

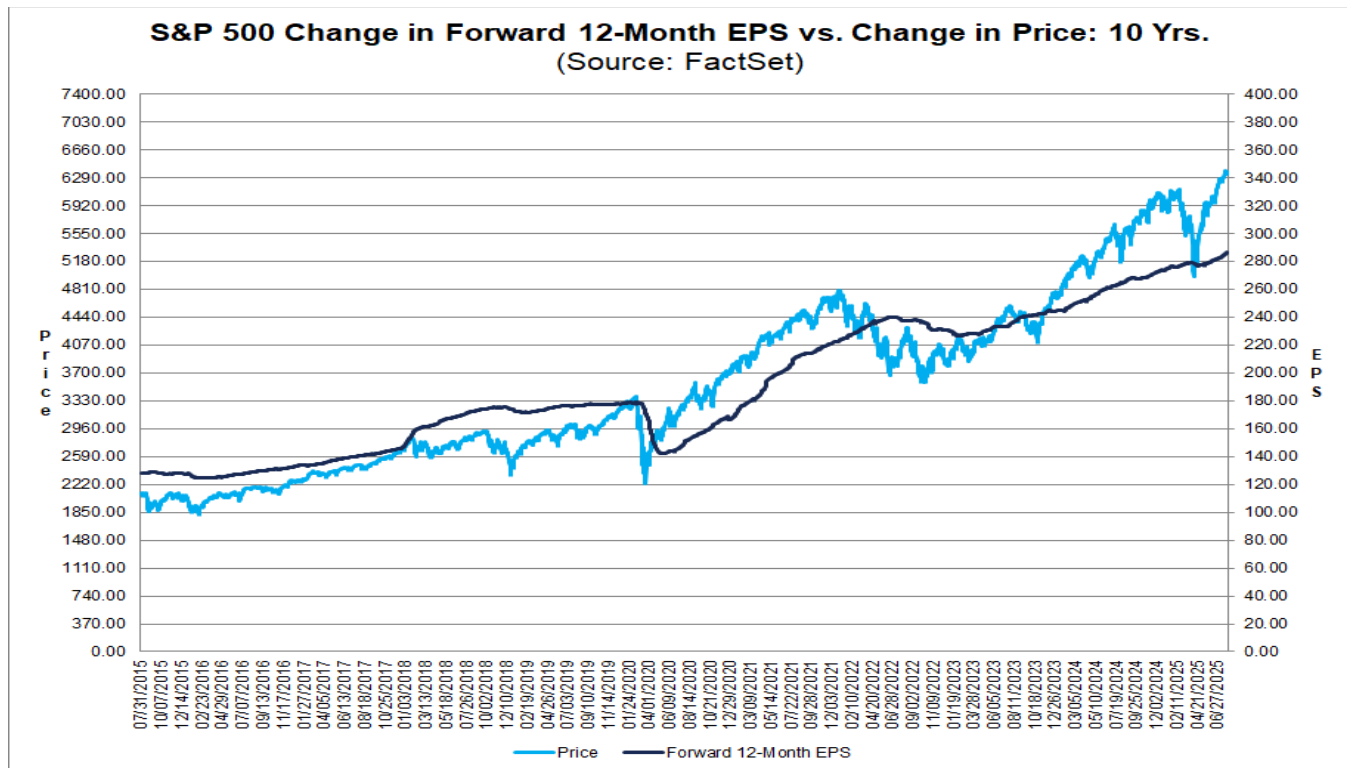
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Key Metrics

- **Earnings Scorecard:** For Q2 2025 (with 66% of S&P 500 companies reporting actual results), 82% of S&P 500 companies have reported a positive EPS surprise and 79% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q2 2025, the blended (year-over-year) earnings growth rate for the S&P 500 is 10.3%. If 10.3% is the actual growth rate for the quarter, it will mark the third consecutive quarter of double-digit earnings growth for the index.
- **Earnings Revisions:** On June 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q2 2025 was 4.9%. Nine sectors are reporting higher earnings today (compared to June 30) due to positive EPS surprises.
- **Earnings Guidance:** For Q3 2025, 30 S&P 500 companies have issued negative EPS guidance and 27 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 22.2. This P/E ratio is above the 5-year average (19.9) and above the 10-year average (18.5).



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Topic of the Week: 1

Analysts Increasing EPS Estimates Slightly for S&P 500 Companies for Q3

Given concerns in the market about tariffs, have analysts lowered EPS estimates more than normal for S&P 500 companies for the third quarter?

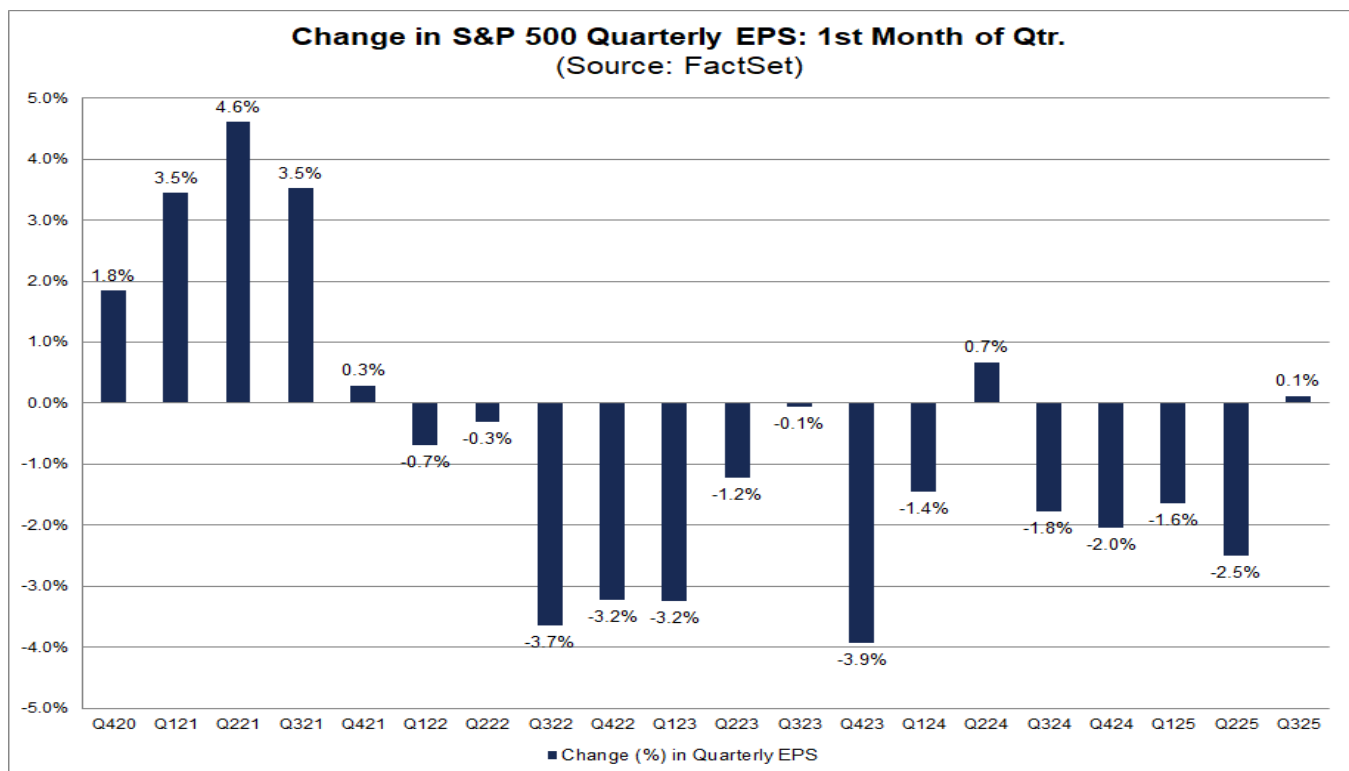
The answer is no. During the month of July, analysts slightly increased EPS estimates for S&P 500 companies for the third quarter. The Q3 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q3 for all the companies in the index) increased by 0.1% (to \$67.40 from \$67.32) from June 30 to July 31.

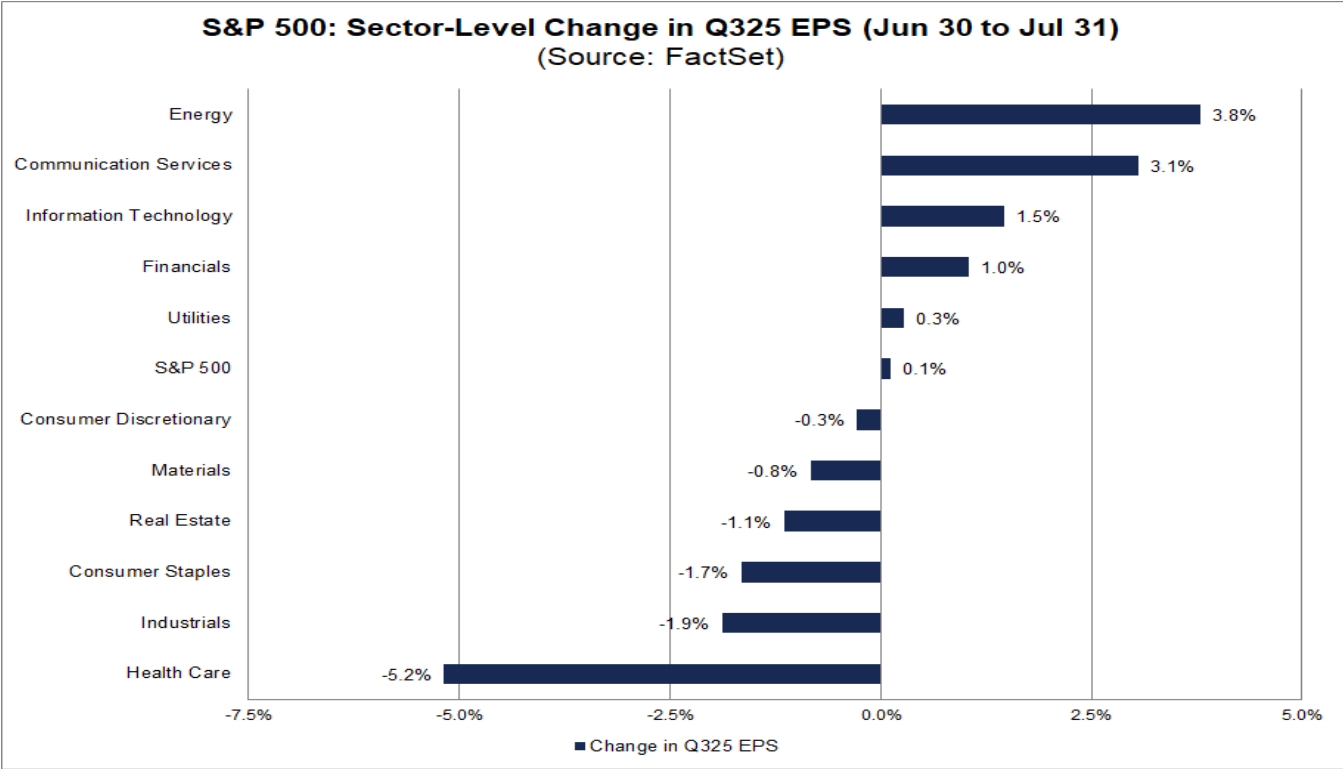
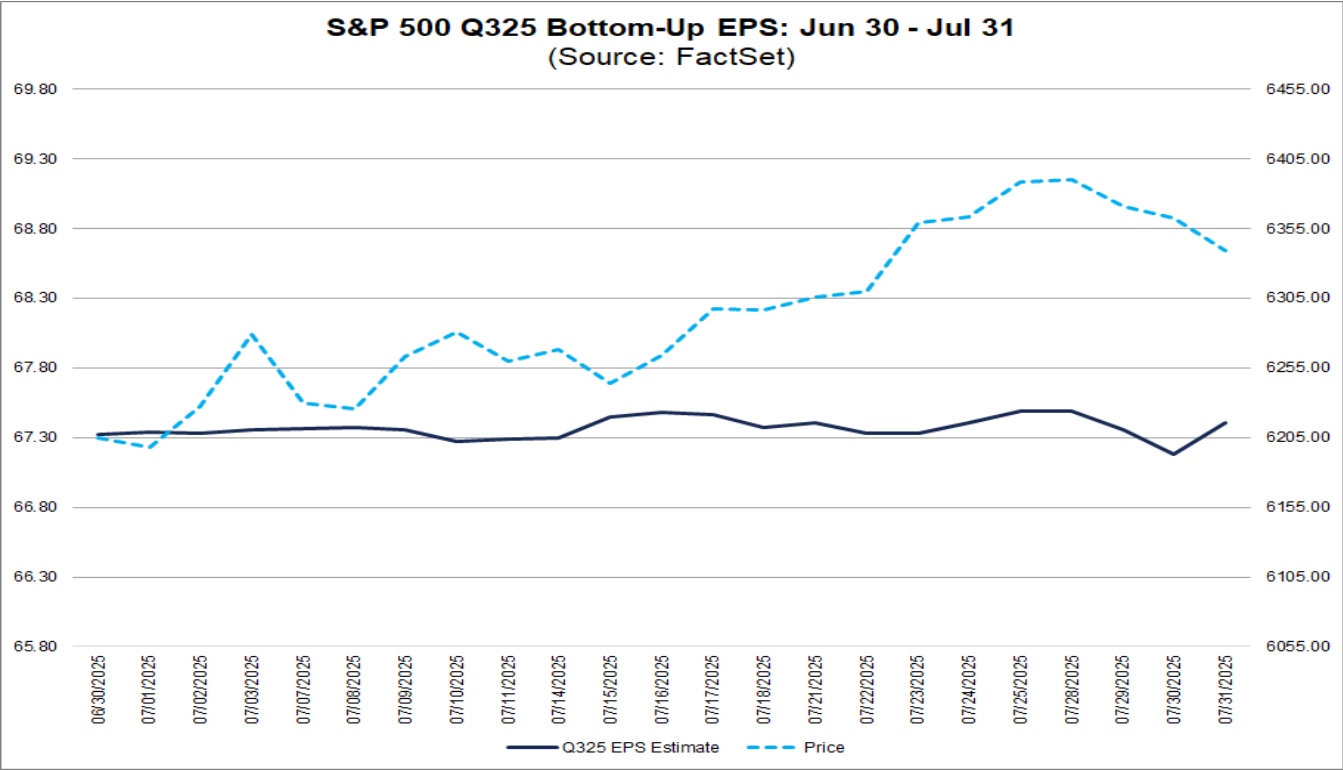
In a typical quarter, analysts usually reduce earnings estimates during the first month of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 0.5%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.6%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has also been 1.7%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.9%.

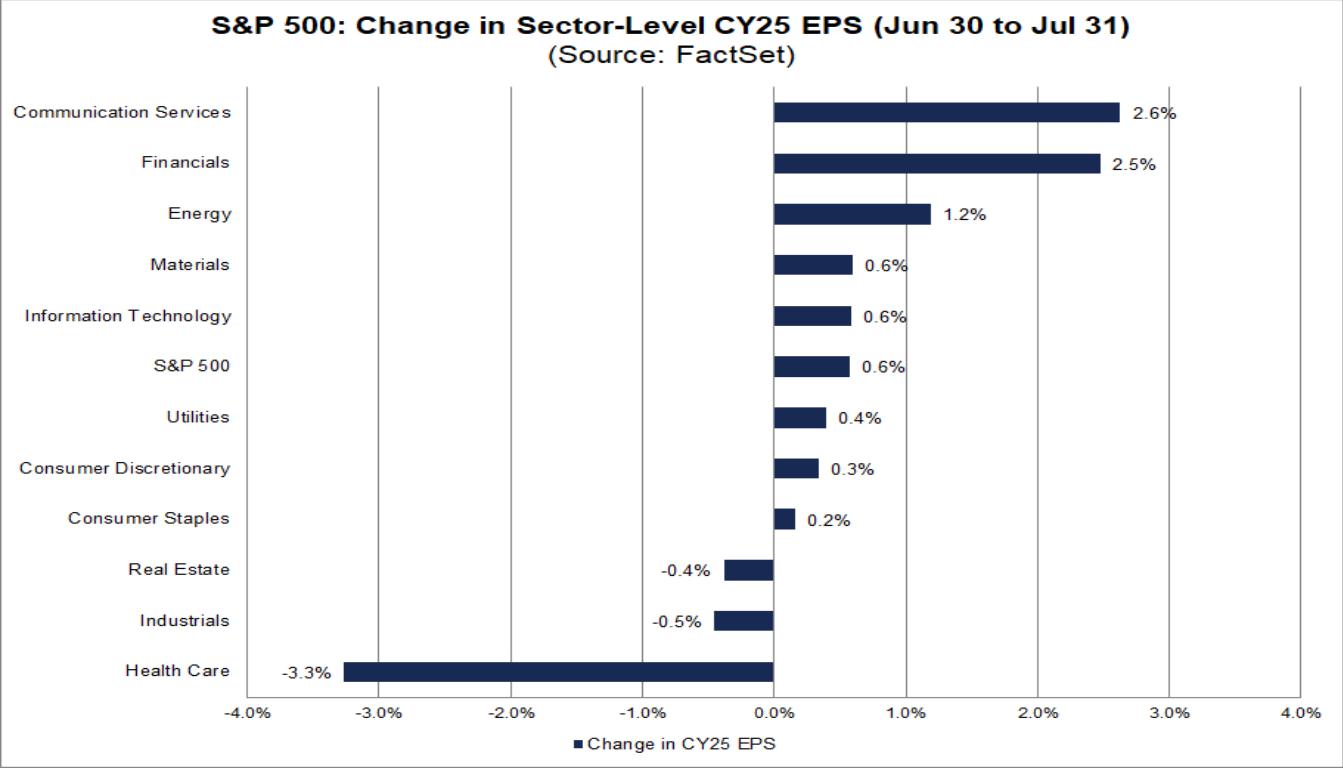
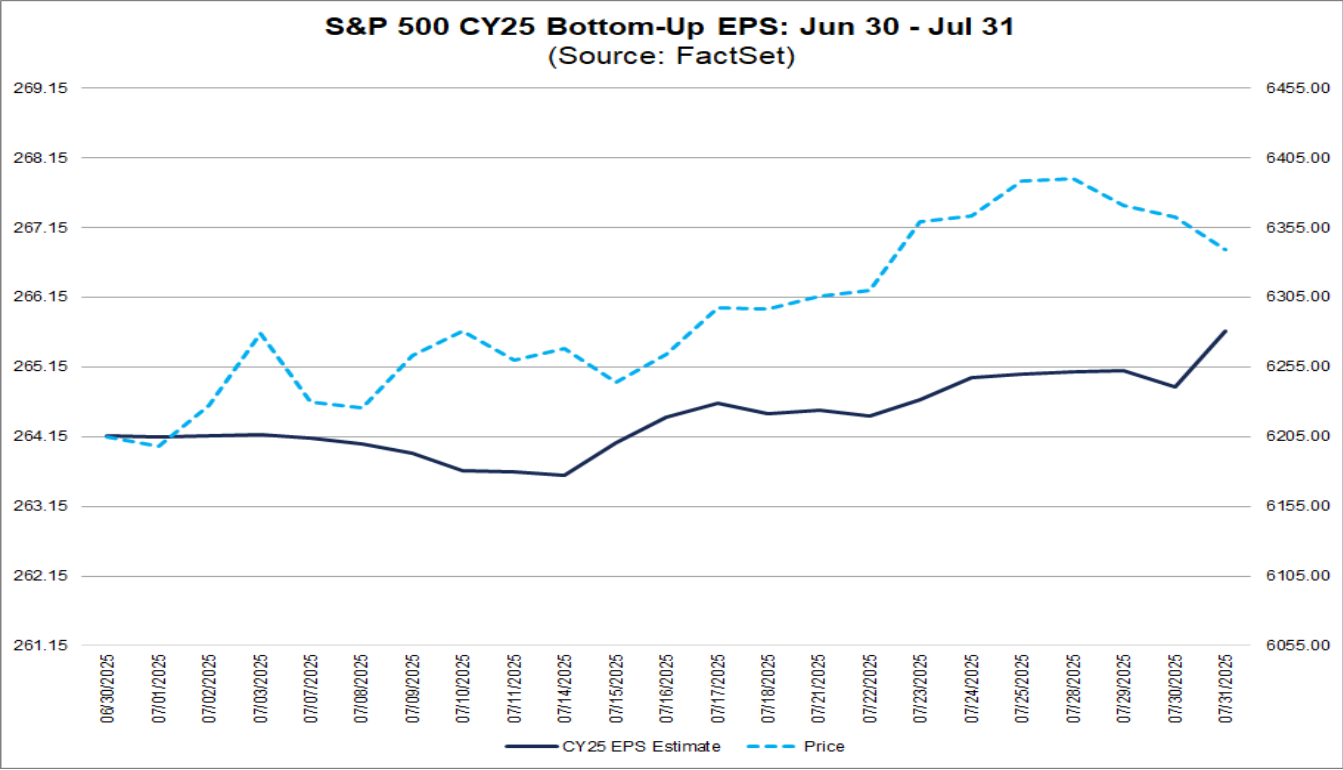
The third quarter marks the first time analysts have increased EPS estimates in aggregate during the first month of a quarter since Q2 2024 (+0.7%).

At the sector level, five of the eleven sectors witnessed an increase in their bottom-up EPS estimate for Q3 2025 from June 30 to July 31, led by the Energy (+3.8%) sector. On the other hand, six sectors recorded a decrease in their bottom-up EPS estimate for Q3 2025 during this period, led by the Health Care (-5.2%) sector.

Analysts also increased earnings estimates for the full year during the month. From June 30 through July 31, the CY 2025 bottom-up EPS estimate increased by 0.6% (to \$265.66 from \$264.17).







Topic of the Week: 2

Market Is Punishing Negative EPS Surprises More Than Average for Q2

To date, 66% of the companies in the S&P 500 have reported earnings for the second quarter. Of these companies, 82% have reported actual EPS above the mean EPS estimate, which is above the 5-year average of 78% and above the 10-year average of 75%. If 82% is the final number for the quarter, it will mark the largest percentage of S&P 500 companies reporting a positive EPS surprise for a quarter since Q3 2021 (also 82%). In aggregate, earnings have exceeded estimates by 8.0%, which is below the 5-year average of 9.1% but above the 10-year average of 6.9%. Given this strong performance relative to recent averages, how has the market responded to EPS surprises reported by S&P 500 companies during the Q2 earnings season?

To date, the market is rewarding positive earnings surprises reported by S&P 500 companies for the second quarter slightly less than average.

Companies that have reported positive earnings surprises for Q2 2025 have seen an average price increase of 0.9% two days before the earnings release through two days after the earnings release. This percentage increase is slightly below the 5-year average price increase of 1.0% during this same window for companies reporting positive earnings surprises.

On the other hand, the market is punishing negative earnings surprises reported by S&P 500 companies for the second quarter much more than average.

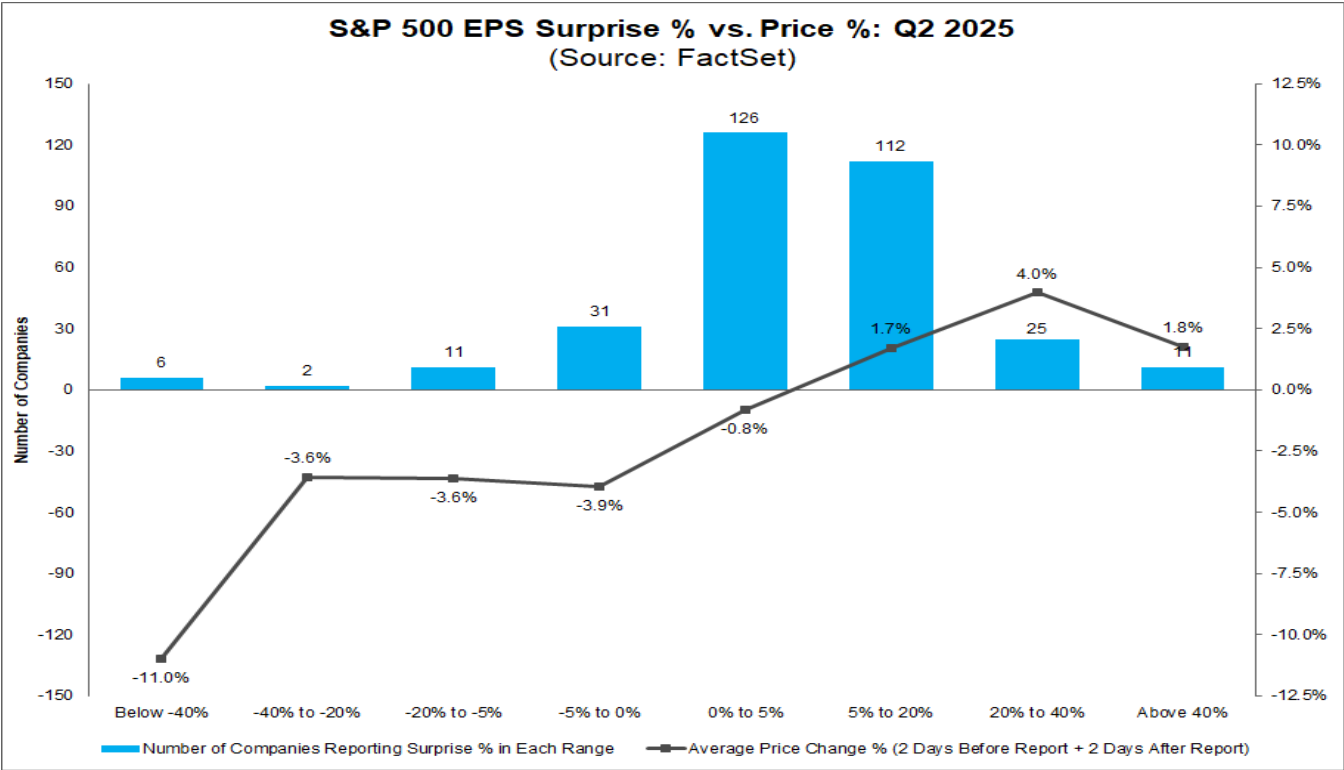
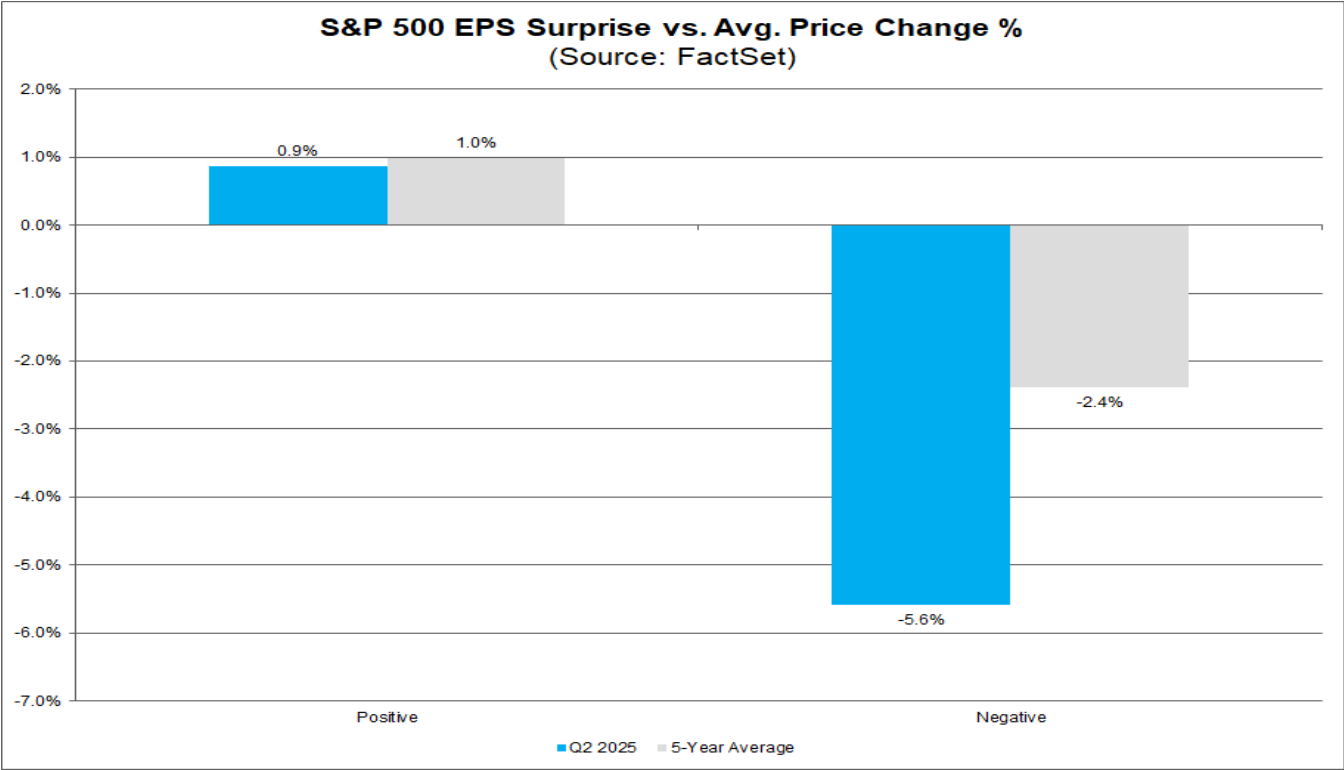
Companies that have reported negative earnings surprises for Q2 2025 have seen an average price decrease of 5.6% two days before the earnings release through two days after the earnings release. This percentage decrease is much larger than the 5-year average price decrease of 2.4% during this same window for companies reporting negative earnings surprises.

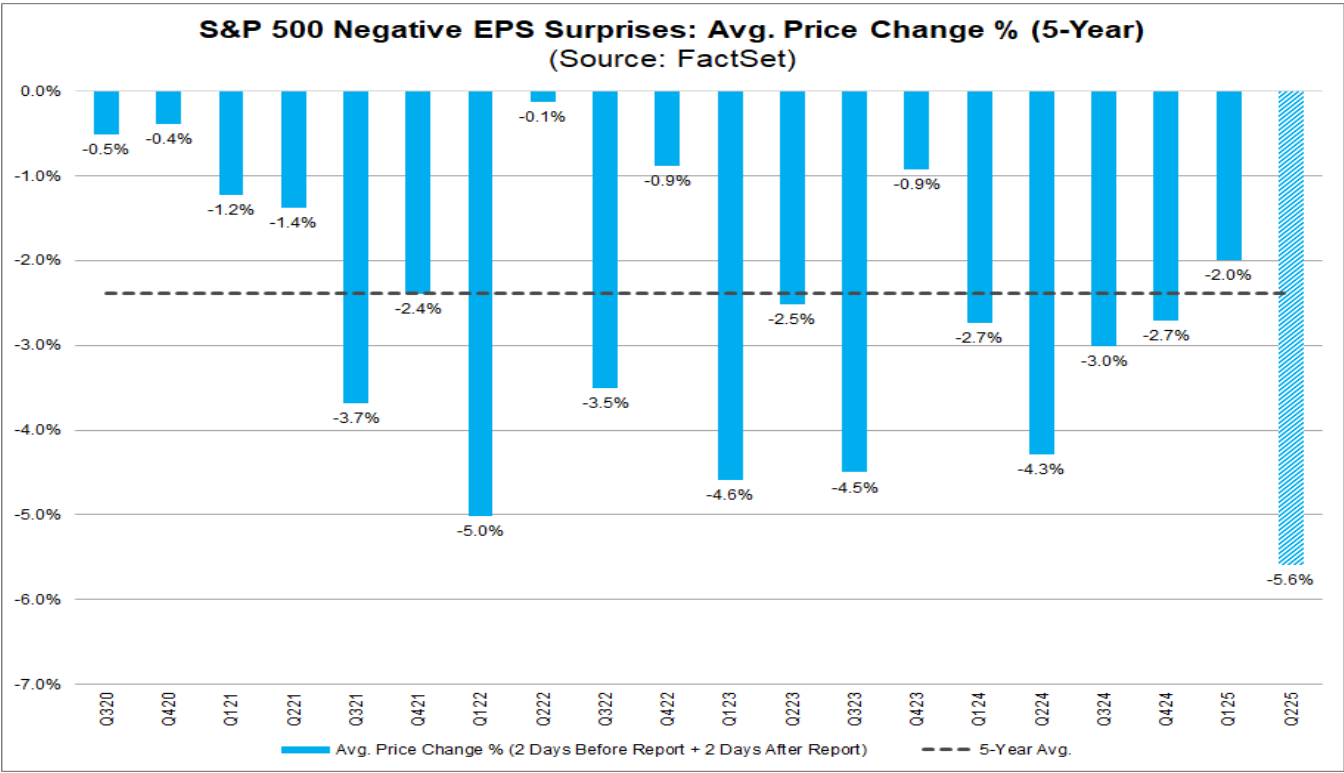
One example of a company that reported a negative EPS surprise for Q2 and witnessed a substantial decrease in stock price is Intel. On July 24, the company reported actual (non-GAAP) EPS of -\$0.10 for Q2, which was below the mean (non-GAAP) EPS estimate of \$0.01. From July 22 to July 28, the stock price for Intel decreased by 11.0% (to \$20.68 from \$23.24).

What is driving the market's above-average negative reaction to negative EPS surprises for Q2? It is likely not due to the earnings outlooks for Q3 from analysts and companies to date.

In terms of revisions to EPS estimates for S&P 500 companies, analysts actually increased EPS estimates slightly for Q3 2025 during the month of July. The Q3 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q3 for all the companies in the index) increased by 0.1% (to \$67.40 from \$67.32) from June 30 to July 31. In a typical quarter, analysts usually reduce earnings estimates during the first month of a quarter. For more details, please pages 3 to 5.

In terms of EPS guidance, the percentage of S&P 500 companies issuing negative EPS guidance for Q3 is also below average. At this point in time, 57 companies in the index have issued EPS guidance for Q3 2025. Of these 57 companies, 30 have issued negative EPS guidance and 27 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2024 is 53% (30 out of 57), which is below the 5-year average of 57% and below the 10-year average of 61%.





Q2 Earnings Season: By The Numbers

Overview

About two-thirds of the way through the second quarter earnings season, the S&P 500 is reporting strong results. Both the percentage of S&P 500 companies reporting positive earnings surprises and the magnitude of earnings surprises are above their 10-year averages. As a result, the index is reporting higher earnings for the second quarter today relative to the end of last week and relative to the end of the quarter. On a year-over-year basis, the S&P 500 is reporting double-digit earnings growth for the third consecutive quarter. In addition, S&P 500 companies are reporting strong numbers for revenues relative to analyst expectations and year-ago results.

Overall, 66% of the companies in the S&P 500 have reported actual results for Q2 2025 to date. Of these companies, 82% have reported actual EPS above estimates, which is above the 5-year average of 78% and above the 10-year average of 75%. If 82% is the final number for the quarter, it will mark the largest percentage of S&P 500 companies reporting a positive EPS surprise for a quarter since Q3 2021 (also 82%). In aggregate, companies are reporting earnings that are 8.0% above estimates, which is below the 5-year average of 9.1% but above the 10-year average of 6.9%. 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.

During the past week, positive EPS surprises reported by four of the “Magnificent 7” companies in the Information Technology, Consumer Discretionary, and Communication Services sectors were the largest contributors to the increase in the overall earnings growth rate for the index over this period. Since June 30, positive EPS surprises reported by companies in the Financials sector and by five of the “Magnificent 7” companies in the Communication Services, Information Technology, and Consumer Discretionary sectors have been the largest contributors to the increase in the overall earnings growth rate for the index over this period.

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 10.3% today, compared to an earnings growth rate of 6.5% last week and an earnings growth rate of 4.9% at the end of the second quarter (June 30).

If 10.3% is the actual growth rate for the quarter, it will mark the third consecutive quarter of double-digit earnings growth for the index.

Eight of the eleven sectors are reporting year-over-year growth, led by the Communication Services, Information Technology, and Financials sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Energy sector.

In terms of revenues, 79% 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 64%. If 79% is the final number for the quarter, it will mark the largest percentage of S&P 500 companies reporting a positive revenue surprise for a quarter since Q2 2021 (87%). In aggregate, companies are reporting revenues that are 2.6% above the estimates, which is above the 5-year average of 2.1% and above the 10-year average of 1.4%. If 2.6% is the final number for the quarter, it will mark the largest revenue surprise percentage reported by the index since Q3 2022 (also 2.6%). 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.

During the past week, positive revenue surprises reported by companies in the Health Care, Consumer Discretionary, and Information Technology 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 Health Care, Consumer Discretionary, Information Technology, and Communication Services sectors have been the largest contributors to the increase in the overall revenue growth rate for the index over this period.

As a result, the blended revenue growth rate for the second quarter is 6.0% today, compared to a revenue growth rate of 5.0% last week and a revenue growth rate of 4.2% at the end of the second quarter (June 30).

If 6.0% is the actual revenue growth rate for the quarter, it will mark the highest revenue growth rate reported by the index since Q3 2022 (11.0%).

Ten sectors are reporting year-over-year growth in revenues, led by the Information Technology, Health Care, and Communication Services sectors. On the other hand, the Energy sector is the only sector reporting a year-over-year decline in revenues.

For Q3 2025 and Q4 2025, analysts are calling for earnings growth rates of 7.6% and 7.0%, respectively. For CY 2025 analysts are predicting (year-over-year) earnings growth of 9.9%.

The forward 12-month P/E ratio is 22.2, which is above the 5-year average (19.9) and above the 10-year average (18.5). This P/E ratio is also slightly above the forward P/E ratio of 22.1 recorded at the end of the second quarter (June 30).

During the upcoming week, 122 S&P 500 companies (including 4 Dow 30 companies) are scheduled to report results for the second quarter.

Scorecard: Percentage of Positive EPS & Revenue Surprises Are Above 5-Year Averages

Percentage of Companies Beating EPS Estimates (82%) is Above 5-Year Average

Overall, 66% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 82% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 14% 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 (77%), above the 5-year average (78%), and above the 10-year average (75%). 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.

If 82% is the final number for the quarter, it will mark the largest percentage of S&P 500 companies reporting a positive EPS surprise for a quarter since Q3 2021 (also 82%).

At the sector level, the Information Technology (97%), Communication Services (92%), and Financials (90%) sectors have the highest percentages of companies reporting earnings above estimates, while the Materials (44%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+8.0%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 8.0% above expectations. This surprise percentage is above the 1-year average (+6.3%), below the 5-year average (+9.1%), and above the 10-year average (+6.9%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Consumer Discretionary (+15.7%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Hasbro (\$1.30 vs. \$0.78), Las Vegas Sands (\$0.79 vs. \$0.53), Carnival (\$0.35 vs. \$0.25), Deckers Brands (\$0.93 vs. \$0.68), MGM Resorts (\$0.79 vs. \$0.58), and Amazon.com (\$1.68 vs. \$1.33) have reported the largest positive EPS surprises.

The Financials (+11.6%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Coinbase Global (\$5.14 vs. \$1.19), Allstate (\$5.94 vs. \$3.25), Travelers Companies (\$6.51 vs. \$3.65), Cincinnati Financial (\$1.97 vs. \$1.41), Synchrony Financial (\$2.50 vs. \$1.82), and Capital One Financial (\$5.48 vs. \$4.05) have reported the largest positive EPS surprises.

The Communication Services (+8.5%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Electronic Arts (\$0.25 vs. \$0.11), Interpublic Group of Companies (\$0.75 vs. \$0.56), Paramount Global (\$0.46 vs. \$0.36), and Meta Platforms (\$7.14 vs. \$5.88) have reported the largest positive EPS surprises.

On the other hand, the Materials (-2.5%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Dow (-\$0.42 vs. -\$0.17), Smurfit Westrock (-\$0.05 vs. \$0.59), International Paper (\$0.20 vs. \$0.39), LyondellBasell Industries (\$0.62 vs. \$0.80), Steel Dynamics (\$2.01 vs. \$2.24), and Sherwin-Williams (\$3.38 vs. \$3.76) have reported the largest negative EPS surprises.

Market Punishing Negative EPS Surprises More Than Average

To date, the market is rewarding positive earnings surprises reported by S&P 500 companies for Q2 slightly less than average but punishing negative earnings surprises reported by S&P 500 companies for Q2 much more than average.

Companies that have reported positive earnings surprises for Q2 2025 have seen an average price increase of +0.9% two days before the earnings release through two days after the earnings release. This percentage increase is slightly 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 2025 have seen an average price decrease of -5.6% two days before the earnings release through two days after the earnings. This percentage decrease is much larger than the 5-year average price decrease of -2.4% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (79%) is Above 5-Year Average

In terms of revenues, 79% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 21% of the companies have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (62%), above the 5-year average (70%), and above the 10-year average (65%). 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.

If 79% is the final number for the quarter, it will mark the largest percentage of S&P 500 companies reporting a positive revenue surprise for a quarter since Q2 2021 (87%).

At the sector level, the Information Technology (97%), Communication Services (92%), and Health Care (92%) sectors have the highest percentages of companies reporting revenues above estimates, while the Materials (61%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.6%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.6% above expectations. This surprise percentage is above the 1-year average (+0.9%), above the 5-year average (+2.1%), and above the 10-year average (+1.4%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

If 2.6% is the final number for the quarter, it will mark the largest revenue surprise percentage reported by the index since Q3 2022 (also 2.6%).

At the sector level, the Information Technology (+3.9%), Utilities (+3.6%), Consumer Discretionary (+3.5%), and Health Care (+3.5%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings This Week Led By “Magnificent 7” Companies**Increase in Blended Earnings This Week Led By “Magnificent 7” Companies**

The blended (year-over-year) earnings growth rate for the second quarter is 10.3%, which is above the earnings growth rate of 6.5% last week. Positive EPS surprises reported by four of the “Magnificent 7” companies in the Information Technology, Consumer Discretionary, and Communication Services were the largest contributors to the increase in the overall earnings growth rate for the index during the past week.

In the Information Technology sector, the positive EPS surprises reported by Apple (\$1.57 vs. \$1.44) and Microsoft (\$3.65 vs. \$3.37) were substantial contributors to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Information Technology sector increased to 21.1% from 16.7% over this period.

In the Consumer Discretionary sector, the positive EPS surprise reported by Amazon.com (\$1.68 vs. \$1.33) was a significant contributor to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Consumer Discretionary sector increased to 4.8% from -3.6% over this period.

In the Communication Services sector, the positive EPS surprise reported by Meta Platforms (\$7.14 vs. \$5.88) was a substantial contributor to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Communication Services sector increased to 40.7% from 34.0% over this period.

Outside of the “Magnificent 7” companies, positive surprises reported by companies in the Financials and Health Care sectors were also solid contributors to the increase in the earnings growth rate for the index during the past week.

In the Financials sector, the positive EPS surprises reported by Coinbase Global (\$5.14 vs. \$1.19) and Allstate (\$5.94 vs. \$3.25) were strong contributors to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Financials sector increased to 12.8% from 10.0% over this period.

In the Health Care sector, the positive EPS surprises reported by Bristol Myers Squibb (\$1.46 vs. \$1.07), Regeneron Pharmaceuticals (\$12.89 vs. \$8.43), and CVS Health (\$1.81 vs. \$1.46) were solid contributors to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Health Care sector increased to 3.9% from 0.1% over this period.

Increase in Blended Revenues This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the second quarter is 6.0%, which is above the revenue growth rate of 5.0% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Health Care, Consumer Discretionary, and Information Technology sectors) were the largest contributors to the increase in the overall revenue growth rate for the index during the past week.

Financials Sector Has Seen Largest Increase in Earnings since June 30

The blended (year-over-year) earnings growth rate for Q2 2025 of 10.3% is above the estimate of 4.9% 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 40.7% from 29.4%), Financials (to 12.8% from 2.3%), and Consumer Discretionary (to 4.8% from -5.3%) sectors. Positive EPS surprises reported by companies in the Financials sector and by five of the "Magnificent 7" companies in the Communication Services, Information Technology (to 21.1% from 16.4%), and Consumer Discretionary sectors have been the largest contributors to the increase in the overall earnings growth rate for the index over this period.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase (\$5.24 vs. \$4.48), Capital One Financial (\$5.48 vs. \$4.05), Coinbase Global (\$5.14 vs. \$1.19), Allstate (\$5.94 vs. \$3.25), Travelers Companies (\$6.51 vs. \$3.65), Wells Fargo (\$1.60 vs. \$1.41), and Citigroup (\$1.96 vs. \$1.66) have been significant contributors to the increase in the earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Financials sector has increased to 12.8% from 2.3% over this period.

In the Communication Services sector, the positive EPS surprises reported by Meta Platforms (\$7.14 vs. \$5.88) and Alphabet (\$2.31 vs. \$2.18) have been substantial contributors to the increase in the earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Communication Services sector has increased to 40.7% from 29.9% over this period.

In the Information Technology sector, the positive EPS surprises reported by Apple (\$1.57 vs. \$1.44) and Microsoft (\$3.65 vs. \$3.37) has been significant contributors to the increase in the earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Information Technology sector has increased to 21.1% from 16.4% over this period.

In the Consumer Discretionary sector, the positive EPS surprise reported by Amazon.com (\$1.68 vs. \$1.33) has been a substantial contributor to the increase in the earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Consumer Discretionary sector increased to 4.8% from -5.3% over this period.

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: Utilities (to 0.3% from 5.0%) and Materials (to -5.0% from -3.8%).

Health Care Sector Has Seen Largest Increase in Revenues since June 30

The blended (year-over-year) revenue growth rate for Q2 2025 of 6.0% is above the estimate of 4.2% 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 Consumer Discretionary (to 5.0% from 2.2%), Communication Services (to 9.5% from 7.0%), and Information Technology (to 14.8% from 12.3%) sectors. The Health Care (to 10.2% from 7.8%), Consumer Discretionary, Information Technology, and Communication Services sectors have been the largest contributors to the increase in the overall revenue growth rate for the index since June 30.

In the Health Care sector, the positive revenue surprises reported by Cigna Group (\$67.13 billion vs. \$62.57 billion), Centene (\$48.74 billion vs. \$44.14 billion), and CVS Health (\$98.92 billion vs. \$94.53 billion) have been significant 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 Health Care sector has increased to 10.2% from 7.8% over this period.

In the Consumer Discretionary sector, the positive revenue surprises reported by Ford Motor (\$50.18 billion vs. \$45.79 billion) and Amazon.com (\$167.70 billion vs. \$162.19 billion) have been significant 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 Consumer Discretionary sector has increased to 5.0% from 2.2% over this period.

In the Information Technology sector, the positive revenue surprises reported by Apple (\$94.04 billion vs. \$89.63 billion) and Microsoft (\$76.44 billion vs. \$73.96 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 Information Technology sector has increased to 14.8% from 12.3% over this period.

In the Communication Services sector, the positive revenue surprises reported by Meta Platforms (\$47.52 billion vs. \$44.82 billion) and Alphabet (\$96.43 billion vs. \$94.04 billion) has been significant 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 Communication Services sector has increased to 9.5% from 7.0% over this period.

On the other hand, one sector has recorded a decrease in its revenue growth rate due to downward revisions to revenue estimates and negative revenue surprises: Utilities (to 5.2% from 6.0%).

Earnings Growth: 10.3%

The blended (year-over-year) earnings growth rate for Q2 2025 is 10.3%, which is below the 5-year average earnings growth rate of 12.7% but above the 10-year average earnings growth rate of 9.2%. If 10.3% is the actual growth rate for the quarter, it will mark the third consecutive quarter of double-digit earnings growth for the index.

Eight of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services, Information Technology, and Financials sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Energy sector.

Communication Services: Warner Bros. Discovery Is Largest Contributor to Year-Over-Year Growth

The Communication Services sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 40.7%. At the industry level, all 5 industries in the sector are reporting year-over-year earnings growth: Entertainment (\$5.5 billion vs. -\$4.9 billion), Interactive Media & Services (26%), Wireless Telecommunication Services (10%), Diversified Telecommunication Services (1%) and Media (less than 1%).

At the company level, Warner Bros. Discovery (-\$0.24 vs. -\$4.07) is the largest contributor to earnings growth for the sector. The company is benefitting from an easy comparison to weaker earnings reported in the year-ago quarter due to a \$9.1 billion non-cash goodwill impairment charge and other expenses that were included in its GAAP EPS for Q2 2024. If this company were excluded, the blended earnings growth rate for the Communication Services sector would fall to 17.3% from 40.7%.

Information Technology: All 6 Industries Reporting Year-Over-Year Growth At or Above 10%

The Information Technology sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 21.1%. At the industry level, all 6 industries in the sector are reporting double-digit (year-over-year) earnings growth: Semiconductors & Semiconductor Equipment (33%), Electronic Equipment, Instruments, & Components (26%), Software (19%), Communication Equipment (13%), IT Services (12%), and Technology Hardware, Storage, & Peripherals (10%).

Financials: 4 of 5 Industries Reporting Year-Over-Year Growth

The Financials sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 12.8%. At the industry level, 4 of the 5 industries in the sector are reporting year-over-year earnings growth: Consumer Finance (51%), Insurance (27%), Capital Markets (22%), and Financial Services (8%). On the other hand, the Banks (-1%) industry is the only industry that reported a year-over-year decline in earnings.

Energy: 4 of 5 Sub-Industries Reporting Year-Over-Year Decline

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -20.3%. 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 2025 (\$63.68) was 21% below the average price for oil in Q2 2024 (\$80.66). At the sub-industry level, 4 of the 5 sub-industries in the sector are reporting a year-over-year decline in earnings. All 4 are reporting a double-digit decline: Integrated Oil & Gas (-28%), Oil & Gas Refining & Marketing (-20%), Oil & Gas Exploration & Production (-18%), and Oil & Gas Equipment & Services (-12%). On the other hand, the Oil & Gas Storage & Transportation (14%) sub-industry is the only sub-industry reporting year-over-year growth in earnings.

Revenue Growth: 6.0%

The blended (year-over-year) revenue growth rate for Q2 2025 is 6.0%, which is below the 5-year average revenue growth rate of 7.2% but above the 10-year average revenue growth rate of 5.7%. If 6.0% is the actual growth rate for the quarter, it will mark the highest revenue growth rate reported by the index since Q3 2022 (11.0%). It will also mark the 19th consecutive quarter of revenue growth for the index.

At the sector level, ten sectors are reporting year-over-year growth in revenues, led by the Information Technology, Health Care, and Communication Services sectors. On the other hand, the Energy sector is the only sector that is reporting a year-over-year decline in revenues.

Information Technology: All 6 Industries Reporting Year-Over-Year Growth

The Information Technology sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 14.8%. At the industry level, all 6 industries in the sector are reporting year-over-year revenue growth: Semiconductors & Semiconductor Equipment (25%), Software (16%), Electronic Equipment, Instruments, & Components (16%), Technology Hardware, Storage, & Peripherals (9%), Communication Equipment (9%), and IT Services (8%).

Health Care: All 5 Industries Reporting Year-Over-Year Growth

The Health Care sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 10.2%. At the industry level, all 5 industries in the sector are reporting year-over-year revenue growth: Health Care Providers & Services (12%), Health Care Equipment & Supplies (6%), Pharmaceuticals (5%), Biotechnology (5%), and Life Sciences, Tools, & Services (4%).

Communication Services: 4 of 5 Industries Reporting Year-Over-Year Growth

The Communication Services sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 9.5%. At the industry level, 4 of the 5 industries in the sector are reporting year-over-year revenue growth: Interactive Media & Services (15%), Wireless Telecommunication Services (7%), Entertainment (7%), and Diversified Telecommunication Services (4%). On the other hand, the Media (less than -1%) industry is the only industry reporting a year-over-year decline in revenues.

Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline

The Energy sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -7.6%. 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 2025 (\$63.68) was 21% below the average price for oil in Q2 2024 (\$80.66). At the sub-industry level, 3 of the 5 sub-industries in the sector are reporting a year-over-year decline in revenues: Oil & Gas Refining & Marketing (-14%), Integrated Oil & Gas (-12%), and Oil & Gas Equipment & Services (-5%). On the other hand, two sub-industries are reporting year-over-year growth in revenues: Oil & Gas Storage & Transportation (35%) and Oil & Gas Exploration & Production (15%).

Net Profit Margin: 12.7%

The blended net profit margin for the S&P 500 for Q2 2025 is 12.7%, which is equal to the previous quarter's net profit margin of 12.7%, but above the year-ago net profit margin of 12.2% and above the 5-year average of 11.8%.

At the sector level, three sectors are reporting a year-over-year increase in their net profit margins in Q2 2025 compared to Q2 2024: Communication Services (14.8% vs. 11.6%), Financials (20.1% vs. 18.8%), and Information Technology (25.4% vs. 24.0%). On the other hand, seven sectors are reporting a year-over-year decrease in their net profit margins in Q2 2025 compared to Q2 2024, led by the Energy (7.7% vs. 9.0%) sector. One sector (Consumer Discretionary) is reporting no year-over-year change in net profit margin (9.2% vs. 9.2%).

Five sectors are reporting net profit margins in Q2 2025 that are above their 5-year averages, led by the Financials (20.1% vs. 17.2%) and Communication Services (14.8% vs. 12.2%) sectors. On the other hand, six sectors are reporting net profit margins in Q2 2025 that are below their 5-year averages, led by the Energy (7.7% vs. 9.9%) sector.

Forward Estimates & Valuation

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

At this point in time, 57 companies in the index have issued EPS guidance for Q3 2025. Of these 57 companies, 30 have issued negative EPS guidance and 27 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2025 is 53% (30 out of 57), which is below the 5-year average of 57% and below the 10-year average of 61%.

At this point in time, 262 companies in the index have issued EPS guidance for the current fiscal year (FY 2025 or FY 2026). Of these 262 companies, 113 have issued negative EPS guidance and 149 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 43% (113 out of 262).

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 10% for CY 2025

For the second quarter, S&P 500 companies are reporting year-over-year growth in earnings of 10.3% and year-over-year growth in revenues of 6.0%.

For Q3 2025, analysts are projecting earnings growth of 7.6% and revenue growth of 5.5%.

For Q4 2025, analysts are projecting earnings growth of 7.0% and revenue growth of 5.9%.

For CY 2025, analysts are projecting earnings growth of 9.9% and revenue growth of 5.6%.

For CY 2026, analysts are projecting earnings growth of 13.6% and revenue growth of 6.3%.

Valuation: Forward P/E Ratio is 22.2, Above the 10-Year Average (18.5)

The forward 12-month P/E ratio for the S&P 500 is 22.2. This P/E ratio is above the 5-year average of 19.9 and above the 10-year average of 18.5. It is also slightly above the forward 12-month P/E ratio of 22.1 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has increased by 2.2%, while the forward 12-month EPS estimate has increased by 1.6%. At the sector level, the Information Technology (30.0) and Consumer Discretionary (28.6) sectors have the highest forward 12-month P/E ratios, while the Energy (15.1) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 27.8, which is above the 5-year average of 25.0 and above the 10-year average of 22.5.

Targets & Ratings: Analysts Project 11% Increase in Price Over Next 12 Months

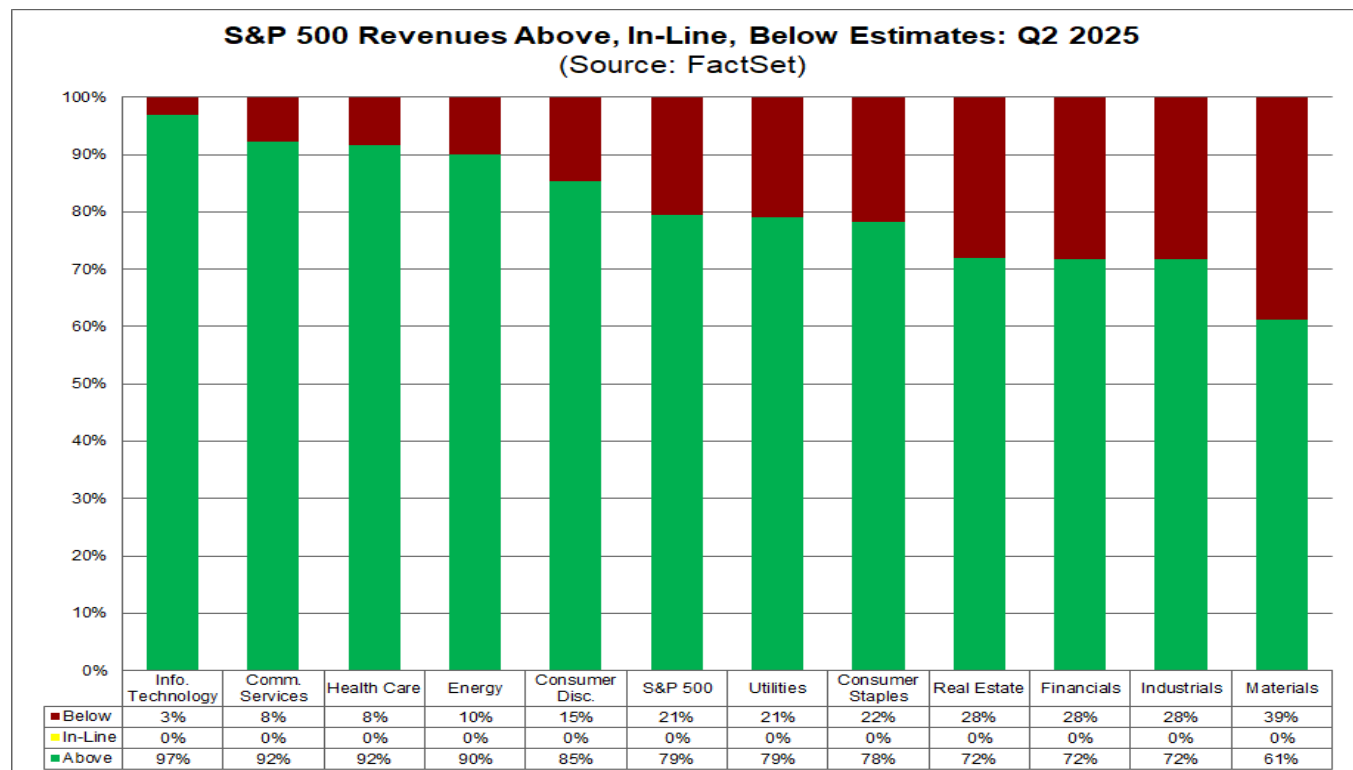
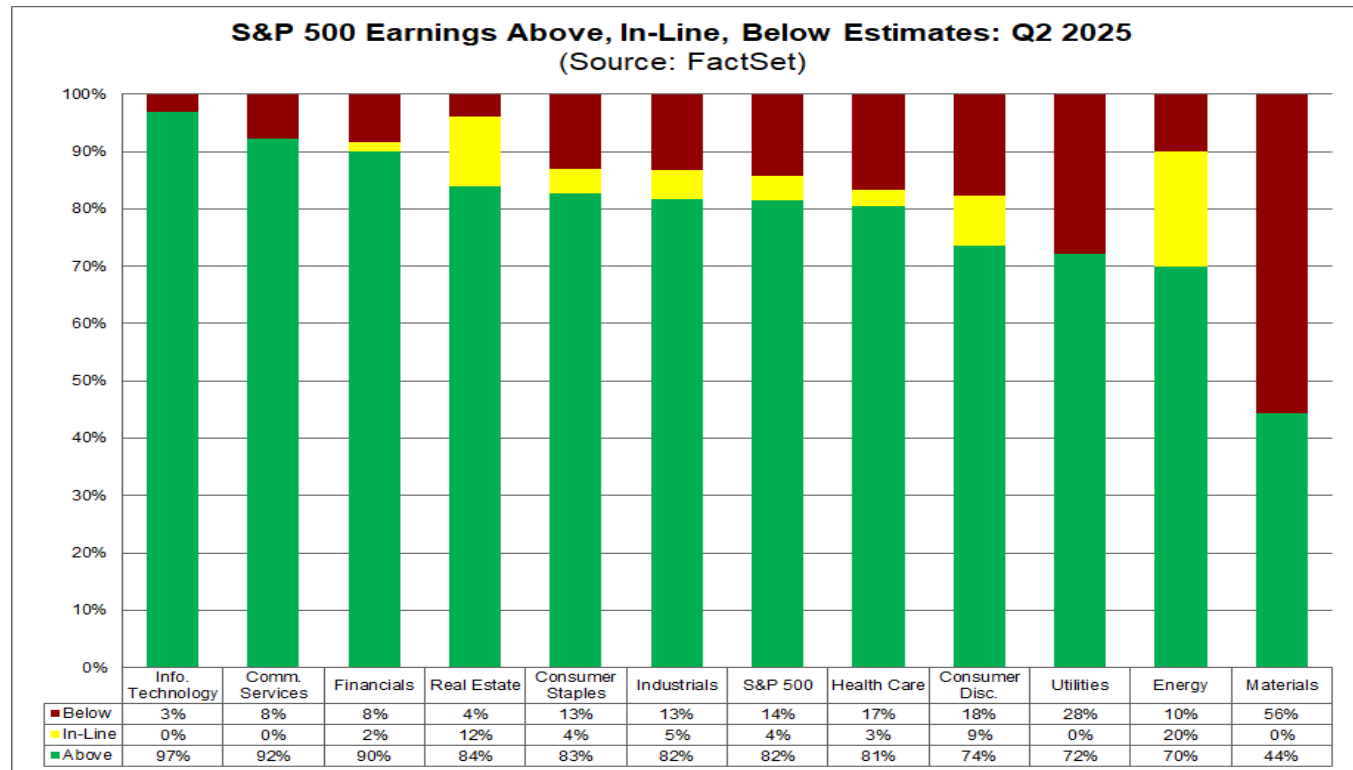
The bottom-up target price for the S&P 500 is 7062.52, which is 11.4% above the closing price of 6339.39. At the sector level, the Health Care (+19.3%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Utilities (+7.1%) 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 12,511 ratings on stocks in the S&P 500. Of these 12,511 ratings, 55.9% are Buy ratings, 38.9% are Hold ratings, and 5.2% are Sell ratings. At the sector level, the Energy (66%), Information Technology (65%), and Communication Services (64%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (40%) sector has the lowest percentage of Buy ratings.

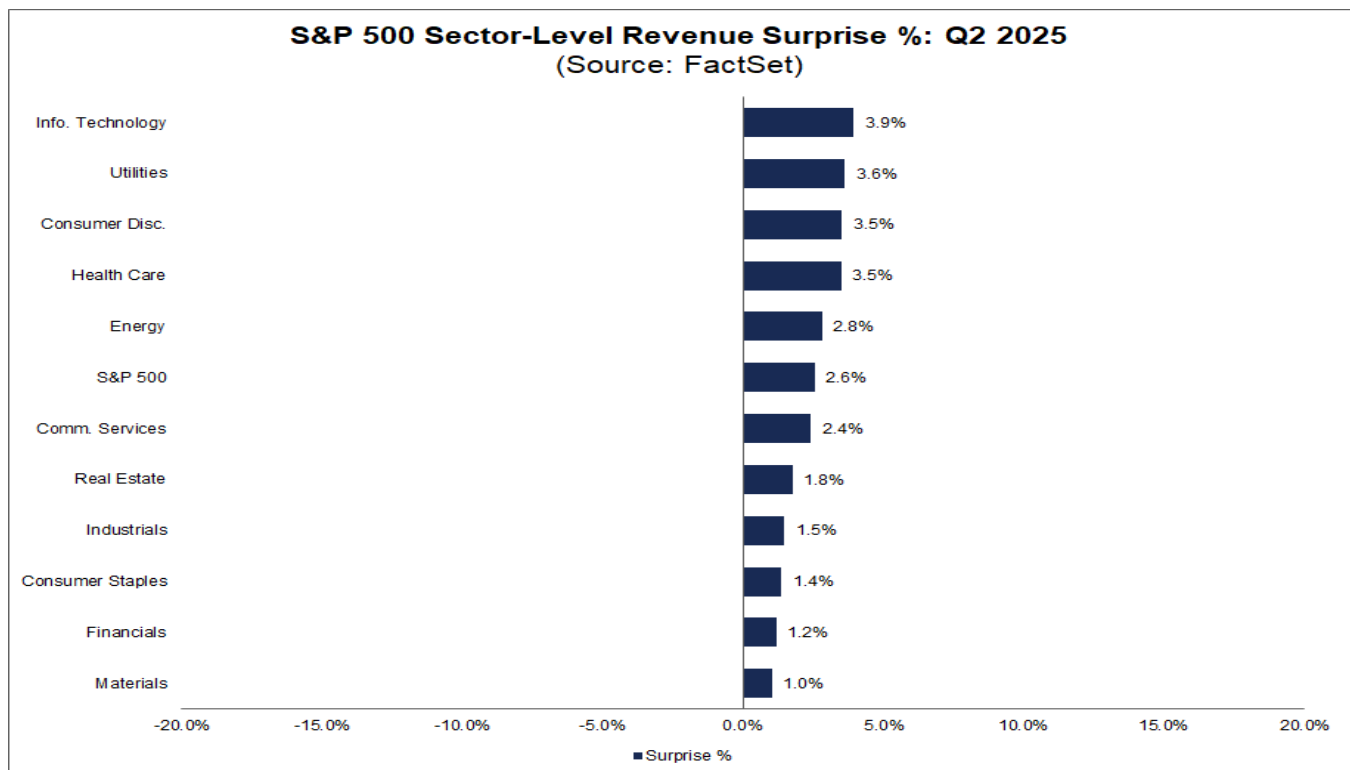
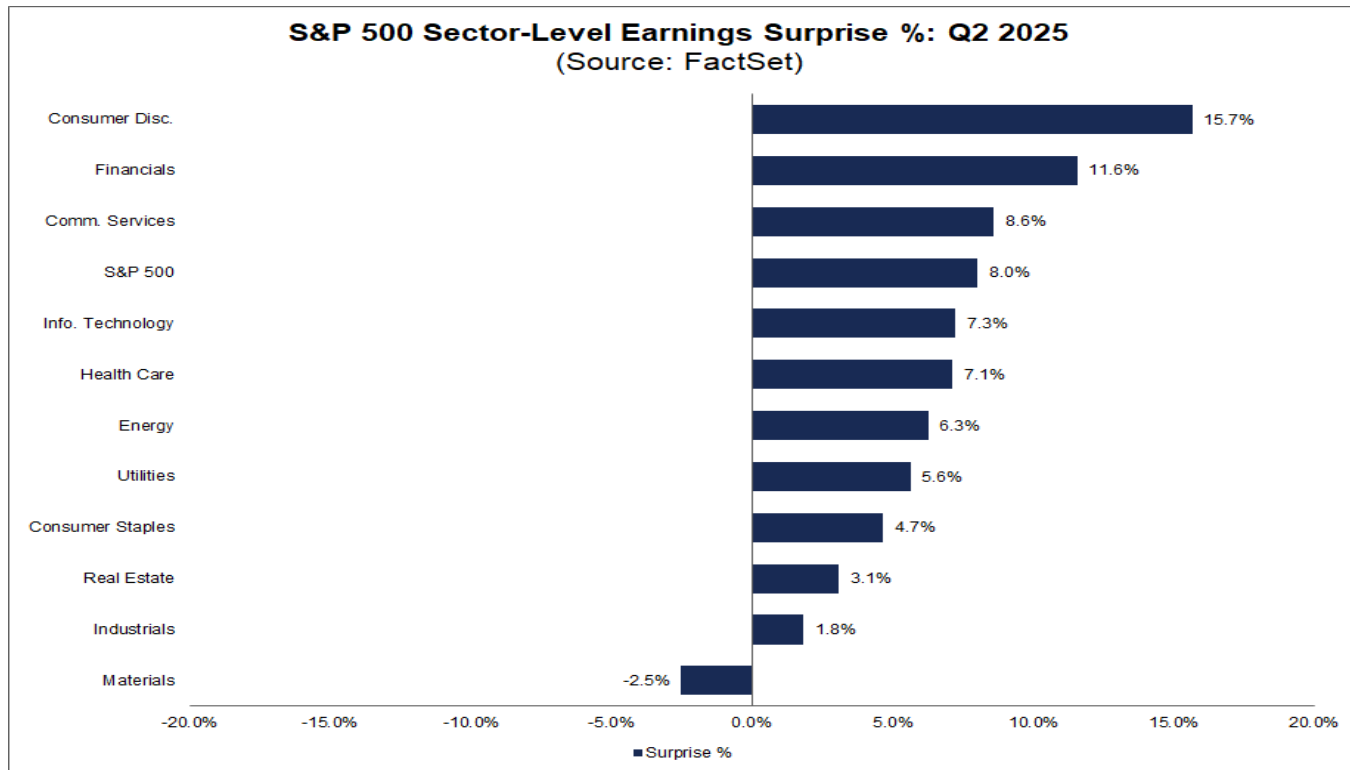
Companies Reporting Next Week: 122

During the upcoming week, 122 S&P 500 companies (including 4 Dow 30 components) are scheduled to report results for the second quarter.

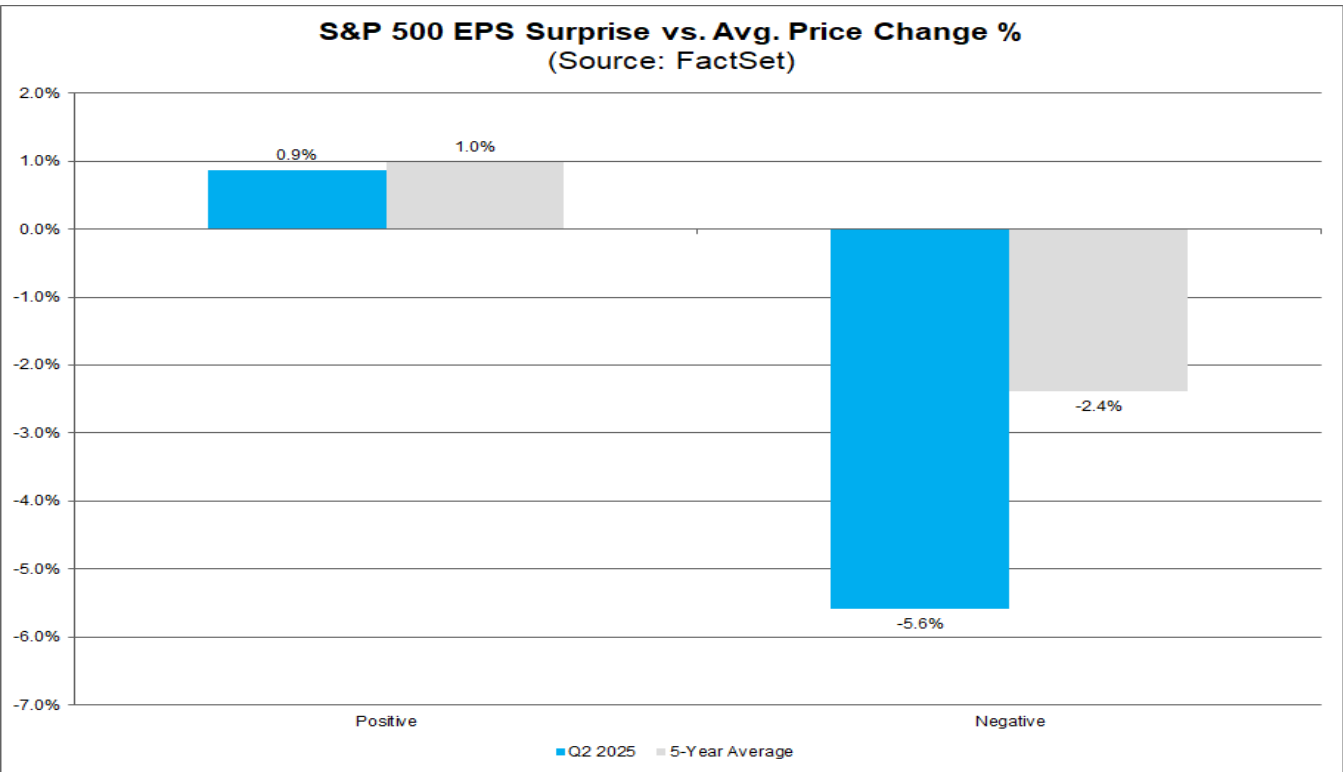
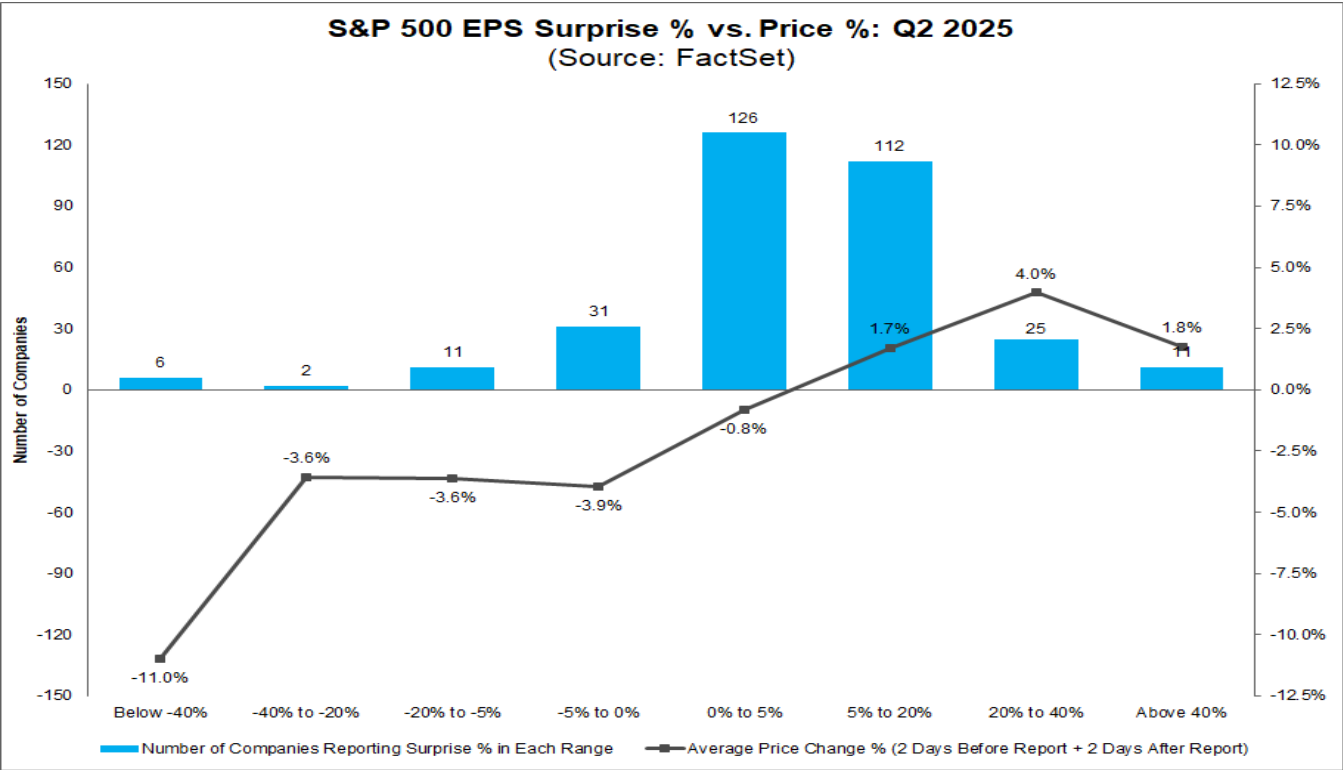
Q2 2025: Scorecard



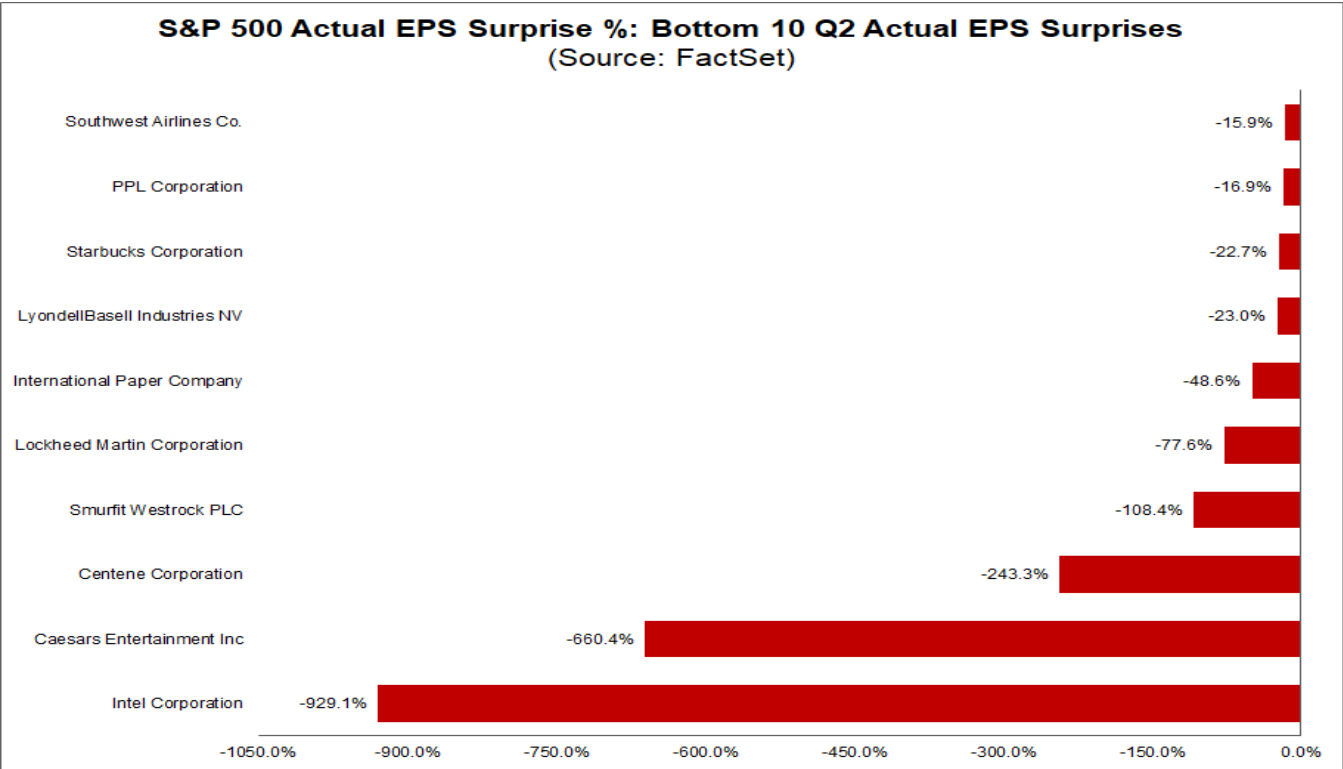
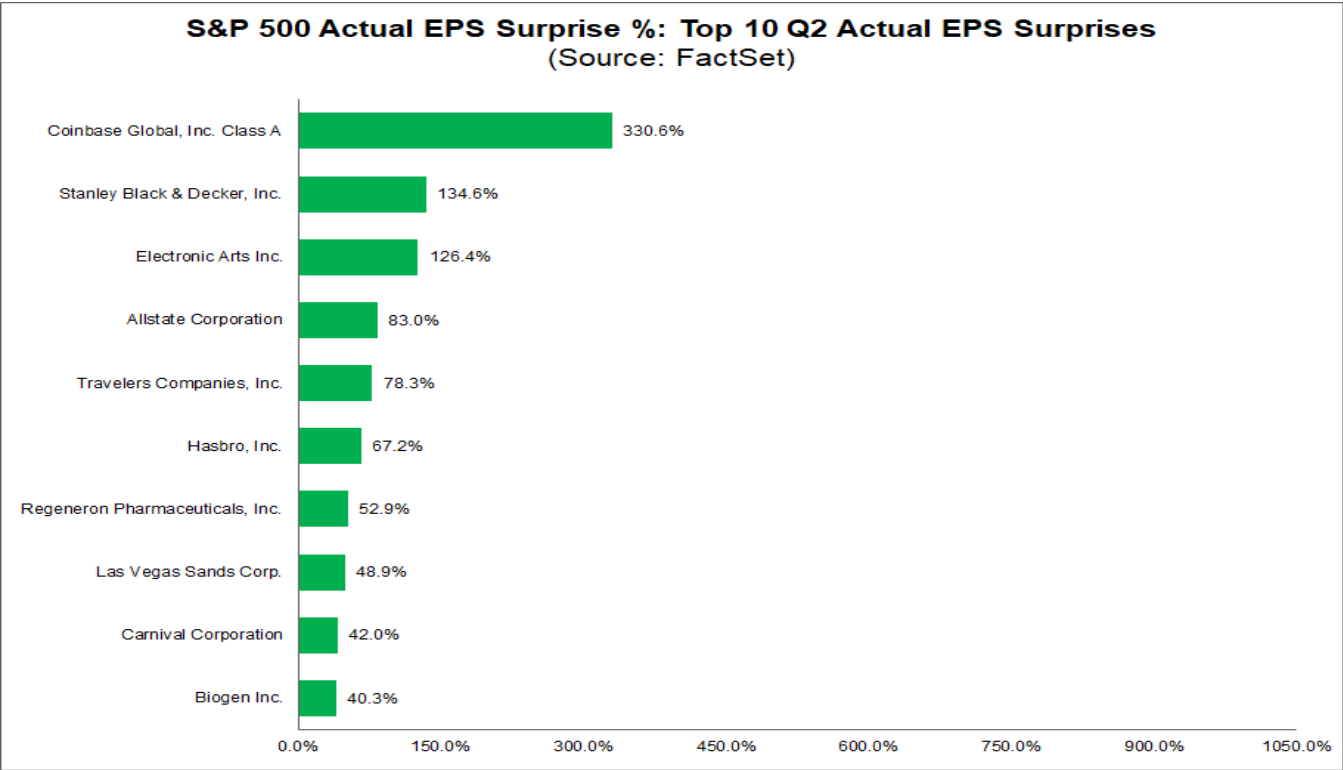
Q2 2025: Surprise



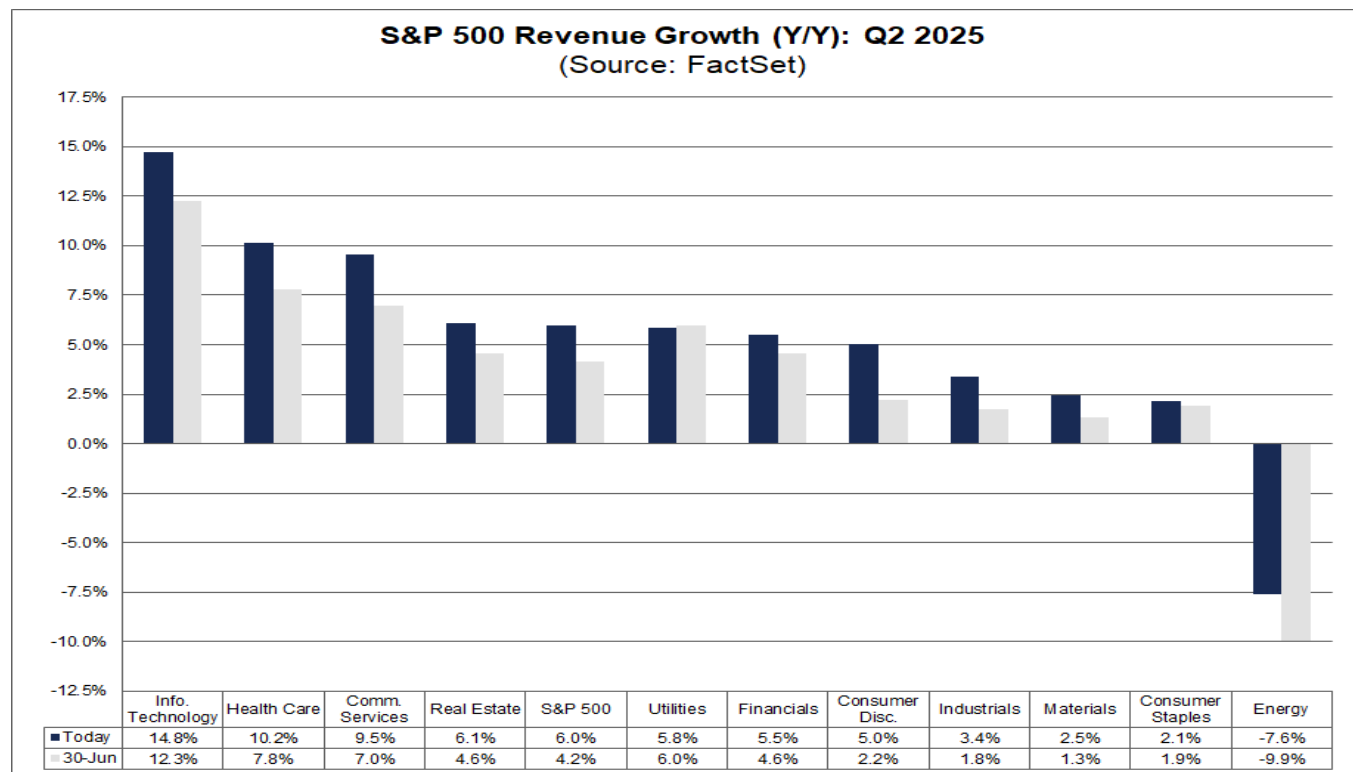
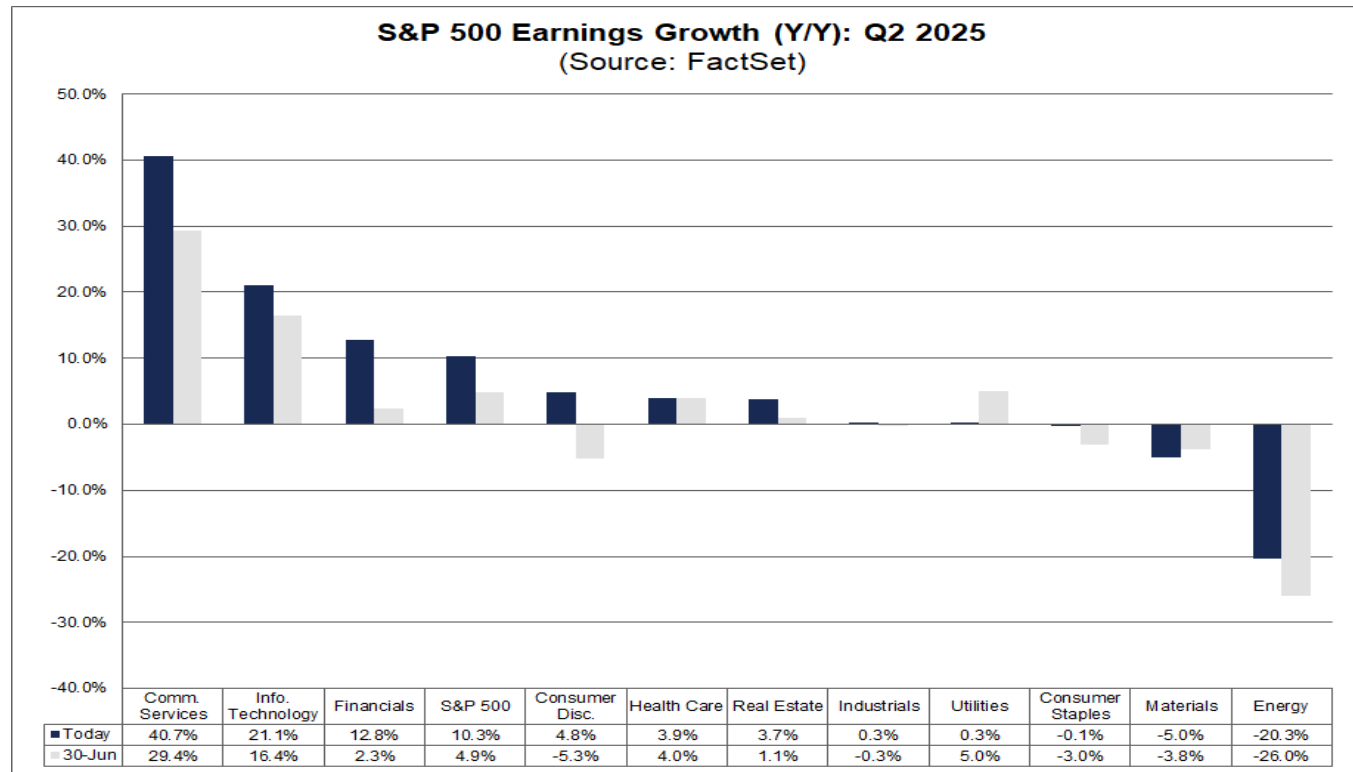
Q2 2025: Surprise



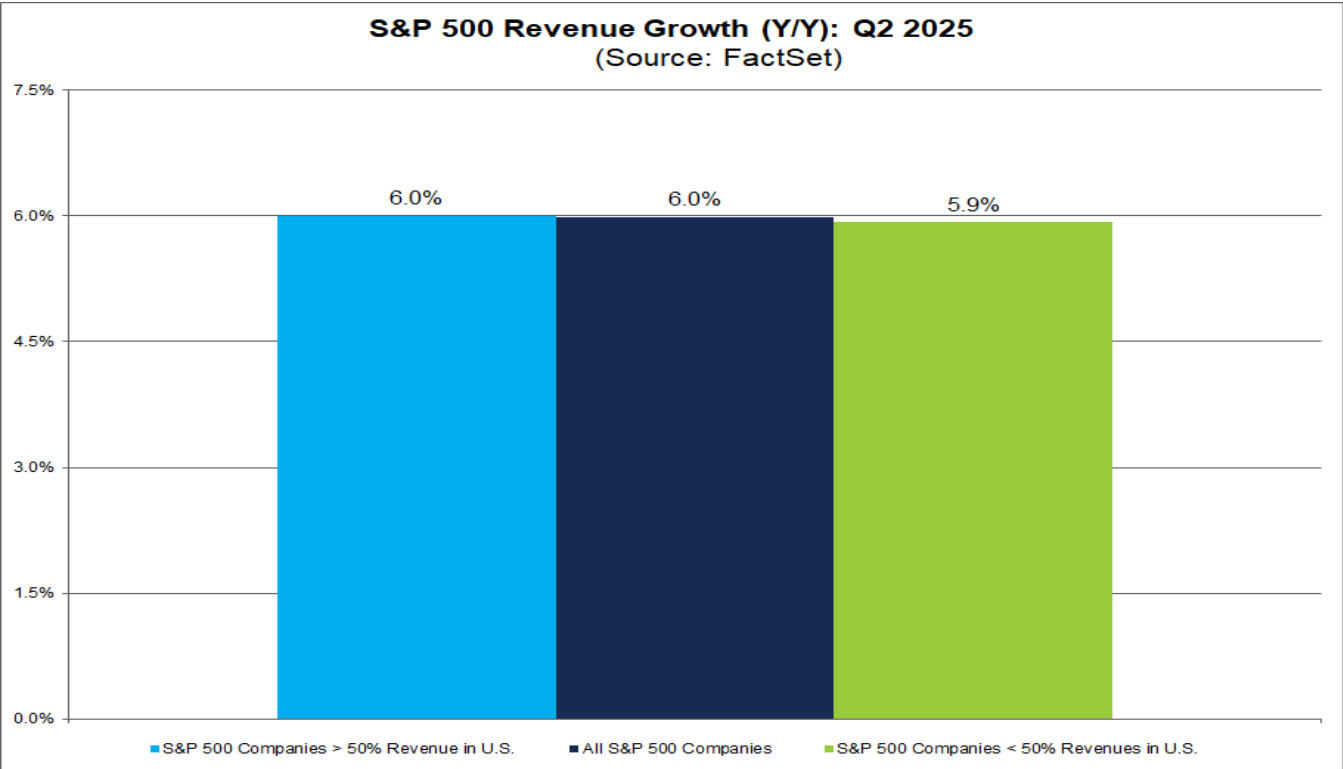
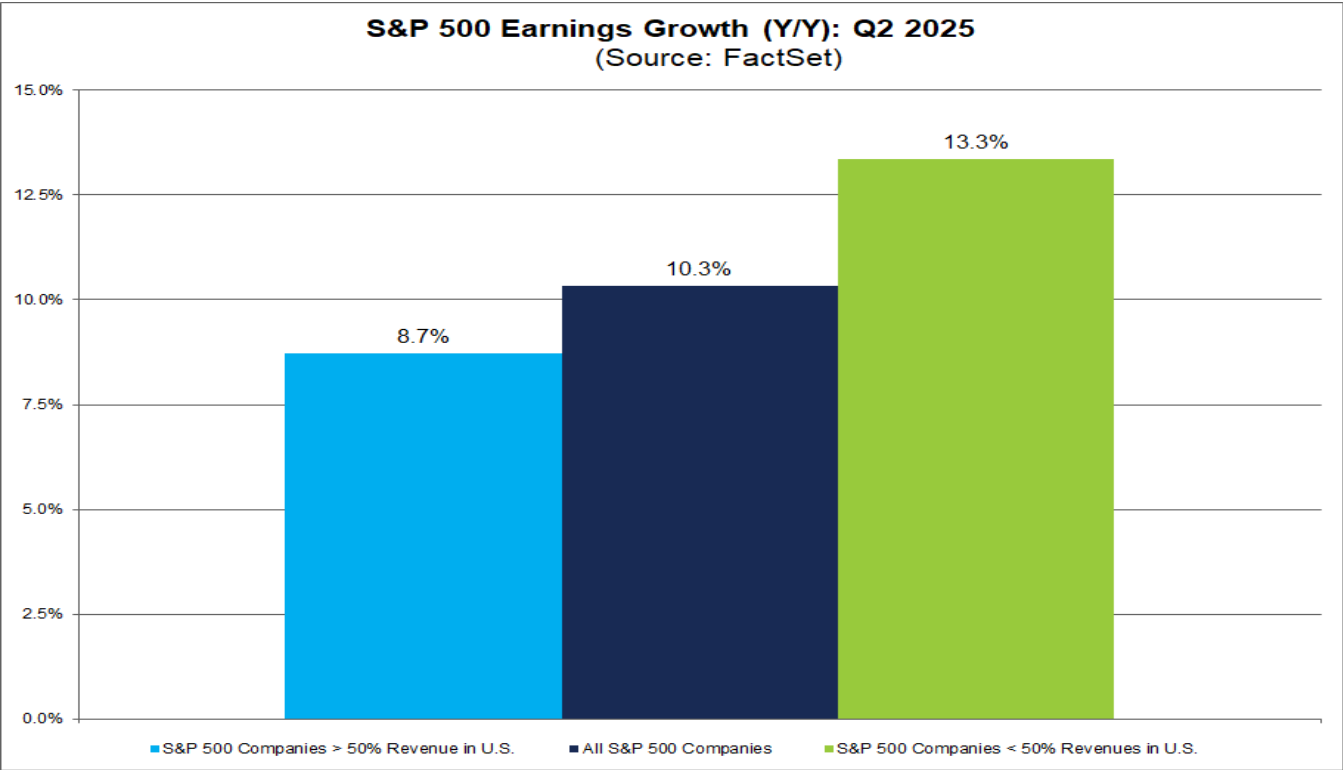
Q2 2025: Surprise



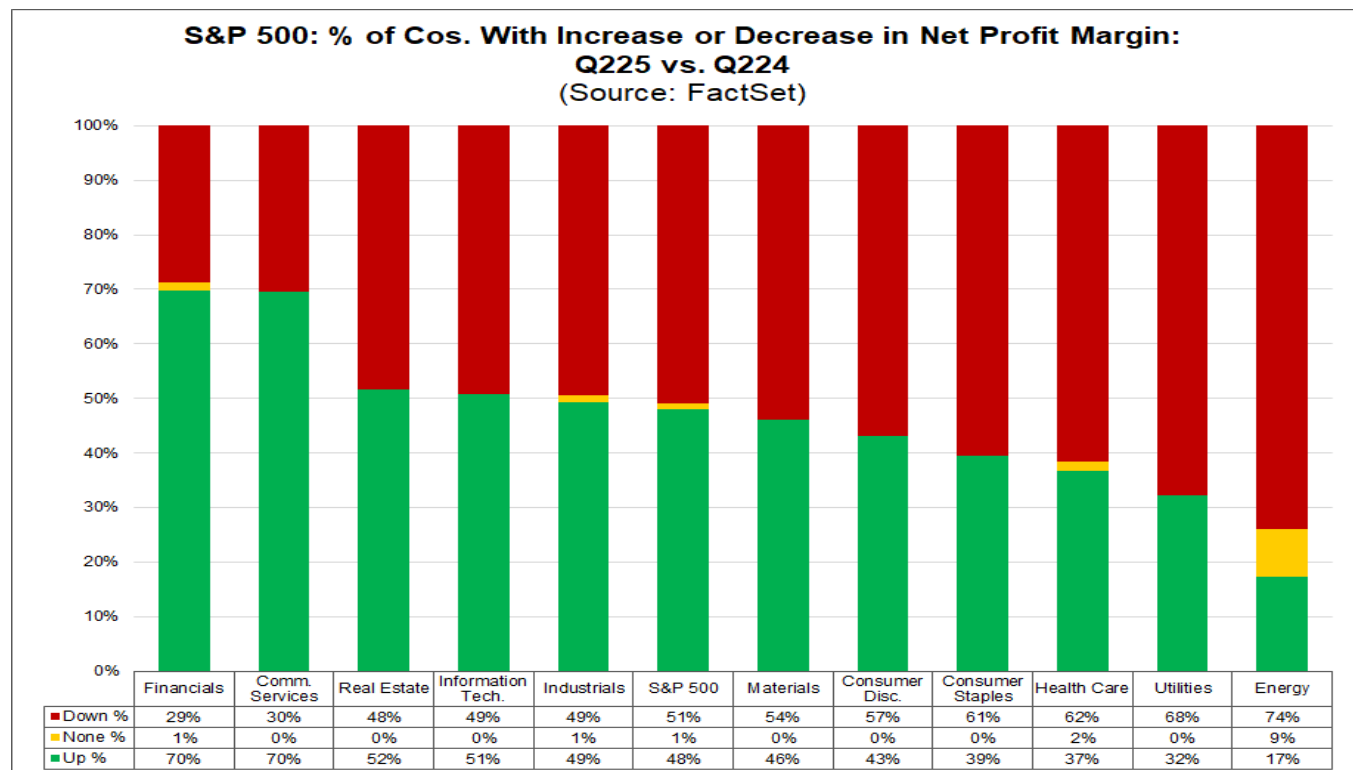
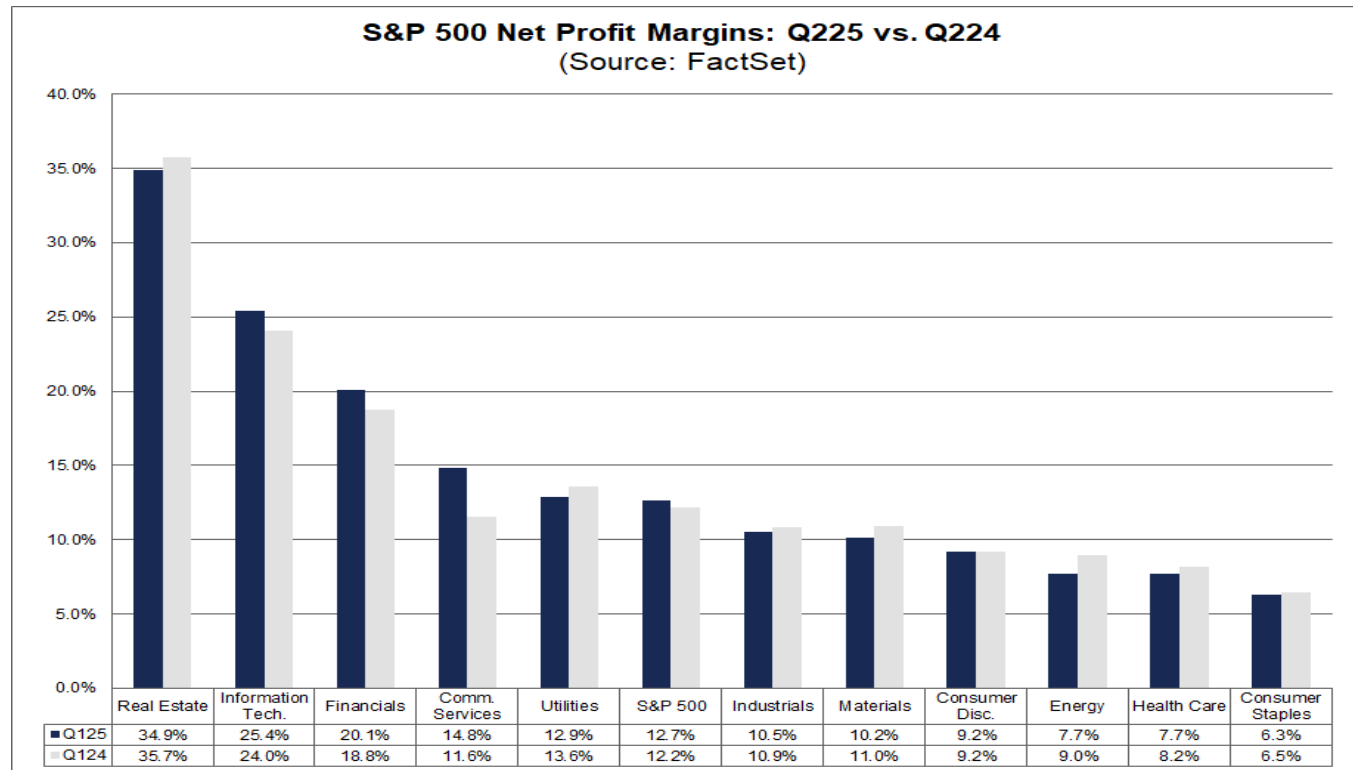
Q2 2025: Growth



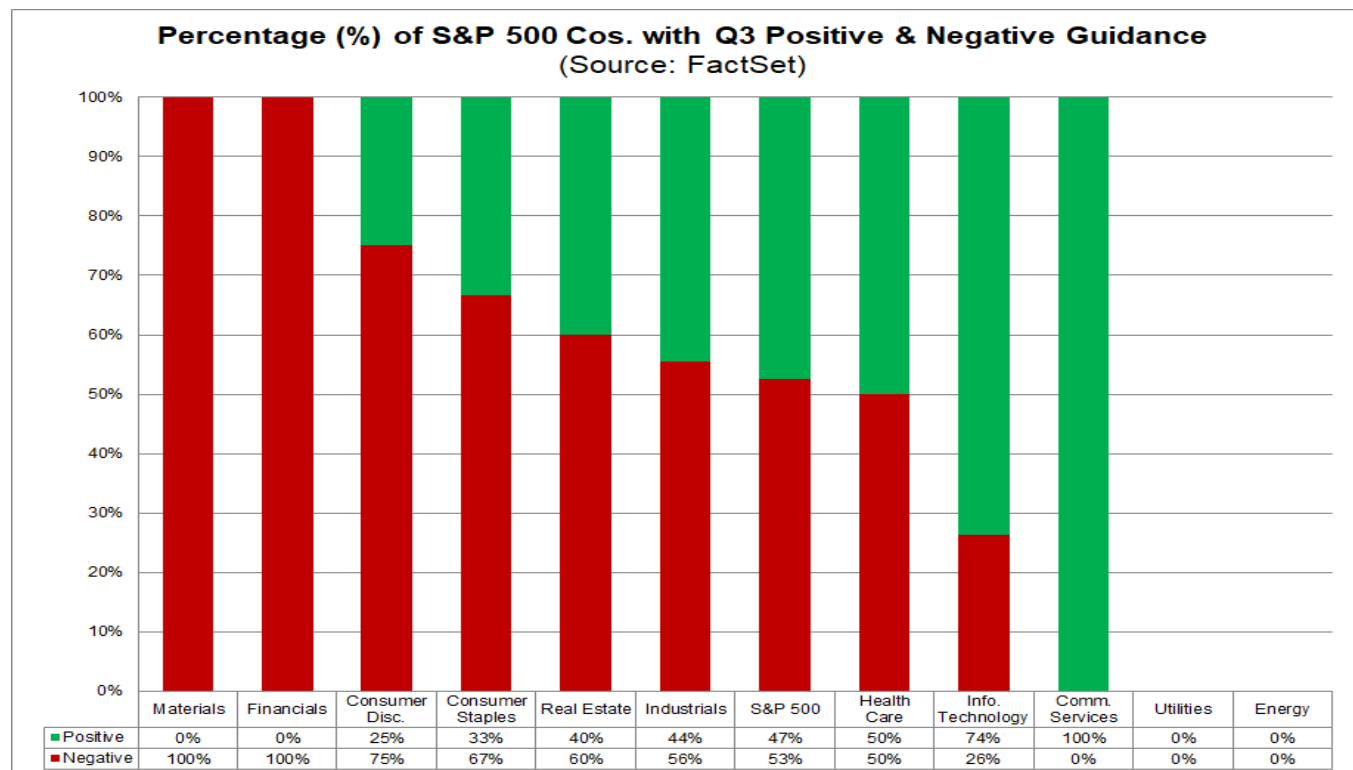
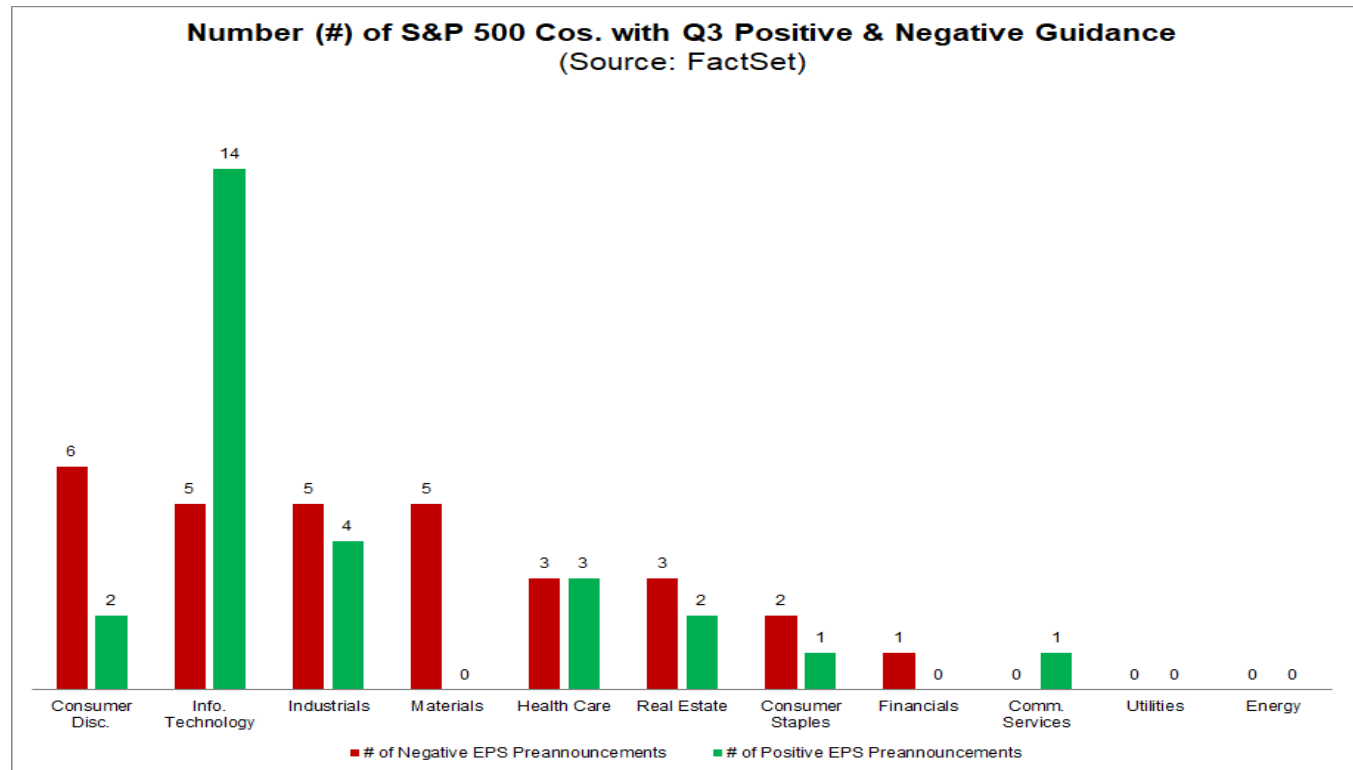
Q2 2025: Growth



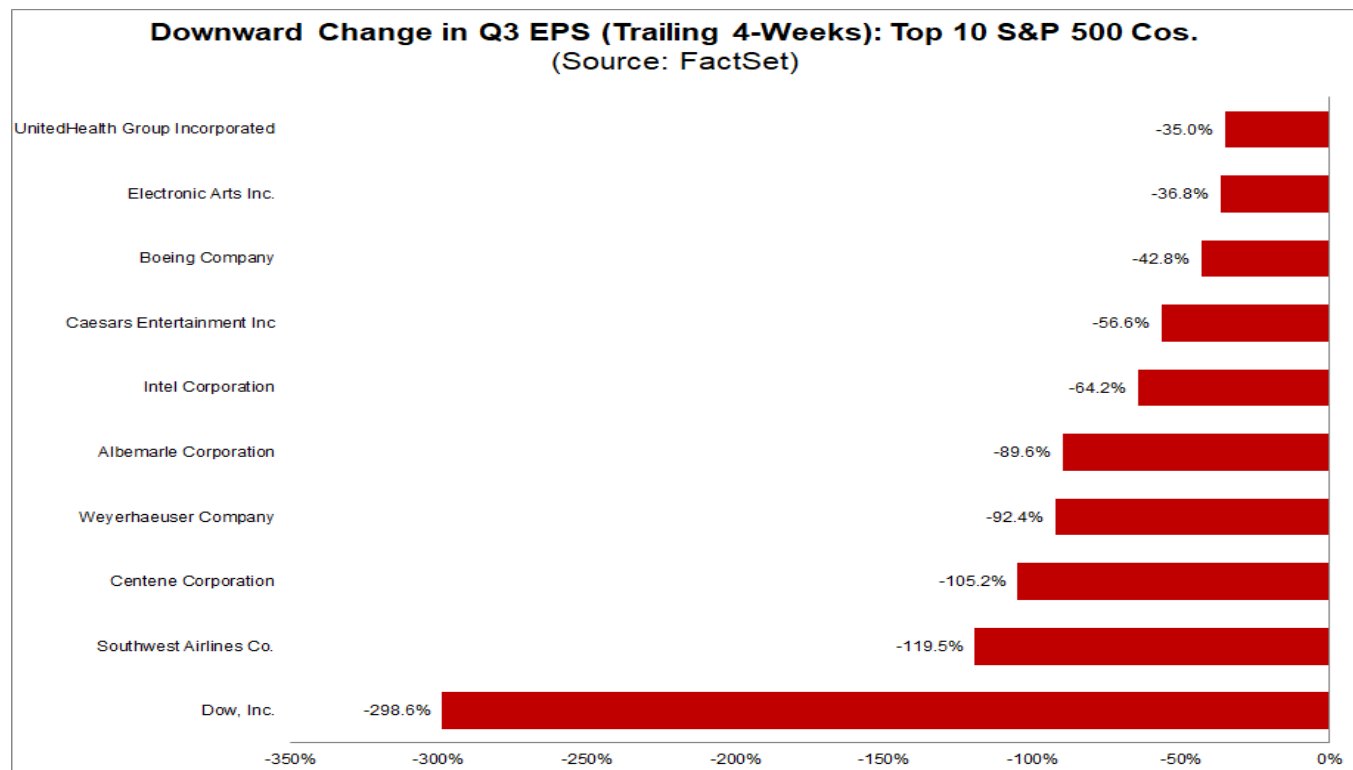
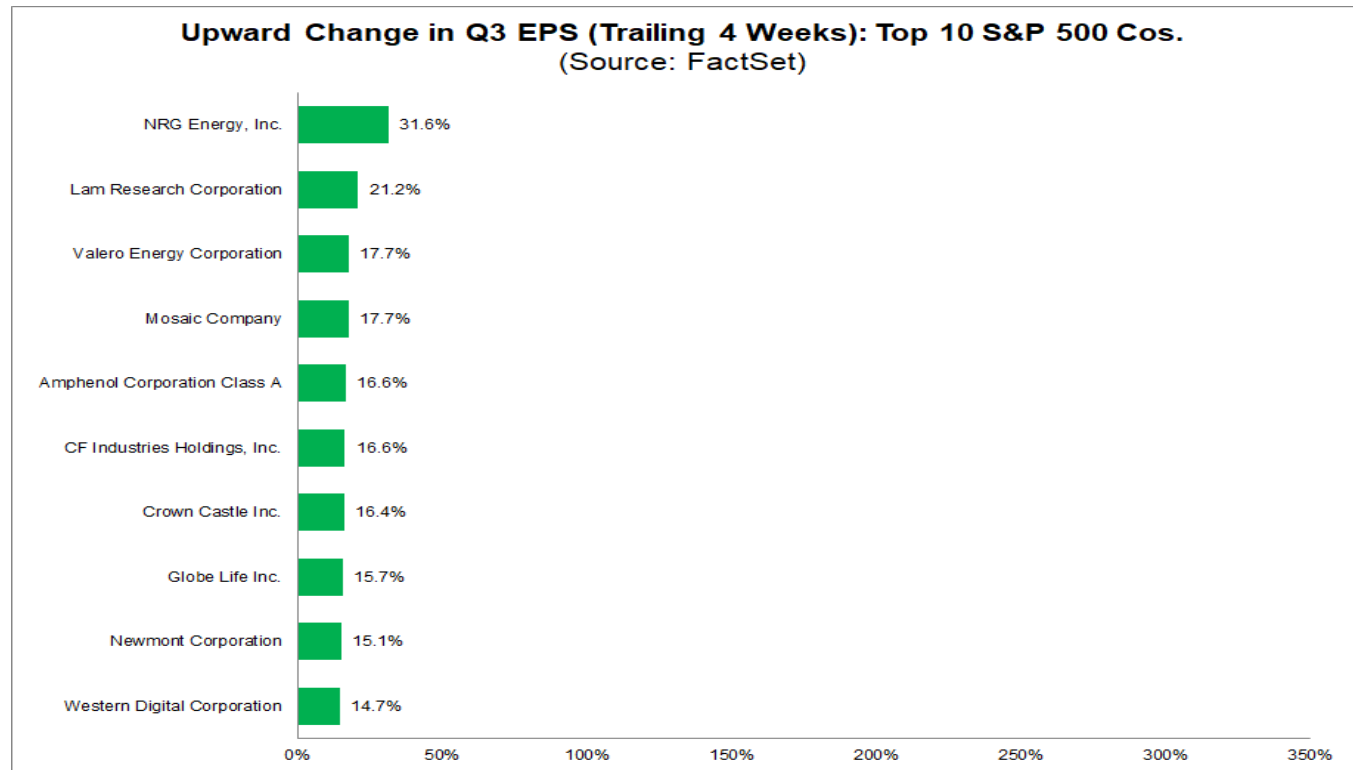
Q2 2025: Net Profit Margin



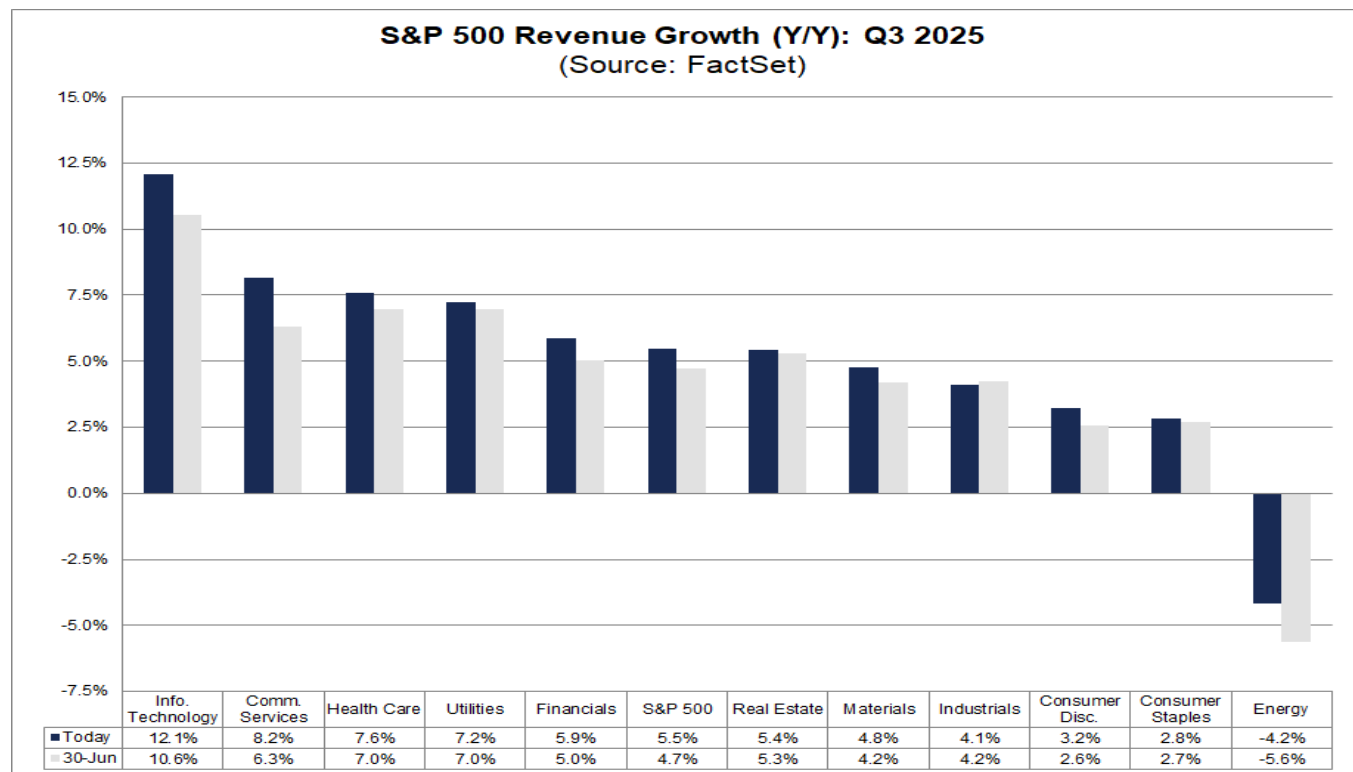
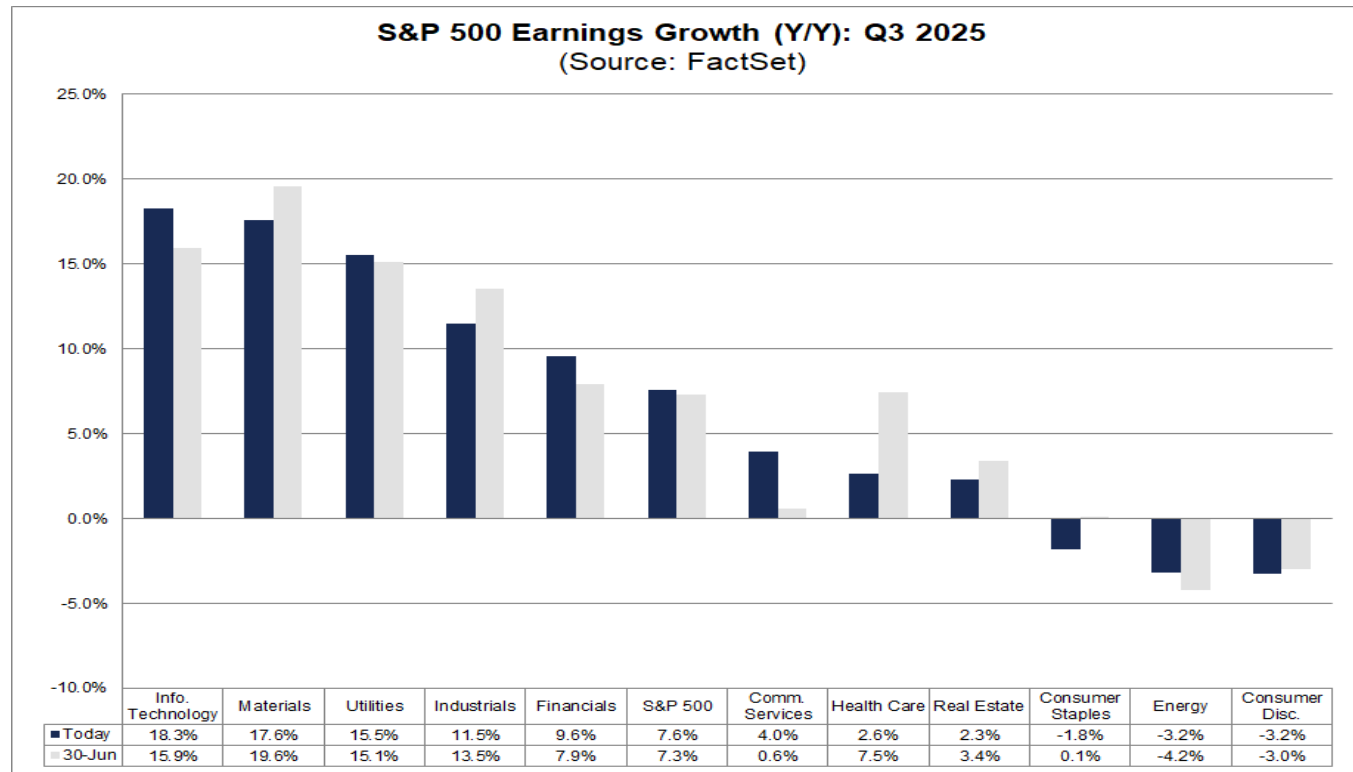
Q3 2025: Guidance



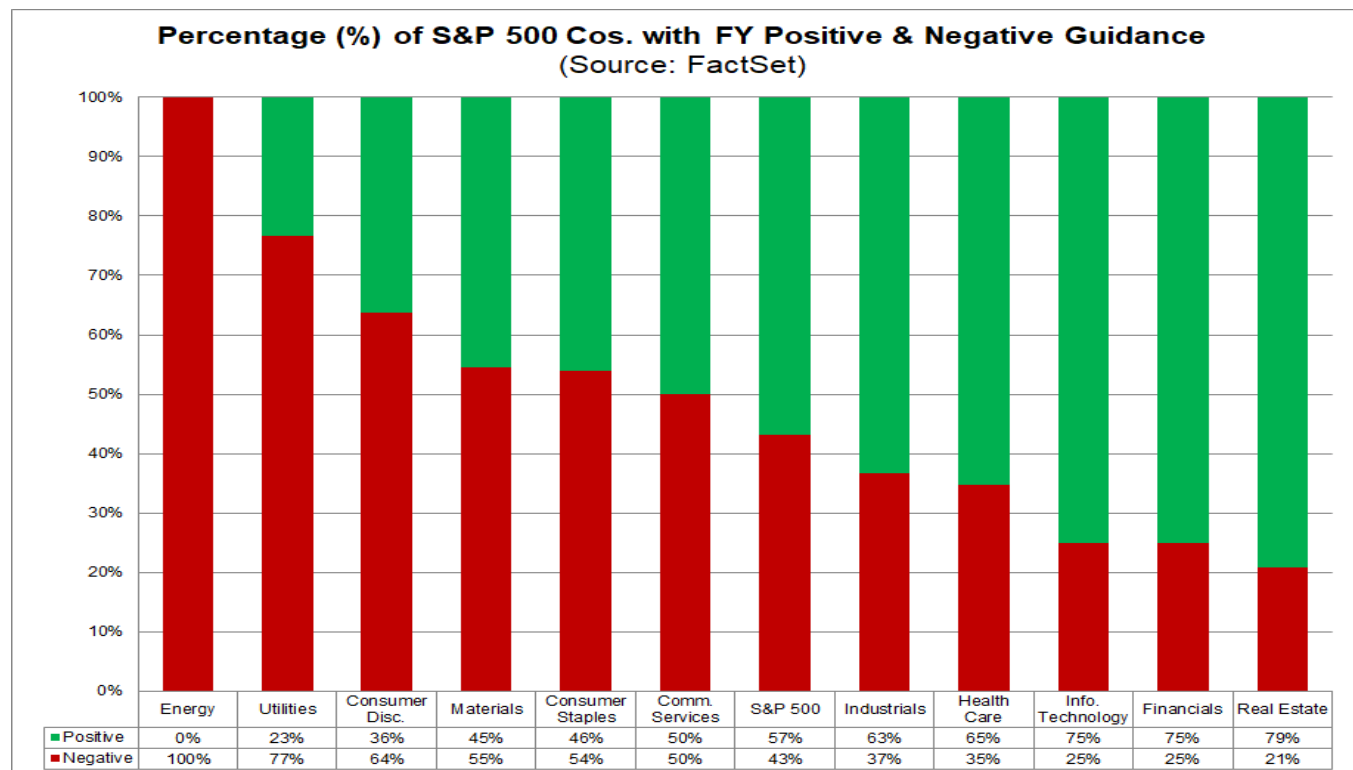
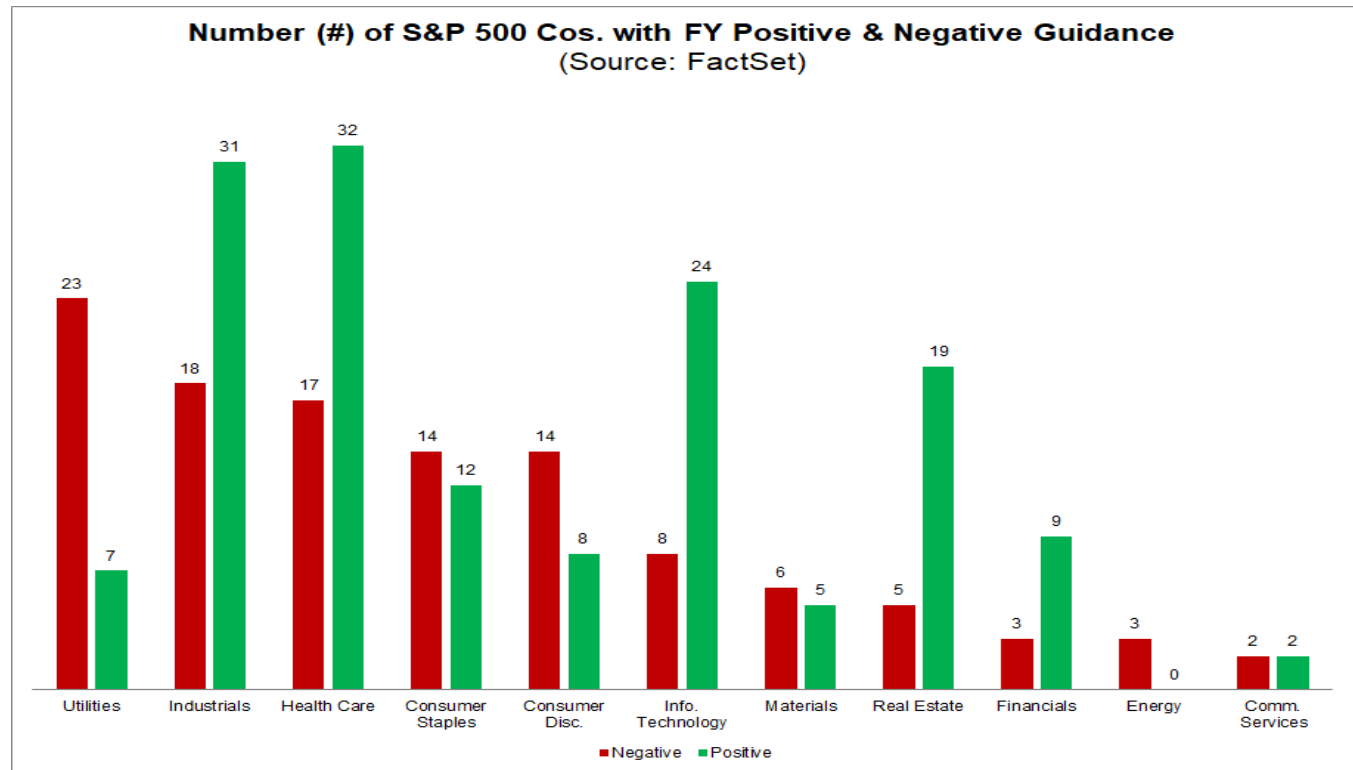
Q3 2025: EPS Revisions



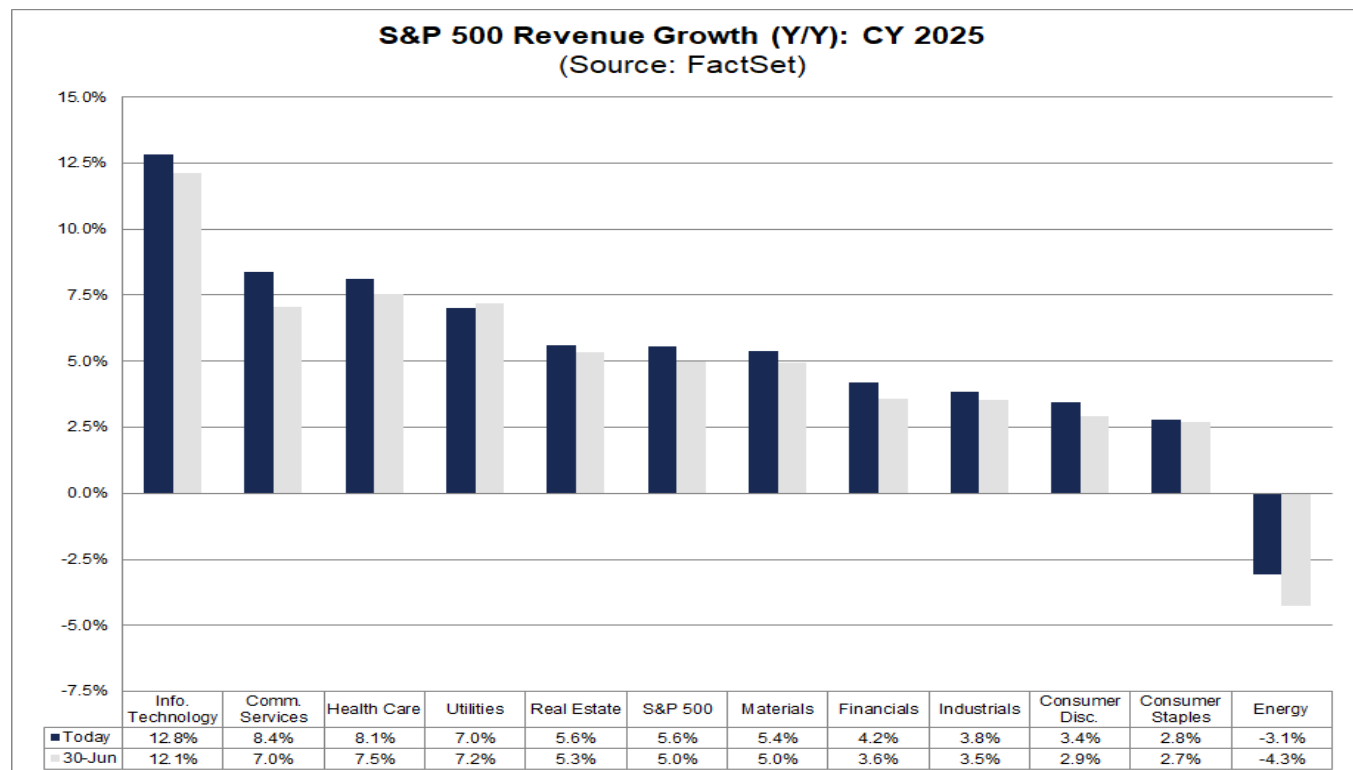
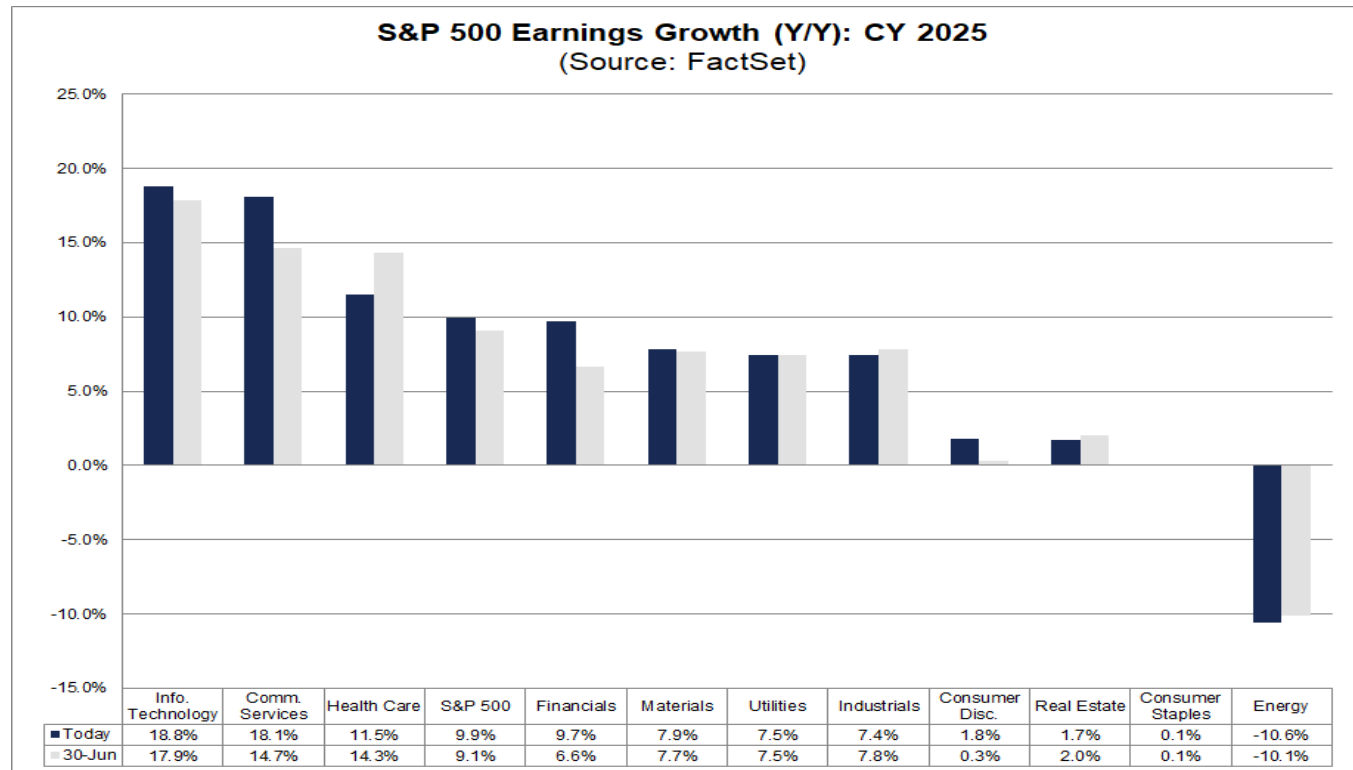
Q3 2025: Growth



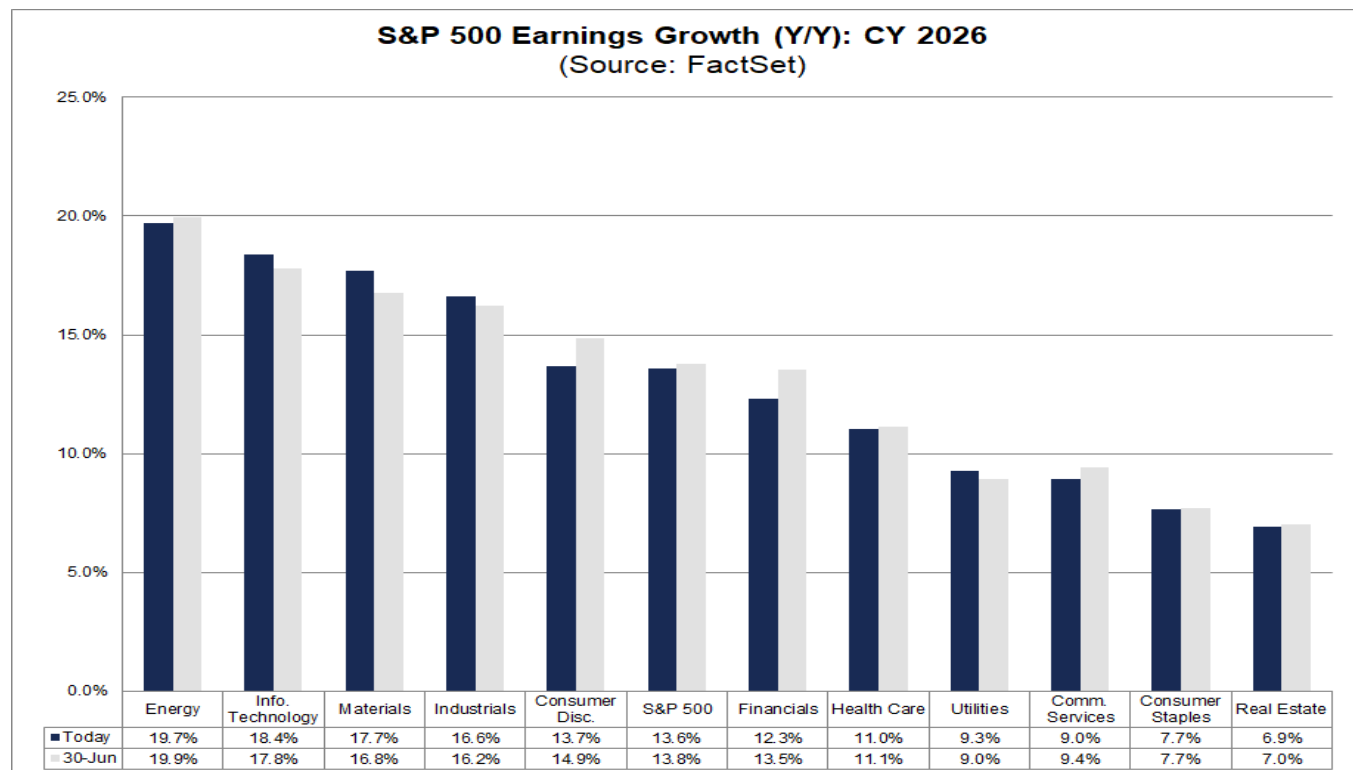
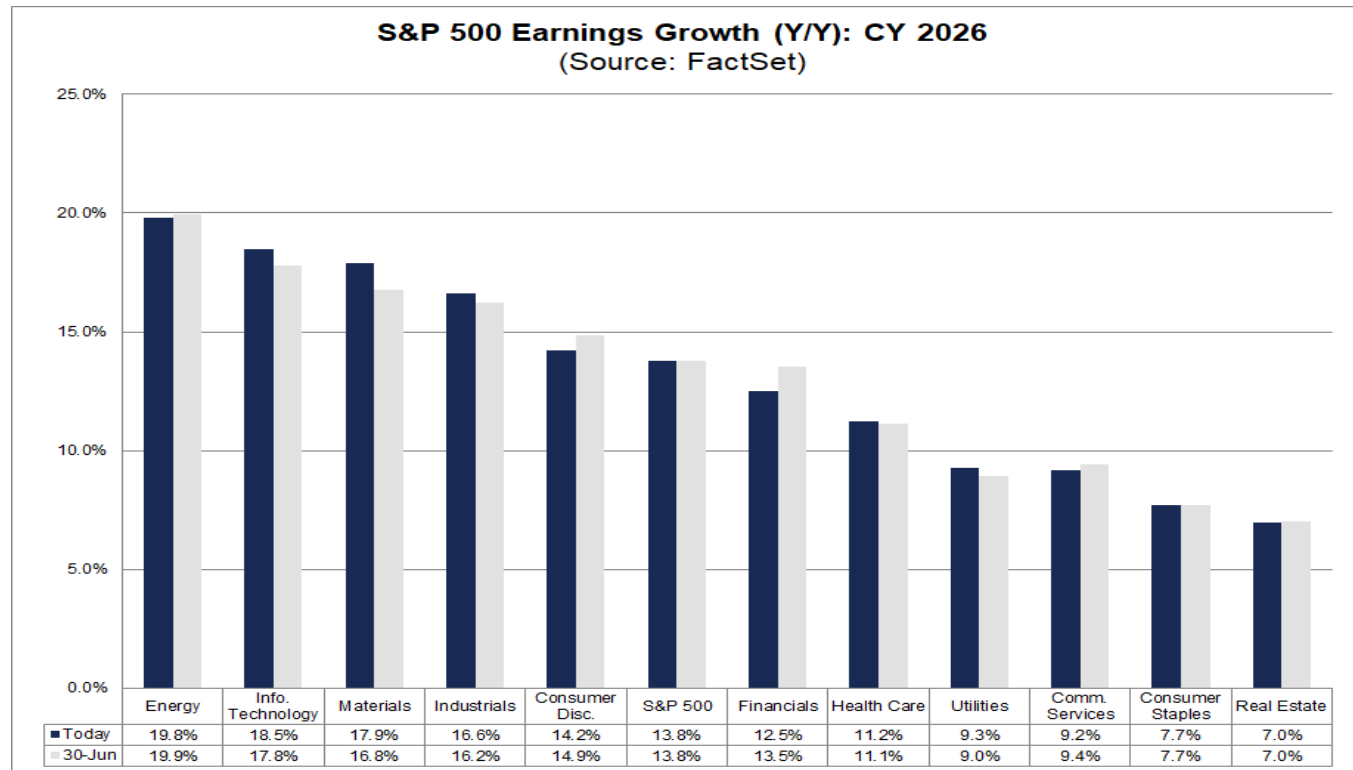
FY 2025 / 2026: EPS Guidance



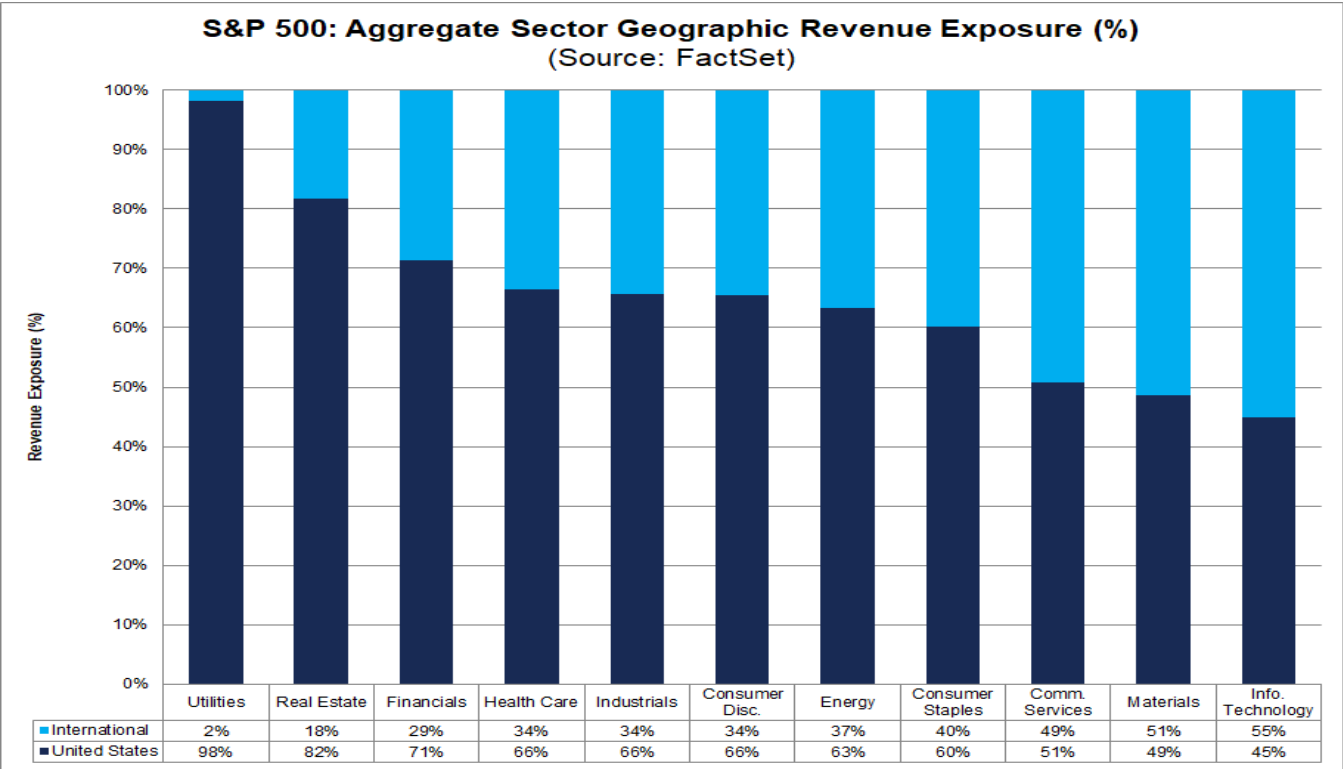
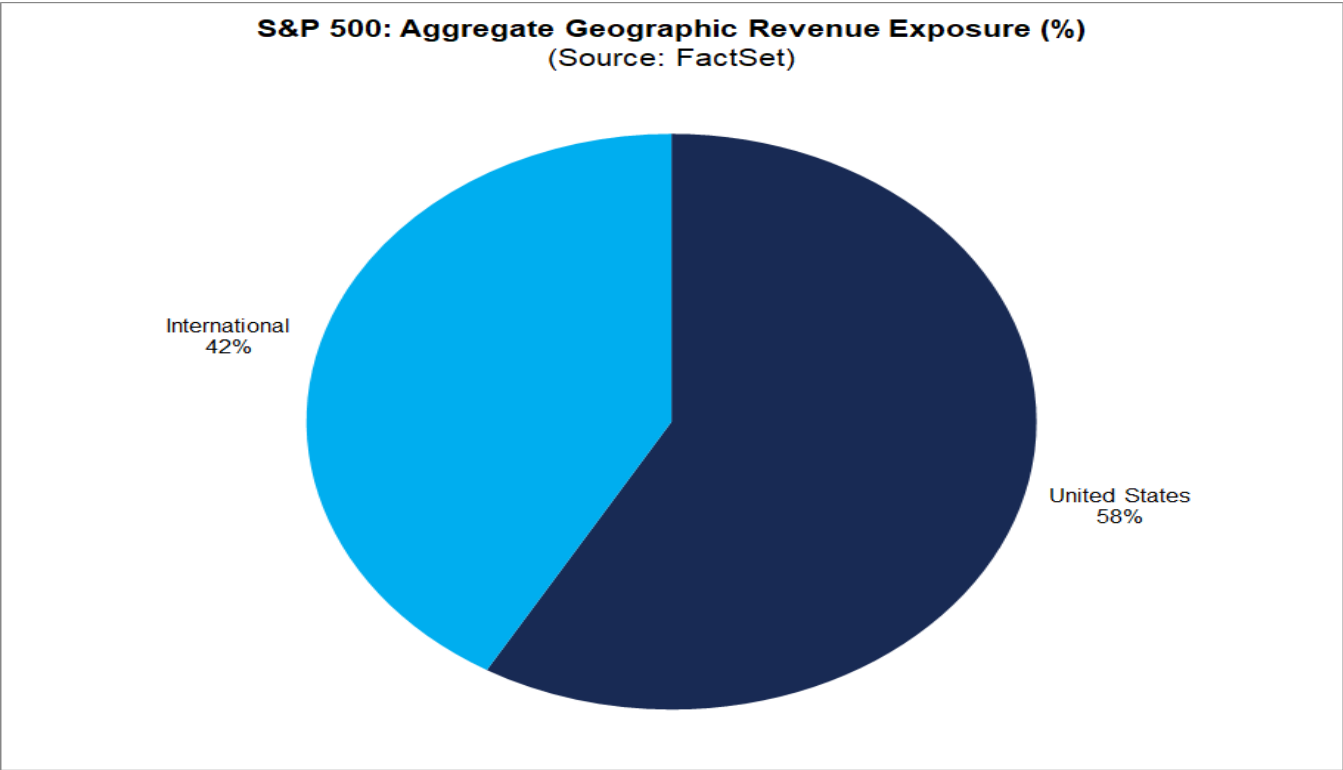
CY 2025: Growth



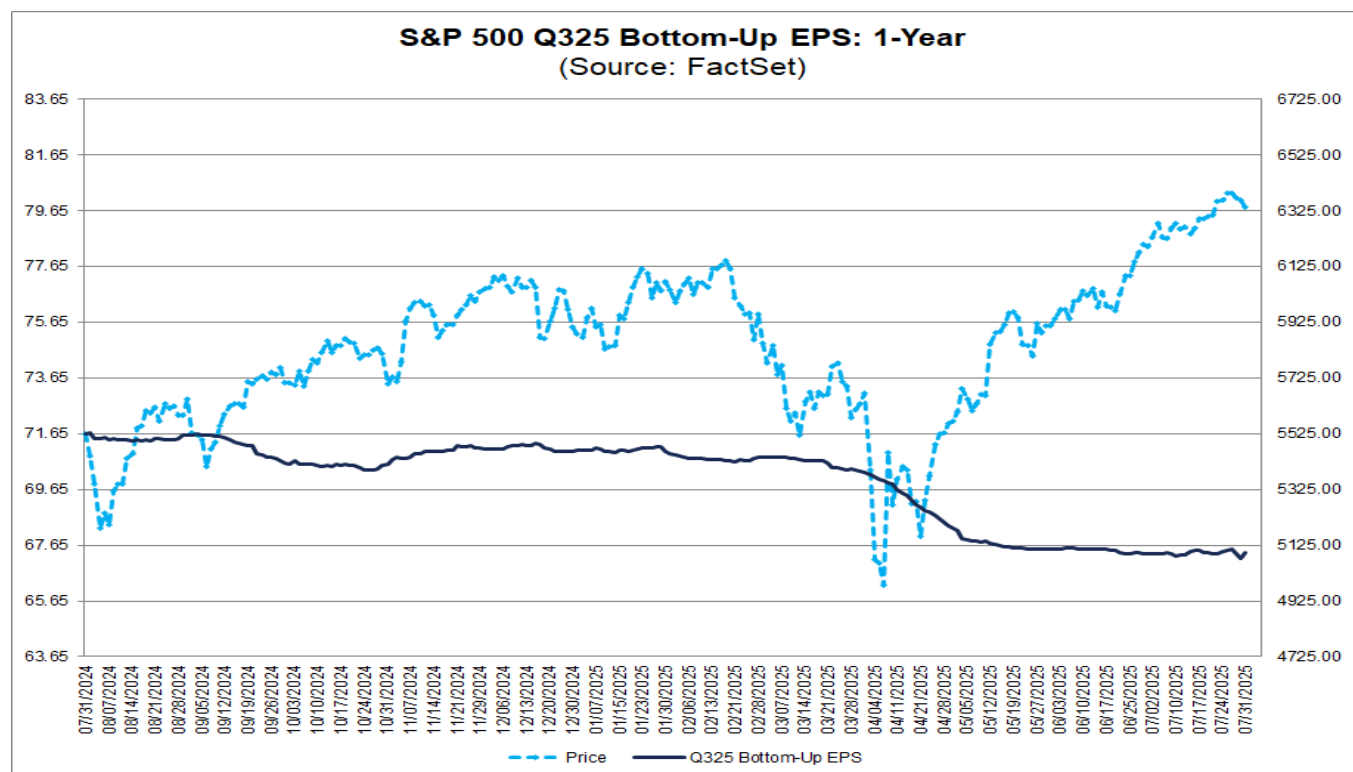
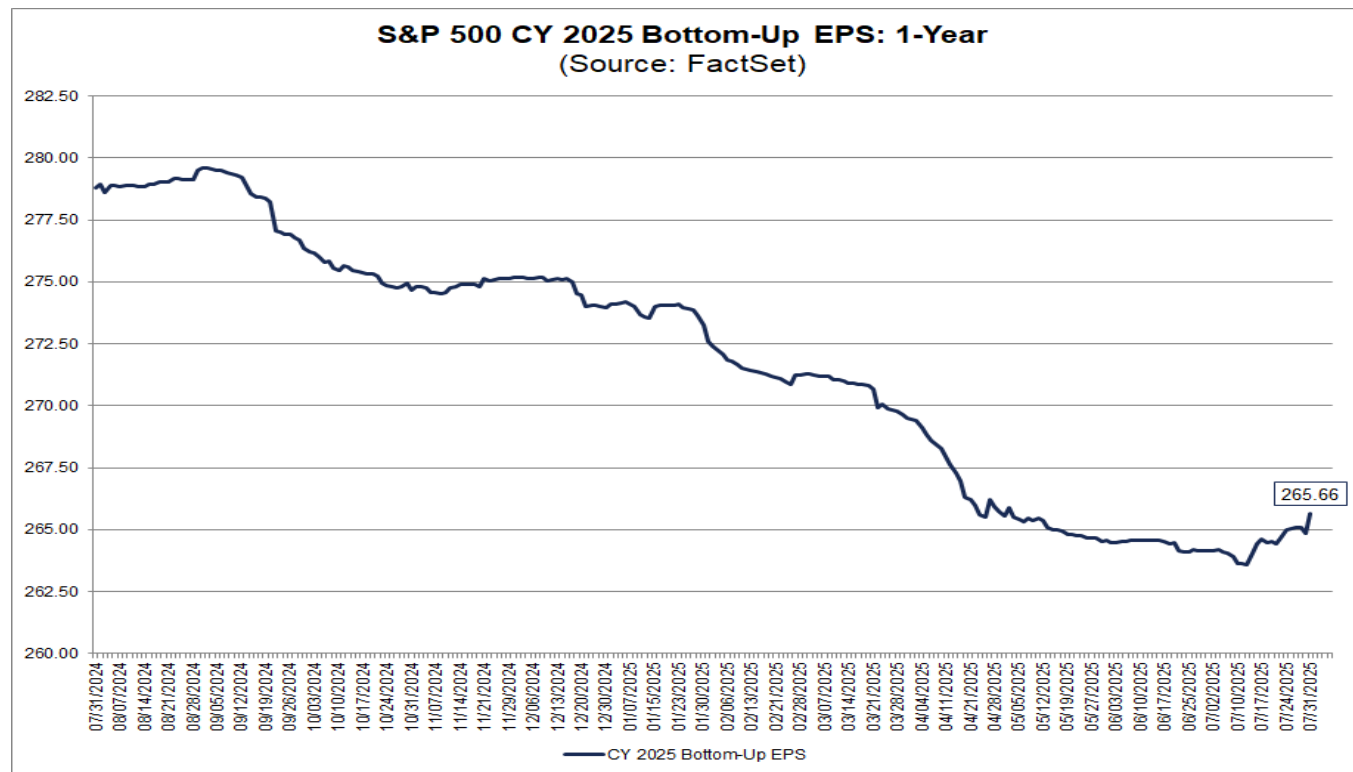
CY 2026: Growth



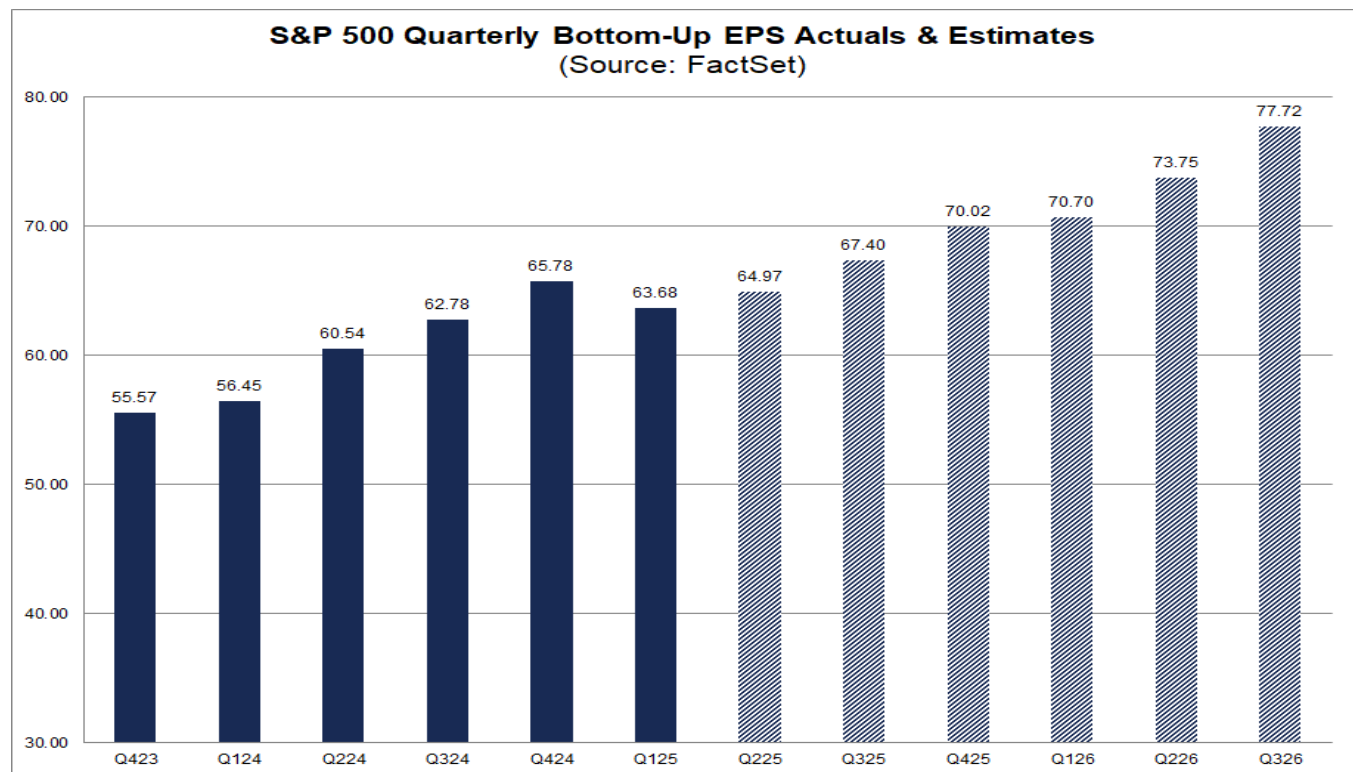
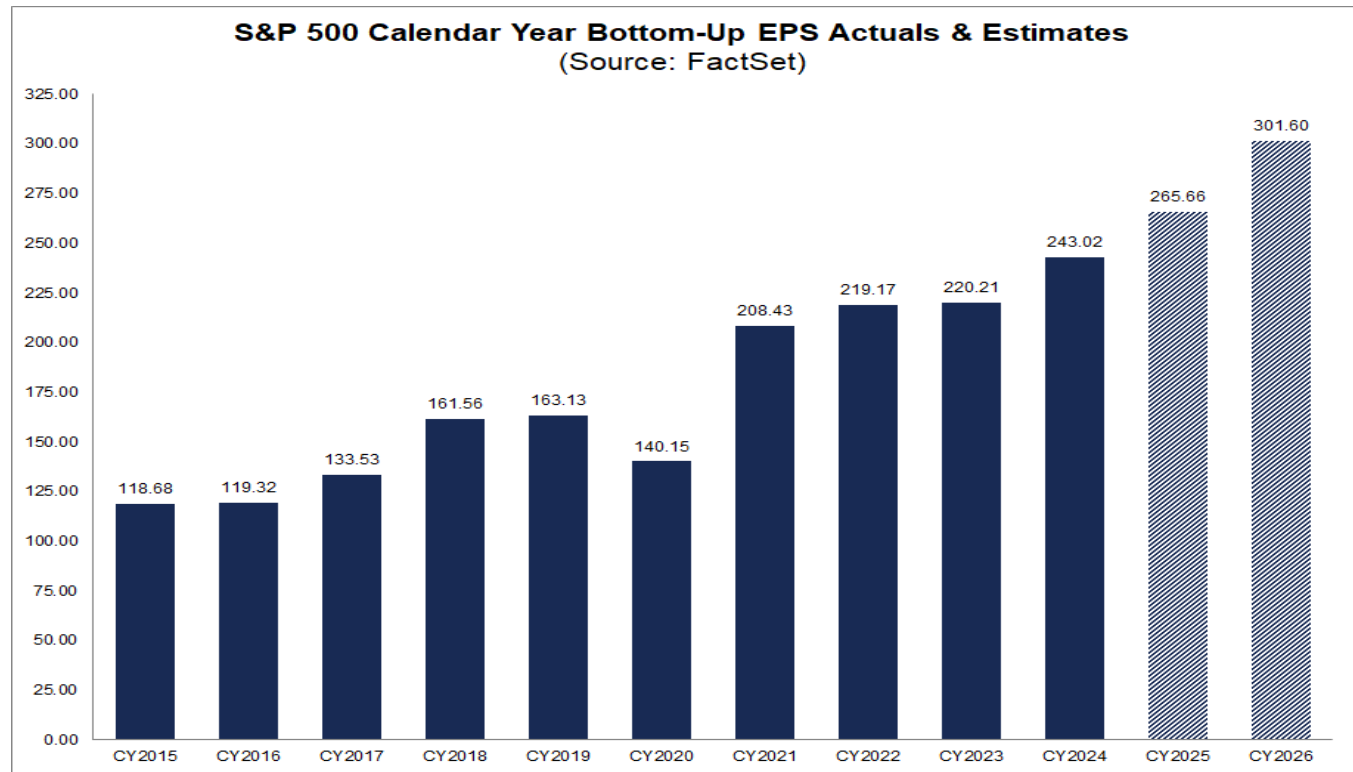
Geographic Revenue Exposure



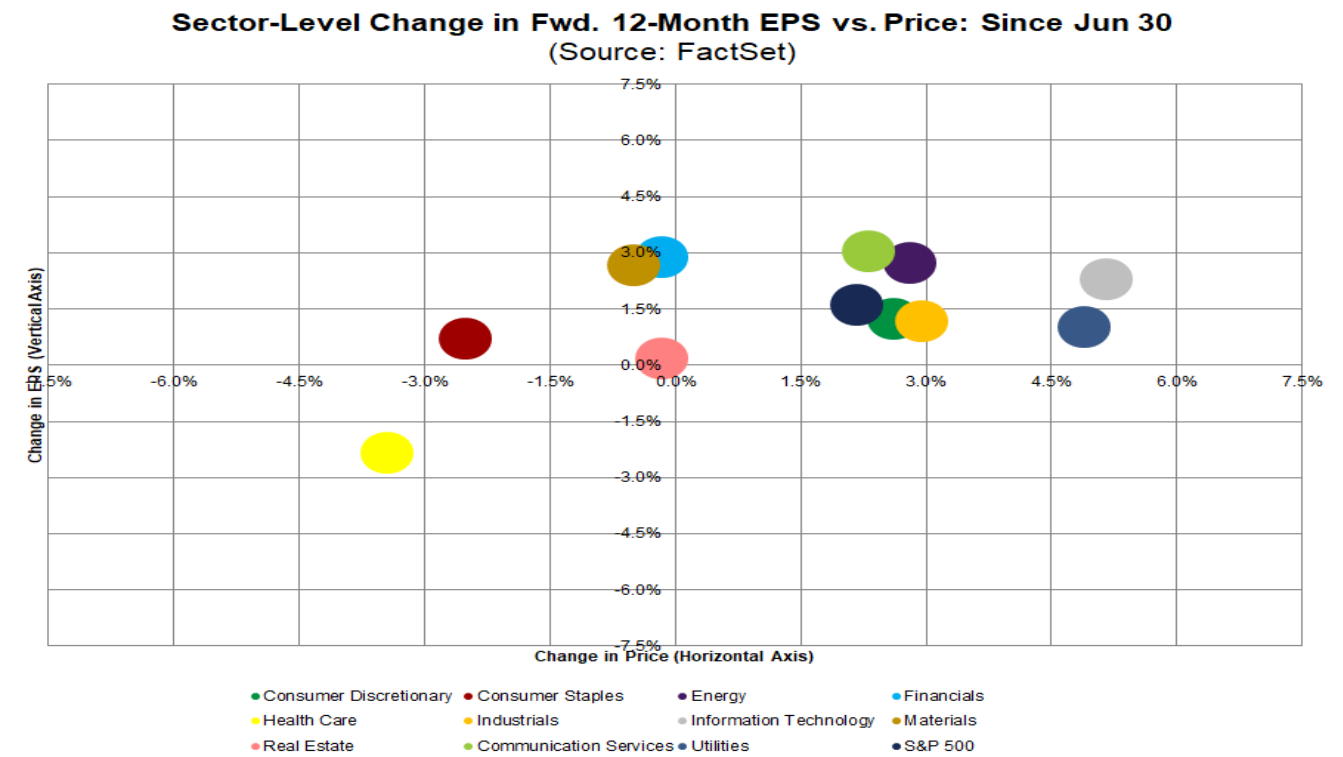
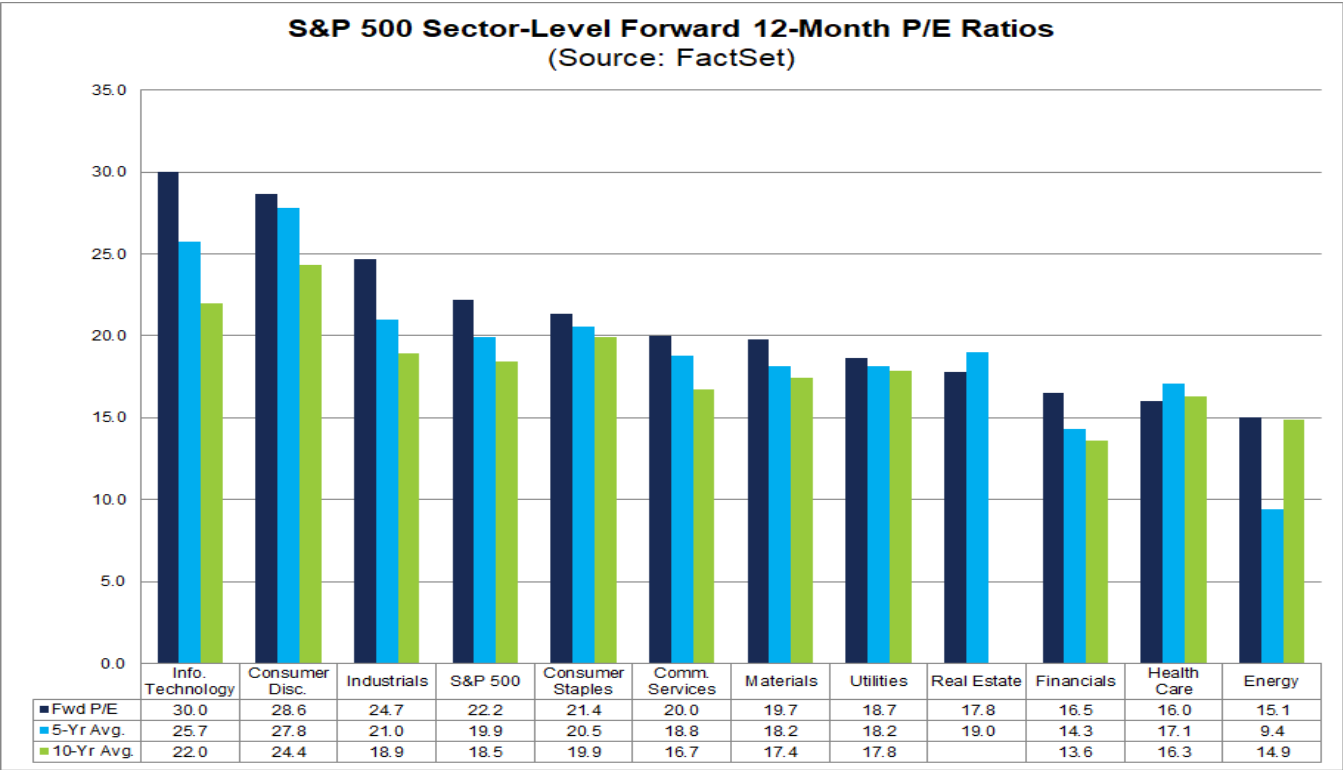
Bottom-Up EPS Estimates



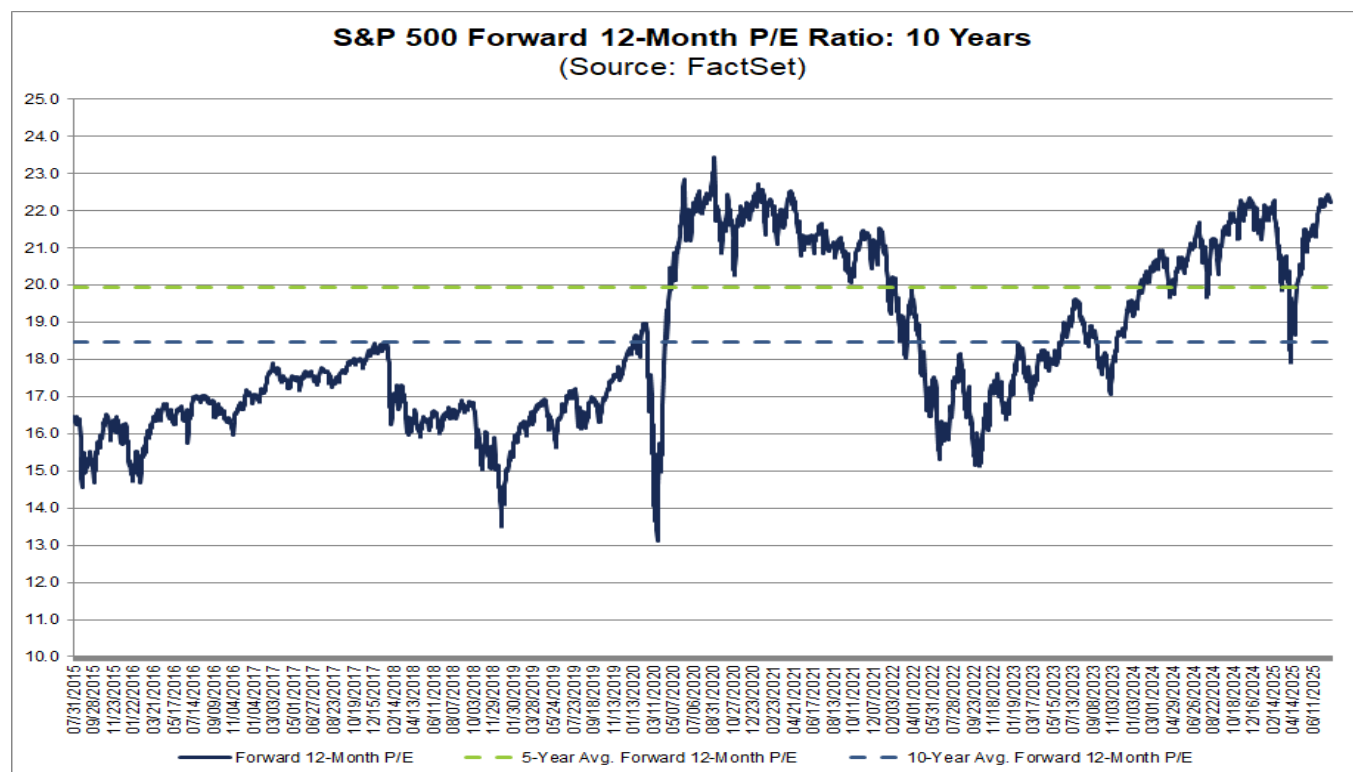
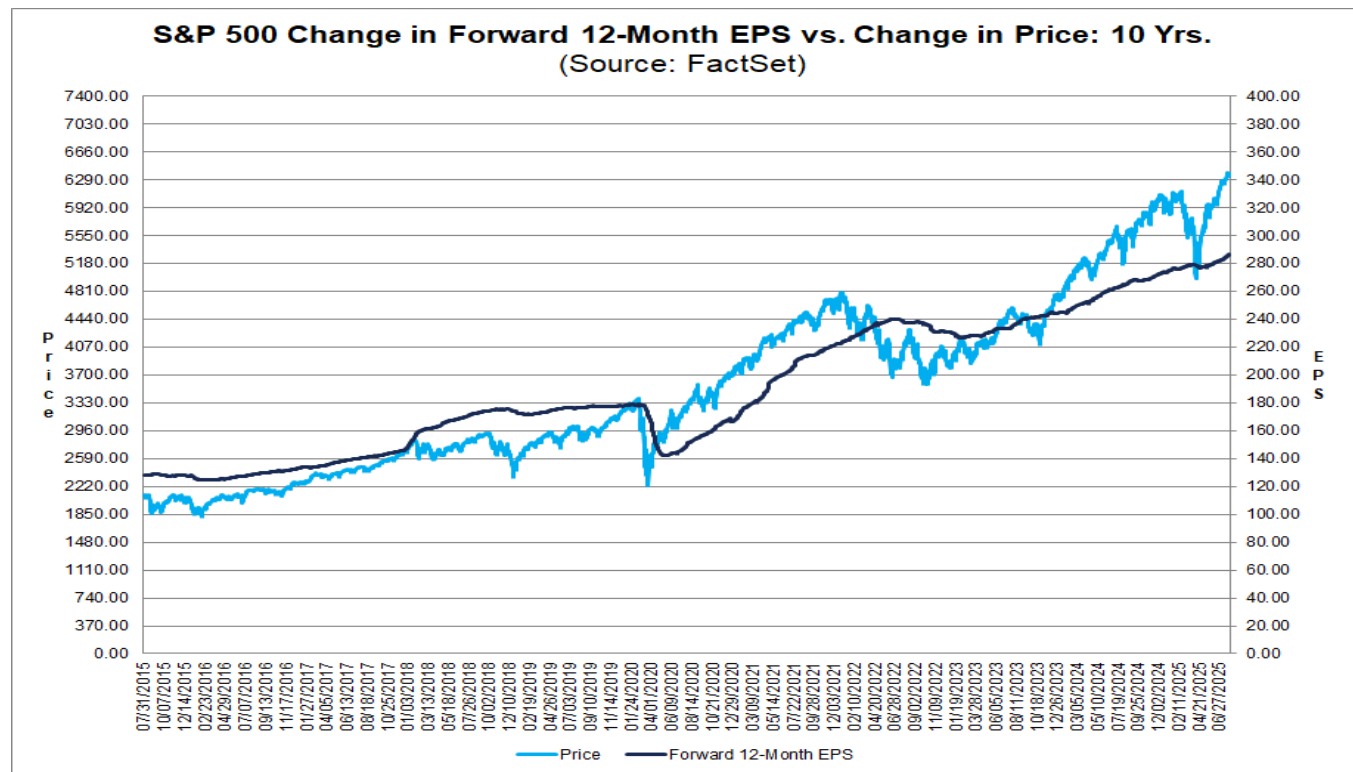
Bottom-Up EPS Estimates: Current & Historical



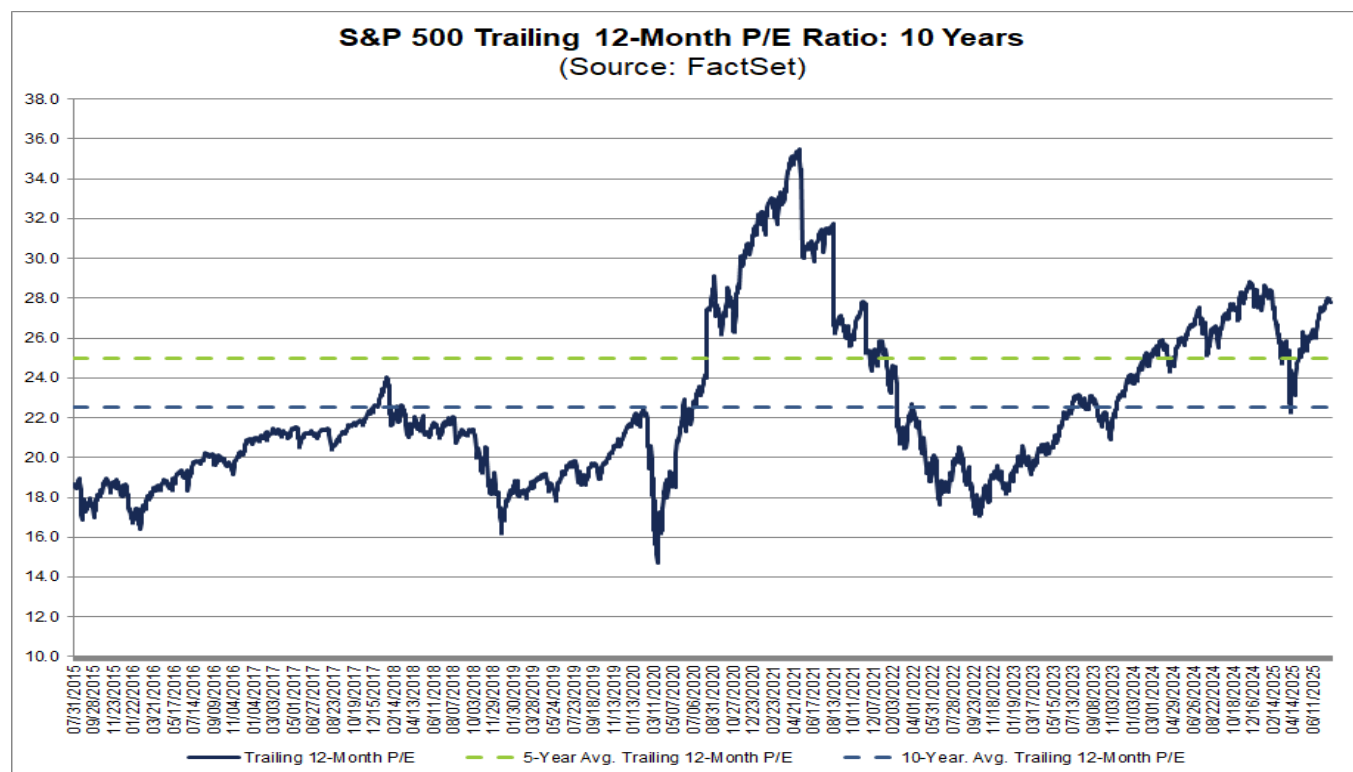
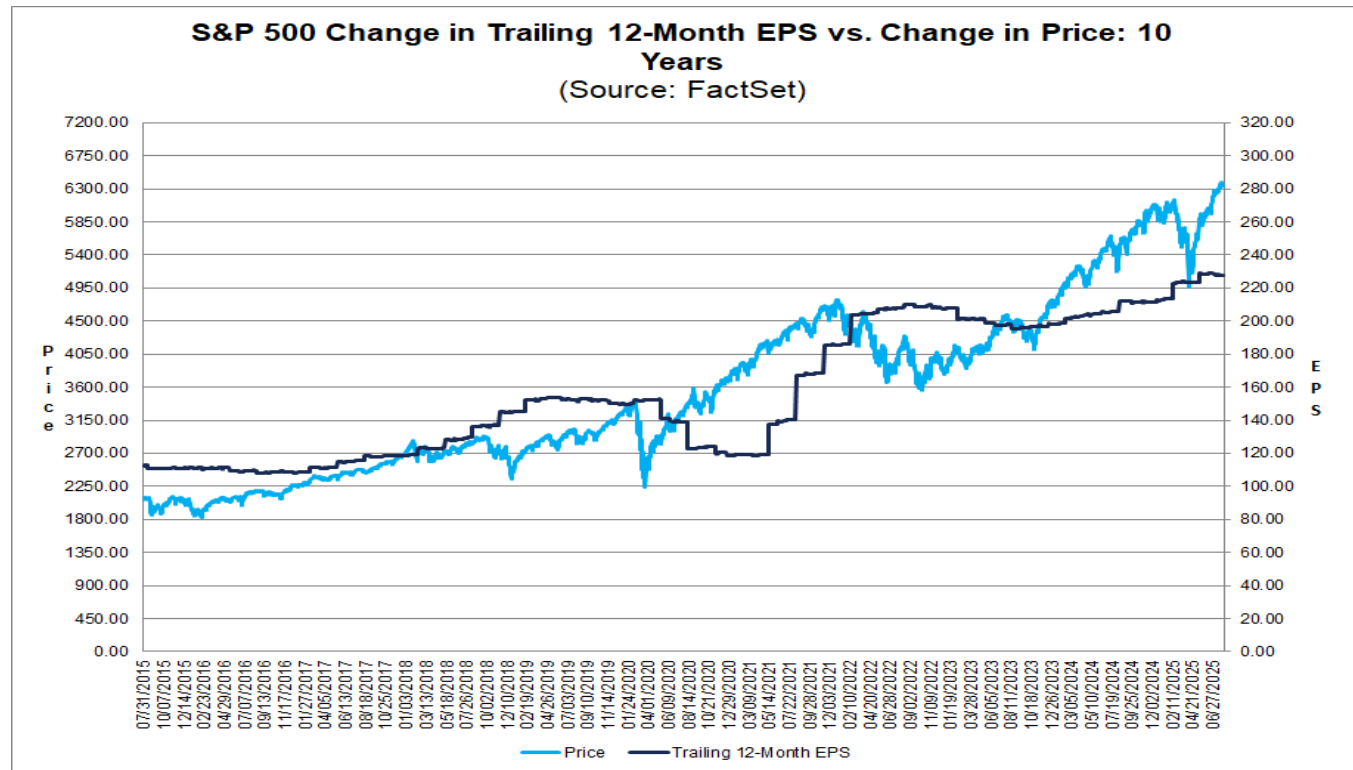
Forward 12M P/E Ratio: Sector Level



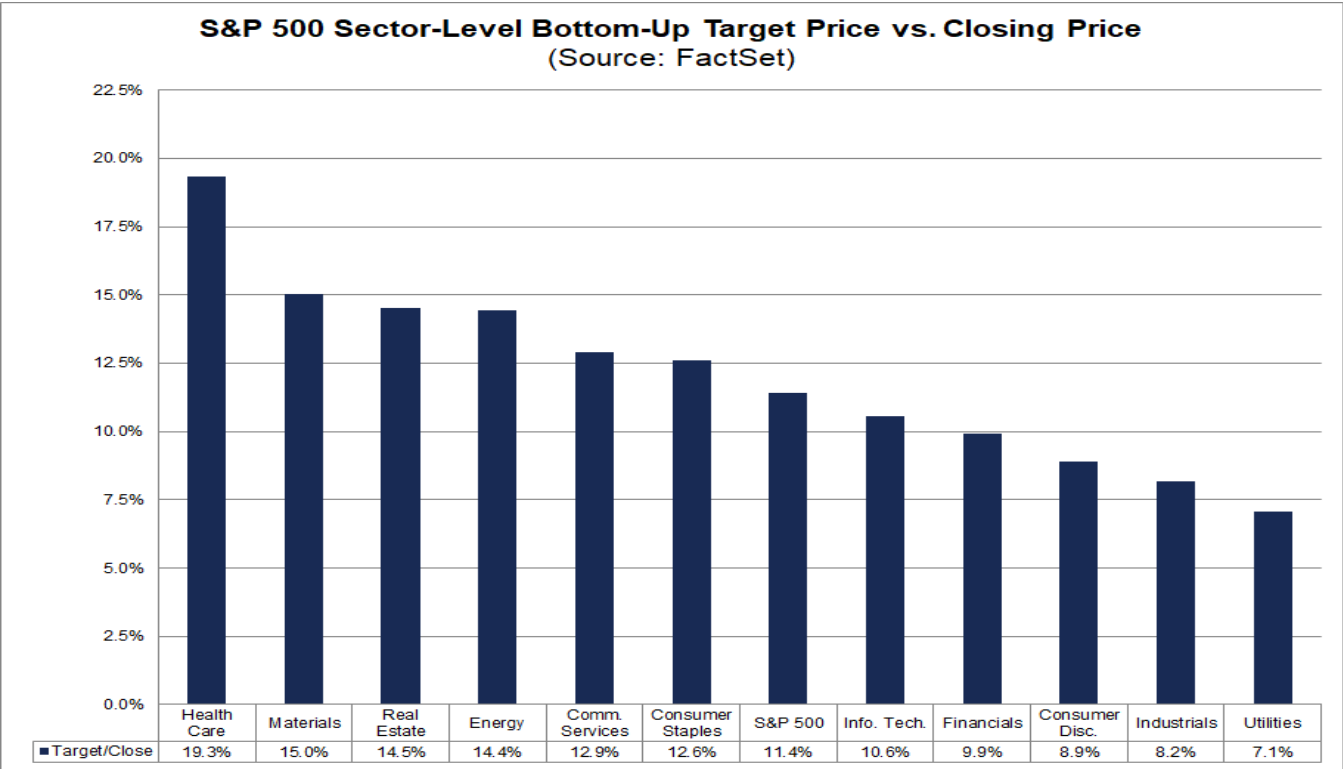
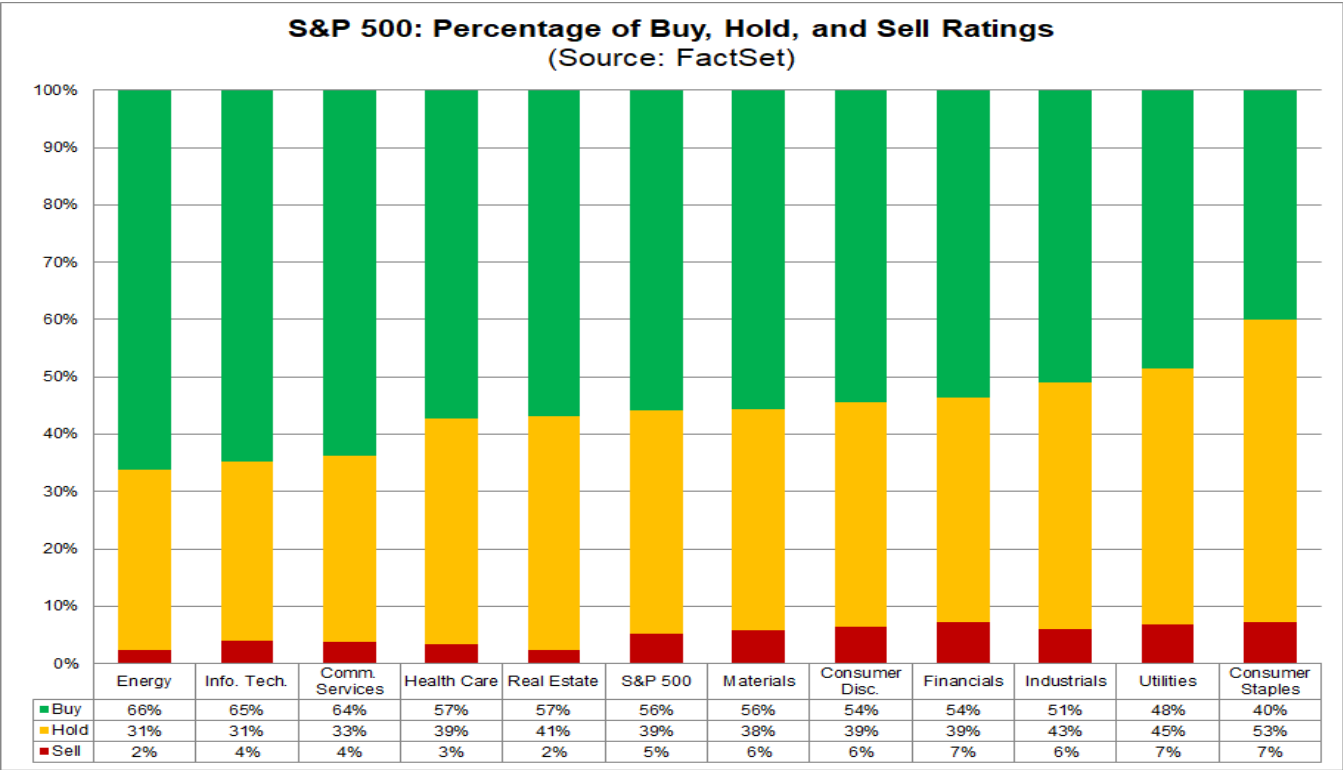
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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