

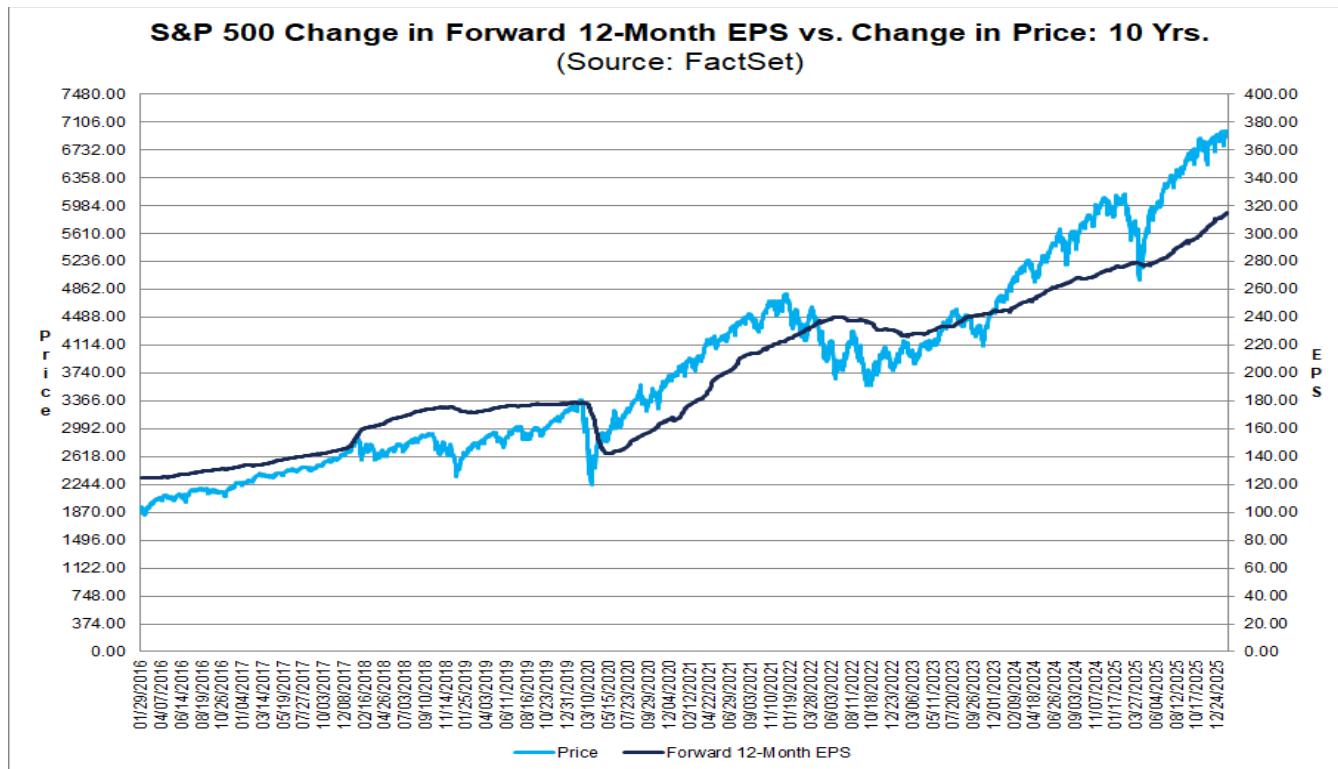
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Key Metrics

- **Earnings Scorecard:** For Q4 2025 (with 33% of S&P 500 companies reporting actual results), 75% of S&P 500 companies have reported a positive EPS surprise and 65% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q4 2025, the blended (year-over-year) earnings growth rate for the S&P 500 is 11.9%. If 11.9% is the actual growth rate for the quarter, it will mark the 5th consecutive quarter of double-digit earnings growth for the index.
- **Earnings Revisions:** On December 31, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q4 2025 was 8.3%. Six sectors are reporting higher earnings today (compared to December 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q1 2026, 7 S&P 500 companies have issued negative EPS guidance and 17 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 22.2. This P/E ratio is above the 5-year average (20.0) and above the 10-year average (18.8).



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Topic of the Week: 1

S&P 500 Reporting Highest Net Profit Margin in More Than 15 Years

Given concerns in the market about tariffs and higher costs, what is the S&P 500 reporting for a net profit margin for Q4?

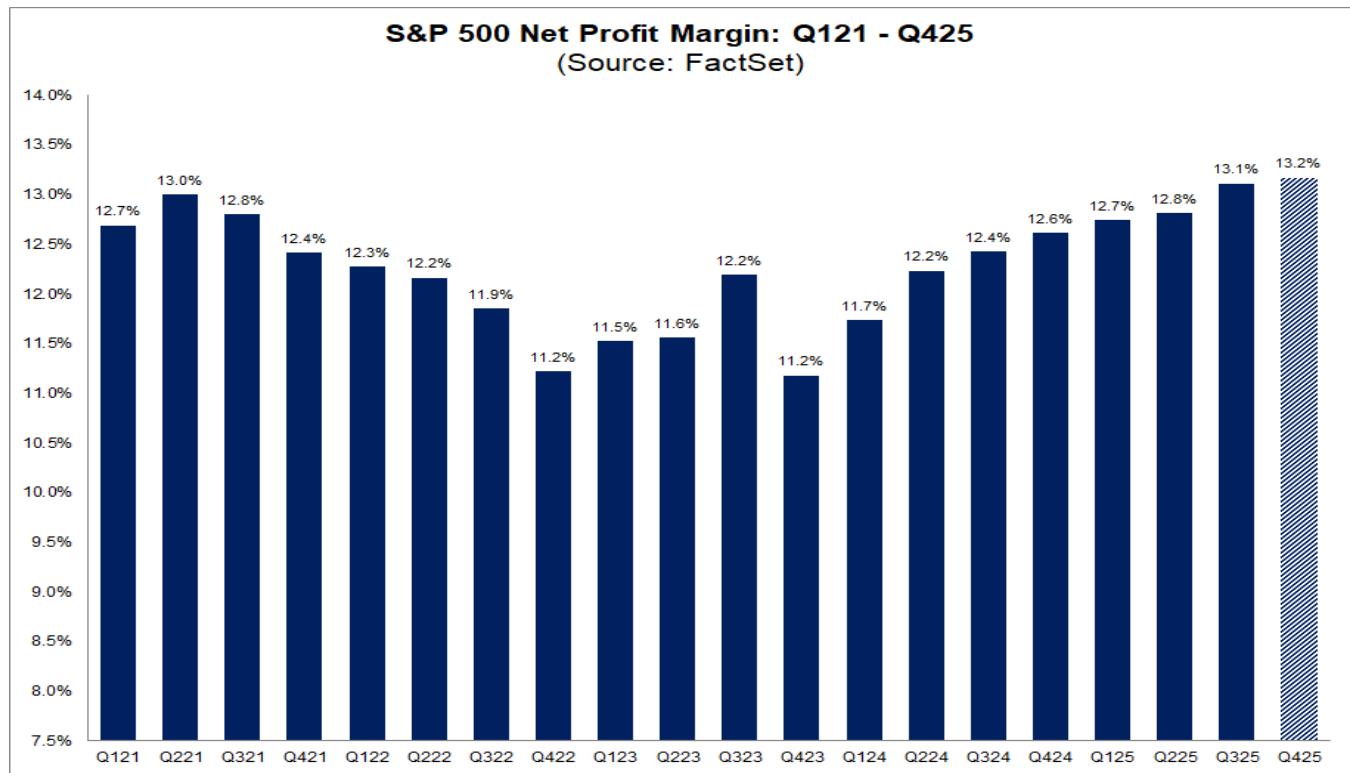
The blended net profit margin for the S&P 500 for Q4 2025 is 13.2%. If 13.2% is the actual net profit margin for the quarter, it will mark with the highest net profit margin reported by the index since FactSet began tracking this metric in 2009. The current record (going back to 2009) is 13.1%, which occurred in the previous quarter.

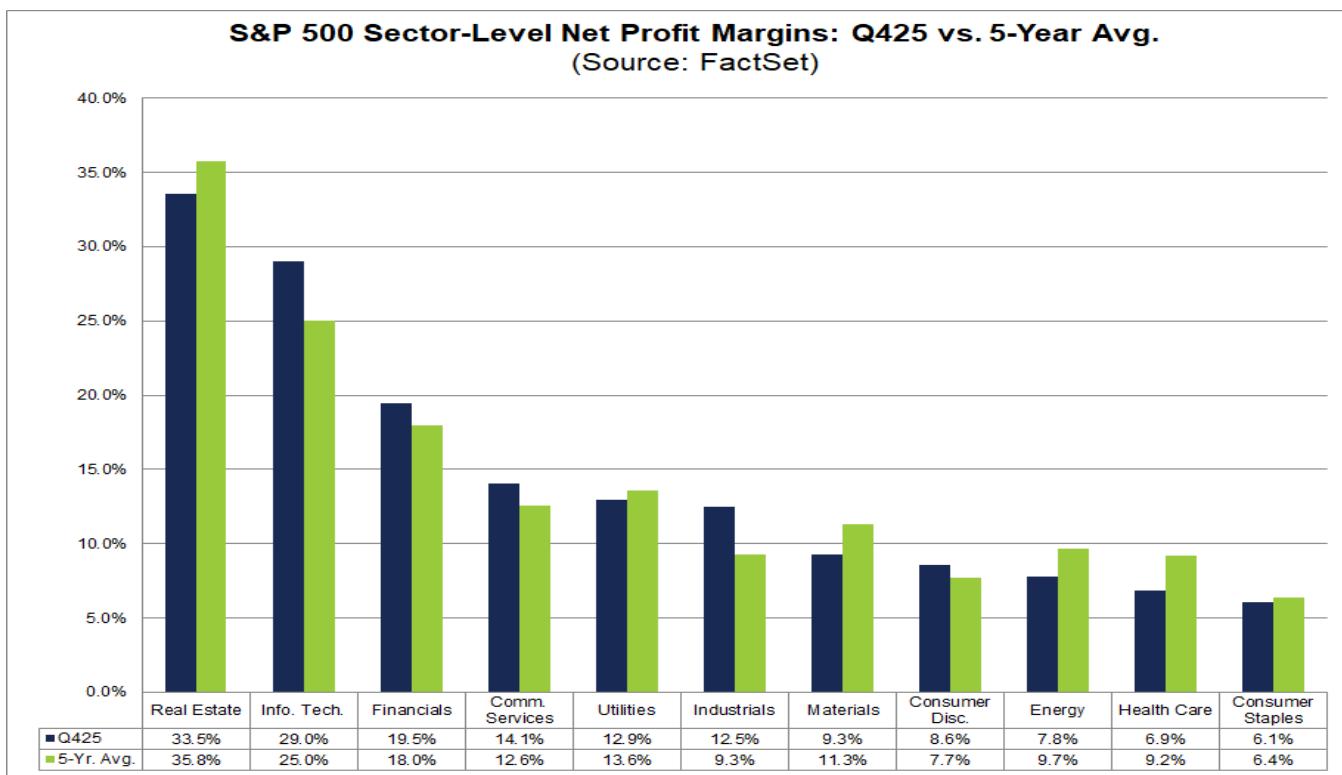
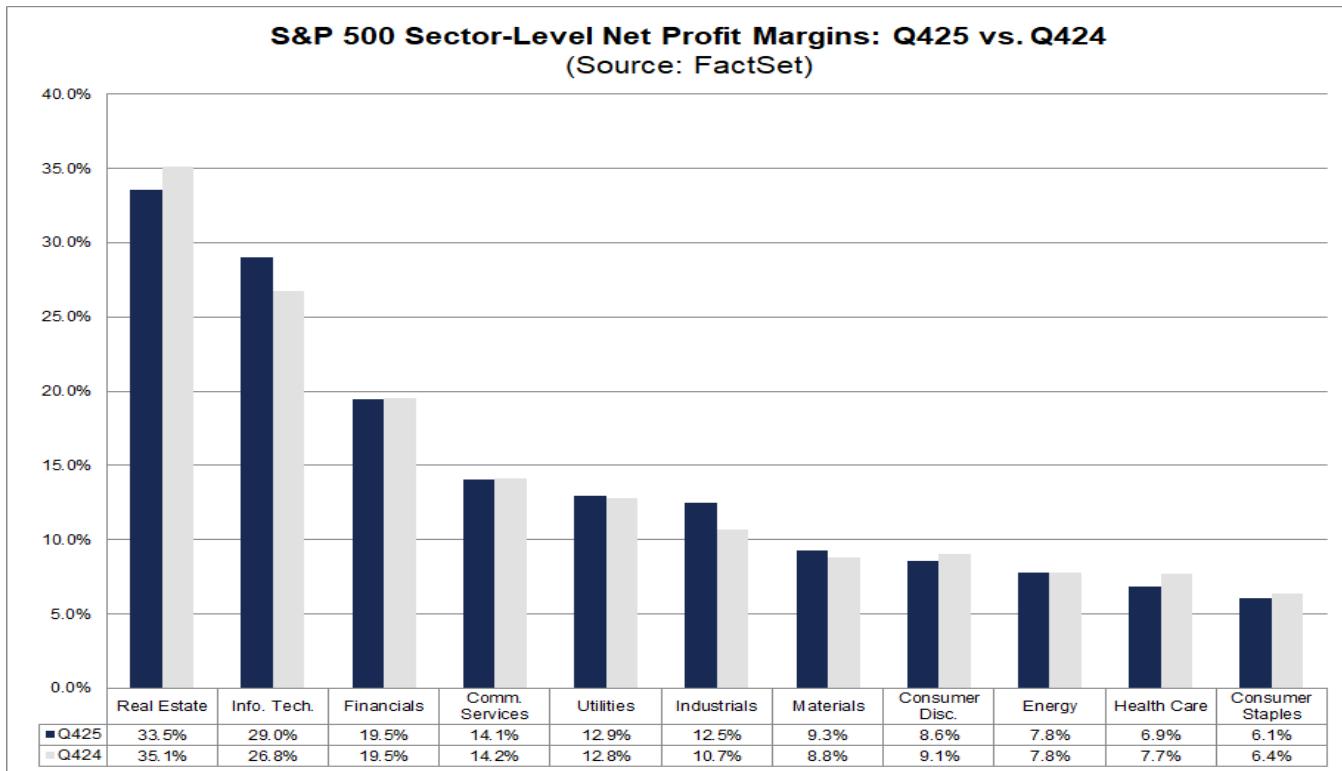
At the sector level, four sectors are reporting a year-over-year increase in their net profit margins in Q4 2025 compared to Q4 2024, led by the Information Technology (29.0% vs. 26.8%) and Industrials (12.5% vs. 10.7%) sectors. On the other hand, six sectors are reporting a year-over-year decrease in their net profit margins in Q4 2025 compared to Q4 2024, led by the Real Estate (33.5% vs. 35.1%) sector. One sector (Energy) is reporting no change in net profit margin (7.8%) in Q4 2025 compared to Q4 2024.

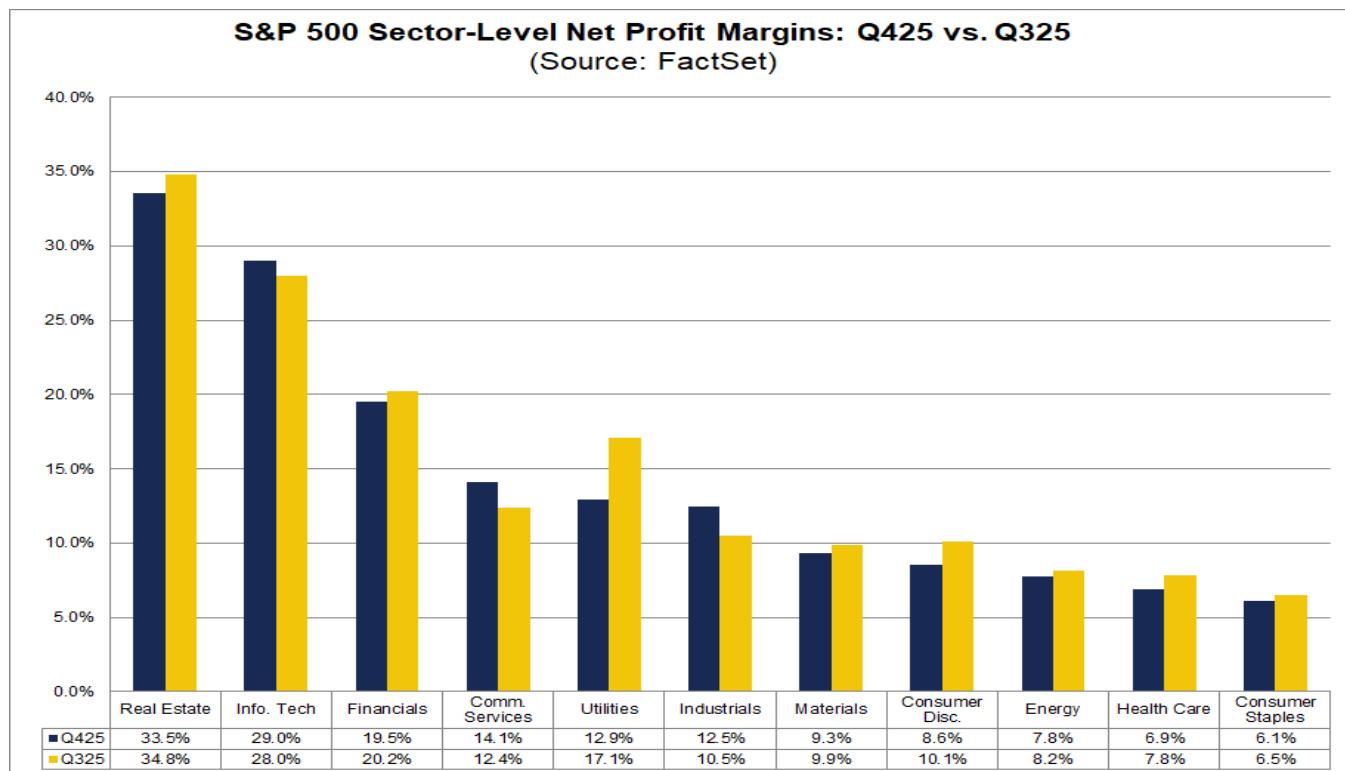
Five sectors are reporting net profit margins in Q4 2025 that are above their 5-year averages, led by the Information Technology (29.0% vs. 25.0%) and Industrials (12.5% vs. 9.3%) sectors. On the other hand, six sectors are reporting net profit margins in Q4 2025 that are below their 5-year averages, led by the Health Care (6.9% vs. 9.2%) and Real Estate (33.5% vs. 35.8%) sectors.

Three sectors are reporting a quarter-over-quarter increase in their net profit margins in Q4 2025 compared to Q3 2025, led by the Industrials (12.5% vs. 10.5%) sector. On the other hand, eight sectors are reporting a quarter-over-quarter decrease in their net profit margins in Q4 2025 compared to Q3 2025, led by the Utilities (12.9% vs. 17.1%) sector.

It is interesting to note that analysts believe net profit margins for the S&P 500 will be even higher in 2026. As of today, the estimated net profit margins for Q1 2026 through Q4 2026 are 13.2%, 13.8%, 14.2%, and 14.2%, respectively.







Topic of the Week: 2

S&P 500 Reporting Double-Digit Earnings Growth for 5th Straight Quarter

During the past week, the (blended) earnings growth rate for the S&P 500 for the fourth quarter increased to 11.9% from 8.2%. If 11.9% is the actual growth rate for the quarter, it will mark the 5th straight quarter that the index has reported double-digit (year-over-year) earnings growth. The last time the S&P 500 reported 5 consecutive quarters of double-digit earnings growth was Q4 2017 through Q4 2018. At the sector level, three sectors are reporting double-digit earnings growth for the quarter: Information Technology, Industrials, and Communication Services.

However, the Q4 earnings growth rate for the S&P 500 has been increasing over a longer timeframe. On September 30, the estimated earnings growth rate for Q4 was 7.2%. On December 31, the estimated earnings growth rate for Q4 was 8.3%. Today, the blended earnings growth rate is 11.9%.

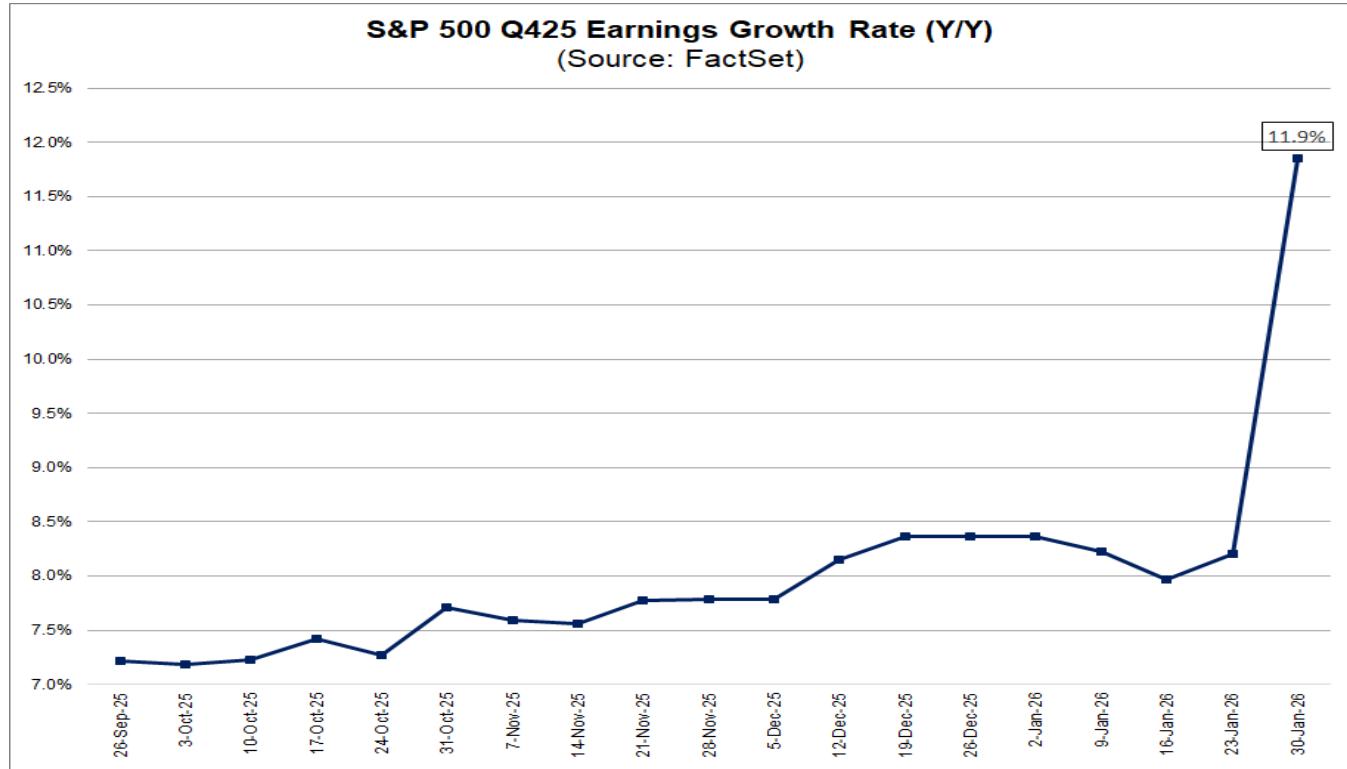
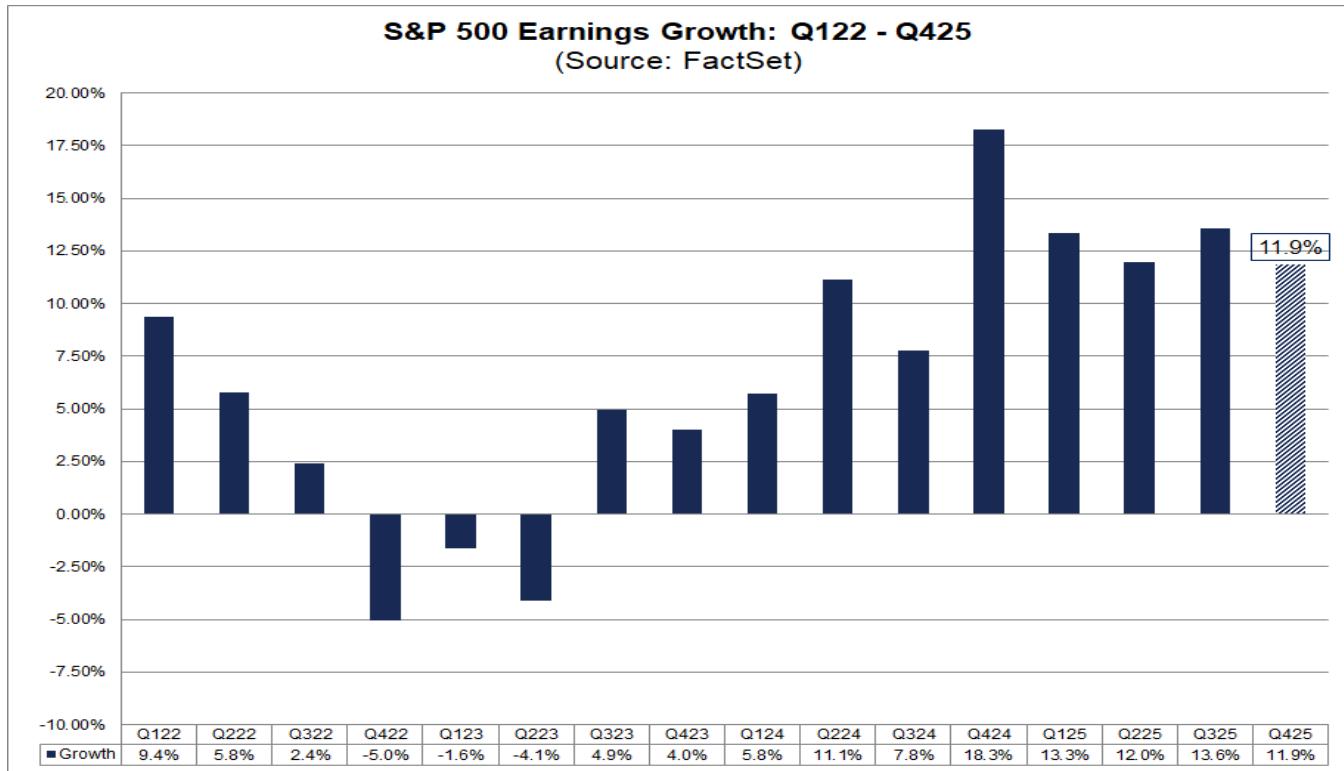
Which sectors and companies have been the largest contributors to the increase in the Q4 earnings growth rate for the S&P 500 since December 31? At the sector level, the Industrials, Information Technology, and Communication Services sectors have been the largest contributors to the increase in the Q4 earnings growth rate over this period.

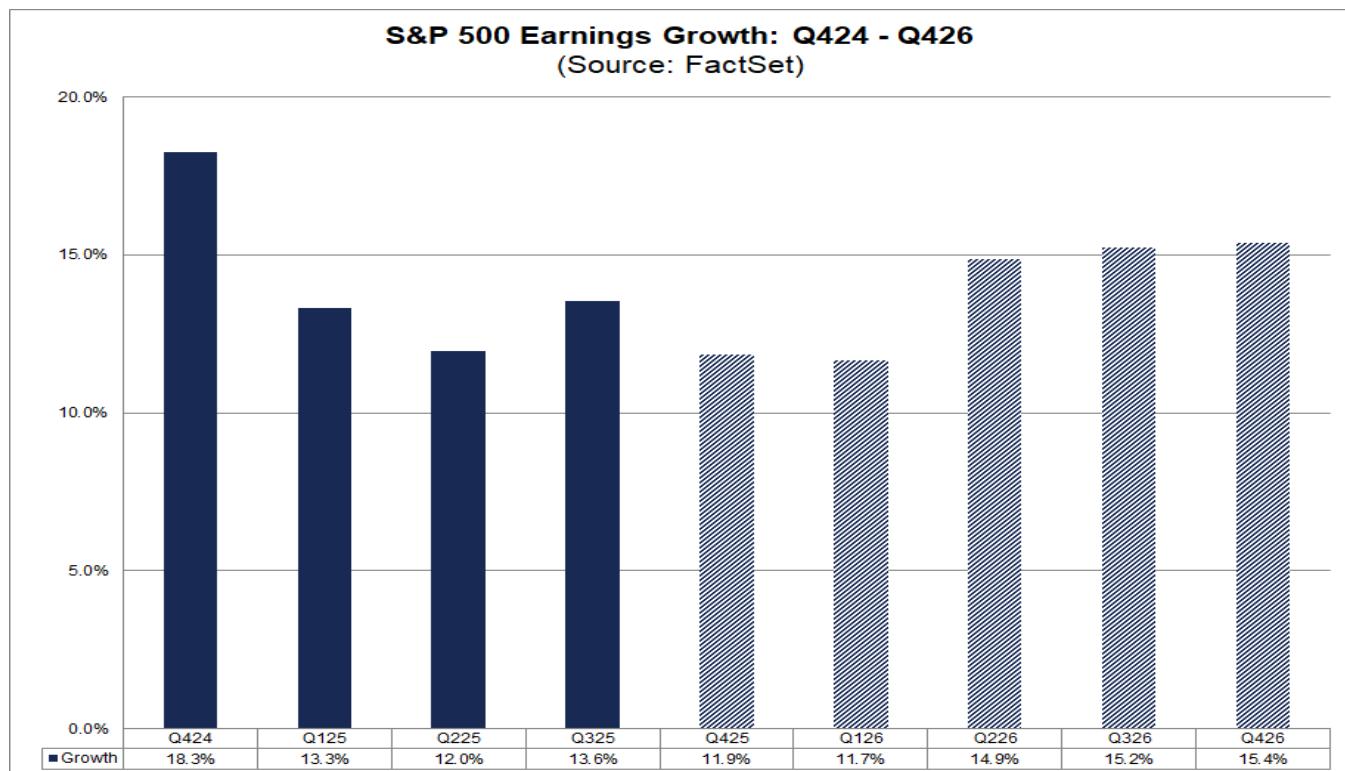
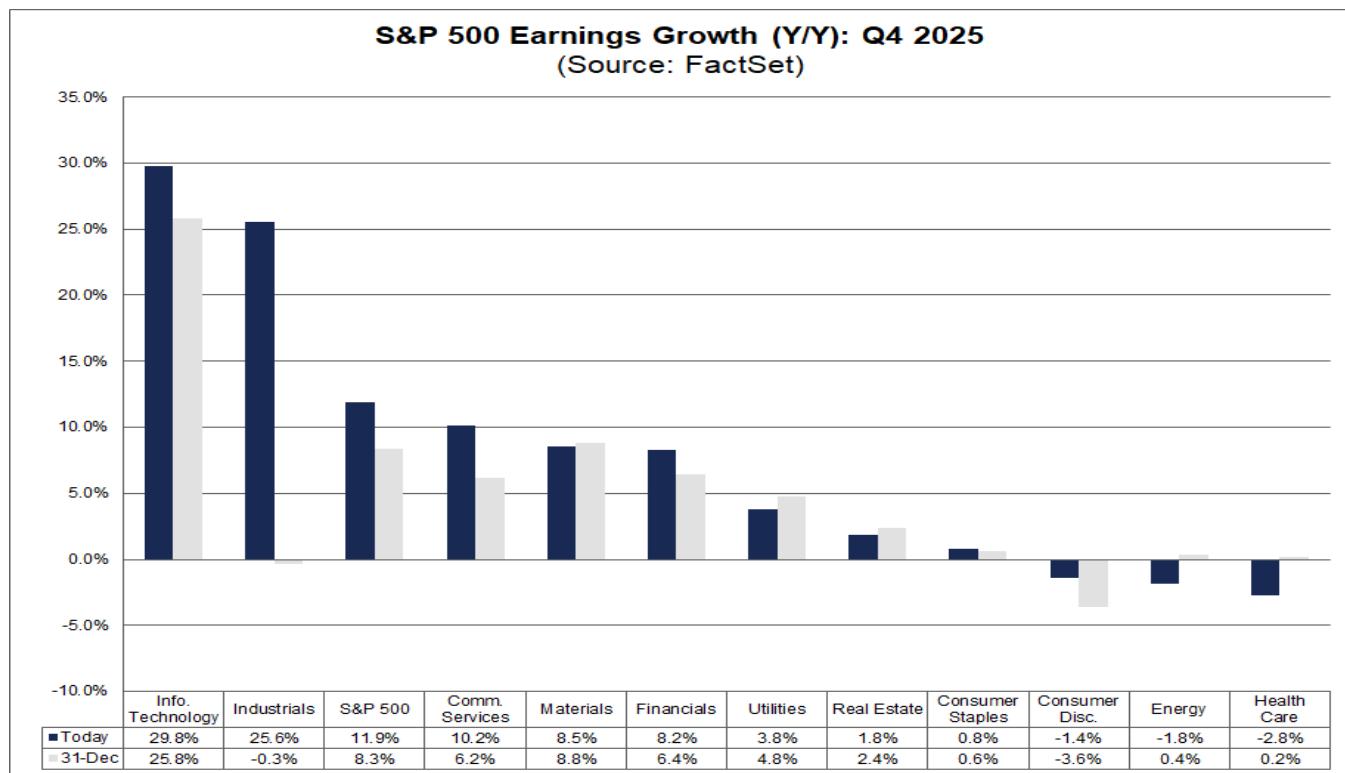
In the Industrials sector, the positive EPS surprises reported by Boeing (\$9.92 vs. -\$0.44) and GE Vernova (\$13.48 vs. \$2.93) have been the largest contributors to the increase in the earnings growth rate for the index since December 31. It should be noted that the actual EPS for Boeing included a \$9.6 billion dollar gain on a sale connected with closing of the Digital Aviation Solutions transaction, while the actual EPS for GE Vernova included a \$2.9 billion tax benefit due to a U.S. valuation allowance release. As a result, the blended earnings growth rate for the Industrials sector has increased to 25.6% from -0.3% over this period.

In the Information Technology sector, the positive EPS surprises reported by Apple (\$2.84 vs. \$2.67) and Microsoft (\$4.14 vs. \$3.91) have been significant contributors to the increase in the earnings growth rate for the index since December 31. As a result, the blended earnings growth rate for the Information Technology sector has increased to 29.8% from 25.8% over this period.

In the Communication Services sector, the positive EPS surprise reported by Meta Platforms (\$8.88 vs. \$8.21) has been a substantial contributor to the increase in the earnings growth rate for the index since December 31. As a result, the blended earnings growth rate for the Communication Services sector has increased to 10.2% from 6.2% over this period.

It is interesting to note that analysts believe the S&P 500 will continue to report double-digit earnings growth over the next four quarters. For Q1 2026 through Q4 2026, the estimated (year-over-year) earnings growth rates for the S&P 500 are 11.7%, 14.9%, 15.2%, and 15.4%, respectively.





Q4 Earnings Season: By The Numbers

Overview

About one-third of the way through the Q4 earnings season, the S&P 500 is reporting strong results. Although the percentage of S&P 500 companies reporting positive earnings surprises is below recent averages, the magnitude of earnings surprises is above recent averages. As a result, the index is reporting higher earnings for the fourth quarter today relative to the end of last week and relative to the end of the quarter. The S&P 500 is now reporting double-digit (year-over-year) earnings growth for the 5th straight quarter.

Overall, 33% of the companies in the S&P 500 have reported actual results for Q4 2025 to date. Of these companies, 75% have reported actual EPS above estimates, which is below the 5-year average of 78% and below the 10-year average of 76%. In aggregate, companies are reporting earnings that are 9.1% above estimates, which is above the 5-year average of 7.7% and above the 10-year average of 7.0%. Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

During the past week, positive EPS surprises reported by companies in the Industrials, Information Technology, and Communication Services sectors were mainly responsible for the increase in the overall earnings growth rate for the index over this period. Since December 31, positive EPS surprises reported by companies in the Industrials, Information Technology, and Communication Services sectors have also 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 fourth 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 fourth quarter is 11.9% today, compared to an earnings growth rate of 8.2% last week and an earnings growth rate of 8.3% at the end of the fourth quarter (December 31).

If 11.9% is the actual growth rate for the quarter, it will mark the fifth consecutive quarter of double-digit (year-over-year) earnings growth for the index.

Eight of the eleven sectors are reporting year-over-year growth, led by the Information Technology, Industrials, and Communication Services sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Health Care sector.

In terms of revenues, 65% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 70% and below the 10-year average of 66%. In aggregate, companies are reporting revenues that are 1.2% above the estimates, which is below the 5-year average of 2.0% and below the 10-year average of 1.4%. 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 the Information Technology and Industrials sector) were the largest contributors to the increase in the overall revenue growth rate for the index over this period. Since December 31, positive revenue surprises reported by companies in the Information Technology and Industrials 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 fourth quarter is 8.2% today, compared to a revenue growth rate of 7.8% last week and a revenue growth rate of 7.8% at the end of the fourth quarter (December 31).

If 8.2% is the actual revenue growth rate for the quarter, it will mark the second-highest revenue growth rate reported by the index since Q3 2022 (11.0%), trailing on the previous quarter (8.4%). It will also mark the 21st consecutive quarter of revenue growth for the index.

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

For Q1 2026 and Q2 2026, analysts are calling for earnings growth rates of 11.7% and 14.9%, respectively. For CY 2026 analysts are projecting (year-over-year) earnings growth of 14.3%.

The forward 12-month P/E ratio is 22.2, which is above the 5-year average (20.0) and above the 10-year average (18.8). This P/E ratio is also slightly above the forward P/E ratio of 22.0 recorded at the end of the fourth quarter (December 31).

During the upcoming week, 127 S&P 500 companies (including 4 Dow 30 components) are scheduled to report results for the fourth quarter.

Scorecard: Magnitude of Positive EPS Surprises Is Above Average

Percentage of Companies Beating EPS Estimates (75%) is Below 5-Year Average

Overall, 33% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 75% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 20% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (79%), below the 5-year average (78%), and below the 10-year average (76%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Communication Services (100%), Energy (100%), and Utilities (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Real Estate (25%), Materials (50%), and Consumer Discretionary (53%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+9.1%) is Above 5-Year Average

In aggregate, companies are reporting earnings that are 9.1% above expectations. This surprise percentage is above the 1-year average (+7.4%), above the 5-year average (+7.7%), and above the 10-year average (+7.0%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Industrials (+42.9%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Boeing (\$9.92 vs. -\$0.44) and GE Vernova (\$13.48 vs. \$2.93) have reported the largest positive EPS surprises. The actual EPS for Boeing included a \$9.6 billion dollar gain on a sale connected with closing of the Digital Aviation Solutions transaction, while the actual EPS for GE Vernova included a \$2.9 billion tax benefit due to a U.S. valuation allowance release.

The Information Technology (+8.7%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Intel (\$0.15 vs. \$0.08), Sandisk (\$6.20 vs. \$3.62), Oracle (\$2.26 vs. \$1.64), F5 (\$4.45 vs. \$3.36), and Micron Technology (\$4.78 vs. \$3.96) have reported the largest positive EPS surprises.

The Consumer Discretionary (+8.0%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, NIKE (\$0.53 vs. \$0.37), Carnival Corporation (\$0.34 vs. \$0.25), Deckers Outdoor Corporation (\$3.33 vs. \$2.77), Tesla (\$0.50 vs. \$0.44), and NVR (\$121.54 vs. \$105.91) have reported the largest positive EPS surprises.

The Communication Services (+7.9%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Comcast (\$0.84 vs. \$0.73), AT&T (\$0.52 vs. \$0.46), and Meta Platforms (\$8.88 vs. \$8.21) have reported the largest positive EPS surprises.

Market Rewarding Positive EPS Surprises Less Than Average

To date, the market is rewarding positive EPS surprises reported by S&P 500 companies for Q4 less than average and also punishing negative EPS surprises reported by S&P 500 companies for Q4 less than average.

Companies that have reported positive earnings surprises for Q4 2025 have seen an average price increase of +0.6% two days before the earnings release through two days after the earnings release. This percentage increase is below 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 Q4 2025 have seen an average price decrease of -2.5% two days before the earnings release through two days after the earnings. This percentage decrease is smaller than the 5-year average price decrease of -2.8% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (65%) is Below 5-Year Average

In terms of revenues, 65% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 35% of the companies have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (71%), below the 5-year average (70%), and below the 10-year average (66%). 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%) and Information Technology (87%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (0%) sector has the lowest percentage of companies reporting revenues above estimates.

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

In aggregate, companies are reporting revenues that are 1.2% above expectations. This surprise percentage is below the 1-year average (+1.3%), below the 5-year average (+2.0%), and below the 10-year average (+1.4%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Information Technology (+2.6%), Energy (+2.5%), and Industrials (+2.4%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-3.3%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings This Week Due to Industrials Sector

Increase in Blended Earnings This Week Due to Industrials Sector

The blended (year-over-year) earnings growth rate for the fourth quarter is 11.9%, which is above the earnings growth rate of 8.2% last week. Positive EPS surprises reported by companies in the Industrials, Information Technology, and Communication Services sectors were mainly responsible for the increase in the overall earnings growth rate for the index during the past week.

In the Industrials sector, the positive EPS surprises reported by Boeing (\$9.92 vs. -\$0.44) and GE Vernova (\$13.48 vs. \$2.93) were the largest contributors to the increase in the overall earnings growth rate for the index during the past week. It should be noted that the actual EPS for Boeing included a \$9.6 billion dollar gain on a sale connected with closing of the Digital Aviation Solutions transaction, while the actual EPS for GE Vernova included a \$2.9 billion tax benefit due to a U.S. valuation allowance release. As a result, the blended earnings growth rate for the Industrials sector increased to 25.6% from -0.6% over this period.

In the Information Technology sector, the positive EPS surprises reported by Apple (\$2.84 vs. \$2.67) and Microsoft (\$4.14 vs. \$3.91) were significant contributors to the increase in the overall 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 29.8% from 26.3% over this period.

In the Communication Services sector, the positive EPS surprise reported by Meta Platforms (\$8.88 vs. \$8.21) was a substantial contributor to the increase in the overall earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Communication Services sector increased to 10.2% from 6.3% over this period.

Increase in Blended Revenues This Week

The blended (year-over-year) revenue growth rate for the fourth quarter is 8.2%, which is above the revenue growth rate of 7.8% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Information Technology and Industrials sectors) were the largest contributors to the increase in the overall revenue growth rate for the index during the past week.

Industrials Sector Has Seen Largest Increase in Earnings since December 31

The blended (year-over-year) earnings growth rate for Q4 2024 of 11.9% is above the estimate of 8.3% at the end of the fourth quarter (December 31). Six 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 Industrials (to 25.6% from -0.3%) sector. The Industrials, Information Technology (to 29.8% from 25.8%), and Communication Services (to 10.2% from 6.2%) sectors have been the largest contributors to the increase in the overall earnings growth rate for the index since December 31. On the other hand, five 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, led by the Health Care (to -2.8% from 0.2%) sector.

In the Industrials sector, the positive EPS surprises reported by Boeing (\$9.92 vs. -\$0.44) and GE Vernova (\$13.48 vs. \$2.93) have been the largest contributors to the increase in the earnings growth rate for the index since December 31. It should be noted that the actual EPS for Boeing included a \$9.6 billion dollar gain on a sale connected with closing of the Digital Aviation Solutions transaction, while the actual EPS for GE Vernova included a \$2.9 billion tax benefit due to a U.S. valuation allowance release. As a result, the blended earnings growth rate for the Industrials sector has increased to 25.6% from -0.3% over this period.

In the Information Technology sector, the positive EPS surprises reported by Apple (\$2.84 vs. \$2.67) and Microsoft (\$4.14 vs. \$3.91) have been significant contributors to the increase in the earnings growth rate for the index since December 31. As a result, the blended earnings growth rate for the Information Technology sector has increased to 29.8% from 25.8% over this period.

In the Communication Services sector, the positive EPS surprise reported by Meta Platforms (\$8.88 vs. \$8.21) has been a substantial contributor to the increase in the earnings growth rate for the index since December 31. As a result, the blended earnings growth rate for the Communication Services sector has increased to 10.2% from 6.2% over this period.

Information Technology Sector Has Seen Largest Increase in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2024 of 8.2% is above the estimate of 7.8% at the end of the fourth quarter (December 31). Seven sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Information Technology (to 19.8% from 17.9%) and Industrials (to 7.5% from 5.8%) sectors. The Information Technology and Industrials sectors have also been the largest contributors to the increase in the revenue growth rate for the index since December 31. 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 2.7% from 4.7%) sector. One sector (Real Estate) has recorded no change in its revenue growth rate (6.6%) since December 31.

In the Information Technology sector, the positive revenue surprises reported by Apple (\$143.76 billion vs. \$138.39 billion) and Microsoft (81.27 billion vs. \$80.31 billion) have been substantial contributors to the increase in the revenue growth rate for the index since December 31. As a result, the blended revenue growth rate for the Information Technology sector has increased to 19.8% from 17.9% over this period.

In the Industrials sector, the positive revenue surprises reported by Boeing (\$23.95 billion vs. \$22.60 billion), RTX Corporation (\$24.24 billion vs. \$22.69 billion), and Caterpillar (\$19.13 billion vs. \$17.85 billion) have been significant contributors to the increase in the revenue growth rate for the index since December 31. As a result, the blended revenue growth rate for the Industrials sector has increased to 7.5% from 5.8% over this period.

Earnings Growth: 11.9%

The blended (year-over-year) earnings growth rate for Q4 2024 is 11.9%, which is below the 5-year average earnings growth rate of 15.9% but above the 10-year average earnings growth rate of 9.9%. If 11.9% is the actual growth rate for the quarter, it will mark the tenth consecutive quarter of year-over-year earnings growth and the fifth consecutive quarter of double-digit growth.

Eight of the eleven sectors are reporting year-over-year earnings growth, led by the Information Technology, Industrials, and Communication Services sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Health Care sector.

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

The Information Technology sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 29.8%. At the industry level, all 6 industries in the sector are reporting year-over-year earnings growth: Semiconductors & Semiconductor Equipment (47%), Electronic Equipment, Instruments, & Components (33%), Software (28%), Technology Hardware, Storage, & Peripherals (19%), Communication Equipment (9%), and IT Services (9%).

At the company level, NVIDIA (\$1.52 vs. \$0.89) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the Information Technology sector would fall to 22.6% from 29.8%.

Industrials: Boeing Is Largest Contributor to Year-Over-Year Growth

The Industrials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 25.6%. At the industry level, 6 of the 12 industries in the sector are reporting year-over-year earnings growth. Three of these six industries are reporting double-digit growth: Aerospace & Defense (372%), Electrical Equipment (117%), and Construction & Engineering (14%). On the other hand, 6 of the 12 industries in the sector are reporting a year-over-year earnings decline. Two of these six industries are reporting a double-digit decline: Ground Transportation (-50%) and Passenger Airlines (-11%).

At the company level, Boeing (\$9.92 vs. -\$5.90) is the largest contributor to earnings growth for the sector. If this company were excluded, the Industrials sector would be reporting a year-over-year decline in earnings of -1.5% instead of year-over-year earnings growth of 25.6%.

Communication Services: Alphabet Is Largest Contributor to Year-Over-Year Growth

The Communication Services sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 10.2%. At the industry level, 2 of the 5 industries in the sector are reporting year-over-year earnings growth: Interactive Media & Services (17%) and Entertainment (16%). On the other hand, 3 of the industries are reporting a year-over-year earnings decline: Wireless Telecommunication Services (-24%), Media (-6%), and Diversified Telecommunication Services (-3%).

At the company level, Alphabet (\$2.64 vs. \$2.15) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the Communication Services sector would fall to 3.6% from 10.2%.

Health Care: UnitedHealth Group is Largest Contributor to Year-Over-Year Decline

The Health Care sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -2.8%. At the industry level, only one industry in the sector is reporting a year-over-year decline in earnings: Health Care Providers & Services (-34%). On the other hand, 4 of the 5 industries in the sector are reporting year-over-year growth in earnings: Pharmaceuticals (8%), Health Care Equipment & Supplies (6%), Biotechnology (5%), and Life Sciences, Tools, & Services (4%).

At the company level, UnitedHealth Group (\$2.10 vs. \$6.81) is the largest contributor to the earnings decline for the sector. If this company were excluded, the Health Care sector would be reporting year-over-year earnings growth of 4.1% rather than a year-over-year decline in earnings of -2.8%.

Revenue Growth: 8.2%

The blended (year-over-year) revenue growth rate for Q4 2025 is 8.2%, which is below the 5-year average revenue growth rate of 8.4% but above the 10-year average revenue growth rate of 6.0%. If 8.2% is the actual growth rate for the quarter, it will mark the second-highest revenue growth rate reported by the index since Q3 2022 (11.0%), trailing on the previous quarter (8.4%). It will also mark the 21st consecutive quarter of revenue growth for the index.

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

Information Technology: All 6 Industries Reporting Year-Over-Year Growth

The Information Technology sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 19.8%. At the industry level, all 6 industries in the sector are reporting year-over-year revenue growth: Semiconductors & Semiconductor Equipment (31%), Electronic Equipment, Instruments, & Components (19%), Technology Hardware, Storage, & Peripherals (15%), Software (16%), Communication Equipment (10%), and IT Services (8%).

Communication Services: All 5 Industries Reporting Year-Over-Year Growth

The Communication Services sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 10.8%. At the industry level, all 5 industries in the sector are reporting year-over-year revenue growth: Interactive Media & Services (17%), Wireless Telecommunication Services (10%), Entertainment (7%), Diversified Telecommunication Services (3%), and Media (1%).

Energy: 2 of 5 Sub-Industries Reporting Year-Over-Year Decline

The Energy sector is reporting the largest (year-over-year) decline in revenues of all eleven sectors at -2.8%. Lower year-over-year oil prices are contributing to the year-over-year decrease in revenues for this sector, as the average price of oil in Q4 2025 (\$59.14) was 16% below the average price for oil in Q4 2024 (\$70.09). At the sub-industry level, 2 of the 5 sub-industries in the sector are reporting a year-over-year decline in revenues: Integrated Oil & Gas (-5%) and Oil & Gas Refining & Marketing (-3%). On the other hand, three sub-industries are reporting year-over-year growth in revenues: Oil & Gas Storage & Transportation (21%), Oil & Gas Equipment & Services (2%), and Oil & Gas Exploration & Production (less than 1%).

Net Profit Margin: 13.2%

The blended net profit margin for the S&P 500 for Q4 2025 is 13.2%, which is above the previous quarter's net profit margin of 13.1%, above the year-ago net profit margin of 12.7% and above the 5-year average of 12.1%.

If 13.2% is the actual net profit margin for the quarter, it will mark with the highest net profit margin reported by the index since FactSet began tracking this metric in 2009.

At the sector level, four sectors are reporting a year-over-year increase in their net profit margins in Q4 2025 compared to Q4 2024, led by the Information Technology (29.0% vs. 26.8%) and Industrials (12.5% vs. 10.7%) sector. On the other hand, six sectors are reporting a year-over-year decrease in their net profit margins in Q4 2025 compared to Q4 2024, led by the Real Estate (33.5% vs. 35.1%) sector. One sector (Energy) is reporting no change in net profit margin (7.8%) in Q4 2025 compared to Q4 2024.

Five sectors are reporting net profit margins in Q4 2025 that are above their 5-year averages, led by the Information Technology (29.0% vs. 25.0%) and Industrials (12.5% vs. 9.3%) sectors. On the other hand, six sectors are reporting net profit margins in Q4 2025 that are below their 5-year averages, led by the Health Care (6.9% vs. 9.2%) and Real Estate (33.5% vs. 35.8%) sectors.

Forward Estimates & Valuation

Guidance: Negative Guidance Percentage for Q1 is Below Average

At this point in time, 24 companies in the index have issued EPS guidance for Q1 2026. Of these 24 companies, 7 have issued negative EPS guidance and 17 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q1 2026 is 29% (7 out of 24), which is below the 5-year average of 58% and below the 10-year average of 60%.

At this point in time, 262 companies in the index have issued EPS guidance for the current fiscal year (FY 2025 or FY 2026). Of these 262 companies, 99 have issued negative EPS guidance and 163 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 38% (99 out of 262).

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 of 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 14% for CY 2026

For the fourth quarter, S&P 500 companies are reporting year-over-year growth in earnings of 11.9% and year-over-year growth in revenues of 8.2%. For CY 2025, S&P 500 companies are reporting year-over-year growth in earnings of 13.2% and year-over-year growth in revenues of 7.3%.

For Q1 2026, analysts are projecting earnings growth of 11.7% and revenue growth of 8.4%.

For Q2 2026, analysts are projecting earnings growth of 14.9% and revenue growth of 7.5%.

For Q3 2026, analysts are projecting earnings growth of 15.2% and revenue growth of 6.8%.

For Q4 2026, analysts are projecting earnings growth of 15.4% and revenue growth of 7.4%.

For CY 2026, analysts are projecting earnings growth of 14.3% and revenue growth of 7.3%.

Valuation: Forward P/E Ratio is 22.2, Above the 10-Year Average (18.8)

The forward 12-month P/E ratio for the S&P 500 is 22.2. This P/E ratio is above the 5-year average of 20.0 and above the 10-year average of 18.8. It is also slightly above the forward 12-month P/E ratio of 22.0 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has increased by 1.8%, while the forward 12-month EPS estimate has increased by 1.2%. At the sector level, the Consumer Discretionary (29.0) sector has the highest forward 12-month P/E ratio, while the Financials (15.8) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 28.6, which is above the 5-year average of 24.9 and above the 10-year average of 23.0.

Targets & Ratings: Analysts Project 17% Increase in Price Over Next 12 Months

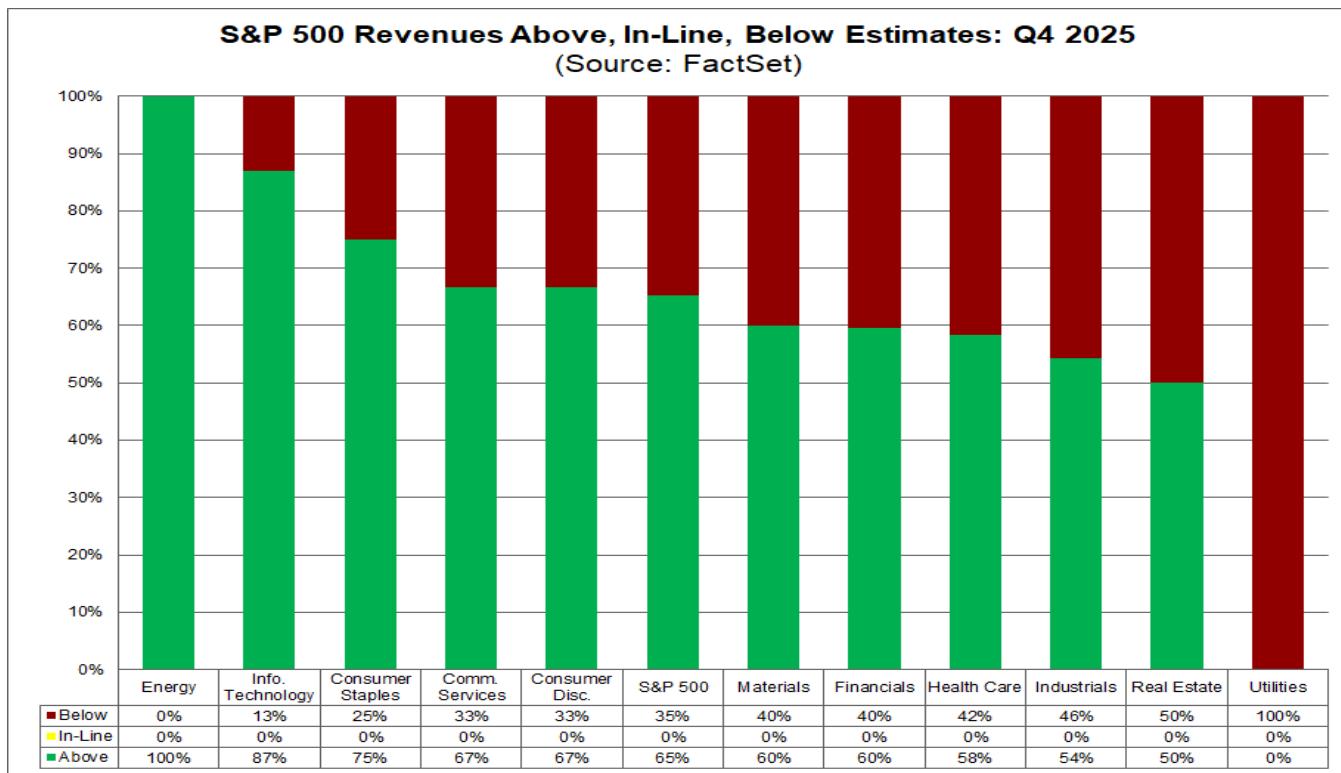
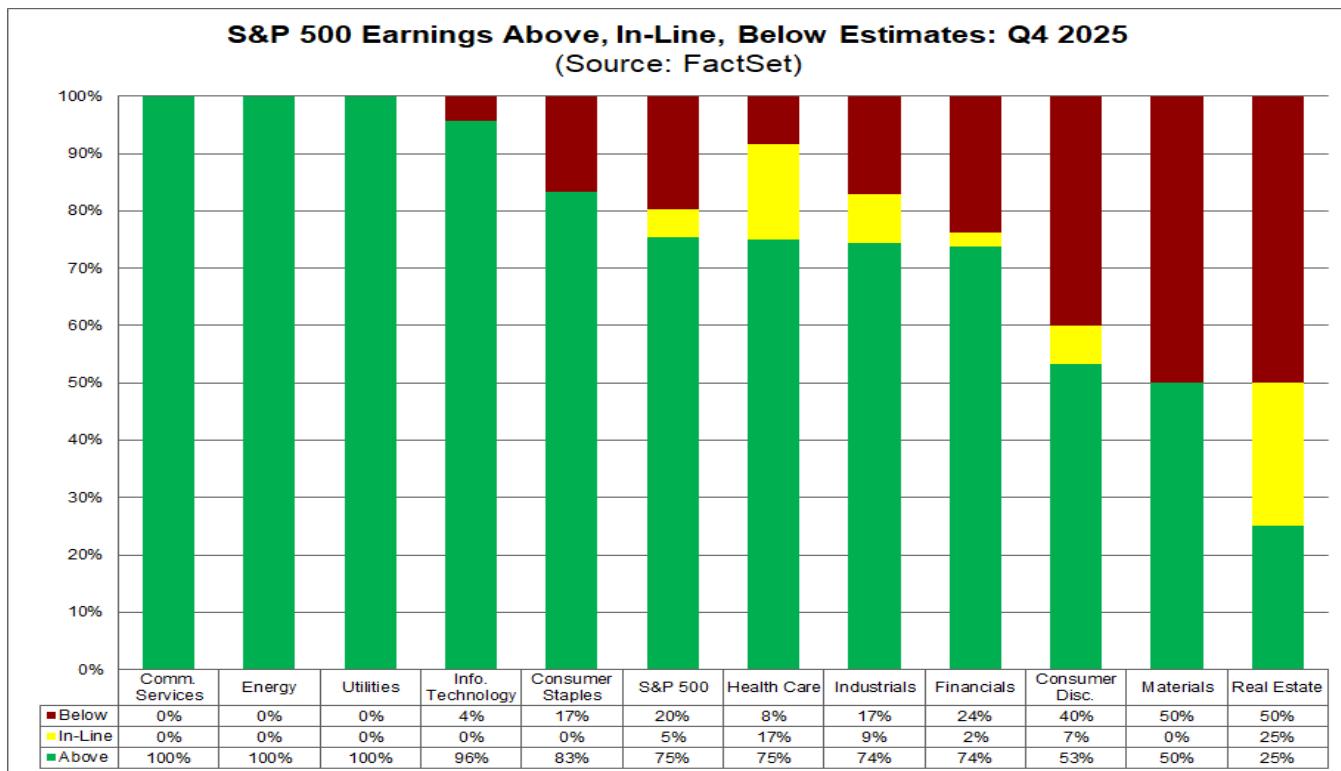
The bottom-up target price for the S&P 500 is 8145.50, which is 16.9% above the closing price of 6969.01. At the sector level, the Information Technology (+25.8%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Energy (+3.0%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 12,876 ratings on stocks in the S&P 500. Of these 12,876 ratings, 57.7% are Buy ratings, 37.2% are Hold ratings, and 5.1% are Sell ratings. At the sector level, the Information Technology (68%), Energy (65%), and Communication Services (64%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) and Utilities (49%) sectors have the lowest percentages of Buy ratings.

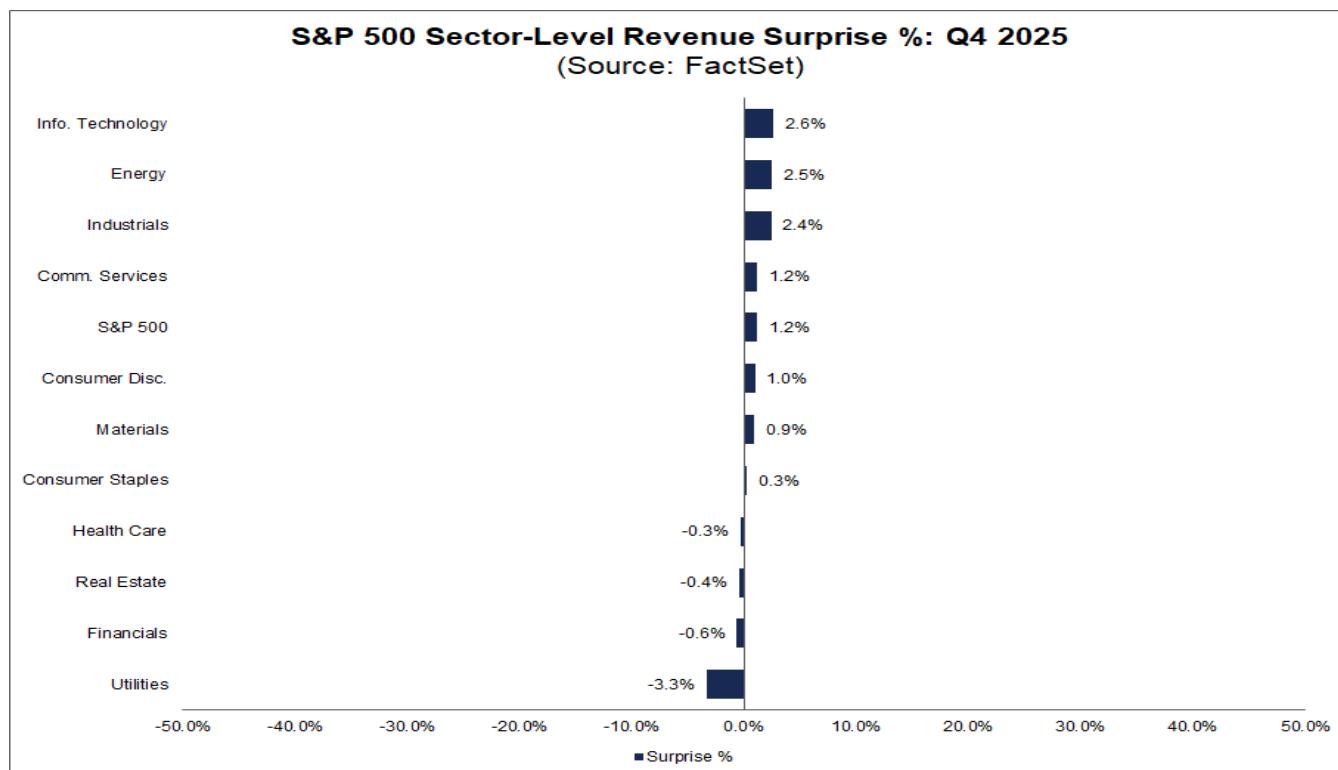
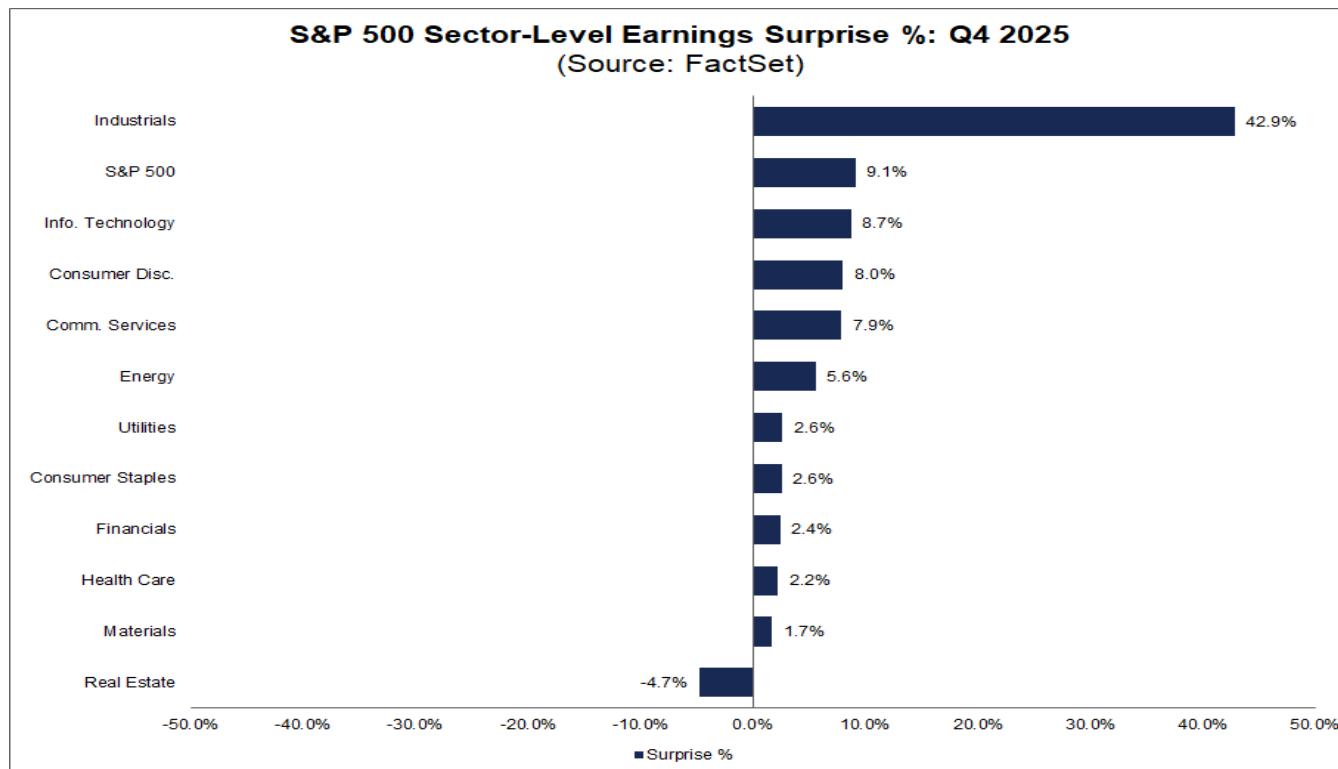
Companies Reporting Next Week: 127

During the upcoming week, 127 S&P 500 companies (including 4 Dow 30 components) are scheduled to report results for the fourth quarter.

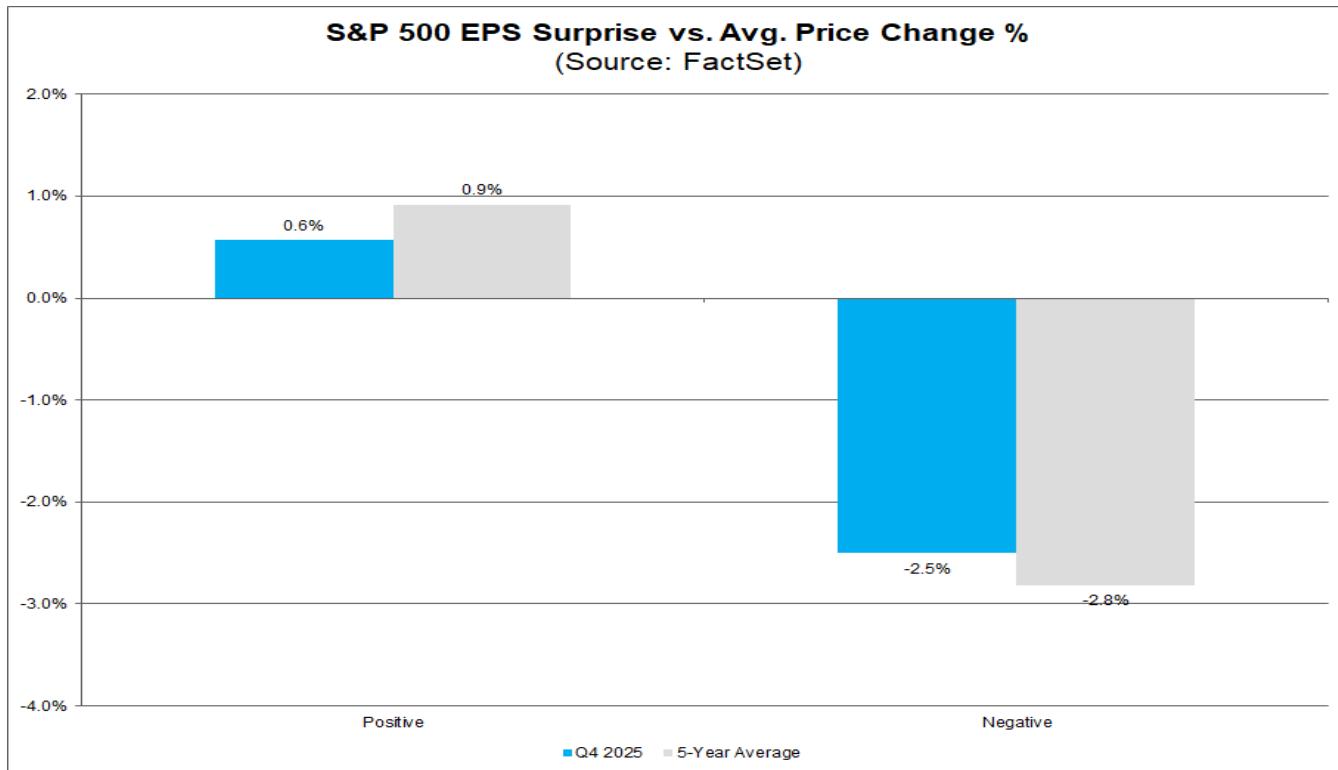
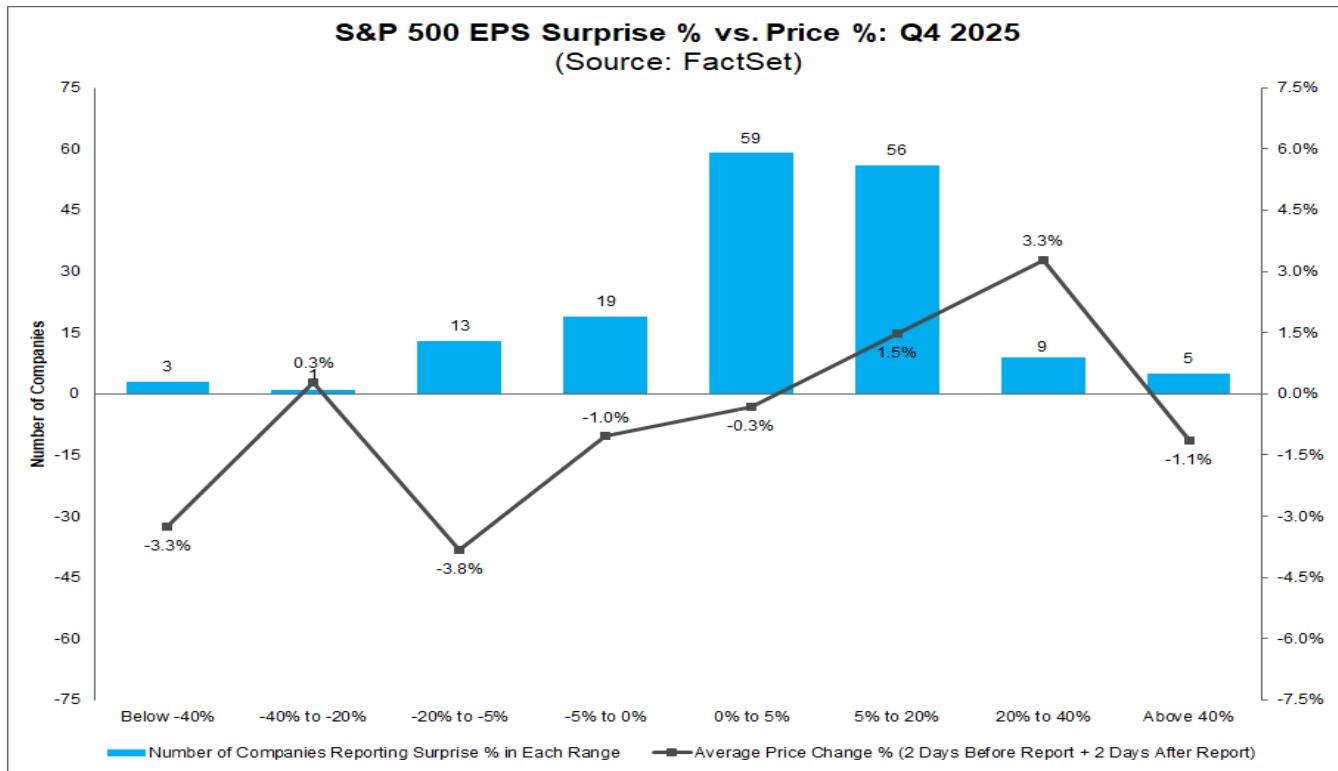
Q4 2025: Scorecard



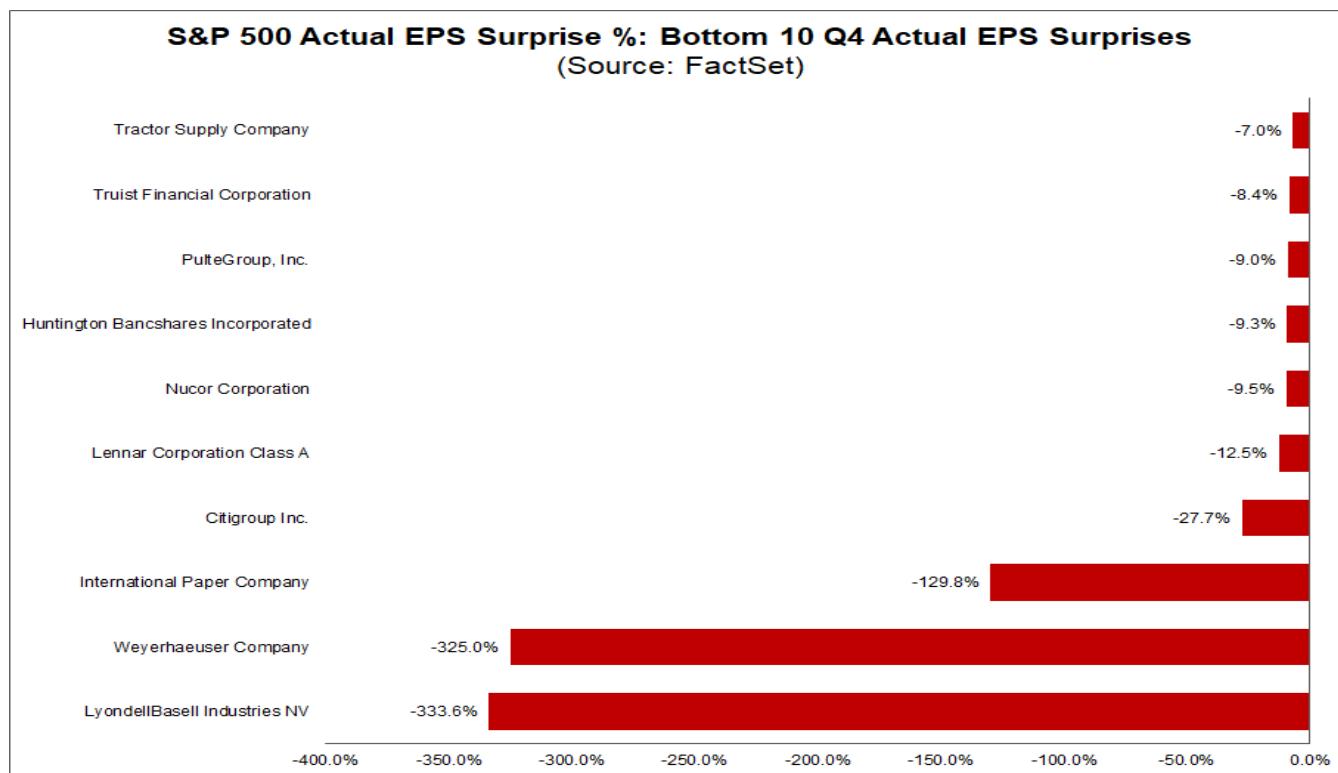
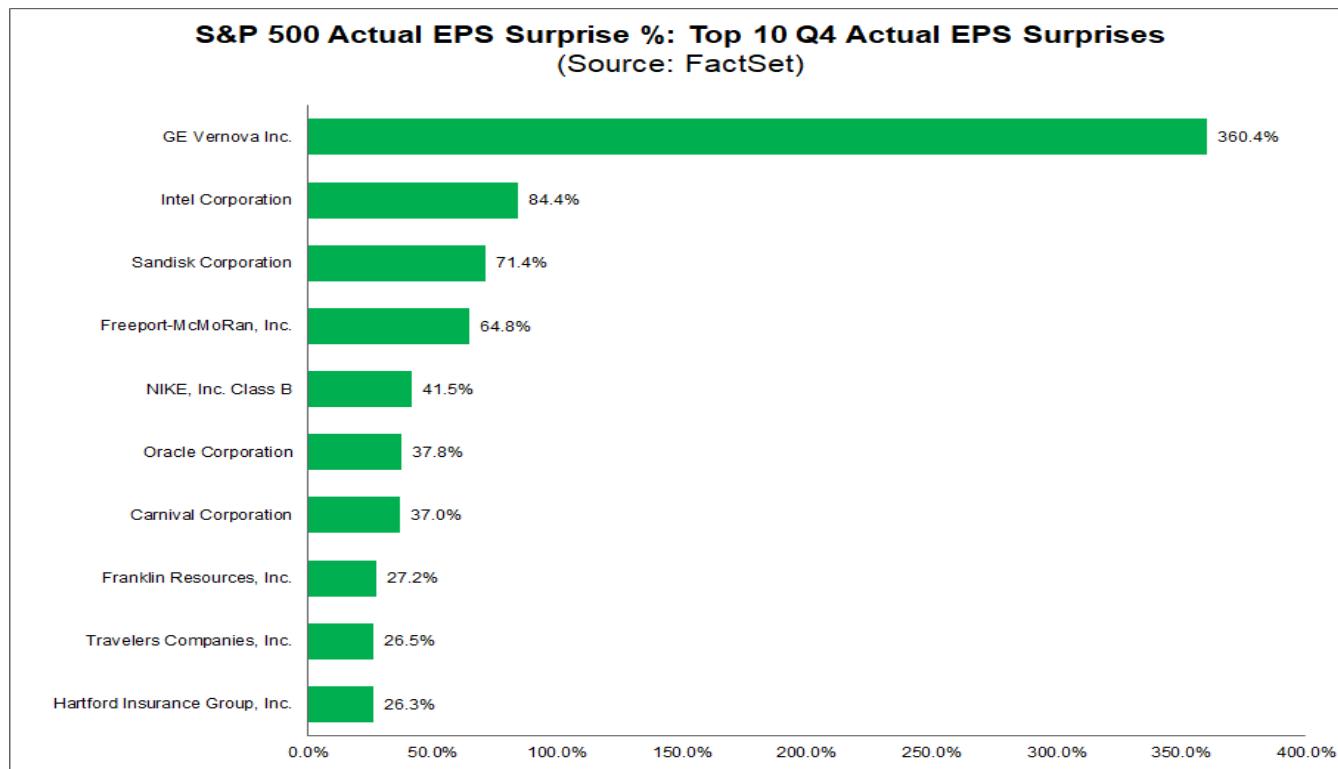
Q4 2025: Surprise



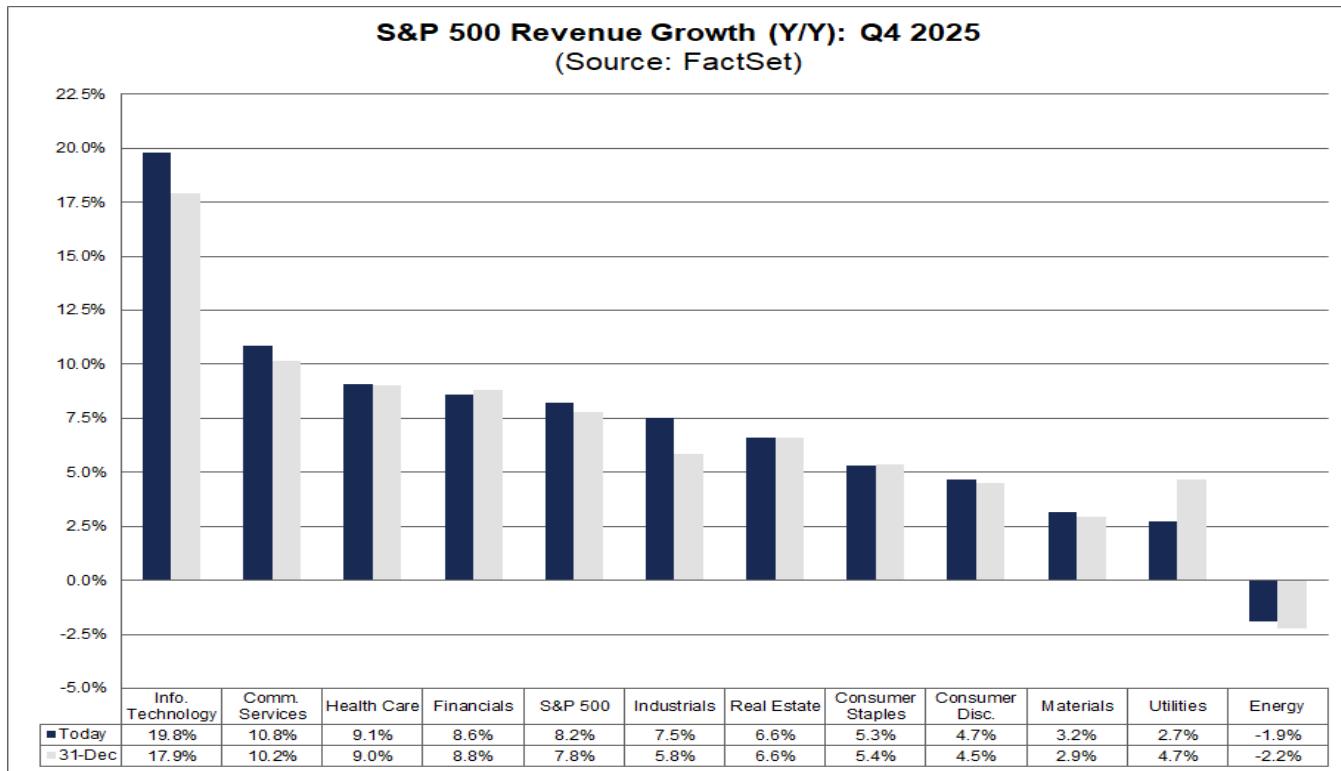
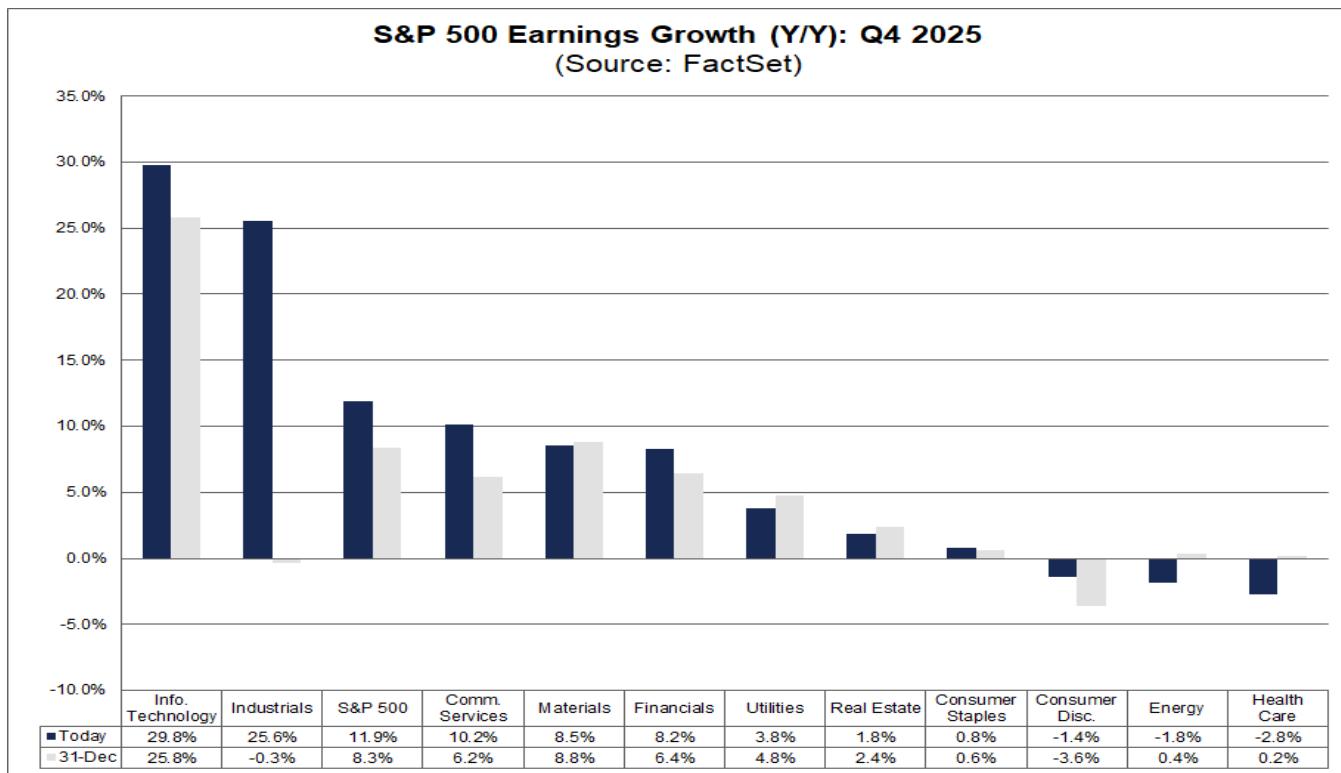
Q4 2025: Surprise



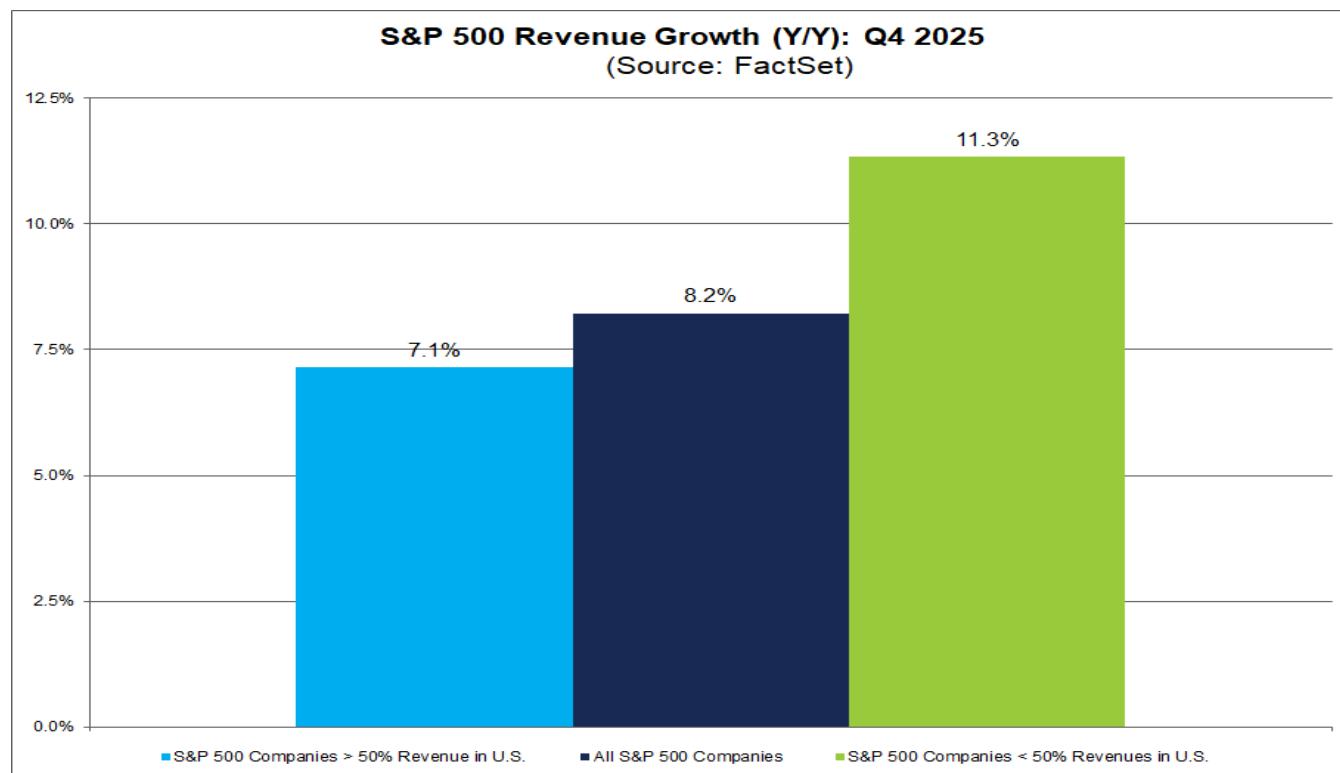
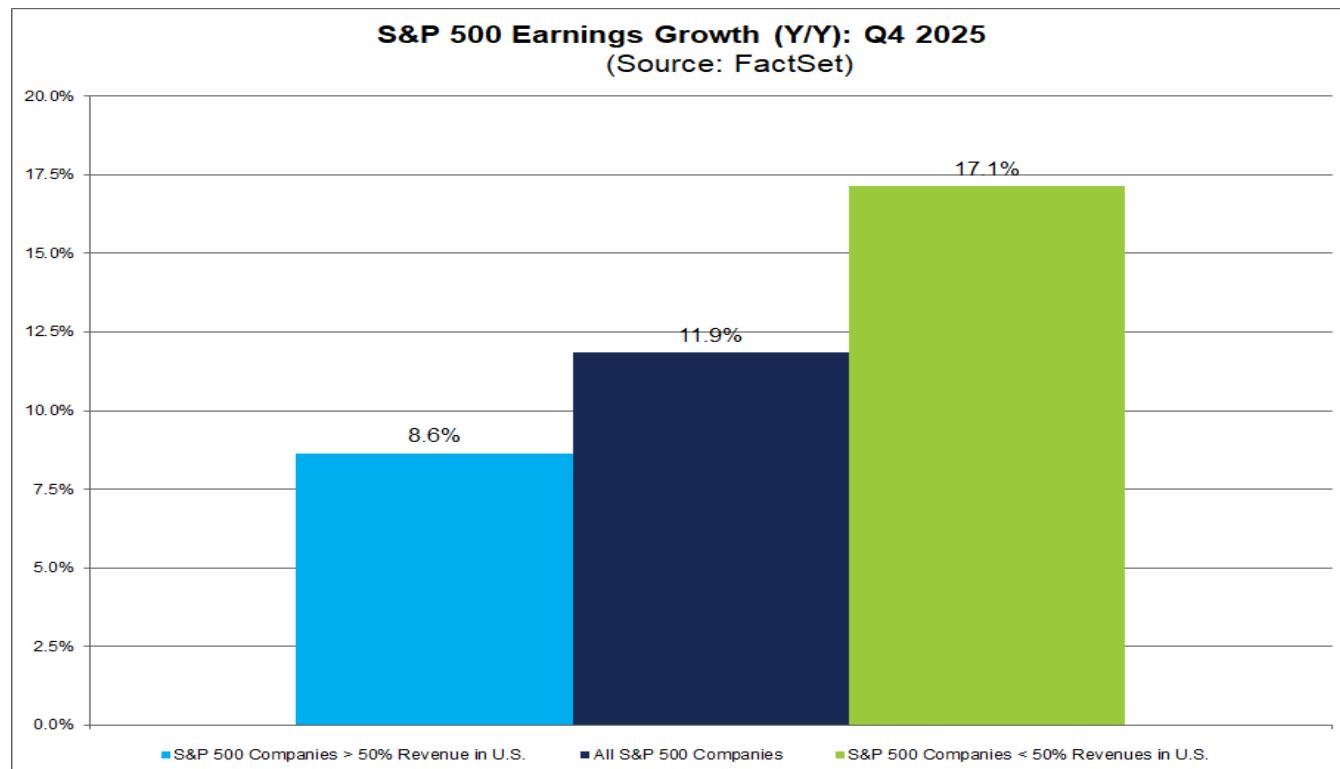
Q4 2025: Surprise



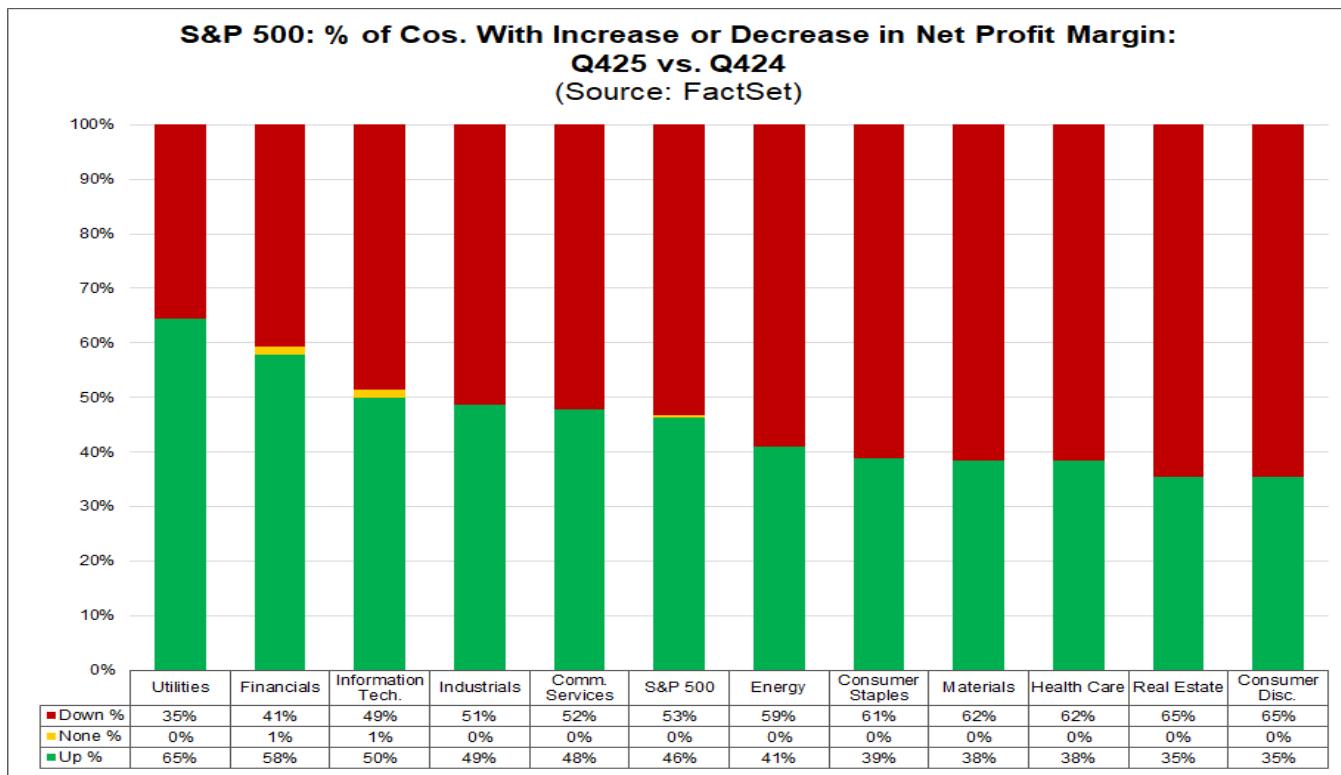
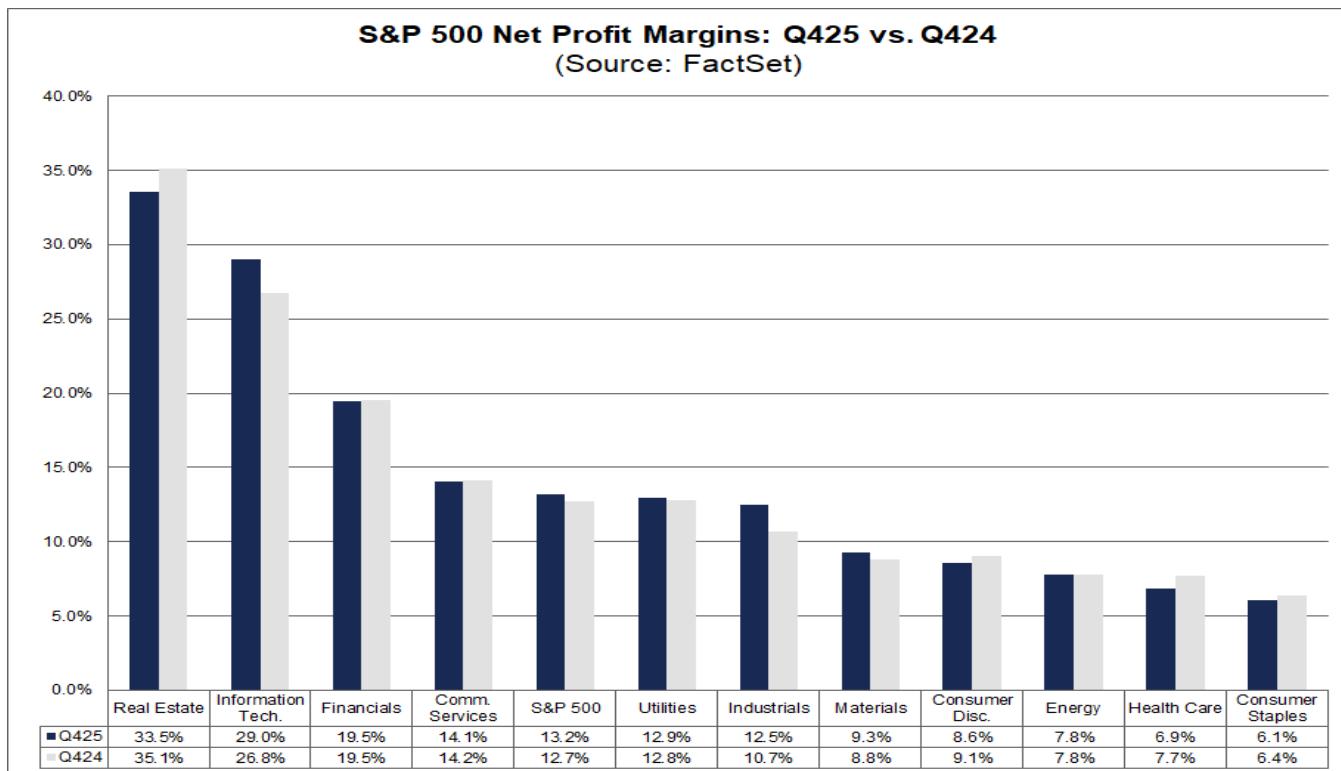
Q4 2025: Growth



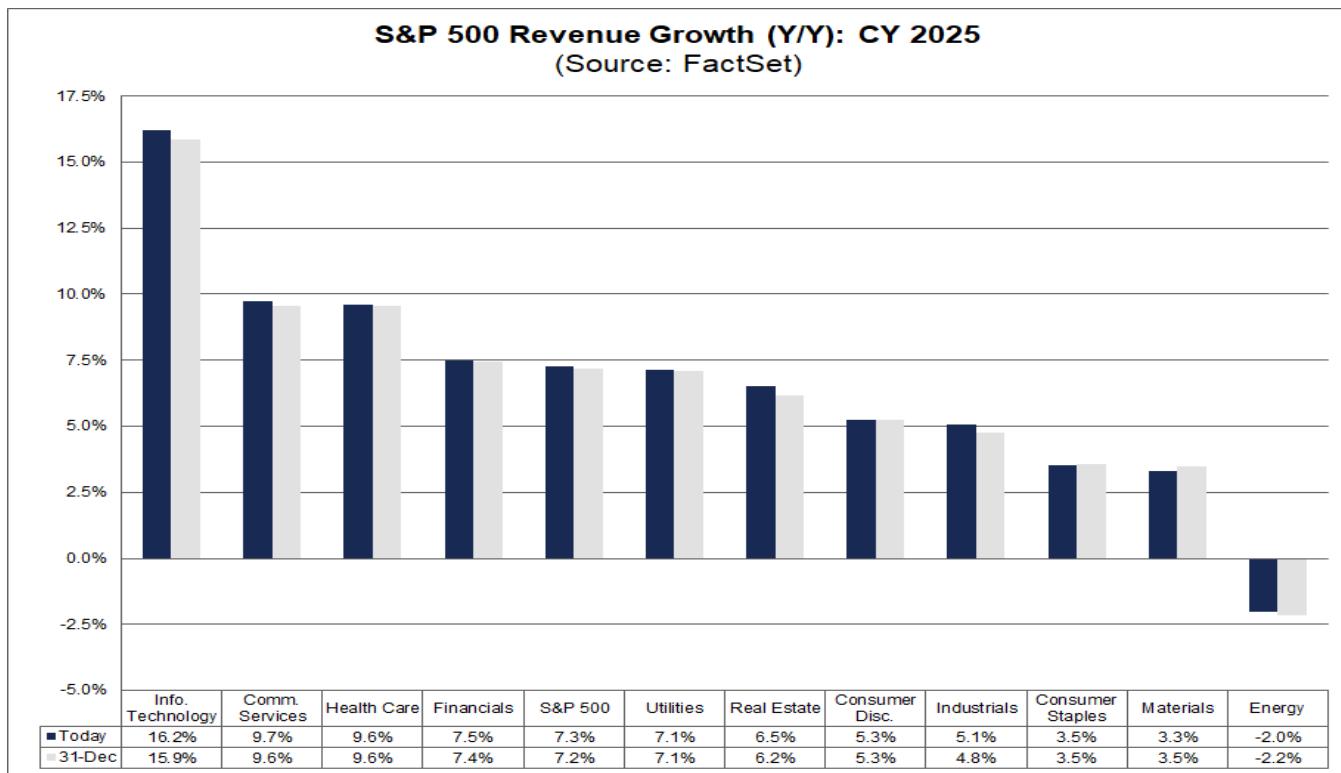
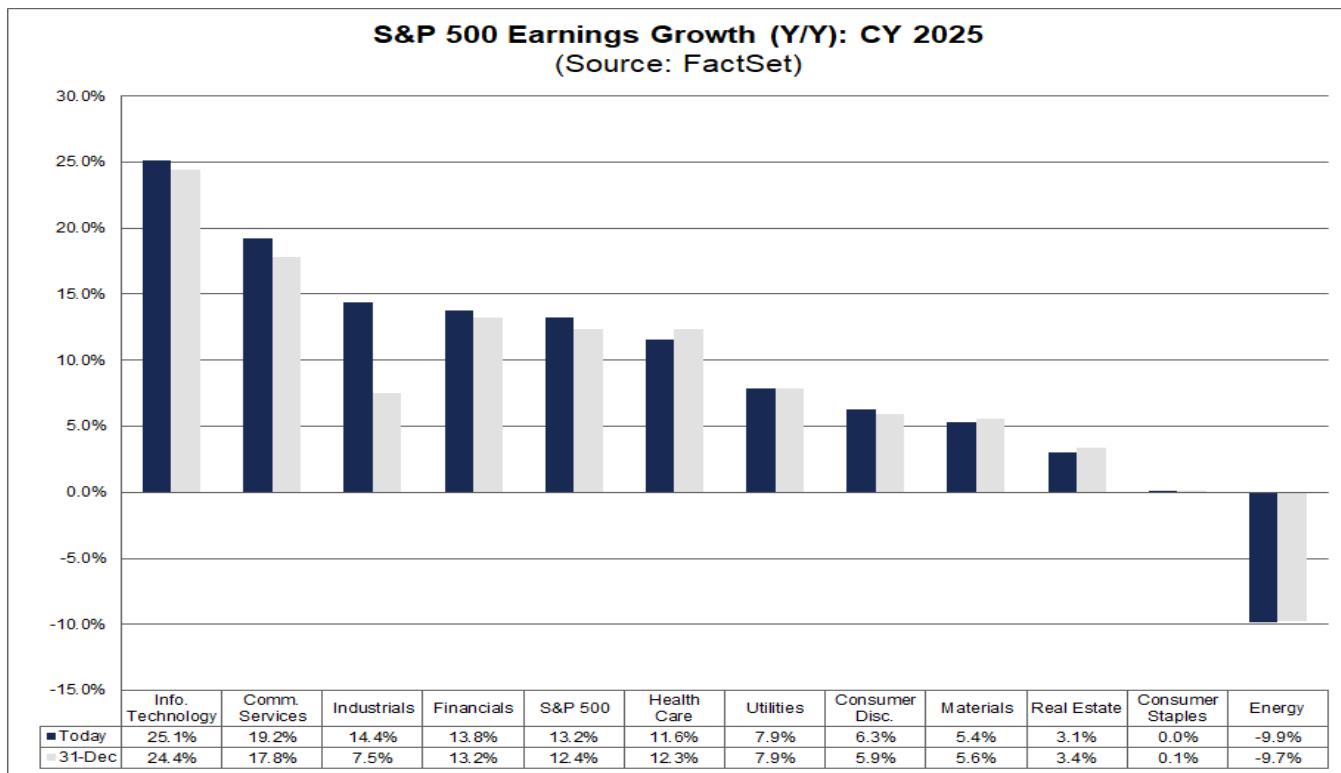
Q4 2025: Growth



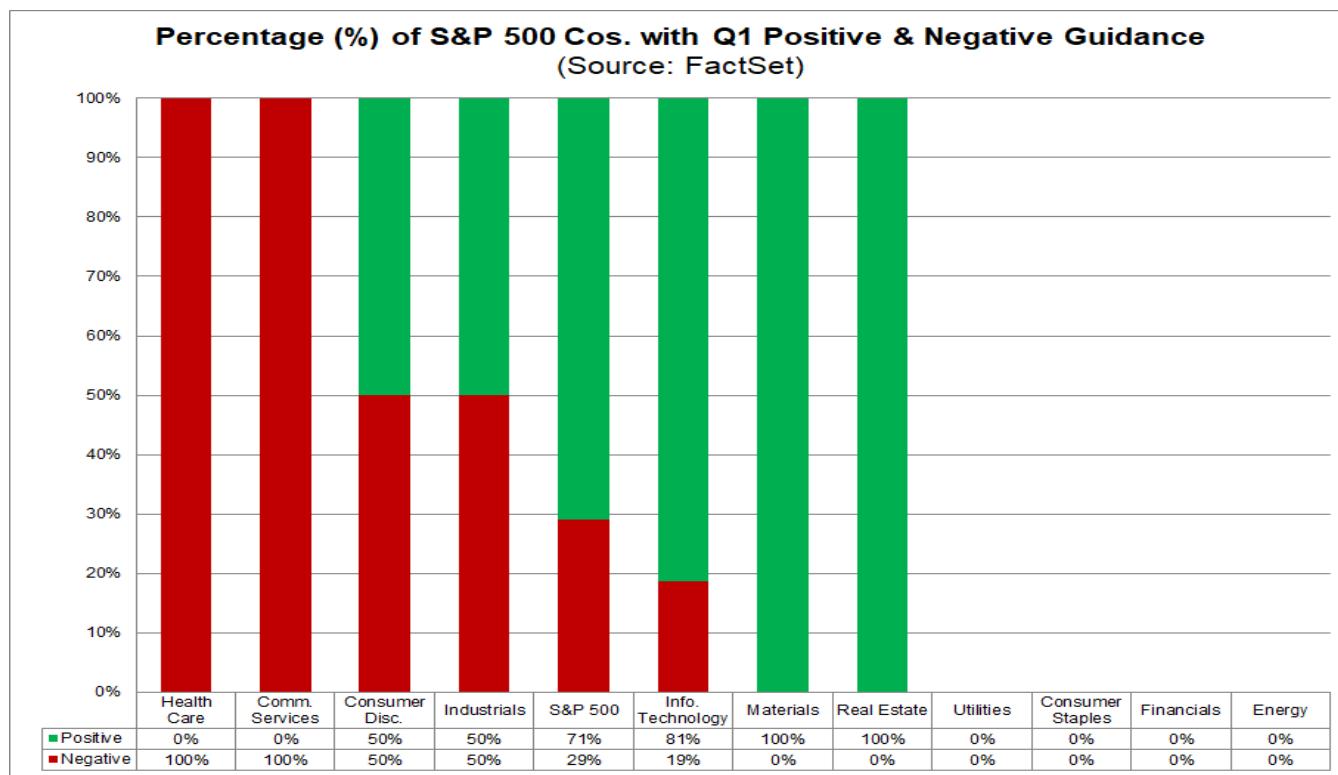
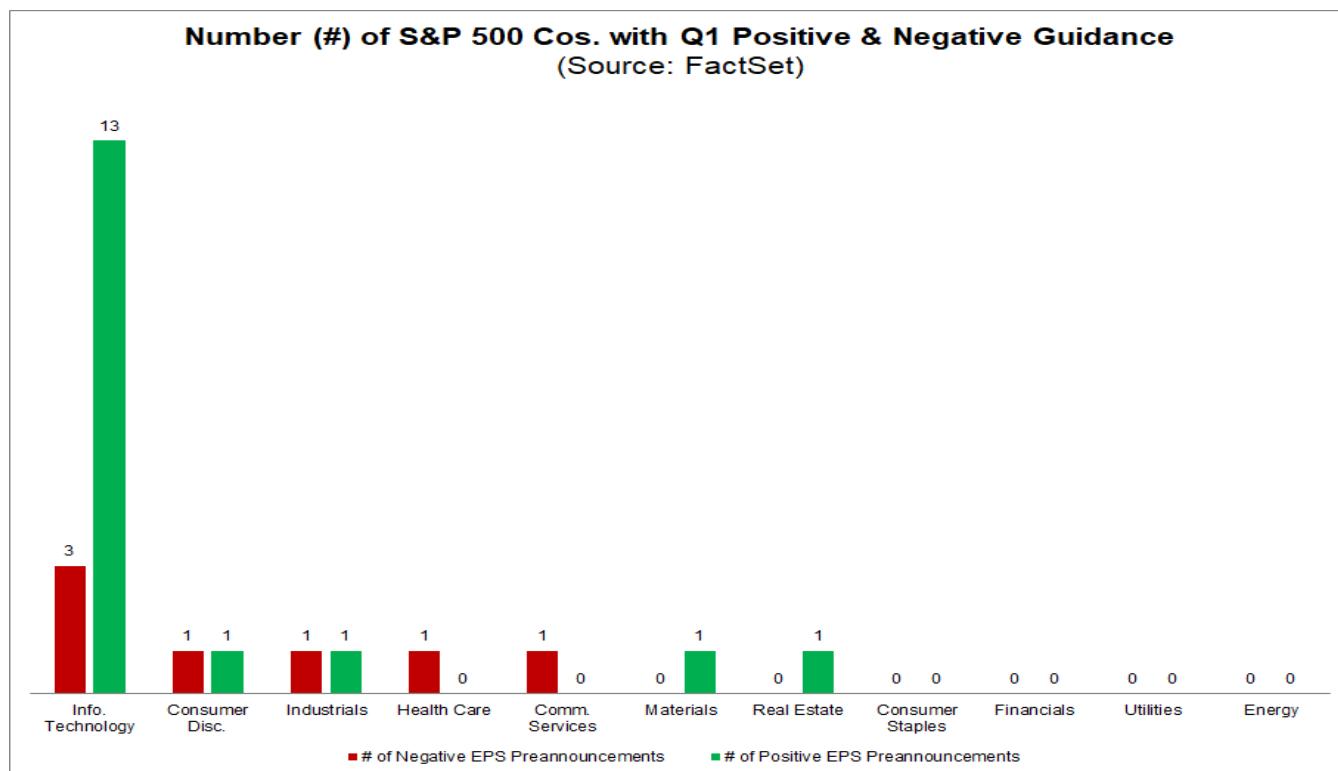
Q4 2025: Net Profit Margin



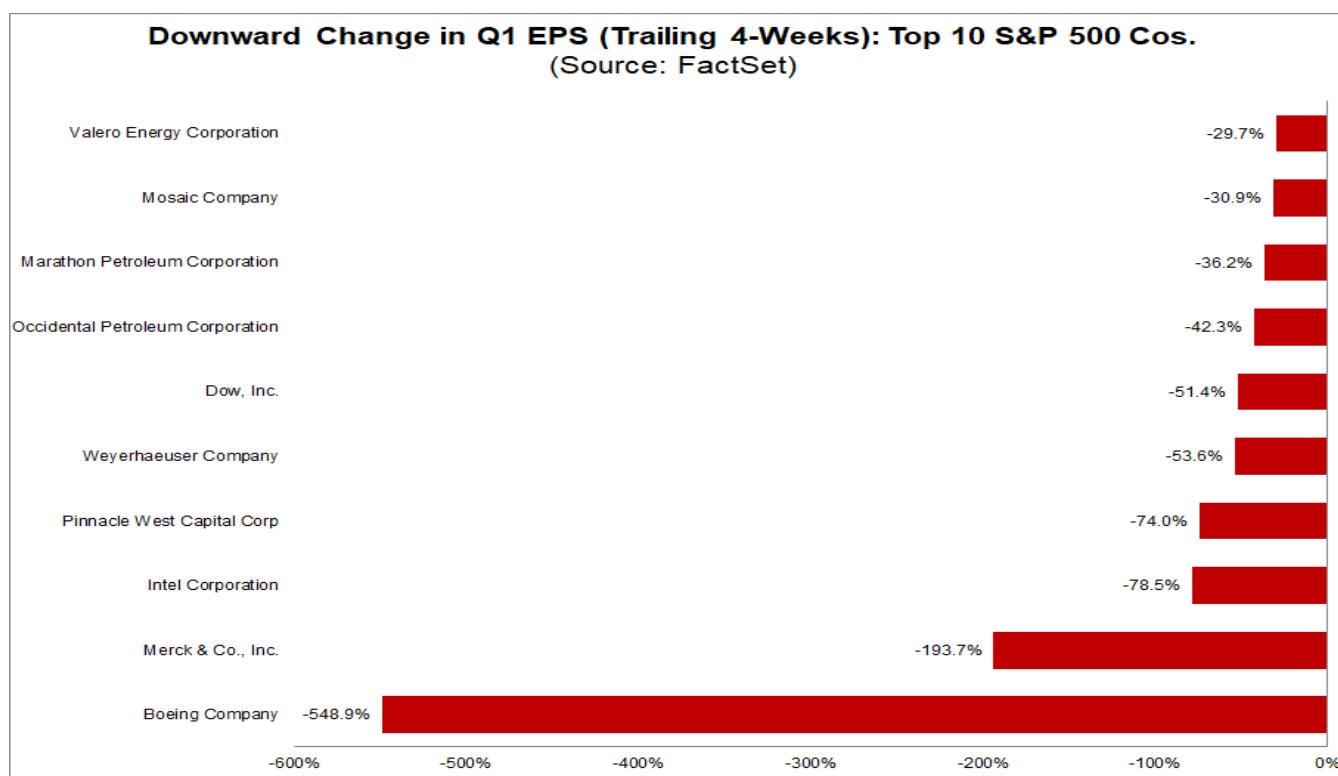
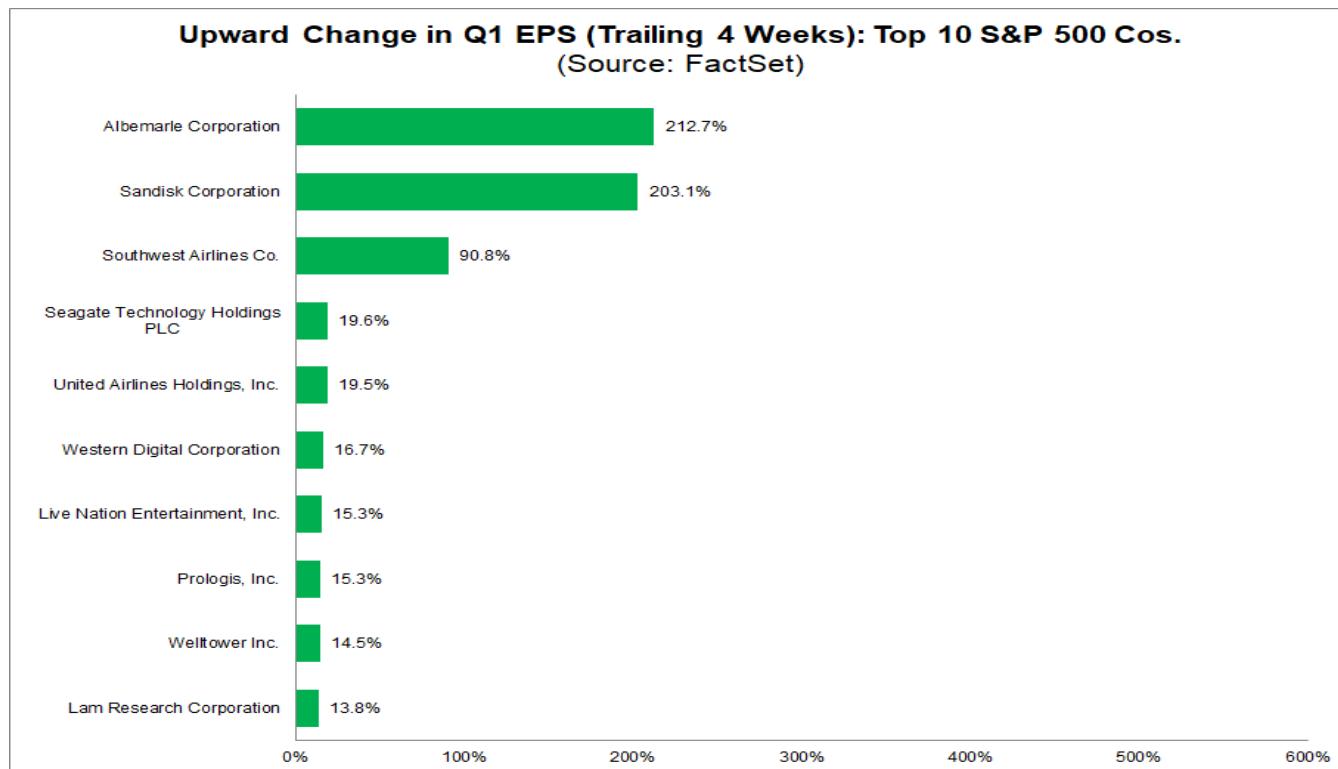
CY 2025: Growth



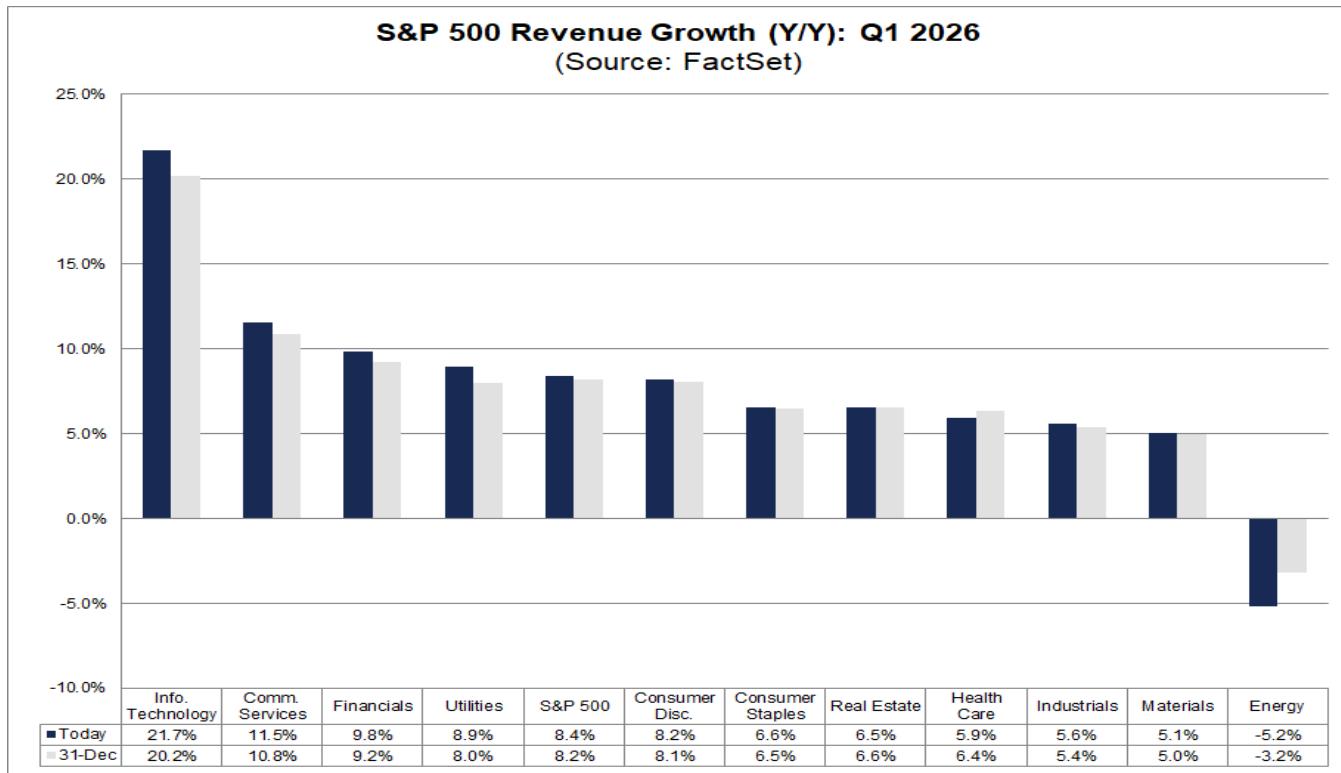
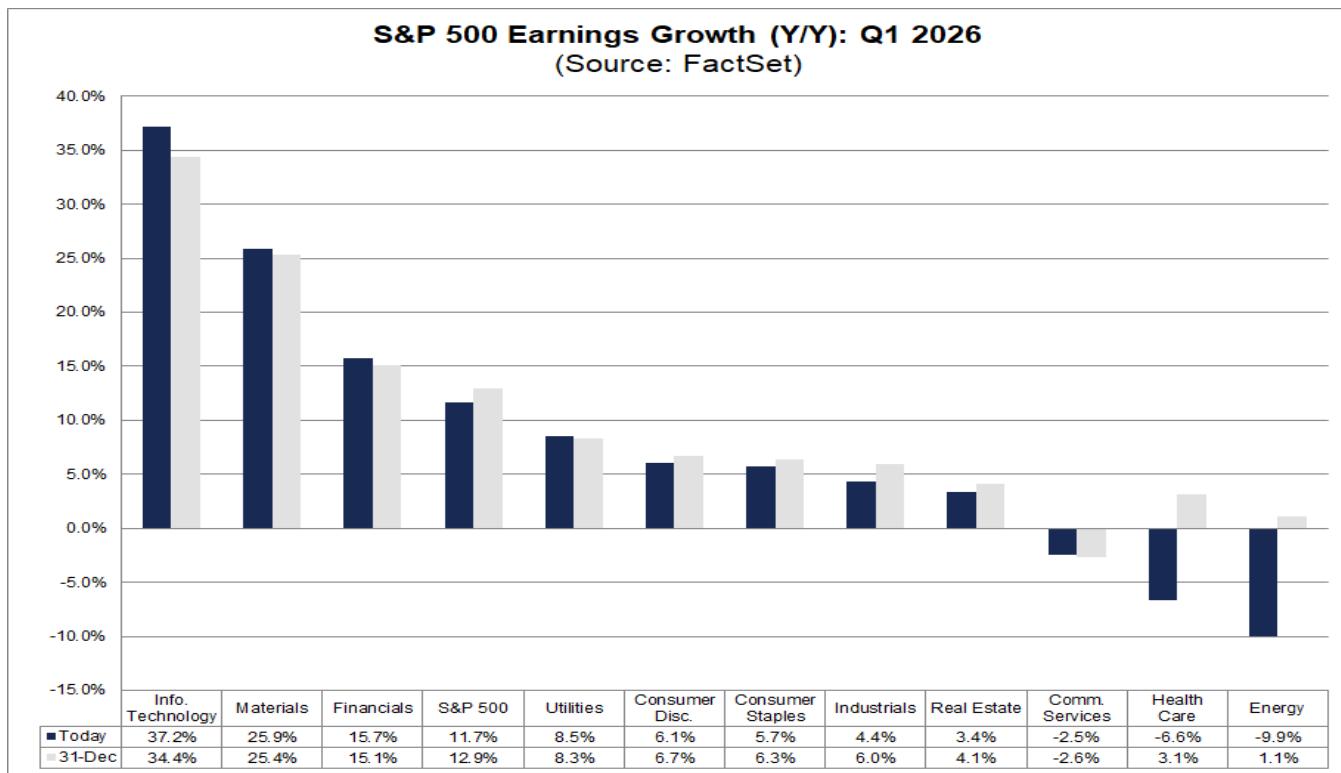
Q1 2026: Guidance



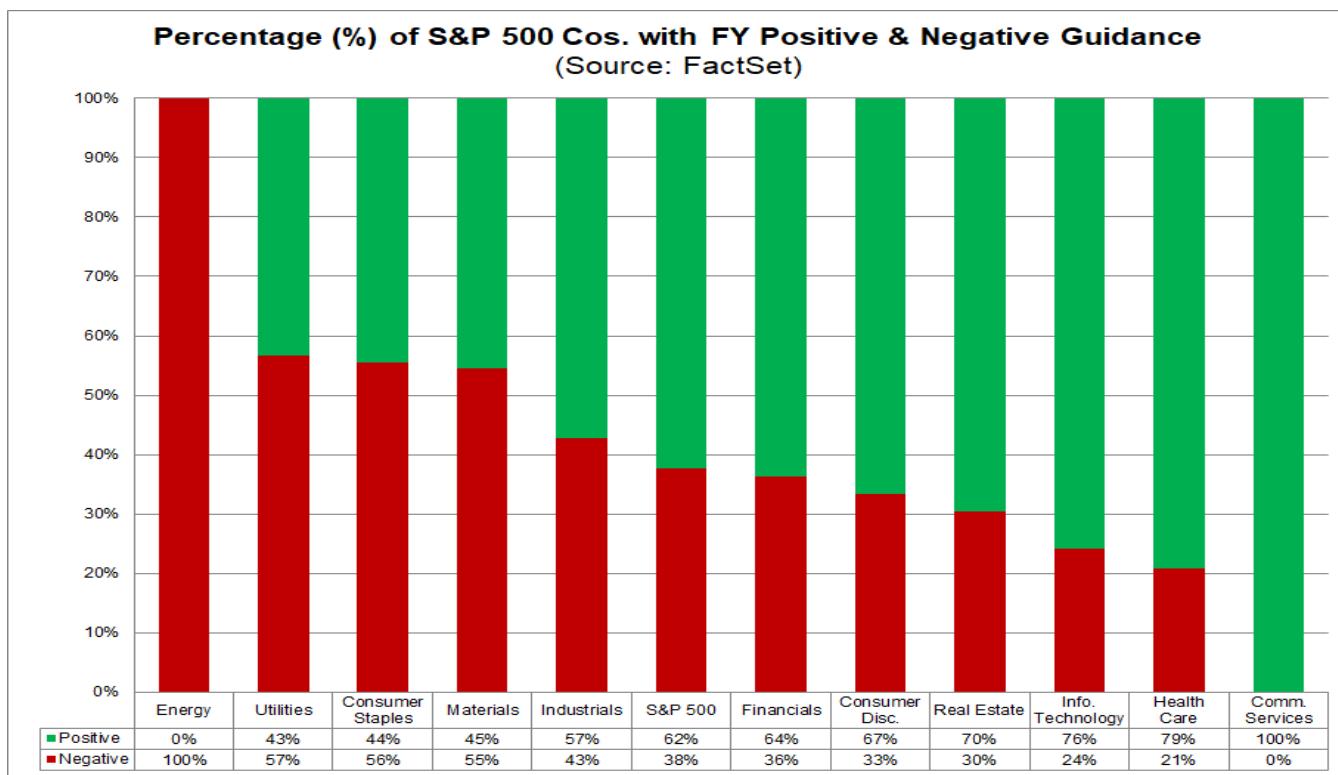
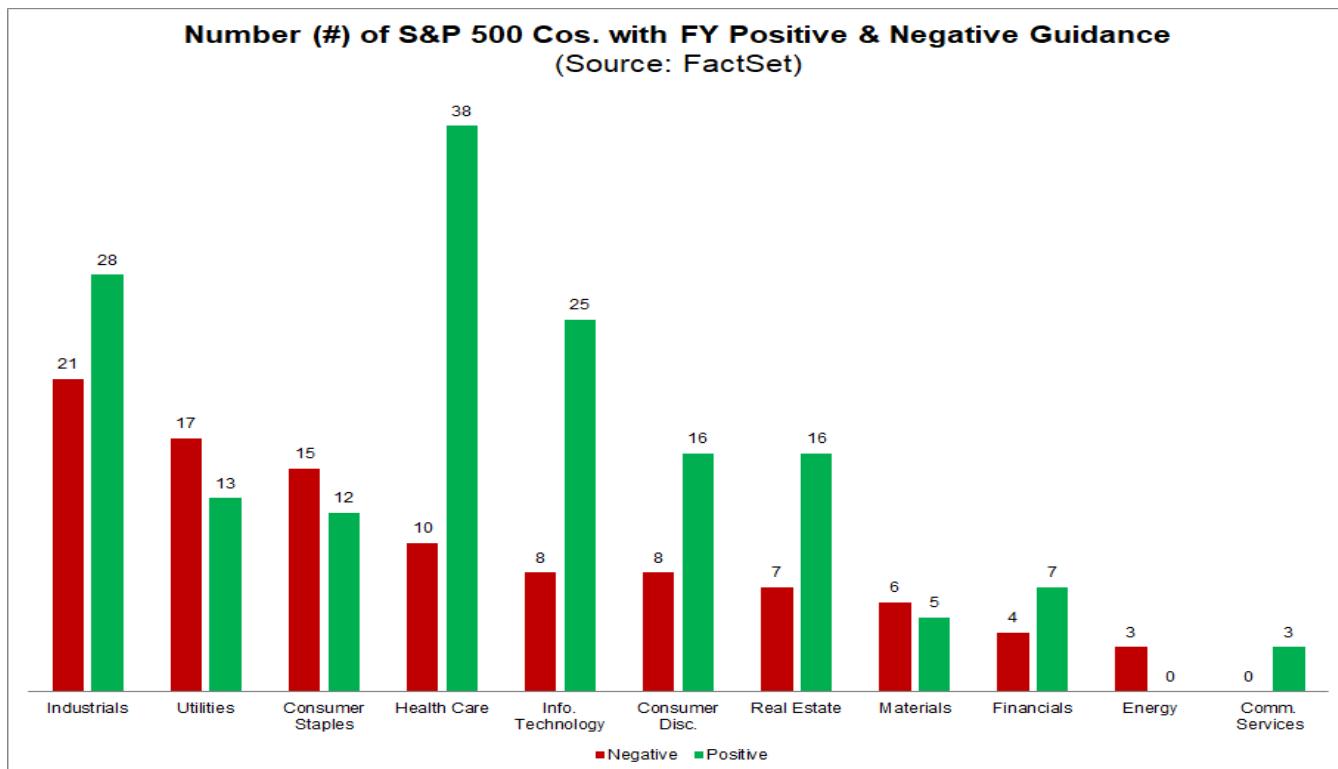
Q1 2026: EPS Revisions



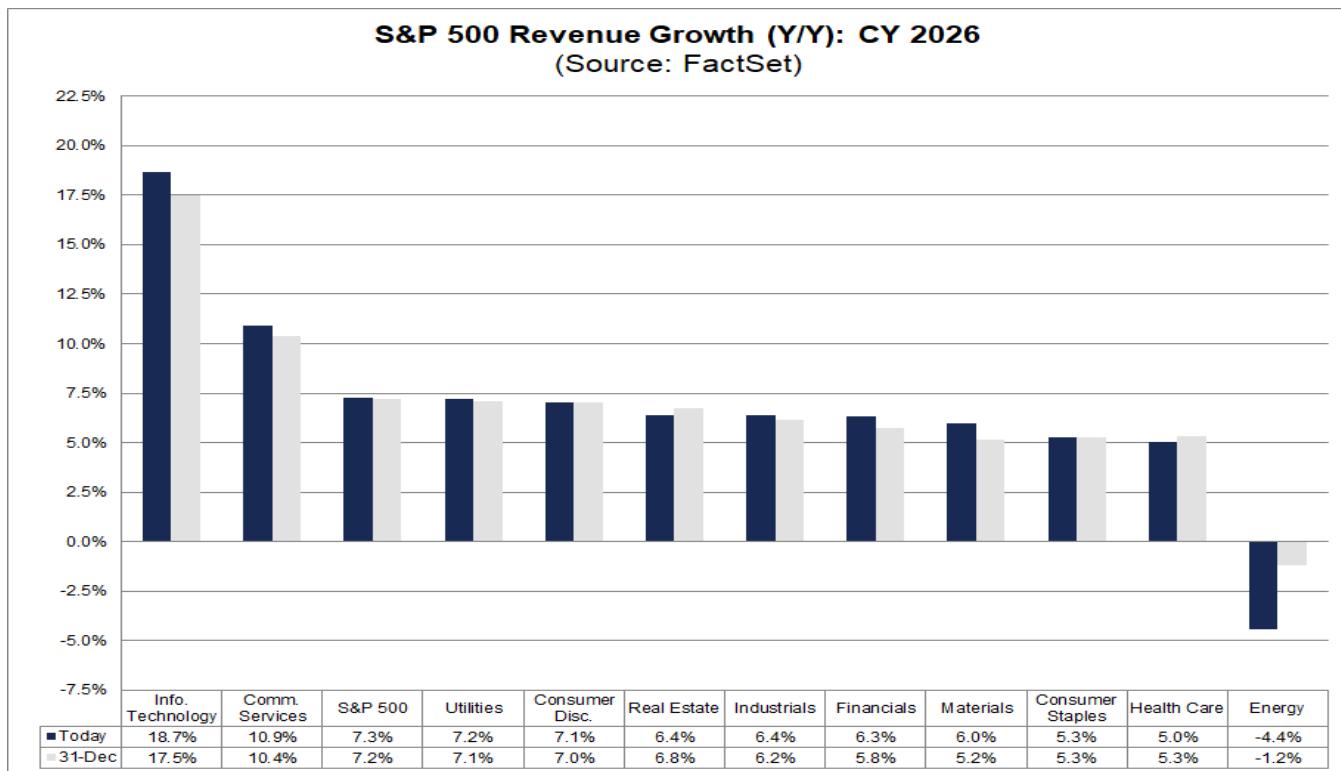
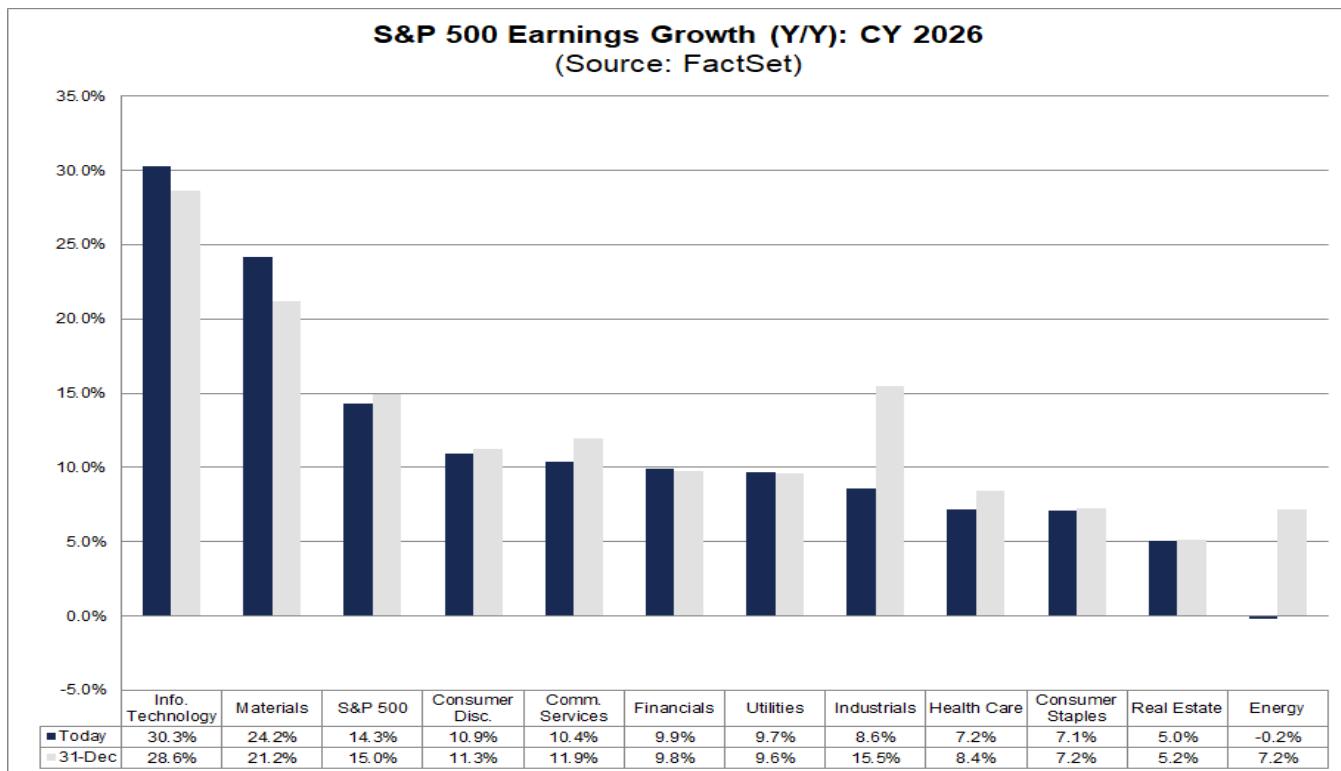
Q1 2026: Growth



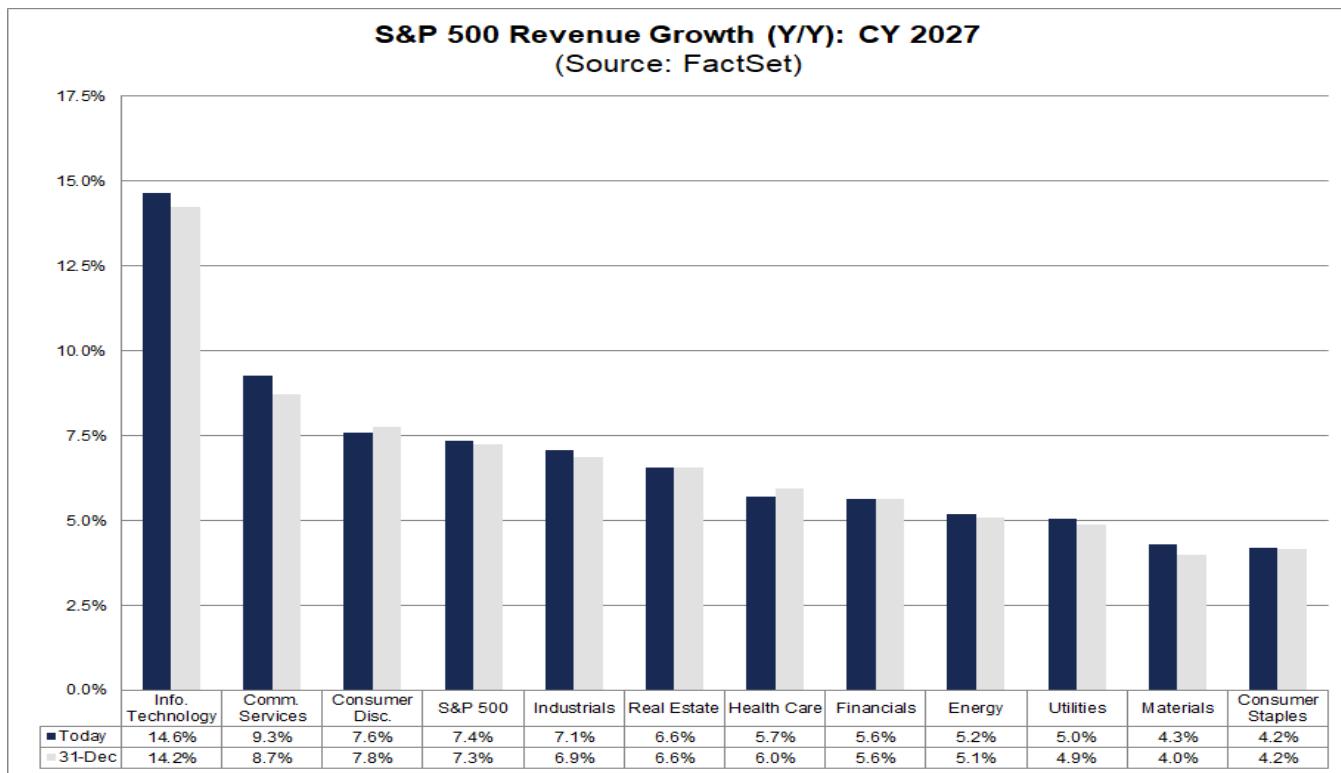
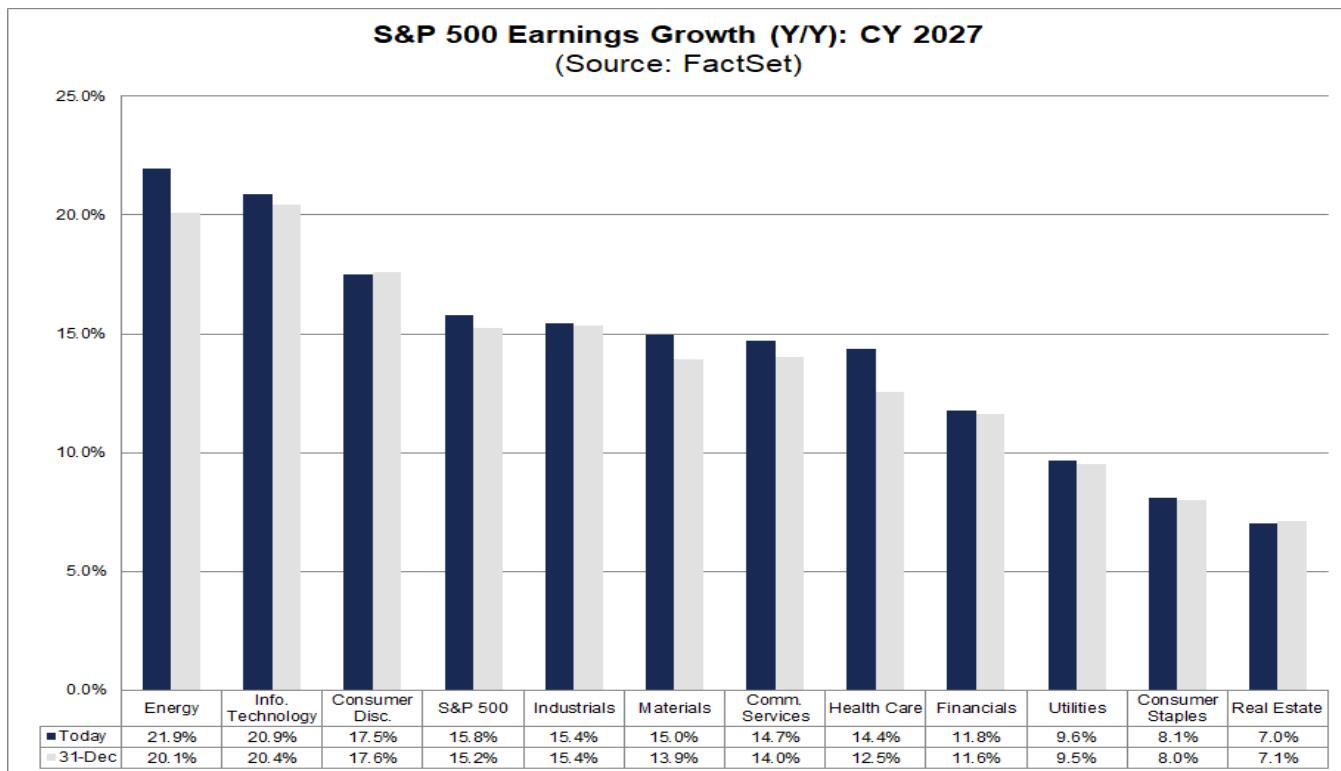
FY 2025 / 2026: EPS Guidance



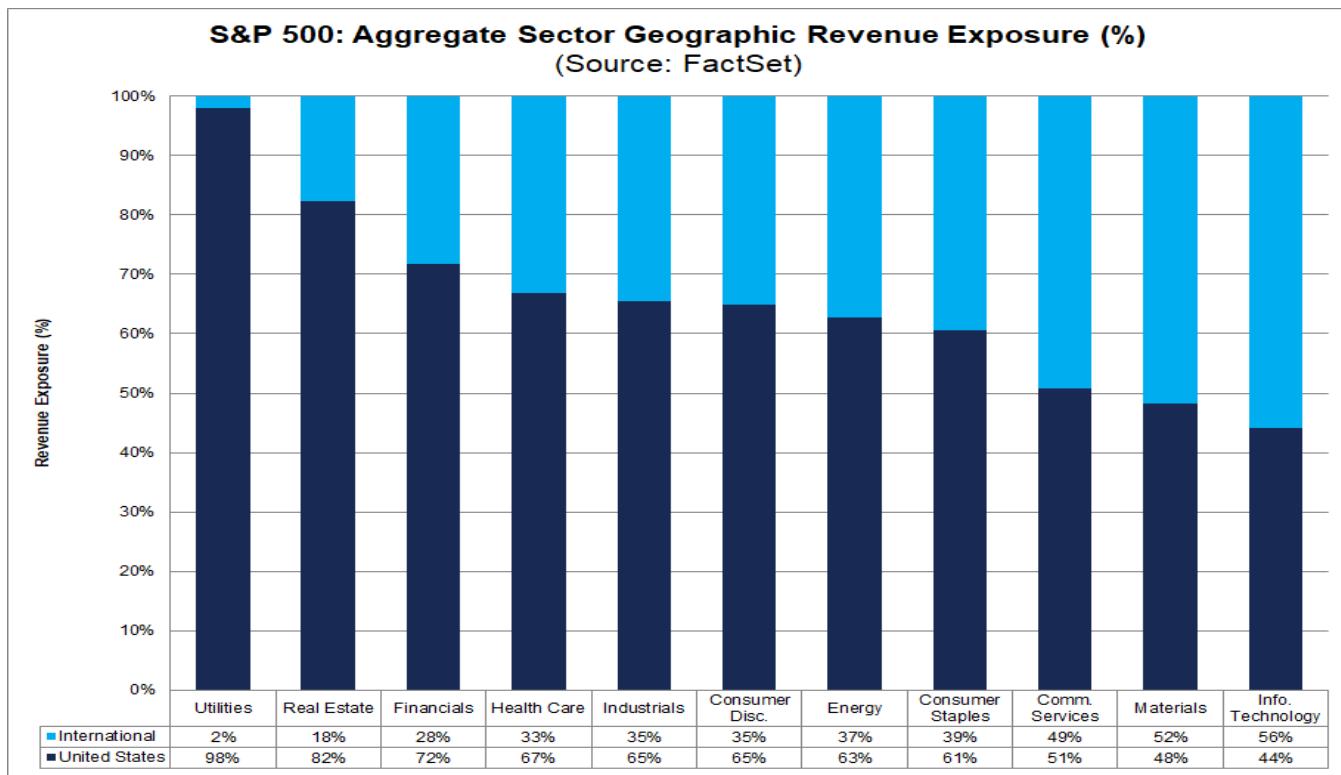
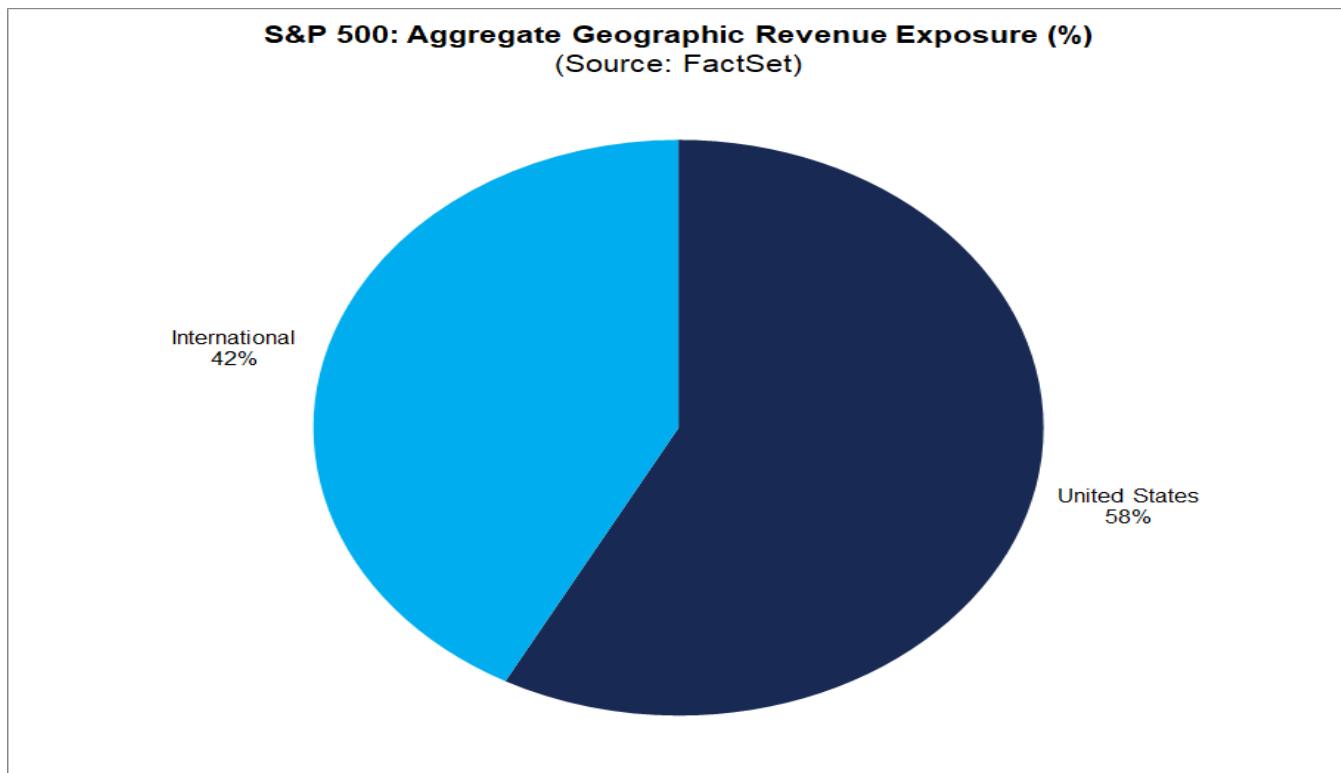
CY 2026: Growth



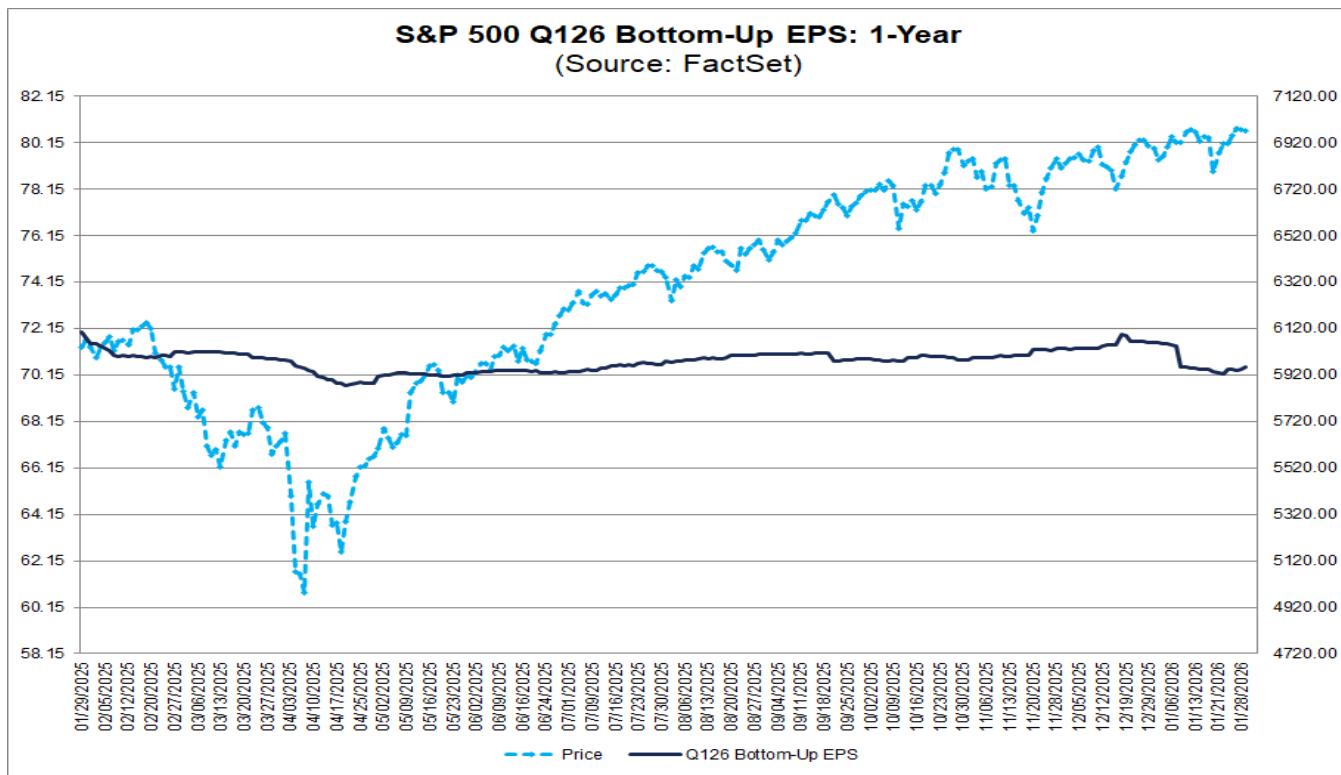
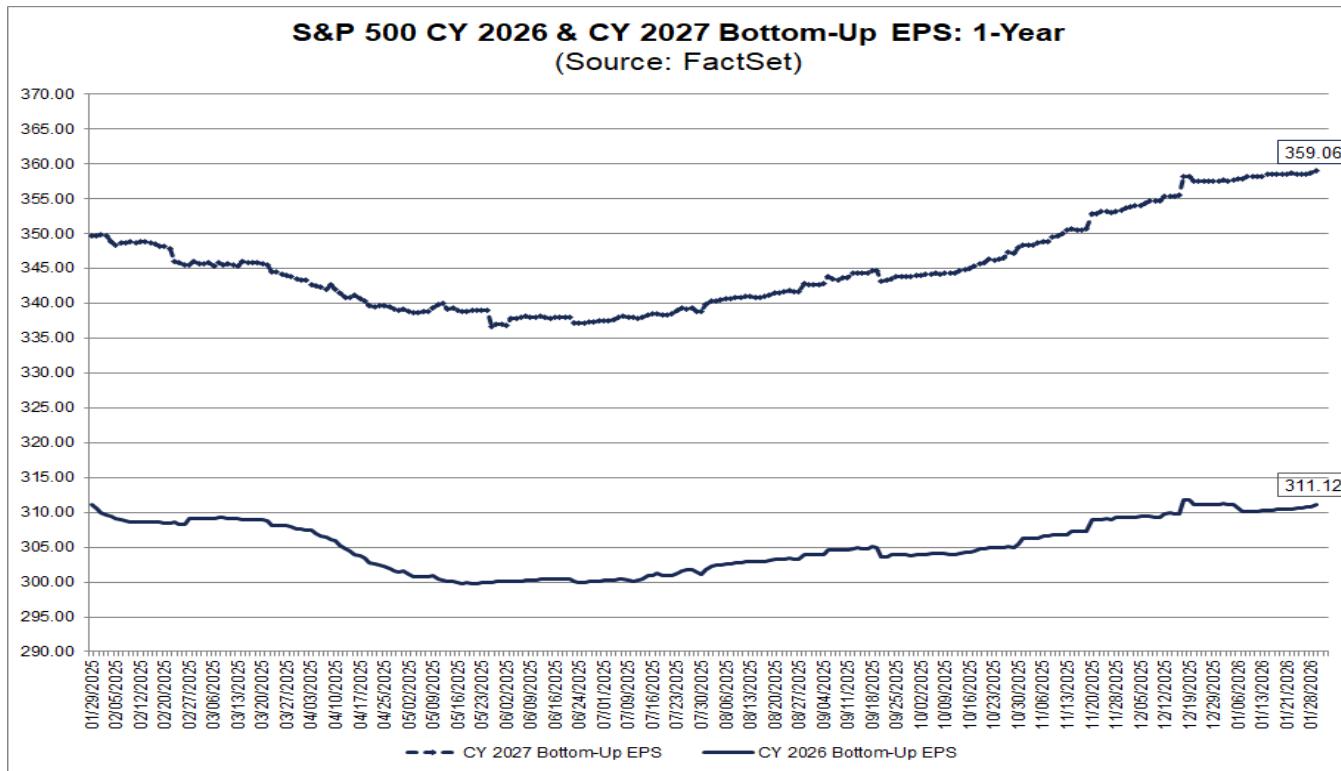
CY 2027: Growth



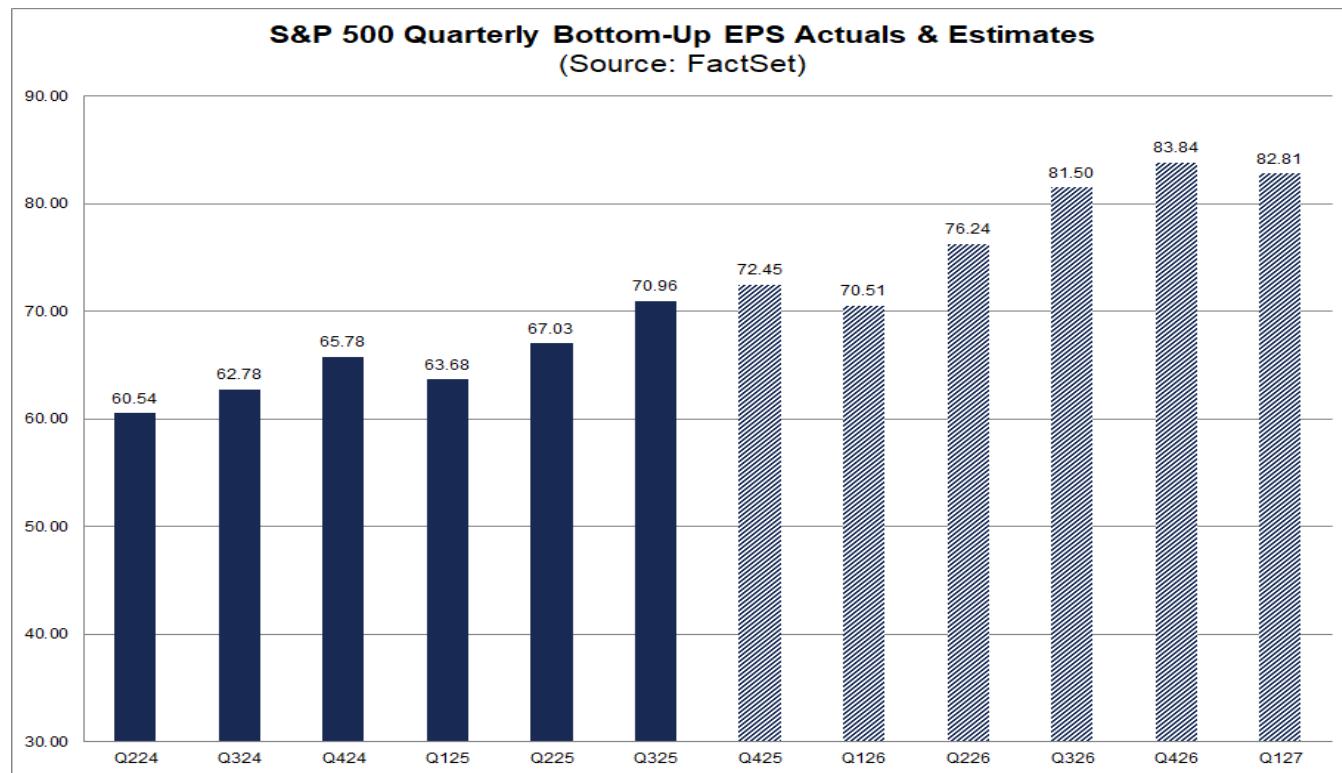
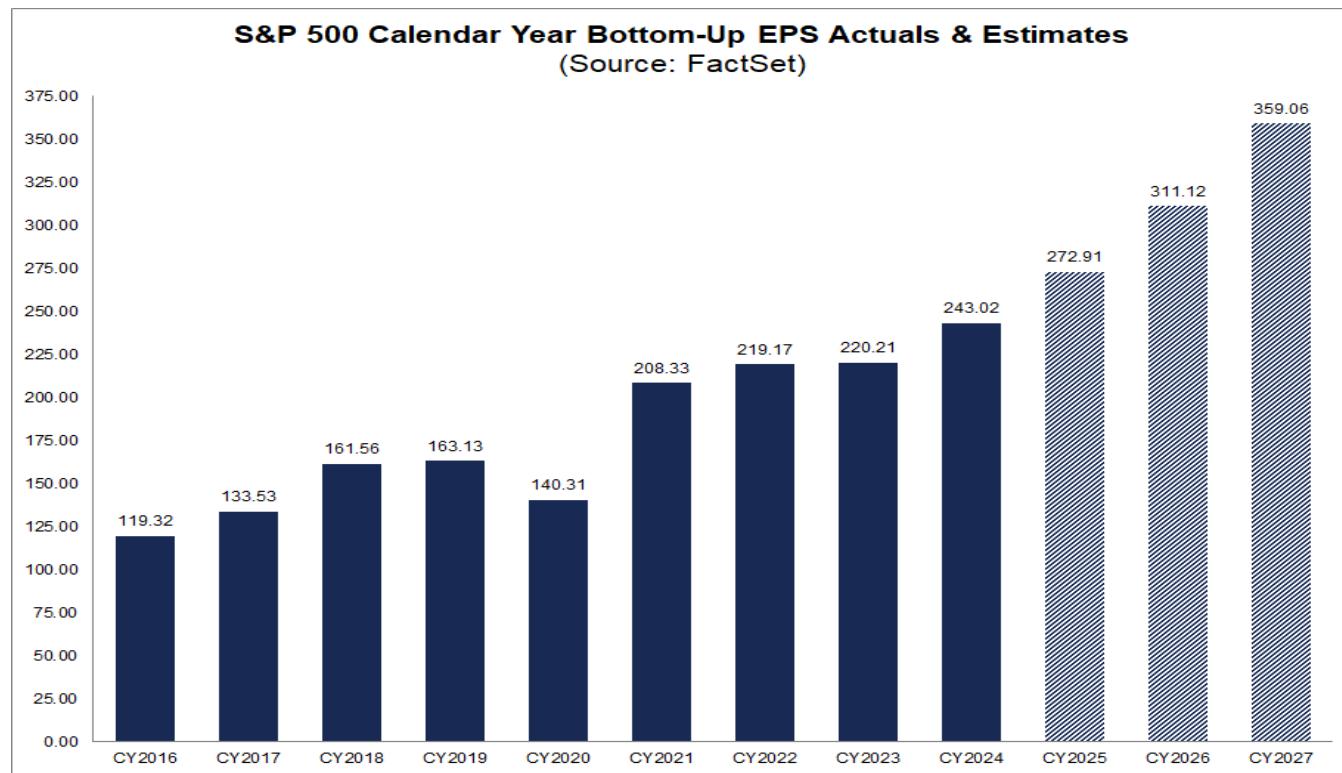
Geographic Revenue Exposure



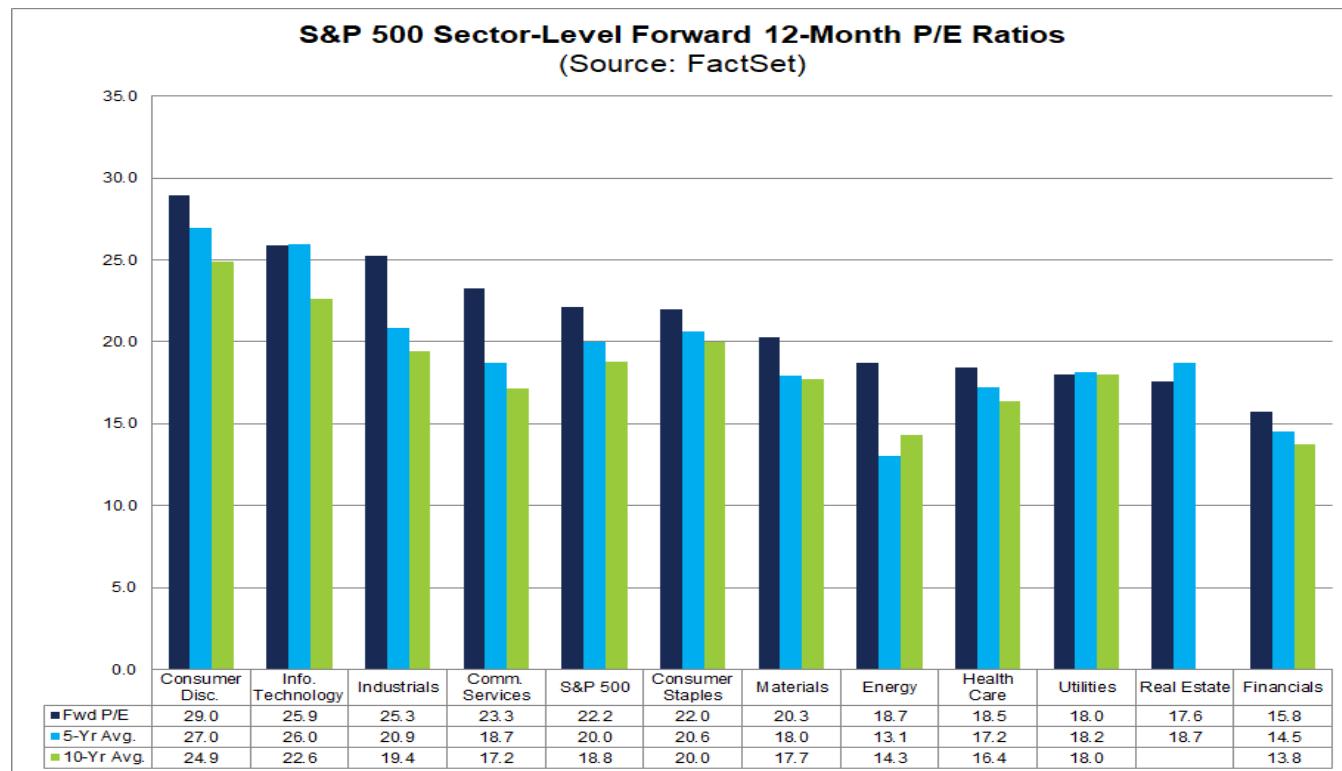
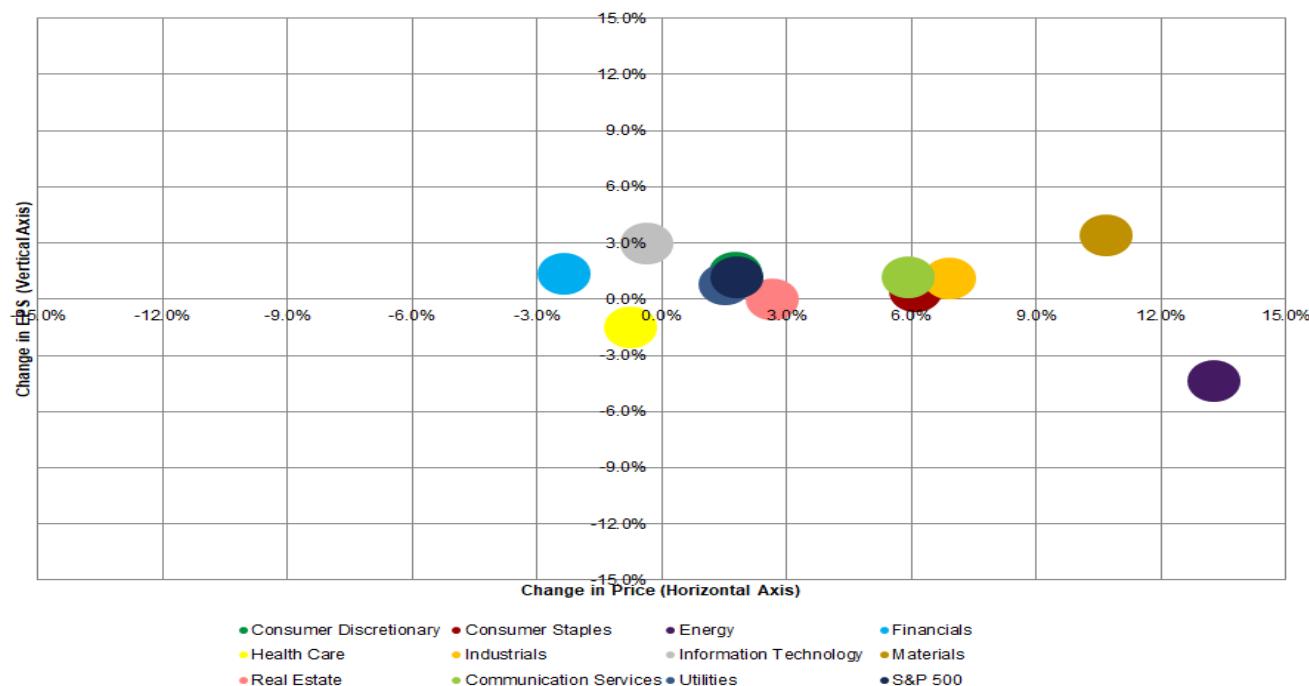
Bottom-Up EPS Estimates



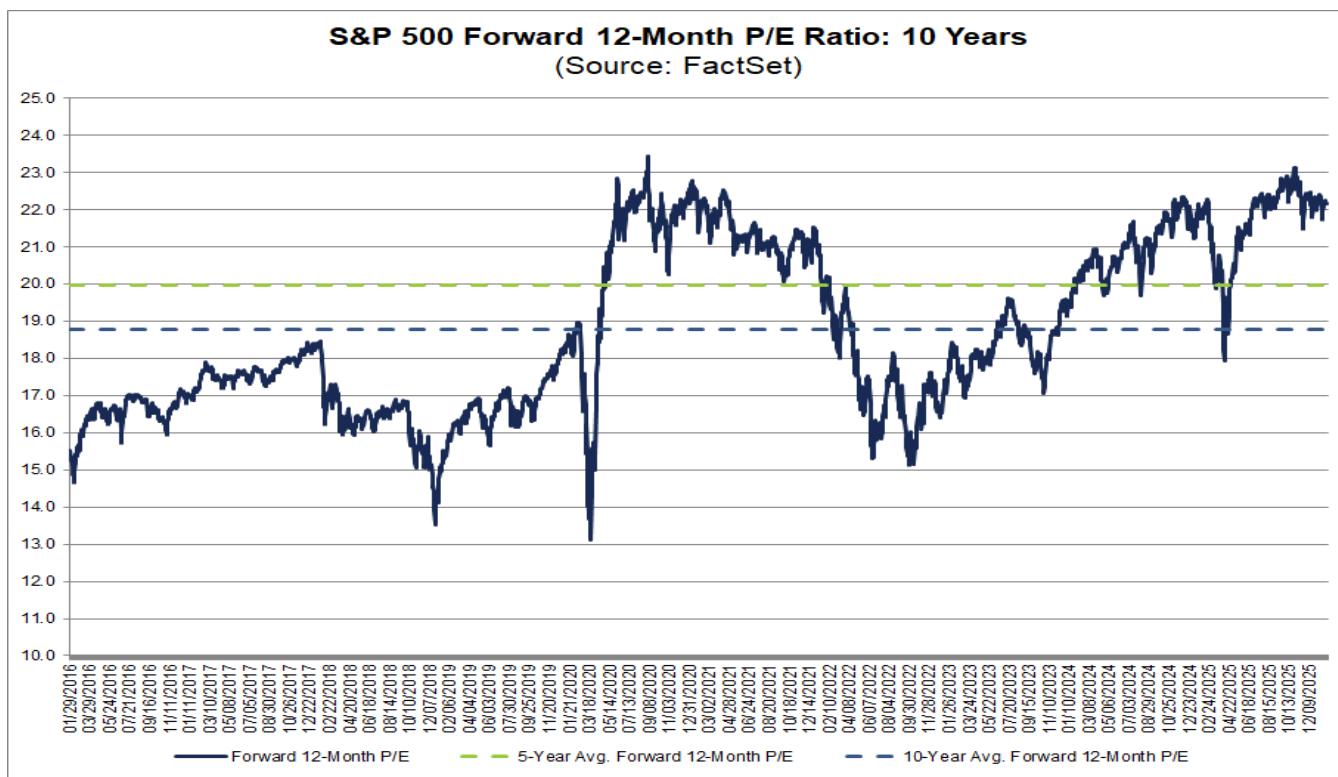
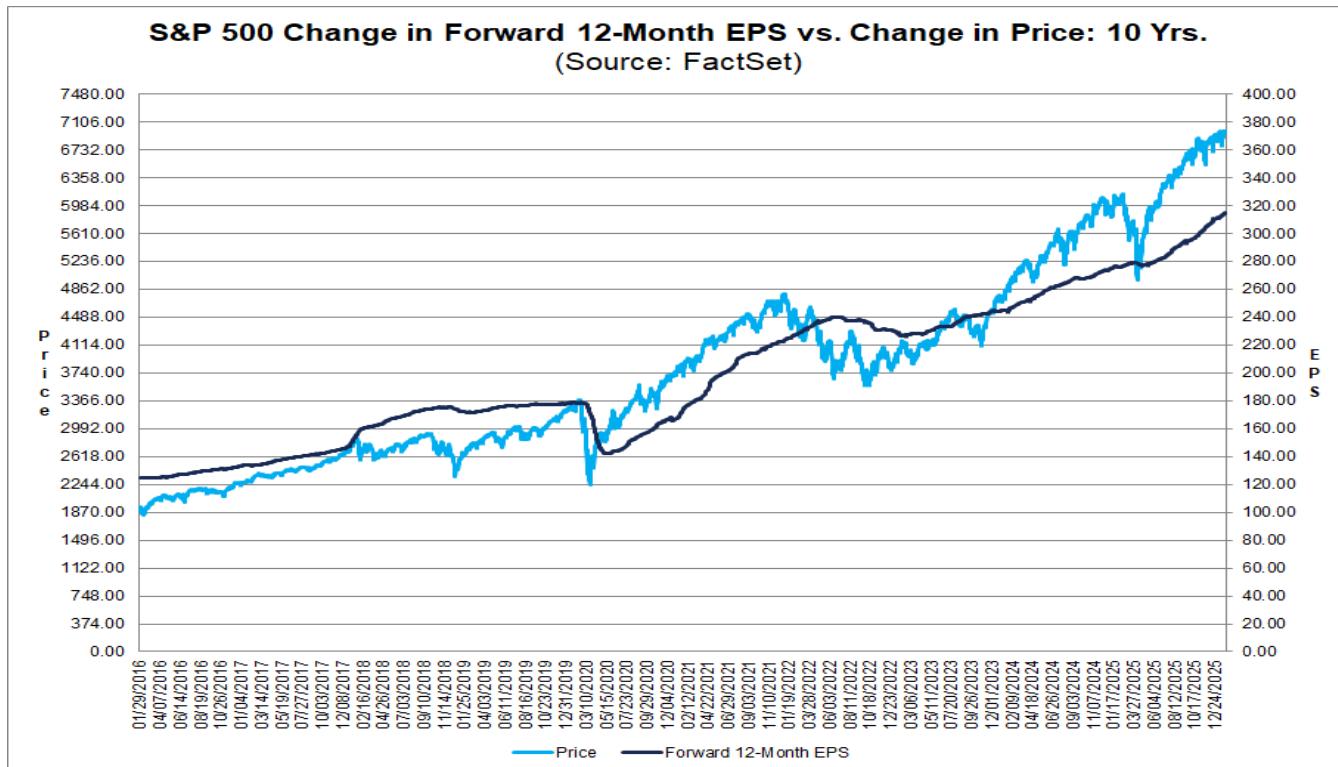
Bottom-Up EPS Estimates: Current & Historical



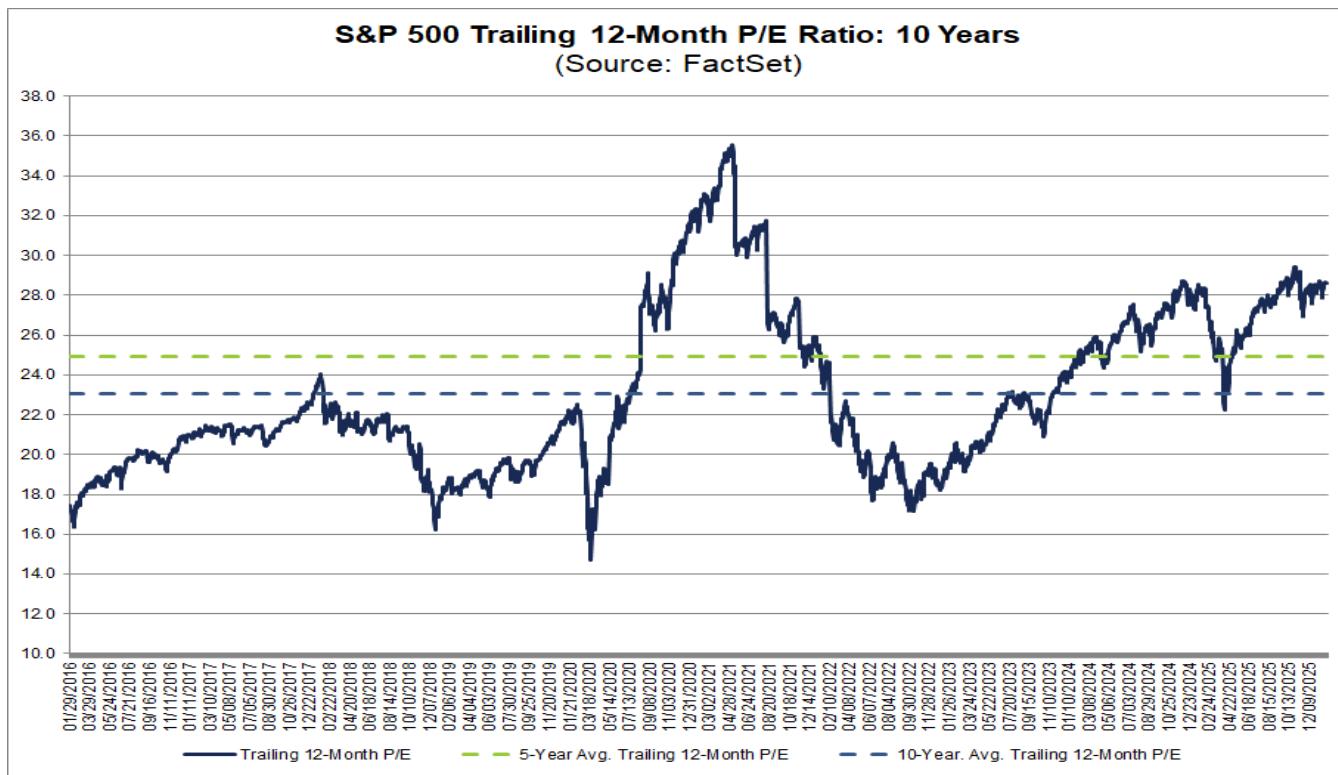
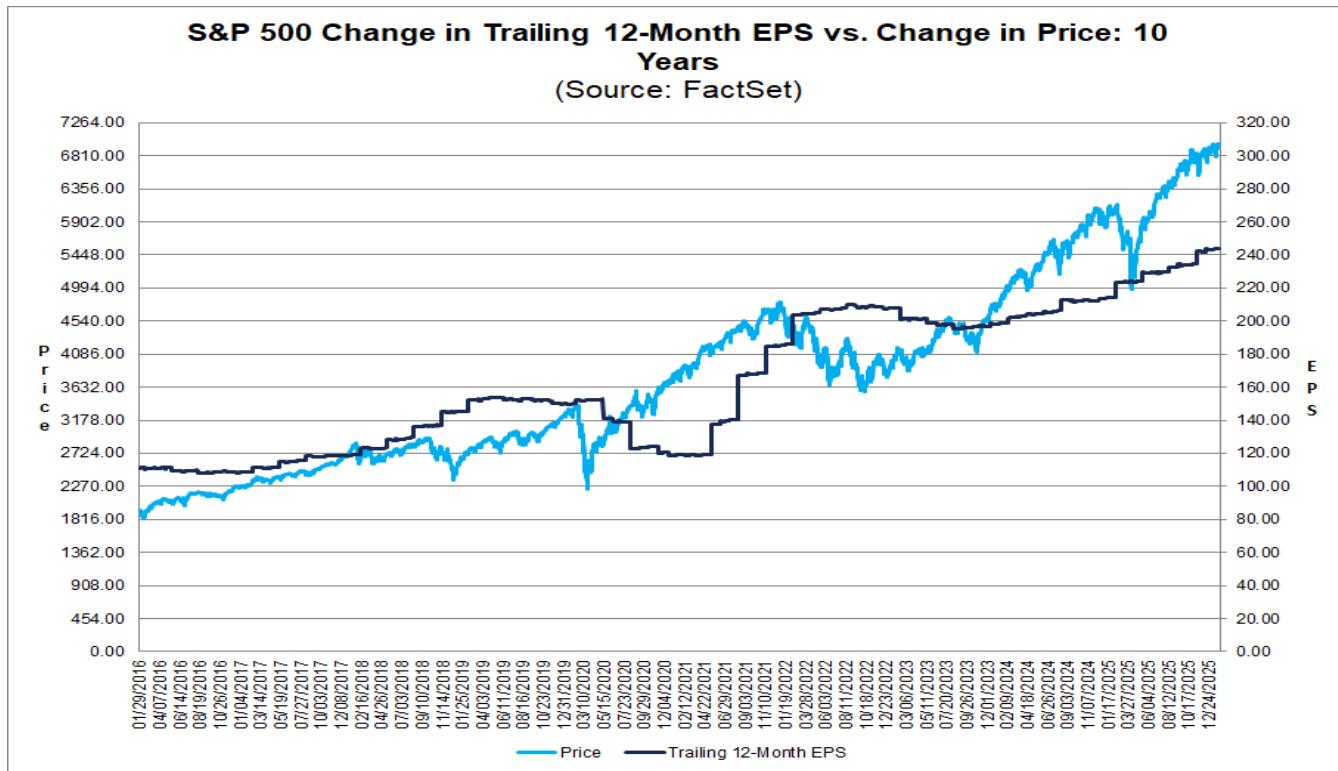
Forward 12M P/E Ratio: Sector Level

Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Dec 31
(Source: FactSet)

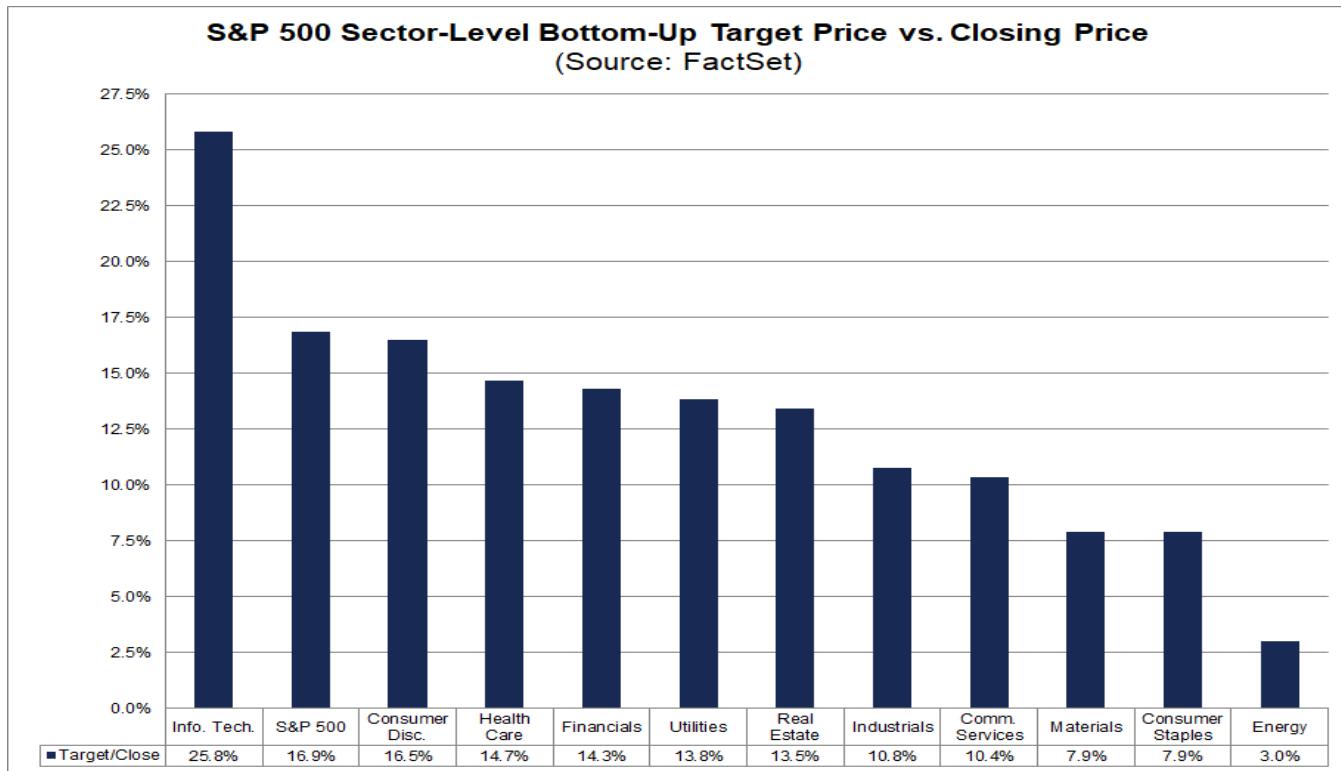
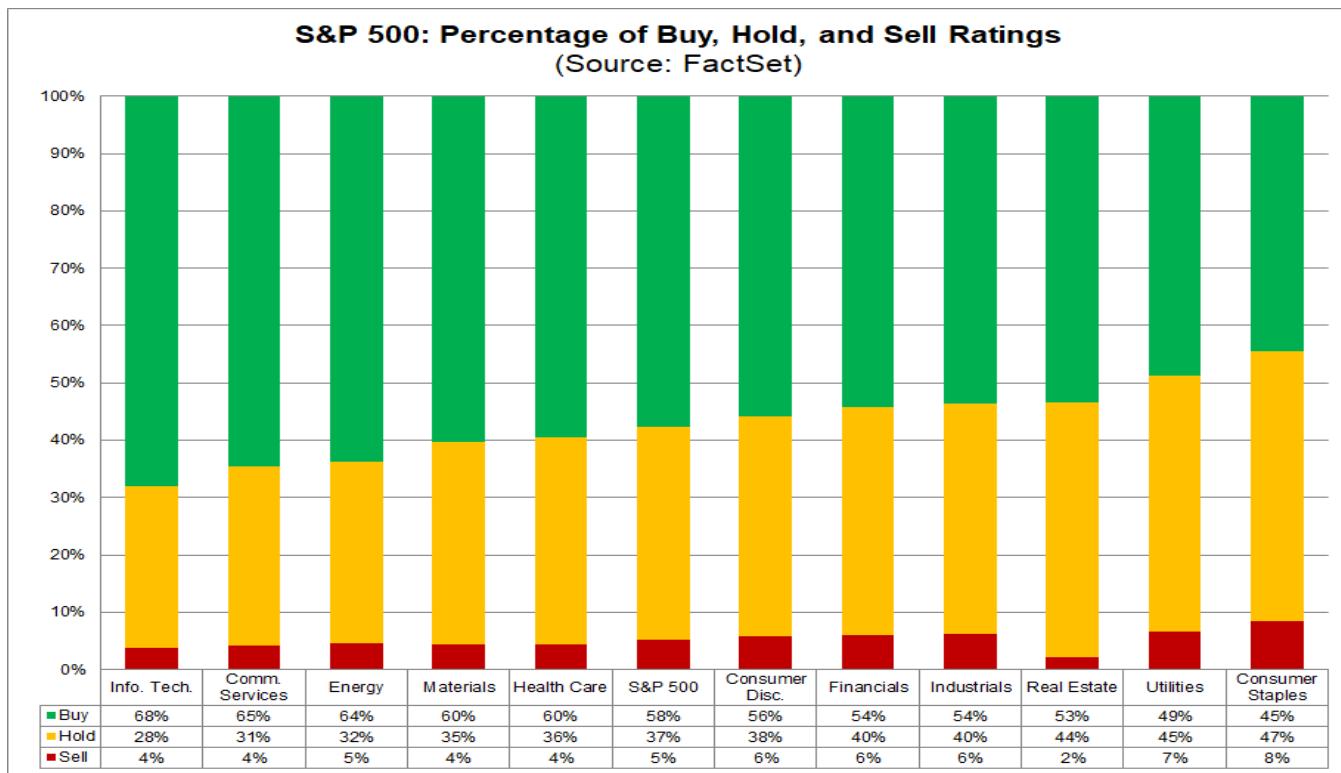
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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