EARNINGS INSIGHT

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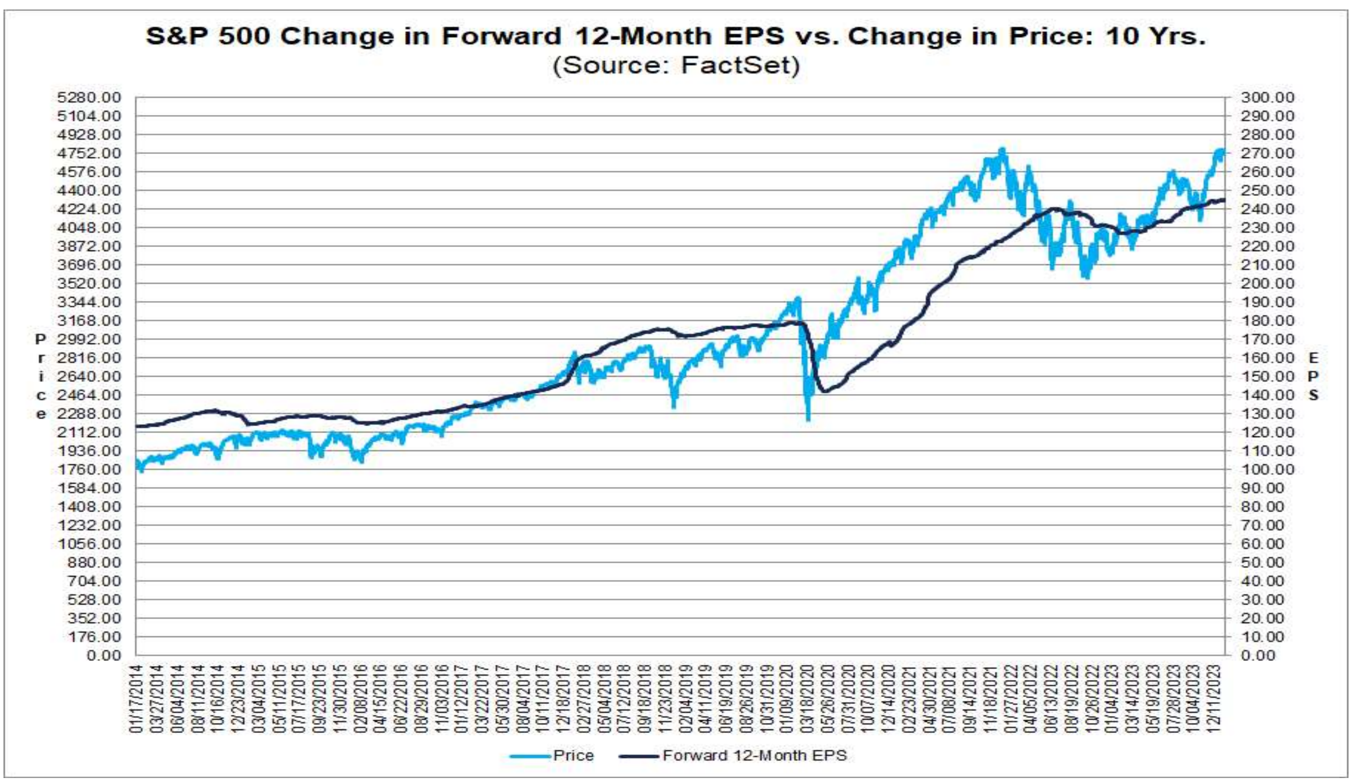
Key Metrics

- **Earnings Scorecard:** For Q4 2023 (with 10% of S&P 500 companies reporting actual results), 62% 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 Decline:** For Q4 2023, the blended (year-over-year) earnings decline for the S&P 500 is -1.7%. If -1.7% is the actual decline for the quarter, it will mark the fourth time in the past five quarters that the index has reported a year-over-year decline in earnings.
- **Earnings Revisions:** On December 31, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q4 2023 was 1.6%. Seven sectors are reporting (or are expected to report) lower earnings today compared to December 31 due to negative EPS surprises and downward revisions to EPS estimates.
- **Earnings Guidance:** For Q1 2024, 5 S&P 500 companies have issued negative EPS guidance and 3 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 19.5. This P/E ratio is above the 5-year average (18.9) and above the 10-year average (17.6).



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Topic of the Week:

S&P 500 Reporting Lowest Net Profit Margin in More Than 3 Years for Q4

Given continuing concerns in the market about inflation, what is the S&P 500 reporting for a net profit margin for Q4?

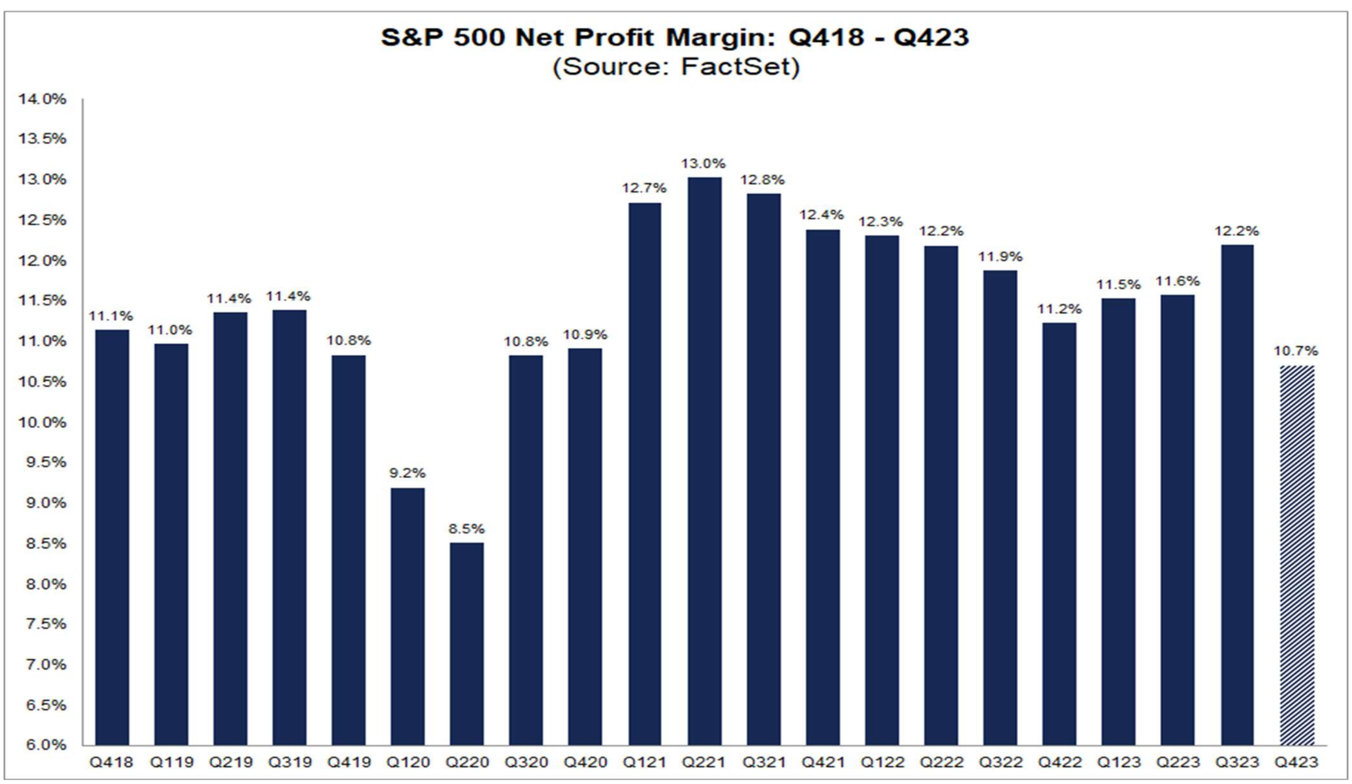
The (blended) net profit margin for the S&P 500 for Q4 2023 is 10.7%, which is below the previous quarter's net profit margin (12.2%), below the year-ago net profit margin (11.2%), and below the 5-year average (11.5%).

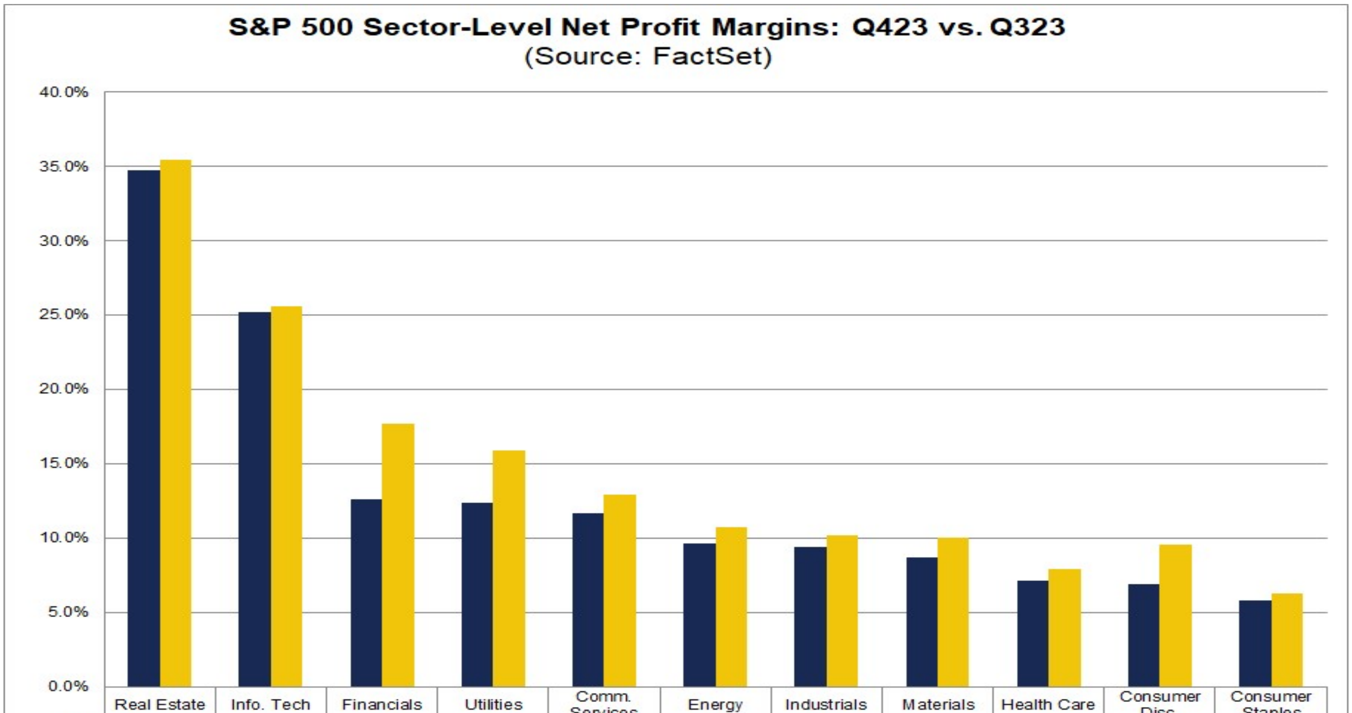
If 10.7% is the actual net profit margin for the quarter, it will mark the lowest net profit margin reported by the index since Q2 2020 (8.5%). In addition, it will mark the largest quarter-over-quarter decline in the net profit margin since Q1 2020 compared to Q4 2019 (9.2% vs. 10.8%). At the sector level, all eleven sectors are reporting (or are expected to report) a quarter-over-quarter decrease in their net profit margins in Q4 2023 compared to Q3 2023, led by the Financials (12.6% vs. 17.7%), Utilities (12.4% vs. 15.9%), and Consumer Discretionary (6.9% vs. 9.5%) sectors.

Four sectors are reporting (or are expected to report) a year-over-year increase in their net profit margins in Q4 2023 compared to Q4 2022, led by the Utilities (12.4% vs. 9.1%) and Communication Services (11.7% vs. 8.8%) sectors. On the other hand, seven sectors are reporting a year-over-year decrease in their net profit margins in Q4 2023 compared to Q4 2022, led by the Financials (12.6% vs. 16.6%) and Energy (9.6% vs. 13.0%) sectors.

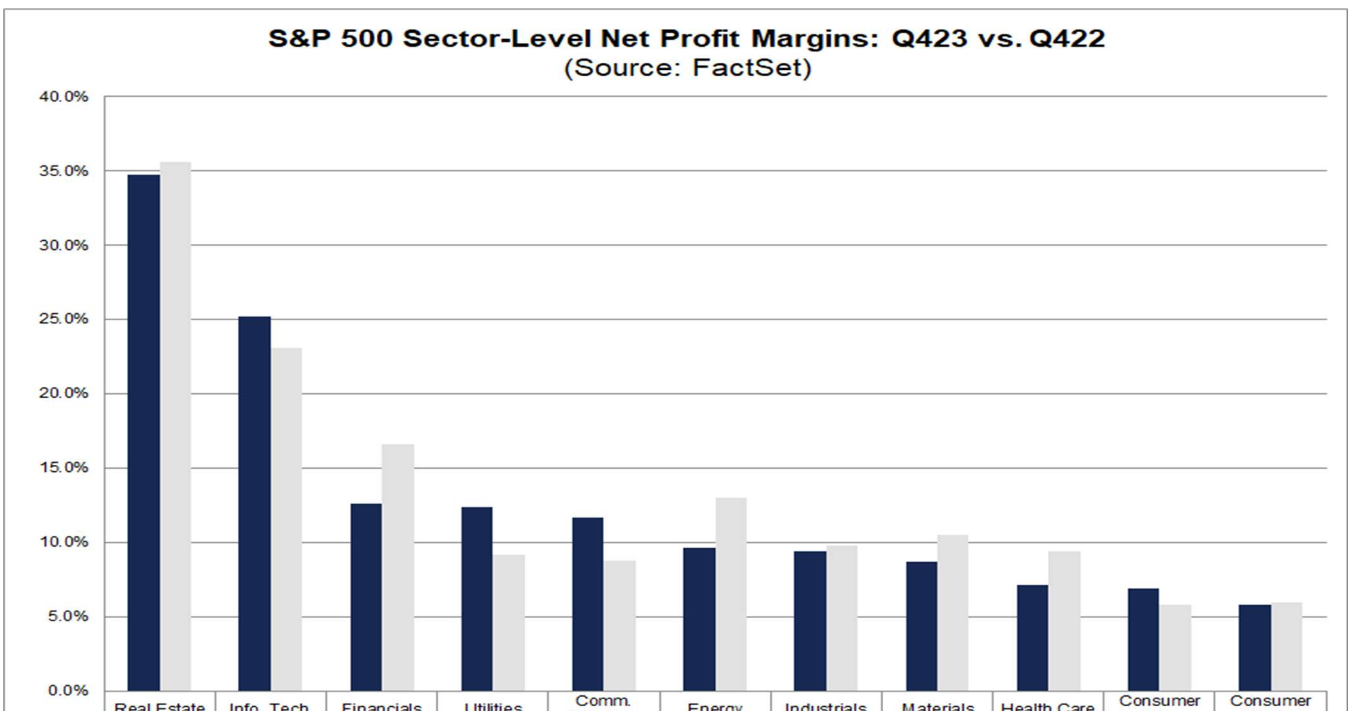
Five sectors are reporting (or are expected to report) net profit margins in Q4 2023 that are above their 5-year averages, led by the Information Technology (25.2% vs. 23.3%) sector. On the other hand, six sectors are reporting (or are expected to report) net profit margins in Q4 2023 that are below their 5-year averages, led by the Financials (12.6% vs. 16.6%) and Health Care (7.2% vs. 10.1%) sectors.

It is interesting to note that analysts believe net profit margins for the S&P 500 will improve in the first half of 2024. As of today, the estimated net profit margins for Q1 2024 and Q2 2024 are 11.7% and 12.1%, respectively.

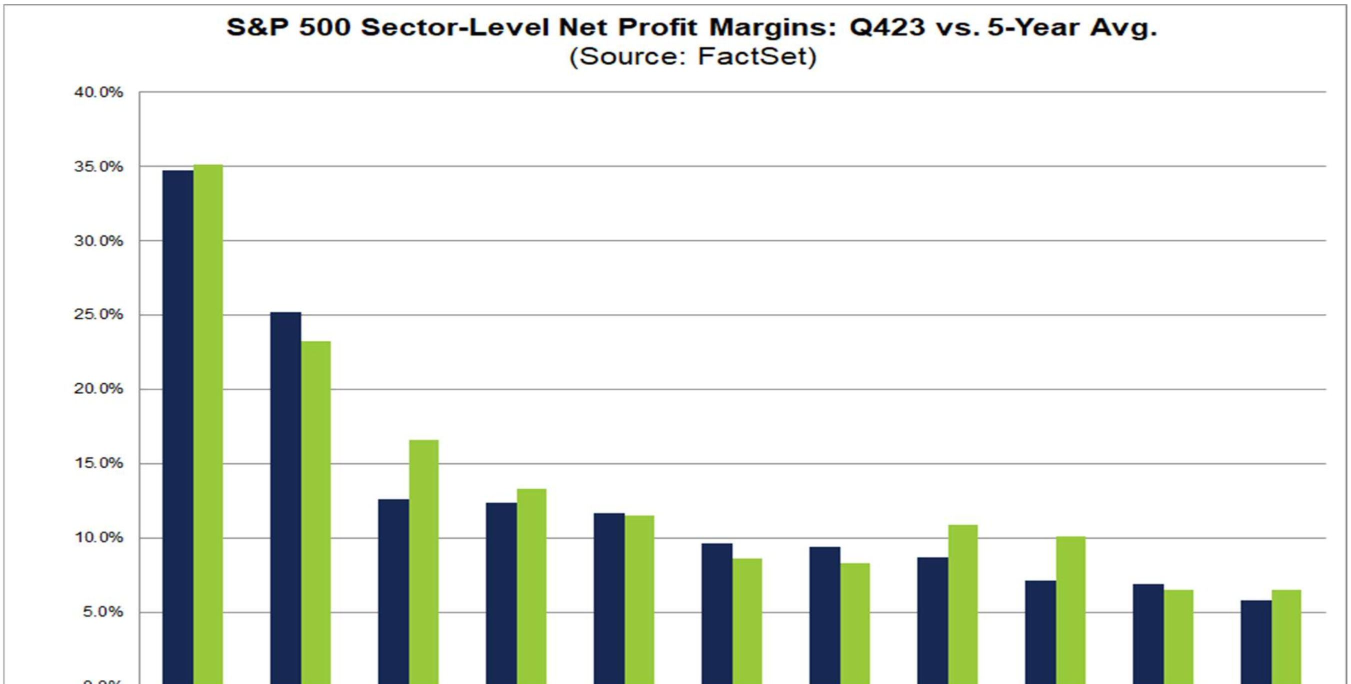




	Real Estate	Info. Tech	Financials	Utilities	Comm. Services	Energy	Industrials	Materials	Health Care	Consumer Disc.	Consumer Staples
Q423	34.7%	25.2%	12.6%	12.4%	11.7%	9.6%	9.4%	8.7%	7.2%	6.9%	5.8%
Q323	35.4%	25.5%	17.7%	15.9%	12.9%	10.7%	10.2%	10.0%	7.9%	9.5%	6.3%



	Real Estate	Info. Tech.	Financials	Utilities	Comm. Services	Energy	Industrials	Materials	Health Care	Consumer Disc.	Consumer Staples
Q423	34.7%	25.2%	12.6%	12.4%	11.7%	9.6%	9.4%	8.7%	7.2%	6.9%	5.8%
Q422	35.6%	23.1%	16.6%	9.1%	8.8%	13.0%	9.8%	10.5%	9.4%	5.8%	5.9%



	Real Estate	Info. Tech.	Financials	Utilities	Comm. Services	Energy	Industrials	Materials	Health Care	Consumer Disc.	Consumer Staples
Q423	34.7%	25.2%	12.6%	12.4%	11.7%	9.6%	9.4%	8.7%	7.2%	6.9%	5.8%
5-Yr. Avg.	35.1%	23.3%	16.6%	13.3%	11.5%	8.6%	8.3%	10.9%	10.1%	6.5%	6.5%

Q4 Earnings Season: By The Numbers

Overview

At this early stage, the fourth quarter earnings season for the S&P 500 is off to a weak start. The percentage of S&P 500 companies reporting positive earnings surprises is below average, while companies are reporting actual earnings that are below estimates in aggregate. However, this subpar performance relative to estimates is mainly due to companies in the Financials sector. As a result, the index is reporting lower earnings for the fourth quarter today relative to the end of last week and relative to the end of the quarter. The index is now reporting a year-over-year decline in earnings for the fourth time in the past five quarters.

Overall, 10% of the companies in the S&P 500 have reported actual results for Q4 2023 to date. Of these companies, 62% have reported actual EPS above estimates, which is below the 5-year average of 77% and below the 10-year average of 74%. In aggregate, companies are reporting earnings that are 18.1% below estimates, which is below the 5-year average of 8.5% above estimates and below the 10-year average of 6.7% above estimates. 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.

As a result, the index is reporting lower 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 decline for the fourth quarter is -1.7% today, compared to an earnings decline of -0.3% last week and an earnings growth rate of 1.6% at the end of the fourth quarter (December 31).

Negative earnings surprises reported by companies in the Financials sector have been the largest contributor to the decrease in the overall earnings for the index over the past week and since the end of the quarter.

If -1.7% is the actual decline for the quarter, it will mark the fourth time in the past five quarters that the index has reported a year-over-year decline in earnings.

Five of the eleven sectors are reporting (or are expected to report) year-over-year earnings growth, led by the Communication Services, Utilities, Consumer Discretionary, and Information Technology sectors. On the other hand, five sectors are reporting a year-over-year decline in earnings, led by the Energy, Materials, Health Care, and Financials sectors. The Consumer Staples sector is currently reporting flat year-over-year earnings (0.0%).

In terms of revenues, 62% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 68% and below the 10-year average of 64%. In aggregate, companies are reporting revenues that are 0.5% above the estimates, which is below the 5-year average of 2.0% and below the 10-year average of 1.3%. Again, historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The blended revenue growth rate for the fourth quarter is 2.9% today, compared to a revenue growth rate of 2.9% last week and a revenue growth rate of 3.1% at the end of the fourth quarter (December 31).

Downward revisions to revenue estimates and negative revenue surprises for companies in the Energy and Financials sectors have been the largest contributors to the decrease in overall revenues for the index since the end of the quarter.

If 2.9% is the actual revenue growth rate for the quarter, it will mark the 13th consecutive quarter of revenue growth for the index.

Eight sectors are reporting (or are projected to report) year-over-year growth in revenues, led by the Financials, Real Estate, Information Technology, and Communication Services sectors. On the other hand, three sectors are reporting (or are predicted to report) a year-over-year decline in revenues, led by the Energy and Materials sectors.

Looking ahead, analysts expect (year-over-year) earnings growth of 5.4% for Q1 2024 and 10.0% for Q2 2024. For CY 2024, analysts are calling for (year-over-year) earnings growth of 12.2%.

The forward 12-month P/E ratio is 19.5, which is above the 5-year average (18.9) and above the 10-year average (17.6). It is equal to the forward P/E ratio of 19.5 recorded at the end of the fourth quarter (December 31).

During the upcoming week, 75 S&P 500 companies (including 10 Dow 30 components) are scheduled to report results for the fourth quarter.

Scorecard: Number of Positive EPS Surprises Are Below 5-Year Average

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

Overall, 10% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 62% have reported actual EPS above the mean EPS estimate, 6% have reported actual EPS equal to the mean EPS estimate, and 33% 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 (77%), below the 5-year average (77%), and below the 10-year average (74%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Consumer Discretionary (100%), Consumer Staples (100%), Health Care (100%), Information Technology (100%), and Materials (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Real Estate (0%) and Financials (33%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (-18.1%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 18.1% below expectations. This surprise percentage is below the 1-year average (+5.7%), below the 5-year average (+8.5%), and below the 10-year average (+6.7%). 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 Financials (-36.1%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Citigroup (-$1.16 vs. $0.11), Truist Financial (-$3.85 vs. $0.68), Comerica ($0.20 vs. $0.87), and Bank of New York Mellon ($0.33 vs. $0.85) have reported the largest negative EPS surprises. Actual results for these four companies included FDIC special assessments, which had a negative impact on earnings for the quarter.

On the other hand, the Consumer Discretionary (+13.8%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Carnival (-$0.07 vs. -$0.13), CarMax ($0.52 vs. $0.42) and NIKE ($1.03 vs. $0.84) have reported the largest positive EPS surprises.

The Consumer Staples (-5.2%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, General Mills ($1.25 vs. $1.16) and Walgreens Boots Alliance ($0.66 vs. $0.62) have reported the largest positive EPS surprises.

Market Punishing Positive EPS Surprises

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

Companies that have reported positive earnings surprises for Q4 2023 have seen an average price decrease of -0.6% two days before the earnings release through two days after the earnings release. This percentage decrease is much smaller than the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q4 2023 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 larger than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

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

In terms of revenues, 62% of companies have reported actual revenues above estimated revenues and 38% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (67%), below the 5-year average (68%), and below the 10-year average (64%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Health Care (100%), Materials (100%), and Information Technology (80%) sectors have the highest percentages of companies reporting revenues above estimates, while the Real Estate (0%), Consumer Discretionary (50%) Consumer Staples (50%), and Energy (50%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+0.5%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 0.5% above expectations. This surprise percentage is below the 1-year average (+1.6%), below the 5-year average (+2.0%), and below the 10-year average (+1.3%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Health Care (+2.5%) sector is reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Real Estate (-3.4%) and Energy (-2.5%) sectors are reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings This Week Due to Financials Sector

Decrease in Blended Earnings This Week Due to Financials Sector

The blended (year-over-year) earnings decline for the fourth quarter is -1.7%, which is below the earnings decline of -0.3% last week. Negative earnings surprises reported by companies in the Financials sector were the largest contributor to the decline in earnings for the index during the past week.

In the Financials sector, the negative EPS surprises reported by Truist Financial (-$3.85 vs. $0.68), Morgan Stanley ($0.85 vs. $1.07), and U.S. Bancorp ($0.49 vs. $0.71) were the largest contributors to the decrease in earnings for the index during the week. Actual results for these three companies included FDIC special assessments, which had a negative impact on earnings for the quarter. In addition, actual results for Truist Financial also included a non-cash goodwill impairment of $4.53, which also had a negative impact on earnings for the quarter. As a result, the blended earnings decline for the Financials sector increased to -19.4% from -11.5% over this period.

No Change in Blended Revenues This Week

The blended (year-over-year) revenue growth rate for the fourth quarter is 2.9%, which is equal to the revenue growth rate of 2.9% last week.

Financials Sector Has Seen Largest Decrease in Earnings since December 31

The blended (year-over-year) earnings decline for Q4 2023 of -1.7% is below the estimate of 1.6% at the end of the fourth quarter (December 31). Seven 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 Financials (to -19.4% from -2.2%) sector. This sector has also been the largest contributor to the decrease in earnings for the index since December 31. On the other hand, three 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 23.2% from 22.8%.3%) sector. The Industrials sector is reporting the same earnings decline today (-2.7%) compared to expectations on December 31 (-2.7%).

In the Financials sector, the negative EPS surprises reported by Truist Financial (-$3.85 vs. $0.68), Citigroup (-$1.16 vs. $0.11), Bank of America ($0.35 vs. $0.53), and JPMorgan Chase ($3.04 vs. $3.35) have been the largest contributors to the decrease in earnings for the index since December 31. Actual results for all four companies included FDIC special assessments, which had a negative impact on earnings for the quarter. In addition, actual results for Truist Financial also included a non-cash goodwill impairment of $4.53, which also had a negative impact on earnings for the quarter. As a result, the blended earnings decline for the Financials sector increased to -19.4% from -2.2% over this period.

Energy Sector Has Seen Largest Decrease in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2023 of 2.9% is below the estimate of 3.1% at the end of the fourth quarter (December 31). Four sectors have recorded a decrease in their revenue growth rate or an increase in their revenue decline since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Energy (to -7.5% from -5.5%) and Financials (to 6.2% from 7.0%) sectors. These two sectors have also been the largest contributors to the decline in revenues for the index since the end of the quarter. On the other hand, three 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 Health Care (to 4.3% from 4.0%) and Consumer Staples (to 3.0% from 2.7%) sectors. These two sectors have also been the largest detractors to the decline in revenues for the index since the end of the quarter. Four sectors have recorded no change in their revenue growth rate since December 31.

In the Energy sector, downward revisions to revenue estimates for Chevron (to $50.93 billion from $52.28 billion), Exxon Mobil (to $90.35 billion from $91.61 billion), Marathon Petroleum (to $34.18 billion $35.23 billion), and Valero Energy (to $35.86 from $36.73 billion) have been significant contributors to the decrease in revenues for the index since December 31. As a result, the blended revenue decline for the Energy sector has increased to -7.4% from -5.5% over this period.

In the Financials sector, the negative revenue surprises reported by Citigroup ($17.44 billion vs. $18.71 billion) and JPMorgan Chase ($38.57 billion vs. $39.73 billion) have been substantial contributors to the decrease in revenues for the index since December 31. As a result, the blended revenue growth rate for the Financials sector has decreased to 6.2% from 7.0% over this period.

In the Health Care sector, the positive revenue surprise reported by UnitedHealth Group ($94.43 billion vs. $92.13 billion) has been the largest detractor to the decrease in revenues for the index since December 31. As a result, the blended revenue growth rate for the Health Care sector has increased to 4.3% from 4.0% over this period.

In the Consumer Staples sector, the positive revenue surprise reported by Walgreens Boots Alliance ($36.71 billion vs. $34.95 billion) has been a significant detractor to the decrease in revenues for the index since December 31. As a result, the blended revenue growth rate for the Consumer Staples sector has increased to 3.0% from 2.7% over this period.

Earnings Decline: -1.7%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings decline for Q4 2023 is -1.7%, which is below the 5-year average earnings growth rate of 9.5% and below the 10-year average earnings growth rate of 8.4%. If -1.7% is the actual decline for the quarter, it will mark the fourth time in the past five quarters that the index has reported a year-over-year decline in earnings.

Five of the eleven sectors are reporting (or are expected to report) year-over-year earnings growth, led by the Communication Services, Utilities, Consumer Discretionary, and Information Technology sectors. On the other hand, five sectors are reporting a year-over-year decline in earnings, led by the Energy, Materials, Health Care, and Financial sectors. The Consumer Staples sector is reporting flat year-over-year earnings (0.0%).

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

The Communication Services sector is expected to report the largest (year-over-year) earnings growth rate of all eleven sectors at 41.0%. At the industry level, 3 of the 5 industries in the sector are expected to report a year-over-year increase in earnings of 50% or more: Entertainment (170%), Interactive Media & Services (76%), and Wireless Telecommunication Services (50%). On the other hand, two industries are expected to report a (year-over-year) decline in earnings: Diversified Telecommunication Services (-9%) and Media (-8%).

At the company level, Meta Platforms ($4.83 vs. $1.76) is predicted to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated earnings growth rate for Communication Services sector would fall to 24.3% from 41.0%.

Utilities: Electric Utilities Industry Is Largest Contributor to Year-Over-Year Growth

The Utilities sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 33.6%. At the industry level, 4 of the 5 industries in this sector are expected to report year-over-year earnings growth. Three of these four industries are projected to report double-digit growth: Electric Utilities (58%), Independent Power and Renewable Electricity Producers (42%), and Gas Utilities (15%). On the other hand, the Multi-Utilities (-6%) industry is the only industry expected to report a (year-over-year) decline in earnings.

At the industry level, the Electric Utilities industry is predicted to be the largest contributor to earnings growth for the sector. If this industry were excluded, the Utilities sector would be projected to report a year-over-year decline in earnings of -0.2% rather than (year-over-year) earnings growth of 33.6%.

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

The Consumer Discretionary sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 23.2%. At the industry level, 3 of the 9 industries in the sector are reporting (or are expected to report) year-over-year earnings growth. Two of these three industries are reporting (or are expected to report) a year-over-year increase in earnings of more than 100%: Broadline Retail (789%) and Hotels, Restaurants, & Leisure (128%). On the other hand, six industries are reporting (or are expected to report) a year-over-year decline in earnings. Two of these six industries are predicted to report a decrease in earnings of 10% or more: Leisure Products (-51%) and Automobiles (-50%).

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 -20.2% instead of year-over-year earnings growth of 23.2%. On the other hand, the Automobiles industry is the largest detractor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Consumer Discretionary sector would improve to 53.9% from 23.2%

At the company level, Amazon.com ($0.79 vs. $0.03) is the largest contributor to earnings growth for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting a (year-over-year) decline in earnings of -2.9% instead of earnings growth of 23.2%.

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

The Information Technology sector is reporting the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 15.8%. At the industry level, 4 of the 6 industries in the sector are reporting (or are expected to report) year-over-year earnings growth. Two of these four industries are reporting double-digit growth: Semiconductors & Semiconductor Equipment (36%) and Software (18%). On the other hand, two industries are reporting (or are expected to report) a year-over-year decline in earnings: Electronic Equipment, Instruments, & Components (-7%) and Communications Equipment (-2%).

At the company level, NVIDIA ($4.50 vs. $0.88) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended (year-over-year) earnings growth rate for the Information Technology sector would drop to 6.6% from 15.8%.

NVIDIA is also the largest positive contributor to year-over-year earnings for the entire S&P 500. If this company were excluded, the blended earnings decline for the index would increase to -3.6% from -1.7%.

Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -31.1%. At the sub-industry level, three of the five sub-industries in the sector are expected to report a (year-over-year) decrease in earnings: Oil & Gas Refining & Marketing (-65%), Integrated Oil & Gas (-33%), and Oil & Gas Exploration & Production (-18%). On the other hand, two sub-industries are reporting (or are predicted) to report year-over-year earnings growth: Oil & Gas Equipment & Services (19%) and Oil & Gas Storage & Transportation (5%).

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline of More Than 15%

The Materials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -21.9%. At the industry level, three of the four industries in this sector are reporting (or are predicted to report) a year-over-year decline in earnings of more than 15%: Metals & Mining (-33%), Chemicals (-20%), and Containers & Packaging (-18%). On the other hand, the Construction Materials (30%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Health Care: Pfizer Is Largest Contributor to Year-Over-Year Decline

The Health Care sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -20.5%. At the industry level, three of the five industries in this sector are predicted to report a year-over-year decline in earnings of 10% or more: Pharmaceuticals (-51%), Biotechnology (-18%), and Life Sciences, Tools, & Services (-11%). On the other hand, two industries are reporting (or are projected to report) year-over-year earnings growth: Health Care Providers & Services (6%) and Health Care Equipment & Supplies (4%).

At the company level, Pfizer (-$0.18 vs. $1.14), Merck ($0.00 vs. $1.62), and Moderna (-$1.30 vs. $3.61) are the largest contributors to the earnings decline for the sector. If these three companies were excluded, the blended earnings decline for the Health Care sector would improve to -1.7% from -20.5%.

Pfizer is also the largest negative contributor to year-over-year earnings for the entire S&P 500. If this company were excluded, the blended earnings decline for the index would improve to -0.1% from-1.7%.

Financials: Banks Industry Leads Year-Over-Year Decline

The Financials sector is reporting the fourth-largest (year-over-year) earnings decline of all eleven sectors at -19.4%. At the industry level, three of the five industries in this sector are reporting (or are predicted to report) a year-over-year decline in earnings: Banks (-64%), Consumer Finance (-12%), and Capital Markets (-4%). On the other hand, the other two industries in the sector are reporting (or are predicted to report) double-digit earnings growth: Insurance (31%) and Financial Services (11%).

At the industry level, the Banks industry is the largest contributor to the year-over-year decline in earnings for the sector. Actual results for most of the companies in the Banks industry included FDIC special assessments, which had a negative impact on earnings for the quarter. If this industry were excluded, the Financials sector would be reporting would be reporting (year-over-year) growth in earnings of 9.7% instead of a year-over-year earnings decline of -19.4%.

Revenue Growth: 2.9%

The blended (year-over-year) revenue growth rate for Q4 2023 is 2.9%, which is below the 5-year average revenue growth rate of 6.9% and below the 10-year average revenue growth rate of 5.0%. If 2.9% is the actual revenue growth rate for the quarter, it will mark the 13th consecutive quarter of revenue growth for the index.

At the sector level, eight sectors are reporting (or are expected to report) year-over-year growth in revenues, led by the Financials, Real Estate, Information Technology, and Communication Services sectors. On the other hand, three sectors are reporting (or are expected to report) a year-over-year decline in revenues, led by the Energy and Materials sectors.

Financials: All 5 Industries Reporting Year-Over-Year Growth

The Financials sector is tied with the Real Estate sector for the highest (year-over-year) revenue growth rate at 6.2%. At the industry level, all five industries in the sector are reporting (or are predicted to report) year-over-year growth in revenues. Two of these five industries are reporting (or are expected to report) double-digit growth: Consumer Finance (11%) and Financials Services (10%).

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

The Real Estate sector is tied with the Financials sector for the highest (year-over-year) revenue growth rate at 6.2%. At the industry level, all eight industries in the sector are reporting (or are predicted to report) year-over-year growth in revenues. Two of these eight industries are reporting (or are expected to report) double-digit growth: Health Care REITs (11%) and Industrial REITs (10%).

Information Technology: Semiconductors Industry Leads Year-Over-Year Growth

The Information Technology sector is tied with the Communication Services sector for the second-highest (year-over-year) revenue growth rate at 6.1%. At the industry level, three of the six industries in the sector are reporting (or are predicted to report) year-over-year growth in revenues, led by the Semiconductors & Semiconductor Equipment (18%) and Software (13%) industries.

Communication Service: Interactive Media & Services Industry Leads Year-Over-Year Growth

The Communications Services sector is tied with the Information Technology sector for the second-highest (year-over-year revenue growth rate at 6.1%. At the industry level, two of the five industries in the sector are predicted to report (year-over-year) growth in revenues, led by the Interactive Media & Services (14%) industry.

Energy: 4 of 5 Sub-Industries Reporting Year-Over-Year Decline

The Energy sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -7.4%. At the sub-industry level, four of the five sub-industries in the sector are reporting (or are expected to report) a year-over-year decrease in revenues: Oil & Gas Exploration & Production (-11%), Oil & Gas Refining & Marketing (-11%), Integrated Oil & Gas (-6%), and Oil & Gas Storage & Transportation (-4%). On the other hand, the Oil & Gas Equipment & Services (12%) sub-industry is the only sub-industry reporting (year-over-year) revenue growth in the sector.

Materials: Chemicals Industry Leads Year-Over-Year Decline

The Materials sector is reporting the second-highest (year-over-year) decline in revenues at -5.5%. At the industry level, three of the four industries in the sector are reporting (or are predicted to report) a year-over-year decrease in revenues: Chemicals (-7%), Metals & Mining (-6%), and Containers & Packaging (-4%). On the other hand, the Construction Materials (12%) industry is the only industry expected to report a year-over-year growth in revenues.

Net Profit Margin: 10.7%

The blended net profit margin for the S&P 500 for Q4 2023 is 10.7%, which is below the previous quarter's net profit margin of 12.2%, below the 5-year average of 11.5%, and below the year-ago net profit margin of 11.2%.

At the sector level, four sectors are reporting (or are expected to report) a year-over-year increase in their net profit margins in Q4 2023 compared to Q4 2022, led by the Utilities (12.4% vs. 9.1%) and Communication Services (11.7% vs. 8.8%) sectors. On the other hand, seven sectors are reporting a year-over-year decrease in their net profit margins in Q4 2023 compared to Q4 2022, led by the Financials (12.6% vs. 16.6%) and Energy (9.6% vs. 13.0%) sectors.

Five sectors are reporting (or are expected to report) net profit margins in Q4 2023 that are above their 5-year averages, led by the Information Technology (25.2% vs. 23.3%) sector. On the other hand, six sectors are reporting (or are expected to report) net profit margins in Q4 2023 that are below their 5-year averages, led by the Financials (12.6% vs. 16.6%) and Health Care (7.2% vs. 10.1%) sectors.

Forward Estimates and Valuation

Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q1 Above 5-Year Average

At this point in time, 8 companies in the index have issued EPS guidance for Q1 2024. Of these 8 companies, 5 have issued negative EPS guidance and 3 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q1 2024 is 63% (5 out of 8), which is above the 5-year average of 59% but equal to the 10-year average of 63%.

At this point in time, 271 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 271 companies, 131 have issued negative EPS guidance and 140 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 48% (131 out of 271).

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 12% for CY 2024

For the fourth quarter, S&P 500 companies are reporting a year-over-year decline in earnings of -1.7% and year-over-year growth in revenues of 2.9%. For CY 2023, S&P 500 companies are reporting year-over-year growth in earnings of 0.1% and year-over-year growth in revenues of 2.2%

For Q1 2024, analysts are projecting earnings growth of 5.4% and revenue growth of 3.9%.

For Q2 2024, analysts are projecting earnings growth of 10.0% and revenue growth of 4.9%.

For Q3 2024, analysts are projecting earnings growth of 8.2% and revenue growth of 5.2%.

For Q4 2024, analysts are projecting earnings growth of 22.1% and revenue growth of 5.9%.

For CY 2024, analysts are projecting earnings growth of 12.2% and revenue growth of 5.5%.

Valuation: Forward P/E Ratio is 19.5, Above the 10-Year Average (17.6)

The forward 12-month P/E ratio for the S&P 500 is 19.5. This P/E ratio is above the 5-year average of 18.9 and above the 10-year average of 17.6. However, it is equal to the forward 12-month P/E ratio of 19.5 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 0.2%, while the forward 12-month EPS estimate has increased by 0.3%. At the sector level, the Information Technology (27.1) and Consumer Discretionary (24.6) sectors have the highest forward 12-month P/E ratios, while the Energy (11.0) and Financials (14.4) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 23.6, which is above the 5-year average of 22.5 and above the 10-year average of 20.9.

Targets & Ratings: Analysts Project 9.5% Increase in Price Over Next 12 Months

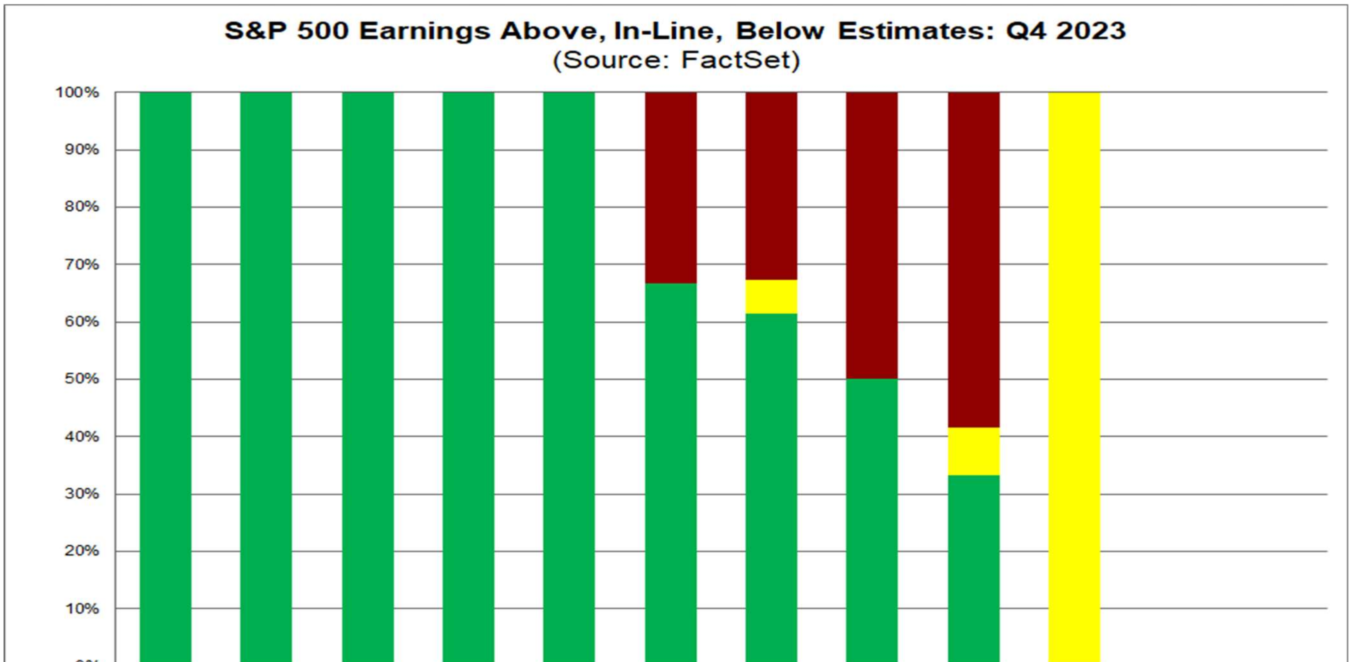
The bottom-up target price for the S&P 500 is 5233.85, which is 9.5% above the closing price of 4780.94. At the sector level, the Energy (+25.7%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Information Technology (+6.2%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 11,411 ratings on stocks in the S&P 500. Of these 11,411 ratings, 54.8% are Buy ratings, 39.9% are Hold ratings, and 5.2% are Sell ratings. At the sector level, the Energy (64%) and Communication Service (63%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (46%) sector has the lowest percentage of Buy ratings.

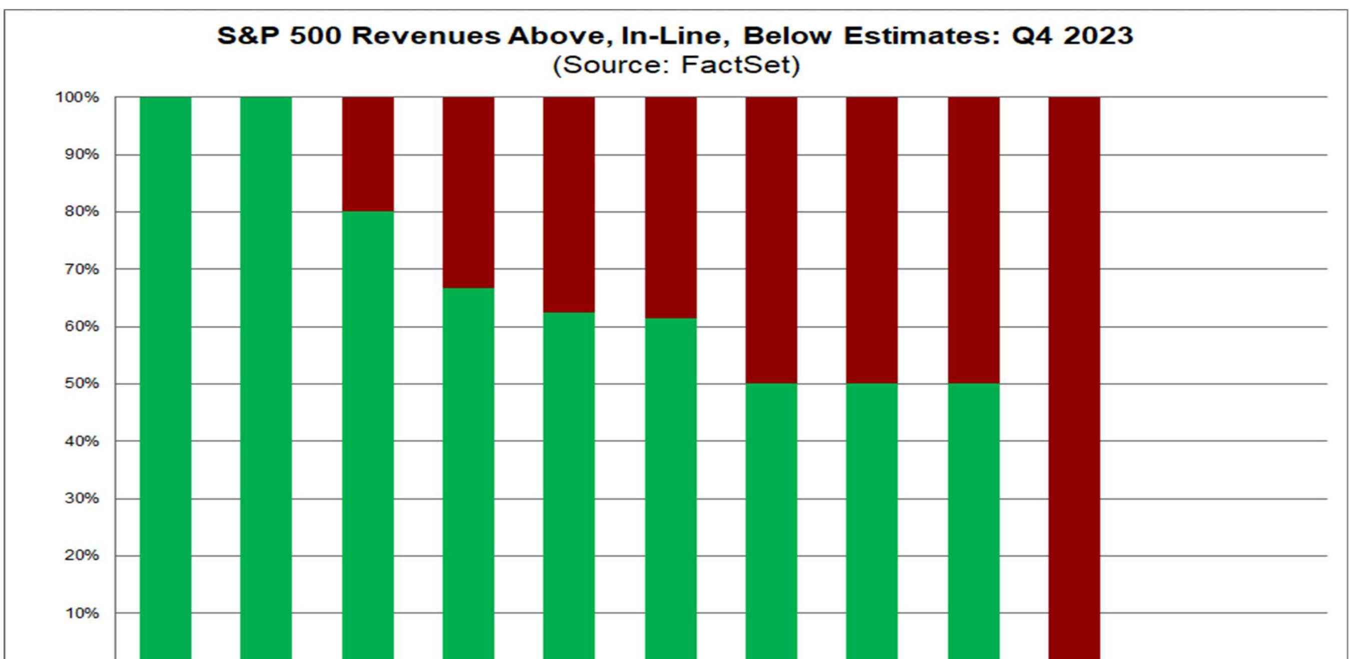
Companies Reporting Next Week: 75

During the upcoming week, 75 S&P 500 companies (including 10 Dow 30 components) are scheduled to report results for the fourth quarter.

Q4 2023: Scorecard

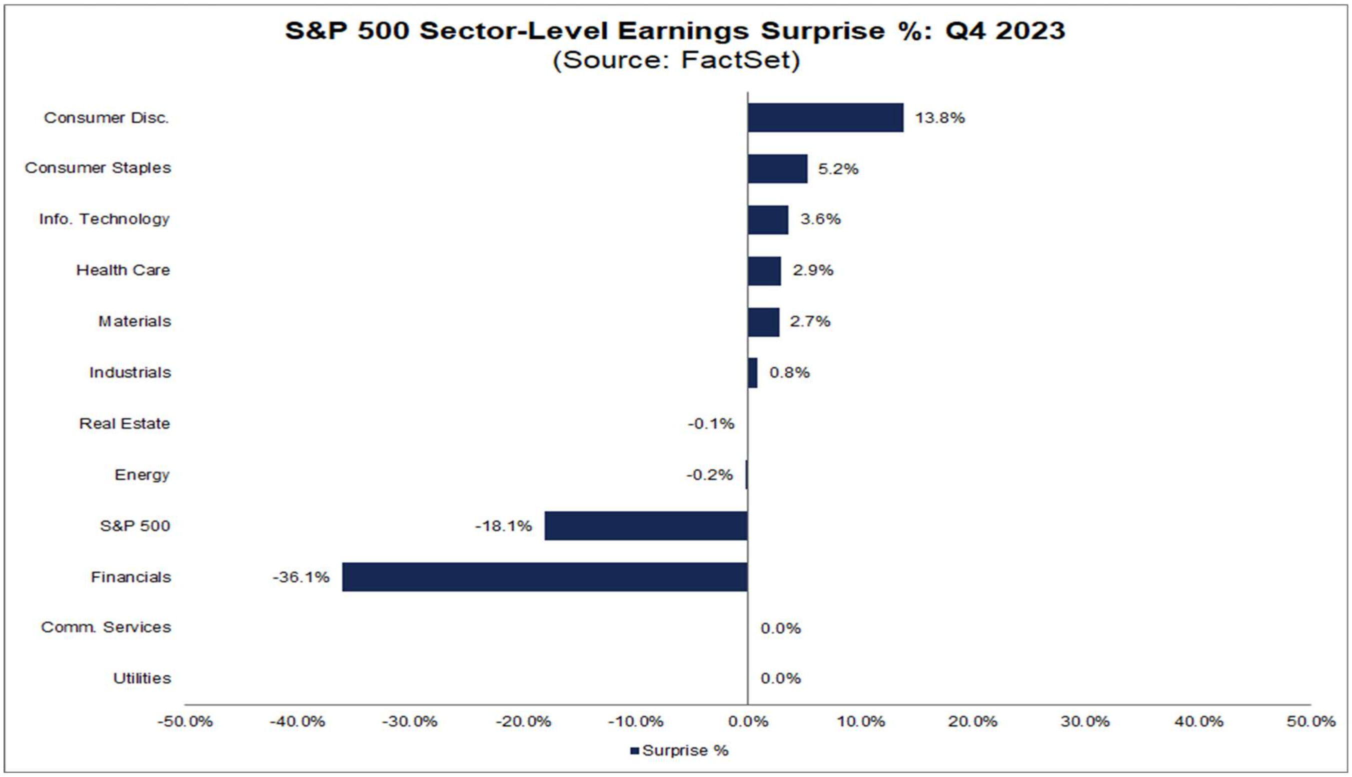


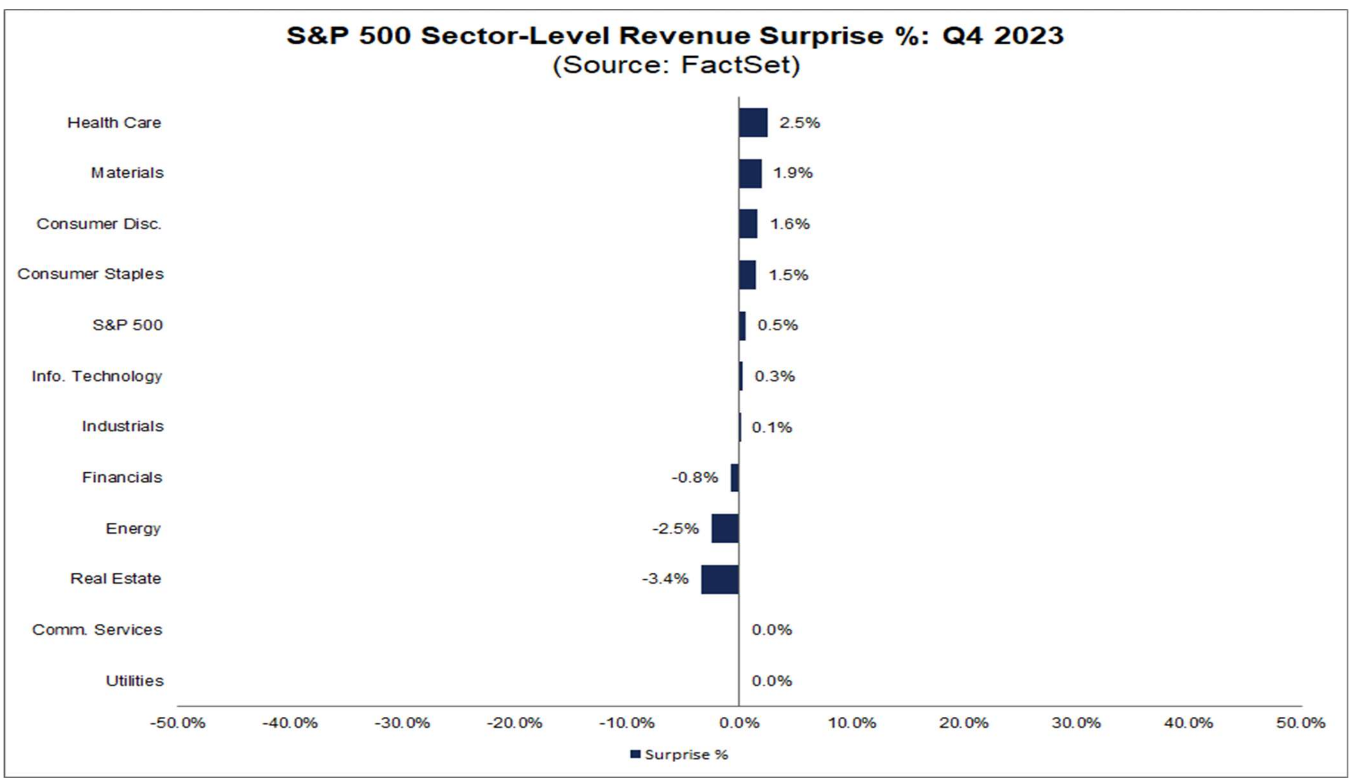
	Consumer Disc.	Consumer Staples	Health Care	Info. Technology	Materials	Industrials	S&P 500	Energy	Financials	Real Estate	Comm. Services	Utilities
Below	0%	0%	0%	0%	0%	33%	33%	50%	58%	0%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	6%	0%	8%	100%	0%	0%
Above	100%	100%	100%	100%	100%	67%	62%	50%	33%	0%	0%	0%



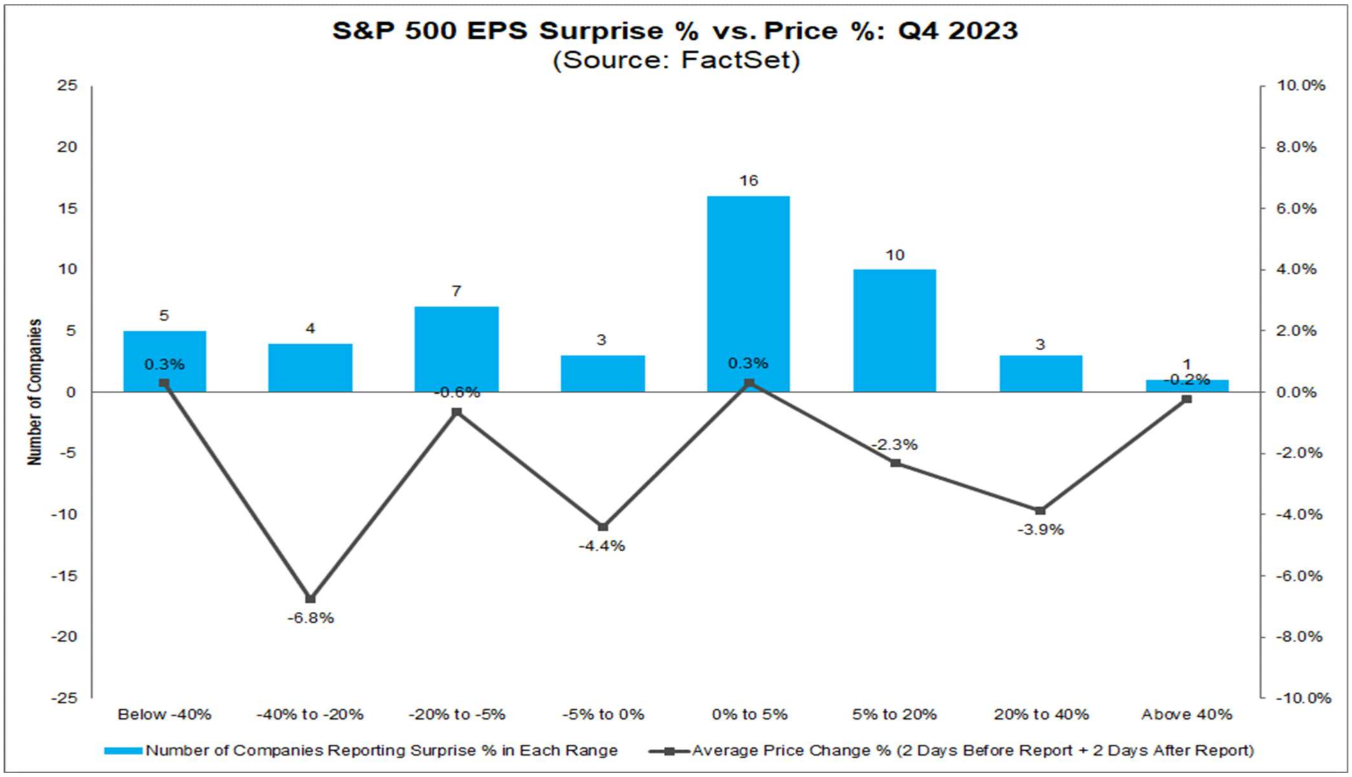
	Health Care	Materials	Info. Technology	Industrials	Financials	S&P 500	Consumer Disc.	Consumer Staples	Energy	Real Estate	Comm. Services	Utilities
Below	0%	0%	20%	33%	38%	38%	50%	50%	50%	100%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	80%	67%	63%	62%	50%	50%	50%	0%	0%	0%

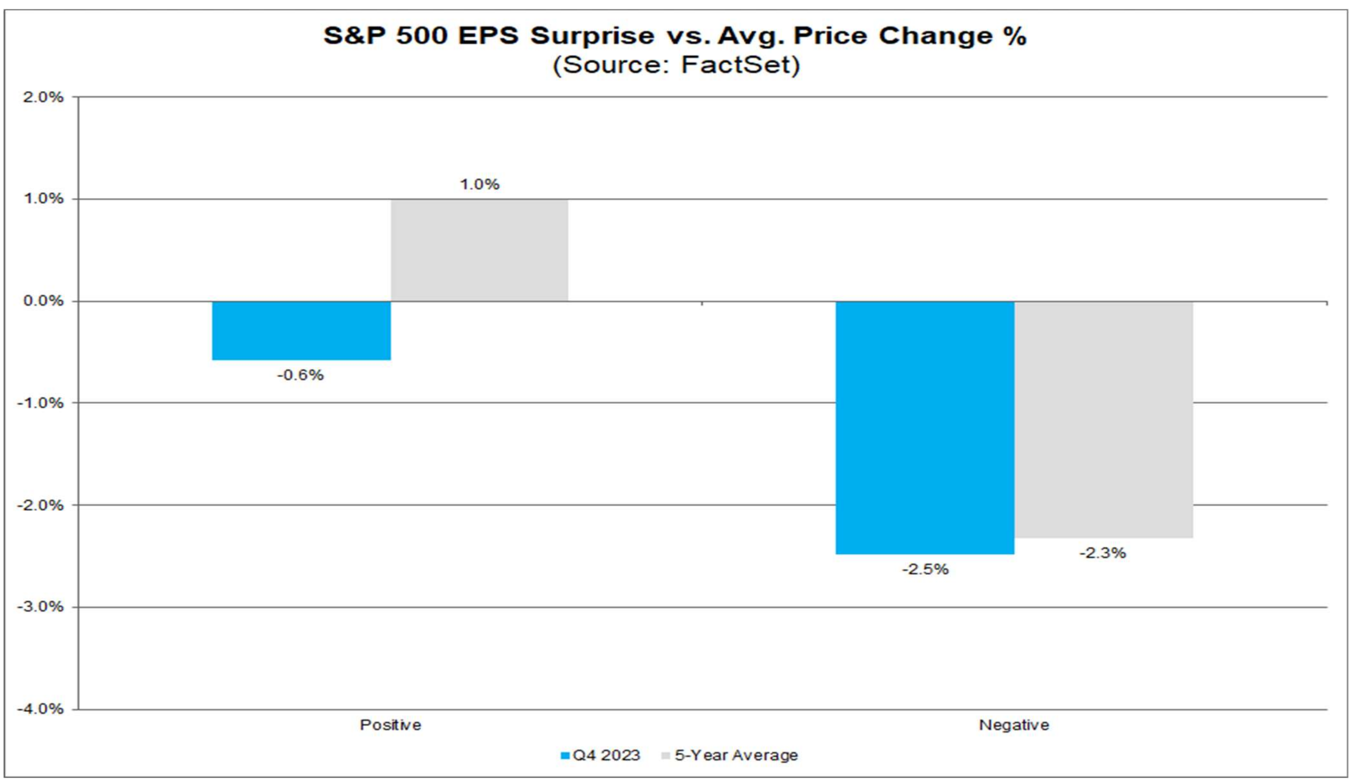
Q4 2023: Surprise



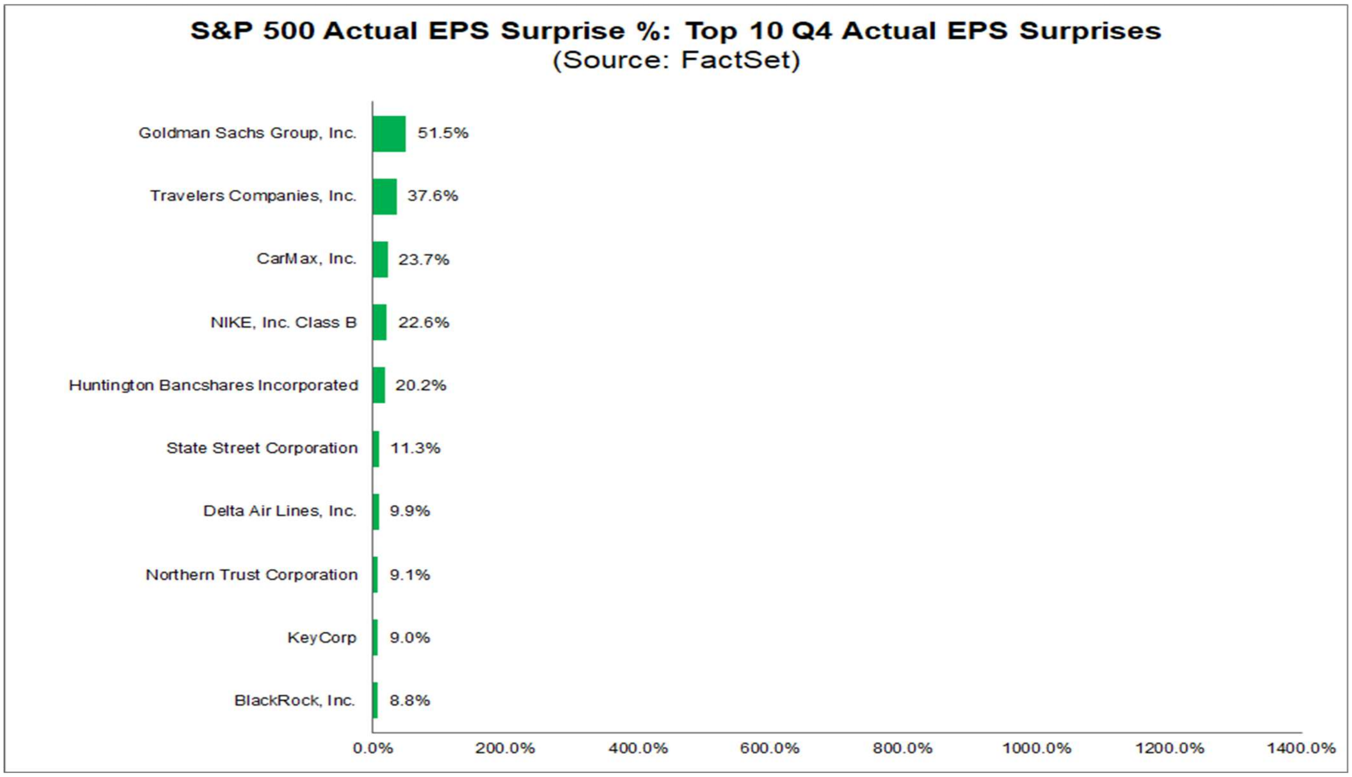


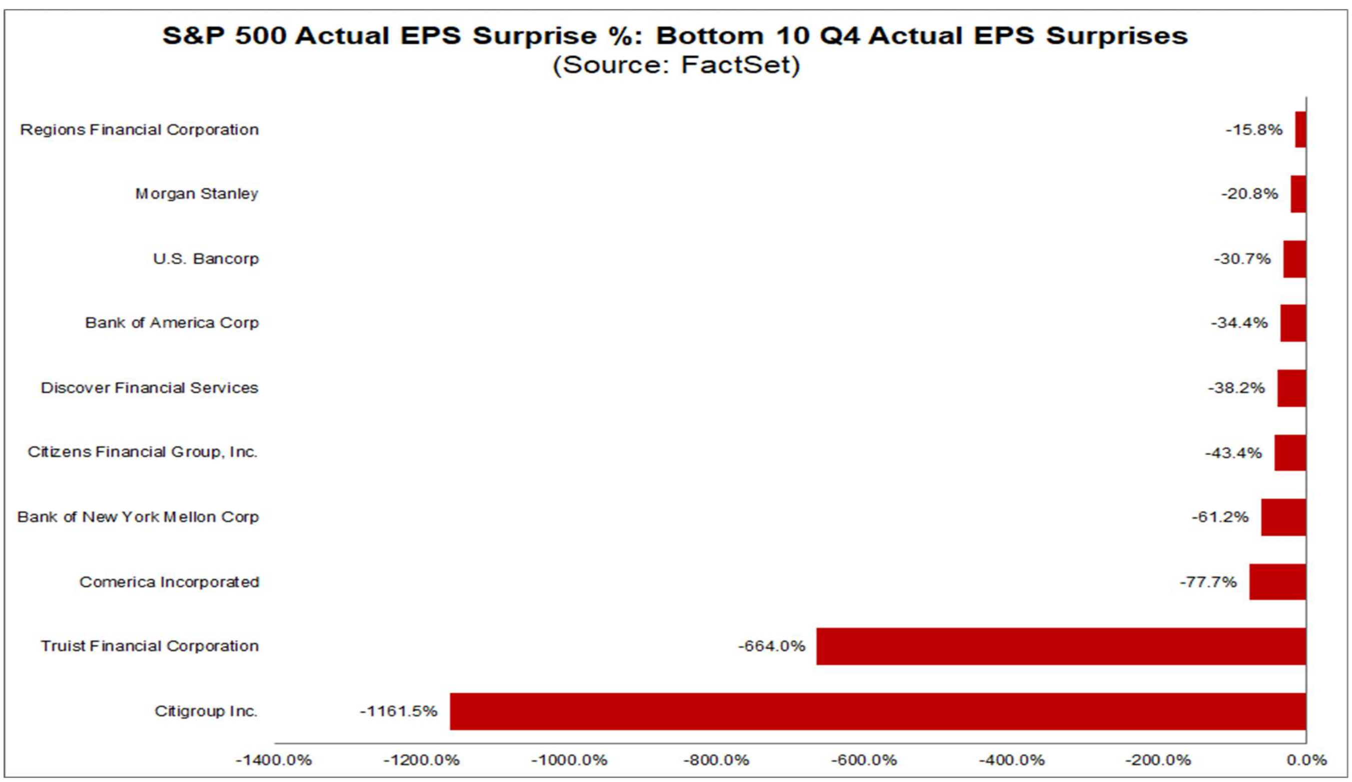
Q4 2023: Surprise



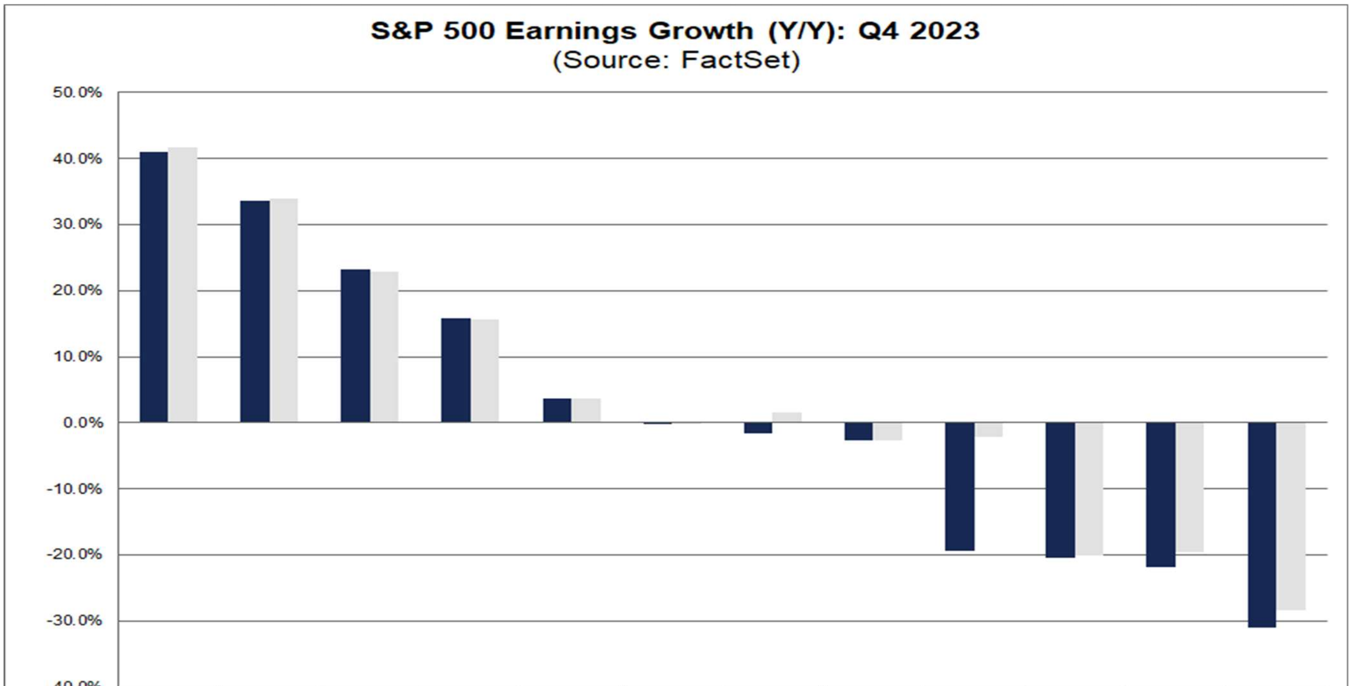


Q4 2023: Surprise

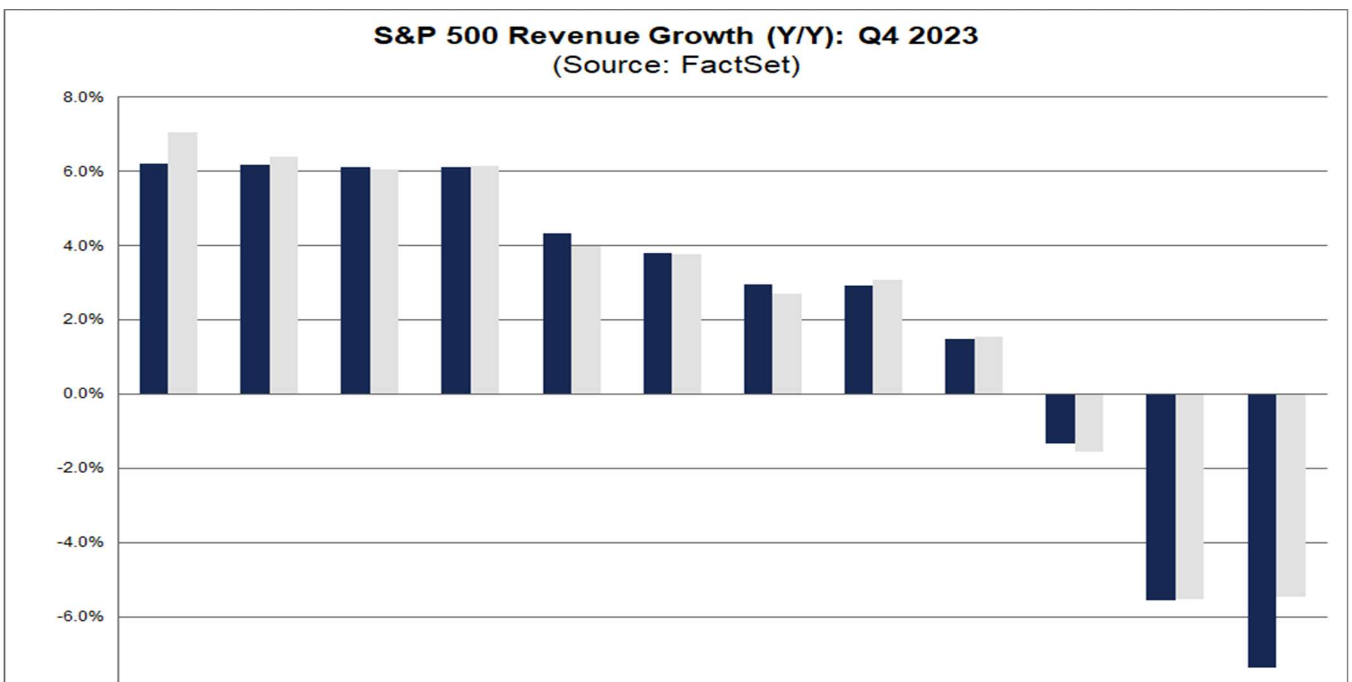




Q4 2023: Growth

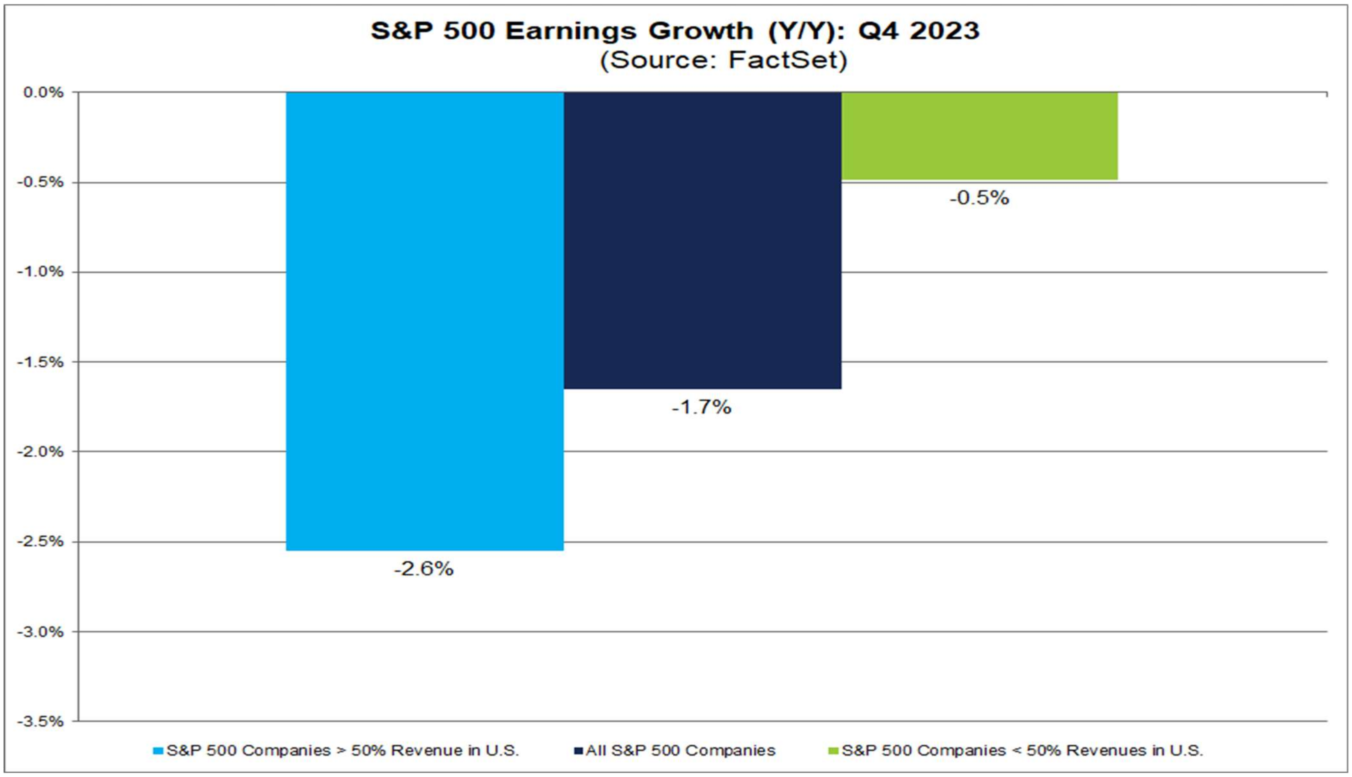


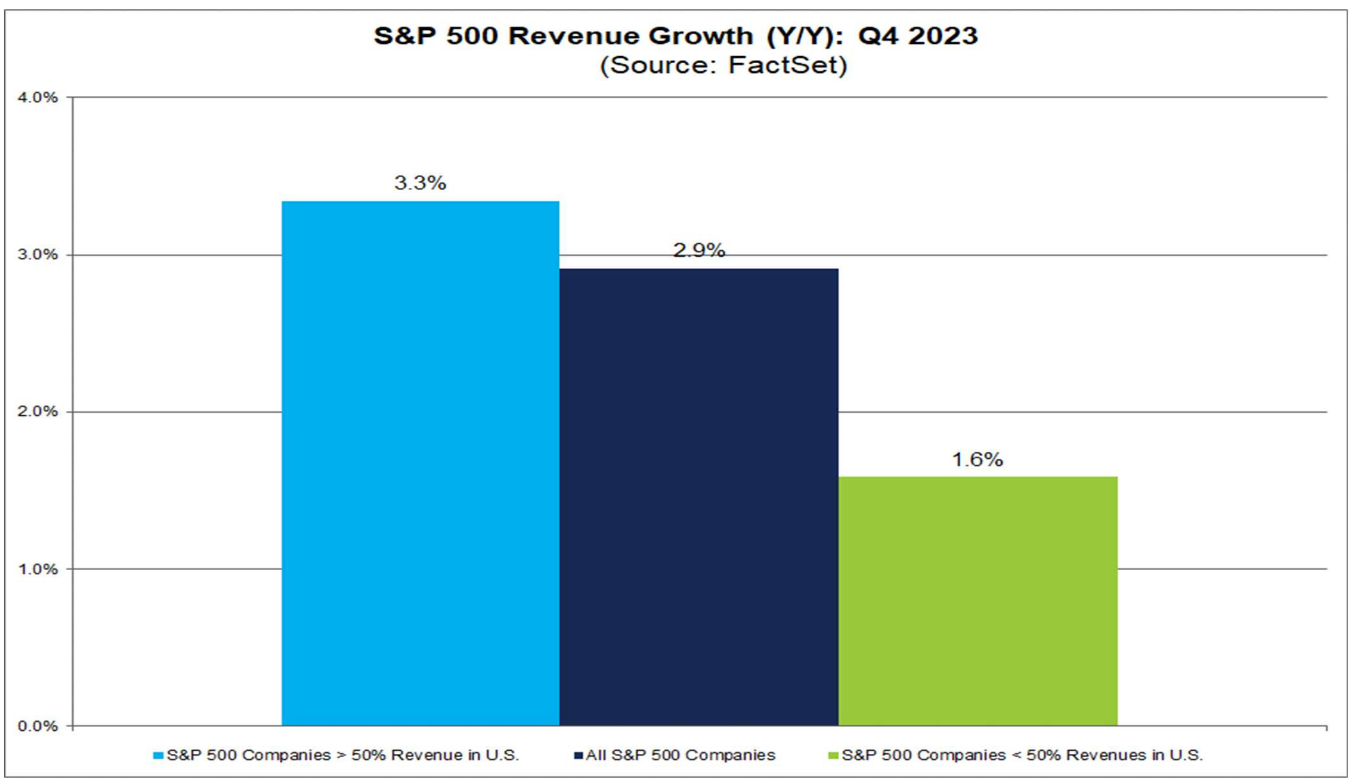
	Comm. Services	Utilities	Consumer Disc.	Info. Technology	Real Estate	Consumer Staples	S&P 500	Industrials	Financials	Health Care	Materials	Energy
Today	41.0%	33.6%	23.2%	15.8%	3.6%	0.0%	-1.7%	-2.7%	-19.4%	-20.5%	-21.9%	-31.1%
31-Dec	41.6%	34.0%	22.8%	15.6%	3.7%	-0.3%	1.6%	-2.7%	-2.2%	-20.1%	-19.5%	-28.4%



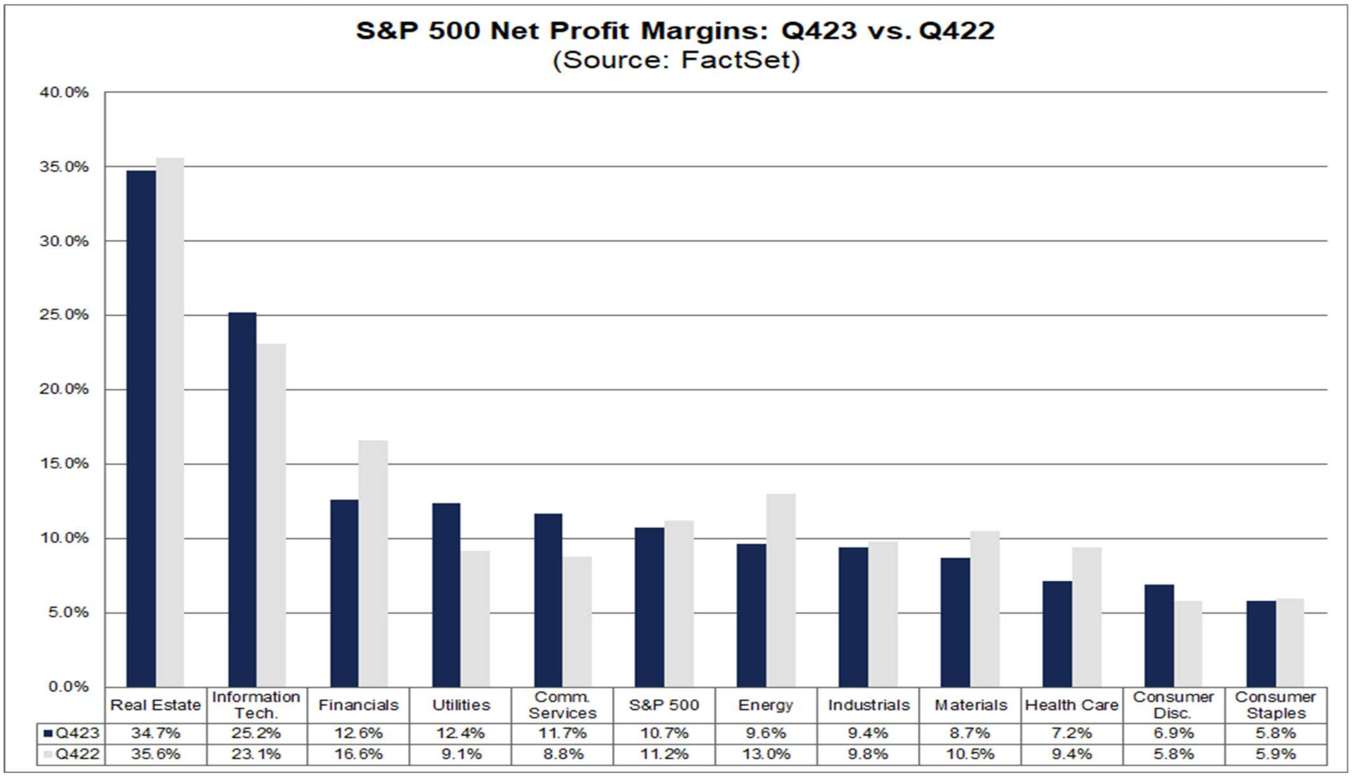
	Financials	Real Estate	Info. Technology	Comm. Services	Health Care	Consumer Disc.	Consumer Staples	S&P 500	Industrials	Utilities	Materials	Energy
Today	6.2%	6.2%	6.1%	6.1%	4.3%	3.8%	3.0%	2.9%	1.5%	-1.3%	-5.5%	-7.4%
31-Dec	7.0%	6.4%	6.1%	6.2%	4.0%	3.8%	2.7%	3.1%	1.5%	-1.6%	-5.5%	-5.5%

Q4 2023: Growth

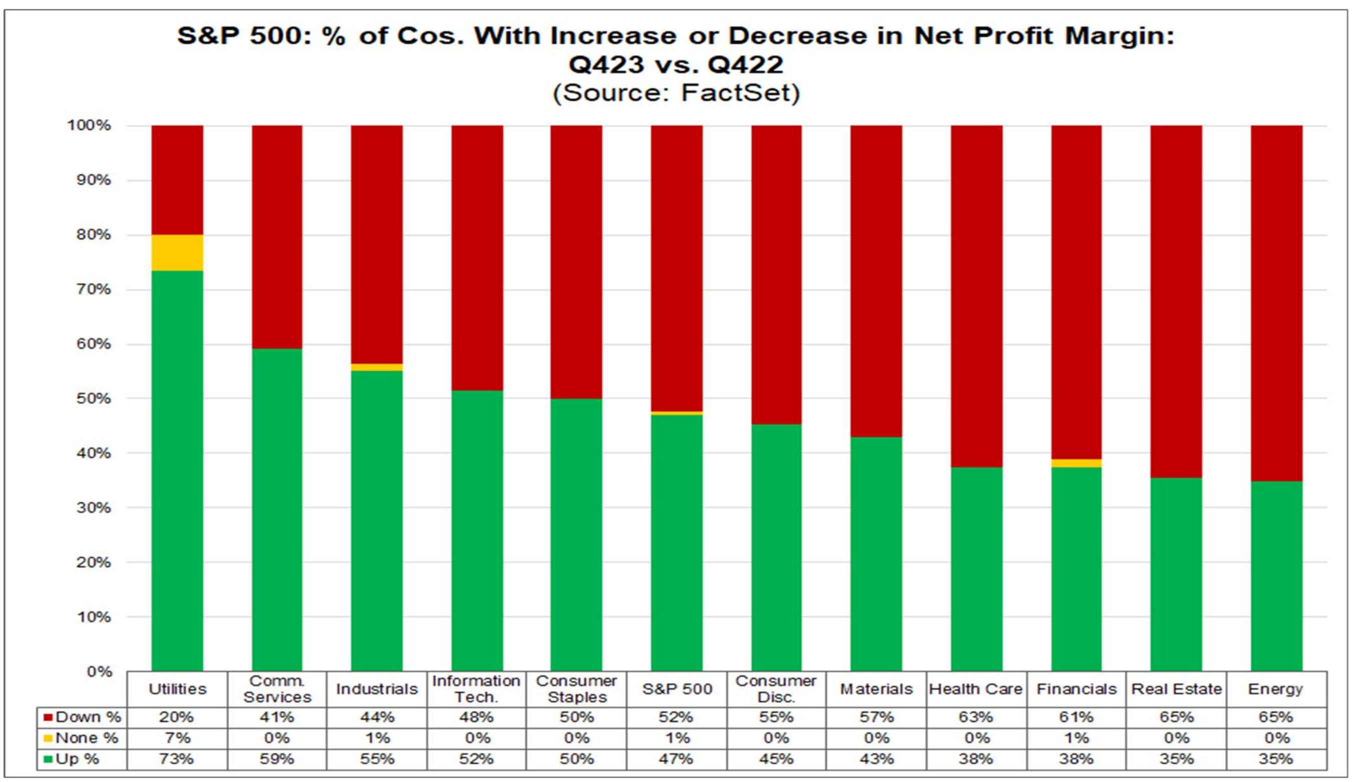




Q4 2023: Net Profit Margin

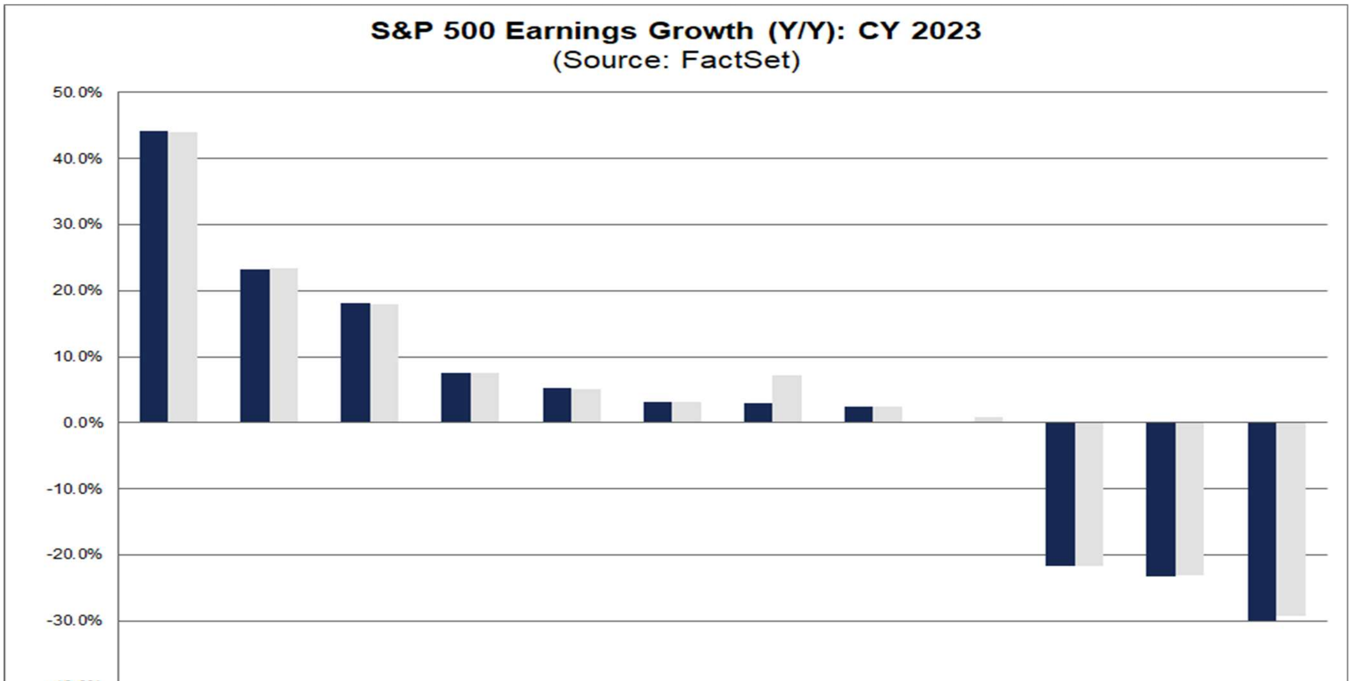


	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Energy	Industrials	Materials	Health Care	Consumer Disc.	Consumer Staples
Q423	34.7%	25.2%	12.6%	12.4%	11.7%	10.7%	9.6%	9.4%	8.7%	7.2%	6.9%	5.8%
Q422	35.6%	23.1%	16.6%	9.1%	8.8%	11.2%	13.0%	9.8%	10.5%	9.4%	5.8%	5.9%

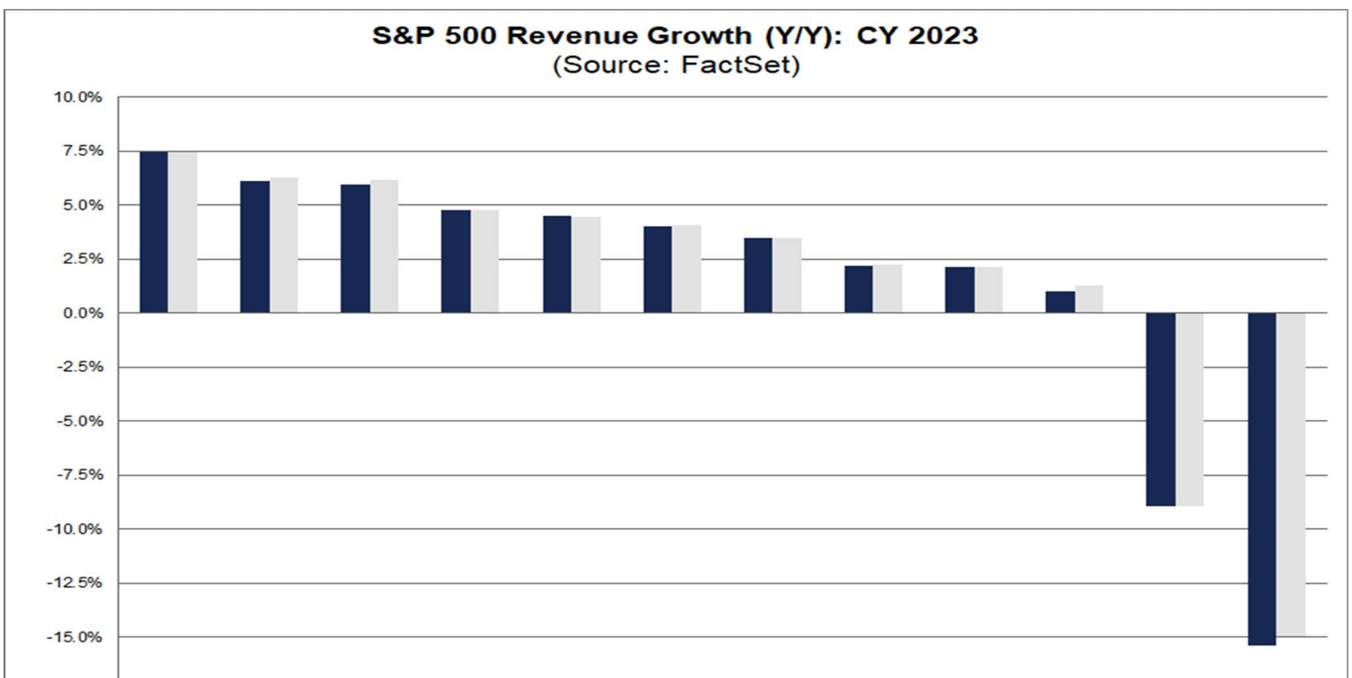


	Utilities	Comm. Services	Industrials	Information Tech.	Consumer Staples	S&P 500	Consumer Disc.	Materials	Health Care	Financials	Real Estate	Energy
Down %	20%	41%	44%	48%	50%	52%	55%	57%	63%	61%	65%	65%
None %	7%	0%	1%	0%	0%	1%	0%	0%	0%	1%	0%	0%
Up %	73%	59%	55%	52%	50%	47%	45%	43%	38%	38%	35%	35%

CY 2023: Growth

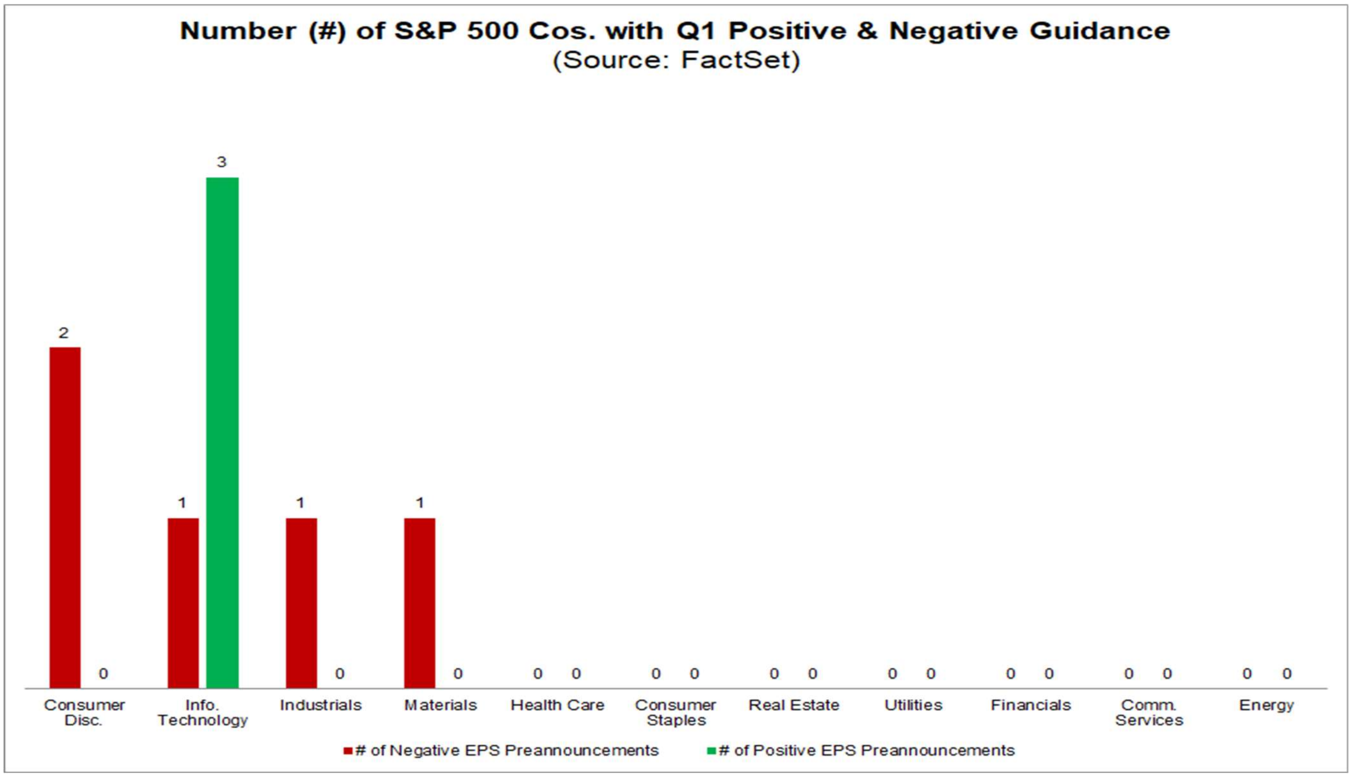


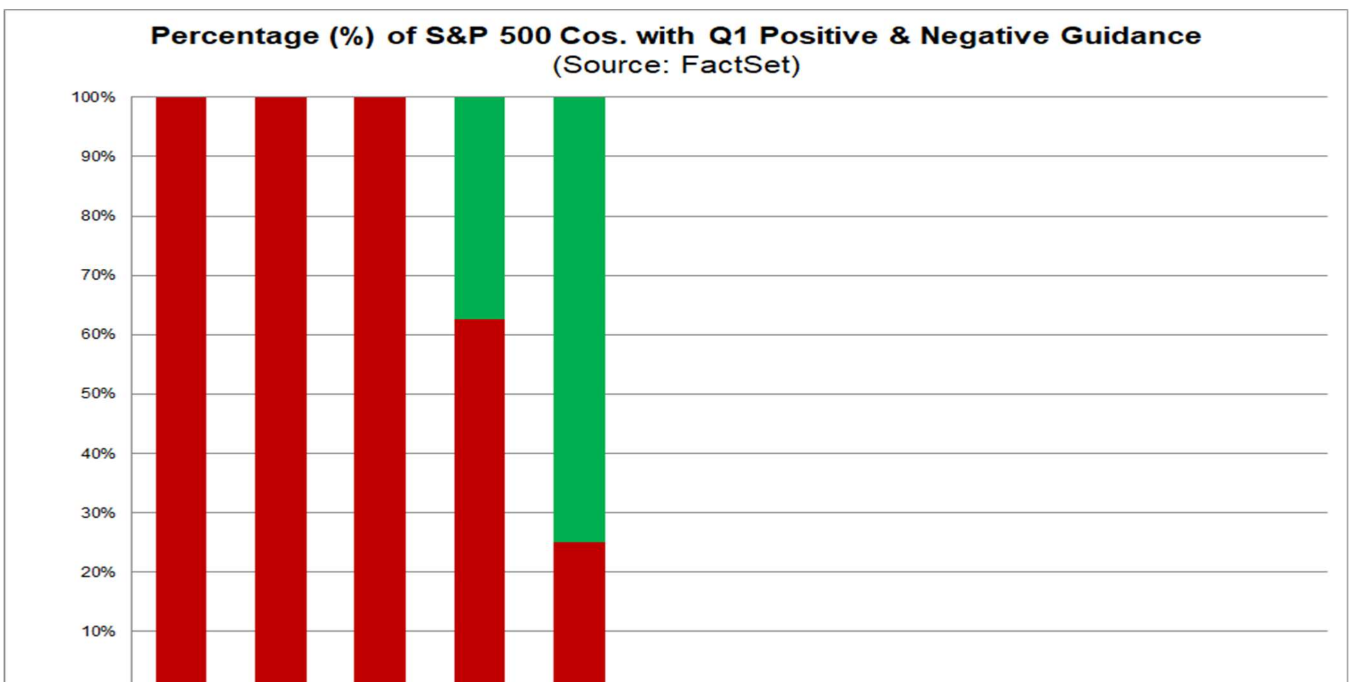
	Consumer Disc.	Comm. Services	Industrials	Utilities	Info. Technology	Real Estate	Financials	Consumer Staples	S&P 500	Health Care	Materials	Energy
Today	44.1%	23.3%	18.0%	7.5%	5.2%	3.1%	2.9%	2.4%	0.1%	-21.8%	-23.3%	-29.9%
31-Dec	44.0%	23.3%	18.0%	7.6%	5.1%	3.1%	7.2%	2.4%	0.9%	-21.6%	-23.1%	-29.2%



	Consumer Disc.	Financials	Real Estate	Comm. Services	Health Care	Industrials	Consumer Staples	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	7.5%	6.1%	5.9%	4.8%	4.5%	4.0%	3.5%	2.2%	2.2%	1.0%	-8.9%	-15.4%
31-Dec	7.5%	6.3%	6.2%	4.8%	4.4%	4.1%	3.5%	2.3%	2.2%	1.3%	-8.9%	-15.0%

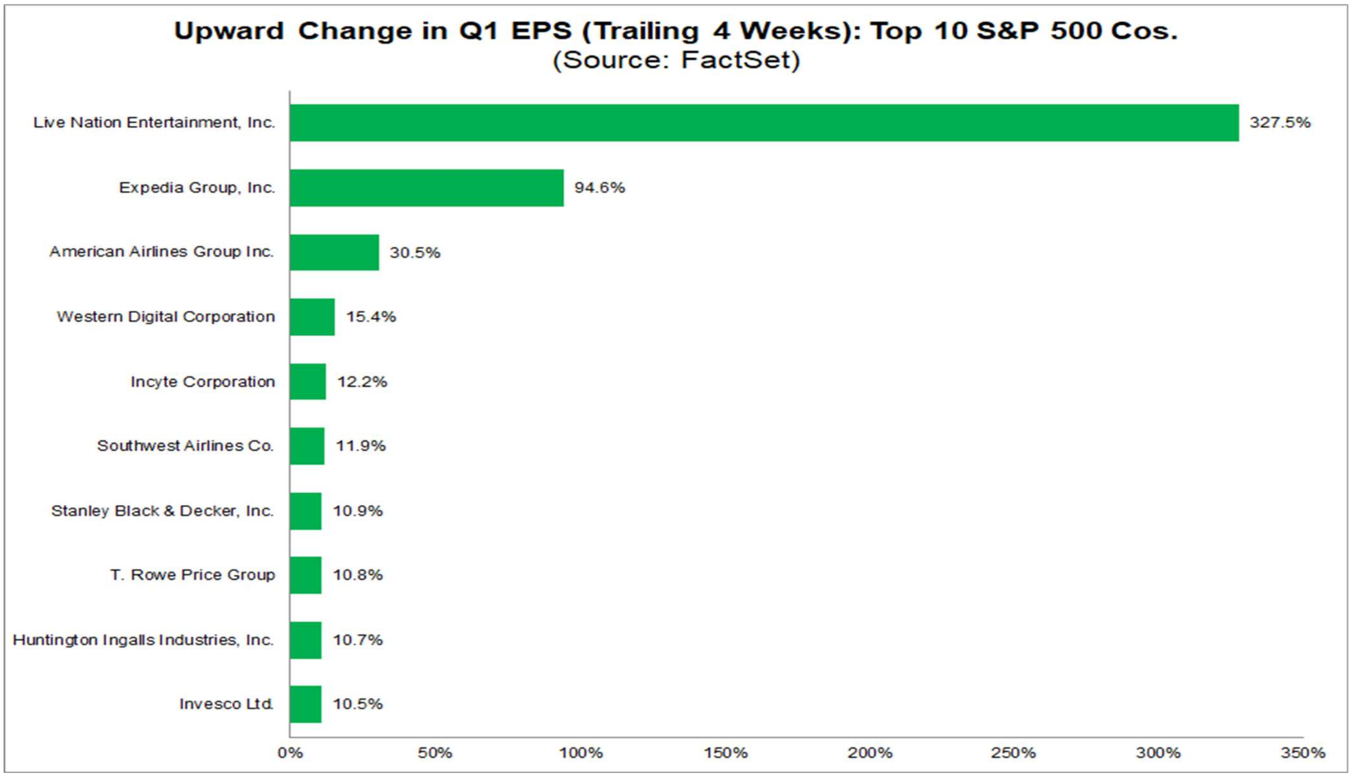
Q1 2024: Guidance

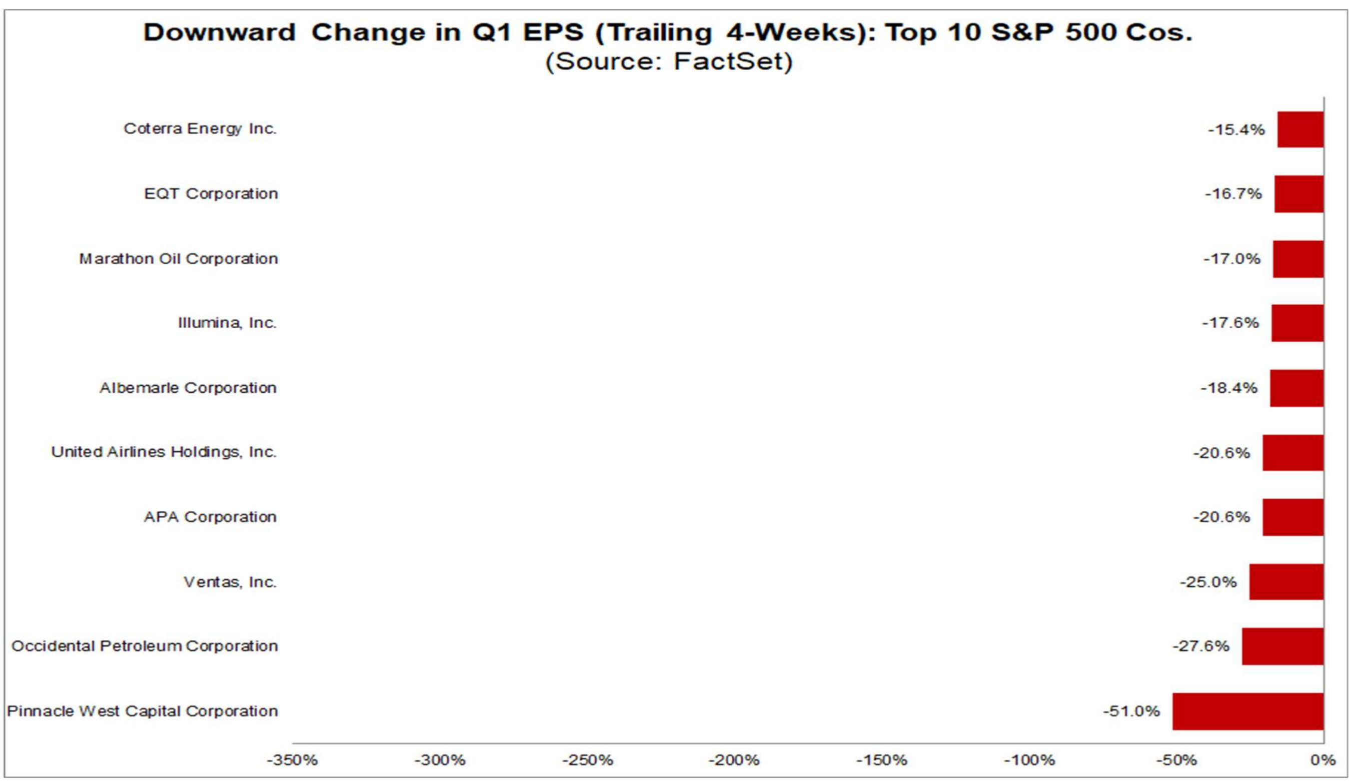




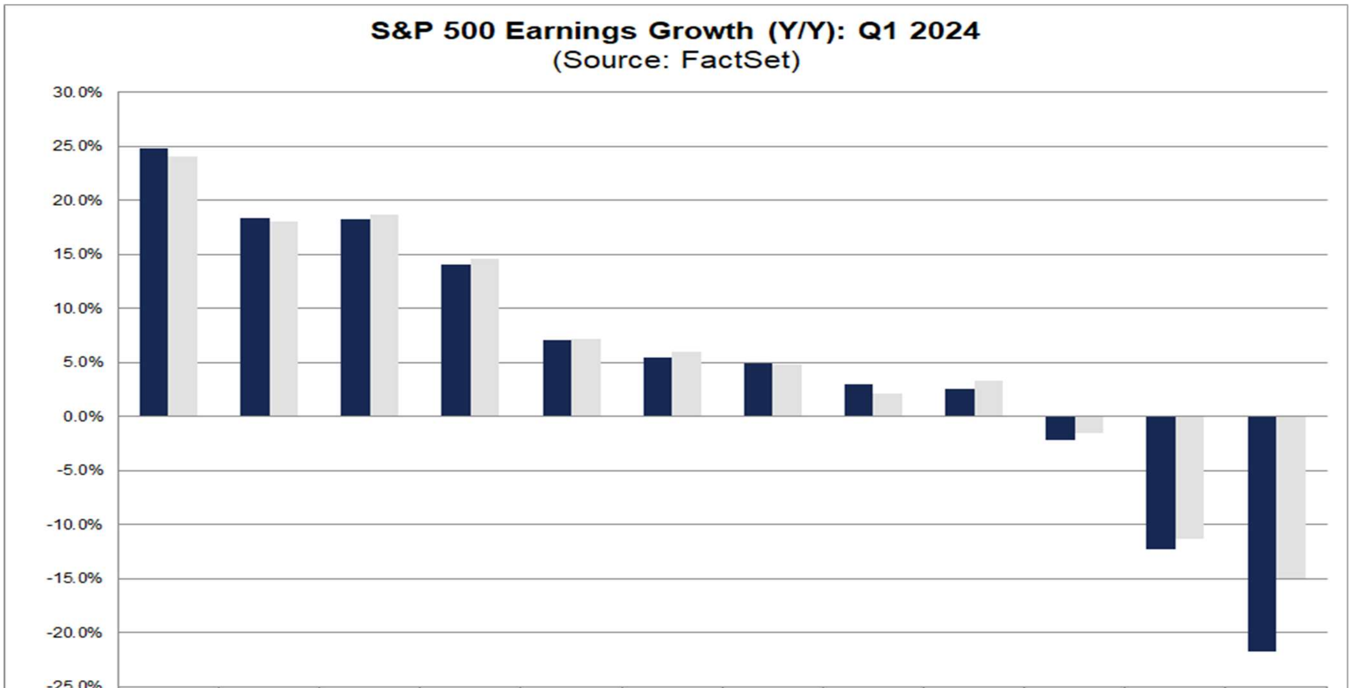
	Consumer Disc.	Industrials	Materials	S&P 500	Info. Technology	Utilities	Comm. Services	Financials	Health Care	Real Estate	Consumer Staples	Energy
Positive	0%	0%	0%	38%	75%	0%	0%	0%	0%	0%	0%	0%
Negative	100%	100%	100%	63%	25%	0%	0%	0%	0%	0%	0%	0%

Q1 2024: EPS Revisions

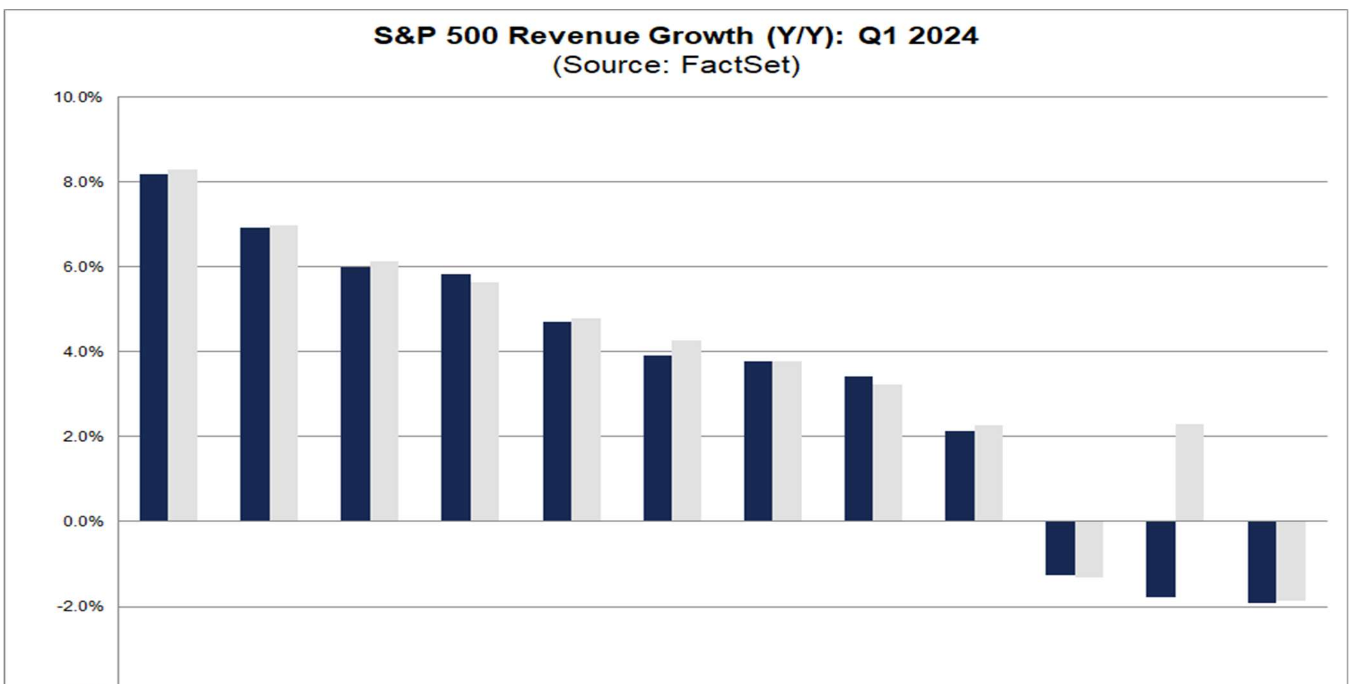




Q1 2024: Growth

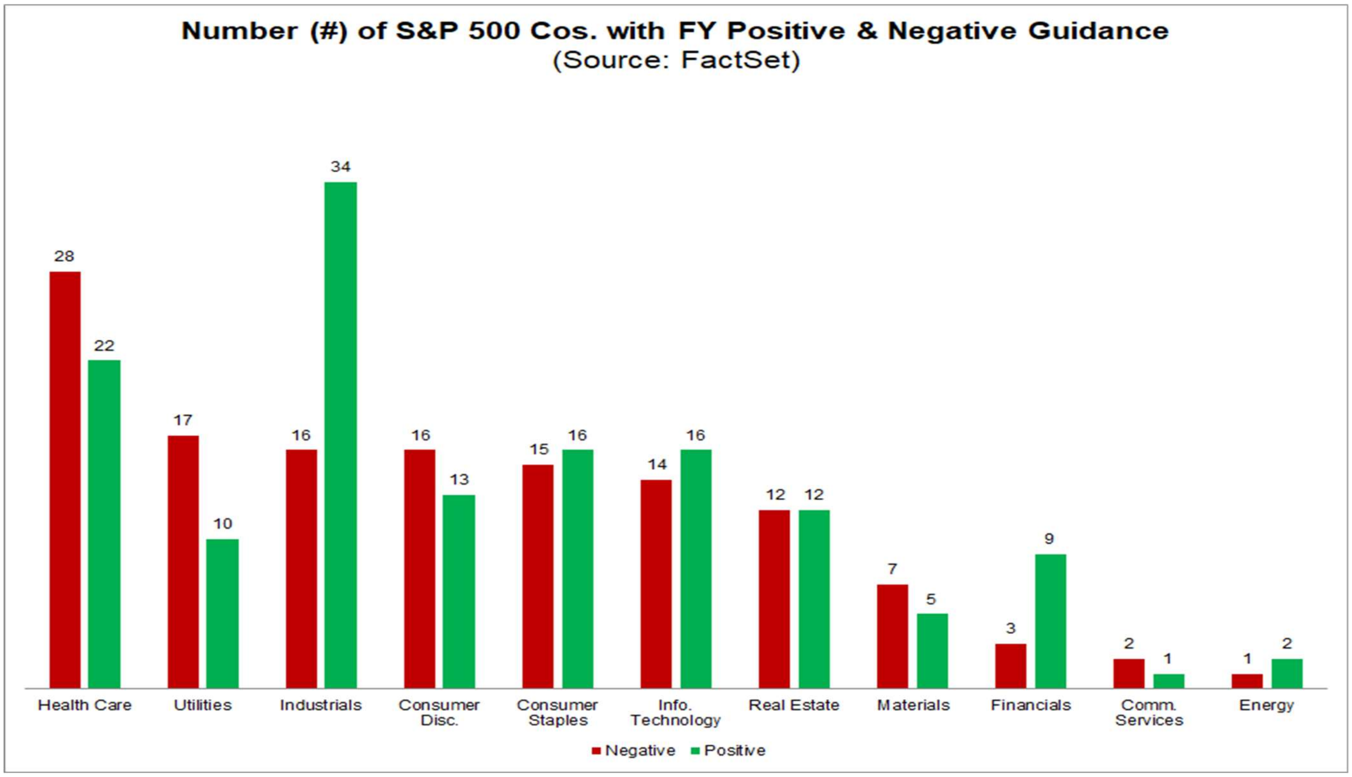


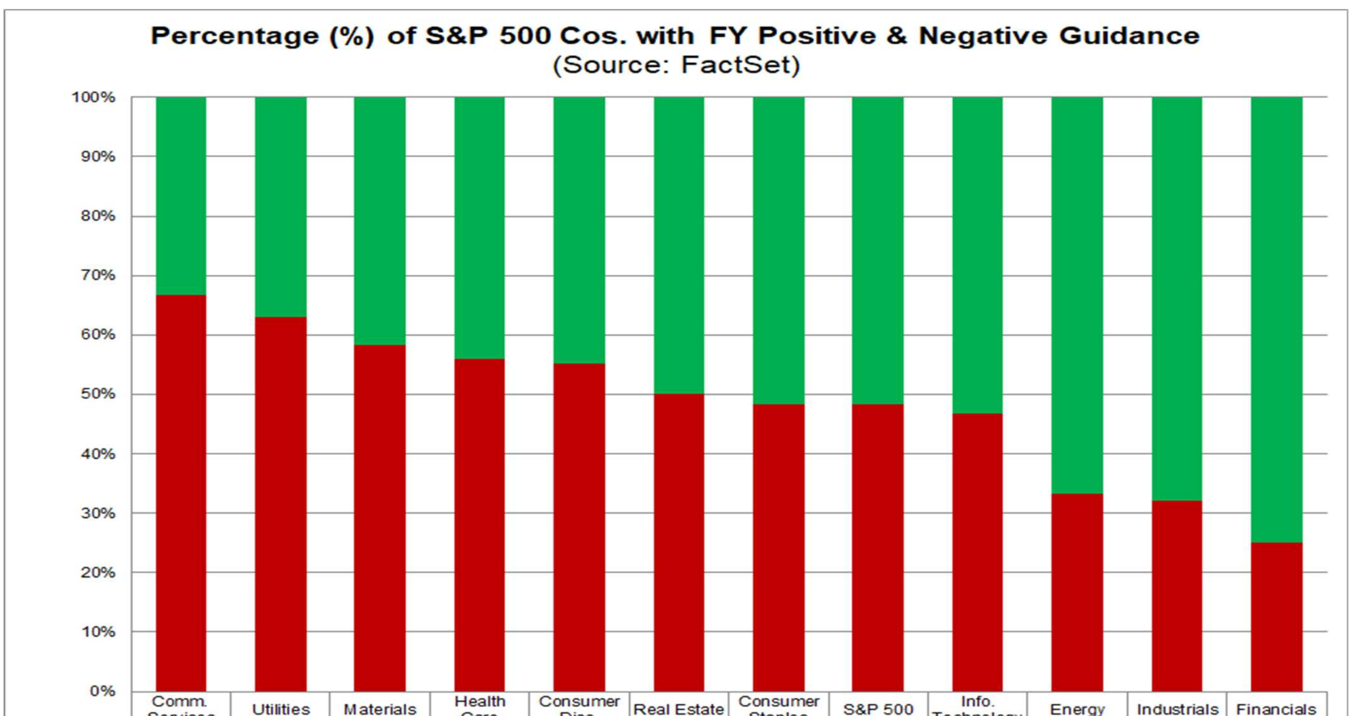
	Utilities	Info. Technology	Comm. Services	Consumer Disc.	Industrials	S&P 500	Real Estate	Financials	Consumer Staples	Health Care	Materials	Energy
Today	24.8%	18.3%	18.3%	14.1%	7.1%	5.4%	4.9%	3.0%	2.5%	-2.2%	-12.3%	-21.8%
31-Dec	24.0%	18.0%	18.6%	14.6%	7.2%	6.0%	4.8%	2.1%	3.3%	-1.5%	-11.3%	-15.0%



	Info. Technology	Comm. Services	Consumer Disc.	Real Estate	Health Care	S&P 500	Industrials	Financials	Consumer Staples	Utilities	Energy	Materials
Today	8.2%	6.9%	6.0%	5.8%	4.7%	3.9%	3.8%	3.4%	2.1%	-1.3%	-1.8%	-1.9%
31-Dec	8.3%	7.0%	6.1%	5.7%	4.8%	4.3%	3.8%	3.2%	2.3%	-1.3%	2.3%	-1.9%

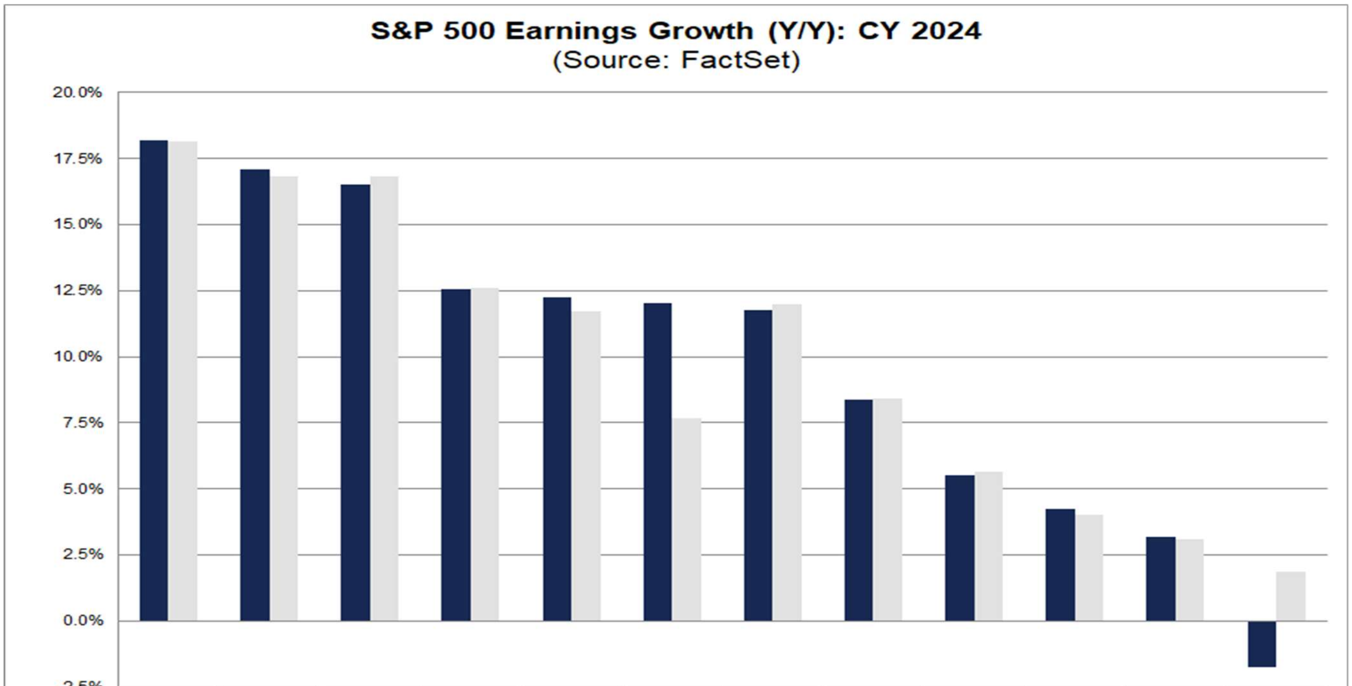
FY 2023 / 2024: EPS Guidance



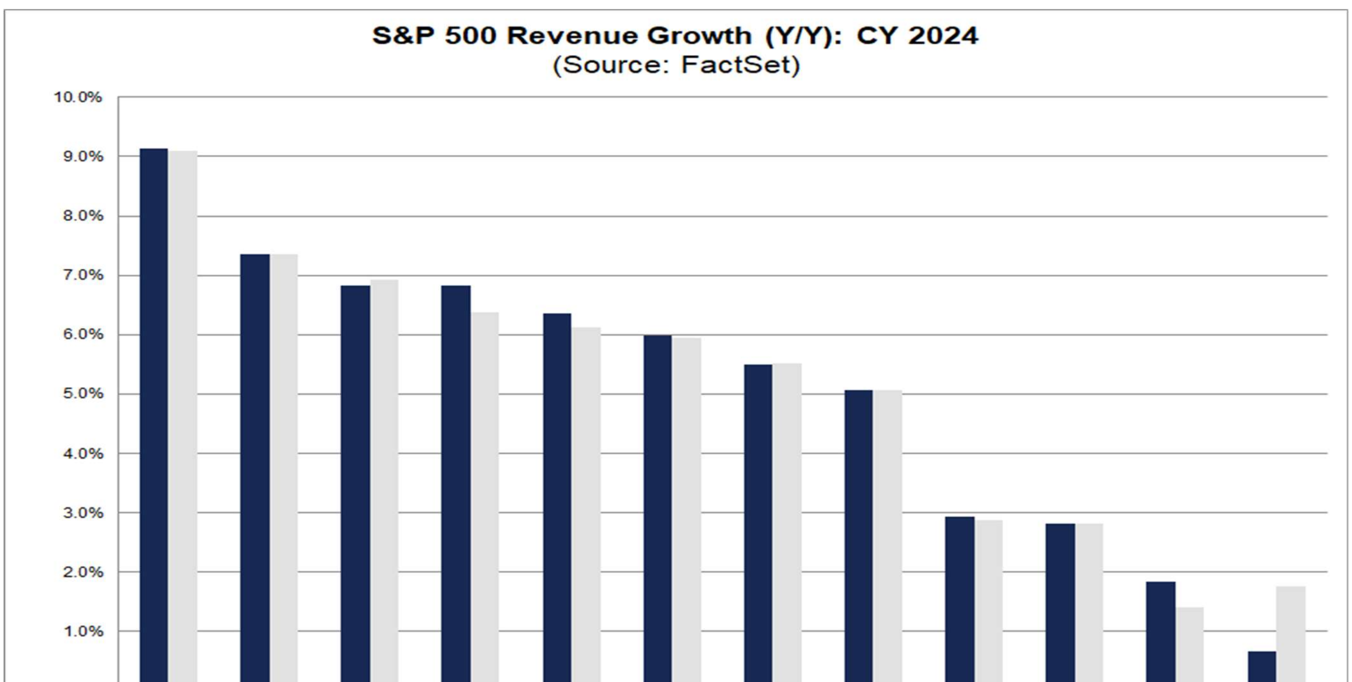


	Comm. Services	Utilities	Materials	Health Care	Consumer Disc.	Real Estate	Consumer Staples	S&P 500	Info. Technology	Energy	Industrials	Financials
Positive	33%	37%	42%	44%	45%	50%	52%	52%	53%	67%	68%	75%
Negative	67%	63%	58%	56%	55%	50%	48%	48%	47%	33%	32%	25%

CY 2024: Growth

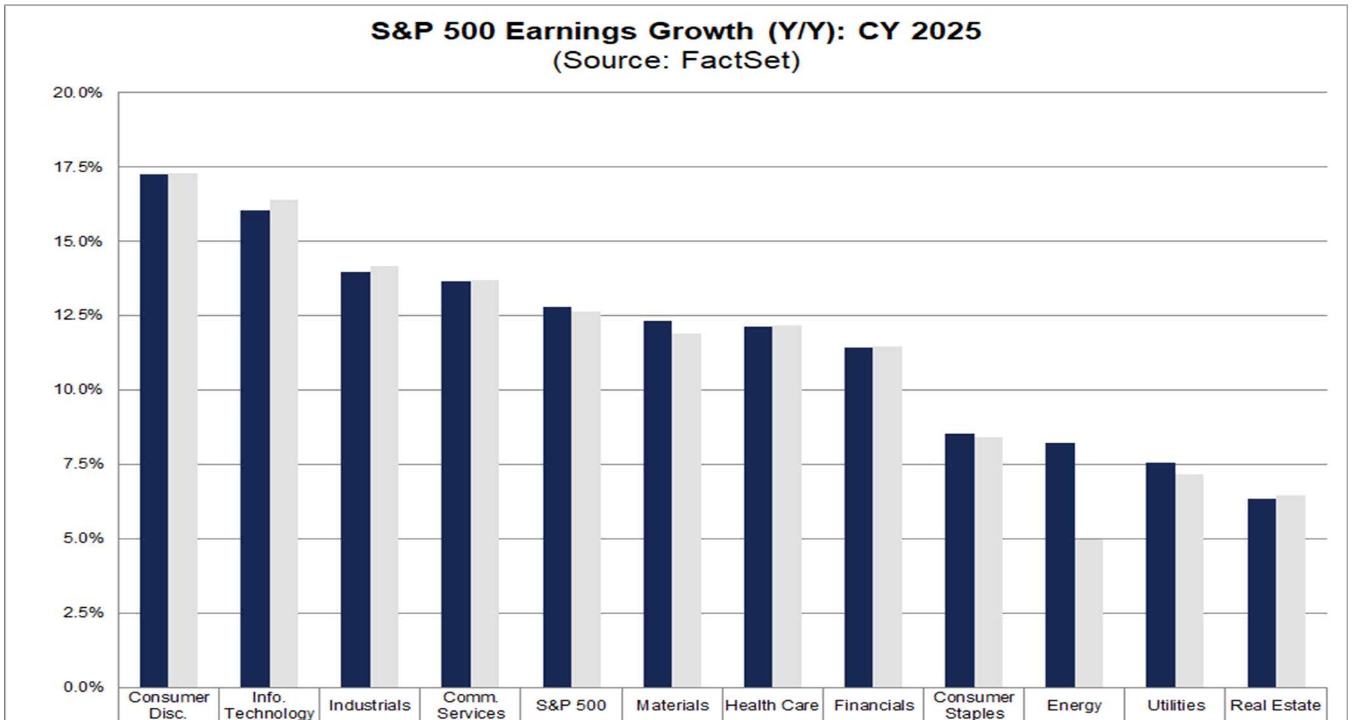


	Health Care	Info. Technology	Comm. Services	Consumer Disc.	S&P 500	Financials	Industrials	Utilities	Consumer Staples	Materials	Real Estate	Energy
Today	18.2%	17.1%	16.5%	12.5%	12.2%	12.0%	11.8%	8.4%	5.5%	4.2%	3.2%	-1.7%
31-Dec	18.1%	16.8%	16.8%	12.6%	11.7%	7.7%	12.0%	8.4%	5.6%	4.0%	3.1%	1.8%

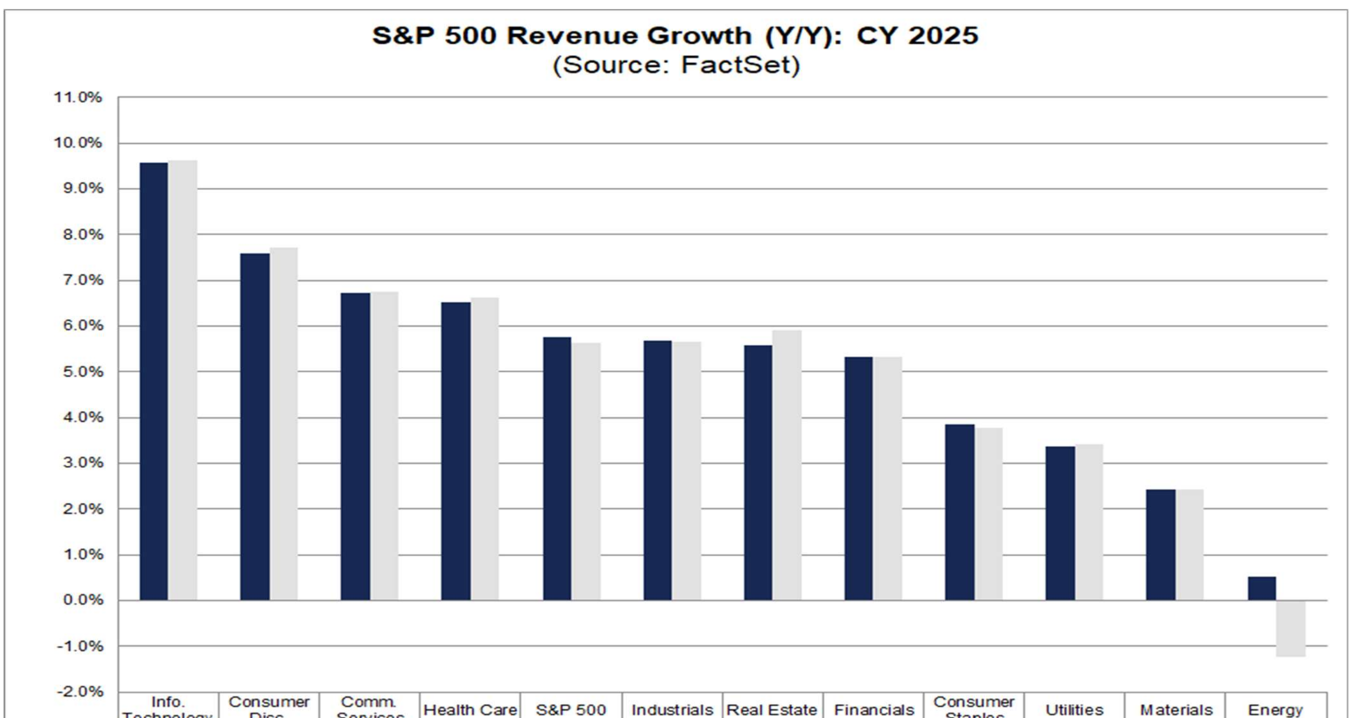


	Info. Technology	Comm. Services	Consumer Disc.	Financials	Real Estate	Health Care	S&P 500	Industrials	Consumer Staples	Utilities	Materials	Energy
Today	9.1%	7.4%	6.8%	6.8%	6.4%	6.0%	5.5%	5.1%	2.9%	2.8%	1.8%	0.7%
31-Dec	9.1%	7.4%	6.9%	6.4%	6.1%	5.9%	5.5%	5.1%	2.9%	2.8%	1.4%	1.8%

CY 2025: Growth

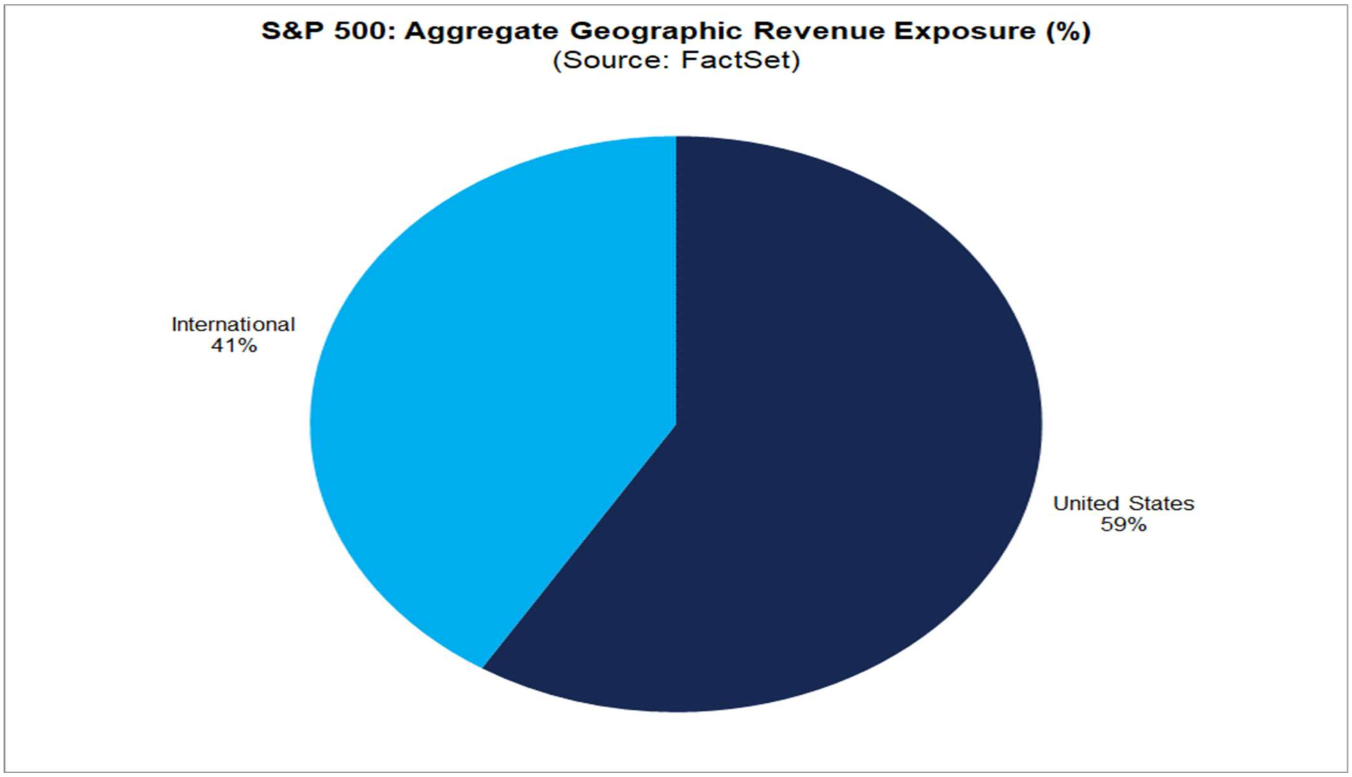


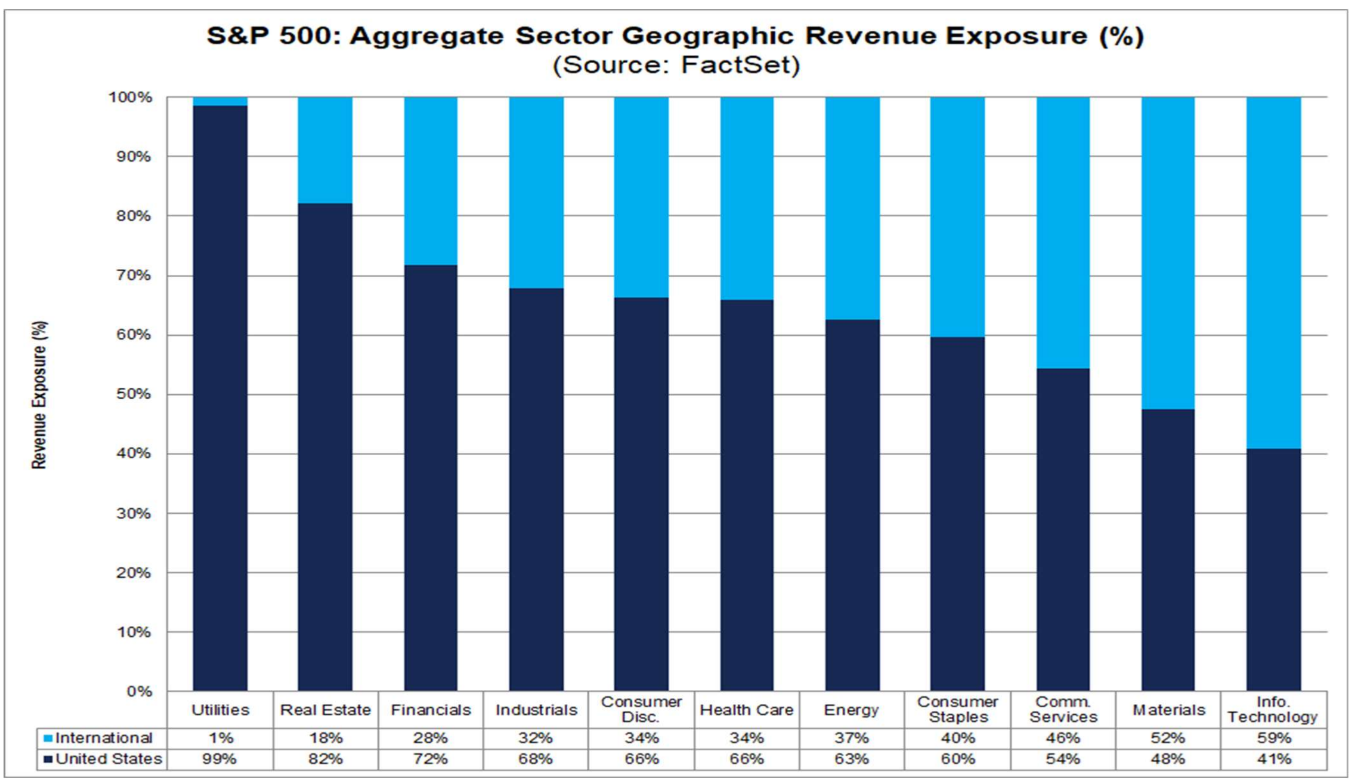
	Consumer Disc.	Info. Technology	Industrials	Comm. Services	S&P 500	Materials	Health Care	Financials	Consumer Staples	Energy	Utilities	Real Estate
Today	17.3%	16.0%	14.0%	13.7%	12.8%	12.3%	12.1%	11.4%	8.5%	8.2%	7.6%	6.3%
31-Dec	17.3%	16.4%	14.2%	13.7%	12.7%	11.9%	12.2%	11.5%	8.4%	5.0%	7.1%	6.5%



	Info. Technology	Consumer Disc.	Comm. Services	Health Care	S&P 500	Industrials	Real Estate	Financials	Consumer Staples	Utilities	Materials	Energy
Today	9.6%	7.6%	6.7%	6.5%	5.7%	5.7%	5.6%	5.3%	3.9%	3.4%	2.4%	0.5%
31-Dec	9.6%	7.7%	6.7%	6.6%	5.6%	5.6%	5.9%	5.3%	3.8%	3.4%	2.4%	-1.2%

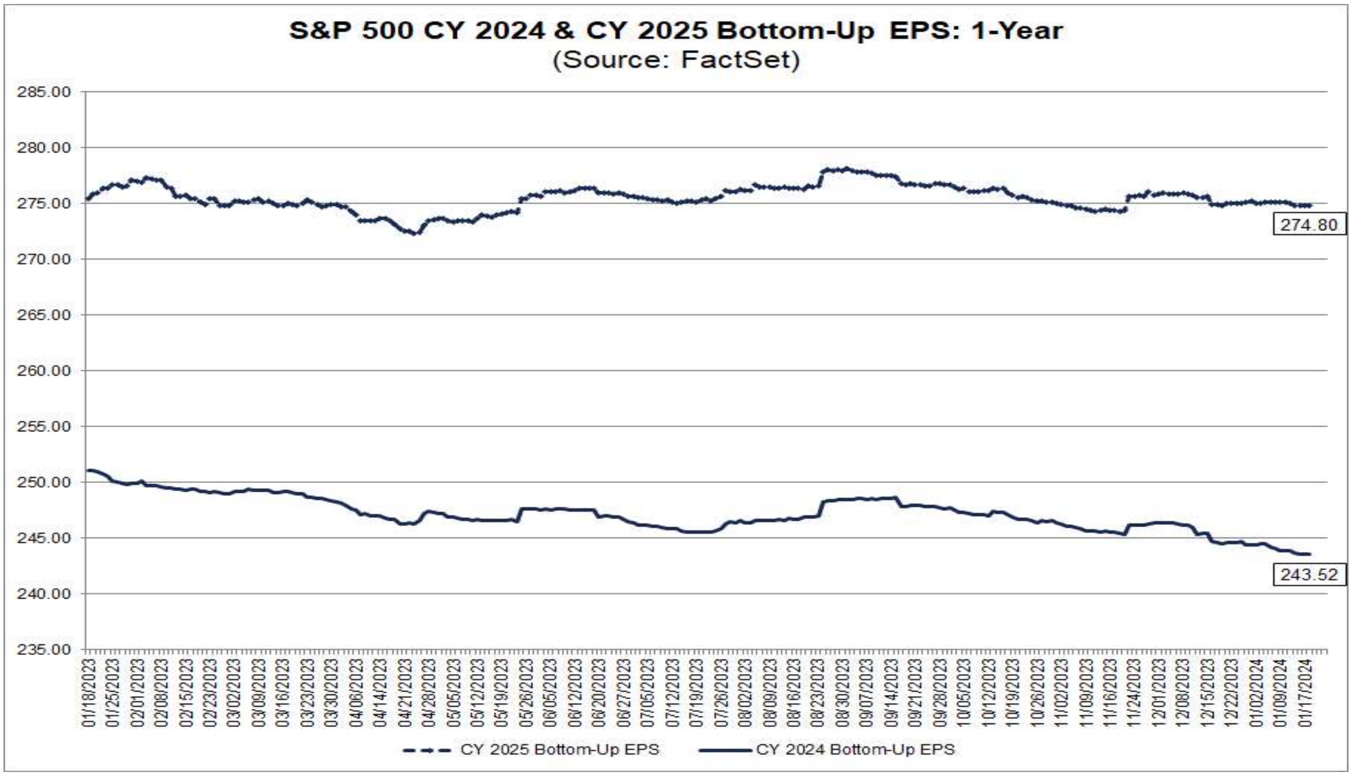
Geographic Revenue Exposure

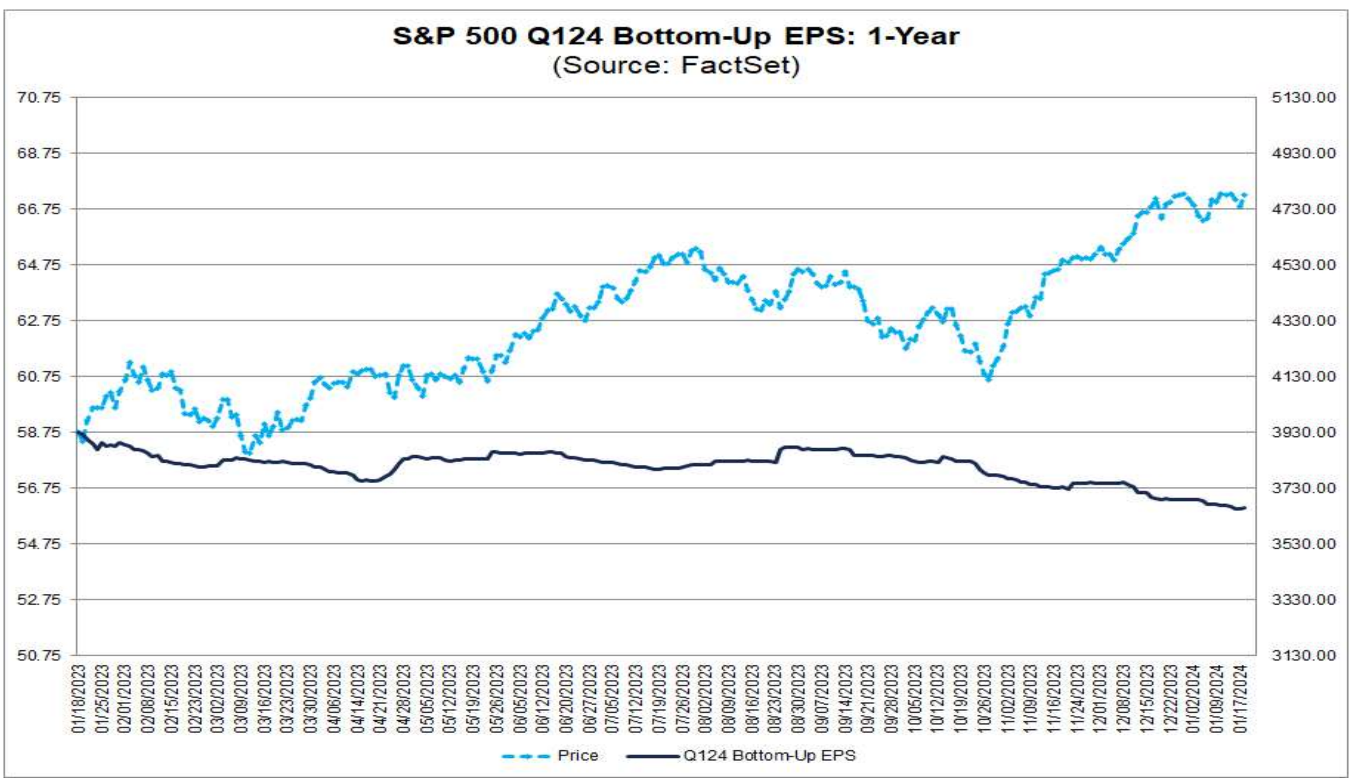




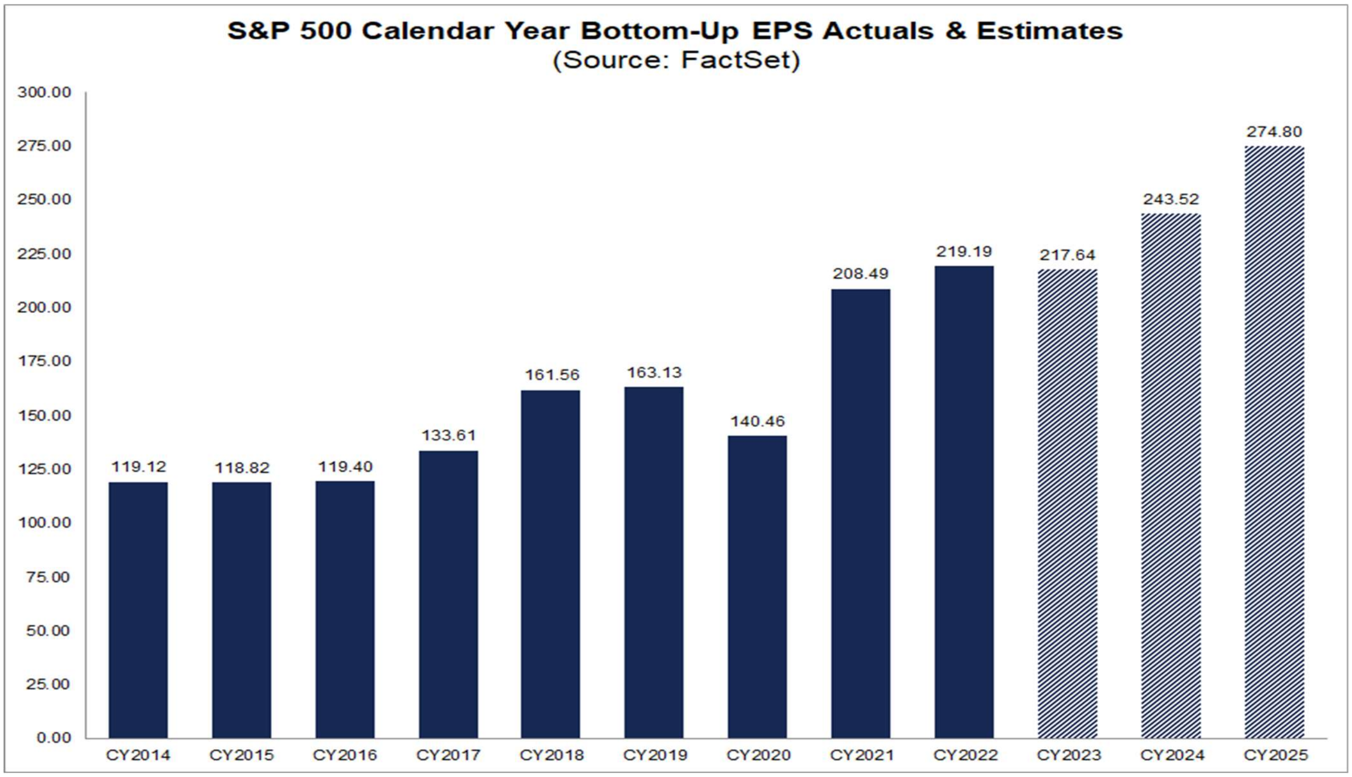
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	28%	32%	34%	34%	37%	40%	46%	52%	59%
United States	99%	82%	72%	68%	66%	66%	63%	60%	54%	48%	41%

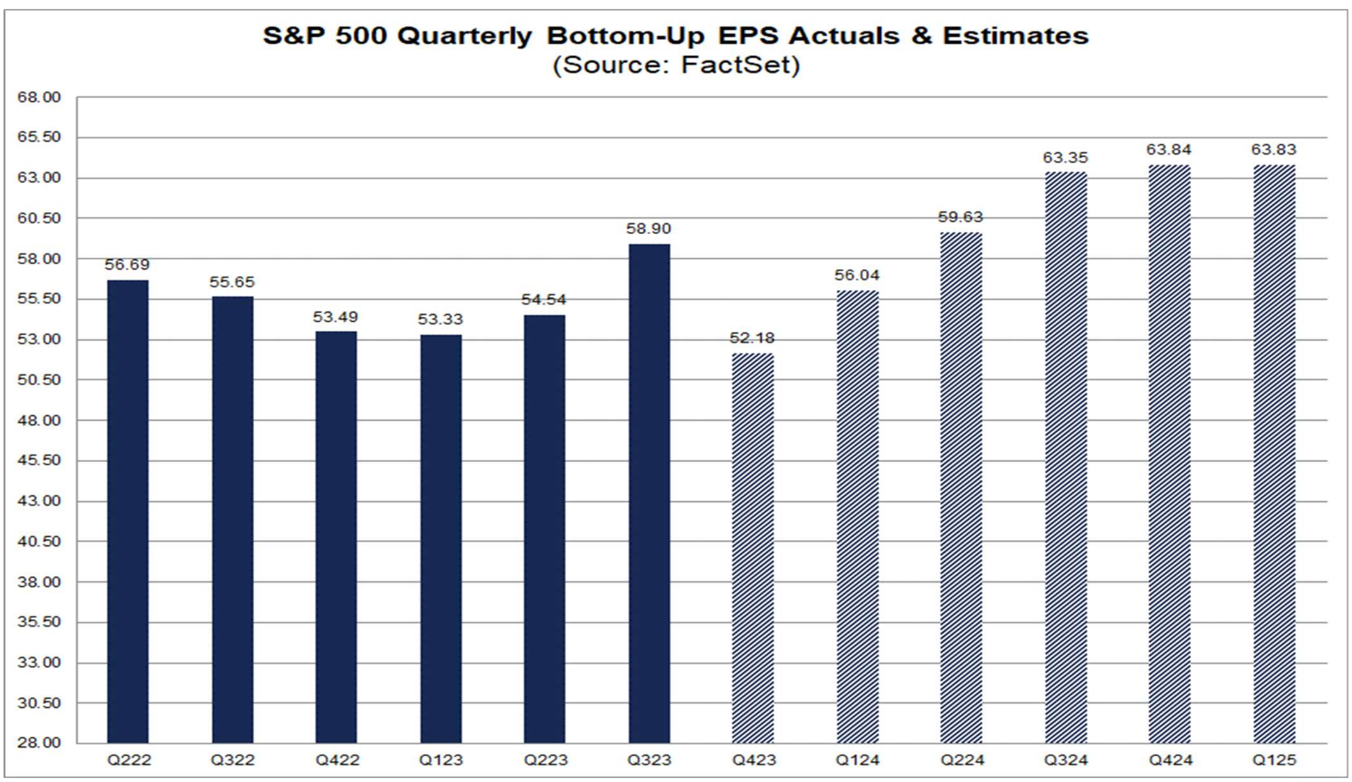
Bottom-Up EPS Estimates





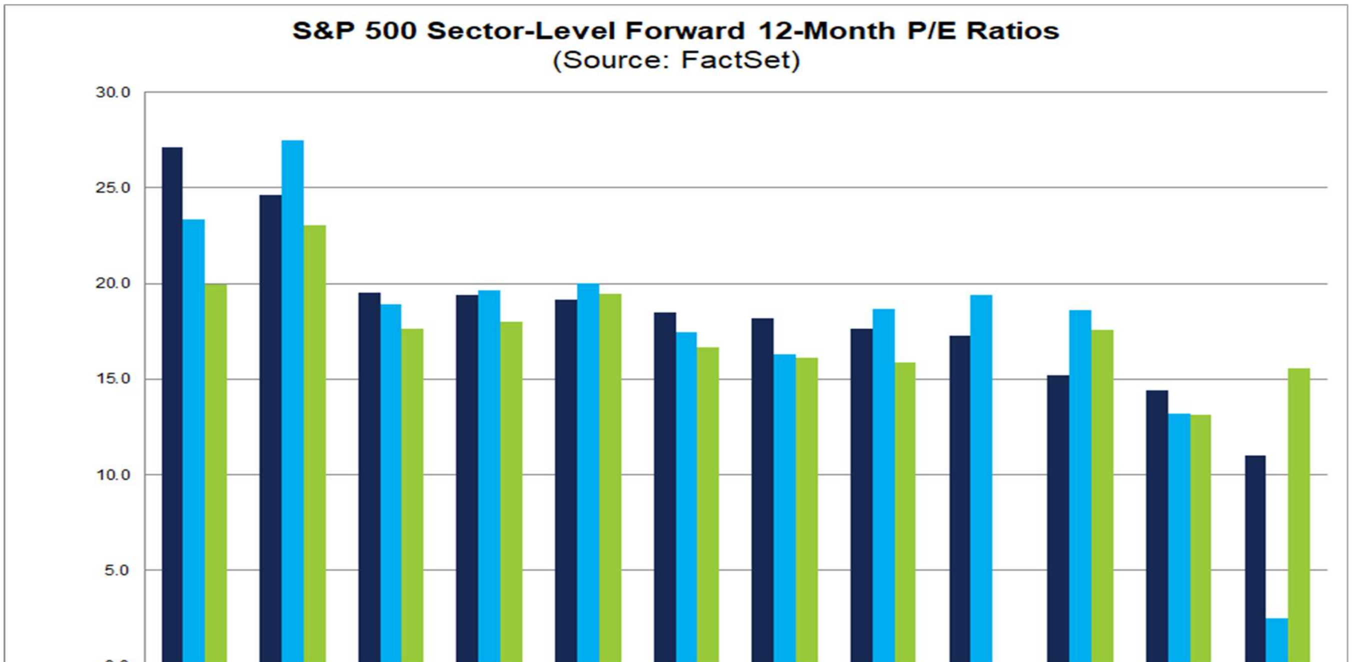
Bottom-Up EPS Estimates: Current & Historical



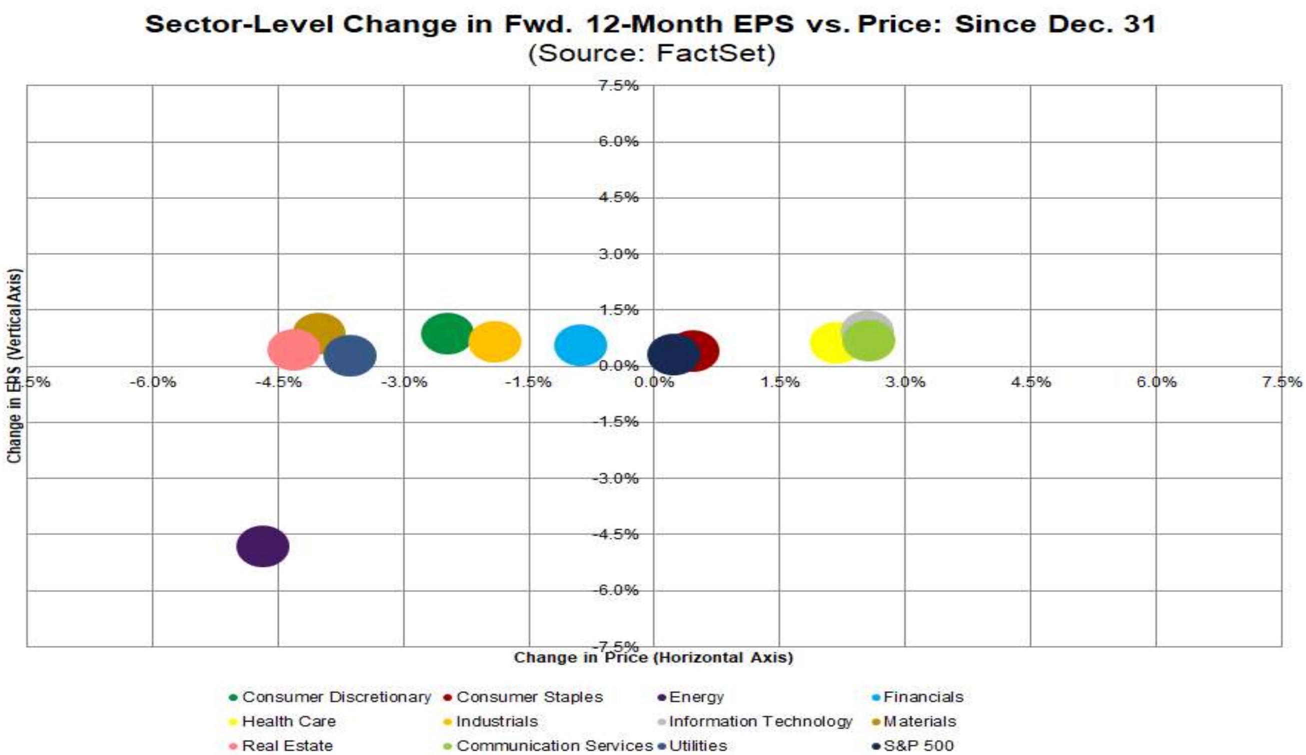


FACTSET

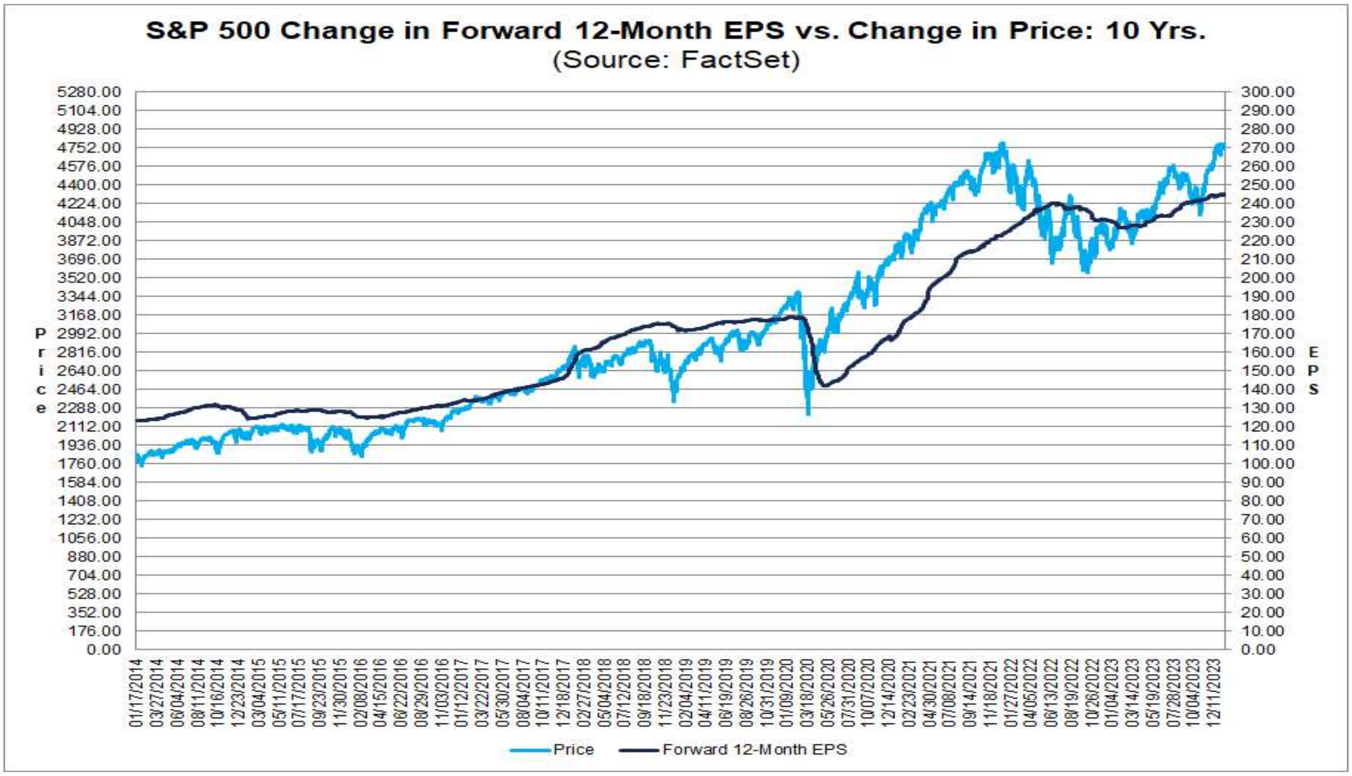
Forward 12M P/E Ratio: Sector Level

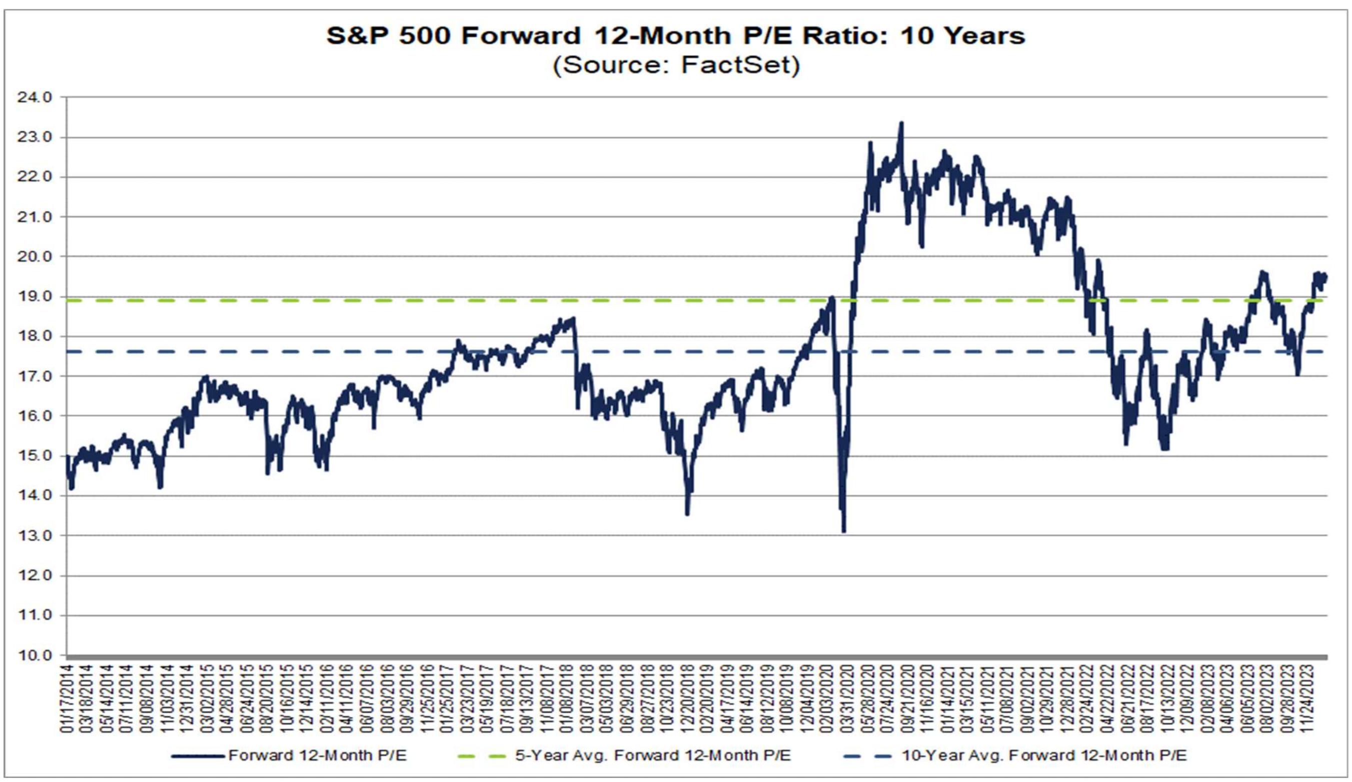


	Info. Technology	Consumer Disc.	S&P 500	Industrials	Consumer Staples	Materials	Health Care	Comm. Services	Real Estate	Utilities	Financials	Energy
Fwd P/E	27.1	24.6	19.5	19.4	19.2	18.5	18.2	17.7	17.3	15.2	14.4	11.0
5-Yr Avg.	23.4	27.5	18.9	19.6	20.0	17.5	16.3	18.7	19.4	18.6	13.2	2.5
10-Yr Avg.	20.0	23.1	17.6	18.0	19.5	16.7	16.1	15.9	0.0	17.6	13.1	15.6

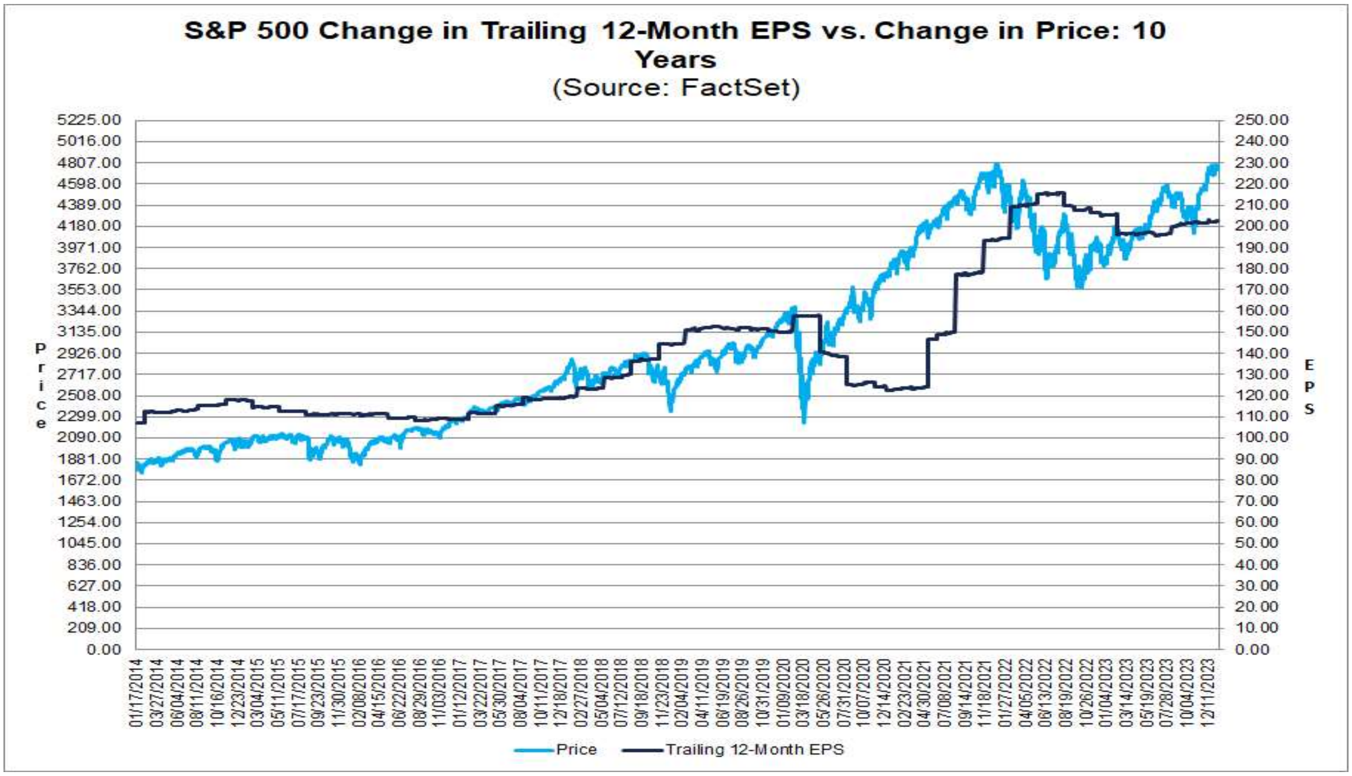


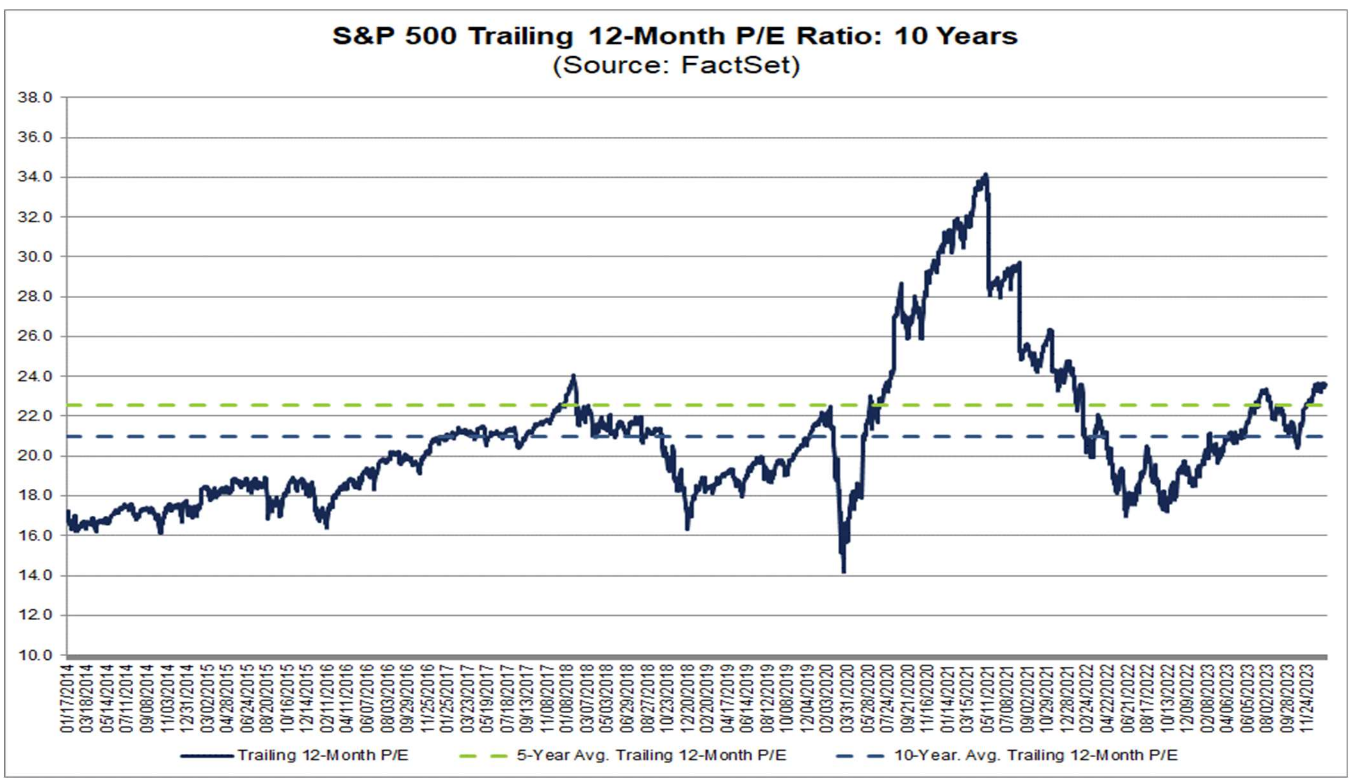
Forward 12M P/E Ratio: 10-Years



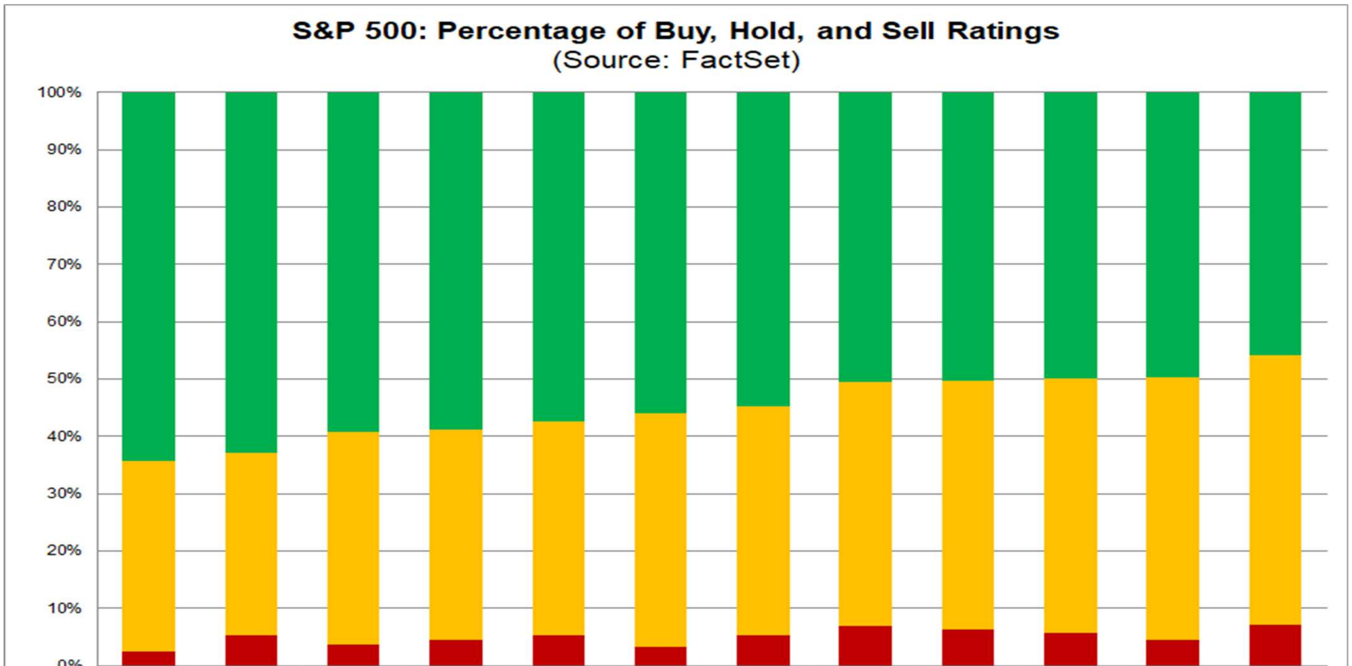


Trailing 12M P/E Ratio: 10-Years

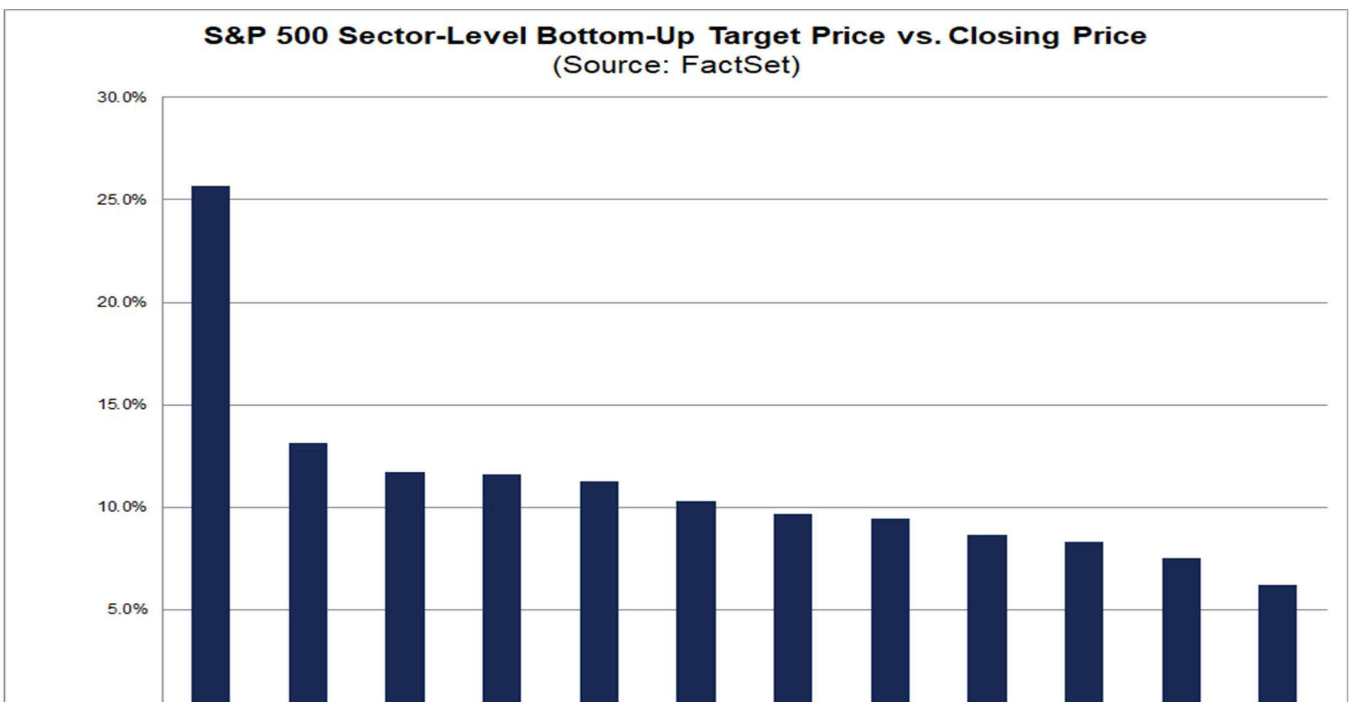




Targets & Ratings



	Energy	Comm. Services	Health Care	Info. Tech.	Consumer Disc.	Real Estate	S&P 500	Industrials	Financials	Materials	Utilities	Consumer Staples
Buy	64%	63%	59%	59%	57%	56%	55%	50%	50%	50%	50%	46%
Hold	33%	32%	37%	37%	37%	41%	40%	43%	43%	44%	46%	47%
Sell	2%	5%	4%	4%	5%	3%	5%	7%	6%	6%	5%	7%



	Energy	Consumer Disc.	Materials	Utilities	Financials	Real Estate	Consumer Staples	S&P 500	Comm. Services	Health Care	Industrials	Info. Tech.
Target/Close	25.7%	13.1%	11.7%	11.6%	11.3%	10.3%	9.7%	9.5%	8.7%	8.3%	7.5%	6.2%

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