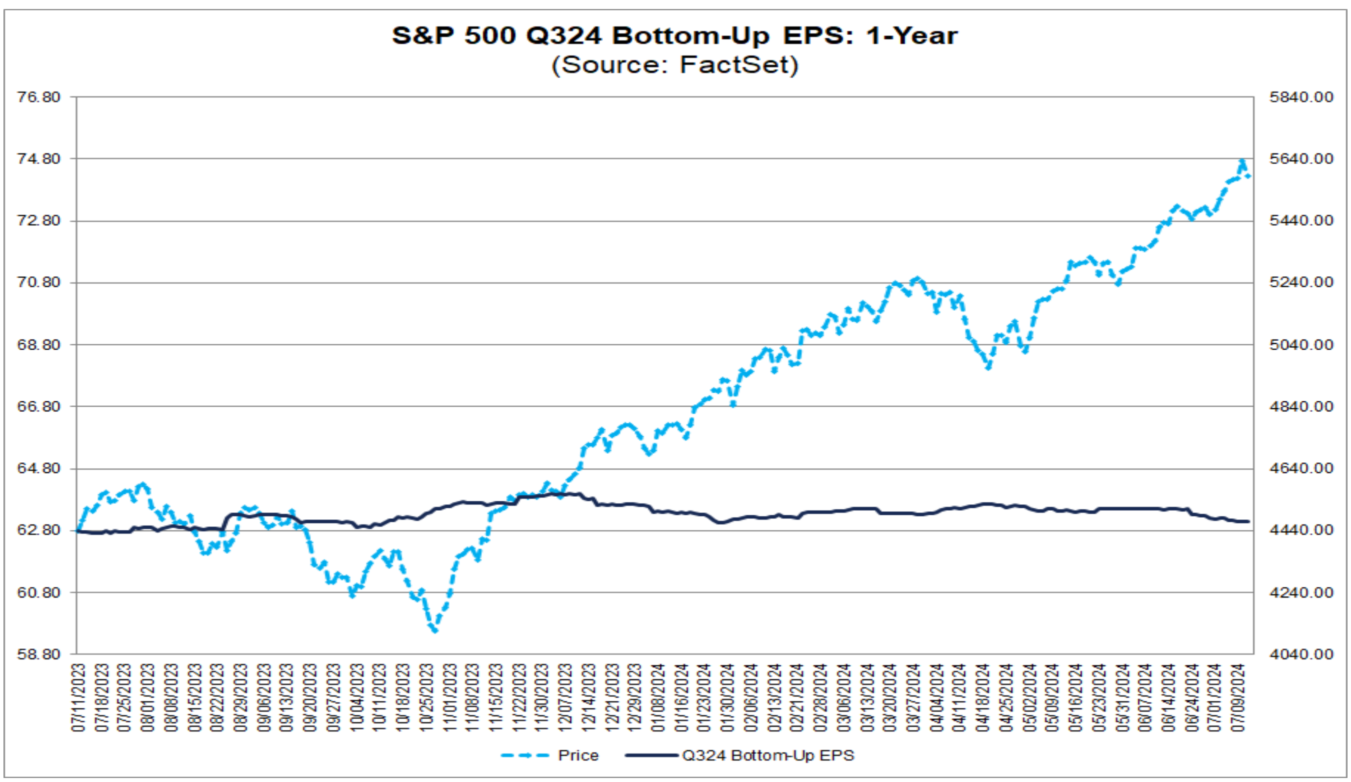
Geographic Revenue Exposure



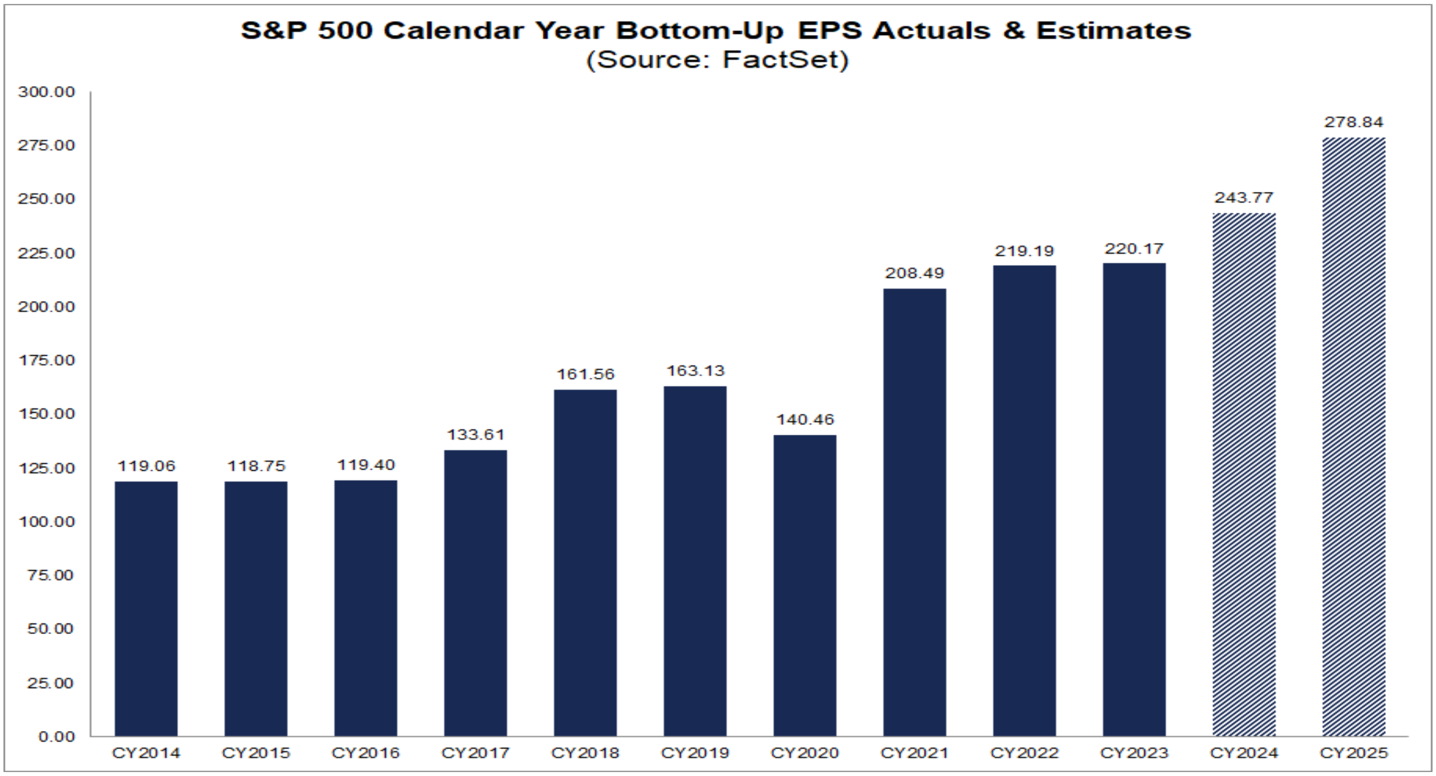


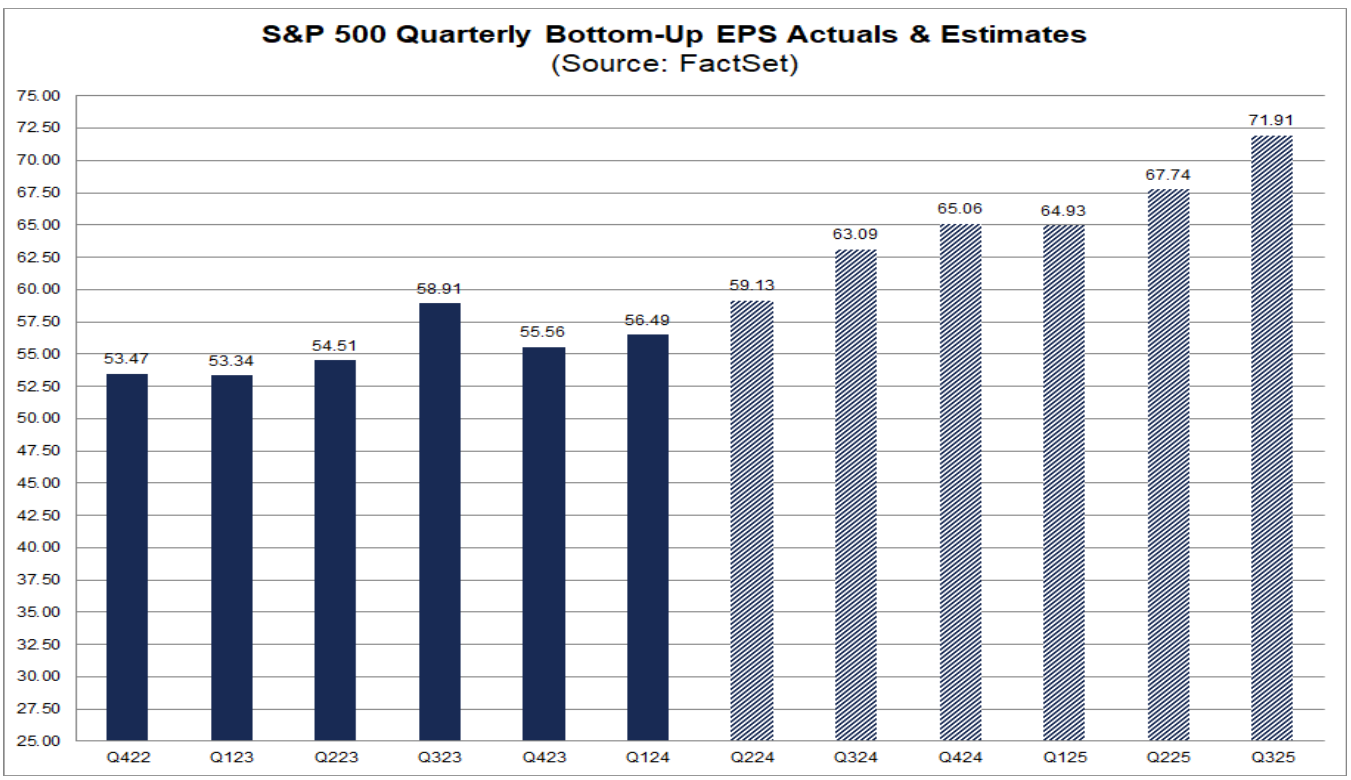
Bottom-Up EPS Estimates



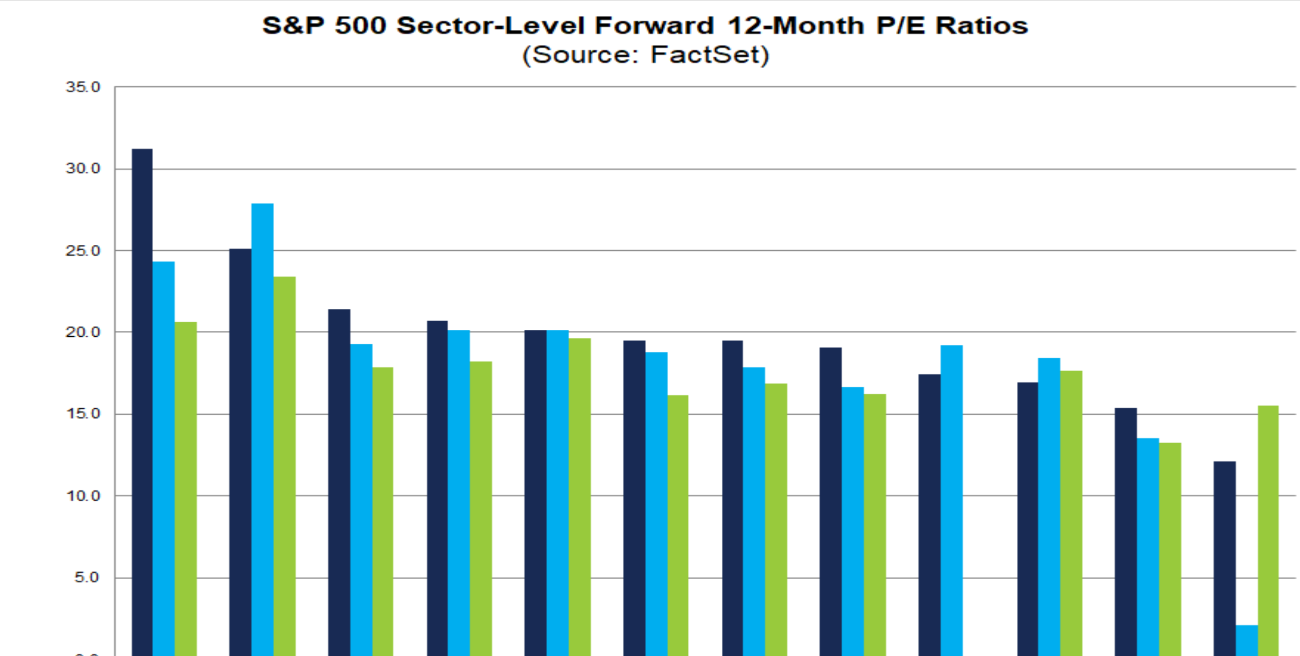


Bottom-Up EPS Estimates: Current & Historical

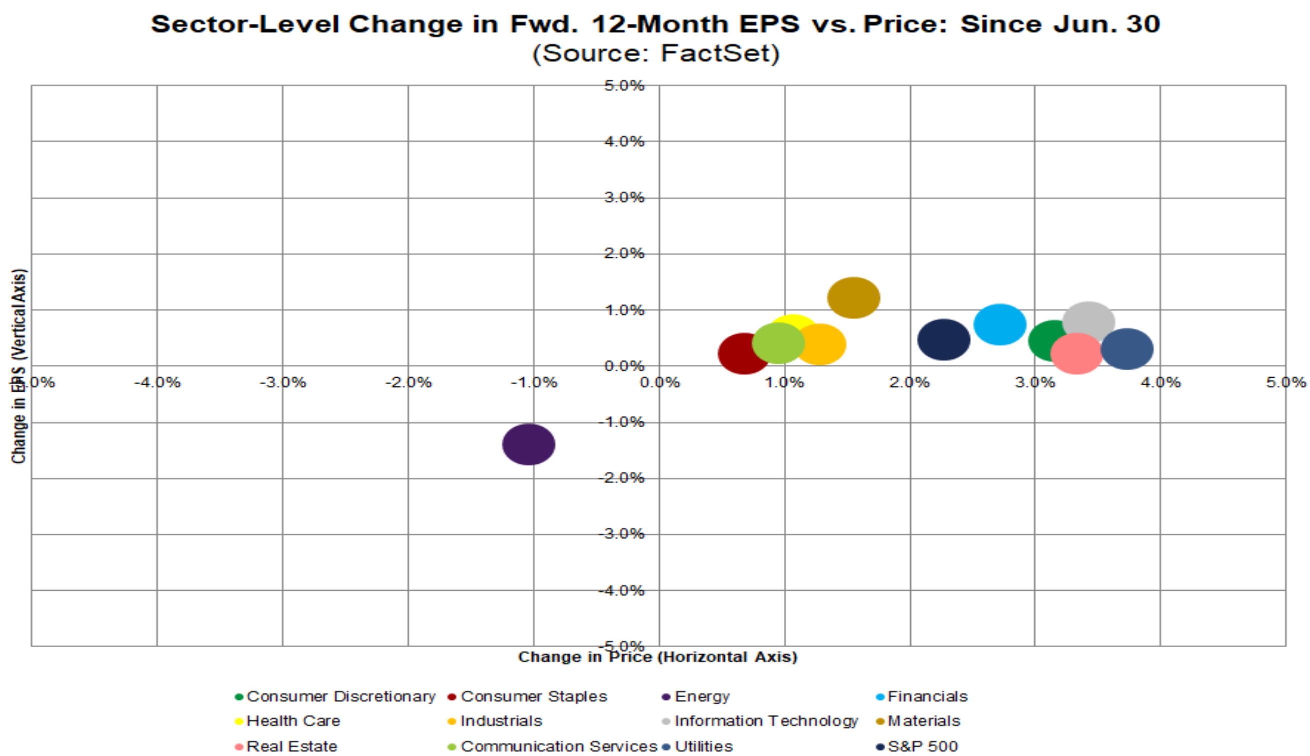




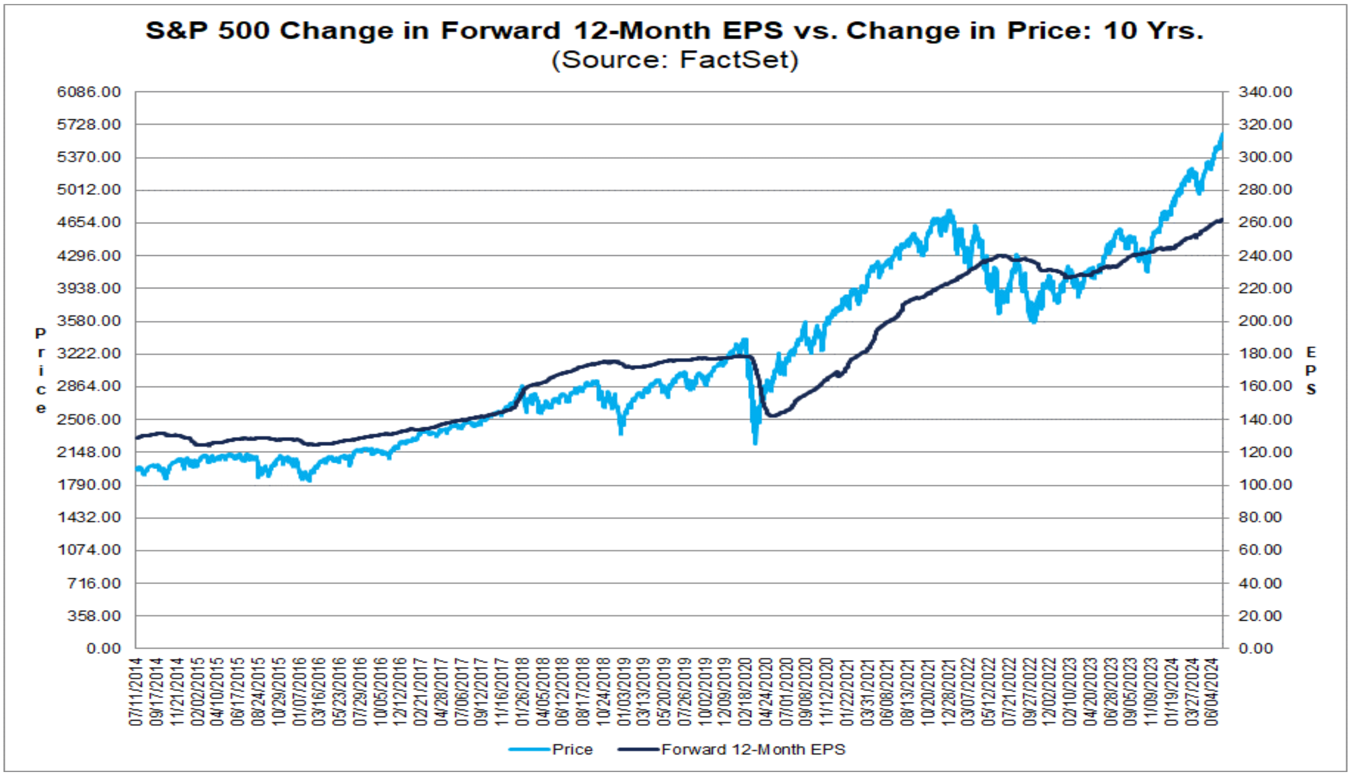
Forward 12M P/E Ratio: Sector Level

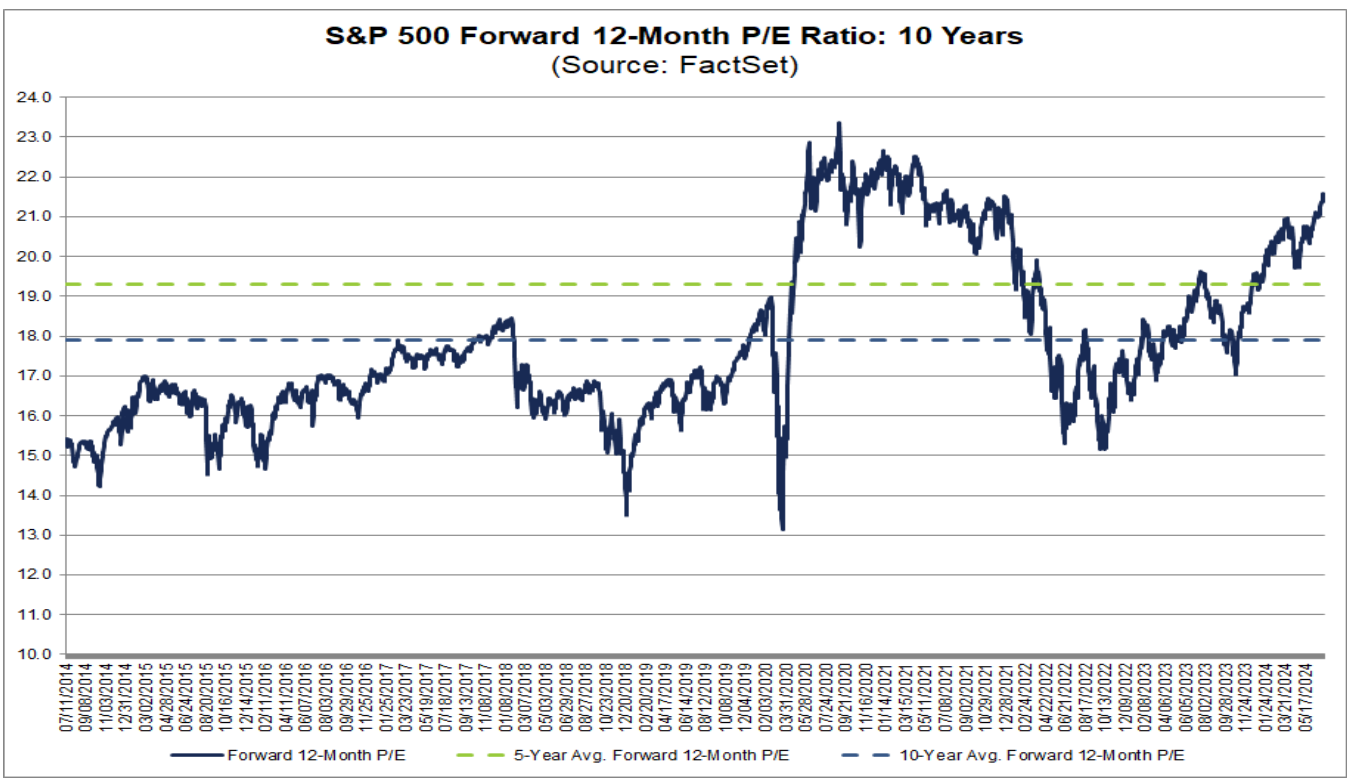


	Info. Technology	Consumer Disc.	S&P 500	Industrials	Consumer Staples	Comm. Services	Materials	Health Care	Real Estate	Utilities	Financials	Energy
Fwd P/E	31.2	25.1	21.4	20.7	20.2	19.5	19.5	19.1	17.4	16.9	15.4	12.1
5-Yr Avg.	24.3	27.9	19.3	20.1	20.1	18.8	17.9	16.6	19.2	18.4	13.6	2.1
10-Yr Avg.	20.6	23.4	17.9	18.2	19.6	16.1	16.9	16.2	0.0	17.6	13.2	15.5

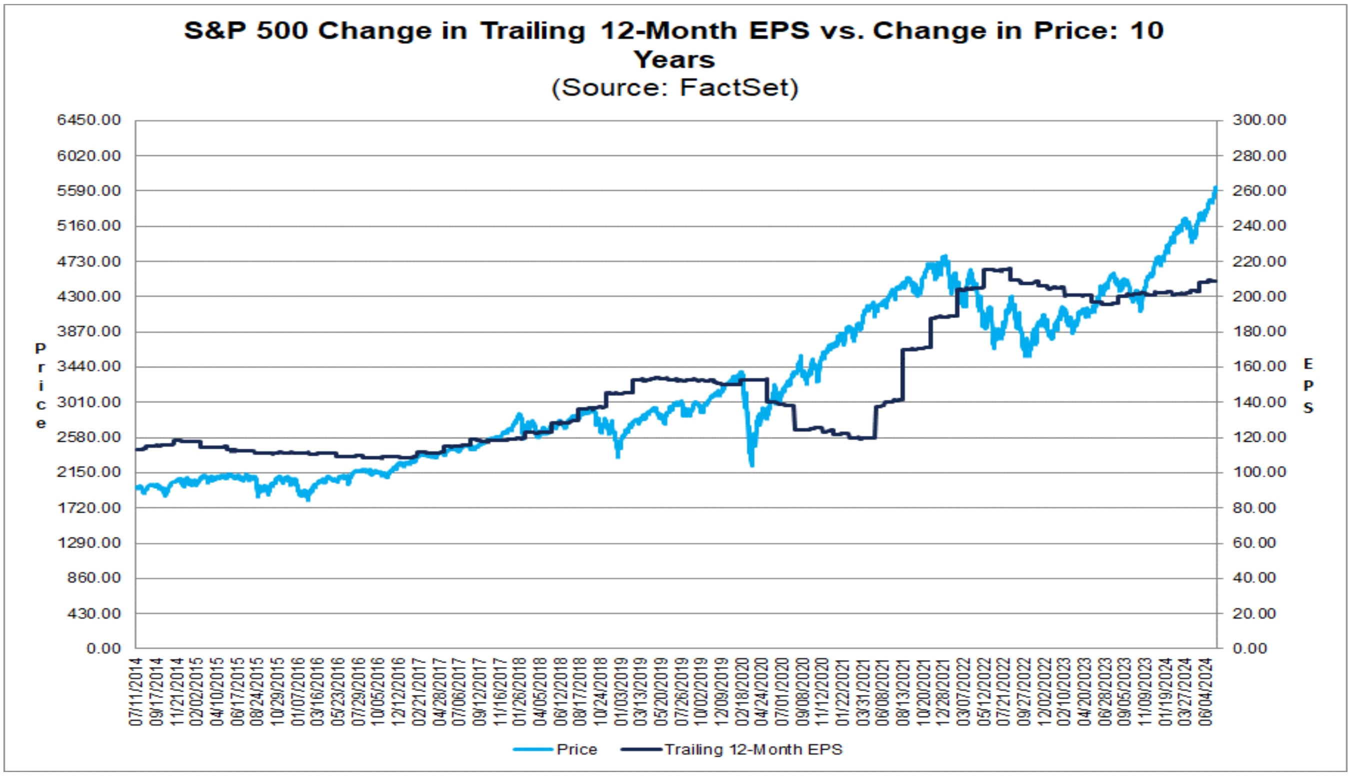


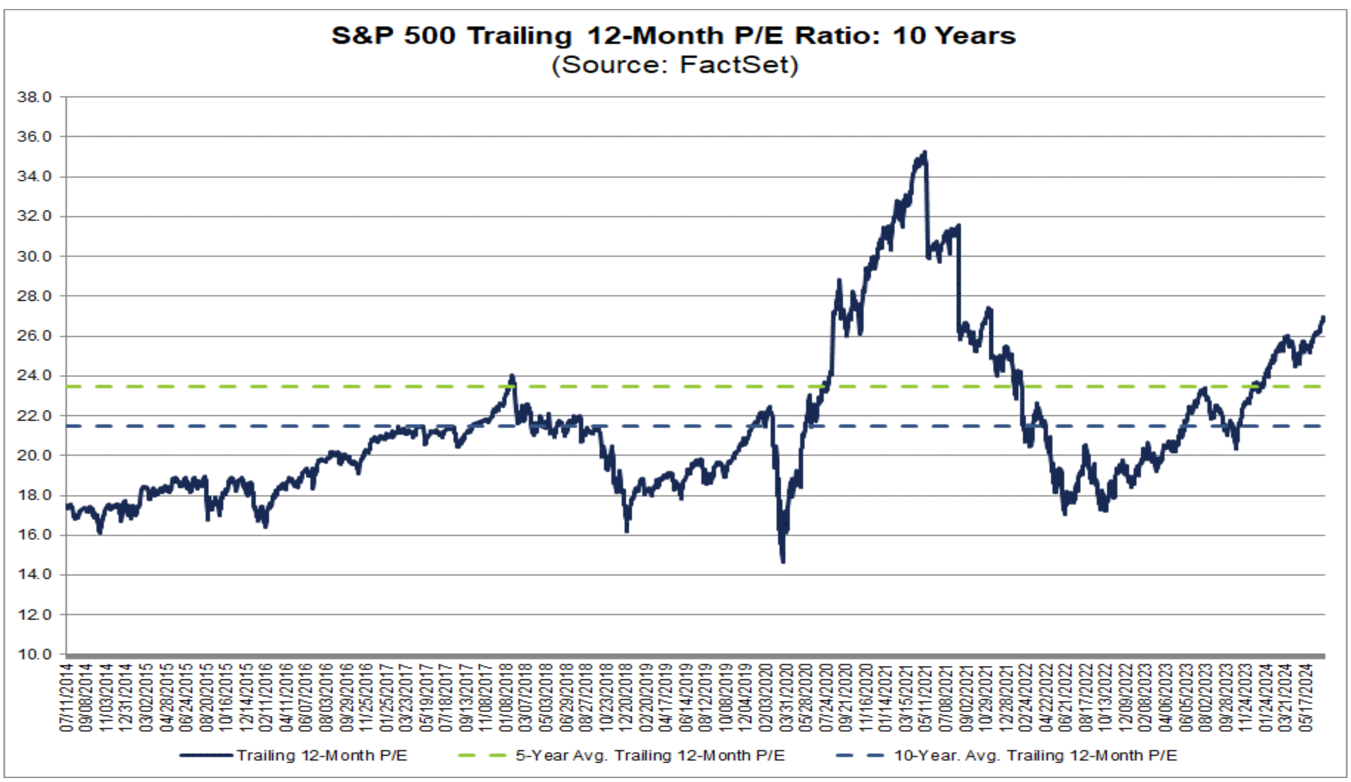
Forward 12M P/E Ratio: 10-Years



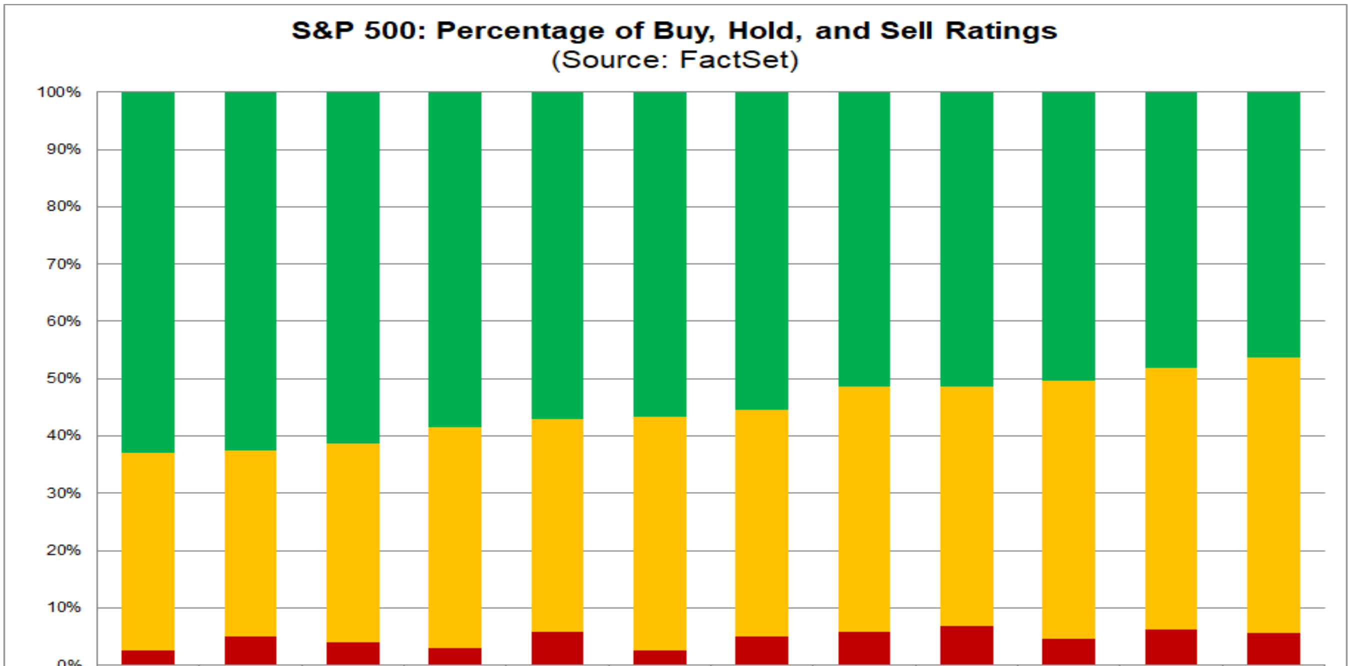


Trailing 12M P/E Ratio: 10-Years

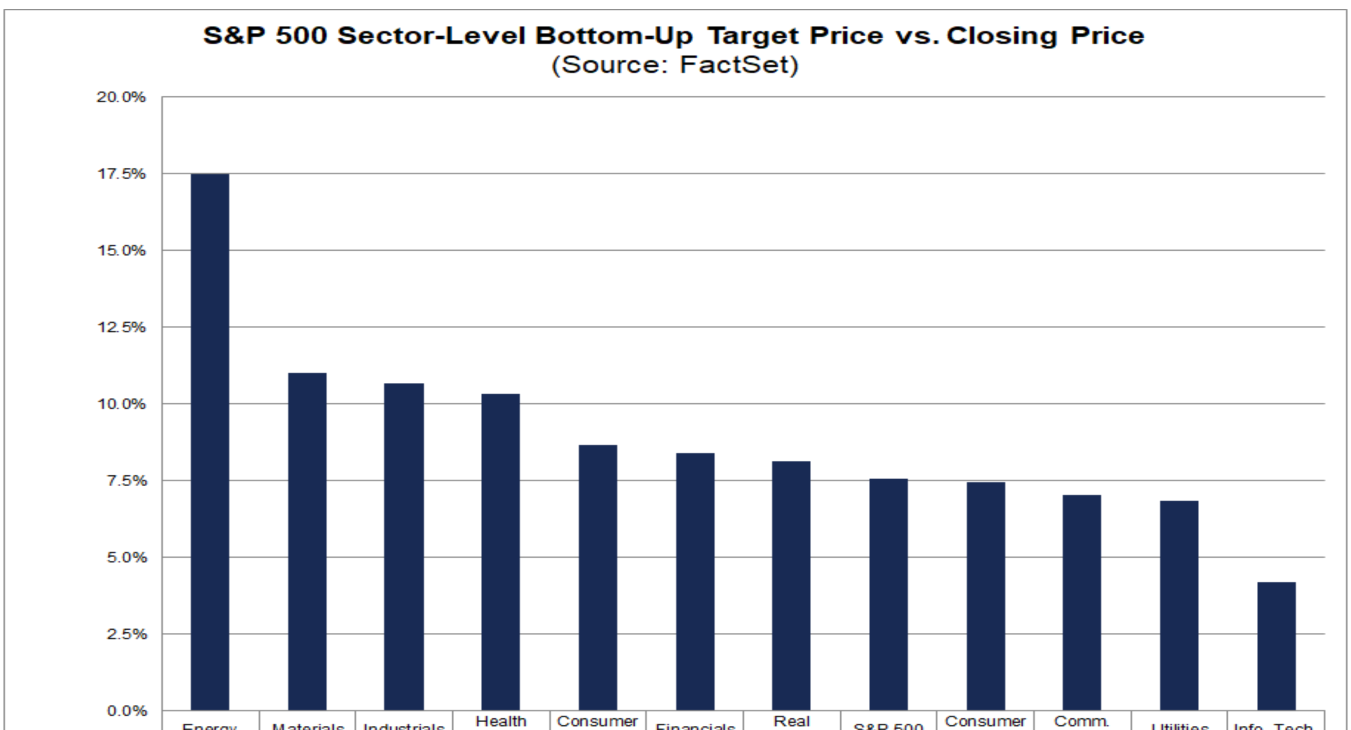




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Consumer Disc.	Real Estate	S&P 500	Financials	Industrials	Utilities	Materials	Consumer Staples
Buy	63%	63%	61%	59%	57%	57%	55%	51%	51%	50%	48%	46%
Hold	35%	33%	35%	38%	37%	41%	40%	43%	42%	45%	46%	48%
Sell	2%	5%	4%	3%	6%	3%	5%	6%	7%	5%	6%	6%



	Energy	Materials	Industrials	Health Care	Consumer Staples	Financials	Real Estate	S&P 500	Consumer Disc.	Comm. Services	Utilities	Info. Tech.
Target/Close	17.5%	11.0%	10.7%	10.3%	8.7%	8.4%	8.1%	7.6%	7.5%	7.0%	6.9%	4.2%

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