EARNINGS INSIGHT

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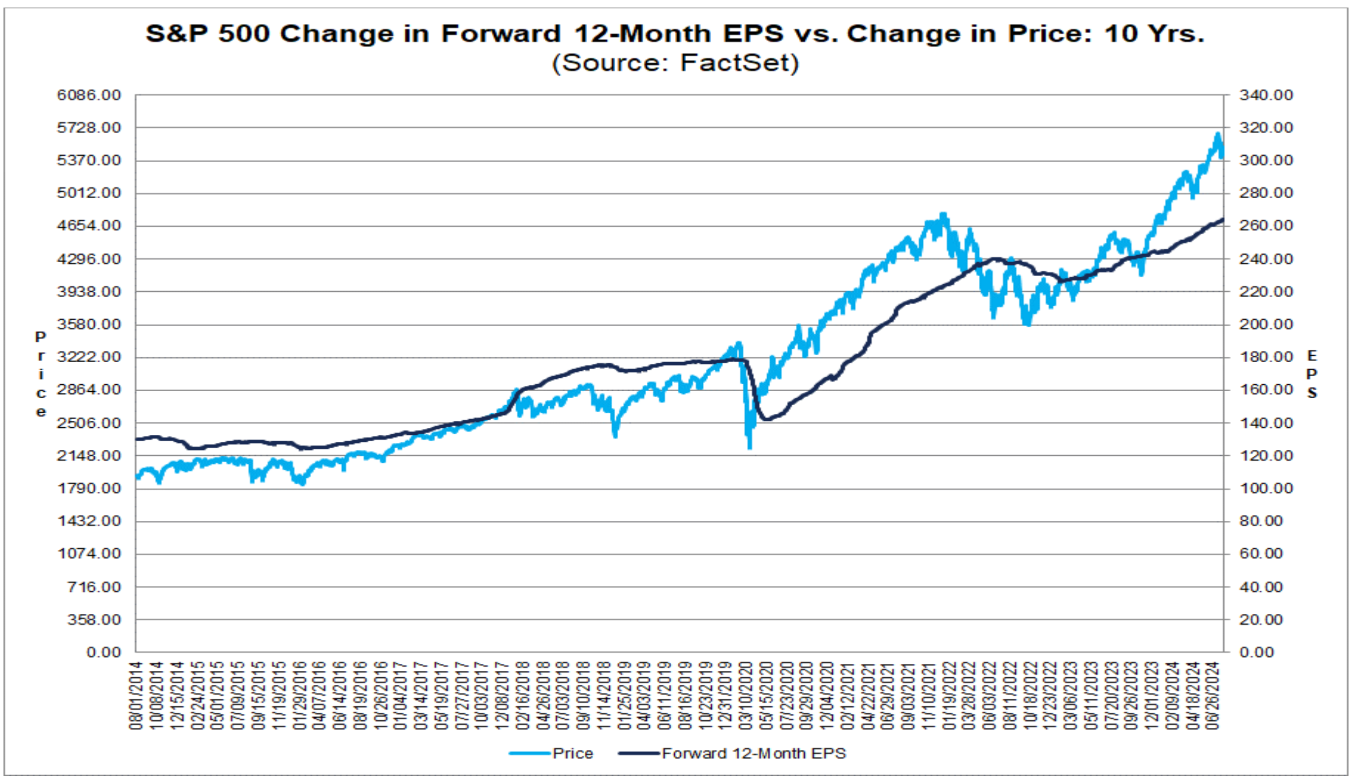
Key Metrics

- **Earnings Scorecard:** For Q2 2024 (with 75% of S&P 500 companies reporting actual results), 78% of S&P 500 companies have reported a positive EPS surprise and 59% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q2 2024, the blended (year-over-year) earnings growth rate for the S&P 500 is 11.5%. If 11.5% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q4 2021 (31.4%).
- **Earnings Revisions:** On June 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q2 2024 was 8.9%. 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 2024, 39 S&P 500 companies have issued negative EPS guidance and 35 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.7. This P/E ratio is above the 5-year average (19.3) and above the 10-year average (17.9).



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Topic of the Week

Are Analysts Cutting EPS Estimates More Than Average for S&P 500 Companies for Q3?

Given concerns in the market about a possible economic slowdown or recession, have analysts lowered EPS estimates more than normal for S&P 500 companies for the third quarter?

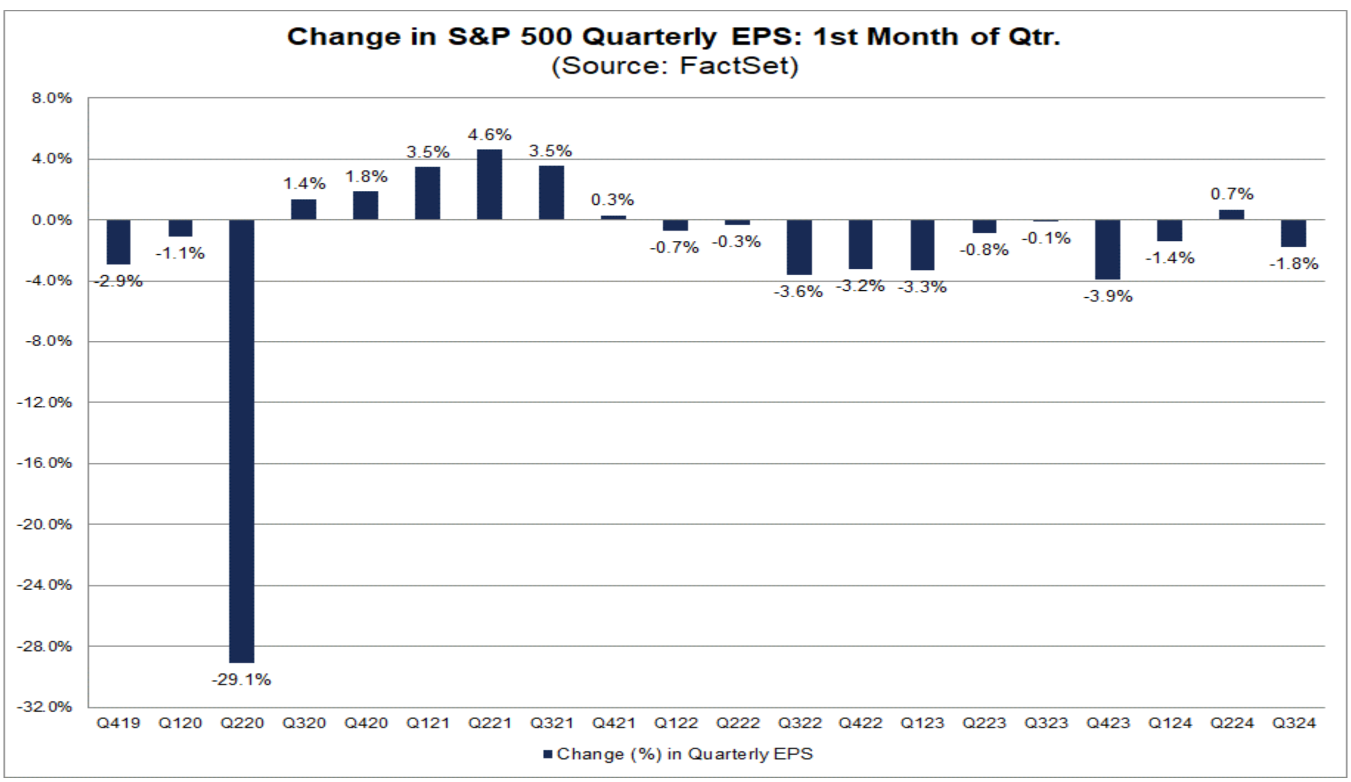
The answer is no. During the month of July, analysts lowered EPS estimates for the third quarter at average levels. The Q3 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q3 for all the companies in the index) decreased by 1.8% (to $62.09 from $63.20) from June 30 to July 31.

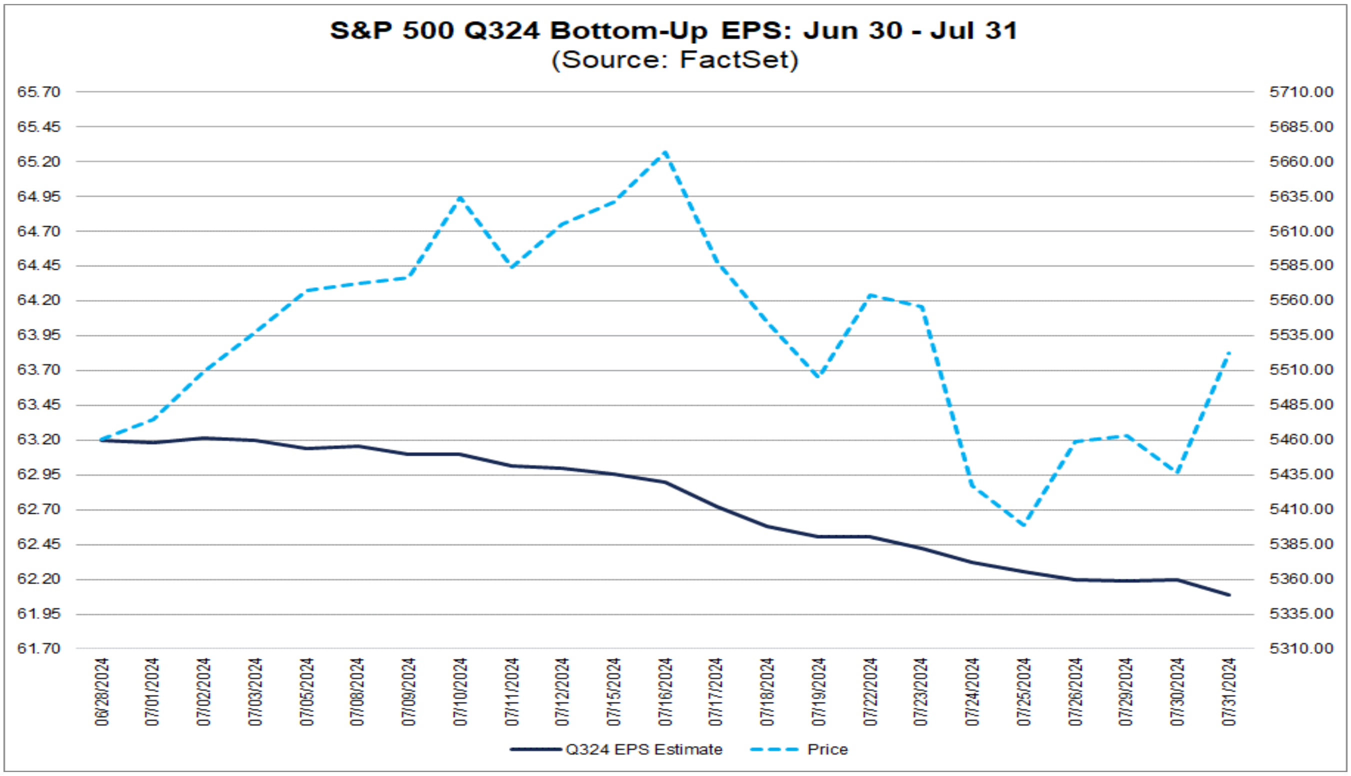
In a typical quarter, analysts usually reduce earnings estimates during the first month of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.8%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has also been 1.8%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.4%. 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 1.8%.

Thus, the decline in the bottom-up EPS estimate recorded during the first month of the third quarter was equal to the 5-year average, the 10-year average, and the 20-year average. However, it was larger than the 15-year average.

At the sector level, ten sectors witnessed a decrease in their bottom-up EPS estimate for Q3 2024 from June 30 to July 31, led by the Energy (-6.6%), Industrials (-5.1%), and Health Care (-4.0%) sectors. On the other hand, the Utilities (+0.1%) sector is the only sector that recorded an increase in its bottom-up EPS estimate for Q3 2024 during this period.

It is interesting to note that while analysts lowered EPS estimates for Q3 2024 by 1.8% during the month of July, they lowered EPS estimates for CY 2025 by less than 0.1% (to $278.72 from $278.79) over this same period.




S&P 500 Q324 Bottom-Up EPS: Jun 30 - Jul 31
(Source: FactSet)
65.70
65.45
65.20
64.95
64.70
64.45
64.20
63.95
63.70
63.45
63.20
62.95
62.70
62.45
62.20
61.95
61.70
5710.00
5685.00
5660.00
5635.00
5610.00
5585.00
5560.00
5535.00
5510.00
5485.00
5460.00
5435.00
5410.00
5385.00
5360.00
5335.00
5310.00
06/28/2024
07/01/2024
07/02/2024
07/03/2024
07/05/2024
07/08/2024
07/09/2024
07/10/2024
07/11/2024
07/12/2024
07/15/2024
07/16/2024
07/17/2024
07/18/2024
07/19/2024
07/22/2024
07/23/2024
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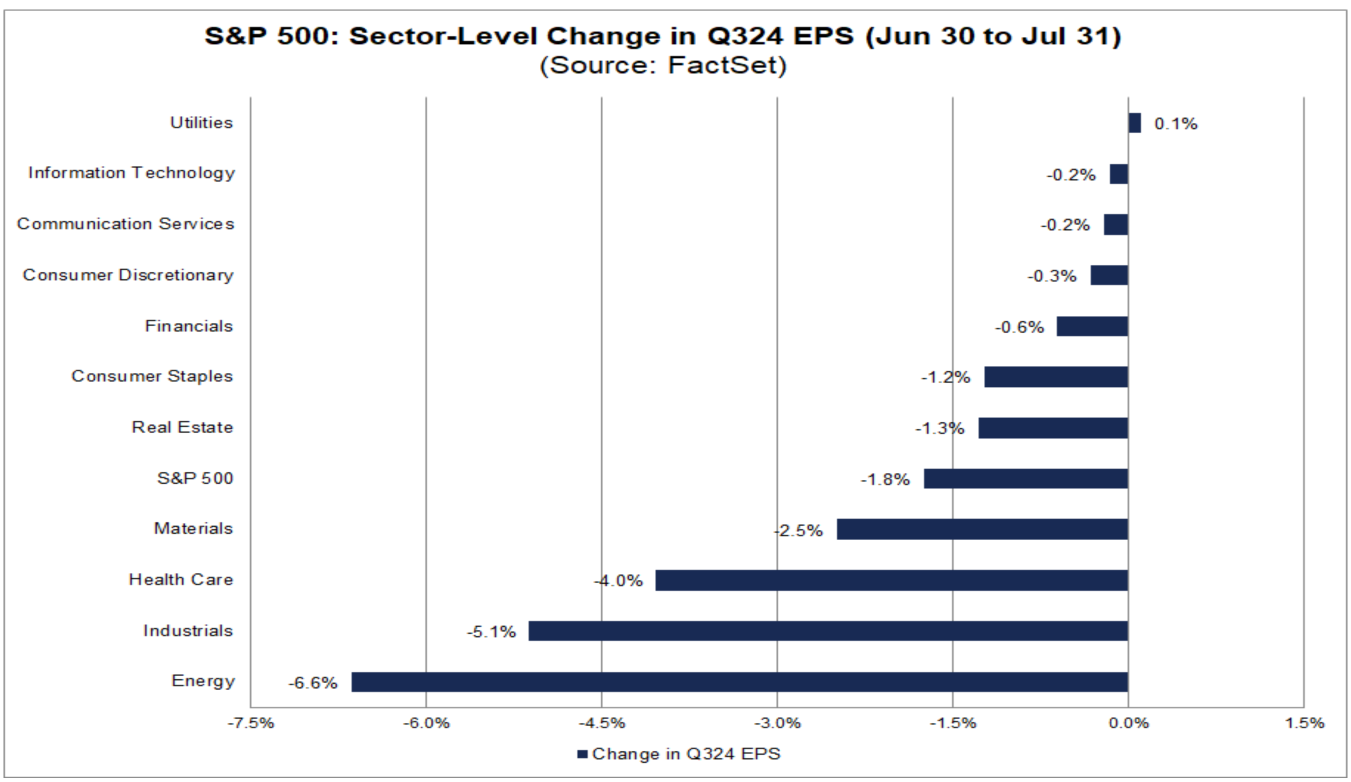
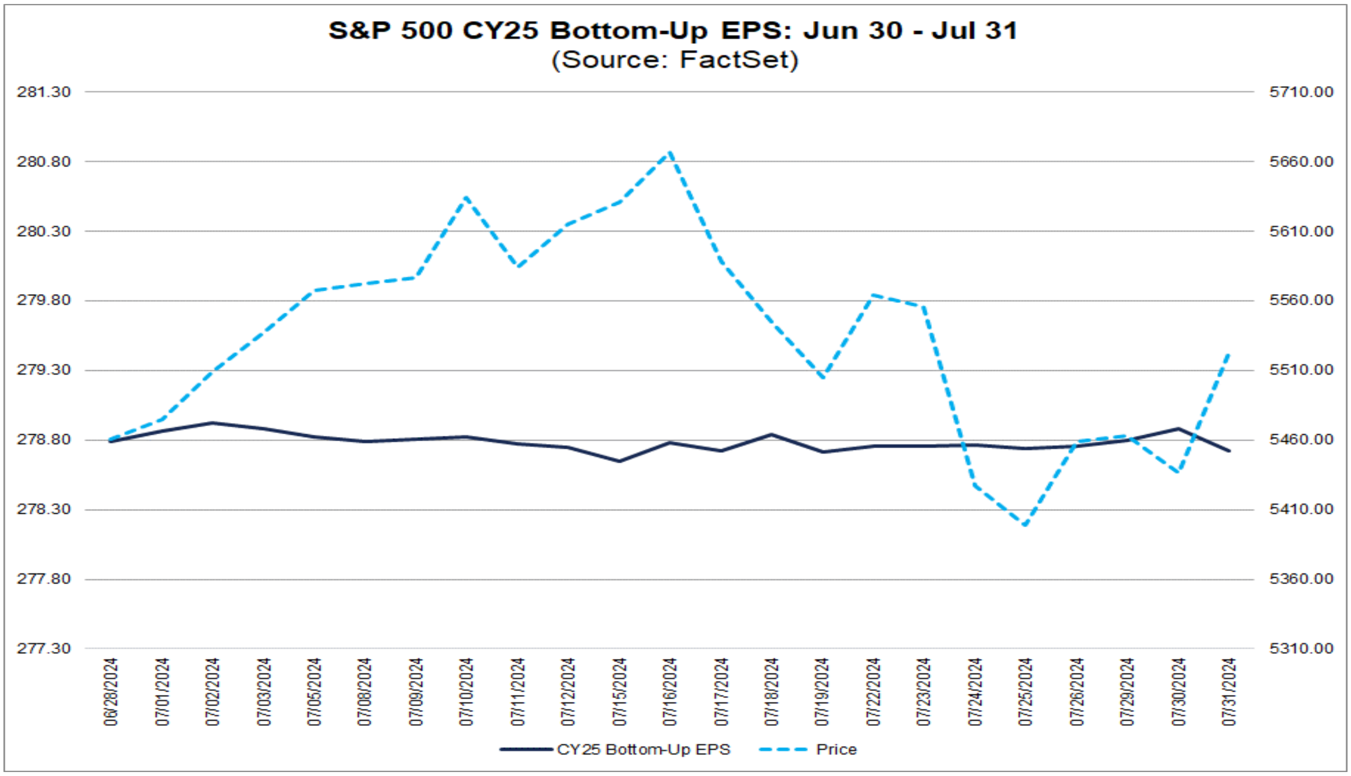
07/29/2024
07/30/2024
07/31/2024
Q324 EPS Estimate
Price


S&P 500: Sector-Level Change in Q324 EPS (Jun 30 to Jul 31)
(Source: FactSet)
Utilities
Information Technology
Communication Services
Consumer Discretionary
Financials
Consumer Staples
Real Estate
S&P 500
Materials
Health Care
Industrials
Energy
0.1%
-0.2%
-0.2%
-0.3%
-0.6%
-1.2%
-1.3%
-1.8%
-2.5%
-4.0%
-5.1%
-6.6%
-7.5%
-6.0%
-4.5%
-3.0%
-1.5%
0.0%
1.5%
Change in Q324 EPS


S&P 500 CY25 Bottom-Up EPS: Jun 30 - Jul 31
(Source: FactSet)
281.30
280.80
280.30
279.80
279.30
278.80
278.30
277.80
277.30
5710.00
5660.00
5610.00
5560.00
5510.00
5460.00
5410.00
5360.00
5310.00
06/28/2024
07/01/2024
07/02/2024
07/03/2024
07/05/2024
07/08/2024
07/09/2024
07/10/2024
07/11/2024
07/12/2024
07/15/2024
07/16/2024
07/17/2024
07/18/2024
07/19/2024
07/22/2024
07/23/2024
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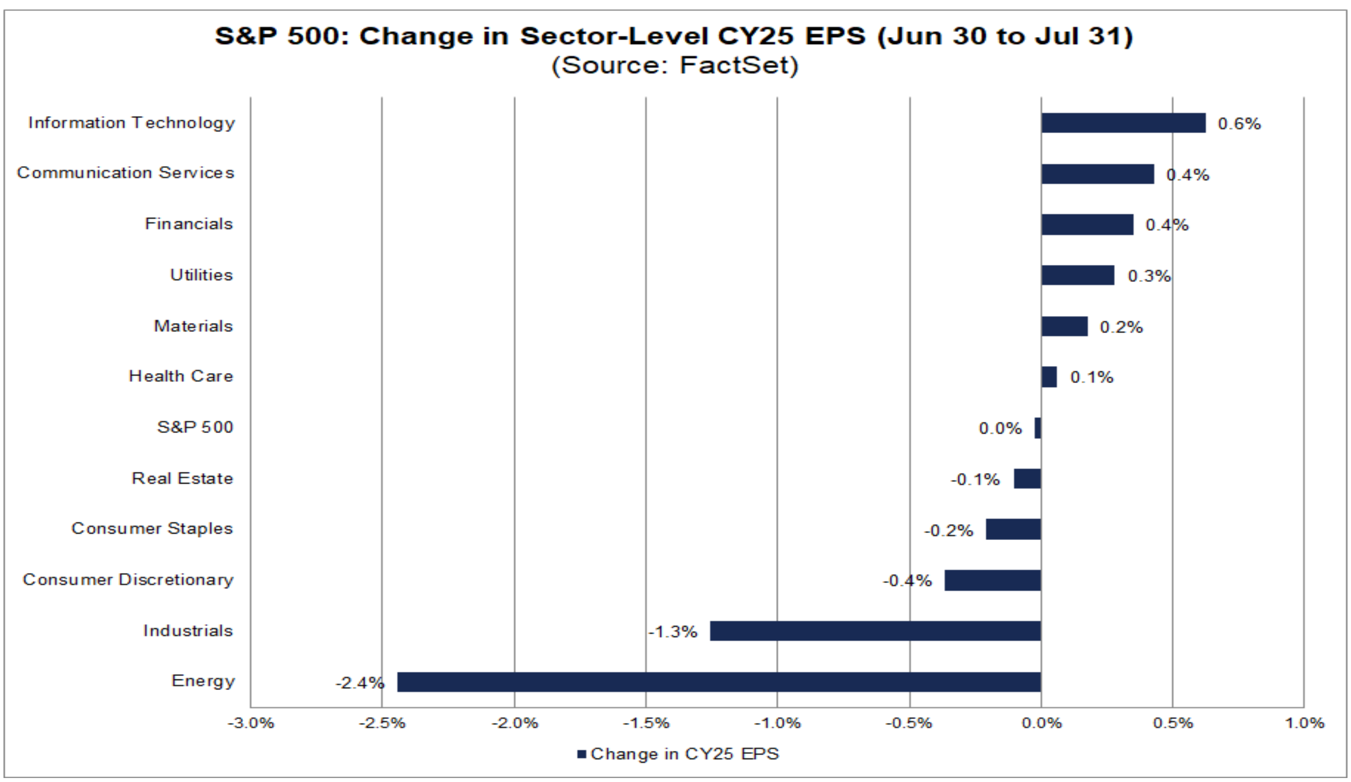
07/29/2024
07/30/2024
07/31/2024
CY25 Bottom-Up EPS
Price


S&P 500: Change in Sector-Level CY25 EPS (Jun 30 to Jul 31)
(Source: FactSet)
Information Technology
Communication Services
Financials
Utilities
Materials
Health Care
S&P 500
Real Estate
Consumer Staples
Consumer Discretionary
Industrials
Energy
0.6%
0.4%
0.4%
0.3%
0.2%
0.1%
0.0%
-0.1%
-0.2%
-0.4%
-1.3%
-2.4%
-3.0%
-2.5%
-2.0%
-1.5%
-1.0%
-0.5%
0.0%
0.5%
1.0%
Change in CY25 EPS

Q2 Earnings Season: By The Numbers

Overview

At this stage of the second quarter earnings season, the performance of S&P 500 companies relative to expectations continues to be mixed. On the one hand, the percentage of S&P 500 companies reporting positive earnings surprises is above average levels. On the other hand, the magnitude of earnings surprises is below average levels. However, the index is still reporting higher earnings for the second quarter today relative to last week and relative to the end of the quarter. Overall, the index is reporting its highest (year-over-year) earnings growth rate since Q4 2021.

Overall, 75% of the companies in the S&P 500 have reported actual results for Q2 2024 to date. Of these companies, 78% have reported actual EPS above estimates, which is above the 5-year average of 77% and above the 10-year average of 74%. In aggregate, companies are reporting earnings that are 4.5% above estimates, which is below the 5-year average of 8.6% and below the 10-year average of 6.8%. Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

During the past week, positive EPS surprises reported by three of the “Magnificent 7” companies (in three different sectors) were the largest contributors to the increase in the overall earnings growth rate for the index over this period. Since June 30, upward revisions to EPS estimates and positive EPS surprises reported by companies in the Financials, Consumer Discretionary, Communication Services, and Information Technology sectors, partially offset by downward revisions to EPS estimates and negative EPS surprises reported by companies in the Energy and Health Care 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 11.5% today, compared to an earnings growth rate of 9.8% last week and an earnings growth rate of 8.9% at the end of the second quarter (June 30).

If 11.5% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q4 2021 (31.4%). It will also mark the fourth consecutive quarter of year-over-year earnings growth for the index.

Eight of the eleven sectors are reporting year-over-year growth for Q2. Six of these eight sectors are reporting double-digit growth: Communication Services, Information Technology, Financials, Utilities, Health Care, and Consumer Discretionary. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Materials sector.

In terms of revenues, 59% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% and below the 10-year average of 64%. In aggregate, companies are reporting revenues that are 1.1% above the estimates, which is below the 5-year average of 2.0% and below the 10-year average of 1.4%. Again, historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

During the past week, positive revenue surprises reported by companies in multiple sectors (led by the Health Care and Energy 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 and Health Care 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 index is reporting higher revenues for the second quarter today relative to the end of last week and relative to the end of the quarter. The blended revenue growth rate for the second quarter is 5.3% today, compared to a revenue growth rate of 5.0% last week and a revenue growth rate of 4.7% at the end of the second quarter (June 30).

If 5.3% is the actual revenue growth rate for the quarter, it will mark the 15th consecutive quarter of revenue growth for the index.

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

Looking ahead, analysts expect (year-over-year) earnings growth rates of 6.1% and 16.1% for Q3 2024, and Q4 2024, respectively. For CY 2024, analysts are calling for (year-over-year) earnings growth of 10.8%.

The forward 12-month P/E ratio is 20.7, which is above the 5-year average (19.3) and above the 10-year average (17.9). However, this P/E ratio is below the forward P/E ratio of 21.0 recorded at the end of the second quarter (June 30).

During the upcoming week, 79 S&P 500 companies (including three Dow 30 components) are scheduled to report results for the second quarter.

Scorecard: Number of Positive EPS Surprises Is Above 5-Year Average

Percentage of Companies Beating EPS Estimates (78%) is Above 5-Year Average

Overall, 75% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 78% have reported actual EPS above the mean EPS estimate, 6% have reported actual EPS equal to the mean EPS estimate, and 16% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is equal to the 1-year average (78%), above the 5-year average (77%), and above the 10-year average (74%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Health Care (90%) sector has the highest percentage of companies reporting earnings above estimates, while the Communication Services (57%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+4.5%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 4.5% above expectations. This surprise percentage is below the 1-year average (+6.5%), below the 5-year average (+8.6%), and below the 10-year average (+6.8%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Consumer Discretionary (+7.4%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Carnival Corporation ($0.11 vs, -$0.01), Hasbro ($1.22 vs, $0.78), MGM Resorts ($0.86 vs. $0.60), Deckers Outdoor Corporation ($4.52 vs. $3.48), Amazon.com ($1.26 vs. $1.03), and NIKE ($1.01 vs. $0.84) have reported the largest positive EPS surprises.

The Health Care (+6.9%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Bio-Rad Laboratories ($3.11 vs. $2.01), Pfizer ($0.60 vs. $0.46), Universal Health Services ($4.31 vs. $3.30), Biogen ($5.28 vs. $4.07), and Bristol Myers Squibb ($2.07 vs. $1.62) have reported the largest positive EPS surprises.

The Utilities (+6.5%) sector (along with the Financials sector) is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Pinnacle West Capital Corporation ($1.76 vs. $1.28), Exelon Corporation ($0.47 vs, $0.40), Southern Company ($1.09 vs. $0.93), and DTE Energy ($1.43 vs. $1.23) have reported the largest positive EPS surprises.

The Financials (+6.5%) sector (along with the Utilities sector) is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Allstate ($1.61 vs. $0.28), Discover Financial Services ($6.06 vs, $3.10), Cincinnati Financial ($1.29 vs. $0.96), Progressive Corporation ($2.65 vs. $2.05), American Express ($4.15 vs. $3.26), and Travelers Companies ($2.51 vs. $2.01) have reported the largest positive EPS surprises.

Market Rewarding Positive EPS Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q2 2024 have seen an average price increase of +1.2% two days before the earnings release through two days after the earnings release. This percentage increase is larger than the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q2 2024 have seen an average price decrease of -2.5% two days before the earnings release through two days after the earnings. This percentage decrease is larger than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (59%) is Below 5-Year Average

In terms of revenues, 59% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 41% of the companies have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (63%), below the 5-year average (69%), and below the 10-year average (64%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Health Care (80%) sector has the highest percentage of companies reporting revenues above estimates, while the Consumer Staples (38%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.1%) is Below 5-Year Average

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

At the sector level, the Energy (+2.3%), Financials (+2.0%), and Health Care (+2.0%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-1.0%) and Consumer Staples (-0.4%) sectors are reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings This Week Due to Multiple Sectors

Increase in Blended Earnings This Week Due to Multiple Sectors

The blended (year-over-year) earnings growth rate for the second quarter is 11.5%, which is above the earnings growth rate of 9.8% last week. Positive EPS surprises reported by three of the "Magnificent 7" companies (in three different sectors) were the largest contributors to the increase in the overall earnings growth rate over this period.

In the Consumer Discretionary sector, the positive EPS surprise reported by Amazon.com ($1.26 vs. $1.03) was the largest 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 12.0% from 6.3% over this period.

In the Communication Services sector, the positive EPS surprise reported by Meta Platforms ($5.16 vs. $4.72) 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 23.4% from 20.9% over this period.

In the Information Technology sector, the positive EPS surprise reported by Apple ($1.40 vs. $1.34) 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 Information Technology sector increased to 18.7% from 17.4% 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 5.3%, 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 and Energy sectors) were the largest contributors to the increase in the overall revenue growth rate for the index over this period.

Financials Sector Has Seen Largest Increase in Earnings since June 30

The blended (year-over-year) earnings growth rate for Q2 2024 of 11.5% is larger than the estimate of 8.9% 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 Financials (to 15.9% from 4.3%) sector. The Financials, Consumer Discretionary, Communication Services, and Information Technology sectors have been the largest contributors to the increase in earnings for the index since June 30. 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: Energy (to -0.5% from 13.3%) and Health Care (to 13.5 from 16.7%). These two sectors have also been the largest detractors to the increase in earnings for the index since June 30.

In the Financials sector, the upward revisions to (GAAP) EPS estimates (to $5.88 from $4.20) and positive (GAAP) EPS surprise ($6.12 vs. $5.88) reported by JPMorgan Chase have been the largest contributors to the increase in the earnings growth rate for the index since June 30. The GAAP EPS numbers for JPMorgan Chase included a net gain of $2.04 related to Visa shares. In addition, the positive EPS surprises reported by Discover Financial Services ($6.06 vs. $3.10) and American Express ($4.14 vs. $3.26) have been substantial contributors to the overall rise in the earnings growth rate as well. As a result, the blended earnings growth rate for the Financials sector has increased to 15.9% from 4.3% over this period.

In the Consumer Discretionary sector, the positive EPS surprise reported by Amazon.com ($1.26 vs. $1.03) 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 has increased to 12.0% from 6.7% over this period.

In the Communication Services sector, the positive EPS surprises reported by Meta Platforms ($5.16 vs. $4.72) and Alphabet ($1.89 vs. $1.85) 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 Communication Services sector has increased to 23.4% from 18.4% over this period.

In the Information Technology sector, the positive EPS surprise reported by Apple ($1.40 vs. $1.34) 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 Information Technology sector increased to 18.7% from 16.4% over this period.

In the Energy sector, the downward revisions to EPS estimates (to $2.93 from $3.27) and negative EPS surprise ($2.55 vs. $2.93) reported by Chevron and the downward revisions to EPS estimates (to $2.02 from $2.37) for Exxon Mobil (which were partially offset by the company's positive EPS surprise) have been significant detractors to the increase in the overall earnings growth rate for the index since June 30. As a result, the Energy sector is now reporting a year-over-year decline in earnings of -0.5% compared to expectations for earnings growth of 13.3% on June 30.

In the Health Care sector, the downward revisions to EPS estimates (to -$11.63 from $4.16) and negative EPS surprise (-$12.83 vs. -$11.63) reported by Vertex Pharmaceuticals have been the largest detractors to the increase in the overall earnings growth rate for the index since June 30. During the week of July 22, the majority of analysts lowered non-GAAP EPS estimates for the company to incorporate AIPR&D charges related to the Alpine Immune Sciences acquisition. As a result, the mean EPS estimate for Vertex Pharmaceuticals for Q2 fell to -$11.63 from $4.16 (on June 30). On August 1, the company reported actual EPS of -$12.83 compared to the mean EPS estimate of -$11.63. As a result, the blended earnings growth rate for the Health Care sector has decreased to 13.5% from 16.7% over this period.

Financials and Health Care Sectors Have Seen Largest Increases in Revenues since June 30

The blended (year-over-year) revenue growth rate for Q2 2024 of 5.3% is above the estimate of 4.7% at the end of the second quarter (June 30). Seven 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 5.4% from 2.9%) and Health Care (to 7.1% from 5.8%) sectors. These two sectors have also been the largest contributors to the increase in the revenue growth rate for the index since the end of the quarter. On the other hand, two sectors have recorded a decrease in their revenue growth rate or an increase in their revenue decline since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Energy sector (to 7.6% from 9.0%). The Energy sector has also been the largest detractor to the increase in the revenue growth rate for the index since the end of the quarter. Two sectors (Industrials and Utilities) are reporting revenue growth rates equal to the expectations on June 30.

In the Financials sector, the positive revenue surprise reported by JPMorgan Chase ($51.00 billion vs. $42.23 billion) has been the largest contributor to the increase in revenues for the index since June 30. As a result, the blended revenue growth rate for the Financials sector has increased to 5.4% from 2.9% over this period.

In the Health Care sector, the positive revenue surprises reported by Centene Corporation ($39.84 billion vs. $36.83 billion), and Cigna Group ($60.47 billion vs. $58.30 billion) have been substantial contributors to the increase in revenues for the index since June 30. As a result, the blended revenue growth rate for the Health Care sector has increased to 7.1% from 5.8% over this period.

Earnings Growth: 11.5%

The blended (year-over-year) earnings growth rate for Q2 2024 is 11.5%, which is above the 5-year average earnings growth rate of 9.4% and above the 10-year average earnings growth rate of 8.4%. If 11.5% is the actual growth rate for the quarter, it will mark the highest (year-over-year) earnings growth rate for the index since Q4 2021 (31.4%). It will also mark the fourth consecutive quarter of year-over-year earnings growth.

Eight of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services, Information Technology, Financials, Utilities, Health Care, and Consumer Discretionary sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Materials sectors.

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

The Communication Services sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 23.4%. At the industry level, 3 of the 5 industries in the sector are reporting year-over-year earnings growth. All three industries are reporting growth above 30%: Entertainment (46%) Interactive Media & Services (40%), and Wireless Telecommunication Services (31%). On the other hand, two industries are reporting a year-over-year decline in earnings: Diversified Telecommunication Services (-7%) and Media (less than -1%).

At the company level, Meta Platforms ($5.16 vs. $2.98) and Alphabet ($1.89 vs. $1.44) are the largest contributors to earnings growth for the sector. If these two companies were excluded, the blended (year-over-year) earnings growth rate for Communication Services sector would fall to 5.6% from 23.4%.

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

The Information Technology sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 18.7%. At the industry level, 4 of the 6 industries in the sector are reporting year-over-year earnings growth: Semiconductors & Semiconductor Equipment (51%), Technology Hardware, Storage, & Peripherals (16%), Software (9%), and IT Services (6%). On the other hand, two industries are reporting a year-over-year decline in earnings: Communications Equipment (-17%) and Electronic Equipment, Instruments, & Components (-3%) .

At the company level, NVIDIA ($0.64 vs. $0.27) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended (year-over-year) earnings growth rate for the Information Technology sector would fall to 9.3% from 18.7%.

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

The Financials sector (along with the Utilities sector) is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors for Q2 2024 at 15.9%. At the industry level, all five industries in the sector are reporting year-over-year earnings growth: Insurance (36%), Capital Markets (28%), Consumer Finance (27%), Banks (8%), and Financial Services (3%). The Insurance and Capital Markets industries are also the largest contributors to year-over-year earnings growth for the sector. If these two industries were excluded, the blended earnings growth rate for the Financials sector would fall to 8.4% from 15.9%.

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

The Utilities sector (along with the Financials sector) is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors for Q2 2024 at 15.9%. At the industry level, four of five industries in the sector are reporting year-over-year earnings growth: Independent Power and Renewable Electricity Producers (32%), Electric Utilities (19%), Gas Utilities (17%), and Multi-Utilities (5%). On the other hand, the Water Utilities (-1%) is the only industry reporting a year-over-year decline in earnings. The Electric Utilities industry is the largest contributor to year-over-year earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Utilities sector would fall to 9.4% from 15.9%.

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

The Health Care sector is reporting the fourth-largest (year-over-year) earnings growth rate of all eleven sectors at 13.5%. At the industry level, 3 of the 5 industries in the sector are reporting year-over-year earnings growth. One of these three industries is reporting a double-digit increase: Pharmaceuticals (86%). On the other hand, two industries are reporting a year-over-year decline in earnings, led by the Biotechnology (-41%) industry.

At the company level, Merck ($2.28 vs. -$2.06) is the largest contributor to earnings growth for the sector. If this company were excluded, the Health Care sector would be reporting a (year-over-year) decline in earnings of -4.9% instead of (year-over-year) earnings growth of 13.5%.

On the other hand, Vertex Pharmaceuticals (-$12.83 vs. $3.89) is the largest detractor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the Health Care sector would improve to 21.3% from 13.5%.

Consumer Discretionary: Amazon.com Is Largest Contributor to Year-Over-Year Growth

The Consumer Discretionary sector is reporting the fifth-largest (year-over-year) earnings growth rate of all eleven sectors at 12.0%. At the industry level, 5 of the 9 industries in the sector are reporting year-over-year earnings growth. Four of these five industries are reporting a double-digit increase: Leisure Products (150%), Broadline Retail (89%), Textiles, Apparel, & Luxury Good (32), and Automobile Components (17%). On the other hand, 4 industries are reporting a year-over-year decline in earnings. However, the Automobiles (-17%) industry is the only industry reporting double-digit decline in earnings.

At the company level, Amazon.com ($1.26 vs. $0.65) is the largest contributor to earnings growth for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting a (year-over-year) decline in earnings of -3.3% instead of (year-over-year) earnings growth of 12.0%.

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline

The Materials sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -8.7%. At the industry level, three of the four industries in this sector are reporting a year-over-year decline in earnings: Metals & Mining (-16%), Containers & Packaging (-14%), and Chemicals (-7%), and. On the other hand, the Construction Materials (1%) industry is the only industry in the sector projected to report a year-over-year growth in earnings.

Revenue Growth: 5.3%

The blended (year-over-year) revenue growth rate for Q2 2024 is 5.3%, which is below the 5-year average revenue growth rate of 6.7% but above the 10-year average revenue growth rate of 5.1%. If 5.3% is the actual revenue growth rate for the quarter, it will mark the 15th consecutive quarter of revenue growth for the index.

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

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

The Information Technology sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 10.4%. At the industry level, 4 of the 6 industries in the sector are reporting year-over-year revenue growth. Two of these four industries are reporting double-digit growth: Semiconductors & Semiconductor Equipment (25%) and Software (12%). On the other hand, two industries are reporting a year-over-year decline in revenue: Communications Equipment (-7%) and Electronic Equipment, Instruments, & Components (-5%).

At the company level, NVIDIA ($28.56 billion vs. $13.51 billion) is the largest contributor to revenue growth for the sector. If this company were excluded, the blended (year-over-year) revenue growth rate for the Information Technology sector would fall to 6.8% from 10.4%.

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

The Communication Services sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 7.7%. At the industry level, 4 of the 5 industries in the sector are reporting year-over-year revenue growth. Only one of these four industries is reporting double-digit growth: Interactive Media & Services (15%). On the other hand, the Media (-1%) industry is the only industry reporting a year-over-year decline in revenue.

Energy: All 5 Sub-Industries Reporting Year-Over-Year Growth

The Energy sector is reporting the third-highest (year-over-year) revenue growth rate of all eleven sectors at 7.6%. At the sub-industry level, all 5 sub-industries in the sector are reporting year-over-year revenue growth. Oil & Gas Storage & Transportation (16%), Oil & Gas Exploration & Production (14%), Oil & Gas Equipment & Services (9%), Integrated Oil & Gas (9%), and Oil & Gas Refining & Marketing (2%).

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline

The Materials sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -1.3%. At the industry level, three of the four industries in this sector are reporting a year-over-year decline in revenues: Chemicals (-3%), Containers & Packaging (-2%), and Construction Materials (-2%). The Metals & Mining (3%) industry is the only industry reporting year-over-year revenue growth.

Net Profit Margin: 12.3%

The blended net profit margin for the S&P 500 for Q2 2024 is 12.3%, which is above the previous quarter's net profit margin of 11.8%, above the year-ago net profit margin of 11.6%, and above the 5-year average of 11.5%.

At the sector level, six sectors are reporting a year-over-year increase in their net profit margins in Q2 2024 compared to Q2 2023, led by the Financials (18.6% vs. 16.8%), Information Technology (25.1% vs. 23.3%), and Communication Services (13.6% vs. 11.9%) sectors. On the other hand, five sectors are reporting a year-over-year decrease in their net profit margins in Q2 2024 compared to Q2 2023, led by the Real Estate (35.9% vs. 36.7%) sector.

Seven sectors are reporting net profit margins in Q2 2024 that are above their 5-year averages, led by the Consumer Discretionary (9.2% vs. 6.6%) and Industrials (10.7% vs. 8.2%) sectors. On the other hand, four sectors are reporting net profit margins in Q2 2024 that are below their 5-year averages, led by the Health Care (8.0% vs. 9.8%) sector.

Forward Estimates and Valuation

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

At this point in time, 74 companies in the index have issued EPS guidance for Q3 2024. Of these 74 companies, 39 have issued negative EPS guidance and 35 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2024 is 53% (39 out of 74), which is below the 5-year average of 59% and below the 10-year average of 63%.

At this point in time, 272 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 272 companies, 126 have issued negative EPS guidance and 146 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 46% (126 out of 272).

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 11% for CY 2024

For the second quarter, S&P 500 companies are reporting year-over-year growth in earnings of 11.5% and year-over-year growth in revenues of 5.3%.

For Q3 2024, analysts are projecting earnings growth of 6.1% and revenue growth of 4.9%.

For Q4 2024, analysts are projecting earnings growth of 16.1% and revenue growth of 5.4%.

For CY 2024, analysts are projecting earnings growth of 10.8% and revenue growth of 5.1%.

For Q1 2025, analysts are projecting earnings growth of 14.8% and revenue growth of 5.9%.

For Q2 2025, analysts are projecting earnings growth of 13.5% and revenue growth of 5.9%.

For CY 2025, analysts are projecting earnings growth of 14.8% and revenue growth of 6.0%.

Valuation: Forward P/E Ratio is 20.7, Above the 10-Year Average (17.9)

The forward 12-month P/E ratio for the S&P 500 is 20.7. This P/E ratio is above the 5-year average of 19.3 and above the 10-year average of 17.9. However, it is below the forward 12-month P/E ratio of 21.0 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has decreased by 0.3%, while the forward 12-month EPS estimate has increased by 1.3%. At the sector level, the Information Technology (28.2) sector has the highest forward 12-month P/E ratio, while the Energy (12.3) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 25.9, which is above the 5-year average of 23.5 and above the 10-year average of 21.5.

Targets & Ratings: Analysts Project 14% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 6226.32, which is 14.3% above the closing price of 5446.68. At the sector level, the Information Technology (+20.3%) and Energy (+20.0%) 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 Utilities (+2.0%) and Real Estate (+3.0%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

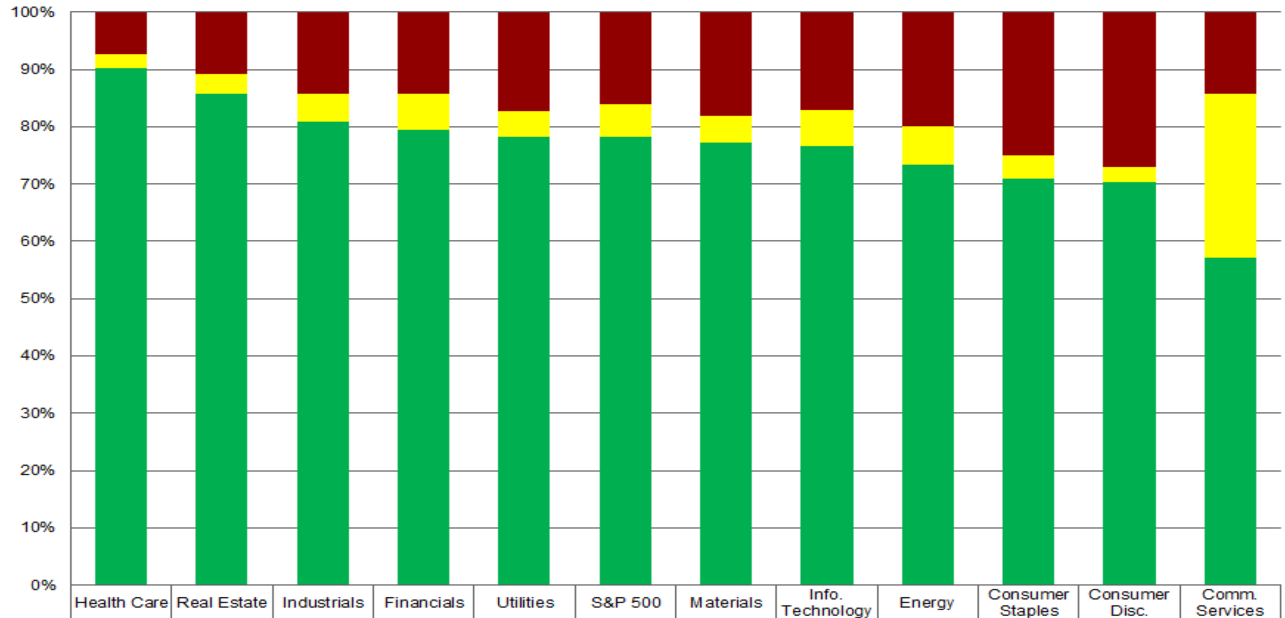
Overall, there are 11,848 ratings on stocks in the S&P 500. Of these 11,848 ratings, 55.0% are Buy ratings, 40.0% are Hold ratings, and 5.0% are Sell ratings. At the sector level, the Energy (63%), Communication Services (63%), and Information Technology (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) and Materials (47%) sectors have the lowest percentages of Buy ratings.

Companies Reporting Next Week: 79

During the upcoming week,79 S&P 500 companies (including 3 Dow 30 components) are scheduled to report results for the second quarter.

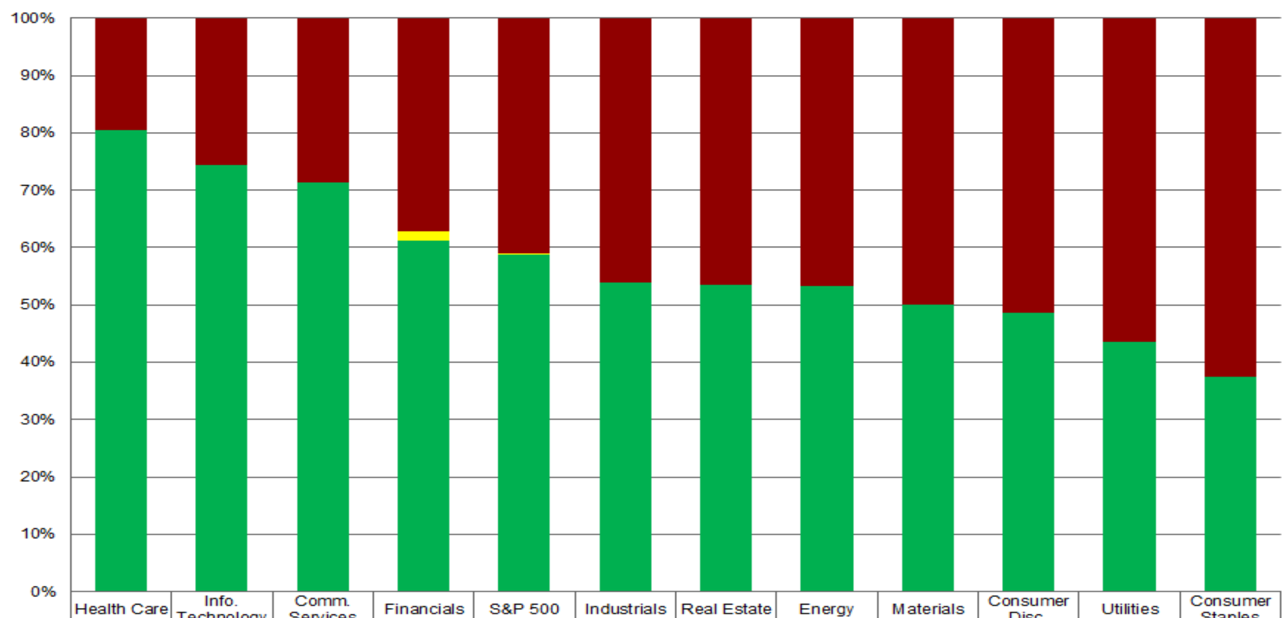
Q2 2024: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q2 2024
(Source: FactSet)



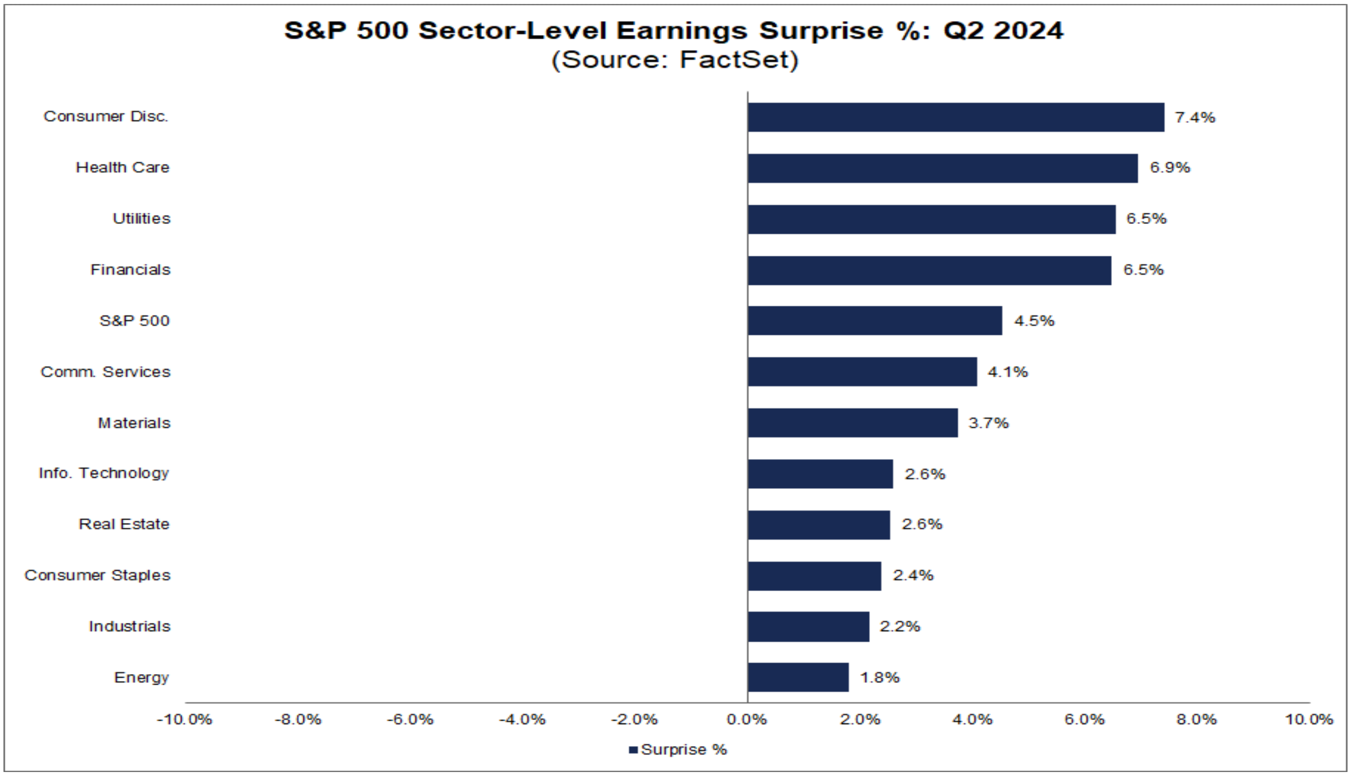
	Health Care	Real Estate	Industrials	Financials	Utilities	S&P 500	Materials	Info. Technology	Energy	Consumer Staples	Consumer Disc.	Comm. Services
Below	7%	11%	14%	14%	17%	16%	18%	17%	20%	25%	27%	14%
In-Line	2%	4%	5%	6%	4%	6%	5%	6%	7%	4%	3%	29%
Above	90%	86%	81%	79%	78%	78%	77%	77%	73%	71%	70%	57%

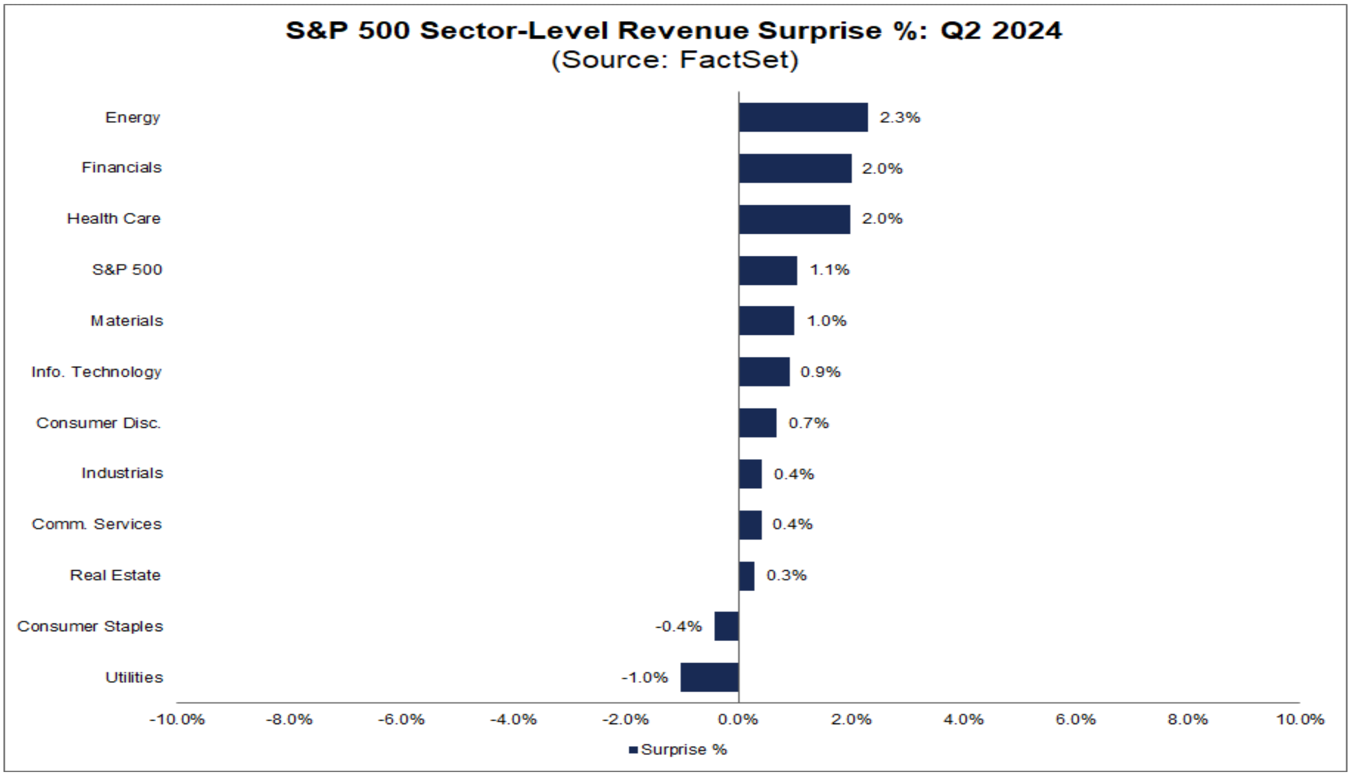
S&P 500 Revenues Above, In-Line, Below Estimates: Q2 2024
(Source: FactSet)



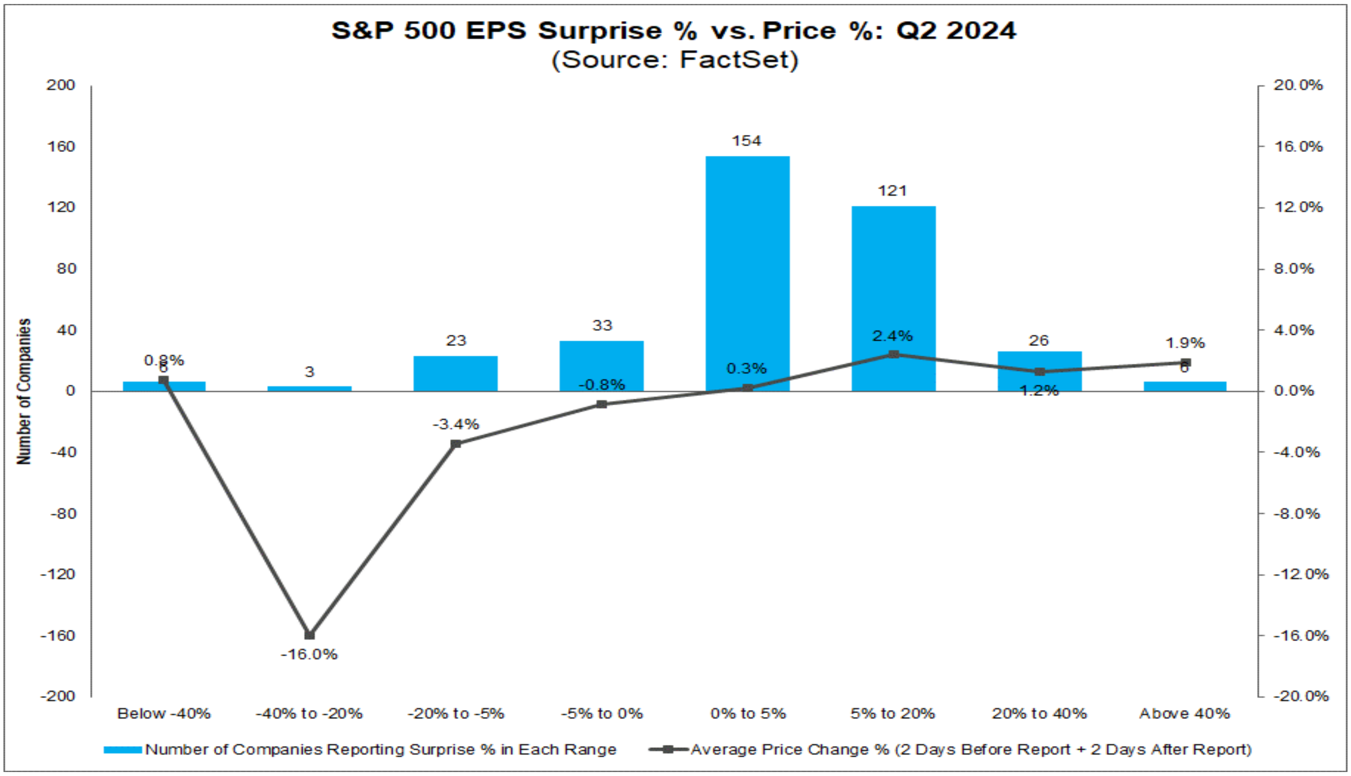
	Health Care	Info. Technology	Comm. Services	Financials	S&P 500	Industrials	Real Estate	Energy	Materials	Consumer Disc.	Utilities	Consumer Staples
Below	20%	26%	29%	37%	41%	46%	46%	47%	50%	51%	57%	63%
In-Line	0%	0%	0%	2%	0%	0%	0%	0%	0%	0%	0%	0%
Above	80%	74%	71%	61%	59%	54%	54%	53%	50%	49%	43%	38%

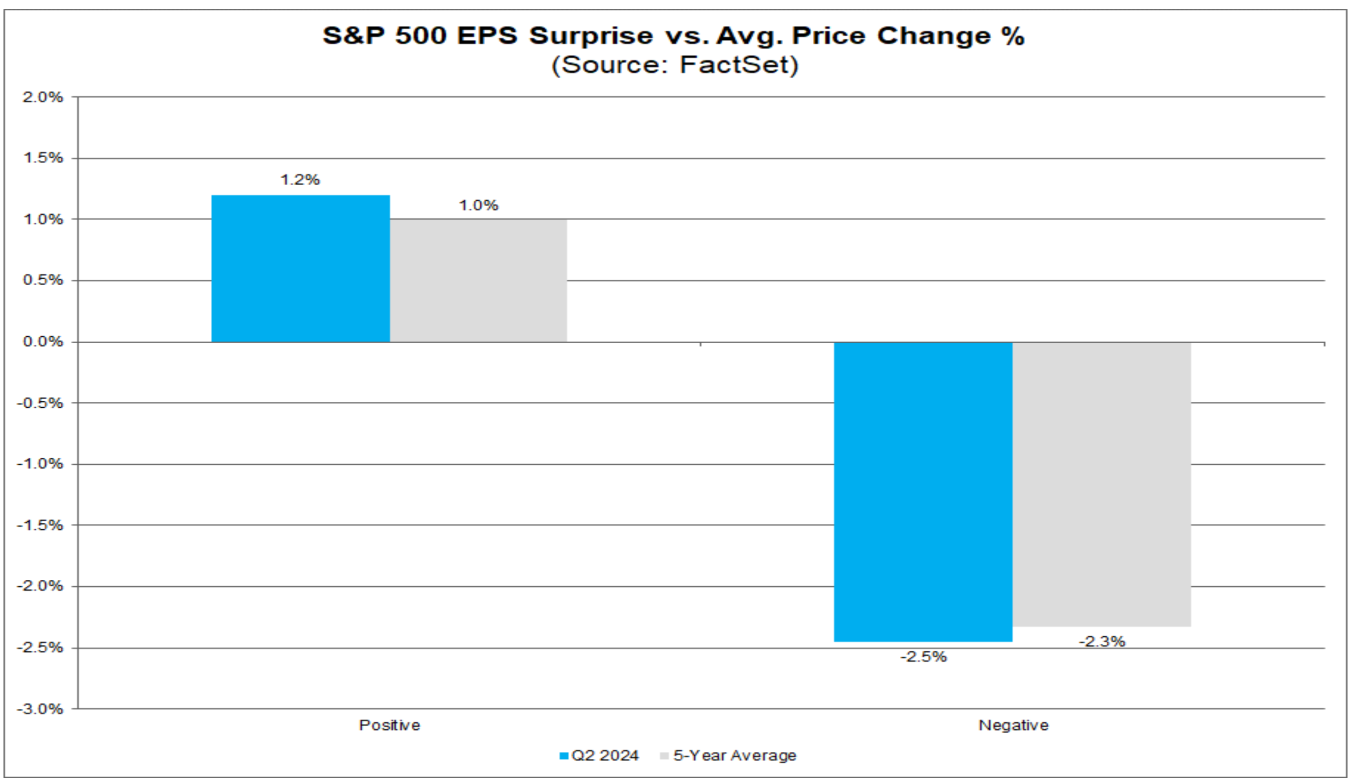
Q2 2024: Surprise



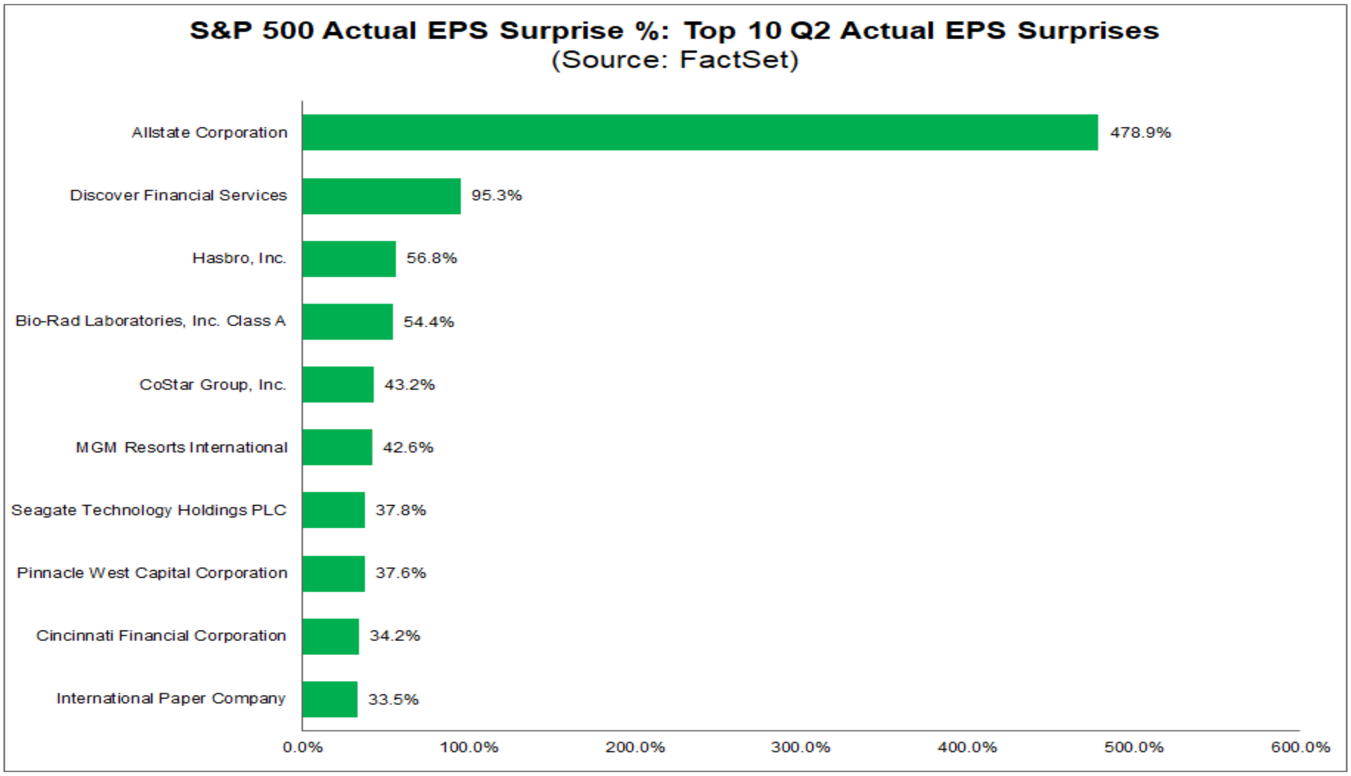


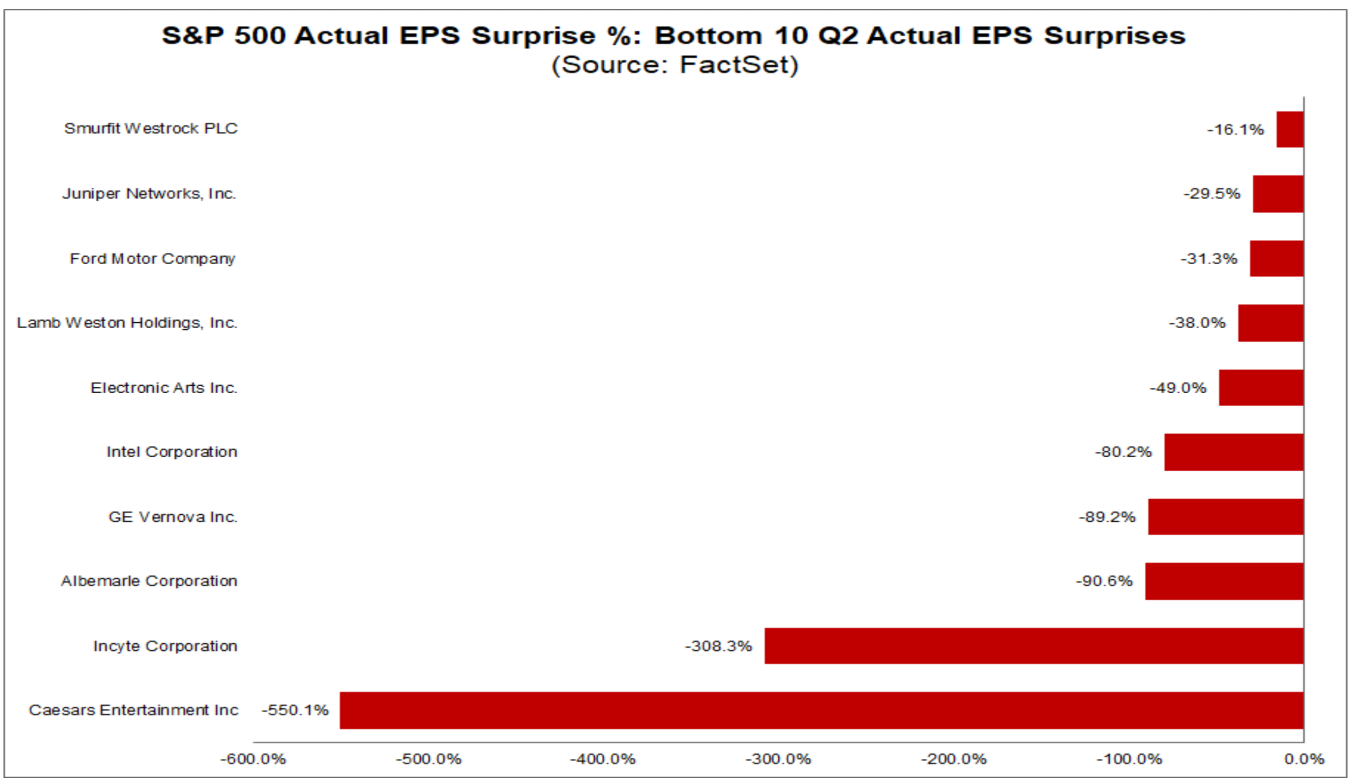
Q2 2024: Surprise



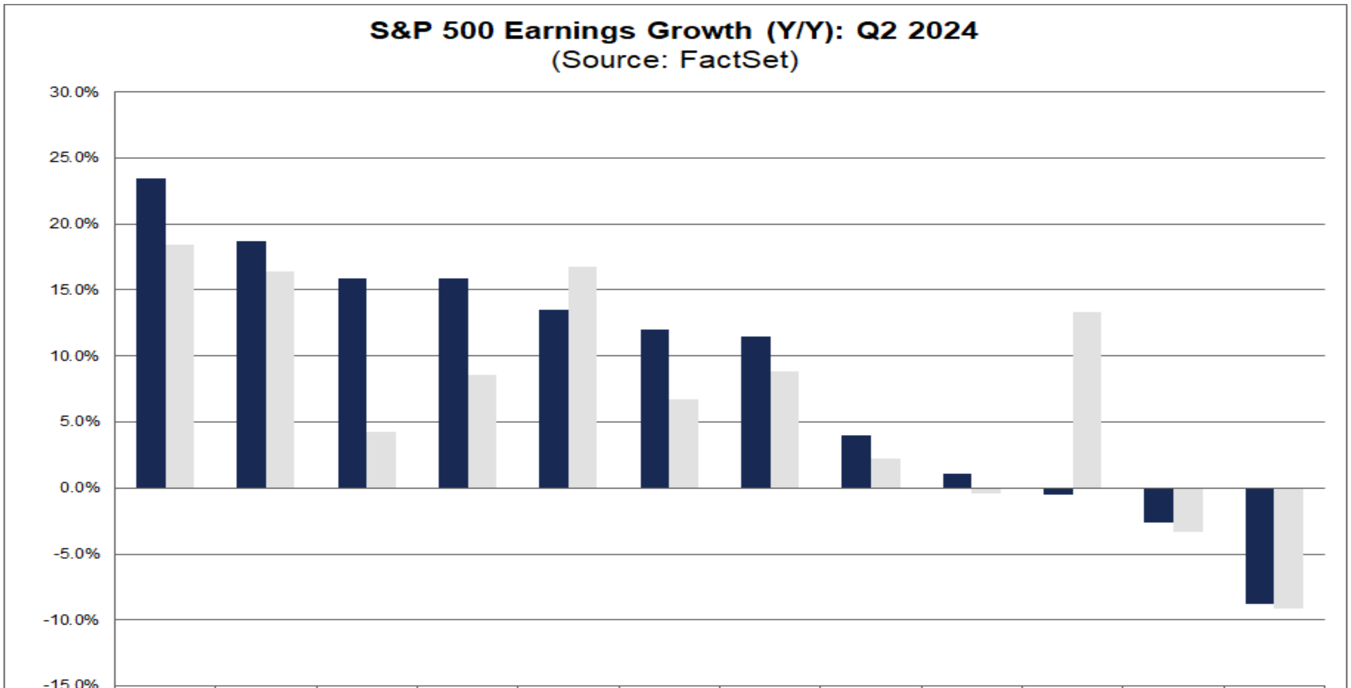


Q2 2024: Surprise

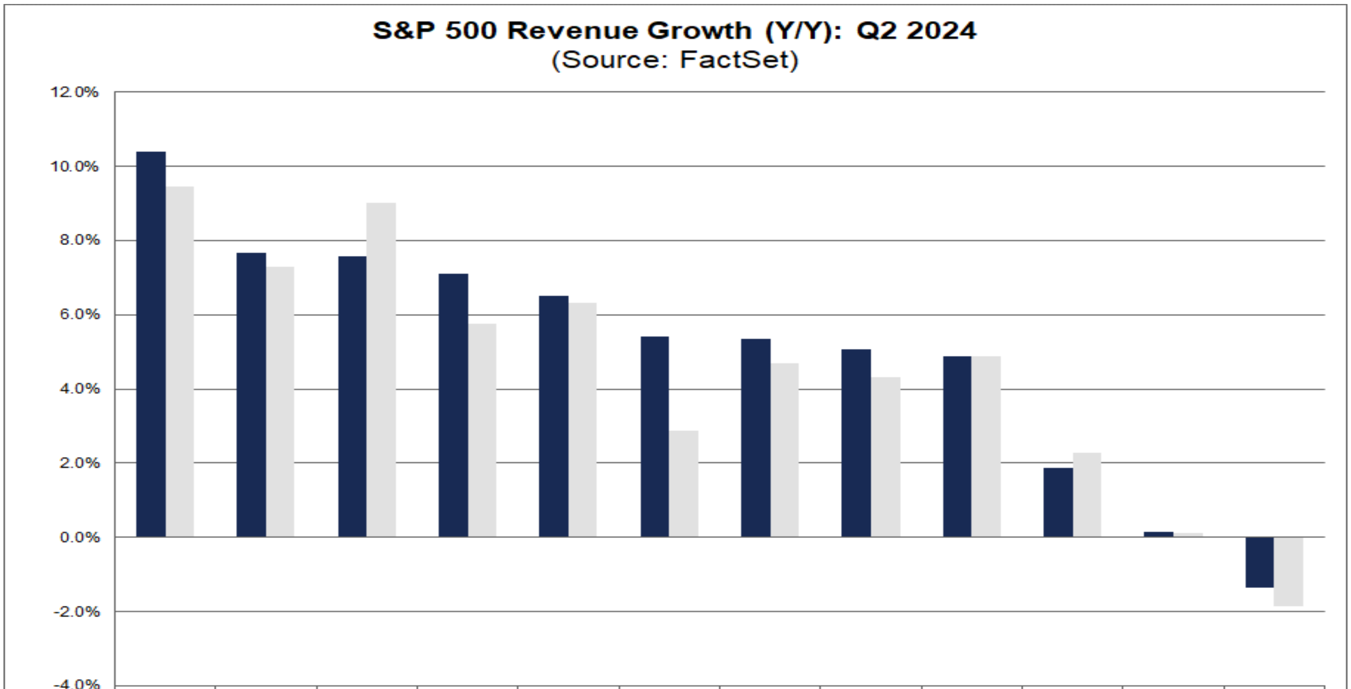




Q2 2024: Growth

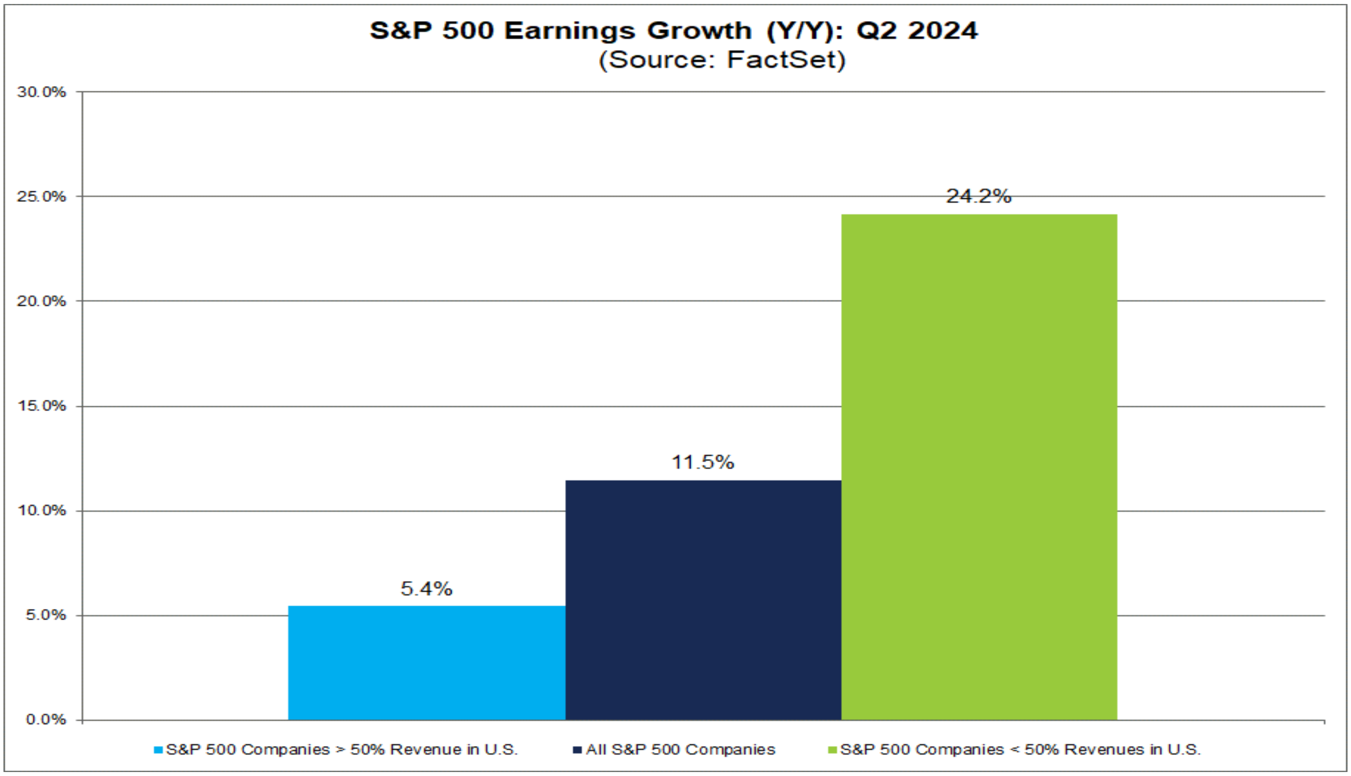


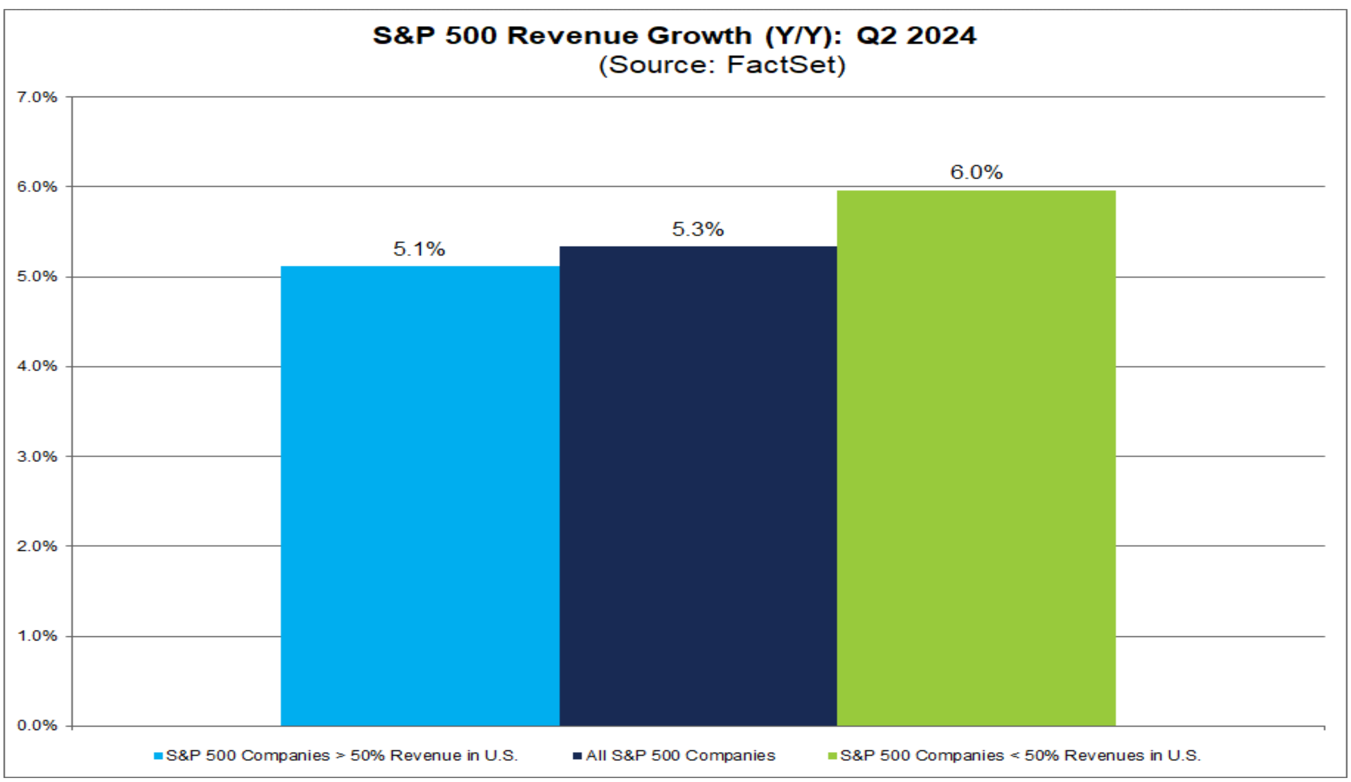
	Comm. Services	Info. Technology	Financials	Utilities	Health Care	Consumer Disc.	S&P 500	Real Estate	Consumer Staples	Energy	Industrials	Materials
Today	23.4%	18.7%	15.9%	15.9%	13.5%	12.0%	11.5%	4.0%	1.1%	-0.5%	-2.6%	-8.7%
30-Jun	18.4%	16.4%	4.3%	8.6%	16.7%	6.7%	8.9%	2.2%	-0.4%	13.3%	-3.3%	-9.1%



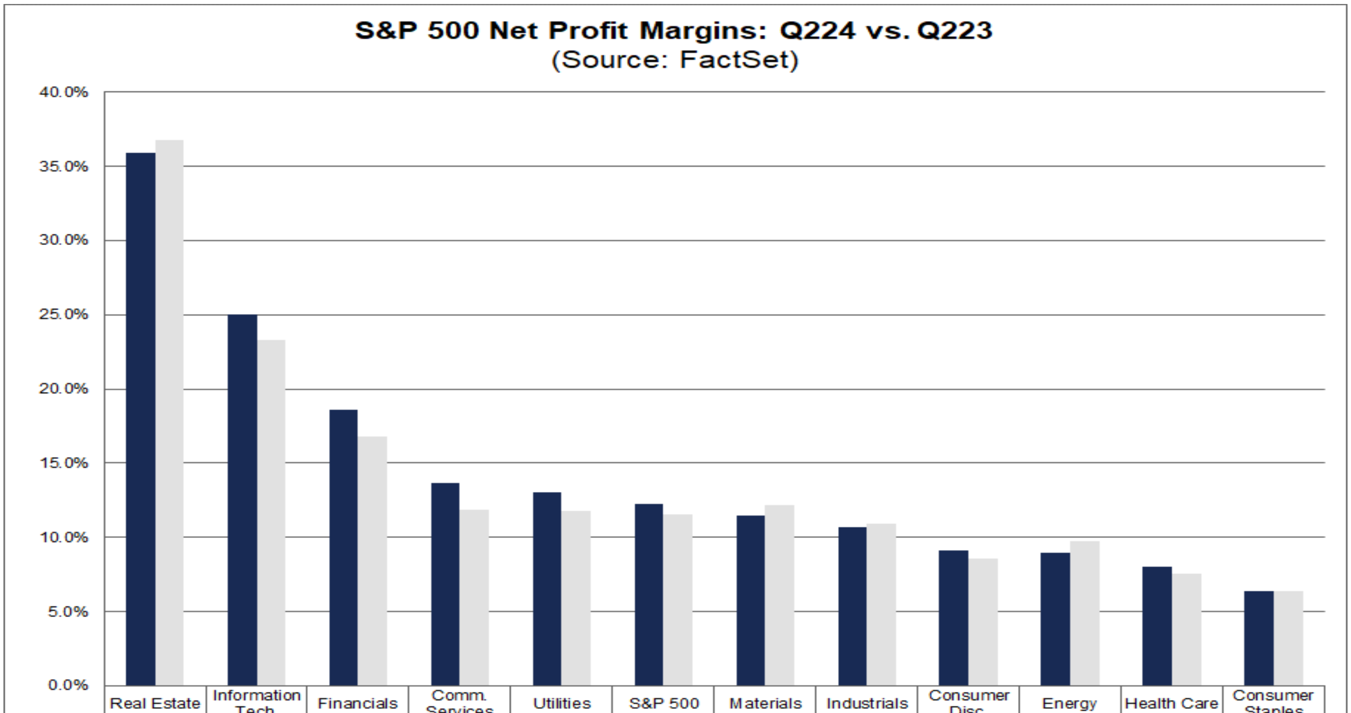
	Info. Technology	Comm. Services	Energy	Health Care	Real Estate	Financials	S&P 500	Consumer Disc.	Utilities	Consumer Staples	Industrials	Materials
Today	10.4%	7.7%	7.6%	7.1%	6.5%	5.4%	5.3%	5.1%	4.9%	1.9%	0.1%	-1.4%
30-Jun	9.5%	7.3%	9.0%	5.8%	6.3%	2.9%	4.7%	4.3%	4.9%	2.3%	0.1%	-1.9%

Q2 2024: Growth

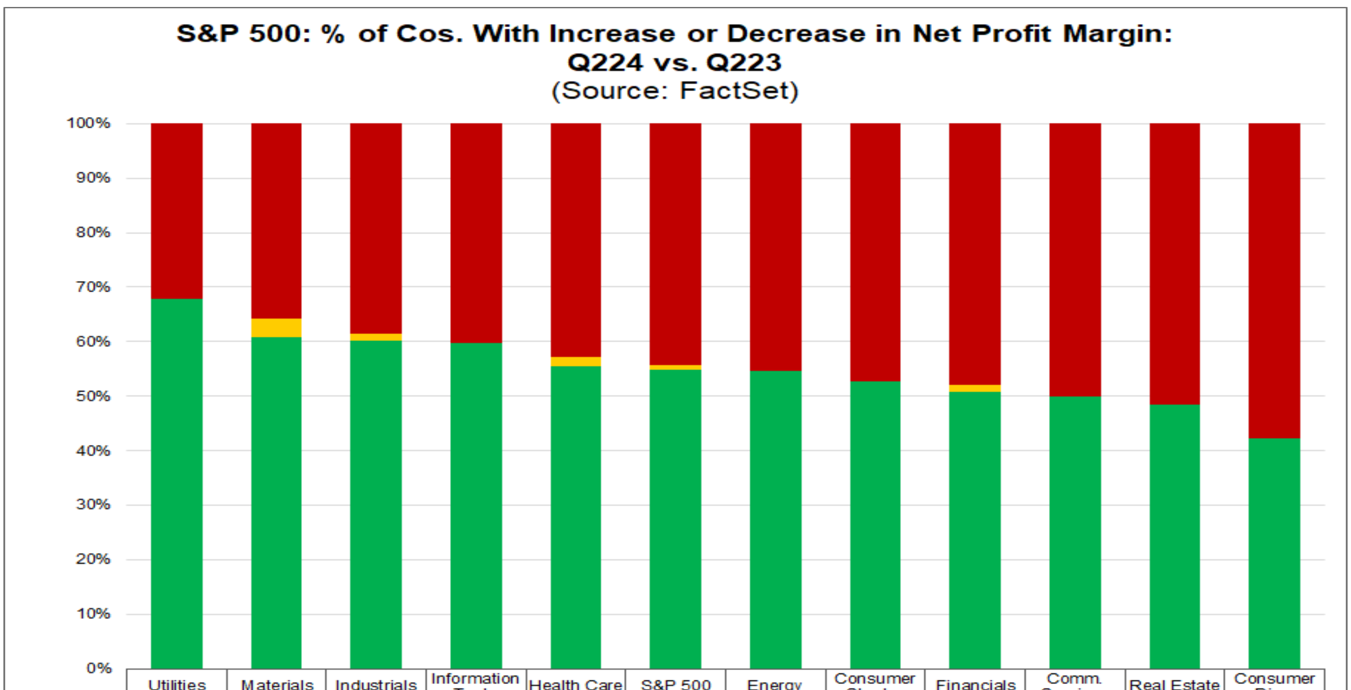




Q2 2024: Net Profit Margin

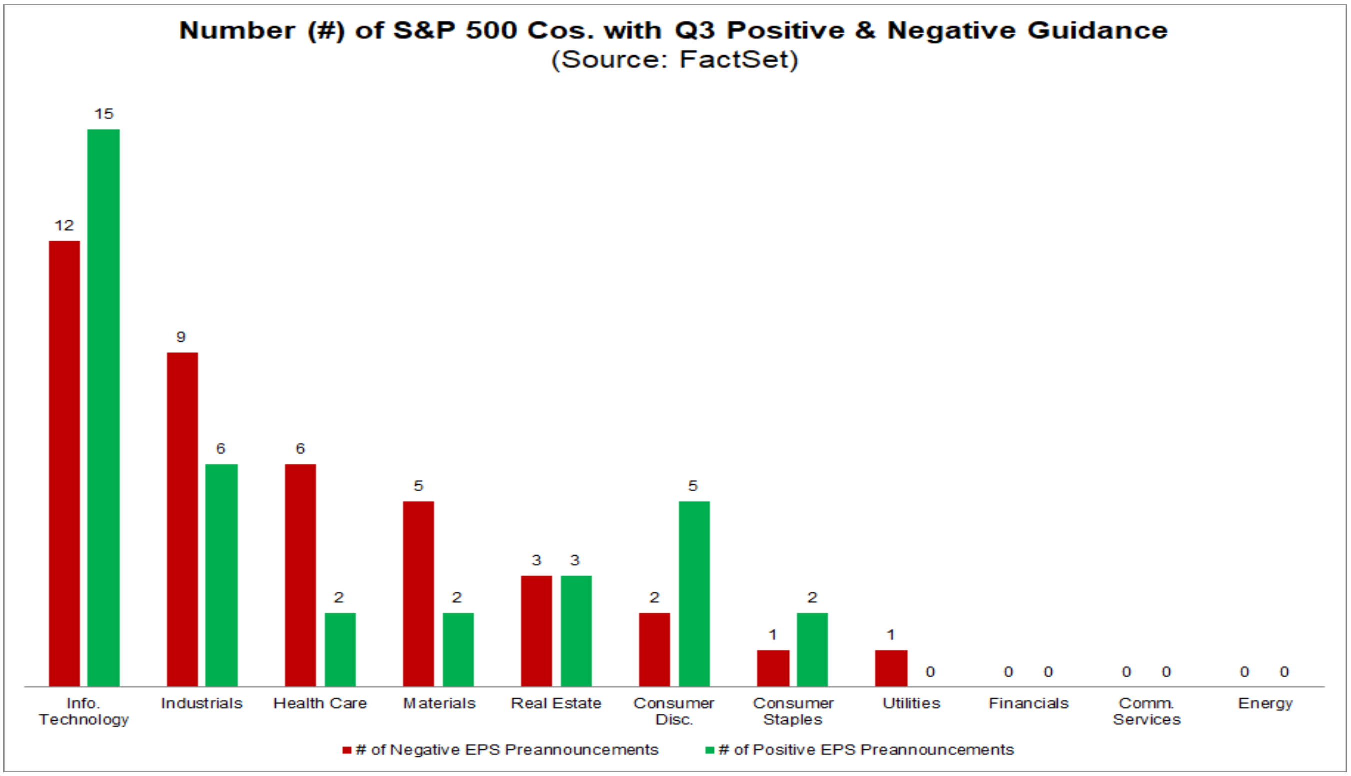


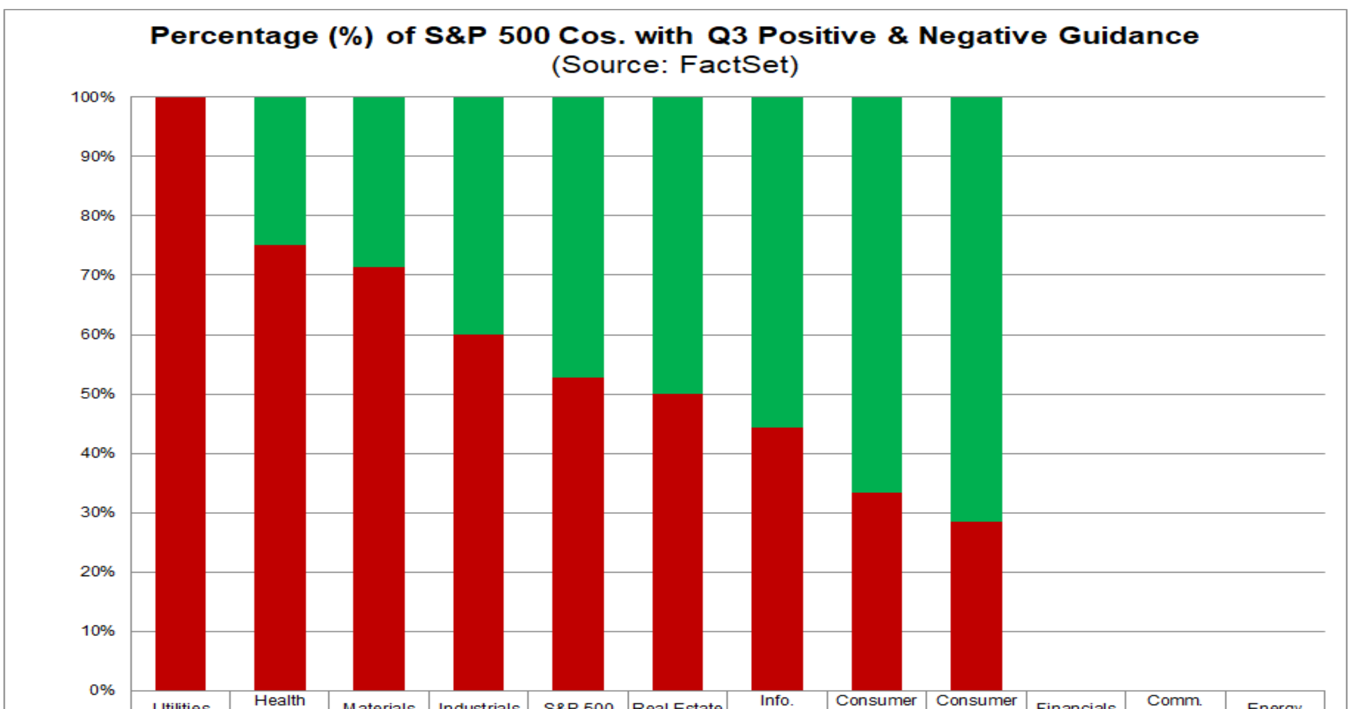
	Real Estate	Information Tech.	Financials	Comm. Services	Utilities	S&P 500	Materials	Industrials	Consumer Disc.	Energy	Health Care	Consumer Staples
Q124	35.9%	25.1%	18.6%	13.6%	13.0%	12.3%	11.4%	10.7%	9.2%	9.0%	8.0%	6.4%
Q123	36.7%	23.3%	16.8%	11.9%	11.8%	11.6%	12.2%	11.0%	8.6%	9.7%	7.6%	6.4%



	Utilities	Materials	Industrials	Information Tech.	Health Care	S&P 500	Energy	Consumer Staples	Financials	Comm. Services	Real Estate	Consumer Disc.
Down %	32%	36%	38%	40%	43%	44%	45%	47%	48%	50%	52%	58%
None %	0%	4%	1%	0%	2%	1%	0%	0%	1%	0%	0%	0%
Up %	68%	61%	60%	60%	56%	55%	55%	53%	51%	50%	48%	42%

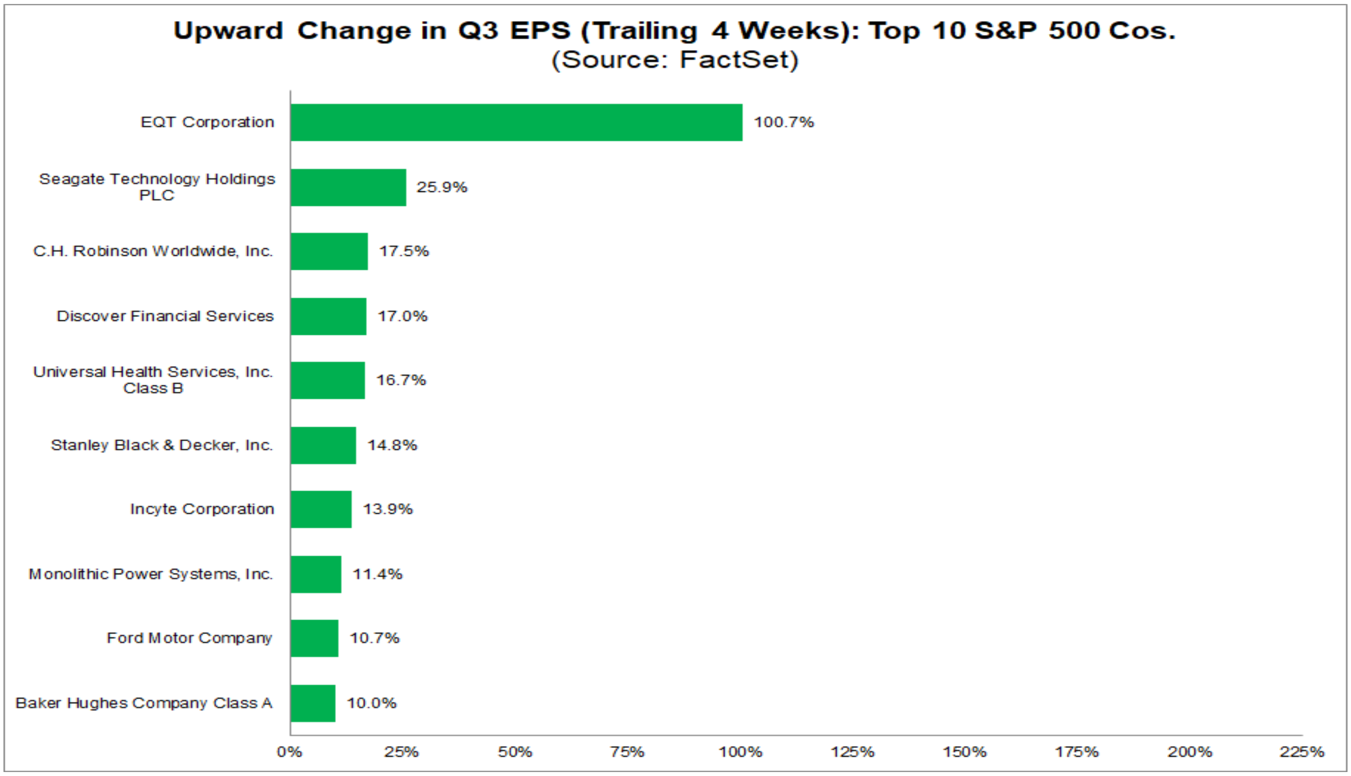
Q3 2024: Guidance

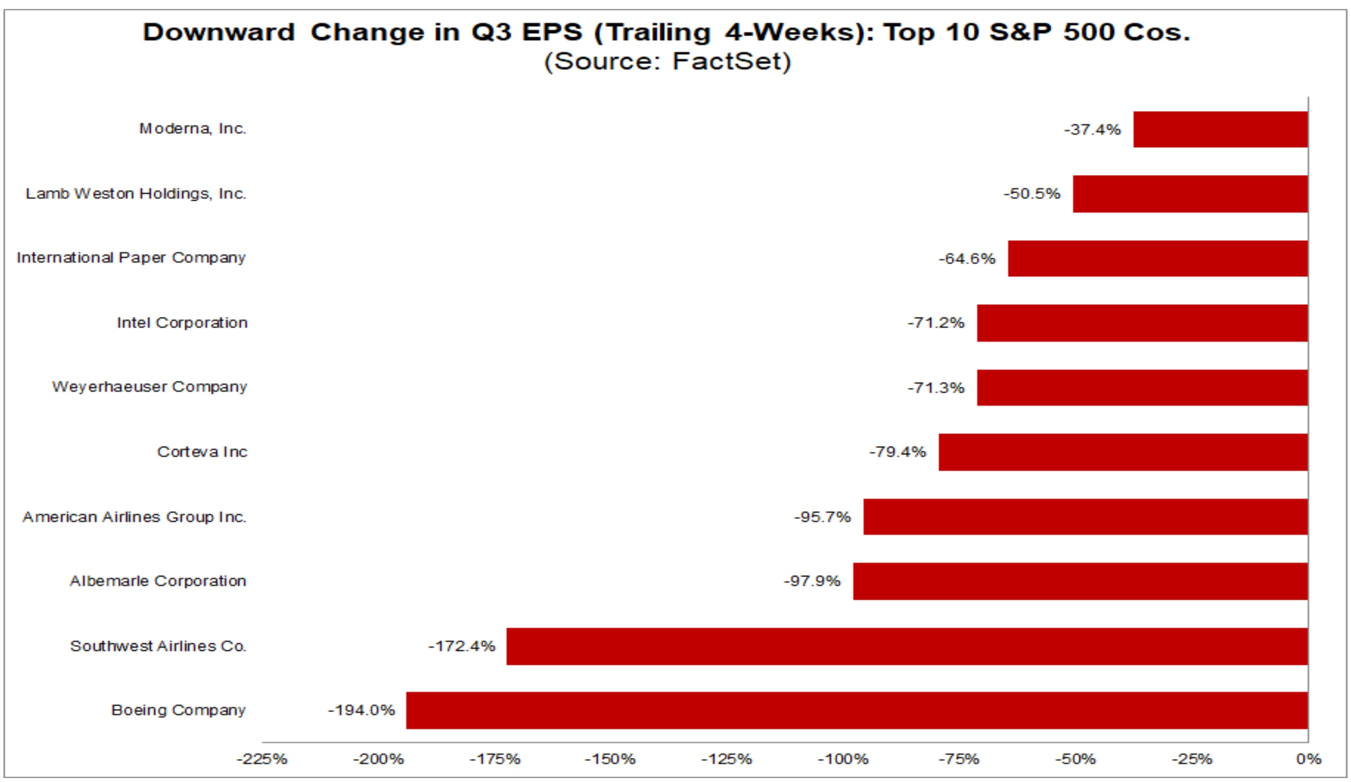




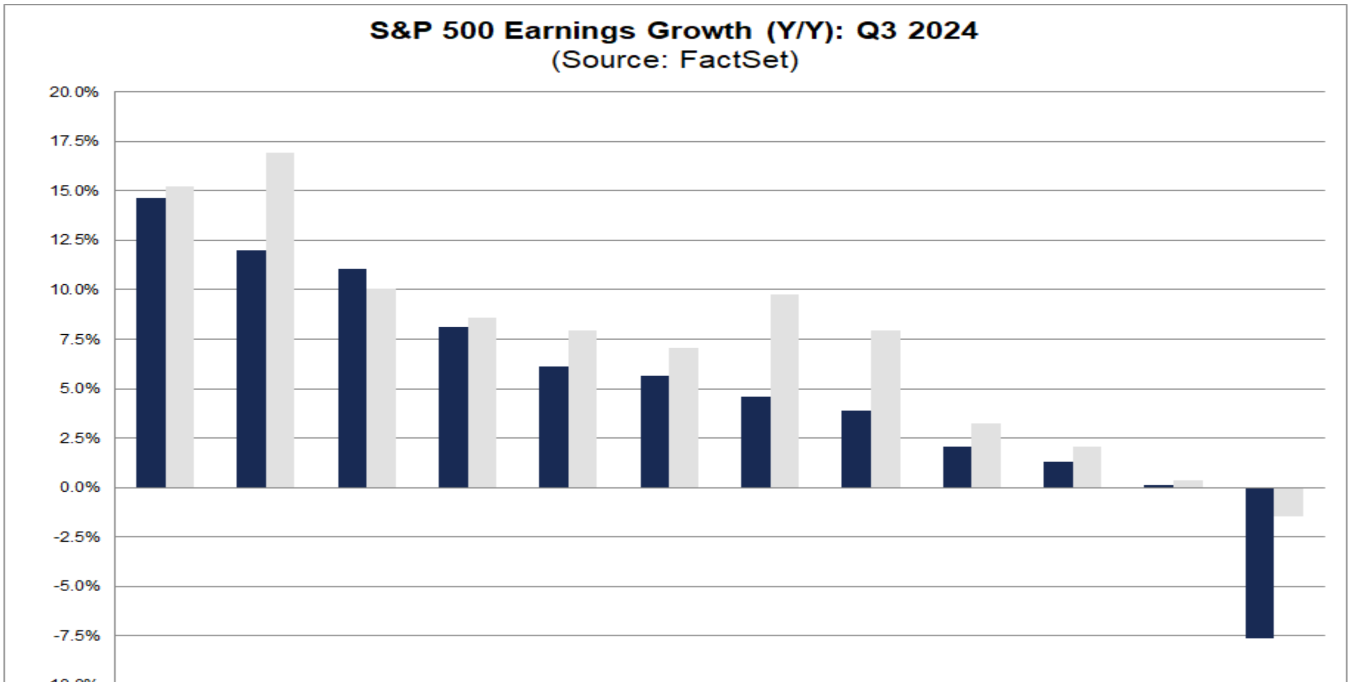
	Utilities	Health Care	Materials	Industrials	S&P 500	Real Estate	Info. Technology	Consumer Staples	Consumer Disc.	Financials	Comm. Services	Energy
Positive	0%	25%	29%	40%	47%	50%	56%	67%	71%	0%	0%	0%
Negative	100%	75%	71%	60%	53%	50%	44%	33%	29%	0%	0%	0%

Q3 2024: EPS Revisions

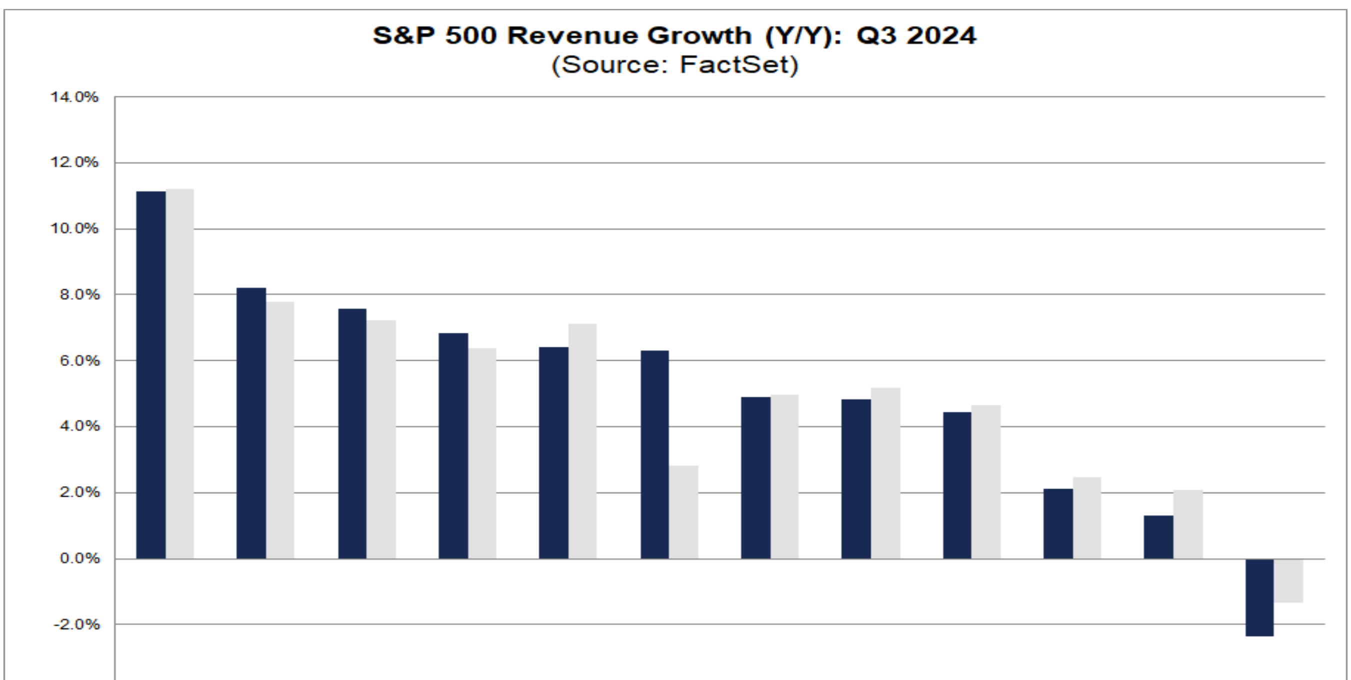




Q3 2024: Growth

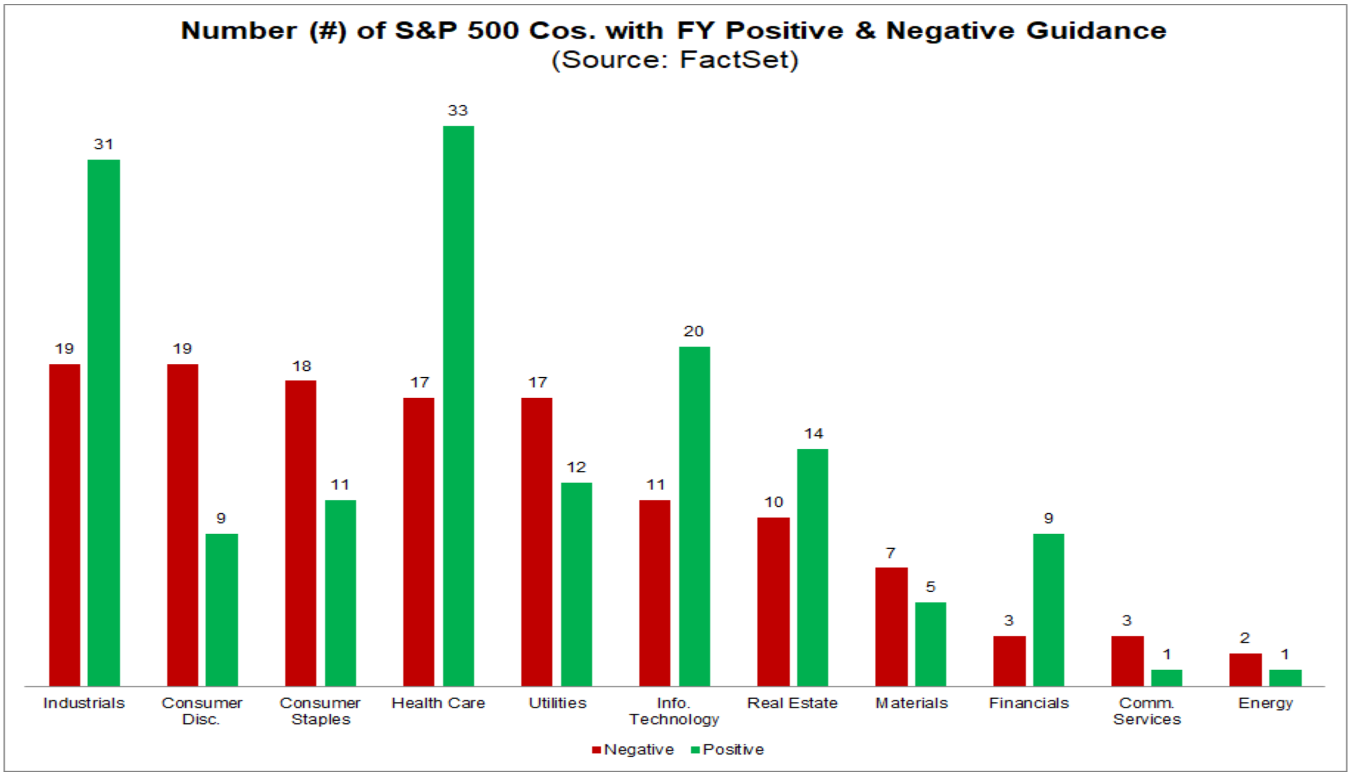


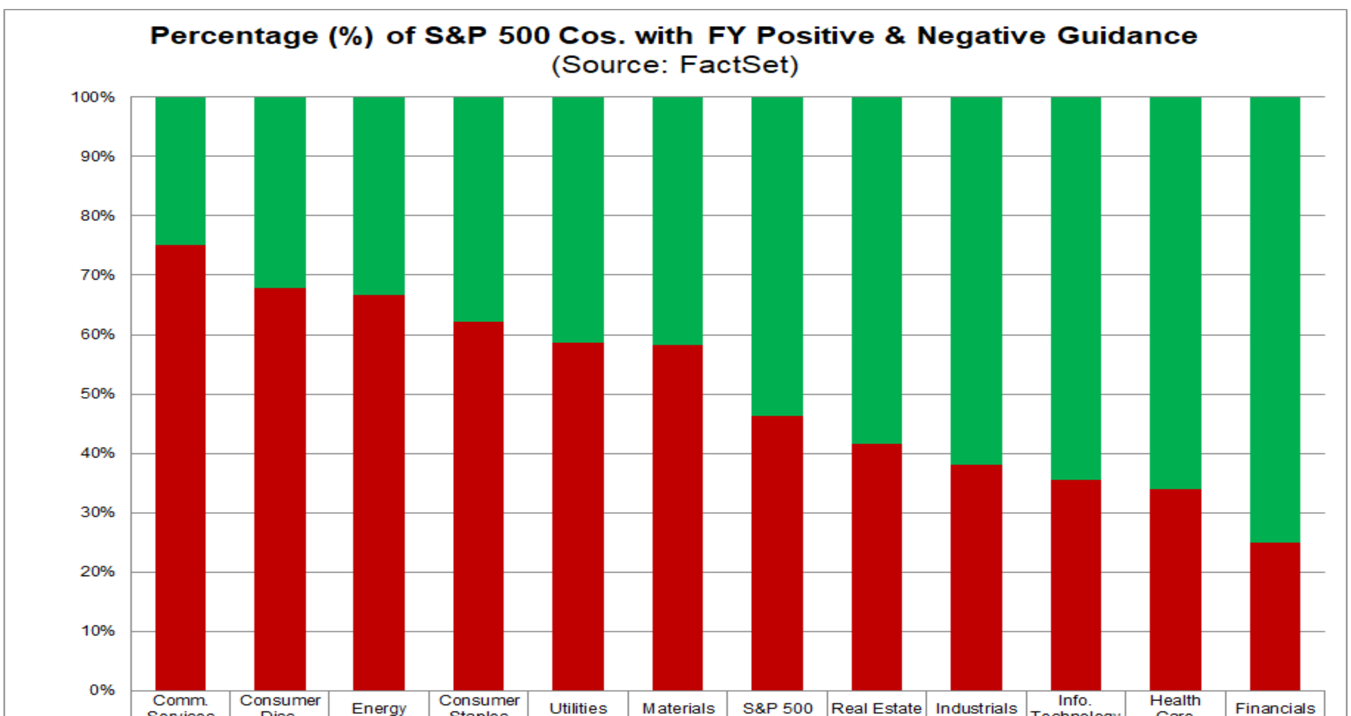
	Info. Technology	Health Care	Comm. Services	Utilities	S&P 500	Real Estate	Industrials	Materials	Consumer Staples	Consumer Disc.	Financials	Energy
Today	14.6%	12.0%	11.0%	8.1%	6.1%	5.7%	4.6%	3.9%	2.1%	1.3%	0.1%	-7.6%
30-Jun	15.3%	16.9%	10.1%	8.6%	7.9%	7.1%	9.7%	7.9%	3.3%	2.1%	0.4%	-1.5%



	Info. Technology	Comm. Services	Utilities	Health Care	Real Estate	Materials	S&P 500	Consumer Disc.	Financials	Consumer Staples	Industrials	Energy
Today	11.1%	8.2%	7.6%	6.8%	6.4%	6.3%	4.9%	4.8%	4.4%	2.1%	1.3%	-2.4%
30-Jun	11.2%	7.8%	7.2%	6.4%	7.1%	2.8%	5.0%	5.2%	4.6%	2.5%	2.1%	-1.3%

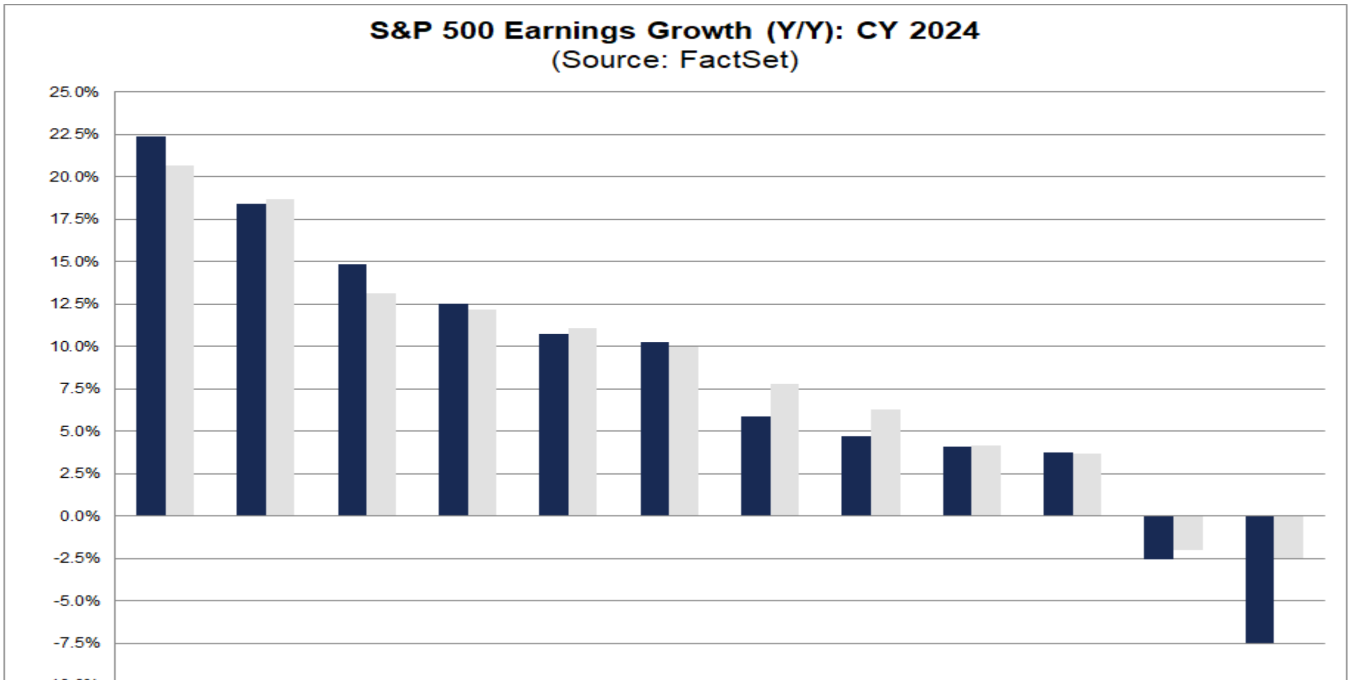
FY 2024 / 2025: EPS Guidance



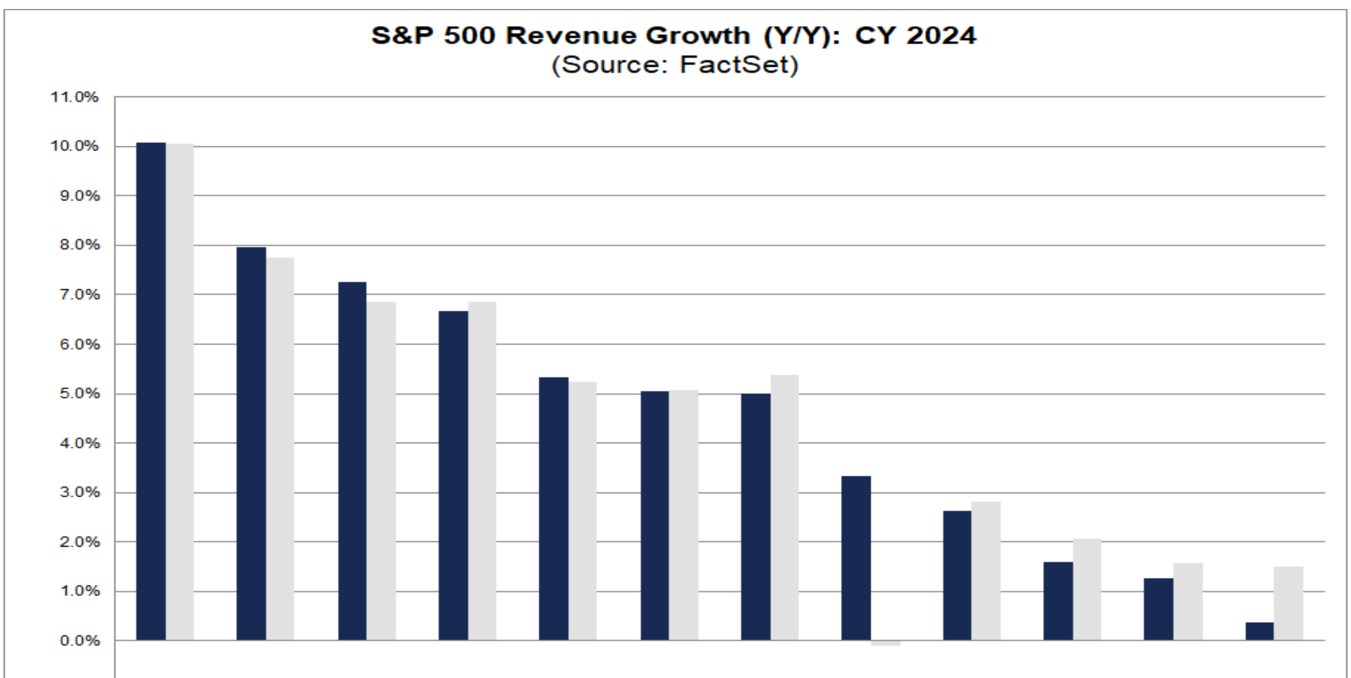


	Comm. Services	Consumer Disc.	Energy	Consumer Staples	Utilities	Materials	S&P 500	Real Estate	Industrials	Info. Technology	Health Care	Financials
Positive	25%	32%	33%	38%	41%	42%	54%	58%	62%	65%	66%	75%
Negative	75%	68%	67%	62%	59%	58%	46%	42%	38%	35%	34%	25%

CY 2024: Growth

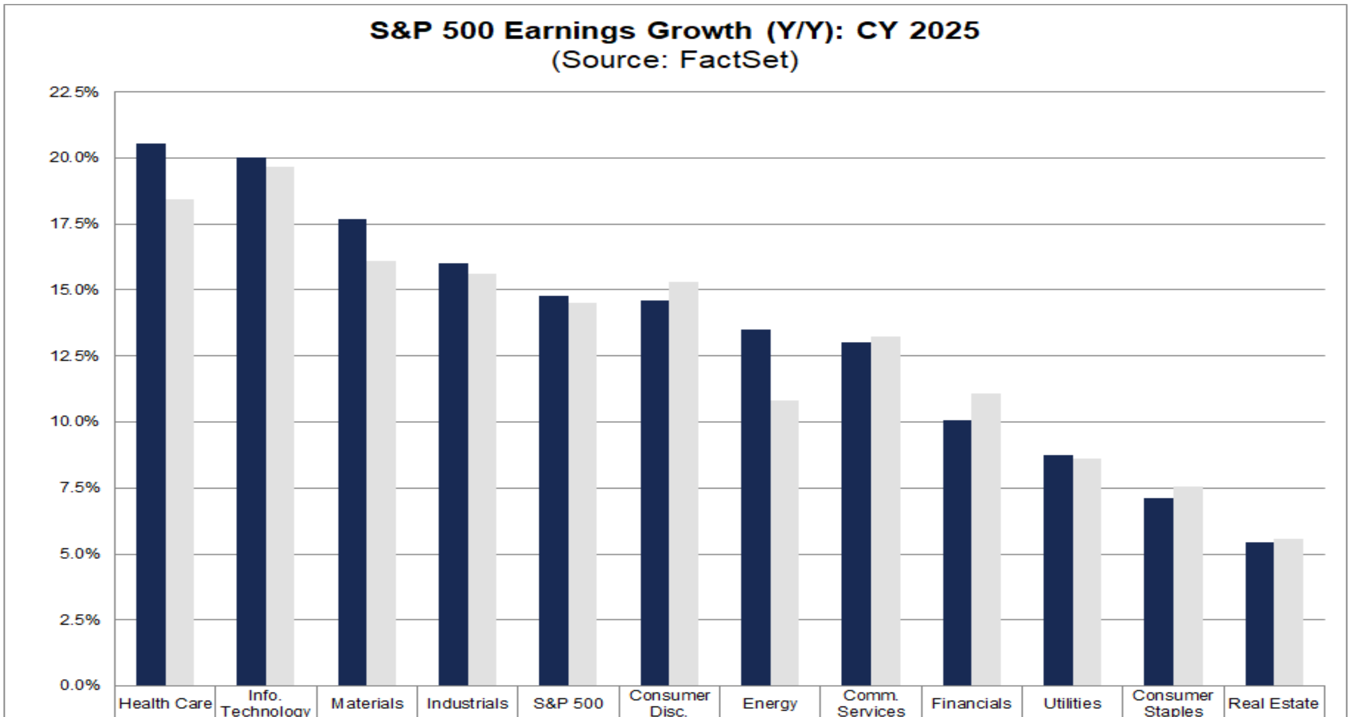


	Comm. Services	Info. Technology	Financials	Consumer Disc.	S&P 500	Utilities	Health Care	Industrials	Real Estate	Consumer Staples	Materials	Energy
Today	22.4%	18.4%	14.8%	12.5%	10.8%	10.2%	5.9%	4.7%	4.1%	3.7%	-2.6%	-7.5%
30-Jun	20.6%	18.7%	13.1%	12.1%	11.1%	9.9%	7.8%	6.3%	4.1%	3.7%	-2.0%	-2.5%

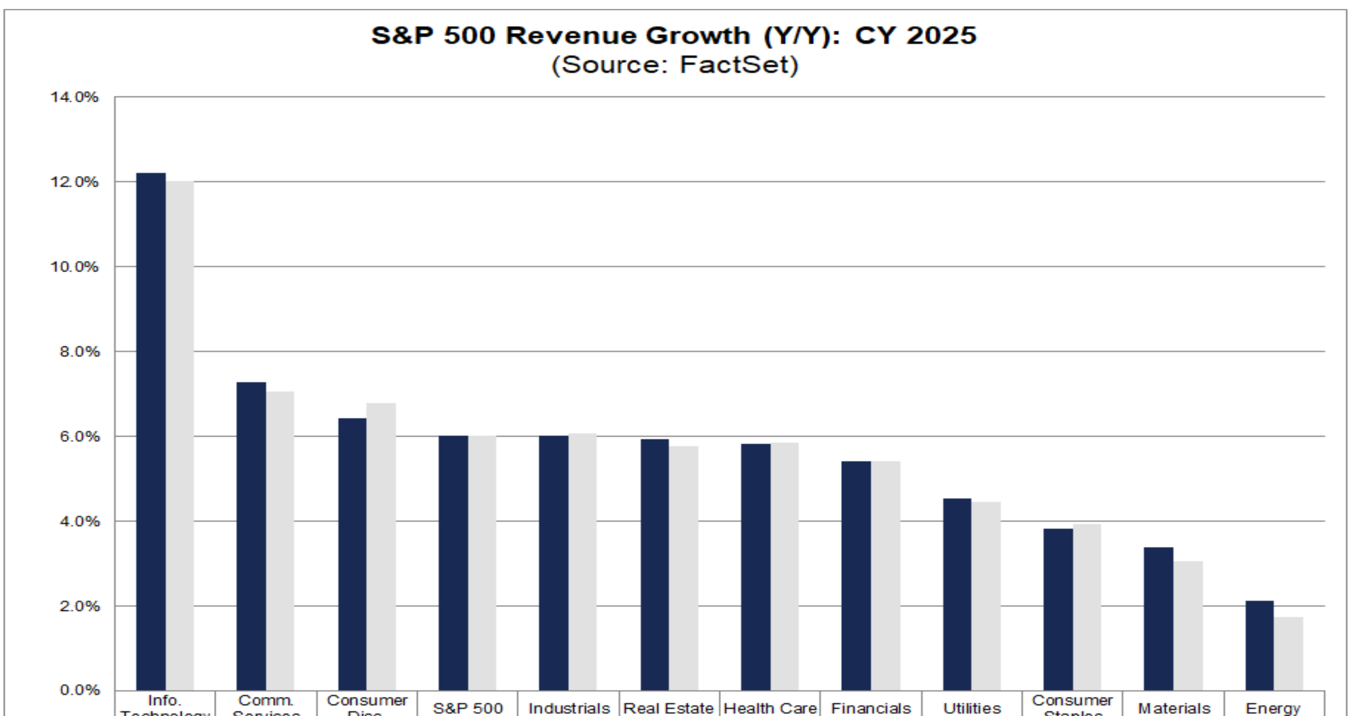


	Info. Technology	Comm. Services	Health Care	Real Estate	Consumer Disc.	S&P 500	Financials	Materials	Consumer Staples	Utilities	Industrials	Energy
Today	10.1%	8.0%	7.3%	6.7%	5.3%	5.1%	5.0%	3.3%	2.6%	1.6%	1.3%	0.4%
30-Jun	10.1%	7.8%	6.9%	6.9%	5.2%	5.1%	5.4%	-0.1%	2.8%	2.1%	1.6%	1.5%

CY 2025: Growth

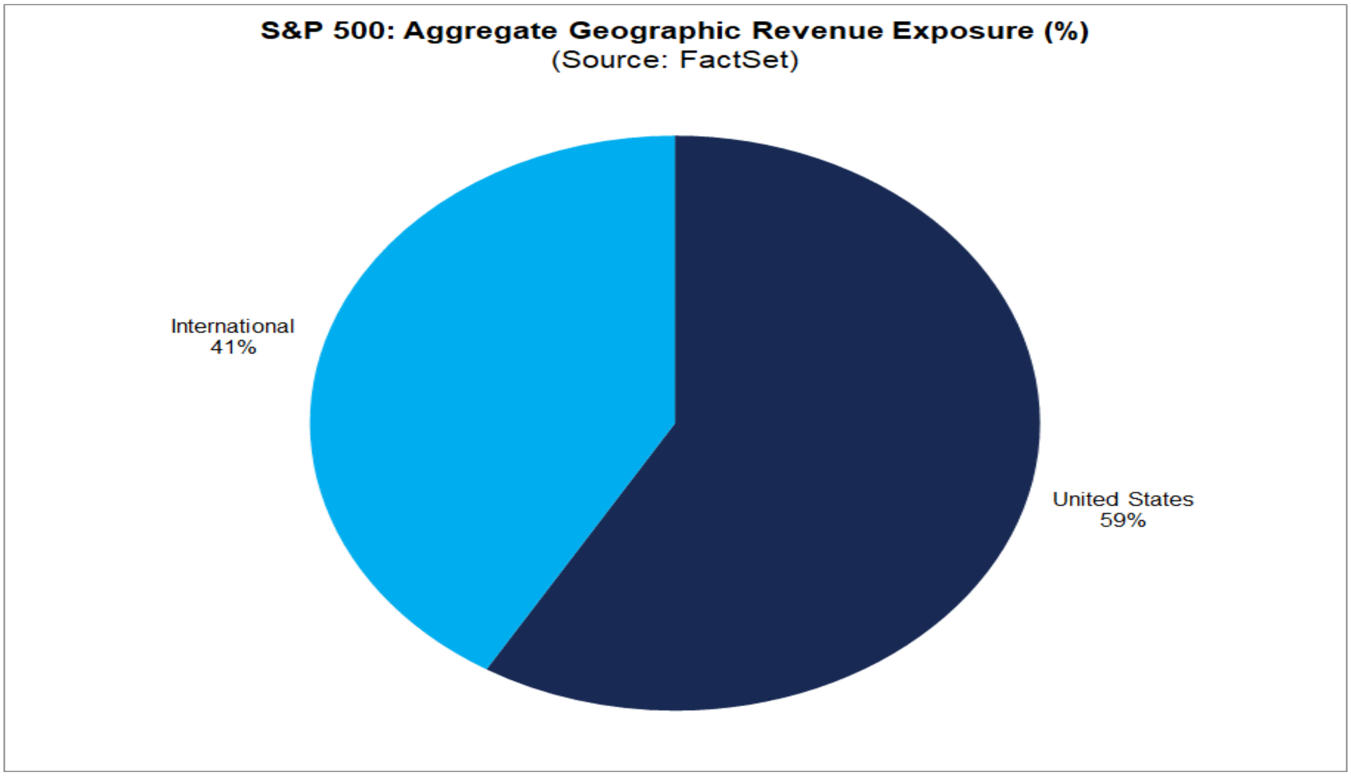


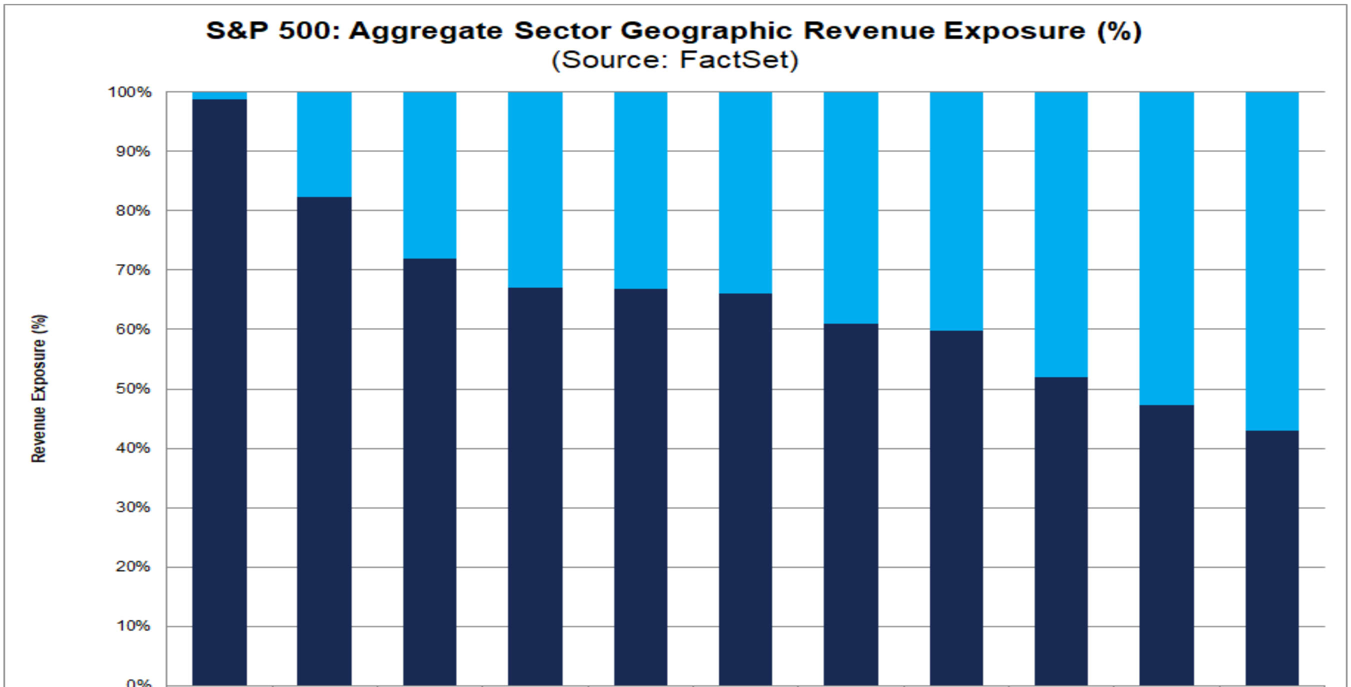
	Health Care	Info. Technology	Materials	Industrials	S&P 500	Consumer Disc.	Energy	Comm. Services	Financials	Utilities	Consumer Staples	Real Estate
Today	20.5%	20.0%	17.7%	16.0%	14.8%	14.6%	13.5%	13.0%	10.1%	8.8%	7.1%	5.4%
30-Jun	18.4%	19.7%	16.1%	15.6%	14.5%	15.3%	10.8%	13.3%	11.1%	8.6%	7.5%	5.6%



	Info. Technology	Comm. Services	Consumer Disc.	S&P 500	Industrials	Real Estate	Health Care	Financials	Utilities	Consumer Staples	Materials	Energy
Today	12.2%	7.3%	6.4%	6.0%	6.0%	5.9%	5.8%	5.4%	4.5%	3.8%	3.4%	2.1%
30-Jun	12.0%	7.1%	6.8%	6.0%	6.1%	5.8%	5.8%	5.4%	4.4%	3.9%	3.1%	1.7%

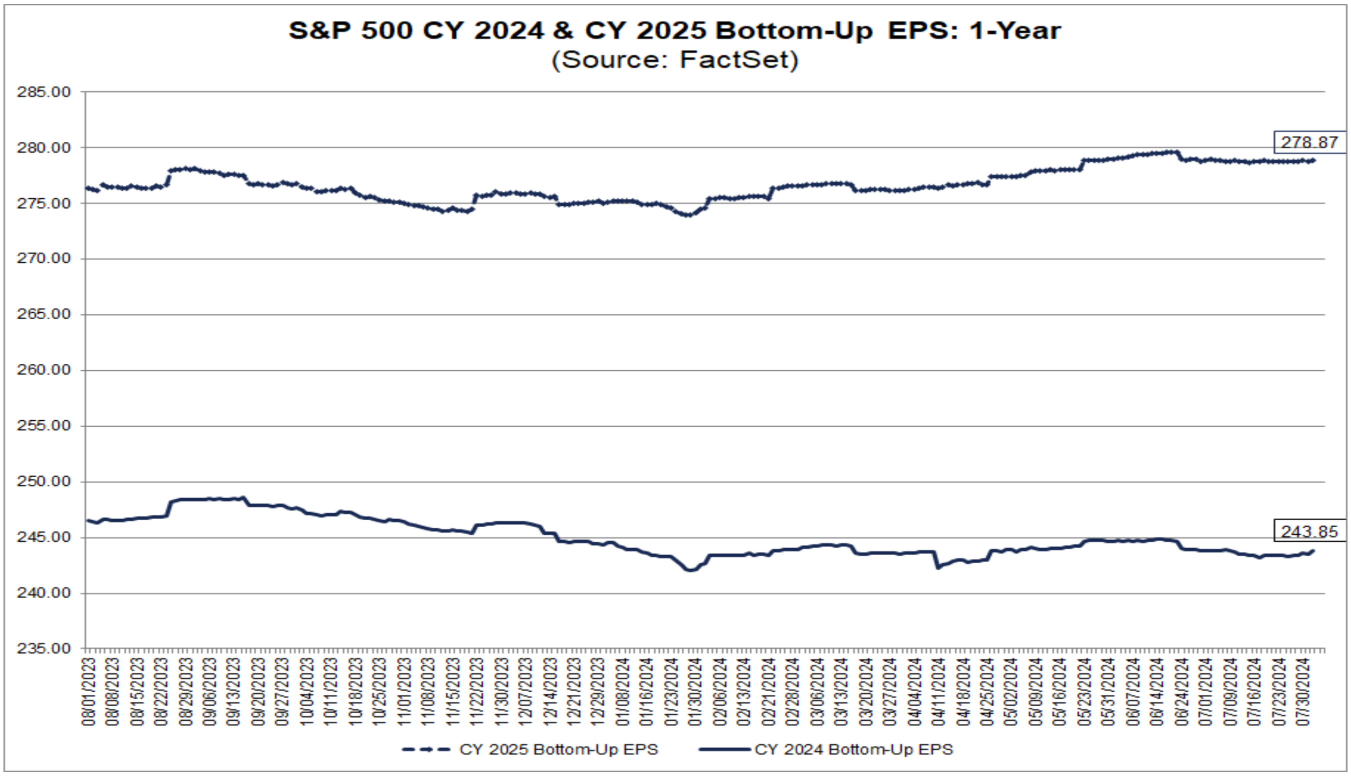
Geographic Revenue Exposure

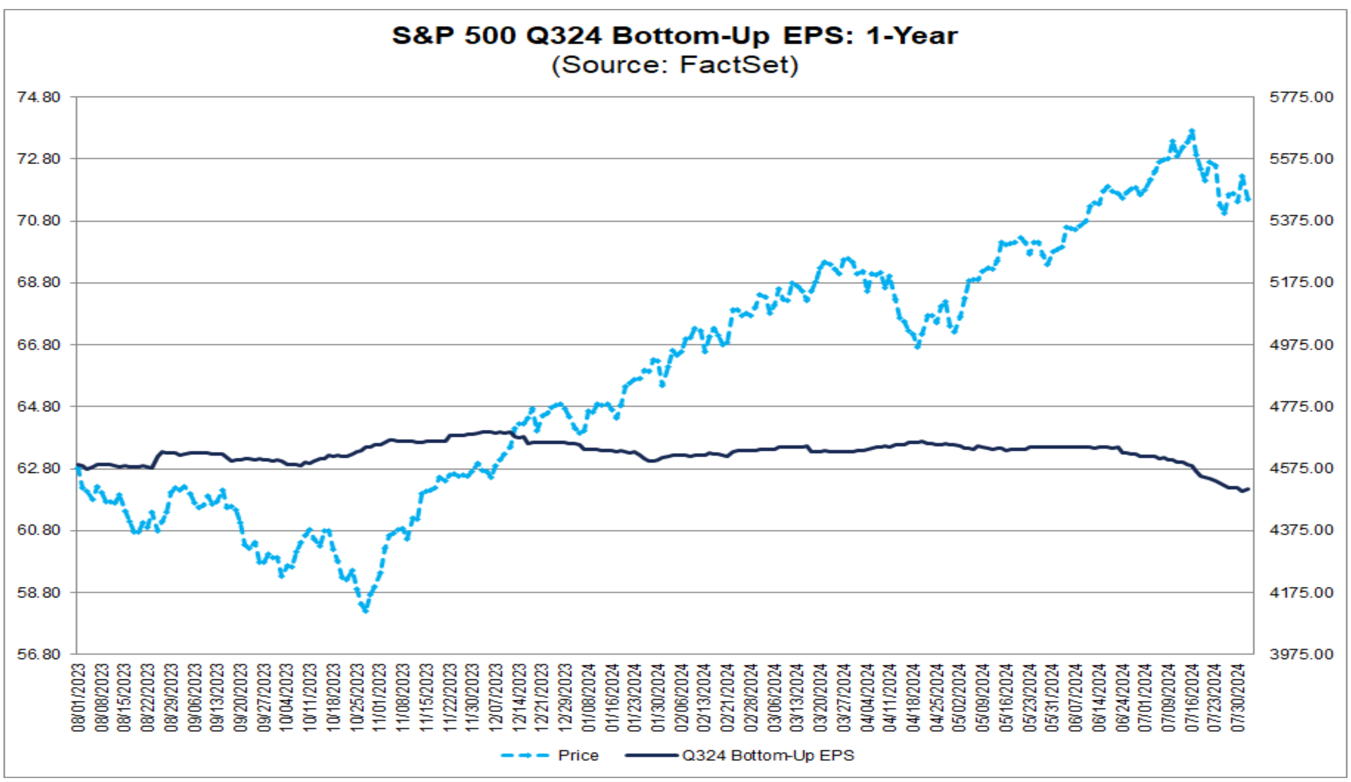




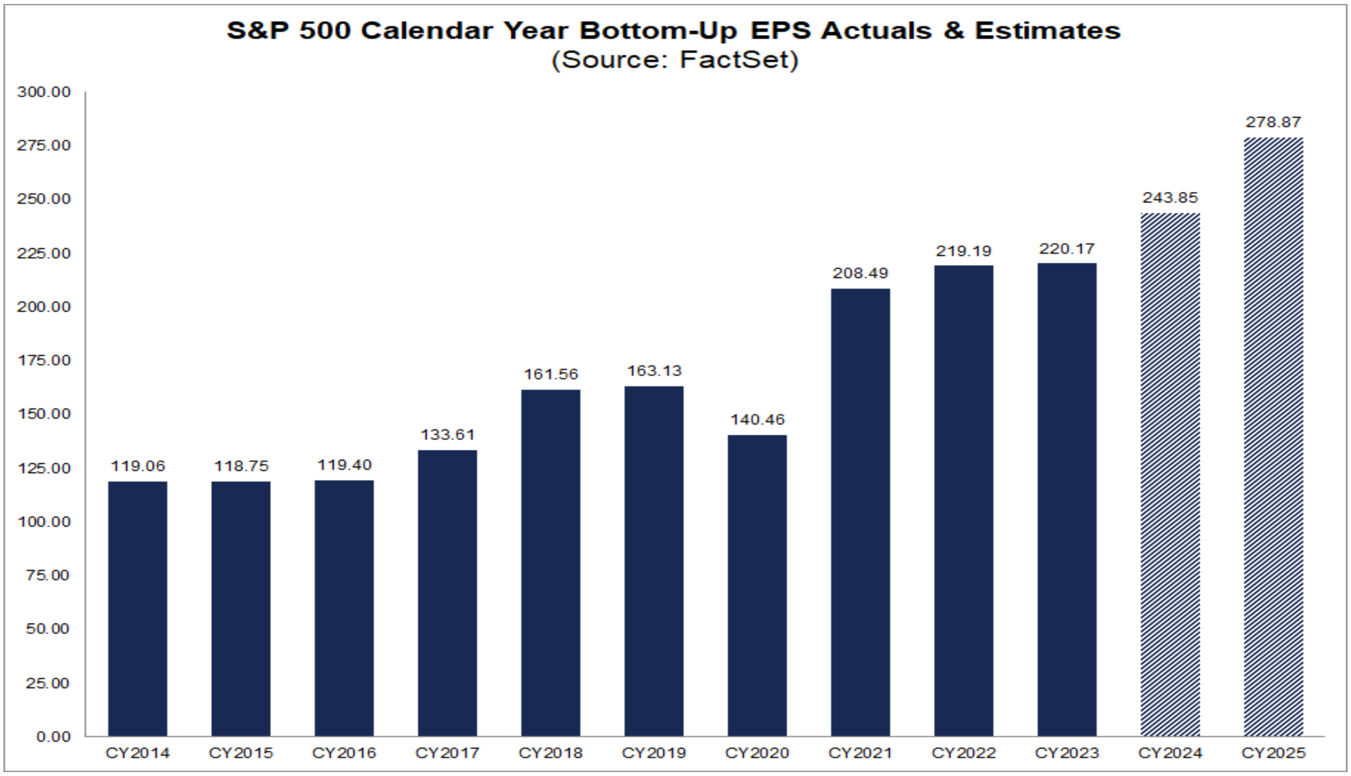
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	28%	33%	33%	34%	39%	40%	48%	53%	57%
United States	99%	82%	72%	67%	67%	66%	61%	60%	52%	47%	43%

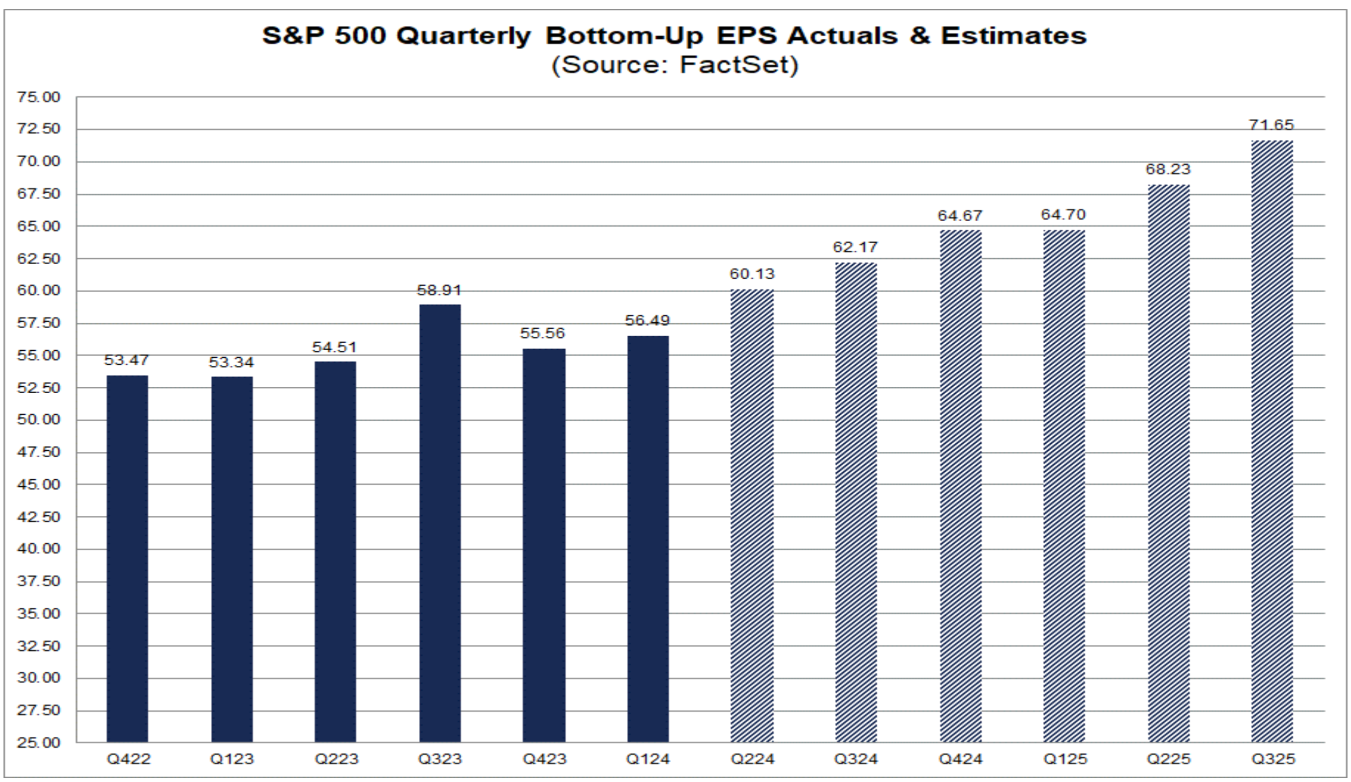
Bottom-Up EPS Estimates



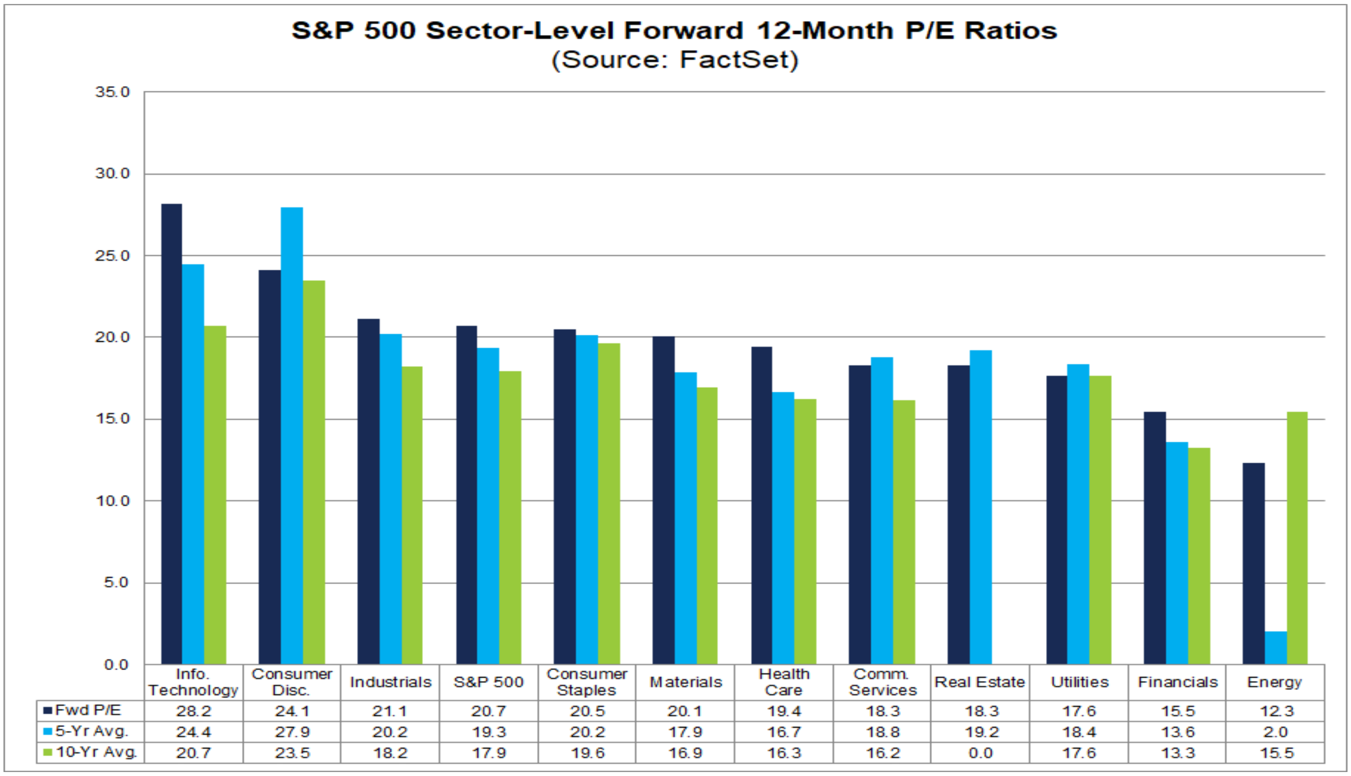


Bottom-Up EPS Estimates: Current & Historical

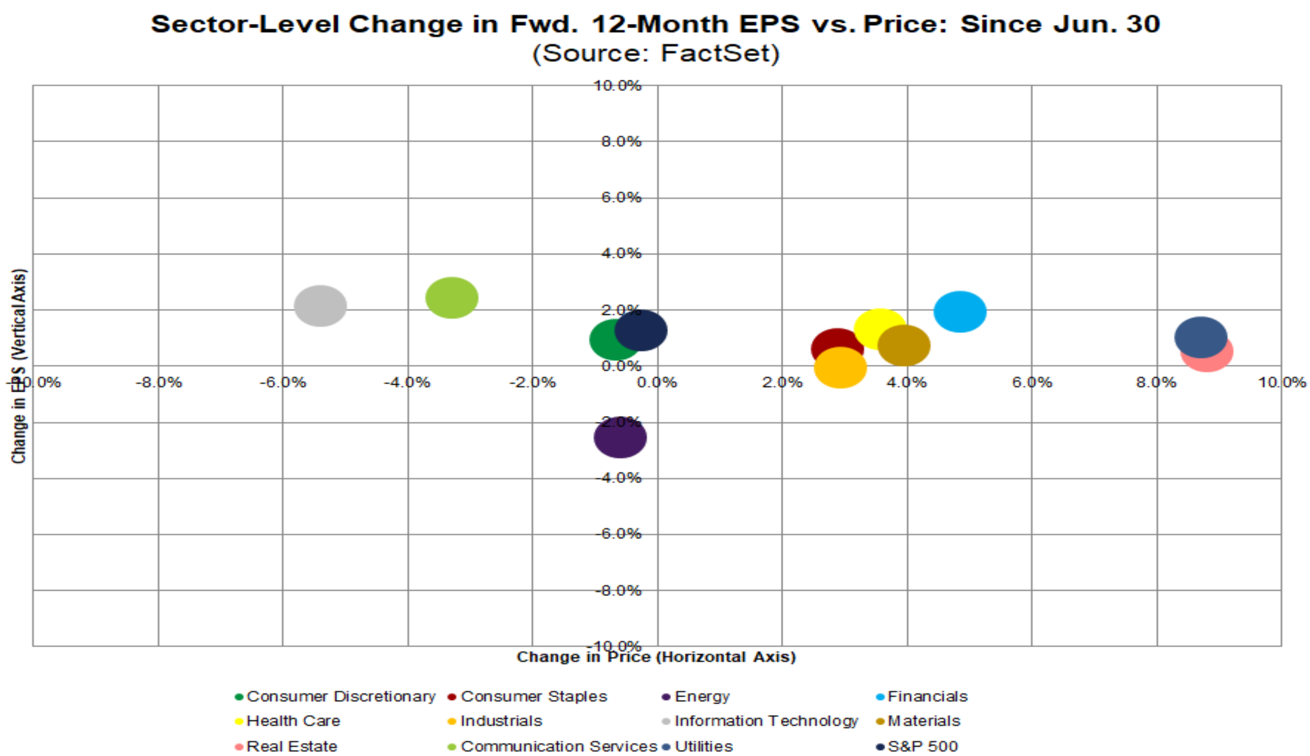




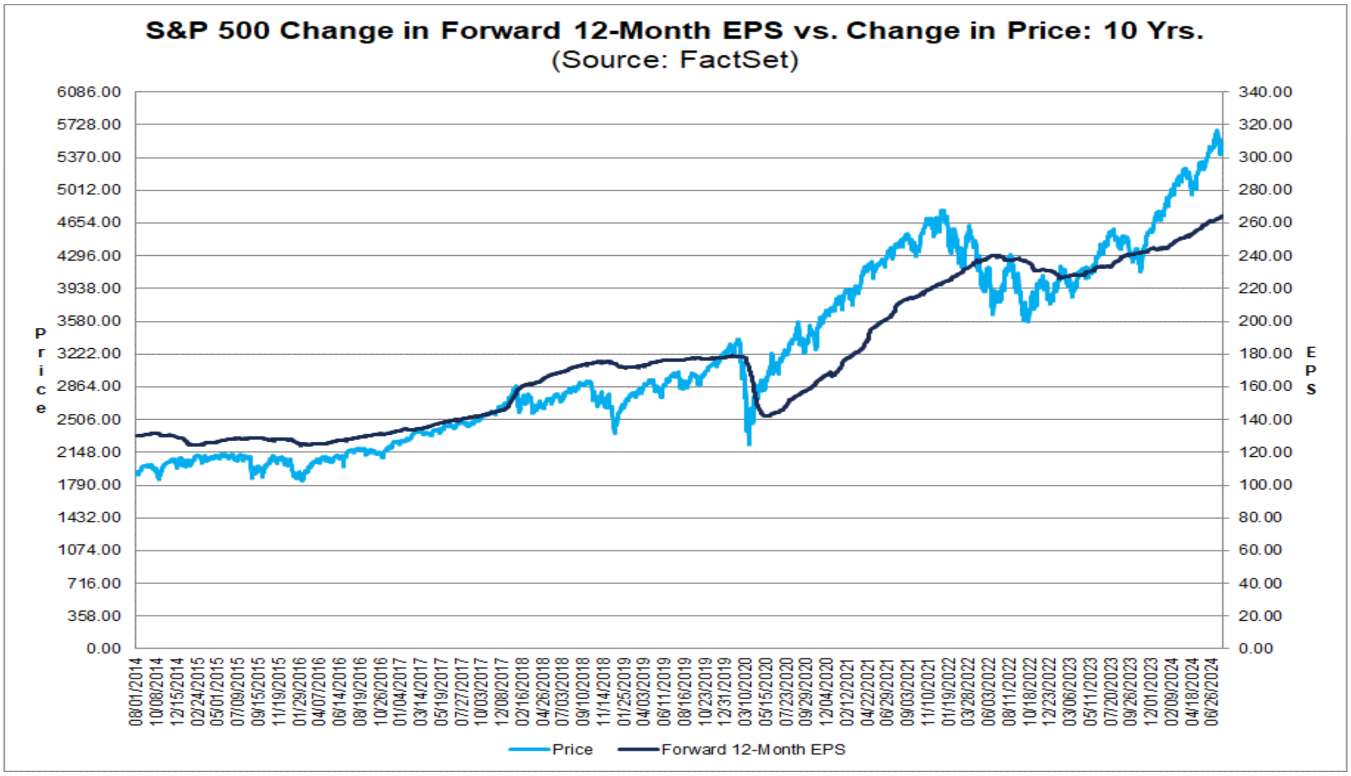
Forward 12M P/E Ratio: Sector Level

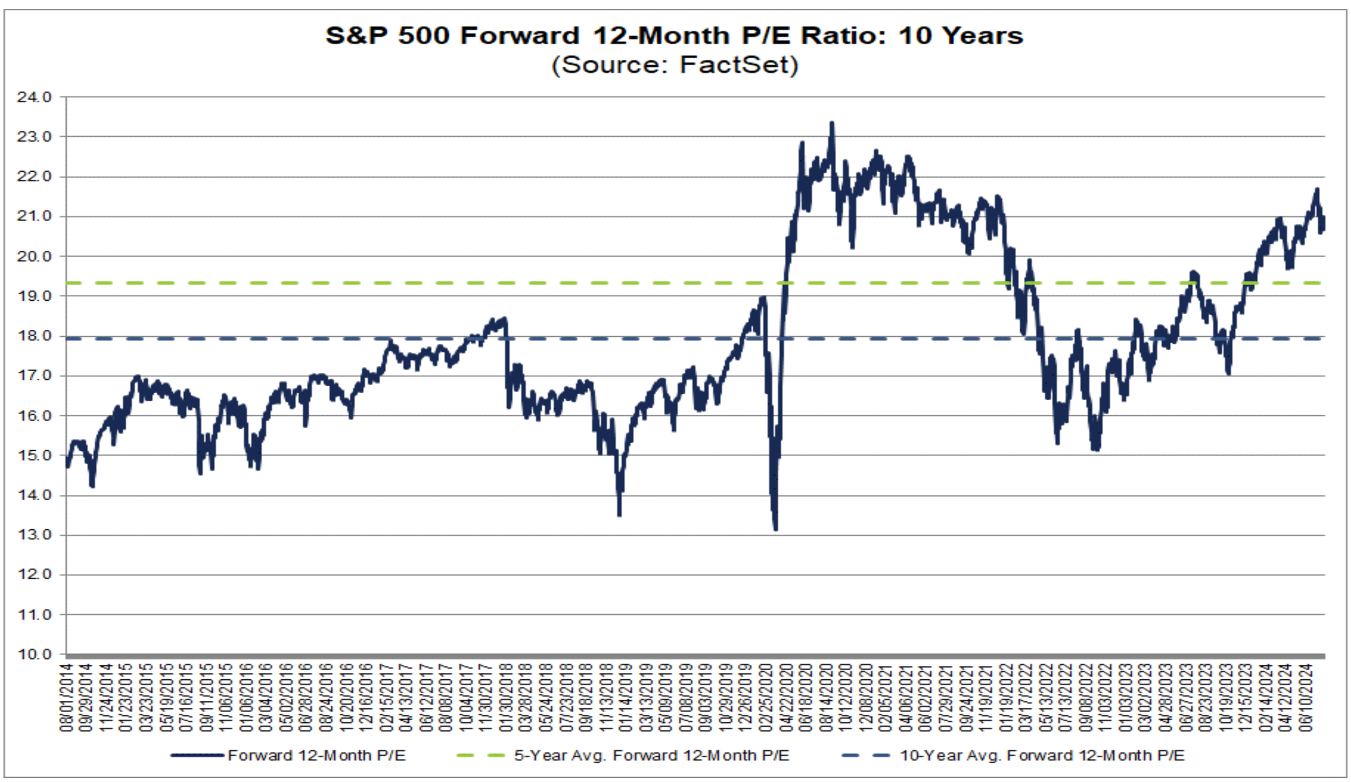


	Info. Technology	Consumer Disc.	Industrials	S&P 500	Consumer Staples	Materials	Health Care	Comm. Services	Real Estate	Utilities	Financials	Energy
Fwd P/E	28.2	24.1	21.1	20.7	20.5	20.1	19.4	18.3	18.3	17.6	15.5	12.3
5-Yr Avg.	24.4	27.9	20.2	19.3	20.2	17.9	16.7	18.8	19.2	18.4	13.6	2.0
10-Yr Avg.	20.7	23.5	18.2	17.9	19.6	16.9	16.3	16.2	0.0	17.6	13.3	15.5

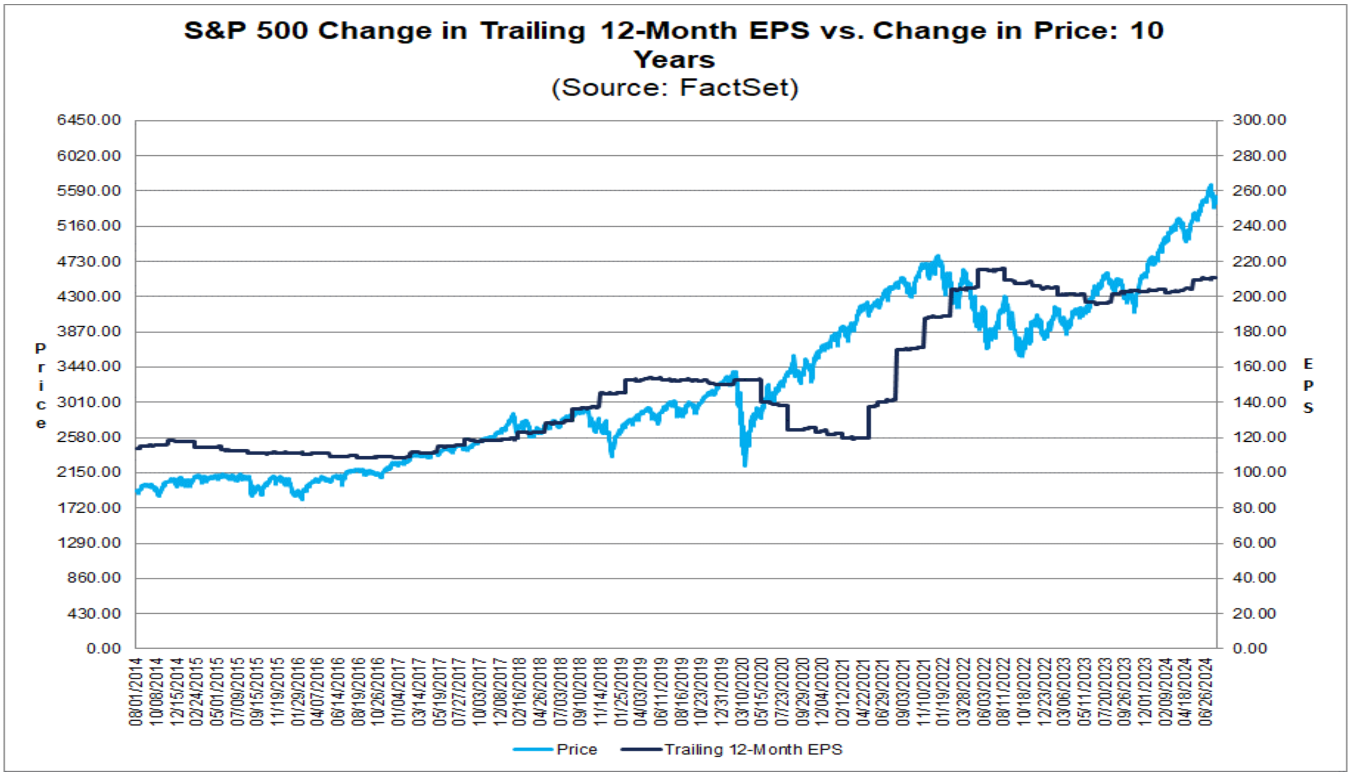


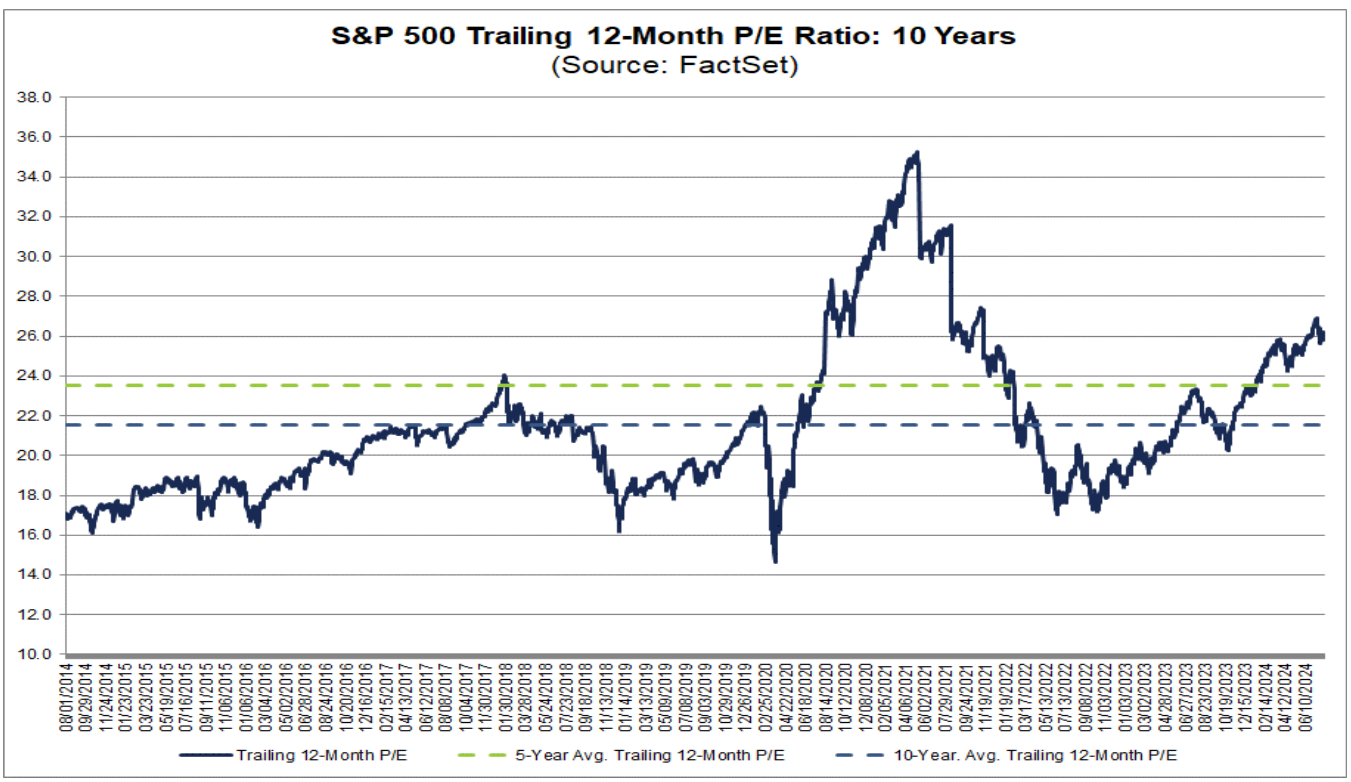
Forward 12M P/E Ratio: 10-Years



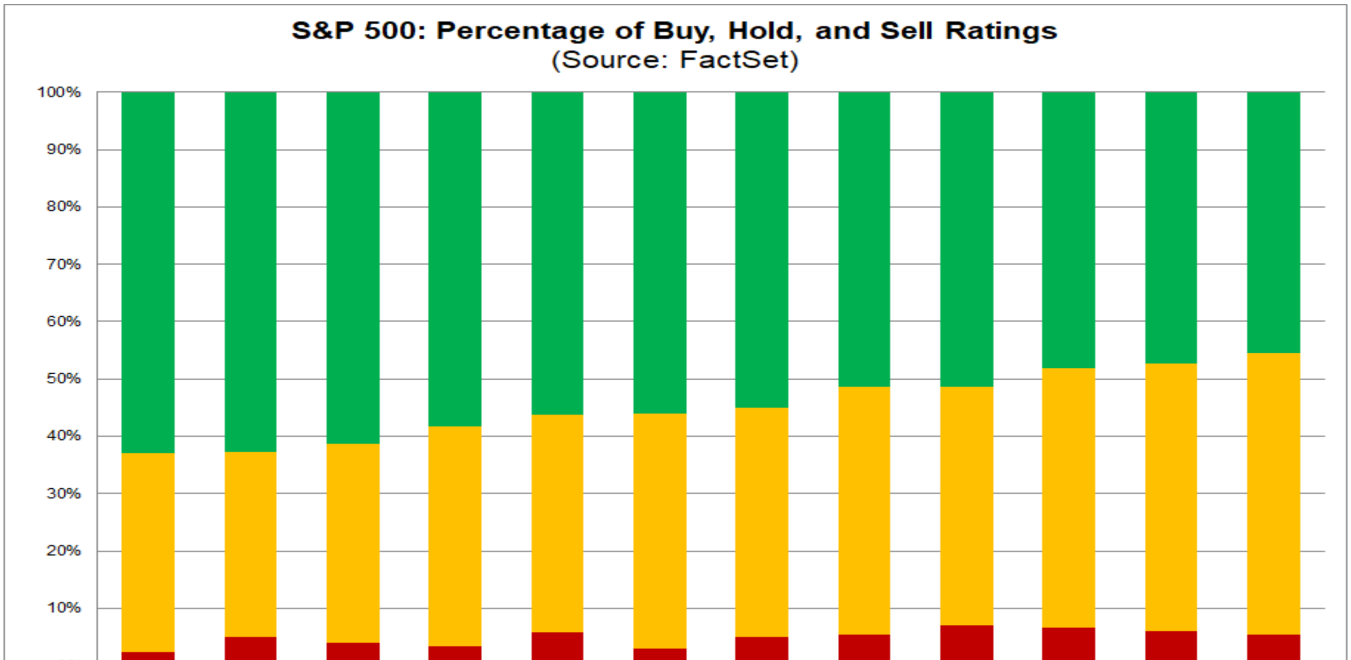


Trailing 12M P/E Ratio: 10-Years

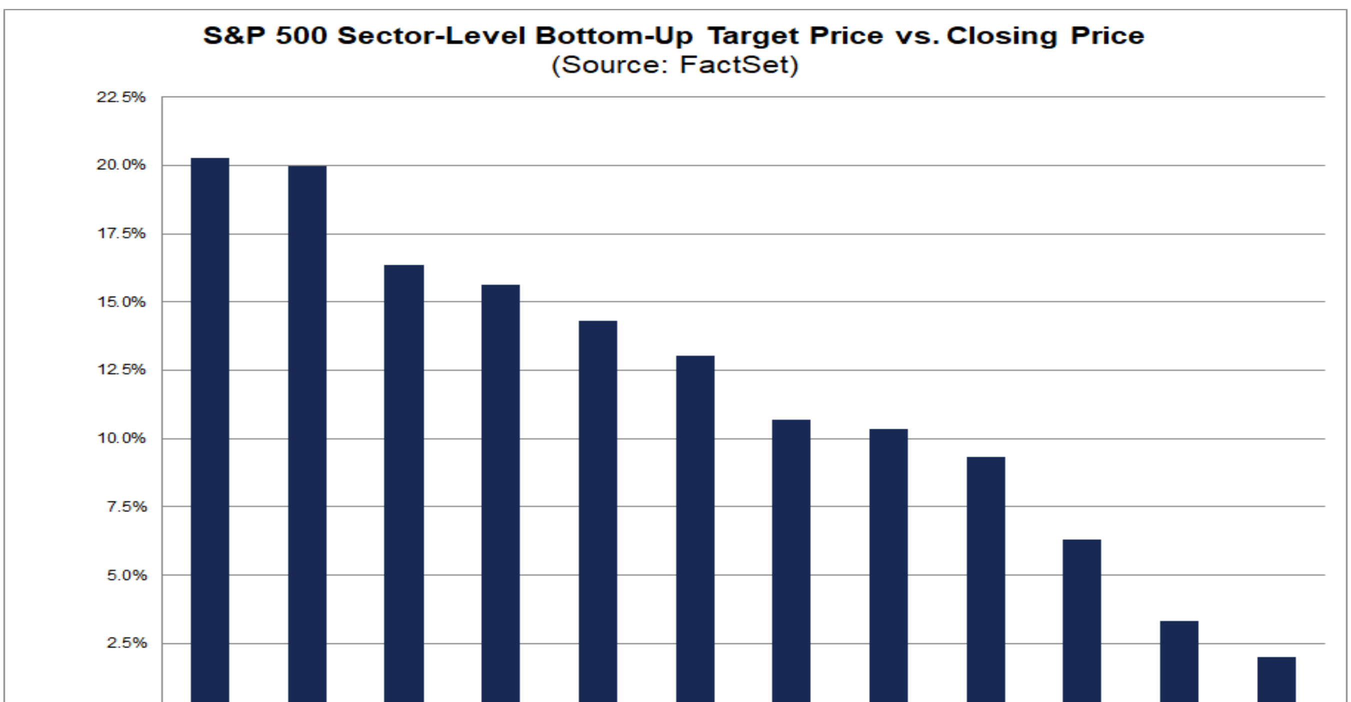




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Consumer Disc.	Real Estate	S&P 500	Financials	Industrials	Utilities	Materials	Consumer Staples
Buy	63%	63%	61%	58%	56%	56%	55%	51%	51%	48%	47%	45%
Hold	35%	32%	35%	38%	38%	41%	40%	43%	42%	45%	47%	49%
Sell	2%	5%	4%	3%	6%	3%	5%	5%	7%	7%	6%	5%



	Info. Tech.	Energy	Consumer Disc.	Comm. Services	S&P 500	Industrials	Financials	Materials	Health Care	Consumer Staples	Real Estate	Utilities
Target/Close	20.3%	20.0%	16.3%	15.6%	14.3%	13.0%	10.7%	10.4%	9.3%	6.3%	3.3%	2.0%

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