

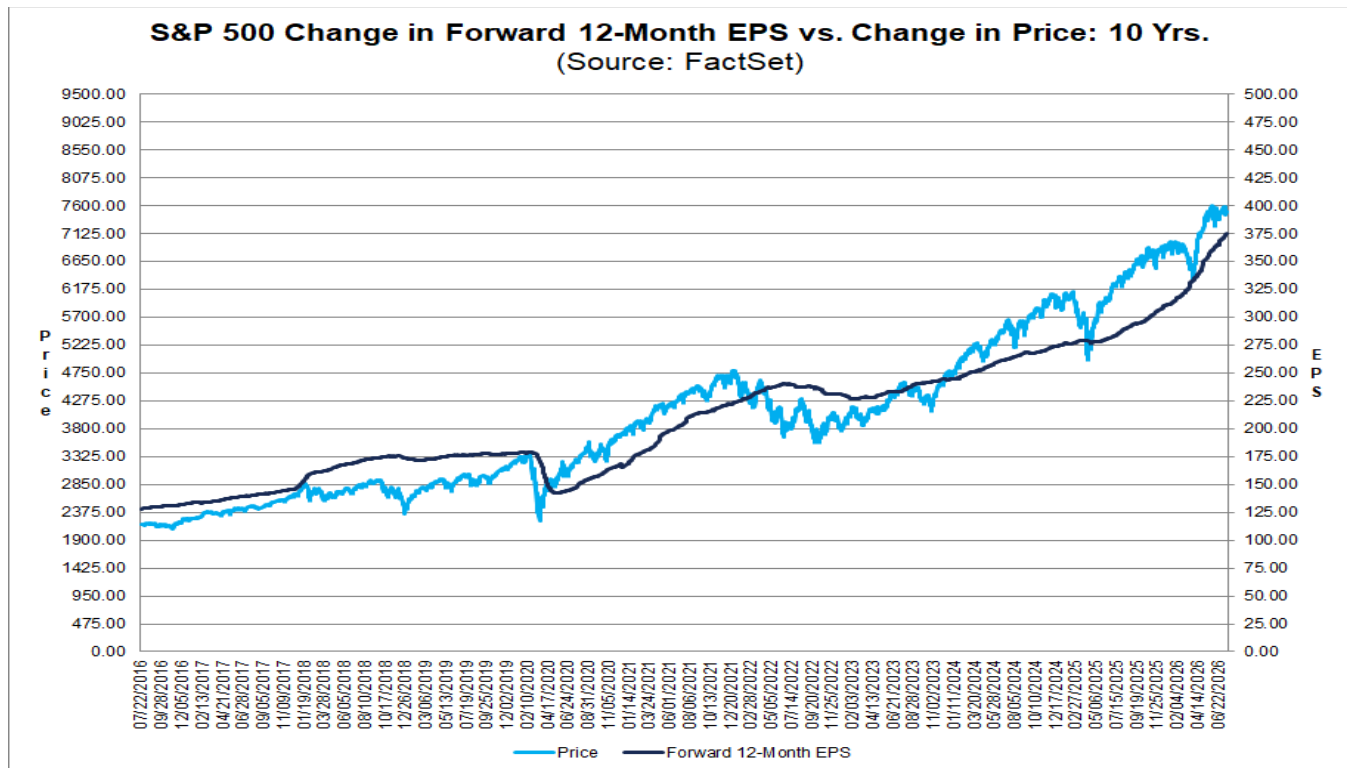
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July 24, 2026

Key Metrics

- **Earnings Scorecard:** For Q2 2026 (with 27% of S&P 500 companies reporting actual results), 86% of S&P 500 companies have reported a positive EPS surprise and 80% of S&P 500 companies has reported a positive revenue surprise.
- **Earnings Growth:** For Q2 2026, the blended (year-over-year) earnings growth rate for the S&P 500 is 37.9%. If 37.9% is the actual growth rate for the quarter, it will mark the highest earnings growth rate reported by the index since Q3 2021 (40.3%).
- **Earnings Revisions:** On June 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q2 2026 was 23.2%. Nine 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 2026, 9 S&P 500 companies have issued negative EPS guidance and 11 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.1. This P/E ratio is above the 5-year average (19.9) and above the 10-year average (19.0).



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Topic of the Week: 1

Alphabet Drives S&P 500 Earnings Growth to Highest Level Since 2021 On Valuation Gains

During the past week, the (blended) earnings growth rate for the S&P 500 for the second quarter increased to 37.9% from 24.8%. If 37.9% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q3 2021 (40.3%). Seven sectors are now reporting double-digit earnings growth for Q2 2026, led by the Energy (128.2%), Communication Services (112.4%), and Information Technology (64.6%) sectors.

Given the substantial increase in the Q2 earnings growth for the S&P 500 during the past week, which companies were the largest contributors to this increase?

At the company level, the positive EPS surprise reported by Alphabet (\$9.11 vs. \$2.88) was the largest contributor to the increase in the Q2 earnings growth rate for the S&P 500 during the past week. This company alone accounted for 92% of the net dollar-level increase in earnings for the S&P 500 over this period.

However, it should be noted that EPS reported on a GAAP basis by Alphabet was used for both the earnings surprise and the earnings growth rate calculations, as the majority of analysts contributing EPS estimates to FactSet for Alphabet are providing EPS estimates on a GAAP basis for this company. Historically, Alphabet has only reported EPS numbers on a GAAP basis.

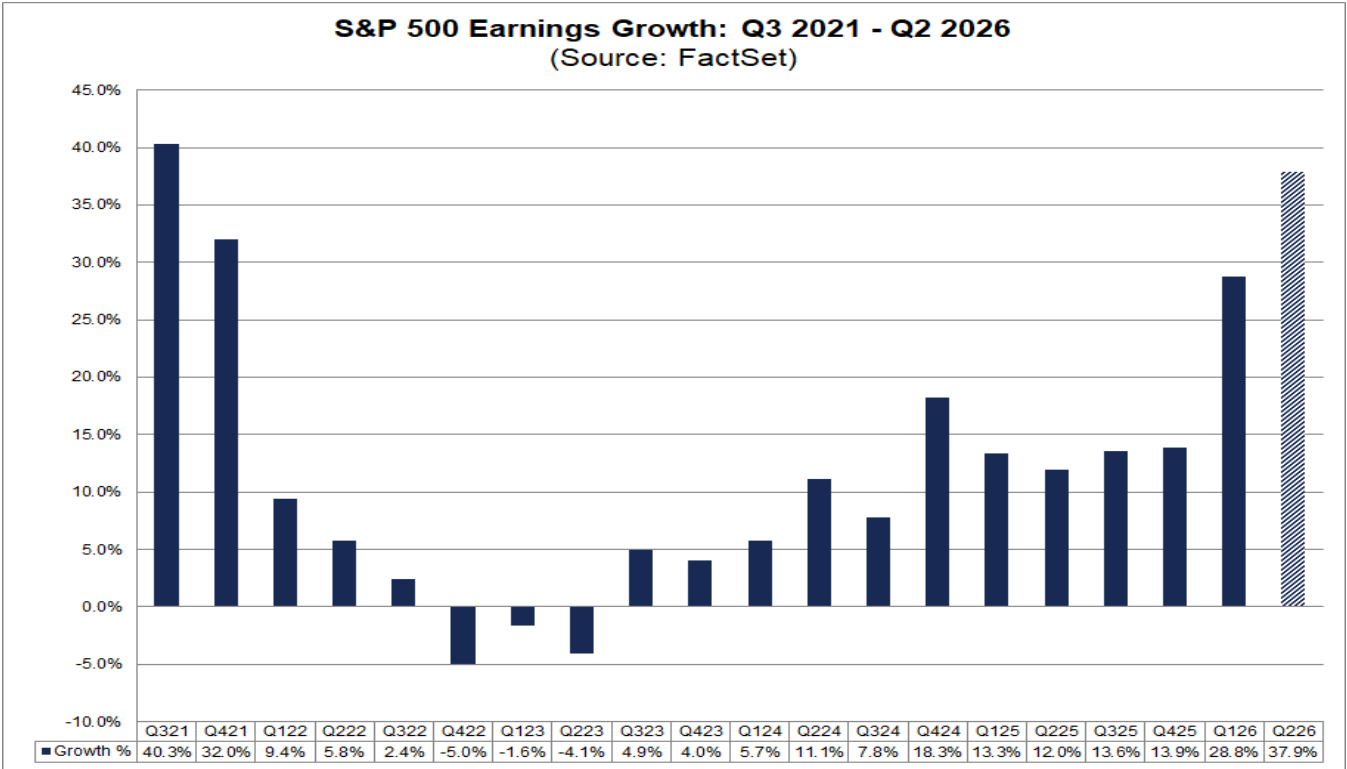
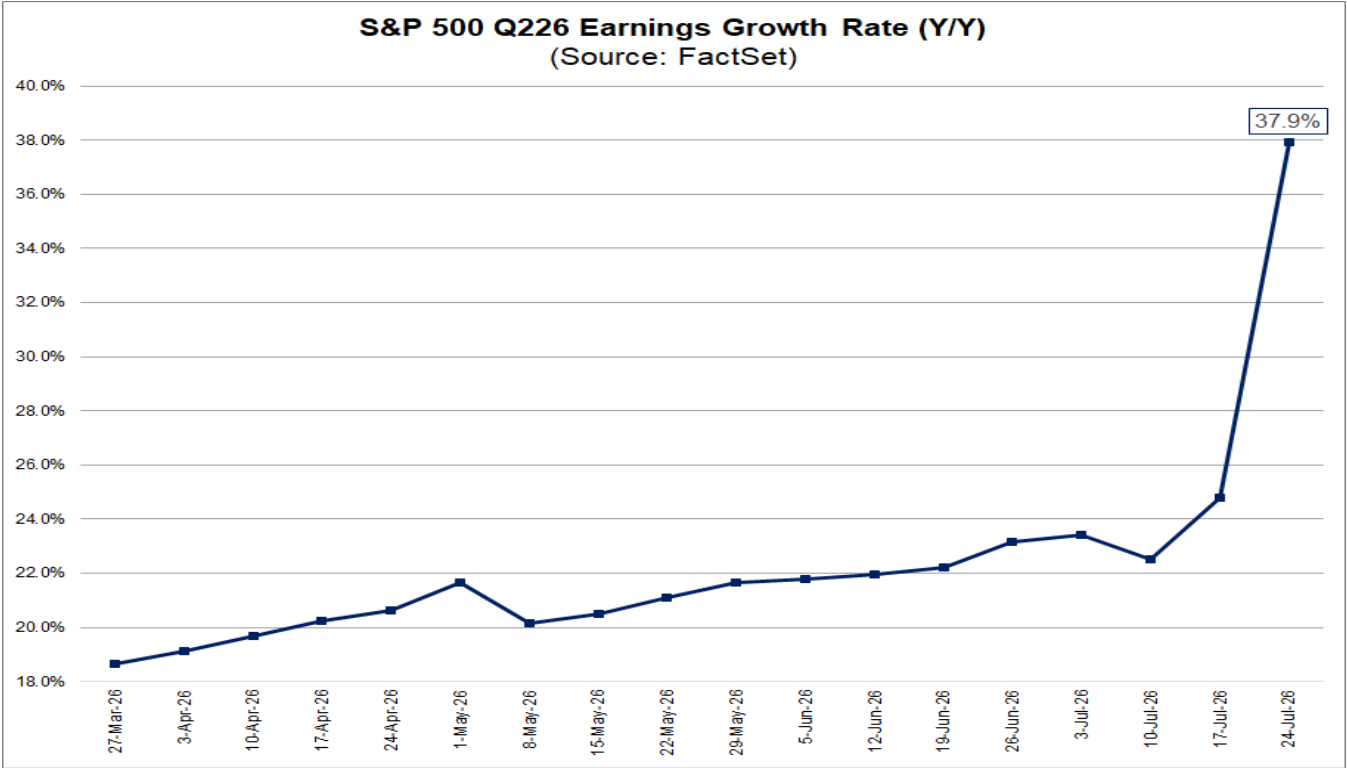
While all publicly traded U.S. companies report EPS on a GAAP (generally accepted accounting principles) basis, many U.S. companies also choose to report EPS on a non-GAAP basis. There are mixed opinions in the market about the use of non-GAAP EPS. Supporters of the practice argue that it provides the market with a more accurate picture of earnings from the day-to-day operations of companies, as items that companies deem to be one-time events or nonoperating in nature are typically excluded from the non-GAAP EPS numbers. Critics of the practice argue that there is no industry-standard definition of non-GAAP EPS, and companies can take advantage of the lack of standards to exclude items that (more often than not) have a negative impact on earnings to boost non-GAAP EPS.

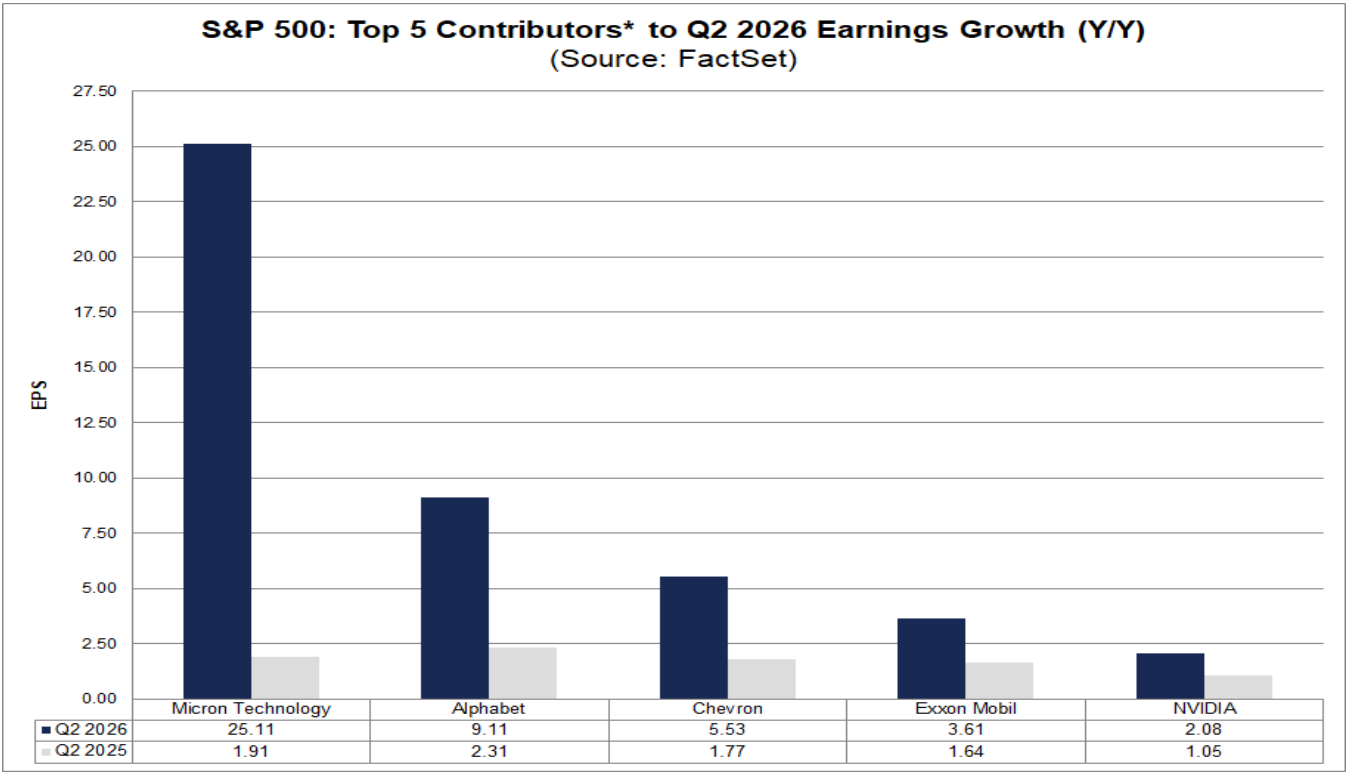
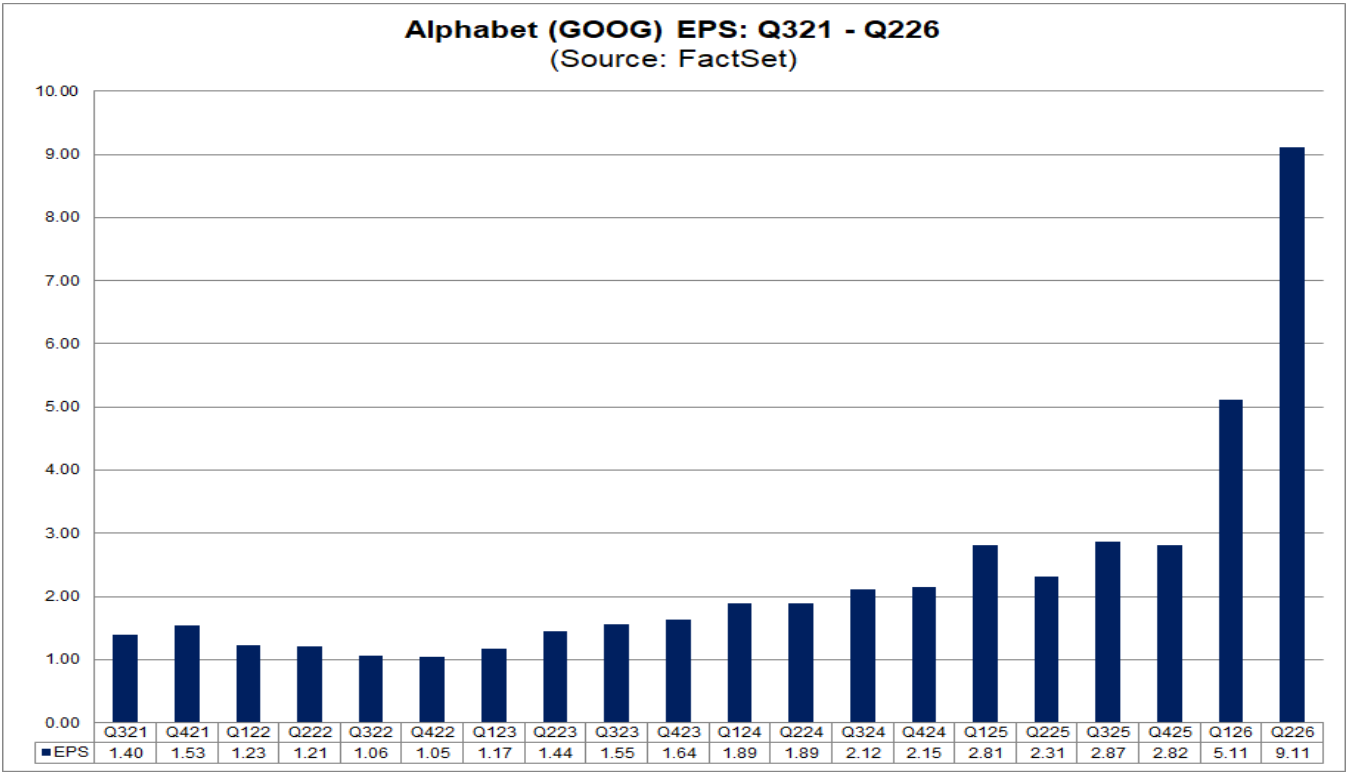
It is important to note that the (GAAP) EPS actual for Alphabet for Q2 2026 included a net gain of \$98.0 billion primarily due to net unrealized gains on equity securities. Some of the analysts covering Alphabet did state in their research notes that excluding this gain, Alphabet would have reported actual EPS of \$2.85 for the quarter. However, as previously stated, the vast majority of analysts providing EPS estimates to FactSet used the (GAAP) actual EPS of \$9.11 including the gain as the comparable number to their estimates.

As a result, Alphabet is now the largest contributor to year-over-year earnings growth for the S&P 500 for Q2 2026. If Alphabet were excluded, the blended earnings growth rate for the S&P 500 for Q2 2026 would fall to 25.9% from 37.9%. Thus, even excluding Alphabet, the S&P 500 would still be reporting its 2nd consecutive quarter of year-over-year earnings growth above 20% and 7th consecutive quarter of double-digit earnings growth.

Last quarter, Alphabet, Amazon.com, and Meta Platforms all reported GAAP EPS for Q1 2026 that included significant gains that boosted the overall earnings growth rate for the S&P 500 for the first quarter. Please see this article for more details: [Three "Magnificent 7" Companies Push S&P 500 Earnings Growth to Highest Level Since 2021](#)

Both Amazon.com and Meta platforms are scheduled to report earnings for Q2 2026 this week.





*Not in order of contribution

Topic of the Week: 2

S&P 500 Reporting Highest Net Profit Margin in More Than 15 Years

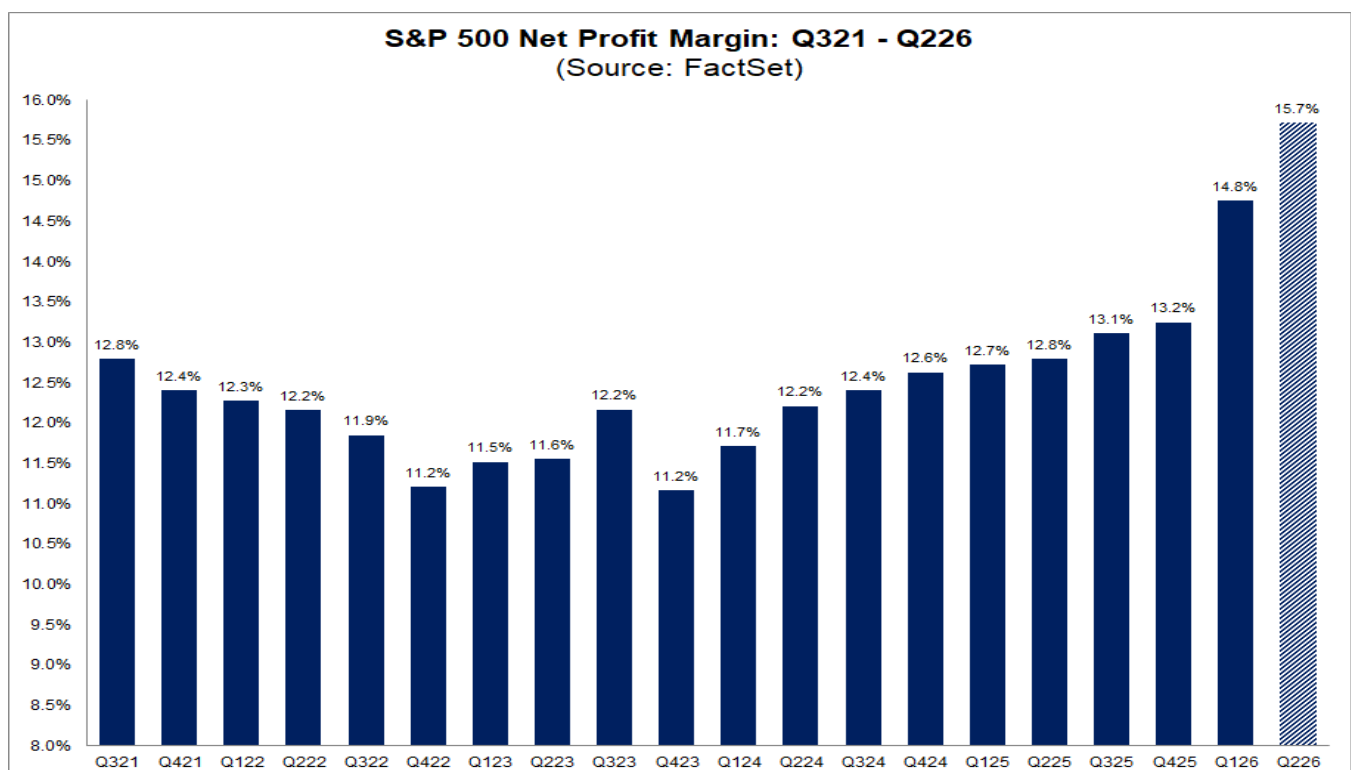
Given concerns in the market about volatility in oil prices, what is the S&P 500 reporting for a net profit margin for Q2?

The blended net profit margin for the S&P 500 for Q2 2026 is 15.7%. If 15.7% is the actual net profit margin for the quarter, it will mark the highest net profit margin reported by the index since FactSet began tracking this metric in 2009. The current record (going back to 2009) is 14.8%, which occurred in the previous quarter.

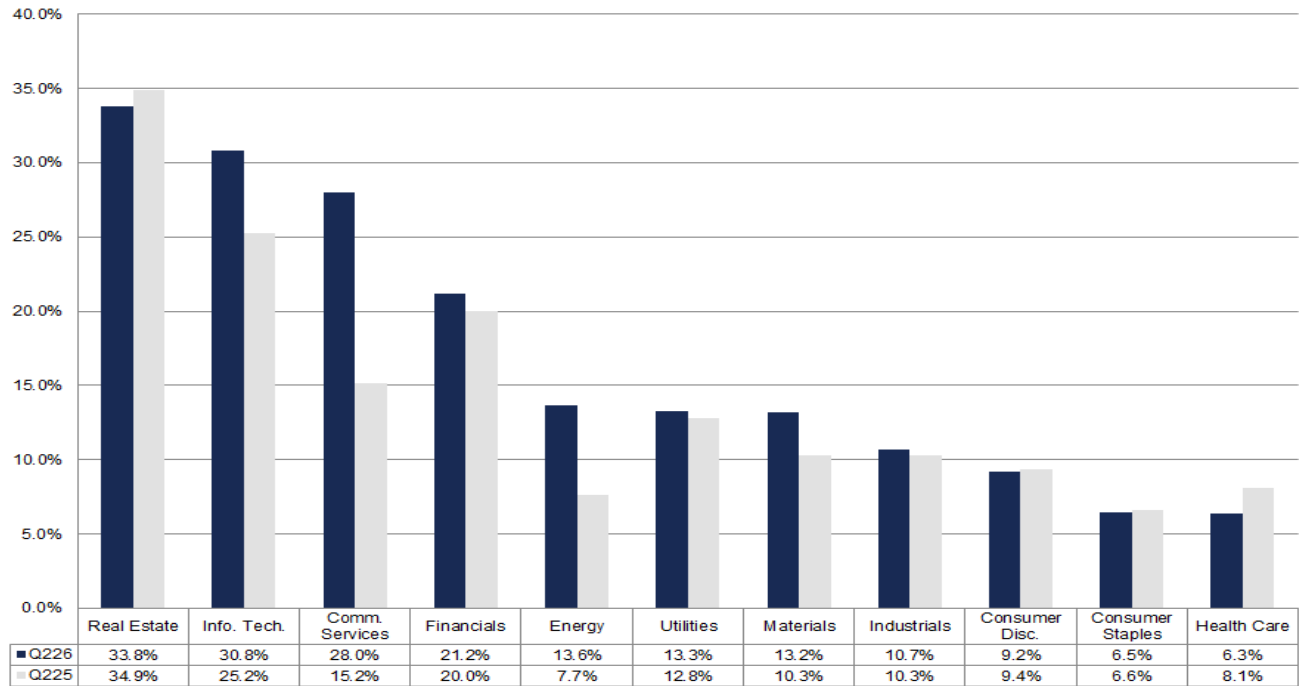
At the company level, Alphabet is the largest contributor to the record-high net profit margin for the S&P 500 due to the unusually large EPS surprise reported by the company for Q2 2026 (for more details, please see pages 3 to 5). If Alphabet were excluded, the blended net profit margin for the index would fall to 14.4% from 15.7%.

At the sector level, seven sectors are reporting a year-over-year increase in their net profit margins in Q2 2026 compared to Q2 2025, led by the Communication Services (28.0% vs. 15.2%) sector. On the other hand, three sectors are reporting a year-over-year decrease in their net profit margins in Q2 2026 compared to Q2 2025, led by Health Care (6.3% vs. 8.1%) sector. Eight sectors are reporting net profit margins in Q2 2026 that are above their 5-year averages, again led by the Communication Services (28.0% vs. 13.0%) sector. On the other hand, three sectors are reporting net profit margins in Q2 2026 that are below their 5-year averages, led by the Health Care (6.3% vs. 8.9%) sector. Eight sectors are also reporting a quarter-over-quarter increase in their net profit margins in Q2 2026 compared to Q1 2026, led by the Communication Services (28.0% vs. 20.7%) sector. On the other hand, three sectors are reporting a quarter-over-quarter decrease in their net profit margins in Q2 2026 compared to Q1 2026, led by the Industrials (10.7% vs. 12.3%) and Utilities (13.3% vs. 14.8%) and sectors.

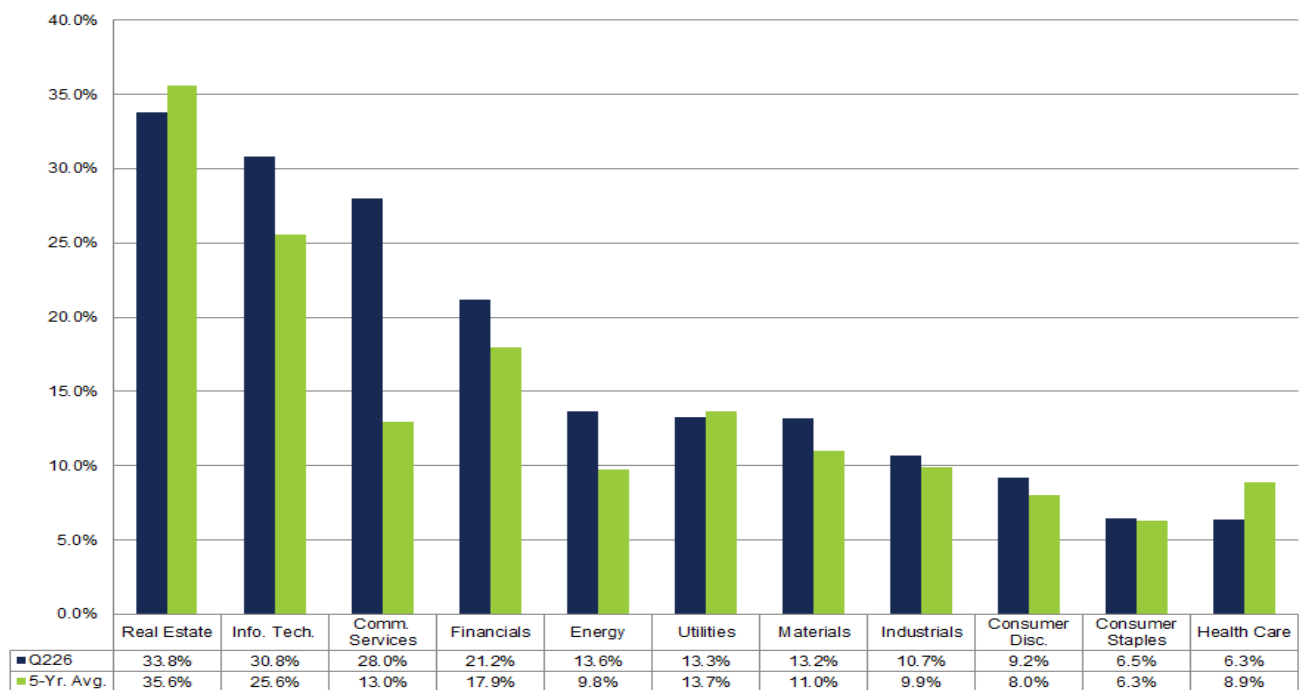
It is interesting to note that analysts believe net profit margins for the S&P 500 will be about 15% for the rest of 2026. As of today, the estimated net profit margins for Q3 2026 and Q4 2026 are 14.9% and 15.0%, respectively.

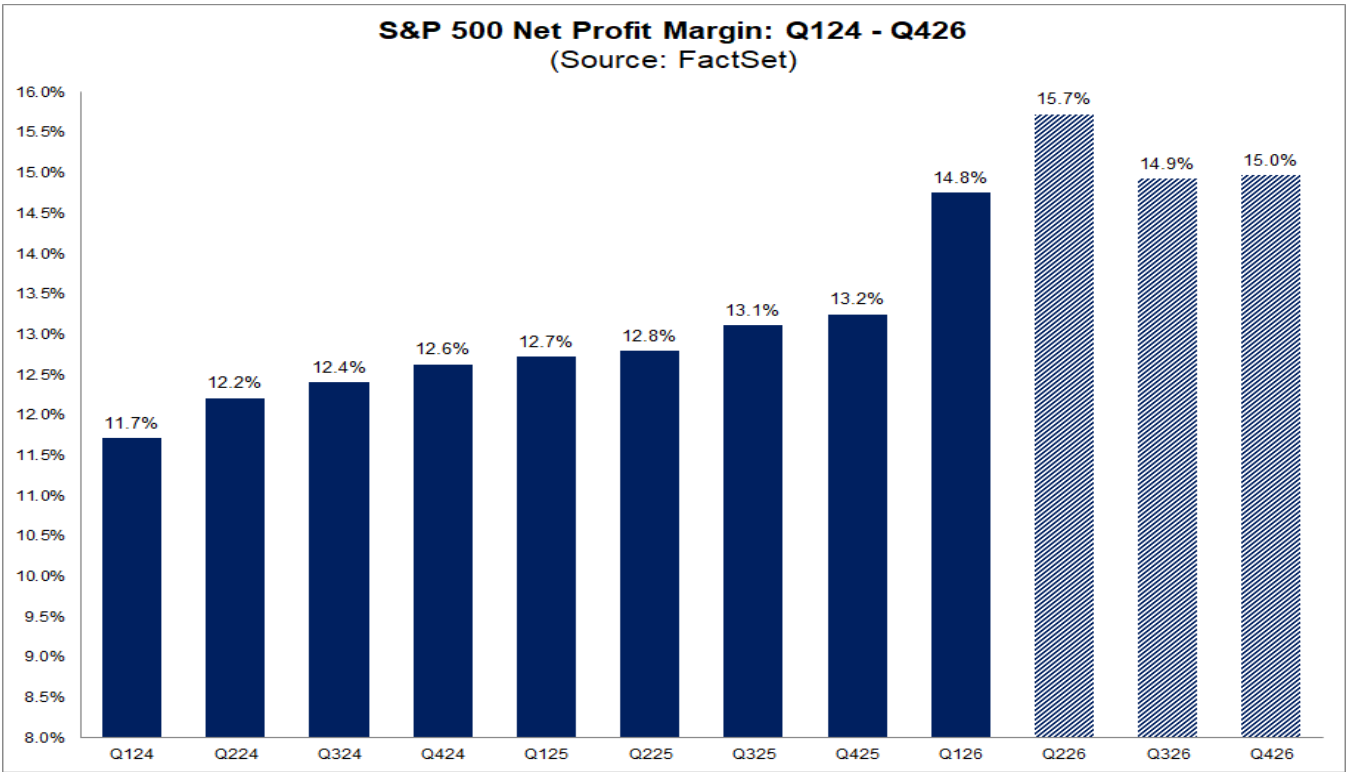
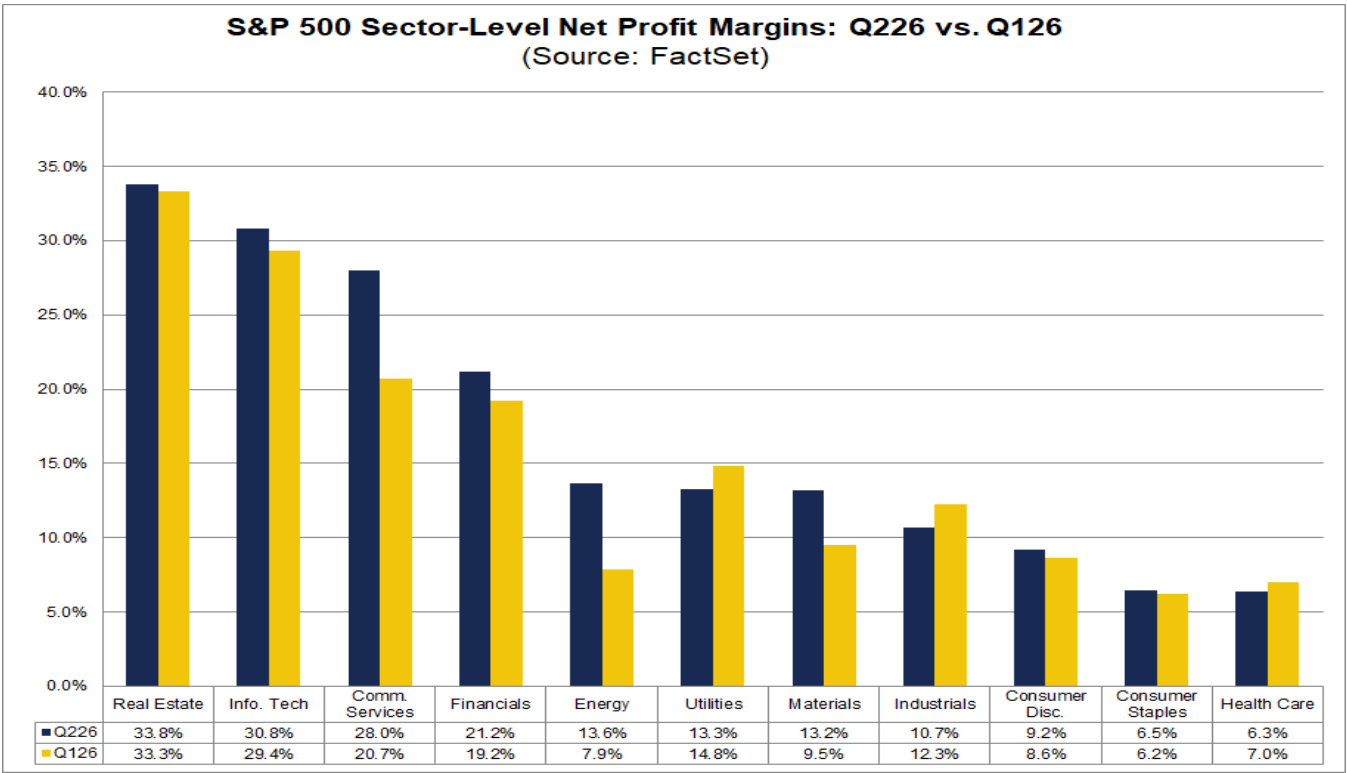


S&P 500 Sector-Level Net Profit Margins: Q226 vs. Q225
(Source: FactSet)



S&P 500 Sector-Level Net Profit Margins: Q226 vs. 5-Year Avg.
(Source: FactSet)





Q2 Earnings Season: By The Numbers

Overview

Over one-quarter of the way through the Q2 earnings season, the S&P 500 is reporting impressive results, even if one excludes the unusually large EPS surprise reported by Alphabet. Overall, both the percentage of S&P 500 companies reporting positive earnings surprises and the magnitude of earnings surprises are above recent averages. 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 also reporting its highest (year-over-year) earnings growth rate since Q3 2021.

Overall, 27% of the companies in the S&P 500 have reported actual results for Q2 2026 to date. Of these companies, 86% have reported actual EPS above estimates, which is above the 5-year average of 78% and above the 10-year average of 76%. In aggregate, companies are reporting earnings that are 39.3% above estimates, which is above the 5-year average of 7.0% and above the 10-year average of 7.4%. 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.

The unusually high earnings surprise percentage for the index is mainly due to the unusually large positive EPS surprise reported by Alphabet (\$9.11 vs. \$2.88) for Q2. The (GAAP) EPS actual for Alphabet for Q2 2026 included a gain of \$98 billion. Excluding Alphabet, the surprise percentage for the S&P 500 for Q2 2026 would fall to 12.6% from 39.3%.

During the past week, the positive EPS surprise reported by Alphabet was the largest contributor to the increase in the overall earnings growth rate for the index over this period. Since June 30, the positive EPS surprise reported by Alphabet has also been the largest contributor to the increase in the overall earnings growth rate for the index over this period. The (GAAP) EPS actual for Alphabet for Q2 2026 included a gain of \$98 billion.

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 37.9% today, compared to an earnings growth rate of 24.8% last week and an earnings growth rate of 23.2% at the end of the second quarter (June 30).

If 37.9% is the actual growth rate for the quarter, it will mark the highest earnings growth rate reported by the index since Q3 2021 (40.3%). It will also mark the second consecutive quarter of earnings growth above 20% and the seventh consecutive quarter of double-digit earnings growth for the index.

Excluding Alphabet, the blended earnings growth rate for the S&P 500 for Q2 2026 would fall to 25.9% from 37.9%.

Ten of the eleven sectors are reporting year-over-year growth. Seven of these ten sectors are reporting double-digit growth, led by the Energy, Communication Services, Information Technology, and Materials sectors. On the other hand, the Health Care sector is the only sector reporting a year-over-year decline in earnings.

In terms of revenues, 80% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 70% and above the 10-year average of 68%. In aggregate, companies are reporting revenues that are 2.8% above the estimates, which is above the 5-year average of 1.9% and above the 10-year average of 1.6%. 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.

As a result, the blended revenue growth rate for the second quarter is 13.2% today, compared to a revenue growth rate of 12.8% last week and a revenue growth rate of 12.2% at the end of the second quarter (June 30).

During the past week, positive revenue surprises reported by companies in multiple sectors were the largest contributors to the increase in the overall revenue growth rate for the index over this period. Since June 30, positive revenue surprises reported by companies in the Financials sector have been the largest contributor to the increase in the overall revenue growth rate for the index over this period.

If 13.2% is the actual revenue growth rate for the quarter, it will mark the highest revenue growth rate reported by the index since Q2 2022 (13.9%). It will also mark the second consecutive quarter of double-digit revenue growth for the index.

All eleven sectors are reporting year-over-year growth in revenues, led by the Information Technology, Energy, Communication Services, and Financials sectors.

For Q3 2026 and Q4 2026, analysts are calling for earnings growth rates of 27.3% and 24.9%. For CY 2026, analysts are predicting (year-over-year) earnings growth of 27.3%.

The forward 12-month P/E ratio is 20.1 (based on Wednesday's closing price and EPS), which is above the 5-year average (19.9) and above the 10-year average (19.0). This P/E ratio is also below the forward P/E ratio of 20.4 recorded at the end of the second quarter (June 30).

During the upcoming week, 177 S&P 500 companies (including 9 Dow 30 components) are scheduled to report results for the second quarter.

Scorecard: Number & Magnitude of Positive EPS Surprises Are Above Average

Percentage of Companies Beating EPS Estimates (86%) is Above 5-Year Average

Overall, 27% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 86% have reported actual EPS above the mean EPS estimate, 3% have reported actual EPS equal to the mean EPS estimate, and 11% 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 (80%), above the 5-year average (78%), and above the 10-year average (76%). 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 Communication Services (100%), Health Care (100%), Materials (100%), Real Estate (100%), and Utilities (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Consumer Discretionary (63%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+39.3%) is Above 5-Year Average

In aggregate, companies are reporting earnings that are 39.3% above expectations. This surprise percentage is above the 1-year average (+9.2%), above the 5-year average (+7.0%), and above the 10-year average (+7.4%). 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.

The unusually high earnings surprise percentage is mainly due to the unusually large positive EPS surprise reported by Alphabet (\$9.11 vs. \$2.88). The (GAAP) EPS actual for Alphabet for Q2 2026 included a gain of \$98 billion. Excluding Alphabet, the earnings surprise percentage for the S&P 500 for Q2 2026 would fall to 12.6% from 39.3%.

The Communication Services (+136.5%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Alphabet (\$9.11 vs. \$2.88) has reported the largest positive EPS surprise. The (GAAP) EPS actual for Alphabet for Q2 2026 included a gain of \$98 billion.

The Financials (+17.8%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Travelers Companies (\$10.04 vs. \$5.41), Goldman Sachs (\$20.98 vs. \$14.51), JPMorgan Chase (\$7.70 vs. \$5.59), Synchrony Financial (\$2.59 vs. \$2.14), and Capital One Financial (\$5.81 vs. \$4.79) have reported the largest positive EPS surprises. The (GAAP) EPS actual for JPMorgan Chase for Q2 2026 included gains of \$1.56.

The Information Technology (+15.6%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Intel (\$0.42 vs. \$0.22) and Micron Technology (\$25.11 vs. \$20.86) has reported the largest positive EPS surprises.

Market Punishing Positive EPS Surprises To Date

To date, the market is punishing positive earnings surprises reported by S&P 500 companies for Q2 more than average and also punishing negative EPS surprises reported by S&P 500 companies for Q2 more than average.

Companies that have reported positive earnings surprises for Q2 2026 have seen an average price decrease of -0.3% two days before the earnings release through two days after the earnings release. This percentage decrease is well 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 2026 have seen an average price decrease of -4.0% two days before the earnings release through two days after the earnings release. This percentage decrease is larger than the 5-year average price decrease of -3.0% during this same window for companies reporting negative earnings surprises.

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

In terms of revenues, 82% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 20% of the companies have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (78%), above the 5-year average (70%), and above the 10-year average (68%). 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 Staples (100%), Energy (100%), and Health Care (100%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (0%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.8%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.8% above expectations. This surprise percentage is above the 1-year average (+1.9%), above the 5-year average (+1.9%), and above the 10-year average (+1.6%). 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 (+5.7%), Information Technology (+5.6%), and Energy (+4.1%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-6.9%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings This Week Due to Alphabet

Increase in Blended Earnings This Week Due to Alphabet

The blended (year-over-year) earnings growth rate for the second quarter is 37.9%, which is above the earnings growth rate of 24.8% last week. The positive EPS surprises reported by Alphabet (\$9.11 vs. \$2.88) was the largest contributor to the increase in the overall earnings growth rate during the past week. The (GAAP) EPS actual for Alphabet for Q2 2026 included a gain of \$98 billion.

Increase in Blended Revenues This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the second quarter is 13.2%, which is above the revenue growth rate of 12.8% last week. Positive revenue surprises reported by companies in the multiple sectors were the largest contributor to the increase in the overall revenue growth rate during the past week.

Alphabet Has Led Increase in Earnings since June 30

The blended (year-over-year) earnings growth rate for Q2 2026 of 37.9% is above the estimate of 23.2% at the end of the second quarter (June 30). Nine 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 EPS estimates and positive earnings surprises, led by the Communication Services (to 112.4% from 7.3%) and Financials (to 19.4% from 5.5%) sectors. The Communication Services sector has also been the largest contributor to the increase in the earnings growth rate for the index since June 30, led by Alphabet. On the other hand, two 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 earnings estimates and negative earnings surprises, led by the Health Care (to -17.8% from -8.9%) sector. The Health Care sector has also been the largest detractor to the increase in the earnings growth rate for the index since June 30.

In the Communication Services sector, the positive EPS surprise reported by Alphabet (\$9.11 vs. \$2.88) has been the largest contributor to the increase in the earnings growth rate for the index since June 30. The (GAAP) EPS actual for Alphabet for Q2 2026 included a gain of \$98 billion. As a result, the blended earnings growth rate for the Communication Services sector has increased to 112.4% from 7.3% over this period.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase (\$7.70 vs. \$5.59), Goldman Sachs (\$20.98 vs. \$14.54), Travelers Companies (\$10.04 vs. \$5.41), Morgan Stanley (\$3.46 vs. \$2.93), Well Fargo (\$2.00 vs. \$1.72), and Citigroup (\$3.15 vs. \$2.74) have been significant contributors to the increase in the earnings growth rate for the index since June 30. The (GAAP) EPS actual for JPMorgan Chase for Q2 2026 included gains of \$1.56. As a result, the blended earnings growth rate for the Financials sector has increased to 19.4% from 5.5% over this period.

In the Health Care sector, the decrease in the mean EPS estimates for Merck (to -\$0.27 from \$2.12) and Eli Lilly & Company (to \$6.01 from \$8.80) have been the largest detractors to the increase in the earnings growth rate since June 30, as the majority of analysts providing (non-GAAP) EPS estimates for Merck and Eli Lilly are including IPR&D charges in their estimates for Q2. As a result, the estimated earnings decline for the Health Care sector has increased to -17.8% from -8.9% over this period.

Financials Sector Has Seen Largest Increase in Revenues since June 30

The blended (year-over-year) revenue growth rate for Q2 2026 of 13.2% is above the estimate of 12.2% at the end of the second quarter (June 30). Ten 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 Financials (to 12.6% from 8.9%) sector. The Financials sector has also been the largest contributor to the increase in the revenue growth rate for the index since June 30. On the other hand, the Utilities (to 7.0% from 8.3%) sector is the only sector that has recorded a decrease in its revenue growth rate since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises.

In the Financials sector, the positive revenue surprises reported by JPMorgan Chase (\$57.35 billion vs. \$50.72 billion), Goldman Sachs (\$20.34 billion vs. \$16.22 billion), and Morgan Stanley (\$21.35 billion vs. \$19.67 billion), have been substantial contributors to the increase in the revenue growth rate for the index since June 30. As a result, the blended revenue growth rate for the Financials sector has increased to 12.6% from 8.9% over this period.

Earnings Growth: 37.9%

The blended (year-over-year) earnings growth rate for Q2 2026 is 37.9%, which is above the 5-year average earnings growth rate of 15.2% and above the 10-year average earnings growth rate of 11.2%. If 37.9% is the actual growth rate for the quarter, it will mark the highest earnings growth rate reported by the index since Q3 2021 (40.3%). It will also mark the 2nd consecutive quarter of year-over-year earnings growth above 20% and the 7th consecutive quarter of double-digit growth for the index.

Ten of the eleven sectors are reporting year-over-year earnings growth. Seven of these ten sectors are reporting double-digit growth, led by the Energy, Communication Services, Information Technology, and Materials sectors. On the other hand, the Health Care sector is the only sector reporting a year-over-year decline in earnings.

Energy Sector: 3 of 5 Sub-Industries Reporting (Y/Y) Earnings Growth Above 100%

The Energy sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 128.2%. Higher (average) oil prices on a year-over-year basis are contributing to the year-over-year increase in earnings for this sector, as the average price of oil in Q2 2026 (\$92.55) was 45% above the average price of oil in Q2 2025 (\$63.68). At the sub-industry level, 4 of the 5 sub-industries are reporting double-digit (year-over-year) growth in earnings: Oil & Gas Refining & Marketing (249%), Integrated Oil & Gas (166%), Oil & Gas Exploration & Production (104%), and Oil & Gas Storage & Transportation (11%). On the other hand, the Oil & Gas Equipment & Services (-16%) sub-industry is the only sub-industry in the sector reporting a year-over-year decline in earnings.

Communication Services: Alphabet Is Largest Contributor to (Y/Y) Earnings Growth

The Communication Services sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 112.4%. At the industry level, 4 of the 5 industries in the sector are reporting year-over-year earnings growth: Interactive Media & Services (187%), Media (19%), Diversified Telecommunication Services (1%), and Wireless Telecommunication Services (less than 1%). On the other hand, the Entertainment (-14%) industry is the only industry in the sector reporting a year-over-year decline in earnings.

At the company level, Alphabet (\$9.11 vs. \$2.31) is the largest contributor to earnings growth for the sector. The (GAAP) EPS actual for Alphabet for Q2 2026 included a gain of \$98 billion. If this company were excluded, the Communication Services sector would be reporting a year-over-year decline in earnings of -0.4% rather than earnings growth of 112.4%.

Alphabet is also the largest contributor to earnings growth for the entire S&P 500 for Q2 2026. If this company were excluded, the blended earnings growth rate for the S&P 500 would fall to 25.9% from 37.9%.

Information Technology: Semiconductors Industry Is Largest Contributor to (Y/Y) Earnings Growth

The Information Technology sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 64.6%. At the industry level, all 6 industries in the sector are reporting year-over-year earnings growth: Semiconductors & Semiconductor Equipment (134%), Technology Hardware, Storage, & Peripherals (45%), Electronic Equipment, Instruments, & Components (33%), Communication Services (21%), Software (17%), and IT Services (5%).

The Semiconductors & Semiconductor Equipment industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Information Technology sector would fall to 26.1% from 64.6%.

Materials: 3 of 4 Industries Reporting (Y/Y) Earnings Growth

The Materials sector is reporting the third-largest (year-over-year) earnings growth of all eleven sectors at 37.9%. At the industry level, 3 of the 4 industries in the sector are reporting (year-over-year) earnings growth: Chemicals (49%), Metals & Mining (47%), and Containers & Packaging (17%). On the other hand, the Construction Materials (less than -1%) industry is the only industry predicted to report a year-over-year decline in earnings.

Health Care: Gilead Sciences and Merck are Largest Contributors to (Y/Y) Earnings Decline

On the other hand, the Health Care sector is reporting the largest (year-over-year) decline in earnings of all 11 sectors at -17.8%. At the industry level, only 2 of the 6 industries in the sector are reporting a year-over-year decline in earnings: Biotechnology (-80%) and Pharmaceuticals (-24%). On the other hand, 4 of the 6 industries are reporting year-over-year growth in earnings: Health Care Providers & Services (19%), Health Care Technology (11%), Life Sciences, Tools, & Services (10%), and Health Care Equipment & Supplies (8%).

At the company level, Gilead Sciences (-\$7.25 vs. \$2.01) and Merck (-\$0.27 vs. \$2.13) are the largest contributors to the earnings decline for the sector, as the majority of analysts providing (non-GAAP) EPS estimates for Gilead Sciences and Merck are including IPR&D charges in their estimates for Q2. If these two companies were excluded, the Health Care sector would be reporting earnings growth of 6.9% rather than an earnings decline of -17.8%.

Revenue Growth: 13.2%

The blended (year-over-year) revenue growth rate for Q2 2026 is 13.2%, which is above the 5-year average revenue growth rate of 8.8% and above the 10-year average revenue growth rate of 6.6%. If 13.2% is the actual growth rate for the quarter, it will mark the highest revenue growth rate reported by the index since Q2 2022 (13.9%) and the second-straight quarter that the index has reported revenue growth above 10.0%.

At the sector level, all eleven sectors are reporting year-over-year growth in revenues, led by the Information Technology, Energy, Communication Services, and Financials sectors.

Information Technology: All 6 Industries Reporting (Y/Y) Revenue Growth

The Information Technology sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 34.7%. At the industry level, all 6 industries in the sector are reporting year-over-year revenue growth: Semiconductors & Semiconductor Equipment (76%), Technology Hardware, Storage, & Peripherals (30%), Communication Equipment (18%), Electronic Equipment, Instruments, & Components (18%), Software (17%), and IT Services (3%).

Energy: 4 of 5 Sub-Industries Reporting (Y/Y) Revenue Growth

The Energy sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 28.1%. Higher (average) year-over-year oil prices are contributing to the year-over-year increase in revenues for this sector, as the average price of oil in Q2 2026 (\$92.55) was 45% above the average price for oil in Q2 2025 (\$63.68). At the sub-industry level, all 5 sub-industries in the sector are reporting year-over-year growth in revenues: Integrated Oil & Gas (36%), Oil & Gas Refining & Marketing (27%), Oil & Gas Exploration & Production (25%), Oil & Gas Storage & Transportation (13%), and Oil & Gas Equipment & Services (1%).

Communication Services: All 5 Industries Reporting (Y/Y) Revenue Growth

The Communication Services sector is reporting the third-highest (year-over-year) revenue growth rate of all eleven sectors at 15.0%. At the industry level, all 5 industries in the sector are reporting year-over-year revenue growth: Interactive Media & Services (25%), Wireless Telecommunication Services (8%), Media (8%), Entertainment (7%), and Diversified Telecommunication Services (less than 1%).

Financials: All 5 Industries Reporting (Y/Y) Revenue Growth

The Financials sector is reporting the fourth-highest (year-over-year) revenue growth rate of all eleven sectors at 12.6%. At the industry level, all 5 industries in the sector are reporting year-over-year revenue growth: Capital Markets (23%), Banks (19%), Consumer Finance (15%), Financial Services (7%), and Insurance (6%).

Net Profit Margin: 15.7%

The blended net profit margin for the S&P 500 for Q2 2026 is 15.7%, which is above the previous quarter's net profit margin of 14.8%, above the year-ago net profit margin of 12.9%, and above the 5-year average of 12.4%.

If 15.7% is the actual net profit margin for the quarter, it will mark the highest net profit margin reported by the index since FactSet began tracking this metric in 2009. The previous record (going back to 2009) is 14.8%, which occurred in the previous quarter.

At the company level, Alphabet is the largest contributor to the record-high net profit margin for the S&P 500. If this company were excluded, the blended net profit margin for the index would fall to 14.4%.

At the sector level, seven sectors are reporting a year-over-year increase in their net profit margins in Q2 2026 compared to Q2 2025, led by the Communication Services (28.0% vs. 15.2%), Energy (13.6% vs. 7.7%), and Information Technology (30.8% vs. 25.2%) sectors. On the other hand, four sectors are reporting a year-over-year decrease in their net profit margins in Q2 2026 compared to Q2 2025, led by the Health Care (6.3% vs. 8.1%) sector.

Eight sectors are reporting net profit margins in Q2 2026 that are above their 5-year averages, led by the Communication Services (28.0% vs. 13.0%), Information Technology (30.8% vs. 25.6%), and Energy (13.6% vs. 9.8%) sectors. On the other hand, three sectors are reporting net profit margins in Q2 2026 that are below their 5-year averages, led by the Health Care (6.3% vs. 8.9%) and Real Estate (33.8% vs. 35.6%) and sectors.

Forward Estimates & Valuation

Quarterly Guidance: % of Cos. Issuing Negative EPS Guidance for Q3 is Below Average

At this point in time, 20 companies in the index have issued EPS guidance for Q3 2026. Of these 20 companies, 9 have issued negative EPS guidance and 11 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2026 is 45% (9 out of 20), which is below the 5-year average of 58% and below the 10-year average of 60%.

At this point in time, 265 companies in the index have issued EPS guidance for the current fiscal year (FY 2026 or FY 2027). Of these 265 companies, 110 have issued negative EPS guidance and 155 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 42% (110 out of 265).

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 27% for CY 2026

For the second quarter, S&P 500 companies are reporting year-over-year growth in earnings of 37.9% and year-over-year growth in revenues of 13.2%.

For Q3 2026, analysts are projecting earnings growth of 27.3% and revenue growth of 10.9%.

For Q4 2026, analysts are projecting earnings growth of 24.9% and revenue growth of 10.5%.

For CY 2026, analysts are projecting earnings growth of 27.3% and revenue growth of 11.0%.

For CY 2027, analysts are projecting earnings growth of 15.3% and revenue growth of 8.3%.

Valuation: Forward P/E Ratio is 20.1, Above the 10-Year Average (19.0)

The forward 12-month P/E ratio for the S&P 500 is 20.1 (based on Wednesday’s closing price and EPS). This P/E ratio is above the 5-year average of 19.9 and above the 10-year average of 19.0. It is also below the forward 12-month P/E ratio of 20.4 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has decreased by less than 0.1% (through Wednesday), while the forward 12-month EPS estimate has increased by 1.6% (through Wednesday). At the sector level, the Consumer Discretionary (25.1) and Industrials (25.0) sectors have the highest forward 12-month P/E ratios, while the Energy (13.9) and Financials (15.1) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 27.5, (based on Wednesday’s closing price and EPS) which is above the 5-year average of 24.4 and above the 10-year average of 23.5.

Targets & Ratings: Analysts Project 21% Increase in Price Over Next 12 Months

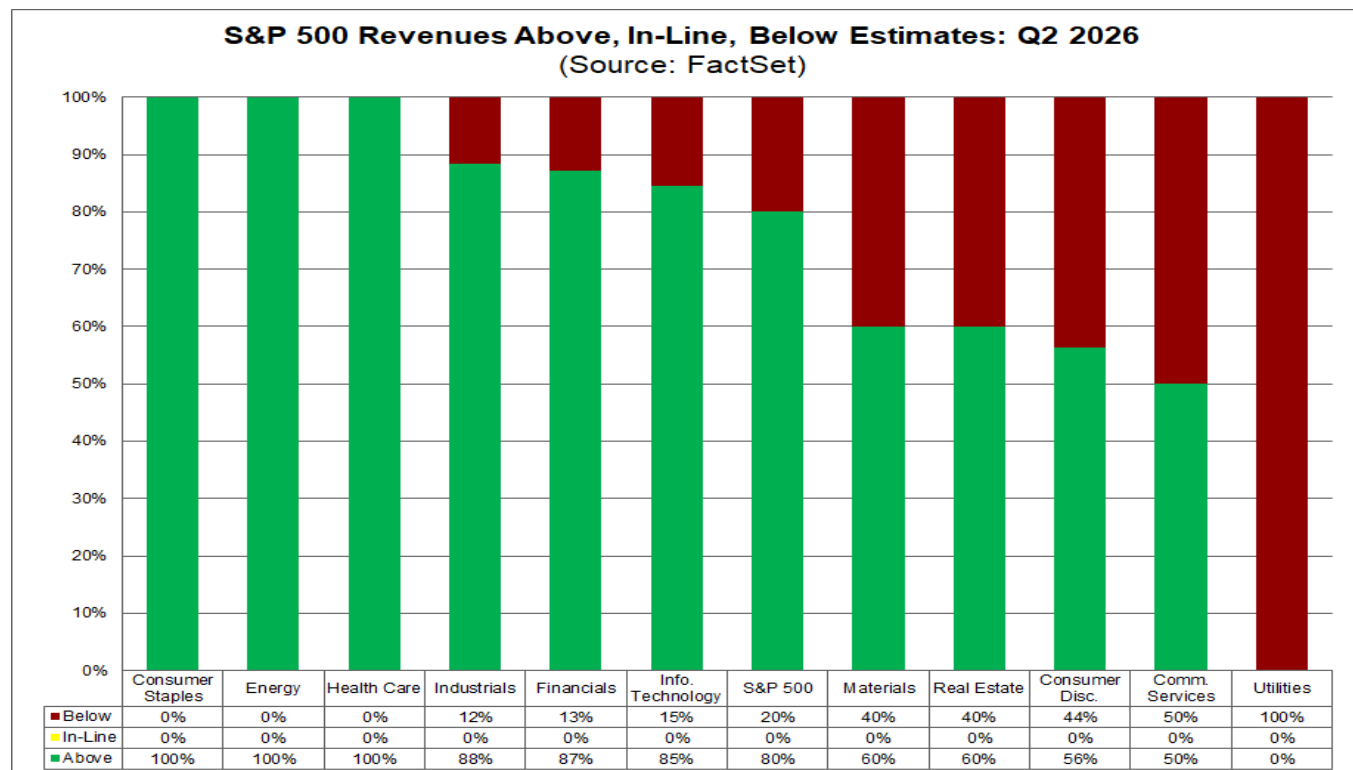
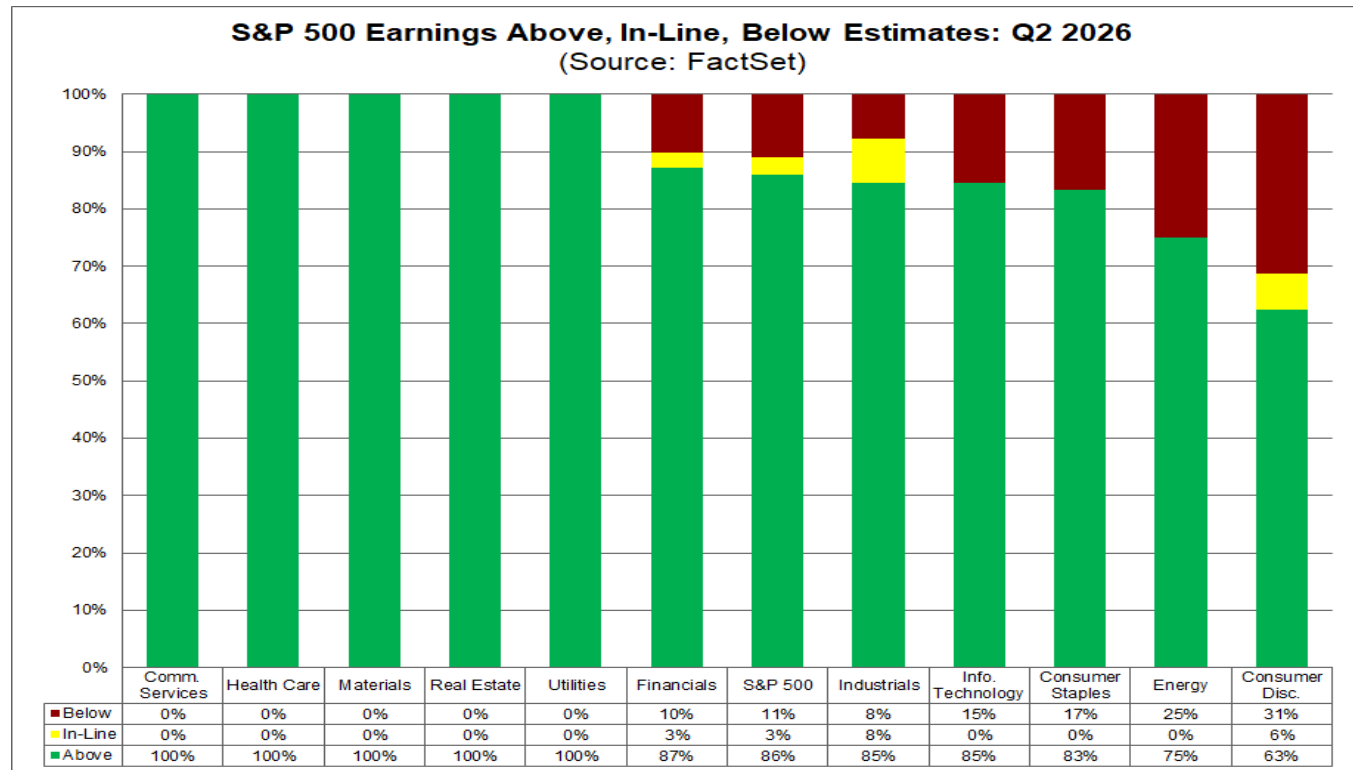
The bottom-up target price for the S&P 500 is 9071.60, which is 21.0% above the closing price (on Wednesday) of 7498.96. At the sector level, the Communication Services (+29.1%) and Information Technology (+27.0%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Real Estate (+10.6%) 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 12,934 ratings on stocks in the S&P 500. Of these 12,934 ratings, 59.3% are Buy ratings, 35.8% are Hold ratings, and 5.0% are Sell ratings. At the sector level, the Information Technology (69%), Communication Services (66%), Materials (64%), Energy (63), and Health Care (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (44%) sector has the lowest percentage of Buy ratings.

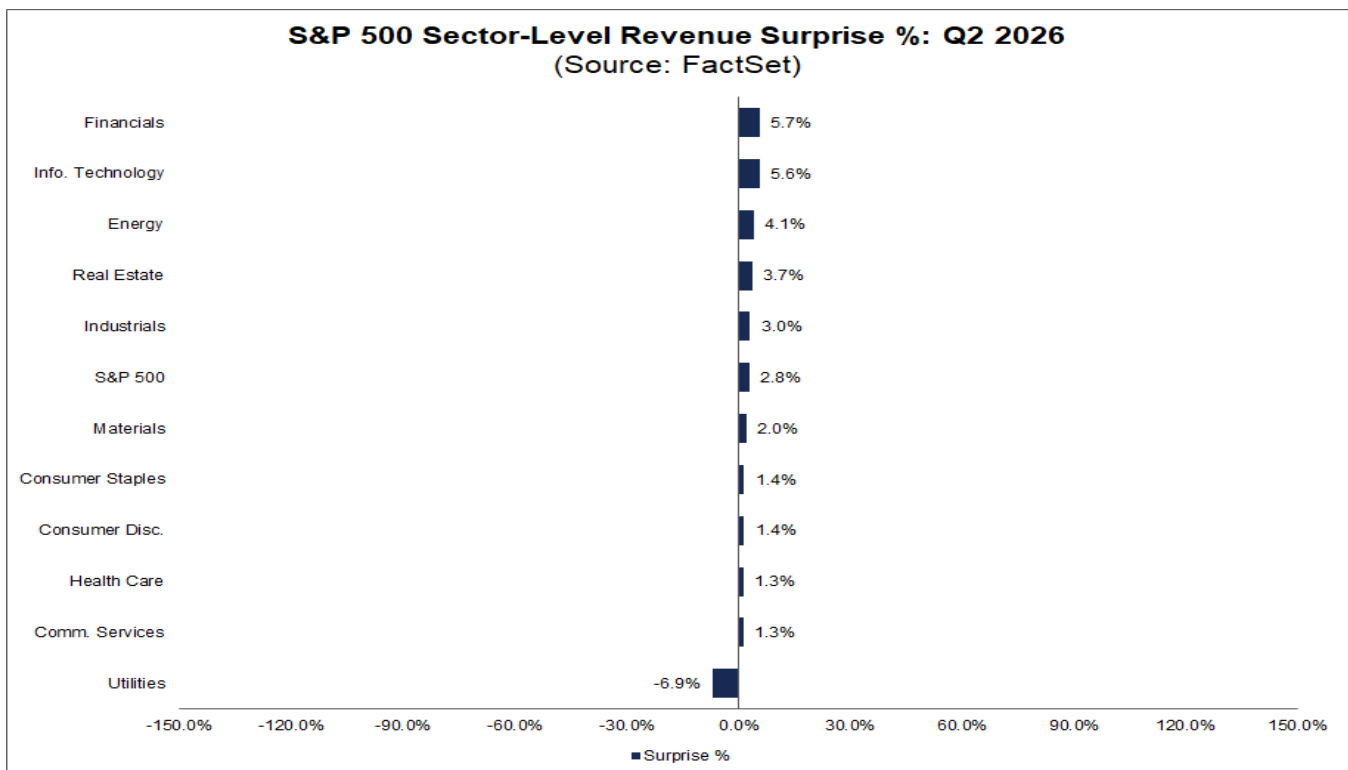
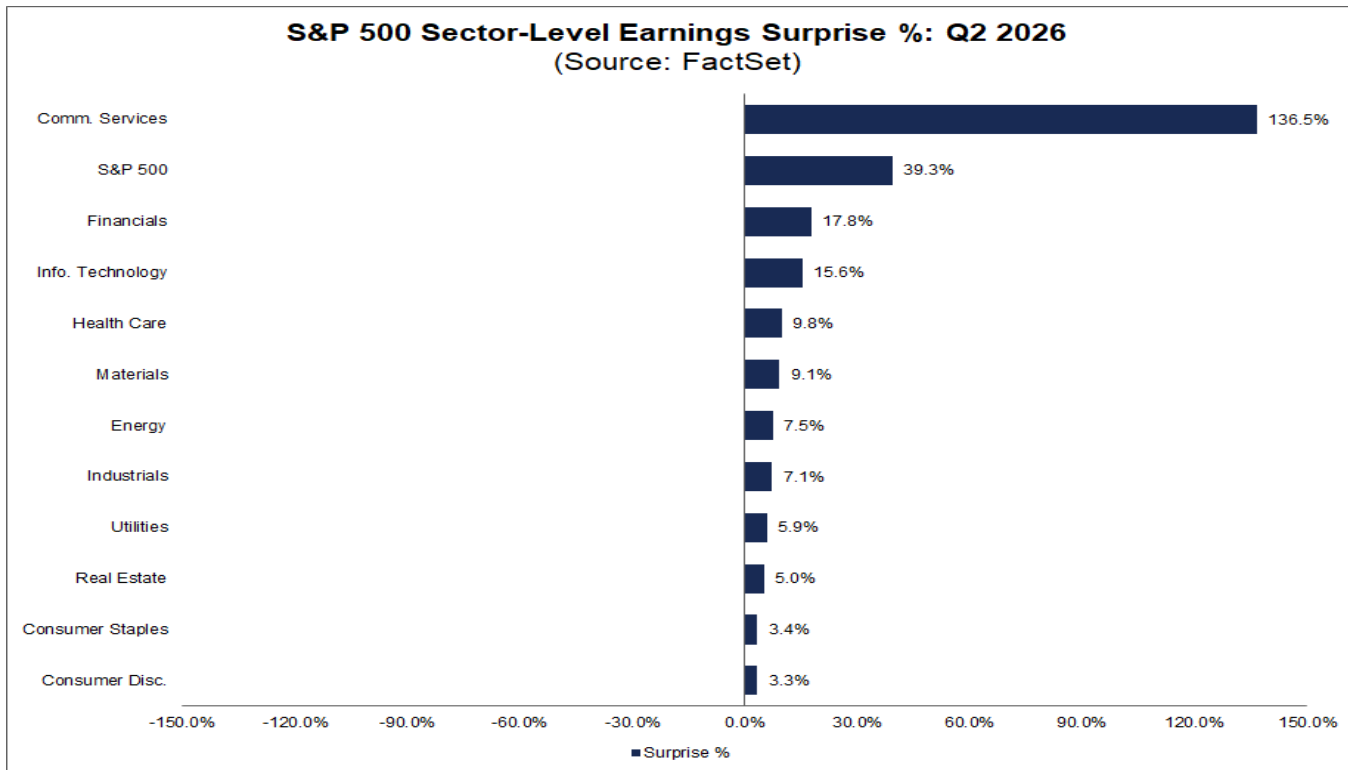
Companies Reporting Next Week: 177

During the upcoming week, 177 S&P 500 companies (including 9 Dow 30 components) are scheduled to report results for the second quarter.

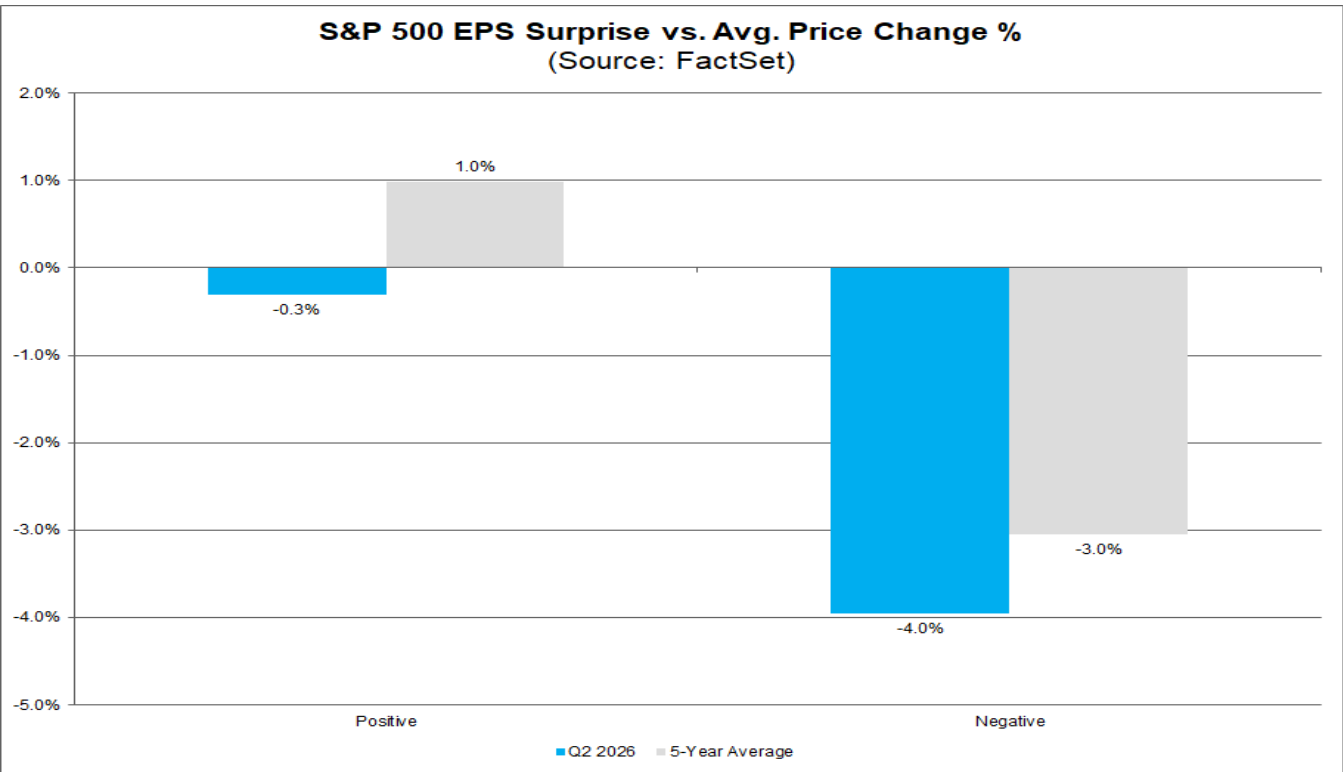
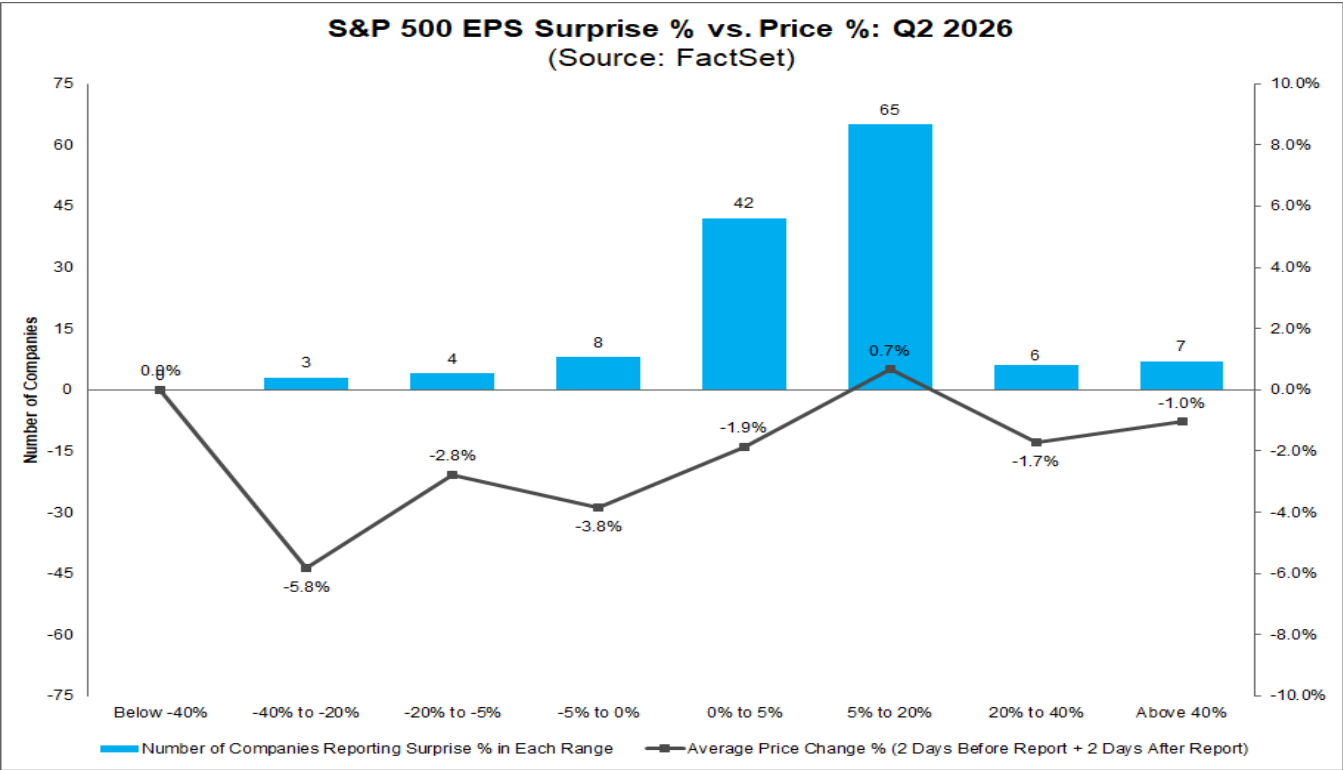
Q2 2026: Scorecard



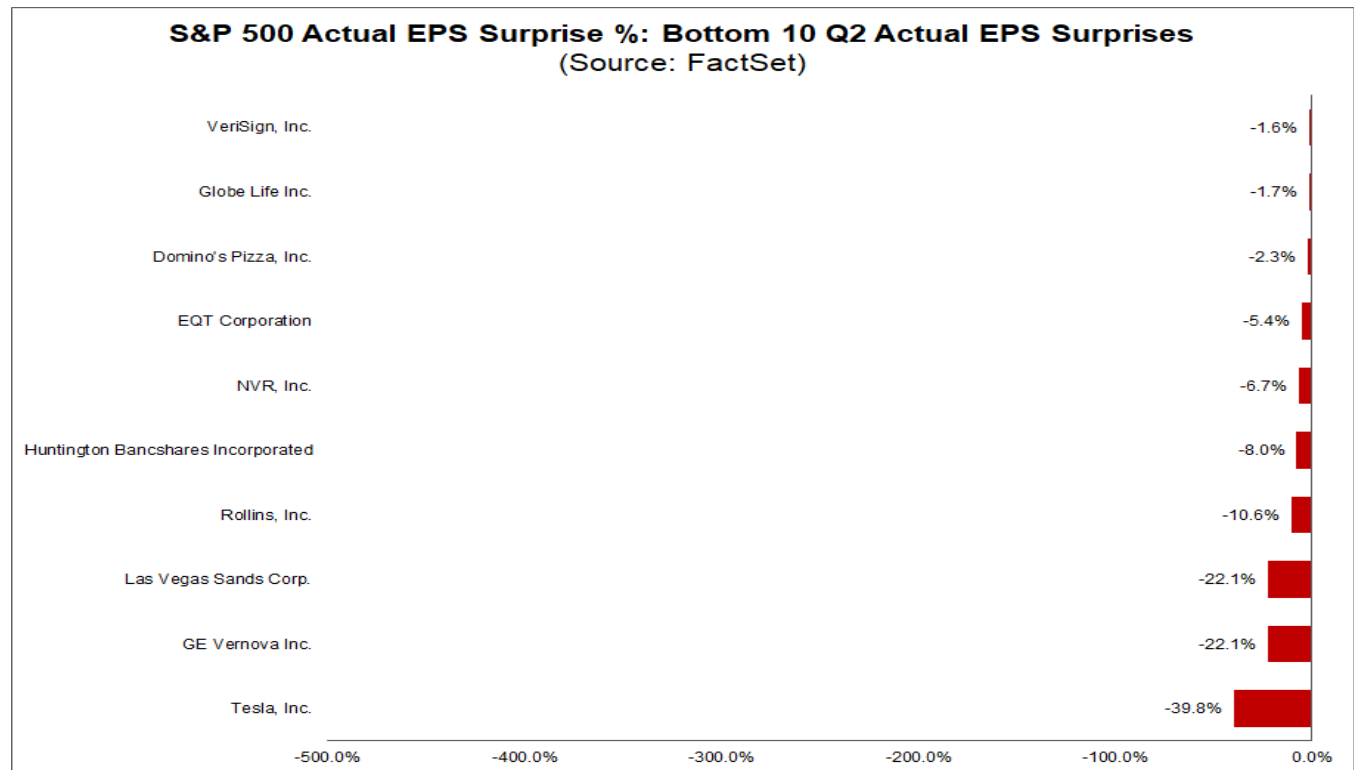
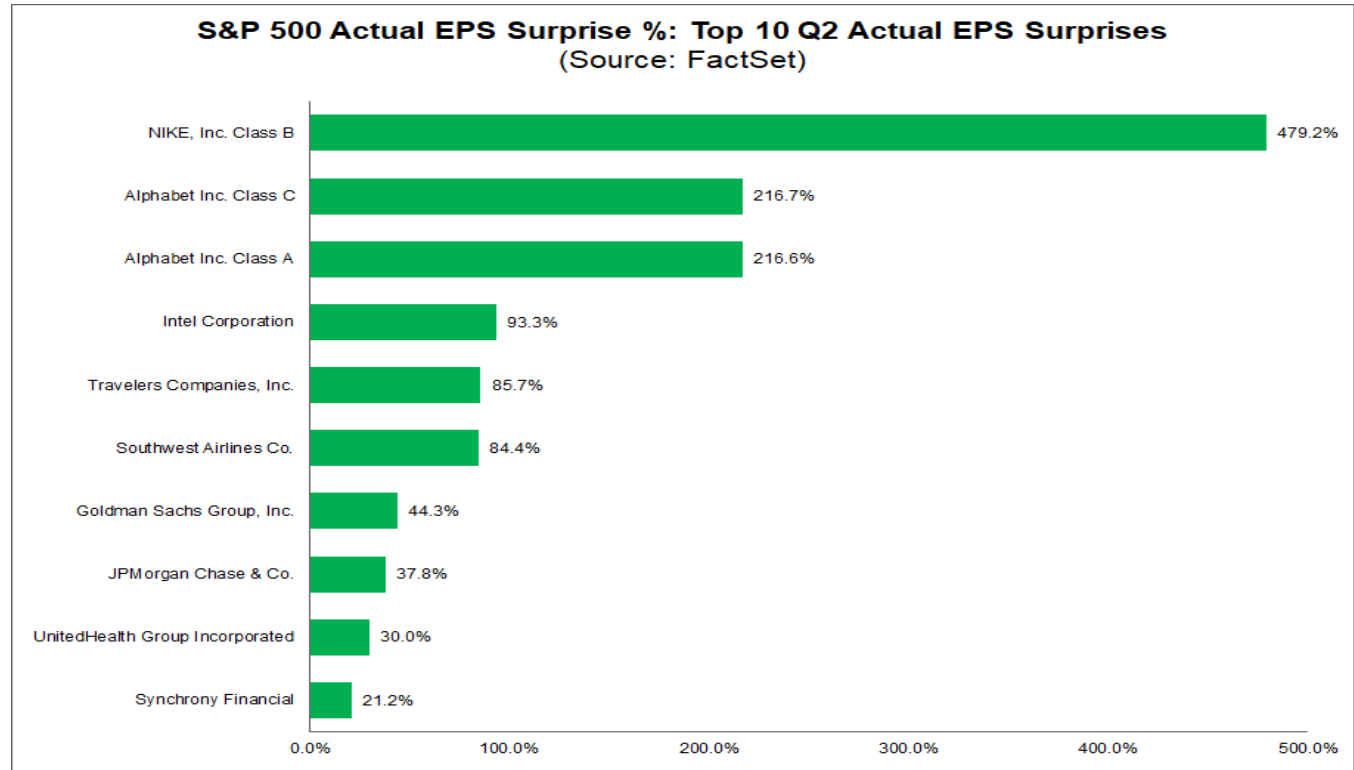
Q2 2026: Surprise



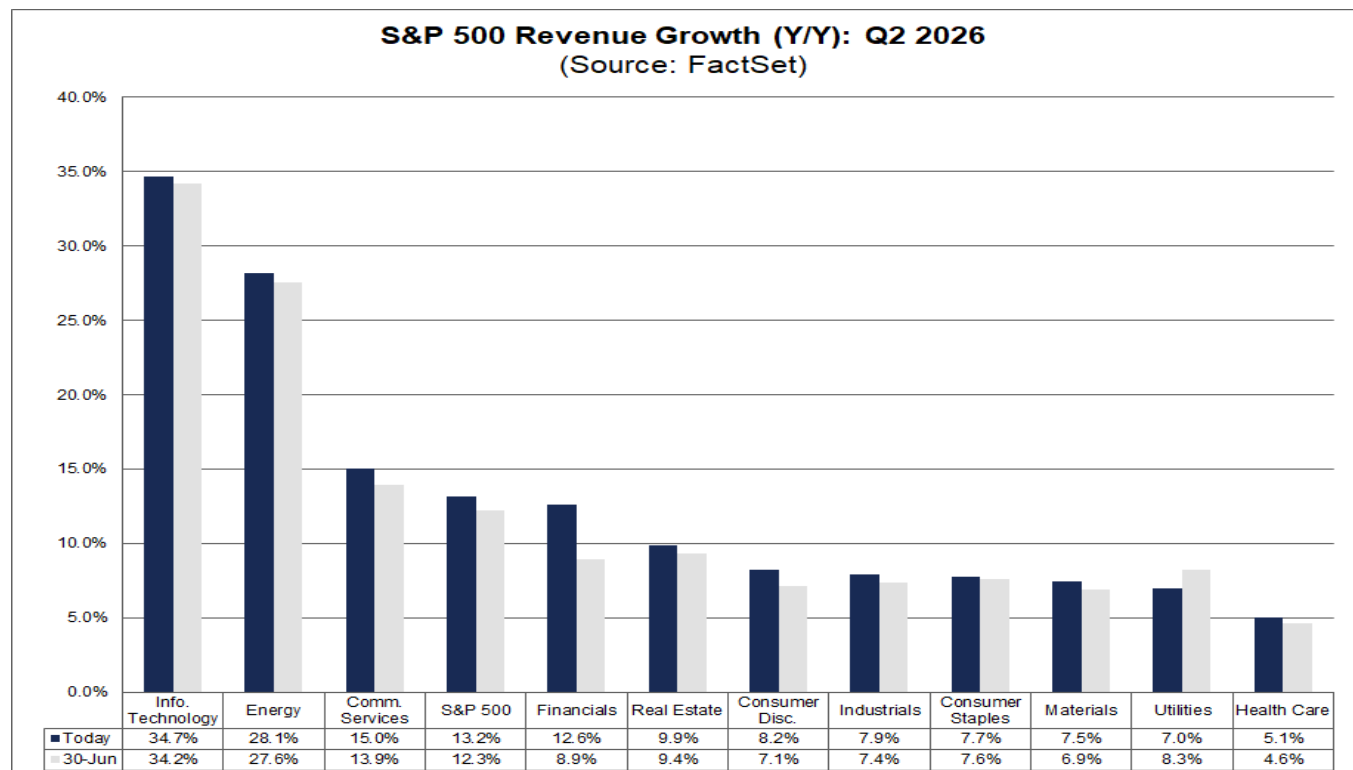
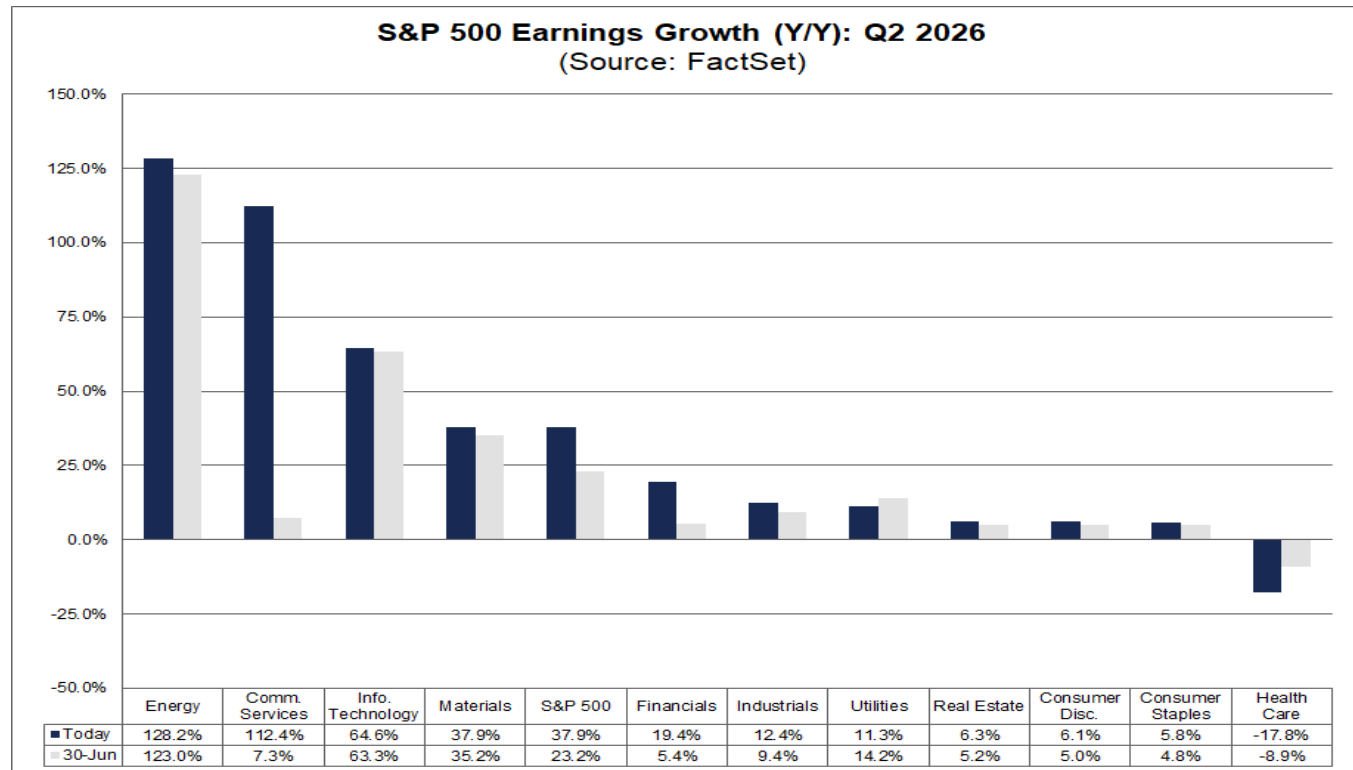
Q2 2026: Surprise



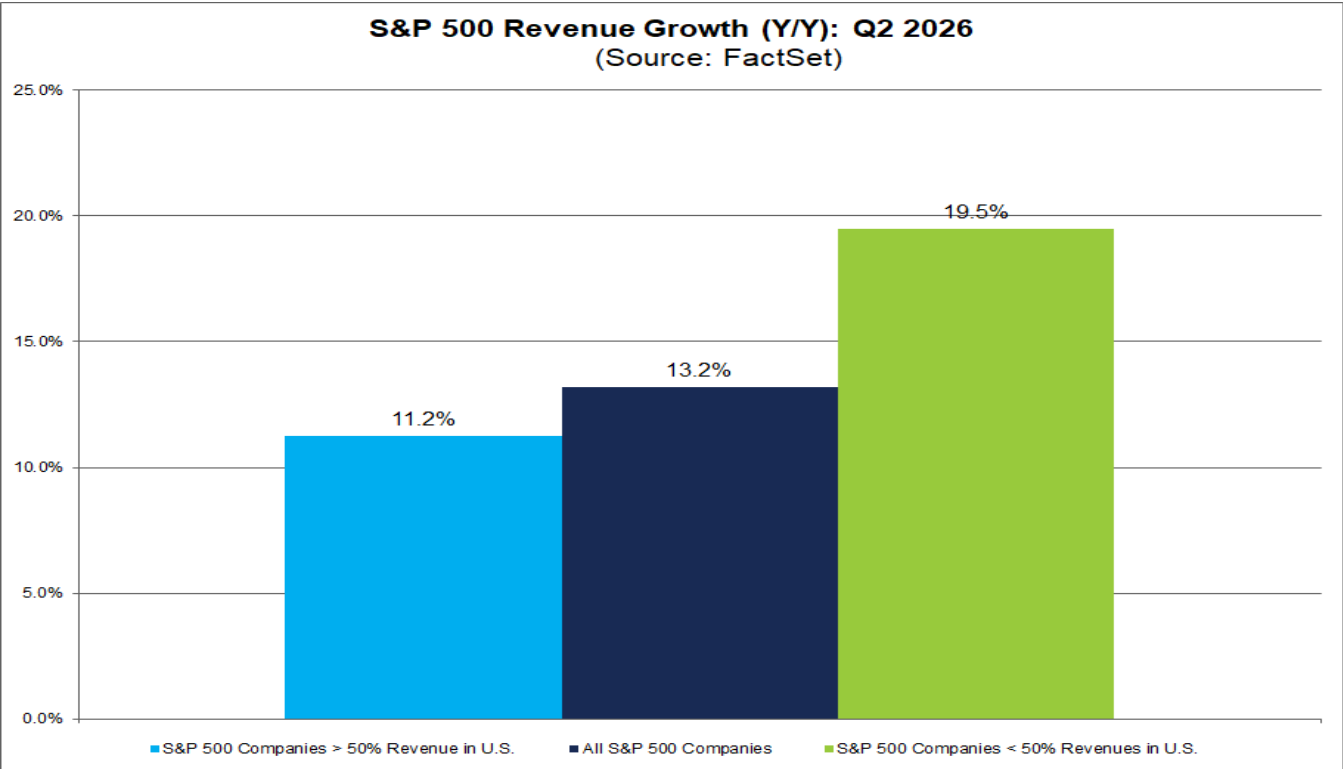
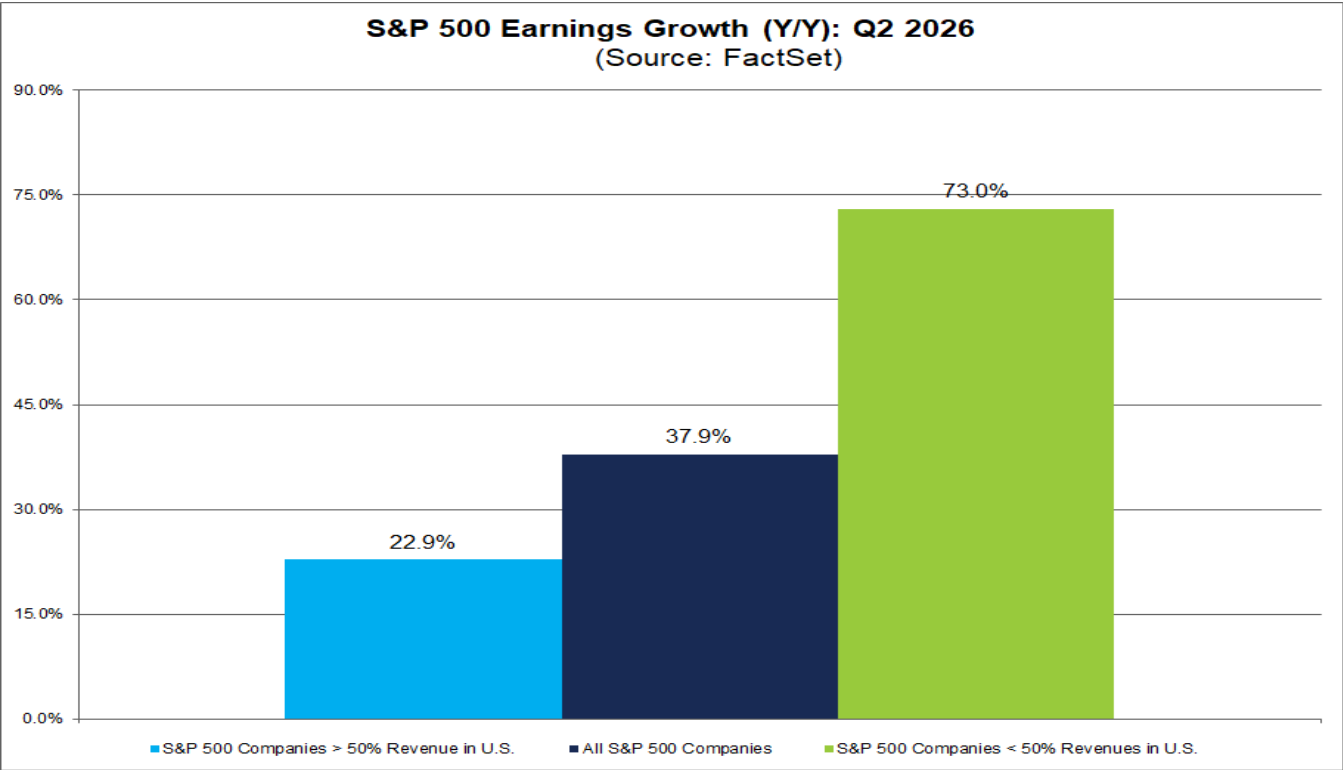
Q2 2026: Surprise



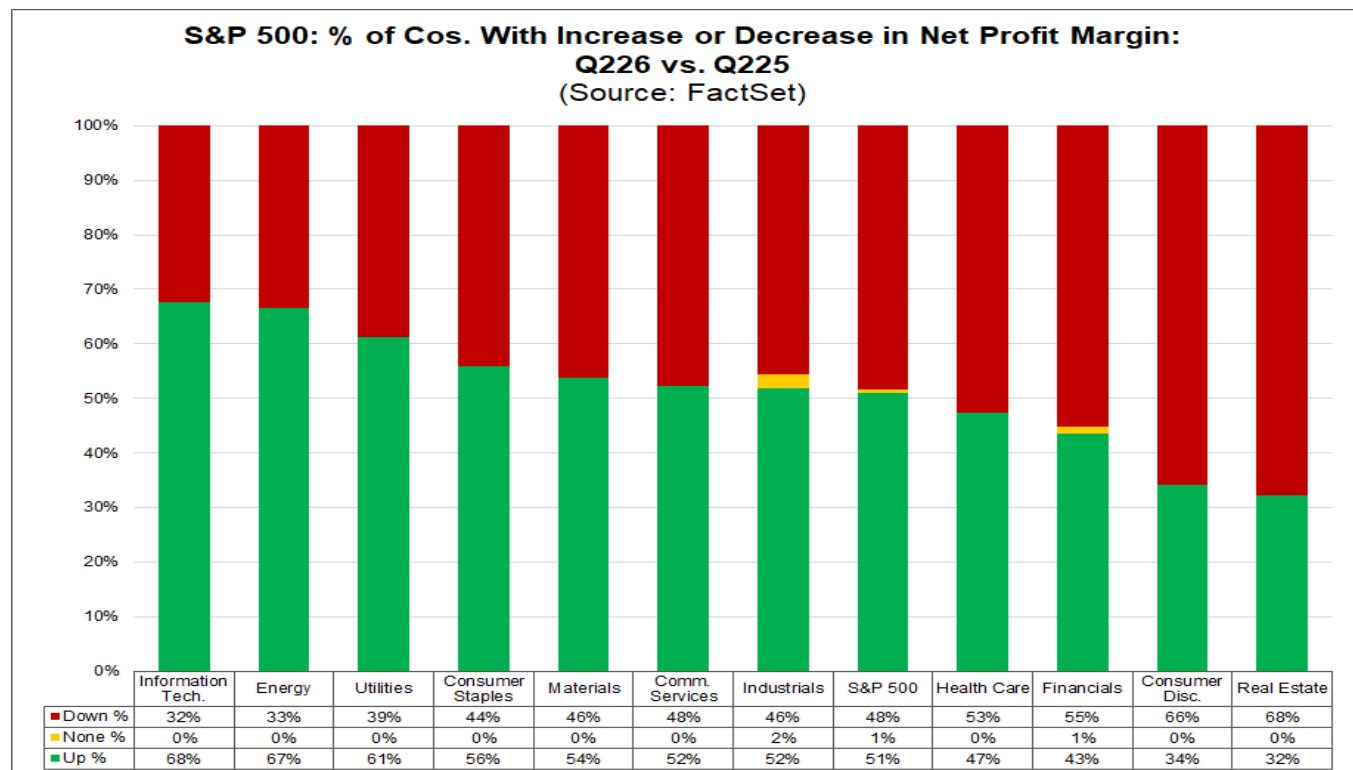
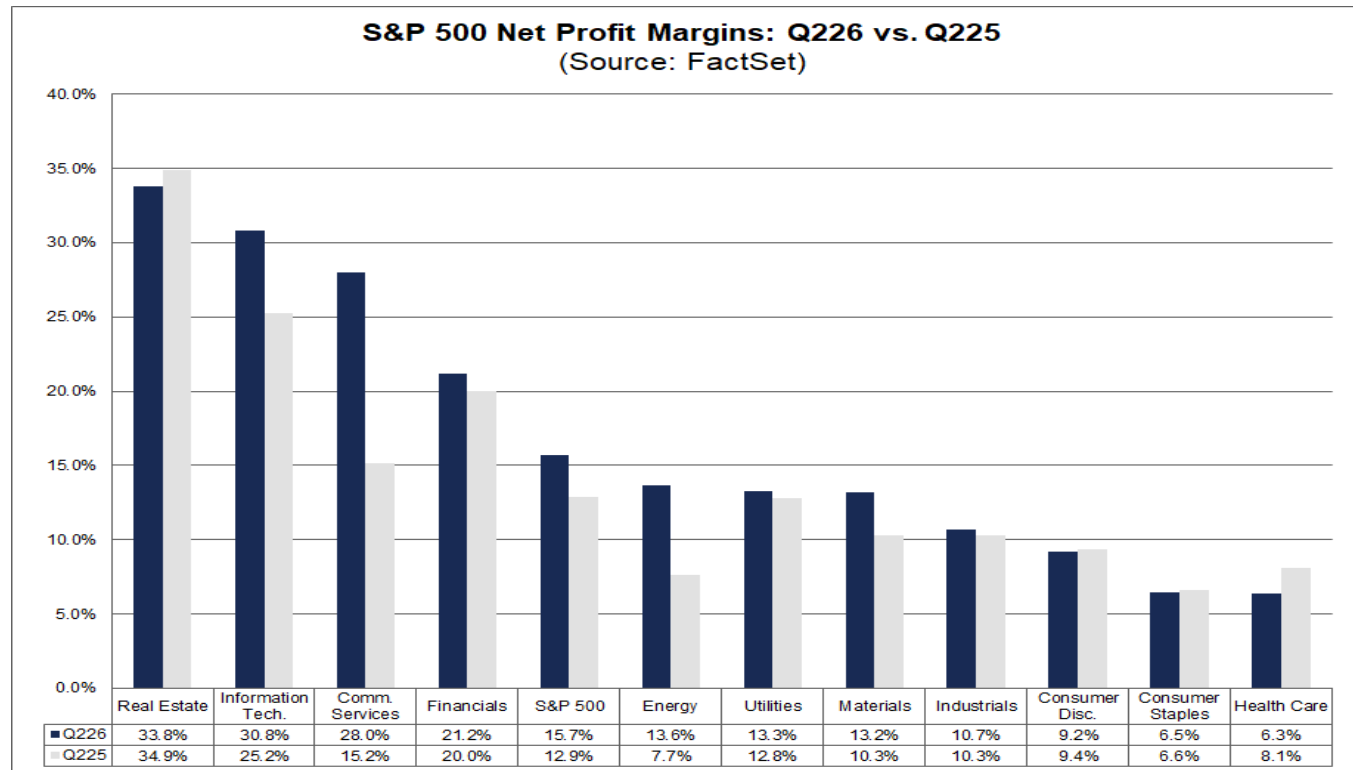
Q2 2026: Growth



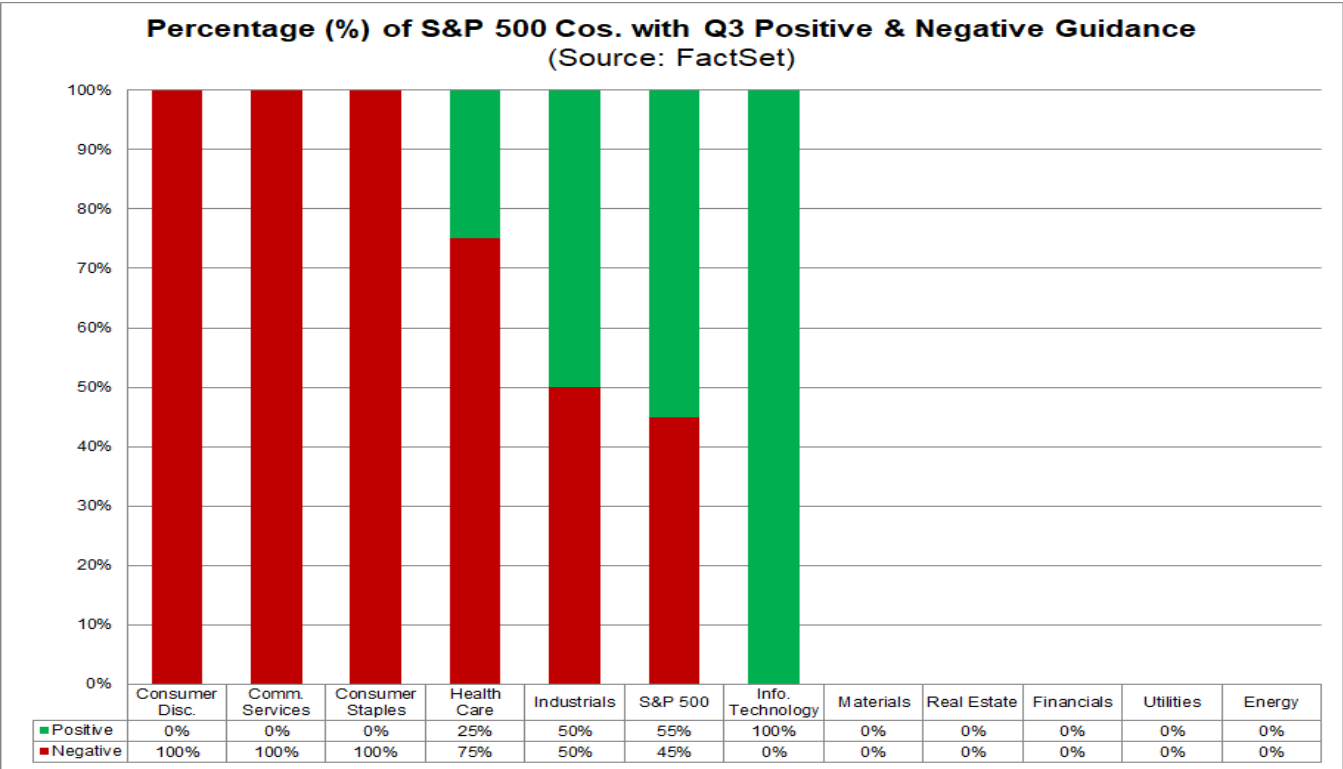
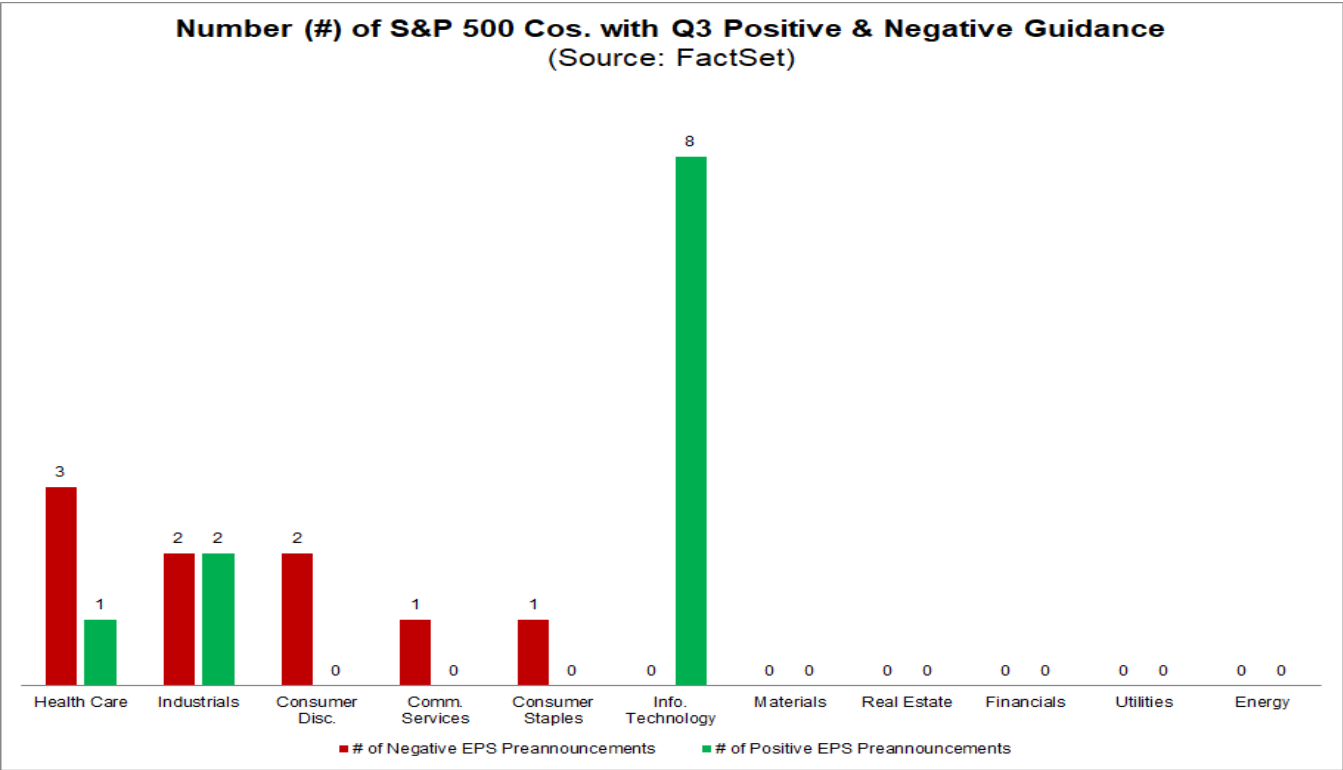
Q2 2026: Growth



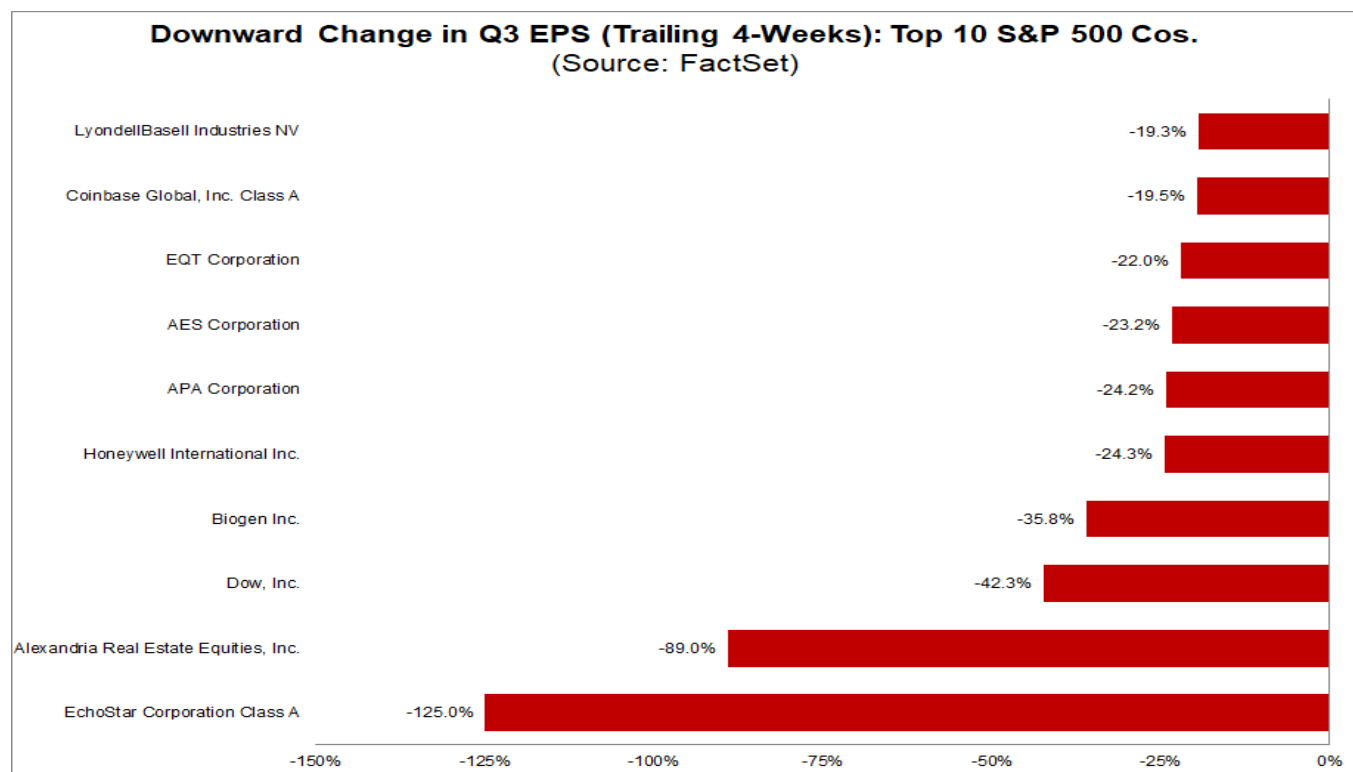
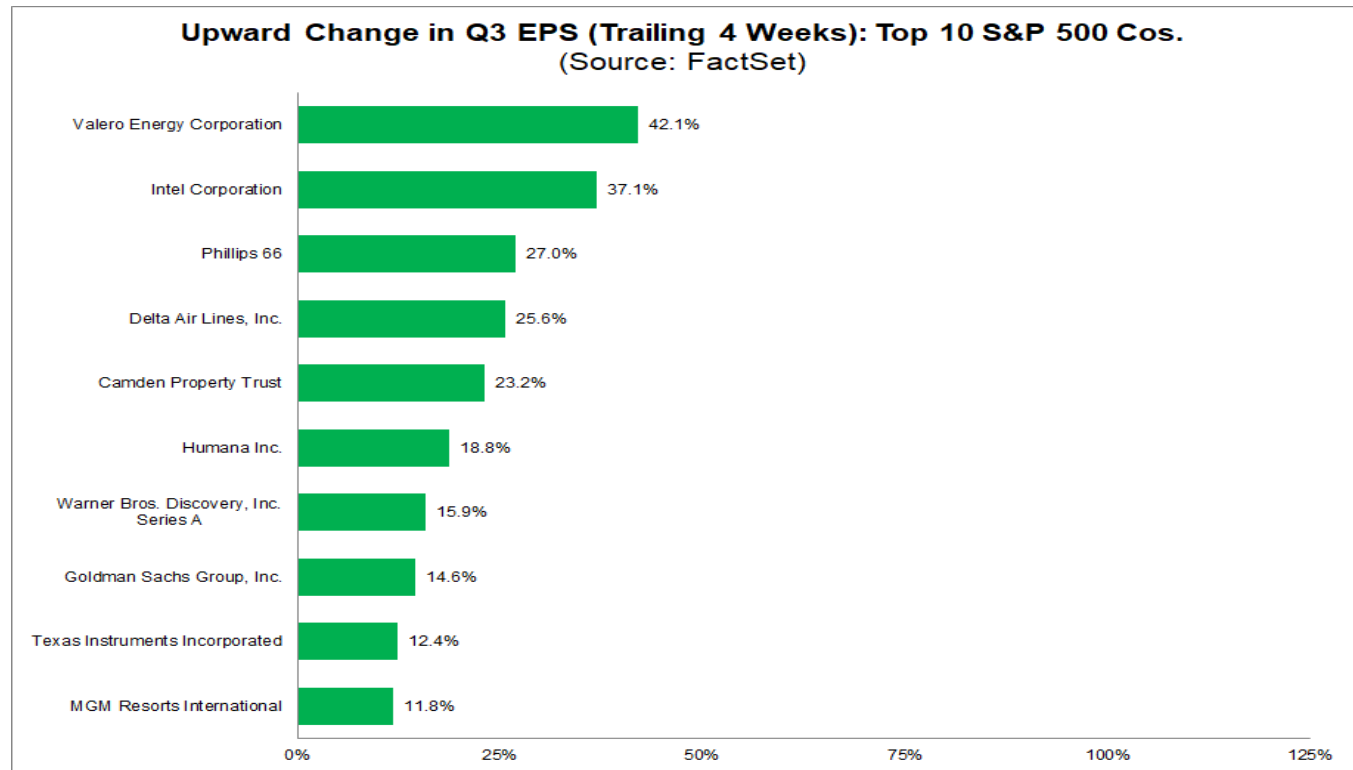
Q2 2026: Net Profit Margin



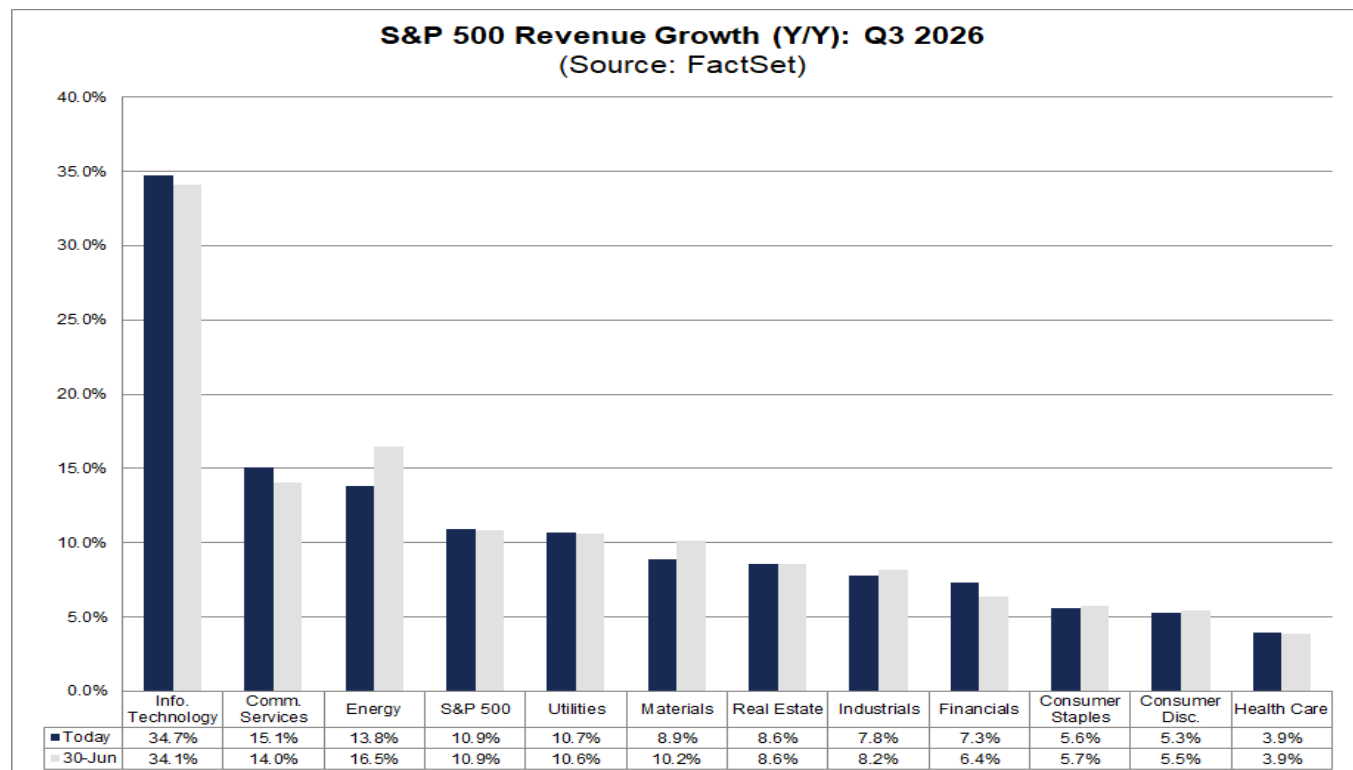
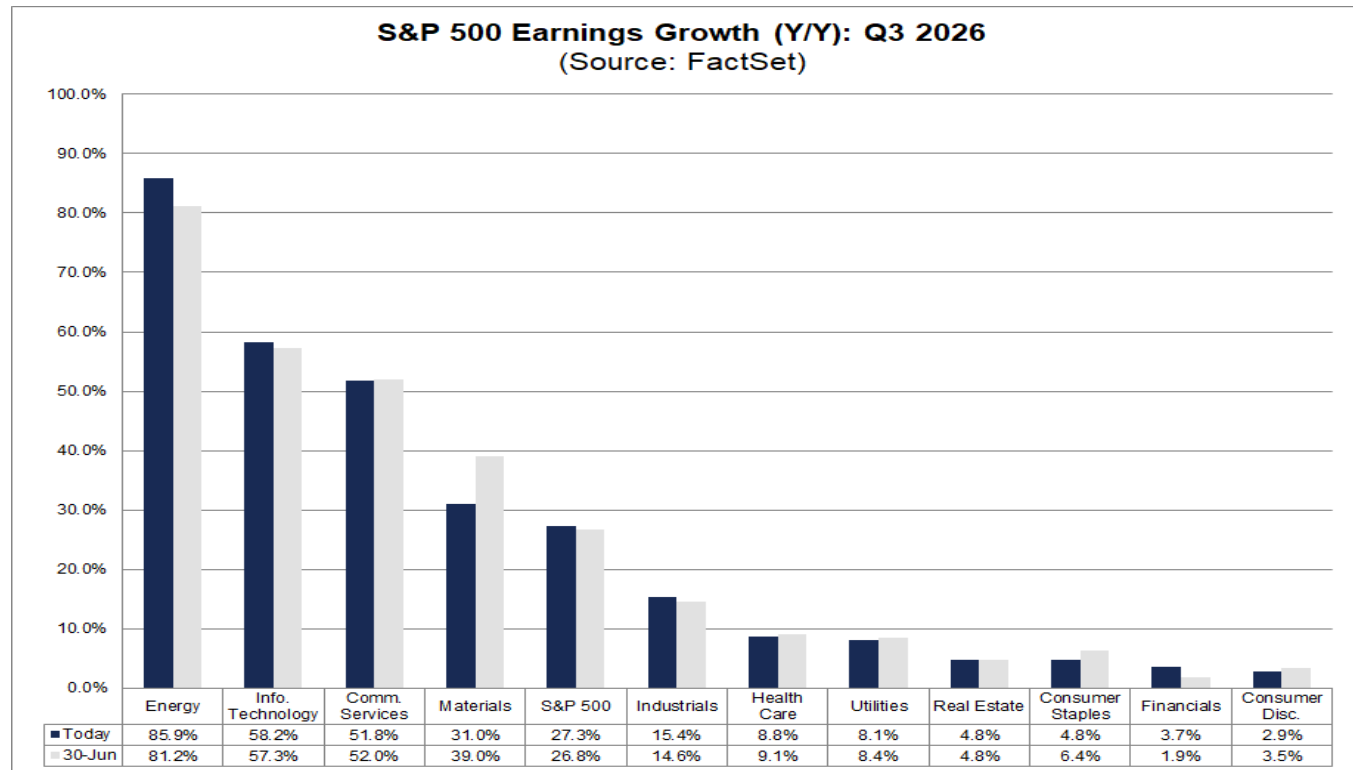
Q3 2026: Guidance



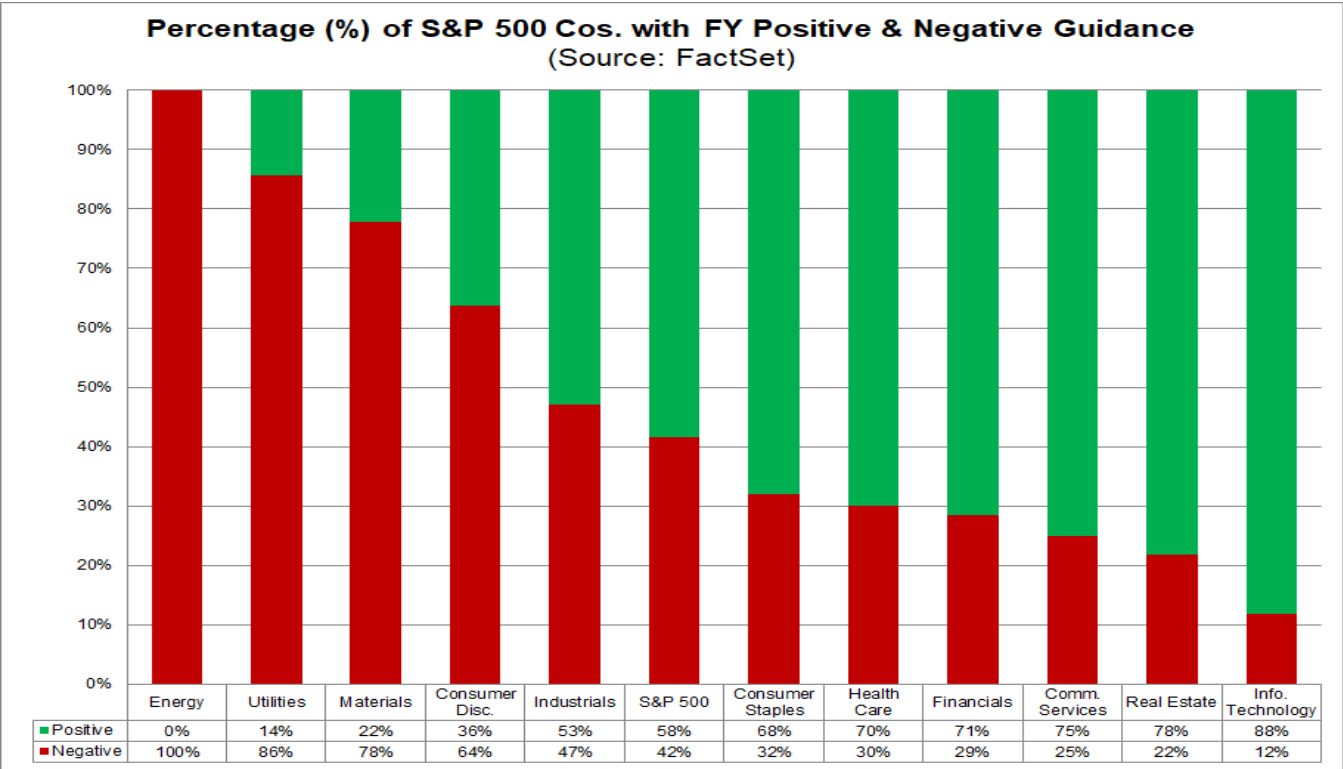
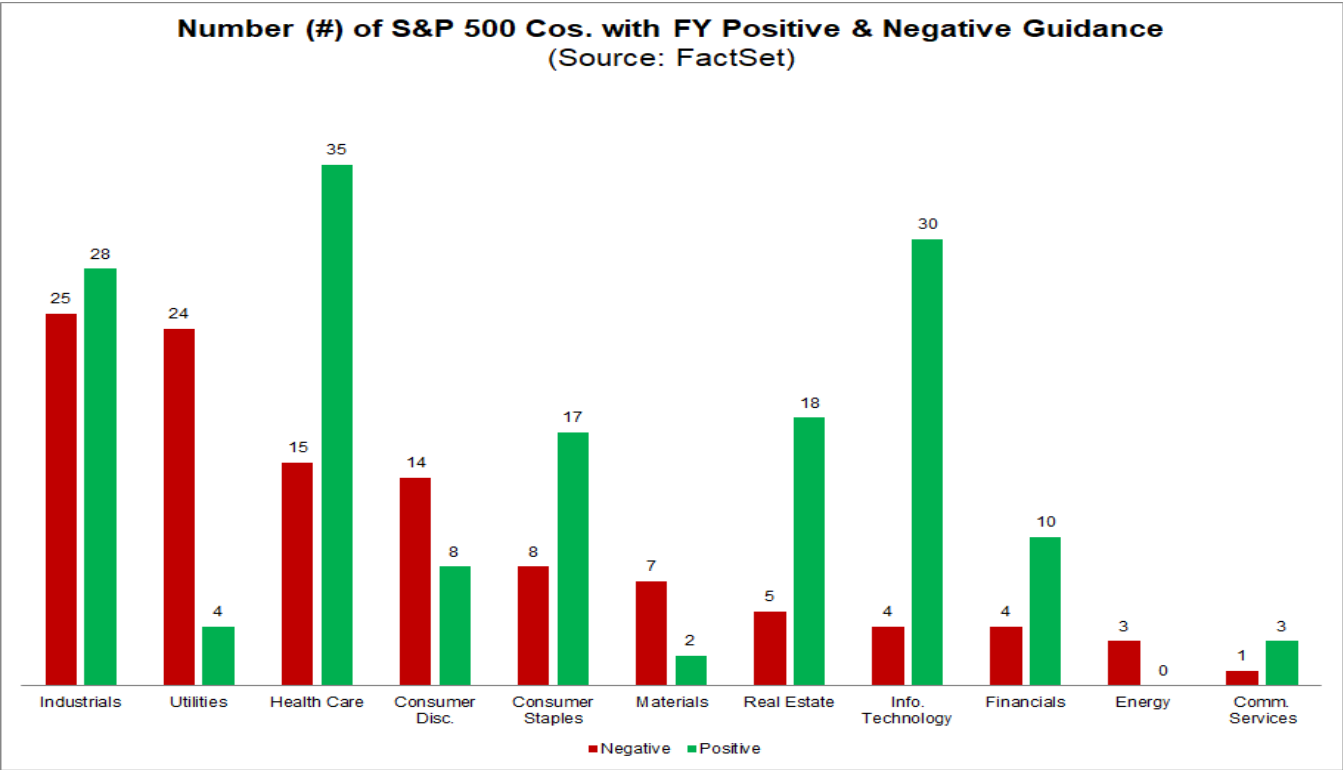
Q3 2026: EPS Revisions



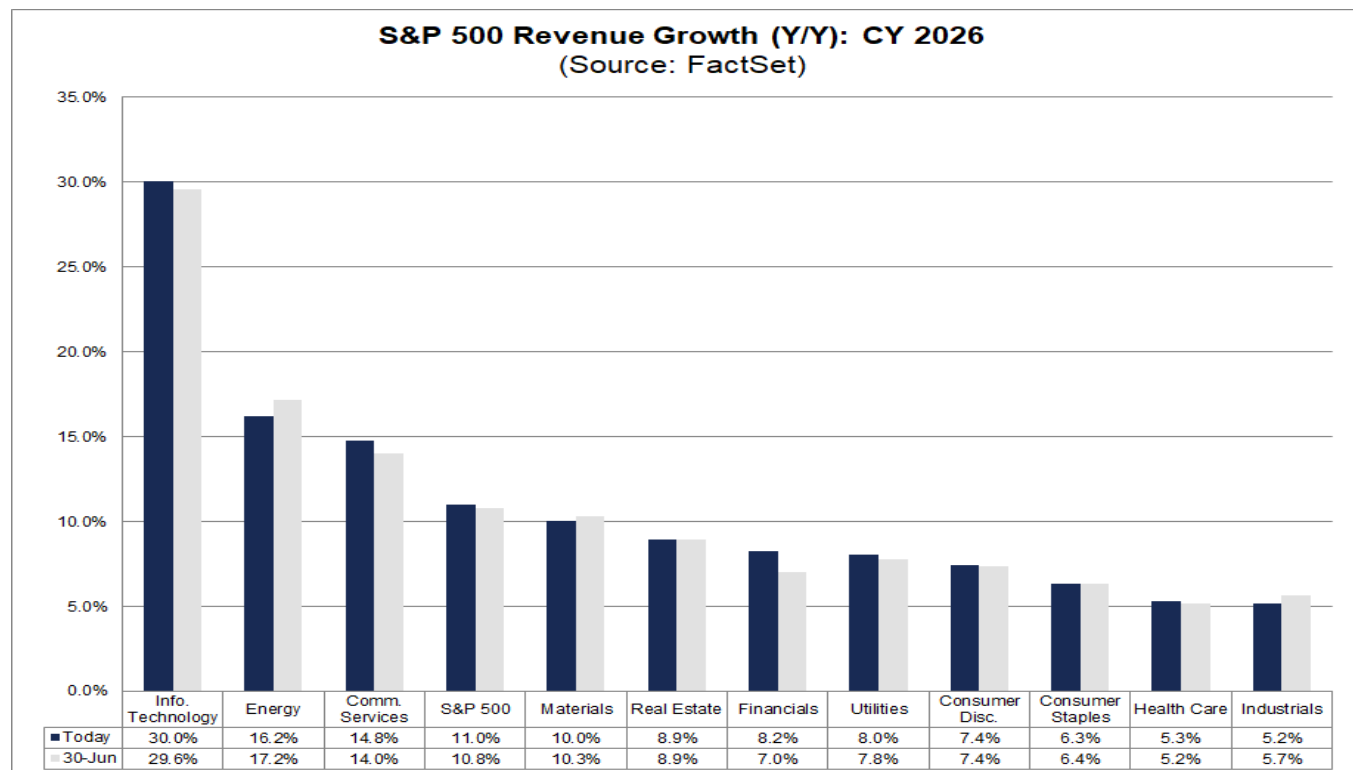
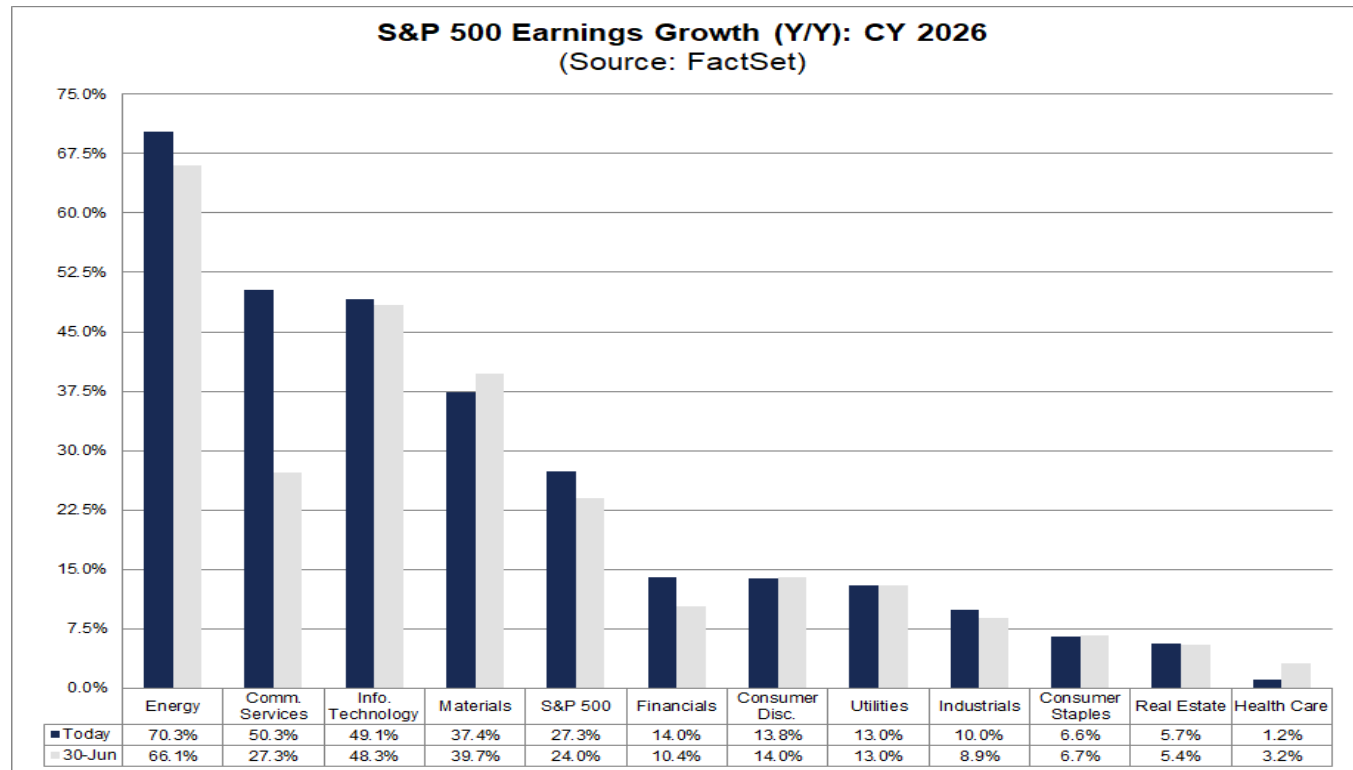
Q3 2026: Growth



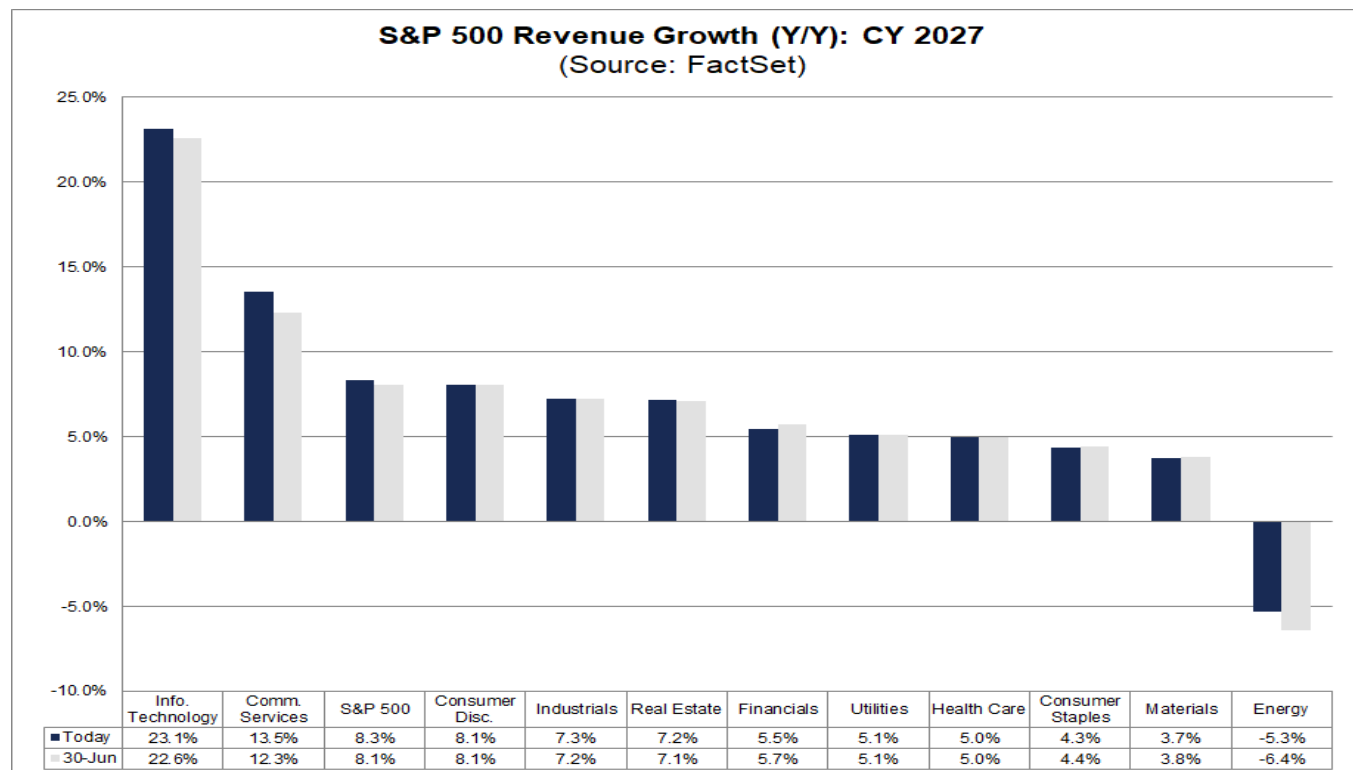
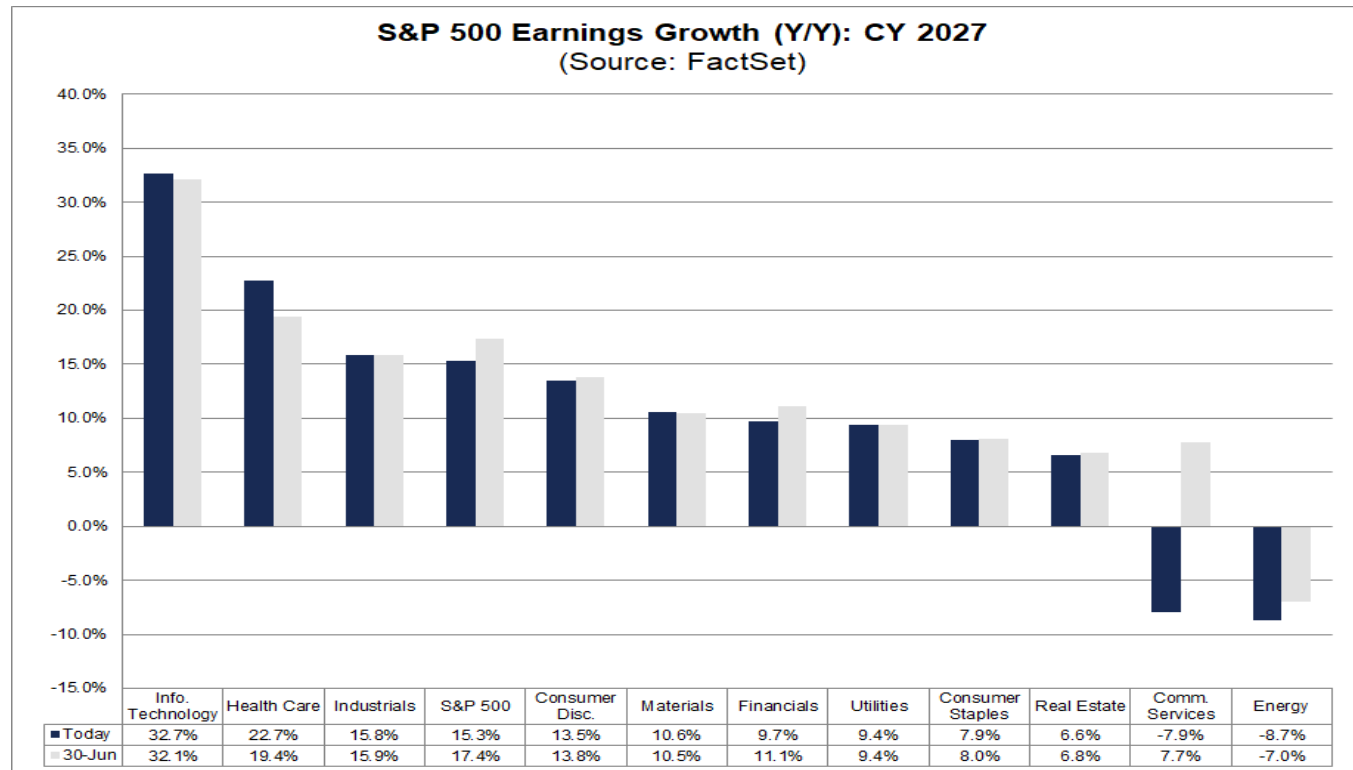
FY 2026 / 2027: EPS Guidance



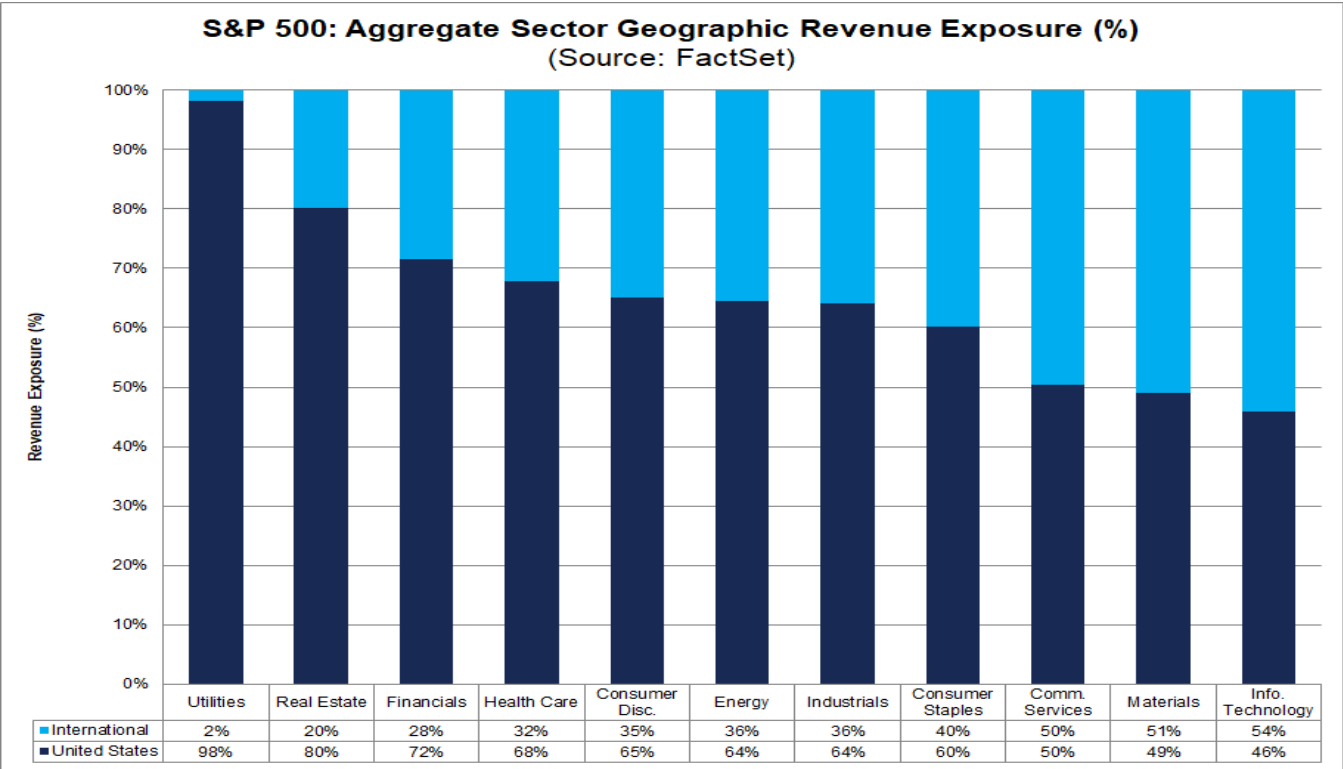
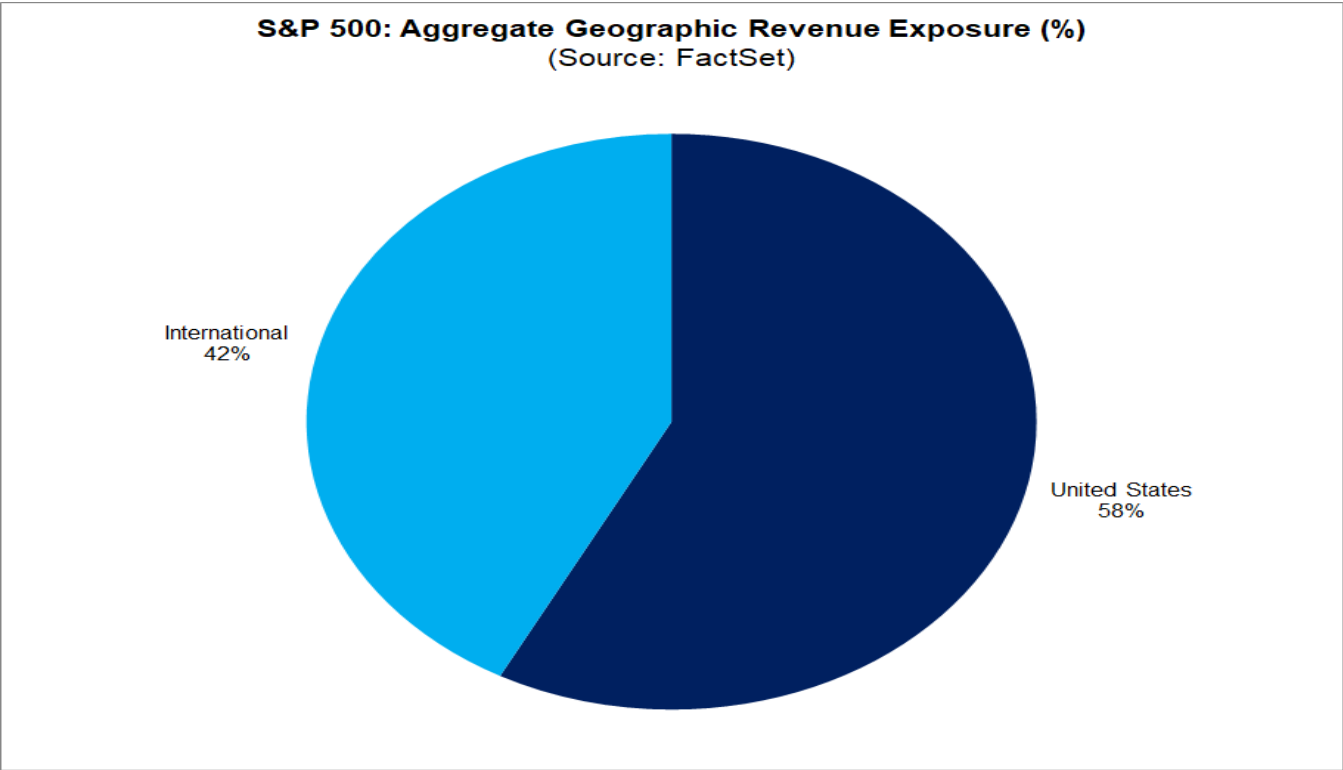
CY 2026: Growth



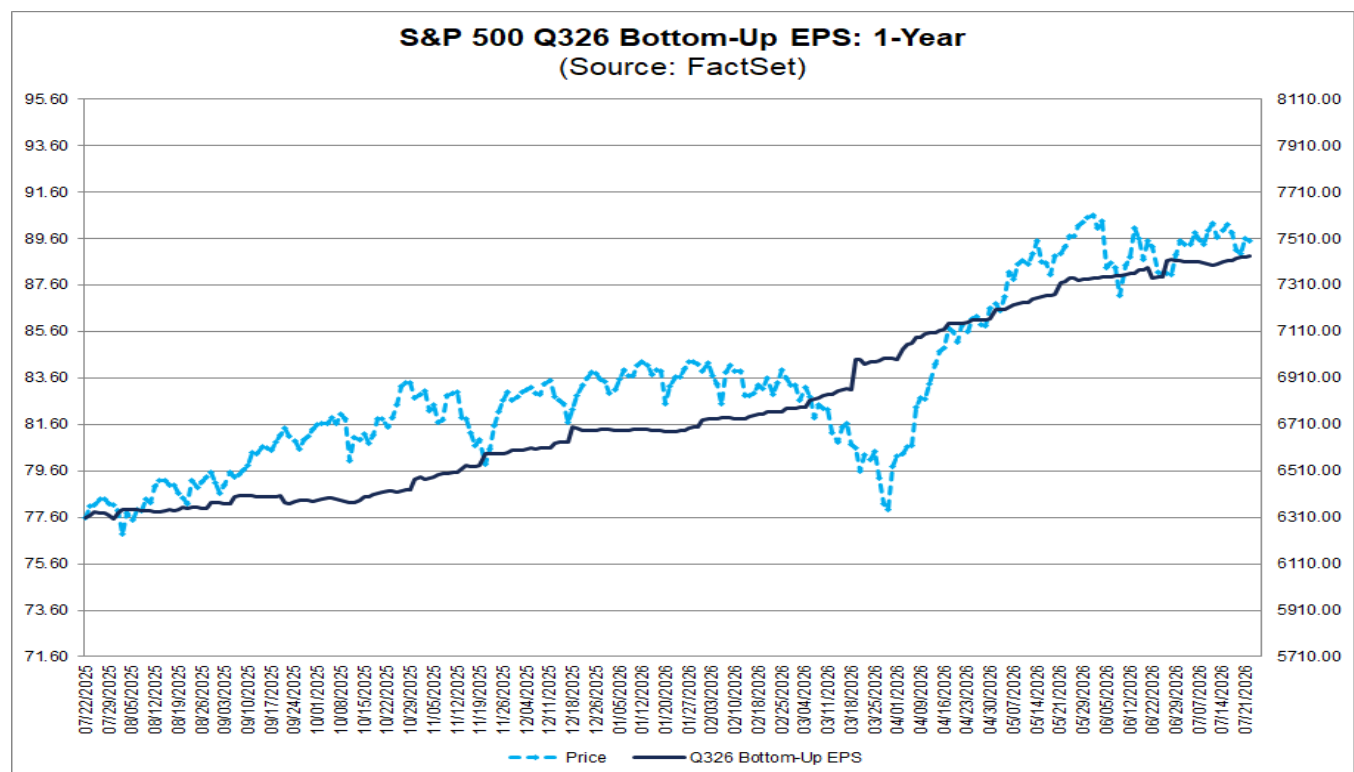
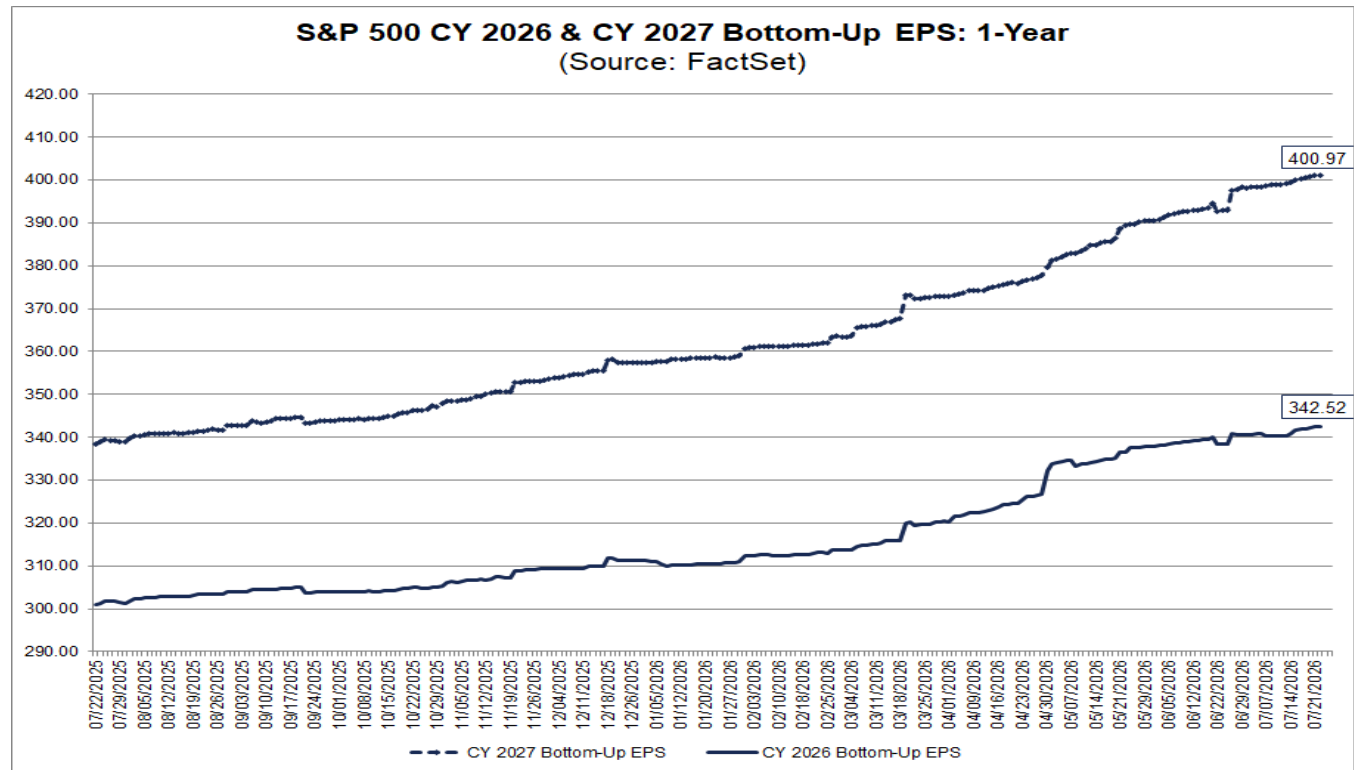
CY 2027: Growth



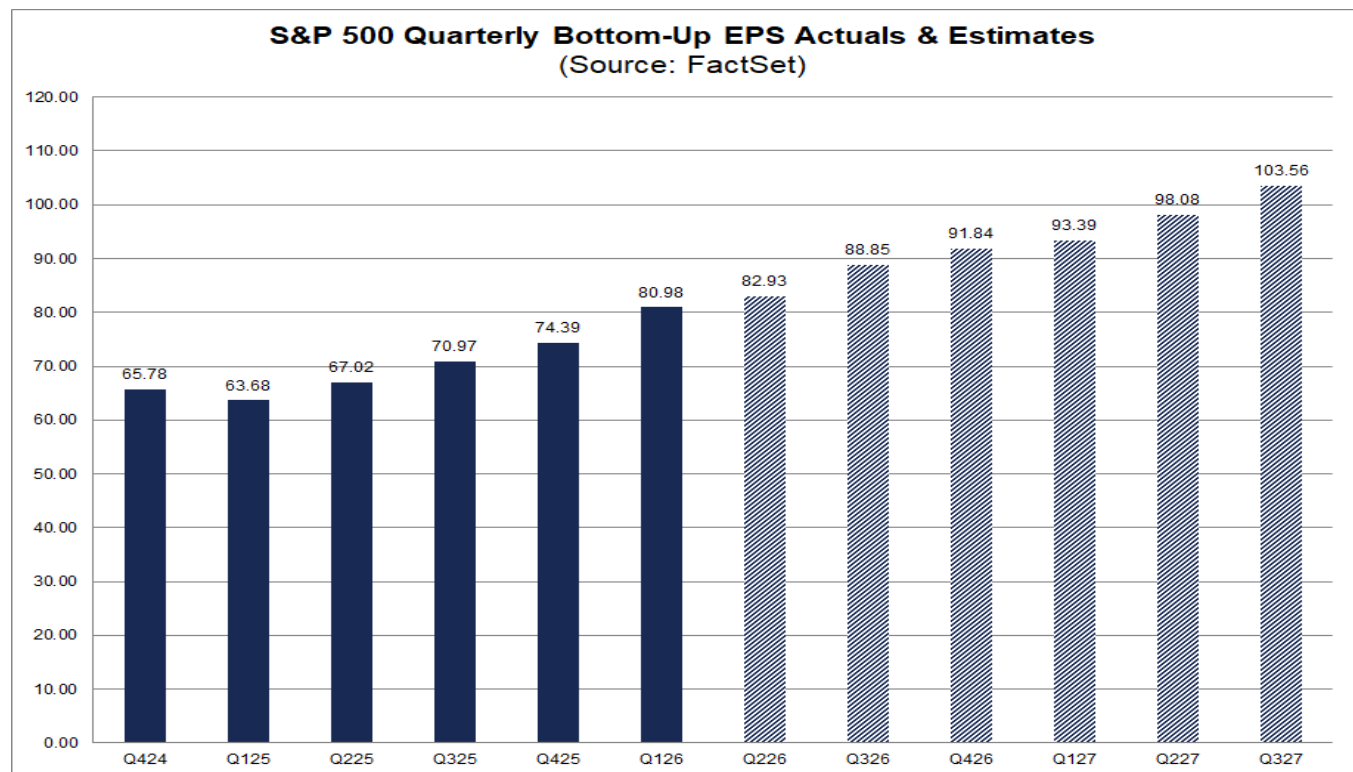
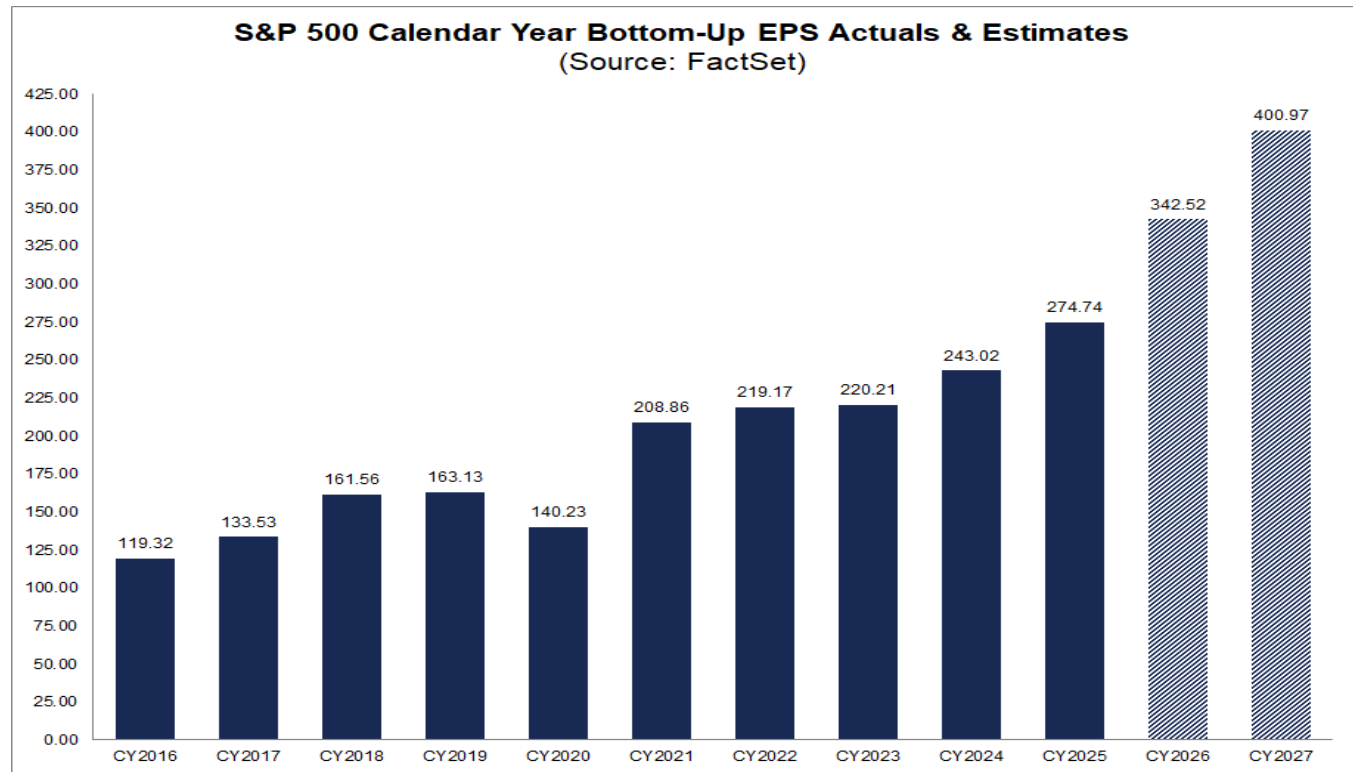
Geographic Revenue Exposure



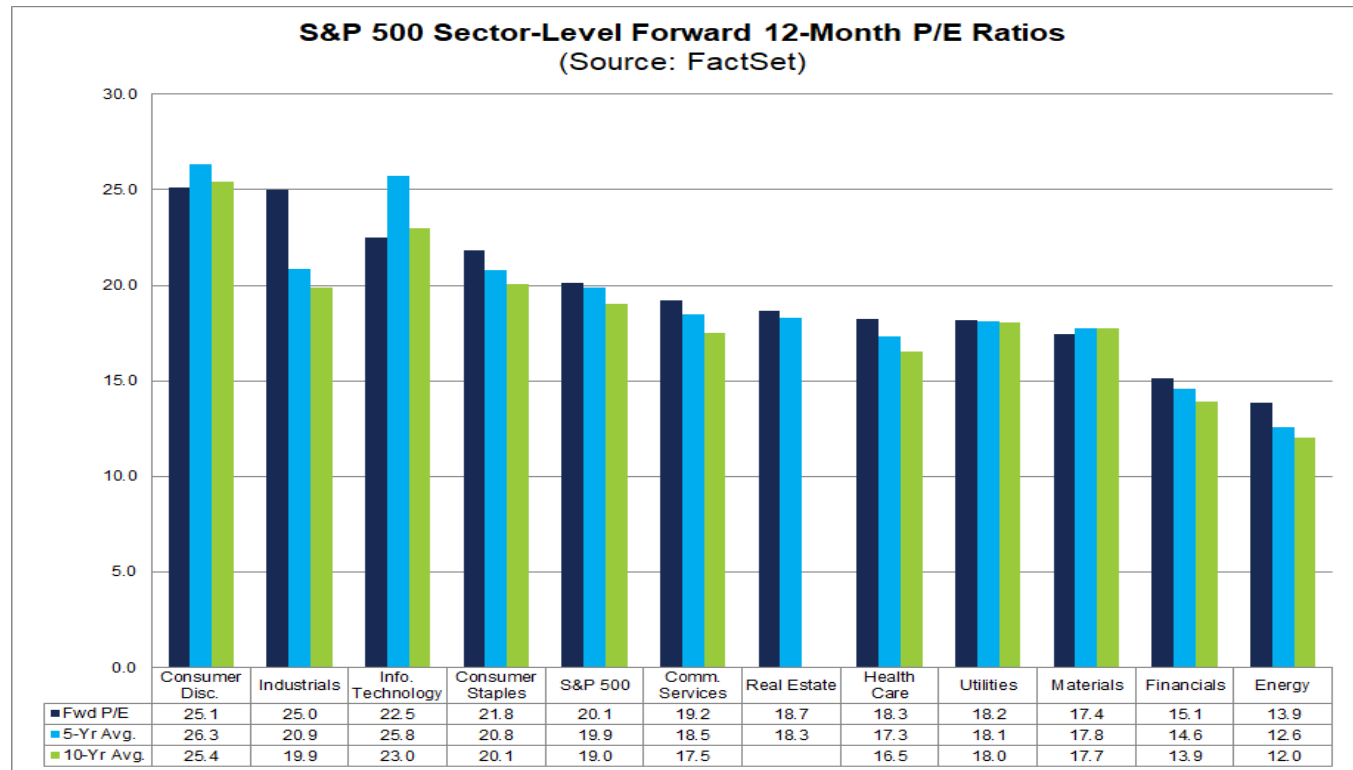
Bottom-Up EPS Estimates



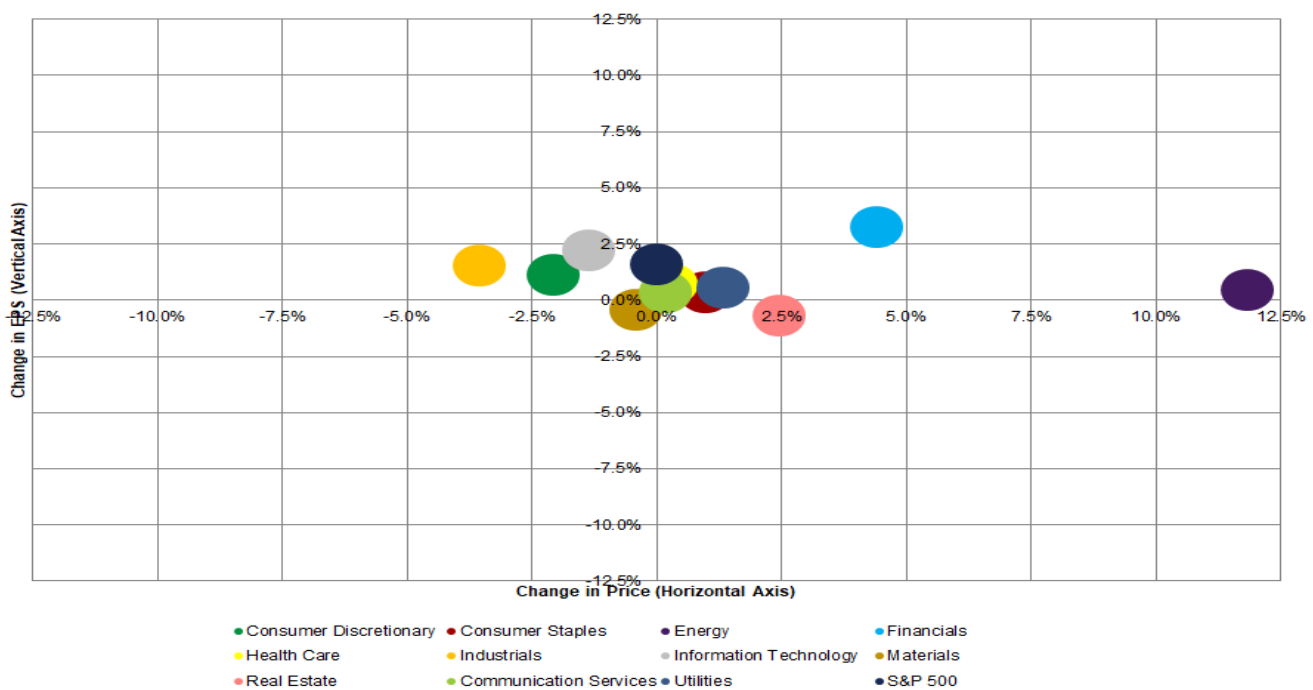
Bottom-Up EPS Estimates: Current & Historical



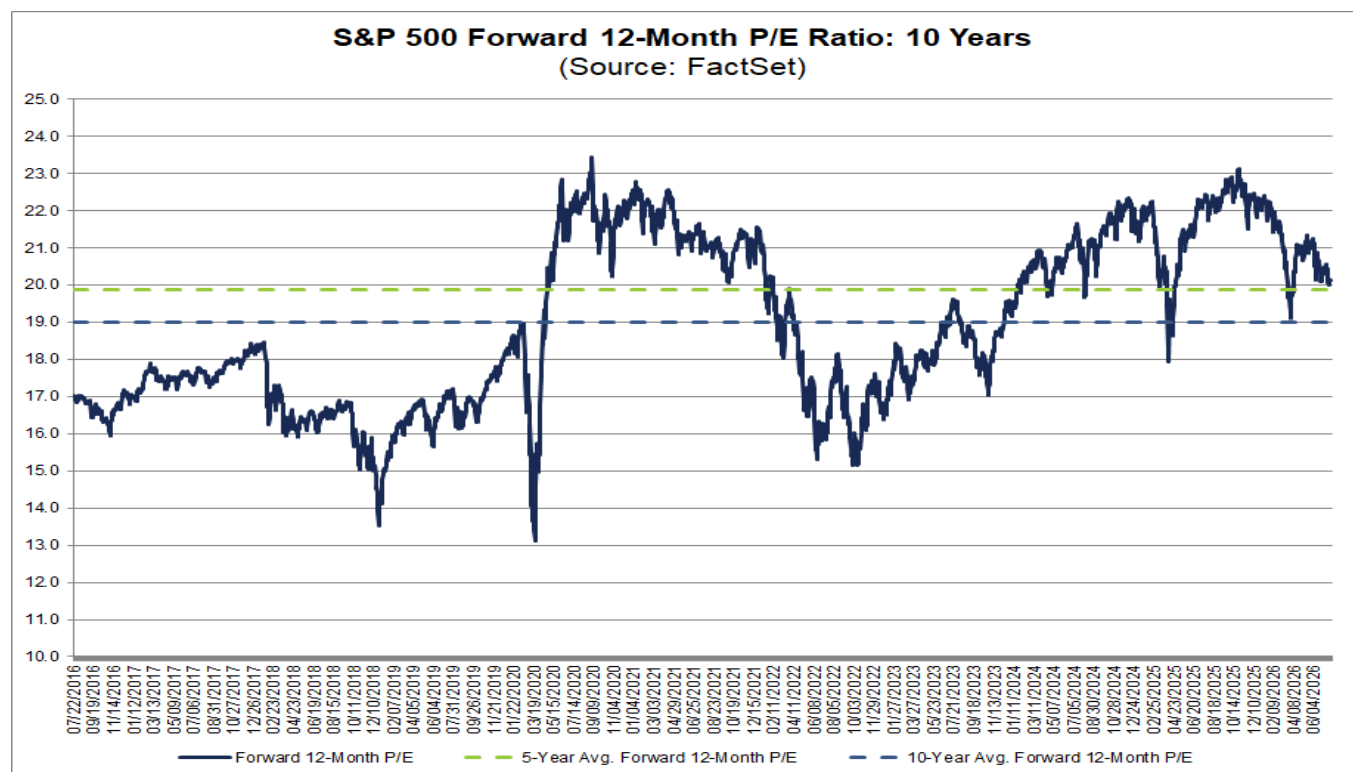
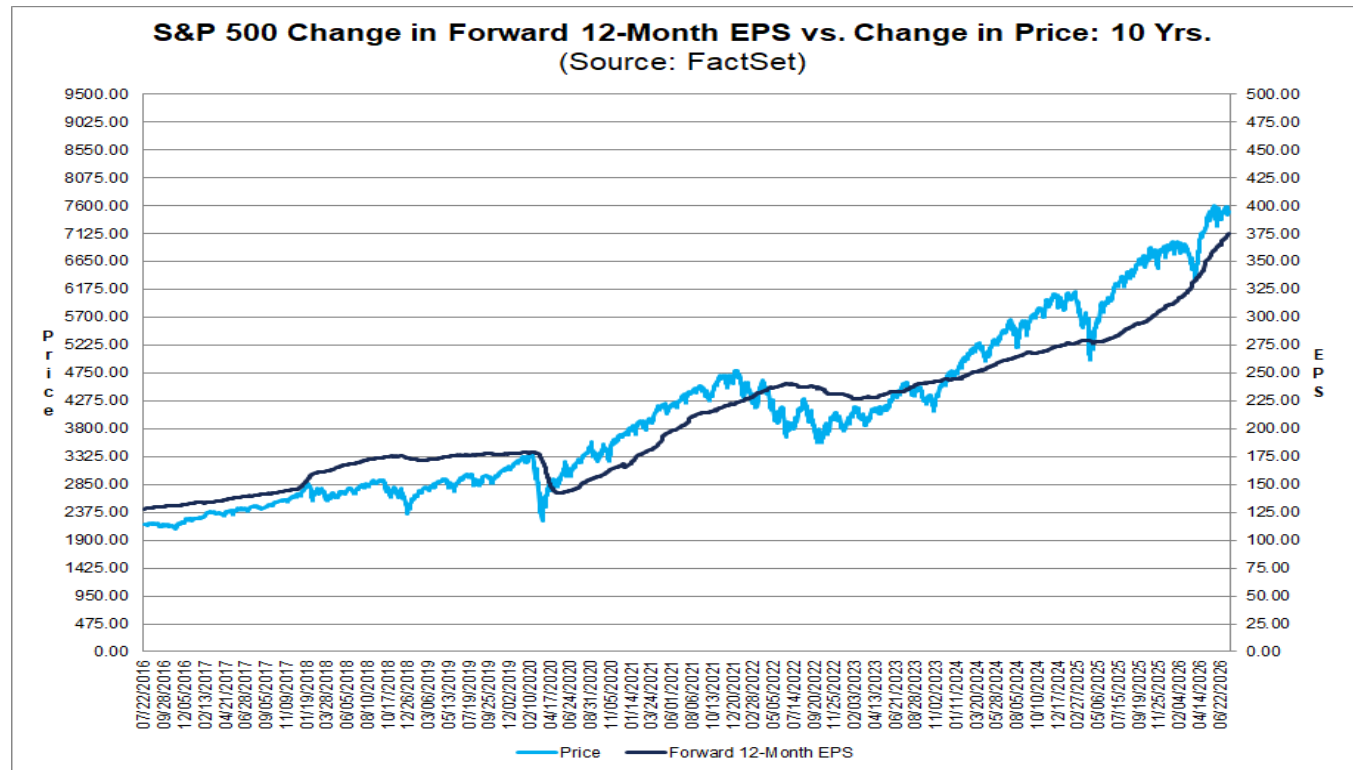
Forward 12M P/E Ratio: Sector Level



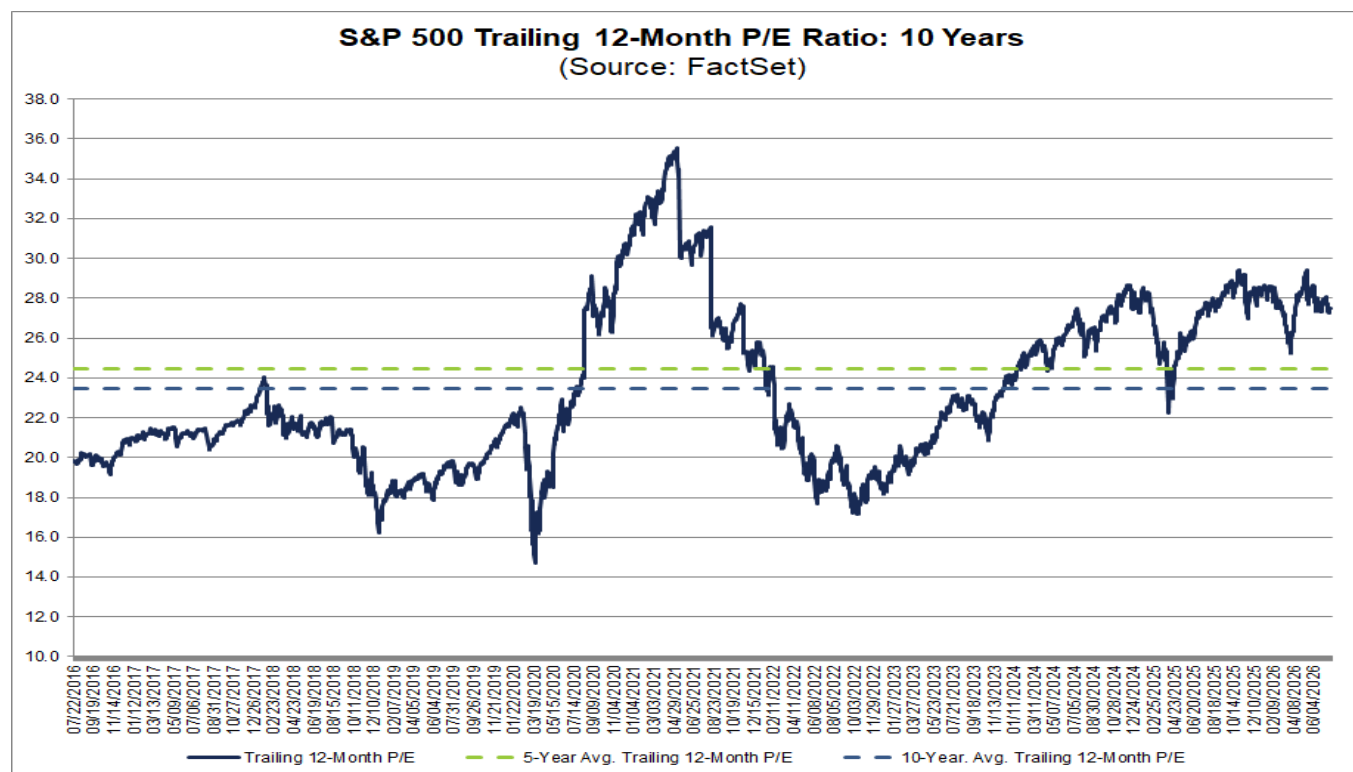
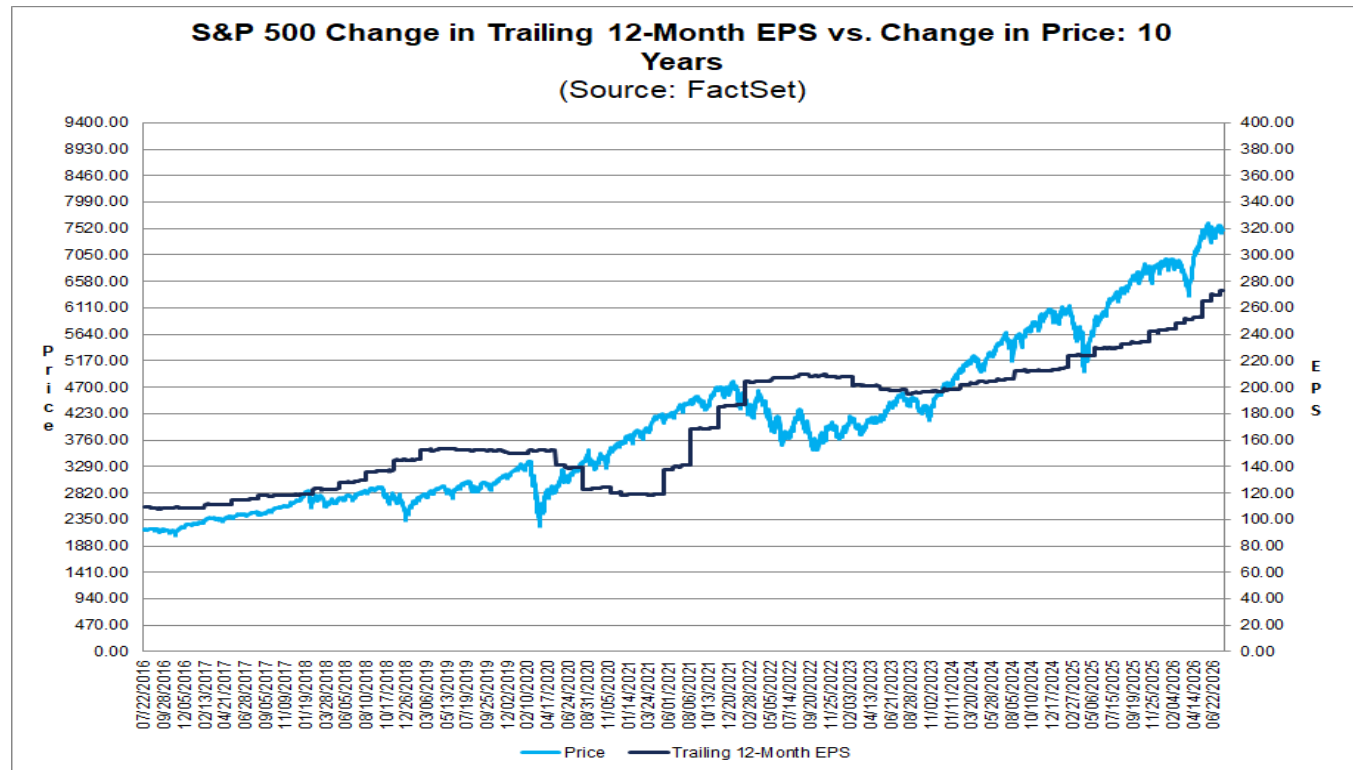
Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Jun 30
(Source: FactSet)



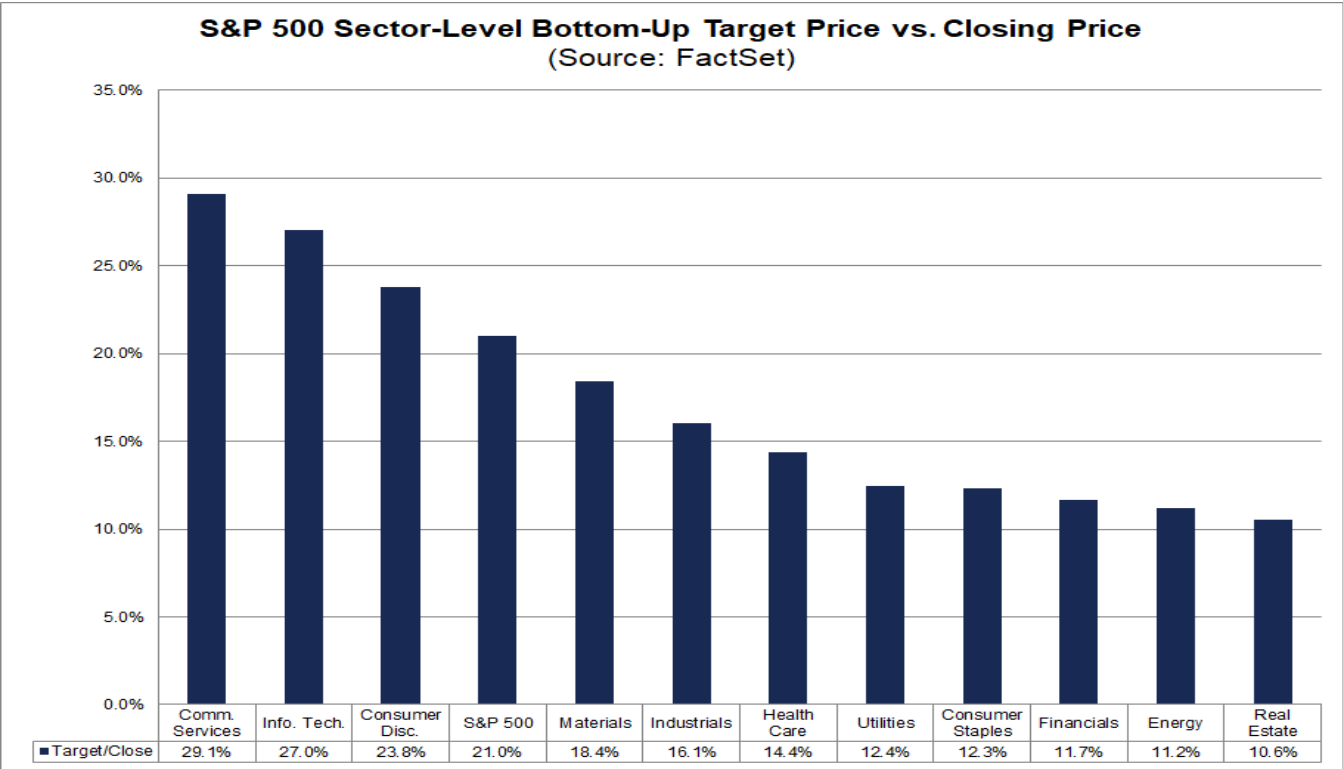
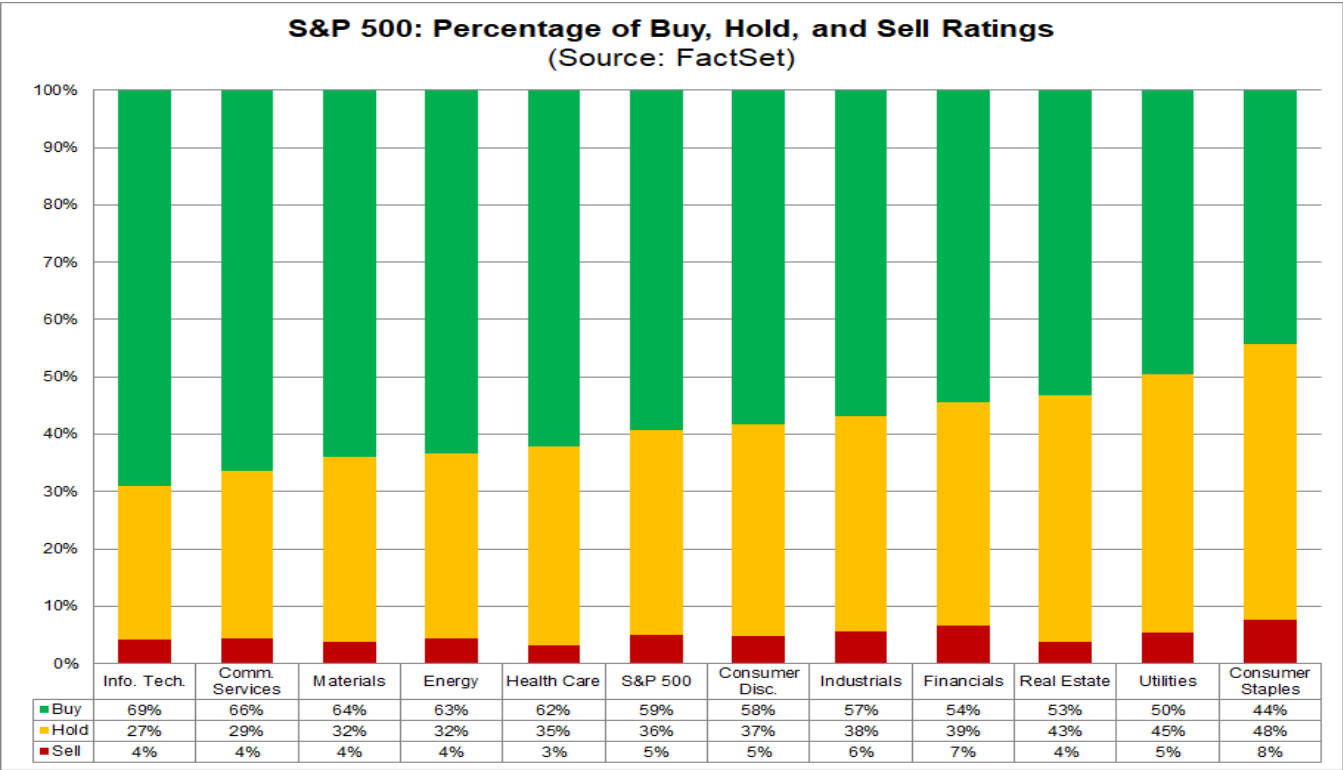
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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