

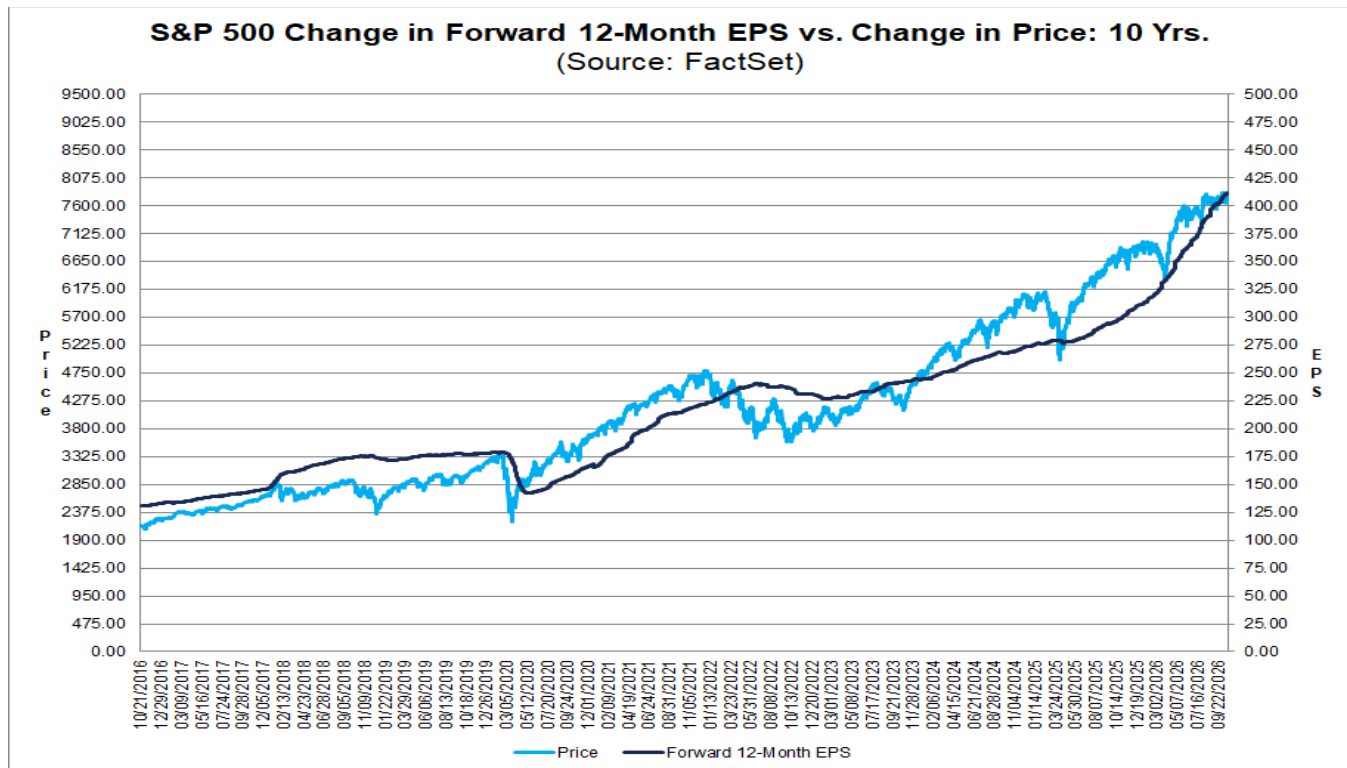
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Key Metrics

- **Earnings Scorecard:** For Q3 2026 (with 24% of S&P 500 companies reporting actual results), 83% of S&P 500 companies have reported a positive EPS surprise and 66% of S&P 500 companies has reported a positive revenue surprise.
- **Earnings Growth:** For Q3 2026, the blended (year-over-year) earnings growth rate for the S&P 500 is 29.5%. If 29.5% is the actual growth rate for the quarter, it will mark the third-straight quarter of earnings growth above 25% for the index.
- **Earnings Revisions:** On September 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q3 2026 was 29.2%. Nine sectors are reporting higher earnings today (compared to September 30) due to upward revisions to EPS estimates and positive EPS surprises.
- **Earnings Guidance:** For Q4 2026, 7 S&P 500 companies have issued negative EPS guidance and 10 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.7. This P/E ratio is below the 5-year average (19.8) and below the 10-year average (19.1).



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Topic of the Week

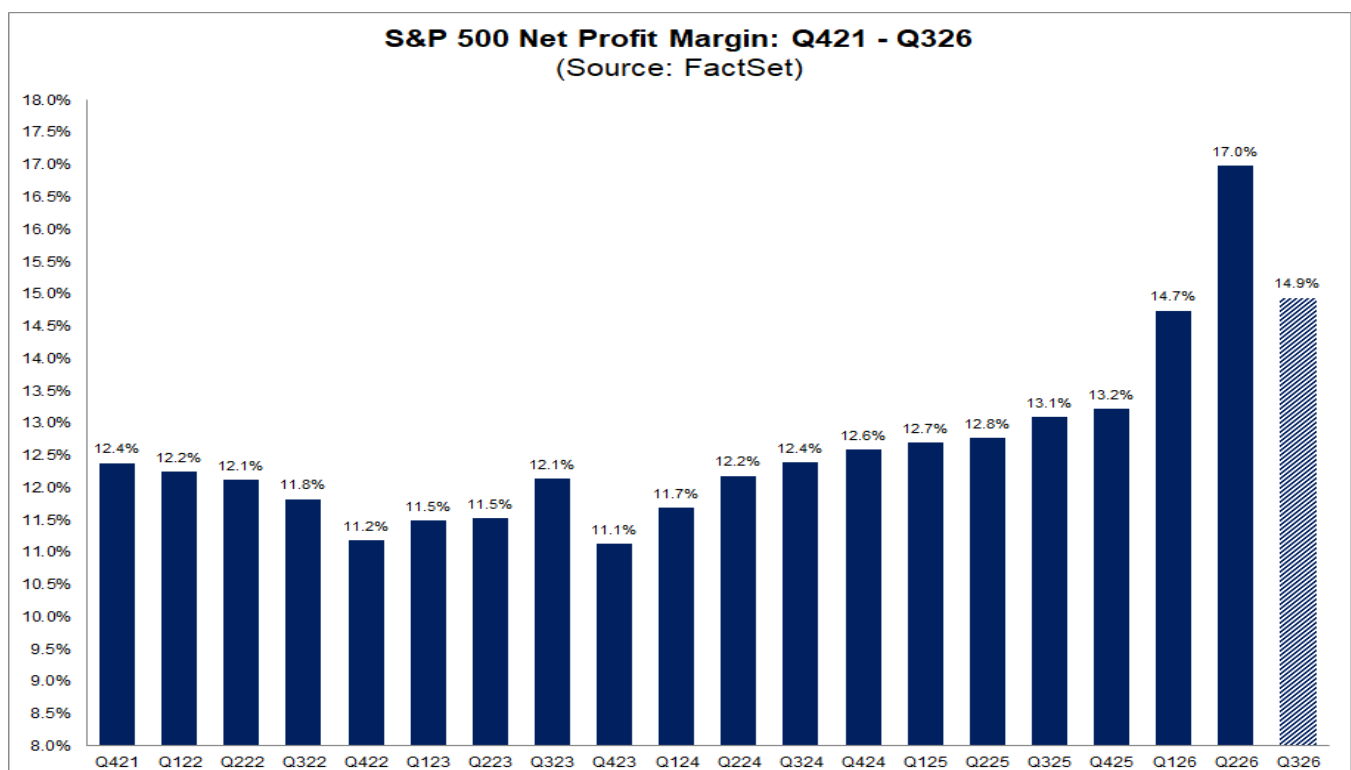
S&P 500 Reporting Second-Highest Net Profit Margin in More Than 15 Years for Q3 2026

Given concerns in the market about higher oil and gas prices, what is the S&P 500 reporting for a net profit margin for Q3?

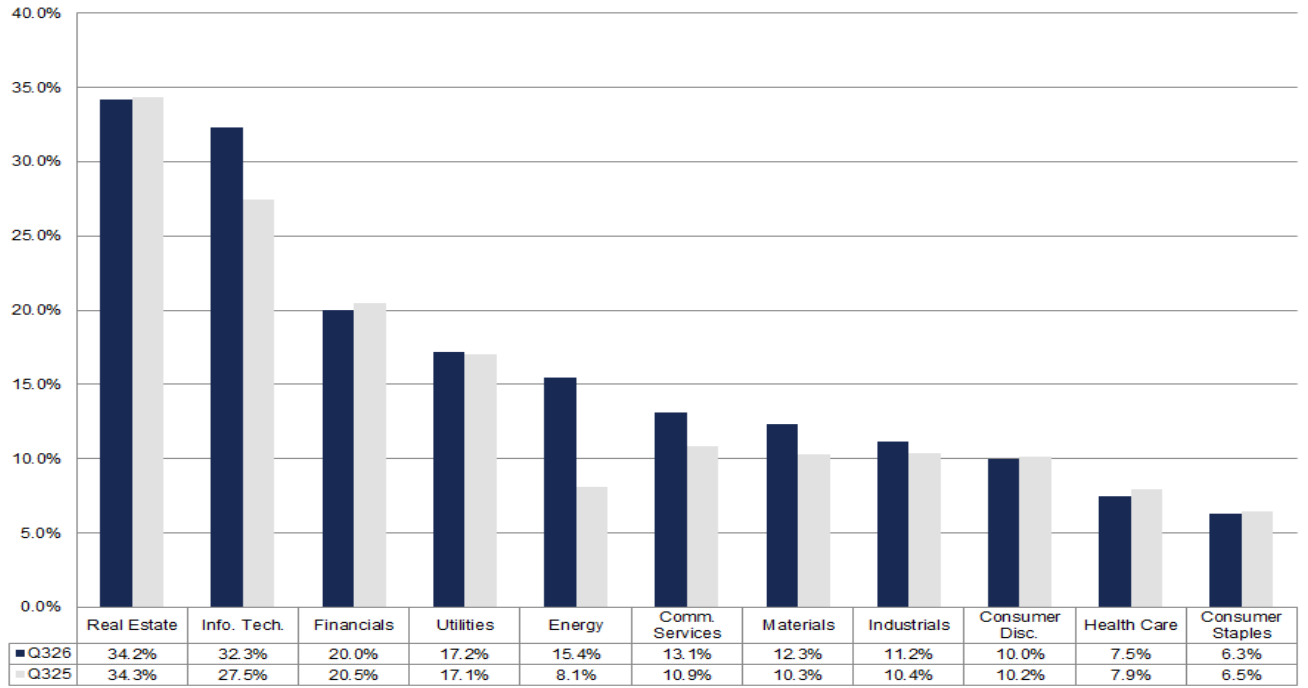
The blended net profit margin for the S&P 500 for Q3 2026 is 14.9%. If 14.9% is the actual net profit margin for the quarter, it will mark the second-highest net profit margin reported by the index since FactSet began tracking this metric in 2009. The current record (going back to 2009) is 17.0%, which occurred in the previous quarter. However, it should be noted that Alphabet and Amazon.com were the largest contributors to the record-high net profit margin for the S&P 500 last quarter due to the unusually large (GAAP) EPS reported by both companies due to large valuation gains. If these two companies were excluded, the Q2 2026 net profit margin for the index would have been 15.1% instead of 17.0%. This number (15.1%) would still mark the highest net profit margin reported by the index since FactSet began tracking this metric in 2009.

At the sector level, six sectors are reporting a year-over-year increase in their net profit margins in Q3 2026 compared to Q3 2025, led by the Energy (15.4% vs. 8.1%) and Information Technology (32.3% vs. 27.5%) sectors. On the other hand, five sectors are reporting a year-over-year decrease in their net profit margins in Q3 2026 compared to Q3 2025, led by the Financials (20.0% vs. 20.5%) and Health Care (7.5% vs. 7.9%) sectors. Seven sectors are reporting net profit margins in Q3 2026 that are above their 5-year averages, led by the Information Technology (32.3% vs. 25.9%) and Energy (15.4% vs. 10.1%) sectors. On the other hand, three sectors are reporting net profit margins in Q3 2026 that are below their 5-year averages, led by the Health Care (7.5% vs. 8.7%) and Real Estate (34.2% vs. 35.2%) sectors. Five sectors are reporting a quarter-over-quarter increase in their net profit margins in Q3 2026 compared to Q2 2026, led by the Utilities (17.2% vs. 13.8%) sector. On the other hand, five sectors are reporting a quarter-over-quarter decrease in their net profit margins in Q3 2026 compared to Q2 2026, led by the Communication Services (13.1% vs. 28.6%) sector.

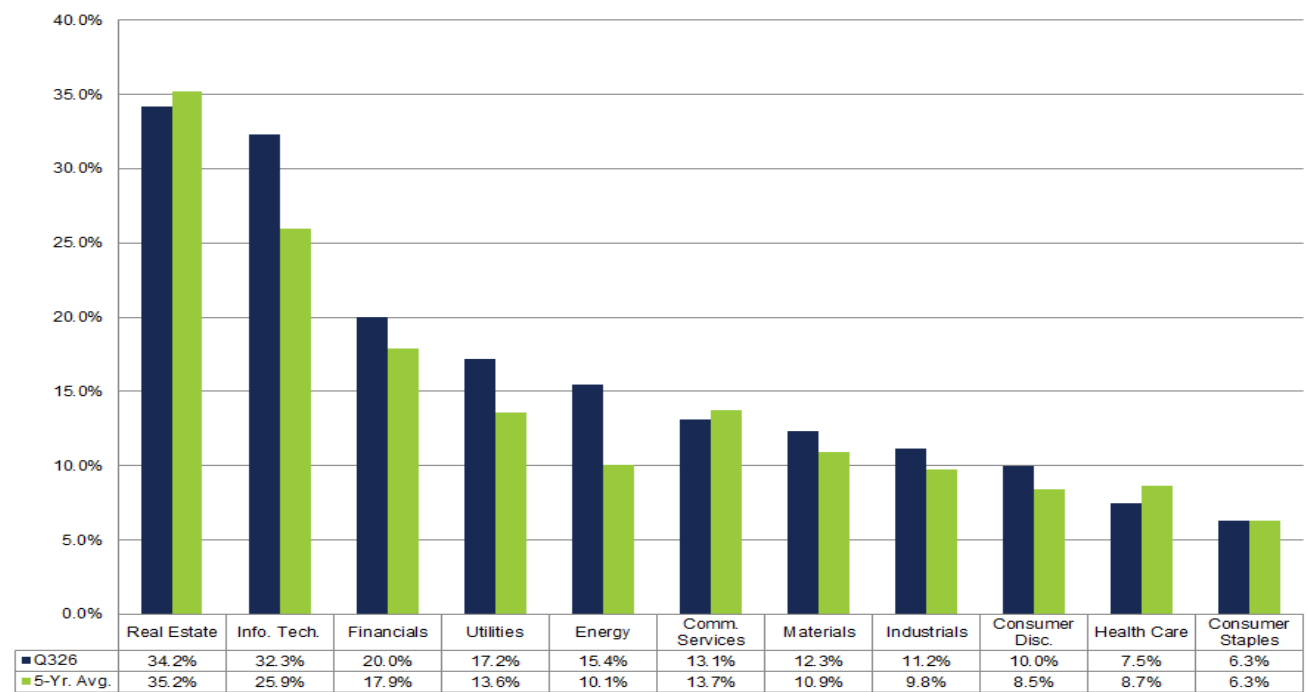
It is interesting to note that analysts believe net profit margins for the S&P 500 will be higher than 14.9% going forward. As of today, the estimated net profit margins for Q4 2026 through Q1 2027 are 15.2%, 15.9%, and 16.3%, respectively.

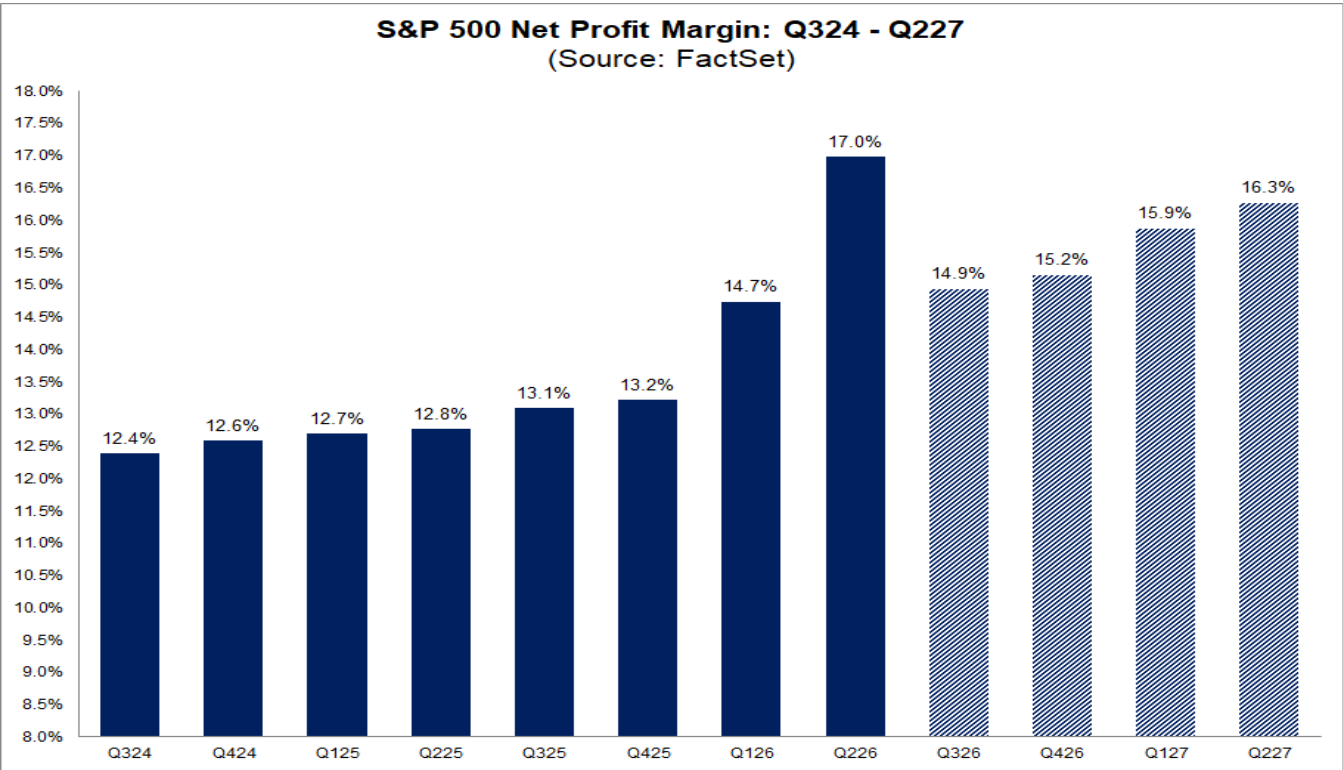
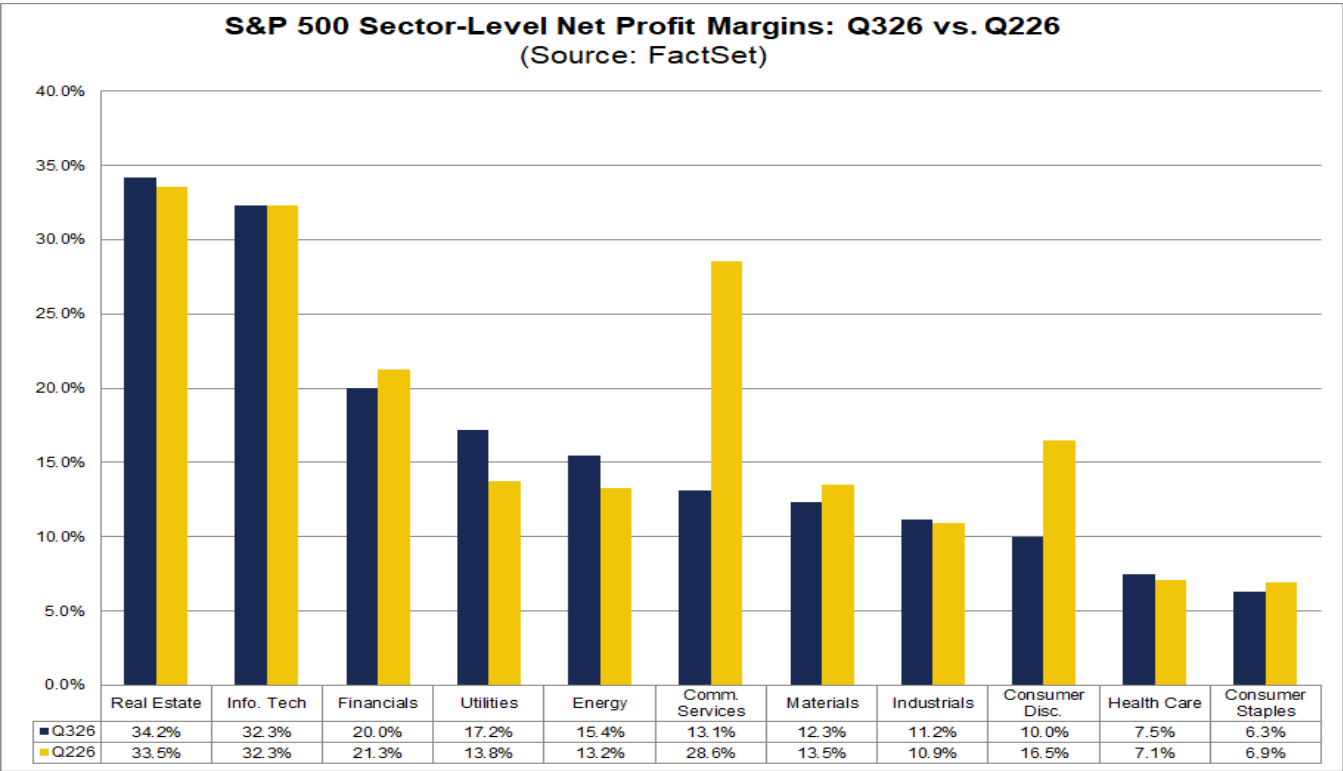


S&P 500 Sector-Level Net Profit Margins: Q326 vs. Q325
(Source: FactSet)



S&P 500 Sector-Level Net Profit Margins: Q326 vs. 5-Year Avg.
(Source: FactSet)





Q3 Earnings Season: By The Numbers

Overview

About a quarter of the way through the third quarter earnings season, the S&P 500 is reporting mixed results relative to expectations. While the percentage of S&P 500 companies reporting positive earnings surprises is above recent averages, the magnitude of earnings surprises is below recent averages. As a result, the index is reporting slightly higher earnings for the third quarter today relative to the end of last week and relative to the end of the quarter. In addition, the index is still reporting (year-over-year) earnings growth above 25% for the 3rd straight quarter.

Overall, 24% of the companies in the S&P 500 have reported actual results for Q3 2026 to date. Of these companies, 83% have reported actual EPS above estimates, which is above the 5-year average of 78% and above the 10-year average of 77%. In aggregate, companies are reporting earnings that are 2.1% above estimates, which is below the 5-year average of 7.5% and below the 10-year average of 8.0%. Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

During the past week, positive EPS surprises reported by companies in multiple sectors, partially offset by a negative EPS surprise reported by a company in the Communication Services sector, were the largest contributors to the small increase in the overall earnings growth rate for the index over this period. Since September 30, upward revisions to EPS estimates for companies in the Energy sector and positive EPS surprises reported by a companies in the Information Technology and Financials sectors, partially offset by a negative EPS surprise reported by a company in the Communication Services sector and downward revisions to EPS estimates for companies in the Health Care sector, have been the largest contributors to the small increase in the overall earnings growth rate for the index over this period.

As a result, the index is reporting slightly higher earnings for the third quarter today relative to the end of last week and relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the third quarter is 29.5% today, compared to an earnings growth rate of 29.2% last week and an earnings growth rate of 29.2% at the end of the third quarter (September 30).

If 29.5% is the actual growth rate for the quarter, it will mark the third consecutive quarter of earnings growth above 25% and the eighth consecutive quarter of double-digit earnings growth for the index.

Ten of the eleven sectors are reporting year-over-year earnings growth. Five of these sectors are reporting double-digit growth, led by the Energy, Information Technology, Communication Services, and Materials sectors. On the other hand, the Health Care sector is the only sector reporting a year-over-year decline in earnings.

In terms of revenues, 66% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 70% and below the 10-year average of 68%. In aggregate, companies are reporting revenues that are 1.2% above the estimates, which is below the 5-year average of 1.8% and below the 10-year average of 1.6%. Again, historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

During the past week, upward revisions to revenue estimates and positive revenue surprises for companies in the Energy sector were the largest contributors to the increase in the overall revenue growth rate for the index over this period. Since September 30, upward revisions to revenue estimates and positive revenue surprises for companies in the Energy sector and a positive revenue surprise reported by a company in the Information Technology sector have been the largest contributors to the increase in the overall revenue growth rate for the index over this period.

As a result, the blended revenue growth rate for the third quarter is 12.7% today, compared to a revenue growth rate of 12.4% last week and a revenue growth rate of 12.2% at the end of the third quarter (September 30).

If 12.7% is the actual revenue growth rate for the quarter, it will mark the third consecutive quarter of double-digit revenue growth for the index.

All eleven sectors are reporting year-over-year growth in revenues, led by the Information Technology, Energy, and Communication Services sectors.

For Q4 2026, analysts are calling for earnings growth of 29.2%. For CY 2026, analysts are predicting (year-over-year) earnings growth of 33.1%.

The forward 12-month P/E ratio is 18.7, which is below the 5-year average (19.8) and below the 10-year average (19.1). This P/E ratio is also below the forward P/E ratio of 19.0 recorded at the end of the third quarter (September 30).

During the upcoming week, 179 S&P 500 companies (including 10 Dow 30 components) are scheduled to report results for the third quarter.

Scorecard: Magnitude of Both EPS & Revenue Surprises Is Below Average

Percentage of Companies Beating EPS Estimates (83%) is Above 5-Year Average

Overall, 24% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 83% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 13% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year average (82%), above the 5-year average (78%), and above the 10-year average (77%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Consumer Staples (100%), Energy (100%), and Real Estate (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Utilities (50%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+2.1%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 2.1% above expectations. This surprise percentage is below the 1-year average (+13.8%), below the 5-year average (+7.5%), and below the 10-year average (+8.0%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Energy (+11.0%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Valero Energy (\$23.90 vs. \$21.17) has reported the largest positive EPS surprise.

The Health Care (+8.4%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Elevance Health (\$6.99 vs. \$4.71), Intuitive Surgical (\$3.00 vs. \$2.65), UnitedHealth Group (\$4.69 vs. \$4.14), and Danaher Corporation (\$2.11 vs. \$1.92) have reported the largest positive EPS surprises. The (non-GAAP) EPS actual for Elevance Health for Q3 2026 included a net non-operating benefit of \$1.85, while the (non-GAAP) EPS actual for Intuitive Surgical included a benefit of \$0.06 related to refunds for tariffs paid under IEEPA.

The Materials (+8.1%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Newmont Corporation (\$2.20 vs. \$1.96) and Dow (\$0.71 vs. \$0.64) have reported the largest positive EPS surprises.

The Industrials (+8.0%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Bloom Energy (\$0.94 vs. \$0.69), RTX Corporation (\$2.26 vs. \$1.78), Southwest Airlines (\$0.66 vs. \$0.57), GE Aerospace (\$2.25 vs. \$2.01), and United Rentals (\$15.55 vs. \$13.97) have reported the largest positive EPS surprises. The (non-GAAP) EPS actual for RTX Corporation for Q3 2026 included \$0.25 from IEEPA cost recovery.

The Information Technology (+5.4%) sector is reporting the fifth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Western Digital (\$4.64 vs. \$4.11) and Oracle (\$1.92 vs. \$1.74) have reported the largest positive EPS surprises.

On the other hand, the Communication Services (-19.7%) sector is reporting the largest negative (aggregate) difference between actual and estimated earnings. Within this sector, Meta Platforms (\$3.83 vs. \$6.54) has reported the largest negative EPS surprise. The (GAAP) EPS actual for Meta Platforms for Q3 2026 included a \$9.89 billion charge related to a litigation agreement.

Market Rewarding Positive EPS Surprises More Than Average

To date, the market is rewarding positive earnings surprises reported by S&P 500 companies for Q3 more than average and punishing negative earnings surprises reported by S&P 500 companies for Q3 less than average.

Companies that have reported positive earnings surprises for Q3 2026 have seen an average change in price of +1.3% two days before the earnings release through two days after the earnings release. This percentage increase is above the 5-year average price increase of +0.9% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q3 2026 have seen an average change in price of -0.4% two days before the earnings release through two days after the earnings release. This percentage decrease is much smaller than the 5-year average price decrease of -3.1% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (66%) is Below 5-Year Average

In terms of revenues, 66% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 34% of the companies have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (77%), below the 5-year average (70%), and below the 10-year average (68%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Communication Services (100%), Consumer Staples (100%), and Energy (100%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (0%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.2%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.2% above expectations. This surprise percentage is below the 1-year average (+2.1%), below the 5-year average (+1.8%), and below the 10-year average (+1.6%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Energy (+6.2%) and Information Technology (+3.8%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-6.6%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings This Week Due to Multiple Sectors

Increase in Blended Earnings This Week Due to Multiple Sectors

The blended (year-over-year) earnings growth rate for the third quarter is 29.5%, which is slightly above the earnings growth rate of 29.2% last week. Positive EPS surprises reported by companies in multiple sectors (led by the Financials, Industrials, Energy, and Health Care sectors), partially offset by a negative EPS surprise reported by a company in the Communication Services sector, were the largest contributors to the small increase in the overall earnings growth rate for the index over this period.

In the Financials sector, the positive EPS surprises reported by Capital One Financial (\$6.69 vs. \$5.53), American Express (\$5.42 vs. \$4.50), and Chubb (\$7.66 vs. \$6.77) were substantial contributors to the small increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Financials sector increased to 4.6% from 2.9% over this period.

In the Industrials sector, the positive EPS surprises reported by RTX Corporation (\$2.26 vs. \$1.78) and GE Aerospace (\$2.25 vs. \$2.01) were significant contributors to the small increase in the earnings growth rate for the index during the past week. The (non-GAAP) EPS actual for RTX Corporation for Q3 2026 included \$0.25 from IEEPA cost recovery. As a result, the blended earnings growth rate for the Industrials sector increased to 17.6% from 14.2% over this period.

In the Energy sector, the positive EPS surprise reported by Valero Energy (\$23.90 vs. \$21.17) was a significant contributor to the small increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Energy sector increased to 136.0% from 131.5% over this period.

In the Health Care sector, the positive EPS surprise reported by Elevance Health (\$6.99 vs. \$4.71) was a substantial contributor to the small increase in the earnings growth rate for the index during the past week. The (non-GAAP) EPS actual for Elevance Health for Q3 2026 included a net non-operating benefit of \$1.85. As a result, the blended earnings decline for the Health Care sector improved to -1.2% from -2.5% over this period.

In the Communication Services sector, the negative EPS surprise reported by Meta Platforms (\$3.83 vs. \$6.54) was the largest detractor to the small increase in the earnings growth rate for the index during the past week. The (GAAP) EPS actual for Meta Platforms for Q3 2026 included a \$9.89 billion charge related to a litigation agreement. As a result, the blended earnings growth rate for the Communication Services sector decreased to 39.8% from 50.2% over this period.

Increase in Blended Revenues This Week Due to Energy Sector

The blended (year-over-year) revenue growth rate for the third quarter is 12.7%, which is slightly above the revenue growth rate of 12.4% last week. Upward revisions to revenue estimates and positive revenue surprises for companies in the Energy sector were the largest contributors to the increase in the overall revenue growth rate during the past week.

Energy Sector Has Seen Largest Increase in Earnings since September 30

The blended (year-over-year) earnings growth rate for Q3 2026 of 29.5% is above the estimate of 29.2% at the end of the third quarter (September 30). Nine sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to EPS estimates and positive earnings surprises, led by the Energy (to 136.0% from 114.8%) sector. The Energy, Information Technology (to 65.6% from 63.8%), and Financials (to 4.6% from 2.9%) sectors have been the largest contributors to the small increase in the earnings growth rate for the index since September 30. On the other hand, two sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises: Communication Services (to 39.8% from 51.4%) and Health Care (to -1.2% from 5.5%). These two sectors have also been the largest detractors to the small increase in the earnings growth rate for the index since September 30.

In the Energy sector, upward revisions to EPS estimates for ExxonMobil (to \$4.10 from \$3.73), Valero Energy (to \$21.17 from \$18.88), Marathon Petroleum (to \$25.35 from \$23.06), and Conoco Phillips (to \$3.05 from \$2.62), and also the positive EPS surprise reported by Valero Energy (\$23.90 vs. \$21.17) have been significant contributors to the small increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Energy sector has increased to 136.0% from 114.8% over this period.

In the Information Technology sector, the positive EPS surprise reported by Micron Technology (\$33.42 vs. \$31.77) has been a substantial contributor to the small increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Information Technology sector has increased to 65.6% from 63.8% over this period.

In the Financials sector, the positive EPS surprises reported by Goldman Sachs (\$17.01 vs. \$12.86), Capital One Financial (\$6.69 vs. \$5.53), and American Express (\$5.42 vs. \$4.50) have been significant contributors to the small increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Financials sector has increased to 4.6% from 2.9% over this period.

In the Communication Services sector, the negative EPS surprise reported by Meta Platforms (\$3.83 vs. \$6.54) has been the largest detractor to the small increase in the earnings growth rate for the index since September 30. The (GAAP) EPS actual for Meta Platforms for Q3 2026 included a \$9.89 billion charge related to a litigation agreement. As a result, the blended earnings growth rate for the Communication Services sector has decreased to 39.8% from 51.4% over this period.

In the Health Care sector, the decrease in the mean EPS estimates for Eli Lilly & Company (to \$5.70 from \$9.92) and Bristol Myers Squibb (to \$1.10 from \$1.73), have been substantial detractors to the small increase in the earnings growth rate for the index since September 30, as the majority of analysts providing (non-GAAP) EPS estimates for these two companies are now including IPR&D charges in their estimates for Q3. As a result, the Health Care sector is now reporting an earnings decline of -1.2% today compared to an estimated earnings growth rate of 5.5% on September 30.

Energy Sector Has Seen Largest Increase in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2026 of 12.7% is above the estimate of 12.2% at the end of the third quarter (September 30). Seven sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Energy (to 24.3% from 21.9%) sector. The Energy and Information Technology (to 41.0% from 39.9%) sectors have been the largest contributors to the increase in the revenue growth rate for the index since September 30. On the other hand, four sectors have recorded a decrease in their revenue growth rate or an increase in their revenue decline since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Utilities (to 8.1% from 9.6%).

In the Energy sector, upward revisions to revenue estimates for Valero Energy (to \$42.71 billion from \$40.84 billion) and the positive revenue surprise reported by Valero Energy (\$46.10 billion vs. \$42.71 billion), along with the upward revisions to revenue estimates for Chevron (to \$61.33 billion from \$58.35 billion) and Phillips 66 (to \$44.87 billion from \$43.44 billion), have been significant contributors to the increase in the revenue growth rate for the index since September 30. As a result, the blended revenue growth rate for the Energy sector has increased to 24.3% from 21.9% over this period.

In the Information Technology sector, the positive revenue surprise reported by Micron Technology (\$54.23 billion vs. \$51.33 billion) and upward revisions to revenue estimates for Super Micro Computer (to \$16.02 billion from \$14.94 billion) have been substantial contributors to the increase in the revenue growth rate for the index since September 30. As a result, the blended revenue growth rate for the Information Technology sector has increased to 41.0% from 39.9% over this period.

Earnings Growth: 29.5%

The blended (year-over-year) earnings growth rate for Q3 2026 is 29.5%, which is above the 5-year average earnings growth rate of 13.3% and above the 10-year average earnings growth rate of 12.6%. If 29.5% is the actual growth rate for the quarter, it will mark the 3rd consecutive quarter of year-over-year earnings growth above 25% and the 8th consecutive quarter of double-digit earnings growth for the index.

Ten of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Information Technology, Communication Services, and Materials sectors. On the other hand, the Health Care sector is the only sector reporting a year-over-year decline in earnings.

Energy: 2 of 5 Sub-Industries Reporting (Y/Y) Earnings Growth Above 100%

The Energy sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 136.0%. Higher year-over-year oil prices are contributing to the year-over-year increase in earnings for this sector, as the average price of oil in Q3 2026 (\$85.68) was 32% above the average price for oil in Q3 2025 (\$64.97). At the sub-industry level, 4 of the 5 sub-industries are reporting year-over-year growth in earnings: Oil & Gas Refining & Marketing (509%), Integrated Oil & Gas (127%), Oil & Gas Exploration & Production (71%), and Oil & Gas Storage & Transportation (12%). On the other hand, the Oil & Gas Equipment & Services (-7%) sub-industry is the only sub-industry in the sector reporting a year-over-year decline in earnings.

Information Technology: Semiconductors Industry Is Largest Contributor to (Y/Y) Earnings Growth

The Information Technology sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 65.6%. At the industry level, all 6 industries in the sector are reporting year-over-year earnings growth: Semiconductors & Semiconductor Equipment (131%), Technology Hardware, Storage, & Peripherals (40%), Electronic Equipment, Instruments, & Components (40%), Communication Services (38%), Software (14%), and IT Services (7%).

The Semiconductors & Semiconductor Equipment industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Information Technology sector would fall to 24.9% from 65.6%.

Communication Services: EchoStar Is Largest Contributor to (Y/Y) Earnings Growth

The Communication Services sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 39.8%. At the industry level, all 5 industries in the sector are reporting year-over-year earnings growth: Media (\$4.70 billion vs. -\$3.93 billion), Entertainment (46%), Interactive Media & Services (24%), Wireless Telecommunication Services (14%), and Diversified Telecommunication Services (5%).

At the company level, EchoStar (\$0.17 vs. -\$44.37) and Meta Platforms (\$3.83 vs. \$1.05) are the largest contributors to earnings growth for the sector. The year-ago (GAAP) EPS for EchoStar Corporation (-\$44.37) included a one-time, non-cash impairment charge of \$16.48 billion. The (GAAP) actual EPS for Meta Platforms for Q3 2026 (\$3.83) included a \$9.89 billion charge related to a litigation agreement, while the actual (GAAP) EPS for Meta Platforms for Q3 2025 (\$1.05) included a one-time, non-cash income tax charge of \$15.93 billion. If these two companies were excluded, the blended earnings growth rate for the Communication Services sector would fall to 12.9% from 39.8%.

Materials: 3 of 4 Industries Reporting (Y/Y) Earnings Growth

The Materials sector is reporting the fourth-largest (year-over-year) earnings growth of all eleven sectors at 30.0%. At the industry level, 3 of the 4 industries in the sector are reporting (year-over-year) earnings growth: Metals & Mining (55%), Containers & Packaging (43%), and Chemicals (24%). On the other hand, the Construction Materials (-2%) industry is the only industry in the sector expected to report a year-over-year decline in earnings.

Health Care: Pharmaceuticals Industry Is Largest Contributor to (Y/Y) Earnings Decline

On the other hand, the Health Care sector is the only sector reporting a (year-over-year) decline in earnings at -1.2%. At the industry level, the Pharmaceuticals (-17%) industry is the only industry in the sector reporting a year-over-year decrease in earnings. The other 5 industries in the sector are reporting earnings growth: Health Care Technology (13%), Life Sciences, Tools & Services (13%), Biotechnology (13%), Health Care Providers & Services (8%), and Health Care Equipment & Supplies (6%).

The Pharmaceuticals industry is also the largest contributor to the decline in earnings for the sector. If this industry were excluded, the Health Care sector would be reporting (year-over-year) earnings growth of 9.4% rather than a (year-over-year) earnings decline of -1.2%.

Revenue Growth: 12.7%

The blended (year-over-year) revenue growth rate for Q3 2026 is 12.7%, which is above the 5-year average revenue growth rate of 8.3% and above the 10-year average revenue growth rate of 7.0%. If 12.7% is the actual growth rate for the quarter, it will mark the third-straight quarter that the index has reported revenue growth above 10.0%.

At the sector level, all eleven sectors are reporting year-over-year growth in revenues, led by the Information Technology, Energy, and Communication Services sectors.

Information Technology: All 6 Industries Reporting (Y/Y) Revenue Growth

The Information Technology sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 41.0%. At the industry level, all 6 industries in the sector are reporting (or are predicted to report) year-over-year revenue growth: Semiconductors & Semiconductor Equipment (83%), Technology Hardware, Storage, & Peripherals (36%), Communication Equipment (25%), Electronic Equipment, Instruments, & Components (25%), Software (18%), and IT Services (5%).

Energy: All 5 Sub-Industries Reporting (Y/Y) Revenue Growth

The Energy sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 24.3%. Higher year-over-year oil prices are contributing to the year-over-year increase in earnings for this sector, as the average price of oil in Q3 2026 (\$85.68) was 32% above the average price for oil in Q3 2025 (\$64.97). At the sub-industry level, all 5 sub-industries in the sector are reporting year-over-year growth in revenues: Oil & Gas Refining & Marketing (34%), Integrated Oil & Gas (23%), Oil & Gas Exploration & Production (20%), Oil & Gas Storage & Transportation (15%), and Oil & Gas Equipment & Services (6%).

Communication Services: All 5 Industries Reporting (Y/Y) Revenue Growth

The Communication Services sector is reporting the third-highest (year-over-year) revenue growth rate of all eleven sectors at 16.2%. At the industry level, all 5 industries in the sector are reporting year-over-year revenue growth: Interactive Media & Services (25%), Media (11%), Entertainment (9%), Wireless Telecommunication Services (5%), and Diversified Telecommunication Services (1%).

Net Profit Margin: 14.9%

The blended net profit margin for the S&P 500 for Q3 2026 is 14.9%, which is below the previous quarter's net profit margin of 17.0%, but above the year-ago net profit margin of 13.0% and above the 5-year average of 12.6%.

If 14.9% is the actual net profit margin for the quarter, it will mark the second-highest net profit margin reported by the index since FactSet began tracking this metric in 2009. The current record (going back to 2009) is 17.0%, which occurred in the previous quarter.

At the sector level, six sectors are reporting a year-over-year increase in their net profit margins in Q3 2026 compared to Q3 2025, led by the Energy (15.4% vs. 8.1%) and Information Technology (32.3% vs. 27.5%) sectors. On the other hand, five sectors are reporting a year-over-year decrease in their net profit margins in Q3 2026 compared to Q3 2025, led by the Financials (20.0% vs. 20.5%) sector.

Seven sectors are reporting net profit margins in Q3 2026 that are above their 5-year averages, led by the Information Technology (32.3% vs. 25.9%) and Energy (15.4% vs. 10.1%) sectors. On the other hand, three sectors are reporting net profit margins in Q3 2026 that are below their 5-year averages, led by the Health Care (7.5% vs. 8.7%) and Real Estate (34.2% vs. 35.2%) sectors. One sector (Consumer Staples) is reporting a net profit margin for Q3 2026 that is equal to its 5-year average (6.3% vs. 6.3%).

Forward Estimates & Valuation

Quarterly Guidance: % of Cos. Issuing Negative EPS Guidance for Q4 is Below Average

At this point in time, 17 companies in the index have issued EPS guidance for Q4 2026. Of these 17 companies, 7 have issued negative EPS guidance and 10 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q4 2026 is 41% (7 out of 17), which is below the 5-year average of 60% and below the 10-year average of 59%.

At this point in time, 268 companies in the index have issued EPS guidance for the current fiscal year (FY 2026 or FY 2027). Of these 268 companies, 93 have issued negative EPS guidance and 175 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 35% (93 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: S&P 500 Expected to Report Earnings Growth of 33% for CY 2026

For the third quarter, S&P 500 companies are reporting year-over-year growth in earnings of 29.5% and year-over-year growth in revenues of 12.7%.

For Q4 2026, analysts are projecting earnings growth of 29.2% and revenue growth of 13.0%.

For CY 2026, analysts are projecting earnings growth of 33.1% and revenue growth of 12.8%.

For Q1 2027, analysts are projecting earnings growth of 19.6% and revenue growth of 11.9%.

For Q2 2027, analysts are projecting earnings growth of 2.9% and revenue growth of 7.8%.

For CY 2027, analysts are projecting earnings growth of 16.0% and revenue growth of 9.5%.

Valuation: Forward P/E Ratio is 18.7, Below the 10-Year Average (19.1)

The forward 12-month P/E ratio for the S&P 500 is 18.7. This P/E ratio is below the 5-year average of 19.8 and below the 10-year average of 19.1. It is also below the forward 12-month P/E ratio of 19.0 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has increased by 0.2% while the forward 12-month EPS estimate has increased by 2.0%. At the sector level, the Consumer Discretionary (23.7), Consumer Staples (23.3), and Industrials (22.4) sectors have the highest forward 12-month P/E ratios, while the Energy (13.0) and Financials (14.8) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 25.7, which is above the 5-year average of 24.4 and above the 10-year average of 23.6.

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

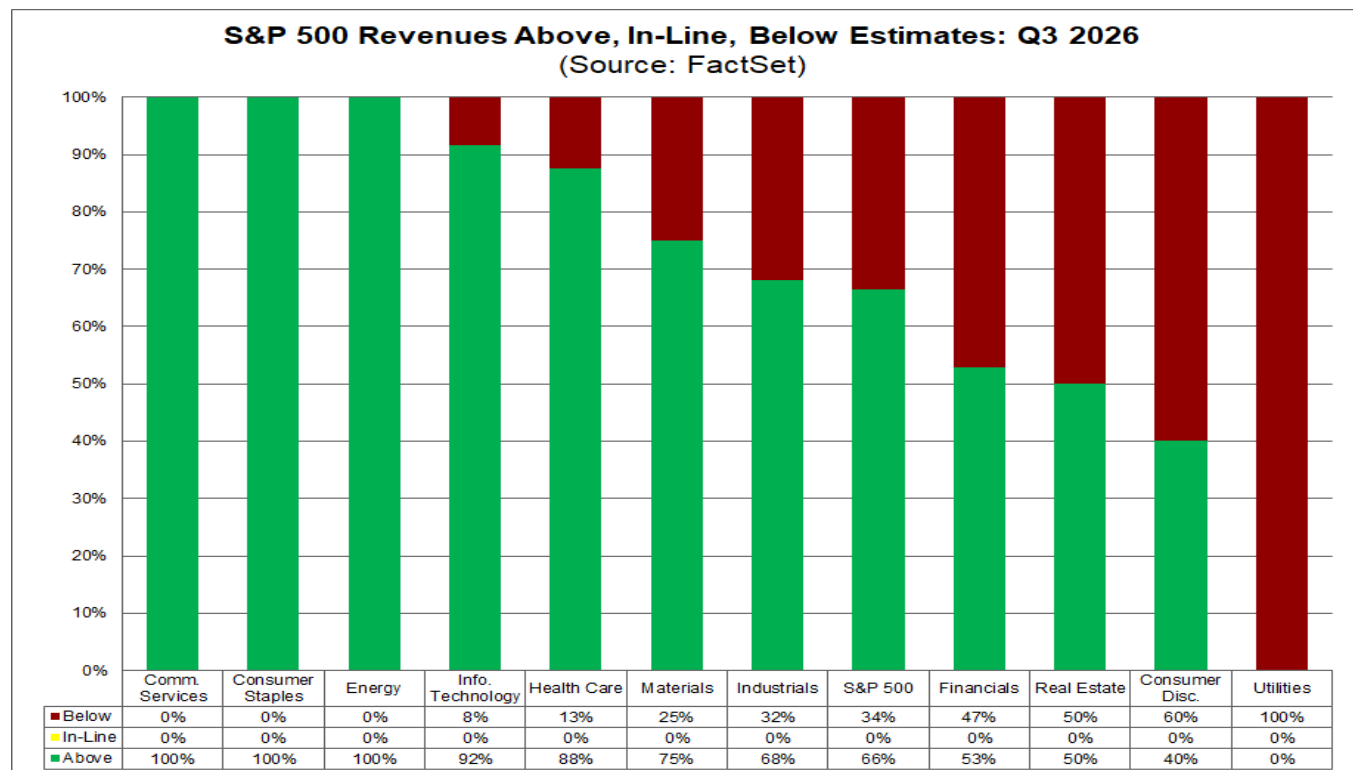
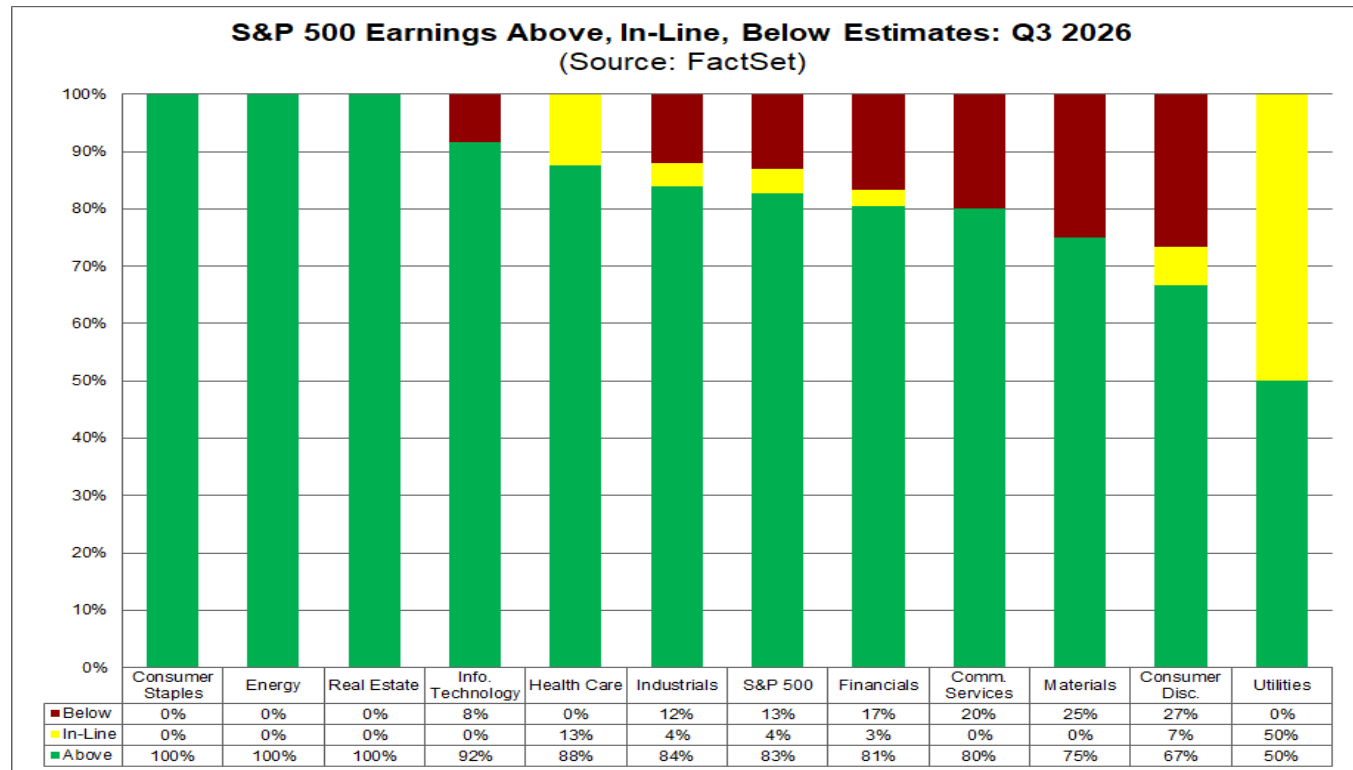
The bottom-up target price for the S&P 500 is 9,314.37, which is 21.5% above the closing price of 7,663.43. At the sector level, the Information Technology (+30.6%) and Communication Services (+30.6%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Consumer Staples (+4.4%), Health Care (+6.5%), and Energy (+7.7%) 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 13,300 ratings on stocks in the S&P 500. Of these 13,300 ratings, 60.0% are Buy ratings, 35.2% are Hold ratings, and 4.7% are Sell ratings. At the sector level, the Communication Services (72%), Information Technology (69%), Energy (64%), Materials (63%), and Health Care (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (48%) sector has the lowest percentage of Buy ratings.

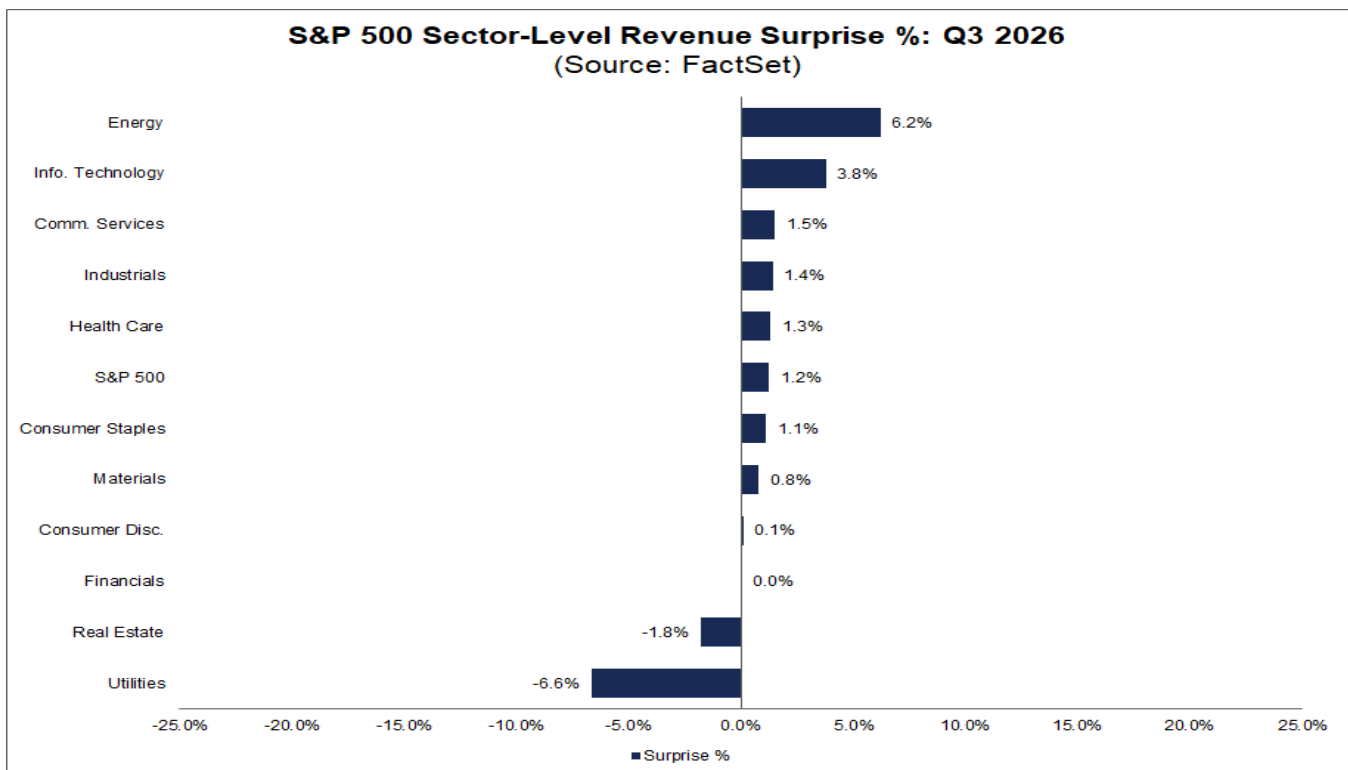
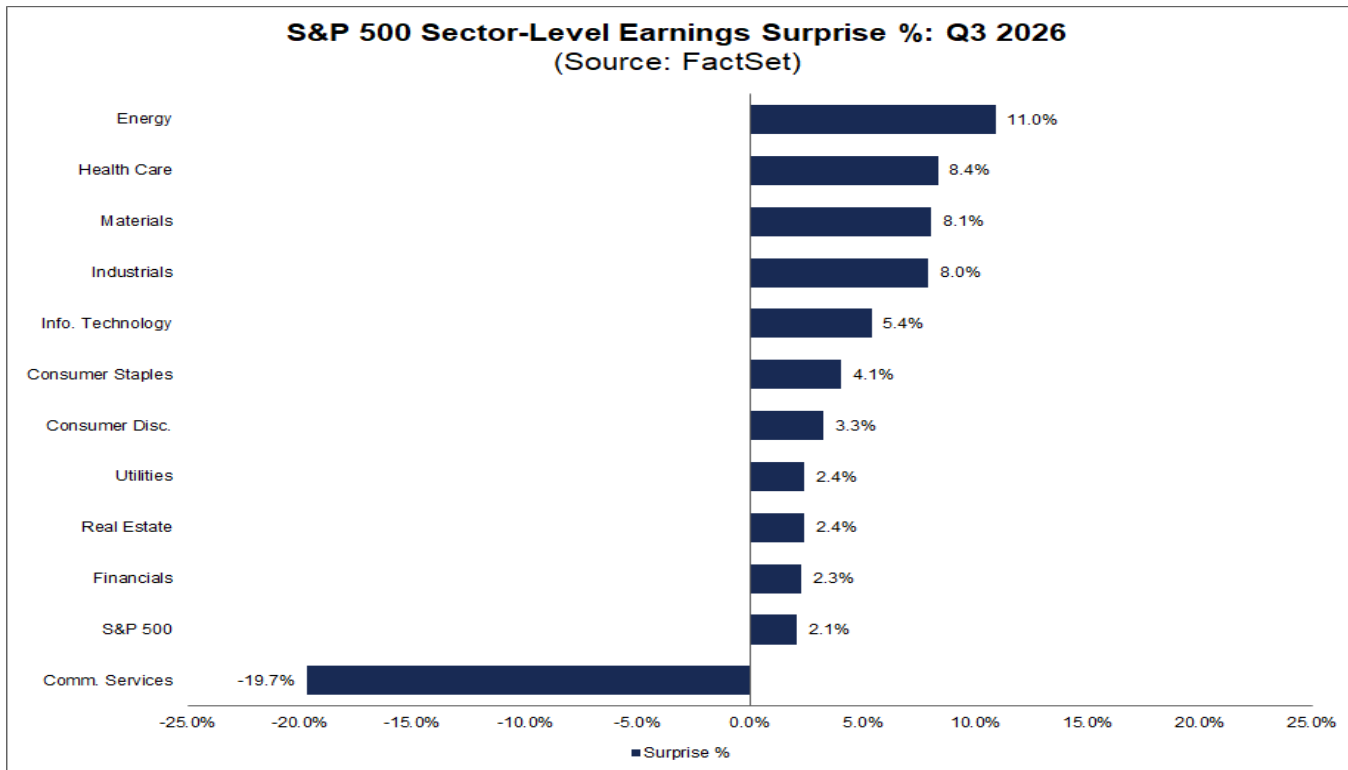
Companies Reporting Next Week: 179

During the upcoming week, 179 S&P 500 companies (including 10 Dow 30 components) are scheduled to report results for the third quarter.

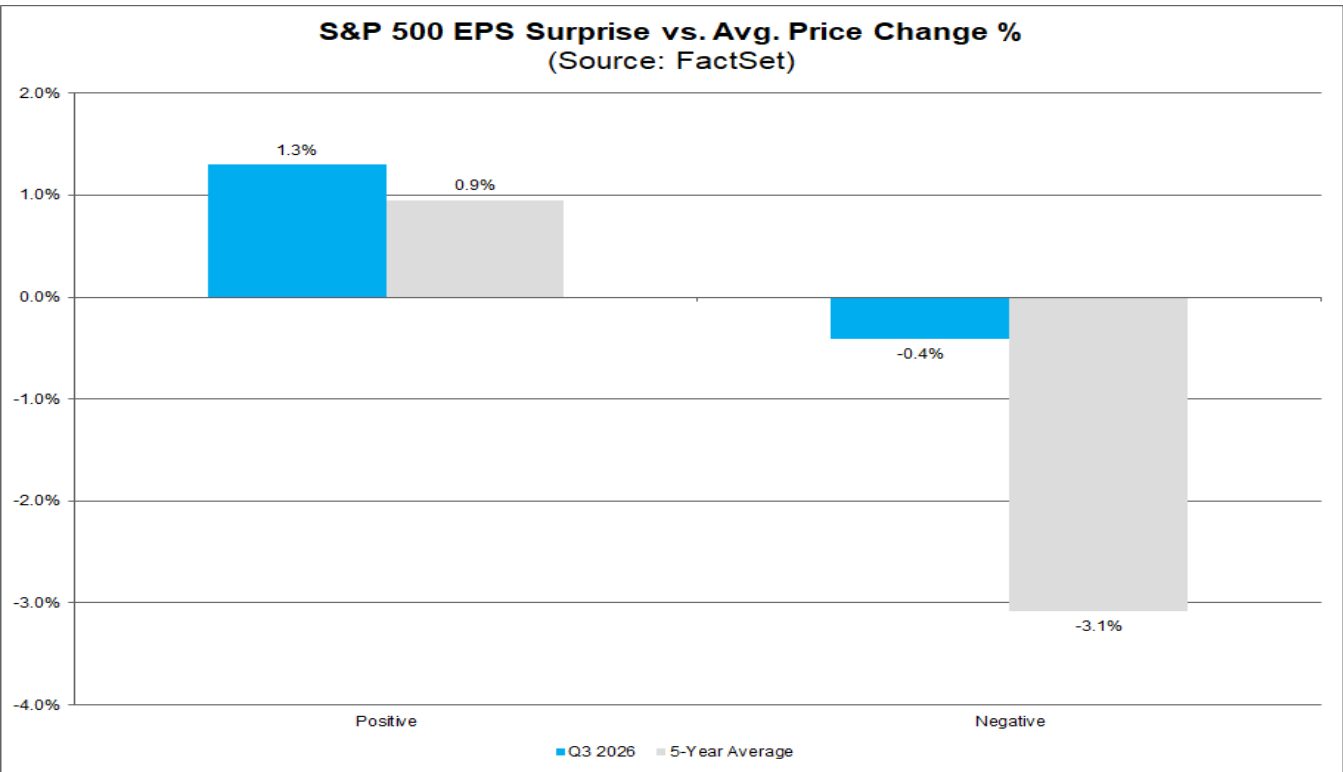
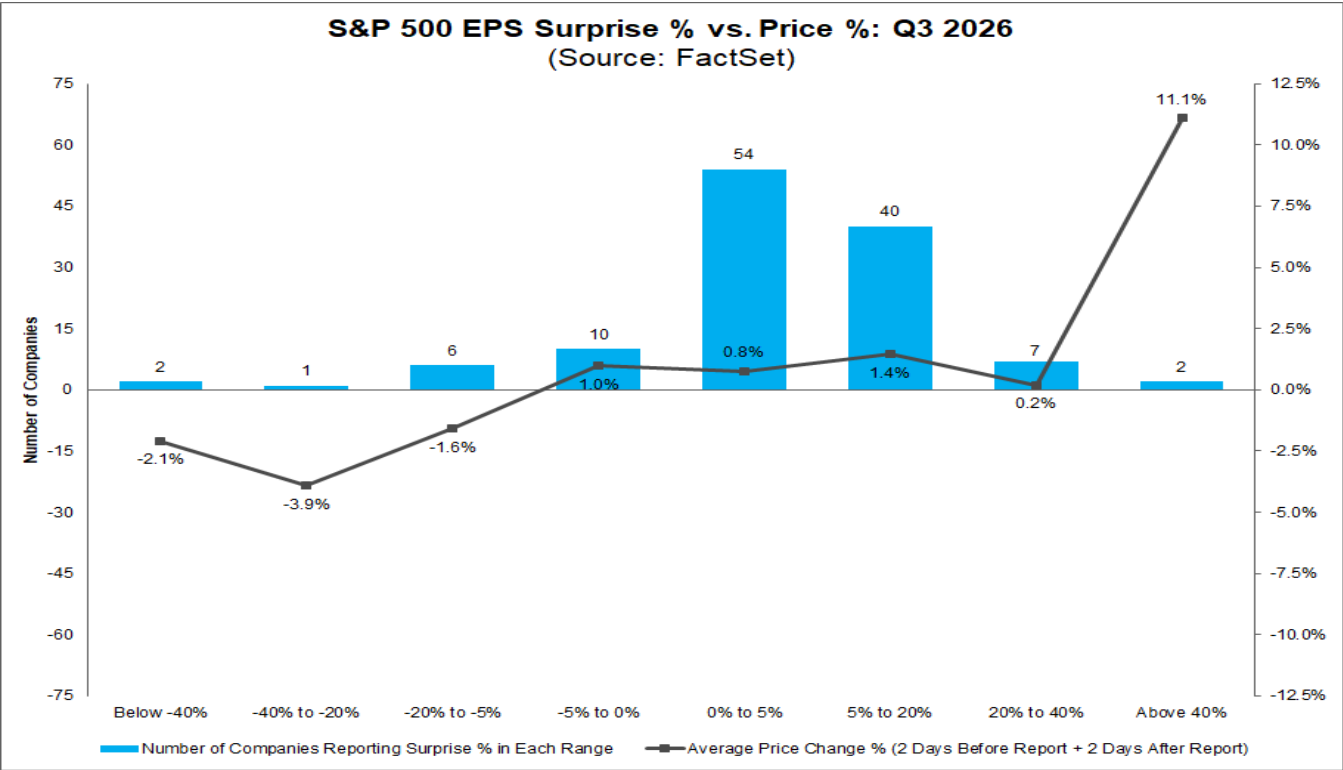
Q3 2026: Scorecard



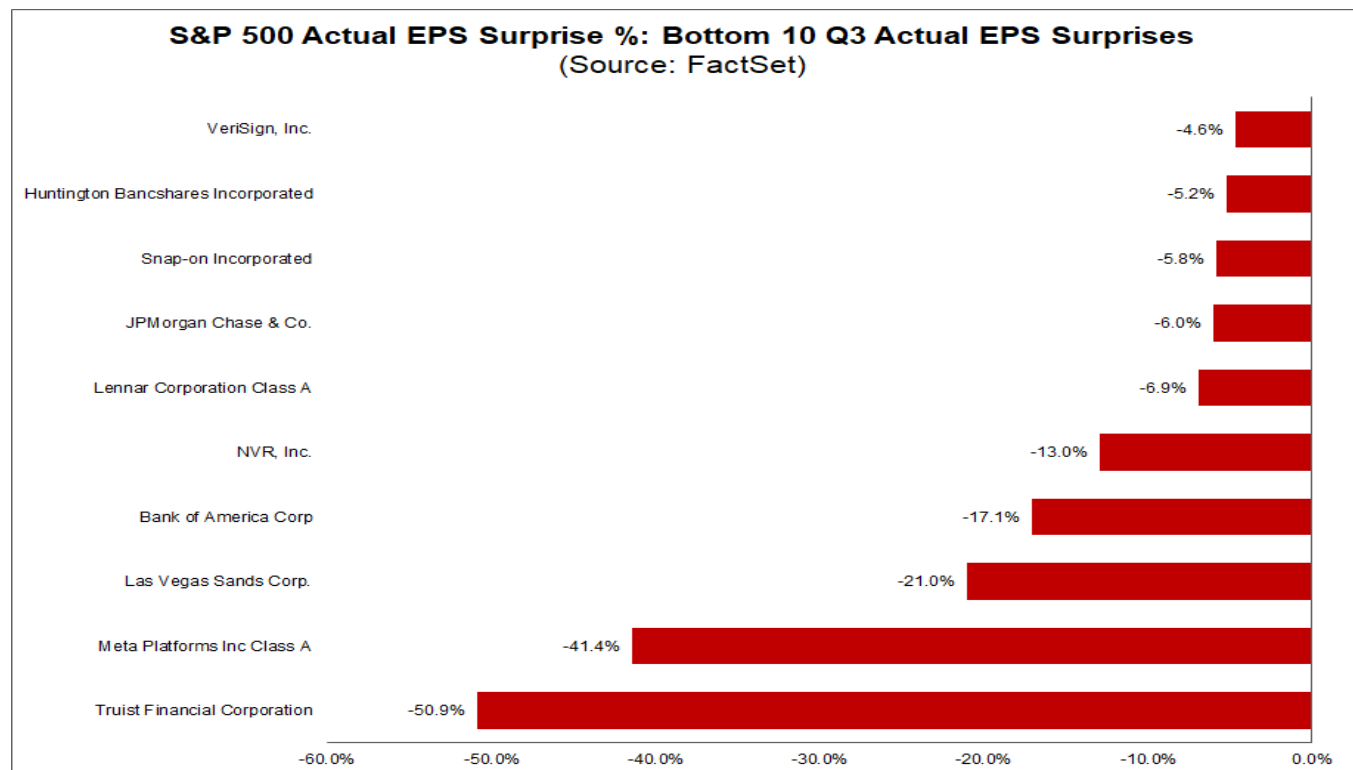
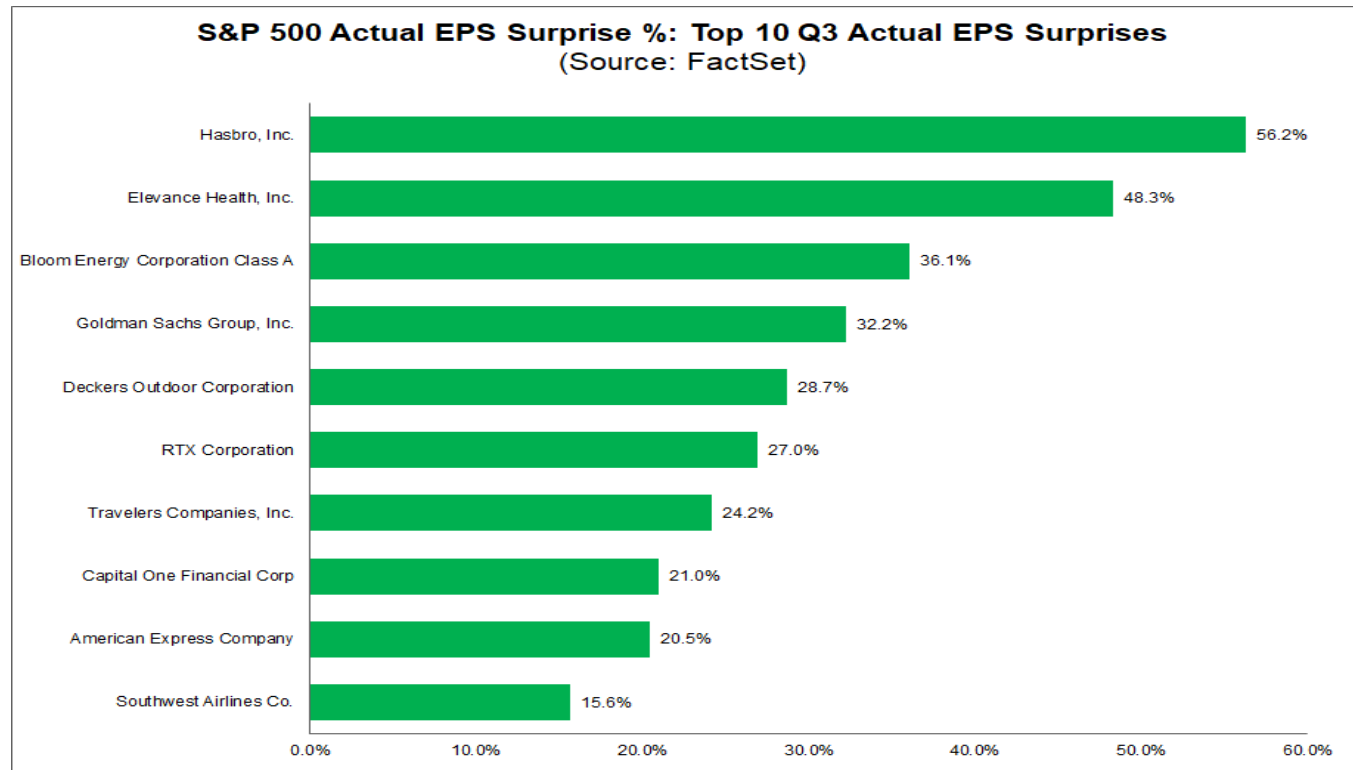
Q3 2026: Surprise



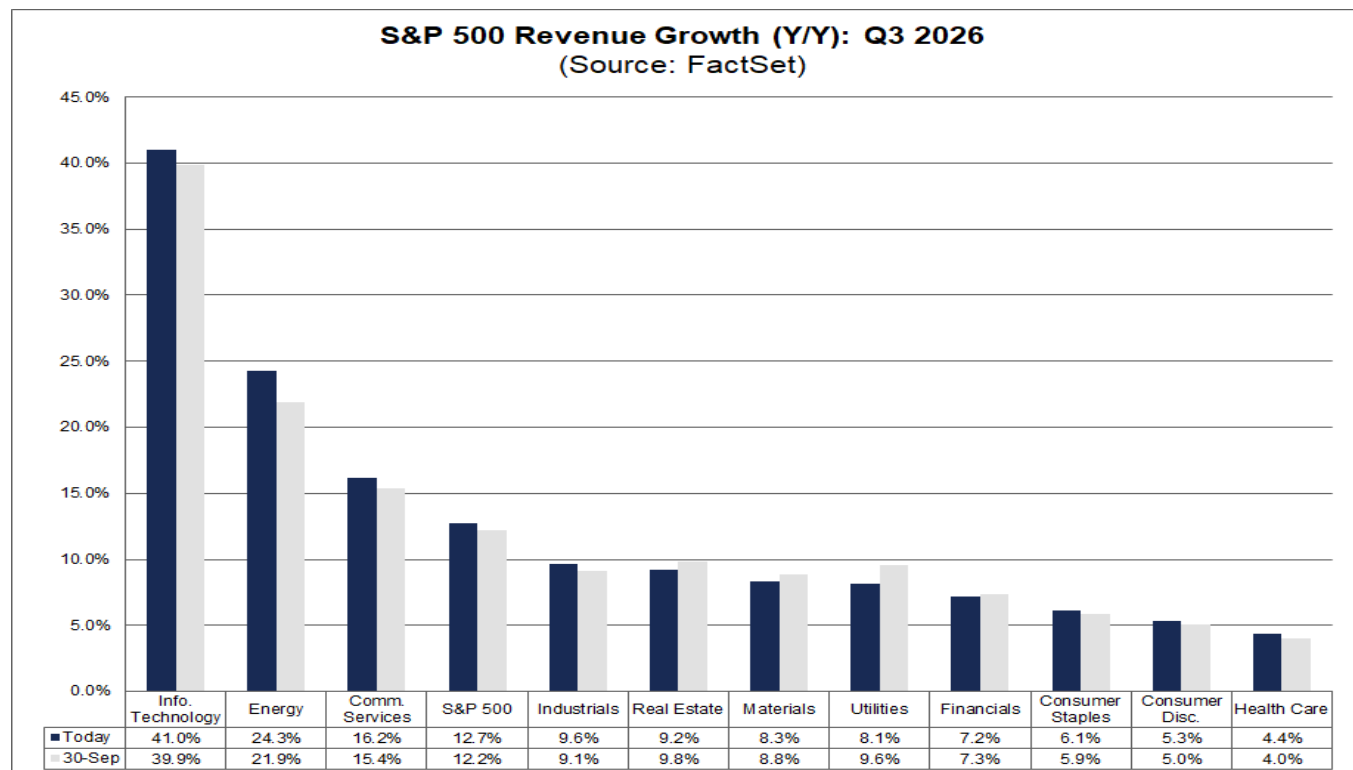
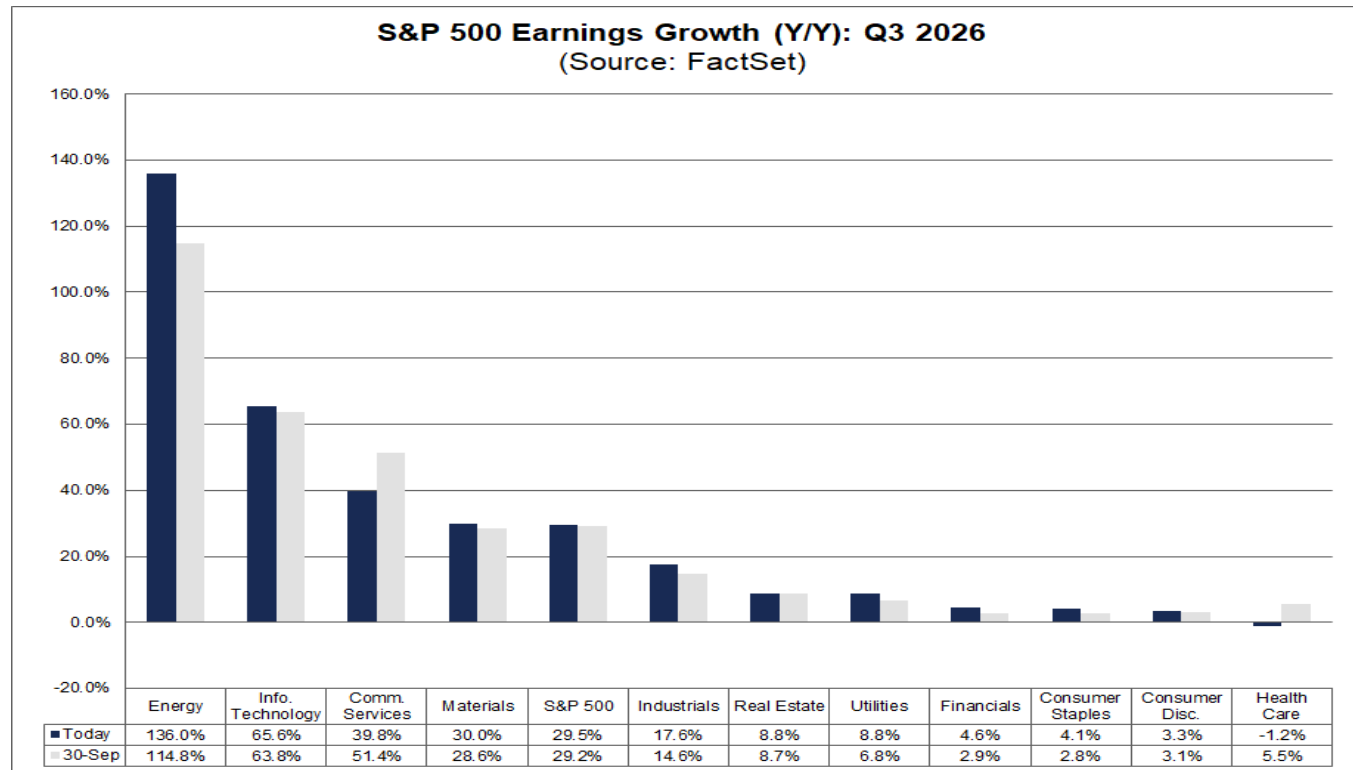
Q3 2026: Surprise



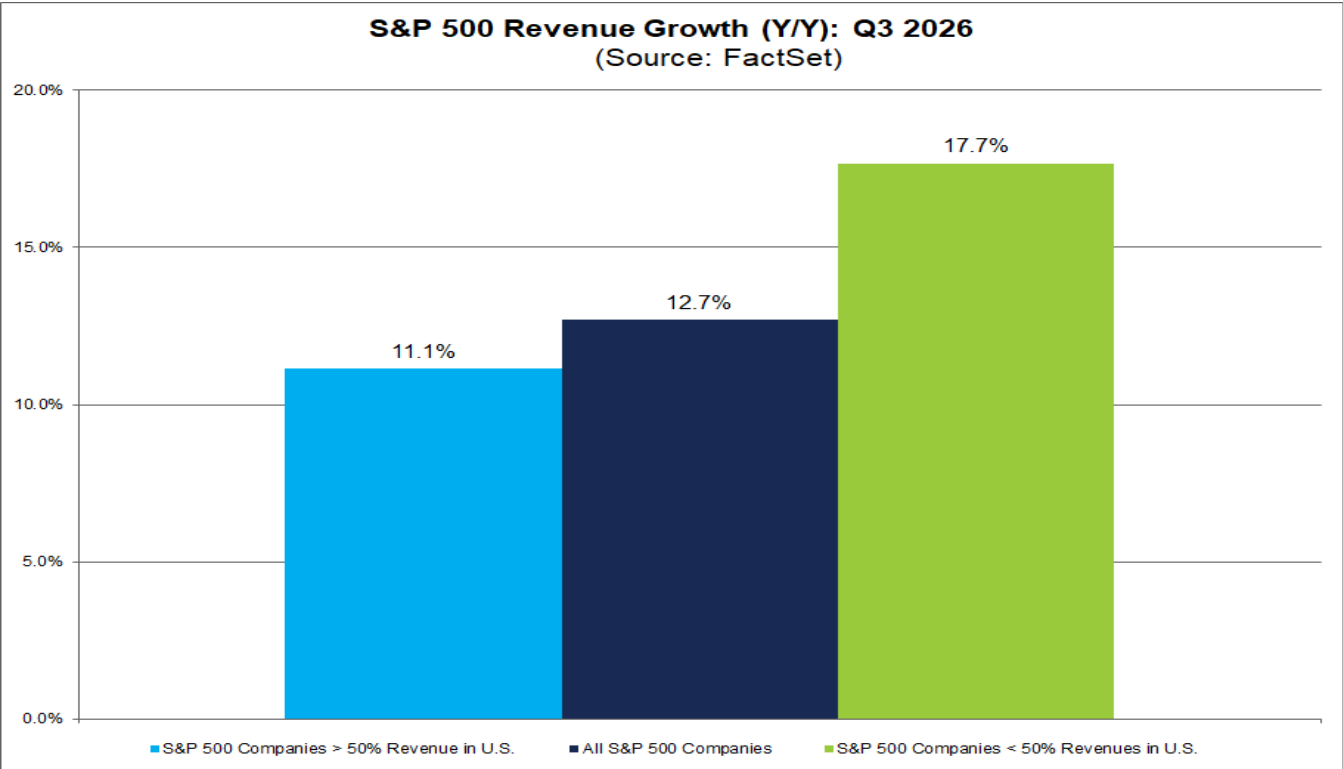
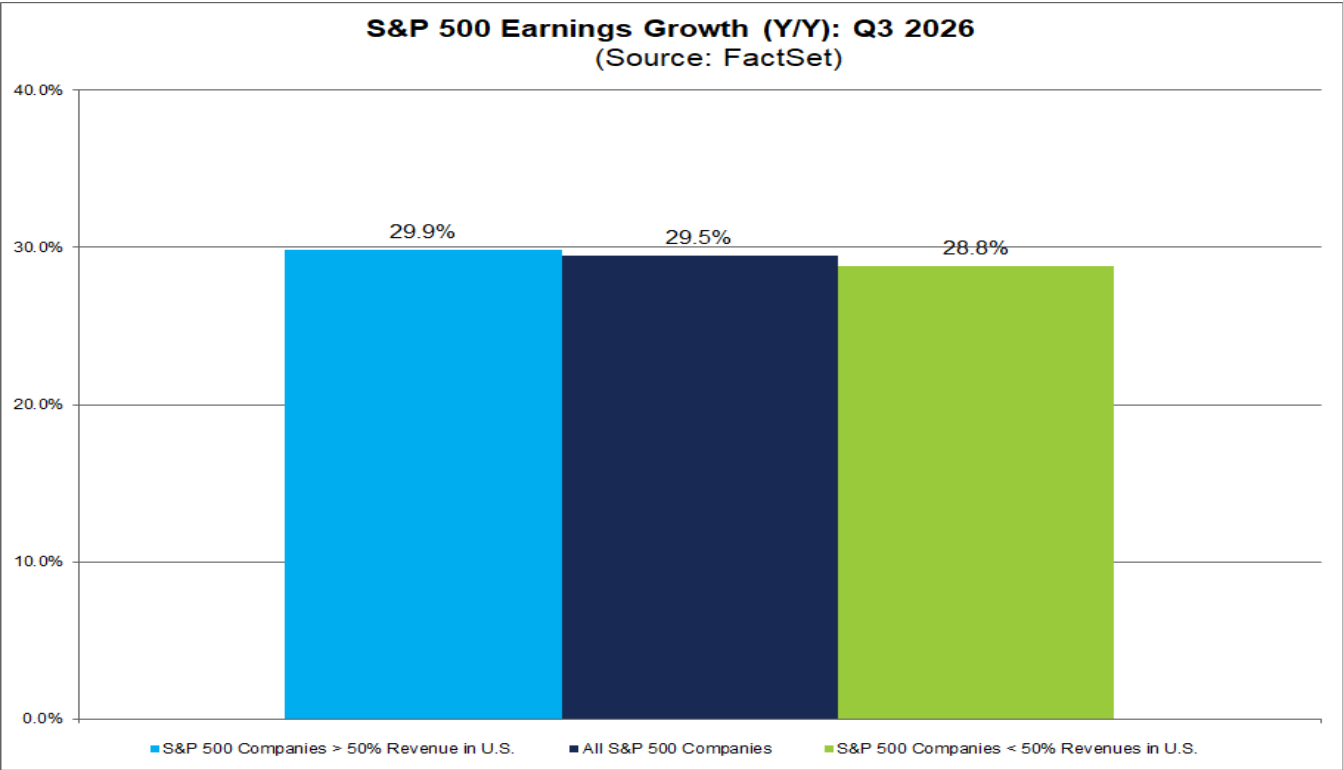
Q3 2026: Surprise



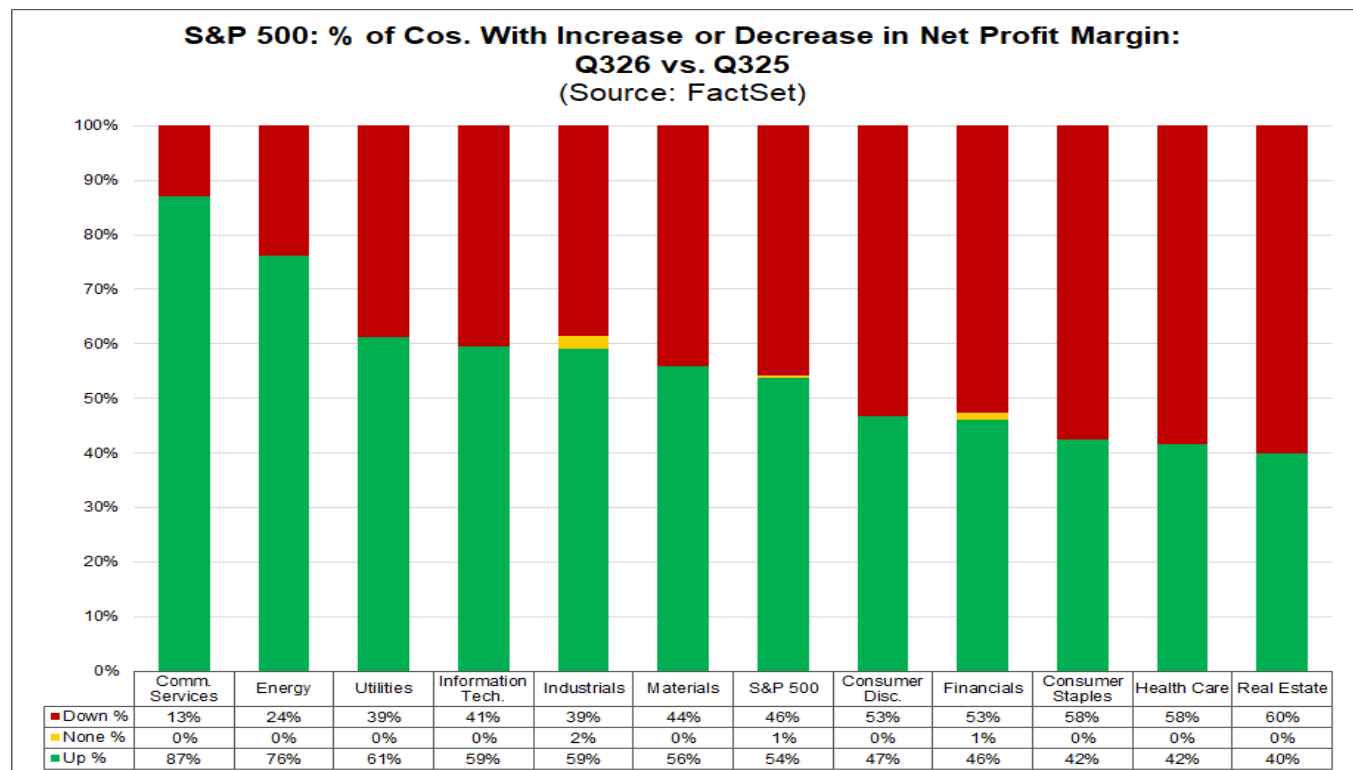
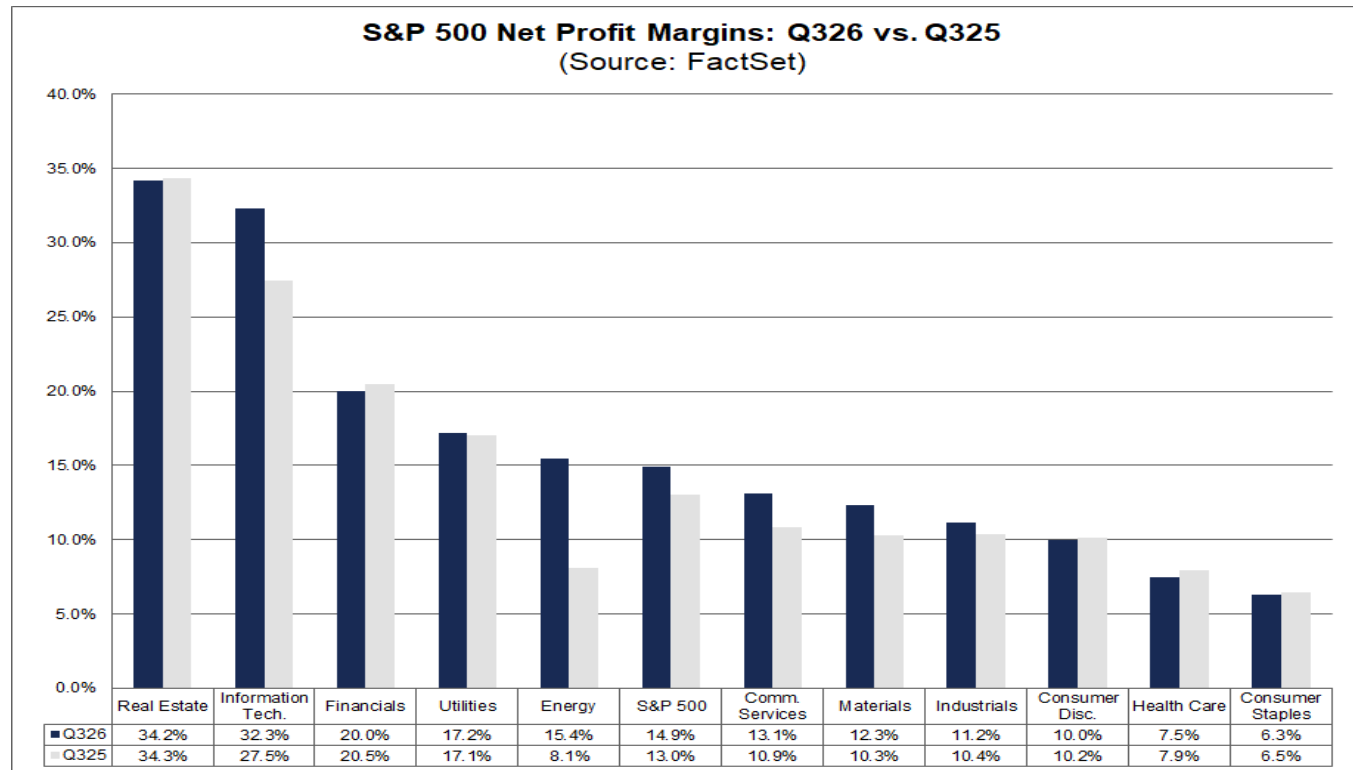
Q3 2026: Growth



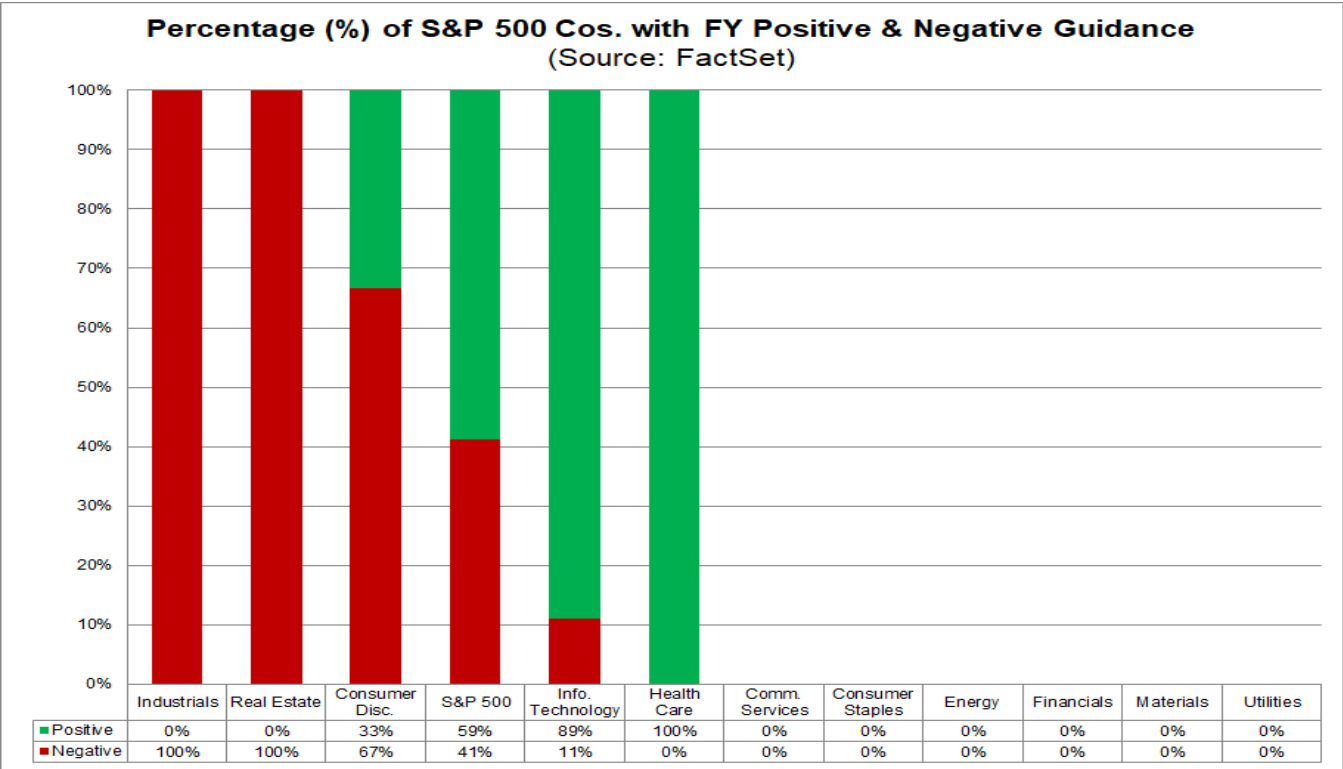
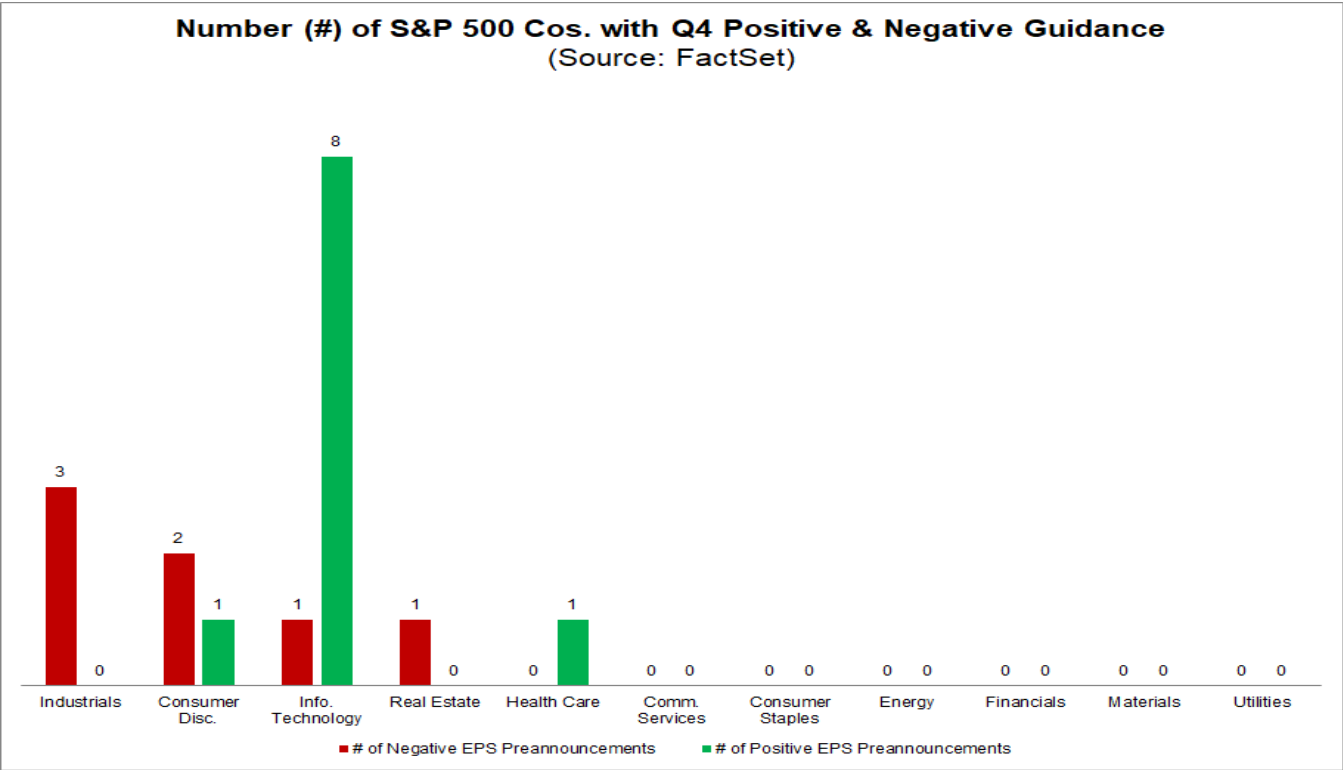
Q3 2026: Growth



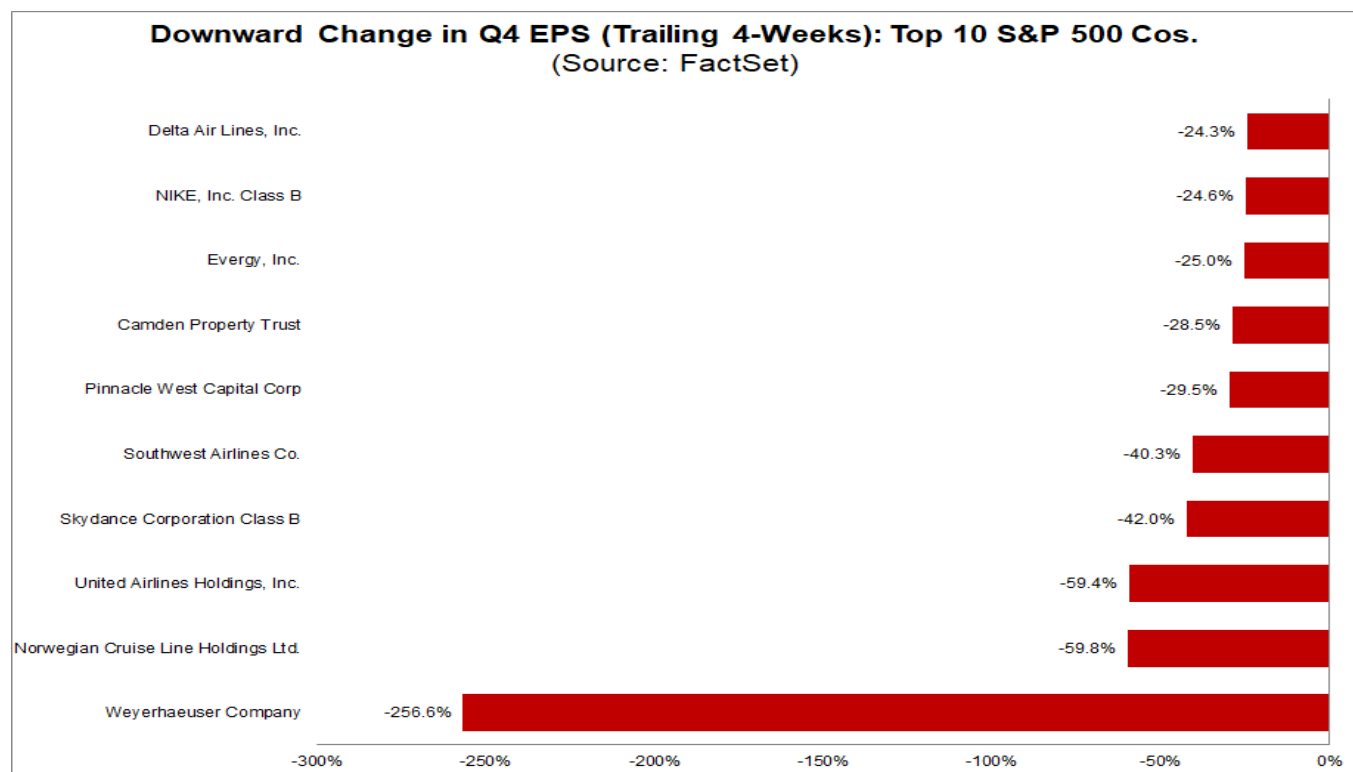
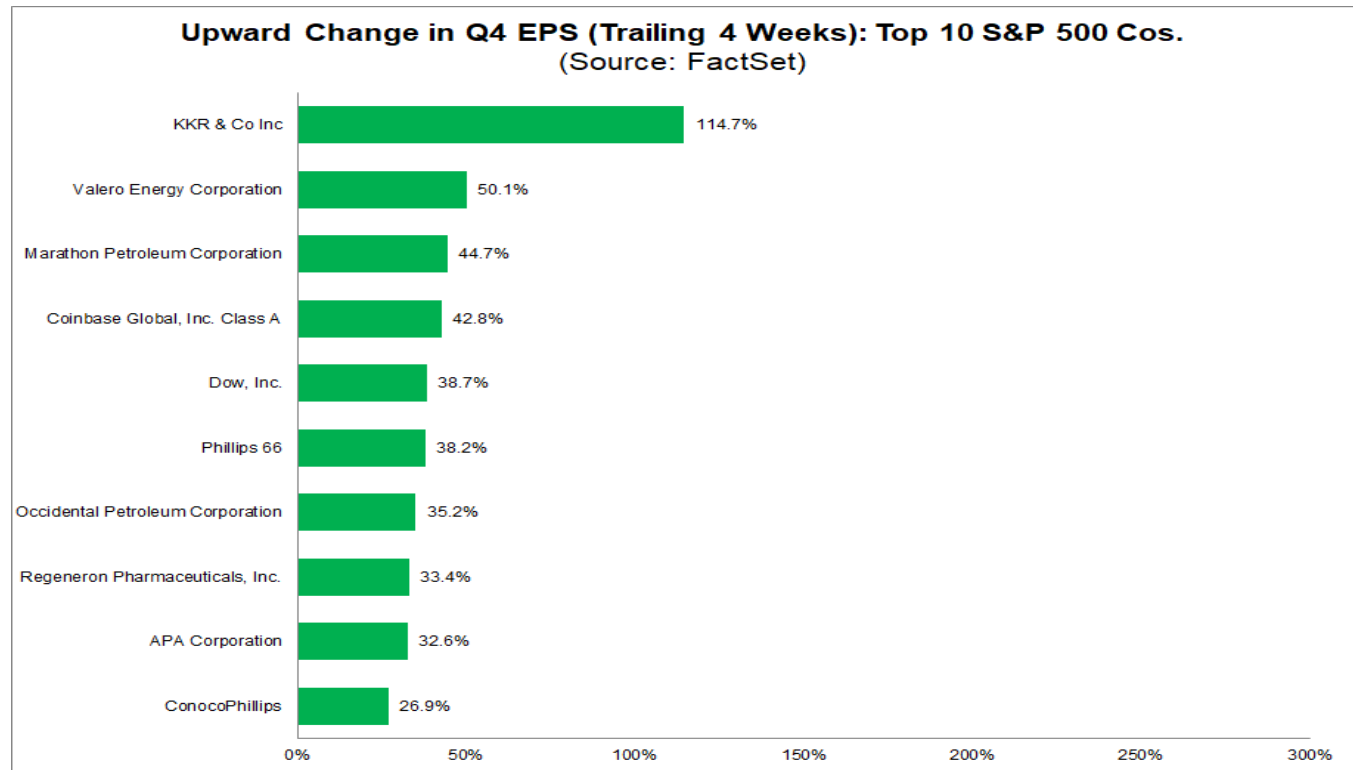
Q3 2026: Net Profit Margin



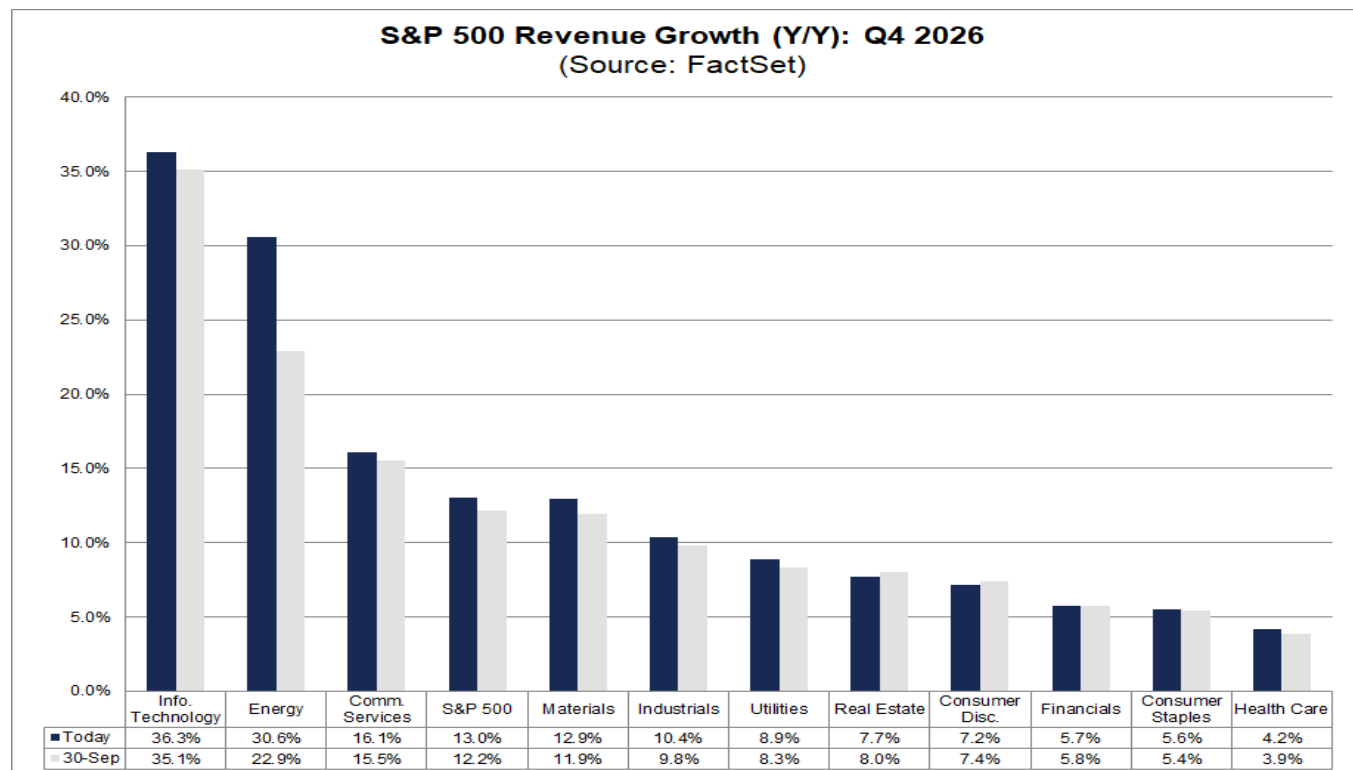
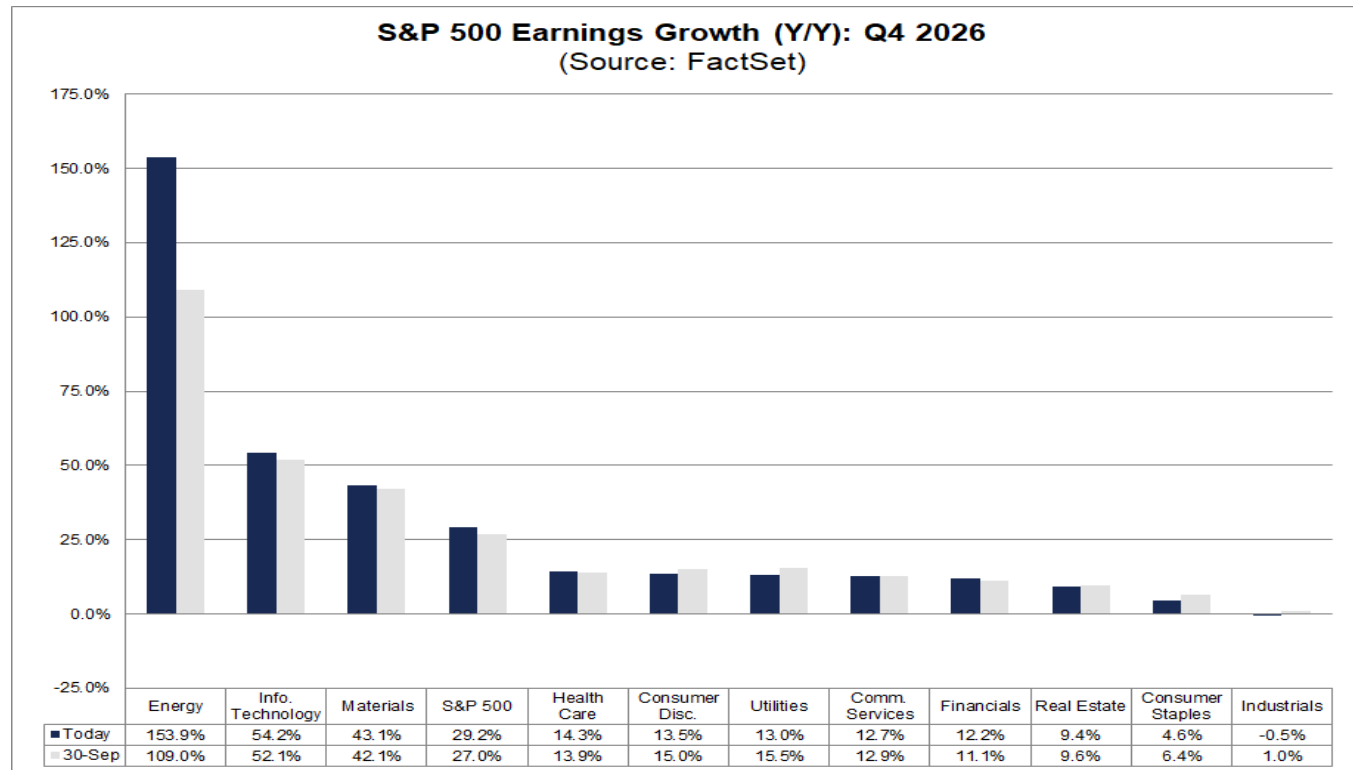
Q4 2026: Guidance



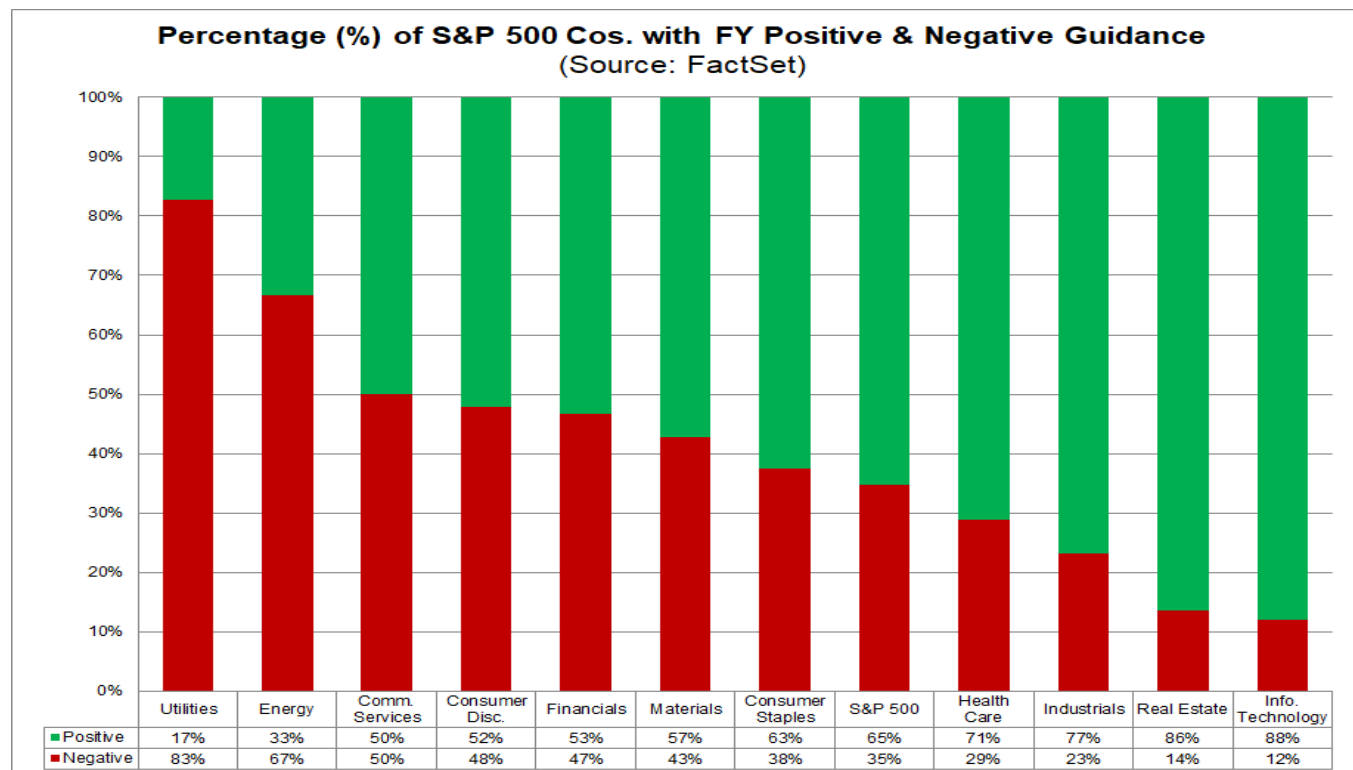
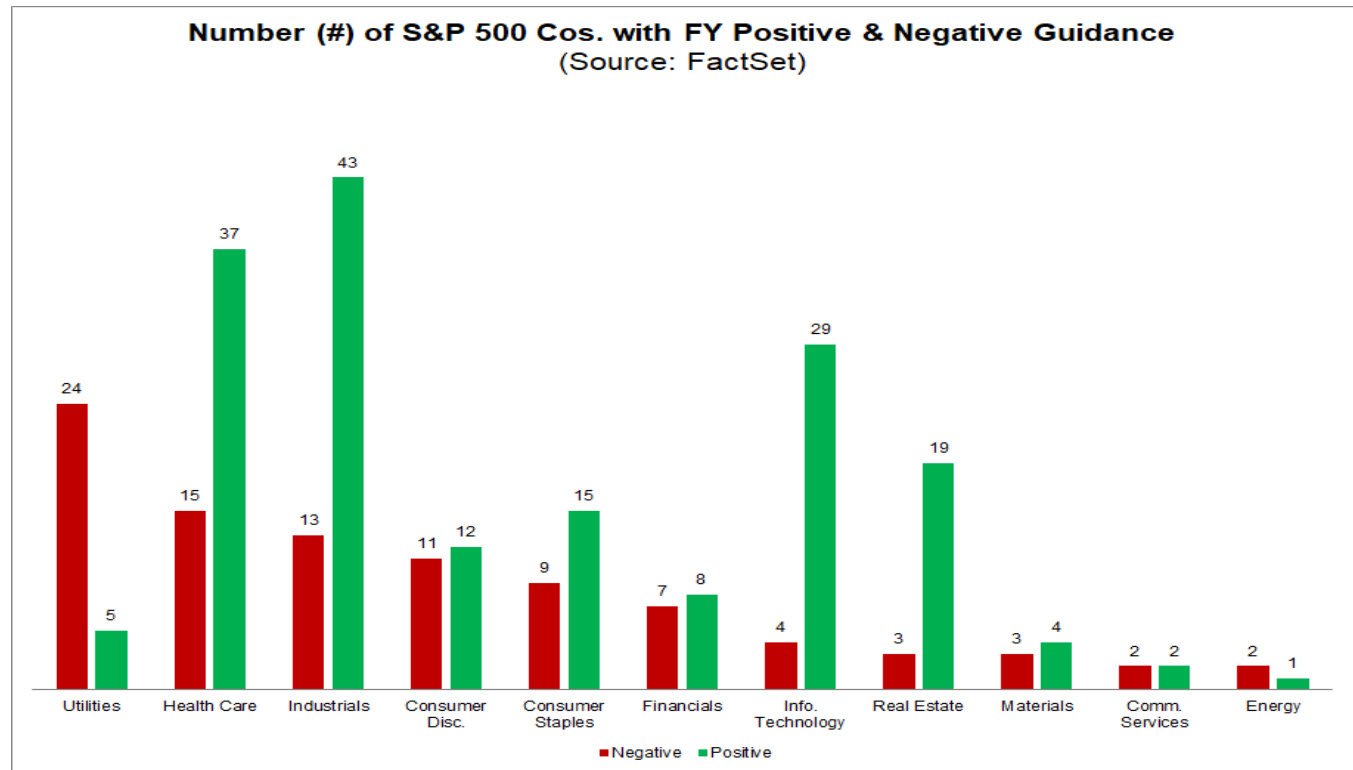
Q4 2026: EPS Revisions



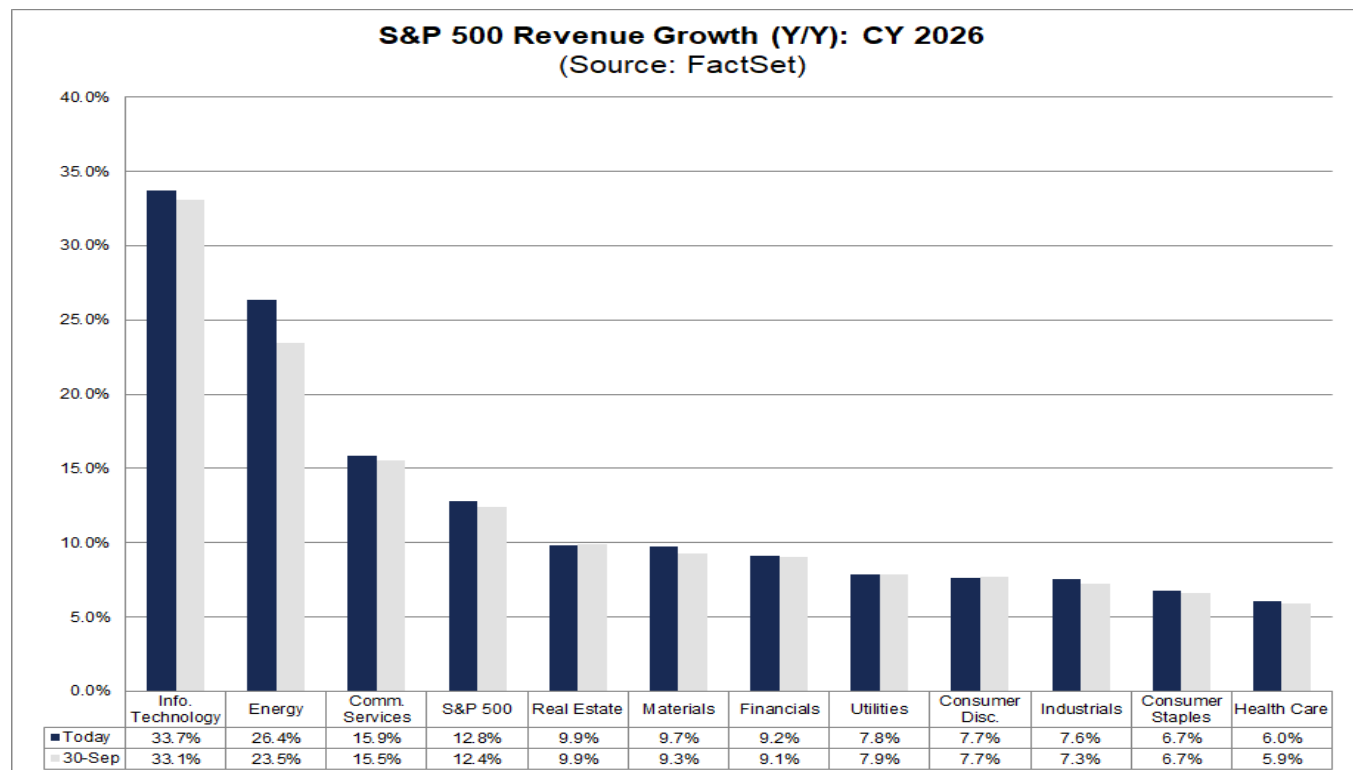
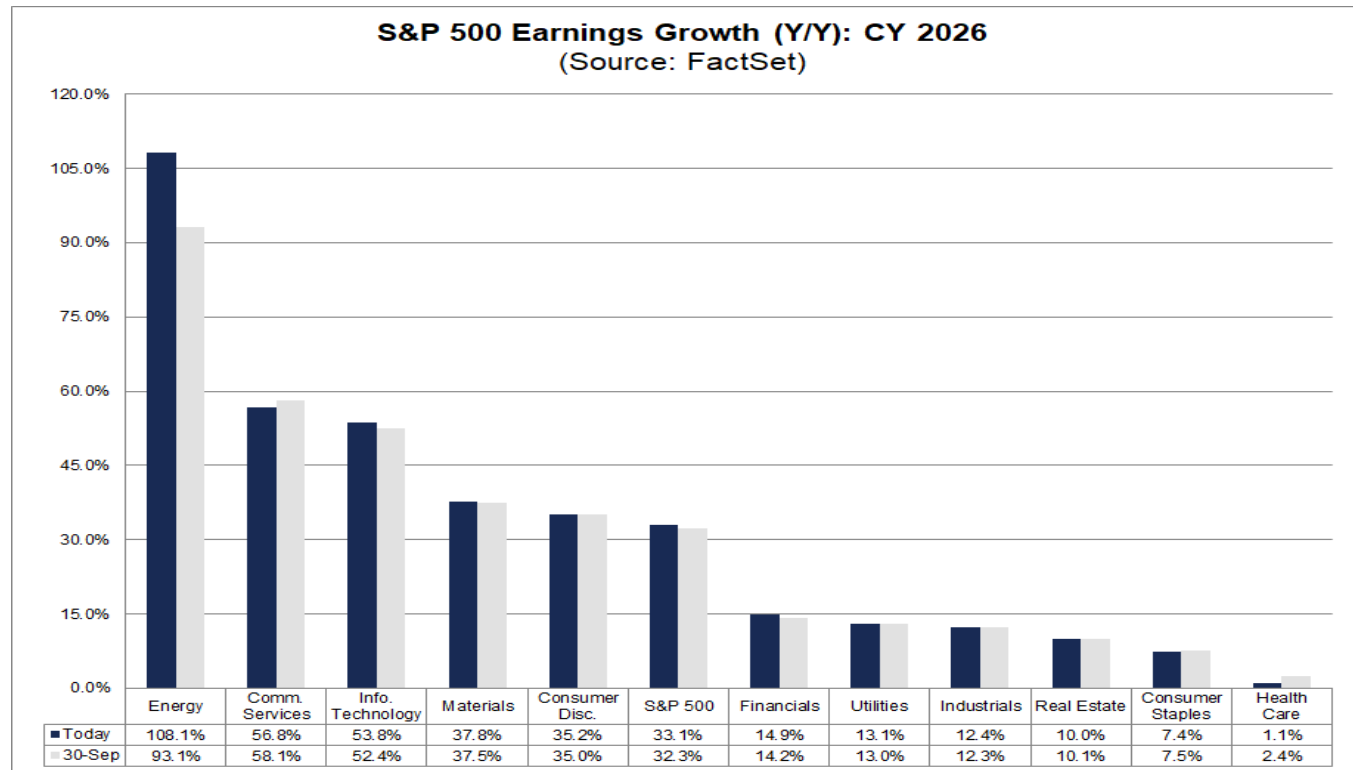
Q4 2026: Growth



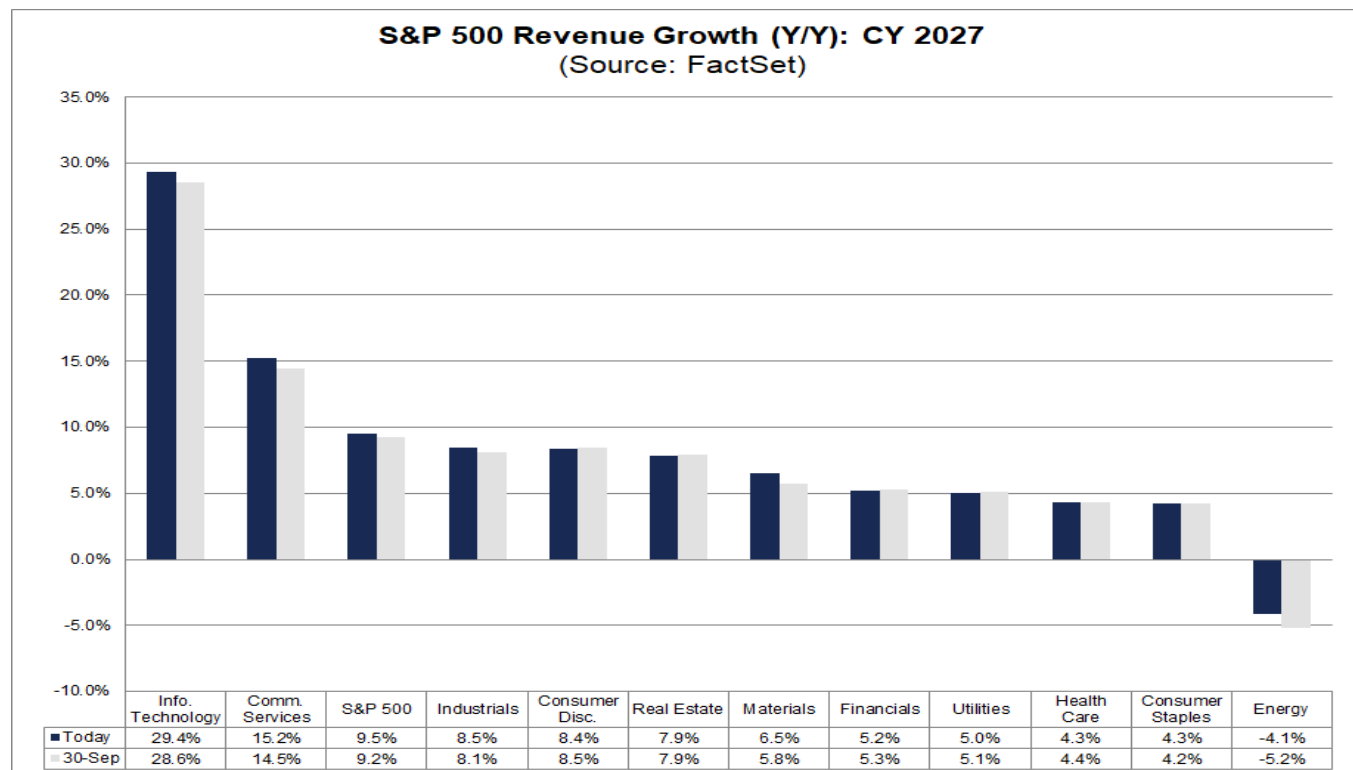
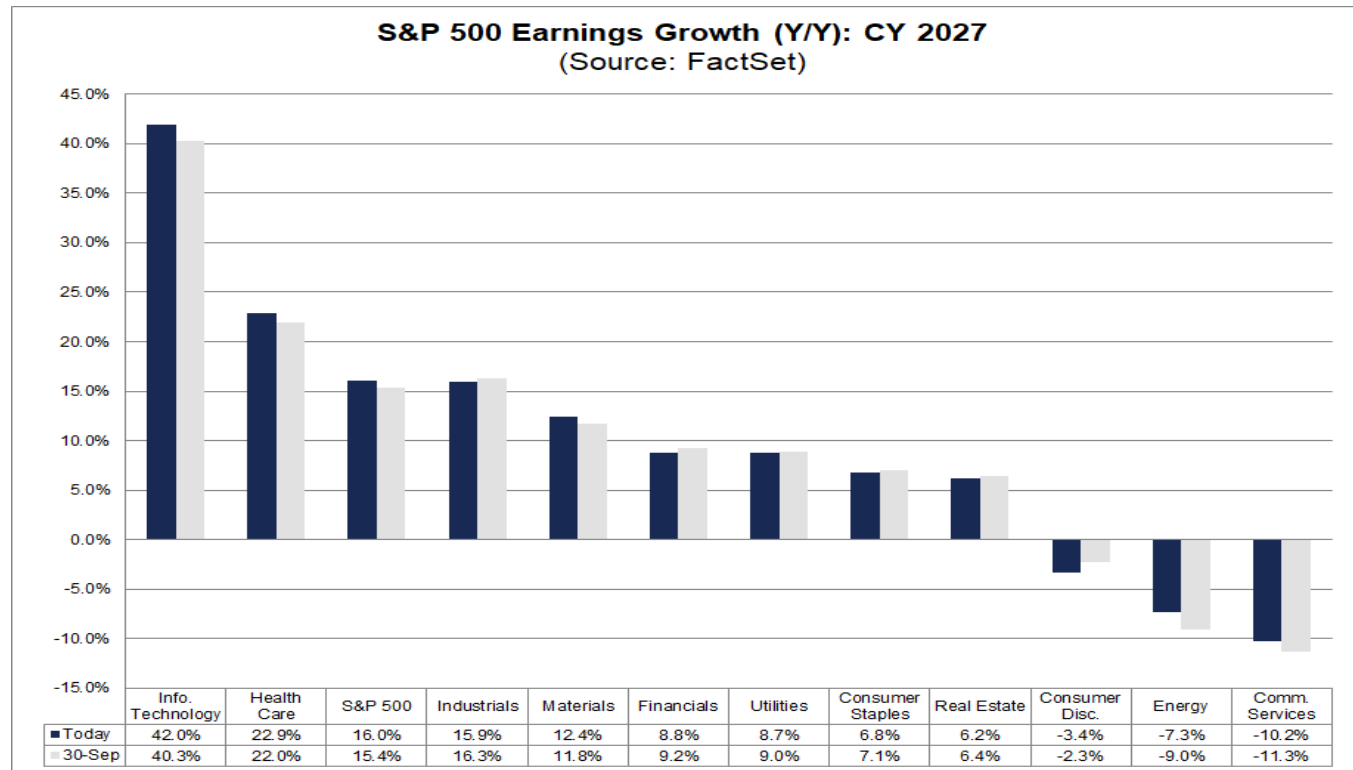
FY 2026 / 2027: EPS Guidance



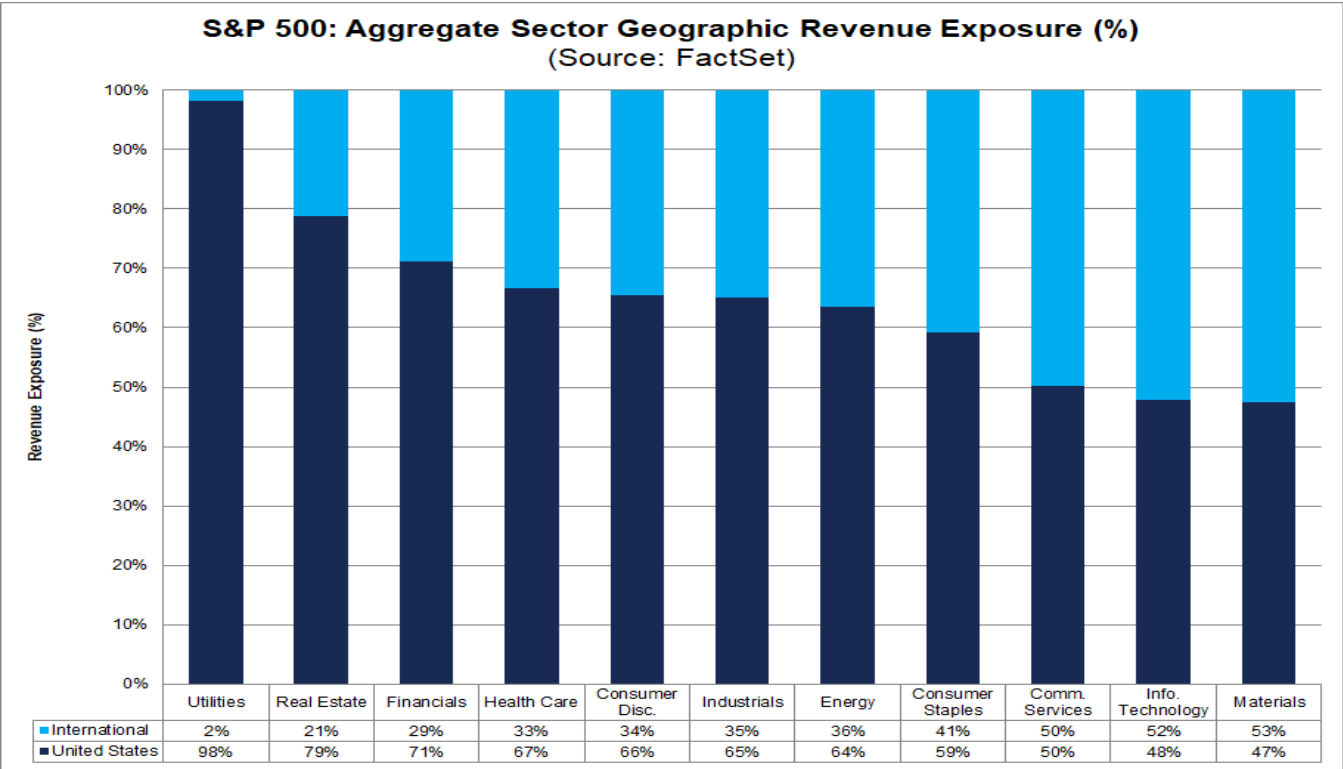
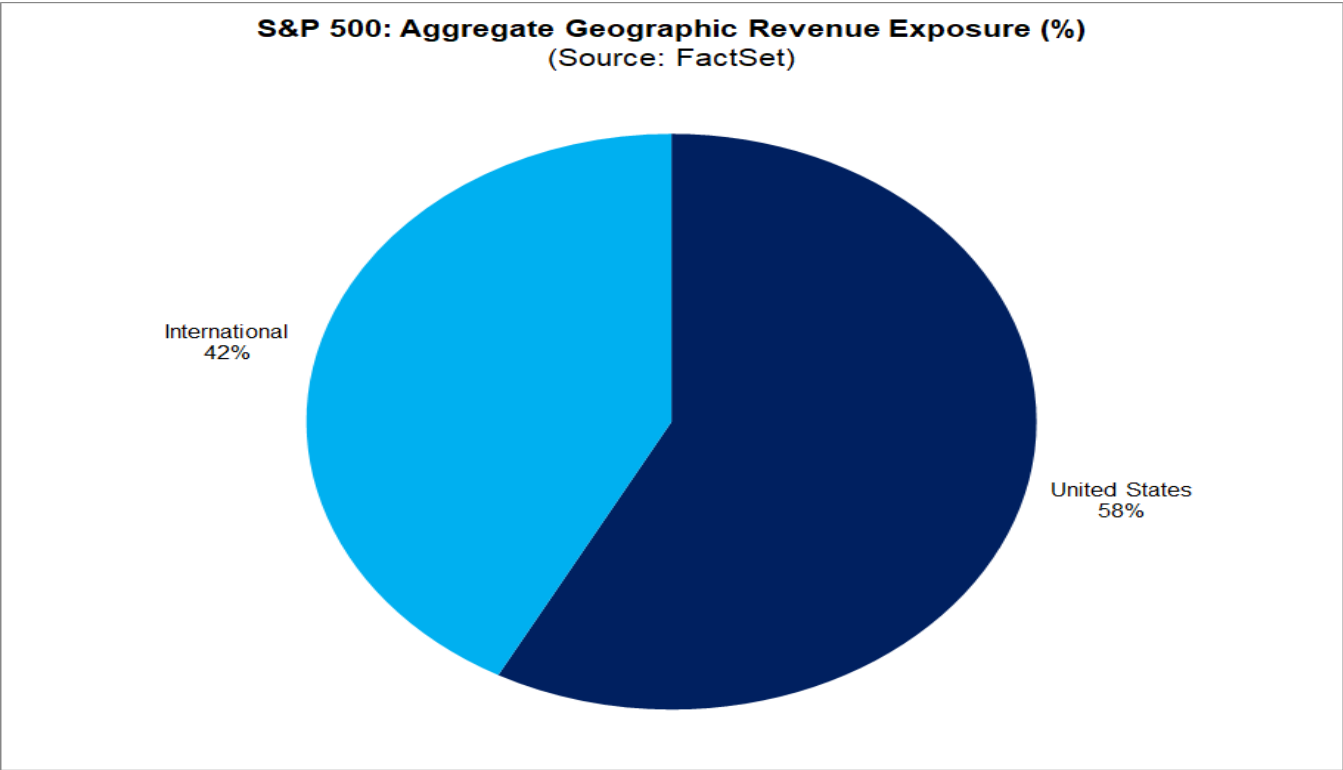
CY 2026: Growth



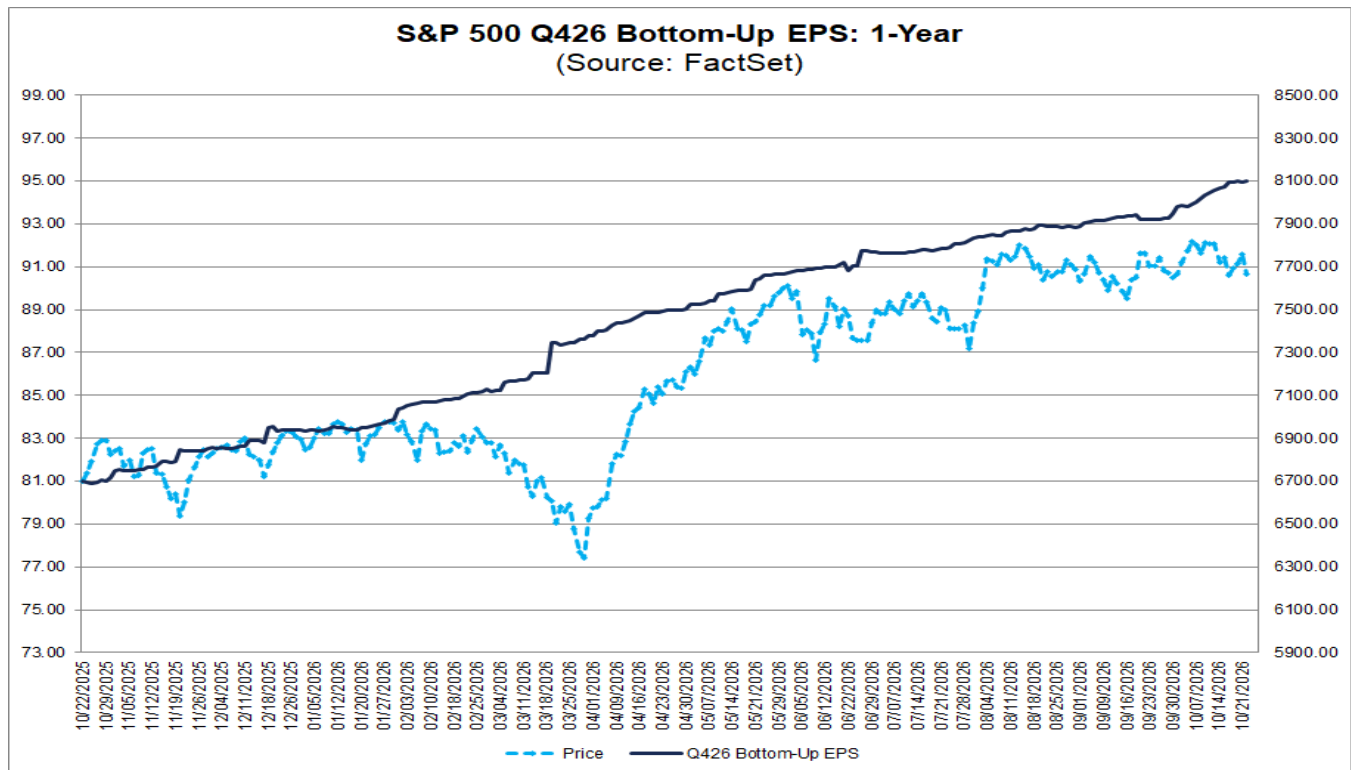
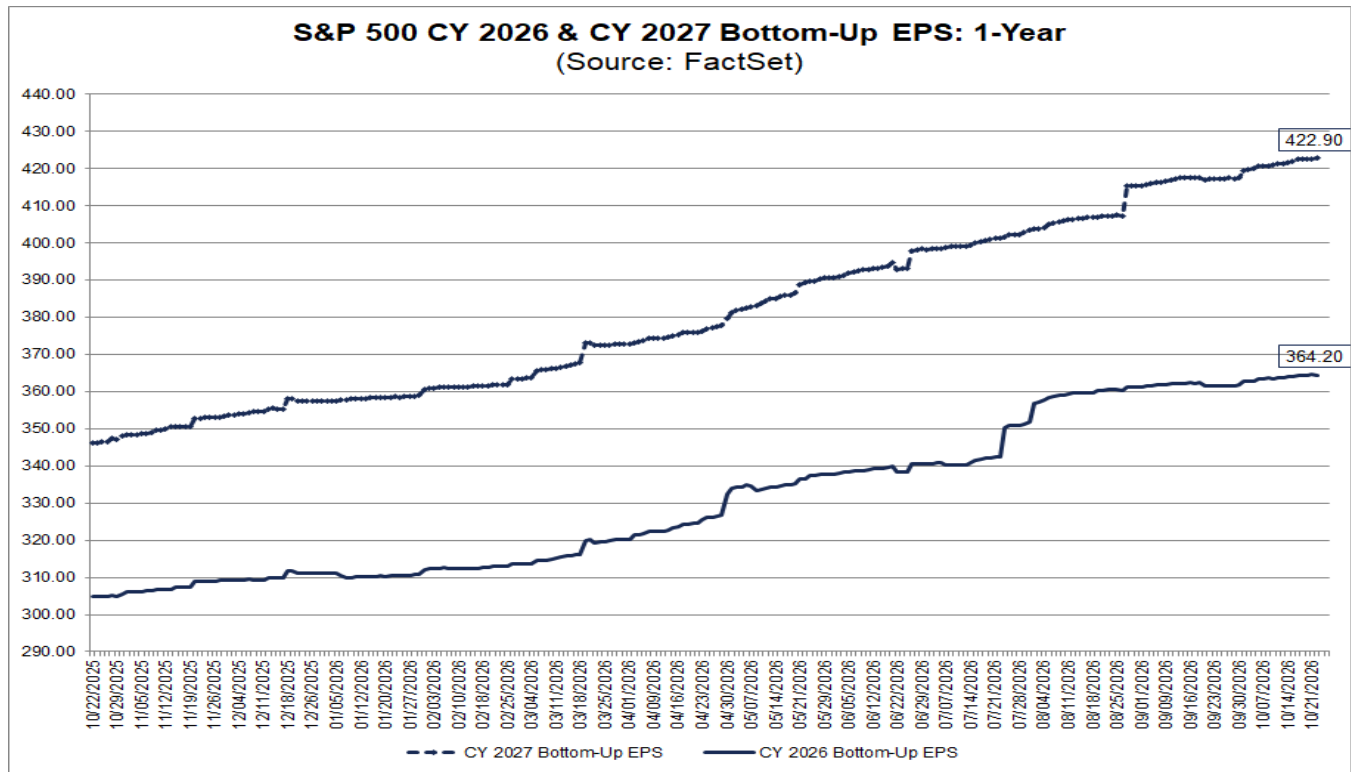
CY 2027: Growth



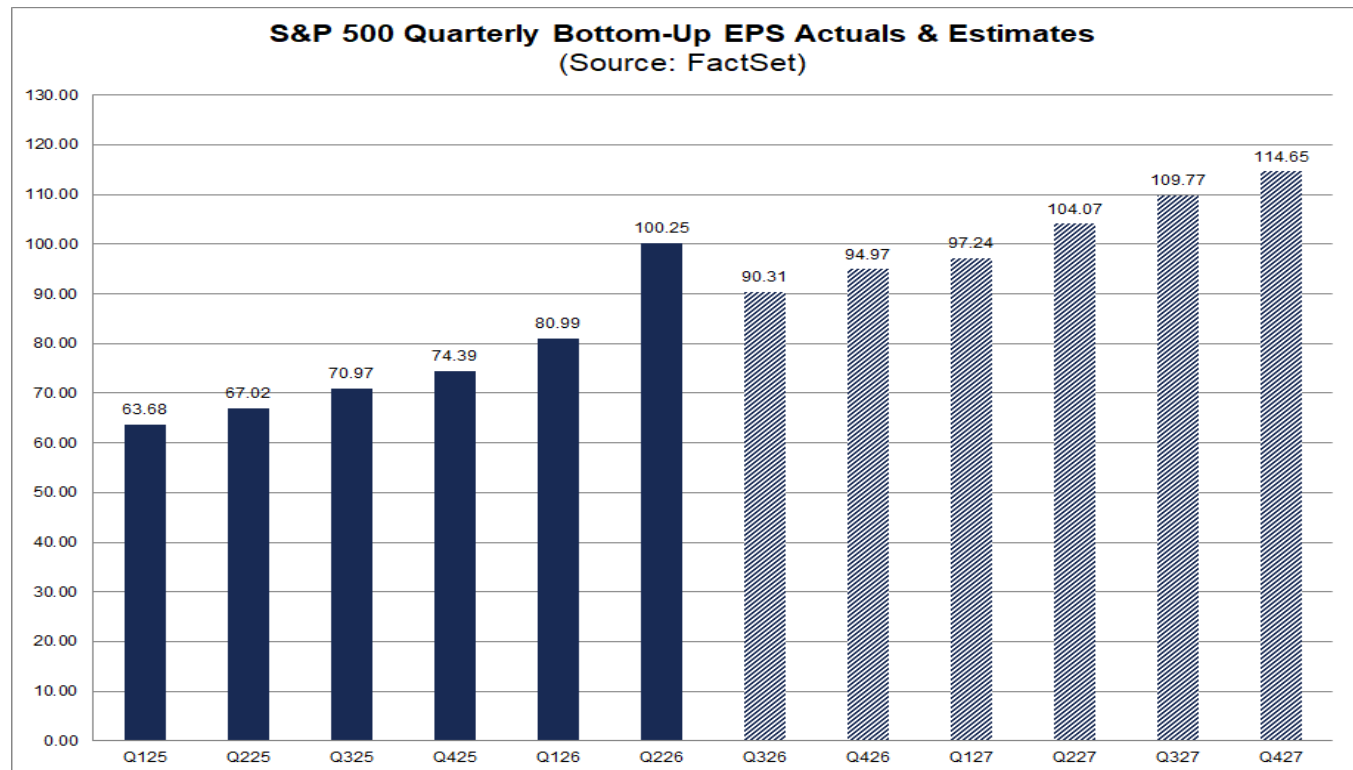
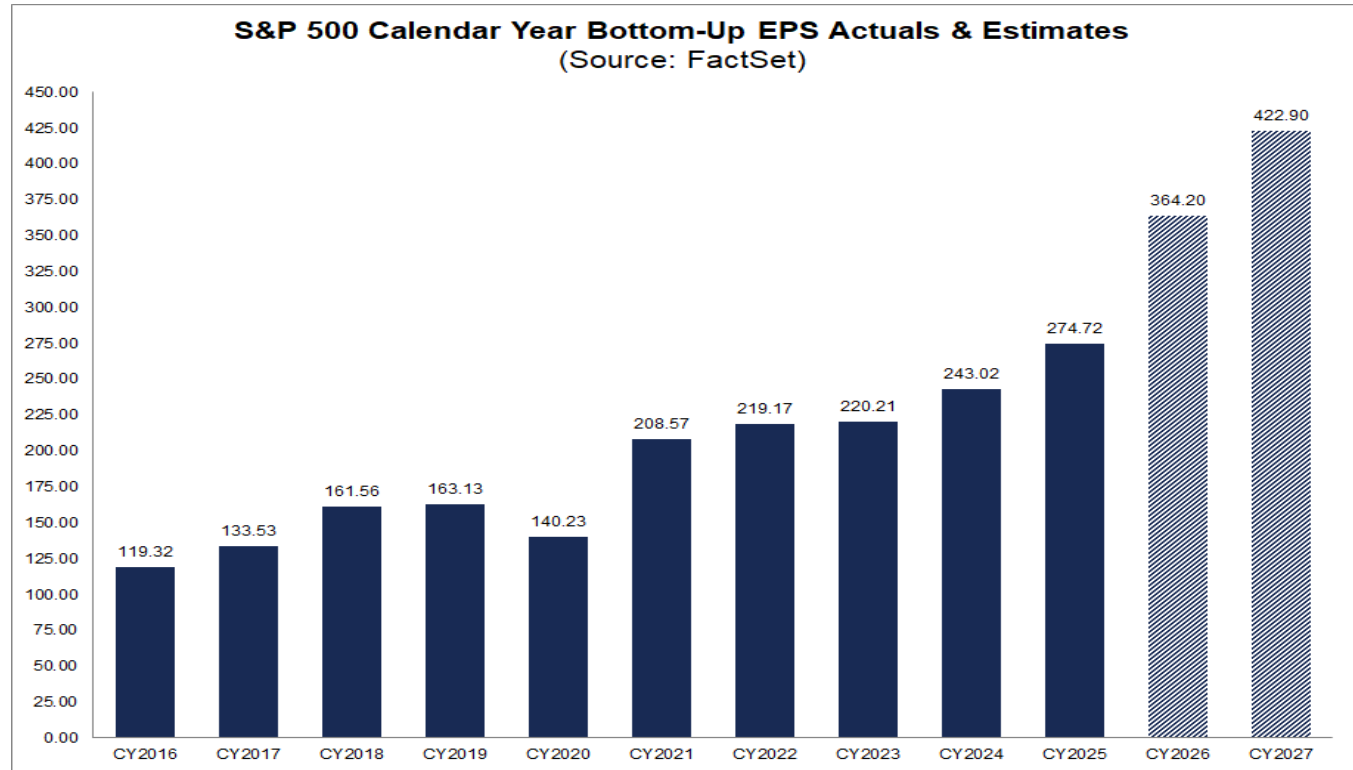
Geographic Revenue Exposure



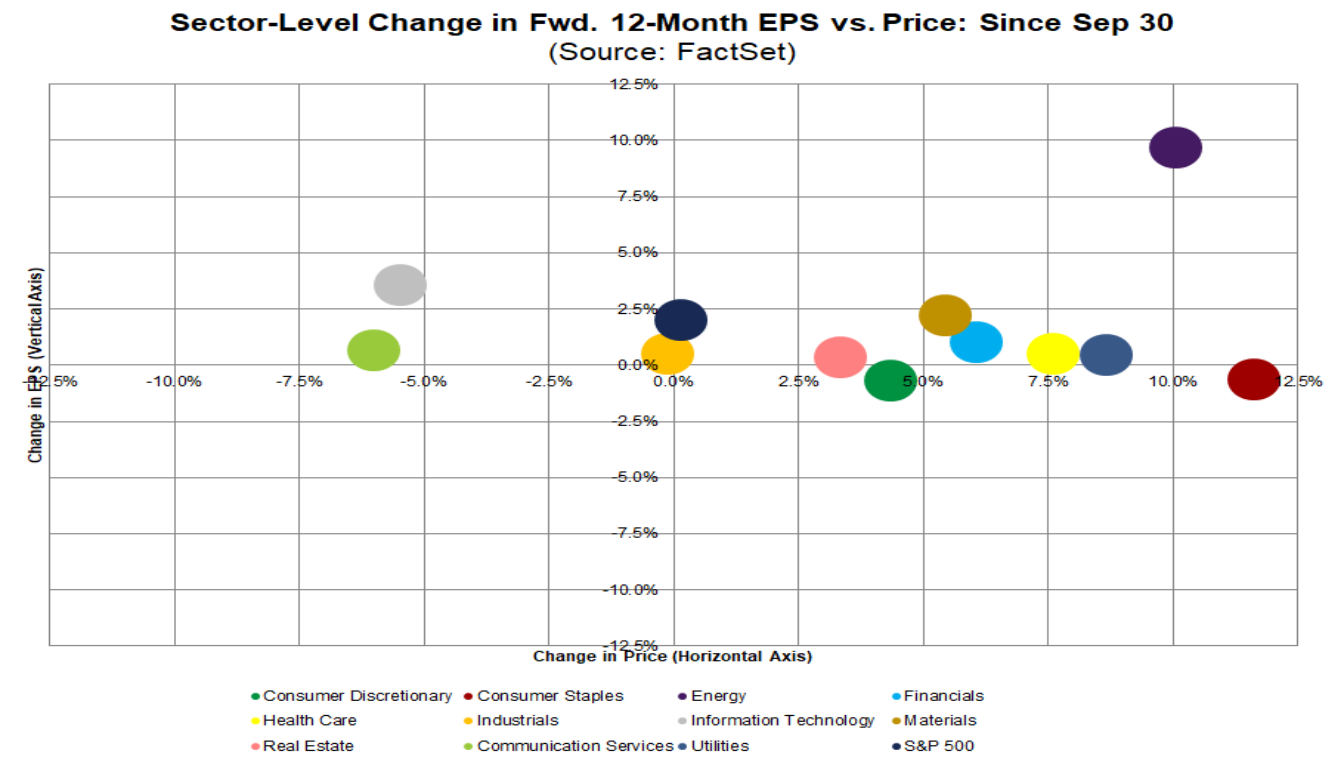
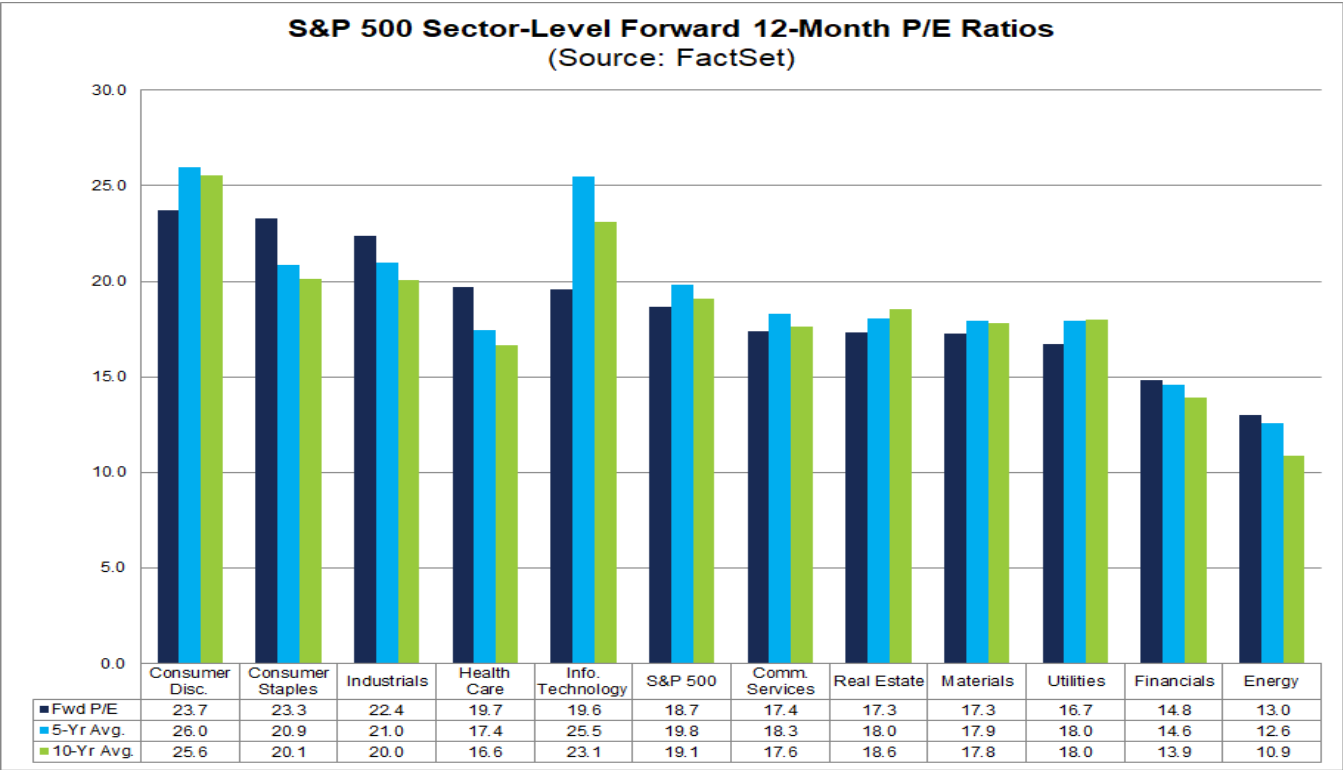
Bottom-Up EPS Estimates



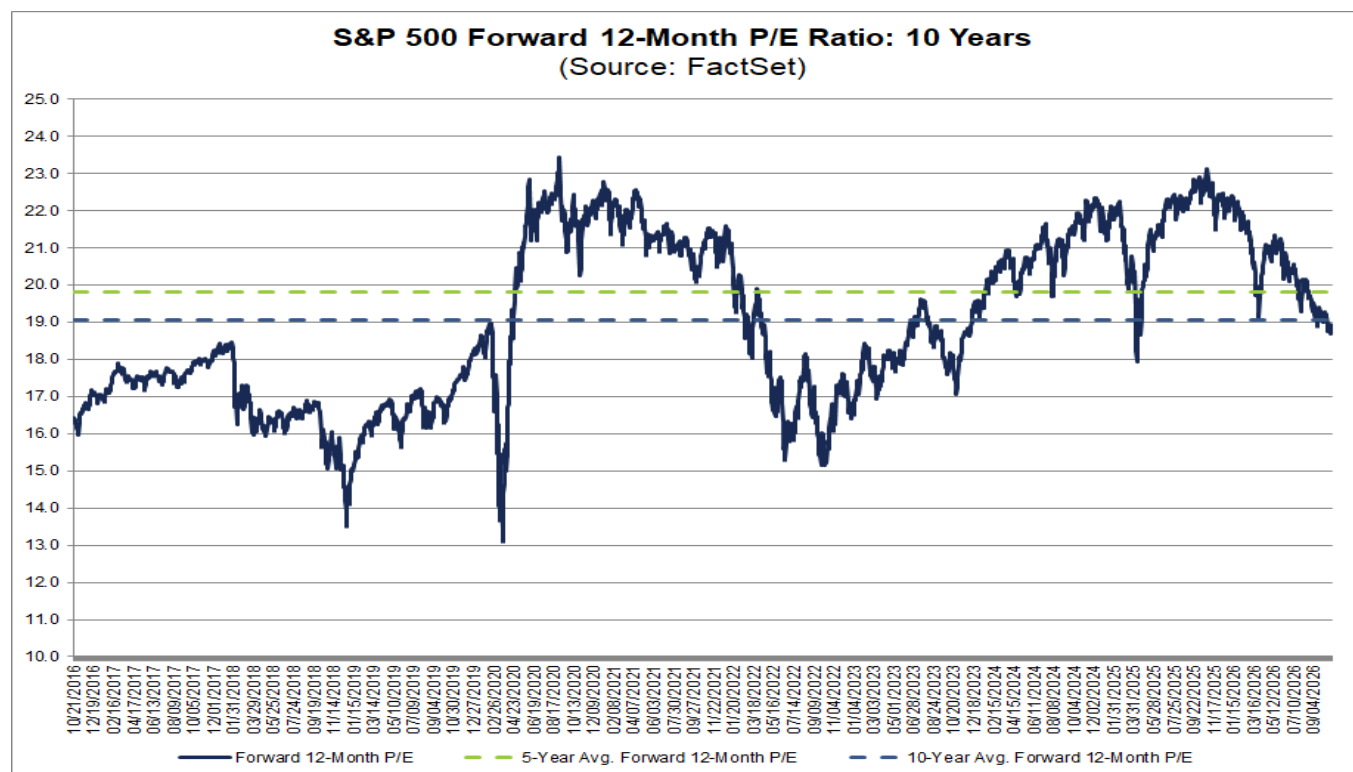
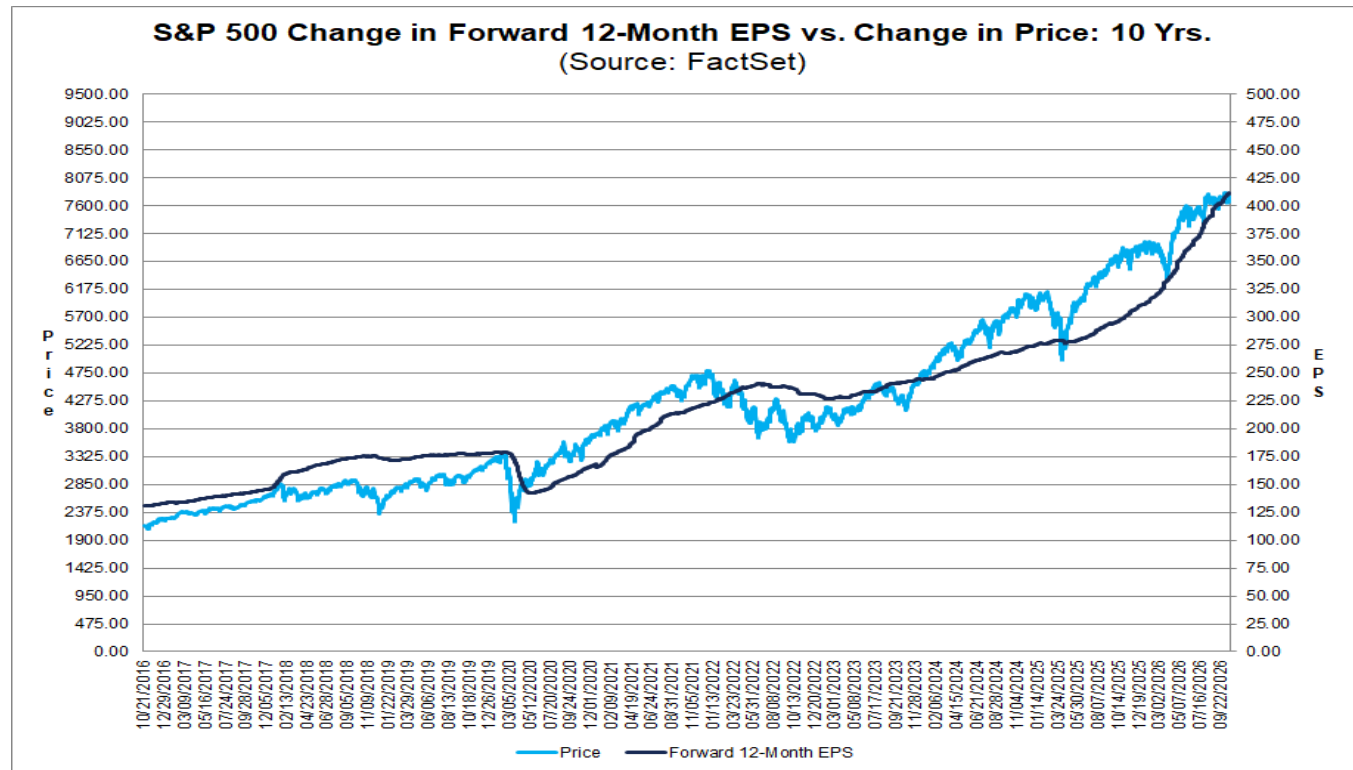
Bottom-Up EPS Estimates: Current & Historical



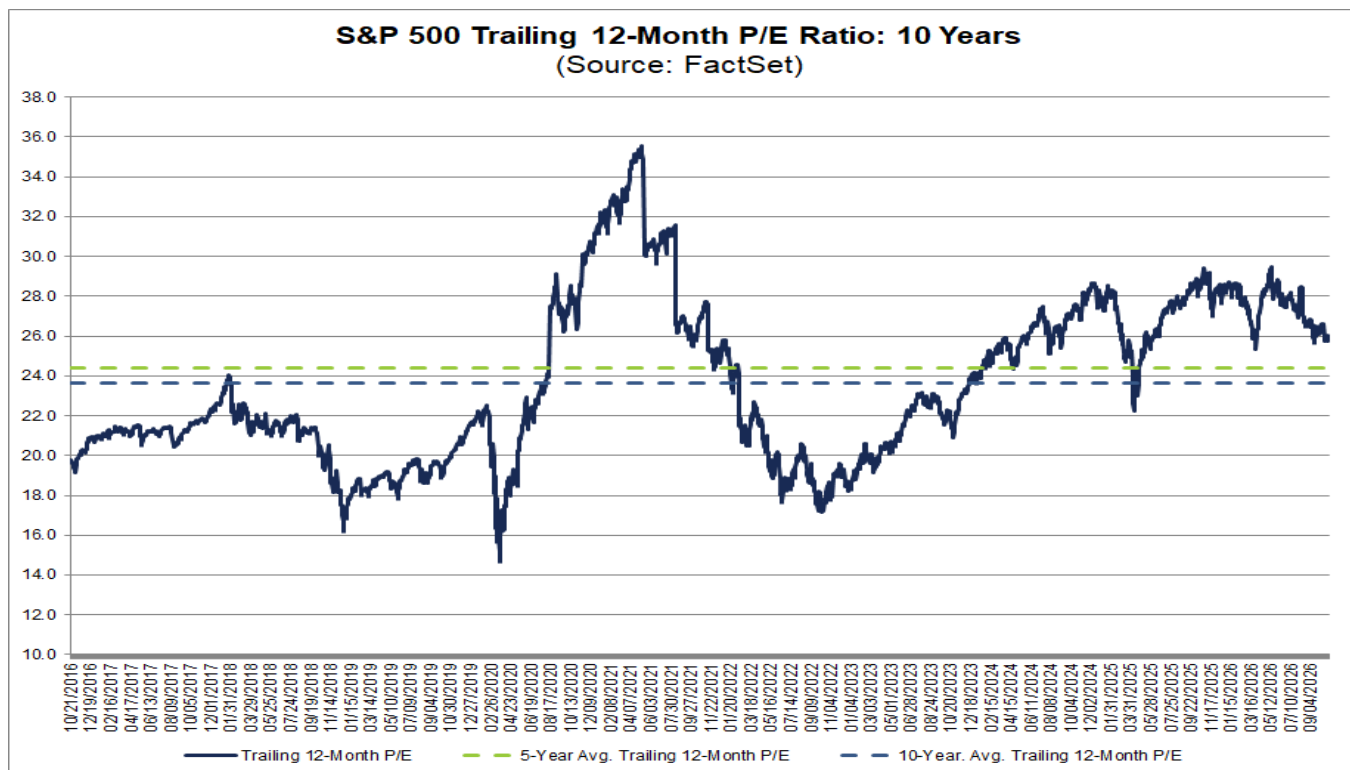
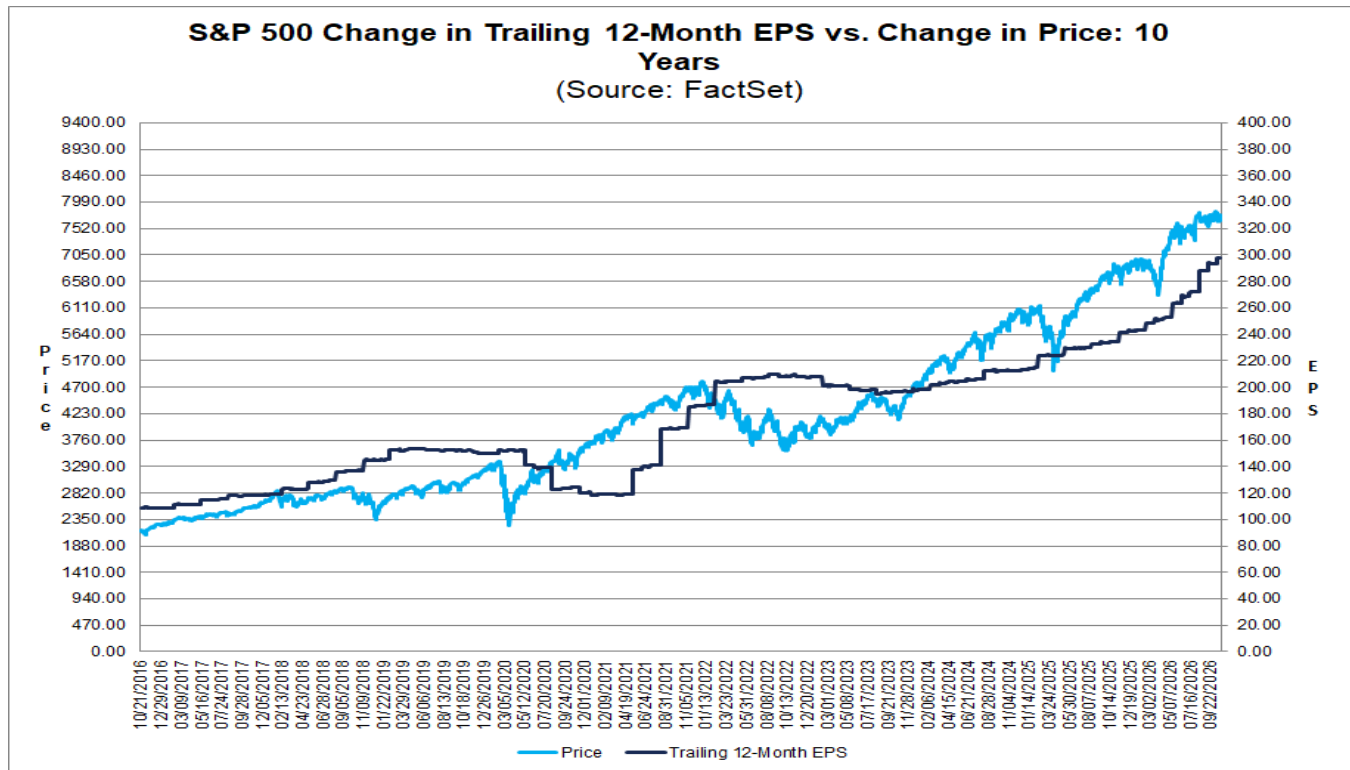
Forward 12M P/E Ratio: Sector Level



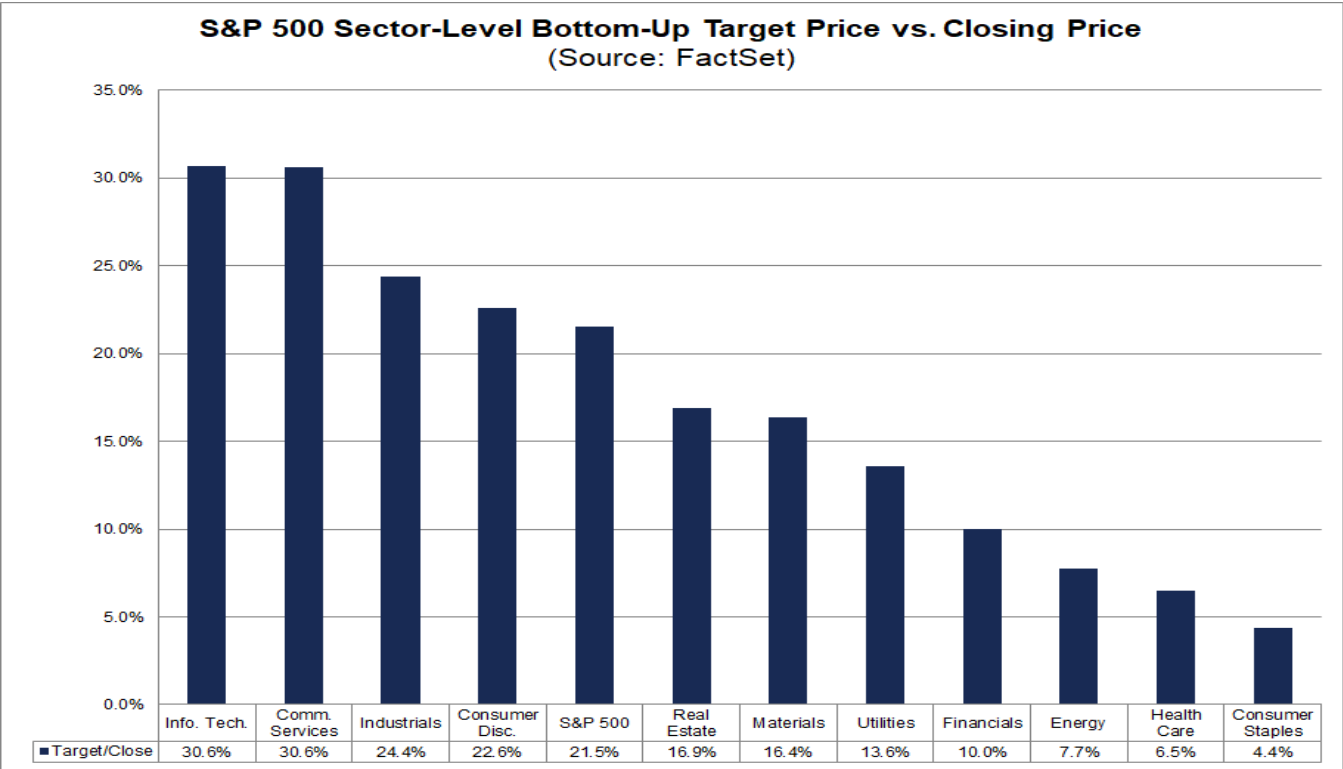
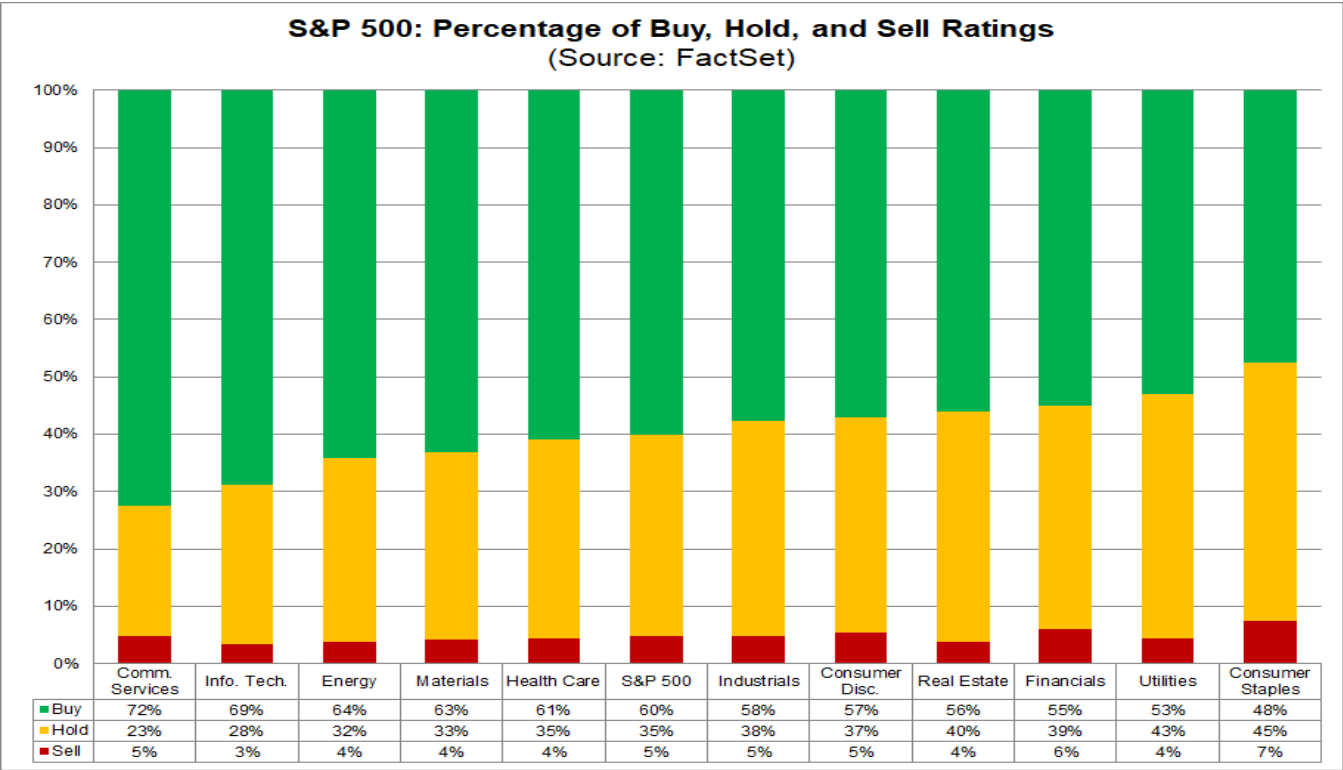
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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