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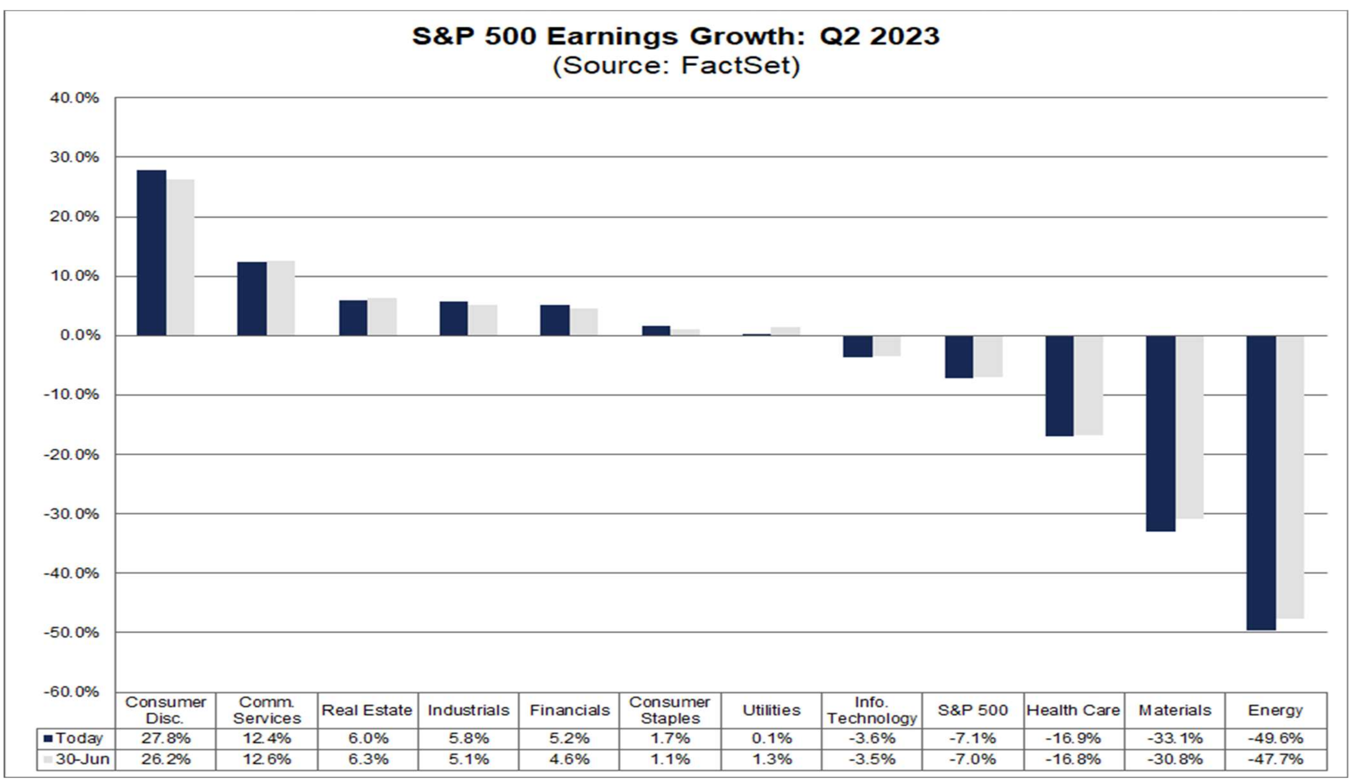
Author's Note: ***Due to a technical problem, valuation data and index-level EPS numbers are not available in this week's report.***

Key Metrics

- **Earnings Scorecard:** For Q2 2023 (with 6% of S&P 500 companies reporting actual results), 80% of S&P 500 companies have reported a positive EPS surprise and 63% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Decline:** For Q2 2023, the blended earnings decline for the S&P 500 is -7.1%. If -7.1% 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 June 30, the estimated earnings decline for Q2 2023 was -7.0%. Seven sectors are reporting lower earnings today (compared to June 30) due to negative EPS surprises or downward revisions to EPS estimates.
- **Earnings Guidance:** For Q2 2023, 68 S&P 500 companies have issued negative EPS guidance and 45 S&P 500 companies have issued positive EPS guidance.



	Consumer Disc.	Comm. Services	Real Estate	Industrials	Financials	Consumer Staples	Utilities	Info. Technology	S&P 500	Health Care	Materials	Energy
Today	27.8%	12.4%	6.0%	5.8%	5.2%	1.7%	0.1%	-3.6%	-7.1%	-16.9%	-33.1%	-49.6%
30-Jun	26.2%	12.6%	6.3%	5.1%	4.6%	1.1%	1.3%	-3.5%	-7.0%	-16.8%	-30.8%	-47.7%

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Topic of the Week: 1

S&P 500 Will Likely Report a Decline in Earnings for 3rd Consecutive Quarter in Q2 2023

As of today, the S&P 500 is reporting a year-over-year decline in earnings of -7.1% for the second quarter, which would mark the largest earnings decline reported by the index since Q2 2020 (-31.6%) and the third straight quarter the index has reported a decline in earnings. Given that most S&P 500 companies report actual earnings above estimates, what is the likelihood the index will report an actual decline in earnings of -7.1% for the quarter?

Based on both the average improvement in the earnings growth rate over the past 10 years and the average improvement in the earnings growth rate over the past four quarters, the index will likely report a year-over-year decline in earnings for Q2.

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%).

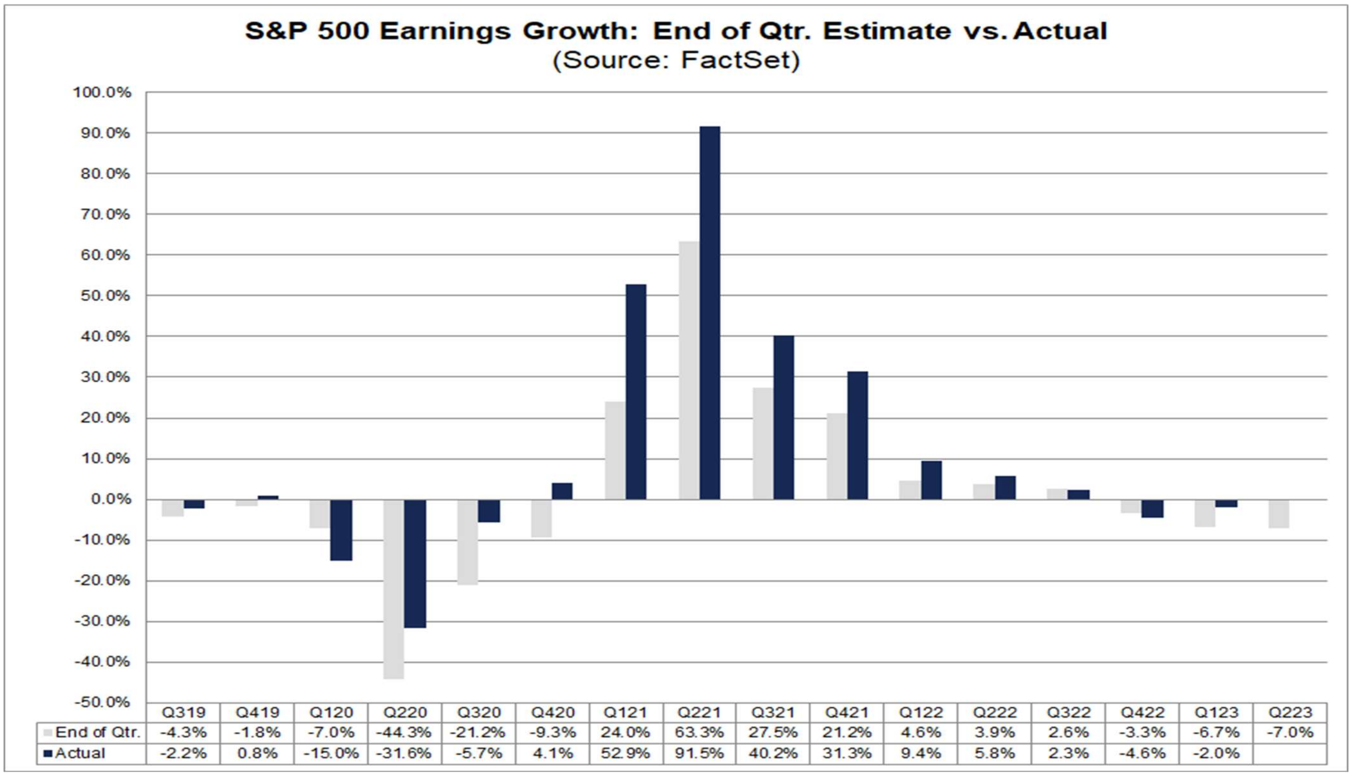
In fact, the actual earnings growth rate has exceeded the estimated earnings growth rate at the end of the quarter in 37 of the past 40 quarters for the S&P 500. The only exceptions were Q1 2020, Q3 2022, and Q4 2022.

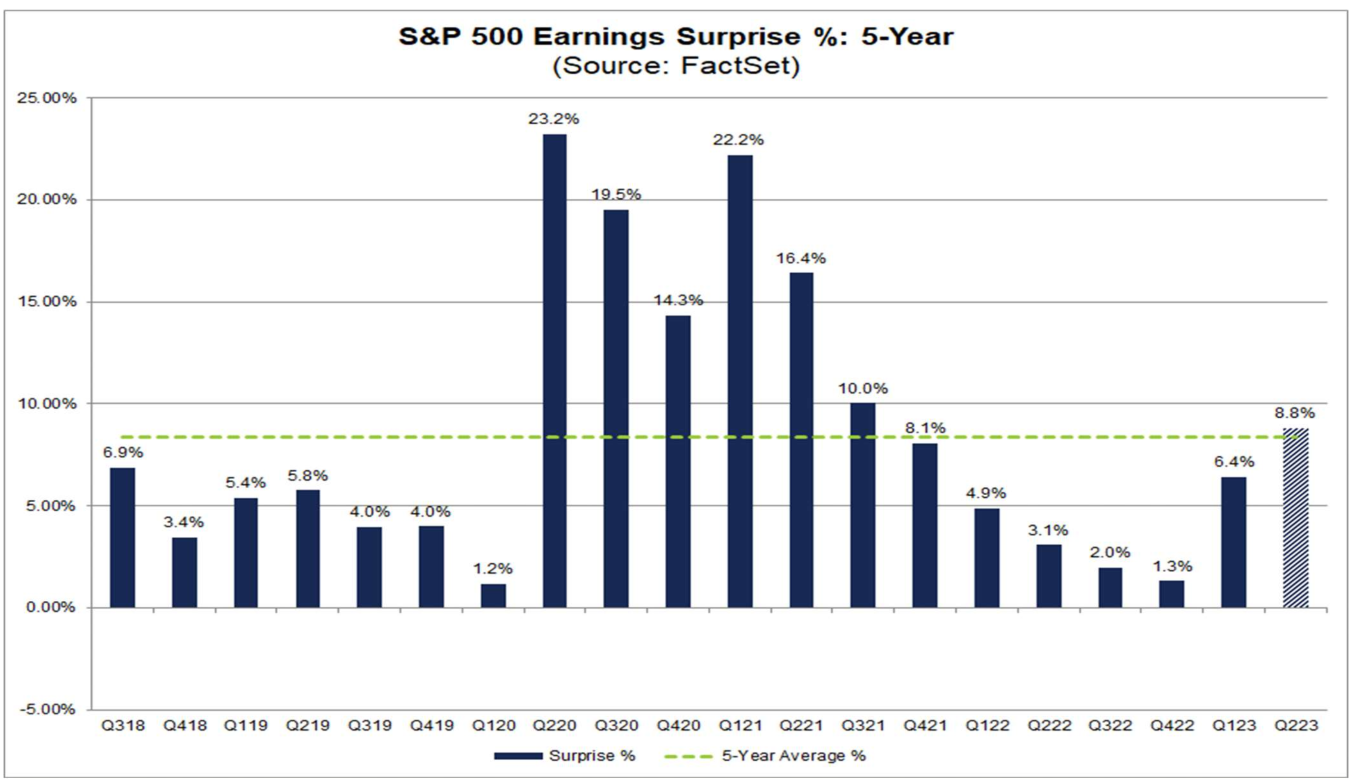
Over the past ten years, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 6.4% on average. During this same period, 73% of companies in the S&P 500 have reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has increased by 5.3 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 decline at the end of Q2 (June 30) of -7.0%, the actual earnings decline for the quarter would be -1.7% (-7.0% + 5.3% = -1.7%).

Over the past five years, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 8.4% 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 7.4 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 decline at the end of Q2 (June 30) of -7.0%, the actual earnings growth rate for the quarter would be 0.4% (-7.0% + 7.4% = 0.4%).

Over the past four quarters (Q2 2022 through Q1 2023), however, actual earnings reported by S&P 500 companies have exceeded estimated earnings by only 3.2% on average. During these four quarters, 73% 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 only increased by 1.2 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 decline at the end of Q2 (June 30) of -7.0%, the index would report an actual decline in earnings of -5.8% (-7.0% + 1.2% = -5.8%).

How are the numbers trending to date? Of the 30 S&P 500 companies that have reported actual earnings for Q2 2023 through July 14, 80% have reported actual EPS above the mean EPS estimate. In aggregate, actual earnings reported by these 30 companies have exceeded estimated earnings by 8.8%. Thus, at this very early stage of the earnings season for Q2, both the number of companies reporting positive EPS surprises and the magnitude of these EPS surprises are trending closer to the 5-year average. Will this strong performance continue for the rest of the earnings season? Since June 30, the earnings decline for the S&P 500 has increased by 0.1 percentage points (to -7.1% from -7.0%).


S&P 500 Earnings Growth: End of Qtr. Estimate vs. Actual
(Source: FactSet)
100.0%
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
-10.0%
-20.0%
-30.0%
-40.0%
-50.0%
Q319 Q419 Q120 Q220 Q320 Q420 Q121 Q221 Q321 Q421 Q122 Q222 Q322 Q422 Q123 Q223
End of Qtr. -4.3% -1.8% -7.0% -44.3% -21.2% -9.3% 24.0% 63.3% 27.5% 21.2% 4.6% 3.9% 2.6% -3.3% -6.7% -7.0%
Actual -2.2% 0.8% -15.0% -31.6% -5.7% 4.1% 52.9% 91.5% 40.2% 31.3% 9.4% 5.8% 2.3% -4.6% -2.0%


S&P 500 Earnings Surprise %: 5-Year
(Source: FactSet)
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
-5.00%
6.9% 3.4% 5.4% 5.8% 4.0% 4.0% 1.2% 23.2% 19.5% 14.3% 22.2% 16.4% 10.0% 8.1% 4.9% 3.1% 2.0% 1.3% 6.4% 8.8%
Q318 Q418 Q119 Q219 Q319 Q419 Q120 Q220 Q320 Q420 Q121 Q221 Q321 Q421 Q122 Q222 Q322 Q422 Q123 Q223
Surprise %
5-Year Average %

Topic of the Week: 2

S&P 500 Banks Reporting Higher Provisions for Loan Losses for Q2

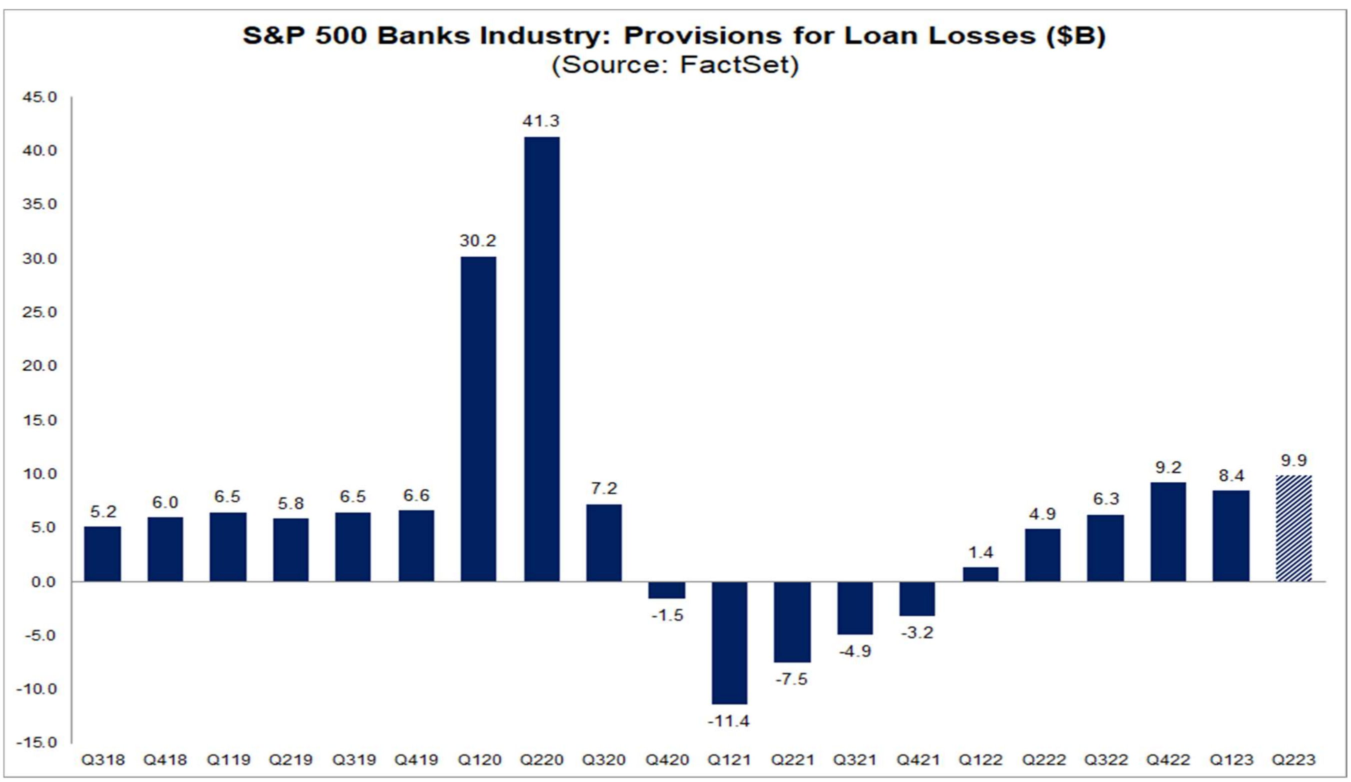
The Financials sector has been a sector in focus for the market during the past week, as 6 of the 12 companies in the S&P 500 that reported earnings for Q2 during the week were in this sector. Half of these six companies were in the Banks industry: Citigroup, JPMorgan Chase, and Wells Fargo. This industry is reporting the highest year-over-year earnings growth of all 5 industries in the Financials sector at 25%

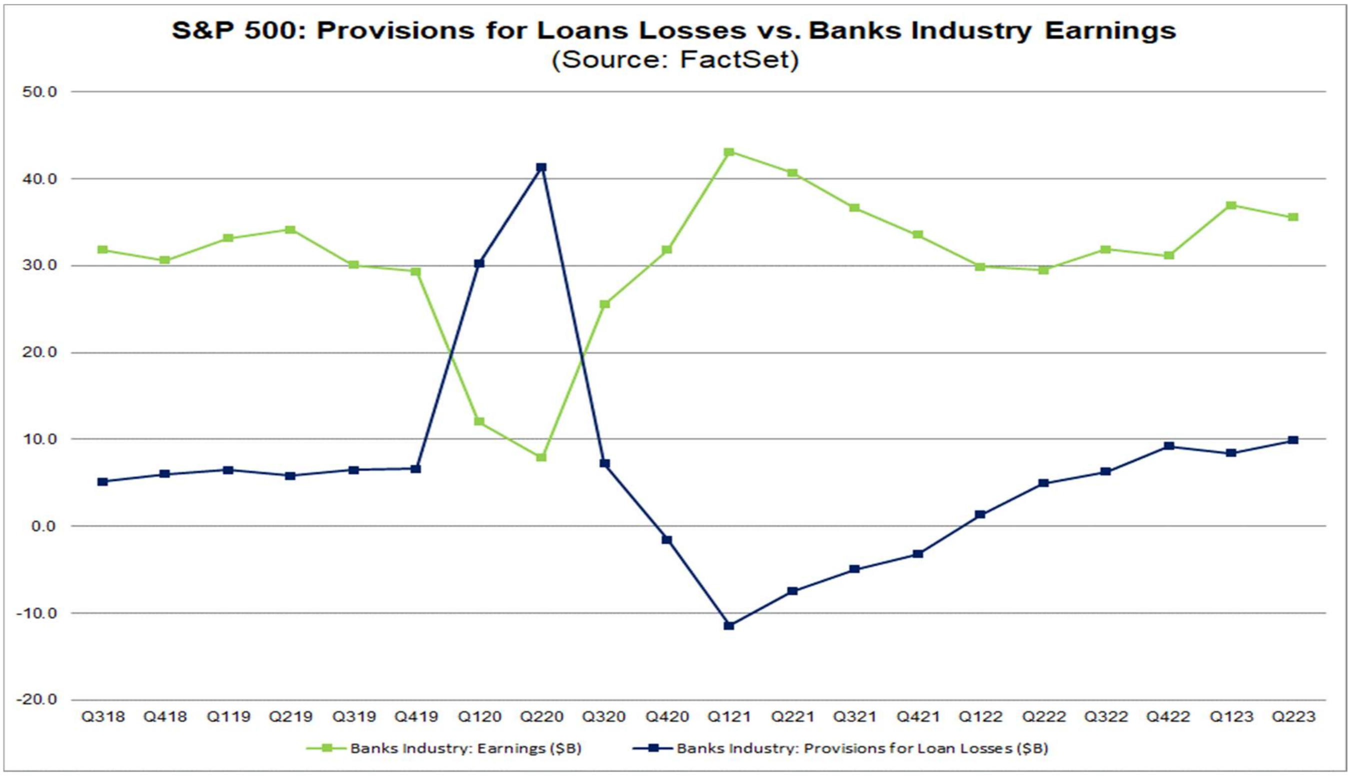
However, it is interesting to note that the Banks industry is also reporting higher provisions for loan losses in Q2 2023 relative to Q2 2022. Provisions for loan losses have no impact on top-line growth, but do have an impact on bottom-line growth, as they are treated like an expense on a company's income statement.

In the first half of 2020, banks dramatically increased their provisions for loan losses in conjunction with the economic lockdowns caused by COVID-19. In the second half of 2020 and early 2021, banks then substantially reduced their provisions for loan losses, with restrictions easing and economic conditions improving during the year. Starting in early 2021, banks have been steadily increasing these provisions again.

For example, JPMorgan Chase reported $2.9 billion in provisions for loan losses in Q2 2023, compared to $1.1 billion in provisions for loan losses in Q2 2022. This reflects an increase of more than 150%

FactSet Estimates actively tracks this metric for all 15 companies in the Banks industry in the S&P 500. In aggregate, the blended (combines actual results for companies that have reported and estimated results for companies yet to report) provision for loan losses for these 15 banks is $9.9 billion for Q2 2023, compared to $4.9 billion in Q2 2022. This reflects an increase of about 100%. If $9.9 billion is the actual number for the quarter, it will mark the 3rd highest number for the Banks industry is the past 5 years (using current constituents and going back in time).




S&P 500: Provisions for Loans Losses vs. Banks Industry Earnings
(Source: FactSet)
50.0
40.0
30.0
20.0
10.0
0.0
-10.0
-20.0
Q318 Q418 Q119 Q219 Q319 Q419 Q120 Q220 Q320 Q420 Q121 Q221 Q321 Q421 Q122 Q222 Q322 Q422 Q123 Q223
Banks Industry: Earnings ($B)
Banks Industry: Provisions for Loan Losses ($B)

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 strong start. Both the number of positive earnings surprises and the magnitude of these earnings surprises are above their 10-year averages. As a result, the index is reporting higher earnings for the second quarter today relative to the end of last week. However, the index is still reporting its largest year-over-year decline in earnings since Q2 2020.

Overall, 6% of the companies in the S&P 500 have reported actual results for Q2 2023 to date. Of these companies, 80% have reported actual EPS above estimates, which is above the 5-year average of 77% and above the 10-year average of 73%. In aggregate, companies are reporting earnings that are 8.8% above estimates, which is above the 5-year average of 8.4% and above the 10-year average of 6.4%.

The index is reporting higher earnings for the second quarter today relative to the end of last week, but slightly lower earnings relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the second quarter is -7.1% today, compared to an earnings decline of -7.4% last week and an earnings decline of -7.0% at the end of the second quarter (June 30).

Positive earnings surprises reported by companies in the Financials sector have been the largest contributor to the decrease in the overall earnings decline for the index over the past week.

If -7.1% 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 decrease in earnings.

Seven of the eleven sectors are reporting (or 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 reporting (or are expected to report) a year-over-year decline in earnings, led by the Energy and Materials sectors.

In terms of revenues, 63% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% but equal to the 10-year average of 63%. In aggregate, companies are reporting revenues that are 1.6% above the estimates, which is below the 5-year average of 2.0% but above the 10-year average of 1.3%.

The blended revenue decline for the second quarter is -0.4% today, compared to a revenue decline of -0.3% last week and a revenue decline of -0.4% at the end of the second quarter (June 30).

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 reporting (or 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 reporting (or 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 0.1% and 7.6%, respectively. For all of CY 2023, analysts predict earnings growth of 0.6%.

During the upcoming week, 60 S&P 500 companies (including 5 Dow 30 components) are scheduled to report results for the second quarter.

For a list of the high-profile S&P 500 companies reporting earnings next week and a schedule of their earnings calls, please go to the following link: https://www.factset.com/lp/quarterly-earnings-calls

Scorecard: Number of Positive EPS Surprises Are Above 5-Year and 10-Year Averages

Percentage of Companies Beating EPS Estimates (80%) is Above 5-Year Average

Overall, 6% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 80% have reported actual EPS above the mean EPS estimate, 3% have reported actual EPS equal to the mean EPS estimate, and 17% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year average (73%), above the 5-year average (77%), and above the 10-year average (73%).

At the sector level, the Health Care (100%) and Information Technology (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Industrials (60%) and Consumer Staples (71%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+8.8%) is Above 5-Year Average

In aggregate, companies are reporting earnings that are 8.8% above expectations. This surprise percentage is above the 1-year average (+3.2%), above the 5-year average (+8.4%), and above the 10-year average (6.4%).

The Consumer Discretionary (+16.3%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, CarMax ($1.44 vs. $0.79) and Lennar ($3.01 vs. $2.33) have reported the largest positive EPS surprises.

The Financials (+12.7%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, JPMorgan Chase ($4.75 vs. $3.94) has reported the largest positive EPS surprise.

The Information Technology (+9.7%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Micron Technology (-$1.43 vs. -$1.61) has reported the largest positive EPS surprise.

Market Rewarding Positive EPS Surprises Less Than Average

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

Companies that have reported positive earnings surprises for Q2 2023 have seen an average price increase of +0.2% two days before the earnings release through two days after the earnings release. This percentage increase is much smaller than 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 2023 have seen an average price decrease of -5.2% two days before the earnings release through two days after the earnings. This percentage decrease is much larger than the 5-year average price decrease of -2.2% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (63%) is Below 5-Year Average

In terms of revenues, 63% of companies have reported actual revenues above estimated revenues and 37% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (71%) and below the 5-year average (69%), but equal to the 10-year average (63%).

At the sector level, the Health Care (100%) and Information Technology (100%) sectors have the highest percentages of companies reporting revenues above estimates, while the Consumer Staples (43%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.6%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.6% above expectations. This surprise percentage is below the 1-year average (+2.5%) and below the 5-year average (+2.0%), but above the 10-year average (+1.3%).

At the sector level, the Consumer Discretionary (+3.5%) and Financials (+2.8%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Industrials (-1.0%) sector is reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings Decline This Week Due to Financials Sector

Decrease in Blended Earnings Decline This Week Due to Financials Sector

The blended (year-over-year) earnings decline for the second quarter is -7.1%, which is smaller than the earnings decline of -7.4% last week. Positive earnings surprises reported by companies in the Financials sector were the largest contributor to the decrease in the overall earnings decline during the past week.

In the Financials sector, the positive EPS surprise reported by JPMorgan Chase ($4.75 vs. $3.94) was the largest contributor to the decrease in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Financials sector increased to 5.2% from 2.8% over this period.

Earnings Decline: -7.1%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) year-over-year earnings decline for Q2 2023 is -7.1%, 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 -7.1% 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 reporting (or 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 reporting (or 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 reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 27.8%. At the industry level, 4 of the 9 industries in the sector are reporting (or 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 reporting (or predicted to report) year-over-year earnings growth are the Hotels, Restaurants, & Leisure (179%), Automobile Components (89%), and Automobiles (7%) industries. On the other hand, five industries are reporting (or are expected to report) a year-over-year decline in earnings. Three of these five industries are reporting (or are predicted to report) a decrease in earnings of more than 10%: Leisure Products (-52%), Household Durables (-33%), and Textiles, Apparel, & Luxury Goods (-26%).

At the industry level, the Broadline Retail and Hotels, Restaurants, & Leisure industries are the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would be projected to report a (year-over-year) decline in earnings of -10.1% instead of year-over-year earnings growth if 27.8%.

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 7.0% from 27.8%

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 12.4%. 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 (575%) and Interactive Media & Services (9%) 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 12.4%.

Energy: 3 of 5 Sub-Industries Expected To Report Year-Over-Year Decline of More Than 50%

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -49.6%. 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 -50%: Oil & Gas Refining & Marketing (-60%), Integrated Oil & Gas (-52%), and Oil & Gas Exploration & Production (-51%). 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 30%

The Materials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -33.1%. 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 30%: Containers & Packaging (-46%), Metals & Mining (-39%), and Chemicals (-31%). On the other hand, the Construction Materials (23%) 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 -16.9%. 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 (-30%), Pharmaceuticals (-25%), and Life Sciences, Tools, and Services (-14%). On the other hand, the Health Care Providers & Services (<1%) is the only industry in the sector expected to report (year-over-year) earnings growth.

Revenue Decline: -0.4%

The blended (year-over-year) revenue decline for Q2 2023 is -0.4%, 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 -0.4% 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: 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 7.8%. 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%: Banks (16%) and Consumer Finance (14%).

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

The Consumer Discretionary sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 7.1%. At the industry level, 6 of the 9 industries in the sector are reporting (or are expected to report) a year-over-year increase in revenues. Three of these six industries are reporting (or are projected to report) revenue growth above 10%: Hotels, Restaurants, & Leisure (23%), Automobiles (17%), and Automobile Components (17%).

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 -27.8%. 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 (-32%), Integrated Oil & Gas (-29%), and Oil & Gas Storage & Transportation (-13%). 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 -9.8%. At the industry level, three of the four industries in the sector are predicted to report a (year-over-year) decrease in revenues: Chemicals (-12%), Metals & Mining (-10%), 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 blended 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 reporting (or 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 36.3% vs. 35.3%), and Communication Services (11.4% vs. 10.4%) sectors. On the other hand, six sectors are reporting (or 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 (10.8% vs. 14.5%) sectors.

Five sectors are reporting (or are expected to report) net profit margins in Q2 2023 that are above their 5-year averages, led by the Industrials (10.6% vs. 8.2%) sector. On the other hand, six sectors are reporting (or 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 (11.7% vs. 13.3%) sectors.

Looking Ahead: Forward Estimates and Valuation

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

At this point in time, 113 companies in the index have issued EPS guidance for Q2 2023. Of these 113 companies, 68 have issued negative EPS guidance and 45 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 60% (68 out of 113), which is above the 5-year average of 59% but below the 10-year average of 64%.

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, 117 have issued negative EPS guidance and 150 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 44% (117 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: S&P 500 Expected to Report Earnings Growth of 1% for CY 2023

For the second quarter, S&P 500 companies are reporting a year-over-year earnings decline of -7.1% and a year-over-year revenue decline of -0.4%.

For Q3 2023, analysts are projecting earnings growth of 0.1% and revenue growth of 1.1%.

For Q4 2023, analysts are projecting earnings growth of 7.6% and revenue growth of 3.2%.

For CY 2023, analysts are projecting earnings growth of 0.6% and revenue growth of 2.3%.

For CY 2024, analysts are projecting earnings growth of 12.4% and revenue growth of 5.0%.

Targets & Ratings: Analysts Project 7.5% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 4847.34, which is 7.5% above the closing price of 4510.04. At the sector level, the Energy (+16.2%) and Health Care (+16.0%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Information Technology (+2.5%) and Consumer Discretionary (+3.3%) 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.

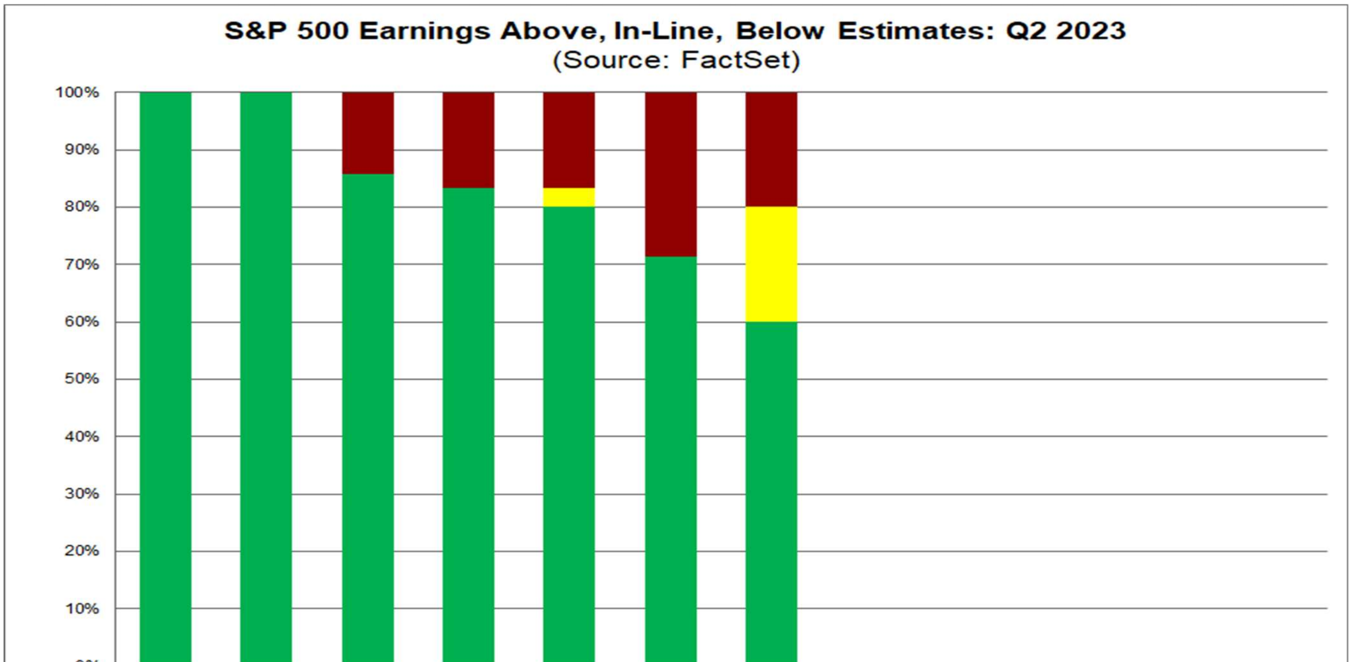
Overall, there are 10,963 ratings on stocks in the S&P 500. Of these 10,963 ratings, 54.6% are Buy ratings, 39.8% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Energy (65%) sector has the highest percentage of Buy ratings, while the Consumer Staples (44%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 60

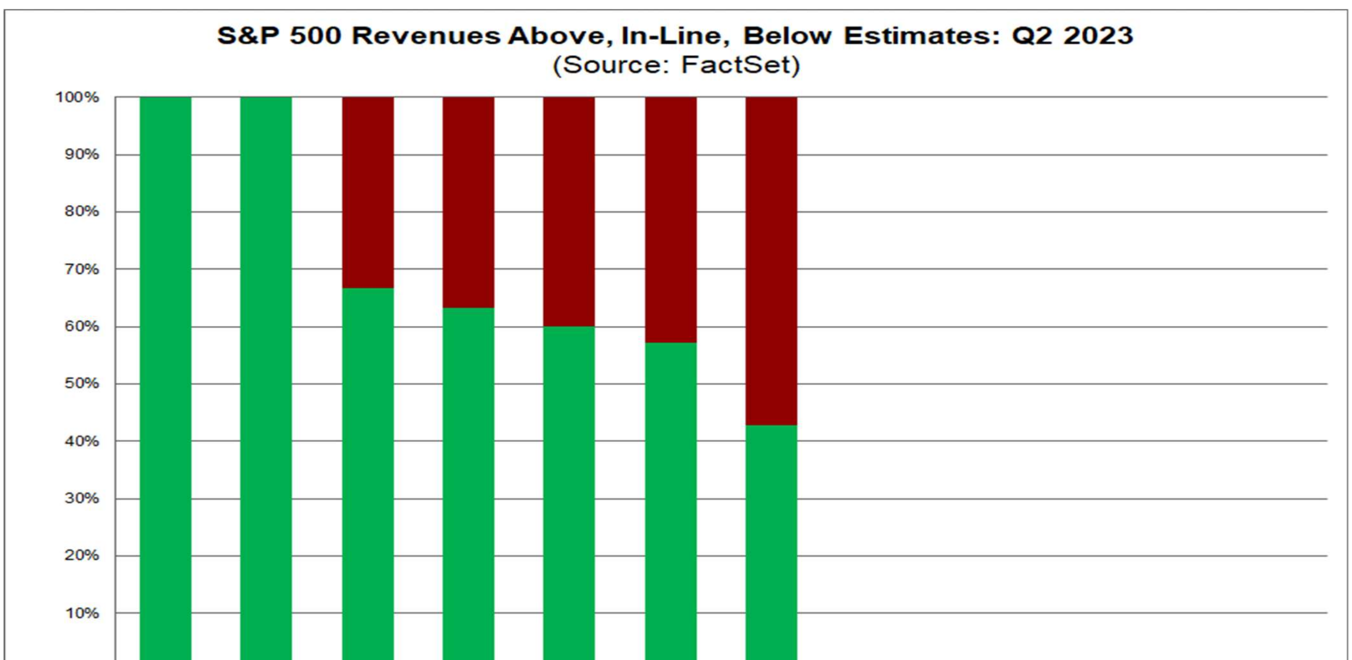
During the upcoming week, 60 S&P 500 companies (including 5 Dow 30 components) are scheduled to report results for the second quarter.

For a list of the high-profile S&P 500 companies reporting earnings next week and a schedule of their earnings calls, please go to the following link: https://www.factset.com/lp/quarterly-earnings-calls

Q2 2023: Scorecard

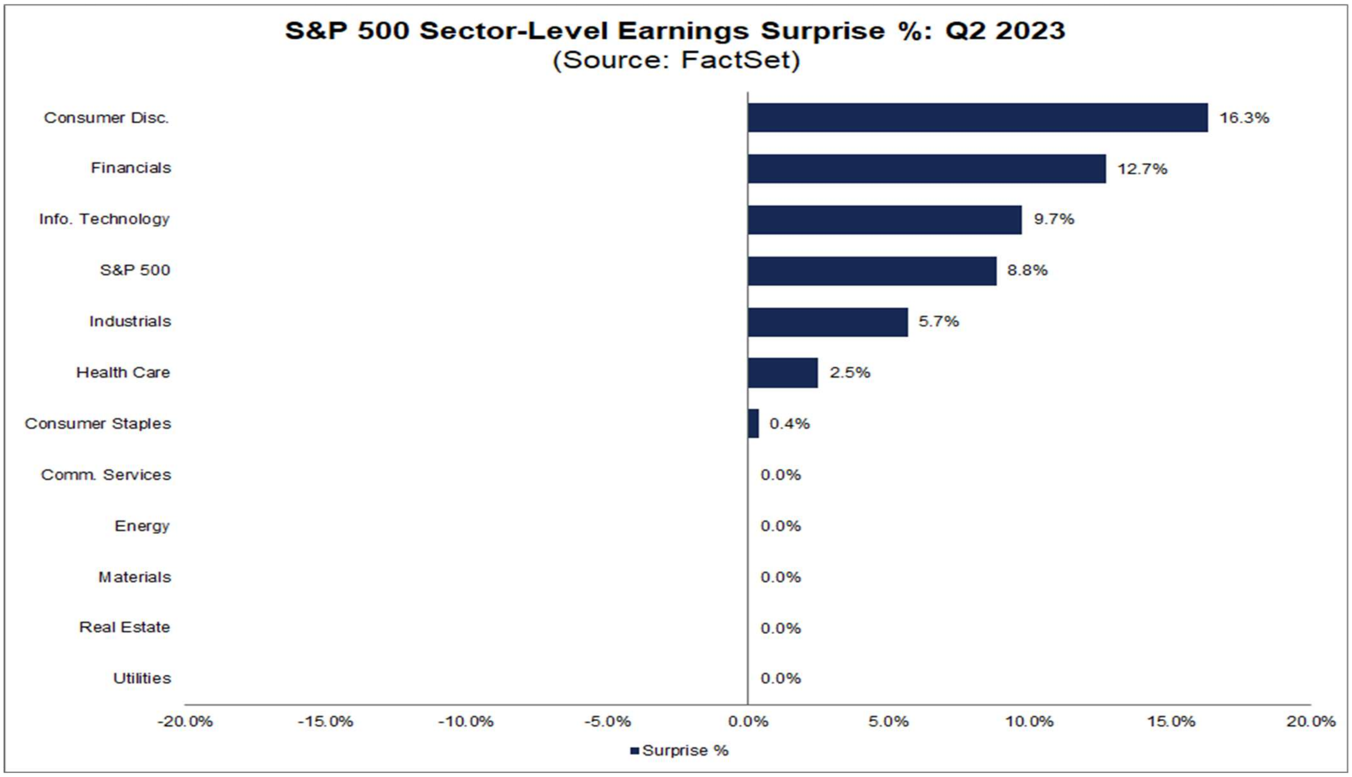


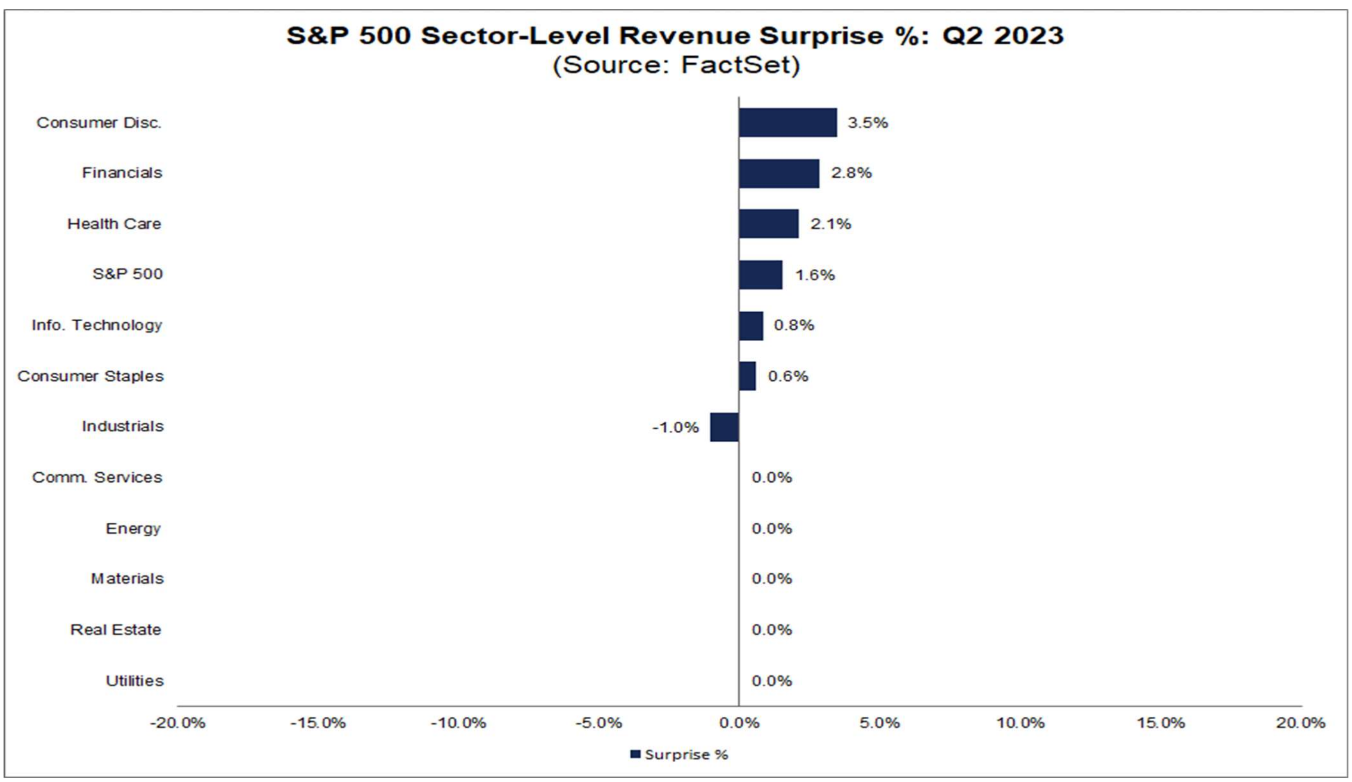
	Info. Technology	Health Care	Financials	Consumer Disc.	S&P 500	Consumer Staples	Industrials	Comm. Services	Energy	Materials	Real Estate	Utilities
Below	0%	0%	14%	17%	17%	29%	20%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	3%	0%	20%	0%	0%	0%	0%	0%
Above	100%	100%	86%	83%	80%	71%	60%	0%	0%	0%	0%	0%



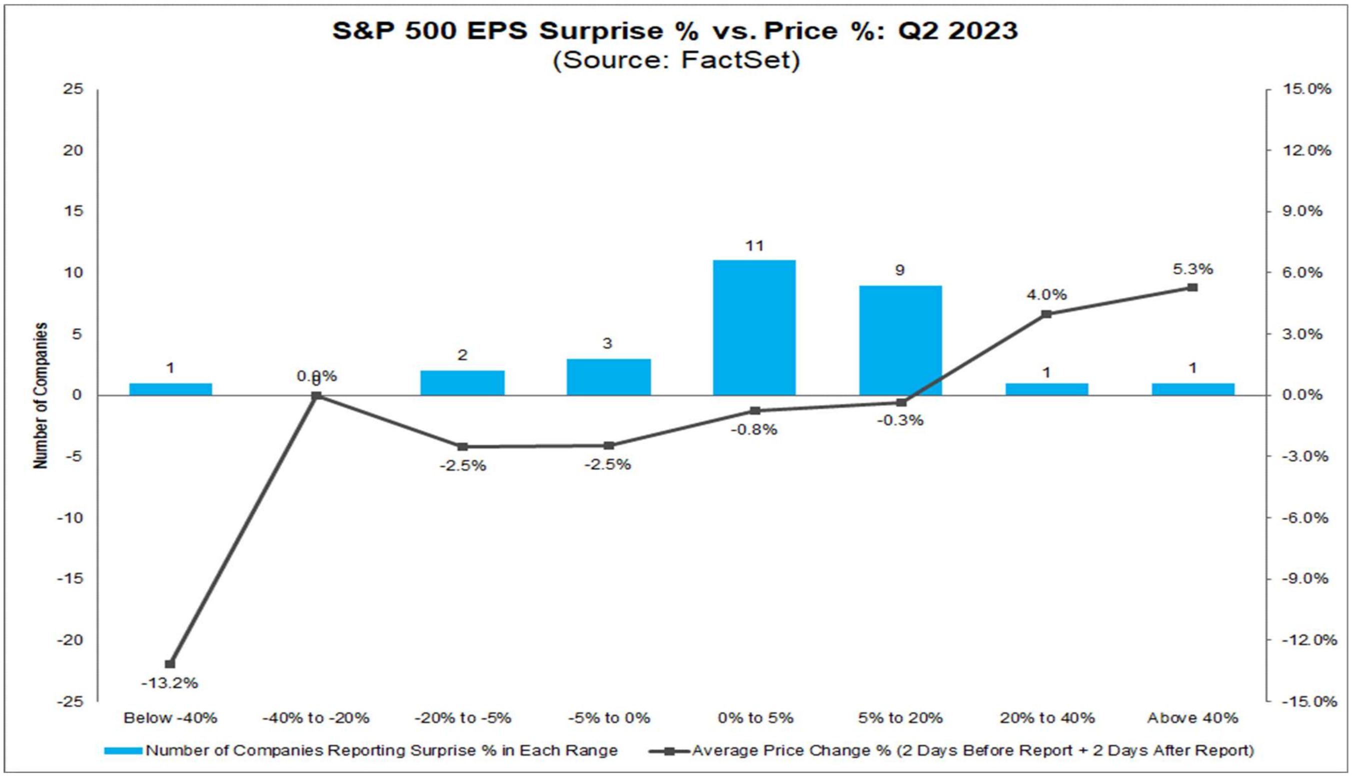
	Info. Technology	Health Care	Consumer Disc.	S&P 500	Industrials	Financials	Consumer Staples	Comm. Services	Energy	Materials	Real Estate	Utilities
Below	0%	0%	33%	37%	40%	43%	57%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	67%	63%	60%	57%	43%	0%	0%	0%	0%	0%

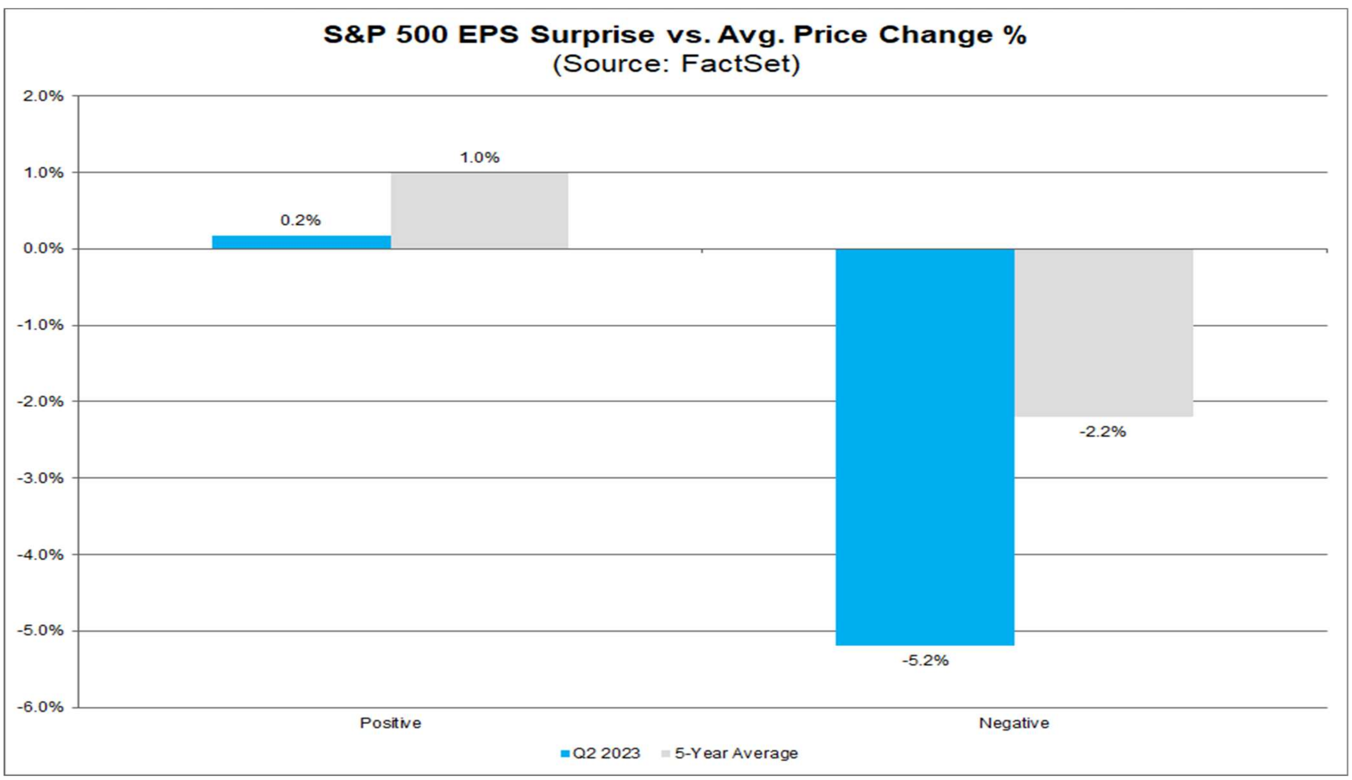
Q2 2023: Scorecard



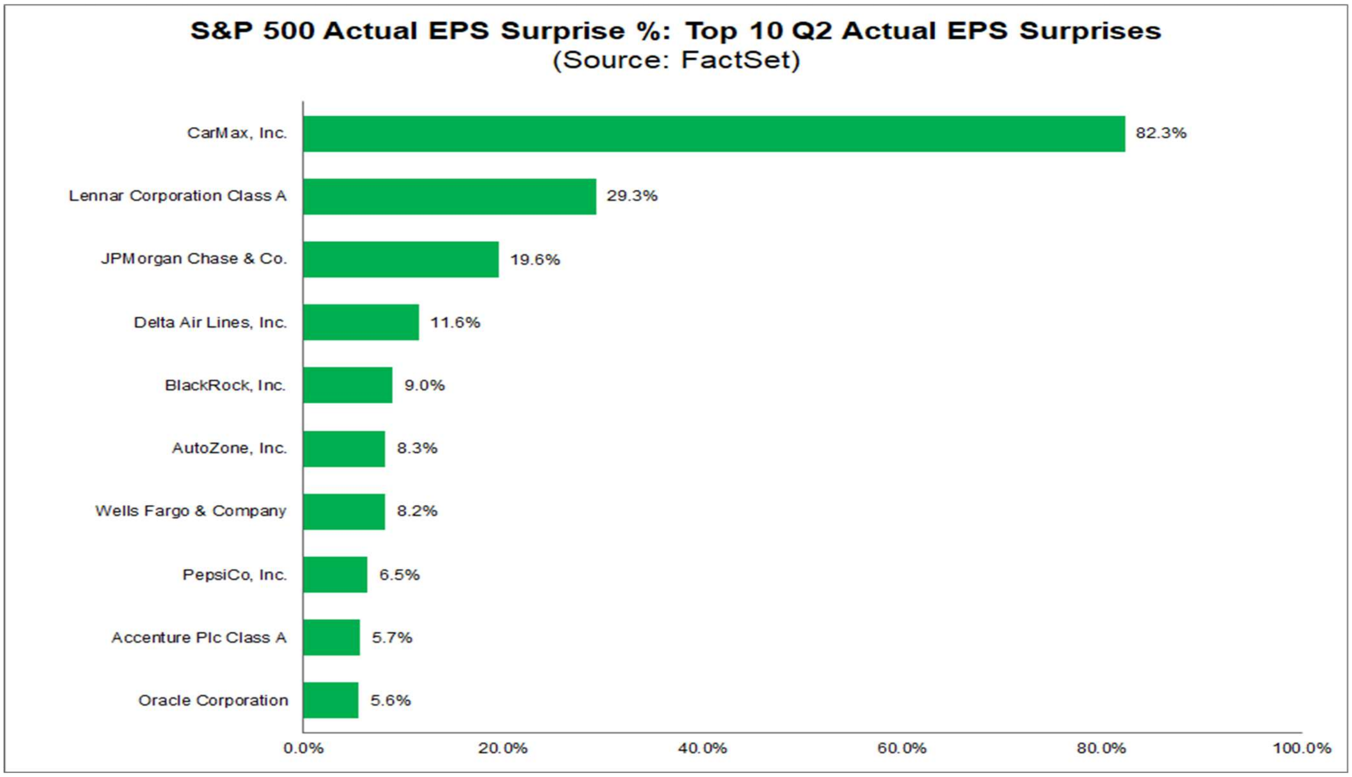


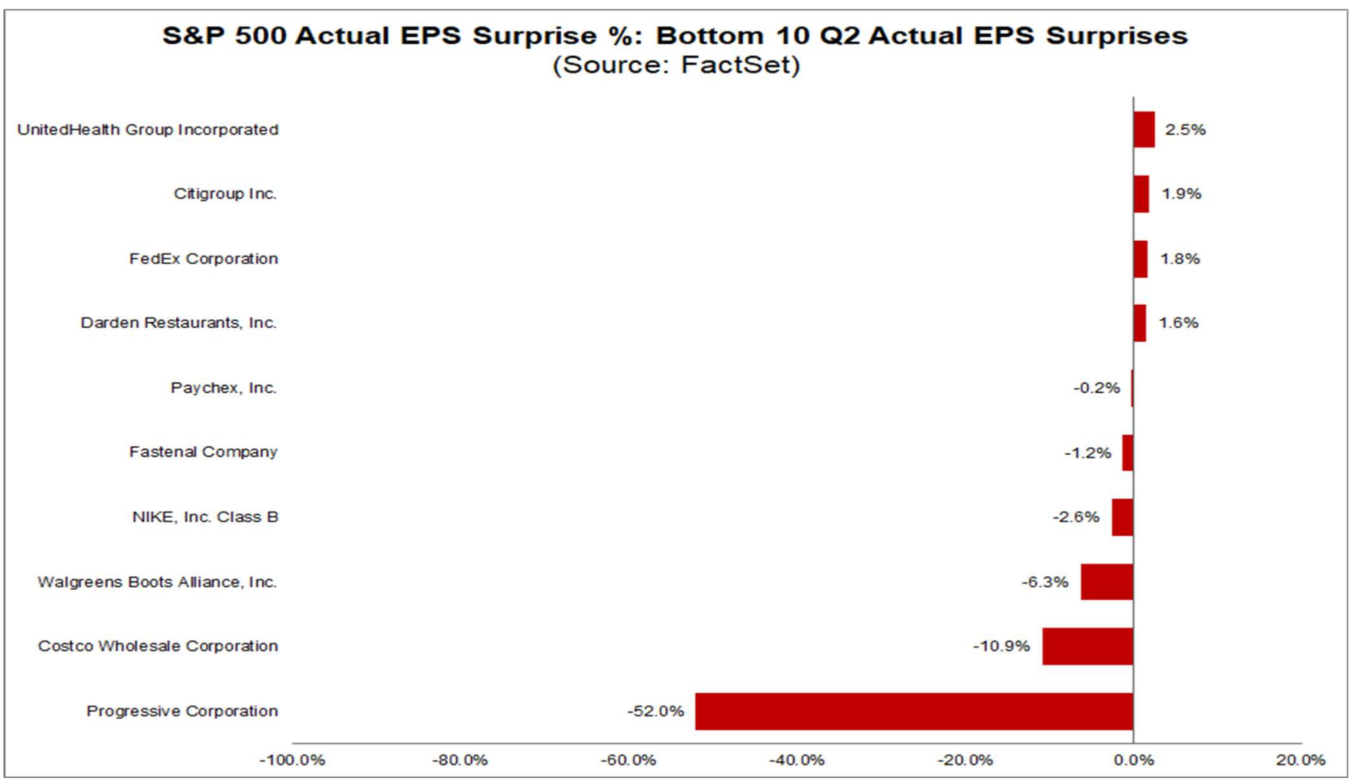
Q2 2023: Scorecard



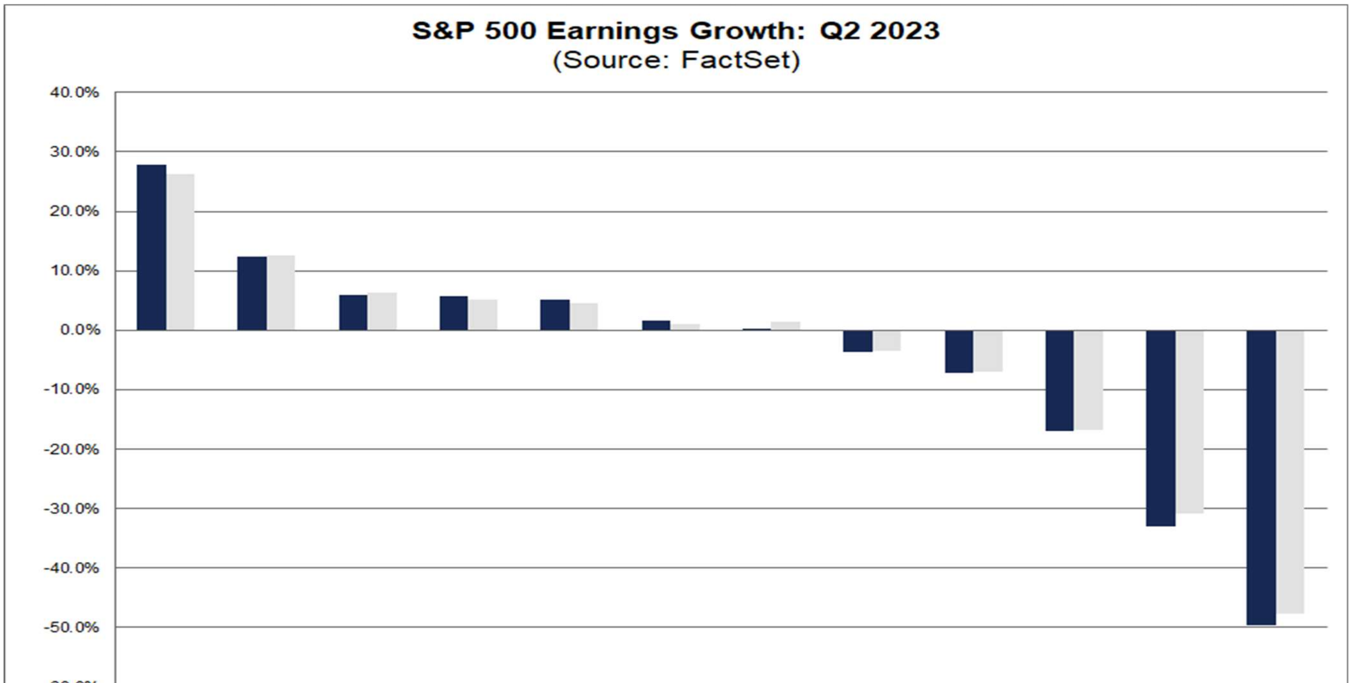


Q2 2023: Scorecard

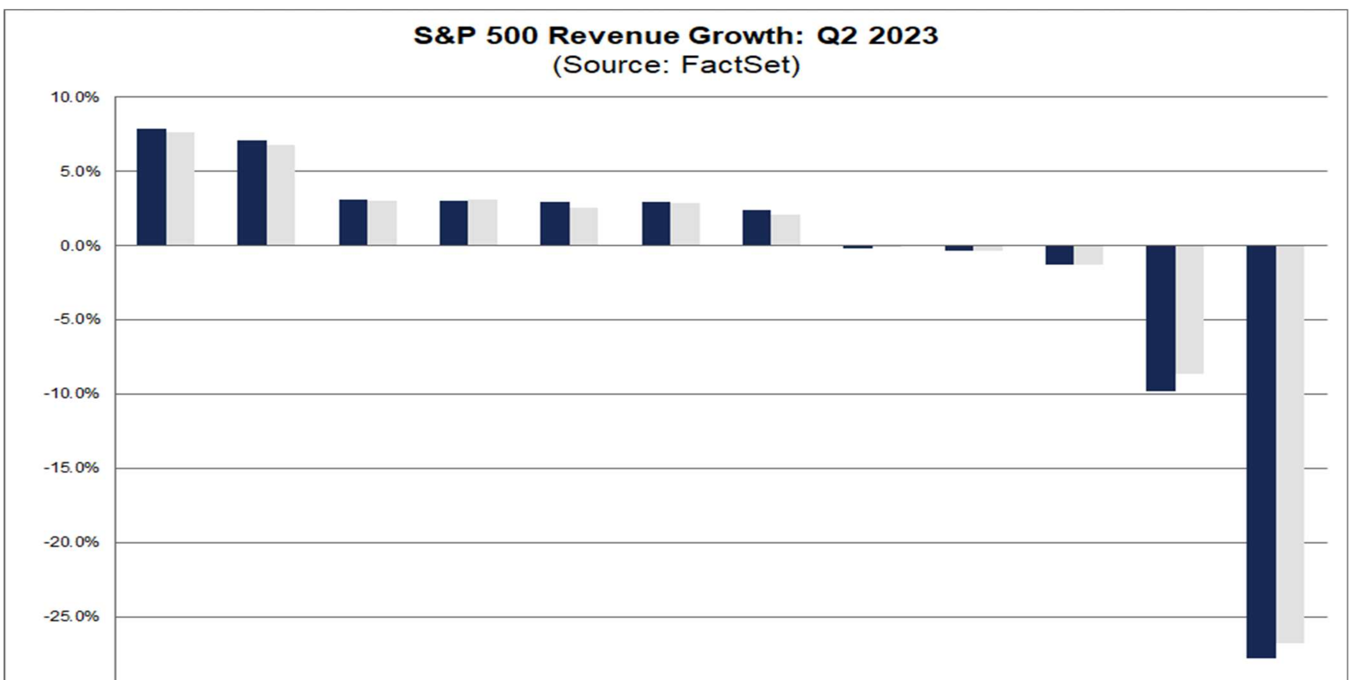




Q2 2023: Growth

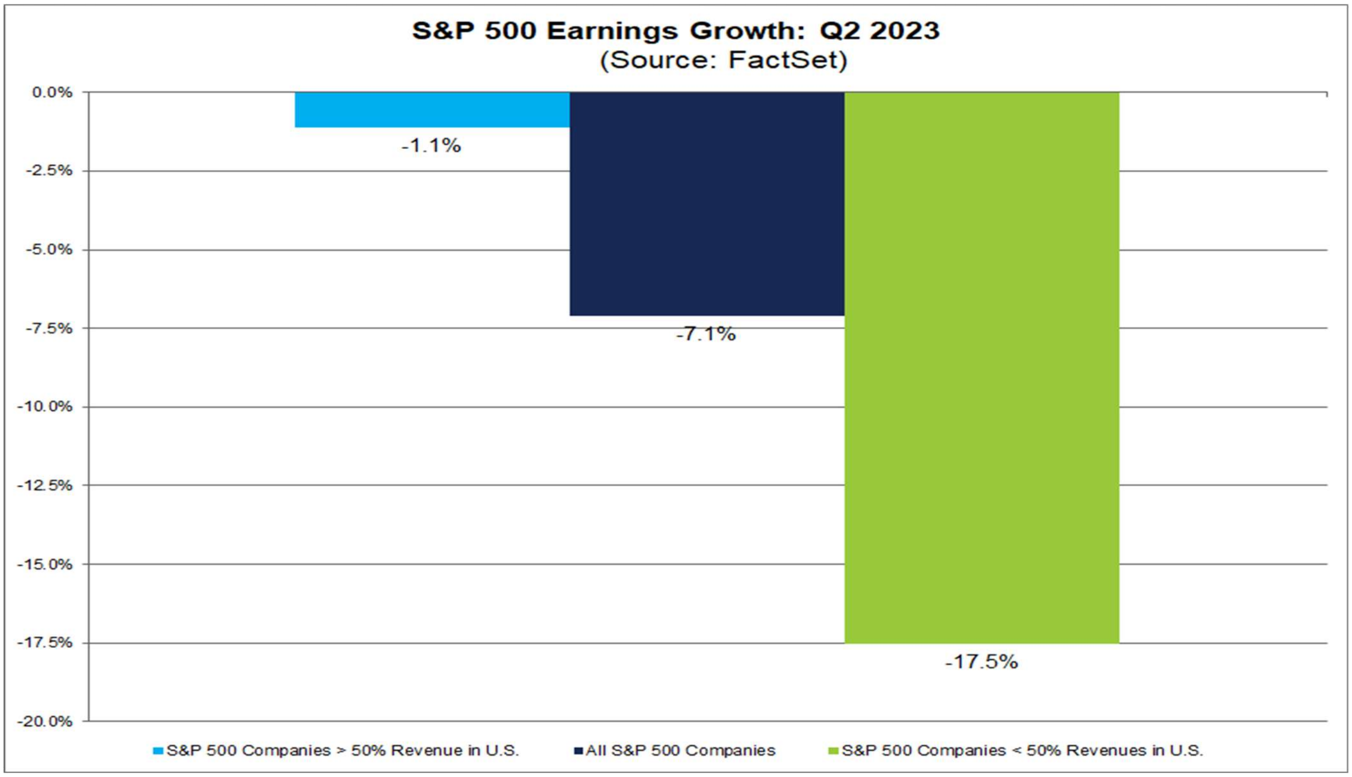


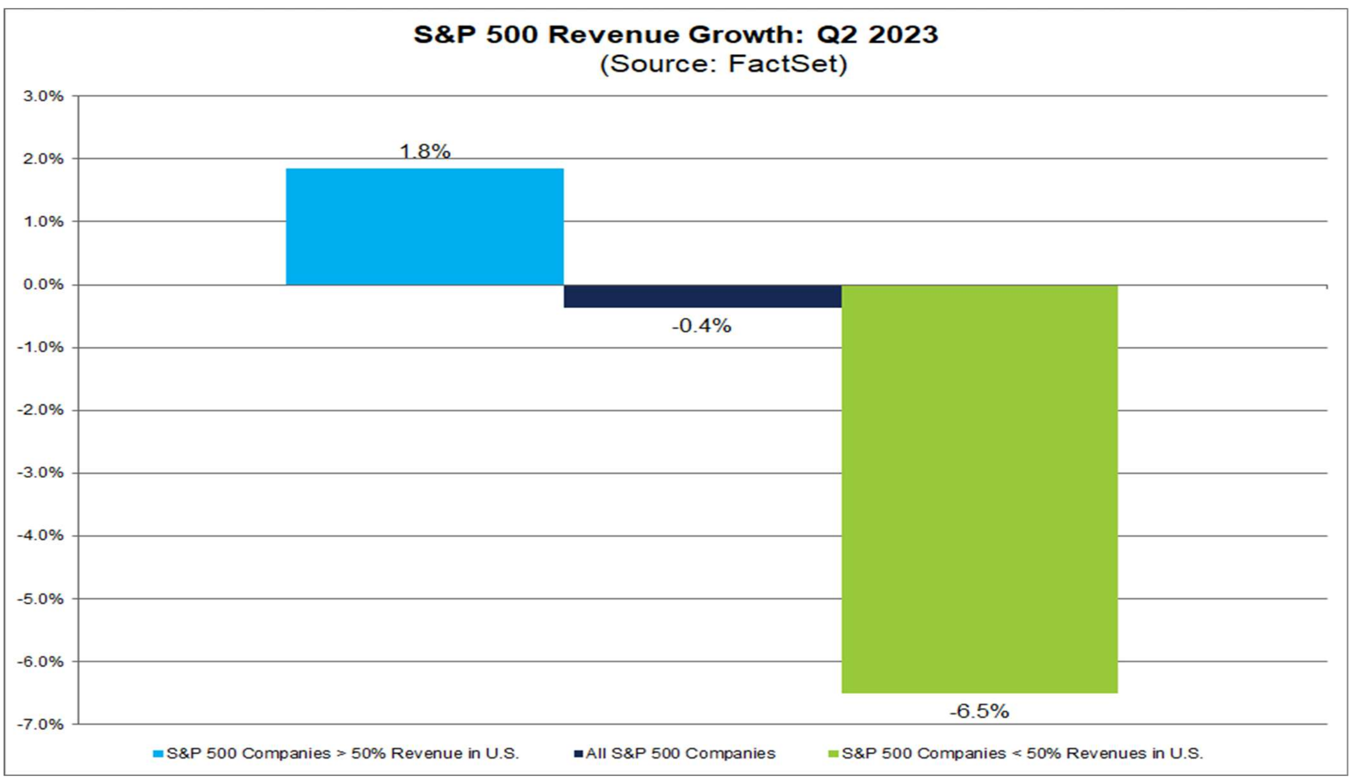
	Consumer Disc.	Comm. Services	Real Estate	Industrials	Financials	Consumer Staples	Utilities	Info. Technology	S&P 500	Health Care	Materials	Energy
Today	27.8%	12.4%	6.0%	5.8%	5.2%	1.7%	0.1%	-3.6%	-7.1%	-16.9%	-33.1%	-49.6%
30-Jun	26.2%	12.6%	6.3%	5.1%	4.6%	1.1%	1.3%	-3.5%	-7.0%	-16.8%	-30.8%	-47.7%



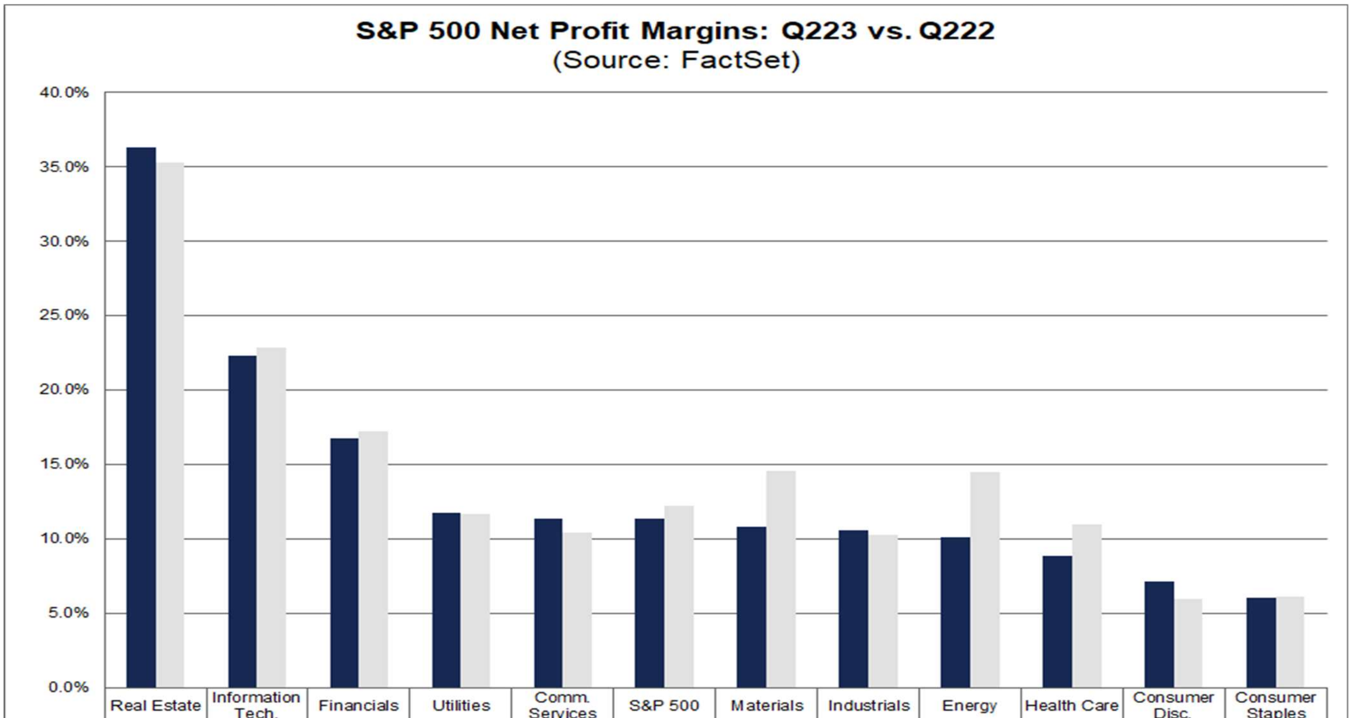
	Financials	Consumer Disc.	Consumer Staples	Real Estate	Health Care	Comm. Services	Industrials	Utilities	S&P 500	Info. Technology	Materials	Energy
Today	7.8%	7.1%	3.1%	3.0%	2.9%	2.9%	2.4%	-0.2%	-0.4%	-1.3%	-9.8%	-27.8%
30-Jun	7.6%	6.7%	3.0%	3.1%	2.5%	2.9%	2.1%	-0.1%	-0.4%	-1.3%	-8.7%	-26.8%

Q2 2023: Growth

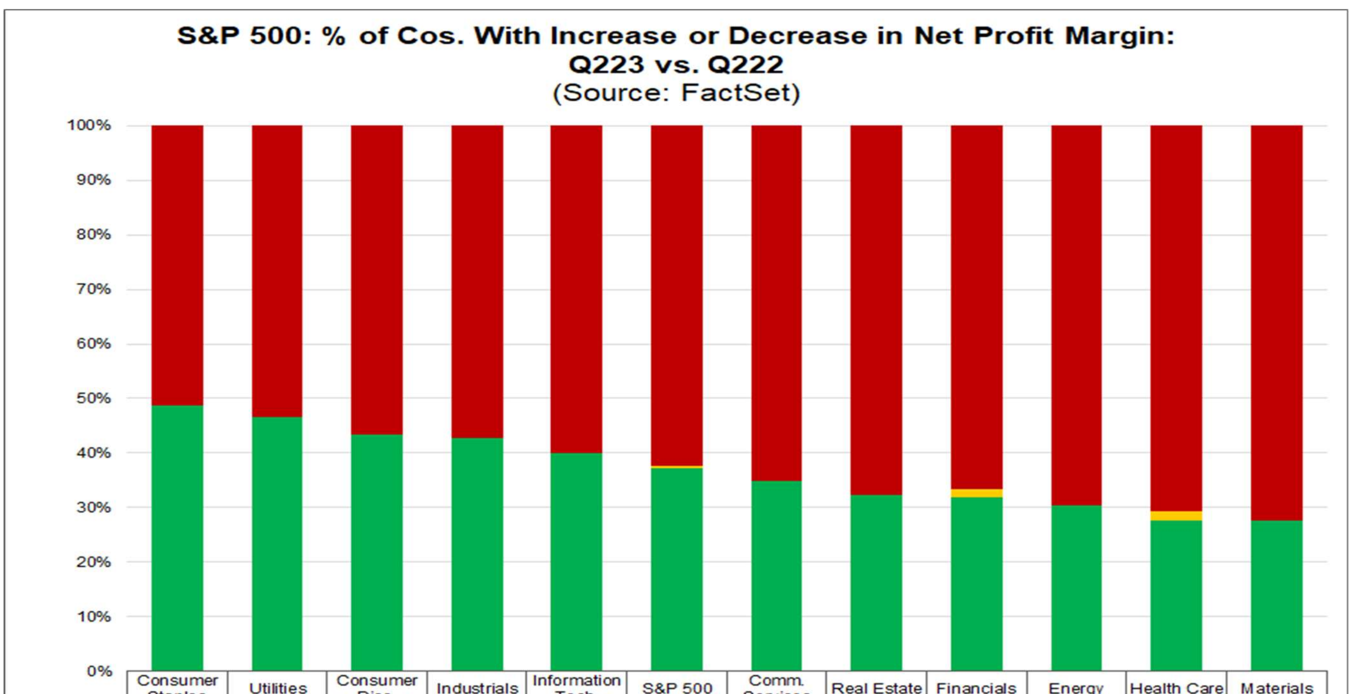




Q2 2023: Net Profit Margin

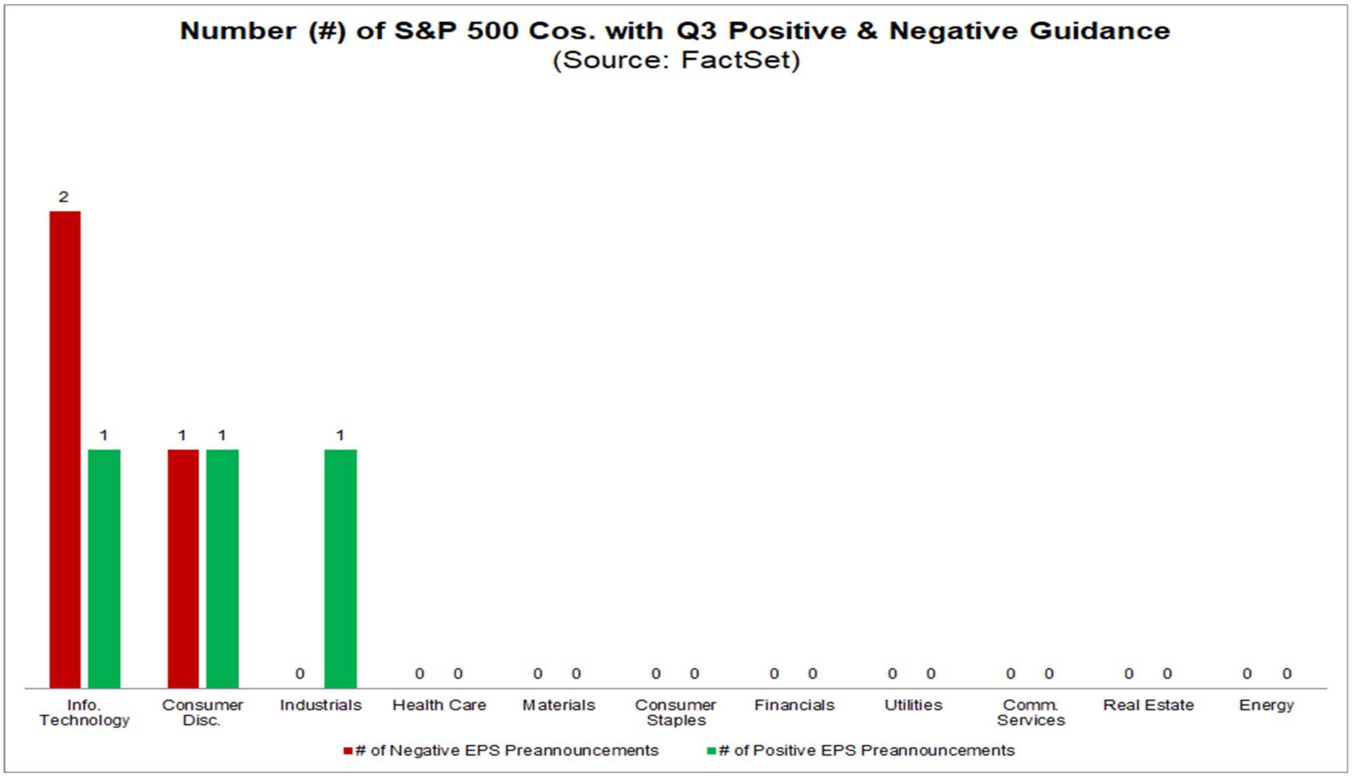


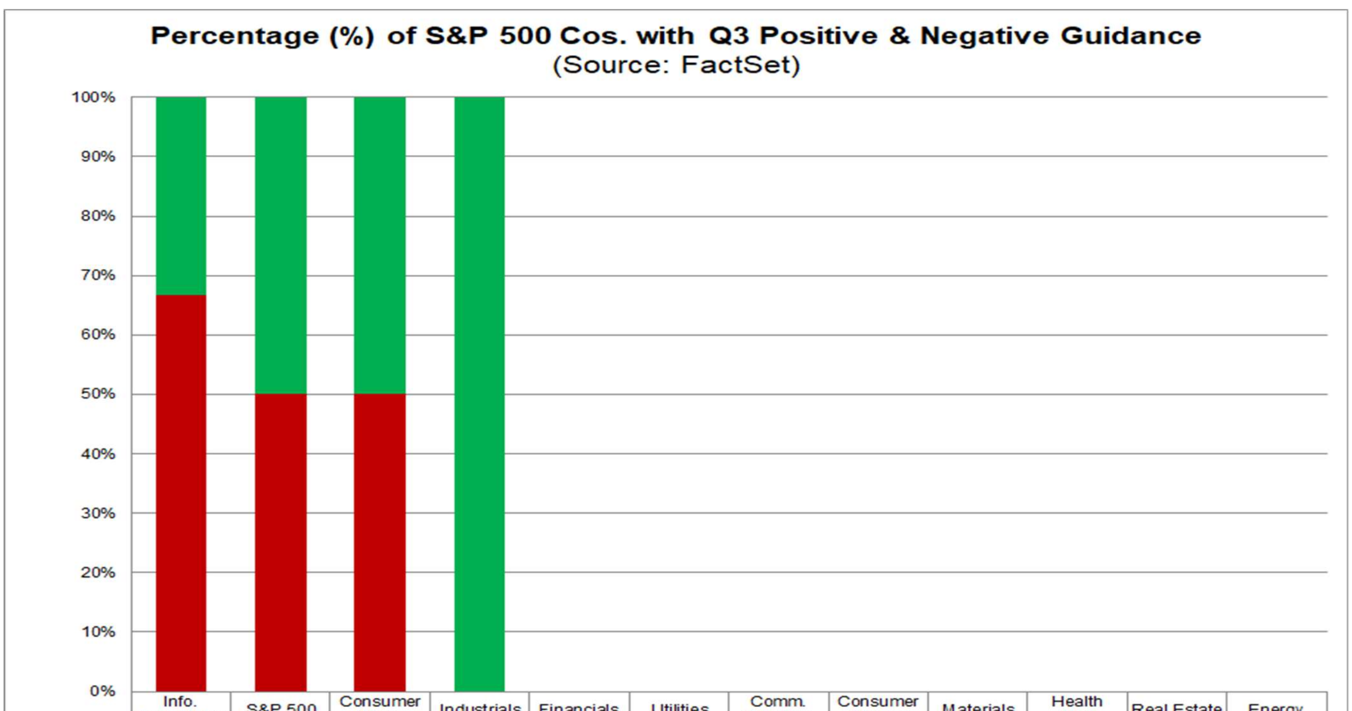
	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Materials	Industrials	Energy	Health Care	Consumer Disc.	Consumer Staples
Q223	36.3%	22.3%	16.8%	11.7%	11.4%	11.4%	10.8%	10.6%	10.1%	8.9%	7.1%	6.0%
Q222	35.3%	22.8%	17.2%	11.7%	10.4%	12.2%	14.5%	10.2%	14.4%	11.0%	6.0%	6.1%



	Consumer Staples	Utilities	Consumer Disc.	Industrials	Information Tech.	S&P 500	Comm. Services	Real Estate	Financials	Energy	Health Care	Materials
Down %	51%	53%	57%	57%	60%	62%	65%	68%	67%	70%	71%	72%
None %	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	2%	0%
Up %	49%	47%	43%	43%	40%	37%	35%	32%	32%	30%	28%	28%

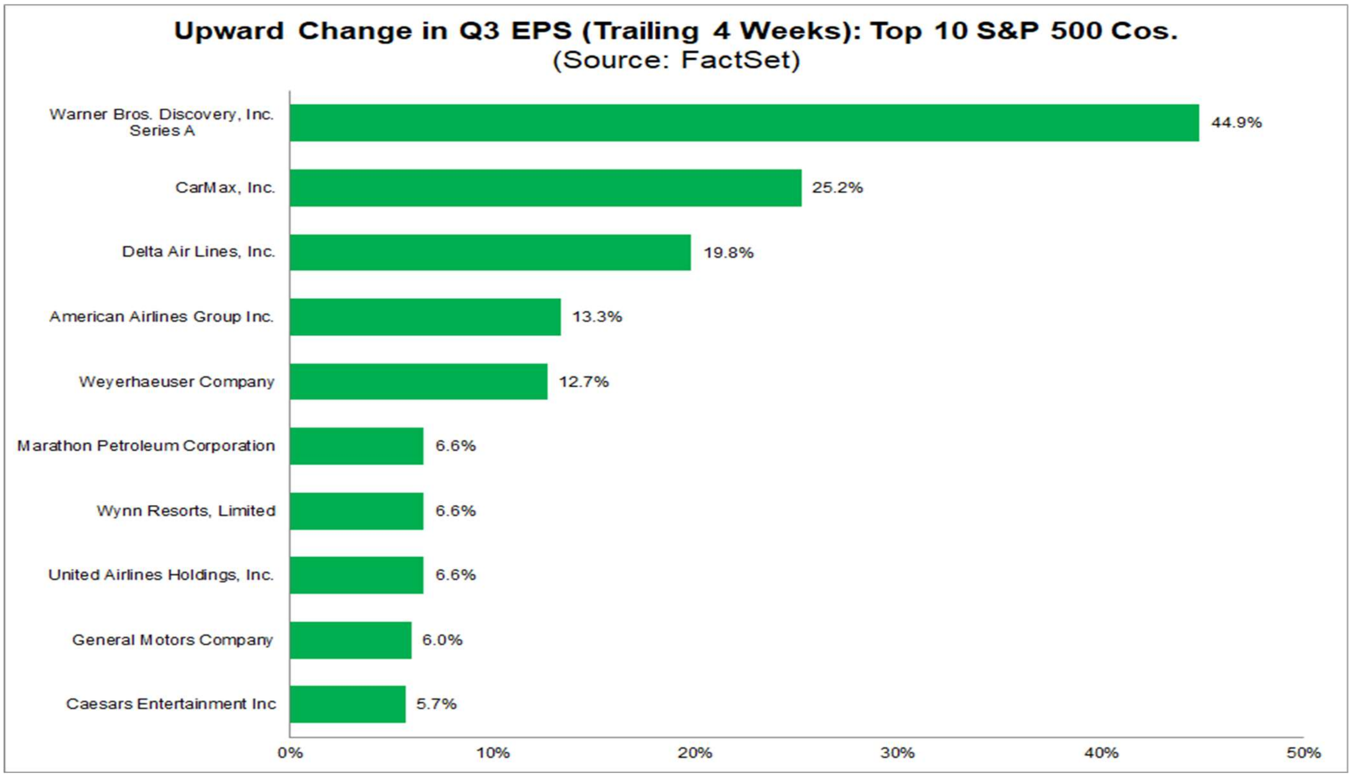
Q3 2023: Guidance

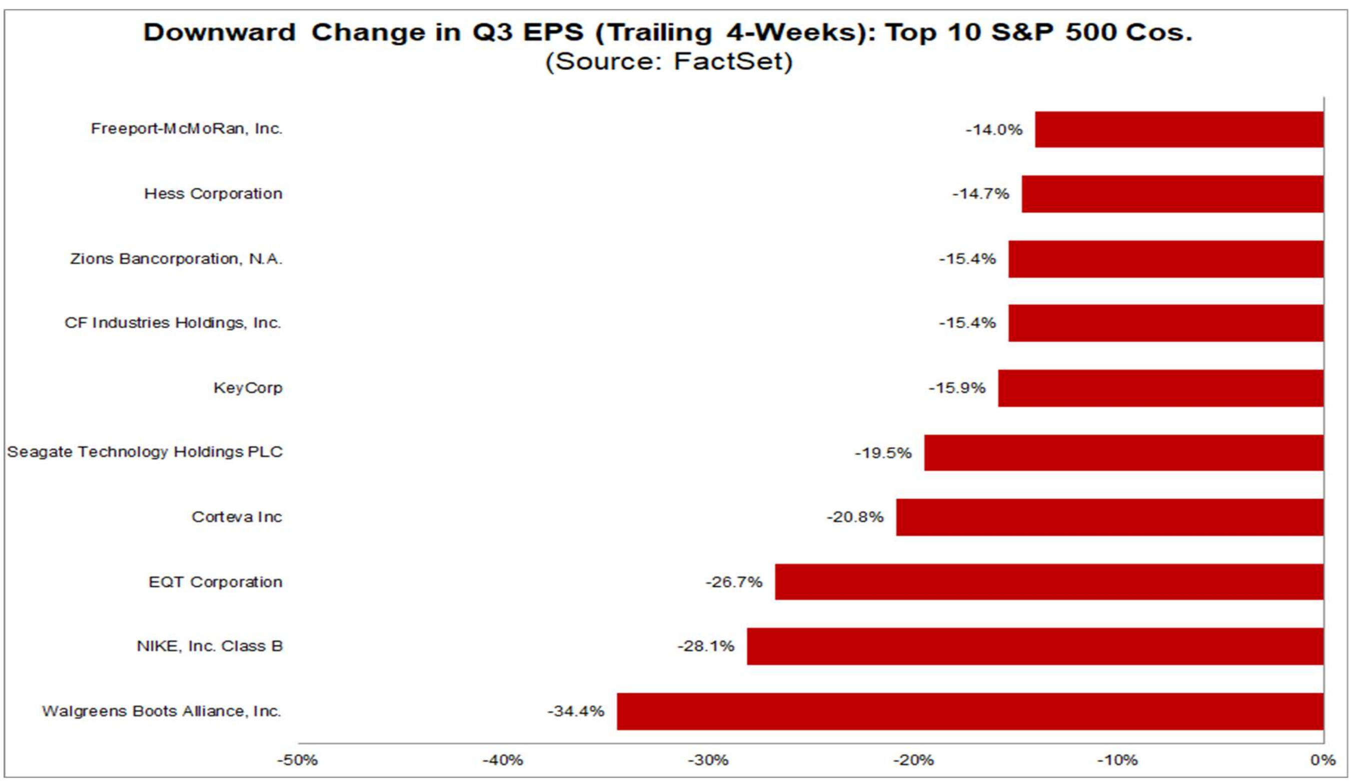




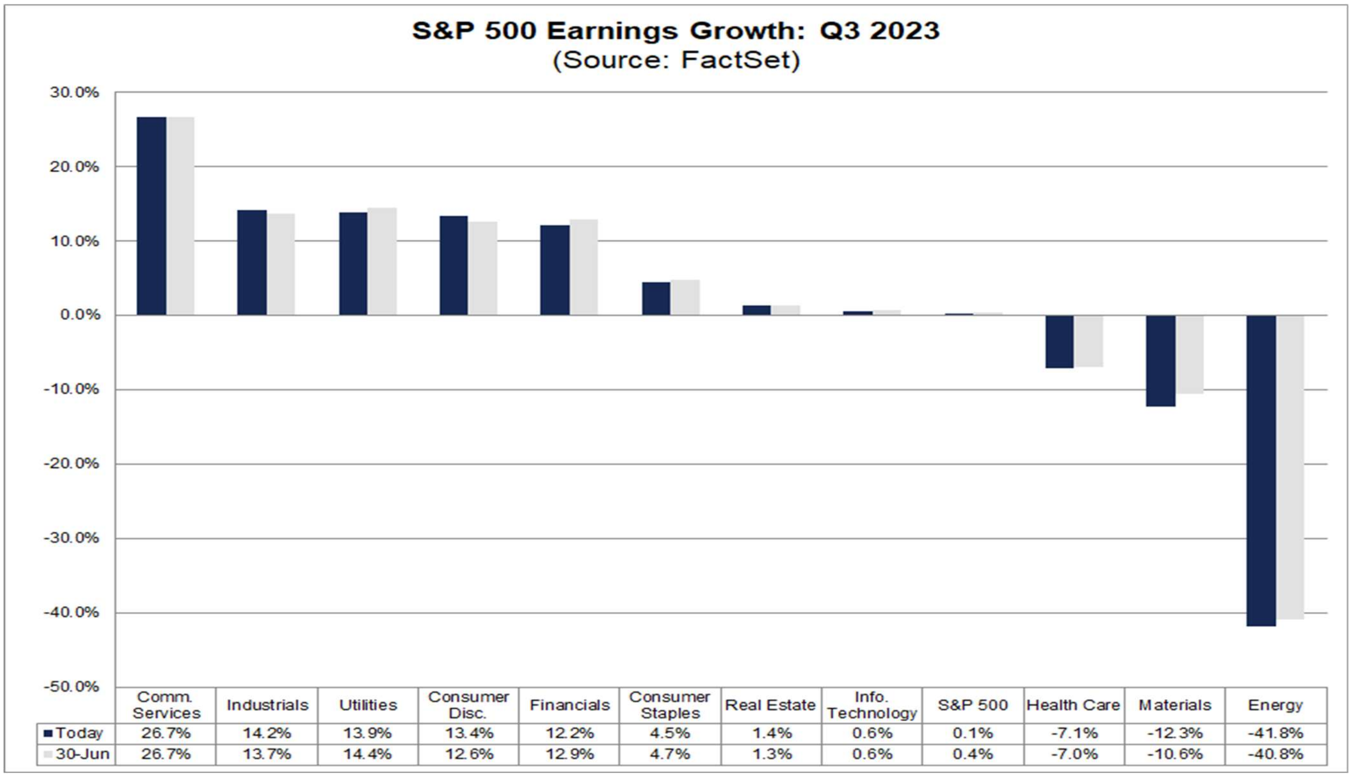
	Info. Technology	S&P 500	Consumer Disc.	Industrials	Financials	Utilities	Comm. Services	Consumer Staples	Materials	Health Care	Real Estate	Energy
Positive	33%	50%	50%	100%	0%	0%	0%	0%	0%	0%	0%	0%
Negative	67%	50%	50%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Q3 2023: EPS Revisions

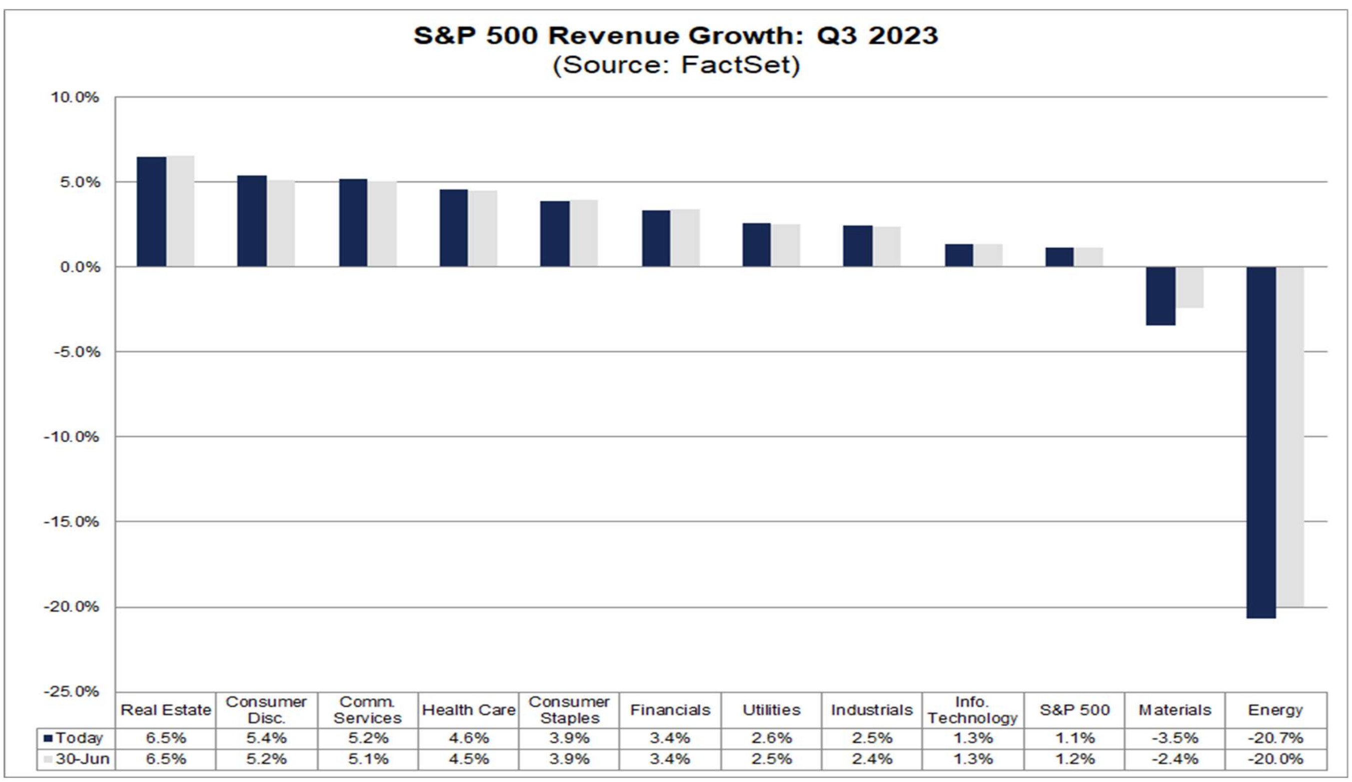




Q3 2023: Growth

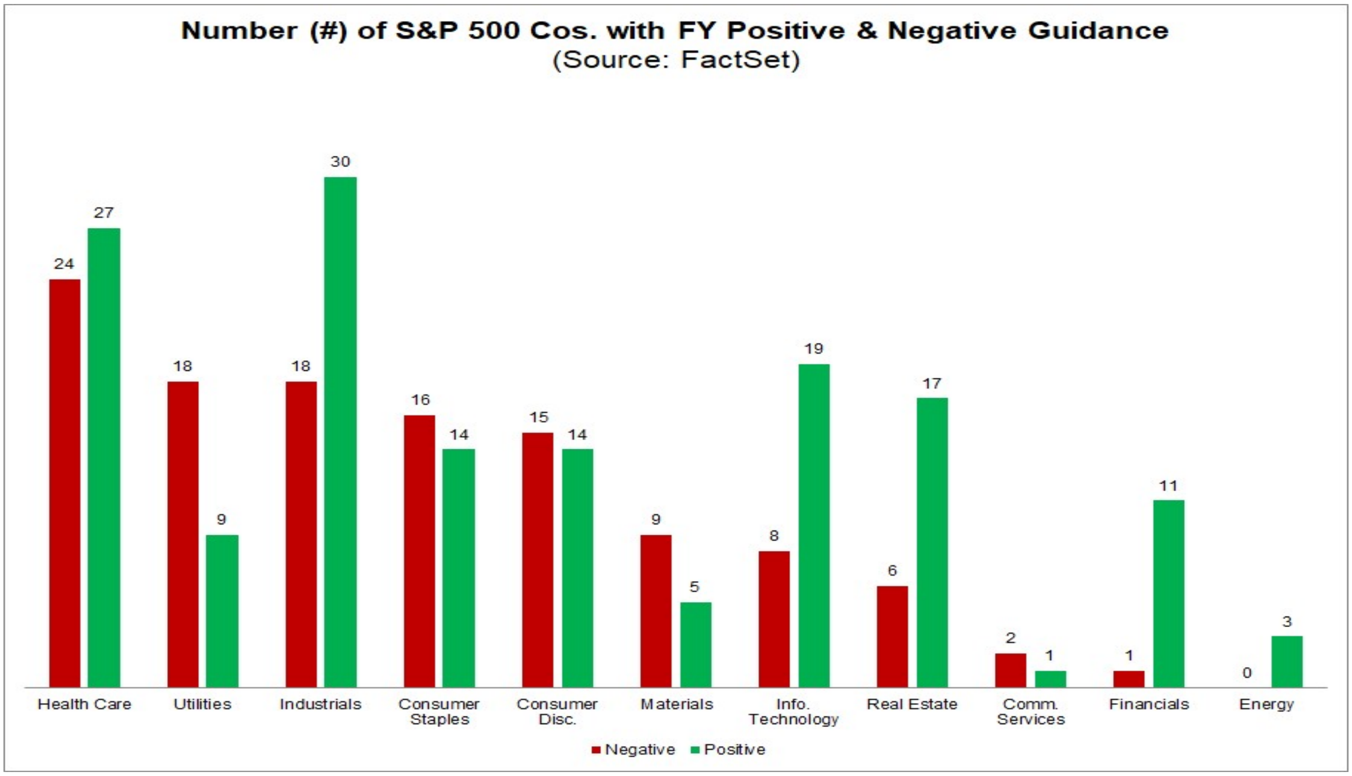


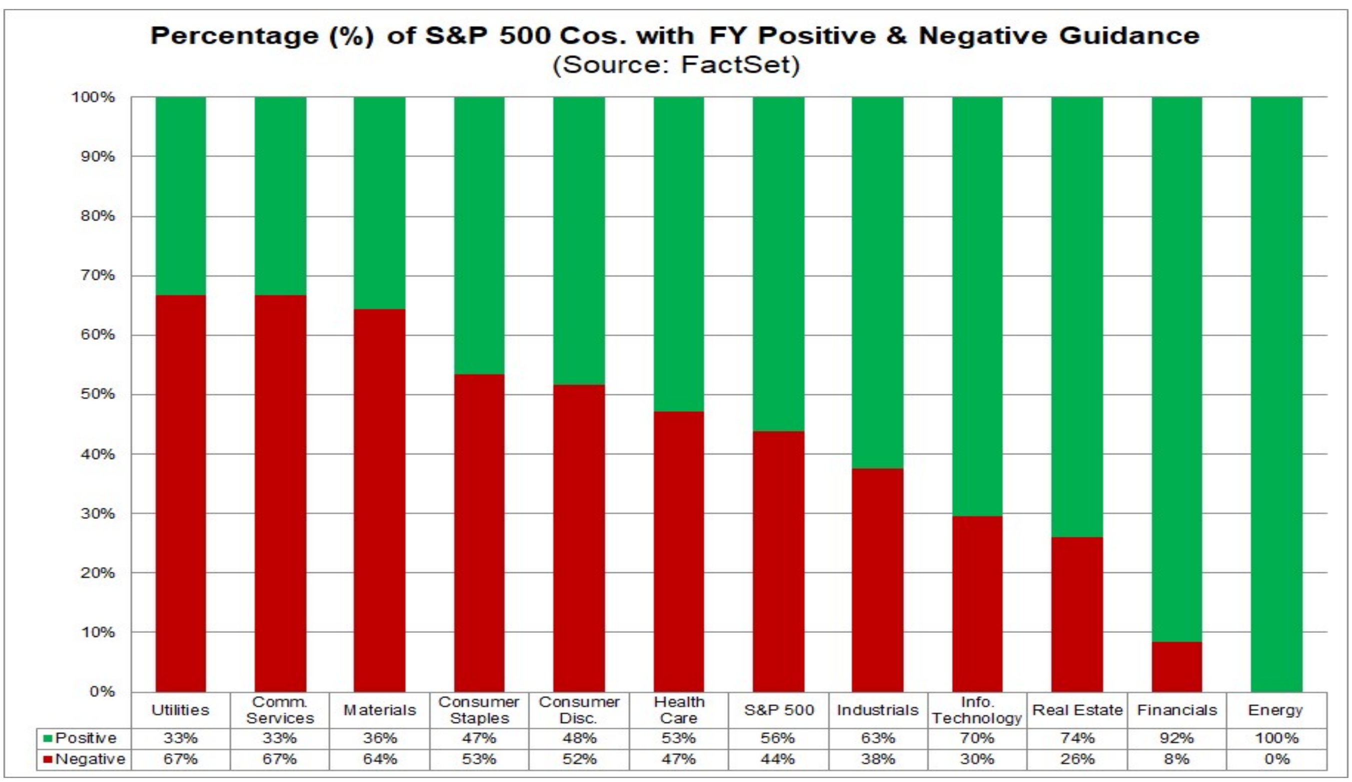
	Comm. Services	Industrials	Utilities	Consumer Disc.	Financials	Consumer Staples	Real Estate	Info. Technology	S&P 500	Health Care	Materials	Energy
Today	26.7%	14.2%	13.9%	13.4%	12.2%	4.5%	1.4%	0.6%	0.1%	-7.1%	-12.3%	-41.8%
30-Jun	26.7%	13.7%	14.4%	12.6%	12.9%	4.7%	1.3%	0.6%	0.4%	-7.0%	-10.6%	-40.8%



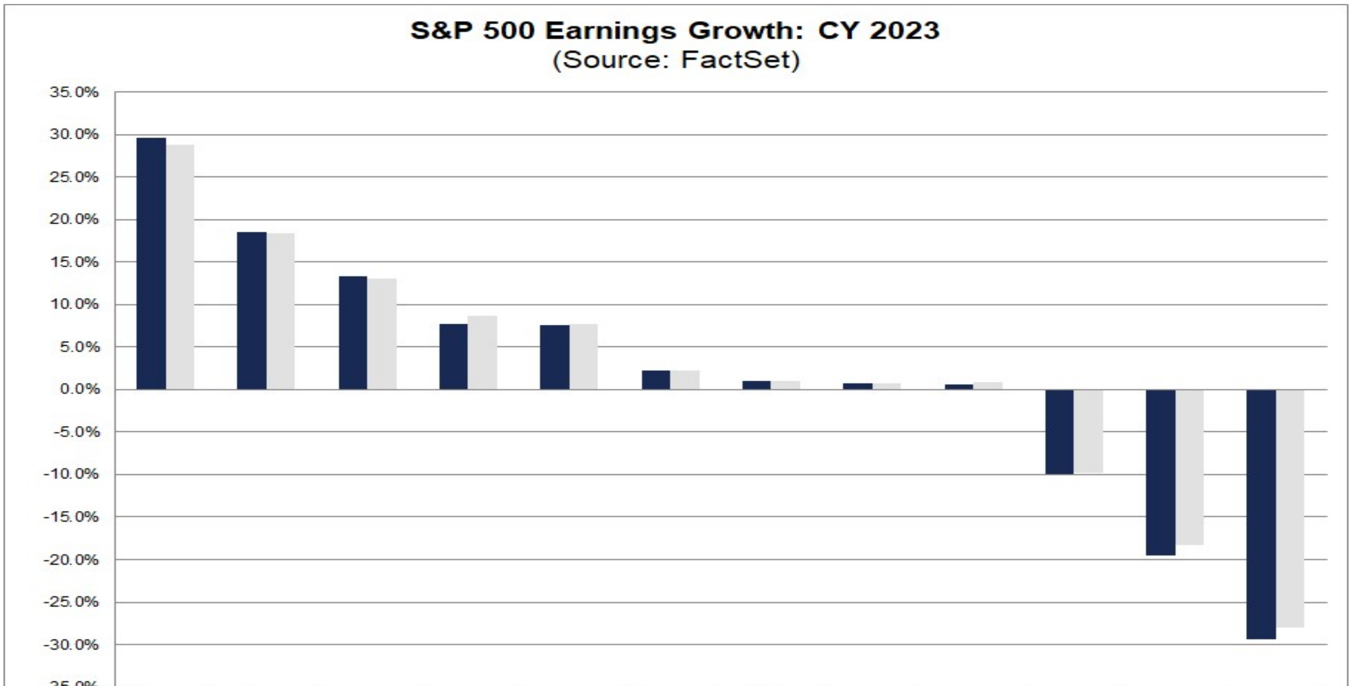
	Real Estate	Consumer Disc.	Comm. Services	Health Care	Consumer Staples	Financials	Utilities	Industrials	Info. Technology	S&P 500	Materials	Energy
Today	6.5%	5.4%	5.2%	4.6%	3.9%	3.4%	2.6%	2.5%	1.3%	1.1%	-3.5%	-20.7%
30-Jun	6.5%	5.2%	5.1%	4.5%	3.9%	3.4%	2.5%	2.4%	1.3%	1.2%	-2.4%	-20.0%

FY 2023 / 2024: EPS Guidance

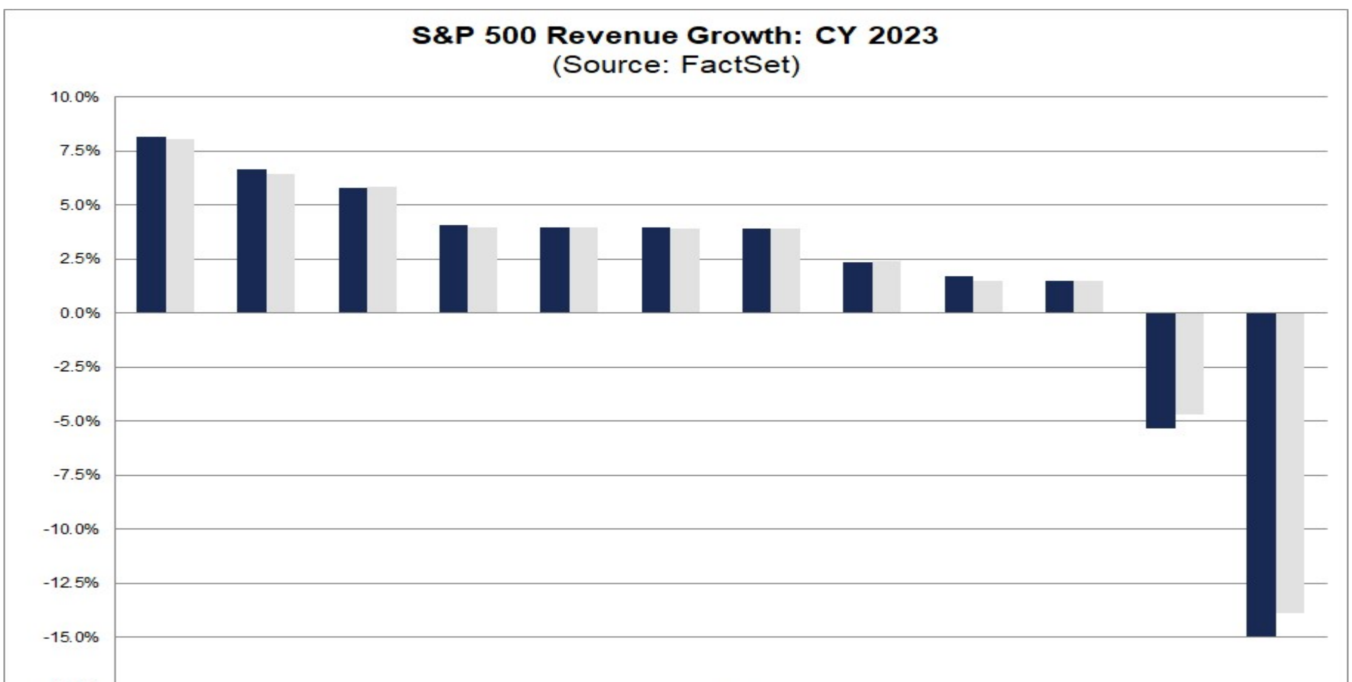




CY 2023: Growth

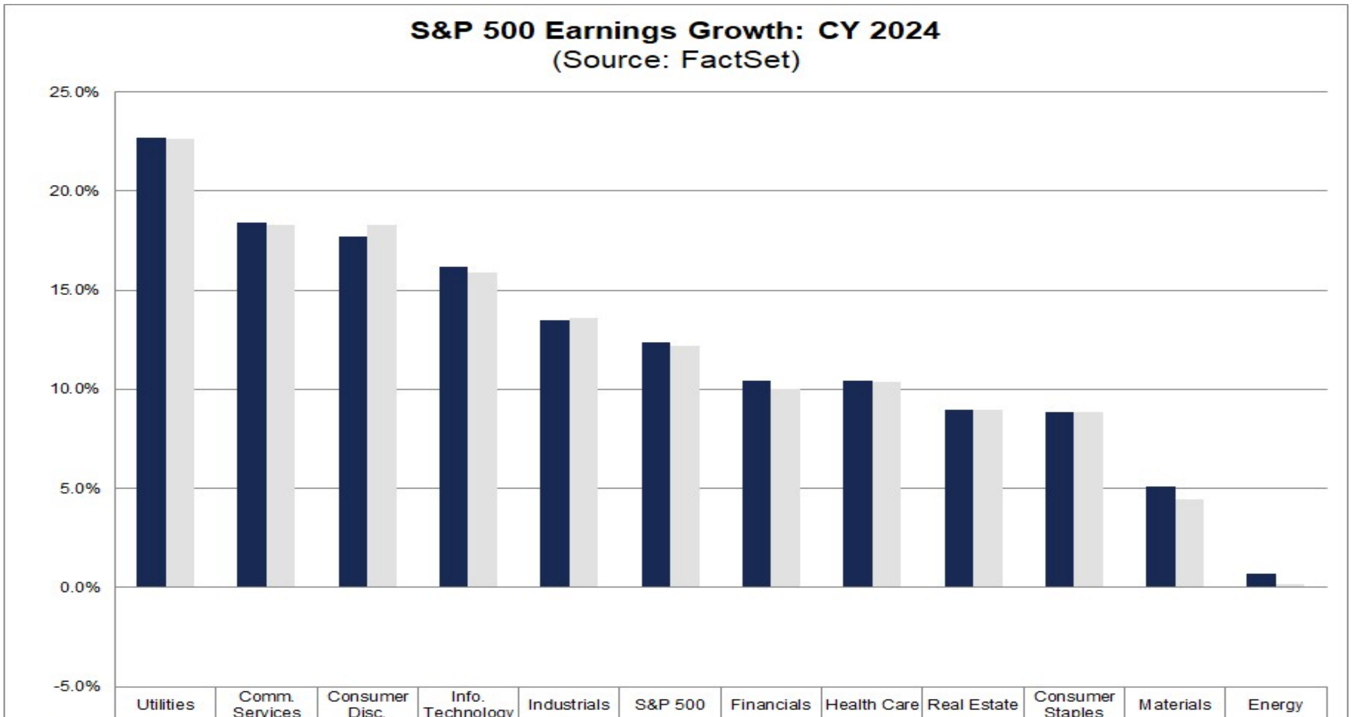


	Consumer Disc.	Comm. Services	Industrials	Financials	Utilities	Consumer Staples	Info. Technology	Real Estate	S&P 500	Health Care	Materials	Energy
Today	29.6%	18.6%	13.4%	7.7%	7.6%	2.3%	1.0%	0.8%	0.6%	-10.0%	-19.5%	-29.4%
30-Jun	28.8%	18.4%	13.1%	8.7%	7.7%	2.2%	1.0%	0.8%	0.9%	-9.8%	-18.3%	-27.9%

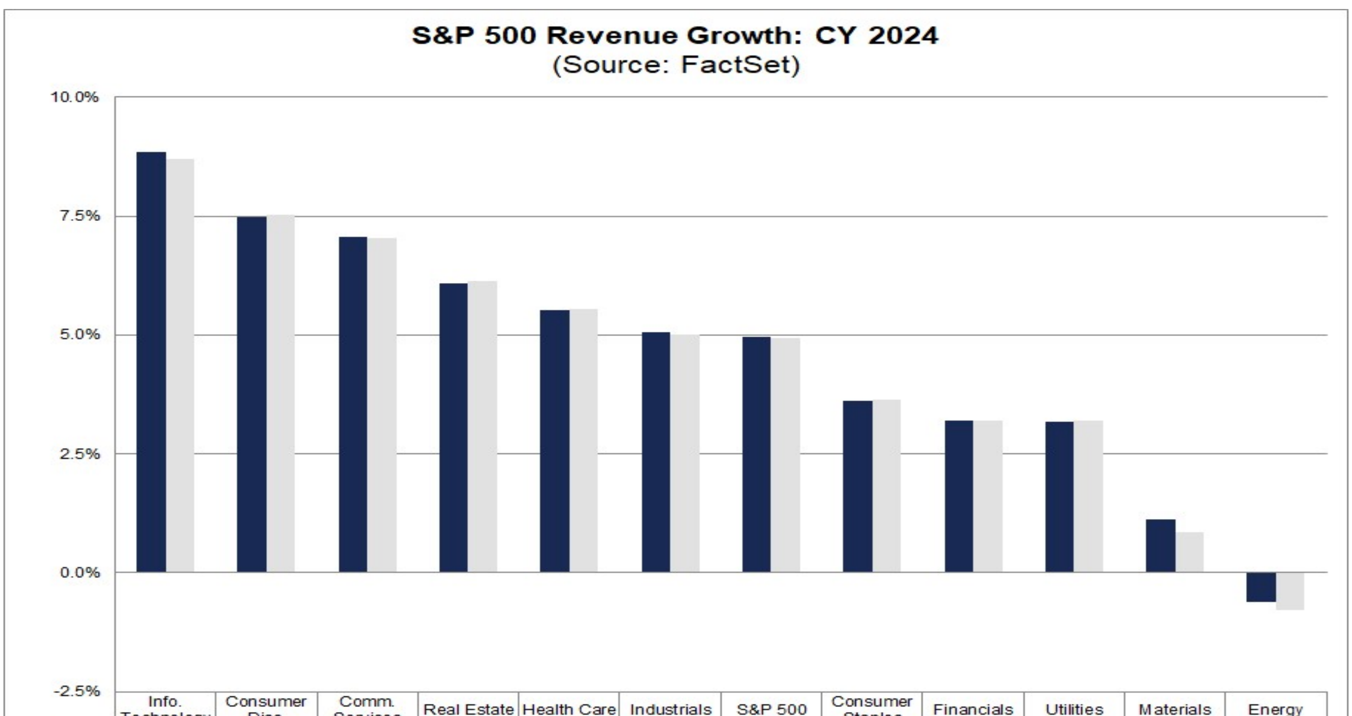


	Financials	Consumer Disc.	Real Estate	Industrials	Health Care	Comm. Services	Consumer Staples	S&P 500	Utilities	Info. Technology	Materials	Energy
Today	8.2%	6.7%	5.8%	4.1%	4.0%	3.9%	3.9%	2.3%	1.7%	1.5%	-5.3%	-15.0%
30-Jun	8.1%	6.5%	5.9%	4.0%	4.0%	3.9%	3.9%	2.4%	1.5%	1.5%	-4.7%	-13.9%

CY 2024: Growth

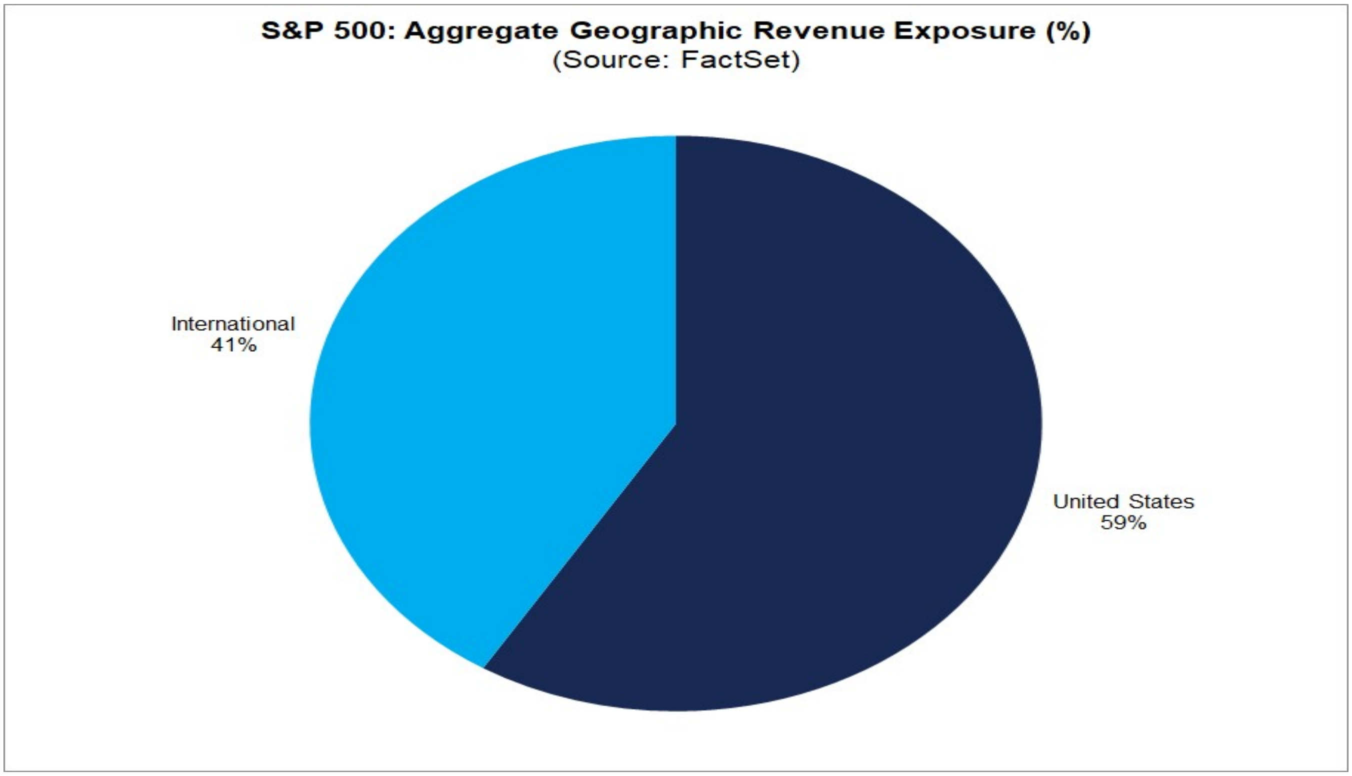


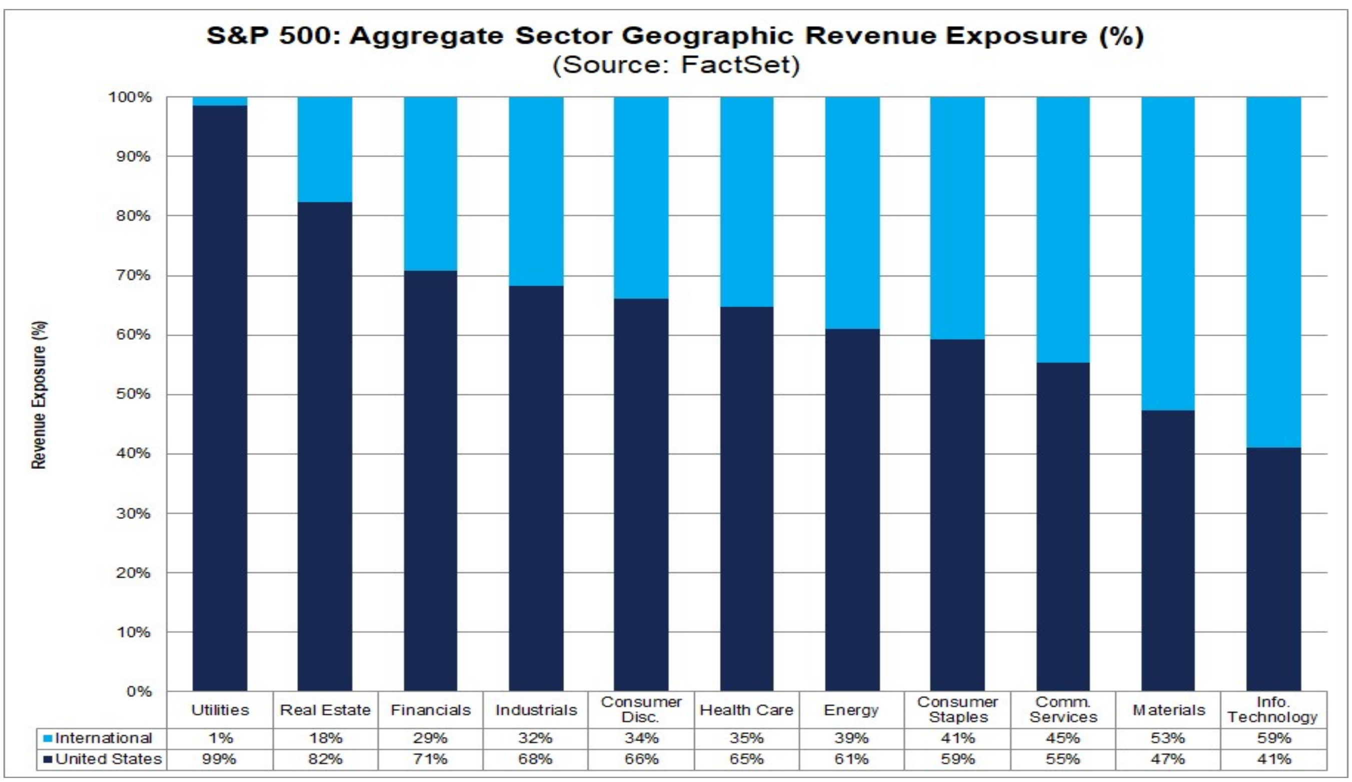
	Utilities	Comm. Services	Consumer Disc.	Info. Technology	Industrials	S&P 500	Financials	Health Care	Real Estate	Consumer Staples	Materials	Energy
Today	22.7%	18.4%	17.7%	16.2%	13.5%	12.4%	10.5%	10.4%	9.0%	8.8%	5.1%	0.7%
30-Jun	22.6%	18.3%	18.3%	15.9%	13.6%	12.2%	10.0%	10.4%	9.0%	8.9%	4.5%	0.1%



	Info. Technology	Consumer Disc.	Comm. Services	Real Estate	Health Care	Industrials	S&P 500	Consumer Staples	Financials	Utilities	Materials	Energy
Today	8.8%	7.5%	7.1%	6.1%	5.5%	5.0%	5.0%	3.6%	3.2%	3.2%	1.1%	-0.6%
30-Jun	8.7%	7.5%	7.0%	6.1%	5.6%	5.0%	4.9%	3.6%	3.2%	3.2%	0.8%	-0.8%

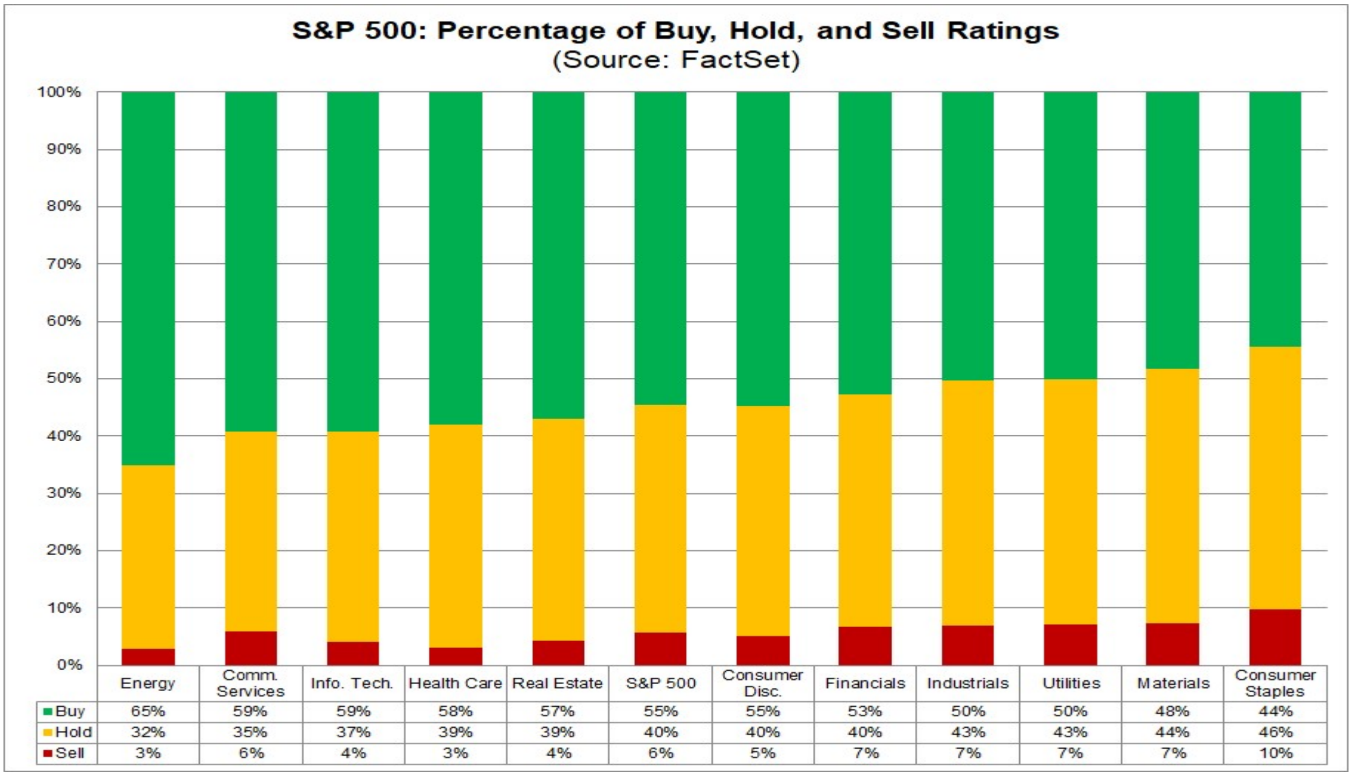
Geographic Revenue Exposure

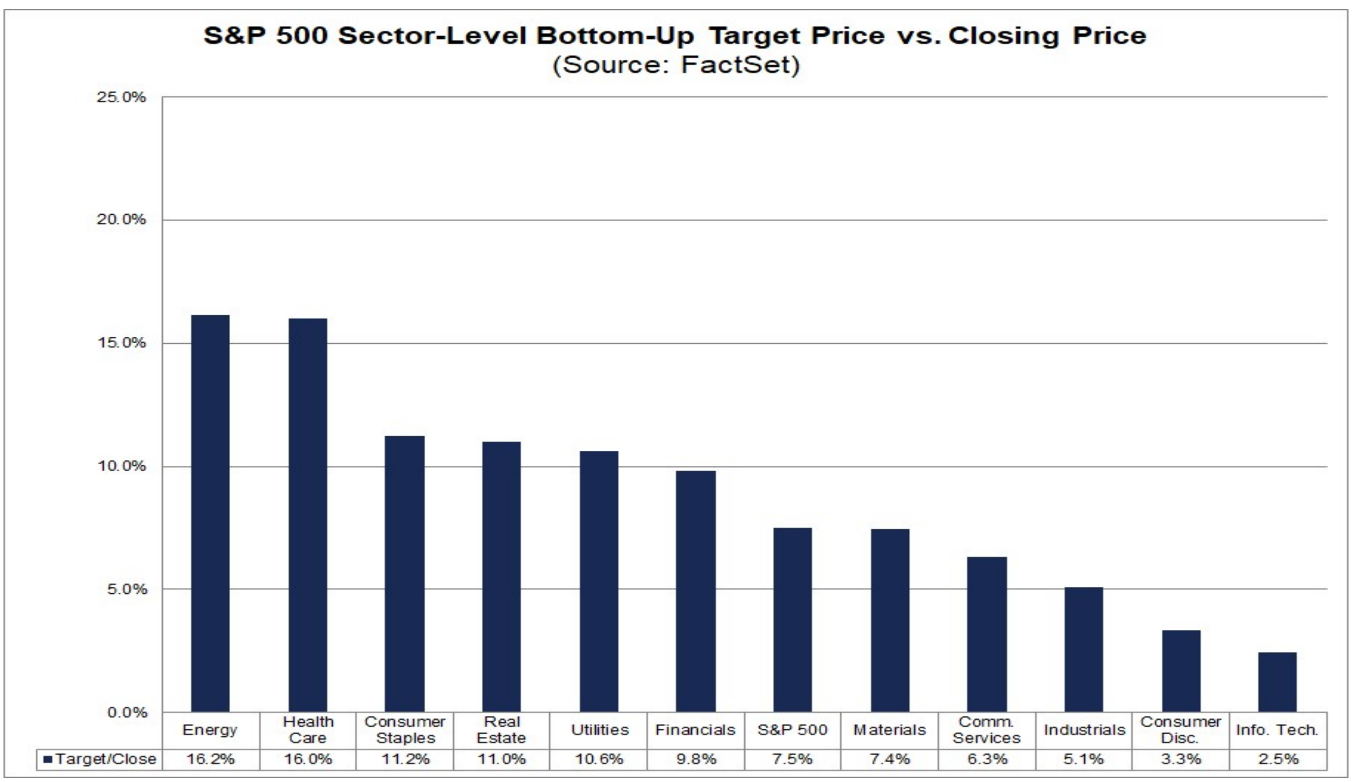




	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	29%	32%	34%	35%	39%	41%	45%	53%	59%
United States	99%	82%	71%	68%	66%	65%	61%	59%	55%	47%	41%

Targets & Ratings





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