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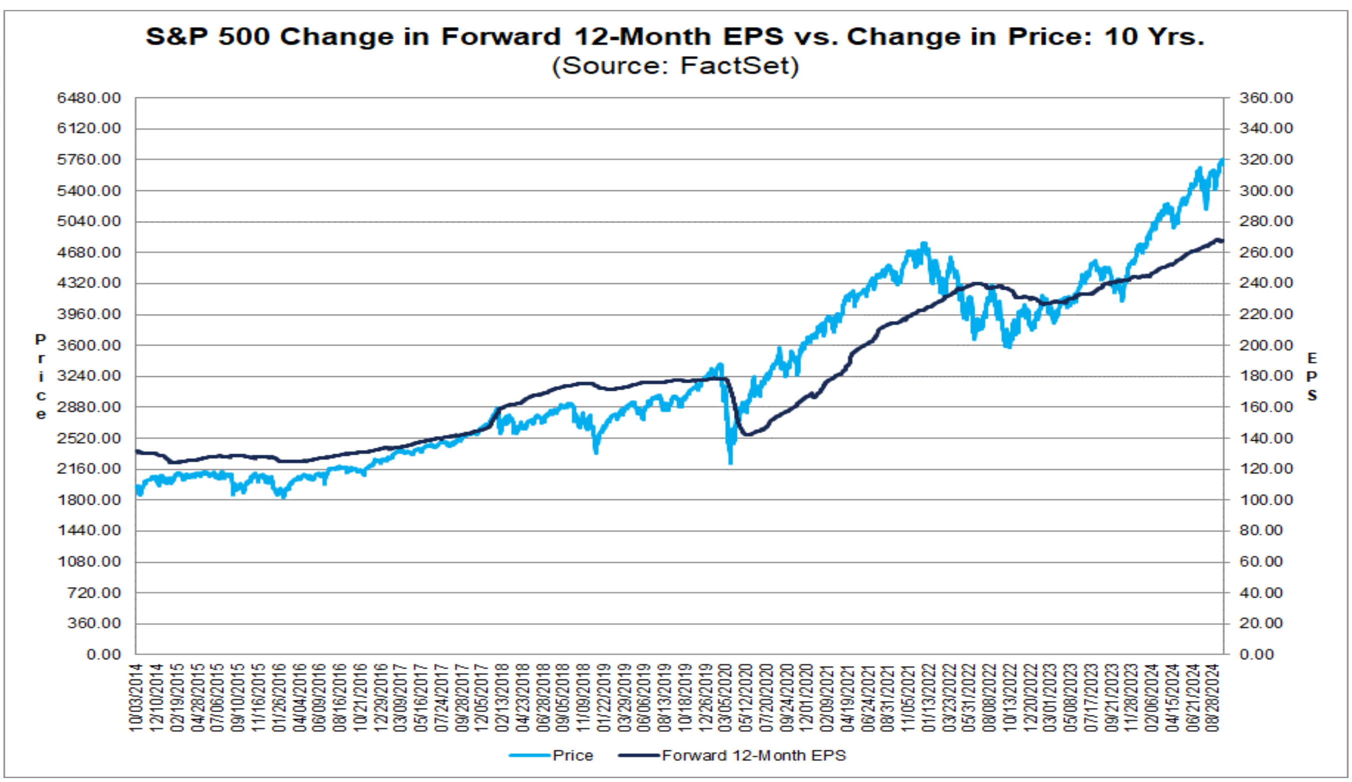
October 4, 2024

Key Metrics

- **Earnings Growth:** For Q3 2024, the estimated (year-over-year) earnings growth rate for the S&P 500 is 4.2%. If 4.2% is the actual growth rate for the quarter, it will mark the 5th straight quarter of year-over-year earnings growth for the index.
- **Earnings Revisions:** On June 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q3 2024 was 7.8%. Nine sectors are expected to report lower earnings today (compared to June 30) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q3 2024, 60 S&P 500 companies have issued negative EPS guidance and 50 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.4. This P/E ratio is above the 5-year average (19.5) and above the 10-year average (18.0).
- **Earnings Scorecard:** For Q3 2024 (with 21 S&P 500 companies reporting actual results), 16 S&P 500 companies have reported a positive EPS surprise and 14 S&P 500 companies has reported a positive revenue surprise.



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Did Analysts Cut EPS Estimates More Than Average for S&P 500 Companies for Q3?

Given concerns in the market about a possible economic slowdown, did analysts lower EPS estimates more than normal for S&P 500 companies for the third quarter?

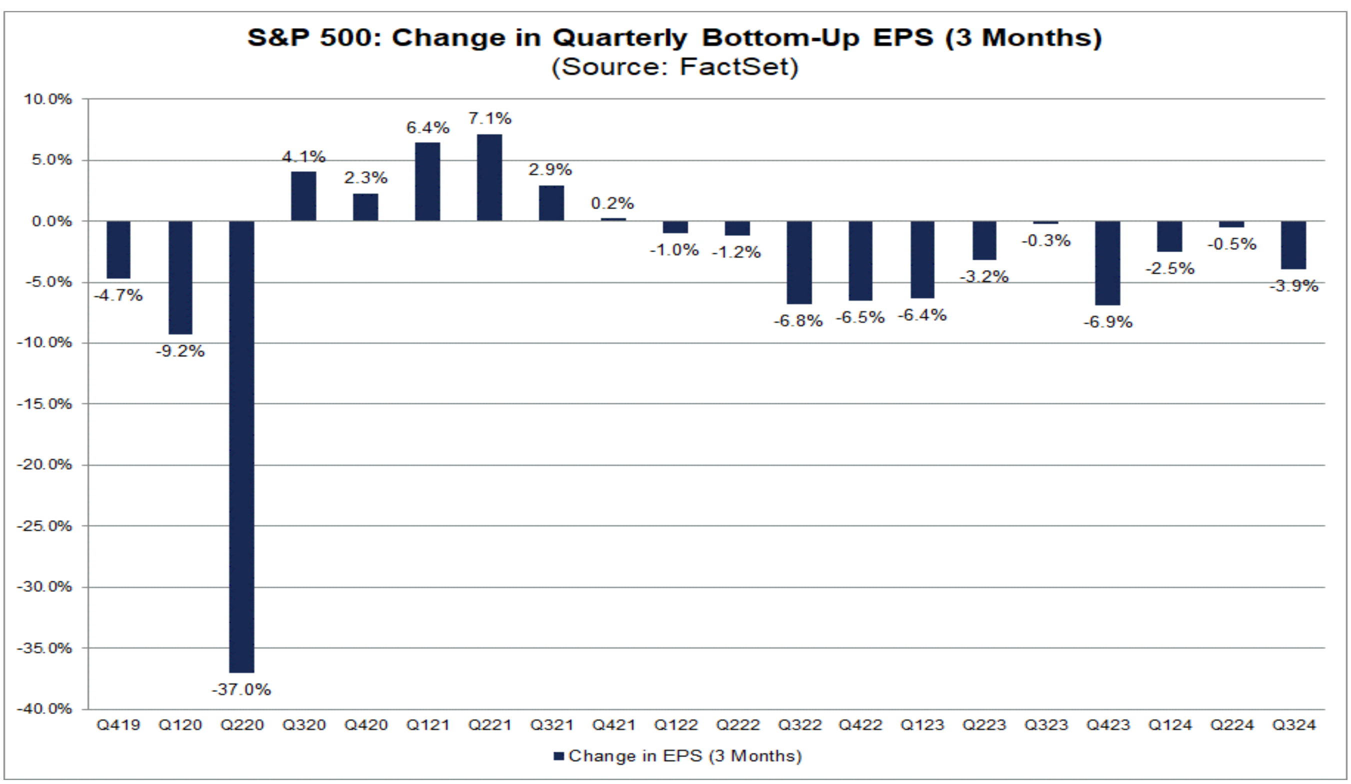
The answer is yes. During the third quarter, analysts lowered EPS estimates in aggregate by a larger margin compared to recent averages. The Q3 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q3 for all the companies in the index) declined by 3.9% (to $60.72 from $63.20) from June 30 to September 30.

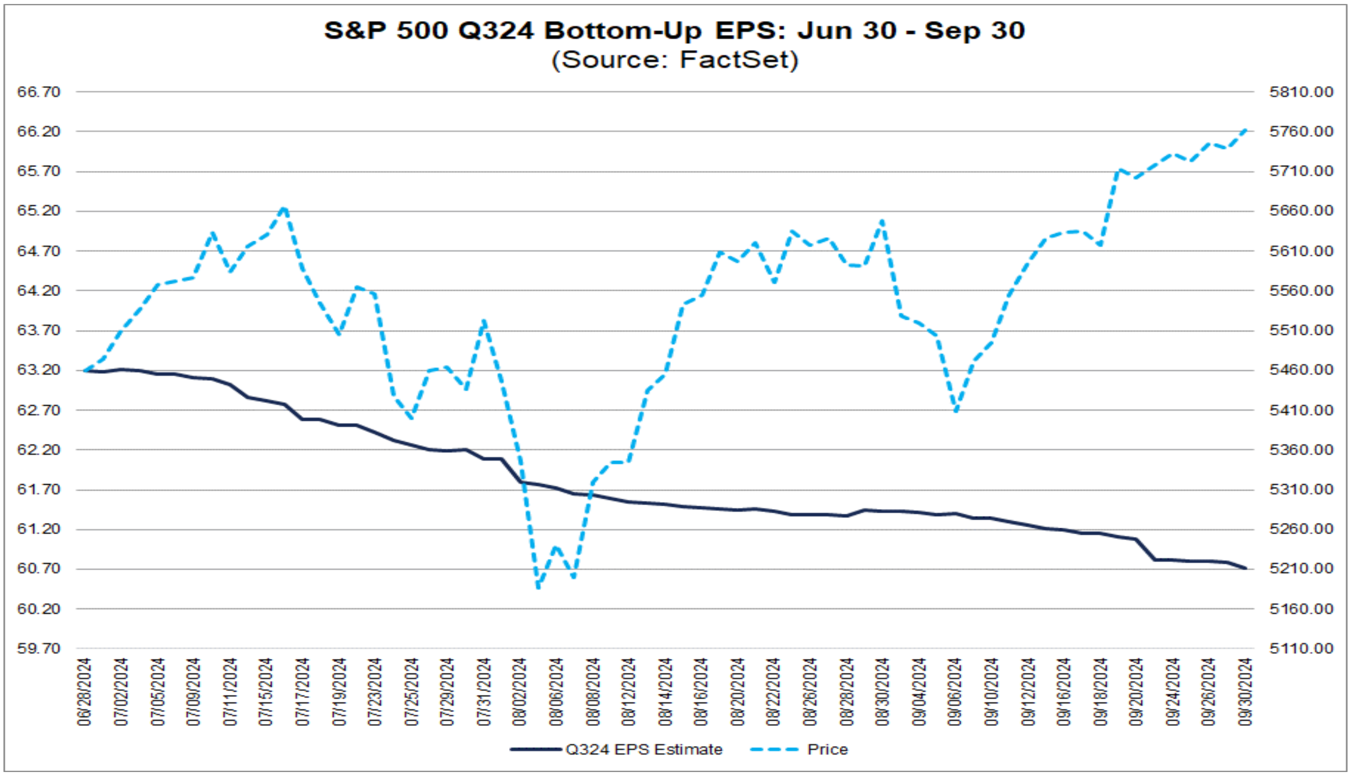
In a typical quarter, analysts usually reduce earnings estimates during a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.3%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.3%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.2%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 4.1%.

Thus, the decline in the bottom-up EPS estimate recorded during the third quarter was larger than the 5-year average, the 10-year average, and the 15-year average. However, it should be noted that it was still smaller than the 20-year average.

At the sector level, nine of the eleven sectors witnessed a decrease in their bottom-up EPS estimate for Q3 2024 from June 30 to September 30, led by the Energy (-19.2%) and Materials (-9.4%) sectors. On the other hand, the Information Technology (+0.3%) sector is the only sector that recorded a (slight) increase in its bottom-up EPS estimate for Q3 2024 during this period.

It is interesting to note that while analysts decreased EPS estimates in aggregate for Q3 2024 by nearly 4%, they lowered EPS estimates for CY 2025 by less than 1% (to $276.65 from $278.79) over this same period.




S&P 500 Q324 Bottom-Up EPS: Jun 30 - Sep 30
(Source: FactSet)
66.70
66.20
65.70
65.20
64.70
64.20
63.70
63.20
62.70
62.20
61.70
61.20
60.70
60.20
59.70
5810.00
5760.00
5710.00
5660.00
5610.00
5560.00
5510.00
5460.00
5410.00
5360.00
5310.00
5260.00
5210.00
5160.00
5110.00
06/28/2024
07/02/2024
07/05/2024
07/09/2024
07/11/2024
07/15/2024
07/17/2024
07/19/2024
07/23/2024
07/25/2024
07/29/2024
07/31/2024
08/02/2024
08/06/2024
08/08/2024
08/12/2024
08/14/2024
08/16/2024
08/20/2024
08/22/2024
08/26/2024
08/28/2024
08/30/2024
09/04/2024
09/06/2024
09/10/2024
09/12/2024
09/16/2024
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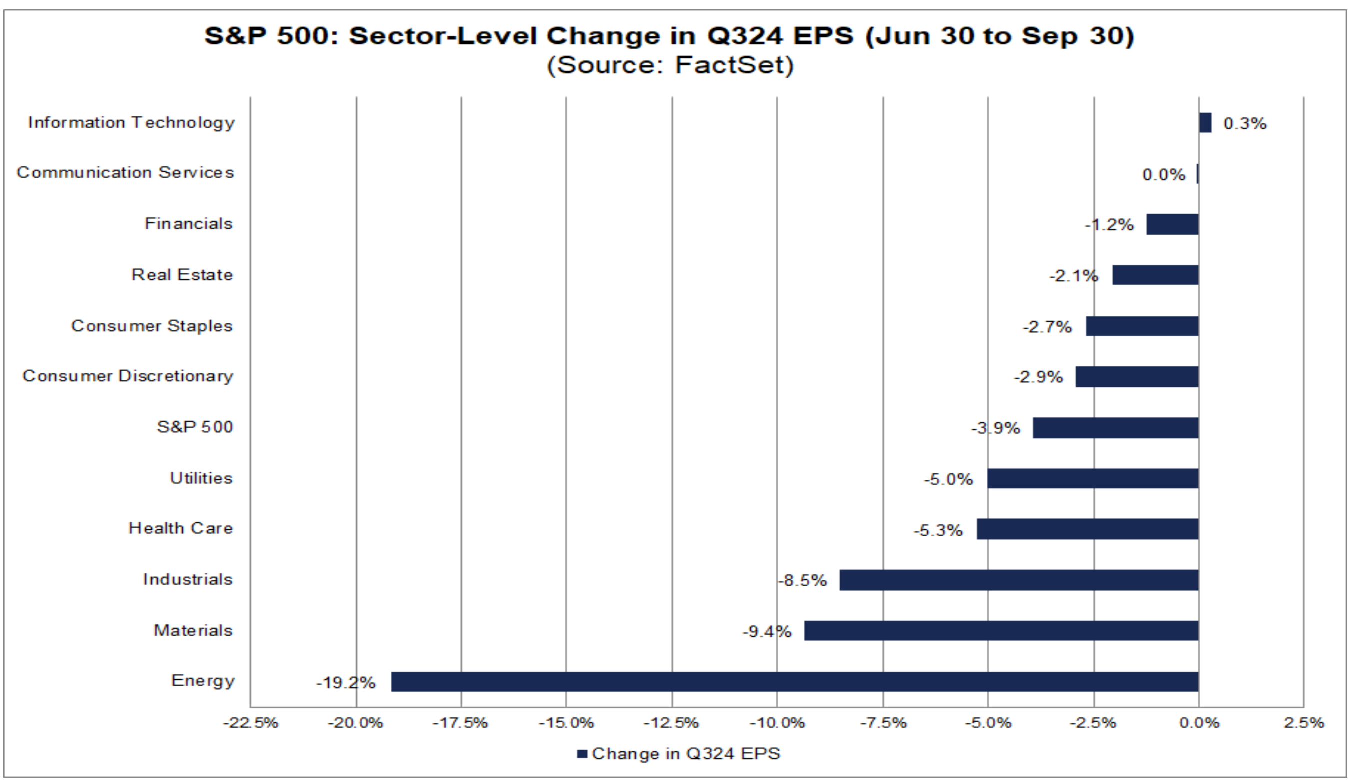
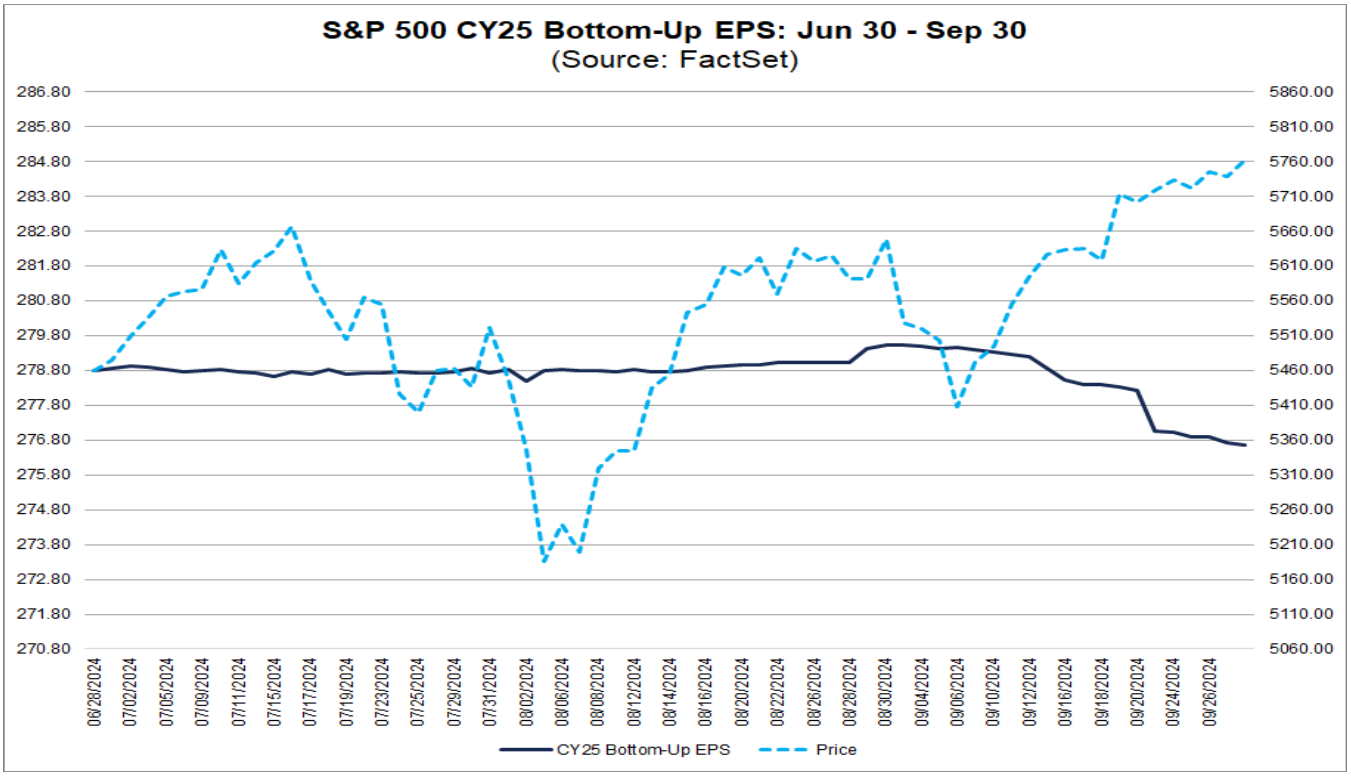
09/20/2024
09/24/2024
09/26/2024
09/30/2024
Q324 EPS Estimate
Price


S&P 500: Sector-Level Change in Q324 EPS (Jun 30 to Sep 30)
(Source: FactSet)
Information Technology
Communication Services
Financials
Real Estate
Consumer Staples
Consumer Discretionary
S&P 500
Utilities
Health Care
Industrials
Materials
Energy
0.3%
0.0%
-1.2%
-2.1%
-2.7%
-2.9%
-3.9%
-5.0%
-5.3%
-8.5%
-9.4%
-19.2%
-22.5%
-20.0%
-17.5%
-15.0%
-12.5%
-10.0%
-7.5%
-5.0%
-2.5%
0.0%
2.5%
Change in Q324 EPS


S&P 500 CY25 Bottom-Up EPS: Jun 30 - Sep 30
(Source: FactSet)
286.80
285.80
284.80
283.80
282.80
281.80
280.80
279.80
278.80
277.80
276.80
275.80
274.80
273.80
272.80
271.80
270.80
5860.00
5810.00
5760.00
5710.00
5660.00
5610.00
5560.00
5510.00
5460.00
5410.00
5360.00
5310.00
5260.00
5210.00
5160.00
5110.00
5060.00
06/28/2024
07/02/2024
07/05/2024
07/09/2024
07/11/2024
07/15/2024
07/17/2024
07/19/2024
07/23/2024
07/25/2024
07/29/2024
07/31/2024
08/02/2024
08/06/2024
08/08/2024
08/12/2024
08/14/2024
08/16/2024
08/20/2024
08/22/2024
08/26/2024
08/28/2024
08/30/2024
09/04/2024
09/06/2024
09/10/2024
09/12/2024
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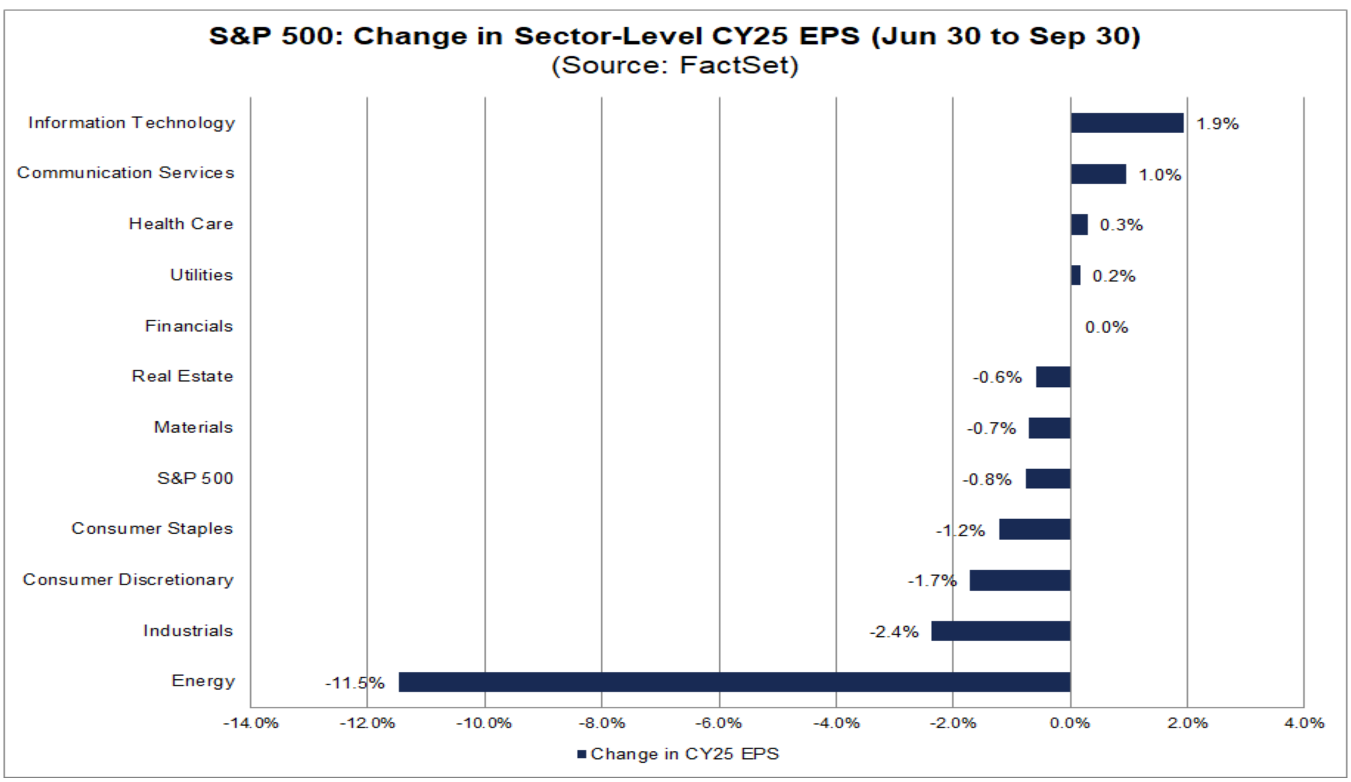
09/18/2024
09/20/2024
09/24/2024
09/26/2024
CY25 Bottom-Up EPS
Price


S&P 500: Change in Sector-Level CY25 EPS (Jun 30 to Sep 30)
(Source: FactSet)
Information Technology
Communication Services
Health Care
Utilities
Financials
Real Estate
Materials
S&P 500
Consumer Staples
Consumer Discretionary
Industrials
Energy
1.9%
1.0%
0.3%
0.2%
0.0%
-0.6%
-0.7%
-0.8%
-1.2%
-1.7%
-2.4%
-11.5%
-14.0%
-12.0%
-10.0%
-8.0%
-6.0%
-4.0%
-2.0%
0.0%
2.0%
4.0%
Change in CY25 EPS

Topic of the Week: 2

S&P 500 Financials Sector Earnings Preview: Q3 2024

The Financials sector will be a focus for the market during the next two weeks, as nearly 50% of the S&P 500 companies that are scheduled to report earnings for the third quarter over this period are part of this sector. Companies in this sector that are expected to report earnings during these two weeks include Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo. The Financials sector is predicted to report a year-over-year earnings decline of -0.4% for the third quarter.

At the industry level, the Banks industry is the only industry in the sector that is expected to report a year-over-year decline in earnings at -12%. This industry is also expected to be the largest contributor to the year-over-year earnings decline for the sector. If the Banks industry were excluded, the estimated earnings growth rate for the Financials sector would improve to 6.9% from -0.4%. Within the Banks industry, the Regional Banks sub-industry is projected to report year-over-year earnings growth of less than 1%, while the Diversified Banks industry is projected to report a year-over-year earnings decline of -13%.

Sean Ryan, VP/Associate Director for the banking and specialty finance sector at FactSet, highlighted a number of key themes and metrics to watch for banks in the S&P 500 during this earnings season:

Bank earnings season begins on Friday, October 11, and while many trends are likely to simply continue those of recent quarters, the start of the easing cycle (and its predictable sequelae) holds out a mitigation, and in some cases reversal, of some of these negative trends.

The interest rate environment was a positive in the second quarter, with one significant caveat; the 10 year Treasury yield declined 58bps to 3.79%, which should reduce OCI losses (thus boosting book values), and the 2-10 spread steepened by 49bps, finally ending an extended period of inversion and ending the quarter in positive territory, if only just (14bps). At the short end of the curve, the long-awaited easing cycle finally began with September's Fed Funds cut, and a heavily front-loaded easing pattern reflected in the forward curve. The caveat is that the Fed's easing, while not a large factor in 3Q results, is apt to weigh on short term NIM expectations, as the immediate impact on asset sensitive balance sheets outweighs the longer term benefits. This is just one of several near term headwinds that markets may look past, while focusing on potential benefits to 2025 results.

Net interest income will likely again be restrained by sluggish loan growth. On top of this, the NIM bottoming process that had been underway, as noted above, is likely to take a (probably brief) pause,

Noninterest revenues should be mixed. Investment banking revenues will again be restrained by weakness in M&A as the market continues to await a resurgence in sponsor-led activity, although there are signs of a pickup in sponsor monetizations which may accelerate a virtuous cycle. Mortgage banking revenues will likely remain sluggish despite the decline in interest rates. Wealth and asset management results should again enjoy a tailwind from the 5.5% gain posted by the S&P 500 during the quarter (a slight improvement over last quarter's 3.9% gain).

Credit should remain a headwind, though here again, markets may find good cause to look ahead to potentially better news in 2025. CRE and credit cards (particularly in the less affluent segments) are yet again the key drivers of provisioning, but the onset of the easing cycle offers hope that pressure on CRE (and some C&I) refinancings will ease.

All told, third quarter bank results look to be a mixed bag, but seeded with multiple reasons for the market to look through near term negatives, and ahead to potentially more positive conditions (and results) in 2025.

For more commentary and analysis on the banking industry, please see Sean's articles on the FactSet Insight blog at this link: https://insight.factset.com/author/sean-ryan

On the other hand, the other four industries in the sector are expected to report year-over-year growth in earnings: Capital Markets, Insurance, Financial Services and Consumer Services.

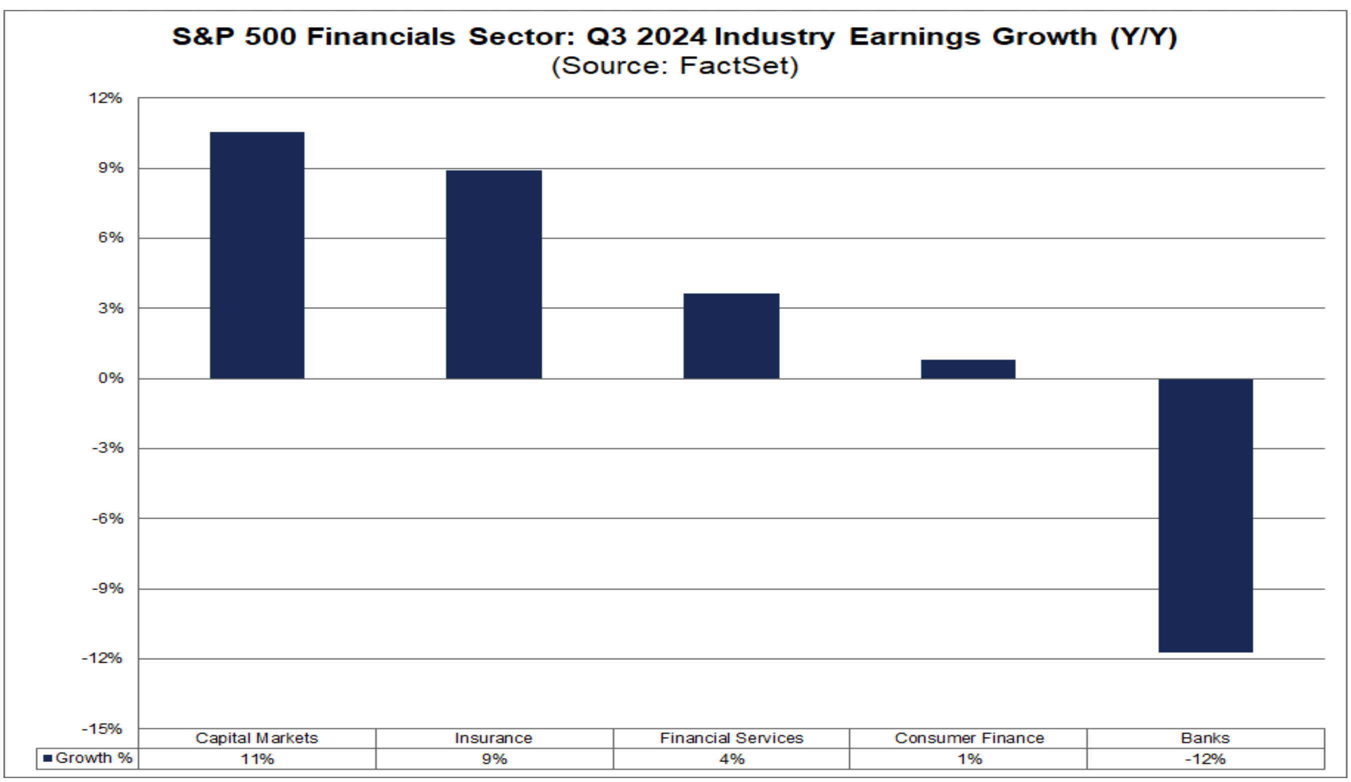
The Capital Markets industry is expected to report the highest earnings growth of the five industries in the sector at 11%. Within the Capital Markets industry, all three sub-industries are projected to report year-over-year earnings growth: Investment Banking & Brokerage (15%), Financial Exchanges & Data (9%), and Asset Management & Custody Banks (8%).

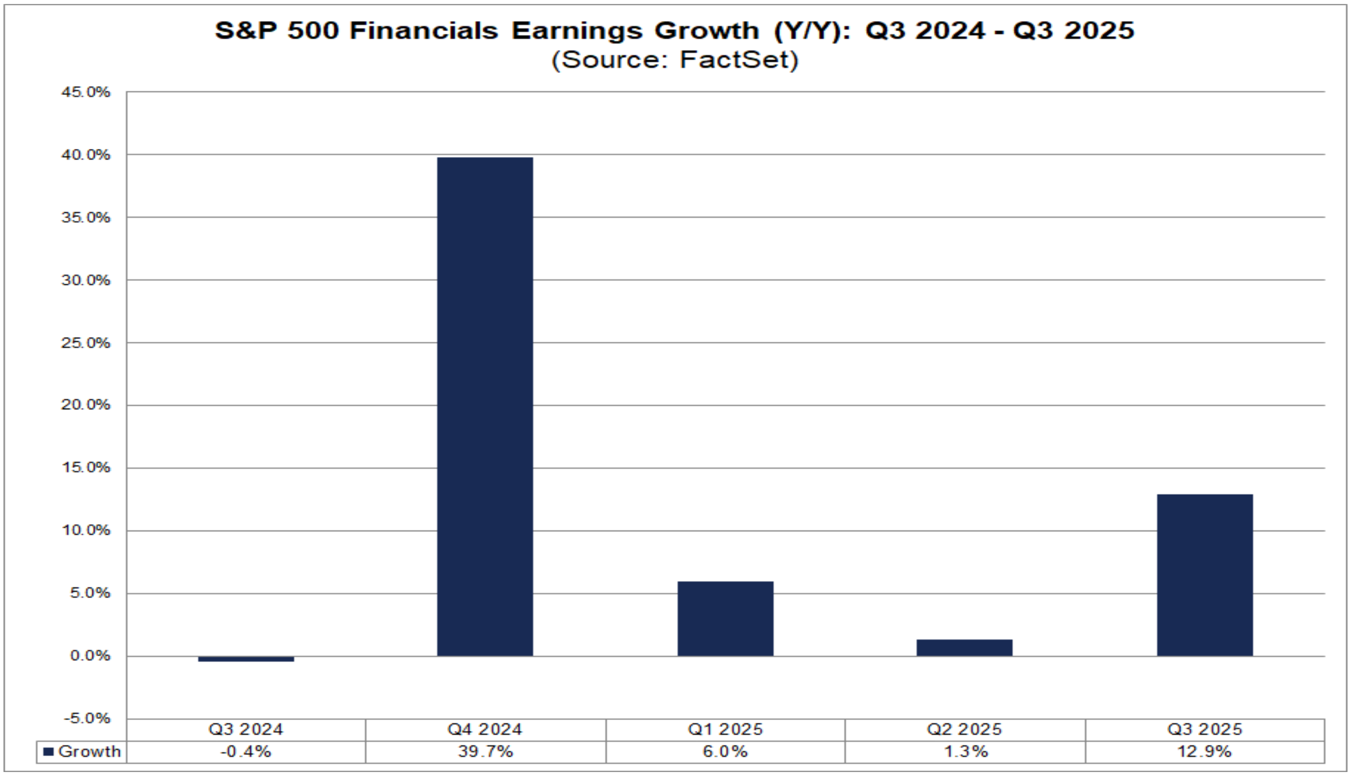
The Insurance industry is expected to report the second-highest earnings growth of the five industries in the sector at 9%. Within the Insurance industry, two sub-industries are projected to report year-over-year earnings growth: Property & Casualty Insurance (25%) and Insurance Brokers (12%). On the other hand, three sub-industries are projected to report a year-over-year earnings decline: Multi-line Insurance (-32%), Reinsurance (-23%), and Life & Health Insurance (less than -1%).

The Financial Services industry is expected to report the third-highest earnings growth of the five industries in the sector at 4%. Within this industry, the Transaction & Payment Processing Services sub-industry is projected to report year-over-year earnings growth of 7%, while the Multi-Sector Holdings sub-industry is projected to report a year-over-year decline in earnings of -3%.

The Consumer Finance industry is expected to report the fourth-highest earnings growth of the five industries in the sector at less than 1%.

Looking ahead, analysts are predicting earnings growth rates for the Financials sector of 39.8%, 6.0%, and 1.4% for Q4 2024, Q1 2025, and Q2 2025, respectively. Analysts expect a significant rebound in year-over-year earnings for the Banks industry in Q4 2024, mainly due to an easy comparison to weaker earnings for the industry in Q4 2023. As a result, the Banks industry is driving the overall earnings growth rate for the Financials sector to nearly 40% for Q4 2024.




S&P 500 Financials Earnings Growth (Y/Y): Q3 2024 - Q3 2025
(Source: FactSet)
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
Q3 2024
Q4 2024
Q1 2025
Q2 2025
Q3 2025
Growth
-0.4%
39.7%
6.0%
1.3%
12.9%

Q3 Earnings Season: By The Numbers

Overview

Heading into the start of earnings season, analysts have been more pessimistic in their earnings outlooks compared to recent averages, while companies have been less pessimistic in their earnings outlooks 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. Despite the decline in estimated earnings, the index is still expected to report year-over-year earnings growth for the fifth-straight quarter. Analysts also still believe the index will report double-digit earnings growth starting in Q4 2024.

In terms of estimate revisions for companies in the S&P 500, analysts lowered earnings estimates for Q3 2024 more than average. On a per-share basis, estimated earnings for the third quarter decreased by 3.9% from June 30 to September 30. This decrease is larger than the 5-year average (-3.3%) and the 10-year average (-3.3%) for a quarter.

In terms of guidance for the third quarter, the percentage of S&P 500 companies issuing negative EPS guidance for Q3 2024 is below recent averages. At this point in time, 110 companies in the index have issued EPS guidance for Q3 2024, Of these companies, 60 have issued negative EPS guidance and 50 have issued positive EPS guidance. The percentage of S&P 500 companies issuing negative EPS guidance for Q3 2024 is 55% (60 out of 110), which is below the 5-year average of 58% and below the 10-year average of 62%.

Due to the downward revisions to earnings estimates by analysts and the negative EPS guidance issued by companies, the estimated (year-over-year) earnings growth rate for Q3 2024 is lower today relative to the start of the third quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 4.2%, compared to the estimated (year-over-year) earnings growth rate of 7.8% on June 30.

If 4.2% is the actual growth rate for the quarter, it will mark the fifth consecutive quarter of year-over-year earnings growth for the index.

Eight of the eleven sectors are projected to report year-over-year earnings growth. Of these eight sectors, three are predicted to report double-digit growth: Information Technology, Health Care, and Communication Services. On the other hand, three sectors are predicted to report a year-over-year decline in earnings. Of these three sectors, one is projected to report a double-digit decline: Energy.

In terms of revenues, analysts have also decreased their estimates during the quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 4.7%, compared to expectations for revenue growth of 5.0% on June 30.

If 4.7% is the actual revenue growth rate for the quarter, it will mark the 16th consecutive quarter of revenue growth for the index.

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

Looking ahead, analysts expect (year-over-year) earnings growth rates of 14.6%, 14.0%, and 13.3% for Q4 2024, Q1 2025, and Q2 2025, respectively. For CY 2024, analysts are calling for (year-over-year) earnings growth of 9.8%. For CY 2025, analysts are predicting (year-over-year) earnings growth of 14.9%.

The forward 12-month P/E ratio is 21.4, which is above the 5-year average (19.5) and above the 10-year average (18.0). This P/E ratio is also above the forward P/E ratio of 21.0 recorded at the end of the second quarter (June 30).

During the upcoming week, 9 S&P 500 companies (including 1 Dow 30 component) are scheduled to report results for the third quarter.

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

Decrease 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 2024 fell to 4.2% from 4.5%. Downward revisions to EPS estimates for companies in multiple sectors (led by the Energy and Information Technology sectors) were mainly responsible for the decline in the overall earnings growth rate during the week.

The estimated earnings growth rate for the S&P 500 for Q3 2024 of 4.2% today is below the estimate of 7.8% at the start of the quarter (June 30), as estimated earnings for the index of $530.8 billion today are 3.3% below the estimate of $549.1 billion at the start of the quarter. Nine sectors have recorded a decrease in dollar-level earnings due to downward revisions to earnings estimates, led by the Energy, Materials, Industrials, and Health sectors. On the other hand, two sectors have recorded an increase in expected (dollar-level) earnings of less than 1% due to upward revisions to earnings estimates: Communication Services and Information Technology.

Energy: Exxon Mobil Leads Earnings Decrease Since June 30

The Energy sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -20.4% (to $28.9 billion from $36.3 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -20.9% today from -0.6% on June 30. Falling oil prices are contributing to the decrease in earnings for this sector, as the price of oil declined by 16% (to $68.17 from $81.54) from June 30 to September 30. This sector has also witnessed the third-lowest increase in price of all eleven sectors since June 30 at 1.7%. Overall, 18 of the 22 companies (82%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 18 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Valero Energy (to $1.68 from $4.45), Marathon Petroleum (to $2.21 from $5.45), and Phillips 66 (to $2.09 from $3.59). Exxon Mobil (to $1.96 from $2.47), Chevron (to $2.67 from $3.42), Marathon Petroleum, Valero Energy, and Phillips 66 have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since June 30.

Materials: 71% of Companies Have Recorded a Decrease In Earnings 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 -7.6% (to $11.4 billion from $12.3 billion). As a result, this sector is now expected to report a (year-over-year) decline in earnings of -2.7% compared to estimated (year-over-year) growth in earnings of 7.6% on June 30. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 7.2% since June 30. Overall, 20 of the 28 companies (71%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 20 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Albemarle Corporation (to -$0.26 from $0.71), Corteva (to -$0.29 from -$0.14), International Paper (to $0.23 from $0.64), FMC Corporation (to $0.54 from $0.97), Nucor (to $1.52 from $2.60), and Dow (to $0.50 from $0.86).

Industrials: Boeing Leads Earnings Decrease Since June 30

The Industrials sector has recorded the third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -7.4% (to $41.8 billion from $45.2 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has decreased to 1.1% today from 9.2% on June 30. Despite the decrease in expected earnings, this sector has witnessed the third-largest increase in price of all eleven sectors since June 30 at 10.4%. Overall, 50 of the 78 companies (64%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 50 companies, 14 have recorded a decrease in their mean EPS estimate of more than 10%, led by Boeing (to -$1.48 from $0.31), Southwest Airlines (to -$0.01 from $0.30), and GE Vernova (to $0.37 from $0.83). Boeing has also been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since June 30.

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

The Health Care sector has recorded the fourth-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -5.1% (to $68.6 billion from $72.2 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has decreased to 10.9% today from 16.9% on June 30. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 4.0% since June 30. Overall, 44 of the 62 companies (71%) in the Health Care sector have seen a decrease in their mean EPS estimate during this time. Of these 44 companies, 12 have recorded a decrease in their mean EPS estimate of more than 10%, led by Moderna (to -$1.85 from -$1.08), West Pharmaceutical Services (to $1.50 from $2.14), and Merck & Co. (to $1.69 from $2.32). Merck & Co. and Johnson & Johnson (to $2.19 from $2.68) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since June 30.

Index-Level EPS Estimate: 3.9% Decline During Q3

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) decreased by 3.9% (to $60.72 from $63.20) from June 30 to September 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 3.3% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 3.3% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 3.2% on average during a quarter. Over the past twenty years (60 quarters), earnings expectations have fallen by 4.1% on average during a quarter.

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

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

At this point in time, 110 companies in the index have issued EPS guidance for Q3 2024. Of these 110 companies, 60 have issued negative EPS guidance and 50 have issued positive EPS guidance. The number of companies issuing negative EPS guidance for Q3 2024 is above the 5-year average of 57 but below the 10-year average of 62. However, then number of companies issuing positive EPS guidance is above the 5-year average of 41 and above the 10-year average of 37.

The percentage of companies issuing negative EPS guidance for Q3 2024 is 55% (60 out of 110), which is below the 5-year average of 58% and below the 10-year average of 62%.

Annual Guidance: 46% of S&P 500 Companies Issuing Negative Guidance for Current Year

At this point in time, 269 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 269 companies, 123 have issued negative EPS guidance and 146 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 46% (123 out of 269).

The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or mid-point of a range estimates) provided by a company is lower than the mean EPS estimate the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

Earnings Growth: 4.2%

The estimated (year-over-year) earnings growth rate for Q3 2024 is 4.2%, which is below the 5-year average earnings growth rate of 10.0% and below the 10-year average earnings growth rate of 8.5%. If 4.2% is the actual growth rate for the quarter, it will mark the fifth consecutive quarter of year-over-year earnings growth.

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

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

The Information Technology sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 15.2%. At the industry level, 5 of the 6 industries in the sector are projected to report year-over-year earnings growth: Semiconductors & Semiconductor Equipment (37%), Technology Hardware, Storage, & Peripherals (13%), Software (7%), Electronic Equipment, Instruments, & Components (5%), and IT Services (2%). On the other hand, the Communications Equipment (-16%) industry is the only industry predicted to report a year-over-year decline in earnings.

At the company level, NVIDIA ($0.74 vs. $0.40) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated (year-over-year) earnings growth rate for the Information Technology sector would fall to 7.9% from 15.2%.

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

The Health Care sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 10.9%. At the industry level, 3 of the 5 industries in the sector are projected to report year-over-year earnings growth: Pharmaceuticals (31%), Biotechnology (20%), and Health Care Equipment & Supplies (7%). On the other hand, two industries are predicted to report a year-over-year decline in earnings: Life Sciences, Tools, & Services (-11%) and Health Care Providers & Services (-3%).

At the company level, Pfizer ($0.59 vs. -$0.17), Eli Lilly and Company ($4.48 vs. $0.10), and Moderna (-$1.85 vs. -$9.53) are expected to be the largest contributors to earnings growth for the sector. If these three companies were excluded, the Health Care sector would be projected to report a (year-over-year) decline in earnings of -7.0% instead of (year-over-year) earnings growth of 10.9%.

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

The Communication Services sector is expected to report the third-highest (year-over-year) earnings growth rate of all eleven sectors at 10.5%. At the industry level, 3 of the 5 industries in the sector are predicted to report year-over-year earnings growth. All three industries are projected to report double-digit growth: Wireless Telecommunication Services (33%), Entertainment (32%), and Interactive Media & Services (15%), and. On the other hand, two industries are expected to report a year-over-year decline in earnings: Diversified Telecommunication Services (-7%) and Media (-4%).

At the company level, Alphabet ($1.83 vs. $1.55) and Meta Platforms ($5.19 vs. $4.39) are expected to be the largest contributors to earnings growth for the sector. If these two companies were excluded, the estimated (year-over-year) earnings growth rate for Communication Services sector would fall to 4.2% from 10.5%.

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

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -20.9%. Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector, as the average price of oil in Q3 2024 ($75.27) was 8% below the average price for oil in Q3 2023 ($82.22). At the sub-industry level, 3 of the 5 sub-industries in the sector are predicted to report a year-over-year decline in earnings: Oil & Gas Refining & Marketing (-73%), Oil & Gas Exploration & Production (-10%), and Integrated Oil & Gas (-10%). On the other hand, two sub-industries are predicted to report year-over-year growth in earnings: Oil & Gas Storage & Transportation (14%) and Oil & Gas Equipment & Services (13%). The Oil & Gas Refining & Marketing sub-industry is also the largest contributor to the earnings decline for this sector. If this sub-industry were excluded, the estimated (year-over-year) earnings decline for the Energy sector would improve to -6.4% from -20.9%.

Revenue Growth: 4.7%

The estimated (year-over-year) revenue growth rate for Q3 2024 is 4.7%, which is below the 5-year average revenue growth rate of 6.8% and below the 10-year average revenue growth rate of 5.1%. If 4.7% is the actual growth rate for the quarter. it will mark the 16th consecutive quarter of revenue growth for the index.

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

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

The Information Technology sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 11.8%. At the industry level, 4 of the 6 industries in the sector are predicted to report year-over-year revenue growth: Semiconductors & Semiconductor Equipment (25%), Software (12%), Technology Hardware, Storage, & Peripherals (11%), and IT Services (2%). On the other hand, two industries are expected to report a year-over-year decline in revenue: Communications Equipment (-3%) and Electronic Equipment, Instruments, & Components (-1%).

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

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

Energy: 2 Sub-Industries Expected to Report Year-Over-Year Decline

The Energy sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -2.9%. At the sub-industry level, two sub-industries are predicted to report a year-over-year decline in revenue: Oil & Gas Refining & Marketing (-12%) and Oil & Gas Exploration & Production (-1%). On the other hand, 3 sub-industries in the sector are projected to report year-over-year revenue growth: Oil & Gas Storage & Transportation (14%), Oil & Gas Equipment & Services (8%), and Integrated Oil & Gas (1%).

Net Profit Margin: 12.1%

The estimated net profit margin for the S&P 500 for Q3 2024 is 12.1%, which is below the previous quarter’s net profit margin of 12.2% and below the year-ago net profit margin of 12.2%, but above the 5-year average of 11.5%.

At the sector level, five sectors are expected to report a year-over-year increase in their net profit margins in Q3 2024 compared to Q3 2023, led by the Information Technology (24.6% vs. 23.9%) sector. On the other hand, six sectors are expected to report a year-over-year decrease in their net profit margins in Q3 2024 compared to Q3 2023, led by the Energy (8.6% vs. 10.6%) sector.

Six sectors are expected to report net profit margins in Q3 2024 that are above their 5-year averages, led by the Consumer Discretionary (9.2% vs. 6.7%) sector. On the other hand, four sectors are expected to report net profit margins in Q3 2024 that are below their 5-year averages, led by the Materials (9.6% vs. 11.2%) and Health Care (8.2% vs. 9.7%) sectors.

Forward Estimates and Valuation

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

For the third quarter, S&P 500 companies are expected to report year-over-year growth in earnings of 4.2% and year-over-year growth in revenues of 4.7%.

For Q4 2024, analysts are projecting earnings growth of 14.6% and revenue growth of 5.1%.

For CY 2024, analysts are projecting earnings growth of 9.8% and revenue growth of 5.0%.

For Q1 2025, analysts are projecting earnings growth of 14.0% and revenue growth of 5.5%.

For Q2 2025, analysts are projecting earnings growth of 13.3% and revenue growth of 5.4%.

For CY 2025, analysts are projecting earnings growth of 14.9% and revenue growth of 5.9%.

Valuation: Forward P/E Ratio is 21.4, Above the 10-Year Average (18.0)

The forward 12-month P/E ratio for the S&P 500 is 21.4. This P/E ratio is above the 5-year average of 19.5 and above the 10-year average of 18.0. It is also above the forward 12-month P/E ratio of 21.0 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has increased by 4.4%, while the forward 12-month EPS estimate has increased by 2.5%. At the sector level, the Information Technology (28.4) sector has the highest forward 12-month P/E ratio, while the Energy (13.5) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 26.7, which is above the 5-year average of 23.8 and above the 10-year average of 21.7.

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

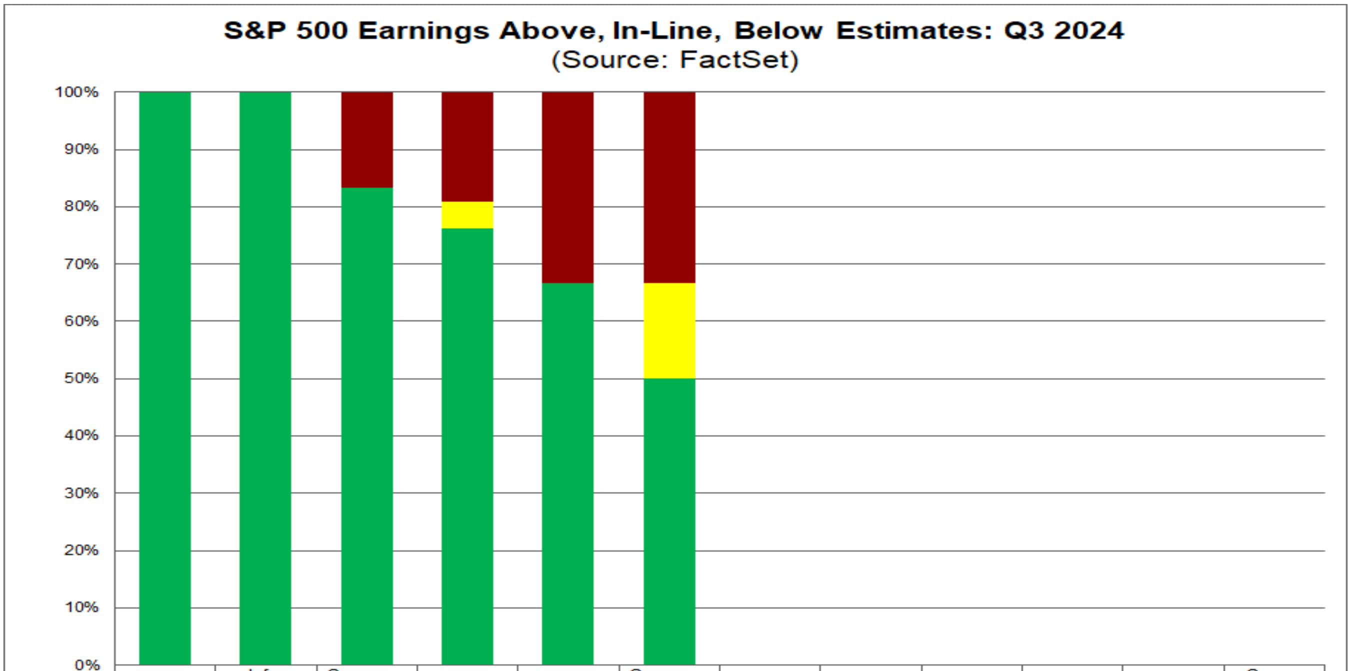
The bottom-up target price for the S&P 500 is 6307.97, which is 10.7% above the closing price of 5699.94. At the sector level, the Information Technology (15.5%) and Communication Services (12.7%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Utilities (+1.9%) and Industrials (+4.9%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 11,908 ratings on stocks in the S&P 500. Of these 11,908 ratings, 54.3% are Buy ratings, 40.2% are Hold ratings, and 5.4% are Sell ratings. At the sector level, the Communication Services (63%), Energy (63%), and Information Technology (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%), Utilities (48%), and Materials (49%) sectors have the lowest percentages of Buy ratings.

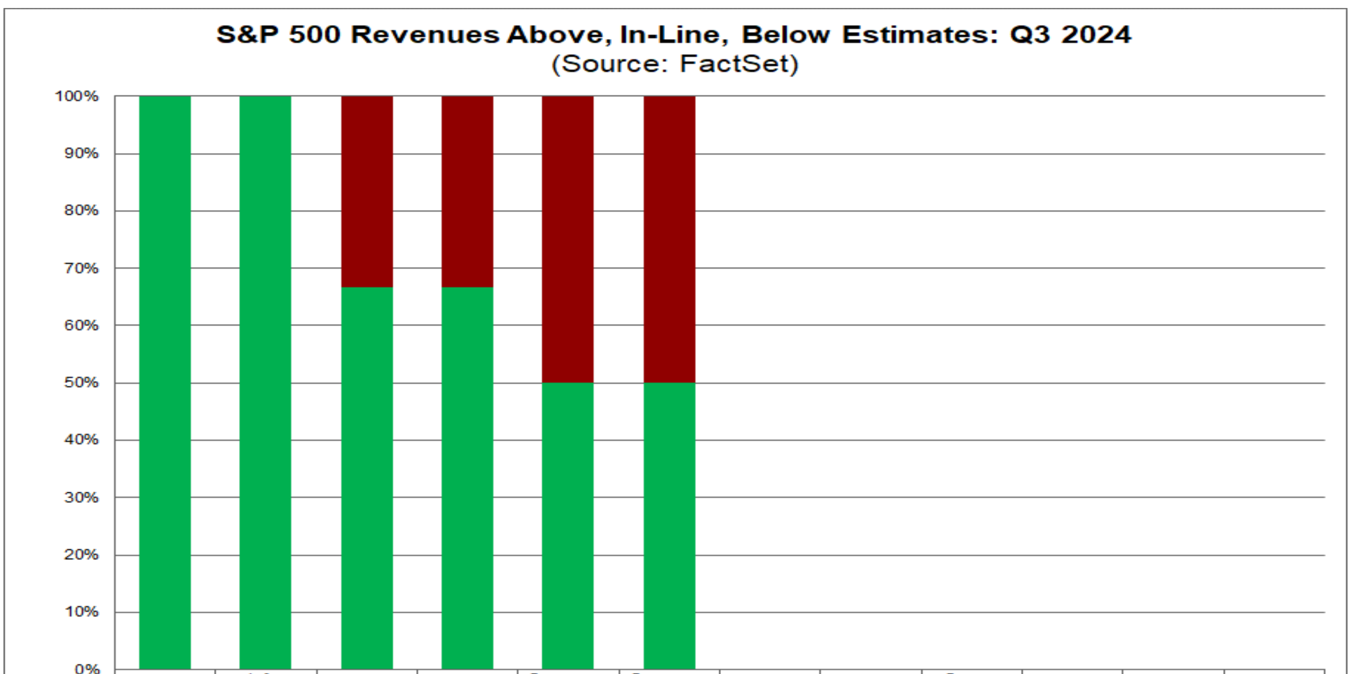
Companies Reporting Next Week: 9

During the upcoming week, 9 S&P 500 companies (including 1 Dow 30 component) are scheduled to report results for the third quarter.

Q3 2024: Scorecard

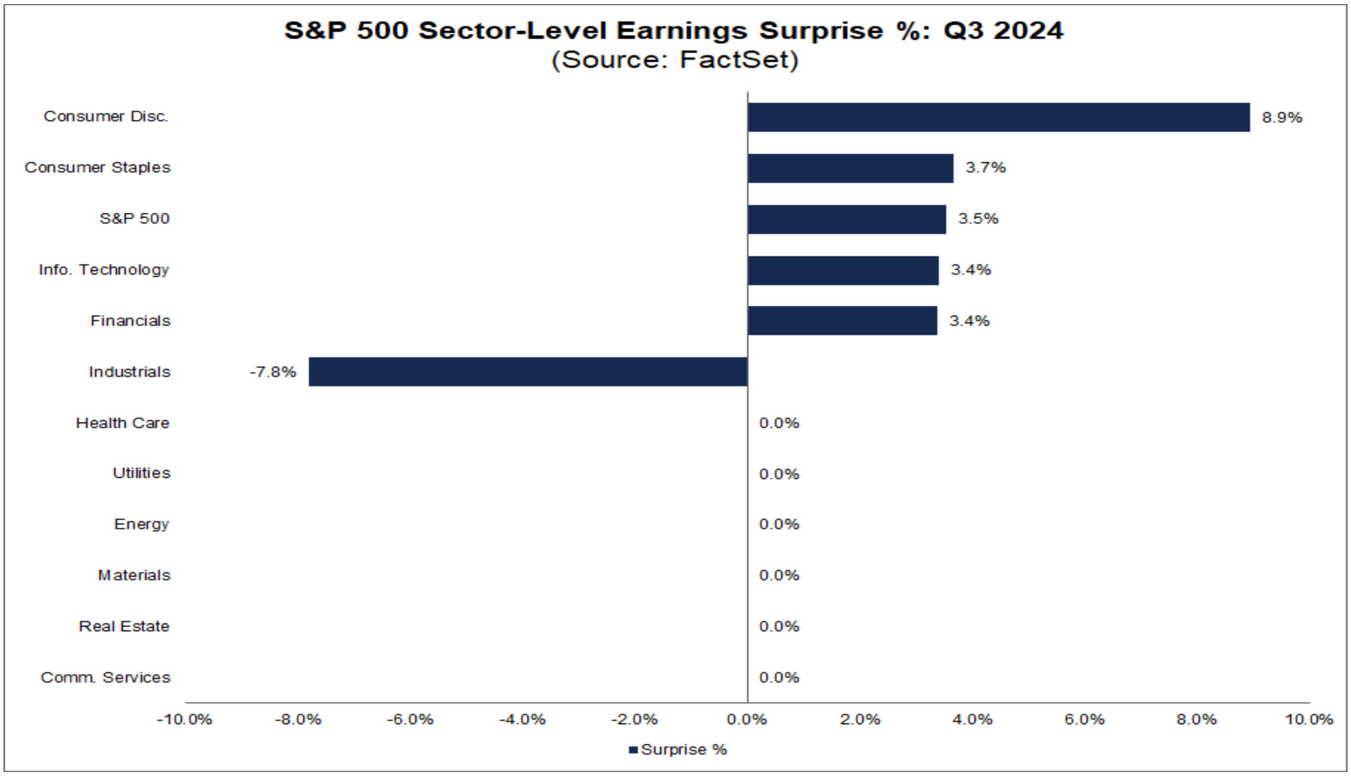


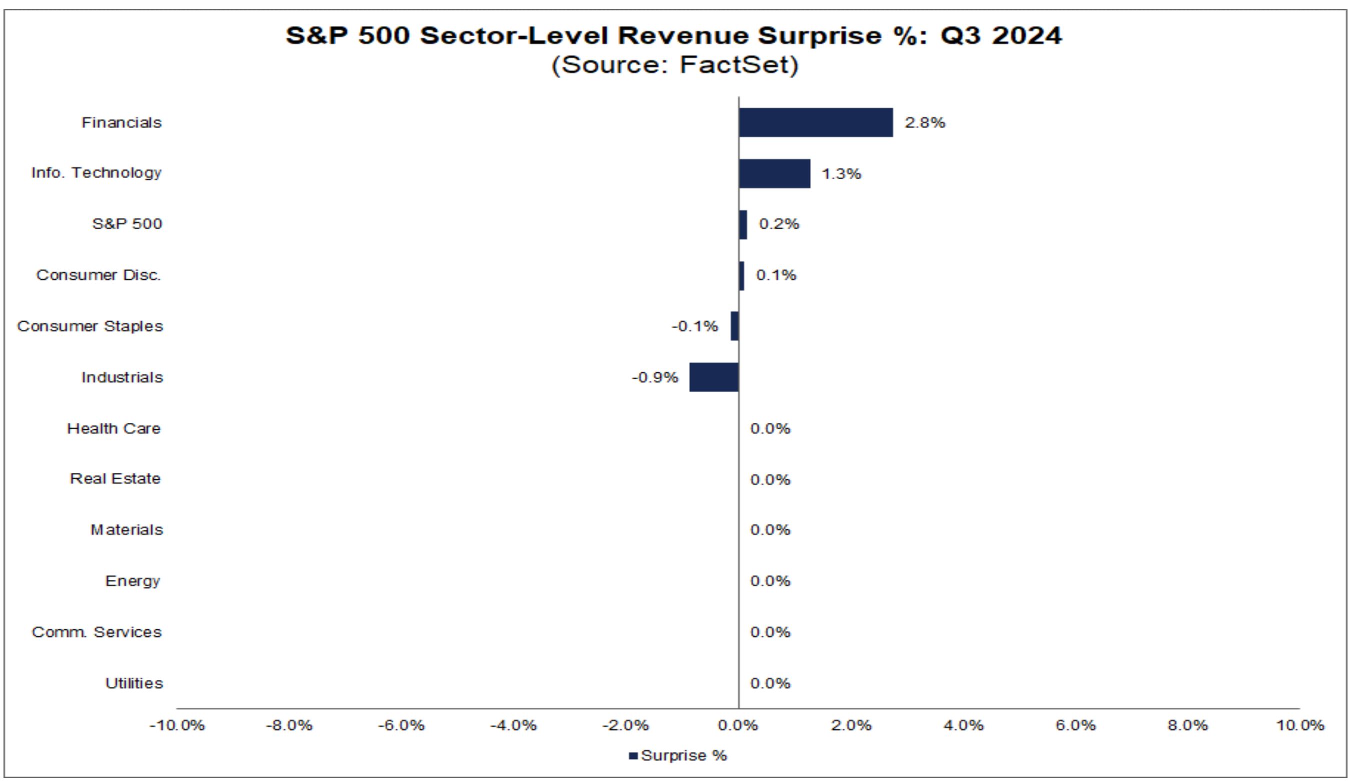
	Financials	Info. Technology	Consumer Staples	S&P 500	Industrials	Consumer Disc.	Health Care	Real Estate	Energy	Materials	Utilities	Comm. Services
Below	0%	0%	17%	19%	33%	33%	0%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	5%	0%	17%	0%	0%	0%	0%	0%	0%
Above	100%	100%	83%	76%	67%	50%	0%	0%	0%	0%	0%	0%



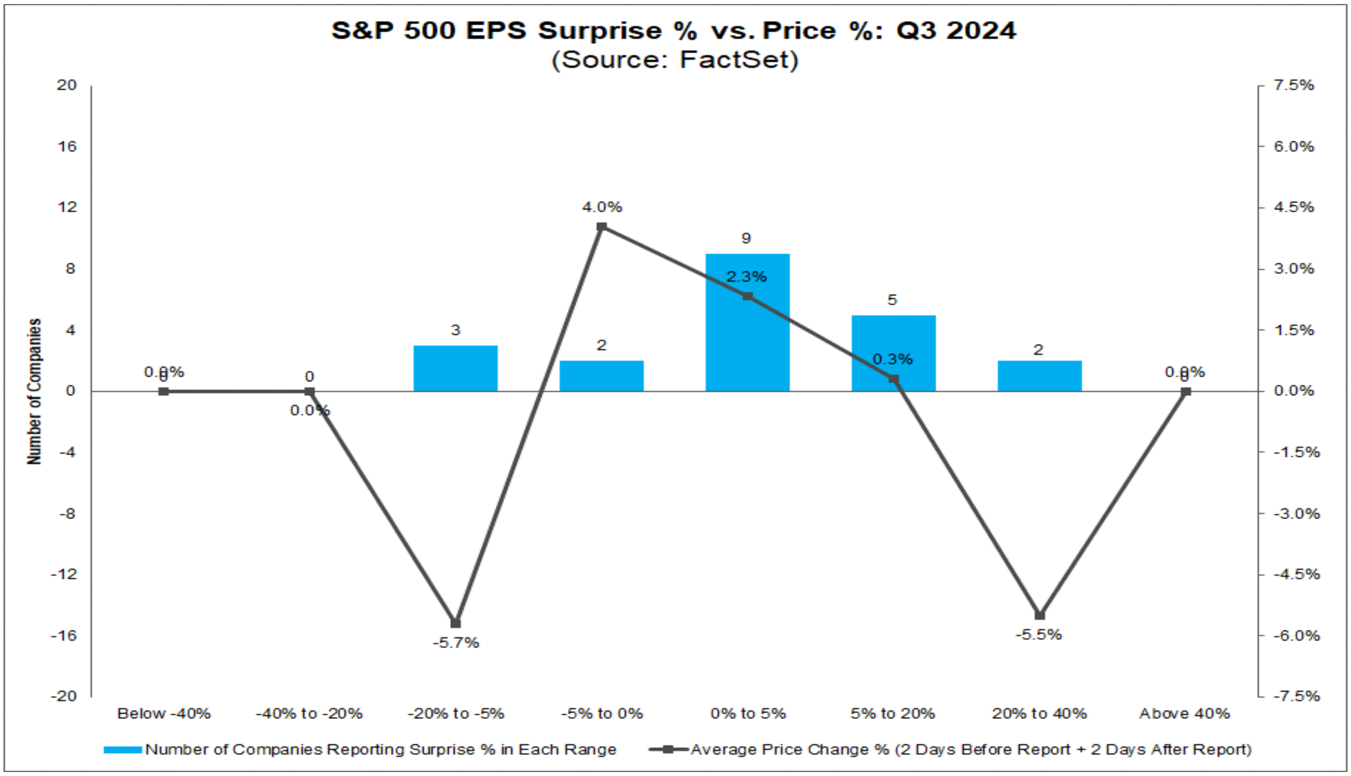
	Financials	Info. Technology	S&P 500	Industrials	Consumer Disc.	Consumer Staples	Health Care	Real Estate	Comm. Services	Energy	Materials	Utilities
Below	0%	0%	33%	33%	50%	50%	0%	0%	0%	0%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	67%	67%	50%	50%	0%	0%	0%	0%	0%	0%

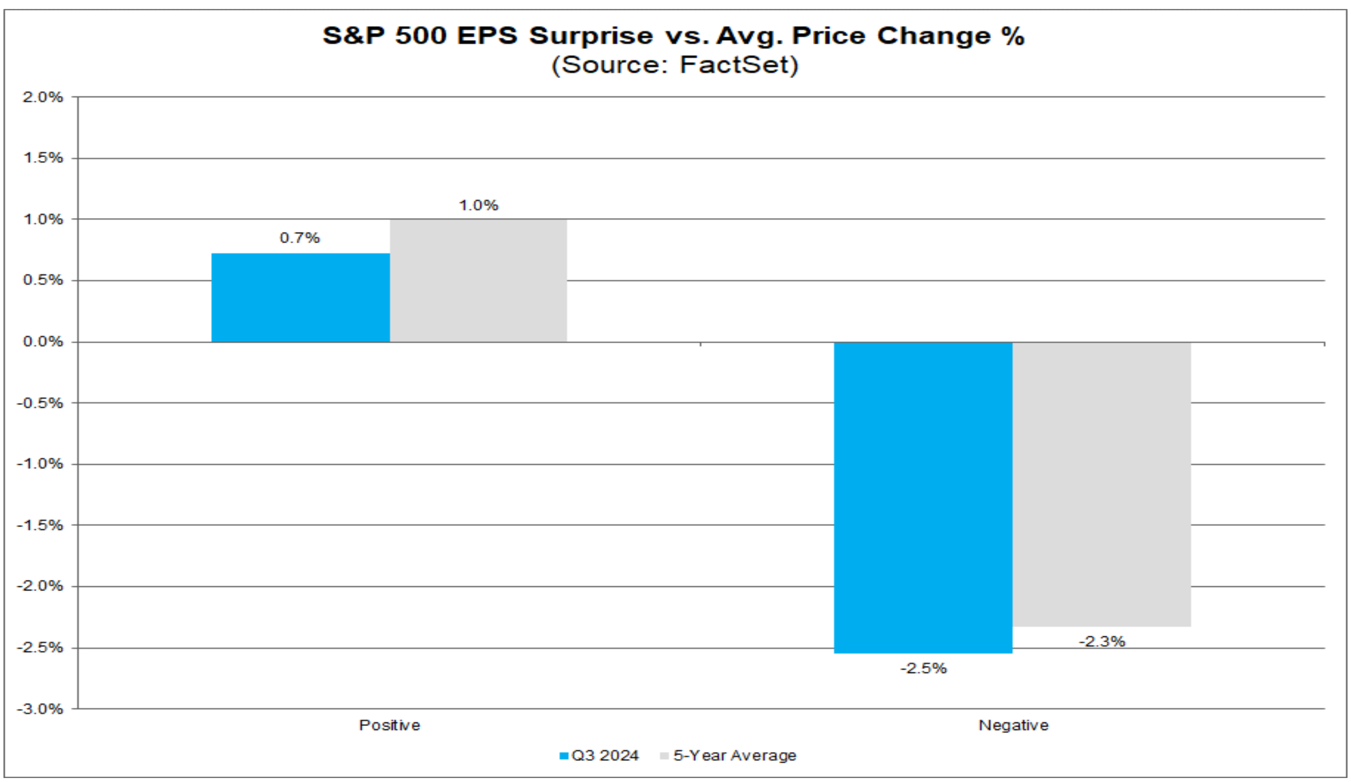
Q3 2024: Surprise



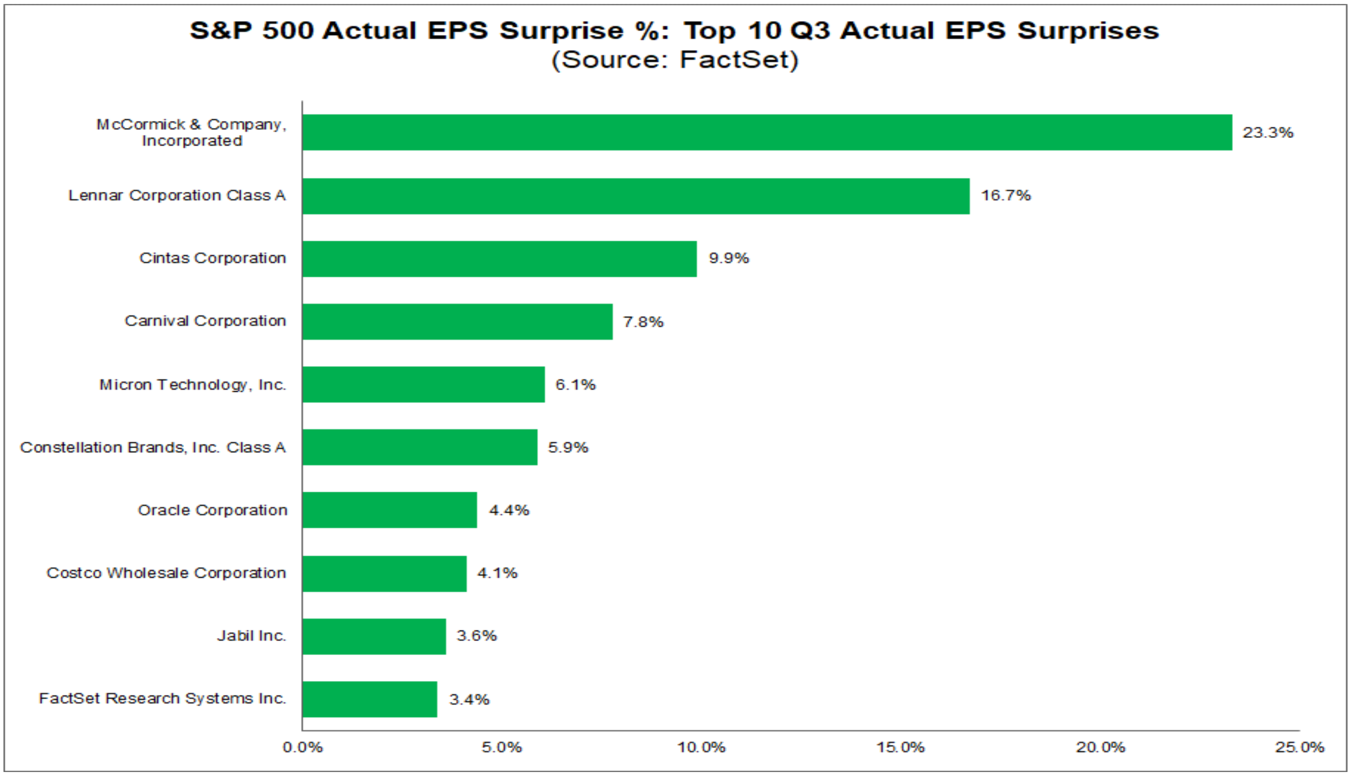


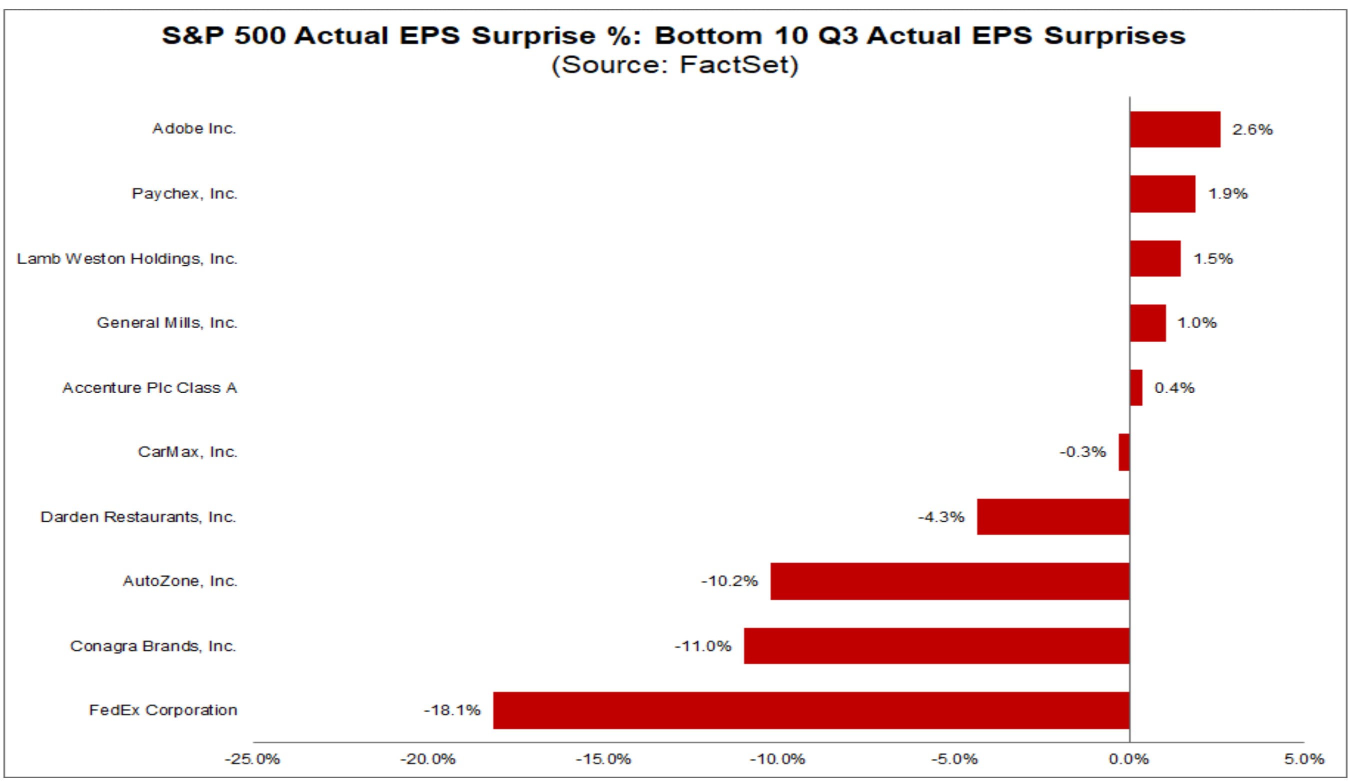
Q3 2024: Surprise



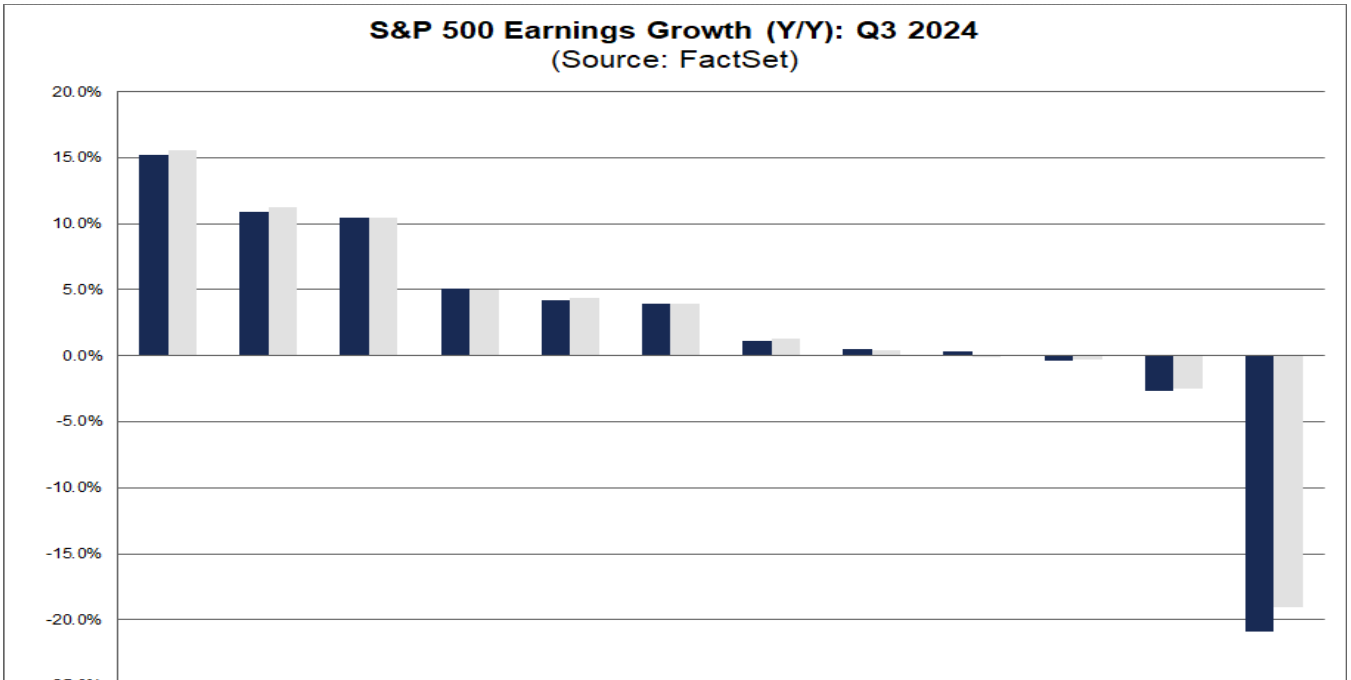


Q3 2024: Surprise

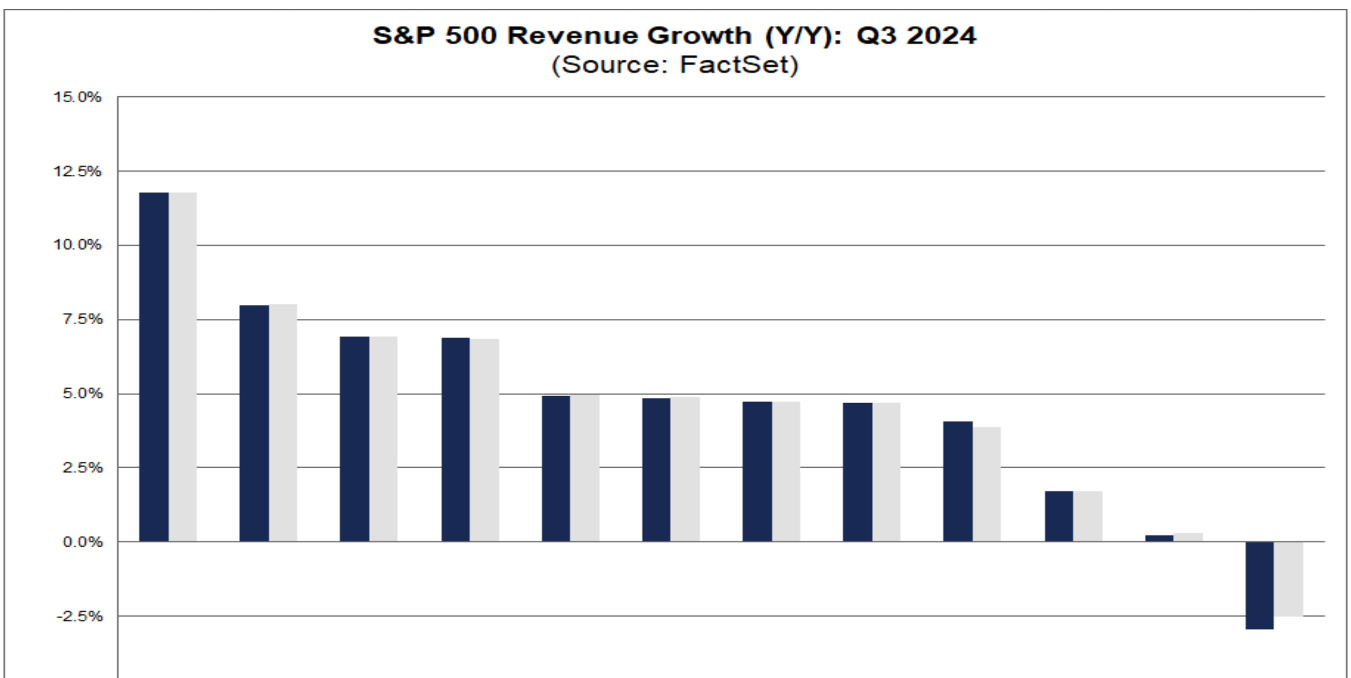




Q3 2024: Growth

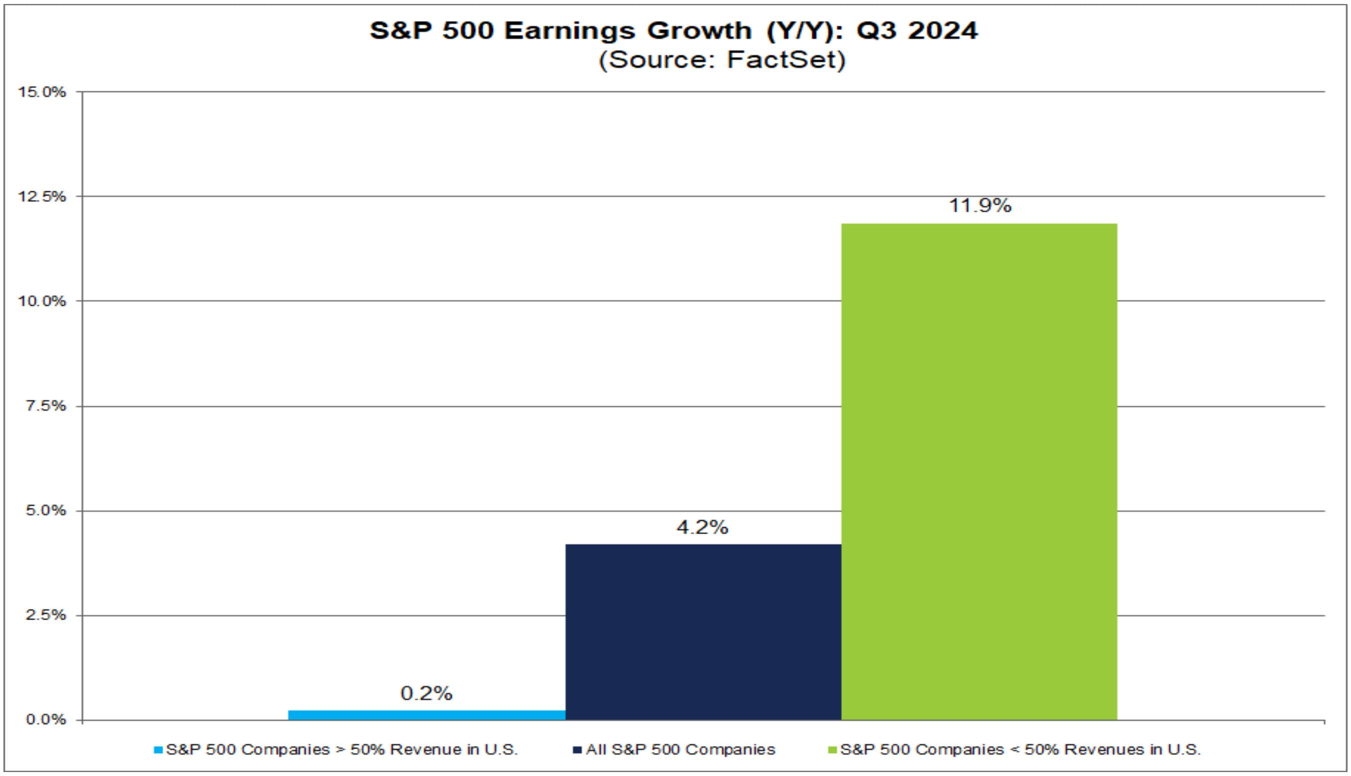


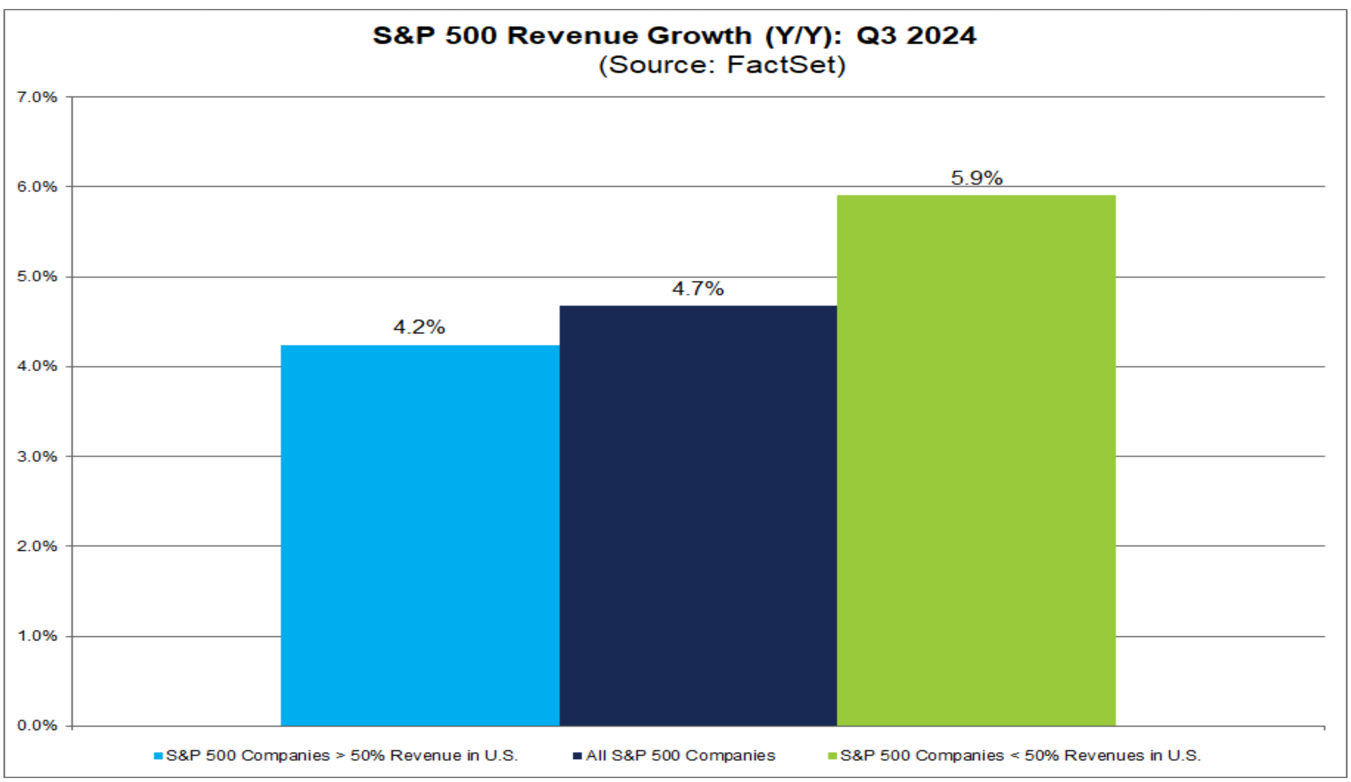
	Info. Technology	Health Care	Comm. Services	Real Estate	S&P 500	Utilities	Industrials	Consumer Staples	Consumer Disc.	Financials	Materials	Energy
Today	15.2%	10.9%	10.5%	5.0%	4.2%	3.9%	1.1%	0.5%	0.3%	-0.4%	-2.7%	-20.9%
30-Sep	15.5%	11.2%	10.5%	5.0%	4.4%	3.9%	1.3%	0.4%	-0.1%	-0.3%	-2.5%	-19.1%



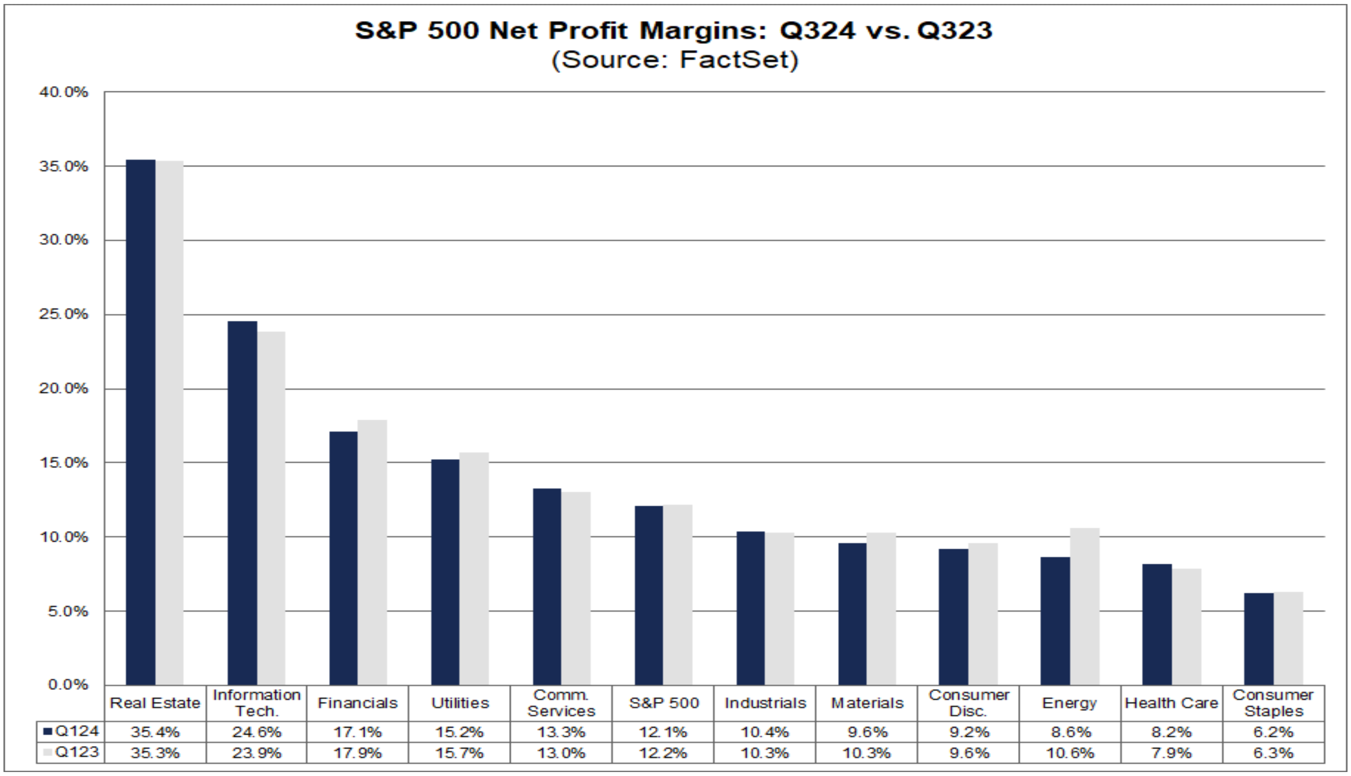
	Info. Technology	Comm. Services	Utilities	Health Care	Materials	Consumer Disc.	Real Estate	S&P 500	Financials	Consumer Staples	Industrials	Energy
Today	11.8%	8.0%	6.9%	6.9%	4.9%	4.8%	4.7%	4.7%	4.1%	1.7%	0.2%	-2.9%
30-Sep	11.8%	8.0%	6.9%	6.9%	4.9%	4.9%	4.7%	4.7%	3.9%	1.7%	0.3%	-2.5%

Q3 2024: Growth

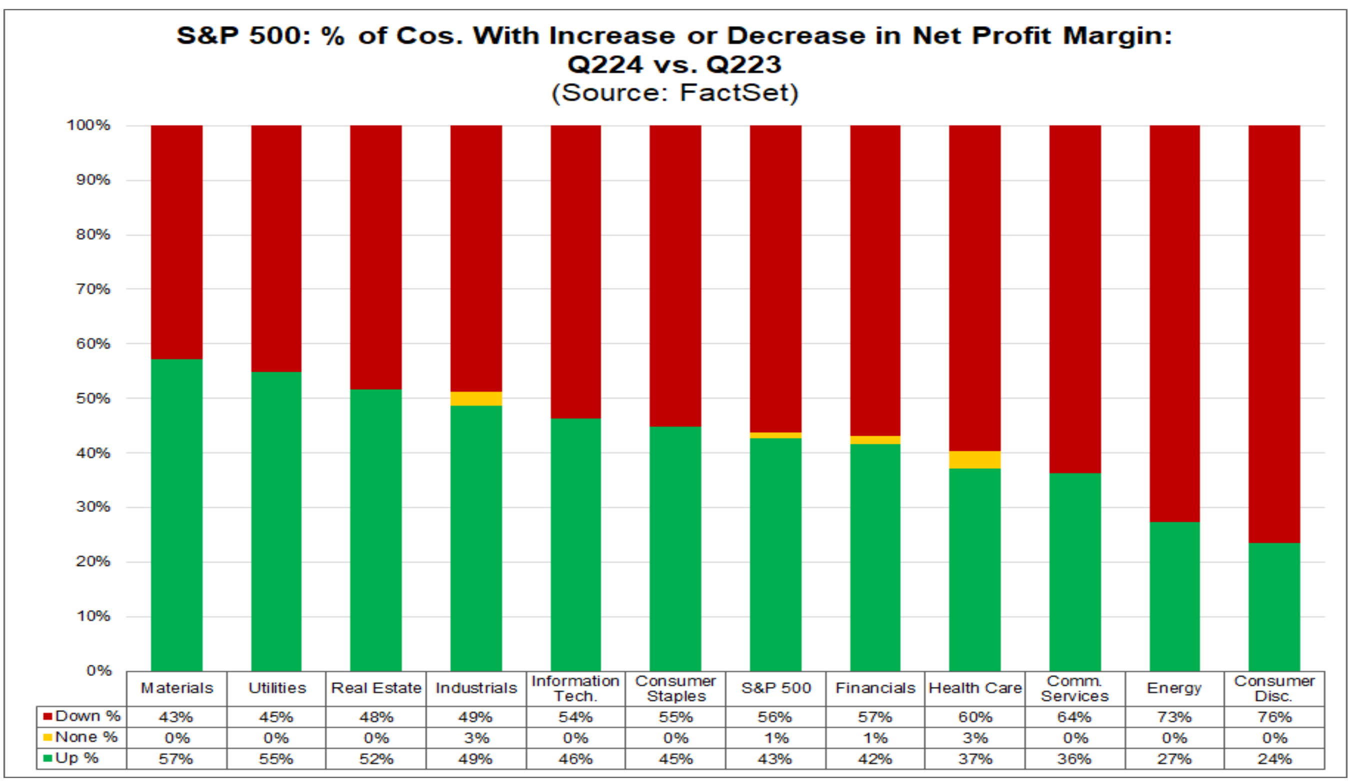




Q3 2024: Net Profit Margin

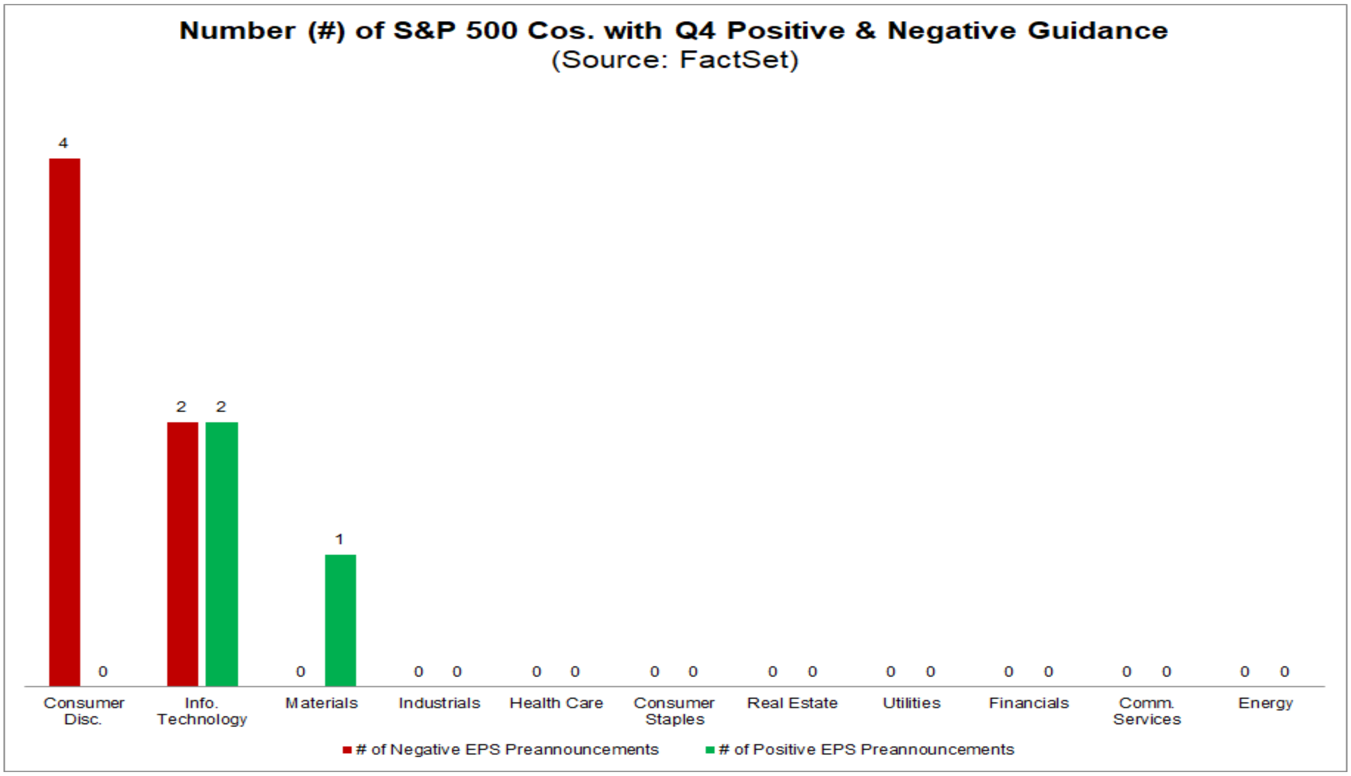


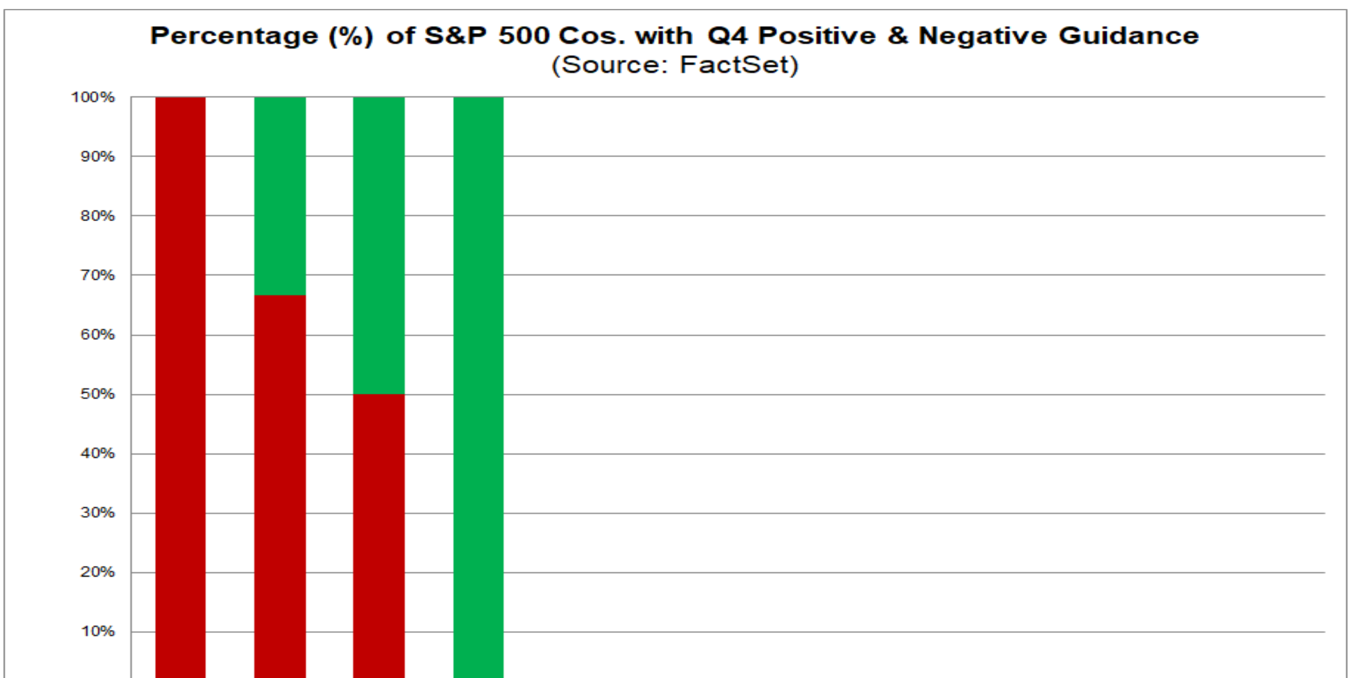
	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Industrials	Materials	Consumer Disc.	Energy	Health Care	Consumer Staples
Q124	35.4%	24.6%	17.1%	15.2%	13.3%	12.1%	10.4%	9.6%	9.2%	8.6%	8.2%	6.2%
Q123	35.3%	23.9%	17.9%	15.7%	13.0%	12.2%	10.3%	10.3%	9.6%	10.6%	7.9%	6.3%



	Materials	Utilities	Real Estate	Industrials	Information Tech.	Consumer Staples	S&P 500	Financials	Health Care	Comm. Services	Energy	Consumer Disc.
Down %	43%	45%	48%	49%	54%	55%	56%	57%	60%	64%	73%	76%
None %	0%	0%	0%	3%	0%	0%	1%	1%	3%	0%	0%	0%
Up %	57%	55%	52%	49%	46%	45%	43%	42%	37%	36%	27%	24%

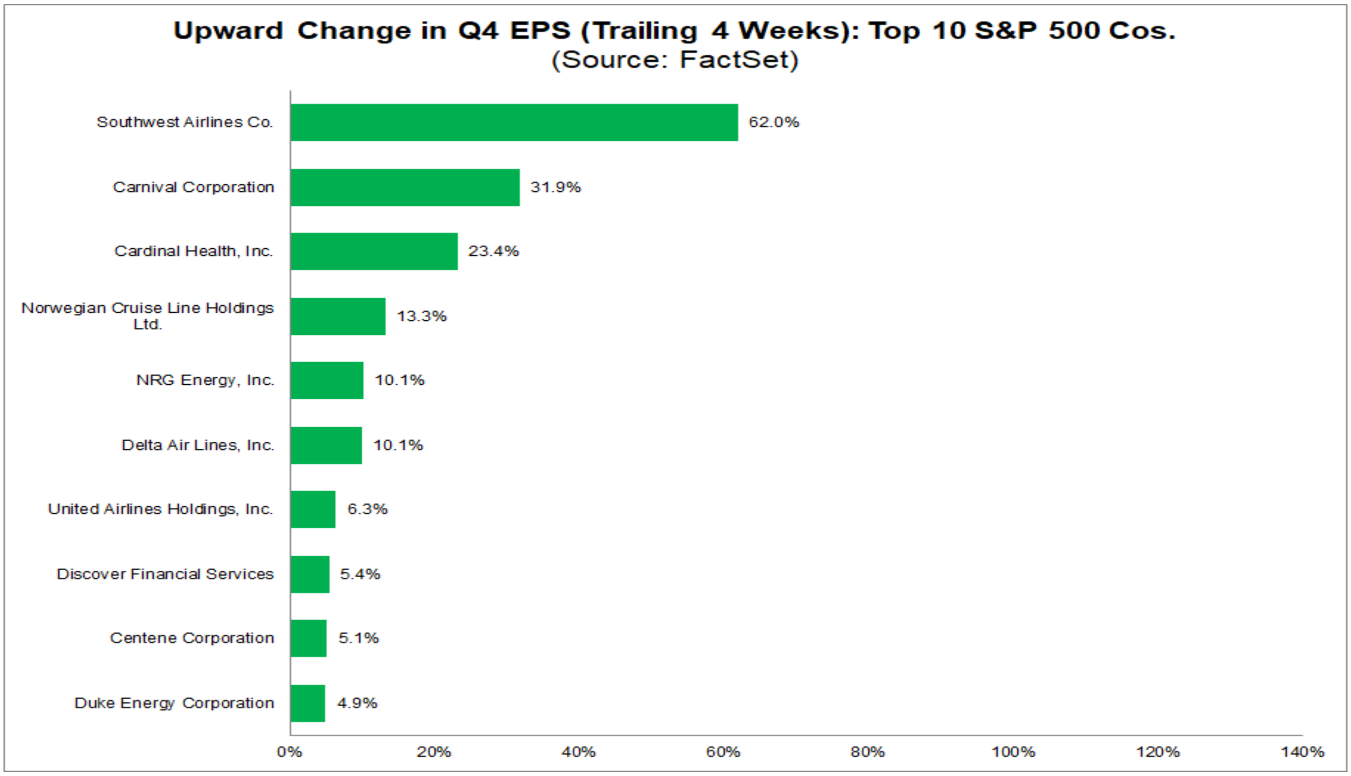
Q4 2024: Guidance

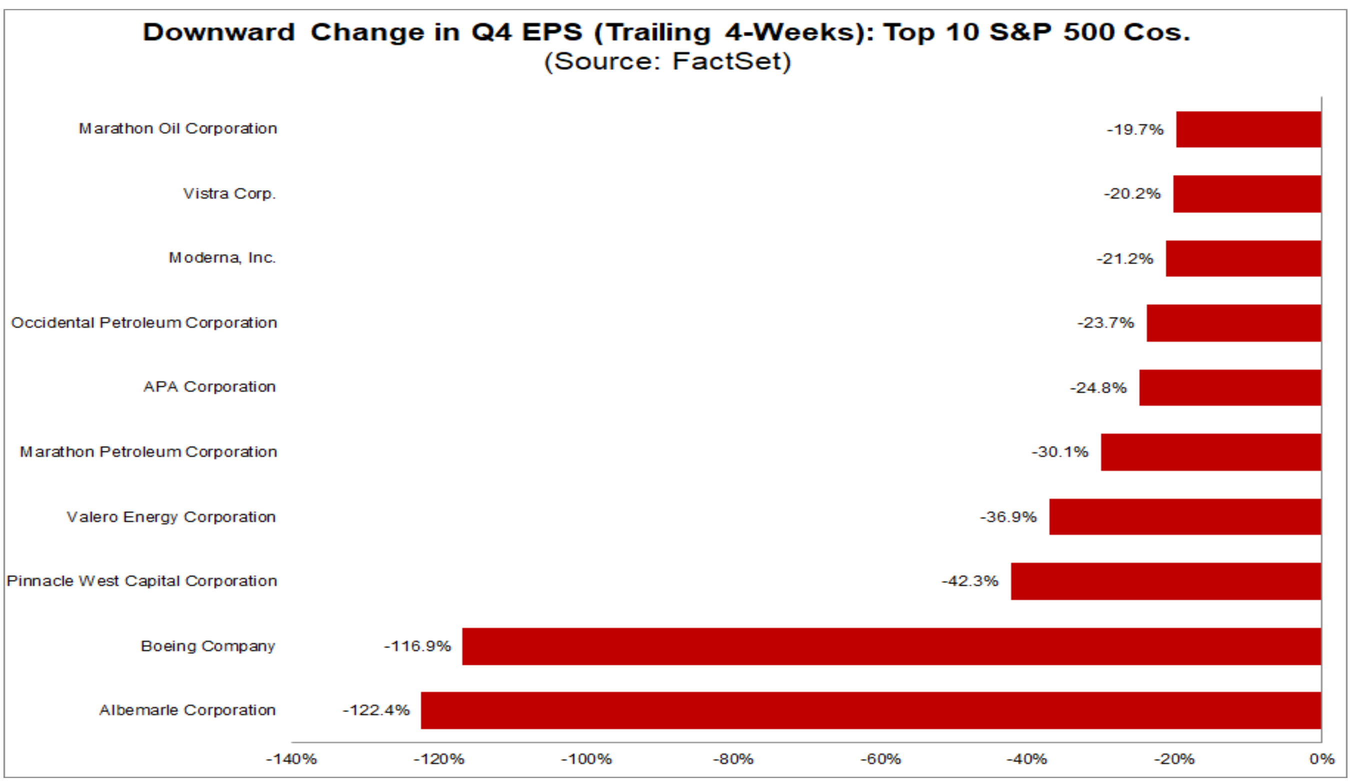




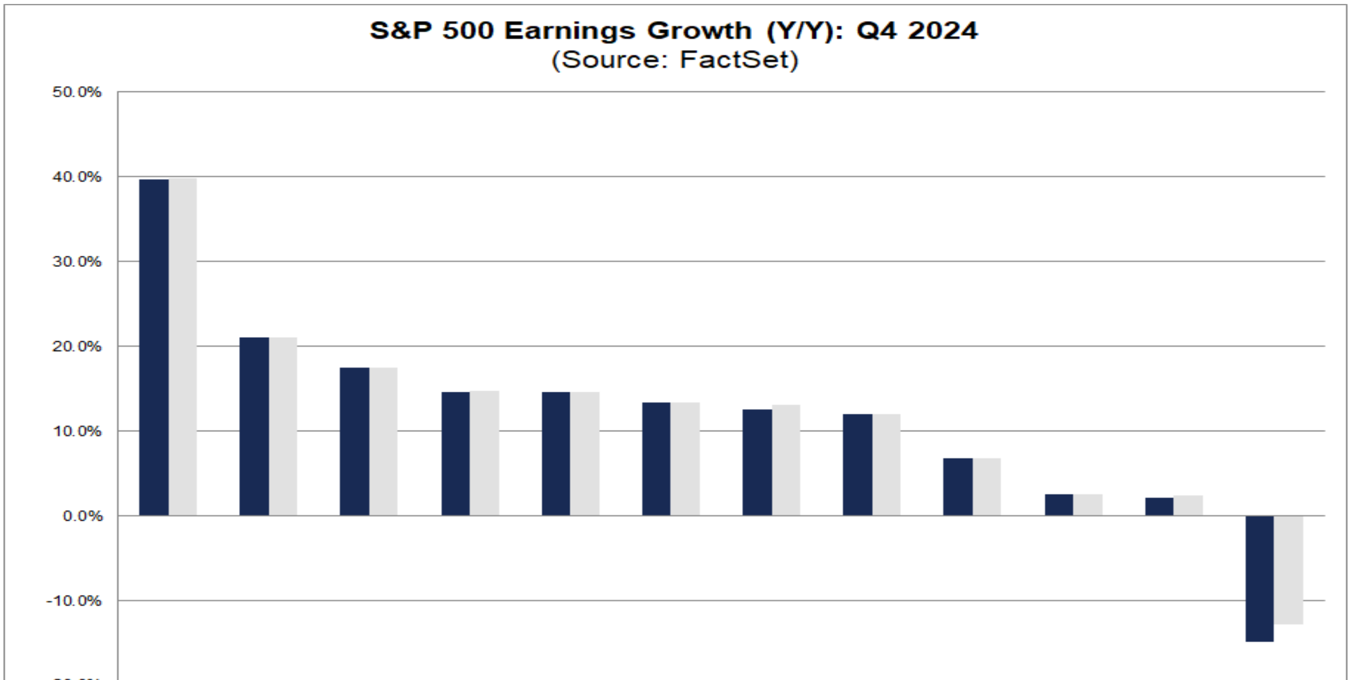
	Consumer Disc.	S&P 500	Info. Technology	Materials	Utilities	Comm. Services	Health Care	Industrials	Consumer Staples	Real Estate	Financials	Energy
Positive	0%	33%	50%	100%	0%	0%	0%	0%	0%	0%	0%	0%
Negative	100%	67%	50%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Q4 2024: EPS Revisions

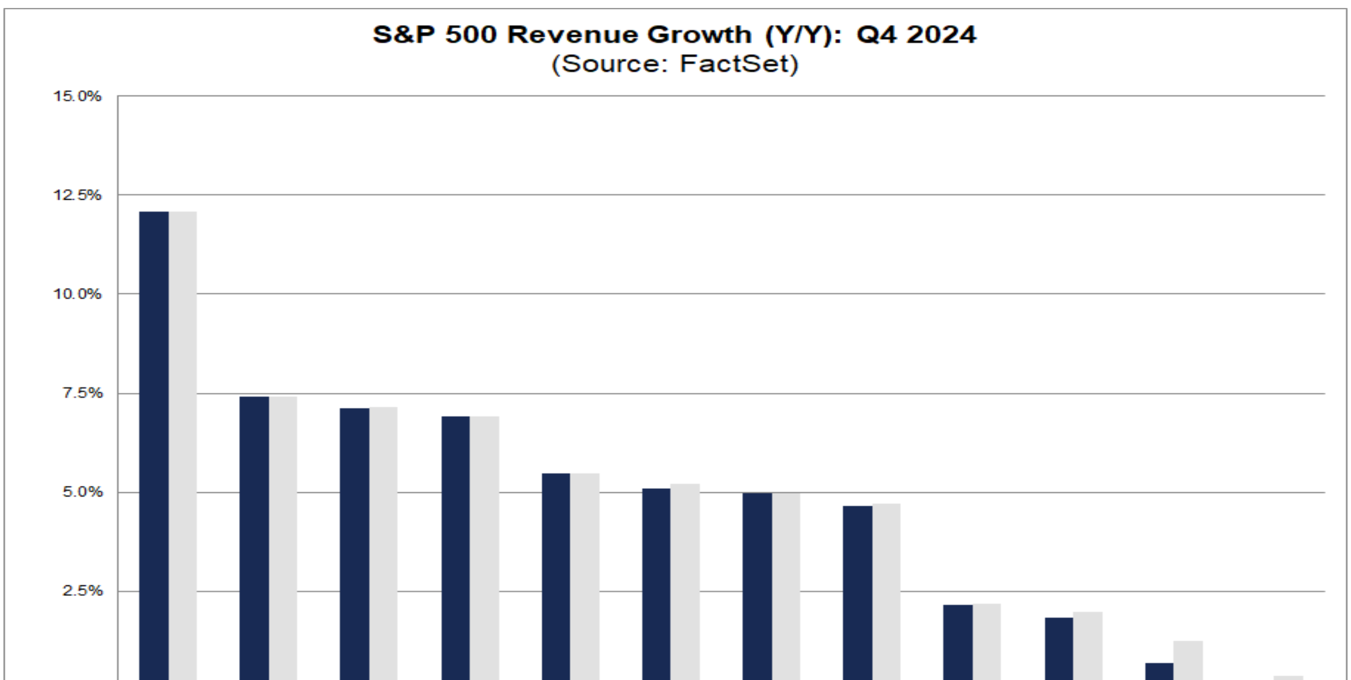




Q4 2024: Growth

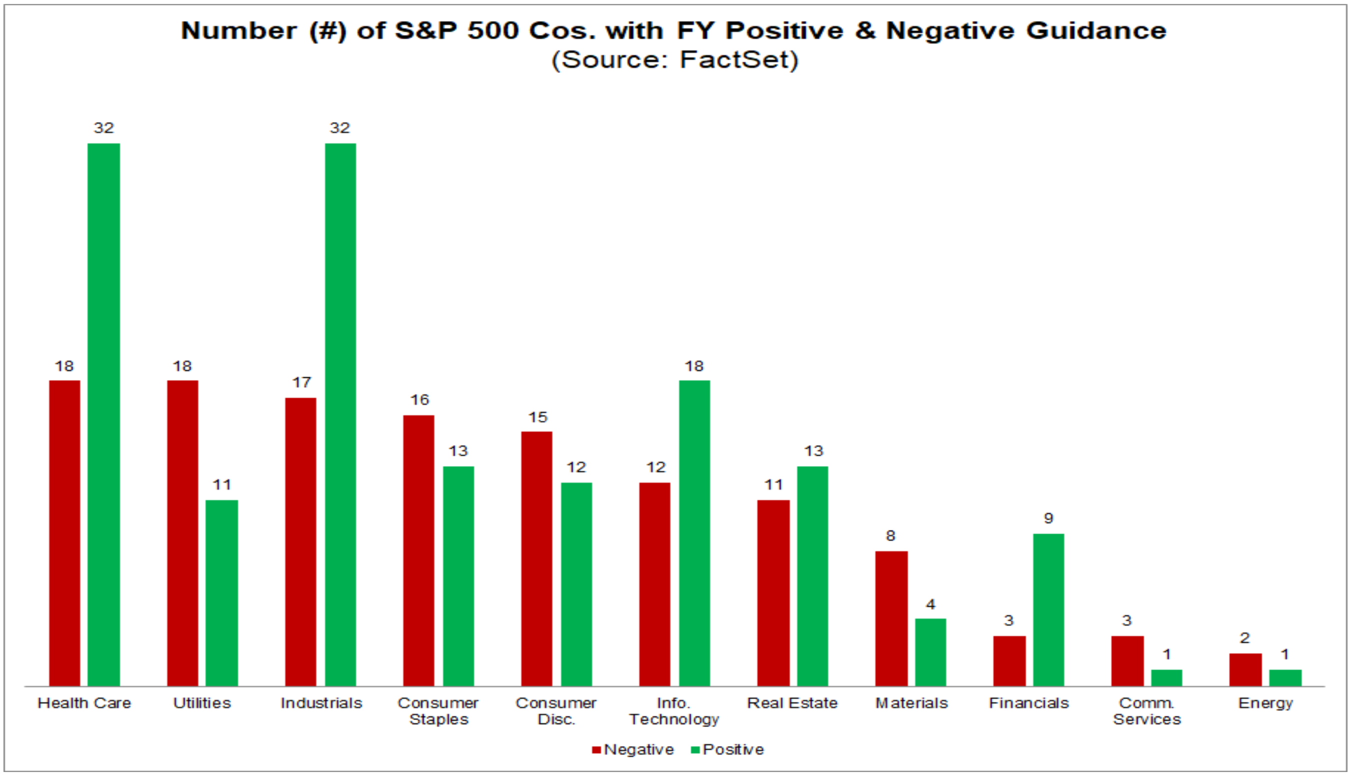


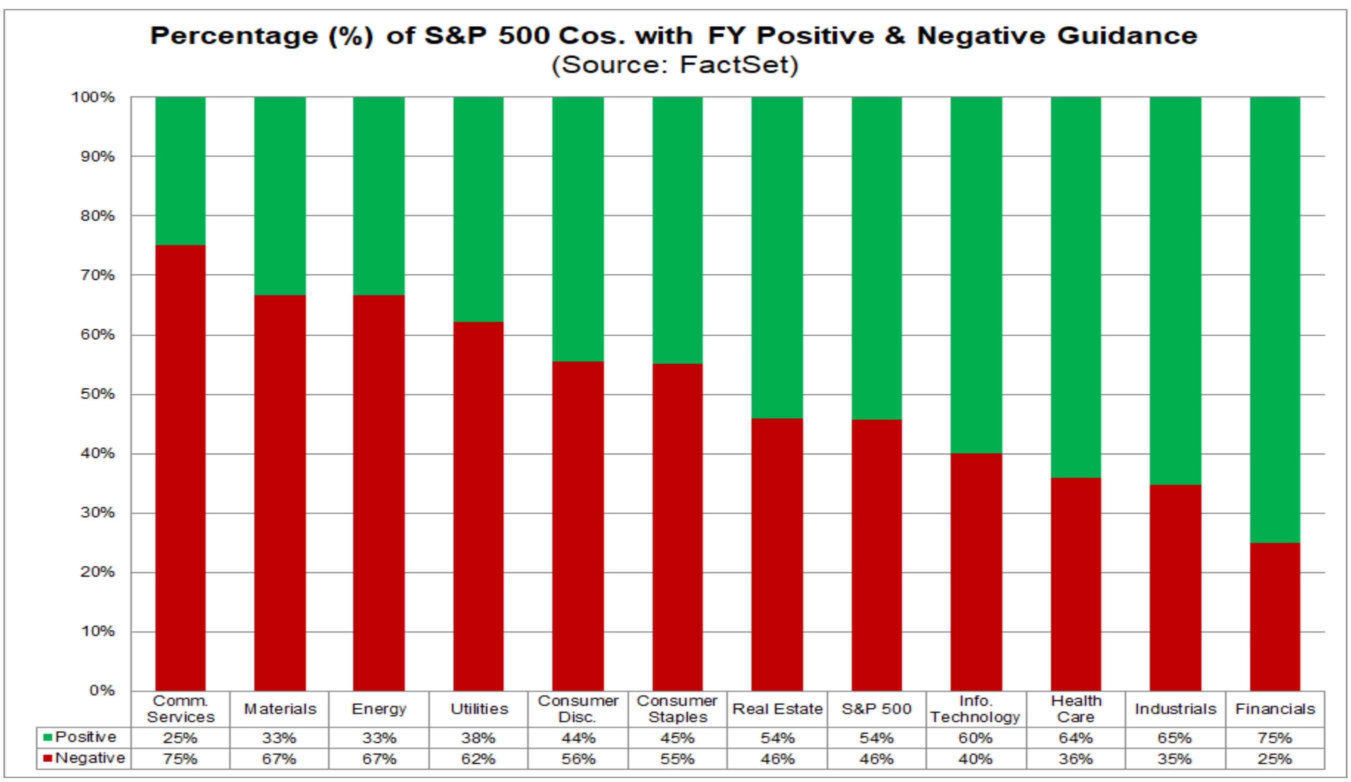
	Financials	Health Care	Comm. Services	S&P 500	Info. Technology	Materials	Consumer Disc.	Utilities	Real Estate	Industrials	Consumer Staples	Energy
Today	39.7%	21.0%	17.5%	14.6%	14.6%	13.4%	12.5%	12.0%	6.7%	2.5%	2.2%	-14.9%
30-Sep	39.8%	21.0%	17.5%	14.8%	14.6%	13.4%	13.1%	12.0%	6.7%	2.5%	2.4%	-12.8%



	Info. Technology	Comm. Services	Utilities	Health Care	Real Estate	S&P 500	Financials	Consumer Disc.	Consumer Staples	Materials	Energy	Industrials
Today	12.1%	7.4%	7.1%	6.9%	5.5%	5.1%	5.0%	4.7%	2.2%	1.8%	0.7%	0.0%
30-Sep	12.1%	7.4%	7.1%	6.9%	5.5%	5.2%	5.0%	4.7%	2.2%	2.0%	1.3%	0.4%

FY 2024 / 2025: EPS Guidance

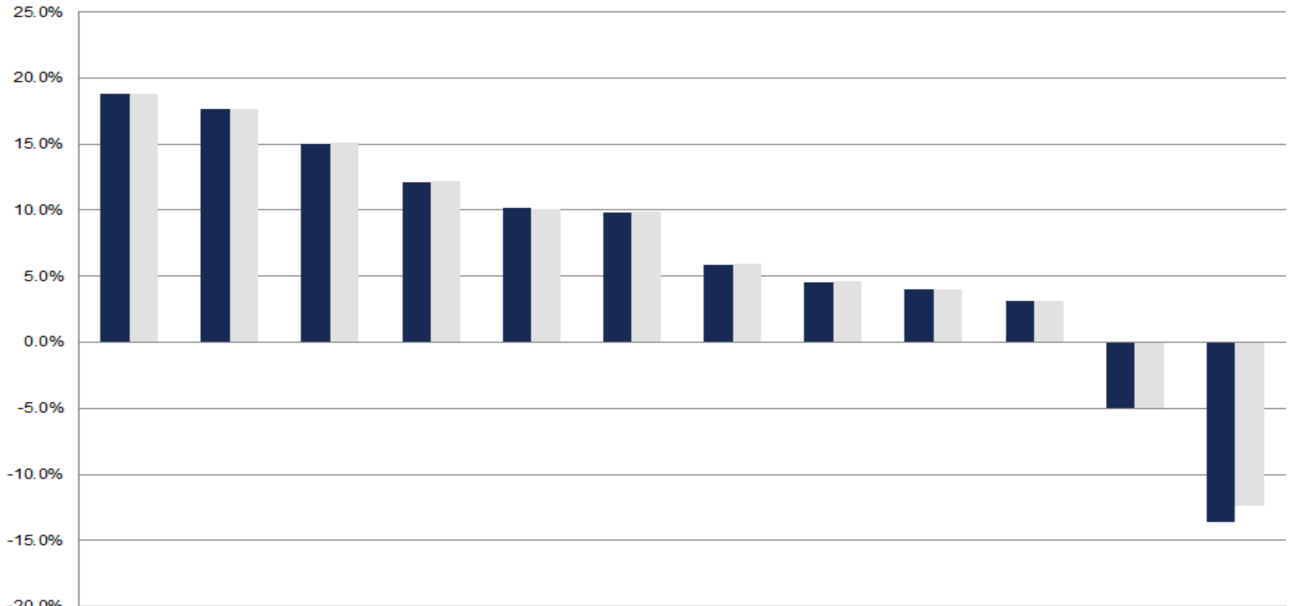




	Comm. Services	Materials	Energy	Utilities	Consumer Disc.	Consumer Staples	Real Estate	S&P 500	Info. Technology	Health Care	Industrials	Financials
Positive	25%	33%	33%	38%	44%	45%	54%	54%	60%	64%	65%	75%
Negative	75%	67%	67%	62%	56%	55%	46%	46%	40%	36%	35%	25%

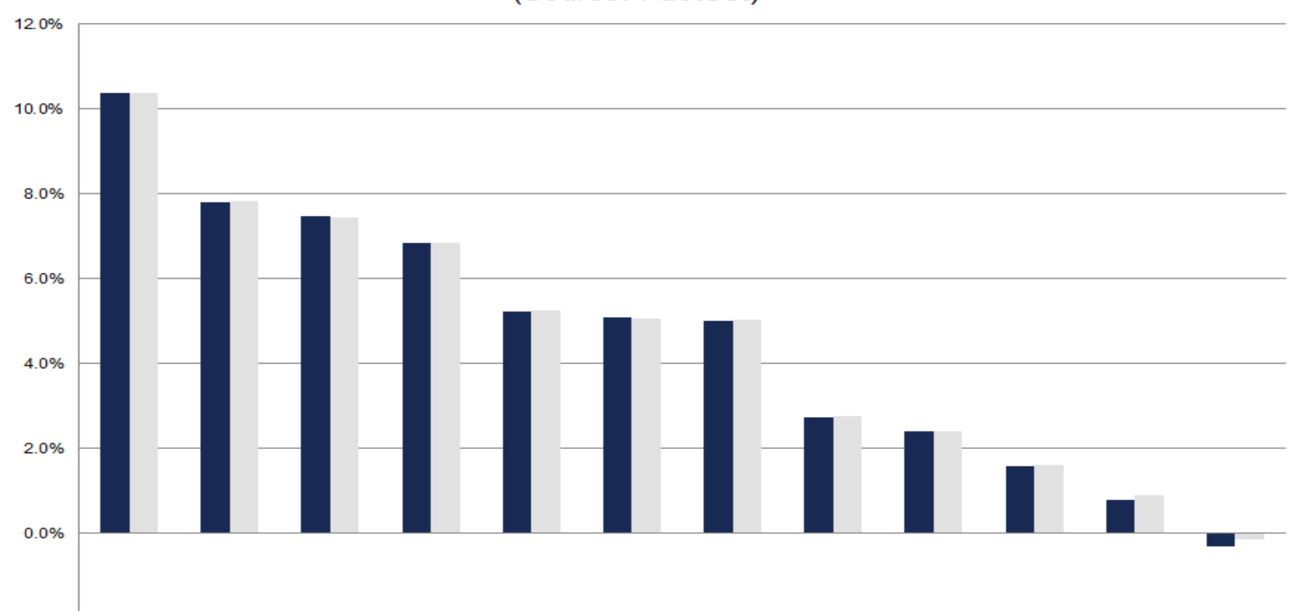
CY 2024: Growth

S&P 500 Earnings Growth (Y/Y): CY 2024
(Source: FactSet)



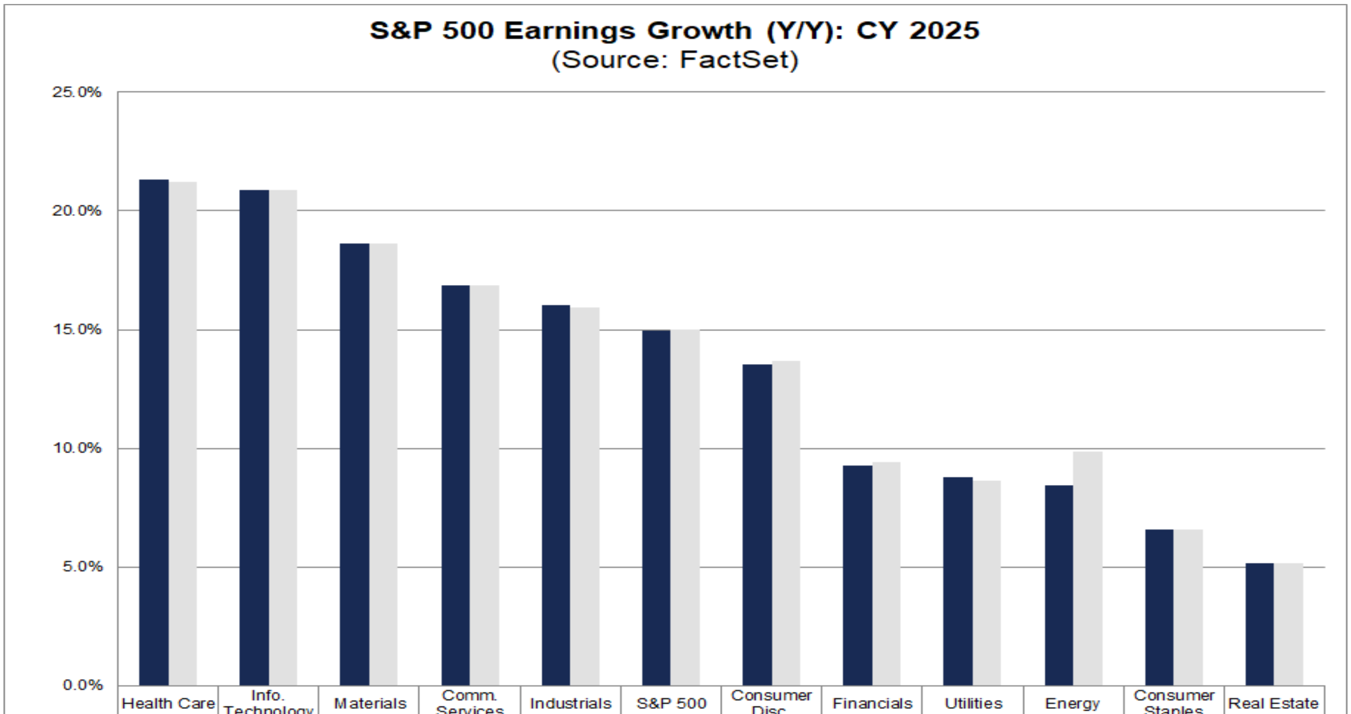
	Info. Technology	Comm. Services	Financials	Consumer Disc.	Utilities	S&P 500	Health Care	Industrials	Real Estate	Consumer Staples	Materials	Energy
Today	18.8%	17.7%	15.0%	12.1%	10.2%	9.8%	5.9%	4.5%	4.0%	3.1%	-5.0%	-13.6%
30-Sep	18.8%	17.7%	15.1%	12.2%	10.1%	10.0%	5.9%	4.6%	4.0%	3.1%	-5.0%	-12.4%

S&P 500 Revenue Growth (Y/Y): CY 2024
(Source: FactSet)

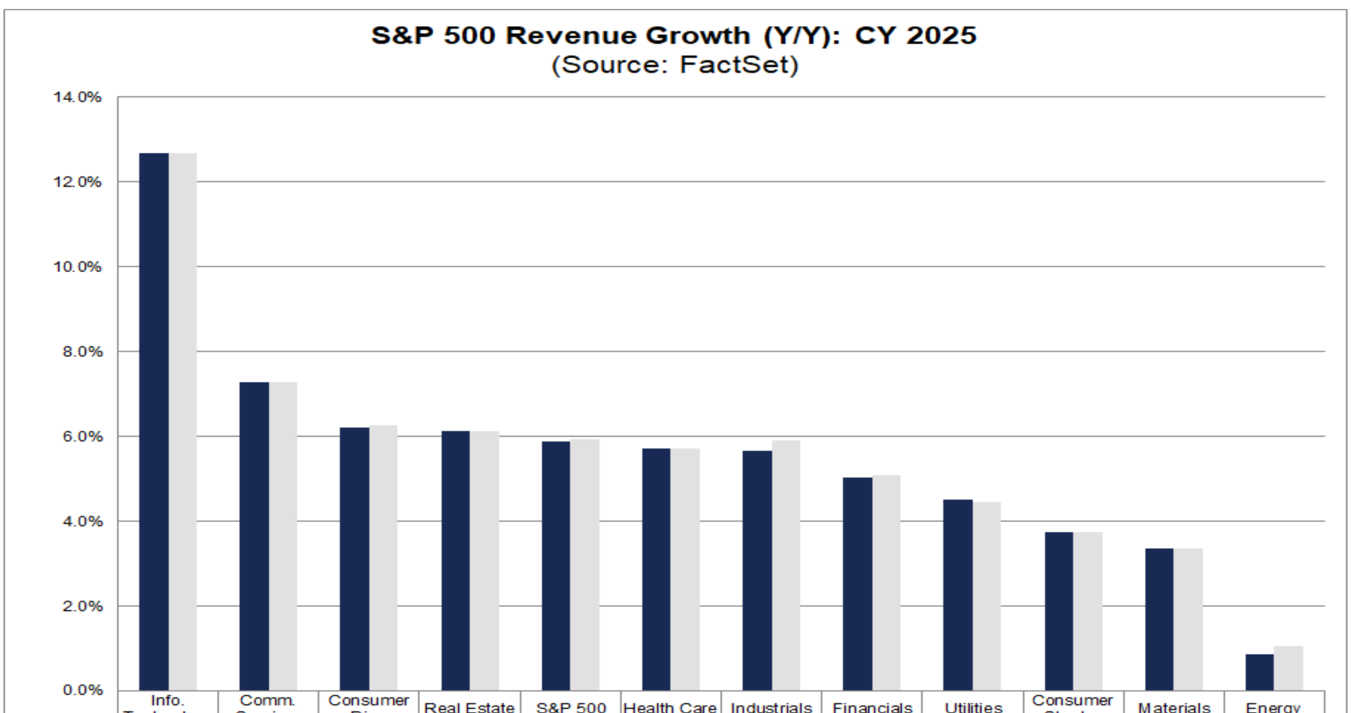


	Info. Technology	Comm. Services	Health Care	Real Estate	Consumer Disc.	Financials	S&P 500	Materials	Consumer Staples	Utilities	Industrials	Energy
Today	10.4%	7.8%	7.5%	6.8%	5.2%	5.1%	5.0%	2.7%	2.4%	1.6%	0.8%	-0.3%
30-Sep	10.4%	7.8%	7.5%	6.8%	5.2%	5.1%	5.0%	2.8%	2.4%	1.6%	0.9%	-0.1%

CY 2025: Growth



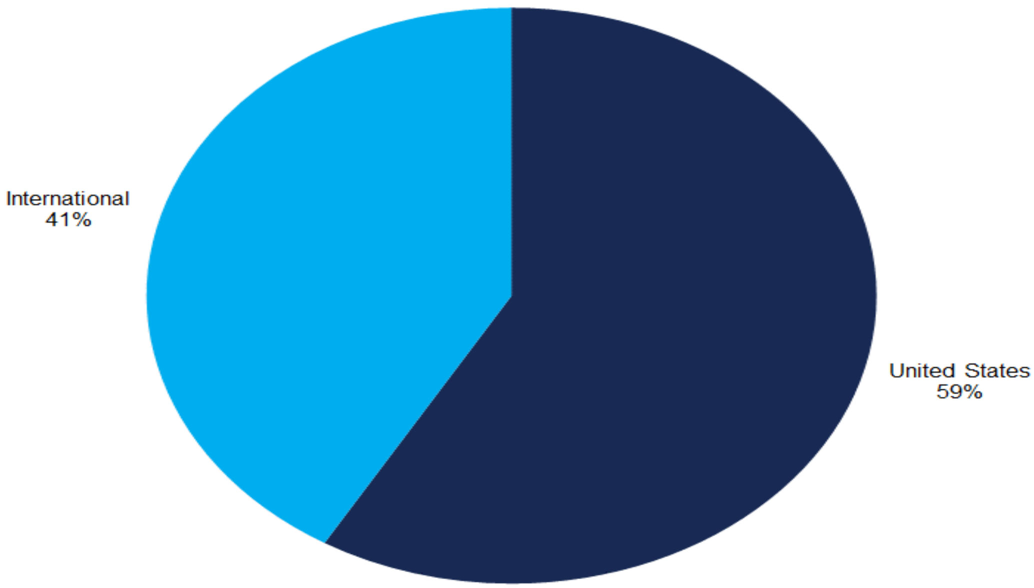
	Health Care	Info. Technology	Materials	Comm. Services	Industrials	S&P 500	Consumer Disc.	Financials	Utilities	Energy	Consumer Staples	Real Estate
Today	21.3%	20.9%	18.6%	16.8%	16.0%	14.9%	13.5%	9.3%	8.8%	8.4%	6.6%	5.2%
30-Sep	21.2%	20.9%	18.6%	16.9%	15.9%	15.0%	13.7%	9.4%	8.6%	9.8%	6.6%	5.1%



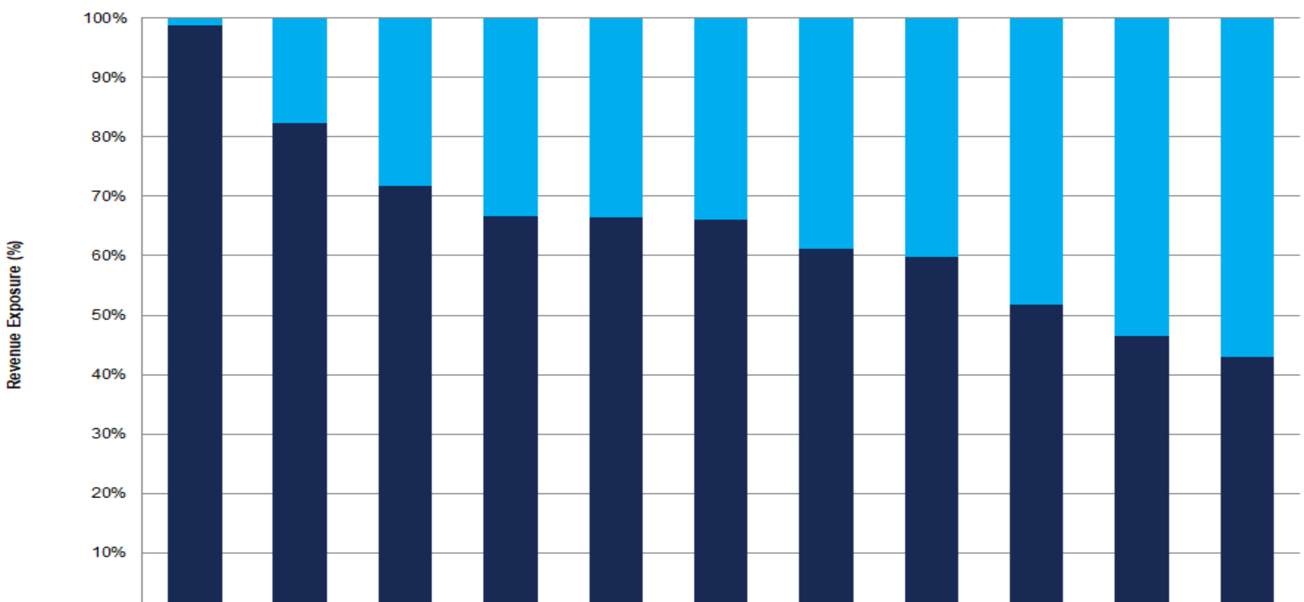
	Info. Technology	Comm. Services	Consumer Disc.	Real Estate	S&P 500	Health Care	Industrials	Financials	Utilities	Consumer Staples	Materials	Energy
Today	12.7%	7.3%	6.2%	6.1%	5.9%	5.7%	5.7%	5.0%	4.5%	3.8%	3.4%	0.9%
30-Sep	12.7%	7.3%	6.3%	6.1%	5.9%	5.7%	5.9%	5.1%	4.5%	3.8%	3.3%	1.0%

Geographic Revenue Exposure

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

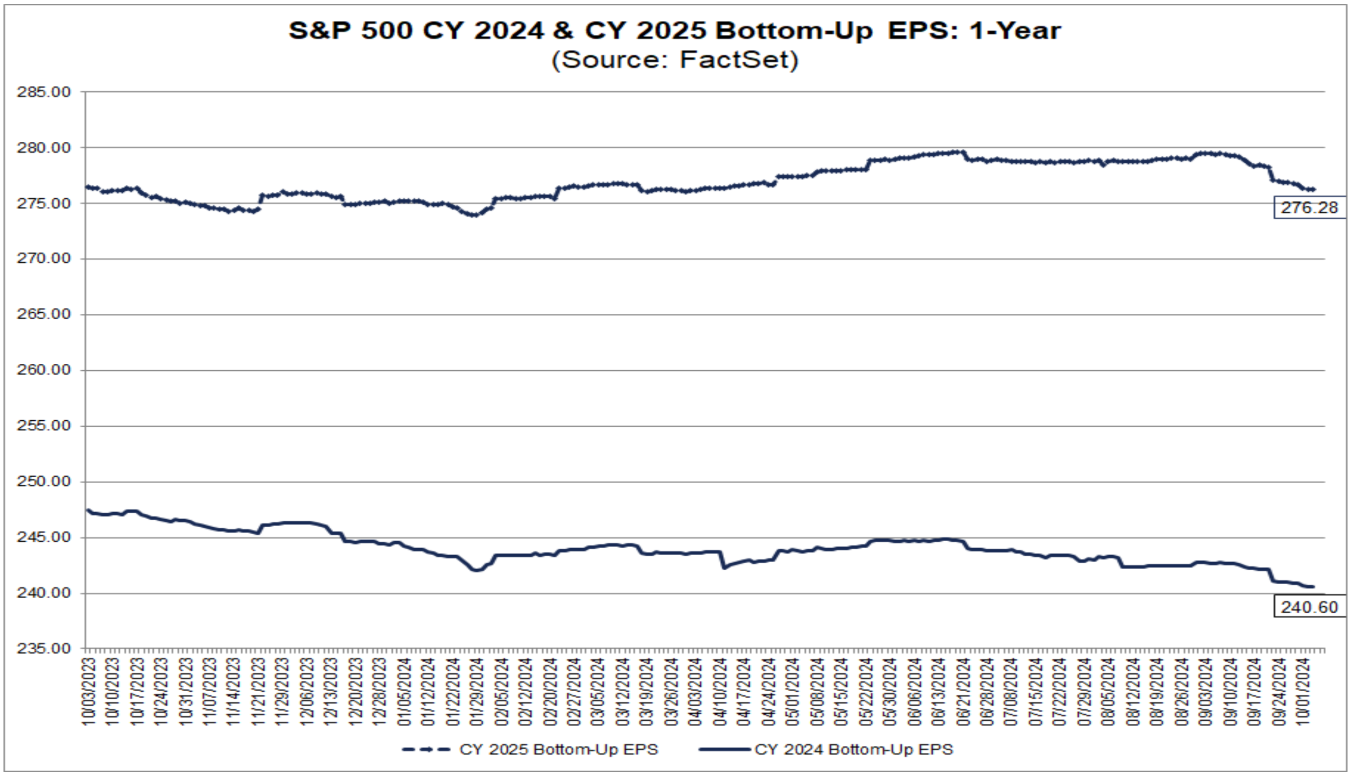


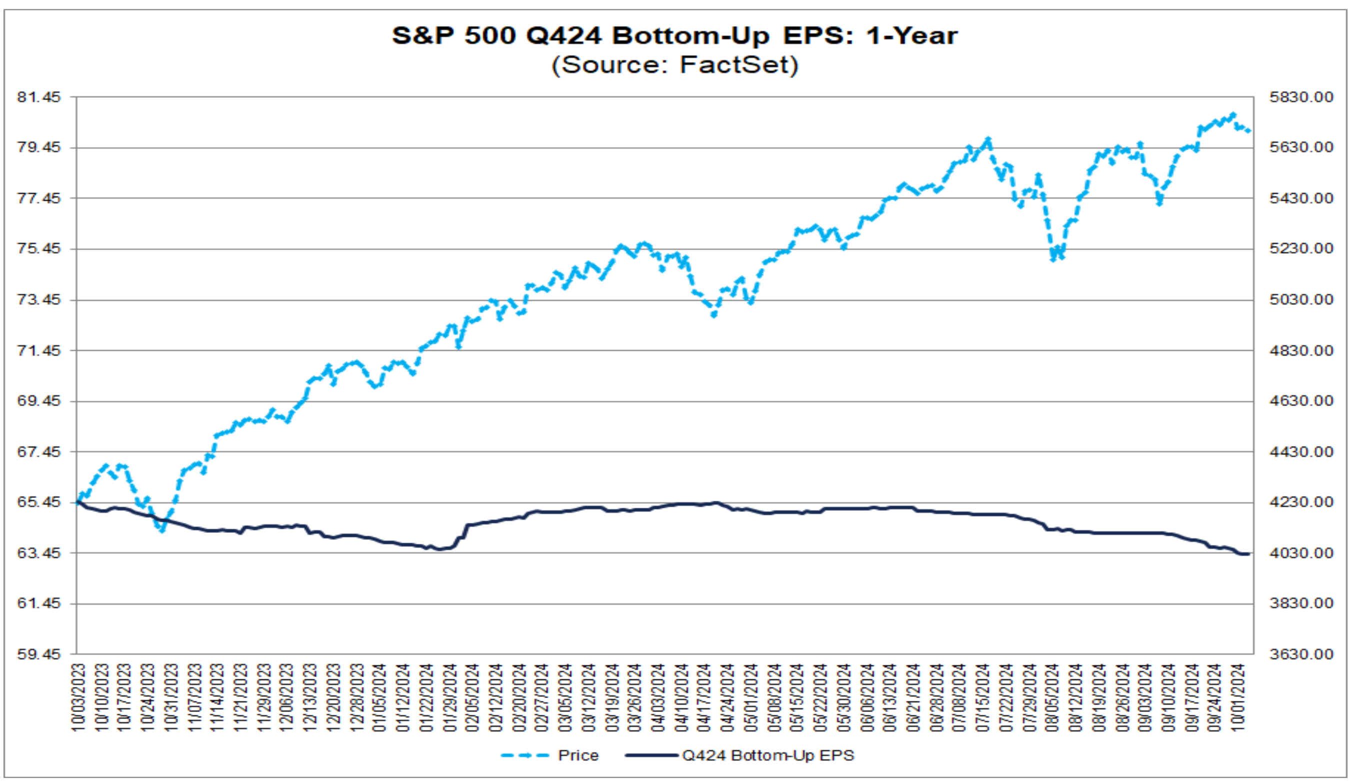
S&P 500: Aggregate Sector Geographic Revenue Exposure (%)
(Source: FactSet)



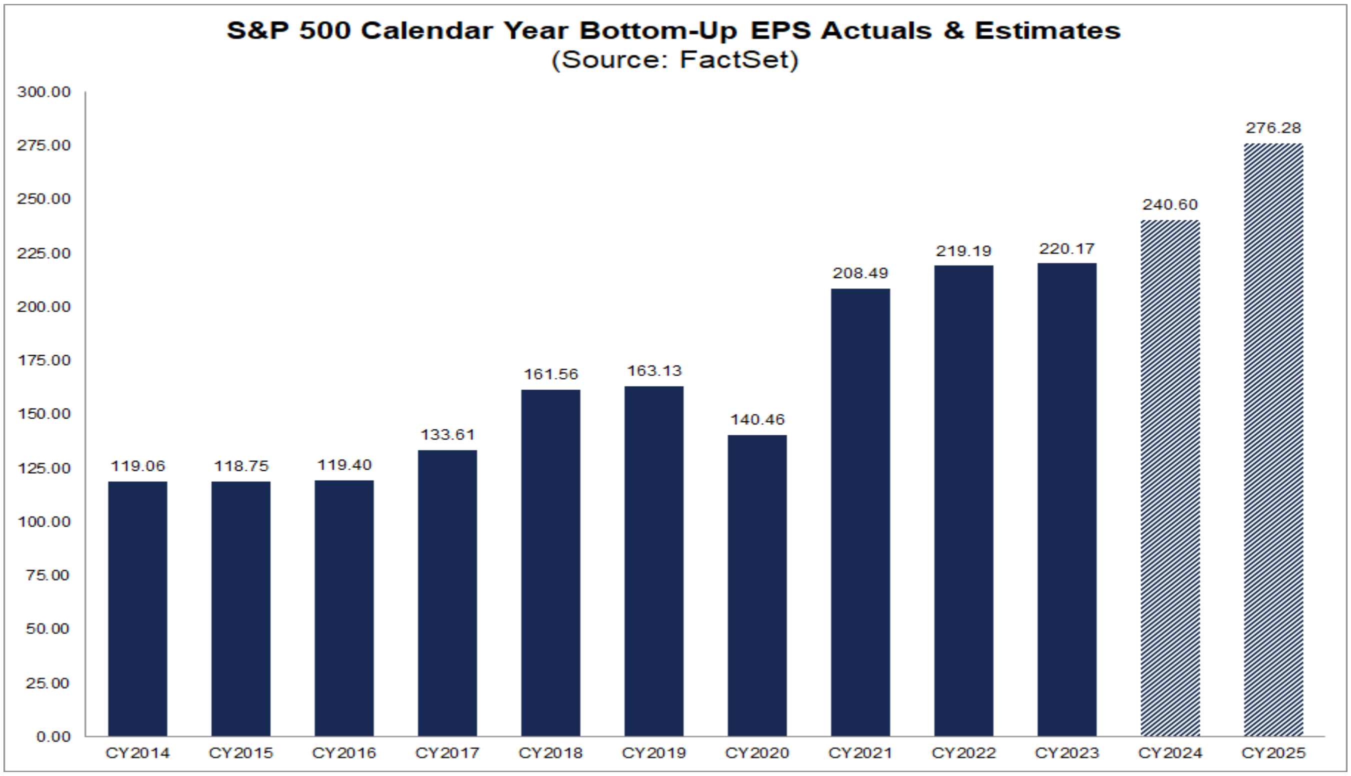
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	28%	33%	34%	34%	39%	40%	48%	54%	57%
United States	99%	82%	72%	67%	66%	66%	61%	60%	52%	46%	43%

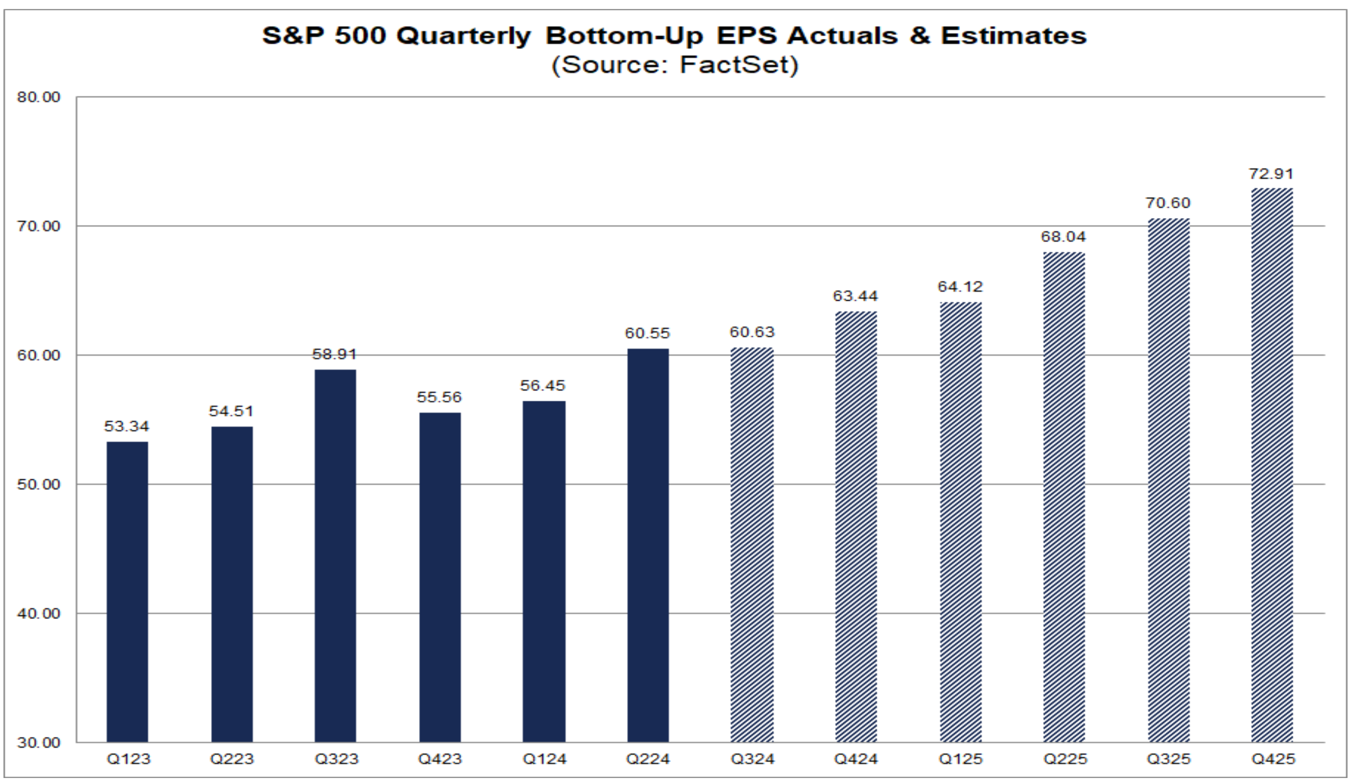
Bottom-Up EPS Estimates



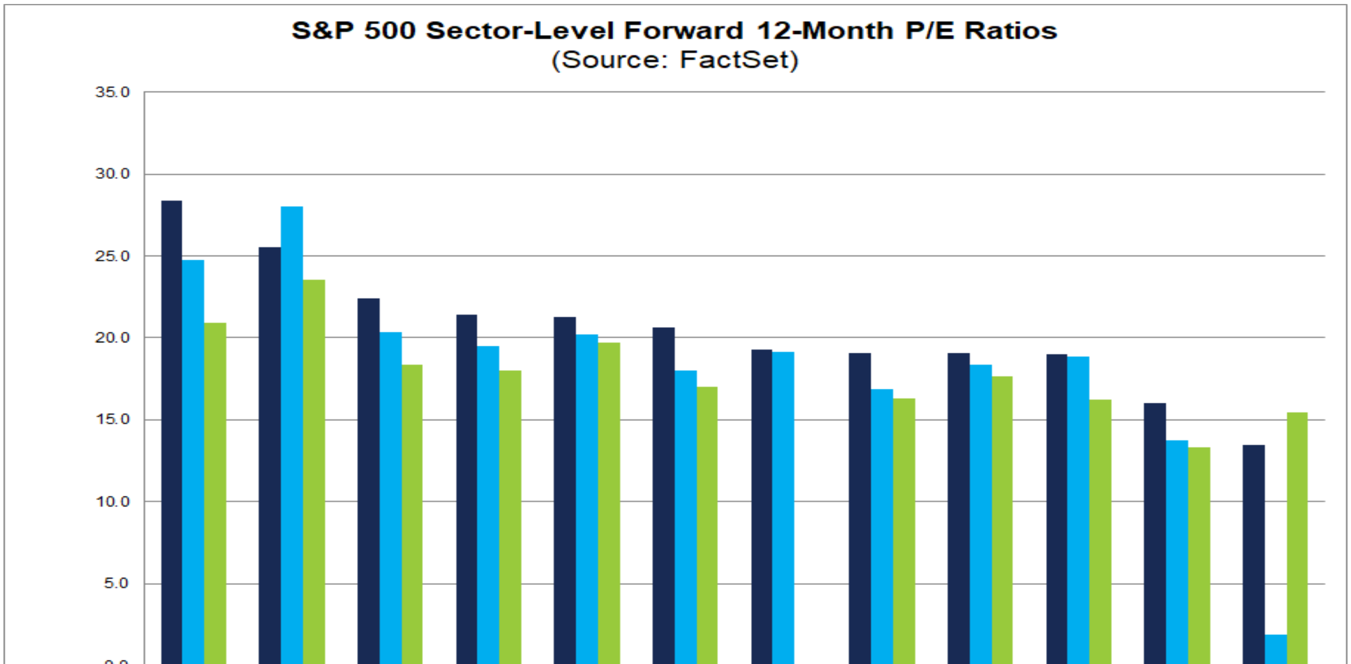


Bottom-Up EPS Estimates: Current & Historical

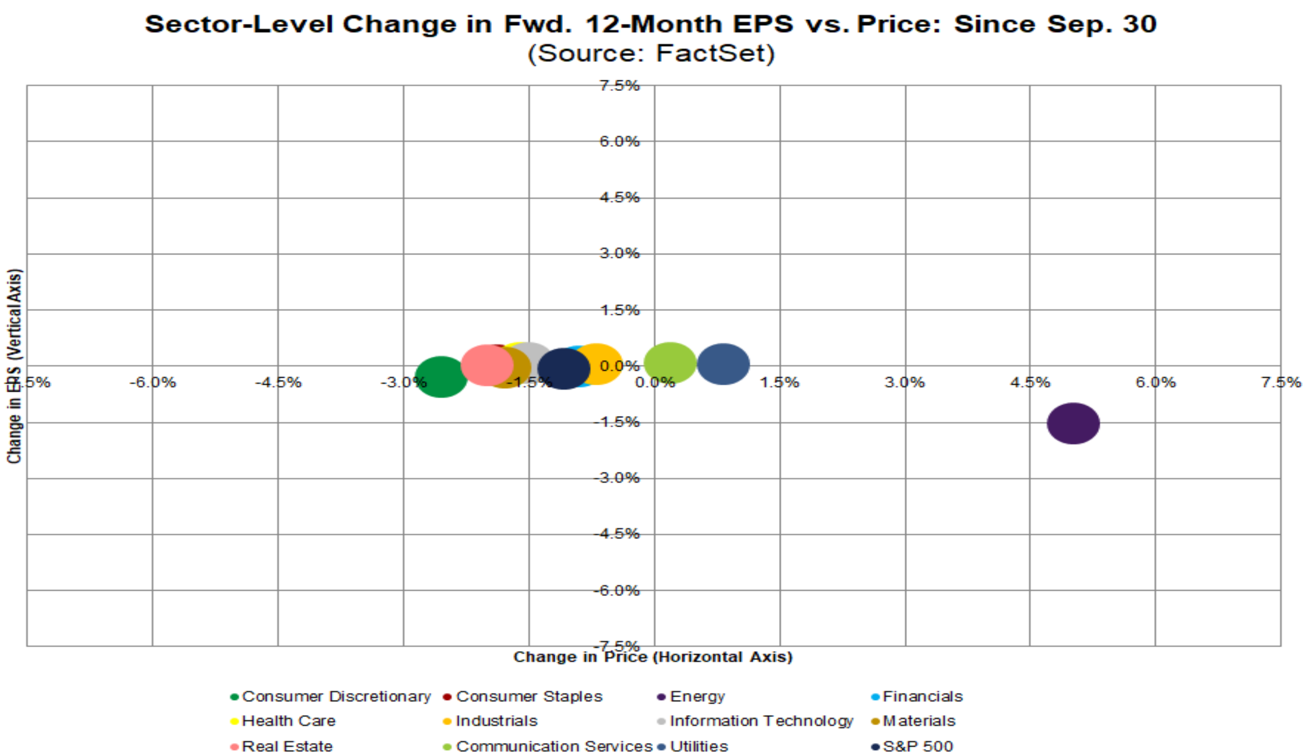




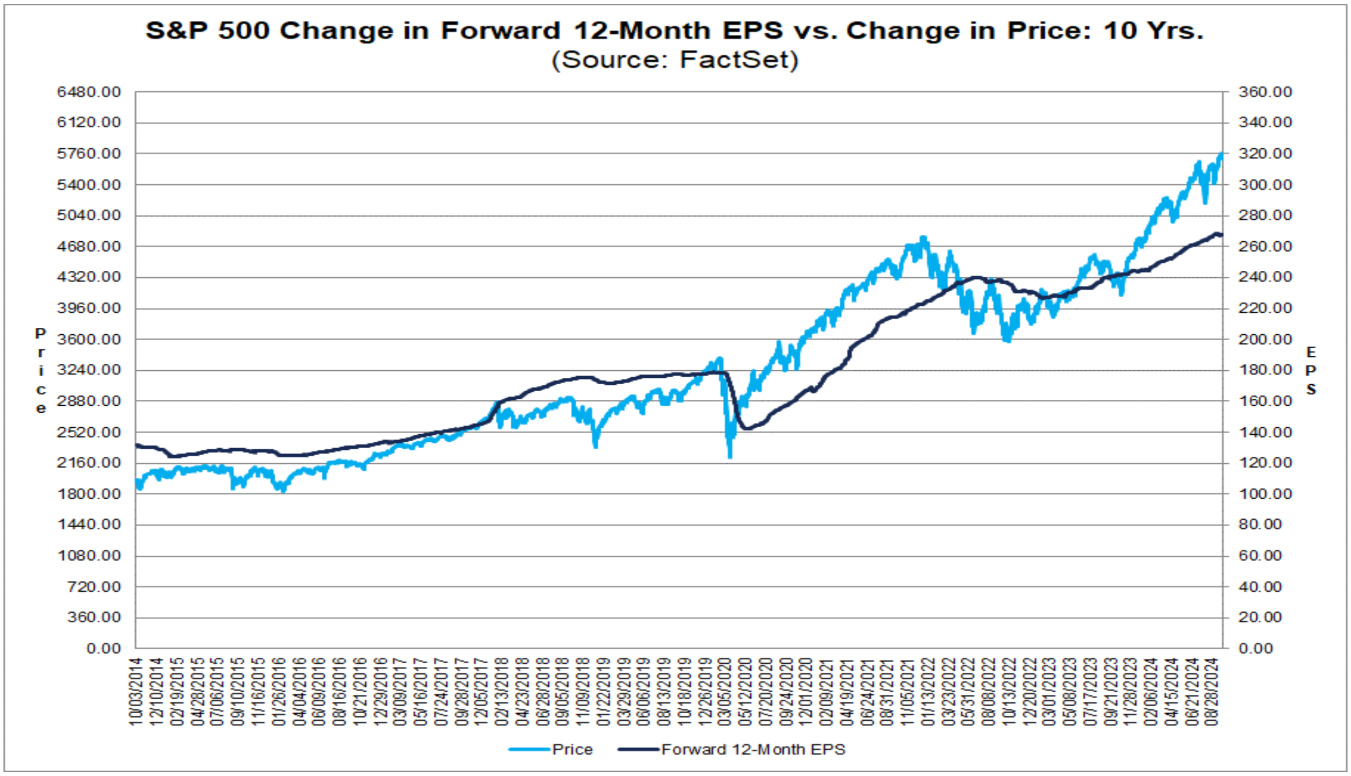
Forward 12M P/E Ratio: Sector Level

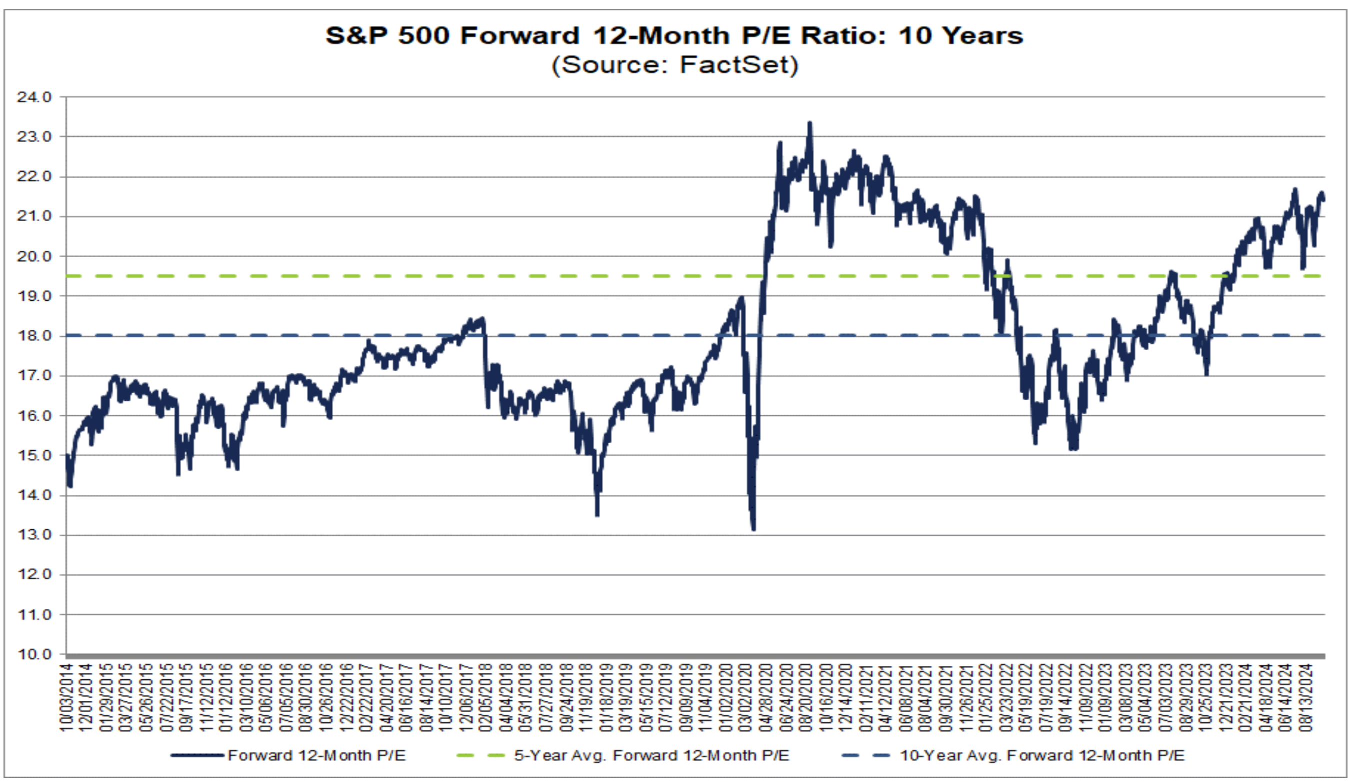


	Info. Technology	Consumer Disc.	Industrials	S&P 500	Consumer Staples	Materials	Real Estate	Health Care	Utilities	Comm. Services	Financials	Energy
Fwd P/E	28.4	25.5	22.4	21.4	21.3	20.6	19.3	19.1	19.1	19.0	16.0	13.5
5-Yr Avg.	24.8	28.0	20.4	19.5	20.2	18.0	19.2	16.9	18.3	18.8	13.7	1.9
10-Yr Avg.	20.9	23.6	18.4	18.0	19.7	17.0	0.0	16.3	17.7	16.2	13.3	15.5

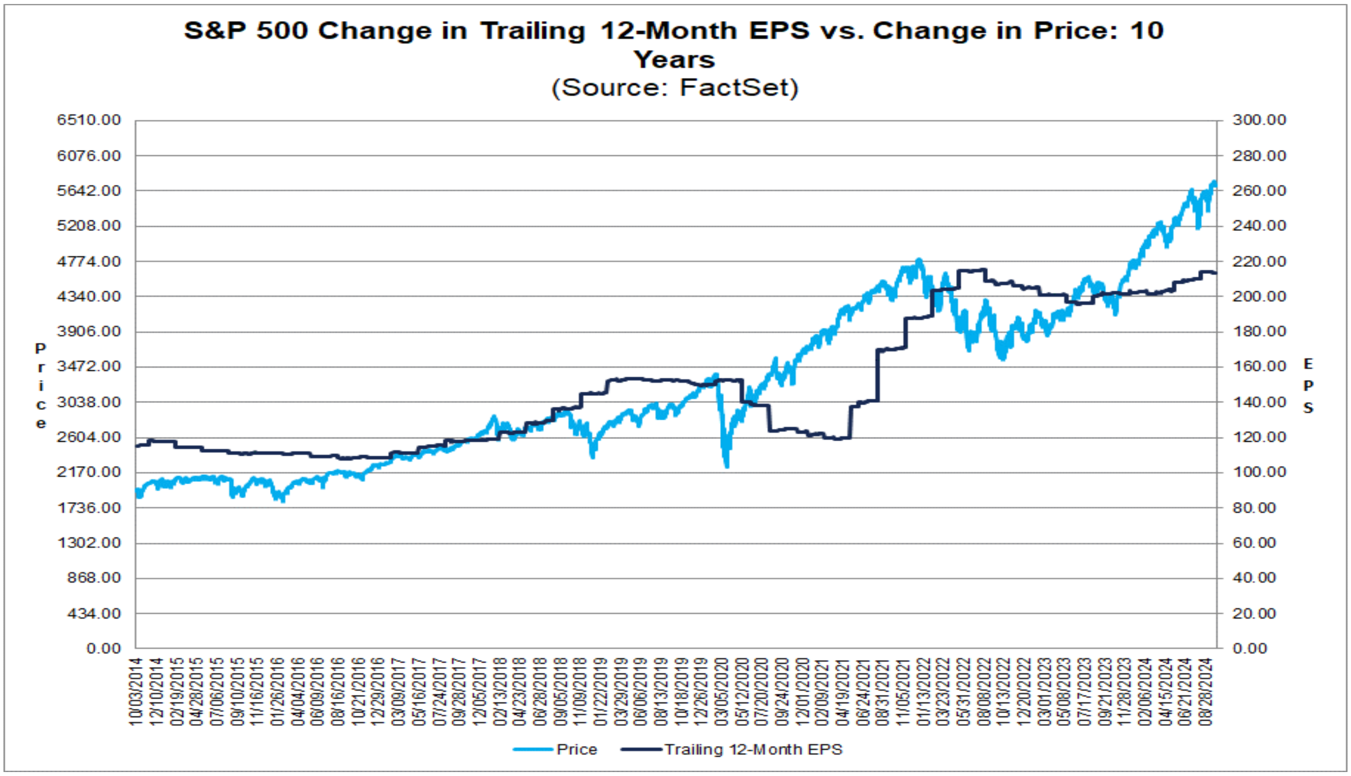


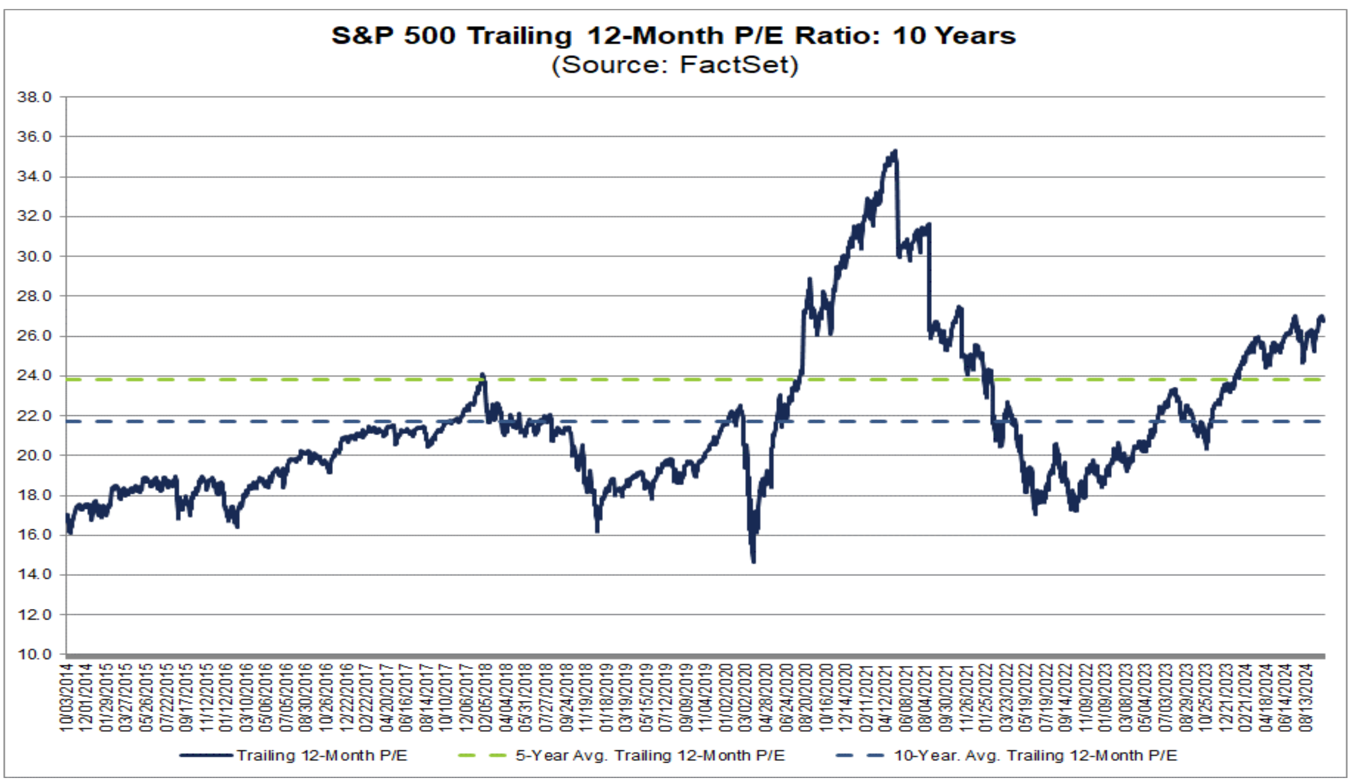
Forward 12M P/E Ratio: 10-Years





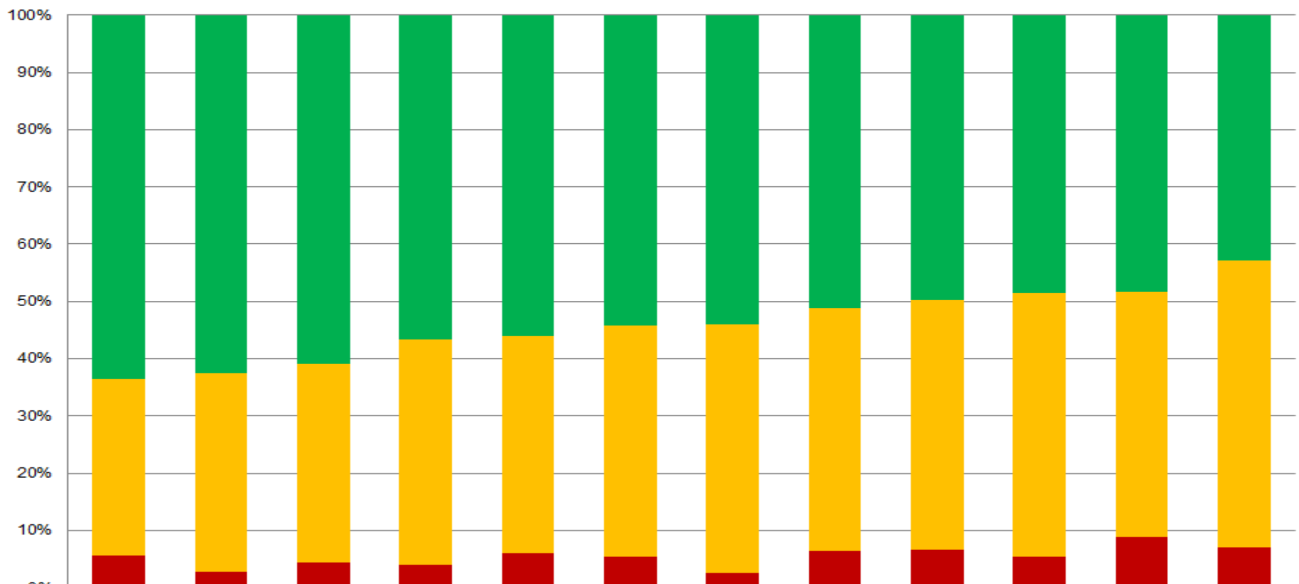
Trailing 12M P/E Ratio: 10-Years





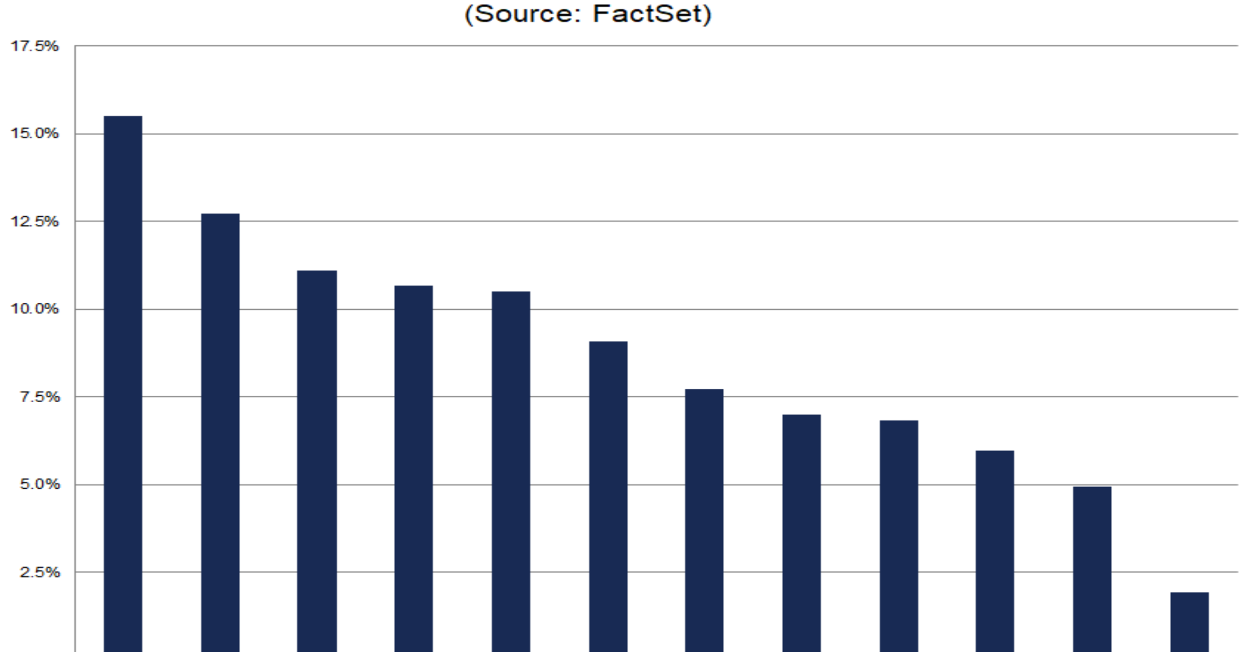
Targets & Ratings

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



	Comm. Services	Energy	Info. Tech.	Health Care	Consumer Disc.	S&P 500	Real Estate	Industrials	Financials	Materials	Utilities	Consumer Staples
Buy	63%	63%	61%	57%	56%	54%	54%	51%	50%	49%	48%	43%
Hold	31%	35%	35%	39%	38%	40%	43%	42%	44%	46%	43%	50%
Sell	6%	3%	4%	4%	6%	5%	3%	6%	7%	5%	9%	7%

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



	Info. Tech.	Comm. Services	Health Care	S&P 500	Energy	Consumer Disc.	Materials	Consumer Staples	Financials	Real Estate	Industrials	Utilities
Target/Close	15.5%	12.7%	11.1%	10.7%	10.5%	9.1%	7.7%	7.0%	6.8%	6.0%	4.9%	1.9%

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