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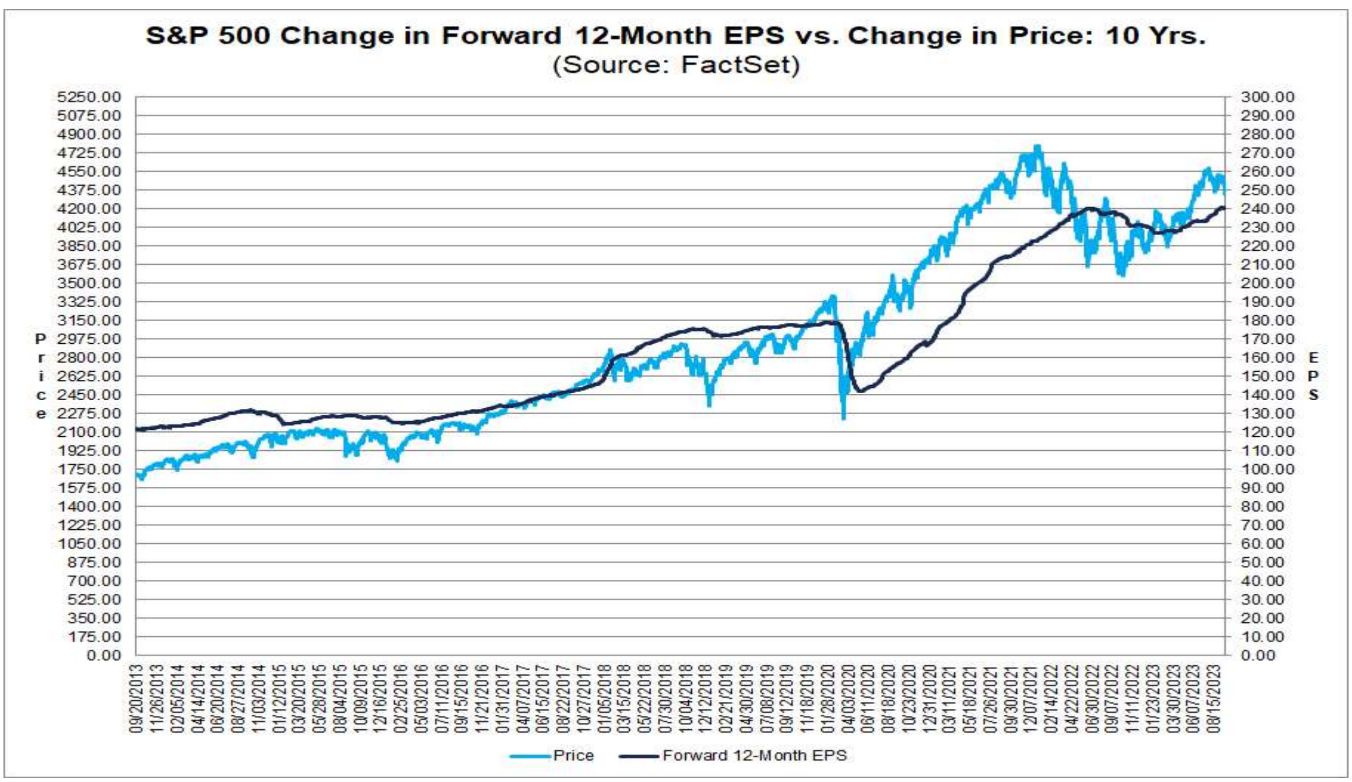
Key Metrics

- **Earnings Decline:** For Q3 2023, the estimated (year-over-year) earnings decline for the S&P 500 is -0.2%. If -0.2% is the actual decline for the quarter, it will mark the fourth straight quarter of (year-over-year) earnings declines reported by the index.
- **Earnings Revisions:** On June 30, the estimated (year-over-year) earnings decline for the S&P 500 for Q3 2023 was -0.4%. Five sectors are expected to report higher earnings today (compared to June 30) due to upward revisions to EPS estimates.
- **Earnings Guidance:** For Q3 2023, 74 S&P 500 companies have issued negative EPS guidance and 42 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.0. This P/E ratio is below the 5-year average (18.7) but above the 10-year average (17.5).
- **Earnings Scorecard:** For Q3 2023 (with 8 S&P 500 companies reporting actual results), 7 S&P 500 companies have reported a positive EPS surprise and 6 S&P 500 companies have reported a positive revenue surprise.



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Topic of the Week:

Industry Analysts Project 19% Increase in S&P 500 Price Over the Next 12 Months

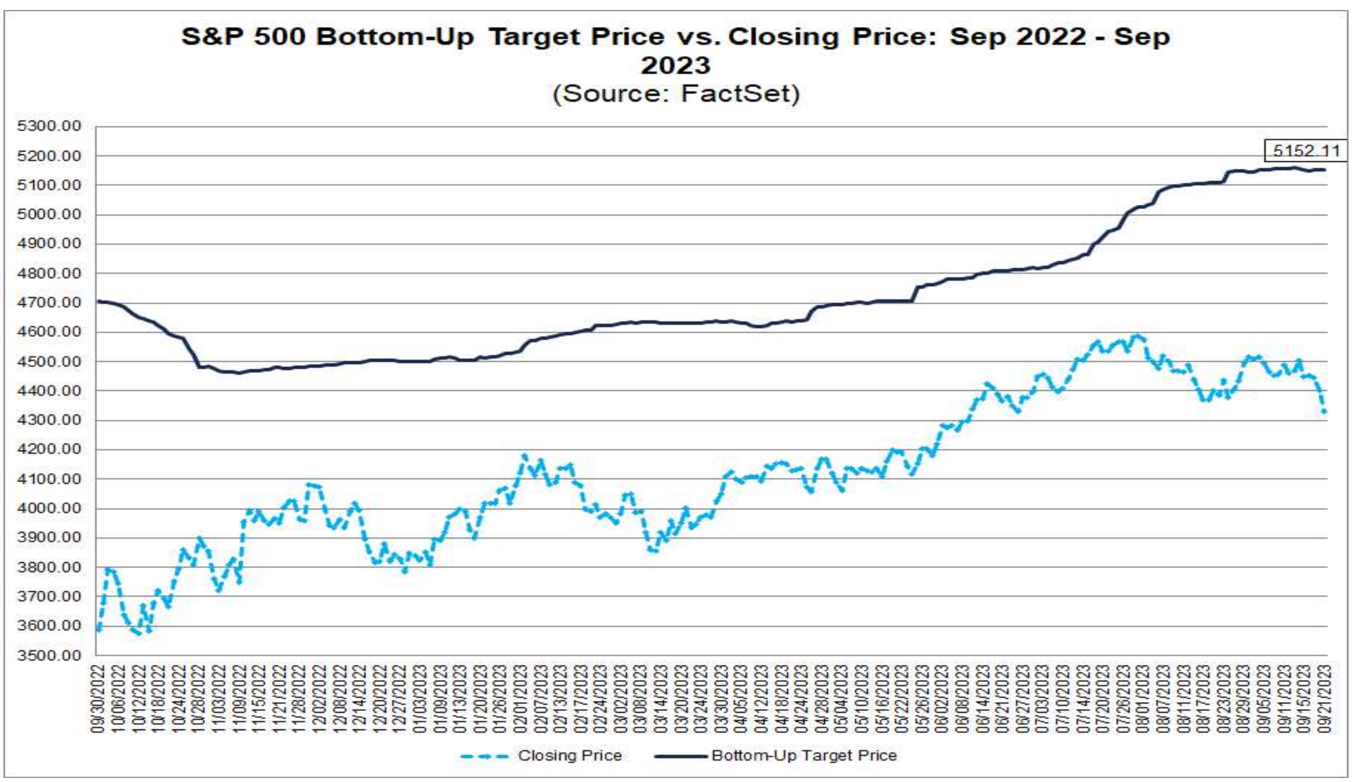
Since June 30, the price of the S&P 500 has declined by 2.7% (to 4330.83 from 4450.83). Where do industry analysts believe the price of the S&P 500 will go from here?

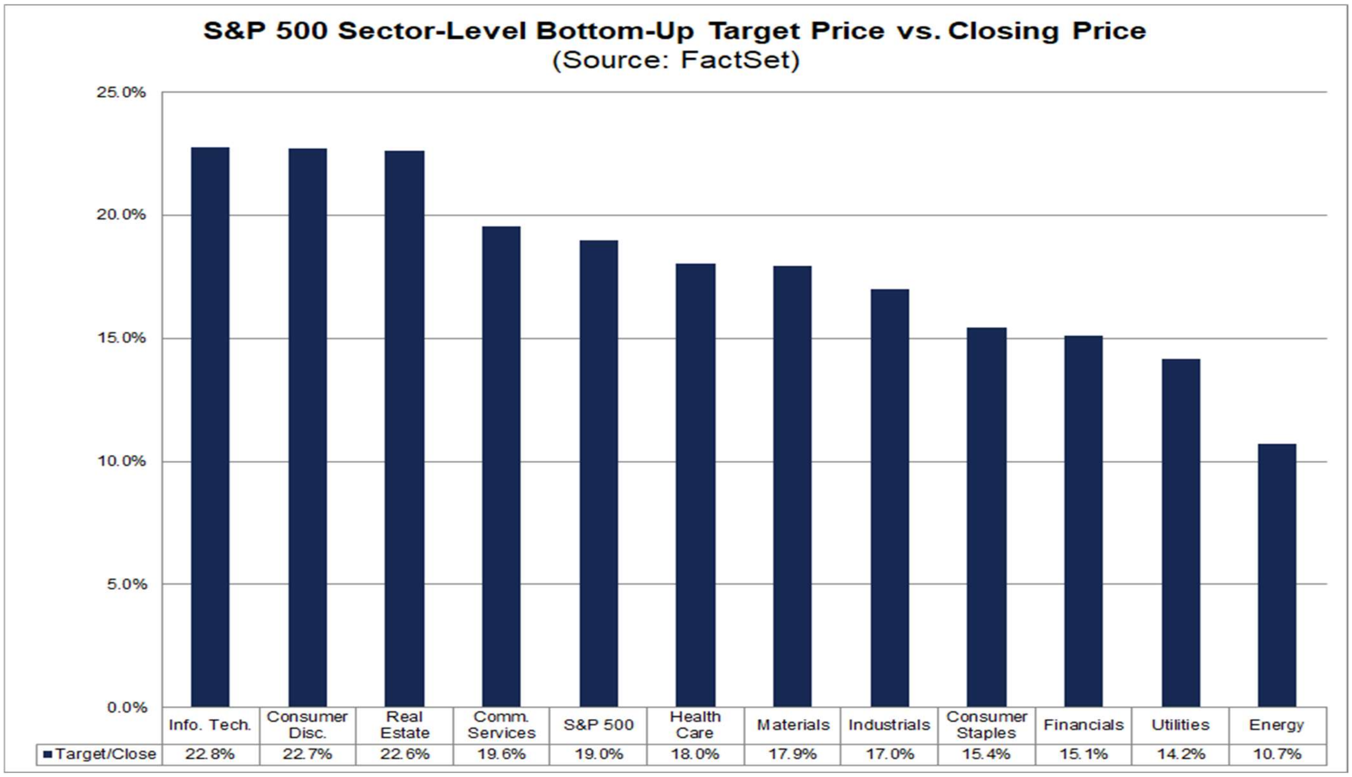
Industry analysts in aggregate predict the S&P 500 will see a price increase of 19.0% over the next 12 months. This percentage is based on the difference between the bottom-up target price and the closing price for the index as of yesterday (September 21). The bottom-up target price is calculated by aggregating the median target price estimates (based on company-level estimates submitted by industry analysts) for all the companies in the index. On September 21, the bottom-up target price for the S&P 500 was 5152.11, which was 19.0% above the closing price of 4330.00.

At the sector level, the Information Technology (+22.8%), Consumer Discretionary (+22.7%), and Real Estate (+22.6%) sector are expected to see the largest price increases, as these three sectors had the largest upside differences between the bottom-up target price and the closing price on September 21. On the other hand, the Energy (+10.7%) sector is expected to see the smallest price increase, as this sector had the smallest upside difference between the bottom-up target price and the closing price on September 21.

It is interesting to note that analysts currently have the highest percentage of Buy ratings on the Energy sector (64%) of all eleven sectors, while also projecting this sector will see the lowest price increase of all eleven sectors over the next twelve months.

At the company level, the ten stocks in the S&P 500 with the largest upside and downside differences between their median target price and closing price (on September 21) can be found on page 4. At this point in time, there are only ten stocks in the S&P 500 with a median target price below their closing price on September 21.





Difference Between Median Target Price & Closing Price: Top 10 (Source: FactSet)

Company	Target	Closing	Diff ($)	**Diff (%)**
SolarEdge Technologies, Inc.	290.00	136.29	153.71	**112.8%**
Insulet Corporation	280.00	159.93	120.07	**75.1%**
DexCom, Inc.	150.00	89.08	60.92	**68.4%**
FMC Corporation	117.00	69.79	47.21	**67.6%**
United Airlines Holdings, Inc.	73.00	43.69	29.31	**67.1%**
Moderna, Inc.	167.00	100.23	66.77	**66.6%**
ResMed Inc.	225.37	136.29	89.08	**65.4%**
Etsy, Inc.	105.00	64.25	40.75	**63.4%**
Alaska Air Group, Inc.	62.00	38.15	23.85	**62.5%**
MGM Resorts International	59.50	37.03	22.47	**60.7%**

Difference Between Median Target Price & Closing Price: Bottom 10 (Source: FactSet)

Company	Target	Closing	Diff ($)	**Diff (%)**
Expeditors International of Washington, Inc.	107.00	113.00	-6.00	**-5.3%**
Tyson Foods, Inc. Class A	51.00	53.05	-2.05	**-3.9%**
Consolidated Edison, Inc.	88.00	90.86	-2.86	**-3.1%**
Robert Half Inc.	72.00	73.55	-1.55	**-2.1%**
Amgen Inc.	264.00	269.41	-5.41	**-2.0%**
Progressive Corporation	140.00	142.40	-2.40	**-1.7%**
International Business Machines Corp.	145.00	147.38	-2.38	**-1.6%**
Aon Plc Class A	335.00	338.21	-3.21	**-0.9%**
Seagate Technology Holdings PLC	65.00	65.45	-0.45	**-0.7%**
Cboe Global Markets Inc	155.00	155.32	-0.32	**-0.2%**

Q3 Earnings Season: By The Numbers

Overview

The earnings outlook for the S&P 500 for the third quarter is less negative relative to recent quarters. While the percentage of companies issuing negative earnings guidance is equal to the 10-year average, analysts have lowered earnings estimates by a smaller margin than average to date. The index is expected to report a year-over-year decline in earnings in the third quarter for the fourth straight quarter. However, the estimated decrease in earnings for the third quarter would be the smallest decline during this four-quarter streak.

In terms of guidance, the percentage of S&P 500 companies issuing negative EPS guidance for Q3 2023 is equal to the 10-year average. At this point in time, 116 companies in the index have issued EPS guidance for Q3 2023, Of these 116 companies, 74 have issued negative EPS guidance and 42 have issued positive EPS guidance. The percentage of S&P 500 companies issuing negative EPS guidance for Q3 2023 is 64% (74 out of 116), which is above the 5-year average of 59% but equal to the 10-year average of 64%.

In terms of estimate revisions, analysts have lowered earnings estimates for Q3 2023 by a smaller margin than average. On a per-share basis, estimated earnings for the third quarter have decreased by 0.2% since June 30. This decrease is smaller than the 5-year average of -3.6% and smaller than the 10-year average of -3.4%.

Overall, the S&P 500 is expected to report a (year-over-year) decline in earnings of -0.2% for the third quarter. If -0.2% is the actual decline for the quarter, it will mark the fourth straight quarter that the index has reported a decline in earnings. However, it will also mark the smallest (year-over-year) decrease in earnings during this streak.

Eight of the eleven sectors are projected to report year-over-year earnings growth, led by the Communication Services and Consumer Discretionary sectors. On the other hand, three sectors are predicted to report a year-over-year decline in earnings, led by the Energy and Materials sectors.

In terms of revenues, the S&P 500 is expected to report (year-over-year) revenue growth of 1.5%. If 1.5% is the actual revenue growth rate for the quarter, it will mark the 11th consecutive quarter of revenue growth for the index.

Nine sectors are projected to report year-over-year growth in revenues, led by the Consumer Discretionary and Real Estate sectors. On the other hand, two sectors are predicted to report a year-over-year decline in revenues: Energy and Materials.

Looking ahead, analysts expect (year-over-year) earnings growth of 8.2% for Q4 2023. For CY 2023, analysts predict (year-over-year) earnings growth of 1.1%. For CY 2024, analysts are calling for (year-over-year) earnings growth of 12.2%.

The forward 12-month P/E ratio is 18.0, which is below the 5-year average (18.7) but above the 10-year average (17.5). It is also below the forward P/E ratio of 19.1 recorded at the end of the second quarter (June 30).

During the upcoming week, eight S&P 500 companies (including one Dow 30 component) are scheduled to report results for the third quarter.

Earnings Revisions: Consumer Discretionary Sector Has Seen Largest Increase in EPS Estimates

Slight Decrease in Estimated Earnings Decline for Q3 This Week (Not Factoring Constituent Changes)

During the past week, the estimated earnings decline for the S&P 500 for Q3 2023 improved slightly to -0.2 from -0.3%. The positive EPS surprise reported by FedEx ($4.55 vs. $3.71) and upward revisions to EPS estimates for companies in the Energy sector were significant contributors to the small decrease in the overall earnings decline for the index during the week.

The estimated earnings decline for the S&P 500 for Q3 2023 of -0.2% today is slightly smaller than the estimate of -0.4% at the start of the quarter (June 30), as estimated earnings for the index of $483.6 billion today are 0.2% above the estimate of $482.8 billion at the start of the quarter. Five sectors have recorded an increase in expected (dollar-level) earnings due upward revisions to earnings estimates, led by the Consumer Discretionary, Communication Services, and Information Technology sectors. On the other hand, six sectors have recorded a decrease in dollar-level earnings due to downward revisions to earnings estimates, led by the Materials, Industrials, and Health Care sectors.

It should be noted that the earnings declines published in this week's Earnings Insight report for September 15 (-0.3%) and June 30 (-0.4%) are different than the numbers published in last week's report for September 15 (0.2%) and June 30 (0.0%). The main reason for the discrepancy is the change in constituents for the S&P 500 that occurred on September 18, with Airbnb and Blackstone added to the index and Lincoln National and Newell Brands removed from the index. FactSet retroactively applied the constituent changes to the historical earnings growth rate data for the index for third quarter. Thus, the earnings decline of -0.3% for September 15 and the earnings decline of -0.4% for June 30 for the third quarter include Airbnb and Blackstone as if these companies were in the index on those dates.

Unlike the earnings growth rate, FactSet does not retroactively apply constituent changes to the historical earnings data for the bottom-up EPS estimate. Thus, The bottom-up EPS estimate for Q3 on June 30 reflects the constituents in the index on that date (includes Lincoln National and Newell Brands). Because the constituents for the earnings growth rate and the bottom-up EPS estimate are different on June 30, the earnings growth rate (decline) for Q3 is showing a slight improvement since June 30 (to -0.2% from -0.4%), while the bottom-up EPS estimate for Q3 is showing a slight decrease since June 30 (to $55.74 from $55.86).

Consumer Discretionary: Amazon Leads Earnings Increase Since June 30

The Consumer Discretionary sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 8.1% (to $42.1 billion from $39.0 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 21.6% today from 12.5% on June 30. Despite the increase in expected earnings, this sector has witnessed a decrease in price of -3.9% since June 30. Overall, 29 of the 52 companies (56%) in the Consumer Discretionary sector have seen an increase in their mean EPS estimate during this time. Of these 29 companies, 10 have recorded an increase in their mean EPS estimate of more than 10%, led by Amazon.com (to $0.58 from $0.41), D.R. Horton (to $3.93 from $2.95), and PulteGroup (to $2.83 from $2.17). Amazon.com, General Motors (to $1.90 from $1.55), Ford Motor (to $0.46 from $0.37), and D.R. Horton have been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since June 30.

Communication Services: Meta Platforms and Alphabet Lead Earnings Increase Since June 30

The Communication Services sector has recorded the second-largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 4.6% (to $47.6 billion from $45.5 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has improved to 32.1% today from 26.3% on June 30. This sector has also witnessed the second-largest increase in price (+2.9%) of all eleven sectors since June 30. Overall, 8 of the 20 companies (40%) in the Communication Services sector have seen an increase in their mean EPS estimate during this time. Of these 8 companies, 2 have recorded an increase in their mean EPS estimate of more than 10%: Meta Platforms (to $3.58 from $2.98) and Netflix (to $3.52 from $3.19). Meta Platforms and Alphabet (to $1.44 from $1.35) have been the largest contributors to the increase in expected (dollar-level) earnings for this sector since June 30.

Information Technology: NVIDIA Leads Earnings Increase Since June 30

The Information Technology sector has recorded the third-largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 4.0% (to $91.9 billion from $88.4 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 4.4% today from 0.4% on June 30. Despite the increase in expected earnings, this sector has witnessed the second-largest decrease in price (-6.0%) of all eleven sectors since June 30. Overall, 37 of the 65 companies (57%) in the Information Technology sector have seen an increase in their mean EPS estimate during this time. Of these 37 companies, 7 have recorded an increase in their mean EPS estimate of more than 10%, led by NVIDIA (to $3.31 from $2.25), Intel (to $0.21 from $0.15), and Applied Materials (to $1.98 from $1.58). NVIDIA, Apple (to $1.39 from $1.36), and Applied Materials have also been the largest contributors to the increase in expected (dollar-level) earnings for this sector since June 30.

Materials: Dow Leads Earnings Decrease Since June 30

The Materials sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -12.4% (to $11.5 billion from $13.1 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -22.0% today from -10.9% on June 30. This sector has also witnessed the third-largest decrease in price (-5.3%) of all eleven sectors since June 30. Overall, 22 of the 29 companies (76%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 22 companies, 15 have recorded a decrease in their mean EPS estimate of more than 10%, led by Corteva (to -$0.21 from -$0.08), Dow (to $0.44 from $0.88), and International Flavors & Fragrances (to $0.79 from $1.41). Dow has also been the largest contributor 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 -6.4% (to $39.9 billion from $42.6 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has decreased to 6.1% today from 13.3% on June 30. This sector has also witnessed the fourth-largest decrease in price (-4.8%) of all eleven sectors since June 30. Overall, 42 of the 75 companies (56%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 42 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Boeing (to -$2.51 from -$0.11), Southwest Airlines (to $0.46 from $0.97), American Airlines Group (to $0.49 from $0.82), and United Parcel Service (to $1.72 from $2.66). These four companies have also been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since June 30.

Health Care: Moderna Leads Earnings Decrease Since June 30

The Health Care sector has recorded the third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -4.1% (to $68.6 billion from $71.5 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -11.6% today from -7.8% on June 30. This sector has also witnessed a decrease in price of -1.8% since June 30. Overall, 50 of the 65 companies (77%) in the Health Care sector have seen a decrease in their mean EPS estimate during this time. Of these 50 companies, 12 have recorded a decrease in their mean EPS estimate of more than 10%, led by Catalent (to -$0.14 from $0.04), Moderna (to -$1.61 from $0.60), and Illumina (to $0.14 from $0.44). Moderna, Pfizer (to $0.63 from $0.71), Johnson & Johnson (to $2.53 from $2.72), and Bristol-Myers Squibb (to $1.81 from $1.99) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since June 30.

Index-Level EPS Estimate: 0.2% 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 0.2% (to $55.74 from $55.86) since June 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 3.6% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have also fallen by 3.4% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 4.4% 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 Q3 3023 to date is smaller than the 5-year, 10-year, 15-year, and 20-year averages for a quarter.

Unlike the earnings growth rate, FactSet does not retroactively apply constituent changes to the historical earnings data for the bottom-up EPS estimate. Thus, the bottom-up EPS estimate for Q3 on June 30 reflects the constituents in the index on that date (includes Lincoln National and Newell Brands). Because the constituents for the earnings growth rate and the bottom-up EPS estimate are different on June 30, the earnings growth rate (decline) for Q3 is showing slight improvement since June 30 (to -0.2% from -0.4%), while the bottom-up EPS estimate is showing a slight decline since June 30 (to $55.74 from $55.86).

Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q3 In Line 10-Yr. Average

Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance Equals 10-Year Average

At this point in time, 116 companies in the index have issued EPS guidance for Q3 2023. Of these 116 companies, 74 have issued negative EPS guidance and 42 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2023 is 64% (74 out of 116), which is above the 5-year average of 59% but equal to the 10-year average of 64%.

Annual Guidance: 39% of S&P 500 Companies Issuing Negative Guidance for Current Year

At this point in time, 268 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 268 companies, 104 have issued negative EPS guidance and 164 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 39% (104 out of 268).

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 Decline: -0.2%

The estimated (year-over-year) earnings decline for Q3 2023 is -0.2%, which is below the 5-year average earnings growth rate of 12.0% and below the 10-year average earnings growth rate of 8.5%. If -0.2% is the actual decline for the quarter, it will mark the fourth straight quarter that the index has reported a decline in earnings. However, it will also mark the smallest (year-over-year) decrease in earnings during this streak.

Eight of the eleven sectors are expected to report year-over-year earnings growth, led by the Communication Services and Consumer Discretionary sectors. On the other hand, three sectors are expected to report a year-over-year decline in earnings, led by the Energy and Materials sectors.

Communication Services: Meta Platforms is Largest Contributor to Year-Over-Year Growth

The Communication Services sector is expected to report the largest (year-over-year) earnings growth rate of all eleven sectors at 32.1%. At the industry level, 3 of the 5 industries in the sector are expected to report a year-over-year increase in earnings of 45% or more: Wireless Telecommunication Services (354%), Entertainment (195%), and Interactive Media & Services (45%). On the other hand, two industries are expected to report a (year-over-year) decline in earnings: Diversified Telecommunication Services (-9%) and Media (-6%).

At the company level, Meta Platforms, Warner Bros. Discovery and T-Mobile are predicted to be the largest contributors to earnings growth for the sector. If these three companies were excluded, the estimated earnings growth rate for Communication Services sector would fall to 11.1% from 32.1%.

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

The Consumer Discretionary sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 21.6%. At the industry level, 3 of the 9 industries in the sector are expected to report a year-over-year increase in earnings of 30% or more: Broadline Retail (168%), Hotels, Restaurants, & Leisure (90%), and Leisure Products (30%). On the other hand, six industries are expected to report a (year-over-year) decline in earnings. Three of these six industries are predicted to report a decrease in earnings of 10% or more: Household Durables (-16%), Textiles, Apparel, & Luxury Goods (-14%), and Automobiles (-11%).

At the industry level, the Hotels, Restaurants, & Leisure and Broadline Retail industries are predicted to be the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would be projected to report a (year-over-year) decline in earnings of -9.2% instead of year-over-year earnings growth if 21.6%.

At the company level, Amazon.com is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the expected earnings growth rate for the sector would fall to 13.9% from 21.6%

Energy: Largest Contributor to Year-Over-Year Earnings Decline for S&P 500

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -39.6%. Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector. Despite the recent rise in price, the average price of oil to date in Q3 2023 ($81.29) is still 11% below the average price for oil in Q3 2022 ($91.43). At the sub-industry level, three of the five sub-industries in the sector are expected to report a (year-over-year) decrease in earnings of more than 20%: Integrated Oil & Gas (-49%), Oil & Gas Exploration & Production (-44%), and Oil & Gas Refining & Marketing (-21%). On the other hand, two sub-industries are predicted to report (year-over-year) earnings growth: Oil & Gas Equipment & Services (29%) and Oil & Gas Storage & Transportation (5%).

The Energy sector is also the largest contributor to the overall earnings decline for the S&P 500. If this sector were excluded, the index would be projected to report (year-over-year) growth in earnings of 5.3% instead of a (year-over-year) decline in earnings of -0.2%.

Materials: 3 of 4 Industries Expected To Report Year-Over-Year Decline of More Than 15%

The Materials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -22.0%. At the industry level, three of the four industries in this sector are predicted to report a year-over-year decline in earnings of more than 15%: Containers & Packaging (-30%), Chemicals (-24%), and Metals & Mining (-19%). On the other hand, the Construction Materials (28%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Revenue Growth: 1.5%

The estimated (year-over-year) revenue growth rate for Q3 2023 is 1.5%, which is below the 5-year average revenue growth rate of 7.7% and below the 10-year average revenue growth rate of 5.0%. If 1.5% is the actual revenue growth rate for the quarter, it will mark the 11th consecutive quarter of revenue growth for the index.

At the sector level, nine sectors are expected to report year-over-year growth in revenues, led by the Consumer Discretionary and Real Estate sectors. On the other hand, two sectors are expected to report a year-over-year decline in revenues: Energy and Materials.

Consumer Discretionary: 6 of 9 Industries Expected to Report Year-Over-Year Growth

The Consumer Discretionary sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 7.2%. At the industry level, 6 of the 9 industries in the sector are expected to report a year-over-year increase in revenues. Three of these six industries are projected to report revenue growth at or above 10%: Hotels, Restaurants, & Leisure (21%), Broadline Retail (11%), and Automobiles (10%).

Real Estate: All 8 Industries Expected To Report Year-Over-Year Growth

The Real Estate sector is predicted to report the second-largest (year-over-year) revenue growth rate of all eleven sectors at 6.5%. At the industry level, all eight industries in the sector are expected to report a (year-over-year) increase in revenues, led by the Industrial REITs (51%) industry.

Energy: 4 of 5 Sub-Industries Expected To Report Year-Over-Year Decline of More Than 10%

The Energy sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -19.5%. Lower year-over-year oil prices are contributing to the year-over-year decrease in revenues for this sector. Despite the recent rise in price, the average price of oil to date in Q3 2023 ($81.29) is still 11% below the average price for oil in Q3 2022 ($91.43). At the sub-industry level, four of the five sub-industries in the sector are expected to report a (year-over-year) decrease in revenues of more than 10%: Oil & Gas Exploration & Production (-27%), Integrated Oil & Gas (-25%), Oil & Gas Refining & Marketing (-14%), and Oil & Gas Storage & Transportation (-12%). On the other hand, the Oil & Gas Equipment & Services (14%) sub-industry is the only sub-industry predicted to report (year-over-year) revenue growth in the sector.

Materials: Chemicals Industry Leads Year-Over-Year Decline

The Materials sector is expected to report the second-highest (year-over-year) decline in revenues at -9.8%. At the industry level, three of the four industries in the sector are predicted to report a (year-over-year) decrease in revenues: Chemicals (-12%), Metals & Mining (-10%), and Containers & Packaging (-6%). On the other hand, the Construction Materials (10%) industry is the only industry expected to report a year-over-year growth in revenues.

Net Profit Margin: 11.7%

The estimated net profit margin for the S&P 500 for Q3 2023 is 11.7%, which is above the previous quarter's net profit margin of 11.6% and above the 5-year average of 11.4%, but below the year-ago net profit margin of 11.9%.

At the sector level, six sectors are expected to report a year-over-year increase in their net profit margins in Q3 2023 compared to Q3 2022, led by the Communication Services (12.2% vs. 9.8%) sector. On the other hand, five sectors are expected to report a year-over-year decrease in their net profit margins in Q3 2023 compared to Q3 2022, led by the Energy (10.8% vs. 14.4%) sector.

Seven sectors are expected to report net profit margins in Q3 2023 that are above their 5-year averages, led by the Energy (10.8% vs. 8.2%) sector. On the other hand, four sectors are expected to report net profit margins in Q3 2023 that are below their 5-year averages, led by the Health Care (8.9% vs. 10.4%) sector.

Forward Estimates and Valuation

Earnings: S&P 500 Expected to Report Earnings Growth of 1% for CY 2023

For the third quarter, S&P 500 companies are expected to report year-over-year earnings decline of -0.2% and a year-over-year revenue growth of 1.5%.

For Q4 2023, analysts are projecting earnings growth of 8.2% and revenue growth of 3.8%.

For CY 2023, analysts are projecting earnings growth of 1.1% and revenue growth of 2.4%.

For Q1 2024, analysts are projecting earnings growth of 8.6% and revenue growth of 4.7%.

For Q2 2024, analysts are projecting earnings growth of 12.1% and revenue growth of 5.5%.

For CY 2024, analysts are projecting earnings growth of 12.2% and revenue growth of 5.6%.

Valuation: Forward P/E Ratio is 18.0, Above the 10-Year Average (17.5)

The forward 12-month P/E ratio for the S&P 500 is 18.0. This P/E ratio is below the 5-year average of 18.7 but above the 10-year average of 17.5. It is also below the forward 12-month P/E ratio of 19.1 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 decreased by 2.7%, while the forward 12-month EPS estimate has increased by 3.2%. At the sector level, the Information Technology (24.3) and Consumer Discretionary (23.8) sectors have the highest forward 12-month P/E ratios, while the Energy (11.7) and Financials (13.4) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 21.6, which is below the 5-year average of 22.6 but above the 10-year average of 20.9.

Targets & Ratings: Analysts Project 19.0% Increase in Price Over Next 12 Months

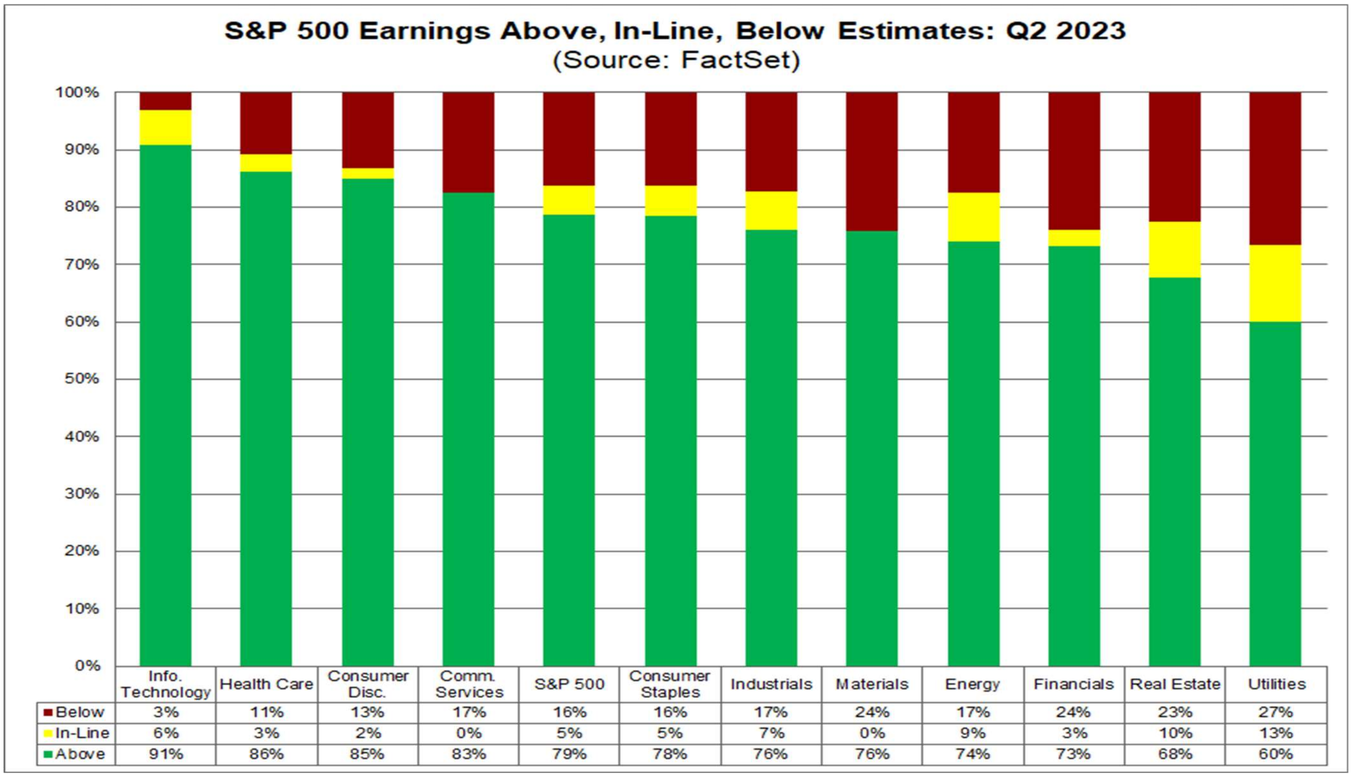
The bottom-up target price for the S&P 500 is 5152.11, which is 19.0% above the closing price of 4330.00. At the sector level, the Information Technology (+22.8%), Consumer Discretionary (+22.7%), and Real Estate (+22.6%) sectors are expected to see the largest price increases, as these sectors have the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Energy (+10.7%) 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 10,984 ratings on stocks in the S&P 500. Of these 10,984 ratings, 54.5% are Buy ratings, 40.0% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Energy (64%) sector has the highest percentage of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

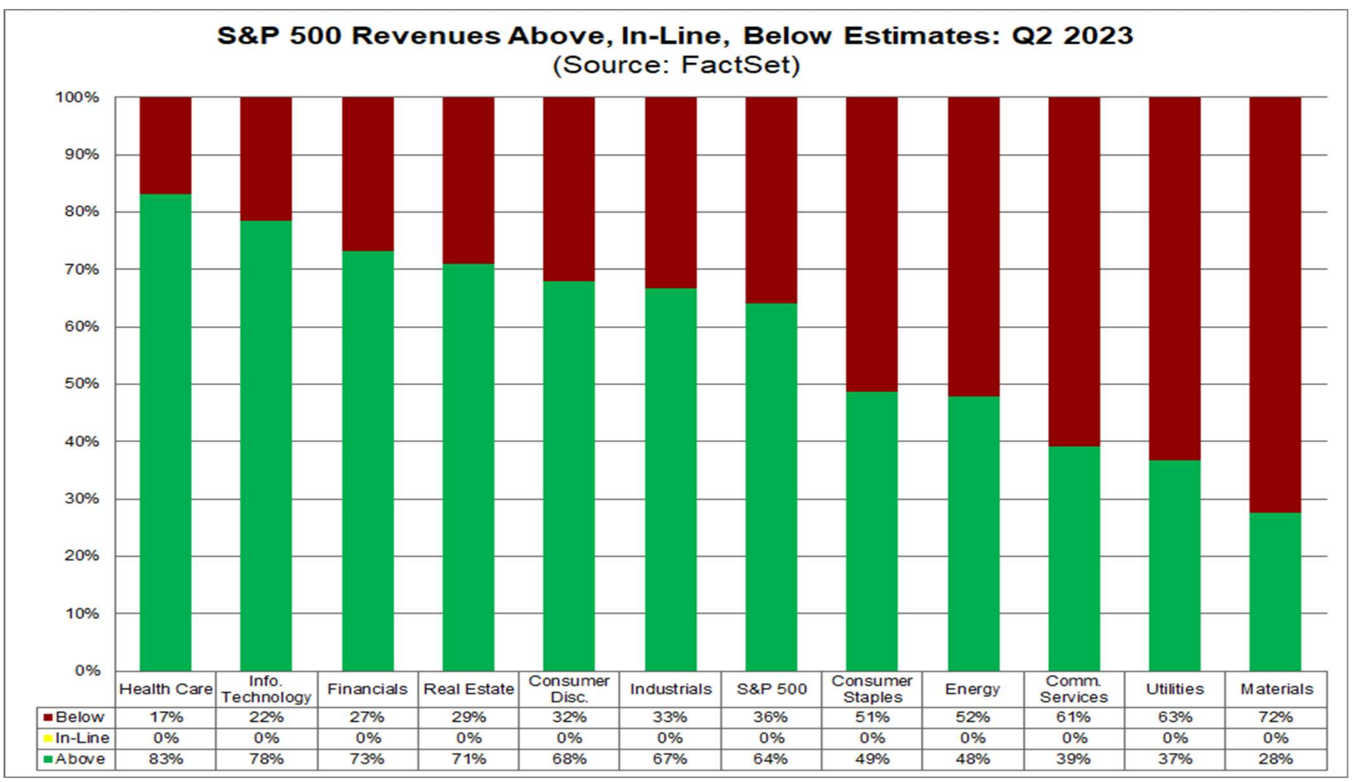
Companies Reporting Next Week: 8

During the upcoming week, eight S&P 500 companies (including 1 Dow 30 component) are scheduled to report results for the third quarter.

Q2 2023: Scorecard

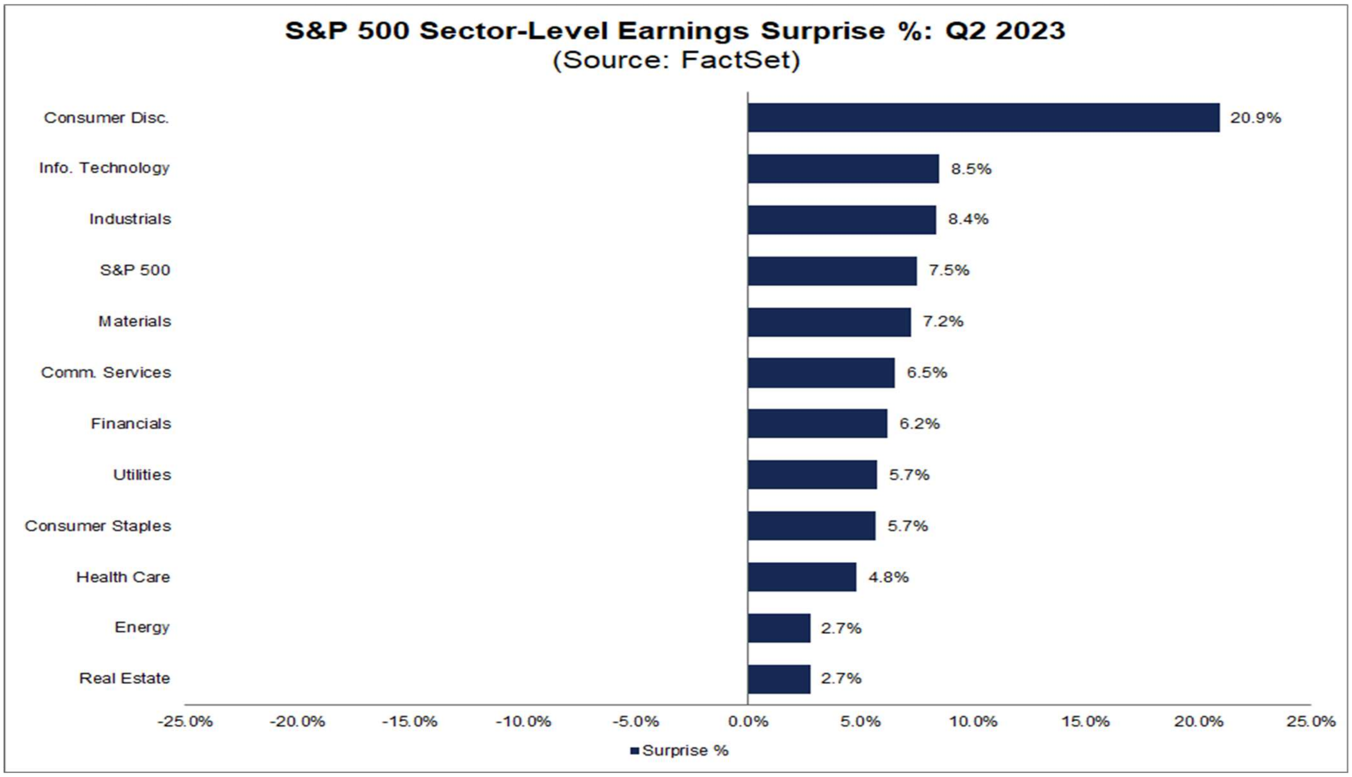


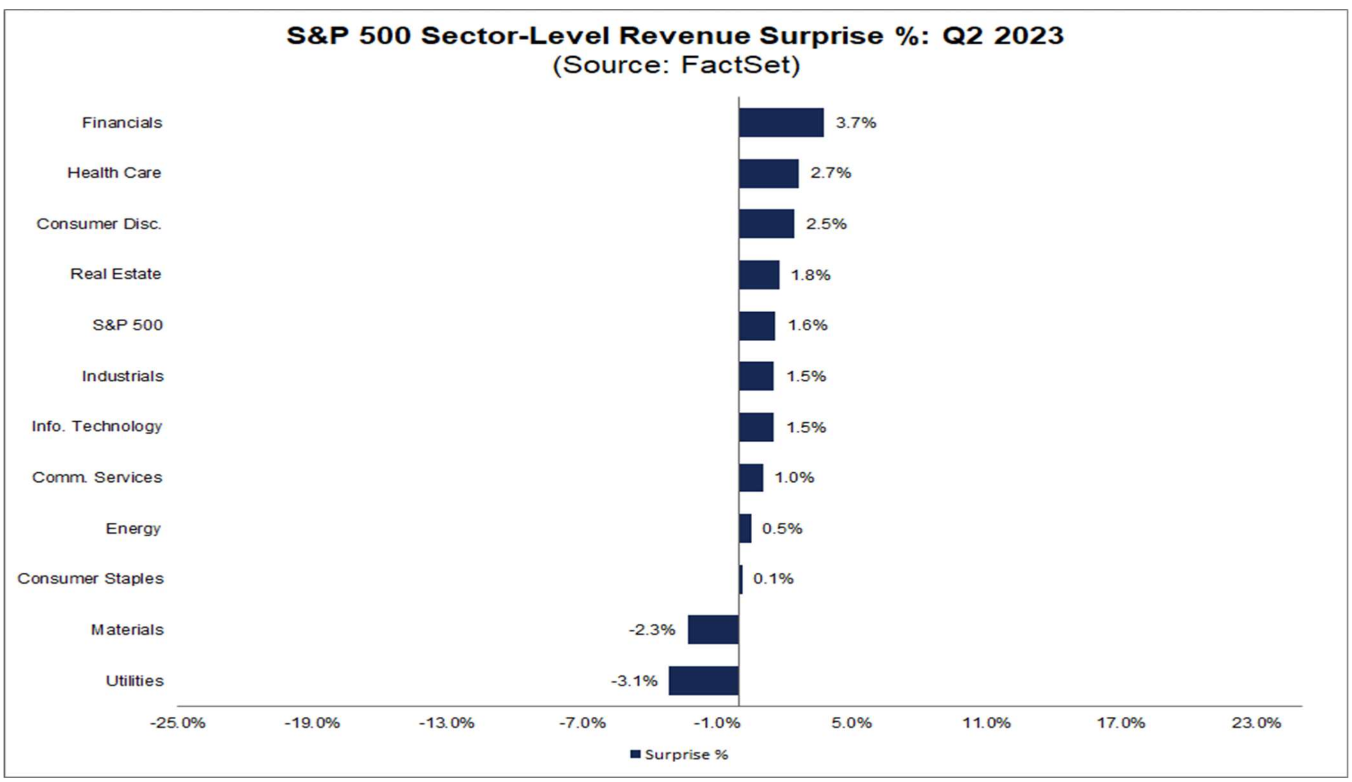
	Info. Technology	Health Care	Consumer Disc.	Comm. Services	S&P 500	Consumer Staples	Industrials	Materials	Energy	Financials	Real Estate	Utilities
Below	3%	11%	13%	17%	16%	16%	17%	24%	17%	24%	23%	27%
In-Line	6%	3%	2%	0%	5%	5%	7%	0%	9%	3%	10%	13%
Above	91%	86%	85%	83%	79%	78%	76%	76%	74%	73%	68%	60%



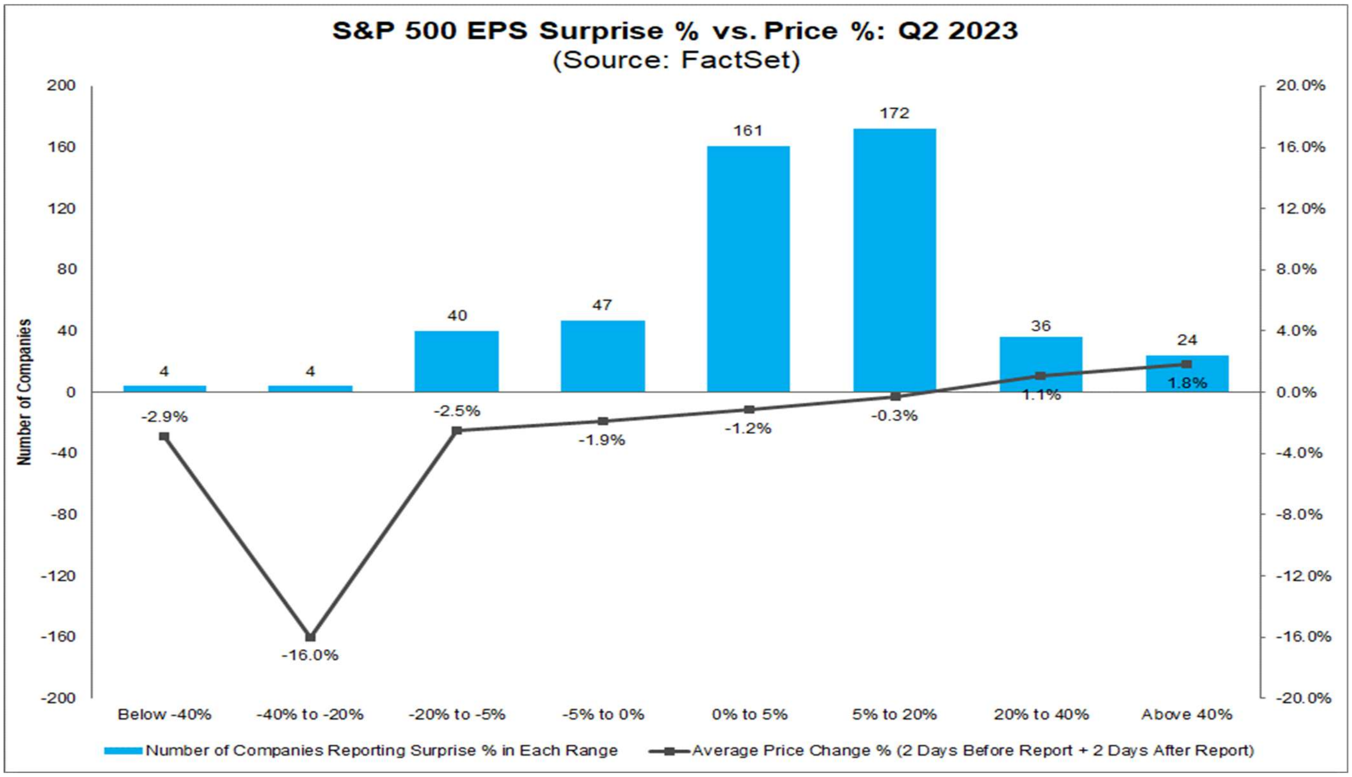
	Health Care	Info. Technology	Financials	Real Estate	Consumer Disc.	Industrials	S&P 500	Consumer Staples	Energy	Comm. Services	Utilities	Materials
Below	17%	22%	27%	29%	32%	33%	36%	51%	52%	61%	63%	72%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	83%	78%	73%	71%	68%	67%	64%	49%	48%	39%	37%	28%

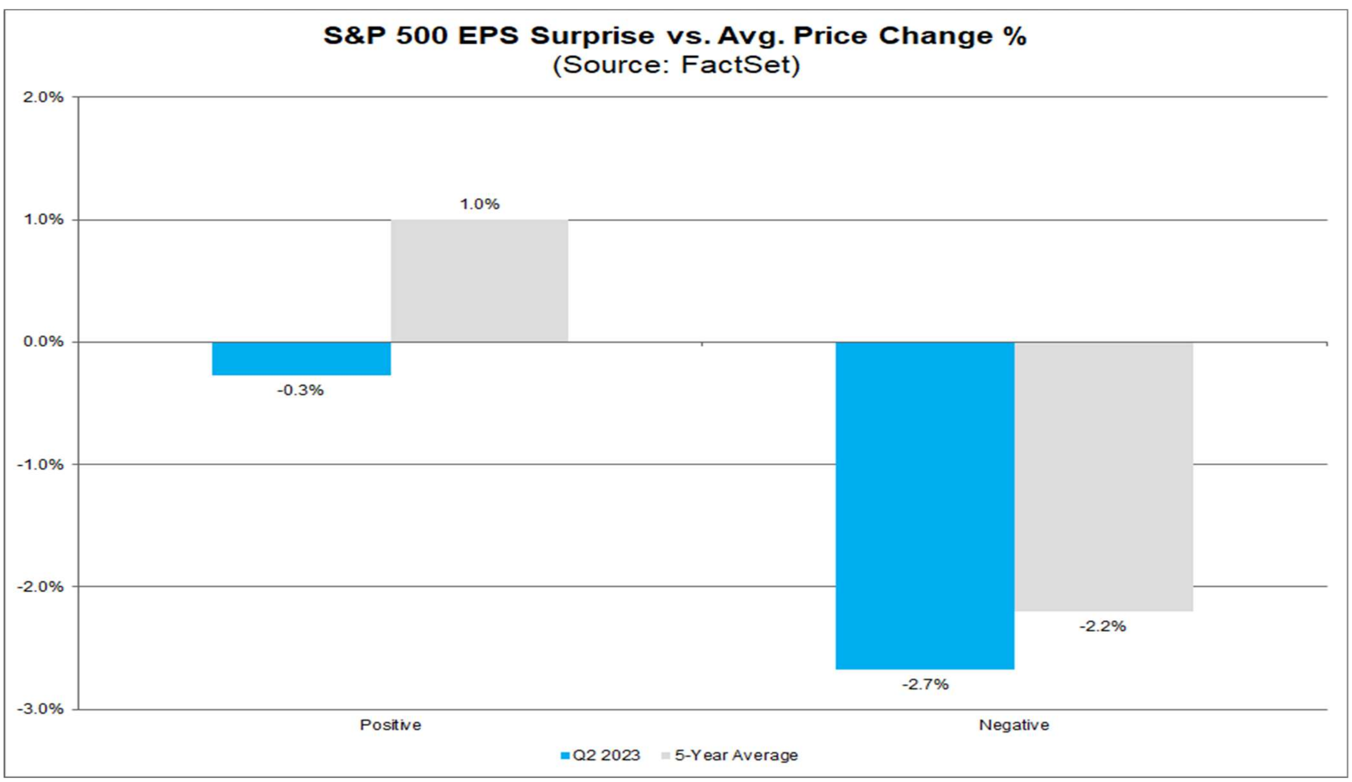
Q2 2023: Scorecard



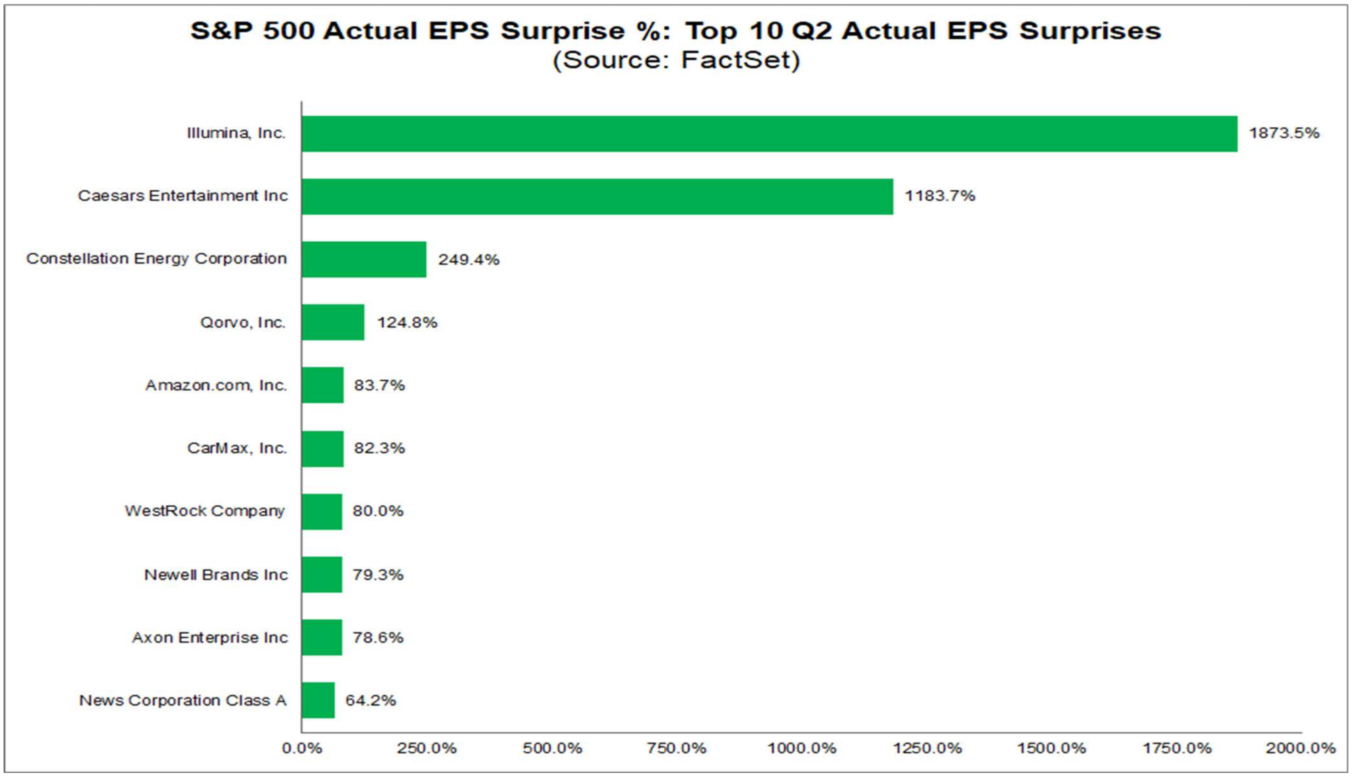


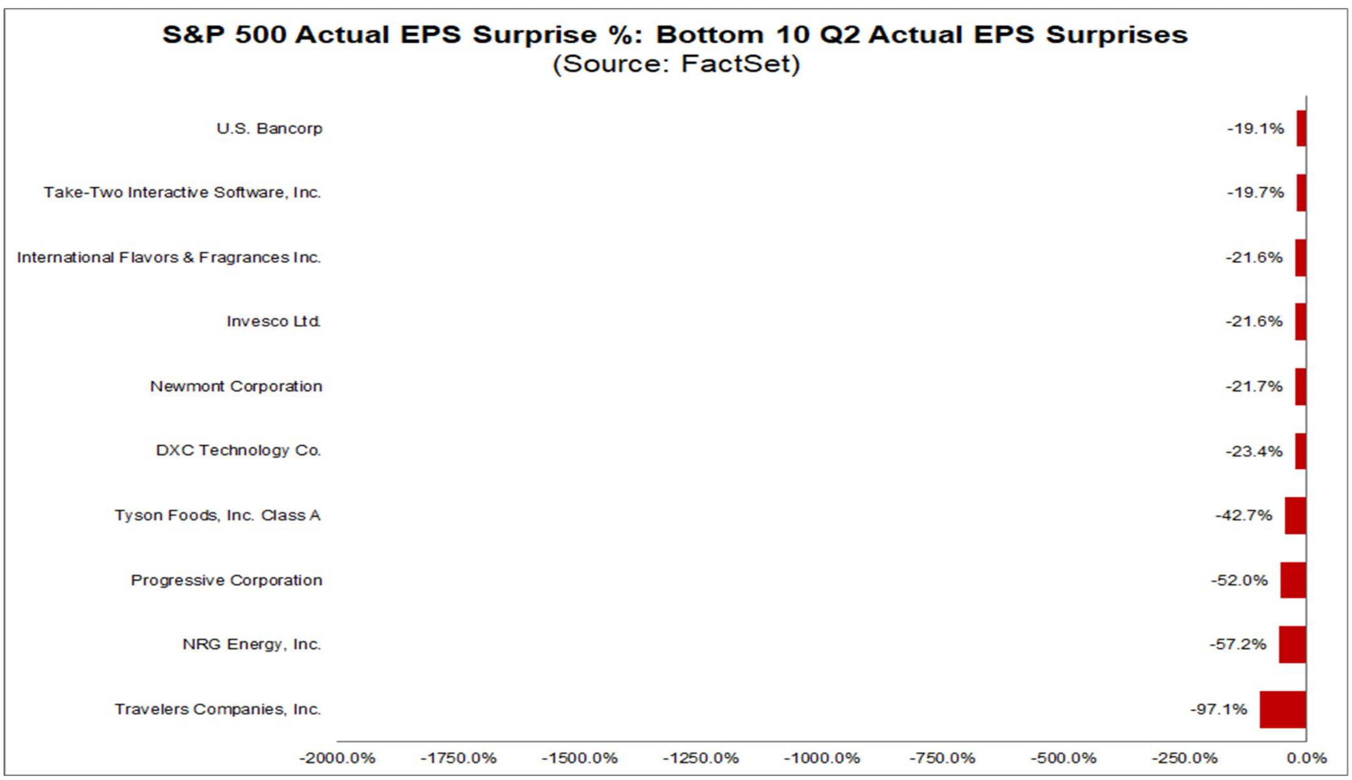
Q2 2023: Scorecard



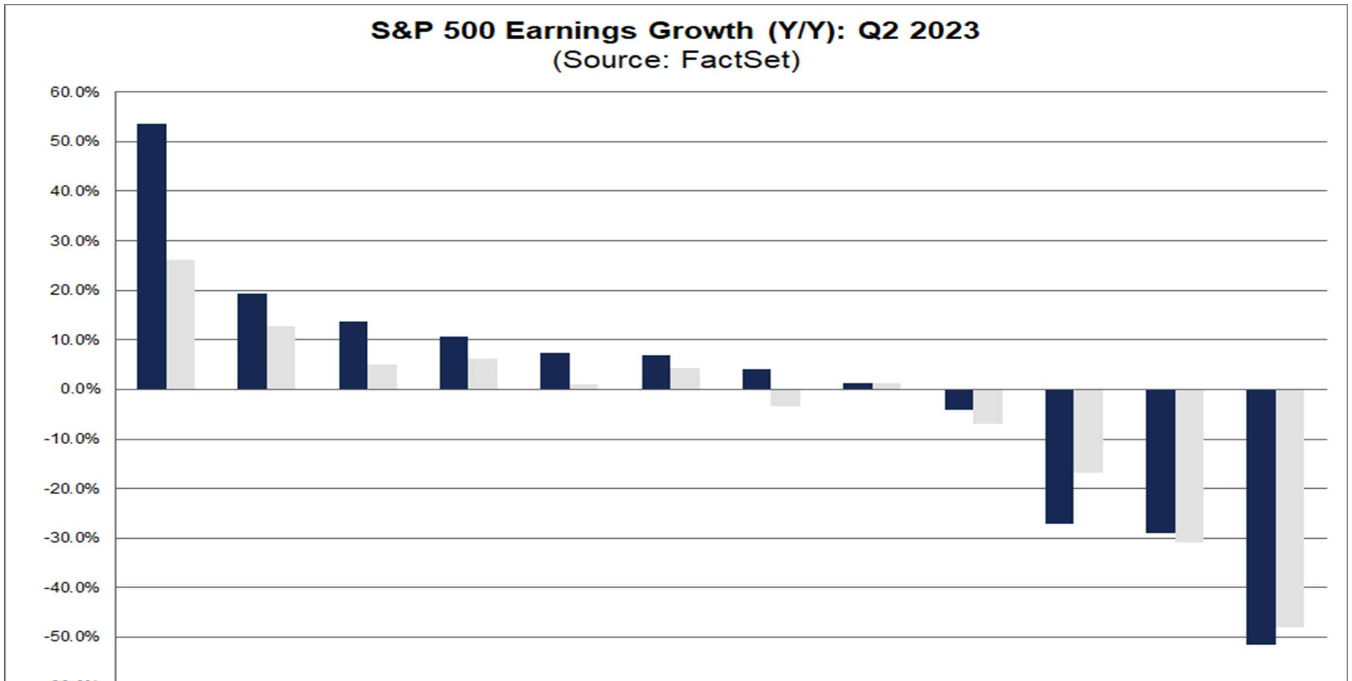


Q2 2023: Scorecard

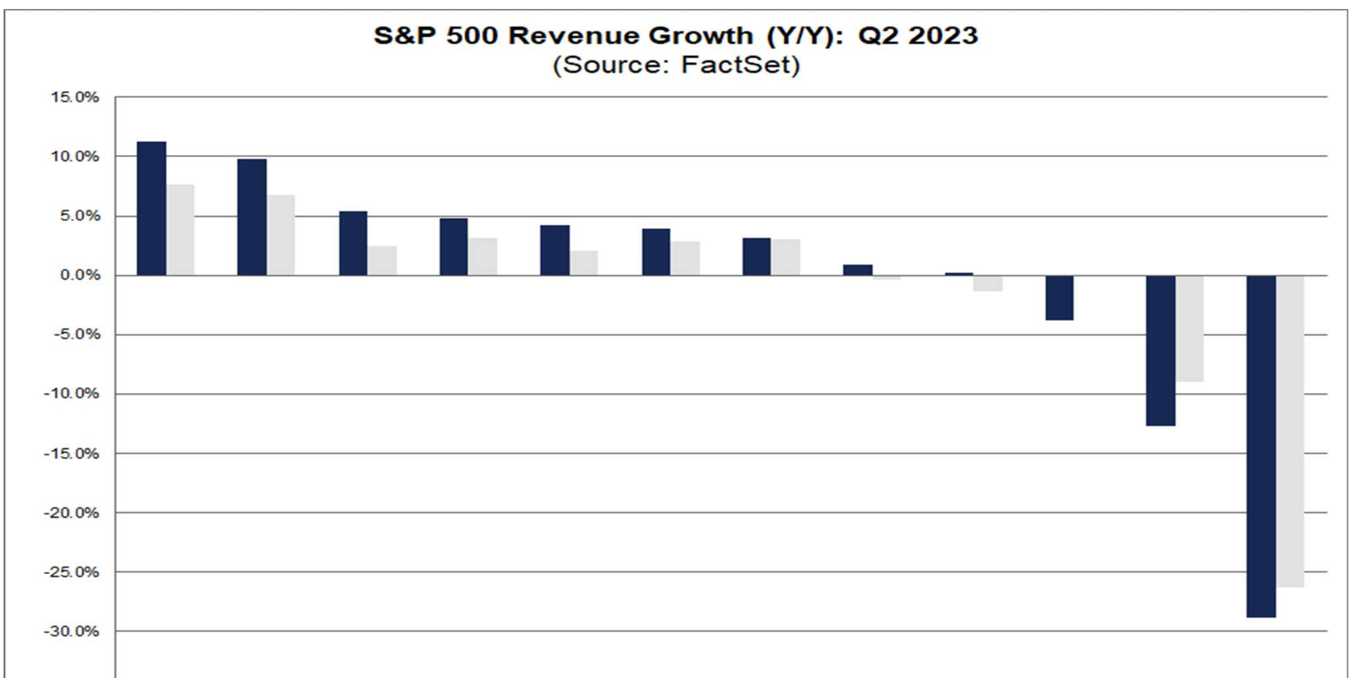




Q2 2023: Growth

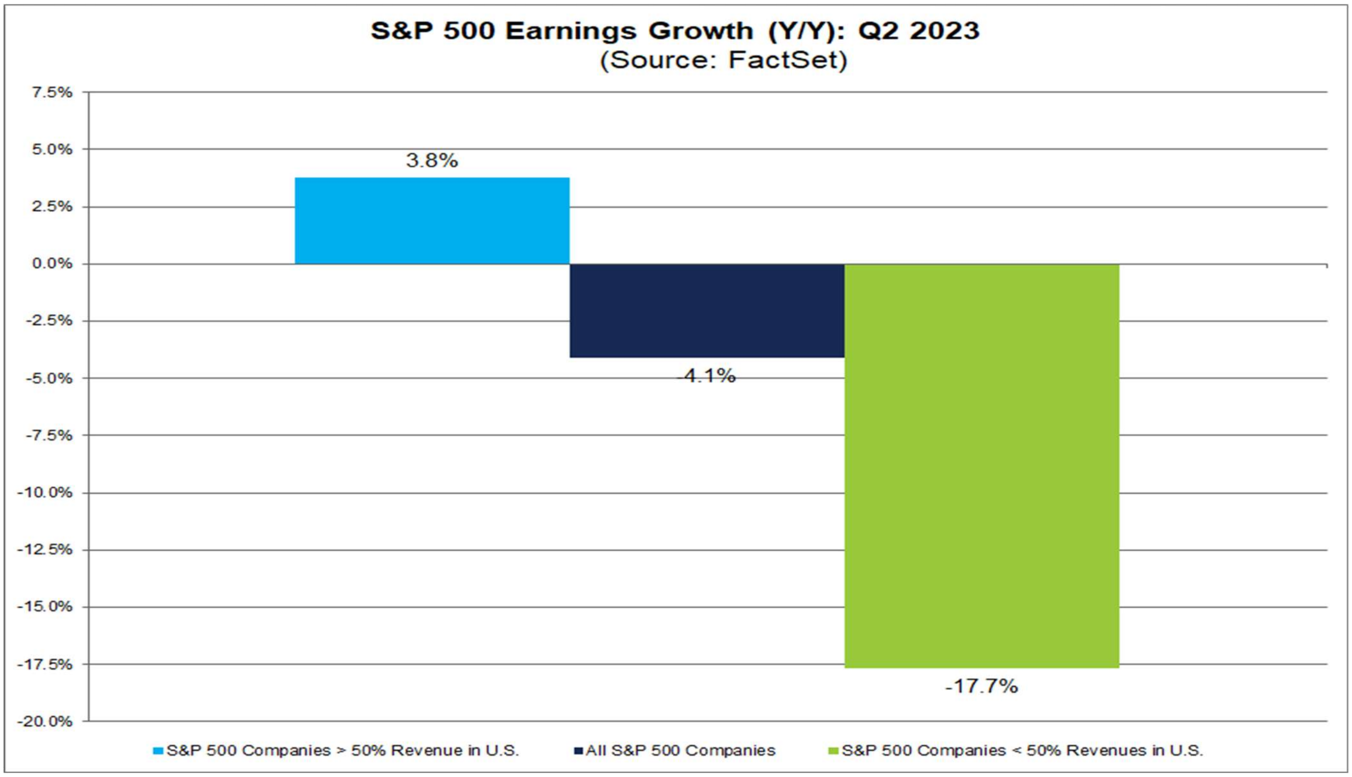


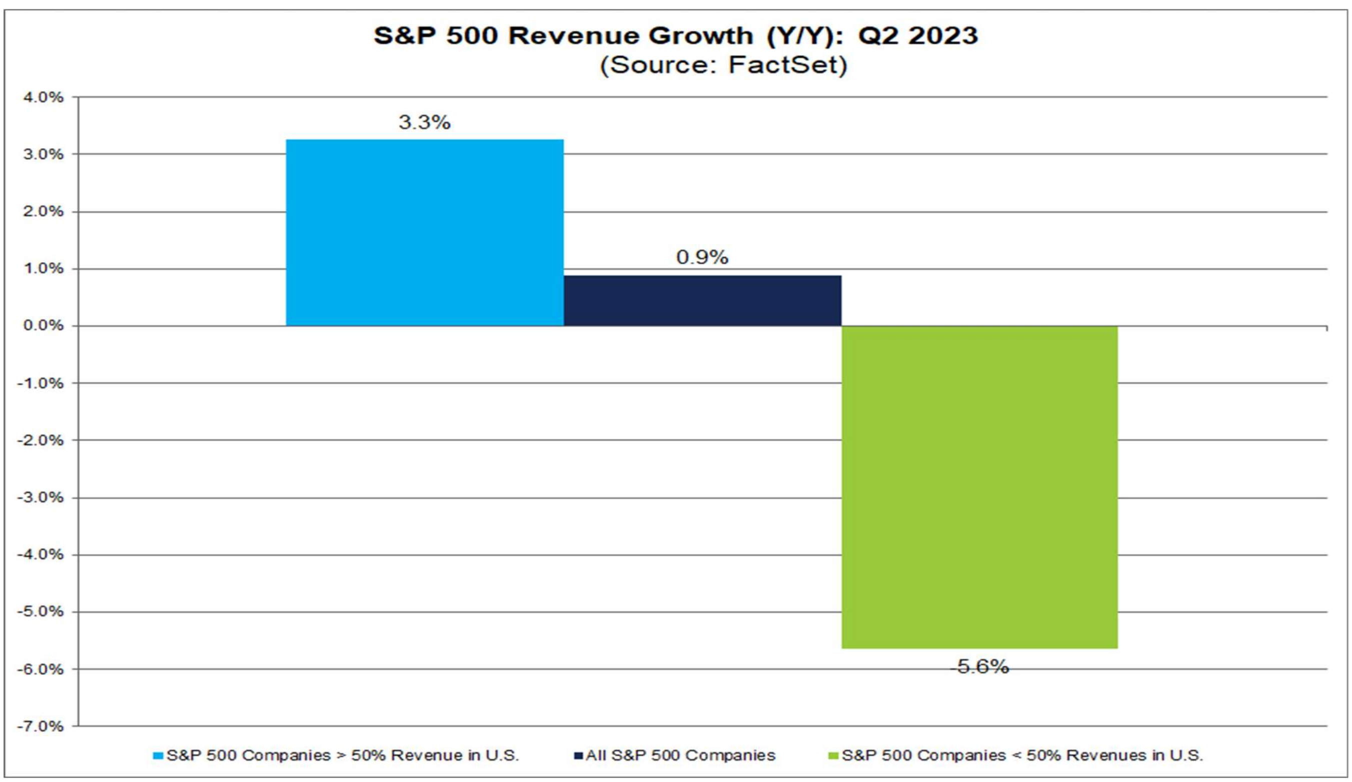
	Consumer Disc.	Comm. Services	Industrials	Real Estate	Consumer Staples	Financials	Info. Technology	Utilities	S&P 500	Health Care	Materials	Energy
Today	53.6%	19.3%	13.8%	10.7%	7.4%	7.0%	4.0%	1.3%	-4.1%	-27.2%	-29.0%	-51.5%
30-Jun	26.2%	12.8%	5.0%	6.2%	1.1%	4.4%	-3.5%	1.3%	-7.0%	-16.8%	-30.8%	-48.0%



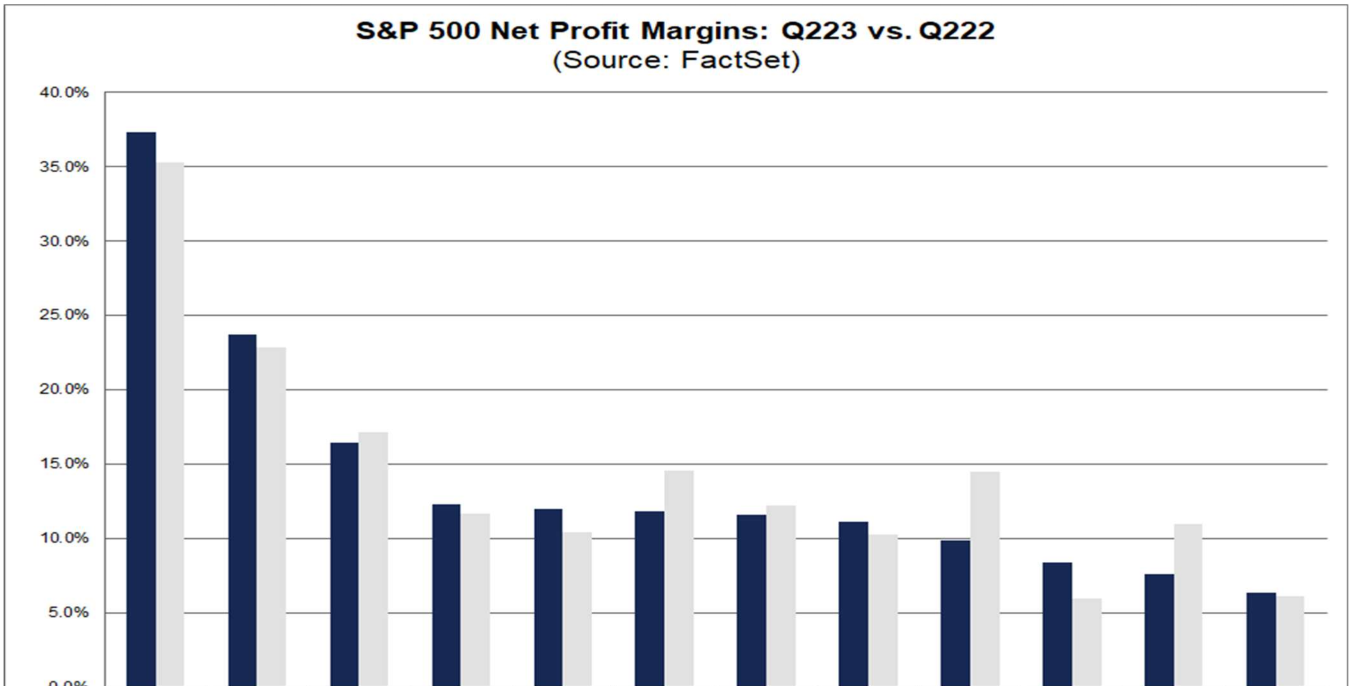
	Financials	Consumer Disc.	Health Care	Real Estate	Industrials	Comm. Services	Consumer Staples	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	11.2%	9.8%	5.4%	4.8%	4.2%	3.9%	3.1%	0.9%	0.2%	-3.8%	-12.7%	-28.9%
30-Jun	7.6%	6.7%	2.5%	3.2%	2.1%	2.9%	3.0%	-0.4%	-1.3%	-0.1%	-9.0%	-26.3%

Q2 2023: Growth

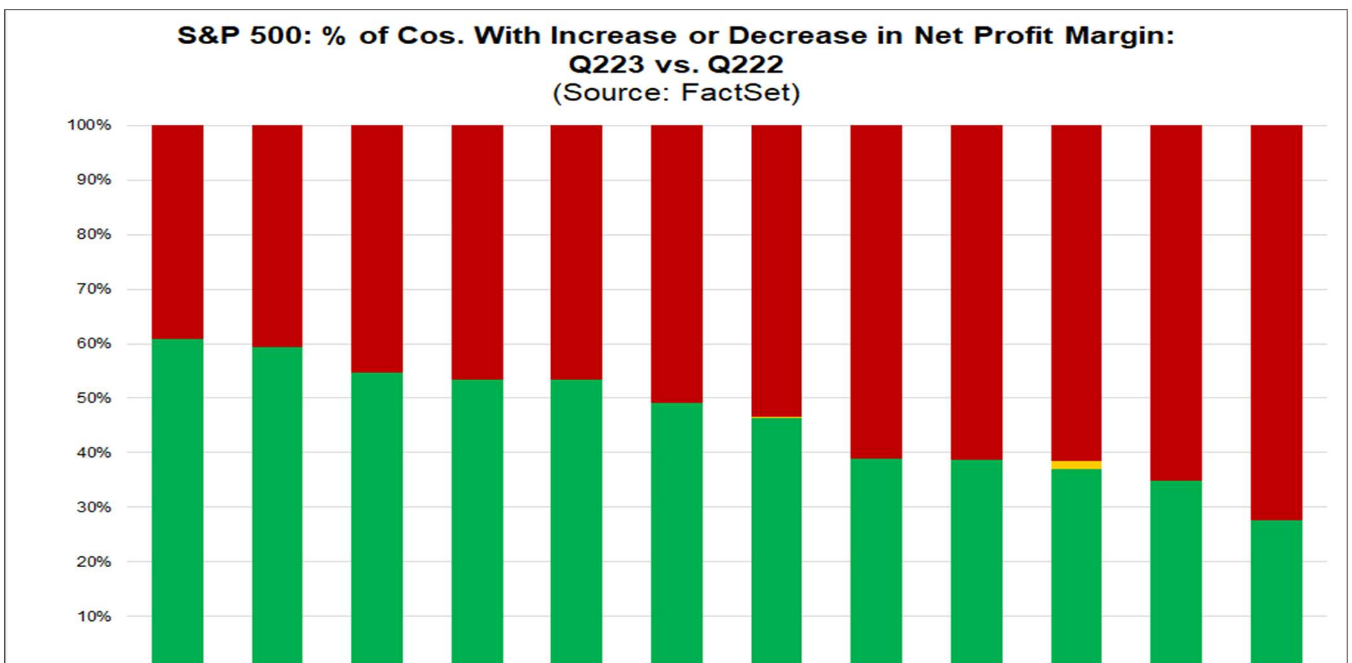




Q2 2023: Net Profit Margin

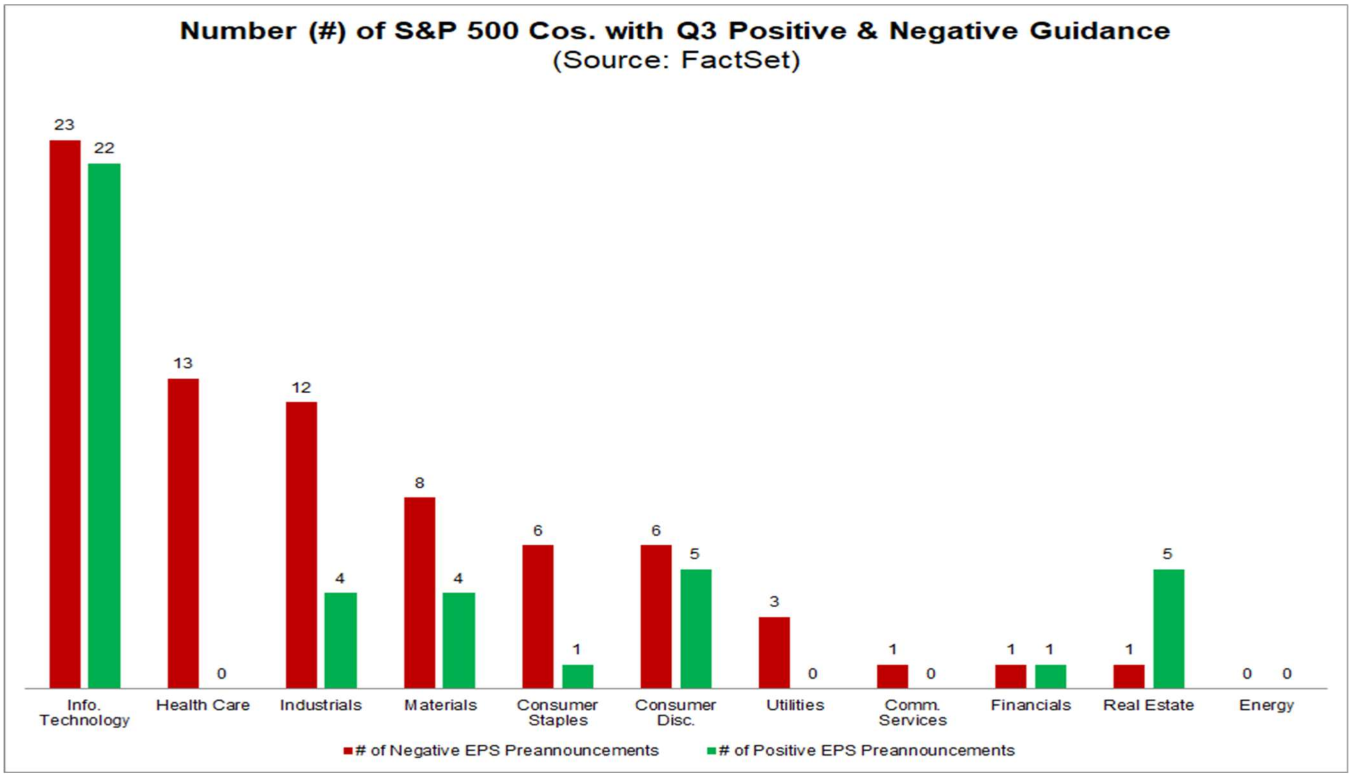


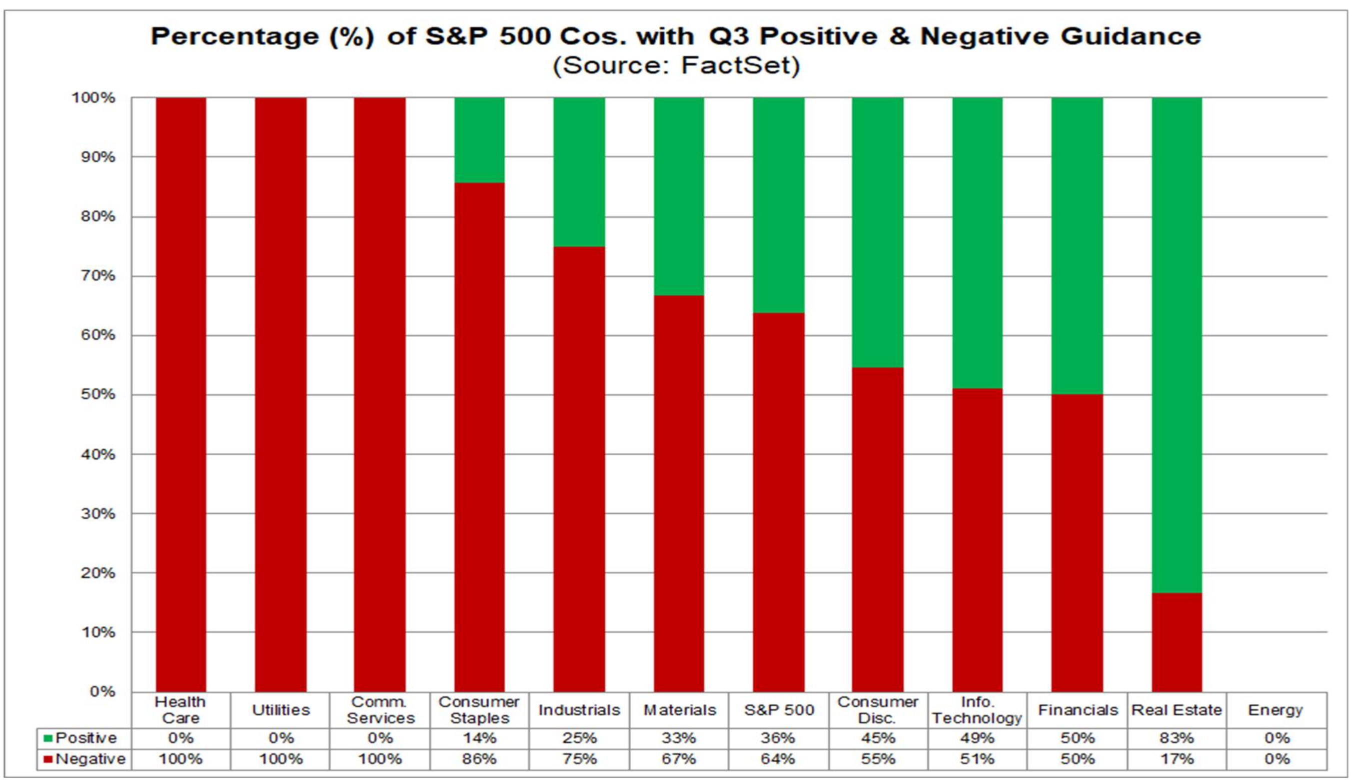
	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	Materials	S&P 500	Industrials	Energy	Consumer Disc.	Health Care	Consumer Staples
Q223	37.3%	23.7%	16.5%	12.3%	12.0%	11.8%	11.6%	11.2%	9.8%	8.4%	7.6%	6.4%
Q222	35.3%	22.8%	17.1%	11.7%	10.4%	14.5%	12.2%	10.2%	14.4%	6.0%	11.0%	6.1%



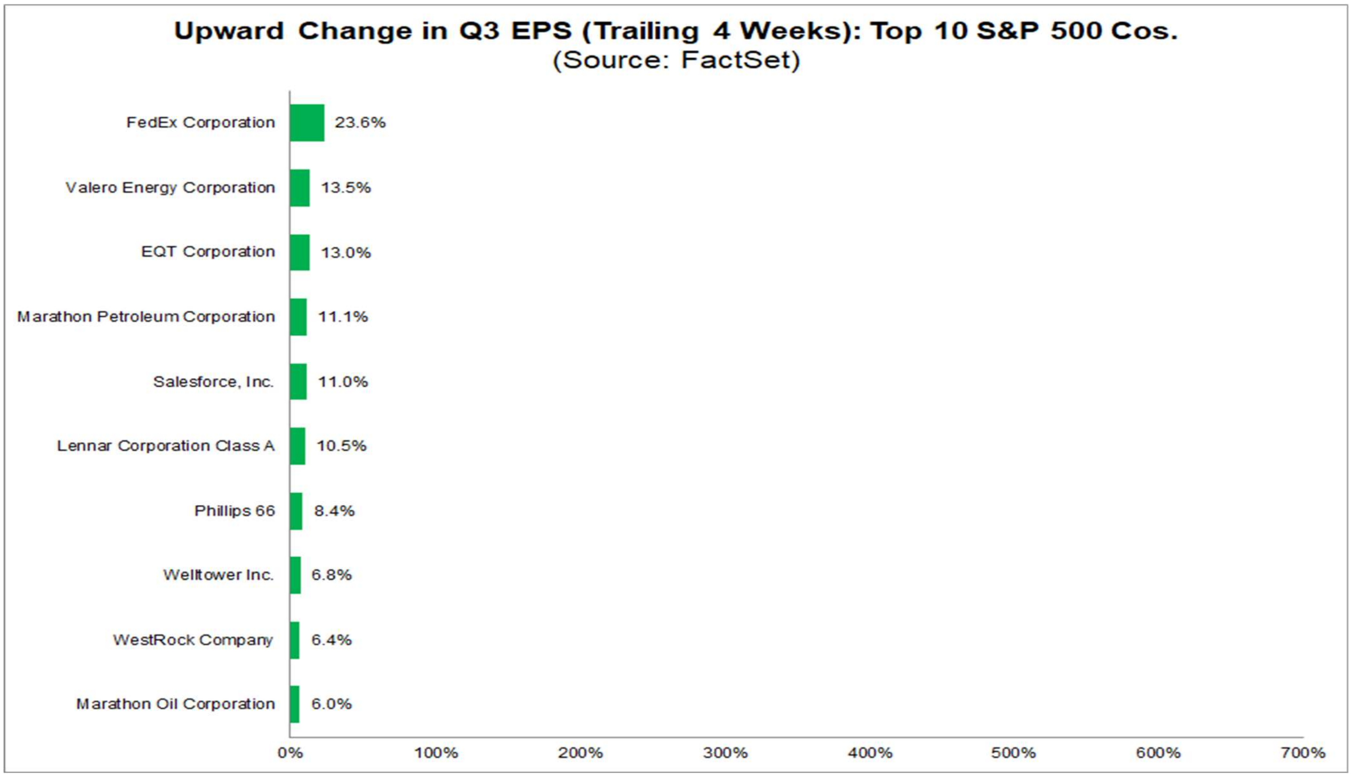
	Comm. Services	Consumer Staples	Consumer Disc.	Industrials	Utilities	Information Tech.	S&P 500	Financials	Real Estate	Health Care	Energy	Materials
Down %	39%	41%	45%	47%	47%	51%	53%	61%	61%	62%	65%	72%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%
Up %	61%	59%	55%	53%	53%	49%	46%	39%	39%	37%	35%	28%

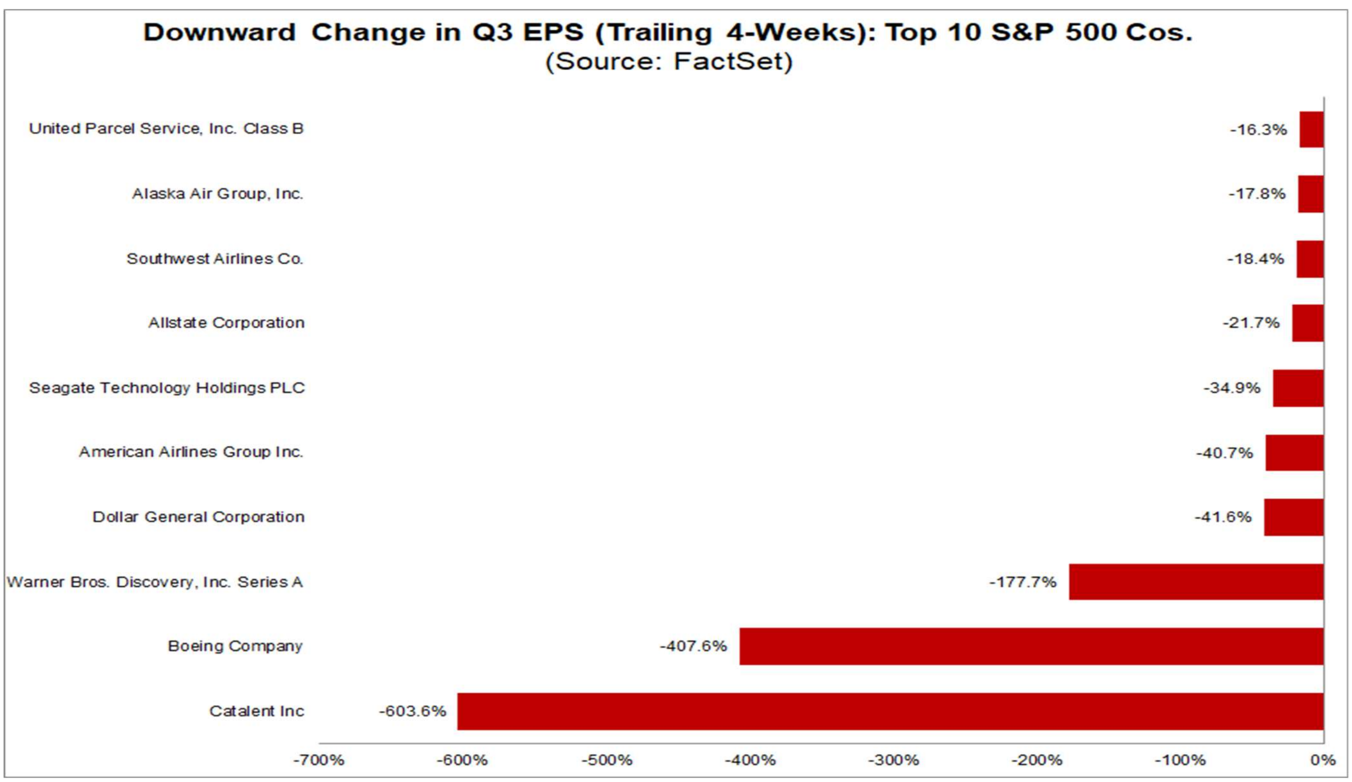
Q3 2023: Guidance



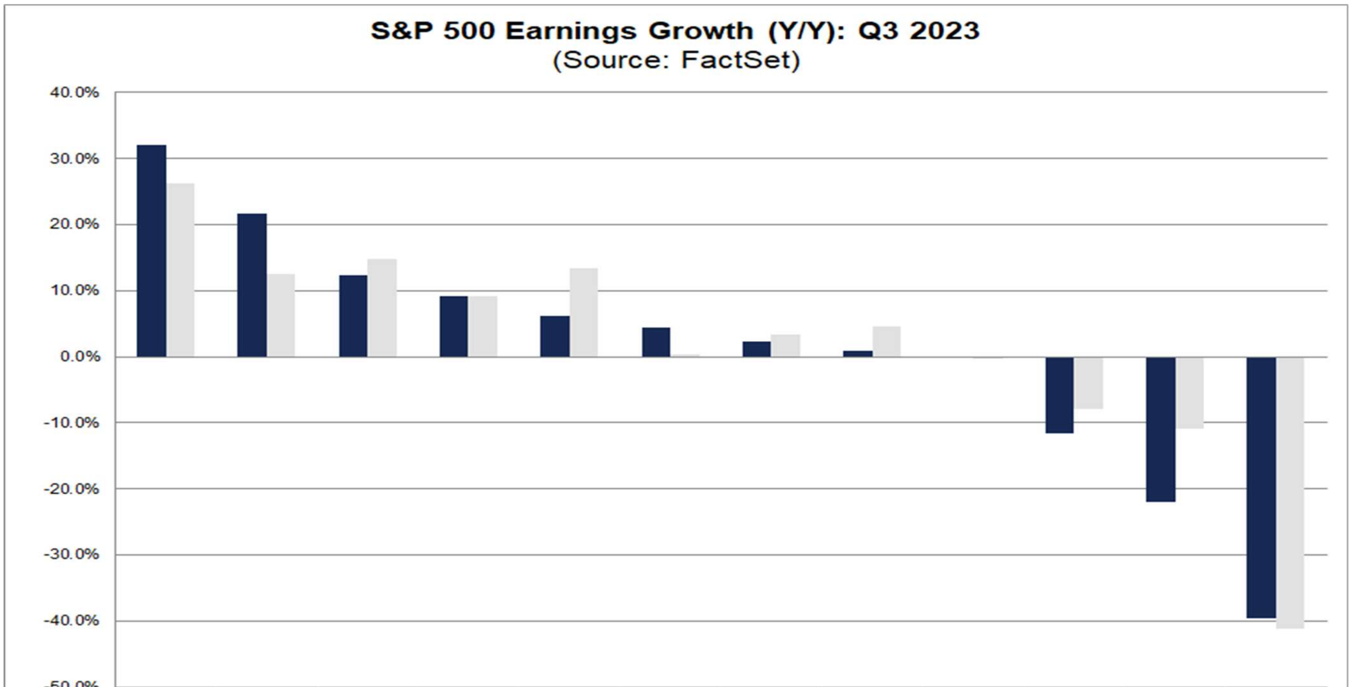


Q3 2023: EPS Revisions

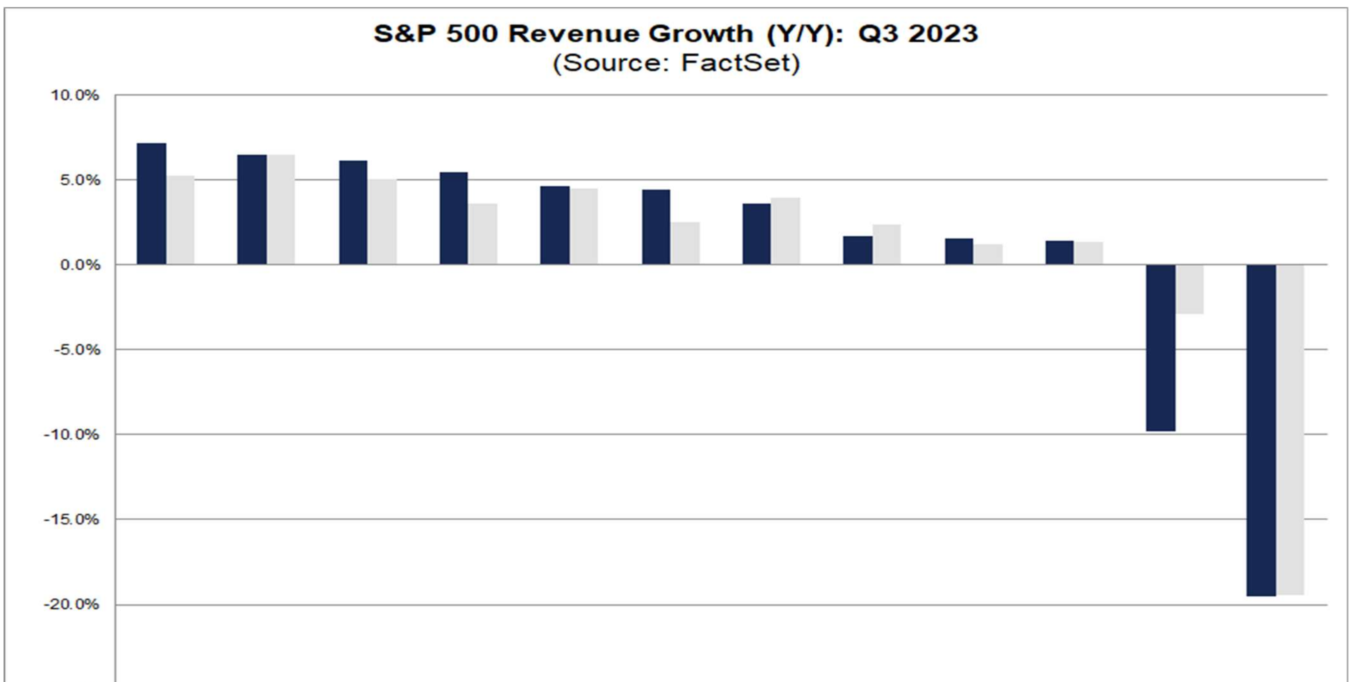




Q3 2023: Growth

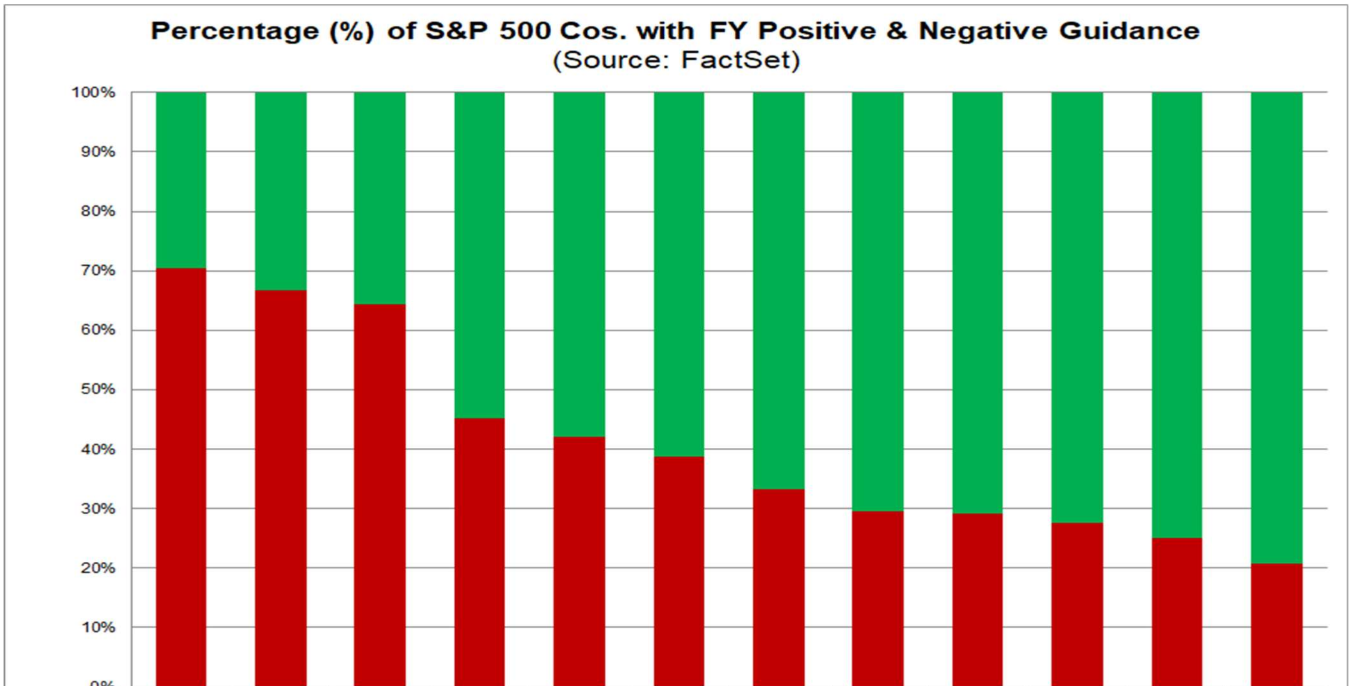


	Comm. Services	Consumer Disc.	Utilities	Financials	Industrials	Info. Technology	Real Estate	Consumer Staples	S&P 500	Health Care	Materials	Energy
Today	32.1%	21.6%	12.4%	9.2%	6.1%	4.4%	2.3%	0.9%	-0.2%	-11.6%	-22.0%	-39.6%
30-Jun	26.3%	12.5%	14.8%	9.1%	13.3%	0.4%	3.4%	4.6%	-0.4%	-7.8%	-10.9%	-41.3%

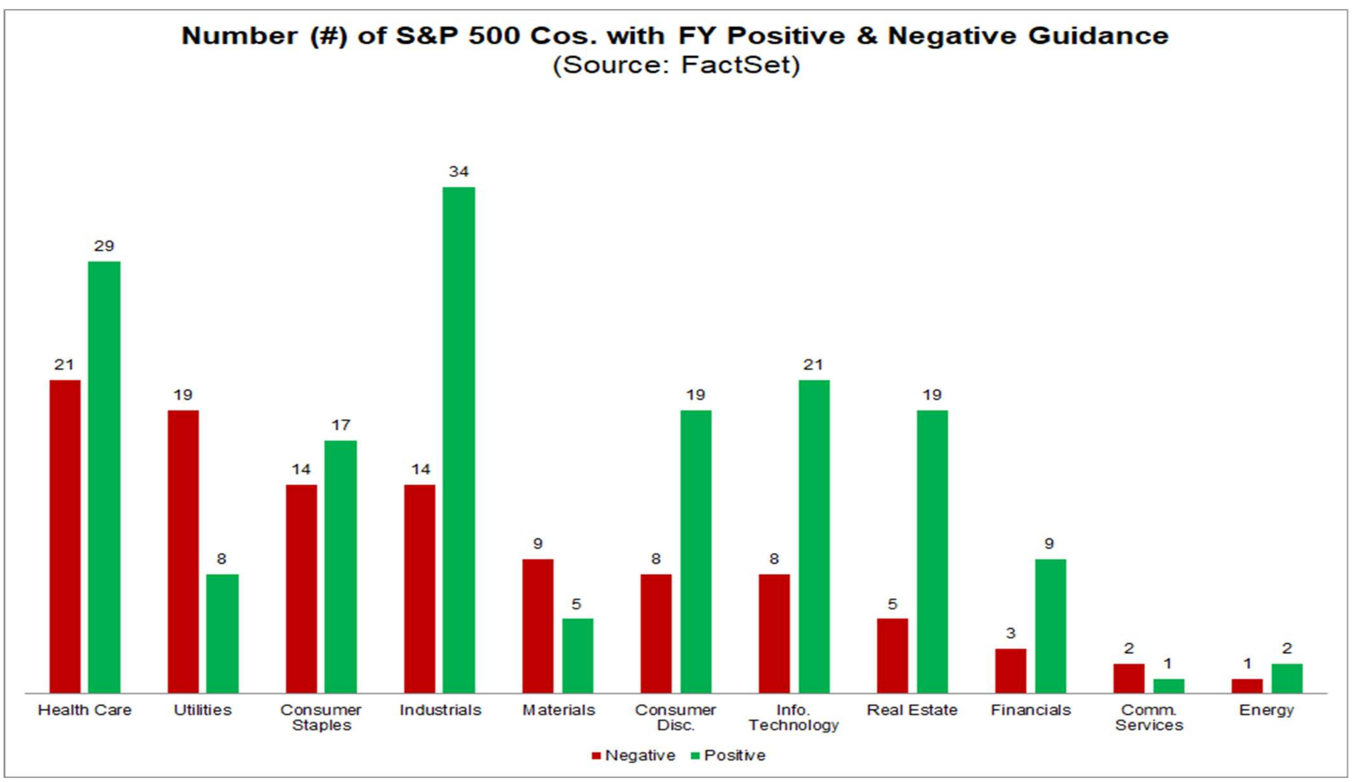


	Consumer Disc.	Real Estate	Comm. Services	Financials	Health Care	Utilities	Consumer Staples	Industrials	S&P 500	Info. Technology	Materials	Energy
Today	7.2%	6.5%	6.1%	5.5%	4.7%	4.5%	3.6%	1.7%	1.5%	1.4%	-9.8%	-19.5%
30-Jun	5.2%	6.5%	5.1%	3.6%	4.5%	2.5%	3.9%	2.4%	1.2%	1.3%	-2.9%	-19.4%

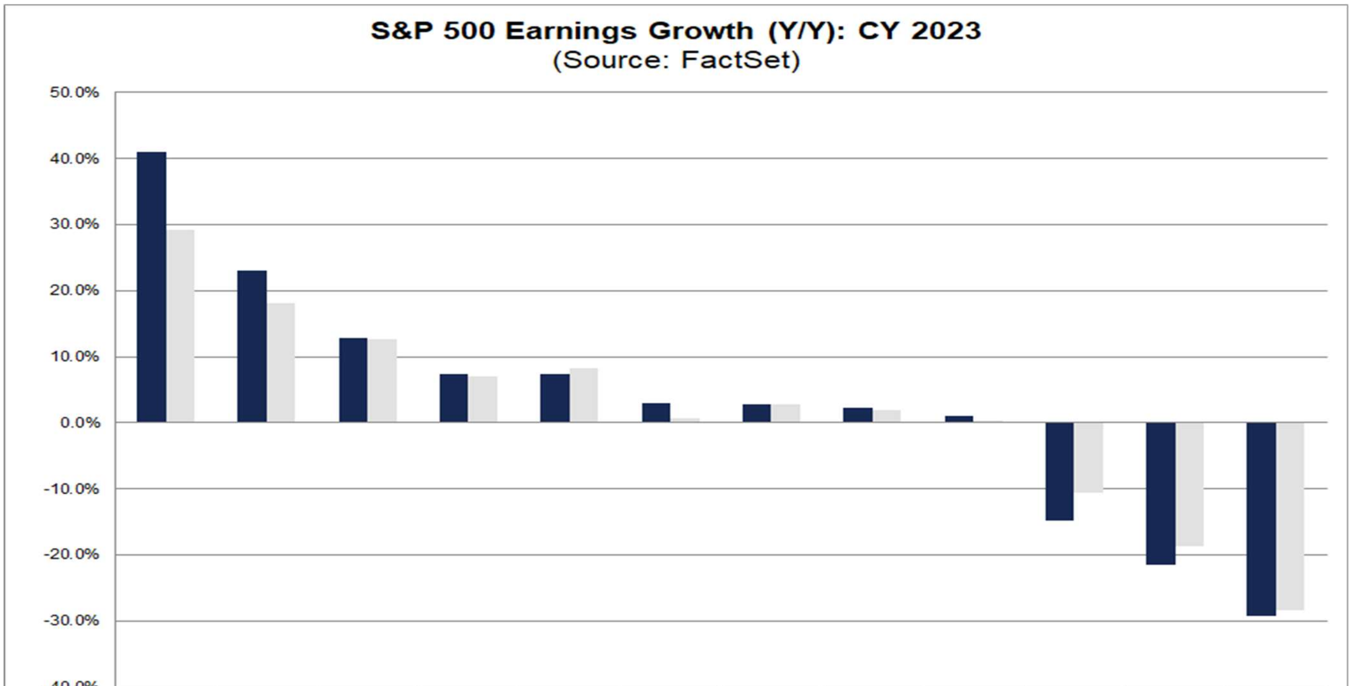
FY 2023 / 2024: EPS Guidance



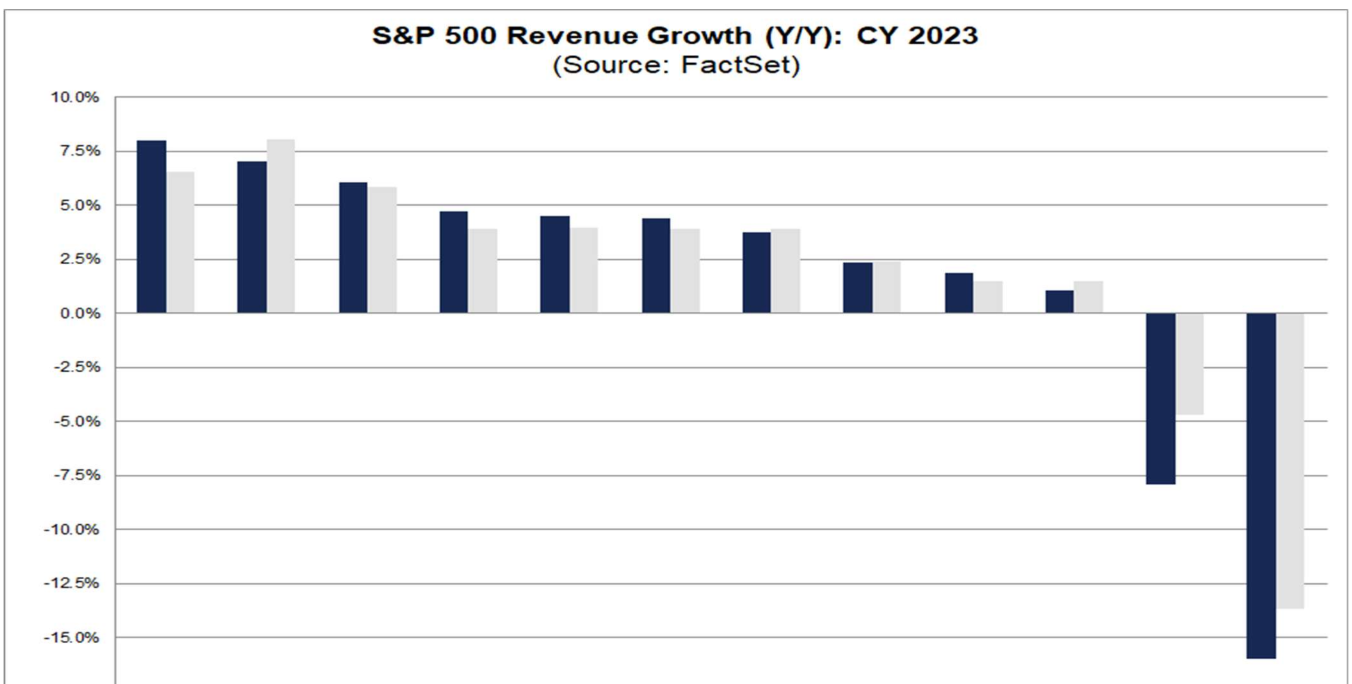
	Utilities	Comm. Services	Materials	Consumer Staples	Health Care	S&P 500	Energy	Consumer Disc.	Industrials	Info. Technology	Financials	Real Estate
Positive	30%	33%	36%	55%	58%	61%	67%	70%	71%	72%	75%	79%
Negative	70%	67%	64%	45%	42%	39%	33%	30%	29%	28%	25%	21%



CY 2023: Growth

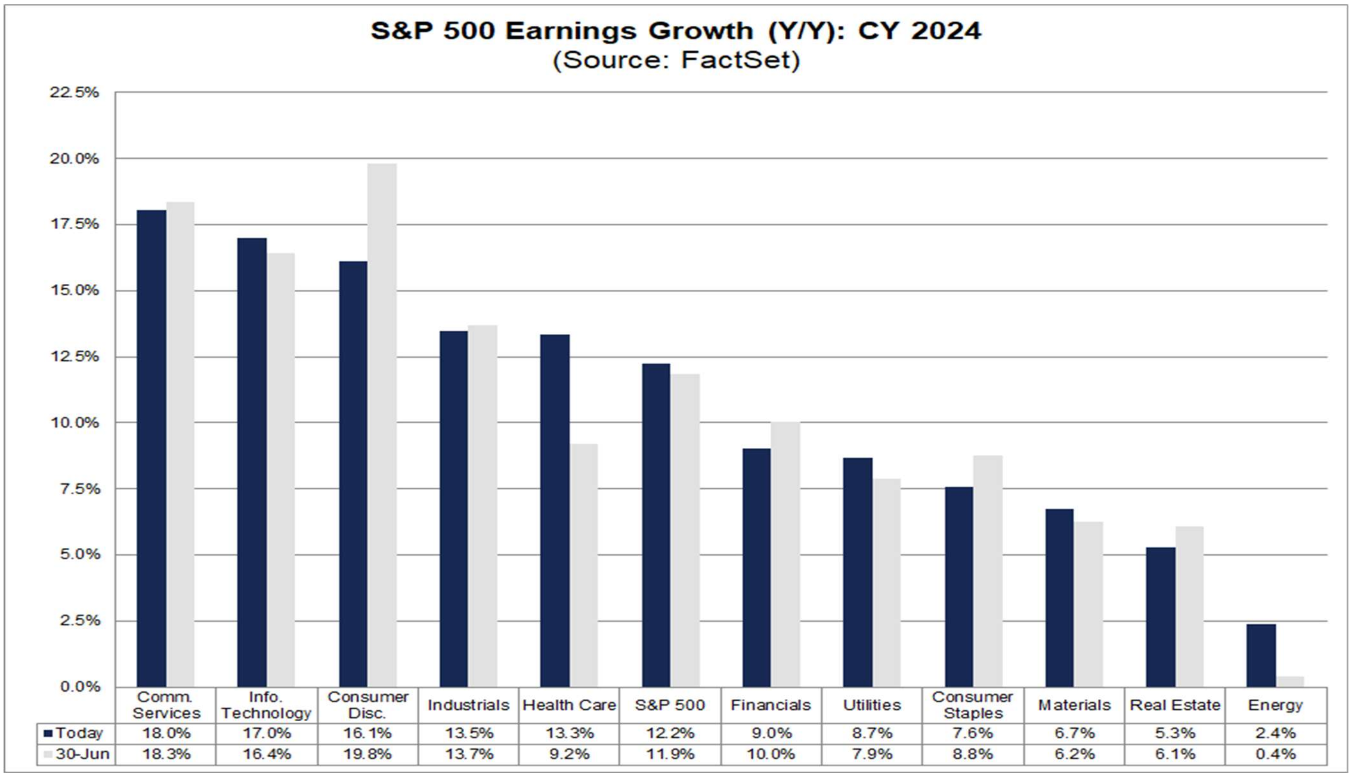


	Consumer Disc.	Comm. Services	Industrials	Financials	Utilities	Info. Technology	Real Estate	Consumer Staples	S&P 500	Health Care	Materials	Energy
Today	40.9%	23.0%	12.8%	7.3%	7.3%	3.0%	2.8%	2.3%	1.1%	-14.7%	-21.5%	-29.3%
30-Jun	29.2%	18.0%	12.7%	7.1%	8.2%	0.8%	2.8%	2.0%	0.4%	-10.6%	-18.6%	-28.4%

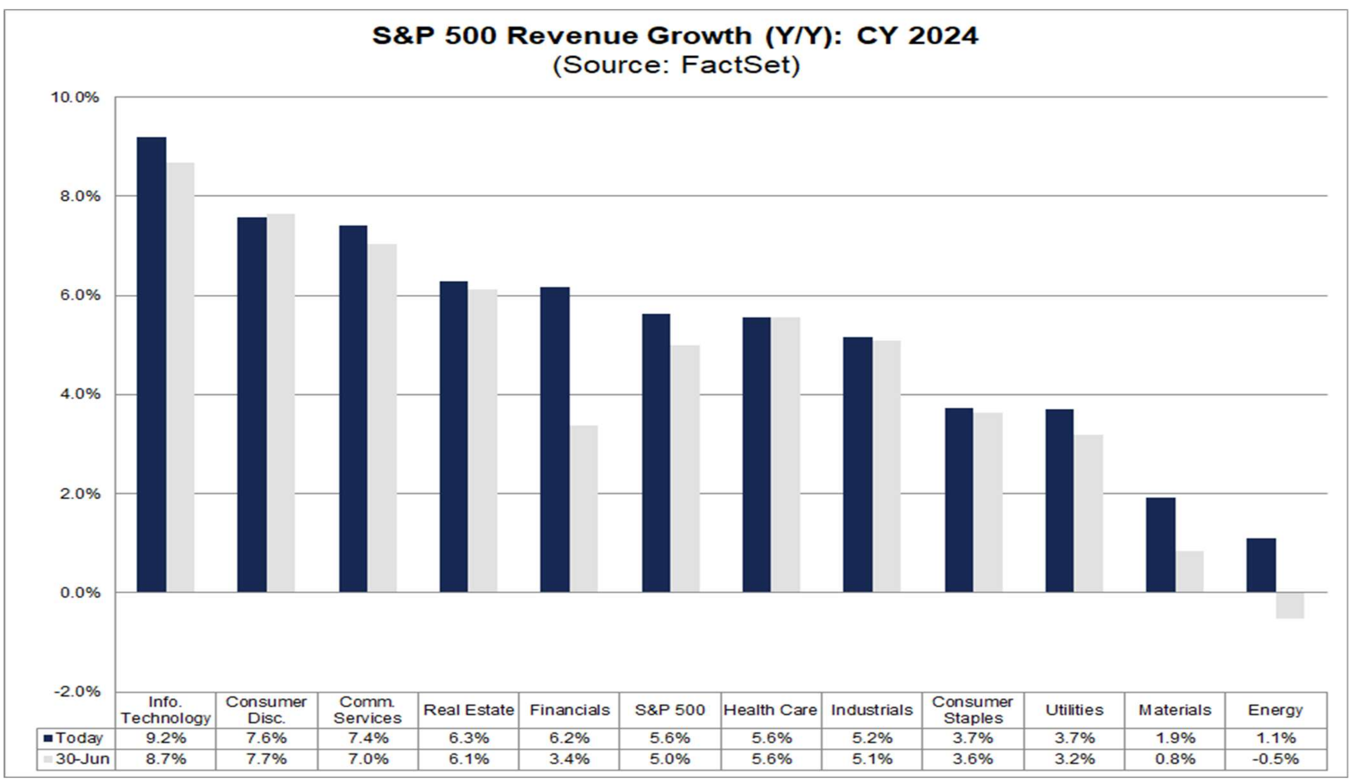


	Consumer Disc.	Financials	Real Estate	Comm. Services	Health Care	Industrials	Consumer Staples	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	8.0%	7.0%	6.1%	4.7%	4.5%	4.4%	3.7%	2.4%	1.9%	1.1%	-7.9%	-16.0%
30-Jun	6.6%	8.0%	5.8%	3.9%	3.9%	3.9%	3.9%	2.4%	1.5%	1.5%	-4.7%	-13.7%

CY 2024: Growth

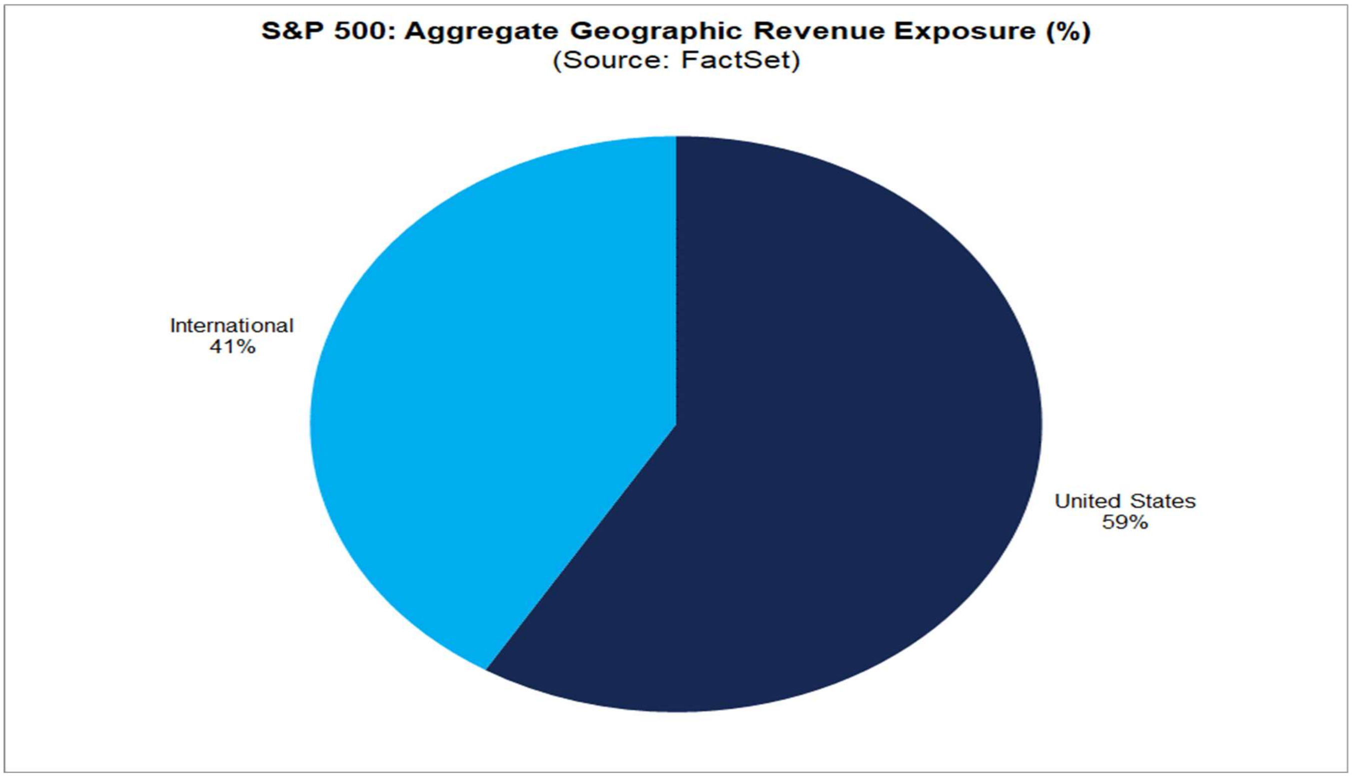


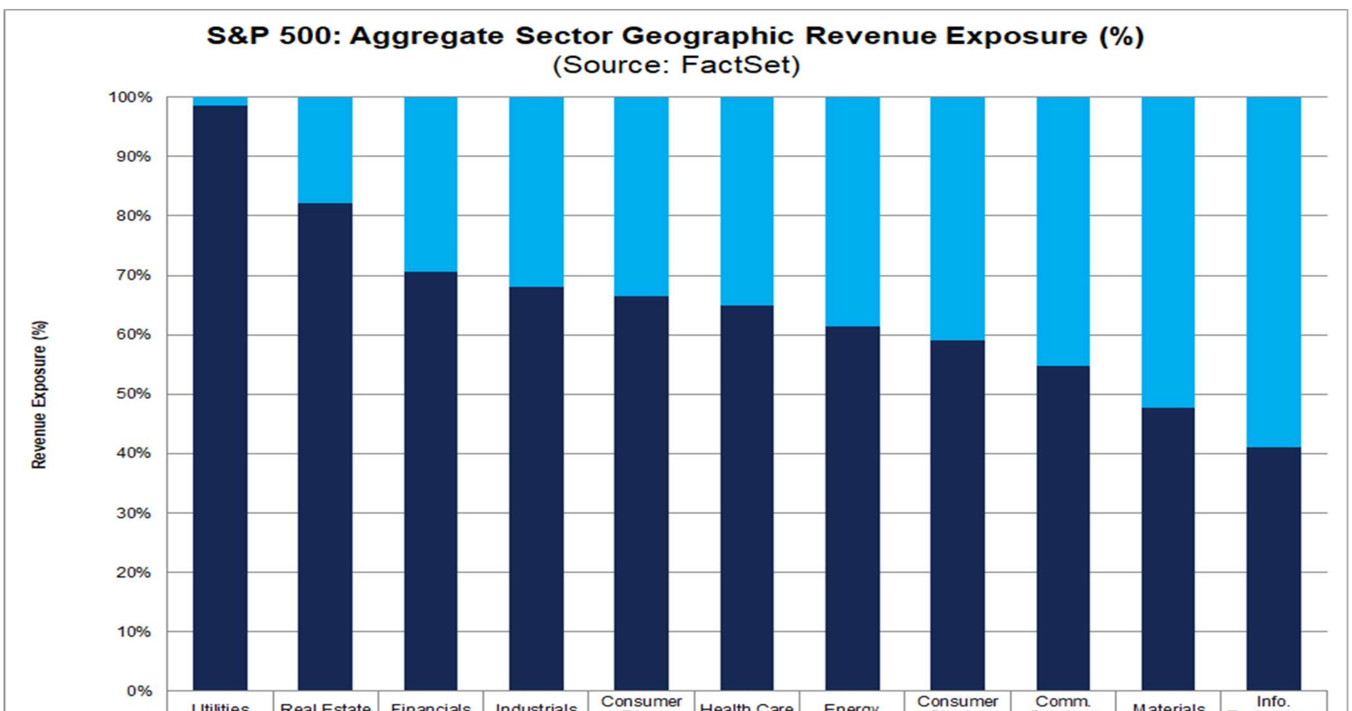
	Comm. Services	Info. Technology	Consumer Disc.	Industrials	Health Care	S&P 500	Financials	Utilities	Consumer Staples	Materials	Real Estate	Energy
Today	18.0%	17.0%	16.1%	13.5%	13.3%	12.2%	9.0%	8.7%	7.6%	6.7%	5.3%	2.4%
30-Jun	18.3%	16.4%	19.8%	13.7%	9.2%	11.9%	10.0%	7.9%	8.8%	6.2%	6.1%	0.4%



	Info. Technology	Consumer Disc.	Comm. Services	Real Estate	Financials	S&P 500	Health Care	Industrials	Consumer Staples	Utilities	Materials	Energy
Today	9.2%	7.6%	7.4%	6.3%	6.2%	5.6%	5.6%	5.2%	3.7%	3.7%	1.9%	1.1%
30-Jun	8.7%	7.7%	7.0%	6.1%	3.4%	5.0%	5.6%	5.1%	3.6%	3.2%	0.8%	-0.5%

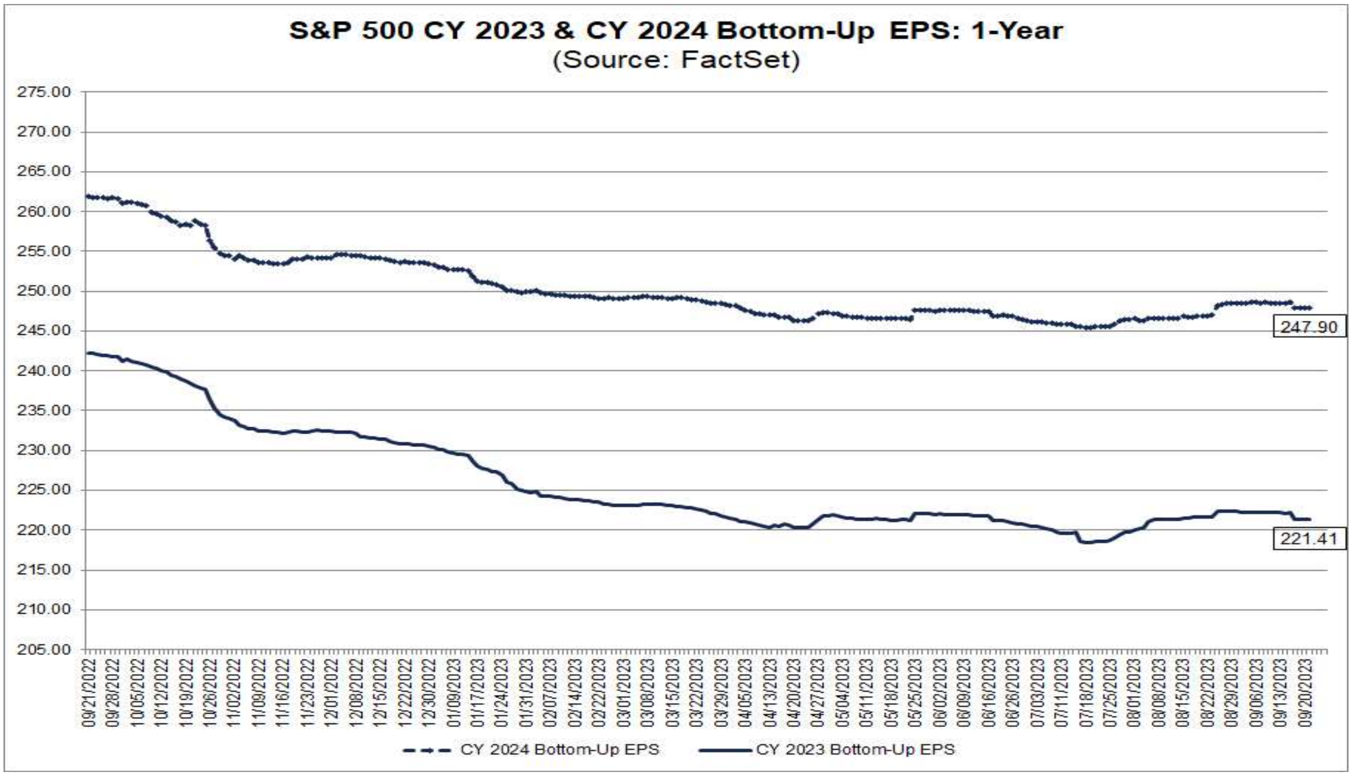
Geographic Revenue Exposure

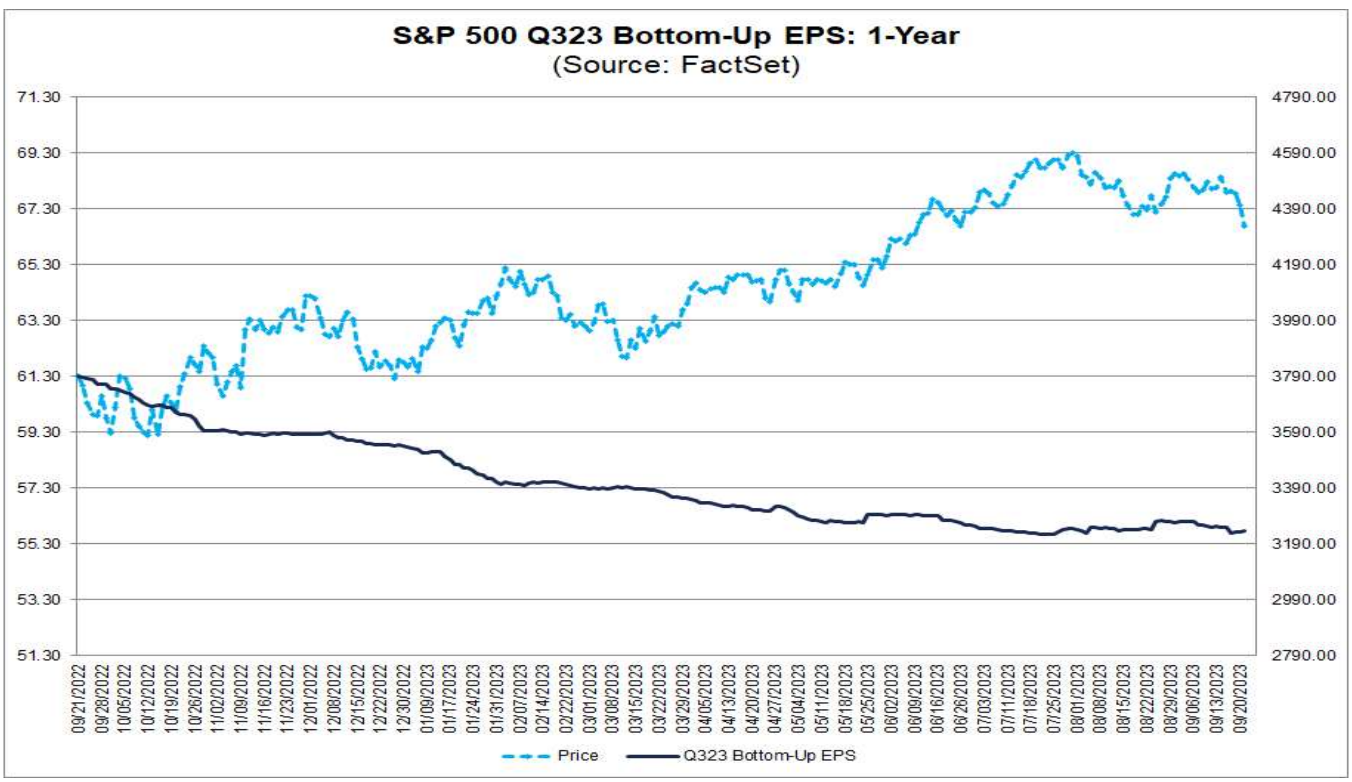




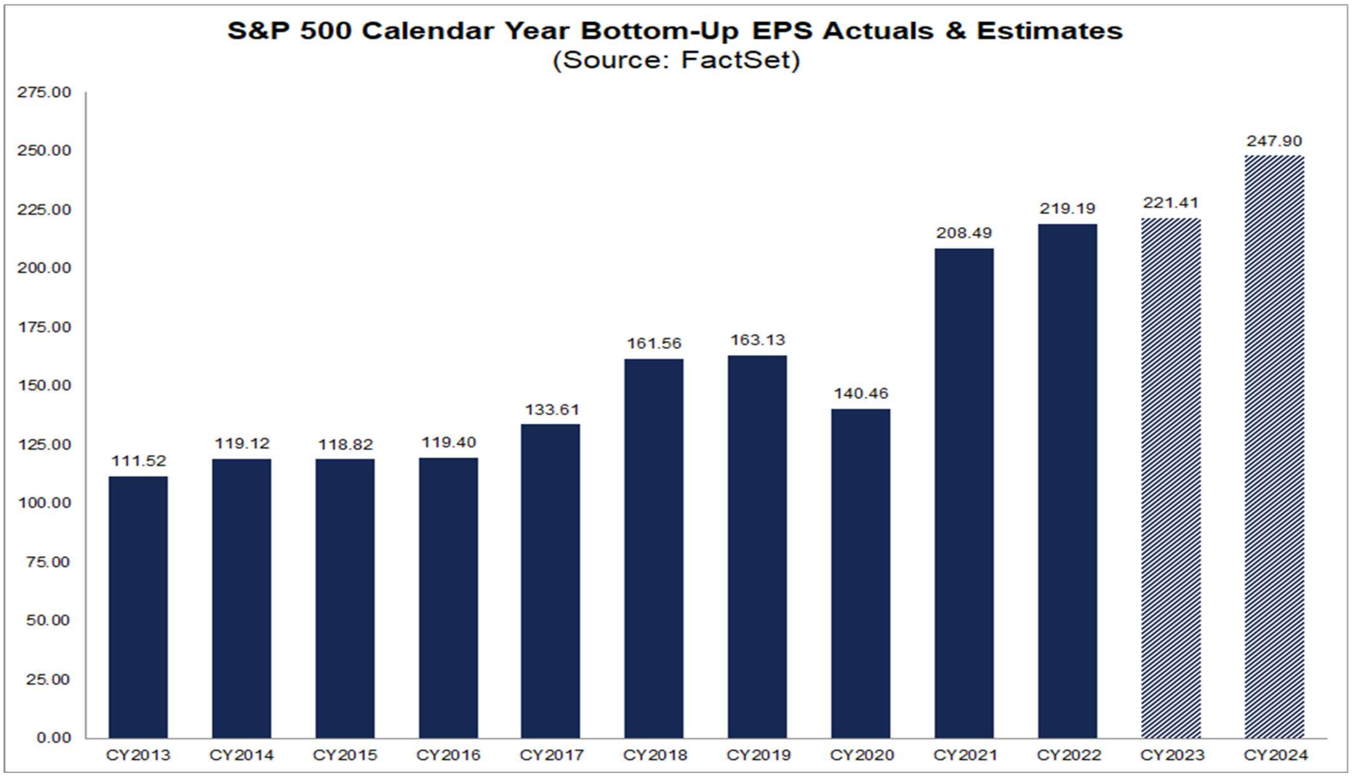
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	29%	32%	34%	35%	39%	41%	45%	52%	59%
United States	99%	82%	71%	68%	66%	65%	61%	59%	55%	48%	41%

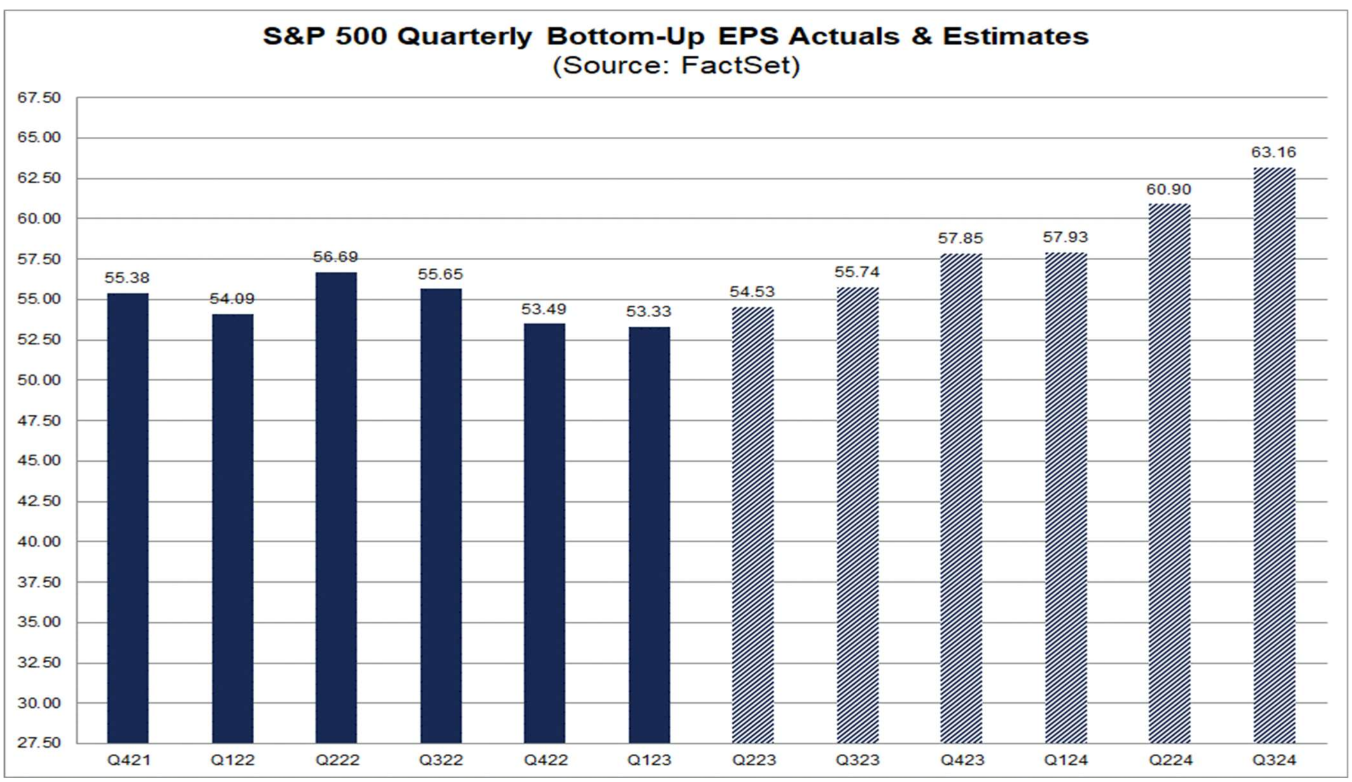
Bottom-Up EPS Estimates



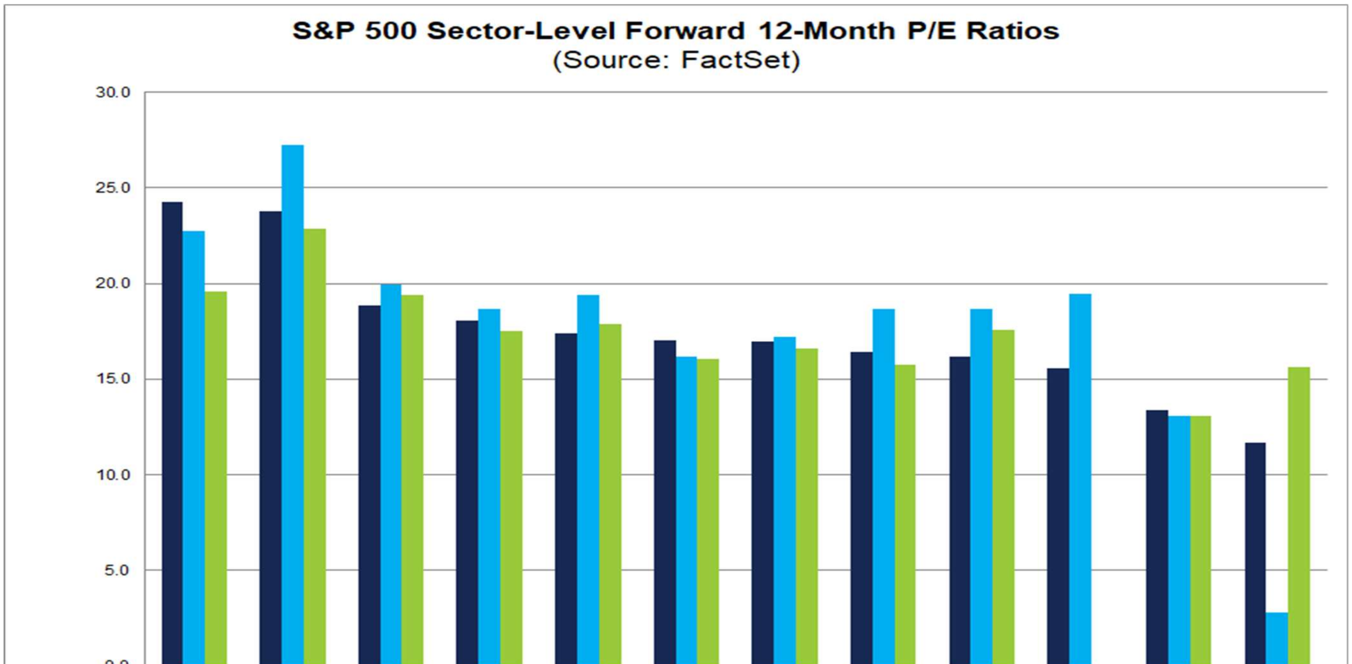


Bottom-Up EPS Estimates: Current & Historical

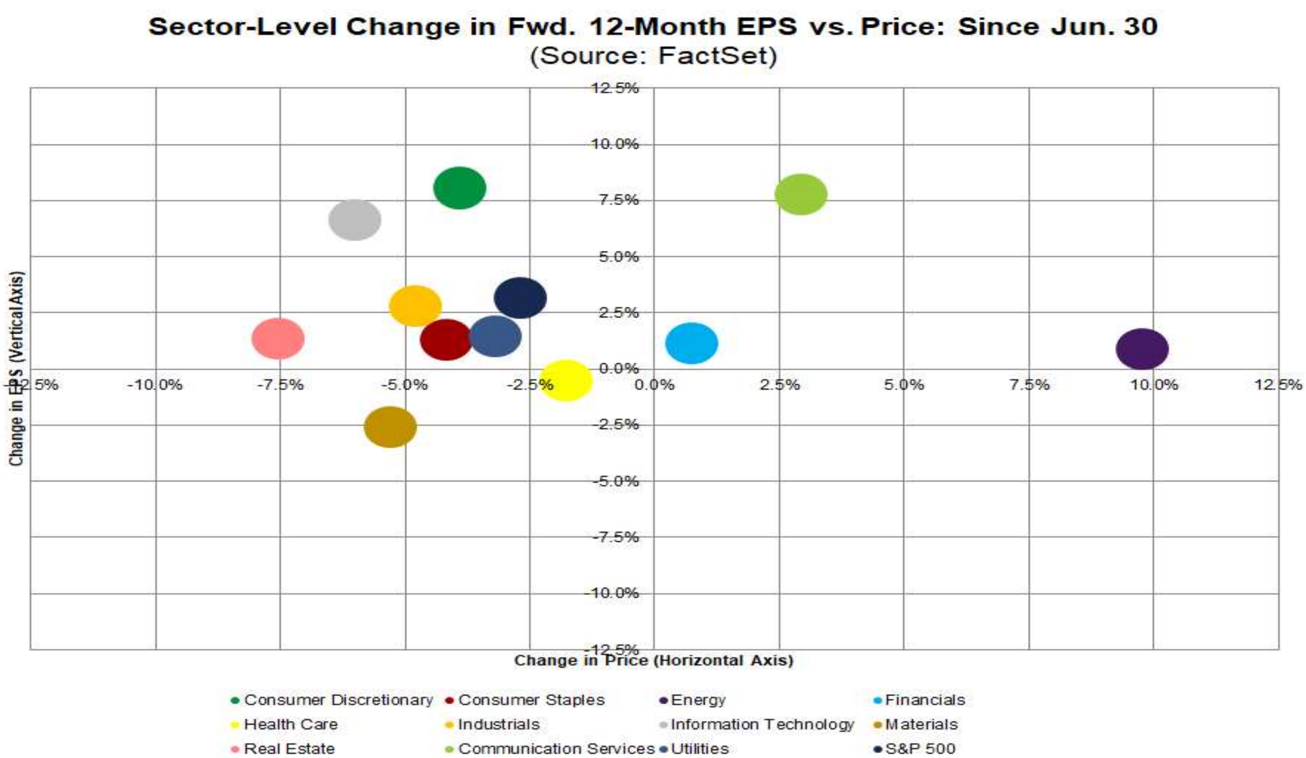




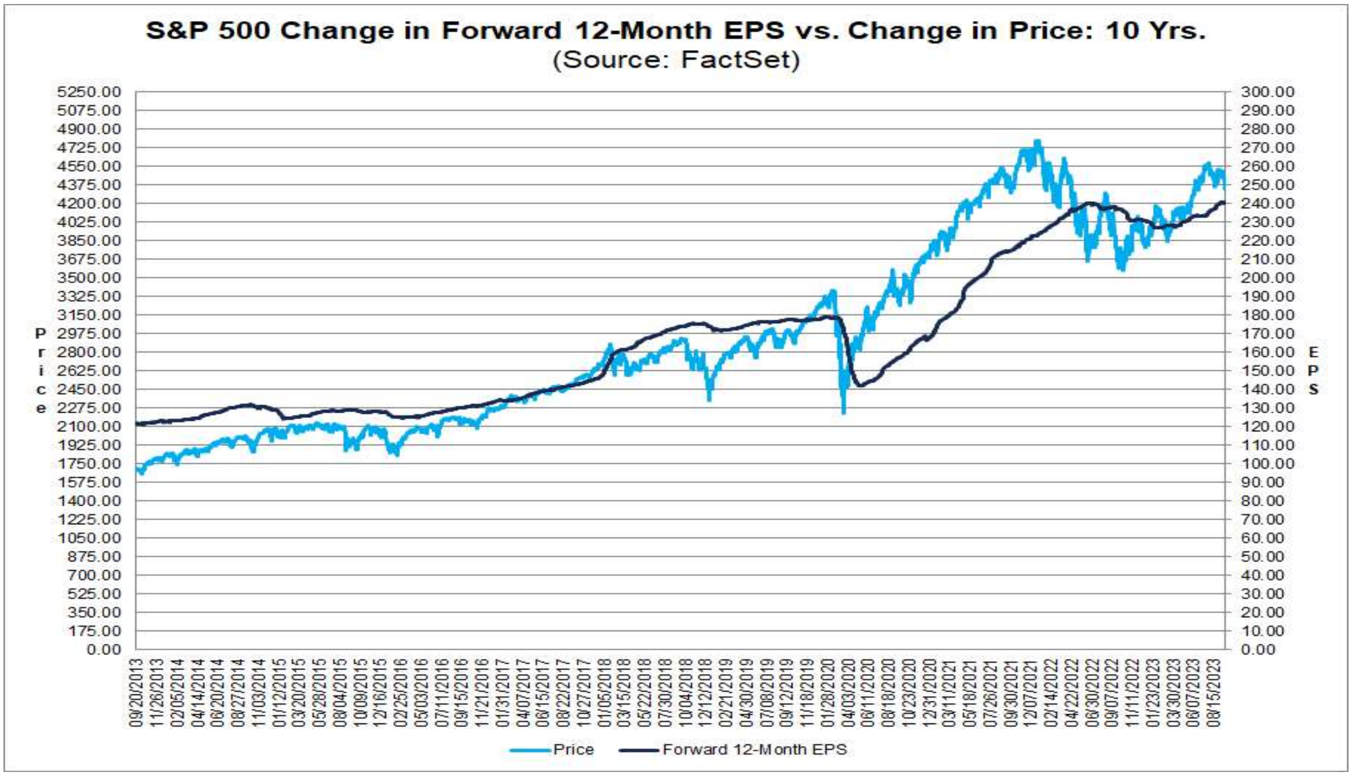
Forward 12M P/E Ratio: Sector Level

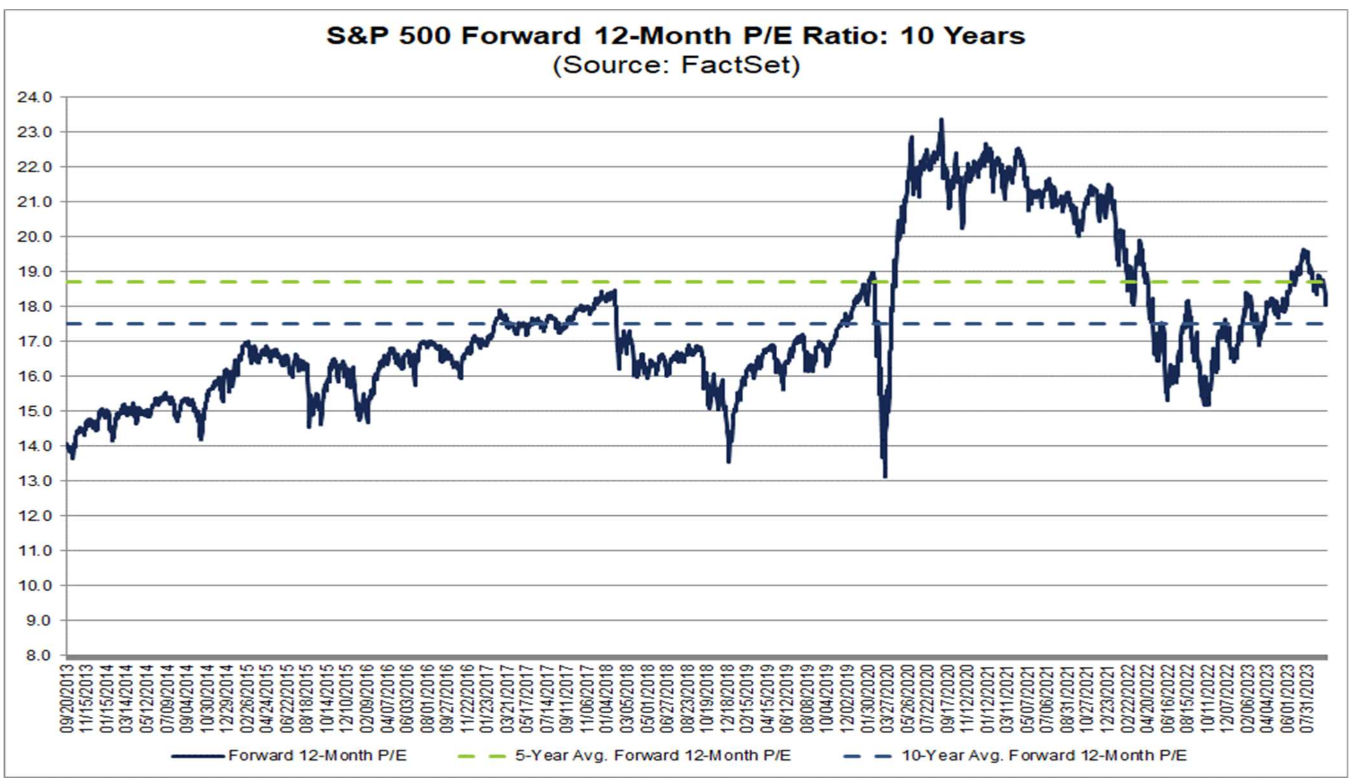


	Info. Technology	Consumer Disc.	Consumer Staples	S&P 500	Industrials	Health Care	Materials	Comm. Services	Utilities	Real Estate	Financials	Energy
Fwd P/E	24.3	23.8	18.9	18.0	17.4	17.0	17.0	16.4	16.2	15.6	13.4	11.7
5-Yr Avg.	22.7	27.2	20.0	18.7	19.4	16.2	17.2	18.7	18.7	19.5	13.1	2.8
10-Yr Avg.	19.6	22.9	19.4	17.5	17.9	16.1	16.6	15.8	17.6	0.0	13.1	15.6



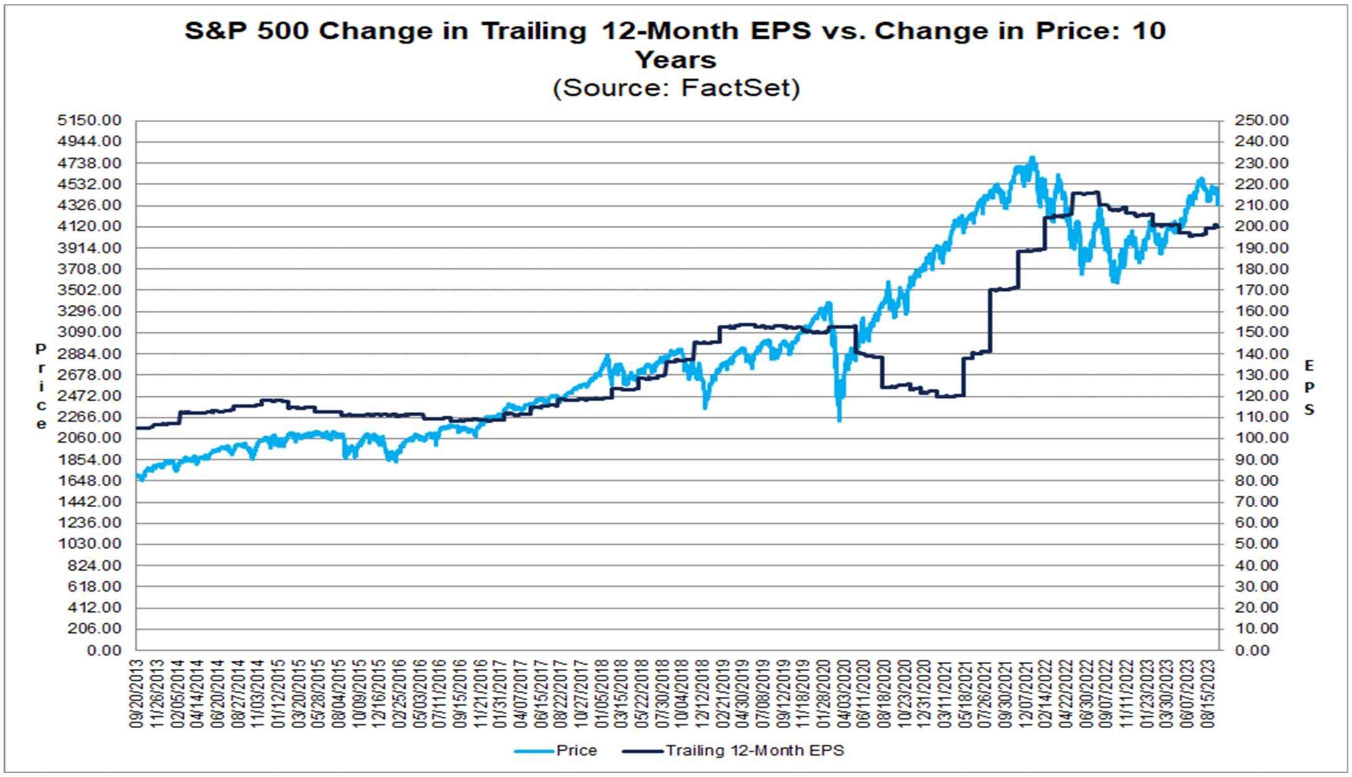
Forward 12M P/E Ratio: 10-Years

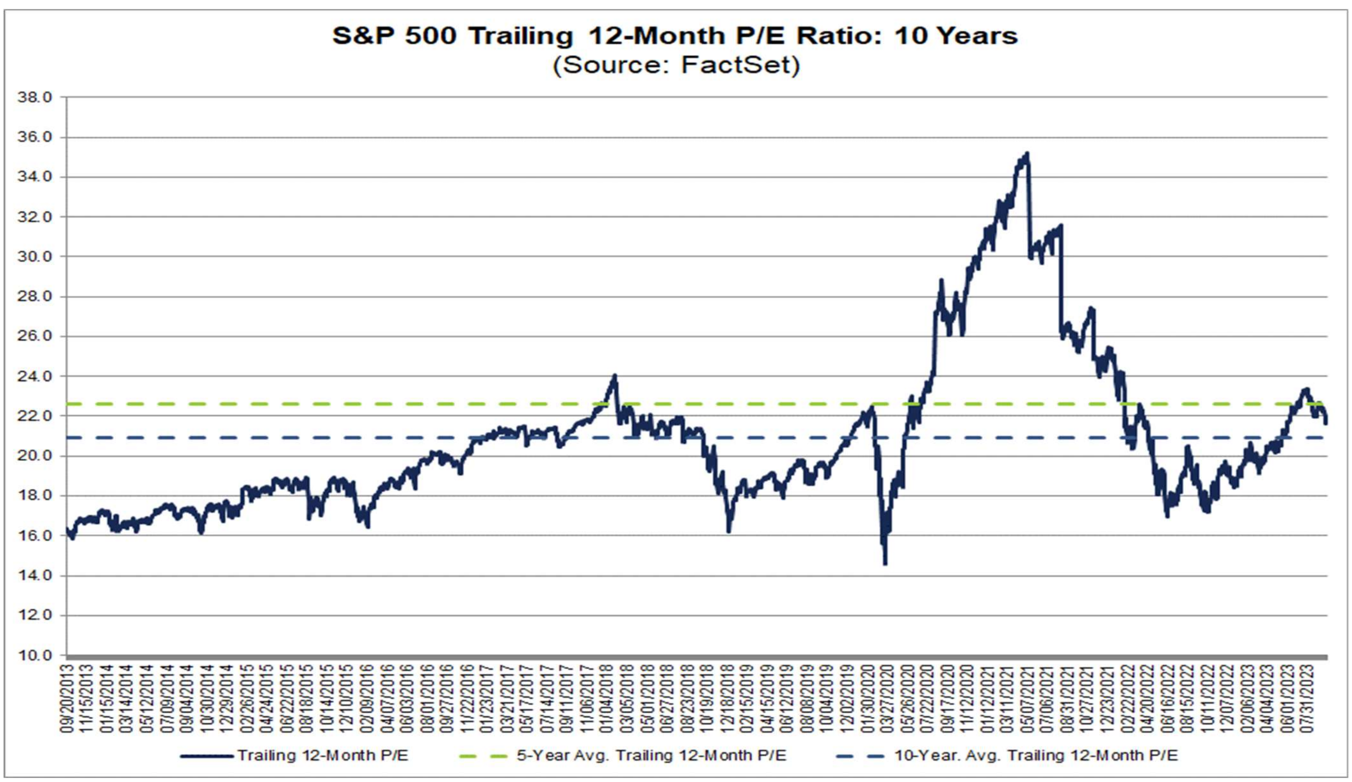




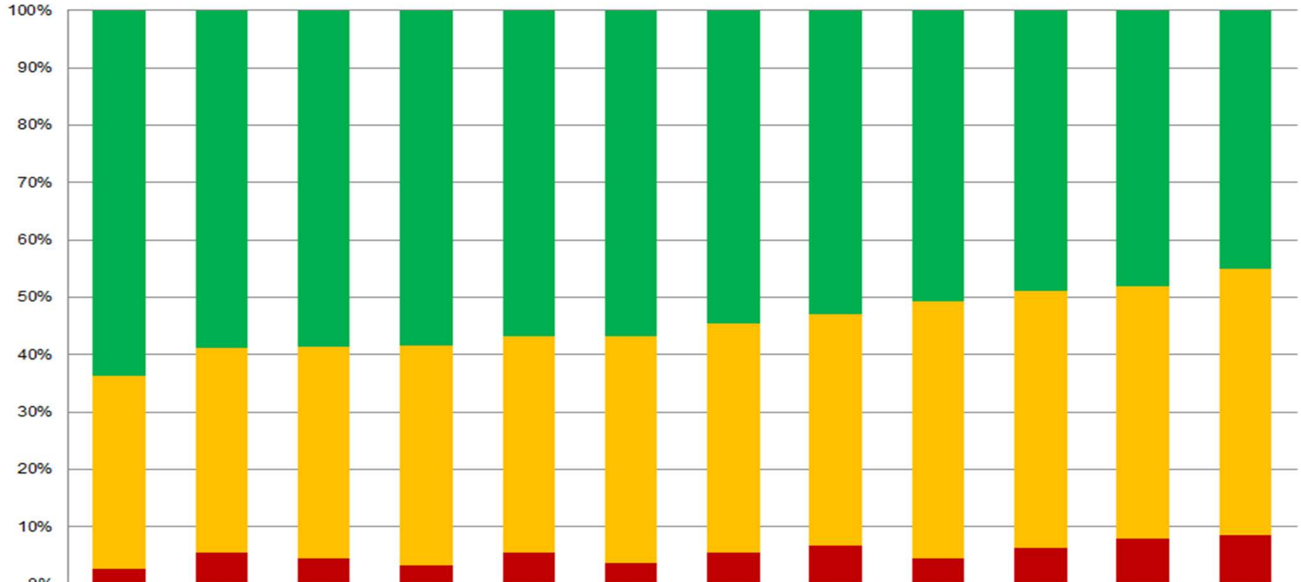
FACTSET SEE THE ADVANTAGE

Trailing 12M P/E Ratio: 10-Years

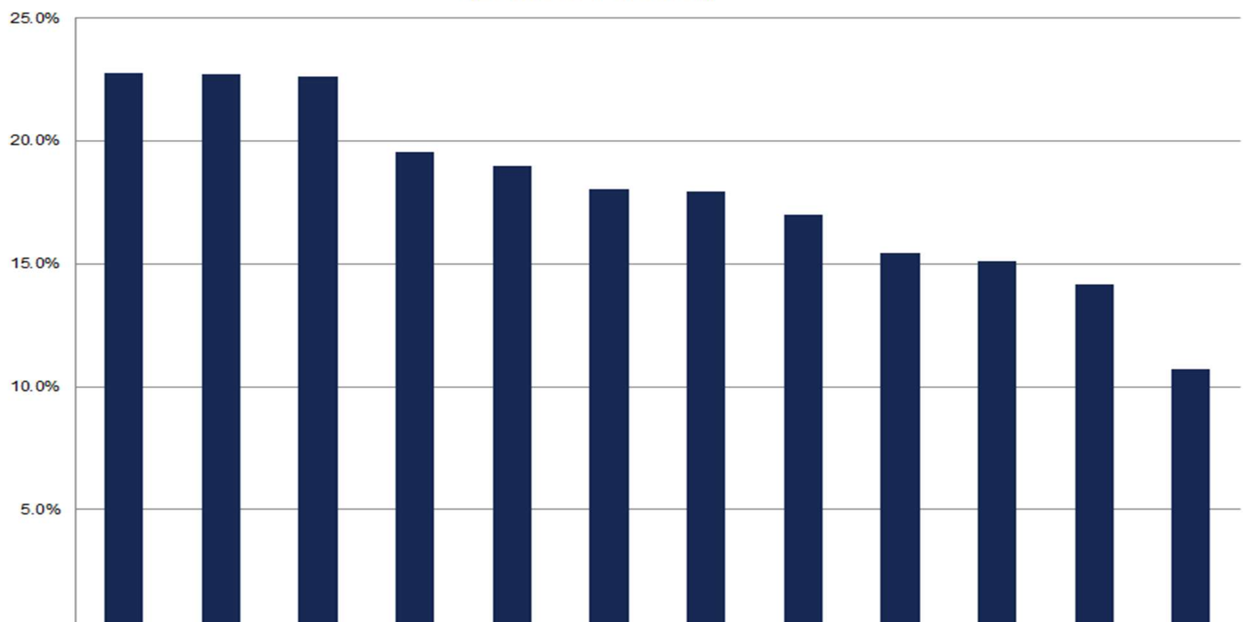




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Consumer Disc.	Real Estate	S&P 500	Financials	Utilities	Materials	Industrials	Consumer Staples
Buy	64%	59%	59%	58%	57%	57%	54%	53%	51%	49%	48%	45%
Hold	34%	36%	37%	38%	38%	40%	40%	40%	45%	45%	44%	46%
Sell	3%	5%	4%	3%	6%	4%	6%	7%	5%	6%	8%	9%



	Info. Tech.	Consumer Disc.	Real Estate	Comm. Services	S&P 500	Health Care	Materials	Industrials	Consumer Staples	Financials	Utilities	Energy
Target/Close	22.8%	22.7%	22.6%	19.6%	19.0%	18.0%	17.9%	17.0%	15.4%	15.1%	14.2%	10.7%

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