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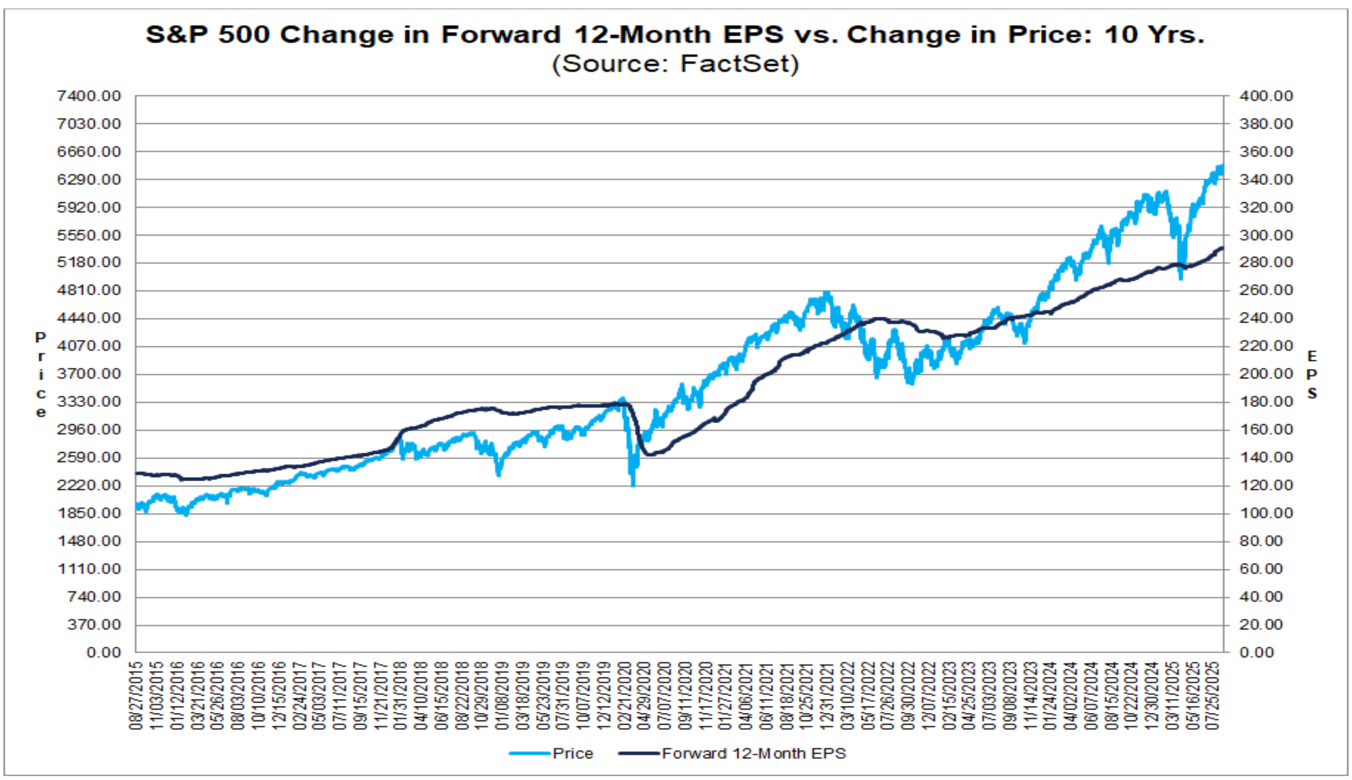
Key Metrics

- **Earnings Scorecard:** For Q2 2025 (with 98% of S&P 500 companies reporting actual results), 81% of S&P 500 companies have reported a positive EPS surprise and 81% 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 11.9%. If 11.9% 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 4.8%. Nine sectors are reporting (or have reported) higher earnings today (compared to June 30) due to positive EPS surprises.
- **Earnings Guidance:** For Q3 2025, 46 S&P 500 companies have issued negative EPS guidance and 52 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 22.4. 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

"Magnificent 7" Companies Reported Earnings Growth Above 25% for Q2

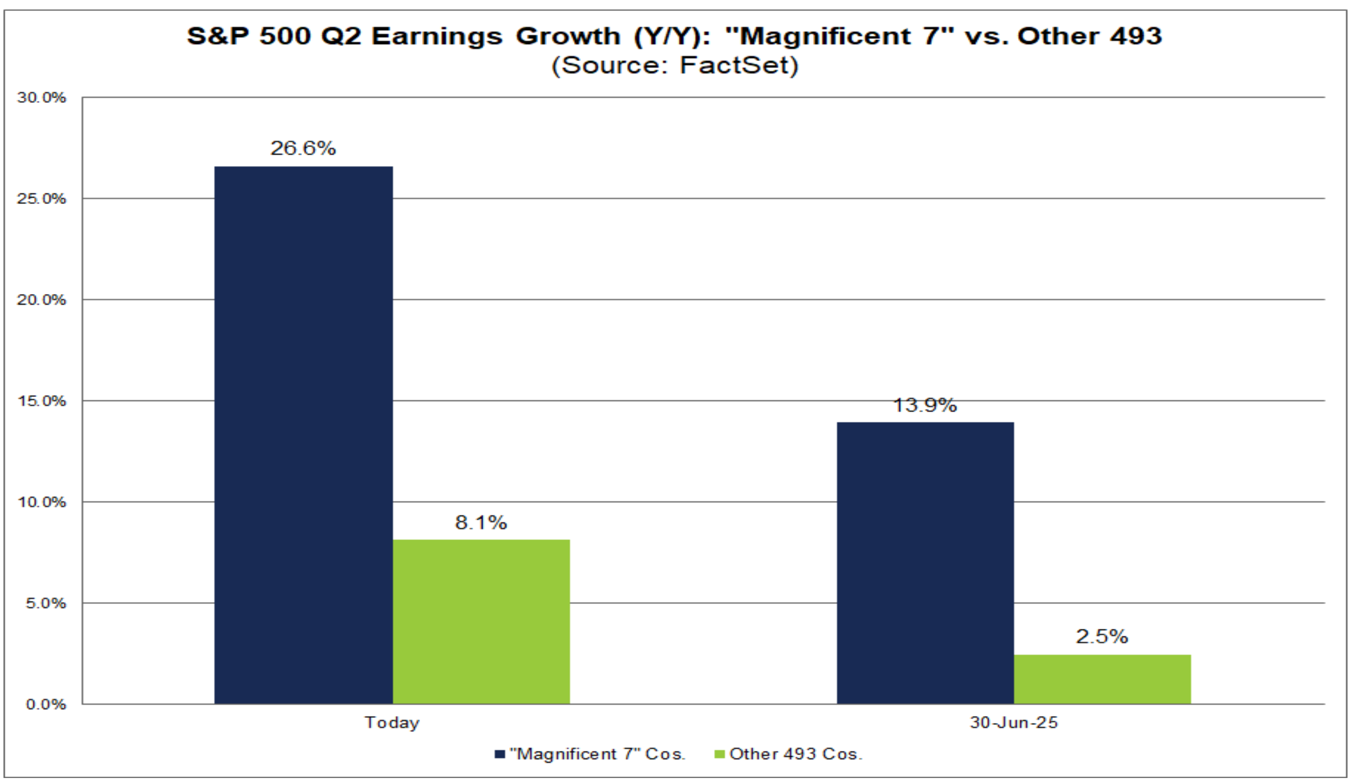
With NVIDIA reporting actual results for Q2 on August 27, all the companies in the "Magnificent 7" have now reported earnings for the second quarter. How did the earnings reported by these seven companies perform relative to analyst expectations and year-ago results?

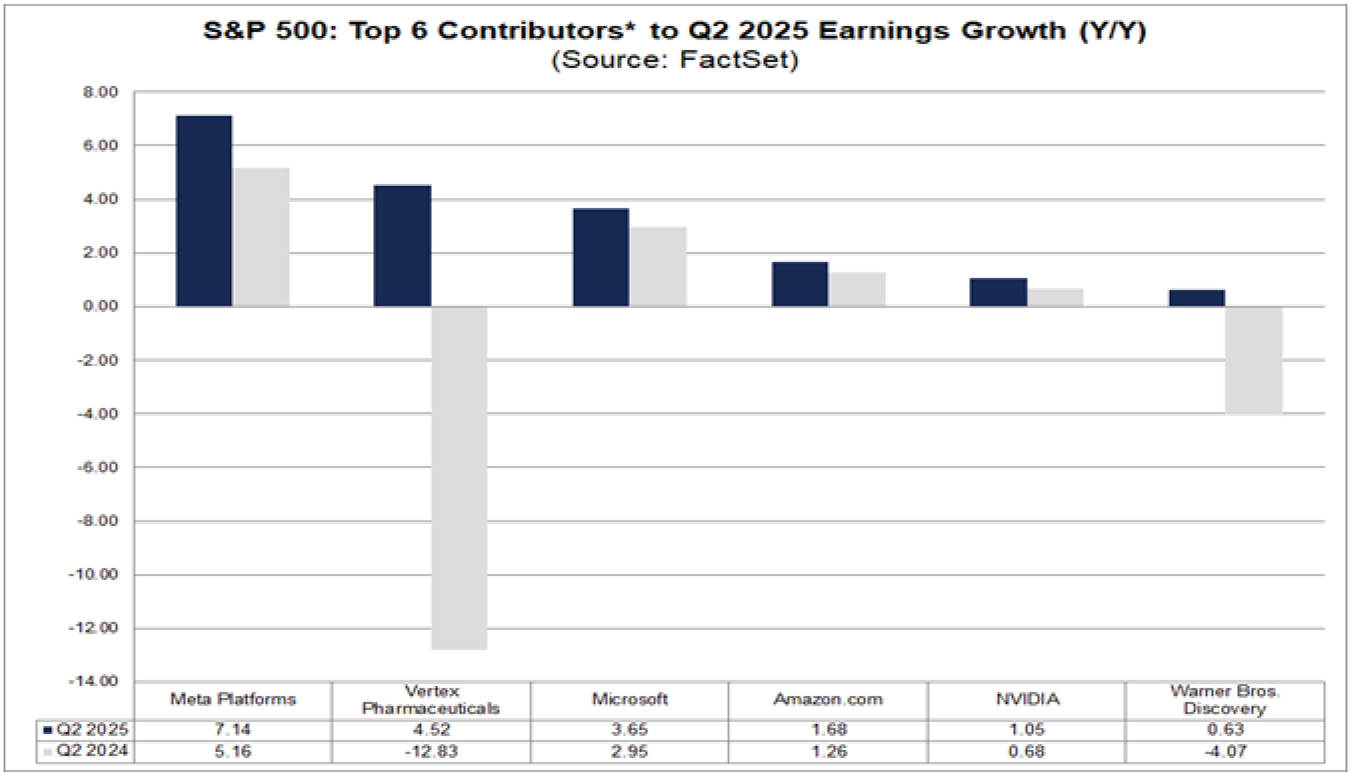
On June 30, the estimated earnings growth rate for the "Magnificent 7" companies for Q2 was 13.9%. Overall, 100% (7 out of 7) of the "Magnificent 7" companies reported a positive EPS surprise, compared to 81% for all S&P 500 companies. In aggregate, earnings reported by the "Magnificent 7" companies exceeded estimates by 10.5%, compared to 7.7% for all S&P 500 companies.

As a result, the "Magnificent 7" companies reported actual earnings growth of 26.6% for the second quarter. This earnings growth rate is slightly below the average earnings growth rate of 31.0% for these seven companies over the previous four quarters.

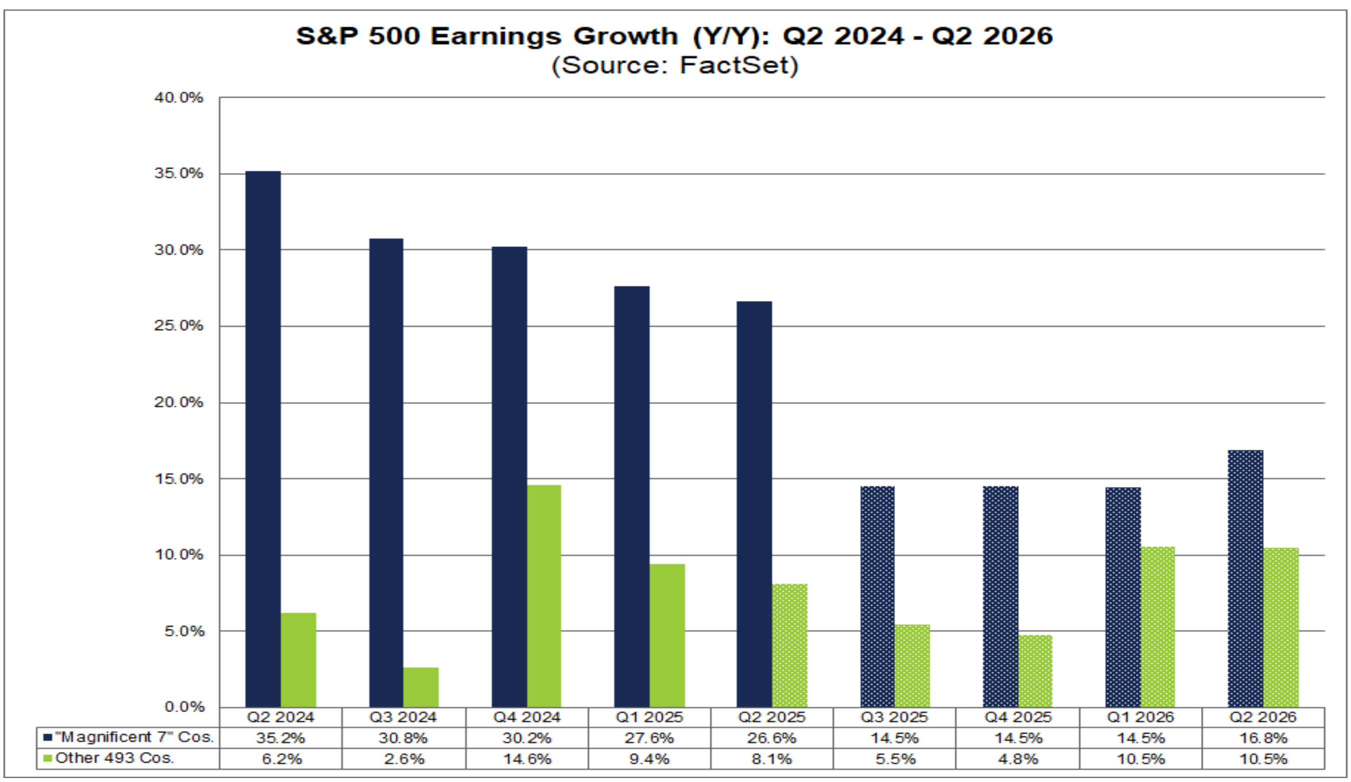
In addition, four of the "Magnificent 7" companies (NVIDIA, Amazon.com, Meta Platforms, and Microsoft) are among the top six contributors to earnings growth for the S&P 500 for the second quarter. Outside of these four companies, Warner Bros. Discovery and Vertex Pharmaceuticals are the other top contributors. Both of these companies benefitted from easy comparisons to weaker earnings reported in the year-ago quarter due to charges and expenses that were included in their year-ago EPS

Looking ahead, analysts still expect lower earnings growth for the "Magnificent 7" companies over the next four quarters compared to Q2 2025. For Q3 2025 through Q2 2026, analysts are predicting earnings growth rates of 14.5%, 14.5%, 14.5%, and 16.8%, respectively.





*Not in order of contribution



Topic of the Week: 2

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

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

The answer is no. During the months of July and August, analysts increased EPS estimates slightly 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 0.5% (to $67.66 from $67.32) from June 30 to August 28.

In a typical quarter, analysts usually reduce earnings estimates during the first two months of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 1.0%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.5%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.6%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 3.2%.

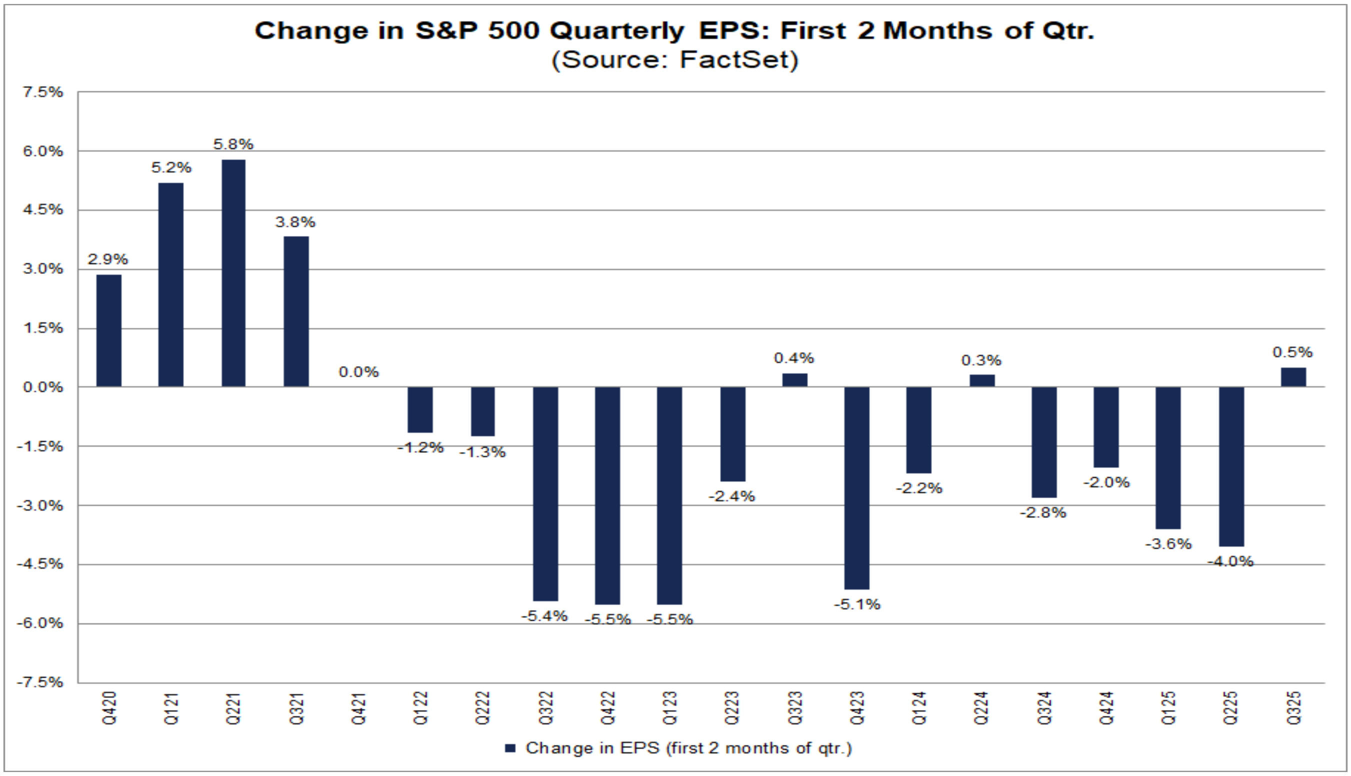
The third quarter marks the first time analysts have increased EPS estimates in aggregate during the first two months of a quarter since Q2 2024 (+0.3%).

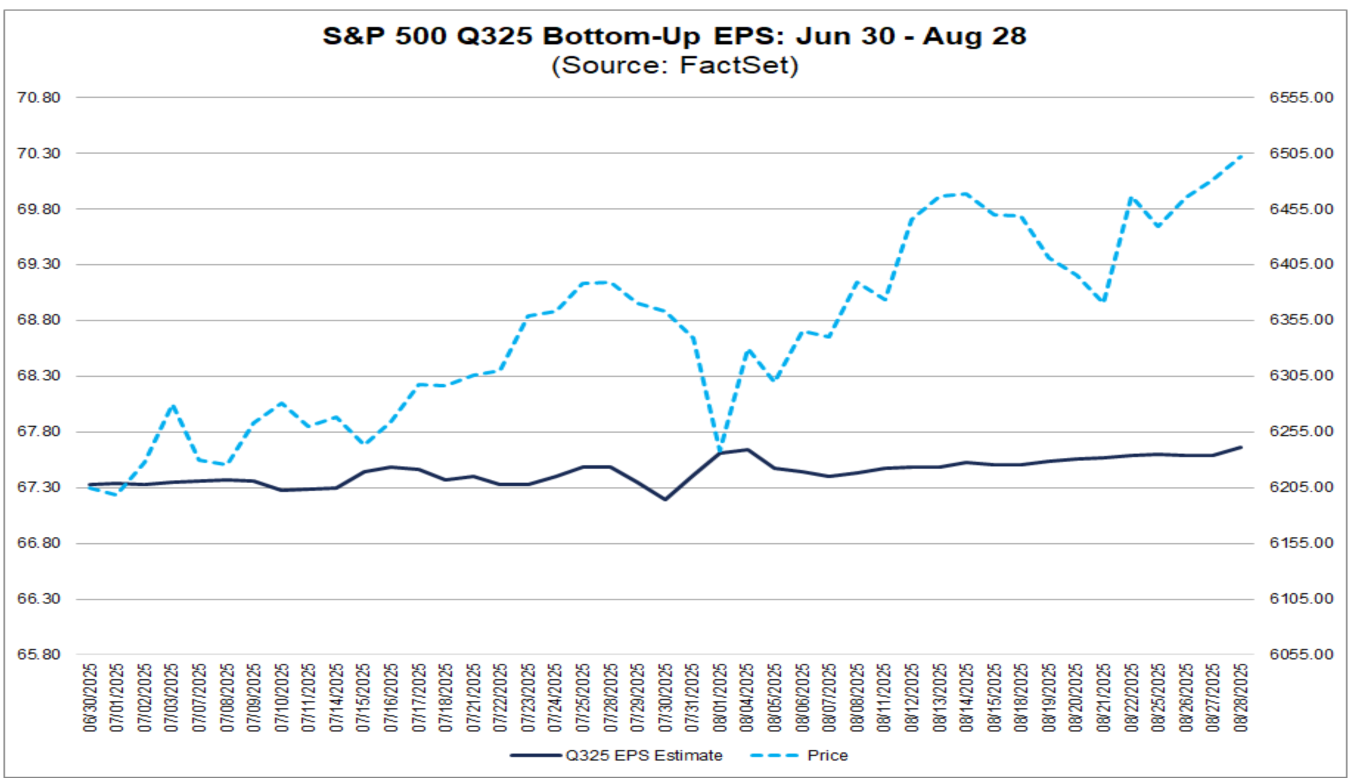
At the sector level, five of the eleven sectors witnessed an increase in their bottom-up EPS estimate for Q3 2025 from June 30 to August 28, led by the Information Technology (+4.4%), Energy (+4.0%), and Communication Services (+2.6%) sectors. On the other hand, five sectors recorded a decrease in their bottom-up EPS estimate for Q3 2025 during this period, led by the Health Care (-7.2%) sector. One sector (Utilities) recorded no change (0%) in its bottom-up EPS estimate for Q3 2025 during this period.

Analysts also increased earnings estimates for 2025 during the past two months. From June 30 through August 28, the CY 2025 bottom-up EPS estimate increased by 1.6% (to $268.48 from $264.15).

At the sector level, seven sectors witnessed an increase in their bottom-up EPS estimate for CY 2025 from June 30 to August 28, led by the Communication Services (+4.0%), Financials (+3.3%), and Consumer Discretionary (+3.0%) sectors. On the other hand, three sectors recorded a decrease in their bottom-up EPS estimate for CY 2025 during this period, led by the Health Care (-2.1%) sector. One sector (Real Estate) recorded no change (0%) in its bottom-up EPS estimate for CY 2025 during this period.

Analysts also increased earnings estimates for 2026 during the past two months. From June 30 through August 28, the CY 2026 bottom-up EPS estimate increased by 1.2% (to $303.88 from $300.15).


Change in S&P 500 Quarterly EPS: First 2 Months of Qtr.
(Source: FactSet)
7.5%
6.0%
4.5%
3.0%
1.5%
0.0%
-1.5%
-3.0%
-4.5%
-6.0%
-7.5%
2.9%
5.2%
5.8%
3.8%
0.0%
-1.2%
-1.3%
-5.4%
-5.5%
-5.5%
-2.4%
0.4%
-5.1%
-2.2%
0.3%
-2.8%
-2.0%
-3.6%
-4.0%
0.5%
Q420
Q121
Q221
Q321
Q421
Q122
Q222
Q322
Q422
Q123
Q223
Q323
Q423
Q124
Q224
Q324
Q424
Q125
Q225
Q325
Change in EPS (first 2 months of qtr.)


S&P 500 Q325 Bottom-Up EPS: Jun 30 - Aug 28
(Source: FactSet)
70.80
70.30
69.80
69.30
68.80
68.30
67.80
67.30
66.80
66.30
65.80
6555.00
6505.00
6455.00
6405.00
6355.00
6305.00
6255.00
6205.00
6155.00
6105.00
6055.00
06/30/2025
07/01/2025
07/02/2025
07/03/2025
07/07/2025
07/08/2025
07/09/2025
07/10/2025
07/11/2025
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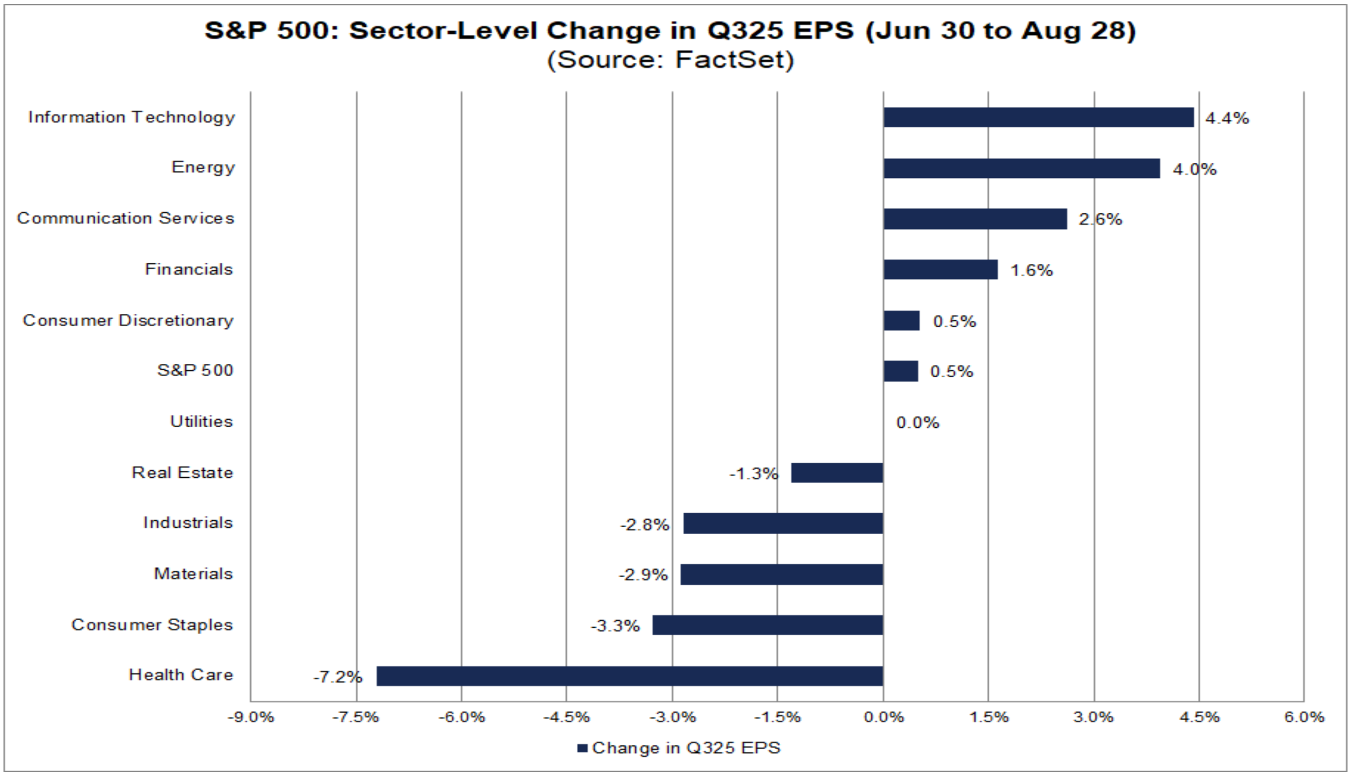
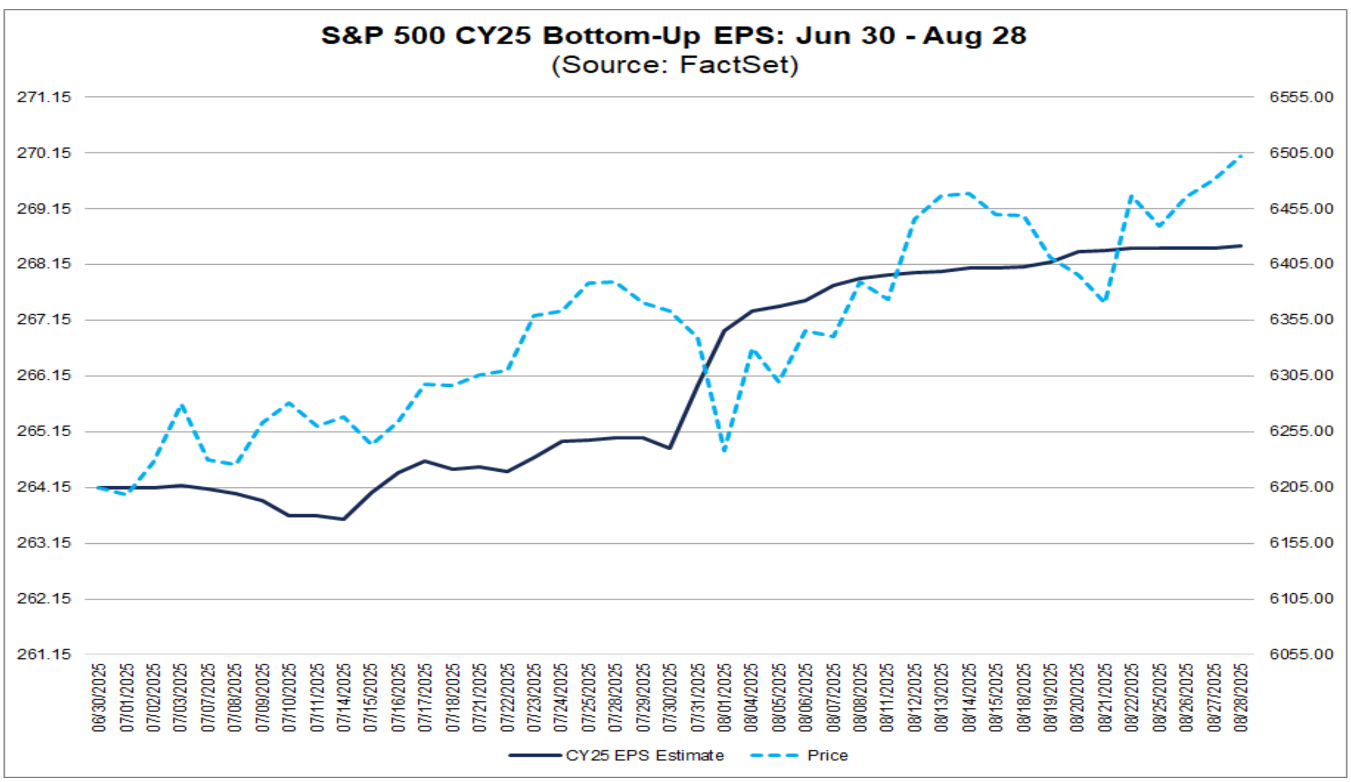
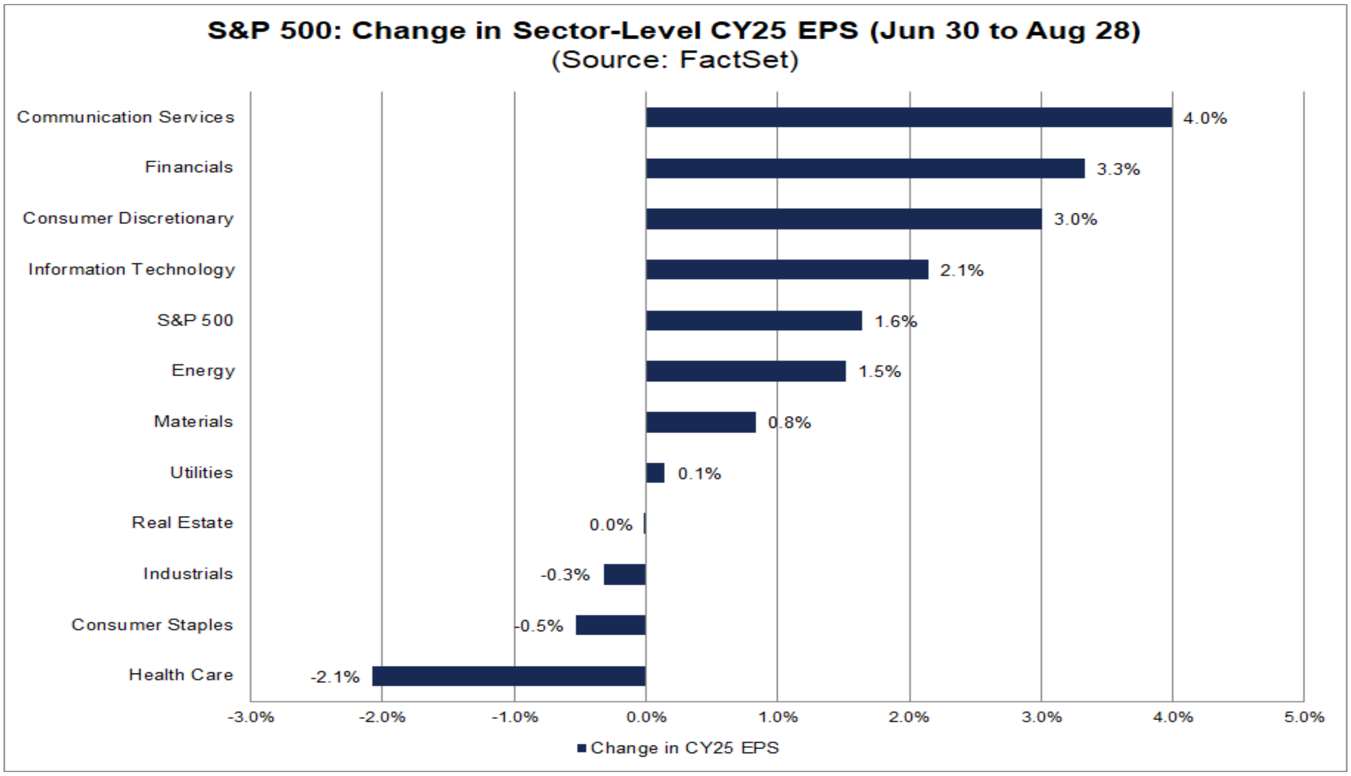
07/15/2025
07/16/2025
07/17/2025
07/18/2025
07/21/2025
07/22/2025
07/23/2025
07/24/2025
07/25/2025
07/28/2025
07/29/2025
07/30/2025
07/31/2025
08/01/2025
08/04/2025
08/05/2025
08/06/2025
08/07/2025
08/08/2025
08/11/2025
08/12/2025
08/13/2025
08/14/2025
08/15/2025
08/18/2025
08/19/2025
08/20/2025
08/21/2025
08/22/2025
08/25/2025
08/26/2025
08/27/2025
08/28/2025
Q325 EPS Estimate
Price


S&P 500: Sector-Level Change in Q325 EPS (Jun 30 to Aug 28)
(Source: FactSet)
Information Technology 4.4%
Energy 4.0%
Communication Services 2.6%
Financials 1.6%
Consumer Discretionary 0.5%
S&P 500 0.5%
Utilities 0.0%
Real Estate -1.3%
Industrials -2.8%
Materials -2.9%
Consumer Staples -3.3%
Health Care -7.2%
-9.0% -7.5% -6.0% -4.5% -3.0% -1.5% 0.0% 1.5% 3.0% 4.5% 6.0%
Change in Q325 EPS


S&P 500 CY25 Bottom-Up EPS: Jun 30 - Aug 28
(Source: FactSet)
271.15 270.15 269.15 268.15 267.15 266.15 265.15 264.15 263.15 262.15 261.15
6555.00 6505.00 6455.00 6405.00 6355.00 6305.00 6255.00 6205.00 6155.00 6105.00 6055.00
06/30/2025 07/01/2025 07/02/2025 07/03/2025 07/07/2025 07/08/2025 07/09/2025 07/10/2025 07/11/2025 07/14/2025 07/15/2025 07/16/2025 07/17/2025 07/18/2025 07/21/2025 07/22/2025 07/23/2025 07/24/2025 07/25/2025 07/28/2025 07/29/2025 07/30/2025 07/31/2025 08/01/2025 08/04/2025 08/05/2025 08/06/2025 08/07/2025 08/08/2025 08/11/2025 08/12/2025 08/13/2025 08/14/2025 08/15/2025 08/18/2025 08/19/2025 08/20/2025 08/21/2025 08/22/2025 08/25/2025 08/26/2025 08/27/2025 08/28/2025
CY25 EPS Estimate
Price


S&P 500: Change in Sector-Level CY25 EPS (Jun 30 to Aug 28)
(Source: FactSet)
Communication Services
Financials
Consumer Discretionary
Information Technology
S&P 500
Energy
Materials
Utilities
Real Estate
Industrials
Consumer Staples
Health Care
4.0%
3.3%
3.0%
2.1%
1.6%
1.5%
0.8%
0.1%
0.0%
-0.3%
-0.5%
-2.1%
-3.0%
-2.0%
-1.0%
0.0%
1.0%
2.0%
3.0%
4.0%
5.0%
Change in CY25 EPS

Q2 Earnings Season: By The Numbers

Overview

At this late stage of the Q2 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 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, 98% of the companies in the S&P 500 have reported actual results for Q2 2025 to date. Of these companies, 81% have reported actual EPS above estimates, which is above the 5-year average of 78% and above the 10-year average of 75%. If 81% is the final number for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise for a quarter since Q3 2023 (also 81%). In aggregate, companies are reporting earnings that are 7.7% 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.

Since June 30, positive EPS surprises reported by companies in the Financials, 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 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 11.9% today, compared to an earnings growth rate of 4.8% at the end of the second quarter (June 30).

If 11.9% 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 (or have reported) year-over-year growth in earnings, led by the Communication Services, Information Technology, and Financials sectors. On the other hand, three sectors are reporting (or have reported) a year-over-year decline in earnings, led by the Energy sector.

In terms of revenues, 81% 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 81% is the final number for the quarter, it will mark the highest 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 2.2% above the estimates, which is above the 5-year average of 2.1% and above the 10-year average of 1.4%. If 2.2% is the final number for the quarter, it will mark the highest revenue surprise percentage reported by the index since Q1 2023 (2.4%). 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.

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 6.4% today, compared to a revenue growth rate of 4.2% at the end of the second quarter (June 30).

If 6.4% 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 (or have reported) 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 reported a year-over-year decline in revenues.

For Q3 2025 and Q4 2025, analysts are calling for earnings growth rates of 7.5% and 7.2%, respectively. For CY 2025 analysts are predicting (year-over-year) earnings growth of 10.6%.

The forward 12-month P/E ratio is 22.4, 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, 7 S&P 500 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 (81%) is Above 5-Year Average

Overall, 98% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 81% have reported actual EPS above the mean EPS estimate, 5% 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 81% is the final number for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise for a quarter since Q3 2023 (also 81%).

At the sector level, the Information Technology (92%) and Financials (88%) sectors have the highest percentages of companies reporting earnings above estimates, while the Materials (50%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+7.7%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 7.7% 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 Communication Services (+12.2%) sector reported the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Warner Bros. Discovery ($0.63 vs. -$0.24), Electronic Arts ($0.25 vs. $0.11), Take-Two Interactive Software ($0.61 vs. $0.29), Interpublic Group of Companies ($0.75 vs. $0.56, Fox Corporation ($1.27 vs. $1.00), Paramount Skydance ($0.46 vs. $0.36), and Meta Platforms ($7.14 vs. $5.88) reported the largest positive EPS surprises.

The Consumer Discretionary (+11.7%) sector is reporting the second-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), DoorDash ($0.65 vs. $0.44), 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 (+10.4%) sector reported the third-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) reported the largest positive EPS surprises.

The Health Care (+8.7%) sector reported the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Regeneron Pharmaceuticals ($12.89 vs. $8.43), Biogen ($5.47 vs. $3.90), Pfizer ($0.78 vs. $0.58), and Bristol Myers Squibb ($1.46 vs. $1.09) reported the largest positive EPS surprises.

On the other hand, the Materials (-0.7%) sector reported 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), Mosaic ($0.51 vs. $0.73), LyondellBasell Industries ($0.62 vs. $0.80), Steel Dynamics ($2.01 vs. $2.24), and Sherwin-Williams ($3.38 vs. $3.76) 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 less than average and 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 +0.4% two days before the earnings release through two days after the earnings release. This percentage increase is 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 -5.5% 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 (81%) is Above 5-Year Average

In terms of revenues, 81% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 19% 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 81% is the final number for the quarter, it will mark the highest 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%), Health Care (92%), and Communication Services (91%) sectors have the highest percentages of companies reporting revenues above estimates, while the Materials (62%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.2%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.2% 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 2.2% is the final number for the quarter, it will mark the largest revenue surprise percentage reported by the index since Q1 2023 (2.4%).

At the sector level, the Utilities (+4.0%) and Information Technology (+3.2%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues.

Revisions: Financials Sector Has Seen Largest Increase in Earnings Since June 30

Financials Sector Has Seen Largest Increase in Earnings Since June 30

The blended (year-over-year) earnings growth rate for Q2 2025 of 11.9% is above the estimate of 4.8% 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 45.6% from 29.4%), Consumer Discretionary (to 5.7% from -5.3%), and Financials (to 12.9% from 2.2%) sectors. The Financials, Communication Services, Information Technology (to 22.6% from 16.4%), and Consumer Discretionary sectors have also 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 12.9% from 2.2% over this period.

In the Communication Services sector, the positive EPS surprises reported by Meta Platforms ($7.14 vs. $5.88), Warner Bros. Discovery ($0.63 vs. -$0.24), 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 45.6% from 29.4% over this period.

In the Information Technology sector, the positive EPS surprises reported by Apple ($1.57 vs. $1.44), Microsoft ($3.65 vs. $3.37), and NVIDIA ($1.05 vs. $1.01) 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 22.6% 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 5.7% from -5.3% over this period.

On the other hand, two sectors have recorded a decrease in their earnings growth rates since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises: Utilities (to 1.2% from 4.8%) and Materials (to -4.0% from -3.9%).

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

The blended (year-over-year) revenue growth rate for Q2 2025 of 6.4% is above the estimate of 4.2% at the end of the second quarter (June 30). All eleven 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 Information Technology (to 15.6% from 12.3%), Energy (to -6.8% from -9.9%), Consumer Discretionary (to 5.2% from 2.2%), and Health Care (to 10.7% from 7.8%) sectors. The Health Care, Consumer Discretionary, Information Technology, and Communication Services (to 9.7% from 7.0%) 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 10.7% 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 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 Consumer Discretionary sector has increased to 5.2% 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 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 Information Technology sector has increased to 15.6% 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) 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 Communication Services sector has increased to 9.7% from 7.0% over this period.

Earnings Growth: 11.9%

The blended (year-over-year) earnings growth rate for Q2 2025 is 11.9%, 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 11.9% 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 (or have reported) year-over-year earnings growth, led by the Communication Services, Information Technology, and Financials sectors. On the other hand, three sectors are reporting (or have reported) a year-over-year decline in earnings, led by the Energy sector.

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

The Communication Services sector reported the highest (year-over-year) earnings growth rate of all eleven sectors at 45.6%. At the industry level, all 5 industries in the sector reported year-over-year earnings growth: Entertainment ($7.9 billion vs. -$4.9 billion), Interactive Media & Services (25%), Wireless Telecommunication Services (10%), Diversified Telecommunication Services (1%) and Media (1%).

At the company level, Warner Bros. Discovery ($0.63 vs. -$4.07) was the largest contributor to earnings growth for the sector. The company benefitted 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 17.6% from 45.6%.

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

The Information Technology sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 22.6%. At the industry level, all 6 industries in the sector are reporting (or have reported) year-over-year earnings growth: Semiconductors & Semiconductor Equipment (37%), Electronic Equipment, Instruments, & Components (28%), Software (20%), Communication Equipment (17%), IT Services (13%), and Technology Hardware, Storage, & Peripherals (9%).

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

The Financials sector reported the third-highest (year-over-year) earnings growth rate of all eleven sectors at 12.9%. At the industry level, 4 of the 5 industries in the sector reported year-over-year earnings growth: Consumer Finance (51%), Insurance (27%), Capital Markets (22%), and Financial Services (10%). 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 Reported Year-Over-Year Decline

The Energy sector reported the largest (year-over-year) earnings decline of all eleven sectors at -18.0%. Lower year-over-year oil prices contributed 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 reported a year-over-year decline in earnings. All 4 reported a double-digit decline: Integrated Oil & Gas (-28%), Oil & Gas Exploration & Production (-14%), Oil & Gas Refining & Marketing (-13%), and Oil & Gas Equipment & Services (-12%). On the other hand, the Oil & Gas Storage & Transportation (23%) sub-industry is the only sub-industry that reported year-over-year growth in earnings.

Revenue Growth: 6.4%

The blended (year-over-year) revenue growth rate for Q2 2025 is 6.4%, 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 6.4% 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 (or have reported) 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 reported 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 15.6%. At the industry level, all 6 industries in the sector are reporting (or have reported) year-over-year revenue growth: Semiconductors & Semiconductor Equipment (26%), Electronic Equipment, Instruments, & Components (18%), Software (16%), Technology Hardware, Storage, & Peripherals (10%), Communication Equipment (10%), and IT Services (8%).

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

The Health Care sector reported the second-highest (year-over-year) revenue growth rate of all eleven sectors at 10.7%. At the industry level, all 5 industries in the sector reported year-over-year revenue growth: Health Care Providers & Services (12%), Pharmaceuticals (8%), Health Care Equipment & Supplies (7%), Biotechnology (6%), Health Care Equipment & Supplies (6%), and Life Sciences, Tools, & Services (4%).

Communication Services: All 5 Industries Reported Year-Over-Year Growth

The Communication Services sector reported the third-highest (year-over-year) earnings growth rate of all eleven sectors at 9.7%. At the industry level, all 5 industries in the sector reported year-over-year revenue growth: Interactive Media & Services (15%), Entertainment (7%), Wireless Telecommunication Services (7%), Diversified Telecommunication Services (4%), and Media (less than 1%).

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

The Energy sector reported the largest (year-over-year) revenue decline of all eleven sectors at -6.8%. Lower year-over-year oil prices contributed 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 reported a year-over-year decline in revenues: Oil & Gas Refining & Marketing (-13%), Integrated Oil & Gas (-12%), and Oil & Gas Equipment & Services (-5%). On the other hand, two sub-industries reported year-over-year growth in revenues: Oil & Gas Storage & Transportation (34%) and Oil & Gas Exploration & Production (19%).

Net Profit Margin: 12.8%

The blended net profit margin for the S&P 500 for Q2 2025 is 12.8%, which is above the previous quarter's net profit margin of 12.7%, 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 (or have reported) a year-over-year increase in their net profit margins in Q2 2025 compared to Q2 2024: Communication Services (15.3% vs. 11.6%), Information Technology (25.5% vs. 24.0%), and Financials (20.0% vs. 18.7%). On the other hand, seven sectors are reporting (or have reported) a year-over-year decrease in their net profit margins in Q2 2025 compared to Q2 2024, led by the Energy (7.9% 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 Communication Services (15.3% vs. 12.2%) and Financials (20.0% vs. 17.2%) 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 (7.9% 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, 98 companies in the index have issued EPS guidance for Q3 2025. Of these 98 companies, 46 have issued negative EPS guidance and 52 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2025 is 47% (46 out of 98), which is below the 5-year average of 57% and below the 10-year average of 61%.

At this point in time, 263 companies in the index have issued EPS guidance for the current fiscal year (FY 2025 or FY 2026). Of these 263 companies, 100 have issued negative EPS guidance and 163 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 38% (100 out of 263).

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 2025

For the second quarter, S&P 500 companies are reporting year-over-year growth in earnings of 11.9% and year-over-year growth in revenues of 6.4%.

For Q3 2025, analysts are projecting earnings growth of 7.5% and revenue growth of 6.1%.

For Q4 2025, analysts are projecting earnings growth of 7.2% and revenue growth of 6.3%.

For CY 2025, analysts are projecting earnings growth of 10.6% and revenue growth of 6.0%.

For CY 2026, analysts are projecting earnings growth of 13.4% and revenue growth of 6.4%.

Valuation: Forward P/E Ratio is 22.4, Above the 10-Year Average (18.5)

The forward 12-month P/E ratio for the S&P 500 is 22.4. 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 4.8%, while the forward 12-month EPS estimate has increased by 3.5%. At the sector level, the Information Technology (29.6) and Consumer Discretionary (29.0) sectors have the highest forward 12-month P/E ratios, while the Energy (15.3) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 27.9, which is above the 5-year average of 25.0 and above the 10-year average of 22.6.

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

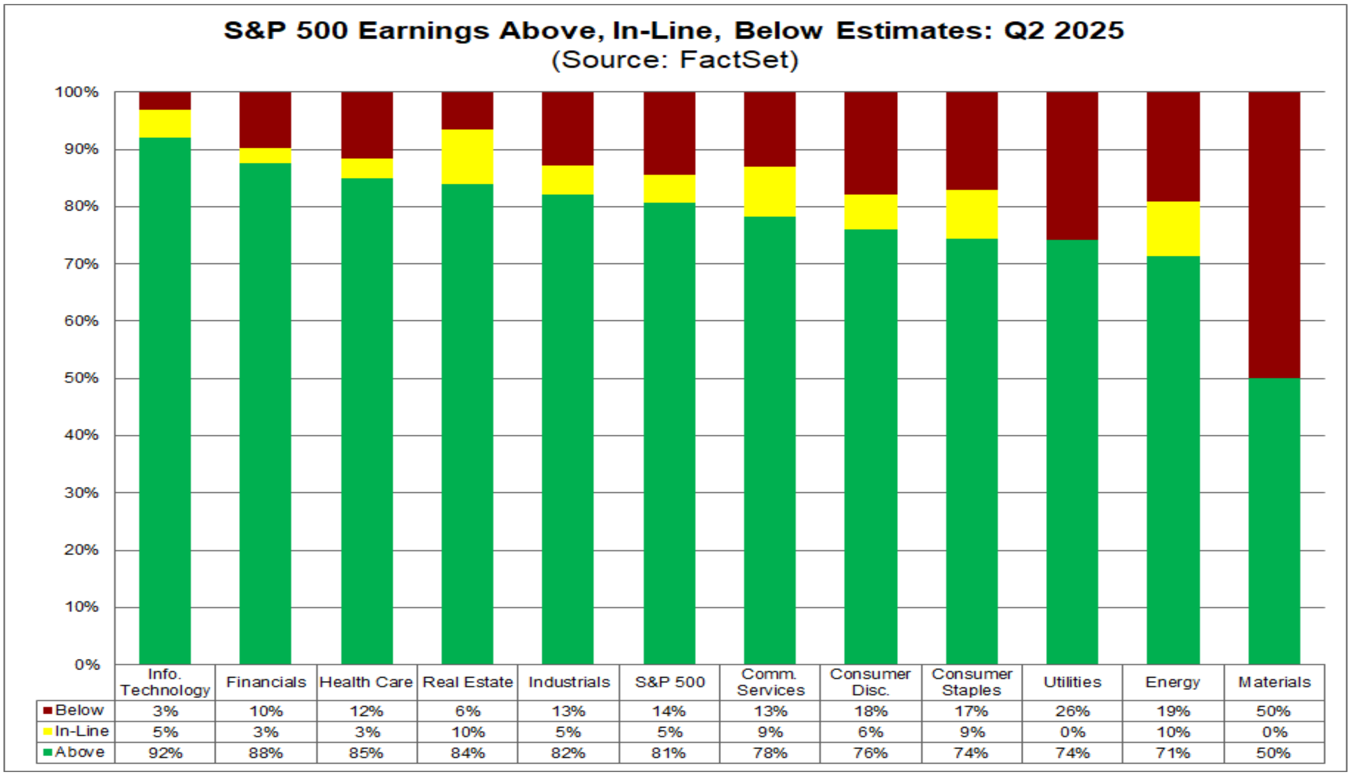
The bottom-up target price for the S&P 500 is 7239.62, which is 11.3% above the closing price of 6501.86. At the sector level, the Information Technology (+13.9%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Financials (+7.7%) and Consumer Discretionary (+7.8%) 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 12,278 ratings on stocks in the S&P 500. Of these 12,278 ratings, 55.8% are Buy ratings, 39.0% are Hold ratings, and 5.2% are Sell ratings. At the sector level, the Energy (65%), Information Technology (64%), and Communication Services (63%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (41%) sector has the lowest percentage of Buy ratings.

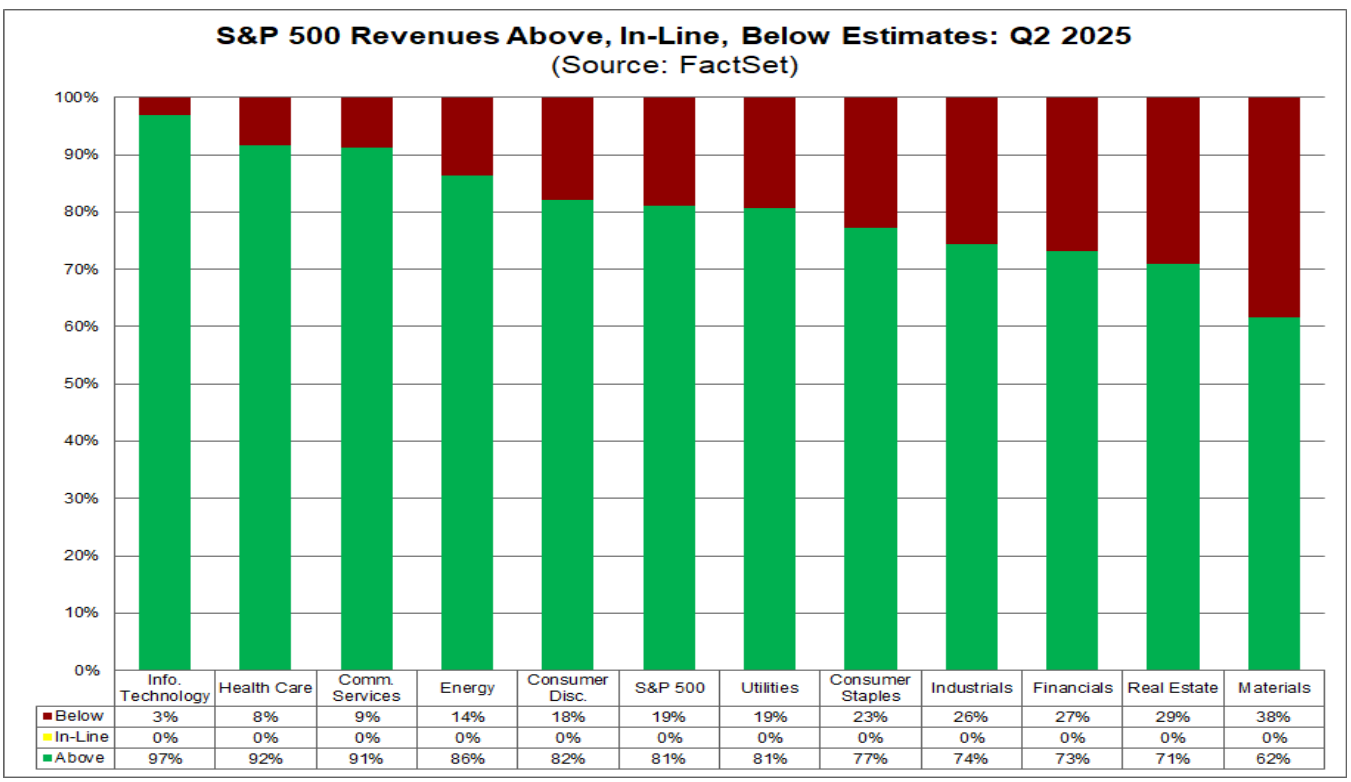
Companies Reporting Next Week: 7

During the upcoming week, 7 S&P 500 companies are scheduled to report results for the second quarter.

Q2 2025: Scorecard

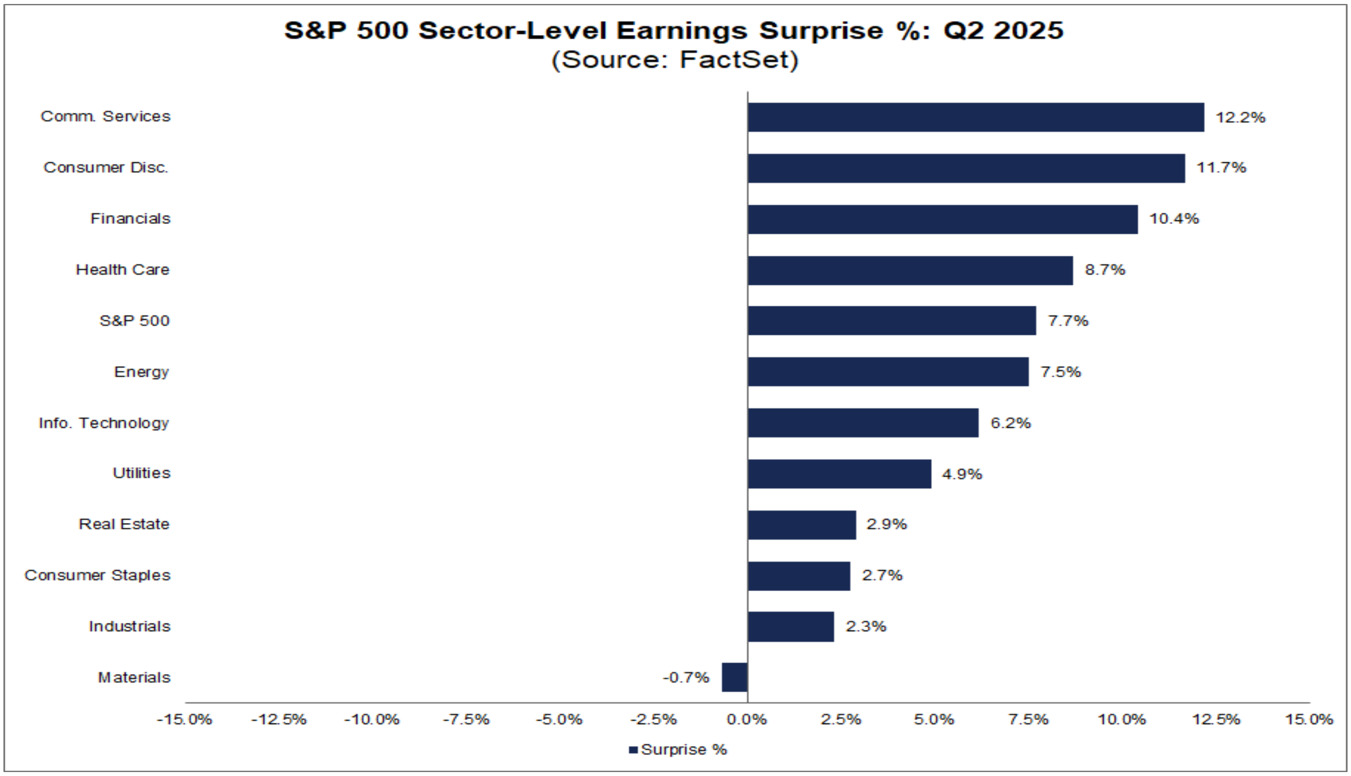


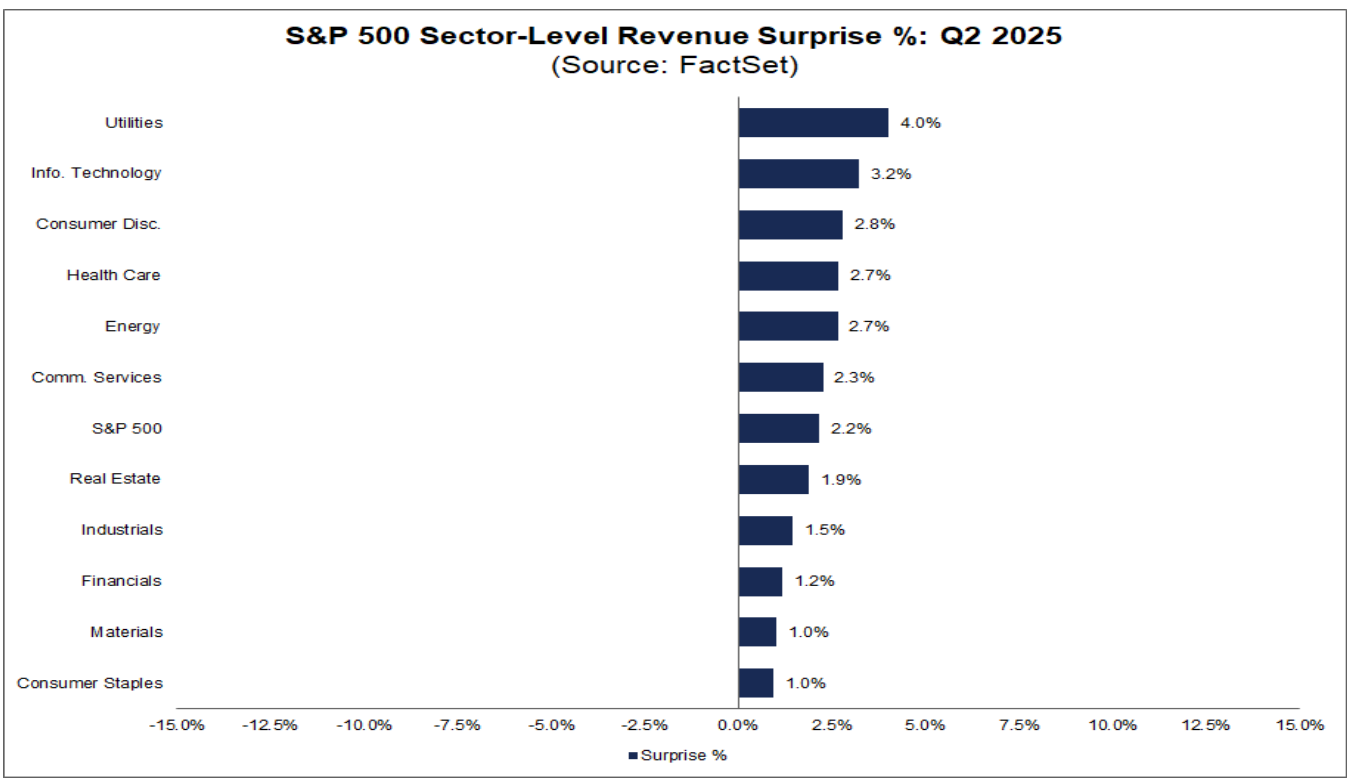
	Info. Technology	Financials	Health Care	Real Estate	Industrials	S&P 500	Comm. Services	Consumer Disc.	Consumer Staples	Utilities	Energy	Materials
Below	3%	10%	12%	6%	13%	14%	13%	18%	17%	26%	19%	50%
In-Line	5%	3%	3%	10%	5%	5%	9%	6%	9%	0%	10%	0%
Above	92%	88%	85%	84%	82%	81%	78%	76%	74%	74%	71%	50%



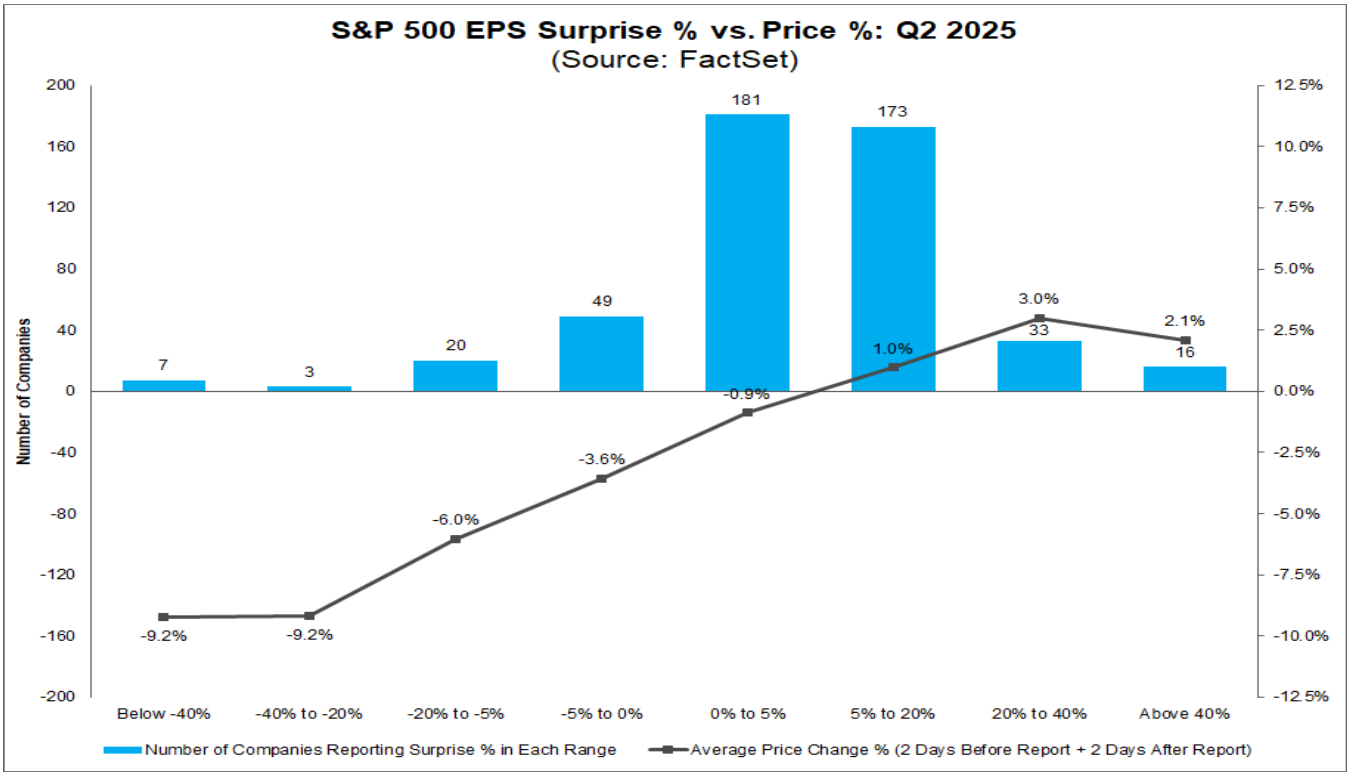
	Info. Technology	Health Care	Comm. Services	Energy	Consumer Disc.	S&P 500	Utilities	Consumer Staples	Industrials	Financials	Real Estate	Materials
Below	3%	8%	9%	14%	18%	19%	19%	23%	26%	27%	29%	38%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	97%	92%	91%	86%	82%	81%	81%	77%	74%	73%	71%	62%

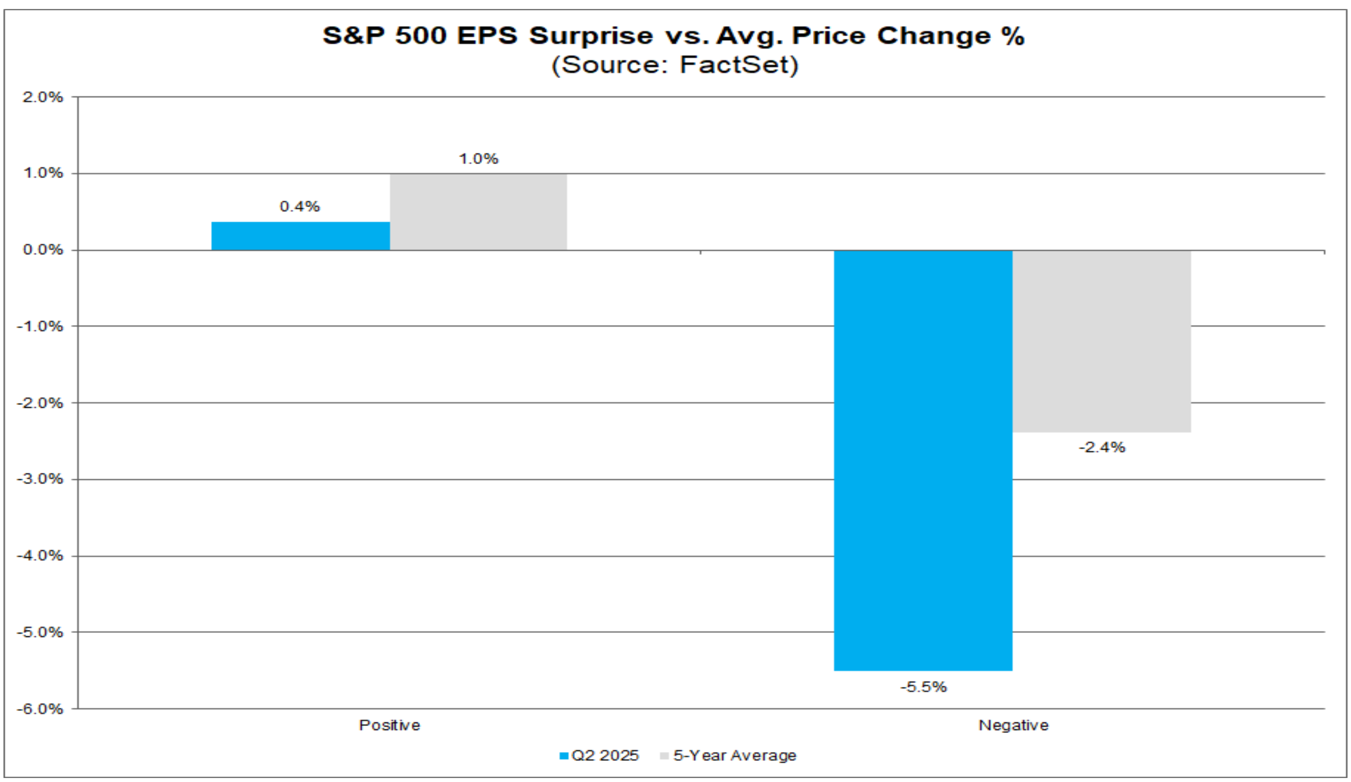
Q2 2025: Surprise



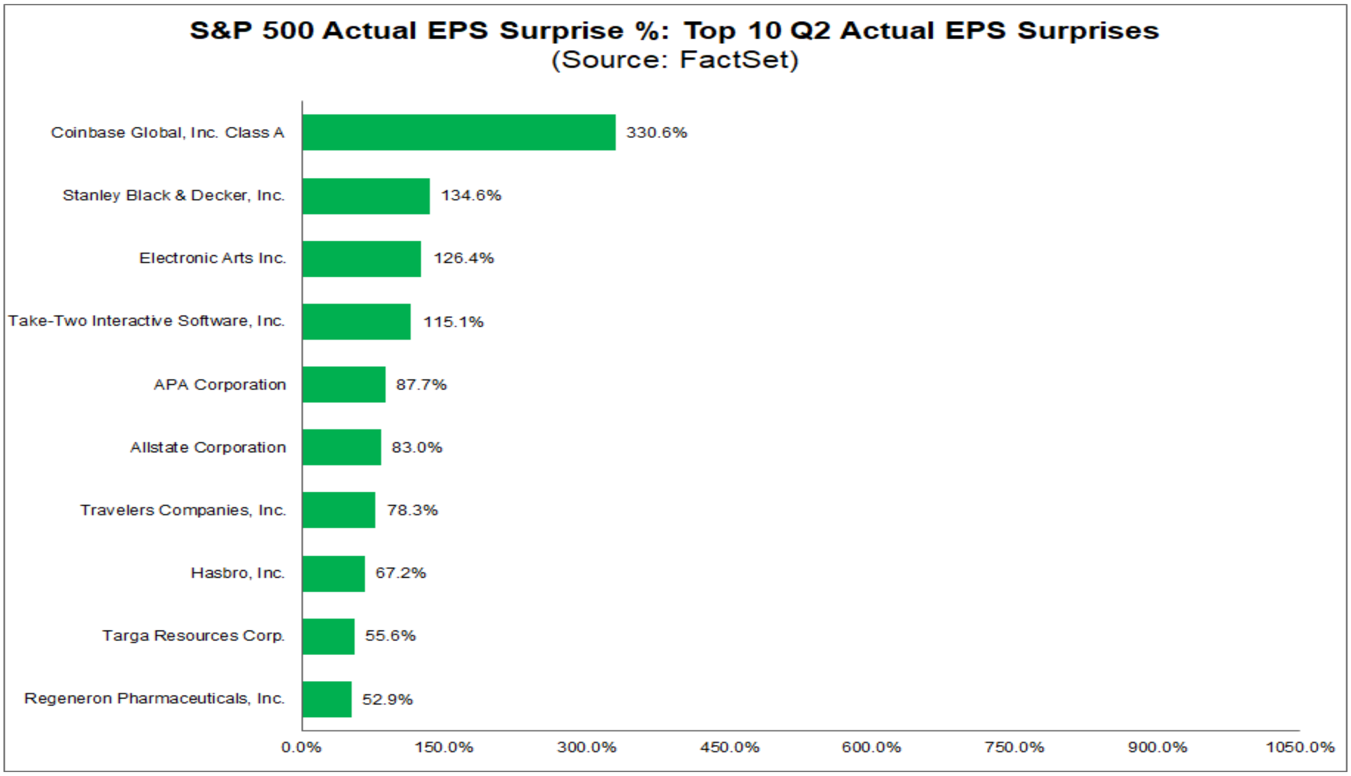


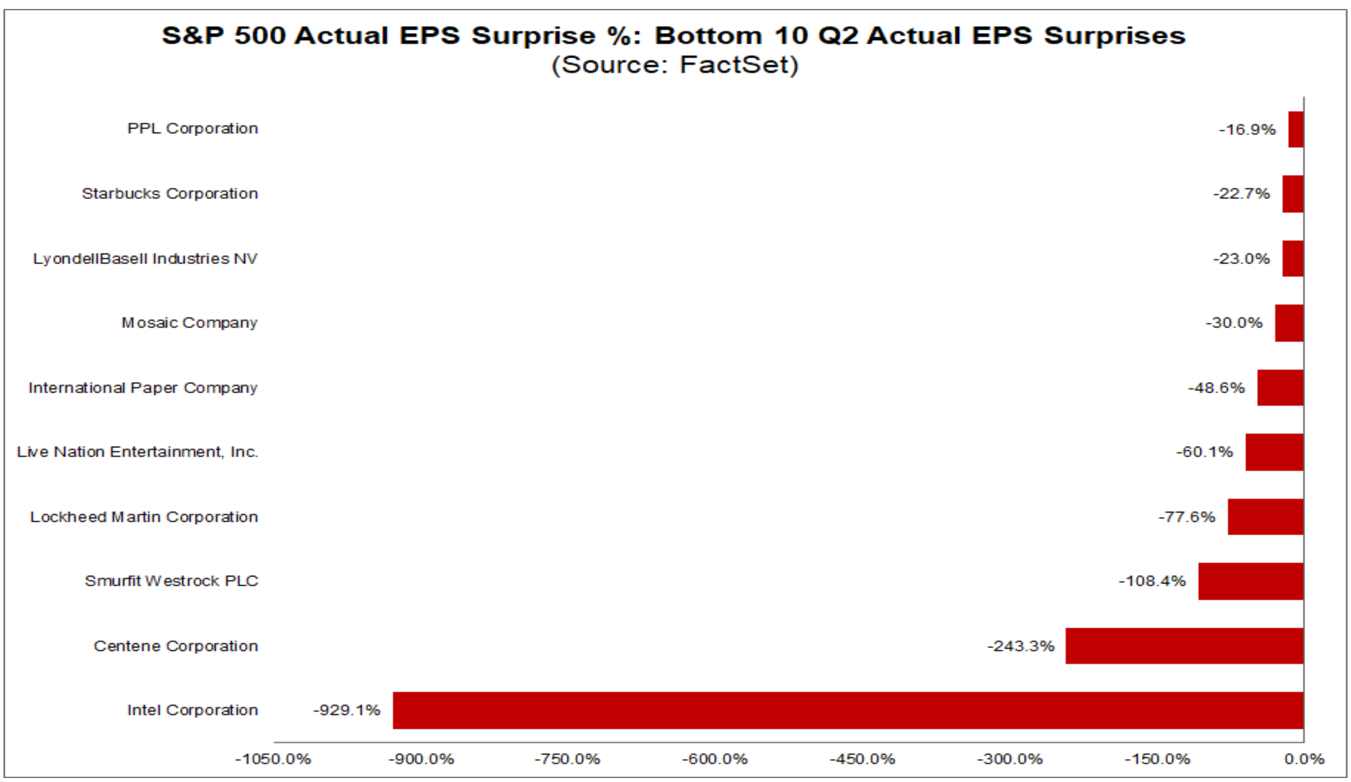
Q2 2025: Surprise



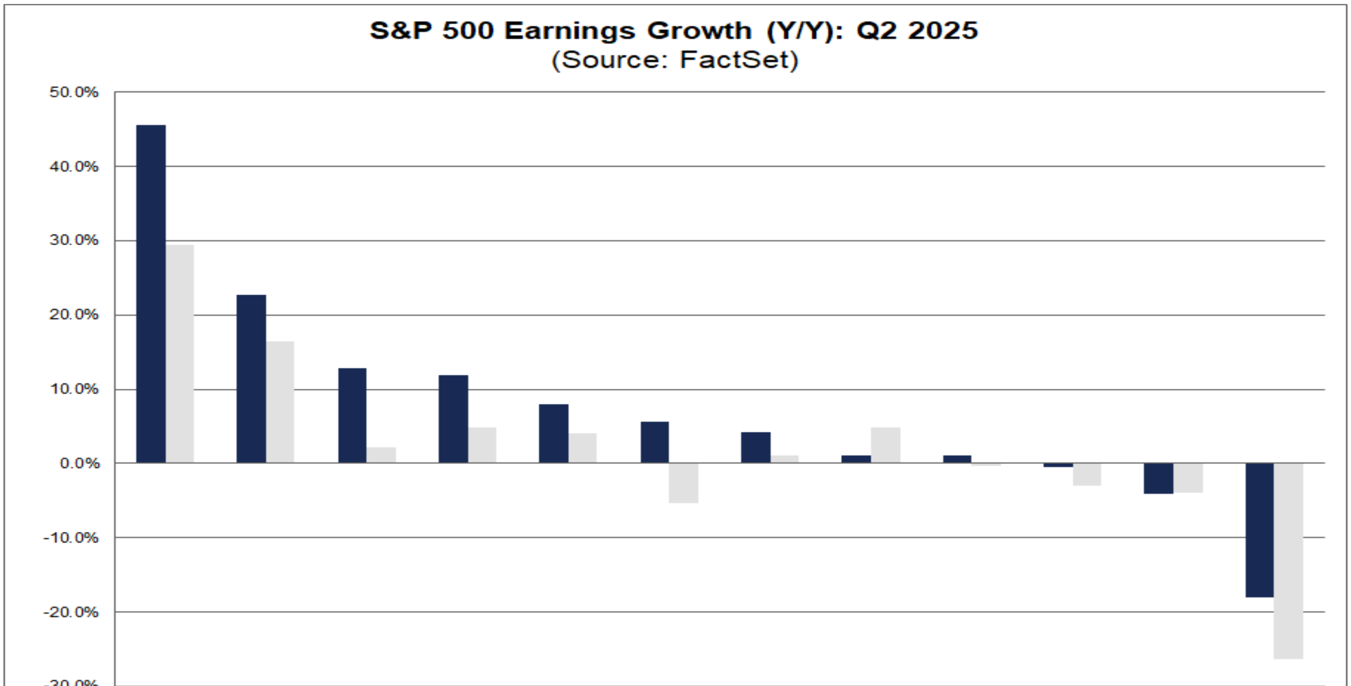


Q2 2025: Surprise

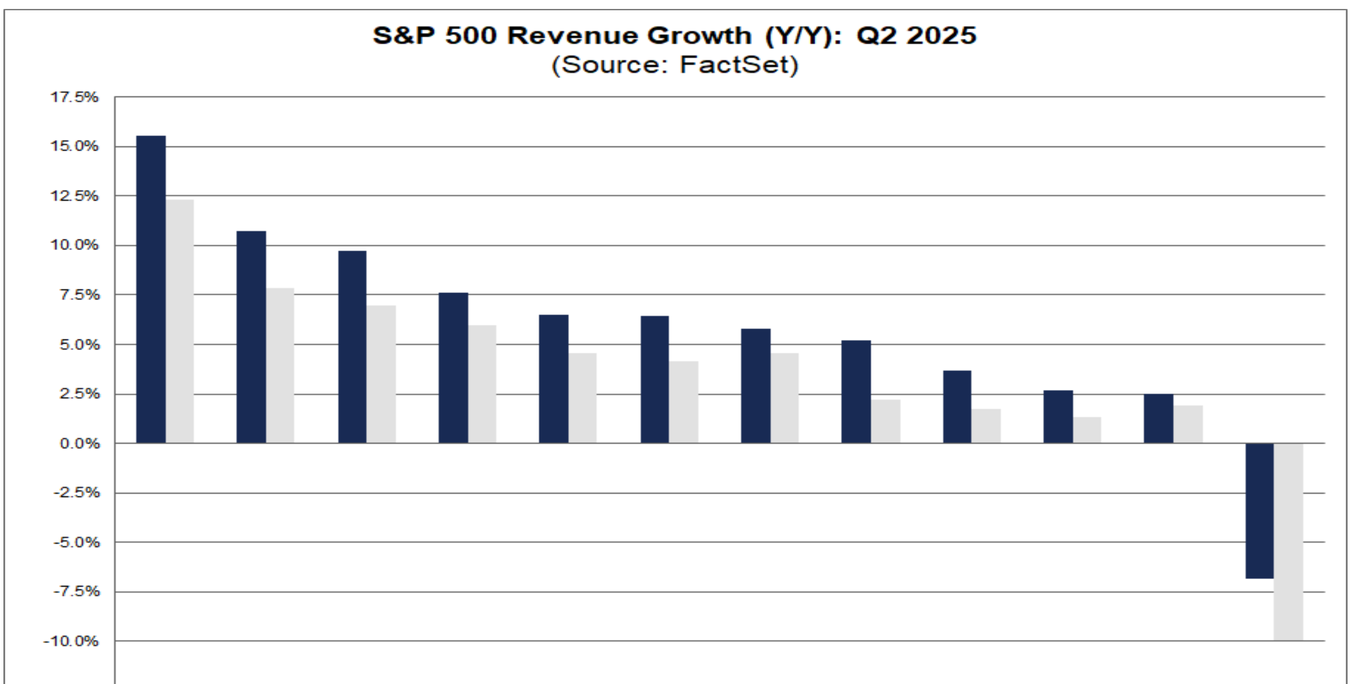




Q2 2025: Growth

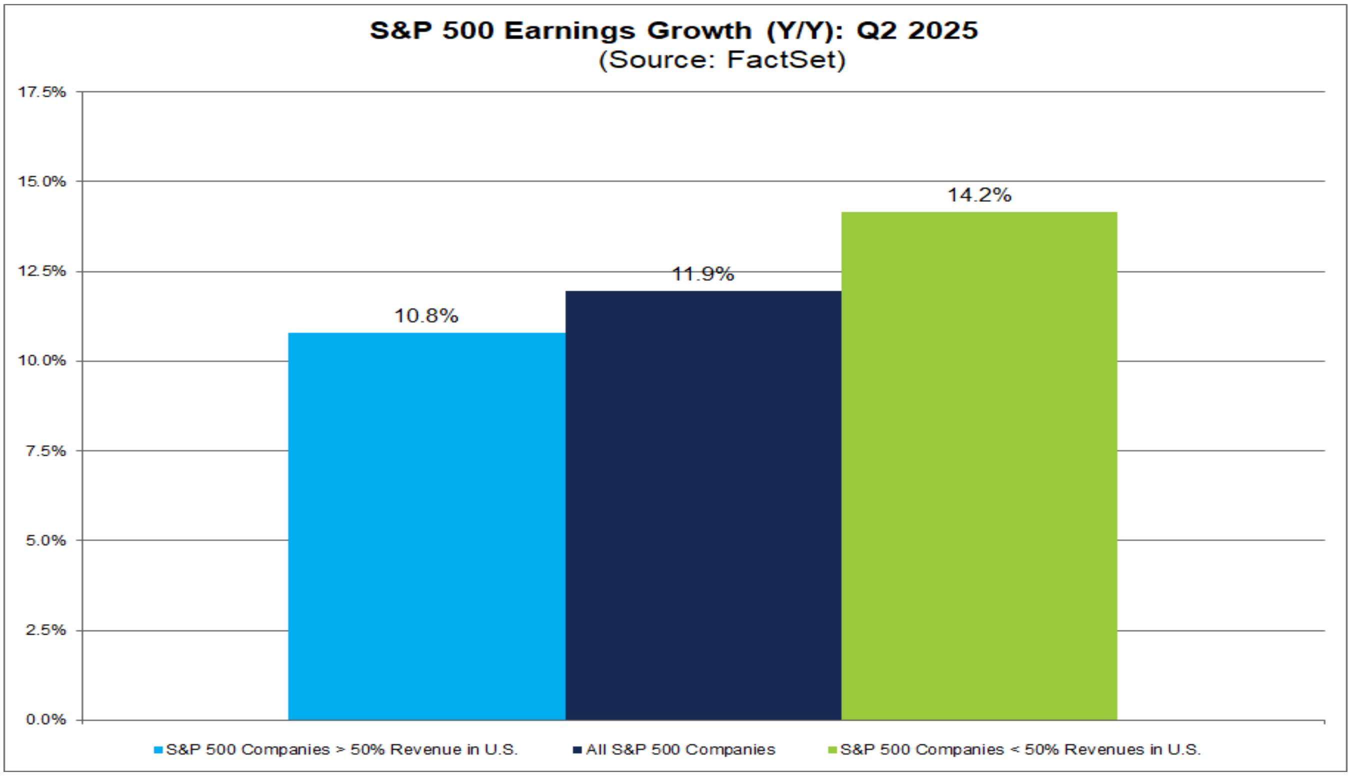


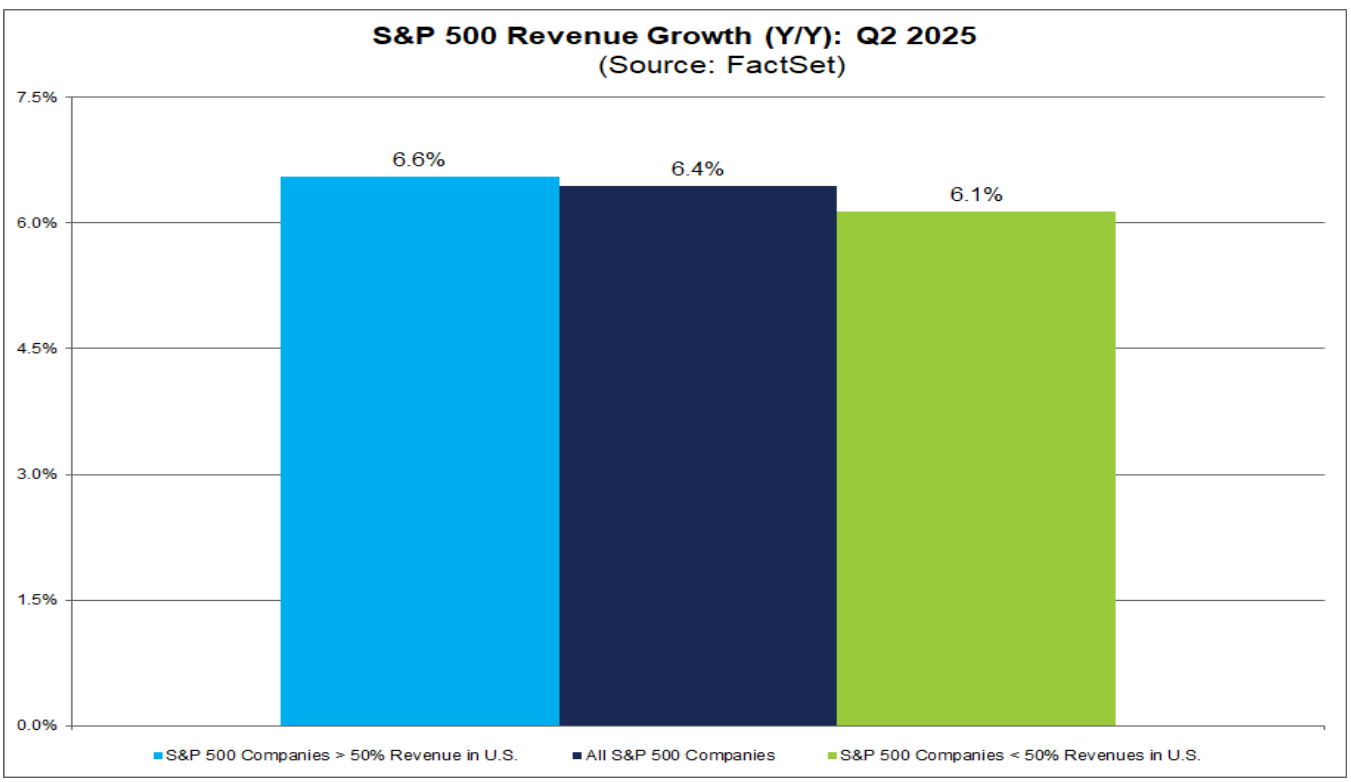
	Comm. Services	Info. Technology	Financials	S&P 500	Health Care	Consumer Disc.	Real Estate	Utilities	Industrials	Consumer Staples	Materials	Energy
Today	45.6%	22.6%	12.9%	11.9%	7.9%	5.7%	4.3%	1.2%	1.1%	-0.5%	-4.0%	-18.0%
30-Jun	29.4%	16.4%	2.2%	4.8%	4.0%	-5.3%	1.1%	4.8%	-0.3%	-3.0%	-3.9%	-26.2%



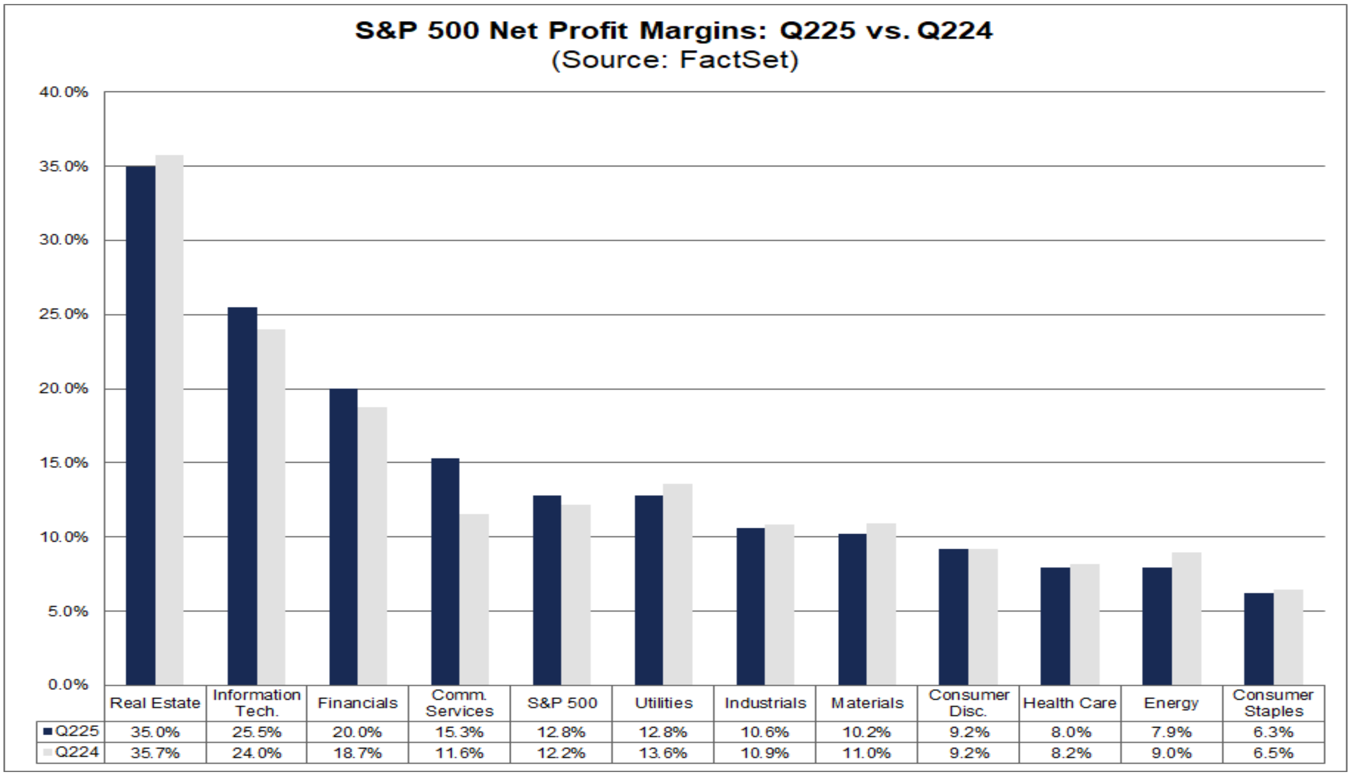
	Info. Technology	Health Care	Comm. Services	Utilities	Real Estate	S&P 500	Financials	Consumer Disc.	Industrials	Materials	Consumer Staples	Energy
Today	15.6%	10.7%	9.7%	7.6%	6.5%	6.4%	5.8%	5.2%	3.7%	2.7%	2.5%	-6.8%
30-Jun	12.3%	7.8%	7.0%	6.0%	4.6%	4.2%	4.6%	2.2%	1.8%	1.3%	1.9%	-9.9%

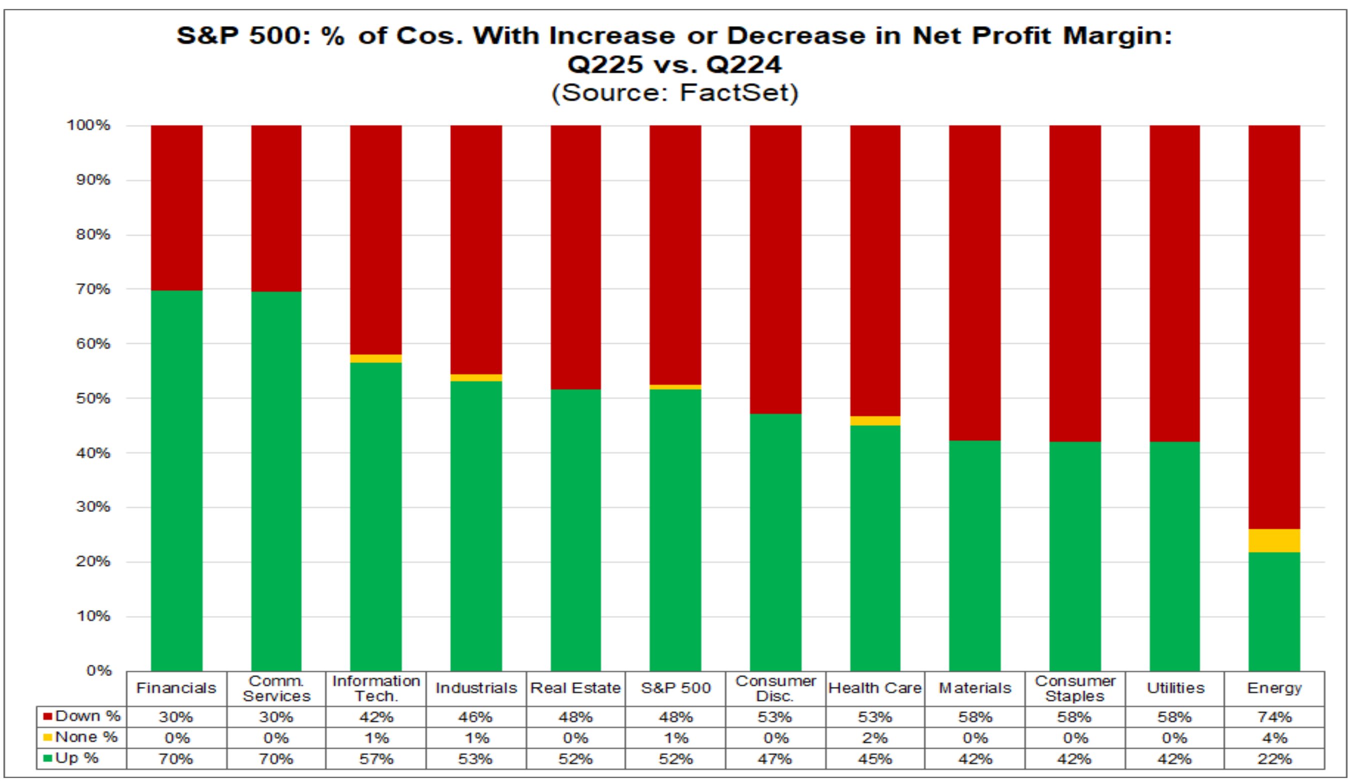
Q2 2025: Growth



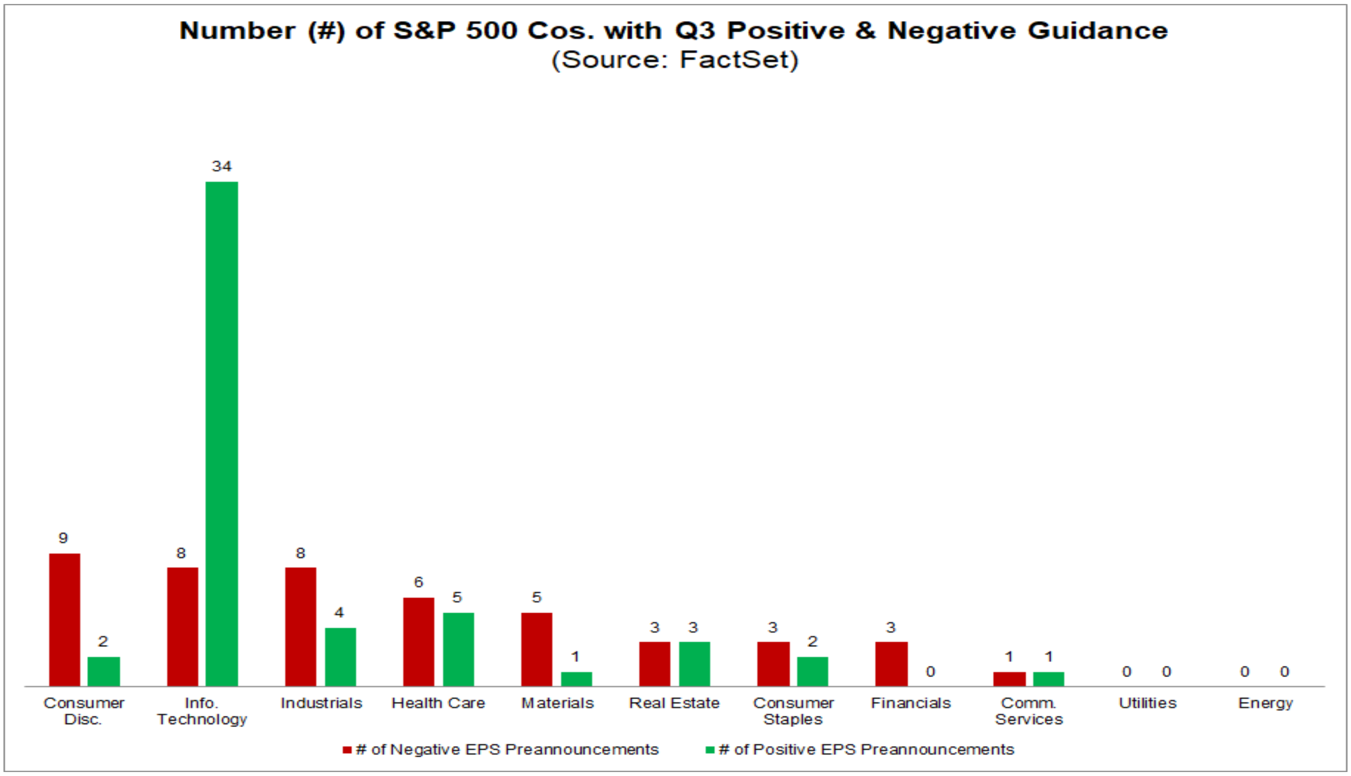


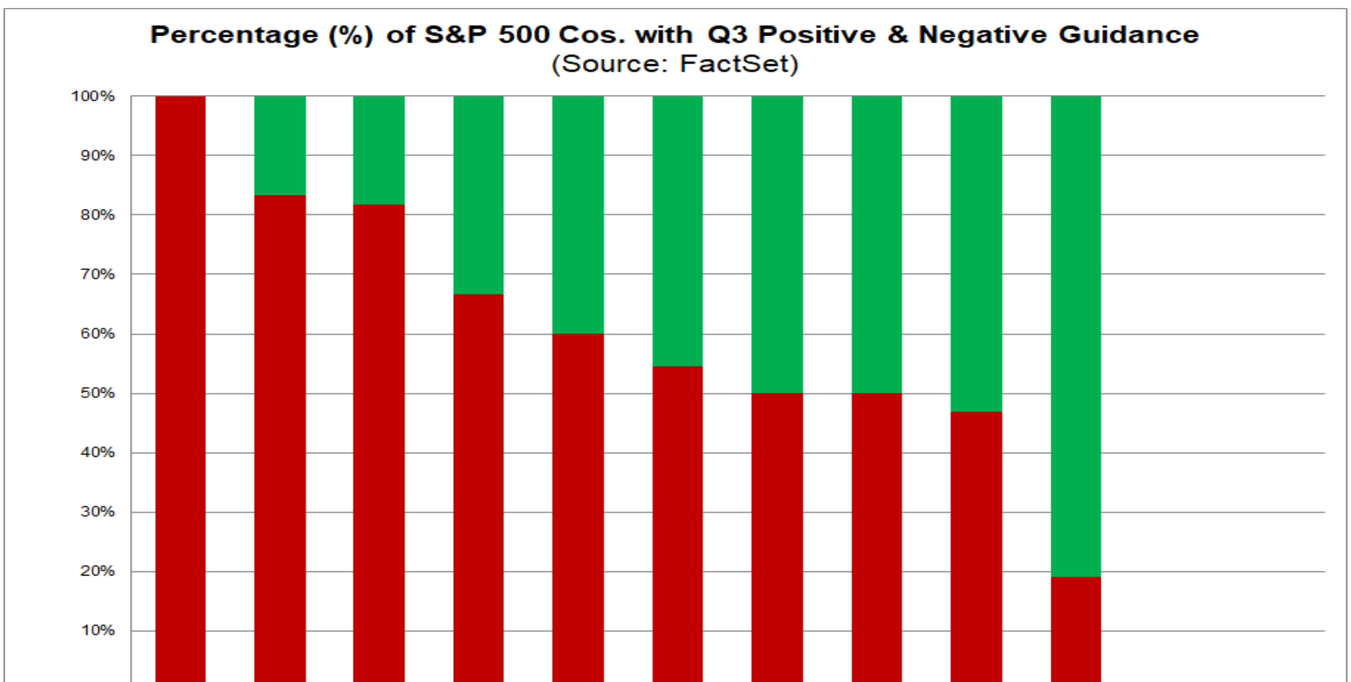
Q2 2025: Net Profit Margin





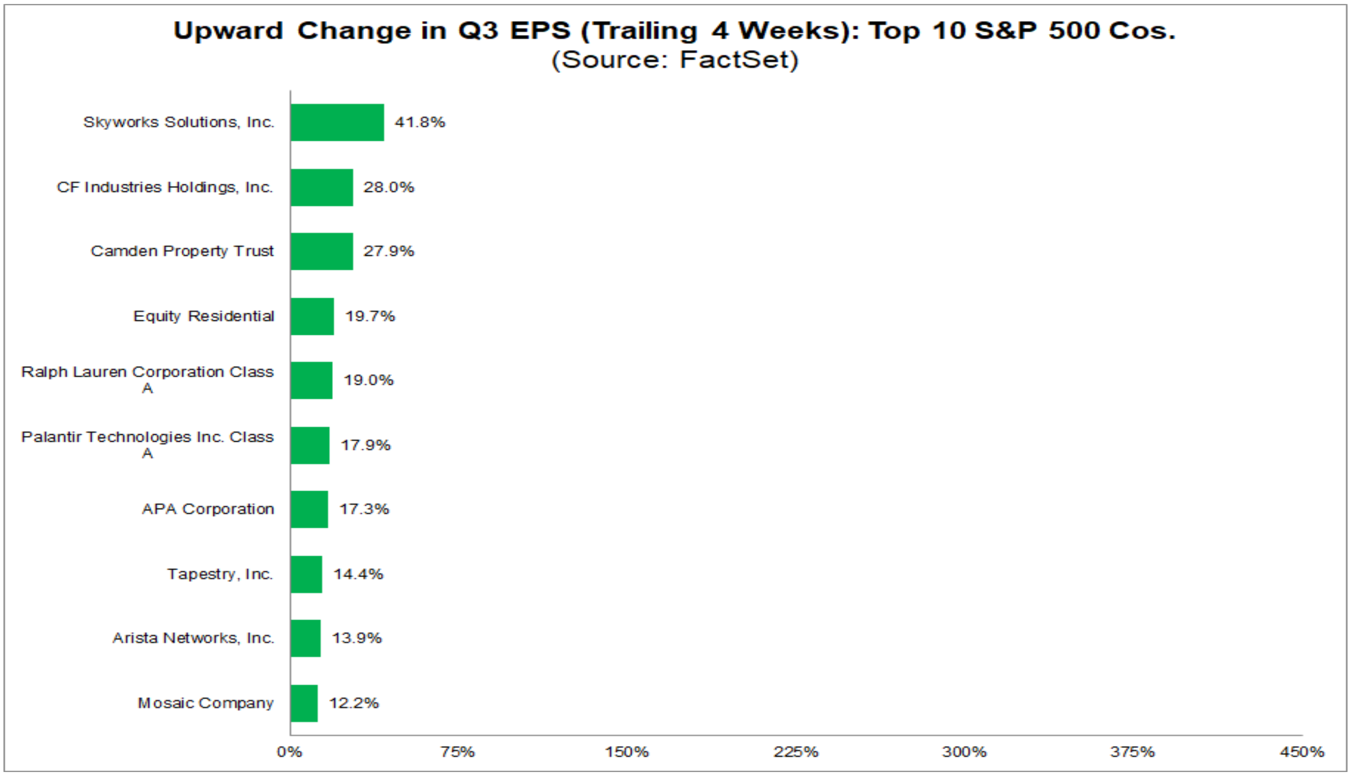
Q3 2025: Guidance

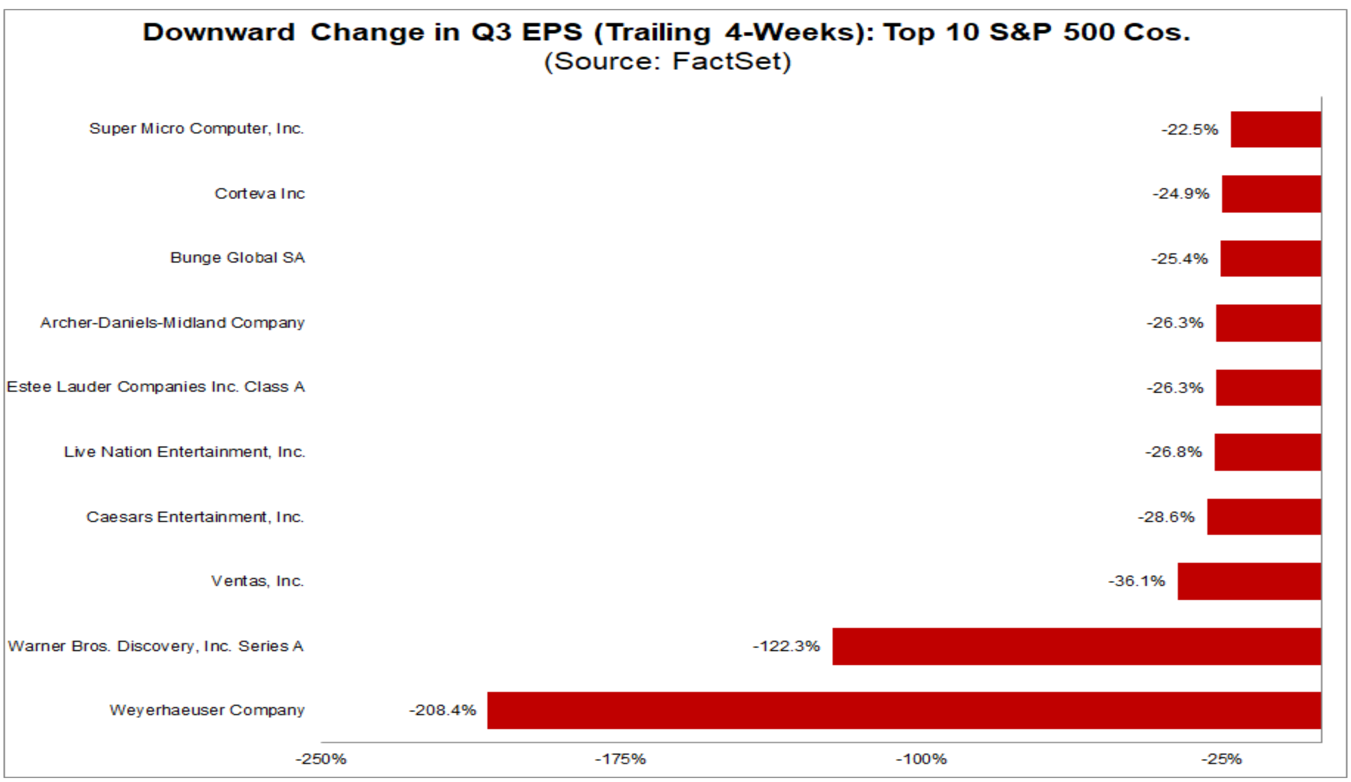




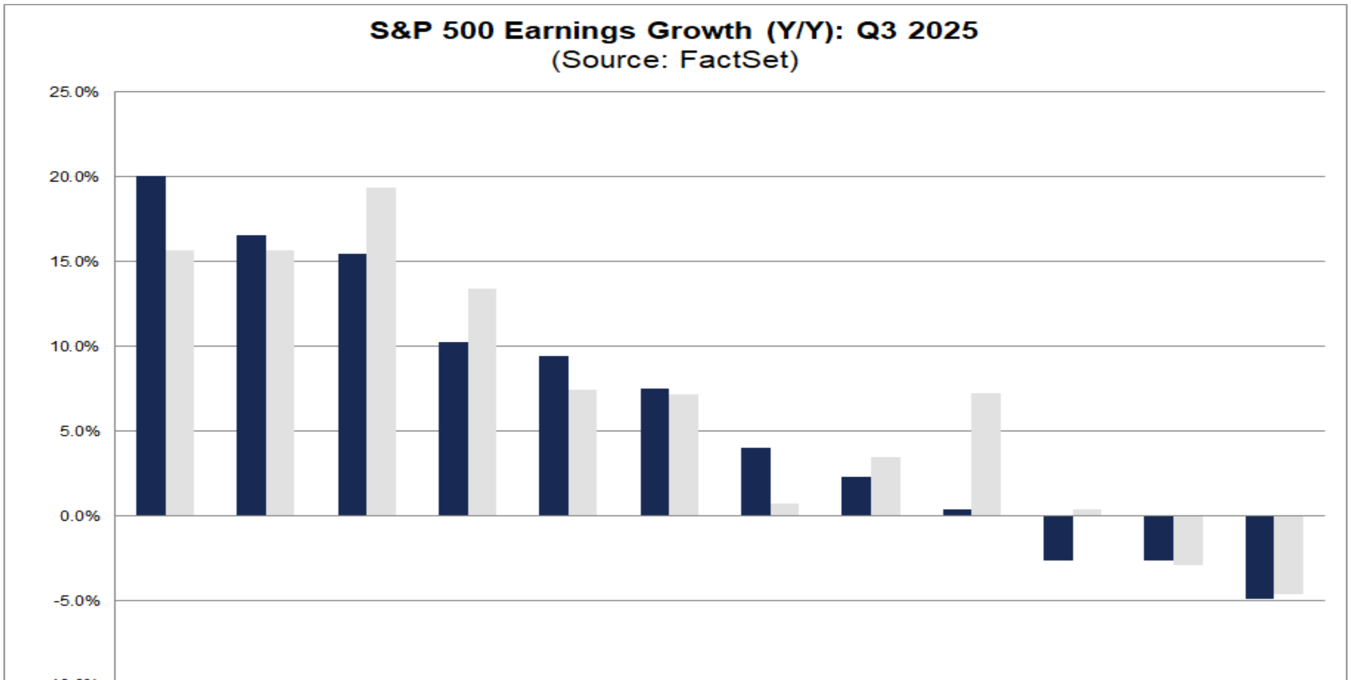
	Financials	Materials	Consumer Disc.	Industrials	Consumer Staples	Health Care	Real Estate	Comm. Services	S&P 500	Info. Technology	Utilities	Energy
Positive	0%	17%	18%	33%	40%	45%	50%	50%	53%	81%	0%	0%
Negative	100%	83%	82%	67%	60%	55%	50%	50%	47%	19%	0%	0%

Q3 2025: EPS Revisions

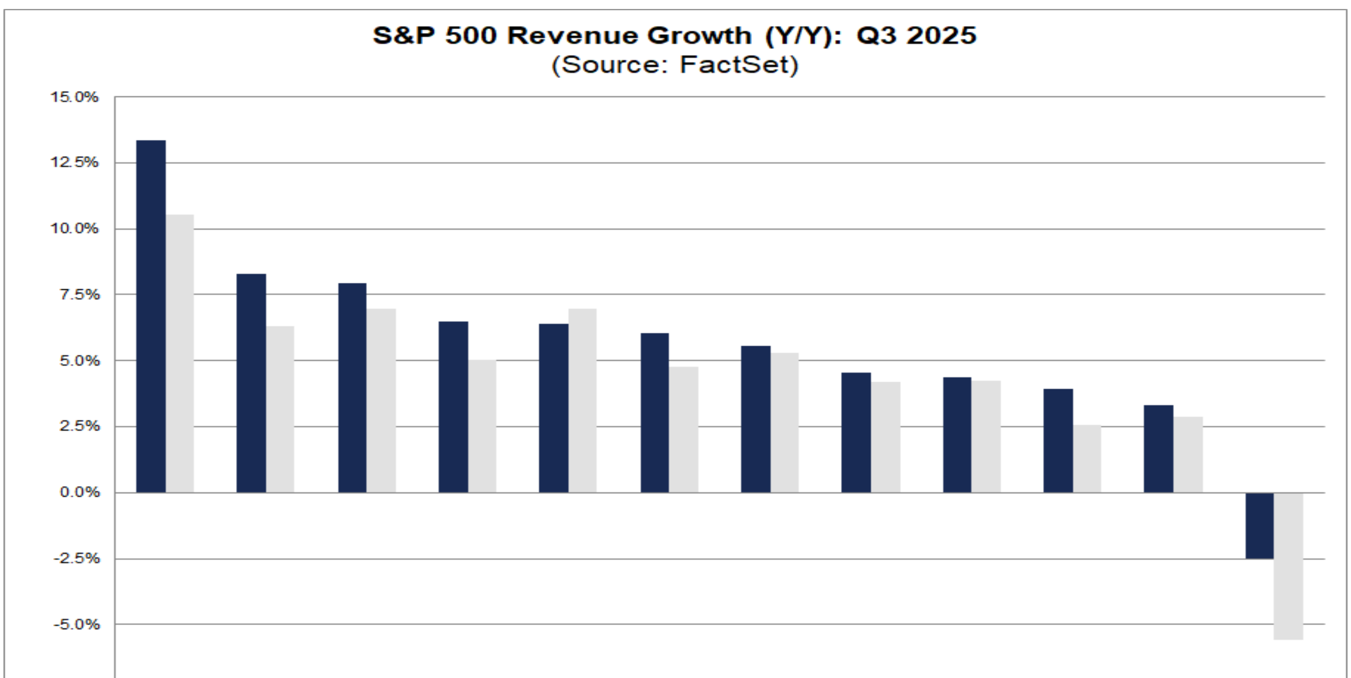




Q3 2025: Growth

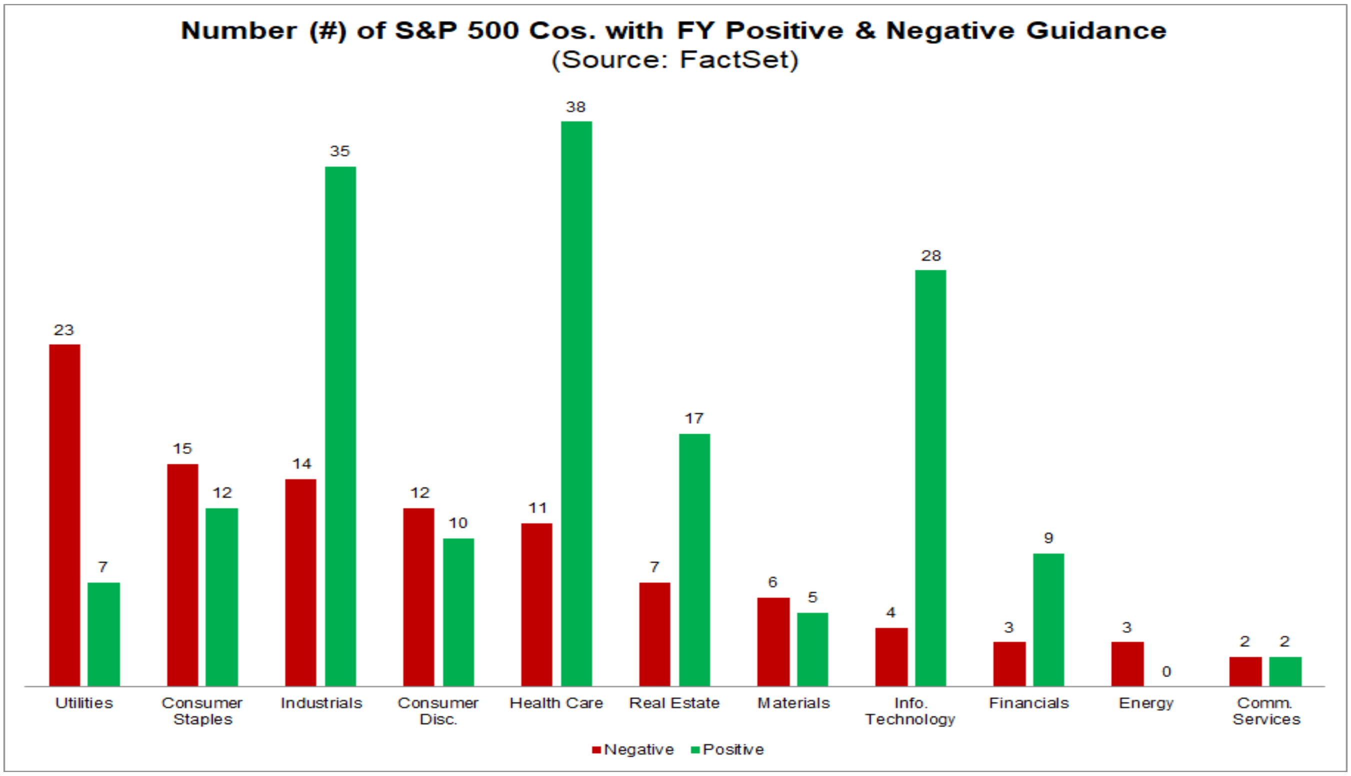


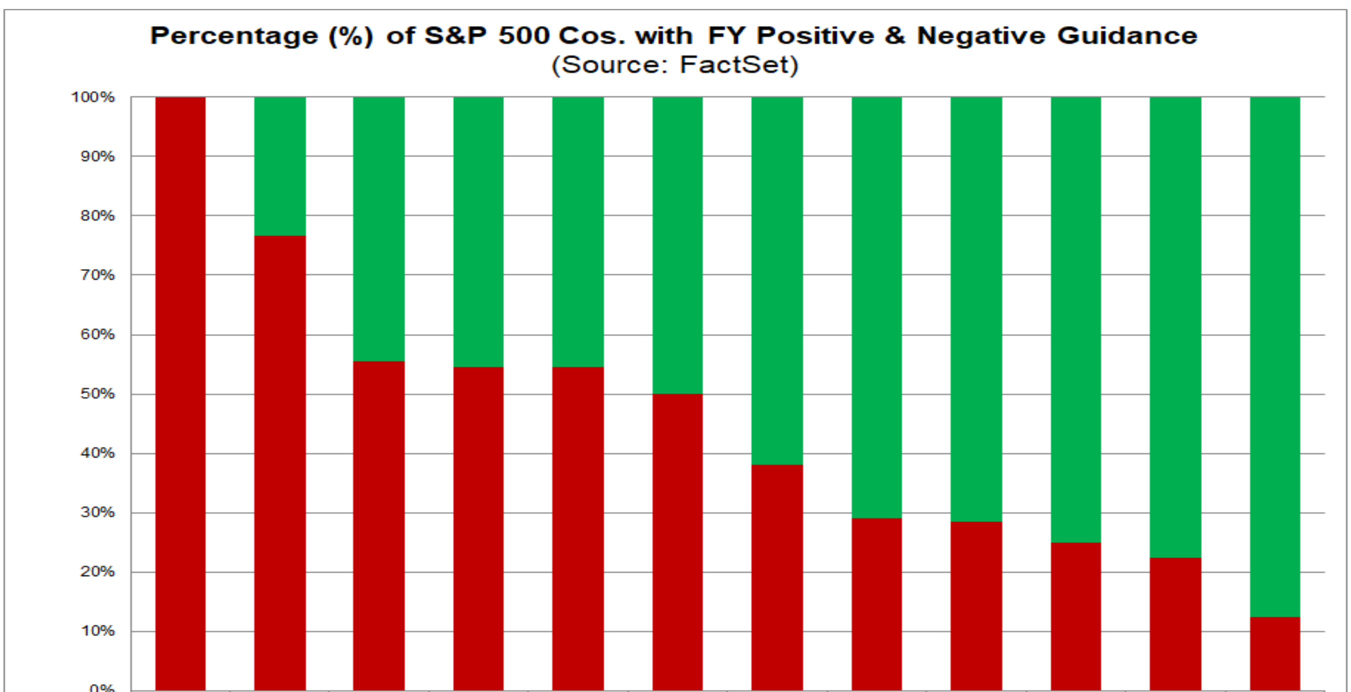
	Info. Technology	Utilities	Materials	Industrials	Financials	S&P 500	Comm. Services	Real Estate	Health Care	Consumer Staples	Consumer Disc.	Energy
Today	20.0%	16.5%	15.4%	10.2%	9.4%	7.5%	4.0%	2.3%	0.4%	-2.6%	-2.7%	-4.9%
30-Jun	15.7%	15.7%	19.4%	13.4%	7.5%	7.2%	0.8%	3.5%	7.3%	0.4%	-2.9%	-4.6%



	Info. Technology	Comm. Services	Health Care	Financials	Utilities	S&P 500	Real Estate	Materials	Industrials	Consumer Disc.	Consumer Staples	Energy
Today	13.4%	8.3%	7.9%	6.5%	6.4%	6.1%	5.6%	4.6%	4.4%	3.9%	3.3%	-2.5%
30-Jun	10.6%	6.3%	7.0%	5.0%	7.0%	4.8%	5.3%	4.2%	4.2%	2.6%	2.9%	-5.6%

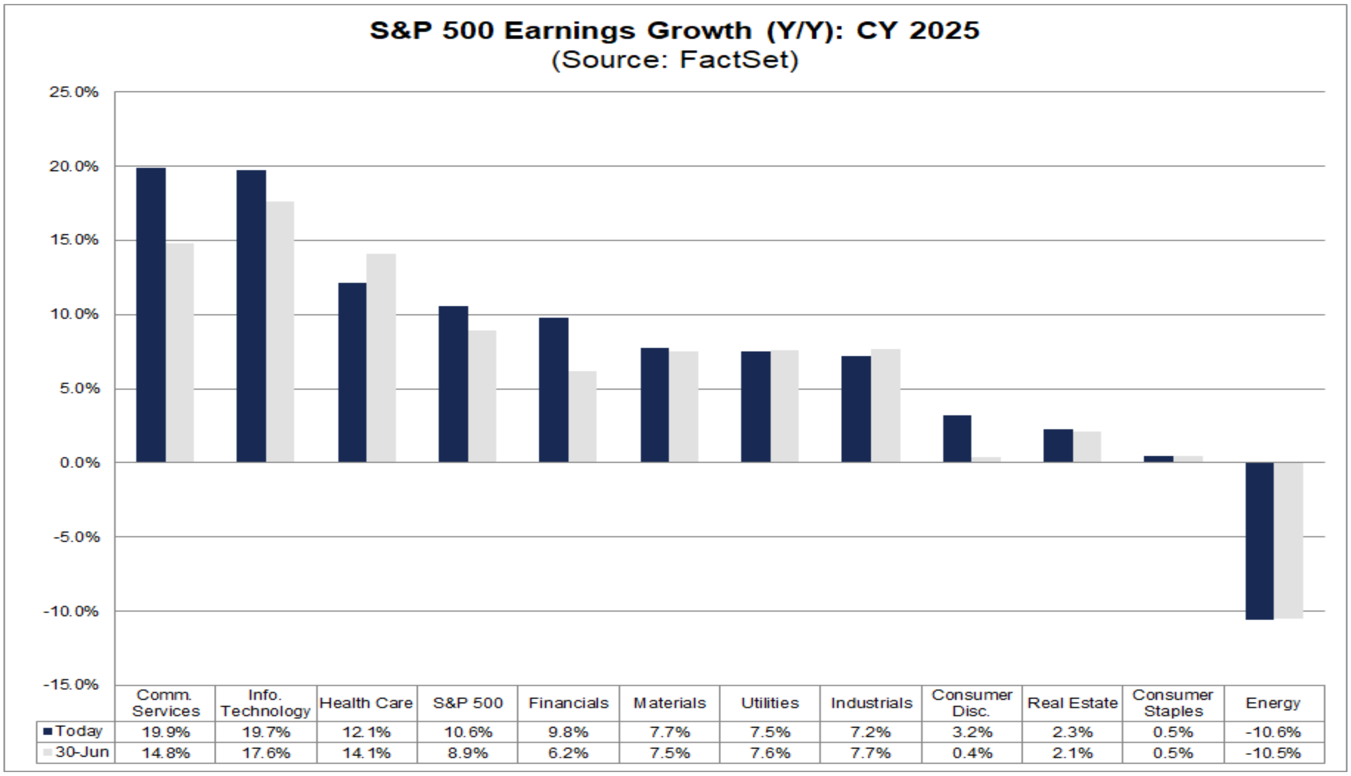
FY 2025 / 2026: EPS Guidance

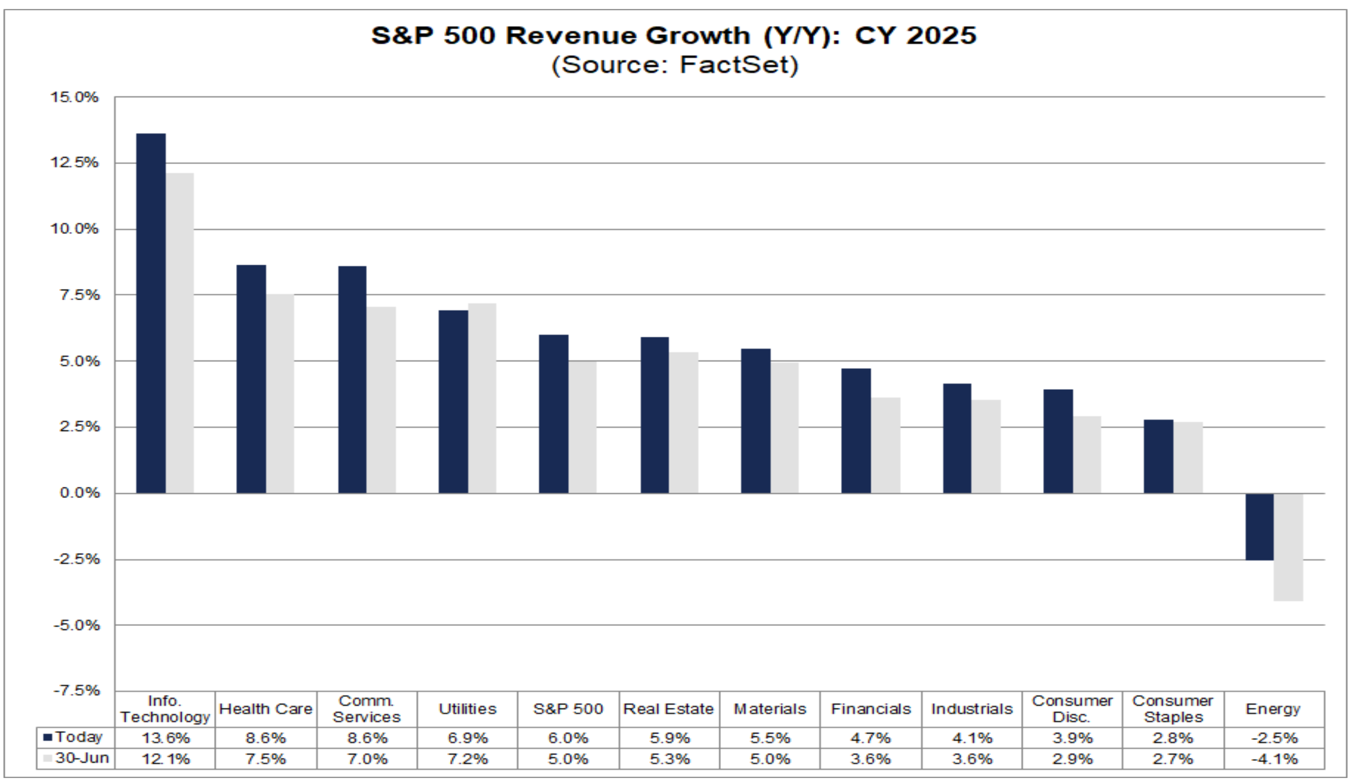




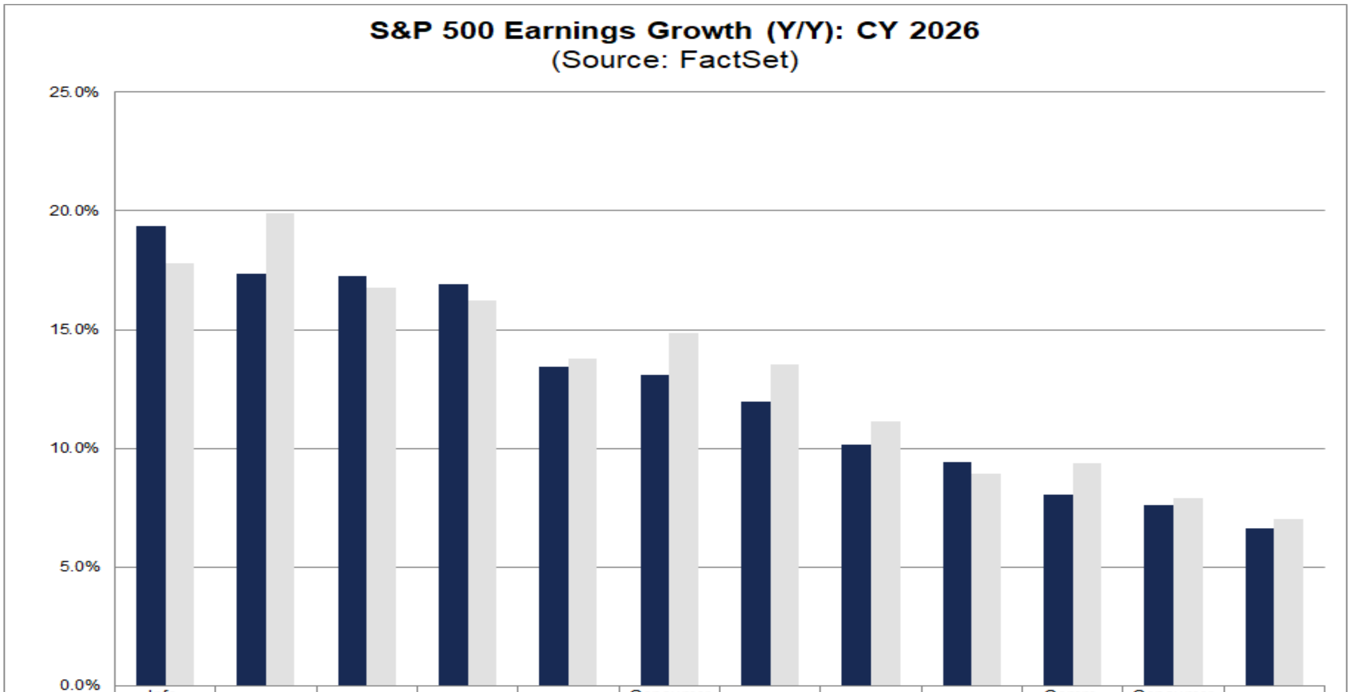
	Energy	Utilities	Consumer Staples	Consumer Disc.	Materials	Comm. Services	S&P 500	Real Estate	Industrials	Financials	Health Care	Info. Technology
Positive	0%	23%	44%	45%	45%	50%	62%	71%	71%	75%	78%	88%
Negative	100%	77%	56%	55%	55%	50%	38%	29%	29%	25%	22%	13%

CY 2025: Growth

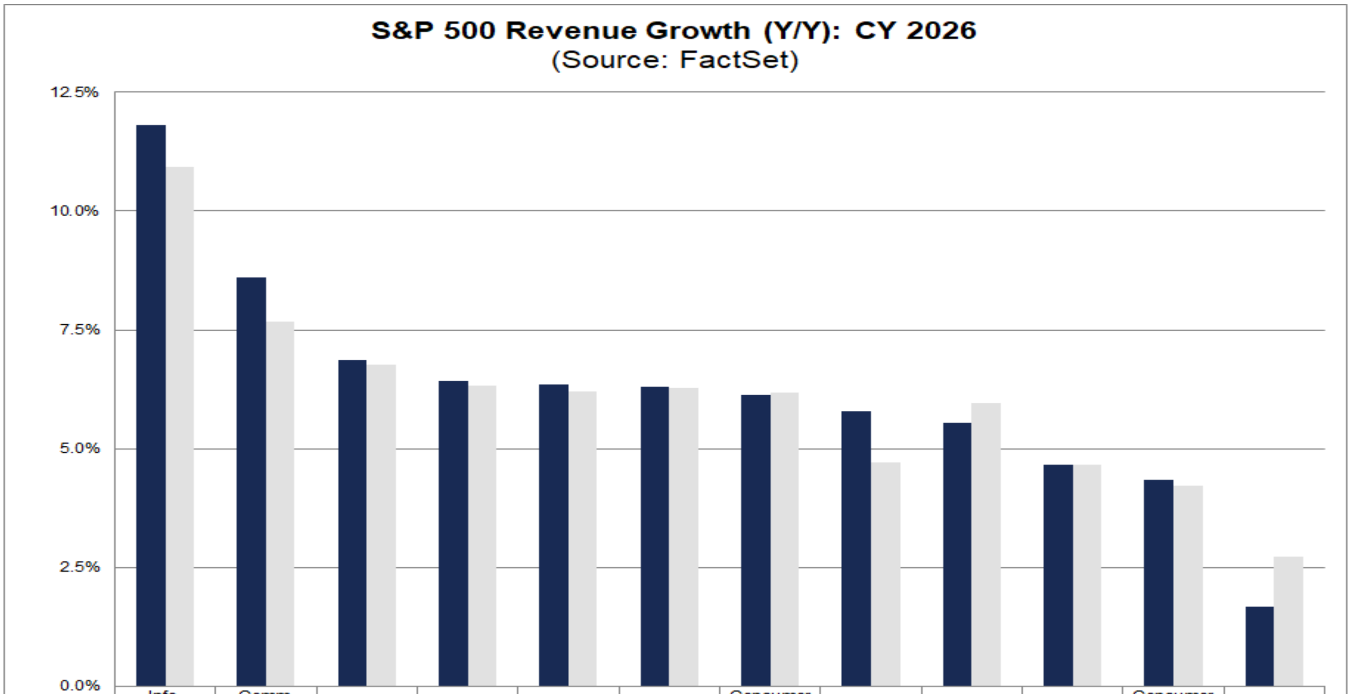




CY 2026: Growth

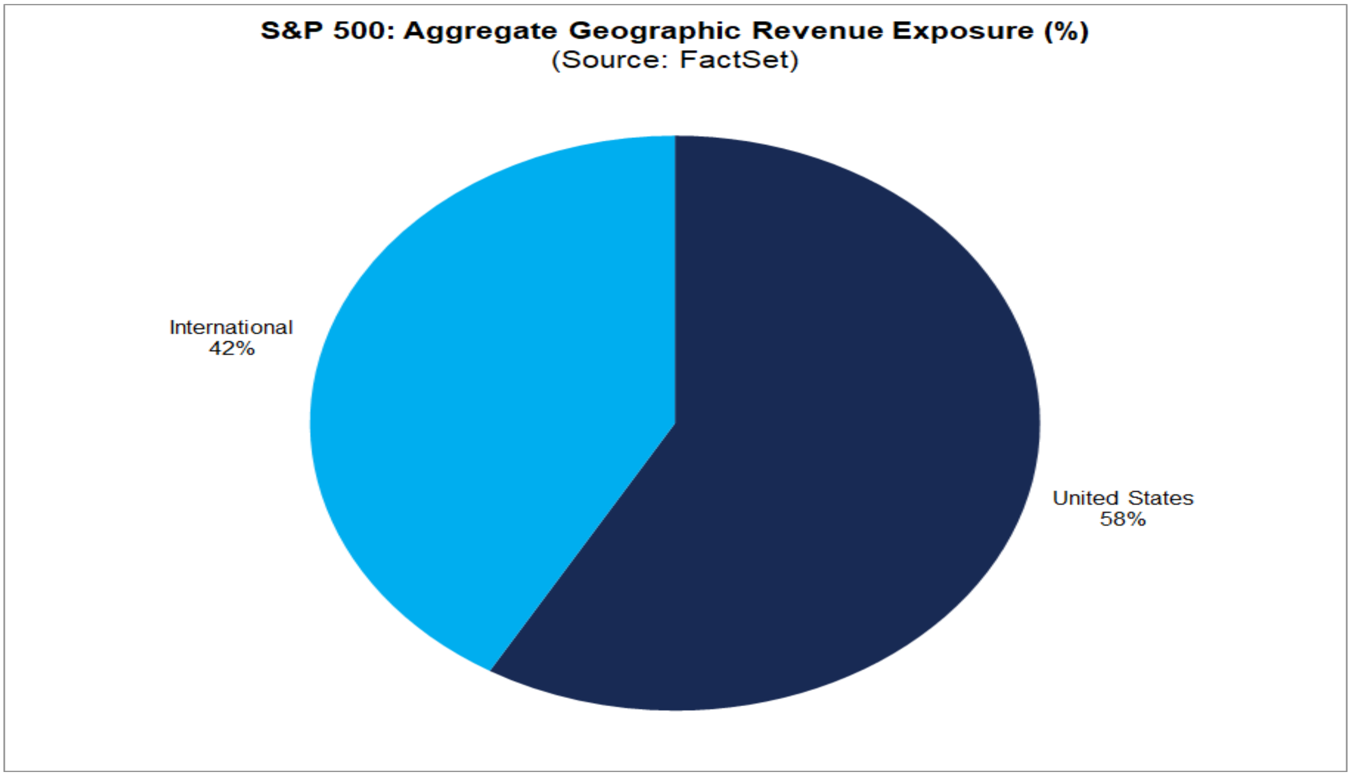


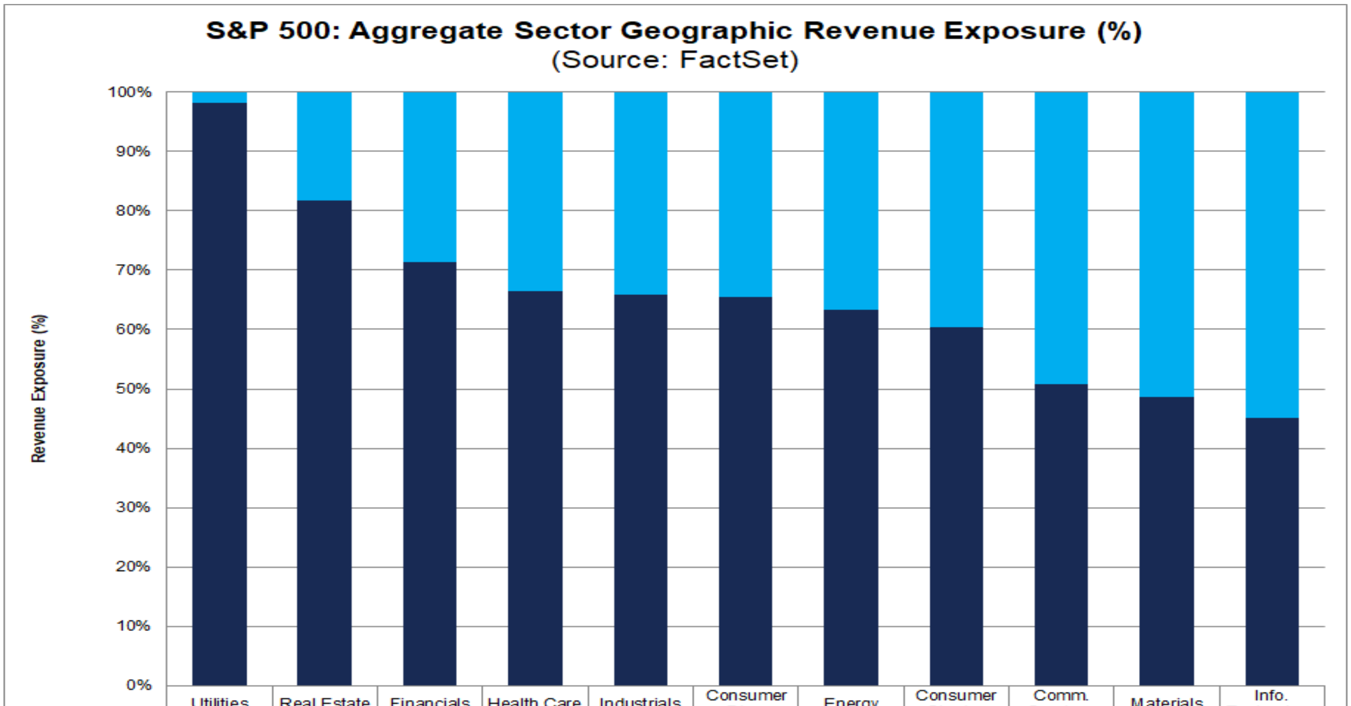
	Info. Technology	Energy	Materials	Industrials	S&P 500	Consumer Disc.	Financials	Health Care	Utilities	Comm. Services	Consumer Staples	Real Estate
Today	19.4%	17.4%	17.3%	16.9%	13.4%	13.1%	12.0%	10.2%	9.4%	8.0%	7.6%	6.7%
30-Jun	17.8%	19.9%	16.8%	16.2%	13.8%	14.9%	13.5%	11.1%	8.9%	9.4%	7.9%	7.0%



	Info. Technology	Comm. Services	Real Estate	S&P 500	Financials	Industrials	Consumer Disc.	Utilities	Health Care	Materials	Consumer Staples	Energy
Today	11.8%	8.6%	6.9%	6.4%	6.4%	6.3%	6.1%	5.8%	5.6%	4.7%	4.3%	1.7%
30-Jun	10.9%	7.7%	6.8%	6.3%	6.2%	6.3%	6.2%	4.7%	6.0%	4.7%	4.2%	2.7%

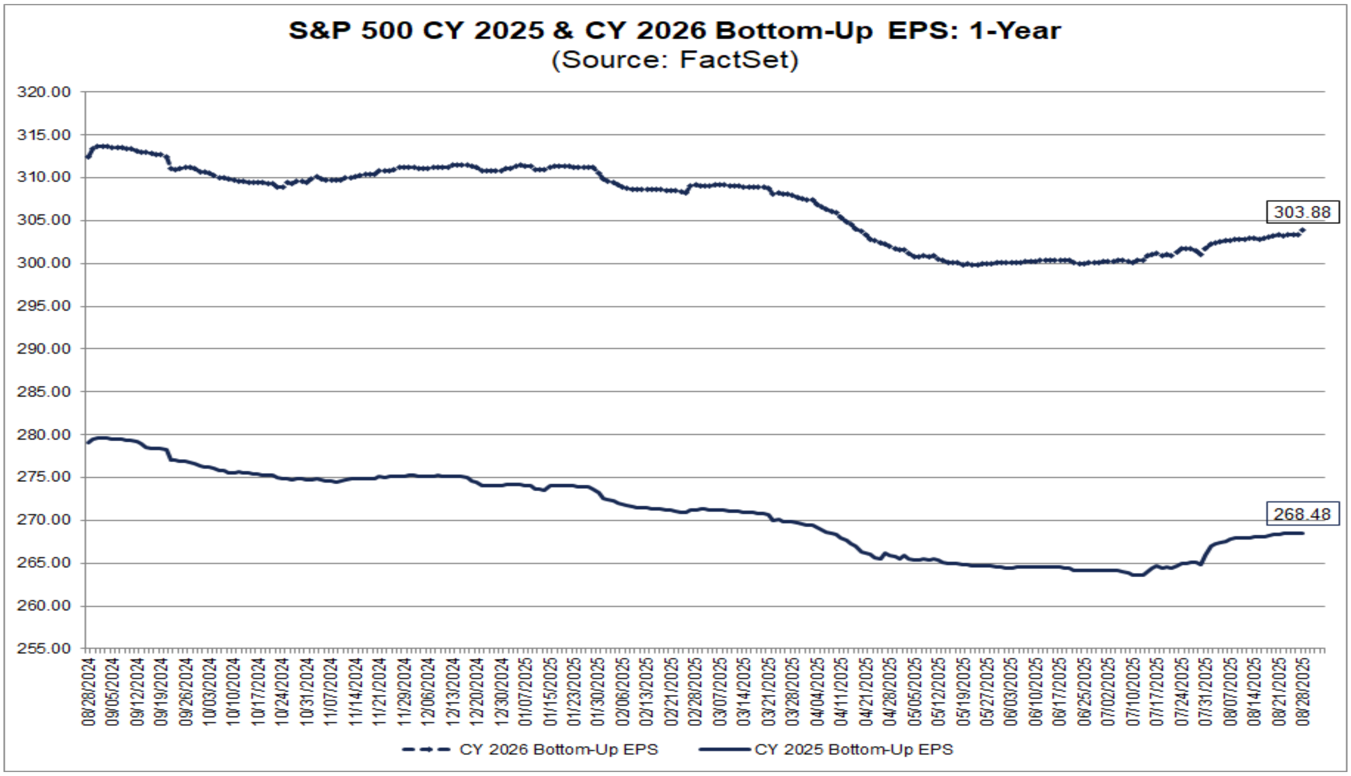
Geographic Revenue Exposure

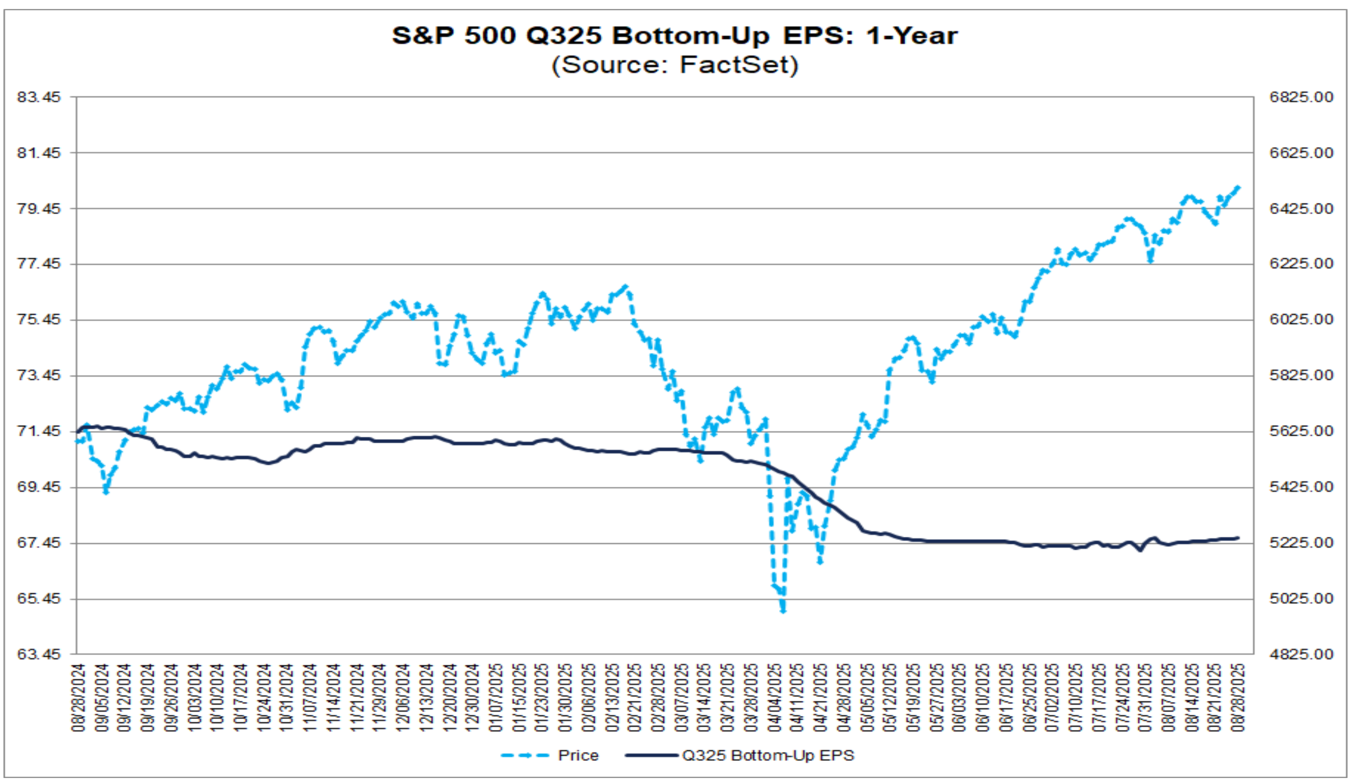




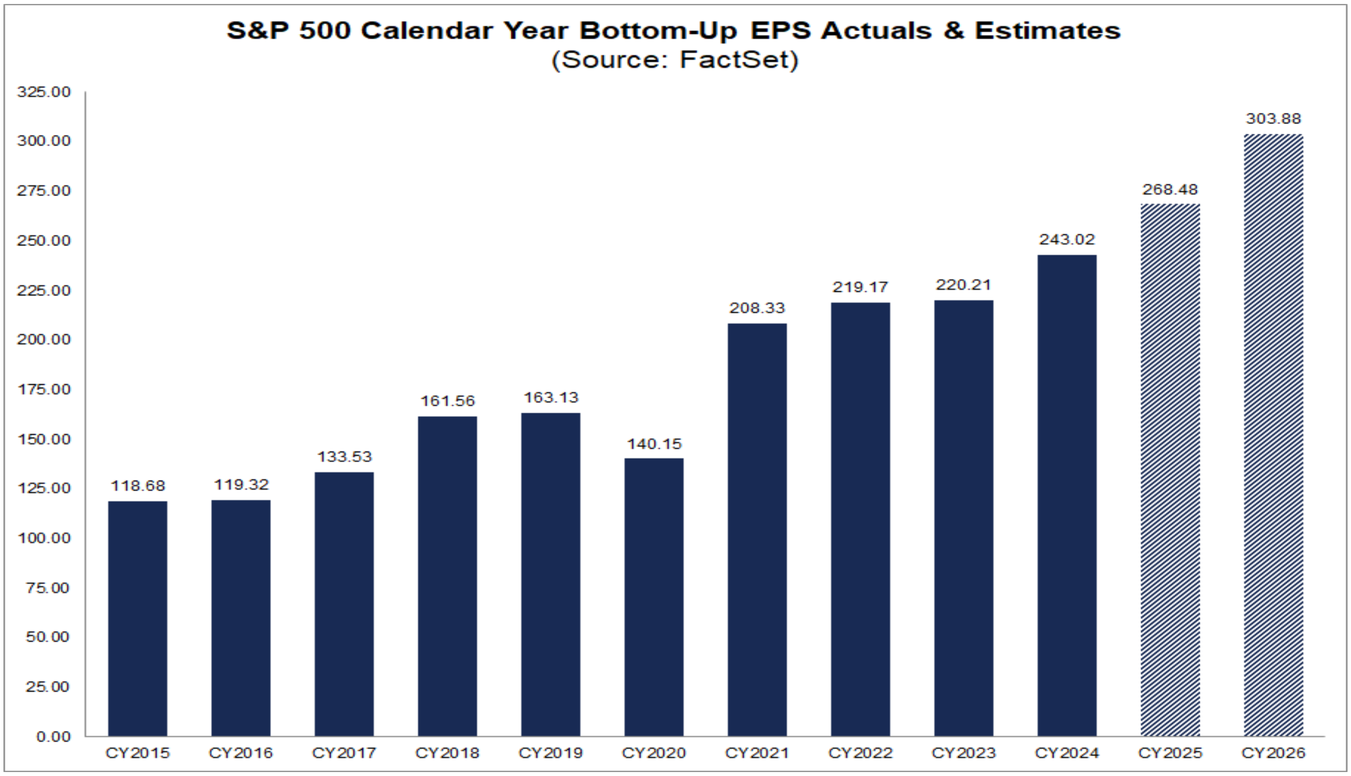
	Utilities	Real Estate	Financials	Health Care	Industrials	Consumer Disc.	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	2%	18%	29%	34%	34%	34%	37%	40%	49%	51%	55%
United States	98%	82%	71%	66%	66%	66%	63%	60%	51%	49%	45%

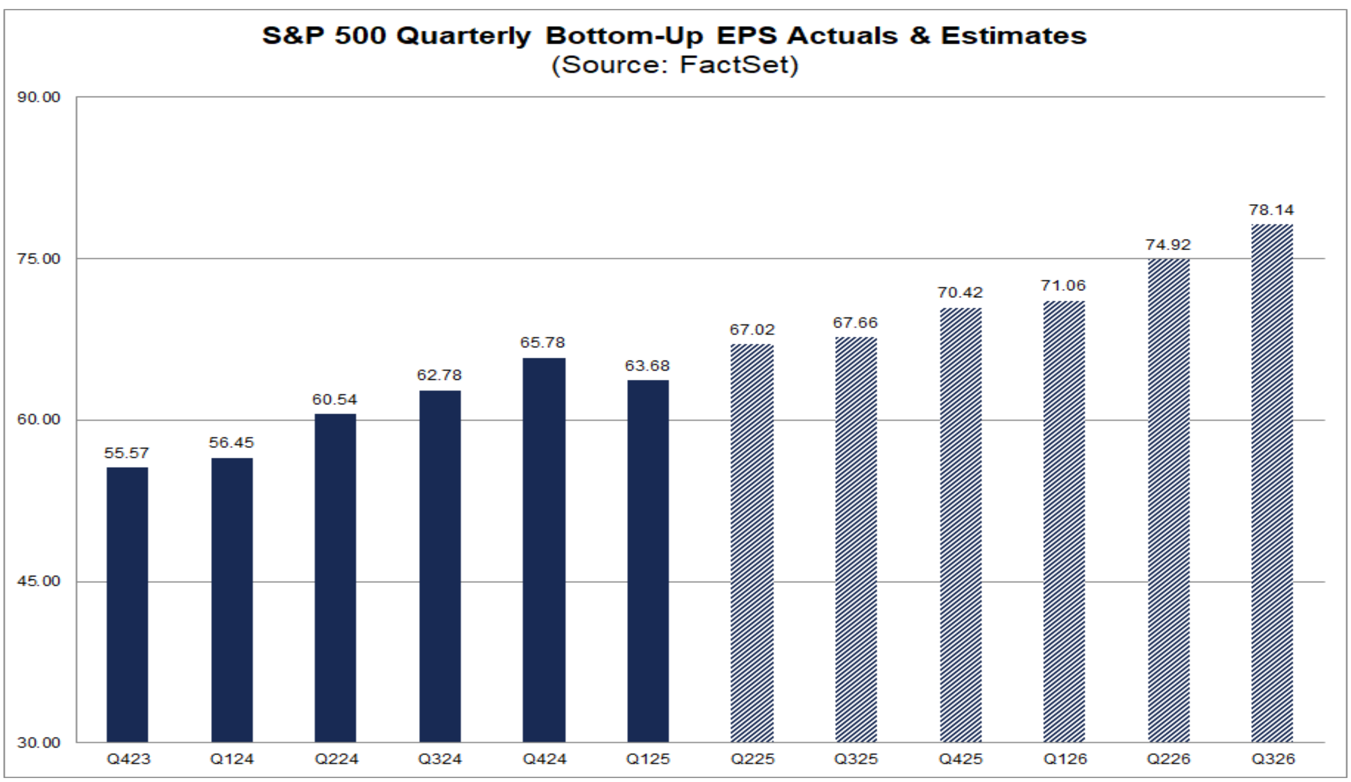
Bottom-Up EPS Estimates



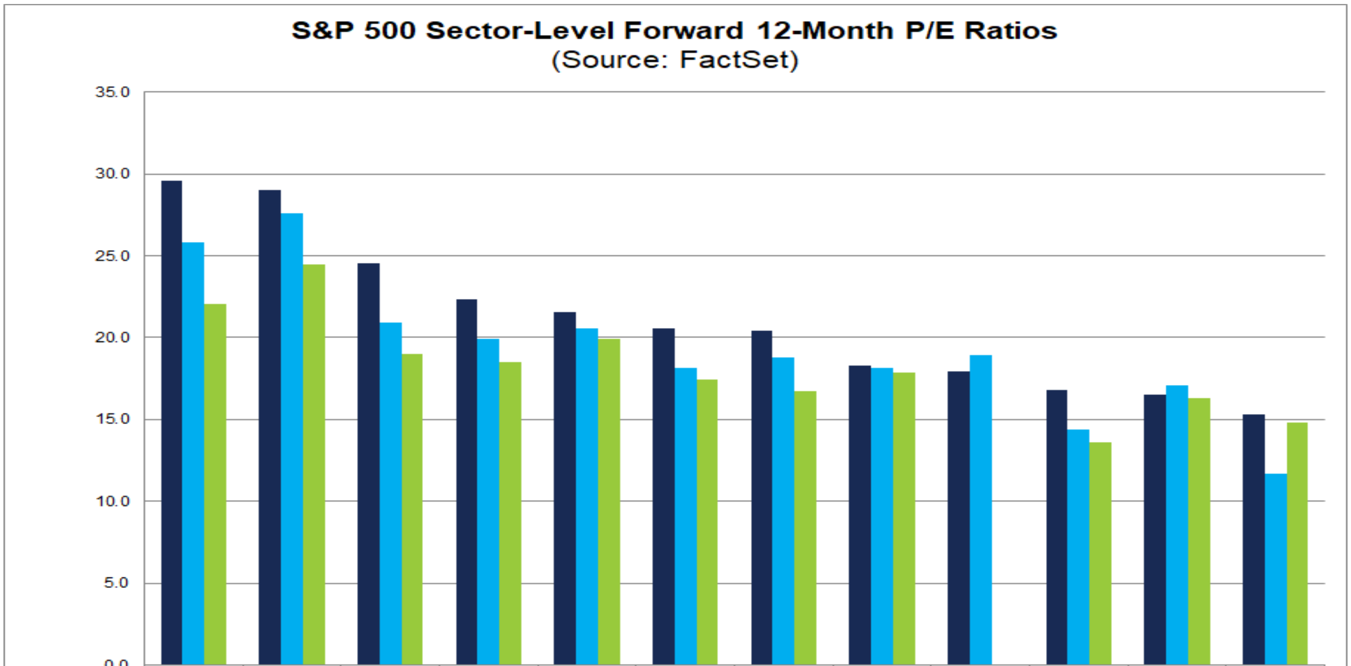


Bottom-Up EPS Estimates: Current & Historical

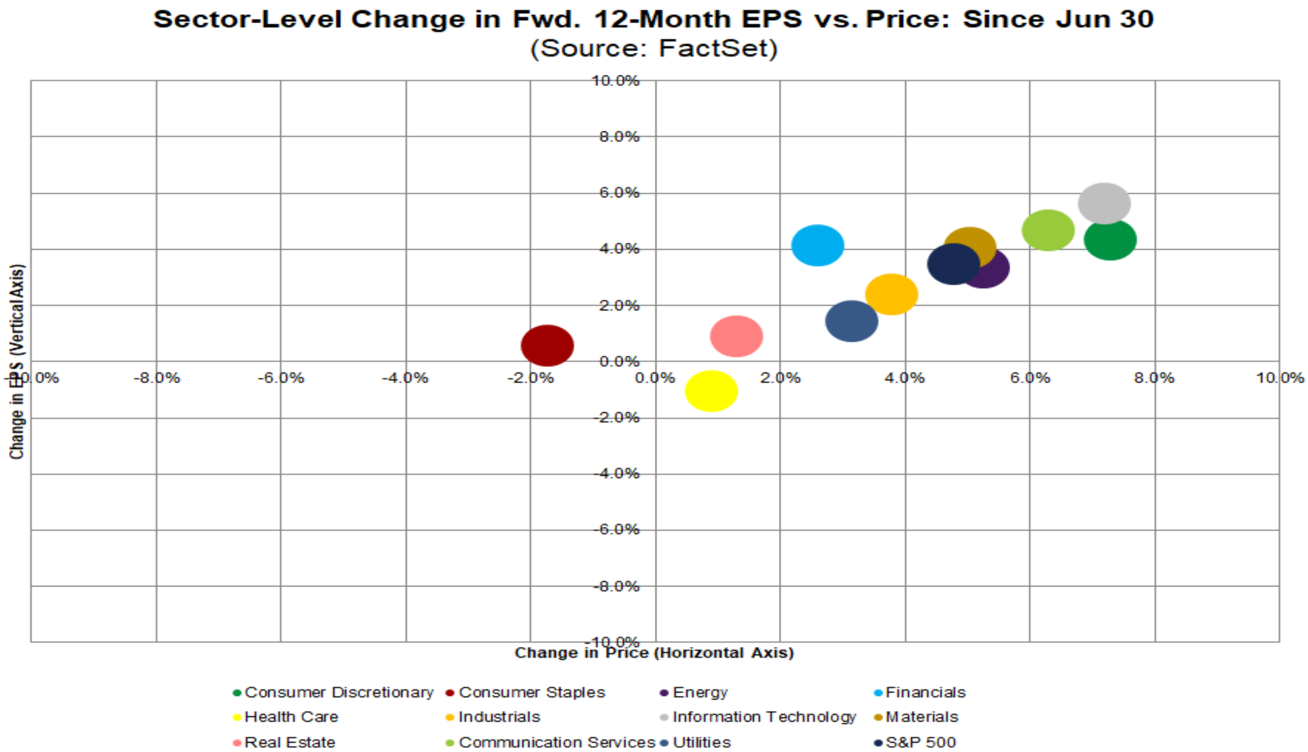




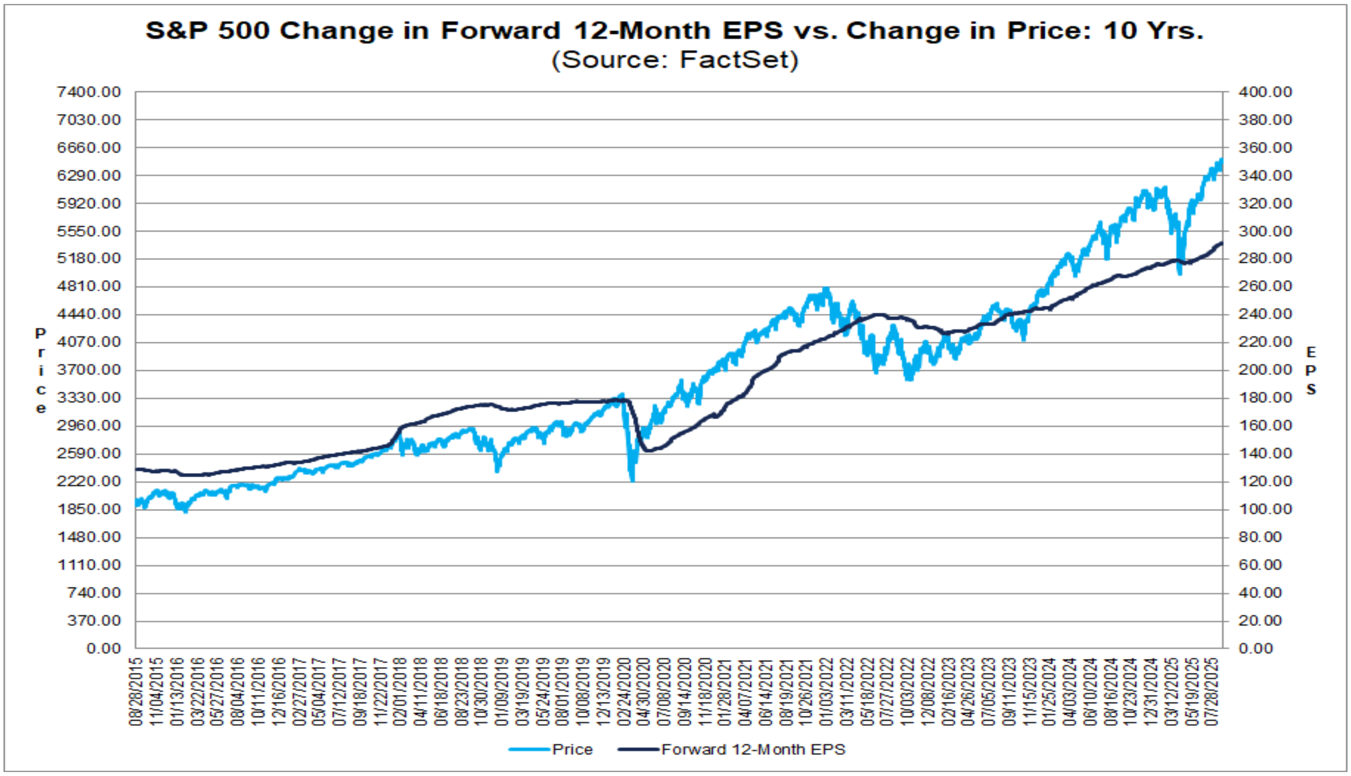
Forward 12M P/E Ratio: Sector Level

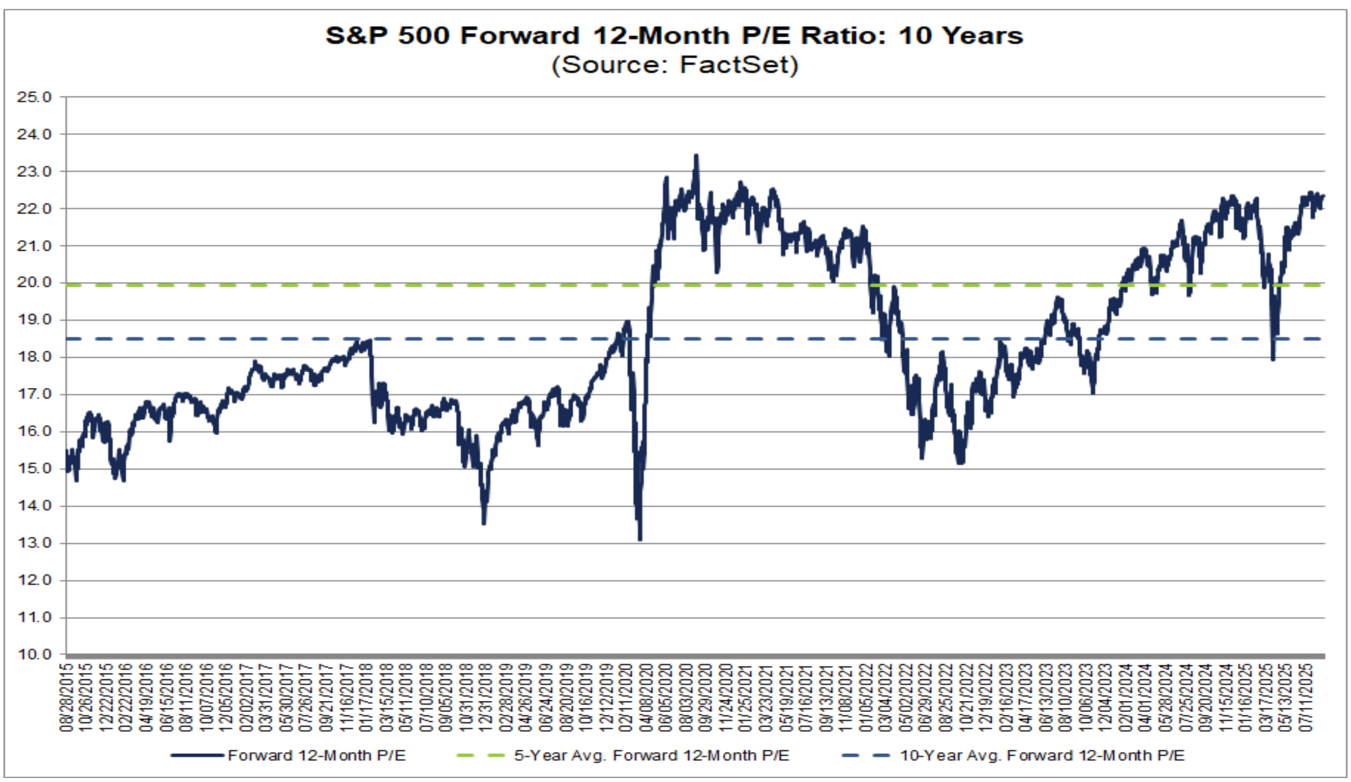


	Info. Technology	Consumer Disc.	Industrials	S&P 500	Consumer Staples	Materials	Comm. Services	Utilities	Real Estate	Financials	Health Care	Energy
Fwd P/E	29.6	29.0	24.6	22.4	21.6	20.6	20.4	18.3	17.9	16.8	16.5	15.3
5-Yr Avg.	25.8	27.6	20.9	19.9	20.6	18.2	18.8	18.2	18.9	14.4	17.1	11.7
10-Yr Avg.	22.1	24.4	19.0	18.5	19.9	17.5	16.8	17.9		13.6	16.3	14.8

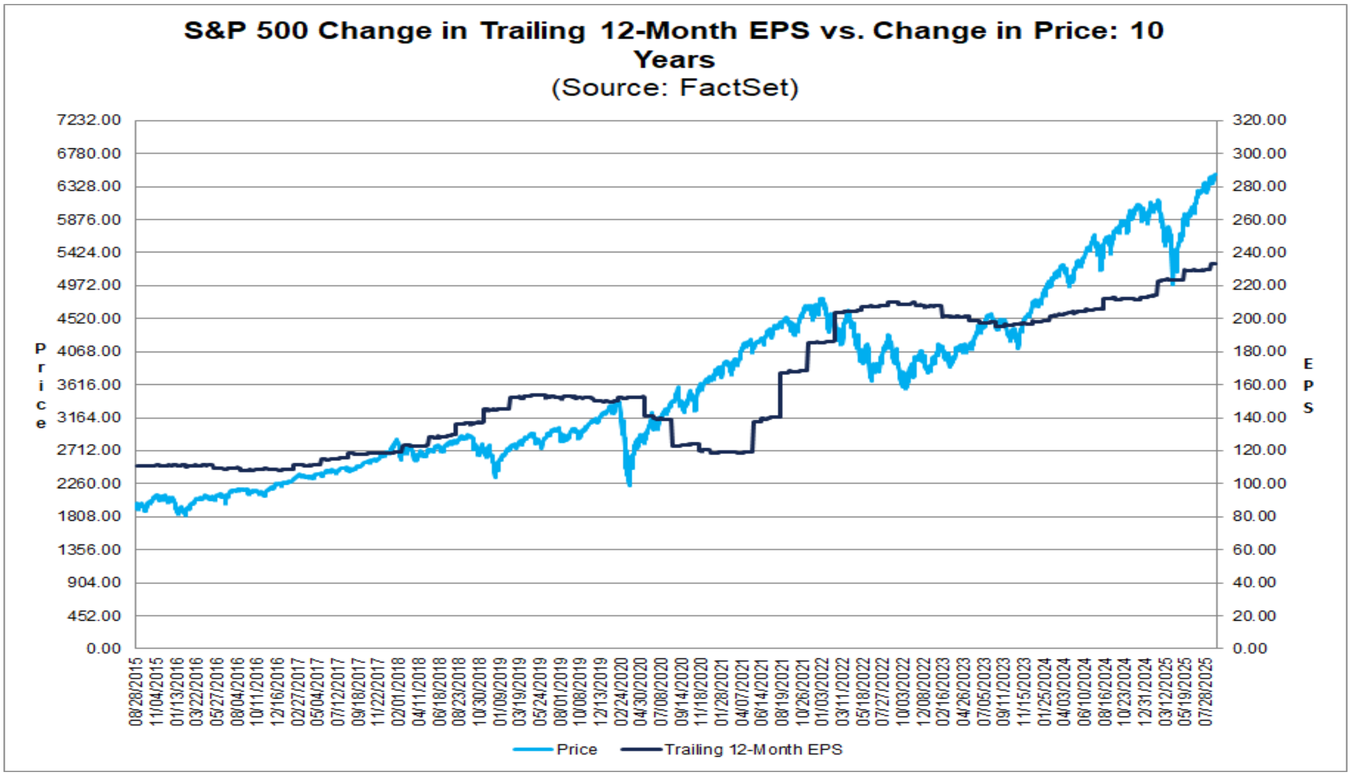


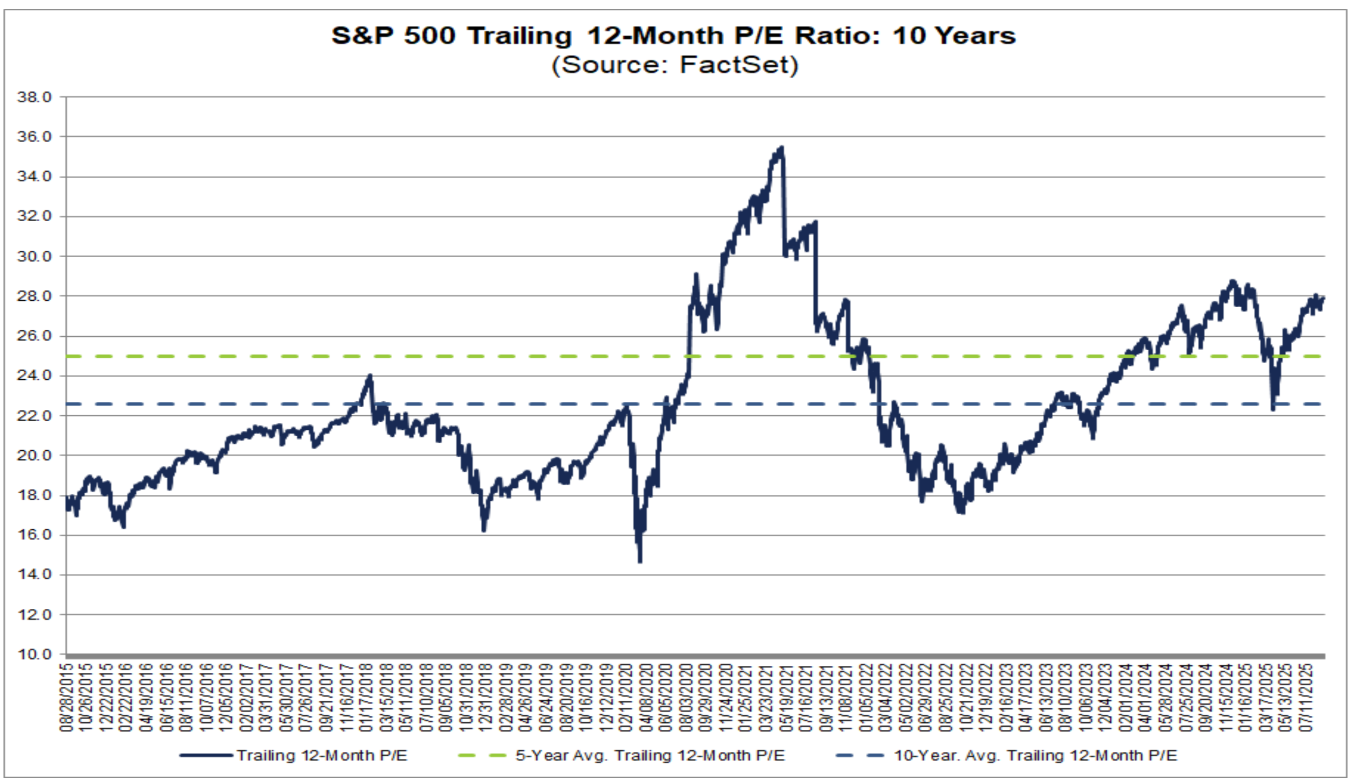
Forward 12M P/E Ratio: 10-Years



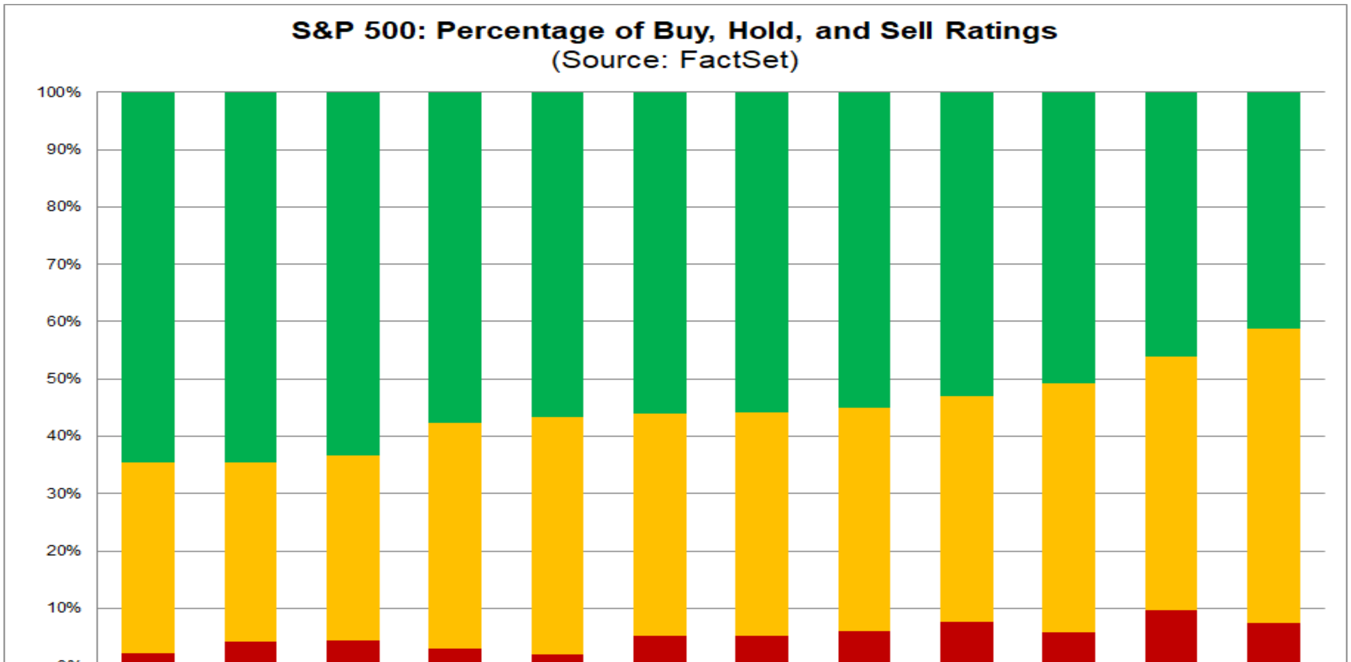


Trailing 12M P/E Ratio: 10-Years

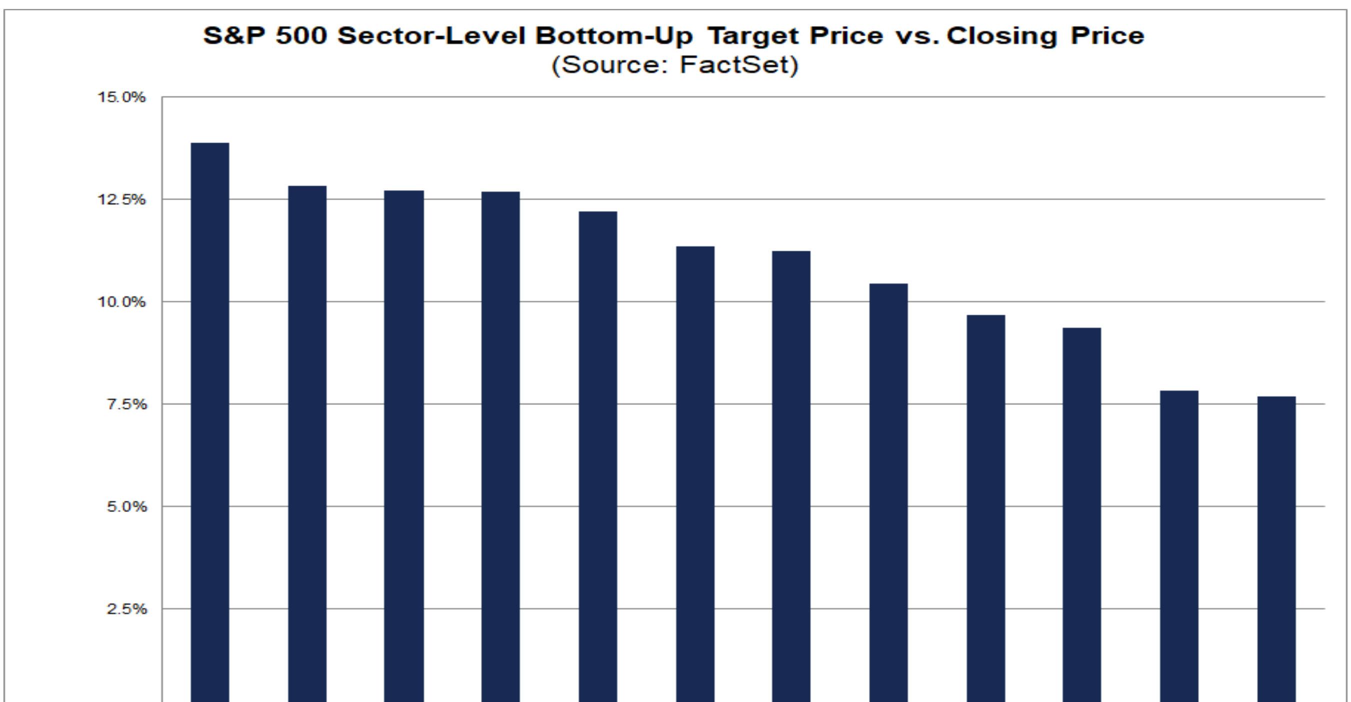




Targets & Ratings



	Energy	Info. Tech.	Comm. Services	Health Care	Real Estate	Materials	S&P 500	Consumer Disc.	Financials	Industrials	Utilities	Consumer Staples
Buy	65%	64%	63%	58%	57%	56%	56%	55%	53%	51%	46%	41%
Hold	33%	31%	32%	39%	41%	39%	39%	39%	39%	43%	44%	51%
Sell	2%	4%	4%	3%	2%	5%	5%	6%	8%	6%	10%	7%



	Info. Tech.	Real Estate	Health Care	Consumer Staples	Energy	S&P 500	Comm. Services	Utilities	Materials	Industrials	Consumer Disc.	Financials
Target/Close	13.9%	12.8%	12.7%	12.7%	12.2%	11.3%	11.3%	10.5%	9.7%	9.4%	7.8%	7.7%

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