Key Metrics

- **Earnings Growth:** For Q3 2022, the estimated earnings growth rate for the S&P 500 is 3.5%. If 3.5% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q3 2020 (-5.7%).
- **Earnings Revisions:** On June 30, the estimated earnings growth rate for Q3 2022 was 9.8%. Ten sectors are expected to report lower earnings today (compared to June 30) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q3 2022, 65 S&P 500 companies have issued negative EPS guidance and 40 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 16.4. This P/E ratio is below the 5-year average (18.6) and below the 10-year average (17.0).
- **Earnings Scorecard:** For Q3 2022 (with 3 S&P 500 companies reporting actual results), 1 S&P 500 company has reported a positive EPS surprise and 2 S&P 500 companies have reported a positive revenue surprise.

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Topic of the Week:
Where Are Analysts Most Optimistic on Ratings for S&P 500 Companies Heading Into Q4 2022?

Given declining earnings estimates and rising concerns about a recession, where are analysts most optimistic and pessimistic in terms of their ratings on stocks in the S&P 500 heading into the fourth quarter?

Overall, there are 10,616 ratings on stocks in the S&P 500. Of these ratings, 55.6% are Buy ratings, 38.7% are Hold ratings, and 5.7% are Sell ratings. The percentage of Buy ratings is above the 5-year (month-end) average of 53.6%, while the percentages of Hold and Sell ratings are below their 5-year (month-end) averages of 40.4% and 6.0%.

The percentage of Buy ratings has declined over the past seven months from a peak of 57.4% at the end of February to 55.6% today. However, the percentage of Buy ratings is still high relative to the past ten years. Prior to the recent surge in Buy ratings, the last time the (month-end) percentage of Buy ratings exceeded 55% was September 2011 (55.8%).

At the sector level, analysts are most optimistic on the Energy (63%), Information Technology (62%), and Real Estate (62%) sectors, as these three sectors have the highest percentages of Buy ratings. On the other hand, analysts are most pessimistic on the Consumer Staples (39%) and Utilities (49%) sectors, as these two sectors have the lowest percentages of Buy ratings. The Consumer Staples sector also has the highest percentage of Hold ratings (50%), while the Utilities sector also has the highest percentage of Sell ratings (12%).

Ten of the eleven sectors have seen a decline in Buy ratings since the February peak, led by the Energy sector (to 63% from 68%). On the other hand, the Real Estate sector (to 62% from 55%) is the only sector that has seen an increase in Buy ratings during this time. Outside of the Real Estate sector, there has been little change at the sector level in terms of ranking by Buy ratings. The same two sectors (Energy and Information Technology) have the highest percentages of Buy ratings today compared to the end of February, while the same two sectors (Consumer Staples and Utilities) have the lowest percentages of Buy ratings today compared to the end of February.

The ten S&P 500 companies with the highest percentages of Buy ratings and Sell ratings can be found on page 4.
**Highest % of Buy Ratings in S&P 500: Top 10 (Source: FactSet)**

<table>
<thead>
<tr>
<th>Company</th>
<th>Buy</th>
<th>Hold</th>
<th>Sell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature Bank</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>STERIS Plc</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Bio-Rad Laboratories, Inc. Class A</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Schlumberger NV</td>
<td>96%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>IQVIA Holdings Inc</td>
<td>95%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>VICI Properties Inc</td>
<td>95%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>MetLife, Inc.</td>
<td>94%</td>
<td>0%</td>
<td>6%</td>
</tr>
<tr>
<td>Alphabet Inc. Class A</td>
<td>94%</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>Alphabet Inc. Class C</td>
<td>94%</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>EPAM Systems, Inc.</td>
<td>94%</td>
<td>6%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Highest % of Sell Ratings in S&P 500: Top 10 (Source: FactSet)**

<table>
<thead>
<tr>
<th>Company</th>
<th>Buy</th>
<th>Hold</th>
<th>Sell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pinnacle West Capital Corporation</td>
<td>6%</td>
<td>31%</td>
<td>63%</td>
</tr>
<tr>
<td>Consolidated Edison, Inc.</td>
<td>6%</td>
<td>31%</td>
<td>63%</td>
</tr>
<tr>
<td>Clorox Company</td>
<td>15%</td>
<td>35%</td>
<td>50%</td>
</tr>
<tr>
<td>Lumen Technologies, Inc.</td>
<td>15%</td>
<td>38%</td>
<td>46%</td>
</tr>
<tr>
<td>Robert Half International Inc.</td>
<td>29%</td>
<td>29%</td>
<td>43%</td>
</tr>
<tr>
<td>Franklin Resources, Inc.</td>
<td>8%</td>
<td>50%</td>
<td>42%</td>
</tr>
<tr>
<td>T. Rowe Price Group</td>
<td>0%</td>
<td>62%</td>
<td>38%</td>
</tr>
<tr>
<td>Church &amp; Dwight Co., Inc.</td>
<td>18%</td>
<td>45%</td>
<td>36%</td>
</tr>
<tr>
<td>Snap-on Incorporated</td>
<td>27%</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>J.M. Smucker Company</td>
<td>6%</td>
<td>65%</td>
<td>29%</td>
</tr>
</tbody>
</table>
Q3 Earnings Season: By The Numbers

Overview

Analysts have been more pessimistic in their revisions to earnings estimates for S&P 500 companies for the third quarter compared to recent quarters, while companies have been slightly less pessimistic in their earnings outlooks for the third quarter compared to recent quarters. However, both analysts and companies have been more pessimistic in their earnings expectations for Q3 compared to recent averages. As a result, estimated earnings for the S&P 500 for the third quarter are lower today compared to expectations at the start of the quarter. On a year-over-year basis, the index is expected to report its lowest earnings growth since Q3 2020.

In terms of estimate revisions for companies in the S&P 500, analysts have lowered earnings estimates for Q3 2022 by a larger margin compared to recent quarters and the 5-year average. On a per-share basis, estimated earnings for the third quarter have decreased by 5.5% since June 30. This is the largest decline in the quarterly EPS estimate for a quarter since Q2 2020. This decrease is also larger than the 5-year average of -2.3%.

The number of S&P 500 companies that have issued negative EPS guidance for Q3 2022 is lower compared to the last few quarters but higher than the 5-year average. At this point in time, 105 companies in the index have issued EPS guidance for Q3 2022. Of these 105 companies, 65 have issued negative EPS guidance and 40 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q3 2022 (65) is lower than the numbers for Q1 2022 (68) and Q2 2022 (72), but higher than the 5-year average (58).

Because of 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 Q3 2022 is lower now 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 3.5%, compared to the estimated (year-over-year) earnings growth rate of 9.8% on June 30.

If 3.5% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q3 2020 (-5.7%). Four of the eleven sectors are projected to report year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, seven sectors are predicted to report a year-over-year decline in earnings, led by the Communication Services and Financials sectors.

In terms of revenues, analysts have also lowered their estimates during the quarter. As a result, the estimated (year-over-year) revenue growth rate for Q3 2022 is lower now relative to the start of the third quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 8.7%, compared to the estimated (year-over-year) revenue growth rate of 9.7% on June 30.

If 8.7% is the actual growth rate for the quarter, it will mark the first time the index has reported revenue growth below 10% since Q4 2020 (3.2%). All eleven sectors are projected to report year-over-year growth in revenues, led by the Energy sector.

Looking ahead, analysts expect earnings growth of 4.7% for Q4 2022, and 7.8% for CY 2022. For Q1 2023 and Q2 2023, analysts are projecting earnings growth of 7.3% and 6.2%.

The forward 12-month P/E ratio is 16.4, which is below the 5-year average (18.6) and below the 10-year average (17.0). However, it is above the forward P/E ratio of 15.8 recorded at the end of the second quarter (June 30), as prices have increased while the forward 12-month EPS estimate has decreased since June 30.

During the upcoming week, seven S&P 500 companies are scheduled to report results for the third quarter.
Earnings Revisions: Communication Services Sector Sees Largest Estimate Decreases

Small Decline in Estimated Earnings Growth Rate for Q3 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q3 2022 decreased slightly to 3.5% from 3.7%.

The estimated earnings growth rate for the S&P 500 for Q3 2022 of 3.5% today is below the estimate of 9.8% at the start of the quarter (June 30), as estimated earnings for the index of $485.6 billion today are 5.7% below the estimate of $515.0 billion at the start of the quarter. Ten sectors have recorded a decrease in expected (dollar-level) earnings due to downward revisions to earnings estimates, led by the Communication Services, Consumer Discretionary, Materials, and Information Technology sectors. On the other hand, the Energy sector is the only sector that has recorded an increase in expected (dollar-level) earnings due to upward revisions to earnings estimates.

Communication Services: Meta Platforms Leads Earnings Decrease Since June 30

The Communication Services 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 $41.0 billion from $47.3 billion). As a result, the estimated (year-over-year) earnings decline for this sector is now -13.1% compared to an earnings growth rate of 0.1% on June 30. This sector has also witnessed the largest decrease in price (-4.8%) of all eleven sectors since June 30. Overall, 20 of the 23 companies (87%) in the Communication Services 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 Warner Bros. Discovery (to -$0.17 from $0.21), Twitter (to $0.00 from $0.19), and Paramount Global (to $0.45 from $0.67). However, Meta Platforms (to $1.93 from $2.71), Alphabet (to $1.28 from $1.39), and Warner Bros. Discovery have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since June 30.

Consumer Discretionary: Amazon Leads Earnings Decrease Since June 30

The Consumer Discretionary sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -9.5% (to $37.9 billion from $41.8 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has declined to 14.6% today from 26.7% on June 30. Despite the decrease in expected earnings, this sector has witnessed the largest increase in price (+15.7%) of all eleven sectors since June 30. Overall, 49 of the 58 companies (84%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 49 companies, 23 have recorded a decrease in their mean EPS estimate of more than 10%, led by Carnival (to -$0.11 from $0.05), Norwegian Cruise Line Holdings (to -0.61 from $0.29), and Las Vegas Sands (to -$0.22 from -$0.08). However, Amazon.com (to $0.22 from $0.37) has been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since June 30.

Materials: Freeport-McMoRan Leads Earnings Decrease 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 -9.3% (to $15.8 billion from $17.4 billion). As a result, the estimated (year-over-year) earnings decline for this sector is now -3.0% compared to an earnings growth rate of 6.9% on June 30. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 0.2% since June 30. Overall, 23 of the 28 companies (82%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 23 companies, 17 have recorded a decrease in their mean EPS estimate of more than 10%, led by Freeport-McMoRan (to $0.51 from $0.93), Corteva (to -$0.21 from -$0.15), FMC Corporation (to $1.13 from $1.63), and Newmont (to $0.63 from $0.90). Freeport-McMoRan has also been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since June 30.
Information Technology: Intel Leads Earnings Decrease Since June 30

The Information Technology sector has recorded the fourth-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -8.6% (to $96.9 billion from $106.0 billion). As a result, the estimated (year-over-year) earnings decline for this sector is now -4.1% compared to an earnings growth rate of 5.1% on June 30. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 1.8% since June 30. Overall, 41 of the 76 companies (54%) in the Information Technology sector have seen a decrease in their mean EPS estimate during this time. Of these 41 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Western Digital (to $0.48 from $2.16), Seagate Technology (to $0.83 from $2.30), and Intel (to $0.35 from $0.90). Intel, NVIDIA (to $0.71 from $1.37), Micron Technology (to $1.43 from $2.59), Microsoft (to $2.33 from $2.50), and Apple (to $1.26 from $1.32) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since June 30.

Energy: Exxon Mobil Leads Earnings Increase Since June 30

The Energy sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 8.3% (to $54.2 billion from $50.1 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 120.2% from 103.4% during this time. This increase in estimated earnings has occurred despite a 20% decline in the price of oil since June 30 (to $85.10 from $105.76). This sector has also witnessed the second-largest increase in price (+11.6%) of all eleven sectors since June 30. Overall, 10 of the 21 companies (48%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 10 companies, 4 have recorded an increase in their mean EPS estimate of more than 10%; Valero Energy (to $7.49 from $5.10), Marathon Petroleum (to $5.96 from $4.15), Phillips 66 (to $4.56 from $3.84) and Exxon Mobil (to $3.53 from $2.99). Exxon Mobil, Valero Energy, and Marathon Petroleum have also been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since June 30.

Index-Level EPS Estimate: 5.5% 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 5.5% (to $56.15 from $59.44) since June 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 2.3% 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 4.8% on average during a quarter. Over the past twenty years (60 quarters), earnings expectations have fallen by 3.8% on average during a quarter.

Thus, the decline in the bottom-up EPS estimate for the third quarter to date has been larger than the 5-year average, the 10-year average, the 15-year average, and the 20-year average. It is also the largest decrease in the bottom-up EPS estimate for a quarter since Q2 2020 (-37.0%).

Guidance: More S&P 500 Companies Issuing Negative EPS Guidance for Q3 vs. 5-Yr. Average

At this point in time, 105 companies in the index have issued EPS guidance for Q3 2022. Of these 105 companies, 65 have issued negative EPS guidance and 40 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q3 2022 (65) is lower than the numbers for Q1 2022 (68) and Q2 2022 (72), but higher than the 5-year average (58). The percentage of companies issuing negative EPS guidance for Q3 2022 is 62% (65 out of 105), which is above the 5-year average of 60% but below the 10-year average of 67%.

At this point in time, 246 companies in the index have issued EPS guidance for the current fiscal year (FY 2022 or FY 2023). Of these 246 companies, 134 have issued negative EPS guidance and 112 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 54% (134 out of 246).
EARNINGS INSIGHT

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: 3.5%

The estimated (year-over-year) earnings growth rate for Q3 2022 is 3.5%, which is below the 5-year average earnings growth rate of 14.6% and below the 10-year average earnings growth rate of 8.8%. If 3.5% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) earnings growth rate reported by the index since Q3 2020 (-5.7%).

Four of the eleven sectors are expected to report year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, seven sectors are expected to report a year-over-year decline in earnings, led by the Communication Services and Financials sectors.

Energy: Largest Contributor to Year-Over-Year Earnings Growth for S&P 500 For Q3

The Energy sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 120.2%. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q3 2022 to date ($93.45) is 33% above the average price for oil in Q3 2021 ($70.52). At the sub-industry level, all five sub-industries in the sector are expected to report a year-over-year increase in earnings of more than 20%: Oil & Gas Refining & Marketing (244%), Oil & Gas Exploration & Production (130%), Integrated Oil & Gas (106%), Oil & Gas Equipment & Services (73%), and Oil & Gas Storage & Transportation (22%).

The Energy sector is also expected to be the largest contributor to earnings growth for the S&P 500 for the third quarter. If this sector were excluded, the index would be expected to report a decline in earnings of 2.9% rather than growth in earnings of 3.5%.

Industrials: Airlines Industry Is Largest Contributor to Year-Over-Year Growth

The Industrials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 24.4%. At the industry level, 10 of the 12 industries in the sector are expected to report a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to the loss reported by the industry in the year-ago quarter. However, the Airlines industry is projected to report a profit of $2.6 billion in Q3 2022 compared to a loss of -$731 million in Q3 2021. Six of the remaining nine industries are predicted to reporting earnings growth above 10%: Aerospace & Defense (27%), Trading Companies & Distributors (26%), Construction & Engineering (23%), Machinery (20%), Electrical Equipment (17%), and Road & Rail (15%). On the other hand, the Air Freight & Logistics (-4%) and Professional Services (-2%) industries are the only industries in the sector projected to report a year-over-year decline in earnings.

At the industry level, the Airlines industry is predicted to be the largest contributor to earnings growth for the sector. If the five companies in this industry were excluded, the estimated earnings growth rate for the Industrials sector would fall to 13.5% from 24.4%.

Communication Services: 4 of 5 Industries To Report Year-Over-Year Decline

The Communication Services sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -13.1%. At the industry level, four of the five industries in this sector are predicted to report a year-over-year decline in earnings, led by the Interactive Media & Services (-19%) and Entertainment (-15%) industries. On the other hand, the Wireless Telecommunication Services (11%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.
EARNINGS INSIGHT

At the company level, Meta Platforms is the largest contributor to the expected earnings decline for the sector. If this company were excluded, the estimated earnings decline for the sector would improve to -7.3% from -13.1%.

Financials: 3 of 5 Industries To Report Year-Over-Year Decline of More Than 10%

The Financials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -11.6%. At the industry level, four of the five industries in this sector are predicted to report a year-over-year earnings decline: Consumer Finance (-22%), Capital Markets (-19%), Banks (-12%), and Insurance (-1%). On the other hand, the Diversified Financial Services (17%) is the only industry in the sector projected to report (year-over-year) earnings growth.

Revenue Growth: 8.7%

The estimated (year-over-year) revenue growth rate for Q3 2022 is 8.7%, which is above the 5-year average revenue growth rate of 7.8% and above the 10-year average revenue growth rate of 4.6%. However, if 8.7% is the actual growth rate for the quarter, it will mark the first time the index has reported (year-over-year) revenue growth below 10% since Q4 2020 (3.2%).

All eleven sectors are expected to report year-over-year growth in revenues. Four sectors are predicted to report double-digit revenue growth, led by the Energy sector.

Energy: All 5 Sub-Industries To Report Year-Over-Year Growth Above 20%

The Energy sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 36.2%. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q3 2022 to date ($93.45) is 33% above the average price for oil in Q3 2021 ($70.52). At the sub-industry level, all five sub-industries in the sector are predicted to report (year-over-year) growth in revenues above 20%: Oil & Gas Exploration & Production (60%), Integrated Oil & Gas (42%), Oil & Gas Storage & Transportation (26%), Oil & Gas Refining & Marketing (24%), and Oil & Gas Equipment & Services (21%).

Net Profit Margin: 12.3%

The estimated net profit margin for the S&P 500 for Q3 2022 is 12.3%, which is above the 5-year average of 11.3%, equal to the previous quarter’s net profit margin of 12.3%, but below the year-ago net profit margin of 12.9%. If 12.3% is the actual net profit margin for the quarter, it will tie the mark (with Q1 2022 and Q2 2022) for the fifth-highest net profit margin reported by the index since FactSet began tracking this metric in 2008.

At the sector level, three sectors are expected to report a year-over-year increase in their net profit margins in Q3 2022 compared to Q3 2021, led by the Energy (to 14.4% vs. 8.9%) sector. On the other hand, seven sectors are expected to report a year-over-year decrease in their net profit margins in Q3 2022 compared to Q3 2021, led by the Financials (16.3% vs. 18.8%), Information Technology (23.3% vs. 25.5%), and Communication Services (10.7% vs. 12.9%) sectors. The Consumer Discretionary (7.2%) sector is predicted to report no year-over-year change in net profit margin for Q3 2022.

Seven sectors are expected to report net profit margins in Q3 2022 that are above their 5-year averages, led by the Energy (14.4% vs. 6.8%) sector. On the other hand, fours sectors are expected to report net profit margins in Q3 2022 that are below their 5-year averages, led by the Communication Services (10.7% vs. 11.7%) sector.
Looking Ahead: Forward Estimates and Valuation

**Earnings: S&P 500 Expected to Report Earnings Growth of 8% for CY 2022**

For the third quarter, S&P 500 companies are expected to report earnings growth of 3.5% and revenue growth of 8.7%.

For Q4 2022, analysts are projecting earnings growth of 4.7% and revenue growth of 6.4%.

For CY 2022, analysts are projecting earnings growth of 7.8% and revenue growth of 10.7%.

For Q1 2023, analysts are projecting earnings growth of 7.3% and revenue growth of 6.2%.

For Q2 2023, analysts are projecting earnings growth of 6.2% and revenue growth of 3.6%.

For CY 2023, analysts are projecting earnings growth of 8.2% and revenue growth of 4.5%.

**Valuation: Forward P/E Ratio is 16.4, Below the 10-Year Average (17.0)**

The forward 12-month P/E ratio for the S&P 500 is 16.4. This P/E ratio is below the 5-year average of 18.6 and below the 10-year average of 17.0. However, it is above the forward 12-month P/E ratio of 15.8 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 3.1%, while the forward 12-month EPS estimate has decreased by 0.7%. At the sector level, the Consumer Discretionary (25.2) sector has the highest forward 12-month P/E ratio, while the Energy (8.7) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 18.6, which is below the 5-year average of 22.9 and below the 10-year average of 20.4.

**Targets & Ratings: Analysts Project 21.5% Increase in Price Over Next 12 Months**

The bottom-up target price for the S&P 500 is 4740.37, which is 21.5% above the closing price of 3901.35. At the sector level, the Communication Services (+32.0%) and Information Technology (+28.9%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Utilities (+7.9%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 10,616 ratings on stocks in the S&P 500. Of these 10,616 ratings, 55.6% are Buy ratings, 38.7% are Hold ratings, and 5.7% are Sell ratings. At the sector level, the Energy (63%), Information Technology (62%) and Real Estate (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (39%) and Utilities (49%) sectors have the lowest percentages of Buy ratings.

**Companies Reporting Next Week: 7**

During the upcoming week, seven S&P 500 companies are scheduled to report results for the third quarter.
Q2 2022: Scorecard

**S&P 500 Earnings Above, In-Line, Below Estimates: Q2 2022**
(Source: FactSet)

**S&P 500 Revenues Above, In-Line, Below Estimates: Q2 2022**
(Source: FactSet)
Q2 2022: Scorecard

**S&P 500 Sector-Level Earnings Surprise %: Q2 2022**

(Source: FactSet)

Utilities: 9.9%
Energy: 9.1%
Health Care: 8.0%
Consumer Staples: 4.7%
Financials: 4.7%
Industrials: 3.8%
S&P 500: 3.4%
Materials: 3.3%
Info. Technology: 1.7%
Real Estate: -0.1%
Consumer Disc.: -5.2%
Comm. Services: -5.5%

**S&P 500 Sector-Level Revenue Surprise %: Q2 2022**

(Source: FactSet)

Utilities: 15.9%
Energy: 14.4%
S&P 500: 3.2%
Health Care: 2.9%
Consumer Staples: 2.5%
Financials: 2.3%
Consumer Disc.: 2.1%
Real Estate: 1.7%
Materials: 1.3%
Industrials: 0.2%
Info. Technology: 0.1%
Comm. Services: 0.1%
Q2 2022: Scorecard

S&P 500 EPS Surprise % vs. Price %: Q2 2022
(Source: FactSet)

S&P 500 EPS Surprise vs. Avg. Price Change %
(Source: FactSet)
Q2 2022: Scorecard

### S&P 500 Actual EPS Surprise %: Top 10 Q2 Actual EPS Surprises
(Source: FactSet)

1. NRG Energy, Inc. 985.2%
2. News Corporation Class A 346.9%
3. News Corporation Class B 346.9%
4. General Electric Company 108.6%
5. Ceridian HCM Holding, Inc. 103.8%
6. Etsy, Inc. 57.2%
7. Ford Motor Company 50.3%
8. Hartford Financial Services Group, Inc. 41.8%
9. EPAM Systems, Inc. 39.0%
10. MetLife, Inc. 37.9%

### S&P 500 Actual EPS Surprise %: Bottom 10 Q2 Actual EPS Surprises
(Source: FactSet)

1. PENN Entertainment, Inc. -70.0%
2. MGM Resorts International -67.6%
3. VICI Properties Inc -113.0%
4. Match Group, Inc. -119.4%
5. T-Mobile US, Inc. -141.6%
6. Twitter, Inc. -158.2%
7. Constellation Energy Corporation -162.4%
8. Amazon.com, Inc. -266.8%
9. Caesars Entertainment Inc. -422.9%
10. Warner Bros. Discovery, Inc. Series A -1158.1%
Q2 2022: Growth
Q2 2022: Growth

**S&P 500 Earnings Growth: Q2 2022**
(Source: FactSet)

**S&P 500 Revenue Growth: Q2 2022**
(Source: FactSet)
Q2 2022: Net Profit Margin
Q3 2022: Guidance

Number (#) of S&P 500 Cos. with Q3 Positive & Negative Guidance
(Source: FactSet)

Percentage (%) of S&P 500 Cos. with Q3 Positive & Negative Guidance
(Source: FactSet)
Q3 2022: EPS Revisions

**Upward Change in Q3 EPS (Trailing 4 Weeks): Top 10 S&P 500 Cos.**
(Source: FactSet)

- Ventas, Inc.: 262.5%
- Allstate Corporation: 21.2%
- Progressive Corporation: 10.3%
- Ulta Beauty Inc.: 7.6%
- Coterra Energy Inc.: 6.5%
- Valero Energy Corporation: 4.8%
- Take-Two Interactive Software, Inc.: 4.2%
- Kroger Co.: 3.5%
- Host Hotels & Resorts, Inc.: 3.0%
- American Tower Corporation: 3.0%

**Downward Change in Q3 EPS (Trailing 4-Weeks): Top 10 S&P 500 Cos.**
(Source: FactSet)

- HP Inc.: -19.8%
- MGM Resorts International: -22.6%
- Best Buy Co., Inc.: -22.7%
- Dollar Tree, Inc.: -33.9%
- Intuit Inc.: -34.1%
- FedEx Corporation: -34.5%
- Seagate Technology Holdings PLC: -40.9%
- Warner Bros. Discovery, Inc. Series A: -46.5%
- Twitter, Inc.: -73.1%
- Carnival Corporation: -121.8%
Q3 2022: Growth

S&P 500 Earnings Growth: Q3 2022
(Source: FactSet)

S&P 500 Revenue Growth: Q3 2022
(Source: FactSet)
FY 2022 / 2023: EPS Guidance

Number (#) of S&P 500 Cos. with FY Positive & Negative Guidance
(Source: FactSet)

Percentage (%) of S&P 500 Cos. with FY Positive & Negative Guidance
(Source: FactSet)
EARNINGS INSIGHT

CY 2022: Growth

S&P 500 Earnings Growth: CY 2022
(Source: FactSet)

S&P 500 Revenue Growth: CY 2022
(Source: FactSet)
CY 2023: Growth

S&P 500 Earnings Growth: CY 2023
(Source: FactSet)

S&P 500 Revenue Growth: CY 2023
(Source: FactSet)
Geographic Revenue Exposure

S&P 500: Aggregate Geographic Revenue Exposure (%)
(Source: FactSet)

International 40%
United States 60%

S&P 500: Aggregate Sector Geographic Revenue Exposure (%)
(Source: FactSet)

<table>
<thead>
<tr>
<th>Sector</th>
<th>International</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>2%</td>
<td>98%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>Financials</td>
<td>22%</td>
<td>73%</td>
</tr>
<tr>
<td>Industrials</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Consumer Disc.</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Health Care</td>
<td>36%</td>
<td>64%</td>
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<tr>
<td>Energy</td>
<td>38%</td>
<td>62%</td>
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<tr>
<td>Comm. Services</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>44%</td>
<td>56%</td>
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<tr>
<td>Materials</td>
<td>55%</td>
<td>45%</td>
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<tr>
<td>Info. Technology</td>
<td>56%</td>
<td>42%</td>
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</table>
Bottom-Up EPS Estimates

S&P 500 CY 2022 & CY 2023 Bottom-Up EPS: 1-Year
(Source: FactSet)

S&P 500 Q322 Bottom-Up EPS: 1-Year
(Source: FactSet)
Bottom-Up EPS Estimates: Current & Historical

S&P 500 Calendar Year Bottom-Up EPS Actuals & Estimates
(Source: FactSet)

S&P 500 Quarterly Bottom-Up EPS Actuals & Estimates
(Source: FactSet)
Forward 12M P/E Ratio: Sector Level

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

Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Jun. 30
(Source: FactSet)
Forward 12M P/E Ratio: 10-Years

S&P 500 Change in Forward 12-Month EPS vs. Change in Price: 10 Yrs.
(Source: FactSet)

S&P 500 Forward 12-Month P/E Ratio: 10 Years
(Source: FactSet)
Trailing 12M P/E Ratio: 10-Years
Targets & Ratings

S&P 500: Percentage of Buy, Hold, and Sell Ratings
(Source: FactSet)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Buy</th>
<th>Hold</th>
<th>Sell</th>
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</thead>
<tbody>
<tr>
<td>Energy</td>
<td>63%</td>
<td>34%</td>
<td>4%</td>
</tr>
<tr>
<td>Info. Tech.</td>
<td>62%</td>
<td>34%</td>
<td>4%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>62%</td>
<td>34%</td>
<td>4%</td>
</tr>
<tr>
<td>Health Care</td>
<td>58%</td>
<td>34%</td>
<td>3%</td>
</tr>
<tr>
<td>Consumer Disc.</td>
<td>58%</td>
<td>34%</td>
<td>3%</td>
</tr>
<tr>
<td>Comm. Services</td>
<td>57%</td>
<td>34%</td>
<td>3%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>56%</td>
<td>34%</td>
<td>3%</td>
</tr>
<tr>
<td>Industrials</td>
<td>53%</td>
<td>34%</td>
<td>3%</td>
</tr>
<tr>
<td>Financials</td>
<td>51%</td>
<td>34%</td>
<td>3%</td>
</tr>
<tr>
<td>Materials</td>
<td>49%</td>
<td>34%</td>
<td>3%</td>
</tr>
<tr>
<td>Utilities</td>
<td>49%</td>
<td>34%</td>
<td>3%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>39%</td>
<td>34%</td>
<td>3%</td>
</tr>
</tbody>
</table>

S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Target/Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comm. Services</td>
<td>32.0%</td>
</tr>
<tr>
<td>Info. Tech.</td>
<td>28.9%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>24.4%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>21.5%</td>
</tr>
<tr>
<td>Consumer Disc.</td>
<td>21.5%</td>
</tr>
<tr>
<td>Materials</td>
<td>21.3%</td>
</tr>
<tr>
<td>Industrials</td>
<td>17.0%</td>
</tr>
<tr>
<td>Energy</td>
<td>16.2%</td>
</tr>
<tr>
<td>Financials</td>
<td>16.0%</td>
</tr>
<tr>
<td>Health Care</td>
<td>14.0%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>7.9%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
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