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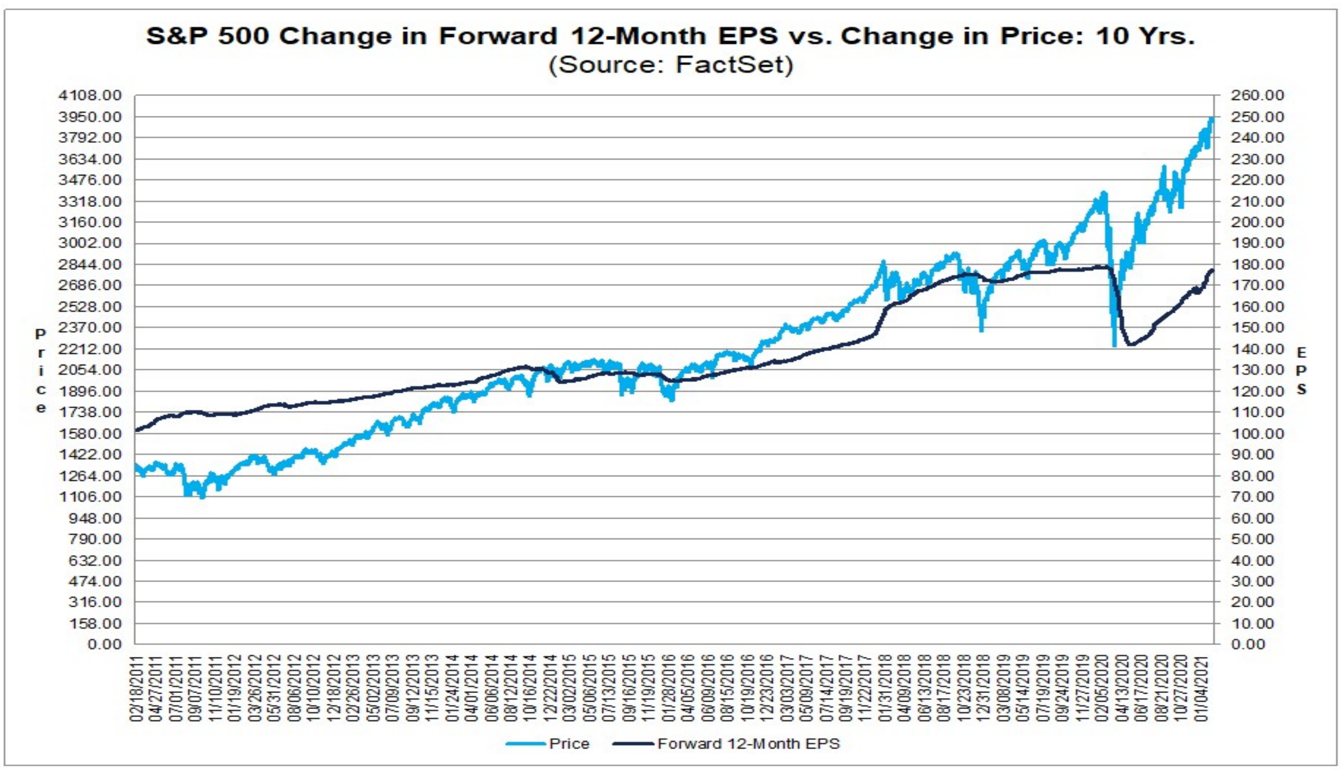
Key Metrics

- **Earnings Scorecard:** For Q4 2020 (with 83% of the companies in the S&P 500 reporting actual results), 79% of S&P 500 companies have reported a positive EPS surprise and 77% have reported a positive revenue surprise. If 79% is the final percentage, it will mark the third-highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008.
- **Earnings Growth:** For Q4 2020, the blended earnings growth rate for the S&P 500 is 3.2%. If 3.2% is the actual growth rate for the quarter, it will mark the first quarter in which the index has reported a year-over-year earnings growth since Q4 2019.
- **Earnings Revisions:** On December 31, the estimated earnings decline for Q4 2020 was -9.3%. Nine sectors have higher earnings growth rates or smaller earnings declines today (compared to December 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q1 2021, 31 S&P 500 companies have issued negative EPS guidance and 53 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 22.1. This P/E ratio is above the 5-year average (17.7) and above the 10-year average (15.8).



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Topic of the Week:

S&P 500 Companies See Negative Price Reaction to Positive EPS Surprises in Q4

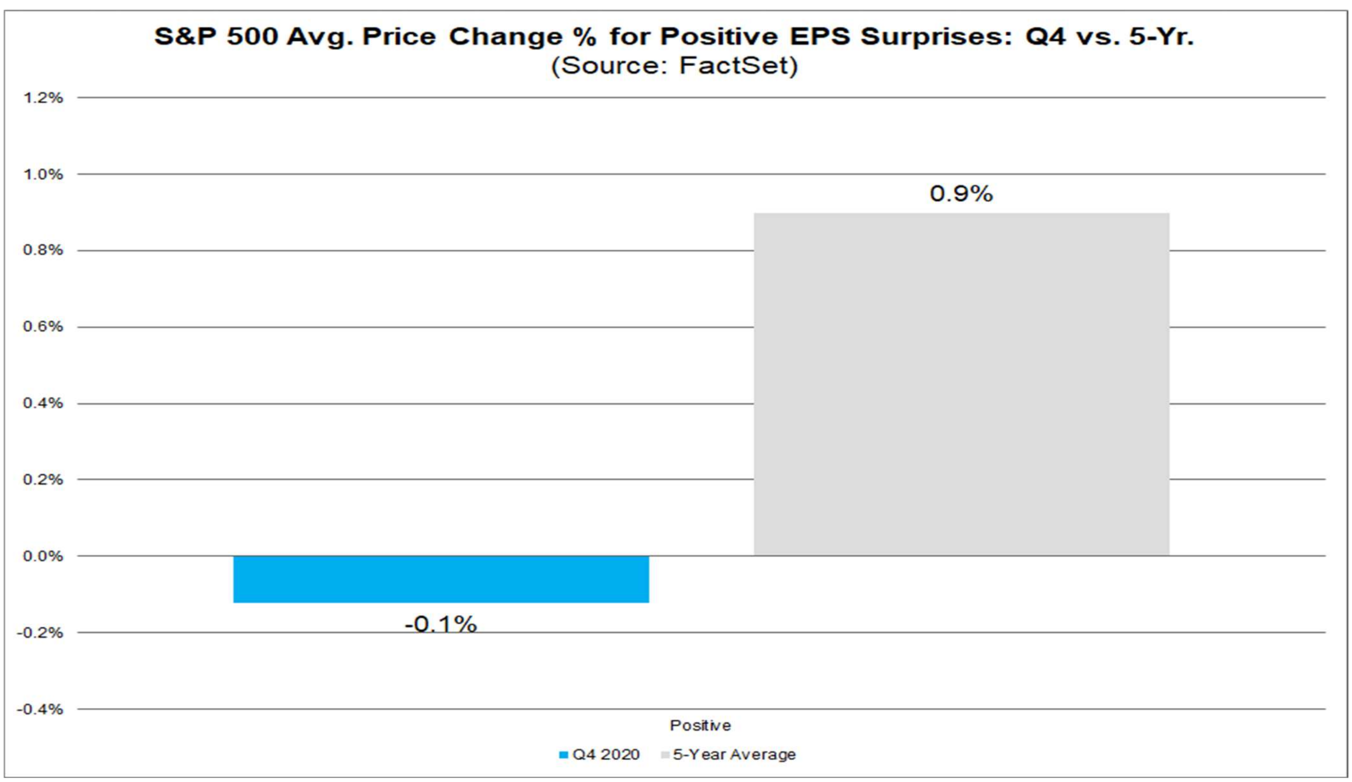
Overall, 83% of the companies in the S&P 500 have reported actual results for Q4 2020 to date. Of these companies, 79% have reported actual EPS above estimates, which is above the 5-year average of 74%. If 79% is the final percentage for the quarter, it will mark the third-highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008. In aggregate, companies are reporting earnings that are 14.6% above the estimates, which is also above the 5-year average of 6.3%. If 14.6% is the final percentage for the quarter, it will mark the fourth-largest earnings surprise percentage reported by the index since FactSet began tracking this metric in 2008. Due to these positive EPS surprises, the index is now reporting year-over-year growth in earnings of 3.2% today compared to an estimated year-over-year decline in earnings of -9.3% back on December 31.

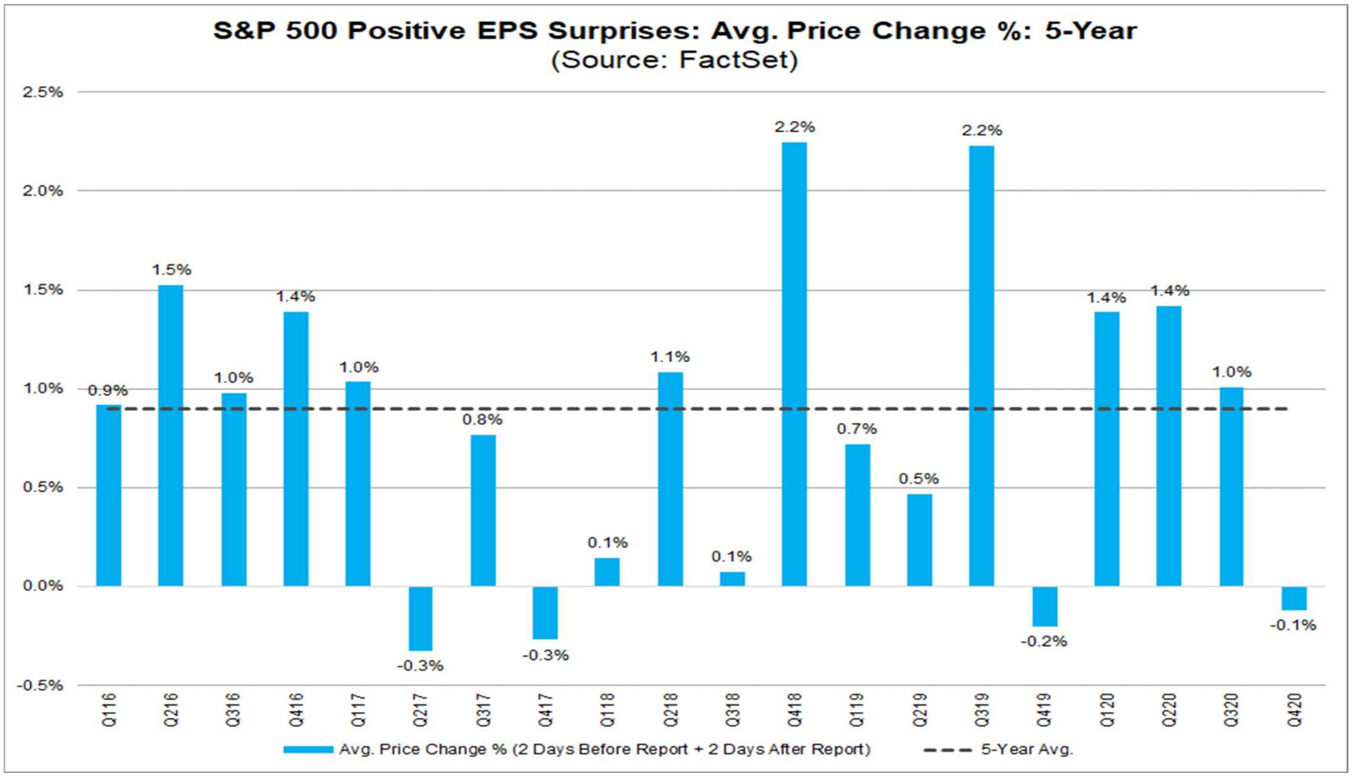
Given the unusually strong performance of actual earnings relative to analyst estimates and the improvement in the earnings growth rate over the past few weeks, how has the market responded to positive EPS surprises during the Q4 earnings season?

Companies that have reported positive earnings surprises for Q4 2020 have seen a decline in price of -0.1% on average two days before the earnings release through two days after the earnings release. This percentage decrease is well below the 5-year average price increase of +0.9% during this same window for companies reporting positive earnings surprises.

If the final percentage for the quarter is -0.1%, it will mark the first time the index has seen an average decrease in price (over this 4-day window) for S&P 500 companies reporting positive EPS surprises since Q4 2019 (-0.2%).

Why is the market not rewarding companies (on average) that have reported positive earnings surprises? It is likely not due to EPS guidance or analyst revisions to EPS estimates for the first quarter. To date, 63% (53 of 84) of the companies that have issued EPS guidance for Q1 have issued positive guidance. This percentage is well above the 5-year average of 33%. In aggregate, analysts increased EPS estimates for Q1 by 3.5% during the month of January. This was the highest percentage increase in EPS estimates over the first month of a quarter since Q1 2018.




S&P 500 Positive EPS Surprises: Avg. Price Change %: 5-Year
(Source: FactSet)
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
0.9%
1.5%
1.0%
1.4%
1.0%
-0.3%
0.8%
-0.3%
0.1%
1.1%
0.1%
2.2%
0.7%
0.5%
2.2%
-0.2%
1.4%
1.4%
1.0%
-0.1%
Q116
Q216
Q316
Q416
Q117
Q217
Q317
Q417
Q118
Q218
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Avg. Price Change % (2 Days Before Report + 2 Days After Report)
5-Year Avg.

Q4 Earnings Season: By The Numbers

Overview

At this point in time, more S&P 500 companies are beating EPS estimates for the fourth quarter than average, and beating EPS estimates by a wider margin than average. As a result, the index is reporting higher earnings for the fourth quarter today relative to the end of last week and relative to the end of the quarter. Due to this increase in earnings over the past few weeks, the index is now reporting year-over-year growth in earnings in Q4 2020 for the first time since Q4 2019. Analysts expect double-digit earnings growth for all four quarters of 2021.

Overall, 83% of the companies in the S&P 500 have reported actual results for Q4 2020 to date. Of these companies, 79% have reported actual EPS above estimates, which is above the 5-year average of 74%. If 79% is the final percentage for the quarter, it will mark the third-highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008. In aggregate, companies are reporting earnings that are 14.6% above the estimates, which is also above the 5-year average of 6.3%. If 14.6% is the final percentage for the quarter, it will mark the fourth-largest earnings surprise percentage reported by the index since FactSet began tracking this metric in 2008.

Due to the number and magnitude of these positive EPS surprises, the index is reporting higher earnings for the fourth quarter today relative to the end of last week and relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the fourth quarter is 3.2% today, compared to an earnings growth rate of 2.9% last week and a year-over-year earnings decline of -9.3% at the end of the fourth quarter (Dec. 31). Positive earnings surprises reported by companies in multiple sectors (led by the Industrials sector) were responsible for the improvement in overall earnings for the index during the past week. Positive earnings surprises reported by companies in the Financials, Information Technology, and Communication Services sectors have been the top contributors to the overall increase in earnings for the index since the end of the fourth quarter.

If 3.2% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year earnings growth since Q4 2019 (0.8%), and it will mark the highest year-over-year earnings growth reported by the index since Q4 2018 (13.2%). Seven sectors are reporting year-over-year earnings growth, led by the Materials, Financials, and Information Technology sectors. Four sectors are reporting a year-over-year decline in earnings, led by the Energy and Industrials sectors.

In terms of revenues, 77% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 62%. If 77% is the final percentage for the quarter, it will tie the mark for the third-highest percentage of S&P 500 companies reporting a positive revenue surprise since FactSet began tracking this metric in 2008. In aggregate, companies are reporting revenues that are 3.1% above the estimates, which is also above the 5-year average of 0.9%. If 3.1% is the final percentage for the quarter, it will mark the largest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008.

Due to the number and magnitude of these revenue surprises, the blended revenue growth rate for the fourth quarter is higher now relative to the end of last week and relative to the end of the fourth quarter. As of today, the S&P 500 is reporting year-over-year growth in revenues of 3.0%, compared to year-over-year growth in revenues of 2.9% last week and year-over-year growth in revenues of 0.1% at the end of the fourth quarter. Positive revenue surprises reported by companies in multiple sectors (led by the Consumer Staples sector) were responsible for the increase in overall revenues for the index over the past week. Positive revenue surprises reported by companies in the Financials, and Information Technology sectors have been the largest contributors to the increase in the overall revenues for the index since the end of the fourth quarter.

If 3.0% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year revenue growth since Q1 2020 (0.8%), and it will mark the highest year-over-year revenue growth reported by the index since Q4 2019 (3.4%). Eight sectors are reporting year-over-year growth in revenues, led by the Heath Care, Information Technology, and Consumer Discretionary sectors. Three sectors are reporting a year-over-year decline in revenues, led by the Energy sector.

Looking at future quarters, analysts project double-digit earnings growth for all four quarters of 2021, with earnings growth peaking in Q2 2021 at 49.5%

The forward 12-month P/E ratio is 22.1, which is above the 5-year average and above the 10-year average.

During the upcoming week, 67 S&P 500 companies (including two Dow 30 components) are scheduled to report results for the fourth quarter.

Scorecard: Companies Reporting Record-High or Near Record-High Performances vs. Estimates

Percentage of Companies Beating EPS Estimates is Near Record-High Level

Overall, 83% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 79% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 16% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year (75%) average and above the 5-year (74%) average.

If 79% is the final percentage for the quarter, it will mark the third-highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008. The current record is 84%, which occurred in both Q3 2020 and Q2 2020.

At the sector level, the Communication Services (95%) and Information Technology (90%) sectors have the highest percentages of companies reporting earnings above estimates, while the Real Estate (61%), Energy (62%), and Utilities (63%) sectors has the lowest percentages of companies reporting earnings (or FFO for Real Estate) above estimates.

Earnings Surprise Percentage (+14.6%) is Well Above 5-Year Average

In aggregate, companies are reporting earnings that are 14.6% above expectations. This surprise percentage is above the 1-year (+11.9%) average and above the 5-year (+6.3%) average.

If 14.6% is the final percentage for the quarter, it will mark the fourth-largest earnings surprise percentage reported by the index since FactSet began tracking this metric in 2008. The current record is 23.1%, which occurred in Q2 2020.

The Consumer Discretionary sector (+45.3%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Ford Motor ($0.34 vs. -$0.05) and Amazon.com ($14.09 vs. $7.20) have reported some of the largest positive EPS surprises.

The Energy sector (+26.7%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Exxon Mobil ($0.03 vs. $0.01) and Marathon Petroleum (-$0.94 vs. -$1.37) have reported some of the largest positive EPS surprises.

The Financials sector (+25.8%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, SVB Financial Group ($7.40 vs. $3.80), Capital One Financial ($5.29 vs. $2.83), Zions Bancorporation ($1.66 vs. $1.02), Goldman Sachs ($12.08 vs. $7.45), Citigroup ($2.08 vs. $1.34), and Travelers Companies ($4.91 vs. $3.18) have reported some of the largest positive EPS surprises.

The Communication Services sector (+25.6%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Walt Disney ($0.32 vs. -$0.36), News Corporation ($0.34 vs. $0.10), Lumen Technologies ($0.48 vs. $0.29), Alphabet ($22.30 vs. $15.79), and Twitter ($0.38 vs. $0.29) have reported some of the largest positive EPS surprises.

The Information Technology sector (+16.1%) sector is reporting the fifth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Gartner ($1.59 vs. $0.82), Skyworks Solutions ($3.36 vs. $2.09), DXC Technology ($0.84 vs. $0.54), and Intel ($1.52 vs. $1.11) have reported some of the largest positive EPS surprises.

The Industrials sector (-25.7%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Boeing (-$15.25 vs. -$1.78) has reported the largest negative EPS surprise.

Market Not Rewarding Positive Earnings Surprises

To date, the market is not rewarding positive earnings surprises and punishing negative earnings surprises less than average.

Companies that have reported positive earnings surprises for Q4 2020 have seen an average price decrease of -0.1% on average two days before the earnings release through two days after the earnings release. This percentage is well below the 5-year average price increase of +0.9% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q4 2020 have seen an average price decrease of -0.7% two days before the earnings release through two days after the earnings. This percentage decrease is much smaller than the 5-year average price decrease of -2.5% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (77%) is Near Record-High Level

In terms of revenues, 77% of companies have reported actual revenues above estimated revenues and 23% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (66%) and above the 5-year average (62%).

If 77% is the final percentage for the quarter, it will tie the mark for the third-highest percentage of S&P 500 companies reporting a positive revenue surprise since FactSet began tracking this metric in 2008. The current record is 79%, which occurred in Q3 2020.

At the sector level, the Communication Services (95%) and Health Care (89%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (13%) and Real Estate (61%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+3.1%) is at Record-High Level

In aggregate, companies are reporting revenues that are 3.1% above expectations. This surprise percentage is above the 1-year (+1.4%) average and above the 5-year (+0.9%) average.

If 3.1% is the final percentage for the quarter, it will mark the largest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008. The current record is 2.6%, which occurred in Q3 2020.

At the sector level, the Information Technology (+5.3%), Communication Services (+4.4%), and Financials (+4.0%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-10.7%) sector is reporting the largest negative (aggregate) difference between actual revenue and estimated revenues.

Revisions: Increase in Earnings This Week

Increase in Earnings This Week Due to Multiple Sectors

The blended (year-over-year) earnings growth rate for the fourth quarter is 3.2%, which is above the earnings growth rate of 2.9% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Industrials sector) were responsible for the increase in earnings for the index during the week.

In the Industrials sector, the positive EPS surprise reported by Deere & Company ($3.87 vs. $2.16) was the largest contributor to the increase in the earnings for the index during the week. As a result, the blended earnings decline for the Industrials sector improved to -52.6% from -54.6% over this period.

Increase in Revenues This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the fourth quarter is 3.0%, which is larger than the revenue growth rate of 2.9% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Consumer Staples sector) were responsible for the increase in the overall revenue growth rate during the past week.

Financials Sector Has Seen Largest Increase in Earnings since December 31

The blended (year-over-year) earnings growth rate for Q4 2020 of 3.2% is larger than the estimate of -9.3% at the end of the fourth quarter (December 31). Nine sectors have recorded a decrease in their earnings decline or an increase in earnings growth since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Financials sector (to 17.6% from -9.4%), Communication Services (10.2% from -12.9%), and Consumer Discretionary (to 3.6% from -18.4%) sectors. Two sectors have recorded an increase in their earnings decline or a decrease in their earnings growth rate due to downward revisions to earnings estimates and negative earnings surprises, led by the Industrials sector (to -52.6% from -34.9%).

Tech Sector Has Seen Largest Increase in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2020 of 3.0% is larger than the estimate of 0.1% at the end of the fourth quarter (December 31). Nine sectors have recorded a decrease in their revenue decline or an increase in revenue growth since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Information Technology (to 11.0% from 5.9%), Communication Services (to 9.8% from 5.3%), and Materials (to 2.8% from -1.6%) sectors. The Utilities sector (to 0.1% from 6.5%) is the only sector that has recorded a decrease in revenue growth since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises. The Real Estate sector has recorded no change in its revenue decline (-5.2%) since December 31.

Earnings Growth: 3.2%

The blended (year-over-year) earnings growth rate for Q4 2020 is 3.2%, which is below the 5-year average earnings growth rate of 3.8%. If 3.2% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year earnings growth since Q4 2019, and it will mark the highest year-over-year earnings growth reported by the index since Q4 2018 (13.2%). Seven sectors are reporting year-over-year earnings growth, led by the Materials, Financials, and Information Technology sectors. Four sectors are reporting a year-over-year decline in earnings, led by the Energy and Industrials sectors.

Materials: Metals & Mining Industry Was Largest Contributor to Year-Over-Year Growth

The Materials sector reported the highest (year-over-year) earnings growth of all eleven sectors at 22.3%. At the industry level, three of the four industries in this sector reported year-over-year growth in earnings of more than 10%: Metals & Mining (203%), Construction Materials (19%), and Chemicals (11%). On the other hand, the Containers & Packaging (-7%) industry is the only industry that reported a year-over-year decline in earnings.

The Metals & Mining industry was also the largest contributor to year-over-year growth in earnings for the sector. If the three companies in this industry were excluded, the earnings growth rate for this sector would fall to 7.5% from 22.3%.

Financials: JPMorgan Chase is Largest Contributor to Year-Over-Year Growth

The Financials sector is reporting the second-highest (year-over-year) earnings growth of all eleven sectors at 17.6%. At the industry level, all five industries in this sector are reporting year-over-year growth in earnings. Four of these five industries are reporting double-digit earnings growth: Capital Markets (36%), Consumer Finance (25%), Diversified Financial Services (25%), and Insurance (17%).

At the company level, JPMorgan Chase, Goldman Sachs, Morgan Stanley, and Capital One Financial are the largest contributors to earnings growth for the sector. If these four companies were excluded, the earnings growth rate for the sector would fall to 4.2% from 17.6%.

Information Technology: Apple and Microsoft Are Largest Contributors to Year-Over-Year Growth

The Information Technology sector is reporting the third-highest (year-over-year) earnings growth of all eleven sectors at 16.2%. At the industry level, five of the six industries in this sector are reporting earnings growth. Four of these five industries are reporting double-digit growth: Semiconductors & Semiconductor Equipment (29%), Software (26%), Technology Hardware, Storage, & Peripherals (23%), and Electronic Equipment, Instruments, & Components (19%). The IT Services industry (-15%) is the only industry in this sector reporting a year-over-year decline in earnings.

At the company level, Apple and Microsoft are the largest contributors to earnings growth for the sector. If these two companies were excluded, the earnings growth rate for the sector would fall to 6.9% from 16.2%.

Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline of 95% or More

The Energy sector is reporting the largest (year-over-year) decline in earnings of all eleven sectors at -102.2%. Lower year-over-year oil prices are contributing to the earnings decline for this sector, as the average price of oil in Q4 2020 ($41.94) was 26% below the average price for oil in Q4 2019 ($56.87). At the sub-industry level, four of the five sub-industries in the sector are reporting a decline in earnings. Three of these four sub-industries are reporting a decline in earnings of 95% or more: Oil & Gas Refining & Marketing (-163%), Integrated Oil & Gas (-111%), and Oil & Gas Exploration & Production (-95%). The only sub-industry in the sector that is reporting year-over-year growth in earnings is the Oil & Gas Storage & Transportation (9%) sub-industry.

Industrials: Boeing and Airlines Industry Are Largest Contributors To Year-Over-Year Decline

The Industrials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -52.6%. At the industry level, five of the twelve industries in this sector are reporting a decline in earnings. Three of these five industries are reporting a double-digit decline in earnings: Airlines (-345%), Aerospace & Defense (-152%), and Industrial Conglomerates (-18%). On the other hand, seven industries are reporting earnings growth in this sector, led by the Air Freight & Logistics (48%), Machinery (15%), Professional Services (13%), and Construction & Engineering (10%) industries.

Boeing and the five companies in the Airlines industry are also the largest contributors to the year-over-year decline in earnings for the sector. If these six companies were excluded, year-over-year earnings for the sector would improve to 7.1% from -52.6%.

Revenue Growth: 3.0%

The blended (year-over-year) revenue growth rate for Q4 2020 is 3.0%, which is below the 5-year average revenue growth rate of 3.5%. If 3.0% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year revenue growth since Q1 2020 (0.8%), and it will mark the highest year-over-year revenue growth reported by the index since Q4 2019 (3.4%). Eight sectors are reporting year-over-year growth in revenues, led by Health Care, Information Technology, and Consumer Discretionary sectors. Three sectors are reporting a year-over-year decline in revenues, led by the Energy sector.

Health Care: 5 of 6 Industries Reporting Year-Over-Year Growth Above 10%

The Health Care sector is reporting the highest (year-over-year) revenue growth of all eleven sectors at 12.4%. At the industry level, five of the six industries in this sector are reporting year-over-year growth in revenues above 10%: Life Sciences Tools & Services (35%), Biotechnology (25%), Health Care Equipment & Supplies (14%), Pharmaceuticals (11%), and Health Care Providers & Services (11%). On the other hand, the only industry that is reporting a decline in revenue is the Health Care Technology (-3%) industry.

It should be noted that the revenue growth rates of some of the companies that are the largest contributors to revenue growth for this sector (including Centene and AbbVie) are being boosted by apples-to-oranges comparisons of post-merger revenues in Q4 2020 to pre-merger revenues in Q4 2019.

Information Technology: 4 of 6 Industries Reporting Year-Over-Year Growth Above 10%

The Information Technology sector is reporting the second-highest (year-over-year) revenue growth of all eleven sectors at 11.0%. At the industry level, five of the six industries in this sector are reporting year-over-year growth in revenues. Four of these five industries are reporting double-digit growth: Semiconductors & Semiconductor Equipment (19%), Technology Hardware, Storage, & Peripherals (15%), Software (14%), and Electronic Equipment, Instruments, & Components (11%). On the other hand, the IT Services (-1%) industry is the only industry in the sector reporting a year-over-year declines in revenue.

Consumer Discretionary: 6 of 10 Industries Reporting Year-Over-Year Growth Above 10%

The Consumer Discretionary sector is reporting the third-largest (year-over-year) revenue growth of all eleven sectors at 10.2%. At the industry level, seven of the ten industries in this sector are reporting growth in revenues. Six these seven industries are reporting double-digit growth: Internet & Direct Marketing Retail (36%), Auto Components (32%), Leisure Products (21%), Multiline Retail (15%), Household Durables (11%), and Specialty Retail (11%). On the other hand, three industries are reporting a year-over-year decline in revenues, led by the Hotels, Restaurants, & Leisure (-43%) industry.

Energy: 4 of 5 Sub-Industries Reporting Year-Over-Year Decline of More Than 25%

The Energy sector is reporting the largest (year-over-year) decline in revenue of all eleven sectors at -33.3%. Lower year-over-year oil prices are contributing to the revenue decline for this sector, as the average price of oil in Q4 2020 ($41.94) was 26% below the average price for oil in Q4 2019 ($56.87). At the sub-industry level, all five sub-industries in the sector are reporting a year-over-year decline in revenue. Four sub-industries are reporting a decline in revenue of more than 25%: Oil & Gas Refining & Marketing (-42%), Integrated Oil & Gas (-31%), Oil & Gas Exploration & Production (-28%), and Oil & Gas Equipment & Services (-26%).

Net Profit Margin: 10.9%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) net profit margin for the S&P 500 for Q4 2020 is 10.9%, which is above the 5-year average of 10.5% and equal to the year-ago net profit margin of 10.9%. If 10.9% is the actual net profit margin for the quarter, it will mark the first time the index has reported a net profit margin above 10% for two consecutive quarters since Q3 2019 and Q4 2019.

At the sector level, five sectors are reporting net profit margins that are above their 5-year averages, led by the Financials (18.6% vs. 14.9%) and information Technology (23.8% vs. 20.6%) sectors. Six sectors are also reporting a year-over-year increase in their net profit margins in Q4 2020 compared to Q4 2019, led by the Financials (18.6% vs. 15.9%) sector. It should be noted that the Energy sector is reporting a loss for the quarter, so a net profit margin can’t be calculated for this sector (due to negative earnings). For this analysis, the Energy sector is counted as reporting a net profit margin below its 5-year average net profit margin and below its year-ago net profit margin due to the loss.

Looking Ahead: Forward Estimates and Valuation

Guidance: More S&P 500 Companies Issuing Positive EPS Guidance for Q1 Than Average

At this point in time, 84 companies in the index have issued EPS guidance for Q1 2021. Of these 84 companies, 31 have issued negative EPS guidance and 54 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 63% (53 out of 84), which is well above the 5-year average of 33%.

The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or mid-point of a range estimates) provided by a company is lower than the mean EPS estimate the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

Earnings: S&P 500 Reporting Earnings Decline of -11% for CY 2020

For the fourth quarter, S&P 500 companies are reporting growth in earnings of 3.2% and growth in revenues of 3.0%. For all of 2020, S&P 500 companies are reporting a decline in earnings of -11.3% and a decline in revenue of -1.1%.

For Q1 2021, analysts are projecting earnings growth of 21.2% and revenue growth of 5.7%.

For Q2 2021, analysts are projecting earnings growth of 49.5% and revenue growth of 15.7%.

For Q3 2021, analysts are projecting earnings growth of 16.9% and revenue growth of 9.5%.

For Q4 2021, analysts are projecting earnings growth of 13.3% and revenue growth of 6.7%.

For CY 2021, analysts are projecting earnings growth of 23.6% and revenue growth of 9.2%.

Valuation: Forward P/E Ratio is 22.1, Above the 10-Year Average (15.8)

The forward 12-month P/E ratio is 22.1. This P/E ratio is above the 5-year average of 17.7 and above the 10-year average of 15.8. However, it is below the forward 12-month P/E ratio of 22.4 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 increased by 4.2%, while the forward 12-month EPS estimate has increased by 6.1%.

At the sector level, the Consumer Discretionary (36.6) sector has the highest forward 12-month P/E ratio, while the Financials (14.6) sector has the lowest forward 12-month P/E ratio.

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

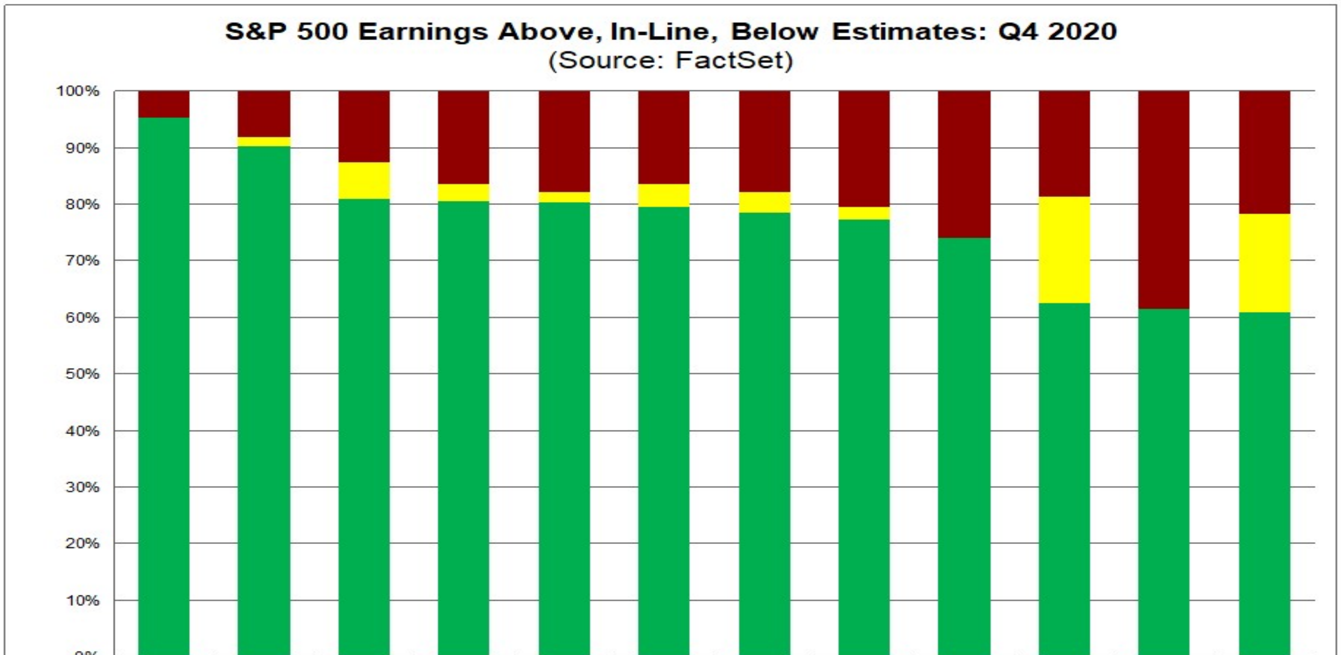
The bottom-up target price for the S&P 500 is 4388.89, which is 12.1% above the closing price of 3913.97. At the sector level, the Health Care (+14.9%) and Communication Services (+14.6%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Energy (+7.0%) and Financials (+7.6%) 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 10,367 ratings on stocks in the S&P 500. Of these 10,367 ratings, 54.7% are Buy ratings, 38.4% are Hold ratings, and 6.9% are Sell ratings. At the sector level, the Energy (63%) and Health Care (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) and Real Estate (47%) sectors have the lowest percentages of Buy ratings.

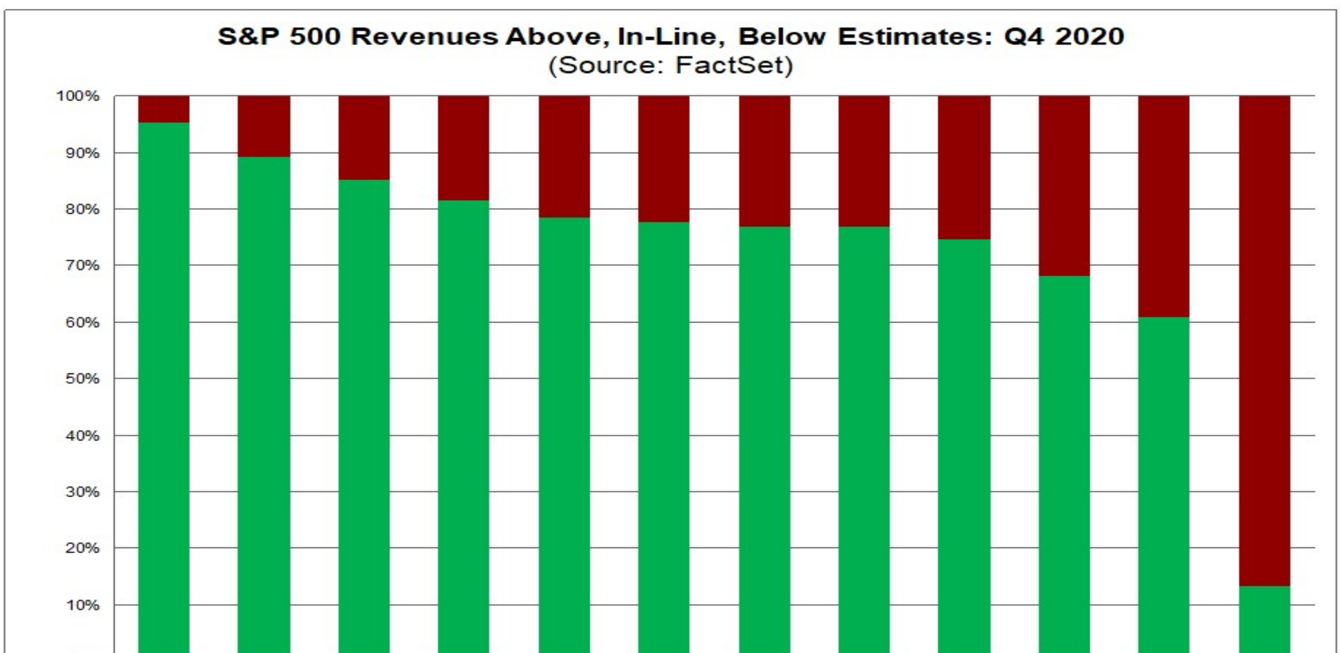
Companies Reporting Next Week: 67

During the upcoming week, 67 S&P 500 companies (including two Dow 30 components) are scheduled to report results for the fourth quarter.

Q4 2020: Scorecard

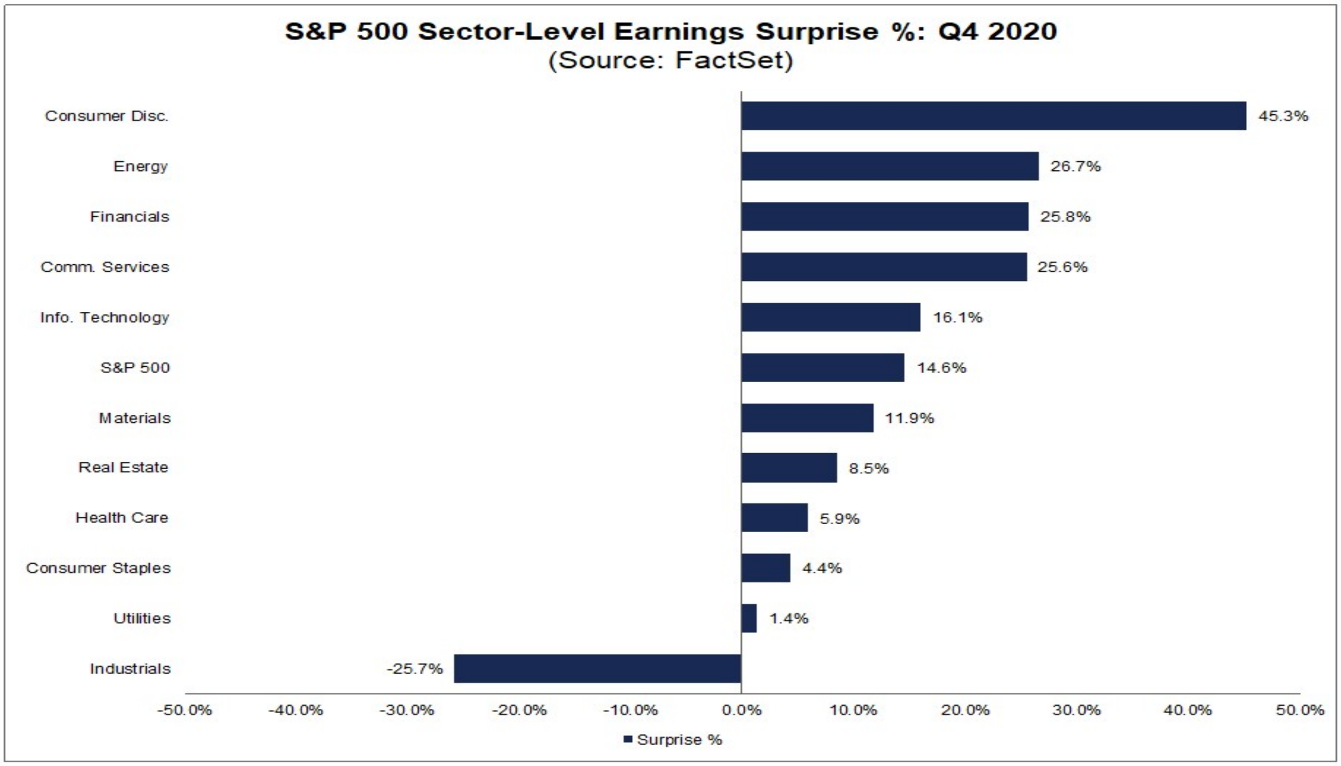


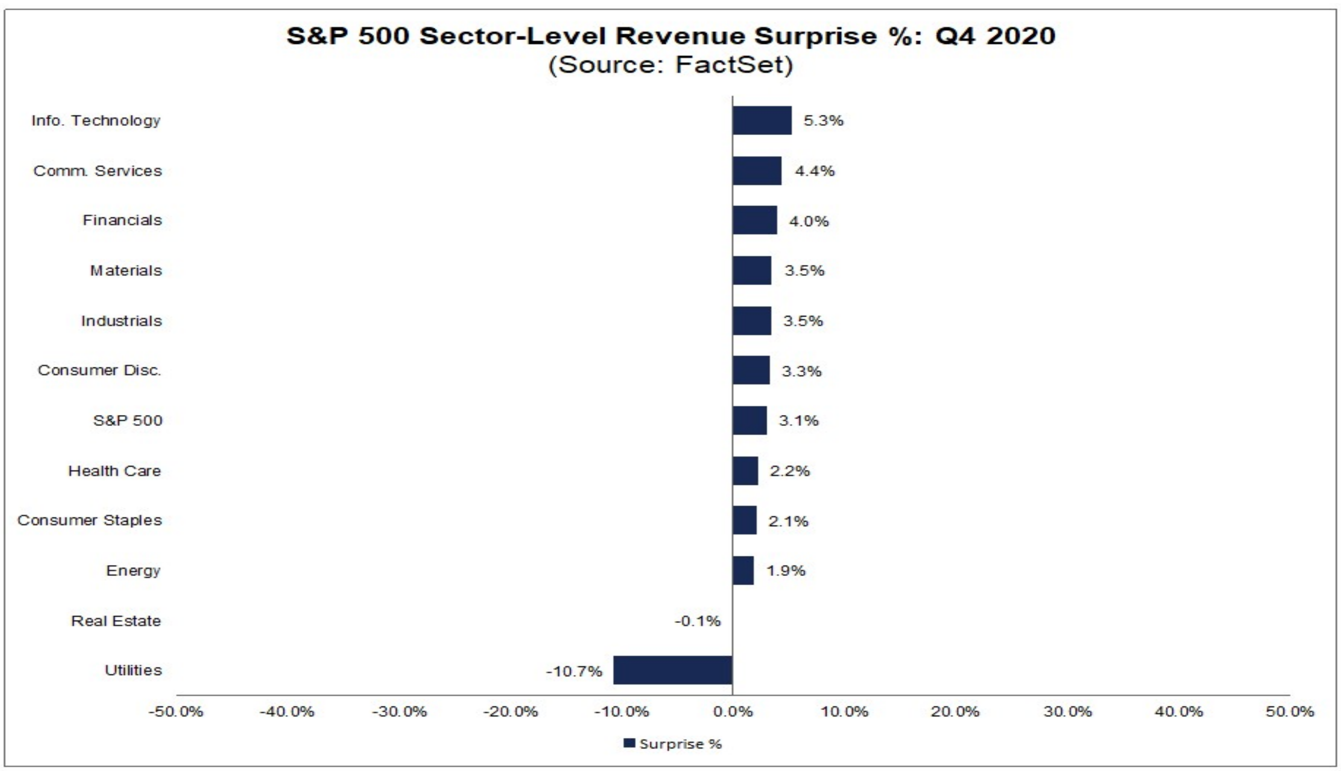
	Comm. Services	Info. Technology	Financials	Industrials	Health Care	S&P 500	Materials	Consumer Disc.	Consumer Staples	Utilities	Energy	Real Estate
Below	5%	8%	13%	16%	18%	16%	18%	20%	26%	19%	38%	22%
In-Line	0%	2%	6%	3%	2%	4%	4%	2%	0%	19%	0%	17%
Above	95%	90%	81%	81%	80%	79%	79%	77%	74%	63%	62%	61%



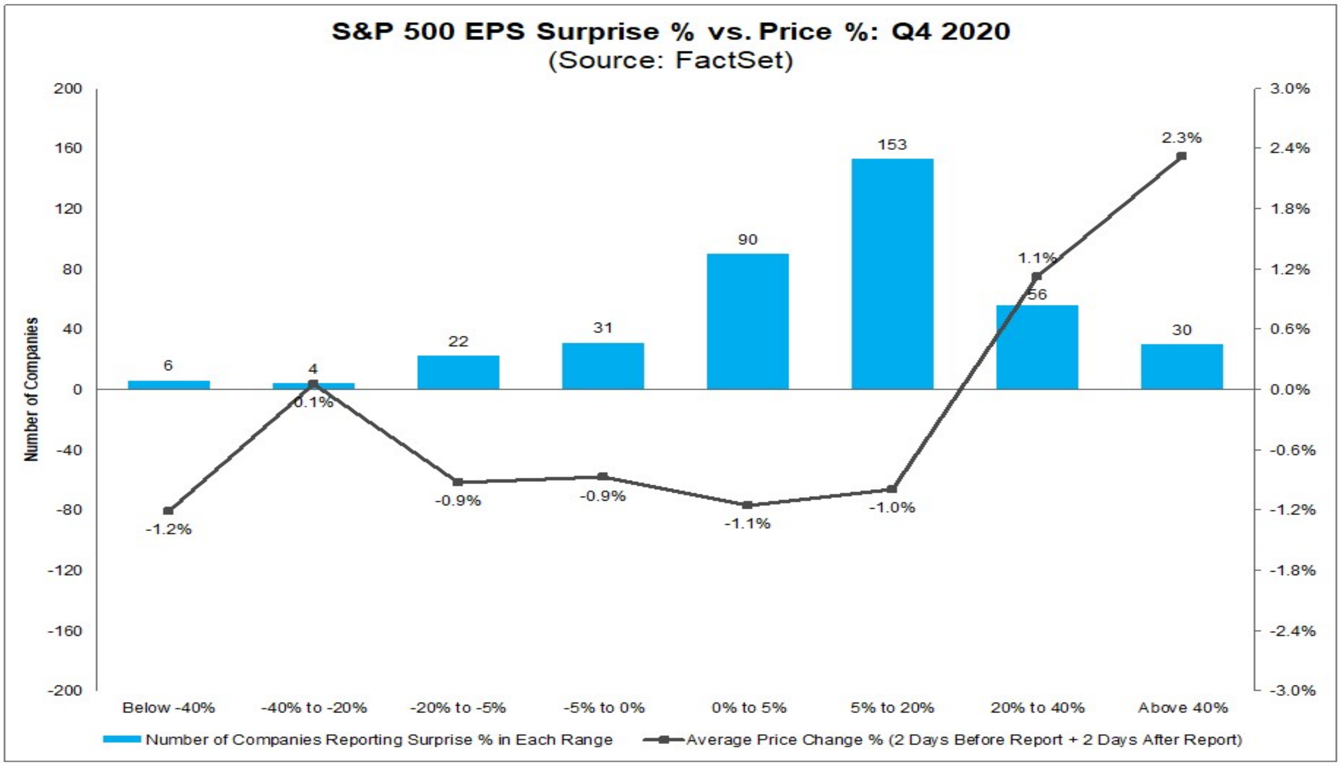
	Comm. Services	Health Care	Info. Technology	Consumer Staples	Materials	Industrials	Energy	S&P 500	Financials	Consumer Disc.	Real Estate	Utilities
Below	5%	11%	15%	19%	21%	22%	23%	23%	25%	32%	39%	87%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	95%	89%	85%	81%	79%	78%	77%	77%	75%	68%	61%	13%

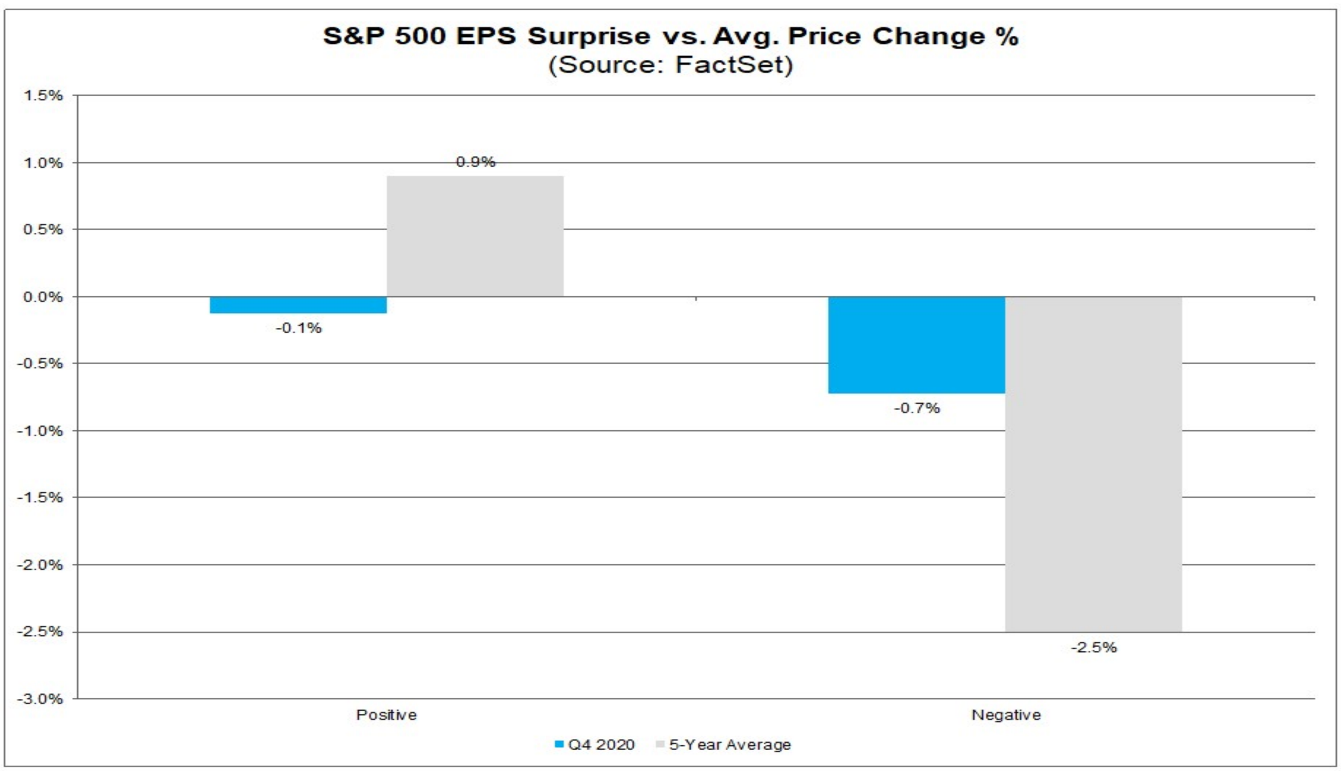
Q4 2020: Scorecard



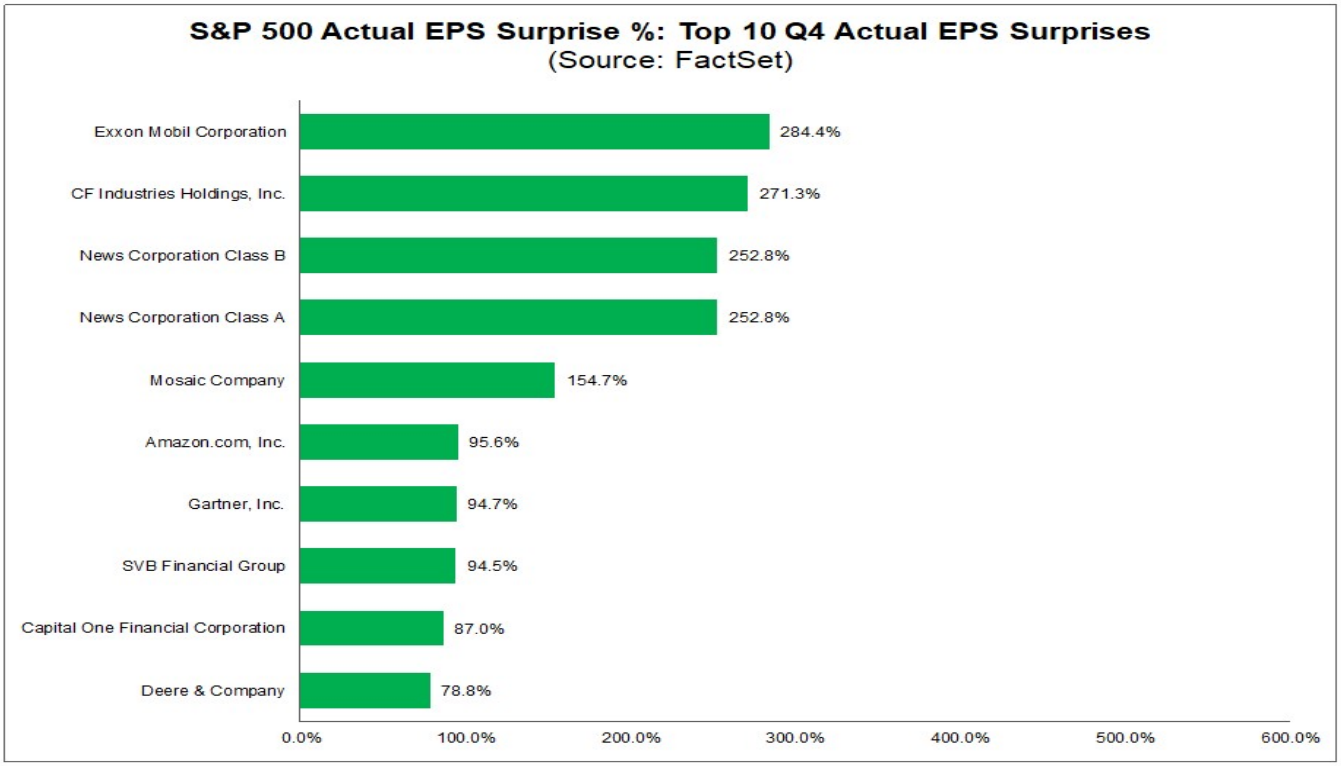


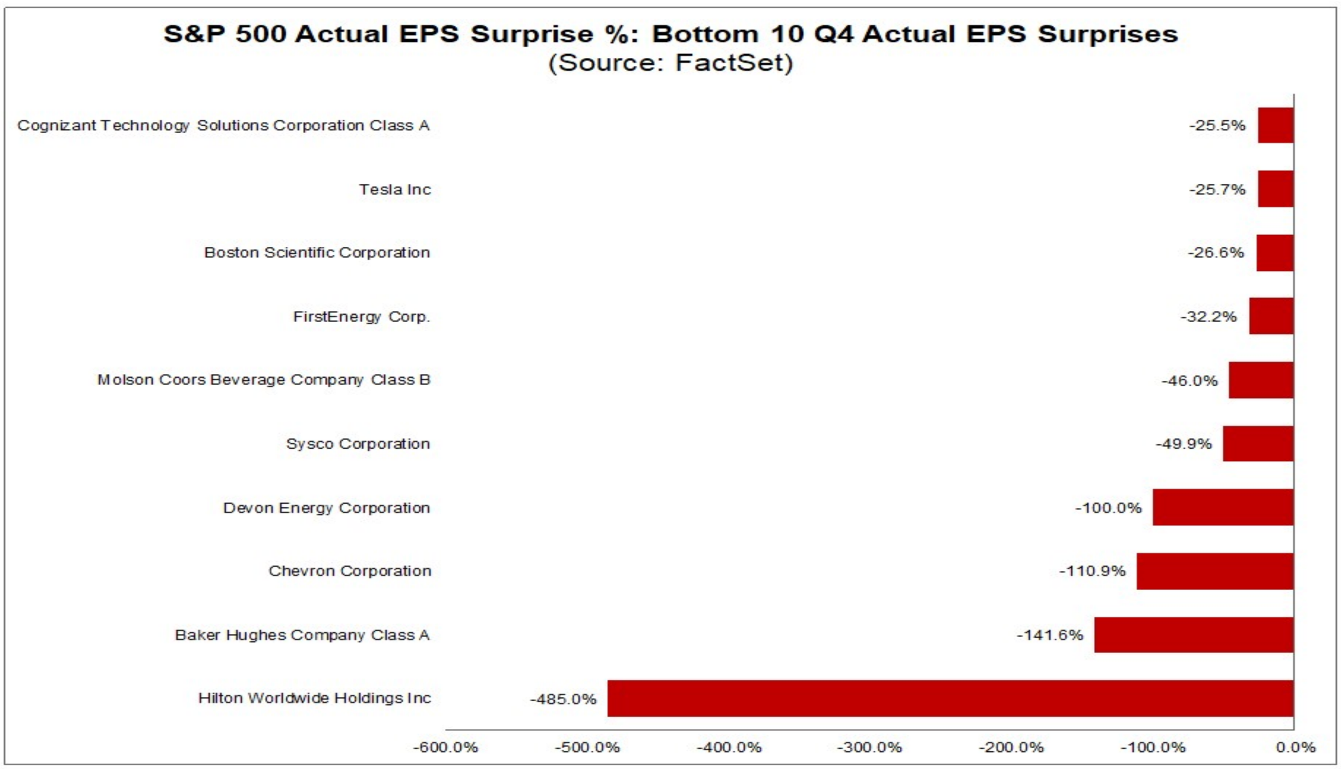
Q4 2020: Scorecard



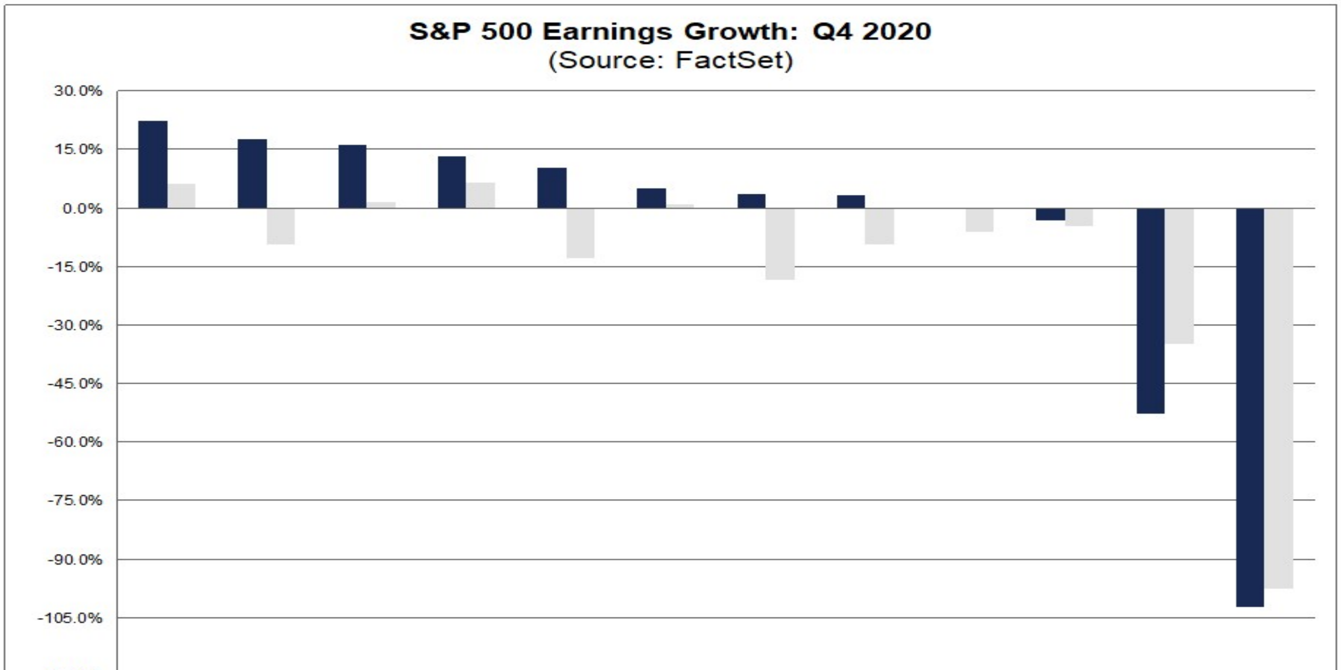


Q4 2020: Scorecard

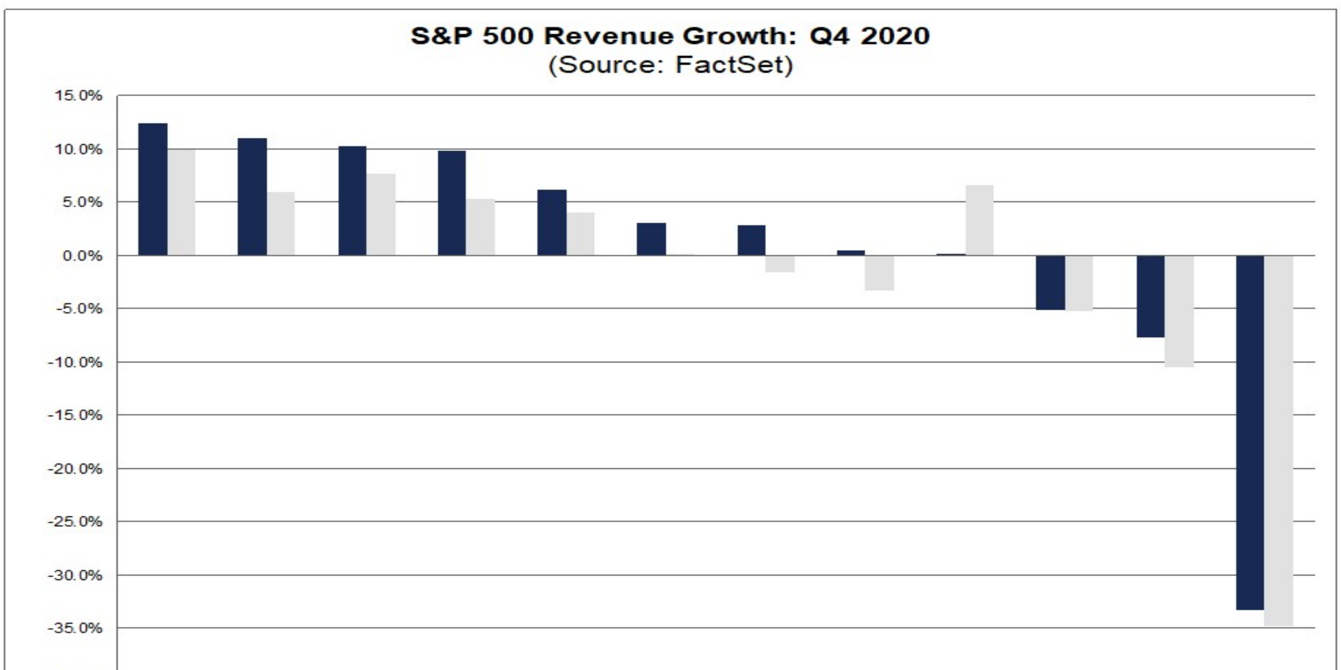




Q4 2020: Growth

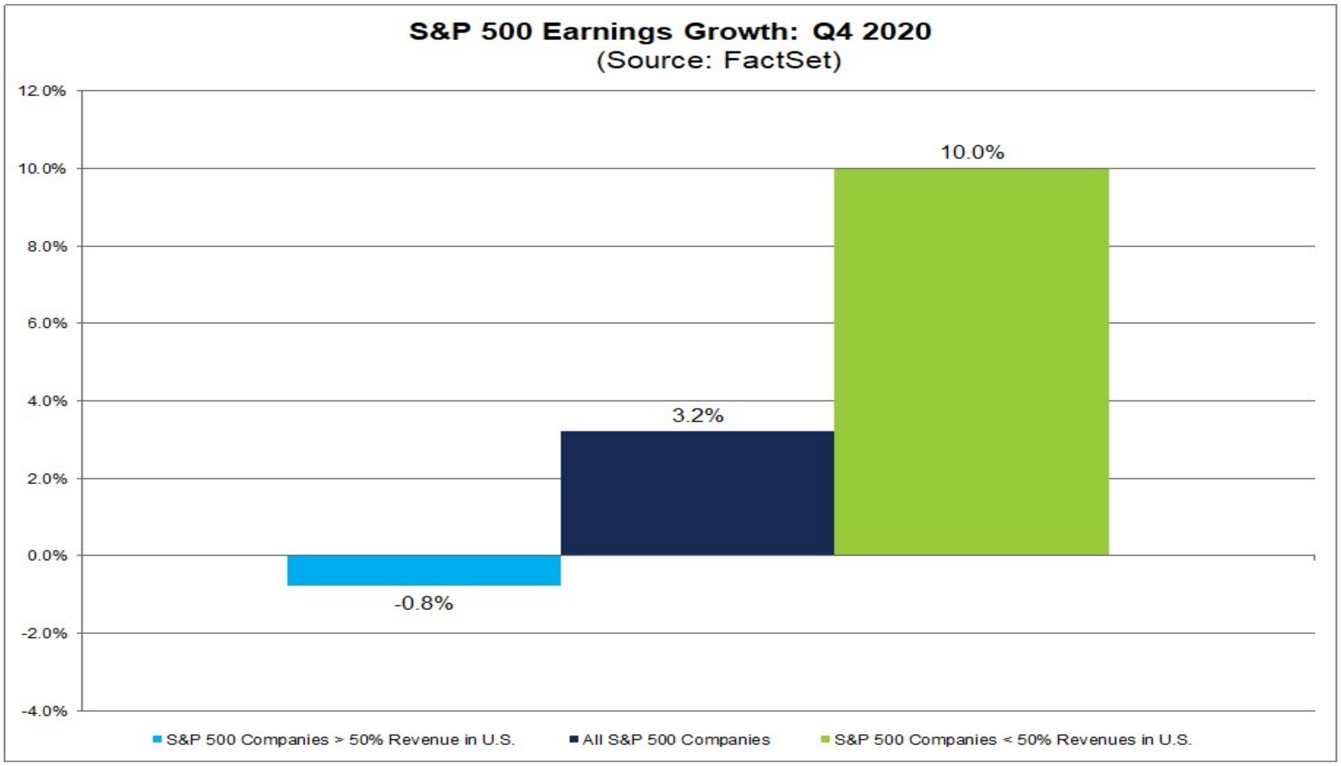


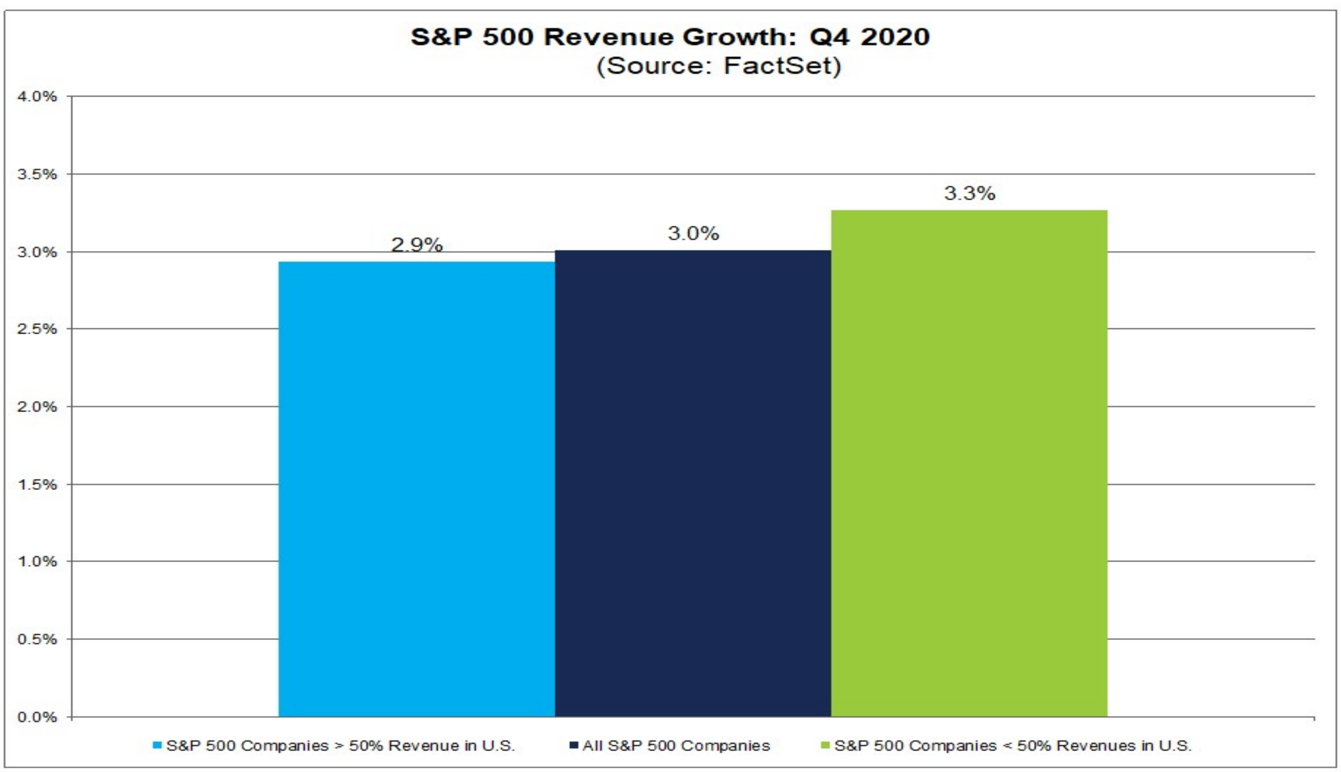
	Materials	Financials	Info. Technology	Health Care	Comm. Services	Consumer Staples	Consumer Disc.	S&P 500	Real Estate	Utilities	Industrials	Energy
Today	22.3%	17.6%	16.2%	13.3%	10.2%	5.1%	3.6%	3.2%	-0.3%	-3.2%	-52.6%	-102.2%
31-Dec	6.1%	-9.4%	1.5%	6.4%	-12.9%	0.9%	-18.4%	-9.3%	-6.1%	-4.6%	-34.9%	-97.5%



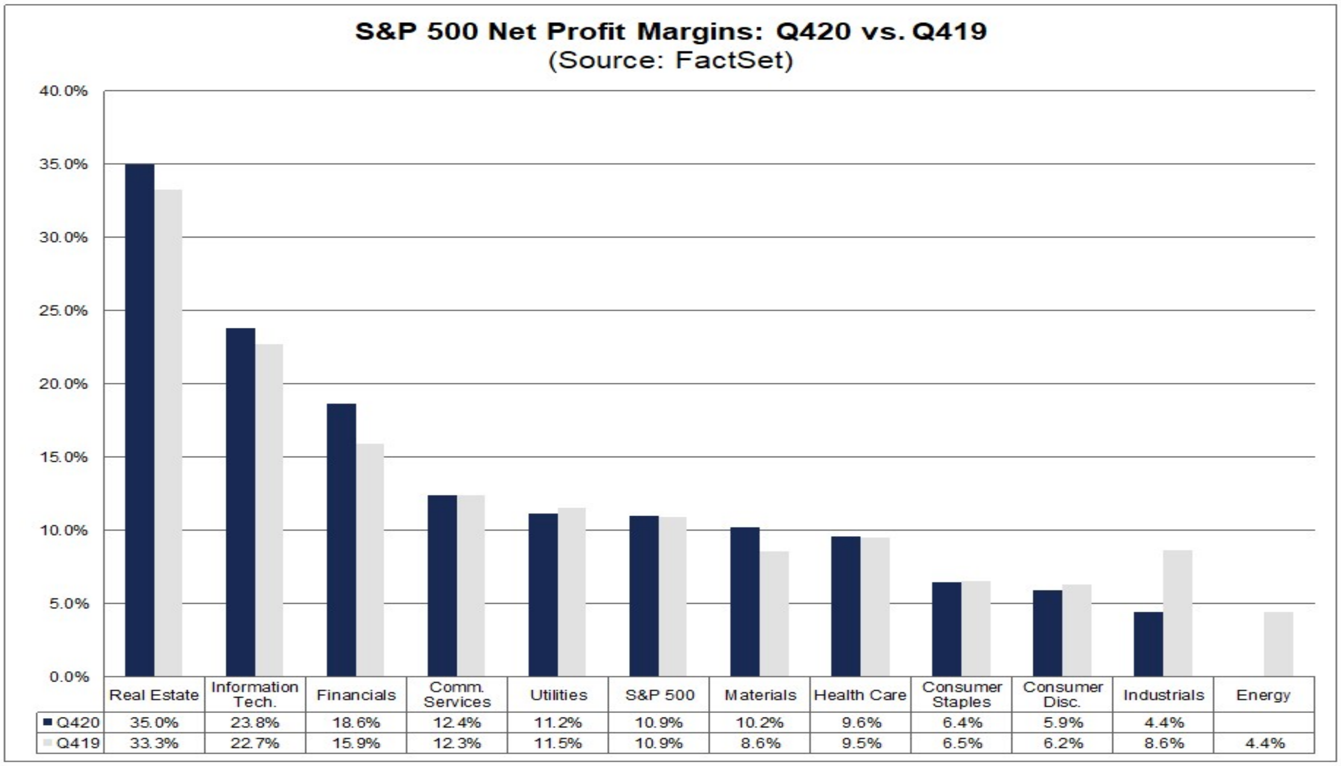
	Health Care	Info. Technology	Consumer Disc.	Comm. Services	Consumer Staples	S&P 500	Materials	Financials	Utilities	Real Estate	Industrials	Energy
Today	12.4%	11.0%	10.2%	9.8%	6.1%	3.0%	2.8%	0.5%	0.1%	-5.2%	-7.7%	-33.3%
31-Dec	9.9%	5.9%	7.6%	5.3%	4.0%	0.1%	-1.6%	-3.3%	6.5%	-5.2%	-10.5%	-34.8%

Q4 2020: Growth

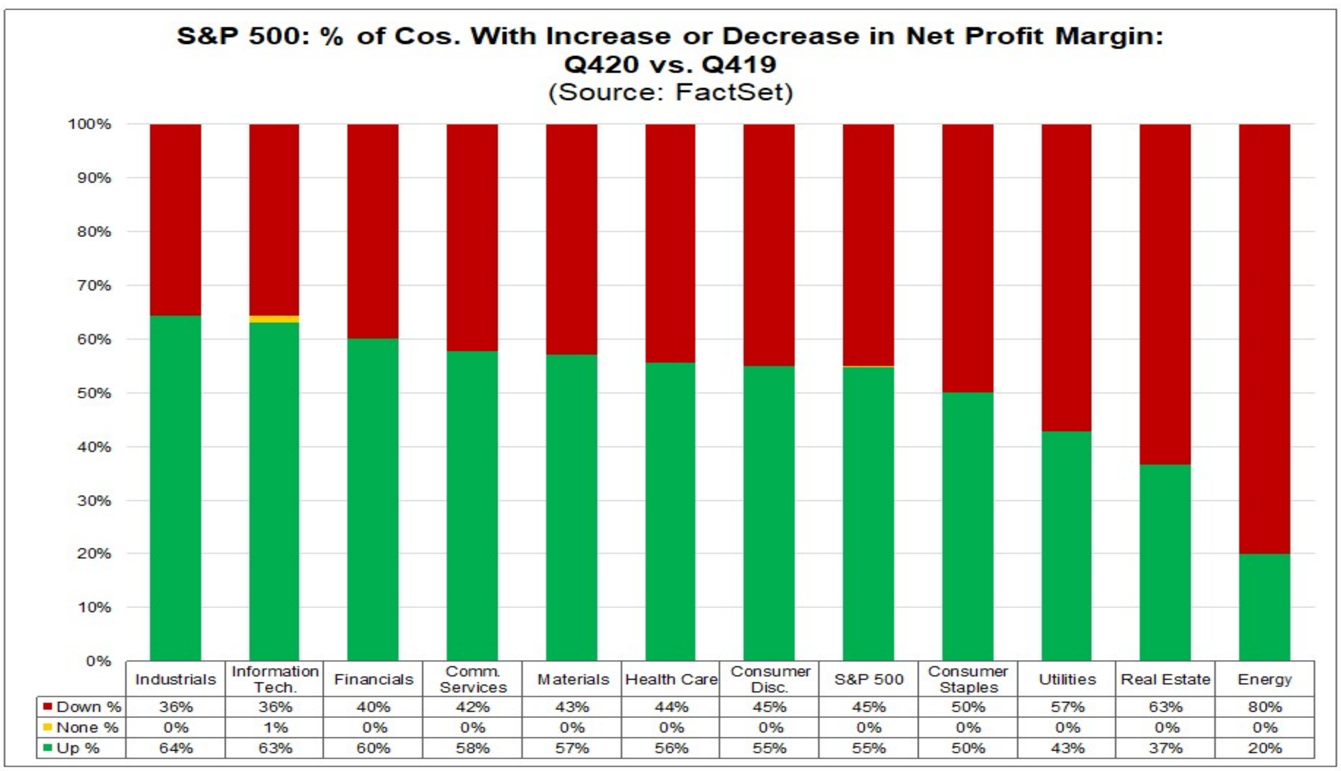




Q4 2020: Net Profit Margin



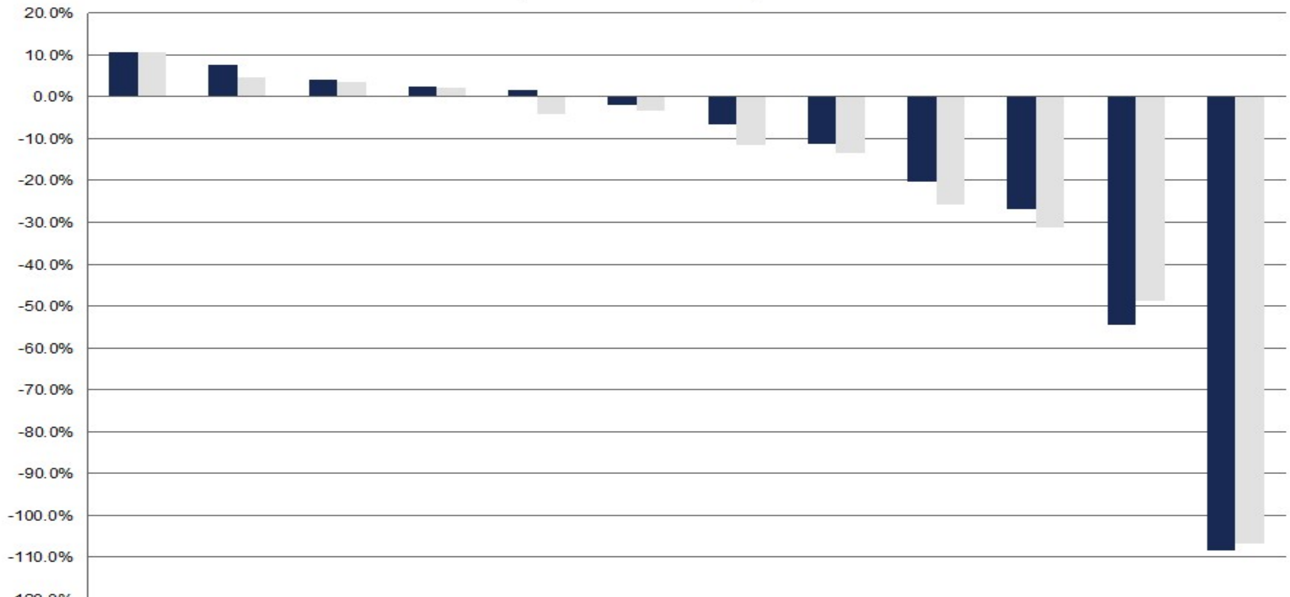
	Real Estate	Information Tech.	Financials	Comm. Services	Utilities	S&P 500	Materials	Health Care	Consumer Staples	Consumer Disc.	Industrials	Energy
Q420	35.0%	23.8%	18.6%	12.4%	11.2%	10.9%	10.2%	9.6%	6.4%	5.9%	4.4%	
Q419	33.3%	22.7%	15.9%	12.3%	11.5%	10.9%	8.6%	9.5%	6.5%	6.2%	8.6%	4.4%



	Industrials	Information Tech.	Financials	Comm. Services	Materials	Health Care	Consumer Disc.	S&P 500	Consumer Staples	Utilities	Real Estate	Energy
Down %	36%	36%	40%	42%	43%	44%	45%	45%	50%	57%	63%	80%
None %	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Up %	64%	63%	60%	58%	57%	56%	55%	55%	50%	43%	37%	20%

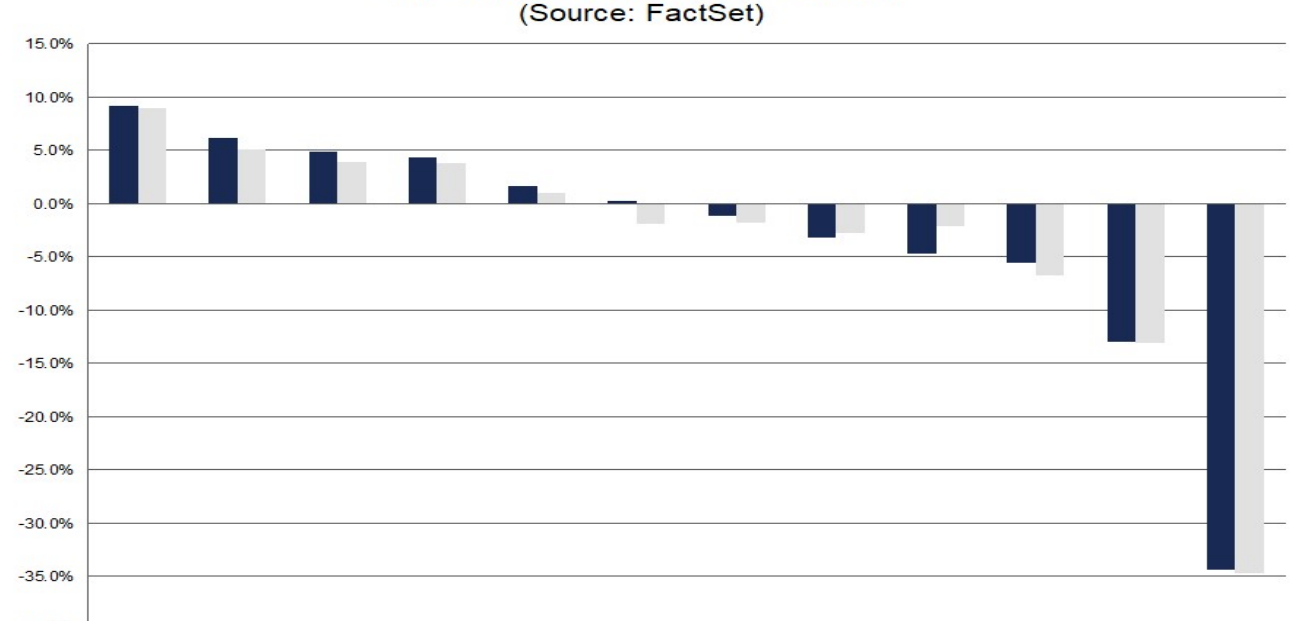
CY 2020: Growth

S&P 500 Earnings Growth: CY 2020
(Source: FactSet)



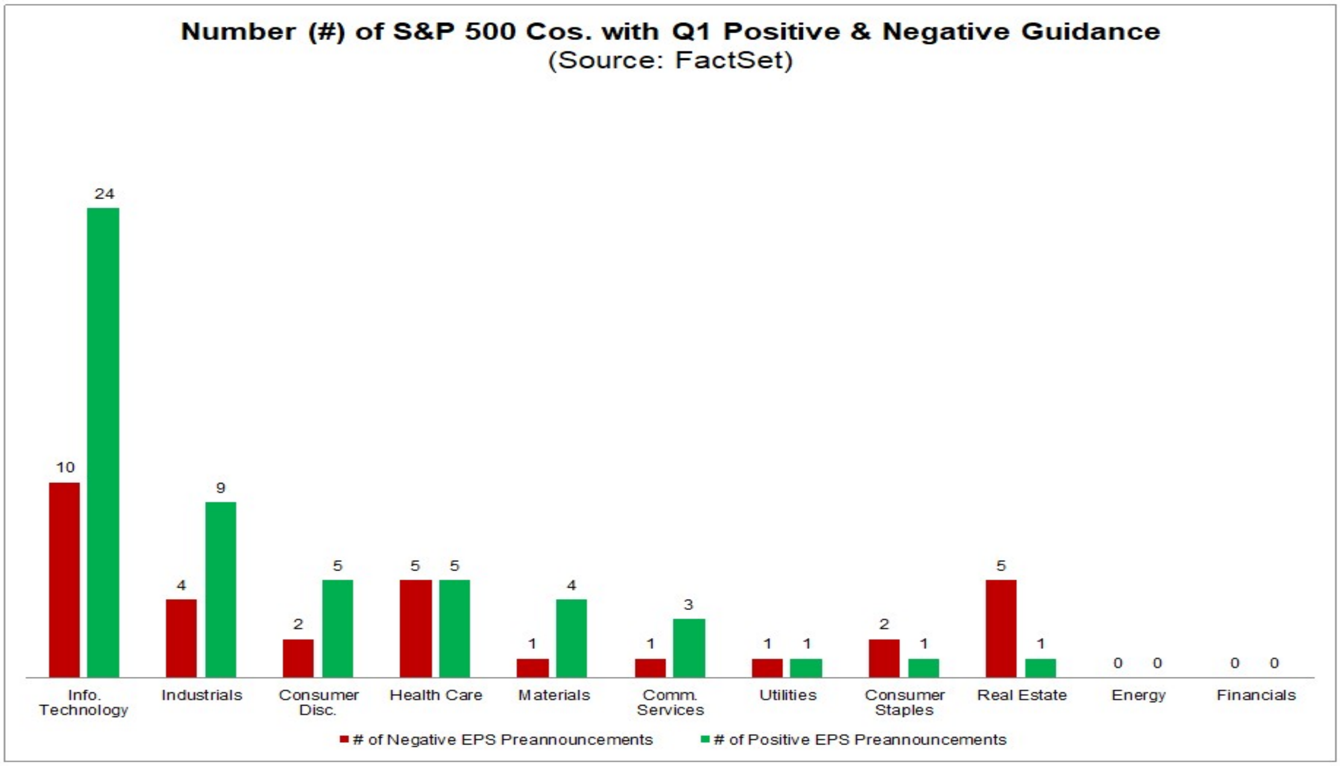
	Health Care	Info. Technology	Consumer Staples	Utilities	Comm. Services	Real Estate	Materials	S&P 500	Financials	Consumer Disc.	Industrials	Energy
Today	10.8%	7.6%	4.1%	2.4%	1.6%	-1.8%	-6.7%	-11.3%	-20.2%	-26.8%	-54.5%	-108.3%
31-Dec	10.6%	4.7%	3.5%	2.3%	-4.1%	-3.4%	-11.5%	-13.5%	-25.7%	-31.2%	-48.6%	-106.7%

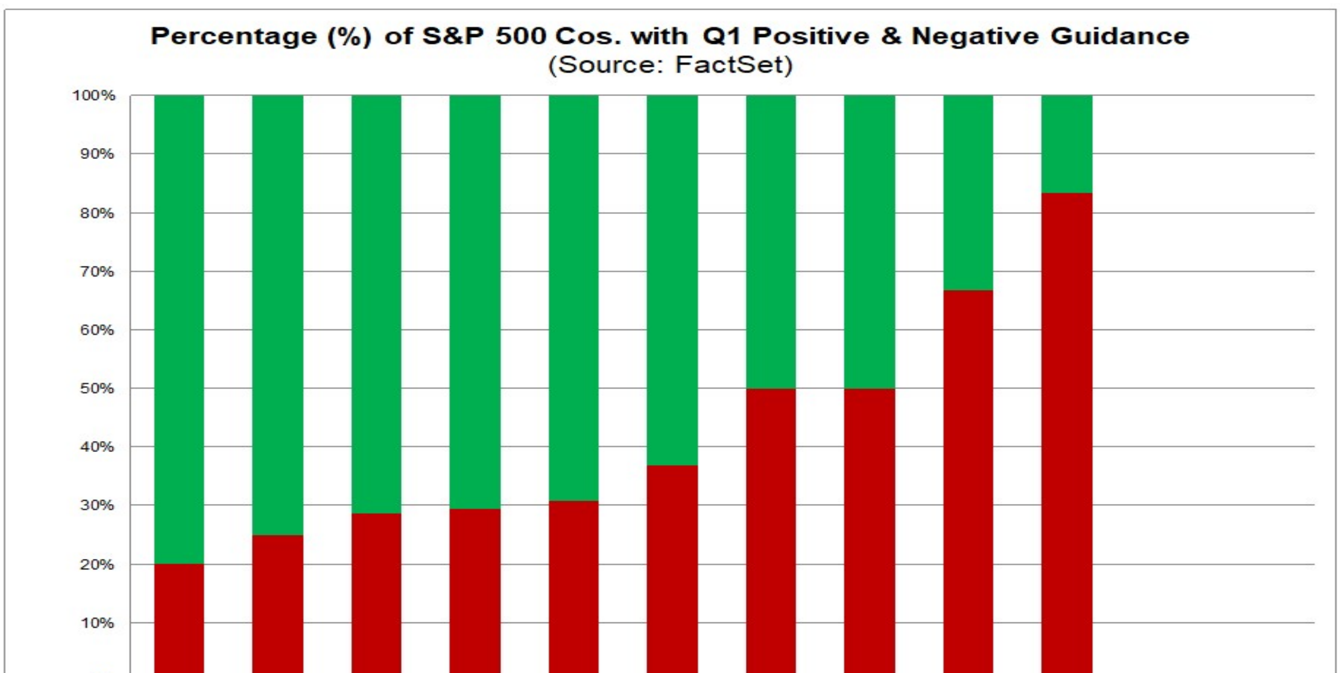
S&P 500 Revenue Growth: CY 2020
(Source: FactSet)



	Health Care	Info. Technology	Comm. Services	Consumer Staples	Consumer Disc.	Financials	S&P 500	Real Estate	Utilities	Materials	Industrials	Energy
Today	9.2%	6.2%	4.8%	4.4%	1.7%	0.3%	-1.1%	-3.1%	-4.7%	-5.5%	-13.0%	-34.4%
31-Dec	8.9%	5.1%	3.9%	3.8%	1.0%	-1.9%	-1.8%	-2.8%	-2.1%	-6.8%	-13.1%	-34.7%

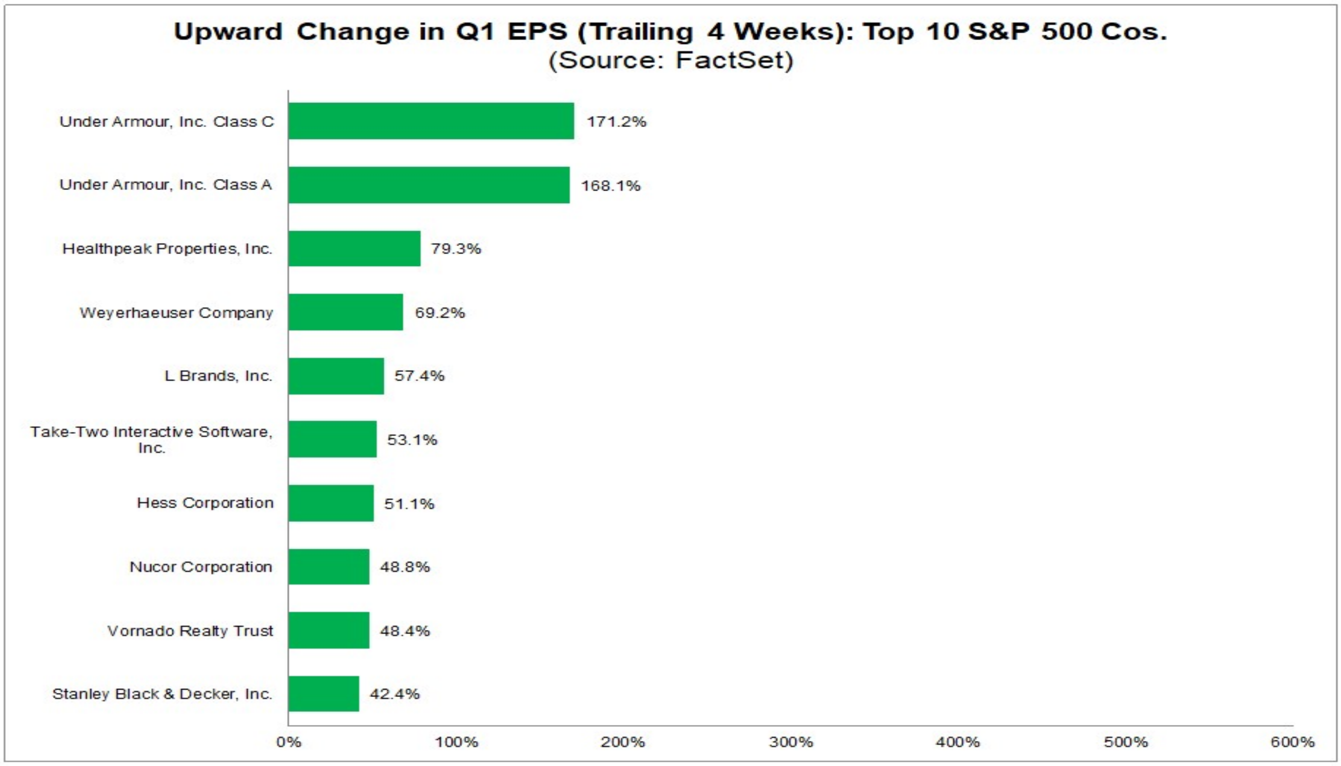
Q1 2021: EPS Guidance

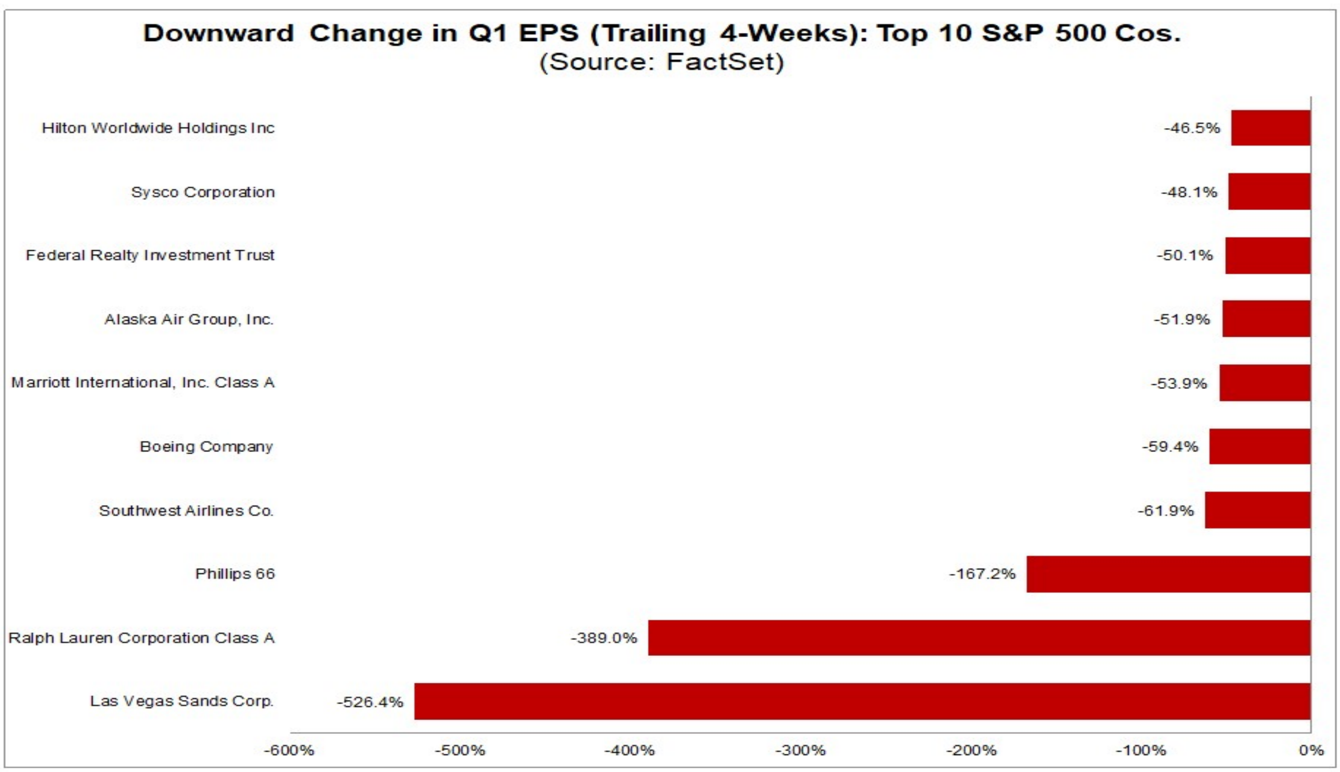




	Materials	Comm. Services	Consumer Disc.	Info. Technology	Industrials	S&P 500	Health Care	Utilities	Consumer Staples	Real Estate	Energy	Financials
Positive	80%	75%	71%	71%	69%	63%	50%	50%	33%	17%	0%	0%
Negative	20%	25%	29%	29%	31%	37%	50%	50%	67%	83%	0%	0%

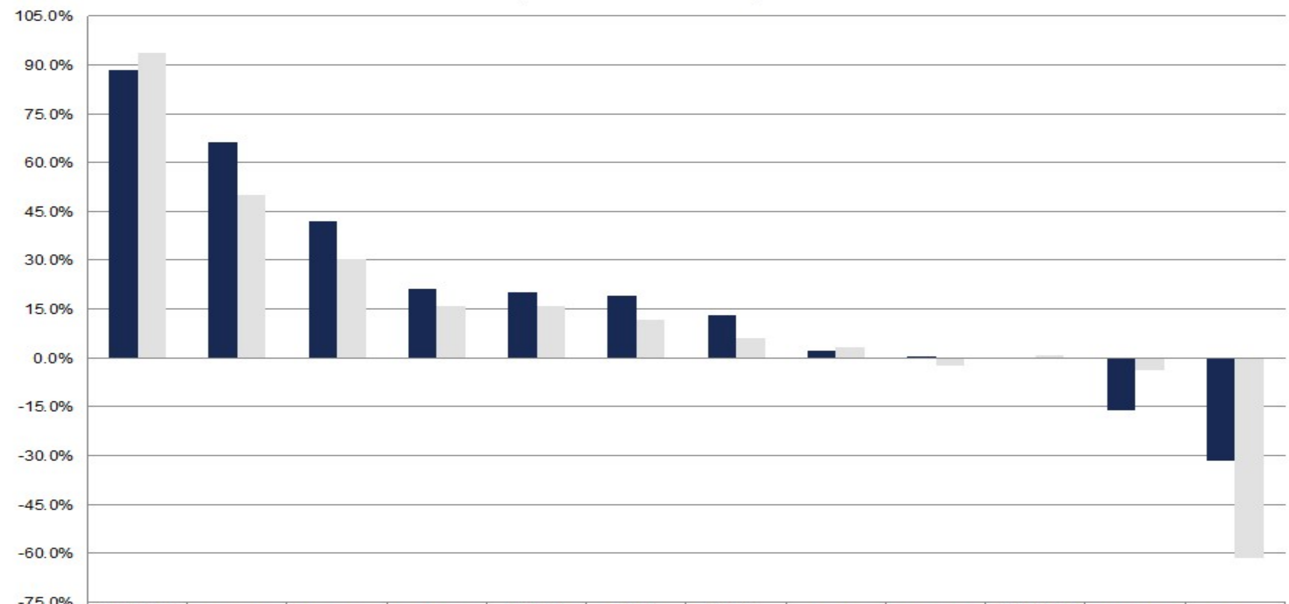
Q1 2021: EPS Revisions





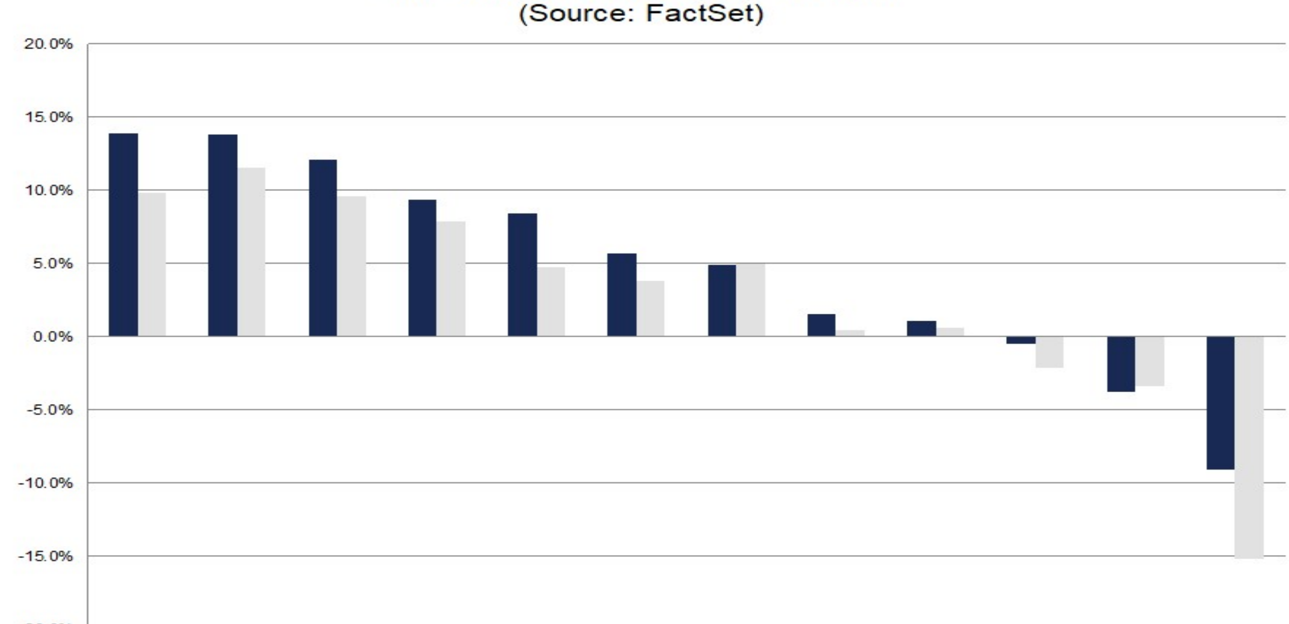
Q1 2021: Growth

S&P 500 Earnings Growth: Q1 2021
(Source: FactSet)



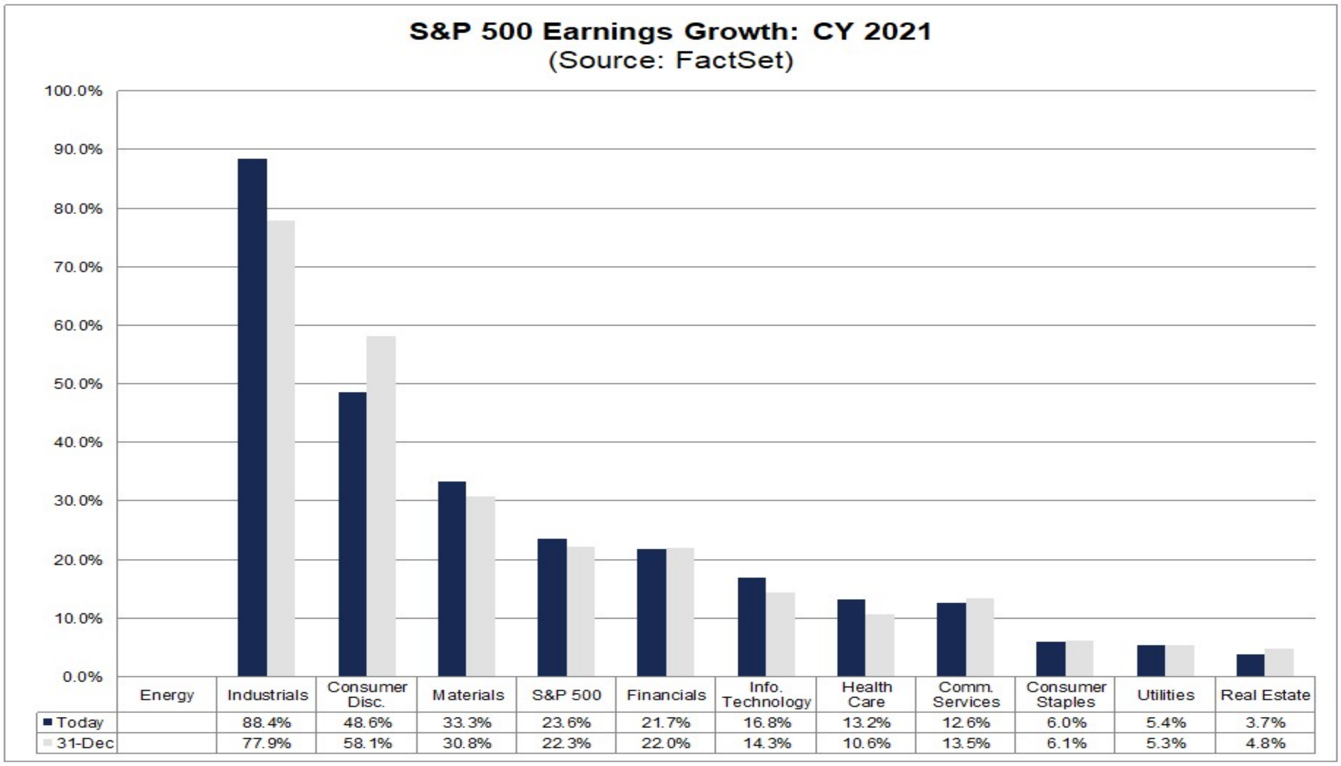
	Consumer Disc.	Financials	Materials	S&P 500	Health Care	Info. Technology	Comm. Services	Utilities	Real Estate	Consumer Staples	Industrials	Energy
Today	88.5%	66.4%	42.1%	21.2%	20.3%	19.2%	13.1%	2.2%	0.3%	-0.1%	-16.3%	-31.5%
31-Dec	93.6%	50.1%	30.4%	15.7%	15.8%	11.8%	6.1%	3.3%	-2.4%	0.9%	-3.9%	-61.4%

S&P 500 Revenue Growth: Q1 2021
(Source: FactSet)

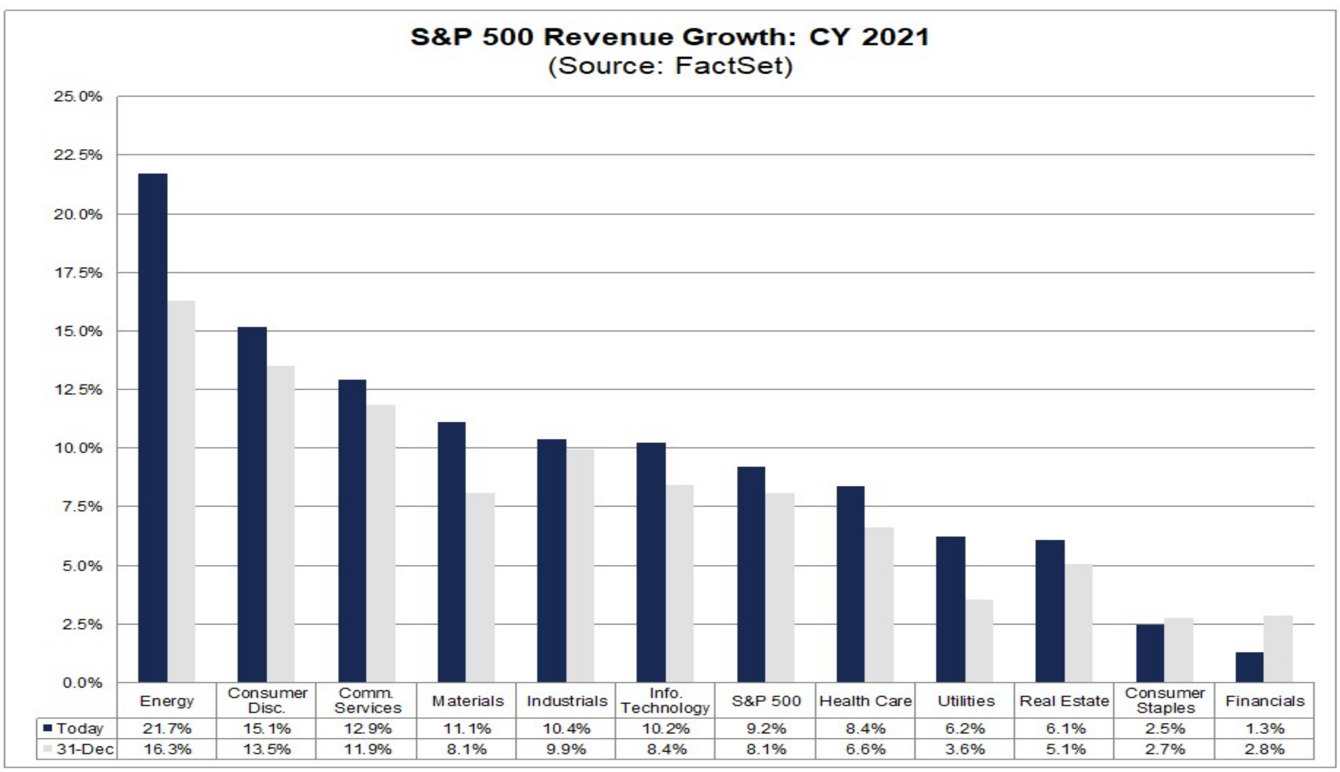


	Info. Technology	Consumer Disc.	Comm. Services	Health Care	Materials	S&P 500	Utilities	Financials	Consumer Staples	Real Estate	Industrials	Energy
Today	13.9%	13.8%	12.1%	9.3%	8.4%	5.7%	4.9%	1.6%	1.0%	-0.5%	-3.8%	-9.1%
31-Dec	9.9%	11.5%	9.6%	7.8%	4.7%	3.8%	4.9%	0.4%	0.6%	-2.2%	-3.4%	-15.2%

CY 2021: Growth

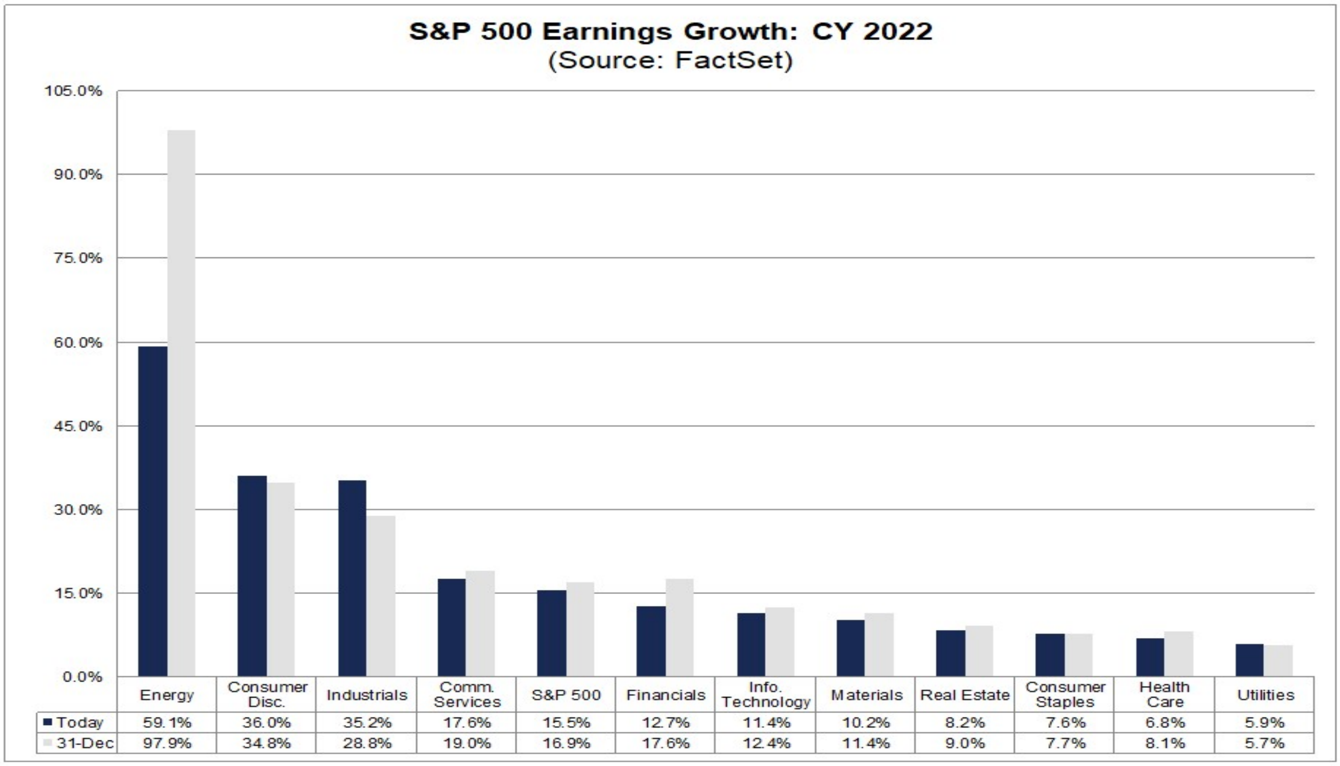


	Energy	Industrials	Consumer Disc.	Materials	S&P 500	Financials	Info. Technology	Health Care	Comm. Services	Consumer Staples	Utilities	Real Estate
Today		88.4%	48.6%	33.3%	23.6%	21.7%	16.8%	13.2%	12.6%	6.0%	5.4%	3.7%
31-Dec		77.9%	58.1%	30.8%	22.3%	22.0%	14.3%	10.6%	13.5%	6.1%	5.3%	4.8%

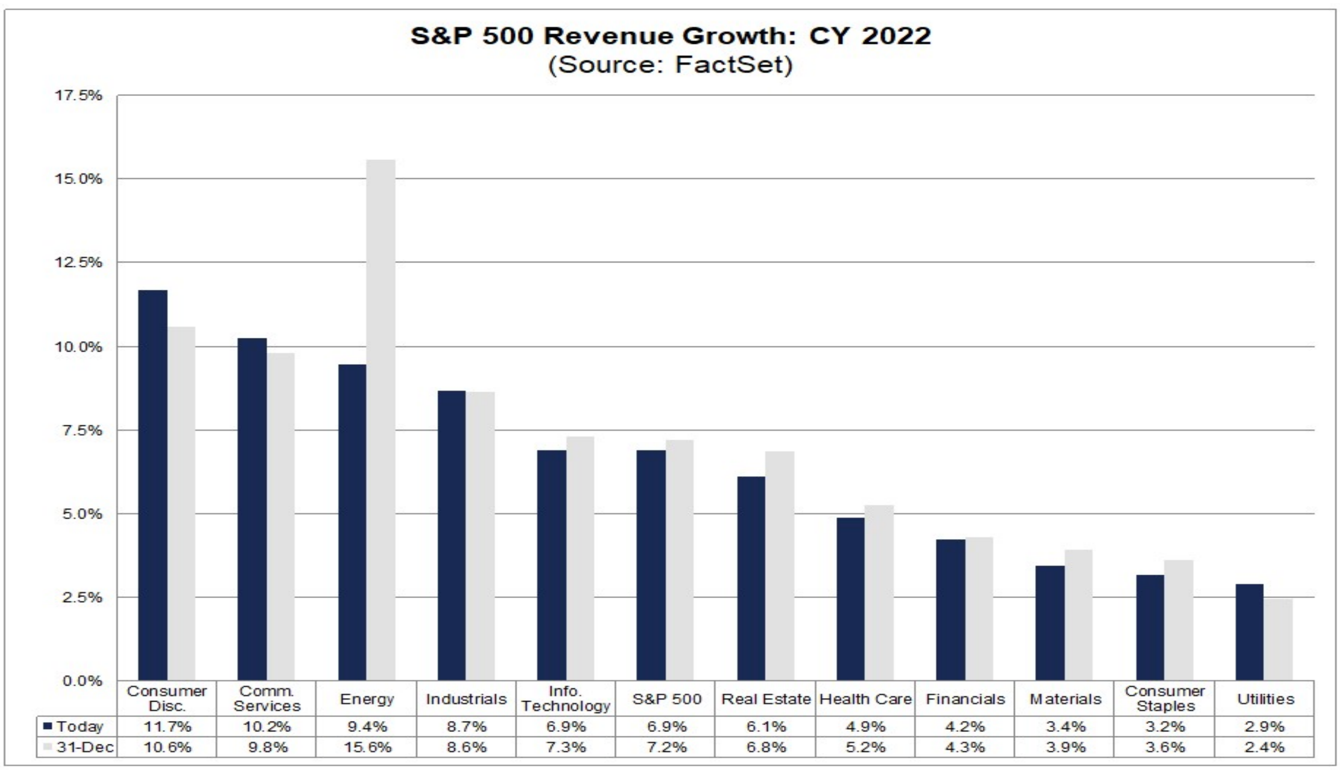


	Energy	Consumer Disc.	Comm. Services	Materials	Industrials	Info. Technology	S&P 500	Health Care	Utilities	Real Estate	Consumer Staples	Financials
Today	21.7%	15.1%	12.9%	11.1%	10.4%	10.2%	9.2%	8.4%	6.2%	6.1%	2.5%	1.3%
31-Dec	16.3%	13.5%	11.9%	8.1%	9.9%	8.4%	8.1%	6.6%	3.6%	5.1%	2.7%	2.8%

CY 2022: Growth

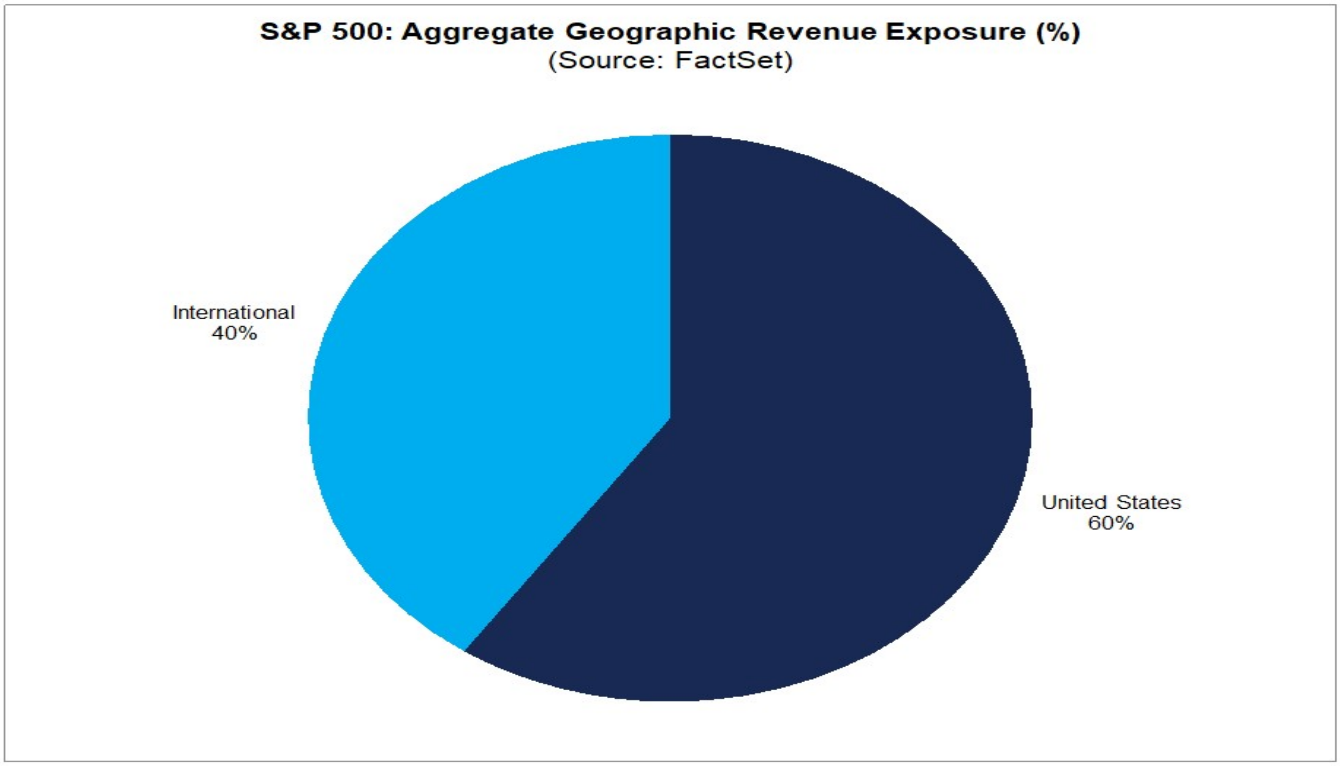


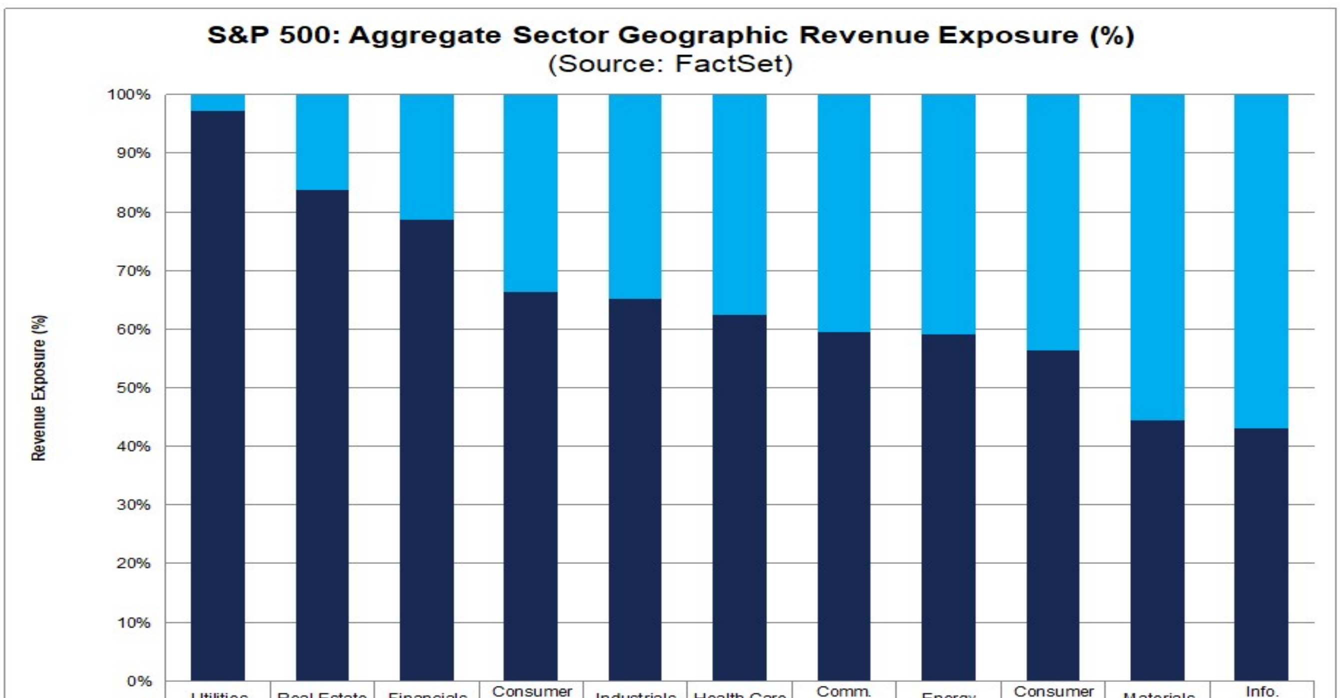
	Energy	Consumer Disc.	Industrials	Comm. Services	S&P 500	Financials	Info. Technology	Materials	Real Estate	Consumer Staples	Health Care	Utilities
Today	59.1%	36.0%	35.2%	17.6%	15.5%	12.7%	11.4%	10.2%	8.2%	7.6%	6.8%	5.9%
31-Dec	97.9%	34.8%	28.8%	19.0%	16.9%	17.6%	12.4%	11.4%	9.0%	7.7%	8.1%	5.7%



	Consumer Disc.	Comm. Services	Energy	Industrials	Info. Technology	S&P 500	Real Estate	Health Care	Financials	Materials	Consumer Staples	Utilities
Today	11.7%	10.2%	9.4%	8.7%	6.9%	6.9%	6.1%	4.9%	4.2%	3.4%	3.2%	2.9%
31-Dec	10.6%	9.8%	15.6%	8.6%	7.3%	7.2%	6.8%	5.2%	4.3%	3.9%	3.6%	2.4%

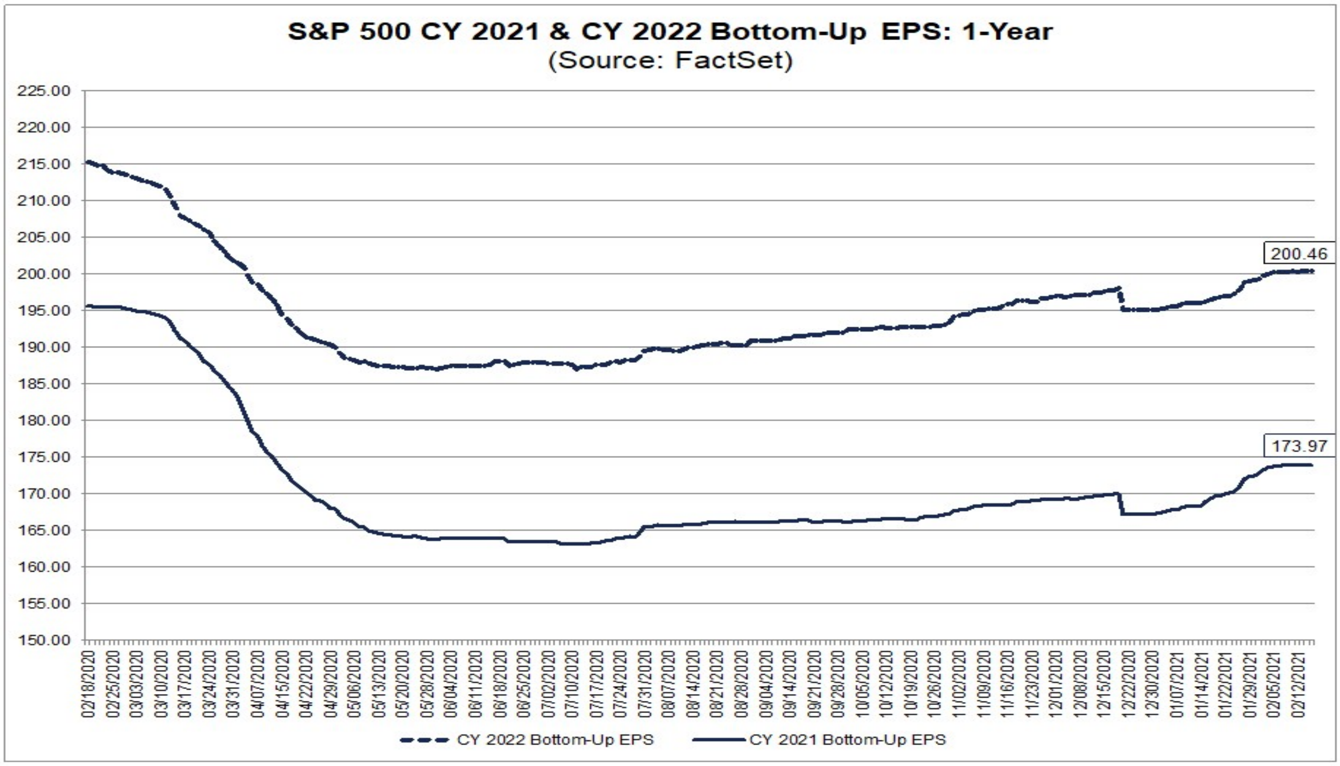
Geographic Revenue Exposure

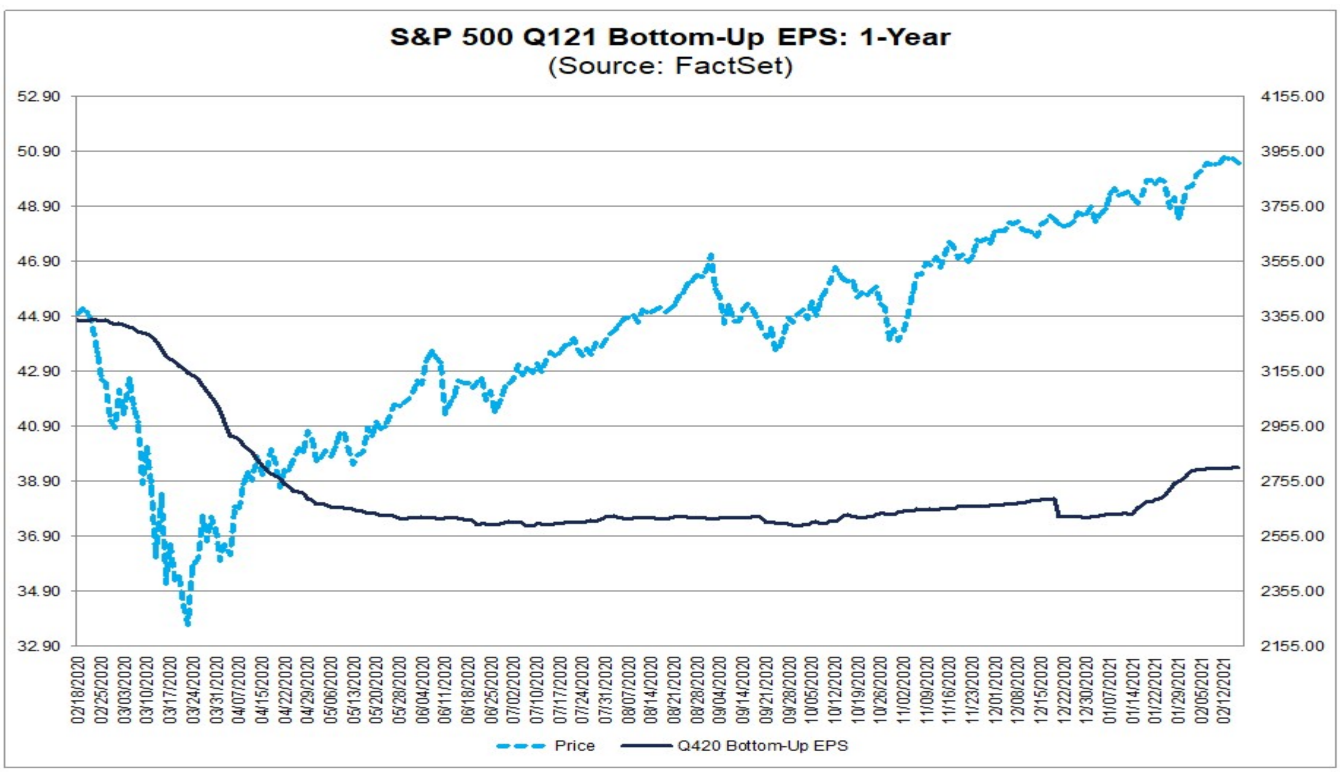




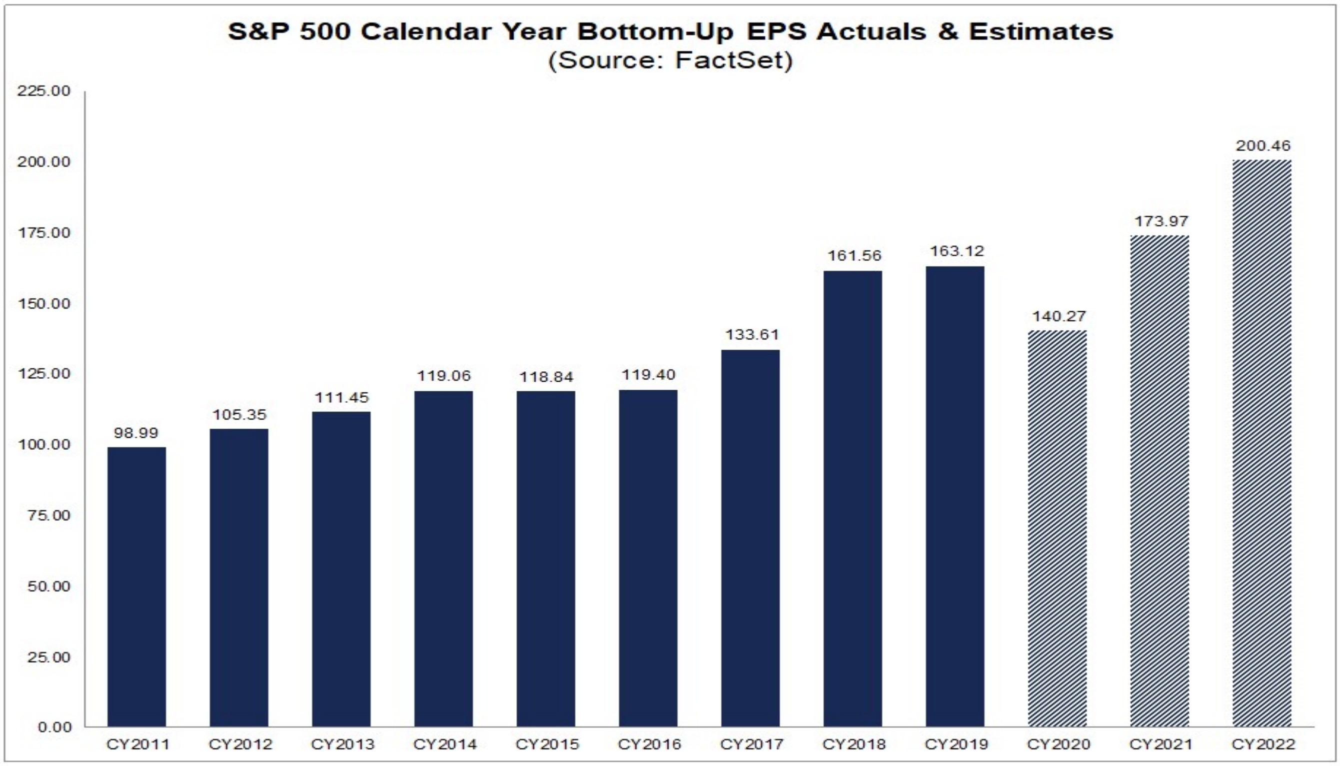
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Comm. Services	Energy	Consumer Staples	Materials	Info. Technology
International	3%	16%	21%	34%	35%	38%	41%	41%	44%	56%	57%
United States	97%	84%	79%	66%	65%	62%	59%	59%	56%	44%	43%

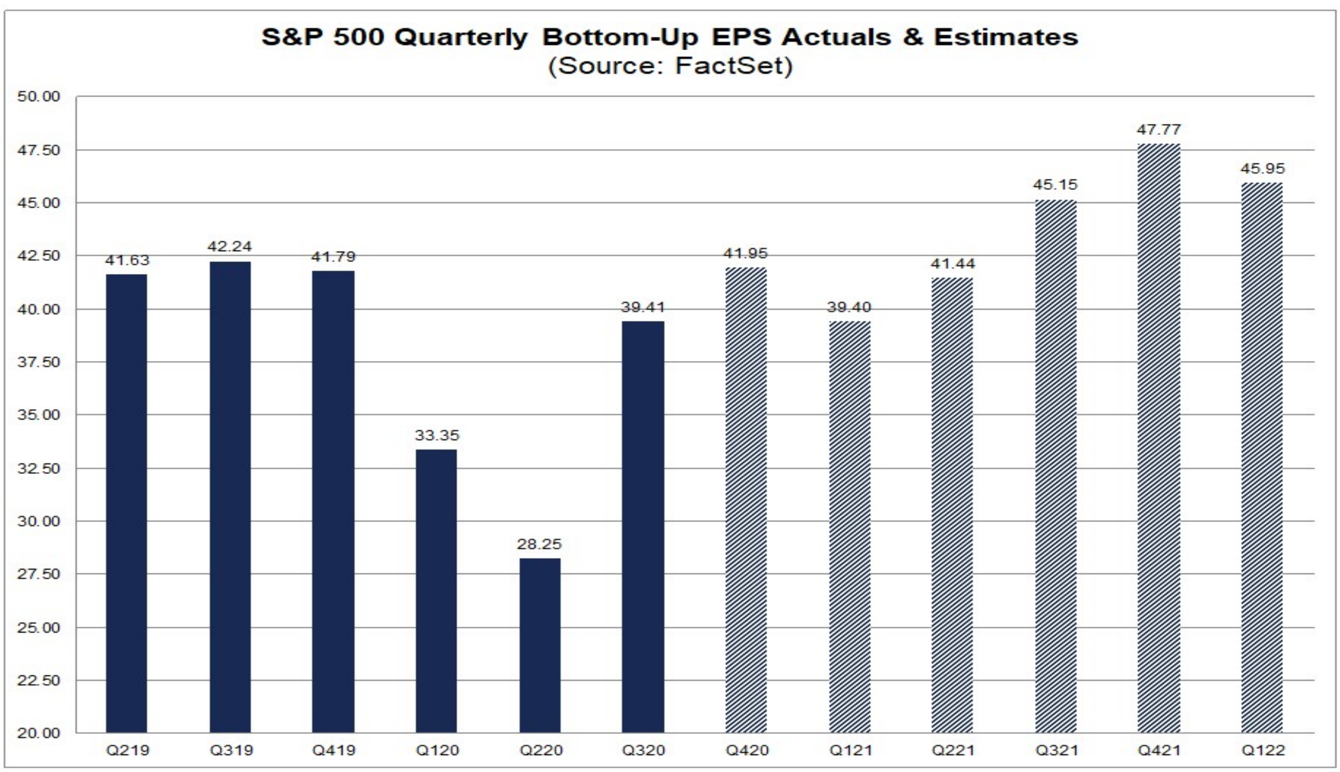
Bottom-up EPS Estimates: Revisions



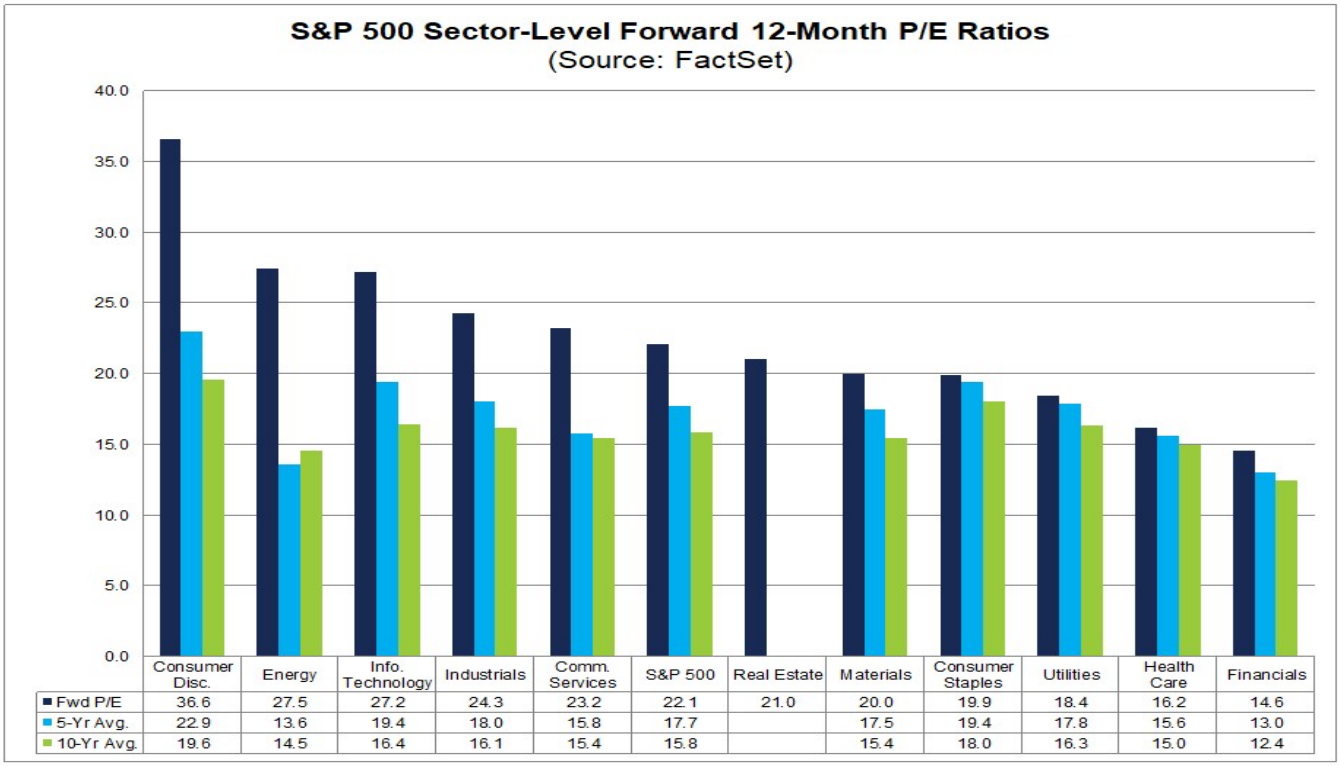


Bottom-up EPS Estimates: Current & Historical

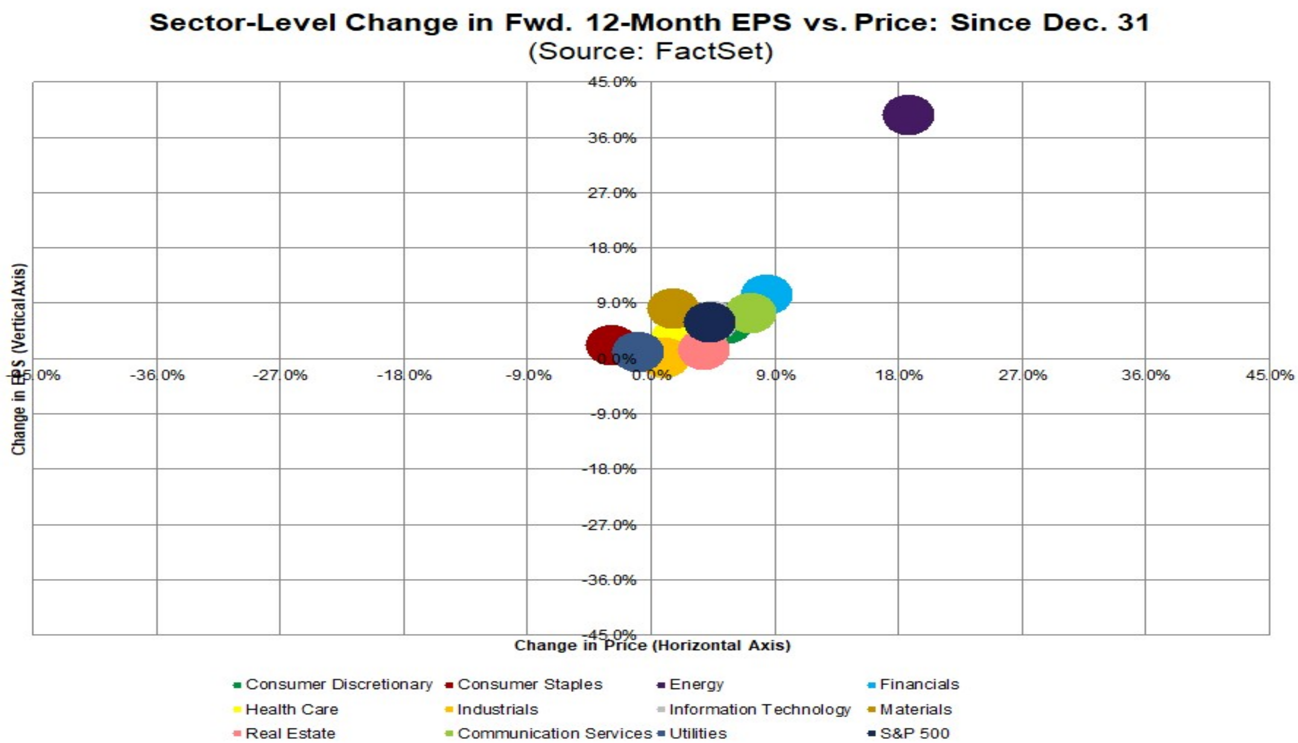




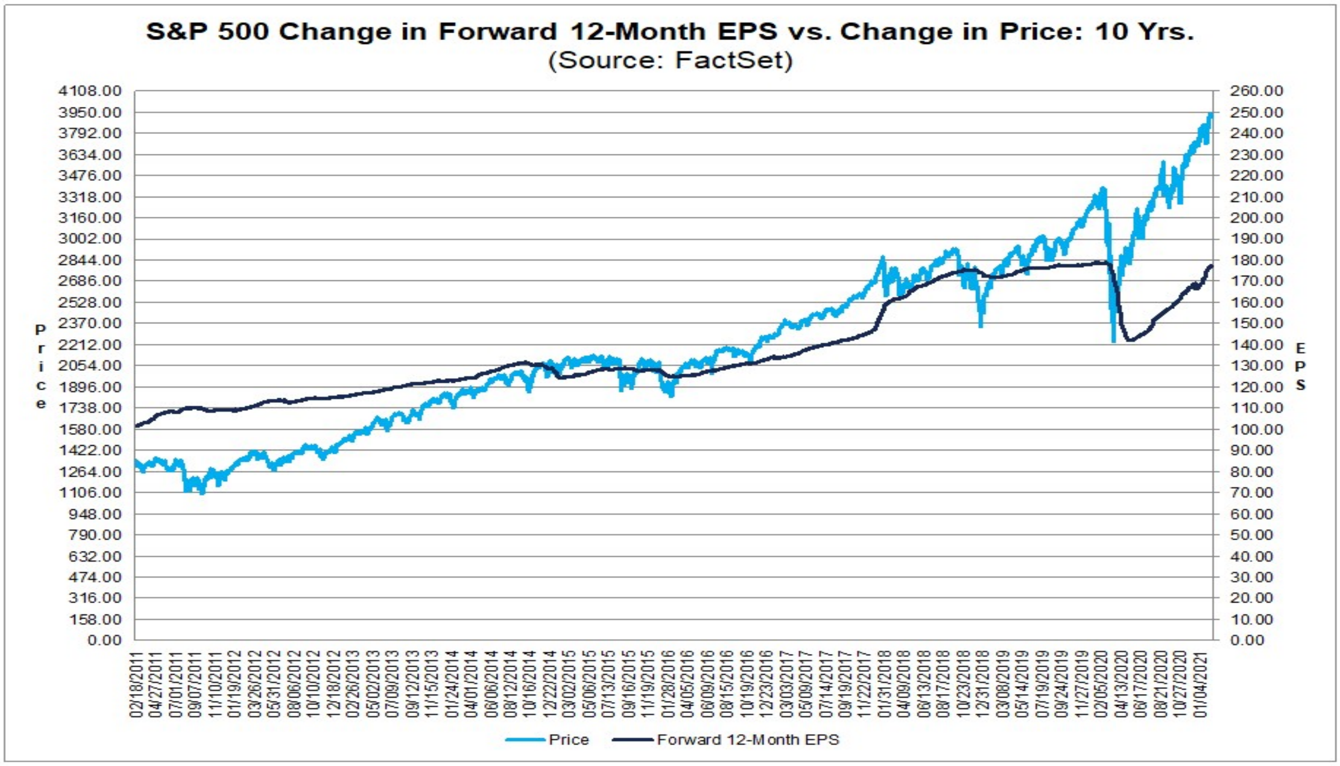
Forward 12M P/E Ratio: Sector Level

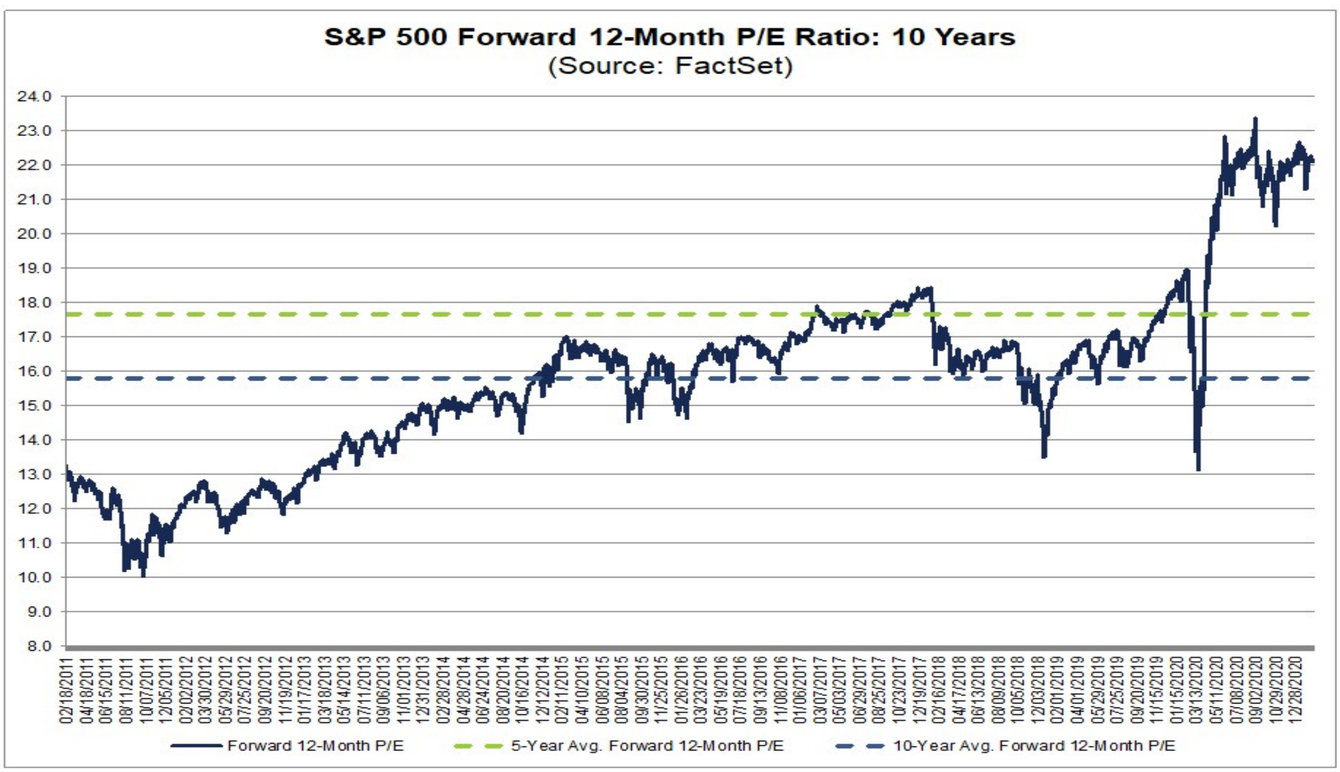


	Consumer Disc.	Energy	Info. Technology	Industrials	Comm. Services	S&P 500	Real Estate	Materials	Consumer Staples	Utilities	Health Care	Financials
Fwd P/E	36.6	27.5	27.2	24.3	23.2	22.1	21.0	20.0	19.9	18.4	16.2	14.6
5-Yr Avg.	22.9	13.6	19.4	18.0	15.8	17.7		17.5	19.4	17.8	15.6	13.0
10-Yr Avg.	19.6	14.5	16.4	16.1	15.4	15.8		15.4	18.0	16.3	15.0	12.4

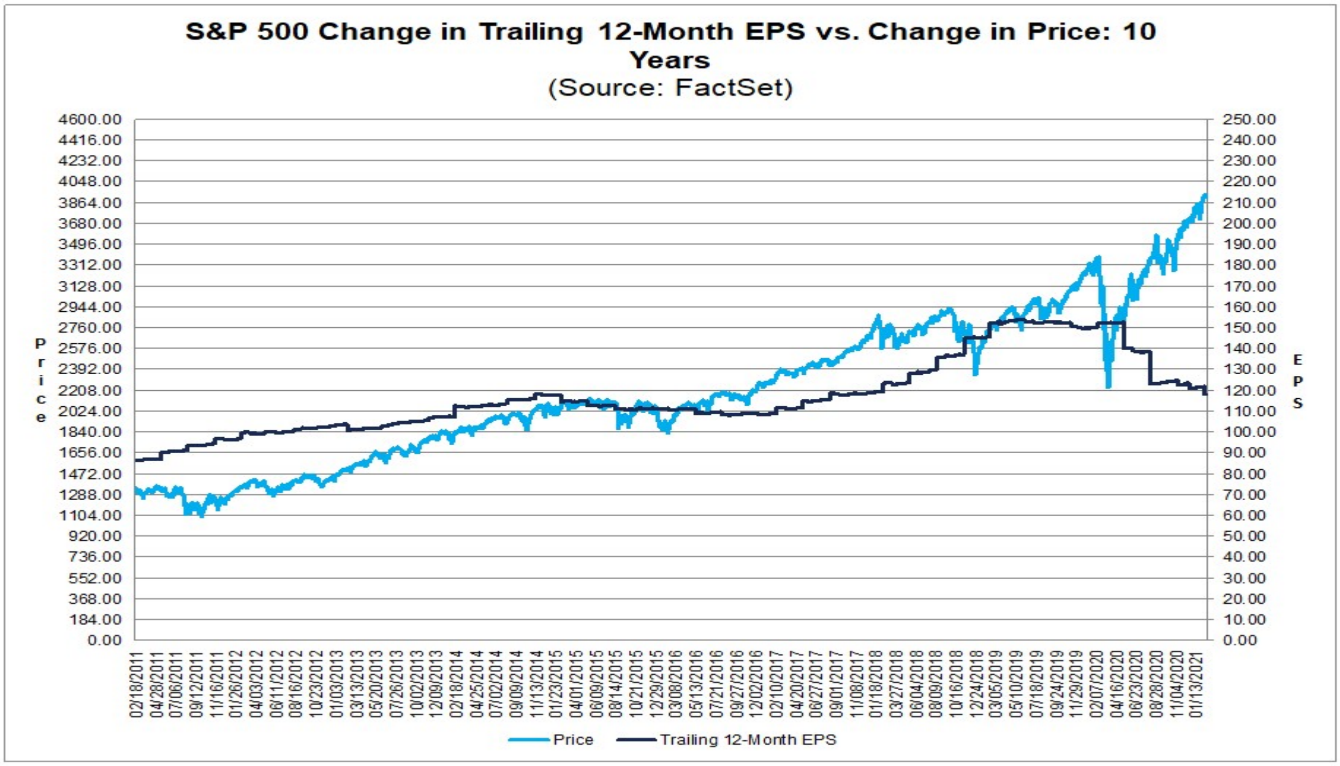


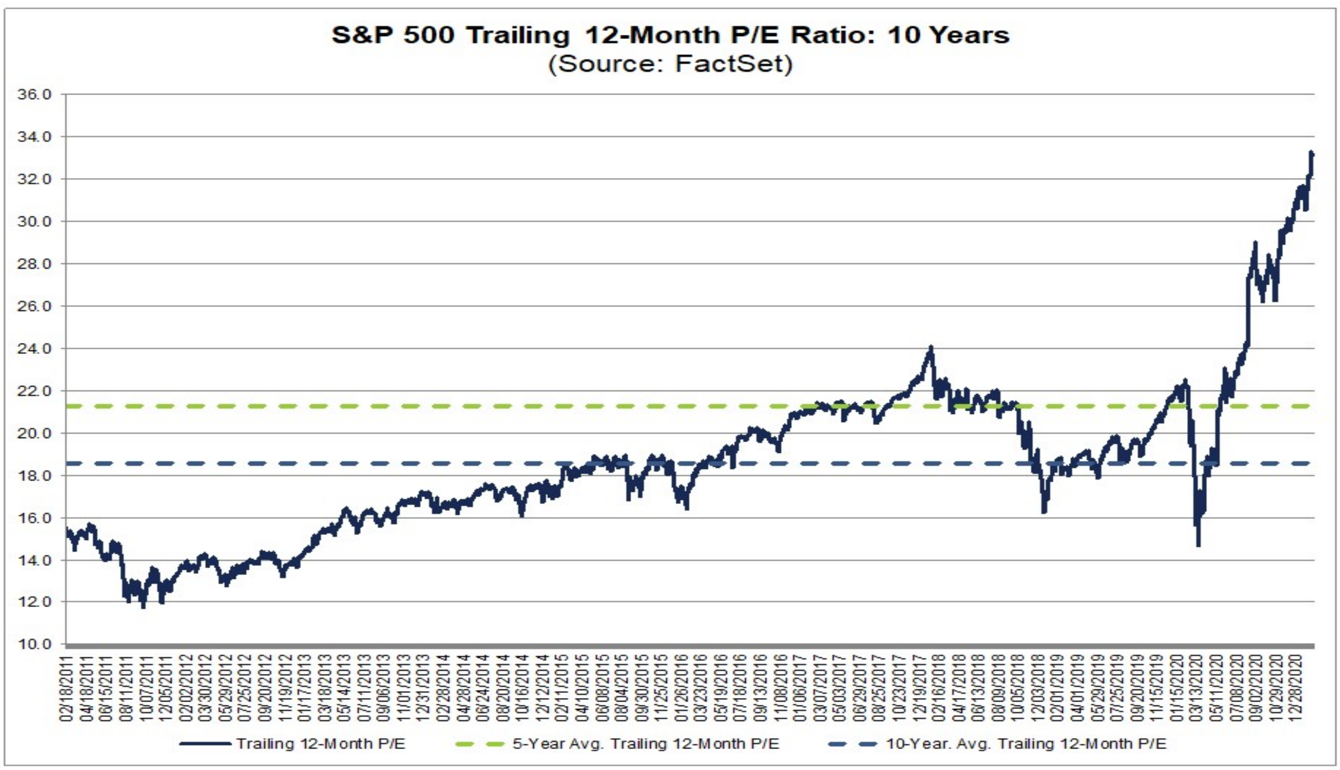
Forward 12M P/E Ratio: 10-Years



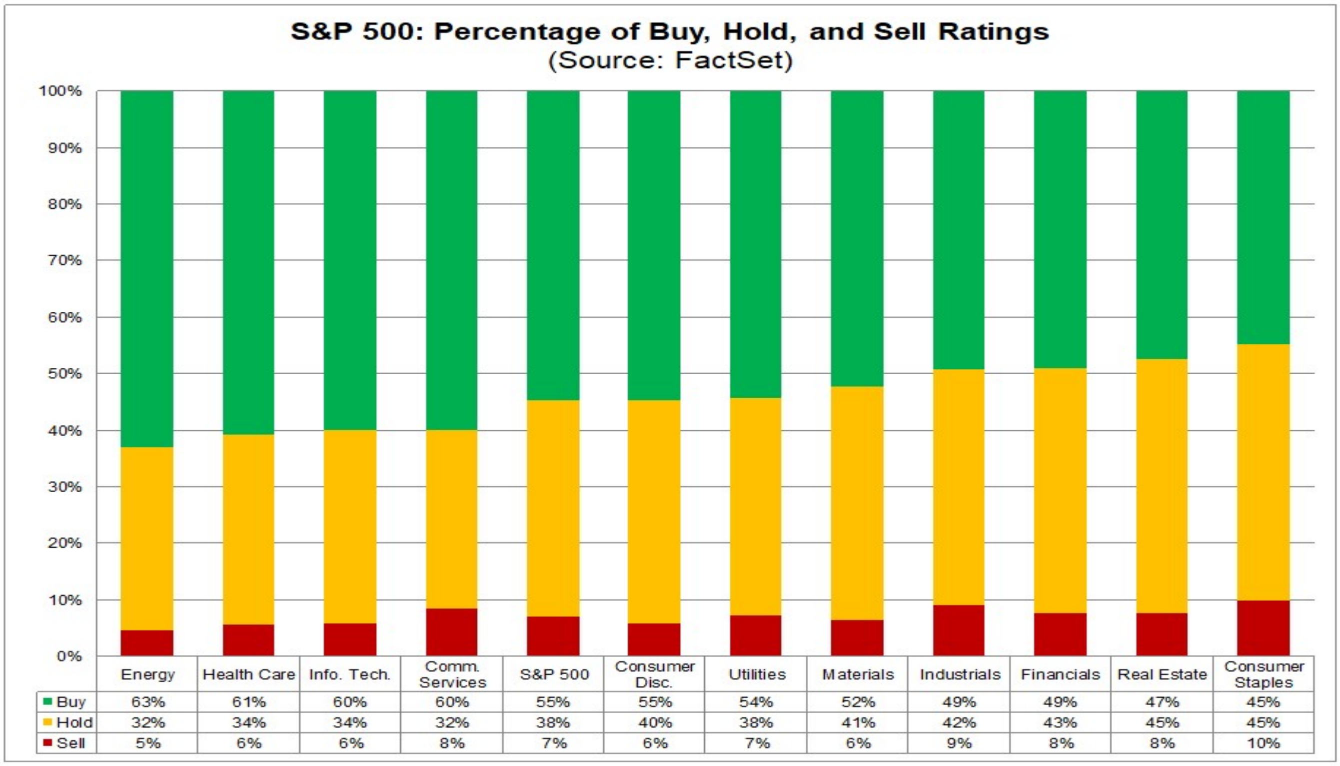


Trailing 12M P/E Ratio: 10-Years

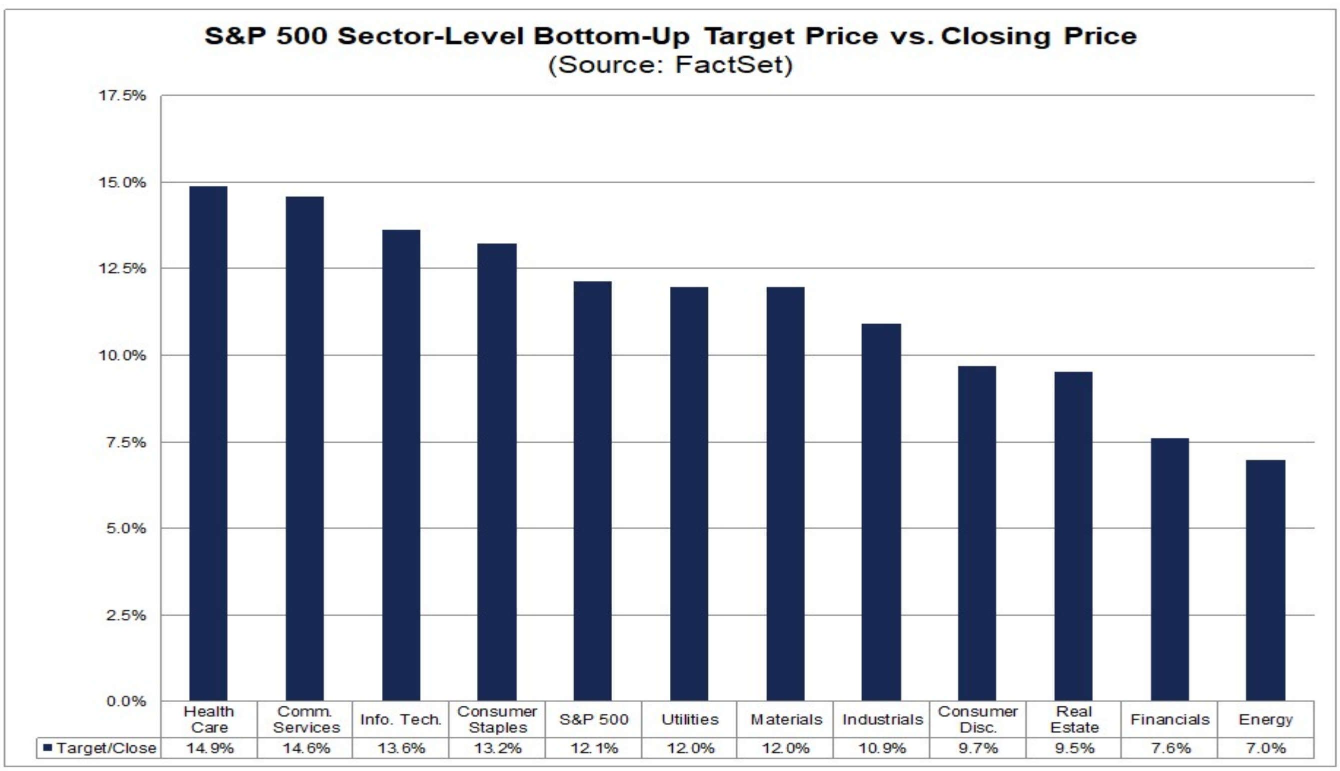




Targets & Ratings



	Energy	Health Care	Info. Tech.	Comm. Services	S&P 500	Consumer Disc.	Utilities	Materials	Industrials	Financials	Real Estate	Consumer Staples
Buy	63%	61%	60%	60%	55%	55%	54%	52%	49%	49%	47%	45%
Hold	32%	34%	34%	32%	38%	40%	38%	41%	42%	43%	45%	45%
Sell	5%	6%	6%	8%	7%	6%	7%	6%	9%	8%	8%	10%



	Health Care	Comm. Services	Info. Tech.	Consumer Staples	S&P 500	Utilities	Materials	Industrials	Consumer Disc.	Real Estate	Financials	Energy
Target/Close	14.9%	14.6%	13.6%	13.2%	12.1%	12.0%	12.0%	10.9%	9.7%	9.5%	7.6%	7.0%

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