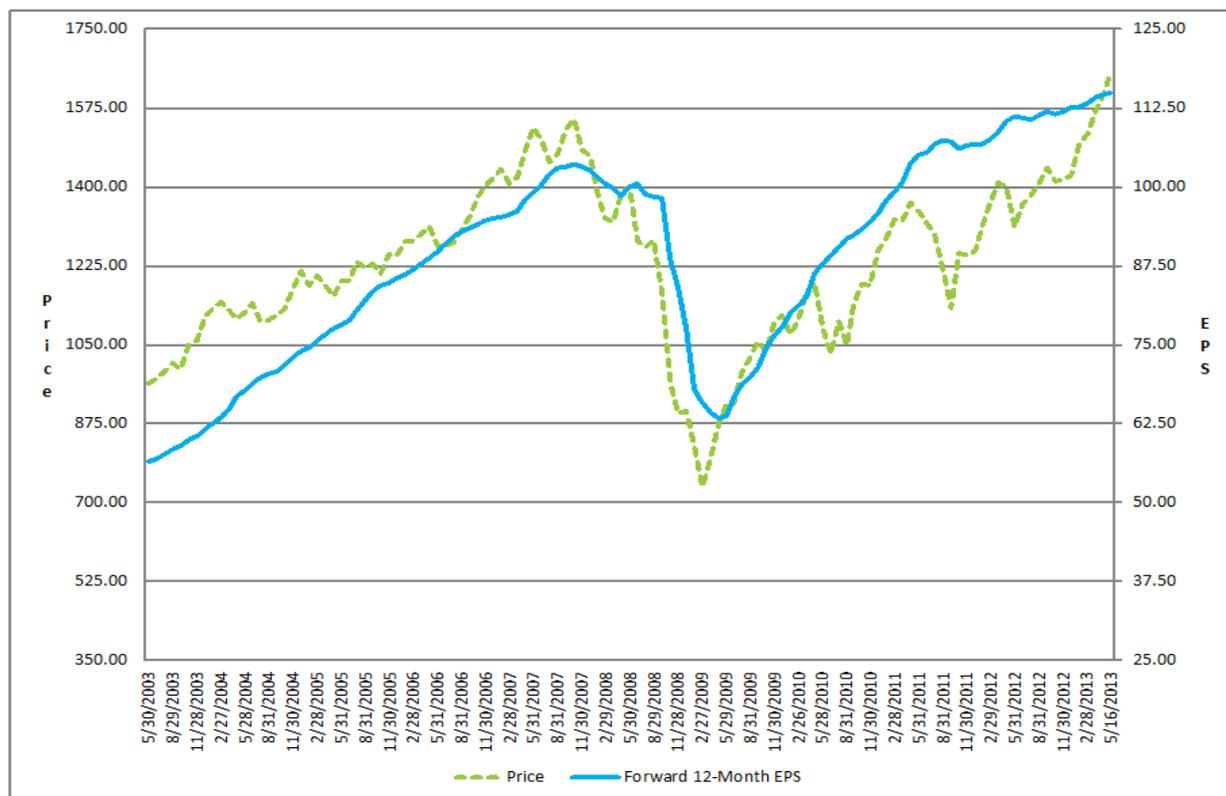


Key Metrics

- + **Earnings Scorecard:** Of the 463 companies that have reported earnings to date for Q1 2013, 70% have reported earnings above the mean estimate and 47% have reported revenues above the mean estimate.
- + **Earnings Growth:** The blended earnings growth rate for Q1 2013 is 3.2%. If the final number is positive, it will mark the second consecutive quarter of earnings growth for the index.
- + **Earnings Revisions:** On March 31, the earnings growth rate for Q1 2013 was -0.7%. All ten sectors have recorded an increase in earnings growth during this time, led by the Financials and Telecom Services sectors.
- + **Earnings Guidance:** For Q2 2013, 75 companies have issued negative EPS guidance and 19 companies have issued positive EPS guidance.
- + **Valuation:** The current 12-month forward P/E ratio is 14.4. This P/E ratio is based on Thursday's closing price of 1650.47 and forward 12-month EPS estimate of \$114.94.

S&P 500 Forward 12-Month EPS vs. Price: 10-Year



All data published in this report is available on FactSet. Please contact media_request@factset.com or 1-877-FACTSET for more information.

Topic of the Week

Is the S&P 500 Overvalued?

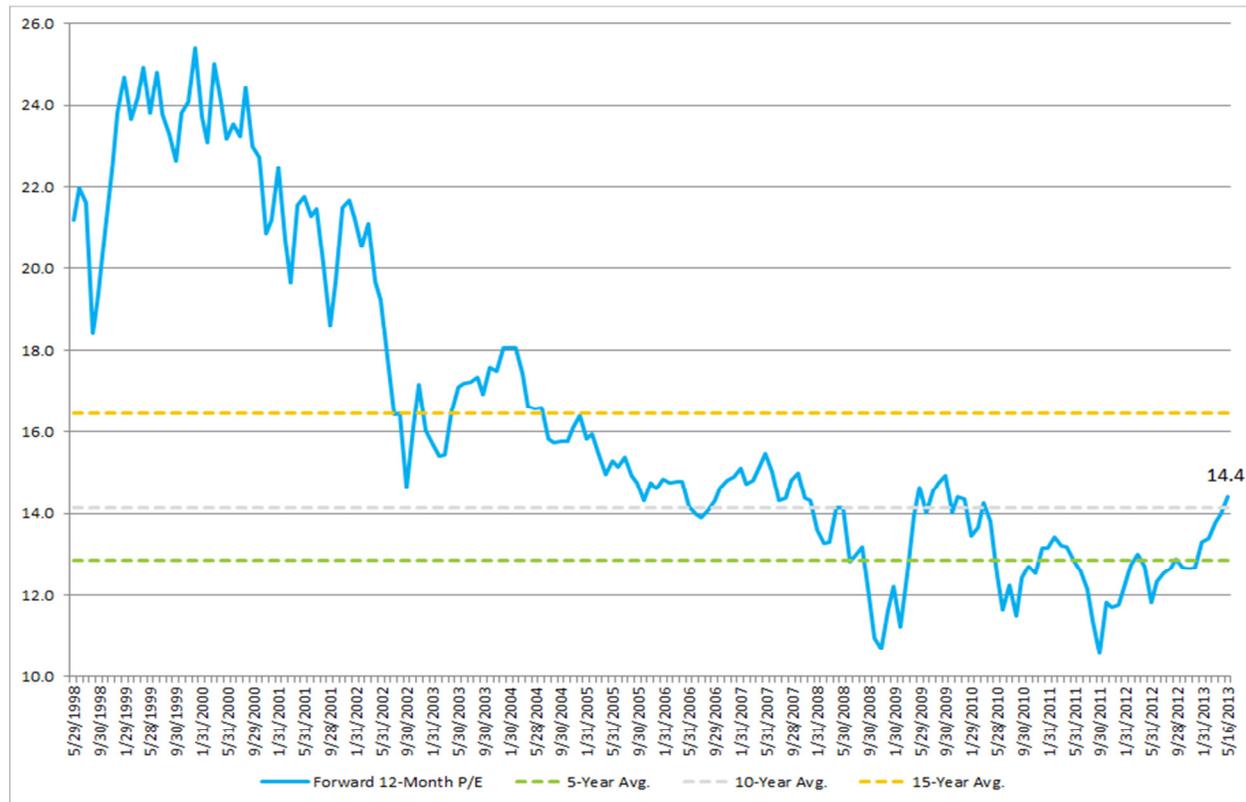
During the past week (May 15), the value of the S&P 500 index closed at yet another all-time high. The forward 12-month P/E ratio for the S&P 500 now stands at 14.4, based on yesterday's record closing price (1650.47) and forward 12-month EPS estimate (\$114.94). This is the highest forward 12-month P/E ratio logged by the S&P 500 in more than three years (April 2010). Given the high values driving the P in the P/E ratio, how does this 14.4 P/E ratio compare to historical averages?

The current forward 12-month P/E ratio is above both the 5-year average (12.9) and the 10-year average (14.1). The P/E ratio crossed above the 5-year average back in January (2013), while it crossed above the 10-year average this past week. With the forward P/E ratio now above both the 5-year and 10-year averages, one could argue that the index may now be overvalued.

On the other hand, the current forward 12-month P/E ratio is still well below the 15-year average (16.5). During the first two to three years of this time frame (1998 – 2001), the P/E ratio was consistently above 20.0, peaking at around 25.0 at various points in time. With the forward P/E ratio still below the 15-year average and not close to the higher P/E ratios recorded in the early years of this period, one could argue that the index may still be undervalued.

It is interesting to note that on the date (October 9, 2007) of the last record high close for the S&P 500, the forward 12-month P/E ratio for the index was actually below both the 5-year and 10-year averages at that point in time. Based on the closing price (1565.15) and forward 12-month EPS estimate (103.18) on October 9, 2007, the forward 12-month P/E ratio on that date was 15.2. This P/E ratio was below both the 5-year average (15.7) and 10-year average (18.6) on that date. Although the forward 12-month P/E ratio on October 9, 2007 was below the 5-year and 10-year averages, the value of the S&P 500 declined by more than 50% over the following 17 months, closing at 676.53 on March 9, 2009.

S&P 500 Forward 12-Month P/E Ratio: 15-Year



Q1 2013 Earnings Season: Overview

Companies Have Beat EPS Estimates and Missed Revenue Estimates to Date

With over 90% of the companies in the S&P 500 reporting actual results, the number of companies reporting earnings above estimates is in-line with the recent average, while the percentage of companies reporting revenues above estimates is below the recent average.

Consumer Discretionary Sector: Strong Performances vs. Estimates to Date

Overall, 463 companies have reported earnings to date for the first quarter. Of these 463 companies, 70% have reported actual EPS above the mean EPS estimate and 30% have reported actual EPS below the mean EPS estimate. Over the past four quarters on average, 70% of companies have reported actual EPS above the mean EPS estimate.

At the sector level, the Health Care (78%) and Consumer Discretionary (77%) sectors have the highest percentages of companies reporting earnings above estimates, while the Telecom Services (50%) and Utilities (58%) sectors have the lowest percentages of companies reporting earnings above estimates.

In aggregate, companies are reporting earnings that are 4.7% above expectations. Over the last four quarters on average, actual earnings have surpassed estimates by 4.1%. Companies in the Telecom Services (+8.6%), Financials (+7.6%), and Consumer Discretionary (+6.1%) sectors are reporting the largest upside aggregate differences between actual earnings and estimated earnings. In the Telecom Services sector, Sprint Nextel reported a smaller loss (-\$0.21) relative to expectations (-\$0.32), which has helped to boost the surprise percentage for this sector. Crown Castle (+99%) also reported a substantial upside earnings surprise. In the Financials sector, companies that beat EPS estimates by wide margins include AIG (+52%), Travelers (+14%), JPMorgan Chase (+14%), and Goldman Sachs (+10%). In the Consumer Discretionary sector, companies that have reported significant upside earnings surprises include Carnival Corp. (+167%), Amazon.com (+163%), and Apollo Group (+73%).

On the other hand, companies in the Utilities (-0.4%) sector are reporting the largest downside aggregate difference between actual earnings and estimated earnings. In this sector, companies that have reported downside earnings surprises include Ameren (-21%) and CenterPoint Energy (-15%).

Percentage of Companies Beating Revenue Estimates (47%) Below Average

In terms of revenues, 47% of companies have reported actual sales above estimated sales and 53% have reported actual sales below estimated sales. The percentage of companies beating sales estimates is below the percentage recorded last quarter (64%) and below the average over the previous four quarters (52%). If 47% is the final percentage, it will mark the third time in the last four quarters that the percentage of companies reporting revenues above estimates finished below 50%.

At the sector level, the Utilities (68%) and Energy (67%) sectors have the highest percentages of companies reporting revenues above estimates, while the Materials (20%) and Industrials (29%) sectors have the lowest percentages of companies reporting revenue above estimates.

In aggregate, companies are reporting sales that are 0.1% above expectations. Over the previous four quarters on average, actual sales have exceeded estimates by 0.7%.

Earnings Growth Rate: No Change This Week

The blended earnings growth rate for Q1 2013 is 3.2%, equal to last week's growth rate of 3.2%. This 3.2% earnings growth rate is above the estimate of -0.7% at the end of the quarter (March 31). All ten sectors have witnessed an increase in earnings growth over this time frame, led by the Telecom Services and Financials sectors.

Earnings Growth (3.2%) Reported for Q1 2013 to Date

The blended earnings growth rate for Q1 2013 is 3.2%. If this is the final growth rate for the quarter, it will mark the second consecutive quarter of earnings growth for the index. Nine of the ten sectors are reporting higher earnings relative to a year ago, led by Financials, Utilities, and Telecom Services sectors. On the other hand, the Information Technology sector is the only sector reporting a decline in earnings for the quarter.

Financials: Bank of America vs. AIG

The Financials sector has the highest earnings growth rate of any sector at 11.5%. Six of the eight industries in the sector are reporting earnings growth, led by the Diversified Financial Services (36%) industry. At the company level, Bank of America is the largest contributor to earnings growth for Q1. The company reported EPS of \$0.20, relative to year-ago EPS of \$0.03. If Bank of America is excluded, the earnings growth rate for Q1 drops to 7.4%. On the other hand, AIG is the largest detractor to earnings growth for the sector, and is predicted to be one of the largest detractors to earnings growth for the sector through the next two quarters. The company reported EPS of \$1.34, compared to year-ago EPS of \$1.65. If this company is excluded, the earnings growth rate for the sector improves to 15.1%.

Utilities: Second Highest Earnings Growth (8.9%) Due to Small Group of Companies

The Utilities sector has the second highest earnings growth of any sector at 8.9%. Three of the four industries in this sector are reporting an increase in earnings relative to last year, led by the Electric Utilities (17%) industry. However, four companies are driving the growth in the sector: Duke Energy, Northeast Utilities, Edison International, and Entergy. Duke Energy and Northeast Utilities have completed mergers in the past year, which is helping to boost the earnings growth for these companies. If all four of these companies are excluded, the earnings growth rate for the sector falls to 0.8%.

Telecom Services: Verizon and Sprint Nextel

The Telecom Services sector has the third highest earnings growth rate of any sector at 8.3%. However, two companies account for most of the growth in the sector: Verizon and Sprint Nextel. If these two companies are removed, the growth rate for the sector falls to -2.4%.

Information Technology: Apple (-18%) vs. Microsoft (+20%)

The Information Technology sector has the lowest earnings growth of any sector at -3.0%. However, only two of the eight industries in this sector are reporting a decline in earnings: Semiconductor & Semiconductor Equipment (-23%) and Computers & Peripherals (-20%). At the company level, Apple is the largest detractor to earnings growth for the sector, as the company reported a year-over-year decline in EPS (-18%) for the second consecutive quarter. If Apple is excluded, the earnings growth rate for the sector improves to 1.4%. On the other hand, Microsoft is the largest contributor to earnings growth in the sector. The company reported EPS of \$0.72, compared to EPS of \$0.60 reported in the year-ago quarter, resulting in EPS growth of 20%. This marked the highest EPS growth for Microsoft in nearly two years (Q2 2011). If Microsoft is excluded, the earnings growth rate for the sector falls to -5.6%.

Slight Revenue Decline (-0.3%) Reported to Date for Q1 2013

The blended revenue growth rate for Q1 2013 is -0.3%, down from an estimate of 0.4% at the end of the quarter (March 31). However, only two of the ten sectors are reporting a decline in revenues: Energy and Materials. If the Energy sector is excluded, the growth rate for the index would improve to 2.7%. On the other hand, the Utilities sector is reporting the highest revenue growth for the quarter.

The Utilities sector has the highest revenue growth rate at 7.4%. At the company level, Duke Energy and Exelon are the largest contributors to revenue growth. If these companies are excluded, the growth rate for the Utilities sector drops to 1.9%.

The Energy sector has the lowest revenue growth rate of all ten sectors at -14.5%. At the company level, Conoco Phillip is the largest detractor to growth in the sector. For Conoco Phillips, revenues for Q1 2013 are stand alone for Conoco Phillips, while the year-ago revenues include Phillips 66. Excluding Conoco Phillips, the revenue growth rate for the Energy sector improves to -4.9%.

Global Themes: Europe vs. Emerging Markets

Europe is reporting a decline in economic growth relative to last year. According to FactSet Economics, the European Union recorded a decrease in GDP of 0.6% in Q4 2012, compared to growth of 0.8% in Q4 2011. Many companies have confirmed that economic conditions were still weak in Europe.

"For the quarter, Europe's results were dampened by ongoing economic uncertainty. First quarter comparable sales were down 1.1%..." –McDonald's Corp. (Apr. 19)

"We planned for Europe to be similar to 2012, down again, but it was even weaker than we had expected." –General Electric (Apr. 19)

Economic growth in countries in emerging markets has also been decreasing over the past year. According to FactSet Economics, two of the four "BRIC" countries recorded slower GDP growth, while one country recorded constant growth during this time. For Q4 2011, China, India, and Brazil recorded GDP growth of 8.9%, 5.8% and 1.4%, respectively. By Q4 2012, GDP growth rates for China, India, and Brazil had fallen to 7.9%, 4.1% and 1.4%.

For Q1 2013, China reported GDP growth of 7.7%, which was below both the 7.9% recorded in the previous quarter and the 8.1% growth reported in the year-ago quarter. To date, comments on business conditions regarding China and emerging markets have been mixed. Some companies, such as Coca-Cola, IBM, and McDonald's, reported weak conditions.

"In Asia/Pacific, Middle East and Africa (APMEA), first quarter comparable sales declined 3.3% primarily due to ongoing weakness in Japan and negative results in China." –McDonald's Corp. (Apr. 19)

"But our growth markets revenue was up 1% at constant currency, clearly not what we expected or what we needed." –IBM (Apr. 18)

"As we look ahead to the remainder of 2013, we continue to expect China's economic slowdown to have a short-term effect on our industry and on our business, although we do expect to see some gradual improvement in consumer disposable income and, as a result, sequential improvement for our business as the year progresses." –Coca-Cola (Apr. 16)

Other companies, such as General Electric, United Technologies, and Coach, saw continued strength.

"Yeah, so in China, I think the market is very, very strong... I think property transactions in the first quarter were up 60% in China. So again, the market's a lot better than what we had anticipated. We saw that starting in the fourth quarter." –United Technologies (Apr. 23)

"China results continued very strong, with total sales growing 40% and comparable store sales rising at a double-digit rate." –Coach (Apr. 23)

"Most of our emerging markets, including China, remained strong." –General Electric (Apr. 19)

Domestic Themes: Housing Market vs. Fiscal Policy

In the U.S., the housing market continues to show signs of recovery. In recent earnings reports, some companies have commented on the positive impact of this development on revenue and earnings growth.

"However, operating earnings and margins are expected to improve sequentially from the first quarter through the rest of the year due to our productivity actions, the U.S. housing market rebound, and improving demand in industrial and public sector markets." –DuPont (Apr. 23)

"In our commercial businesses, we see good traction in North America. The housing and commercial construction markets are improving. Americans are investing in their homes again, and our North American residential HVAC orders are up 11% versus last year." –United Technologies (Apr. 23)

Despite the improving conditions, many banks reported a decline in mortgage revenues in their earnings releases and conference calls.

"Overall, revenue was down year-on-year and quarter-on-quarter, driven by mortgage banking." –JPMorgan Chase (Apr. 12)

"Community Banking reported net income of \$2.9 billion, up \$55 million, or 2 percent, from fourth quarter 2012. Revenue decreased \$883 million, or 6 percent, from fourth quarter 2012, primarily due to lower volume-related mortgage banking revenue and above-average quarterly equity gains in fourth quarter 2012." –Wells Fargo (Apr. 12)

Companies have also commented on the negative impact of fiscal policy issues (including healthcare legislation, the increase in the payroll tax, delay in tax refunds, and sequestration) as impediments to earnings growth for the first quarter, though the impact has not been significant in many cases.

"There was clearly an effect in the payroll tax." –Coca-Cola (Apr. 16)

"We're managing through what I mentioned at our call in January when I was with you all that, as of now, we have \$1 billion of cost of U.S. healthcare legislation embedded in our business, and we're able to manage through that." –Johnson & Johnson (Apr.16)

"In addition, uncertainty in the United States surrounding sequestration contributed to a decline in sales to the government end market, which represented 15 percent of sales for the U.S. segment." –W.W. Grainger (Apr. 16)

"The unforeseen income tax refund delay had a particularly large impact on the business in late January and early February. But we saw sales trends improve as the tax refunds started to make their way into our customers' wallets." –Family Dollar Stores (Apr. 10)

EPS Guidance: High Percentage (80%) Issued for Q2 2013 to Date

Of the 94 companies that have issued EPS guidance for the second quarter, 75 have issued projections below the mean EPS estimate and 19 have issued projections above the mean EPS estimate. Thus, 80% (75 out of 94) of the companies that have issued EPS guidance to date for Q2 2013 have issued negative guidance. This percentage is well above the five-year average of 61%.

Two of the three sectors that have the highest percentages of negative guidance are the Materials (86%) and Industrials (82%) sectors.

Q2 Earnings Growth Rate: Cut by More Than 2/3 since March 31

Since the start of the second quarter (March 31), analysts have also reduced earnings growth expectations for Q2 2013 by more than two-thirds (to 1.4% from 4.4%). Eight of the ten sectors have lower expected earnings growth rates today relative to the start of the quarter, led by the Materials, Information Technology, and Industrials sectors. Two of these three sectors (Materials and Industrials) have also witnessed a high percentage of companies issue negative EPS guidance for the quarter.

The Materials sector has seen the largest drop in expected earnings growth (to -2.5% from 9.4%) since the start of the quarter. Companies in the Metals & Mining industry have witnessed the largest cuts to estimates, including U.S. Steel (to -\$0.67 from \$0.39), Allegheny Technologies (to \$0.17 from \$0.38), Newmont Mining (to \$0.54 from \$0.93), and Alcoa (to \$0.10 from \$0.16).

The Information Technology sector has witnessed the second largest decrease in expected earnings growth (to -6.3% from -0.3%) since March 31. Companies that have recorded substantial reductions in EPS estimates include Electronic Arts (to -\$0.59 from -\$0.37), First Solar (\$0.63 from \$1.26), JDS Uniphase (to \$0.13 from \$0.19), Teradyne (to \$0.32 from \$0.44), and Apple (to \$7.39 from \$9.33).

The Industrials sector has recorded the third highest decline in projected earnings growth (to -2.0% from 2.4%). Companies that have seen significant decrease in earnings estimates for the quarter include Textron (to \$0.38 from \$0.55), Caterpillar (to \$1.75 from \$2.14), Stanley Black & Decker (to \$1.21 from \$1.40), and General Electric (to \$0.36 from \$0.40)

On the other hand, the Financials (17.0% from 16.2%) and Utilities (to -0.8% from -1.4%) sectors are the only two sectors that have seen increases in expected earnings growth since the start of the quarter. In the Financials sector, companies that have witnessed significant increases to EPS estimates include SLM Corp. (to \$0.69 from \$0.58) and Cincinnati Financial (to \$0.44 from \$0.39). In the Utilities sector, companies that have recorded upside revisions to EPS estimates include Public Service Enterprise Group (to \$0.45 from \$0.40) and SCANA (to \$0.53 from \$0.47).

Earnings Growth Rebound Still Projected for 2nd Half 2013, But Little Revenue Growth

Although analysts have also reduced earnings growth expectations for Q3 2013 (to 7.8% from 9.9%) and Q4 2013 (to 13.1% from 14.1%), they still expect a significant improvement in earnings growth in the second half of 2013 relative to the 1st half of 2013.

For Q3 2013, four of the ten sectors are projected to see double-digit earnings growth: Materials (19.1%), Consumer Discretionary (13.1%), Financials (11.6%), and Telecom Services (11.0%).

For Q4 2013, five of the ten sectors are predicted to see double-digit earnings growth: Telecom Services (44.9%), Financials (26.7%), Materials (26.4%), Industrials (20.3%), and Consumer Discretionary (16.1%).

However, estimated revenue growth rates for both Q3 2013 (3.4%) and Q4 2013 (1.9%) are expected to be well below estimated earnings growth rates. No sector is expected to see double-digit revenue growth in either quarter.

Valuation: Forward P/E of 14.4 is above 5-Year Average & 10-Year Average

The current forward 12-month P/E ratio for the index is 14.4. This P/E ratio is based on Thursday's closing price of 1650.47 and forward 12-month EPS estimate of \$114.94.

This 14.4 P/E ratio is well above the prior 5-year average forward 12-month P/E ratio of 12.9, and above the prior 10-year average forward 12-month P/E ratio of 14.1. Please see page 2 for more details. It is also above the P/E ratio of 13.8 recorded one month ago.

At the sector level, the Telecom Services sector has the highest forward 12-month P/E ratio at 18.0, while the Energy (12.2) and Financials (12.4) sectors have the lowest forward 12-month P/E ratios.

Over the past month, the Materials (to 14.6 from 13.3) and Information Technology (to 13.6 from 12.7) sectors have seen the largest increases in the forward 12-month P/E ratio of all ten sectors. The Utilities sector (to 16.1 from 16.3) recorded the largest decline in the forward 12-month P/E ratio over the past month.

Companies Reporting Next Week: 25

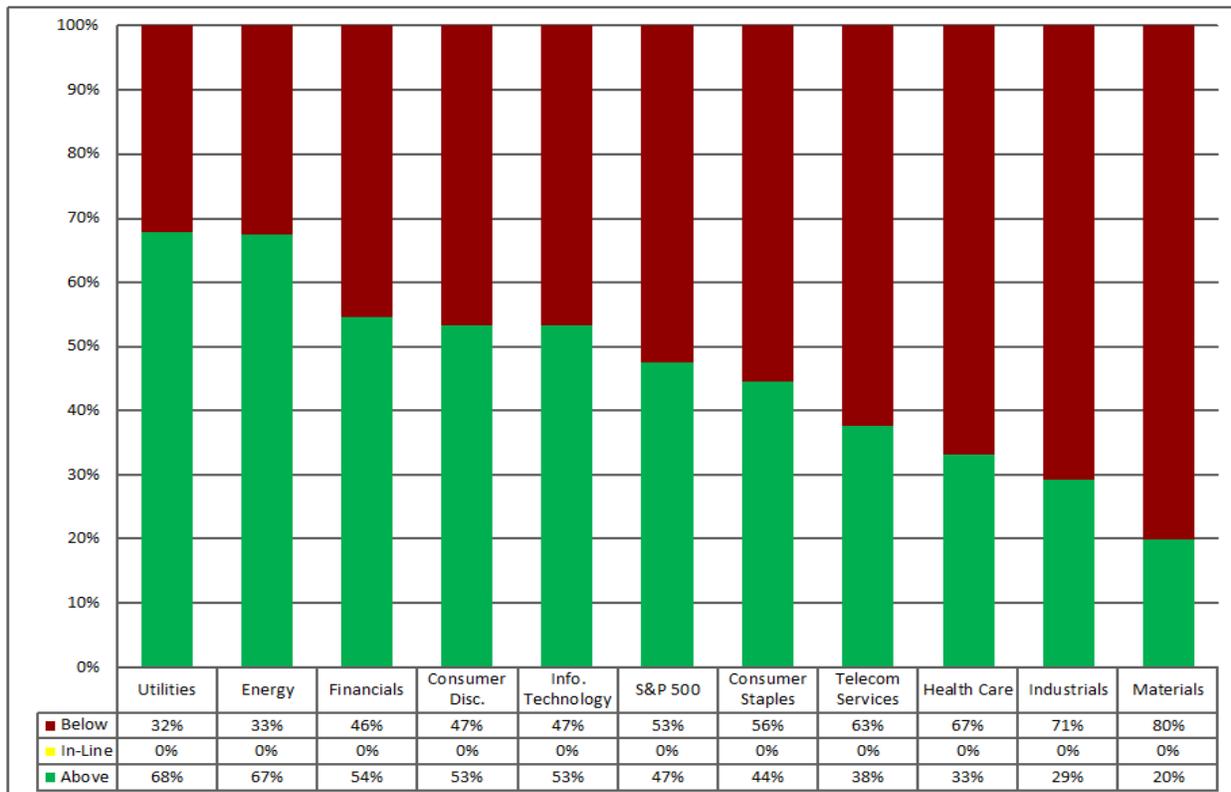
The peak weeks of the Q1 2013 earnings season are now finished. The remaining 7% of S&P 500 companies yet to report earnings for Q1 2013 will do over the next several weeks. During the upcoming week, 25 S&P 500 companies and the final two Dow 30 components (Home Depot and Hewlett-Packard) are scheduled to release earnings results.

Q1 2013: Scorecard

Q1 2013 Earnings: Above, In-Line, Below Estimates

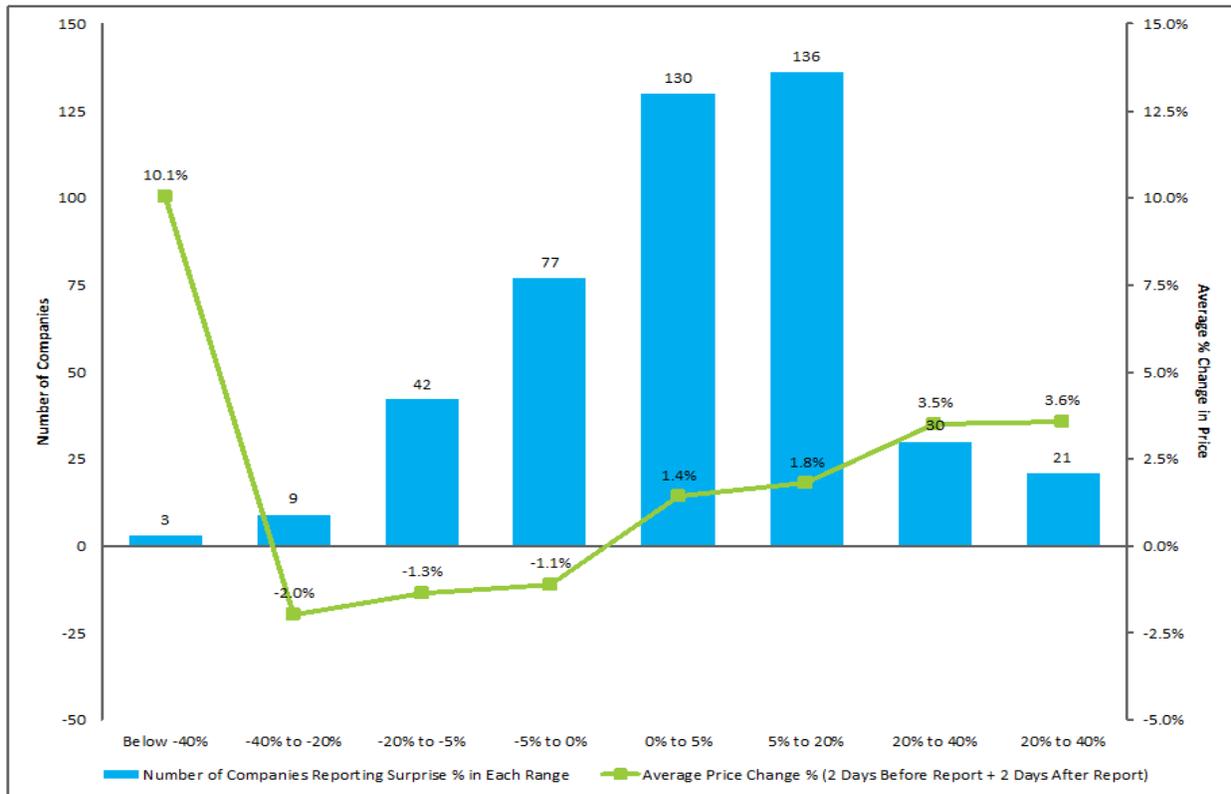


Q1 2013 Revenues: Above, In-Line, Below Estimates

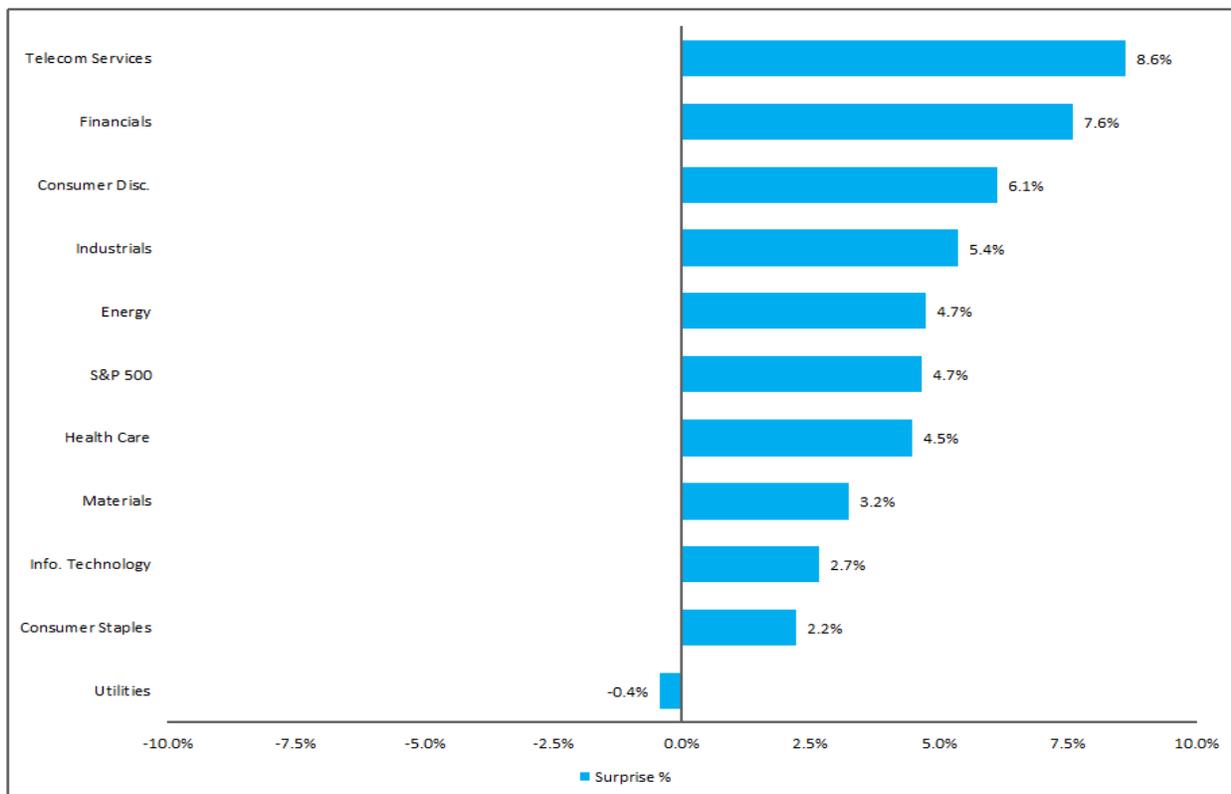


Q1 2013: Scorecard

Q1 2013: Surprise % vs. Average Price Change %

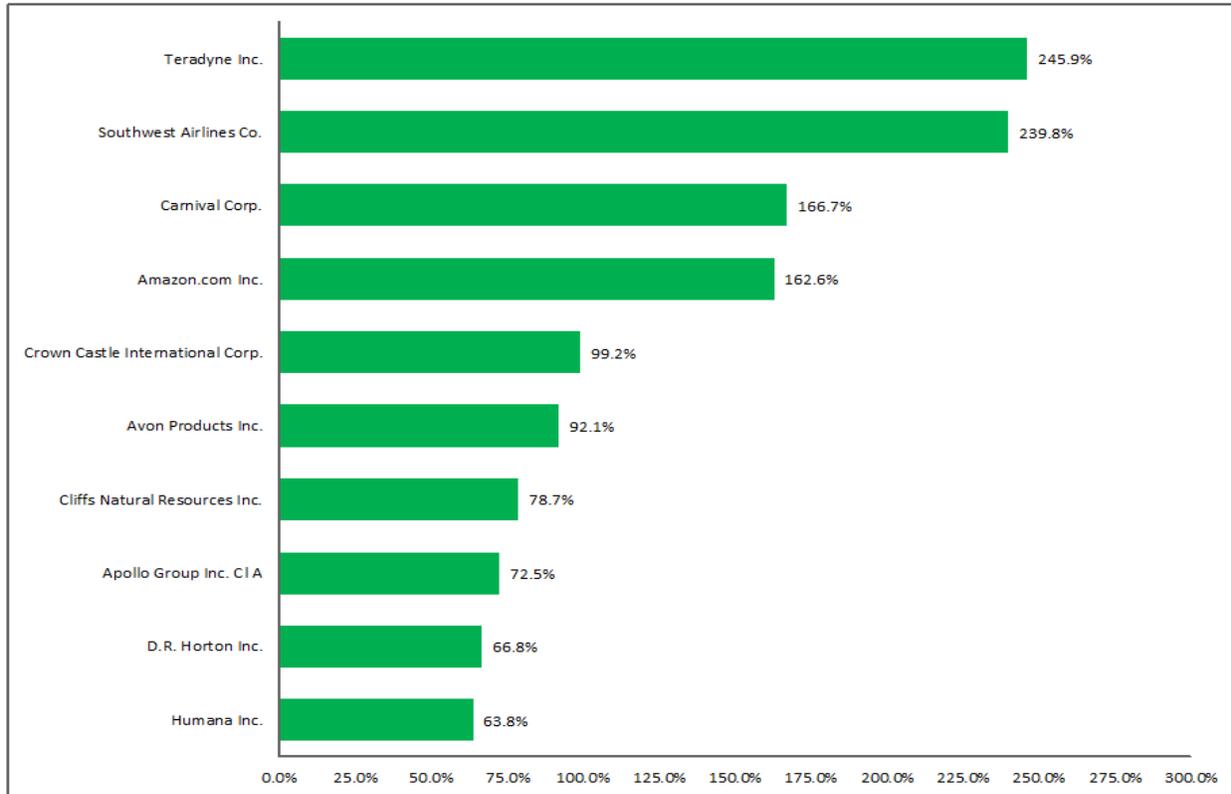


Q1 2013: Sector Level Surprise %

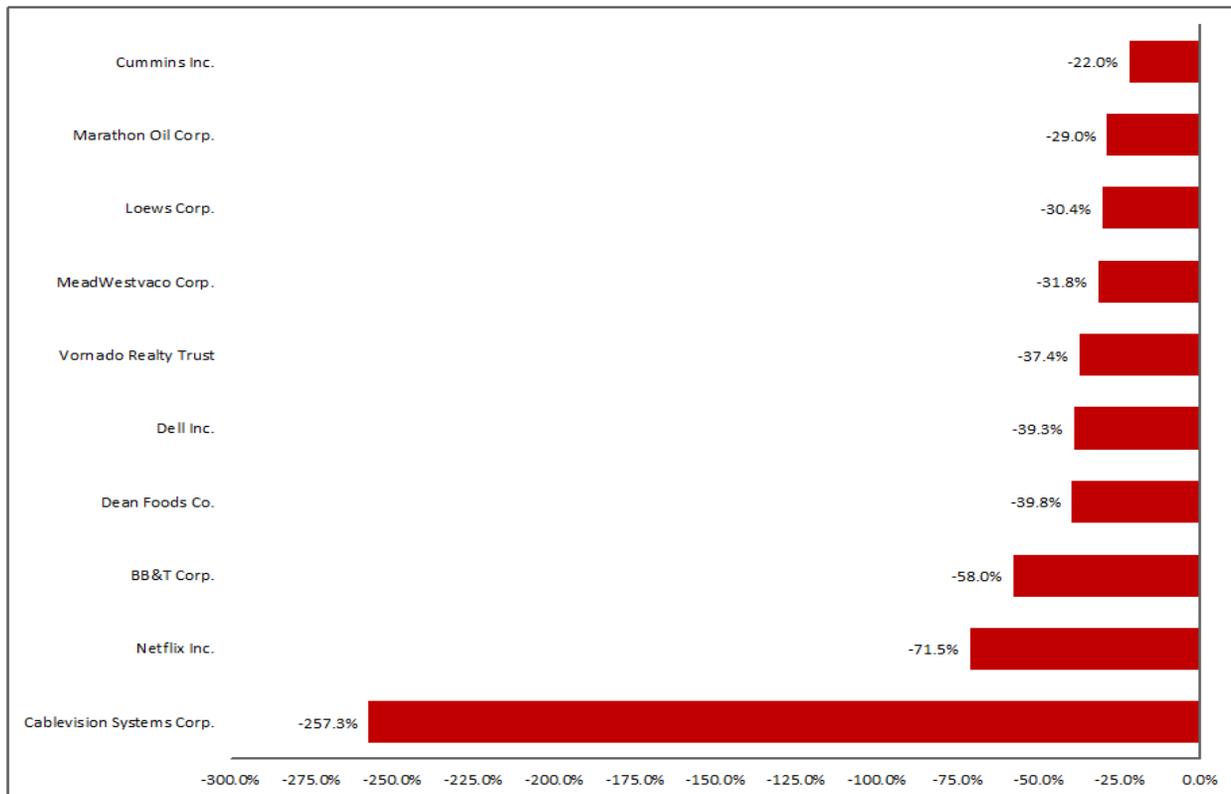


Q1 2013: Scorecard

EPS Surprise %: Top 10 Companies

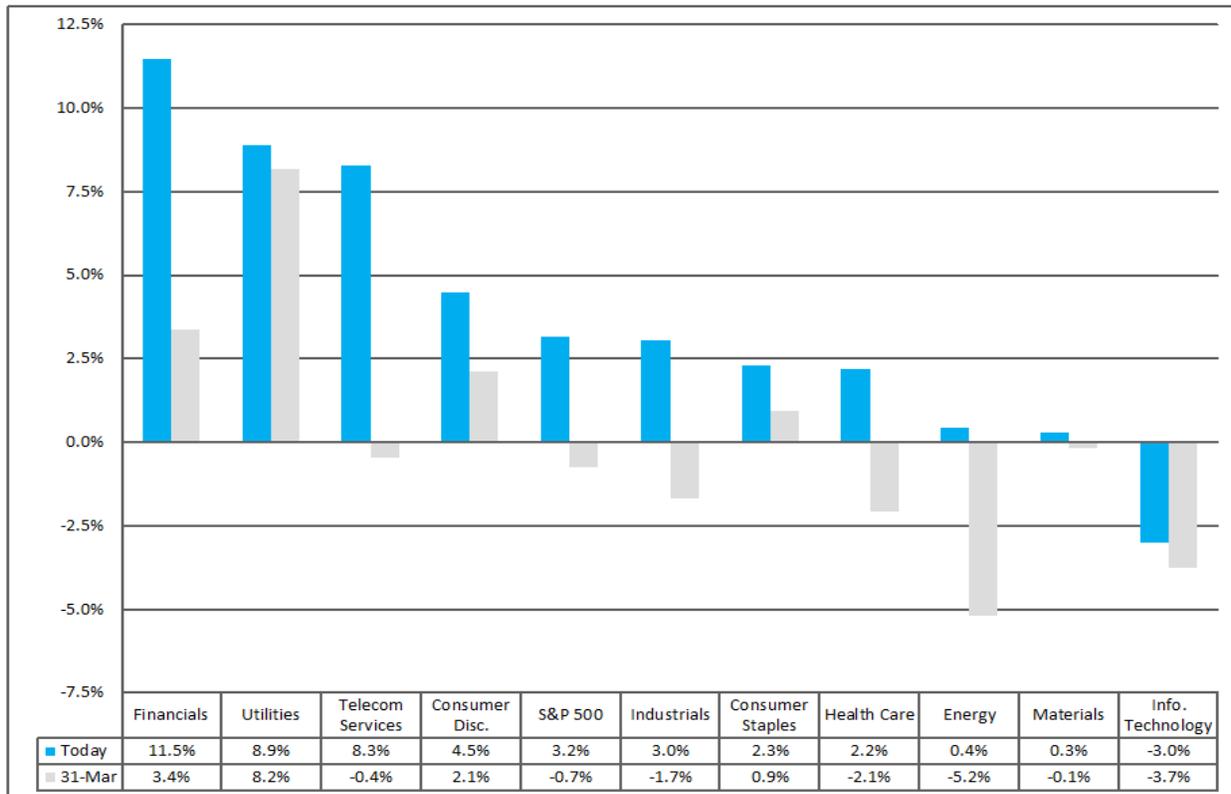


EPS Surprise %: Bottom 10 Companies

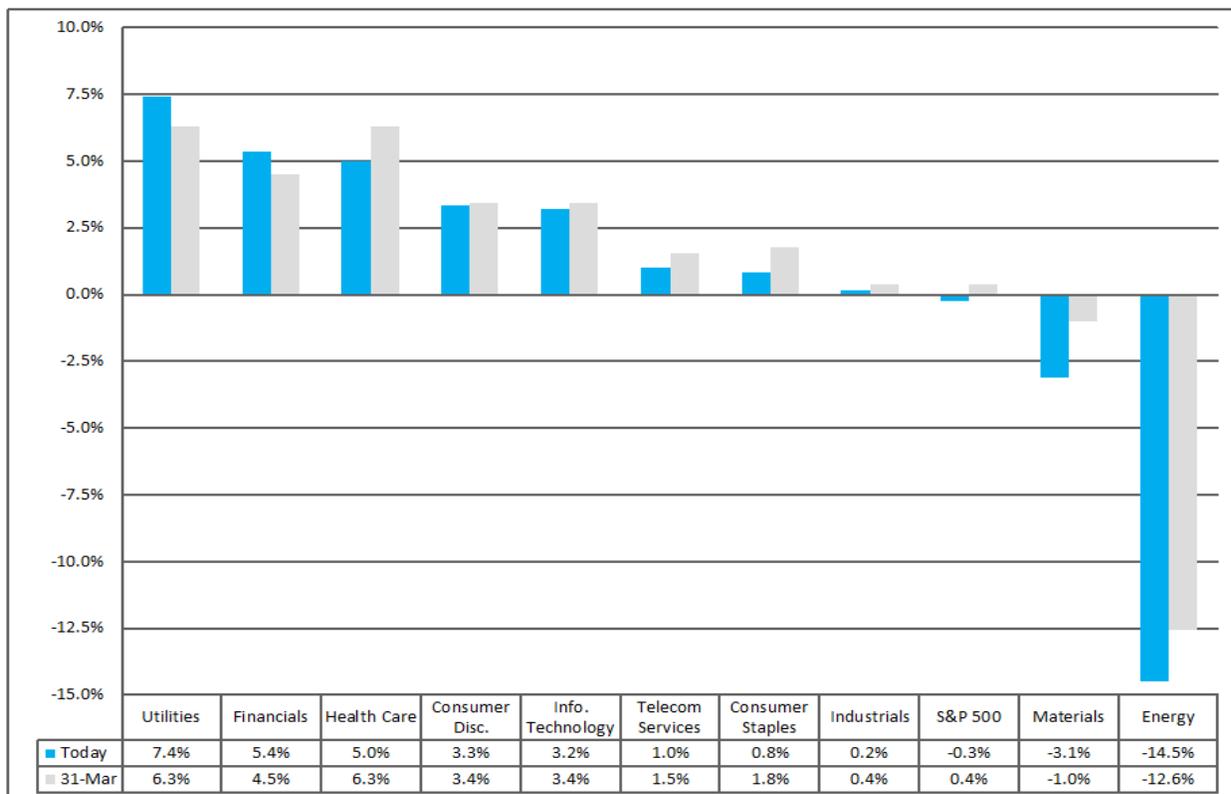


Q1 2013: Growth

Q1 2013 Earnings Growth

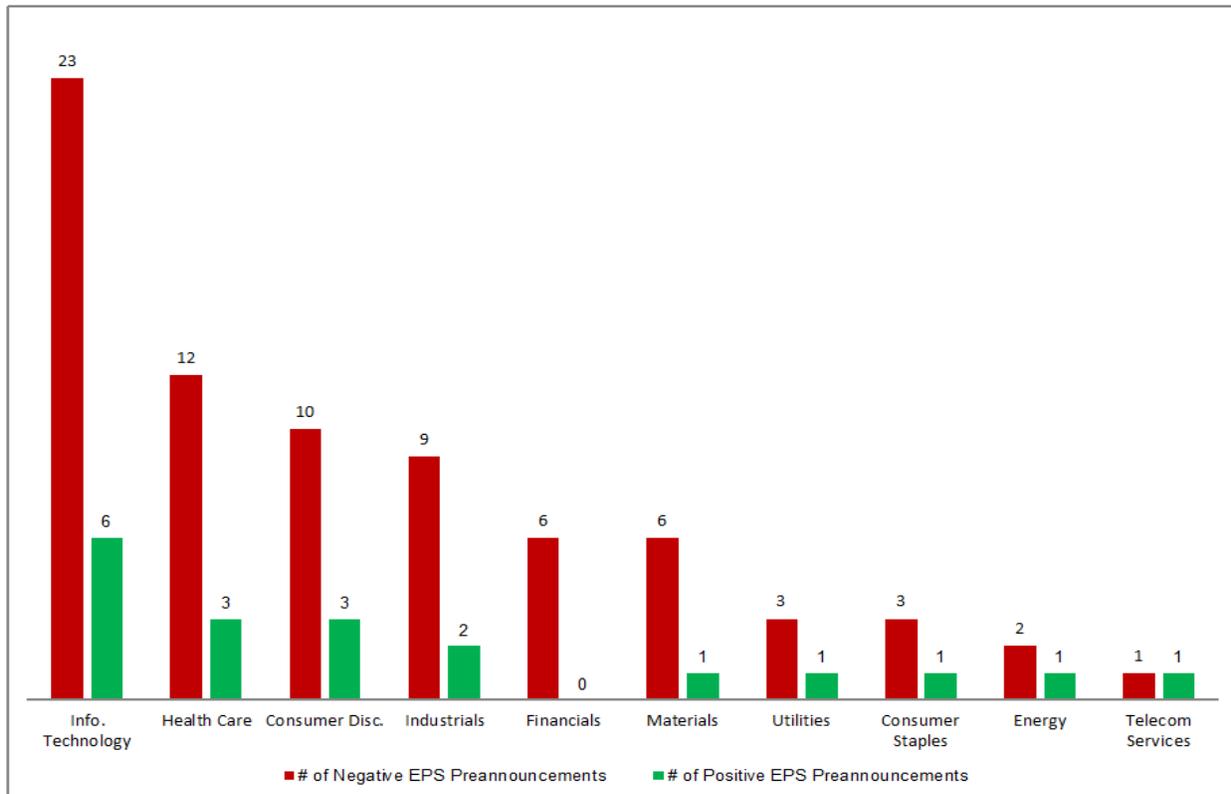


Q1 2013 Revenue Growth

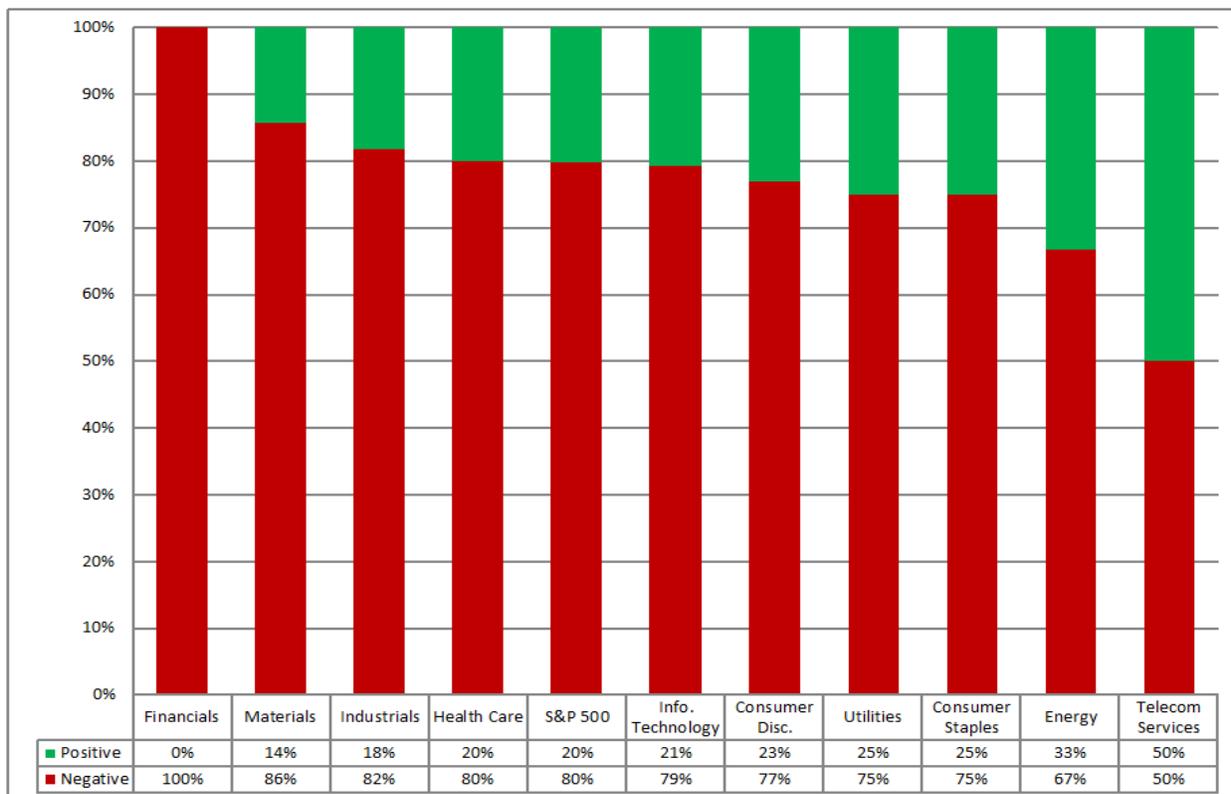


Q2 2013: Guidance

Number of Positive & Negative EPS Preannouncements: Q2 2013

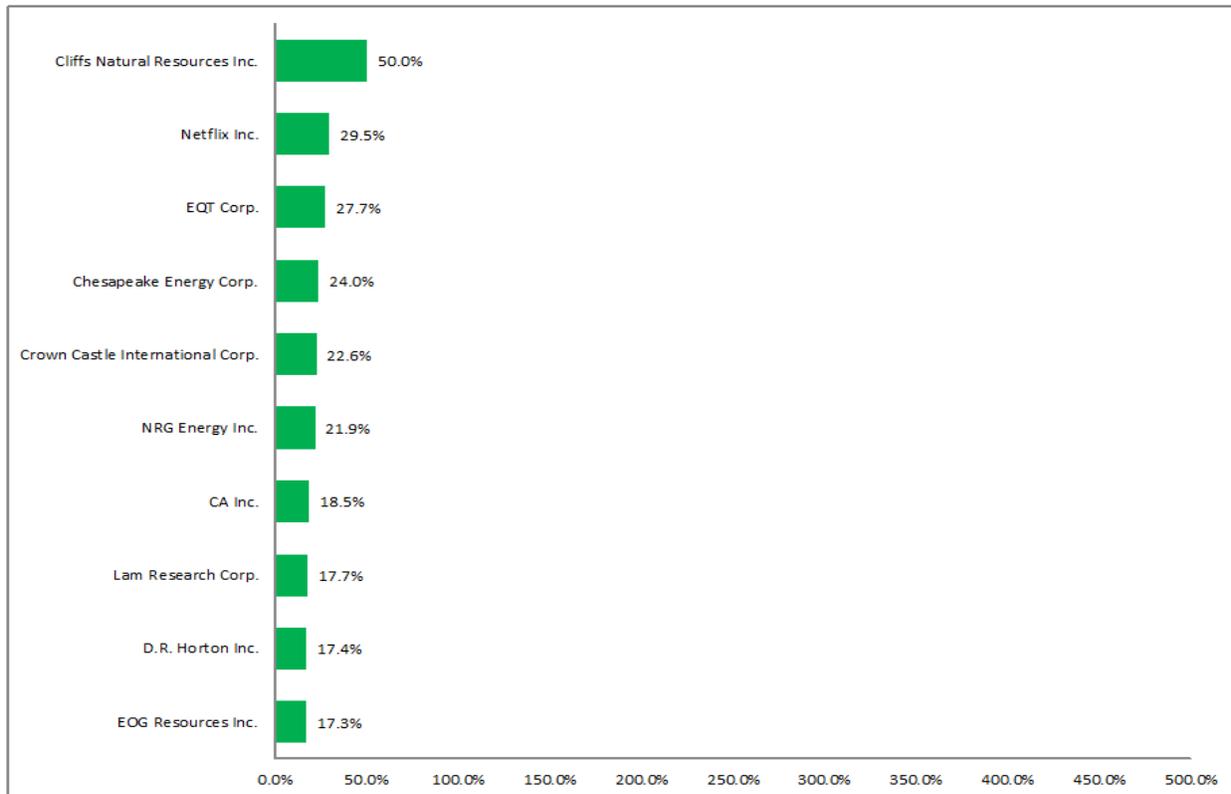


Percentage of Positive & Negative EPS Preannouncements: Q2 2013

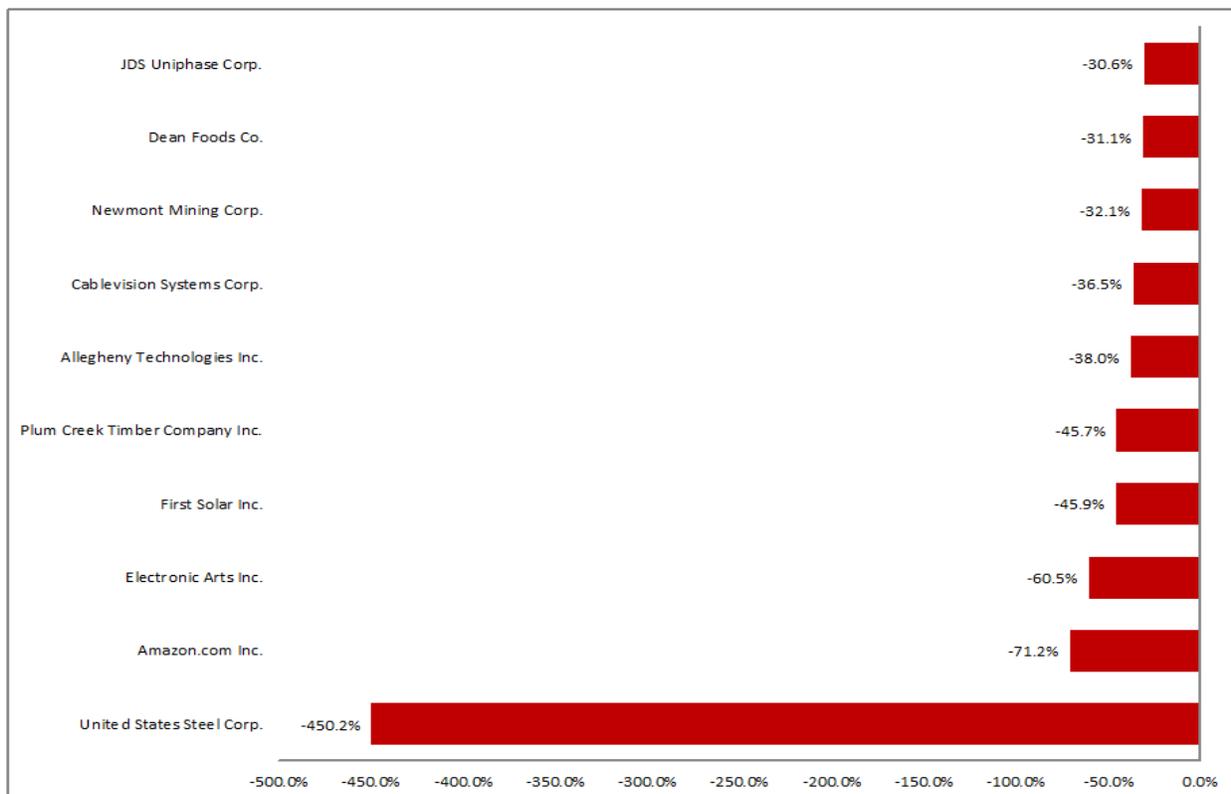


Q2 2013: EPS Revisions

Highest Upward Change (Trailing 4-Weeks) in Mean EPS Estimate: Top 10 Companies

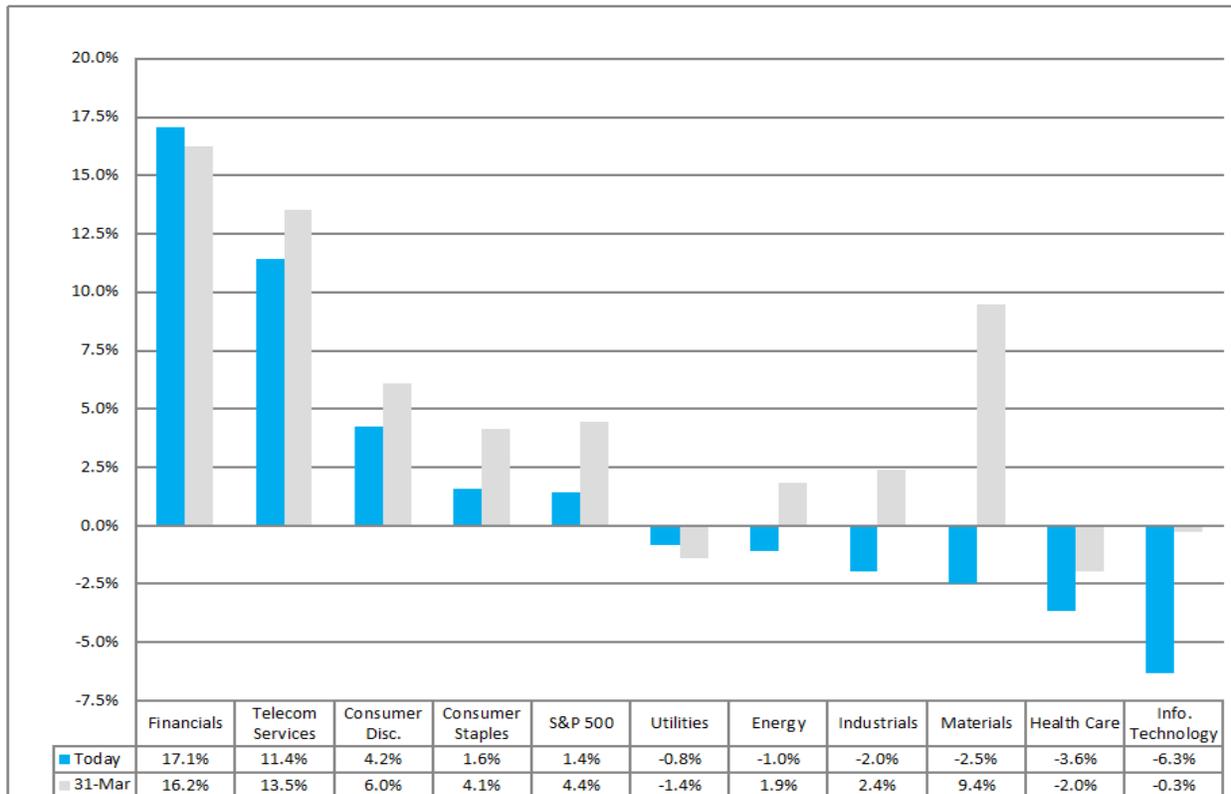


Highest Downward Change (Trailing 4-Weeks) in Mean EPS Estimate: Top 10 Companies

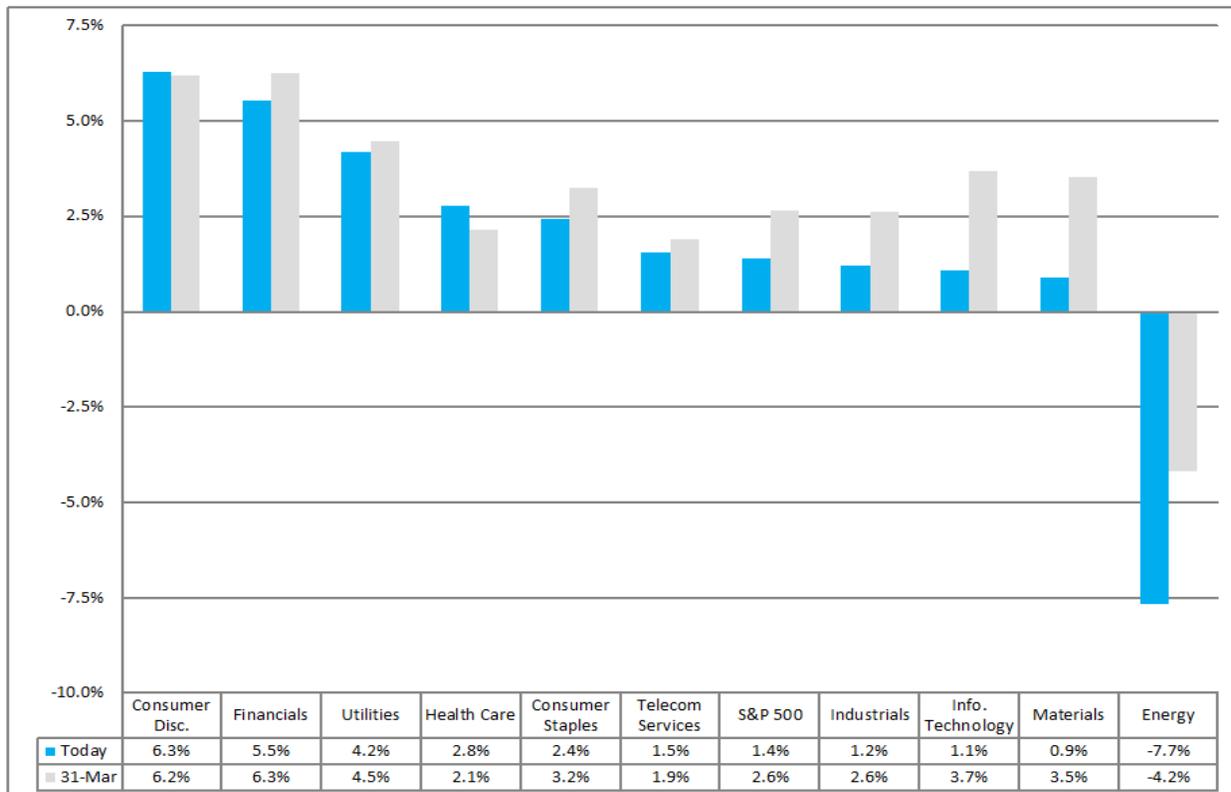


Q2 2013: Growth

Q2 2013 Earnings Growth

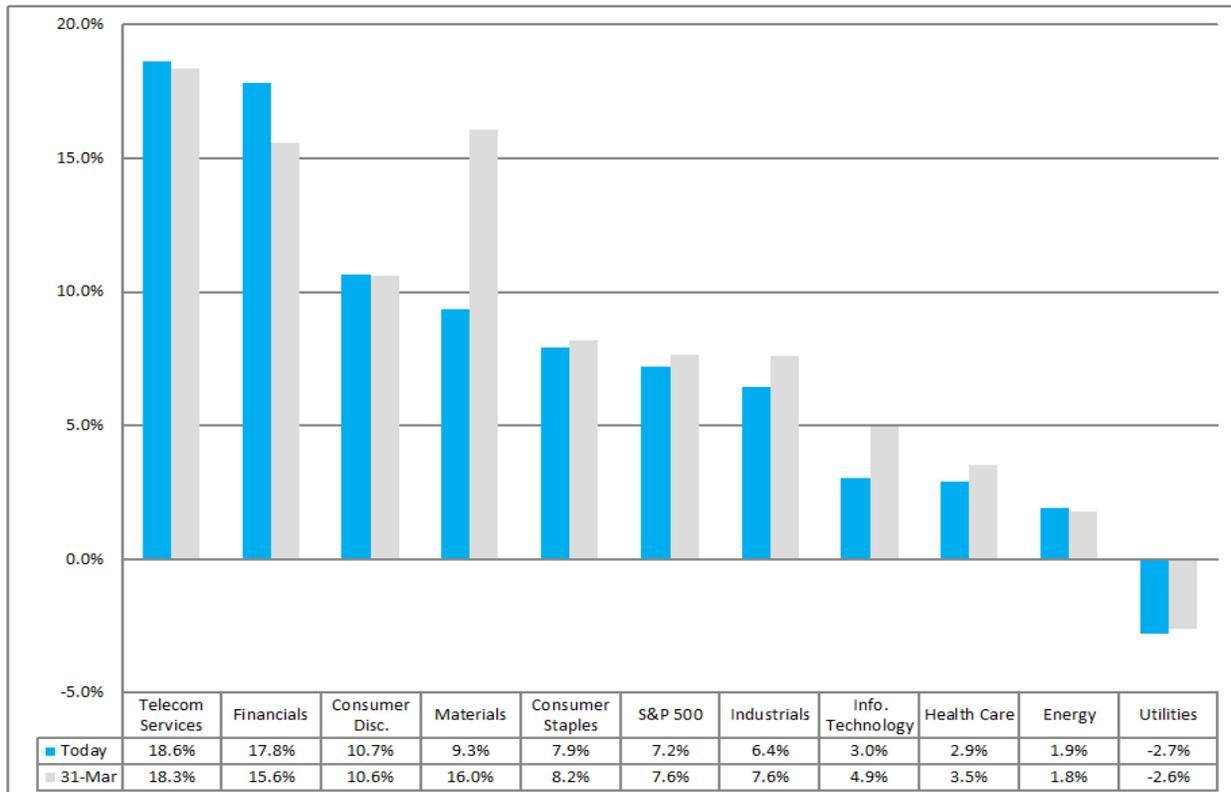


Q2 2013 Revenue Growth

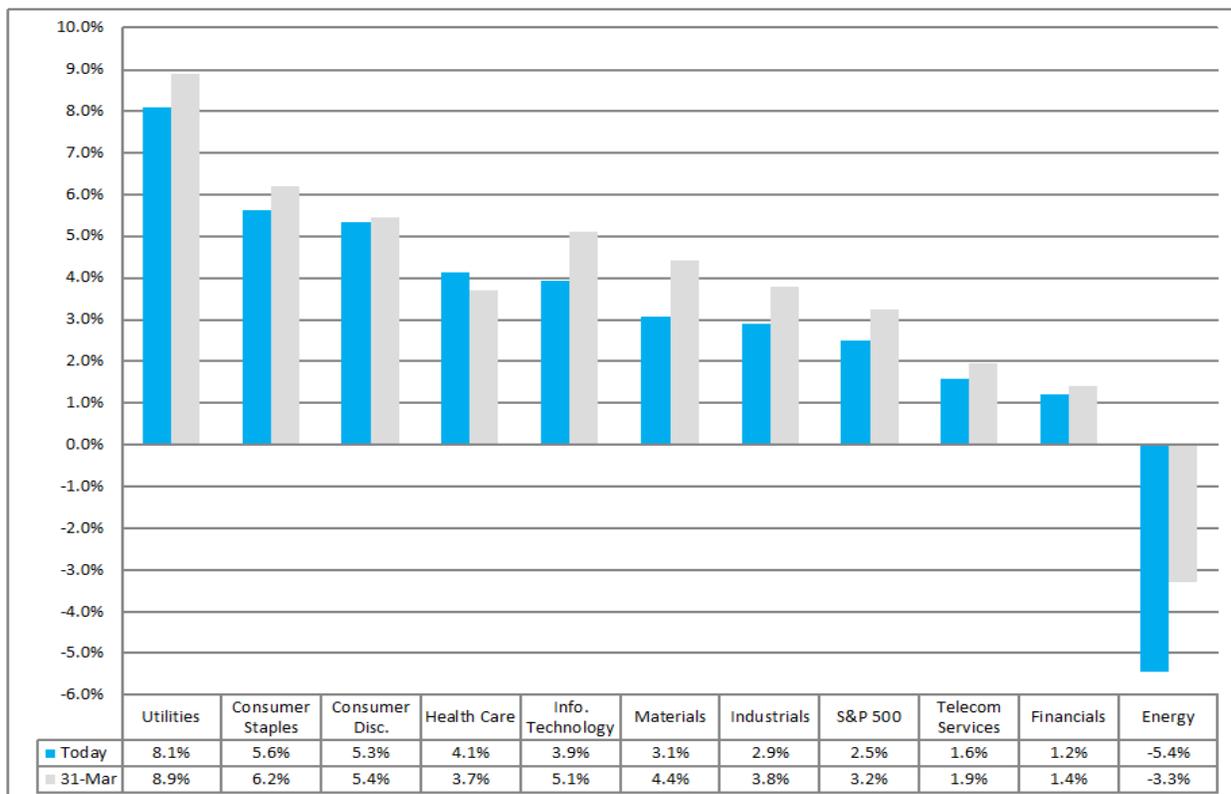


CY 2013: Growth

CY 2013 Earnings Growth

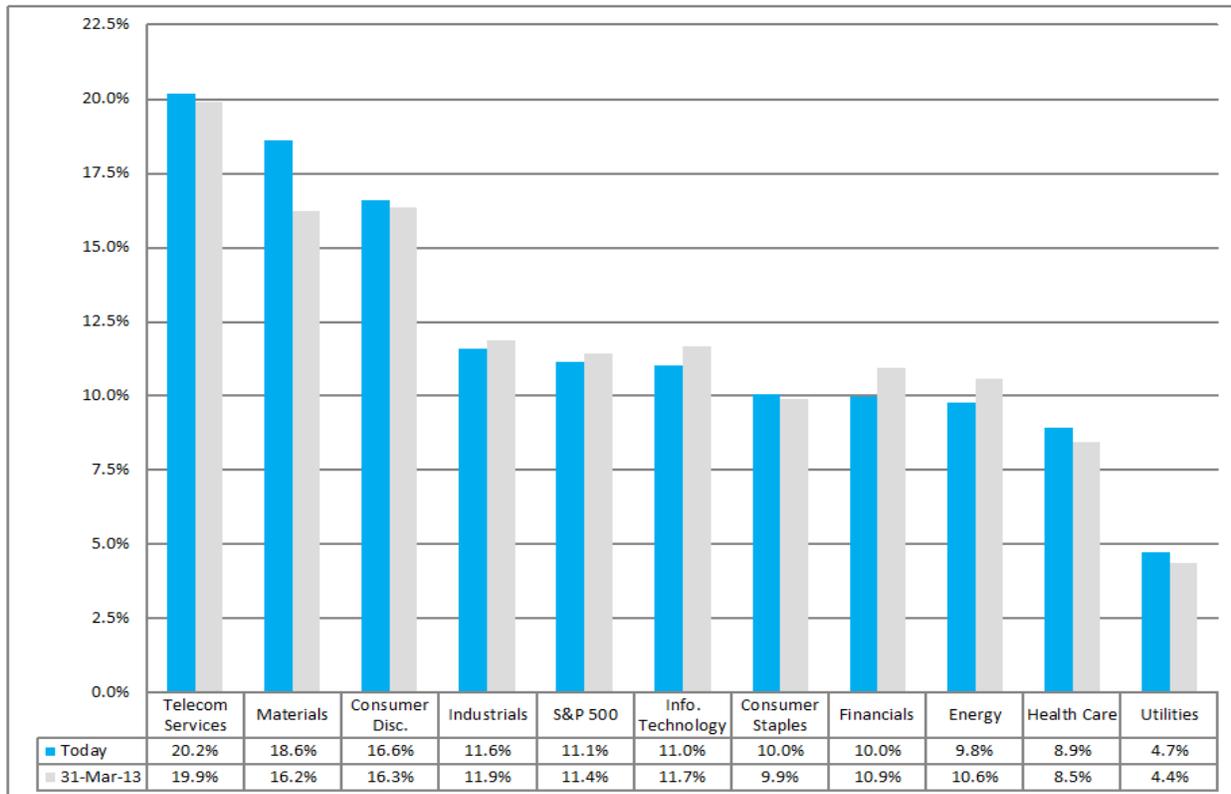


CY 2013 Revenue Growth

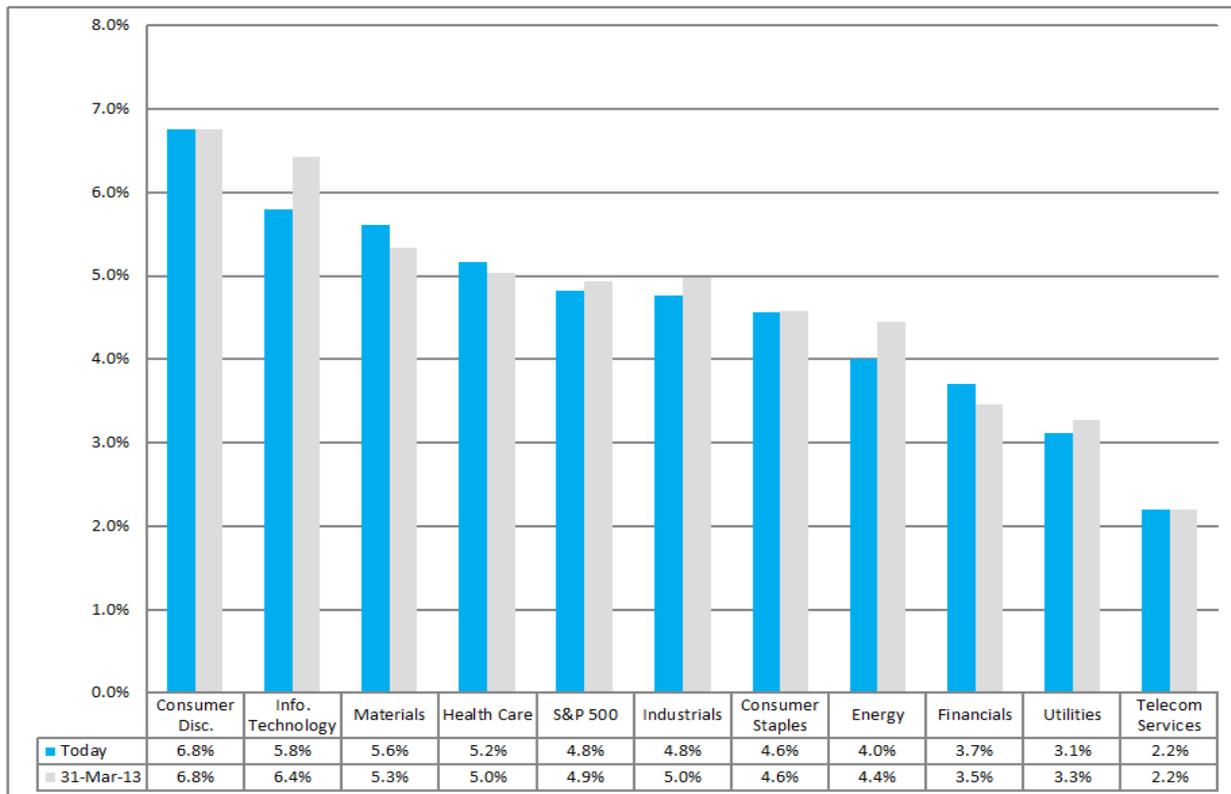


CY 2014: Growth

CY 2014 Earnings Growth

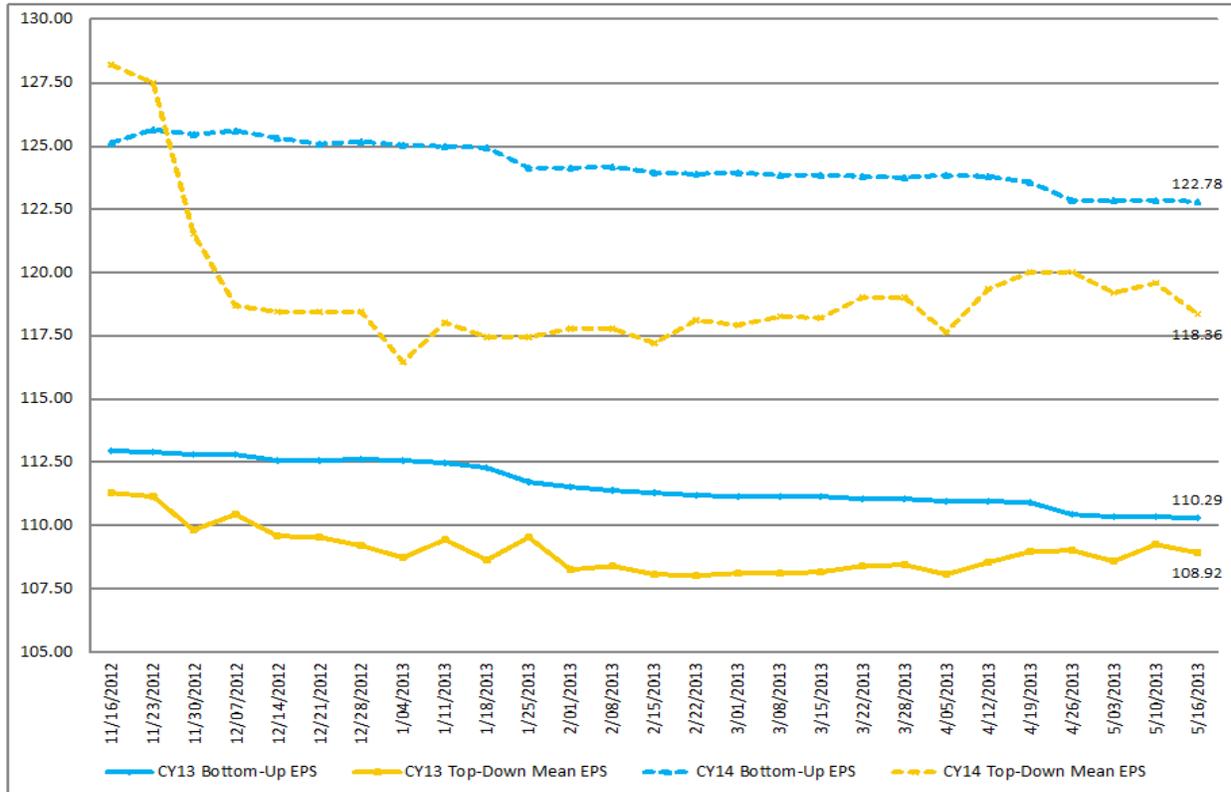


CY 2014 Revenue Growth

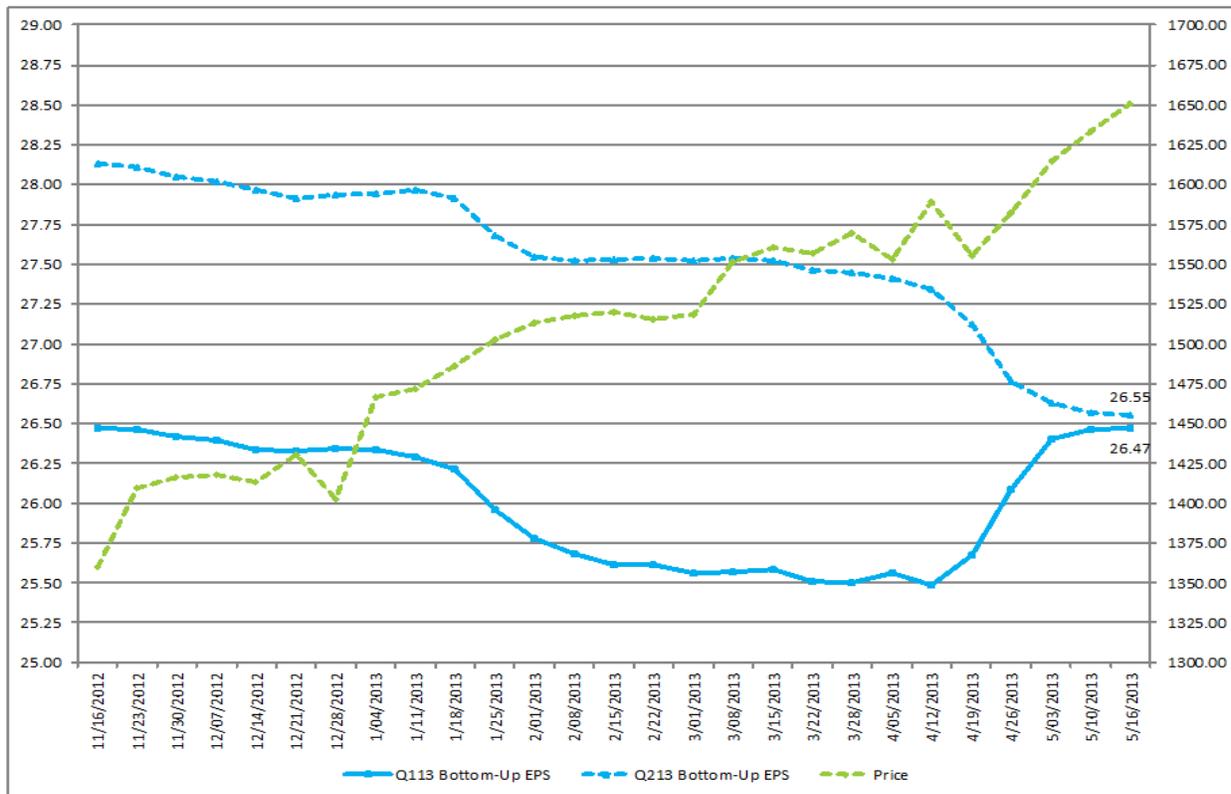


Bottom-up Estimates: Revisions

CY Bottom-Up EPS vs. Top-Down Mean EPS (Trailing 26-Weeks)

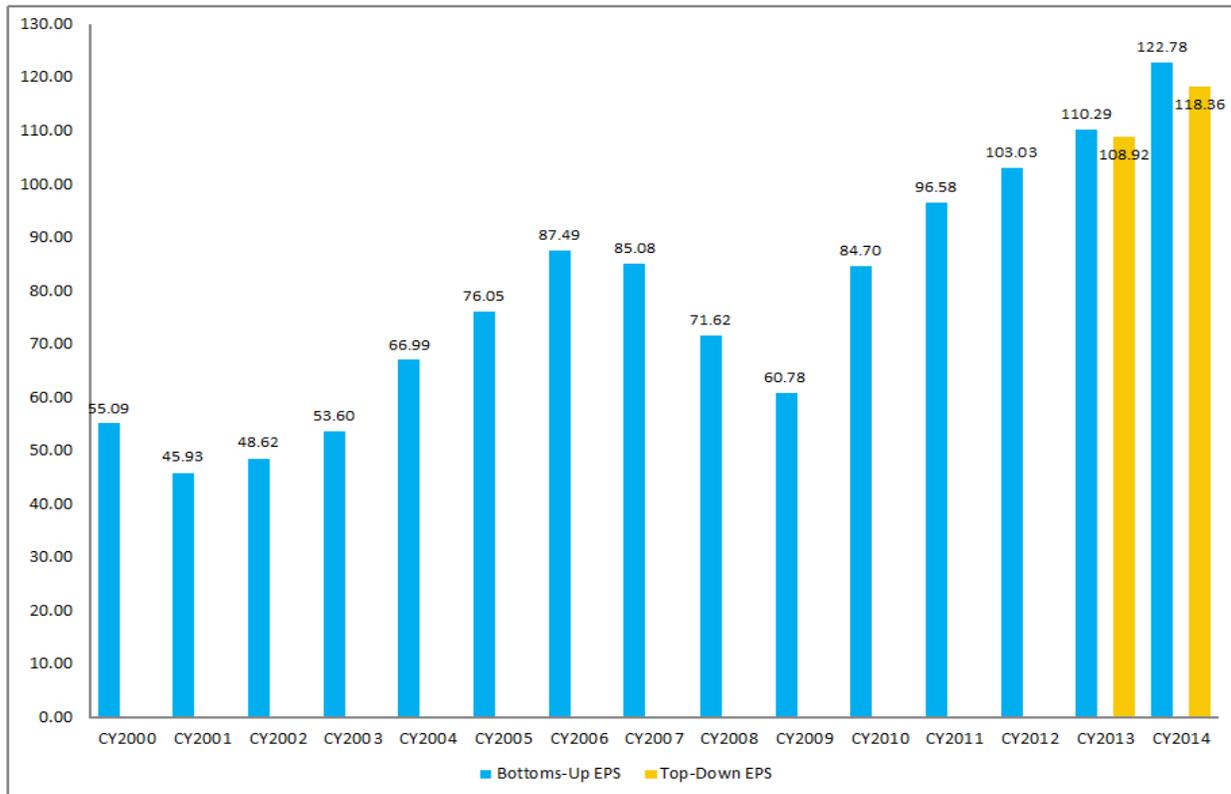


Change in Q113 and Q213 Bottom-Up EPS vs. Price (Trailing 26-Weeks)

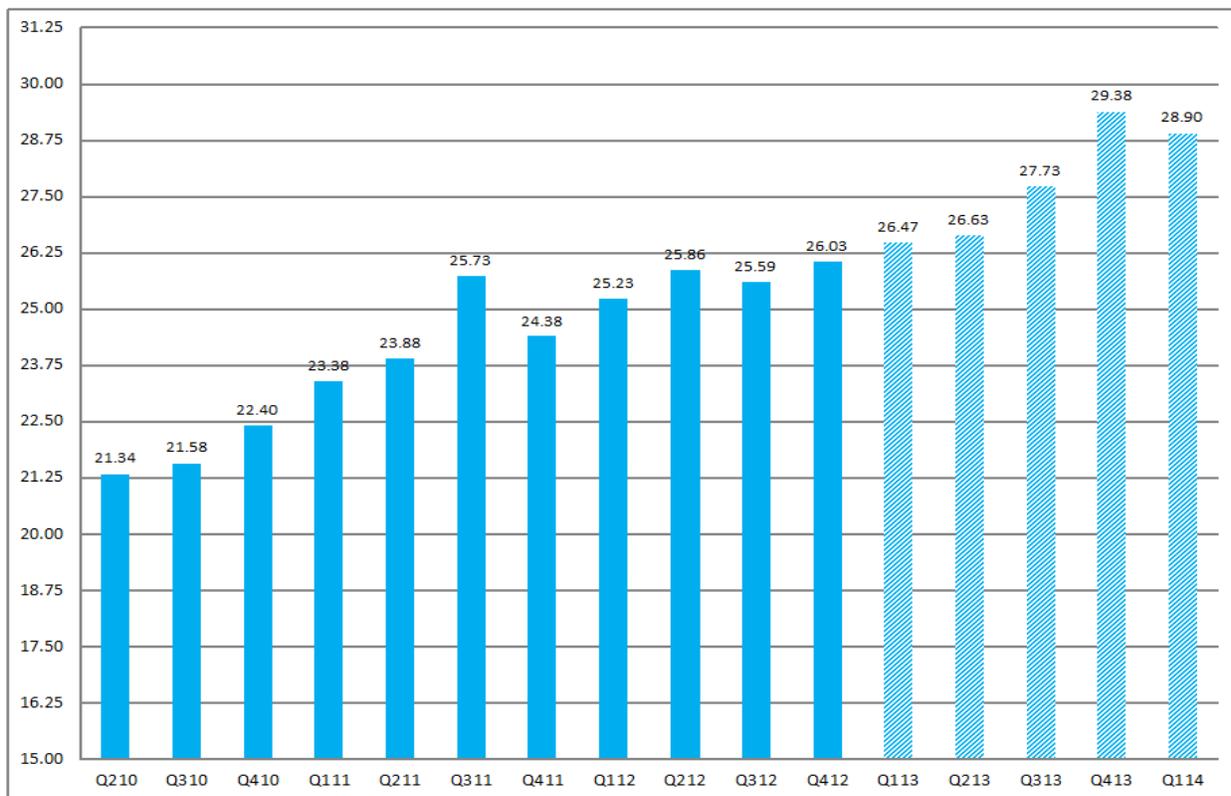


Bottom-up Estimates: Current & Historical

Calendar Year Bottom-Up EPS Actuals & Estimates

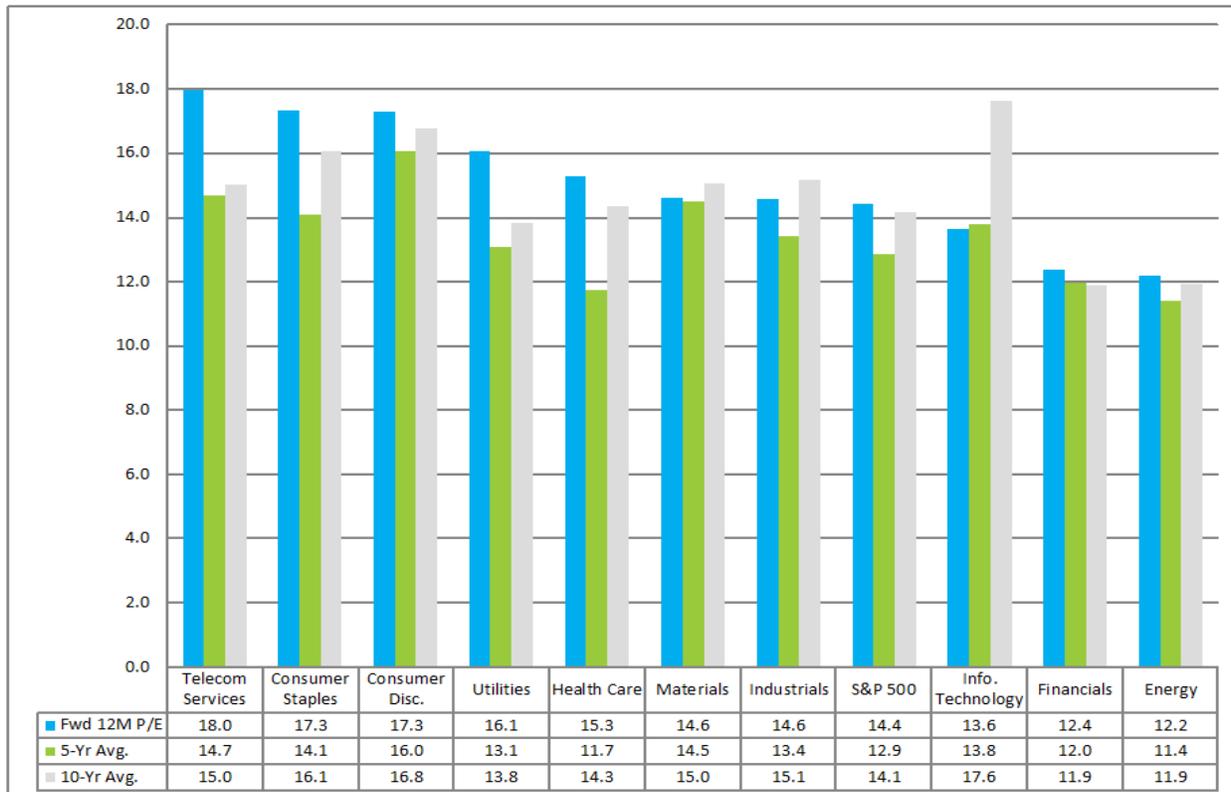


Calendar Year Bottom-Up EPS Actuals & Estimates

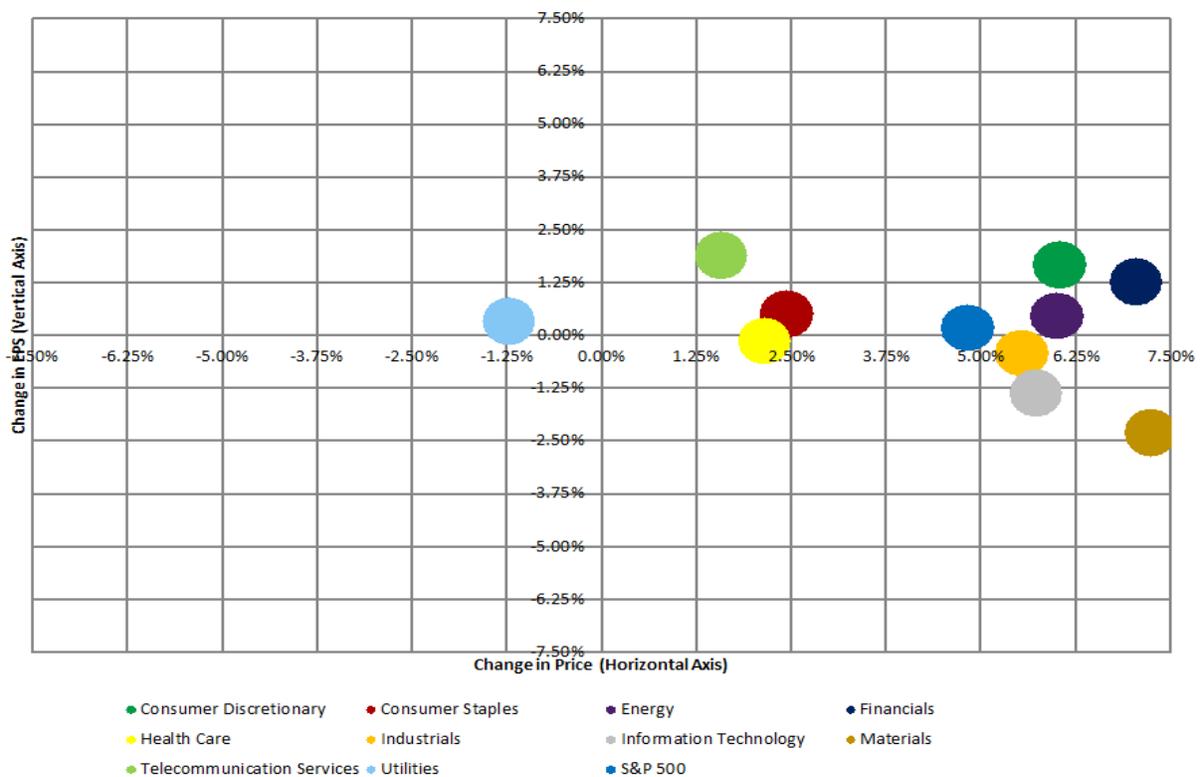


Price / Earnings Ratio: Sector Level

Sector-Level Forward 12-Month P/E Ratios

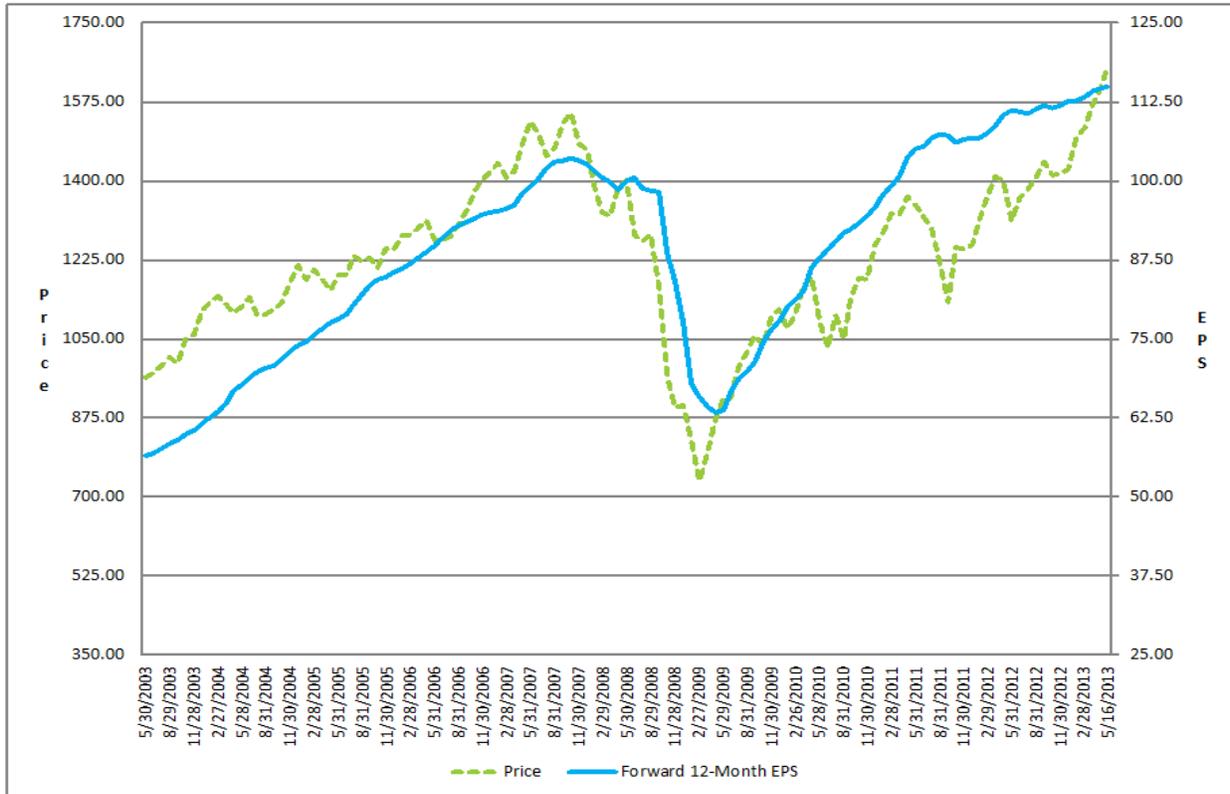


Sector-Level Change in Price vs. Change Forward 12M EPS: 1-Month

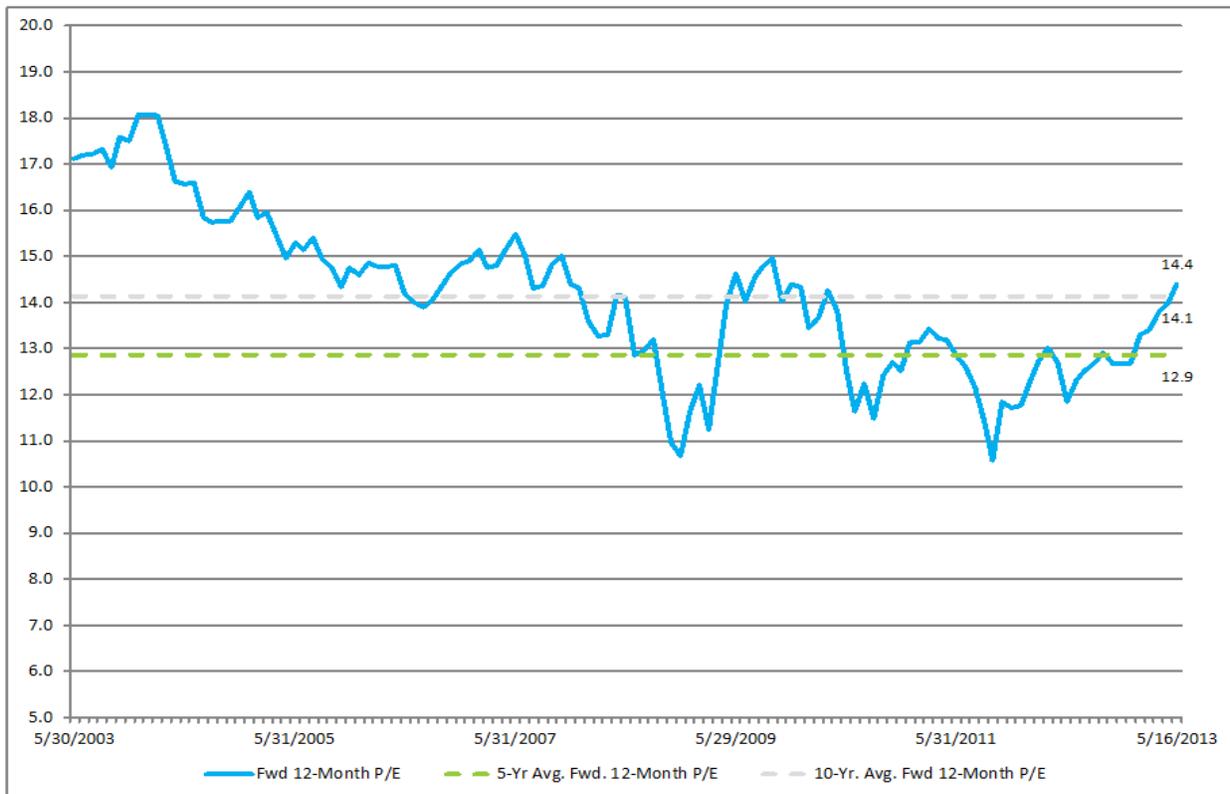


Price / Earnings Ratio: Long-Term Averages

Change in Price vs. Change in Forward 12M EPS: 10-Year



Forward 12M P/E Ratio: 10-Year



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