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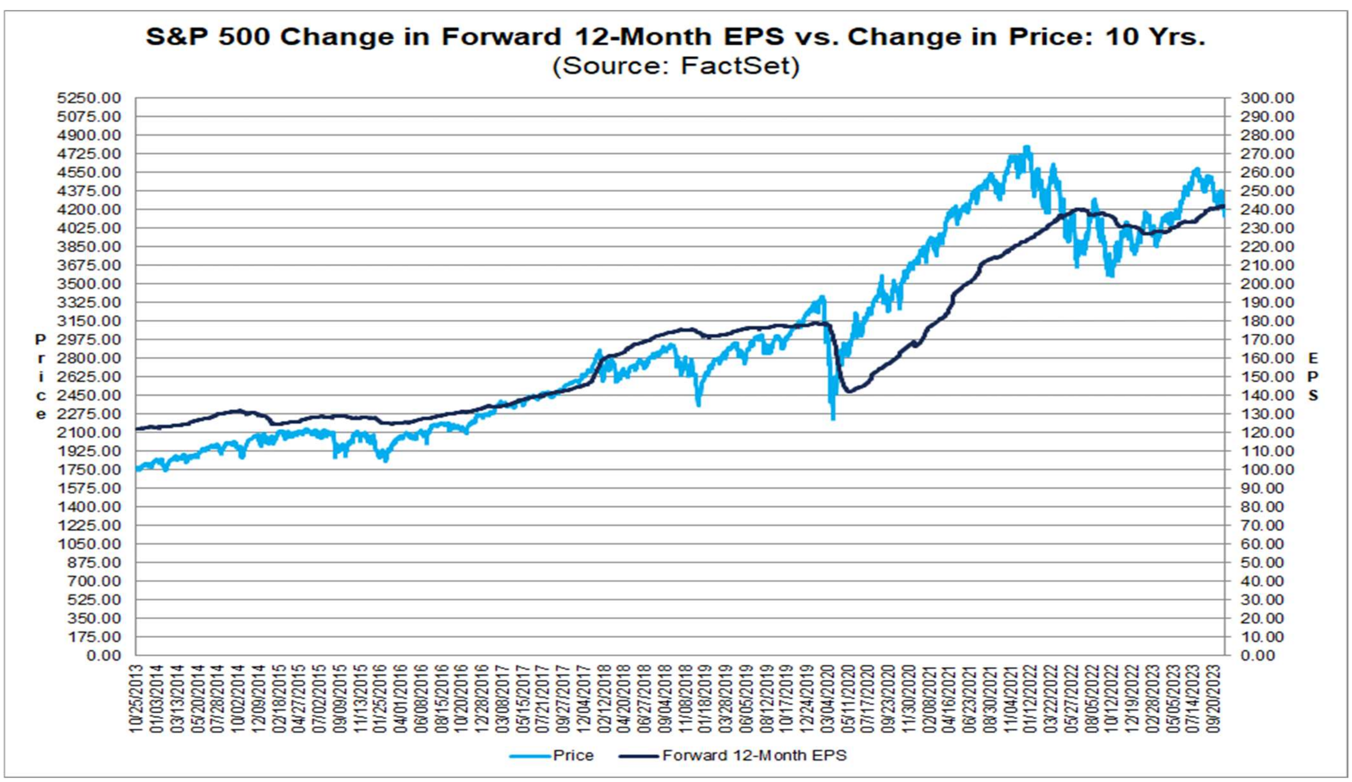
Key Metrics

- **Earnings Scorecard:** For Q3 2023 (with 49% of S&P 500 companies reporting actual results), 78% of S&P 500 companies have reported a positive EPS surprise and 62% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q3 2023, the blended (year-over-year) earnings growth rate for the S&P 500 is 2.7%. If 2.7% is the actual growth rate for the quarter, it will mark the first quarter of year-over-year earnings growth reported by the index since Q3 2022.
- **Earnings Revisions:** On September 30, the estimated (year-over-year) earnings decline for the S&P 500 for Q3 2023 was -0.3%. Nine sectors are reporting higher earnings today compared to September 30 due to positive EPS surprises and upward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2023, 28 S&P 500 companies have issued negative EPS guidance and 14 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.1. This P/E ratio is below the 5-year average (18.7) and below the 10-year average (17.5).



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S&P 500 Energy Sector Earnings Update: Q3 2023

The Energy sector is a current focus for the market, as Exxon Mobil and Chevron reported earnings results on October 27. Both companies reported actual EPS numbers for Q3 that were below the mean EPS estimates. Overall, this sector is reporting the largest (year-over-year) earnings decline of all eleven sectors for Q3 at -38.1%. The Energy sector is also the largest detractor to earnings growth for the index. If this sector were excluded, the blended earnings growth rate for the S&P 500 would improve to 8.4% from 2.7%.

At the sub-industry level, three of the five sub-industries in the sector are reporting a year-over-year decrease in earnings of 20% or more: Integrated Oil & Gas (-51%), Oil & Gas Exploration & Production (-37%), and Oil & Gas Refining & Marketing (-20%). On the other hand, two sub-industries are reporting year-over-year earnings growth: Oil & Gas Equipment & Services (32%) and Oil & Gas Storage & Transportation (11%).

Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector. Despite the rise in price during the month of September, the average price of oil (WTI) in Q3 2023 ($82.22) was still 10% below the average price for oil in Q3 2022 ($91.43).

Looking ahead for the sector, analysts are predicting earnings declines of -21.4% and -9.8% for Q4 2023 and Q1 2024, respectively. However, analysts are calling for earnings growth of 22.4% in Q2 2024.

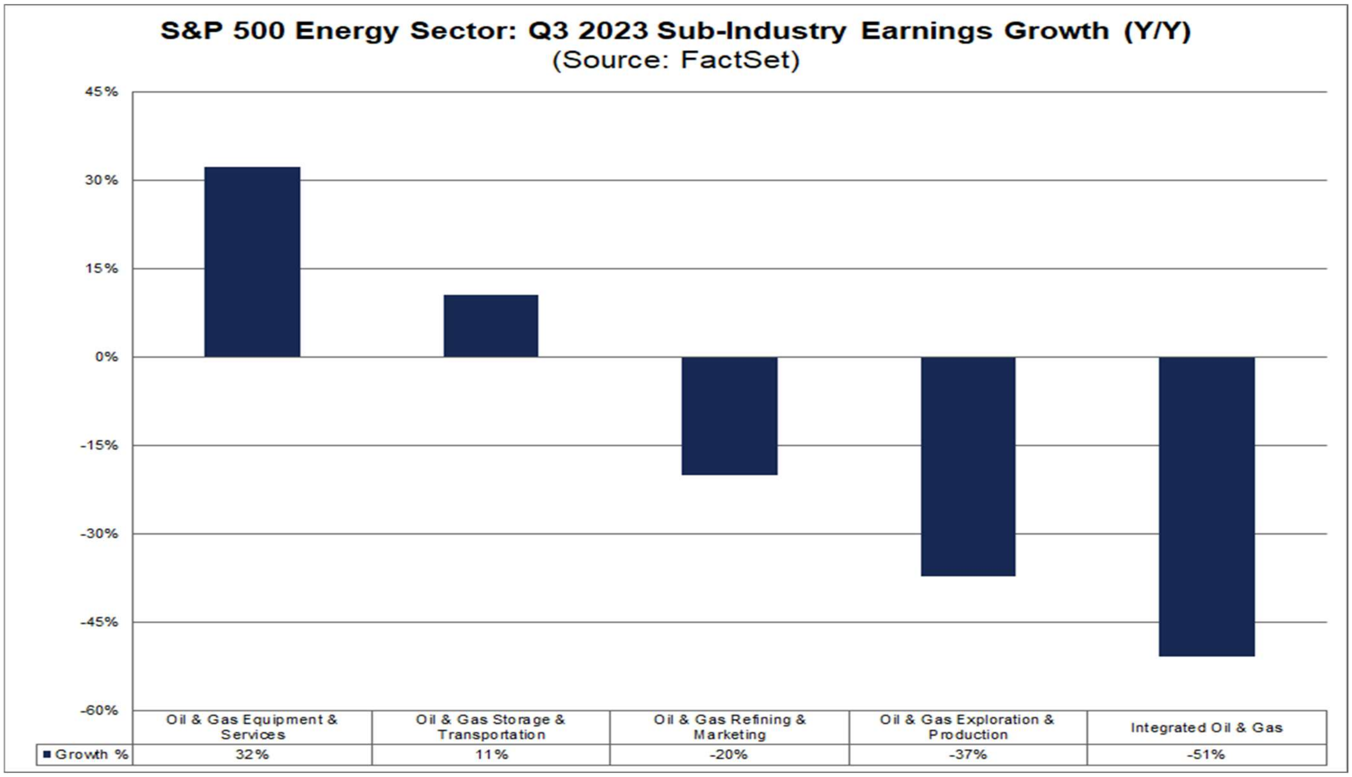
FactSet Energy analysts Connor McLean and Matthew Hoza provided commentary on key trends to watch going forward related to energy.

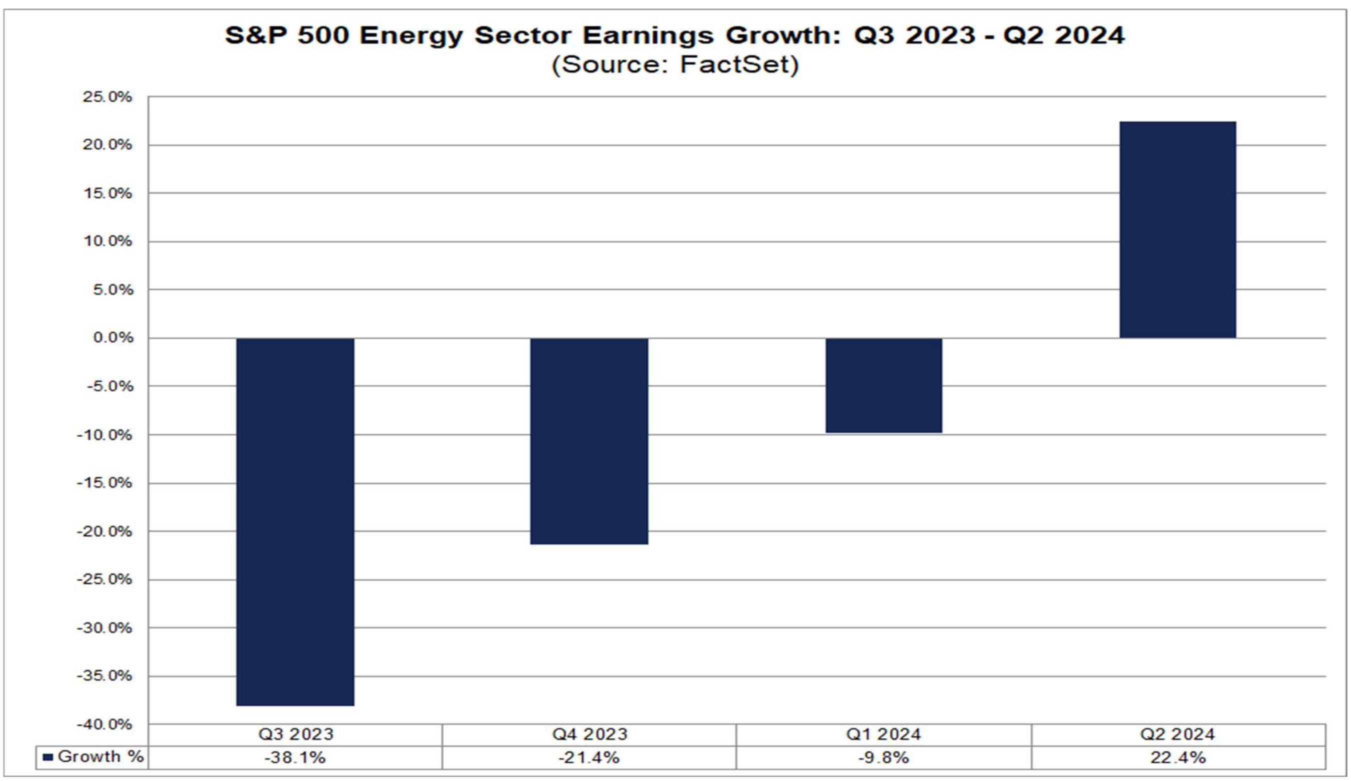
Connor McLean highlighted key themes related to M&A and oil prices. For more commentary from Connor on energy, please go to: https://insight.factset.com/author/connor-mclean

The energy M&A market appears to be accelerating with two mega-deals in as many weeks – first, Exxon's agreement to acquire Pioneer Natural Resources, followed by Chevron's acquisition of Hess. This fits within a broader trend of consolidation in the industry. In the past two years, US E&Ps have taken advantage of strong commodity pricing to repair balance sheets and increase returns to shareholders but have been reluctant to increase drilling activity in the face of investor pressure, inflation, and growing concerns around drilling inventory. Meanwhile, despite sluggish global demand growth, the outlook for oil pricing remains strong supported by continued OPEC production cuts. However, a strong oil market continues to be bearish for US gas pricing near-term as growth in associated gas production outpaces LNG demand additions until 2027.

Matthew Hoza discussed key trends related to renewable energy. For more commentary from Matthew on energy, please go to: https://insight.factset.com/author/matthew-hoza

Wind, solar, and battery storage project economics are facing increased headwinds as costs from strained supply chains and higher interest rates grow. The most recent illustration has been the challenges facing offshore wind projects. The state of New York has denied petitions to renegotiate contracts for four offshore wind projects being developed by Orsted, BP, and Equinor totaling over 4 GW. This comes on the heels of the Swedish utility, Vattenfall, pulling out of its 1.8 GW offshore wind project off the coast of the UK. These delays and cancellations of projects contribute to an improved outlook for natural gas consumption in the power sector. However, regional midstream constraints and robust government support for climate change initiatives will offset upside potential.


S&P 500 Energy Sector: Q3 2023 Sub-Industry Earnings Growth (Y/Y)
(Source: FactSet)
45%
30%
15%
0%
-15%
-30%
-45%
-60%
Oil & Gas Equipment & Services
Oil & Gas Storage & Transportation
Oil & Gas Refining & Marketing
Oil & Gas Exploration & Production
Integrated Oil & Gas
Growth %
32%
11%
-20%
-37%
-51%


S&P 500 Energy Sector Earnings Growth: Q3 2023 - Q2 2024
(Source: FactSet)
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
-25.0%
-30.0%
-35.0%
-40.0%
Q3 2023
Q4 2023
Q1 2024
Q2 2024
Growth %
-38.1%
-21.4%
-9.8%
22.4%

Topic of the Week: 2

S&P 500 Companies With More International Exposure Reporting An Earnings Decline of -5%

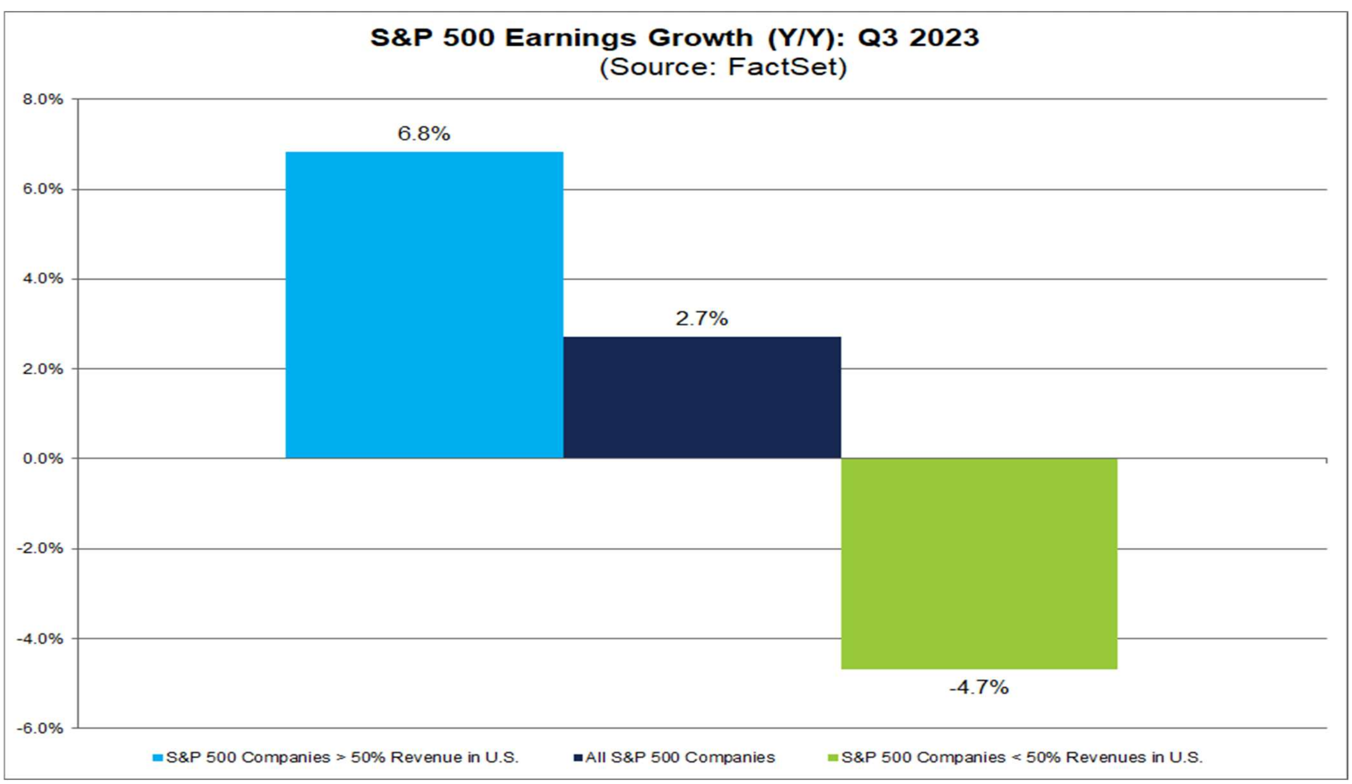
Given the stronger U.S. dollar in recent months, are S&P 500 companies with more international revenue exposure reporting lower (year-over-year) earnings and revenues for Q3 compared to S&P 500 companies with more domestic revenue exposure?

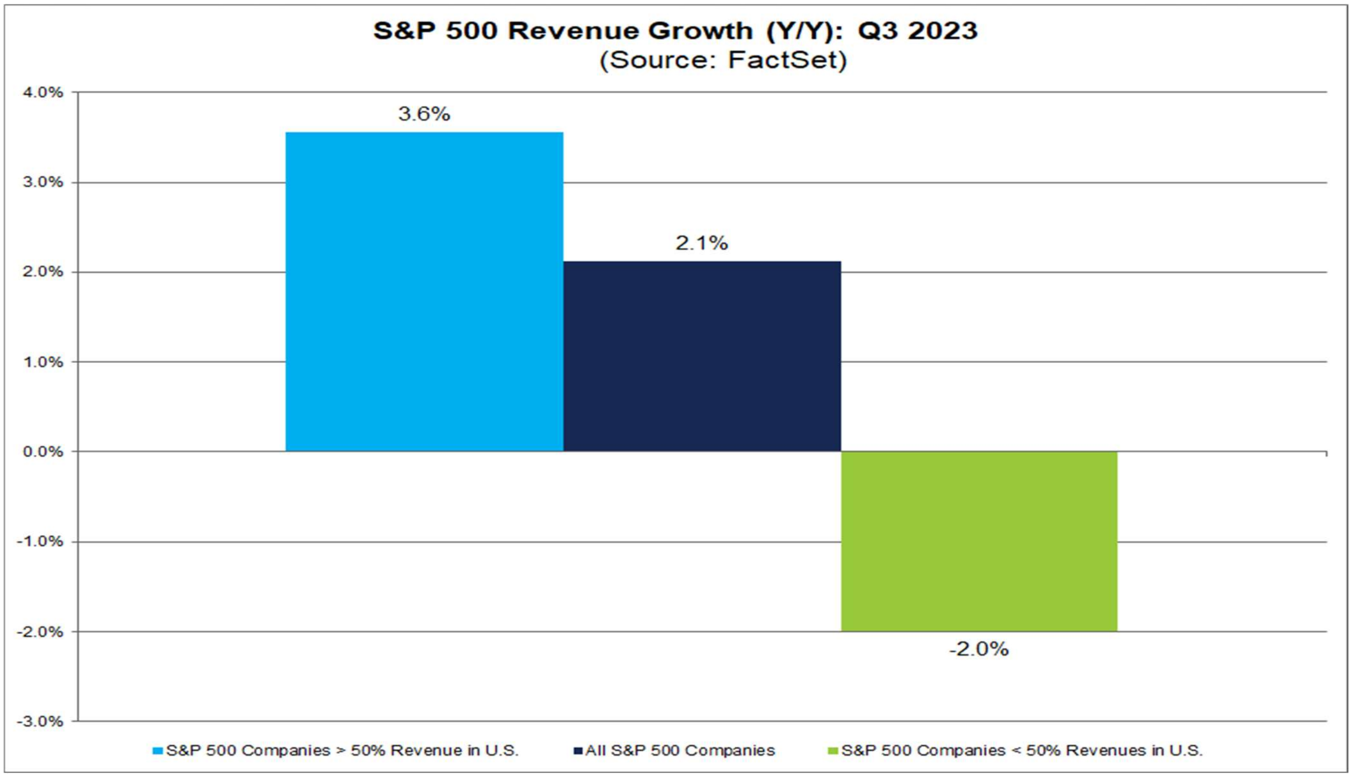
The answer is yes. FactSet Geographic Revenue Exposure data (based on the most recently reported fiscal year data for each company in the index) was used to answer this question. For this analysis, the index was divided into two groups: companies that generate more than 50% of sales inside the U.S. (more domestic exposure) and companies that generate more than 50% of sales outside the U.S. (more international exposure). Aggregate earnings and revenue growth rates were then calculated based on these two groups.

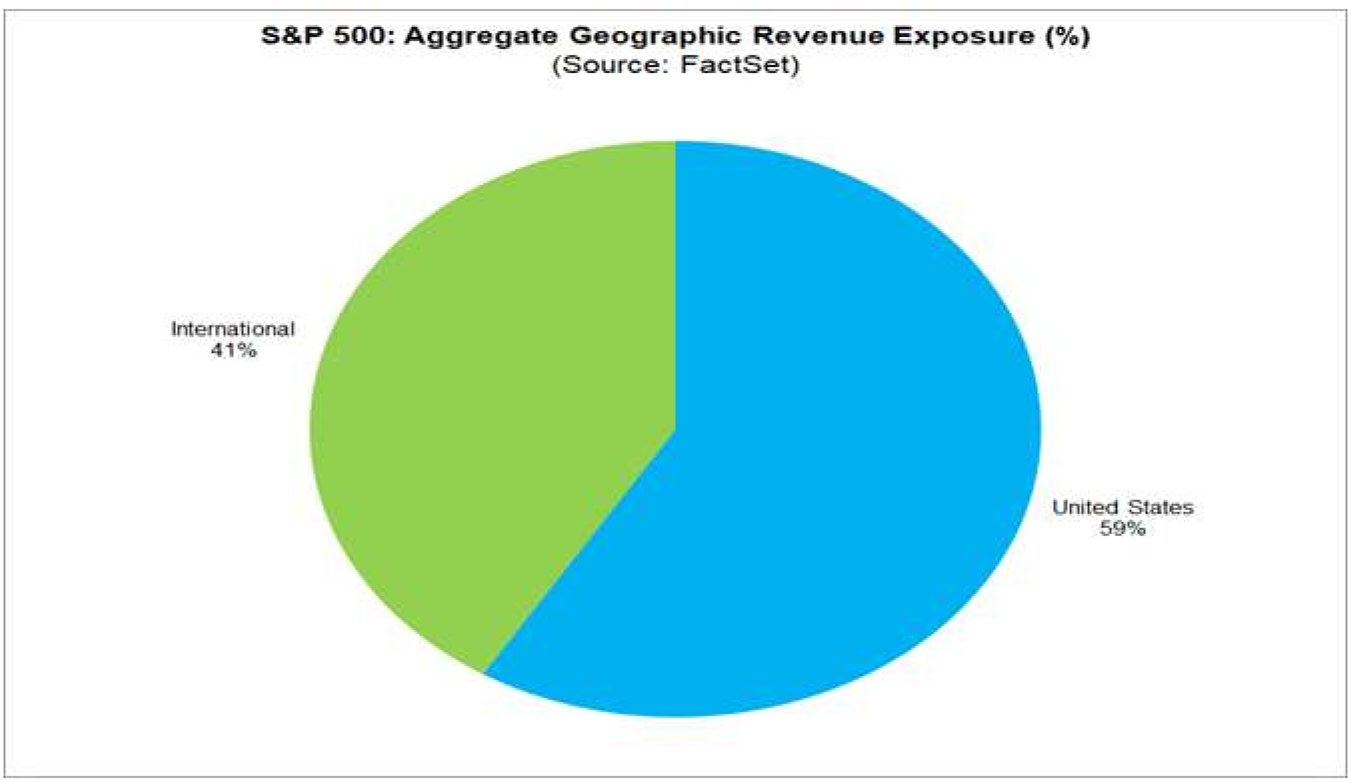
The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the S&P 500 for Q3 2023 is 2.7%. For companies that generate more than 50% of sales inside the U.S., the blended earnings growth rate is 6.8%. For companies that generate more than 50% of sales outside the U.S., the blended earnings decline is -4.7%.

The blended revenue growth rate for the S&P 500 for Q3 2023 is 2.1%. For companies that generate more than 50% of sales inside the U.S., the blended revenue growth rate is 3.6%. For companies that generate more than 50% of sales outside the U.S., the blended revenue decline is -2.0%.

What is driving the underperformance of S&P 500 companies with higher international revenue exposure? At the company level, Chevron, Exxon Mobil, and Pfizer are the largest contributors to the earnings and revenue declines for S&P 500 companies with more international revenue exposure. All three companies have either reported or are projected to report year-over-year declines in EPS of more than 40% and year-over-year declines in revenues of more than 15% for Q3.




S&P 500 Revenue Growth (Y/Y): Q3 2023
(Source: FactSet)
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
-2.0%
-3.0%
3.6%
2.1%
-2.0%
S&P 500 Companies > 50% Revenue in U.S.
All S&P 500 Companies
S&P 500 Companies < 50% Revenues in U.S.


S&P 500: Aggregate Geographic Revenue Exposure (%)
(Source: FactSet)
International
41%
United States
59%

Q3 Earnings Season: By The Numbers

Overview

At the mid-point of the Q3 earnings season for the S&P 500, both the number of positive earnings surprises and the magnitude of these earnings surprises are above their 10-year averages. As a result, the index is reporting higher earnings for the third quarter today relative to the end of last week and relative to the end of the quarter. The S&P 500 is now reporting year-over-year growth in earnings for the first time since Q3 2022.

Overall, 49% of the companies in the S&P 500 have reported actual results for Q3 2023 to date. Of these companies, 78% have reported actual EPS above estimates, which is above the 5-year average of 77% and above the 10-year average of 74%. In aggregate, companies are reporting earnings that are 7.7% above estimates, which is below the 5-year average of 8.5% but above the 10-year average of 6.6%. 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.

During the past week, positive earnings surprises reported by companies in multiple sectors (led by the Consumer Discretionary, Information Technology, and Communication Services sectors) were responsible for the increase in overall earnings for the index over this period. Since September 30, positive earnings surprises reported by companies in the Financials, Information Technology, Consumer Discretionary, and Communication Services sectors, partially offset by downward revisions to EPS estimates for two companies in the Health Care sector, have been the largest contributors to the increase in the earnings for the index during this period.

As a result, the index is reporting 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 for the third quarter is 2.7% today, compared to an earnings decline of -0.4% last week and an earnings decline of -0.3% at the end of the third quarter (September 30).

If 2.7% is the actual growth rate for the quarter, it will mark the first quarter of year-over-year earnings growth reported by the index since Q3 2022.

Eight of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services, Consumer Discretionary, and Financials sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings: Energy, Materials, and Health Care.

In terms of revenues, 62% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 68% and below the 10-year average of 64%. In aggregate, companies are reporting revenues that are 0.8% above the estimates, which is below the 5-year average of 2.0% and below the 10-year average of 1.3%. 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, positive revenue surprises reported by companies in multiple sectors were responsible for the increase in overall revenues for the index over this period. Since September 30, upward revisions and positive revenue surprises for companies in the Energy sector have been the largest contributor to the increase in the overall revenue growth rate for the index during this period.

As a result, the blended revenue growth rate for the third quarter is 2.1% today, compared to a revenue growth rate of 1.8% last week and a revenue growth rate of 1.6% at the end of the third quarter (September 30).

If 2.1% is the actual revenue growth rate for the quarter, it will mark the 11th consecutive quarter of revenue growth for the index.

Nine sectors are reporting year-over-year growth in revenues, led by the Consumer Discretionary and Communication Services sectors. On the other hand, two sectors are reporting a year-over-year decline in revenues: Energy and Materials.

Looking ahead, analysts expect (year-over-year) earnings growth of 5.3% for Q4 2023, which is below the estimate of 8.1% on September 30. For CY 2023, analysts predict (year-over-year) earnings growth of 0.9%, which is equal to the estimate of 0.9% on September 30. For CY 2024, analysts are calling for (year-over-year) earnings growth of 11.9%, which is below the estimate of 12.2% on September 30.

The forward 12-month P/E ratio is 17.1, which is below the 5-year average (18.7) and below the 10-year average (17.5). It is also below the forward P/E ratio of 17.8 recorded at the end of the third quarter (September 30).

During the upcoming week, 162 S&P 500 companies (including 4 Dow 30 components) are scheduled to report results for the third quarter.

Scorecard: Number of Positive EPS Surprises Are Above 5-Year and 10-Year Averages

Percentage of Companies Beating EPS Estimates (78%) is Above 5-Year Average

Overall, 49% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 78% have reported actual EPS above the mean EPS estimate, 6% have reported actual EPS equal to the mean EPS estimate, and 16% 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 (74%), above the 5-year average (77%), and above the 10-year average (74%). 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 Information Technology (95%) and Communication Services (91%) sectors have the highest percentages of companies reporting earnings above estimates, while the Energy (60%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+7.7%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 7.7% above expectations. This surprise percentage is above the 1-year average (+4.4%), below the 5-year average (+8.5%), and above the 10-year average (6.6%). 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.

The Consumer Discretionary (+20.8%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Amazon.com ($0.94 vs. $0.59), Domino's Pizza ($4.18 vs. $3.31), NIKE ($0.94 vs. $0.76), Whirlpool ($5.45 vs. $4.45), and General Motors ($2.28 vs. $1.87) have reported the largest positive EPS surprises.

The Information Technology (+11.7%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Intel ($0.41 vs. $0.22), ServiceNow ($2.92 vs. $2.56), Microsoft ($2.99 vs. $2.65), and Lam Research ($6.85 vs. $6.15) have reported the largest positive EPS surprises.

The Financials (+8.8%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Cincinnati Financial ($1.66 vs. $1.15), Capital One Financial ($4.45 vs. $3.24), Citigroup ($1.63 vs. $1.23), and BlackRock ($10.91 vs. $8.34) have reported the largest positive EPS surprises.

The Communication Services (+8.7%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Meta Platforms ($4.32 vs. $3.64) and Comcast ($1.08 vs. $0.95) have reported the largest positive EPS surprises.

On the other hand, the Energy (-5.6%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Chevron ($3.05 vs. $3.70) and Exxon Mobil ($2.27 vs. $2.37) have reported the largest negative EPS surprises.

Market Punishing Positive EPS Surprises On Average

To date, the market is punishing positive earnings surprises reported by S&P 500 companies on average.

Companies that have reported positive earnings surprises for Q3 2023 have seen an average price decrease of -1.0% 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 increase of +0.9% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q3 2023 have seen an average price decrease of -5.2% two days before the earnings release through two days after the earnings. This percentage decrease is much larger than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (62%) is Below 5-Year Average

In terms of revenues, 62% of companies have reported actual revenues above estimated revenues and 38% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (69%), below the 5-year average (68%), and below the 10-year average (64%). 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 Financials (77%), Communication Services (73%), and Health Care (70%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (33%) and Energy (44%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+0.8%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 0.8% above expectations. This surprise percentage is below the 1-year average (+2.1%), below the 5-year average (+2.0%), and below the 10-year average (+1.3%). 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 Information Technology (+1.8%), Health Care (+1.7%), and Real Estate (+1.6%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-2.1%) 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 2.7%, which is well above the earnings decline of -0.4% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Consumer Discretionary, Information Technology, and Communication Services sectors) were responsible for the increase in overall earnings for the index over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com ($0.94 vs. $0.57) and General Motors ($2.28 vs. $1.87) were significant contributors to the increase in earnings for the index during the week. As a result, the blended earnings growth rate for the Consumer Discretionary sector improved to 33.4% from 21.5% over this period.

In the Information Technology sector, the positive EPS surprises reported by Microsoft ($2.69 vs. $2.55) and Intel ($0.41 vs. $0.22) were substantial contributors to the increase in earnings for the index during the week. As a result, the blended earnings growth rate for the Information Technology sector improved to 9.0% from 4.9% over this period.

In the Communication Services sector, the positive EPS surprises reported by Meta Platforms ($4.39 vs. $3.64), Alphabet ($1.55 vs. $1.46) and Comcast ($1.08 vs. $0.95) were significant contributors to the increase in earnings for the index during the week. As a result, the blended earnings growth rate for the Communication Services sector increased to 42.2% from 32.2% over this period.

Increase in Blended Revenues This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the third quarter is 2.1%, which is above the revenue growth rate of 1.8% last week. Positive revenue surprises reported by companies in multiple sectors were responsible for the increase in overall revenues during the past week.

Financials Sector Has Seen Largest Increase in Earnings since September 30

The blended (year-over-year) earnings growth for Q3 2023 of 2.7% is larger than the estimate of -0.3% 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 Consumer Discretionary (to 33.4% from 22.2%), Communication Services (to 42.2% from 32.0%), and Financials (to 16.5% from 8.9%) sectors. The Financials, Information Technology, Consumer Discretionary, and Communication Services sectors have been the largest contributors to the increase in earnings 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: Health Care (to -17.7% from -12.0%) and Utilities (to 8.4% from 12.4%). The Health Care sector has also been the largest detractor to the increase in earnings for the index since September 30.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase ($4.33 vs. $3.95), Wells Fargo ($1.48 vs. $1.24), Citigroup ($0.91 vs. $0.81), and Bank of America ($0.90 vs. $0.83) have been significant contributors to the increase in earnings for the index since September 30. As a result, the blended earnings growth rate for the Financials sector has increased to 16.5% from 8.9% over this period.

In the Information Technology sector, the positive EPS surprises reported by Microsoft ($2.69 vs. $2.55) and Intel ($0.41 vs. $0.22) have been substantial contributors to the increase in earnings for the index since September 30. As a result, the blended earnings growth rate for the Information Technology sector improved to 9.0% from 4.5% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com ($0.94 vs. $0.57) and General Motors ($2.28 vs. $1.87) have been significant contributors to the increase in earnings for the index since September 30. As a result, the blended earnings growth rate for the Consumer Discretionary sector improved to 33.4% from 22.2% over this period.

In the Communication Services sector, the positive EPS surprises reported by Meta Platforms ($4.39 vs. $3.64), Alphabet ($1.55 vs. $1.46) and Comcast ($1.08 vs. $0.95) have been substantial contributors to the increase in earnings for the index since September 30. As a result, the blended earnings growth rate for the Communication Services sector has increased to 42.2% from 32.0% over this period.

In the Health Care sector, downward revisions to EPS estimates for Pfizer and Eli Lilly have been the largest detractors to the increase in earnings for the index since September 30. Pfizer issued (non-GAAP) EPS guidance for FY 2023 on October 13 that was below the previous (non-GAAP) EPS for FY 2023 issued on August 1. As a result, the mean EPS estimate for Pfizer for Q3 has fallen to -$0.08 today from $0.58 on September 30. During the week of October 16, the majority of analysts covering Eli Lilly revised (non-GAAP) EPS estimates lower due to increased IPR&D charges. As a result, the mean EPS estimate for Eli Lilly for Q3 has fallen to -$0.20 today from $2.90 on September 30. Mainly due to the decrease in the mean EPS estimates for Eli Lilly and Pfizer, the blended earnings decline for the Health Care sector has also increased to -17.7% today from -12.0% over this period.

Energy Sector Has Seen Largest Increase in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2023 of 2.1% is above the estimate of 1.6% at the end of the third quarter (September 30). Eight 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 -16.1% from -18.9%) sector. This sector has also been the largest contributor to the increase in revenues for the index since the end of the quarter. On the other hand, two 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: Utilities (to 4.2% from 5.2%) and Consumer Staples (3.3% from 3.8%). The Consumer Discretionary sector has the same revenue growth rate today (7.2%) compared to September 30.

In the Energy sector, Chevron and Exxon Mobil have been the largest contributors to the increase in revenues for the index since September 30, mainly due to upward revisions to revenues estimates for both companies and the positive revenue surprise reported by Chevron ($54.08 billion vs. $51.41 billion). As a result, the blended revenue decline for the Energy sector has decreased to -16.1% from -18.9% over this period.

Earnings Growth: 2.7%

The blended (year-over-year) earnings growth rate for Q3 2023 is 2.7%, which is below the 5-year average earnings growth rate of 10.6% and below the 10-year average earnings growth rate of 8.4%. If 2.7% is the actual growth rate for the quarter, it will mark the first quarter of year-over-year earnings growth reported by the index since Q3 2022.

Eight of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services, Consumer Discretionary, and Financials sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings: Energy, Materials, and Health Care sector.

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

The Communication Services sector is reporting the largest (year-over-year) earnings growth rate of all eleven sectors at 42.2%. At the industry level, 4 of the 5 industries are reporting a year-over-year increase in earnings. Three of these four industries in the sector are reporting a year-over-year increase in earnings of 60% or more: Wireless Telecommunication Services (327%), Entertainment (190%), and Interactive Media & Services (68%). On the other hand, the Diversified Telecommunication Services (-7%) is the only industry reporting a year-over-year decline in earnings.

At the company level, Meta Platforms ($4.39 vs. $1.64) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for Communication Services sector would fall to 28.5% from 42.2%.

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

The Consumer Discretionary sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 33.4%. At the industry level, 3 of the 9 industries in the sector are reporting a year-over-year increase in earnings of 15% or more: Broadline Retail (320%), Hotels, Restaurants, & Leisure (94%), and Leisure Products (16%). On the other hand, six industries are reporting (or are expected to report) a year-over-year decline in earnings. Two of these six industries are reporting a decrease in earnings of more than 10%: Automobiles (-13%) and Household Durables (-12%).

At the industry level, the Broadline Retail and Hotels, Restaurants, & Leisure industries are the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would be reporting a (year-over-year) decline in earnings of -8.7% instead of year-over-year earnings growth if 33.4%.

At the company level, Amazon.com ($0.94 vs. $0.28) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the sector would fall to 15.0% from 33.4%

Financials: Insurance Industry is Largest Contributor to Year-Over-Year Growth

The Financials sector is reporting the third-largest (year-over-year) earnings growth rate of all eleven sectors at 16.5%. At the industry level, 4 of the 5 industries are reporting a year-over-year increase in earnings. Three of these four industries in the sector are reporting a year-over-year increase in earnings of 15% or more: Insurance (74%), Financial Services (17%), and Banks (16%). On the other hand, the Capital Markets (-6%) industry is the only industry reporting a (year-over-year) decline in earnings.

At the industry level, the Insurance industry is the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Financials sector would fall to 9.8% from 16.5%.

At the company level, JPMorgan Chase ($4.33 vs. $3.12) and Wells Fargo ($1.48 vs. $0.85) are the largest contributors to earnings growth for the sector. If these two companies were excluded, the blended earnings growth rate for the sector would fall to 10.9% from 16.5%

Energy: Largest Detractor to Year-Over-Year Earnings Growth for S&P 500

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -38.1%. Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector. Despite the rise in price during September, the average price of oil in Q3 2023 ($82.22) was still 10% below the average price for oil in Q3 2022 ($91.43). At the sub-industry level, three of the five sub-industries in the sector are reporting a year-over-year decrease in earnings of more than 15%: Integrated Oil & Gas (-51%), Oil & Gas Exploration & Production (-37%), and Oil & Gas Refining & Marketing (-20%). On the other hand, the other two sub-industries are reporting year-over-year earnings growth or more than 10%: Oil & Gas Equipment & Services (32%) and Oil & Gas Storage & Transportation (11%).

The Energy sector is also the largest detractor to overall earnings growth for the S&P 500. If this sector were excluded, the blended earnings growth rate for S&P 500 would improve to 8.4% from 2.7%.

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline of More Than 20%

The Materials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -20.7%. At the industry level, three of the four industries in this sector are reporting a year-over-year decline in earnings of 20% or more: Containers & Packaging (-28%), Metals & Mining (-22%), and Chemicals (-21%). On the other hand, the Construction Materials (28%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Health Care: Pharmaceutical Industry Is Largest Contributor to Year-Over-Year Decline

The Health Care sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -17.7%. At the industry level, three of the five industries in this sector are reporting a year-over-year decline in earnings: Pharmaceuticals (-42%), Biotechnology (-20%), and Life Sciences, Tools, & Services (-2%) industries. On the other hand, two industries are reporting year-over-year earnings growth: Health Care Providers & Services (8%) and Health Care Equipment & Supplies (6%).

At the industry level, the Pharmaceutical industry is the largest contributor to the earnings decline for the sector. If this industry were excluded, the blended earnings decline for the Health Care sector would improve to -2.7% from -17.7%.

Revenue Growth: 2.1%

The blended (year-over-year) revenue growth rate for Q3 2023 is 2.1%, which is below the 5-year average revenue growth rate of 7.2% and below the 10-year average revenue growth rate of 5.0%. If 2.1% is the actual revenue growth rate for the quarter, it will mark the 11th consecutive quarter of revenue growth for the index.

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

Consumer Discretionary: 7 of 9 Industries Reporting Year-Over-Year Growth

The Consumer Discretionary sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 7.2%. At the industry level, 7 of the 9 industries in the sector are reporting (or are expected to report) a year-over-year increase in revenues. Two of these seven industries are reporting revenue growth at or above 10%: Hotels, Restaurants, & Leisure (21%) and Broadline Retail (12%).

Real Estate: All 8 Industries Reporting Year-Over-Year Growth

The Real Estate sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 7.1%. At the industry level, all 8 industries in the sector are reporting (or are expected to report) a year-over-year increase in revenues. One of these 8 industries is reporting revenue growth at or above 10%: Industrial REITs (54%).

Communication Services: 3 of 5 Industries Reporting Year-Over-Year Growth

The Communication Services sector is reporting the third-largest (year-over-year) revenue growth rate of all eleven sectors at 6.7%. At the industry level, 3 of the 5 industries in the sector are reporting a year-over-year increase in revenues. One of these 3 industries is reporting revenue growth at or above 10%: Interactive Media & Services (13%).

Energy: 4 of 5 Sub-Industries Reporting Year-Over-Year Decline of More Than 10%

The Energy sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -16.1%. Lower year-over-year oil prices are contributing to the year-over-year decrease in revenues for this sector. Despite the rise in price during September, the average price of oil in Q3 2023 ($82.22) was still 10% below the average price for oil in Q3 2022 ($91.43). At the sub-industry level, four of the five sub-industries in the sector are reporting a year-over-year decrease in revenues of more than 10%: Oil & Gas Exploration & Production (-23%), Integrated Oil & Gas (-19%), Oil & Gas Storage & Transportation (-16%), and Oil & Gas Refining & Marketing (-13%). On the other hand, the Oil & Gas Equipment & Services (14%) sub-industry is the only sub-industry reporting (year-over-year) revenue growth in the sector.

Materials: Chemicals Industry Leads Year-Over-Year Decline

The Materials sector is reporting the second-highest (year-over-year) decline in revenues at -9.7%. At the industry level, three of the four industries in the sector are reporting a year-over-year decrease in revenues: Chemicals (-11%), Metals & Mining (-9%), and Containers & Packaging (-8%). On the other hand, the Construction Materials (11%) industry is the only industry reporting a year-over-year growth in revenues.

Net Profit Margin: 12.0%

The blended net profit margin for the S&P 500 for Q3 2023 is 12.0%, which is above the previous quarter's net profit margin of 11.6%, above the 5-year average of 11.4%, and above the year-ago net profit margin of 11.9%.

At the sector level, seven sectors are reporting a year-over-year increase in their net profit margins in Q3 2023 compared to Q3 2022, led by the Communication Services (13.1% vs. 9.8%) sector. On the other hand, four sectors are reporting a year-over-year decrease in their net profit margins in Q3 2023 compared to Q3 2022, led by the Energy (10.6% vs. 14.4%) sector.

Eight sectors are reporting net profit margins in Q3 2023 that are above their 5-year averages, led by the Consumer Discretionary (9.0% vs. 6.4%) and Energy (10.6% vs. 8.4%) sectors. On the other hand, three sectors are reporting net profit margins in Q3 2023 that are below their 5-year averages, led by the Health Care (8.2% vs. 10.3%) sector.

Forward Estimates and Valuation

Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q4 Above 5-Year Average

At this point in time, 42 companies in the index have issued EPS guidance for Q4 2023. Of these 42 companies, 28 have issued negative EPS guidance and 14 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q4 2023 is 67% (28 out of 42), which is above the 5-year average of 59% and above the 10-year average of 64%.

At this point in time, 272 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 272 companies, 111 have issued negative EPS guidance and 161 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 41% (111 out of 272).

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 1% for CY 2023

For the third quarter, S&P 500 companies are reporting a year-over-year growth in earnings of 2.7% and year-over-year growth in revenues of 2.1%.

For Q4 2023, analysts are projecting earnings growth of 5.3% and revenue growth of 3.8%.

For CY 2023, analysts are projecting earnings growth of 0.9% and revenue growth of 2.4%.

For Q1 2024, analysts are projecting earnings growth of 7.6% and revenue growth of 4.5%.

For Q2 2024, analysts are projecting earnings growth of 11.2% and revenue growth of 5.3%.

For CY 2024, analysts are projecting earnings growth of 11.9% and revenue growth of 5.5%.

Valuation: Forward P/E Ratio is 17.1, Below the 10-Year Average (17.5)

The forward 12-month P/E ratio for the S&P 500 is 17.1. This P/E ratio is below the 5-year average of 18.7 and below the 10-year average of 17.5. It is also below the forward 12-month P/E ratio of 17.8 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 decreased by 3.5%, while the forward 12-month EPS estimate has increased by 0.4%. At the sector level, the Information Technology (23.5) and Consumer Discretionary (21.7) sectors have the highest forward 12-month P/E ratios, while the Energy (10.8) and Financials (12.6) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 20.6, which is below the 5-year average of 22.4 but below the 10-year average of 20.8.

Targets & Ratings: Analysts Project 23% Increase in Price Over Next 12 Months

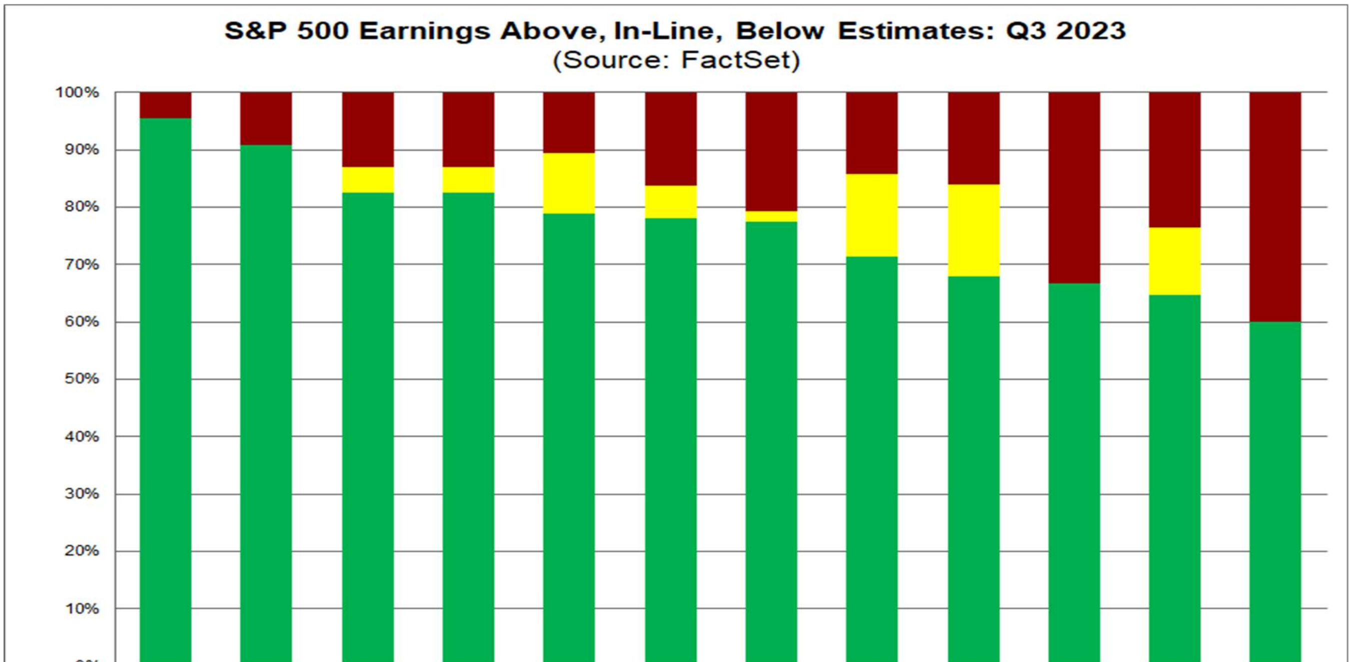
The bottom-up target price for the S&P 500 is 5081.97, which is 22.8% above the closing price of 4137.23. At the sector level, the Consumer Discretionary (+31.4%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Utilities (+12.9%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 11,270 ratings on stocks in the S&P 500. Of these 11,270 ratings, 54.9% are Buy ratings, 39.7% are Hold ratings, and 5.4% are Sell ratings. At the sector level, the Energy (62%) and Communication Service (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (47%) sector has the lowest percentage of Buy ratings.

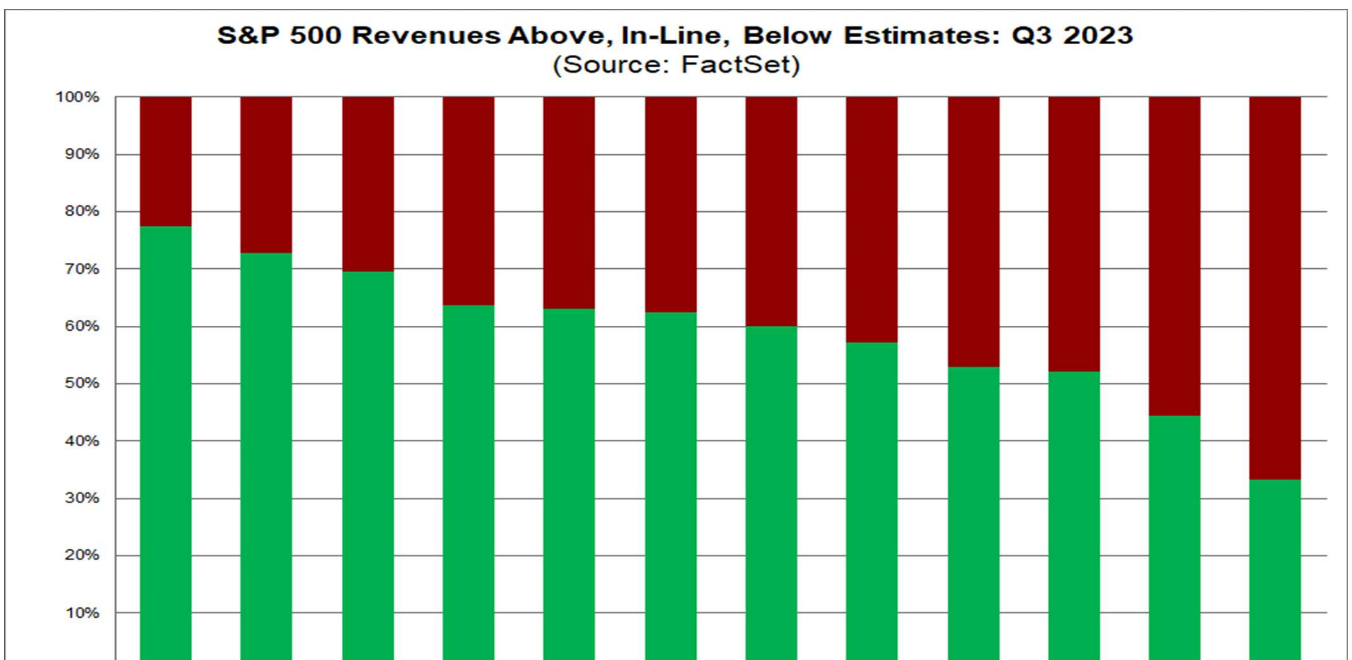
Companies Reporting Next Week: 162

During the upcoming week, 162 S&P 500 companies (including 4 Dow 30 components) are scheduled to report results for the third quarter.

Q3 2023: Scorecard

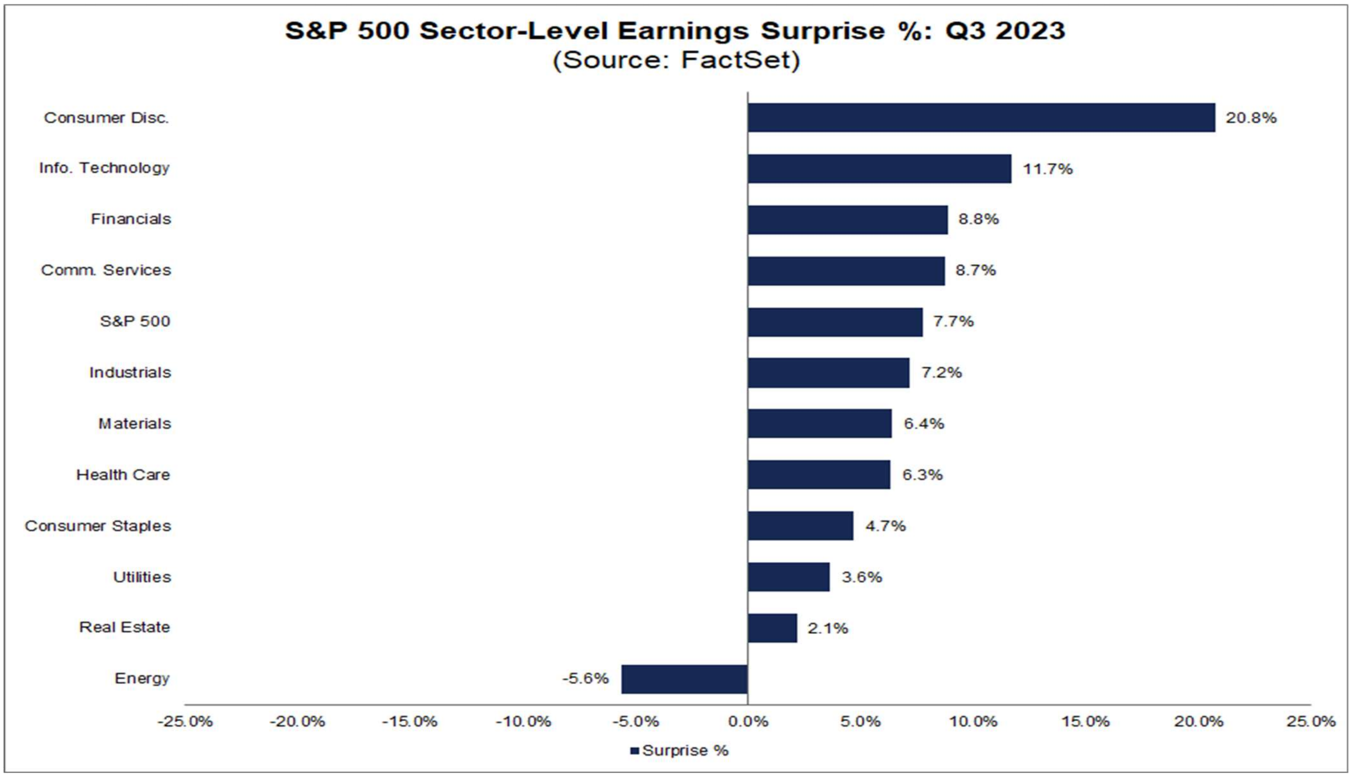


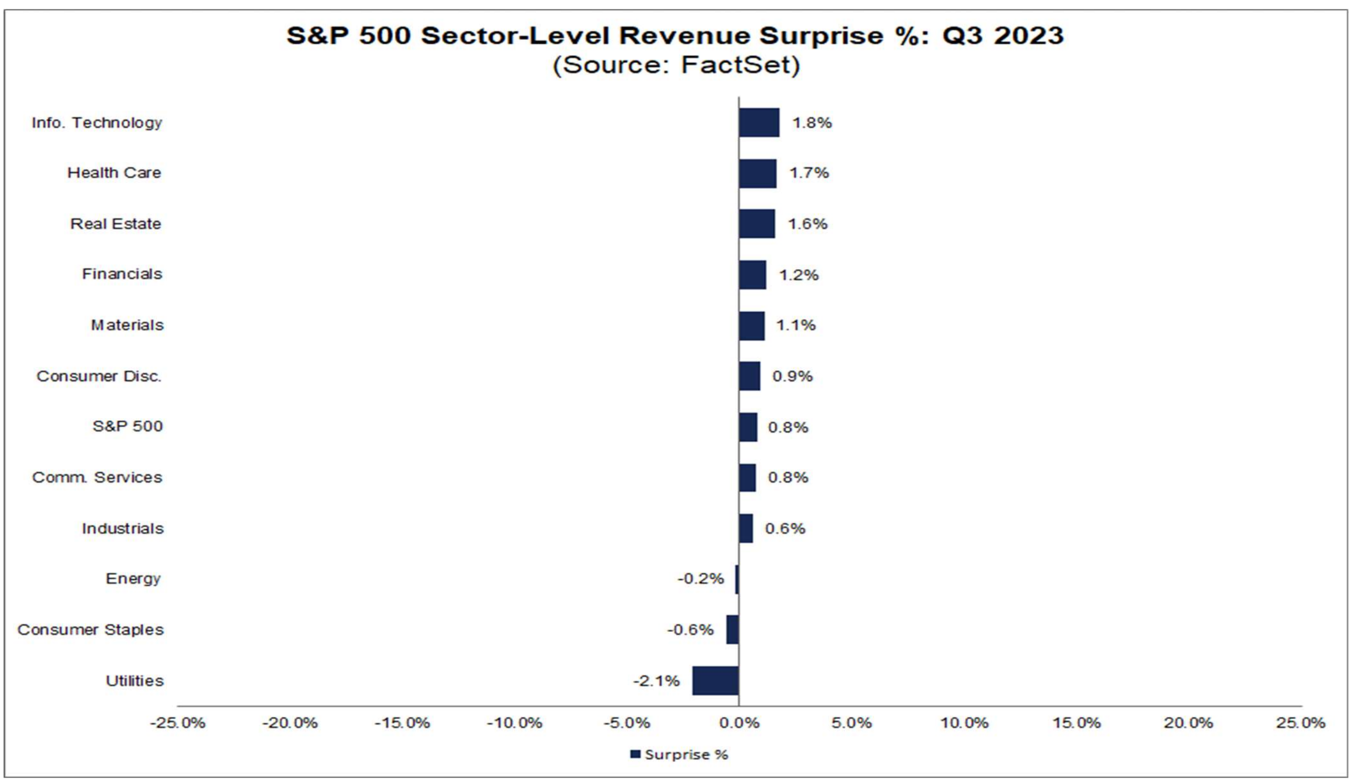
	Info. Technology	Comm. Services	Health Care	Industrials	Consumer Staples	S&P 500	Financials	Materials	Consumer Disc.	Utilities	Real Estate	Energy
Below	5%	9%	13%	13%	11%	16%	21%	14%	16%	33%	24%	40%
In-Line	0%	0%	4%	4%	11%	6%	2%	14%	16%	0%	12%	0%
Above	95%	91%	83%	83%	79%	78%	77%	71%	68%	67%	65%	60%



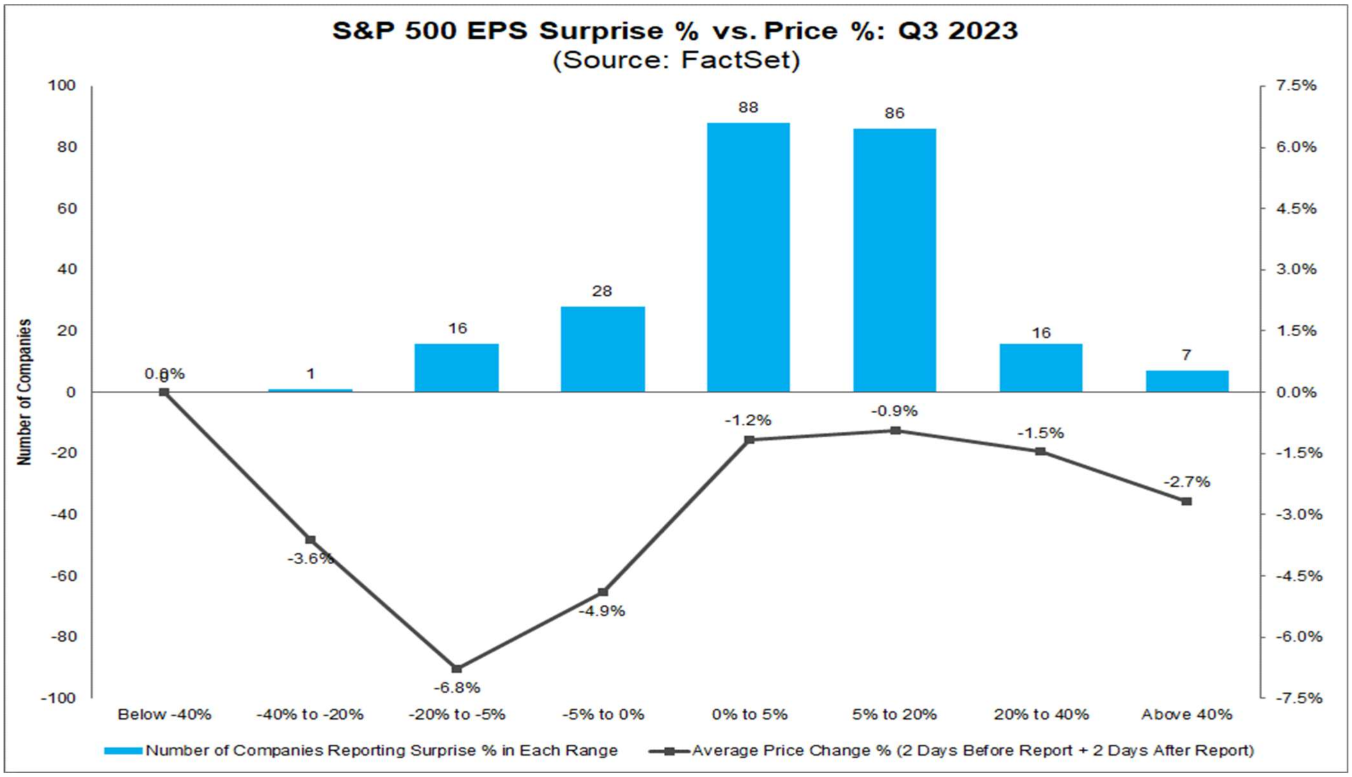
	Financials	Comm. Services	Health Care	Info. Technology	Consumer Staples	S&P 500	Consumer Disc.	Materials	Real Estate	Industrials	Energy	Utilities
Below	23%	27%	30%	36%	37%	38%	40%	43%	47%	48%	56%	67%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	77%	73%	70%	64%	63%	62%	60%	57%	53%	52%	44%	33%

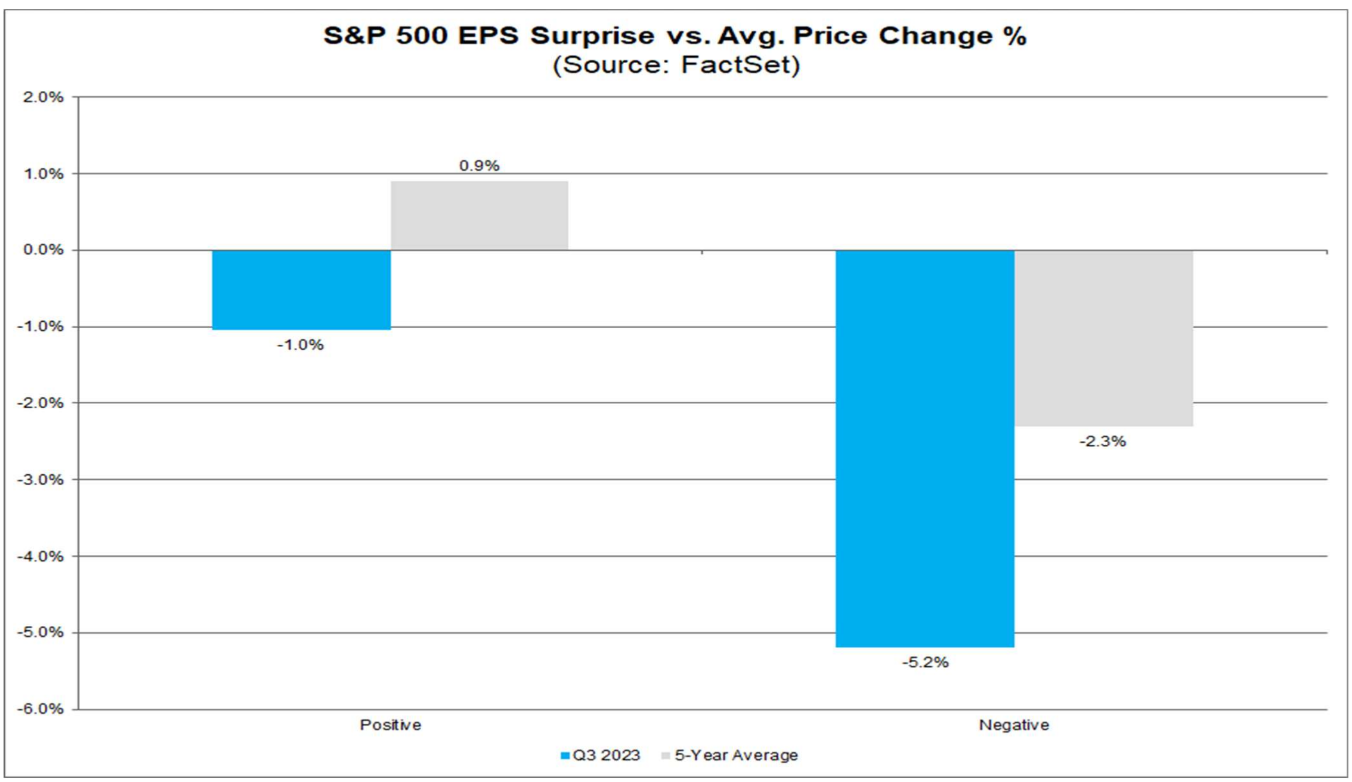
Q3 2023: Scorecard



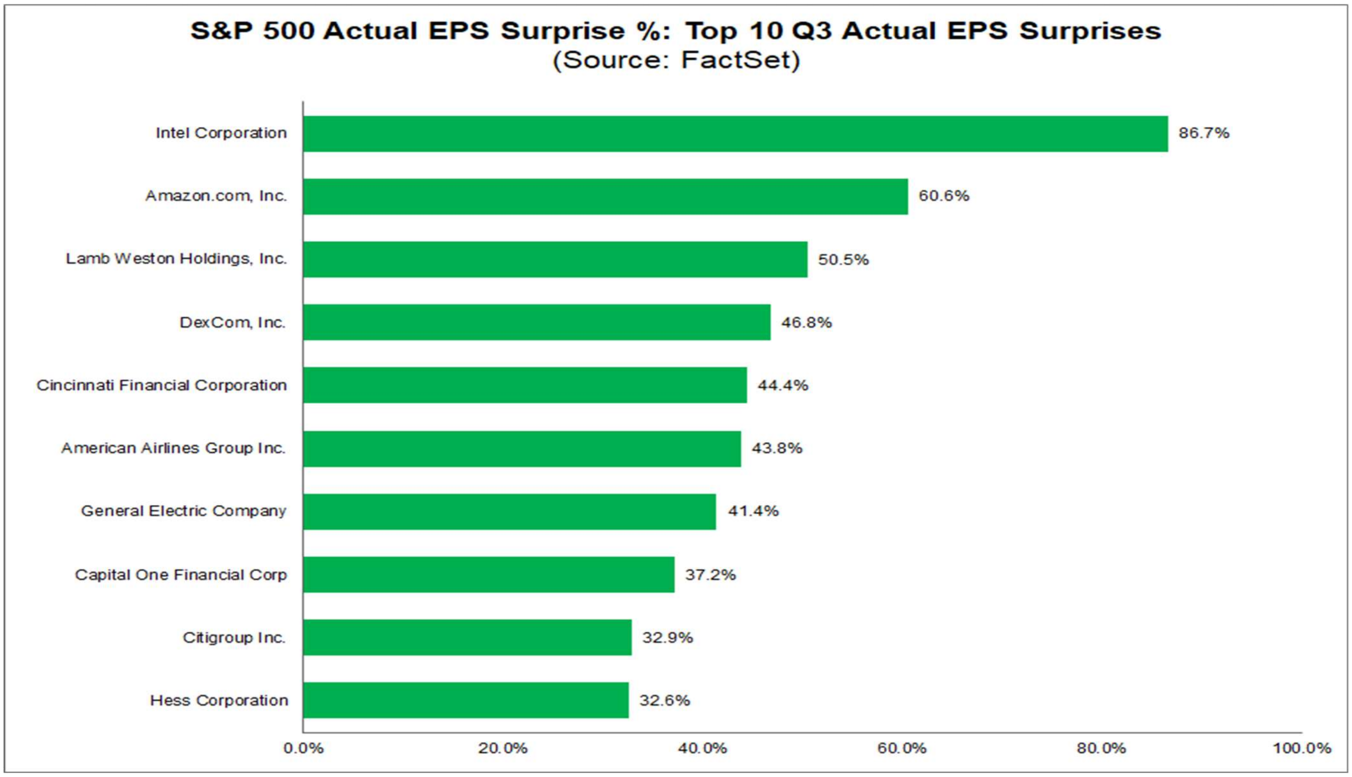


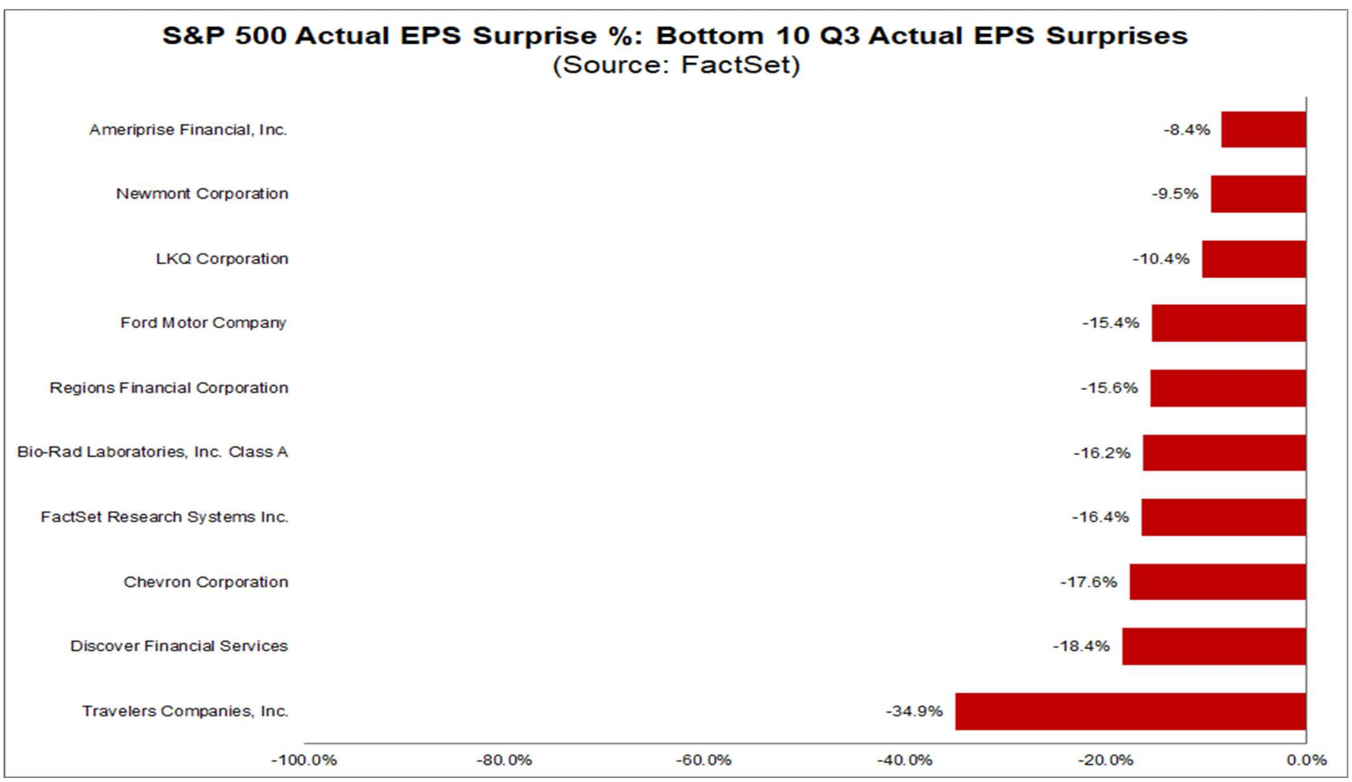
Q3 2023: Scorecard



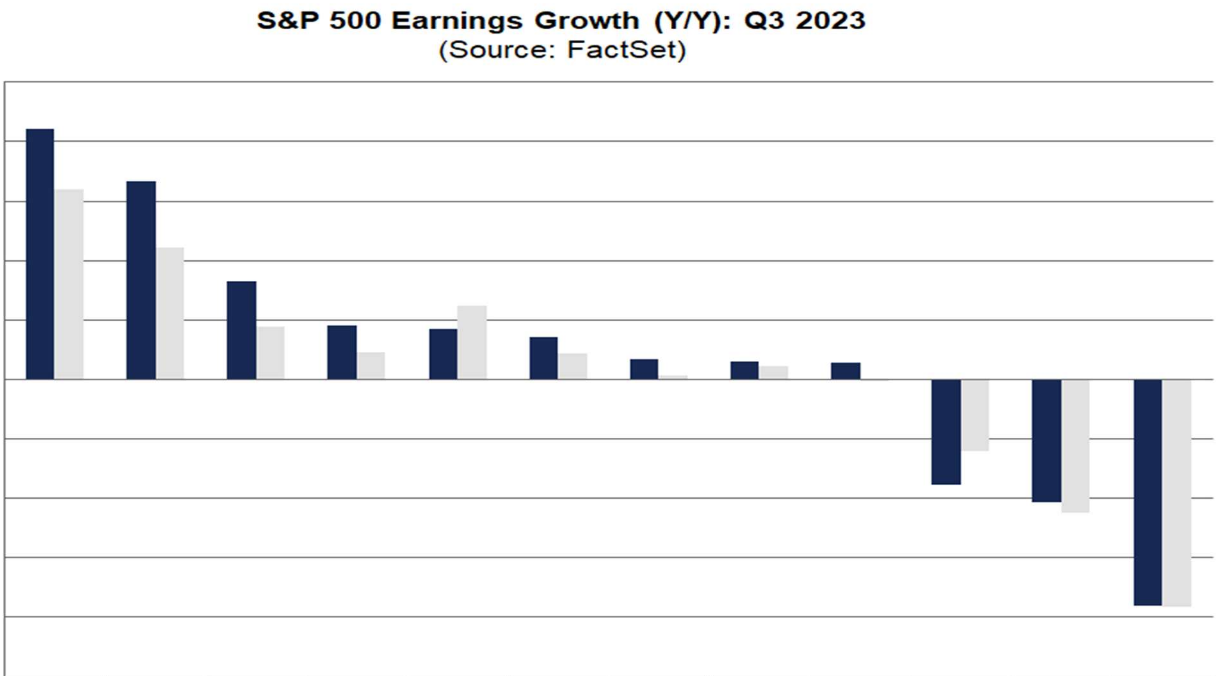


Q3 2023: Scorecard

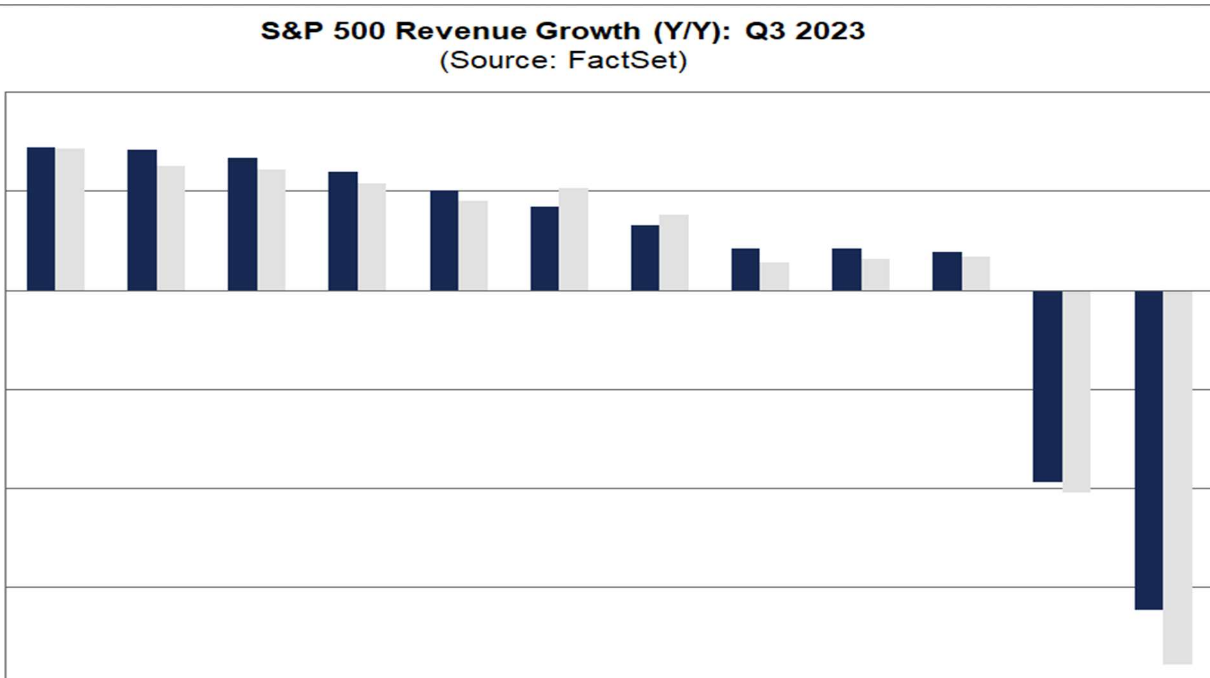




Q3 2023: Growth

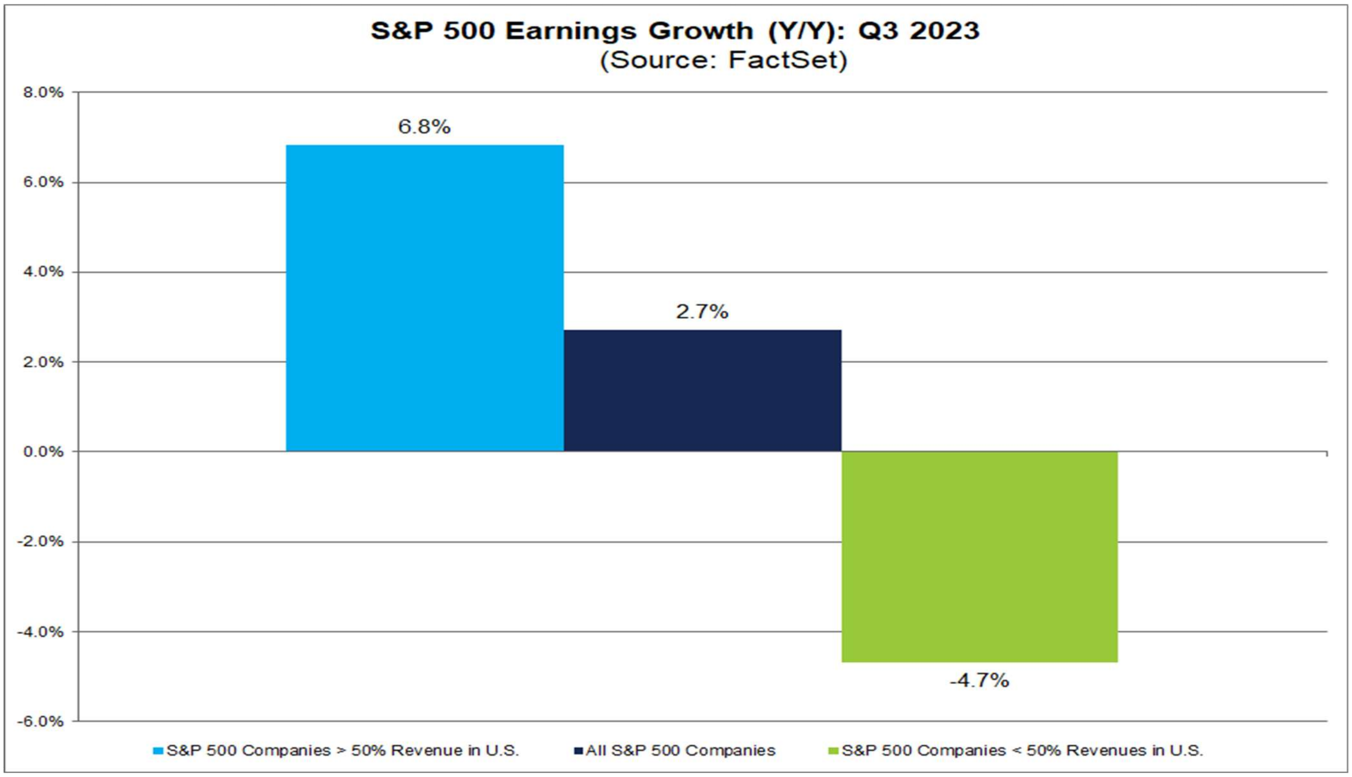


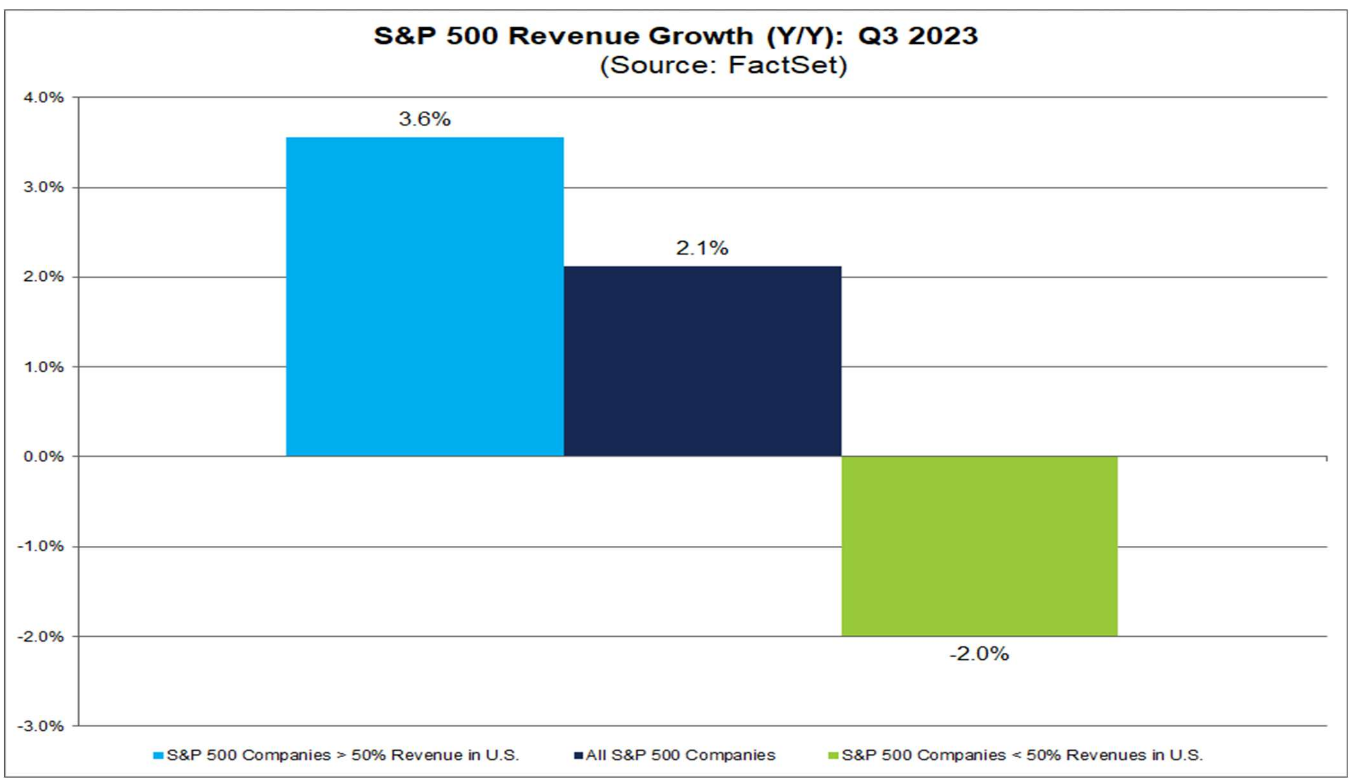
	Comm. Services	Consumer Disc.	Financials	Info. Technology	Utilities	Industrials	Consumer Staples	Real Estate	S&P 500	Health Care	Materials	Energy
Today	42.2%	33.4%	16.5%	9.0%	8.4%	7.2%	3.3%	3.1%	2.7%	-17.7%	-20.7%	-38.1%
30-Sep	32.0%	22.2%	8.9%	4.5%	12.4%	4.3%	0.7%	2.2%	-0.3%	-12.0%	-22.4%	-38.2%



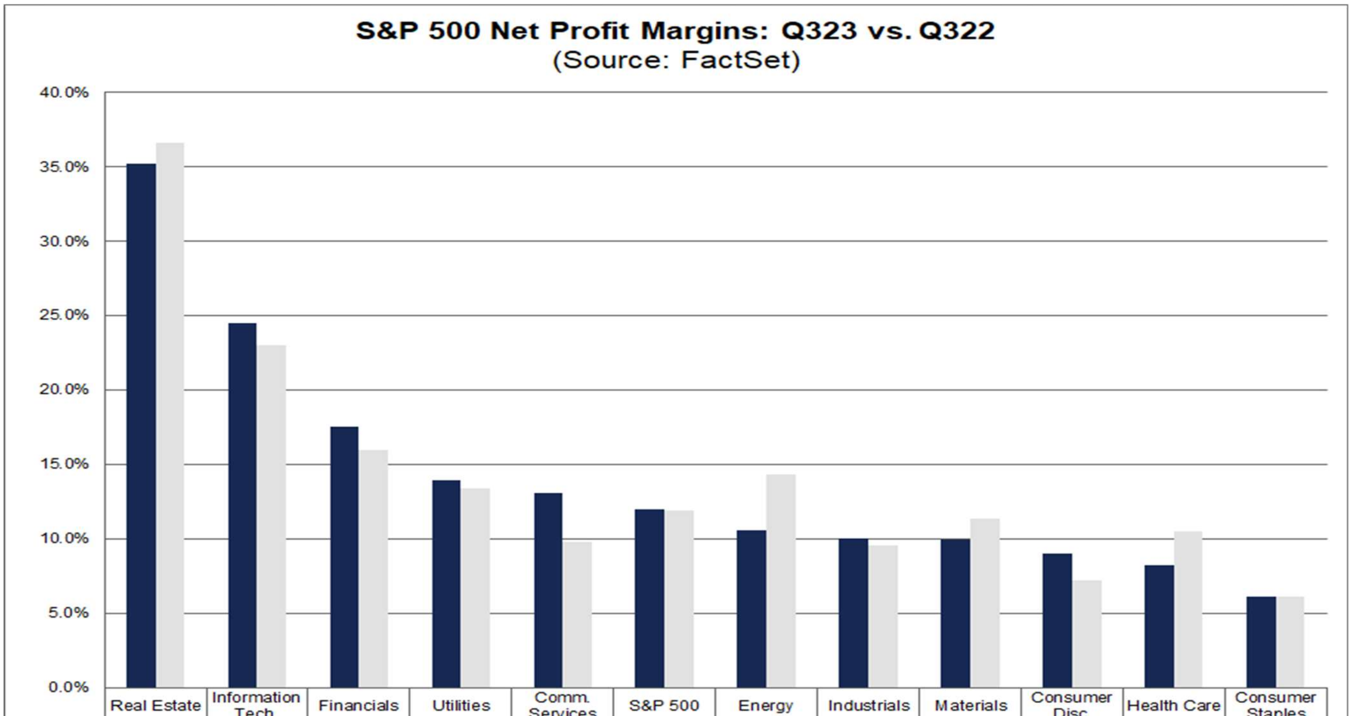
	Consumer Disc.	Real Estate	Comm. Services	Financials	Health Care	Utilities	Consumer Staples	Info. Technology	S&P 500	Industrials	Materials	Energy
Today	7.2%	7.1%	6.7%	6.0%	5.0%	4.2%	3.3%	2.1%	2.1%	2.0%	-9.7%	-16.1%
30-Sep	7.2%	6.3%	6.1%	5.4%	4.5%	5.2%	3.8%	1.4%	1.6%	1.7%	-10.2%	-18.9%

Q3 2023: Growth

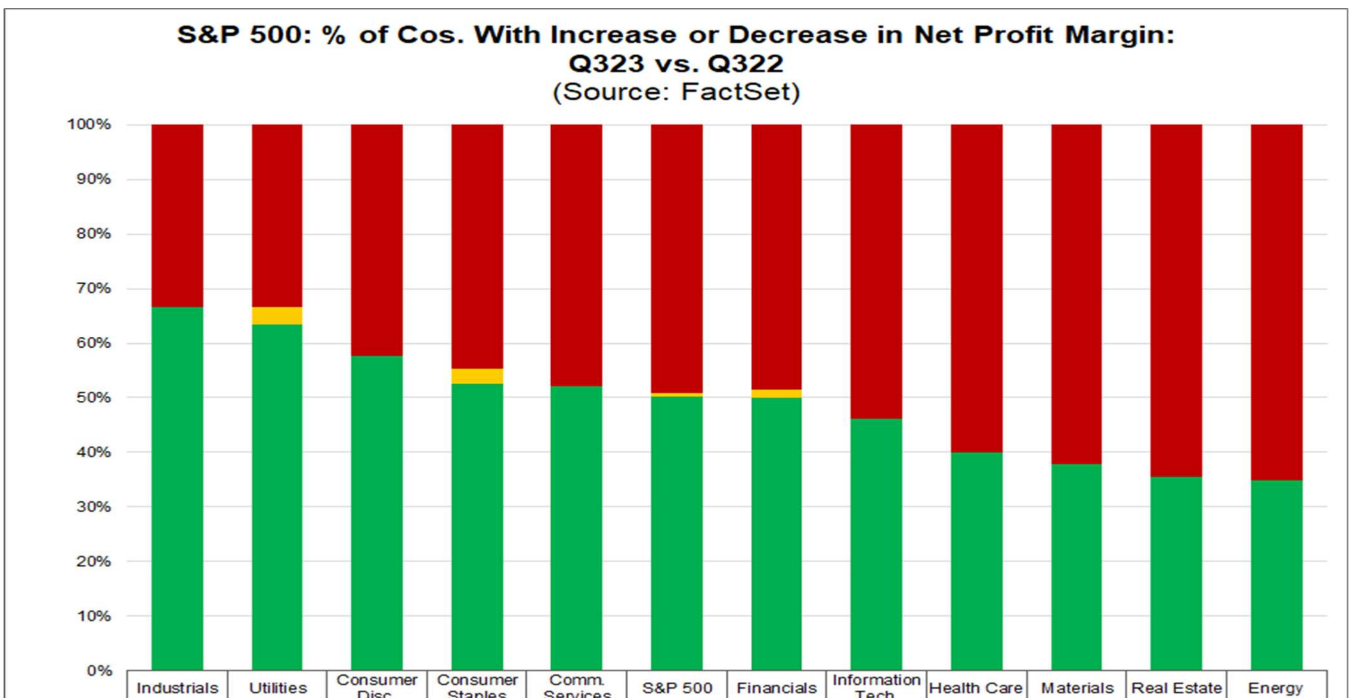




Q3 2023: Net Profit Margin

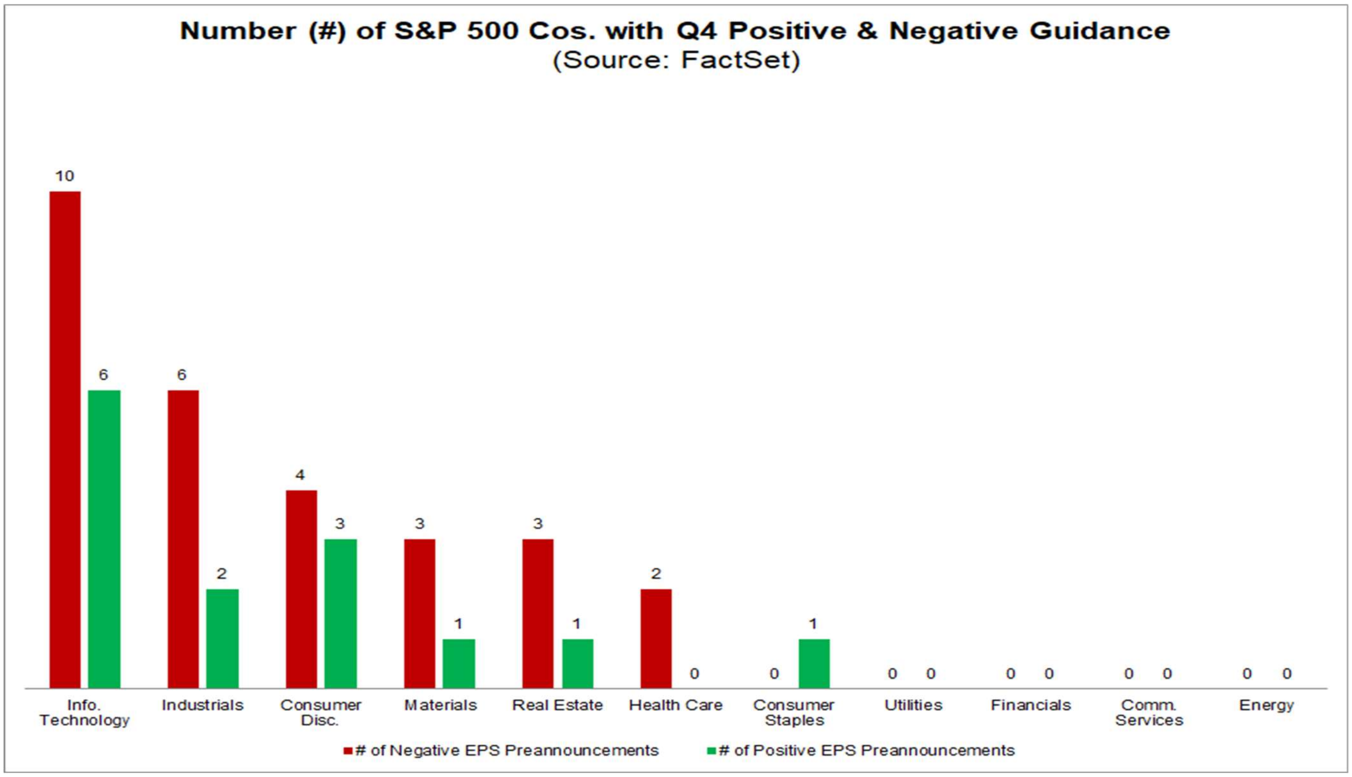


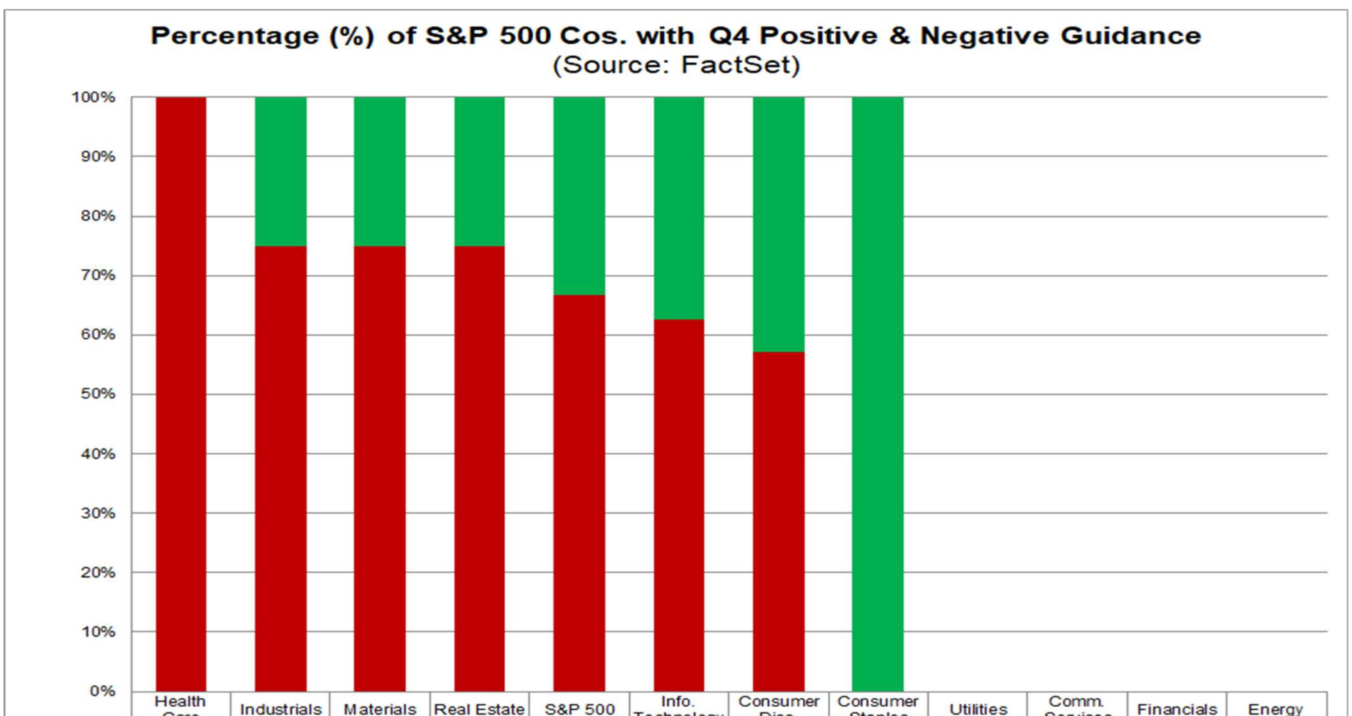
	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Energy	Industrials	Materials	Consumer Disc.	Health Care	Consumer Staples
Q323	35.2%	24.5%	17.5%	14.0%	13.1%	12.0%	10.6%	10.0%	9.9%	9.0%	8.2%	6.1%
Q322	36.6%	23.0%	15.9%	13.4%	9.8%	11.9%	14.4%	9.5%	11.3%	7.2%	10.5%	6.1%



	Industrials	Utilities	Consumer Disc.	Consumer Staples	Comm. Services	S&P 500	Financials	Information Tech.	Health Care	Materials	Real Estate	Energy
Down %	33%	33%	42%	45%	48%	49%	49%	54%	60%	62%	65%	65%
None %	0%	3%	0%	3%	0%	1%	1%	0%	0%	0%	0%	0%
Up %	67%	63%	58%	53%	52%	50%	50%	46%	40%	38%	35%	35%

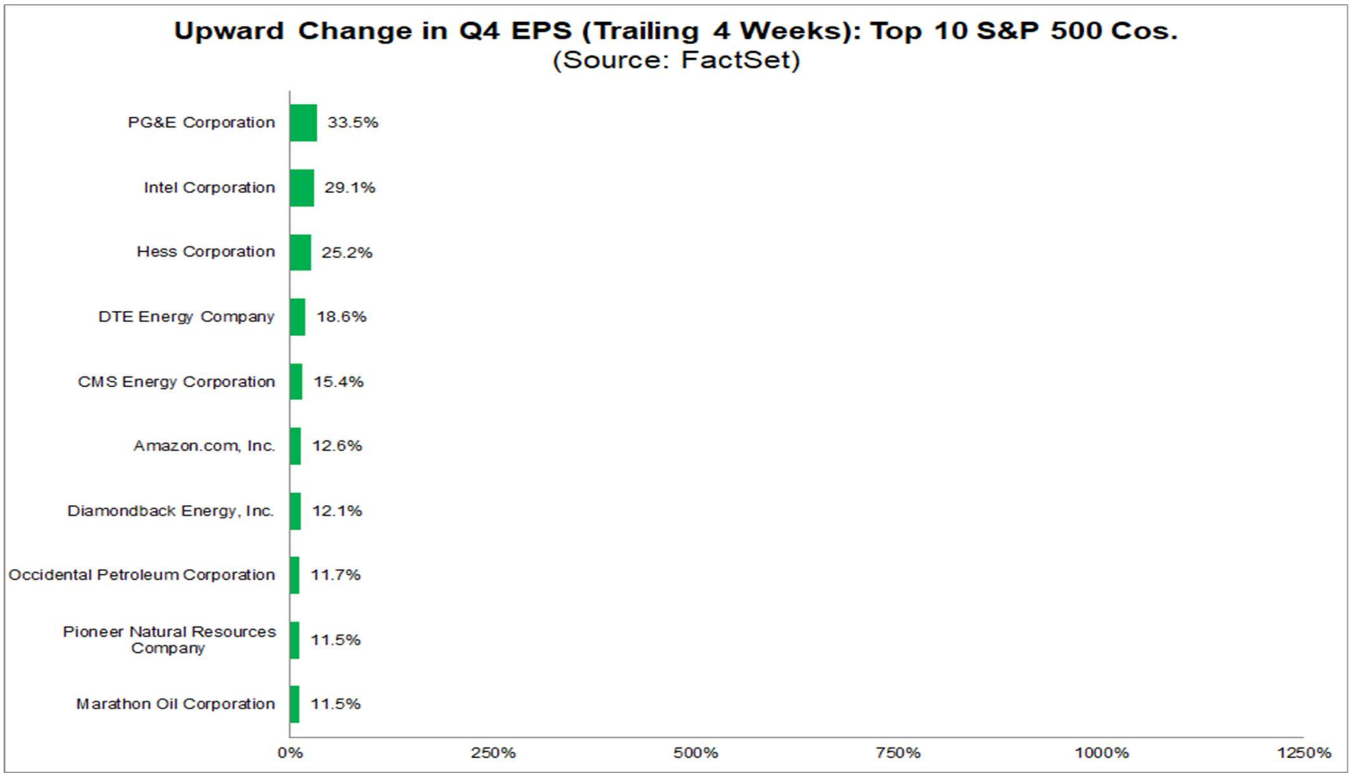
Q4 2023: Guidance

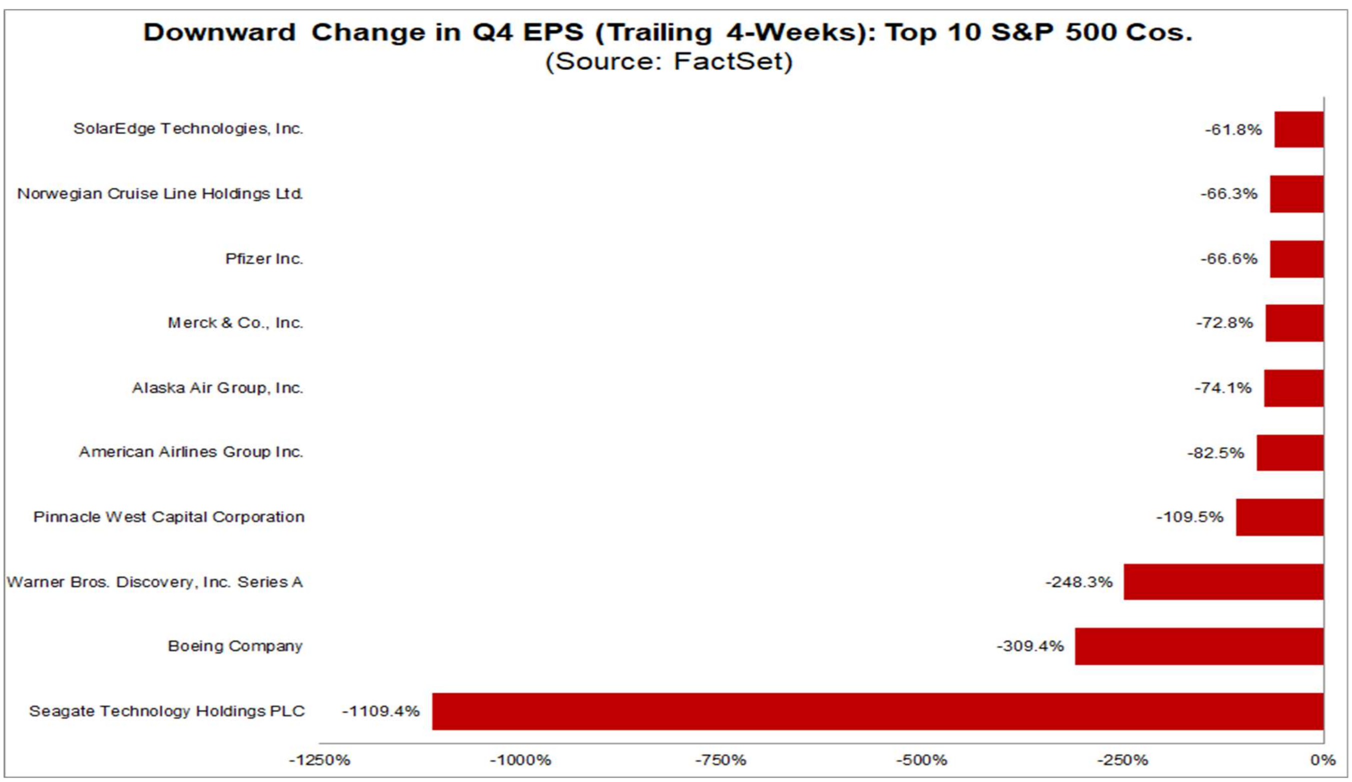




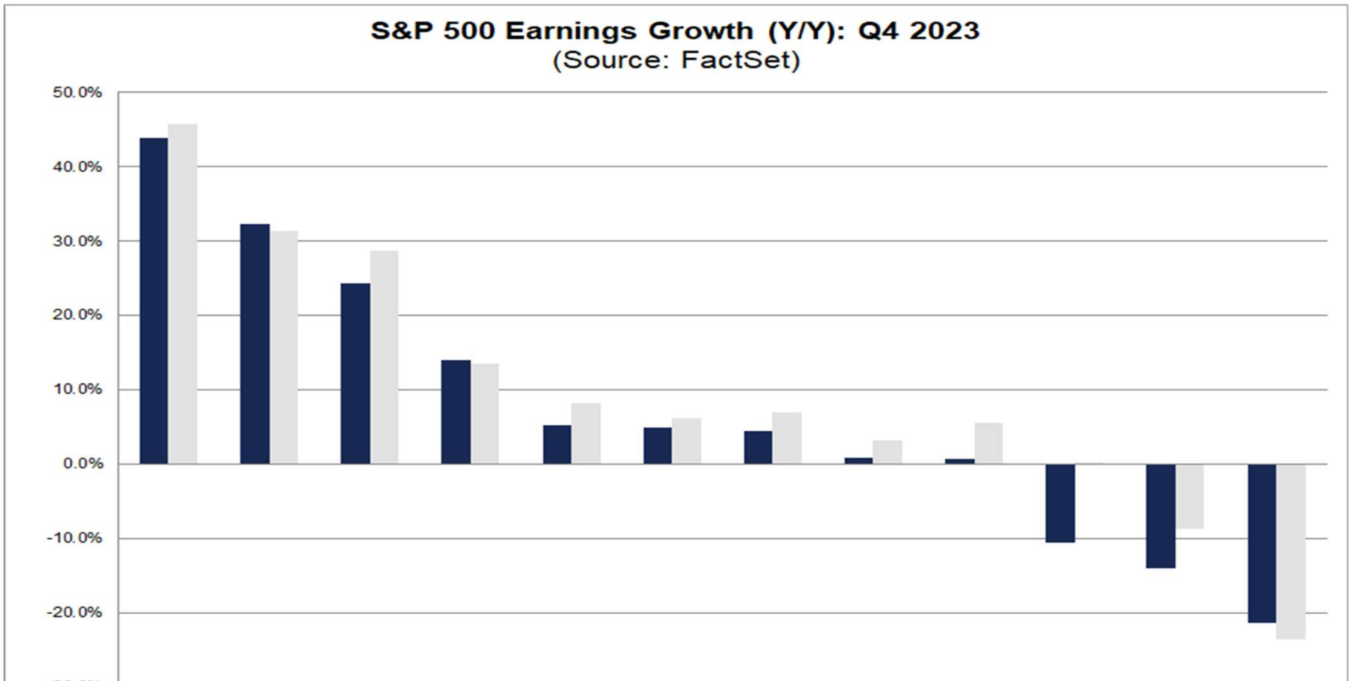
	Health Care	Industrials	Materials	Real Estate	S&P 500	Info. Technology	Consumer Disc.	Consumer Staples	Utilities	Comm. Services	Financials	Energy
Positive	0%	25%	25%	25%	33%	38%	43%	100%	0%	0%	0%	0%
Negative	100%	75%	75%	75%	67%	63%	57%	0%	0%	0%	0%	0%

Q4 2023: EPS Revisions

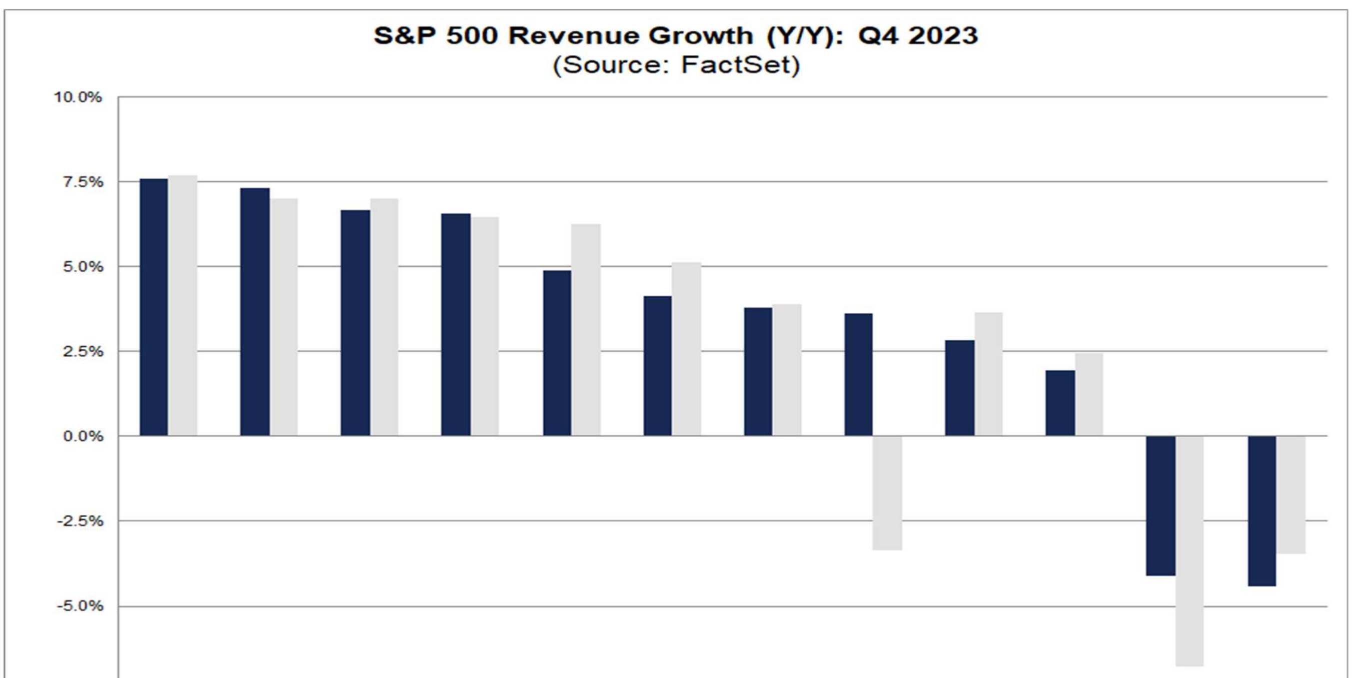




Q4 2023: Growth

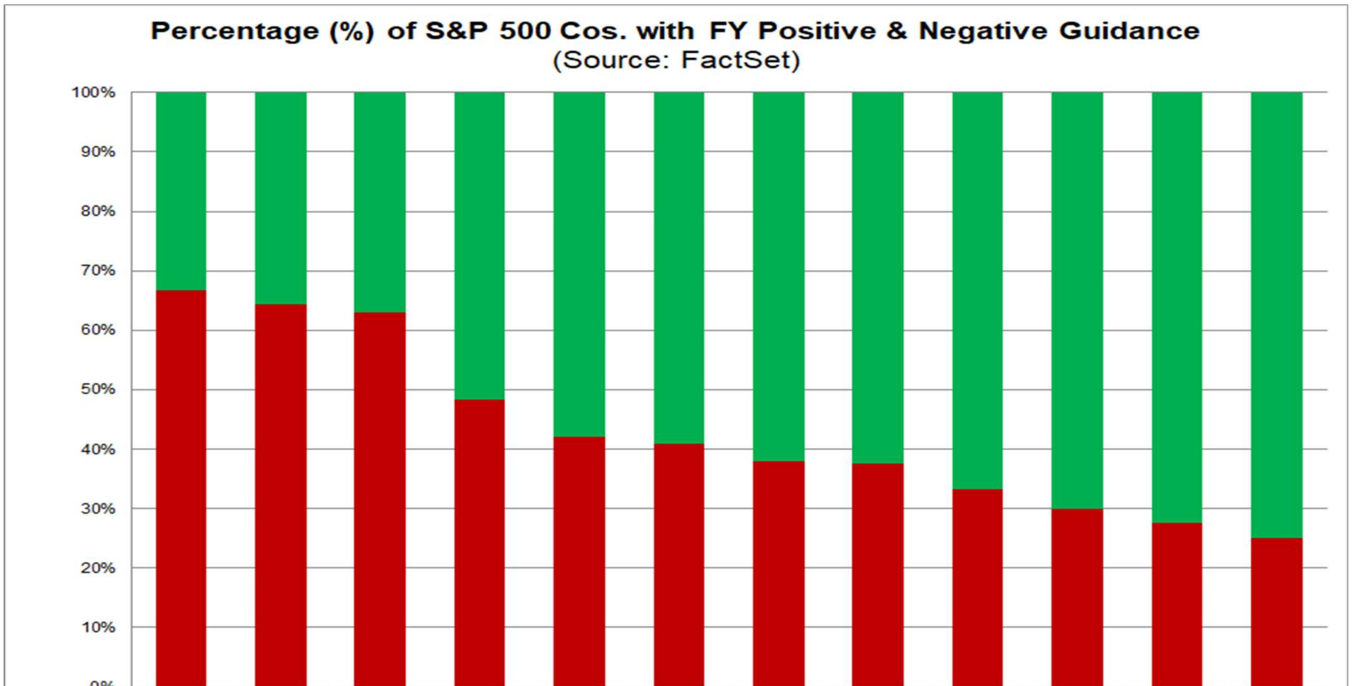


	Comm. Services	Utilities	Consumer Disc.	Info. Technology	S&P 500	Real Estate	Financials	Consumer Staples	Industrials	Health Care	Materials	Energy
Today	43.9%	32.3%	24.3%	14.0%	5.3%	4.9%	4.4%	0.9%	0.7%	-10.5%	-14.0%	-21.4%
30-Sep	45.8%	31.4%	28.6%	13.5%	8.1%	6.1%	6.9%	3.2%	5.5%	0.2%	-8.8%	-23.6%

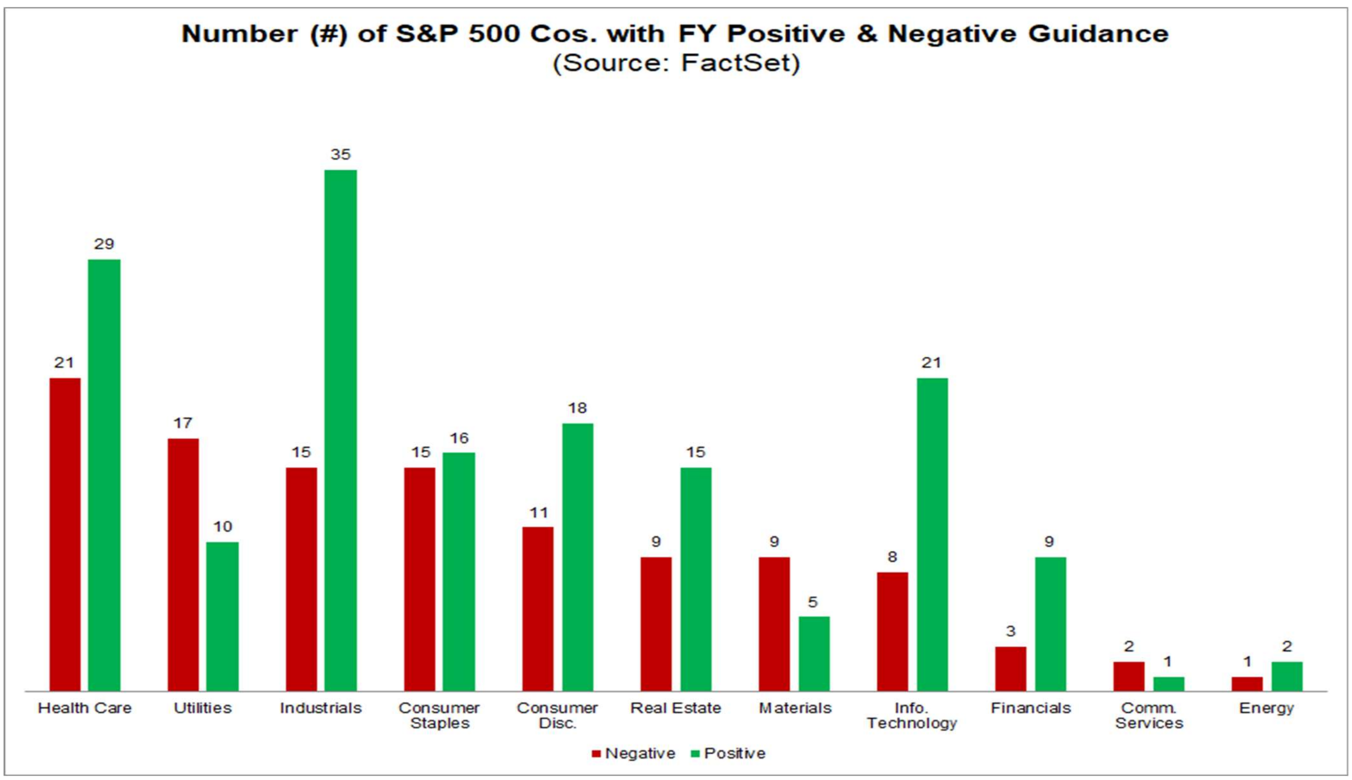


	Financials	Info. Technology	Real Estate	Comm. Services	Consumer Disc.	Health Care	S&P 500	Utilities	Consumer Staples	Industrials	Energy	Materials
Today	7.6%	7.3%	6.7%	6.6%	4.9%	4.1%	3.8%	3.6%	2.8%	2.0%	-4.1%	-4.4%
30-Sep	7.7%	7.0%	7.0%	6.5%	6.3%	5.1%	3.9%	-3.4%	3.7%	2.5%	-6.8%	-3.4%

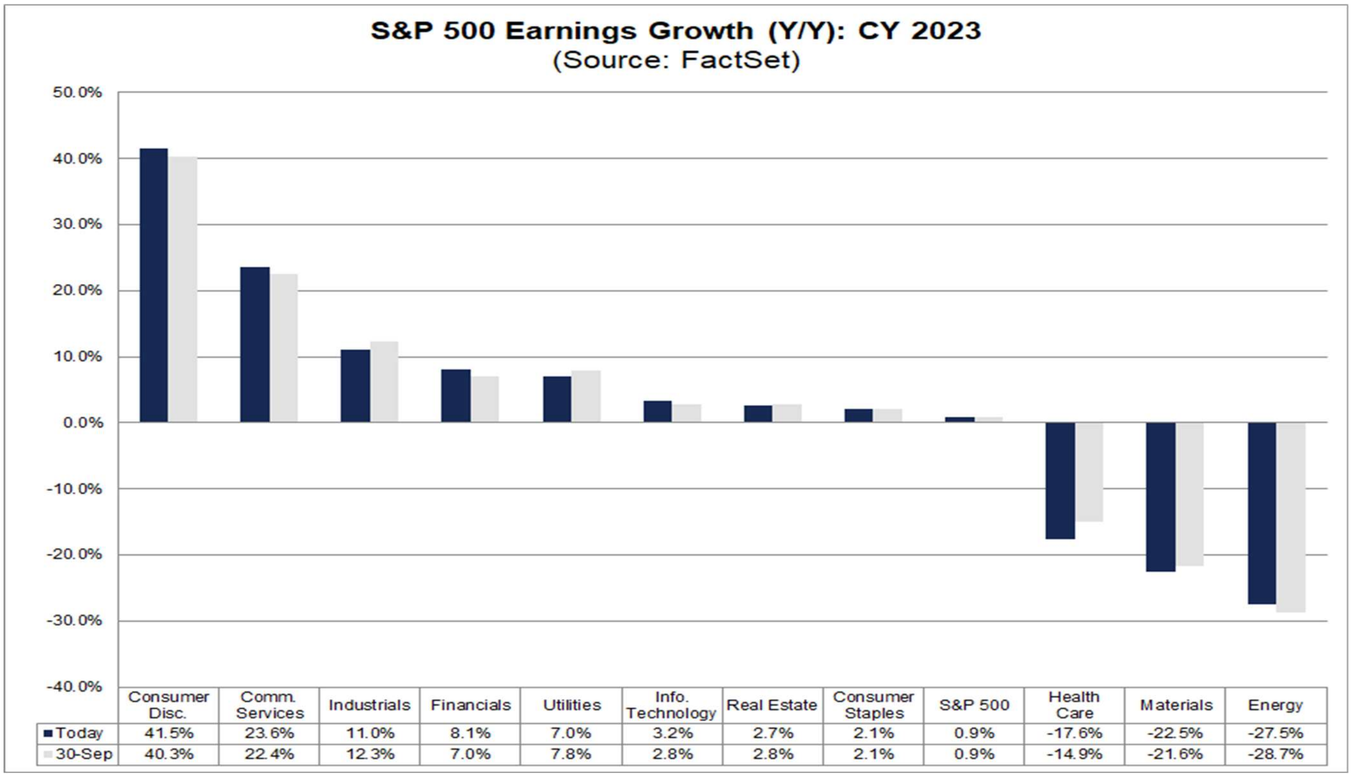
FY 2023 / 2024: EPS Guidance

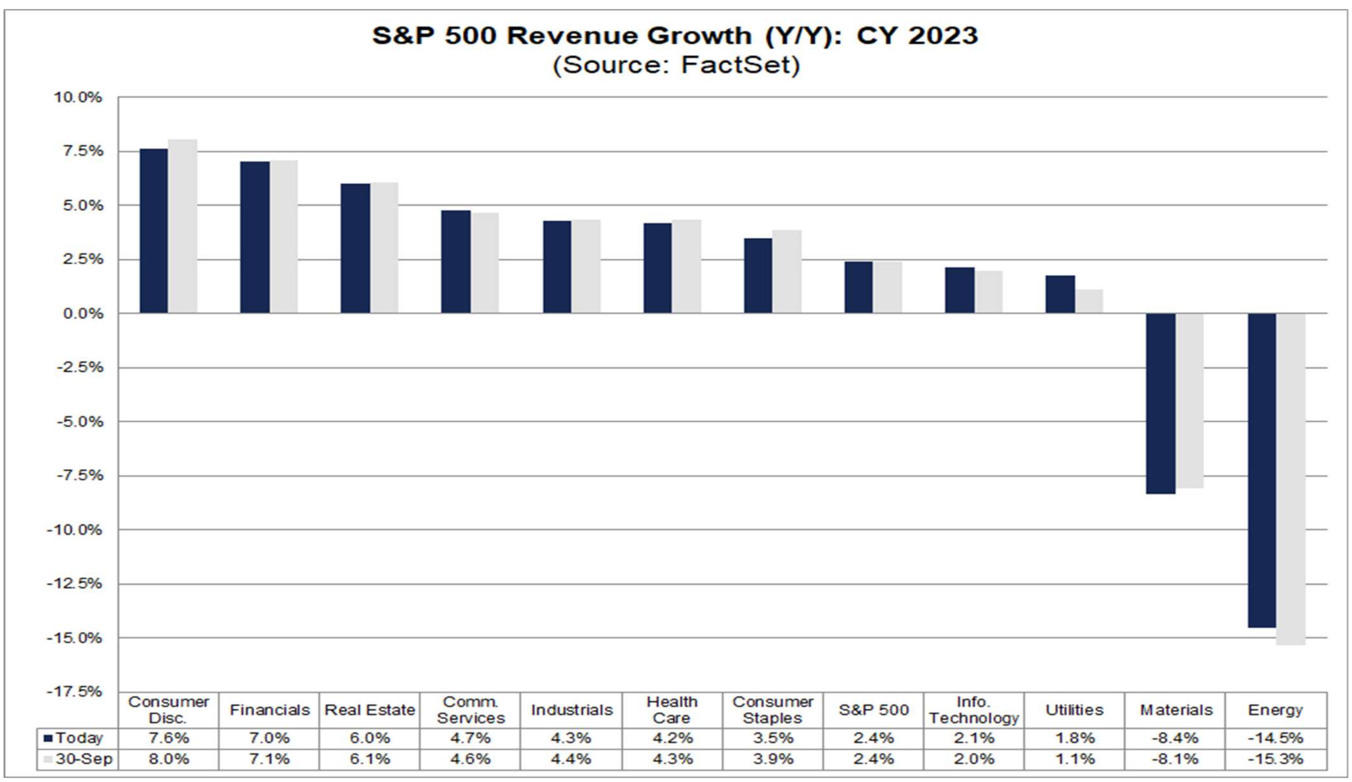


	Comm. Services	Materials	Utilities	Consumer Staples	Health Care	S&P 500	Consumer Disc.	Real Estate	Energy	Industrials	Info. Technology	Financials
Positive	33%	36%	37%	52%	58%	59%	62%	63%	67%	70%	72%	75%
Negative	67%	64%	63%	48%	42%	41%	38%	38%	33%	30%	28%	25%

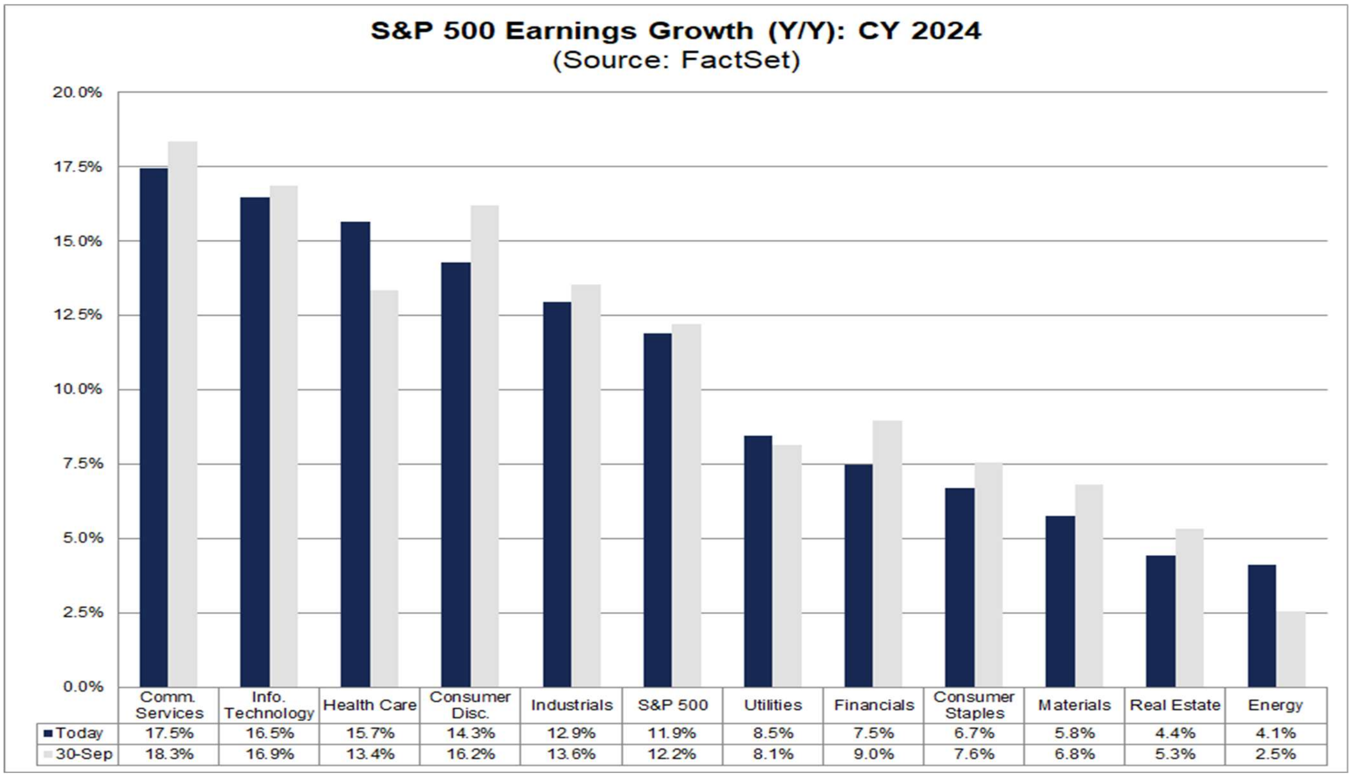


CY 2023: Growth

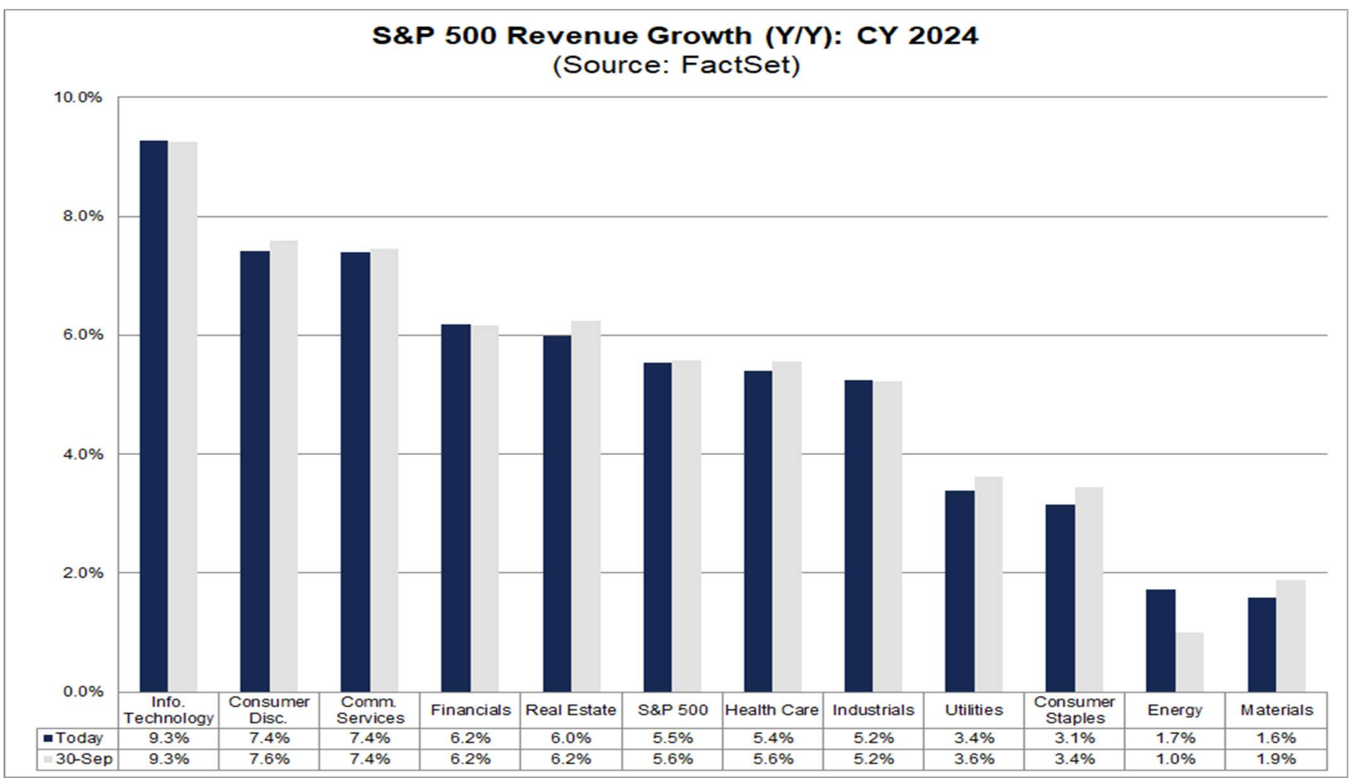




CY 2024: Growth

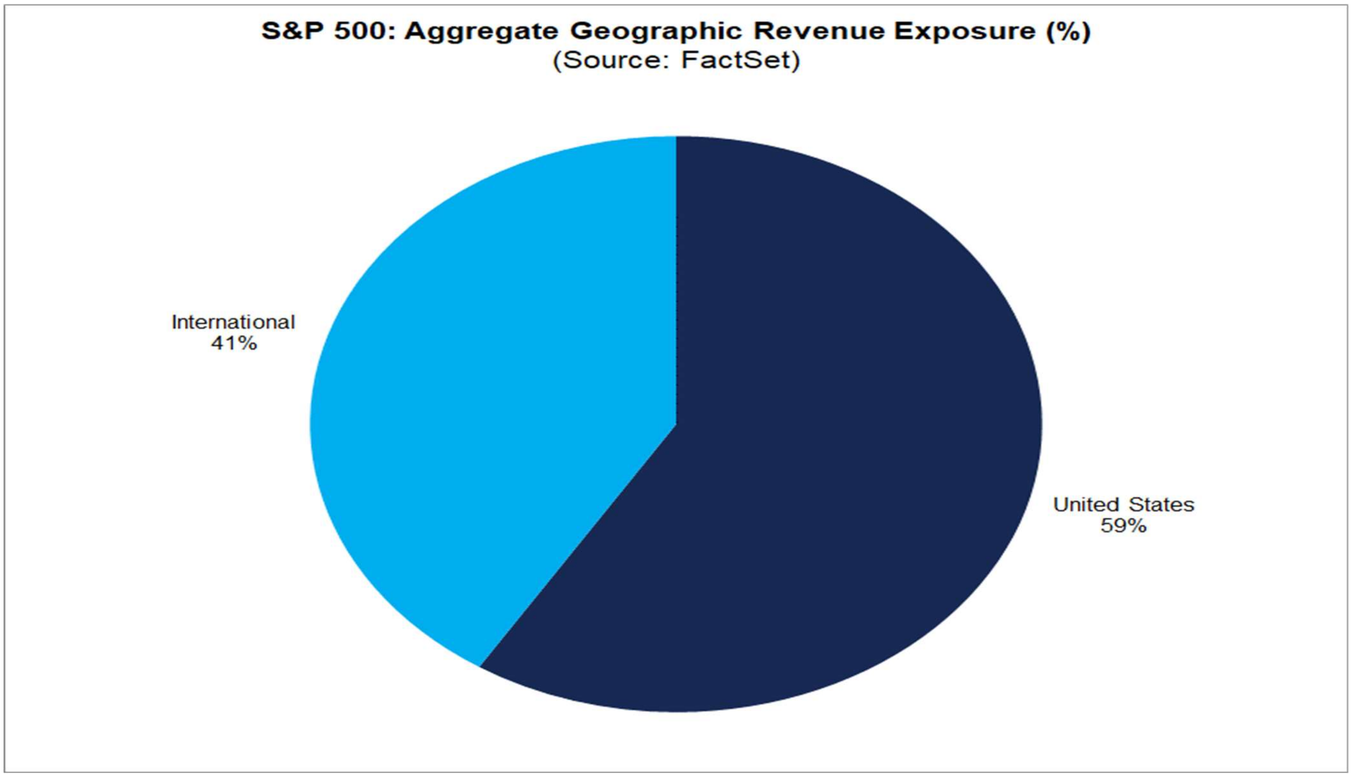


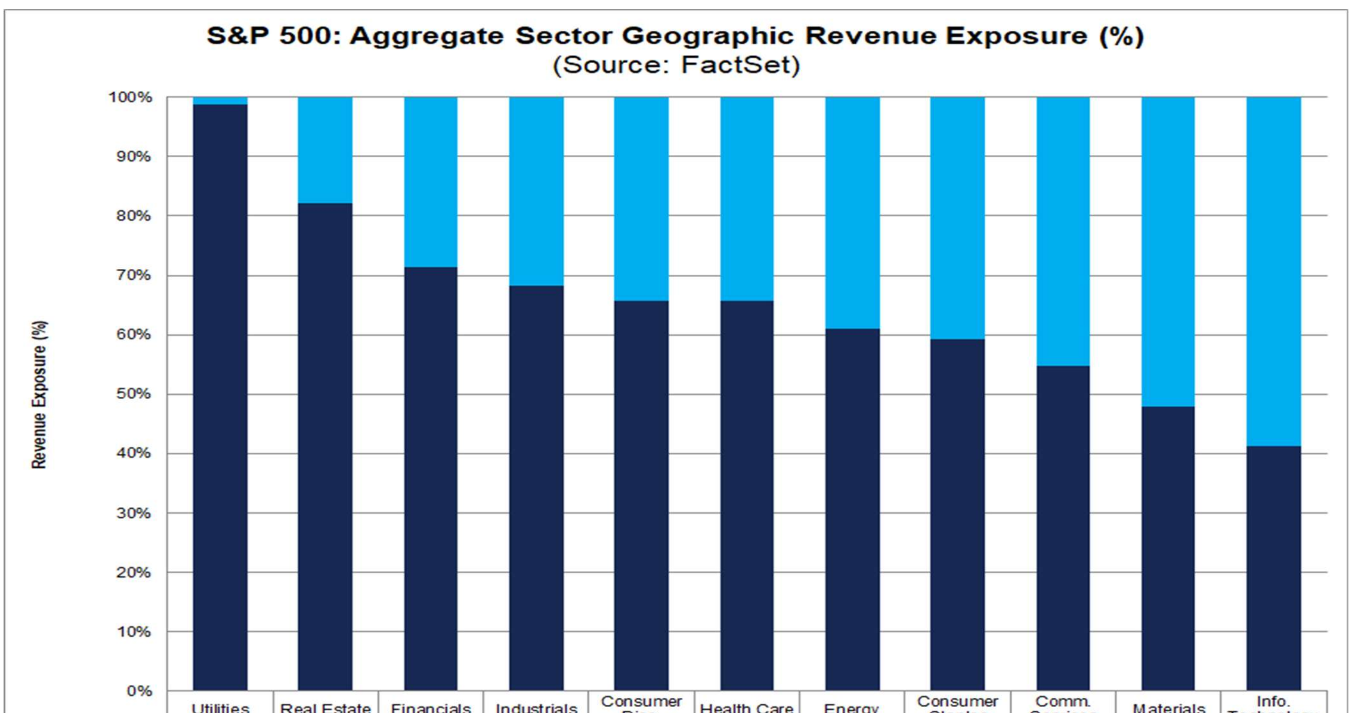
	Comm. Services	Info. Technology	Health Care	Consumer Disc.	Industrials	S&P 500	Utilities	Financials	Consumer Staples	Materials	Real Estate	Energy
Today	17.5%	16.5%	15.7%	14.3%	12.9%	11.9%	8.5%	7.5%	6.7%	5.8%	4.4%	4.1%
30-Sep	18.3%	16.9%	13.4%	16.2%	13.6%	12.2%	8.1%	9.0%	7.6%	6.8%	5.3%	2.5%



	Info. Technology	Consumer Disc.	Comm. Services	Financials	Real Estate	S&P 500	Health Care	Industrials	Utilities	Consumer Staples	Energy	Materials
Today	9.3%	7.4%	7.4%	6.2%	6.0%	5.5%	5.4%	5.2%	3.4%	3.1%	1.7%	1.6%
30-Sep	9.3%	7.6%	7.4%	6.2%	6.2%	5.6%	5.6%	5.2%	3.6%	3.4%	1.0%	1.9%

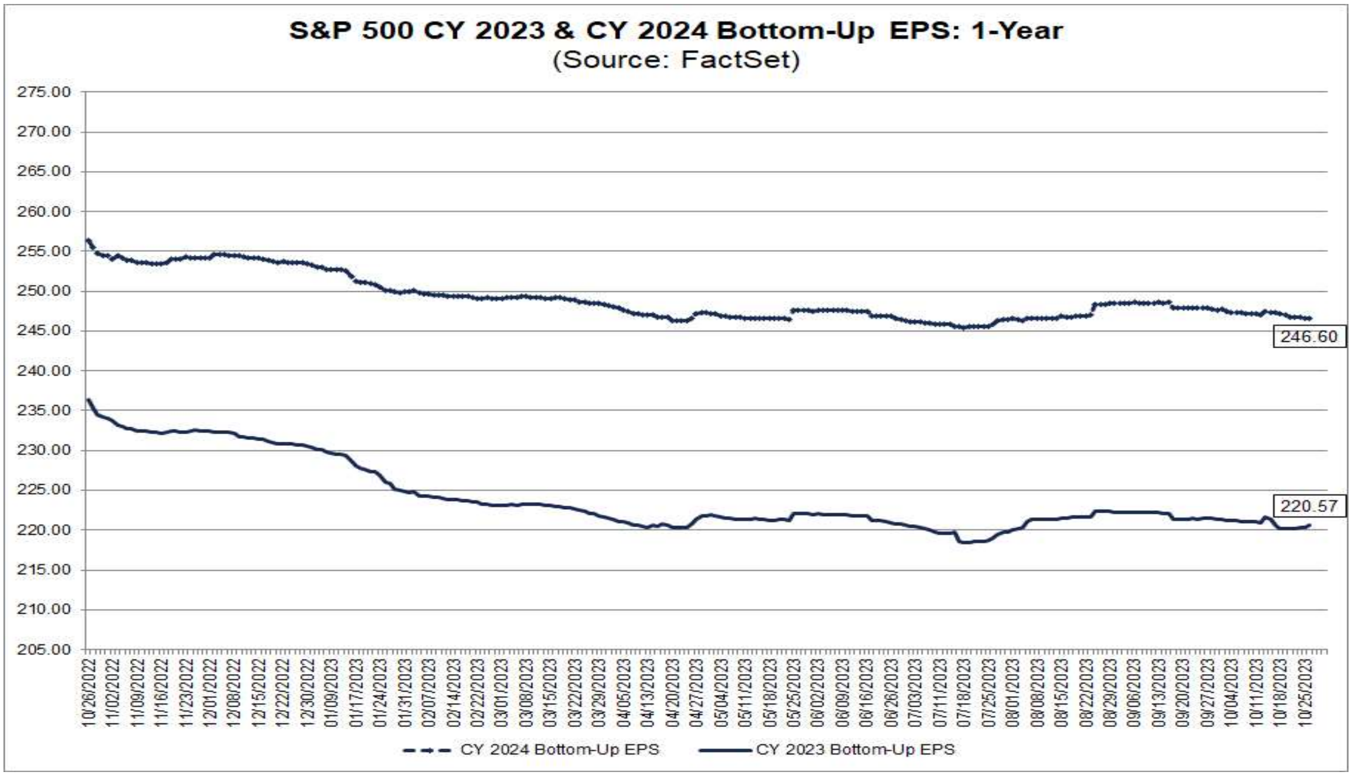
Geographic Revenue Exposure

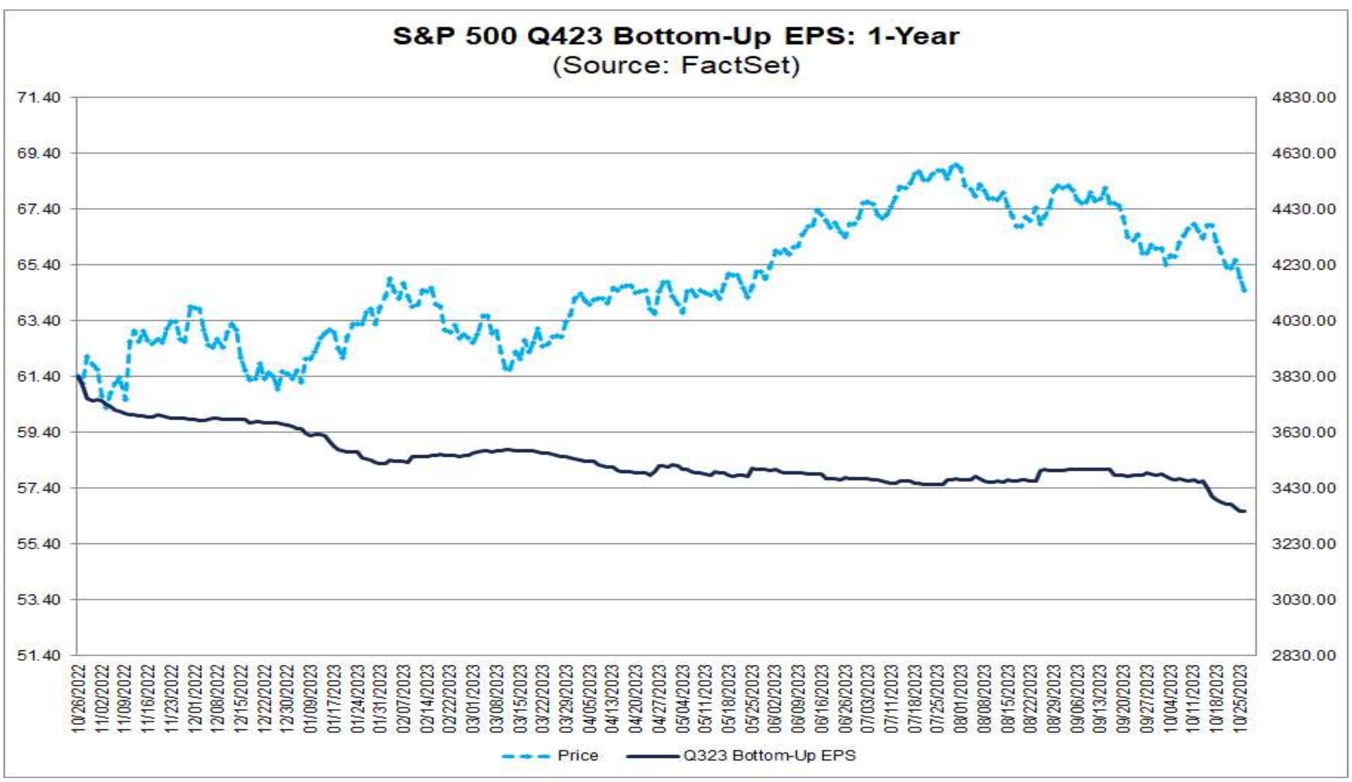




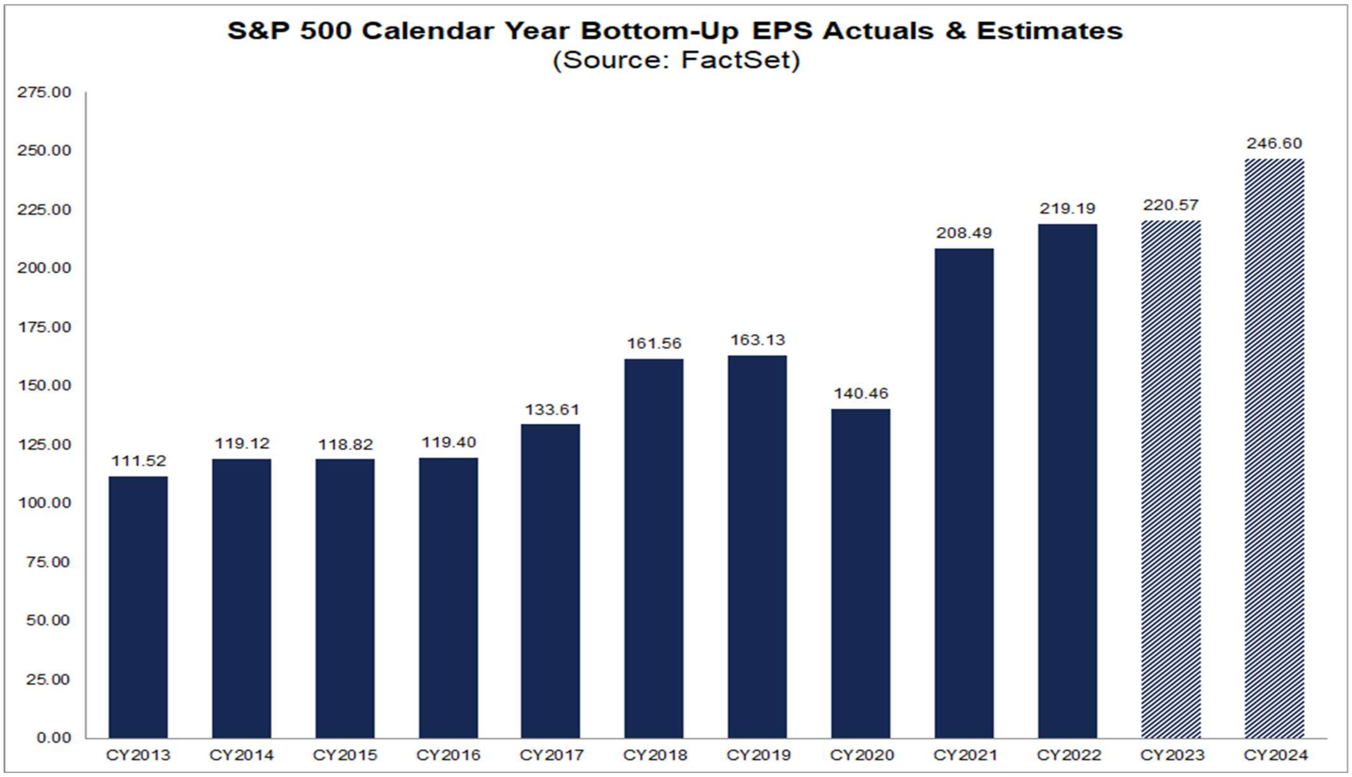
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	29%	32%	34%	34%	39%	41%	45%	52%	59%
United States	99%	82%	71%	68%	66%	66%	61%	59%	55%	48%	41%

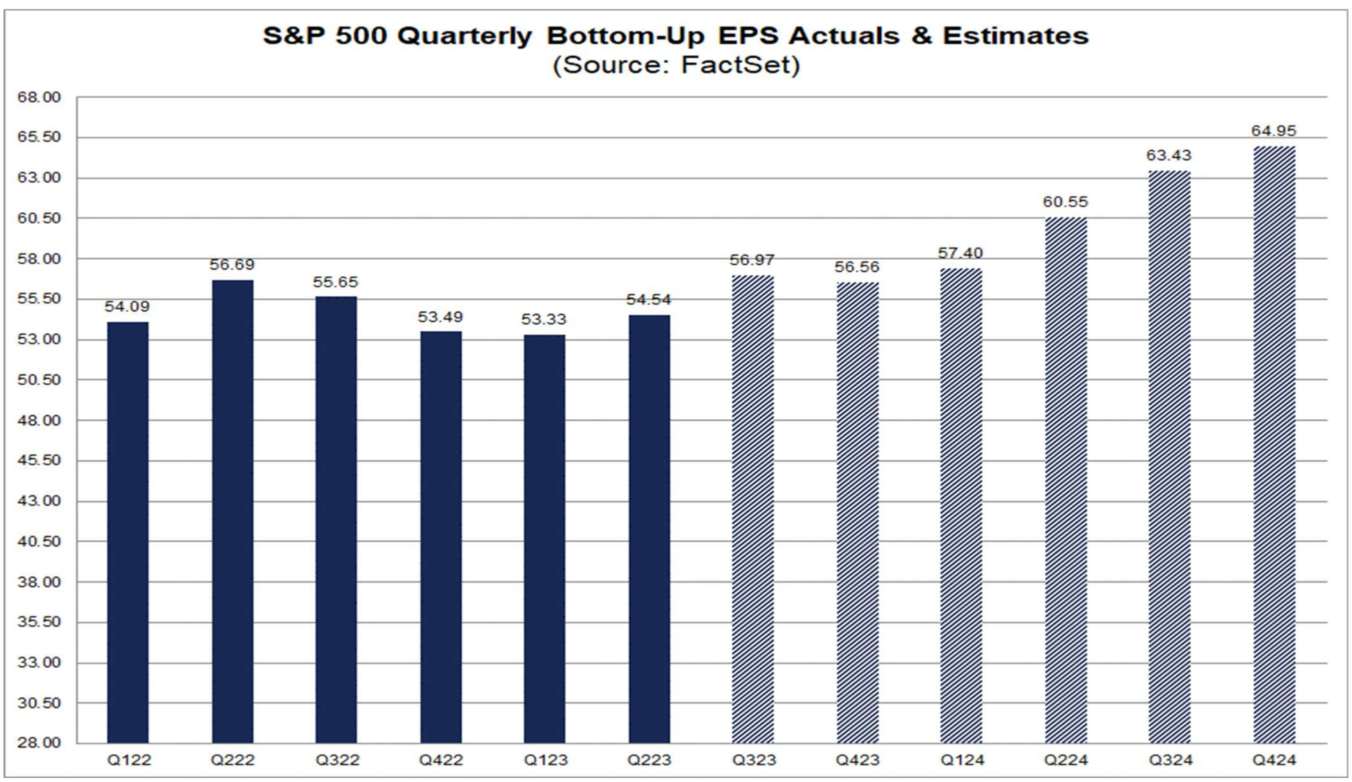
Bottom-Up EPS Estimates



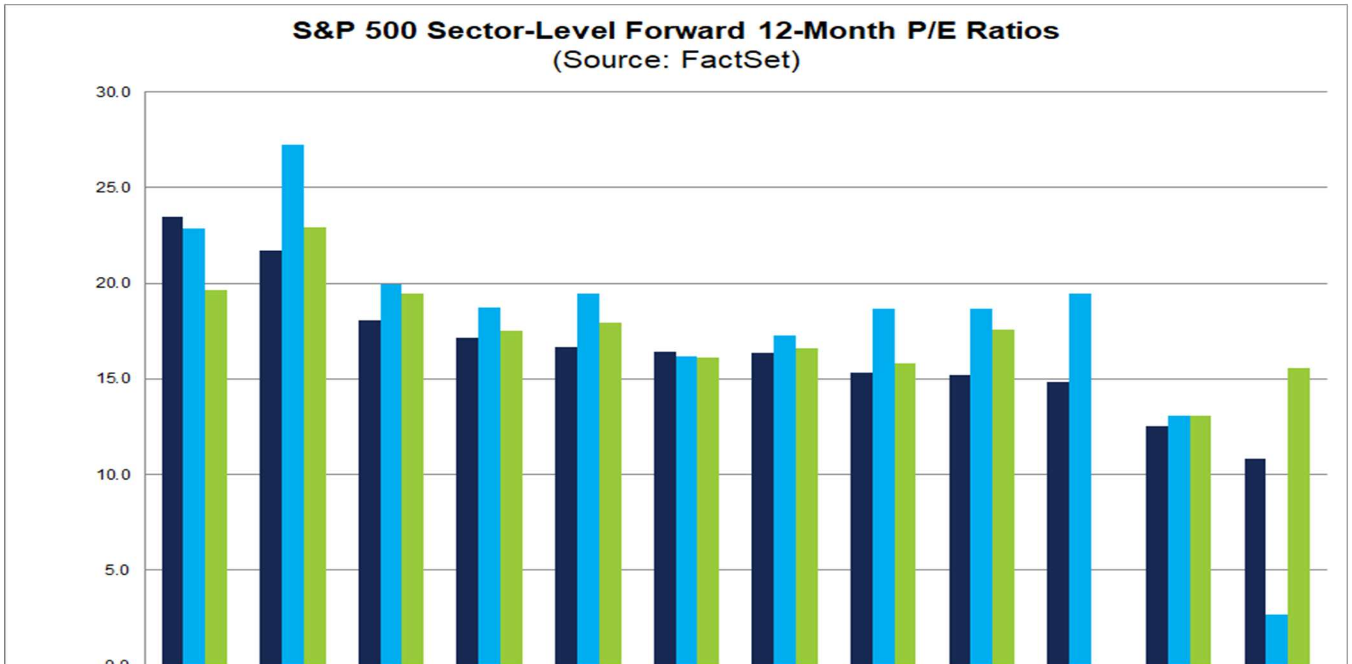


Bottom-Up EPS Estimates: Current & Historical

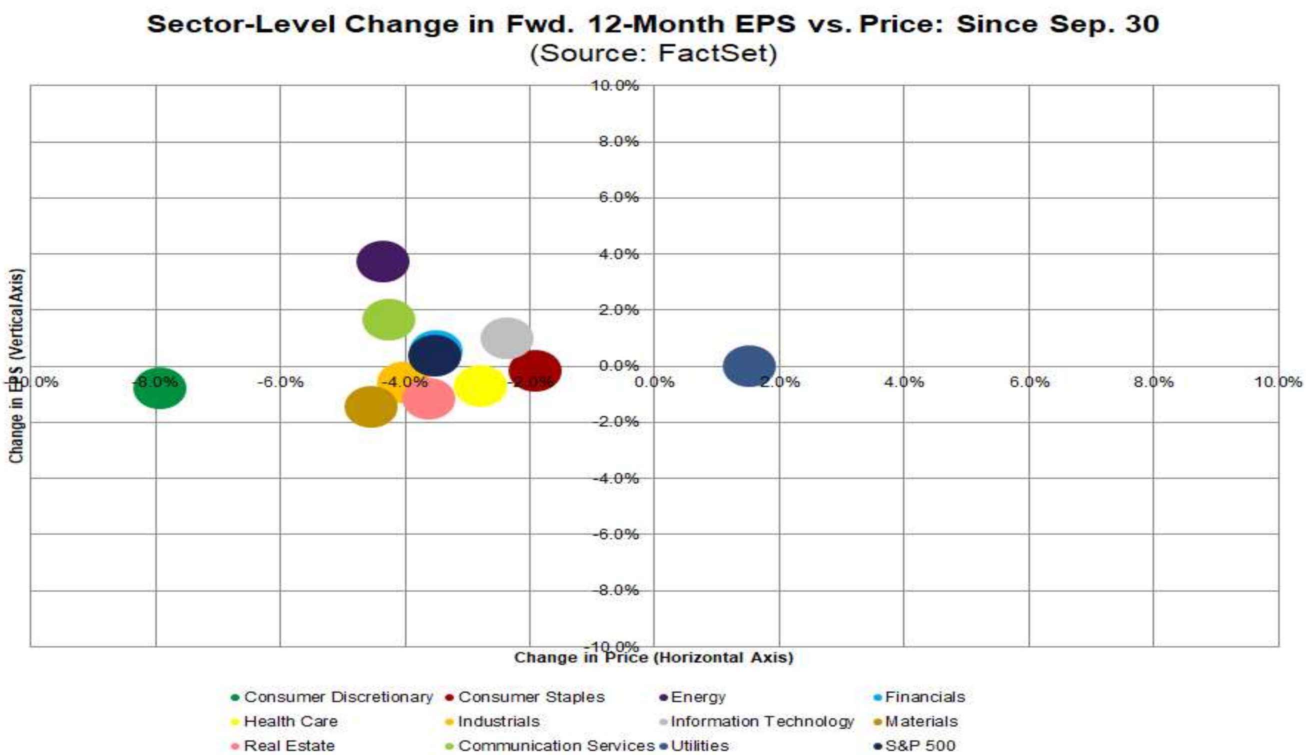




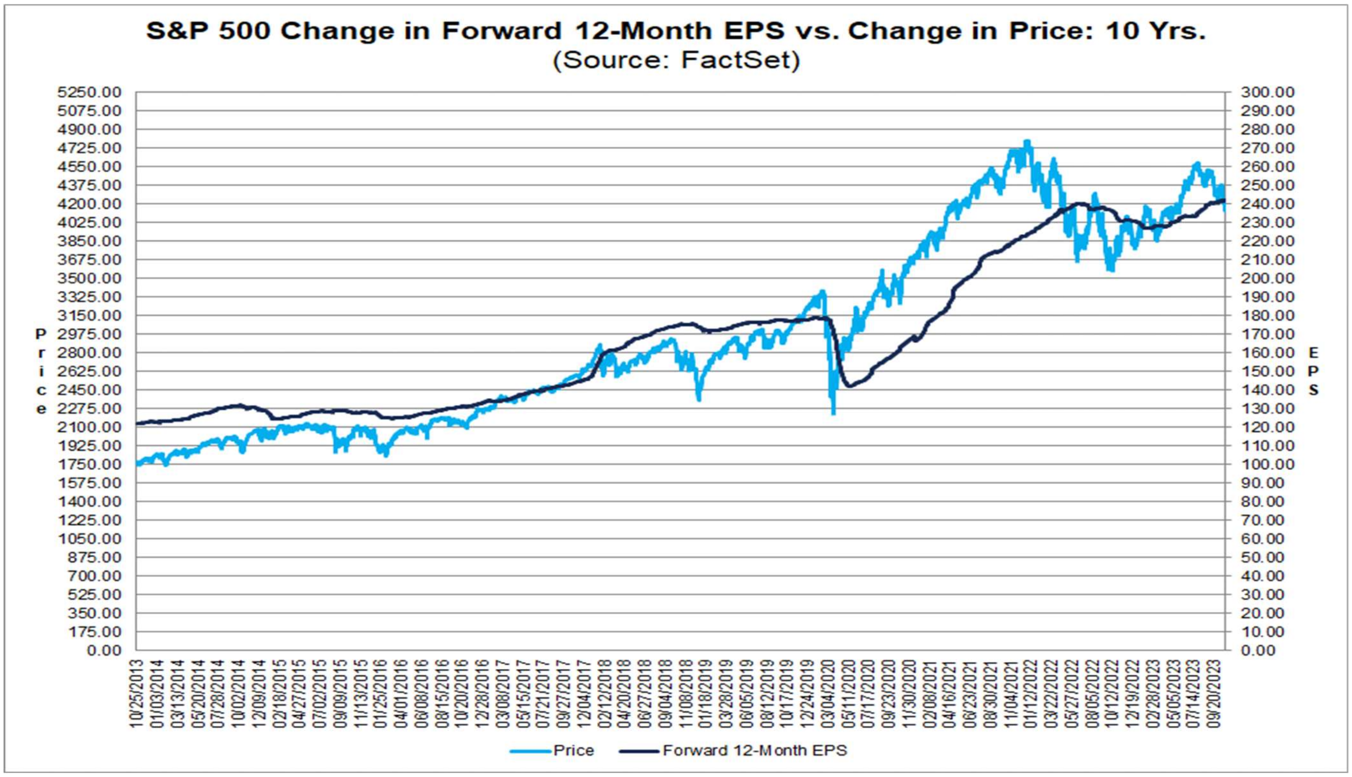
Forward 12M P/E Ratio: Sector Level

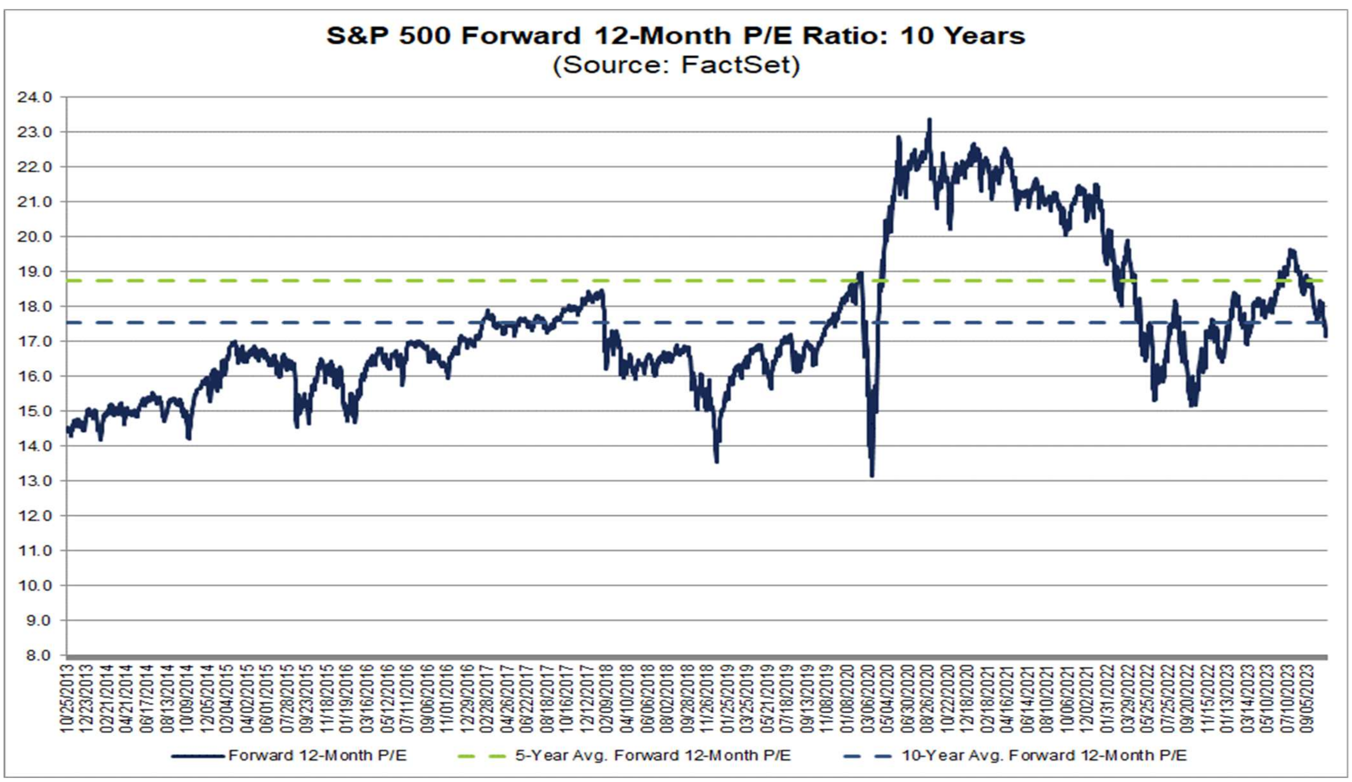


	Info. Technology	Consumer Disc.	Consumer Staples	S&P 500	Industrials	Health Care	Materials	Comm. Services	Utilities	Real Estate	Financials	Energy
Fwd P/E	23.5	21.7	18.1	17.1	16.6	16.4	16.4	15.4	15.2	14.8	12.6	10.8
5-Yr Avg.	22.9	27.3	20.0	18.7	19.5	16.2	17.3	18.7	18.7	19.4	13.1	2.7
10-Yr Avg.	19.7	22.9	19.4	17.5	17.9	16.1	16.6	15.8	17.6	0.0	13.1	15.6

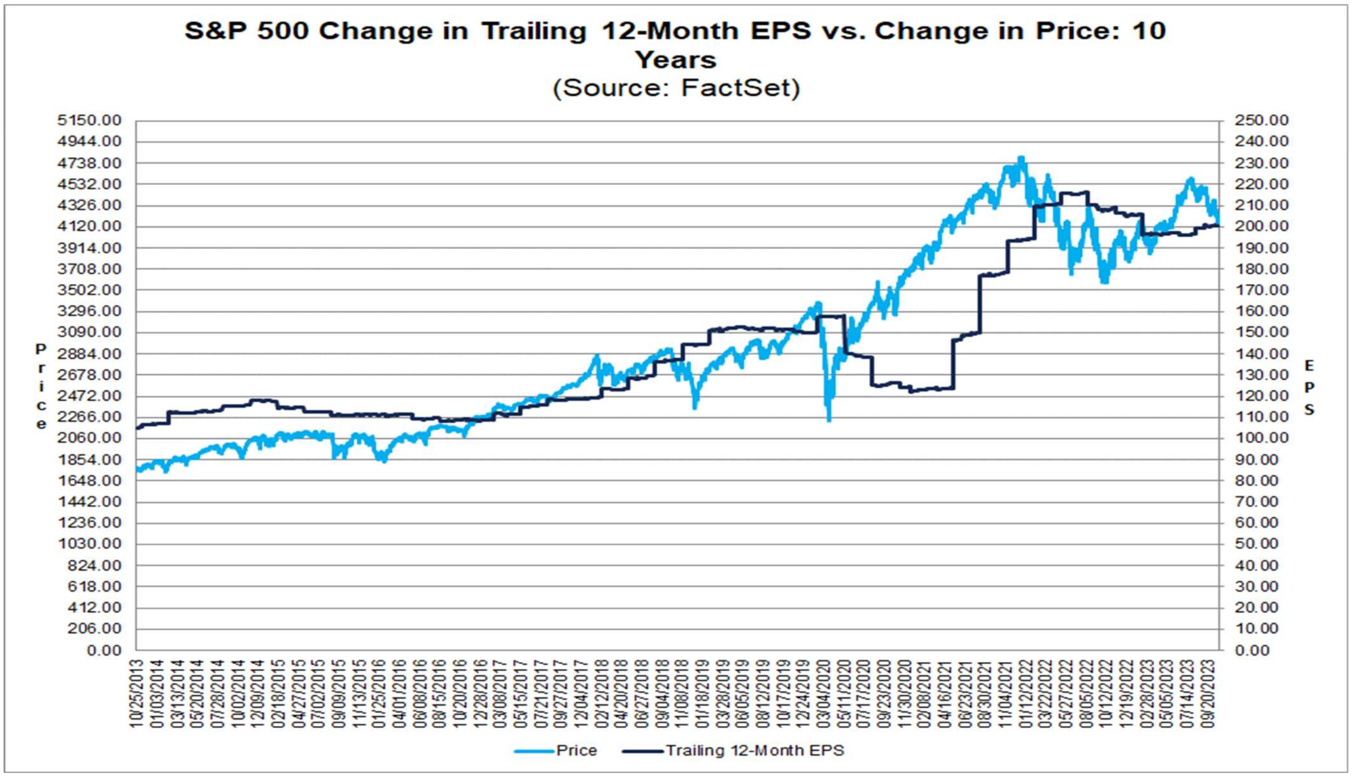


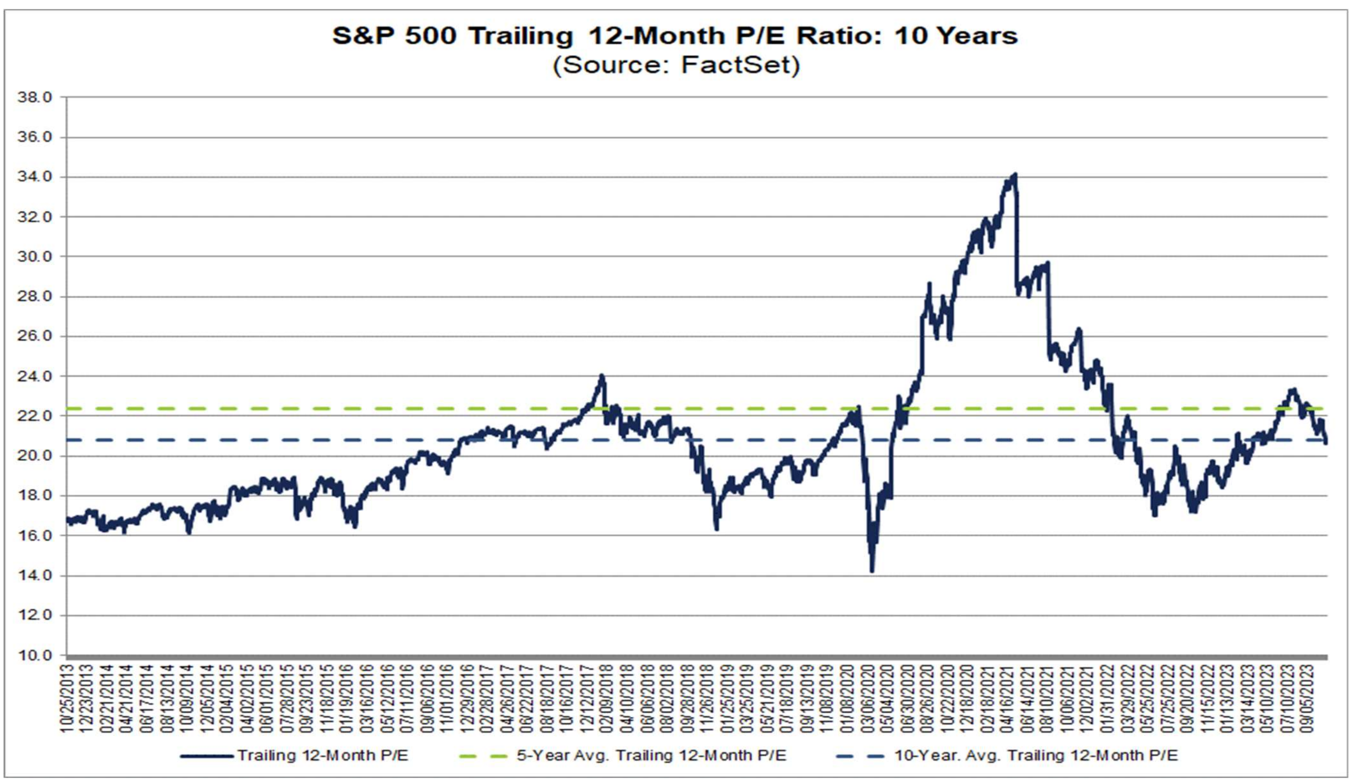
Forward 12M P/E Ratio: 10-Years



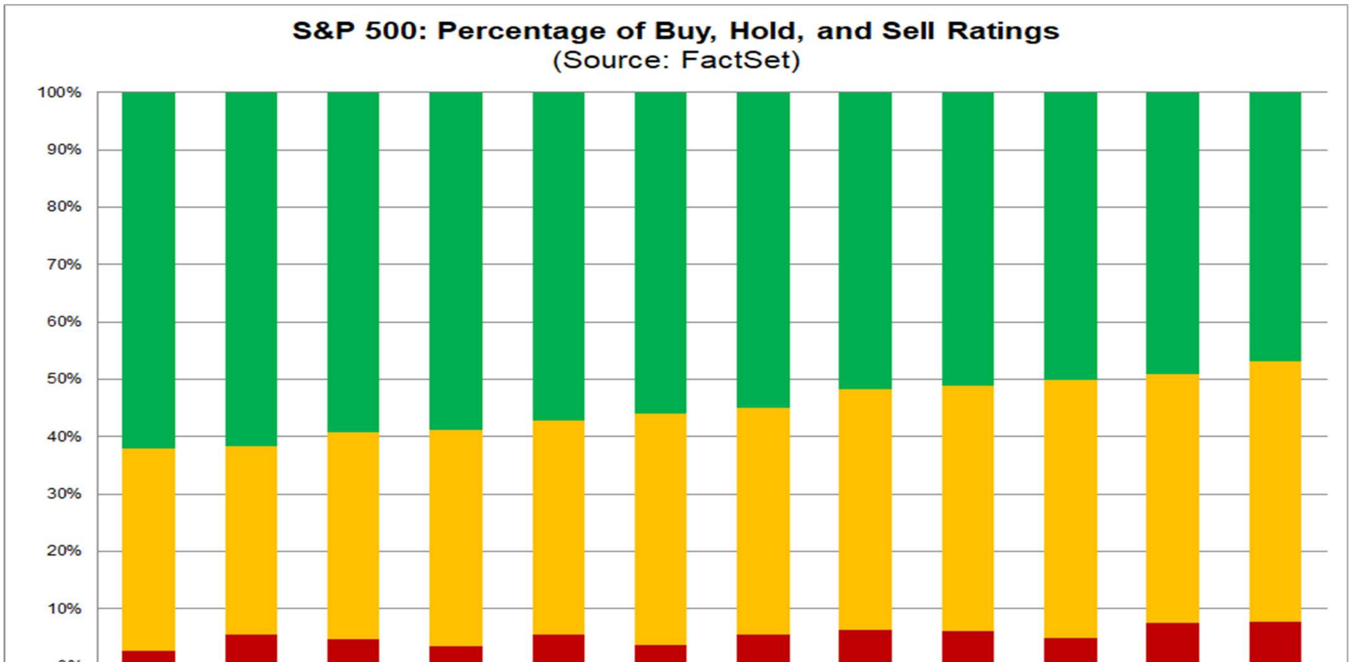


Trailing 12M P/E Ratio: 10-Years

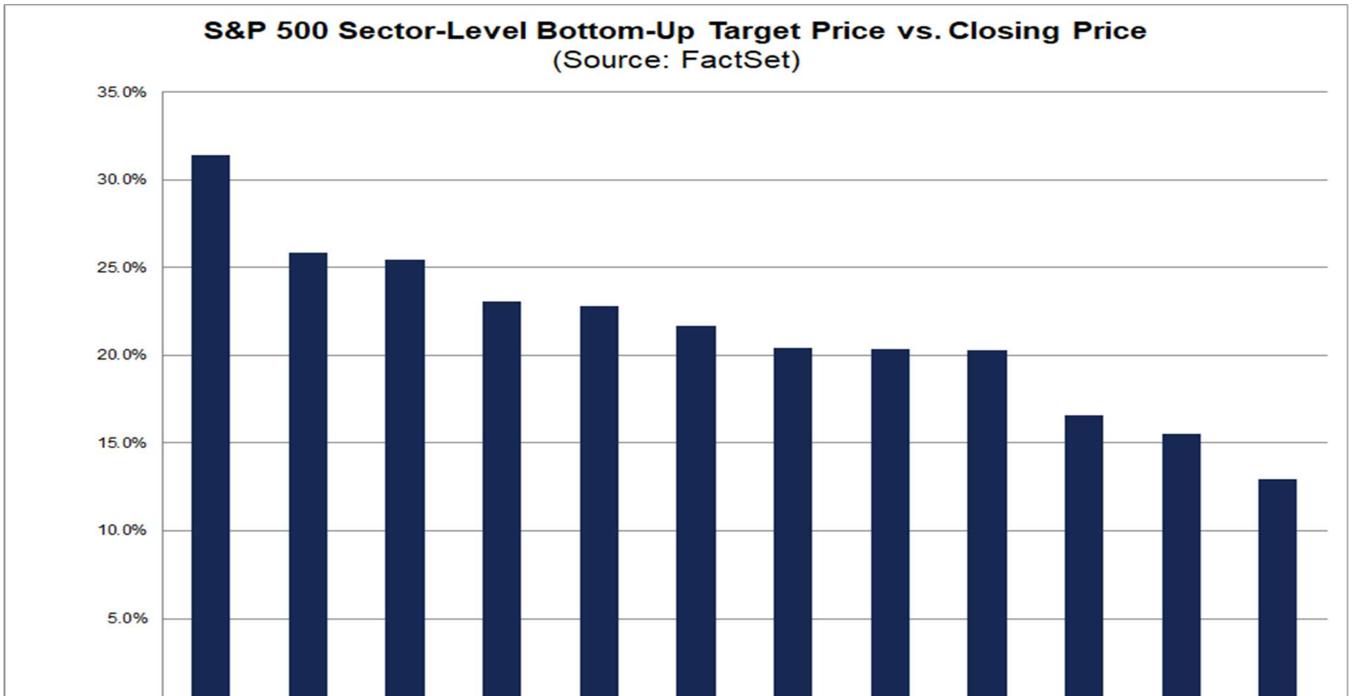




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Consumer Disc.	Real Estate	S&P 500	Financials	Utilities	Materials	Industrials	Consumer Staples
Buy	62%	62%	59%	59%	57%	56%	55%	52%	51%	50%	49%	47%
Hold	35%	33%	36%	38%	37%	40%	40%	42%	43%	45%	43%	45%
Sell	3%	6%	5%	4%	6%	4%	5%	6%	6%	5%	8%	8%



	Consumer Disc.	Comm. Services	Info. Tech.	Real Estate	S&P 500	Materials	Financials	Health Care	Industrials	Consumer Staples	Energy	Utilities
Target/Close	31.4%	25.9%	25.5%	23.1%	22.8%	21.7%	20.4%	20.4%	20.3%	16.6%	15.6%	12.9%

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