# EARNINGS INSIGHT

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Key Metrics

- **Earnings Growth:** For Q3 2022, the estimated earnings growth rate for the S&P 500 is 3.2%. If 3.2% 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, 64 S&P 500 companies have issued negative EPS guidance and 41 S&P 500 companies have issued positive EPS guidance.

- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 15.8. 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 10 S&P 500 companies reporting actual results), 6 S&P 500 companies have reported a positive EPS surprise and 7 S&P 500 companies have reported a positive revenue surprise.

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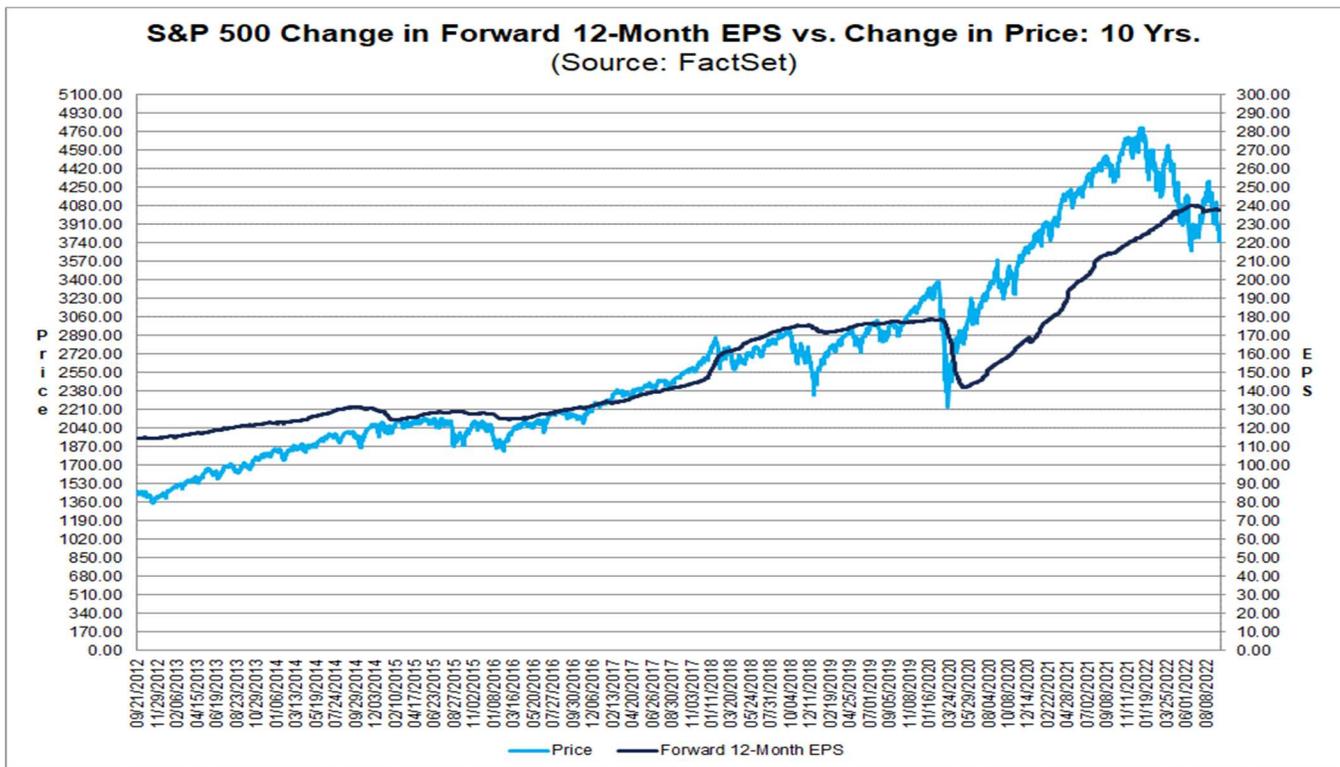
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Topic of the Week:

Industry Analysts Project More Than 25% Increase in S&P 500 Price Over the Next 12 Months

With the price of the S&P 500 falling by 17% since March 31 and concerns about a recession rising in recent weeks, where do industry analysts believe the price of the index will go from here?

Industry analysts in aggregate predict the S&P 500 will see a price increase of 25.7% over the next twelve 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 22). 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 22, the bottom-up target price for the S&P 500 was 4,724.28, which was 25.7% above the closing price of 3,757.99.

After falling for six straight months, the bottom-up target price has stabilized over the past two months. From January 31 through July 29, the bottom-up target price decreased by 11.1% (to 4,727.51 from 5,319.28). From July 29 through September 22, the bottom-up target price has stayed within a range of 4,720 to 4,750.

At the sector level, the Communication Services (+37.6%), Information Technology (+31.3%), and Real Estate (+30.8%) sectors 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 22. On the other hand, the Utilities (+10.3%) and Consumer Staples (+14.2%) sectors are expected to see the smallest price increases, as these two sectors had the smallest upside differences between the bottom-up target price and the closing price on September 22.

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 22) can be found on page 4. It is interesting to note that only 12 stocks in the S&P 500 had a median target price that was lower than their closing price on September 22. Five of these twelve stocks are in the Consumer Staples sector.

How accurate have the industry analysts been in predicting the future value of the S&P 500?

In recent months, industry analysts have overestimated the closing price by large margins. On September 30, 2021, the bottom-up target price was 5,049.43. Nearly one year later (on September 22, 2022), the S&P 500 closing price was 3,757.99. Based on yesterday's closing price, industry analysts overestimated the closing price at the end of September 2022 by about 34% nearly one-year ago.

Over the past five to ten years, industry analysts on average have been within 1% the closing price of the index 12 months later. Over the past five years, Industry analysts have underestimated the price of the index by 0.7% on average (using month-end values). Over the past ten years, industry analysts have overestimated the price of the index by 0.1% on average (using month-end values).

Over longer time periods, analysts have typically overestimated the closing price 12 months later. Over the past fifteen years, industry analysts have overestimated the price of the index by 8.2% on average (using month-end values). Over the past twenty years, industry analysts have overestimated the price of the index by 9.7% on average (using month-end values).

S&P 500 Bottom-Up Target Price vs. Closing Price: 12 Months
(Source: FactSet)

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

	Comm. Services	Info. Tech.	Real Estate	Consumer Disc.	Materials	S&P 500	Energy	Financials	Industrials	Health Care	Consumer Staples	Utilities
■Target/Close	37.6%	31.3%	30.8%	28.6%	26.9%	25.7%	22.9%	22.3%	22.2%	19.6%	14.2%	10.3%
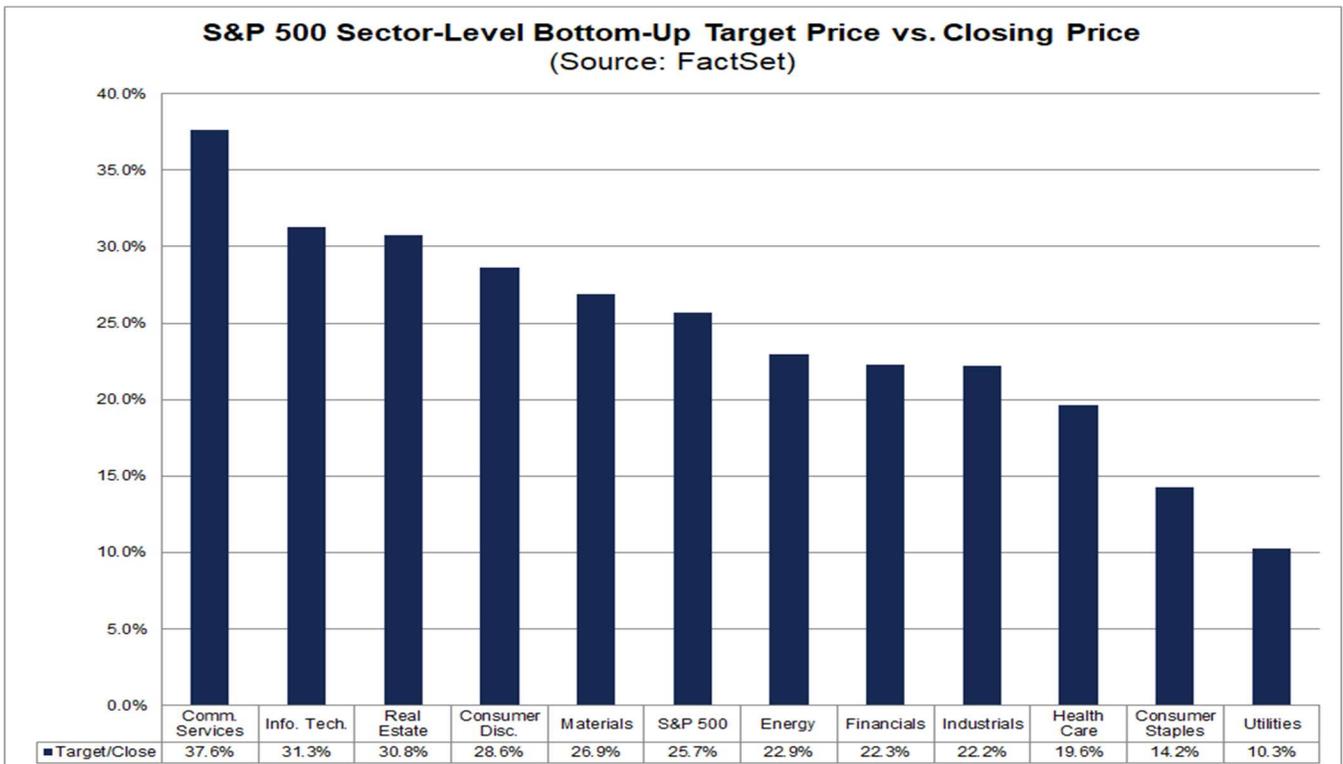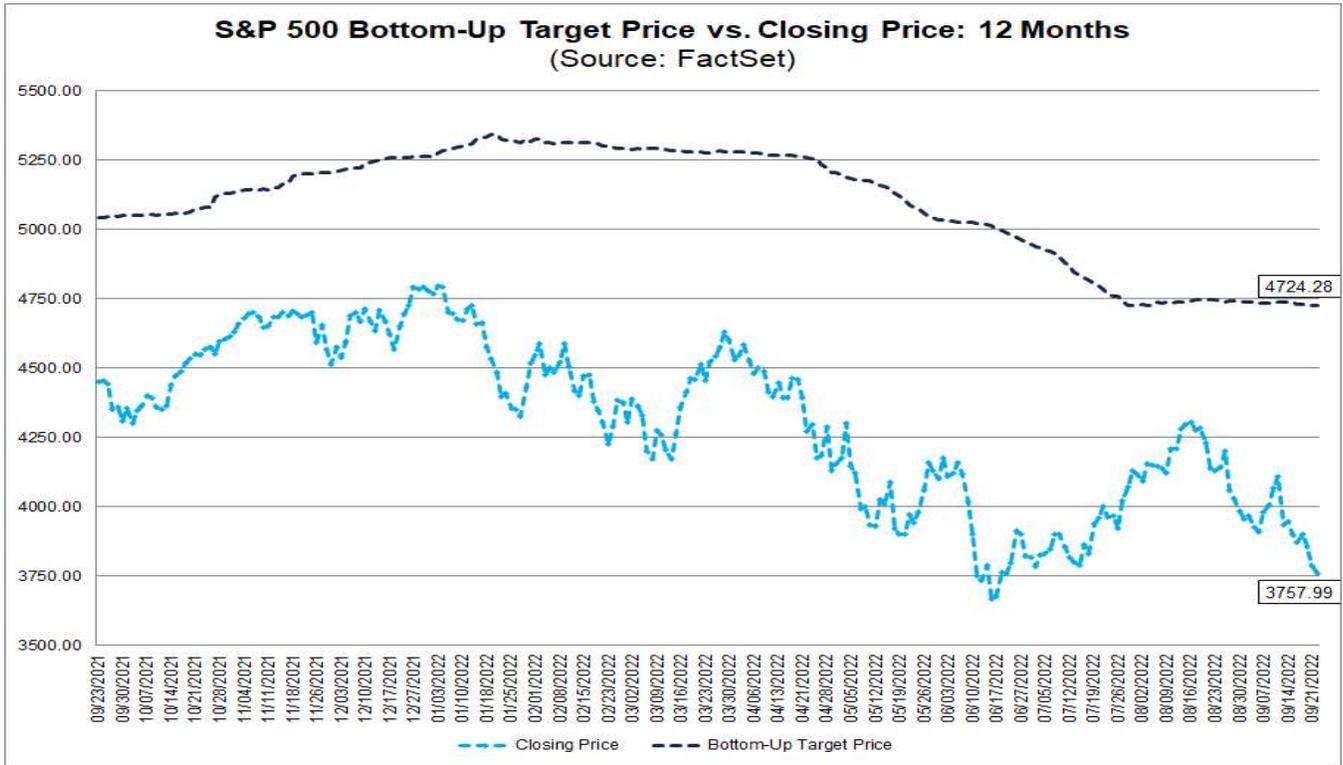
S&P 500: Difference Between Median Target Price & Closing Price: Top 10 (Source: FactSet)

Company	Target	Closing	Diff ($)	Diff (%)
DISH Network Corporation Class A	32.00	15.67	16.33	**104.2%**
Generac Holdings Inc.	345.00	171.08	173.92	**101.7%**
Caesars Entertainment Inc	72.00	37.62	34.38	**91.4%**
MGM Resorts International	55.00	30.61	24.39	**79.7%**
Warner Bros. Disc., Inc. Series A	21.00	12.01	8.99	**74.9%**
Advanced Micro Devices, Inc.	120.00	69.50	50.50	**72.7%**
News Corporation Class A	26.70	15.69	11.01	**70.2%**
Bio-Rad Laboratories, Inc. Class A	700.00	418.55	281.45	**67.2%**
Bio-Techne Corporation	480.00	290.22	189.78	**65.4%**
Align Technology, Inc.	360.00	217.95	142.05	**65.2%**

S&P 500: Difference Between Median Target Price & Closing Price: Bottom 10 (Source: FactSet)

Company	Target	Closing	Diff ($)	Diff (%)
Clorox Company	130.00	141.28	-11.28	**-8.0%**
Consolidated Edison, Inc.	89.00	96.42	-7.42	**-7.7%**
Pinnacle West Capital Corp.	69.00	72.70	-3.70	**-5.1%**
General Mills, Inc.	77.00	80.78	-3.78	**-4.7%**
Genuine Parts Company	150.00	154.32	-4.32	**-2.8%**
Campbell Soup Company	48.00	49.18	-1.18	**-2.4%**
Progressive Corporation	121.00	122.42	-1.42	**-1.2%**
Twitter, Inc.	41.00	41.40	-0.40	**-1.0%**
Netflix, Inc.	235.00	237.05	-2.05	**-0.9%**
Principal Financial Group, Inc.	75.00	75.42	-0.42	**-0.6%**

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 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 6.3% 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, 64 have issued negative EPS guidance and 41 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q3 2022 (64) 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 3.2%, compared to the estimated (year-over-year) earnings growth rate of 9.8% on June 30.

If 3.2% 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 4.5% for Q4 2022, and 7.7% for CY 2022. For Q1 2023 and Q2 2023, analysts are projecting earnings growth of 7.2% and 6.0%.

The forward 12-month P/E ratio is 15.8, which is below the 5-year average (18.6) and below the 10-year average (17.0). However, it is equal to the forward P/E ratio of 15.8 recorded at the end of the second quarter (June 30), as both the price of the index and forward 12-month EPS estimate for the index have decreased slightly since June 30.

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

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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 3.2% from 3.3%.

The estimated earnings growth rate for the S&P 500 for Q3 2022 of 3.2% today is below the estimate of 9.8% at the start of the quarter (June 30), as estimated earnings for the index of $484.1 billion today are 6.0% 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, Materials, Consumer Discretionary, 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 (-8.6%) 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) and Twitter (to $0.00 from $0.19). 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.

Materials: Freeport-McMoRan Leads Earnings Decrease Since June 30

The Materials sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -11.0% (to $15.5 billion from $17.4 billion). As a result, the estimated (year-over-year) earnings decline for this sector is now -4.9% compared to an earnings growth rate of 6.9% on June 30. This sector has also witnessed the third-largest decrease in price (-5.0%) of all eleven sectors 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 Corteva (to -$0.21 from -$0.15) and Freeport-McMoRan (to $0.51 from $0.93). Freeport-McMoRan has also been the largest contributor 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 third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -10.3% (to $37.3 billion from $41.5 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has declined to 13.7% today from 26.7% on June 30. Despite the decrease in expected earnings, this sector has witnessed the largest increase in price (+9.2%) of all eleven sectors since June 30. Overall, 45 of the 56 companies (80%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 45 companies, 22 have recorded a decrease in their mean EPS estimate of more than 10%, led by Norwegian Cruise Line Holdings (to -0.68 from $0.29), Carnival (to -$0.11 from $0.05), and Las Vegas Sands (to -$0.23 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.

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 -4.0% compared to an earnings growth rate of 5.2% on June 30. This sector has also witnessed a decrease in price of 1.0% since June 30. Overall, 40 of the 76 companies (53%) in the Information Technology sector have seen a decrease in their mean EPS estimate during this time. Of these 40 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Western Digital (to $0.46 from $2.16), Seagate Technology (to $0.83 from $2.30), and Intel (to $0.35 from $0.90). Intel, NVIDIA (to $0.73 from $1.37), Micron Technology (to $1.41 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 6.6% (to $53.4 billion from $50.1 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 116.7% from 103.4% during this time. This increase in estimated earnings has occurred despite a 21% decline in the price of oil since June 30 (to $83.49 from $105.76). This sector has also witnessed the second-largest increase in price (+6.5%) 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 $7.59 from $5.10), Marathon Petroleum (to $6.10 from $4.15), Phillips 66 (to $4.62 from $3.84) and Exxon Mobil (to $3.45 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: 6.3% 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 6.3% (to $55.72 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 Positive 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, 64 have issued negative EPS guidance and 41 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q3 2022 (64) is lower than the numbers for Q1 2022 (68) and Q2 2022 (72), but higher than the 5-year average (58). The number of S&P 500 companies issuing positive EPS guidance for Q3 2022 (41) is higher than the numbers for Q1 2022 (29) and Q2 2022 (32), and higher than the 5-year average (39).

At this point in time, 247 companies in the index have issued EPS guidance for the current fiscal year (FY 2022 or FY 2023). Of these 247 companies, 133 have issued negative EPS guidance and 114 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 54% (133 out of 247).

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: 3.2%

The estimated (year-over-year) earnings growth rate for Q3 2022 is 3.2%, 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 3.2% 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 of all eleven sectors at 116.7%. 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 ($92.67) is 31% 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 (250%), Oil & Gas Exploration & Production (125%), Integrated Oil & Gas (101%), 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 3.1% rather than growth in earnings of 3.2%.

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 24.2%. 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 (16%). 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 13.4% from 24.2%.

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.

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 -11.7%. 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 35.6%. 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 ($92.67) is 31% 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 (41%), Oil & Gas Storage & Transportation (26%), Oil & Gas Refining & Marketing (24%), and Oil & Gas Equipment & Services (21%).

Net Profit Margin: 12.2%

The estimated net profit margin for the S&P 500 for Q3 2022 is 12.2%, which is above the 5-year average of 11.3%, but below the previous quarter's net profit margin of 12.3% and the year-ago net profit margin of 12.8%.

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 14.3% vs. 8.9%) sector. On the other hand, eight 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 (23.2% vs. 25.5%), and Communication Services (10.7% vs. 12.9%) sectors.

Seven sectors are expected to report net profit margins in Q3 2022 that are above their 5-year averages, led by the Energy (14.3% 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 3.2% and revenue growth of 8.7%.

For Q4 2022, analysts are projecting earnings growth of 4.5% and revenue growth of 6.4%.

For CY 2022, analysts are projecting earnings growth of 7.7% and revenue growth of 10.7%.

For Q1 2023, analysts are projecting earnings growth of 7.2% and revenue growth of 6.1%.

For Q2 2023, analysts are projecting earnings growth of 6.0% and revenue growth of 3.4%.

For CY 2023, analysts are projecting earnings growth of 8.1% and revenue growth of 4.5%.

Valuation: Forward P/E Ratio is 15.8, Below the 10-Year Average (17.0)

The forward 12-month P/E ratio for the S&P 500 is 15.8. 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 equal to 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 decreased by 0.7%, while the forward 12-month EPS estimate has decreased by 1.1%. At the sector level, the Consumer Discretionary (24.1) sector has the highest forward 12-month P/E ratio, while the Energy (8.3) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 18.1, which is below the 5-year average of 22.9 and below the 10-year average of 20.4.

Targets & Ratings: Analysts Project 25.7% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 4724.28, which is 25.7% above the closing price of 3757.99. At the sector level, the Communication Services (+37.6%), Information Technology (+31.3%), and Real Estate (+30.8%) 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 (+10.3%) 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 10,641 ratings on stocks in the S&P 500. Of these 10,641 ratings, 55.5% are Buy ratings, 38.8% are Hold ratings, and 5.7% are Sell ratings. At the sector level, the Energy (63%), Real Estate (62%), and Information Technology (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (40%) and Utilities (49%) sectors have the lowest percentages of Buy ratings.

Companies Reporting Next Week: 6

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

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Q2 2022: Scorecard

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

	Energy	Info. Technology	Real Estate	Industrials	Health Care	S&P 500	Materials	Utilities	Consumer Staples	Consumer Disc.	Financials	Comm. Services
■ Below	5%	11%	6%	14%	19%	20%	25%	17%	15%	28%	35%	46%
■ In-Line	5%	3%	13%	6%	3%	5%	0%	10%	15%	3%	0%	4%
■ Above	90%	87%	81%	80%	78%	75%	75%	72%	70%	69%	65%	50%

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

	Utilities	Energy	Materials	Info. Technology	Consumer Staples	Real Estate	S&P 500	Health Care	Industrials	Consumer Disc.	Financials	Comm. Services
■ Below	7%	14%	18%	21%	21%	26%	30%	31%	35%	41%	43%	46%
■ In-Line	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%
■ Above	93%	86%	82%	79%	79%	74%	70%	69%	63%	59%	57%	54%

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Q2 2022: Scorecard

S&P 500 Sector-Level Earnings Surprise %: Q2 2022
(Source: FactSet)

Sector	Surprise %
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%

■ Surprise %

S&P 500 Sector-Level Revenue Surprise %: Q2 2022
(Source: FactSet)

Sector	Surprise %
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	1.8%
Materials	1.3%
Industrials	0.2%
Info. Technology	0.1%
Comm. Services	0.1%

■ Surprise %

Q2 2022: Scorecard

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

Legend: ■ Number of Companies Reporting Surprise % in Each Range ■ Average Price Change % (2 Days Before Report + 2 Days After Report)

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

Legend: ■ Q2 2022 ■ 5-Year Average

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Q2 2022: Scorecard

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

Company	Surprise %
NRG Energy, Inc.	985.2%
News Corporation Class A	346.9%
News Corporation Class B	346.9%
General Electric Company	108.6%
Ceridian HCM Holding, Inc.	103.8%
Etsy, Inc.	57.2%
Ford Motor Company	50.3%
Hartford Financial Services Group, Inc.	41.8%
EPAM Systems, Inc.	39.0%
MetLife, Inc.	37.9%

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

Company	Surprise %
PENN Entertainment, Inc.	-70.0%
MGM Resorts International	-87.6%
VICI Properties Inc	-113.0%
Match Group, Inc.	-119.4%
T-Mobile US, Inc.	-141.6%
Twitter, Inc.	-158.2%
Constellation Energy Corporation	-162.4%
Amazon.com, Inc.	-266.8%
Caesars Entertainment Inc	-422.9%
Warner Bros. Discovery, Inc. Series A	-1158.1%

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Q2 2022: Growth

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

	Energy	Industrials	Materials	Real Estate	Health Care	S&P 500	Utilities	Info. Technology	Consumer Staples	Comm. Services	Consumer Disc.	Financials
Today	293.0%	27.0%	11.9%	11.0%	6.8%	6.2%	0.4%	0.2%	0.0%	-16.3%	-18.2%	-22.9%
30-Jun	218.4%	26.7%	13.1%	10.9%	0.6%	3.9%	-9.6%	1.1%	-2.5%	-9.2%	-9.4%	-23.2%

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

	Energy	Materials	Utilities	Real Estate	S&P 500	Industrials	Consumer Disc.	Health Care	Consumer Staples	Info. Technology	Comm. Services	Financials
Today	77.5%	16.7%	16.3%	15.9%	14.0%	12.8%	11.5%	9.8%	8.2%	7.2%	5.9%	4.4%
30-Jun	44.7%	16.2%	1.3%	14.2%	10.1%	12.5%	10.9%	6.7%	5.3%	7.7%	5.8%	2.7%

Q2 2022: Growth

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

2.1%	6.2%	13.3%

■ S&P 500 Companies > 50% Revenue in U.S. ■ All S&P 500 Companies ■ S&P 500 Companies < 50% Revenues in U.S.

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

12.8%	14.0%	16.8%

■ S&P 500 Companies > 50% Revenue in U.S. ■ All S&P 500 Companies ■ S&P 500 Companies < 50% Revenues in U.S.

Q2 2022: Net Profit Margin

S&P 500 Net Profit Margins: Q222 vs. Q221
(Source: FactSet)

	Real Estate	Information Tech.	Financials	Energy	Materials	Utilities	S&P 500	Health Care	Comm. Services	Industrials	Consumer Staples	Consumer Disc.
Q222	35.7%	23.4%	16.1%	14.4%	14.2%	12.7%	12.3%	11.0%	10.7%	10.1%	6.5%	5.7%
Q221	37.3%	25.1%	21.8%	6.5%	14.8%	14.7%	13.1%	11.3%	13.5%	9.0%	7.1%	7.8%

S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin: Q222 vs. Q221
(Source: FactSet)

	Energy	Real Estate	Industrials	Information Tech.	Consumer Disc.	S&P 500	Health Care	Materials	Comm. Services	Consumer Staples	Financials	Utilities
Down %	14%	39%	41%	57%	57%	58%	64%	64%	65%	70%	73%	79%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3%
Up %	86%	61%	59%	43%	43%	42%	36%	36%	35%	30%	27%	17%

Q3 2022: Guidance

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

Sector	# of Negative EPS Preannouncements	# of Positive EPS Preannouncements
Info. Technology	26	18
Materials	7	2
Consumer Disc.	7	4
Health Care	7	4
Industrials	6	6
Consumer Staples	4	1
Utilities	3	0
Comm. Services	2	0
Real Estate	2	6
Financials	0	0
Energy	0	0

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

	Utilities	Comm. Services	Consumer Staples	Materials	Consumer Disc.	Health Care	S&P 500	Info. Technology	Industrials	Real Estate	Financials	Energy
Positive	0%	0%	20%	22%	36%	36%	39%	41%	50%	75%	0%	0%
Negative	100%	100%	80%	78%	64%	64%	61%	59%	50%	25%	0%	0%

Q3 2022: EPS Revisions

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

Company	Change
Ventas, Inc.	262.5%
Allstate Corporation	46.2%
Carnival Corporation	24.7%
General Mills, Inc.	12.5%
Progressive Corporation	8.6%
Valero Energy Corporation	6.0%
NVR, Inc.	5.2%
AutoZone, Inc.	5.0%
Coterra Energy Inc.	4.7%
Marathon Petroleum Corporation	4.6%

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

Company	Change
Norwegian Cruise Line Holdings Ltd.	-17.0%
Catalent Inc	-17.2%
T-Mobile US, Inc.	-17.9%
Ford Motor Company	-18.3%
Best Buy Co., Inc.	-19.5%
HP Inc.	-19.6%
Dow, Inc.	-23.4%
Royal Caribbean Group	-27.7%
FedEx Corporation	-34.2%
Seagate Technology Holdings PLC	-41.0%

Q3 2022: Growth

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

	Energy	Industrials	Real Estate	Consumer Disc.	S&P 500	Info. Technology	Consumer Staples	Materials	Utilities	Health Care	Financials	Comm. Services
Today	116.7%	24.2%	16.2%	13.7%	3.2%	-4.0%	-4.3%	-4.9%	-5.4%	-6.7%	-11.7%	-13.1%
30-Jun	103.4%	30.9%	16.8%	26.7%	9.8%	5.2%	1.3%	6.9%	-4.2%	0.3%	-7.8%	0.1%

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

	Energy	Consumer Disc.	Real Estate	Industrials	S&P 500	Materials	Info. Technology	Consumer Staples	Comm. Services	Health Care	Utilities	Financials
Today	35.6%	14.3%	13.0%	12.7%	8.7%	6.0%	5.3%	5.2%	4.3%	3.9%	2.9%	2.1%
30-Jun	34.1%	15.6%	14.0%	13.9%	9.7%	9.9%	9.5%	4.7%	6.8%	4.2%	2.9%	1.9%

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)

	Comm. Services	Utilities	Financials	Consumer Disc.	Consumer Staples	S&P 500	Industrials	Health Care	Info. Technology	Energy	Materials	Real Estate
Positive	0%	22%	29%	31%	45%	46%	49%	50%	50%	50%	62%	78%
Negative	100%	78%	71%	69%	55%	54%	51%	50%	50%	50%	38%	22%

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CY 2022: Growth

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

	Energy	Industrials	Real Estate	Materials	S&P 500	Info. Technology	Utilities	Health Care	Consumer Staples	Comm. Services	Consumer Disc.	Financials
Today	146.6%	30.6%	13.6%	11.2%	7.7%	6.8%	5.5%	3.9%	1.2%	-7.5%	-7.6%	-13.5%
30-Jun	120.5%	33.2%	13.9%	15.6%	9.6%	11.0%	4.4%	4.8%	2.5%	0.4%	-0.4%	-12.1%

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

	Energy	Real Estate	Consumer Disc.	Materials	Industrials	S&P 500	Info. Technology	Health Care	Comm. Services	Consumer Staples	Financials	Utilities
Today	47.0%	14.7%	12.1%	11.8%	11.8%	10.7%	9.2%	7.7%	6.6%	6.6%	1.4%	1.3%
30-Jun	38.5%	14.9%	12.8%	13.0%	12.2%	10.7%	11.3%	7.1%	8.4%	5.9%	3.0%	-0.5%

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CY 2023: Growth

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

	Consumer Disc.	Industrials	Comm. Services	Financials	Info. Technology	S&P 500	Consumer Staples	Real Estate	Utilities	Health Care	Materials	Energy
■ Today	38.5%	16.5%	14.8%	13.7%	8.8%	8.1%	6.6%	5.9%	5.6%	-0.8%	-7.6%	-11.1%
30-Jun	36.3%	19.1%	16.7%	13.7%	11.1%	9.5%	7.5%	5.6%	6.7%	-0.1%	-5.4%	-11.5%

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

	Financials	Consumer Disc.	Comm. Services	Info. Technology	Industrials	Real Estate	S&P 500	Consumer Staples	Health Care	Utilities	Materials	Energy
■ Today	9.7%	9.6%	6.5%	6.4%	5.5%	5.4%	4.5%	3.6%	3.0%	2.3%	-1.6%	-7.2%
30-Jun	7.4%	10.4%	8.3%	7.9%	6.4%	5.3%	4.8%	3.6%	2.9%	2.7%	-0.9%	-8.3%

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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)

Revenue Exposure (%)

	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	2%	16%	22%	33%	35%	36%	38%	43%	44%	55%	58%
United States	98%	84%	78%	67%	65%	64%	62%	57%	56%	45%	42%

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Bottom-Up EPS Estimates

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

242.31

224.57

- - - CY 2023 Bottom-Up EPS —— CY 2022 Bottom-Up EPS

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

- - - Price —— Q322 Bottom-Up EPS

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Bottom-Up EPS Estimates: Current & Historical

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

Year	EPS
CY2012	105.44
CY2013	111.52
CY2014	119.12
CY2015	118.82
CY2016	119.40
CY2017	133.61
CY2018	161.56
CY2019	163.13
CY2020	140.46
CY2021	208.49
CY2022	224.57
CY2023	242.31

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

Quarter	EPS
Q420	42.31
Q121	49.04
Q221	52.80
Q321	53.87
Q421	55.38
Q122	54.02
Q222	56.87
Q322	55.72
Q422	58.10
Q123	57.39
Q223	59.73
Q323	61.35

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Forward 12M P/E Ratio: Sector Level

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

	Consumer Disc.	Utilities	Consumer Staples	Info. Technology	Real Estate	S&P 500	Industrials	Health Care	Comm. Services	Materials	Financials	Energy
■ Fwd P/E	24.1	19.8	19.7	19.4	16.6	15.8	15.8	15.3	14.0	12.7	11.2	8.3
■ 5-Yr Avg.	26.5	18.5	19.6	21.8	19.6	18.6	19.3	16.0	17.8	17.3	13.2	5.0
■ 10-Yr Avg.	22.0	17.3	19.0	18.4		17.0	17.5	15.8	15.9	16.3	13.0	15.7

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

- ● Consumer Discretionary
- ● Consumer Staples
- ● Energy
- ● Financials
- ● Health Care
- ● Industrials
- ● Information Technology
- ● Materials
- ● Real Estate
- ● Communication Services
- ● Utilities
- ● S&P 500

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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)

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Trailing 12M P/E Ratio: 10-Years

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

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

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Targets & Ratings

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

	Energy	Real Estate	Info. Tech.	Health Care	Consumer Disc.	Comm. Services	S&P 500	Industrials	Financials	Materials	Utilities	Consumer Staples
■ Buy	63%	62%	61%	58%	58%	57%	56%	53%	51%	51%	49%	40%
■ Hold	33%	35%	35%	37%	38%	37%	39%	41%	43%	42%	39%	49%
■ Sell	4%	3%	4%	5%	4%	6%	6%	6%	6%	7%	12%	11%

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

	Comm. Services	Info. Tech.	Real Estate	Consumer Disc.	Materials	S&P 500	Energy	Financials	Industrials	Health Care	Consumer Staples	Utilities
■ Target/Close	37.6%	31.3%	30.8%	28.6%	26.9%	25.7%	22.9%	22.3%	22.2%	19.6%	14.2%	10.3%

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