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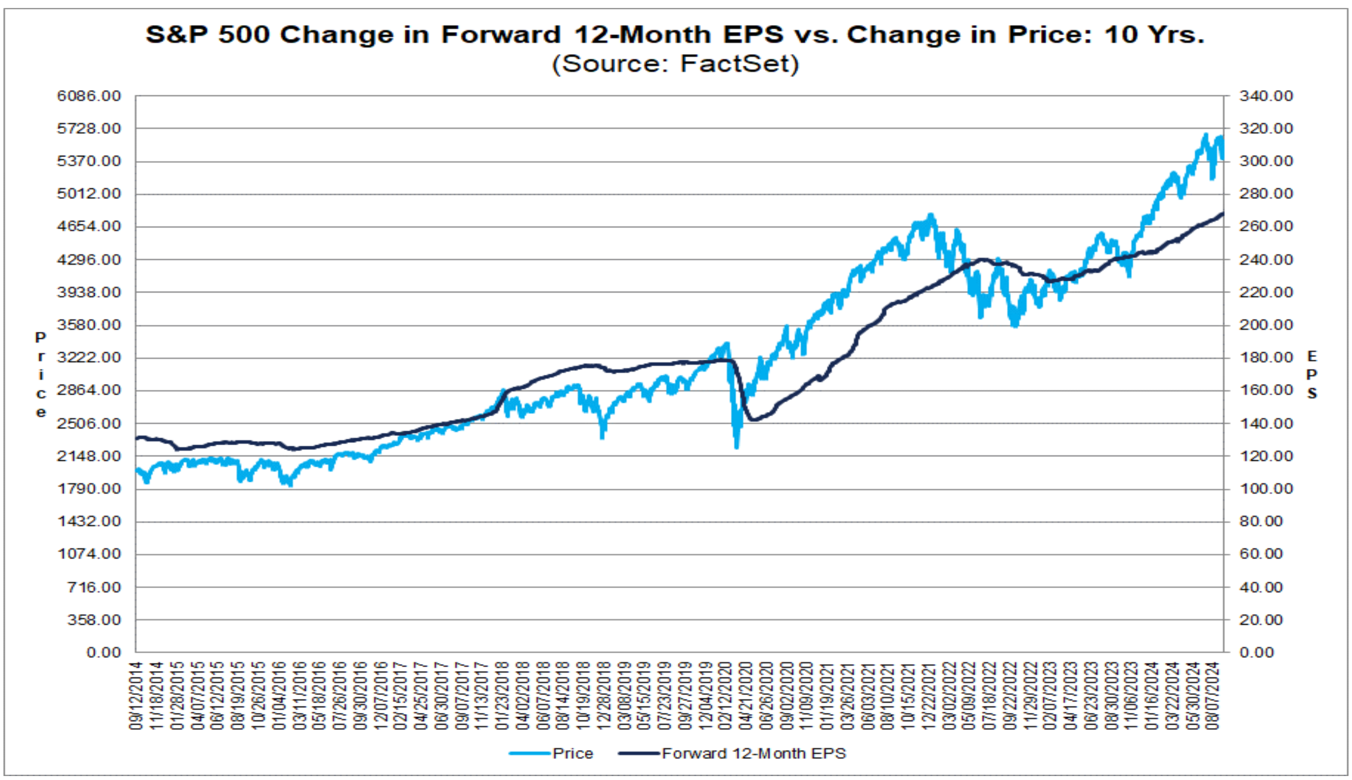
Key Metrics

- **Earnings Growth:** For Q3 2024, the estimated (year-over-year) earnings growth rate for the S&P 500 is 4.9%. If 4.9% is the actual growth rate for the quarter, it will mark the 5th straight quarter of year-over-year earnings growth for the index.
- **Earnings Revisions:** On June 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q3 2024 was 7.8%. Nine sectors are expected to report lower earnings today (compared to June 30) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q3 2024, 59 S&P 500 companies have issued negative EPS guidance and 50 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.9. This P/E ratio is above the 5-year average (19.4) and above the 10-year average (18.0).
- **Earnings Scorecard:** For Q3 2024 (with 2 S&P 500 companies reporting actual results), 2 S&P 500 companies have reported a positive EPS surprise and 2 S&P 500 companies has reported a positive revenue surprise.



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Topic of the Week: 1

More Than 40% of S&P 500 Companies Cited “AI” on Earnings Calls for Q2

Artificial intelligence has been a focus topic for the market. Given the heightened interest, have more S&P 500 companies than normal commented on “AI” during their earnings conference calls for the second quarter?

The answer is yes. FactSet Document Search (which allows users to search for key words or phrases across multiple document types) was used to answer this question. Through Document Search, FactSet searched for the term “AI” in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from June 15 through September 13.

Of these companies, 210 cited the term “AI” during their earnings call for the second quarter. This number is well above the 5-year average of 88 and the 10-year average of 55.

In fact, this is the second-highest number of S&P 500 companies citing “AI” on earnings calls going back to at least 2014 (using current index constituents going back in time). The current record is 211, which occurred in Q1 2024. This quarter also mark the second-straight quarter in which more than 200 S&P 500 companies cited “AI” on earnings calls.

At the sector level, the Information Technology sector has the highest number (59) and percentage (91%) of companies citing “AI” on Q2 earnings calls.

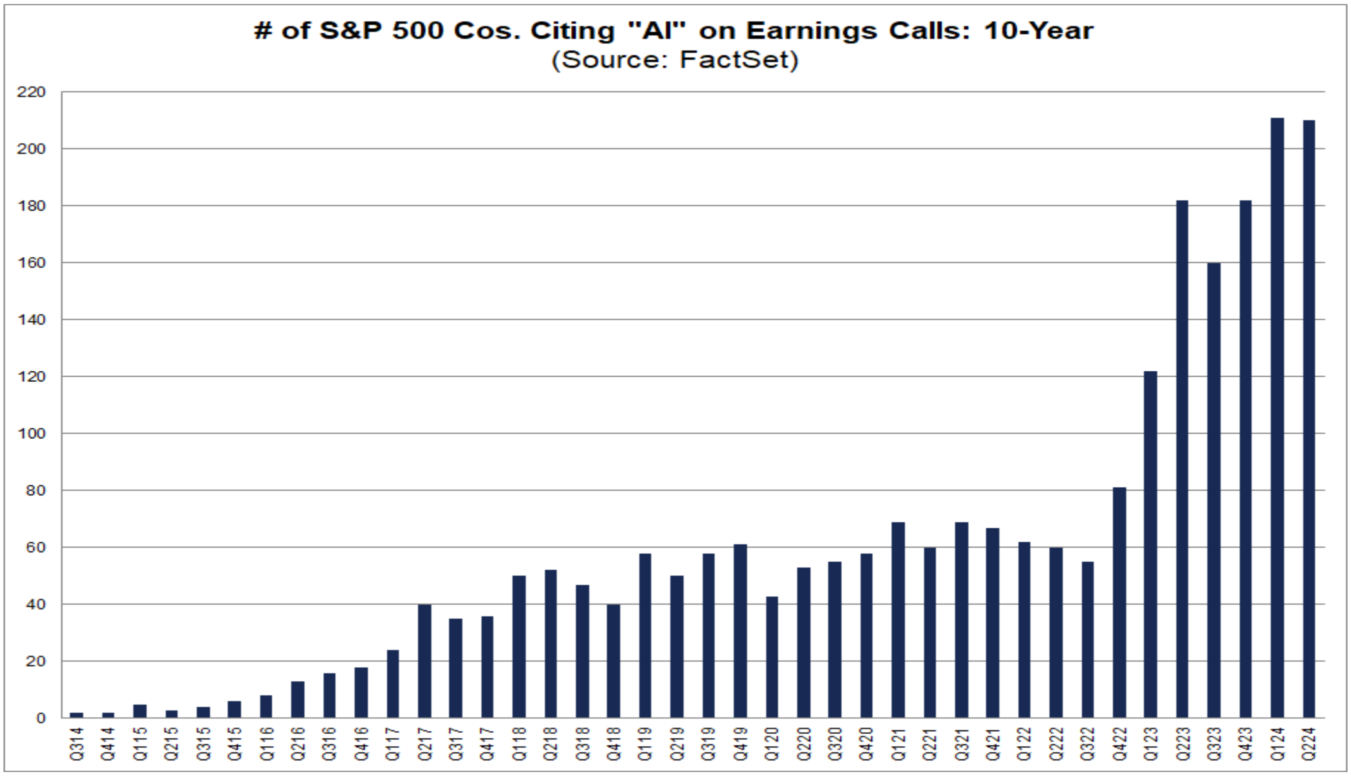
It is interesting to note that S&P 500 companies that have cited “AI” on Q2 earnings calls have seen a lower average stock price performance since the start of the third quarter compared to S&P 500 companies that did not cite “AI” on Q2 earnings calls. For S&P 500 companies that cited “AI” on Q2 earnings calls, the average change in price since June 30 is 4.1%. For S&P 500 companies that did not cite “AI” on Q2 earnings calls, the average change in price since June 30 is 6.1%. However, S&P 500 companies that have cited “AI” on Q2 earnings calls have seen a higher average stock price performance since the start of the year compared to S&P 500 companies that did not cite “AI” on Q2 earnings calls. For S&P 500 companies that cited “AI” on Q2 earnings calls, the average change in price since December 31 (2023) is 12.2%. For S&P 500 companies that did not cite “AI” on Q2 earnings calls, the average change in price since December 31 (2023) is 8.6%.

What are companies saying about artificial intelligence on their earnings calls? Transcript Assistant (FactSet’s interactive generative AI solution that extracts the most salient points from earnings call transcripts with questions from users and pre-populated prompts) can be used to answer this question. For more information on Transcript Assistant, please go to: https://insight.factset.com/how-to-drive-faster-earnings-analysis-and-research-with-a-generative-ai-assistant

For example, Transcript Assistant generated the following summary of all the statements about “AI” from the earnings call transcript of Meta Platforms on July 31:

*The document discusses the use of AI in various aspects of Meta's operations. Mark Zuckerberg, the CEO, highlights the role of AI in improving the quality of recommendations and driving engagement on Facebook and Instagram. He also mentions the potential of AI to evolve their services for advertisers, predicting who would be interested in their ads and generating creative content for them. He discusses the new AI experiences enabled by their assistant Meta AI, which is on track to become the most-used AI assistant by the end of the year. He also mentions the launch of AI Studio, which allows anyone to create AIs to interact with across their apps. He sees potential in business AIs, with positive feedback from alpha testing. He also discusses the role of AI in shaping their metaverse work. Susan Li, the CFO, also mentions the role of AI in improving ad delivery and making it easier for advertisers to maximize ad performance. She also mentions the potential of generative AI to help businesses communicate with customers more efficiently through messaging.**

*Results may vary based on prompts used


# of S&P 500 Cos. Citing "AI" on Earnings Calls: 10-Year
(Source: FactSet)
0
20
40
60
80
100
120
140
160
180
200
220
Q314
Q414
Q115
Q215
Q315
Q415
Q116
Q216
Q316
Q416
Q117
Q217
Q317
Q417
Q118
Q218
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
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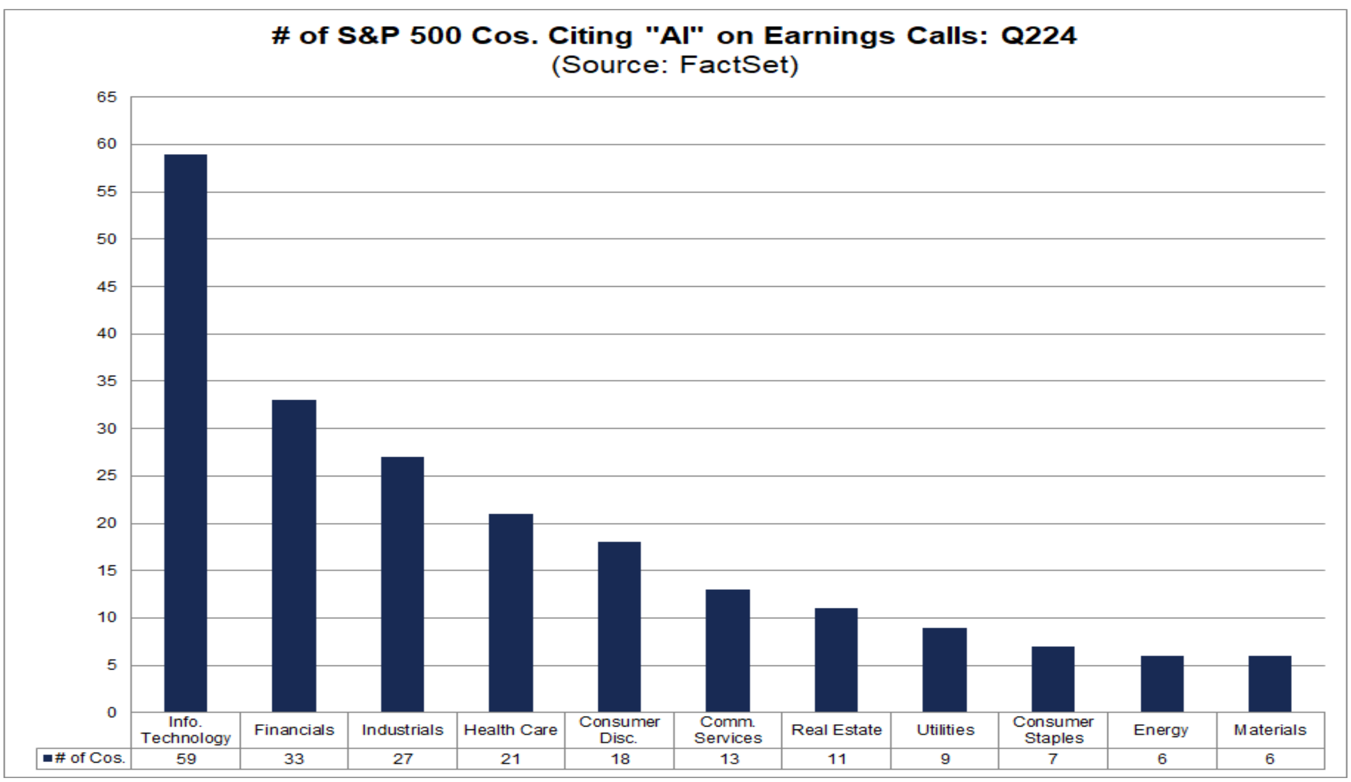
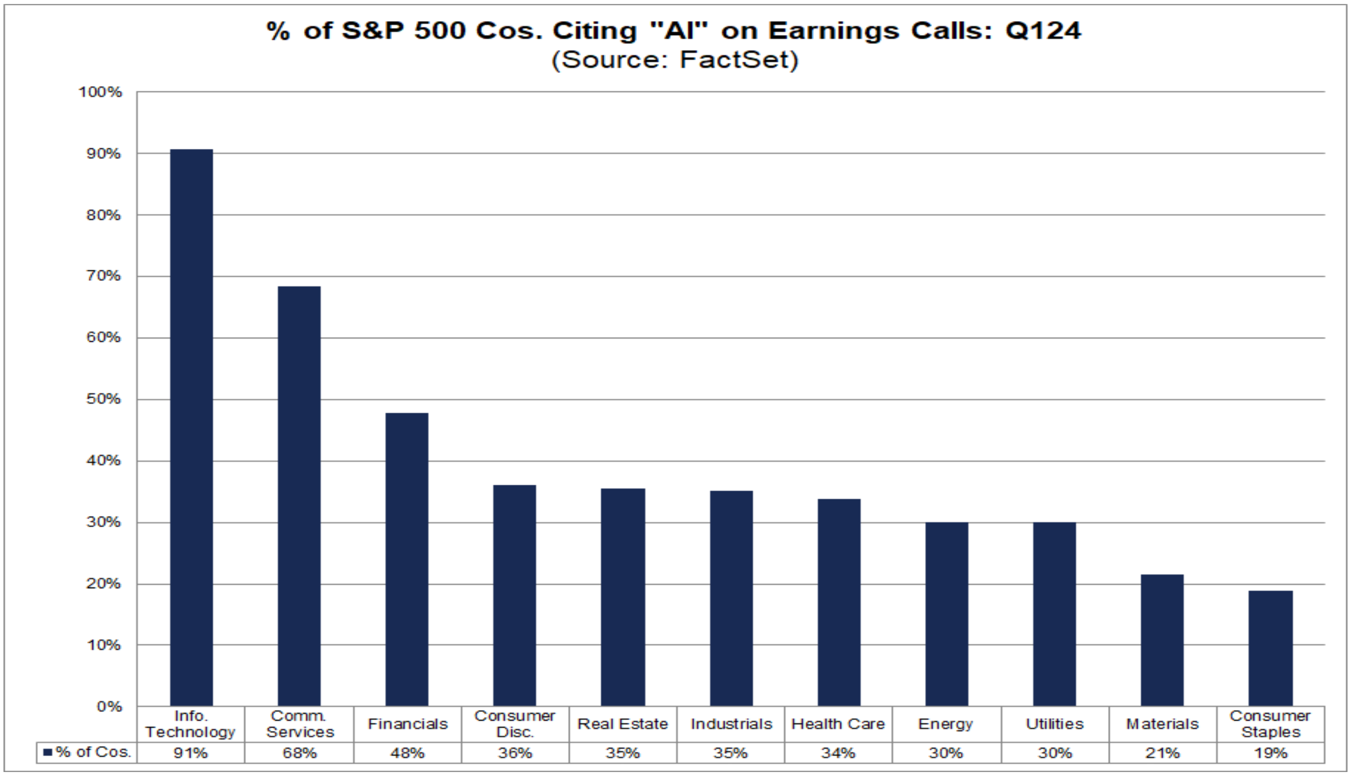
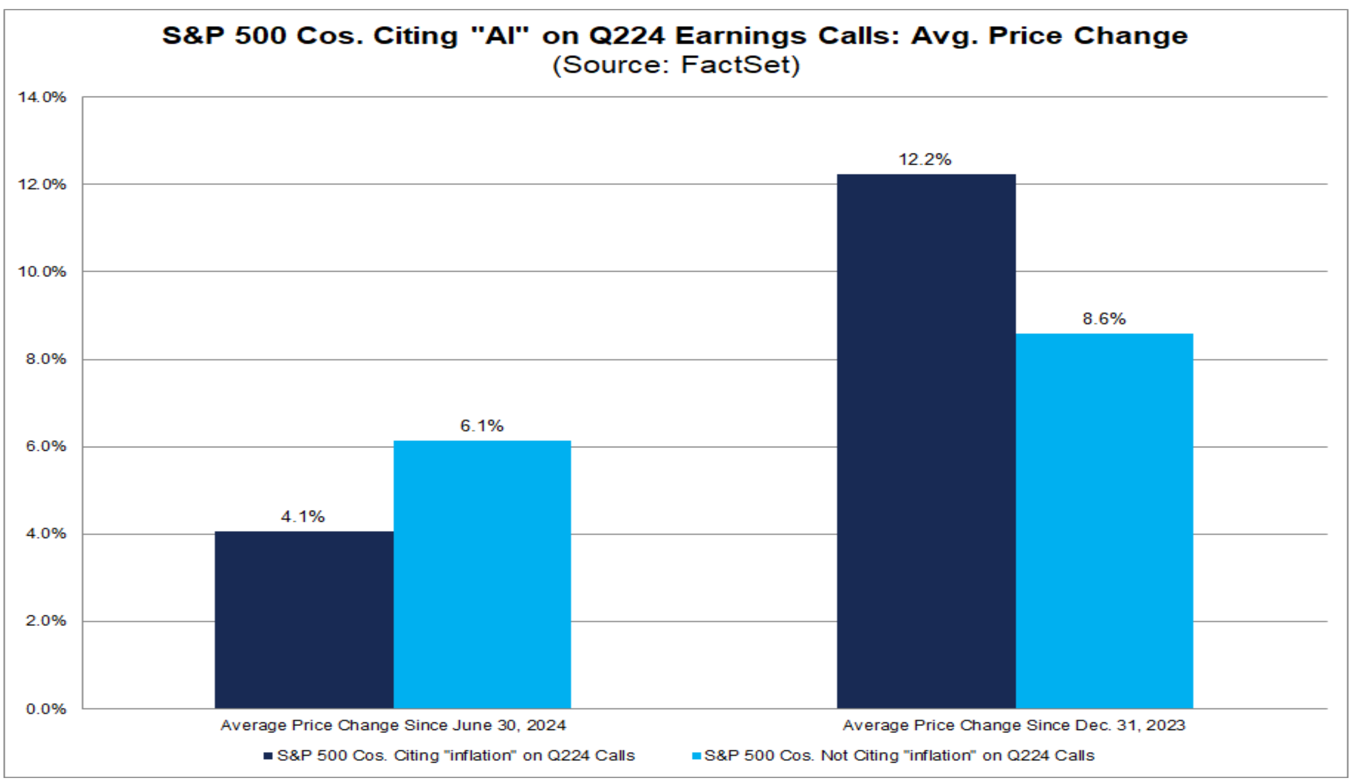
Q222
Q322
Q422
Q123
Q223
Q323
Q423
Q124
Q224


# of S&P 500 Cos. Citing "AI" on Earnings Calls: Q224
(Source: FactSet)
0
5
10
15
20
25
30
35
40
45
50
55
60
65
# of Cos.
Info. Technology 59
Financials 33
Industrials 27
Health Care 21
Consumer Disc. 18
Comm. Services 13
Real Estate 11
Utilities 9
Consumer Staples 7
Energy 6
Materials 6



% of S&P 500 Cos. Citing "AI" on Earnings Calls: Q124
(Source: FactSet)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Info. Technology
Comm. Services
Financials
Consumer Disc.
Real Estate
Industrials
Health Care
Energy
Utilities
Materials
Consumer Staples
% of Cos.
91%
68%
48%
36%
35%
35%
34%
30%
30%
21%
19%



S&P 500 Cos. Citing "AI" on Q224 Earnings Calls: Avg. Price Change
(Source: FactSet)
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
4.1%
6.1%
12.2%
8.6%
Average Price Change Since June 30, 2024
Average Price Change Since Dec. 31, 2023
S&P 500 Cos. Citing "inflation" on Q224 Calls
S&P 500 Cos. Not Citing "inflation" on Q224 Calls

Topic of the Week: 2

Less Than 50% of S&P 500 Companies Cited “Inflation” on Earnings Calls for Q2

With the year-over-year CPI number falling below 3.0% in recent months, did fewer S&P 500 companies comment on inflation during their earnings conference calls for the second quarter of 2024 compared to last year and two years ago?

The answer is yes. FactSet Document Search (which allows users to search for key words or phrases across multiple document types) was used to answer this question. Through Document Search, FactSet searched for the term “inflation” in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from June 15 through September 13.

Of these companies, 235 cited the term “inflation” during their earnings calls for the second quarter. This number is below the number of 297 for Q2 2023 and below the number of 411 for Q2 2022. The second quarter also marks the second-lowest number of S&P 500 companies citing “inflation” on earnings calls going back to Q2 2021 (216) and the second-straight quarter in which less than 250 S&P 500 companies cited “inflation” on earnings calls .

However, it should also be noted that the number of S&P 500 companies citing “inflation” on earnings calls for Q2 2024 is still well above the 10-year average of 182.

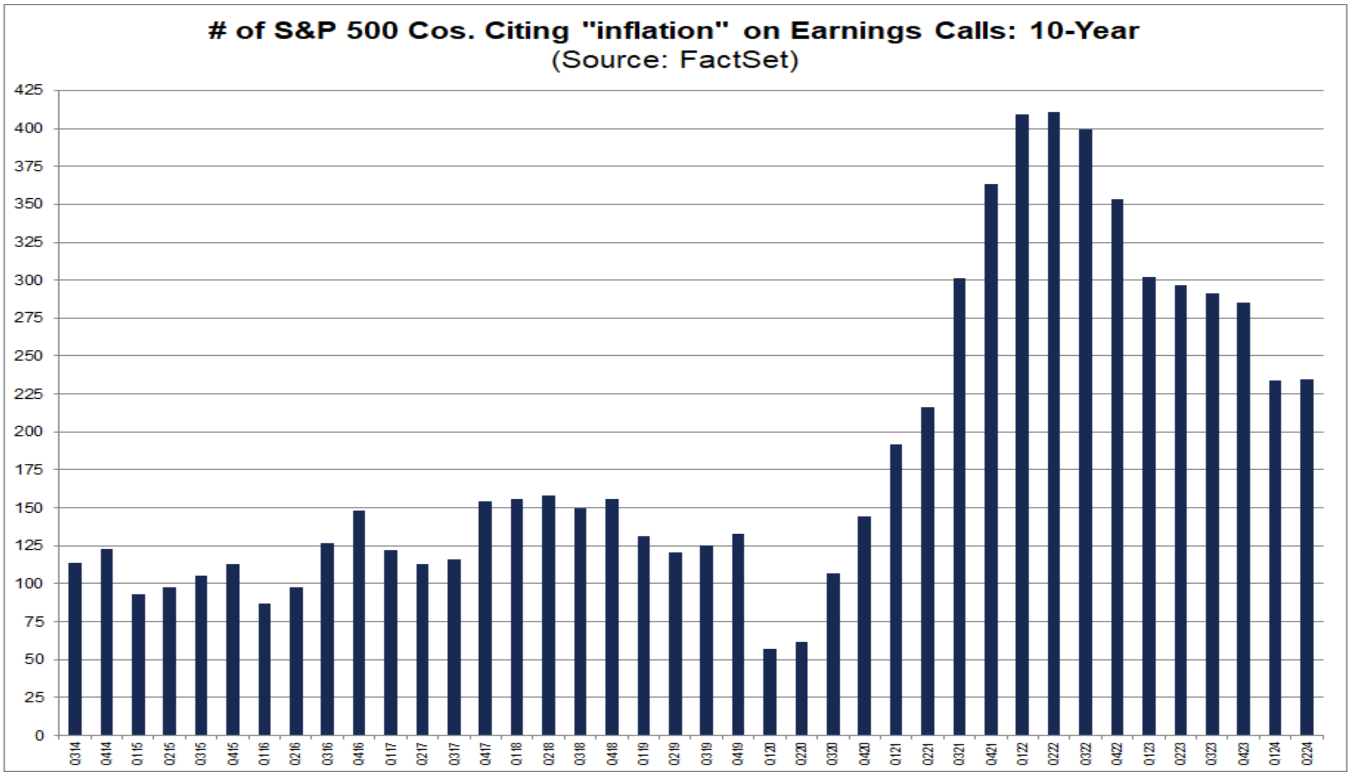
At the sector level, the Financials (43) and Industrials (41) sectors have the highest number of companies that cited “inflation” on earnings calls for Q2. However, the Consumer Staples (86%) sector has the highest percentage of companies that cited “inflation” on their earnings calls for Q2 during this period.

What are these companies saying about inflation on their earnings calls? Transcript Assistant (FactSet’s interactive generative AI solution that extracts the most salient points from earnings call transcripts with questions from users and pre-populated prompts) can be used to answer this question. For more information on Transcript Assistant, please go to: https://insight.factset.com/how-to-drive-faster-earnings-analysis-and-research-with-a-generative-ai-assistant

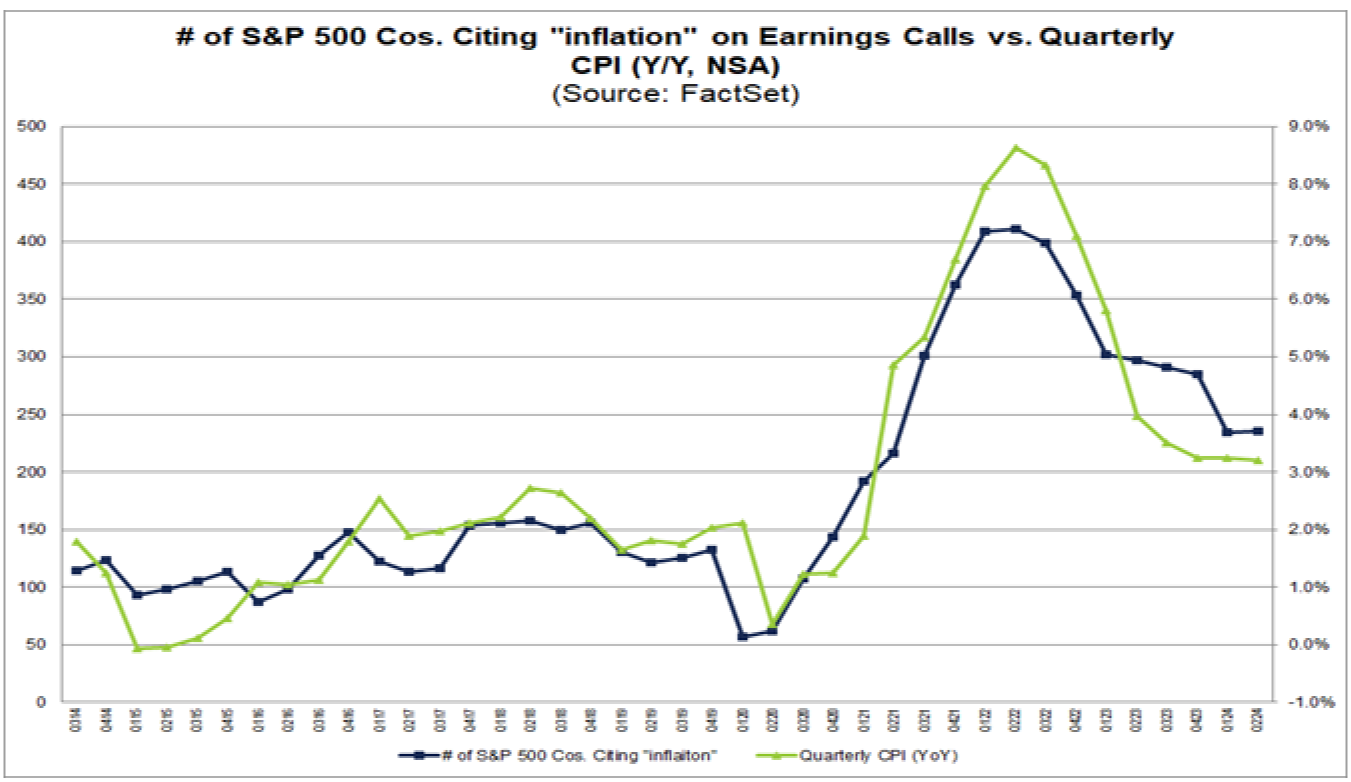
For example, Transcript Assistant generated the following summary of all the statements about “inflation” from the earnings call transcript of Darden Restaurants on June 20:

*The document mentions inflation in several instances. The company's Senior Vice President & Chief Financial Officer, Rajesh Vennam, mentions that they are expecting total inflation of approximately 3% for fiscal 2025, which includes commodities inflation of approximately 2% and labor inflation of approximately 4%. He also mentions that the company's pricing for the year is expected to be more in line with inflation, in the 2.5% to 3% range. The company's President, Chief Executive Officer & Director, Ricardo Cardenas, mentions that consumers are generally concerned about inflation and are becoming more concerned about the job market. He also mentions that the company's pricing has been kept modest over the last five years, which has given them some flexibility.**

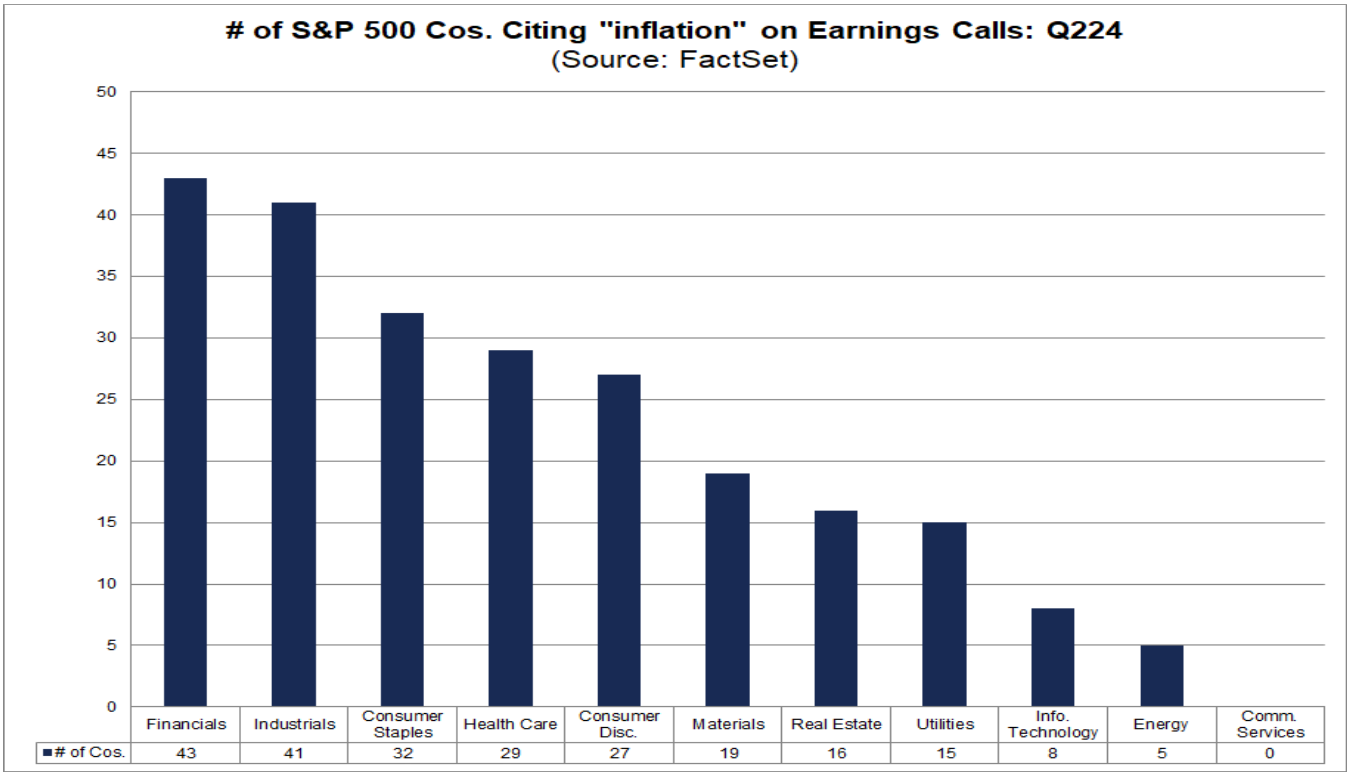
*Results may vary based on prompts used



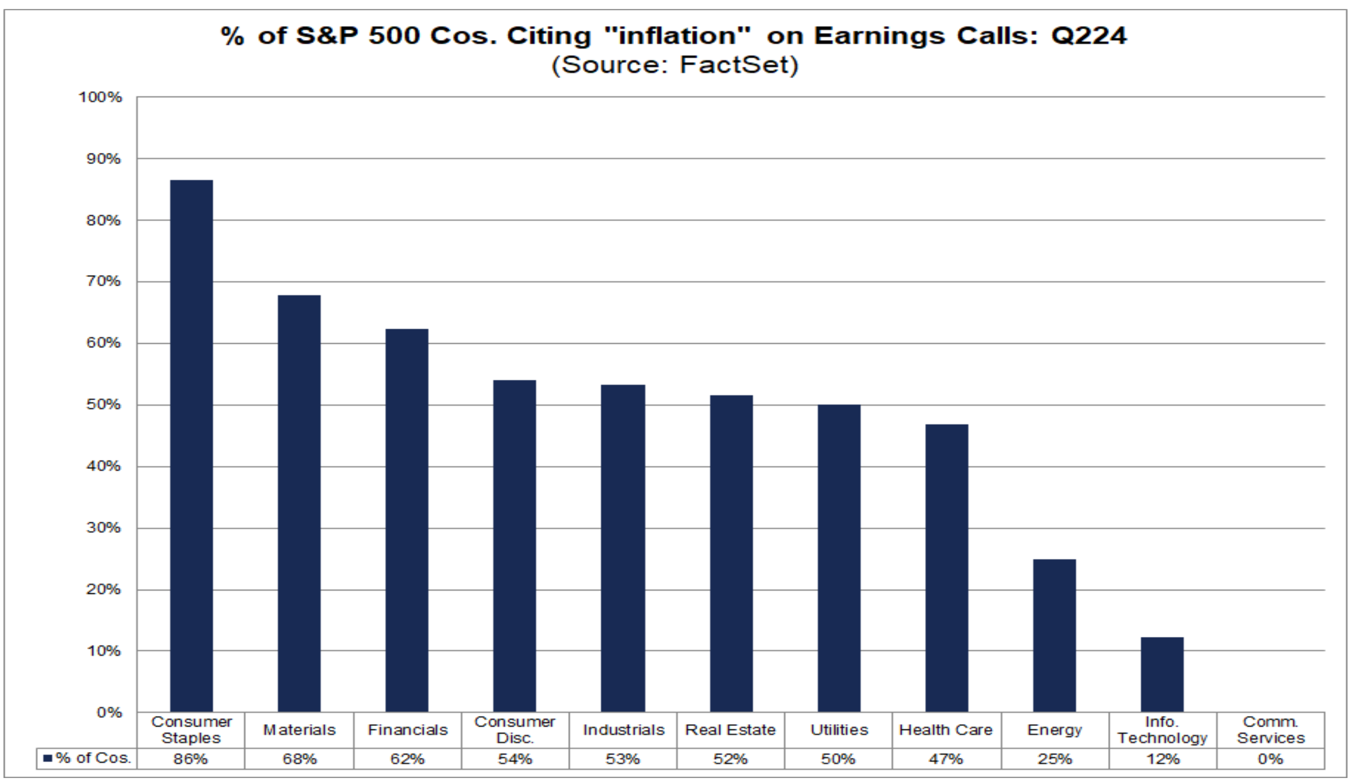
# of S&P 500 Cos. Citing "inflation" on Earnings Calls: 10-Year
(Source: FactSet)
425
400
375
350
325
300
275
250
225
200
175
150
125
100
75
50
25
0



# of S&P 500 Cos. Citing "inflation" on Earnings Calls vs. Quarterly CPI (Y/Y, NSA)
(Source: FactSet)
500
450
400
350
300
250
200
150
100
50
0
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
# of S&P 500 Cos. Citing "inflaiton"
Quarterly CPI (YoY)



# of S&P 500 Cos. Citing "inflation" on Earnings Calls: Q224
(Source: FactSet)
50
45
40
35
30
25
20
15
10
5
0
Financials
Industrials
Consumer Staples
Health Care
Consumer Disc.
Materials
Real Estate
Utilities
Info. Technology
Energy
Comm. Services
# of Cos.
43
41
32
29
27
19
16
15
8
5
0



% of S&P 500 Cos. Citing "inflation" on Earnings Calls: Q224
(Source: FactSet)
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Consumer Staples
Materials
Financials
Consumer Disc.
Industrials
Real Estate
Utilities
Health Care
Energy
Info. Technology
Comm. Services
% of Cos.
86%
68%
62%
54%
53%
52%
50%
47%
25%
12%
0%

Q3 Earnings Season: By The Numbers

Overview

With the end of the third quarter a few weeks away, analysts and companies have been slightly less pessimistic in their earnings outlooks for the third quarter compared to recent averages. However, estimated earnings for the S&P 500 for the third quarter are lower today compared to expectations at the start of the quarter. Despite the decline in estimated earnings, the index is still expected to report year-over-year earnings growth for the fifth-straight quarter. Analysts also still believe the index will report double-digit earnings growth again starting in Q4 2024.

In terms of estimate revisions for companies in the S&P 500, analysts have lowered earnings estimates for Q3 2024 by a smaller margin than average. On a per-share basis, estimated earnings for the third quarter have decreased by 3.0% since June 30. This decrease is smaller than the 5-year average (-3.3%) and the 10-year average (-3.3%).

In terms of guidance for the third quarter, the percentage of S&P 500 companies issuing negative EPS guidance for Q3 2024 is also below average levels. At this point in time, 109 companies in the index have issued EPS guidance for Q3 2024, Of these companies, 59 have issued negative EPS guidance and 50 have issued positive EPS guidance. The percentage of S&P 500 companies issuing negative EPS guidance for Q3 2024 is 54% (59 out of 109), which is below the 5-year average of 59% and below the 10-year average of 63%.

Due to the downward revisions to earnings estimates by analysts and the negative EPS guidance issued by companies, the estimated (year-over-year) earnings growth rate for Q2 2024 is lower today relative to the start of the third quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 4.9%, compared to the estimated (year-over-year) earnings growth rate of 7.8% on June 30.

If 4.9% is the actual growth rate for the quarter, it will mark the fifth consecutive quarter of year-over-year earnings growth for the index.

Seven of the eleven sectors are projected to report year-over-year growth. Three of these seven sectors are predicted to report double-digit growth: Information Technology, Health Care, and Communication Services. On the other hand, four sectors are predicted to report a year-over-year decline in earnings. One of these four sectors is projected to report a double-digit decline: Energy.

In terms of revenues, analysts have slightly decreased their estimates during the quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 4.8%, compared to the expectations for revenue growth of 4.9% on June 30.

If 4.8% is the actual revenue growth rate for the quarter, it will mark the 16th consecutive quarter of revenue growth for the index.

Ten sectors are projected to report year-over-year growth in revenue, led by the Information Technology and Communication Services sectors. On the other hand, the Energy sector is the only sector expected to report a year-over-year decline in revenue.

Looking ahead, analysts expect (year-over-year) earnings growth rates of 15.4%, 15.0%, and 14.1% for Q4 2024, Q1 2025, and Q2 2024, respectively. For CY 2024, analysts are calling for (year-over-year) earnings growth of 10.2%. For CY 2025, analysts are predicting (year-over-year) earnings growth of 15.4%.

The forward 12-month P/E ratio is 20.9, which is above the 5-year average (19.4) and above the 10-year average (18.0). This P/E ratio is slightly below the forward P/E ratio of 21.0 recorded at the end of the second quarter (June 30).

During the upcoming week, 5 S&P 500 companies are scheduled to report results for the third quarter.

Earnings Revisions: Energy Sector Has Seen Largest Decrease in EPS Estimates

Slight Decrease In Estimated Earnings Growth Rate for Q2 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q3 2024 decreased slightly to 4.9% from 5.0%. Downward revisions to EPS estimates for companies in multiple sectors were responsible for the small decrease in the overall earnings growth rate for the index during the week.

The estimated earnings growth rate for the S&P 500 for Q3 2024 of 4.9% today is below the estimate of 7.8% at the start of the quarter (June 30), as estimated earnings for the index of $534.1 billion today are 2.7% below the estimate of $548.7 billion at the start of the quarter. Nine sectors have recorded a decrease in dollar-level earnings due to downward revisions to earnings estimates, led by the Energy, Industrials, Materials, and Health sectors. On the other hand, two sectors have recorded an increase in expected (dollar-level) earnings of less than 1% due to upward revisions to earnings estimates: Communication Services and Information Technology.

Energy: Exxon Mobil Leads Earnings Decrease Since June 30

The Energy sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -13.2% (to $31.5 billion from $36.3 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -13.7% today from -0.6% on June 30. Falling oil prices are contributing to the decrease in earnings for this sector, as the price of oil has declined by 15% since June 30 (to $68.97 from $81.54). This sector has also witnessed the largest decrease in price of all eleven sectors since June 30 at -7.0%. Overall, 17 of the 22 companies (77%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 17 companies, 6 have recorded a decrease in their mean EPS estimate of more than 10%, led by Marathon Petroleum (to $3.00 from $5.45), Valero Energy (to $2.84 from $4.45), and Phillips 66 (to $2.47 from $3.59). Exxon Mobil (to $2.10 from $2.47), Chevron (to $2.89 from $3.42), Marathon Petroleum, Valero Energy, and Phillips 66 have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since June 30.

Industrials: Boeing Leads Earnings Decrease Since June 30

The Industrials sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -6.5% (to $42.7 billion from $45.6 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has decreased to 2.5% today from 9.6% on June 30. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 5.7% since June 30. Overall, 53 of the 78 companies (68%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 53 companies, 14 have recorded a decrease in their mean EPS estimate of more than 10%, led by Boeing (to -$0.52 from $0.31), Southwest Airlines (to -$0.22 from $0.30), and American Airlines Group (to 0.08 from $0.64). Boeing, Delta Air Lines (to $1.50 from $2.10), and American Airlines Group have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since June 30.

Materials: 71% of Companies Have Recorded a Decrease In Earnings Since June 30

The Materials sector has recorded the third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -5.6% (to $11.6 billion from $12.3 billion). As a result, this sector is now expected to report a (year-over-year) decline in earnings of -0.5% compared to estimated (year-over-year) growth in earnings of 7.6% on June 30. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 3.7% since June 30. Overall, 20 of the 28 companies (71%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 20 companies, 11 have recorded a decrease in their mean EPS estimate of more than 10%, led by Albemarle Corporation (to -$0.25 from $0.71), Corteva (to -$0.28 from -$0.14), International Paper (to $0.23 from $0.64), and FMC Corporation (to $0.57 from $0.97).

Health Care: Merck and Johnson & Johnson Lead Earnings Decrease Since June 30

The Health Care sector has recorded the fourth-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -4.9% (to $68.7 billion from $72.3 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has decreased to 11.1% today from 16.9% on June 30. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 6.6% since June 30. Overall, 46 of the 63 companies (73%) in the Health Care sector have seen a decrease in their mean EPS estimate during this time. Of these 46 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Moderna (to -$1.85 from -$1.08), Bio-Rad Laboratories (to $1.42 from $2.51), West Pharmaceutical Services (to $1.50 from $2.14), and Merck & Co. (to $1.74 from $2.32). Merck & Co. and Johnson & Johnson (to $2.18 from $2.68) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since June 30.

Index-Level EPS Estimate: 3.0% Decrease Since June 30

The Q3 bottom-up EPS estimate (which is an aggregation of the median Q3 earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) has decreased by 3.0% (to $61.29 from $63.20) since June 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 3.3% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 3.3% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 3.2% on average during a quarter. Over the past twenty years (60 quarters), earnings expectations have fallen by 4.1% on average during a quarter.

Guidance: Negative Guidance Percentage for Q3 is Below 5-Year and 10-Year Averages

Quarterly Guidance: Negative Guidance Percentage for Q3 is Below 5-Year and 10-Year Averages

At this point in time, 109 companies in the index have issued EPS guidance for Q3 2024. Of these 109 companies, 59 have issued negative EPS guidance and 50 have issued positive EPS guidance. The number of companies issuing negative EPS guidance for Q3 2024 is above the 5-year average of 58 but below the 10-year average of 62. However, then number of companies issuing positive EPS guidance is also above the 5-year average of 40 and above the 10-year average of 37.

The percentage of companies issuing negative EPS guidance for Q3 2024 is 54% (59 out of 109), which is below the 5-year average of 59% and below the 10-year average of 63%.

Annual Guidance: 47% of S&P 500 Companies Issuing Negative Guidance for Current Year

At this point in time, 271 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 271 companies, 128 have issued negative EPS guidance and 143 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 47% (128 out of 271).

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 Growth: 4.9%

The estimated (year-over-year) earnings growth rate for Q3 2024 is 4.9%, which is below the 5-year average earnings growth rate of 9.4% and below the 10-year average earnings growth rate of 8.4%. If 4.9% is the actual growth rate for the quarter, it will mark the fifth consecutive quarter of year-over-year earnings growth.

Seven of the eleven sectors are expected to report year-over-year earnings growth, led by the Information Technology, Health Care, and Communication Services sectors. On the other hand, four sectors are projected to report year-over-year decline in earnings, led by the Energy sector.

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

The Information Technology sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 15.4%. At the industry level, 5 of the 6 industries in the sector are projected to report year-over-year earnings growth: Semiconductors & Semiconductor Equipment (37%), Technology Hardware, Storage, & Peripherals (13%), Software (7%), Electronic Equipment, Instruments, & Components (5%), and IT Services (2%). On the other hand, the Communications Equipment (-16%) industry is the only industry predicted to report a year-over-year decline in earnings.

At the company level, NVIDIA ($0.74 vs. $0.40) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated (year-over-year) earnings growth rate for the Information Technology sector would fall to 8.0% from 15.4%.

Health Care: Pfizer, Eli Lilly, and Moderna Are Largest Contributors to Year-Over-Year Growth

The Health Care sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 11.1%. At the industry level, 3 of the 5 industries in the sector are projected to report year-over-year earnings growth: Pharmaceuticals (32%), Biotechnology (20%), and Health Care Equipment & Supplies (7%). On the other hand, two industries are predicted to report a year-over-year decline in earnings: Life Sciences, Tools, & Services (-11%) and Health Care Providers & Services (-3%).

At the company level, Pfizer ($0.59 vs. -$0.17), Eli Lilly and Company ($4.49 vs. $0.10), and Moderna (-$1.85 vs. -$9.53) are expected to be the largest contributors to earnings growth for the sector. If this three companies were excluded, the Health Care sector would be projected to report a (year-over-year) decline in earnings of -6.8% instead of (year-over-year) earnings growth of 11.1%.

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

The Communication Services sector is expected to report the third-highest (year-over-year) earnings growth rate of all eleven sectors at 10.5%. At the industry level, 3 of the 5 industries in the sector are predicted to report year-over-year earnings growth. All three industries are projected to report double-digit growth: Wireless Telecommunication Services (34%), Entertainment (33%), and Interactive Media & Services (15%), and. On the other hand, two industries are expected to report) a year-over-year decline in earnings: Diversified Telecommunication Services (-7%) and Media (-3%).

At the company level, Alphabet ($1.83 vs. $1.55) and Meta Platforms ($5.19 vs. $4.39) are the largest contributors to earnings growth for the sector. If these two companies were excluded, the estimated (year-over-year) earnings growth rate for Communication Services sector would fall to 4.5% from 10.5%.

Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Decline

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -13.7%. Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector, as the average price of oil to date in Q3 2024 ($76.49) is 7% below the average price for oil in Q3 2023 ($82.22). At the sub-industry level, 3 of the 5 sub-industries in the sector are predicted to report a year-over-year decline in earnings: Oil & Gas Refining & Marketing (-63%), Integrated Oil & Gas (-2%), and Oil & Gas Exploration & Production (-2%). On the other hand, two sub-industries are predicted to report year-over-year growth in earnings: Oil & Gas Storage & Transportation (15%) and Oil & Gas Equipment & Services (14%). The Oil & Gas Refining & Marketing industry is also the largest contributor to the earnings decline for this sector. If this industry were excluded, the sector would be expected to report (year-over-year) earnings growth of 0.1% instead of a (year-over-year) decline in earnings of -13.7%.

Revenue Growth: 4.8%

The estimated (year-over-year) revenue growth rate for Q3 2024 is 4.8%, which is below the 5-year average revenue growth rate of 6.7% and below the 10-year average revenue growth rate of 5.1%. If 4.8% is the actual growth rate for the quarter. it will mark the 16th consecutive quarter of revenue growth for the index.

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

Information Technology: 4 of 6 Industries Expected to Report Year-Over-Year Growth

The Information Technology sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 11.7%. At the industry level, 4 of the 6 industries in the sector are predicted to report year-over-year revenue growth: Semiconductors & Semiconductor Equipment (25%), Software (12%), Technology Hardware, Storage, & Peripherals (10%), and IT Services (2%). On the other hand, two industries are expected to report a year-over-year decline in revenue: Communications Equipment (-3%) and Electronic Equipment, Instruments, & Components (-3%).

Communication Services: All 5 Industries Expected to Report Year-Over-Year Growth

The Communication Services sector is expected to report the second-highest (year-over-year) revenue growth rate of all eleven sectors at 8.0%. At the industry level, all 5 industries in the sector are projected to report year-over-year revenue growth: Interactive Media & Services (13%), Entertainment (5%), Wireless Telecommunication Services (4%), Media (3%), and Diversified Telecommunication Services (1%).

Energy: Only 1 Sub-Industry Expected to Report Year-Over-Year Decline

The Energy sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -1.7%. At the sub-industry level, only one sub-industry is predicted to report a year-over-year decline in revenue: Oil & Gas Refining & Marketing (-10%). On the other hand, the other 4 sub-industries in the sector are projected to report year-over-year revenue growth: Oil & Gas Storage & Transportation (19%), Oil & Gas Equipment & Services (8%), Integrated Oil & Gas (1%), and Oil & Gas Exploration & Production (1%).

Net Profit Margin: 12.2%

The estimated net profit margin for the S&P 500 for Q3 2024 is 12.2%, which is below the previous quarter's net profit margin of 12.3%, equal to the year-ago net profit margin of 12.2%, and above the 5-year average of 11.5%.

At the sector level, four sectors are expected to report a year-over-year increase in their net profit margins in Q3 2024 compared to Q3 2023, led by the Information Technology (25.9% vs. 25.0%) sector. On the other hand, seven sectors are expected to report a year-over-year decrease in their net profit margins in Q3 2024 compared to Q3 2023, led by the Energy (9.3% vs. 10.6%) sector.

Seven sectors are expected to report net profit margins in Q3 2024 that are above their 5-year averages, led by the Consumer Discretionary (9.2% vs. 6.6%) sector. On the other hand, four sectors are expected to report net profit margins in Q3 2024 that are below their 5-year averages, led by the Health Care (8.3% vs. 9.8%) sector.

Forward Estimates and Valuation

Earnings: S&P 500 Expected to Report Earnings Growth of 10% for CY 2024

For the third quarter, S&P 500 companies are expected to report year-over-year growth in earnings of 4.9% and year-over-year growth in revenues of 4.8%.

For Q4 2024, analysts are projecting earnings growth of 15.4% and revenue growth of 5.3%.

For CY 2024, analysts are projecting earnings growth of 10.2% and revenue growth of 5.1%.

For Q1 2025, analysts are projecting earnings growth of 15.0% and revenue growth of 5.8%.

For Q2 2025, analysts are projecting earnings growth of 14.1% and revenue growth of 5.7%.

For CY 2025, analysts are projecting earnings growth of 15.4% and revenue growth of 6.0%.

Valuation: Forward P/E Ratio is 20.9, Above the 10-Year Average (18.0)

The forward 12-month P/E ratio for the S&P 500 is 20.9. This P/E ratio is above the 5-year average of 19.4 and above the 10-year average of 18.0. However, it is slightly 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 increased by 2.5%, while the forward 12-month EPS estimate has increased by 2.8%. At the sector level, the Information Technology (28.4) sector has the highest forward 12-month P/E ratio, while the Energy (11.6) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 26.1, which is above the 5-year average of 23.7 and above the 10-year average of 21.7.

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

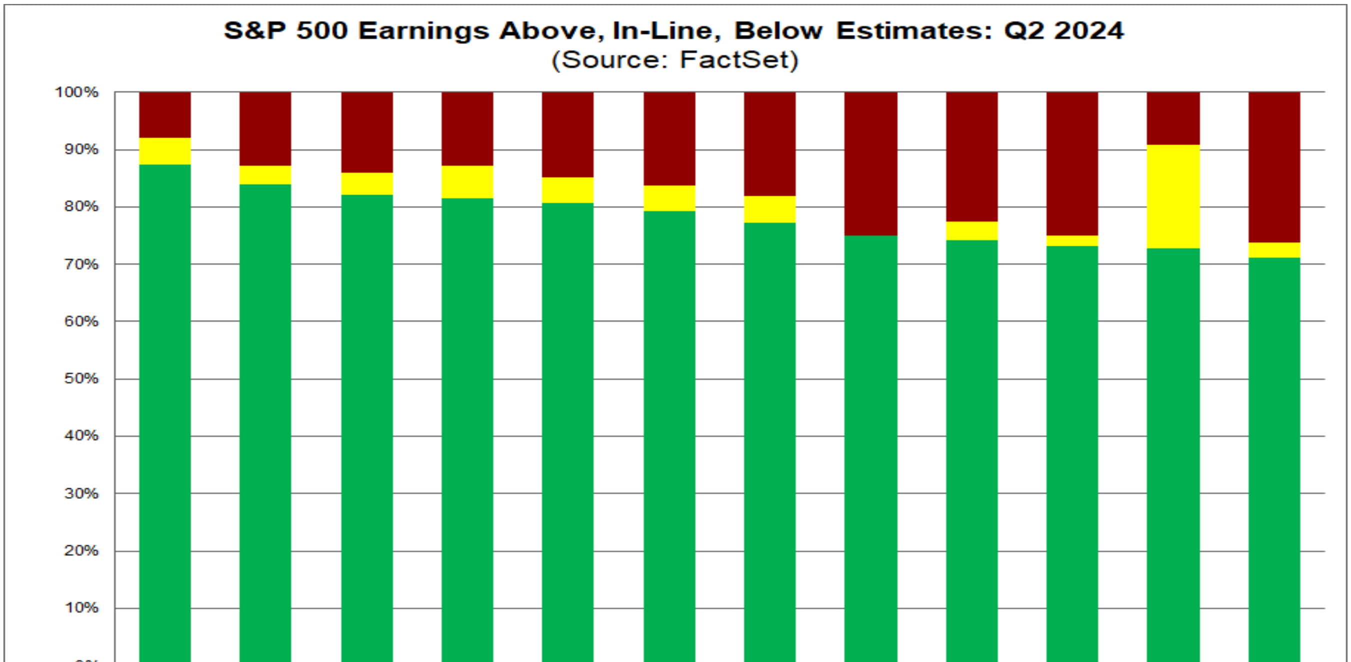
The bottom-up target price for the S&P 500 is 6279.15, which is 12.2% above the closing price of 5595.76. At the sector level, the Energy (+23.7%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Real Estate (+2.2%) and Consumer Staples (+2.4%) 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 11,872 ratings on stocks in the S&P 500. Of these 11,872 ratings, 54.6% are Buy ratings, 40.2% are Hold ratings, and 5.2% are Sell ratings. At the sector level, the Communication Services (63%), Energy (62%), and Information Technology (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (44%), and Utilities (48%) sectors have the lowest percentages of Buy ratings.

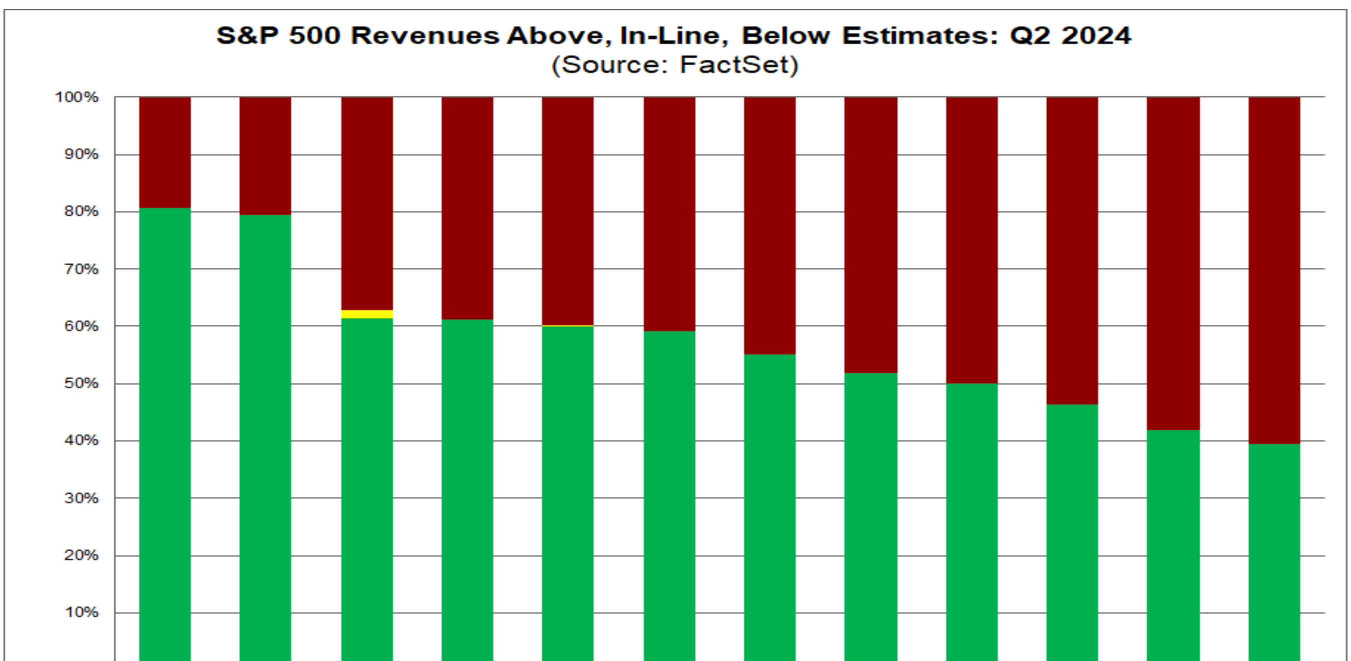
Companies Reporting Next Week: 5

During the upcoming week, 5 S&P 500 companies are scheduled to report results for the third quarter.

Q2 2024: Scorecard

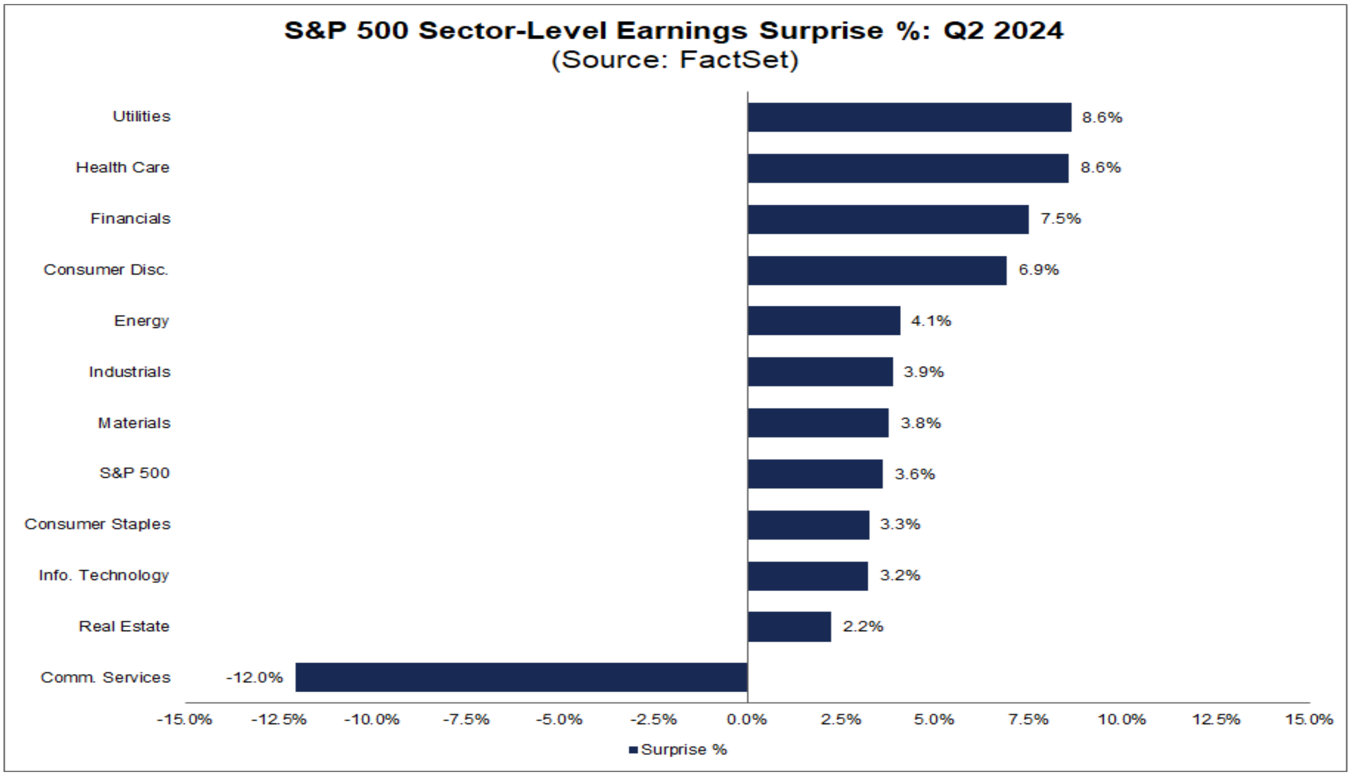


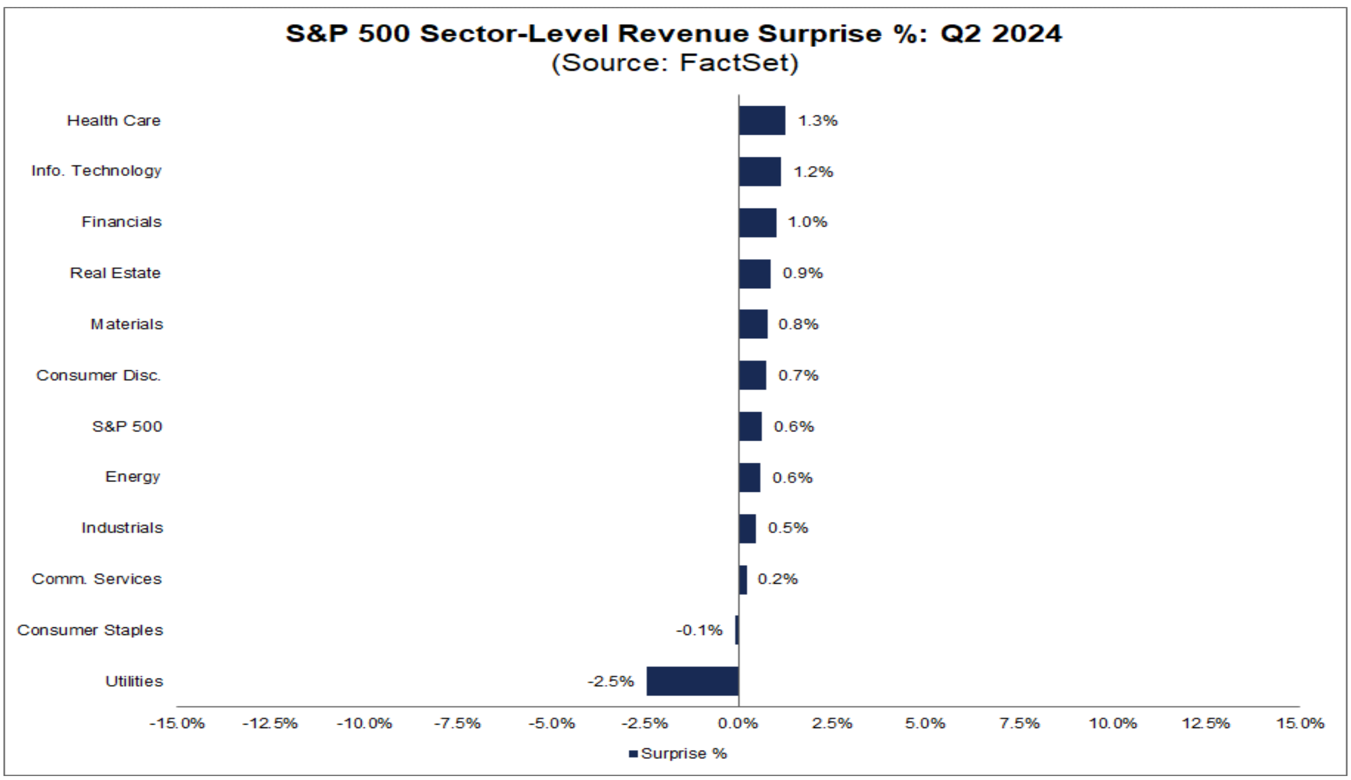
	Health Care	Real Estate	Industrials	Financials	Info. Technology	S&P 500	Energy	Materials	Utilities	Consumer Disc.	Comm. Services	Consumer Staples
Below	8%	13%	14%	13%	15%	16%	18%	25%	23%	25%	9%	26%
In-Line	5%	3%	4%	6%	4%	4%	5%	0%	3%	2%	18%	3%
Above	87%	84%	82%	81%	81%	79%	77%	75%	74%	73%	73%	71%



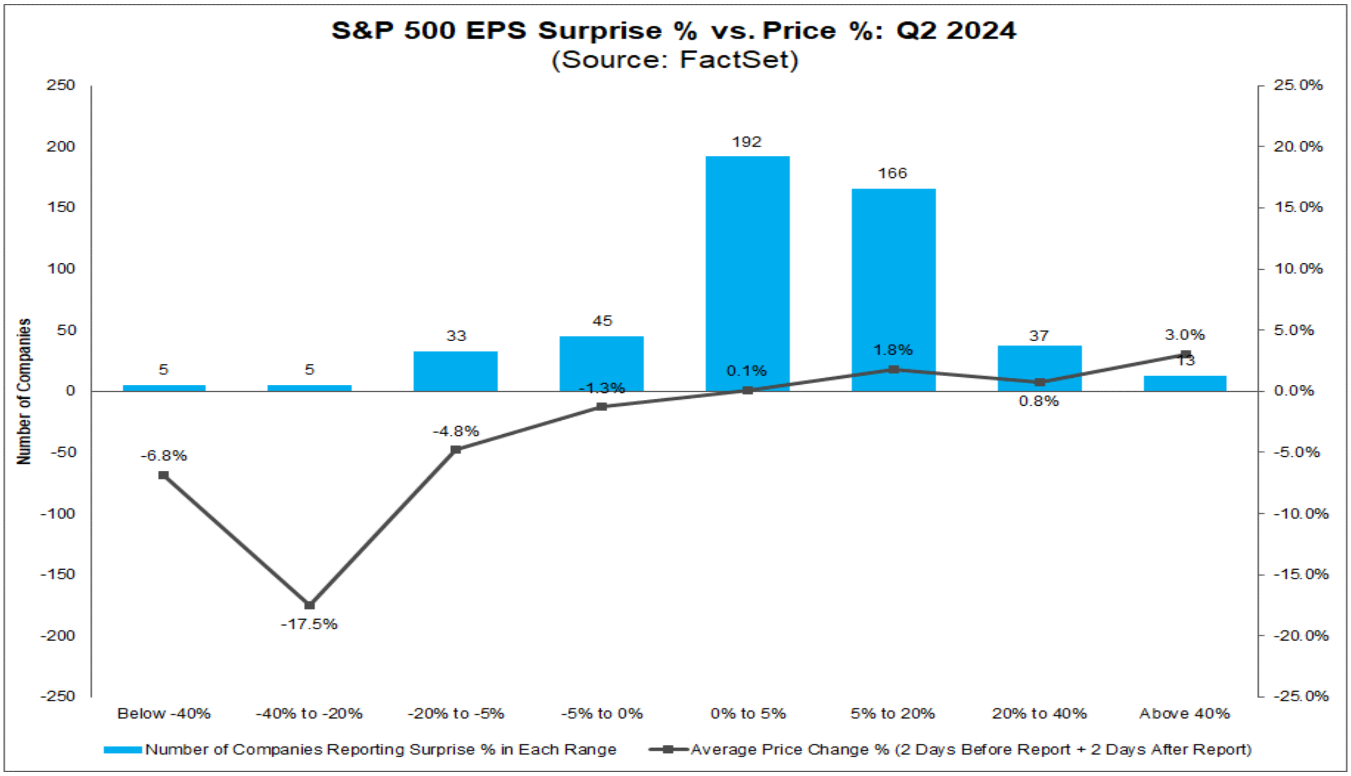
	Info. Technology	Health Care	Financials	Real Estate	S&P 500	Comm. Services	Industrials	Consumer Disc.	Energy	Materials	Utilities	Consumer Staples
Below	19%	21%	37%	39%	40%	41%	45%	48%	50%	54%	58%	61%
In-Line	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	81%	79%	61%	61%	60%	59%	55%	52%	50%	46%	42%	39%

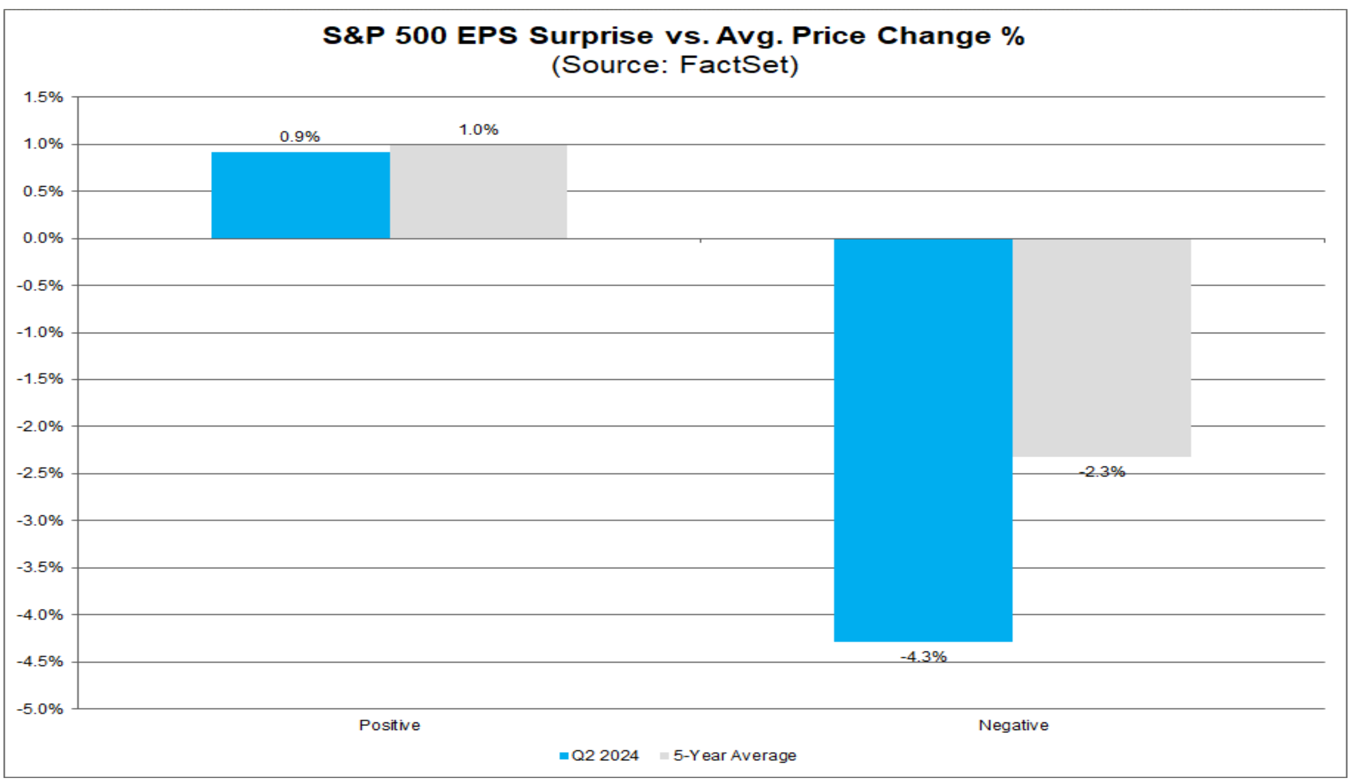
Q2 2024: Surprise



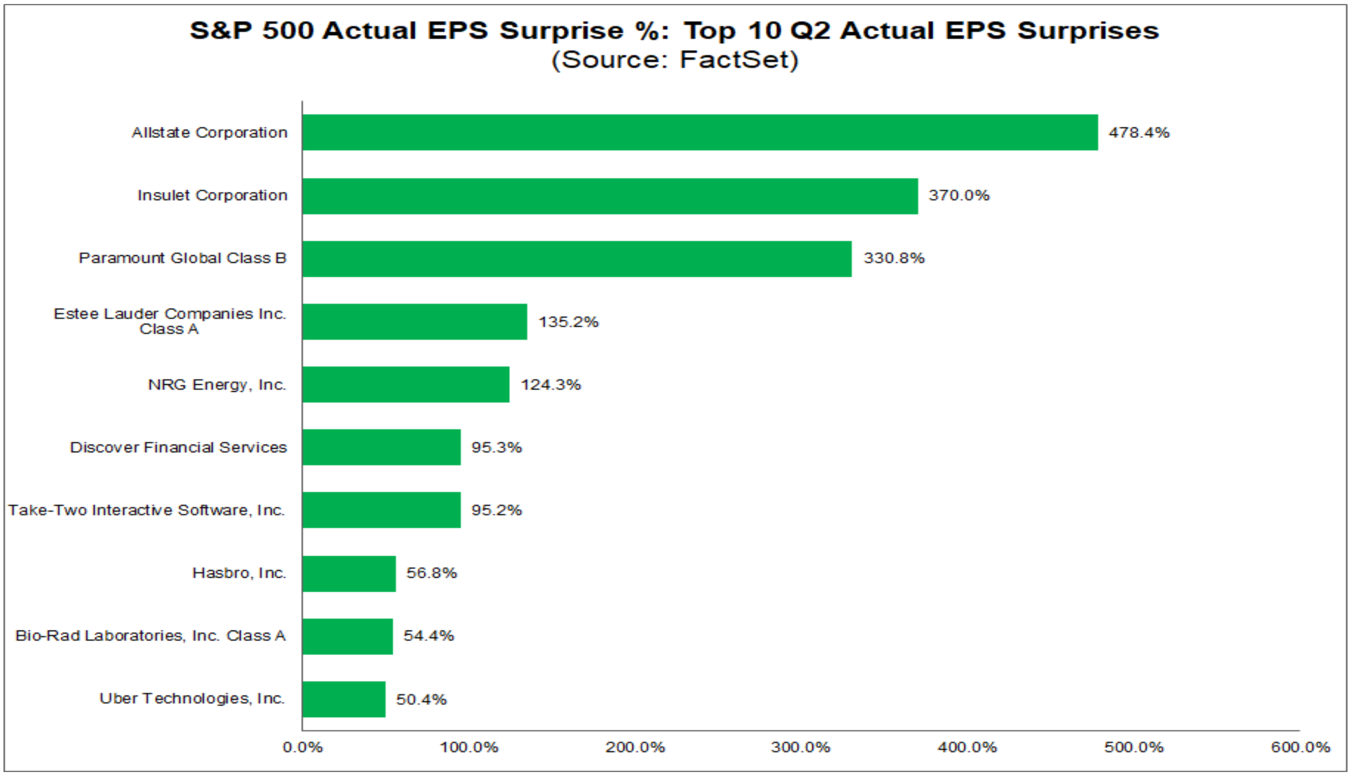


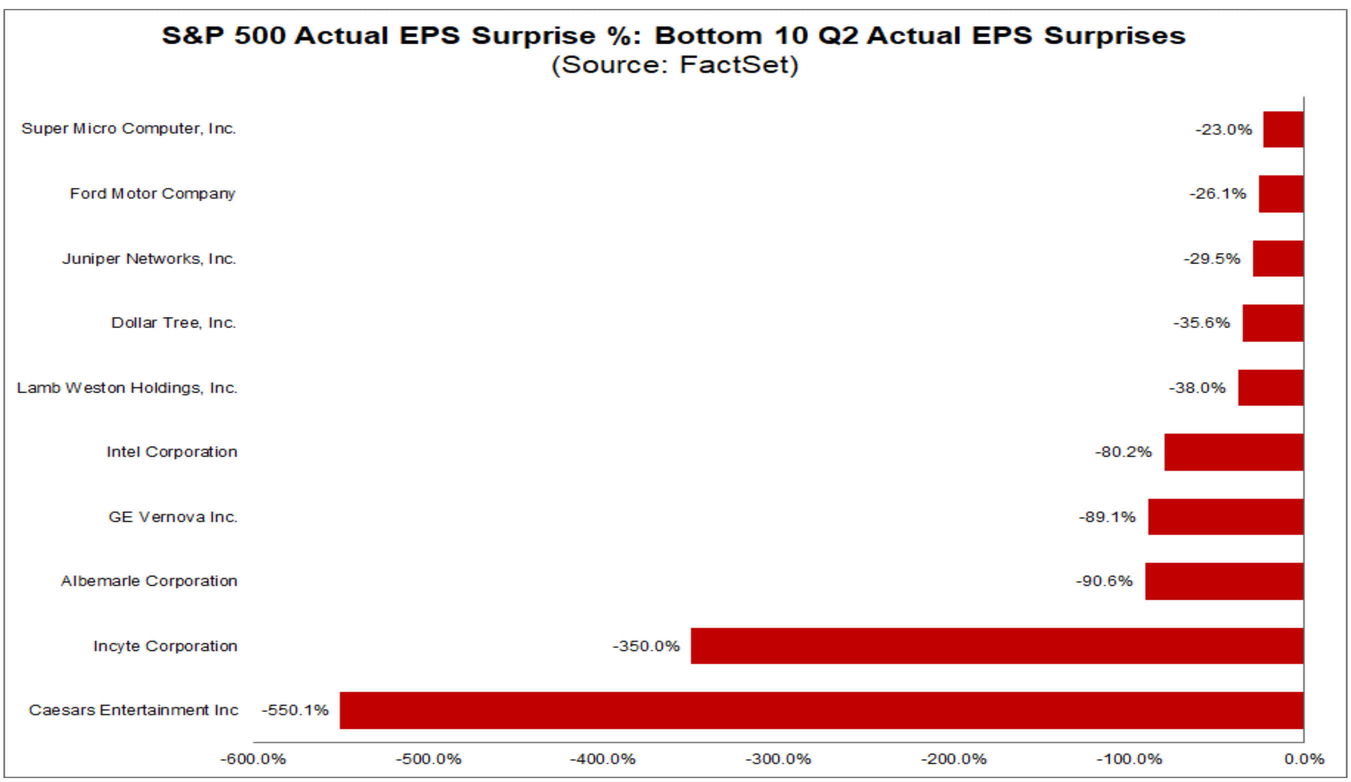
Q2 2024: Surprise



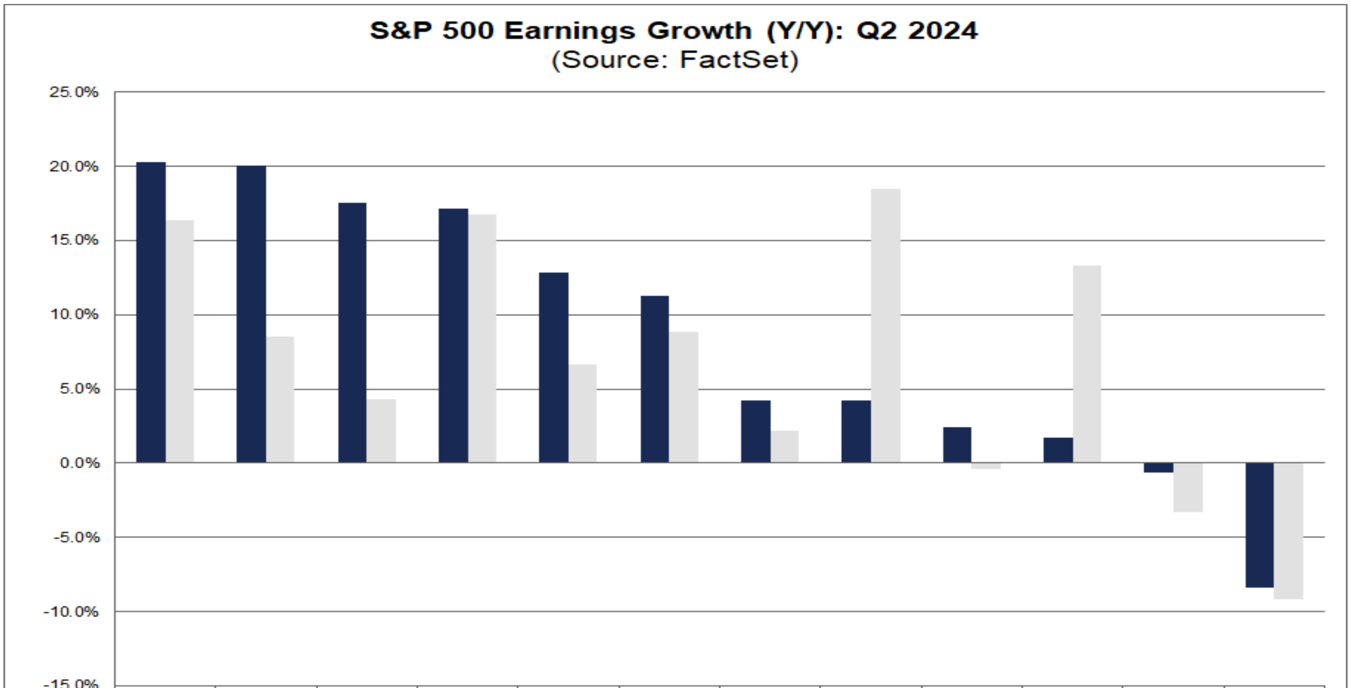


Q2 2024: Surprise

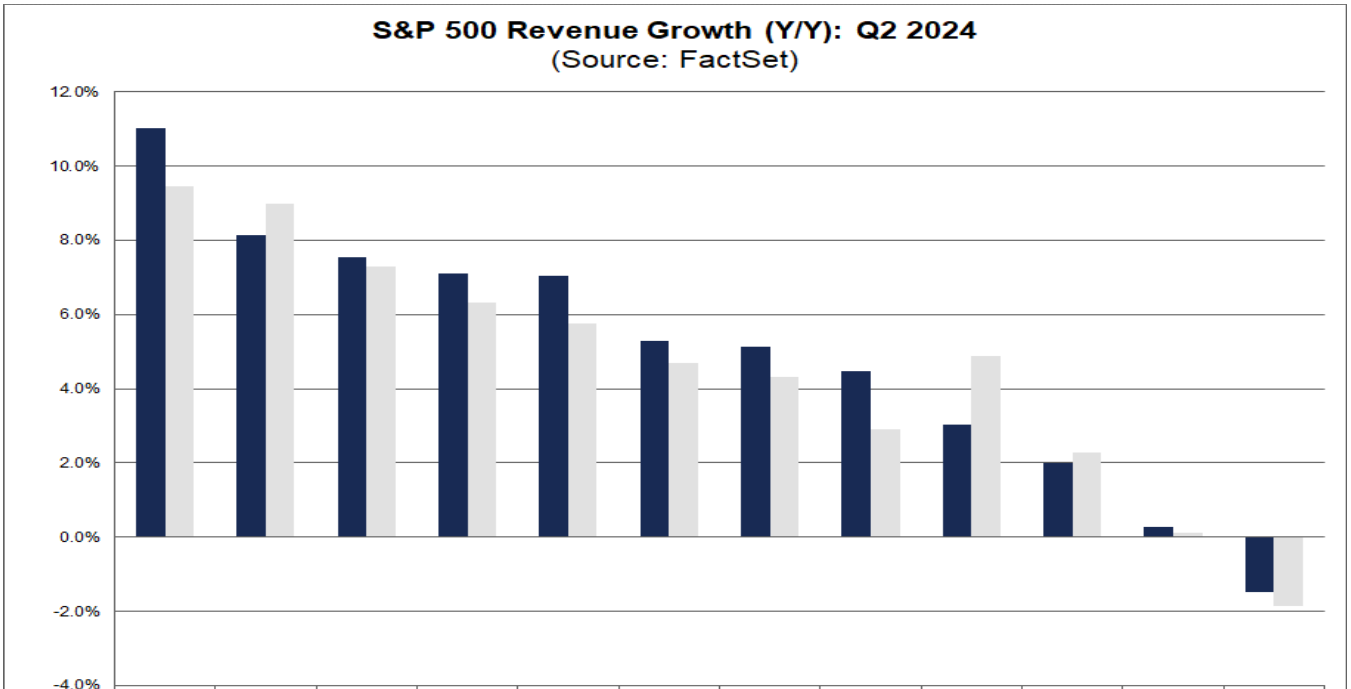




Q2 2024: Growth

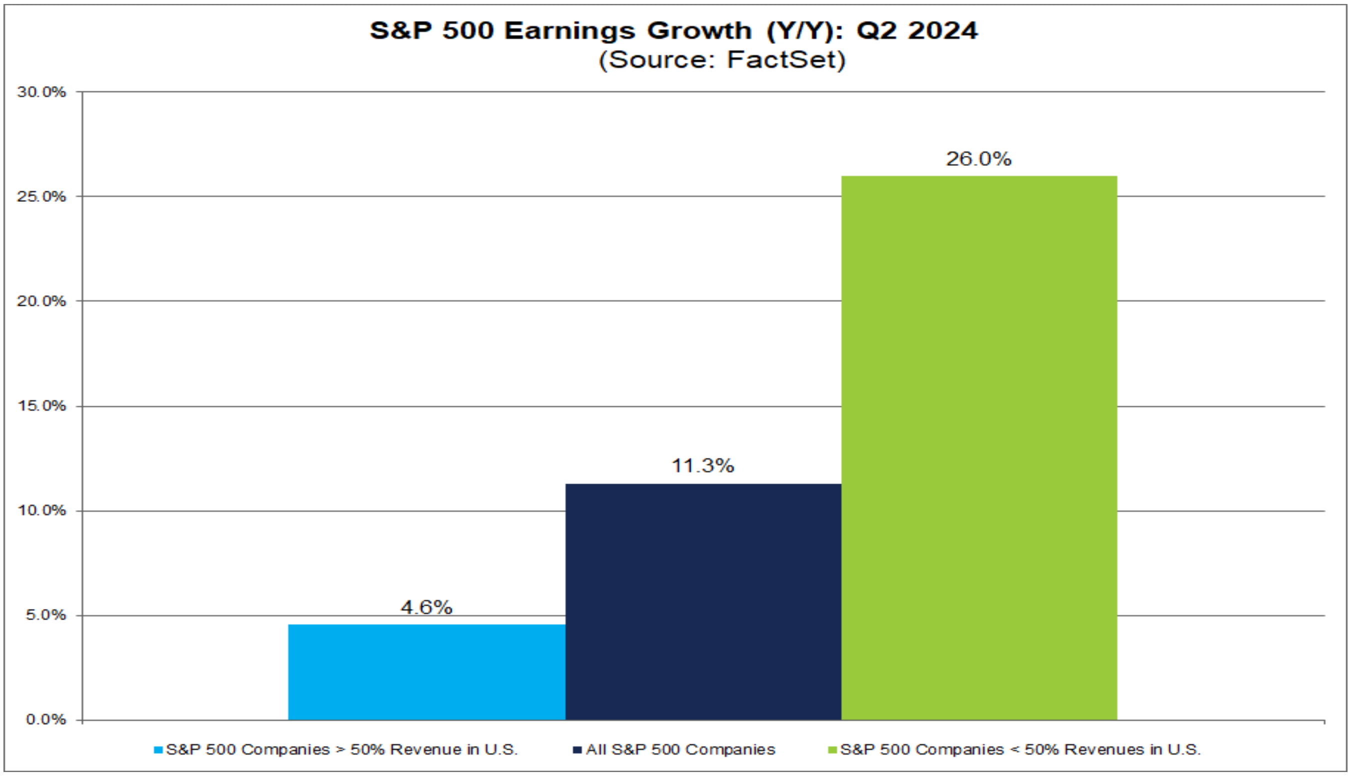


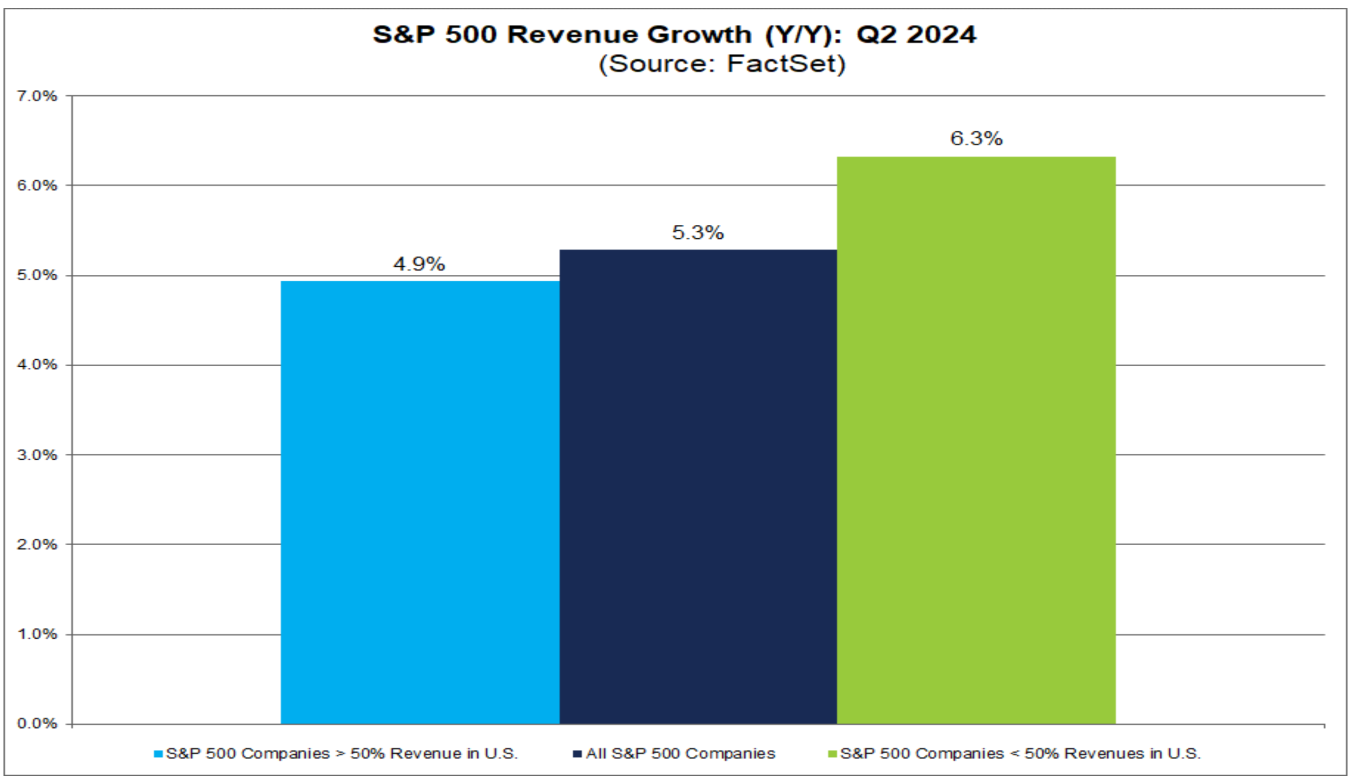
	Info. Technology	Utilities	Financials	Health Care	Consumer Disc.	S&P 500	Real Estate	Comm. Services	Consumer Staples	Energy	Industrials	Materials
Today	20.3%	20.0%	17.6%	17.1%	12.9%	11.3%	4.3%	4.2%	2.4%	1.7%	-0.6%	-8.4%
30-Jun	16.4%	8.6%	4.3%	16.7%	6.7%	8.9%	2.2%	18.5%	-0.4%	13.3%	-3.3%	-9.1%



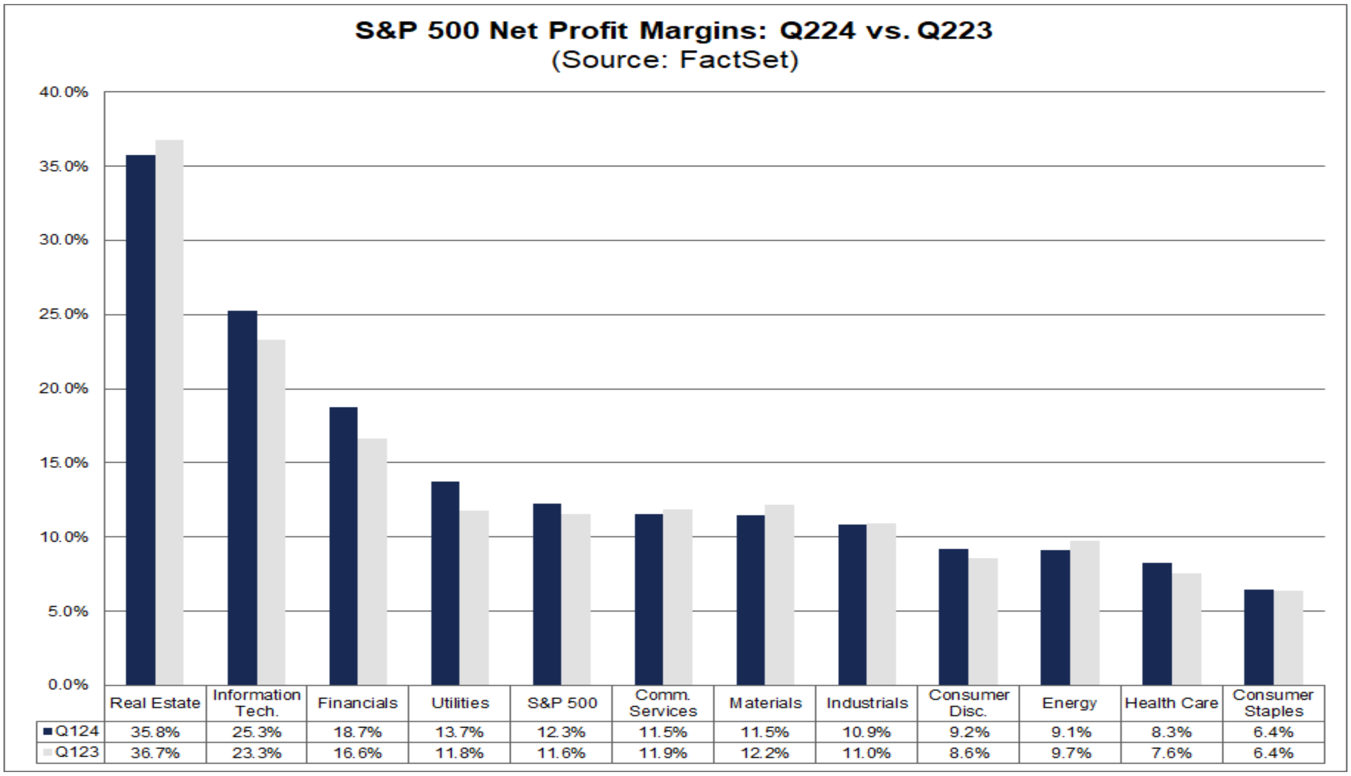
	Info. Technology	Energy	Comm. Services	Real Estate	Health Care	S&P 500	Consumer Disc.	Financials	Utilities	Consumer Staples	Industrials	Materials
Today	11.0%	8.1%	7.5%	7.1%	7.1%	5.3%	5.1%	4.5%	3.0%	2.0%	0.3%	-1.5%
30-Jun	9.5%	9.0%	7.3%	6.3%	5.8%	4.7%	4.3%	2.9%	4.9%	2.3%	0.1%	-1.9%

Q2 2024: Growth

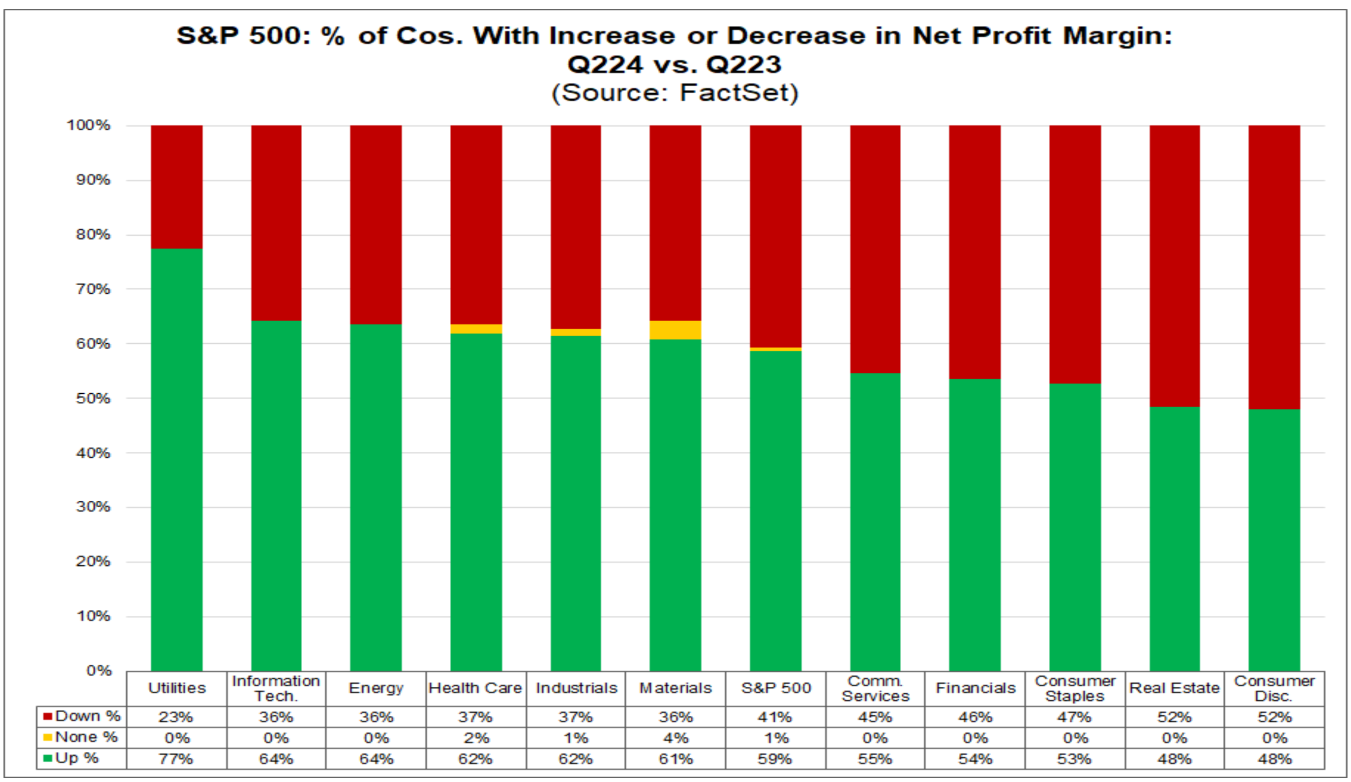




Q2 2024: Net Profit Margin

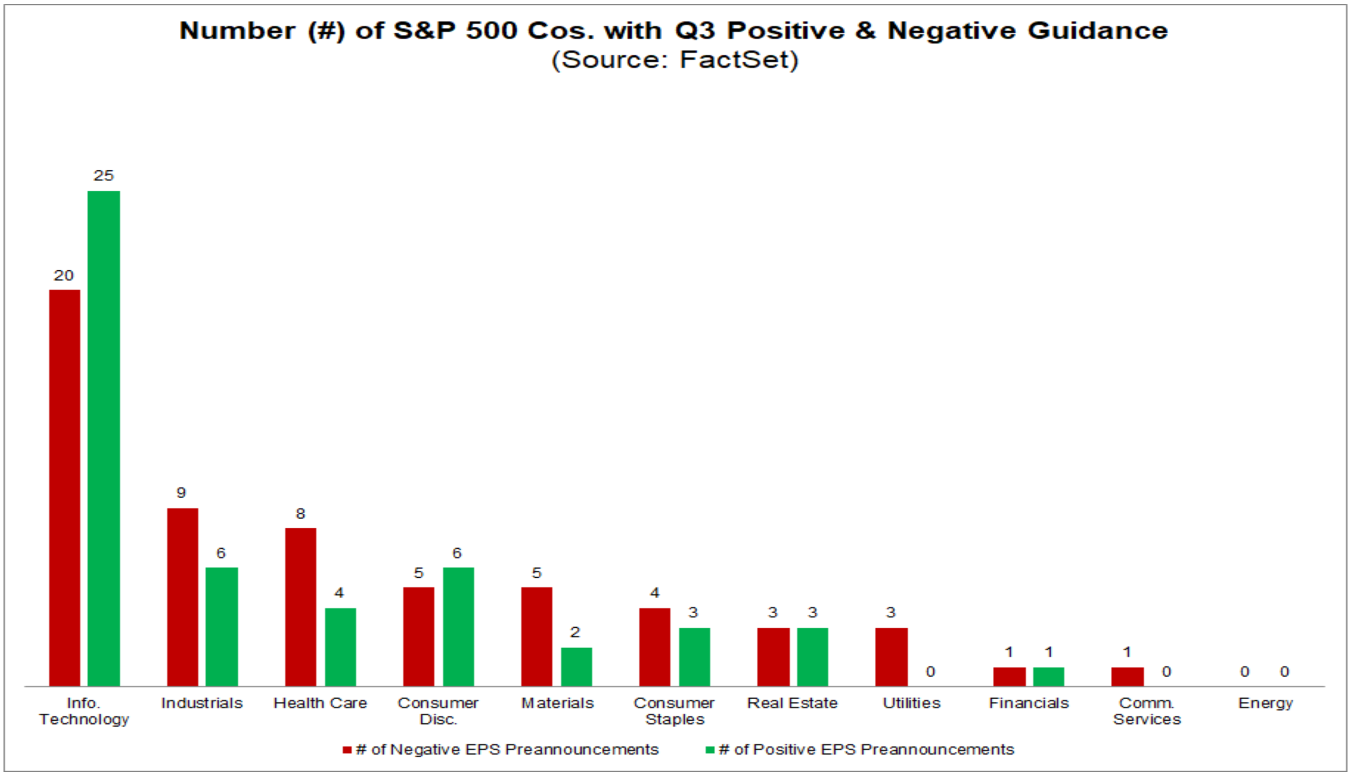


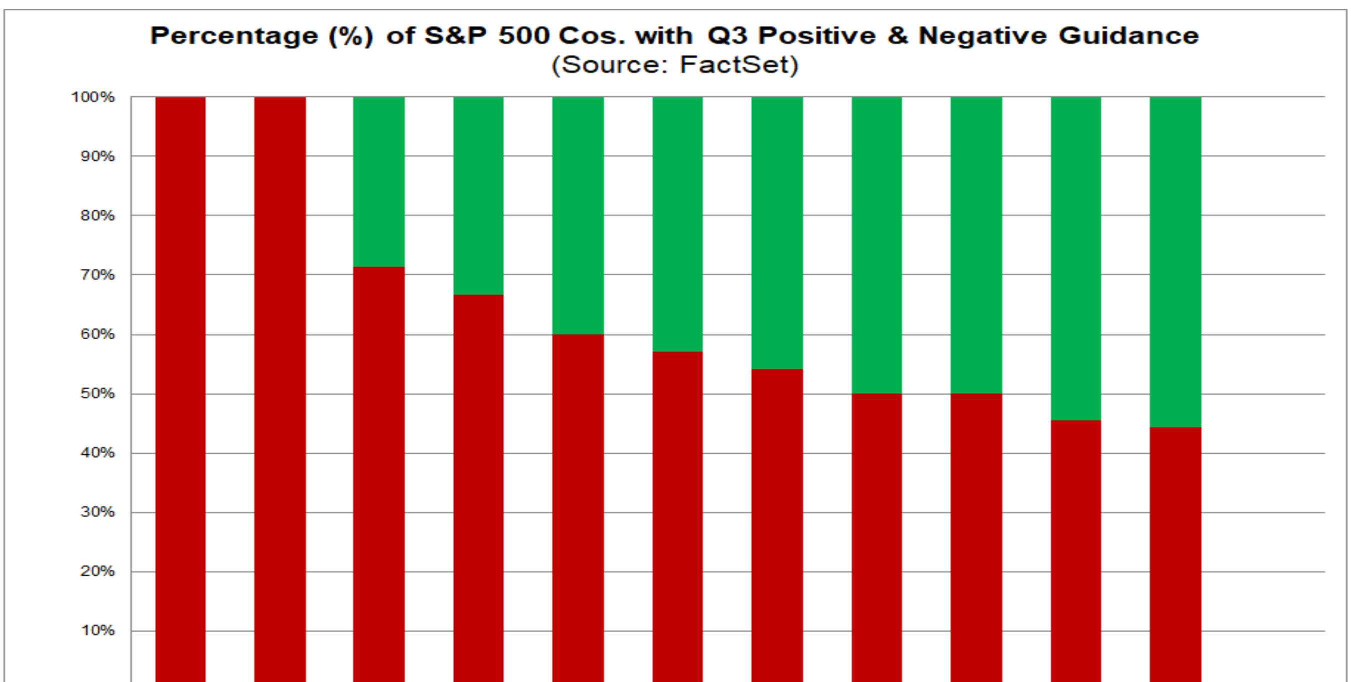
	Real Estate	Information Tech.	Financials	Utilities	S&P 500	Comm. Services	Materials	Industrials	Consumer Disc.	Energy	Health Care	Consumer Staples
Q124	35.8%	25.3%	18.7%	13.7%	12.3%	11.5%	11.5%	10.9%	9.2%	9.1%	8.3%	6.4%
Q123	36.7%	23.3%	16.6%	11.8%	11.6%	11.9%	12.2%	11.0%	8.6%	9.7%	7.6%	6.4%



	Utilities	Information Tech.	Energy	Health Care	Industrials	Materials	S&P 500	Comm. Services	Financials	Consumer Staples	Real Estate	Consumer Disc.
Down %	23%	36%	36%	37%	37%	36%	41%	45%	46%	47%	52%	52%
None %	0%	0%	0%	2%	1%	4%	1%	0%	0%	0%	0%	0%
Up %	77%	64%	64%	62%	62%	61%	59%	55%	54%	53%	48%	48%

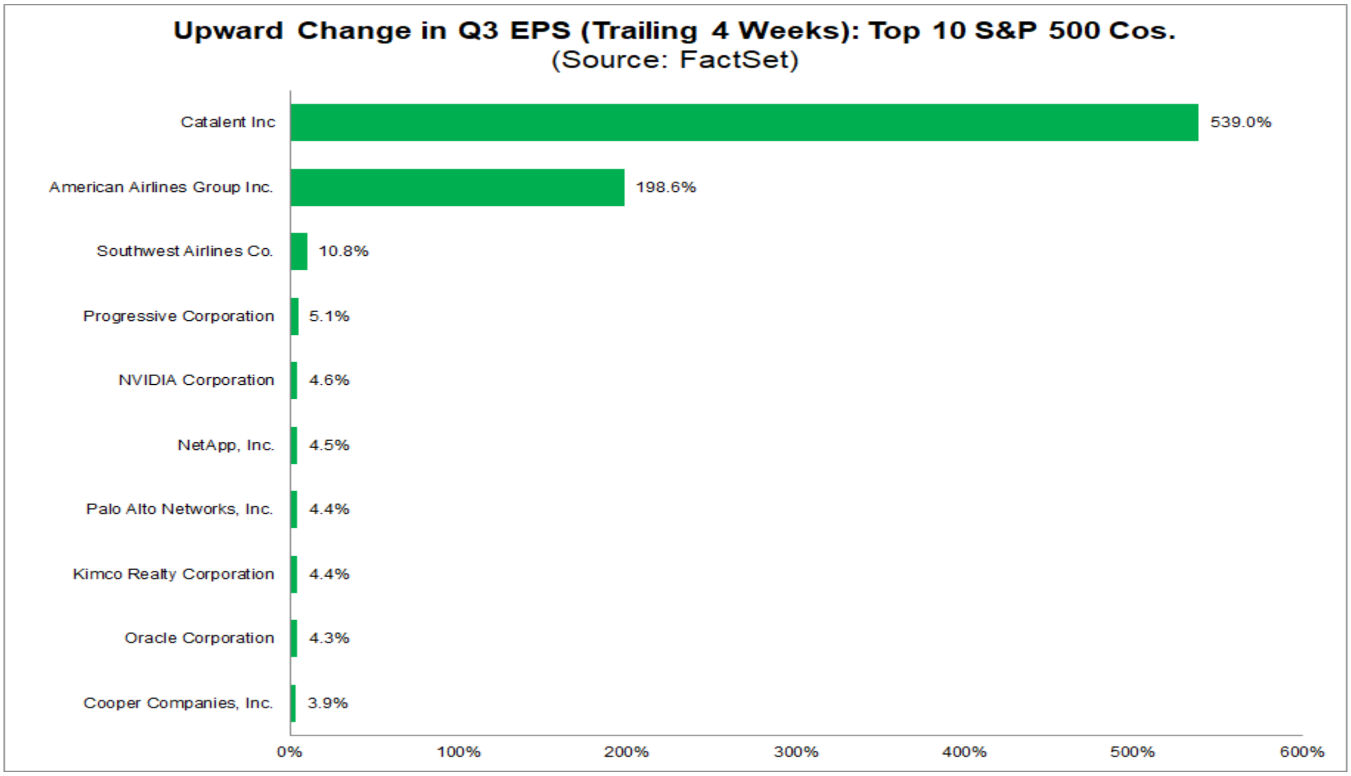
Q3 2024: Guidance

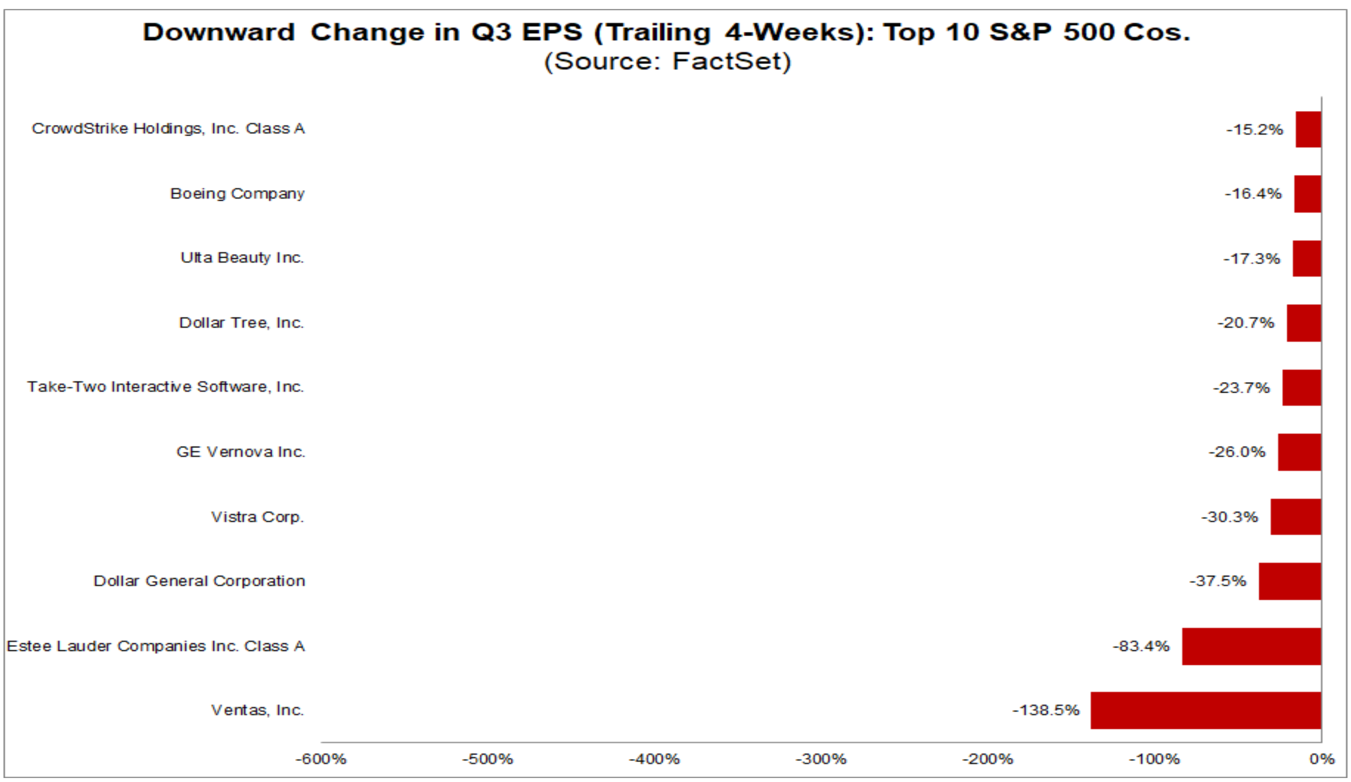




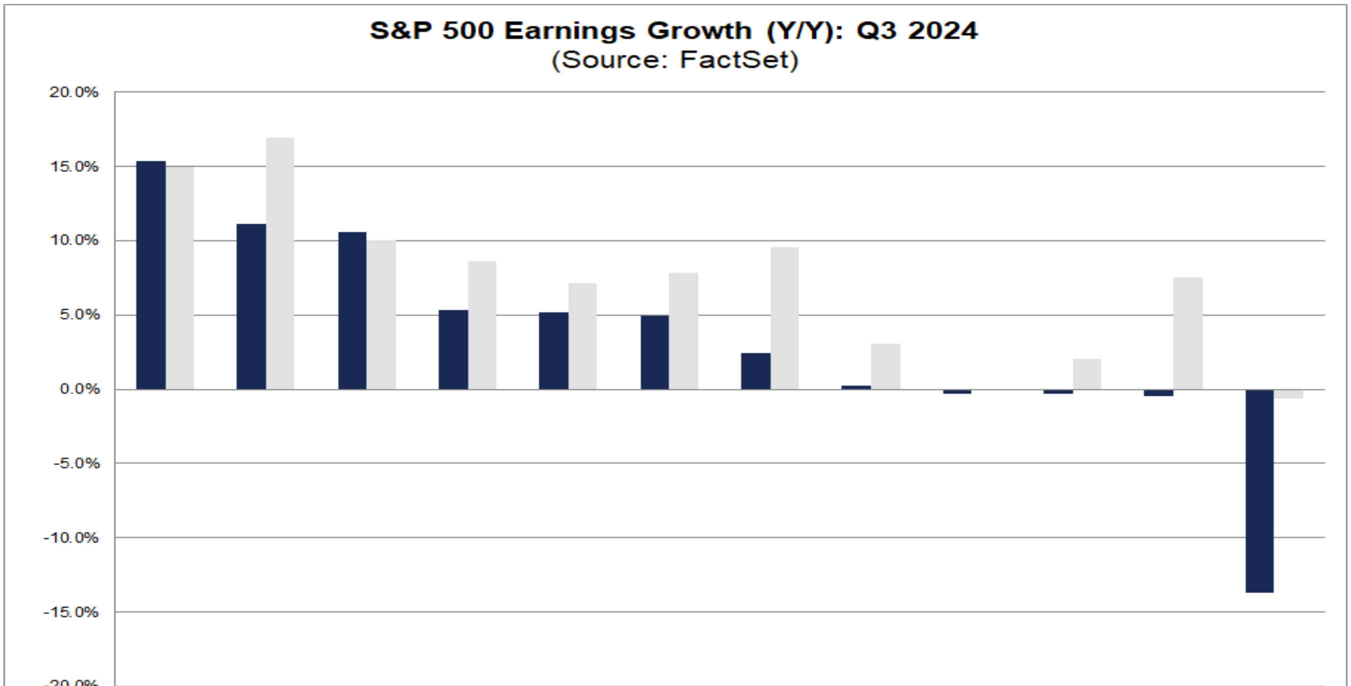
	Utilities	Comm. Services	Materials	Health Care	Industrials	Consumer Staples	S&P 500	Real Estate	Financials	Consumer Disc.	Info. Technology	Energy
Positive	0%	0%	29%	33%	40%	43%	46%	50%	50%	55%	56%	0%
Negative	100%	100%	71%	67%	60%	57%	54%	50%	50%	45%	44%	0%

Q3 2024: EPS Revisions

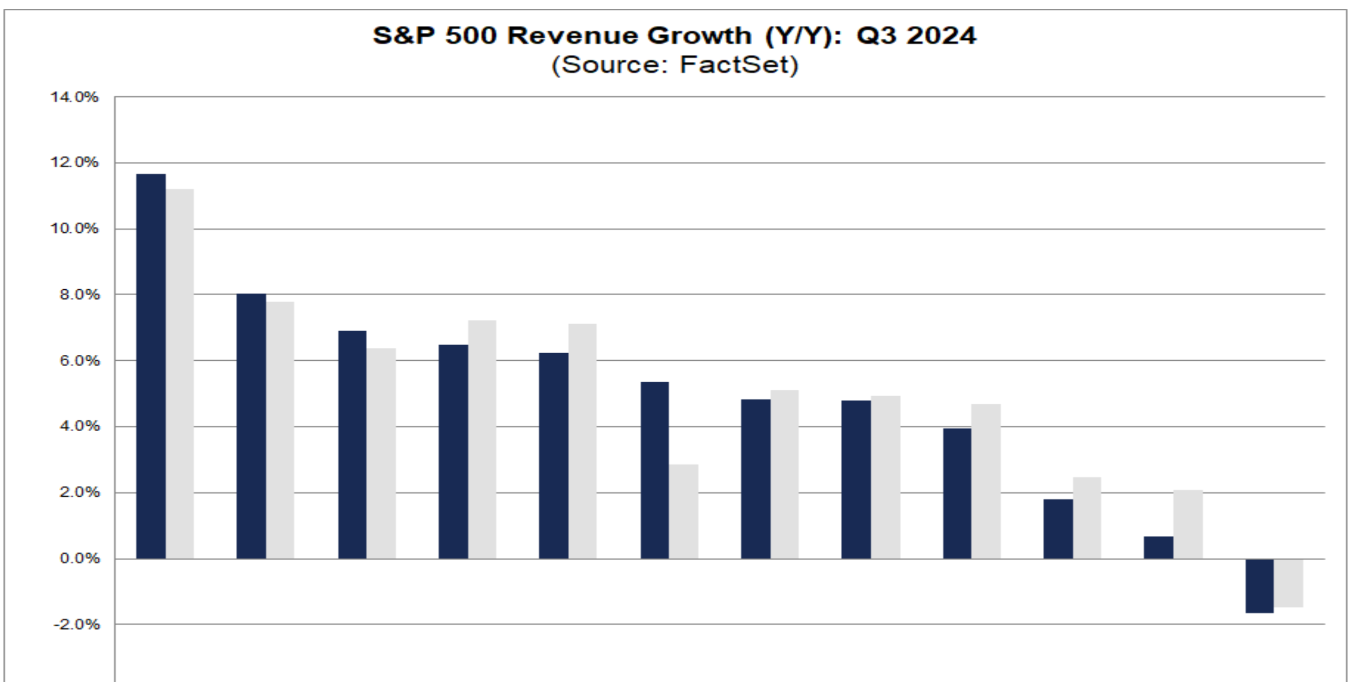




Q3 2024: Growth

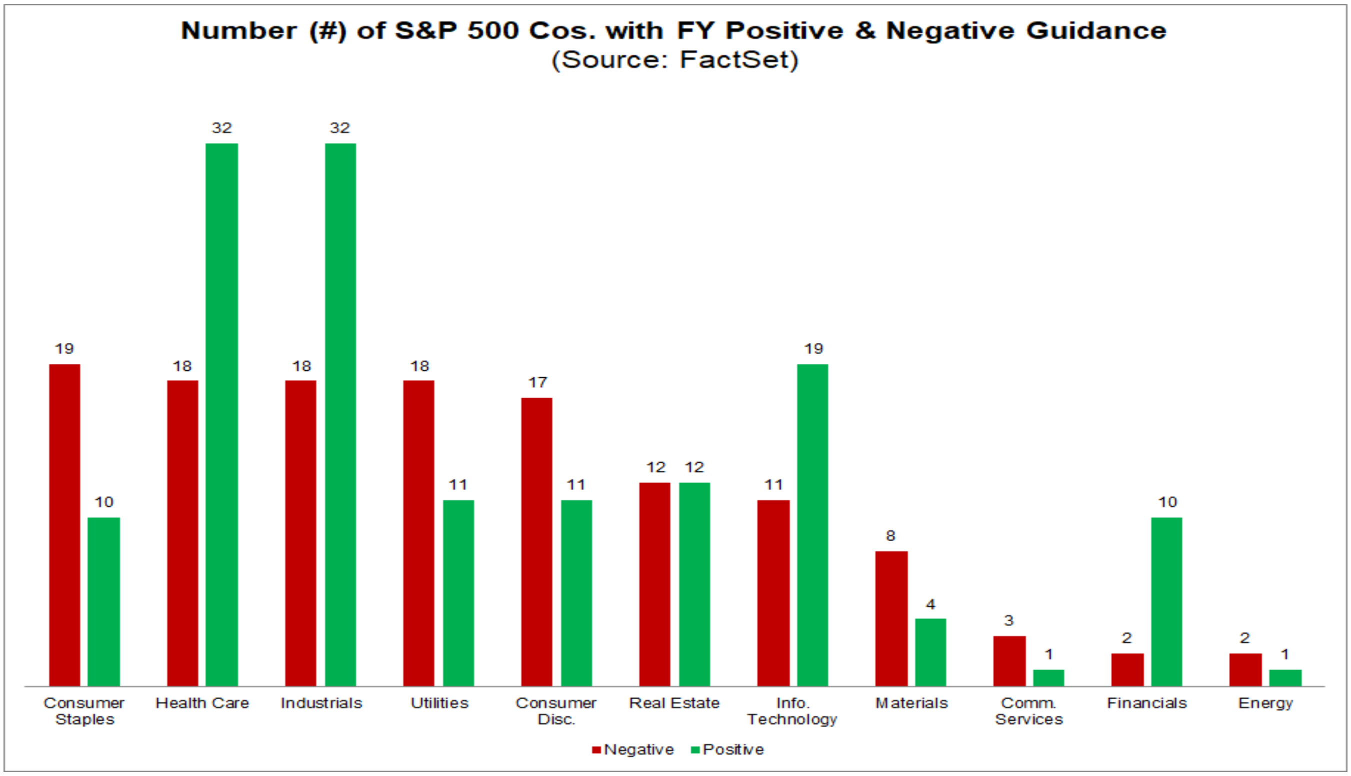


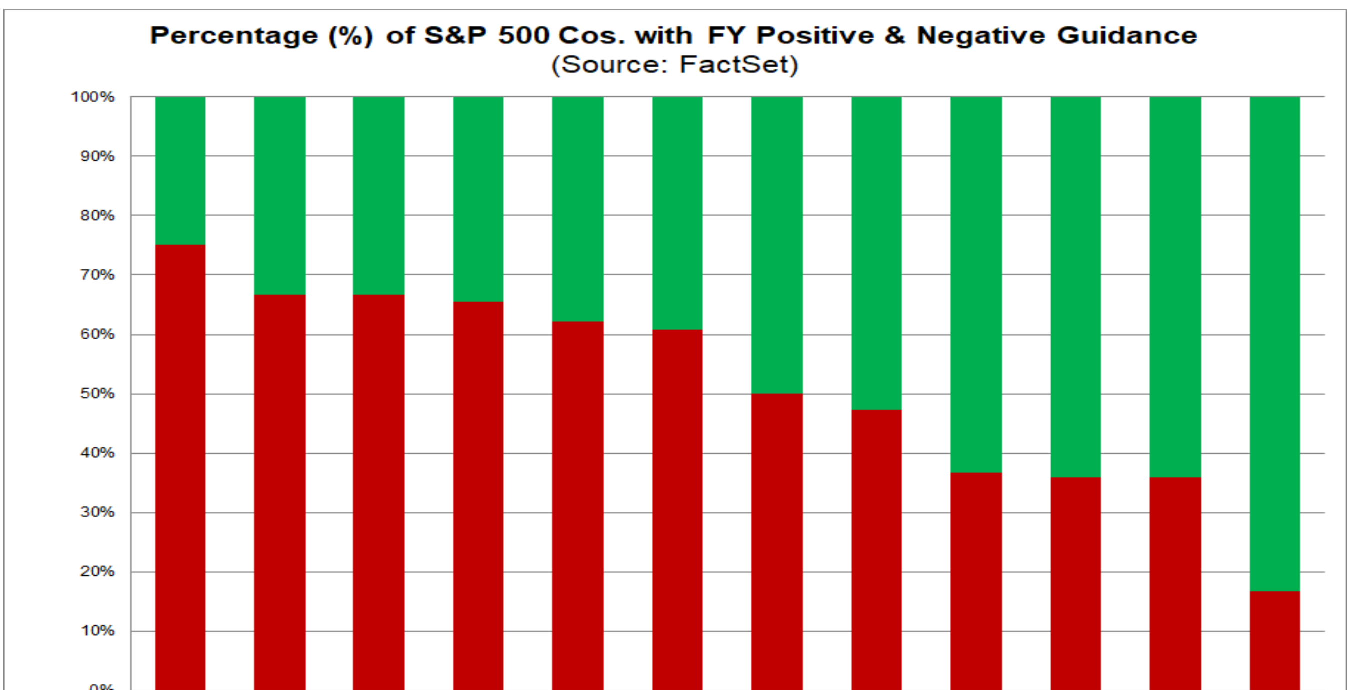
	Info. Technology	Health Care	Comm. Services	Utilities	Real Estate	S&P 500	Industrials	Consumer Staples	Financials	Consumer Disc.	Materials	Energy
Today	15.4%	11.1%	10.5%	5.3%	5.2%	4.9%	2.5%	0.3%	-0.3%	-0.3%	-0.5%	-13.7%
30-Jun	15.0%	16.9%	10.0%	8.6%	7.1%	7.8%	9.6%	3.1%	0.0%	2.0%	7.6%	-0.6%



	Info. Technology	Comm. Services	Health Care	Utilities	Real Estate	Materials	Consumer Disc.	S&P 500	Financials	Consumer Staples	Industrials	Energy
Today	11.7%	8.0%	6.9%	6.5%	6.2%	5.4%	4.8%	4.8%	4.0%	1.8%	0.7%	-1.7%
30-Jun	11.2%	7.8%	6.4%	7.2%	7.1%	2.8%	5.1%	4.9%	4.7%	2.5%	2.1%	-1.5%

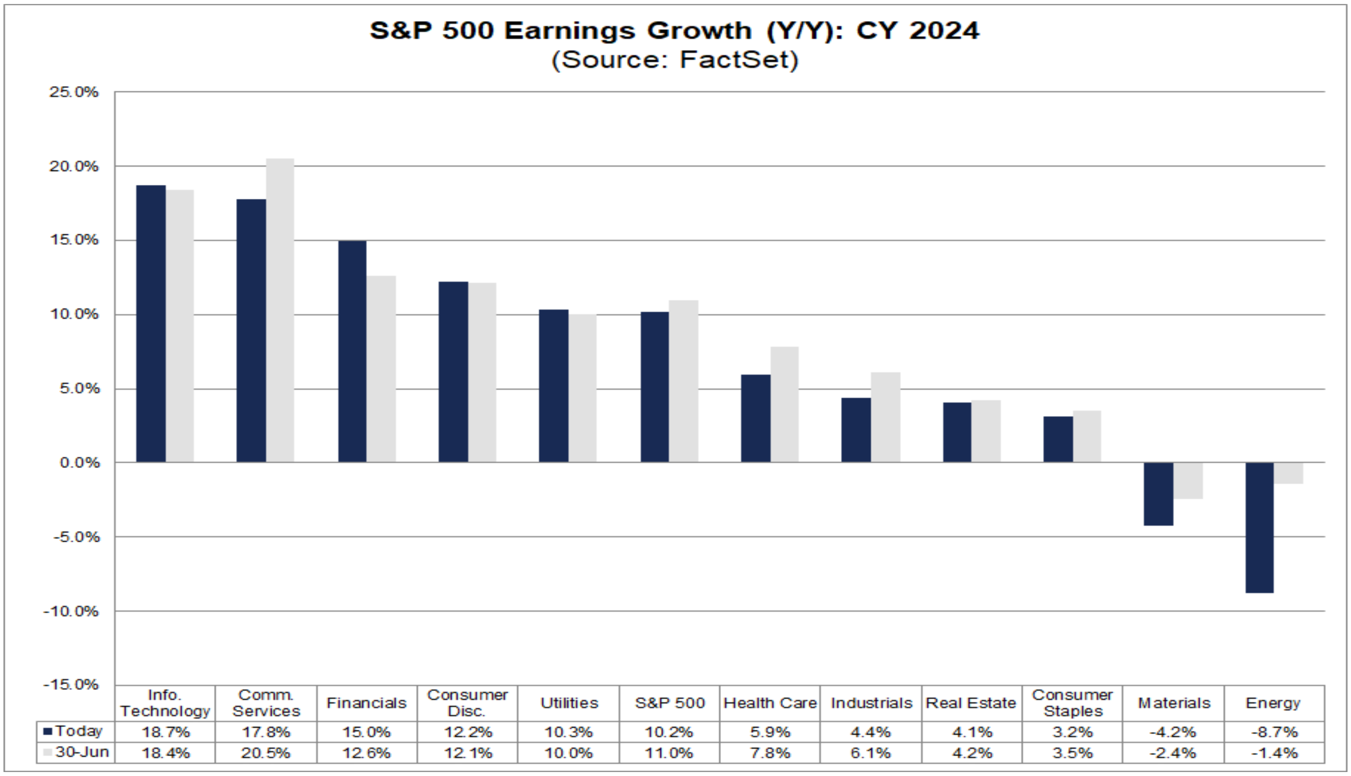
FY 2024 / 2025: EPS Guidance



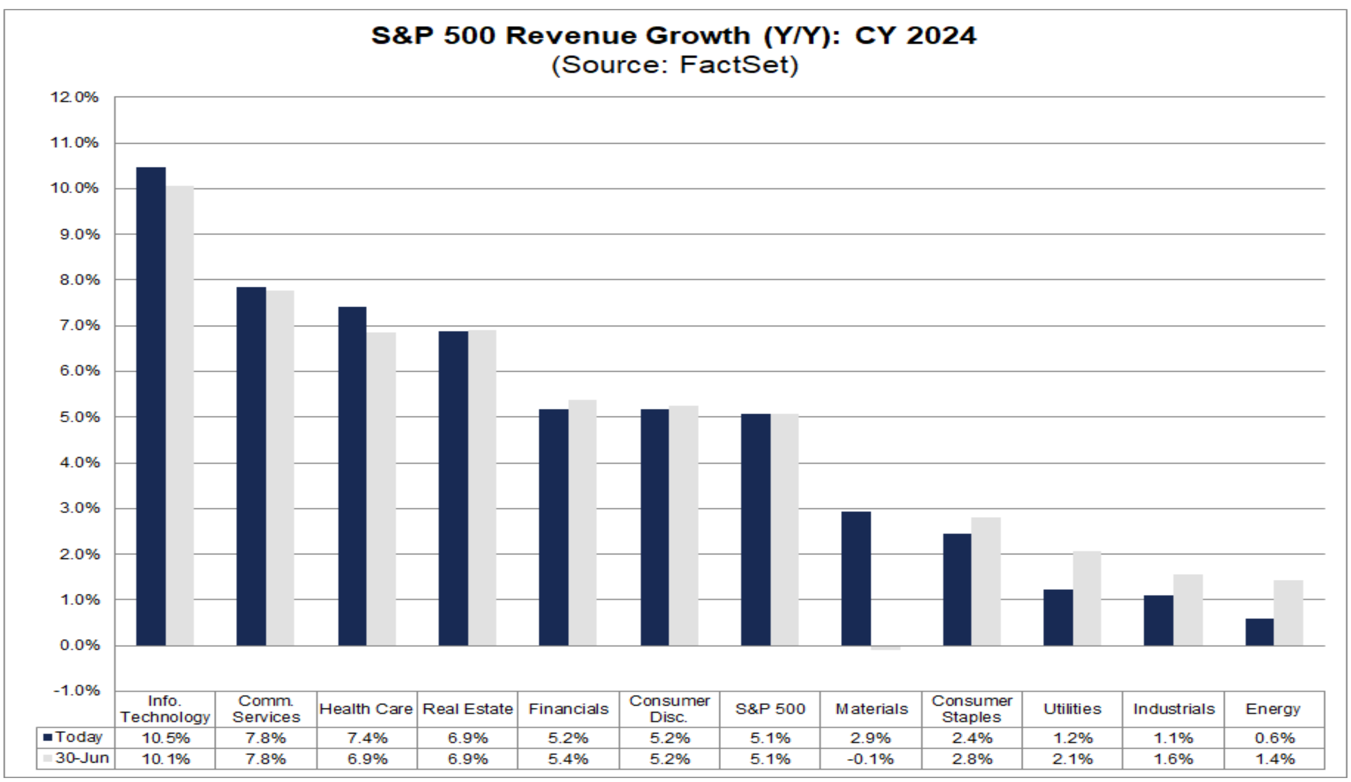


	Comm. Services	Materials	Energy	Consumer Staples	Utilities	Consumer Disc.	Real Estate	S&P 500	Info. Technology	Industrials	Health Care	Financials
Positive	25%	33%	33%	34%	38%	39%	50%	53%	63%	64%	64%	83%
Negative	75%	67%	67%	66%	62%	61%	50%	47%	37%	36%	36%	17%

CY 2024: Growth

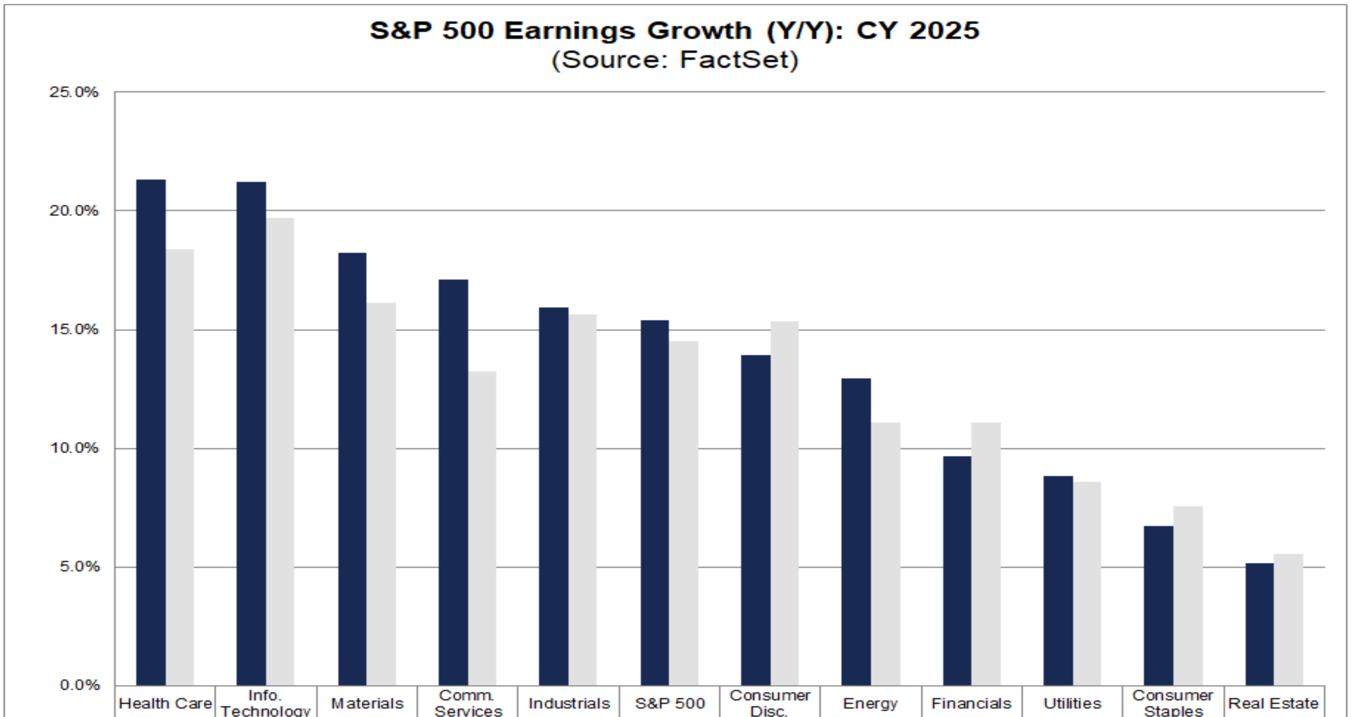


	Info. Technology	Comm. Services	Financials	Consumer Disc.	Utilities	S&P 500	Health Care	Industrials	Real Estate	Consumer Staples	Materials	Energy
Today	18.7%	17.8%	15.0%	12.2%	10.3%	10.2%	5.9%	4.4%	4.1%	3.2%	-4.2%	-8.7%
30-Jun	18.4%	20.5%	12.6%	12.1%	10.0%	11.0%	7.8%	6.1%	4.2%	3.5%	-2.4%	-1.4%

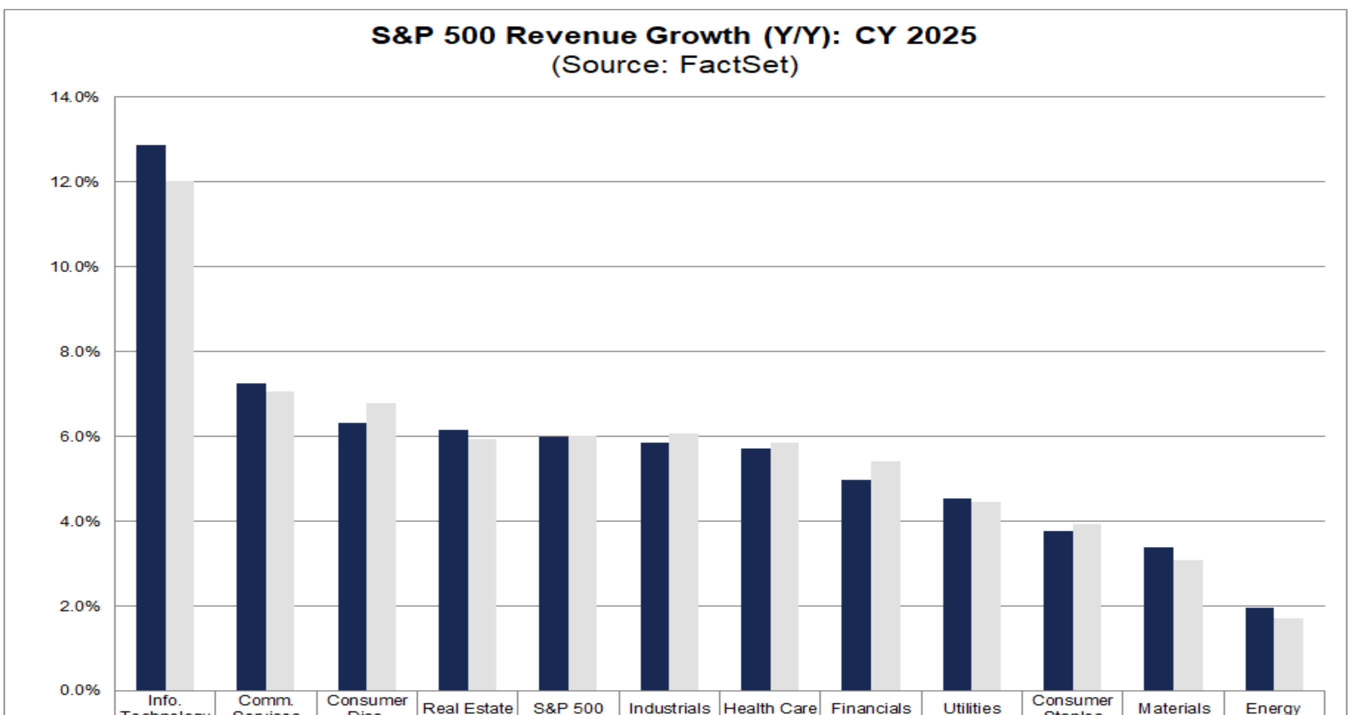


	Info. Technology	Comm. Services	Health Care	Real Estate	Financials	Consumer Disc.	S&P 500	Materials	Consumer Staples	Utilities	Industrials	Energy
Today	10.5%	7.8%	7.4%	6.9%	5.2%	5.2%	5.1%	2.9%	2.4%	1.2%	1.1%	0.6%
30-Jun	10.1%	7.8%	6.9%	6.9%	5.4%	5.2%	5.1%	-0.1%	2.8%	2.1%	1.6%	1.4%

CY 2025: Growth

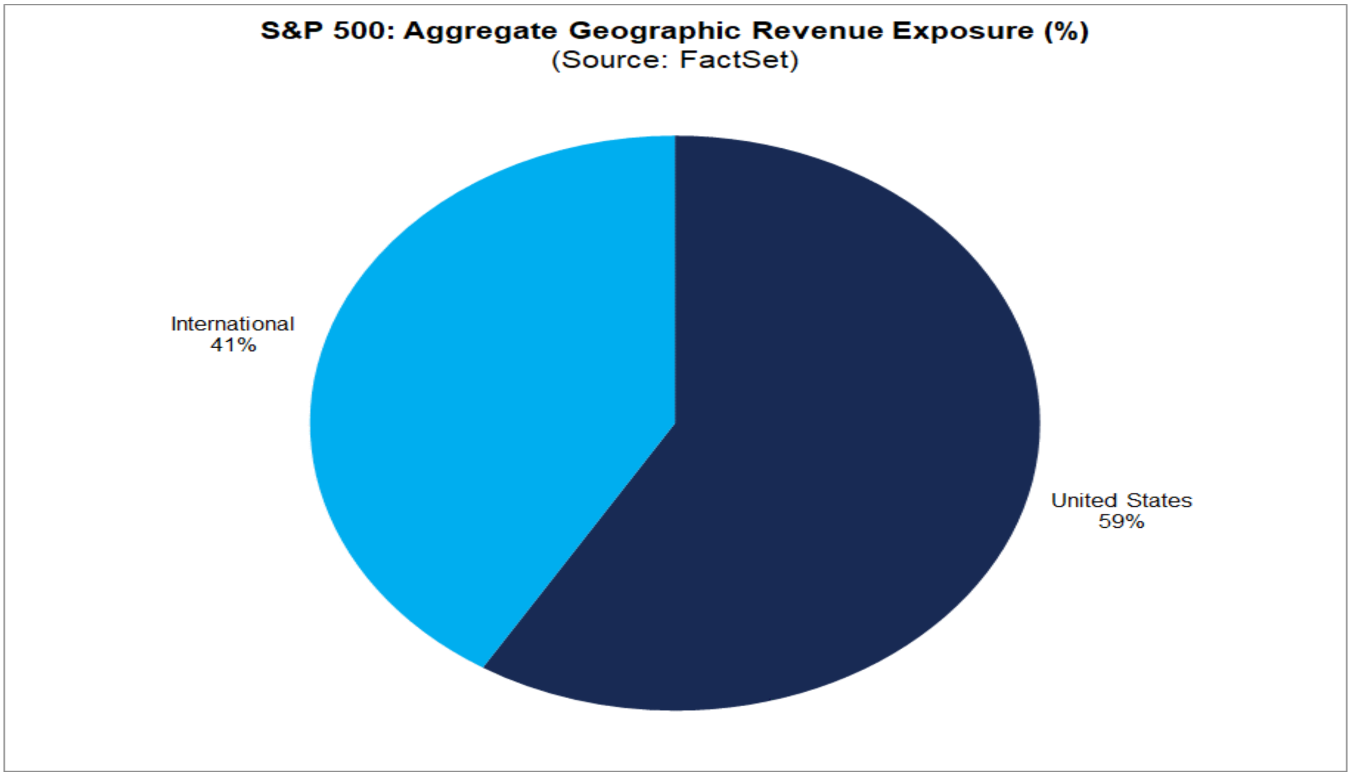


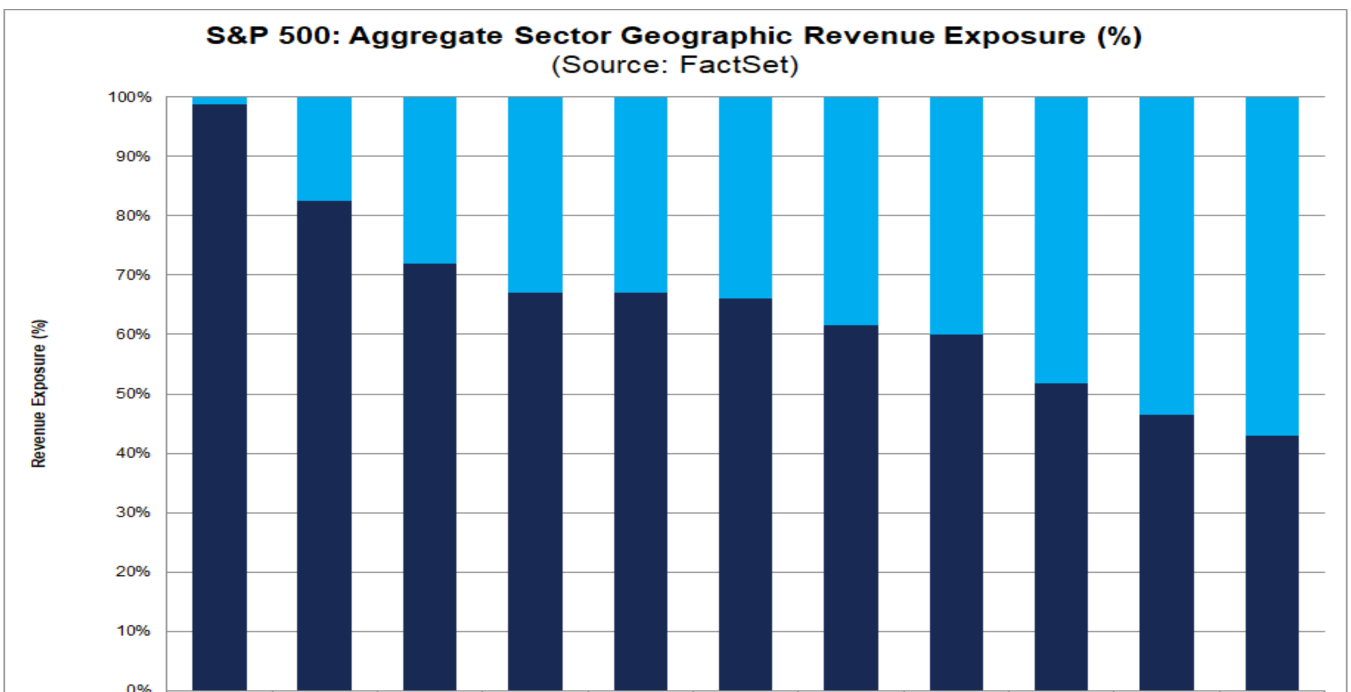
	Health Care	Info. Technology	Materials	Comm. Services	Industrials	S&P 500	Consumer Disc.	Energy	Financials	Utilities	Consumer Staples	Real Estate
Today	21.3%	21.2%	18.2%	17.1%	16.0%	15.4%	13.9%	13.0%	9.7%	8.8%	6.8%	5.2%
30-Jun	18.4%	19.7%	16.1%	13.2%	15.6%	14.5%	15.4%	11.1%	11.1%	8.6%	7.5%	5.6%



	Info. Technology	Comm. Services	Consumer Disc.	Real Estate	S&P 500	Industrials	Health Care	Financials	Utilities	Consumer Staples	Materials	Energy
Today	12.9%	7.3%	6.3%	6.1%	6.0%	5.8%	5.7%	5.0%	4.5%	3.8%	3.4%	1.9%
30-Jun	12.0%	7.1%	6.8%	5.9%	6.0%	6.1%	5.8%	5.4%	4.4%	3.9%	3.1%	1.7%

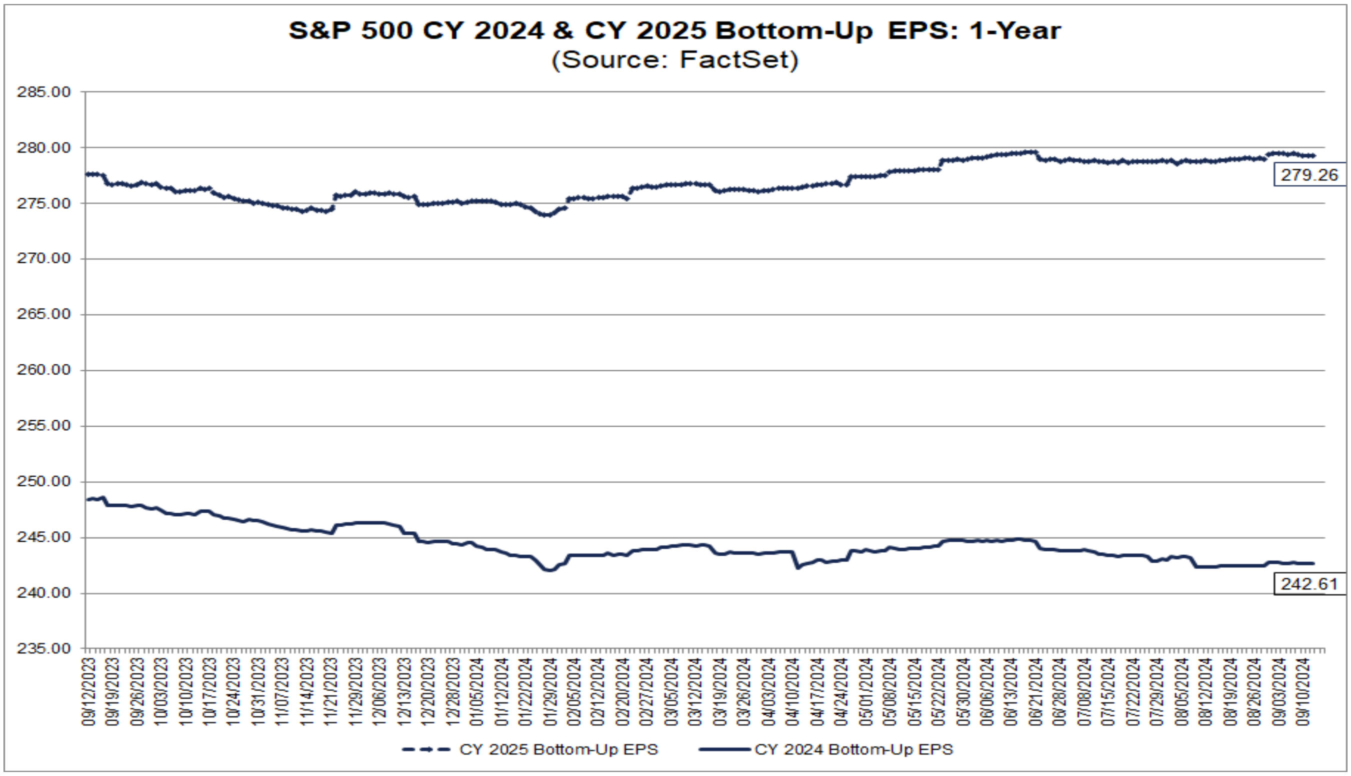
Geographic Revenue Exposure

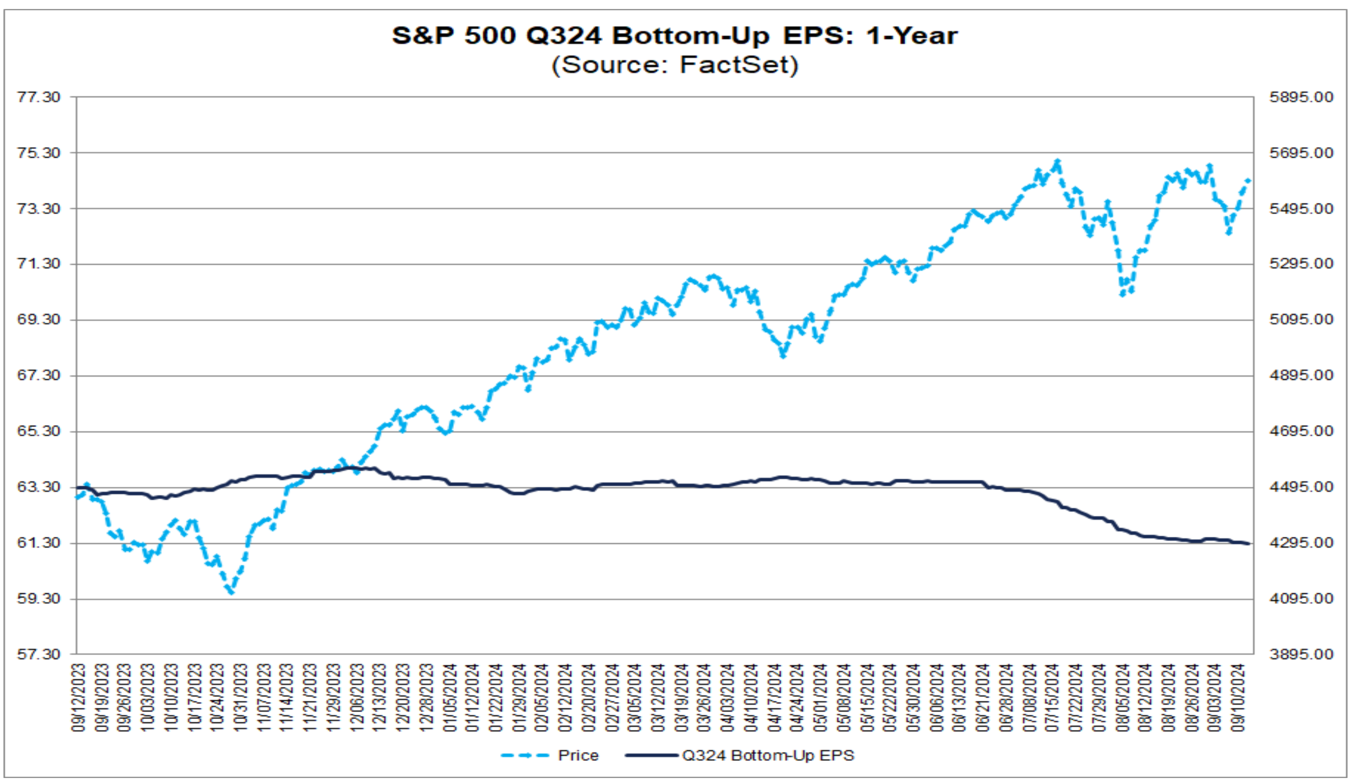




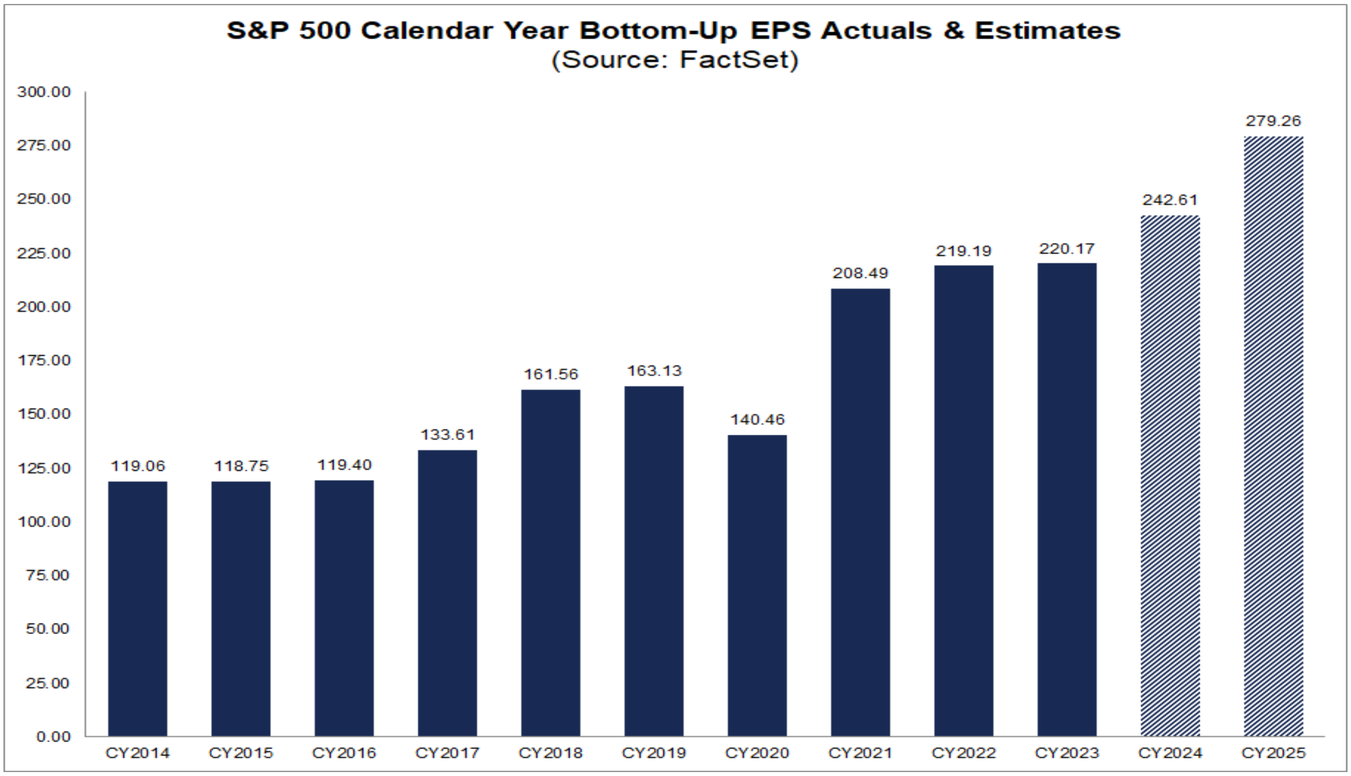
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	17%	28%	33%	33%	34%	38%	40%	48%	54%	57%
United States	99%	83%	72%	67%	67%	66%	62%	60%	52%	46%	43%

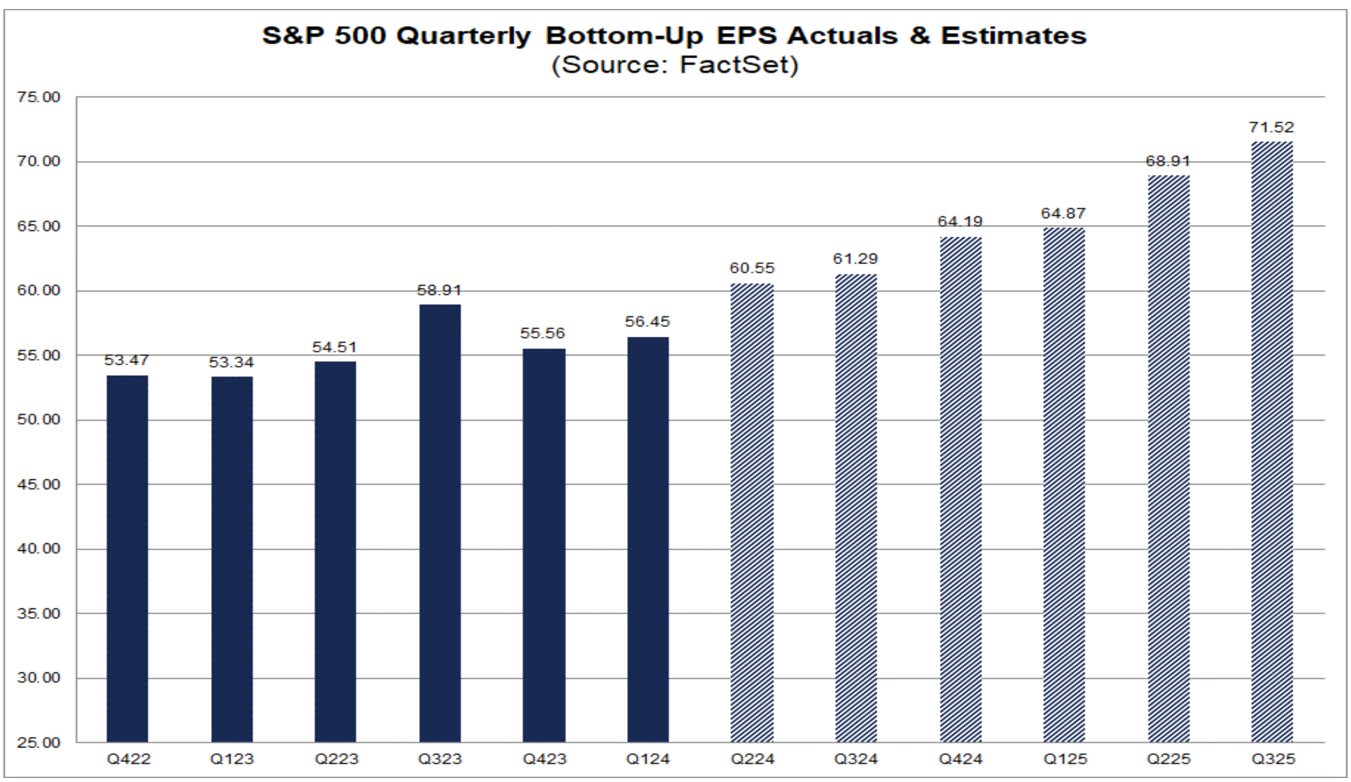
Bottom-Up EPS Estimates





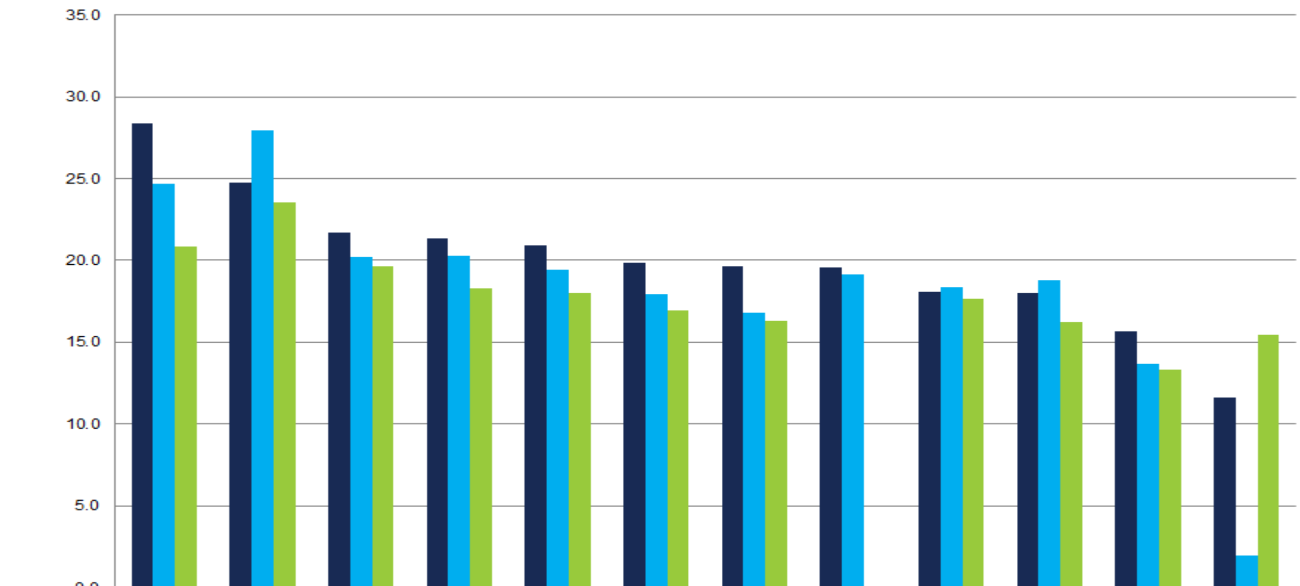
Bottom-Up EPS Estimates: Current & Historical





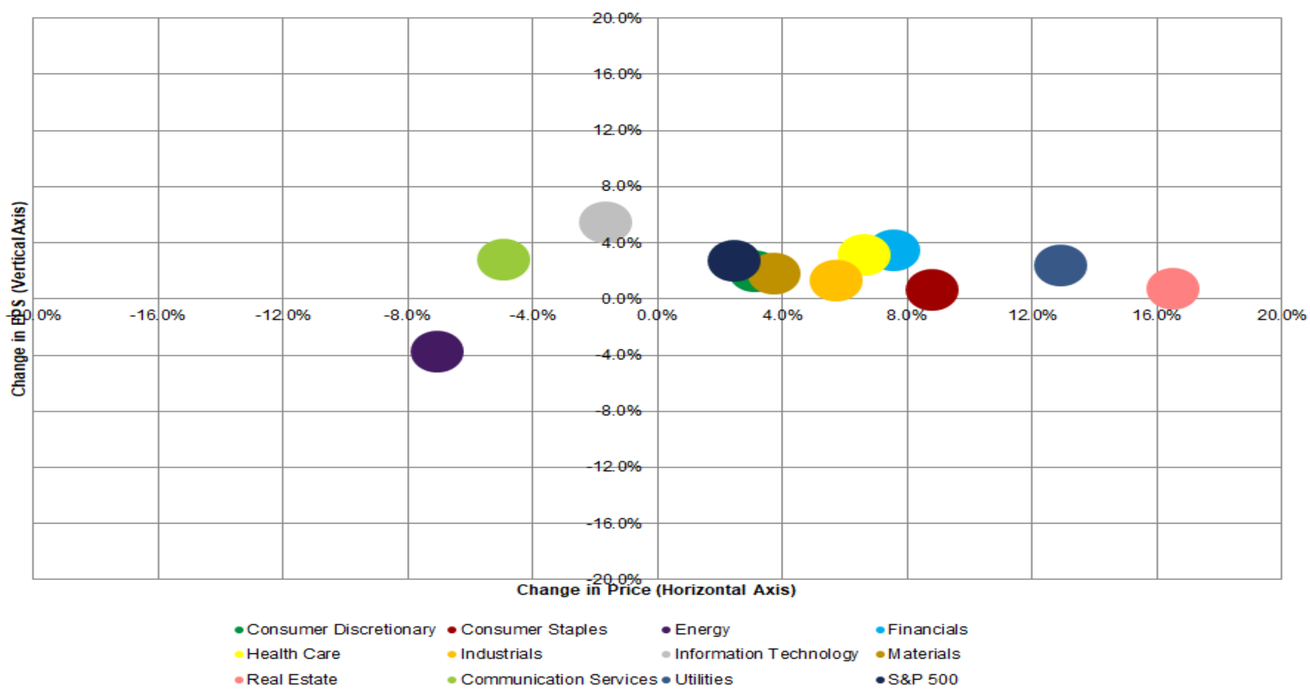
Forward 12M P/E Ratio: Sector Level

S&P 500 Sector-Level Forward 12-Month P/E Ratios
(Source: FactSet)

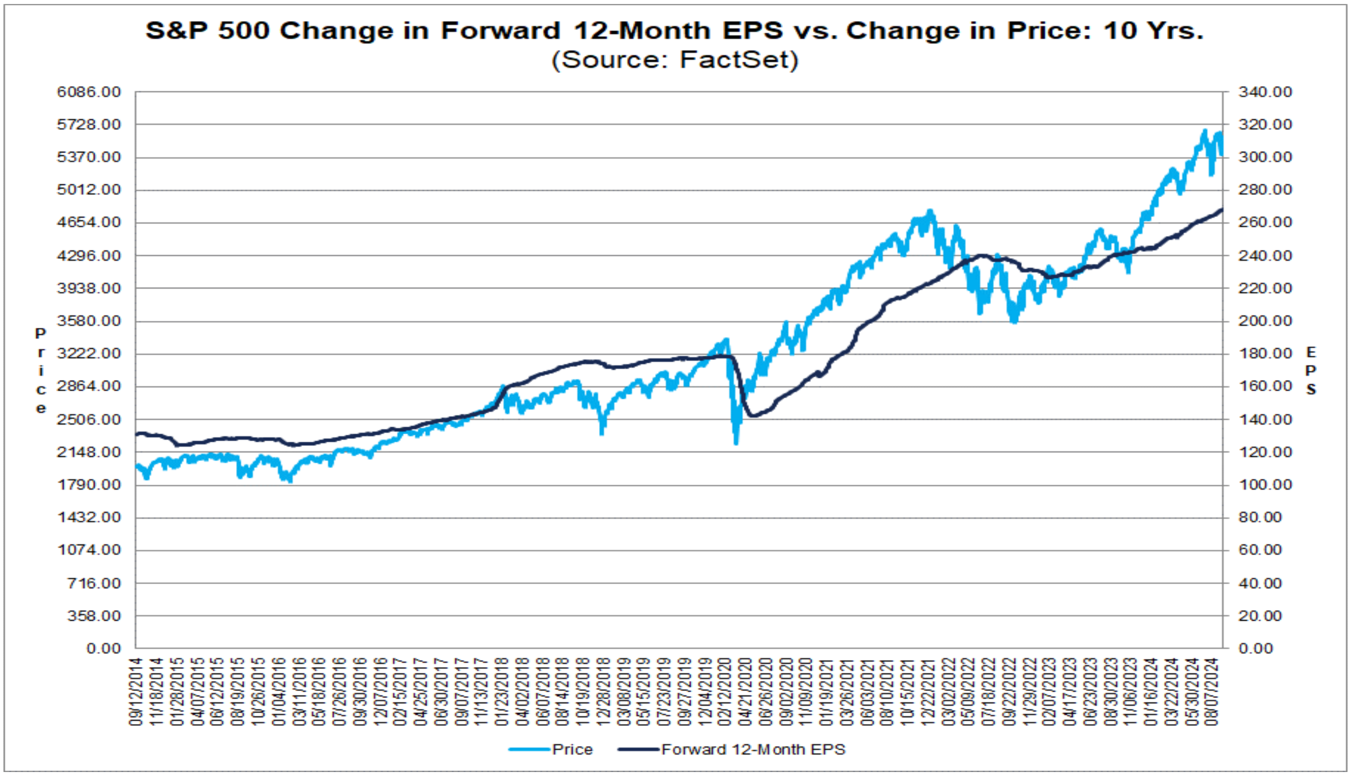


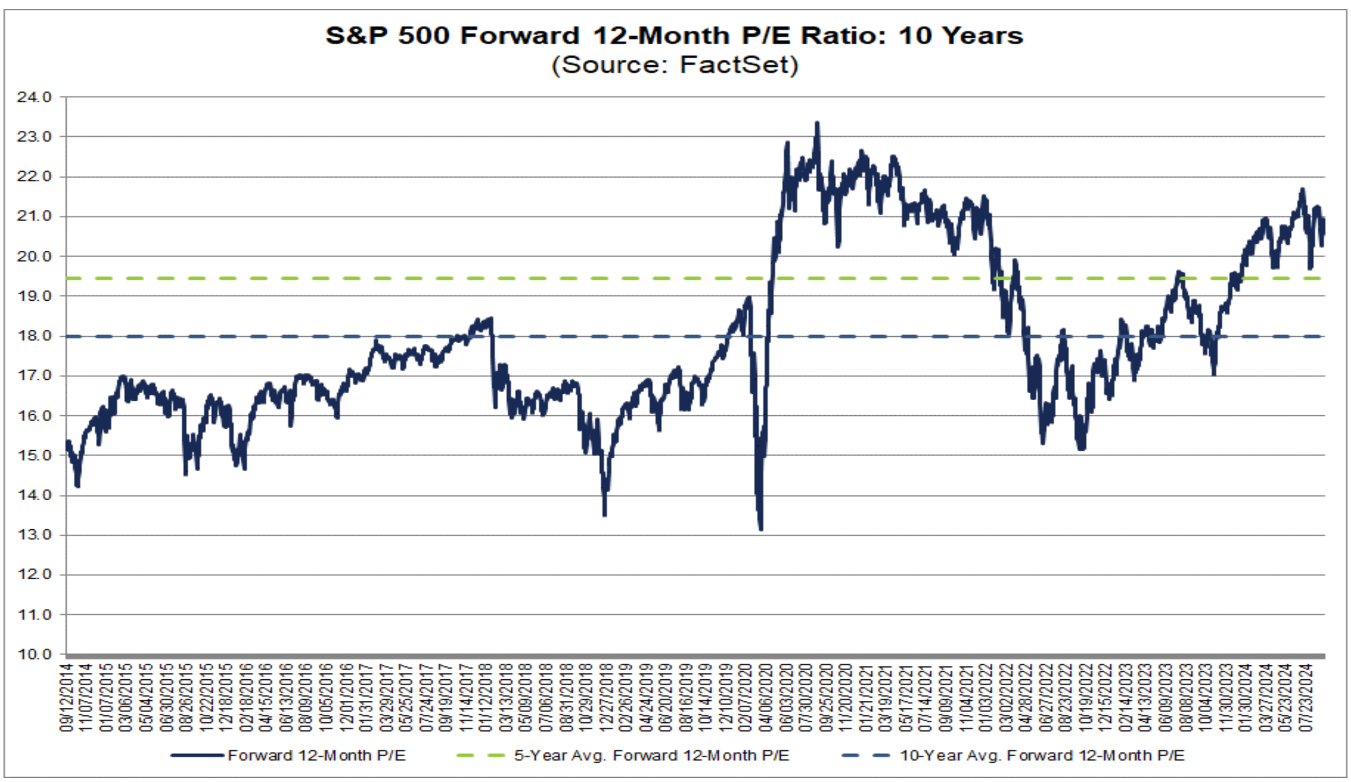
	Info. Technology	Consumer Disc.	Consumer Staples	Industrials	S&P 500	Materials	Health Care	Real Estate	Utilities	Comm. Services	Financials	Energy
Fwd P/E	28.4	24.7	21.7	21.4	20.9	19.8	19.6	19.6	18.1	18.0	15.6	11.6
5-Yr Avg.	24.7	28.0	20.2	20.3	19.4	17.9	16.8	19.2	18.3	18.8	13.7	1.9
10-Yr Avg.	20.9	23.5	19.7	18.3	18.0	17.0	16.3	0.0	17.7	16.2	13.3	15.5

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

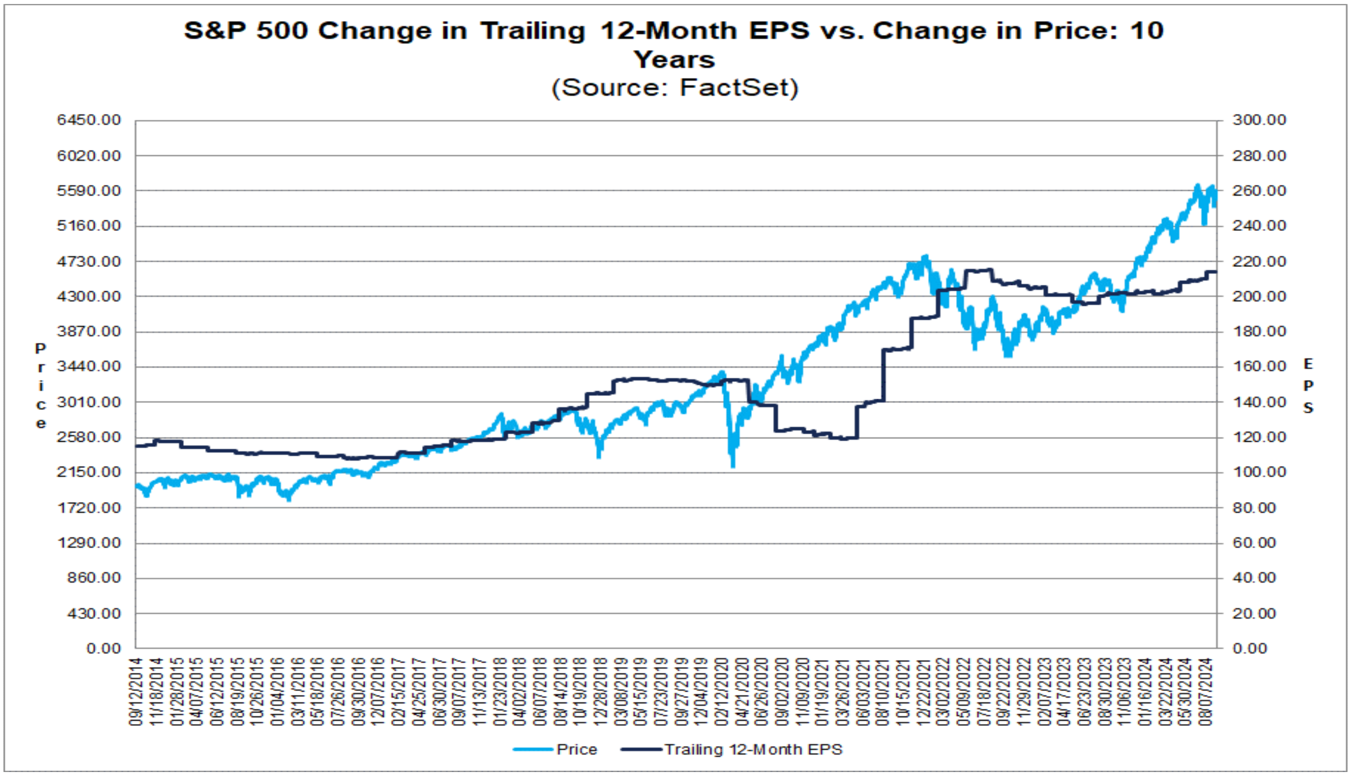


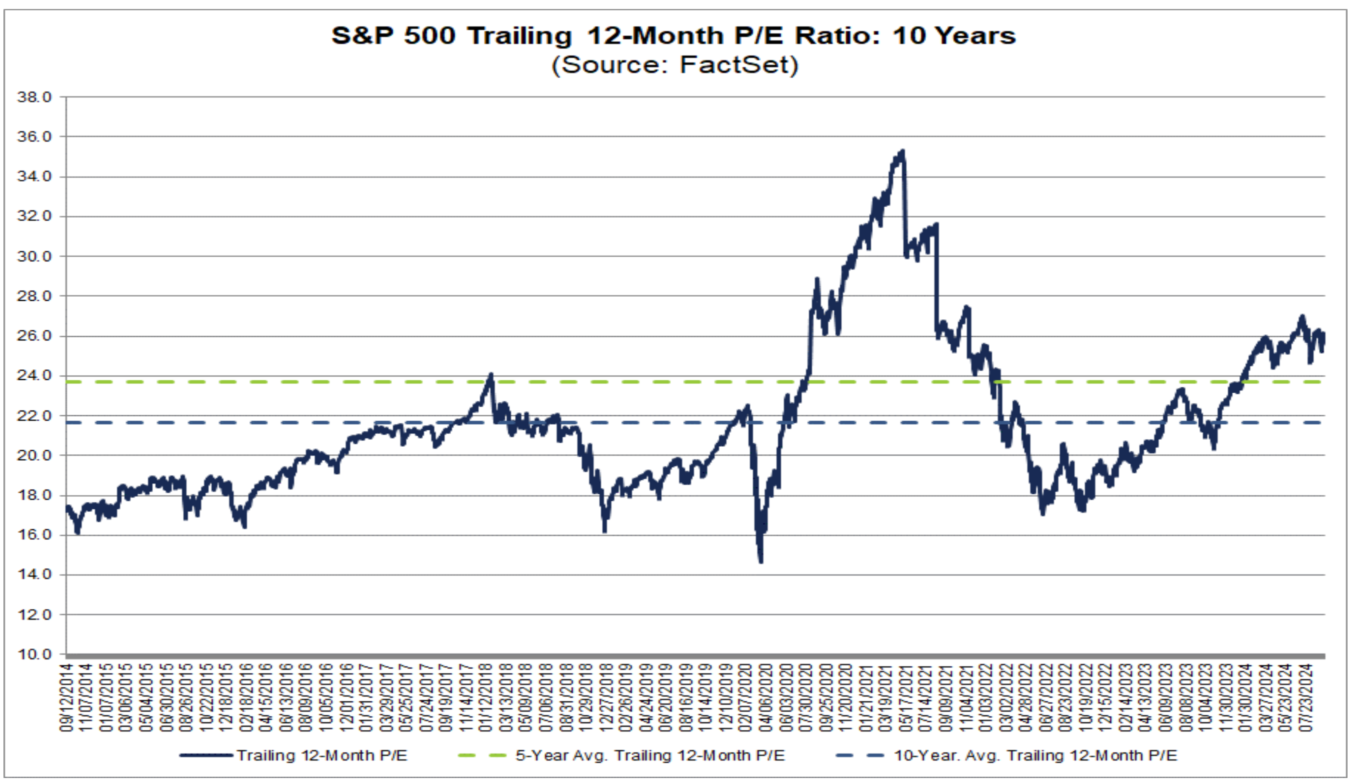
Forward 12M P/E Ratio: 10-Years



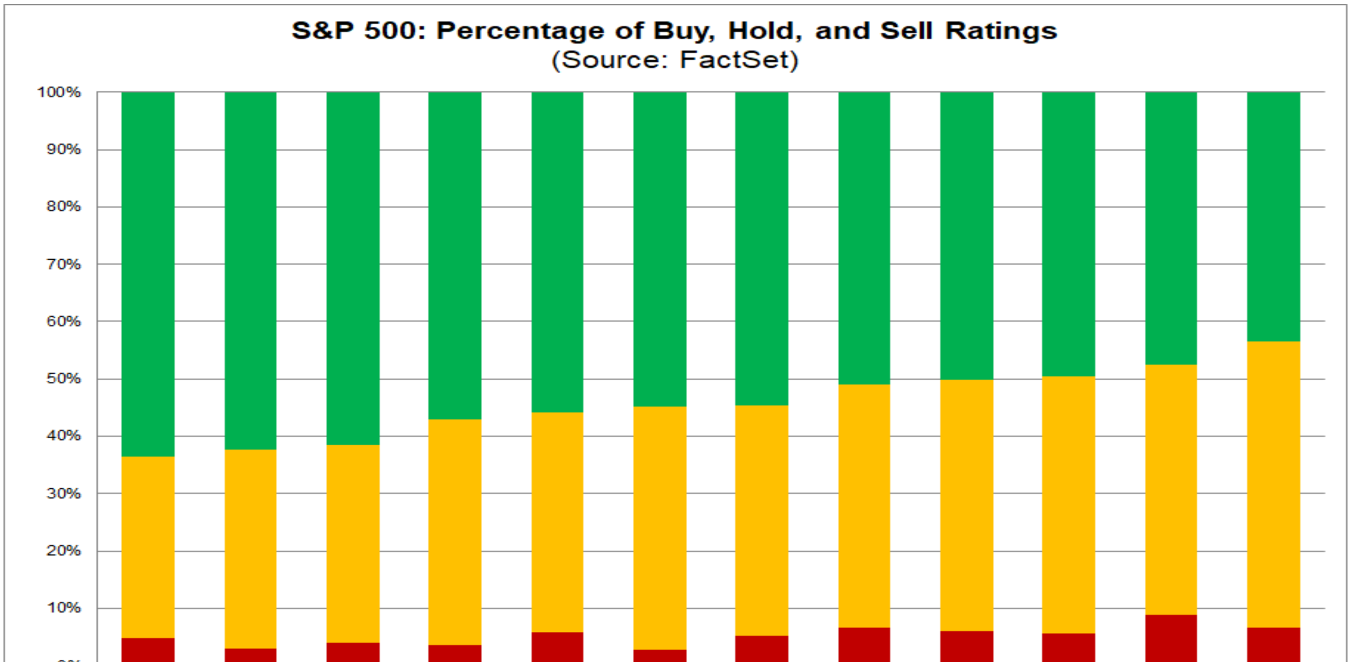


Trailing 12M P/E Ratio: 10-Years

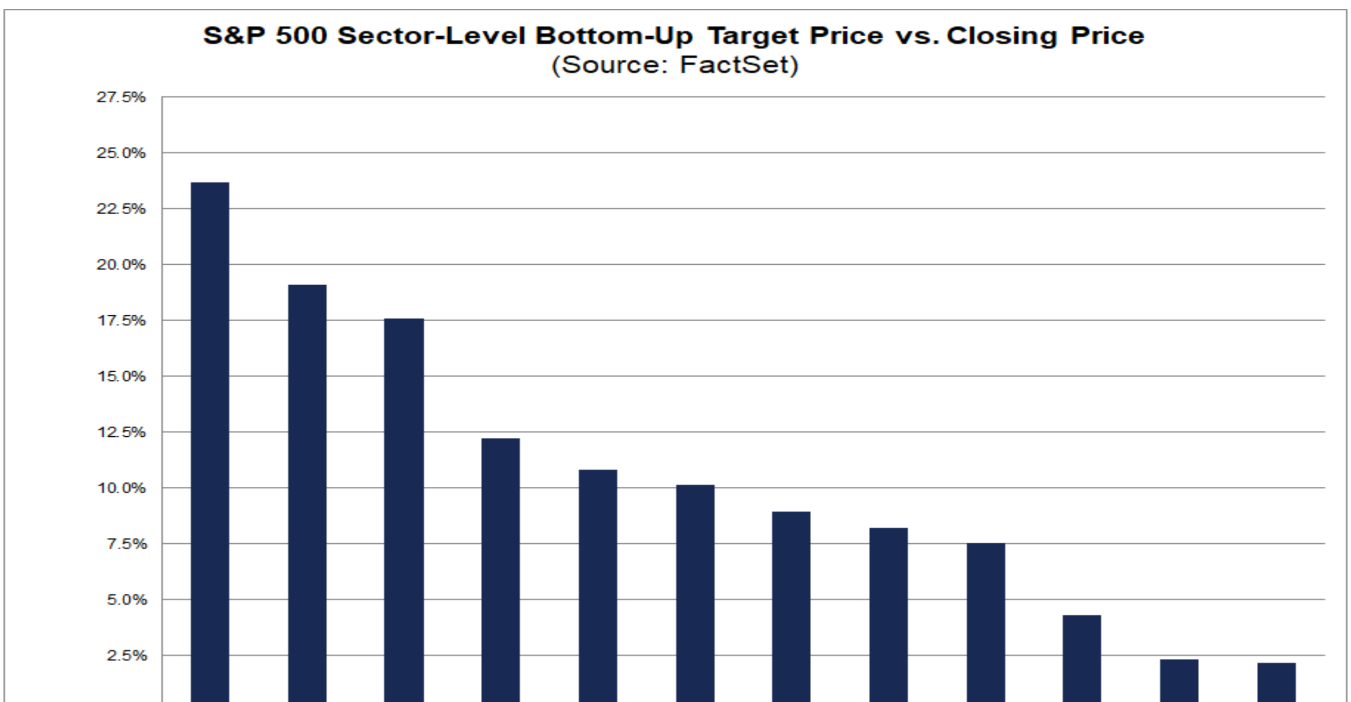




Targets & Ratings



	Comm. Services	Energy	Info. Tech.	Health Care	Consumer Disc.	Real Estate	S&P 500	Industrials	Financials	Materials	Utilities	Consumer Staples
Buy	63%	62%	62%	57%	56%	55%	55%	51%	50%	50%	48%	44%
Hold	32%	35%	34%	39%	38%	42%	40%	42%	44%	45%	44%	50%
Sell	5%	3%	4%	4%	6%	3%	5%	7%	6%	6%	9%	7%



	Energy	Comm. Services	Info. Tech.	S&P 500	Materials	Consumer Disc.	Industrials	Health Care	Financials	Utilities	Consumer Staples	Real Estate
Target/Close	23.7%	19.1%	17.6%	12.2%	10.8%	10.2%	9.0%	8.2%	7.5%	4.3%	2.4%	2.2%

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