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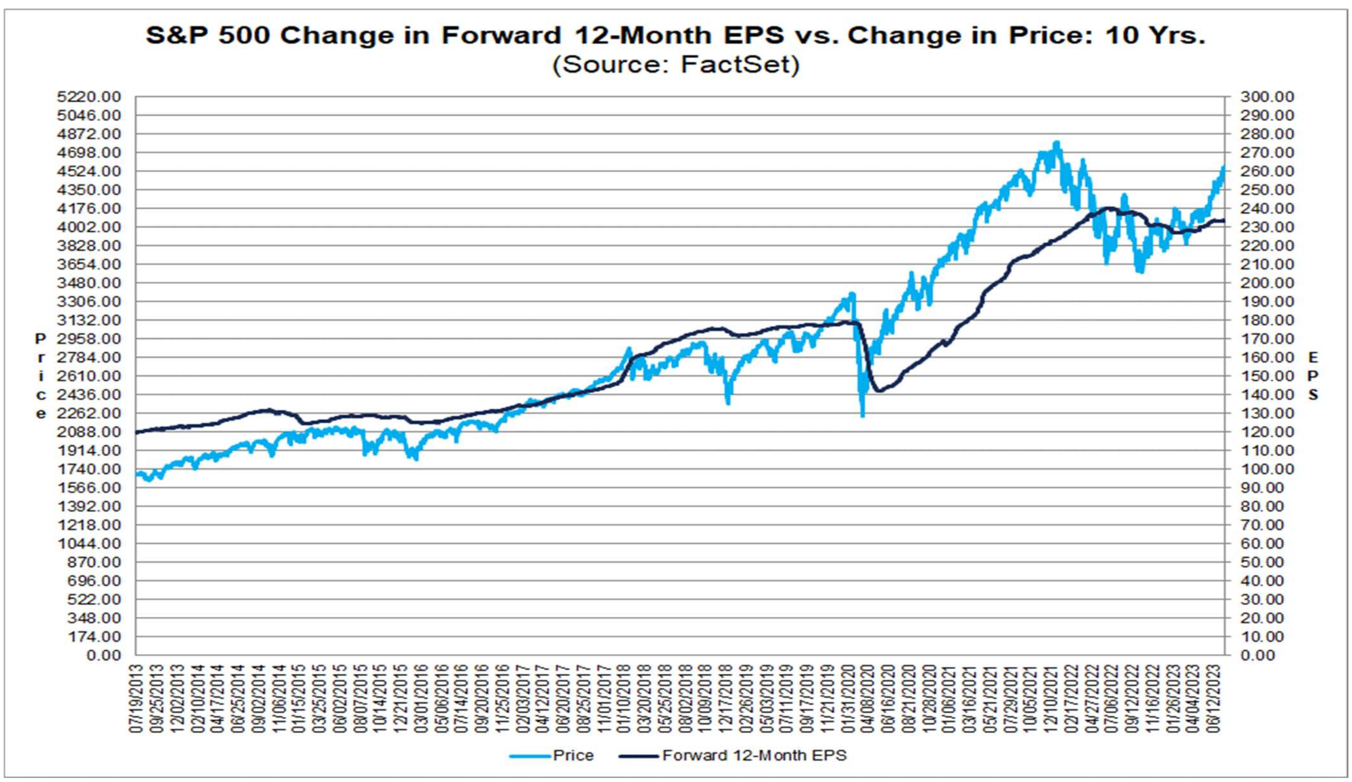
Key Metrics

- **Earnings Scorecard:** For Q2 2023 (with 18% of S&P 500 companies reporting actual results), 75% of S&P 500 companies have reported a positive EPS surprise and 61% 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 -9.0%. If -9.0% 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%. Five sectors are reporting lower earnings today (compared to June 30) due to negative EPS surprises or downward revisions to EPS estimates.
- **Earnings Guidance:** For Q3 2023, 6 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 19.5. This P/E ratio is above the 5-year average (18.6) and above the 10-year average (17.4).



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Topic of the Week:

S&P 500 Reporting A Lower Year-Over-Year Net Profit Margin For the 6th Straight Quarter

Given declining year-over-year inflation, what is the S&P 500 reporting for a net profit margin for the second quarter?

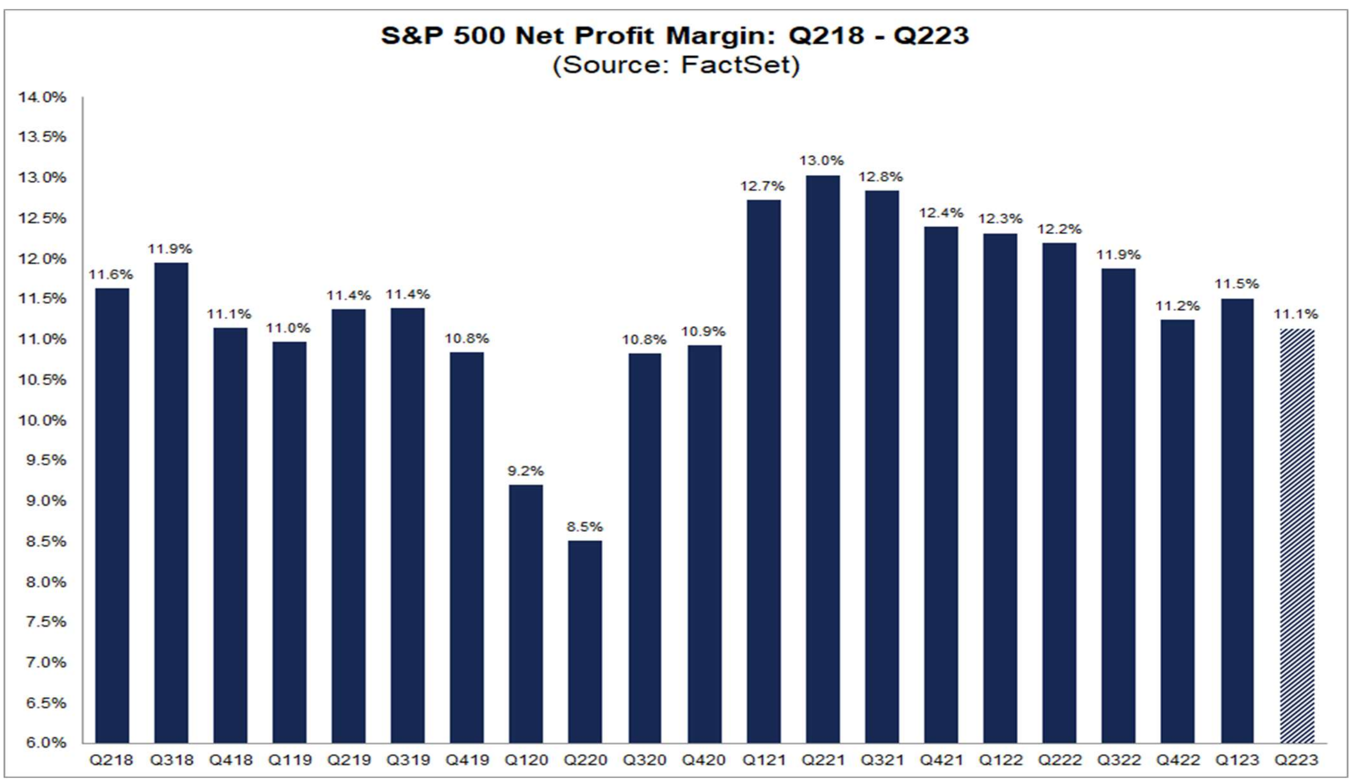
The (blended) net profit margin for the S&P 500 for Q2 2023 is 11.1%, which is below the previous quarter's net profit margin (11.5%), below the year-ago net profit margin (12.2%), and below the 5-year average (11.4%). If 11.1% is the actual net profit margin for the quarter, it will mark the sixth straight quarter in which the net profit margin for the index has declined year-over-year.

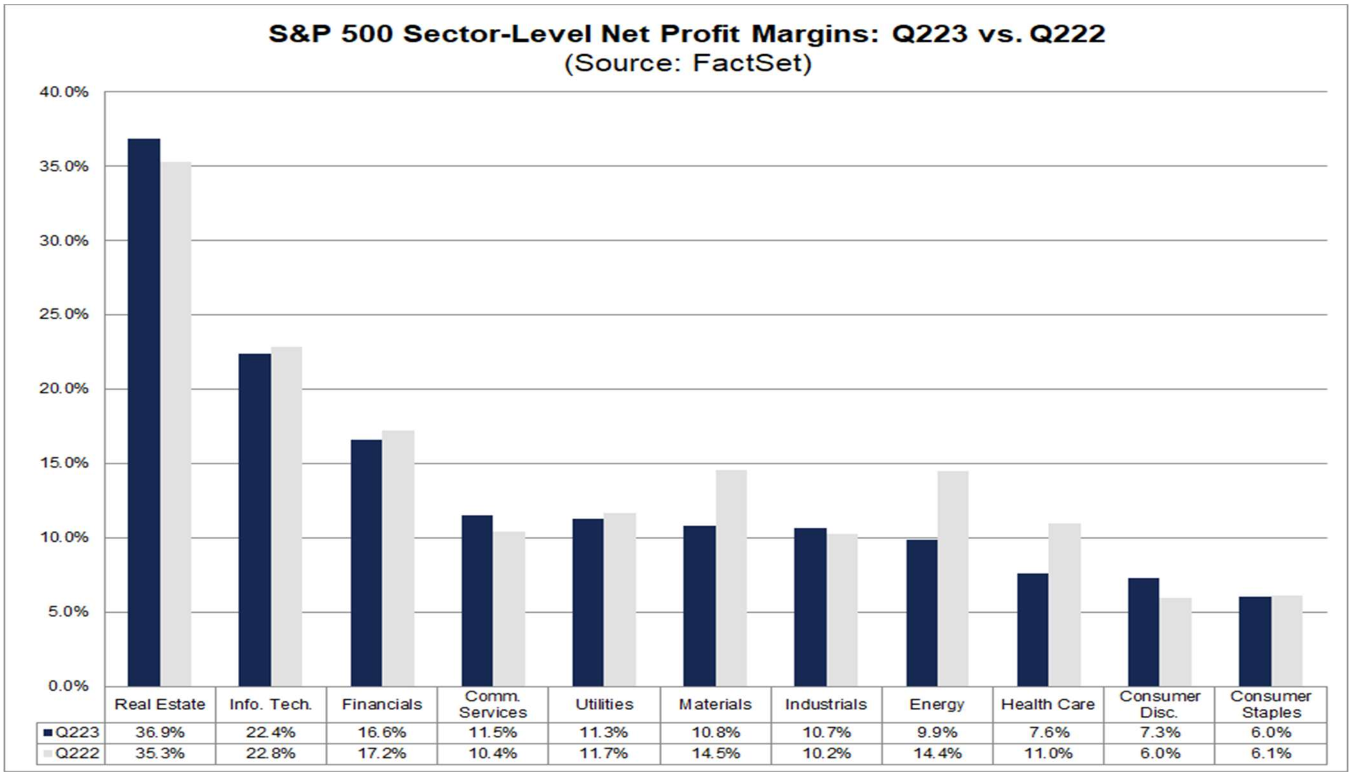
At the sector level, four sectors are reporting a year-over-year increase in their net profit margins in Q2 2023 compared to Q2 2022, led by the Real Estate (36.9% vs, 35.3%), Consumer Discretionary (7.3% vs. 6.0%), and Communication Services (11.5% vs. 10.4%) sectors. On the other hand, seven sectors are reporting a year-over-year decrease in their net profit margins in Q2 2023 compared to Q2 2022, led by the Energy (9.9% vs. 14.4%), Materials (10.8% vs. 14.5%), and Health Care (7.6% vs. 11.0%) sectors.

Four sectors are reporting net profit margins in Q2 2023 that are above their 5-year averages, led by the Industrials (10.7% vs. 8.2%) sector. On the other hand, five sectors are reporting net profit margins in Q2 2023 that are below their 5-year averages, led by the Health Care (7.6% vs. 10.4%) sector.

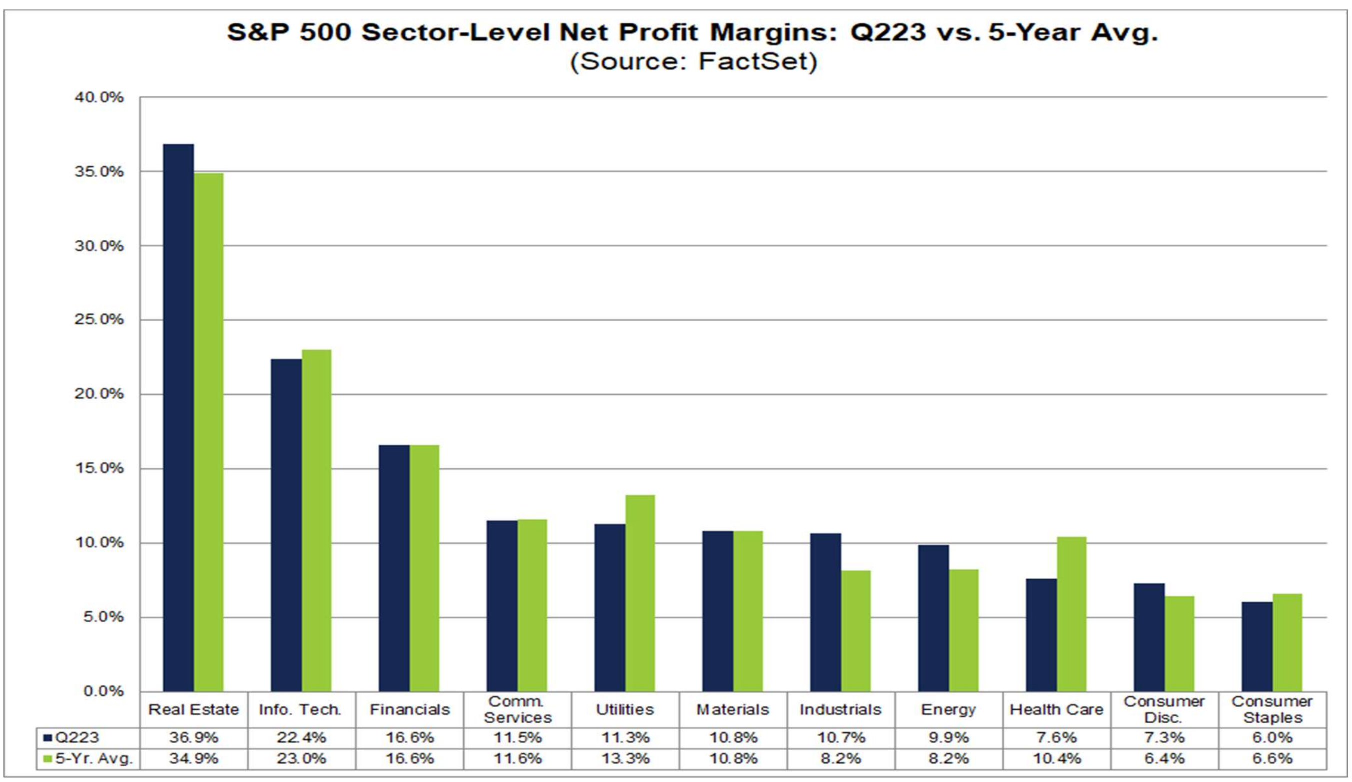
Five sectors are reporting a quarter-over-quarter increase in their net profit margins in Q2 2023 compared to Q1 2023, led by the Industrials (10.7% vs. 9.3%) sector. On the other hand, five sectors are reporting a quarter-over-quarter decrease in their net profit margins in Q2 2023 compared to Q1 2023, led by the Energy (9.9% vs. 12.4%) and Health Care (7.6% vs. 9.3%) sectors.

It is interesting to note that analysts believe net profit margins for the S&P 500 will be higher going forward. As of today, the estimated net profit margins for Q3 2023 and Q4 2023 are 11.7% and 11.7%, respectively.

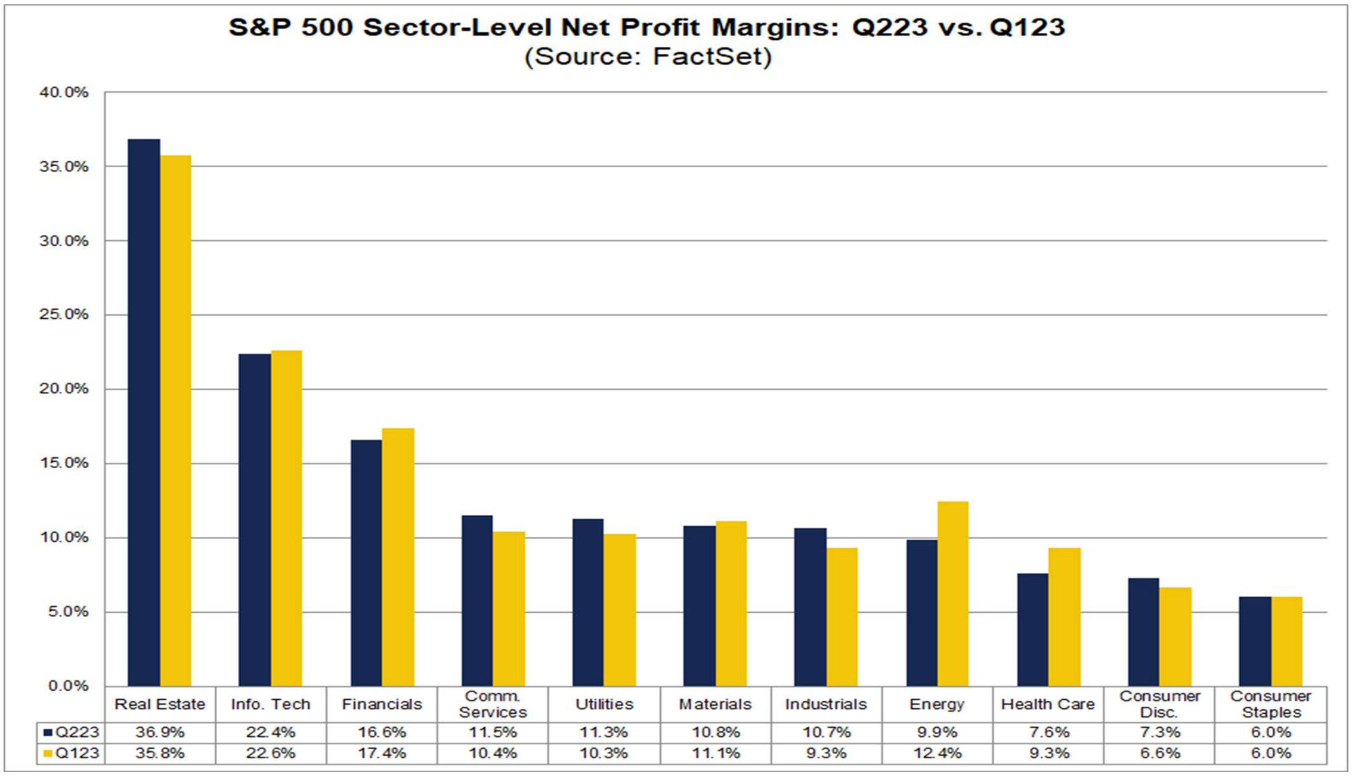




	Real Estate	Info. Tech.	Financials	Comm. Services	Utilities	Materials	Industrials	Energy	Health Care	Consumer Disc.	Consumer Staples
Q223	36.9%	22.4%	16.6%	11.5%	11.3%	10.8%	10.7%	9.9%	7.6%	7.3%	6.0%
Q222	35.3%	22.8%	17.2%	10.4%	11.7%	14.5%	10.2%	14.4%	11.0%	6.0%	6.1%



	Real Estate	Info. Tech.	Financials	Comm. Services	Utilities	Materials	Industrials	Energy	Health Care	Consumer Disc.	Consumer Staples
Q223	36.9%	22.4%	16.6%	11.5%	11.3%	10.8%	10.7%	9.9%	7.6%	7.3%	6.0%
5-Yr. Avg.	34.9%	23.0%	16.6%	11.6%	13.3%	10.8%	8.2%	8.2%	10.4%	6.4%	6.6%



	Real Estate	Info. Tech	Financials	Comm. Services	Utilities	Materials	Industrials	Energy	Health Care	Consumer Disc.	Consumer Staples
Q223	36.9%	22.4%	16.6%	11.5%	11.3%	10.8%	10.7%	9.9%	7.6%	7.3%	6.0%
Q123	35.8%	22.6%	17.4%	10.4%	10.3%	11.1%	9.3%	12.4%	9.3%	6.6%	6.0%

Q2 Earnings Season: By The Numbers

Overview

At this early stage of the Q2 earnings season for the S&P 500, the number of positive earnings surprises is in line with recent averages, while the magnitude of these earnings surprises is equal to the 10-year average. However, downward revisions to EPS estimates for a company in the Health Care sector offset the positive EPS surprises reported during the past week. As a result, the index is reporting lower earnings for the second quarter today relative to the end of last week and relative to the end of the quarter. The index is reporting its largest year-over-year decline in earnings since Q2 2020.

Overall, 18% of the companies in the S&P 500 have reported actual results for Q2 2023 to date. Of these companies, 75% have reported actual EPS above estimates, which is below the 5-year average of 77% but above the 10-year average of 73%. In aggregate, companies are reporting earnings that are 6.4% above estimates, which is below the 5-year average of 8.4% but equal to the 10-year average of 6.4%.

However, downward revisions to EPS estimates for a company in the Health Care sector offset the positive earnings surprises reported by companies during the week. As a result, the index is reporting lower 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 decline for the second quarter is -9.0% today, compared to an earnings decline of -7.2% last week and an earnings decline of -7.0% at the end of the second quarter (June 30).

If -9.0% 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.

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

In terms of revenues, 61% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% and below 10-year average of 63%. In aggregate, companies are reporting revenues that are 1.4% 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 -0.3% today, compared to a revenue decline of -0.4% last week and a revenue decline of -0.3% at the end of the second quarter (June 30).

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 reporting 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 7.5%, respectively. For all of CY 2023, analysts predict earnings growth of 0.1%.

The forward 12-month P/E ratio is 19.5, which is above the 5-year average (18.6) and above the 10-year average (17.4). It is also above the forward P/E ratio of 19.1 recorded at the end of the second quarter (June 30).

During the upcoming week, 166 S&P 500 companies (including 12 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 Below 5-Year Average But Above 10-year Average

Percentage of Companies Beating EPS Estimates (75%) is Below 5-Year Average

Overall, 18% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 75% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 20% 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%), below the 5-year average (77%), and above the 10-year average (73%).

At the sector level, the Communication Services (100%), Health Care (100%) and Information Technology (100%), and Real Estate sectors have the highest percentages of companies reporting earnings above estimates, while the Materials (50%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+6.4%) is Below 5-Year Average

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

The Consumer Discretionary (+16.0%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, CarMax ($1.44 vs. $0.79), D.R. Horton ($3.90 vs. $2.82), and Lennar ($3.01 vs. $2.33) have reported the largest positive EPS surprises.

The Communication Services (+15.7%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Activision Blizzard ($1.08 vs. $0.88), Interpublic Group of Companies ($0.74 vs. $0.61), and Netflix ($3.29 vs. $2.86) have reported the largest positive EPS surprises.

The Information Technology (+9.1%) 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.

The Industrials (+8.9%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, United Airlines Holdings ($5.03 vs. $4.03), American Airlines Group ($1.92 vs. $1.59), and Delta Air Lines ($2.68 vs. $2.40) have reported the largest positive EPS surprises.

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 also rewarding negative EPS surprises reported by S&P 500 companies more than average.

Companies that have reported positive earnings surprises for Q2 2023 have seen an average price increase of +0.6% two days before the earnings release through two days after the earnings release. This percentage increase is 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 increase of +1.4% two days before the earnings release through two days after the earnings. This percentage increase 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 (61%) is Below 5-Year Average

In terms of revenues, 61% of companies have reported actual revenues above estimated revenues and 39% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (71%), below the 5-year average (69%), and below the 10-year average (63%).

At the sector level, the Health Care (100%) sector has the highest percentage of companies reporting revenues above estimates, while the Communication Services (0%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.4%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.4% 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 Health Care (+2.9%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Energy (-4.7%) and Materials (-2.6%) sectors are reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings Decline This Week Due to Health Care Sector

Increase in Blended Earnings Decline This Week Due to Health Care Sector

The blended (year-over-year) earnings decline for the second quarter is -9.0%, which is larger than the earnings decline of -7.2% last week. Downward revisions to EPS estimates for a company in the Health Care sector offset the positive earnings surprises reported by companies in multiple sectors (led by the Consumer Discretionary sector) during the week, resulting in an increase in the overall earnings decline for the index over this period.

In the Health Care sector, downward revisions to EPS estimates for Merck & Co. were the largest contributor to the increase in the earnings decline for the index during the week. Over the past week, the majority of analysts covering Merck & Co. elected to include a $4.00 charge related to the acquisition of Prometheus in their non-GAAP EPS estimates for the company for the second quarter. As a result, the mean EPS estimate for Merck & Co. for Q2 has fallen to -$1.98 today from $1.83 on July 13. Due to the decrease in the mean EPS estimate for Merck, the blended earnings decline for the Health Care sector increased to -28.7% from -17.1% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by D.R. Horton ($3.90 vs. $2.82) and Tesla ($0.91 vs. $0.81) were significant detractors to the increase in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Consumer Discretionary sector increased to 31.0% from 27.9% over this period.

Decrease in Blended Revenue Decline This Week Due to Multiple Sectors

The blended (year-over-year) revenue decline for the second quarter is -0.3%, which is slightly above the revenue decline of -0.4% last week. Positive revenue surprises reported by companies in the Consumer Discretionary and Health Care sectors were mostly offset by downward revisions to revenue estimates for companies in the Energy sector, resulting in the small decrease in the overall revenue decline for the index during the week.

Health Care Sector Has Seen Largest Decrease in Earnings since June 30

The blended (year-over-year) earnings decline for Q2 2023 of -9.0% is larger than the estimate of -7.0% at the end of the second quarter (June 30). Five sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline since the end of the quarter due to downward revisions to EPS estimates or negative earnings surprises, led by the Health Care (to -28.6% vs. -16.8%) sector. The Health Care and Energy sectors have also been the largest contributors to the decrease in earnings for the index since June 30. On the other hand, six sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Consumer Discretionary (to 31.0% from 26.2%) sector. The Consumer Discretionary sector has also been the largest detractor to the decrease in earnings for the index since June 30.

In the Health Care sector, downward revisions to EPS estimates for Merck & Co. have been the largest contributor to the increase in the earnings decline for the index since June 30. During the week of July 17, the majority of analysts covering Merck & Co. elected to include a $4.00 charge related to the acquisition of Prometheus in their non-GAAP EPS estimates for the company for the second quarter. As a result, the mean EPS estimate for Merck & Co. for Q2 has fallen to -$1.98 today from $1.83 on July 13. Due to the decrease in the mean EPS estimate for Merck, the blended earnings decline for the Health Care sector has also increased to -28.6% today from -16.8% on June 30.

In the Energy sector, downward revisions to EPS estimates for Exxon Mobil (to $2.06 from $2.28) have been a significant contributor to the increase in the earnings decline for the index since June 30. As a result, the blended earnings decline for the Energy sector has increased to -51.3% from -47.7% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by D.R. Horton ($3.90 vs. $2.82) and Tesla ($0.91 vs. $0.81) have been significant detractors to the increase in the earnings decline for the index since June 30. As a result, the blended earnings growth rate for the Consumer Discretionary sector increased to 31.0% from 26.2% over this period.

Consumer Discretionary and Health Care Sectors Have Seen Largest Increases in Sales since June 30

The blended (year-over-year) revenue decline for Q2 2023 of -0.3% is equal to the estimate of -0.3% at the end of the second quarter (June 30). Four sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Consumer Discretionary (to 7.7% from 6.7%) and Health Care (to 3.3% from 2.5%) sectors. These two sectors have also been the largest positive contributors to revenues for the index since the end of the quarter. On the other hand, six sectors have recorded a decrease in their revenue growth rate or an increase in their revenue decline since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Energy (to -28.7% from -26.3%) and Materials (-10.4% from -8.7%) sectors. The Energy sector has also been the largest negative contributor to revenues for the index since the end of the quarter.

In the Consumer Discretionary sector, the positive revenue surprise reported by D.R. Horton ($9.73 billion vs. $8.27 billion), upward revisions to revenue estimates for General Motors (to $42.13 billion from $41.06 billion), and the upward revisions to revenue estimates and positive revenue surprise reported by Tesla (to $24.93 billion from $23.98) have been significant positive contributors to revenues for the index since June 30. As a result, the blended revenue growth rate for the Consumer Discretionary sector has increased to 7.7% from 6.7% over this period.

In the Health Care sector, the positive revenue surprises reported by UnitedHealth Group ($92.90 billion vs. $90.97 billion), Elevance Health ($43.38 billion vs. $41.64 billion), and Johnson & Johnson ($25.53 billion vs. $24.63 billion) have been substantial positive contributors to revenues for the index since June 30. As a result, the blended revenue growth rate for the Health Care sector has increased to 3.3% from 2.5% over this period.

In the Energy sector, downward revisions to revenue estimates for Exxon Mobil (to $82.80 billion from $91.07 billion) and Chevron (to $47.55 from $49.18 billion), and the negative revenue surprise reported by Kinder Morgan (t$3.50 billion vs. $4.55 billion) have been significant negative contributors to revenues for the index since June 30. As a result, the blended revenue decline for the Energy sector has increased to -28.7% from -26.3% over this period.

Earnings Decline: -9.0%

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 -9.0%, 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 -9.0% 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.

Six of the eleven sectors are reporting year-over-year earnings growth, led by the Consumer Discretionary and Communication Services sectors. On the other hand, five 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 31.0%. 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 that are reporting (or are predicted to report) year-over-year earnings growth are the Hotels, Restaurants, & Leisure (181%), Automobile Components (90%), and Automobiles (13%) 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 25%: Leisure Products (-52%), Textiles, Apparel, & Luxury Goods (-26%), and Household Durables (-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 reporting a (year-over-year) decline in earnings of -7.0% instead of year-over-year earnings growth of 31.0%.

At the company level, Amazon.com is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the sector would fall to 9.9% from 31.0%.

Communication Services: 3 of 5 Industries Reporting Year-Over-Year Growth

The Communication Services sector is reporting the second-largest (year-over-year) earnings growth rate of all eleven sectors at 13.6%. At the industry level, 3 of the 5 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 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 that are reporting (or are predicted to report) year-over-year earnings growth are the Entertainment (630%) and Interactive Media & Services (10%) industries. On the other hand, two industries are reporting (or 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 the largest contributors to earnings growth for the sector. If these two companies were excluded, the blended earnings growth rate for the sector would fall to 0.7% from 13.6%.

Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline of More Than 50%

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -51.3%. 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 reporting (or are expected to report) a year-over-year decrease in earnings. Three of these four sub-industries are reporting (or are projected to report) year-over-year earnings declines above -50%: Oil & Gas Refining & Marketing (-60%), Oil & Gas Exploration & Production (-54%), and Integrated Oil & Gas (-54%). On the other hand, the Oil & Gas Equipment & Services (68%) sub-industry is the only sub-industry that reported (year-over-year) earnings growth in the sector.

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline of More Than 30%

The Materials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -33.7%. At the industry level, three of the four industries in this sector are reporting (or are predicted to report) a year-over-year decline in earnings of more than 30%: Containers & Packaging (-46%), Metals & Mining (-41%), 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: Merck and Pfizer are Largest Contributors to Year-Over-Year Decline

The Health Care sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -28.7%. At the industry level, four of the five industries in this sector are reporting (or are predicted to report) a year-over-year decline in earnings. Three of these four industries are reporting (or are projected to report) year-over-year declines in earnings above -10%: Pharmaceuticals (-56%), Biotechnology (-30%), and Life Sciences, Tools, and Services (-14%). On the other hand, the Health Care Providers & Services (<1%) is the only industry in the sector reporting (year-over-year) earnings growth.

At the company level, Merck & Co. and Pfizer are the largest contributors to the decline in earnings for the sector. If these two companies were excluded, the blended earnings decline for the Health Care sector would improve to -7.9% from -28.7%.

Revenue Decline: -0.3%

The blended (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 reporting year-over-year growth in revenues, led by the Financials and Consumer Discretionary sectors. On the other hand, four sectors are reporting (or are expected to report) a year-over-year decline in revenues, led by the Energy and Materials sectors.

Financials: All 5 Industries Reporting Year-Over-Year Growth

The Financials sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 8.1%. At the industry level, all five industries in the sector are reporting (or are predicted to report) year-over-year growth in revenues. Two of these five industries are reporting revenue growth above 10%: Banks (16%) and Consumer Finance (13%).

Consumer Discretionary: 6 of 9 Industries Reporting Year-Over-Year Growth

The Consumer Discretionary sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 7.7%. 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 (19%), and Automobile Components (18%).

Energy: 4 of 5 Sub-Industries Reporting Year-Over-Year Decline of More Than 10%

The Energy sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -28.7%. 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 reporting (or are expected to report) a year-over-year decrease in revenues of more than 20%: Oil & Gas Exploration & Production (-33%), Oil & Gas Refining & Marketing (-32%), Integrated Oil & Gas (-30%), and Oil & Gas Storage & Transportation (-21%). On the other hand, the Oil & Gas Equipment & Services (20%) sub-industry is the only sub-industry that reported (year-over-year) revenue growth in the sector.

Materials: Metals & Mining Industry Leads Year-Over-Year Decline

The Materials sector is reporting the second-highest (year-over-year) decline in revenues at -10.4%. At the industry level, three of the four industries in the sector are reporting (or are predicted to report) a year-over-year decrease in revenues: Metals & Mining (-13%), Chemicals (-12%), and Containers & Packaging (-7%). 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: 11.1%

The blended net profit margin for the S&P 500 for Q2 2023 is 11.1%, which is below the previous quarter's net profit margin of 11.5%, below the year-ago net profit margin of 12.2%, and below the 5-year average of 11.4%.

At the sector level, four sectors are reporting a year-over-year increase in their net profit margins in Q2 2023 compared to Q2 2022, led by the Real Estate (to 36.3% vs. 35.3%), Consumer Discretionary (7.3% vs. 6.0%), and Communication Services (11.5% vs. 10.4%) sectors. On the other hand, seven 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 (9.9% vs. 14.4%), Materials (10.8% vs. 14.5%), and Health Care (7.6% vs. 11.0%) sectors.

Four sectors are reporting net profit margins in Q2 2023 that are above their 5-year averages, led by the Industrials (10.7% vs. 8.2%) sector. On the other hand, five 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 (7.6% vs. 10.4%) sector.

Looking Ahead: Forward Estimates and Valuation

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

At this point in time, 11 companies in the index have issued EPS guidance for Q3 2023. Of these 11 companies, 6 have issued negative EPS guidance and 5 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2023 is 55% (6 out of 11), which is below the 5-year average of 59% and 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, 118 have issued negative EPS guidance and 149 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 44% (118 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 Flat Earnings (0%) for CY 2023

For the second quarter, S&P 500 companies are reporting a year-over-year earnings decline of -9.0% and a year-over-year revenue decline of -0.3%.

For Q3 2023, analysts are projecting earnings growth of 0.1% and revenue growth of 1.2%.

For Q4 2023, analysts are projecting earnings growth of 7.5% and revenue growth of 3.3%.

For CY 2023, analysts are projecting earnings growth of 0.1% and revenue growth of 2.3%.

For CY 2024, analysts are projecting earnings growth of 12.9% and revenue growth of 5.0%.

Targets & Ratings: Analysts Project 8% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 4910.64, which is 8.3% above the closing price of 4534.87. At the sector level, the Energy (+15.2%) 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 Industrials (4.6%) and Information Technology (+5.3%) 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.

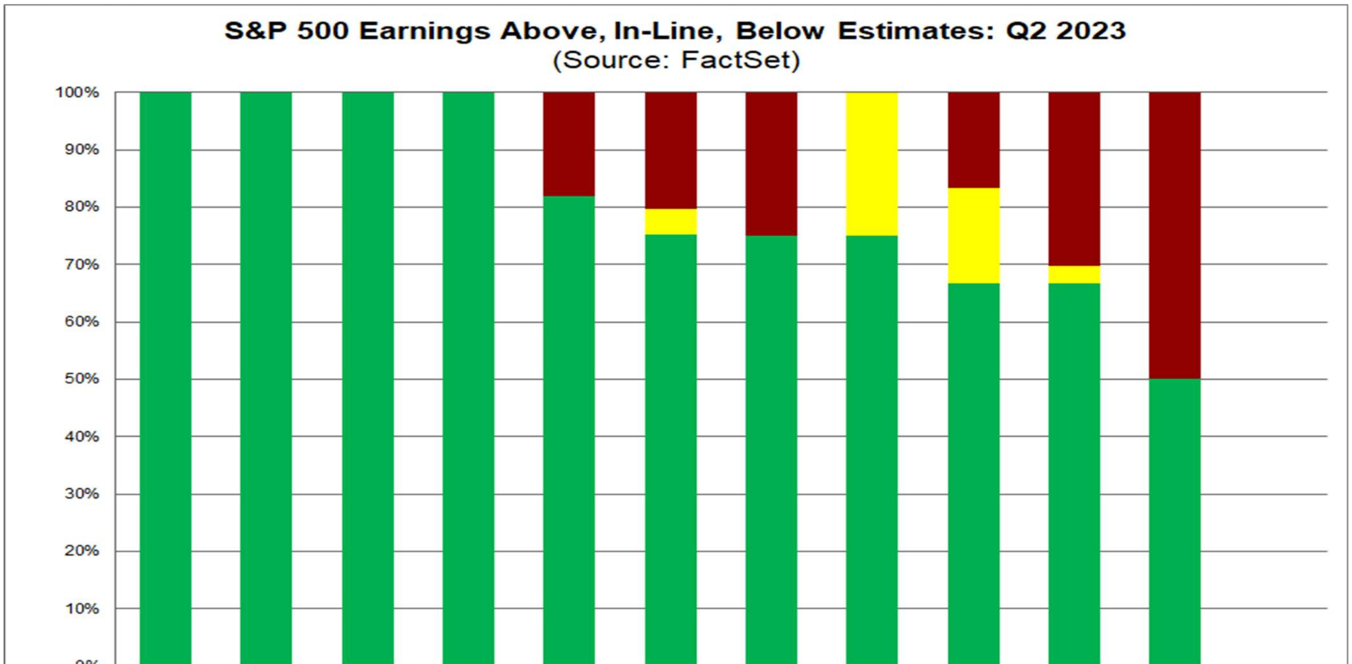
Overall, there are 11,016 ratings on stocks in the S&P 500. Of these 11,016 ratings, 54.4% are Buy ratings, 40.0% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Energy (65%) sector has the highest percentage of Buy ratings, while the Consumer Staples (44%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 166

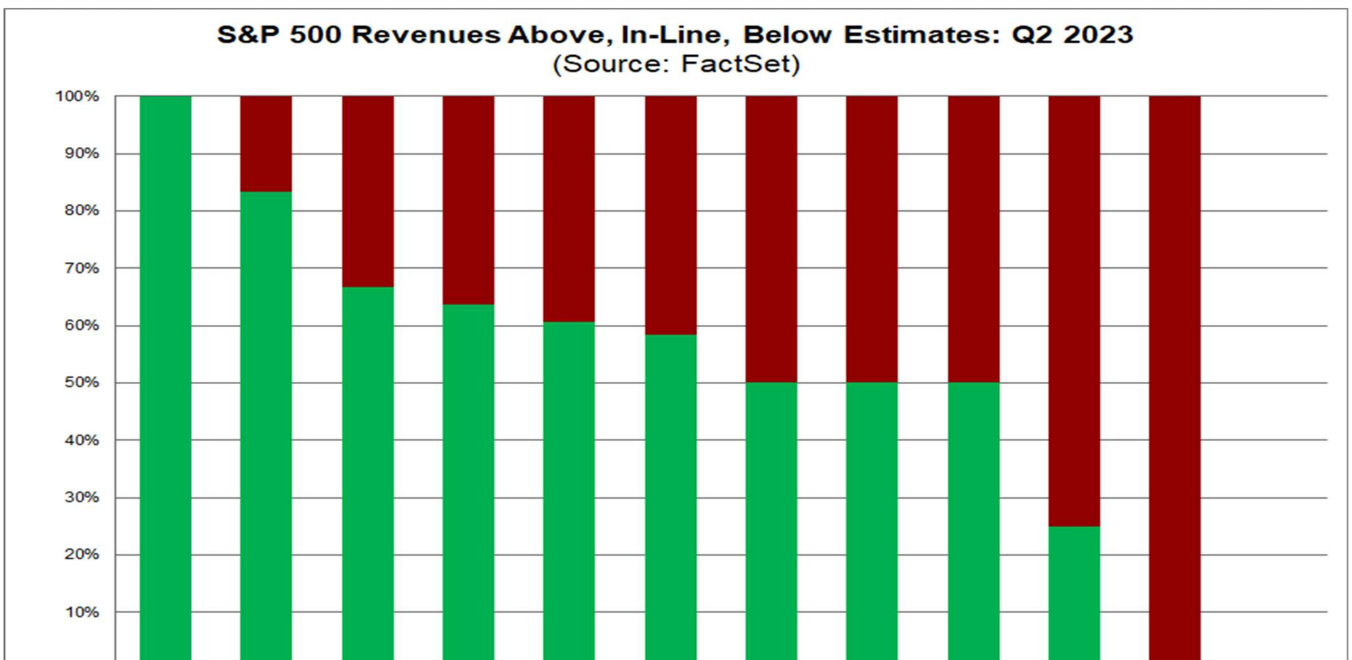
During the upcoming week, 166 S&P 500 companies (including 12 Dow 30 components) are scheduled to report results for the second quarter.

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

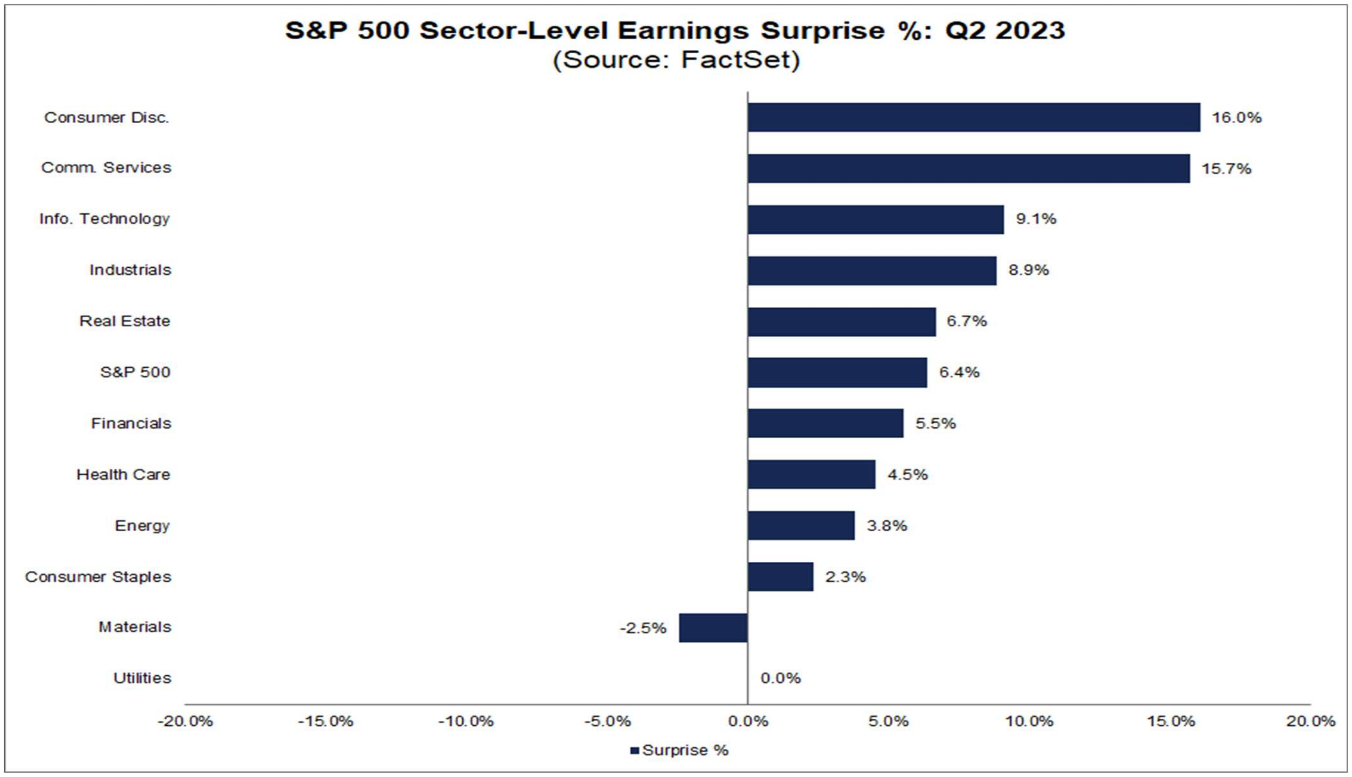


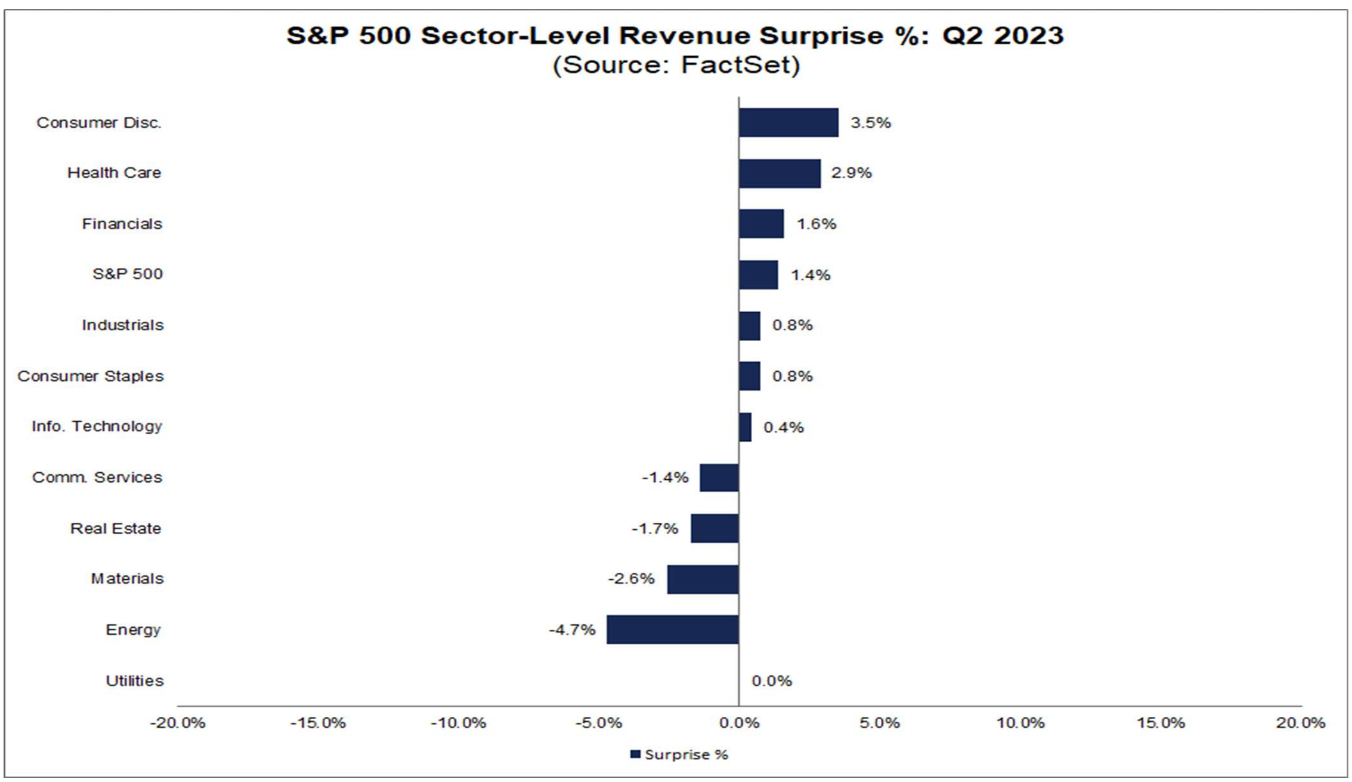
	Comm. Services	Health Care	Info. Technology	Real Estate	Consumer Disc.	S&P 500	Consumer Staples	Energy	Industrials	Financials	Materials	Utilities
Below	0%	0%	0%	0%	18%	20%	25%	0%	17%	30%	50%	0%
In-Line	0%	0%	0%	0%	0%	4%	0%	25%	17%	3%	0%	0%
Above	100%	100%	100%	100%	82%	75%	75%	75%	67%	67%	50%	0%



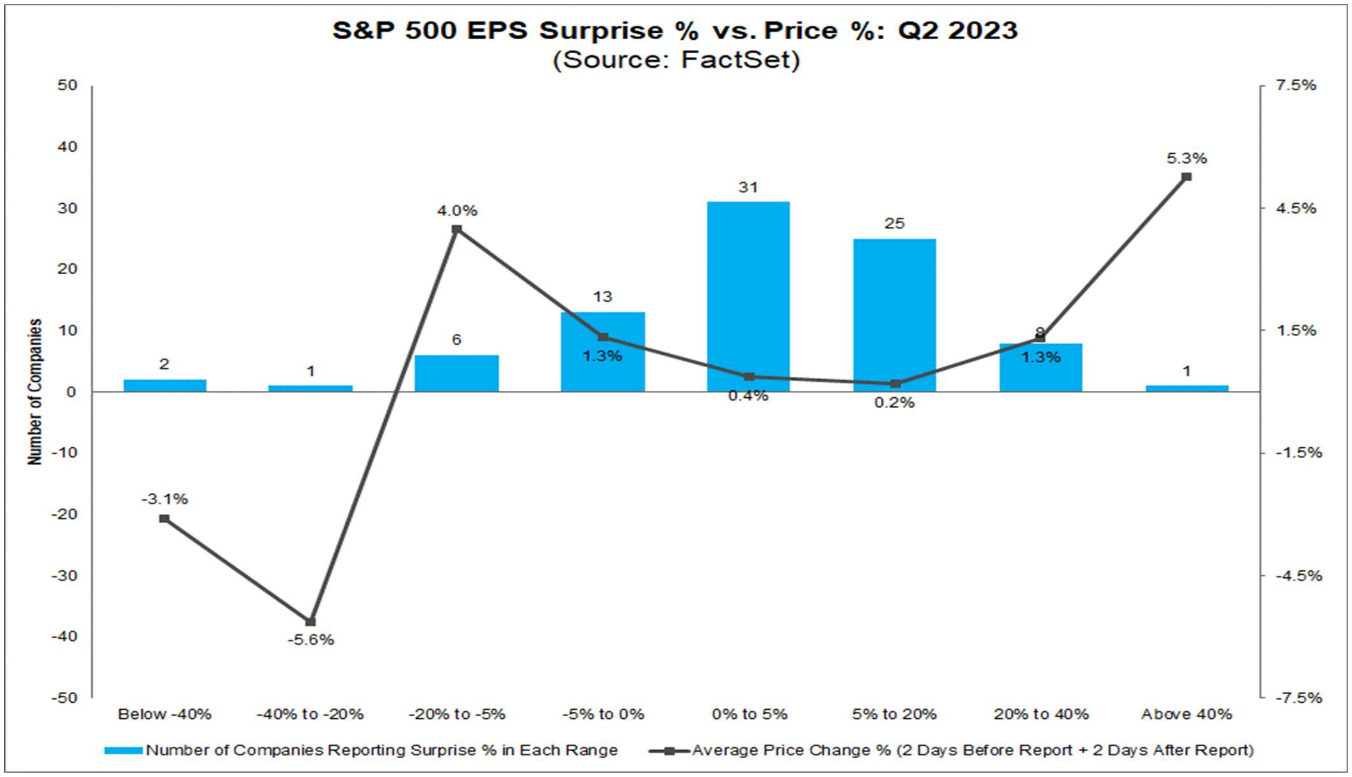
	Health Care	Info. Technology	Financials	Consumer Disc.	S&P 500	Industrials	Consumer Staples	Materials	Real Estate	Energy	Comm. Services	Utilities
Below	0%	17%	33%	36%	39%	42%	50%	50%	50%	75%	100%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	83%	67%	64%	61%	58%	50%	50%	50%	25%	0%	0%

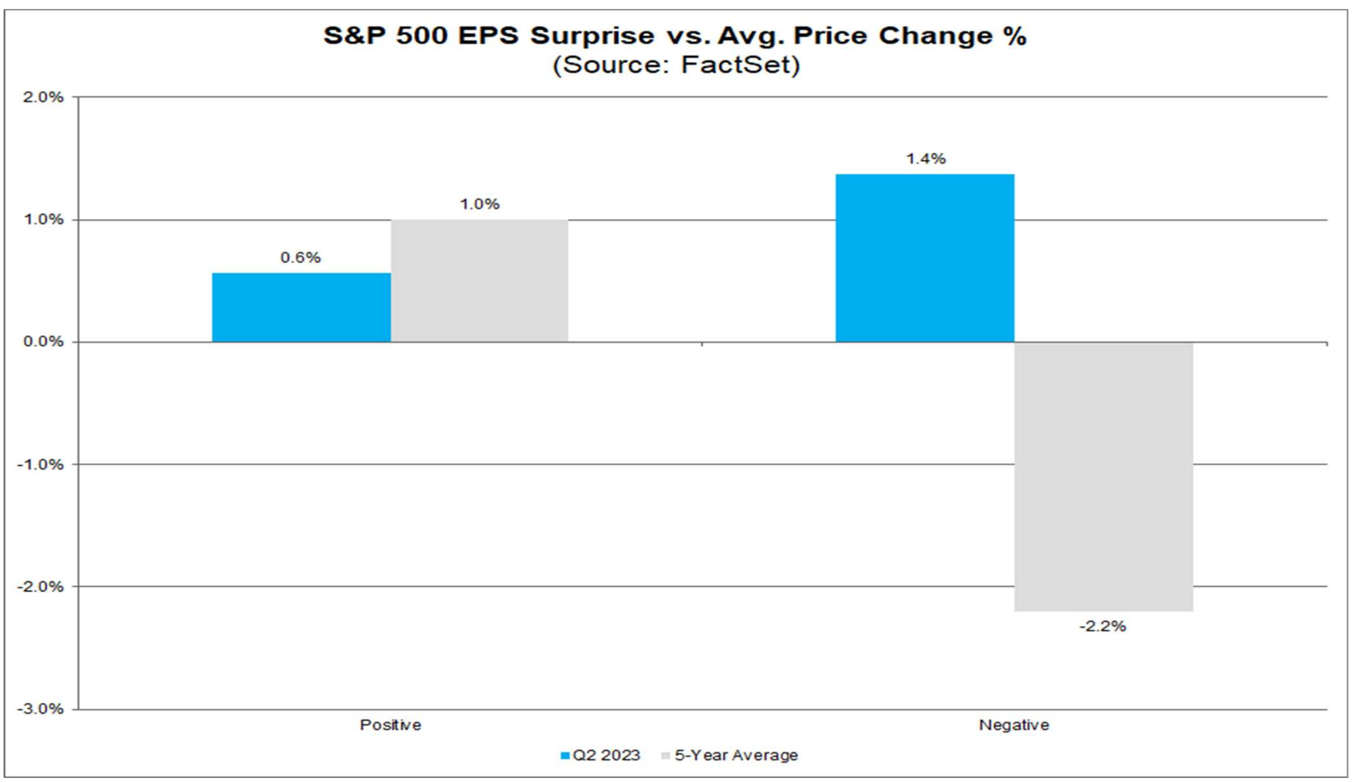
Q2 2023: Scorecard



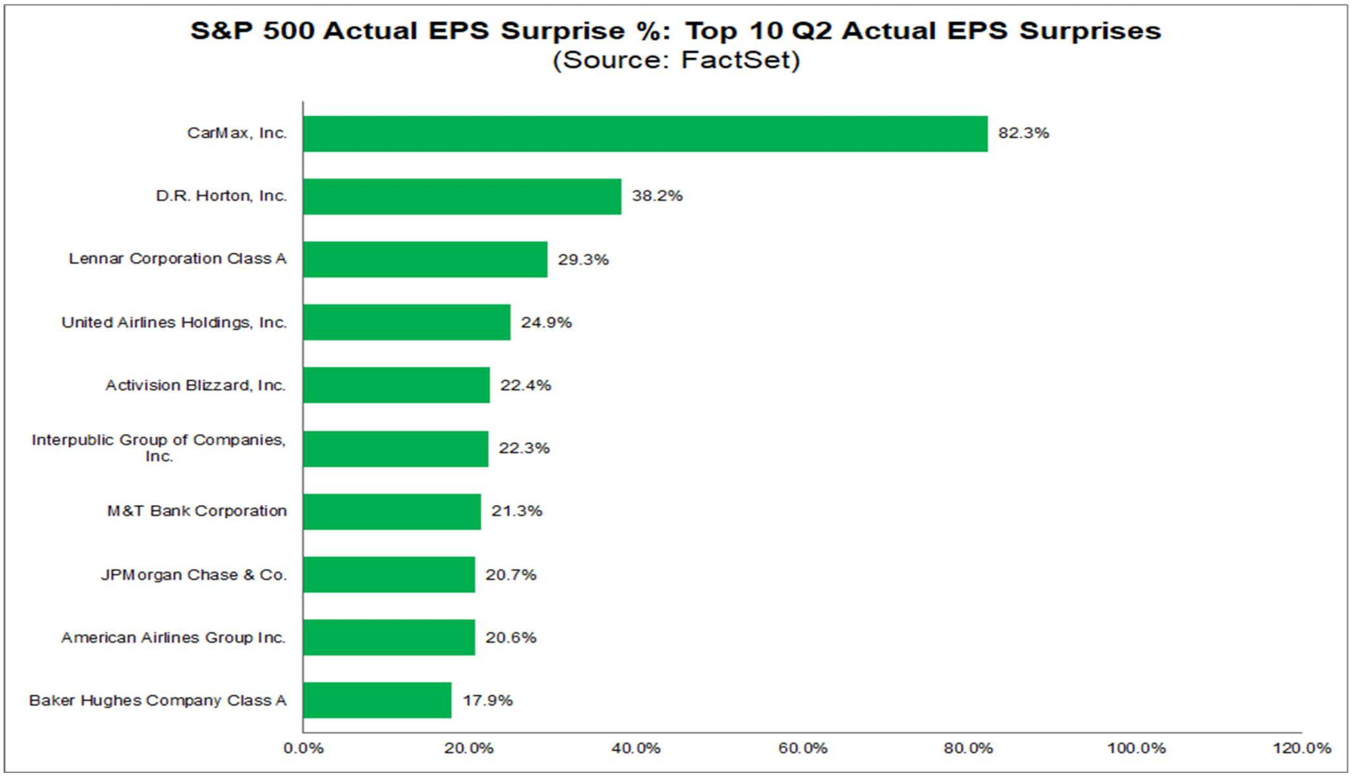


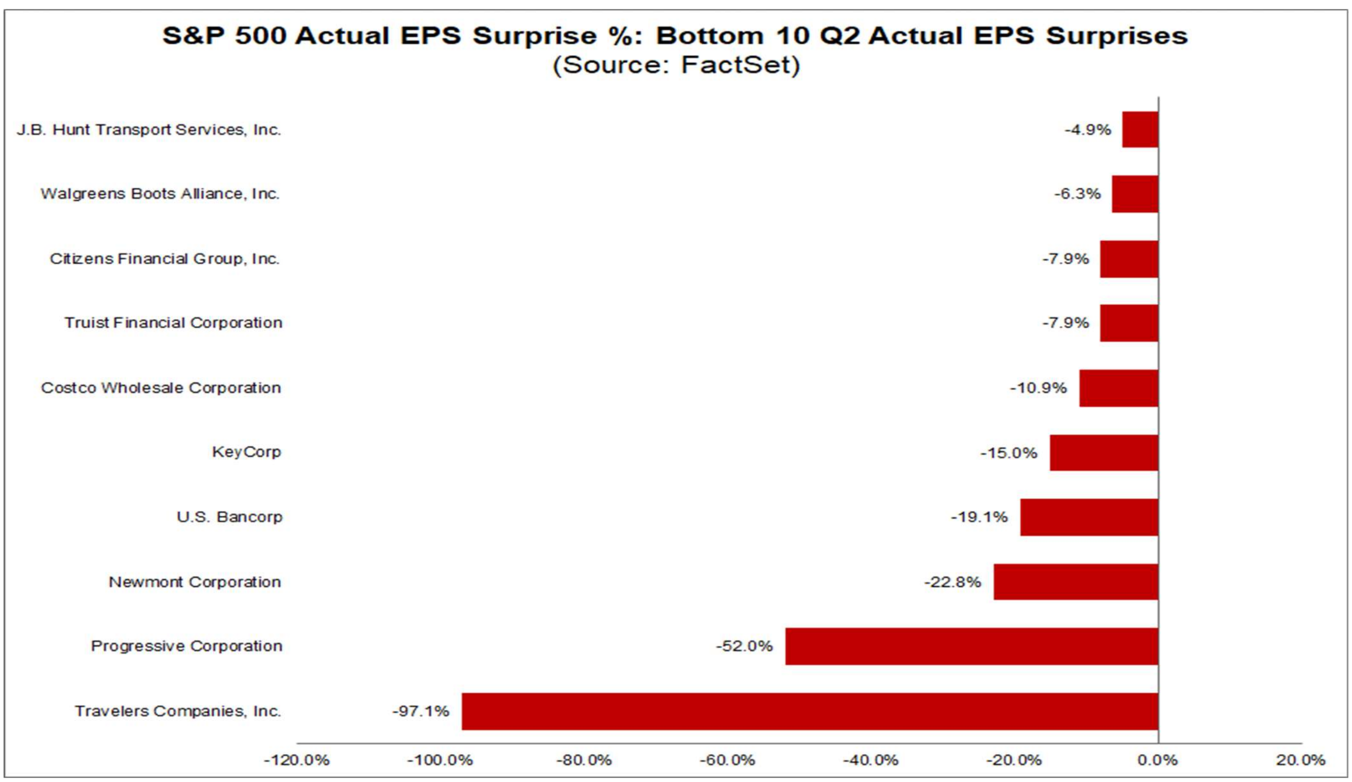
Q2 2023: Scorecard



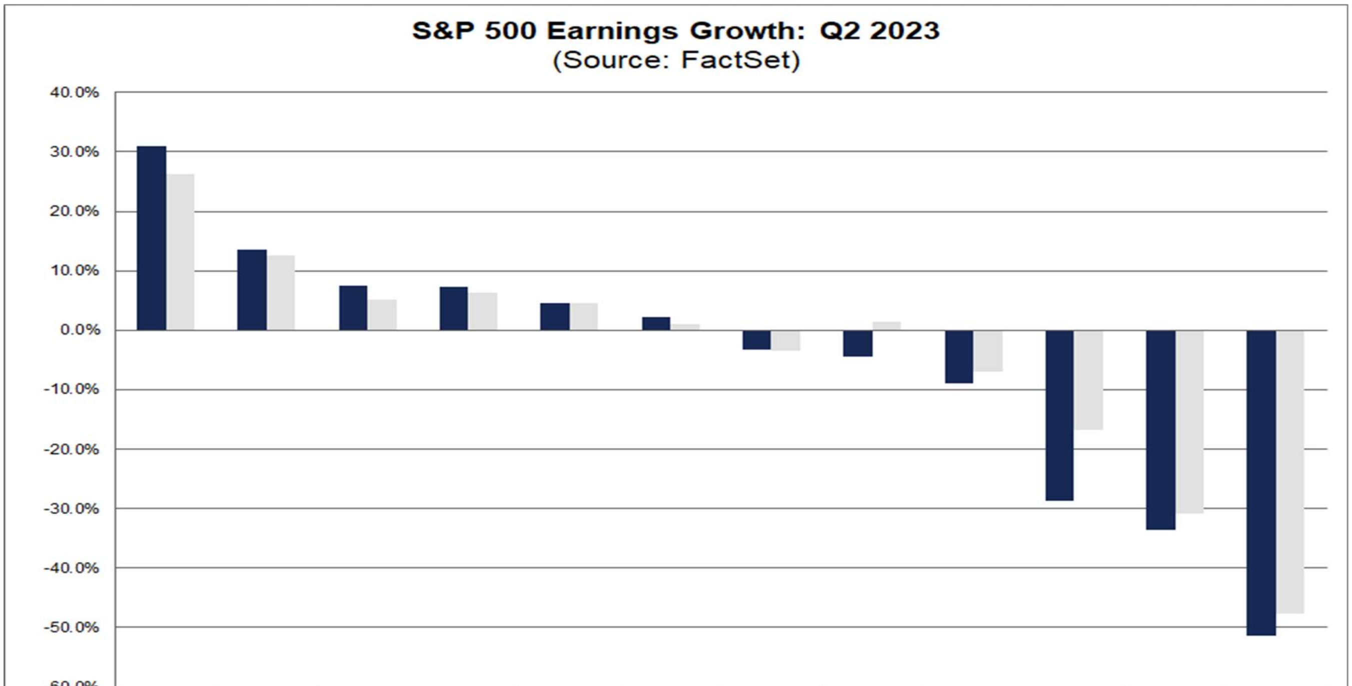


Q2 2023: Scorecard

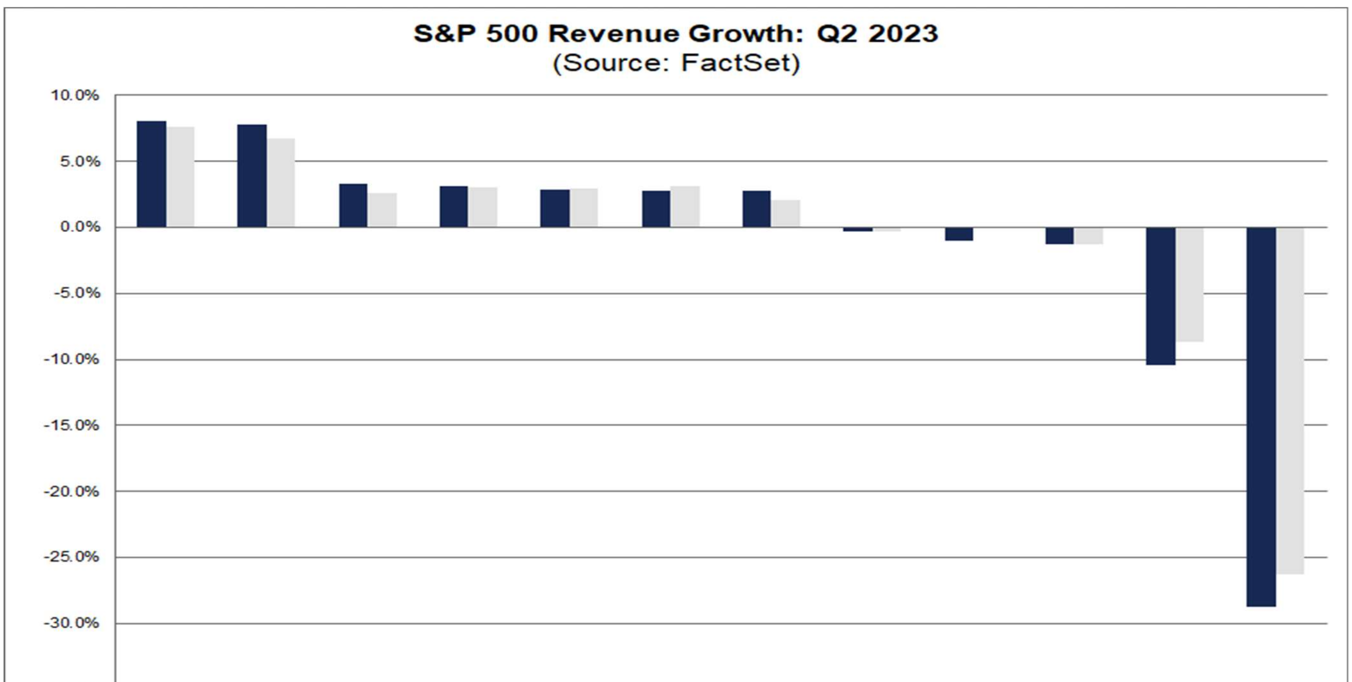




Q2 2023: Growth

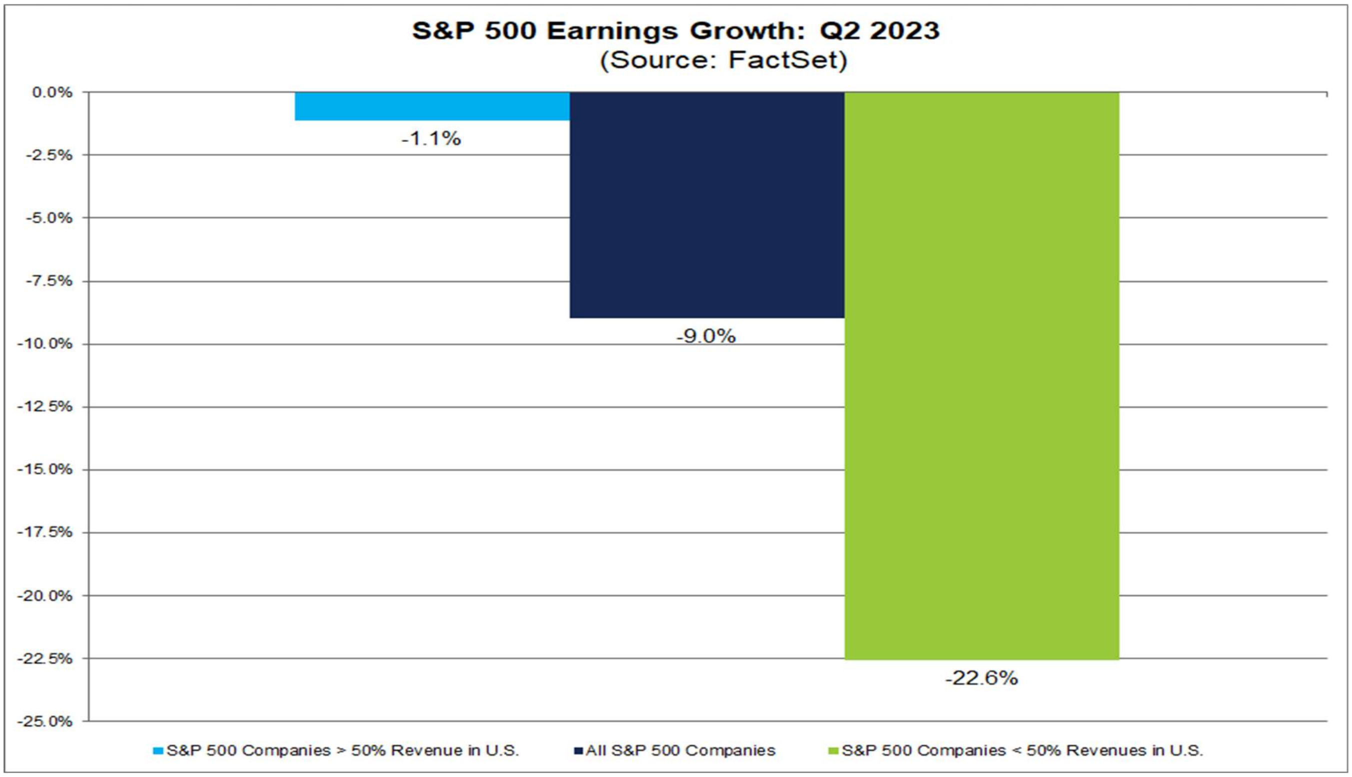


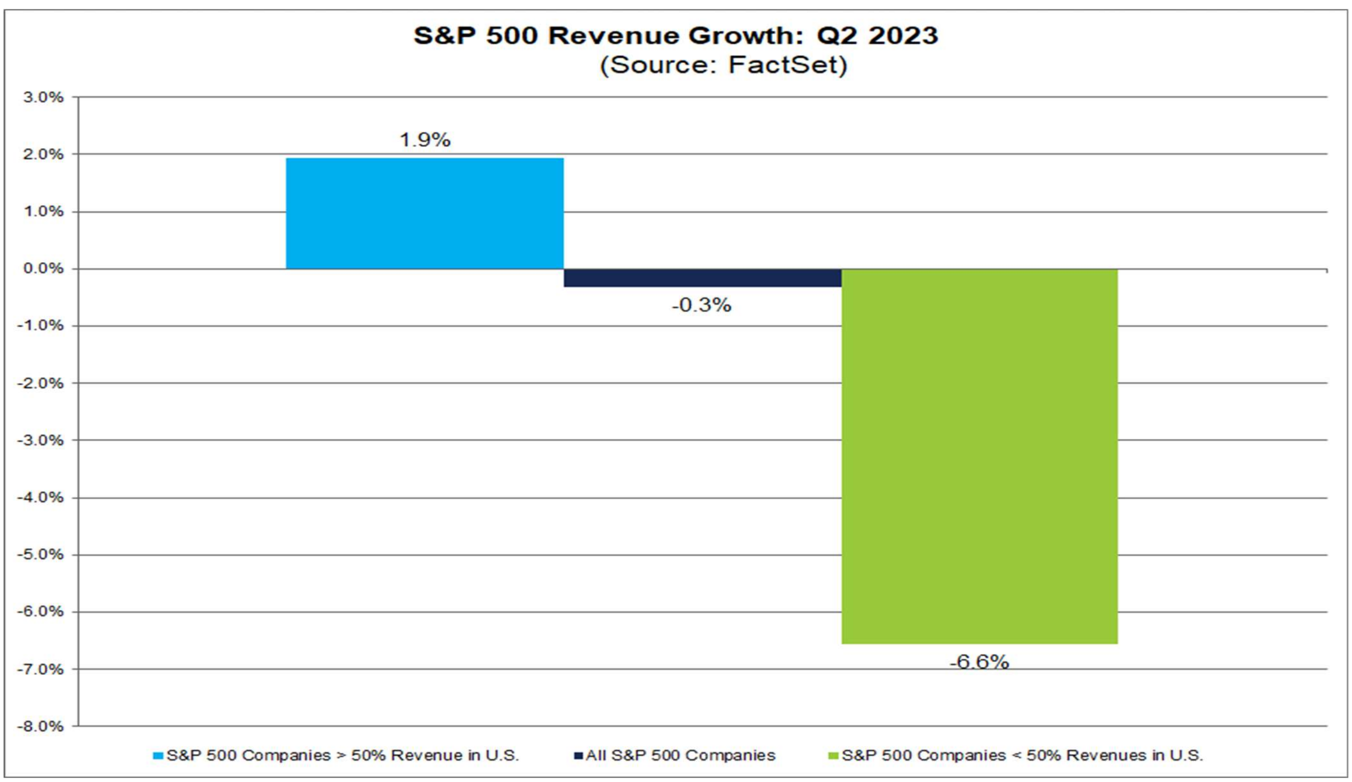
	Consumer Disc.	Comm. Services	Industrials	Real Estate	Financials	Consumer Staples	Info. Technology	Utilities	S&P 500	Health Care	Materials	Energy
Today	31.0%	13.6%	7.4%	7.3%	4.5%	2.2%	-3.4%	-4.5%	-9.0%	-28.7%	-33.7%	-51.3%
30-Jun	26.2%	12.6%	5.1%	6.3%	4.6%	1.1%	-3.5%	1.3%	-7.0%	-16.8%	-30.8%	-47.7%



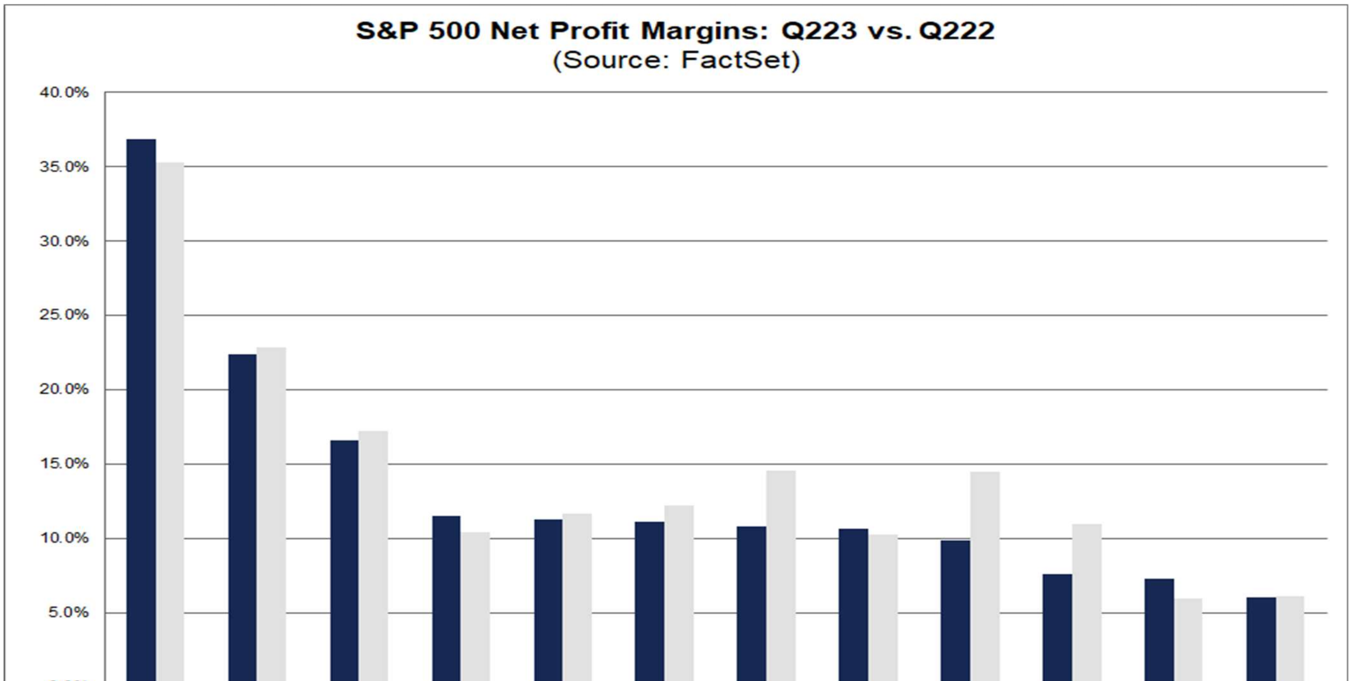
	Financials	Consumer Disc.	Health Care	Consumer Staples	Comm. Services	Real Estate	Industrials	S&P 500	Utilities	Info. Technology	Materials	Energy
Today	8.1%	7.7%	3.3%	3.1%	2.8%	2.8%	2.7%	-0.3%	-1.0%	-1.3%	-10.4%	-28.7%
30-Jun	7.6%	6.7%	2.5%	3.0%	2.9%	3.2%	2.1%	-0.3%	-0.1%	-1.3%	-8.7%	-26.3%

Q2 2023: Growth

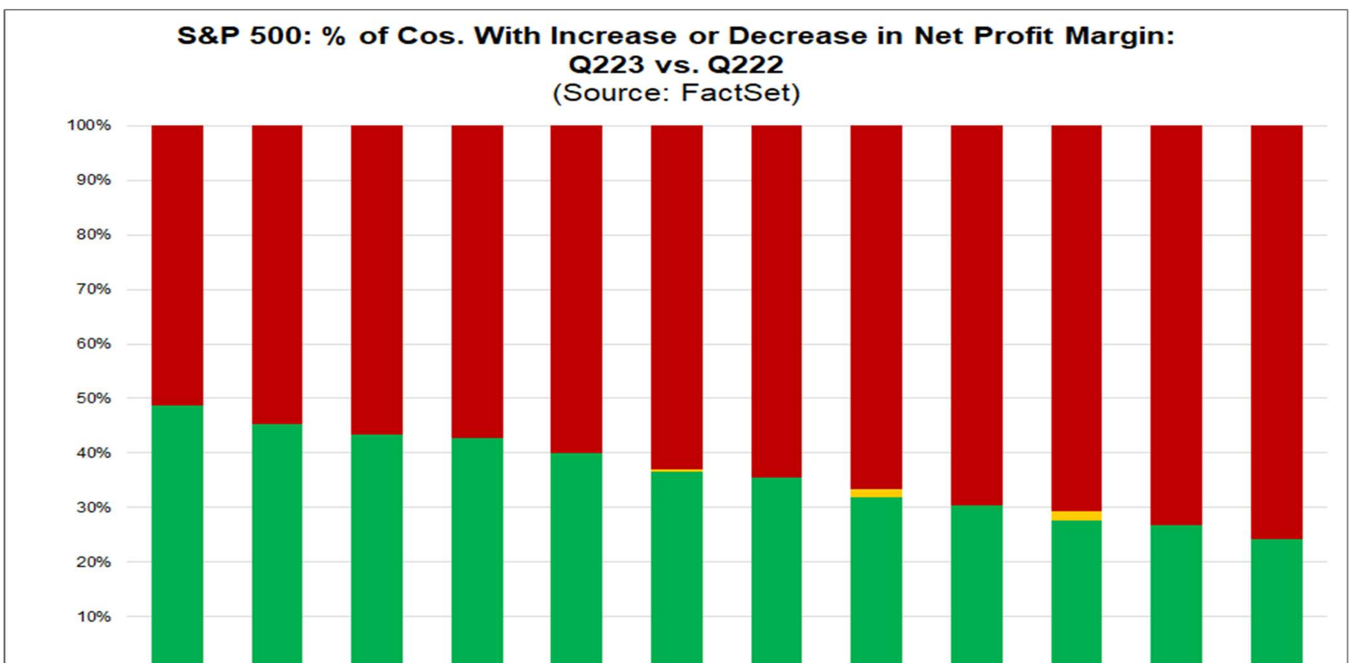




Q2 2023: Net Profit Margin

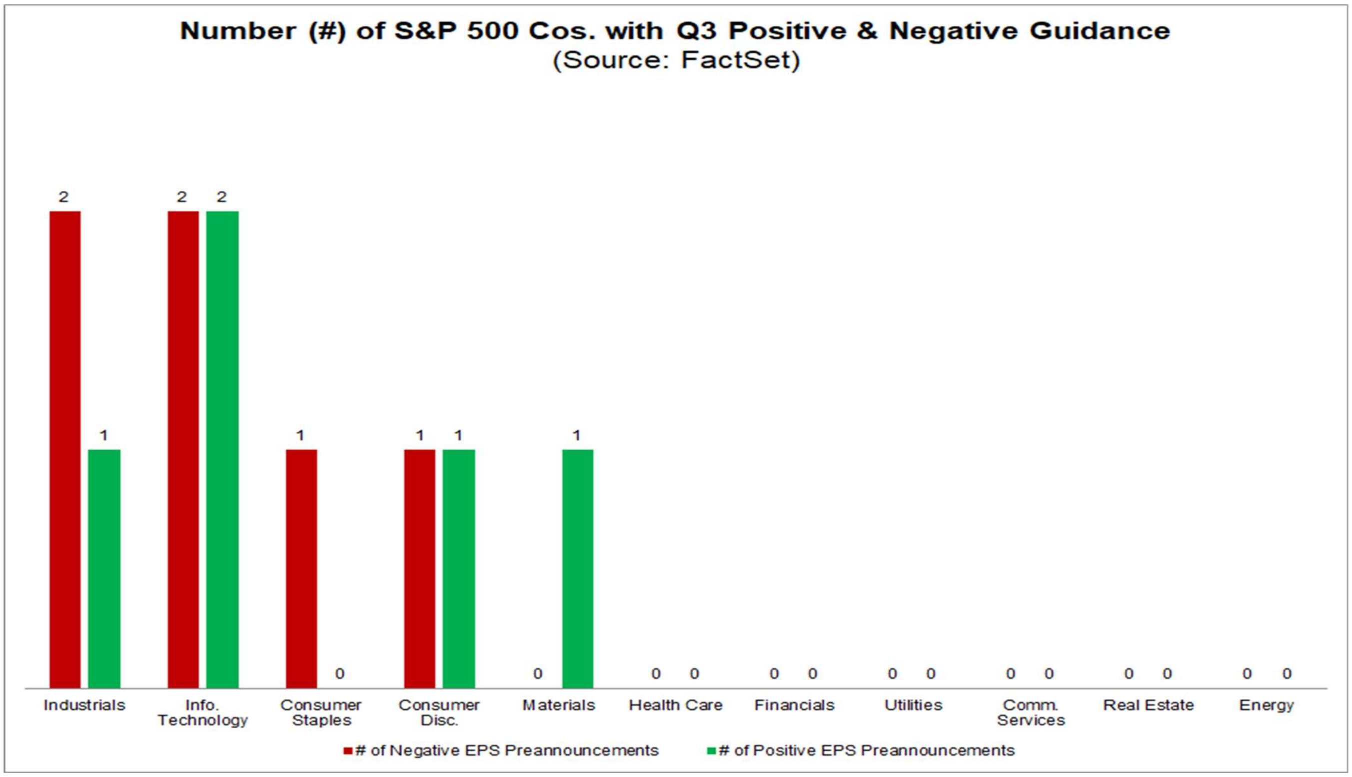


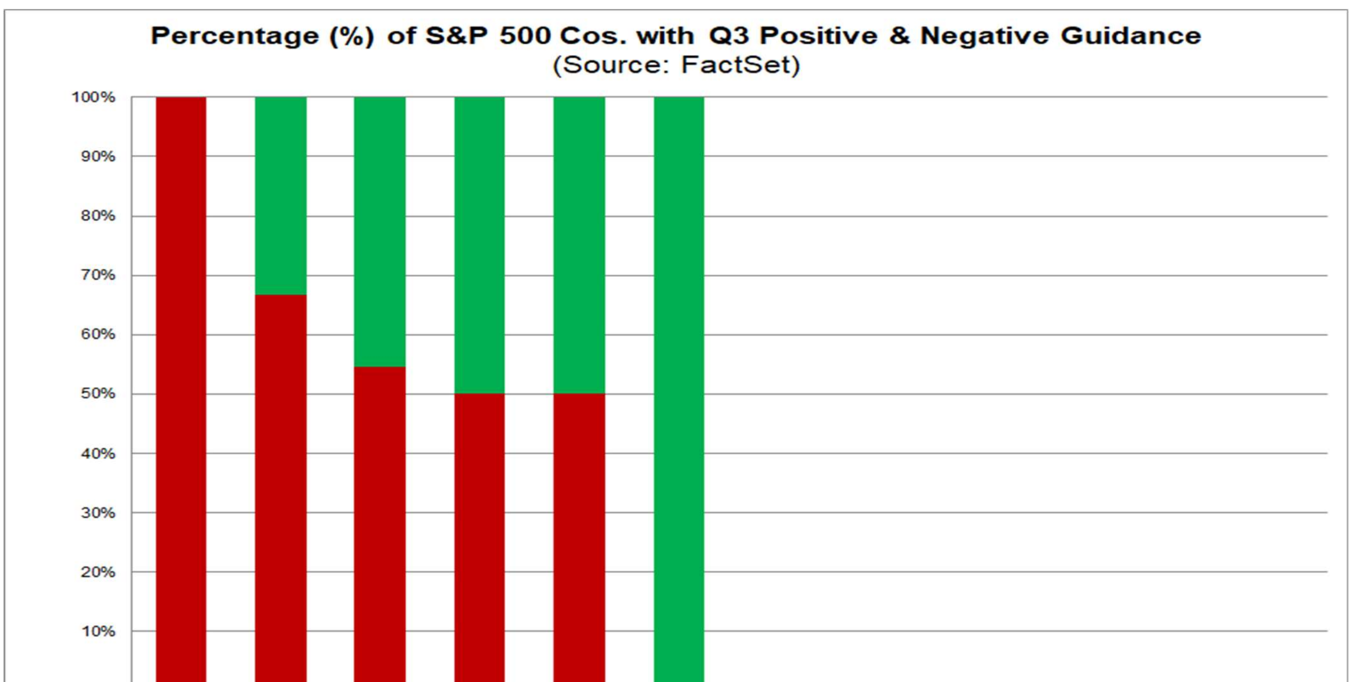
	Real Estate	Information Tech.	Financials	Comm. Services	Utilities	S&P 500	Materials	Industrials	Energy	Health Care	Consumer Disc.	Consumer Staples
Q223	36.9%	22.4%	16.6%	11.5%	11.3%	11.1%	10.8%	10.7%	9.9%	7.6%	7.3%	6.0%
Q222	35.3%	22.8%	17.2%	10.4%	11.7%	12.2%	14.5%	10.2%	14.4%	11.0%	6.0%	6.1%



	Consumer Staples	Consumer Disc.	Comm. Services	Industrials	Information Tech.	S&P 500	Real Estate	Financials	Energy	Health Care	Utilities	Materials
Down %	51%	55%	57%	57%	60%	63%	65%	67%	70%	71%	73%	76%
None %	0%	0%	0%	0%	0%	0%	0%	1%	0%	2%	0%	0%
Up %	49%	45%	43%	43%	40%	37%	35%	32%	30%	28%	27%	24%

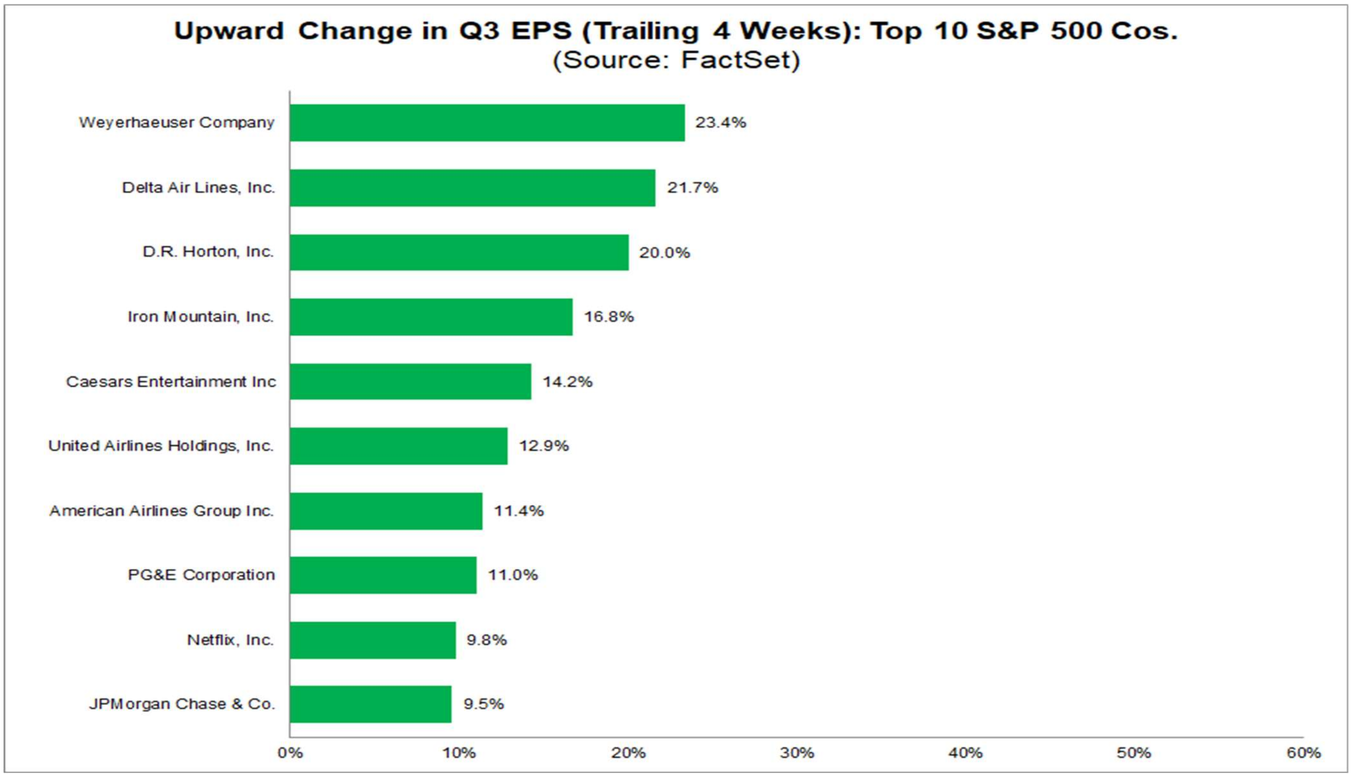
Q3 2023: Guidance

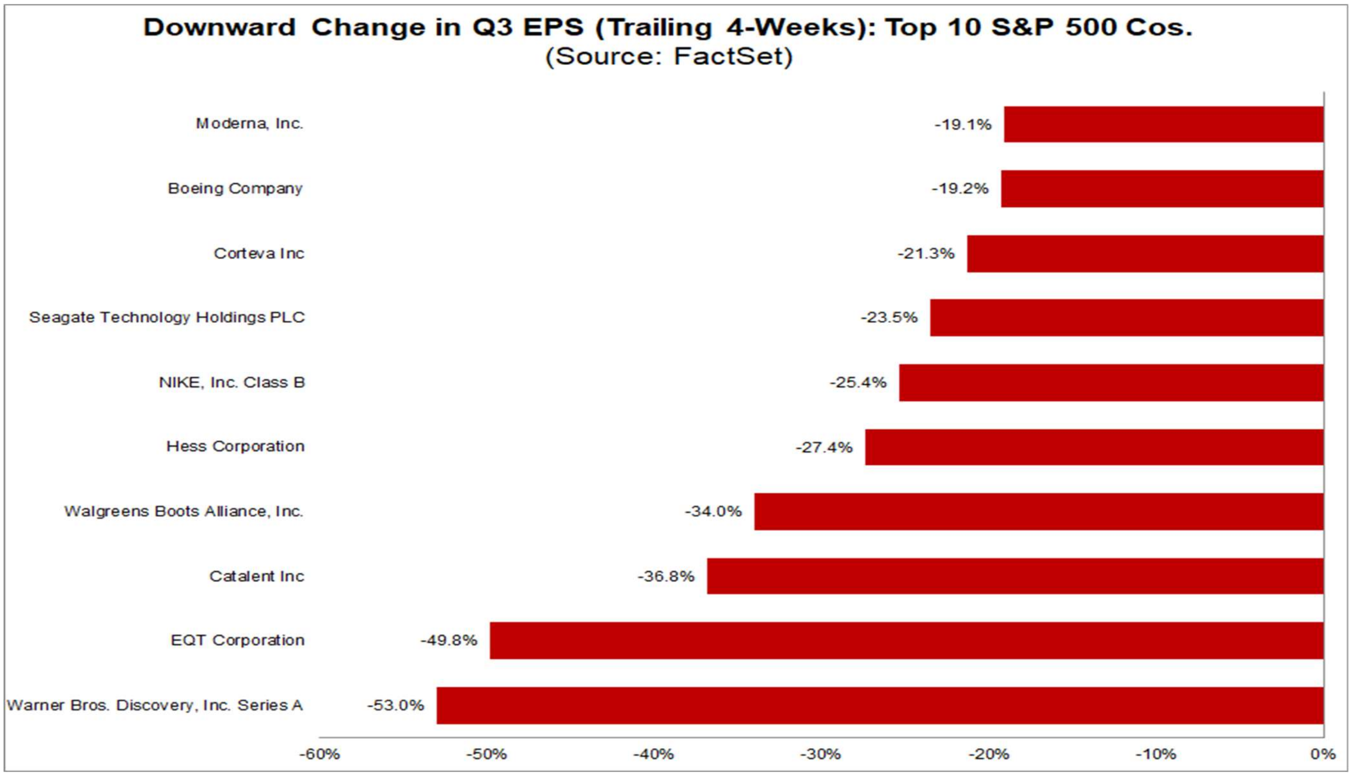




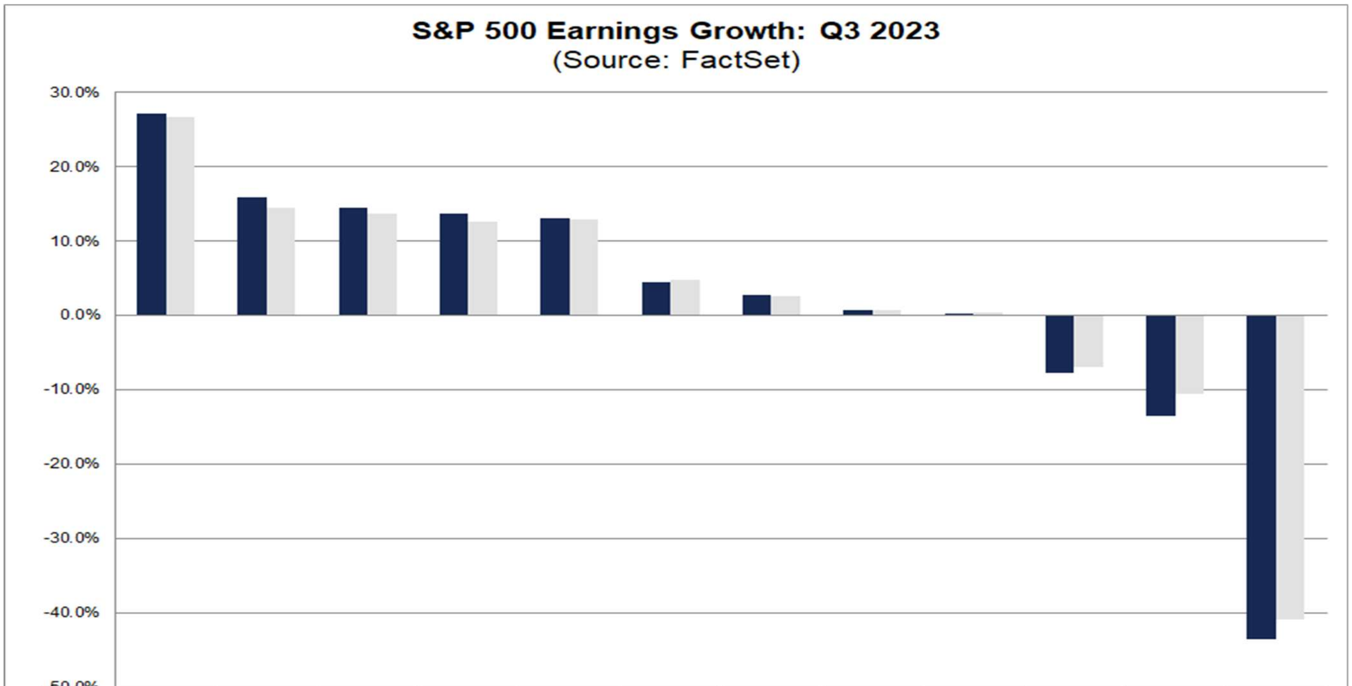
	Consumer Staples	Industrials	S&P 500	Info. Technology	Consumer Disc.	Materials	Financials	Utilities	Comm. Services	Health Care	Real Estate	Energy
Positive	0%	33%	45%	50%	50%	100%	0%	0%	0%	0%	0%	0%
Negative	100%	67%	55%	50%	50%	0%	0%	0%	0%	0%	0%	0%

Q3 2023: EPS Revisions

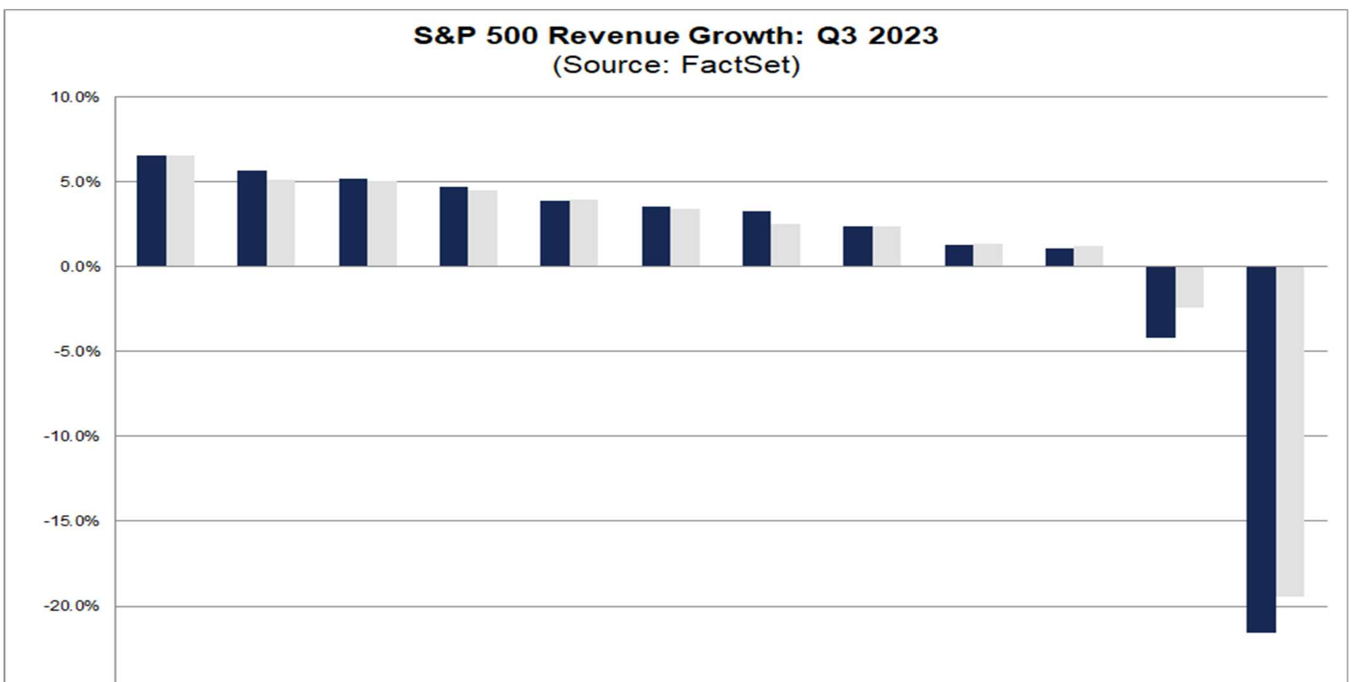




Q3 2023: Growth

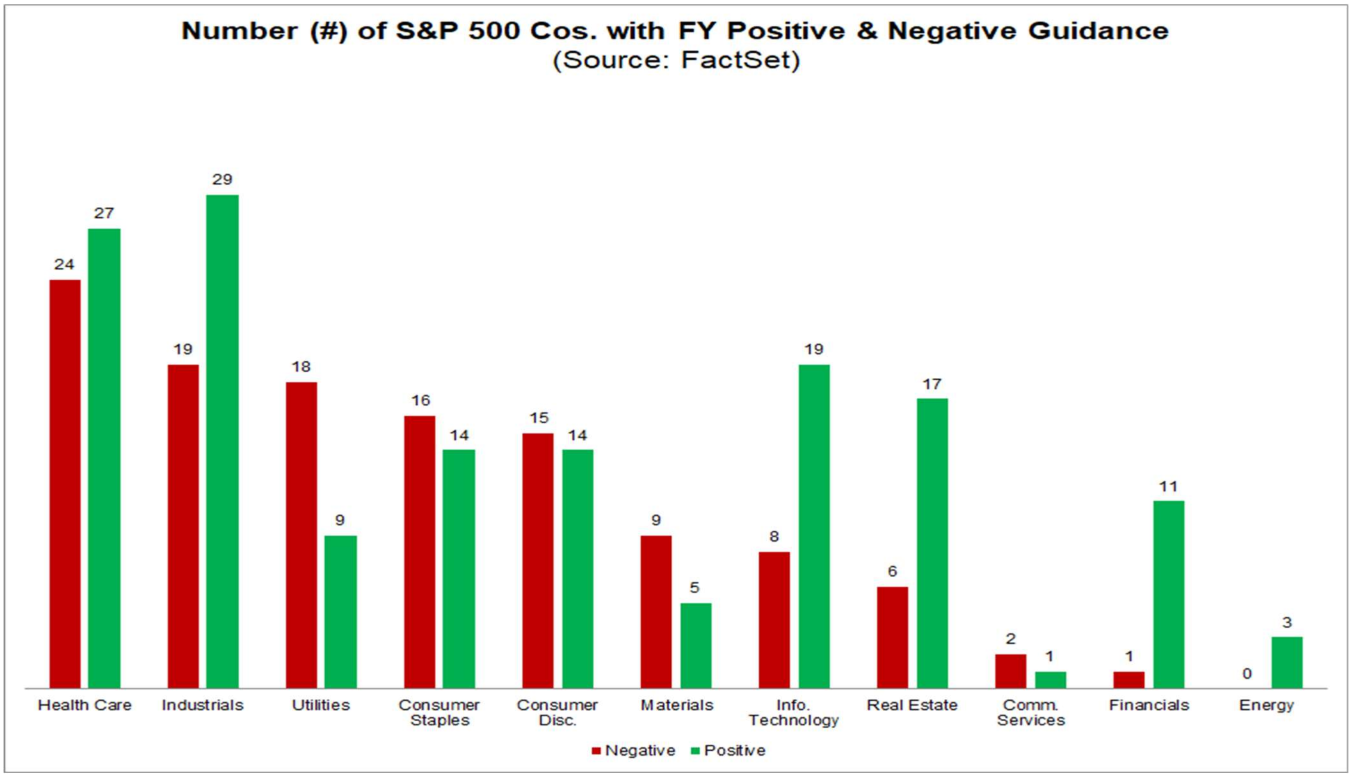


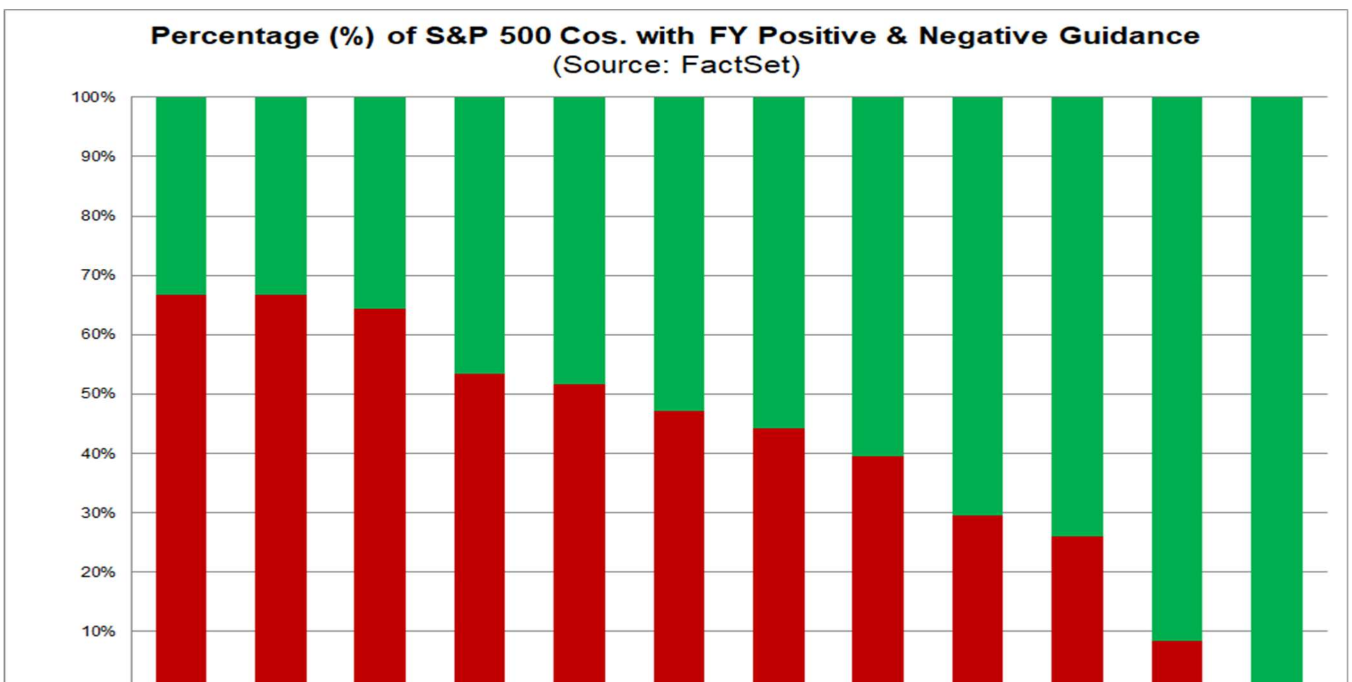
	Comm. Services	Utilities	Industrials	Consumer Disc.	Financials	Consumer Staples	Real Estate	Info. Technology	S&P 500	Health Care	Materials	Energy
Today	27.1%	15.8%	14.4%	13.7%	13.1%	4.5%	2.7%	0.8%	0.1%	-7.7%	-13.6%	-43.6%
30-Jun	26.6%	14.4%	13.7%	12.6%	12.9%	4.7%	2.6%	0.6%	0.4%	-7.0%	-10.6%	-40.9%



	Real Estate	Consumer Disc.	Comm. Services	Health Care	Consumer Staples	Financials	Utilities	Industrials	Info. Technology	S&P 500	Materials	Energy
Today	6.6%	5.7%	5.2%	4.7%	3.9%	3.6%	3.3%	2.4%	1.3%	1.1%	-4.2%	-21.6%
30-Jun	6.5%	5.2%	5.1%	4.5%	3.9%	3.4%	2.5%	2.4%	1.3%	1.2%	-2.4%	-19.4%

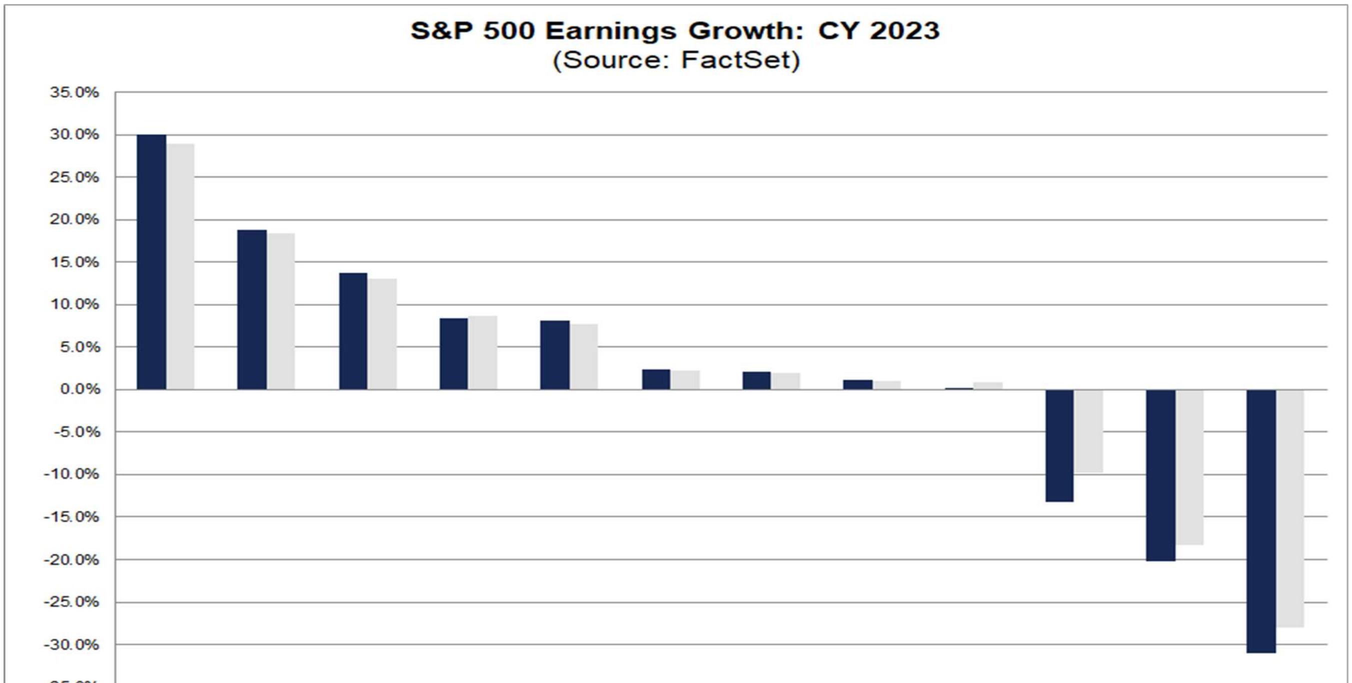
FY 2023 / 2024: EPS Guidance



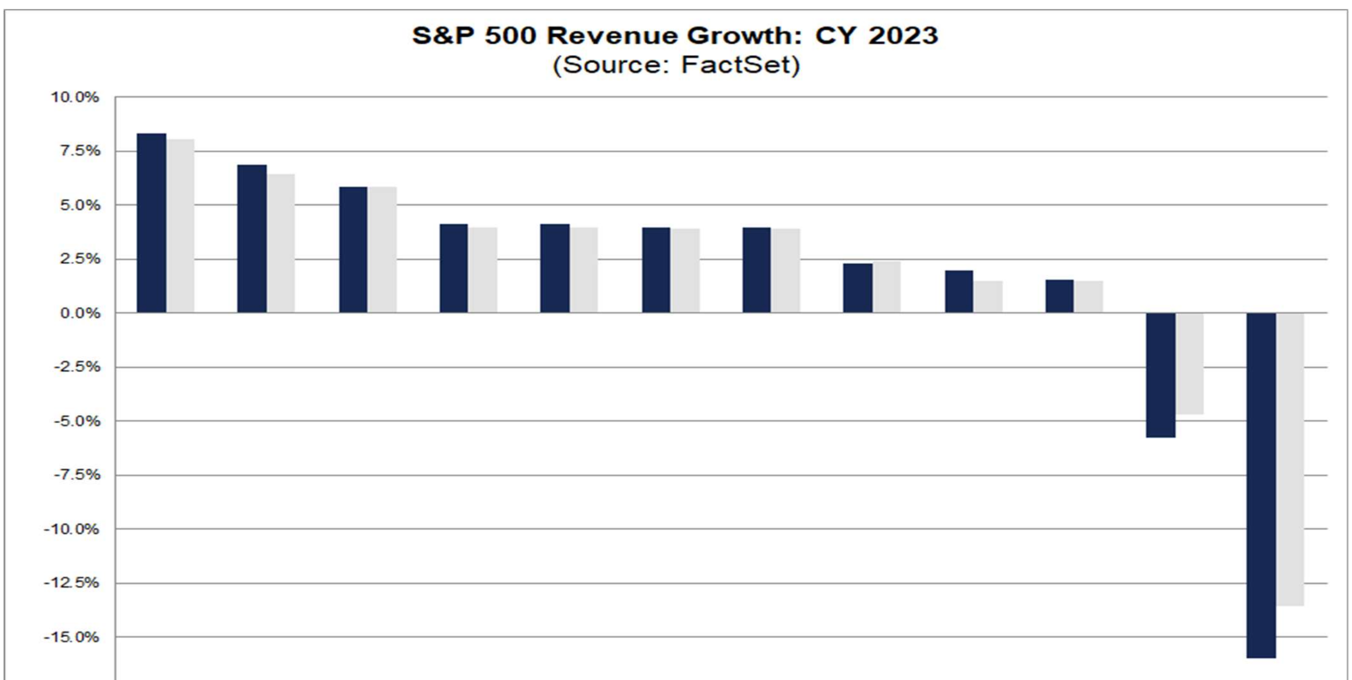


	Utilities	Comm. Services	Materials	Consumer Staples	Consumer Disc.	Health Care	S&P 500	Industrials	Info. Technology	Real Estate	Financials	Energy
Positive	33%	33%	36%	47%	48%	53%	56%	60%	70%	74%	92%	100%
Negative	67%	67%	64%	53%	52%	47%	44%	40%	30%	26%	8%	0%

CY 2023: Growth

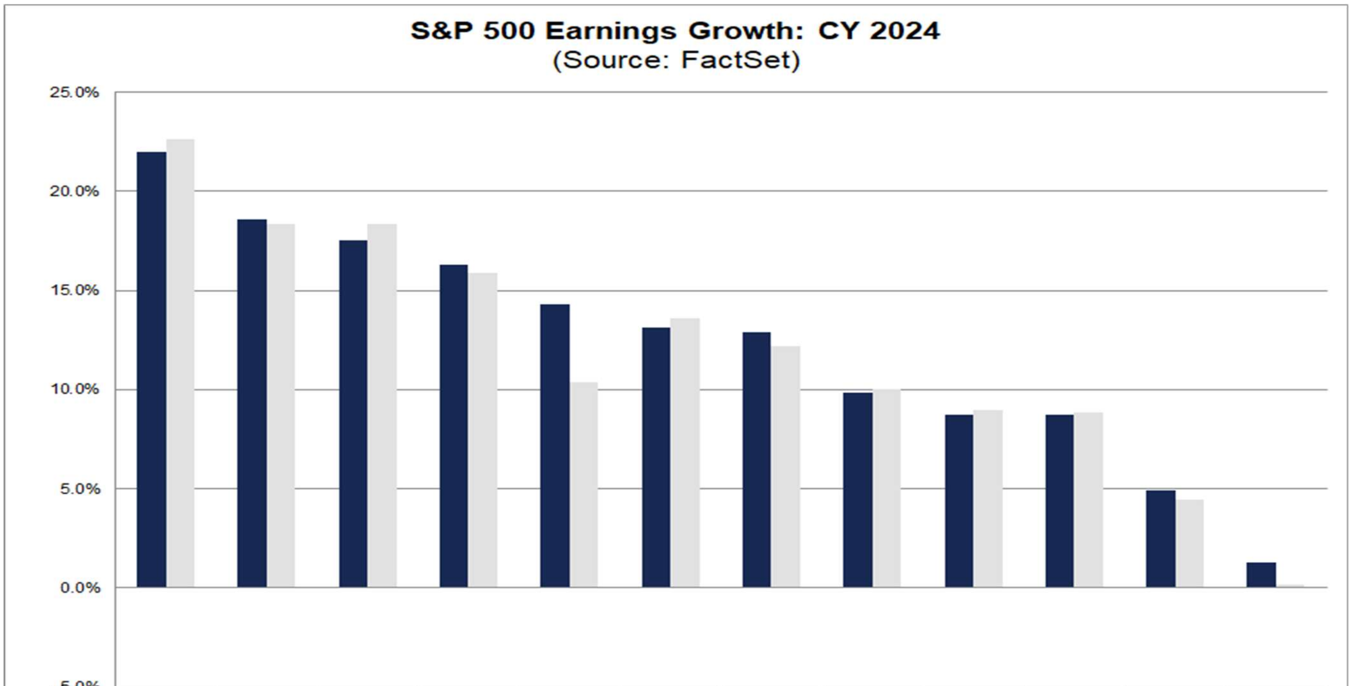


	Consumer Disc.	Comm. Services	Industrials	Financials	Utilities	Consumer Staples	Real Estate	Info. Technology	S&P 500	Health Care	Materials	Energy
Today	30.1%	18.9%	13.8%	8.4%	8.1%	2.4%	2.1%	1.1%	0.1%	-13.2%	-20.2%	-31.0%
30-Jun	28.9%	18.4%	13.1%	8.7%	7.7%	2.2%	2.0%	1.0%	0.9%	-9.8%	-18.3%	-27.9%

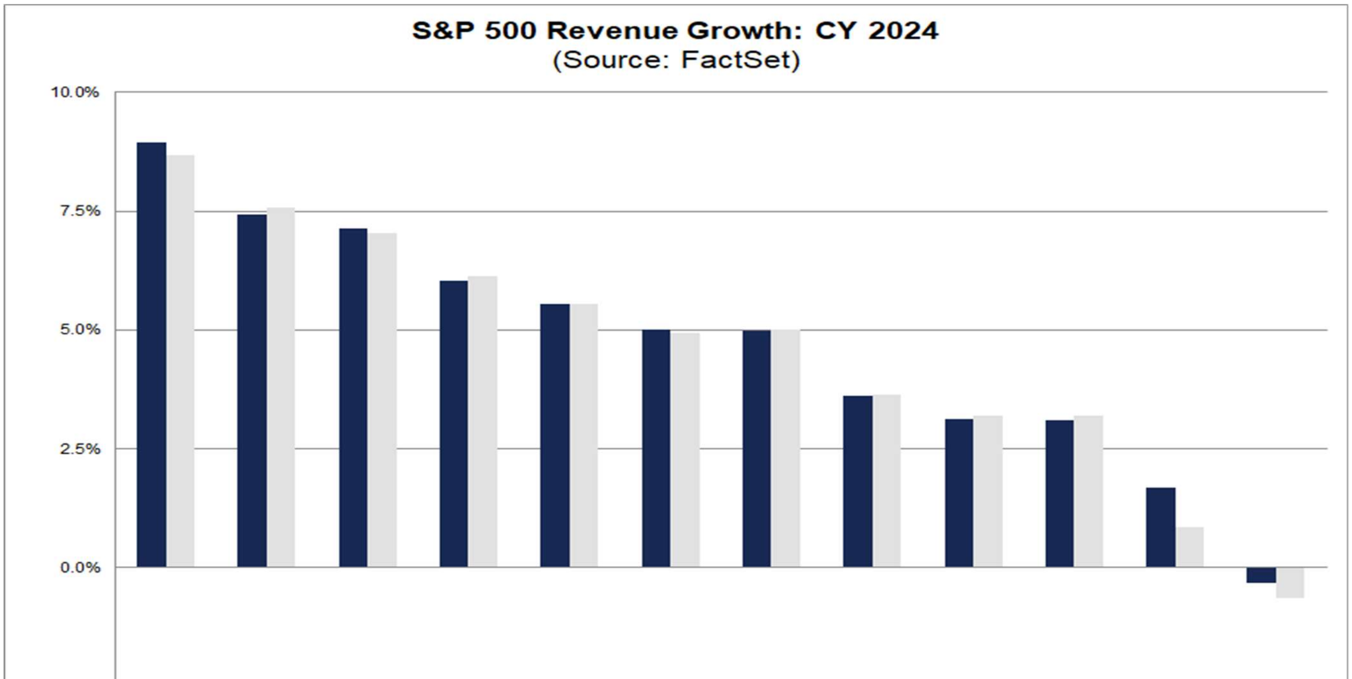


	Financials	Consumer Disc.	Real Estate	Health Care	Industrials	Comm. Services	Consumer Staples	S&P 500	Utilities	Info. Technology	Materials	Energy
Today	8.3%	6.9%	5.8%	4.1%	4.1%	3.9%	3.9%	2.3%	2.0%	1.5%	-5.8%	-16.0%
30-Jun	8.1%	6.4%	5.9%	3.9%	3.9%	3.9%	3.9%	2.4%	1.5%	1.5%	-4.7%	-13.6%

CY 2024: Growth

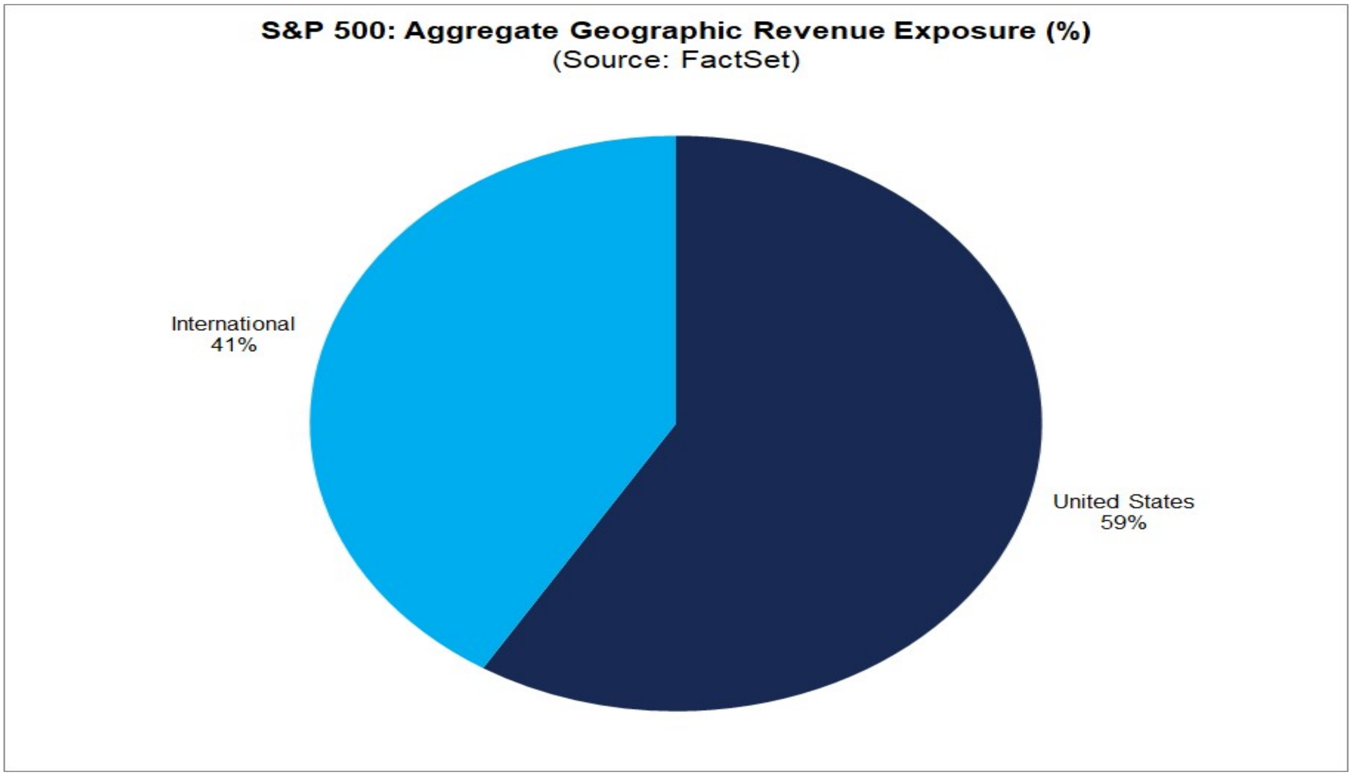


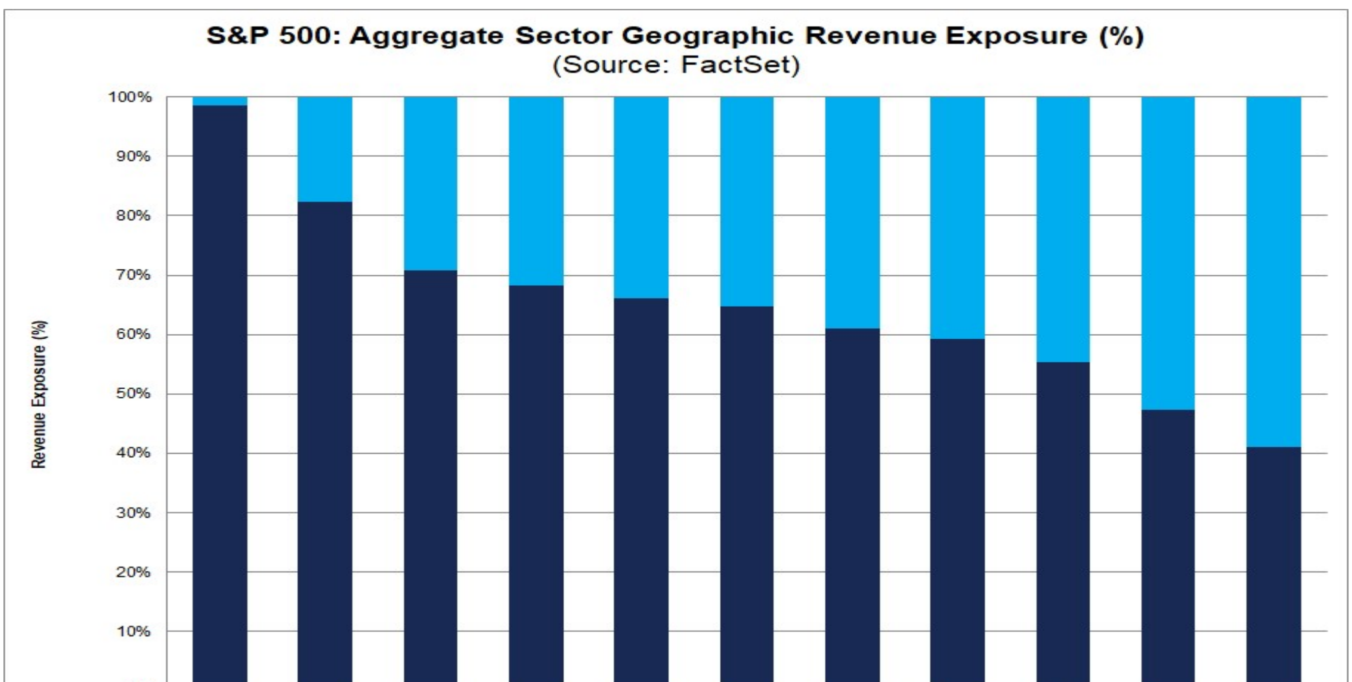
	Utilities	Comm. Services	Consumer Disc.	Info. Technology	Health Care	Industrials	S&P 500	Financials	Real Estate	Consumer Staples	Materials	Energy
■ Today	22.0%	18.6%	17.5%	16.3%	14.3%	13.1%	12.9%	9.9%	8.7%	8.7%	4.9%	1.3%
30-Jun	22.6%	18.3%	18.3%	15.9%	10.4%	13.6%	12.2%	10.0%	9.0%	8.9%	4.5%	0.2%



	Info. Technology	Consumer Disc.	Comm. Services	Real Estate	Health Care	S&P 500	Industrials	Consumer Staples	Utilities	Financials	Materials	Energy
■ Today	8.9%	7.4%	7.1%	6.0%	5.6%	5.0%	5.0%	3.6%	3.1%	3.1%	1.7%	-0.3%
30-Jun	8.7%	7.6%	7.0%	6.1%	5.6%	4.9%	5.0%	3.6%	3.2%	3.2%	0.8%	-0.6%

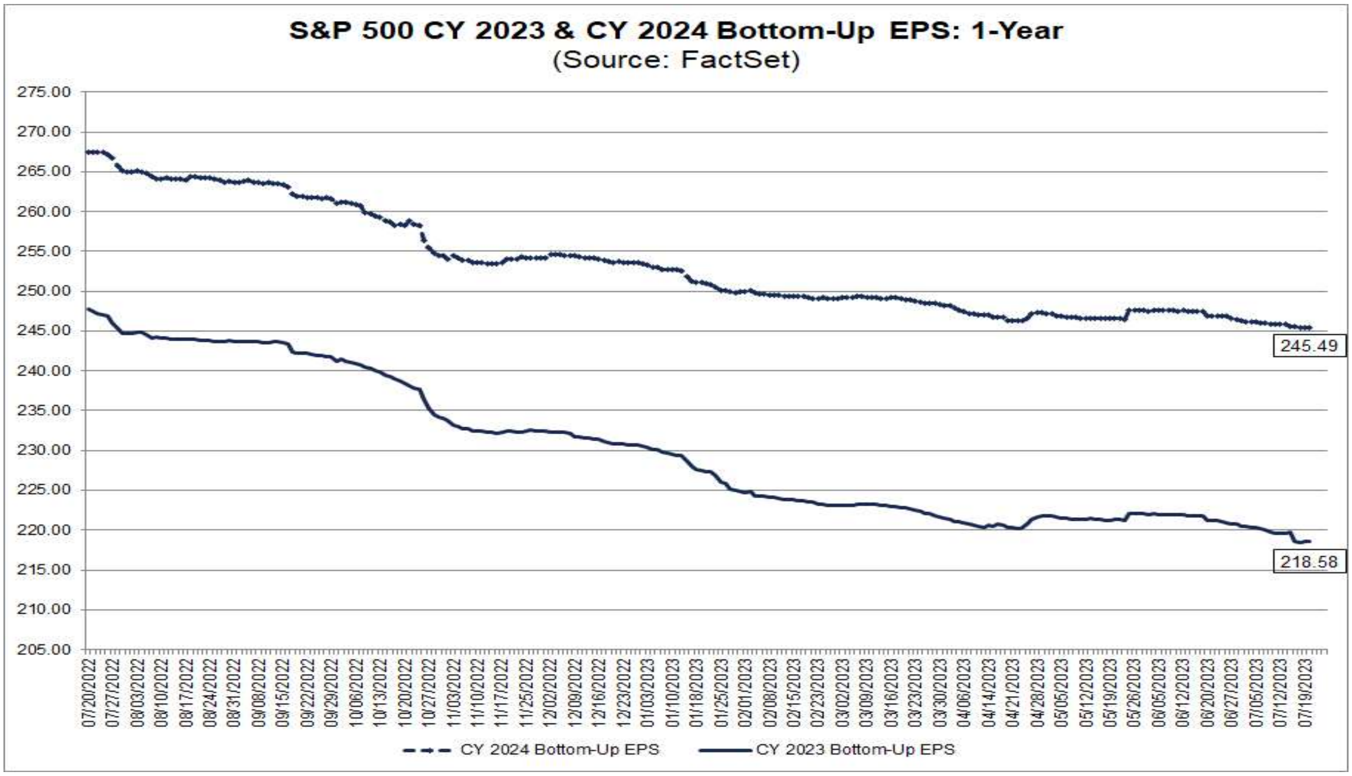
Geographic Revenue Exposure

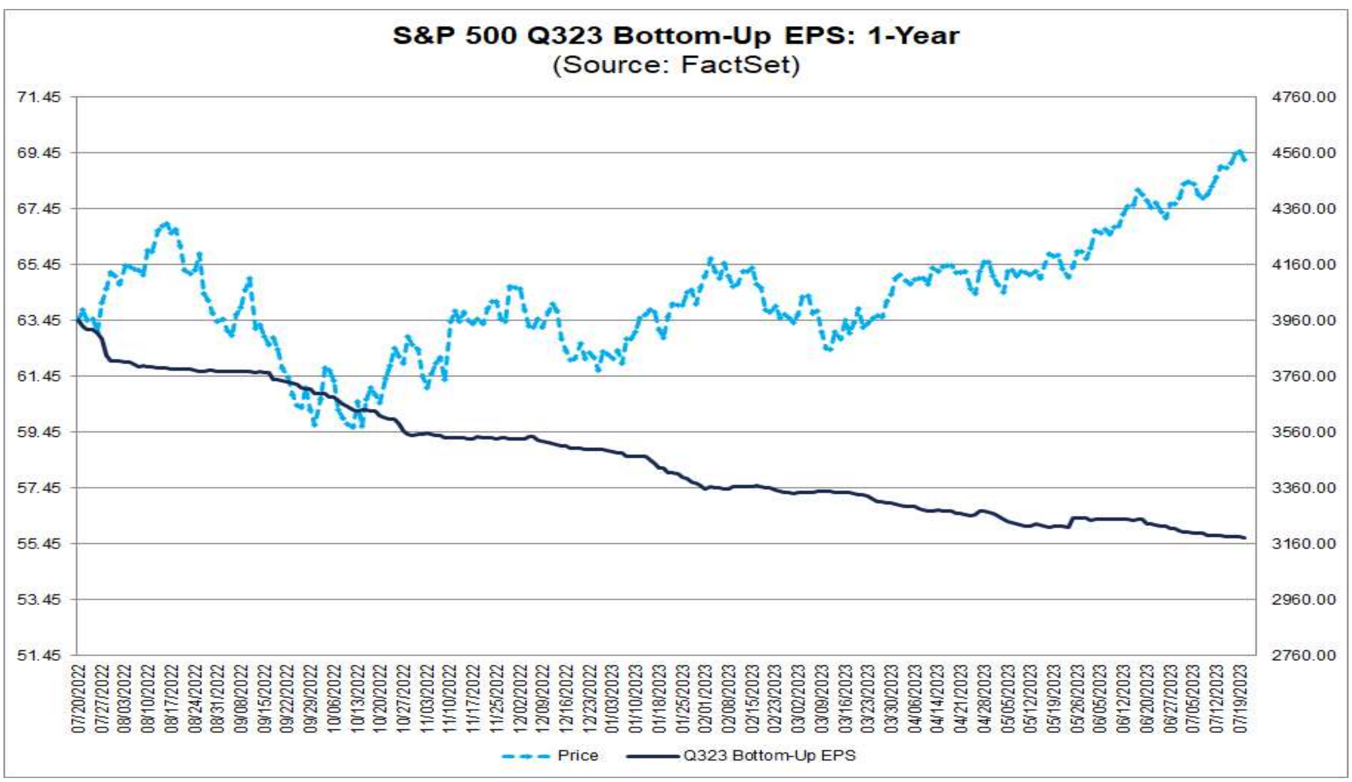




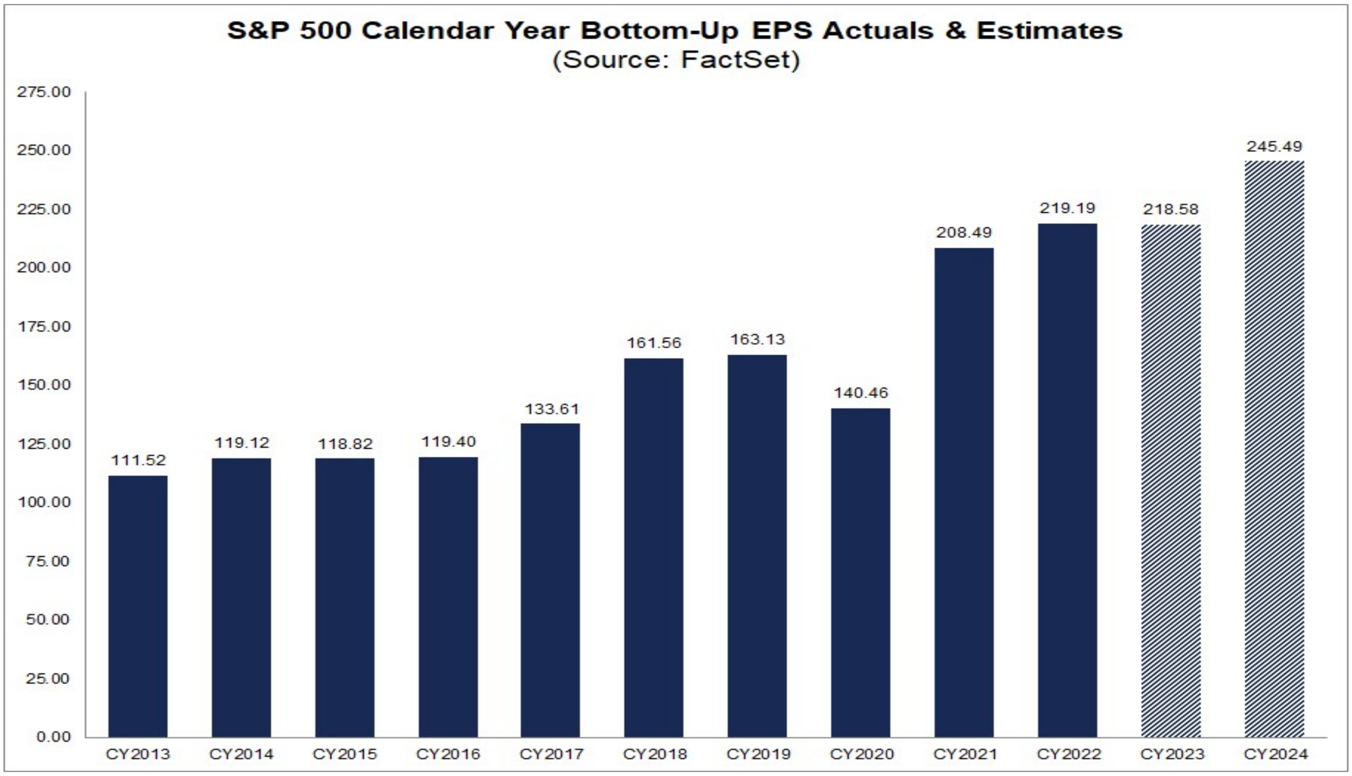
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	29%	32%	34%	35%	39%	41%	45%	53%	59%
United States	99%	82%	71%	68%	66%	65%	61%	59%	55%	47%	41%

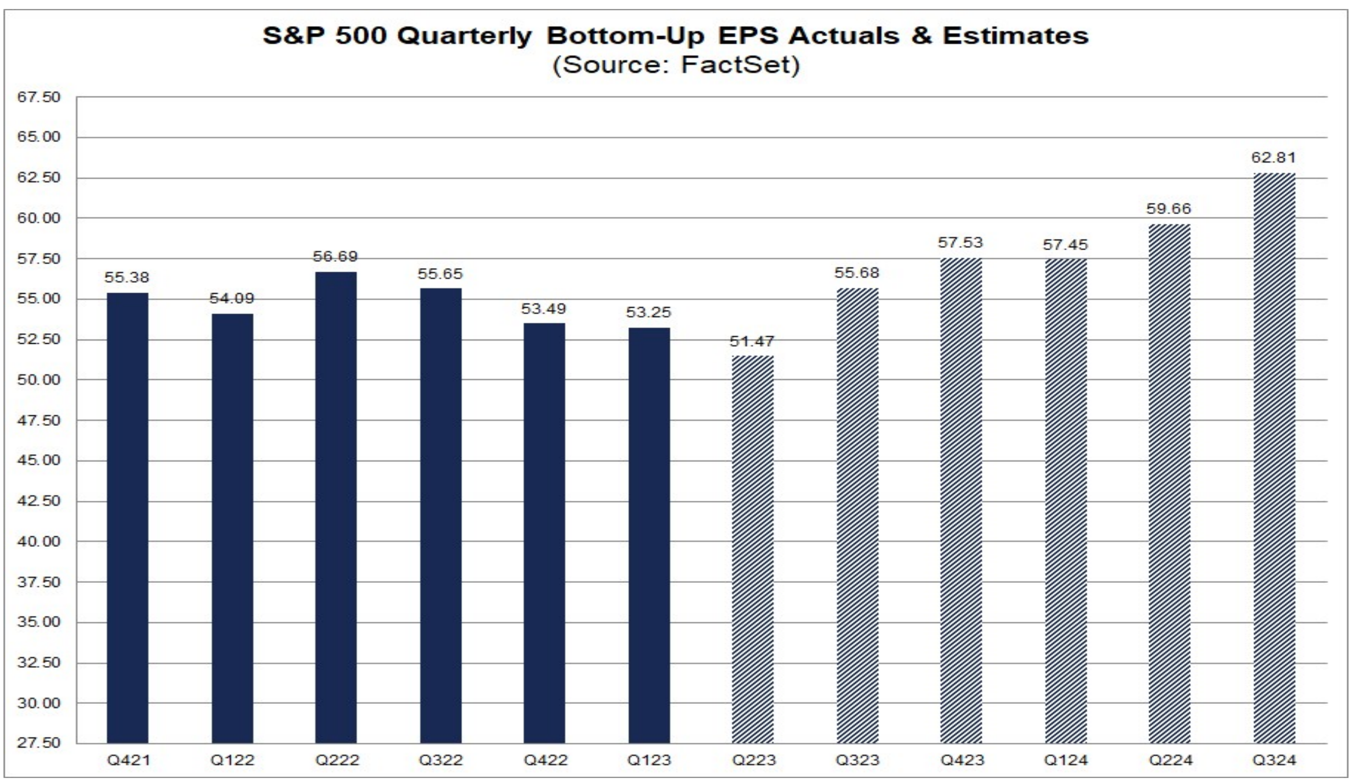
Bottom-Up EPS Estimates



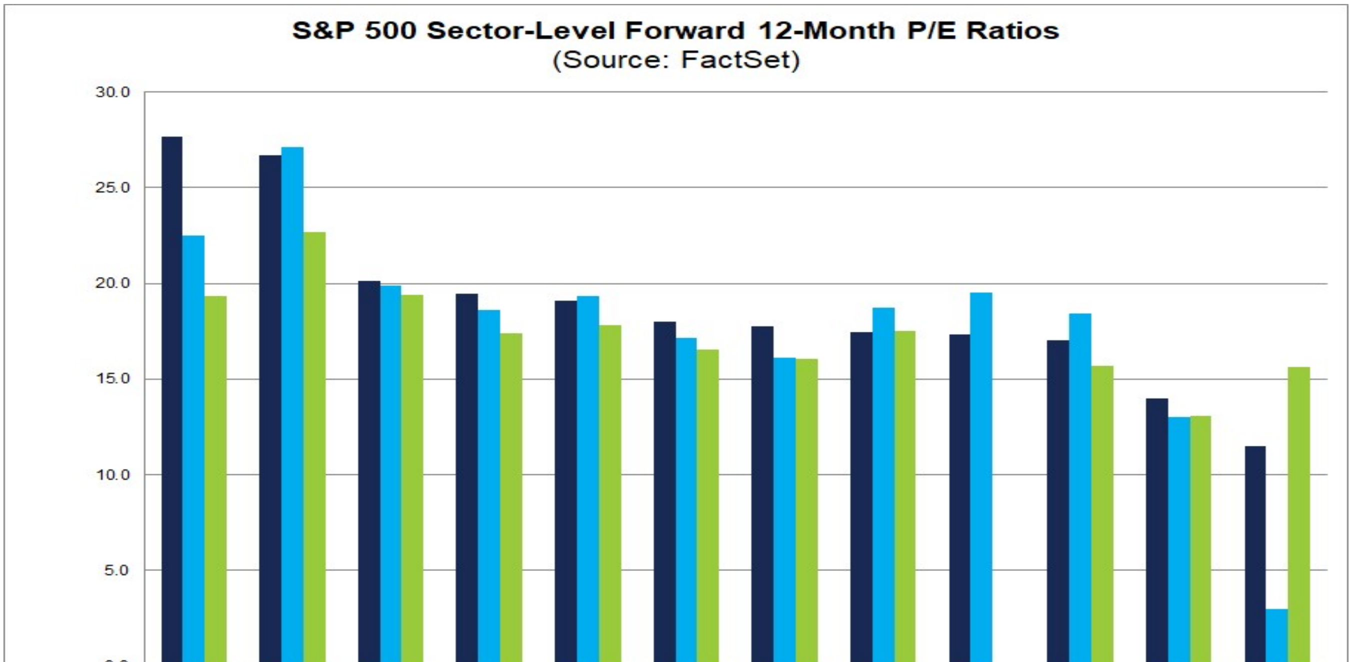


Bottom-Up EPS Estimates: Current & Historical

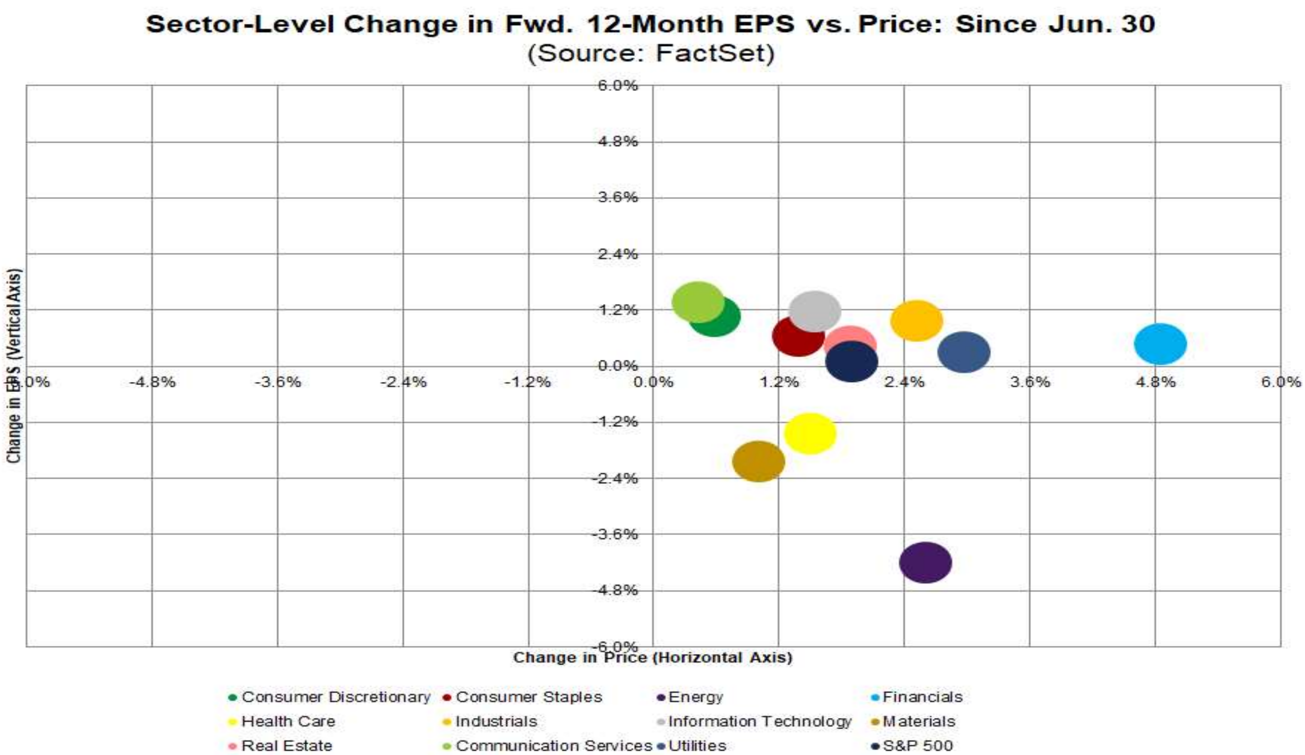




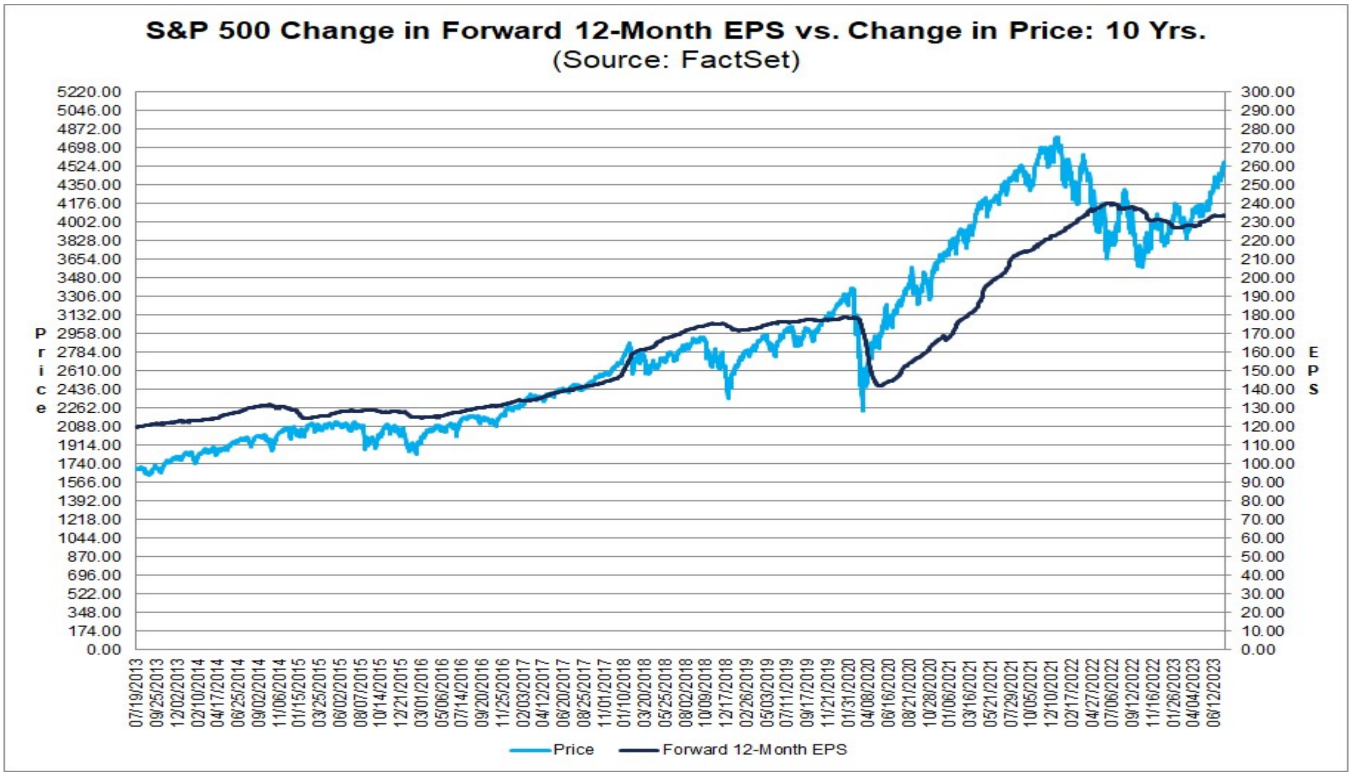
Forward 12M P/E Ratio: Sector Level

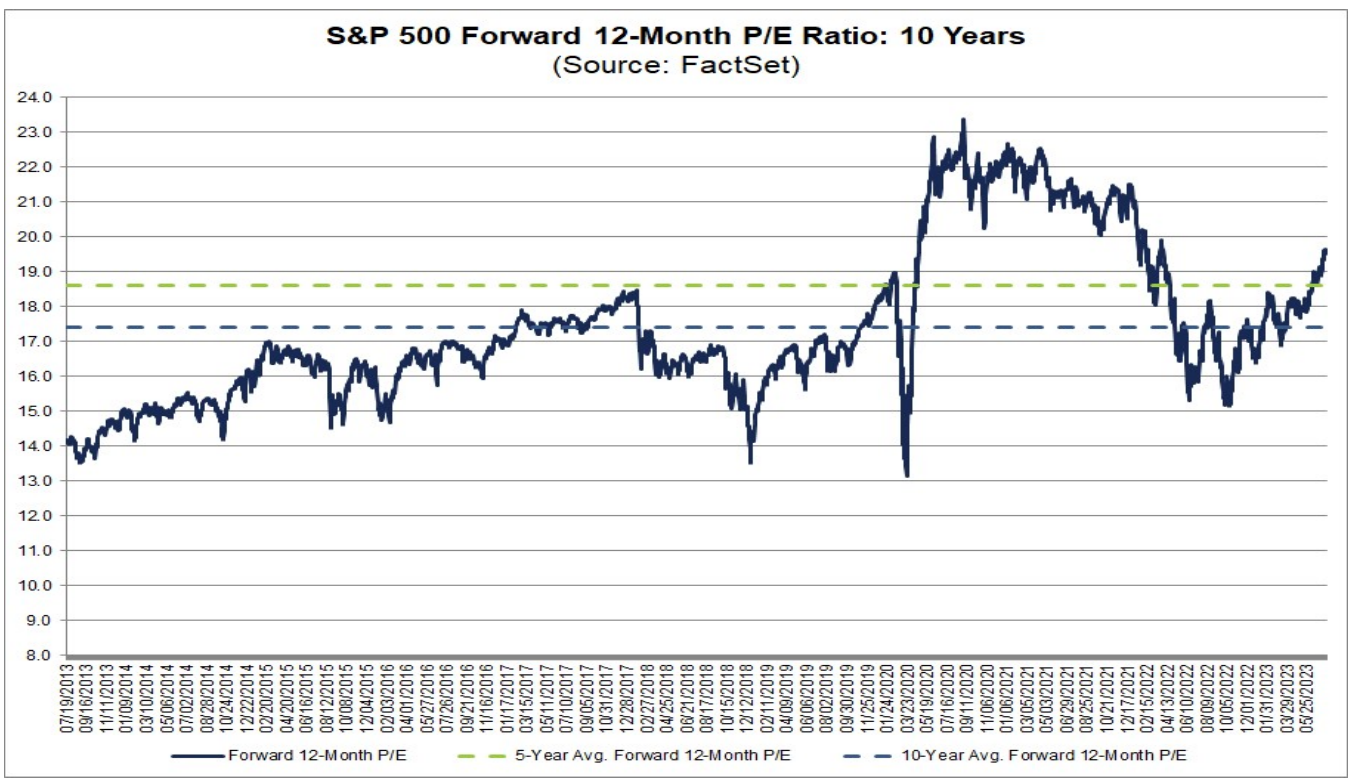


	Info. Technology	Consumer Disc.	Consumer Staples	S&P 500	Industrials	Materials	Health Care	Utilities	Real Estate	Comm. Services	Financials	Energy
Fwd P/E	27.7	26.7	20.1	19.5	19.1	18.0	17.8	17.4	17.3	17.0	14.0	11.5
5-Yr Avg.	22.5	27.1	19.9	18.6	19.4	17.1	16.1	18.7	19.5	18.4	13.0	3.0
10-Yr Avg.	19.3	22.7	19.4	17.4	17.8	16.6	16.0	17.5	0.0	15.7	13.1	15.6

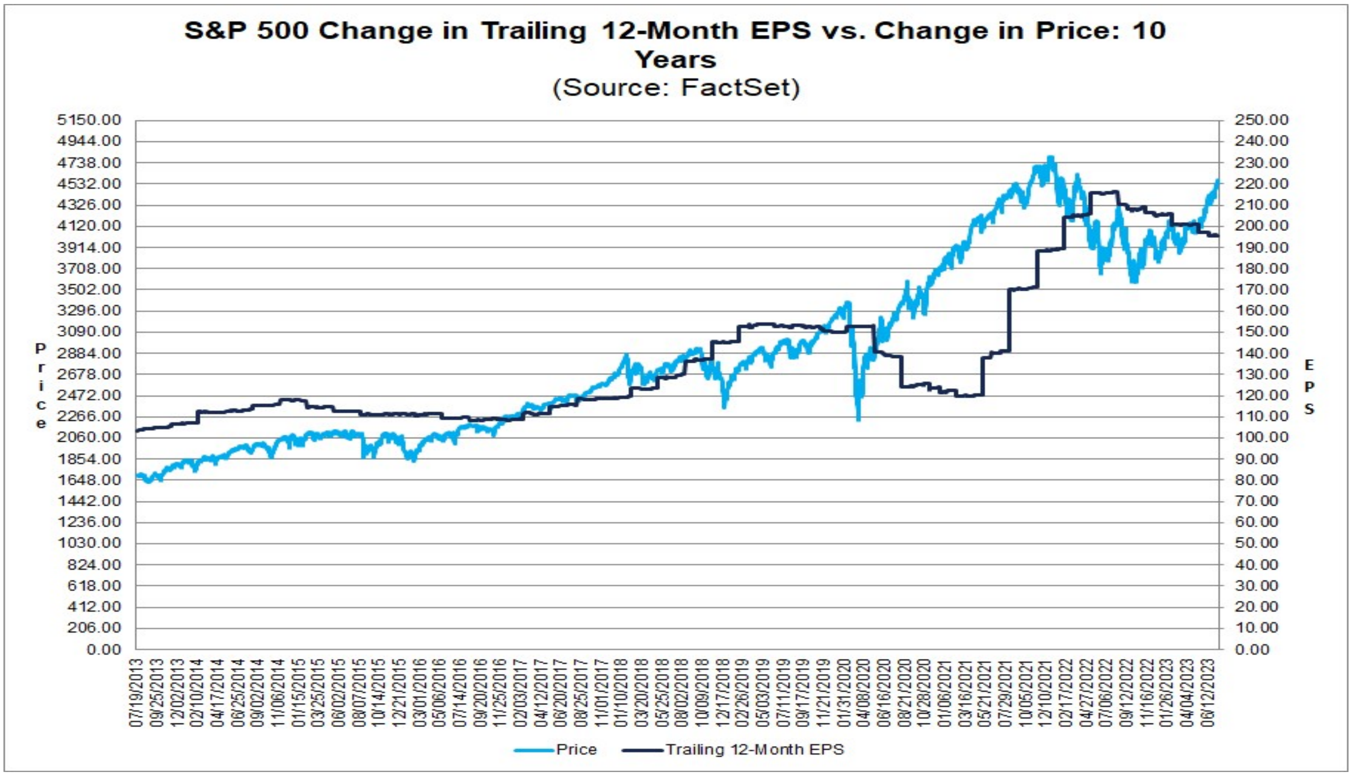


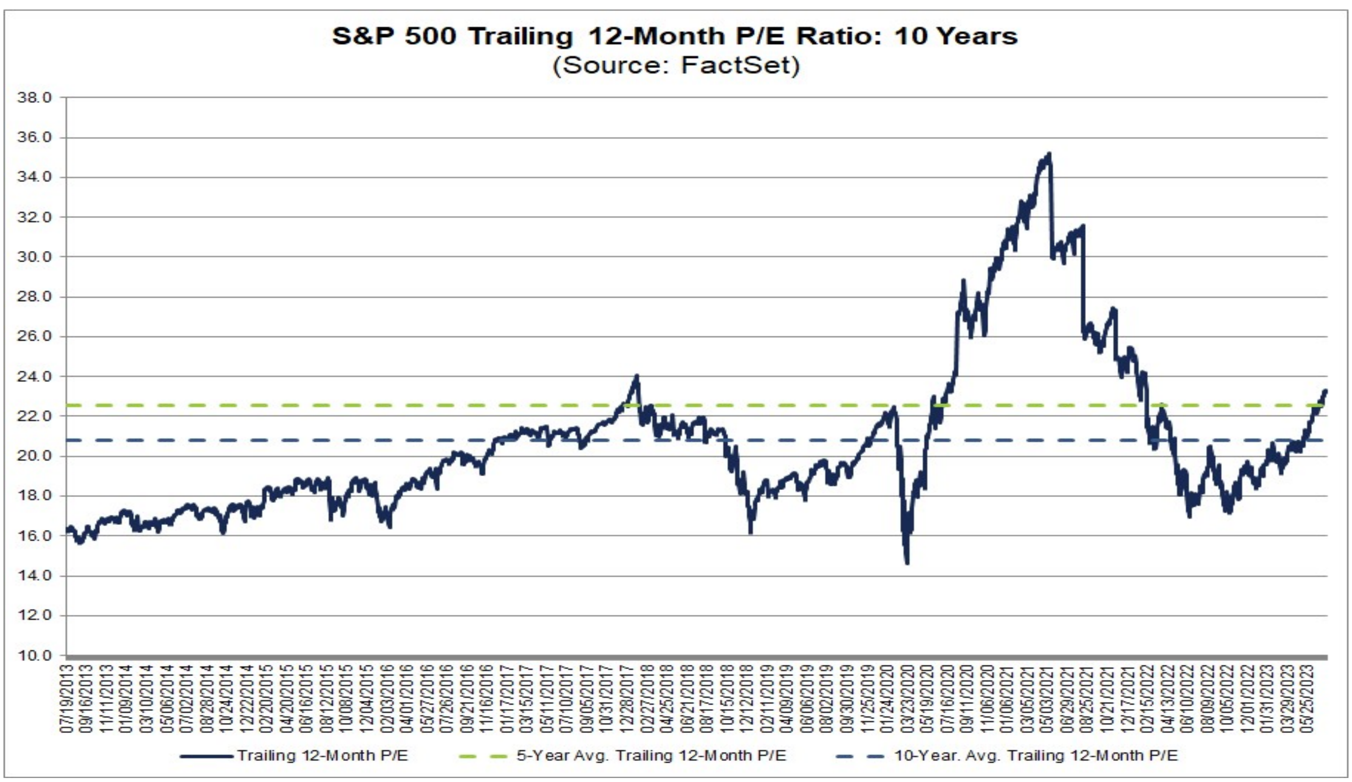
Forward 12M P/E Ratio: 10-Years



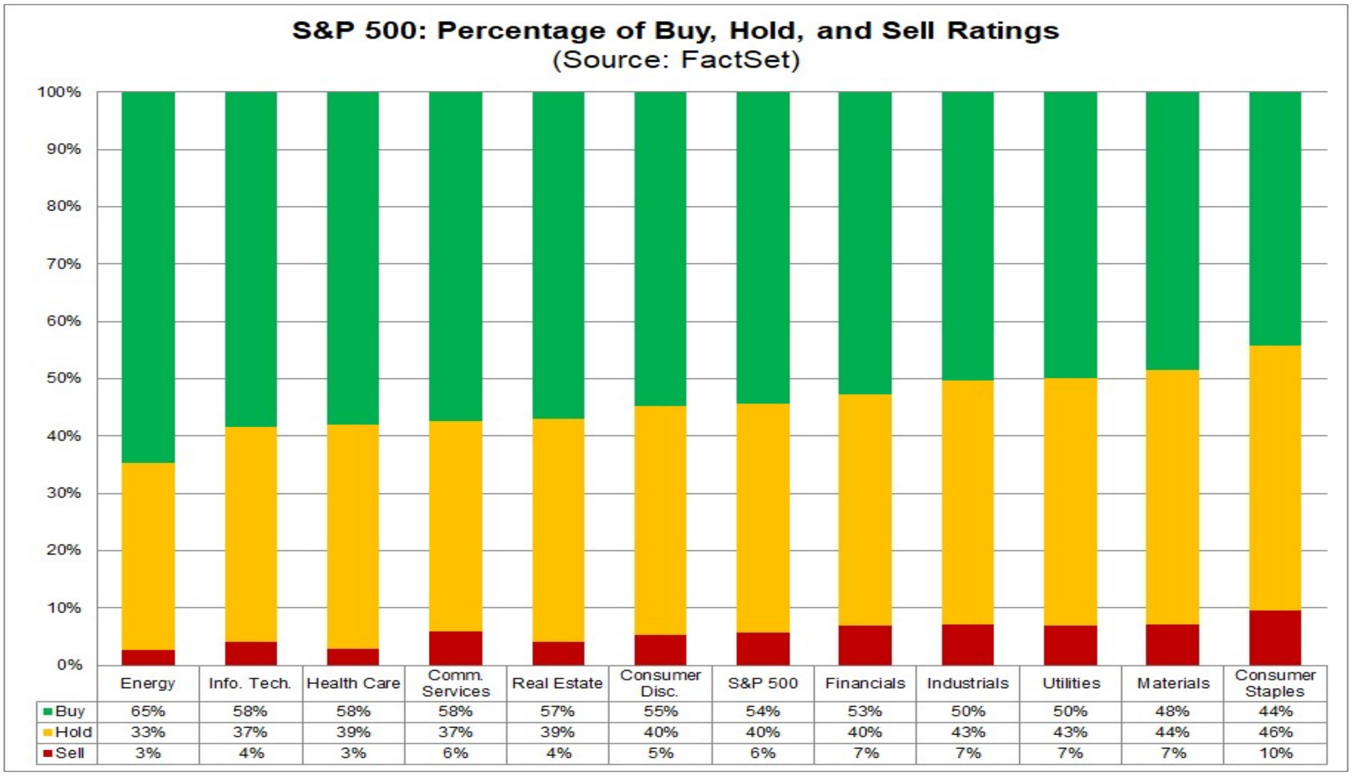


Trailing 12M P/E Ratio: 10-Years

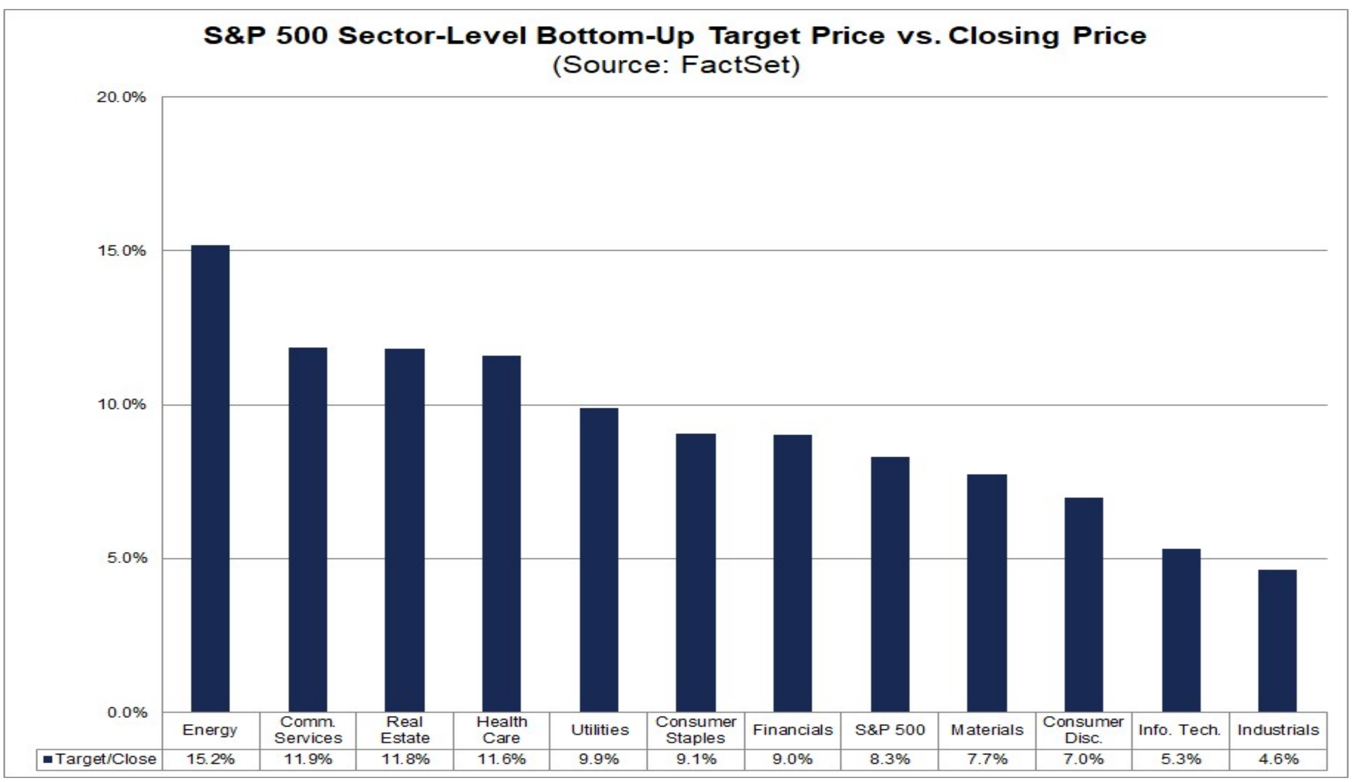




Targets & Ratings



	Energy	Info. Tech.	Health Care	Comm. Services	Real Estate	Consumer Disc.	S&P 500	Financials	Industrials	Utilities	Materials	Consumer Staples
Buy	65%	58%	58%	58%	57%	55%	54%	53%	50%	50%	48%	44%
Hold	33%	37%	39%	37%	39%	40%	40%	40%	43%	43%	44%	46%
Sell	3%	4%	3%	6%	4%	5%	6%	7%	7%	7%	7%	10%



	Energy	Comm. Services	Real Estate	Health Care	Utilities	Consumer Staples	Financials	S&P 500	Materials	Consumer Disc.	Info. Tech.	Industrials
Target/Close	15.2%	11.9%	11.8%	11.6%	9.9%	9.1%	9.0%	8.3%	7.7%	7.0%	5.3%	4.6%

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