Key Metrics

- **Earnings Growth**: For Q3 2018, the estimated earnings growth rate for the S&P 500 is 19.9%. If 19.9% is the actual growth rate for the quarter, it will mark the third highest earnings growth since Q3 2010 (34.1%).

- **Earnings Revisions**: On June 30, the estimated earnings growth rate for Q3 2018 was 21.1%. Eight sectors have lower growth rates today (compared to June 30) due to downward revisions to earnings estimates.

- **Earnings Guidance**: For Q3 2018, 74 S&P 500 companies have issued negative EPS guidance and 24 S&P 500 companies have issued positive EPS guidance.

- **Valuation**: The forward 12-month P/E ratio for the S&P 500 is 16.8. This P/E ratio is above the 5-year average (16.3) and above the 10-year average (14.4).

- **Earnings Scorecard**: For Q3 2018 (with one company in the S&P 500 reporting actual results for the quarter), one S&P 500 company has reported a positive EPS surprise and a positive sales surprise.

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Topic of the Week: 1

Insurance Industry and Financials Sector Earnings at Risk Again Due to Hurricane Florence

Hurricane Florence is expected to cause significant property damage and business losses across the southeast coast of the U.S. over the next few days. From a corporate earnings perspective, what sectors or industries in the S&P 500 are likely to see a negative impact from the hurricane?

One industry that will likely see a negative impact from Hurricane Florence is the Insurance industry, as companies in this industry will record catastrophic losses for the property damage caused by the storm. Last year, the S&P 500 Insurance industry witnessed a substantial decline in earnings for the third quarter after Hurricanes Harvey and Irma. From August 25 through November 10 in 2017, this industry saw a 68% decline in EPS (to $2.19 from $6.75). Over this same period, the S&P 500 Financials sector saw a 13% decline in EPS.

Because of the weak earnings reported by the Insurance industry in the third quarter of last year due to the hurricanes, this industry is now projected to report the highest year-over-year earnings growth of all the industries in the sector for the third quarter of this year at 249%. This industry is also projected to be the largest contributor to earnings growth for the sector. The Financials sector is expected to report earnings growth of 38% for the third quarter. If the Insurance industry were excluded, the expected earnings growth rate for the Financials sector would drop to 22%. Thus, any downward revisions to EPS estimates for companies in the Insurance industry due to the hurricane will also have a negative impact on expected earnings growth for the Financial sector overall.

It is interesting to note that last year there was about a two to three-week lag between the time the Hurricanes Harvey and Irma hit the U.S. and the substantial downward revisions to earnings estimates for companies in the Insurance industry by analysts. Given the timing of Hurricane Florence, any potential downward revisions to earnings estimates for companies in the Insurance industry may not occur until late September or early October.
Earnings Insight

S&P 500 Financials: Q318 Industry Earnings Growth
(Source: FactSet)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Earnings Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>249%</td>
</tr>
<tr>
<td>Diversified Financial Services</td>
<td>87%</td>
</tr>
<tr>
<td>Banks</td>
<td>21%</td>
</tr>
<tr>
<td>Consumer Finance</td>
<td>13%</td>
</tr>
<tr>
<td>Capital Markets</td>
<td>14%</td>
</tr>
</tbody>
</table>
Topic of the Week: 2

Which Retailers Are Making the Grade Post the “Back-to-School” Shopping Season?

Over the past month, many retailers likely saw increased sales due to the “back-to-school” shopping season (for clothes, school supplies, dormitory furniture, etc.). With much of the “back-to-school” shopping now finished, which retailers in the S&P 500 are expected to be the top performers in the third quarter (which includes the “back-to-school” shopping months of August, September, and October for most retailers)?

For this analysis, retailers in the following S&P 500 retail sub-industries were included because they likely saw some impact from “back-to-school” shopping over the past few weeks: Apparel Retail, Computer & Electronics Retail, Department Stores, General Merchandise Stores, and Hypermarkets & Super Centers. In addition to the retailers in these five sub-industries, Amazon.com was also included. Three metrics (using the mean estimates for each metric based on estimates submitted to FactSet by industry analysts) were analyzed on a year-over-year basis: estimated EPS growth, estimated same-store-sales growth, and estimated store (number) growth. Amazon.com did not have estimates available for same-store-sales growth and store growth.

In terms of EPS growth, Amazon.com ($3.09 vs. $0.52) is projected to see the highest earnings growth of these retailers at 494%, while L Brands ($0.04 vs. $0.30) is expected to see the largest earning decline at -86%. In terms of same-store-sales, Costco is expected to see the highest growth at 9.1%, while L Brands is predicted to see the lowest growth at 1.1%. In terms, store growth, Dollar General (15,251 vs. 14,231) is expected to see the largest increase at 6.5%, while Best Buy (1,249 vs. 1,537) is expected to see the largest decrease at 19%.

S&P 500 “Back-To-School” Retail: Q3 2018

<table>
<thead>
<tr>
<th>Company</th>
<th>EPS Growth</th>
<th>SSS Growth</th>
<th>Store # Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon.com, Inc.</td>
<td>493.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best Buy Co., Inc.</td>
<td>9.2%</td>
<td>3.4%</td>
<td>-18.8%</td>
</tr>
<tr>
<td>Costco Wholesale Corporation</td>
<td>13.2%</td>
<td>9.1%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Dollar General Corporation</td>
<td>35.9%</td>
<td>2.4%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Dollar Tree, Inc.</td>
<td>13.8%</td>
<td>1.3%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Foot Locker, Inc.</td>
<td>4.5%</td>
<td>1.9%</td>
<td>-2.5%</td>
</tr>
<tr>
<td>Gap, Inc.</td>
<td>15.4%</td>
<td>1.4%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Nordstrom, Inc.</td>
<td>-2.8%</td>
<td>2.1%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Kohl’s Corporation</td>
<td>36.3%</td>
<td>1.4%</td>
<td>0.9%</td>
</tr>
<tr>
<td>L Brands, Inc.</td>
<td>-85.5%</td>
<td>1.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Macy’s Inc</td>
<td>-44.5%</td>
<td>2.6%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Ross Stores, Inc.</td>
<td>24.0%</td>
<td>2.6%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Target Corporation</td>
<td>21.7%</td>
<td>5.0%</td>
<td>1.2%</td>
</tr>
<tr>
<td>TJX Companies Inc</td>
<td>21.7%</td>
<td>3.6%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Walmart Inc.</td>
<td>3.0%</td>
<td>2.6%</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>
FactSet then ranked all the retailers in each metric and took an average of the three rankings to calculate an overall ranking. Amazon.com finished at the top of the list of this group of retailers. However, it should be noted Amazon.com was only ranked in the EPS growth category, as estimates are not available for same-store-sales or number of stores. On the other hand, L Brands finished at the bottom of the list, as the company is expected to report a substantial year-over-year decline in EPS and only modest same-store-sales growth and store growth.

### S&P 500 “Back-To-School” Retail Rank: Q3 2018

<table>
<thead>
<tr>
<th>Company</th>
<th>EPS Growth</th>
<th>SSS Growth</th>
<th>Store # Growth</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon.com, Inc.</td>
<td>1</td>
<td></td>
<td></td>
<td>1.0</td>
</tr>
<tr>
<td>TJX Companies Inc</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>3.3</td>
</tr>
<tr>
<td>Dollar General Corporation</td>
<td>3</td>
<td>8</td>
<td>1</td>
<td>4.0</td>
</tr>
<tr>
<td>Ross Stores, Inc.</td>
<td>4</td>
<td>7</td>
<td>3</td>
<td>4.7</td>
</tr>
<tr>
<td>Costco Wholesale Corporation</td>
<td>9</td>
<td>1</td>
<td>5</td>
<td>5.0</td>
</tr>
<tr>
<td>Target Corporation</td>
<td>6</td>
<td>2</td>
<td>7</td>
<td>5.0</td>
</tr>
<tr>
<td>Kohl’s Corporation</td>
<td>2</td>
<td>12</td>
<td>8</td>
<td>7.3</td>
</tr>
<tr>
<td>Dollar Tree, Inc.</td>
<td>8</td>
<td>13</td>
<td>4</td>
<td>8.3</td>
</tr>
<tr>
<td>Best Buy Co., Inc.</td>
<td>10</td>
<td>4</td>
<td>14</td>
<td>9.3</td>
</tr>
<tr>
<td>Gap, Inc.</td>
<td>7</td>
<td>11</td>
<td>10</td>
<td>9.3</td>
</tr>
<tr>
<td>Nordstrom, Inc.</td>
<td>13</td>
<td>9</td>
<td>6</td>
<td>9.3</td>
</tr>
<tr>
<td>Walmart Inc.</td>
<td>12</td>
<td>5</td>
<td>11</td>
<td>9.3</td>
</tr>
<tr>
<td>Macy’s Inc</td>
<td>14</td>
<td>6</td>
<td>12</td>
<td>10.7</td>
</tr>
<tr>
<td>Foot Locker, Inc.</td>
<td>11</td>
<td>10</td>
<td>13</td>
<td>11.3</td>
</tr>
<tr>
<td>L Brands, Inc.</td>
<td>15</td>
<td>14</td>
<td>9</td>
<td>12.7</td>
</tr>
</tbody>
</table>
Q3 Earnings Season: By The Numbers

Overview

In terms of estimate revisions for companies in the S&P 500, analysts have made smaller cuts than average to earnings estimates for Q3 2018 to date. On a per-share basis, estimated earnings for the third quarter have fallen by 0.9% since June 30. This percentage decline is smaller than the 5-year average (-3.2%), 10-year average (-4.8%), and 15-year average (-3.9%) for a quarter.

However, a larger percentage of S&P 500 companies have lowered the bar for earnings for Q3 2018 relative to recent quarters. Of the 98 companies that have issued EPS guidance for the third quarter, 74 have issued negative EPS guidance and 24 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 76% (74 out of 98), which is above the 5-year average of 71%.

Because of the aggregate downward revisions to earnings estimates, the estimated year-over-year earnings growth rate for Q3 2018 has decreased from 21.1% on June 30 to 19.9% today. All eleven sectors are predicted to report year-over-year earnings growth for the quarter. Seven sectors are projected to report double-digit growth in earnings, led by the Energy, Financials, Telecom Services, and Materials sectors.

Because of the aggregate downward revisions to revenue estimates, the estimated year-over-year revenue growth rate for Q3 2018 has decreased from 7.6% on June 30 to 7.5% today. All eleven sectors are projected to report year-over-year growth in revenues. Five sectors are predicted to report double-digit growth in revenue: Energy, Real Estate, Telecom Services, Information Technology, and Materials.

Looking at future quarters, analysts see double-digit earnings growth for the fourth quarter, but also see single-digit earnings growth for the first half of 2019.

The forward 12-month P/E ratio is 16.8, which is above the 5-year average and above the 10-year average.

During the upcoming week, seven S&P 500 companies are scheduled to report results for the third quarter.

Earnings Revisions: Largest Declines in Energy & Consumer Staples Sectors

No Change in Estimated Earnings Growth Rate for Q4 This Week

The estimated earnings growth rate for the third quarter is 19.9% this week, which is equal to the estimated earnings growth rate of 19.9% last week.

Overall, the estimated earnings growth rate for Q3 2018 of 19.9% today is slightly below the estimated earnings growth rate of 21.1% at the start of the quarter (June 30). Eight sectors have recorded a decrease in expected earnings growth due to downward revisions to earnings estimates, led by the Energy, Consumer Staples, and Consumer Discretionary sectors. On the other hand, two sectors have recorded an increase in expected earnings growth since the beginning of the quarter due to upward revisions to earnings estimates, led by the Telecom Services sector. The expected earnings growth rate for the Health Care sector today (9.0%) is equal to the estimate at the start of the quarter (9.0%).

Energy: Exxon Mobil Leads Decrease in Expected Earnings

The Energy sector has recorded the largest decrease in expected earnings growth since the start of the quarter (to 94.7% from 101.1%). This sector has also witnessed the largest decrease in price since June 30 at -3.3%. Overall, 16 of the 31 companies (52%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 16 companies, 8 have recorded a decrease in their mean EPS estimate of more than 10%, led by Halliburton (to $0.52 from $0.70), Noble Energy (to $0.19 from $0.26), and Valero Energy (to $1.95 from $2.35). The decrease in the mean EPS estimates for Exxon Mobil (to $1.28 from $1.35), Chevron (to $2.11 from $2.20), Valero Energy, and Halliburton have been the largest contributors to the decrease in expected earnings for this sector since June 30. The stock prices Exxon Mobil (-0.2%), Chevron (-7.5%), and Halliburton (-14.1%) have all declined over this period, while the stock price of Valero Energy (+6.2%) has increased during this time.
Consumer Staples: 84% of Companies Have Seen a Decline in Earnings Expectations

The Consumer Staples sector has recorded the second largest decrease in expected earnings growth since the start of the quarter (to 5.2% from 9.7%). Despite the decline in expected earnings growth, this sector has witnessed a 6.2% increase in price since June 30. Overall, 27 of the 32 companies (84%) in the Consumer Staples sector have seen a decrease in their mean EPS estimate during this time. Of these 27 companies, 3 have recorded a decrease in their mean EPS estimate of more than 10%; Coty (to $0.07 from $0.14), Tyson Foods (to $1.30 from $1.88), and Kraft Heinz (to $0.83 from $0.93). The decrease in the mean EPS estimates for Philip Morris International (to $1.29 from $1.43) and Tyson Foods have been the largest contributors to the decrease in expected earnings for this sector since June 30. The stock prices for both Philip Morris (-2.3%) and Tyson Foods (-7.4%) have decreased since the start of the quarter.

Consumer Discretionary: GM Leads Decrease in Expected Earnings

The Consumer Discretionary sector has recorded the third largest decrease in expected earnings growth since the start of the quarter (to 14.0% from 17.4%). Despite the decline in expected earnings growth, this sector has witnessed a 7.0% increase in price since June 30. Overall, 53 of the 76 companies (70%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 53 companies, 15 have recorded a decrease in their mean EPS estimate of more than 10%, led by L Brands (to $0.04 from $0.17), MGM Resorts (to $0.20 from $0.40), and Under Armour (to $0.12 from $0.24). However, the decrease in the mean EPS estimates for General Motors (to $1.34 from $1.63), Lowe’s Companies (to $1.04 from $1.27), and Ford Motor (to $0.32 from $0.37), and have been the largest contributors to the decrease in expected earnings for this sector since June 30. While the stock prices for both General Motors (-12.3%) and Ford Motor (-15.2%) have decreased since the start of the quarter, the stock price for Lowe’s Companies (+17.8%) has increased over the time frame.

Telecom Services: AT&T Leads Increase in Estimated Earnings

The Telecom Services sector has recorded the largest increase in expected earnings growth since the start of the quarter (to 36.7% from 31.8%). This sector has also witnessed an increase in price of 7.5% during this same period. All 3 companies in this sector have seen an increase in their mean EPS estimate during this time, led by CenturyLink (to $0.31 from $0.24). However, the increase in the mean EPS estimate for AT&T (to $0.93 from $0.88) is the largest contributor to the rise in expected earnings for this sector since June 30. The stock price for this company has increased by 4.0% over this same period.

Index-Level (Bottom-Up) EPS Estimate: Record-High Increase

The Q3 bottom-up EPS estimate (which is an aggregation of the median earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings for the index) has decreased by 0.9% (to $40.62 from $41.00) since June 30. This percentage decline is smaller than the 5-year average (-3.2%), 10-year average (-4.8%), and 15-year average (-3.9%) for a quarter.

Earnings Guidance: Negative EPS Guidance is Above Average for Q3

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, 98 companies in the index have issued EPS guidance for Q3 2018. Of these 98 companies, 74 have issued negative EPS guidance and 24 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 76% (74 out of 98), which is above the 5-year average of 71%.
Earnings Growth: 19.9%

The estimated (year-over-year) earnings growth rate for Q3 2018 is 19.9%. If 19.9% is the final growth rate for the quarter, it will mark the third highest earnings growth reported by the index since Q3 2010 (34.1%), trailing only the previous two quarters. All eleven sectors are expected to report year-over-year growth in earnings. Seven sectors are projected to report double-digit earnings growth for the quarter, led by the Energy, Financials, Telecom Services, and Materials sectors.

Energy: Higher Year-Over-Year Oil Prices Driving Broad-Based Growth

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 94.7%. Higher oil prices are helping to drive the unusually high growth rate for the sector, as the average price of oil in Q3 2018 ($69.09) to date is 43% higher than the average price of oil in Q3 2017 ($48.20). At the sub-industry level, all six sub-industries in the sector are predicted to report earnings growth for the quarter: Oil & Gas Drilling (N/A due to year-ago loss), Oil & Gas Exploration & Production (3,534%), Integrated Oil & Gas (87%), Oil & Gas Storage & Transportation (61%), Oil & Gas Equipment & Services (27%), and Oil & Gas Refining & Marketing (7%).

Financials: All 5 Industries Expected to Report Double-Digit Growth, Led by Insurance

The Financials sector is expected to report the second highest (year-over-year) earnings growth of all eleven sectors at 38.1%. At the industry level, all five industries in this sector are predicted to report double-digit growth in earnings: Insurance (249%), Diversified Financial Services (87%), Banks (21%), Consumer Finance (19%), and Capital Markets (14%). The unusually high growth rate for the Insurance industry can be attributed in part to an easy comparison to weak year-ago earnings due to catastrophic losses from Hurricanes Harvey and Irma. If the Insurance industry were excluded, the estimated earnings growth rate for the Financials sector would fall to 22.1% from 38.1%. Please see page 2 for more details.

Telecom Services: AT&T Leads Growth on Easy Comparison to Pre-Merger Earnings

The Telecom Services sector is expected to report the third highest (year-over-year) earnings growth of all eleven sectors at 36.7%. At the company level, AT&T is predicted to be the largest contributor to earnings growth for the sector. However, the estimated (dollar-level) earnings for Q3 2018 ($6.8 billion) reflect the combination of AT&T and Time Warner, while the actual earnings for Q3 2017 ($4.5 billion) reflect the standalone AT&T company. This apple-to-orange comparison is one reason why AT&T is projected to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated earnings growth rate for the sector would fall to 24.2% from 36.7%.

Materials: All 4 Industries Expected to Report Double-Digit Earnings Growth

The Materials sector is expected to report the fourth highest (year-over-year) earnings growth of all eleven sectors at 29.5%. At the industry level, all four industries in the sector are predicted to report double-digit earnings growth: Metals & Mining (68%), Construction Materials (48%), Containers & Packaging (31%), and Chemicals (21%).

Revenue Growth: 7.5%

The estimated (year-over-year) revenue growth rate for Q3 2018 is 7.5%. All eleven sectors are expected to report year-over-year growth in revenue. Five sectors are predicted to reported double-digit growth in revenue: Energy, Real Estate, Telecom Services, Information Technology, and Materials.

Energy: 5 of 6 Sub-Industries Expected to Report Double-Digit Growth

The Energy sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 18.1%. At the sub-industry level, all six sub-industries are expected to report (year-over-year) revenue growth. Five of the six sub-industries in the sector are predicted to report double-digit revenue growth: Oil & Gas Drilling (28%), Oil & Gas Exploration & Production (21%), Integrated Oil & Gas (20%), Oil & Gas Refining & Marketing (19%), and Oil & Gas Storage & Transportation (19%).
Earnings Insight

Real Estate: CBRE Group Leads Growth

The Real Estate sector is expected to report the second highest (year-over-year) revenue growth of all eleven sectors at 11.6%. At the company level, CBRE Group is predicted to be the largest contributor to revenue growth for the sector. The revenue estimate for Q3 2018 is $5.1 billion, compared to year-ago revenues of $3.5 billion. If this company were excluded, the estimated revenue growth rate for the sector would fall to 5.7% from 11.6%.

Telecom Services: AT&T Leads Growth on Easy Comparison to Pre-Merger Revenues

The Telecom Services sector is expected to report the third highest (year-over-year) revenue growth of all eleven sectors at 11.5%. At the company level, AT&T is predicted to be the largest contributor to revenue growth for the sector. However, the estimated revenues for Q3 2018 ($45.7 billion) reflect the combination of AT&T and Time Warner, while the actual revenues for Q3 2017 ($39.7 billion) reflect the standalone AT&T company. This apple-to-orange comparison is one reason why AT&T is projected to be the largest contributor to revenue growth for the sector. If this company were excluded, the estimated revenue growth rate for the sector would fall to 7.4% from 11.5%.

Information Technology: Internet Software Industry Leads Growth

The Information Technology sector is also expected to report the third highest (year-over-year) revenue growth of all eleven sectors at 11.5%. At the industry level, all seven industries in this sector are predicted to report revenue growth. Three of these seven industries are projected to report double-digit revenue growth: Internet Software & Services (24%), Technology Hardware, Storage, & Peripherals (12%), and Semiconductor & Semiconductor Equipment (11%).

Materials: 3 of 4 Industries Expected to Report Double-Digit Earnings Growth

The Materials sector is expected to report the fourth highest (year-over-year) earnings growth of all eleven sectors at 10.1%. At the industry level, three of the four industries in the sector are predicted to report double-digit revenue growth: Construction Materials (17%), Metals & Mining (17%), and Chemicals (11%).
Looking Ahead: Forward Estimates and Valuation

20% Earnings Growth Expected For 2018, But Lower Growth Projected for 2019

For the third quarter, analysts expect companies to report earnings growth of 19.9% and revenue growth of 7.5%. While analysts currently expect earnings to grow at double-digit levels for Q4, they also expect more moderate growth in early 2019.

For Q4 2018, analysts are projecting earnings growth of 17.5% and revenue growth of 6.0%.
For CY 2018, analysts are projecting earnings growth of 20.6% and revenue growth of 8.1%.
For Q1 2019, analysts are projecting earnings growth of 7.2% and revenue growth of 6.3%.
For Q2 2019, analysts are projecting earnings growth of 7.5% and revenue growth of 4.5%.
For CY 2019, analysts are projecting earnings growth of 10.3% and revenue growth of 5.3%.

Valuation: Forward P/E Ratio is 16.8, above the 10-Year Average (14.4)

The forward 12-month P/E ratio is 16.8. This P/E ratio is above the 5-year average of 16.3, and above the 10-year average of 14.4. It is also above the forward 12-month P/E ratio of 16.1 recorded at the start of the third quarter (June 30). Since the start of the third quarter, the price of the index has increased by 6.8%, while the forward 12-month EPS estimate has increased by 2.8%.

At the sector level, the Consumer Discretionary (21.6) and Information Technology (19.0) sectors have the highest forward 12-month P/E ratios, while the Telecom Services (10.6) and Financials (12.4) sectors have the lowest forward 12-month P/E ratios. Seven sectors have forward 12-month P/E ratios that are above their 10-year averages, led by the Information Technology (19.0 vs. 14.6) and Consumer Discretionary (21.6 vs. 17.0) sectors. Three sectors have forward 12-month P/E ratios that are below their 10-year averages, led by the Telecom Services (10.6 vs. 14.0) sector.

Targets & Ratings: Analysts Project 10% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 3183.75, which is 9.6% above the closing price of 2904.18. At the sector level, the Energy (+17.3%) 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 Telecom Services (+2.4%) and Utilities (+2.5%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,868 ratings on stocks in the S&P 500. Of these 10,868 ratings, 52.6% are Buy ratings, 41.7% are Hold ratings, and 5.7% are Sell ratings. At the sector level, the Information Technology (60%), Energy (59%), and Materials (59%) sectors have the highest percentages of Buy ratings, while the Telecom Services (40%) sector has the lowest percentages of Buy ratings.

Companies Reporting Next Week: 7

During the upcoming week, seven S&P 500 companies are scheduled to report results for the third quarter.
Q2 2018: Scorecard
Q2 2018: Scorecard

S&P 500 Sector-Level Earnings Surprise %: Q2 2018
(Source: FactSet)

Utilities: 6.7%
Consumer Disc.: 5.0%
Info. Technology: 7.4%
Health Care: 6.3%
Consumer Staples: 5.2%
Materials: 5.2%
S&P 500: 5.0%
Telecom Services: 4.9%
Industrials: 4.5%
Financials: 3.3%
Real Estate: 2.2%
Energy: -7.8%

S&P 500 Sector-Level Revenue Surprise %: Q2 2018
(Source: FactSet)

Financials: 3.0%
Real Estate: 2.6%
Materials: 2.0%
Info. Technology: 1.6%
Industrials: 1.5%
Consumer Staples: 1.2%
S&P 500: 1.2%
Health Care: 1.2%
Telecom Services: 1.1%
Energy: 1.0%
Utilities: 0.6%
Consumer Disc.: -0.3%
Q2 2018: Scorecard

S&P 500 EPS Surprise % vs. Price %: Q2 2018
(Source: FactSet)

S&P 500 EPS Surprise vs. Avg. Price Change %
(Source: FactSet)
Q2 2018: Scorecard

**S&P 500 Actual EPS Surprise %: Top 10 Q2 Actual EPS Surprises**
(Source: FactSet)

- Electronic Arts Inc.: 191.9%
- National Oilwell Varco Inc.: 192.2%
- ABIOMED, Inc.: 144.4%
- Lennar Corporation Class A: 117.8%
- Amazon.com, Inc.: 104.6%
- Hasbro, Inc.: 65.6%
- Take-Two Interactive Software, Inc.: 54.3%
- Expedia Group, Inc.: 50.6%
- salesforce.com, Inc.: 42.7%
- PulteGroup, Inc.

**S&P 500 Actual EPS Surprise %: Bottom 10 Q2 Actual EPS Surprises**
(Source: FactSet)

- TechnipFMC Plc: -26.8%
- Exxon Mobil Corporation: -27.4%
- Baker Hughes, a GE Company Class A: -27.9%
- Cabot Oil & Gas Corporation: -34.5%
- BrightHouse Financial, Inc.: -35.1%
- Nielsen Holdings Plc: -45.6%
- SCANA Corporation: -88.3%
- Jefferies Financial Group Inc.: -95.7%
- Intuit Inc.: -104.4%
- Helmerich & Payne, Inc.: -130.0%
Q2 2018: Projected EPS Surprises (Sharp Estimates)
Q2 2018: Growth
Q2 2018: Net Profit Margin

S&P 500 Net Profit Margins: Q218 vs. Q217
(Source: FactSet)

S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin:
Q218 vs. Q217
(Source: FactSet)
Q3 2018: EPS Guidance

Number (#) of S&P 500 Cos. with Q3 Positive & Negative Guidance
(Source: FactSet)

Percentage (%) of S&P 500 Cos. with Q3 Positive & Negative Guidance
(Source: FactSet)
Q3 2018: EPS Revisions

**Upward Change in Q3 EPS (Trailing 4 Weeks): Top 10 S&P 500 Cos.**
(Source: FactSet)

<table>
<thead>
<tr>
<th>Company</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>XL Group Ltd</td>
<td>17.0%</td>
</tr>
<tr>
<td>Boston Properties, Inc.</td>
<td>10.6%</td>
</tr>
<tr>
<td>Synopsys, Inc.</td>
<td>10.3%</td>
</tr>
<tr>
<td>Marathon Petroleum Corporation</td>
<td>9.4%</td>
</tr>
<tr>
<td>Broadcom Inc.</td>
<td>6.5%</td>
</tr>
<tr>
<td>Phillips 66</td>
<td>6.6%</td>
</tr>
<tr>
<td>HollyFrontier Corporation</td>
<td>4.7%</td>
</tr>
<tr>
<td>SL Green Realty Corp.</td>
<td>3.8%</td>
</tr>
<tr>
<td>WEC Energy Group Inc.</td>
<td>3.5%</td>
</tr>
<tr>
<td>Amazon.com, Inc.</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

**Downward Change in Q3 EPS (Trailing 4-Weeks): Top 10 S&P 500 Cos.**
(Source: FactSet)

<table>
<thead>
<tr>
<th>Company</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tiffany &amp; Co.</td>
<td>-10.1%</td>
</tr>
<tr>
<td>Halliburton Company</td>
<td>-10.4%</td>
</tr>
<tr>
<td>Mid-America Apartment Communities, Inc.</td>
<td>-11.9%</td>
</tr>
<tr>
<td>Nektar Therapeutics</td>
<td>-12.9%</td>
</tr>
<tr>
<td>News Corporation Class A</td>
<td>-15.5%</td>
</tr>
<tr>
<td>Lowe's Companies, Inc.</td>
<td>-17.7%</td>
</tr>
<tr>
<td>HCP, Inc.</td>
<td>-27.7%</td>
</tr>
<tr>
<td>Intuit Inc.</td>
<td>-31.9%</td>
</tr>
<tr>
<td>City Inc, Class A</td>
<td>-48.4%</td>
</tr>
<tr>
<td>L Brands, Inc.</td>
<td>-72.1%</td>
</tr>
</tbody>
</table>
Q3 2018: Growth

S&P 500 Earnings Growth: Q3 2018
(Source: FactSet)

S&P 500 Revenue Growth: Q3 2018
(Source: FactSet)
CY 2018: Growth

S&P 500 Earnings Growth: CY 2018
(Source: FactSet)

S&P 500 Revenue Growth: CY 2018
(Source: FactSet)
Earnings Insight

CY 2019: Growth

S&P 500 Earnings Growth: CY 2019
(Source: FactSet)

S&P 500 Revenue Growth: CY 2019
(Source: FactSet)
Geographic Revenue Exposure

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

International 38%
United States 62%

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>International</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>3%</td>
<td>97%</td>
</tr>
<tr>
<td>Telecom Services</td>
<td>3%</td>
<td>57%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>13%</td>
<td>87%</td>
</tr>
<tr>
<td>Financials</td>
<td>22%</td>
<td>78%</td>
</tr>
<tr>
<td>Consumer Disc</td>
<td>30%</td>
<td>73%</td>
</tr>
<tr>
<td>Health Care</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Industrials</td>
<td>35%</td>
<td>54%</td>
</tr>
<tr>
<td>Energy</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>Materials</td>
<td>52%</td>
<td>48%</td>
</tr>
<tr>
<td>Info Technology</td>
<td>57%</td>
<td>43%</td>
</tr>
</tbody>
</table>
Bottom-up EPS Estimates: Revisions

(Source: FactSet)

S&P 500 Q318 Bottom-Up EPS: 1-Year
(Source: FactSet)
Bottom-up EPS Estimates: Current & Historical

S&P 500 Calendar Year Bottom-Up EPS Actuals & Estimates
(Source: FactSet)

S&P 500 Quarterly Bottom-Up EPS Actuals & Estimates
(Source: FactSet)
Forward 12M P/E Ratio: Sector Level

S&P 500 Sector-Level Forward 12-Month P/E Ratios
(Source: FactSet)

Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Jun 30
(Source: FactSet)
Forward 12M P/E Ratio: Long-Term Averages
Trailing 12M P/E Ratio: Long-Term Averages

S&P 500 Change in Trailing 12-Month EPS vs. Change in Price: 10 Years
(Source: FactSet)

S&P 500 Trailing 12-Month P/E Ratio: 10 Years
(Source: FactSet)
Targets & Ratings

S&P 500: Percentage of Buy, Hold, and Sell Ratings
(Source: FactSet)

S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)
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