John Butters
VP, Senior Earnings Analyst
jbutters@factset.com

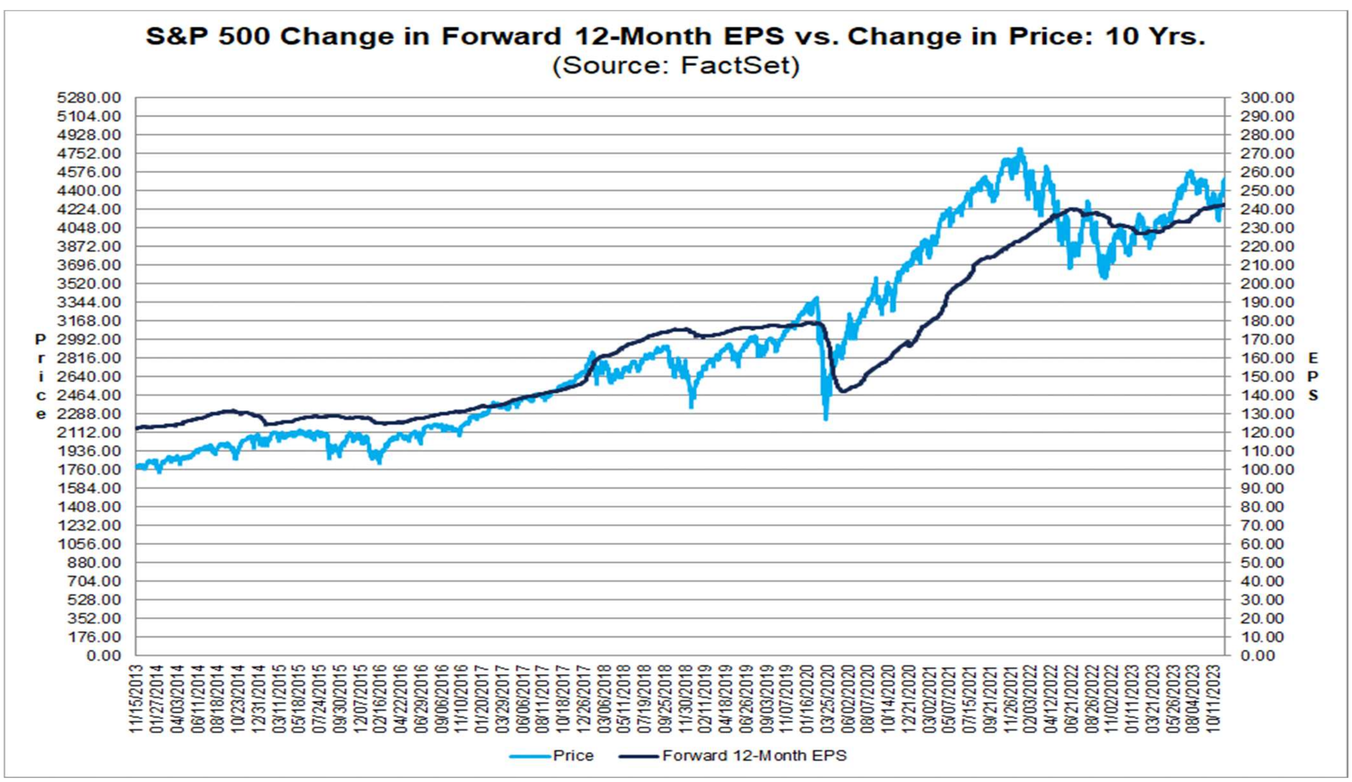
Media Questions/Requests
media_request@factset.com

November 17, 2023

Author's Note: ***The FactSet Earnings Insight report will not be published on November 24. The next edition of the report will be published on December 1.***

Key Metrics

- **Earnings Scorecard:** For Q3 2023 (with 94% of S&P 500 companies reporting actual results), 82% 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 4.3%. If 4.3% 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 Guidance:** For Q4 2023, 64 S&P 500 companies have issued negative EPS guidance and 32 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.6. This P/E ratio is below the 5-year average (18.8) but above the 10-year average (17.6).



To receive this report via e-mail or view other articles with FactSet content, please go to: https://insight.factset.com/
To learn more about the FactSet difference ("Why FactSet?"), please go to: https://www.factset.com/why-factset

Table of Contents

Commentary

Charts

Topic of the Week: 1

Fewer S&P 500 Companies Discussing "Inflation" on Earnings Calls for 5th Straight Quarter

With the year-over-year CPI number falling back to the 3% to 4% level over the past few months, did fewer S&P 500 companies comment on inflation during their earnings conference calls for the third quarter relative to recent quarters?

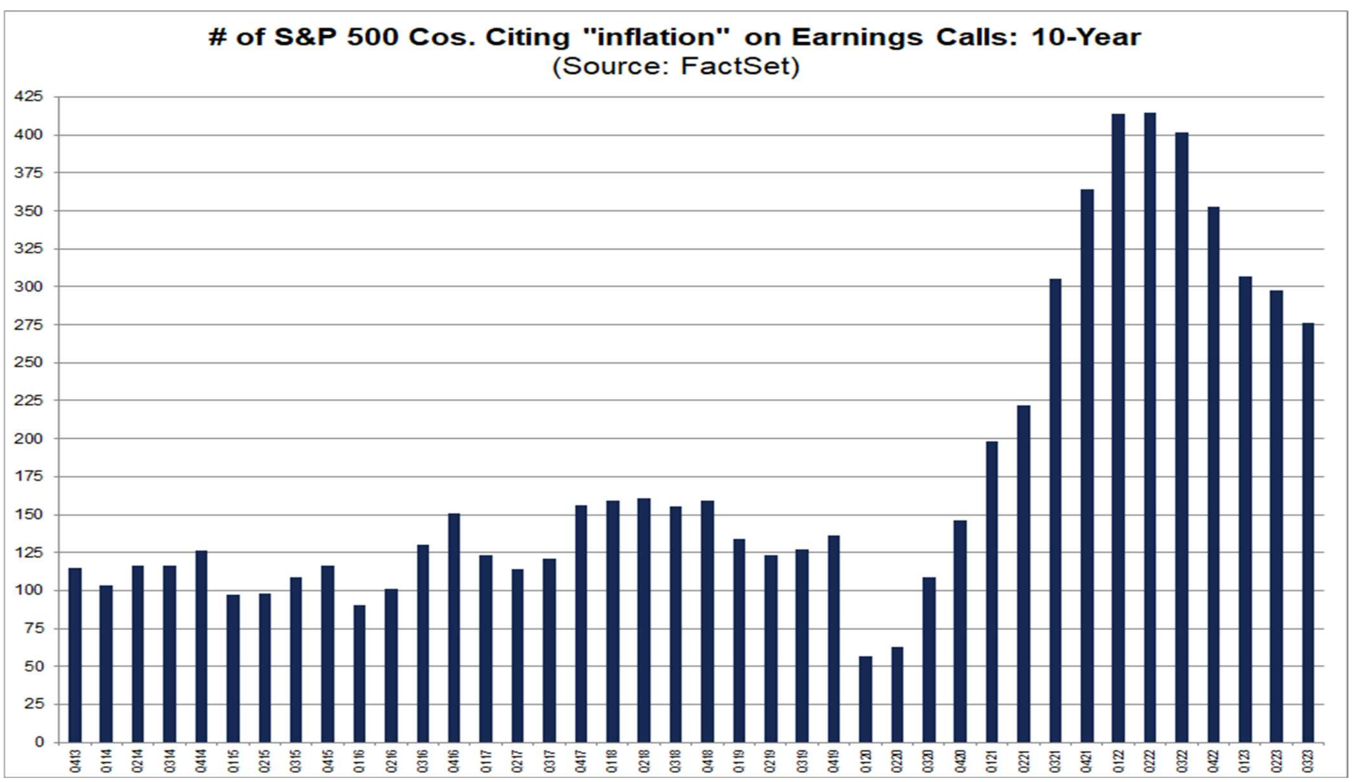
The answer is yes. FactSet Document Search (which allows users to search for key words or phrases across multiple document types) was used to answer this question. Through Document Search, FactSet searched for the term "inflation" in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from September 15 through November 16.

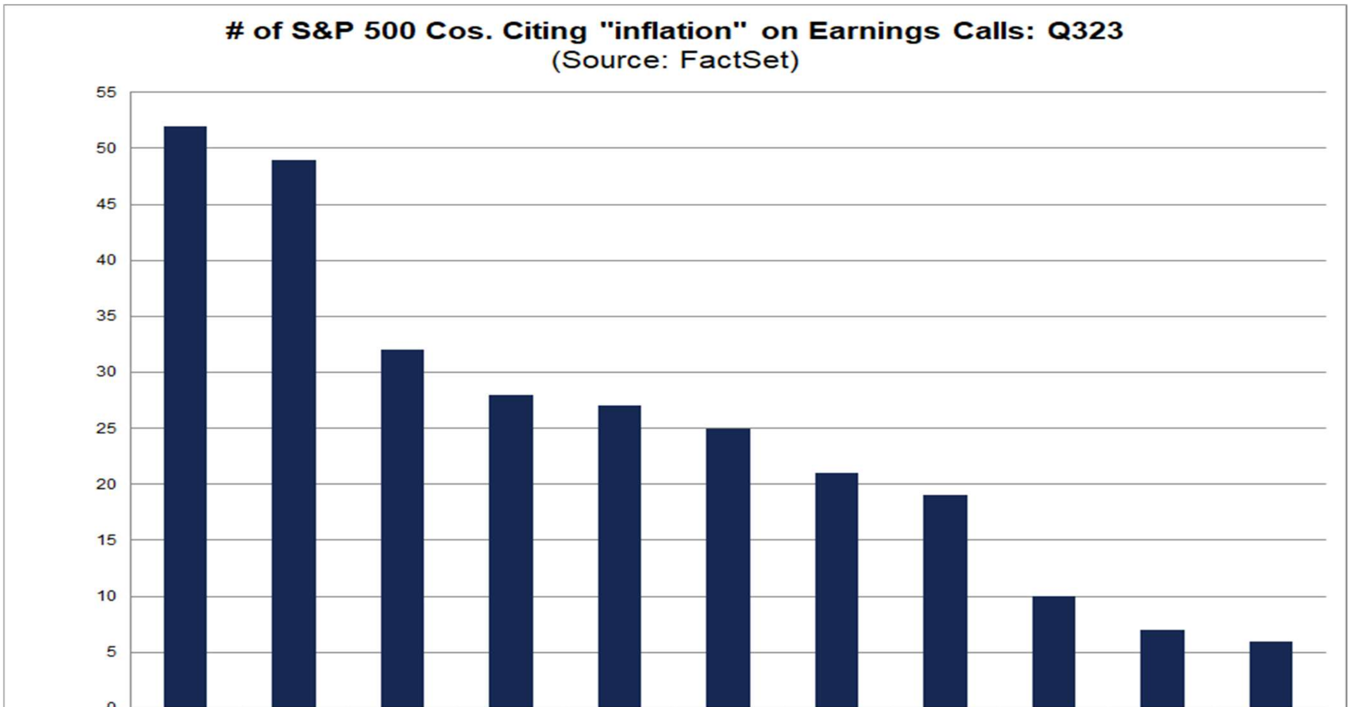
Of these companies, 276 cited the term "inflation" during their earnings calls for the third quarter. This is the lowest number of S&P 500 companies citing "inflation" on earnings calls going back to Q2 2021 (222). It also marks the fifth consecutive quarter in which the number of S&P 500 companies citing the term "inflation" has declined quarter-over-quarter.

However, it should be noted that the number of S&P 500 companies citing "inflation" on earnings calls for Q3 2023 is still well above the 5-year average of 224 and the 10-year average of 173.

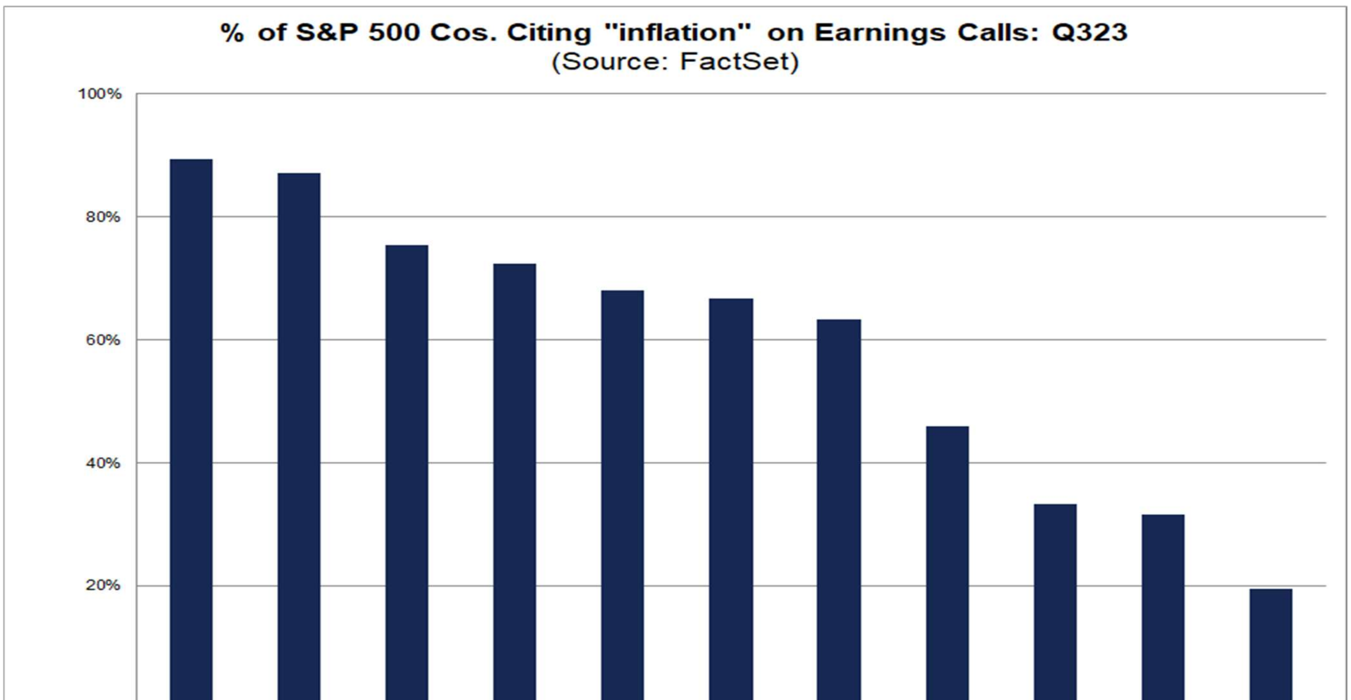
It should also be noted that there are still about 30 S&P 500 companies that have not reported earnings for the third quarter. Thus, the final number of companies citing "inflation" will likely be higher than the current 276. However, it is unlikely the final number will finish above the previous quarter's number of 298.

At the sector level, the Financials (52) and Industrials (49) sectors have the highest number of companies that cited "inflation" on earnings calls for Q3. However, the Materials (89%) and Consumer Staples (87%) sectors have the highest percentages of companies that cited "inflation" on their Q3 earnings calls during this period.





	Financials	Industrials	Consumer Disc.	Health Care	Consumer Staples	Materials	Utilities	Real Estate	Info. Technology	Energy	Comm. Services
# of Cos.	52	49	32	28	27	25	21	19	10	7	6



	Materials	Consumer Staples	Financials	Utilities	Industrials	Consumer Disc.	Real Estate	Health Care	Energy	Comm. Services	Info. Technology
% of Cos.	89%	87%	75%	72%	68%	67%	63%	46%	33%	32%	20%

Topic of the Week: 2

Fewer S&P 500 Companies Discussing “Recession” on Earnings Calls for 5th Straight Quarter

Given continuing concerns in the market about a possible economic slowdown or recession, did more S&P 500 companies comment on recession during their earnings conference calls for the third quarter relative to recent quarters?

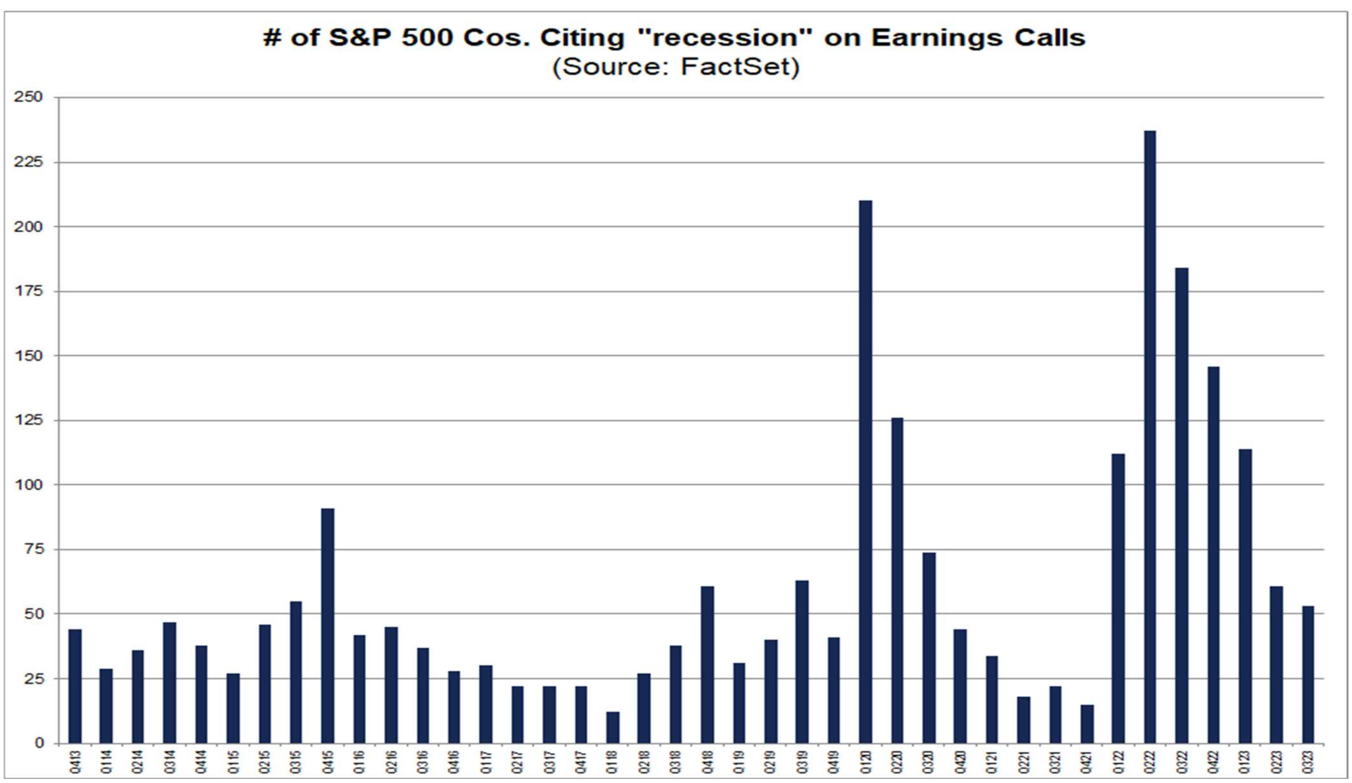
The answer is no. FactSet Document Search (which allows users to search for key words or phrases across multiple document types) was used to answer this question. Through Document Search, FactSet searched for the term “recession” in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from September 15 through November 16.

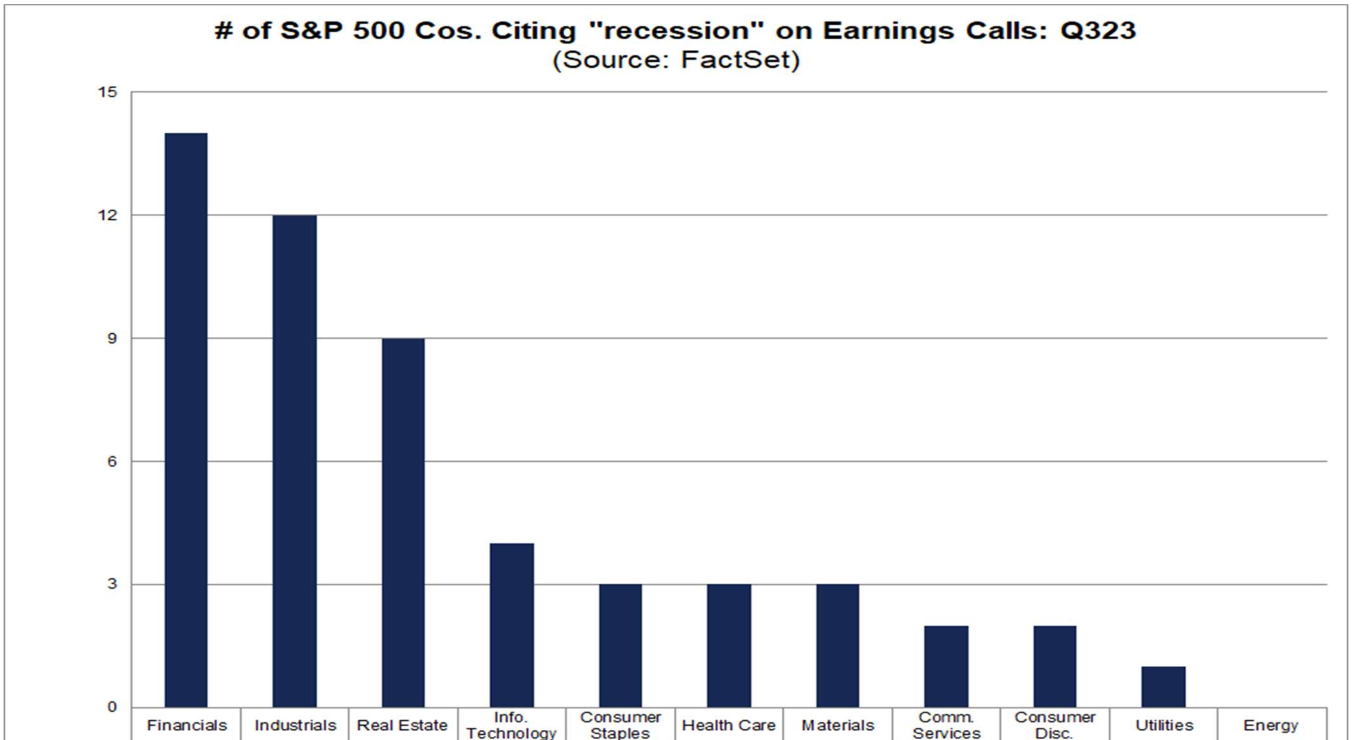
Of these companies, 53 cited the term “recession” during their earnings call for the third quarter. After peaking in Q2 2022, the number of S&P 500 companies citing “recession” on earnings calls has declined for five straight quarters. The number of S&P 500 companies citing “recession” on earnings calls for Q3 2023 is 13% below the number in Q2 2023 (61) and 78% below the number in Q2 2022 (237). In fact, this quarter will mark the lowest number of S&P 500 companies citing “recession” on earnings calls for a quarter since Q4 2021 (15).

It is also interesting to note the number of S&P 500 companies citing “recession” on earnings calls for Q3 2023 is below the 5-year average of 84 and below the 10-year average of 60.

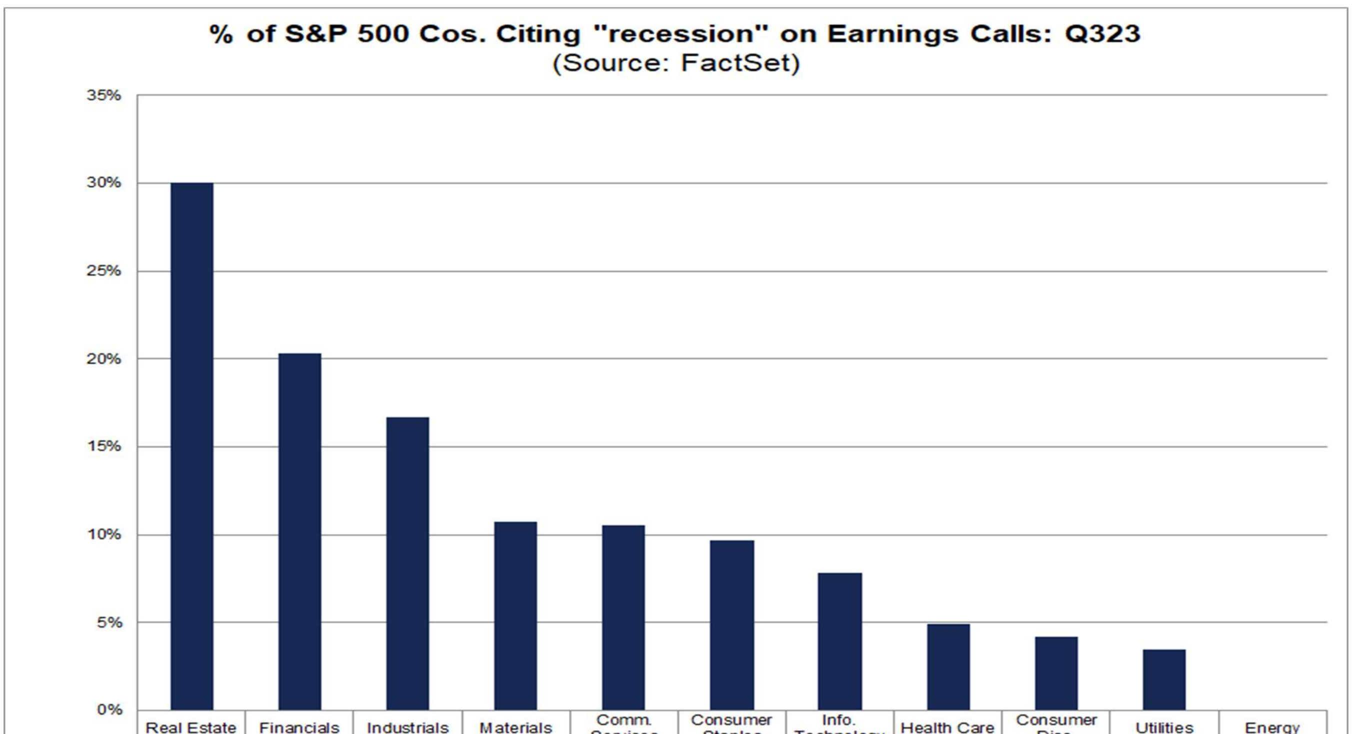
It should also be noted that there are still about 30 S&P 500 companies that have not reported earnings for the third quarter. Thus, the final number of companies citing “recession” will likely be higher than the current 53. However, it is unlikely the final number will finish above the previous quarter’s number of 61.

At the sector level, the Financials (14) and Industrials (12) sectors have the highest number of S&P 500 companies citing “recession” on Q3 earnings calls, while the Real Estate sector has the highest percentage (30%) of companies citing “recession” on Q3 earnings calls.





	Financials	Industrials	Real Estate	Info. Technology	Consumer Staples	Health Care	Materials	Comm. Services	Consumer Disc.	Utilities	Energy
# of Cos.	14	12	9	4	3	3	3	2	2	1	0



	Real Estate	Financials	Industrials	Materials	Comm. Services	Consumer Staples	Info. Technology	Health Care	Consumer Disc.	Utilities	Energy
% of Cos.	30%	20%	17%	11%	11%	10%	8%	5%	4%	3%	0%

Q3 Earnings Season: By The Numbers

Overview

At this late stage 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 the quarter. The S&P 500 is now reporting year-over-year growth in earnings for the first time since Q3 2022.

Overall, 94% of the companies in the S&P 500 have reported actual results for Q3 2023 to date. Of these companies, 82% have reported actual EPS above estimates, which is above the 5-year average of 77% and above the 10-year average of 74%. If 82% is the final number for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since Q3 2021 (82%). In aggregate, companies are reporting earnings that are 7.1% 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.

Since September 30, positive earnings surprises reported by companies in the Financials, Consumer Discretionary, Information Technology, and Communication Services sectors, partially offset by downward revisions to EPS estimates and negative earnings surprises reported by 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 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 4.3% today, compared to an earnings decline of -0.3% at the end of the third quarter (September 30).

If 4.3% 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 (or have reported) year-over-year earnings growth, led by the Communication Services, Consumer Discretionary, and Financials sectors. On the other hand, three sectors are reporting (or have reported) 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%. If 62% is the final number for the quarter, it will mark lowest percentage of S&P 500 companies reporting a positive revenue surprise since Q1 2020 (56%). In aggregate, companies are reporting revenues that are 0.7% above the estimates, which is below the 5-year average of 2.0% and below the 10-year average of 1.3%. If 0.7% is the final number for the quarter, it will mark lowest revenue surprise percentage reported by the index since Q1 2020 (0.9%). 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.

Since September 30, upward revisions and positive revenue surprises reported by companies in the Energy and Health Care sectors, partially offset by negative revenue surprises reported by companies in the Utilities sector, have been the largest contributors 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 2.4% today, compared to a revenue growth rate of 1.6% at the end of the third quarter (September 30).

If 2.4% is the actual revenue growth rate for the quarter, it will mark the 11th consecutive quarter of revenue growth for the index.

Eight sectors are reporting (or have reported) year-over-year growth in revenues, led by the Real Estate, Consumer Discretionary, and Communication Services sectors. On the other hand, three sectors reported a year-over-year decline in revenues, led by the Energy sector.

Looking ahead, analysts expect (year-over-year) earnings growth of 2.9% for Q4 2023, which is below the estimate of 8.0% on September 30. For CY 2023, analysts predict (year-over-year) earnings growth of 0.6%, which is below the estimate of 0.8% on September 30. For CY 2024, analysts are calling for (year-over-year) earnings growth of 11.6%, which is below the estimate of 12.2% on September 30.

The forward 12-month P/E ratio is 18.6, which is below the 5-year average (18.8) but above the 10-year average (17.6). It is also above the forward P/E ratio of 17.8 recorded at the end of the third quarter (September 30).

During the upcoming week, 11 S&P 500 companies are scheduled to report results for the third quarter.

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

Highest Percentage of Companies Beating EPS Estimates (82%) Since Q3 2021

Overall, 94% 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, 5% have reported actual EPS equal to the mean EPS estimate, and 13% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year average (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.

If 82% is the final number for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since Q3 2021 (82%).

At the sector level, the Communication Services (91%) and Information Technology (91%) sectors have the highest percentages of companies reporting earnings above estimates, while the Real Estate (68%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+7.1%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 7.1% 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 (+19.2%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Airbnb ($6.63 vs. $2.11), Amazon.com ($0.94 vs. $0.59), Bath & Body Works ($0.48 vs. $0.35), Wynn Resorts ($0.99 vs. $0.74), Etsy ($0.64 vs. $0.50), Domino's Pizza ($4.18 vs. $3.31), and NIKE ($0.94 vs. $0.76) have reported the largest positive EPS surprises.

The Communication Services (+9.2%) reported the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Paramount Global ($0.30 vs. $0.15), Live Nation Entertainment ($1.78 vs. $1.26), News Corp. ($0.16 vs. $0.12), and Meta Platforms ($4.32 vs. $3.64) reported the largest positive EPS surprises.

The Financials (+9.0%) sector reported the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Allstate ($0.81 vs. $0.45), Assurant ($4.29 vs. $2.65), Cincinnati Financial ($1.66 vs. $1.15), Arch Capital Group ($2.31 vs. $1.61), and Franklin Resources ($0.84 vs, $0.59) reported the largest positive EPS surprises.

The Information Technology (+8.5%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Intel ($0.41 vs. $0.22), Qorvo ($2.39 vs. $1.77), Gartner ($2.56 vs. $1.96), and First Solar ($2.50 vs. $2.05) have reported the largest positive EPS surprises.

The Industrials (+7.2%) sector is reporting the fifth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, American Airlines Group ($0.38 vs. $0.26), General Electric ($4.32 vs. $3.64), and Axon Enterprise ($1.02 vs. $0.76) have reported the largest positive EPS surprises.

On the other hand, the Energy (-0.8%) sector reported the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Targa Resources ($0.98 vs. $1.19), Chevron ($3.05 vs. $3.70), ONEOK ($0.99 vs. $1.07), and Exxon Mobil ($2.27 vs. $2.37) reported the largest negative EPS surprises.

Market Punishing Negative EPS Surprises More Than Average

To date, the market is rewarding positive earnings surprises reported by S&P 500 companies more than average, while also punishing negative earnings surprises reported by S&P 500 companies more than average.

Companies that have reported positive earnings surprises for Q3 2023 have seen an average price increase of +1.1% 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 2023 have seen an average price decrease of -4.6% 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.

Lowest Percentage of Companies Beating Revenue Estimates (62%) Since Q1 2020

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.

If 62% is the final number for the quarter, it will mark lowest percentage of S&P 500 companies reporting a positive revenue surprise since Q1 2020 (56%).

At the sector level, the Communication Services (82%) and Financials (76%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (25%) and Materials (38%) sectors have the lowest percentages of companies reporting revenues above estimates.

Lowest Revenue Surprise Percentage (+0.7%) Since Q1 2020

In aggregate, companies are reporting revenues that are 0.7% 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.

If 0.7% is the final number for the quarter, it will mark lowest revenue surprise percentage reported by the index since Q1 2020 (+0.9%).

At the sector level, the Real Estate (+1.8%) and Health Care (+1.8%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-7.5%) sector reported the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Financials Sectors Leads Increase in Blended Earnings Since September 30

Financials Sector Has Seen Largest Increase in Earnings since September 30

The blended (year-over-year) earnings growth for Q3 2023 of 4.3% 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 41.8% from 22.1%), Communication Services (to 42.4% from 32.0%), and Financials (to 18.4% from 8.9%) sectors. The Financials, Consumer Discretionary, Information Technology, 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 -20.1% from -12.0%) and Utilities (to 11.3% 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), Berkshire Hathaway ($4.96 vs. $4.36), Wells Fargo ($1.48 vs. $1.24), Citigroup ($0.91 vs. $0.81), and Bank of America ($0.90 vs. $0.83) were 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 increased to 18.4% from 8.9% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com ($0.94 vs. $0.57), Airbnb ($6.63 vs. $2.11), and General Motors ($2.28 vs. $1.87) 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 Consumer Discretionary sector has improved to 41.8% from 22.1% over this period.

In the Information Technology sector, the positive EPS surprises reported by Microsoft ($2.69 vs. $2.55), Apple ($1.46 vs. $1.39), and Intel ($0.41 vs. $0.22) 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 Information Technology sector has improved to 11.6% from 4.6% over this period.

In the Communication Services sector, the positive EPS surprises reported by Meta Platforms ($4.39 vs. $3.64) and Alphabet ($1.55 vs. $1.46) were 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 increased to 42.4% from 32.0% over this period.

In the Health Care sector, downward revisions to EPS estimates for Pfizer and Eli Lilly and the negative EPS surprise reported by Moderna 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 fell to -$0.08 on October 31 from $0.58 on September 30. The company reported actual EPS of -$0.17 compared to the mean estimate of -$0.08. For Eli Lilly, the majority of analysts covering Eli Lilly revised (non-GAAP) EPS estimates lower during the week of October 16 due to increased IPR&D charges. As a result, the mean EPS estimate for Eli Lilly for Q3 fell to -$0.18 on November 2 from $2.90 on September 30. The company reported actual EPS of $0.10 compared to the mean estimate of -$0.18. Moderna reported actual EPS of -$9.53 compared to the mean EPS estimate of -$1.93. The actual EPS reported by Moderna included non-cash charges of $3,1 billion related to resizing and tax allowances. As a result, the blended earnings decline for the Health Care sector has increased to -20.1% today from -12.0% over this period.

Energy and Health Care Sectors Have Seen Largest Increases in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2023 of 2.4% 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 -15.5% from -18.9%) sector. The Energy and Health Care sectors have been the largest contributors 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 -2.9% from 5.1%) and Consumer Staples (3.5% from 3.8%). The Utilities sector has also been the largest detractor to the increase in revenues for the index since September 30. The Materials sector reported a year-over-year decline in revenues of -10.2%, which is equal to the estimate on September 30.

In the Energy sector, Chevron, Exxon Mobil, and Marathon Petroleum were substantial contributors to the increase in revenues for the index since September 30, due to the upward revisions to revenues estimates for Chevron and Exxon Mobil and the positive revenue surprises reported by Chevron ($54.08 billion vs. $51.41 billion) and Marathon Petroleum ($41.58 billion vs. $37.67 billion). As a result, the blended revenue decline for the Energy sector decreased to -15.5% from -18.9% over this period.

In the Health Care sector, the positive revenue surprises reported by Cencora ($68.92 billion vs. $66.25 billion), Centene Corporation ($38.04 billion vs. $36.24 billion), CVS Health ($89.76 billion vs. $88.30 billion), and McKesson ($77.22 billion vs. $76.03 billion) have been the significant contributors to the increase in revenues for the index since September 30. As a result, the blended revenue growth rate for the Health Care sector has increased to 6.2% from 4.5% over this period.

In the Utilities sector, the negative revenue surprises reported by NRG Energy ($7.95 billion vs. $10.95 billion), Southern Company ($6.98 billion vs. $8.23 billion), and Edison International ($4.70 billion vs. $5.35 billion) were substantial detractors to the increase in revenues for the index since September 30. As a result, the Utilities sector reported a decline in revenues of -2.9% compared to expectations for revenue growth of 5.1% on September 30.

Earnings Growth: 4.3%

The blended (year-over-year) earnings growth rate for Q3 2023 is 4.3%, 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 4.3% 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 (or have reported) year-over-year earnings growth, led by the Communication Services, Consumer Discretionary, and Financials sectors. On the other hand, three sectors are reporting (or have reported) a year-over-year decline in earnings: Energy, Materials, and Health Care.

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

The Communication Services sector reported the largest (year-over-year) earnings growth rate of all eleven sectors at 42.4%. At the industry level, 4 of the 5 industries reported a year-over-year increase in earnings. Three of these four industries in the sector reported a year-over-year increase in earnings of 65% or more: Wireless Telecommunication Services (320%), Entertainment (289%), and Interactive Media & Services (67%). On the other hand, the Diversified Telecommunication Services (-7%) was the only industry that reported a year-over-year decline in earnings.

At the company level, Meta Platforms ($4.39 vs. $1.64) was 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 42.4%.

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 41.8%. At the industry level, 3 of the 9 industries in the sector reported a year-over-year increase in earnings of 15% or more: Broadline Retail (324%), Hotels, Restaurants, & Leisure (132%), and Leisure Products (16%). On the other hand, six industries are reporting (or have reported) a year-over-year decline in earnings. One of these six industries reported a decrease in earnings of more than 10%: Automobiles (-13%).

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 -7.3% instead of year-over-year earnings growth if 41.8%.

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 23.9% from 41.8%

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

The Financials sector reported the third-largest (year-over-year) earnings growth rate of all eleven sectors at 18.4%. At the industry level, 4 of the 5 industries reported a year-over-year increase in earnings. Three of these four industries reported a year-over-year increase in earnings of 15% or more: Insurance (82%), Financial Services (20%), and Banks (16%). On the other hand, the Capital Markets (-4%) industry was the only industry that reported a (year-over-year) decline in earnings.

At the industry level, the Insurance industry was 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 10.7% from 18.4%.

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

The Energy sector reported the largest (year-over-year) earnings decline of all eleven sectors at -36.9%. Lower year-over-year oil prices contributed 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 reported a year-over-year decrease in earnings of more than 20%: Integrated Oil & Gas (-50%), Oil & Gas Exploration & Production (-33%), and Oil & Gas Refining & Marketing (-21%). On the other hand, the other two sub-industries reported year-over-year earnings growth: Oil & Gas Equipment & Services (32%) and Oil & Gas Storage & Transportation (8%).

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 10.1% from 4.3%.

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

The Materials sector reported the second-largest (year-over-year) earnings decline of all eleven sectors at -20.3%. At the industry level, three of the four industries in this sector reported a year-over-year decline in earnings of more than 20%: Containers & Packaging (-25%), Metals & Mining (-23%), and Chemicals (-22%). On the other hand, the Construction Materials (39%) industry was the only industry in the sector that reported (year-over-year) earnings growth.

Health Care: Pfizer and Moderna Are Largest Contributors to Year-Over-Year Decline

The Health Care sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -20.1%. At the industry level, three of the five industries in this sector are reporting (or have reported) a year-over-year decline in earnings: Pharmaceuticals (-43%), Biotechnology (-33%), and Life Sciences, Tools, & Services (-1%) industries. On the other hand, two industries are reporting year-over-year earnings growth: Health Care Providers & Services (10%) and Health Care Equipment & Supplies (7%).

At the company level, Pfizer (-$0.17 vs. $1.78) and Moderna (-$9.53 vs. $2.53) are the largest contributors to the earnings decline for the sector. If these two companies were excluded, the Health Care sector would be reporting flat year-over-year earnings (0.0%) rather than a decline of -20.1%.

Revenue Growth: 2.4%

The blended (year-over-year) revenue growth rate for Q3 2023 is 2.4%, 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 2.4% 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, eight sectors are reporting (or have reported) year-over-year growth in revenues, led by the Real Estate, Consumer Discretionary, and Communication Services sectors. On the other hand, three sectors are reported a year-over-year decline in revenues, led by the Energy and Materials sectors.

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

The Real Estate sector reported the highest (year-over-year) revenue growth rate of all eleven sectors at 7.9%. At the industry level, all 8 industries in the sector reported a year-over-year increase in revenues. Three of these 8 industries reported revenue growth at or above 10%: Industrial REITs (54%), Health Care REITs (11%), and Retail REITs (10%).

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

The Consumer Discretionary sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 7.5%. At the industry level, 7 of the 9 industries in the sector reported a year-over-year increase in revenues. Two of these seven industries reported revenue growth at or above 10%: Hotels, Restaurants, & Leisure (22%) and Broadline Retail (12%).

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

The Communication Services sector reported the third-highest (year-over-year) revenue growth rate of all eleven sectors at 7.0%. At the industry level, 3 of the 5 industries in the sector reported a year-over-year increase in revenues. One of these 3 industries reported revenue growth at or above 10%: Interactive Media & Services (13%).

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

The Energy sector reported the largest (year-over-year) revenue decline of all eleven sectors at -15.5%. Lower year-over-year oil prices contributed 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 reported a year-over-year decrease in revenues of 10% or more: Oil & Gas Storage & Transportation (-25%), Oil & Gas Exploration & Production (-22%), Integrated Oil & Gas (-19%), and Oil & Gas Refining & Marketing (-11%). On the other hand, the Oil & Gas Equipment & Services (14%) sub-industry was the only sub-industry that reported (year-over-year) revenue growth in the sector.

Materials: Chemicals Industry Led Year-Over-Year Decline

The Materials sector reported the second-highest (year-over-year) decline in revenues at -10.2%. At the industry level, three of the four industries in the sector reported a year-over-year decrease in revenues: Chemicals (-12%), Containers & Packaging (-9%), and Metals & Mining (-9%). On the other hand, the Construction Materials (11%) industry was the only industry that reported year-over-year growth in revenues.

Net Profit Margin: 12.1%

The blended net profit margin for the S&P 500 for Q3 2023 is 12.1%, 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 (or have reported) a year-over-year increase in their net profit margins in Q3 2023 compared to Q3 2022, led by the Communication Services (12.9% vs. 9.7%) sector. On the other hand, four sectors are reporting (or have reported) a year-over-year decrease in their net profit margins in Q3 2023 compared to Q3 2022, led by the Energy (10.7% vs. 14.4%) sector.

Eight sectors are reporting (or have reported) net profit margins in Q3 2023 that are above their 5-year averages, led by the Consumer Discretionary (9.5% vs. 6.4%) and Energy (10.7% vs. 8.4%) sectors. On the other hand, three sectors are reporting (or have reported) net profit margins in Q3 2023 that are below their 5-year averages, led by the Health Care (7.9% vs. 10.3%) sector.

Forward Estimates and Valuation

Quarterly Guidance: Negative Guidance for Q4 is Above 5-Year and 10-Year Averages

At this point in time, 96 companies in the index have issued EPS guidance for Q4 2023. Of these 96 companies, 64 have issued negative EPS guidance and 32 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q4 2023 is 67% (64 out of 96), which is above the 5-year average of 59% and above the 10-year average of 64%.

At this point in time, 274 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 274 companies, 125 have issued negative EPS guidance and 149 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 46% (125 out of 274).

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 4.3% and year-over-year growth in revenues of 2.4%.

For Q4 2023, analysts are projecting earnings growth of 2.9% and revenue growth of 3.2%.

For CY 2023, analysts are projecting earnings growth of 0.6% and revenue growth of 2.3%.

For Q1 2024, analysts are projecting earnings growth of 6.5% and revenue growth of 4.2%.

For Q2 2024, analysts are projecting earnings growth of 10.4% and revenue growth of 5.0%.

For CY 2024, analysts are projecting earnings growth of 11.6% and revenue growth of 5.4%.

Valuation: Forward P/E Ratio is 18.6, Above the 10-Year Average (17.6)

The forward 12-month P/E ratio for the S&P 500 is 18.6. This P/E ratio is below the 5-year average of 18.8 but above the 10-year average of 17.6. It is also above 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 increased by 5.1%, while the forward 12-month EPS estimate has increased by 0.6%. At the sector level, the Information Technology (26.8) and Consumer Discretionary (24.0) sectors have the highest forward 12-month P/E ratios, while the Energy (10.4) and Financials (13.6) sectors have the lowest forward 12-month P/E ratios.

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

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

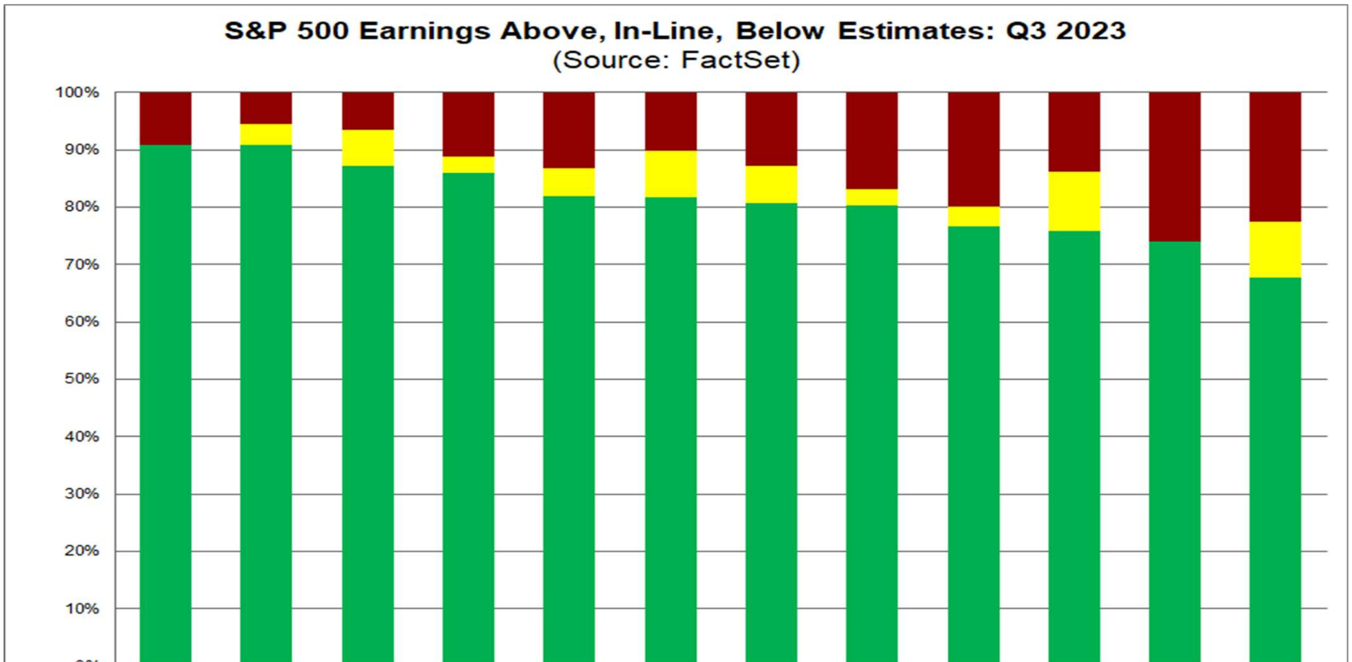
The bottom-up target price for the S&P 500 is 5029.99, which is 11.6% above the closing price of 4508.24. At the sector level, the Energy (+24.7%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Information Technology (+7.9%) and Utilities (+8.2%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 11,268 ratings on stocks in the S&P 500. Of these 11,268 ratings, 55.3% are Buy ratings, 39.3% are Hold ratings, and 5.4% are Sell ratings. At the sector level, the Energy (63%) 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.

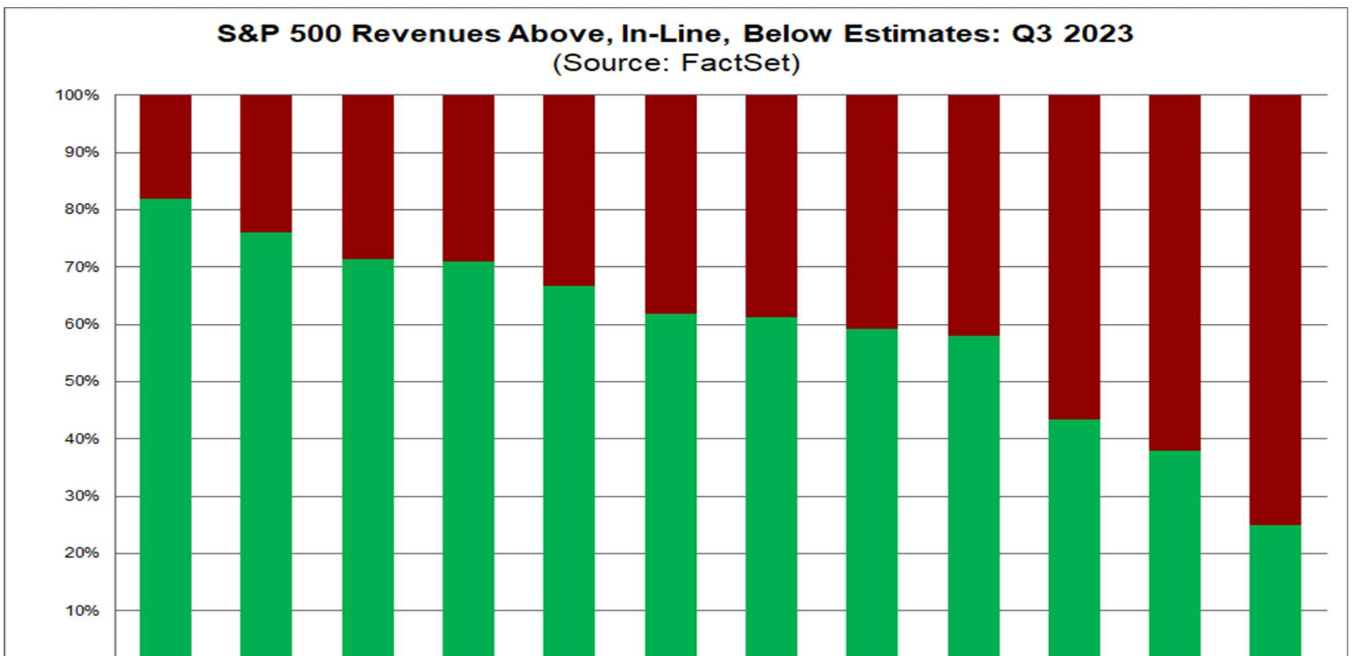
Companies Reporting Next Week: 11

During the upcoming week, 11 S&P 500 companies are scheduled to report results for the third quarter.

Q3 2023: Scorecard

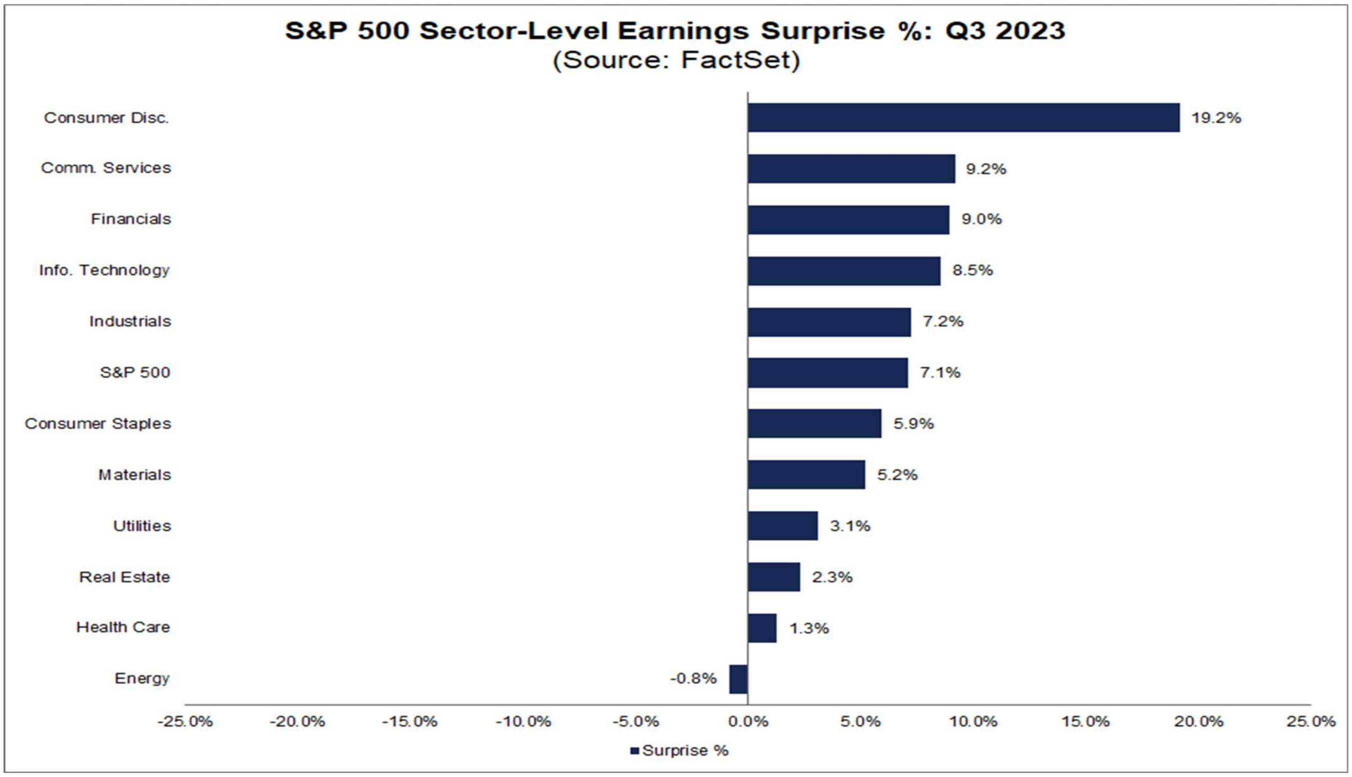


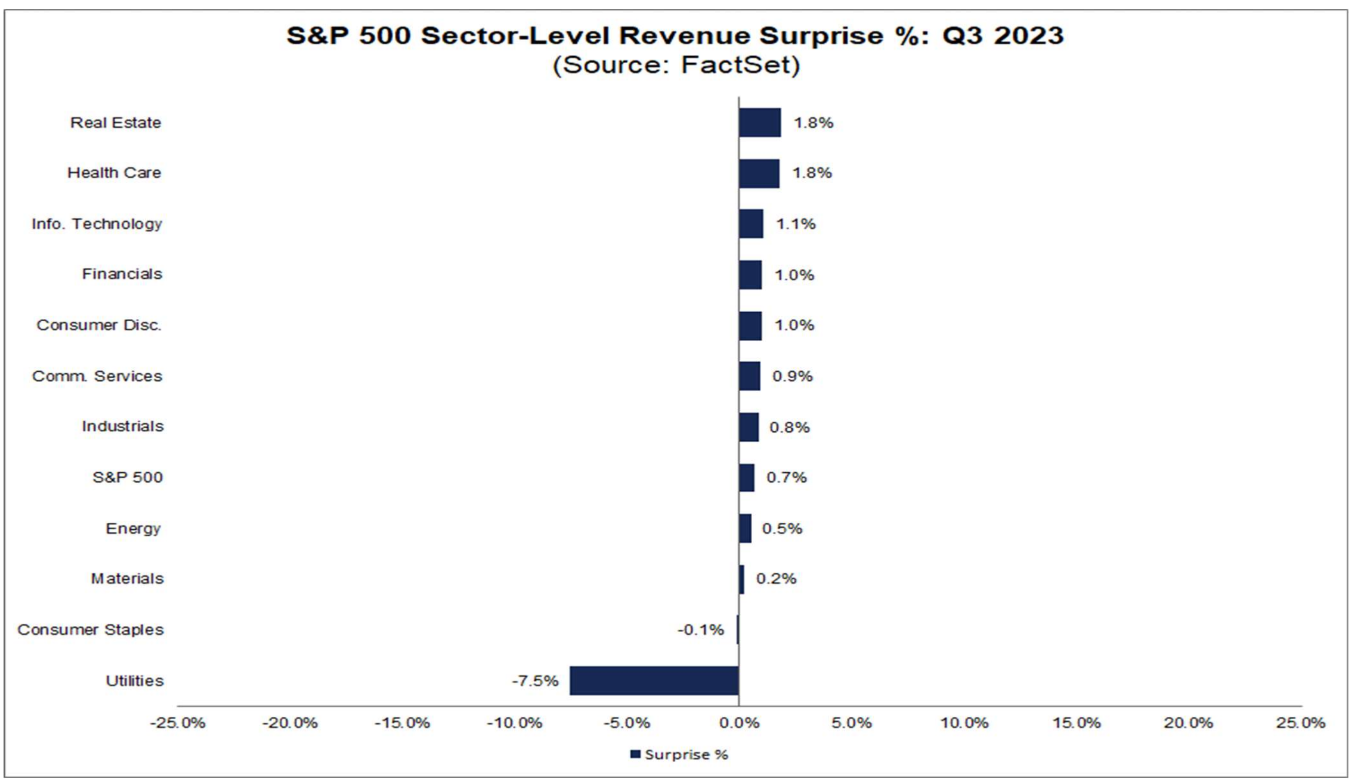
	Comm. Services	Info. Technology	Consumer Staples	Industrials	S&P 500	Consumer Disc.	Health Care	Financials	Utilities	Materials	Energy	Real Estate
Below	9%	6%	6%	11%	13%	10%	13%	17%	20%	14%	26%	23%
In-Line	0%	4%	6%	3%	5%	8%	6%	3%	3%	10%	0%	10%
Above	91%	91%	87%	86%	82%	82%	81%	80%	77%	76%	74%	68%



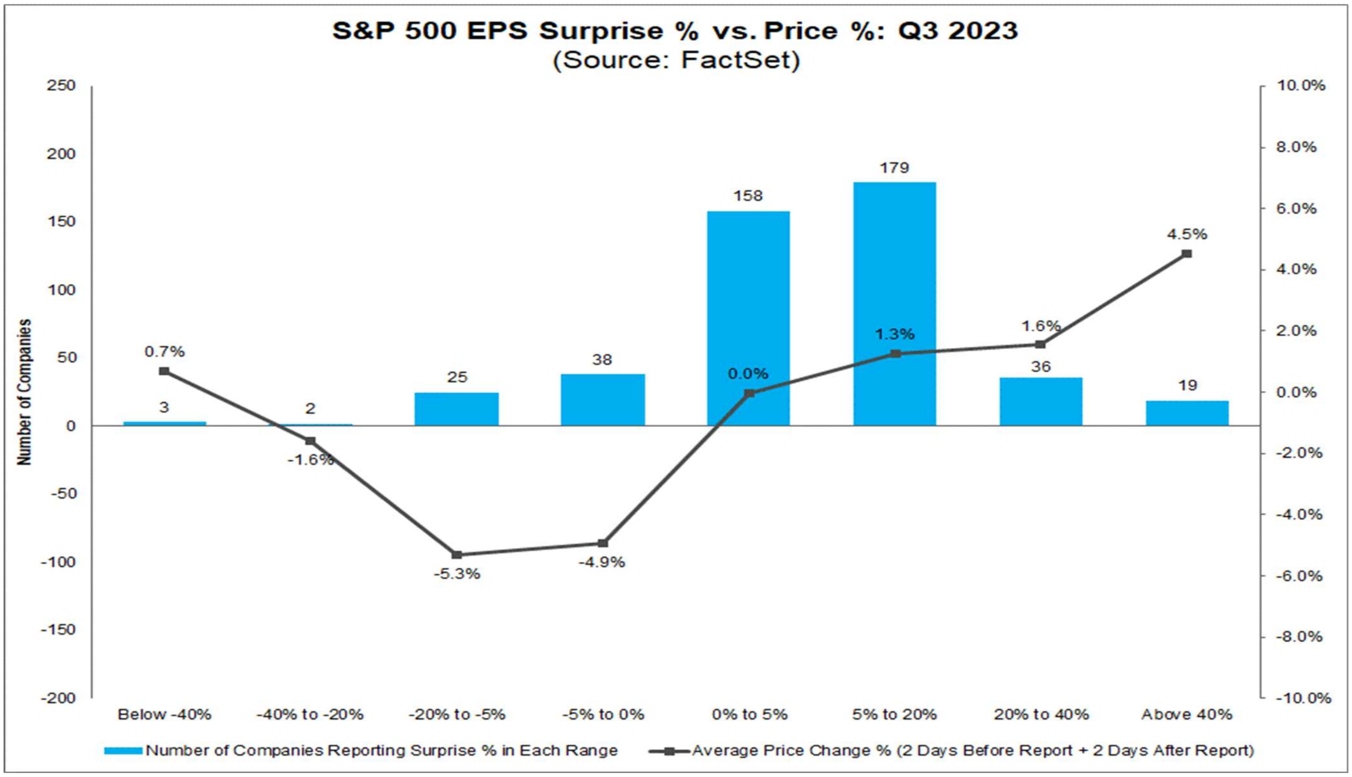
	Comm. Services	Financials	Consumer Disc.	Real Estate	Info. Technology	S&P 500	Health Care	Industrials	Consumer Staples	Energy	Materials	Utilities
Below	18%	24%	29%	29%	33%	38%	39%	41%	42%	57%	62%	75%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	82%	76%	71%	71%	67%	62%	61%	59%	58%	43%	38%	25%

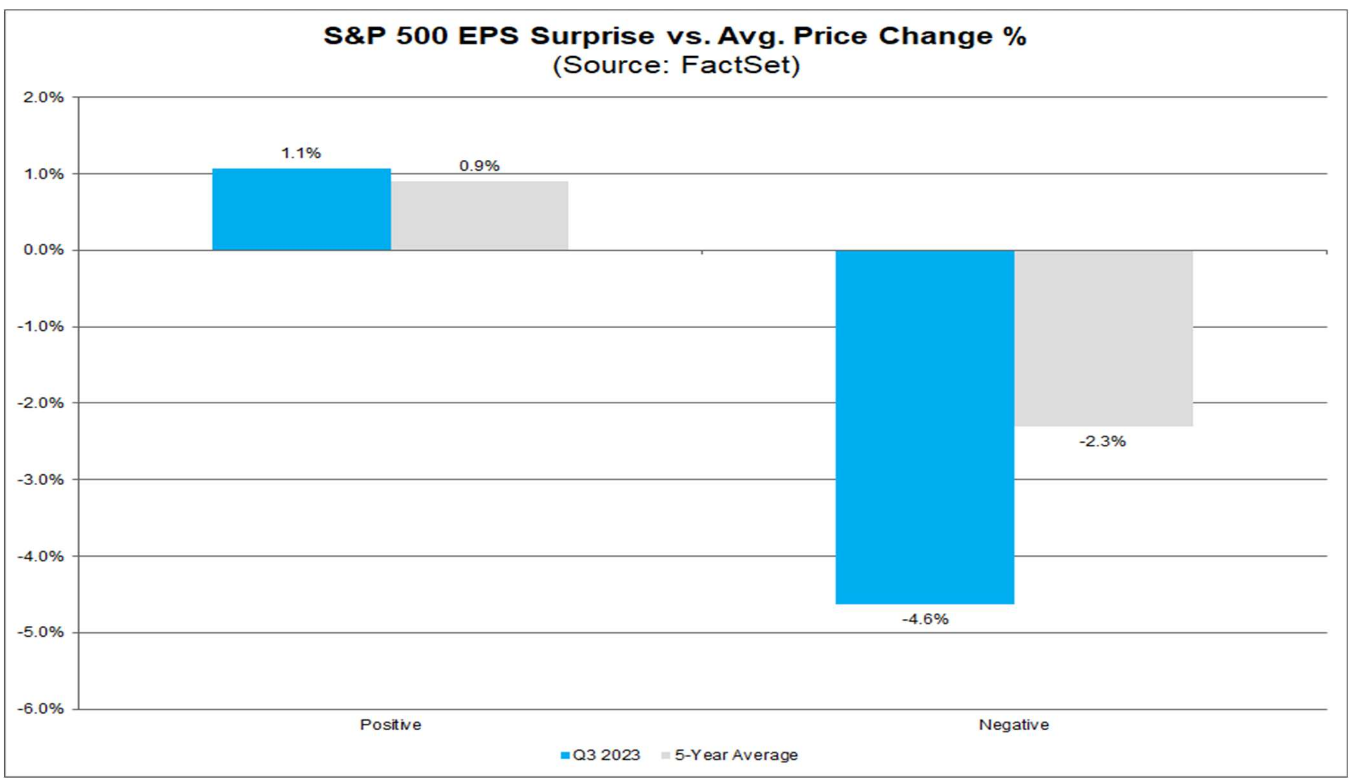
Q3 2023: Scorecard



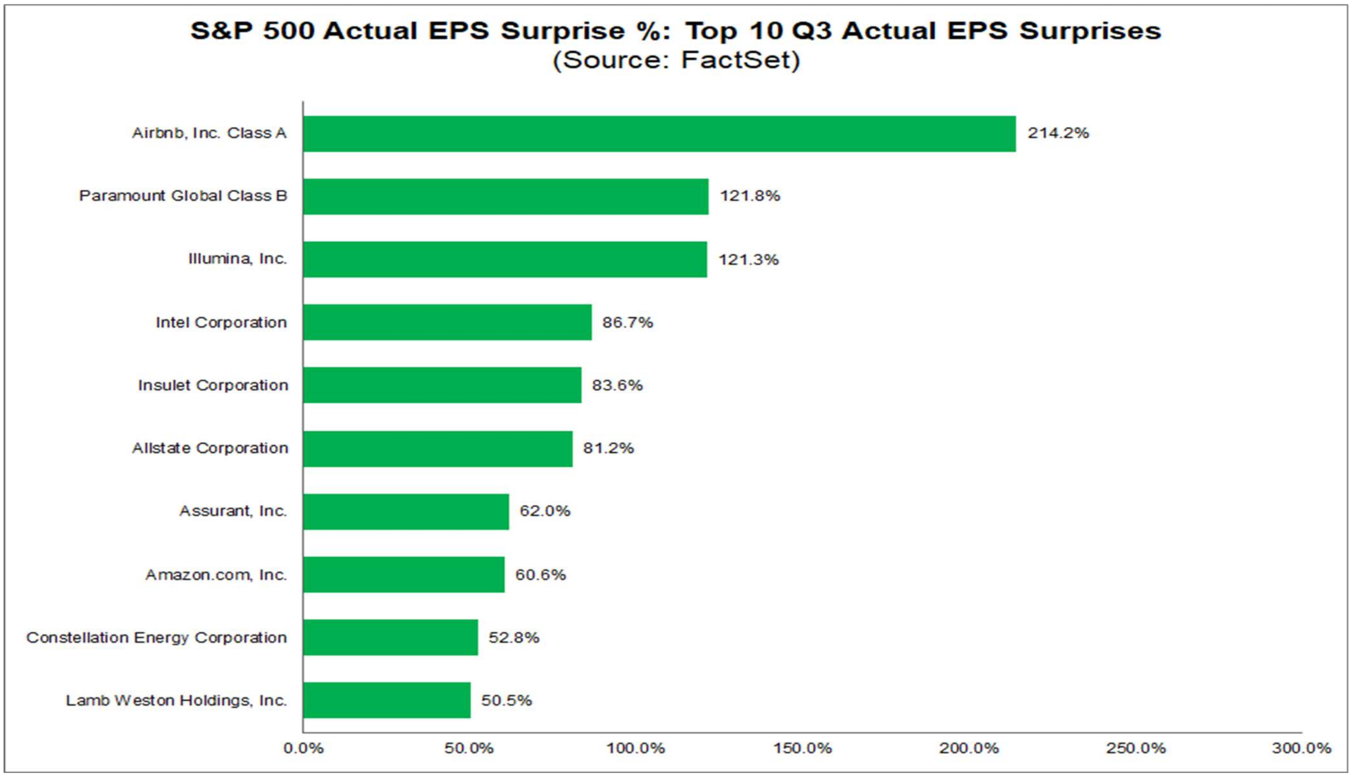


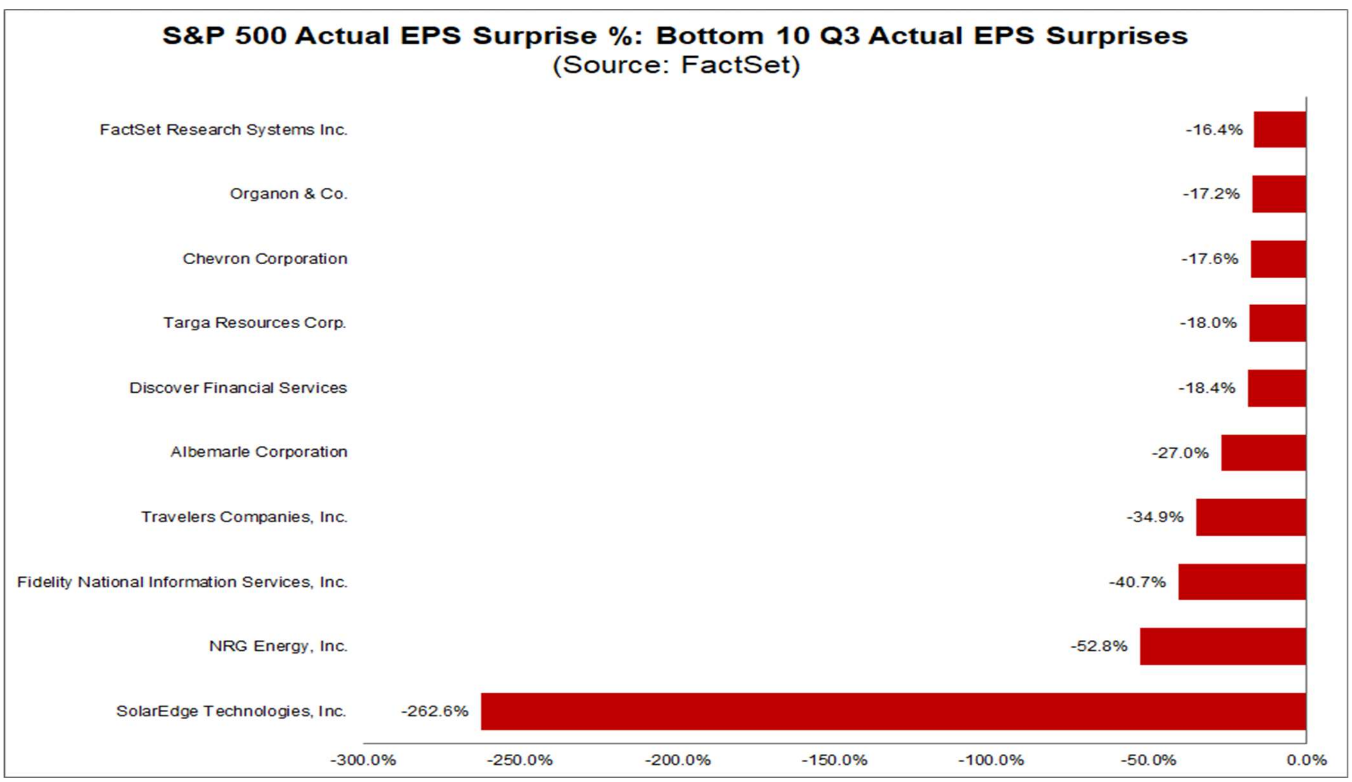
Q3 2023: Scorecard



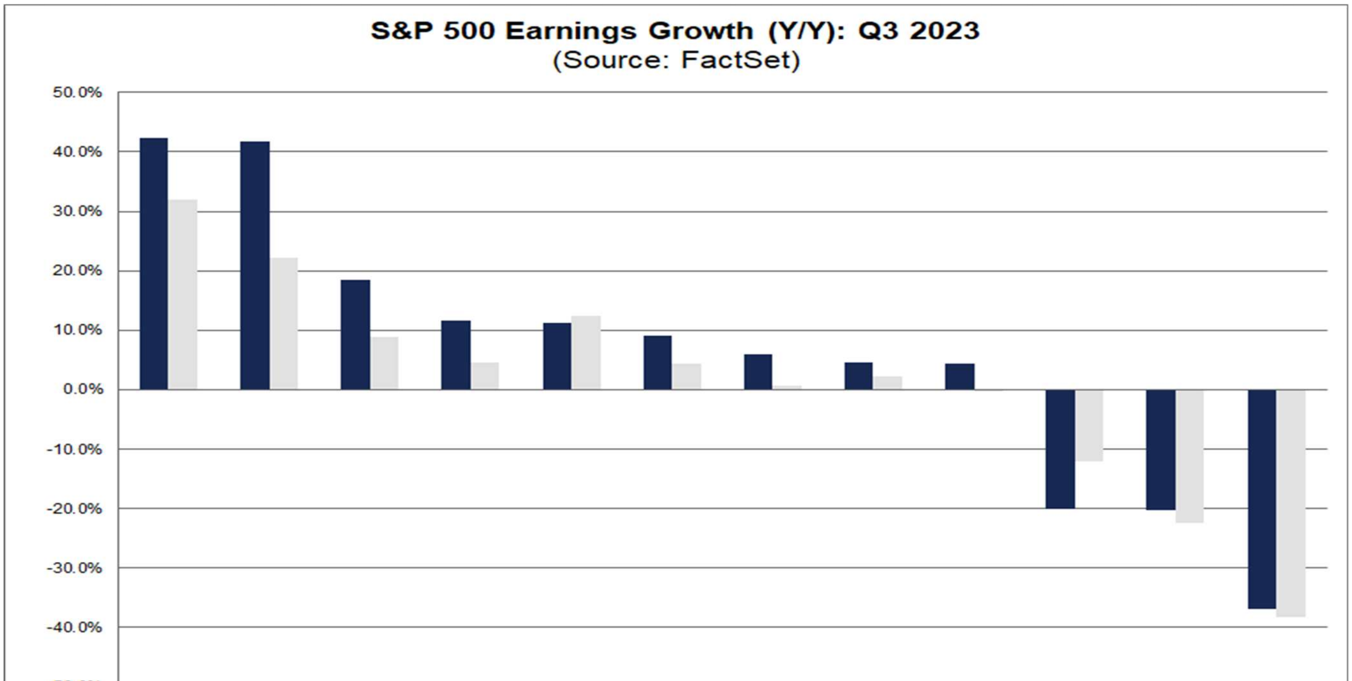


Q3 2023: Scorecard

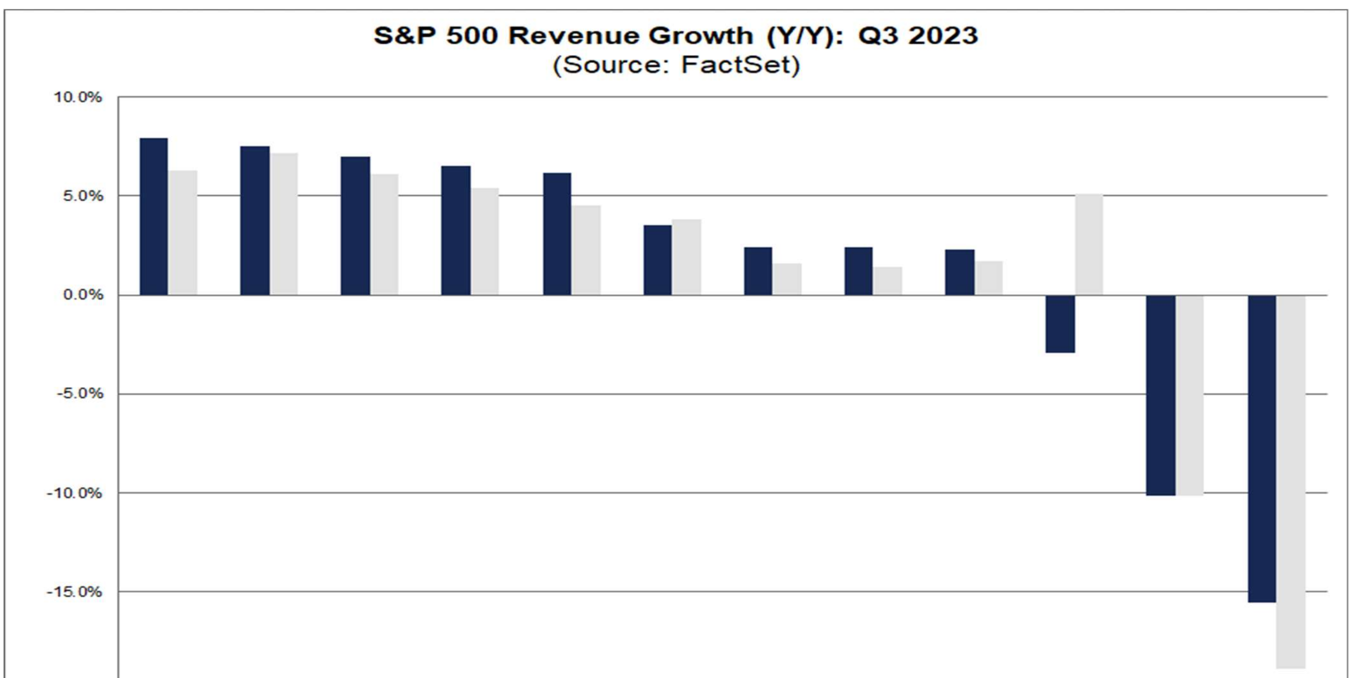




Q3 2023: Growth

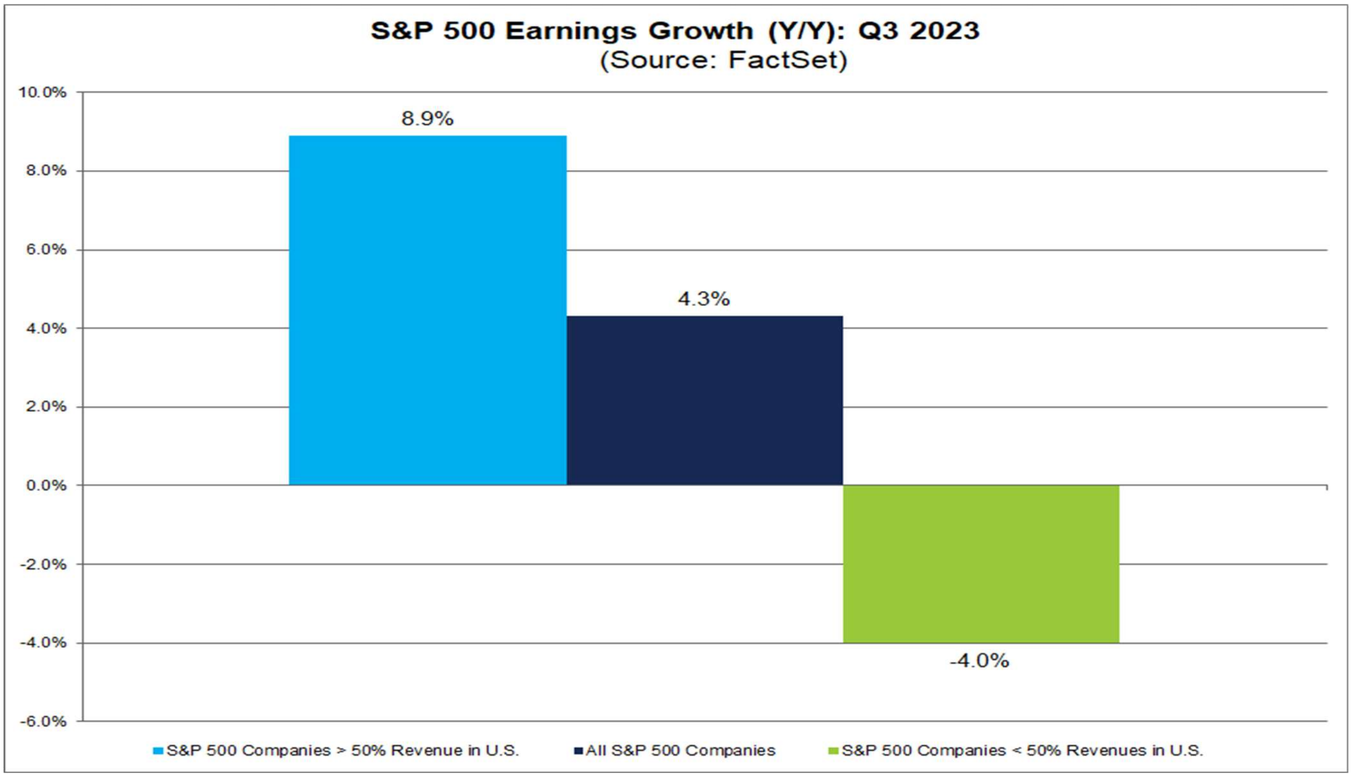


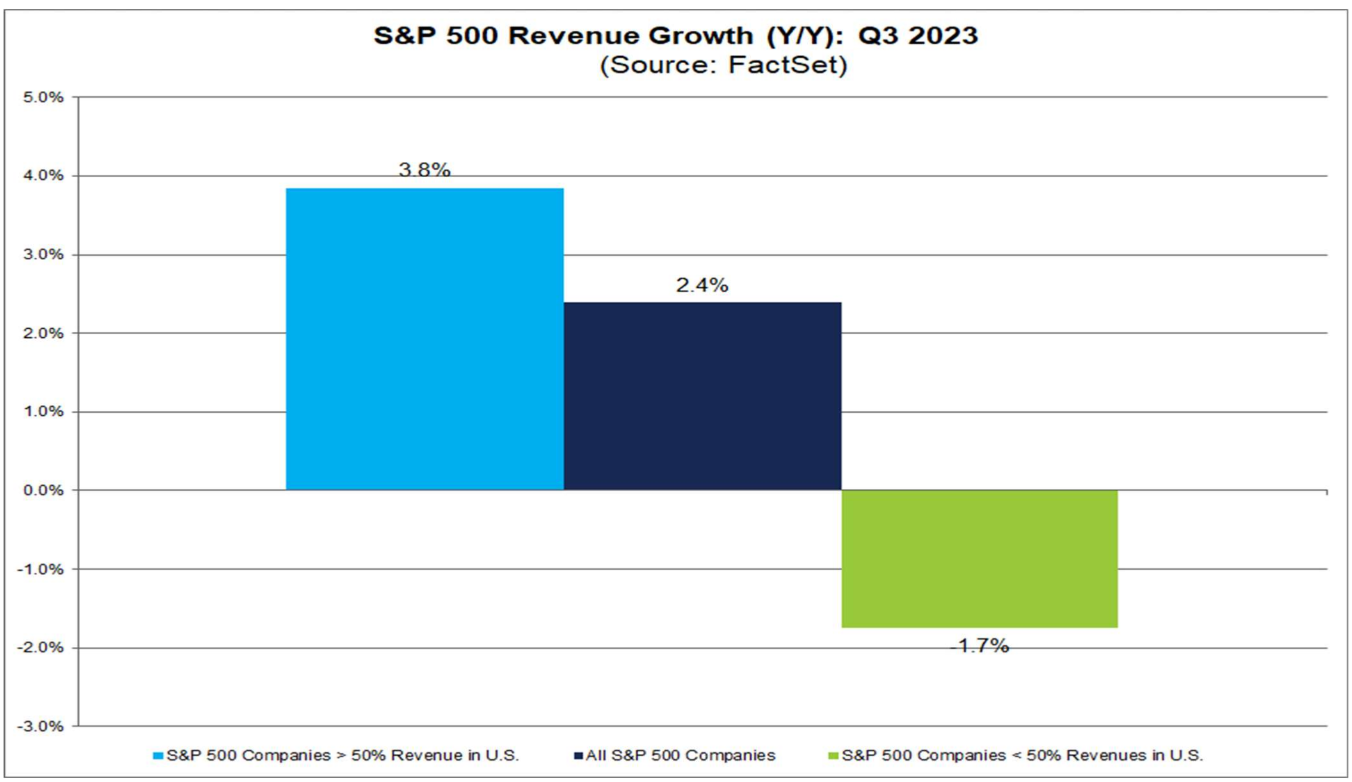
	Comm. Services	Consumer Disc.	Financials	Info. Technology	Utilities	Industrials	Consumer Staples	Real Estate	S&P 500	Health Care	Materials	Energy
Today	42.4%	41.8%	18.4%	11.6%	11.3%	9.0%	5.9%	4.5%	4.3%	-20.1%	-20.3%	-36.9%
30-Sep	32.0%	22.1%	8.9%	4.6%	12.4%	4.3%	0.7%	2.2%	-0.3%	-12.0%	-22.4%	-38.2%



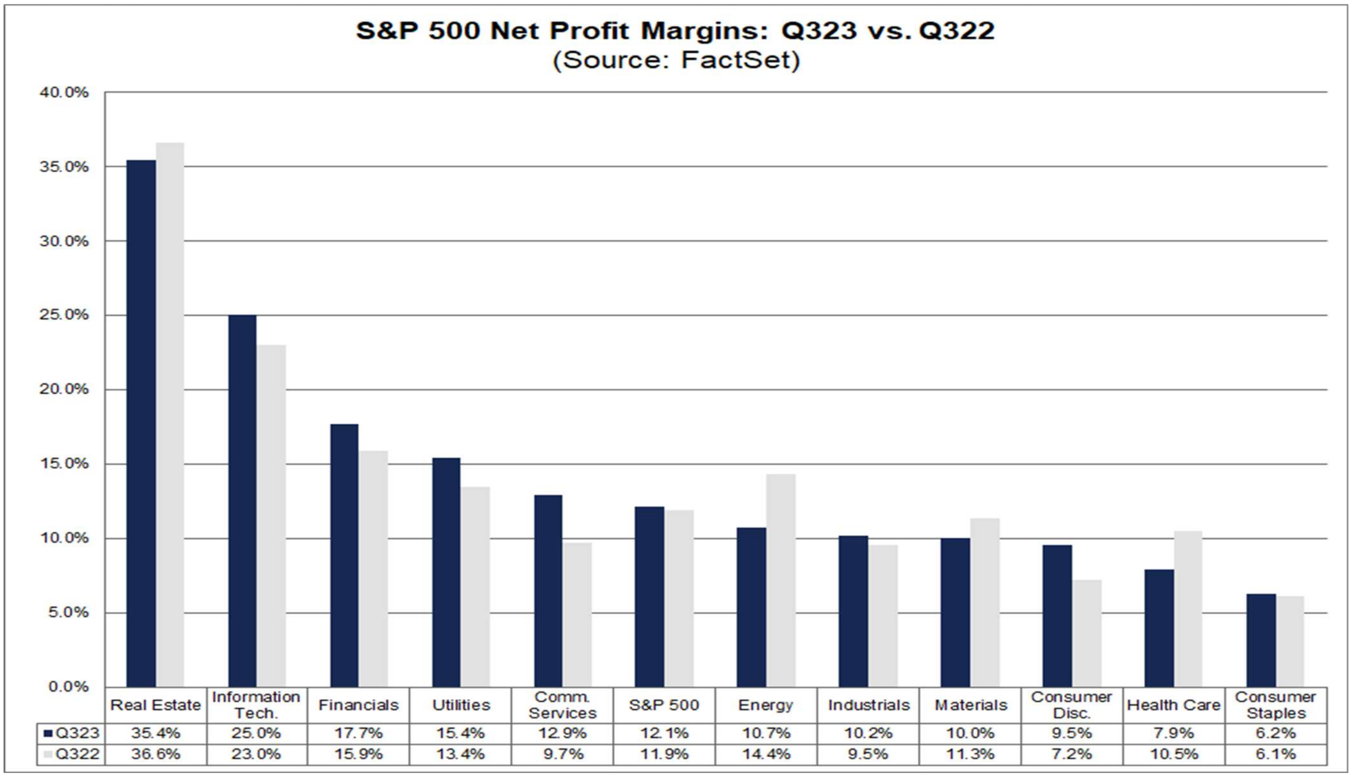
	Real Estate	Consumer Disc.	Comm. Services	Financials	Health Care	Consumer Staples	S&P 500	Info. Technology	Industrials	Utilities	Materials	Energy
Today	7.9%	7.5%	7.0%	6.5%	6.2%	3.5%	2.4%	2.4%	2.3%	-2.9%	-10.2%	-15.5%
30-Sep	6.3%	7.2%	6.1%	5.4%	4.5%	3.8%	1.6%	1.4%	1.7%	5.1%	-10.2%	-18.9%

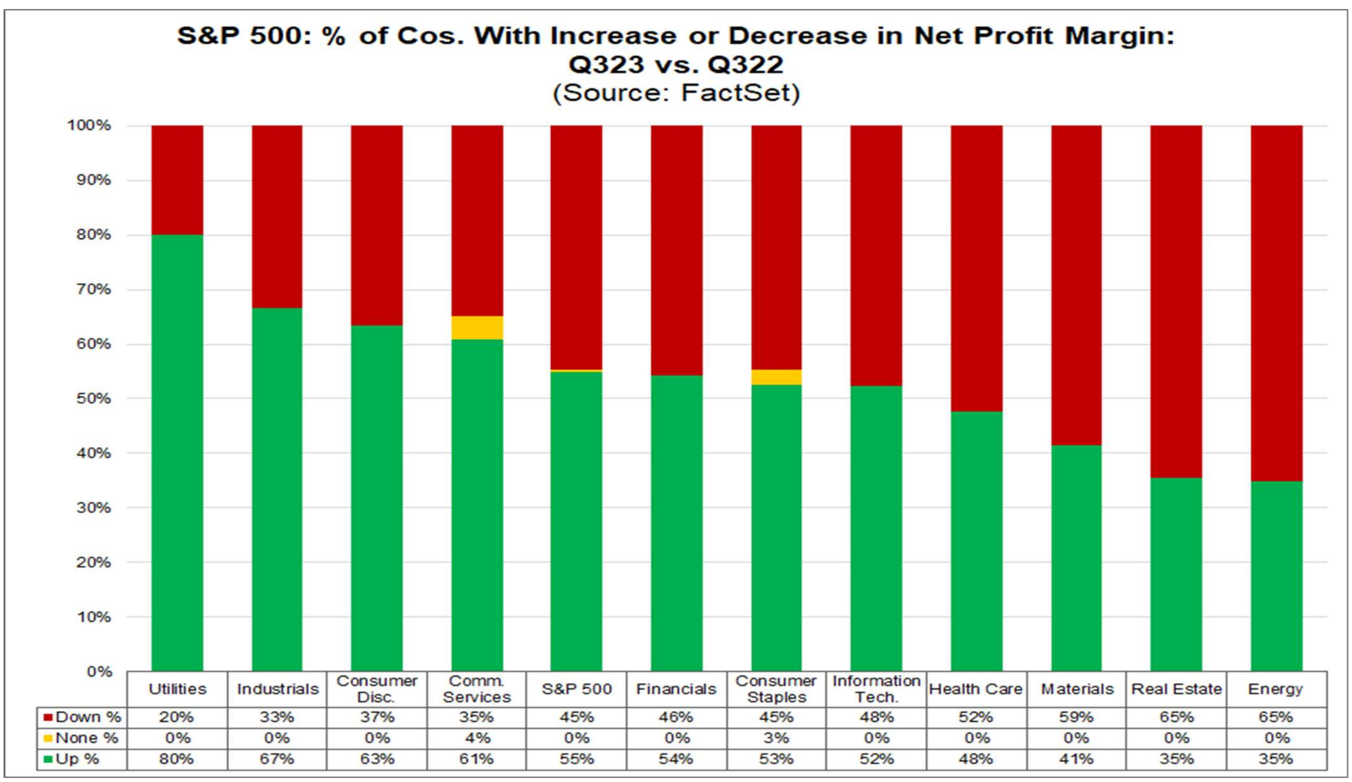
Q3 2023: Growth



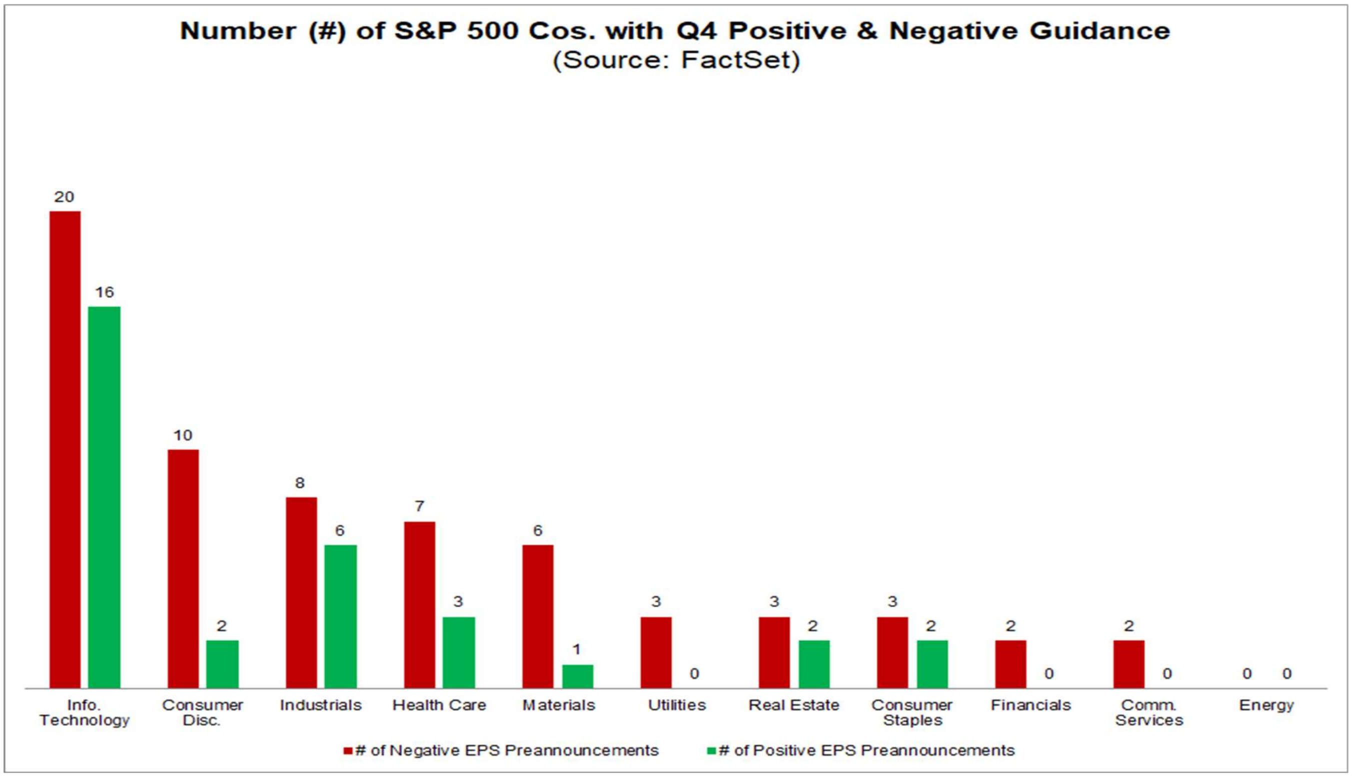


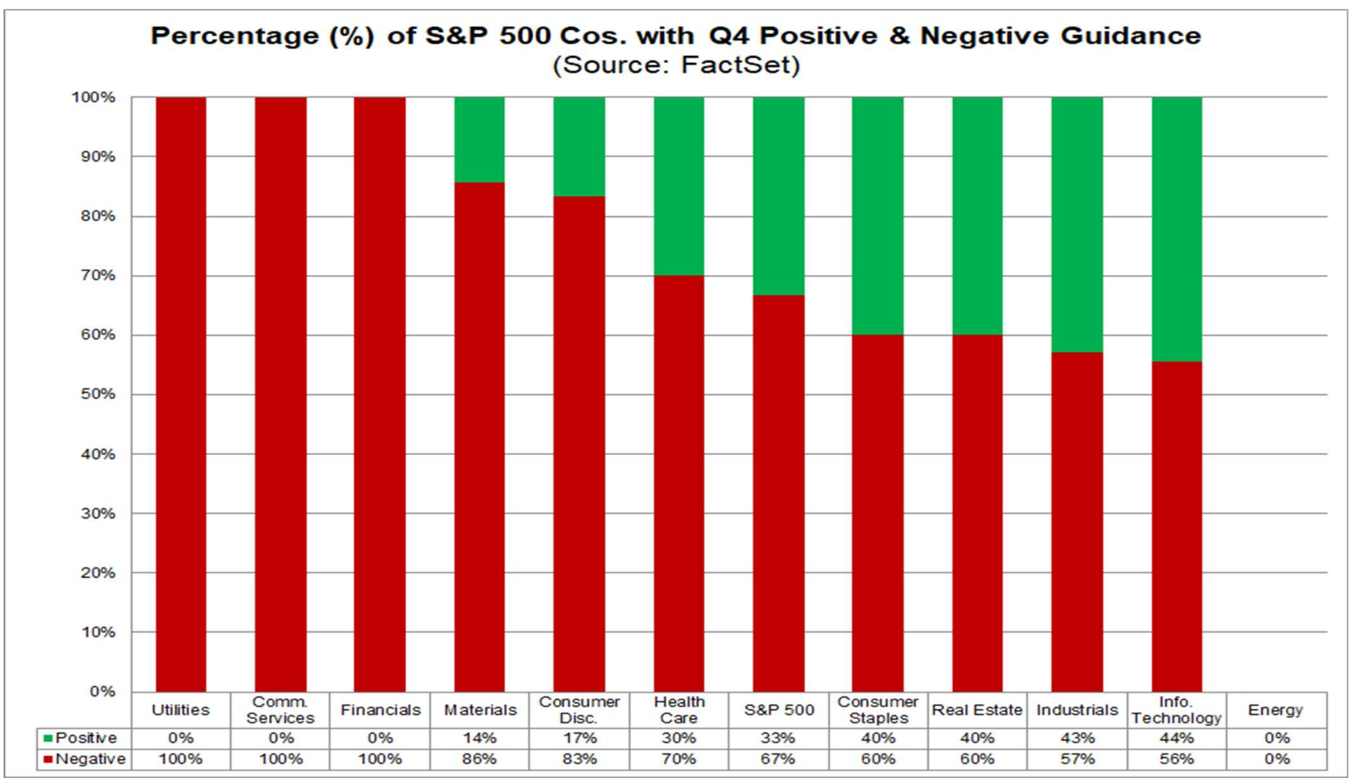
Q3 2023: Net Profit Margin



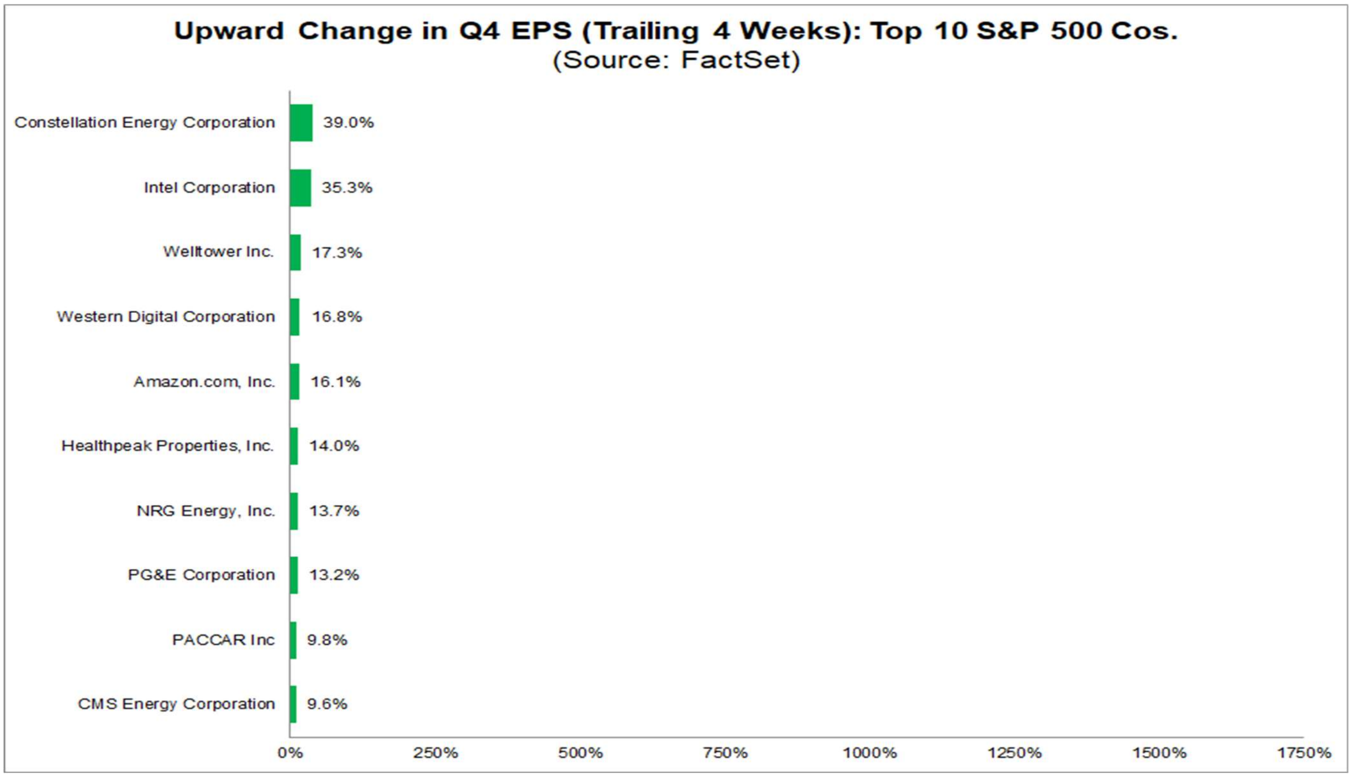


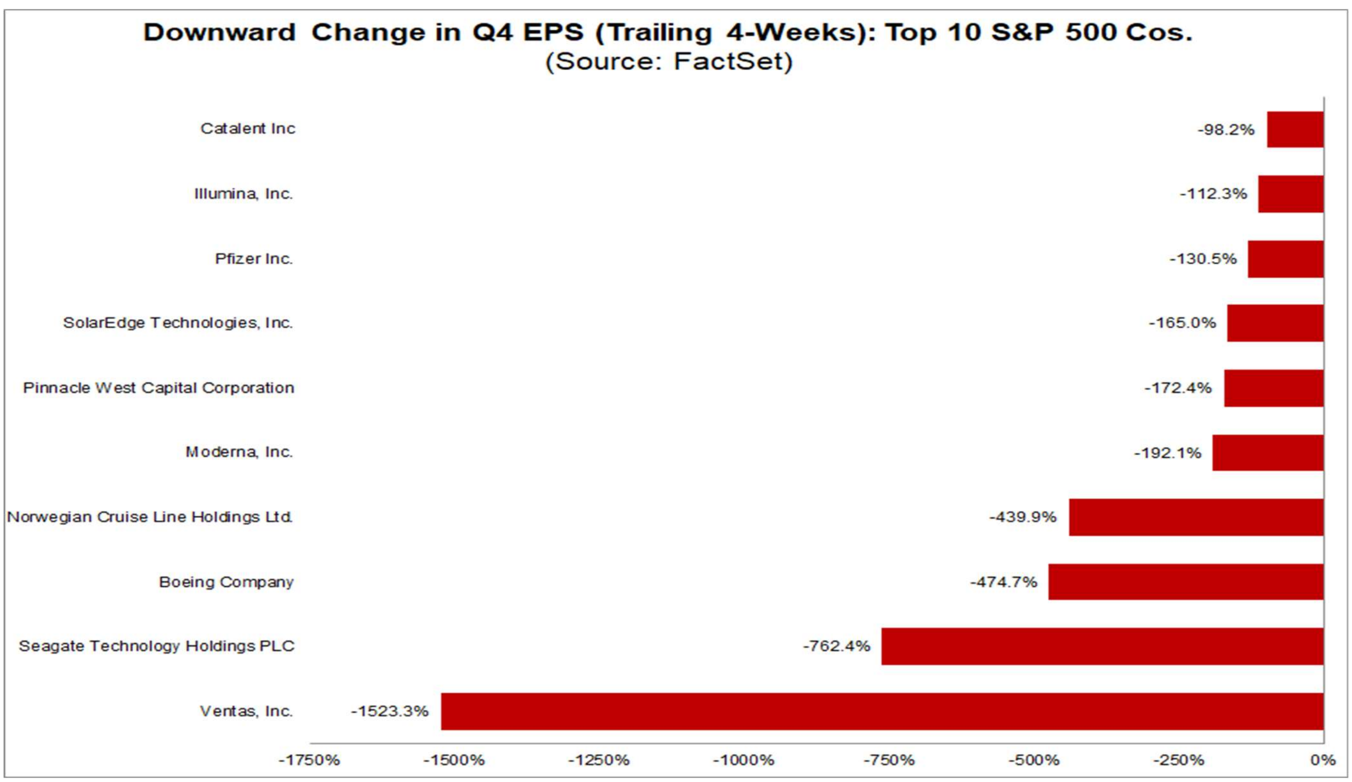
Q4 2023: Guidance



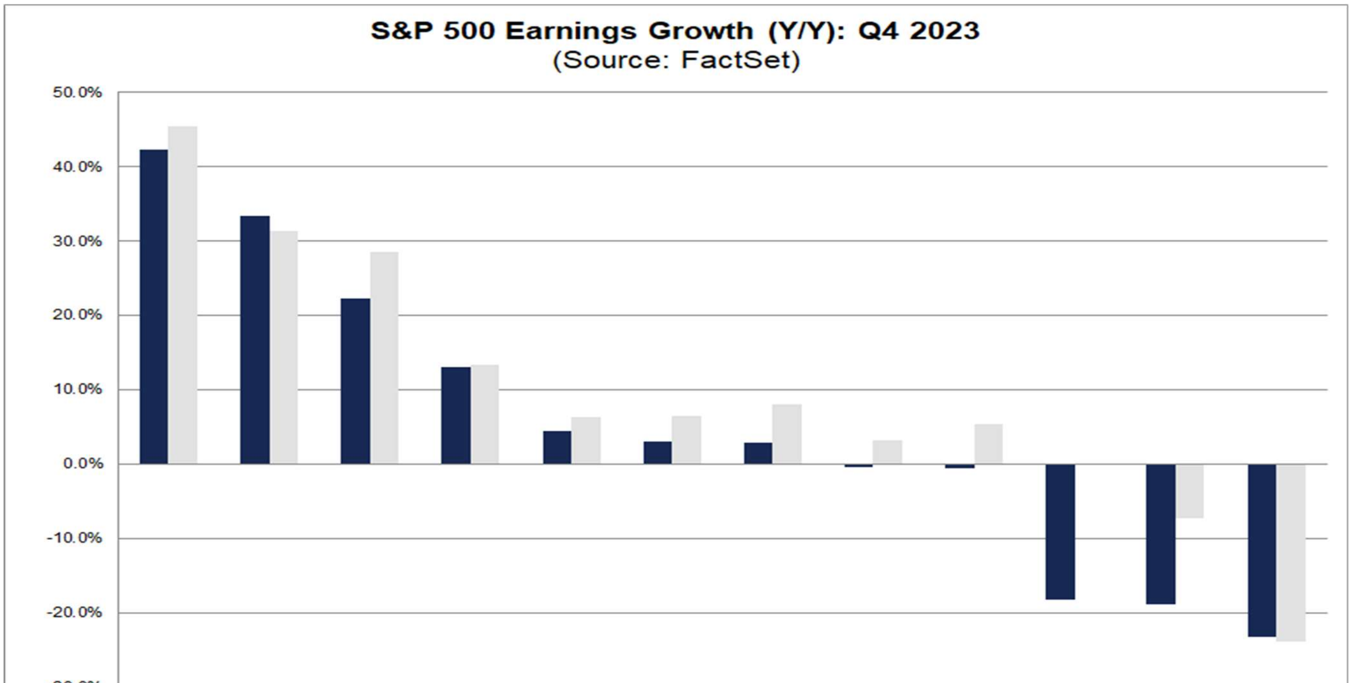


Q4 2023: EPS Revisions

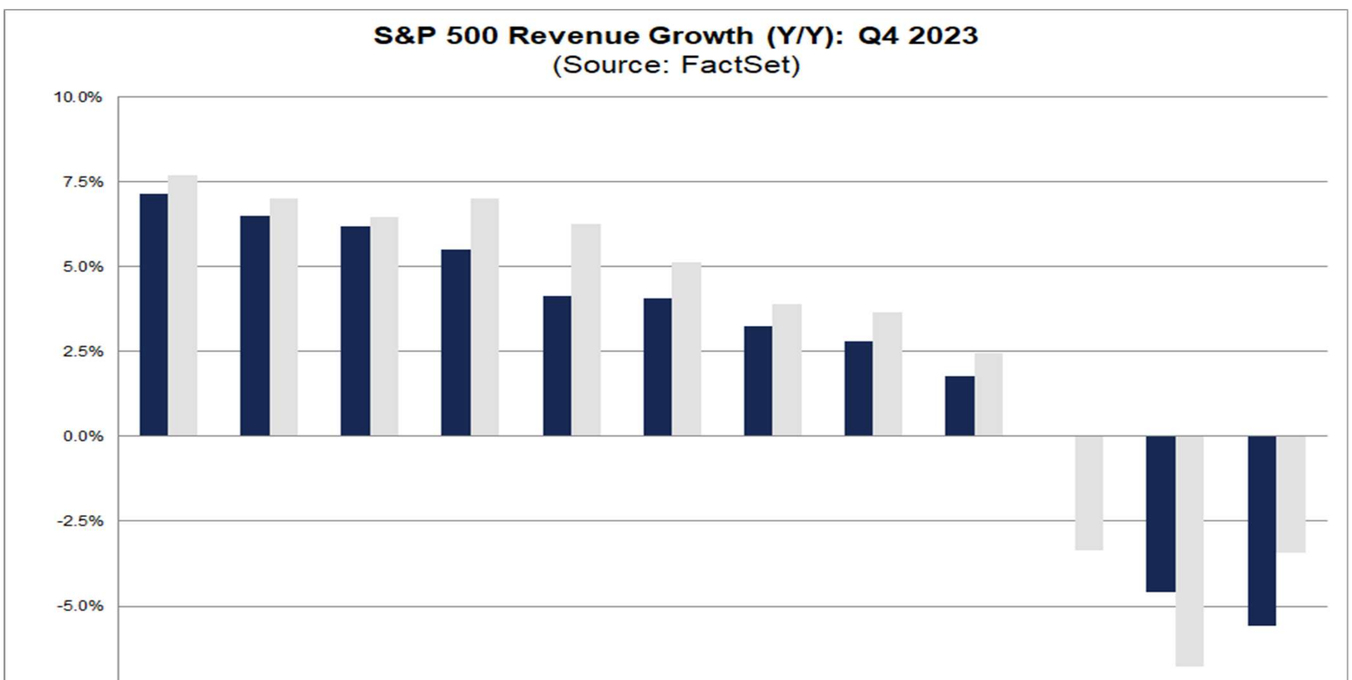




Q4 2023: Growth

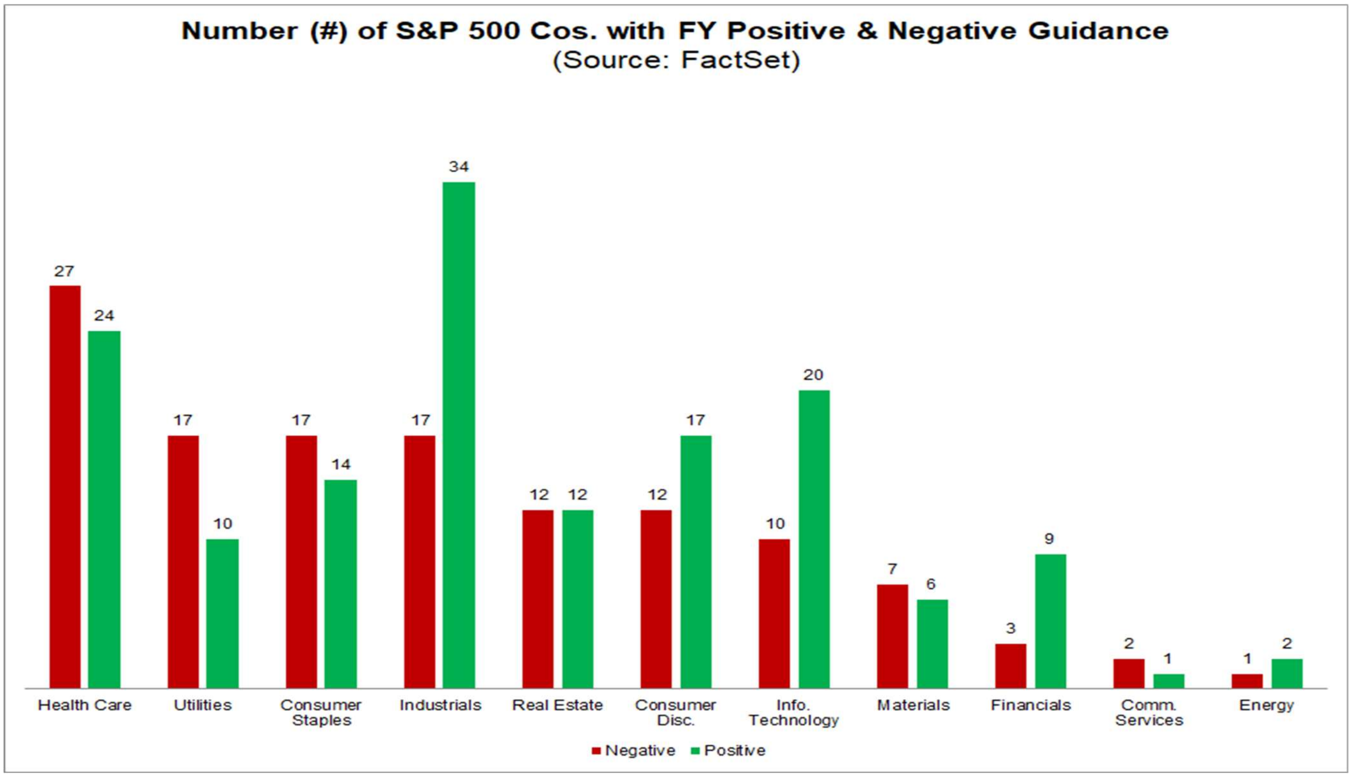


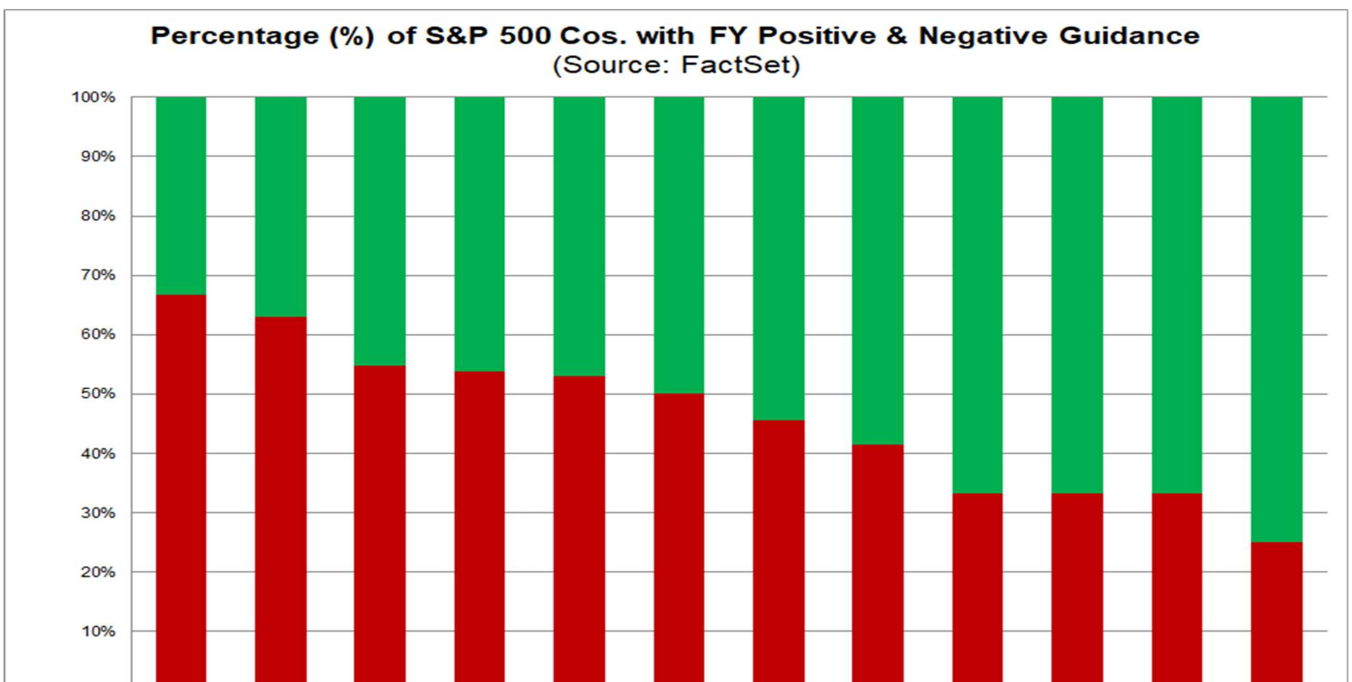
	Comm. Services	Utilities	Consumer Disc.	Info. Technology	Real Estate	Financials	S&P 500	Consumer Staples	Industrials	Health Care	Materials	Energy
Today	42.3%	33.4%	22.3%	13.0%	4.4%	3.1%	2.9%	-0.4%	-0.6%	-18.2%	-18.8%	-23.3%
30-Sep	45.5%	31.4%	28.5%	13.3%	6.4%	6.5%	8.0%	3.1%	5.4%	0.0%	-7.3%	-23.9%



	Financials	Real Estate	Comm. Services	Info. Technology	Consumer Disc.	Health Care	S&P 500	Consumer Staples	Industrials	Utilities	Energy	Materials
Today	7.1%	6.5%	6.2%	5.5%	4.1%	4.1%	3.2%	2.8%	1.8%	0.0%	-4.6%	-5.6%
30-Sep	7.7%	7.0%	6.5%	7.0%	6.3%	5.1%	3.9%	3.7%	2.5%	-3.4%	-6.8%	-3.4%

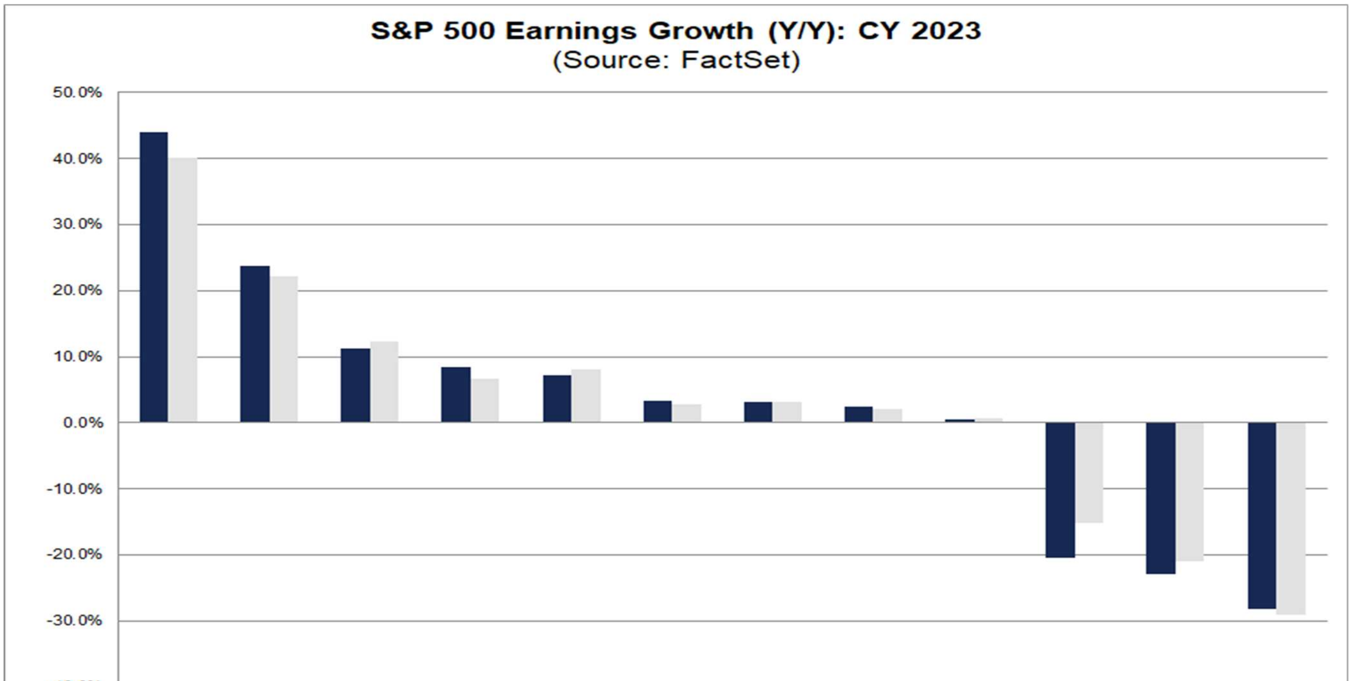
FY 2023 / 2024: EPS Guidance



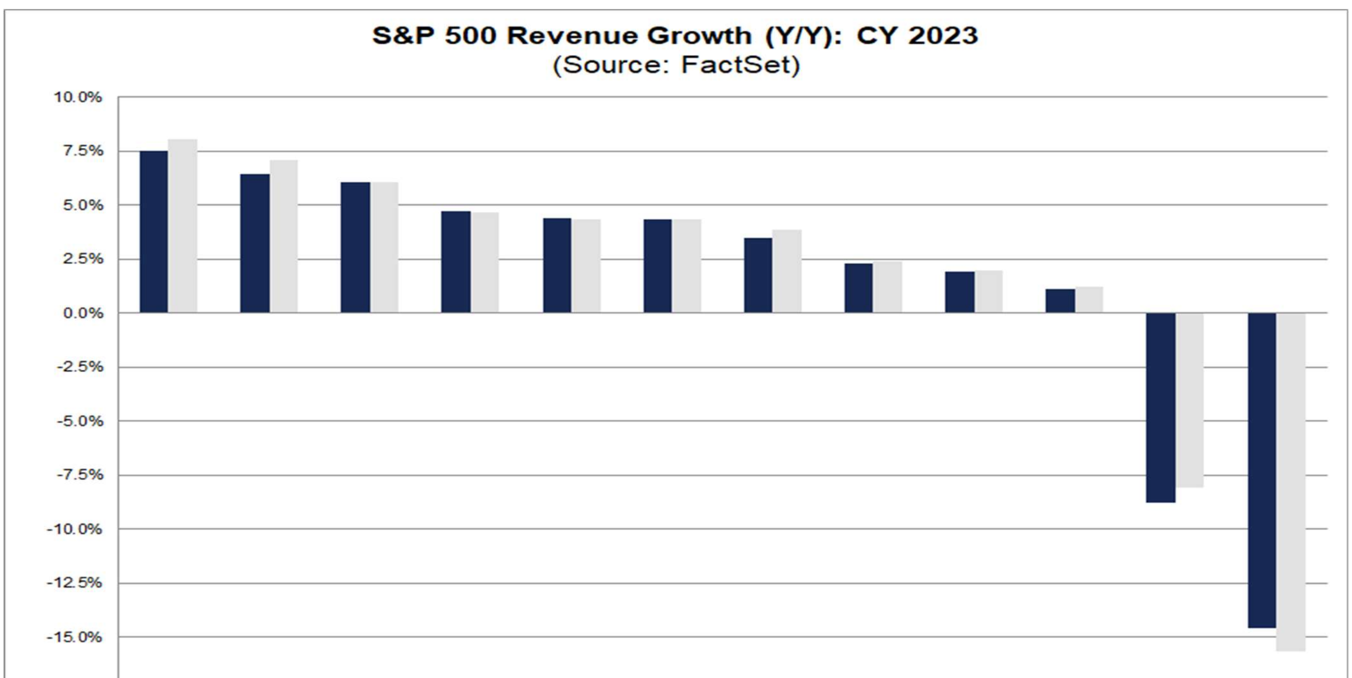


	Comm. Services	Utilities	Consumer Staples	Materials	Health Care	Real Estate	S&P 500	Consumer Disc.	Industrials	Info. Technology	Energy	Financials
Positive	33%	37%	45%	46%	47%	50%	54%	59%	67%	67%	67%	75%
Negative	67%	63%	55%	54%	53%	50%	46%	41%	33%	33%	33%	25%

CY 2023: Growth

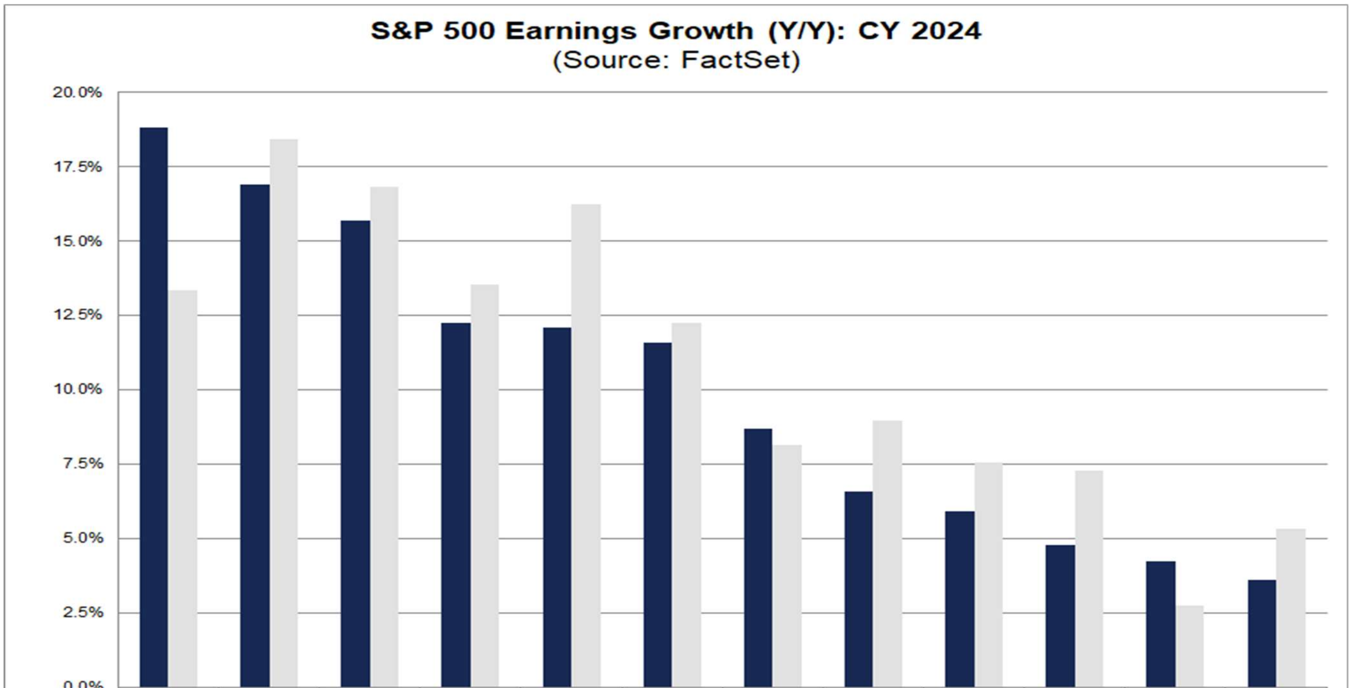


	Consumer Disc.	Comm. Services	Industrials	Financials	Utilities	Info. Technology	Real Estate	Consumer Staples	S&P 500	Health Care	Materials	Energy
Today	43.9%	23.7%	11.2%	8.4%	7.1%	3.3%	3.1%	2.4%	0.6%	-20.5%	-23.0%	-28.2%
30-Sep	40.1%	22.1%	12.2%	6.6%	8.0%	2.7%	3.1%	2.1%	0.8%	-15.1%	-20.9%	-29.0%

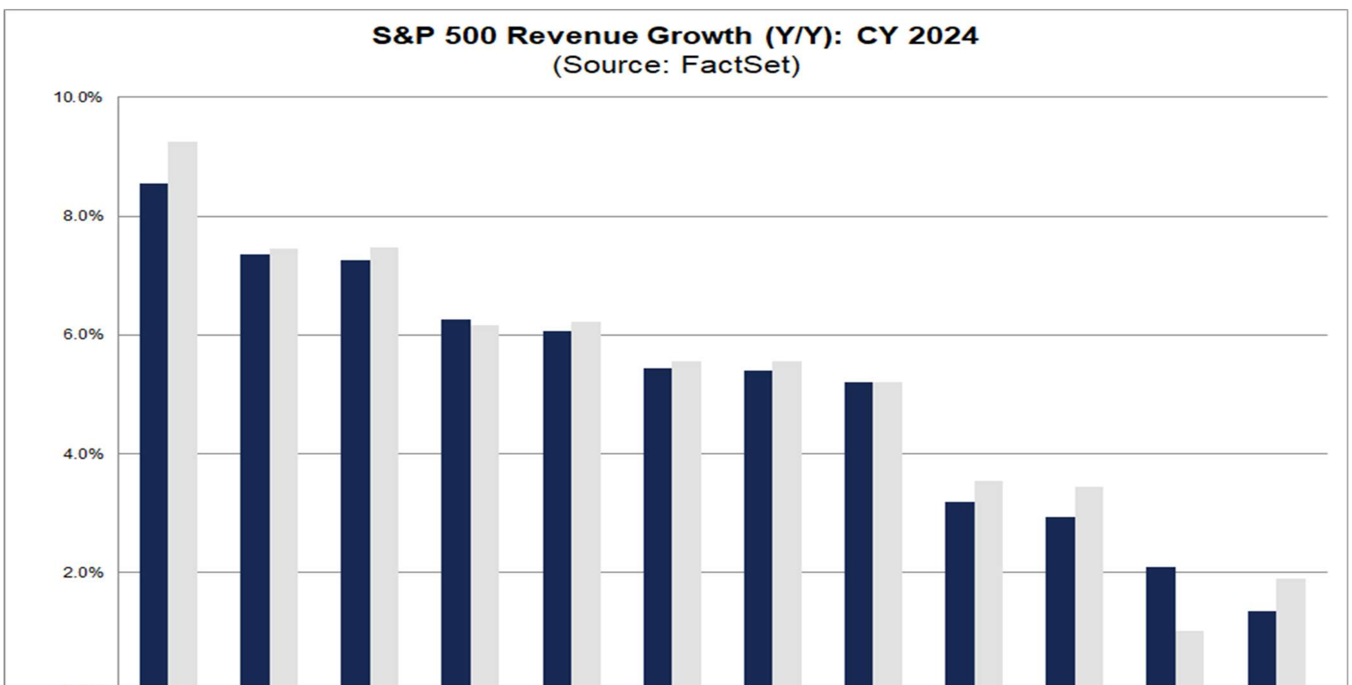


	Consumer Disc.	Financials	Real Estate	Comm. Services	Health Care	Industrials	Consumer Staples	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	7.5%	6.4%	6.1%	4.7%	4.4%	4.3%	3.5%	2.3%	1.9%	1.1%	-8.8%	-14.6%
30-Sep	8.1%	7.1%	6.1%	4.6%	4.3%	4.4%	3.9%	2.4%	2.0%	1.2%	-8.1%	-15.7%

CY 2024: Growth

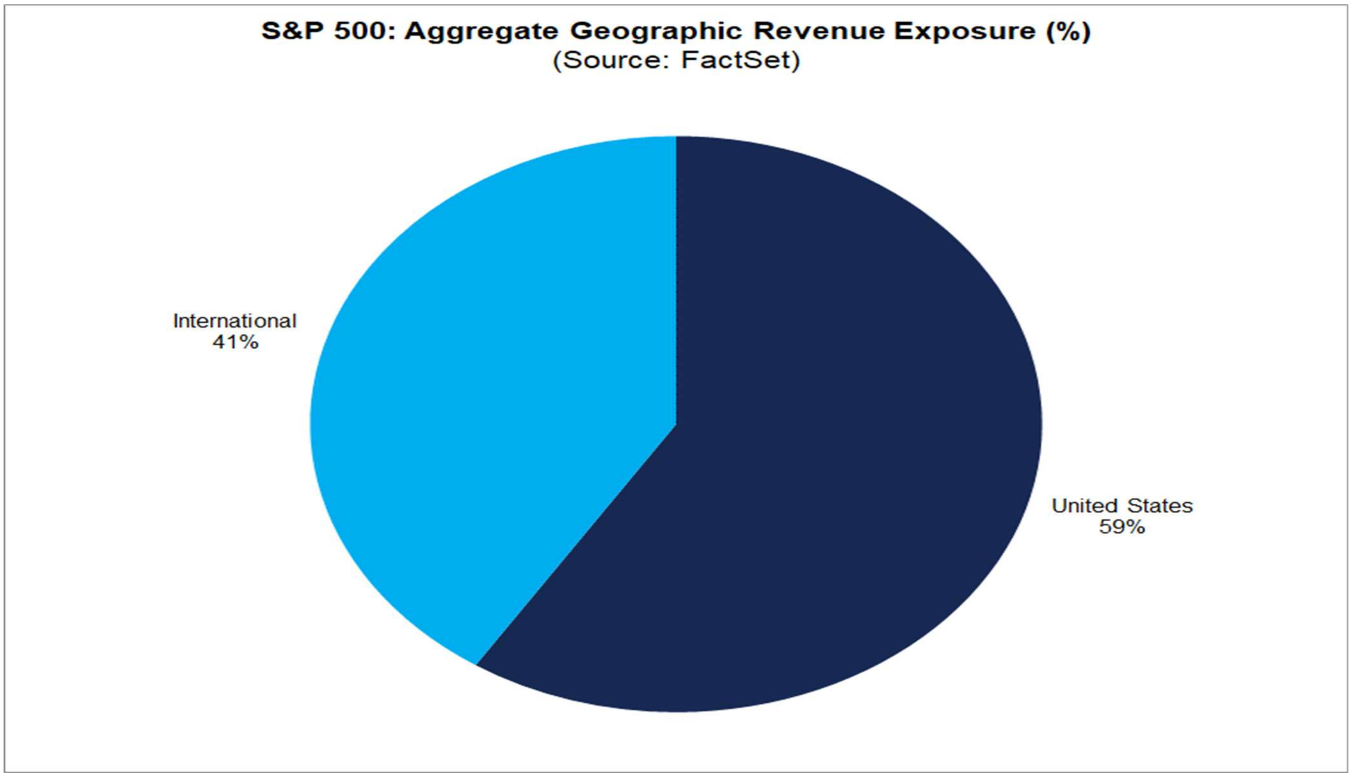


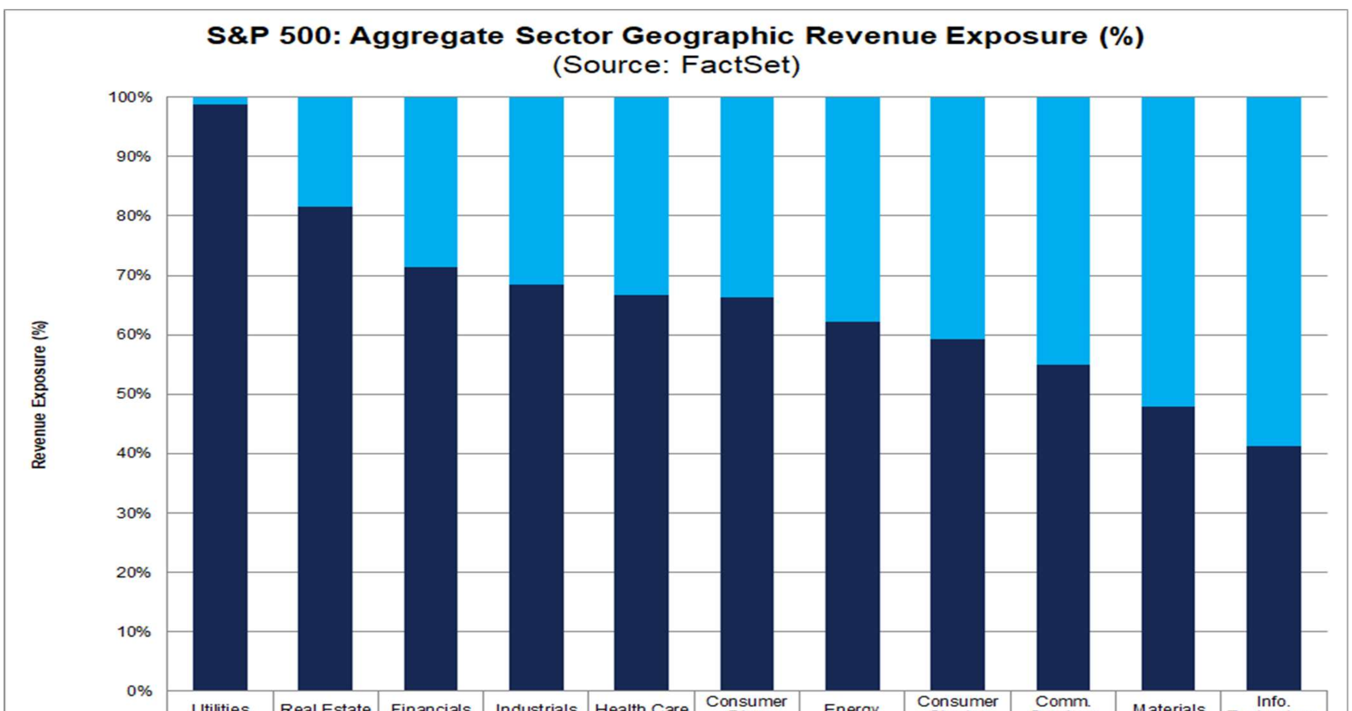
	Health Care	Comm. Services	Info. Technology	Industrials	Consumer Disc.	S&P 500	Utilities	Financials	Consumer Staples	Materials	Energy	Real Estate
Today	18.8%	16.9%	15.7%	12.3%	12.1%	11.6%	8.7%	6.6%	5.9%	4.8%	4.2%	3.6%
30-Sep	13.4%	18.4%	16.8%	13.5%	16.2%	12.2%	8.1%	9.0%	7.6%	7.3%	2.7%	5.3%



	Info. Technology	Comm. Services	Consumer Disc.	Financials	Real Estate	S&P 500	Health Care	Industrials	Utilities	Consumer Staples	Energy	Materials
Today	8.5%	7.4%	7.3%	6.3%	6.1%	5.4%	5.4%	5.2%	3.2%	2.9%	2.1%	1.3%
30-Sep	9.2%	7.4%	7.5%	6.2%	6.2%	5.6%	5.6%	5.2%	3.5%	3.4%	1.0%	1.9%

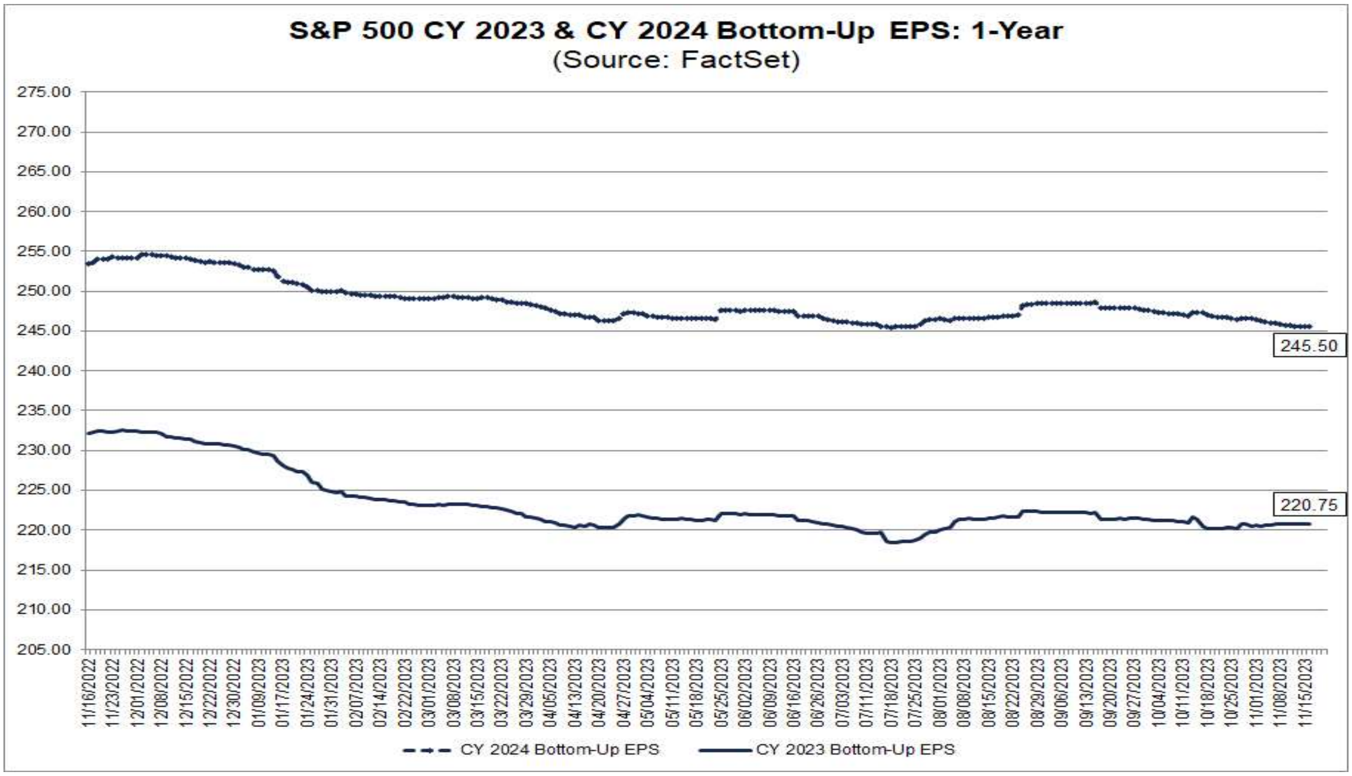
Geographic Revenue Exposure

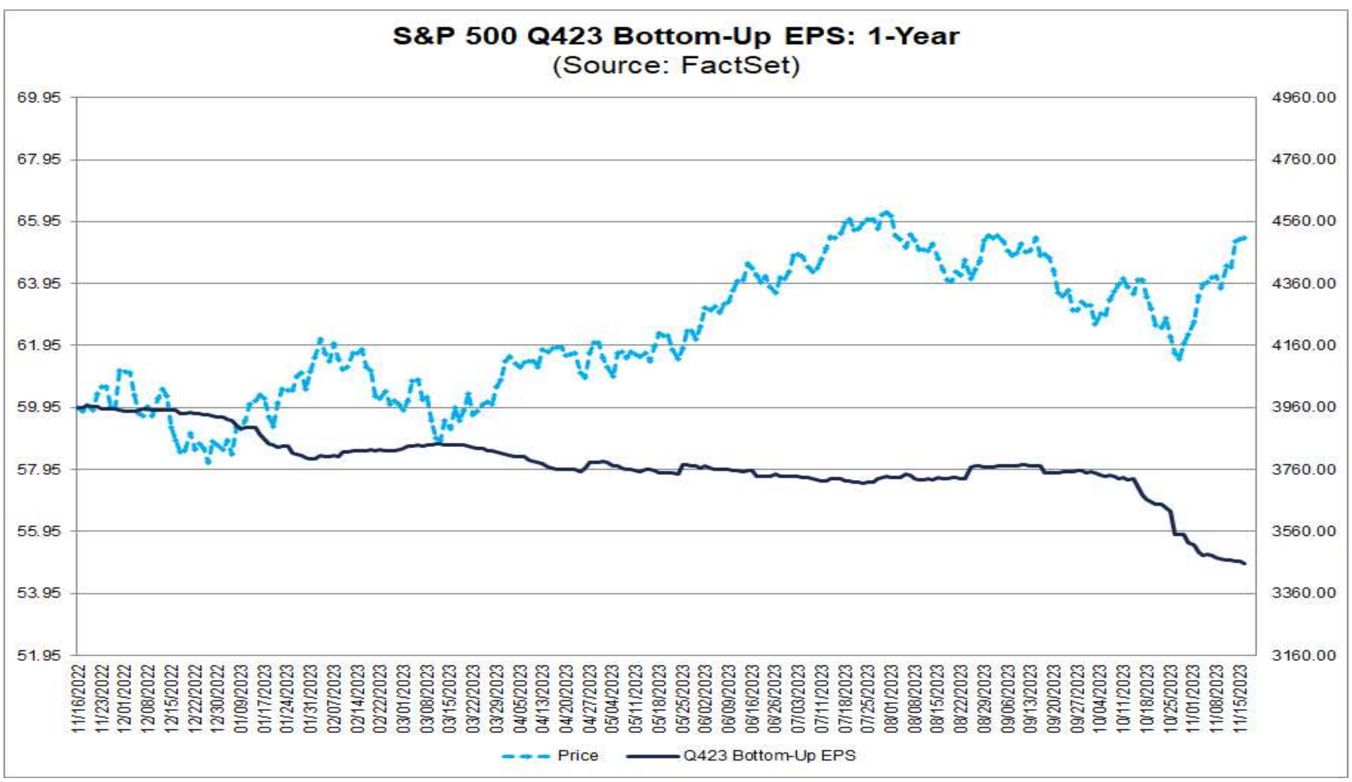




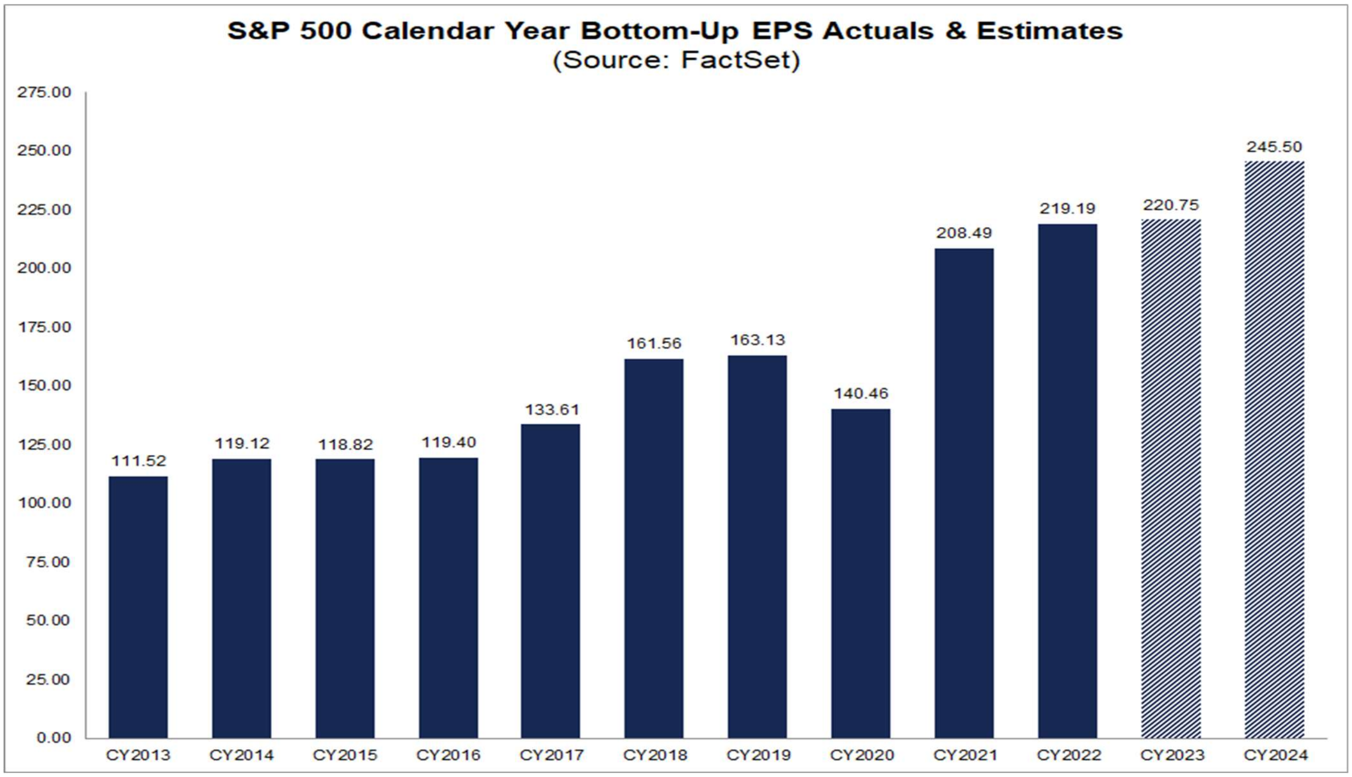
	Utilities	Real Estate	Financials	Industrials	Health Care	Consumer Disc.	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	29%	32%	33%	34%	38%	41%	45%	52%	59%
United States	99%	82%	71%	68%	67%	66%	62%	59%	55%	48%	41%

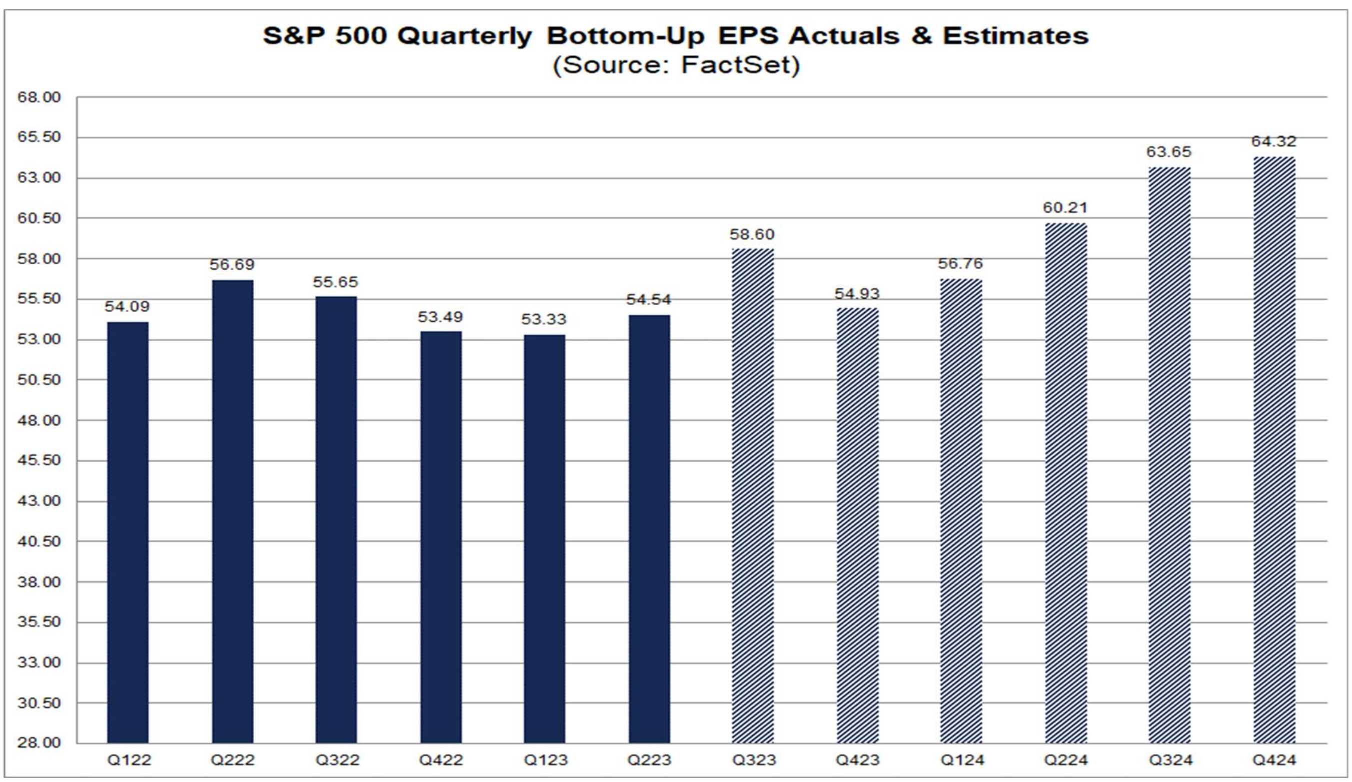
Bottom-Up EPS Estimates



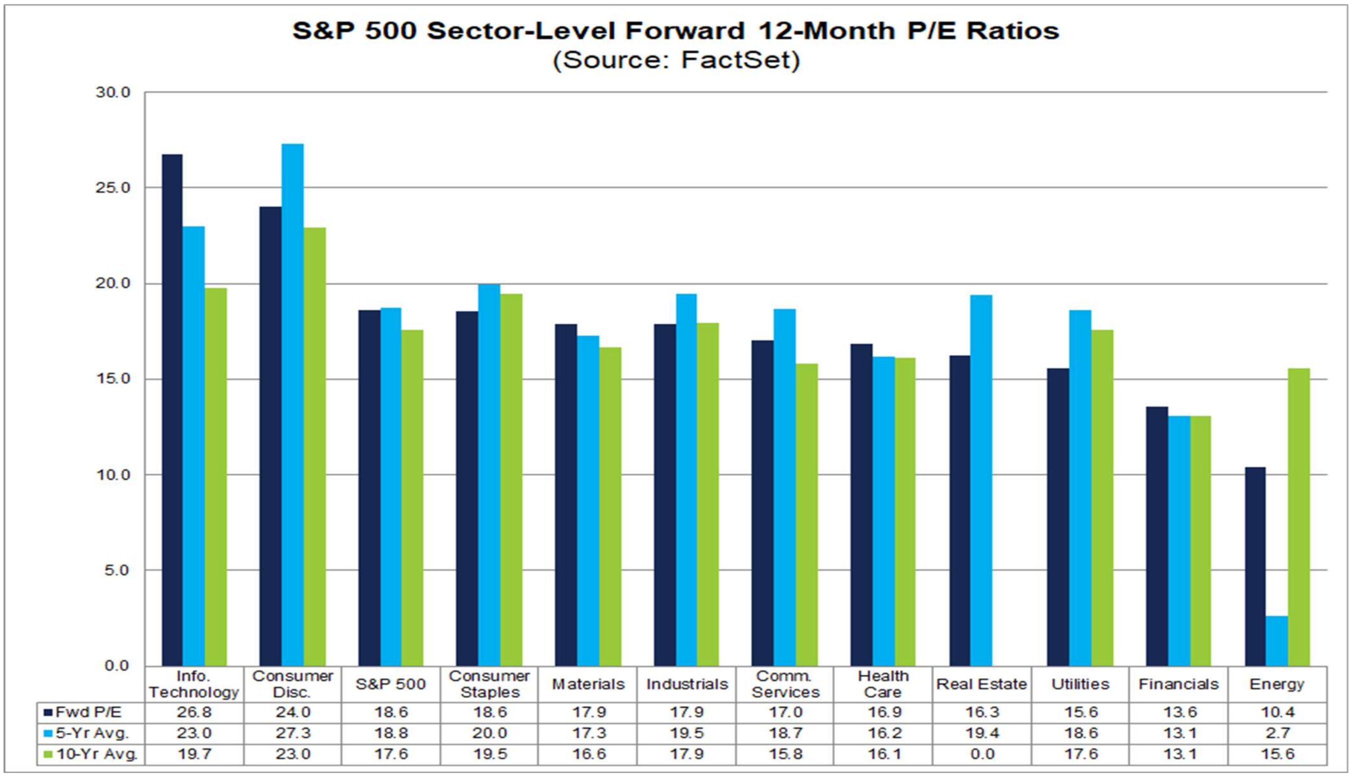


Bottom-Up EPS Estimates: Current & Historical

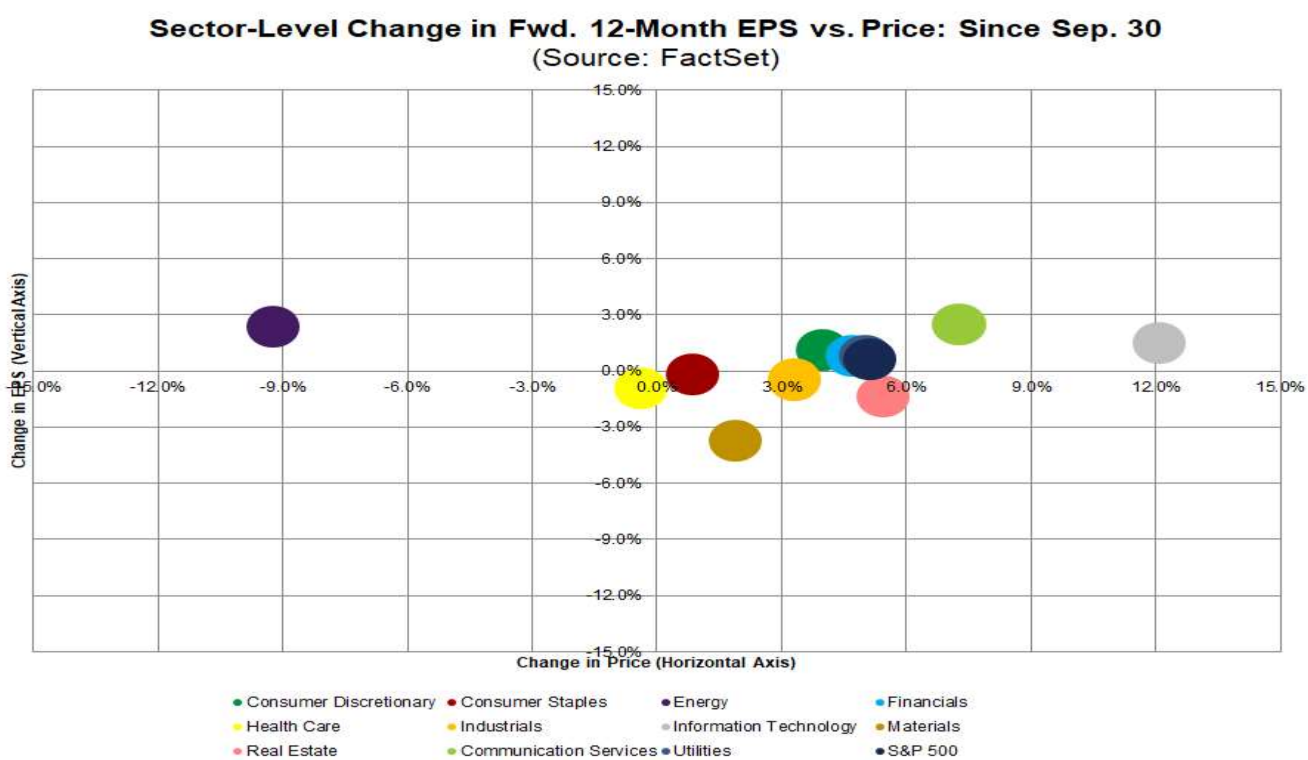




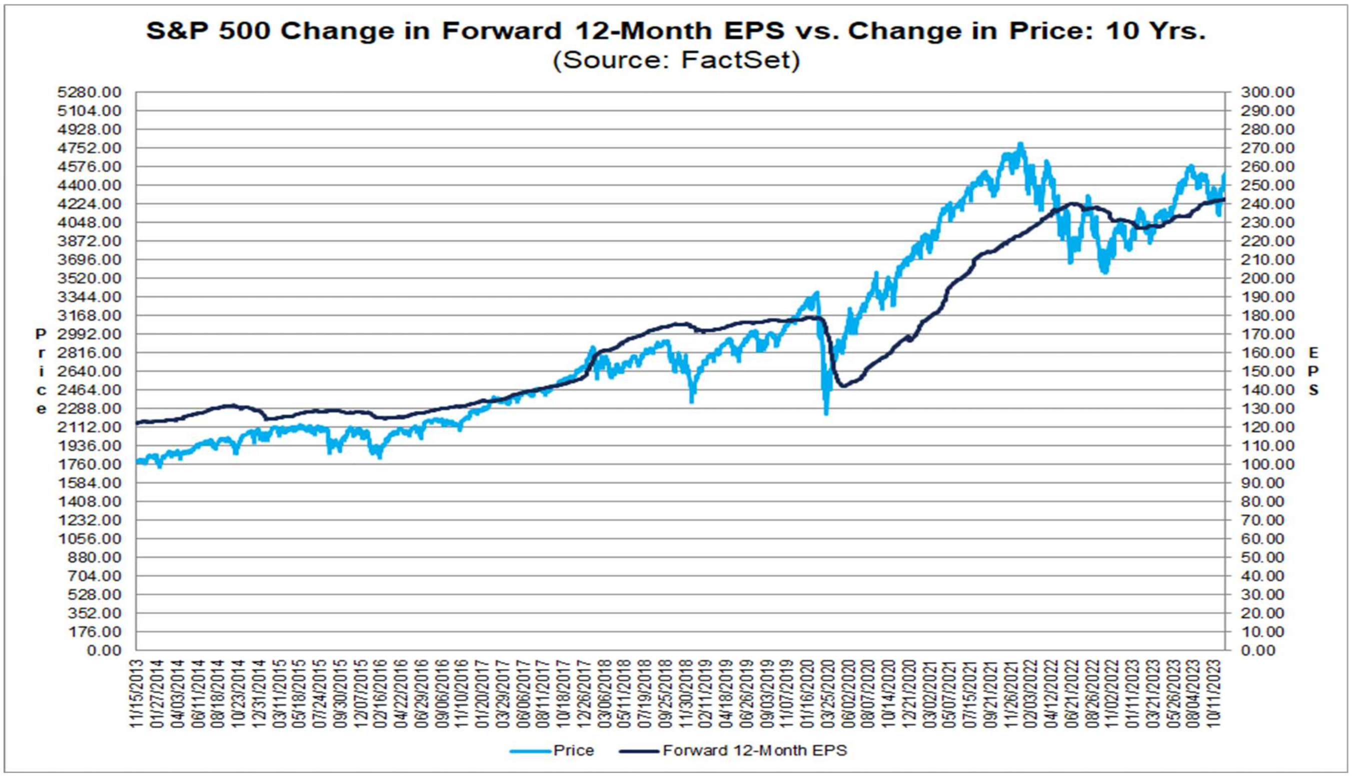
Forward 12M P/E Ratio: Sector Level

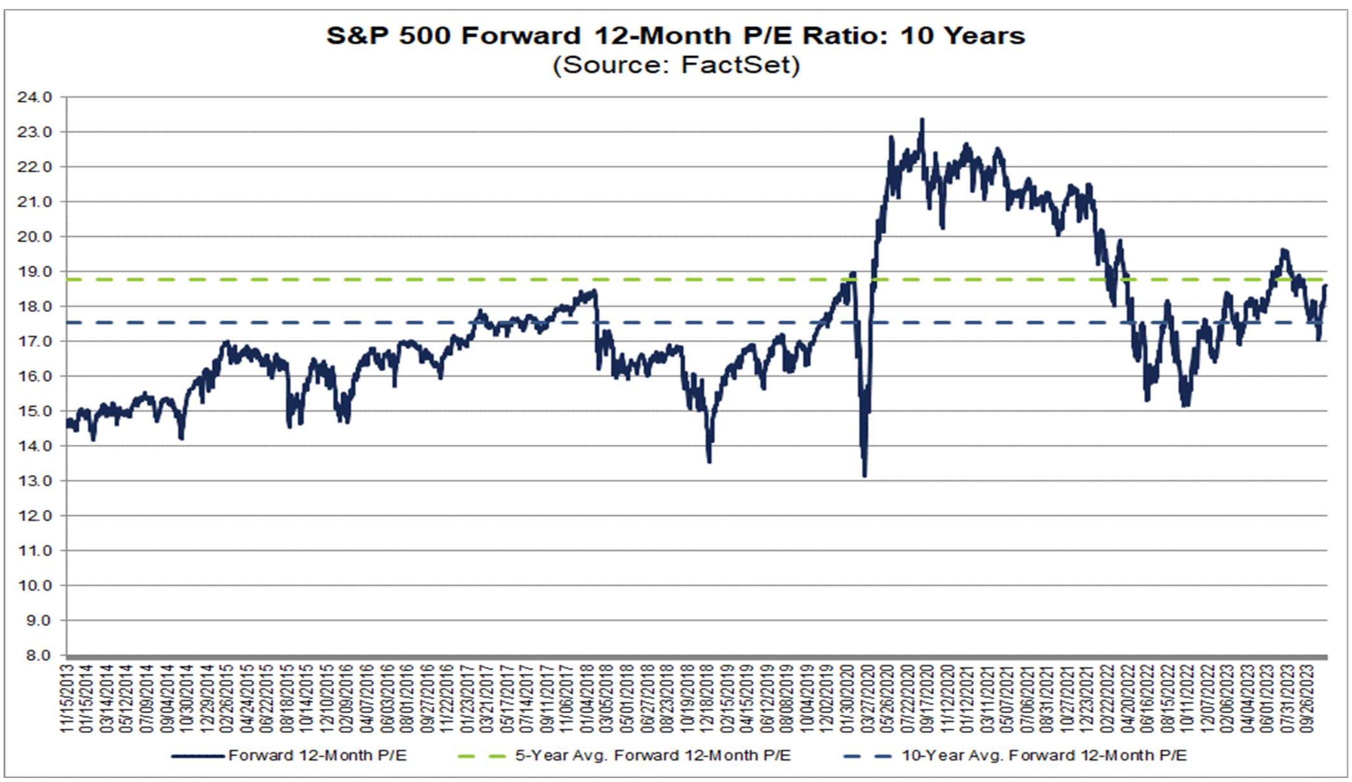


	Info. Technology	Consumer Disc.	S&P 500	Consumer Staples	Materials	Industrials	Comm. Services	Health Care	Real Estate	Utilities	Financials	Energy
Fwd P/E	26.8	24.0	18.6	18.6	17.9	17.9	17.0	16.9	16.3	15.6	13.6	10.4
5-Yr Avg.	23.0	27.3	18.8	20.0	17.3	19.5	18.7	16.2	19.4	18.6	13.1	2.7
10-Yr Avg.	19.7	23.0	17.6	19.5	16.6	17.9	15.8	16.1	0.0	17.6	13.1	15.6

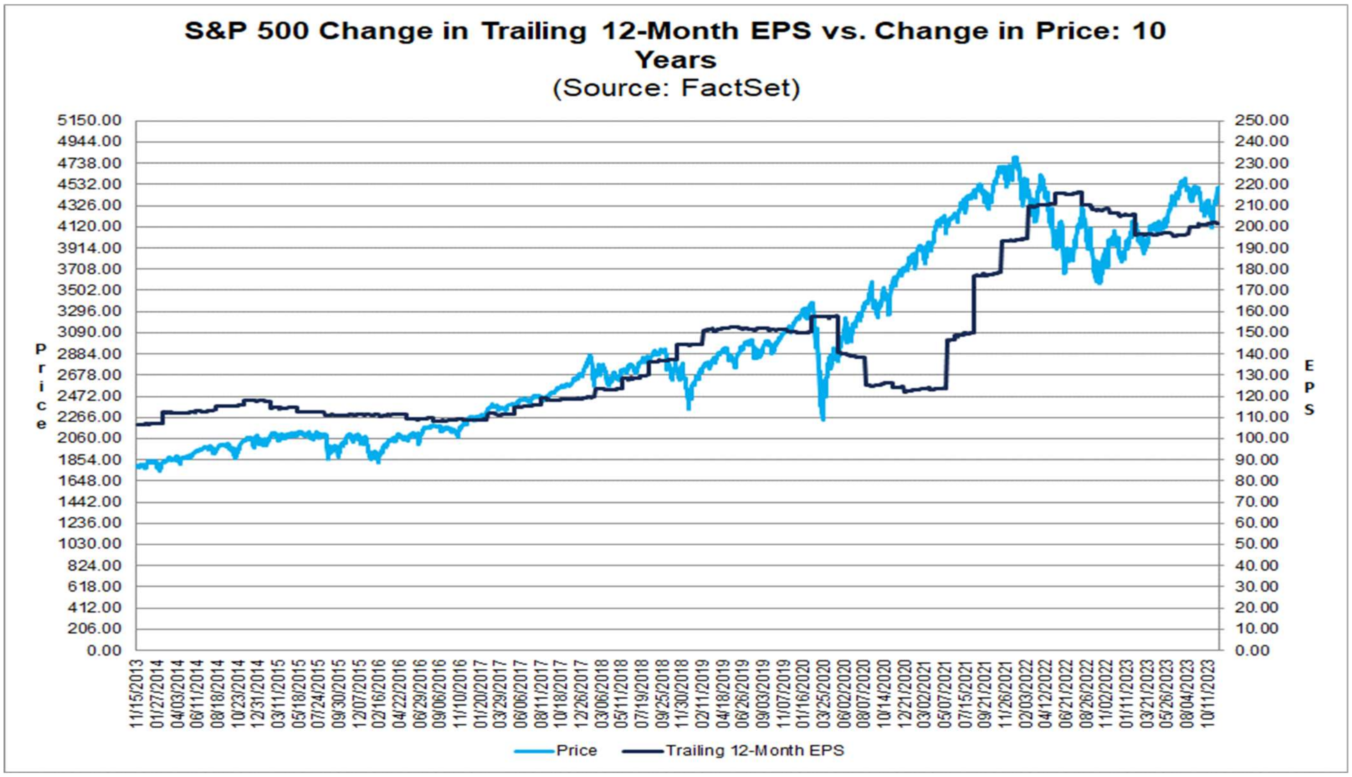


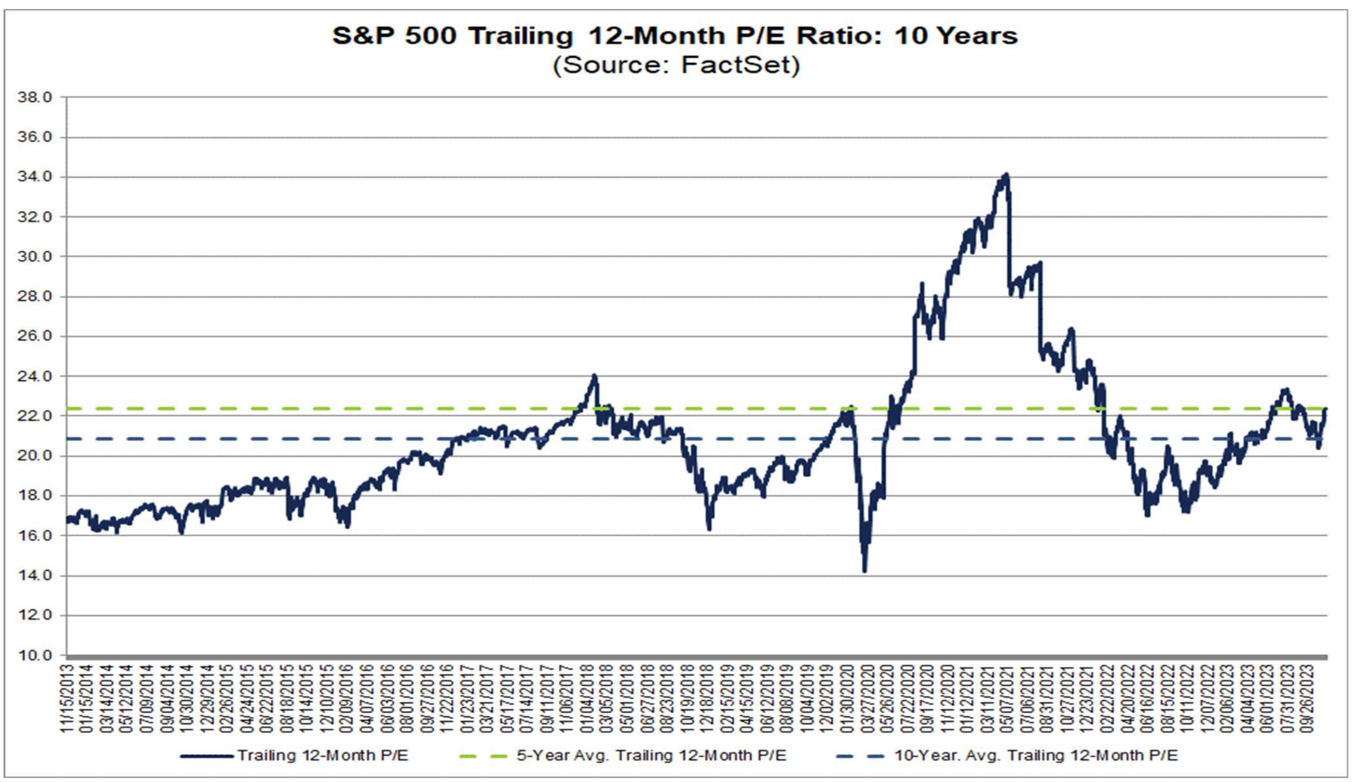
Forward 12M P/E Ratio: 10-Years



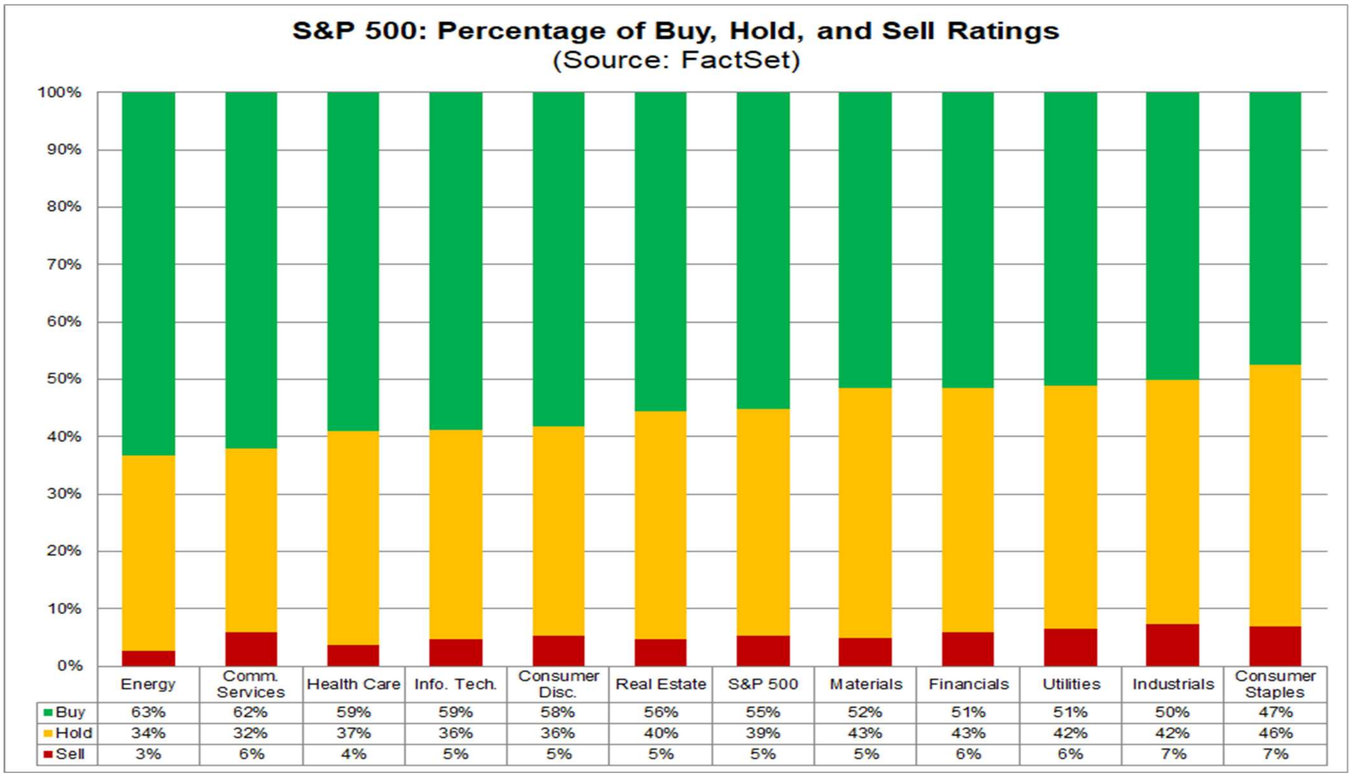


Trailing 12M P/E Ratio: 10-Years

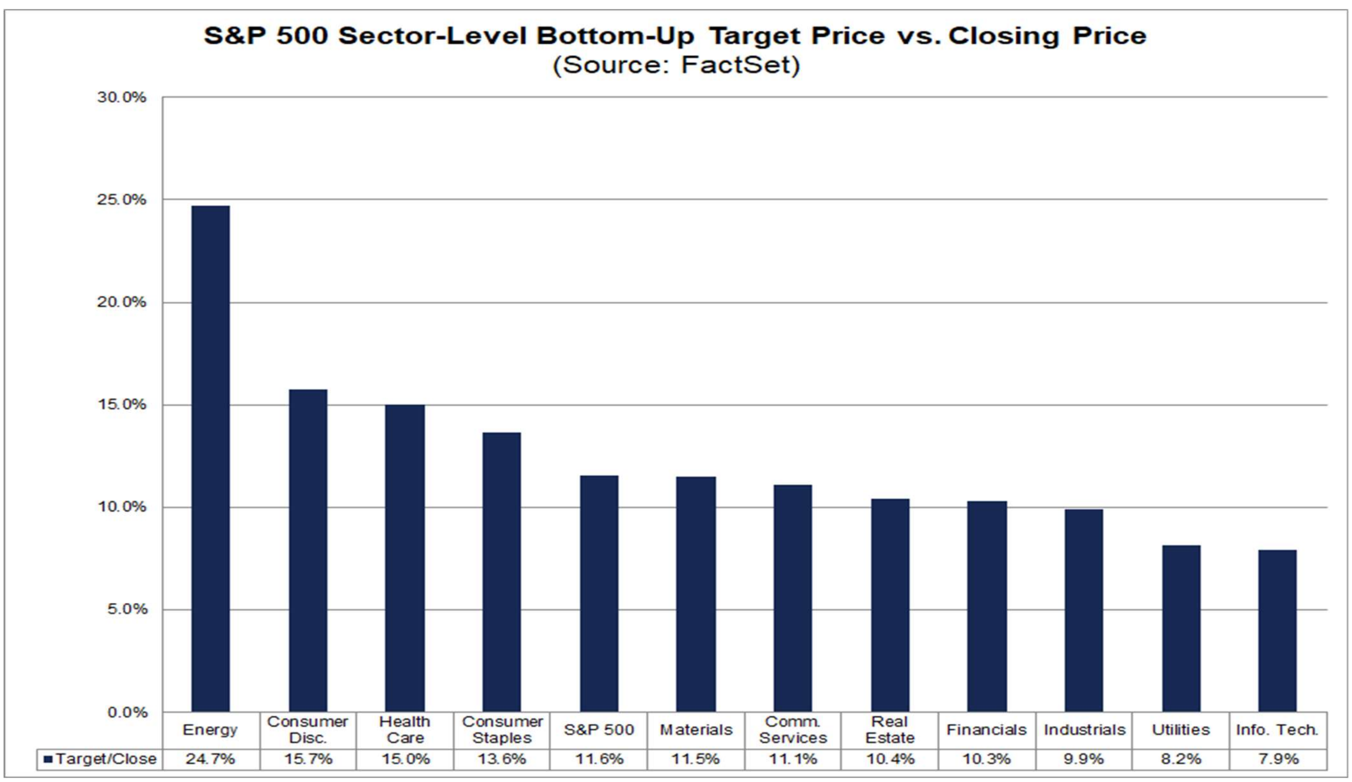




Targets & Ratings



	Energy	Comm. Services	Health Care	Info. Tech.	Consumer Disc.	Real Estate	S&P 500	Materials	Financials	Utilities	Industrials	Consumer Staples
Buy	63%	62%	59%	59%	58%	56%	55%	52%	51%	51%	50%	47%
Hold	34%	32%	37%	36%	36%	40%	39%	43%	43%	42%	42%	46%
Sell	3%	6%	4%	5%	5%	5%	5%	5%	6%	6%	7%	7%



	Energy	Consumer Disc.	Health Care	Consumer Staples	S&P 500	Materials	Comm. Services	Real Estate	Financials	Industrials	Utilities	Info. Tech.
Target/Close	24.7%	15.7%	15.0%	13.6%	11.6%	11.5%	11.1%	10.4%	10.3%	9.9%	8.2%	7.9%

Important Notice

The information contained in this report is provided "as is" and all representations, warranties, terms and conditions, oral or written, express or implied (by common law, statute or otherwise), in relation to the information are hereby excluded and disclaimed to the fullest extent permitted by law. In particular, FactSet, its affiliates and its suppliers disclaim implied warranties of merchantability and fitness for a particular purpose and make no warranty of accuracy, completeness or reliability of the information. This report is for informational purposes and does not constitute a solicitation or an offer to buy or sell any securities mentioned within it. The information in this report is not investment advice. FactSet, its affiliates and its suppliers assume no liability for any consequence relating directly or indirectly to any action or inaction taken based on the information contained in this report.

FactSet aggregates and redistributes estimates data and does not conduct any independent research. Nothing in our service constitutes investment advice or FactSet recommendations of any kind. Estimates data is provided for information purposes only.

FactSet has no relationship with creators of estimates that may reasonably be expected to impair its objective presentation of such estimate or recommendation. FactSet redistributes estimates as promptly as reasonably practicable from research providers.

About FactSet

FactSet (NYSE:FDS | NASDAQ:FDS) helps the financial community to see more, think bigger, and work better. Our digital platform and enterprise solutions deliver financial data, analytics, and open technology to nearly 8,000 global clients, including almost 190,000 individual users. Clients across the buy-side and sell-side as well as wealth managers, private equity firms, and corporations achieve more every day with our comprehensive and connected content, flexible next-generation workflow solutions, and client-centric specialized support. As a member of the S&P 500, we are committed to sustainable growth and have repeatedly scored 100 on the Human Rights Campaign® Corporate Equality Index. We have been recognized amongst the Best Places to Work in 2023 by Glassdoor as a Glassdoor Employees' Choice Award winner. Learn more at www.factset.com and follow us on Twitter and LinkedIn.