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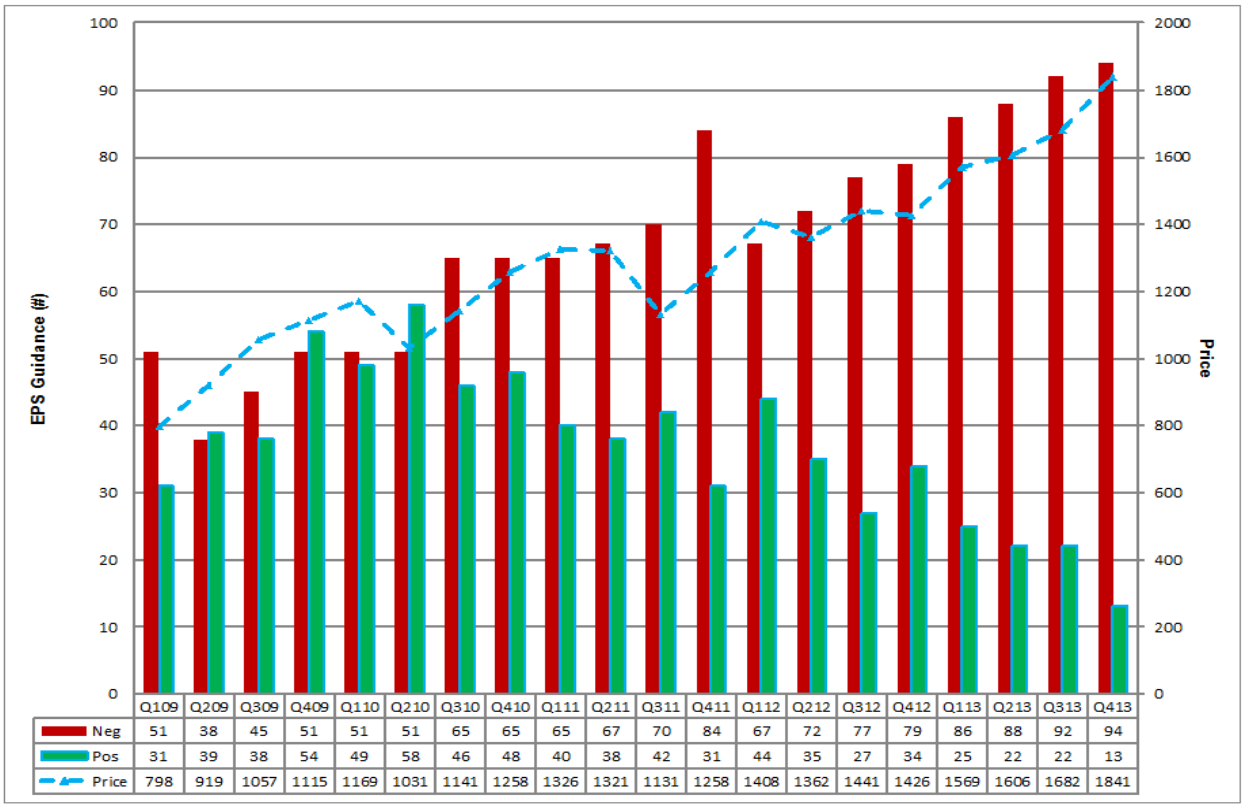
S&P 500 December 31, 2013

Key Metrics:

- For Q4 2013, 94 companies in the S&P 500 have issued negative EPS guidance and 13 companies have issued positive EPS guidance. If these are the final numbers, it will mark the highest number of companies issuing negative EPS guidance and tie the mark for the lowest number of companies issuing positive EPS guidance since FactSet began tracking the data in 2006.
- The percentage of companies issuing negative EPS guidance is 88% (94 out of 107). If this is the final percentage for the quarter, it will mark the highest percentage on record (since 2006).
- On average, companies have issued EPS guidance that has been 5.7% below the mean EPS estimate. This percentage decline is smaller than the 5-year average of -11.1% and 5-year median of -7.8%.
- The average price change (2 days before issuing guidance through 2 days after issuing guidance) for companies issuing negative EPS guidance for Q4 is -1.5%, which is below above the five-year average (-0.8%). The average price change for companies issuing positive EPS guidance is -0.1%, which is well below the five-year average (+3.0%). This is the first time the average price change for companies issuing positive EPS guidance has been negative since Q4 2008.
- For the current fiscal year, 149 companies have issued negative EPS guidance and 116 companies have issued positive EPS guidance. There was a 15% increase in the number of companies issuing positive EPS guidance from the end of September through the end of December.

S&P 500 Negative & Positive Preannouncements: 5-Year



	Q109	Q209	Q309	Q409	Q110	Q210	Q310	Q410	Q111	Q211	Q311	Q411	Q112	Q212	Q312	Q412	Q113	Q213	Q313	Q413
Neg	51	38	45	51	51	51	65	65	65	67	70	84	67	72	77	79	86	88	92	94
Pos	31	39	38	54	49	58	46	48	40	38	42	31	44	35	27	34	25	22	22	13
Price	798	919	1057	1115	1169	1031	1141	1258	1326	1321	1131	1258	1408	1362	1441	1426	1569	1606	1682	1841

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Q4 Guidance:

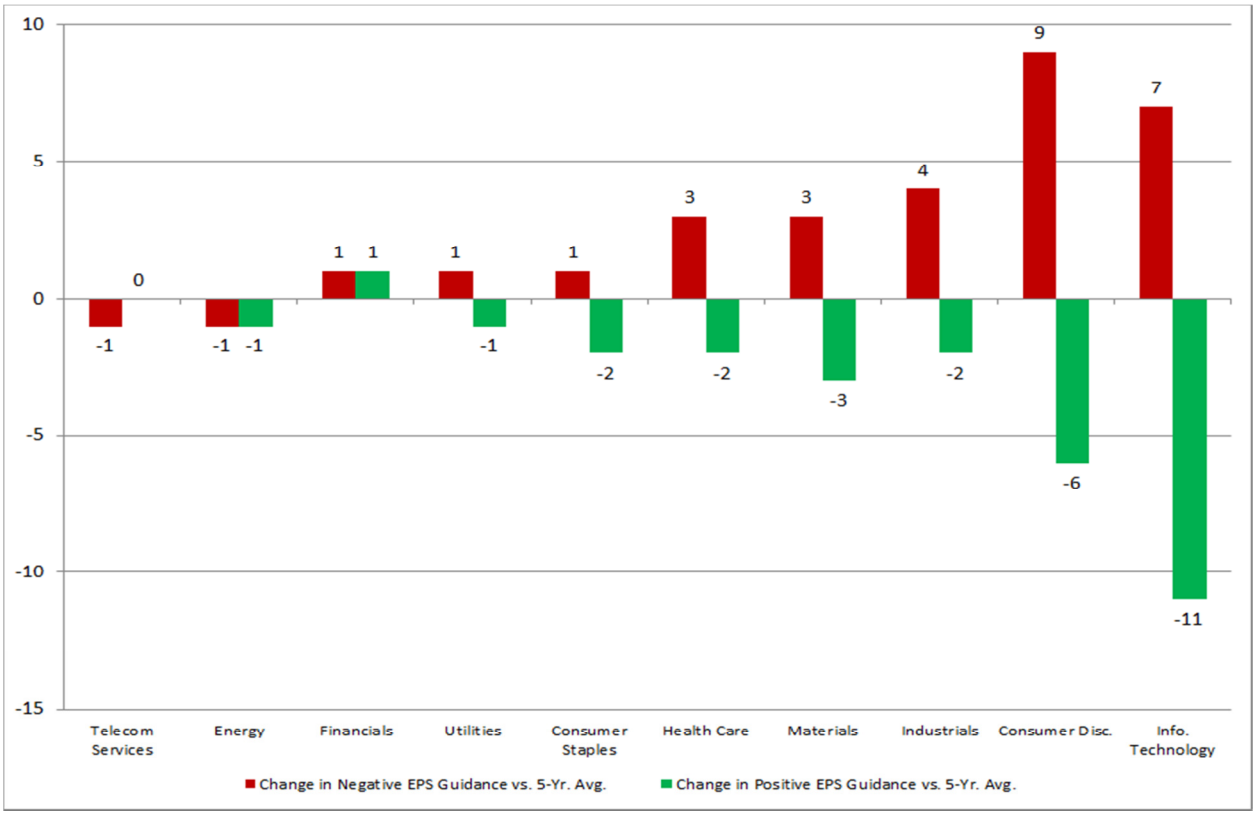
Record High Number (94) and Percentage (88%) of Cos. Issuing Negative EPS Guidance for Q4

For Q4 2013, 94 companies have issued negative EPS guidance while 13 companies have issued positive EPS guidance. If 94 is the final number of companies issuing negative EPS guidance for the quarter, it will mark the highest number of companies issuing negative EPS guidance since FactSet began tracking guidance data in 2006. The current record is 92, which was recorded in Q3 2013. It will also mark the seventh consecutive quarter that the number of companies issuing negative EPS guidance has increased sequentially (Q212 – Q413). At the sector level, the Consumer Discretionary (21) sector is on track to mark a record high for the number of companies issuing negative EPS guidance for a quarter, while the Industrials (12) sector is on track to tie a record high.

If 13 is the final number of companies issuing positive EPS guidance, it will tie the mark for the lowest number of companies issuing positive EPS guidance for a quarter since FactSet began tracking guidance data in 2006. The current record is 13, which was recorded in Q1 2006. At the sector level, the Information Technology (2) sector is on track to mark a record low for the number of companies issuing positive EPS guidance for a quarter. Five other sectors are on track to tie record lows for the number of companies issuing positive EPS guidance: Consumer Discretionary (3), Consumer Staples (0), Energy (0), Materials (0), and Utilities (0).

These numbers for the S&P 500 as a whole are well above and below the five-year averages for the number of companies issuing negative EPS guidance (67) and positive EPS guidance (38) for a quarter. At the sector level, the Consumer Discretionary (+9) and Information Technology (+7) sectors have witnessed the largest increases in the number of companies issuing negative EPS guidance relative to their five-year averages. The Information Technology (-11) and Consumer Discretionary (-6) sectors have also seen the largest decreases in the number of companies issuing positive EPS guidance for the quarter relative to their five-year averages.

S&P 500: # of S&P 500 Companies Issuing Positive/Negative EPS Guidance vs. 5-Yr. Avg.



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The percentage of companies issuing negative EPS guidance is 88% (94 out of 107). If this is the final percentage for the quarter, it will mark the highest percentage of companies issuing negative EPS guidance for a quarter since FactSet began tracking the data in 2006. The current record is 81%, which was set in Q3 2013.

At the sector-level (with a minimum of five companies issuing quarterly EPS guidance), the Materials (100%), Consumer Staples (100%), Information Technology (93%), and Consumer Discretionary (88%) sectors have the highest percentages of companies issuing negative EPS guidance for the quarter.

Lowest Surprise Percentage (-5.7%) since Q2 2012

Although the number of companies that have issued negative EPS guidance is high, the amount by which these have companies have lowered expectations has been below average. For the 107 companies in the S&P 500 that have issued EPS guidance for the third quarter, the EPS guidance has been 5.7% below the mean estimate on average. This percentage decline is smaller than the trailing 5-year average of -11.1% and trailing 5-year median of -7.8% for the index. If -5.7% is the final surprise percentage for the quarter, it will mark the lowest surprise percentage since Q2 2012 (-0.4%).

Market Reacts Negatively to Positive EPS Guidance for 1st time since Q4 2008

The market has reacted negatively in aggregate to the negative EPS announcements issued by S&P 500 corporations during the fourth quarter. For the 94 companies that have issued negative EPS guidance for Q4 2013 to date, the average price change (2 days before the guidance was issued through 2 days after the guidance was issued) was -1.5%. This percentage is nearly double the average of -0.8% recorded over the past five years. More than half of the companies (53) that have issued negative EPS guidance recorded a decrease in price during this time frame.

The market has also reacted negatively in aggregate to the positive EPS preannouncements issued by S&P 500 corporations during the fourth quarter. Of the 13 companies that have issued positive EPS guidance for Q4 2013, the average price change (2 days before the guidance was issued through 2 days after the guidance was issued) was -0.1%. This percentage is well below the average over the past five years of +3.0%. In fact, this marks the first time since Q4 2008 (-0.2%) that the average price change for companies issuing positive guidance has been negative.

However, only five of the 13 companies that have issued positive EPS guidance recorded a decrease in price. One company accounts for most of the average decline for the group: Red Hat. On September 24, the company stated that it would report EPS between $0.34 and $0.35 for the fourth quarter, compared to the mean estimate of $0.34. The price of the stock decreased more than 12% (to $46.62 from $53.22) during the two days before the guidance was issued through two days after the guidance was issued.

High Number of Companies (57) Issuing Negative Revenue Guidance for Q4

For Q4 2013, 57 companies have issued negative revenue guidance for the quarter and 11 have issued positive revenue guidance. If 57 is the final number for the quarter, it will mark the second highest number of companies issuing negative revenue guidance since FactSet began tracking the data in 2006. The current record is 67, which was set in Q4 2008. If 11 is the final number of companies issuing positive revenue guidance for the quarter, it will tie the mark (with Q4 2008) for the second lowest number of companies issuing positive revenue guidance. The current record is 7, which was set in Q1 2006.

On a percentage basis, 84% (57 out 68) of the companies that have issued revenue guidance for the quarter have issued negative guidance. If this is the final percentage for the quarter, it will mark the second highest percentage of companies issuing negative revenue guidance. The current record is 86%, which was set in Q4 2008. It will also mark the sixth consecutive quarter in which more than 74% of the companies that issued revenue guidance issued negative revenue guidance for a quarter.

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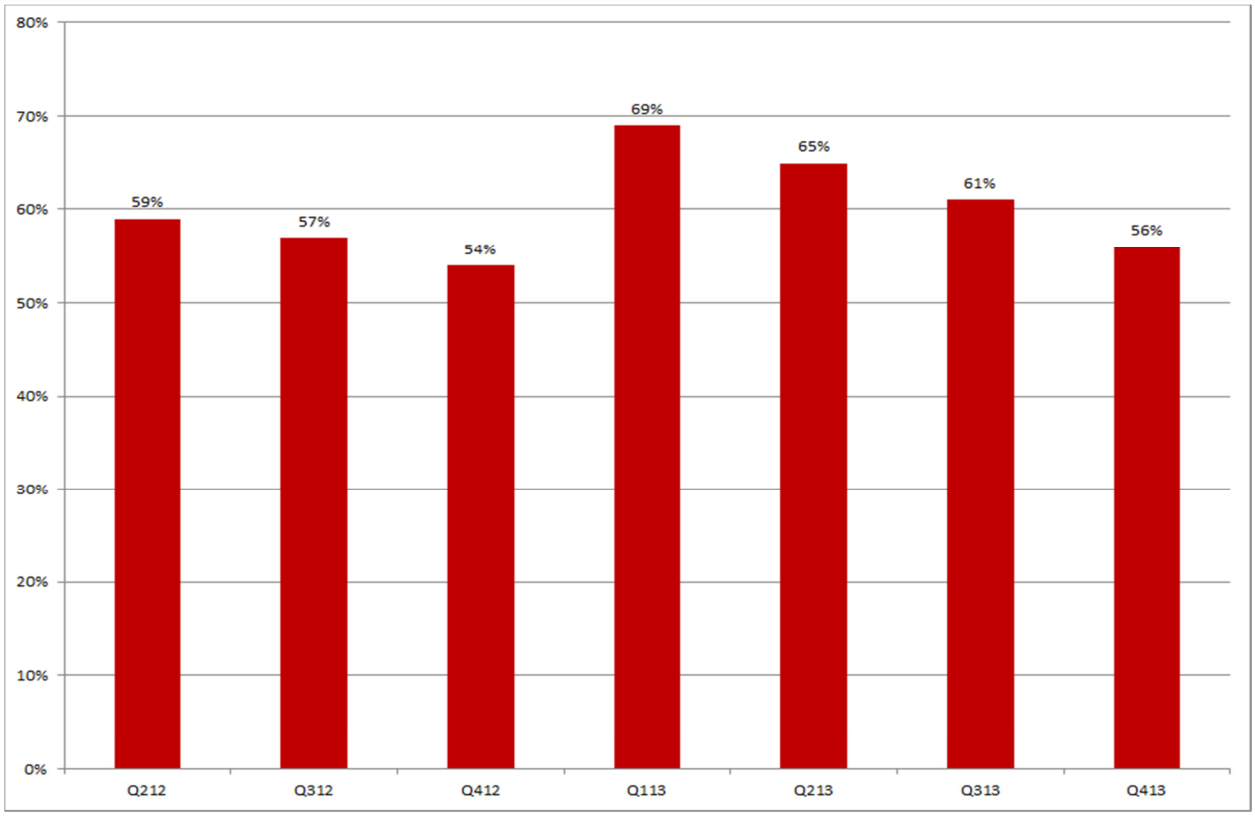
At the sector level, more than half (35) of the companies that have issued revenue guidance for the quarter are in the Information Technology sector. In this sector, 30 of the 35 companies (or 86%) that have issued revenue guidance have issued negative revenue guidance. This percentage is above the average of 55% recorded over the past five years for the sector.

Fiscal Year Guidance:

Increase in Number of Companies Issuing Positive EPS Guidance since Q3

For the current fiscal year, 149 companies have issued negative EPS guidance and 116 companies have issued positive EPS guidance. As a result, the overall percentage of companies issuing negative EPS guidance to date for the current fiscal year stands at 56% (149 out of 265), which is below the percentage recorded at the end of September (61%). Since the end of September, the number of companies issuing negative EPS guidance for the current fiscal year has decreased by eight, while the number of companies issuing positive EPS guidance has increased by 15. The Consumer Staples (+3), Energy (+3), Information Technology (+3), and Utilities (+3) sectors saw the largest increases in the number of companies issuing positive EPS guidance for the current fiscal year since September 30.

S&P 500 Negative Guidance % for Current Fiscal Year



At the sector level today (with a minimum of ten companies issuing guidance), the Consumer Discretionary (67%) sector has the highest percentage of companies issuing negative EPS preannouncements for the current fiscal year, while the Utilities (55%) sector has the highest percentage of companies issuing positive EPS preannouncements.

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Negative Shift in Consumer Discretionary Sector for Revenue Guidance

For the current fiscal year, 90 companies have issued negative revenue guidance and 75 companies have issued positive revenue guidance. As a result, the overall percentage of companies issuing negative revenue guidance to date for the current fiscal year stands at 55% (90 out of 165), which is above the percentage recorded at the end of September (52%). Since September, the number of companies issuing negative revenue guidance for the current fiscal year has increased by six, while the number of companies issuing positive EPS guidance has decreased by four. The Consumer Discretionary sector saw the largest increase (+6) in the number of companies issuing negative revenue guidance and the largest decrease (-4) in the number of companies issuing positive guidance since the end of September.

At the sector level today (with a minimum of 10 companies issuing guidance), the Consumer Discretionary (69%) sector has the highest percentage of companies issuing negative revenue preannouncements, while the Industrials (52%) sector has the highest percentage of companies issuing positive revenue preannouncements.

Q3 Guidance:

Above Average Percentage (84%) of Companies Report Actual EPS above Guidance

At this point in time, all 114 of the companies that issued EPS guidance for Q3 2013 have reported actual results for the quarter. Of these 114 companies, 84% reported actual EPS above guidance, 9% reported actual EPS below guidance, and 7% reported actual EPS in line with guidance. This percentage (84%) is well above the trailing 5-year average for companies issuing EPS guidance, and above the overall performance of the S&P 500 for Q2 2013. Of the companies that issued quarterly EPS guidance over the past five years, 79% reported EPS above guidance, 15% reported EPS below guidance, and 6% reported EPS in-line with guidance. Of the 497 companies in the S&P 500 that have reported earnings to date for Q3 2013, 73% have reported EPS above the mean estimate and 27% reported EPS below the mean EPS estimate.

Actual Surprises vs. Guidance for Q3 Slightly Below the Average

Companies surpassed EPS guidance by a margin in Q3 2013 that was slightly below the five-year average. Companies that issued quarterly EPS guidance for Q3 reported an actual EPS number that was 9.5% above the guidance, on average. Over the past five years, companies that issued quarterly EPS guidance reported an actual EPS number that was 12.8% above the EPS guidance on average.

At the sector level, the Energy sector reported the largest surprise percentage (+120.5%). However, Peabody Energy accounts for most of this upside surprise. The company reported actual EPS of $0.05 for the third quarter, compared to the mid-point of the EPS guidance range of -$0.035.

Definitions / Methodology

For companies that are classified as part of the REIT industry, FFO guidance is used in place of EPS guidance.

If a company provides a range of EPS estimates for guidance, the mid-point of the range is used in this report for all analysis.

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.

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Q4 2013: Sector-Level EPS Guidance

Number of Negative & Positive EPS Preannouncements

Sector	Negative (#)	Positive (#)	Negative (%)	Positive (%)
Consumer Disc.	21	3	88%	13%
Consumer Staples	5	0	100%	0%
Energy	1	0	100%	0%
Financials	5	3	63%	38%
Health Care	11	2	85%	15%
Industrials	12	2	86%	14%
Info. Technology	27	2	93%	7%
Materials	9	0	100%	0%
Telecom Services	1	1	50%	50%
Utilities	2	0	100%	0%
S&P 500	**94**	**13**	**88%**	**12%**

Percentage of Negative & Positive EPS Preannouncements

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Q4 2013: Sector-Level Revenue Guidance

Number of Negative & Positive Revenue Preannouncements

Sector	Negative (#)	Positive (#)	Negative (%)	Positive (%)
Consumer Disc.	7	3	70%	30%
Consumer Staples	1	0	100%	0%
Energy	1	0	100%	0%
Financials	0	0	0%	0%
Health Care	10	0	100%	0%
Industrials	6	3	67%	33%
Info. Technology	30	5	86%	14%
Materials	1	0	100%	0%
Telecom Services	1	0	100%	0%
Utilities	0	0	0%	0%
S&P 500	**57**	**11**	**84%**	**16%**

Percentage of Negative & Positive Revenue Preannouncements

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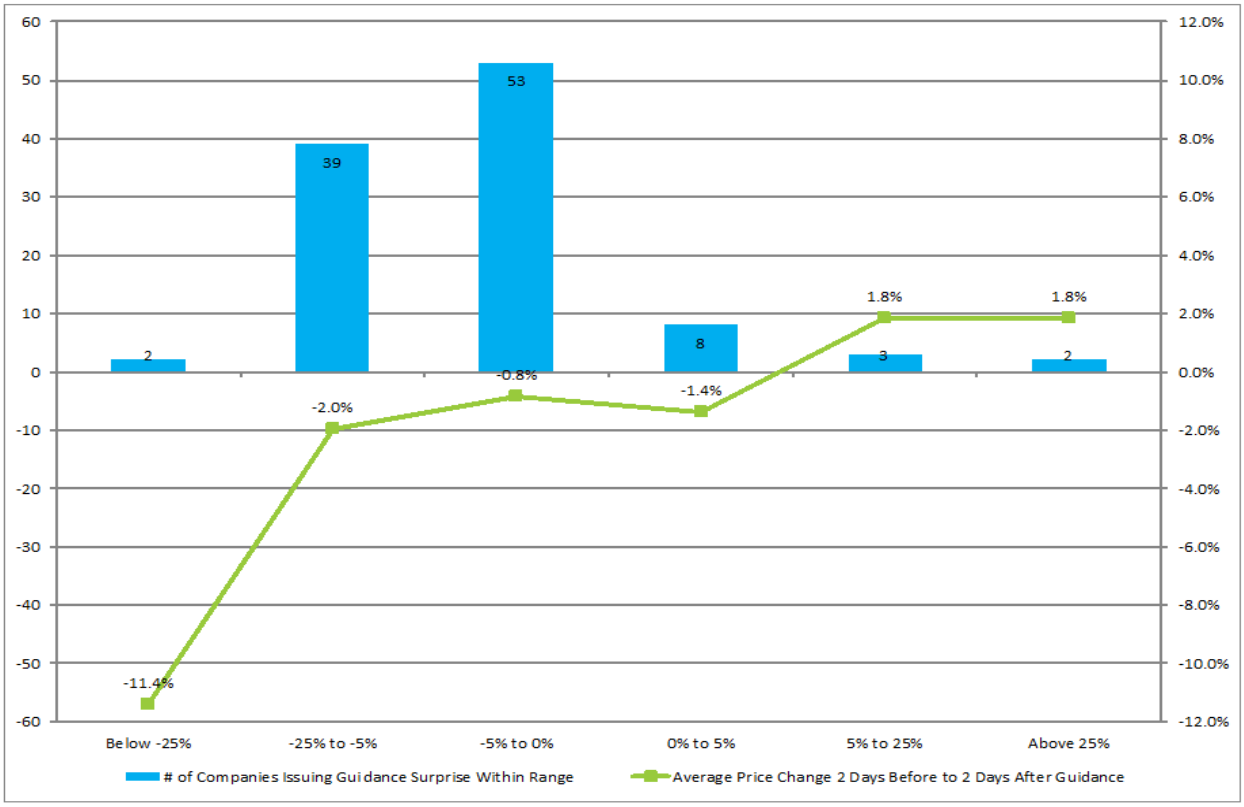
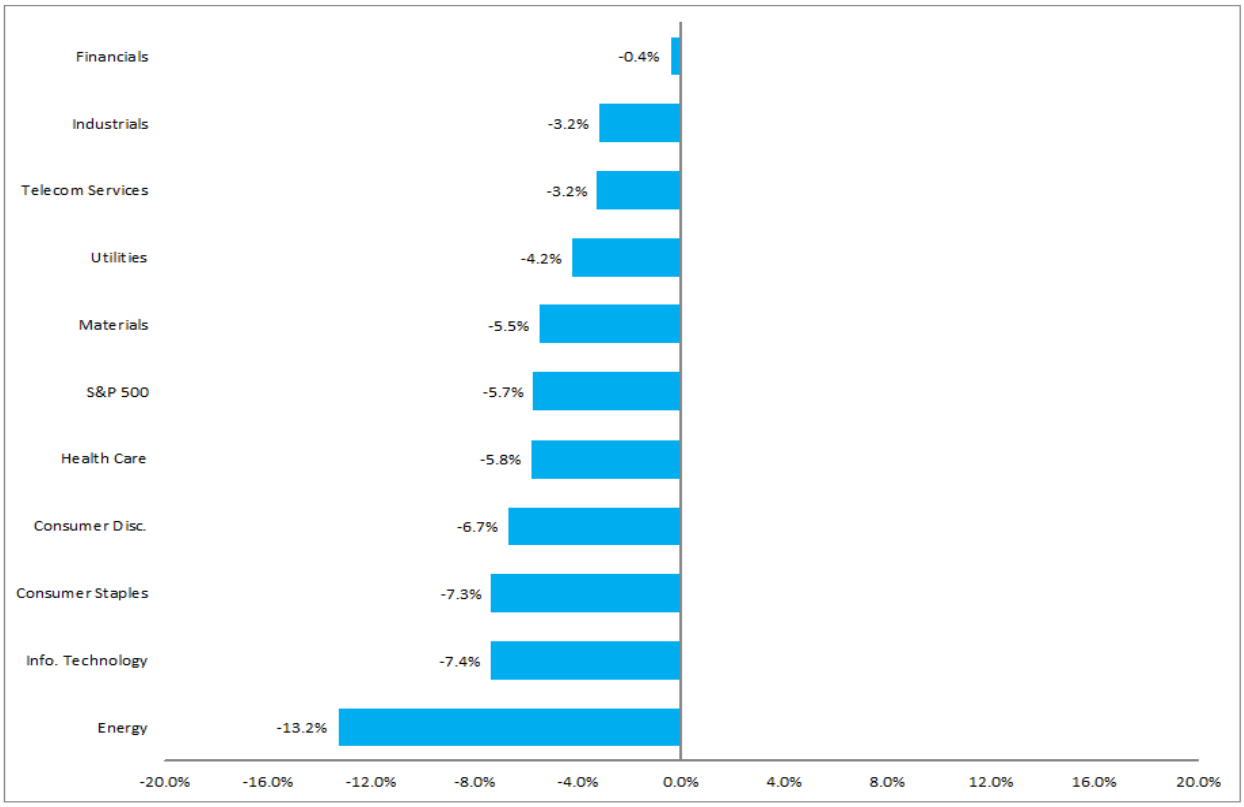
Q4 2013: EPS Guidance vs. Mean EPS Estimate

Difference between EPS Guidance and Mean EPS Estimate vs. Price



Difference between EPS Guidance and Mean EPS Estimate: Sector-Level Average



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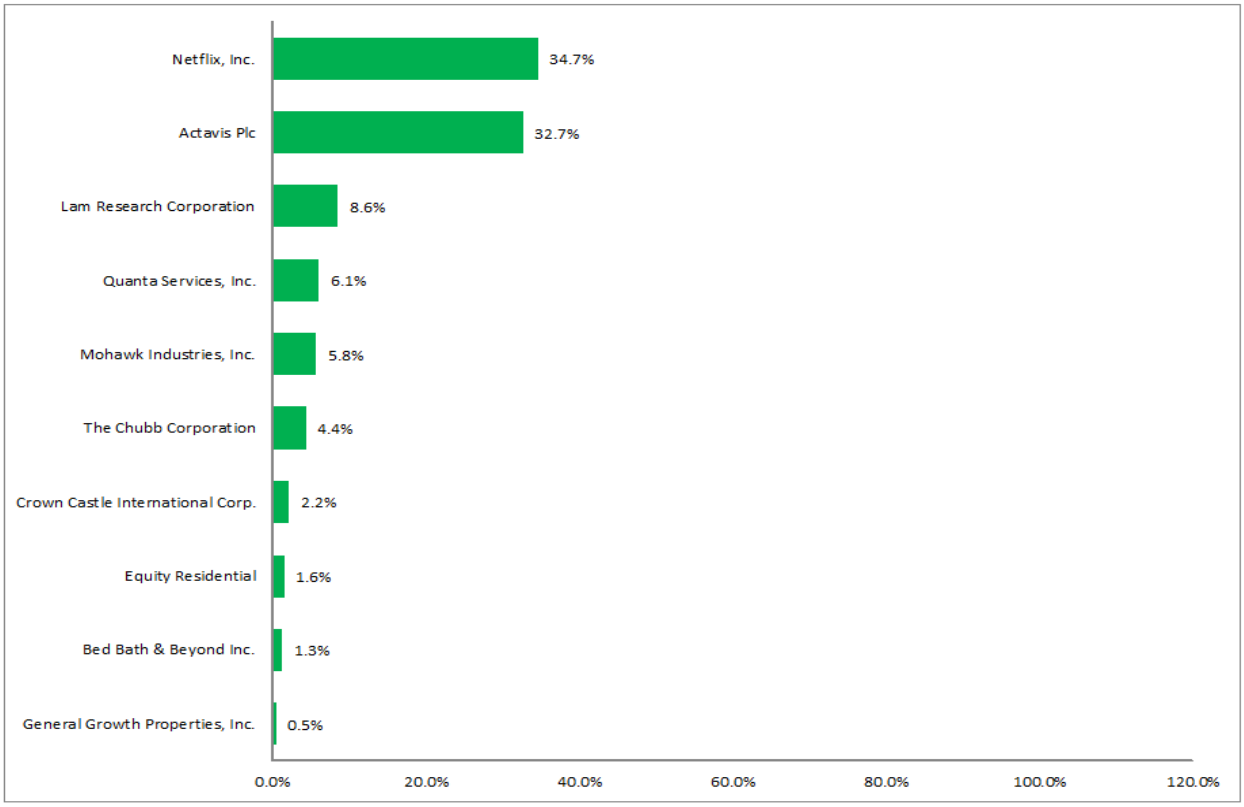
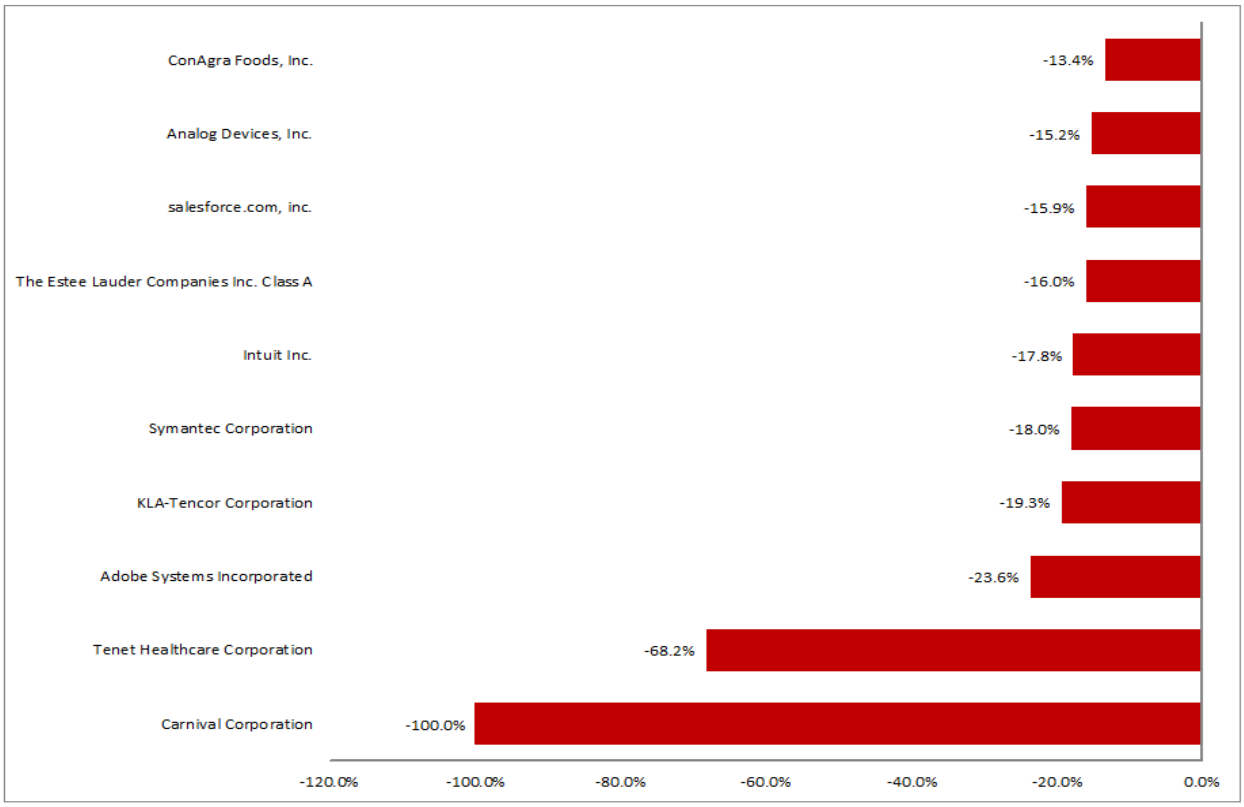
Q4 2013: EPS Guidance vs. Mean EPS Estimate

Upside Difference between EPS Guidance and Mean EPS Estimate: Top 10



Downside Difference between EPS Guidance and Mean EPS Estimate: Top 10



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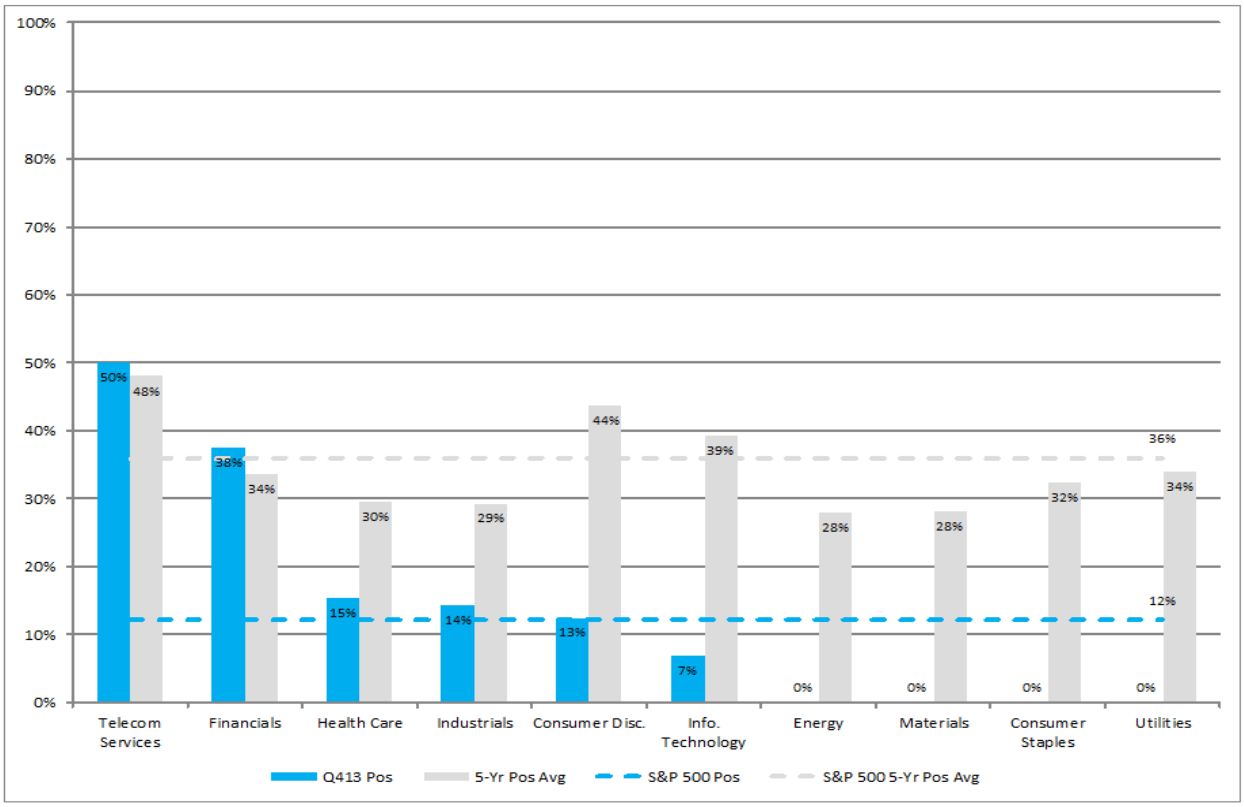
Q4 2013: Positive EPS Guidance vs. 5-Year Average

Number of Positive Preannouncements vs. 5-Year Average

Sector	Positive (#)	5-Year Avg. #	Diff. (#)	Diff. (%)
Consumer Disc.	3.0	9.4	-6.4	-68%
Consumer Staples	0.0	1.7	-1.7	-100%
Energy	0.0	0.7	-0.7	-100%
Financials	3.0	1.9	1.2	62%
Health Care	2.0	3.7	-1.7	-46%
Industrials	2.0	3.5	-1.5	-43%
Info. Technology	2.0	13.0	-11.0	-85%
Materials	0.0	2.6	-2.6	-100%
Telecom Services	1.0	0.9	0.1	11%
Utilities	0.0	0.6	-0.6	-100%
S&P 500	**13.0**	**37.9**	**-24.9**	**-66%**

Percentage of Positive Preannouncements vs. 5-Year History



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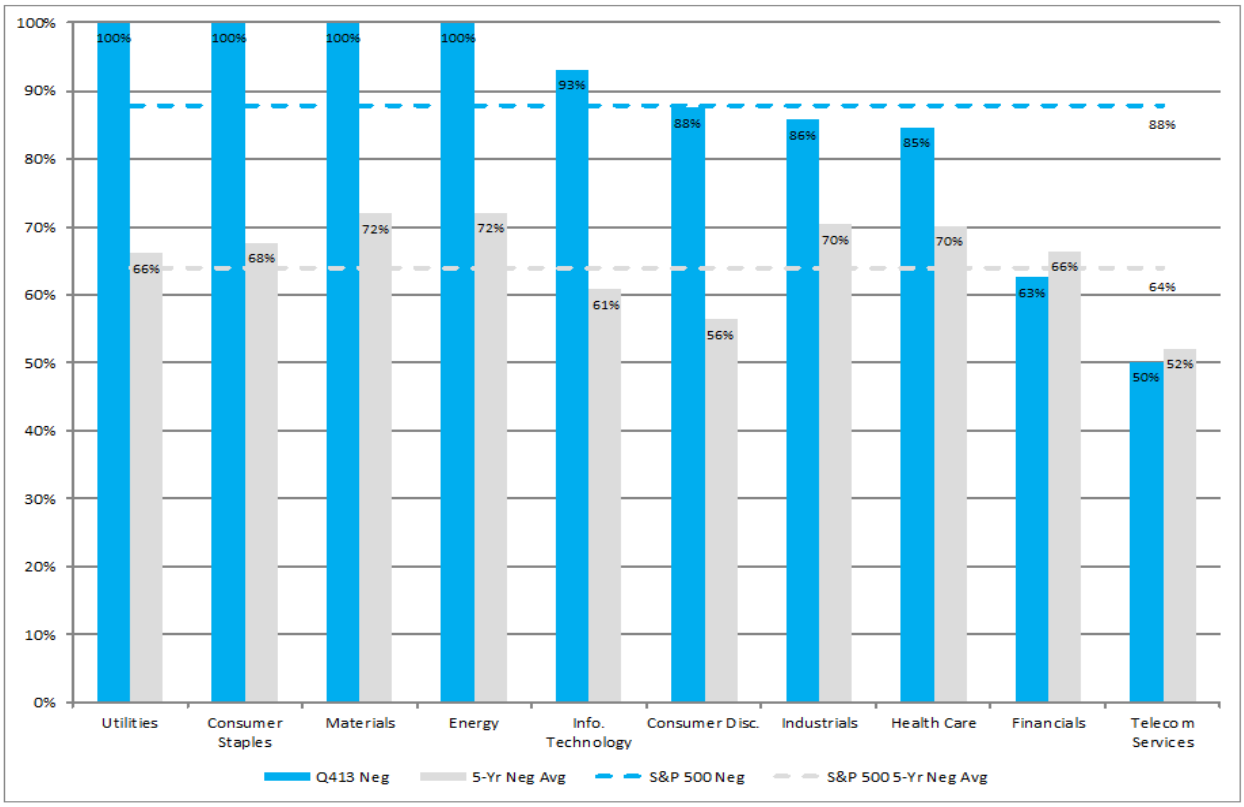
Q4 2013: Negative EPS Guidance vs. 5-Year Average

Number of Negative Preannouncements vs. 5-Year Averages

Sector	Negative (#)	5-Year Avg. #	Diff. (#)	Diff. (%)
Consumer Disc.	21.0	12.1	9.0	74%
Consumer Staples	5.0	3.6	1.5	41%
Energy	1.0	1.8	-0.8	-44%
Financials	5.0	3.7	1.4	37%
Health Care	11.0	8.8	2.3	26%
Industrials	12.0	8.4	3.6	43%
Info. Technology	27.0	20.1	6.9	34%
Materials	9.0	6.7	2.4	35%
Telecom Services	1.0	1.8	-0.8	-43%
Utilities	2.0	0.7	1.4	208%
S&P 500	**94.0**	**67.4**	**26.7**	**40%**

Percentage of Negative Preannouncements vs. 5-Year Averages



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Current FY: Sector-Level EPS Guidance

Number of Positive & Negative EPS Preannouncements

Sector	Negative (#)	Positive (#)	Negative (%)	Positive (%)
Consumer Disc.	28	14	67%	33%
Consumer Staples	17	10	63%	37%
Energy	3	2	60%	40%
Financials	12	11	52%	48%
Health Care	23	25	48%	52%
Industrials	28	16	64%	36%
Info. Technology	15	16	48%	52%
Materials	9	5	64%	36%
Telecom Services	1	1	50%	50%
Utilities	13	16	45%	55%
S&P 500	**149**	**116**	**56%**	**44%**

Percentage of Positive & Negative EPS Preannouncements

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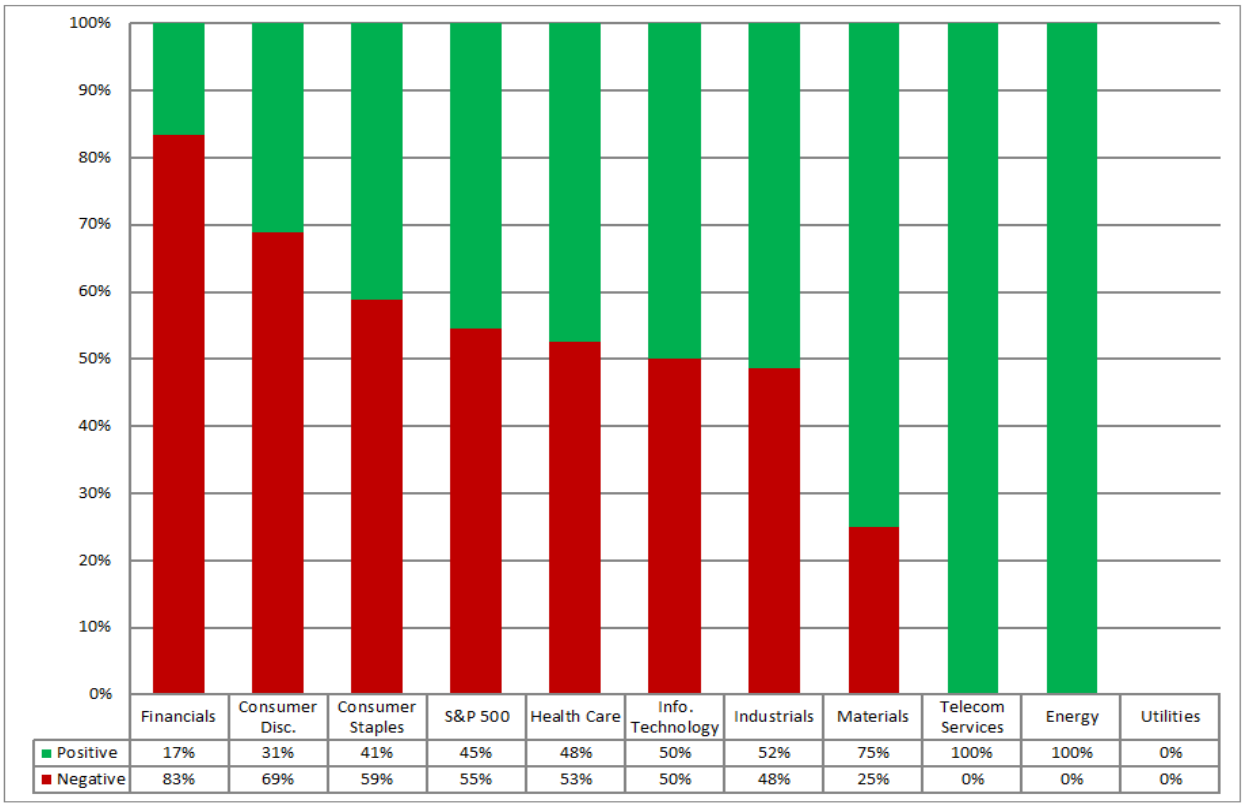
Current FY: Sector-Level Revenue Guidance

Number of Positive & Negative Revenue Preannouncements

Sector	Negative (#)	Positive (#)	Negative (%)	Positive (%)
Consumer Disc.	22	10	69%	31%
Consumer Staples	10	7	59%	41%
Energy	0	1	0%	100%
Financials	5	1	83%	17%
Health Care	21	19	53%	48%
Industrials	16	17	48%	52%
Info. Technology	15	15	50%	50%
Materials	1	3	25%	75%
Telecom Services	0	2	0%	100%
Utilities	0	0	0%	0%
S&P 500	**90**	**75**	**55%**	**45%**

Percentage of Positive & Negative EPS Preannouncements



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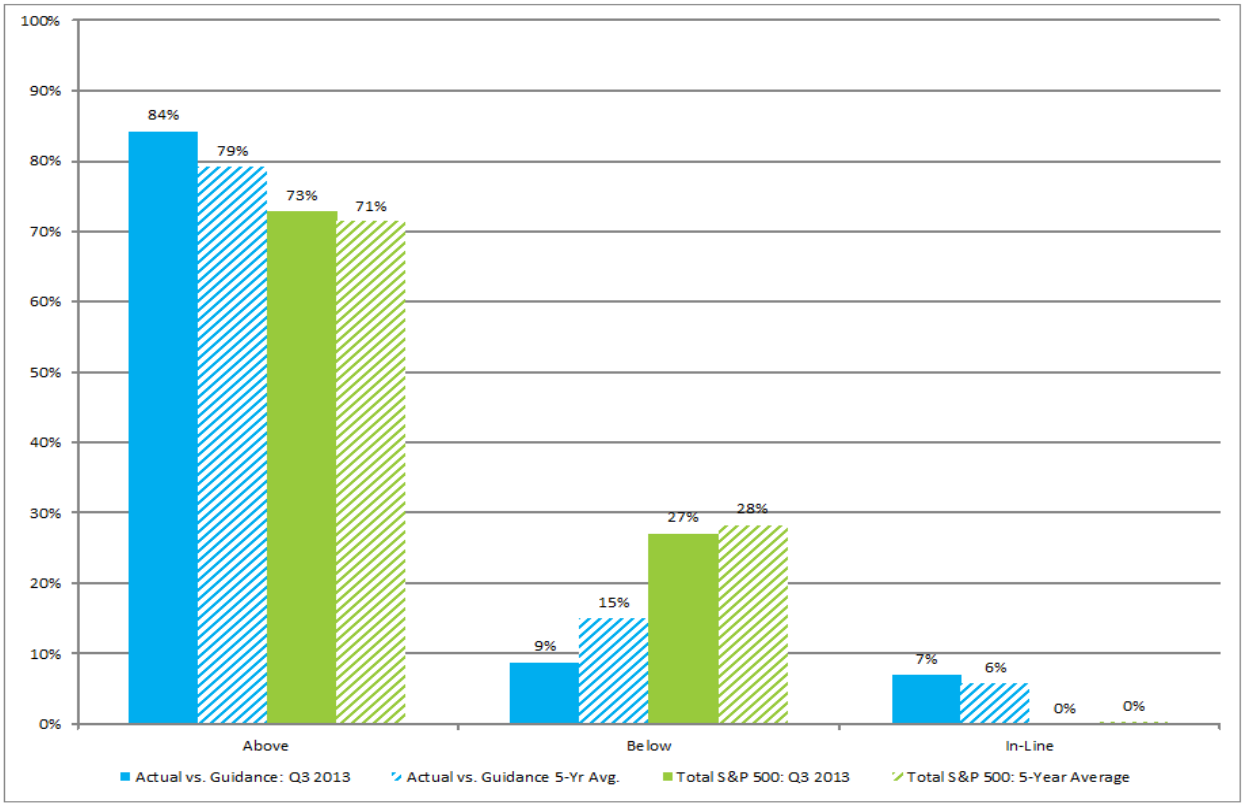
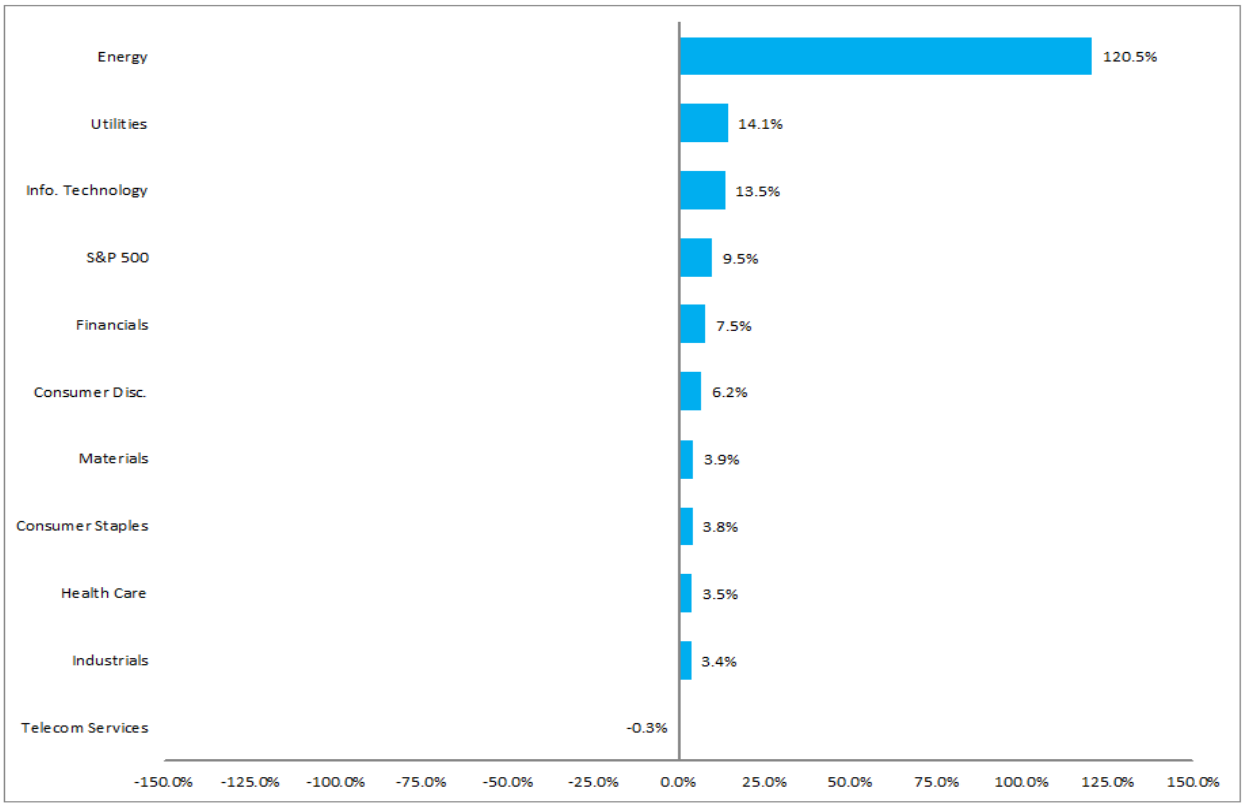
Q3 2013: Actual EPS vs. EPS Guidance

Actual EPS vs. EPS Guidance



Actual EPS vs. EPS Guidance: Sector-Level Average



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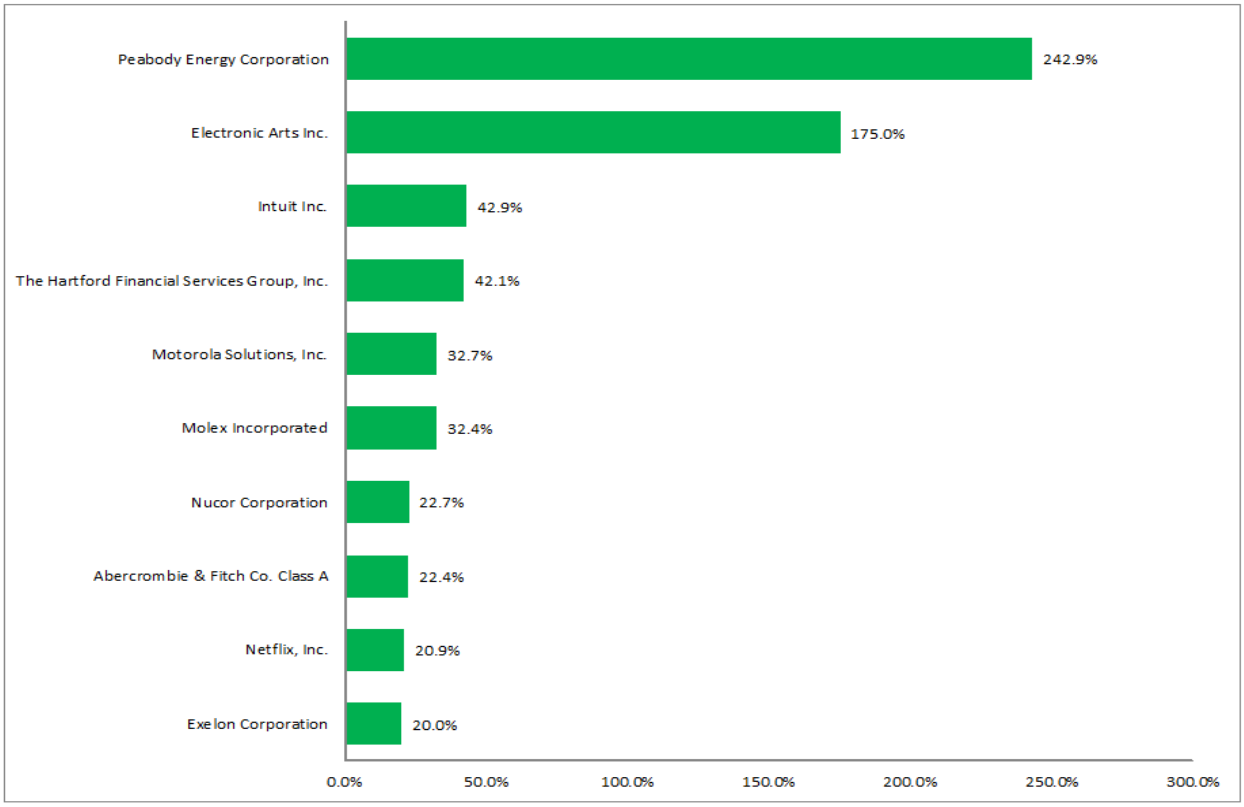
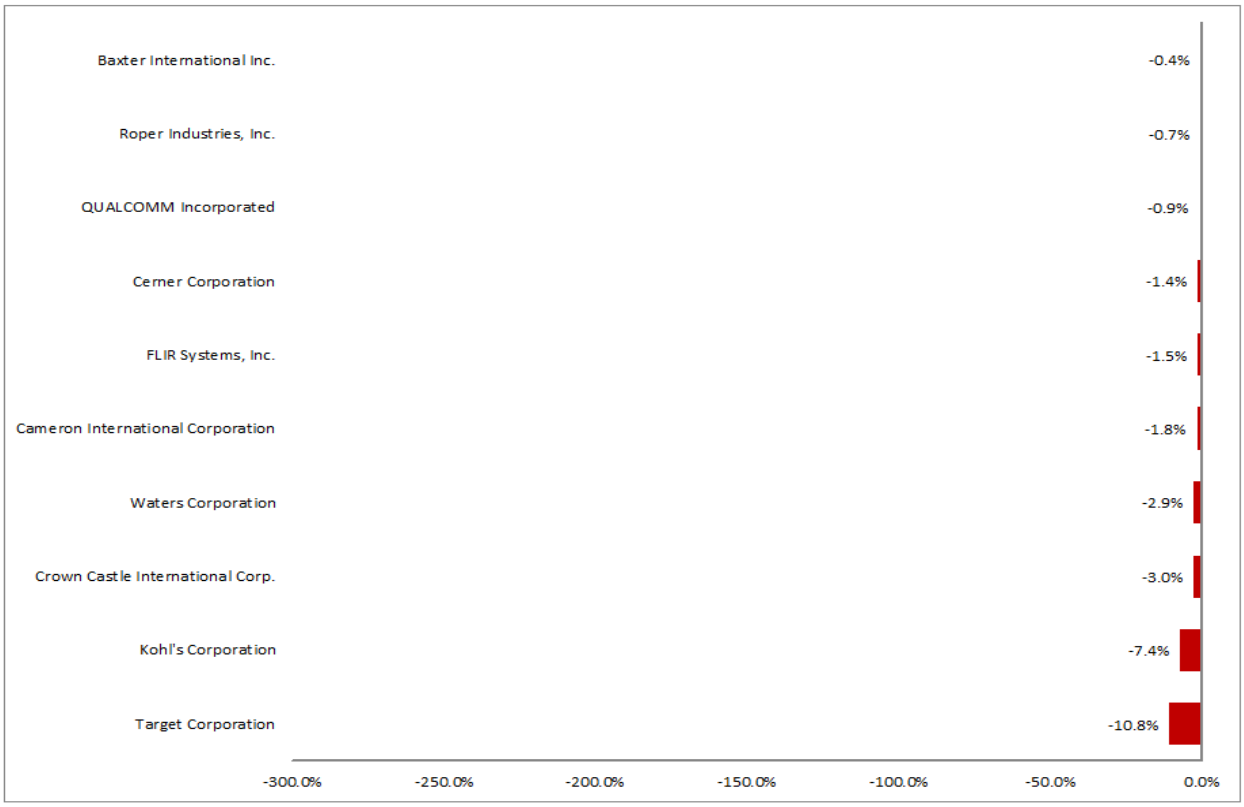
Q3 2013: Actual EPS vs. EPS Guidance

Upside Difference between Actual EPS & EPS Guidance: Top 10



Downside Difference between Actual EPS & EPS Guidance: Top 10



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