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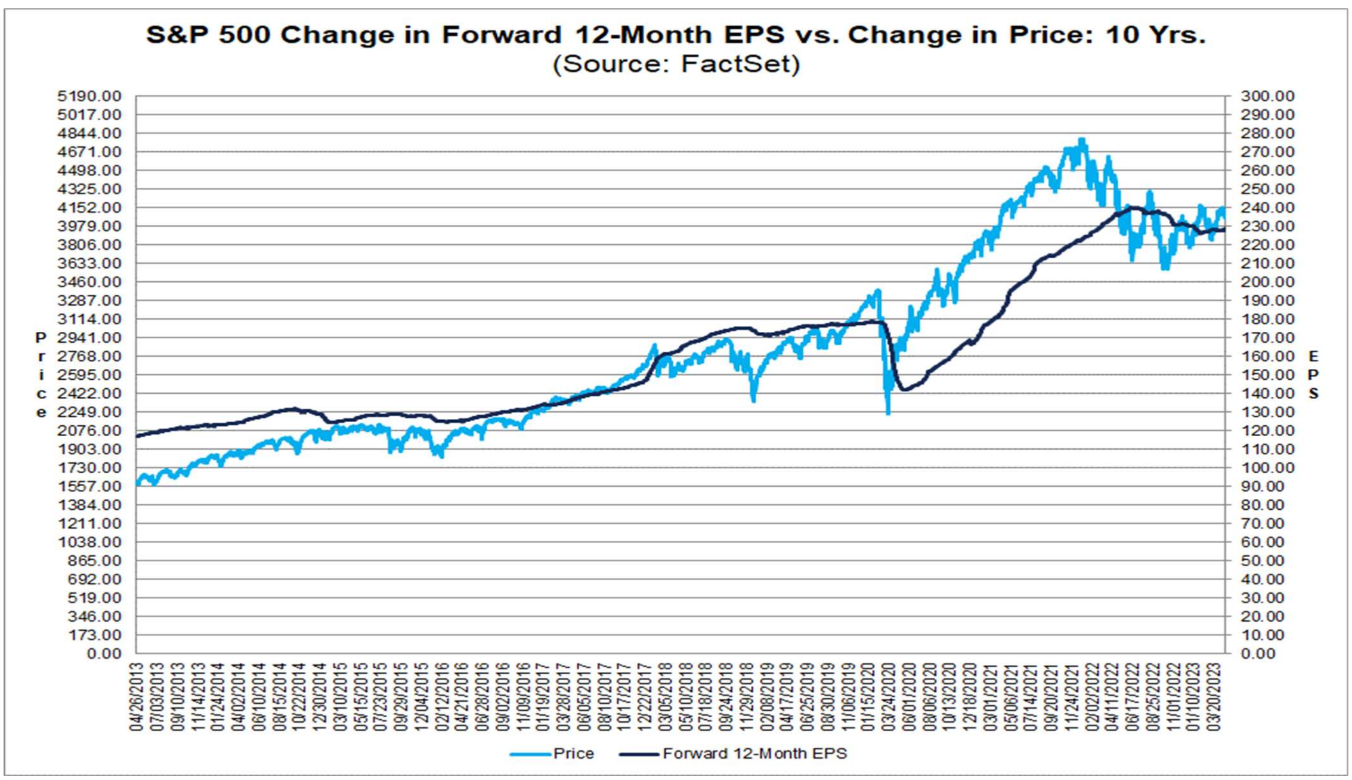
Key Metrics

- **Earnings Scorecard:** For Q1 2023 (with 53% of S&P 500 companies reporting actual results), 79% of S&P 500 companies has reported a positive EPS surprise and 74% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Decline:** For Q1 2023, the blended earnings decline for the S&P 500 is -3.7%. If -3.7% is the actual decline for the quarter, it will mark the second straight quarter that the index has reported a decline in earnings.
- **Earnings Revisions:** On March 31, the estimated earnings decline for Q1 2023 was -6.7%. Ten sectors are reporting higher earnings today (compared to Mar. 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q2 2023, 28 S&P 500 companies have issued negative EPS guidance and 20 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.1. This P/E ratio is below the 5-year average (18.5) but above the 10-year average (17.3).



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Topic of the Week: 1

Amazon is Largest Contributor to Expected Earnings Growth for the S&P 500 for 2023

As of today, the S&P 500 is reporting a year-over-year decline in earnings of -3.7%. Despite the overall earnings decline for the index, five sectors are reporting year-over-year earnings growth, led by the Consumer Discretionary sector at 47.8%.

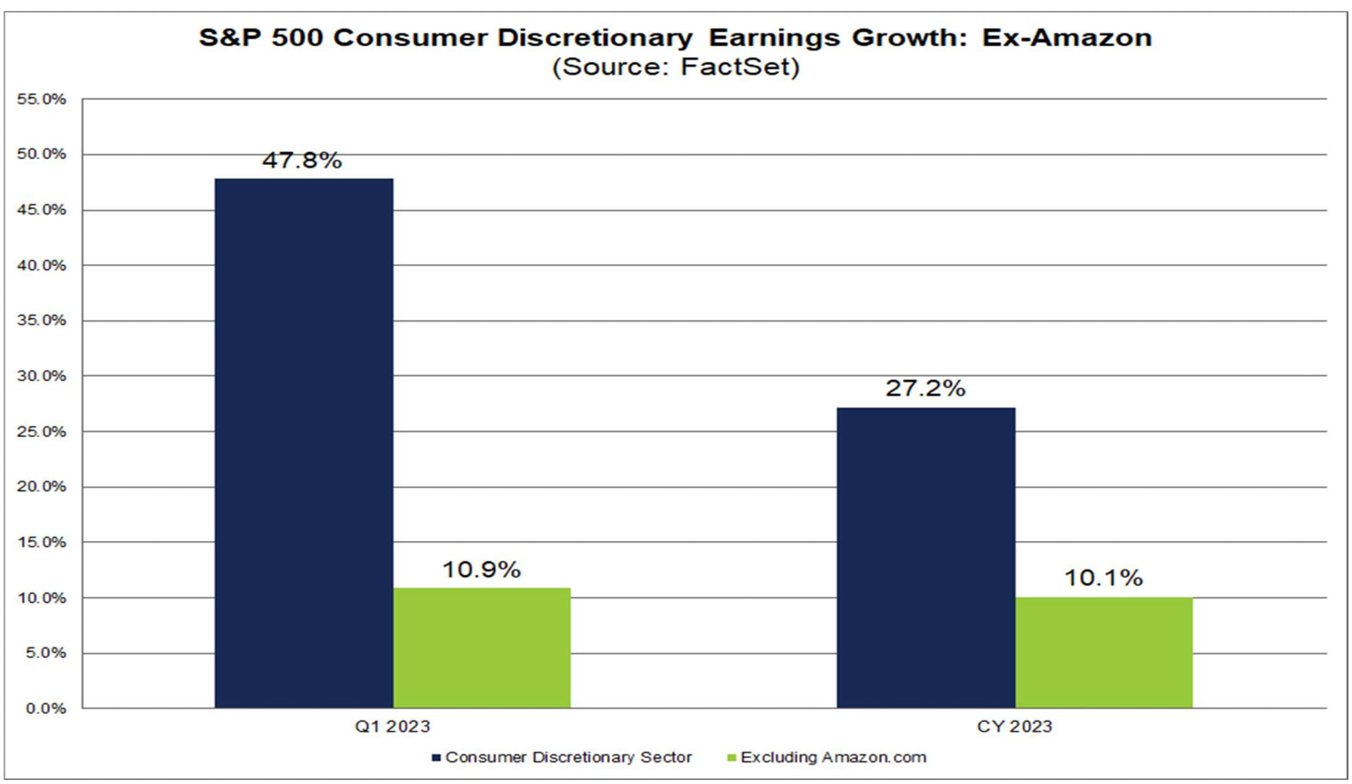
However, just one company in this sector accounts for more than 70% of the net year-over-year increase in earnings for the sector: Amazon.com.

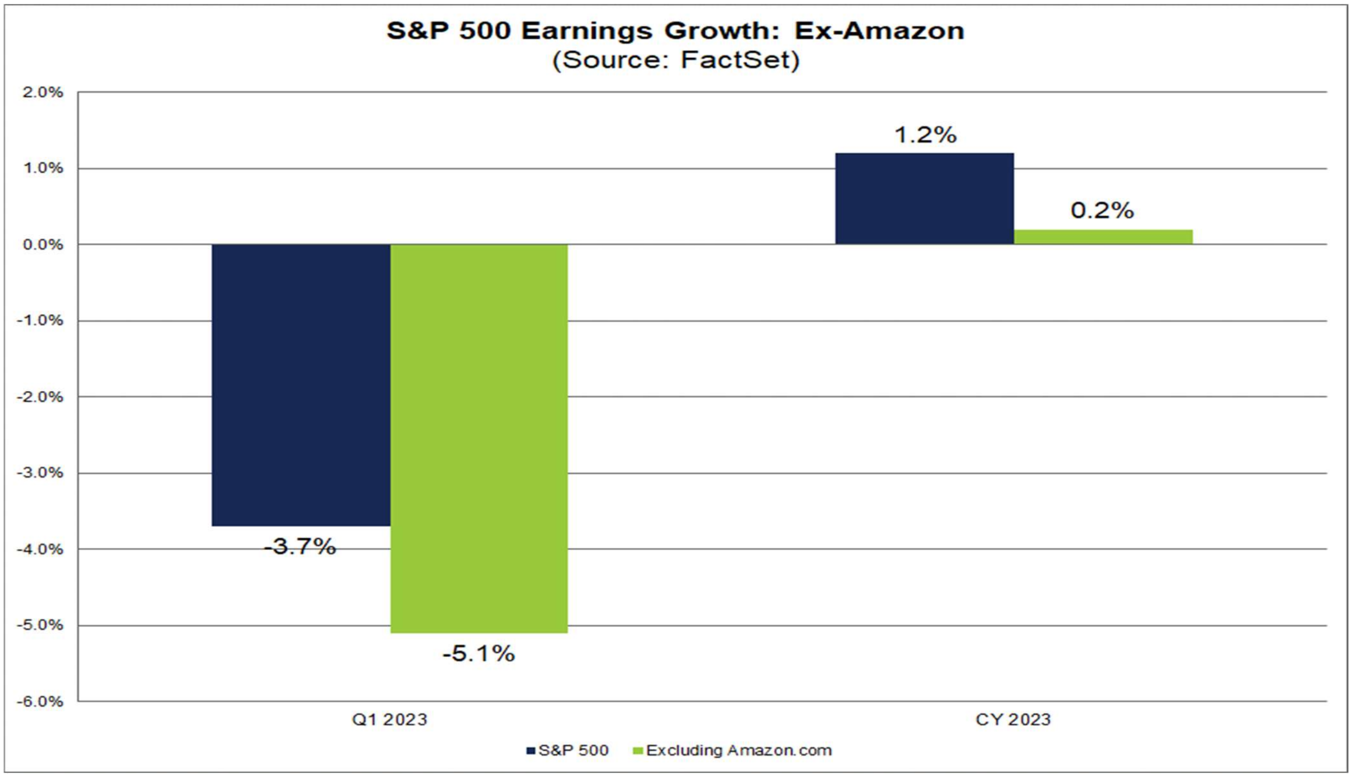
On April 27, Amazon.com reported actual (GAAP) EPS of $0.31 compared to the mean (GAAP) EPS estimate of $0.21 and year-ago (GAAP) EPS of -$0.38. On a dollar-level basis, the company reported net income of $3.2 billion for Q1 2023 compared to a net loss of -$3.8 billion in Q1 2022. It should be noted that the company recorded a pre-tax (valuation) loss of $0.5 billion in Q1 2023 compared to a pre-tax (valuation) loss of $7.6 billion in Q1 2022.

Due to this substantial year-over-year increase in earnings, Amazon.com is the largest contributor to earnings growth for the Consumer Discretionary sector for Q1 2023. If this company were excluded, the blended earnings growth rate for the sector would fall to 10.9% from 47.8%.

Amazon.com is also expected to the largest contributor to earnings growth for the Consumer Discretionary sector for all of 2023. The mean (GAAP) EPS estimate for Amazon.com for 2023 is $1.55, compared to year-ago (GAAP) EPS of -$0.27. Again, if this company were excluded, the estimated earnings growth rate for the Consumer Discretionary sector for 2023 would fall to 10.1% from 27.2%.

It is interesting to note that Amazon.com is also the largest contributor to earnings growth for the entire S&P 500 for Q1 and 2023. If this company were excluded, the (blended) earning decline for the S&P 500 for Q1 2023 would increase to -5.1% from -3.7%, while the estimated earnings growth rate for the S&P 500 for CY 2023 would fall to 0.2% from 1.2%.




S&P 500 Earnings Growth: Ex-Amazon
(Source: FactSet)
2.0%
1.0%
0.0%
-1.0%
-2.0%
-3.0%
-4.0%
-5.0%
-6.0%
1.2%
0.2%
-3.7%
-5.1%
Q1 2023
CY 2023
S&P 500
Excluding Amazon.com

Topic of the Week: 2

Analysts Making Smaller Cuts Than Average to EPS Estimates for S&P 500 Companies for Q2

Given concerns in the market about a possible economic slowdown or recession, have analysts lowered EPS estimates more than normal for S&P 500 companies for the second quarter?

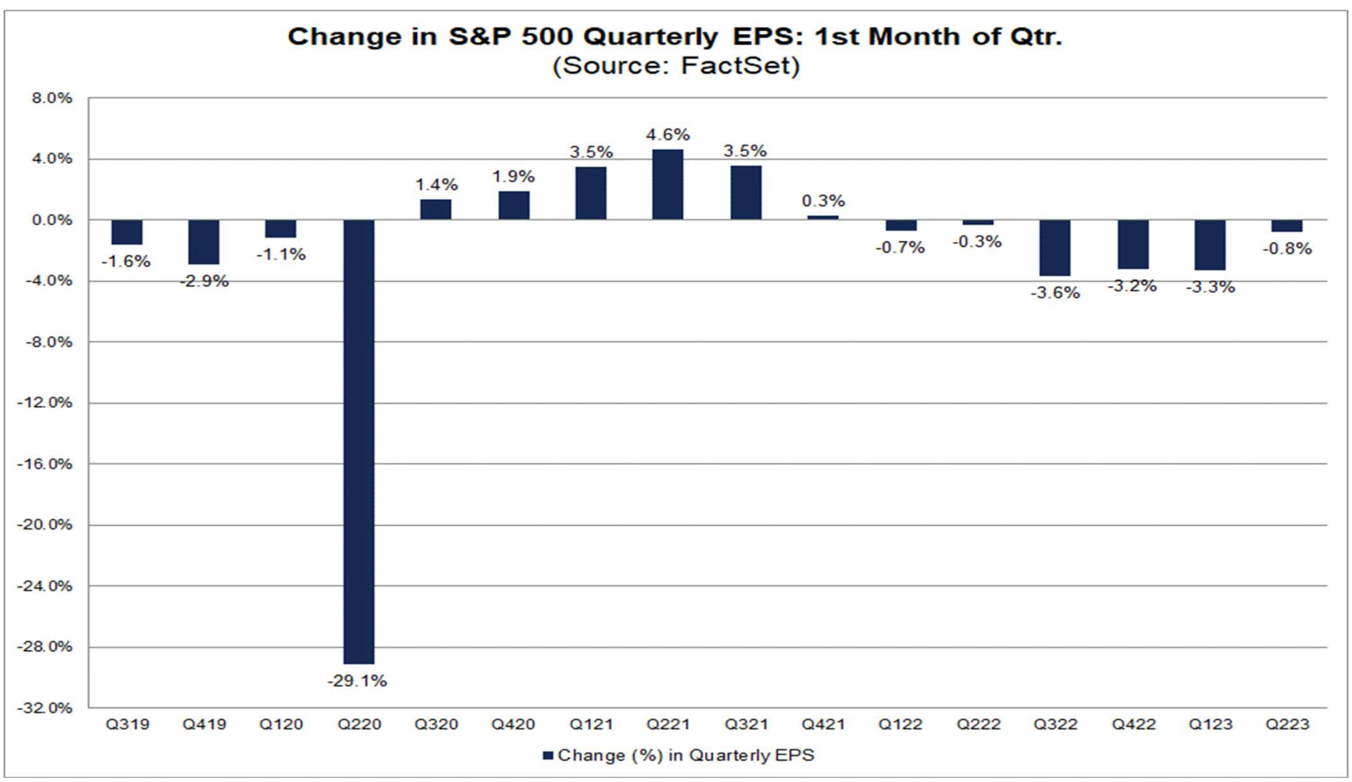
The answer is no. During the month of April, analysts lowered EPS estimates for the second quarter by a smaller margin than average. The Q2 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q2 for all the companies in the index) decreased by 0.8% (to $53.89 from $54.32) from March 31 to April 27.

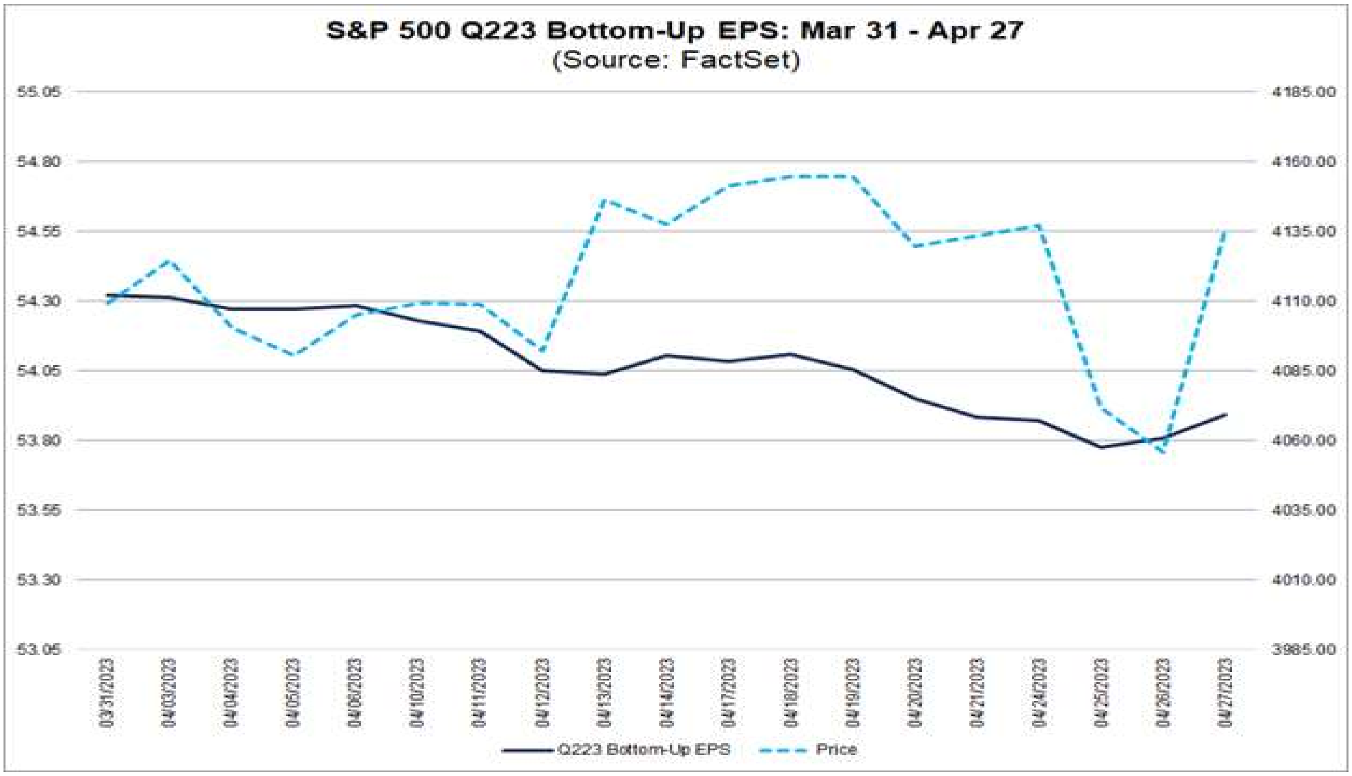
In a typical quarter, analysts usually reduce earnings estimates during the first month of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.9%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.8%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 2.2%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.7%.

Thus, the decline in the bottom-up EPS estimate recorded during the first month of the second quarter was smaller than the 5-year average, the 10-year average, the 15-year average, and the 20-year average.

At the sector level, eight of the eleven sectors witnessed a decrease in their bottom-up EPS estimate for Q2 2023 from March 31 to April 27, led by the Energy (-5.2%) sector. On the other hand, three sectors recorded an increase in their bottom-up EPS estimate for Q2 2023 during this period, led by the Communication Services (+1.9%) sector.

It is interesting to note that while the bottom-up EPS estimate for CY 2023 declined by 0.2% during the month of April (to $220.86 from $221.25), it increased by 0.4% over the past week (to $220.86 from $220.04). Will the net upward revisions to EPS estimates for CY 2023 recorded over the past week continue in the second half of the Q1 earnings season?




S&P 500 Q223 Bottom-Up EPS: Mar 31 - Apr 27
(Source: FactSet)
55.05
54.80
54.55
54.30
54.05
53.80
53.55
53.30
53.05
4185.00
4160.00
4135.00
4110.00
4085.00
4060.00
4035.00
4010.00
3985.00
03/31/2023
04/03/2023
04/04/2023
04/05/2023
04/06/2023
04/10/2023
04/11/2023
04/12/2023
04/13/2023
04/14/2023
04/17/2023
04/18/2023
04/19/2023
04/20/2023
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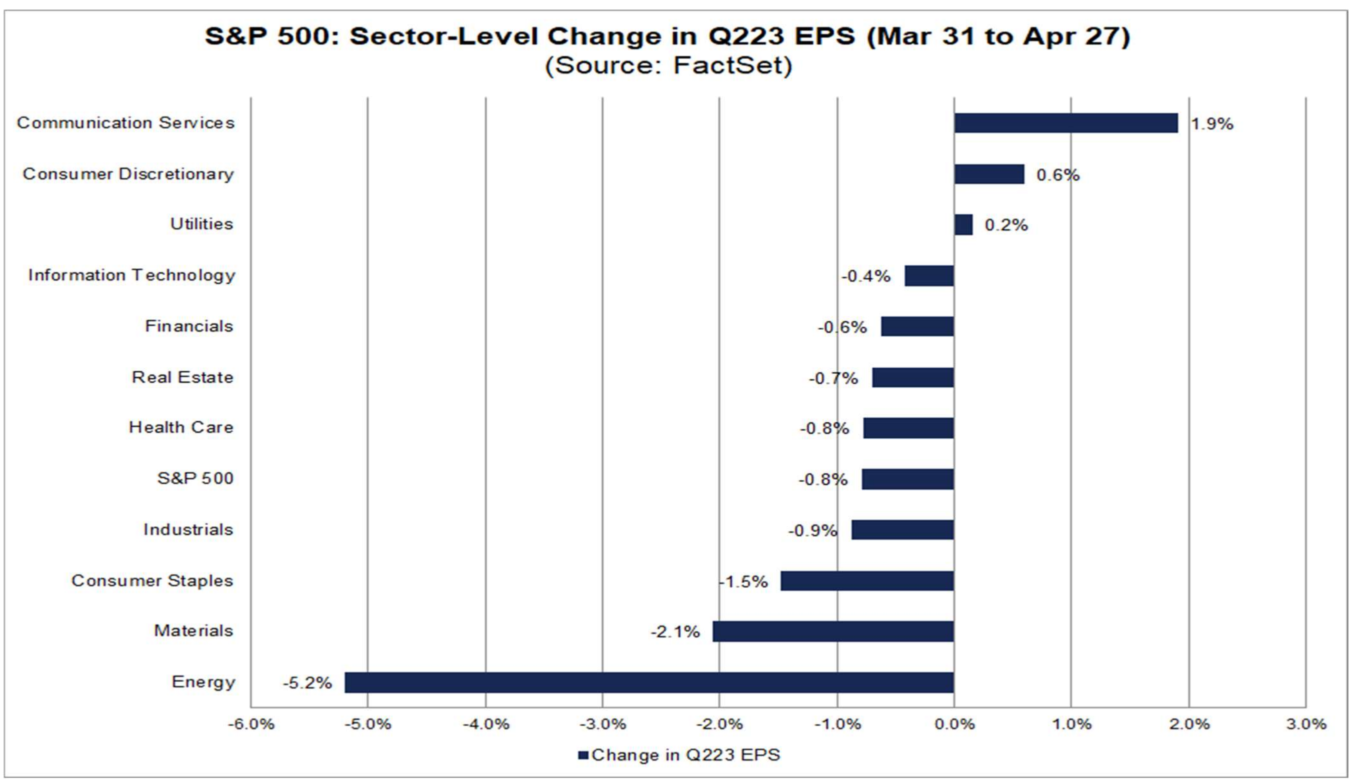
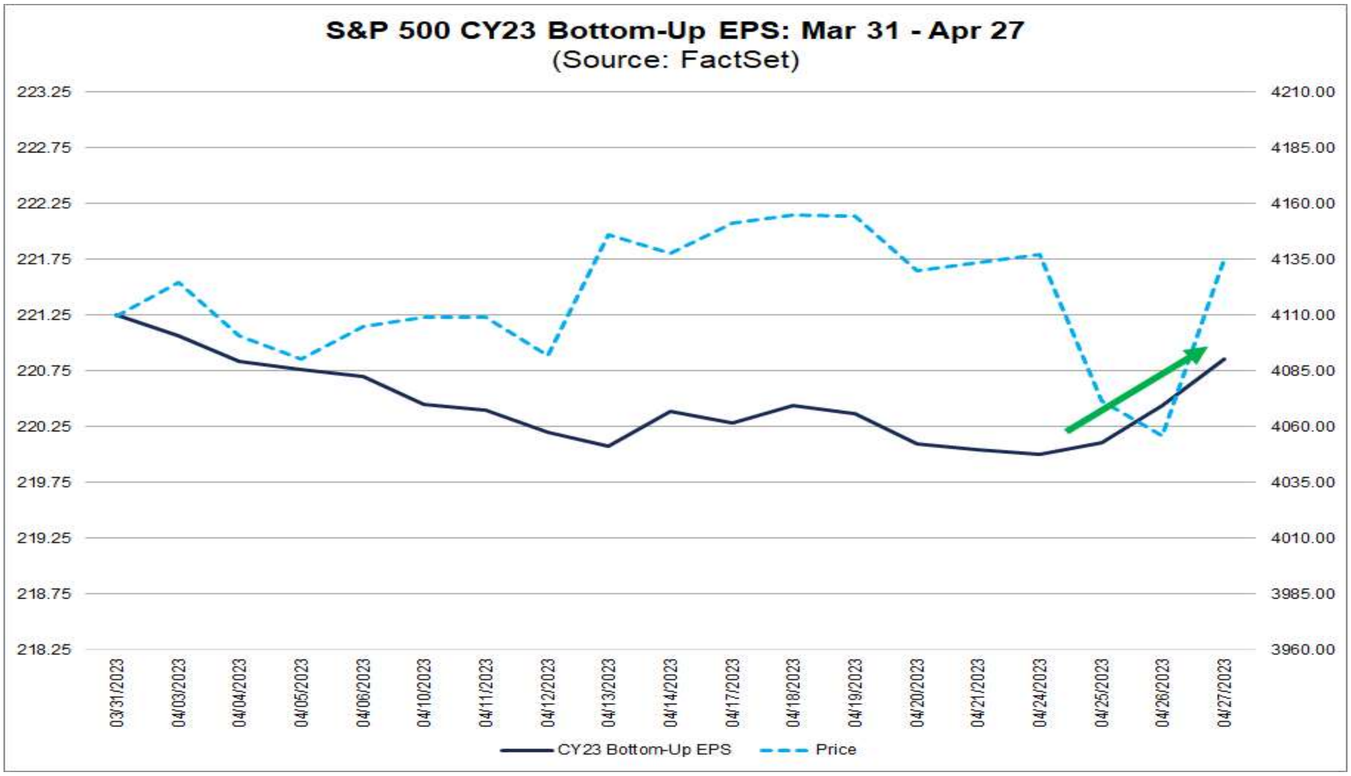
04/25/2023
04/26/2023
04/27/2023
Q223 Bottom-Up EPS
Price


S&P 500: Sector-Level Change in Q223 EPS (Mar 31 to Apr 27)
(Source: FactSet)
Communication Services
Consumer Discretionary
Utilities
Information Technology
Financials
Real Estate
Health Care
S&P 500
Industrials
Consumer Staples
Materials
Energy
1.9%
0.6%
0.2%
-0.4%
-0.6%
-0.7%
-0.8%
-0.8%
-0.9%
-1.5%
-2.1%
-5.2%
-6.0%
-5.0%
-4.0%
-3.0%
-2.0%
-1.0%
0.0%
1.0%
2.0%
3.0%
Change in Q223 EPS


S&P 500 CY23 Bottom-Up EPS: Mar 31 - Apr 27
(Source: FactSet)
223.25
222.75
222.25
221.75
221.25
220.75
220.25
219.75
219.25
218.75
218.25
4210.00
4185.00
4160.00
4135.00
4110.00
4085.00
4060.00
4035.00
4010.00
3985.00
3960.00
03/31/2023
04/03/2023
04/04/2023
04/05/2023
04/06/2023
04/10/2023
04/11/2023
04/12/2023
04/13/2023
04/14/2023
04/17/2023
04/18/2023
04/19/2023
04/20/2023
04/21/2023
04/24/2023
04/25/2023
04/26/2023
04/27/2023
CY23 Bottom-Up EPS
Price

Q1 Earnings Season: By The Numbers

Overview

At the mid-point of the Q1 2023 earnings season, S&P 500 companies are recording their best performance relative to analyst expectations since Q4 2021. Both the number of companies reporting positive EPS surprises and the magnitude of these earnings surprises are above their 10-year averages. The index is reporting higher earnings for the first quarter today relative to the end of last week and relative to the end of the quarter. However, the index is still reporting a year-over-year decline in earnings for the second straight quarter.

Overall, 53% of the companies in the S&P 500 have reported actual results for Q1 2023 to date. Of these companies, 79% have reported actual EPS above estimates, which is above the 5-year average of 77% and above the 10-year average of 73%. In aggregate, companies are reporting earnings that are 6.9% above estimates, which is below the 5-year average of 8.4% but above the 10-year average of 6.4%.

As a result, the index is reporting higher earnings for the first 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 first quarter is -3.7% today, compared to an earnings decline of -6.3% last week and an earnings decline of -6.7% at the end of the first quarter (March 31).

Positive earnings surprises reported by companies in the multiple sectors (led by the Information Technology, Consumer Discretionary, Energy, Industrials, and Communication Services sectors) were the largest contributors to the decrease in the overall earnings decline for the index over the past week. Positive earnings surprises reported by companies in multiple sectors (led by the Consumer Discretionary, Information Technology, Financials, Communication Services, and Industrials sectors) have been the largest contributors to the decrease in the overall earnings decline for the index since March 31.

If -3.7% is the actual decline for the quarter, it will mark the second straight quarter in which the index has reported a decrease in earnings.

Five of the eleven sectors are reporting year-over-year earnings growth, led by the Consumer Discretionary and Industrials sectors. On the other hand, six sectors are reporting a year-over-year decline in earnings, led by the Materials and Health Care sectors.

In terms of revenues, 74% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 69% and above the 10-year average of 63%. In aggregate, companies are reporting revenues that are 2.1% above the estimates, which is above the 5-year average of 2.0% and above the 10-year average of 1.3%.

The index is also reporting higher revenues for the first quarter today relative to the end of last week and relative to the end of the quarter. The blended revenue growth rate for the first quarter is 2.9% today, compared to a revenue growth rate of 2.1% last week and a revenue growth rate of 1.9% at the end of the first quarter (March 31).

Positive revenue surprises reported by companies in the multiple sectors (led by the Consumer Discretionary, Industrials, Energy, and Health Care sectors) were the largest contributors to the increase in the overall revenue growth rate for the index over the past week. Positive revenue surprises reported by companies in multiple sectors (led by the Health Care, Financials, and Consumer Discretionary sectors) have been the largest contributors to the increase in the overall revenue growth rate for the index since March 31.

If 2.9% is the actual growth rate for the quarter, it will mark the lowest revenue growth rate reported by the index since Q3 2020 (-1.1%).

Eight sectors are reporting year-over-year growth in revenues, led by the Financials and Consumer Discretionary sectors. On the other hand, three sectors are reporting a year-over-year decline in revenues, led by the Materials sector.

Looking ahead, analysts still expect earnings growth for the second half of 2023. For Q2 2023, analysts are projecting an earnings decline of -5.0%. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 1.7% and 8.8%, respectively. For all of CY 2023, analysts predict earnings growth of 1.2%.

The forward 12-month P/E ratio is 18.1, which is below the 5-year average (18.5) but above the 10-year average (17.3). It is also equal to the forward P/E ratio of 18.1 recorded at the end of the first quarter (March 31).

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

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

Percentage of Companies Beating EPS Estimates (79%) is Above 5-Year Average

Overall, 53% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 79% have reported actual EPS above the mean EPS estimate, 3% have reported actual EPS equal to the mean EPS estimate, and 17% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year average (73%), above the 5-year average (77%), and above the 10-year average (73%).

At the sector level, the Energy (100%) and Consumer Staples (95%) sectors have the highest percentages of companies reporting earnings above estimates, while the Utilities (56%), Financials (62%), and Real Estate (63%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+6.9%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 6.9% above expectations. This surprise percentage is above the 1-year average (+2.8%), below the 5-year average (+8.4%), and above the 10-year average (6.4%).

The Consumer Discretionary (+22.1%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, CarMax ($0.44 vs. $0.20), Amazon.com ($0.31 vs. $0.21), NIKE ($0.79 vs. $0.56), D.R. Horton ($2.73 vs. $1.93), and Las Vegas Sands ($0.28 vs. $0.20) have reported the largest positive EPS surprises.

The Materials (+17.8%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Dow ($0.58 vs. $0.36), LyondellBasell Industries ($2.50 vs. $1.75), Eastman Chemical ($1.63 vs. $1.25), PPG Industries ($1.82 vs. $1.45), and Newmont Corporation ($0.40 vs. $0.33) have reported the largest positive EPS surprises.

The Industrials (+10.0%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, General Electric ($0.27 vs. $0.14), Masco Corporation ($0.87 vs. $0.63), American Airlines Group ($0.05 vs. $0.04), and Caterpillar ($4.91 vs. $3.80) have reported the largest positive EPS surprises.

The Energy (+8.3%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, EQT Corporation ($1.70 vs. $1.30) and Valero Energy ($8.27 vs. $7.23) have reported the largest positive EPS surprises.

Market Rewarding Positive EPS Surprises Less Than Average

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

Companies that have reported positive earnings surprises for Q1 2023 have seen an average price increase of +0.1% two days before the earnings release through two days after the earnings release. This percentage increase is well below 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 Q1 2023 have seen an average price decrease of -2.4% 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 -2.2% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (74%) is Above 5-Year Average

In terms of revenues, 74% of companies have reported actual revenues above estimated revenues and 26% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (70%), above the 5-year average (69%), and above the 10-year average (63%).

At the sector level, the Health Care (90%) and Utilities (88%) sectors have the highest percentages of companies reporting revenues above estimates, while the Materials (31%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.1%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.1% above expectations. This surprise percentage is below the 1-year average (+2.5%), but above the 5-year average (+2.0%) and above the 10-year average (+1.3%).

At the sector level, the Utilities (+5.8%) sector is reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Materials (-0.4%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings Decline This Week Due to Multiple Sectors

Decrease in Blended Earnings Decline This Week Due to Multiple Sectors

The blended (year-over-year) earnings decline for the first quarter is -3.7%, which is smaller than the earnings decline of -6.3% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Information Technology, Consumer Discretionary, Energy, Industrials, and Communication Services sectors) were the largest contributors to the decrease in the overall earnings decline during the past week.

In the Information Technology sector, the positive EPS surprises reported by Microsoft ($2.45 vs. $2.24) and Intel (-$0.04 vs. -$0.16) were significant contributors to the decrease in the earnings decline for the index during the week. As a result, the blended earnings decline for the Information Technology sector improved to -12.6% from -15.1% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com ($0.31 vs. $0.21) and General Motors ($2.21 vs. $1.72) were substantial contributors to the decrease in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Consumer Discretionary sector improved to 47.8% from 36.5% over this period.

In the Energy sector, the positive EPS surprises reported by Exxon Mobil ($2.83 vs. $2.60) and Valero Energy ($8.27 vs. $7.23) were significant contributors to the decrease in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Energy sector improved to 11.9% from 6.5% over this period.

In the Industrials sector, the positive EPS surprise reported by Caterpillar ($4.91 vs. $3.80) was a substantial contributor to the decrease in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Industrials sector improved to 18.5% from 12.5% over this period.

In the Communication Services sector, the positive EPS surprise reported by Alphabet ($1.17 vs. $1.08) was a substantial contributor to the decrease in the earnings decline for the index during the week. As a result, the blended earnings decline for the Communications Services sector improved to -11.0% from -14.9% over this period.

Increase in Blended Revenue Growth Rate This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the first quarter is 2.9%, which is above the revenue growth rate of 2.1% last week. Positive revenue surprises reported by companies in the multiple sectors (led by the Consumer Discretionary, Industrials, Energy, and Health Care sectors) were the largest contributors to the increase in the overall revenue growth rate for the index over the past week.

Consumer Discretionary Sector Has Seen Largest Increase in Earnings since March 31

The blended (year-over-year) earnings decline for Q1 2023 of -3.7% is smaller than the estimate of -6.7% at the end of the first quarter (March 31). Ten 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 earnings estimates and positive earnings surprises, led by the Consumer Discretionary (to 47.8% from 33.8%) sector. The Consumer Discretionary, Information Technology, Financials, Communication Services, and Industrials sectors have been the largest contributor to the increase in earnings for the index since March 31. On the other hand, the Utilities (to -10.5% from -8.4%) is the only sector that has recorded a decrease in its earnings growth rate or an increase in its earnings decline during this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com ($0.31 vs. $0.21) and General Motors ($2.21 vs. $1.72) have been substantial contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings growth rate for the Consumer Discretionary sector has improved to 47.8% from 33.8% over this period.

In the Information Technology sector, the positive EPS surprises reported by Microsoft ($2.45 vs. $2.24) and Intel (-$0.04 vs. -$0.16) have been significant contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings decline for the Information Technology sector improved to -12.6% from -15.1% over this period.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase ($4.10 vs. $3.41), Citigroup ($2.19 vs. $1.65), and Bank of America ($0.94 vs. $0.81) have been substantial contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings growth rate for the Financials sector has increased to 5.3% from 2.9% over this period.

In the Communication Services sector, the positive EPS surprise reported by Alphabet ($1.17 vs. $1.08) has been a significant contributor to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings decline for the Communications Services sector improved to -11.0% from -14.9% over this period.

In the Industrials sector, the positive EPS surprise reported by Caterpillar ($4.91 vs. $3.80) has been a substantial contributor to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings growth rate for the Industrials sector improved to 18.5% from 12.7% over this period.

Health Care Sector Has Seen Largest Increase in Revenues since March 31

The blended (year-over-year) revenue growth rate for Q1 2023 of 2.9% is above the estimate of 1.9% at the end of the first quarter (March 31). Ten sectors have recorded an increase in revenue growth 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 Utilities (to -0.1% from -2.4%) sector. However, the Health Care, Financials, and Consumer Discretionary sectors have been the largest contributors to the increase in revenues for the index since March 31. On the other hand, the Materials (to -8.3% from -7.9%) sector is the only sector that has recorded a decrease in its revenue growth rate or an increase in its revenue decline since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises.

In the Health Care sector, the positive revenue surprises reported by Centene Corporation ($38.90 billion vs. $36.14 billion), UnitedHealth Group ($91.93 billion vs. $89.71 billion), and Johnson & Johnson ($24.75 billion vs. $23.60 billion) have been substantial contributors to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Health Care sector has increased to 2.2% from 0.9% over this period.

In the Financials sector, the positive revenue surprises reported by JPMorgan Chase ($38.35 billion vs. $36.12 billion), Citigroup ($21.45 billion vs. $20.01 billion), and Bank of America ($26.39 billion vs. $25.16 billion) have been significant contributors to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Financials sector has increased to 10.9% from 9.2% over this period.

In the Consumer Discretionary sector, the positive revenue surprises reported by Amazon.com ($127.36 billion vs. $124.60 billion), General Motors ($39.99 billion vs. $38.55 billion), and D.R. Horton ($7.97 billion vs. $6.45 billion) have been substantial contributors to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Consumer Discretionary sector has increased to 8.4% from 6.6% over this period.

Earnings Decline: -3.7%

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 Q1 2023 is -3.7%, which is below the 5-year average earnings growth rate of 13.4% and below the 10-year average earnings growth rate of 8.7%. If -3.7% is the actual decline for the quarter, it will mark the second consecutive quarter in which earnings have declined year-over-year.

Five of the eleven sectors are reporting year-over-year earnings growth, led by the Consumer Discretionary and Industrials sectors. On the other hand, six sectors are reporting a year-over-year decline in earnings, led by the Materials and Health Care sectors.

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

The Consumer Discretionary sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 47.8%. At the industry level, 3 of the 9 industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings. A growth rate is not being calculated for the Hotels, Restaurants, & Leisure and Broadline Retail industries due to the losses reported by both industries in the year-ago quarter. However, both industries are reporting profits in Q1 2023. The Hotels, Restaurants, & Leisure industry is reporting a profit of $4.2 billion in Q1 2023 compared to a loss of -829 million in Q1 2022, while the Broadline Retail industry is reporting a profit of $3.8 billion in Q1 2023 compared to a loss of -$3.2 billion in Q1 2022. The other industry predicted to report (year-over-year) earnings growth is the Auto Components (19%) industry. On the other hand, 6 industries are reporting a year-over-year decline in earnings. Three of these six industries are reporting a decrease in earnings of more than 10%: Leisure Products (-98%), Household Durables (-24%), and Textiles, Apparel, & Luxury Goods (-16%).

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 -10.0% instead of year-over-year earnings growth of 47.8%.

At the company level, Amazon.com is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the sector would fall to 10.9% from 47.8%

Industrials: Passenger Airlines Industry 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 18.5%. At the industry level, 8 of the 12 industries in the sector are reporting a year-over-year increase in earnings. A growth rate is not being calculated for the Passenger Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry reported a much smaller loss in Q1 2023 (-$253 million) compared to Q1 2022 (-$4.0 billion). Three of the remaining seven industries are reporting earnings growth above 10%: Trading Companies & Distributors (27%), Machinery (21%), and Aerospace & Defense (17%). On the other hand, 4 industries are reporting (or are expected to report) a year-over-year decline in earnings. Two of these four industries are reporting (or are predicted to report) a year-over-year decline of more than 15%: Air Freight & Logistics (-31%) and Construction & Engineering (-17%).

At the industry level, the Passenger Airlines industry is the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 4.9% from 18.5%.

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

The Materials sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -30.3%. At the industry level, three of the four industries in this sector are reporting a year-over-year decline in earnings of more than 20%: Metals & Mining (-46%), Containers & Packaging (-33%), and Chemicals (-23%). On the other hand, the Construction Materials (17%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Health Care: 4 of 5 Industries Reporting Year-Over-Year Decline of More Than 15%

The Health Care sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -19.5%. At the industry level, four of the five industries in this sector are reporting a year-over-year earnings decline of more than 15%: Biotechnology (-40%), Pharmaceuticals (-23%), Life Sciences, Tools, and Services (-22%), and Health Care Equipment & Supplies (-16%). On the other hand, the Health Care Providers & Services (2%) industry is the only industry reporting year-over-year growth in earnings.

Revenue Growth: 2.9%

The blended (year-over-year) revenue growth rate for Q1 2023 is 2.9%, which is below the 5-year average revenue growth rate of 7.9% and below the 10-year average revenue growth rate of 4.9%. If 2.9% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) revenue growth rate reported by the index since Q3 2020 (-1.1%).

At the sector level, eight sectors are reporting year-over-year growth in revenues, led by the Financials and Consumer Discretionary sectors. On the other hand, three sectors are reporting a year-over-year decline in revenues, led by the Materials sector.

Financials: 3 of 5 Industries Reporting Year-Over-Year Growth At Or Above 15%

The Financials sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 10.9%. At the industry level, four of the five industries in the sector are reporting year-over-year growth in revenues. Three of these four industries are reporting revenue growth at or above 15%: Banks (18%), Consumer Finance (18%), and Financial Services (15%). On the other hand, the Capital Markets industry (-1%) is the only industry reporting a year-over-year decline in revenues.

Consumer Discretionary: 6 of 9 Industries Reporting Year-Over-Year Growth

The Consumer Discretionary sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 8.4%. At the industry level, six of the nine industries in the sector are reporting (or are expected to report) year-over-year growth in revenues, led by the Hotels, Restaurants, & Leisure (33%) and Automobiles (15%) industries . On the other hand, three industries are reporting a year-over-year decline in revenues, led by the Leisure Products (-14%) industry.

Materials: Metals & Mining Industry Leads Year-Over-Year Decline

The Materials sector is reporting the highest (year-over-year) decline in revenues at -8.3%. At the industry level, three of the four industries in the sector are reporting a year-over-year decrease in revenues: Metals & Mining (-16%), Chemicals (-8%), and Containers & Packaging (-4%). On the other hand, the Construction Materials (4%) industry is the only industry expected to report a year-over-year growth in revenues.

Net Profit Margin: 11.5%

The blended net profit margin for the S&P 500 for Q1 2023 is 11.5%, which is above the previous quarter’s net profit margin of 11.3% and above the 5-year average of 11.4%, but below the year-ago net profit margin of 12.2%.

At the sector level, three sectors are reporting a year-over-year increase in their net profit margins in Q1 2023 compared to Q1 2022, led by the Energy (to 12.2% vs. 10.4%) and Consumer Discretionary (6.4% vs. 4.7%) sectors. On the other hand, eight sectors are reporting a year-over-year decrease in their net profit margins in Q1 2023 compared to Q1 2022, led by the Materials (10.4% vs. 13.8%) sector.

Five sectors are reporting net profit margins in Q1 2023 that are above their 5-year averages, led by the Energy (12.2% vs. 7.9%) sector. On the other hand, six sectors are reporting net profit margins in Q1 2023 that are below their 5-year averages, led by the Health Care (9.2% vs. 10.5%) sector.

Looking Ahead: Forward Estimates and Valuation

Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q2 Below 5-Yr. Avg.

At this point in time, 48 companies in the index have issued EPS guidance for Q2 2023. Of these 48 companies, 28 have issued negative EPS guidance and 20 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q2 2023 is 58% (28 out of 48), which is below the 5-year average of 59% and below the 10-year average of 66%.

At this point in time, 262 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 262 companies, 120 have issued negative EPS guidance and 142 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 46% (120 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 estimates) provided by a company is lower than the mean EPS estimate the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

Earnings: S&P 500 Expected to Report Earnings Growth of 1% for CY 2023

For the first quarter, S&P 500 companies are reporting a year-over-year earnings decline of -3.7% and revenue growth of 2.9%.

For Q2 2023, analysts are projecting an earnings decline of -5.0% and a revenue decline of <-0.1%.

For Q3 2023, analysts are projecting earnings growth of 1.7% and revenue growth of 1.4%.

For Q4 2023, analysts are projecting earnings growth of 8.8% and revenue growth of 3.6%.

For CY 2023, analysts are projecting earnings growth of 1.2% and revenue growth of 2.2%.

Valuation: Forward P/E Ratio is 18.1, Above the 10-Year Average (17.3)

The forward 12-month P/E ratio for the S&P 500 is 18.1. This P/E ratio is below the 5-year average of 18.5 but above the 10-year average of 17.3. It is also equal to the forward 12-month P/E ratio of 18.1 recorded at the end of the first quarter (March 31). Since the end of the first quarter (March 31), the price of the index has increased by 0.6%, while the forward 12-month EPS estimate has increased by 0.6%. At the sector level, the Information Technology (24.4) and Consumer Discretionary (24.4) sectors have the highest forward 12-month P/E ratios, while the Energy (10.6) and Financials (13.1) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 20.6, which is below the 5-year average of 22.5 but equal to the 10-year average of 20.6.

Targets & Ratings: Analysts Project 13% Increase in Price Over Next 12 Months

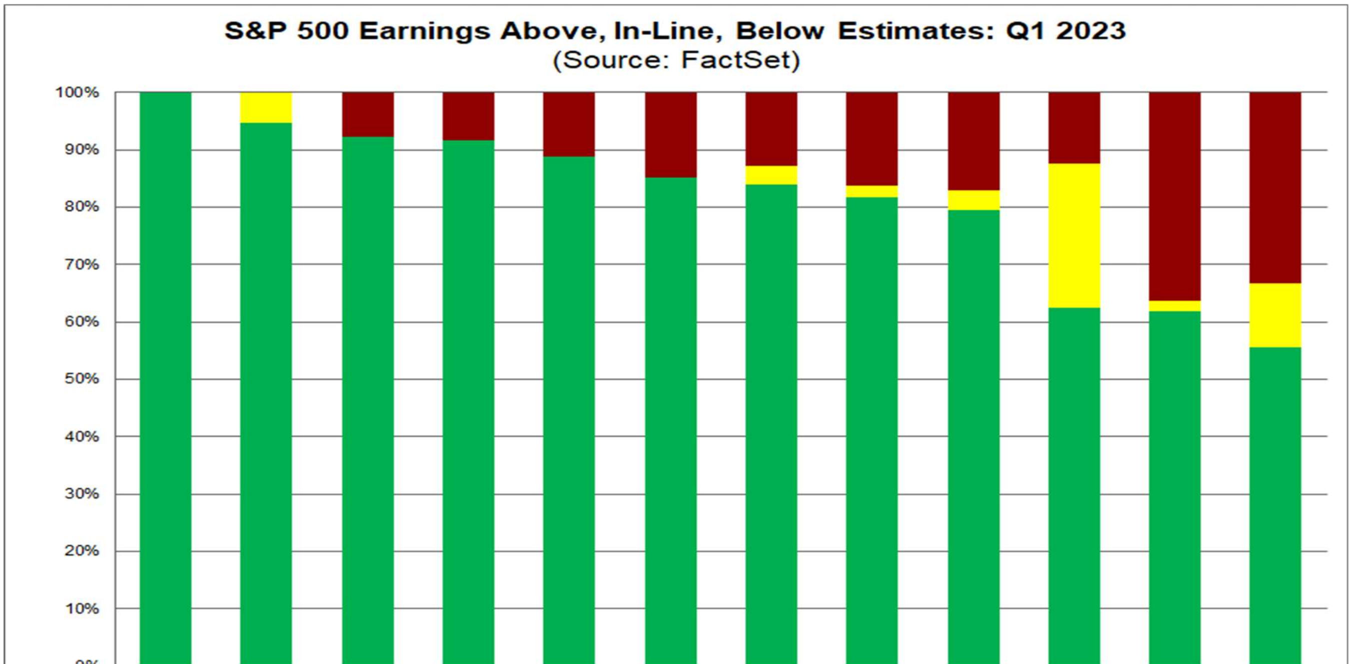
The bottom-up target price for the S&P 500 is 4680.41, which is 13.2% above the closing price of 4135.35. At the sector level, the Energy (19.4%) and Communication Services (+18.7%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Consumer Staples (8.1%) and Information Technology (+9.5%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 11,094 ratings on stocks in the S&P 500. Of these 11,094 ratings, 53.9% are Buy ratings, 40.0% are Hold ratings, and 6.0% are Sell ratings. At the sector level, the Energy (62%) and Communication Services (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

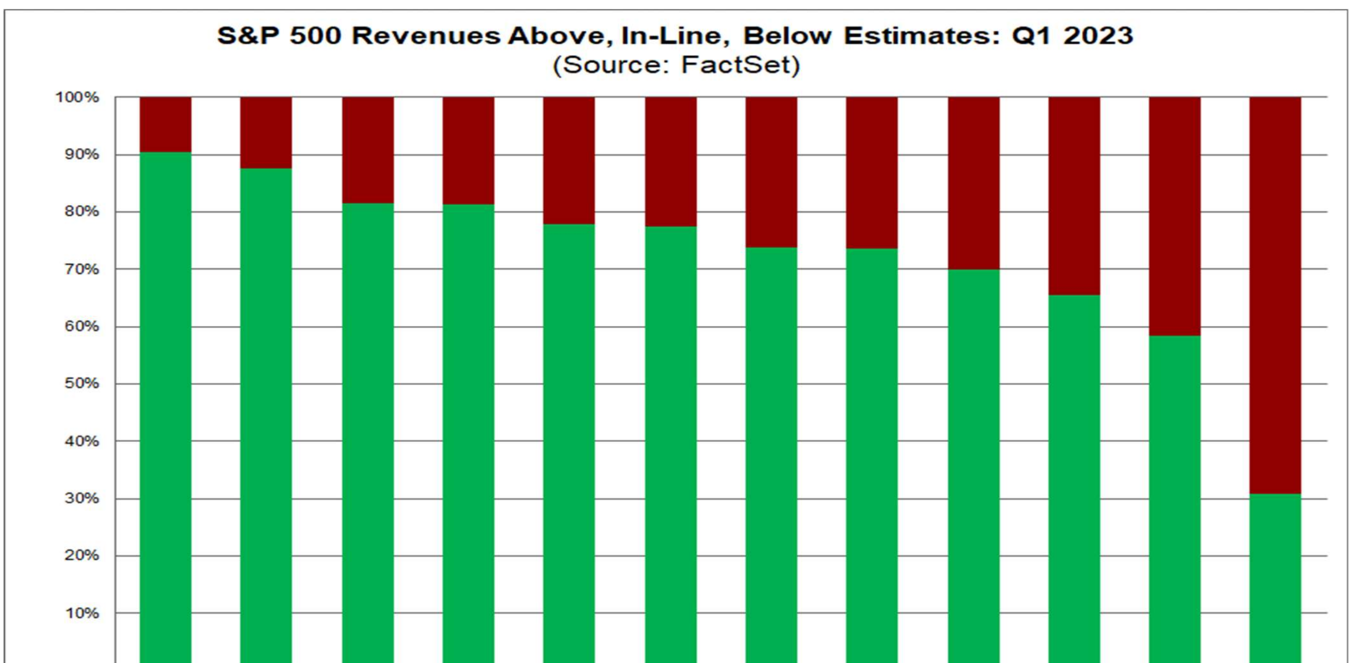
Companies Reporting Next Week: 162

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

Q1 2023: Scorecard

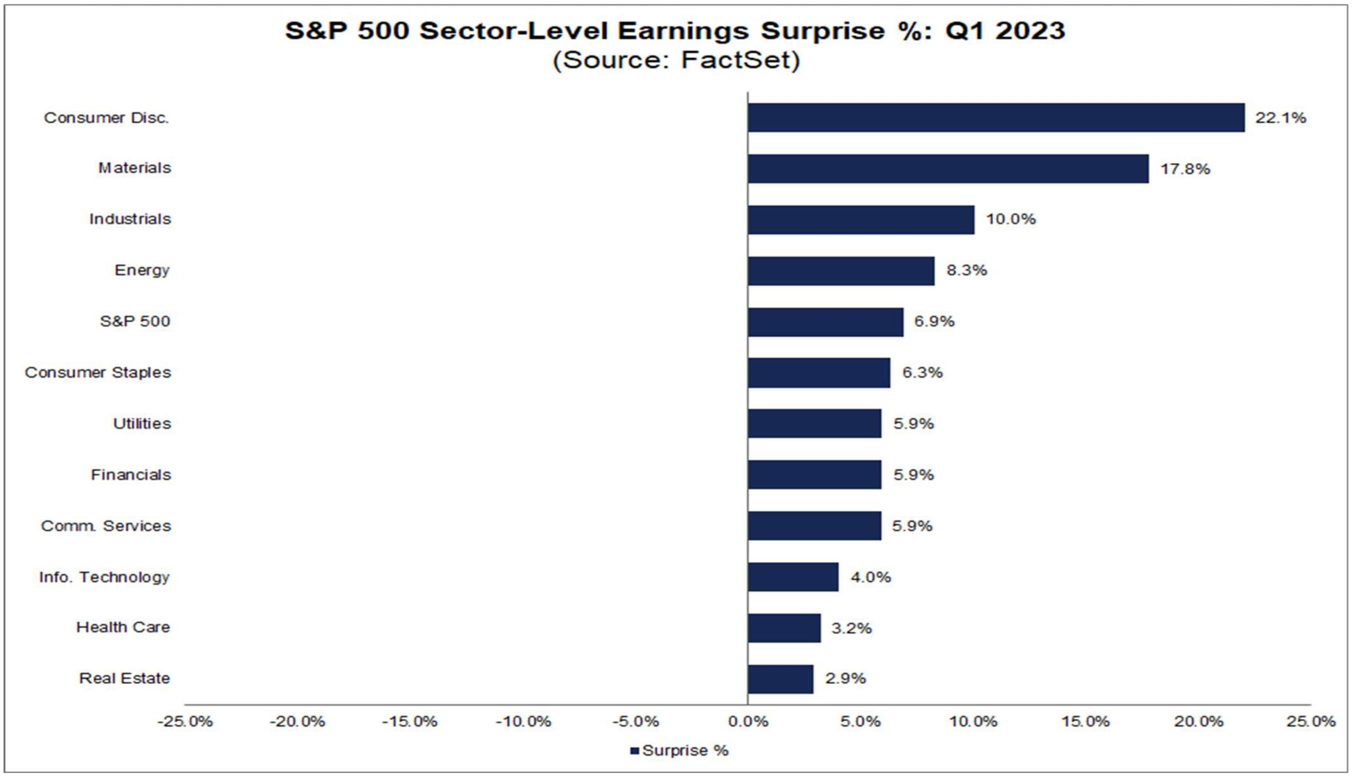


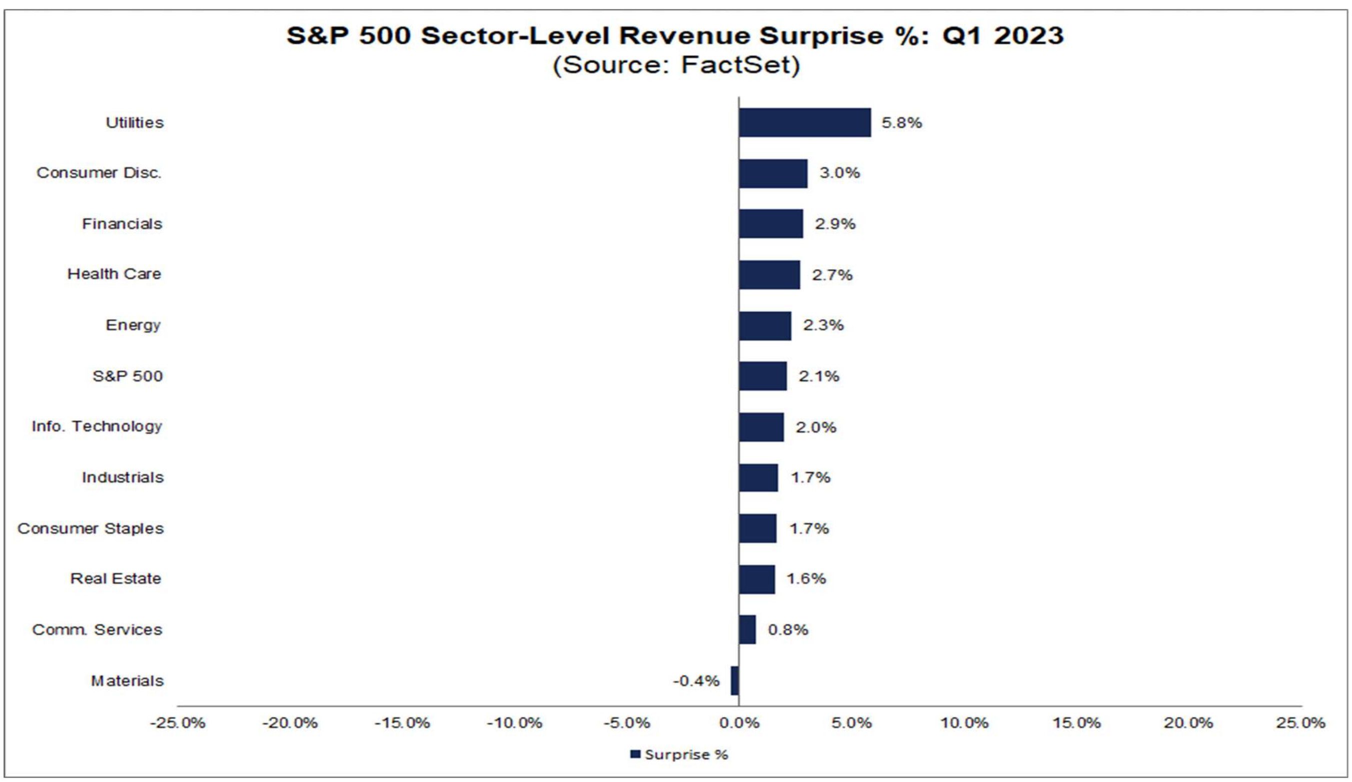
	Energy	Consumer Staples	Materials	Comm. Services	Consumer Disc.	Info. Technology	Health Care	Industrials	S&P 500	Real Estate	Financials	Utilities
Below	0%	0%	8%	8%	11%	15%	13%	16%	17%	13%	36%	33%
In-Line	0%	5%	0%	0%	0%	0%	3%	2%	3%	25%	2%	11%
Above	100%	95%	92%	92%	89%	85%	84%	82%	79%	63%	62%	56%



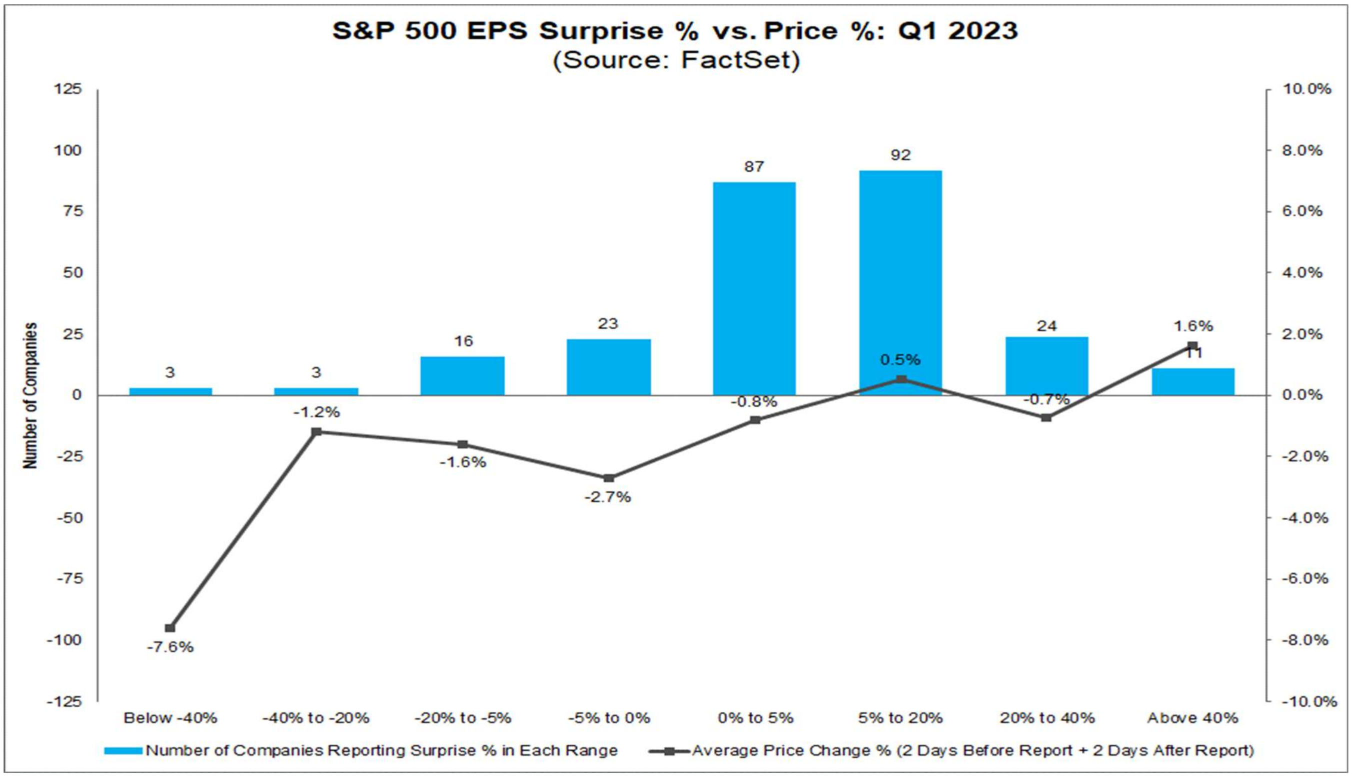
	Health Care	Utilities	Consumer Disc.	Real Estate	Info. Technology	Industrials	S&P 500	Consumer Staples	Energy	Financials	Comm. Services	Materials
Below	10%	13%	19%	19%	22%	22%	26%	26%	30%	35%	42%	69%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	90%	88%	81%	81%	78%	78%	74%	74%	70%	65%	58%	31%

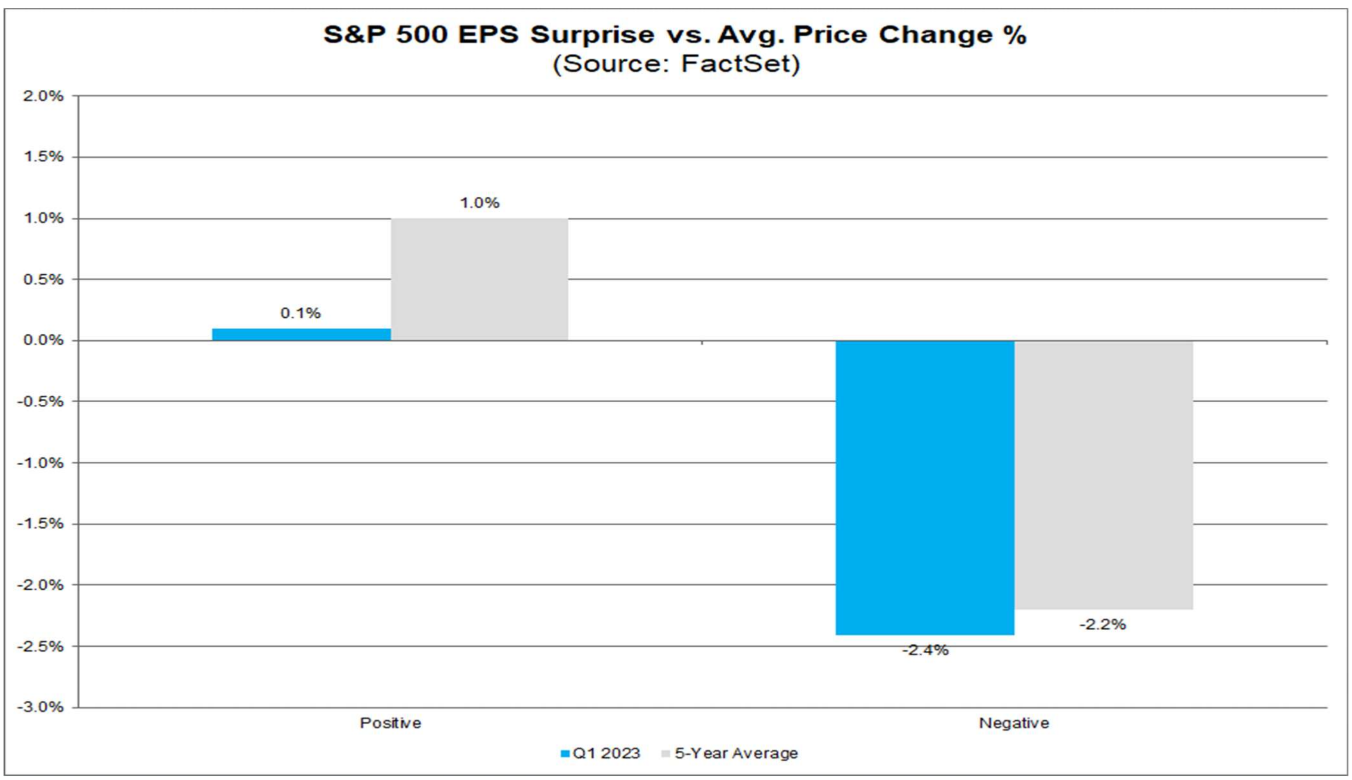
Q1 2023: Scorecard



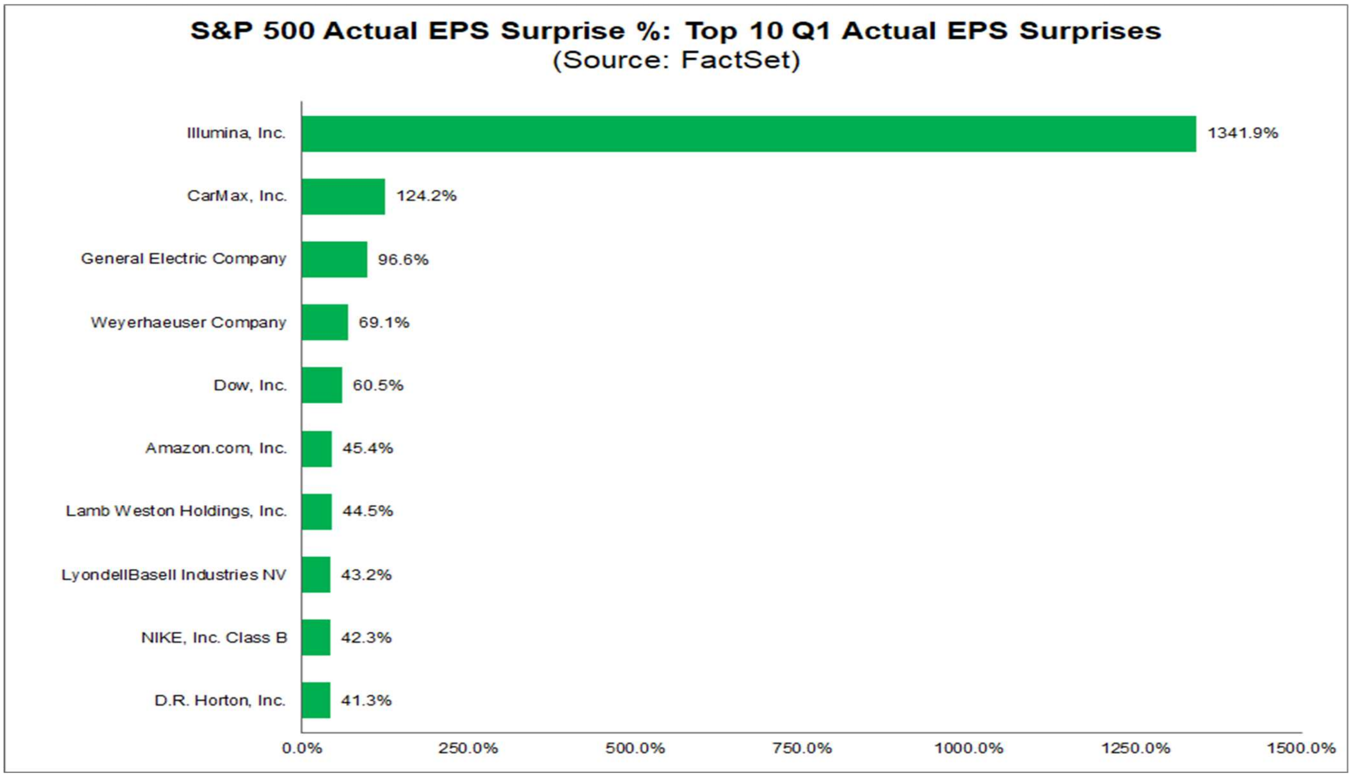


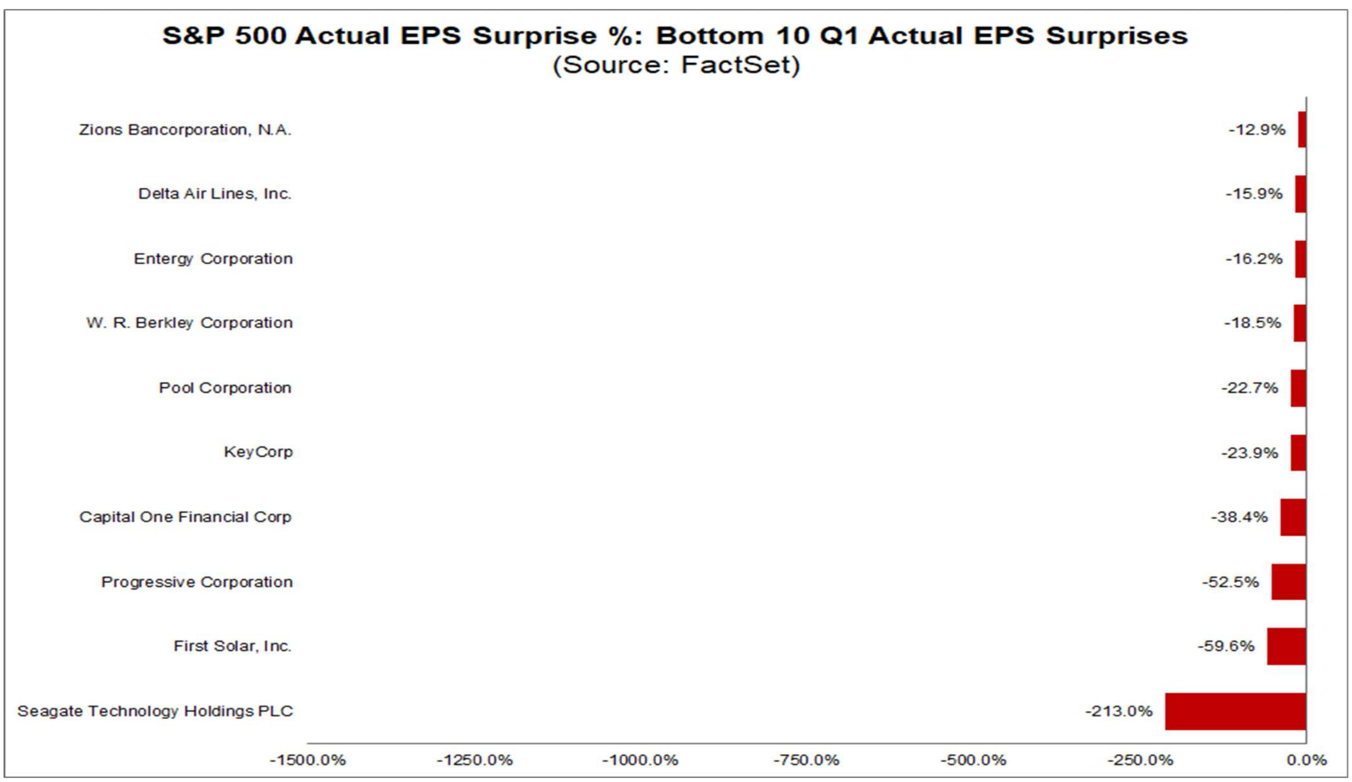
Q1 2023: Scorecard



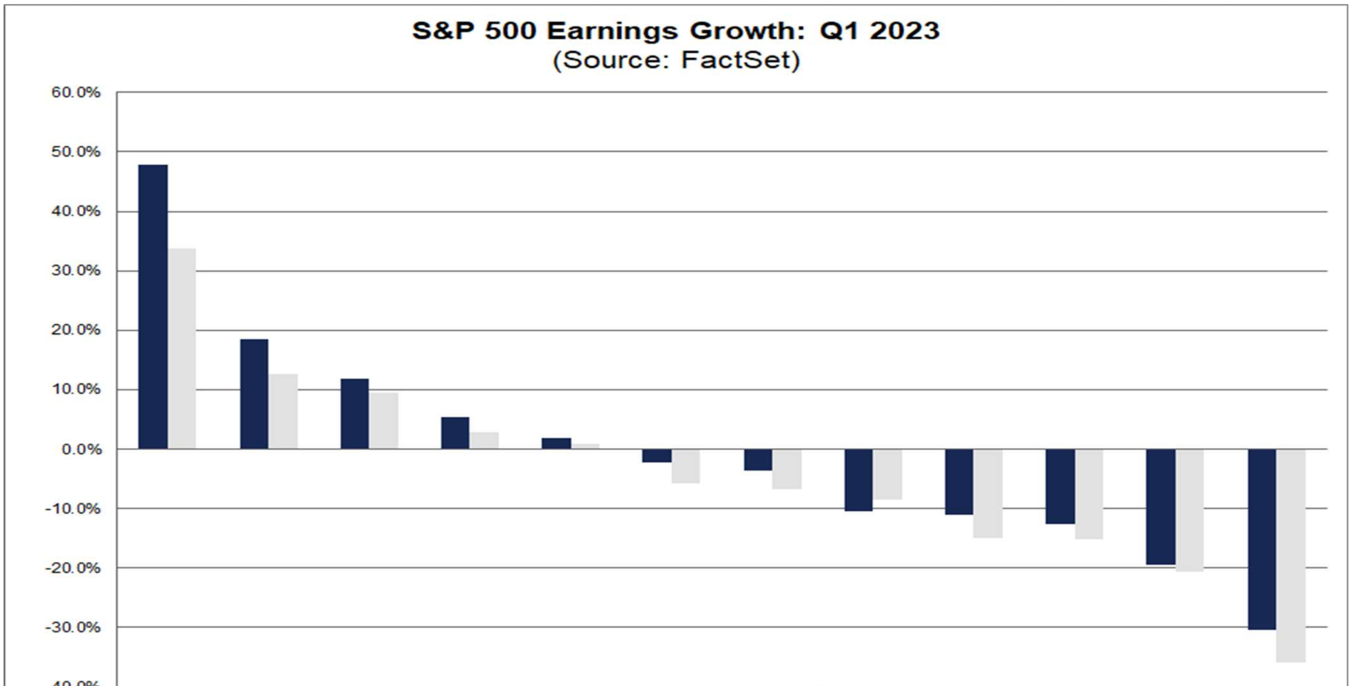


Q1 2023: Scorecard

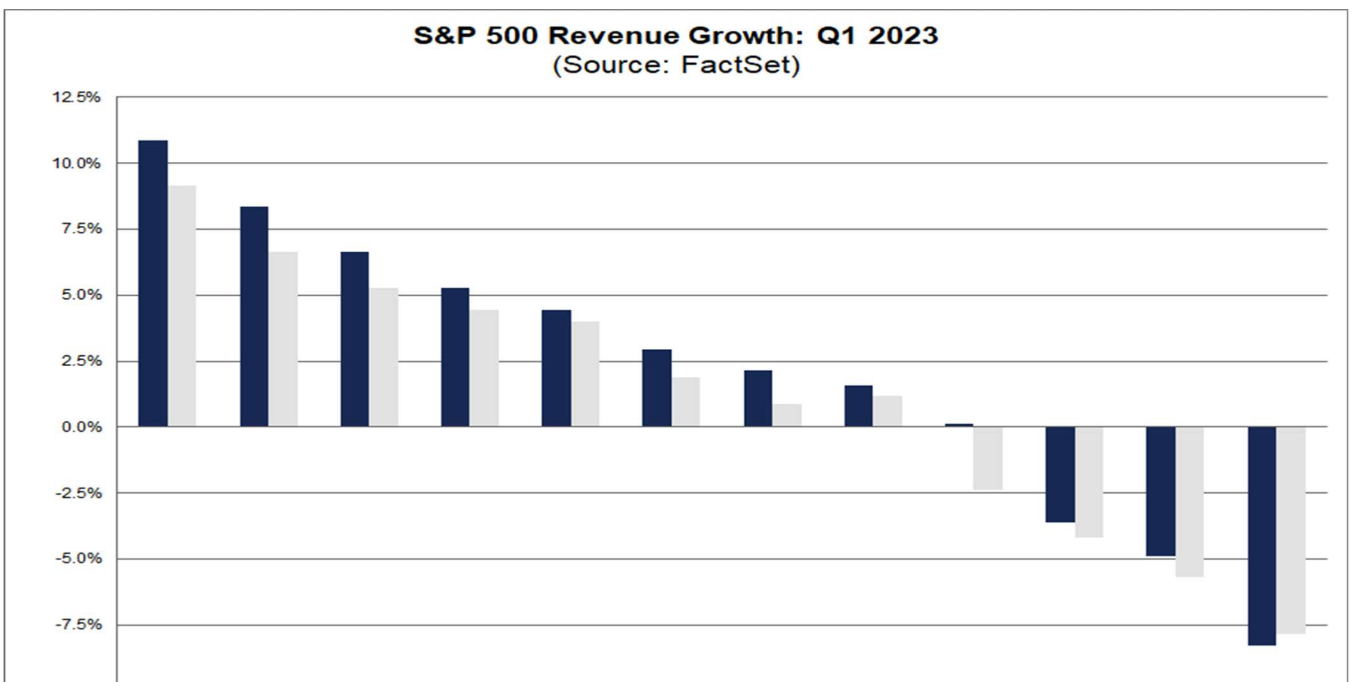




Q1 2023: Growth

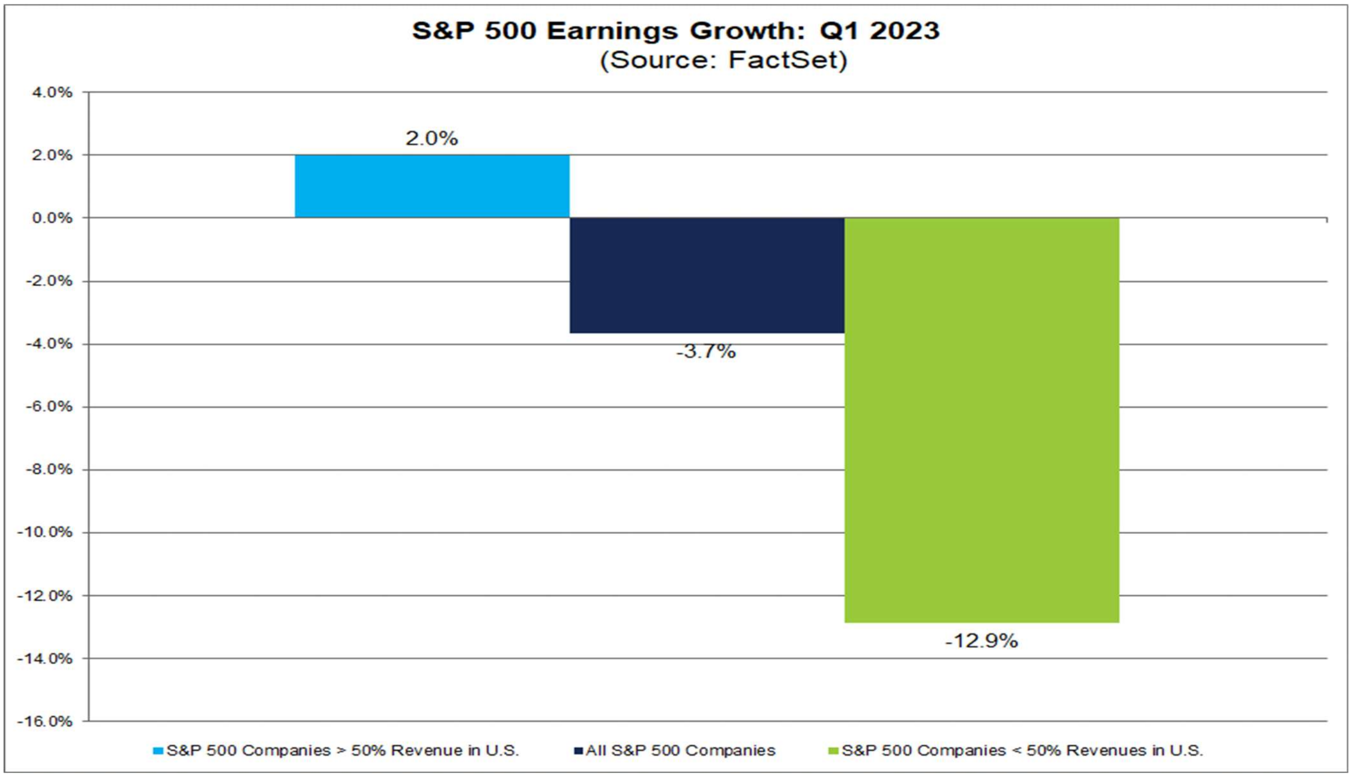


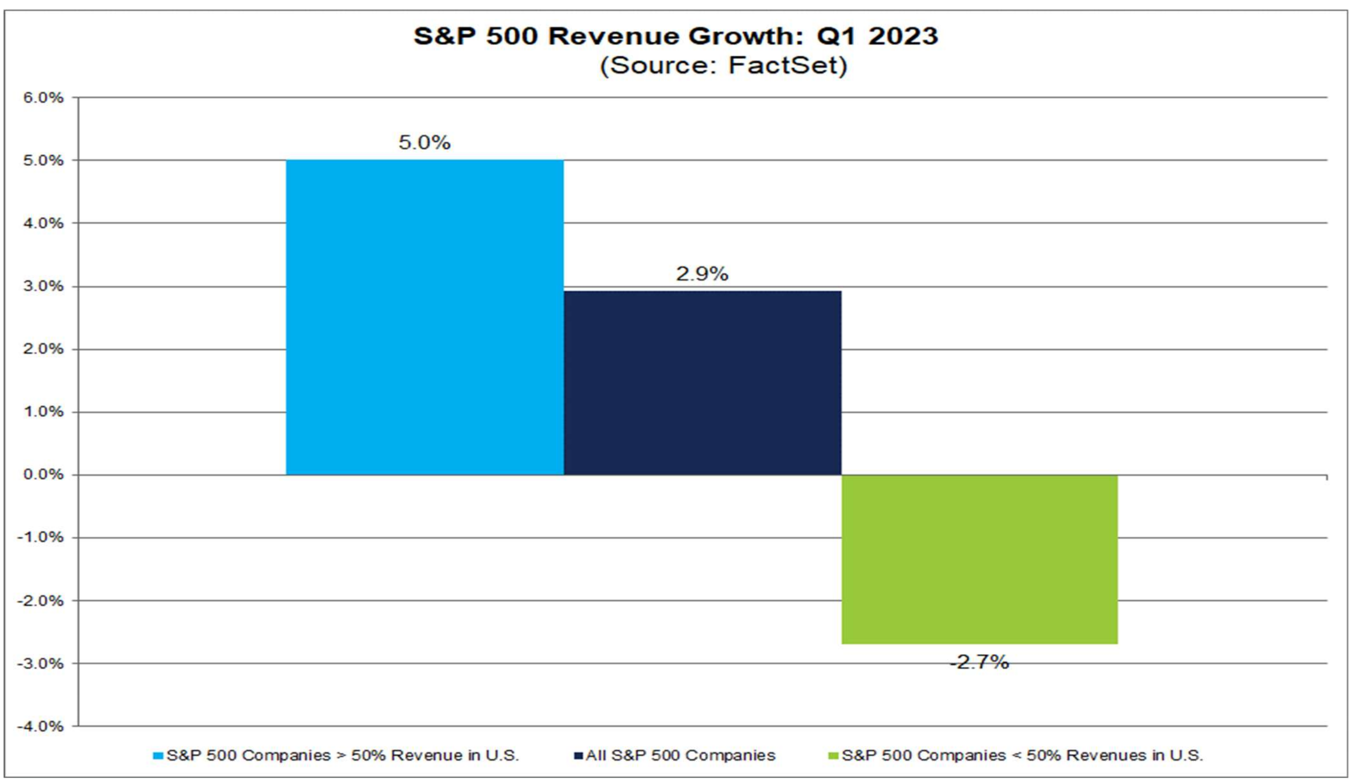
	Consumer Disc.	Industrials	Energy	Financials	Real Estate	Consumer Staples	S&P 500	Utilities	Comm. Services	Info. Technology	Health Care	Materials
Today	47.8%	18.5%	11.9%	5.3%	1.8%	-2.2%	-3.7%	-10.5%	-11.0%	-12.6%	-19.5%	-30.3%
31-Mar	33.8%	12.7%	9.4%	2.9%	0.8%	-5.7%	-6.7%	-8.4%	-14.9%	-15.1%	-20.5%	-35.9%



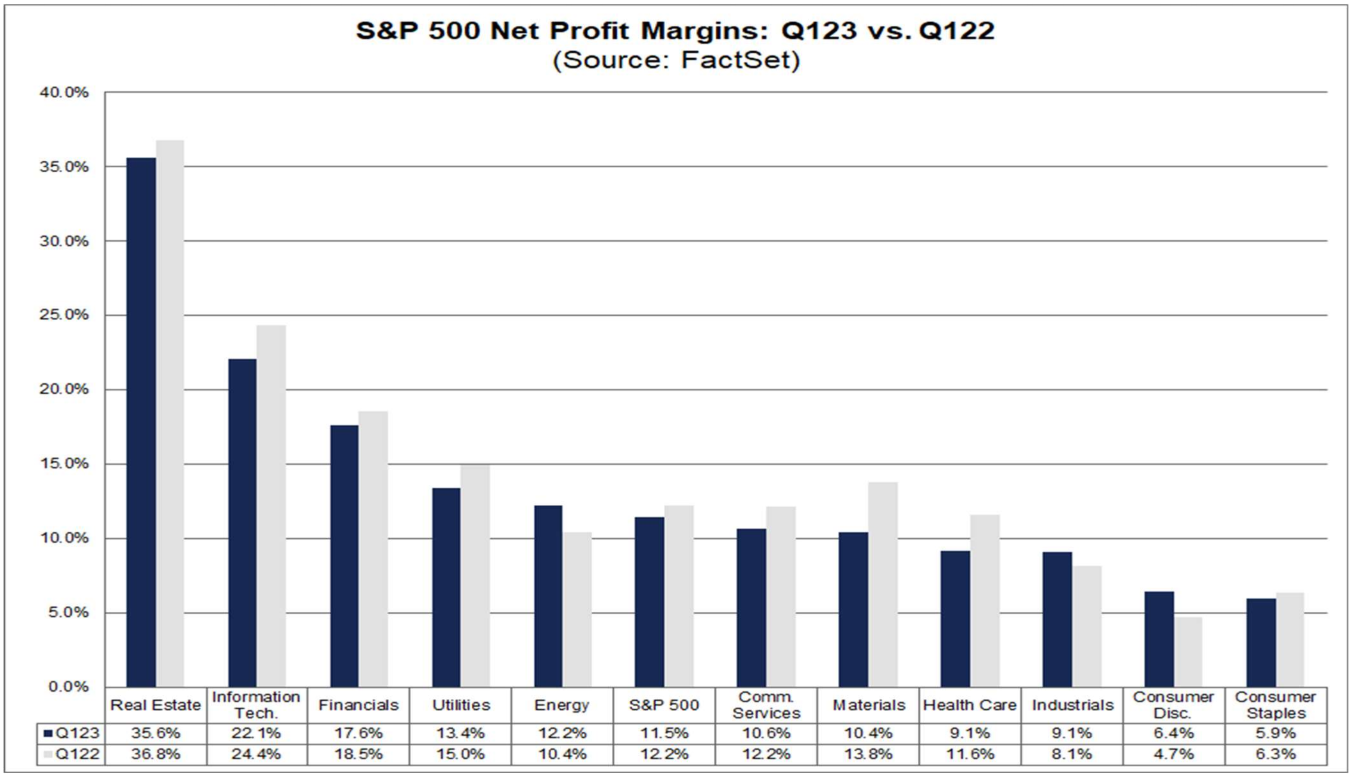
	Financials	Consumer Disc.	Industrials	Real Estate	Consumer Staples	S&P 500	Health Care	Comm. Services	Utilities	Info. Technology	Energy	Materials
Today	10.9%	8.4%	6.6%	5.3%	4.4%	2.9%	2.2%	1.6%	0.1%	-3.6%	-4.9%	-8.3%
31-Mar	9.2%	6.6%	5.3%	4.5%	4.0%	1.9%	0.9%	1.2%	-2.4%	-4.2%	-5.7%	-7.9%

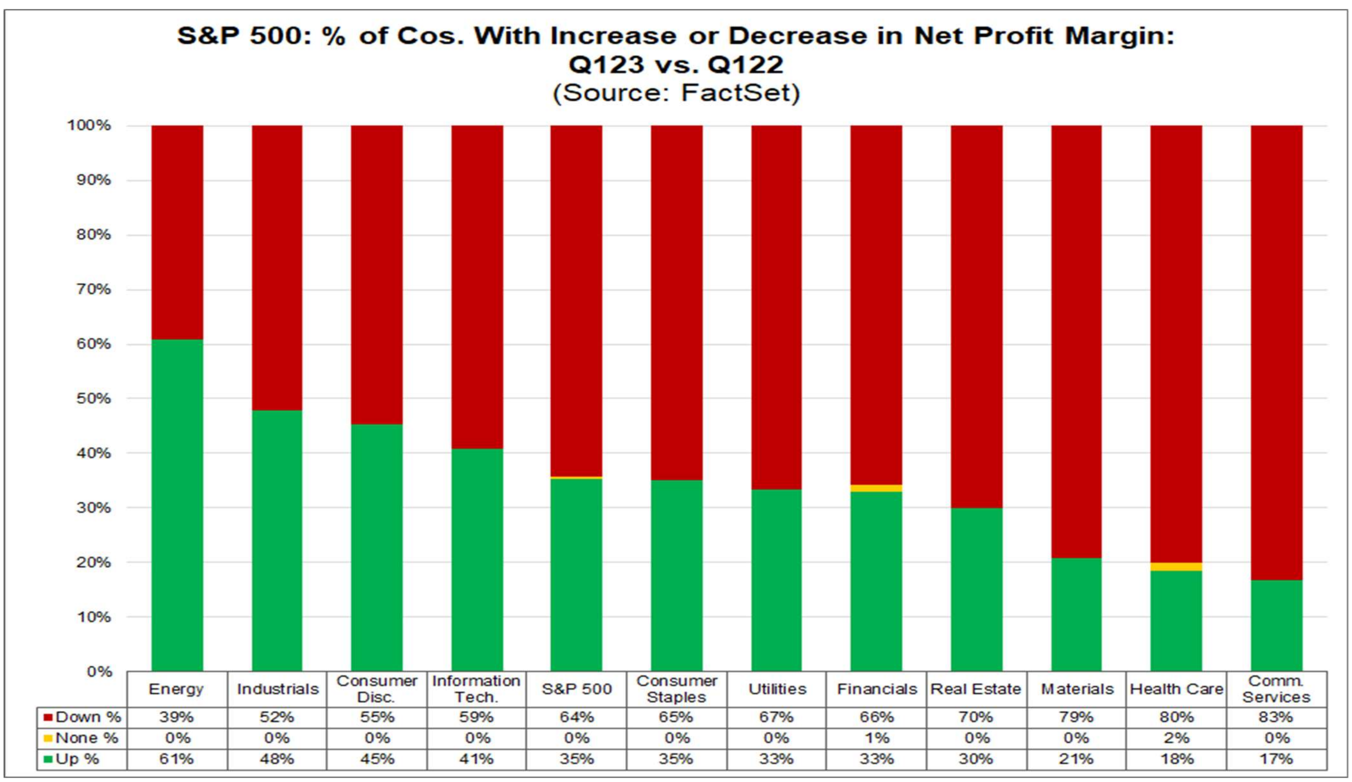
Q1 2023: Growth



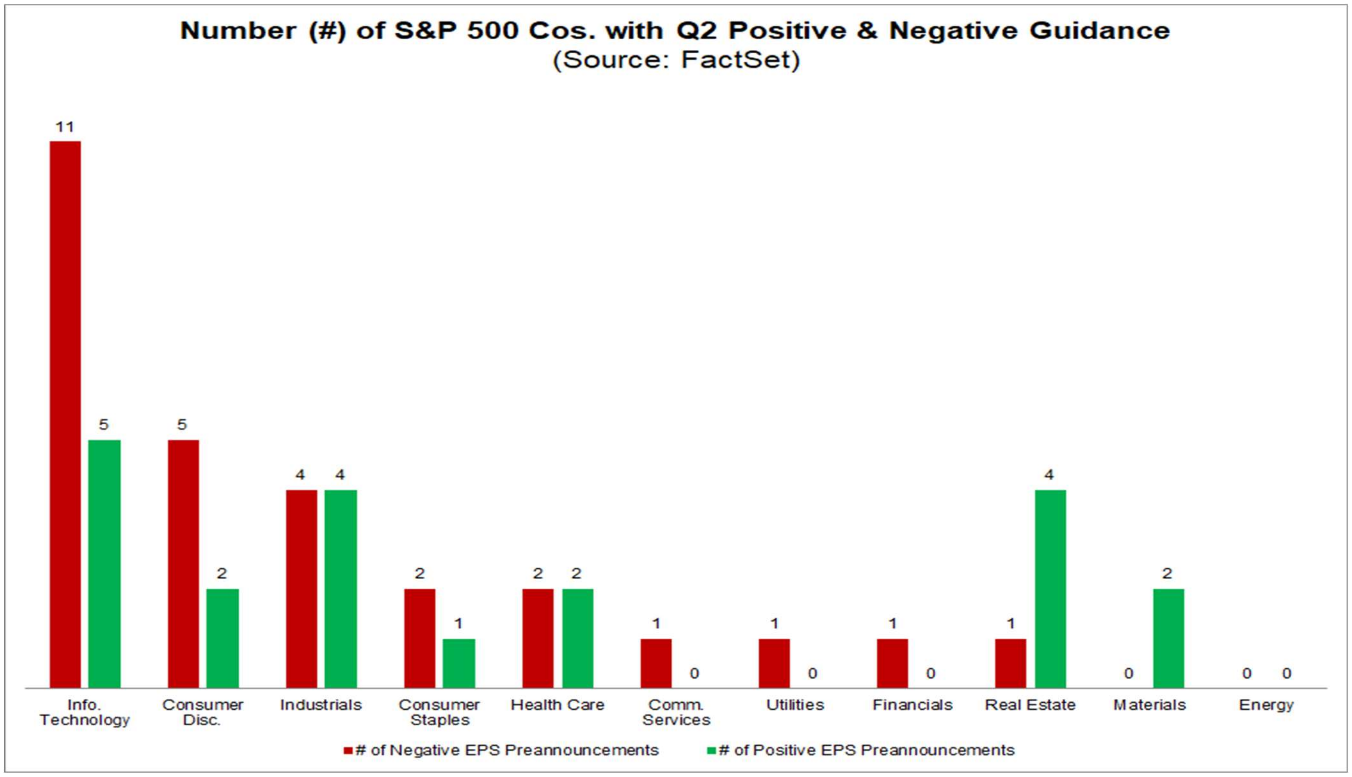


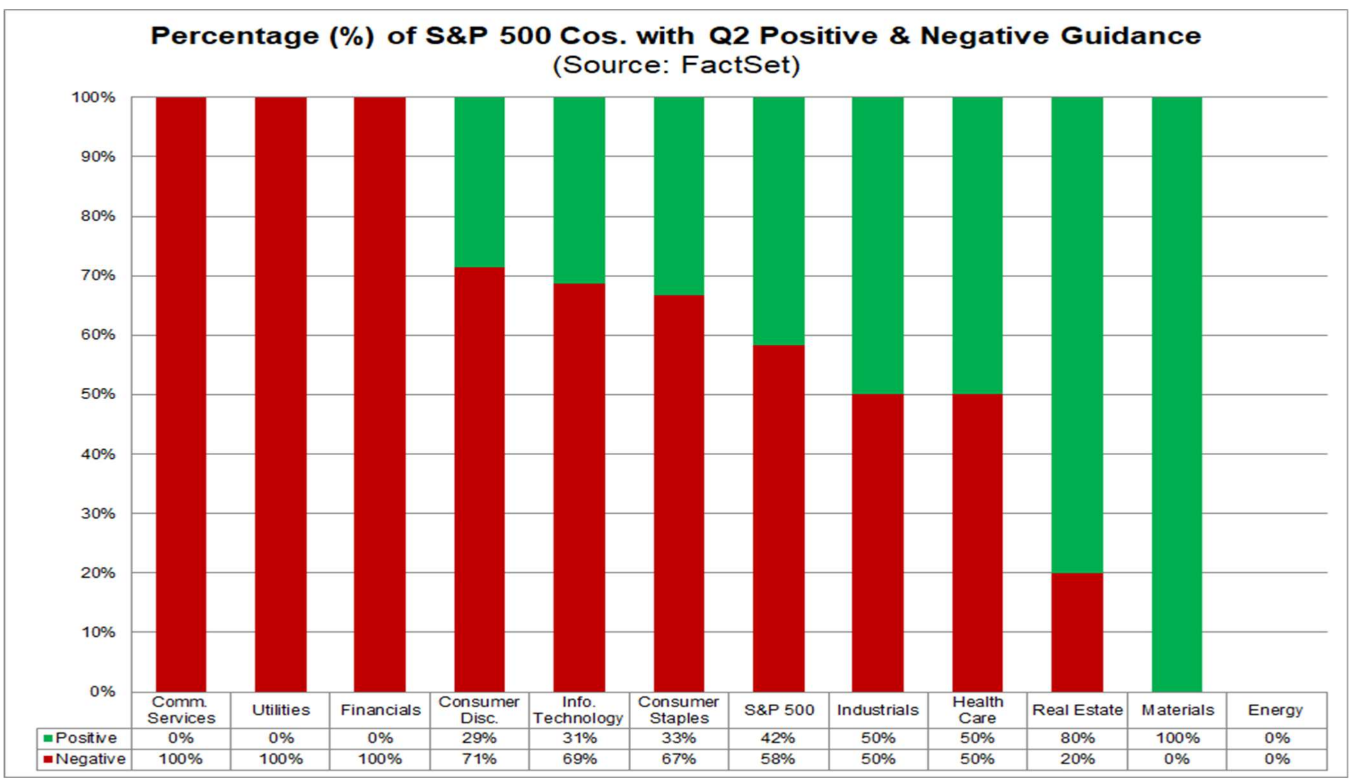
Q1 2023: Net Profit Margin



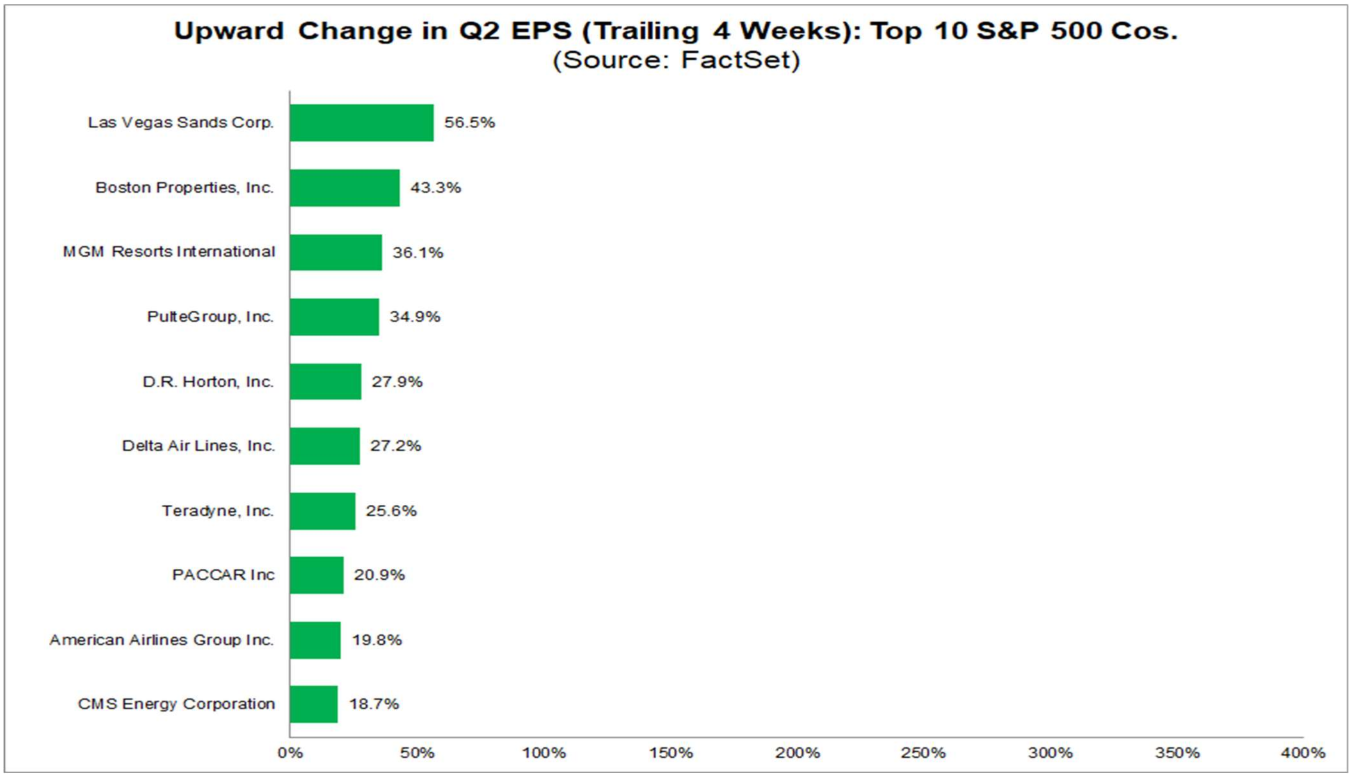


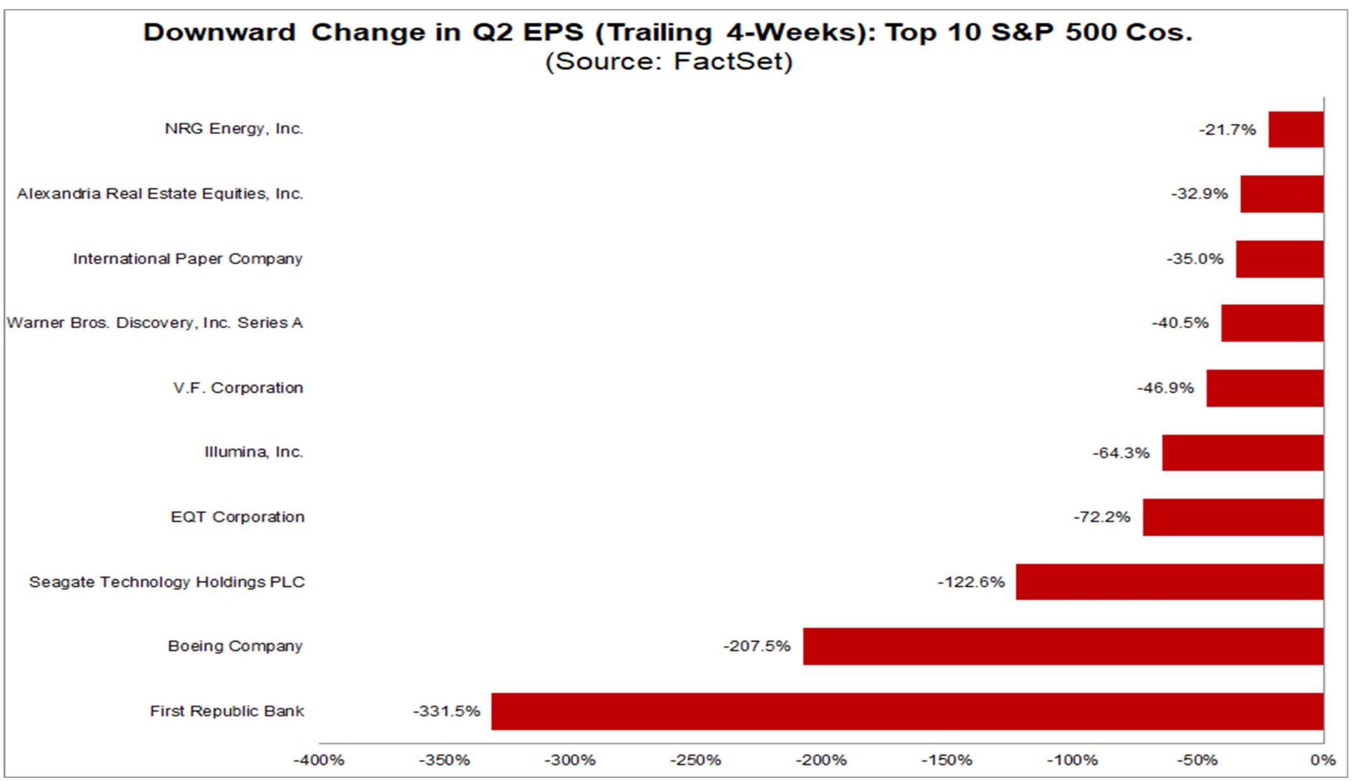
Q2 2023: Guidance



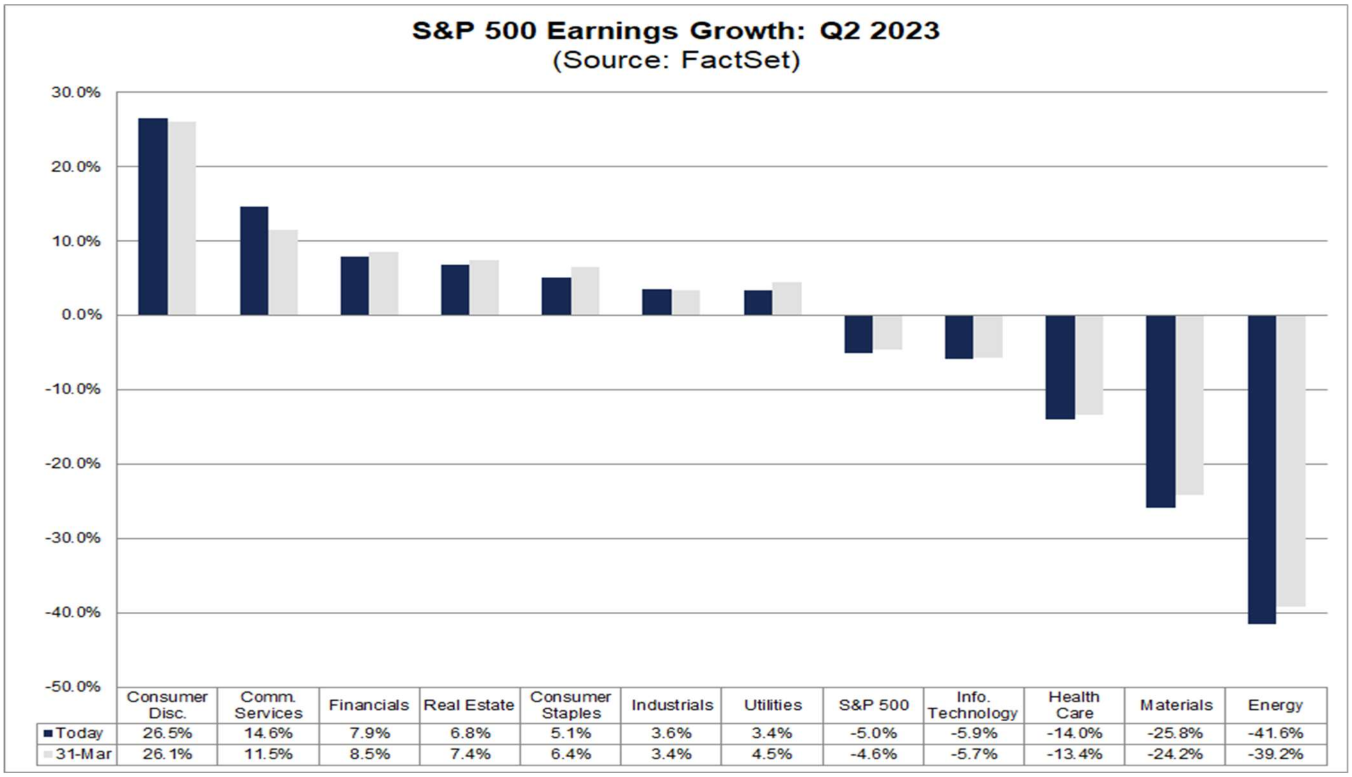


Q2 2023: EPS Revisions

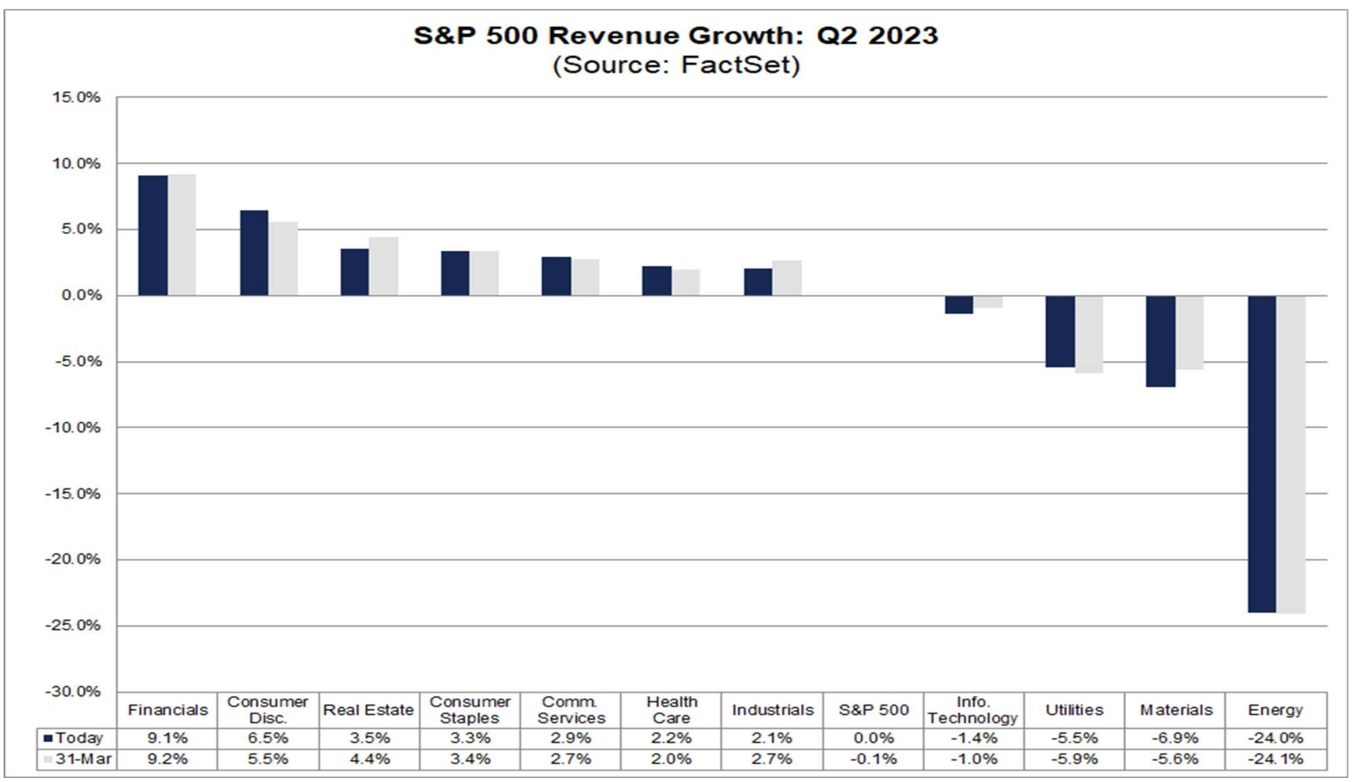




Q2 2023: Growth

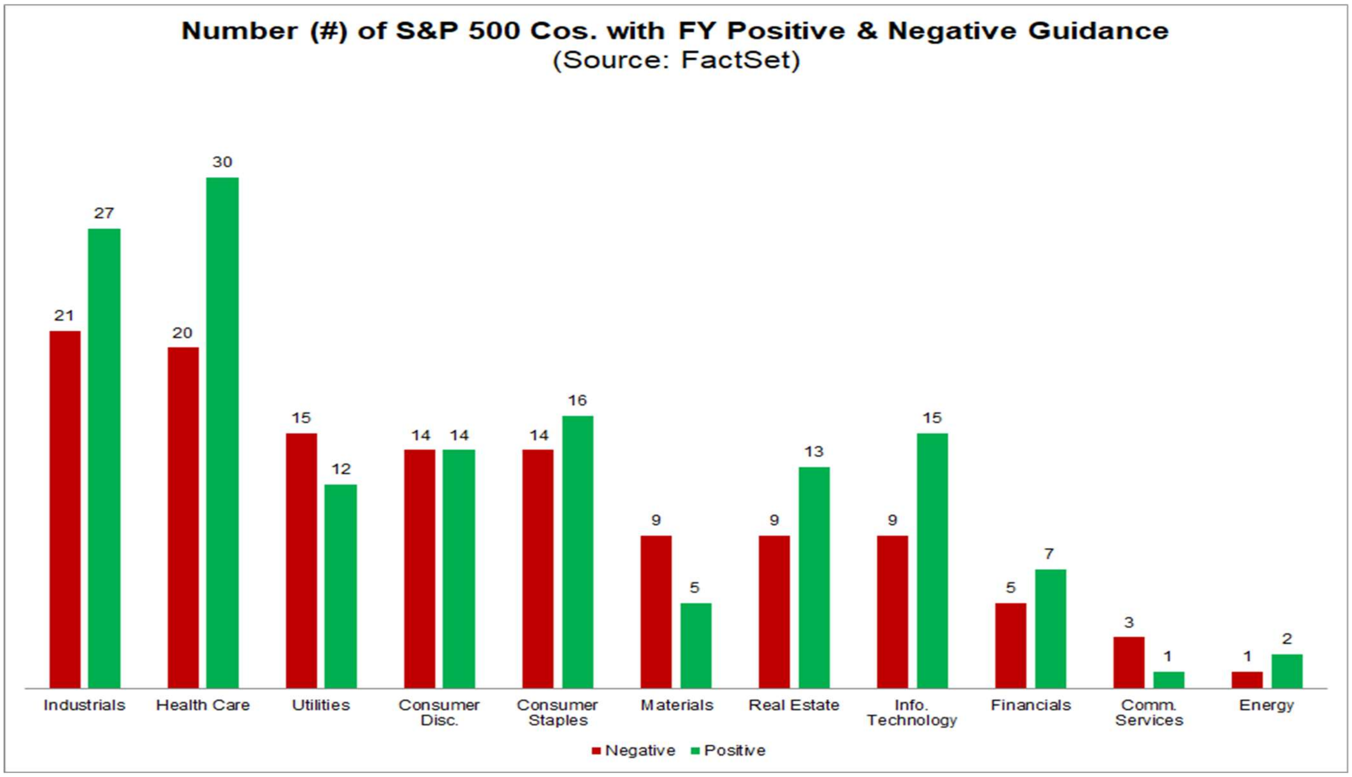


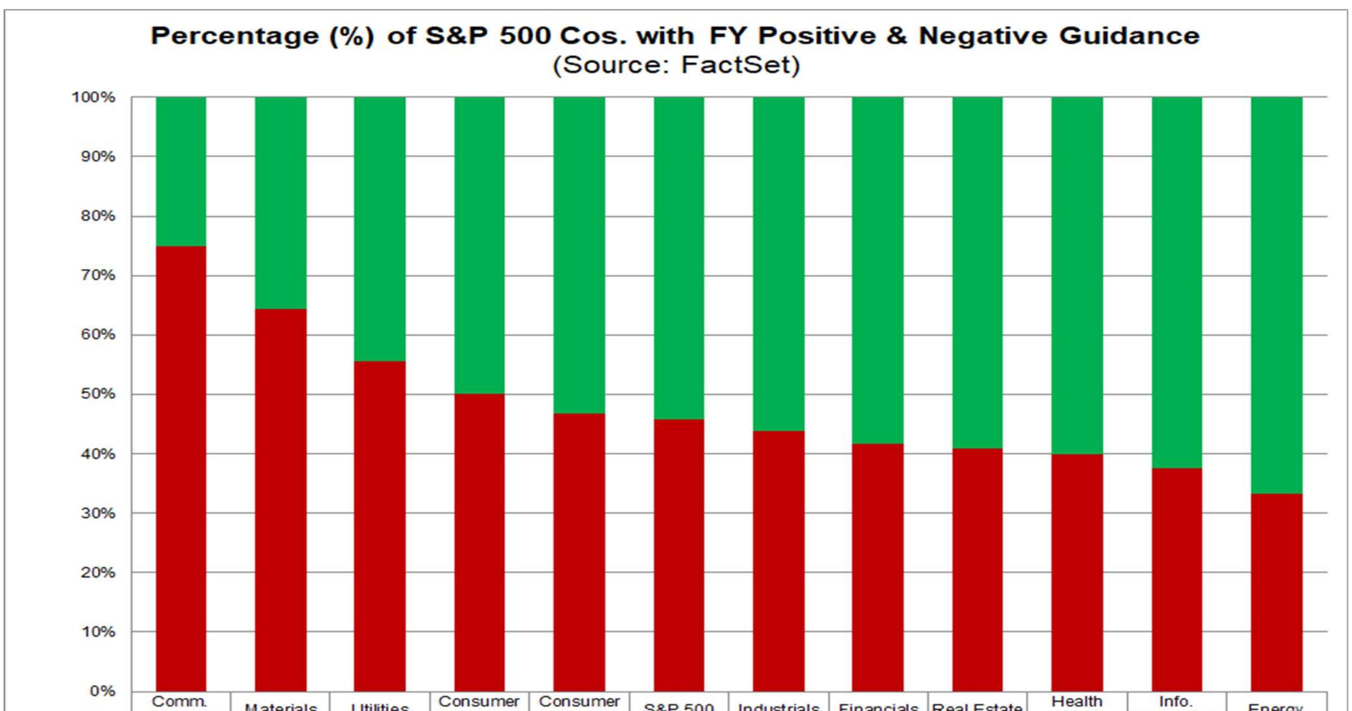
	Consumer Disc.	Comm. Services	Financials	Real Estate	Consumer Staples	Industrials	Utilities	S&P 500	Info. Technology	Health Care	Materials	Energy
Today	26.5%	14.6%	7.9%	6.8%	5.1%	3.6%	3.4%	-5.0%	-5.9%	-14.0%	-25.8%	-41.6%
31-Mar	26.1%	11.5%	8.5%	7.4%	6.4%	3.4%	4.5%	-4.6%	-5.7%	-13.4%	-24.2%	-39.2%



	Financials	Consumer Disc.	Real Estate	Consumer Staples	Comm. Services	Health Care	Industrials	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	9.1%	6.5%	3.5%	3.3%	2.9%	2.2%	2.1%	0.0%	-1.4%	-5.5%	-6.9%	-24.0%
31-Mar	9.2%	5.5%	4.4%	3.4%	2.7%	2.0%	2.7%	-0.1%	-1.0%	-5.9%	-5.6%	-24.1%

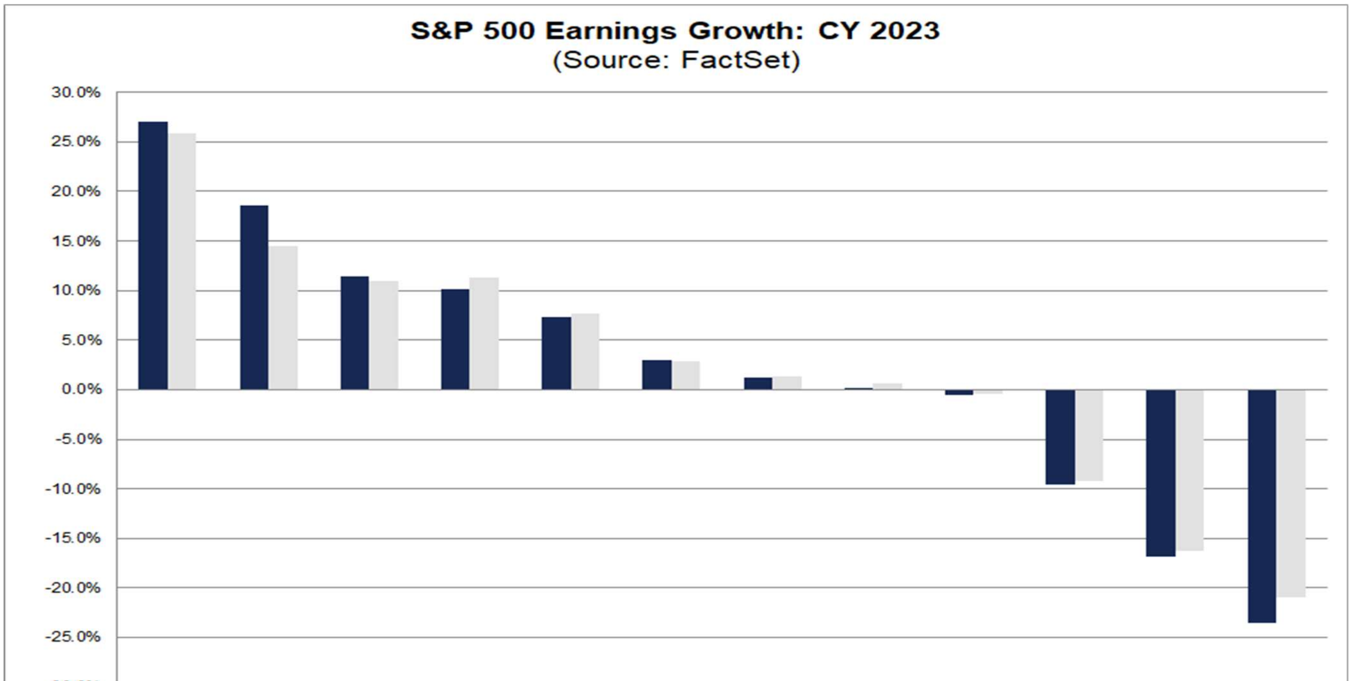
FY 2023 / 2024: EPS Guidance



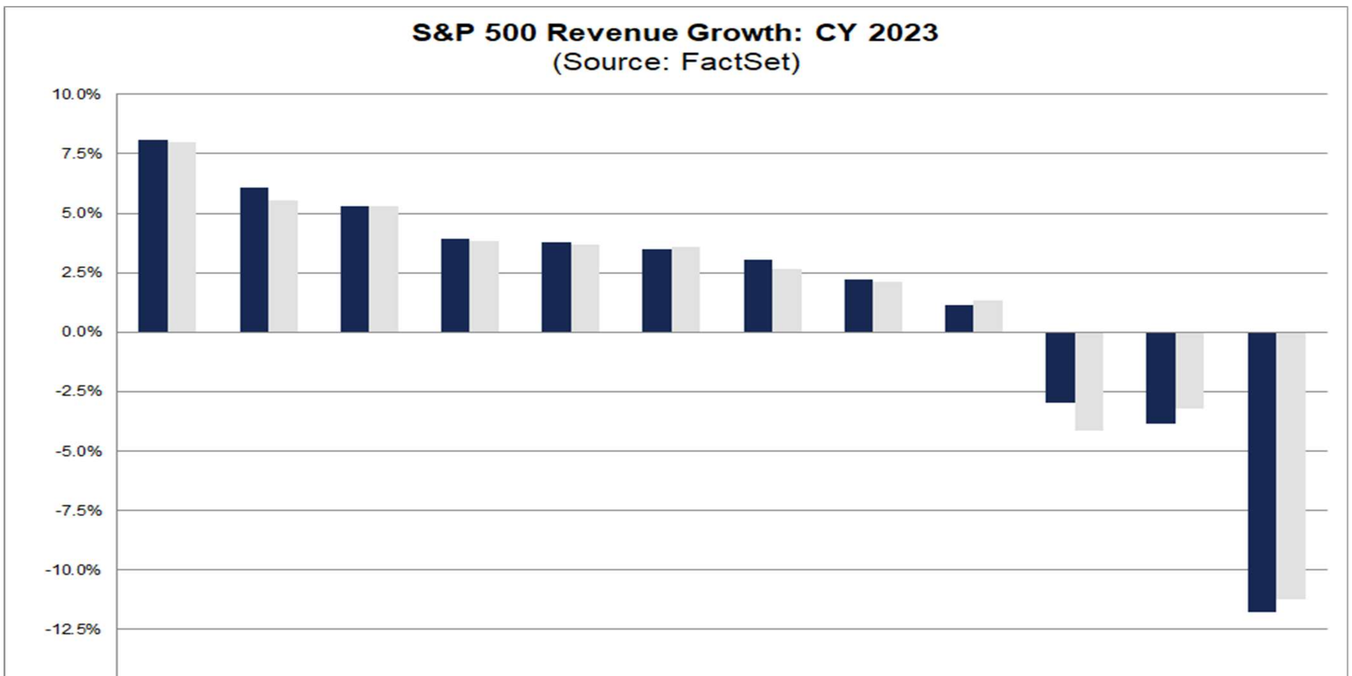


	Comm. Services	Materials	Utilities	Consumer Disc.	Consumer Staples	S&P 500	Industrials	Financials	Real Estate	Health Care	Info. Technology	Energy
Positive	25%	36%	44%	50%	53%	54%	56%	58%	59%	60%	63%	67%
Negative	75%	64%	56%	50%	47%	46%	44%	42%	41%	40%	38%	33%

CY 2023: Growth

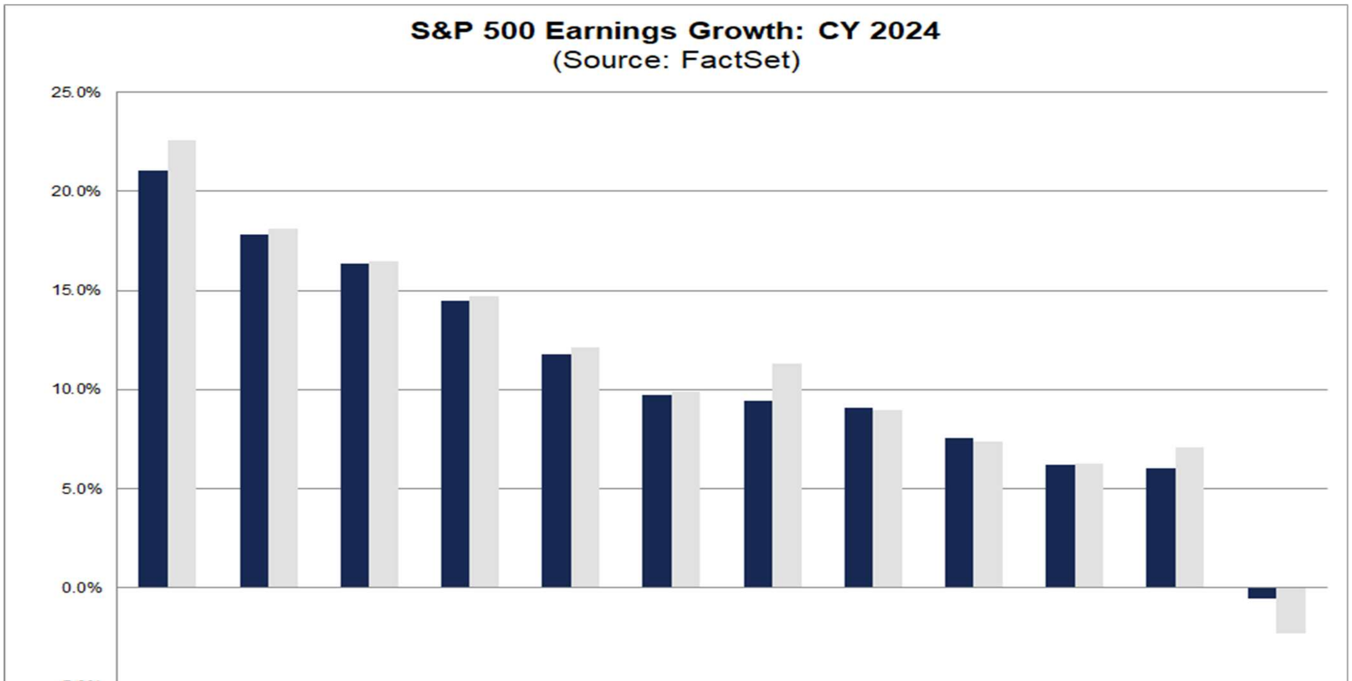


	Consumer Disc.	Comm. Services	Industrials	Financials	Utilities	Consumer Staples	S&P 500	Real Estate	Info. Technology	Health Care	Materials	Energy
Today	27.1%	18.6%	11.4%	10.1%	7.3%	3.0%	1.2%	0.2%	-0.5%	-9.6%	-16.9%	-23.5%
31-Mar	25.8%	14.5%	11.0%	11.3%	7.6%	2.8%	1.3%	0.6%	-0.5%	-9.2%	-16.3%	-20.9%

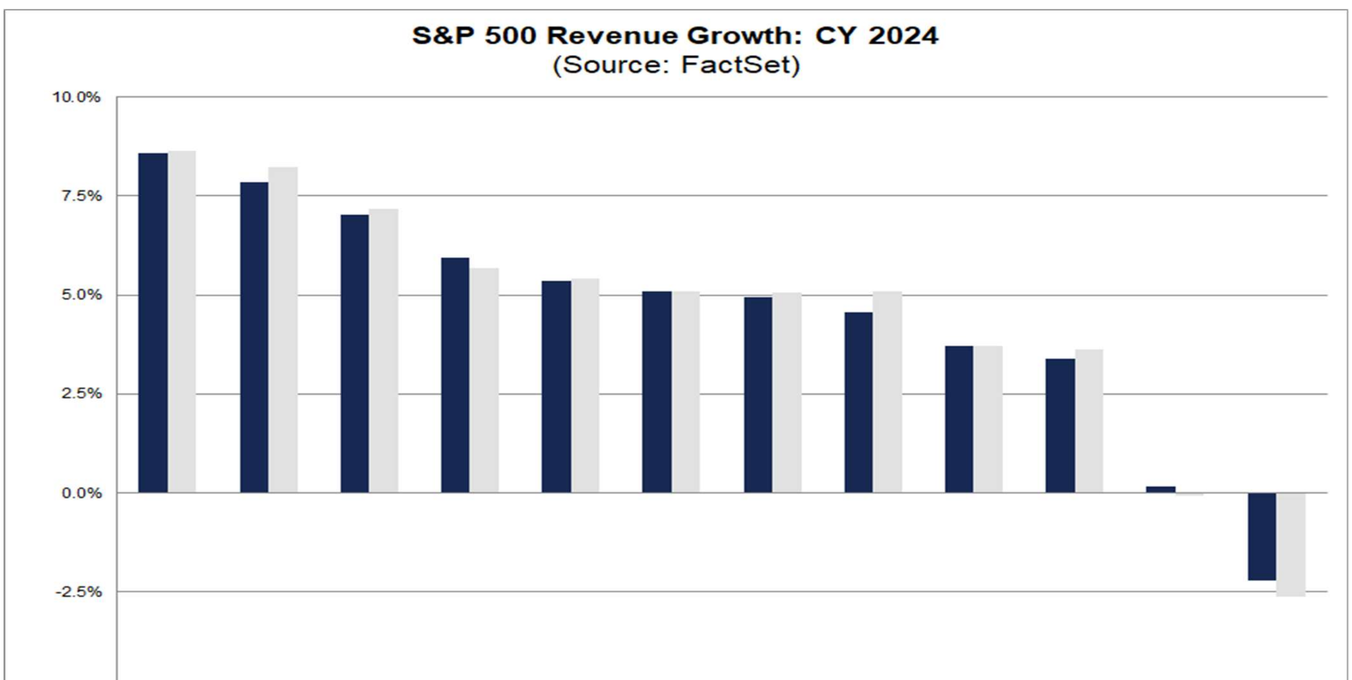


	Financials	Consumer Disc.	Real Estate	Consumer Staples	Comm. Services	Industrials	Health Care	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	8.1%	6.1%	5.3%	3.9%	3.8%	3.5%	3.0%	2.2%	1.2%	-3.0%	-3.8%	-11.8%
31-Mar	8.0%	5.6%	5.3%	3.8%	3.7%	3.6%	2.7%	2.1%	1.3%	-4.1%	-3.2%	-11.2%

CY 2024: Growth



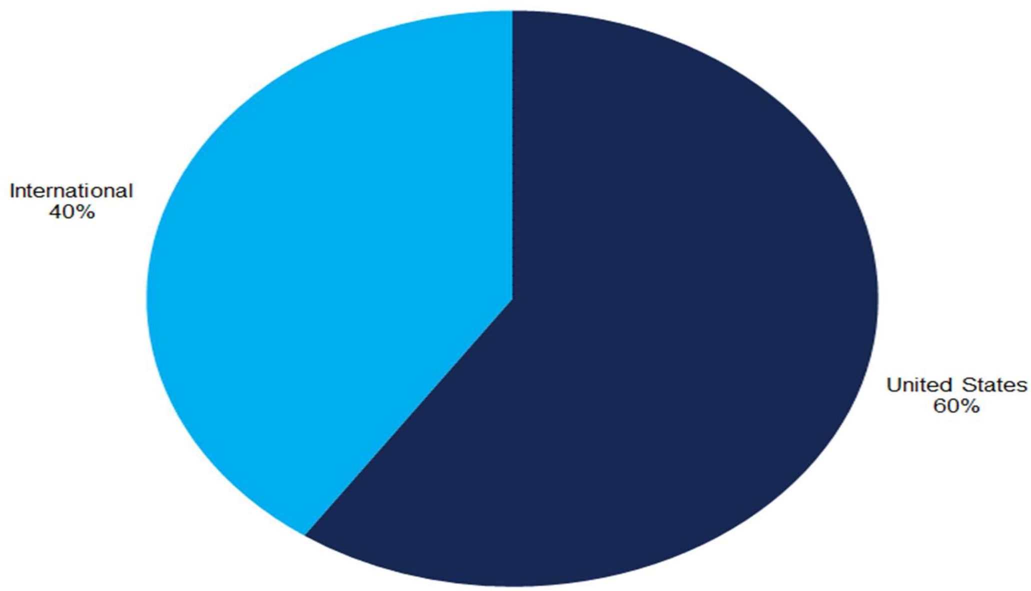
	Consumer Disc.	Comm. Services	Info. Technology	Industrials	S&P 500	Health Care	Financials	Consumer Staples	Utilities	Real Estate	Materials	Energy
Today	21.0%	17.8%	16.3%	14.5%	11.8%	9.7%	9.5%	9.1%	7.6%	6.2%	6.1%	-0.6%
31-Mar	22.6%	18.1%	16.5%	14.7%	12.1%	9.9%	11.3%	9.0%	7.4%	6.3%	7.1%	-2.3%



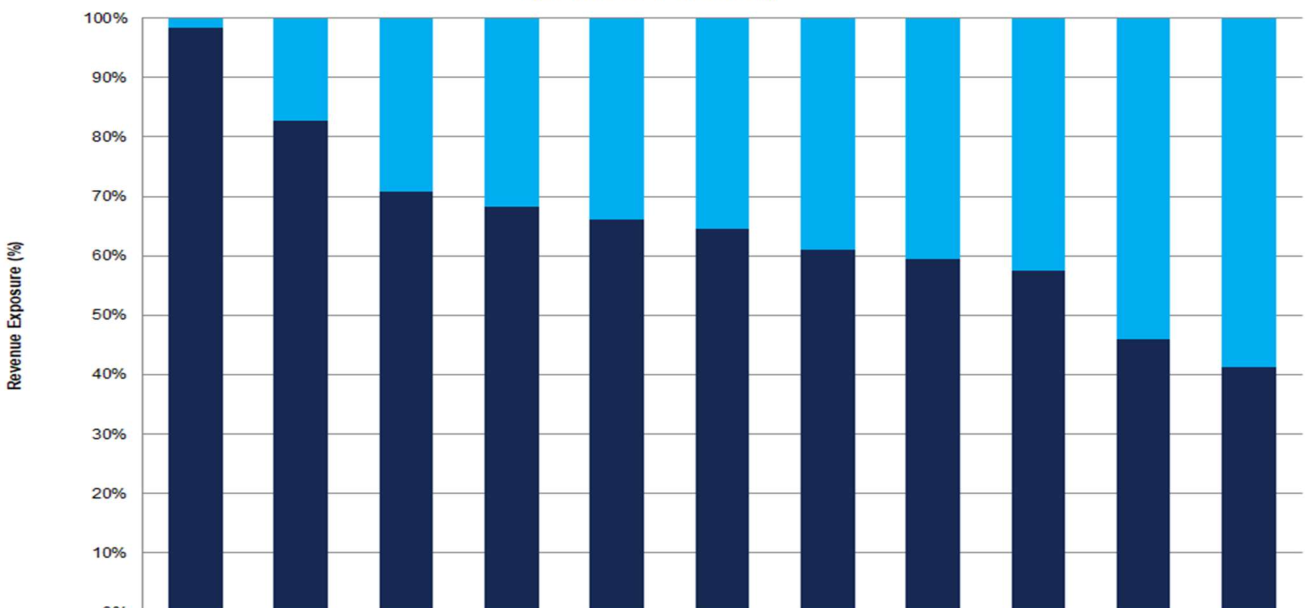
	Info. Technology	Consumer Disc.	Comm. Services	Real Estate	Health Care	Industrials	S&P 500	Financials	Consumer Staples	Utilities	Materials	Energy
Today	8.6%	7.9%	7.0%	5.9%	5.4%	5.1%	5.0%	4.6%	3.7%	3.4%	0.2%	-2.2%
31-Mar	8.7%	8.2%	7.2%	5.7%	5.4%	5.1%	5.1%	5.1%	3.7%	3.6%	-0.1%	-2.6%

Geographic Revenue Exposure

S&P 500: Aggregate Geographic Revenue Exposure (%)
(Source: FactSet)

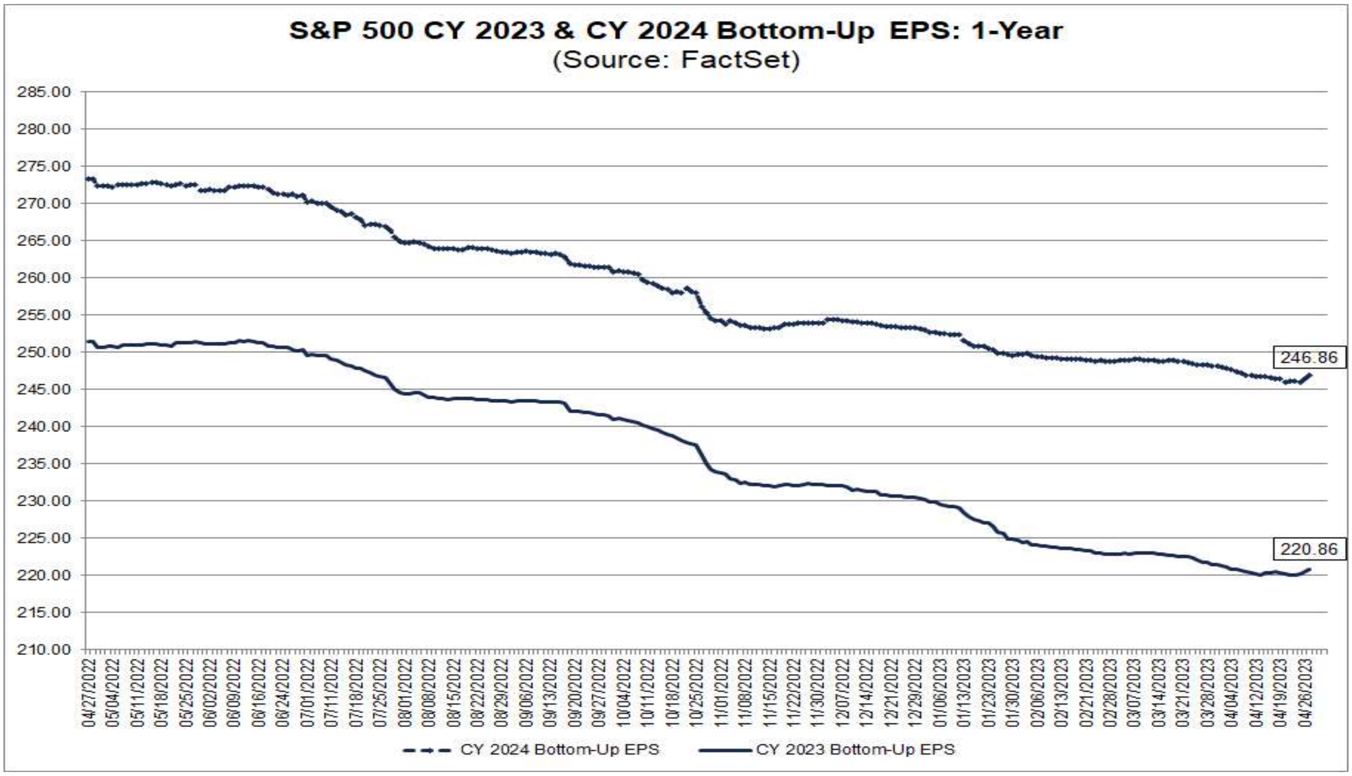


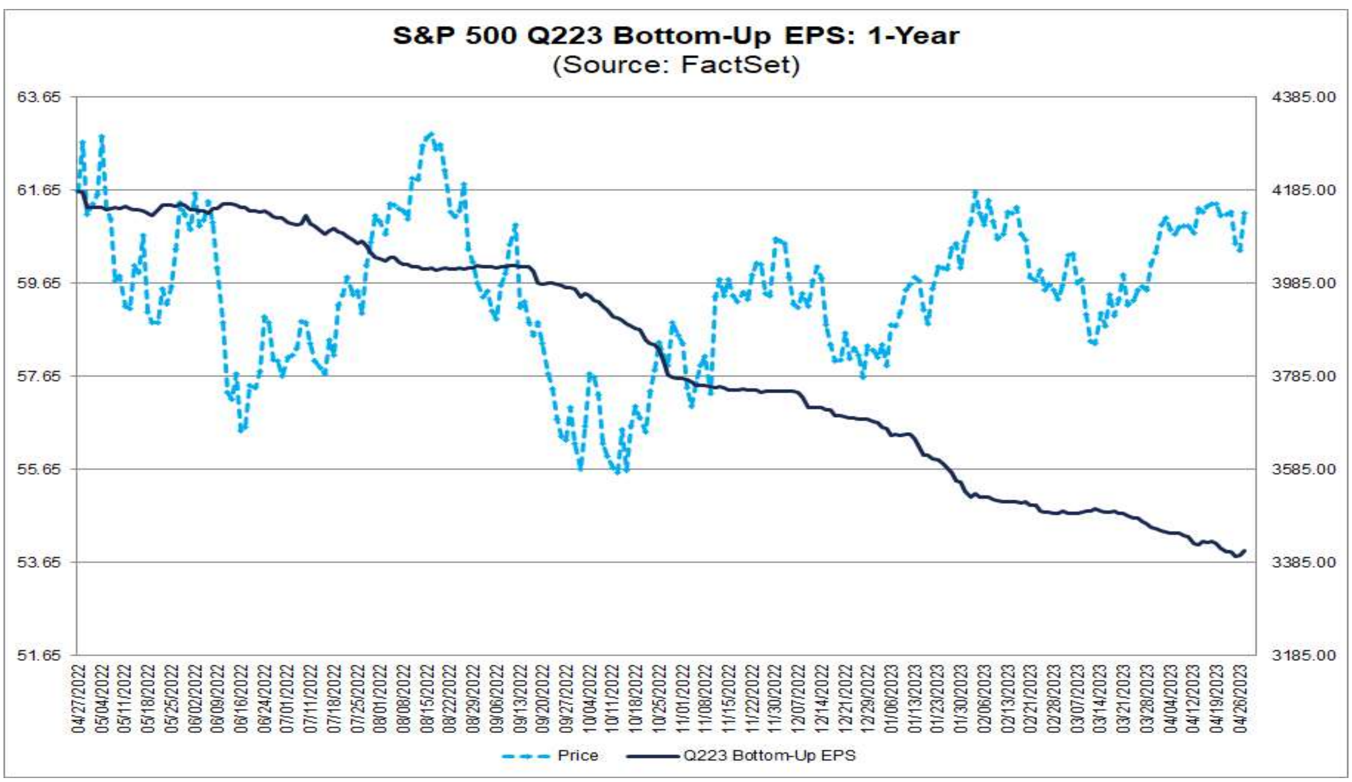
S&P 500: Aggregate Sector Geographic Revenue Exposure (%)
(Source: FactSet)



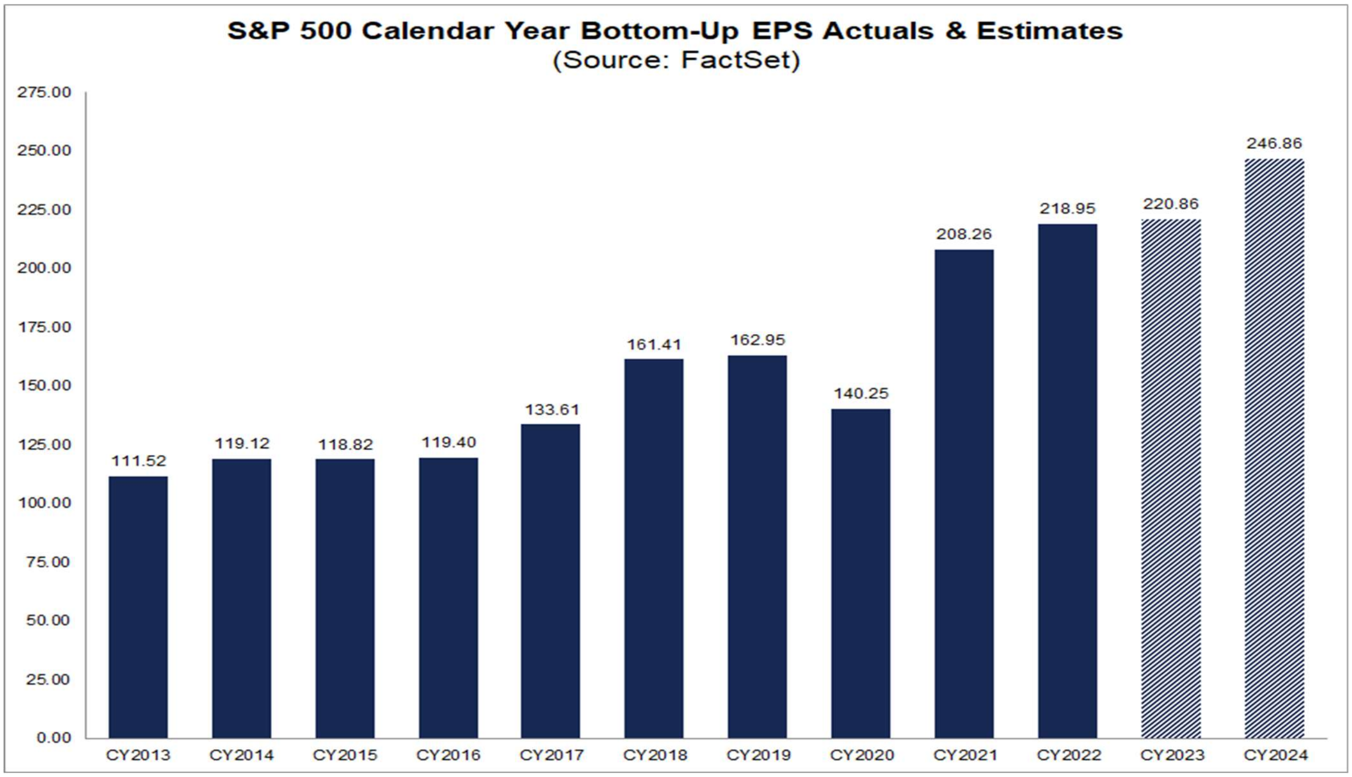
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	2%	17%	29%	32%	34%	35%	39%	41%	42%	54%	59%
United States	98%	83%	71%	68%	66%	65%	61%	59%	58%	46%	41%

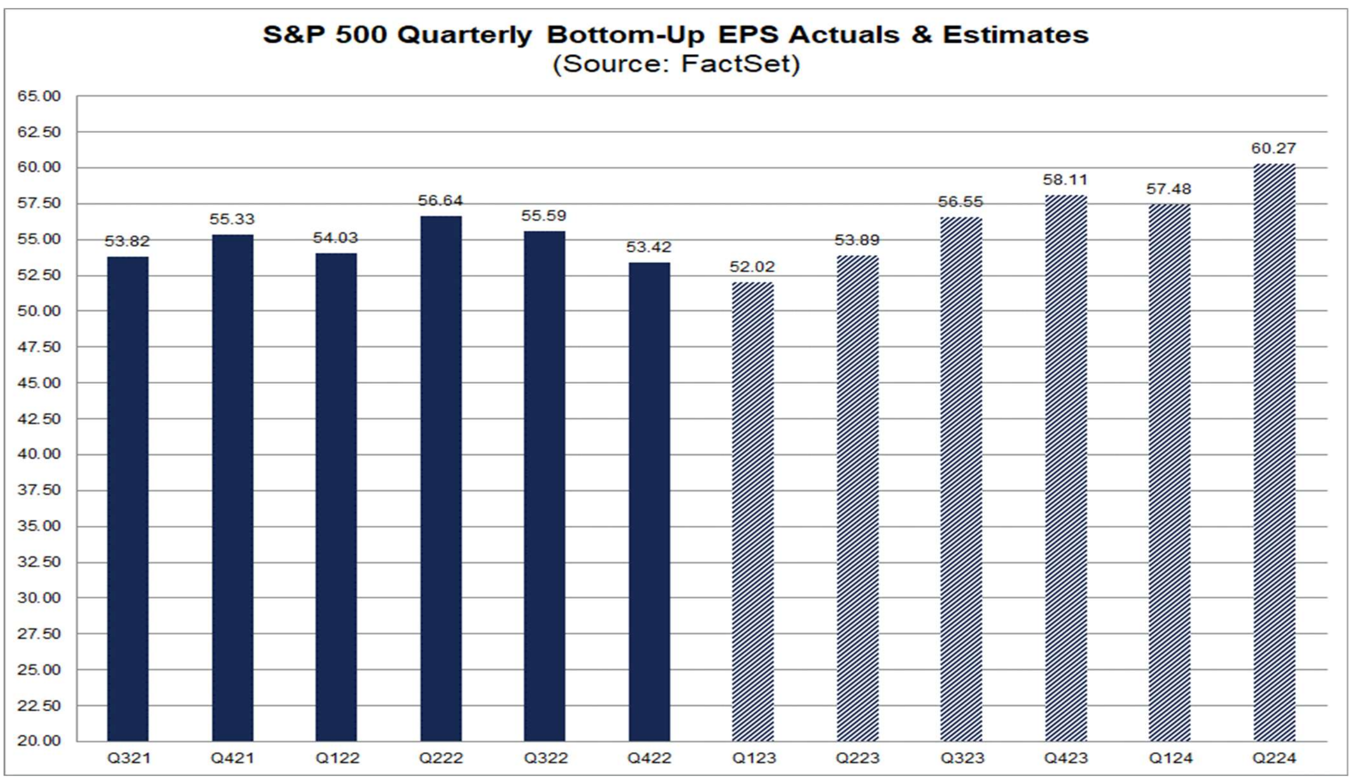
Bottom-Up EPS Estimates



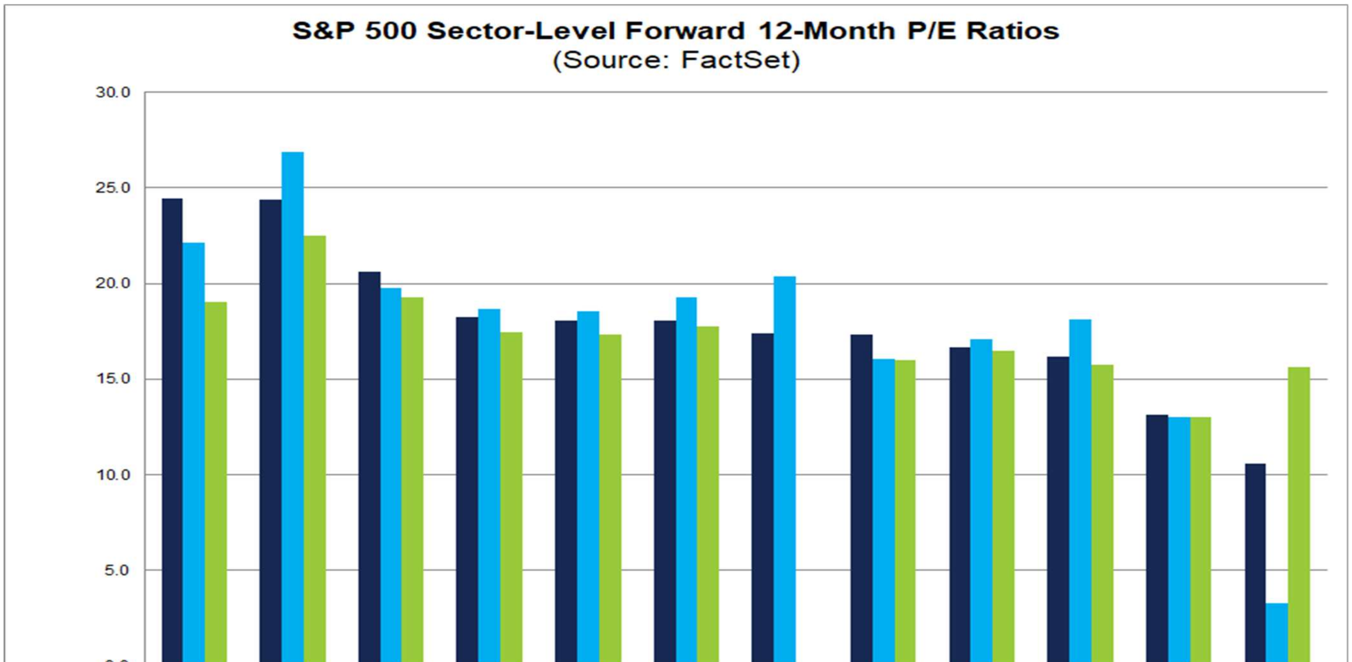


Bottom-Up EPS Estimates: Current & Historical

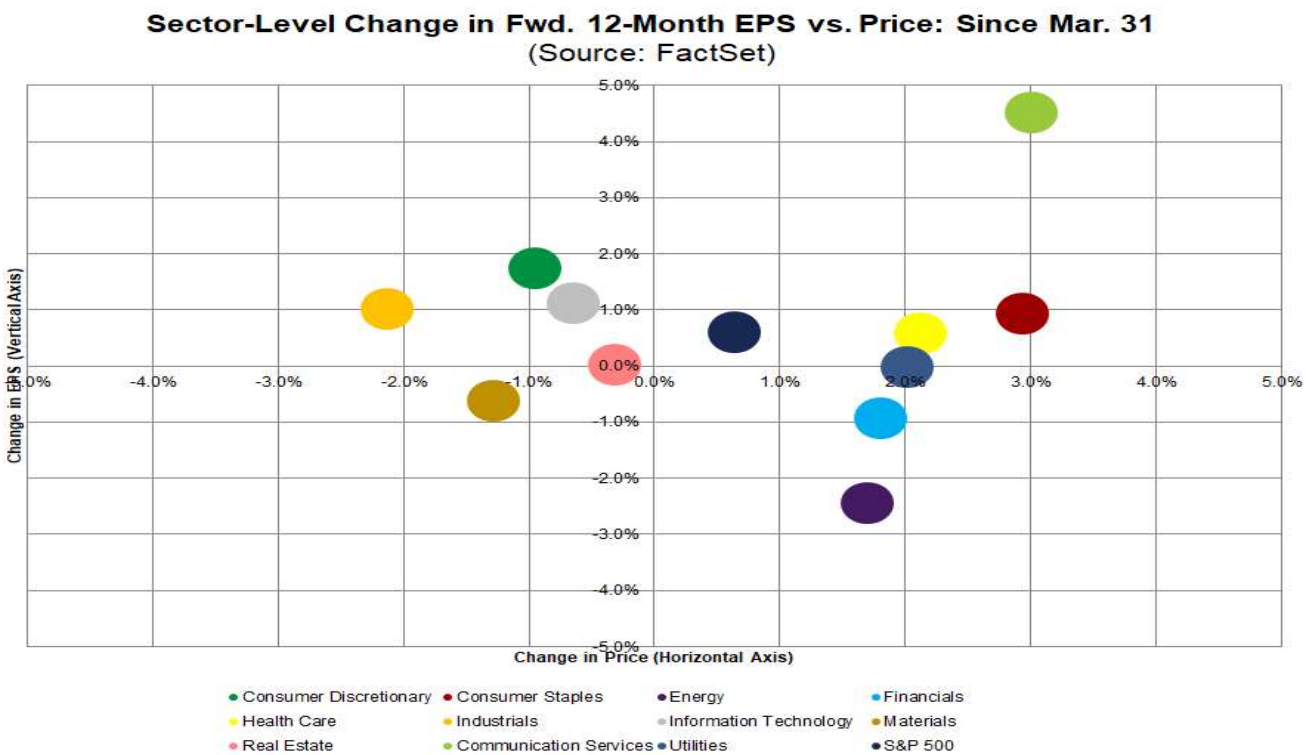




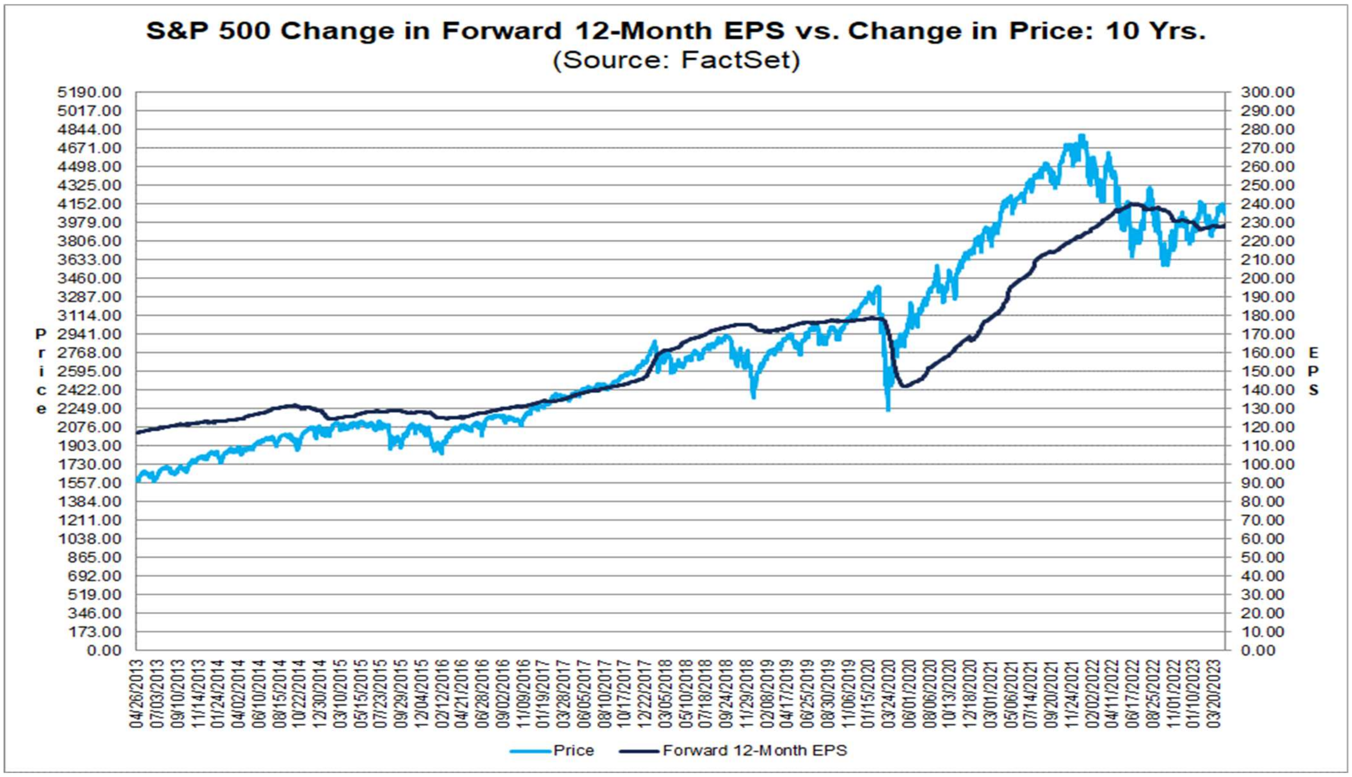
Forward 12M P/E Ratio: Sector Level

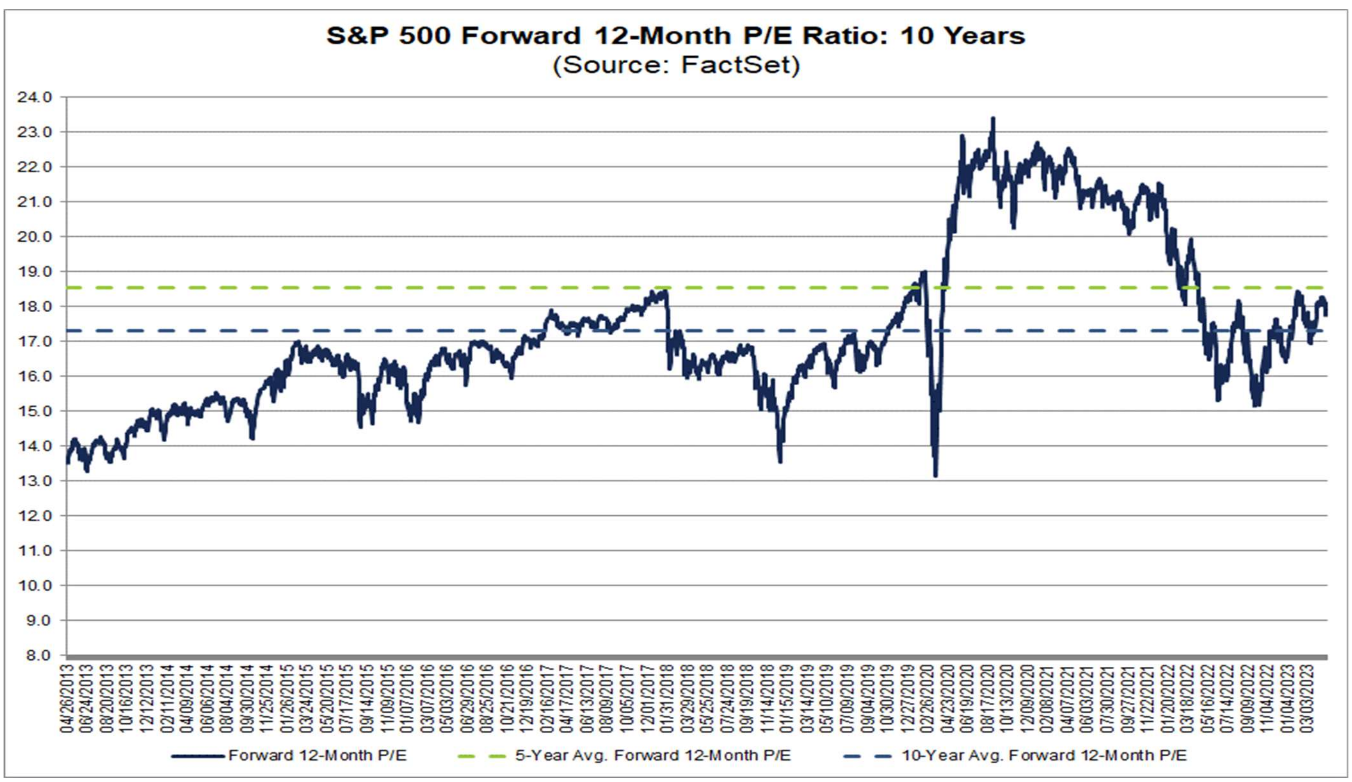


	Info. Technology	Consumer Disc.	Consumer Staples	Utilities	S&P 500	Industrials	Real Estate	Health Care	Materials	Comm. Services	Financials	Energy
Fwd P/E	24.4	24.4	20.6	18.3	18.1	18.0	17.4	17.4	16.7	16.2	13.1	10.6
5-Yr Avg.	22.1	26.9	19.8	18.6	18.5	19.3	20.4	16.0	17.1	18.1	13.0	3.3
10-Yr Avg.	19.0	22.5	19.3	17.5	17.3	17.8		16.0	16.5	15.7	13.0	15.7

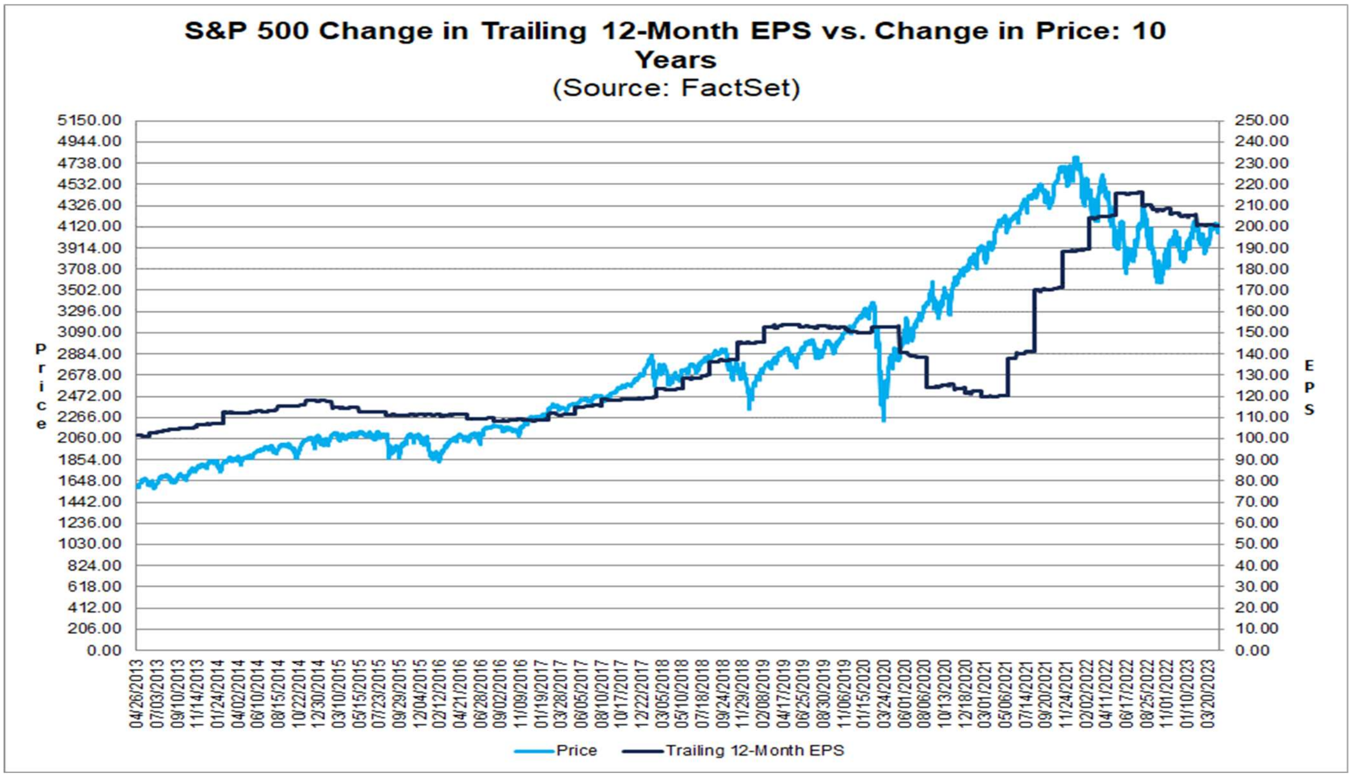


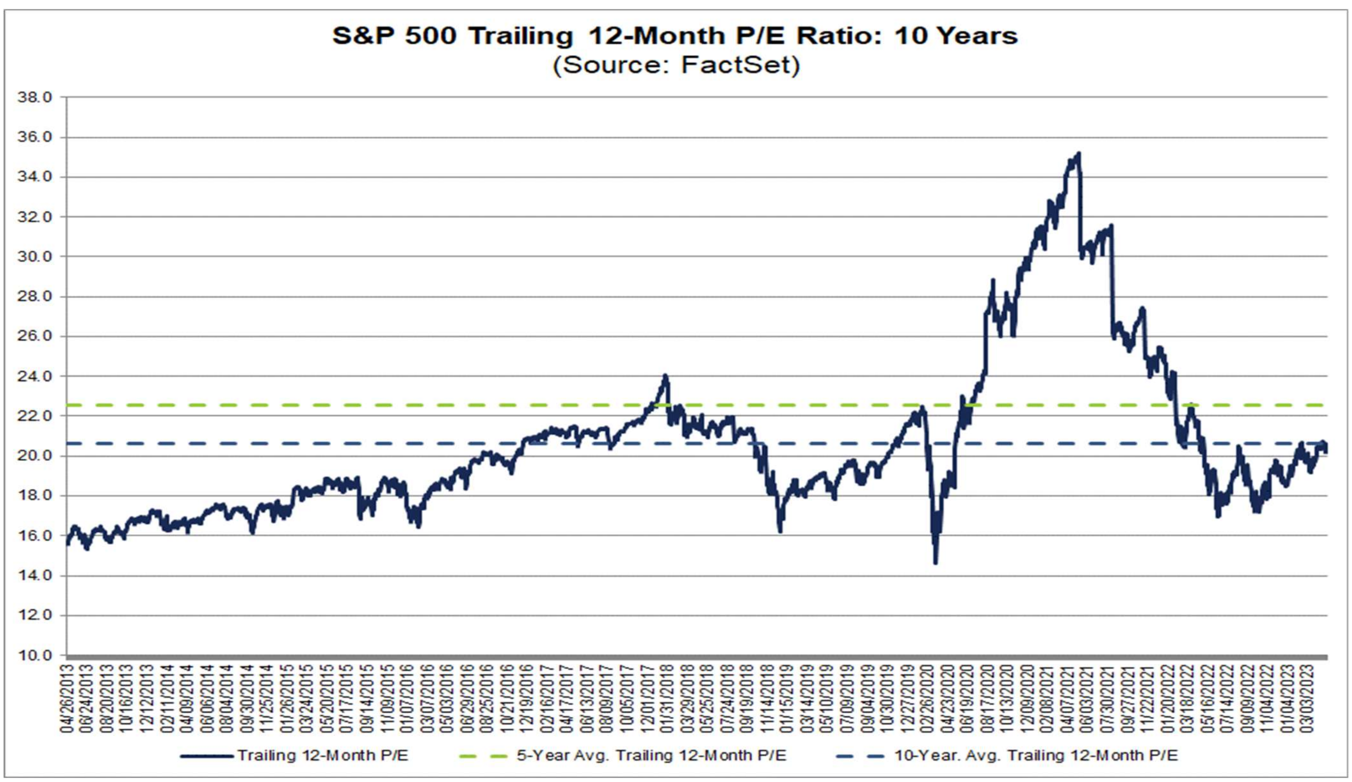
Forward 12M P/E Ratio: 10-Years



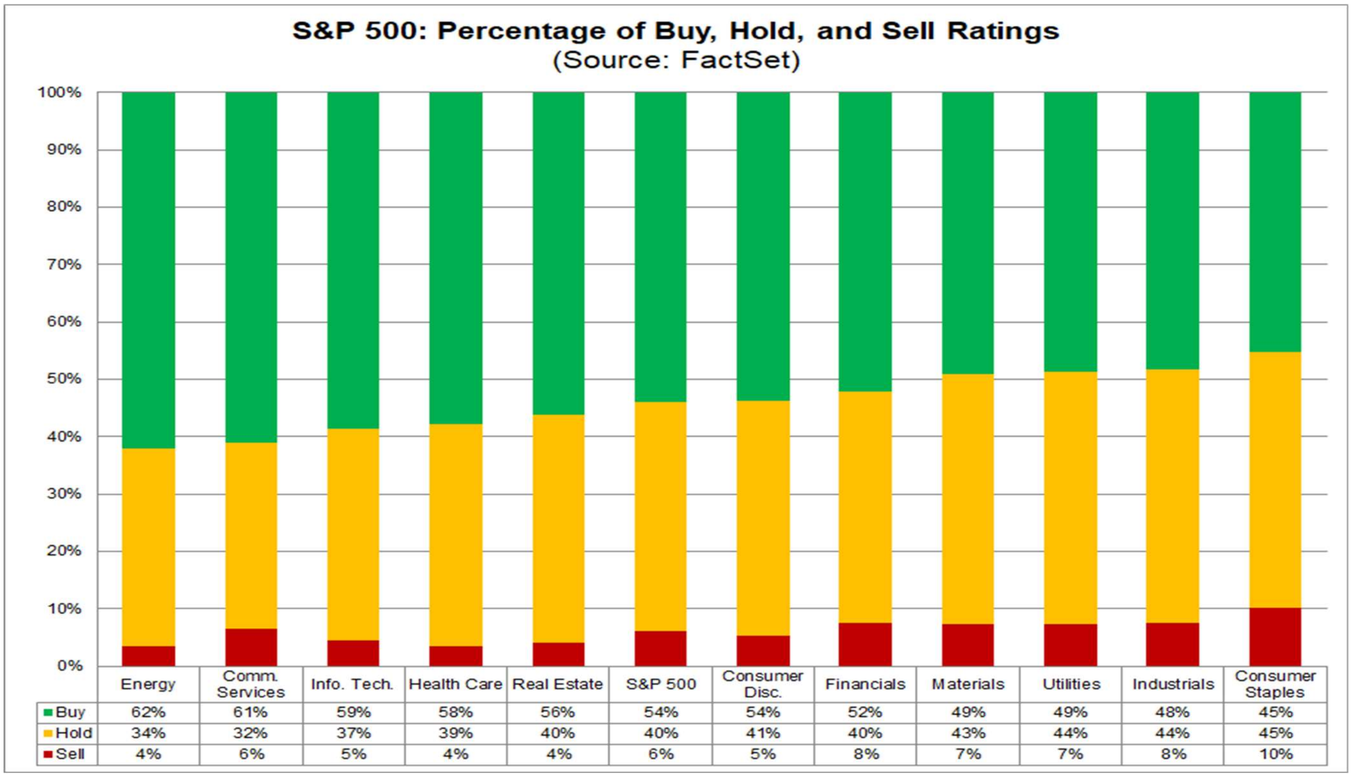


Trailing 12M P/E Ratio: 10-Years

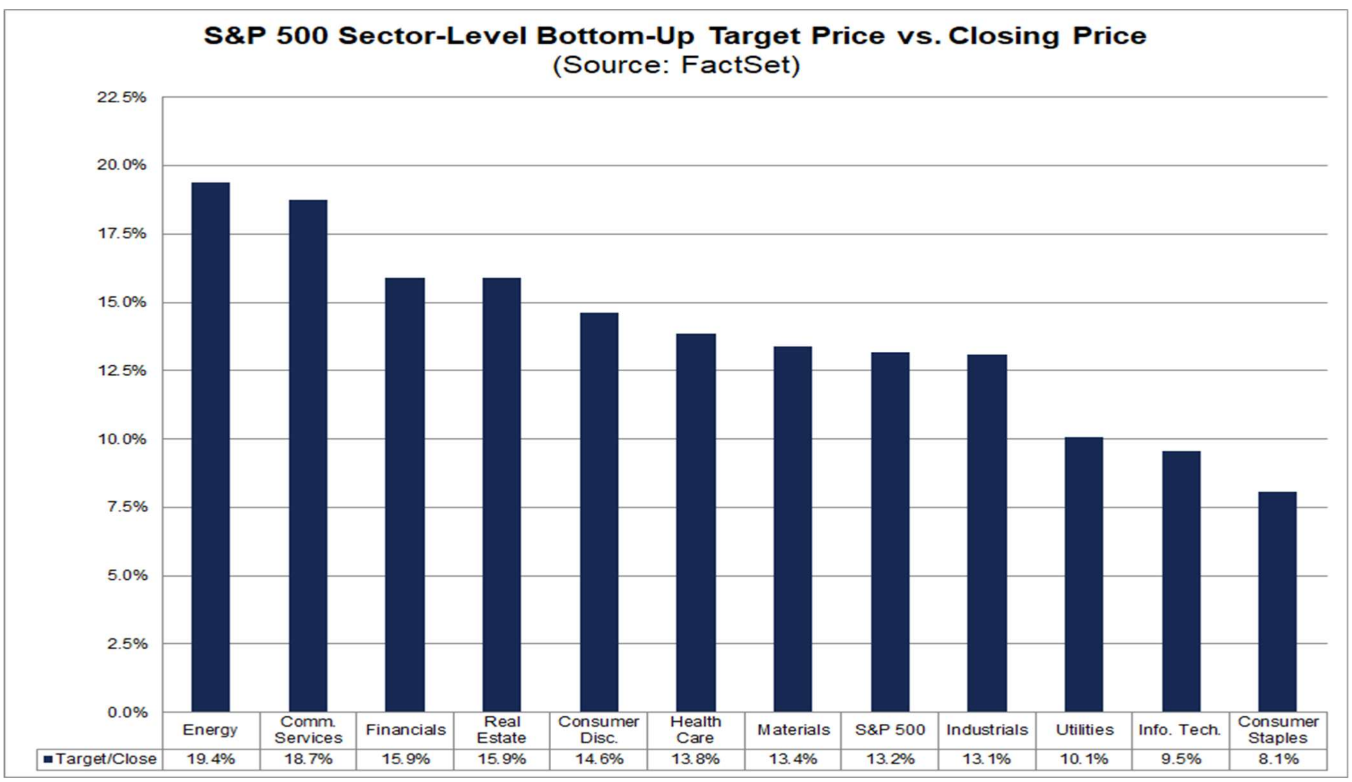




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Real Estate	S&P 500	Consumer Disc.	Financials	Materials	Utilities	Industrials	Consumer Staples
Buy	62%	61%	59%	58%	56%	54%	54%	52%	49%	49%	48%	45%
Hold	34%	32%	37%	39%	40%	40%	41%	40%	43%	44%	44%	45%
Sell	4%	6%	5%	4%	4%	6%	5%	8%	7%	7%	8%	10%



	Energy	Comm. Services	Financials	Real Estate	Consumer Disc.	Health Care	Materials	S&P 500	Industrials	Utilities	Info. Tech.	Consumer Staples
Target/Close	19.4%	18.7%	15.9%	15.9%	14.6%	13.8%	13.4%	13.2%	13.1%	10.1%	9.5%	8.1%

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