

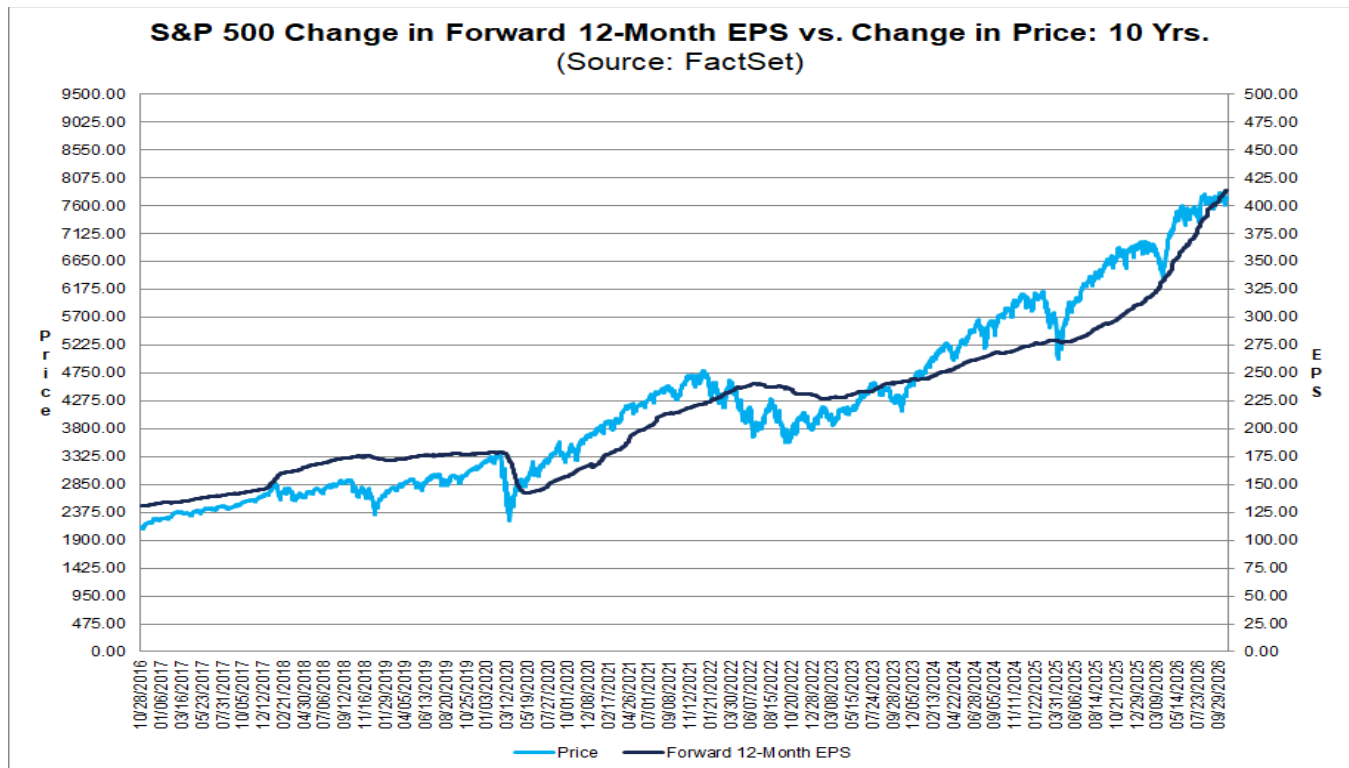
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Key Metrics

- **Earnings Scorecard:** For Q3 2026 (with 60% of S&P 500 companies reporting actual results), 82% of S&P 500 companies have reported a positive EPS surprise and 70% 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 30.2%. If 30.2% 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 29.1%. Eight 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, 19 S&P 500 companies have issued negative EPS guidance and 28 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: 1

“Mag 7” Now Reporting Lower Earnings Growth Than Other 493 S&P 500 Companies for Q3

With Alphabet, Amazon.com, and Microsoft reporting actual results for Q3 2026 during the past week, 5 of the 7 companies in the “Magnificent 7” have now reported earnings for the third quarter. How have earnings reported by the “Magnificent 7” companies to date performed relative to analyst expectations and year-ago results?

On September 30, the estimated earnings growth rate for the “Magnificent 7” companies for Q3 2026 was 33.6%. Overall, 40% (2 out of 5) of the “Magnificent 7” companies have reported a positive EPS surprise to date, compared to 82% for all S&P 500 companies. Earnings reported by the “Magnificent 7” companies have fallen short of estimates by 14.7% in aggregate, while earnings reported by all S&P 500 companies have exceeded estimates by 1.9% in aggregate.

As a result of this subpar performance relative to expectations to date, the blended (combines actual results for companies that have reported and estimates for companies yet to report) earnings growth rate for the “Magnificent 7” companies has declined to 22.6% today from 33.6% on September 30.

On the other hand, the blended earnings growth rate for the other 493 S&P 500 companies has increased to 32.6% today from 27.8% on September 30. Thus, the blended earnings growth rate for the “Magnificent 7” companies for Q3 2026 (22.6%) is now lower than the blended earnings growth rate for the other 493 S&P 500 companies for Q3 2026 (32.6%).

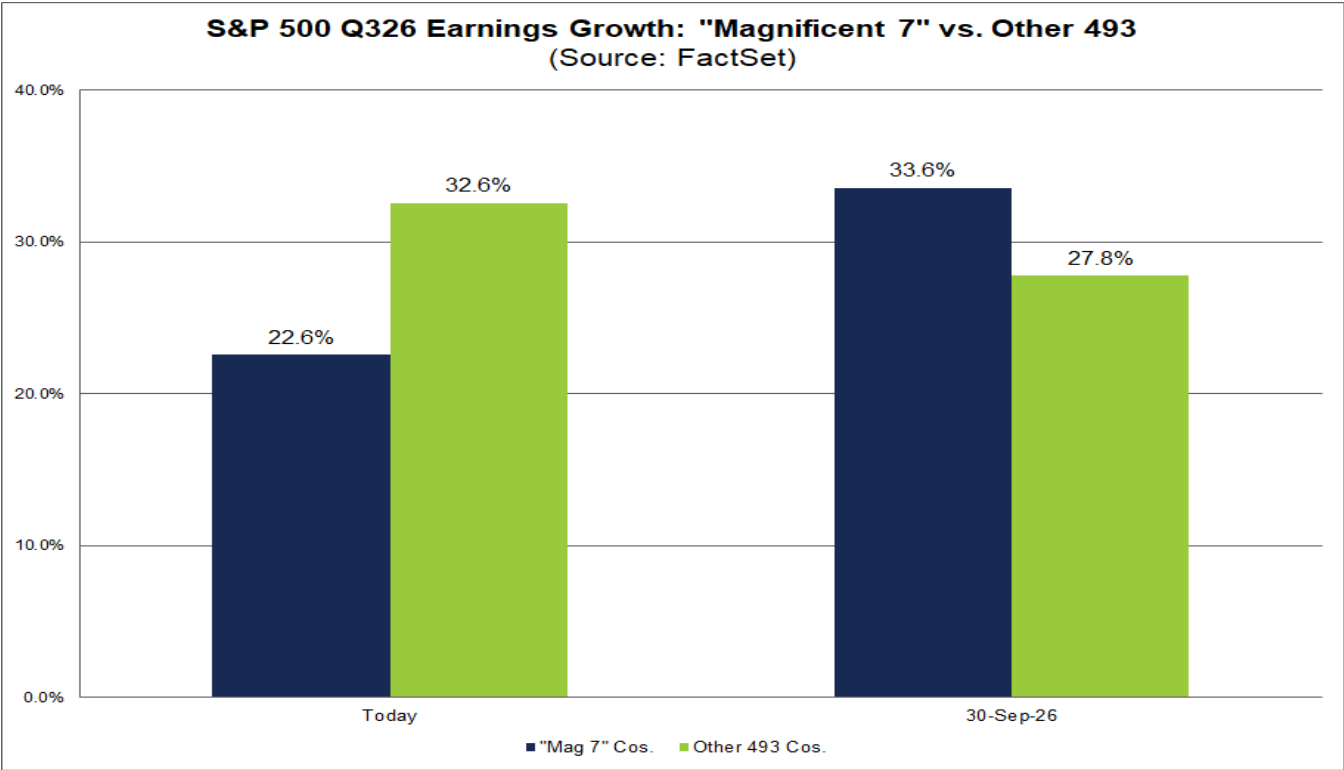
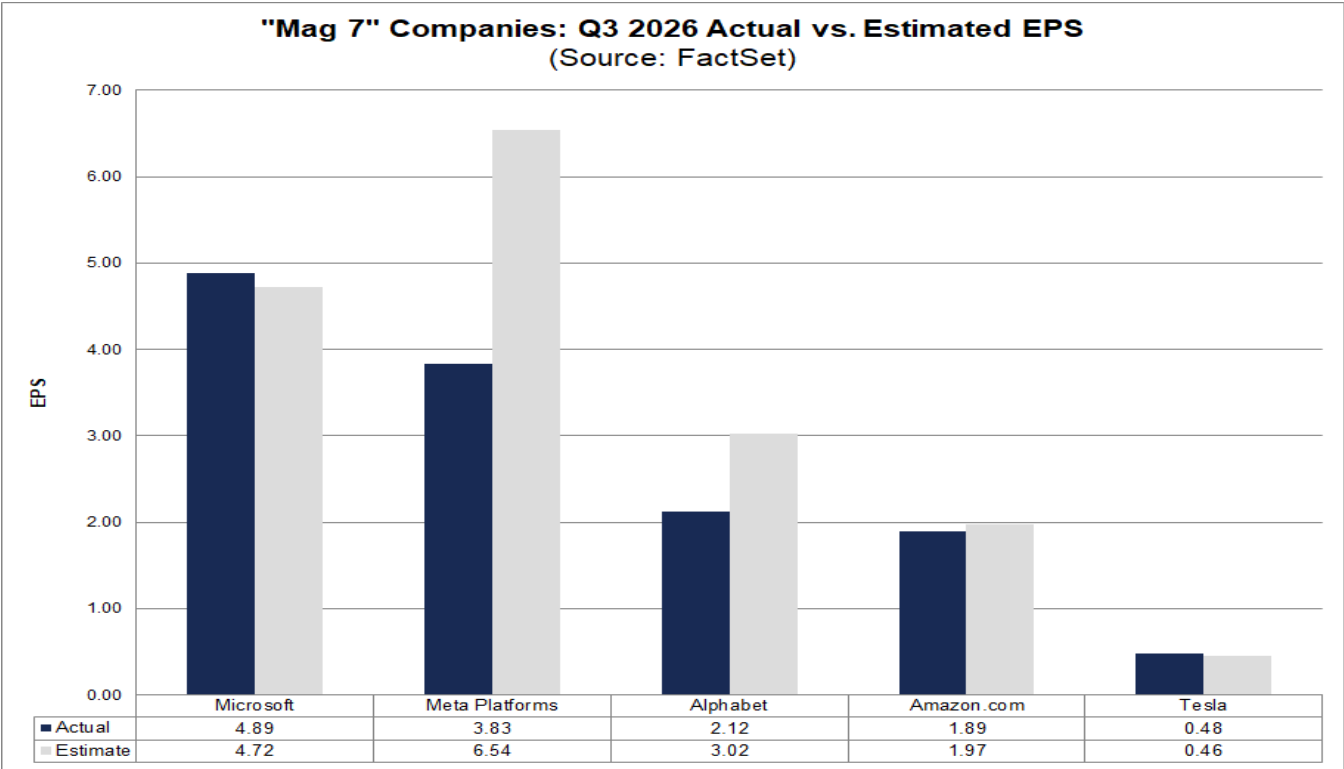
If these results hold until the end of the earnings season, this will mark the first time the “Magnificent 7” companies have reported lower earnings growth than the other 493 S&P 500 companies since Q4 2022 (-30.6% vs. 1.6%).

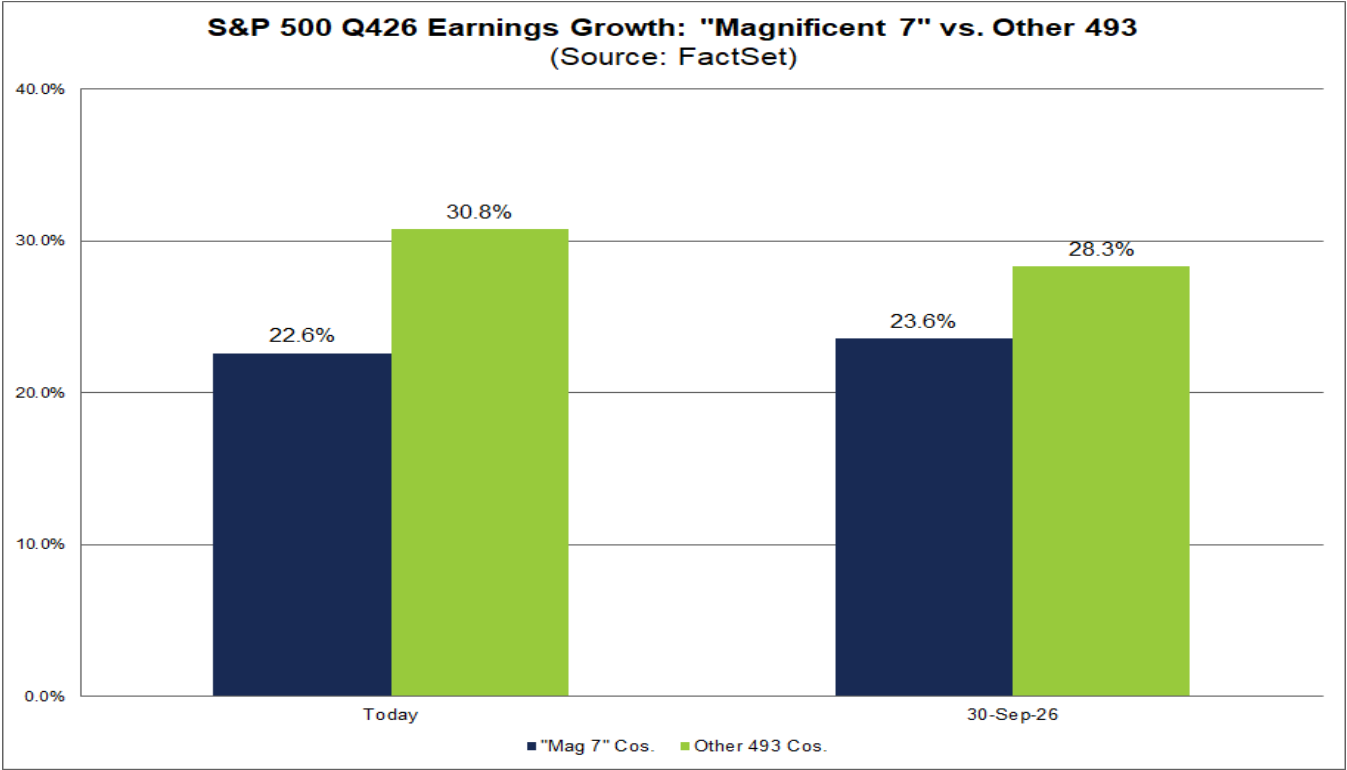
However, it should be noted that EPS reported on a GAAP basis by Alphabet, Amazon.com, and Meta Platforms was used for both the earnings surprise and the earnings growth rate calculations, as the majority of analysts contributing EPS estimates to FactSet for these three companies are providing EPS estimates on a GAAP basis. The (GAAP) EPS actual for Alphabet for Q3 2026 included a loss of \$8.7 billion in other income due to net losses on equity securities. The year-ago (GAAP) EPS actual for Amazon.com for Q3 2025 included pre-tax gains of \$9.5 billion in non-operating income from investments in Anthropic. The (GAAP) EPS actual for Meta Platforms for Q3 2026 included a \$9.89 billion charge related to a litigation agreement. All three companies reported actual (GAAP) EPS for Q3 2026 that was below the mean EPS estimate of the analysts.

While all publicly traded U.S. companies report EPS on a GAAP (generally accepted accounting principles) basis, many U.S. companies also choose to report EPS on a non-GAAP basis. There are mixed opinions in the market about the use of non-GAAP EPS. Supporters of the practice argue that it provides the market with a more accurate picture of earnings from the day-to-day operations of companies, as items that companies deem to be one-time events or nonoperating in nature are typically excluded from the non-GAAP EPS numbers. Critics of the practice argue that there is no industry-standard definition of non-GAAP EPS, and companies can take advantage of the lack of standards to exclude items that (more often than not) have a negative impact on earnings to boost non-GAAP EPS.

Apple and NVIDIA are the only two “Magnificent 7” companies that have not reported actual earnings for Q3 2026 as of today. Apple is scheduled to report results for Q3 on November 2, while NVIDIA is scheduled to report results for Q3 on November 17.

Looking ahead, analysts also expect the “Magnificent 7” companies to report lower earnings growth than other 493 S&P 500 companies in Q4 2026 (22.6% vs. 30.8%).





Topic of the Week: 2

Analysts Increasing Quarterly EPS Estimates for S&P 500 for 3rd Straight Quarter

Given concerns in the market about higher oil prices, have analysts lowered EPS estimates more than normal for S&P 500 companies for the fourth quarter?

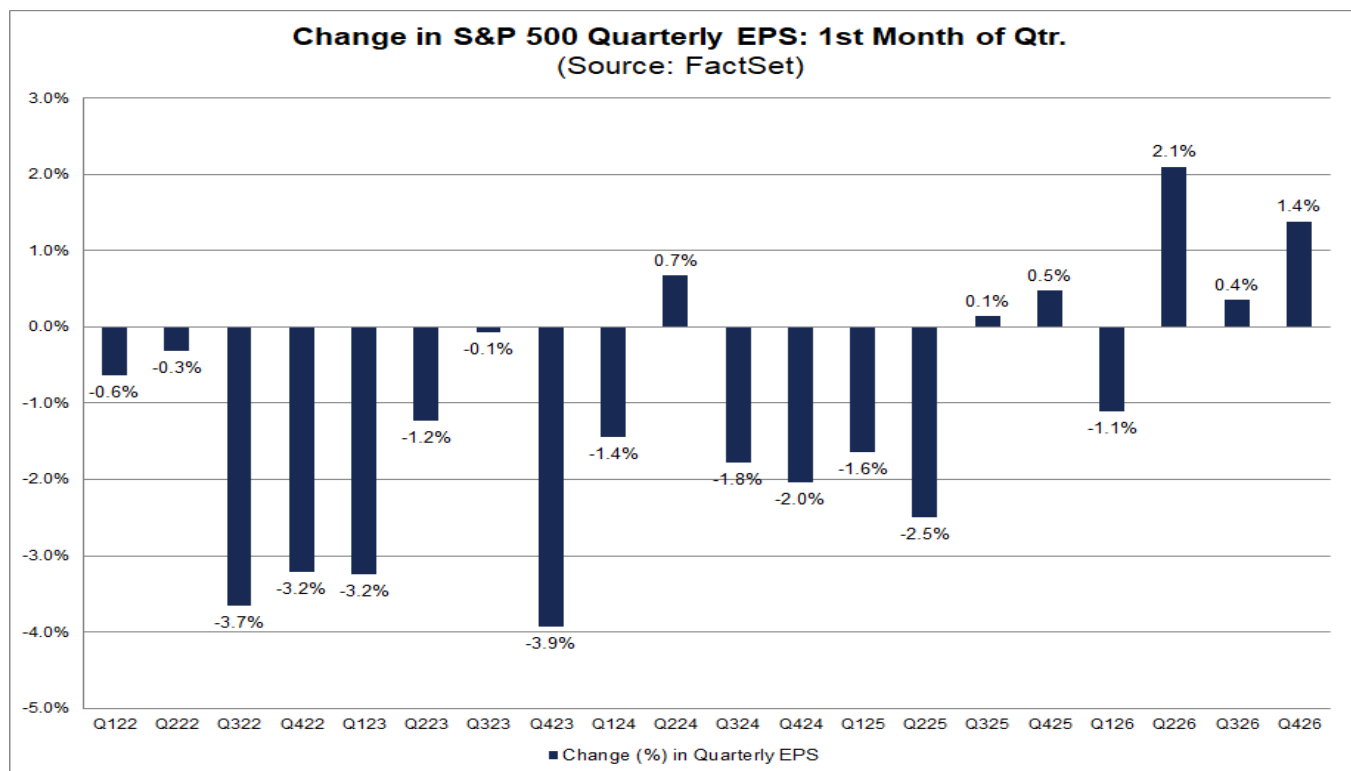
The answer is no. During the month of October, analysts have increased EPS estimates for S&P 500 companies for the fourth quarter. The Q4 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q4 for all the companies in the index) increased by 1.4% (to \$94.79 from \$93.49) from September 30 to October 29.

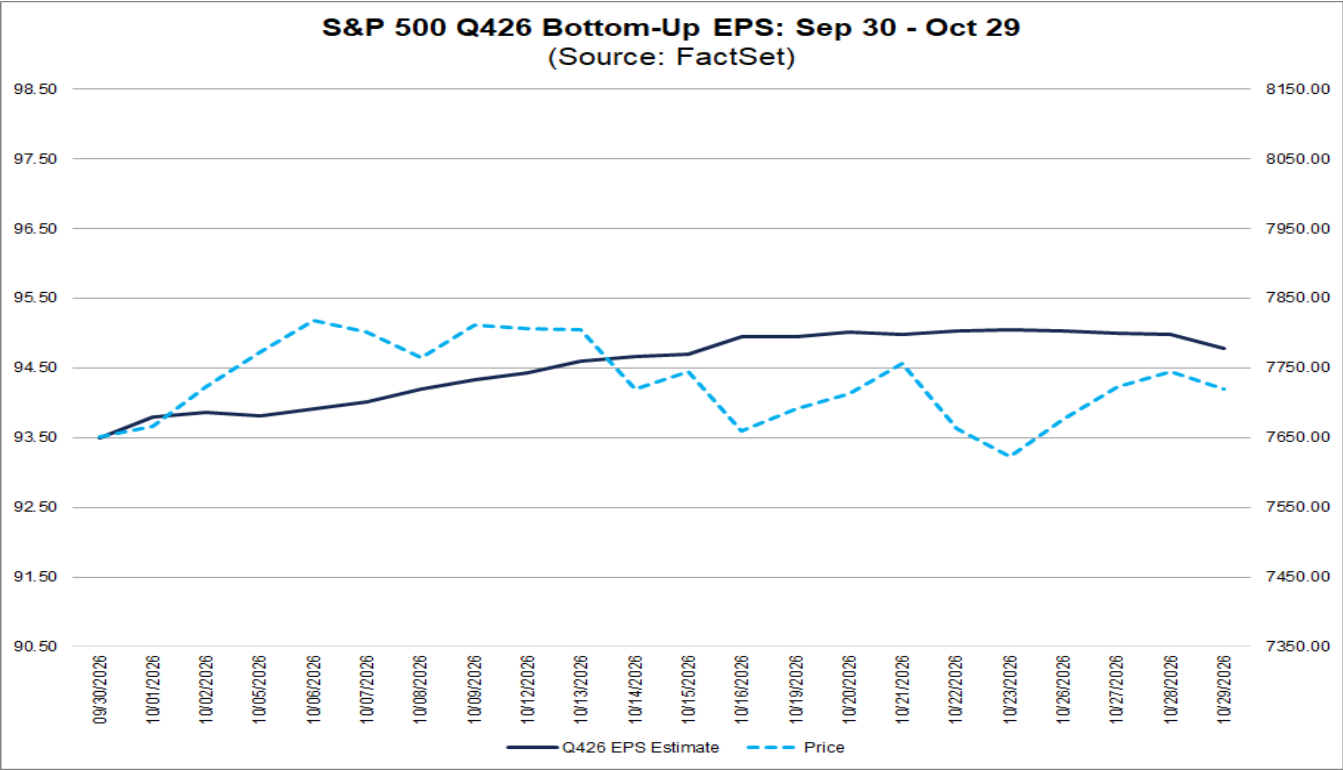
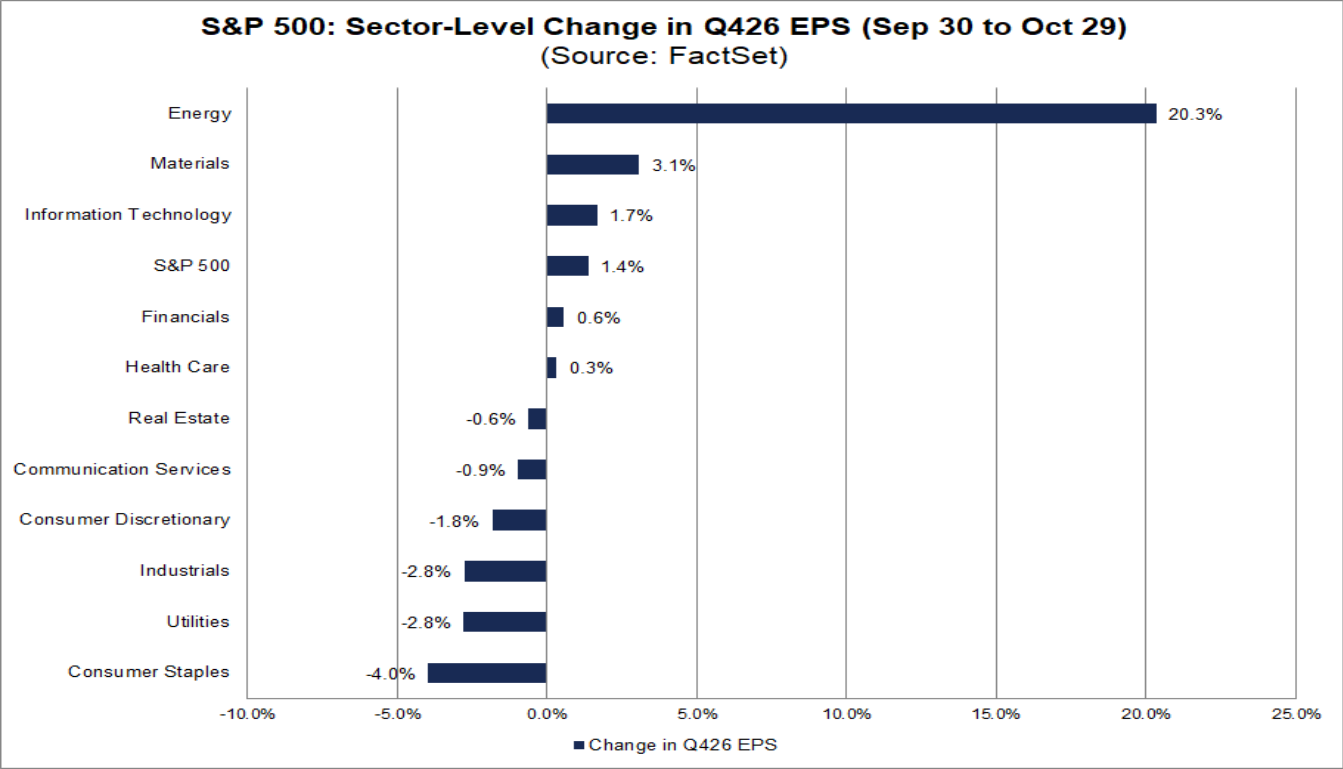
In a typical quarter, analysts usually reduce earnings estimates during the first month of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.1%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.3%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.7%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.9%.

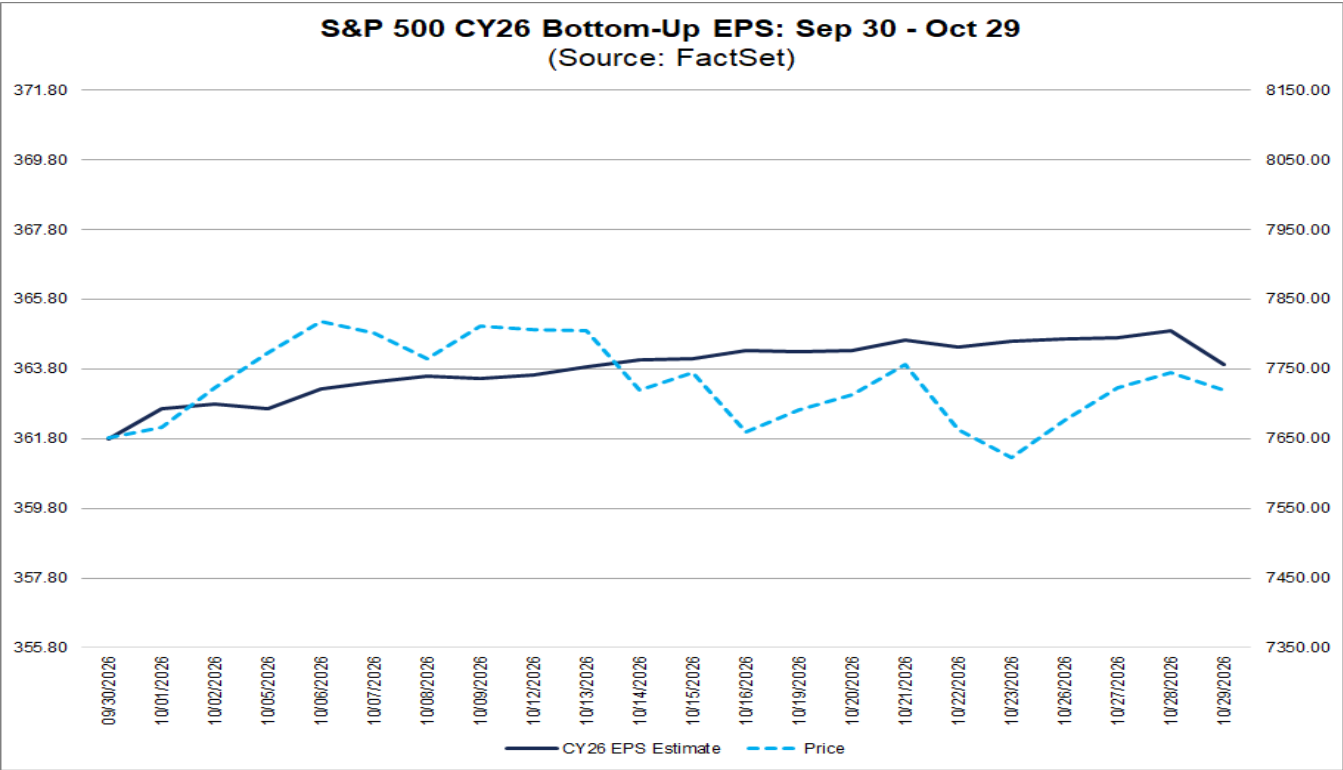
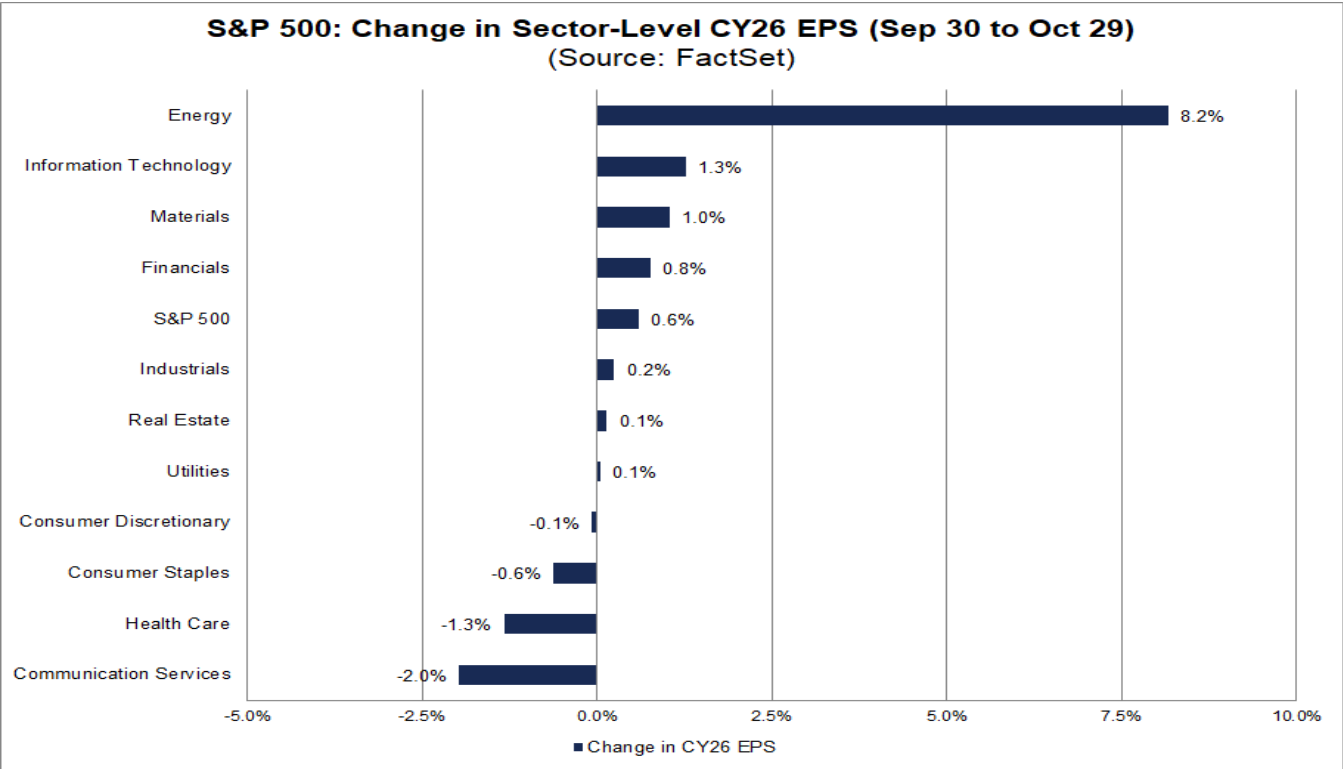
This marks the 3rd consecutive quarter and the 5th time in the past 6 quarters that the bottom-EPS estimate has increased during the first month of the quarter.

At the sector level, five of the eleven sectors witnessed an increase in their bottom-up EPS estimate for Q4 2026 from September 30 to October 29, led by the Energy (+20.3%) sector. On the other hand, five sectors recorded a decrease in their bottom-up EPS estimate for Q4 2026 during this period, led by the Consumer Staples (-4.0%) sector.

Analysts also increased earnings estimates for the full year during the month of October. From September 30 through October 29, the CY 2026 bottom-up EPS estimate increased by 0.6% (to \$363.94 from \$361.80).







Q3 Earnings Season: By The Numbers

Overview

More than halfway through the earnings season, the S&P 500 is reporting mixed results for Q3 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 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 reporting (year-over-year) earnings growth above 25% for the 3rd straight quarter.

Overall, 60% of the companies in the S&P 500 have reported actual results for Q3 2026 to date. Of these companies, 82% 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 1.9% above estimates, which is below the 5-year average of 7.5% and below the 10-year average of 8.0%. If 1.9% is the actual number for the quarter, it will mark the lowest earnings surprise percentage reported by the index since Q4 2022 (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.

During the past week, positive EPS surprises reported by companies in multiple sectors (led by companies in the Health Care, Information Technology, and Energy sectors), partially offset by a negative EPS surprise reported by a company in the Communication Services sector, were the largest contributors to the increase in the overall earnings growth rate for the index over this period. Since September 30, positive EPS surprises reported by companies in multiple sectors (led by companies in the Energy and Information Technology sectors), partially offset by negative EPS surprises reported by companies in the Communication Services sector, have been the largest contributors to the increase in the overall earnings growth rate for the index over 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 rate for the third quarter is 30.2% today, compared to an earnings growth rate of 29.5% last week and an earnings growth rate of 29.1% at the end of the third quarter (September 30).

If 30.2% 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.

All eleven sectors are reporting year-over-year earnings growth. Seven of these sectors are reporting double-digit growth, led by the Energy, Information Technology, and Materials sectors.

In terms of revenues, 70% of S&P 500 companies have reported actual revenues above estimates, which is equal to the 5-year average of 70% and above the 10-year average of 68%. In aggregate, companies are reporting revenues that are 1.7% above the estimates, which is below the 5-year average of 1.8% but above 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, positive revenue surprises reported by companies in multiple sectors (led by companies in the Energy and Health Care sectors) were the largest contributors to the increase in the overall revenue growth rate for the index over this period. Since September 30, positive revenue surprises reported by companies in the Energy, Health Care, and Information Technology sectors 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 13.4% today, compared to a revenue growth rate of 12.7% last week and a revenue growth rate of 12.2% at the end of the third quarter (September 30).

If 13.4% 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 28.4%. For CY 2026, analysts are predicting (year-over-year) earnings growth of 32.9%.

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, 140 S&P 500 companies (including 3 Dow 30 components) are scheduled to report results for the third quarter.

Scorecard: Magnitude of Both EPS & Revenue Surprises Is Below 5-Year Averages

Percentage of Companies Beating EPS Estimates (82%) is Above 5-Year Average

Overall, 60% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 82% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 14% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is equal to the 1-year average (82%), but 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 Energy (100%), Information Technology (94%), and Consumer Staples (93%) sectors have the highest percentages of companies reporting earnings above estimates, while the Materials (63%) and Consumer Discretionary (66%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+1.9%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 1.9% 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.

If 1.9% is the actual number for the quarter, it will mark the lowest earnings surprise percentage reported by the index since Q4 2022 (+1.3%).

The Health Care (+13.2%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Centene Corporation (\$0.58 vs. \$0.10), Elevance Health (\$6.99 vs. \$4.71), Biogen (\$2.62 vs. \$1.99), and Eli Lilly and Company (\$7.48 vs. \$5.71) 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.

The Energy (+8.8%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, ONEOK (\$2.13 vs. \$1.50) and Phillips 66 (\$14.08 vs. \$11.73) have reported the largest positive EPS surprises.

The Industrials (+7.5%) sector is reporting the third-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), Huntington Ingalls Industries (\$5.48 vs. \$4.36), Textron (\$1.76 vs. \$1.43), and Vertiv Holdings (\$2.21 vs. \$1.82) 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.

On the other hand, the Communication Services (-21.5%) sector is reporting the largest negative (aggregate) difference between actual and estimated earnings. Within this sector, Meta Platforms (\$3.83 vs. \$6.54) and Alphabet (\$2.12 vs. \$3.02) have reported the largest negative EPS surprises. The (GAAP) EPS actual for Meta Platforms for Q3 2026 included a \$9.89 billion charge related to a litigation agreement, while the (GAAP) EPS actual for Alphabet included a loss of \$8.7 billion in other income due to net losses on equity securities.

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 +1.6% 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 -2.1% two days before the earnings release through two days after the earnings release. This percentage decrease is 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 (70%) is Equal to 5-Year Average

In terms of revenues, 70% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 30% 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%), equal to the 5-year average (70%), and above 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 Energy (100%), Consumer Staples (93%) and Health Care (90%) sectors have the highest percentages of companies reporting revenues above estimates, while the Consumer Discretionary (48%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.7%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.7% above expectations. This surprise percentage is below the 1-year average (+2.1%) and below the 5-year average (+1.8%), but above 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 (+10.0%), Health Care (+2.8%), and Information Technology (+2.7%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Financials (+0.1%) and Real Estate (+0.1%) sectors are reporting the smallest positive (aggregate) differences 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 30.2%, which is above the earnings growth rate of 29.5% last week. Positive EPS surprises reported by companies in multiple sectors (led by the Health Care, Information Technology, and Energy sectors), partially offset by a negative EPS surprise reported by a company in the Communication Services sector, were the largest contributors to the increase in the overall earnings growth rate for the index over this period.

In the Health Care sector, the positive EPS surprises reported by Eli Lilly (\$7.48 vs. \$5.71), Merck (\$2.49 vs. \$2.09), Bristol Myers Squibb (\$1.35 vs. \$1.10), Gilead Sciences (\$2.55 vs. \$2.19), and Regeneron Pharmaceuticals (\$20.07 vs. \$16.42) were substantial contributors to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Health Care sector improved to 5.2% from -1.4% over this period.

In the Information Technology sector, the positive EPS surprises reported by Microsoft (\$4.89 vs. \$4.72), Intel (\$0.52 vs. \$0.41), and Sandisk (\$49.51 vs. \$46.67) were significant contributors to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Information Technology sector increased to 67.5% from 65.6% over this period.

In the Energy sector, the positive EPS surprises reported by Phillips 66 (\$14.08 vs. \$11.73), Chevron (\$5.28 vs. \$4.87), ExxonMobil (\$4.23 vs. \$4.12), and ONEOK (\$2.13 vs. \$1.50) were substantial contributors to the 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 146.4% from 135.9% over this period.

In the Communication Services sector, the negative EPS surprise reported by Alphabet (\$2.12 vs. \$3.02) was the largest detractor to the increase in the earnings growth rate for the index during the past week. The (GAAP) EPS actual for Alphabet included a loss of \$8.7 billion in other income due to net losses on equity securities. As a result, the blended earnings growth rate for the Communication Services sector decreased to 20.5% from 39.8% 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 13.4%, which is above the revenue growth rate of 12.7% last week. Positive revenue surprises reported by companies in multiple sectors (led by the companies in the Energy and Health Care sectors) were the largest contributors to the increase in the overall revenue growth rate for the index 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 30.2% is above the estimate of 29.1% at the end of the third quarter (September 30). Eight 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 146.4% from 114.4%) sector. The Energy, Information Technology (to 67.5% from 63.8%), Financials (to 5.5% from 2.8%), and Industrials (to 20.4% from 14.6%) sectors have been the largest contributors to the 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 20.5% from 51.5%) and Health Care (to 3.8% from 5.5%). The Communication Services sector has also been the largest detractor to the increase in the earnings growth rate for the index since September 30.

In the Energy sector, upward revisions to EPS estimates and positive EPS surprises reported by ExxonMobil (\$4.23 vs. \$4.12), Valero Energy (\$23.90 vs. \$21.17), Phillips 66 (\$14.08 vs. \$11.73), and Chevron (\$5.28 vs. \$4.87) have been significant contributors to the 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 142.1% from 114.8% over this period.

In the Information Technology sector, the positive EPS surprises reported by Micron Technology (\$33.42 vs. \$31.77), Microsoft (\$4.89 vs. \$4.72), and Intel (\$0.52 vs. \$0.41) have been substantial contributors to the 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 67.5% from 63.8% over this period.

In the Financials sector, the positive EPS surprises reported by Goldman Sachs (\$17.01 vs. \$12.86) and Capital One Financial (\$6.69 vs. \$5.53) have been significant contributors to the 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 5.5% from 2.8% over this period.

In the Industrials sector, the positive EPS surprise reported by RTX Corporation (\$2.26 vs. \$1.78) has been a substantial contributor to the increase in the earnings growth rate for the index since September 30. 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 20.4% from 14.6% over this period.

In the Communication Services sector, the negative EPS surprises reported by Alphabet (\$2.12 vs. \$3.02) and Meta Platforms (\$3.83 vs. \$6.54) and have been the largest detractors to the increase in the earnings growth rate for the index since September 30. The (GAAP) EPS actual for Alphabet included a loss of \$8.7 billion in other income due to net losses on equity securities, while 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 20.5% from 51.5% over this period.

Energy Sector Has Seen Largest Increase in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2026 of 13.4% is above the estimate of 12.2% 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 28.5% from 21.9%) sector. The Energy, Health Care (to 5.3% from 4.0%), and Information Technology (to 41.9% 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, three 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 8.2% from 9.4%) sector.

In the Energy sector, upward revisions to revenue estimates and positive revenue surprises reported by Chevron (\$67.80 billion vs. \$61.82 billion), Phillips 66 (\$51.23 billion vs. \$44.91 billion), Valero Energy (\$46.10 billion vs. \$42.71 billion), and ONEOK (\$12.46 billion vs. \$10.54 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 28.5% from 21.9% over this period.

In the Health Care sector, the positive revenue surprises reported by Centene Corporation (\$50.65 billion vs. \$47.12 billion) and Eli Lilly (\$24.40 billion vs. \$22.58 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 Health Care sector has increased to 5.3% from 4.0% over this period.

In the Information Technology sector, the positive revenue surprises reported by Micron Technology (\$54.23 billion vs. \$51.33 billion) and Microsoft (\$92.28 billion vs. \$90.62 billion), and upward revisions to revenue estimates for Super Micro Computer (to \$17.53 billion from \$15.01 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 41.9% from 39.9% over this period.

Earnings Growth: 30.2%

The blended (year-over-year) earnings growth rate for Q3 2026 is 30.2%, 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 30.2% 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.

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

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 146.4%. 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 (536%), Integrated Oil & Gas (138%), Oil & Gas Exploration & Production (72%), and Oil & Gas Storage & Transportation (27%). On the other hand, the Oil & Gas Equipment & Services (-3%) 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 67.5%. At the industry level, all 6 industries in the sector are reporting year-over-year earnings growth: Semiconductors & Semiconductor Equipment (132%), Electronic Equipment, Instruments, & Components (46%), Technology Hardware, Storage, & Peripherals (42%), Communications Equipment (38%), Software (17%), 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 27.2% from 67.5%.

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

The Materials sector is reporting the third-largest (year-over-year) earnings growth of all eleven sectors at 30.6%. At the industry level, 3 of the 4 industries in the sector are reporting (year-over-year) earnings growth: Metals & Mining (56%), Containers & Packaging (41%), and Chemicals (25%). On the other hand, the Construction Materials (-2%) industry is the only industry in the sector reporting a year-over-year decline in earnings.

Revenue Growth: 13.4%

The blended (year-over-year) revenue growth rate for Q3 2026 is 13.4%, 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 13.4% 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 41.9%. At the industry level, all 6 industries in the sector are reporting year-over-year revenue growth: Semiconductors & Semiconductor Equipment (83%), Technology Hardware, Storage, & Peripherals (38%), Electronic Equipment, Instruments, & Components (27%), Communications Equipment (25%), Software (19%), 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 28.5%. 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 (38%), Integrated Oil & Gas (28%), Oil & Gas Storage & Transportation (25%), Oil & Gas Exploration & Production (22%), and Oil & Gas Equipment & Services (8%).

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 16.0%. 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 (7%), 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, seven sectors are reporting a year-over-year increase in their net profit margins in Q3 2026 compared to Q3 2025, led by the Energy (15.6% vs. 8.1%) and Information Technology (32.4% vs. 27.5%) sectors. On the other hand, three sectors are reporting a year-over-year decrease in their net profit margins in Q3 2026 compared to Q3 2025, led by the Financials (20.2% vs. 20.5%) and Consumer Discretionary (9.9% vs. 10.2%) sectors. One sector (Health Care) is reporting no year-over-year change in net profit margin (7.9% vs. 7.9%).

Eight sectors are reporting net profit margins in Q3 2026 that are above their 5-year averages, led by the Information Technology (32.4% vs. 25.9%) and Energy (15.6% 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 Communication Services (11.3% vs. 13.7%) sector.

Forward Estimates & Valuation

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

At this point in time, 47 companies in the index have issued EPS guidance for Q4 2026. Of these 47 companies, 19 have issued negative EPS guidance and 28 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q4 2026 is 40% (19 out of 47), which is below the 5-year average of 60% and below the 10-year average of 59%.

At this point in time, 270 companies in the index have issued EPS guidance for the current fiscal year (FY 2026 or FY 2027). Of these 270 companies, 92 have issued negative EPS guidance and 178 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 34% (92 out of 270).

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 30.2% and year-over-year growth in revenues of 13.4%.

For Q4 2026, analysts are projecting earnings growth of 28.4% and revenue growth of 13.1%.

For CY 2026, analysts are projecting earnings growth of 32.9% and revenue growth of 13.0%.

For Q1 2027, analysts are projecting earnings growth of 19.2% and revenue growth of 12.0%.

For Q2 2027, analysts are projecting earnings growth of 2.8% and revenue growth of 8.0%.

For CY 2027, analysts are projecting earnings growth of 16.3% and revenue growth of 9.6%.

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 0.9% while the forward 12-month EPS estimate has increased by 2.5%. At the sector level, the Consumer Discretionary (23.8), Consumer Staples (22.9), and Industrials (22.8) sectors have the highest forward 12-month P/E ratios, while the Energy (13.2) and Financials (14.9) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 25.9, which is above the 5-year average of 24.4 and above the 10-year average of 23.7.

Targets & Ratings: Analysts Project 21% Increase in Price Over Next 12 Months

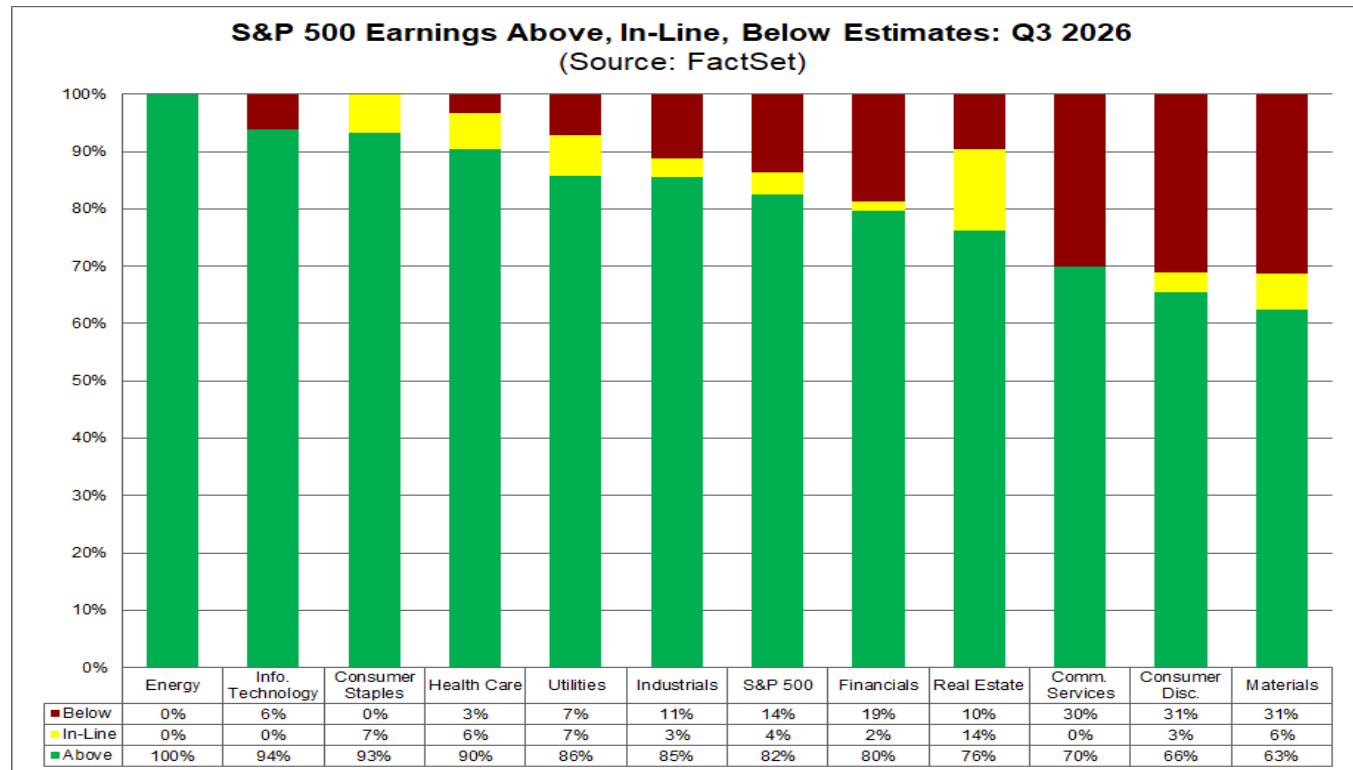
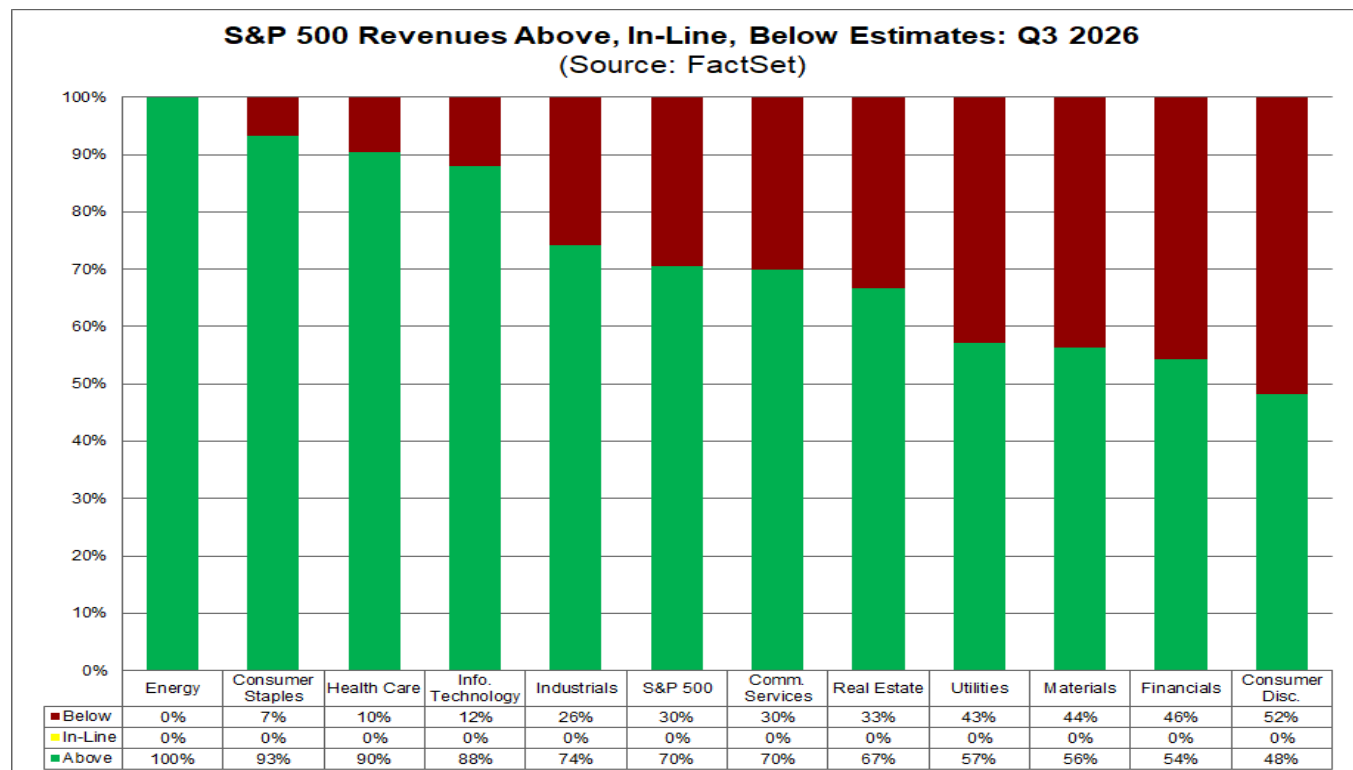
The bottom-up target price for the S&P 500 is 9,327.80, which is 20.8% above the closing price of 7,720.39. At the sector level, the Communication Services (+38.5%) and Information Technology (+27.9%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Health Care (+5.3%), Energy (+6.0%), and Consumer Staples (+7.4%) 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 13,324 ratings on stocks in the S&P 500. Of these 13,324 ratings, 59.9% are Buy ratings, 35.3% are Hold ratings, and 4.8% are Sell ratings. At the sector level, the Communication Services (73%), Information Technology (69%), Materials (63%), Energy (63%), and Health Care (60%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (48%) sector has the lowest percentage of Buy ratings.

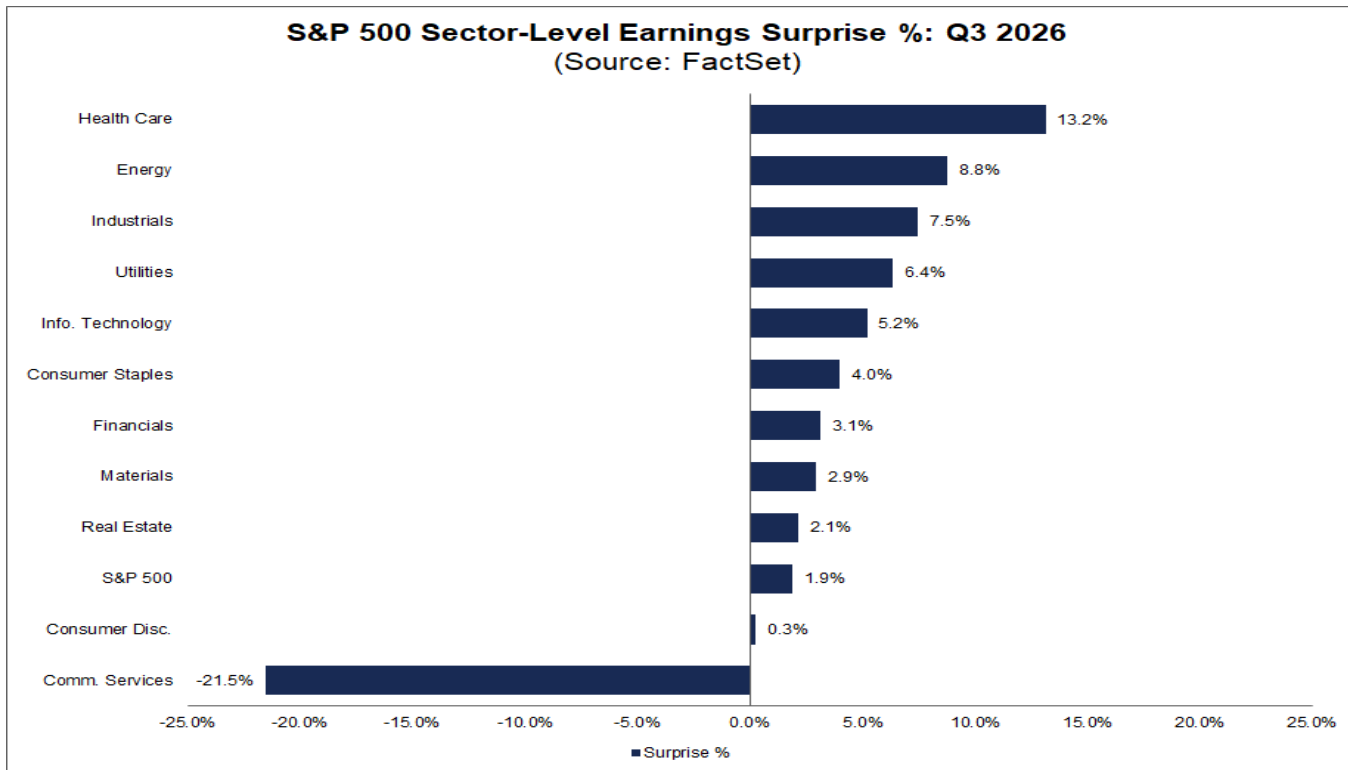
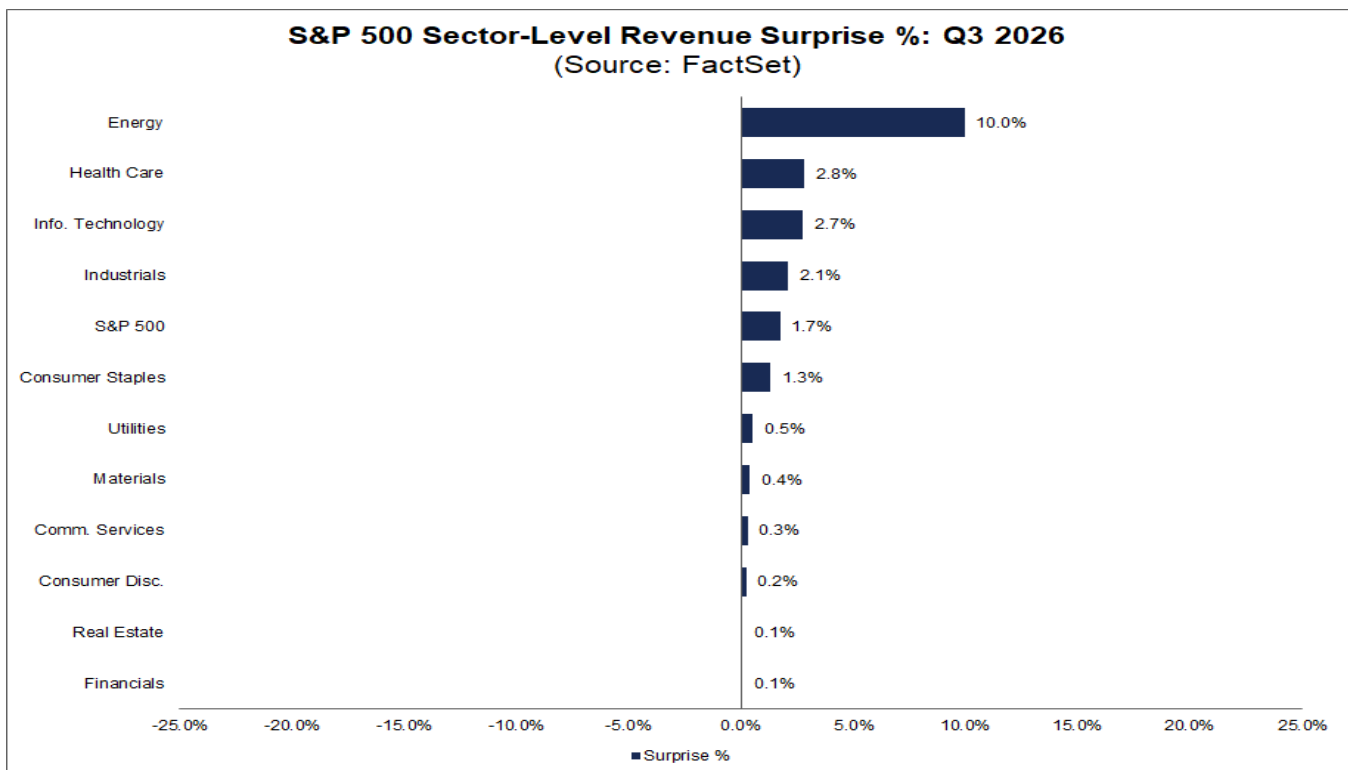
Companies Reporting Next Week: 140

During the upcoming week, 140 S&P 500 companies (including 3 Dow 30 components) are scheduled to report results for the third quarter.

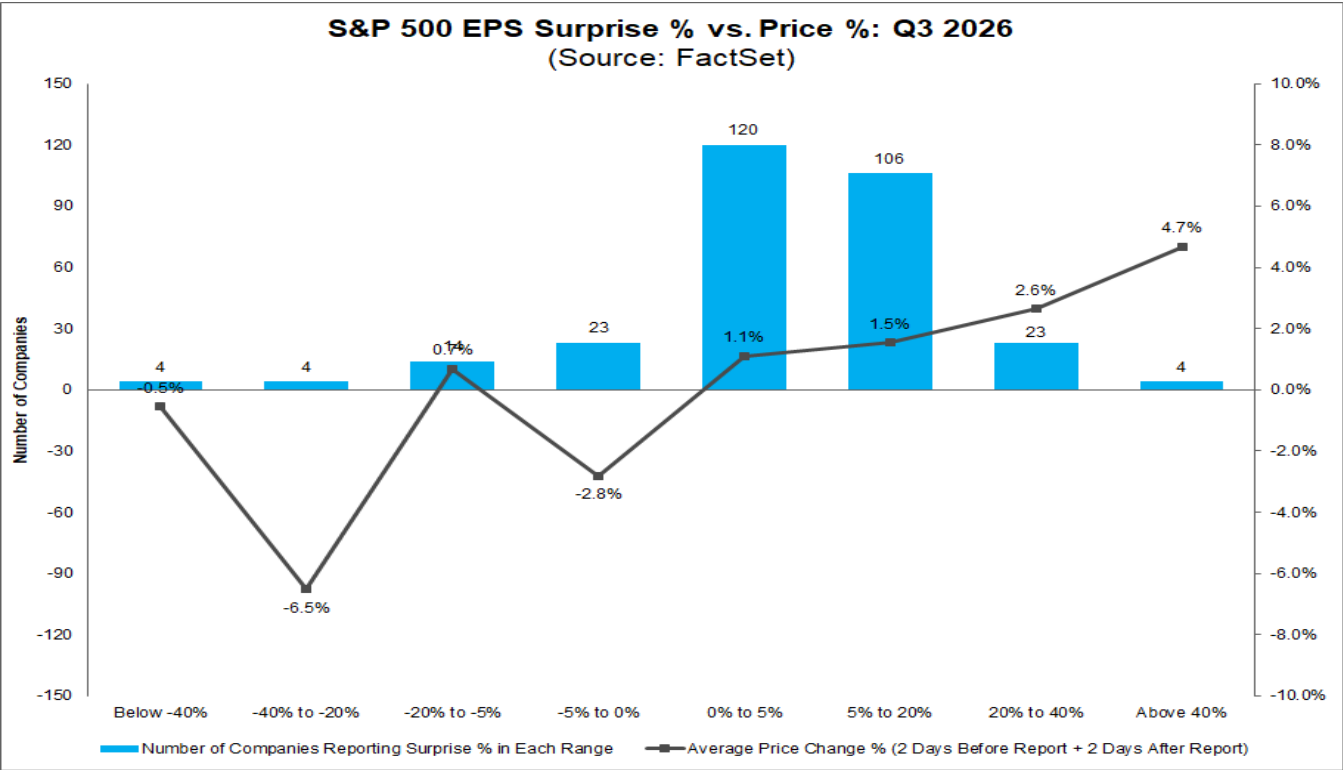
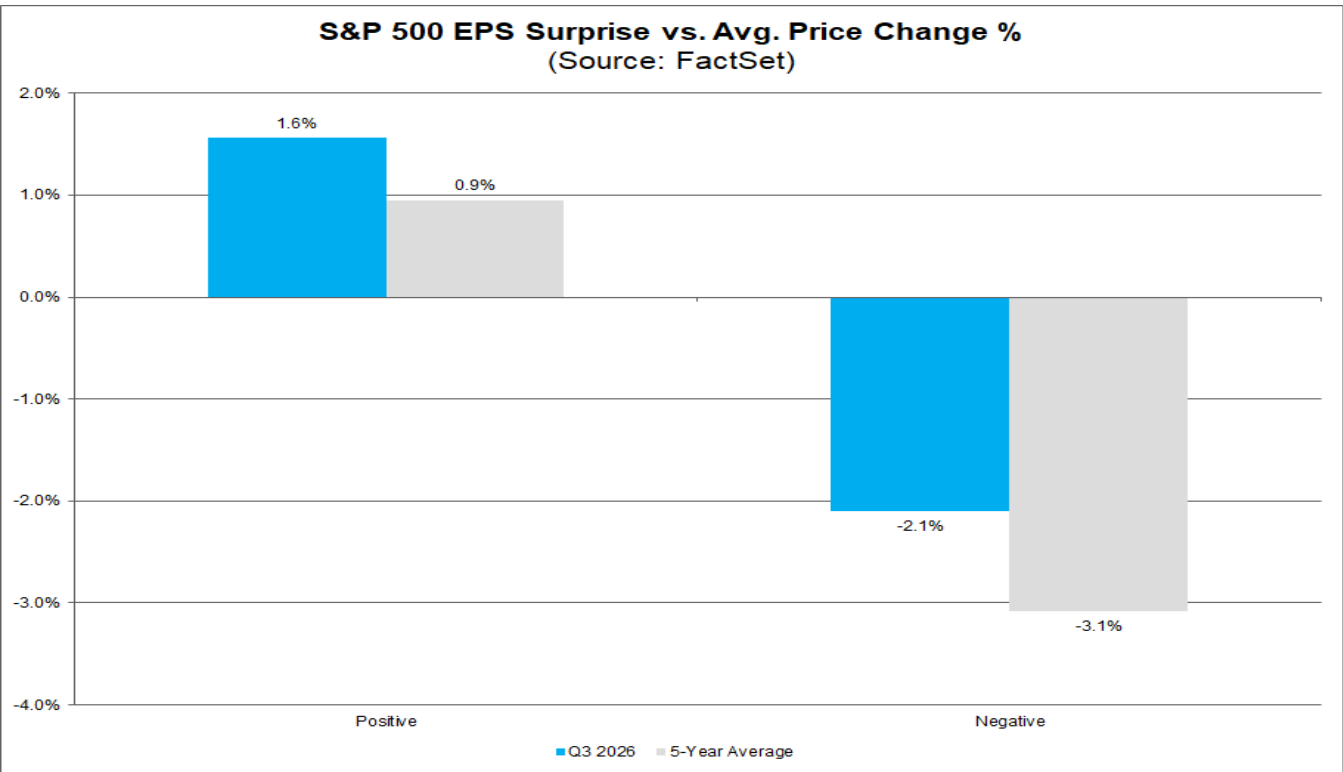
Q3 2026: Scorecard



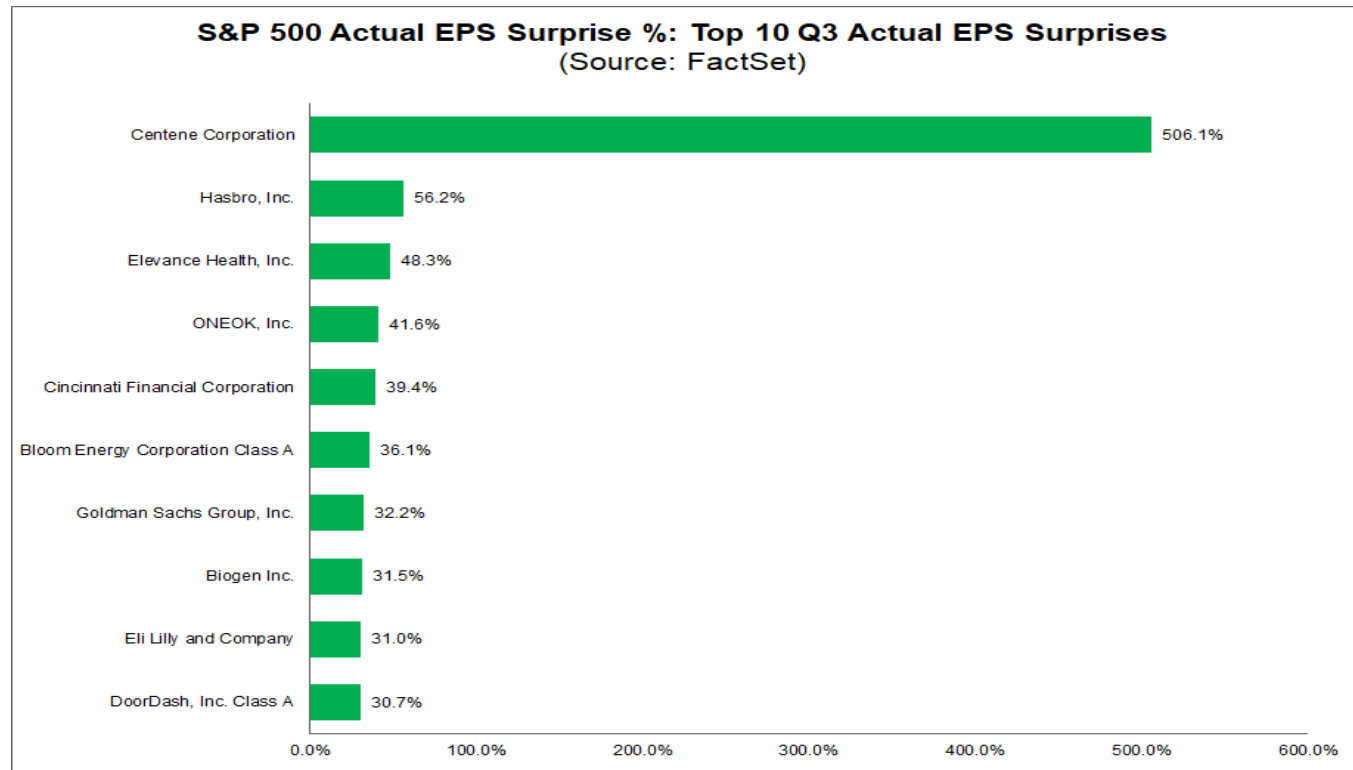
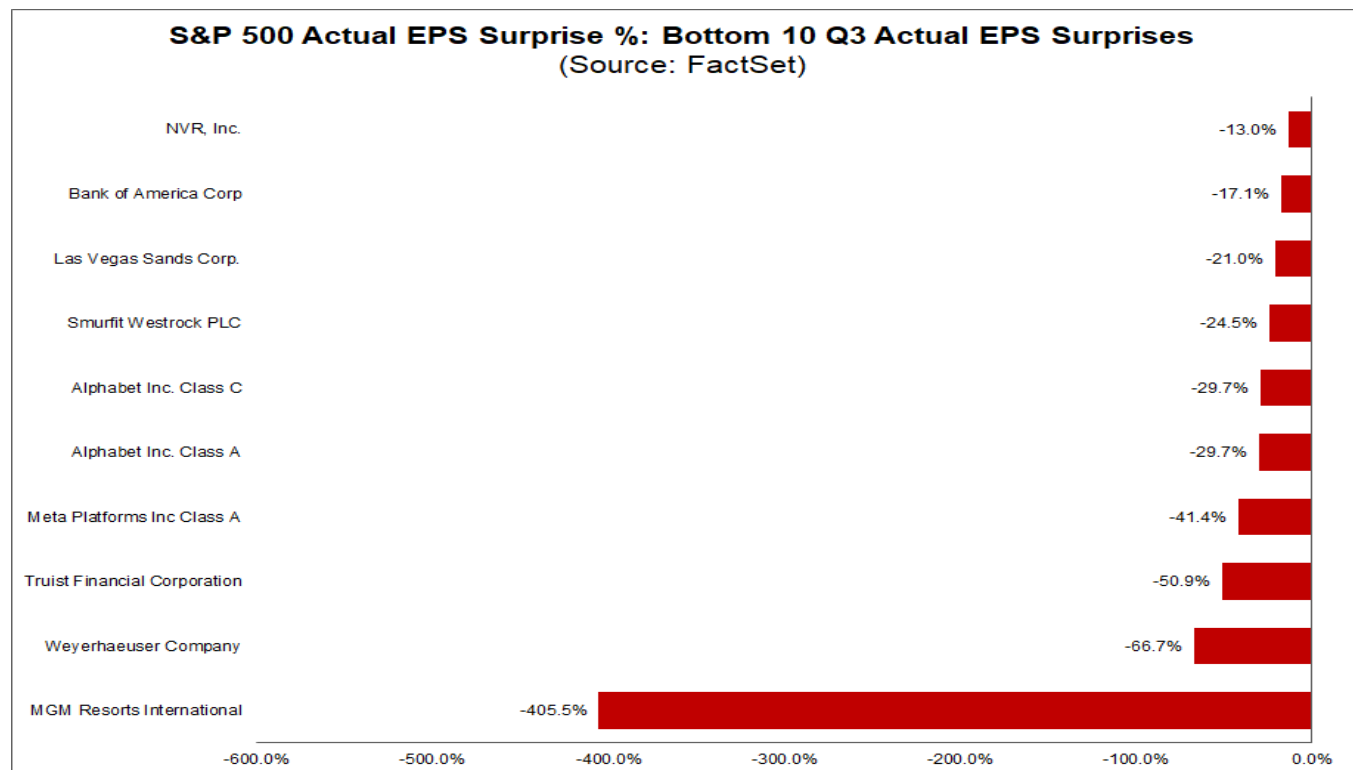
Q3 2026: Surprise



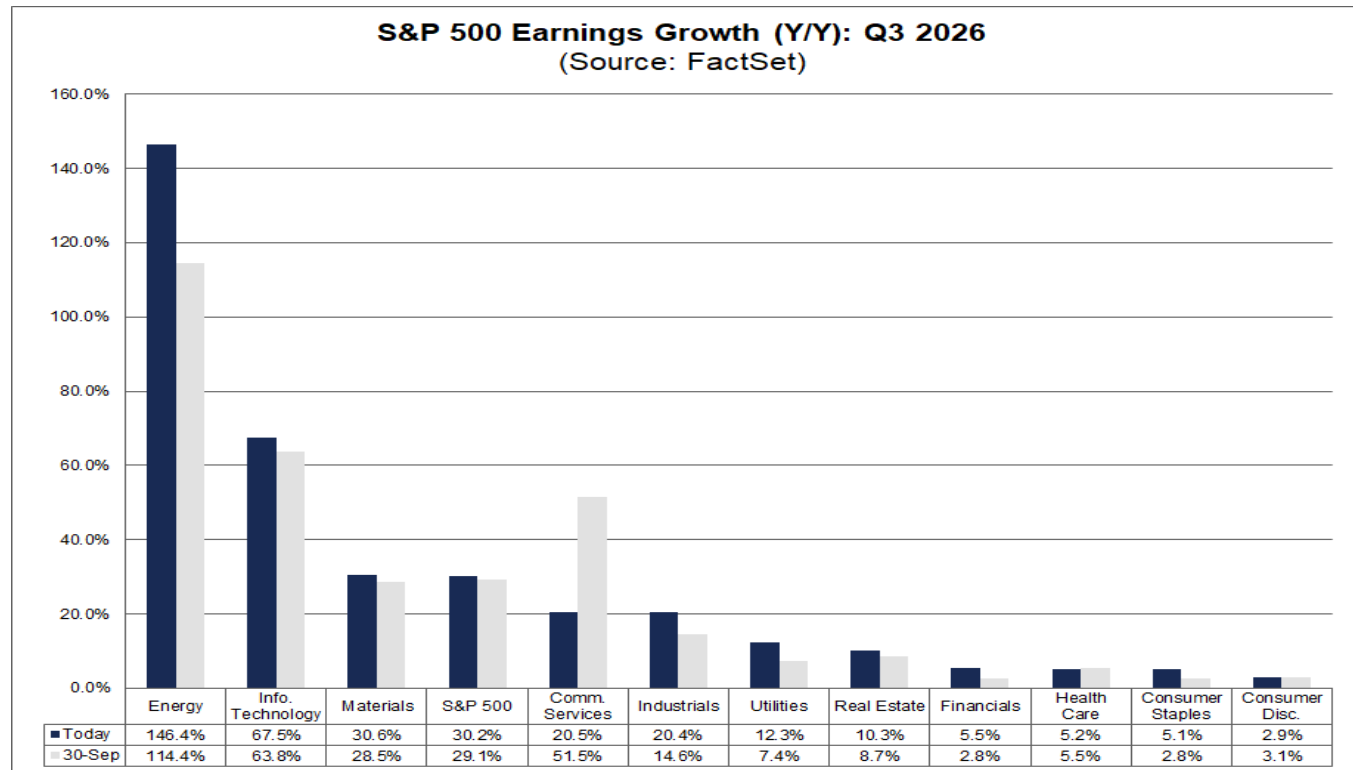
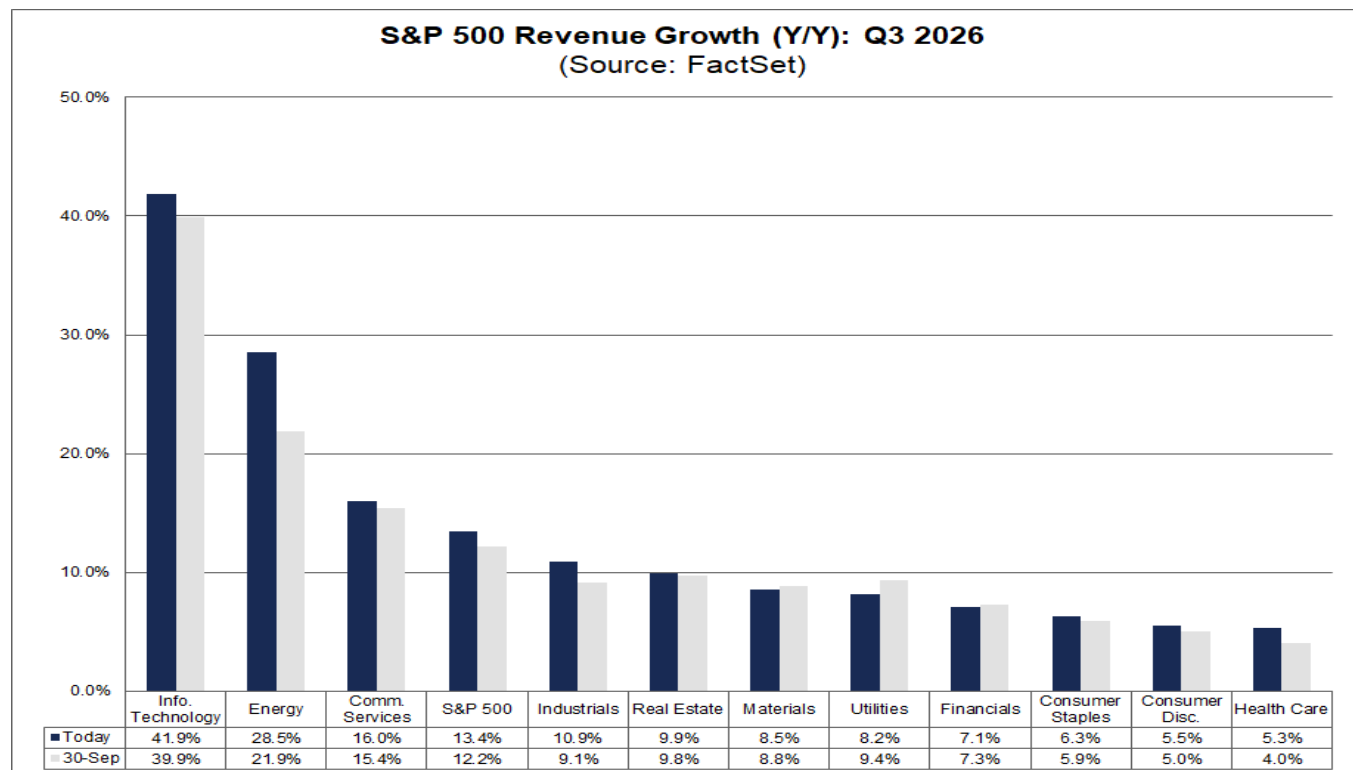
Q3 2026: Surprise



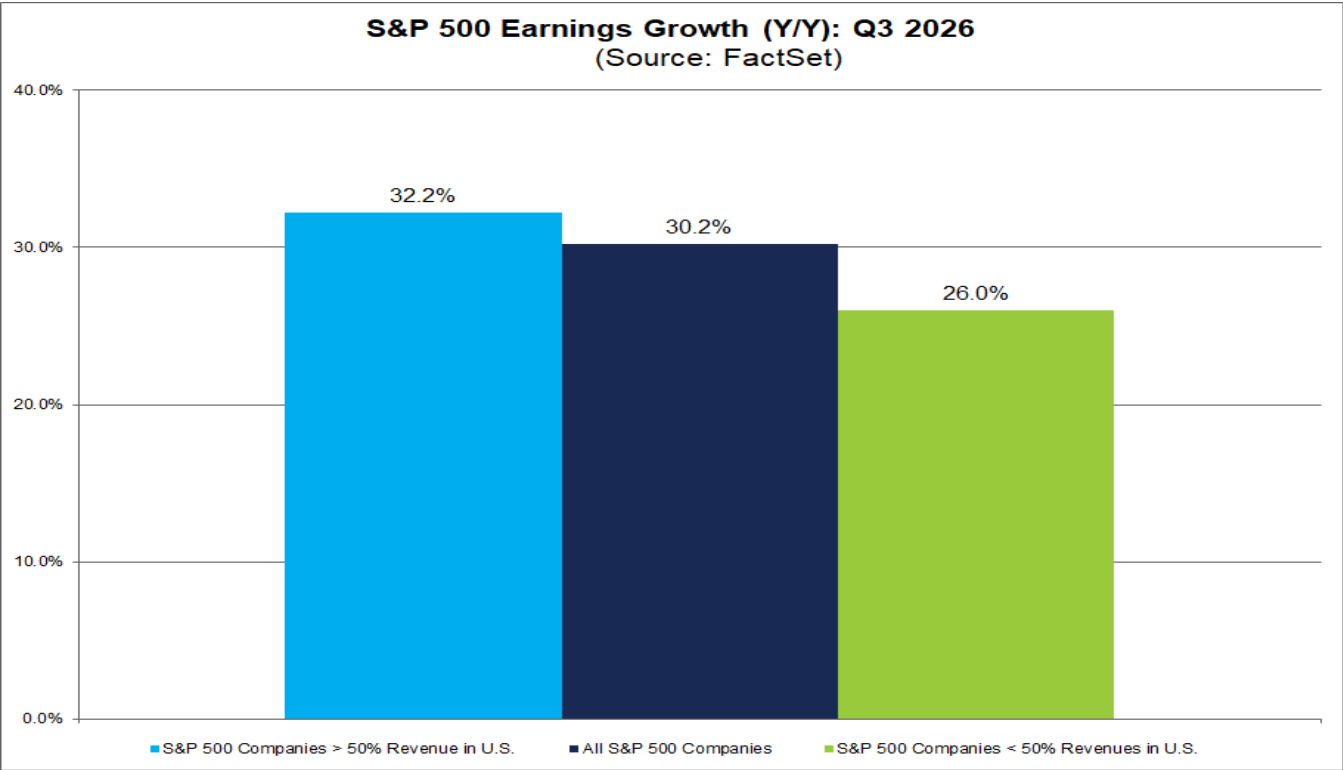
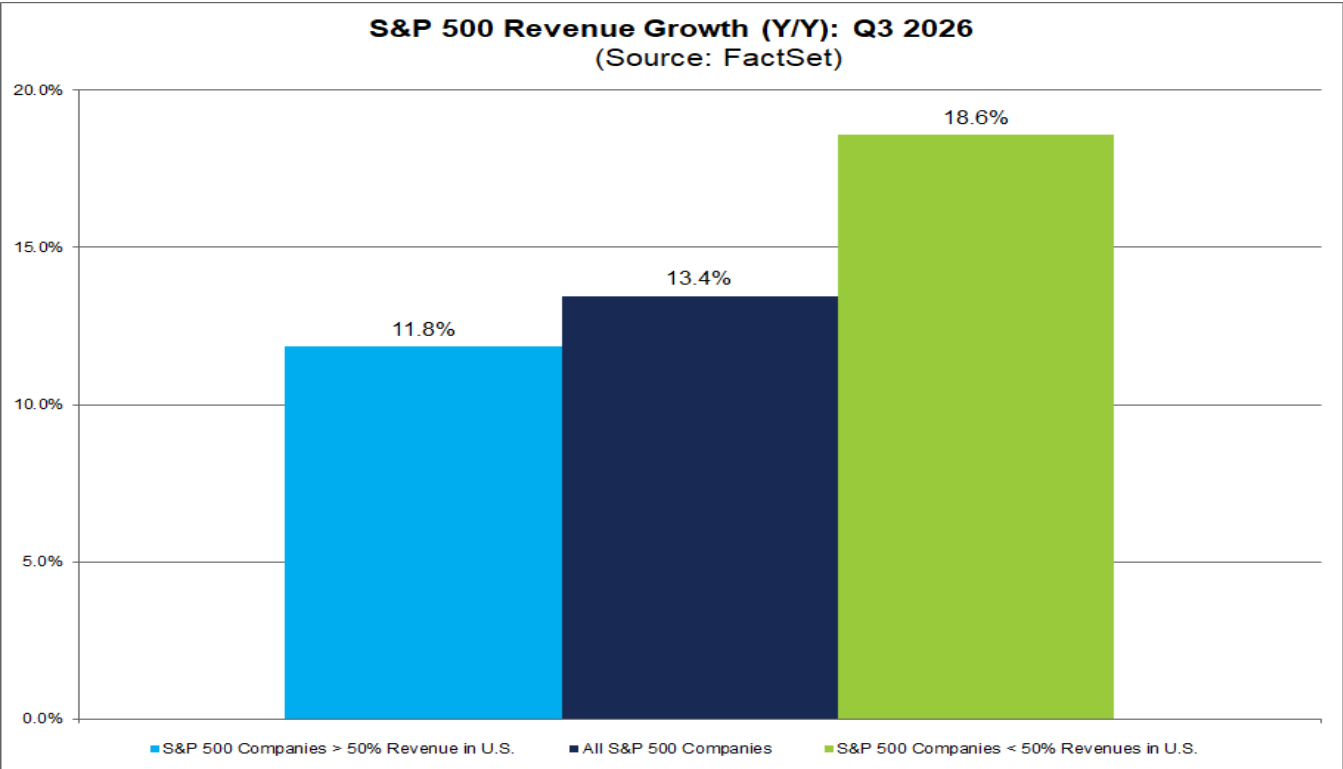
Q3 2026: Surprise



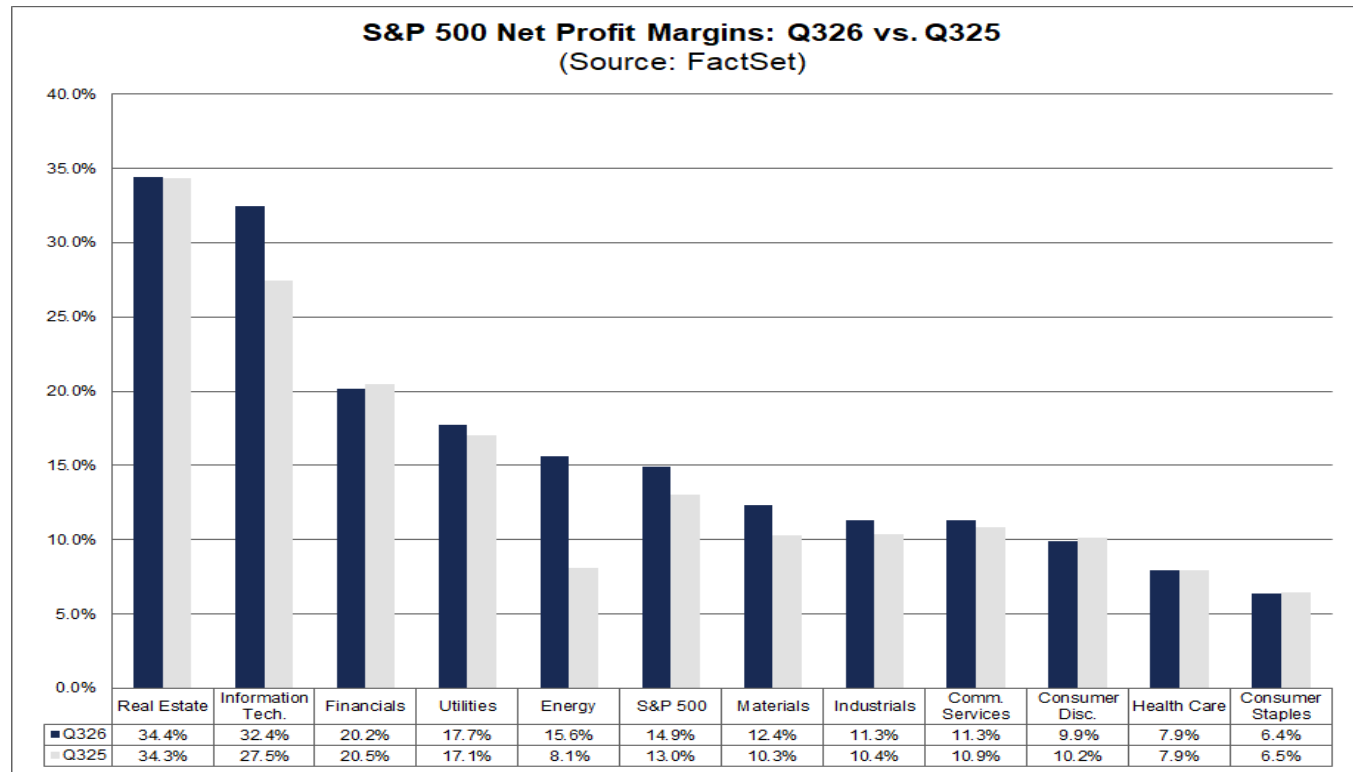
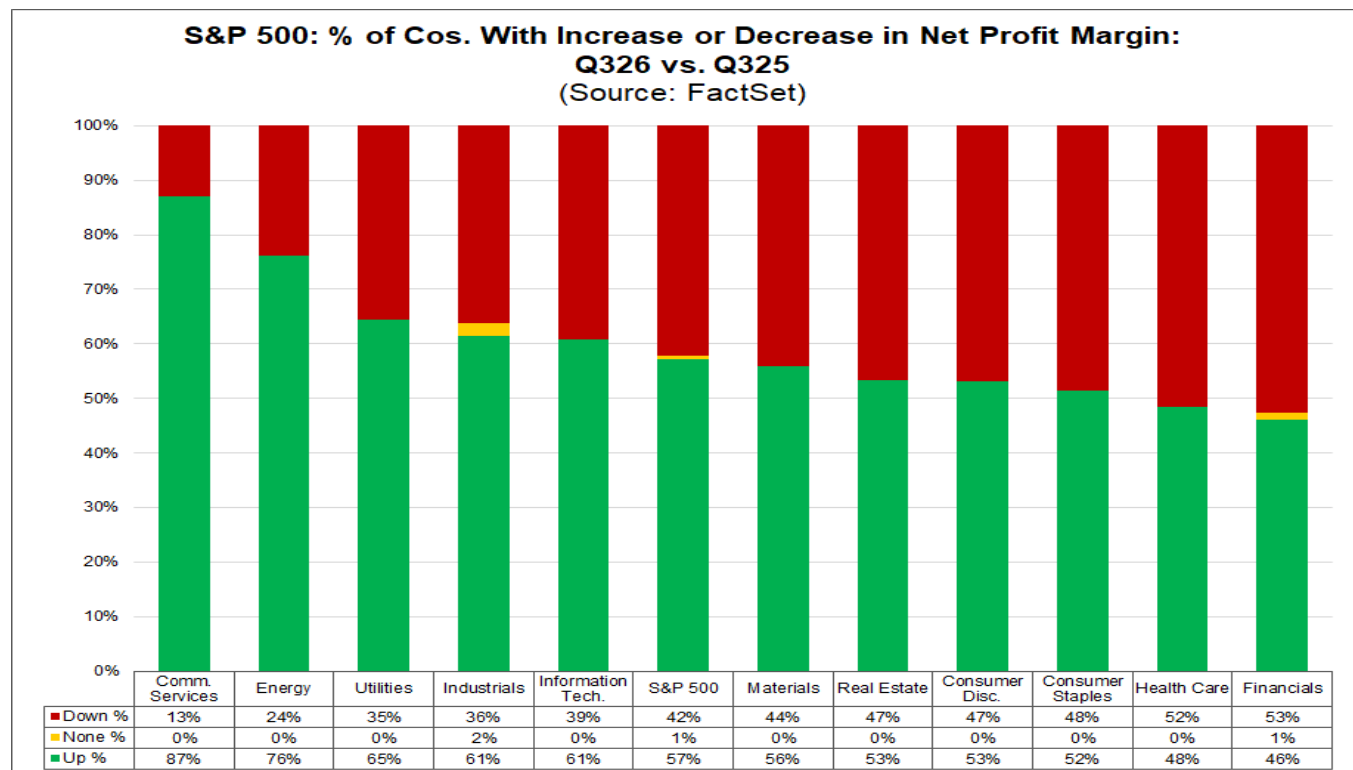
Q3 2026: Growth



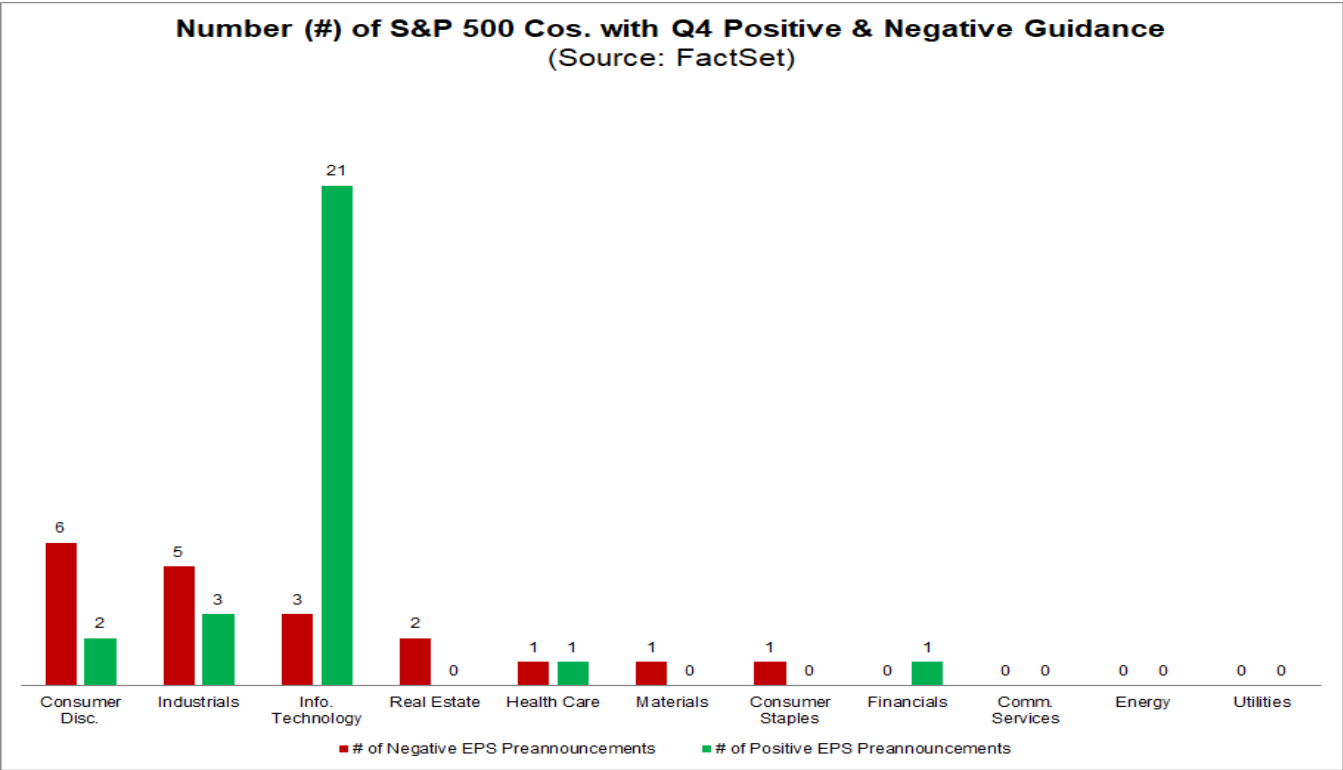
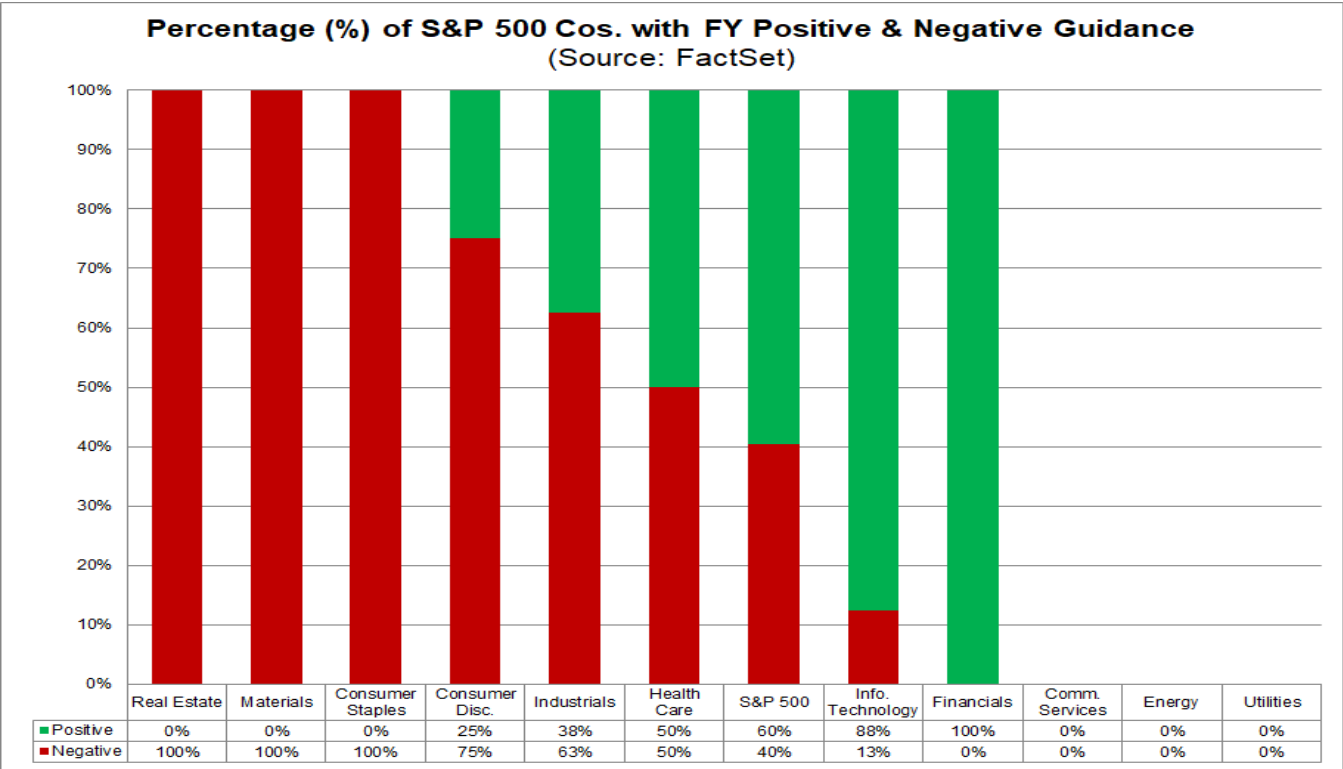
Q3 2026: Growth



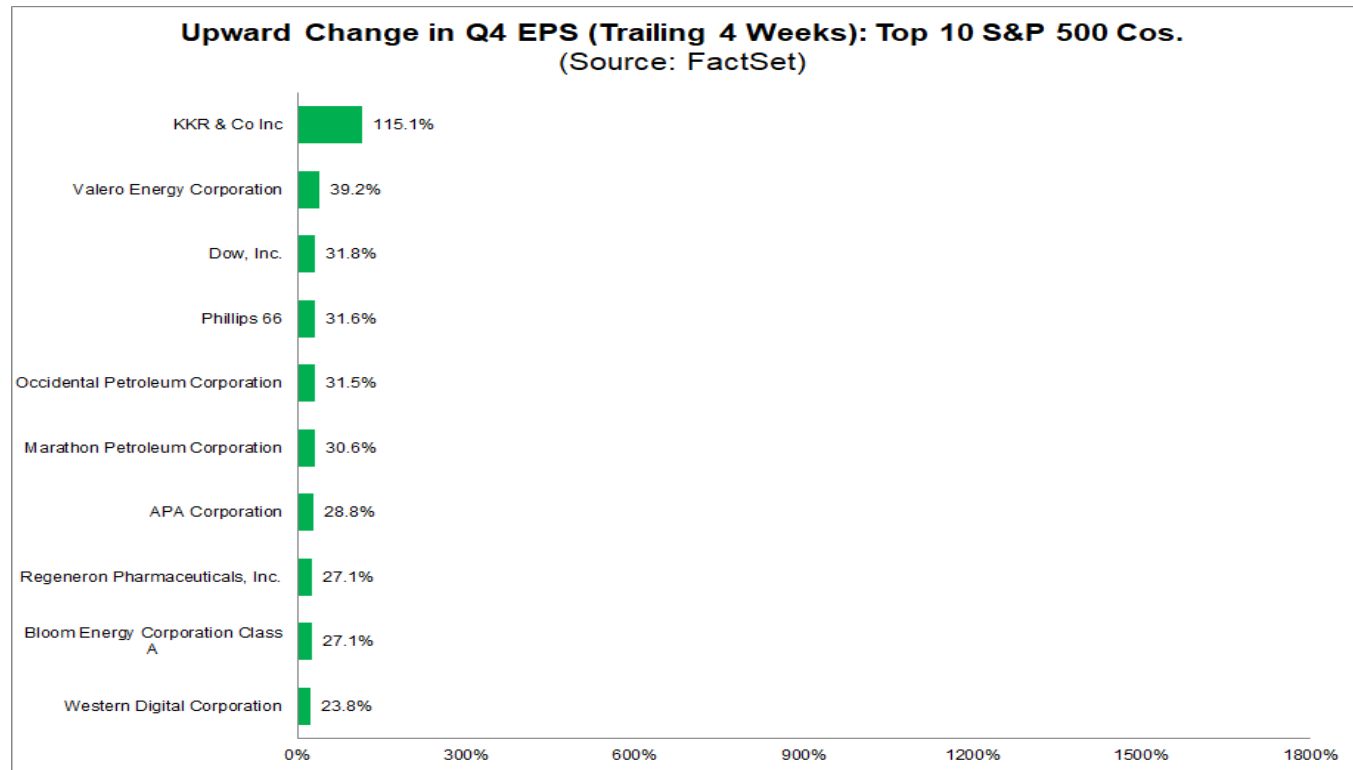
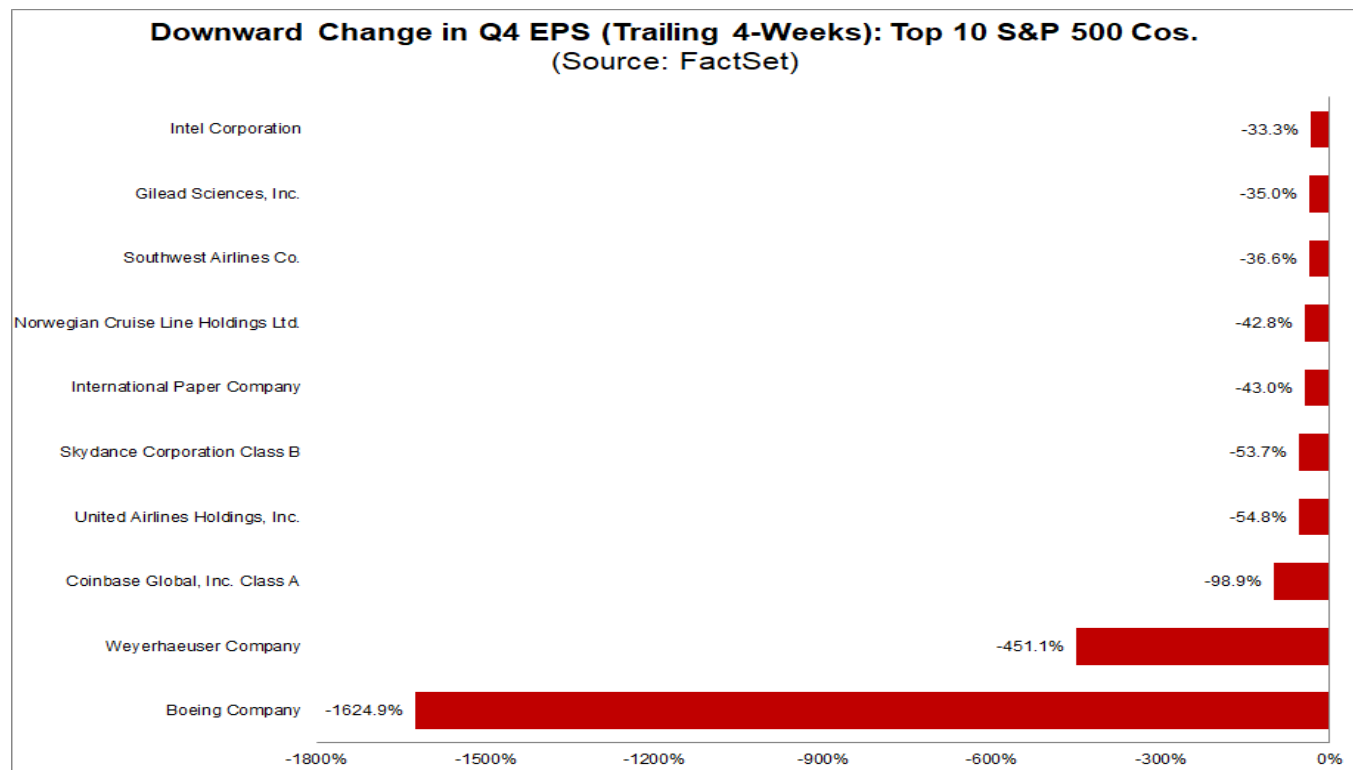
Q3 2026: Net Profit Margin



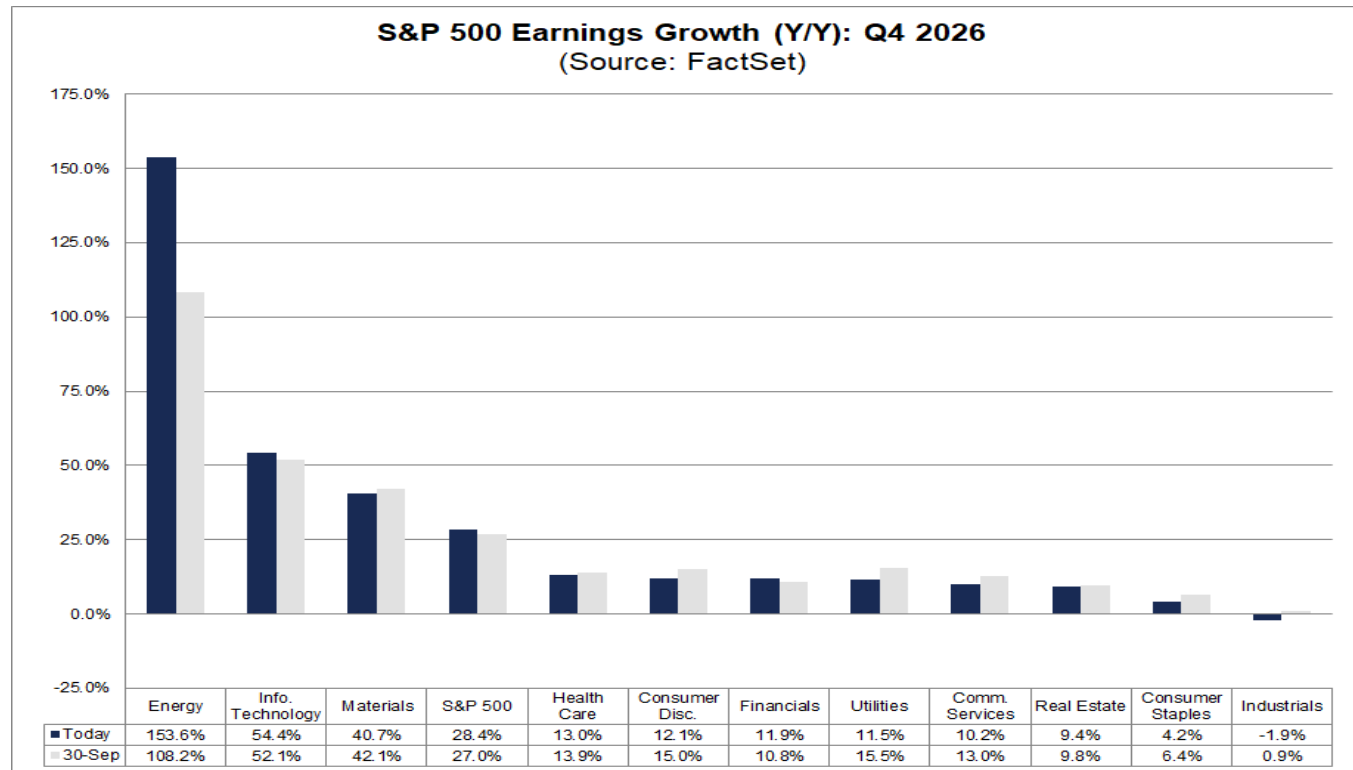
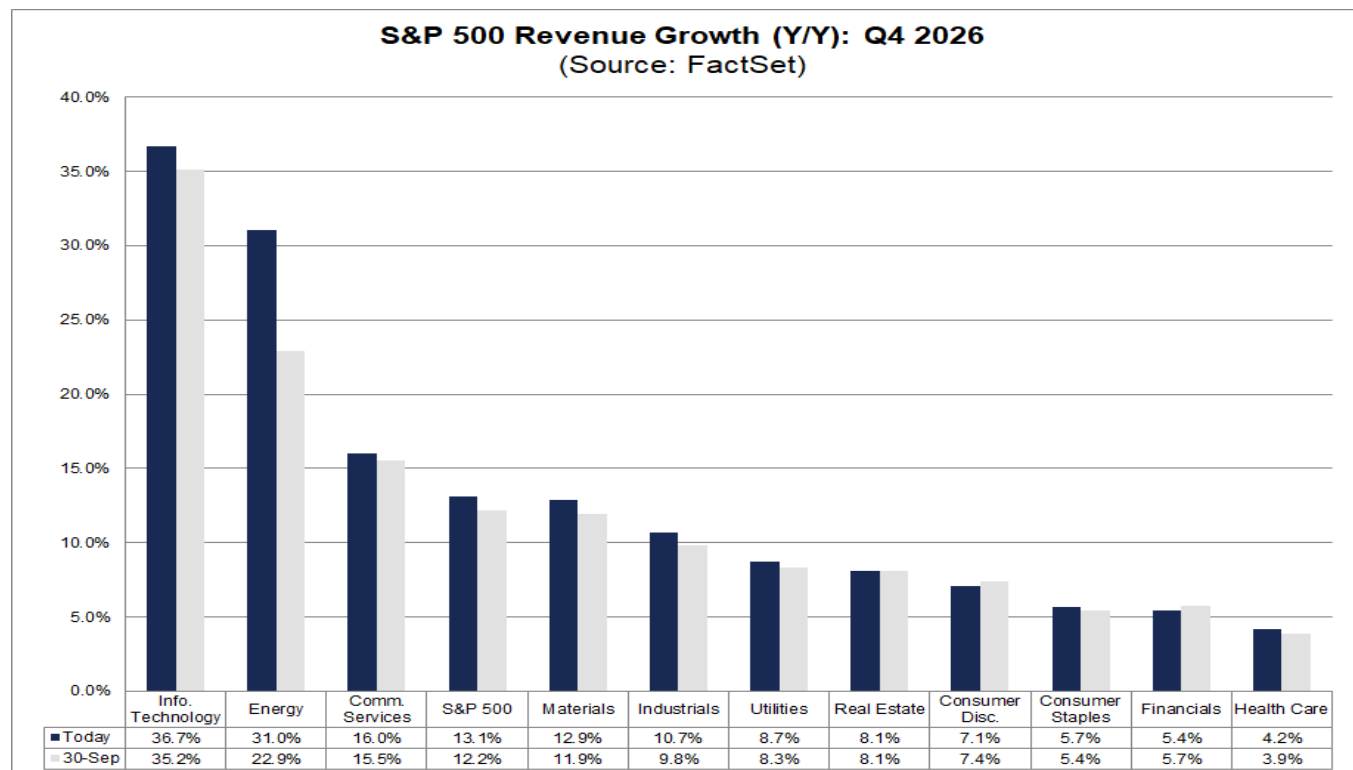
Q4 2026: Guidance



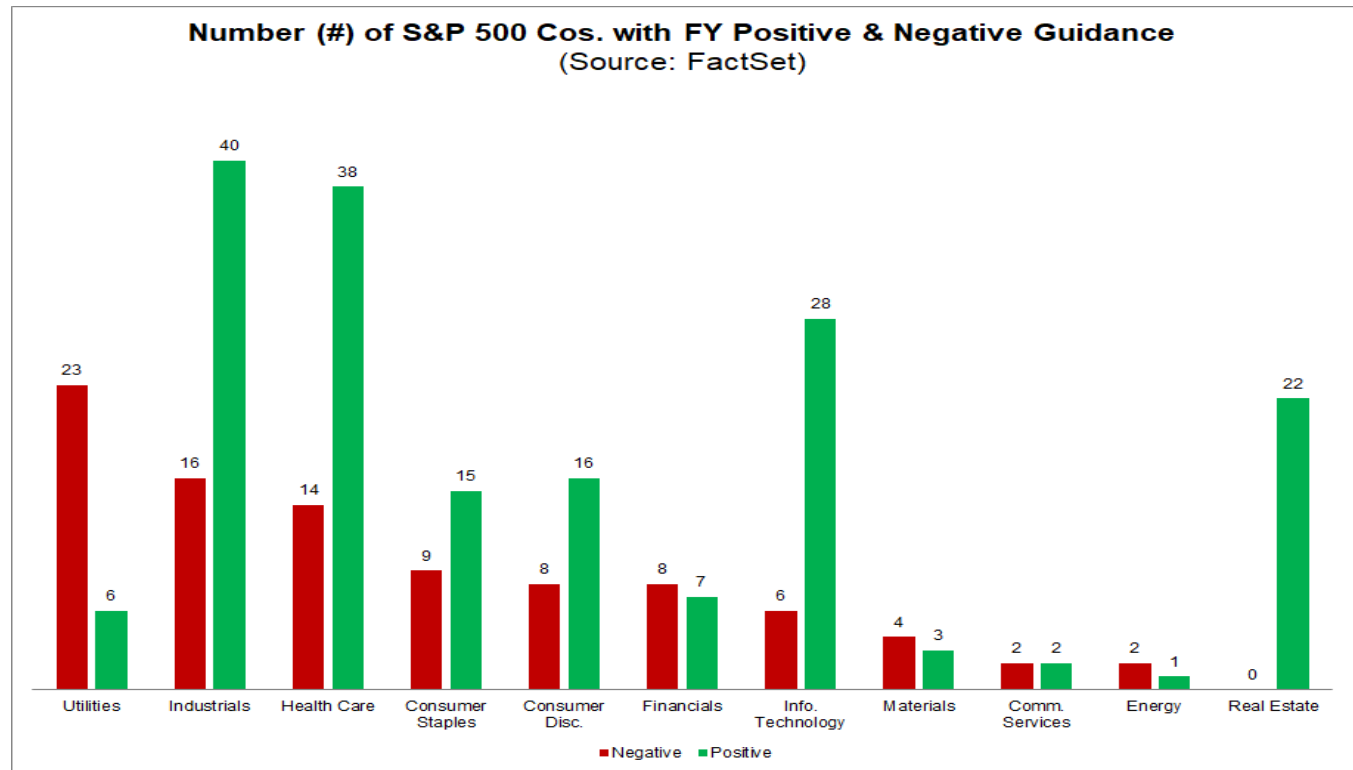
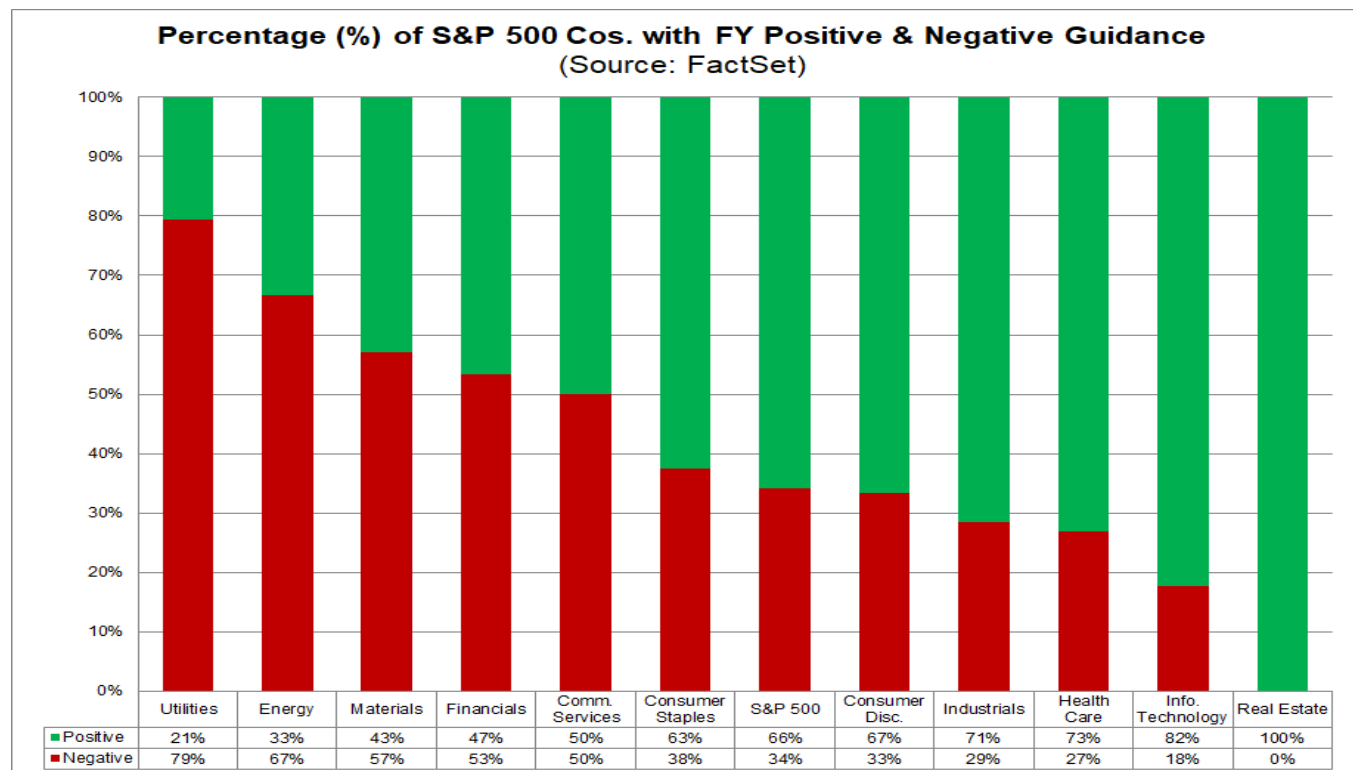
Q4 2026: EPS Revisions



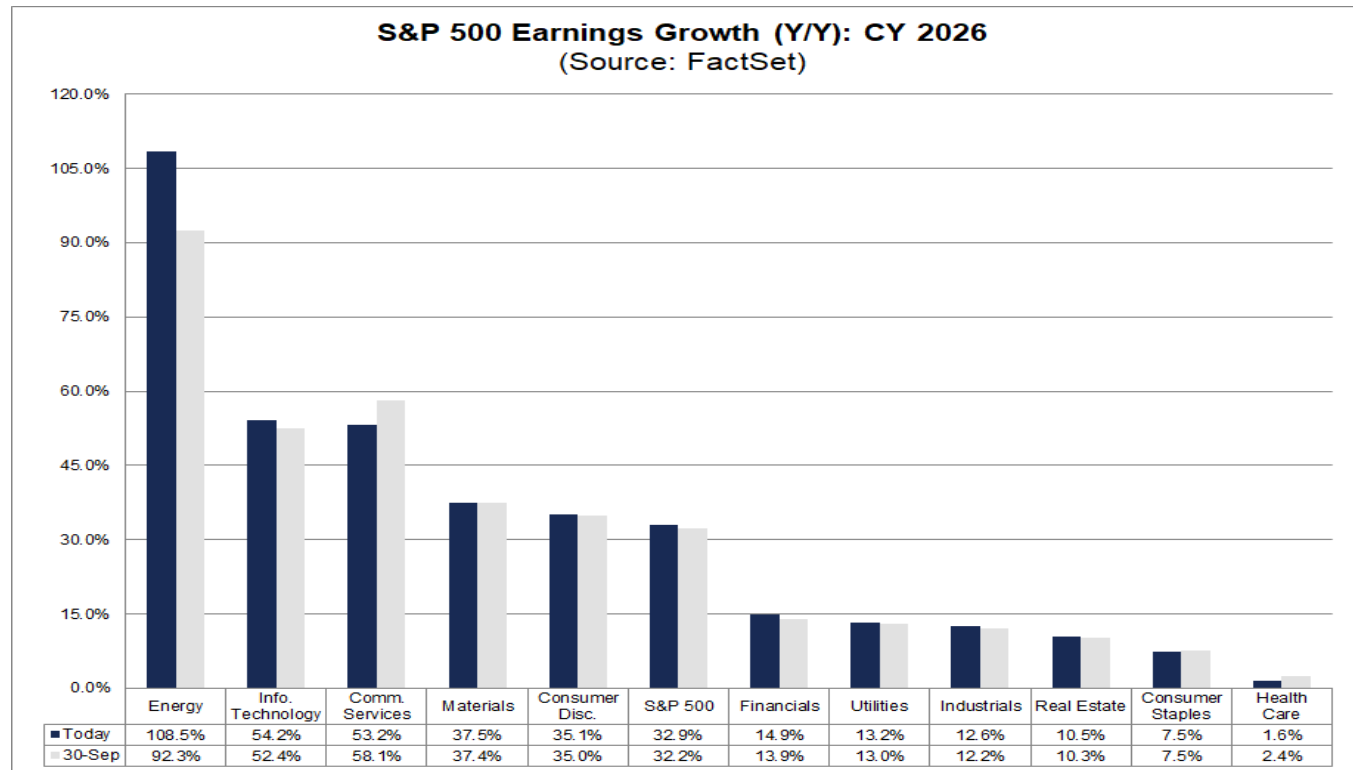
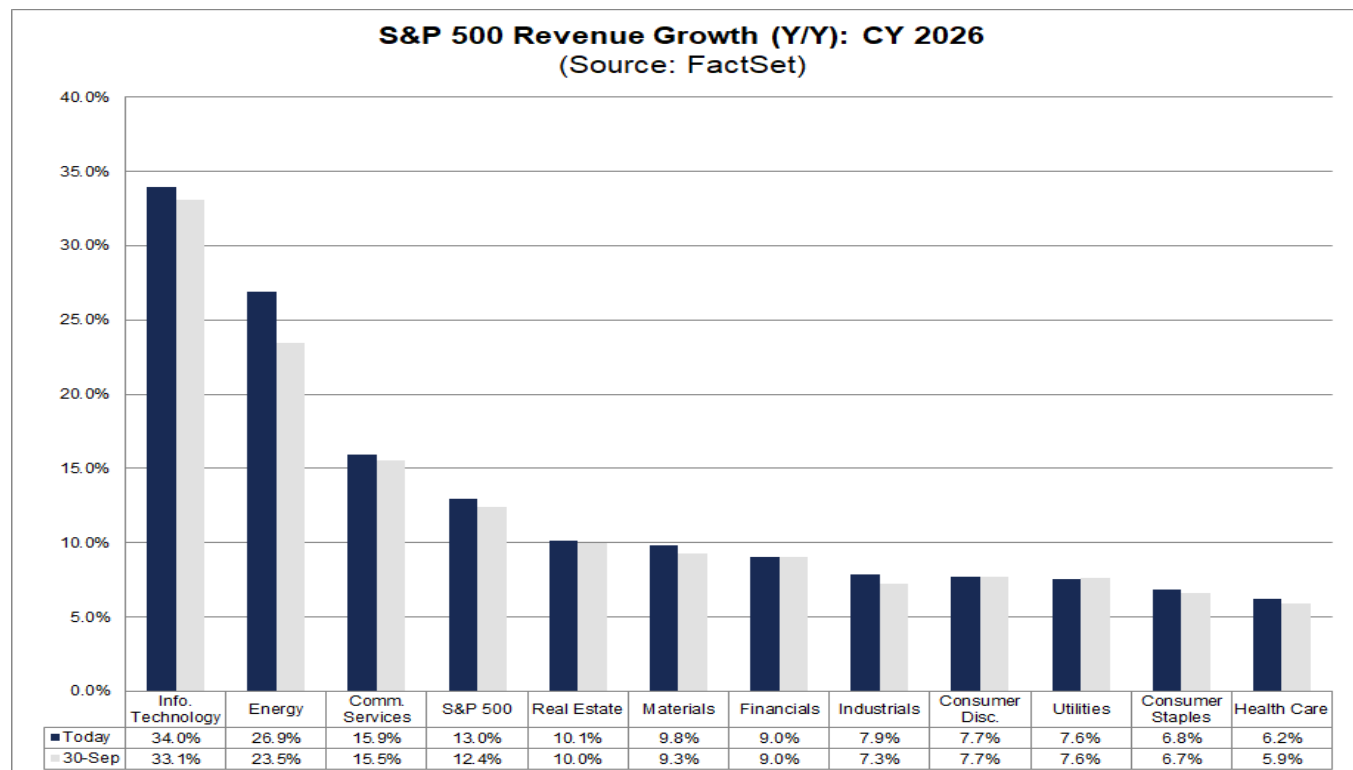
Q4 2026: Growth



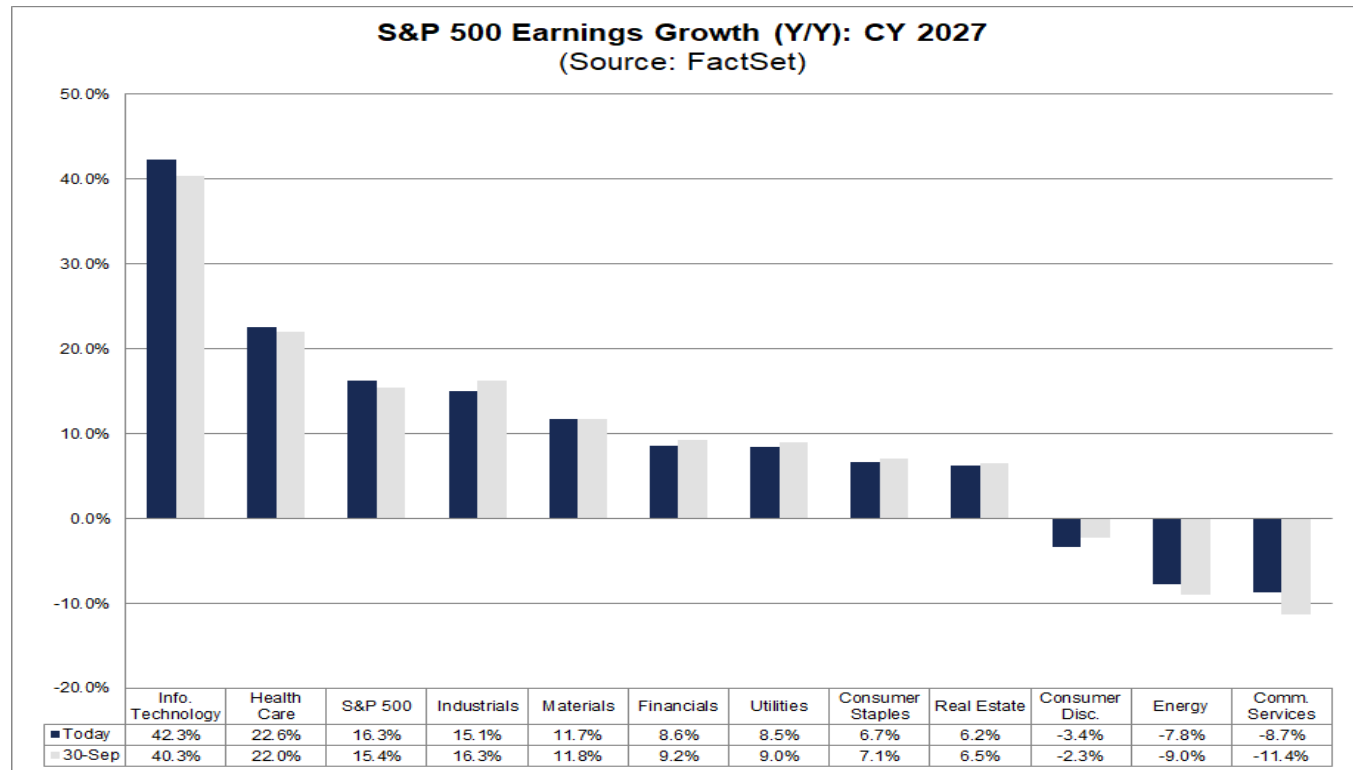
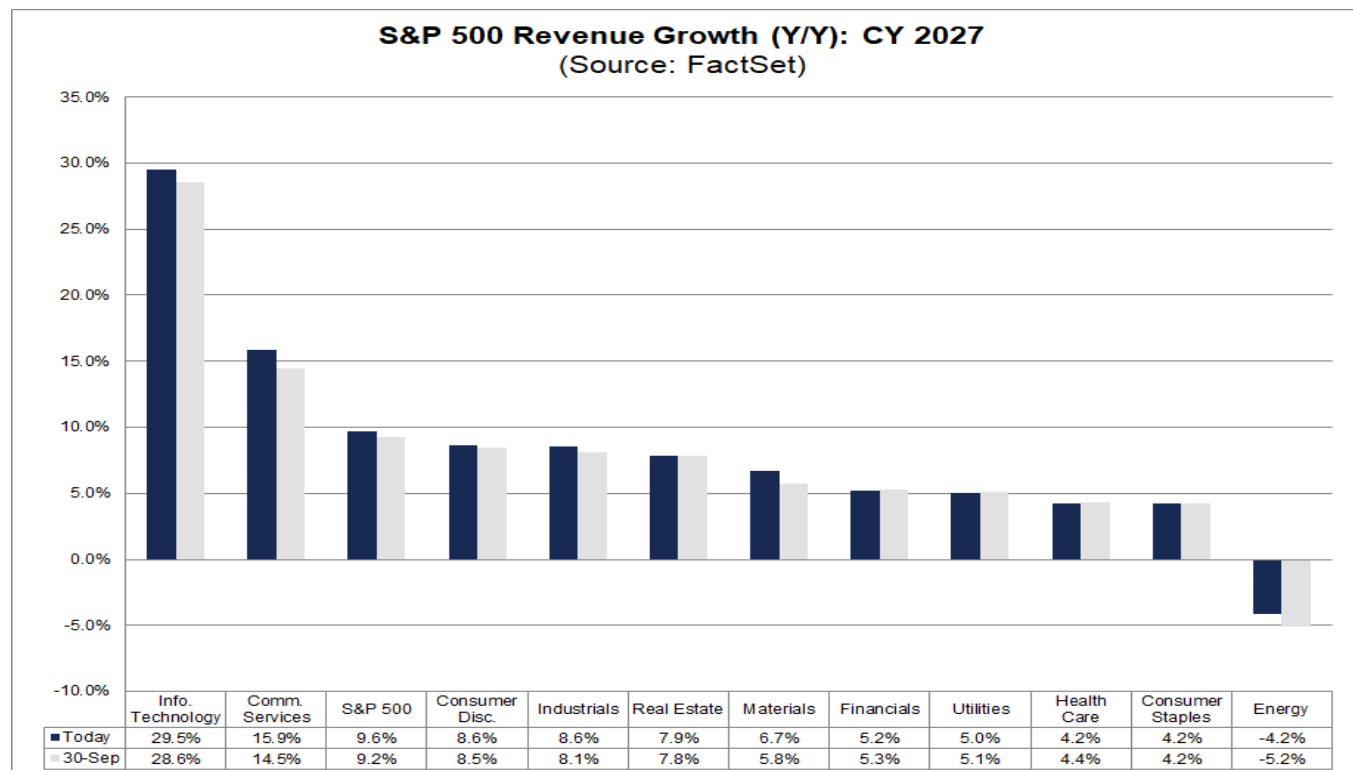
FY 2026 / 2027: EPS Guidance



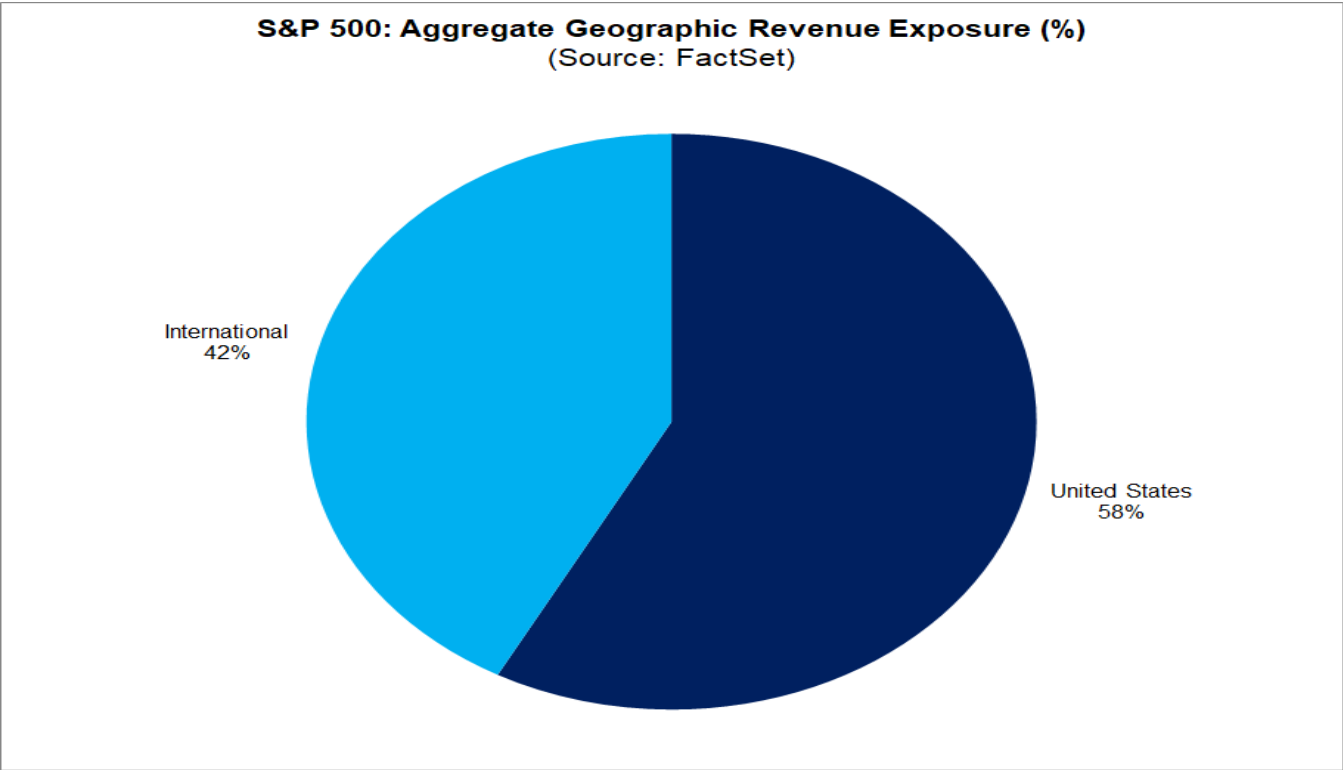
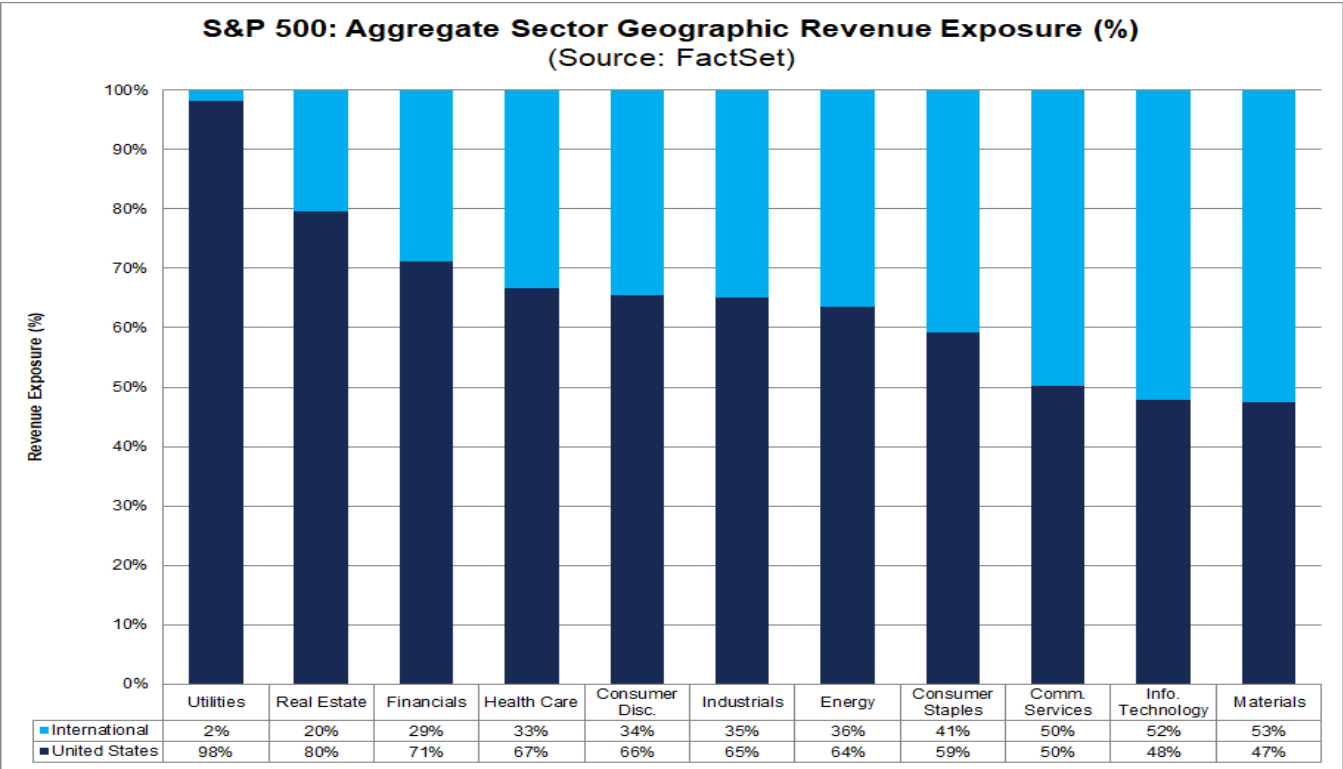
CY 2026: Growth



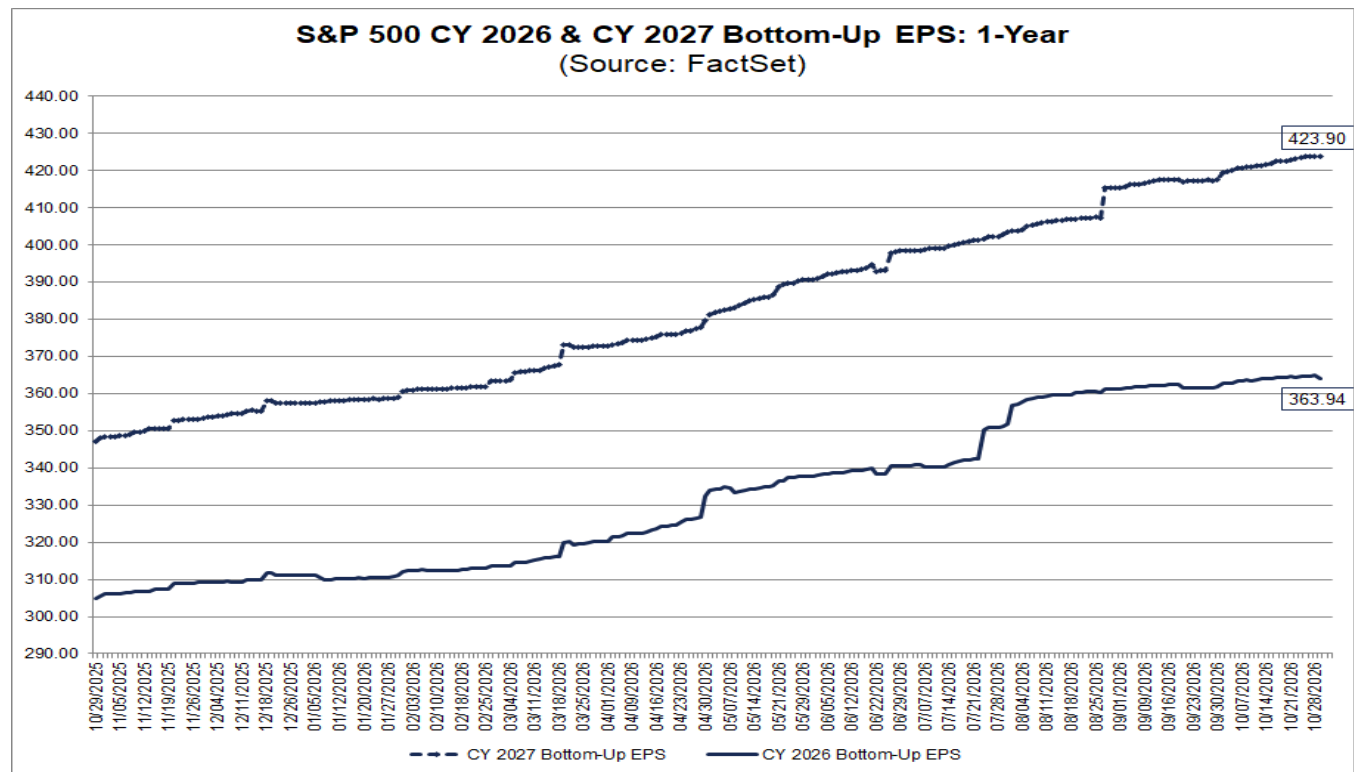
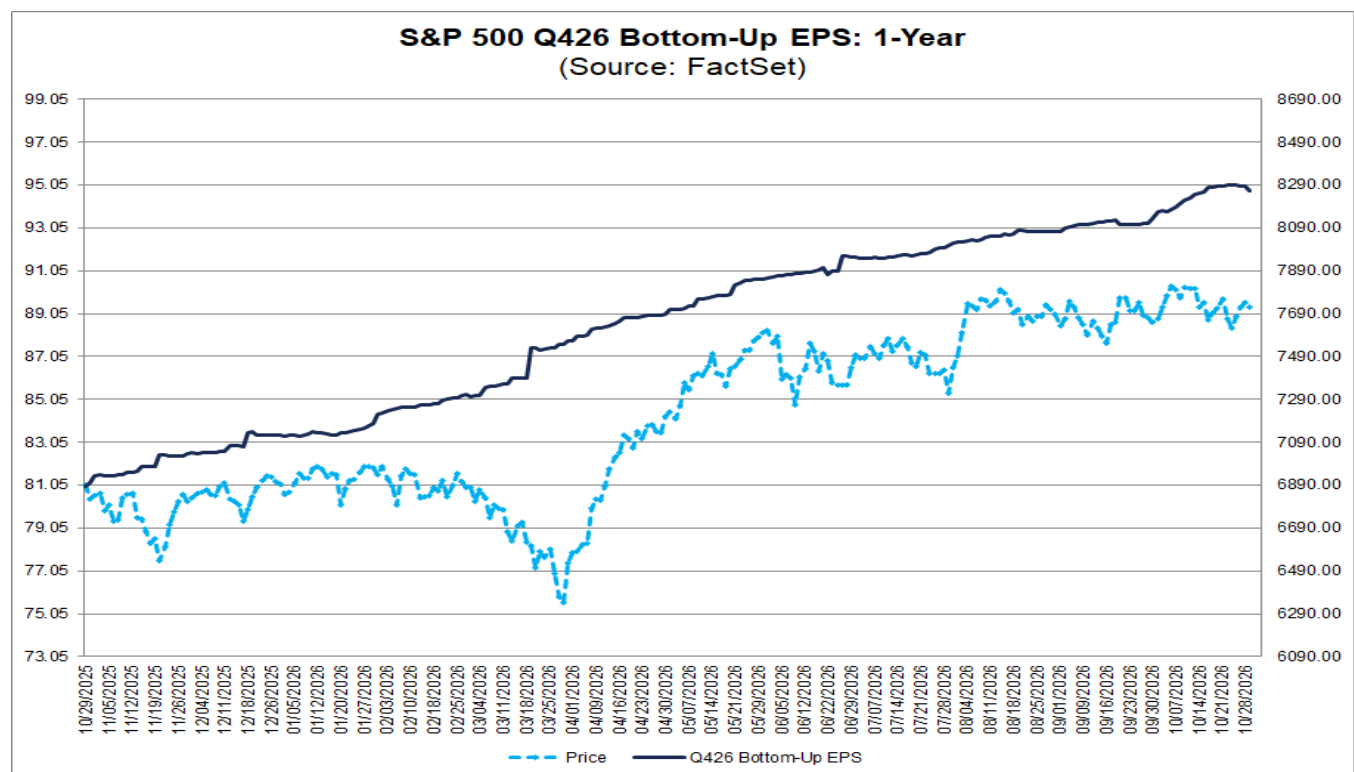
CY 2027: Growth



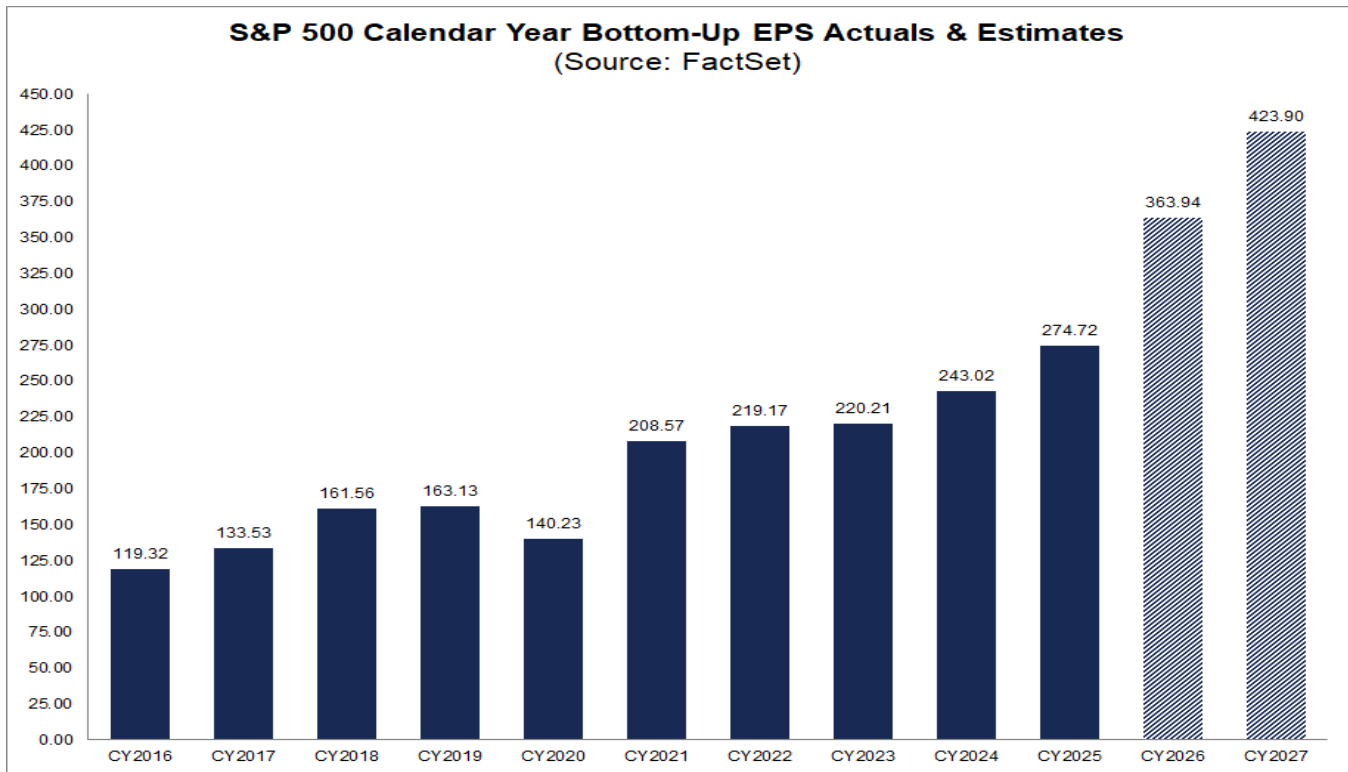
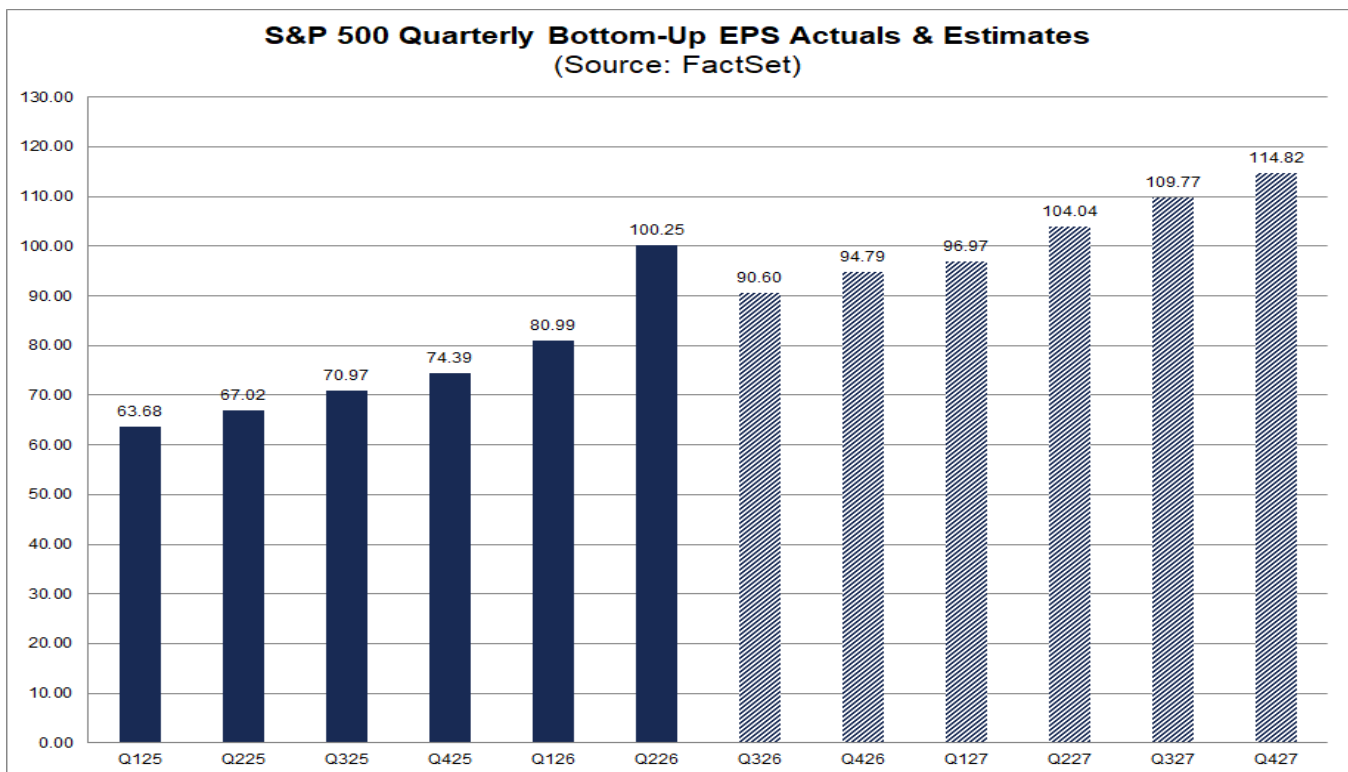
Geographic Revenue Exposure



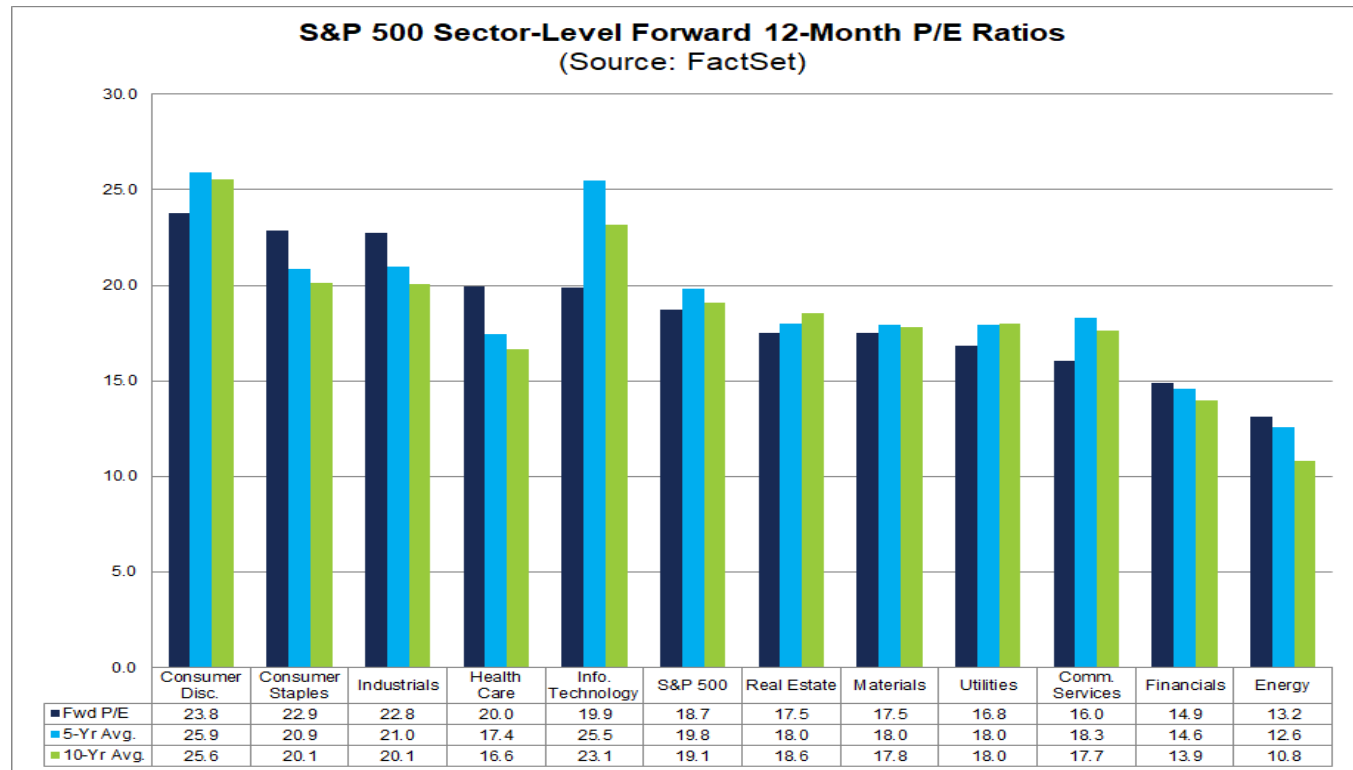
Bottom-Up EPS Estimates



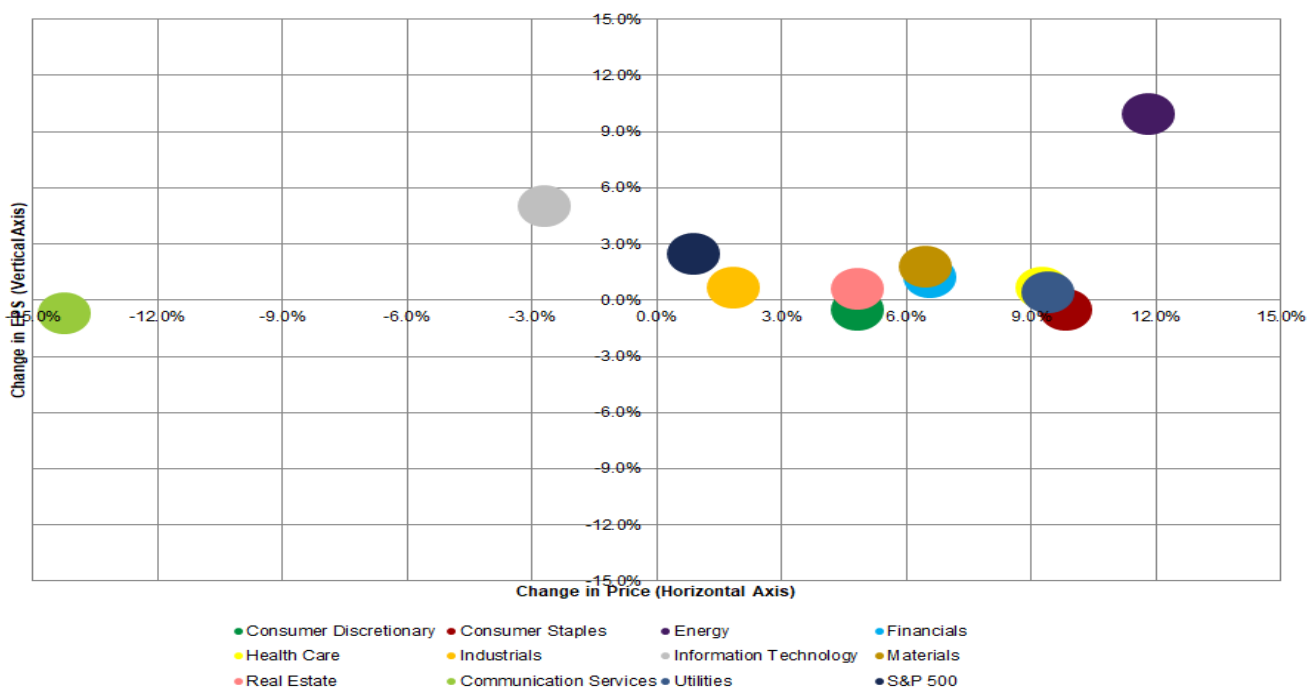
Bottom-Up EPS Estimates: Current & Historical



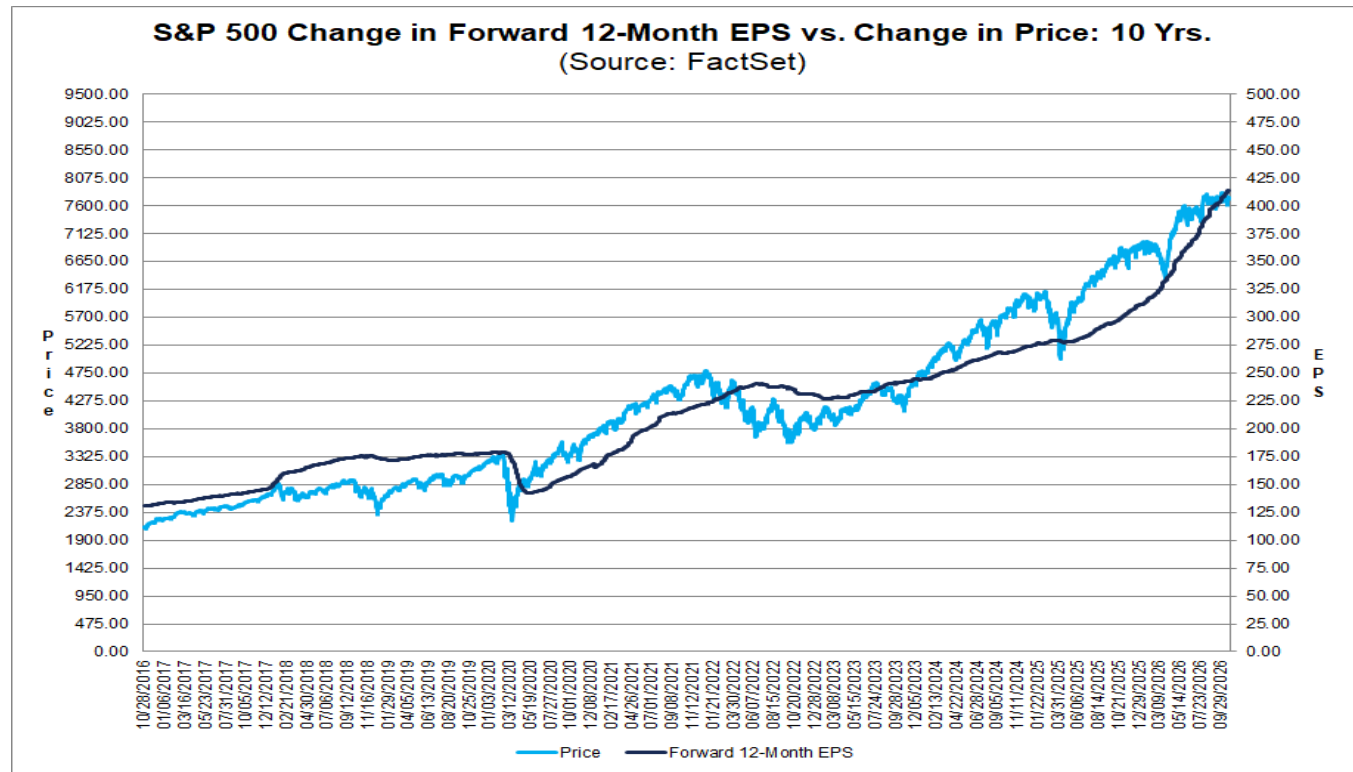
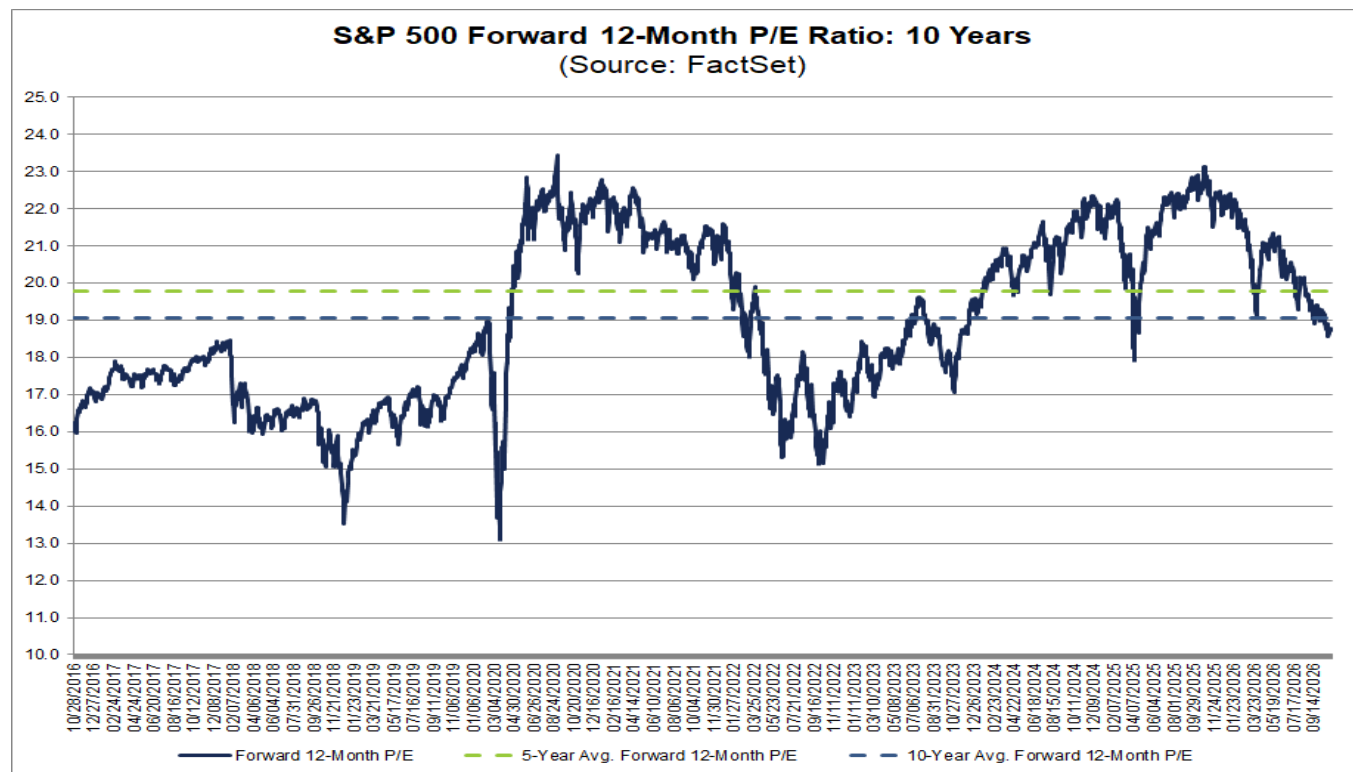
Forward 12M P/E Ratio: Sector Level



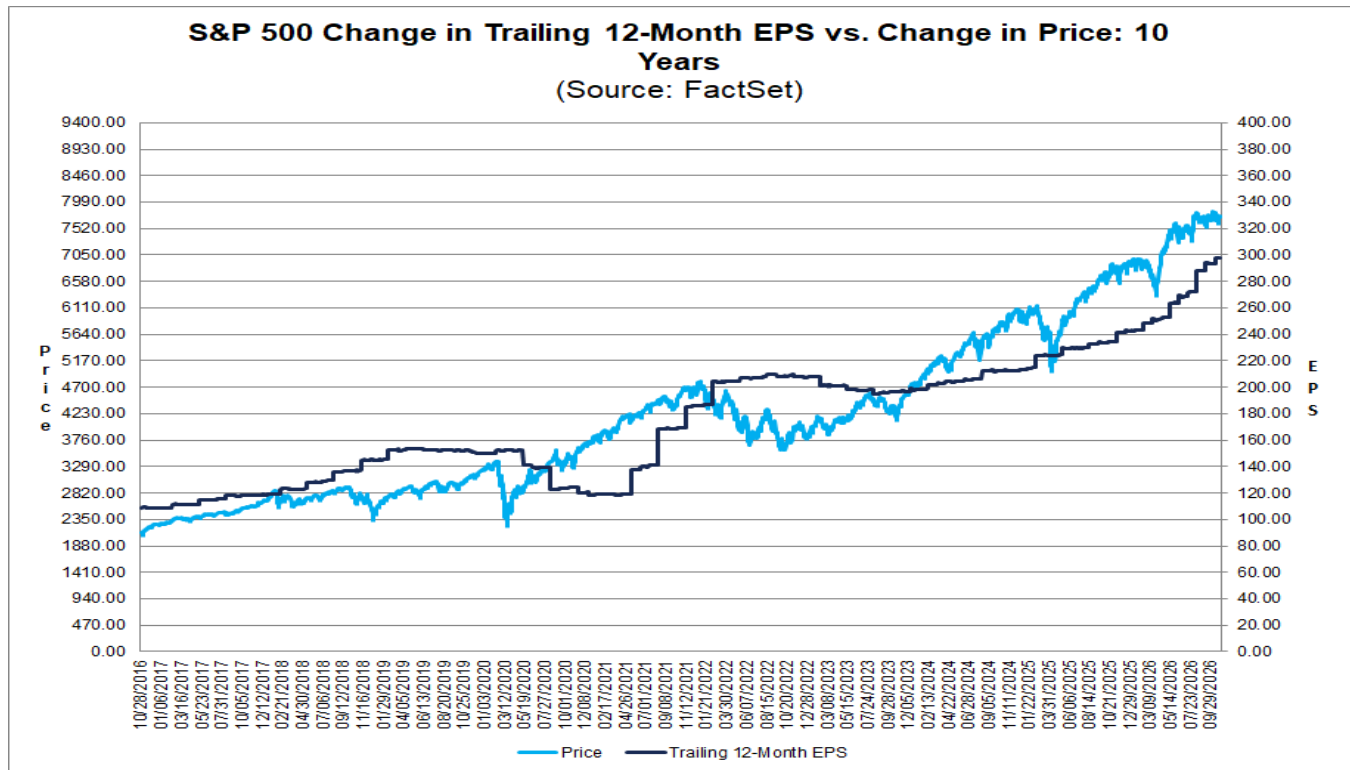
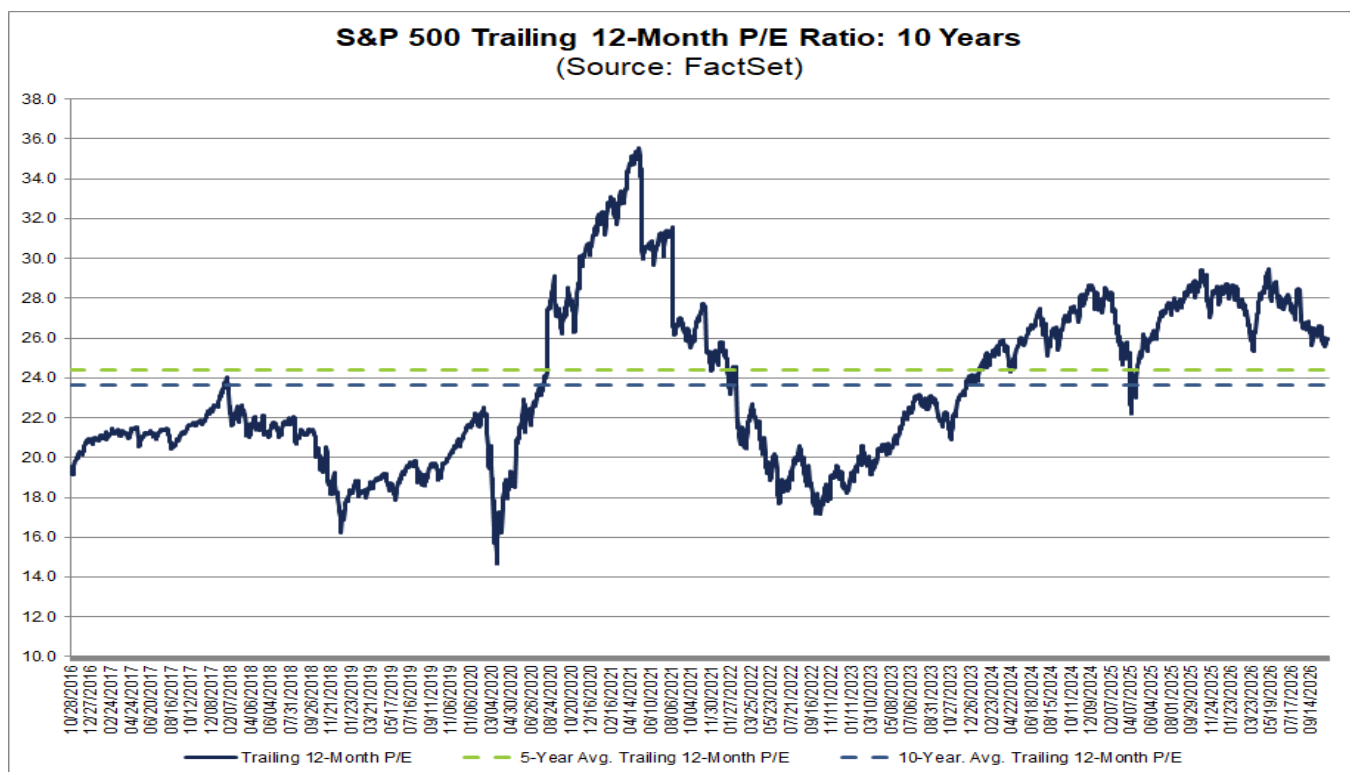
Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Sep 30
(Source: FactSet)



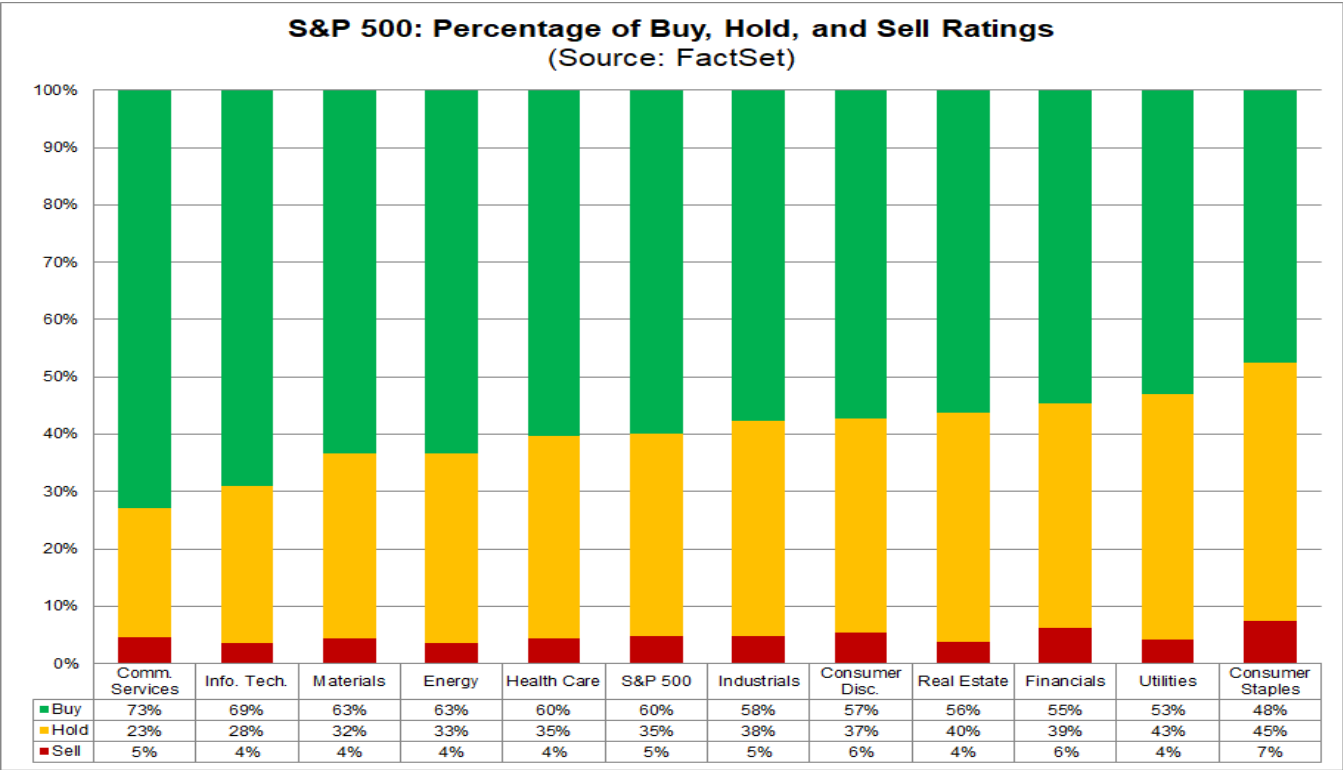
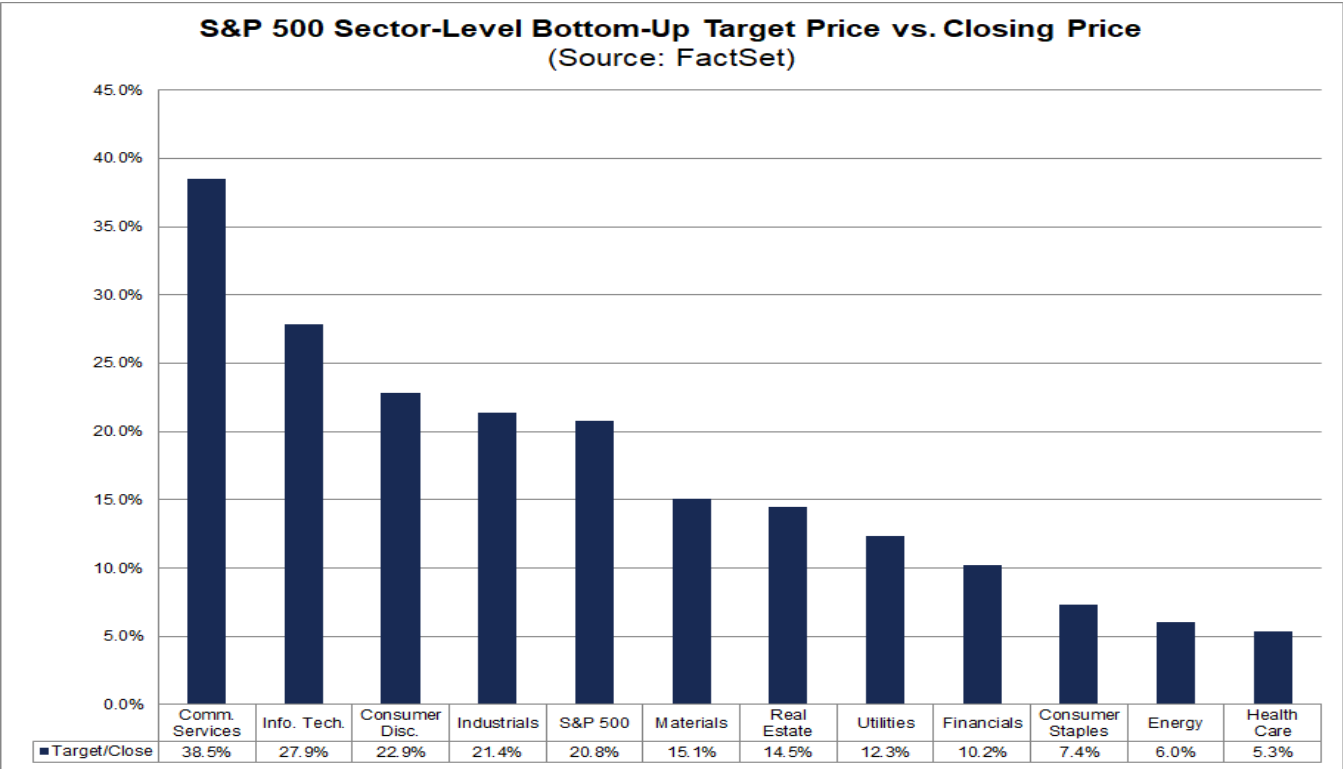
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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