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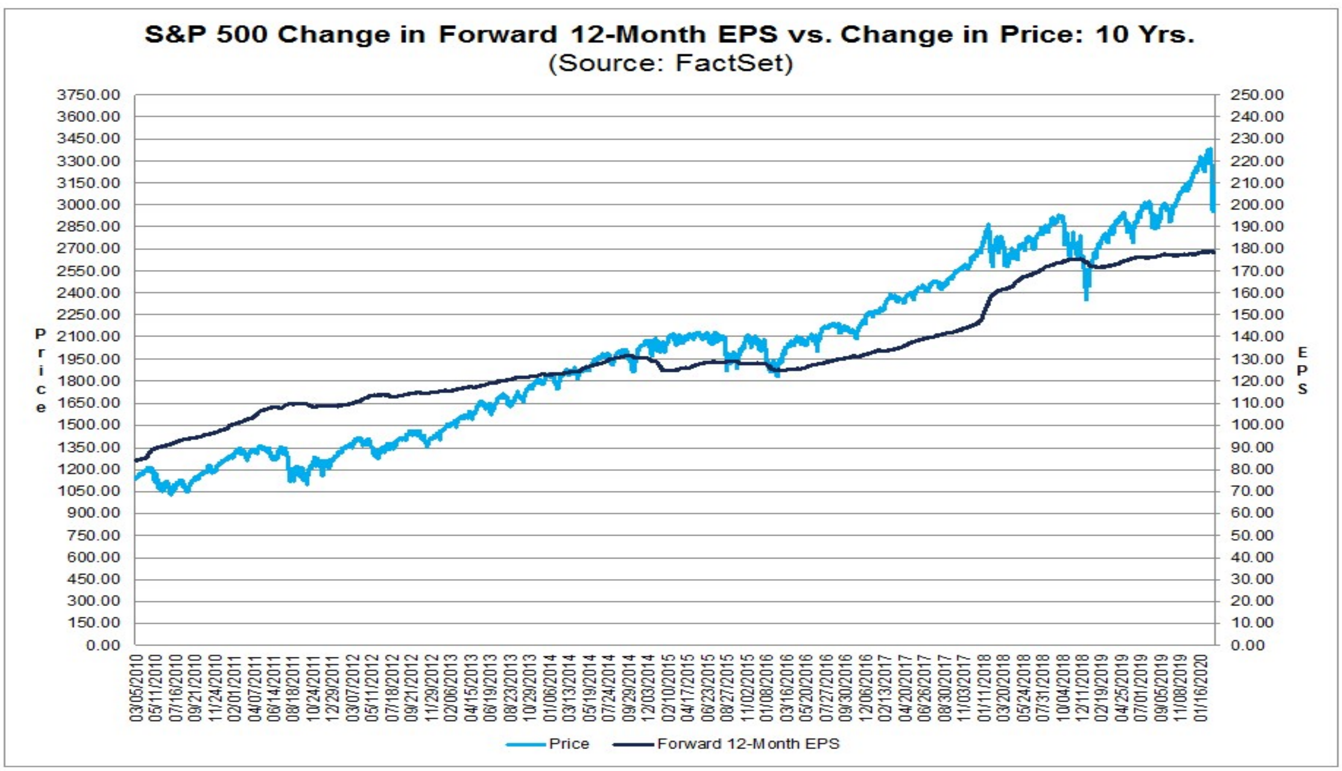
Key Metrics

- **Earnings Growth:** For Q1 2020, the estimated earnings decline for the S&P 500 is -0.1%. If -0.1% is the actual decline for the quarter, it will mark the fourth time in the past five quarters in which the index has reported a year-over-year decline in earnings.
- **Earnings Revisions:** On December 31, the estimated earnings growth rate for Q1 2020 was 4.4%. Nine sectors have lower growth rates today (compared to December 31) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q1 2020, 71 S&P 500 companies have issued negative EPS guidance and 33 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.0. This P/E ratio is above the 5-year average (16.7) and above the 10-year average (15.0).
- **Earnings Scorecard:** For Q4 2019 (with 98% of the companies in the S&P 500 reporting actual results), 70% of S&P 500 companies have reported a positive EPS surprise and 64% of S&P 500 companies have reported a positive revenue surprise.



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Topic of the Week: 1

S&P 500 Now Projected to Report a Year-over-Year Decline in Earnings in Q1 2020

The earnings growth rate for the S&P 500 for the fourth quarter is 0.9%. This marks the first time the index has reported year-over-year growth in earnings since Q4 2018. Looking at the first quarter (Q1 2020), what are analyst expectations for year-over-year earnings? Do analysts believe earnings growth will continue in the first quarter of 2020 also?

The answer is no.

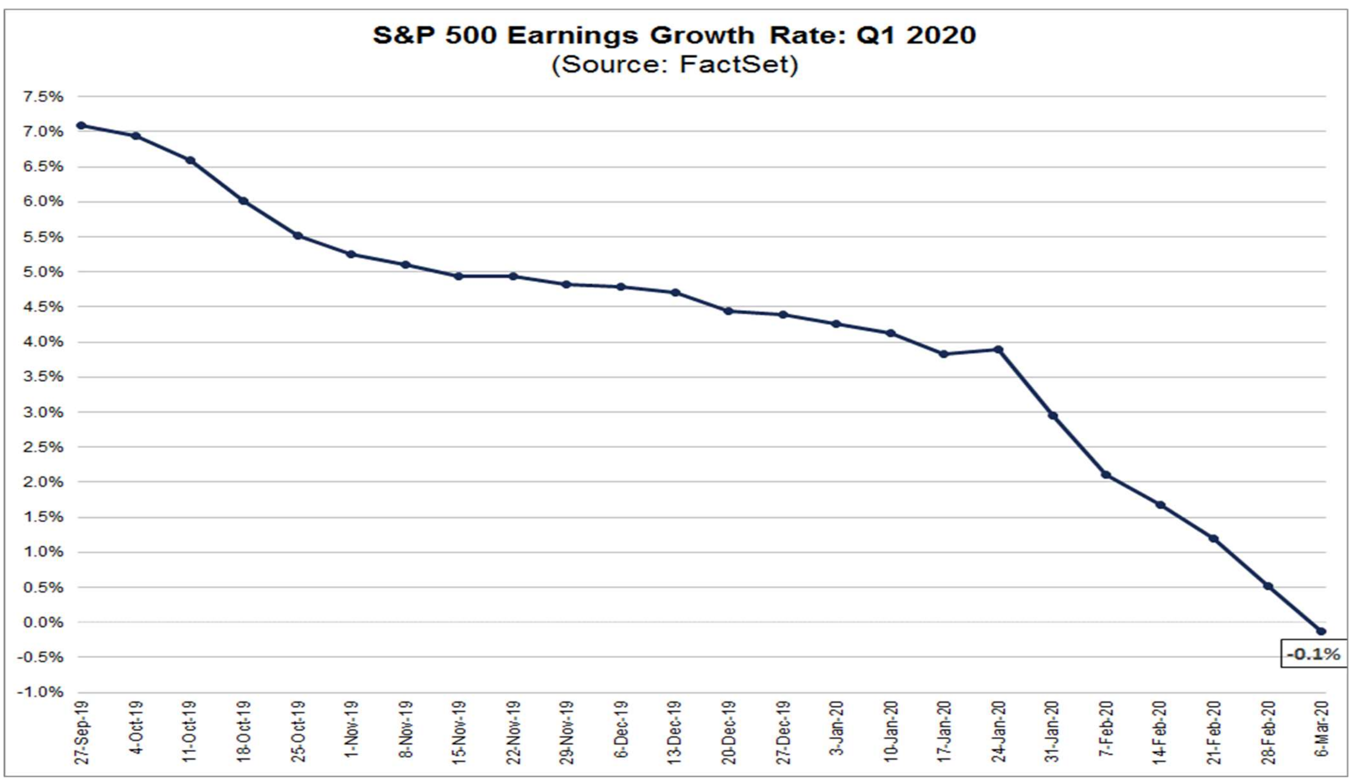
Over the past week, the aggregate earnings growth rate for Q1 2020 changed from slight year-over-year earnings growth on February 28 (+0.5%) to a slight year-over-year earnings decline today (-0.1%).

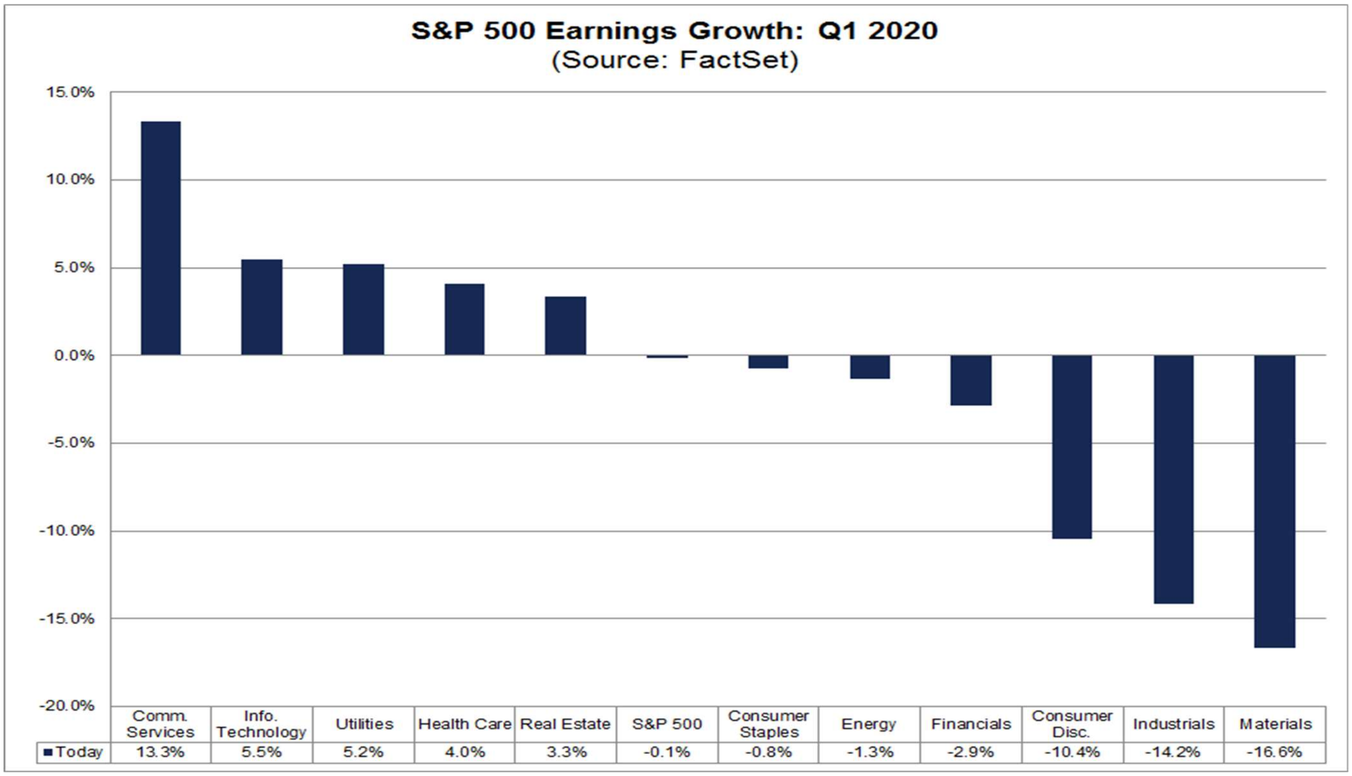
However, expectations for earnings growth for Q1 2020 have been falling over the past few months. On September 30, the estimated earnings growth rate for Q1 2020 was 7.1%. By December 31, the estimated earnings growth rate had fallen to 4.4%. Today, the estimated earnings decline is -0.1%.

For more details on the downward revisions to EPS estimates for S&P 500 companies for the first quarter, please see this article: https://insight.factset.com/are-analysts-slashing-sp-500-eps-estimates-for-q1-due-to-the-coronavirus

Six of the eleven sectors are now projected to report a year-over-year decrease in earnings for the first quarter, led by the Materials (-16.6%), Industrials (-14.2%), and Consumer Discretionary (-10.4%) sectors.

If the index reports a year-over-year decline in earnings in the first quarter, it will mark the fourth time in the past five quarters in which the index has reported a year-over-year decline in earnings. Analysts in aggregate currently expect earnings growth to return in Q2 2020 (3.3%) and double-digit earnings growth to return in Q4 2020 (10.9%).




S&P 500 Earnings Growth: Q1 2020
(Source: FactSet)
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
Comm. Services
Info. Technology
Utilities
Health Care
Real Estate
S&P 500
Consumer Staples
Energy
Financials
Consumer Disc.
Industrials
Materials
Today
13.3%
5.5%
5.2%
4.0%
3.3%
-0.1%
-0.8%
-1.3%
-2.9%
-10.4%
-14.2%
-16.6%

Topic of the Week: 2

137% Increase in S&P 500 Companies Citing “ESG” on Earnings Calls in Q4 vs. Q3

During each corporate earnings season, it is not unusual for companies to comment on their ongoing corporate goals and initiatives. Given the growing focus on environmental, social, and governance factors by investors, did companies in the S&P 500 comment on these factors during their earnings conference calls for the fourth quarter?

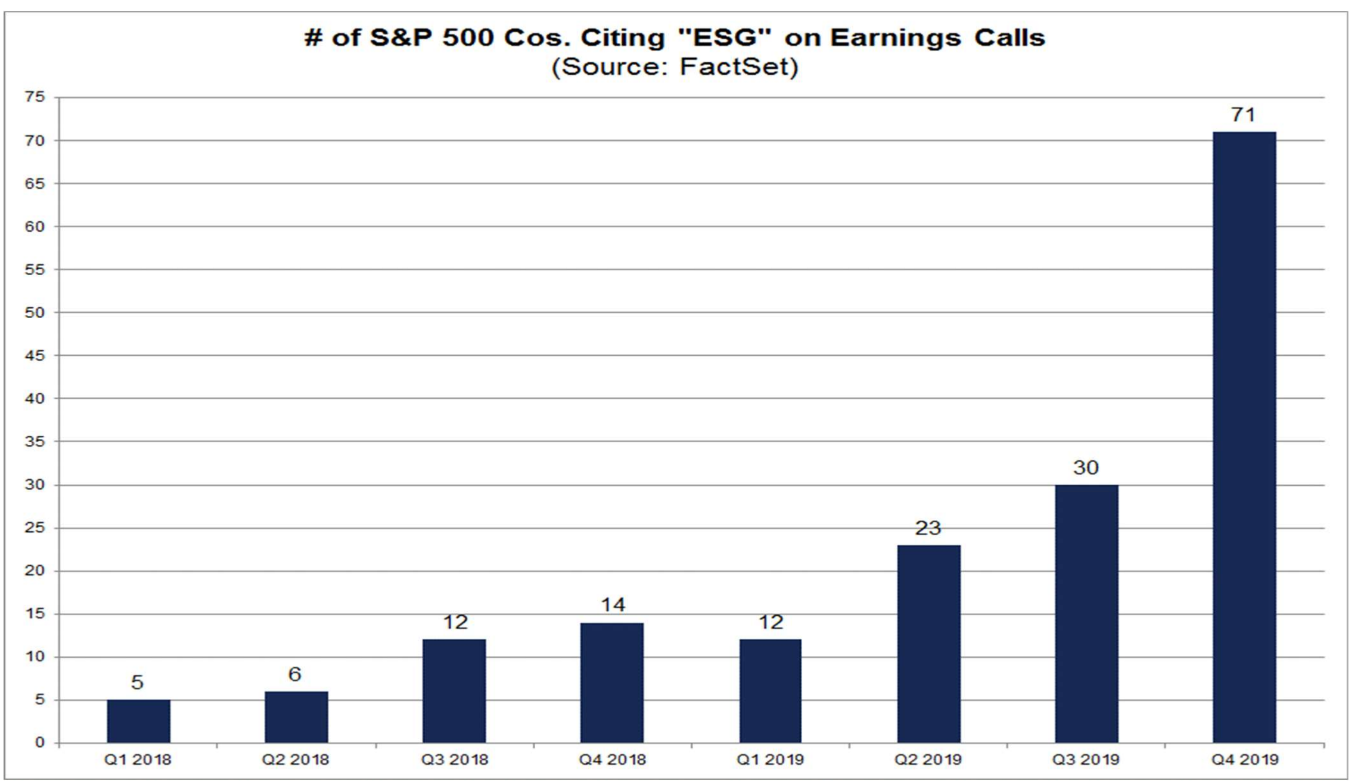
To answer this question, FactSet searched for the term “ESG” in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from December 15 through March 5.

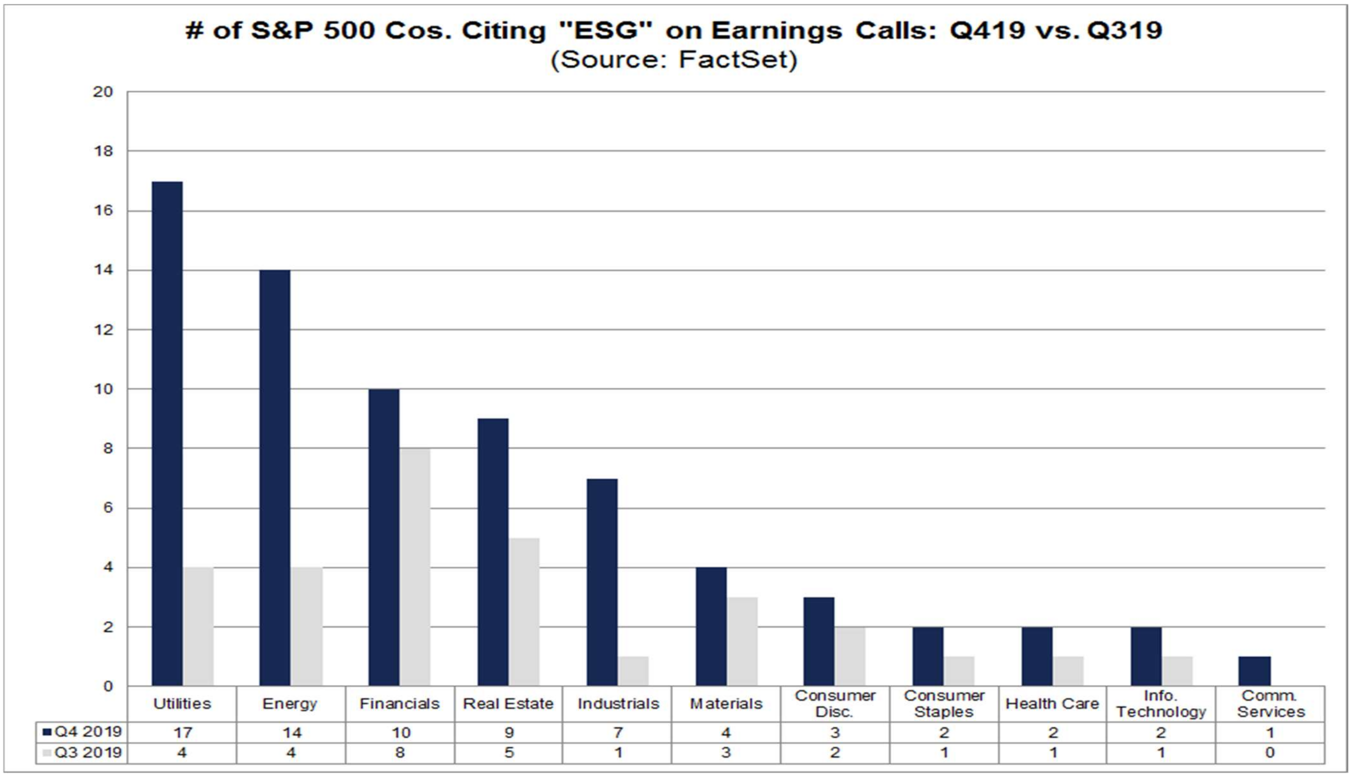
Of these companies, 71 cited the term “ESG” (in reference to environmental, social, and governance factors) during their earnings calls. Although this number is only 14% of the companies in the index, it reflects a 137% increase compared to the number of companies citing “ESG” in the previous quarter (30) and is the highest overall number of companies going back at least four years.

What drove the substantial increase in citations for “ESG” during in earnings calls in Q4 relative to Q3? At the sector level, all eleven sectors recorded an increase in the number of companies citing “ESG” on a quarter-over-quarter basis. However, the Utilities (+13) and Energy (+10) sectors witnessed the largest increases in the number of companies citing “ESG” on earnings calls in Q4 compared to Q3. These two sectors accounted for more than half (23) of the total increase (41) for the index. In addition, the Utilities and Energy sectors had the highest number of companies citing “ESG” during earnings calls in Q4 at 17 and 14, respectively.

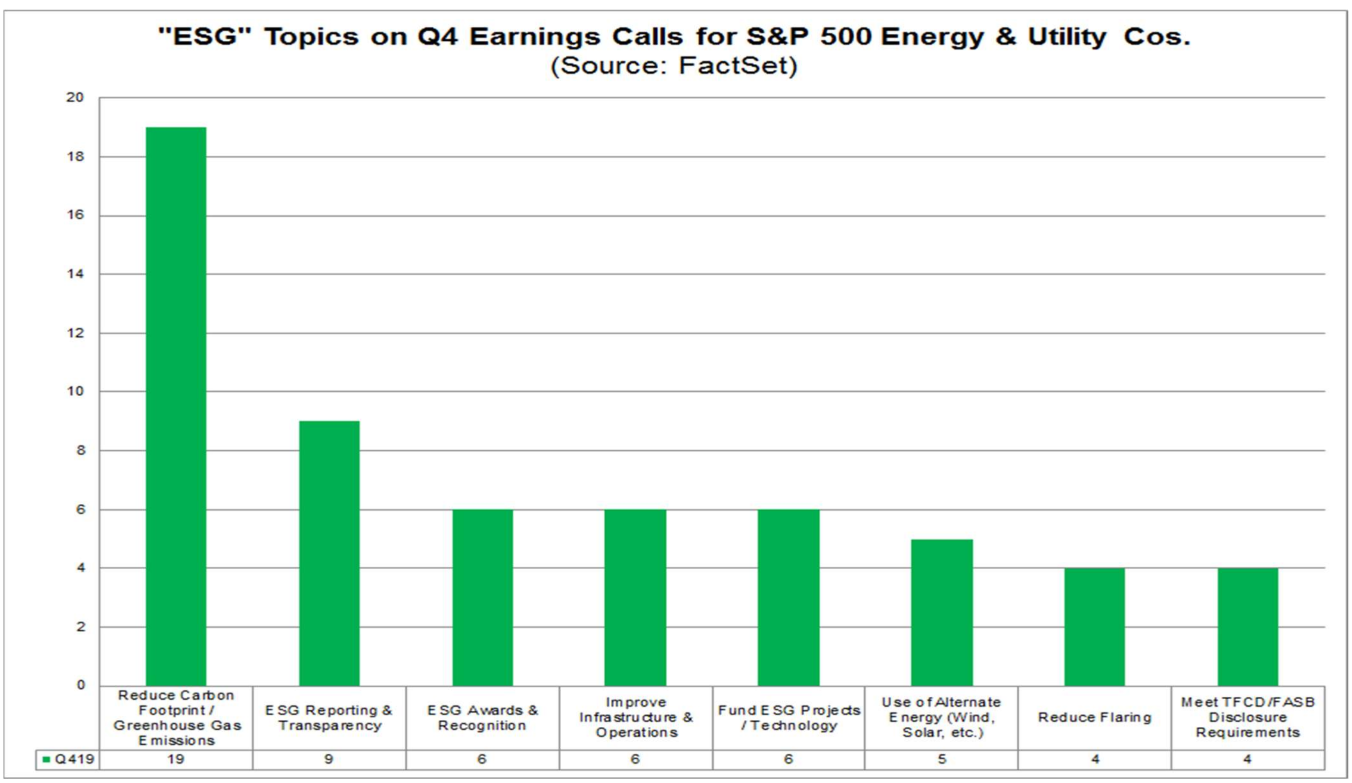
Of the 31 companies in the Utilities and Energy sectors that cited “ESG” on Q4 earnings calls, 19 (or 61%) discussed reducing their carbon footprint and greenhouse gas emissions. A list of these companies and their comments can be found on pages 6 and 7. In addition, nine companies also discussed ESG reporting and transparency. A chart listing some of the main topics discussed in relation to ESG by companies in these two sectors can be found on page 5.

It will be interesting to track the number of S&P 500 companies that cite “ESG” in their earnings calls going forward to see if the large increase in the number of companies discussing this topic continues in future quarters.





	Utilities	Energy	Financials	Real Estate	Industrials	Materials	Consumer Disc.	Consumer Staples	Health Care	Info. Technology	Comm. Services
Q4 2019	17	14	10	9	7	4	3	2	2	2	1
Q3 2019	4	4	8	5	1	3	2	1	1	1	0



	Reduce Carbon Footprint / Greenhouse Gas Emissions	ESG Reporting & Transparency	ESG Awards & Recognition	Improve Infrastructure & Operations	Fund ESG Projects / Technology	Use of Alternate Energy (Wind, Solar, etc.)	Reduce Flaring	Meet TFCD/FASB Disclosure Requirements
Q419	19	9	6	6	6	5	4	4

Reduce Carbon Footprint / Greenhouse Gas Emissions (Energy & Utilities Cos.): 19

“And as you know, the energy transition and the theme of energy transition has gained a lot of attention over the course of the last 12 months. A year ago, you will recall that we actually made our commitment relative to reducing our own carbon footprint, 50% by 2030 and achieve net zero by 2050.” -Baker Hughes (Jan. 22)

“So, we're going to significantly decarbonize our company and our emissions, and I'm really excited about the goals we've set. I think they're very doable.” -NextEra Energy (Jan. 24)

“We have to keep going. But we do things, for example, like look at scenarios of continued methane emissions reductions, and we've really overachieved the target there, if you will. There's not really such a thing as overachieving it, but I mean we had a target in the ONE Future group, which is a 1% limit across the entire chain from production through distribution, and the transmission and storage sectors allocation of that 1% is 0.31%, and we're at 0.02%. And so we've really done a very good job there.” -Kinder Morgan (Jan. 22)

“Those satisfied customers were served by a highly engaged and diverse workforce. Our accomplishments on the planet include: reaching a settlement in our Integrated Resource Plan; the announcement of our net-zero methane emissions goal by 2030 for our gas delivery system; and restoring over 1,500 acres of land in our home state.” -CMS Energy (Jan. 30)

“And we're also looking at other low carbon fuels and ways to lower our carbon intensity in our existing business.” -Valero Energy (Jan. 30)

“Well, again, a good question Andy. My sense and we've done dozens of ESG visits. Right now and I think for the foreseeable future, the ESG focus for infrastructure companies like ours seems to be heavily, heavily focused on CO2 emissions. And what your plan is to basically decarbonize the generation fleet. That swamps any other kind of discussion that we've had with any ESG-oriented investor. And again, we've had hundreds of these discussions over the course of the last couple of years. In fact, everyone now – whether you are ESG focused or not, everyone is beginning to ask ESG questions. But I would say that in 99 out of a 100 meetings, the real focus is really on CO2 emissions and there we've got a great story to tell. The other thing that I would point out and we're one of the first utilities in the country to set a methane reduction goal and I think you're going to be seeing because the climate scientist as you know really believe that methane emissions are far, far more potent, perhaps 25 times more potent than CO2 as a greenhouse gas.” -WEC Energy Group (Jan. 30)

“Beyond our strong financial and operational performance, I'm also very proud of our ESG leadership. In 2009, we estimate, we reduced carbon emissions by more than 40% from 2005 levels. And we remain on track to achieve an 80% carbon reduction by 2030.” -Xcel Energy (Jan. 30)

“We're a world leader in emissions reductions including greenhouse gas emissions.” -Phillips 66 (Jan. 31)

“So, yeah, we're focused on being low cost of supply and really taking care of our own business in terms of our emission footprint and what we're doing in our activities to reduce our greenhouse gas emissions, flaring, fugitive emissions, methane, all the above. That's what we're about, that's what we're trying to do, and that's how we're managing this aspect of the company.” -ConocoPhillips (Feb. 4)

“Finally, I hope you've taken the time to review our five-year Strategic Plan and our Corporate Responsibility Report, which were both published to our website in the fall. These reports are an important element of our commitment to provide transparency and it has enhanced engagement with our stakeholders. They also offer a platform to track progress on our goals and strategies, including ESG initiatives such as our carbon reduction target, efforts to build a more diverse and exclusive workforce and our ISS Governance Score.” -FirstEnergy (Feb. 7)

“Let me start by saying that we have a lot of ground to cover on today's call, which reflects the exciting progress we're making on our investment program, our financial targets and on our ESG joint efforts, including the introduction of an enterprise-wide net-zero emissions initiative…I'm pleased to report that our work on reducing emissions and enhancing our ESG disclosures was recognized with a leadership rating by CDP, an influential non-profit that monitors and measures environmental impacts…It is, of course, nice to receive accolades like these, but we are not declaring victory. In addition to minimizing our own operational environmental footprint, in line with the carbon and methane goals I just described, we are also embracing the notion of Beyond Dominion Energy, as it relates to our ability to transform the emissions profiles of our customers and energy end users.” -Dominion Energy (Feb. 11)

“All New England states are targeting at least an 80% reduction in greenhouse gas emissions by the year 2050. This is a very ambitious goal, especially given that nearly 50% of those emissions today come from the millions of motor vehicles that cross our thoroughfares daily. In December, we announced that we will support these efforts by setting a goal of making Eversource a carbon neutral by 2030. That's the most ambitious goal of any energy utility in the United States. As you can see on slide 7, we've already reduced our carbon emissions by approximately 70% over the past few years, primarily by divesting our fossil generation in New Hampshire.” -Eversource Energy (Feb. 20)

“This investment will provide HollyFrontier the opportunity to provide high-quality, low-carbon fuels for our customers while substantially mitigating our annual RIN purchase obligation. The project is attractive for three reasons. It mitigates our exposure to RINs. It is expected to generate an approximate 30% IRR and has a favorable ESG profile as it reduces greenhouse gas emissions attributable to middle distillates.” -HollyFrontier (Feb. 20)

“When you look at slide number 23, we're the lowest of our peers in emissions intensity, where Pioneer is on both greenhouse gas intensity and also methane intensity.” -Pioneer Natural Resources (Feb. 20)

“Before I became CEO of Southern, we were 70% coal, 0% renewables, and you see the numbers now. We gave you a new data point in our script today, and that was 14% of our [total] revenue…is associated with coal generation.” -Southern Company (Feb. 20)

“I would say even – perhaps even larger than that and more directly related to that would be the emissions reduction projects on Transco that we still intend to follow through with some negotiations lingering, post the rate case on that. But that would be very dramatic emissions reductions.” -Williams Companies (Feb. 20)

“These steps are consistent with our goals to reduce carbon emissions by at least 80% below 2005 levels by 2050. These actions are just some more examples of the actions we are taking to address our customers and shareholders' focus on ESG matters.” -Ameren Corporation (Feb. 26)

“Slide 7 provides detail on our profile, as well as efforts to reduce greenhouse gas emissions from our generation assets and our gas distribution system. First and foremost, our assets have a low-carbon footprint as generation makes up approximately 4% of our overall rate base and electric T&D assets represent 51%. Since 2005, we have reduced our generation-based emissions by 20%. With respect to our gas distribution business, since 2012 we have invested heavily in our gas distribution system, reducing greenhouse gases by 30% per unit of natural gas delivered. We have eliminated all cast iron pipe across our legacy CenterPoint systems and we anticipate removing all cast iron pipe from our Indiana and Ohio jurisdictions by 2024. Turning to slide 8, I am proud to announce our goal to reduce carbon emissions by 70% from CenterPoint operations from our 2005 levels by 2035. We anticipate achieving this goal by continuing our robust pipeline replacement program, continuing to enhance our generation mix supporting Southern Indiana, and partnering with our suppliers to lower their methane emissions. Additionally, it is our goal to reduce carbon emissions by 20% to 30% from natural gas customers' usage from the 2005 level by 2040.” -CenterPoint Energy (Feb. 27)

“This morning, we announced a target to reduce our generation from coal to below 30% of our total volume by the end of this year. Furthermore, we expect to reduce generation from coal to less than 10% of our total by 2030.” -AES Corporation (Feb. 28)

Q1 Earnings Season: By The Numbers

Overview

In terms of estimate revisions for companies in the S&P 500, analysts have made larger cuts than average to earnings estimates for Q1 2020 to date. On a per-share basis, estimated earnings for the first quarter have decreased by 4.2% since December 31. This percentage decline is larger than the 5-year average (-2.6%), 10-year average (-2.3%), and 15-year average (-3.3%) for the first two months of a quarter.

However, a slightly smaller percentage of S&P 500 companies have lowered the bar for earnings for Q1 2020 relative to recent averages. Of the 104 companies that have issued EPS guidance for the fourth quarter, 71 have issued negative EPS guidance and 33 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 68% (71 out of 104), which is slightly below the 5-year average of 70%.

Because of the net downward revisions to earnings estimates, the estimated (year-over-year) earnings decline for Q1 2020 is -0.1% today compared to the estimated (year-over-year) earnings growth rate of 4.4% on December 31. If -0.1% is the actual decline for the quarter, it will mark the fourth time in the past five quarters in which the index has reported a year-over-year decline in earnings. Five sectors are predicted to report year-over-year earnings growth, led by the Communication Services sectors. Six sectors are projected to report a year-over-year decline in earnings, led by the Materials, Industrials, and Consumer Discretionary sectors.

Because of the net downward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q1 2020 is 3.8% today compared to the estimated (year-over-year) revenue growth rate of 4.8% on December 31. Nine sectors are projected to report year-over-year growth in revenues, led by the Communication Services sector. Two sectors are predicted to report a year-over-year decline in revenues, led by the Materials sector.

Looking at future quarters, analysts see earnings growth of 3.3% and 8.4% in the second and third quarters of 2020.

The forward 12-month P/E ratio is 17.0, which is above the 5-year average and above the 10-year average.

During the upcoming week, four S&P 500 companies are scheduled to report results for the fourth quarter and two S&P 500 companies are scheduled to report results for the first quarter.

Earnings Revisions: Largest Estimate Cuts in Energy Sector

Decrease in Estimated Earnings Growth for Q1 This Week

The estimated earnings decline for the first quarter is -0.1% this week, which is below the estimated earnings growth rate of 0.5% last week. Downward revisions to EPS estimates in multiple sectors (led by the Energy and Industrials sectors) were responsible for the drop in the growth rate during the week.

Overall, the estimated earnings decline for Q1 2020 of -0.1% today is below the estimated earnings growth rate of 4.4% at the start of the quarter (December 31). Nine sectors have a recorded a decrease in expected earnings growth due to downward revisions to earnings estimates, led by the Energy, Industrials, Materials, and Consumer Discretionary sectors. On the other hand, two sectors have recorded an increase in expected earnings growth due to upward revisions to earnings estimates, led by the Information Technology sector.

Energy: Exxon Mobil Leads Earnings Decrease Since Dec. 31

The Energy sector has recorded the largest decrease in expected earnings growth since the start of the quarter (to -1.3% from 29.6%). This sector has also witnessed the largest decline in price (-26.0%) of all eleven sectors since December 31, as the price of oil has fallen by 25% (to $45.90 from $61.06) over this period. Overall, 21 of the 27 companies (78%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 21 companies, 16 have recorded a decrease in their mean EPS estimate of more than 10%, led by Hess Corporation (to -$0.30 from -$0.09), Occidental Petroleum (to -0.01 from $0.20), Marathon Petroleum (to $0.43 from $1.08), and Cabot Oil & Gas (to $0.22 from $0.44). However, Exxon Mobil (to $0.54 from $0.81), Chevron (to $1.34 from $1.60), and Marathon Petroleum (to $0.43 from $1.08) have been the largest contributors to the decrease in expected earnings for this sector since December 31.

Industrials: Boeing Leads Earnings Decrease Since Dec. 31

The Industrials sector has recorded the second largest decrease in expected earnings growth since the start of the quarter (to -14.2% from -0.3%). This sector has also witnessed the fourth largest decline in price (-9.8%) of all eleven sectors since December 31. Overall, 61 of the 71 companies (86%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 61 companies, 18 have recorded a decrease in their mean EPS estimate of more than 10%, led by Boeing (to -$0.86 from $3.08), Quanta Services (to $0.50 from $0.73), Textron (to $0.56 from $0.79), and Xylem (to $0.41 from $0.57). Boeing has also been the largest contributor to the decrease in expected earnings for this sector since December 31.

Materials: 89% of Companies Have Seen Decline in Earnings Expectations Since Dec. 31

The Materials sector has recorded the third largest decrease in expected earnings growth since the start of the quarter (to -16.6% from -3.8%). This sector has also witnessed the third largest decline in price (-10.8%) of all eleven sectors since December 31. Overall, 25 of the 28 companies (89%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 25 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Mosaic (to -$0.07 from $0.13) and Freeport-McMoRan (to -$0.03 from $0.08). However, DuPont (to $0.73 from $1.04) has been the largest contributor to the decrease in expected earnings for this sector since December 31.

Consumer Discretionary: Ford & GM Lead Earnings Decrease since Dec. 31

The Consumer Discretionary sector has recorded the fourth largest decrease in expected earnings growth since the start of the quarter (to -10.4% from 1.6%). This sector has also witnessed the fifth largest decrease in price (-6.6%) of all eleven sectors since December 31. Overall, 49 of the 63 companies (78%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 49 companies, 27 have recorded a decrease in their mean EPS estimate of more than 10%, led by Under Armour (to -$0.12 from $0.06), L Brands (to -$0.04 from $0.12), Wynn Resorts (to -$0.21 from $1.33), and Expedia Group (to -$0.57 from -$0.29). However, Ford Motor (to $0.24 from $0.41) and General Motors (to $1.14 from $1.52) have been the largest contributors to the decrease in expected earnings for this sector since December 31.

Information Technology: Intel and Microsoft Lead Earnings Increase since Dec. 31

The Information Technology sector has recorded the largest increase in expected earnings growth since the start of the quarter (to 5.5% from 4.2%). Despite the increase in earnings, this sector has witnessed a decrease in price (-1.3%) since December 31. Overall, 23 of the 71 companies (32%) in the Information Technology sector have seen an increase in their mean EPS estimate during this time. Of these 23 companies, 7 have recorded an increase in their mean EPS estimate of more than 10%, led by NortonLifeLock (to $0.19 from $0.06) and Western Digital (to $0.95 from $0.68). However, Intel (to $1.30 from $1.03) and Microsoft (to $1.32 from $1.24) have been the largest contributors to the increase in expected earnings for this sector since December 31.

Index-Level (Bottom-Up) EPS Estimate: Above-Average Decrease

The Q1 bottom-up EPS estimate (which is an aggregation of the median earnings estimates for all the companies in the index and can be used as a proxy for the earnings for the index) has decreased by 4.2% (to $38.97 from $40.68) since December 31. This percentage decline is larger than the 5-year average (-2.6%), 10-year average (-2.3%), and 15-year average (-3.3%) for the first two months of a quarter.

Guidance: Negative Guidance for Q1 is Below Average to Date

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.

At this point in time, 104 companies in the index have issued EPS guidance for Q1 2020. Of these 104 companies, 71 have issued negative EPS guidance and 33 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 68% (71 out of 104), which is slightly below the 5-year average of 70%.

Earnings Decline: -0.1%

The estimated (year-over-year) earnings decline for Q1 2020 is -0.1%, which is below the 5-year average earnings growth rate of 6.4%. If. If -0.1% is the actual decline for the quarter, it will mark the fourth time in the past five quarters in which the index has reported a year-over-year decline in earnings.

Five sectors are predicted to report year-over-year growth in earnings, led by the Communication Services sectors. Six sectors are predicted to report a year-over-year decline in earnings, led by the Materials, Industrials, and Consumer Discretionary sectors.

Communication Services: Facebook & Alphabet Lead Year-Over-Year Growth

The Communication Services sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 13.3%. At the industry level, three of the five industries in this sector are projected to report growth in earnings: Interactive Media & Services (48%), Media (6%), and Diversified Telecommunication Services (1%). On the other hand, the other two industries in the sector are projected to report a decline in earnings: Entertainment (-10%) and Wireless Telecommunication Services (-2%).

At the company level, Facebook and Alphabet are projected to be the largest contributors to year-over-year growth in earnings for the sector. The mean EPS estimate for Facebook for Q1 is $1.93, compared to year-ago EPS of $0.85. The mean EPS estimate for Alphabet for Q1 is $12.06, compared to year-ago EPS of $9.50. If these two companies were excluded, the estimated growth rate for the sector would fall to -0.6% from 13.3%.

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

The Materials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -16.6%. At the industry level, three of the four industries in this sector are projected to report a decline in earnings: Containers & Packaging (-22%), Metals & Mining (-17%), and Chemicals (-16%). On the other hand, the Construction Materials (6%) industry is the only industry projected to report earnings growth for the quarter.

Industrials: Boeing Leads Year-Over-Year Decline

The Industrials sector is expected to report the second largest (year-over-year) earnings decline of all eleven sectors at -14.2%. At the industry level, nine of the twelve industries in this sector are projected to report a decline in earnings. Five of these nine industries are expected to report a double-digit decline: Aerospace & Defense (-24%), Air Freight & Logistics (-20%), Machinery (-20%), Construction & Engineering (-18%), and Airlines (-14).

At the company level, Boeing is projected to be the largest contributor to the year-over-year decline in earnings for the sector. The mean EPS estimate for Boeing for Q1 is -$0.86, compared to year-ago EPS of $3.16. If this company were excluded, the estimated decline for the sector would improve to -7.3% from -14.2%.

Consumer Discretionary: Automobile Industry Leads Year-Over-Year Decline

The Consumer Discretionary sector is expected to report the third largest (year-over-year) earnings decline of all eleven sectors at -10.4%. At the industry level, six of the eleven industries in this sector are projected to report a decline in earnings. Five of these six industries are expected to report a double-digit decline: Automobiles (-31%), Hotels, Restaurants, & Leisure (-21%), Auto Components (-20%), Textiles, Apparel, & Luxury Goods (-14%), and Internet & Direct Marketing Retail (-11%).

Revenue Growth: 3.8%

The estimated (year-over-year) revenue growth rate for Q1 2020 is 3.8%, which is above the 5-year average revenue growth rate of 3.5%.

Nine sectors are expected to report year-over-year growth in revenues, led by Communication Services sector. Two sectors are expected to report a year-over-year decline in revenues, led by the Materials sector.

Communication Services: Entertainment & Interactive Media Lead Year-Over-Year Growth

The Communication Services sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 10.2%. At the industry level, all five industries in this sector are expected to report growth in revenues. Two of these five industries are expected to report double-digit revenue growth: Entertainment (23%) and Interactive Media & services (19%).

Materials: DuPont Leads Decline on Hard Comparison to Year-Ago Pre-Split Revenues

The Materials sector is expected to report the largest (year-over-year) decline in revenue of all eleven sectors at -14.4%. At the industry level, two of the four industries in this sector are predicted to report a decline in revenue for the quarter: Chemicals (-21%) and Metals & Mining (-1%).

At the company level, DuPont is expected to be the largest contributor to the (year-over-year) decline in revenue for the sector. However, the revenue decline is boosted by an apples-to-oranges comparison of post-split revenues to pre-split revenues. The estimated revenue for DuPont for Q1 2020 ($5.11 billion) reflects the standalone revenue for DuPont, while the actual revenue for Q1 2019 ($19.65 billion) reflects the combined revenue for DowDuPont (DuPont, Dow, and Corteva). This apples-to-oranges comparison is the main reason DuPont is projected to be the largest contributor to the revenue decline for the sector. If this company were excluded, the estimated revenue decline for the sector would improve to -0.9% from -14.4%.

Looking Ahead: Forward Estimates and Valuation

Earnings: Analysts Expect 7% Earnings Growth for CY 2020

For the first quarter, analysts expect S&P 500 companies to report a decline in earnings of -0.1% and growth in revenues of 3.8%. Analysts expect earnings growth of 6.7% and revenue growth of 5.1% for CY 2020

For Q2 2020, analysts are projecting earnings growth of 3.3% and revenue growth of 4.1%.

For Q3 2020, analysts are projecting earnings growth of 8.4% and revenue growth of 5.5%.

For Q4 2020, analysts are projecting earnings growth of 10.9% and revenue growth of 5.8%.

For CY 2020, analysts are projecting earnings growth of 6.7% and revenue growth of 5.1%.

Valuation: Forward P/E Ratio is 17.0, Above the 10-Year Average (15.0)

The forward 12-month P/E ratio is 17.0. This P/E ratio is above the 5-year average of 16.7 and above the 10-year average of 15.0. However, it is below the forward 12-month P/E ratio of 18.2 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has decreased by 6.4%, while the forward 12-month EPS estimate has increased by 0.4%.

At the sector level, the Consumer Discretionary (21.0) sector has the highest forward 12-month P/E ratio, while the Financials (11.3) sector has the lowest forward 12-month P/E ratio.

Targets & Ratings: Analysts Project 21% Increase in Price Over Next 12 Months

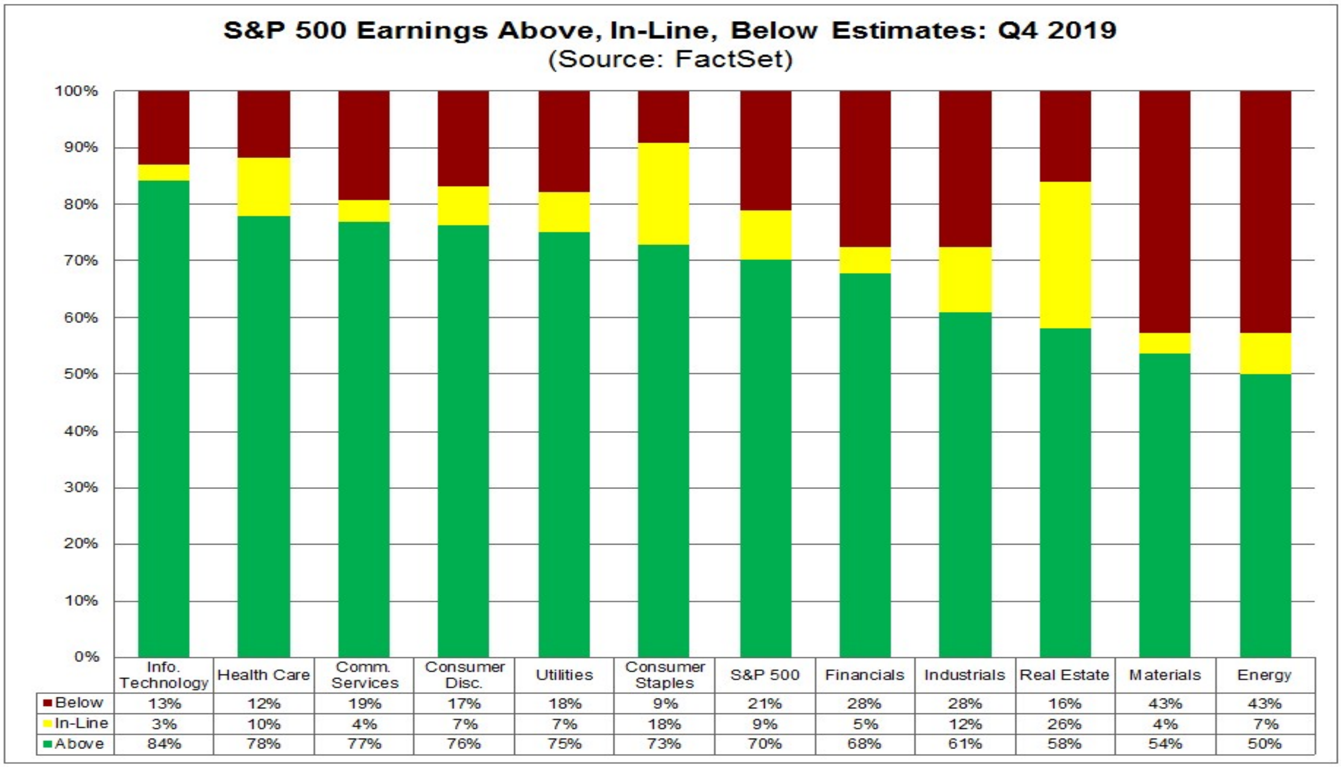
The bottom-up target price for the S&P 500 is 3645.12, which is 20.5% above the closing price of 3023.94. At the sector level, the Energy (+47.0%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Utilities (+4.5%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

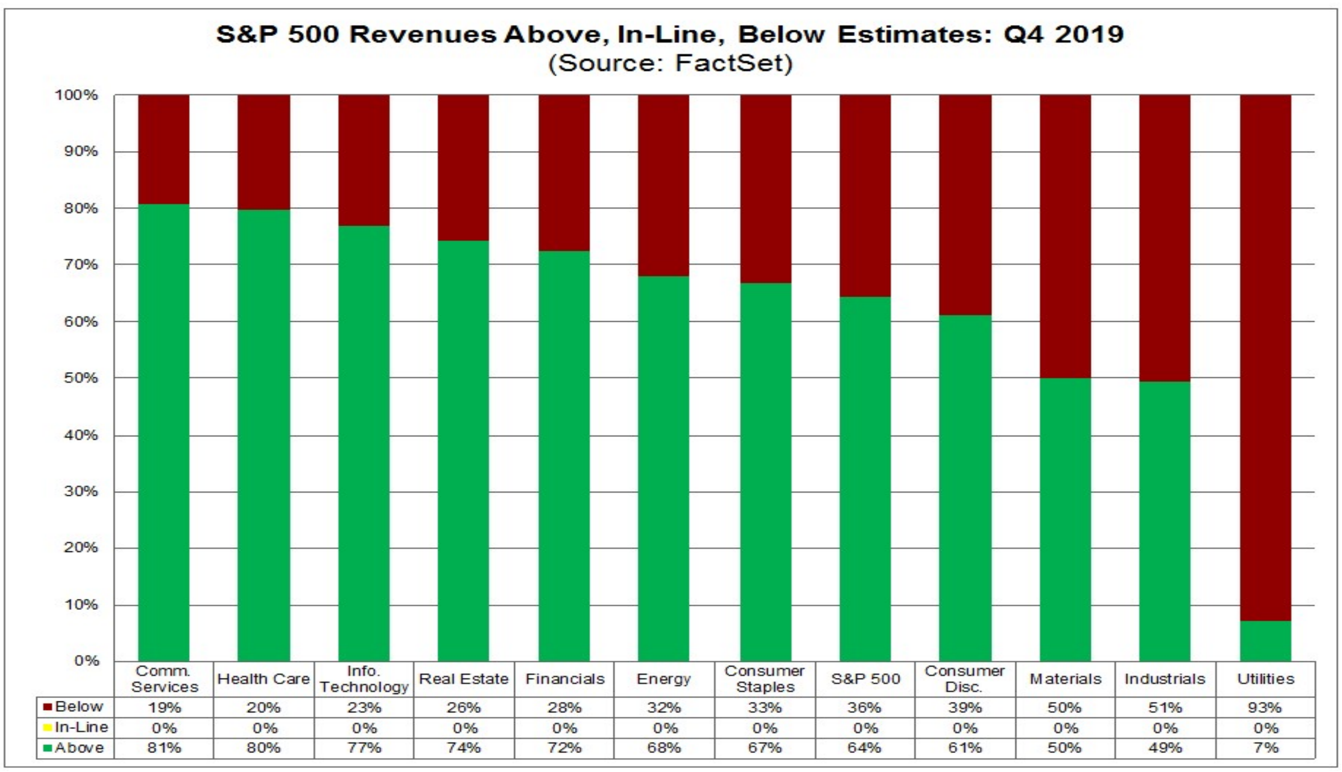
Overall, there are 10,203 ratings on stocks in the S&P 500. Of these 10,203 ratings, 51.5% are Buy ratings, 42.0% are Hold ratings, and 6.6% are Sell ratings. At the sector level, the Energy (66%) sector has the highest percentage of Buy ratings, while the Consumer Staples (39%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 6

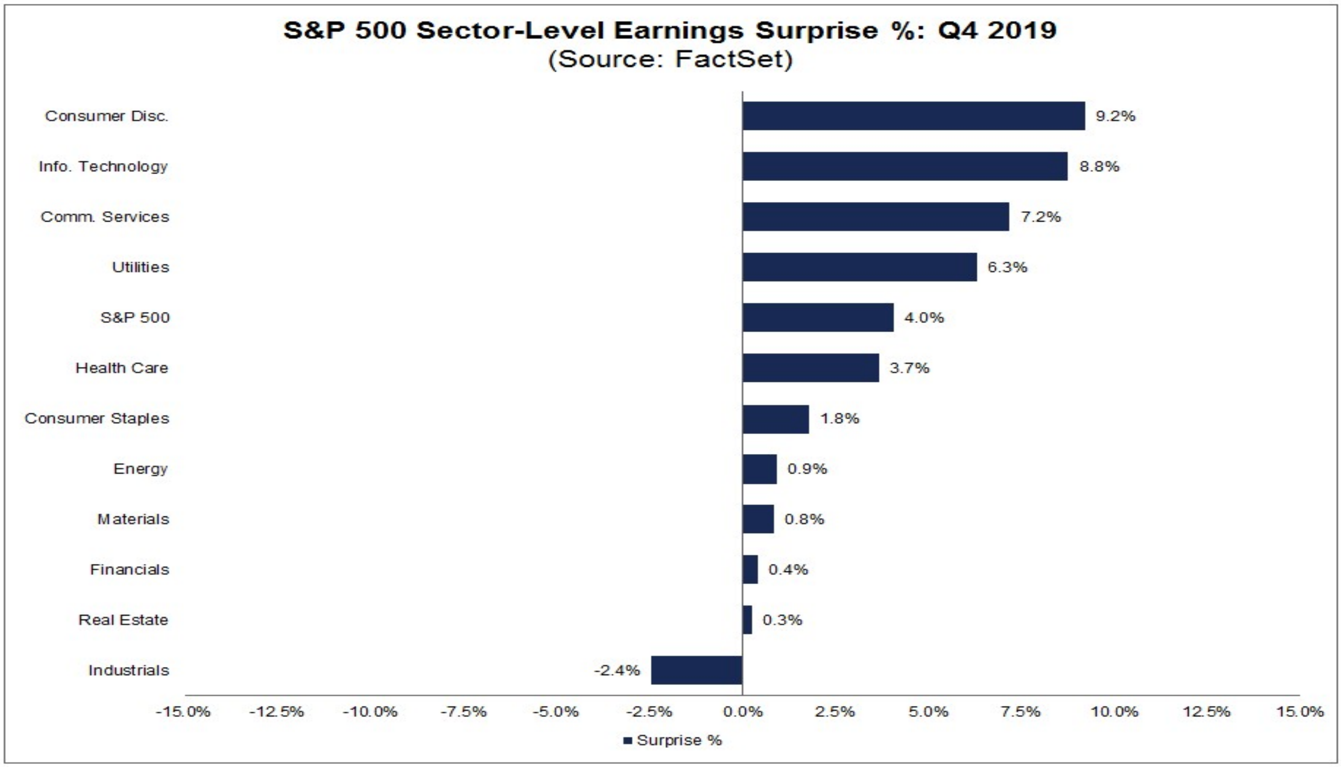
During the upcoming week, four S&P 500 companies are scheduled to report results for the fourth quarter and two S&P 500 companies are scheduled to report results for the first quarter.

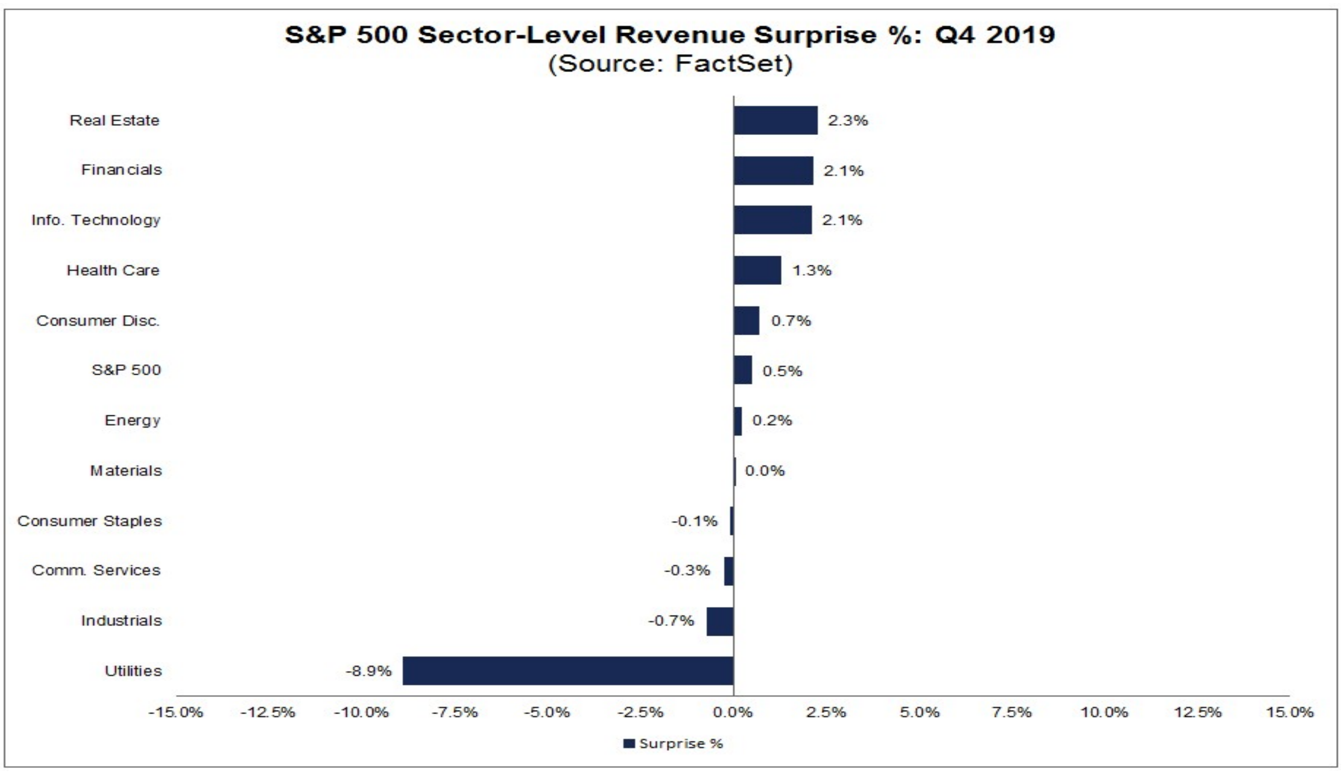
Q4 2019: Scorecard



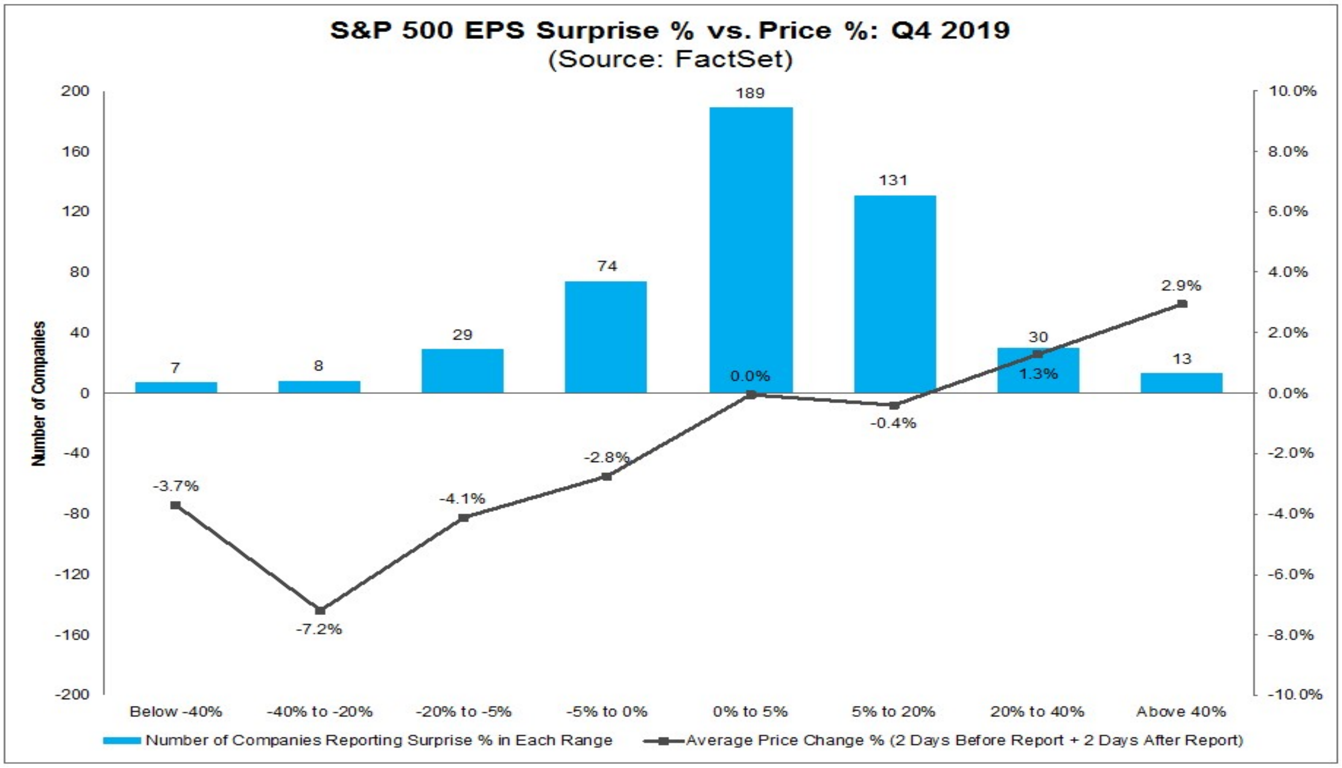


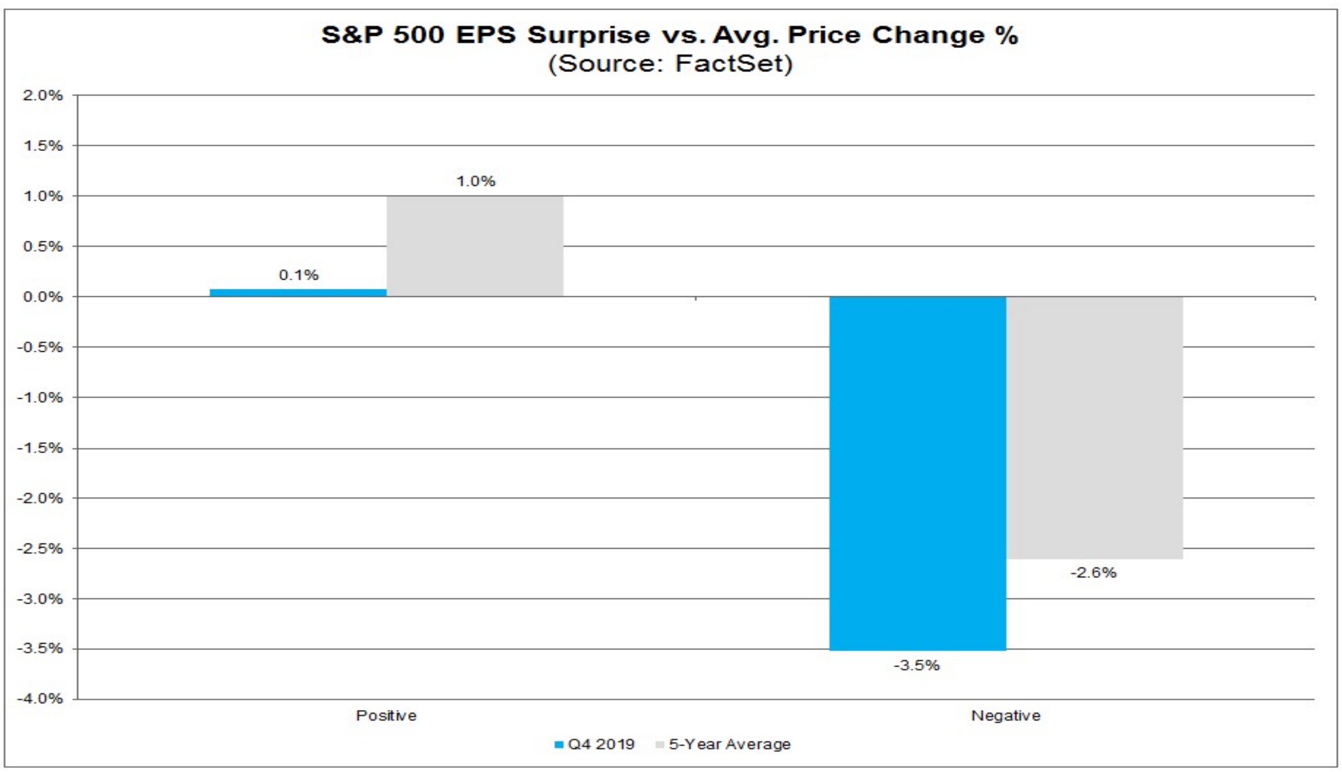
Q4 2019: Scorecard



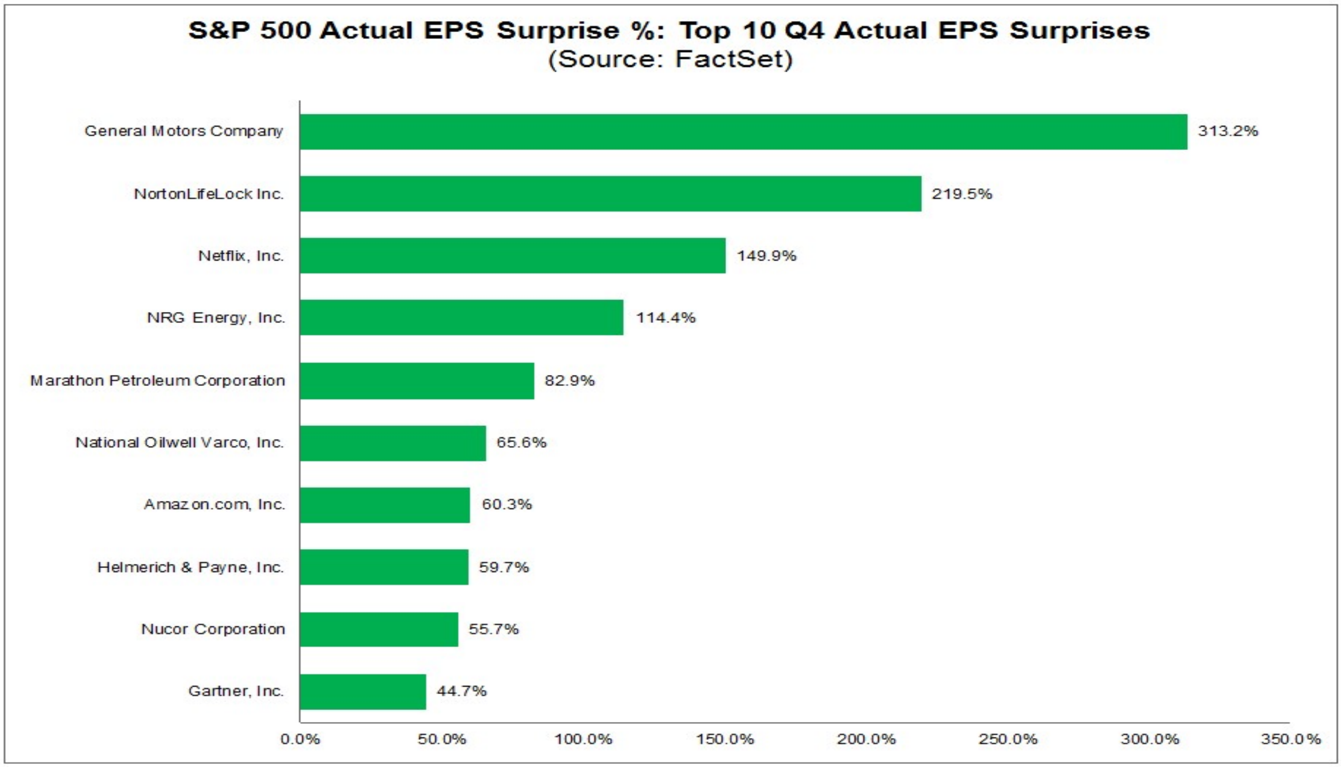


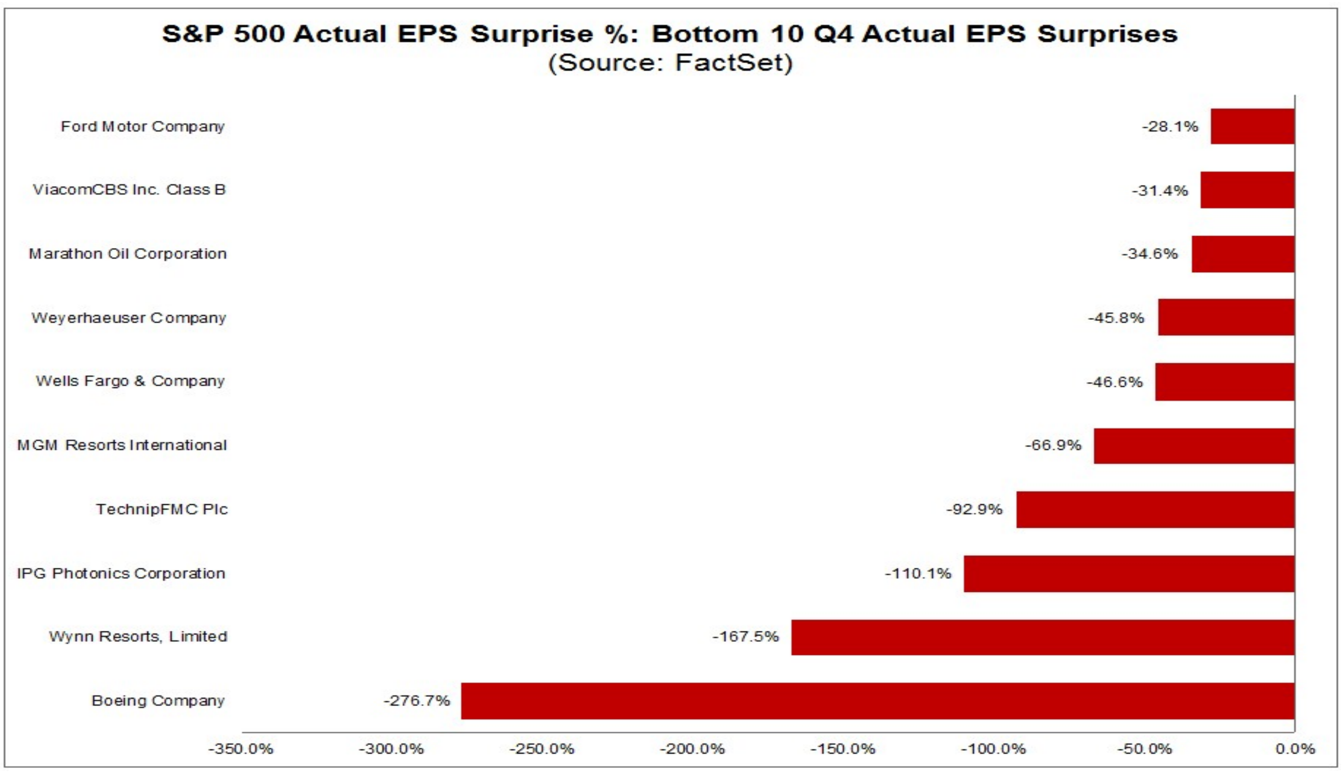
Q4 2019: Scorecard



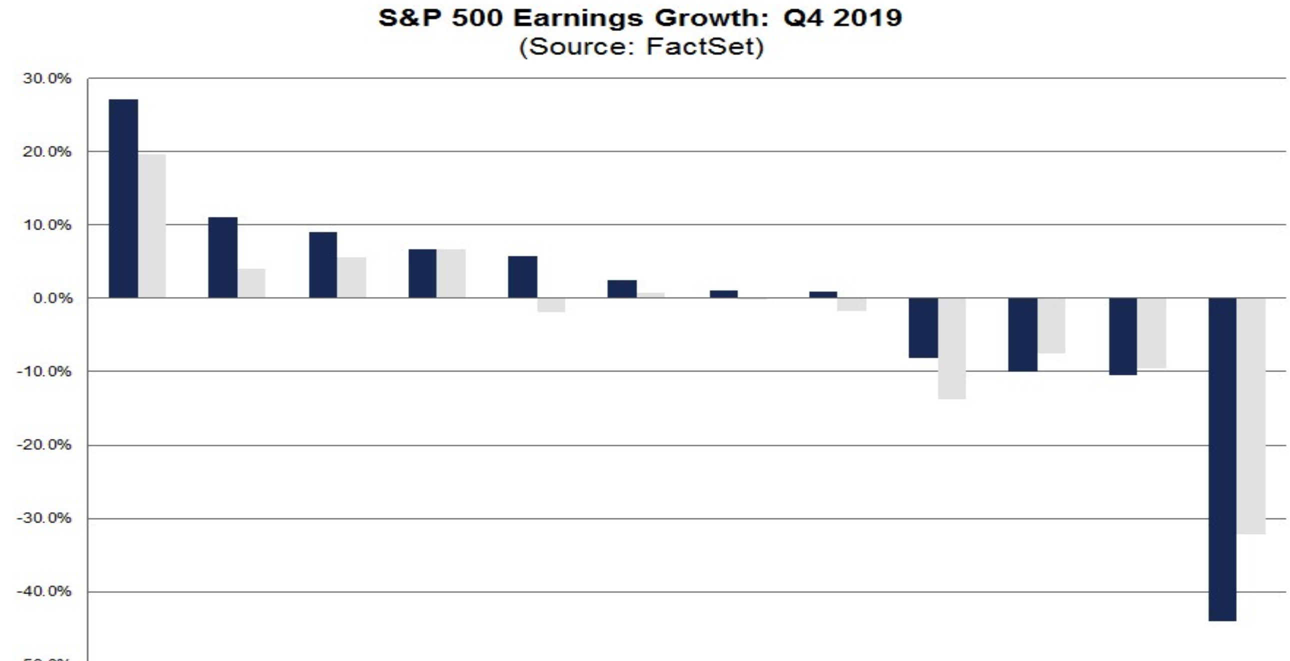


Q4 2019: Scorecard

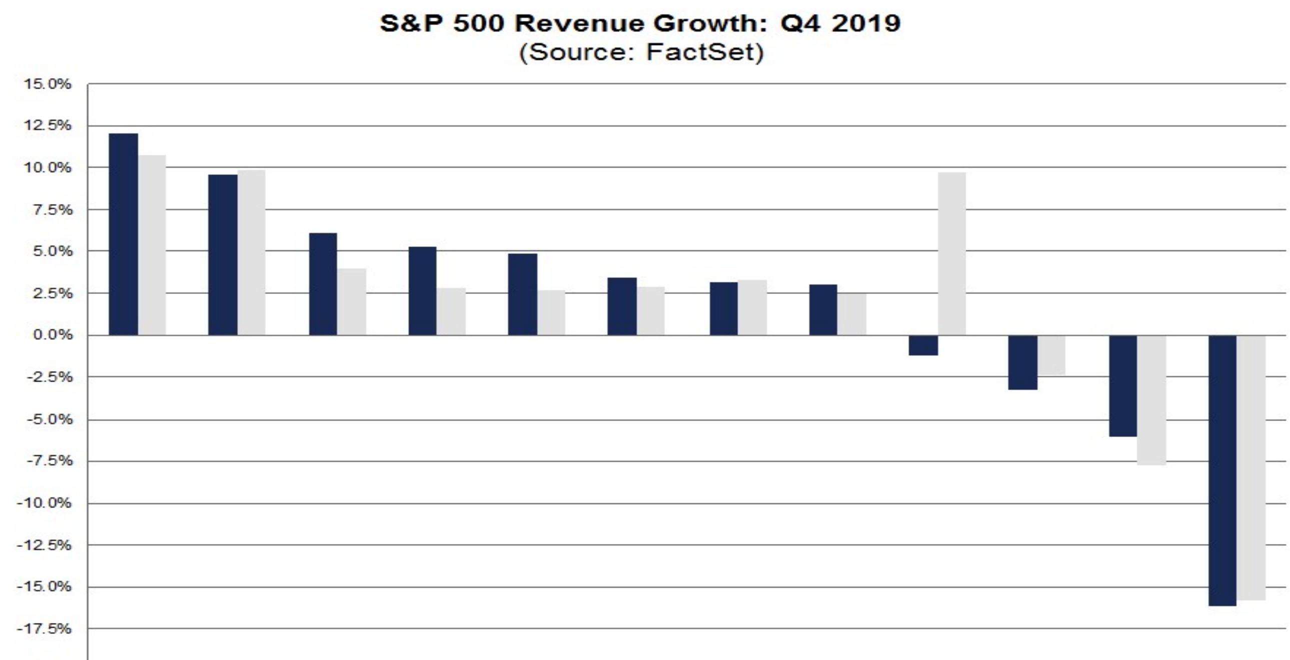




Q4 2019: Growth

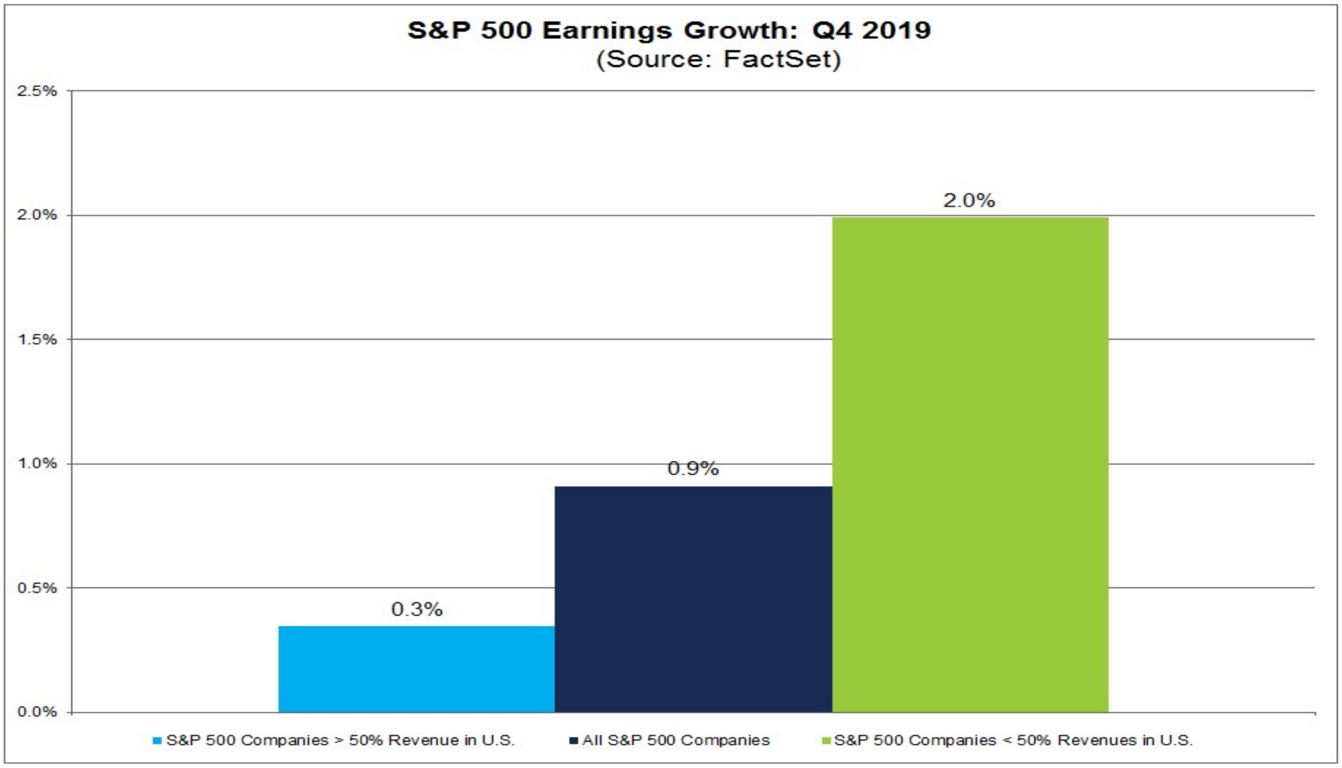


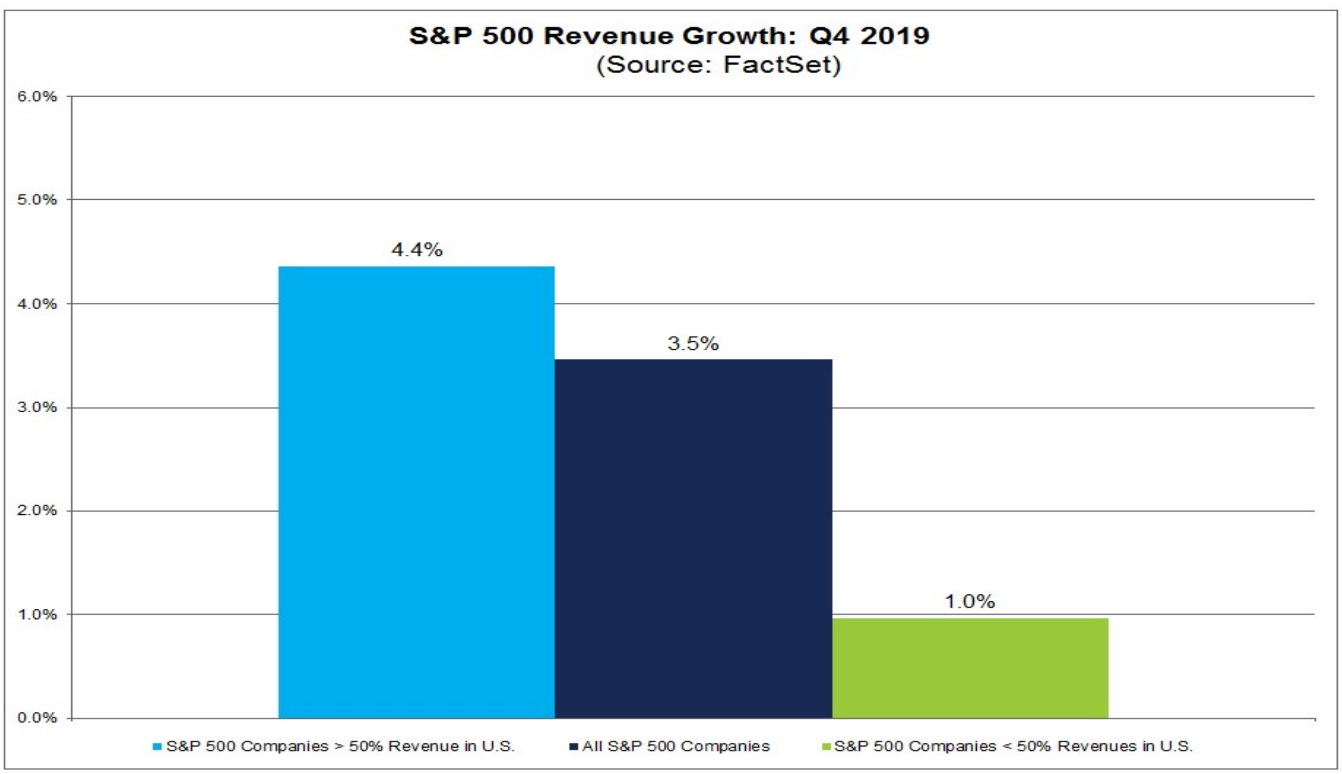
	Utilities	Comm. Services	Health Care	Financials	Info. Technology	Real Estate	Consumer Staples	S&P 500	Consumer Disc.	Industrials	Materials	Energy
Today	27.1%	11.1%	9.0%	6.7%	5.7%	2.5%	1.0%	0.9%	-8.2%	-10.1%	-10.6%	-44.0%
31-Dec	19.6%	4.0%	5.6%	6.7%	-2.0%	0.6%	-0.2%	-1.7%	-13.6%	-7.6%	-9.5%	-32.2%



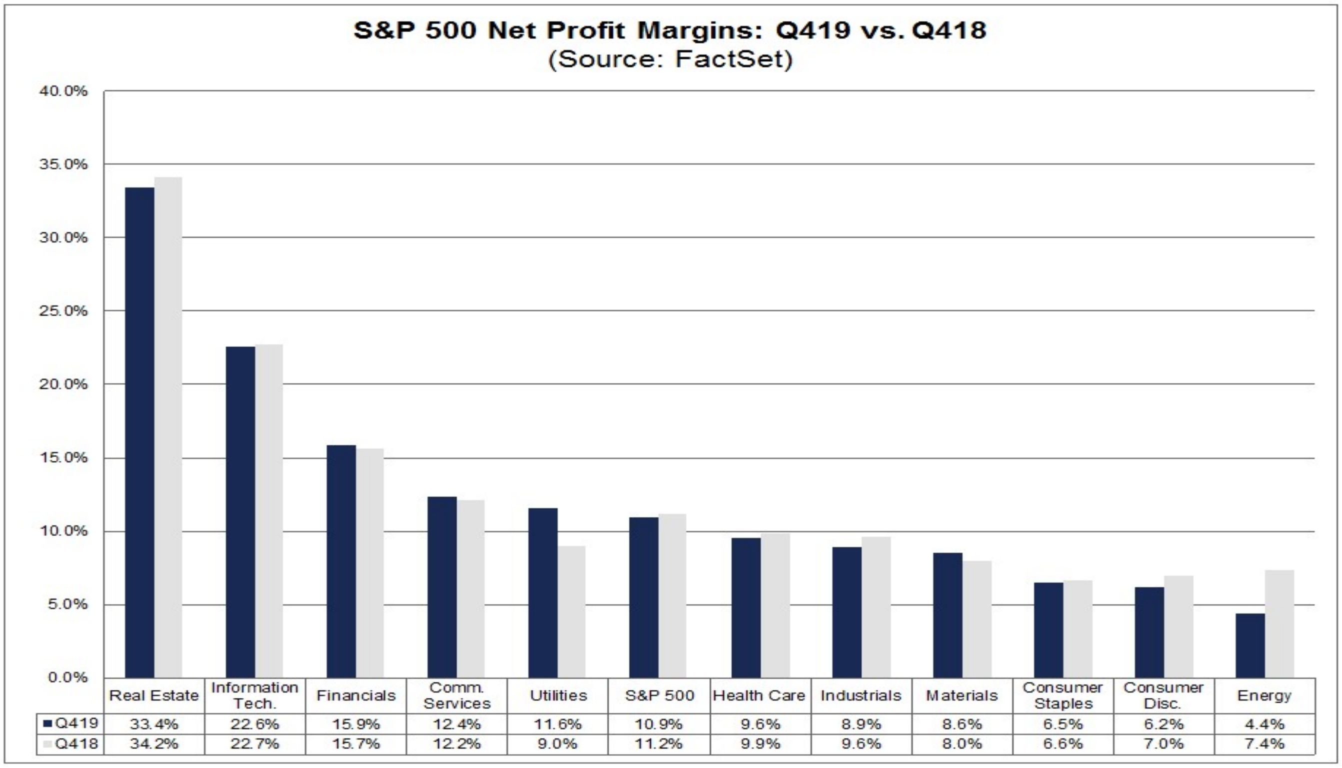
	Health Care	Comm. Services	Info. Technology	Financials	Real Estate	S&P 500	Consumer Staples	Consumer Disc.	Utilities	Industrials	Energy	Materials
Today	12.0%	9.6%	6.1%	5.3%	4.9%	3.5%	3.1%	3.0%	-1.2%	-3.2%	-6.0%	-16.1%
31-Dec	10.7%	9.8%	4.0%	2.8%	2.7%	2.9%	3.3%	2.4%	9.7%	-2.4%	-7.7%	-15.8%

Q4 2019: Growth

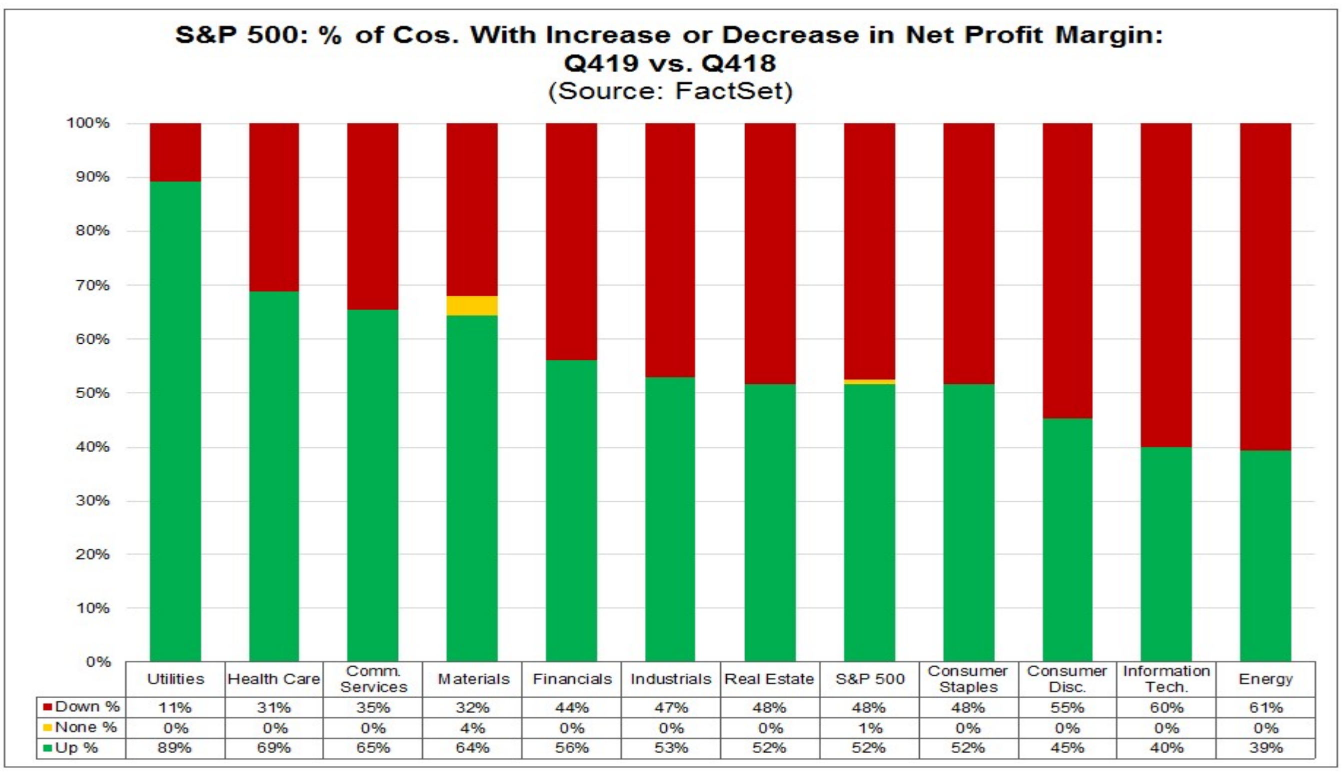




Q4 2019: Net Profit Margin

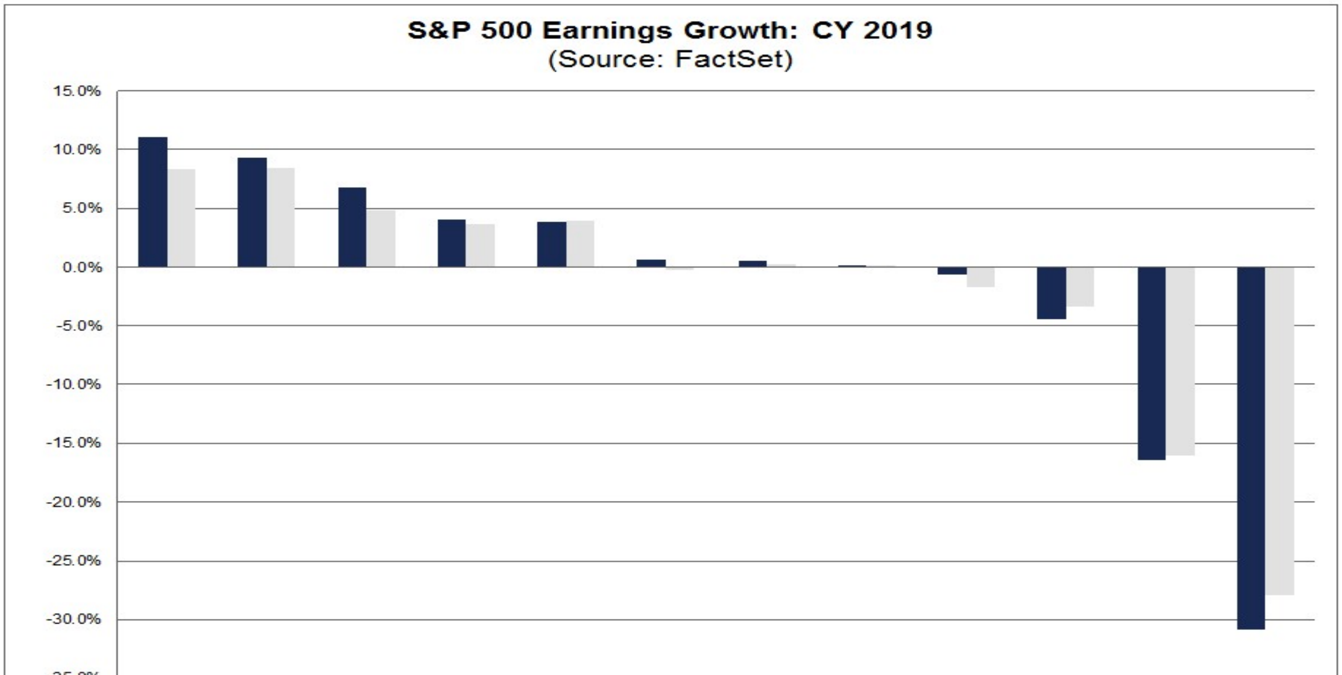


	Real Estate	Information Tech.	Financials	Comm. Services	Utilities	S&P 500	Health Care	Industrials	Materials	Consumer Staples	Consumer Disc.	Energy
Q419	33.4%	22.6%	15.9%	12.4%	11.6%	10.9%	9.6%	8.9%	8.6%	6.5%	6.2%	4.4%
Q418	34.2%	22.7%	15.7%	12.2%	9.0%	11.2%	9.9%	9.6%	8.0%	6.6%	7.0%	7.4%

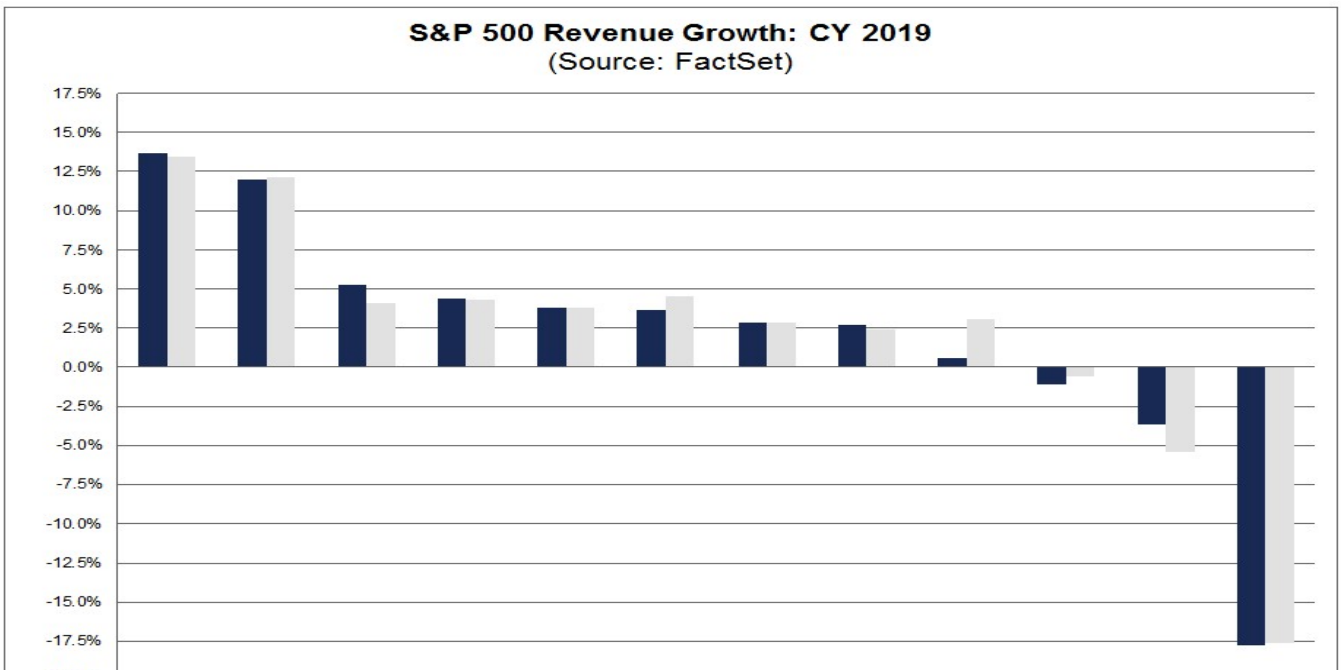


	Utilities	Health Care	Comm. Services	Materials	Financials	Industrials	Real Estate	S&P 500	Consumer Staples	Consumer Disc.	Information Tech.	Energy
Down %	11%	31%	35%	32%	44%	47%	48%	48%	48%	55%	60%	61%
None %	0%	0%	0%	4%	0%	0%	0%	1%	0%	0%	0%	0%
Up %	89%	69%	65%	64%	56%	53%	52%	52%	52%	45%	40%	39%

CY 2019: Growth

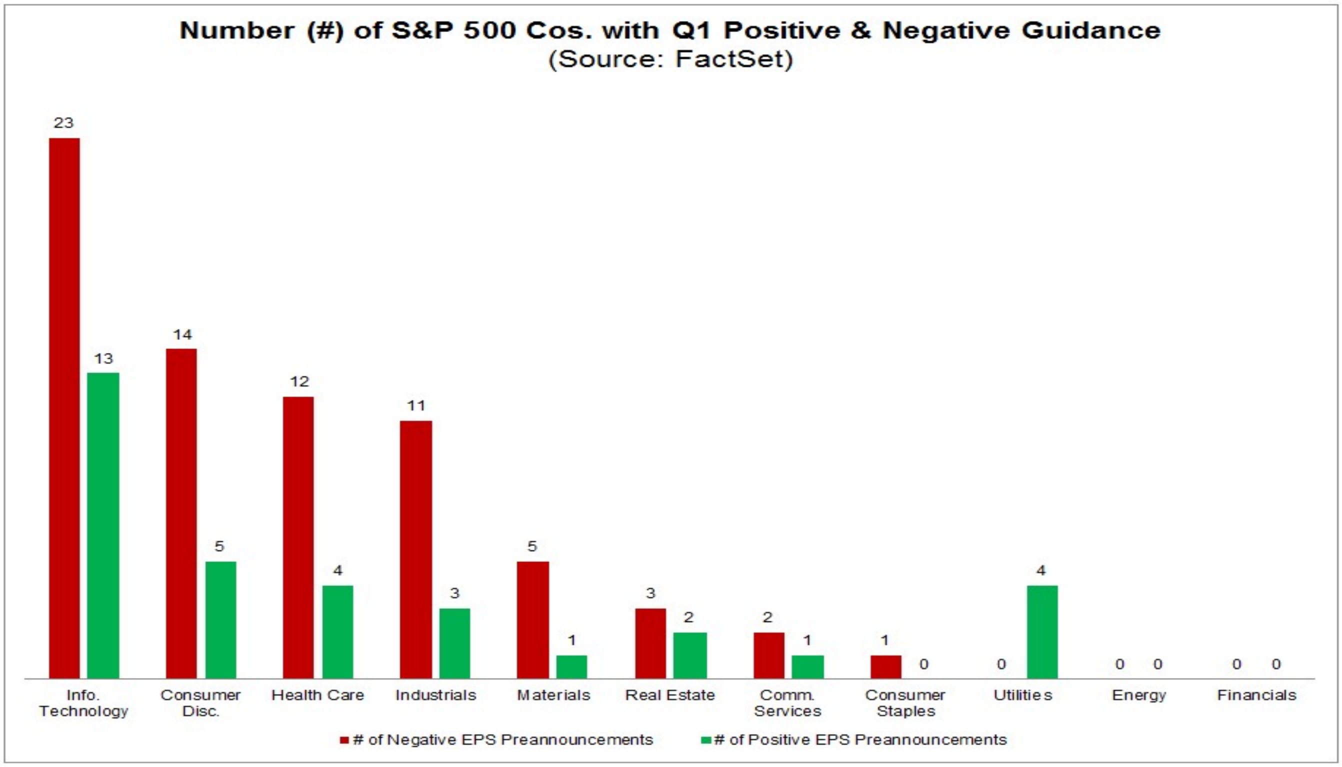


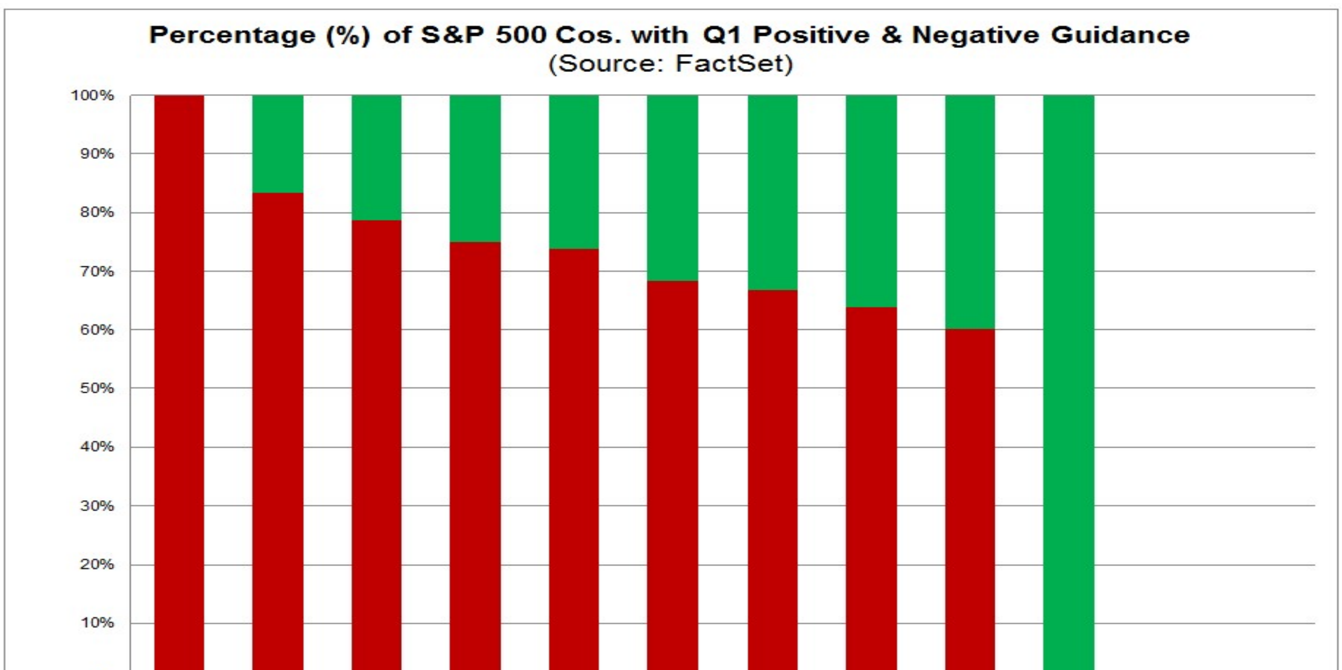
	Utilities	Health Care	Comm. Services	Real Estate	Financials	Info. Technology	S&P 500	Consumer Staples	Consumer Disc.	Industrials	Materials	Energy
Today	11.0%	9.3%	6.8%	4.0%	3.8%	0.6%	0.5%	0.1%	-0.7%	-4.4%	-16.3%	-30.8%
31-Dec	8.4%	8.5%	4.8%	3.6%	3.9%	-0.3%	0.2%	0.1%	-1.7%	-3.4%	-16.0%	-27.9%



	Health Care	Comm. Services	Real Estate	Consumer Disc.	S&P 500	Financials	Consumer Staples	Info. Technology	Utilities	Industrials	Energy	Materials
Today	13.7%	12.0%	5.3%	4.3%	3.8%	3.6%	2.8%	2.7%	0.5%	-1.2%	-3.6%	-17.8%
31-Dec	13.5%	12.1%	4.1%	4.3%	3.8%	4.5%	2.8%	2.4%	3.1%	-0.6%	-5.4%	-17.6%

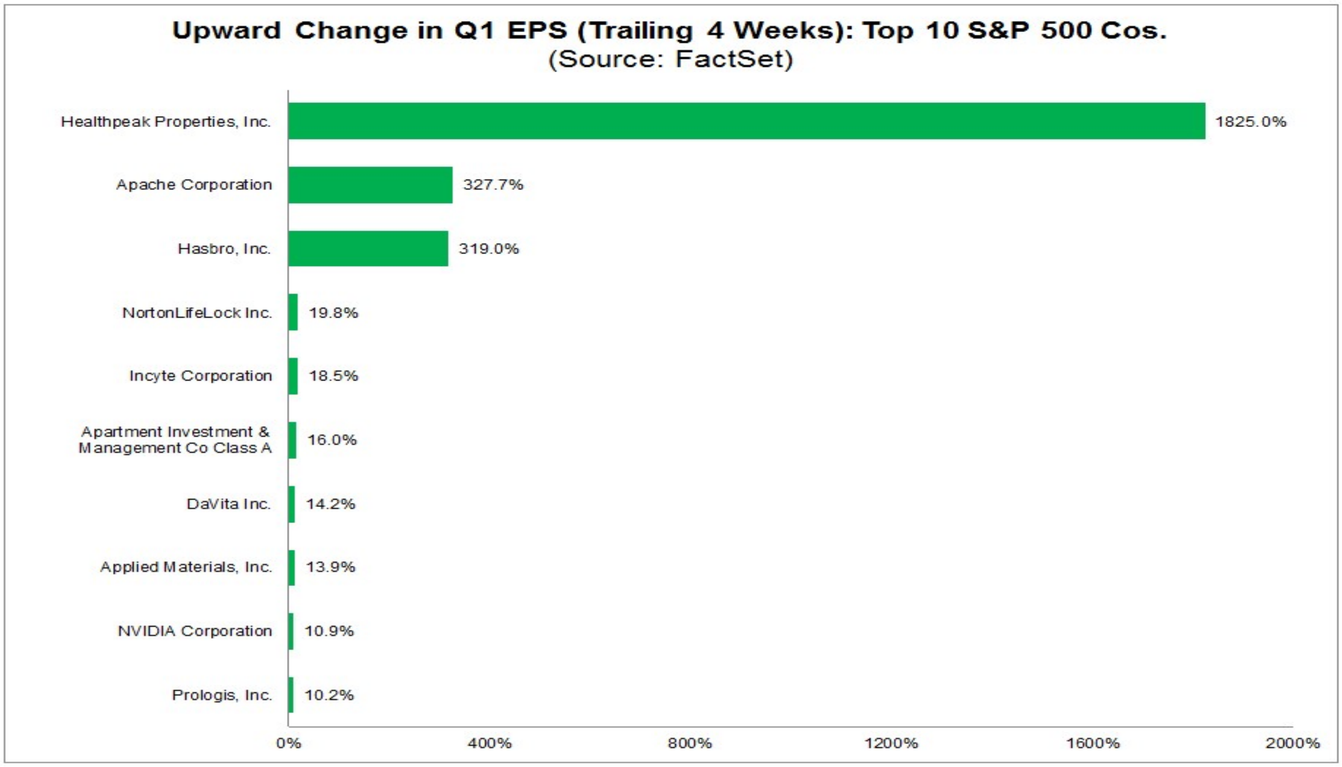
Q1 2020: EPS Guidance

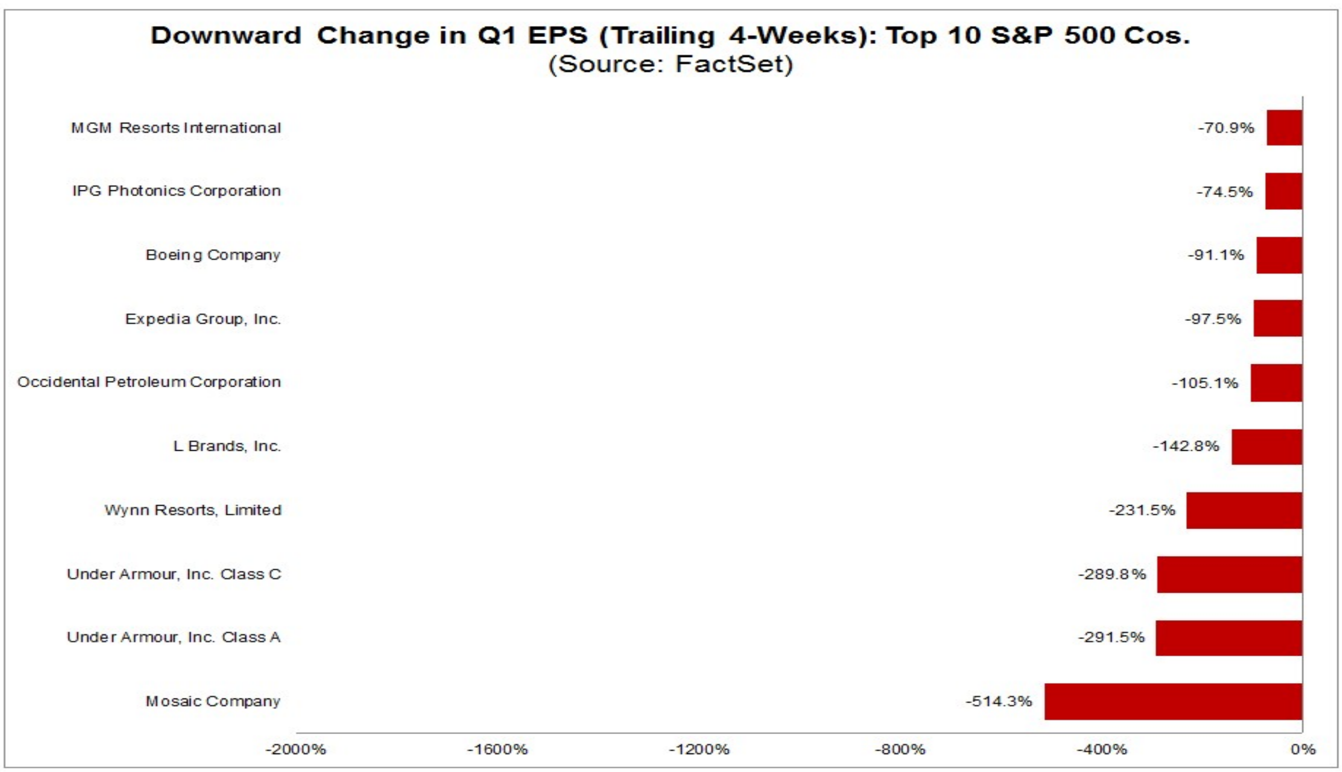




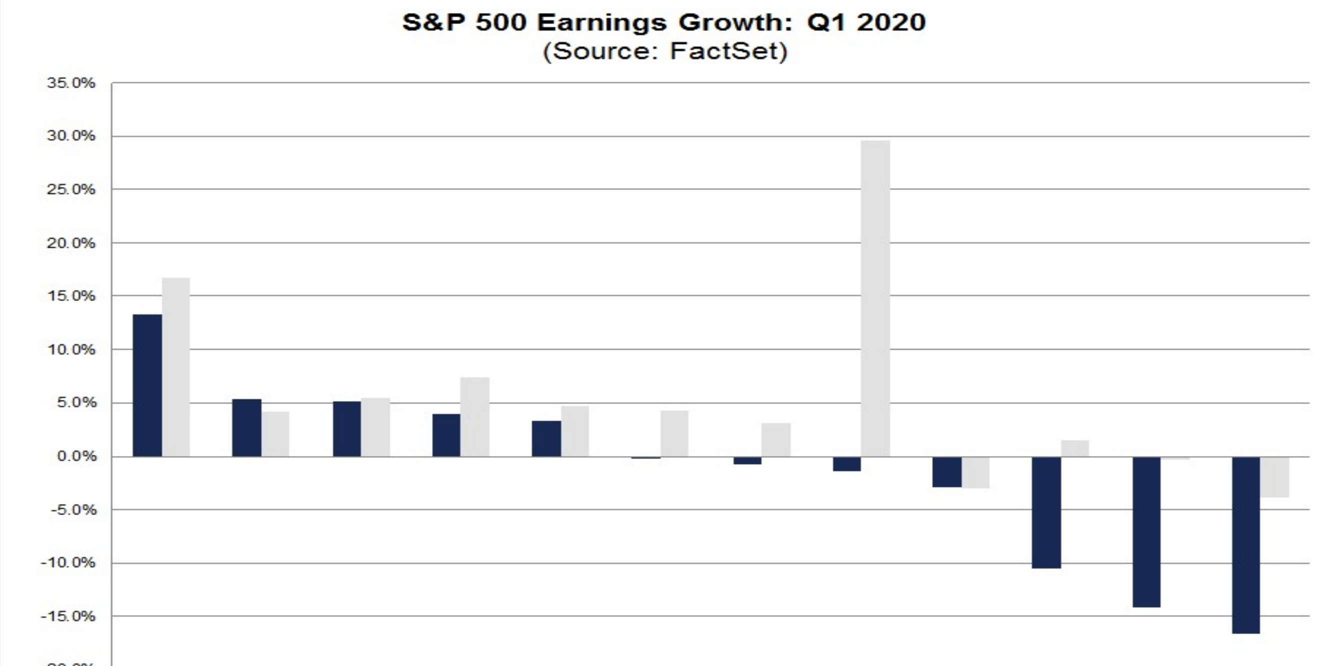
	Consumer Staples	Materials	Industrials	Health Care	Consumer Disc.	S&P 500	Comm. Services	Info. Technology	Real Estate	Utilities	Energy	Financials
Positive	0%	17%	21%	25%	26%	32%	33%	36%	40%	100%	0%	0%
Negative	100%	83%	79%	75%	74%	68%	67%	64%	60%	0%	0%	0%

Q1 2020: EPS Revisions

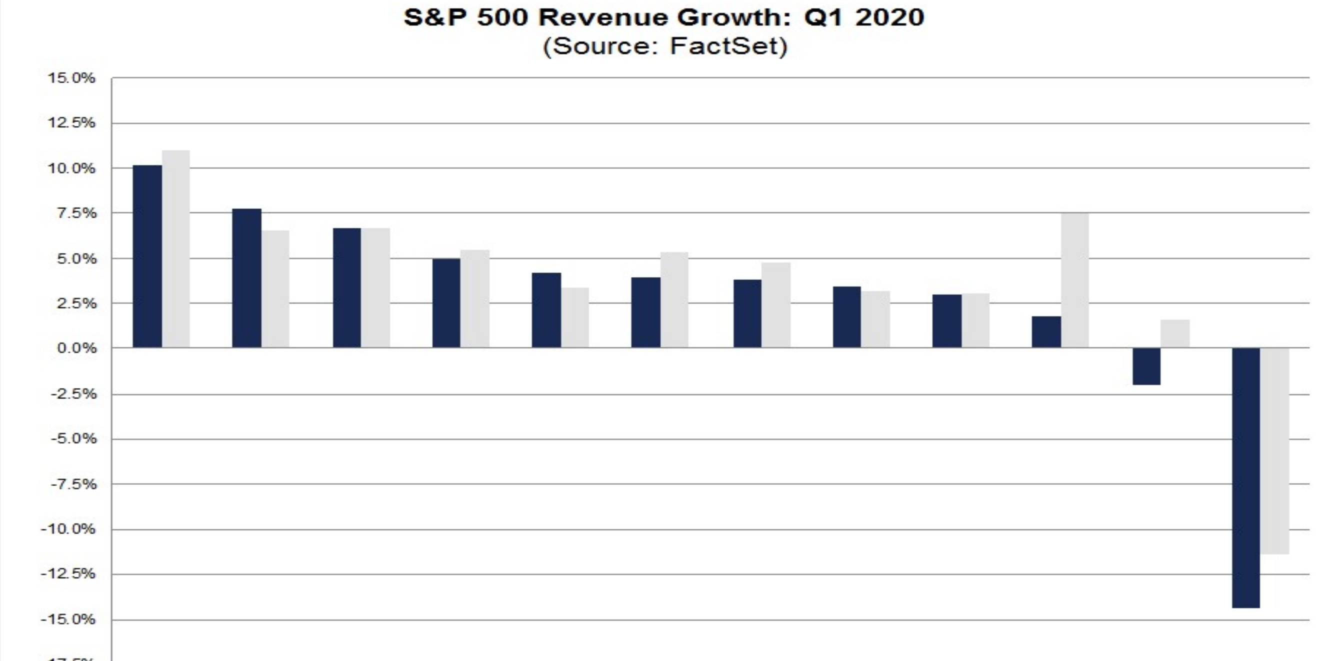




Q1 2020: Growth

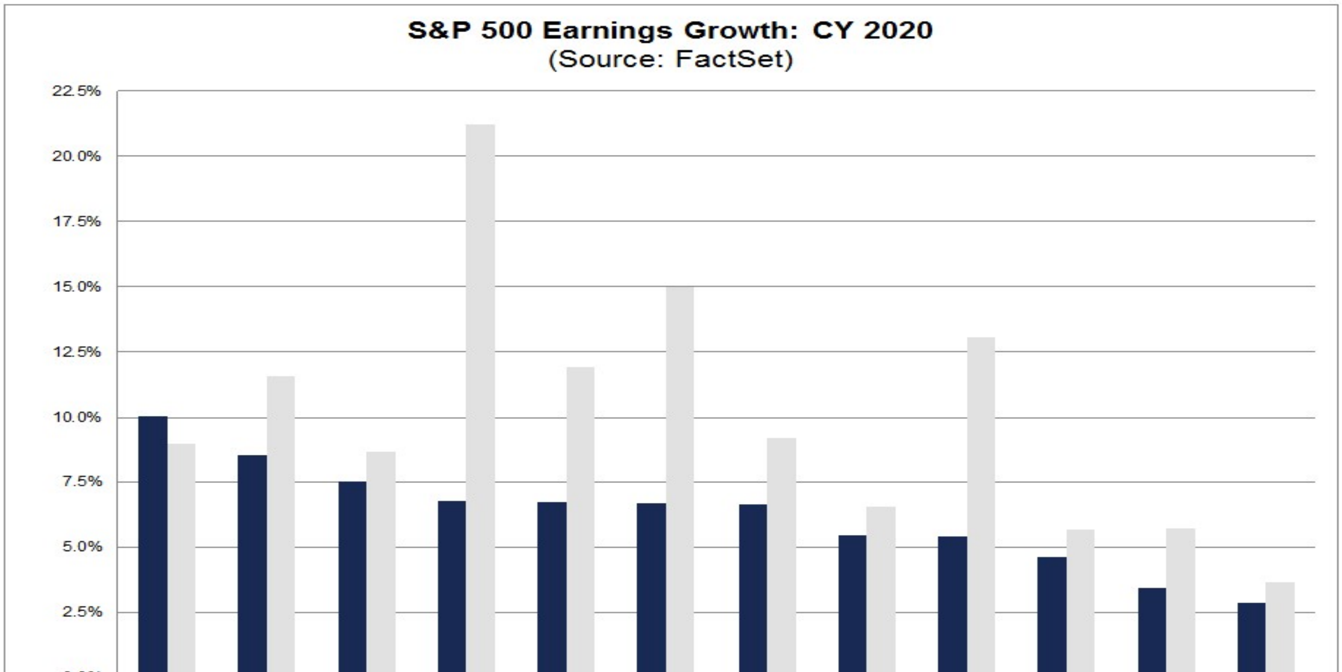


	Comm. Services	Info. Technology	Utilities	Health Care	Real Estate	S&P 500	Consumer Staples	Energy	Financials	Consumer Disc.	Industrials	Materials
Today	13.3%	5.5%	5.2%	4.0%	3.3%	-0.1%	-0.8%	-1.3%	-2.9%	-10.4%	-14.2%	-16.6%
31-Dec	16.7%	4.2%	5.6%	7.3%	4.7%	4.4%	3.1%	29.6%	-3.0%	1.6%	-0.3%	-3.8%

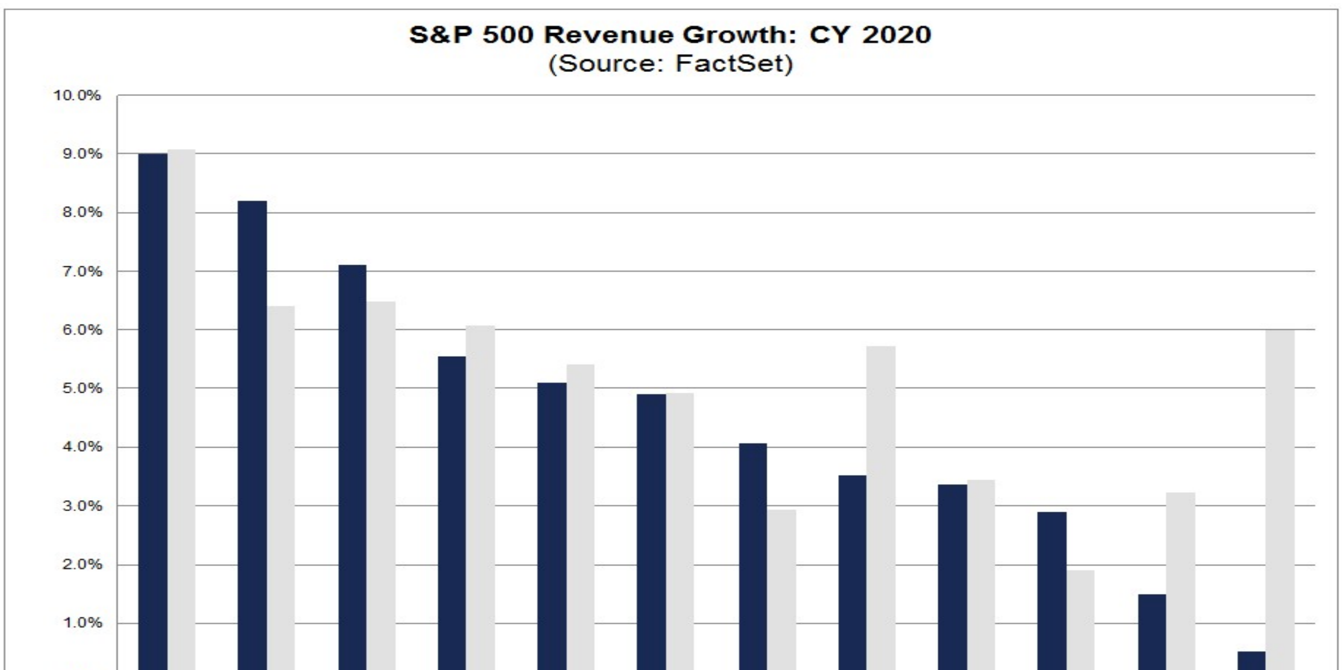


	Comm. Services	Health Care	Info. Technology	Utilities	Real Estate	Consumer Disc.	S&P 500	Financials	Consumer Staples	Energy	Industrials	Materials
Today	10.2%	7.7%	6.7%	5.0%	4.2%	3.9%	3.8%	3.4%	3.0%	1.8%	-2.0%	-14.4%
31-Dec	11.0%	6.5%	6.6%	5.4%	3.3%	5.4%	4.8%	3.2%	3.0%	7.5%	1.6%	-11.4%

CY 2020: Growth

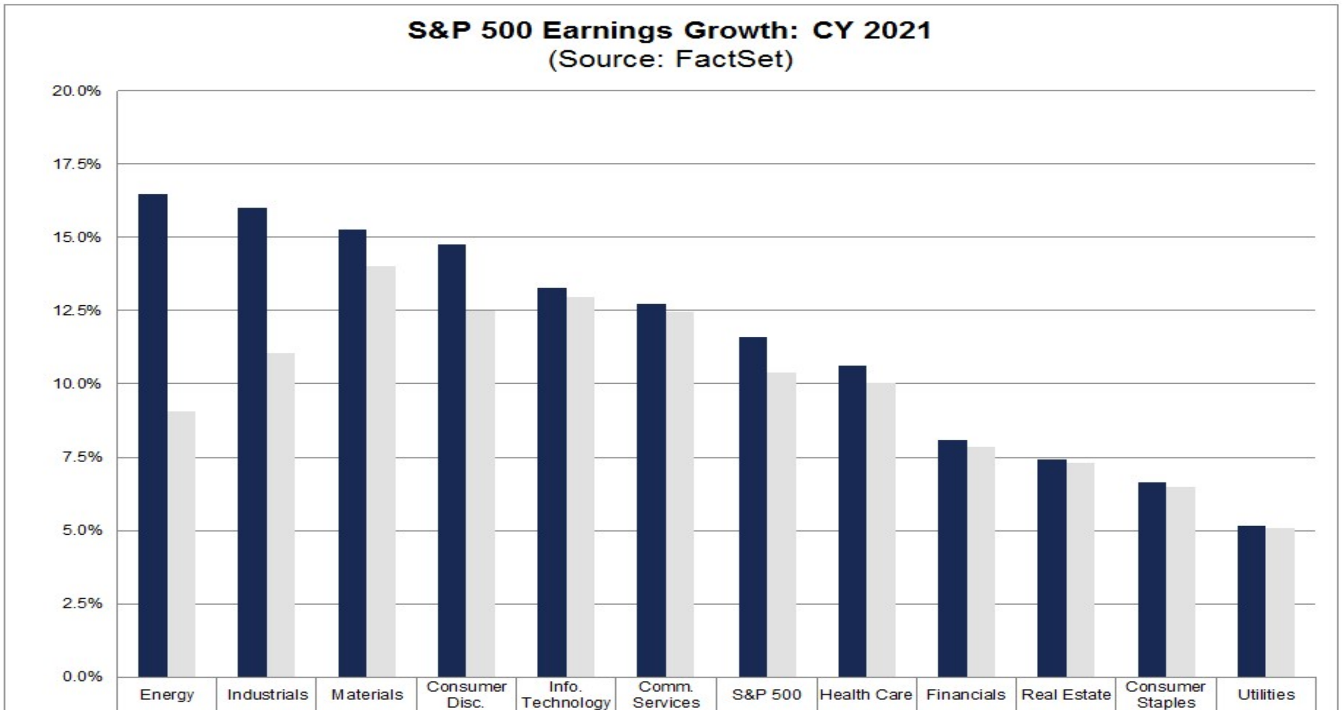


	Info. Technology	Comm. Services	Health Care	Energy	Consumer Disc.	Industrials	S&P 500	Real Estate	Materials	Consumer Staples	Utilities	Financials
Today	10.1%	8.6%	7.5%	6.8%	6.7%	6.7%	6.7%	5.5%	5.4%	4.6%	3.5%	2.9%
31-Dec	9.0%	11.5%	8.7%	21.2%	11.9%	14.9%	9.2%	6.6%	13.0%	5.7%	5.7%	3.7%

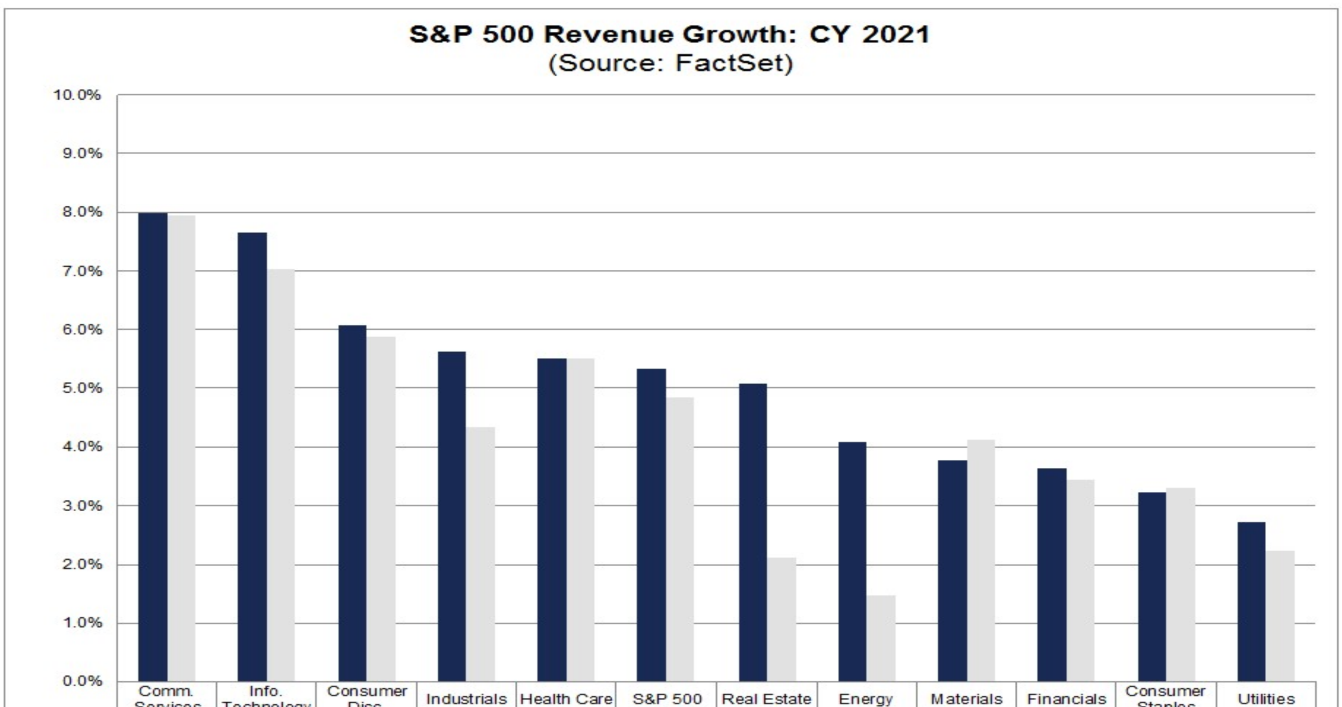


	Comm. Services	Health Care	Info. Technology	Consumer Disc.	S&P 500	Real Estate	Utilities	Industrials	Consumer Staples	Financials	Materials	Energy
Today	9.0%	8.2%	7.1%	5.5%	5.1%	4.9%	4.1%	3.5%	3.4%	2.9%	1.5%	0.5%
31-Dec	9.1%	6.4%	6.5%	6.1%	5.4%	4.9%	2.9%	5.7%	3.4%	1.9%	3.2%	6.0%

CY 2021: Growth

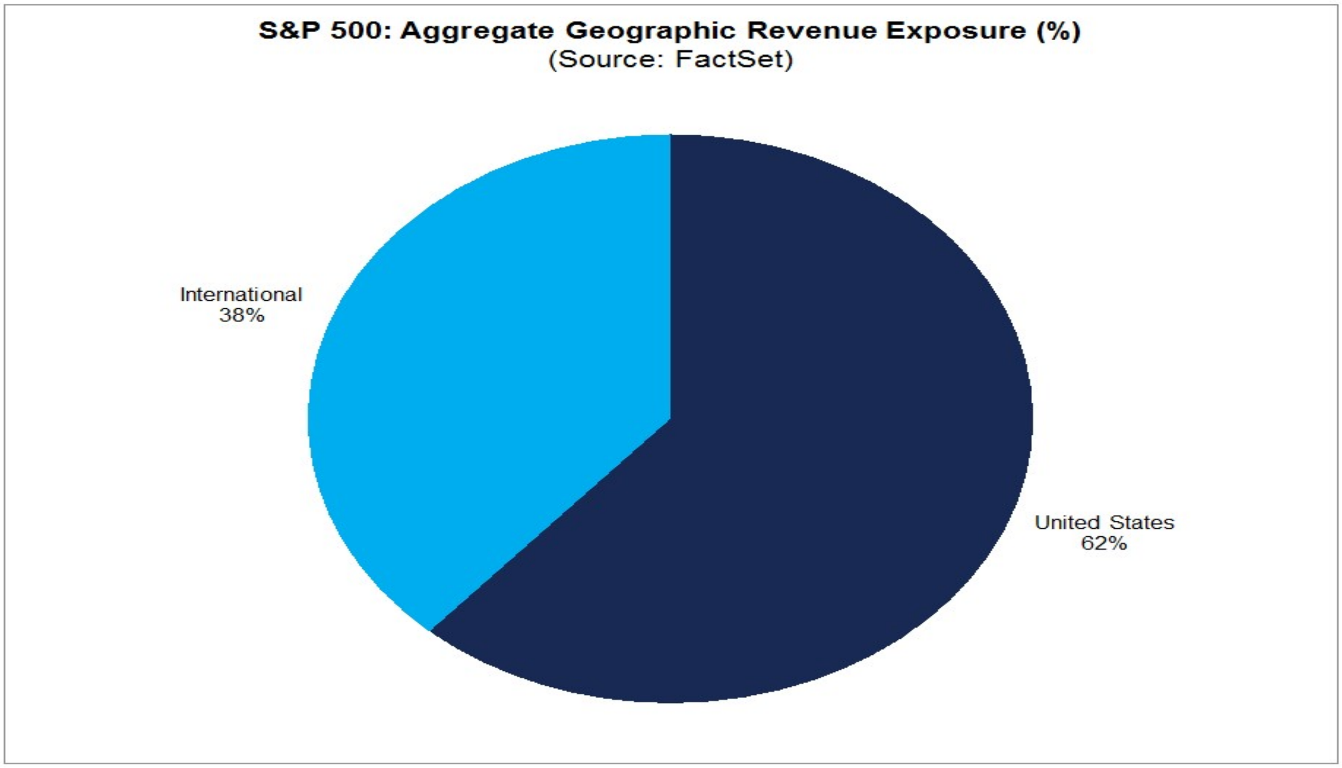


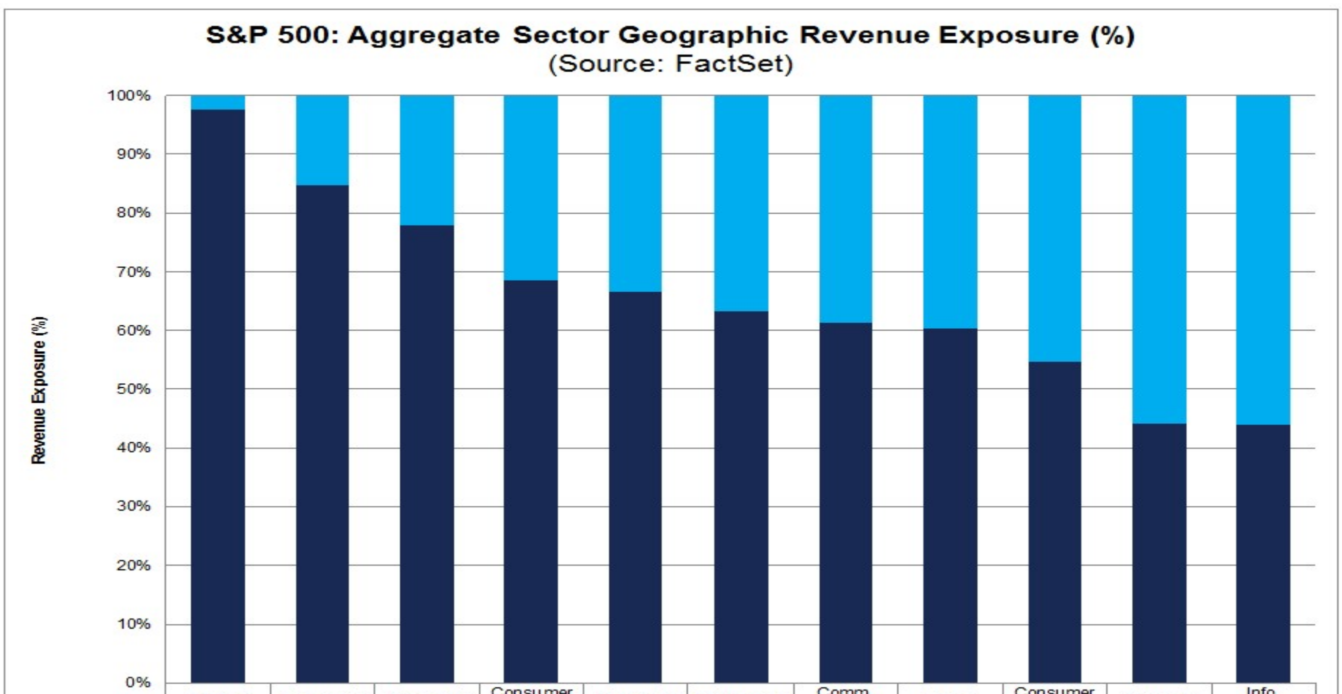
	Energy	Industrials	Materials	Consumer Disc.	Info. Technology	Comm. Services	S&P 500	Health Care	Financials	Real Estate	Consumer Staples	Utilities
Today	16.5%	16.0%	15.3%	14.8%	13.3%	12.7%	11.6%	10.6%	8.1%	7.5%	6.7%	5.2%
31-Dec	9.1%	11.0%	14.0%	12.5%	12.9%	12.5%	10.4%	10.0%	7.9%	7.3%	6.5%	5.1%



	Comm. Services	Info. Technology	Consumer Disc.	Industrials	Health Care	S&P 500	Real Estate	Energy	Materials	Financials	Consumer Staples	Utilities
Today	8.0%	7.6%	6.1%	5.6%	5.5%	5.3%	5.1%	4.1%	3.8%	3.6%	3.2%	2.7%
31-Dec	8.0%	7.0%	5.9%	4.3%	5.5%	4.8%	2.1%	1.5%	4.1%	3.4%	3.3%	2.2%

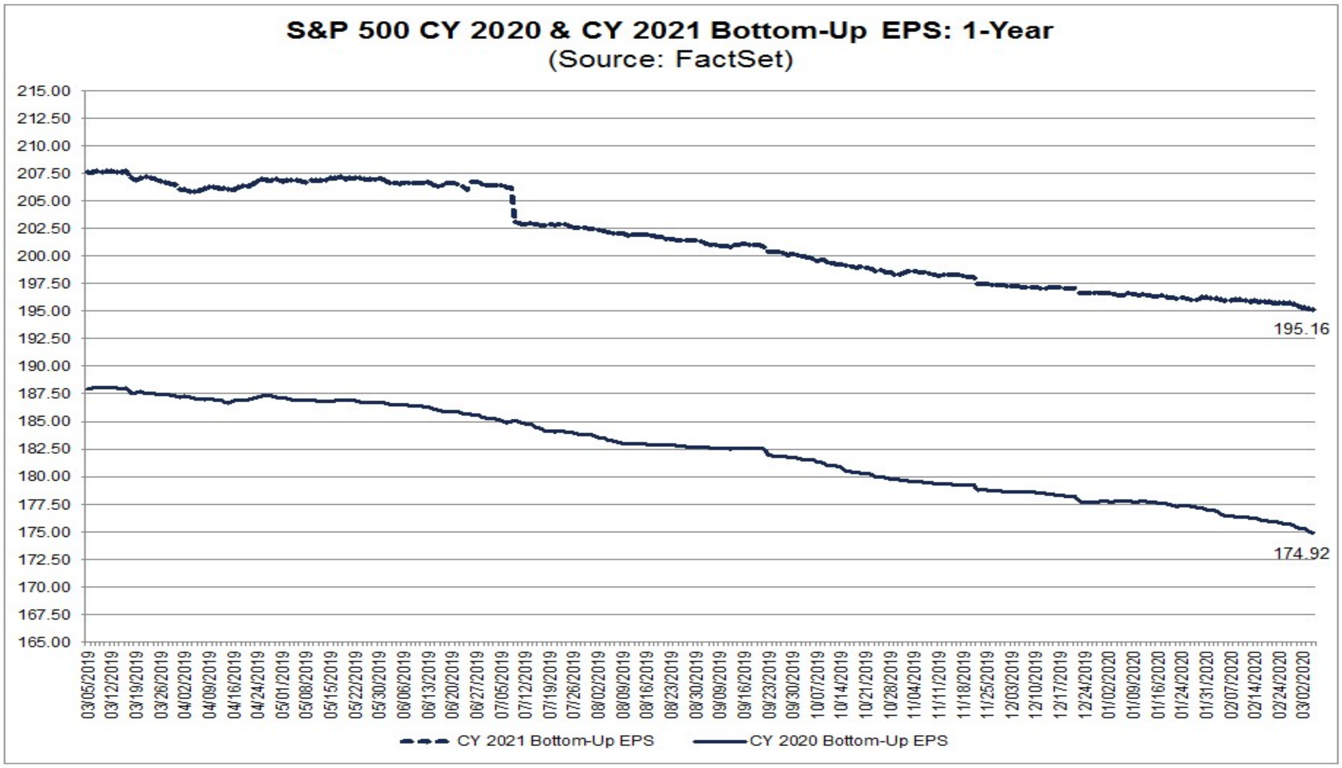
Geographic Revenue Exposure

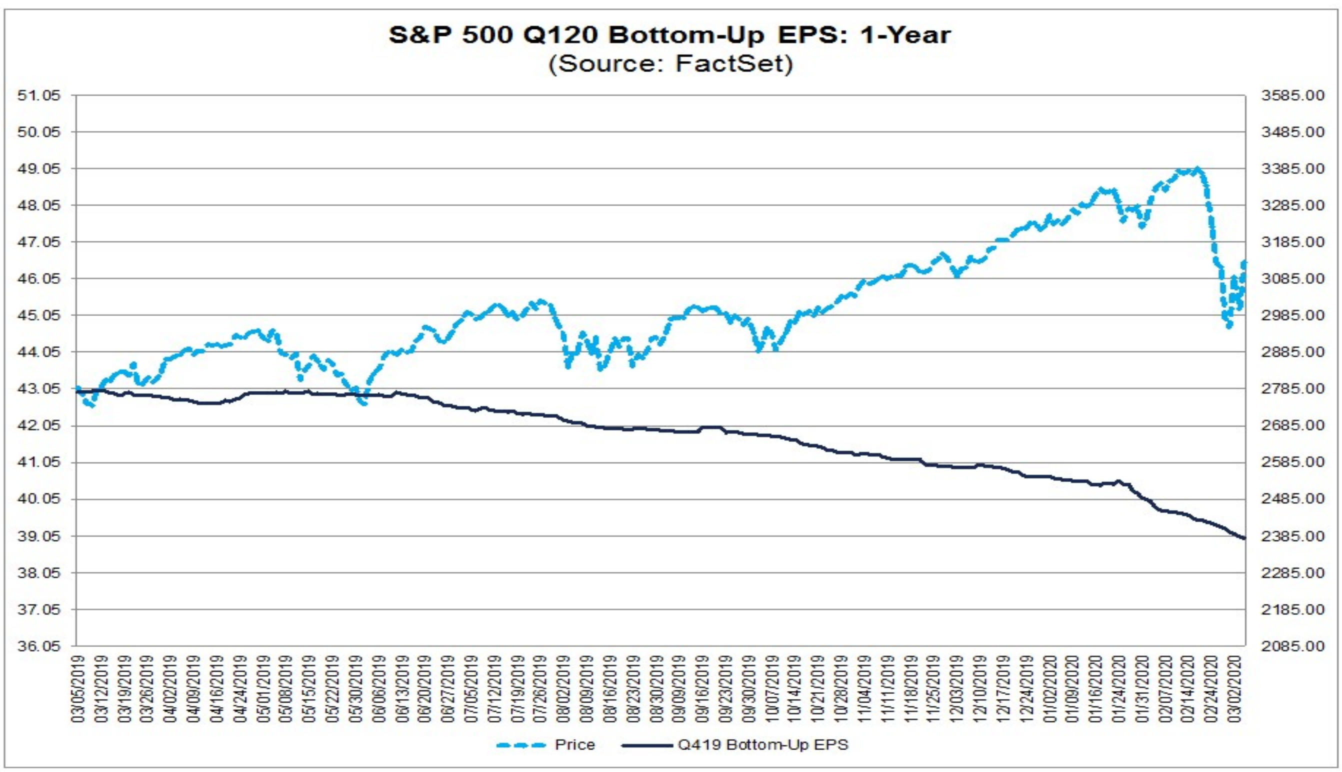




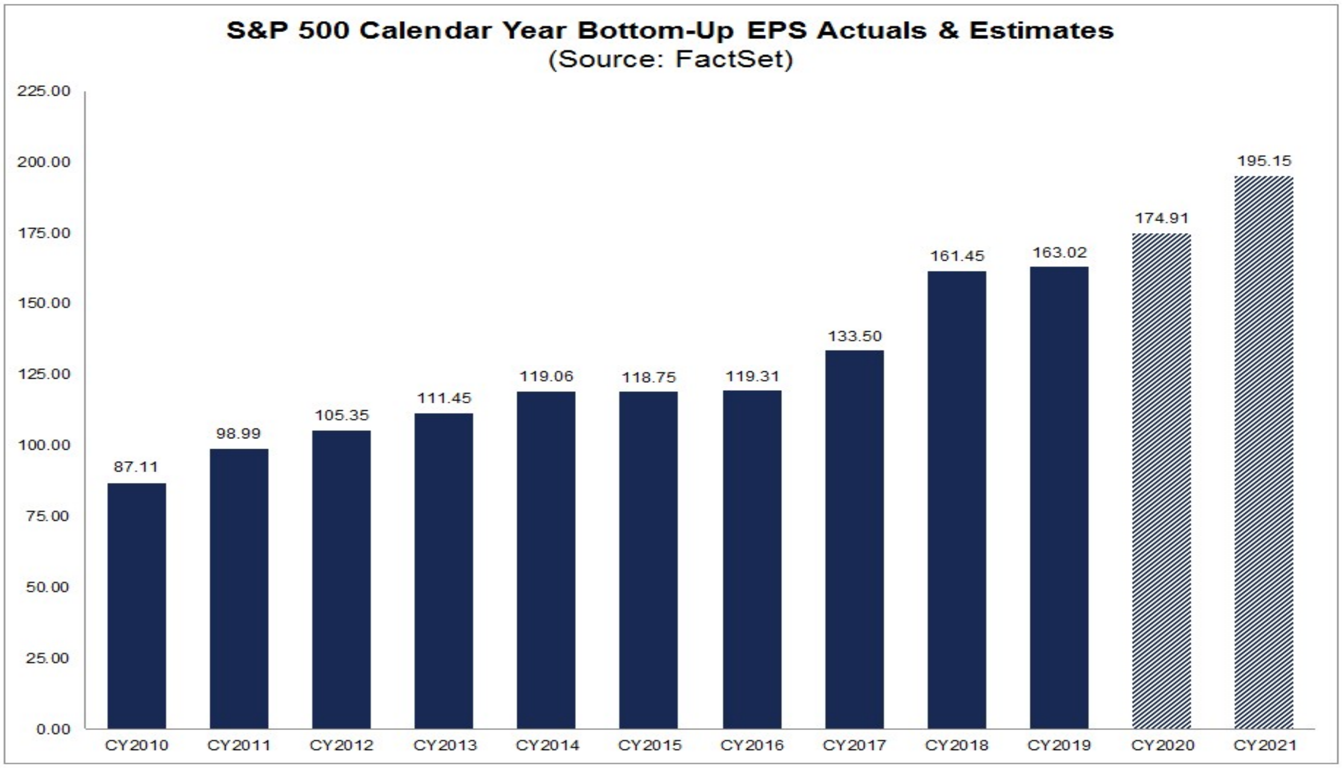
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Comm. Services	Energy	Consumer Staples	Materials	Info. Technology
International	2%	15%	22%	32%	34%	37%	39%	40%	45%	56%	56%
United States	98%	85%	78%	68%	66%	63%	61%	60%	55%	44%	44%

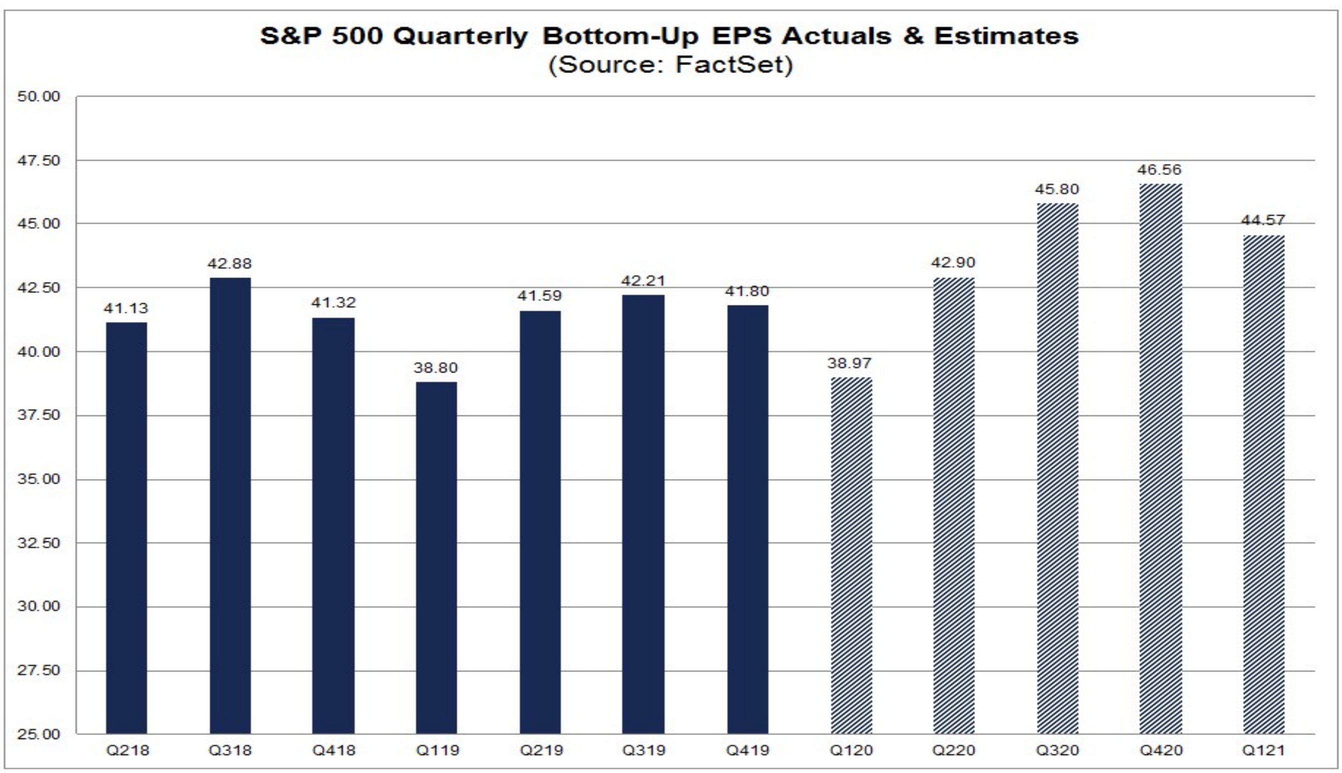
Bottom-up EPS Estimates: Revisions



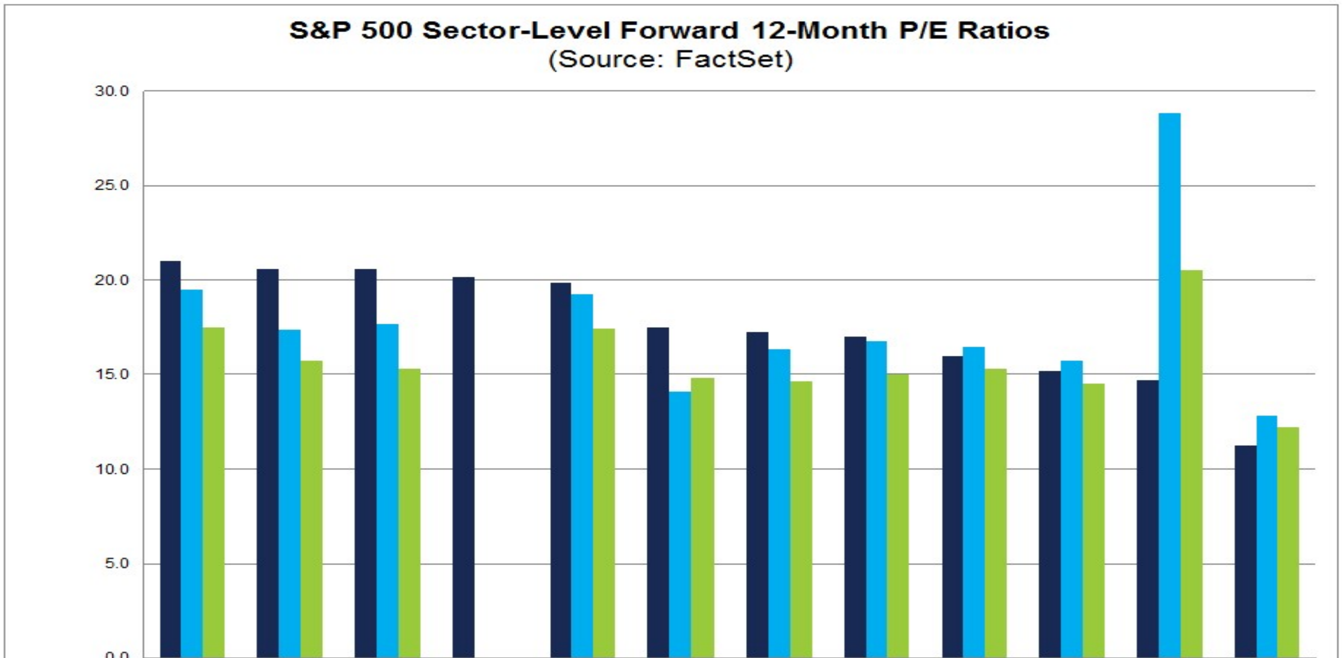


Bottom-up EPS Estimates: Current & Historical

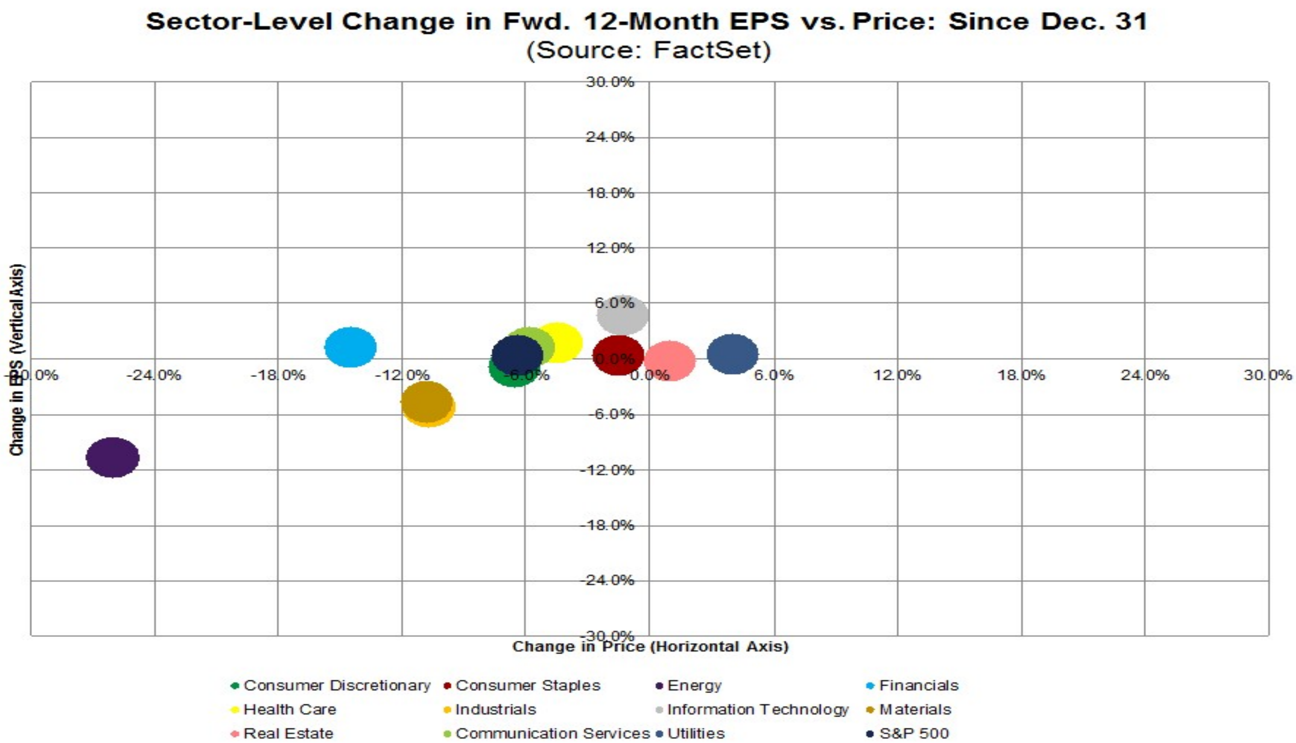




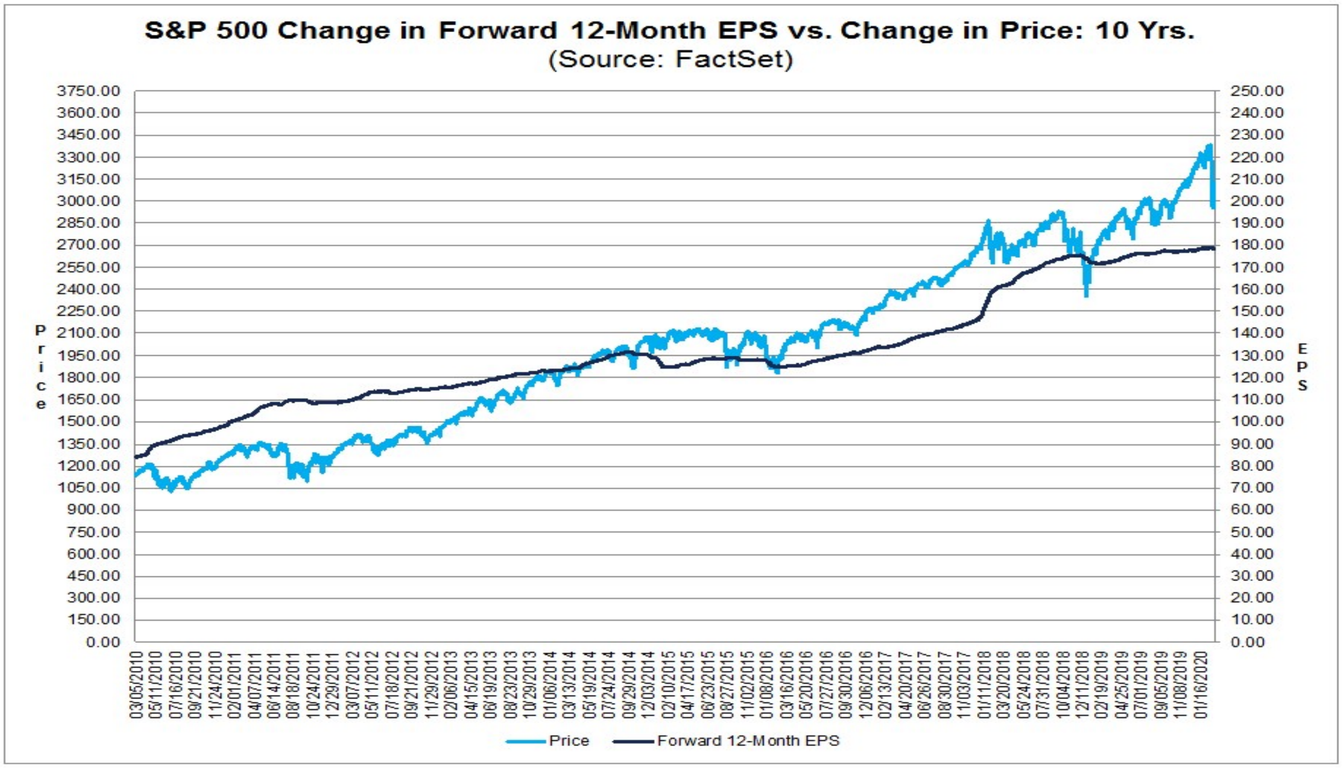
Forward 12M P/E Ratio: Sector Level

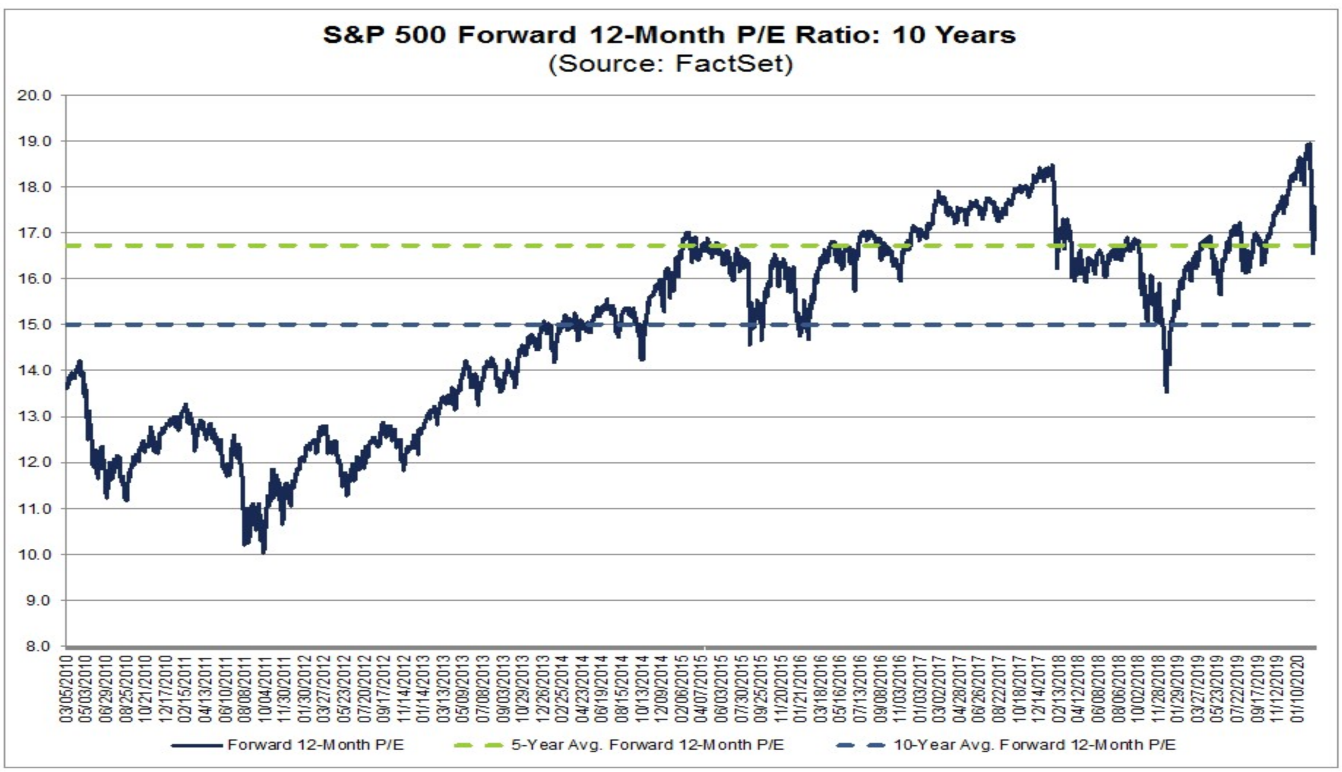


	Consumer Disc.	Utilities	Info. Technology	Real Estate	Consumer Staples	Comm. Services	Materials	S&P 500	Industrials	Health Care	Energy	Financials
Fwd P/E	21.0	20.6	20.5	20.1	19.8	17.5	17.2	17.0	16.0	15.2	14.7	11.3
5-Yr Avg.	19.5	17.3	17.6		19.3	14.1	16.3	16.7	16.4	15.7	28.8	12.8
10-Yr Avg.	17.4	15.7	15.3		17.4	14.8	14.6	15.0	15.3	14.5	20.5	12.2

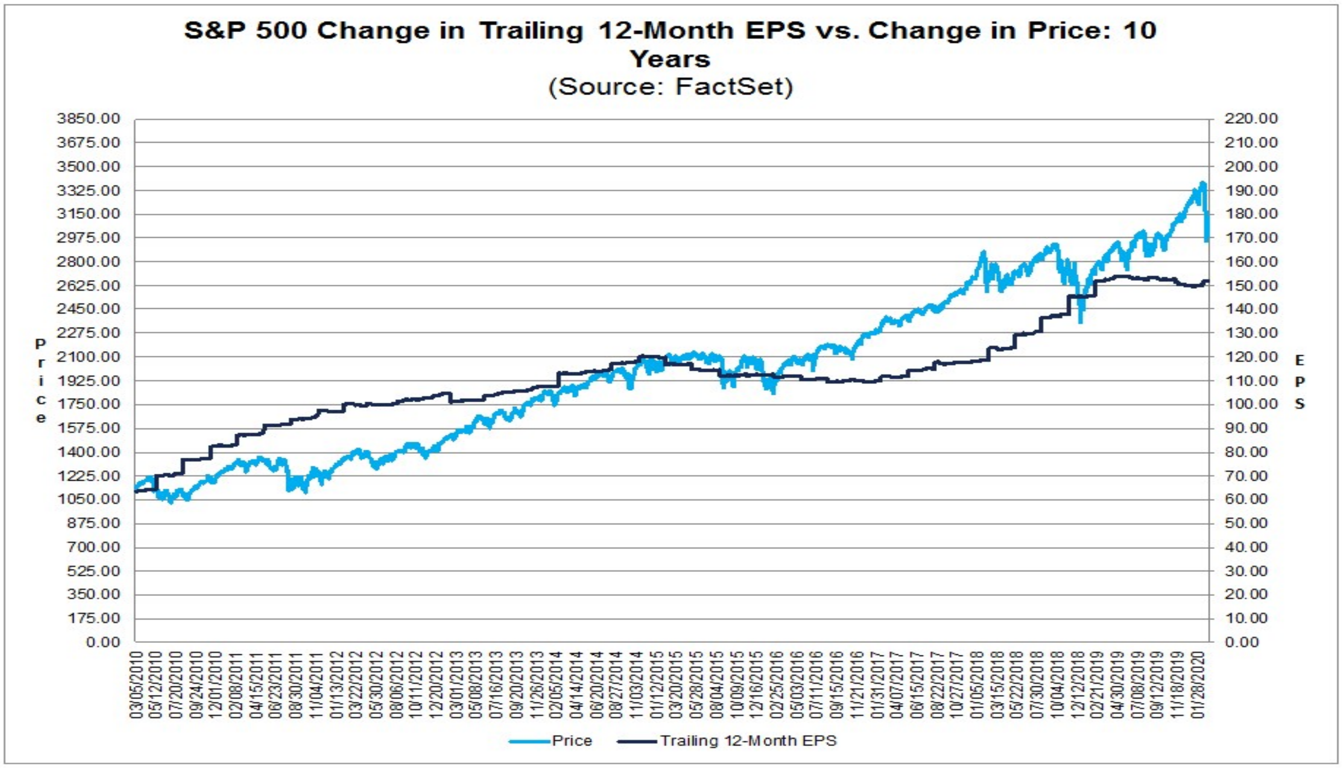


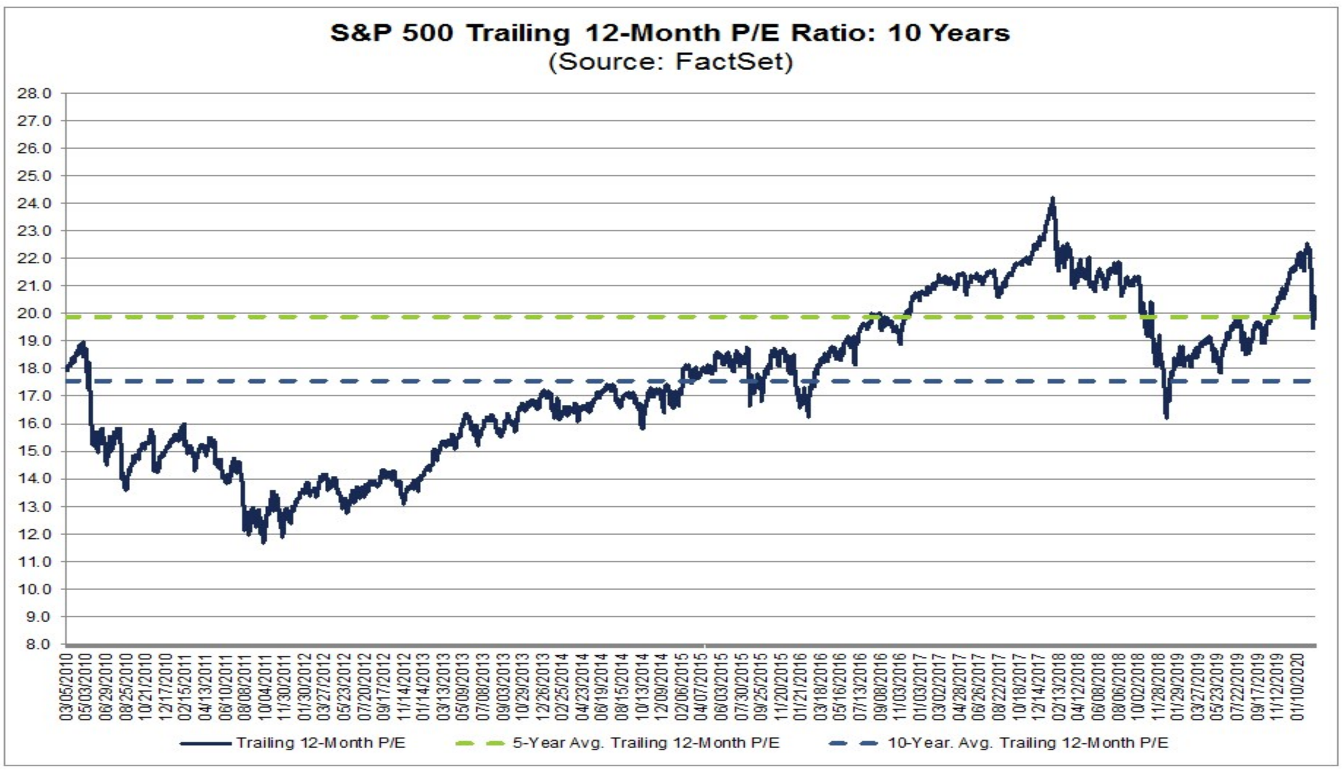
Forward 12M P/E Ratio: 10-Years



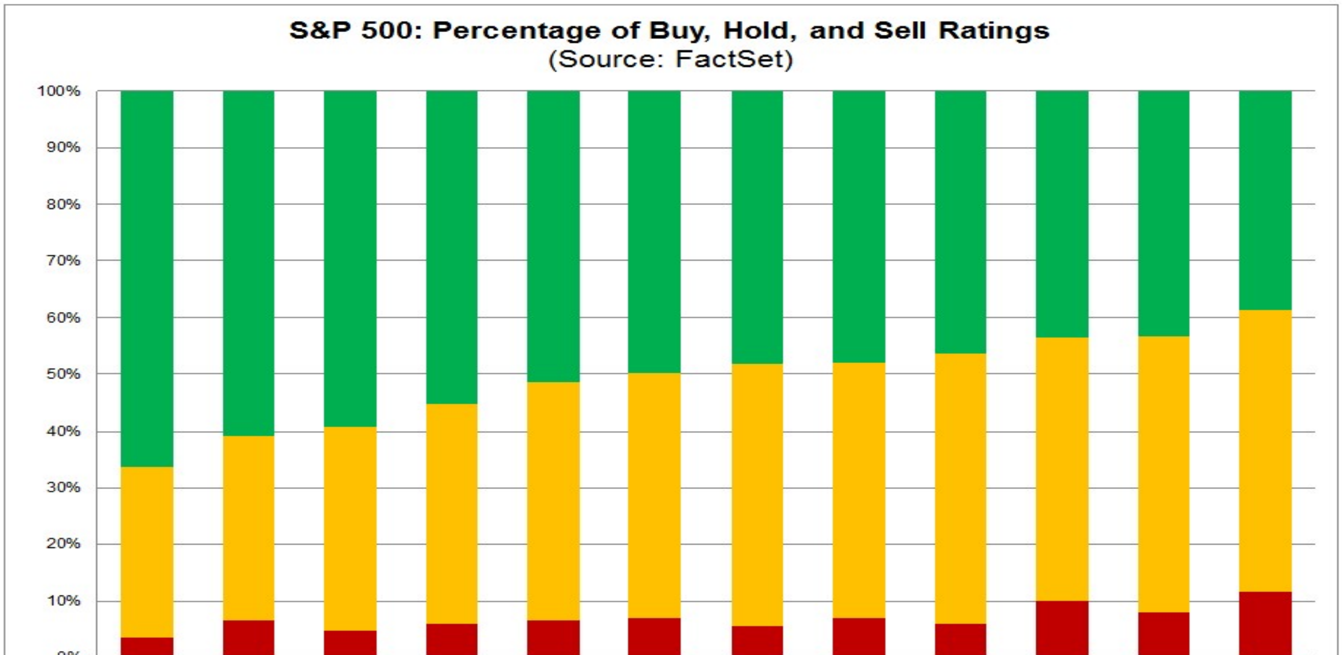


Trailing 12M P/E Ratio: 10-Years





Targets & Ratings



	Energy	Comm. Services	Health Care	Info. Tech.	S&P 500	Materials	Consumer Disc.	Industrials	Real Estate	Utilities	Financials	Consumer Staples
Buy	66%	61%	59%	55%	51%	50%	48%	48%	46%	44%	43%	39%
Hold	30%	33%	36%	39%	42%	43%	46%	45%	48%	46%	49%	50%
Sell	4%	7%	5%	6%	7%	7%	5%	7%	6%	10%	8%	12%

	Energy	Financials	Industrials	Consumer Disc.	Comm. Services	S&P 500	Info. Tech.	Materials	Health Care	Consumer Staples	Real Estate	Utilities
Target/Close	47.0%	25.2%	23.8%	23.8%	22.2%	20.5%	20.5%	20.5%	17.5%	9.8%	9.1%	4.5%

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