John Butters, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

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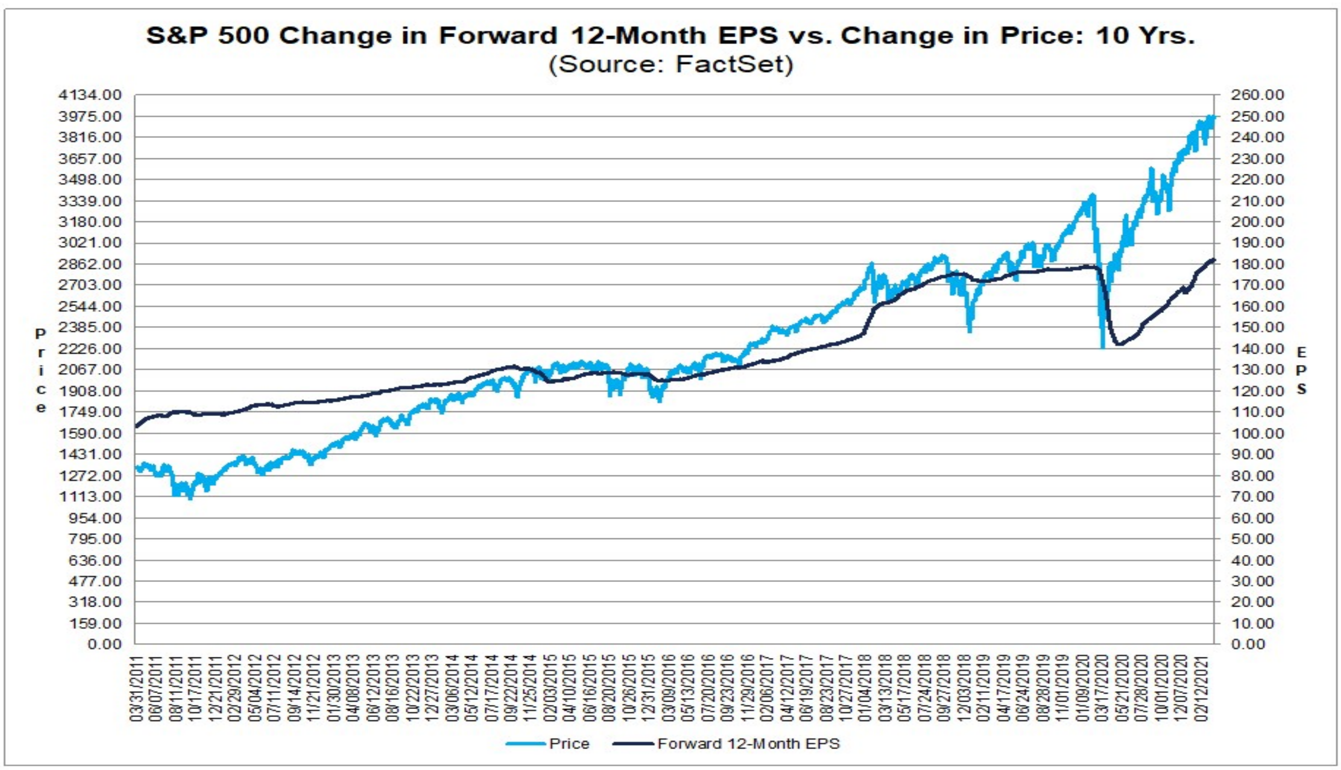
Key Metrics

- **Earnings Growth:** For Q1 2021, the estimated earnings growth rate for the S&P 500 is 23.8%. If 23.8% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q3 2018 (26.1%).
- **Earnings Revisions:** On December 31, the estimated earnings growth rate for Q1 2021 was 15.8%. Eight sectors have higher earnings growth rates or smaller earnings declines today (compared to December 31) due to upward revisions to EPS estimates.
- **Earnings Guidance:** For Q1 2021, 34 S&P 500 companies have issued negative EPS guidance and 61 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.9. This P/E ratio is above the 5-year average (17.8) and above the 10-year average (15.9).
- **Earnings Scorecard:** For Q1 2021 (with 16 of the companies in the S&P 500 reporting actual results), 14 S&P 500 companies have reported a positive EPS surprise and 13 S&P 500 companies have reported a positive revenue surprise



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Topic of the Week:

Record-High Increase in S&P 500 EPS Estimates for Q1

During the first quarter, analysts increased earnings estimates for companies in the S&P 500 for the quarter. The Q1 bottom-up EPS estimate (which is an aggregation of the median Q1 EPS estimates for all the companies in the index) increased by 6.0% (to $39.86 from $37.61) during this period. How significant is a 6.0% increase in the bottom-up EPS estimate during a quarter? How does this increase compare to recent quarters?

On average, the quarterly bottom-up EPS estimate usually decreases during a quarter. During the past five years (20 quarters), the bottom-up EPS estimate has recorded an average decline of 4.2% during a quarter. During the past ten years, (40 quarters), the bottom-up EPS estimate has also recorded an average decline of 4.2% during a quarter. During the past fifteen years, (60 quarters), the bottom-up EPS estimate has recorded an average decline of 5.1% during a quarter.

In fact, the first quarter of 2021 marked the largest increase in the bottom-up EPS estimate during a quarter since FactSet began tracking the quarterly bottom-up EPS estimate in Q2 2002. The previous record was 5.4%, which occurred in Q1 2018 after tax reform was passed.

As the bottom-up EPS estimate for the first quarter rose during the quarter, the value of the S&P 500 also rose during this same period. From December 31 through March 31, the value of the index increased by 5.8% (to 3972.89 from 3756.07). The first quarter marked only the fourth time since 2010 but also the third consecutive quarter in which both the bottom-up EPS estimate and the value of the index increased during the quarter.

At the sector level, seven of the eleven sectors recorded an increase in their bottom-up EPS estimates during the quarter. Six of these seven sectors recorded an increase that was above their 5-year average, their 10-year average, and their 15-year average. Two of these six sectors (Energy and Information Technology) recorded the largest increase in their bottom-up EPS estimate since FactSet began tracking this metric in 2002.

The Energy sector recorded the largest increase in its bottom-up EPS estimate of all eleven sectors during the quarter at 123.4% (to $2.55 from $1.14). This rise also marked the largest quarterly increase in the bottom-up EPS estimate for this sector since FactSet began tracking this metric in 2002. The previous record was 46.8%, which occurred in Q1 2003. In addition, the Energy sector witnessed the largest price increase of all eleven sectors during the quarter at 29.3% (to 369.89 from 286.14).

The Financials sector recorded the second-largest increase in its bottom-up EPS estimate of all eleven sectors during the quarter at 13.1% (to $9.41 from $8.32). This rise also marked the second-largest quarterly increase in the bottom-up EPS estimate for this sector since FactSet began tracking this metric in 2002. In addition, the Financials sector witnessed the second-largest price increase of all eleven sectors during the quarter at 15.4% (to 565.72 from 490.43).

The Materials sector recorded the third-largest increase in its bottom-up EPS estimate of all eleven sectors during the quarter at 12.8% (to $5.63 from $4.99). This rise also marked the third-largest quarterly increase in the bottom-up EPS estimate for this sector since FactSet began tracking this metric in 2002. In addition, the Materials sector witnessed the fourth-largest price increase of all eleven sectors during the quarter at 8.6% (to 494.71 from 455.71).

The Information Technology sector recorded the fourth-largest increase in its bottom-up EPS estimate of all eleven sectors during the quarter at 9.0% (to $20.15 from $18.48). This rise also marked the largest quarterly increase in the bottom-up EPS estimate for this sector since FactSet began tracking this metric in 2002. The previous record was 8.8%, which occurred in Q2 2010. Despite the unusually large increase in earnings, the Information Technology witnessed the second-smallest price increase of all eleven sectors during the quarter at 1.7% (to 2331.06 from 2291.28).

Analysts have not only increased EPS estimates for the first quarter, but also for the full year. The CY 2021 bottom-up EPS estimate (which is an aggregation of the median 2021 EPS estimates for all of the companies in the index) increased by 5.0% (to $175.75 from $167.37) during the first quarter.

On average, the annual bottom-up EPS estimate usually decreases during the first three months of the year. During the past five years, the annual bottom-up EPS estimate has recorded an average decline of 2.5% during the first three months of the year. During the past ten years, the annual bottom-up EPS estimate has recorded an average decline of 2.0% during the first three months of the year. During the past fifteen years, the annual bottom-up EPS estimate has recorded an average decline of 3.3% during the first three months of the year. During the past twenty years, the annual bottom-up EPS estimate has recorded an average decline of 3.0% during the first three months of the year.

In fact, this increase marked the second-largest increase in the annual bottom-up EPS estimate for the index over the first three months of the year since FactSet began tracking the annual bottom-up EPS estimate in 1996. The current record is 7.1%, which occurred in the first three months of 2018 after tax reform passed.

At the sector level, eight of the eleven sectors recorded an increase in their bottom-up EPS estimates for 2021 during this first three months of the year, led by the Energy (+69.5%), Materials (+13.2%), Financials (+11.2%), and Information Technology (+5.7%) sectors. These are the same four sectors that witnessed the largest increases in their quarterly bottom-up EPS estimates during the first three months of the year.

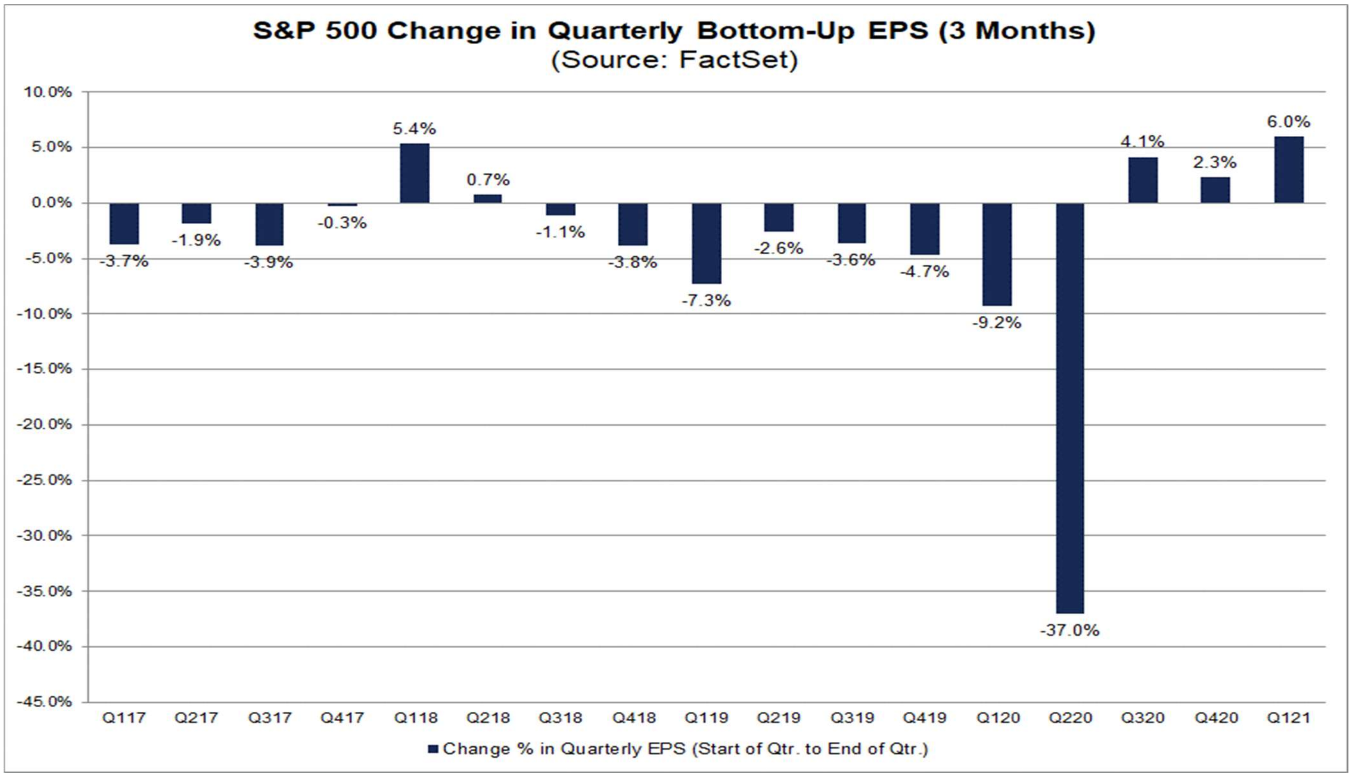
What factors are driving the upward revisions to EPS estimates for the first quarter and the full year?

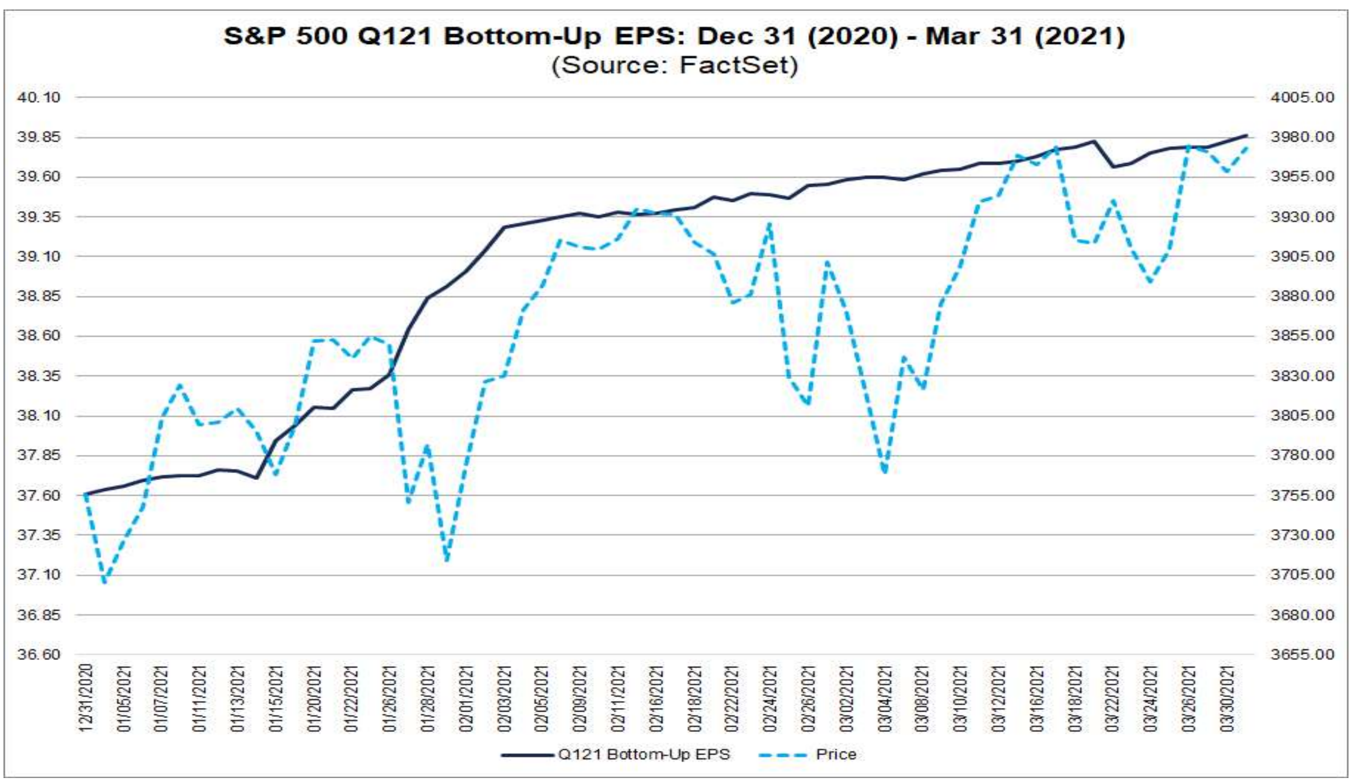
First, it appears analysts may have been too aggressive in their downward revisions to EPS estimates during the first half of 2020 at the height of the COVID-19 lockdowns. From December 31 (2019) through June 30 (2020), the bottom-up EPS estimates for Q1 2021 and CY 2021 declined by 16.5% (to $37.40 from $44.78) and 16.9% (to $163.48 from $196.81), respectively. Starting in Q3 2020, analysts reversed course and started raising EPS estimates for the third quarter and for future quarters. This trend continued through the first quarter of 2021, which marked the third consecutive quarter in which the bottom-up EPS estimate increased during the quarter. However, prior to Q3 2020, the (quarterly) bottom-up EPS estimate had only increased in two other quarters (Q1 2018 and Q2 2018) in the past 10 years.

Second, it appears expectations for overall economic growth have been rising as well. According to FactSet Economic Estimates, the estimated GDP growth rate for the U.S. for the first quarter and the full year are higher today compared to the start of the quarter. For the first quarter, the estimated GDP growth rate is 4.8% today, compared to an estimate of 2.7% on December 31. For CY 2021, the estimated GDP growth rate is 5.7% today, compared to an estimate of 4.0% on December 31.

Third, rising commodity prices and interest rates appear to be driving some of the upward revisions to EPS estimates. The prices of many commodities are higher now relative to the start of the year. For example, the price of oil increased by 22% (to $59.16 from $48.52) during the first quarter, while the value of S&P GSCI Industrial Metals index increased by 9% (to 418.10 from 381.92) over this same period. In addition, the yield on the 10-year Treasury note increased to 1.74% from 0.92% during the quarter. The Energy, Materials, and Financials sectors have seen the highest percentage increases in their bottom-up EPS estimates for the first quarter and for the full year over the past three months. Earnings for all three of these sectors are likely benefitting from either higher commodity prices (Energy and Materials) or higher interest rates (Financials).

Finally, companies in the S&P 500 have been much more optimistic in their EPS guidance than normal. As of today, 61 S&P 500 companies have issued positive EPS guidance (defined as above the mean EPS estimate of analysts) for the first quarter, which is well above the 5-year average of 35. If 61 is the final number for the quarter, it will mark the highest number of S&P 500 companies issuing positive EPS guidance for a quarter since FactSet began tracking this metric in 2006. Of these 61 companies, 29 are in the Information Technology sector. As previously noted, this sector witnessed the fourth largest increase in its bottom-up EPS estimate for Q1 2021 (+9.0%) and for CY 2021 (+5.7%) during the first three months of the year. For more details on EPS guidance, please see our recent article at this link: https://insight.factset.com/record-high-number-of-sp-500-companies-issuing-positive-eps-and-sales-guidance-for-q1


S&P 500 Change in Quarterly Bottom-Up EPS (3 Months)
(Source: FactSet)
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
-25.0%
-30.0%
-35.0%
-40.0%
-45.0%
-3.7%
-1.9%
-3.9%
-0.3%
5.4%
0.7%
-1.1%
-3.8%
-7.3%
-2.6%
-3.6%
-4.7%
-9.2%
-37.0%
4.1%
2.3%
6.0%
Q117
Q217
Q317
Q417
Q118
Q218
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Q121
Change % in Quarterly EPS (Start of Qtr. to End of Qtr.)


S&P 500 Q121 Bottom-Up EPS: Dec 31 (2020) - Mar 31 (2021)
(Source: FactSet)
40.10
39.85
39.60
39.35
39.10
38.85
38.60
38.35
38.10
37.85
37.60
37.35
37.10
36.85
36.60
4005.00
3980.00
3955.00
3930.00
3905.00
3880.00
3855.00
3830.00
3805.00
3780.00
3755.00
3730.00
3705.00
3680.00
3655.00
12/31/2020
01/05/2021
01/07/2021
01/11/2021
01/13/2021
01/15/2021
01/20/2021
01/22/2021
01/26/2021
01/28/2021
02/01/2021
02/03/2021
02/05/2021
02/09/2021
02/11/2021
02/16/2021
02/18/2021
02/22/2021
02/24/2021
02/26/2021
03/02/2021
03/04/2021
03/08/2021
03/10/2021
03/12/2021
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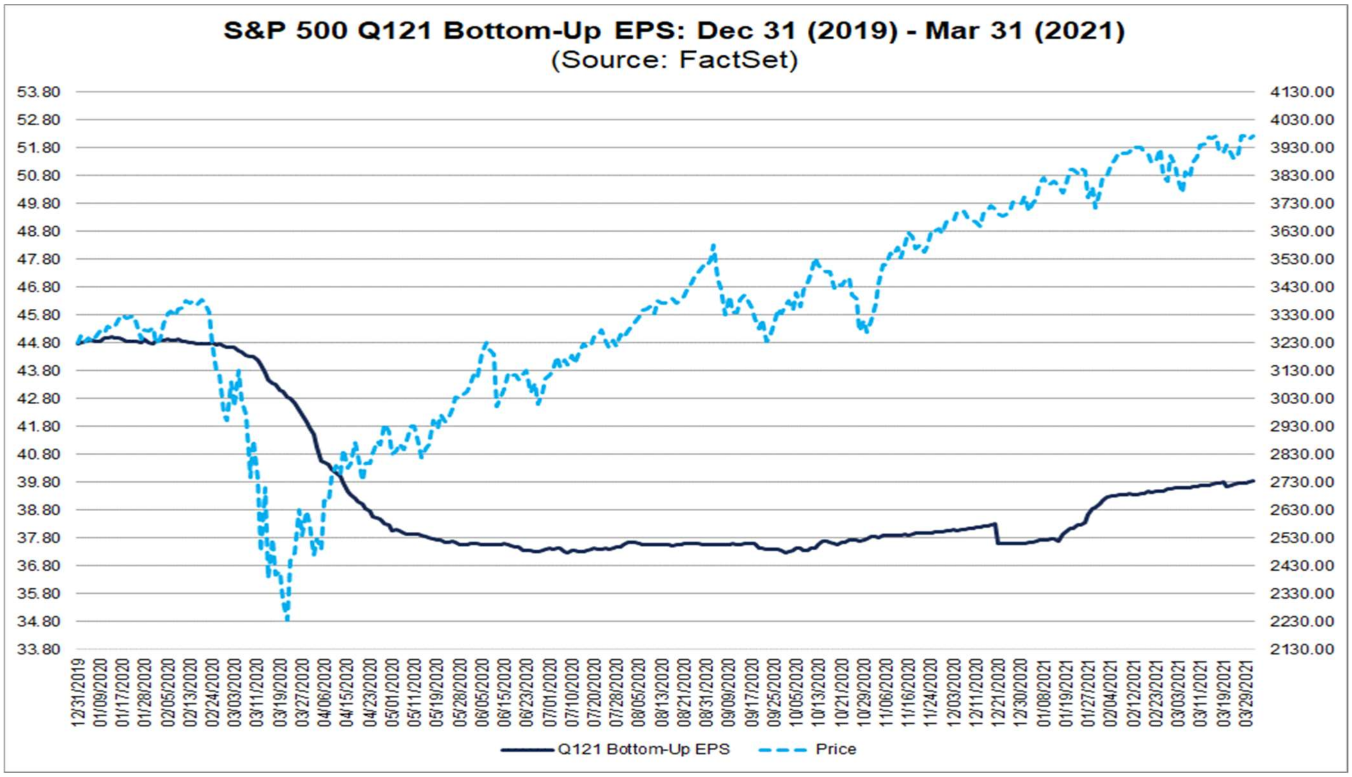
03/24/2021
03/26/2021
03/30/2021
Q121 Bottom-Up EPS
Price


S&P 500 Q121 Bottom-Up EPS: Dec 31 (2019) - Mar 31 (2021)
(Source: FactSet)
53.80
52.80
51.80
50.80
49.80
48.80
47.80
46.80
45.80
44.80
43.80
42.80
41.80
40.80
39.80
38.80
37.80
36.80
35.80
34.80
33.80
4130.00
4030.00
3930.00
3830.00
3730.00
3630.00
3530.00
3430.00
3330.00
3230.00
3130.00
3030.00
2930.00
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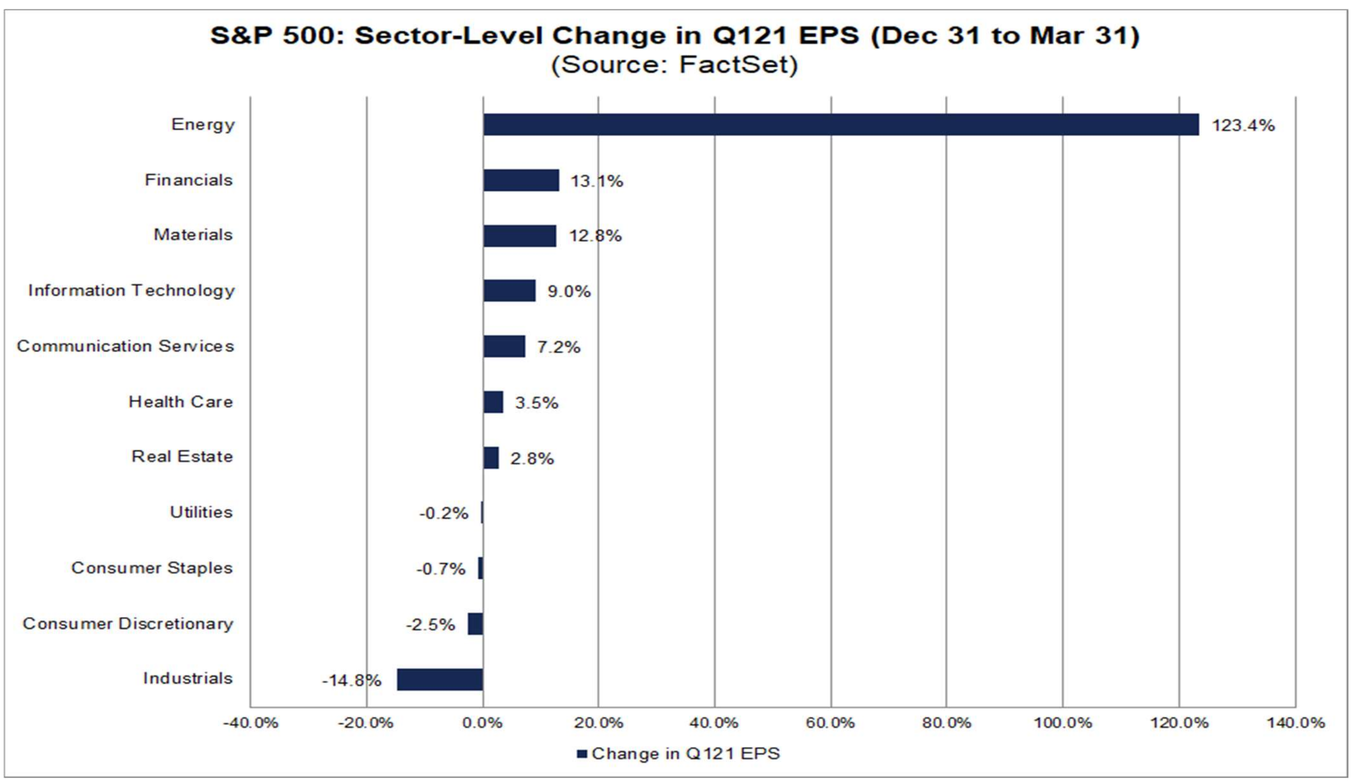
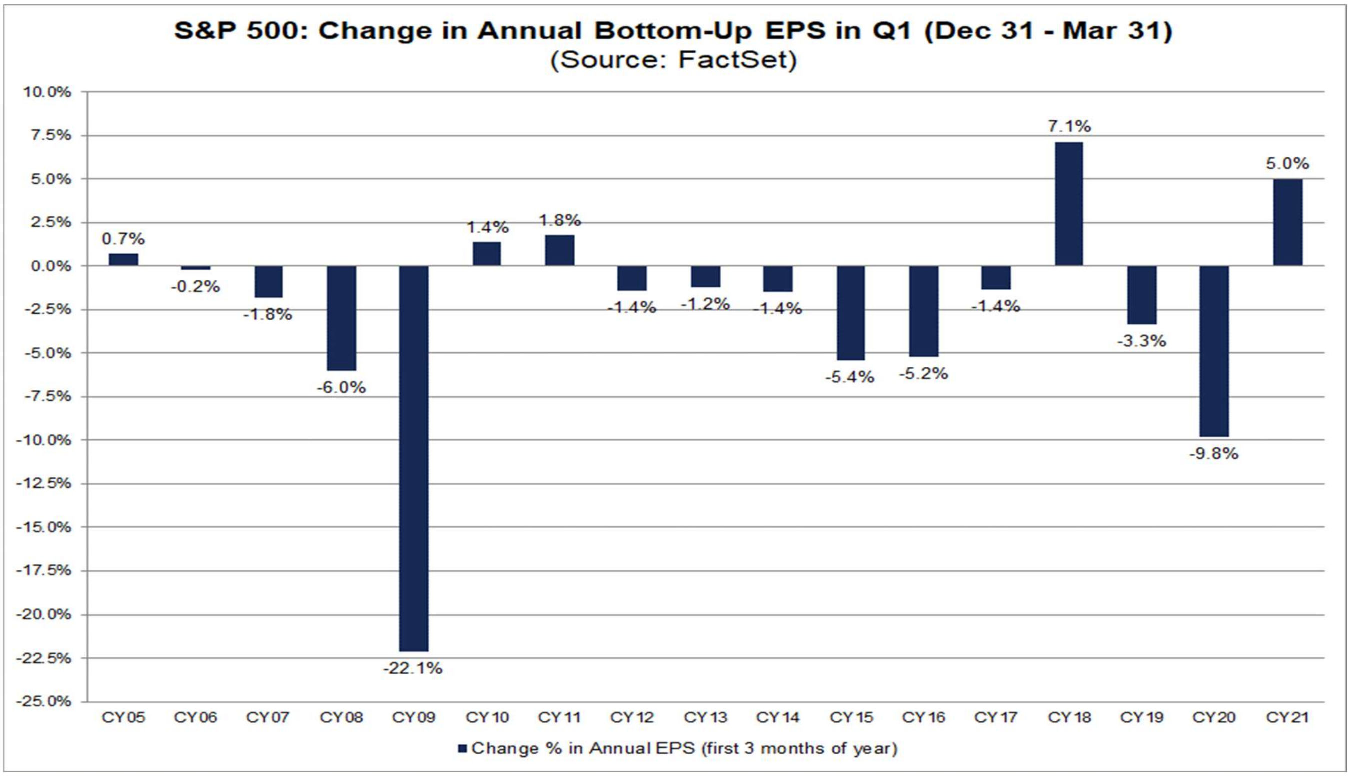
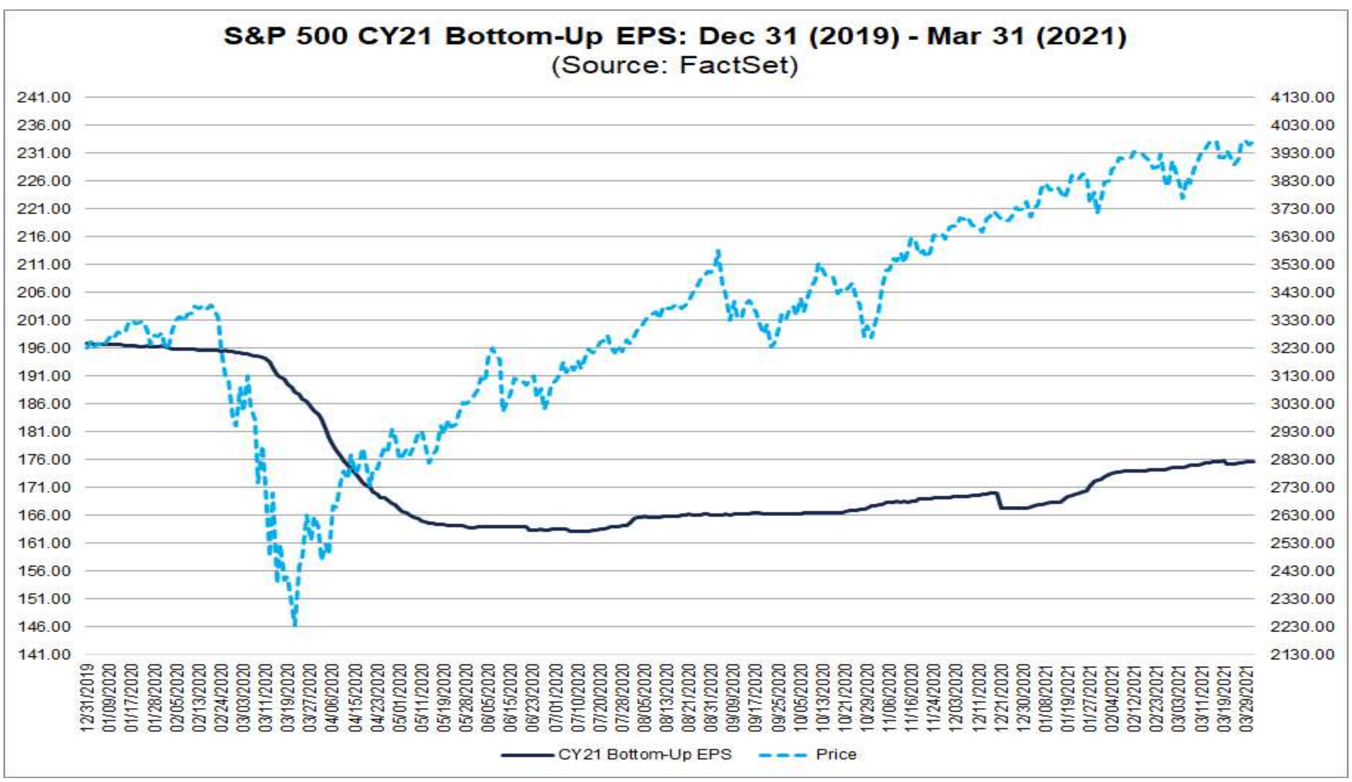
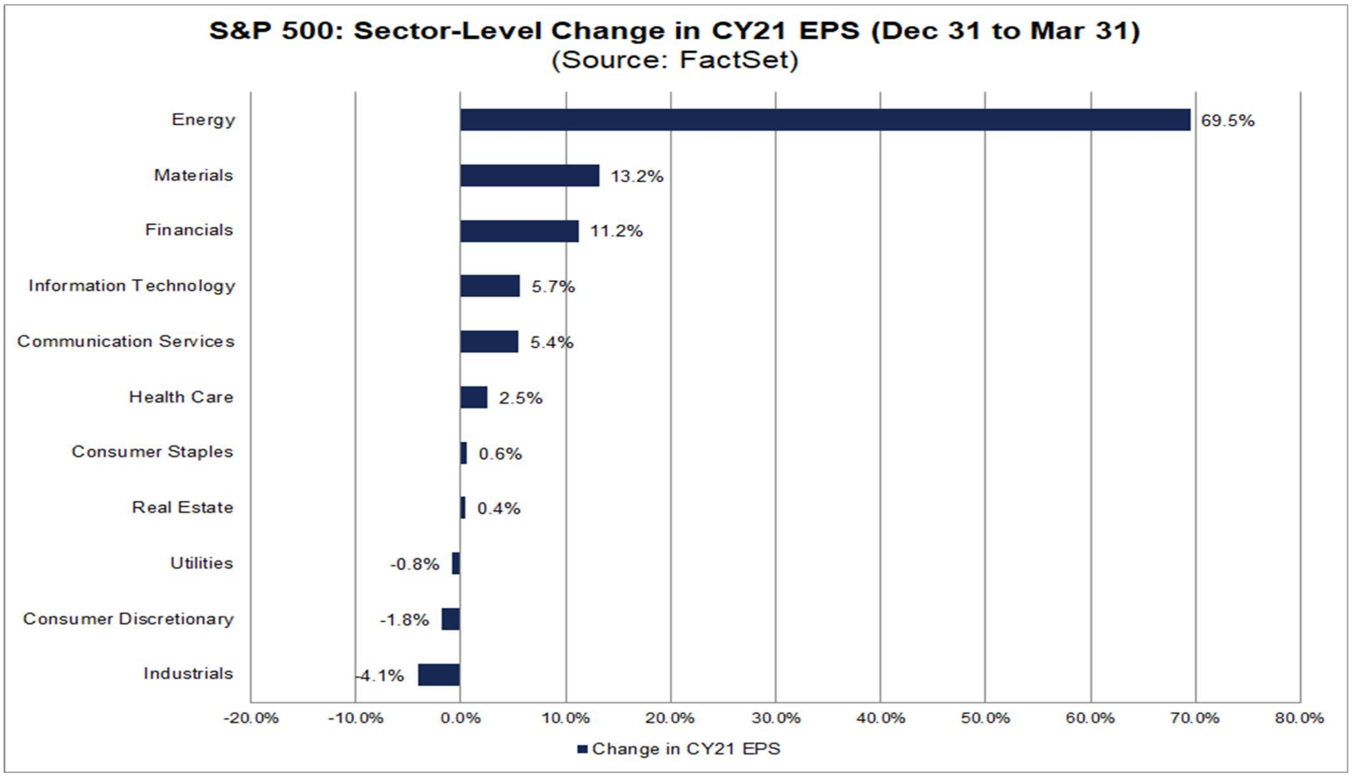
2430.00
2330.00
2230.00
2130.00
Q121 Bottom-Up EPS
Price


S&P 500: Sector-Level Change in Q121 EPS (Dec 31 to Mar 31)
(Source: FactSet)
Energy
123.4%
Financials
13.1%
Materials
12.8%
Information Technology
9.0%
Communication Services
7.2%
Health Care
3.5%
Real Estate
2.8%
Utilities
-0.2%
Consumer Staples
-0.7%
Consumer Discretionary
-2.5%
Industrials
-14.8%
-40.0%
-20.0%
0.0%
20.0%
40.0%
60.0%
80.0%
100.0%
120.0%
140.0%
Change in Q121 EPS


S&P 500: Change in Annual Bottom-Up EPS in Q1 (Dec 31 - Mar 31)
(Source: FactSet)
0.7%
-0.2%
-1.8%
-6.0%
-22.1%
1.4%
1.8%
-1.4%
-1.2%
-1.4%
-5.4%
-5.2%
-1.4%
7.1%
-3.3%
-9.8%
5.0%
CY05 CY06 CY07 CY08 CY09 CY10 CY11 CY12 CY13 CY14 CY15 CY16 CY17 CY18 CY19 CY20 CY21
Change % in Annual EPS (first 3 months of year)


S&P 500 CY21 Bottom-Up EPS: Dec 31 (2019) - Mar 31 (2021)
(Source: FactSet)
CY21 Bottom-Up EPS
Price


S&P 500: Sector-Level Change in CY21 EPS (Dec 31 to Mar 31)
(Source: FactSet)
Energy
Materials
Financials
Information Technology
Communication Services
Health Care
Consumer Staples
Real Estate
Utilities
Consumer Discretionary
Industrials
69.5%
13.2%
11.2%
5.7%
5.4%
2.5%
0.6%
0.4%
-0.8%
-1.8%
-4.1%
-20.0%
-10.0%
0.0%
10.0%
20.0%
30.0%
40.0%
50.0%
60.0%
70.0%
80.0%
Change in CY21 EPS

Q1 Earnings Season: By The Numbers

Overview

Analysts and companies have been much more optimistic than normal in their estimate revisions and earnings outlooks for the first quarter to date. As a result, expected earnings for the S&P 500 for the first quarter are higher today compared to the start of the quarter. The index is now expected to report the highest year-over-year growth in earnings since Q3 2018 for Q1. Analysts expect double-digit earnings growth for all four quarters of 2021. The above-average growth rates for the first quarter and for all four quarters of 2021 are due to a combination of higher earnings for 2021 and an easier comparison to weaker earnings in 2020 due to the negative impact of COVID-19 on numerous industries.

In terms of estimate revisions for companies in the S&P 500, analysts increased earnings estimates in aggregate for Q1 2021. On a per-share basis, estimated earnings for the first quarter increased by 6.0% from December 31 to March 31. In a typical quarter, analysts usually reduce earnings estimates during the quarter. Over the past five years (20 quarters), earnings estimates have fallen by 4.2% on average during a quarter. Over the past ten years, (40 quarters), earnings estimates have also fallen by 4.2% on average during a quarter. Over the past fifteen years, (60 quarters), earnings estimates have fallen by 5.1% on average during a quarter. In fact, the first quarter marked the largest increase in earnings on a per-share basis during a quarter since FactSet began tracking the quarterly bottom-up EPS estimate in Q2 2002.

More S&P 500 companies have issued positive EPS guidance for Q1 2021 than average as well. At this point in time, 95 companies in the index have issued EPS guidance for Q1 2021, Of these 95 companies, 34 have issued negative EPS guidance and 61 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 64% (61 out of 95), which is well above the 5-year average of 35%. If 61 is the final number for the quarter, it will mark the highest number of S&P 500 companies issuing positive EPS guidance for a quarter since FactSet began tracking this metric in 2006.

Because of the high number of companies issuing positive EPS guidance and the net upward revisions to earnings estimates, the estimated (year-over-year) earnings growth rate for Q1 2021 is higher now relative to the start of the first quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 23.8%, compared to the estimated (year-over-year) earnings growth rate of 15.8% on December 31.

If 23.8% is the actual growth rate for the quarter, it will mark the largest year-over-year growth in earnings reported by the index since Q3 2018 (26.1%). The unusually high growth rate is due to a combination of rising earnings estimates for Q1 2021 and an easier comparison to weaker earnings in Q1 2020 due to the negative impact of COVID-19 on numerous industries. Nine sectors are projected to report year-over-year earnings growth, led by the Consumer Discretionary, Financials, and Materials sectors. On the other hand, two sectors are projected to report a year-over-year decline in earnings: Industrials and Energy.

Because of the high number of companies issuing positive revenue guidance and the net upward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q1 2021 is higher now relative to the start of the first quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 6.3%, compared to the estimated (year-over-year) revenue growth rate of 3.9% on December 31.

If 6.3% is the actual growth rate for the quarter, it will mark the highest year-over-year revenue growth reported by the index since Q4 2018 (6.9%). Eight sectors are projected to report year-over-year growth in revenues, led by the Information Technology, Consumer Discretionary, and Communication Services sectors. Three sectors are projected to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Looking at future quarters, analysts also project double-digit earnings growth for the remaining three quarters of 2021, with earnings growth peaking in Q2 2021 at 52.5%.

The forward 12-month P/E ratio is 21.9, 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 first quarter.

Earnings Revisions: Energy Sector Sees Largest Estimate Increases

Small Increase in Estimated Earnings Growth Rate for Q1 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q1 2021 increased slightly to 23.8% from 23.3%. Upward revisions to EPS estimates for companies in the Financials sector were mainly responsible for the small increase in the overall earnings growth rate for the index during the week. As a result, the estimated earnings growth rate for the Financials sector improved to 72.1% from 68.9% during this period.

Since the start of the quarter, the estimated earnings growth rate for the S&P 500 for Q1 2021 has increased to 23.8% today from 15.8% on December 31. Eight sectors have recorded a decrease in their expected earnings declines or an increase in their expected earnings growth due to upward revisions to earnings estimates, led by the Energy, Financials, Materials, and Information Technology sectors. Three sectors have recorded an increase in their expected earnings declines or a decrease in expected earnings growth due to downward revisions to earnings estimates, led by the Industrials sector.

Energy: Exxon Mobil and Chevron Lead Earnings Increase Since December 31

The Energy sector has recorded the largest decrease in its expected earnings decline of all eleven sectors since the start of the quarter (to -9.7% from -61.0%). This sector has also witnessed the largest increase in price (+29.3%) of all eleven sectors since December 31. Rising oil prices are contributing to the increase in earnings estimates for companies in this sector, as the price of oil today ($59.16) is 22% above the price for oil on December 31 ($48.52). Overall, 18 of the 23 companies (78%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 18 companies, 15 have recorded an increase in their mean EPS estimate of more than 10%, led by APA Corporation (to $0.24 from $0.01), ConocoPhillips (to $0.48 from $0.11), and EOG Resources (to $1.32 from $0.45). However, Exxon Mobil (to $0.55 from $0.25) and Chevron (to $0.92 from $0.52) have been the largest contributors to the increase in expected earnings for this sector since December 31.

Financials: JPMorgan Chase Leads Earnings Increase Since December 31

The Financials sector has recorded the second-largest increase in its expected earnings growth rate of all eleven sectors since the start of the quarter (to 72.1% from 49.7%). This sector has also witnessed the second-largest increase in price (+15.4%) of all eleven sectors since December 31. Rising interest rates are likely contributing to the increase in earnings estimates for companies in this sector, as the yield on the 10-year Treasury note has increased to 1.74% today from 0.92% on December 31. Overall, 49 of the 65 companies (75%) in the Financials sector have seen an increase in their mean EPS estimate during this time. Of these 49 companies, 29 have recorded an increase in their mean EPS estimate of more than 10%, led by Charles Schwab (to $0.74 from $0.47), SVB Financial Group (to $6.11 from $4.10), and Capital One Financial (to $3.71 from $2.55). However, JPMorgan Chase (to $2.93 from $2.36), Citigroup (to $2.29 from $1.66), Goldman Sachs (to $8.85 from $6.36), Bank of America (to $0.63 from $0.54), and Wells Fargo (to $0.65 from $0.49) have been the largest contributors to the increase in expected earnings for this sector since December 31.

Materials: 61% of Companies Have Seen Increase In Earnings Since December 31

The Materials sector has recorded the third-largest increase in its expected earnings growth rate of all eleven sectors since the start of the quarter (to 47.7% from 30.2%). This sector has also witnessed the fourth-largest increase in price (+8.6%) of all eleven sectors since December 31. Rising commodity prices may be contributing to the increase in earnings estimates for companies in this sector. For example, the S&P GSCI Industrial Metals index has increased by 9% (to 418.10 from 381.92) since December 31. During this same period, the estimated earnings growth rate for the Metals & Mining industry has increased to 509% from 381%. Overall, 17 of the 28 companies (61%) in the Materials sector have seen an increase in their mean EPS estimate during this time. Of these 17 companies, 10 have recorded an increase in their mean EPS estimate of more than 10%, led by Nucor (to $3.07 from $1.24), CF Industries Holdings (to $0.56 vs. $0.23), Mosaic Company (to $0.49 from $0.26), and Dow (to $1.05 from $0.64).

Information Technology: Apple and Microsoft Lead Earnings Increase since December 31

The Information Technology sector has recorded the fourth-largest increase in its expected earnings growth rate of all eleven sectors since the start of the quarter (to 22.4% from 11.6%). Despite the increase in earnings, this sector has witnessed the second-smallest increase in price of all eleven sectors since December 31 at 1.7%. Overall, 56 of the 74 companies (76%) in the Information Technology sector have seen an increase in their mean EPS estimate during this time. Of these 56 companies, 26 have recorded an increase in their mean EPS estimate of more than 10%, led by Micron Technology (to $0.98 from $0.66), HP (to $0.88 from $0.61), Zebra Technologies (to $4.39 vs. $3.17), and Skyworks Solutions (to $2.35 from $1.71). However, Apple (to $0.98 from $0.88), Microsoft (to $1.78 from $1.58), and Intel (to $1.14 from $0.93) have been the largest contributors to the increase in expected earnings for this sector since December 31.

Industrials: Airlines Industry Leads Earnings Decrease since December 31

The Industrials sector has recorded the largest increase in its expected earnings decline of all eleven sectors since the start of the quarter (to -16.0% from -3.8%). Despite the decrease in earnings, this sector has witnessed the third-largest increase in price (+11.0%) of all eleven sectors since December 31. Overall, 30 of the 74 companies (41%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 30 companies, 8 have recorded a decrease in their mean EPS estimate of more than 10%, led by Southwest Airlines (to -$1.88 from -$0.81), Boeing (to -$1.00 from -$0.43), and Alaska Air Group (to -$3.75 vs. -$2.07). However, American Airlines Group (to -$3.91 from -$2.72), Delta Air Lines (to -$2.75 from -$1.60), United Airlines Holdings (to -$6.82 from -$4.63), and Southwest Airlines have been the largest contributors to the decrease in expected earnings for this sector since December 31.

Index-Level (Bottom-Up) EPS Estimate: Record-High 6.0% Increase During Q1

The Q1 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 of the index) increased by 6.0% (to $39.86 from $37.61) from December 31 to March 31. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 4.2% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have also fallen by 4.2% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 5.1% on average during a quarter. In fact, the first quarter marked the largest increase in the bottom-up EPS estimate during a quarter since FactSet began tracking the quarterly bottom-up EPS estimate in Q2 2002.

Guidance: Record-High Number of S&P 500 Companies Issuing Positive EPS Guidance for Q1

At this point in time, 95 companies in the index have issued EPS guidance for Q1 2021. Of these 95 companies, 34 have issued negative EPS guidance and 61 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 64% (61 out of 95), which is well above the 5-year average of 35%. If 61 is the final number for the quarter, it will mark the highest number of S&P 500 companies issuing positive EPS guidance for a quarter since FactSet began tracking this metric in 2006. At the sector level, the Information Technology has the highest number of companies issuing positive EPS guidance for Q1 at 29. If 29 is the final number for the quarter, it will tie the mark with the previous quarter for the highest number of S&P 500 companies issuing positive EPS guidance for a quarter in this sector since FactSet began tracking this metric in 2006.

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 Growth: 23.8%

The estimated (year-over-year) earnings growth rate for Q1 2021 is 23.8%, which is well above the 5-year average earnings growth rate of 3.8%. If 23.8% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth reported by the index since Q3 2018 (26.1%). Nine sectors are projected to report year-over-year earnings growth, led by the Consumer Discretionary, Financials, and Materials sectors. On the other hand, two sectors are projected to report a year-over-year decline in earnings: Industrials and Energy.

Consumer Discretionary: 6 of 10 Industries Expected to Report to Year-Over-Year Growth Above 50%

The Consumer Discretionary sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 104.4%. At the industry level, nine of the ten industries in this sector are expected to report double-digit earnings growth: Automobiles (1,085%), Textiles, Apparel, & Luxury Goods (483%), Specialty Retail (235%), Internet & Direct Marketing Retail (79%), Household Durables (73%), Multiline Retail (55%), Auto Components (33%), Distributors (20%), and Leisure Products (18%). The Specialty Retail industry is also projected to be the largest contributor to growth for the sector. If this industry were excluded, the estimated earnings growth rate for the Consumer Discretionary sector would fall to 67.5% from 104.4%. On the other hand, the Hotels, Restaurants, & Leisure industry (-606%) is the only industry in this sector that is projected to report a year-over-year decline in earnings and is expected to be the largest detractor to earnings growth. If this industry were excluded, the estimated earnings growth rate for the Consumer Discretionary sector would rise to 140.9% from 104.4%.

Financials: Banks Industry Expected To Be Largest Contributor to Year-Over-Year Growth

The Financials sector is expected to report the second-highest (year-over-year) earnings growth of all eleven sectors at 72.1%. At the industry level, all five industries in this sector are predicted to report year-over-year growth in earnings: Consumer Finance (N/A due to year-ago loss), Banks (143%), Capital Markets (36%), Insurance (6%), and Diversified Financial Services (2%). The Banks industry is also projected to be the largest contributor to growth for the sector. If this industry were excluded, the estimated earnings growth rate for the Financials sector would fall to 39.2% from 72.1%.

Materials: Metals & Mining Industry Expected To Be Largest Contributor to Year-Over-Year Growth

The Materials sector is expected to report the third-highest (year-over-year) earnings growth of all eleven sectors at 47.7%. At the industry level, all four industries in this sector are predicted to report year-over-year growth: Metals & Mining (509%), Chemicals (23%), Containers & Packaging (15%), and Construction Materials (5%). The Metals & Mining industry is also predicted to be the largest contributor to year-over-year growth in earnings for the sector. If this industry were excluded, the estimated earnings growth rate for the Materials sector would fall to 21.3% from 47.7%.

Industrials: Airlines Industry Expected to Be Largest Contributor To Year-Over-Year Decline

The Industrials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -16.0%. At the industry level, four of the twelve industries in this sector are projected to report a decline in earnings, led by the Airlines (N/A due to year-ago loss) industry. On the other hand, eight industries are projected to report (year-over-year) earnings growth, led by the Air Freight & Logistics (80%), Construction & Engineering (53%), and Machinery (30%) industries. The Airlines industry is also projected to be the largest contributor to the year-over-year decline in earnings for the sector. If this industry were excluded, year-over-year earnings for the Industrials sector would improve to 9.4% from -16.0%.

Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Decline of More Than 10%

The Energy sector is expected to report the second-largest (year-over-year) decline in earnings of all eleven sectors at -9.7%. Despite the projected decline in earnings, the average price of oil in Q1 2021 ($58.14) was 7% above the average price for oil in Q1 2020 ($54.21). At the sub-industry level, three of the five sub-industries in the sector are predicted to report a decline in earnings of more than 10%: Oil & Gas Refining & Marketing (-254%), Oil & Gas Equipment & Services (-44%), and Integrated Oil & Gas (-11%). On the other hand, two sub-industries are projected to report earnings growth: Oil & Gas Exploration & Production (153%) and Oil & Gas Storage & Transportation (2%).

Revenue Growth: 6.3%

The estimated (year-over-year) revenue growth rate for Q1 2021 is 6.3%, which is above the 5-year average revenue growth rate of 3.5%. If 6.3% is the actual growth rate for the quarter, it will mark the highest year-over-year revenue growth reported by the index since Q4 2018 (6.9%). Eight sectors are projected to report year-over-year growth in revenues, led by the Information Technology, Consumer Discretionary, and Communication Services sectors. Three sectors are projected to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Information Technology: 4 of 6 Industries Expected To Report Year-Over-Year Growth Above 10%

The Information Technology sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 15.5%. At the industry level, all six industries in this sector are projected to report year-over-year growth in revenues. Four of these six industries are predicted to report growth above 10%: Technology Hardware, Storage, & Peripherals (25%), Semiconductors & Semiconductor Equipment (20%), Software (17%), and Electronic Equipment, Instruments, & Components (14%).

Consumer Discretionary: 5 of 10 Industries Expected to Report Year-Over-Year Growth At Or Above 10%

The Consumer Discretionary sector is expected to report the second-highest (year-over-year) revenue growth of all eleven sectors at 15.0%. At the industry level, eight of the ten industries in this sector are predicted to report growth in revenues. Five of these eight industries are projected to report double-digit growth: Internet & Direct Marketing Retail (38%), Auto Components (33%), Specialty Retail (25%), Household Durables (20%), and Textiles, Apparel, & Luxury Goods (10%). On the other hand, two industries are projected to report a year-over-year decline in revenues, led by the Hotels, Restaurants, & Leisure (-29%) industry.

Communication Services: Alphabet & T-Mobile Expected to Lead Year-Over-Year Growth

The Communication Services sector is expected to report the third-highest (year-over-year) revenue growth of all eleven sectors at 12.0%. At the industry level, four of the five industries in this sector are predicted to report year-over-year growth in revenues. Two of these four industries are projected to report double-digit growth: Wireless Communication Services (69%) and Interactive Media & Services (26%). On the other hand, the only industry that is projected to report a decline in revenue is the Entertainment (-5%) industry.

At the company level, Alphabet and T-Mobile are projected to be the largest contributors to revenue growth for the sector. If these two companies were excluded, the estimated revenue growth rate for the sector would drop to 3.7% from 12.0%.

Energy: 2 of 5 Sub-Industries Expected to Report Year-Over-Year Decline of More Than 15%

The Energy sector is expected to report the largest (year-over-year) decline in revenue of all eleven sectors at -6.4%. Despite the projected decline in revenue, the average price of oil in Q1 2021 ($58.14) was 7% above the average price for oil in Q1 2020 ($54.21). At the sub-industry level, three of the five sub-industries in the sector are predicted to report a year-over-year decline in revenue: Oil & Gas Equipment & Services (-27%) and Oil & Gas Refining & Marketing (-18%), and Integrated Oil & Gas (-2%). On the other hand, two sub-industries are projected to report year-over-year growth in revenues: Oil & Gas Exploration & Production (39%) and Oil & Gas Storage & Transportation (4%).

Industrials: Airlines Industry Expected to Be Largest Contributor To Year-Over-Year Decline

The Industrials sector is expected to report the second-largest (year-over-year) decline in revenue of all eleven sectors at -3.3%. At the industry level, six of the twelve industries in this sector are projected to report a decline in revenue, led by the Airlines (-54%) industry. On the other hand, six industries are projected to report (year-over-year) revenue growth, led by the Air Freight & Logistics (19%) industry. The Airlines industry is also projected to be the largest contributor to the year-over-year decline in revenue for the sector. If this industry were excluded, year-over-year revenues for the Industrials sector would improve to 2.1% from -3.3%.

Net Profit Margin: 10.9%

The estimated net profit margin for the S&P 500 for Q1 2021 is 10.9%, which is above the 5-year average of 10.5% and above the year-ago net profit margin of 9.4%. However, it is slightly below the net profit margin of the previous quarter of 11.0%.

At the sector level, five sectors are projected to report net profit margins that are above their 5-year averages, led by the Utilities (15.0% vs. 12.5%) and Financials (17.1% vs. 14.9%) sectors. Seven sectors are projected to report a year-over-year increase in their net profit margins in Q1 2021 compared to Q1 2020, led by the Financials (17.1% vs. 10.2%), and Materials (10.8% vs. 8.0%) sectors.

Looking Ahead: Forward Estimates and Valuation

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

For the fourth quarter, S&P 500 companies reported growth in earnings of 3.9% and growth in revenue of 3.2%. For all of 2020, S&P 500 companies reported a decline in earnings of -11.2% and a decline in revenue of -0.8%.

For Q1 2021, analysts are projecting earnings growth of 23.8% and revenue growth of 6.3%.

For Q2 2021, analysts are projecting earnings growth of 52.5% and revenue growth of 16.7%.

For Q3 2021, analysts are projecting earnings growth of 18.8% and revenue growth of 10.1%.

For Q4 2021, analysts are projecting earnings growth of 14.5% and revenue growth of 7.5%.

For CY 2021, analysts are projecting earnings growth of 25.9% and revenue growth of 9.9%.

Valuation: Forward P/E Ratio is 21.9, Above the 10-Year Average (15.9)

The forward 12-month P/E ratio is 21.9. This P/E ratio is above the 5-year average of 17.8 and above the 10-year average of 15.9. However, it is below the forward 12-month P/E ratio of 22.5 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 5.8%, while the forward 12-month EPS estimate has increased by 8.9%.

At the sector level, the Consumer Discretionary (35.7) sector has the highest forward 12-month P/E ratio, while the Financials (15.0) and Health Care (16.2) sectors have the lowest forward 12-month P/E ratios.

Targets & Ratings: Analysts Project 13% Increase in Price Over Next 12 Months

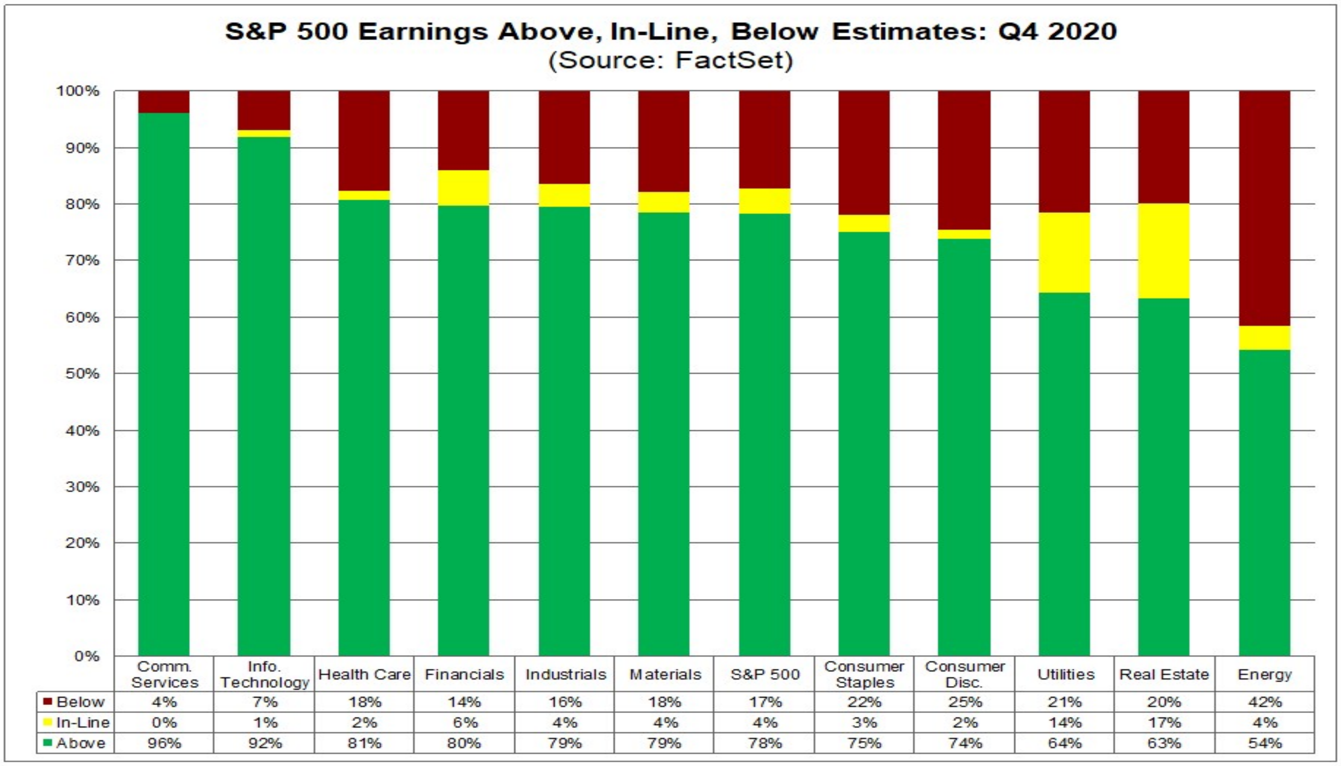
The bottom-up target price for the S&P 500 is 4471.52, which is 12.6% above the closing price of 3972.89. At the sector level, the Information Technology (+17.9%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Industrials (+4.4%) and Financials (+4.8%) 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 10,398 ratings on stocks in the S&P 500. Of these 10,398 ratings, 55.6% are Buy ratings, 37.5% are Hold ratings, and 6.8% are Sell ratings. At the sector level, the Information Technology (62%), Health Care (62%), and Energy (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (44%) sector has the lowest percentage of Buy ratings.

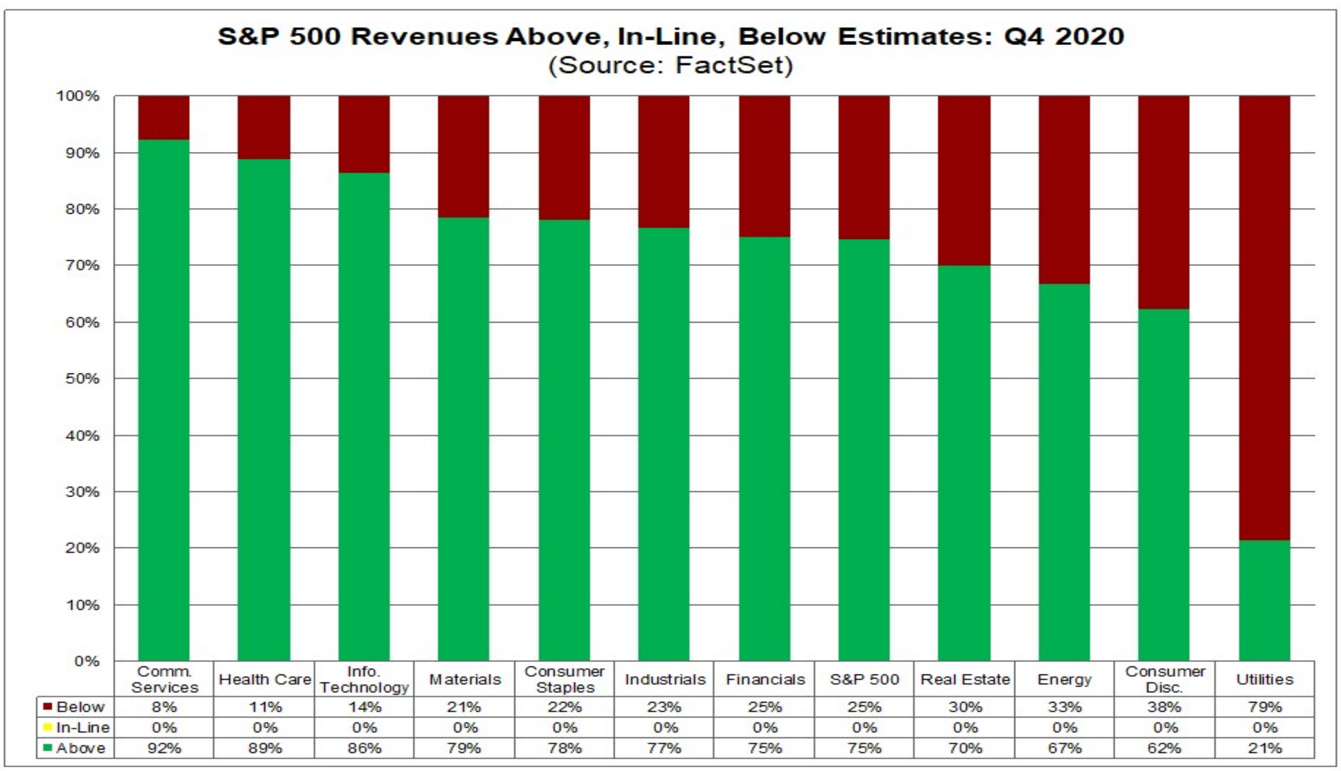
Companies Reporting Next Week: 4

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

Q4 2020: Scorecard

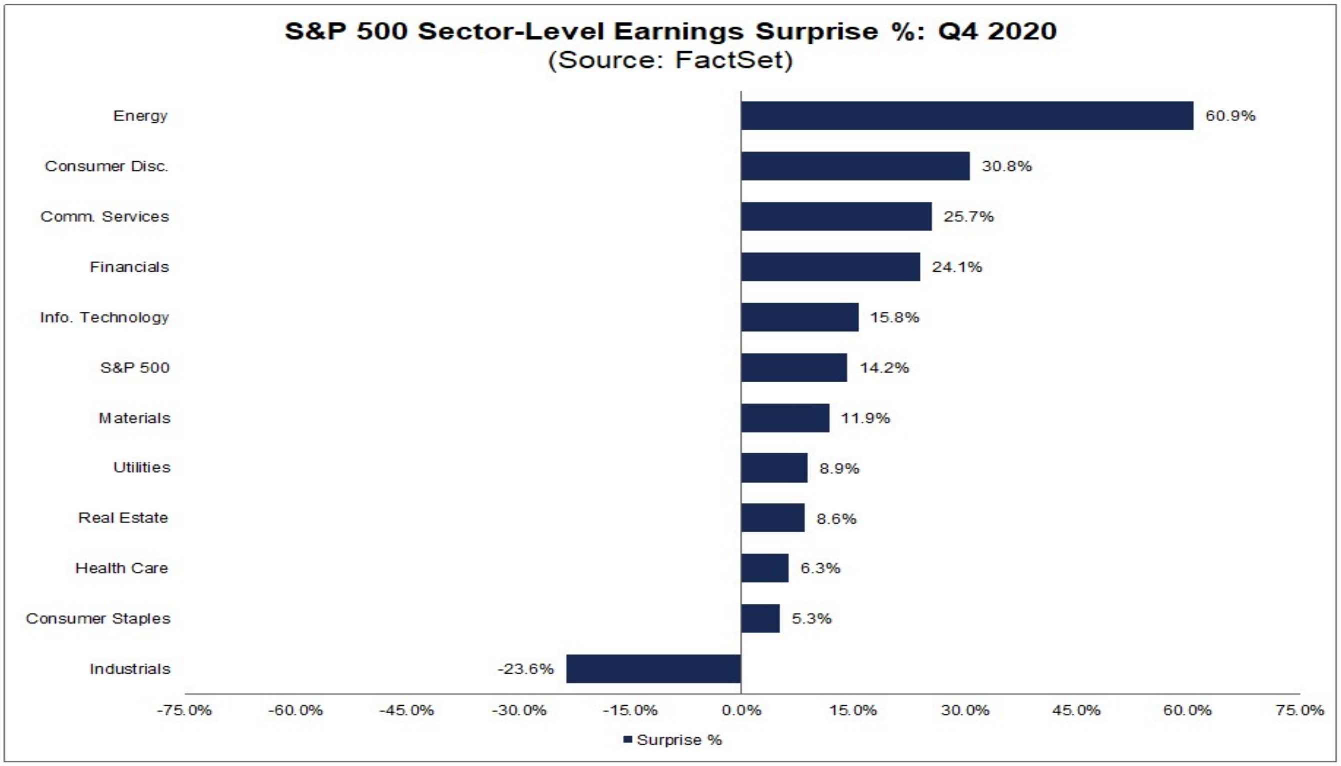


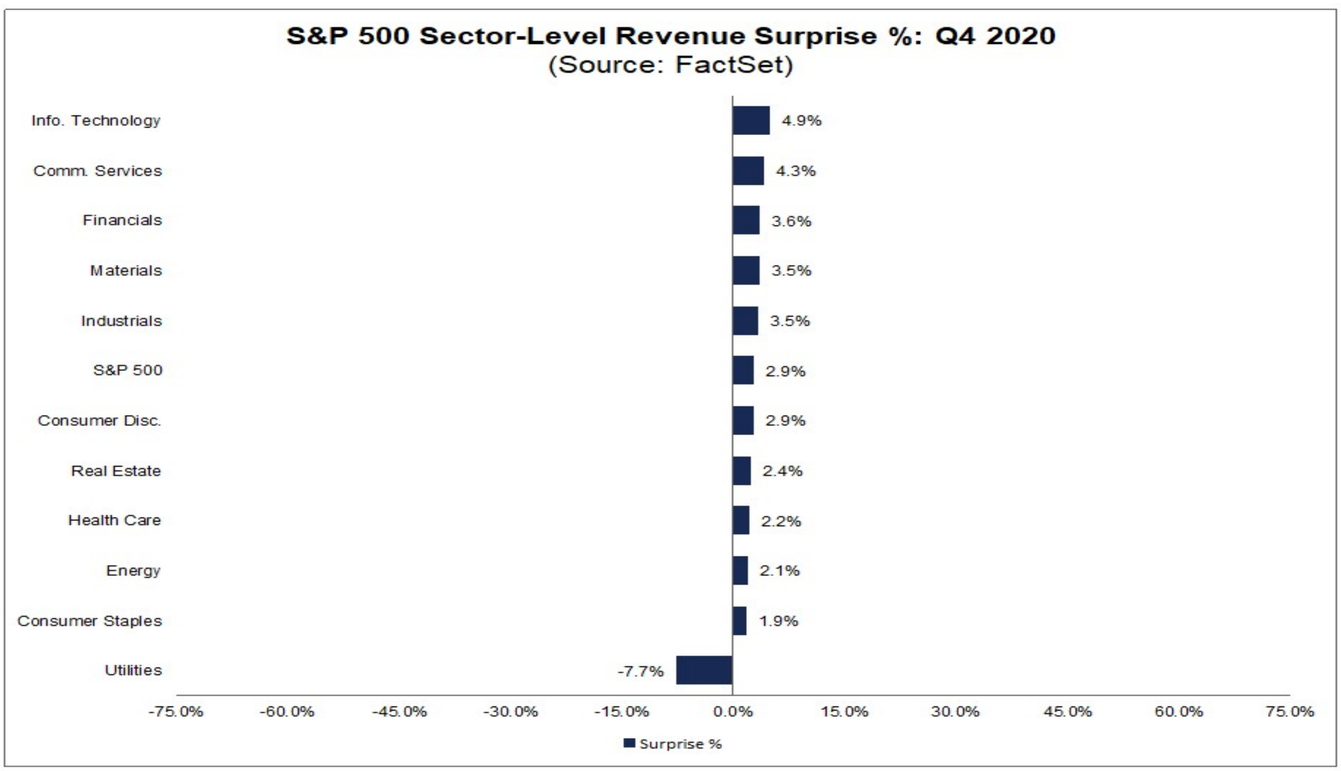
	Comm. Services	Info. Technology	Health Care	Financials	Industrials	Materials	S&P 500	Consumer Staples	Consumer Disc.	Utilities	Real Estate	Energy
Below	4%	7%	18%	14%	16%	18%	17%	22%	25%	21%	20%	42%
In-Line	0%	1%	2%	6%	4%	4%	4%	3%	2%	14%	17%	4%
Above	96%	92%	81%	80%	79%	79%	78%	75%	74%	64%	63%	54%



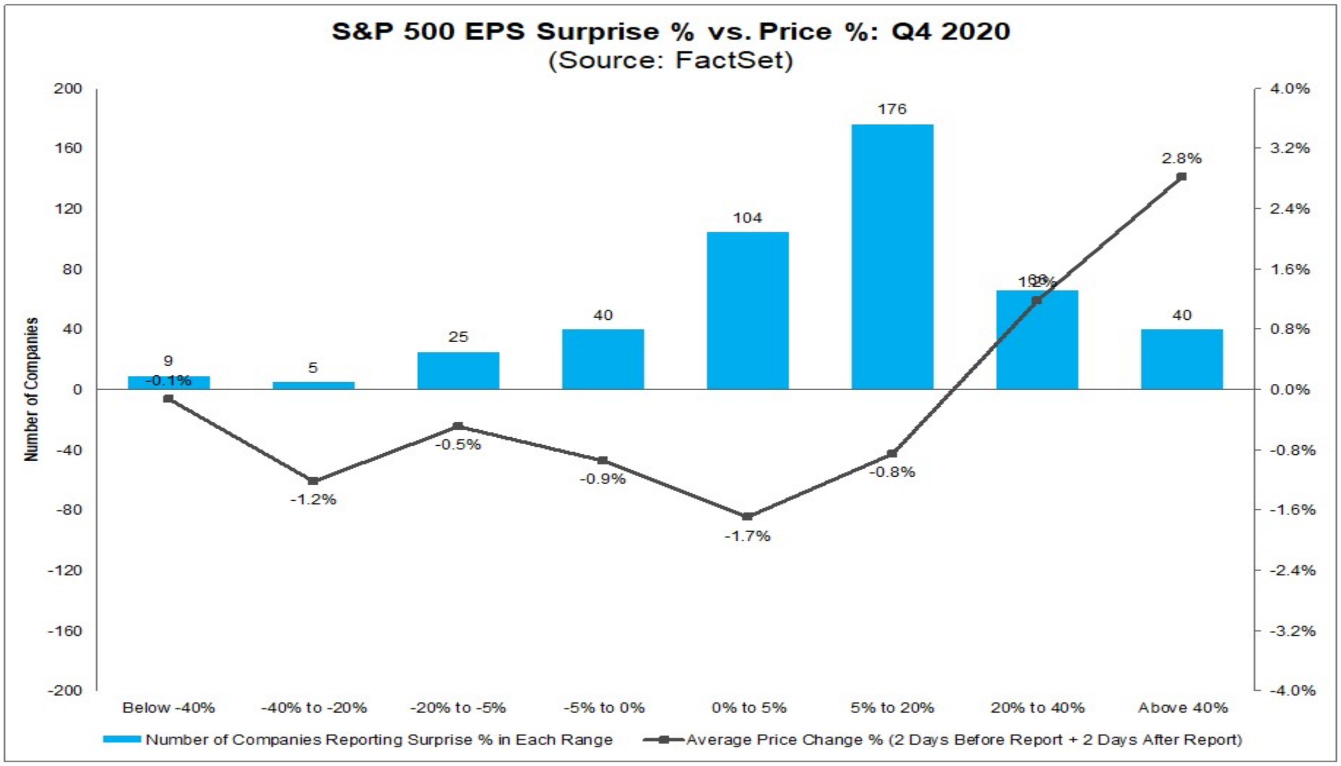
	Comm. Services	Health Care	Info. Technology	Materials	Consumer Staples	Industrials	Financials	S&P 500	Real Estate	Energy	Consumer Disc.	Utilities
Below	8%	11%	14%	21%	22%	23%	25%	25%	30%	33%	38%	79%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	92%	89%	86%	79%	78%	77%	75%	75%	70%	67%	62%	21%

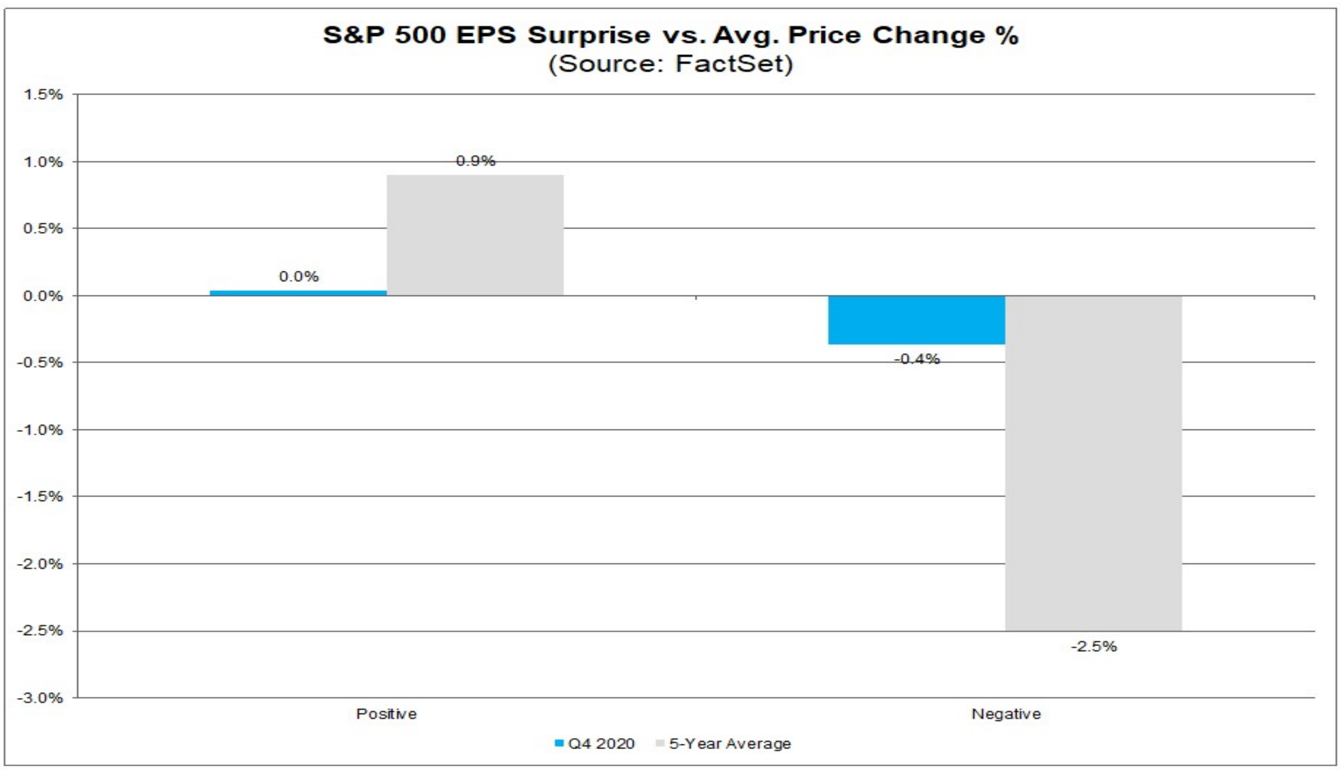
Q4 2020: Scorecard



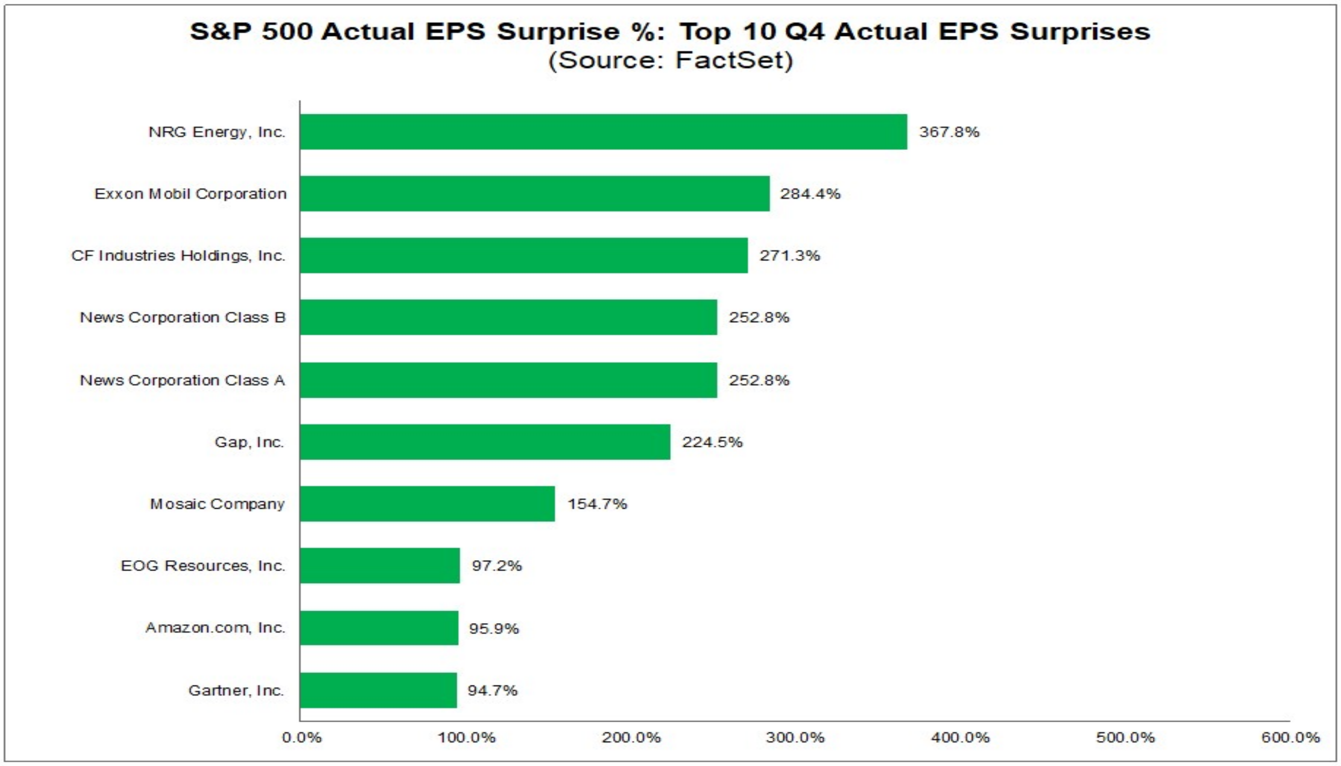


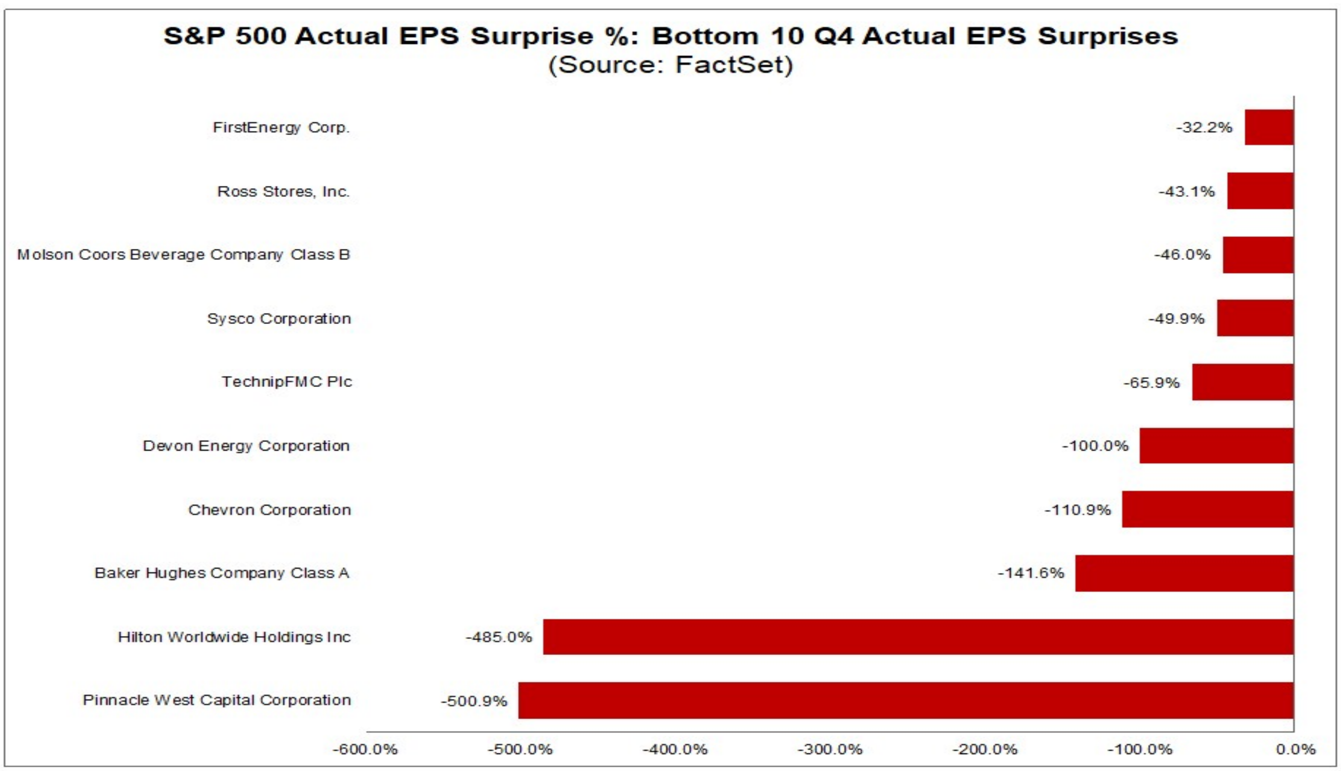
Q4 2020: Scorecard





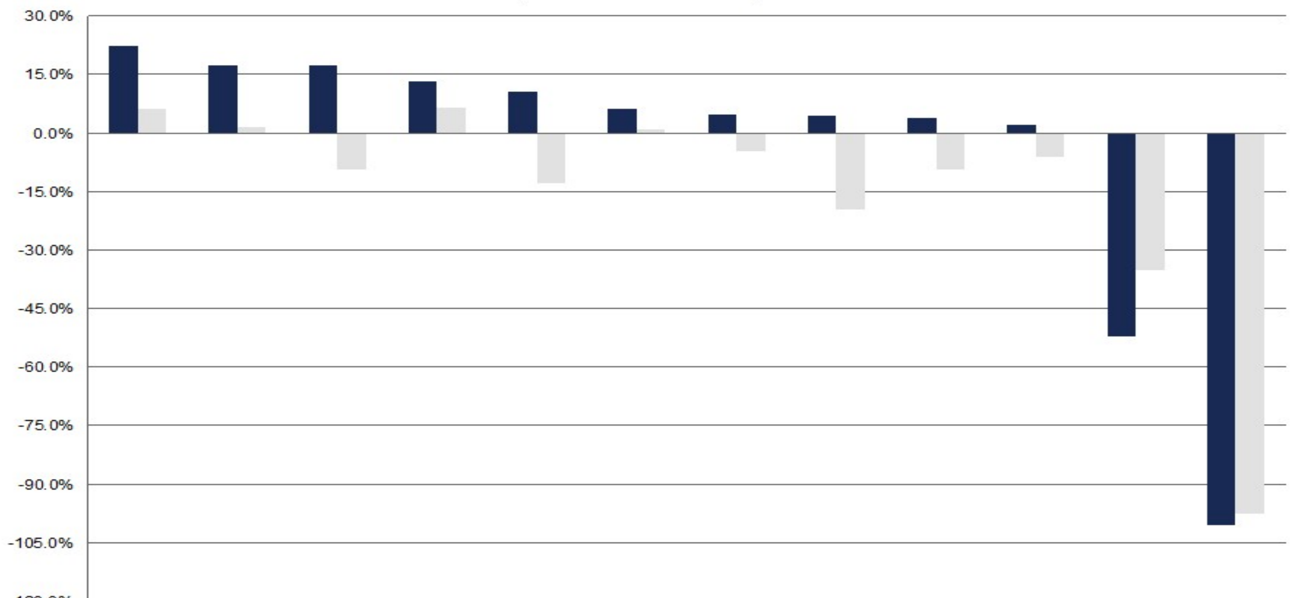
Q4 2020: Scorecard





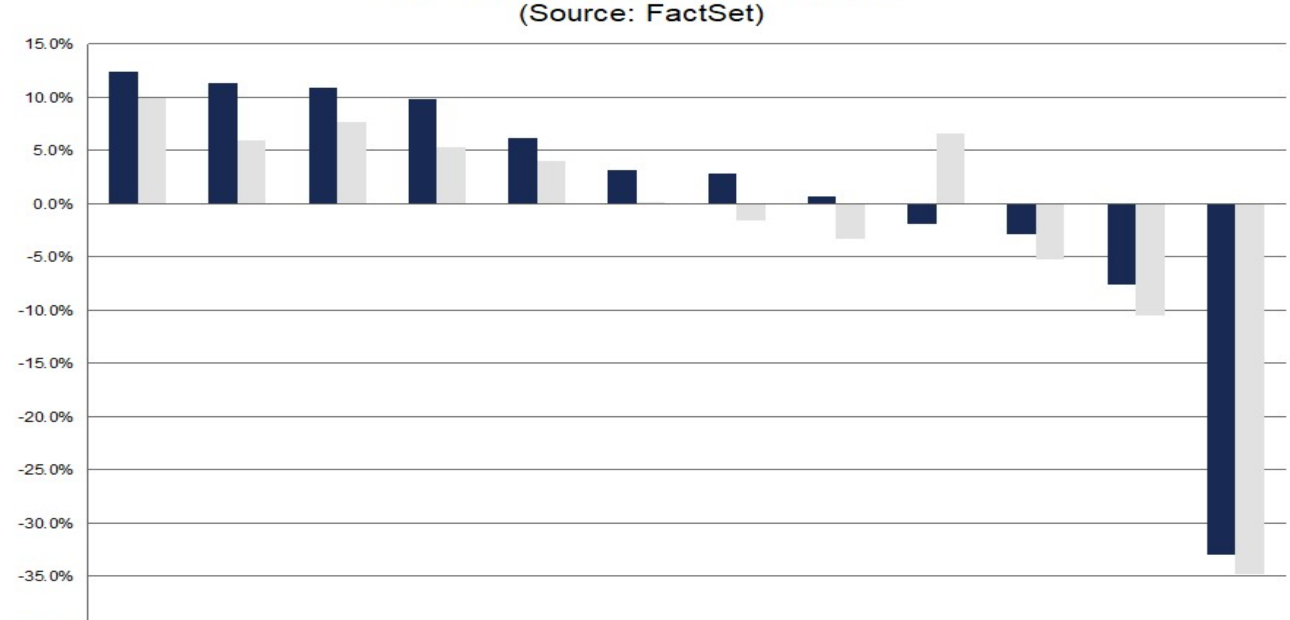
Q4 2020: Growth

S&P 500 Earnings Growth: Q4 2020
(Source: FactSet)



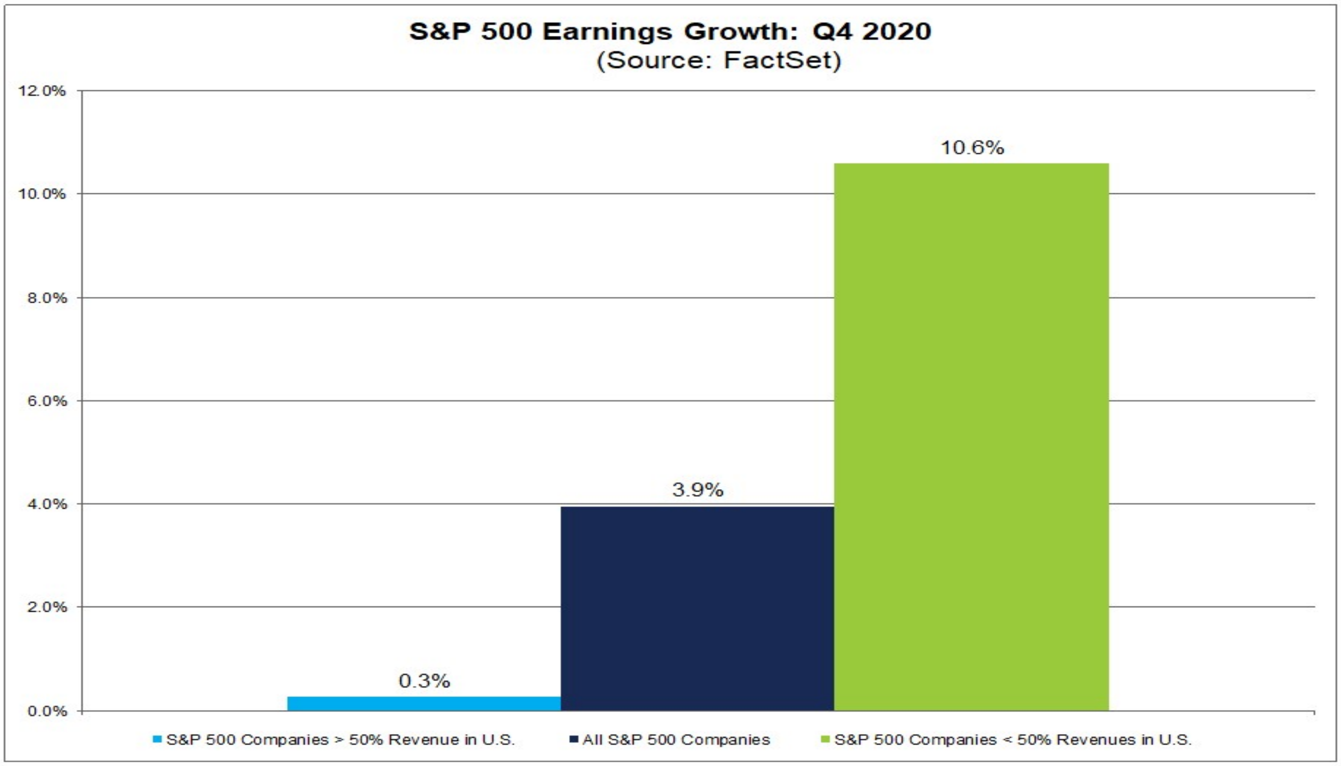
	Materials	Info. Technology	Financials	Health Care	Comm. Services	Consumer Staples	Utilities	Consumer Disc.	S&P 500	Real Estate	Industrials	Energy
Today	22.3%	17.3%	17.2%	13.3%	10.7%	6.2%	4.8%	4.3%	3.9%	2.2%	-52.1%	-100.7%
31-Dec	6.1%	1.4%	-9.4%	6.4%	-12.9%	0.9%	-4.6%	-19.6%	-9.4%	-6.1%	-35.3%	-97.5%

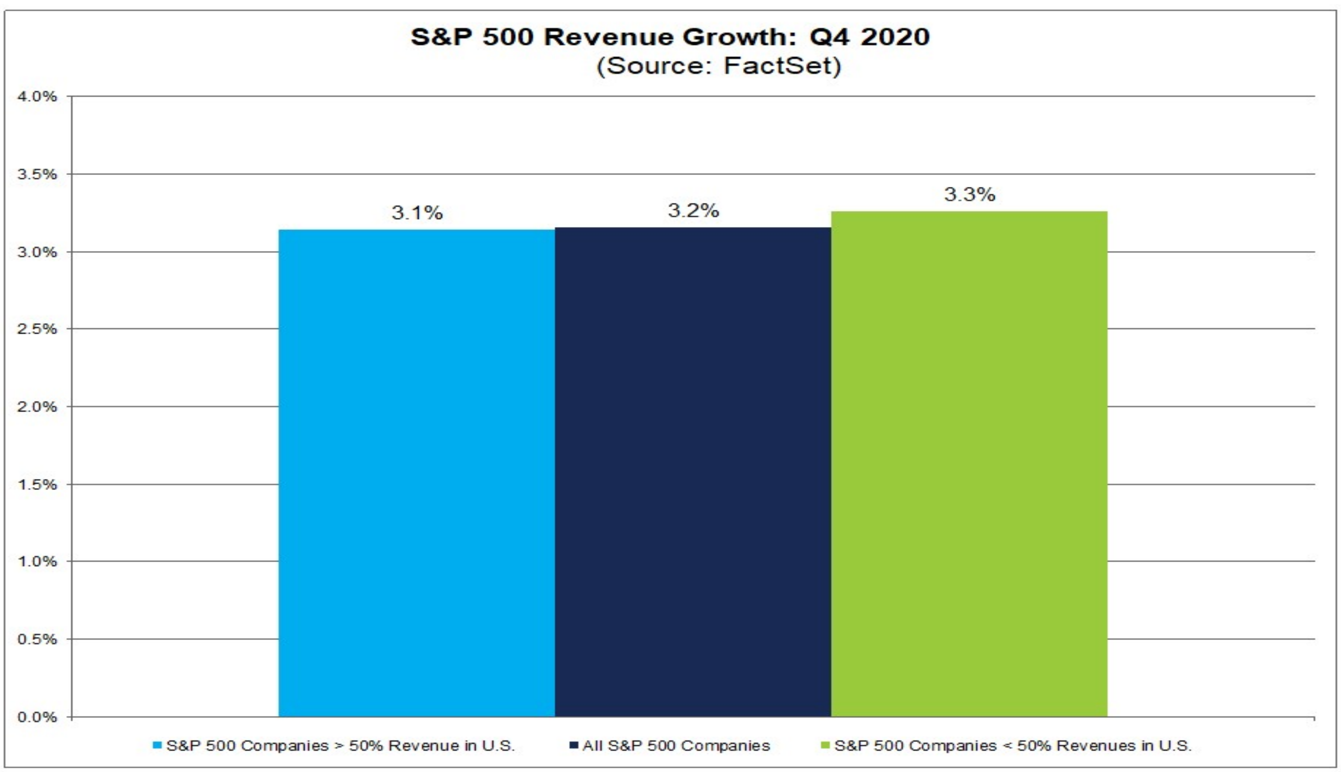
S&P 500 Revenue Growth: Q4 2020
(Source: FactSet)



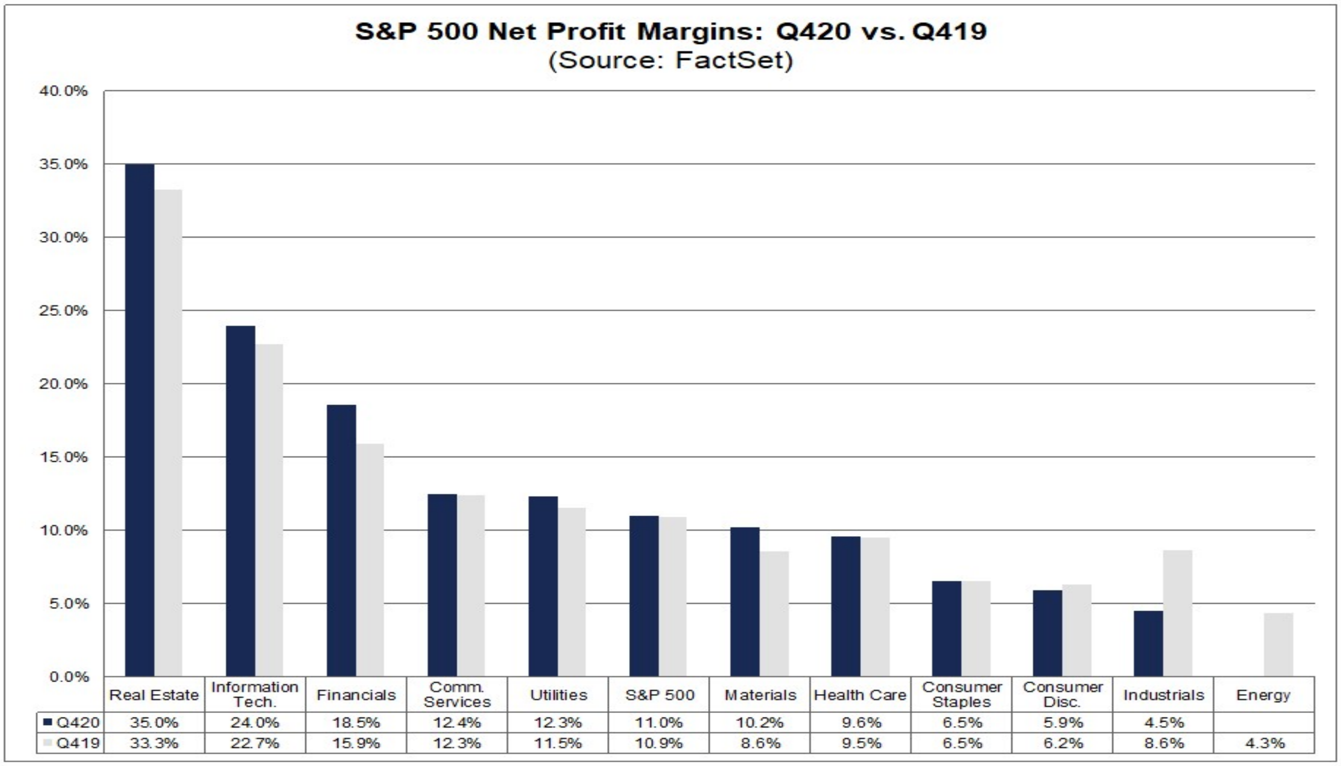
	Health Care	Info. Technology	Consumer Disc.	Comm. Services	Consumer Staples	S&P 500	Materials	Financials	Utilities	Real Estate	Industrials	Energy
Today	12.3%	11.3%	10.9%	9.8%	6.1%	3.2%	2.8%	0.6%	-1.9%	-2.9%	-7.6%	-33.0%
31-Dec	9.9%	5.9%	7.6%	5.3%	4.0%	0.1%	-1.6%	-3.3%	6.5%	-5.2%	-10.5%	-34.8%

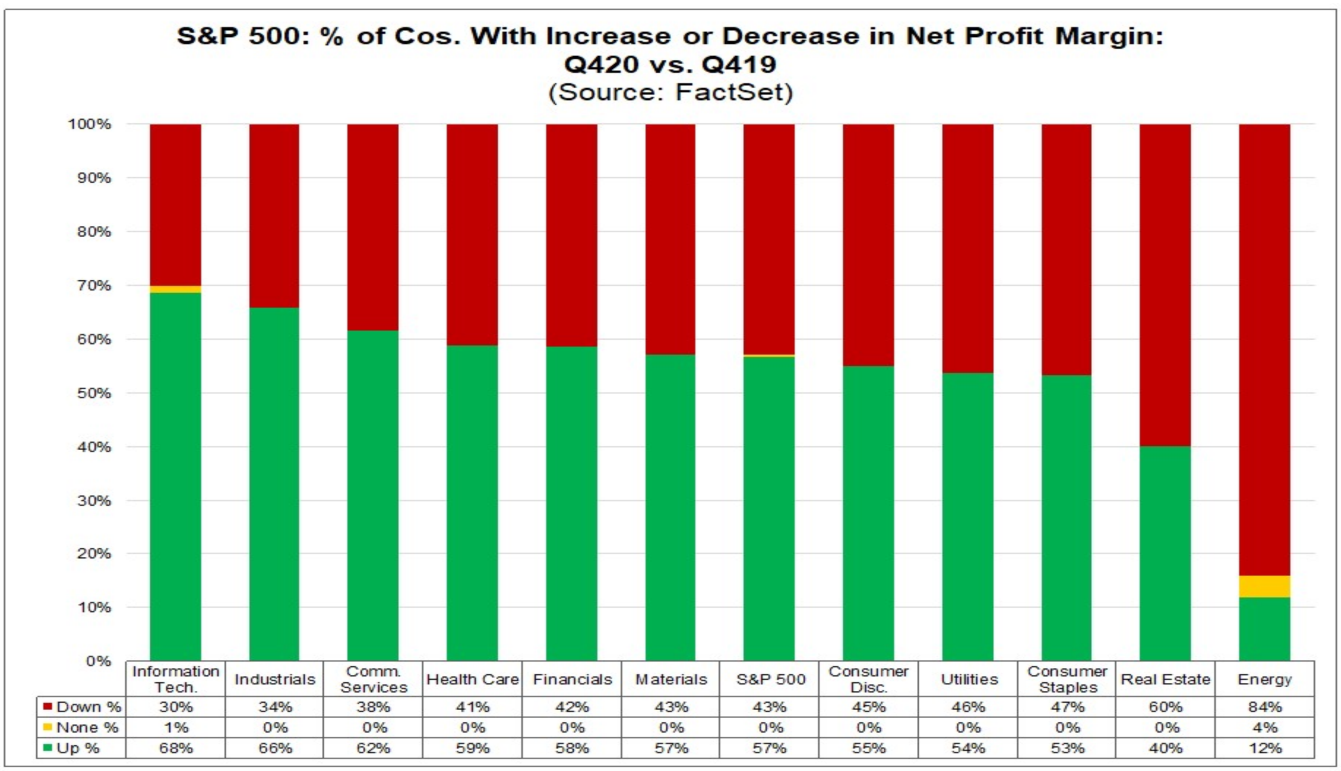
Q4 2020: Growth



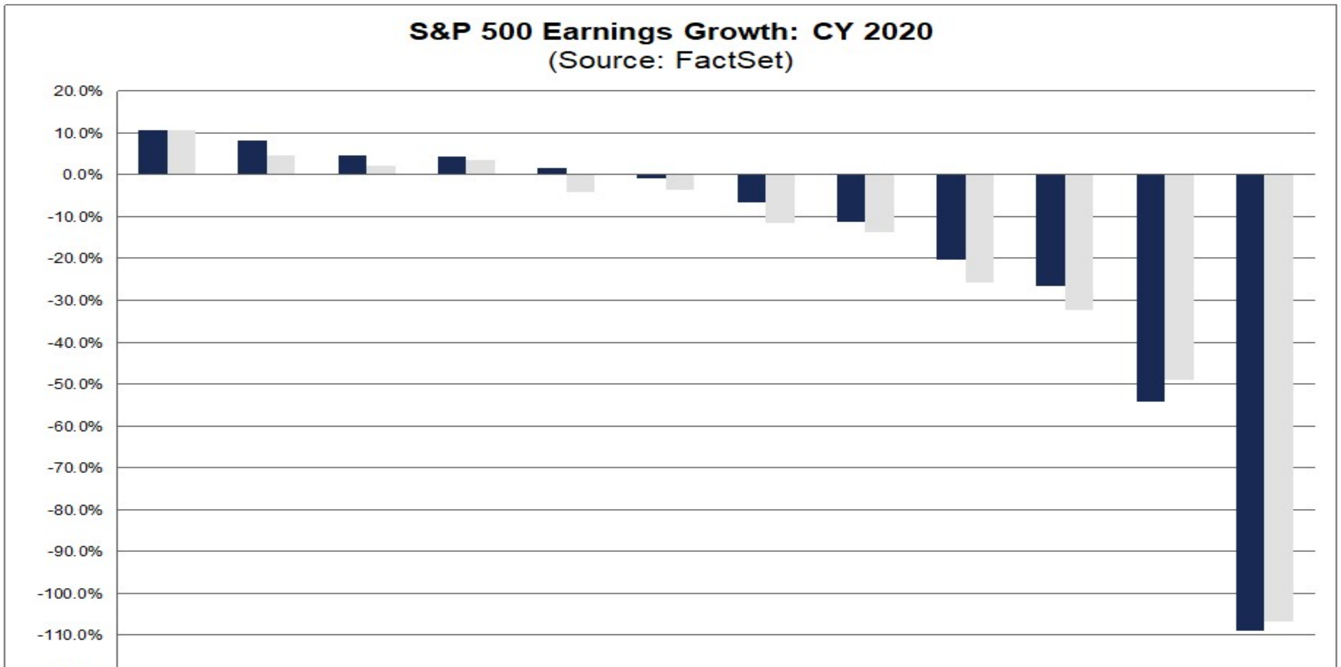


Q4 2020: Net Profit Margin

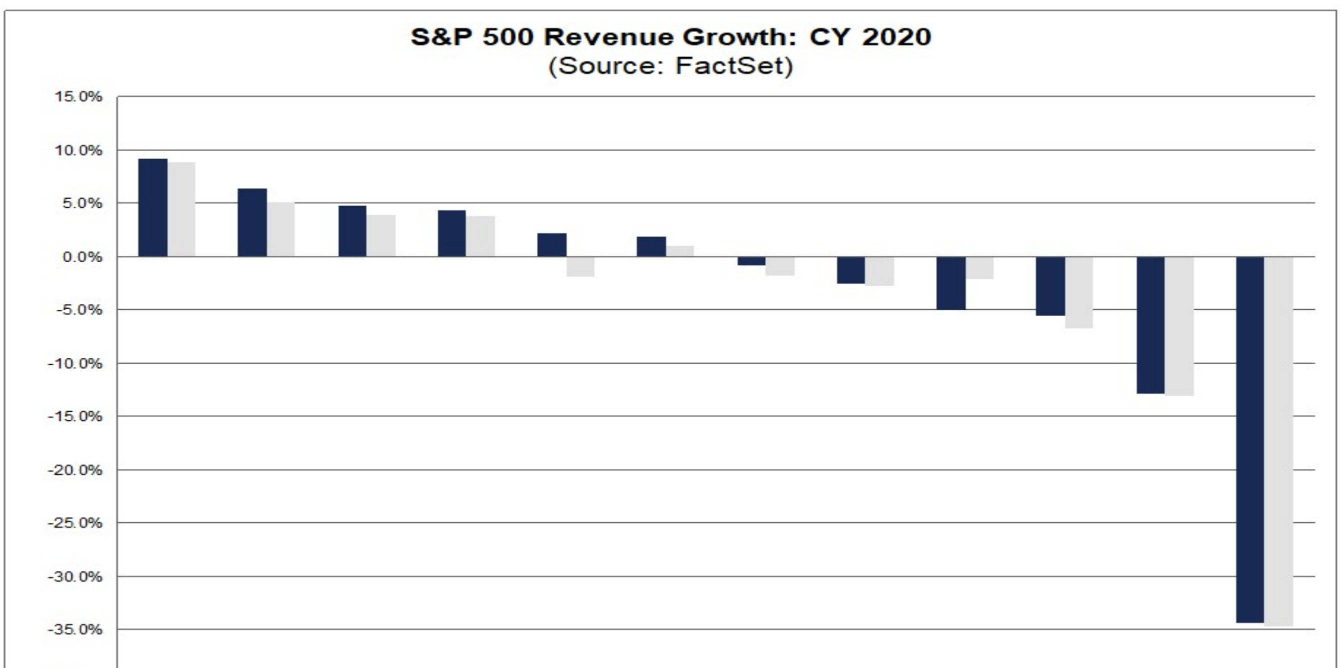




CY 2020: Growth

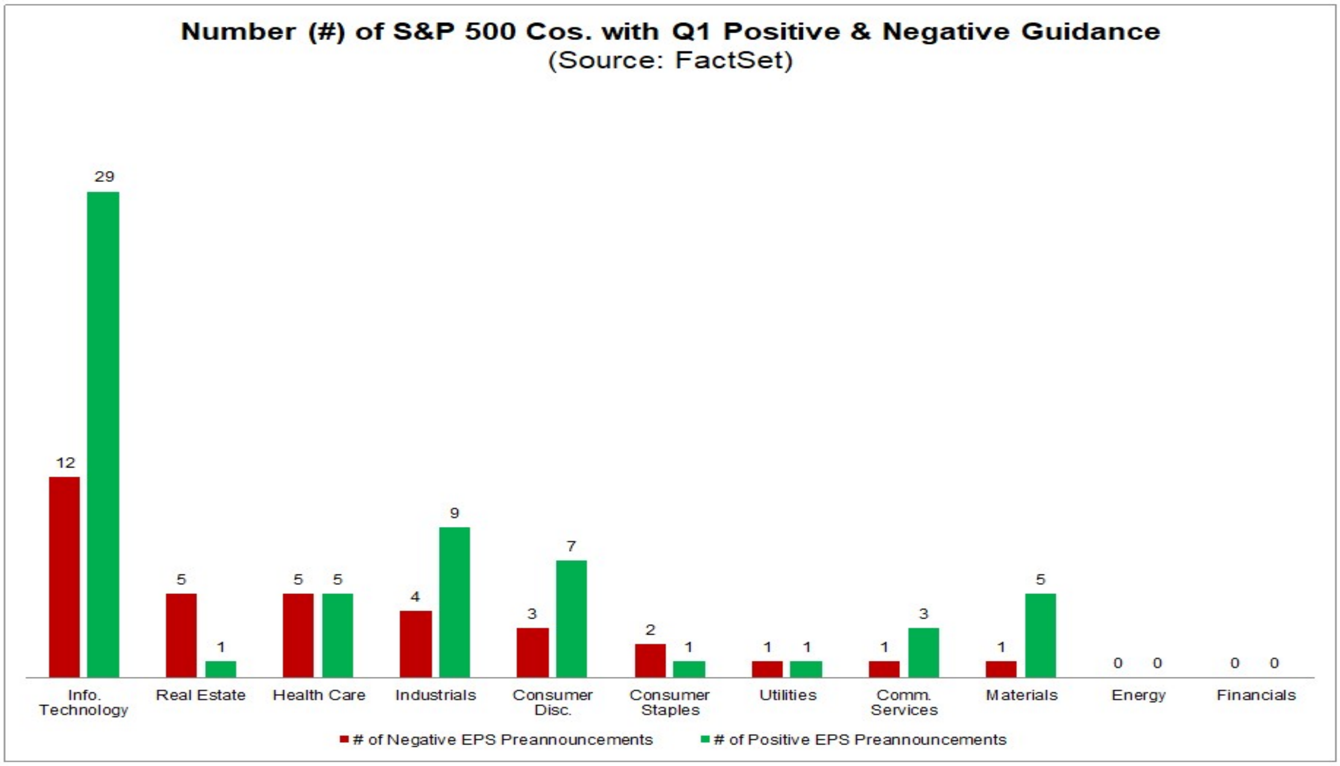


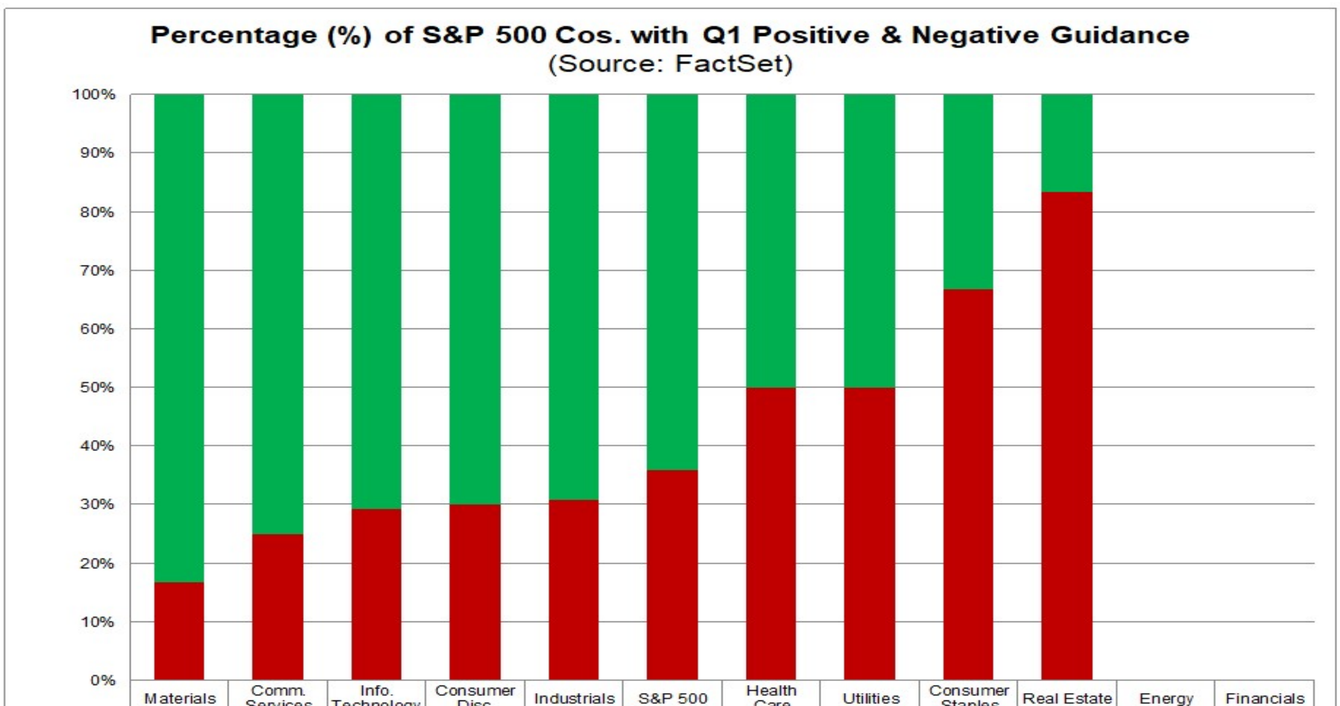
	Health Care	Info. Technology	Utilities	Consumer Staples	Comm. Services	Real Estate	Materials	S&P 500	Financials	Consumer Disc.	Industrials	Energy
Today	10.6%	8.2%	4.5%	4.3%	1.7%	-1.0%	-6.7%	-11.2%	-20.4%	-26.7%	-54.1%	-109.0%
31-Dec	10.6%	4.6%	2.3%	3.5%	-4.1%	-3.5%	-11.5%	-13.6%	-25.7%	-32.4%	-49.0%	-106.7%



	Health Care	Info. Technology	Comm. Services	Consumer Staples	Financials	Consumer Disc.	S&P 500	Real Estate	Utilities	Materials	Industrials	Energy
Today	9.2%	6.4%	4.8%	4.4%	2.2%	1.9%	-0.8%	-2.6%	-5.0%	-5.5%	-12.8%	-34.3%
31-Dec	8.9%	5.1%	3.9%	3.8%	-1.9%	1.0%	-1.8%	-2.8%	-2.1%	-6.8%	-13.1%	-34.7%

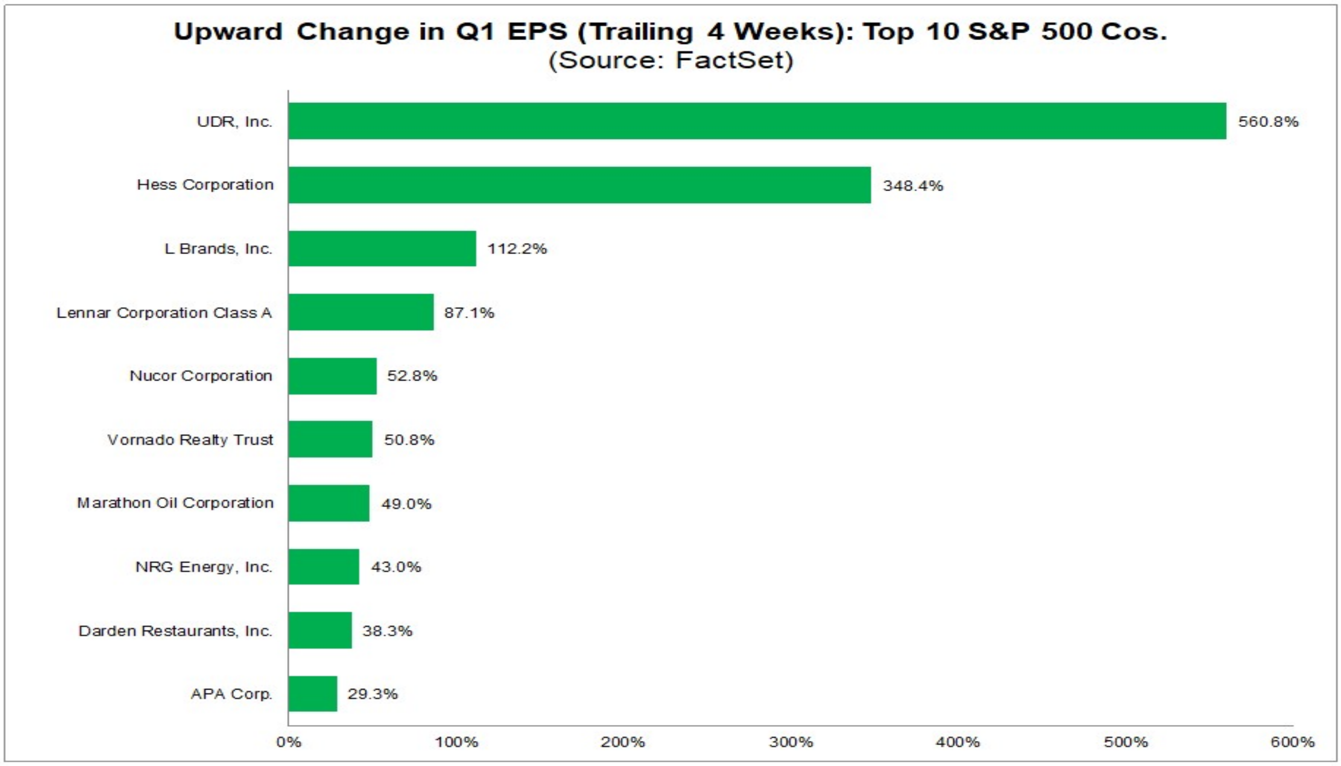
Q1 2021: EPS Guidance

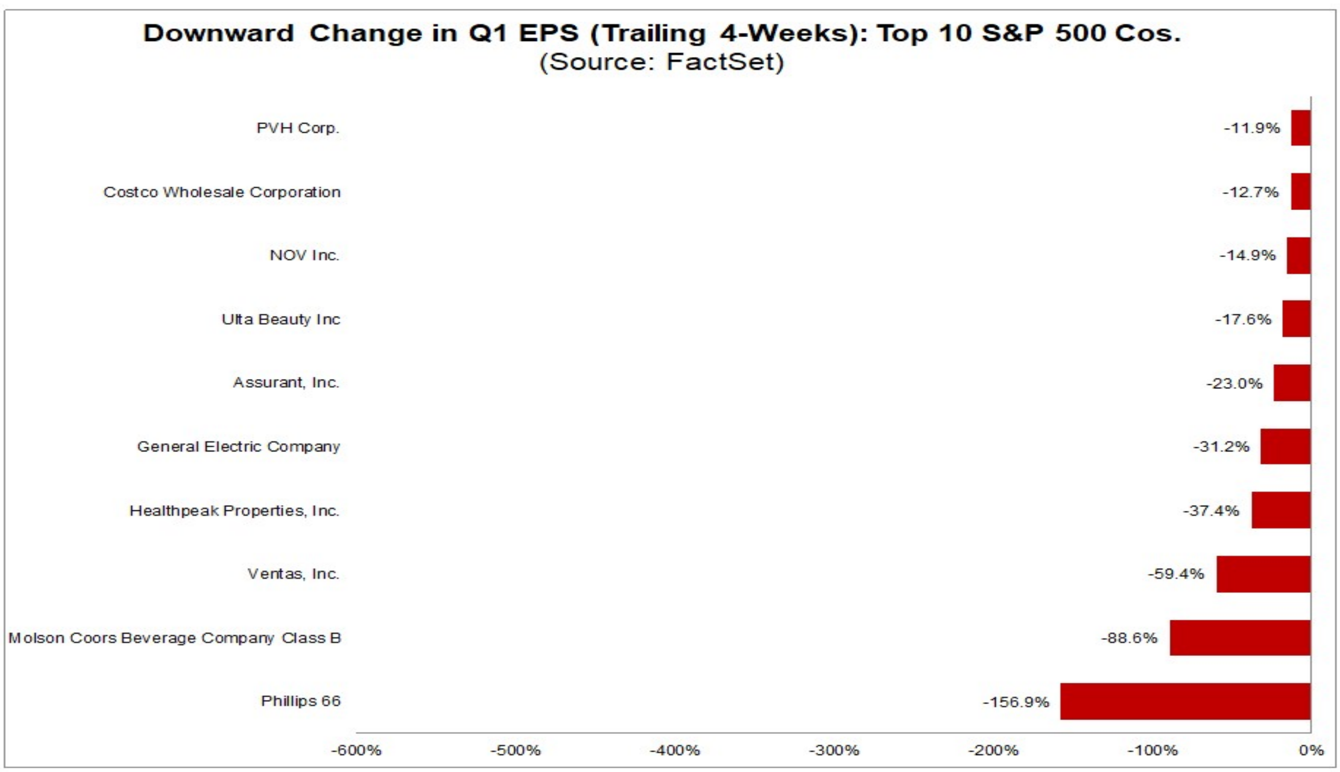




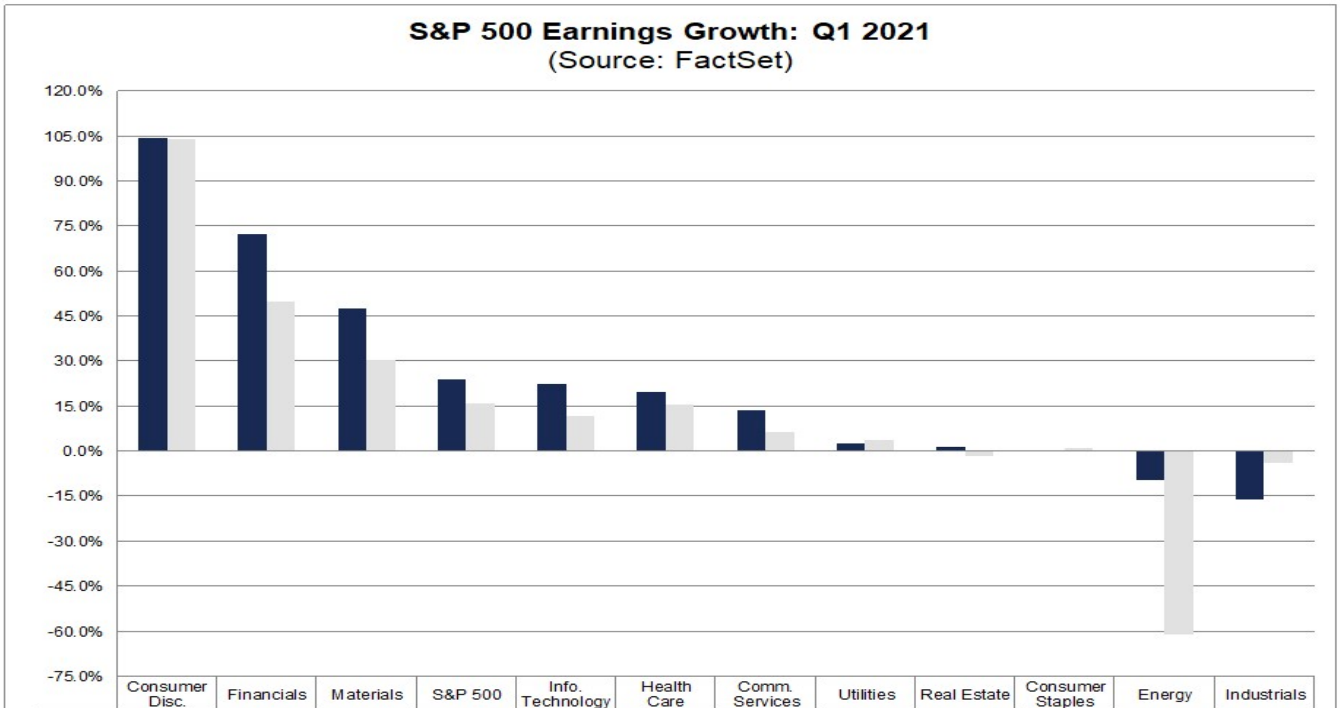
	Materials	Comm. Services	Info. Technology	Consumer Disc.	Industrials	S&P 500	Health Care	Utilities	Consumer Staples	Real Estate	Energy	Financials
Positive	83%	75%	71%	70%	69%	64%	50%	50%	33%	17%	0%	0%
Negative	17%	25%	29%	30%	31%	36%	50%	50%	67%	83%	0%	0%

Q1 2021: EPS Revisions

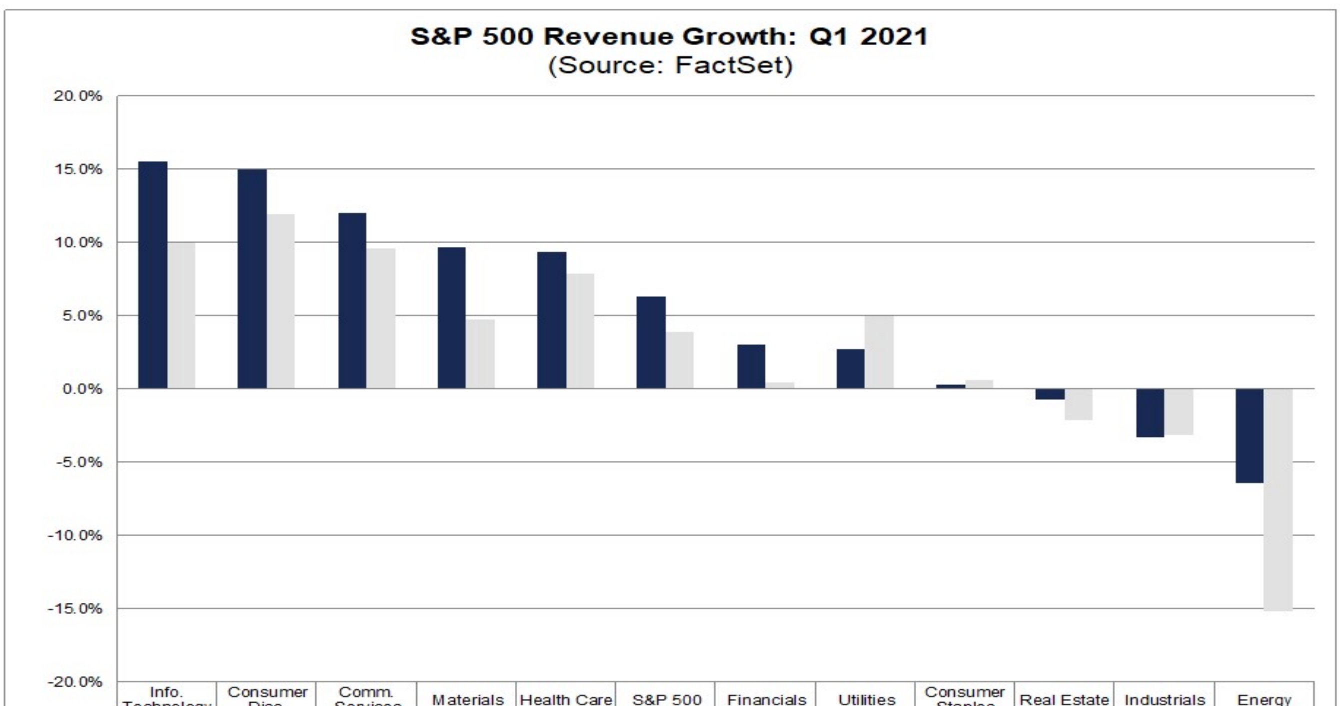




Q1 2021: Growth

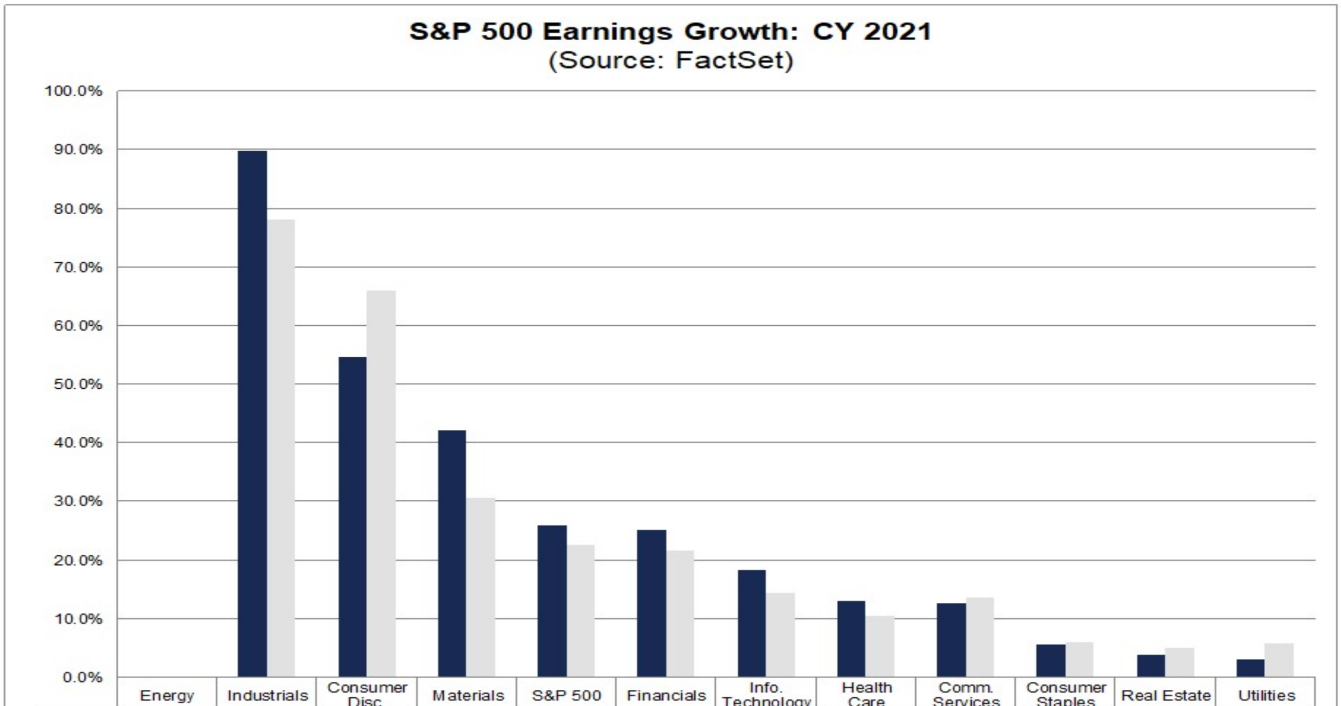


	Consumer Disc.	Financials	Materials	S&P 500	Info. Technology	Health Care	Comm. Services	Utilities	Real Estate	Consumer Staples	Energy	Industrials
Today	104.4%	72.1%	47.7%	23.8%	22.4%	19.8%	13.5%	2.5%	1.5%	0.2%	-9.7%	-16.0%
31-Dec	103.9%	49.7%	30.2%	15.8%	11.6%	15.6%	6.2%	3.6%	-1.9%	0.8%	-61.0%	-3.8%

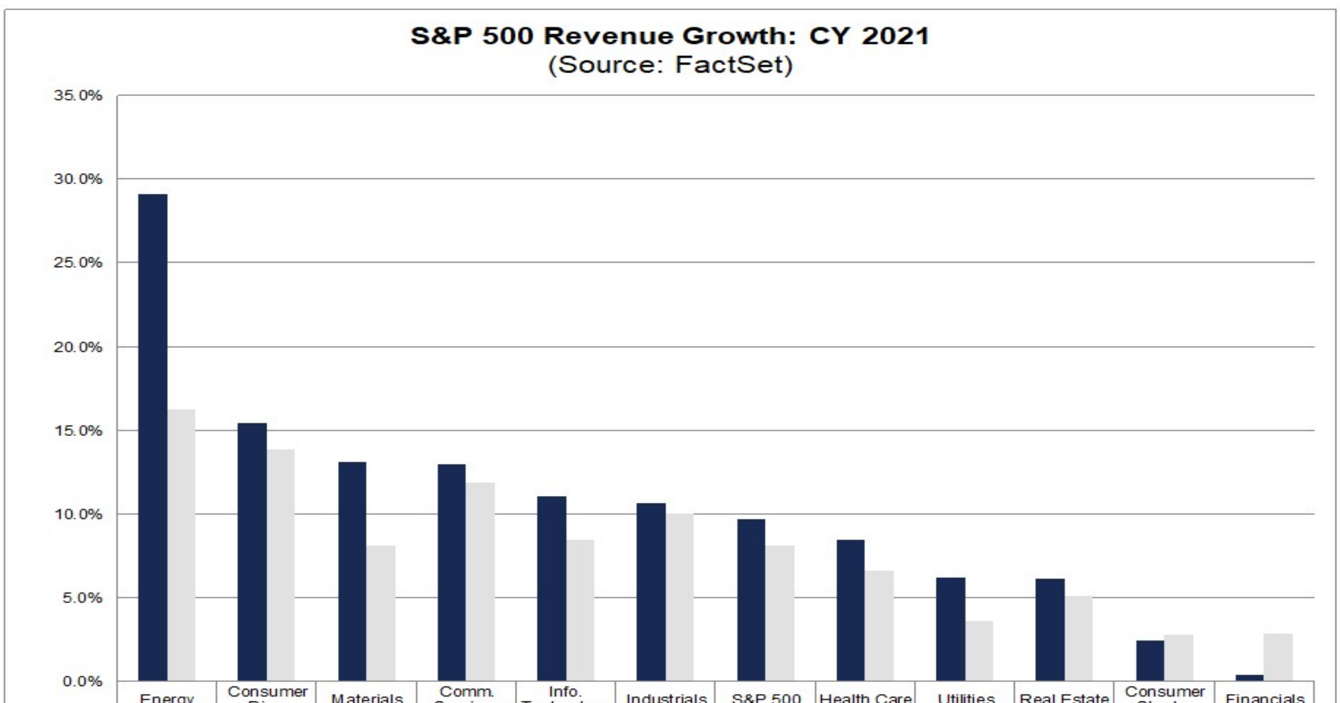


	Info. Technology	Consumer Disc.	Comm. Services	Materials	Health Care	S&P 500	Financials	Utilities	Consumer Staples	Real Estate	Industrials	Energy
Today	15.5%	15.0%	12.0%	9.7%	9.3%	6.3%	3.0%	2.7%	0.3%	-0.7%	-3.3%	-6.4%
31-Dec	10.0%	11.9%	9.6%	4.7%	7.8%	3.9%	0.4%	4.9%	0.6%	-2.1%	-3.2%	-15.2%

CY 2021: Growth



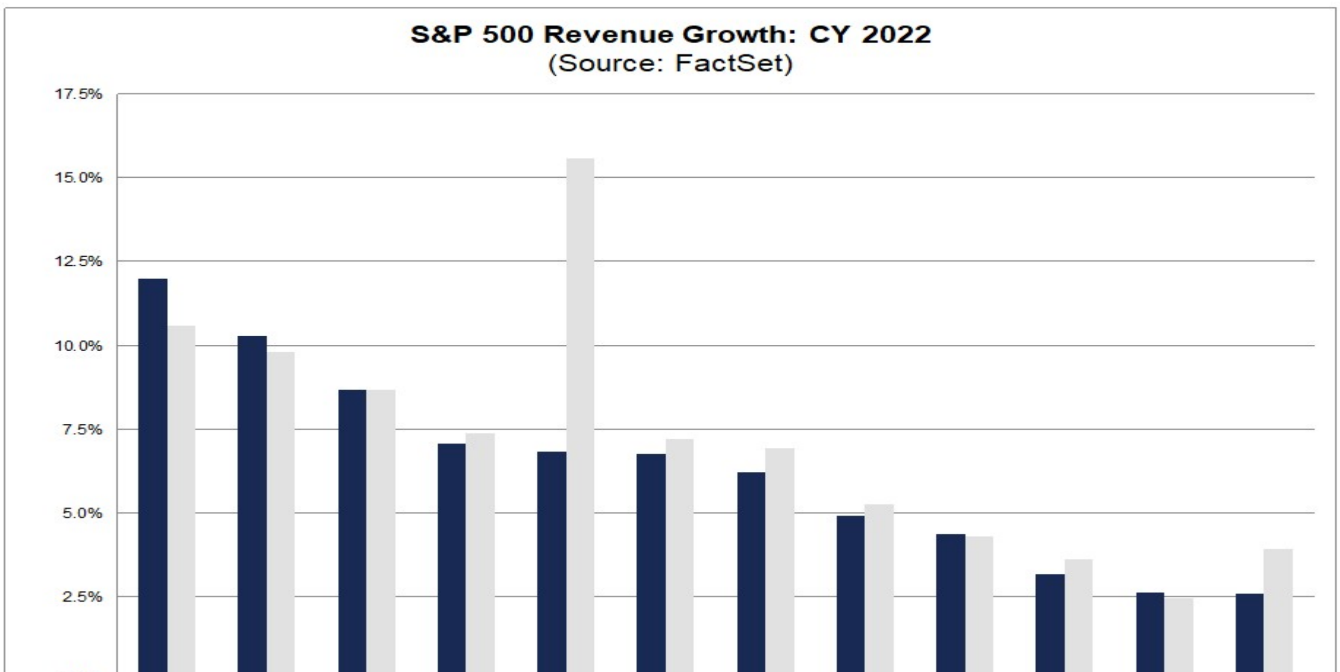
	Energy	Industrials	Consumer Disc.	Materials	S&P 500	Financials	Info. Technology	Health Care	Comm. Services	Consumer Staples	Real Estate	Utilities
Today		89.8%	54.5%	42.2%	25.9%	25.2%	18.2%	13.0%	12.6%	5.5%	3.8%	3.0%
31-Dec		78.1%	66.0%	30.6%	22.6%	21.7%	14.4%	10.4%	13.6%	6.0%	5.1%	5.7%



	Energy	Consumer Disc.	Materials	Comm. Services	Info. Technology	Industrials	S&P 500	Health Care	Utilities	Real Estate	Consumer Staples	Financials
Today	29.1%	15.4%	13.1%	13.0%	11.0%	10.6%	9.7%	8.5%	6.2%	6.1%	2.4%	0.4%
31-Dec	16.2%	13.8%	8.1%	11.9%	8.5%	10.0%	8.1%	6.6%	3.6%	5.1%	2.7%	2.8%

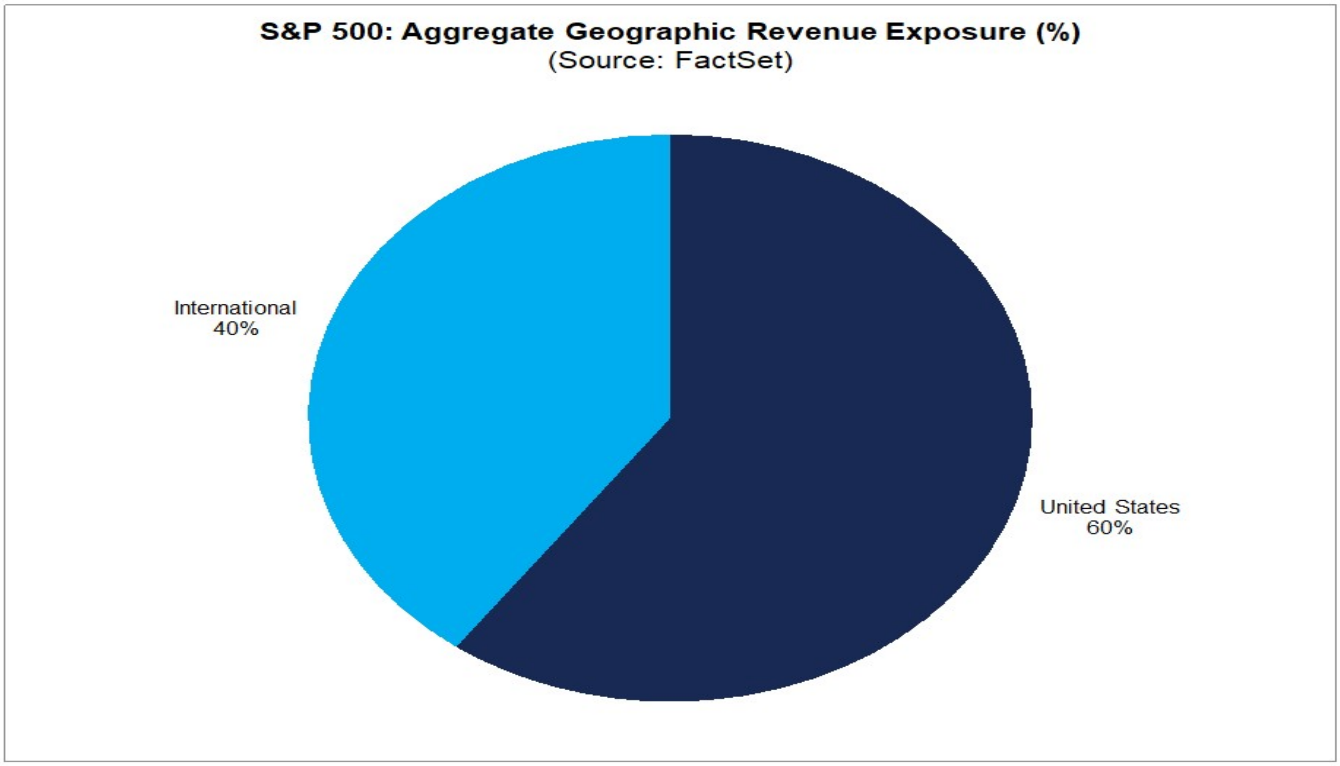
CY 2022: Growth

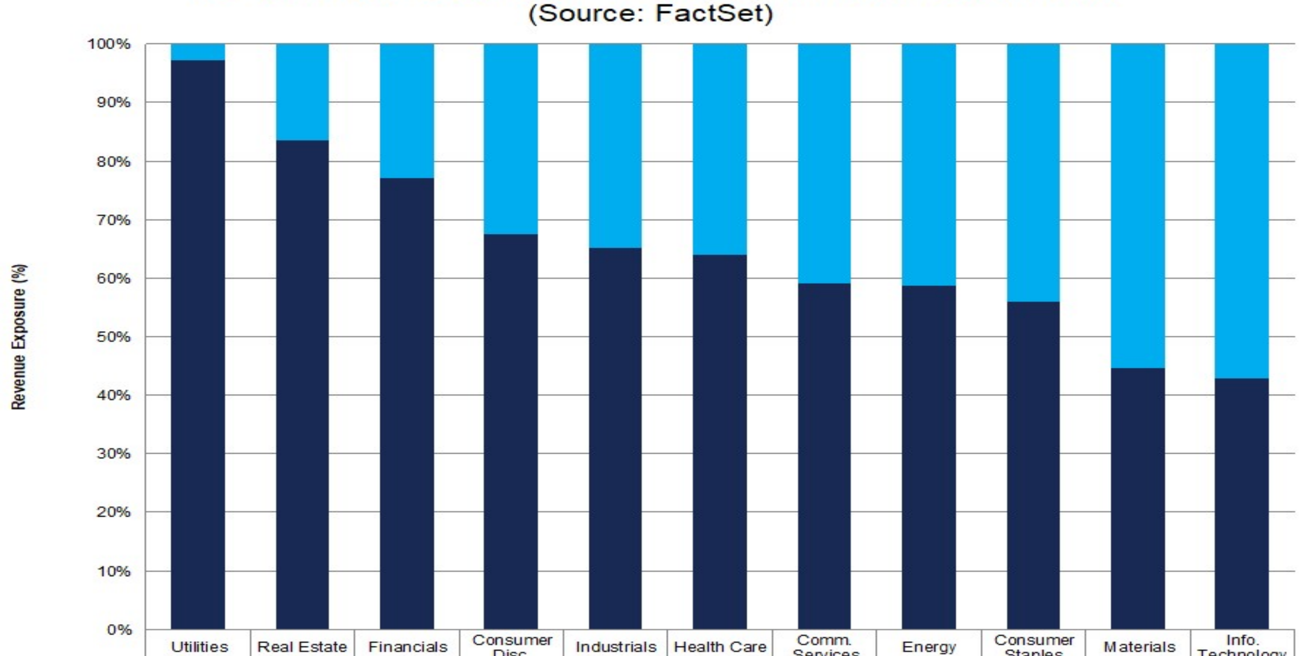
	Energy	Consumer Disc.	Industrials	Utilities	Comm. Services	S&P 500	Real Estate	Info. Technology	Financials	Health Care	Consumer Staples	Materials
Today	43.5%	33.1%	31.9%	18.1%	16.8%	14.4%	12.4%	10.1%	9.7%	8.6%	7.7%	-3.4%
31-Dec	103.2%	31.7%	26.7%	17.1%	18.3%	16.5%	13.6%	11.1%	16.5%	10.2%	7.3%	0.3%



	Consumer Disc.	Comm. Services	Industrials	Info. Technology	Energy	S&P 500	Real Estate	Health Care	Financials	Consumer Staples	Utilities	Materials
Today	12.0%	10.3%	8.7%	7.0%	6.8%	6.8%	6.2%	4.9%	4.3%	3.2%	2.6%	2.6%
31-Dec	10.6%	9.8%	8.7%	7.4%	15.6%	7.2%	6.9%	5.2%	4.3%	3.6%	2.4%	3.9%

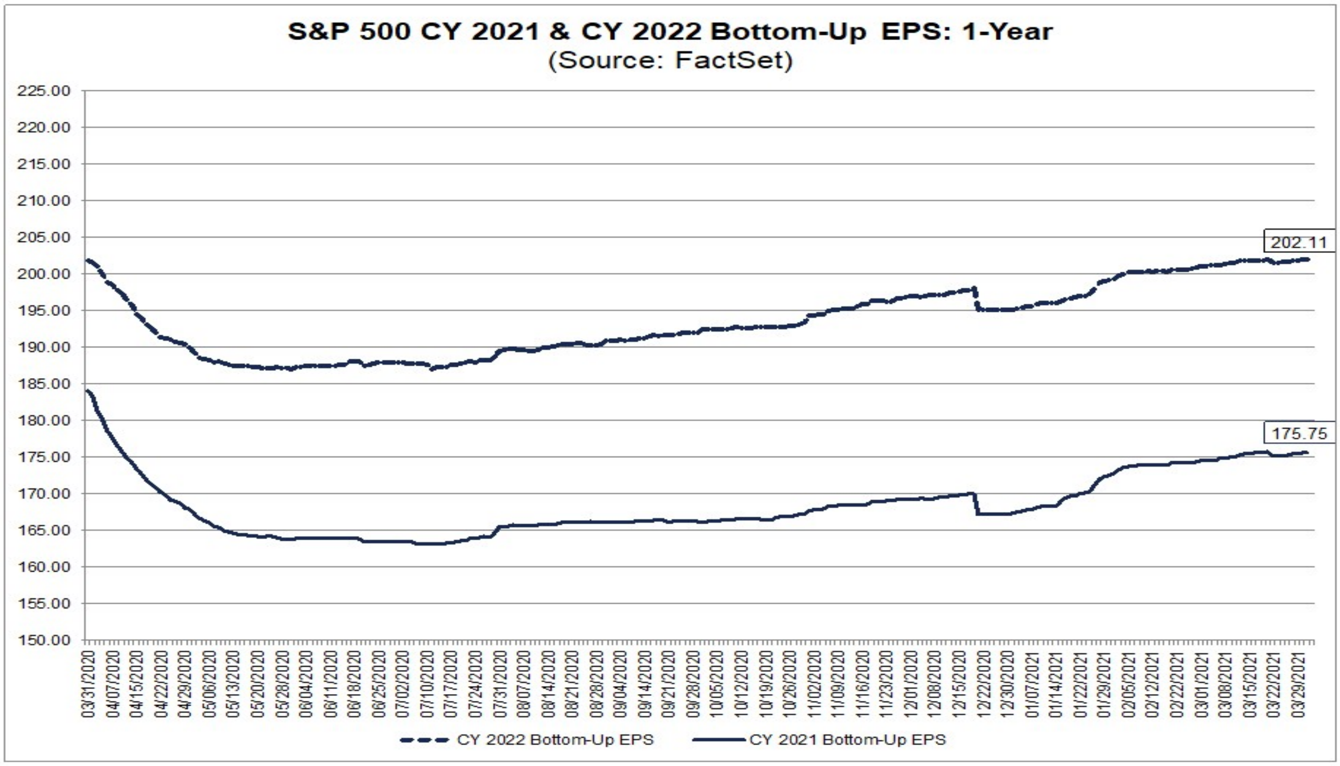
Geographic Revenue Exposure

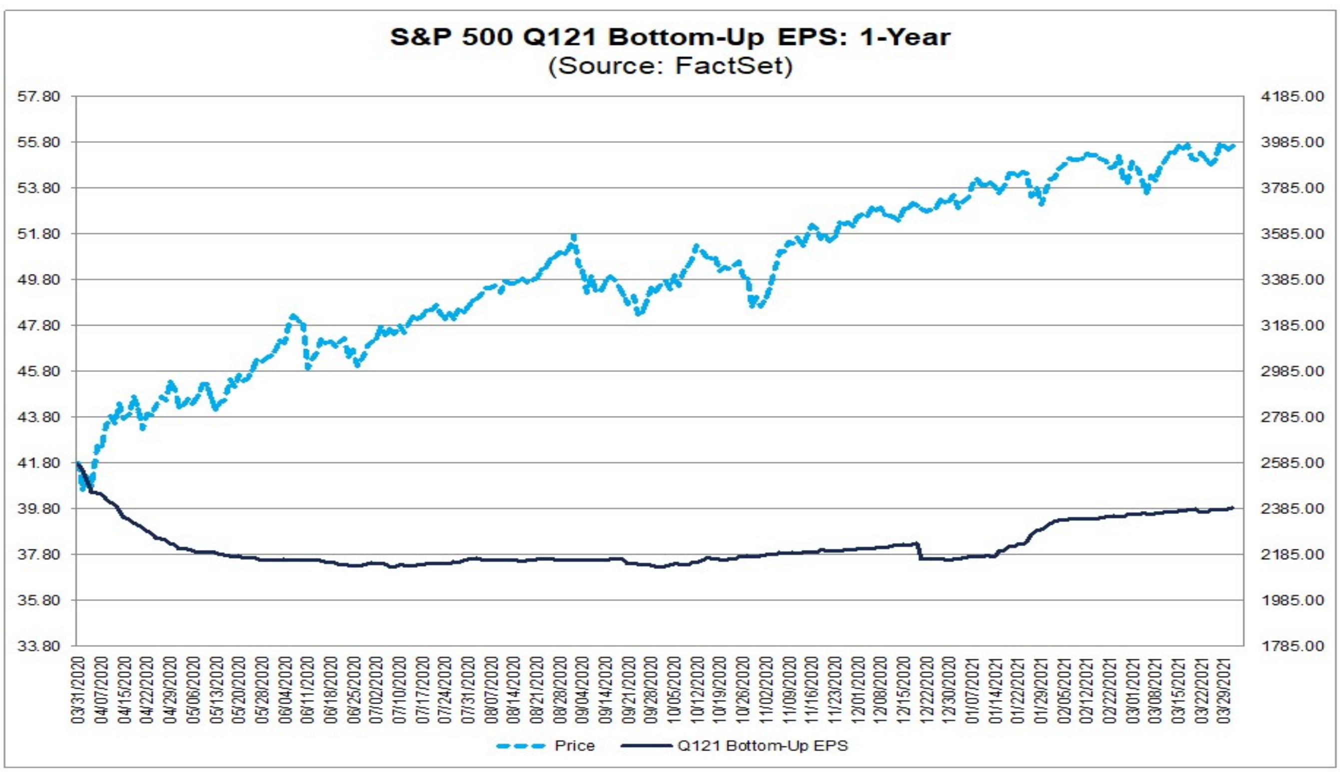




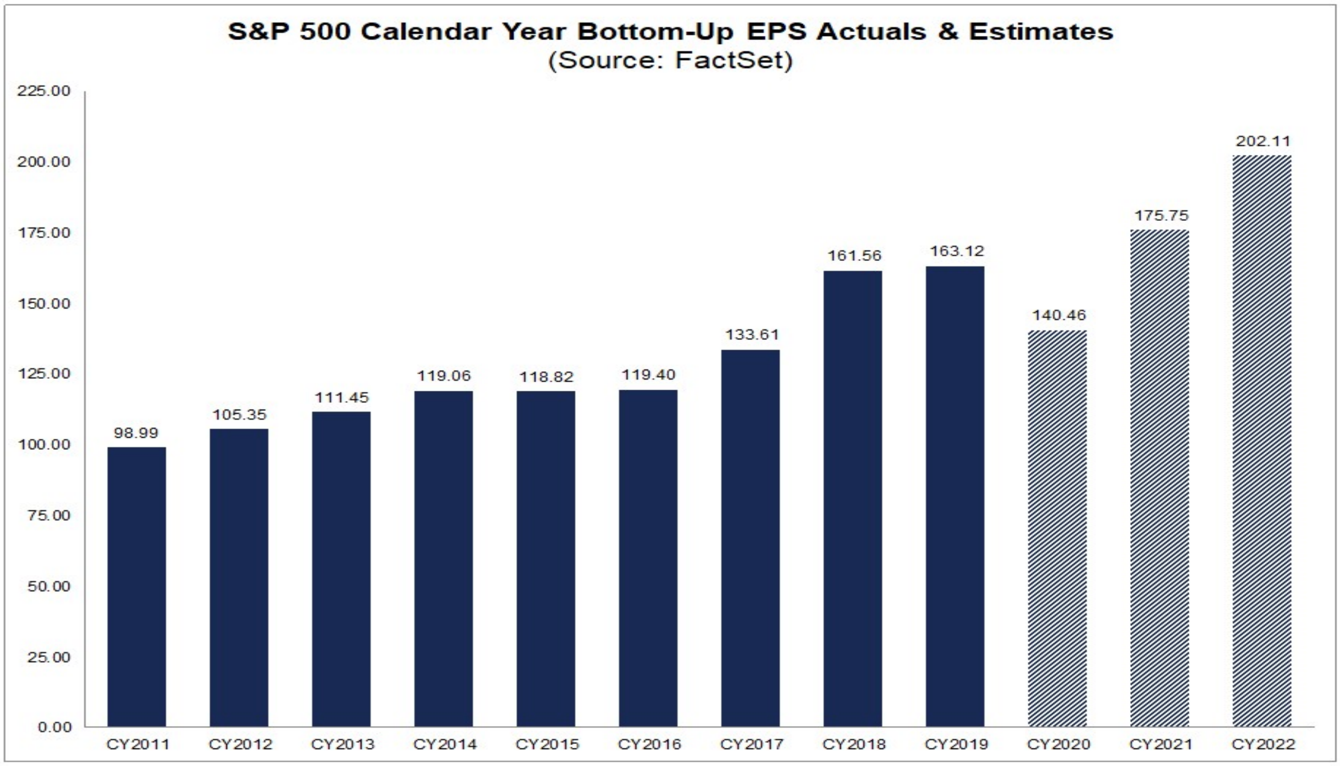
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Comm. Services	Energy	Consumer Staples	Materials	Info. Technology
International	3%	17%	23%	32%	35%	36%	41%	41%	44%	55%	57%
United States	97%	83%	77%	68%	65%	64%	59%	59%	56%	45%	43%

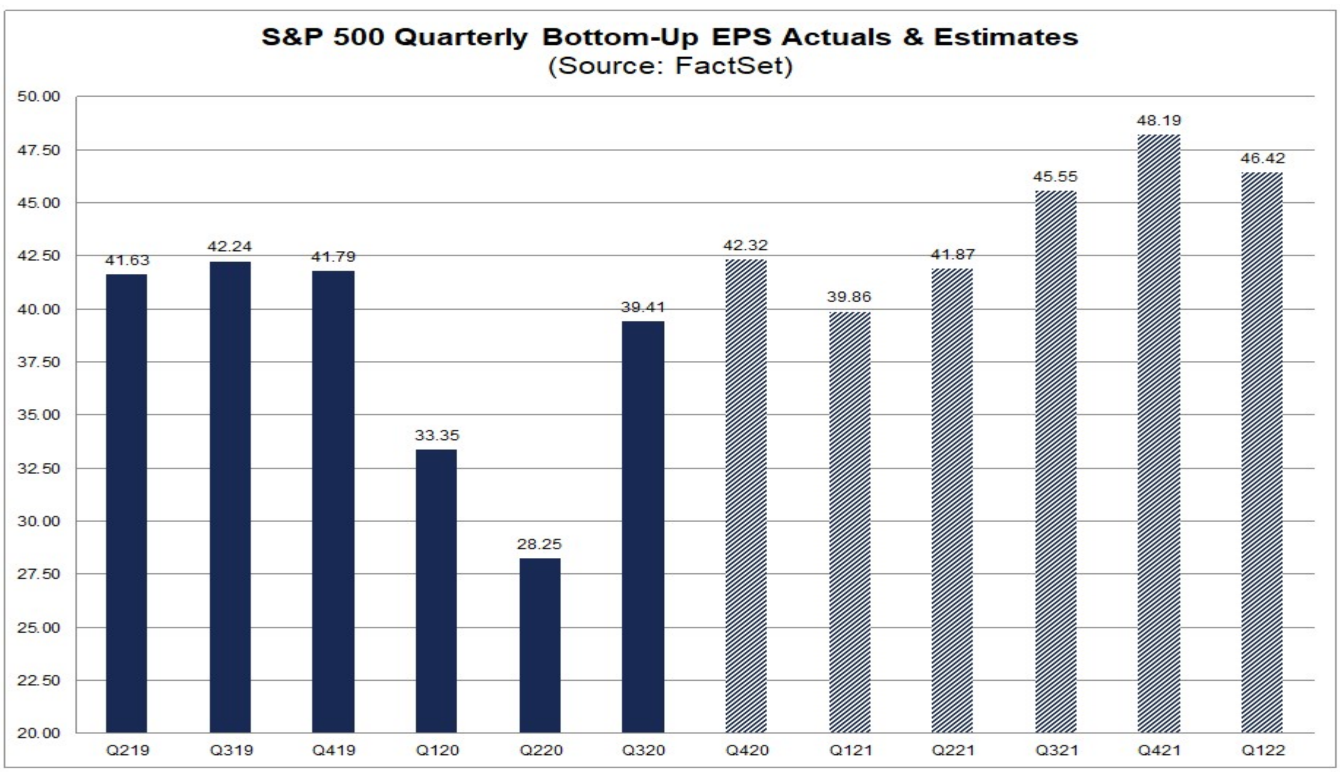
Bottom-up EPS Estimates: Revisions



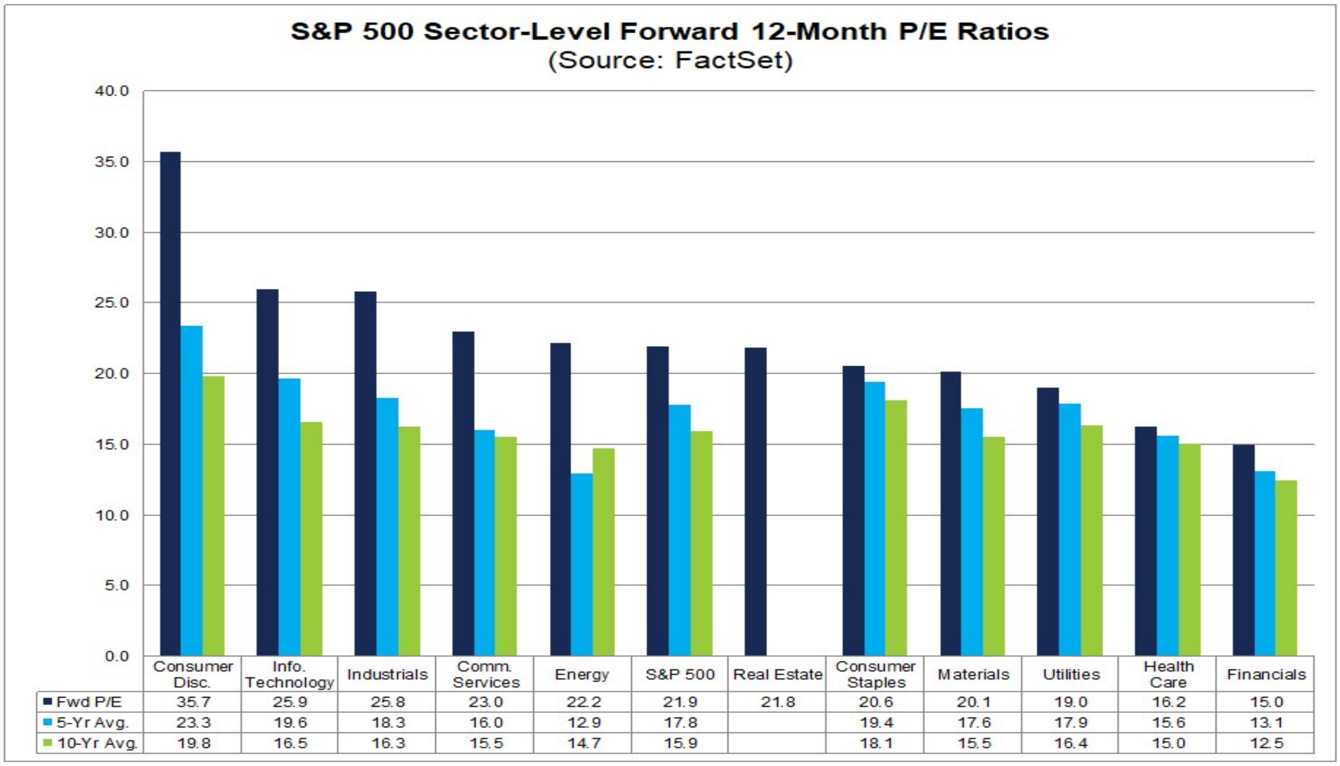


Bottom-up EPS Estimates: Current & Historical

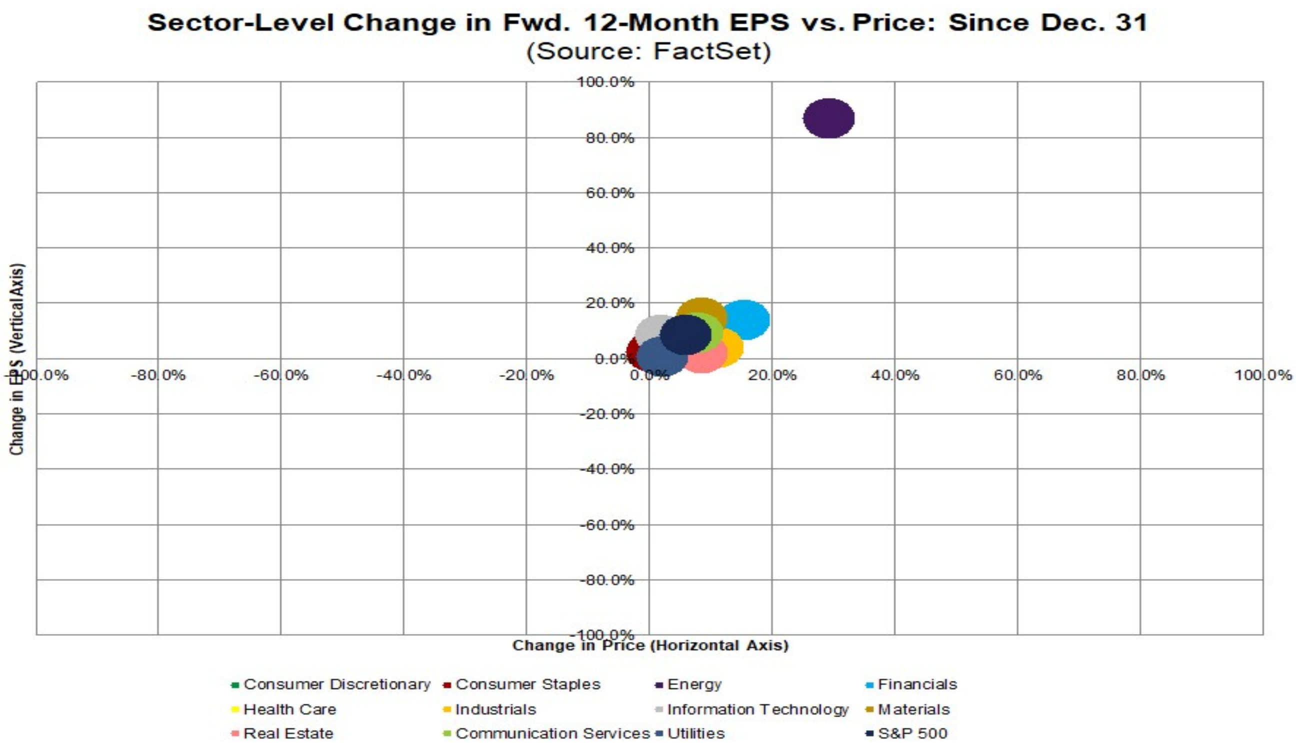




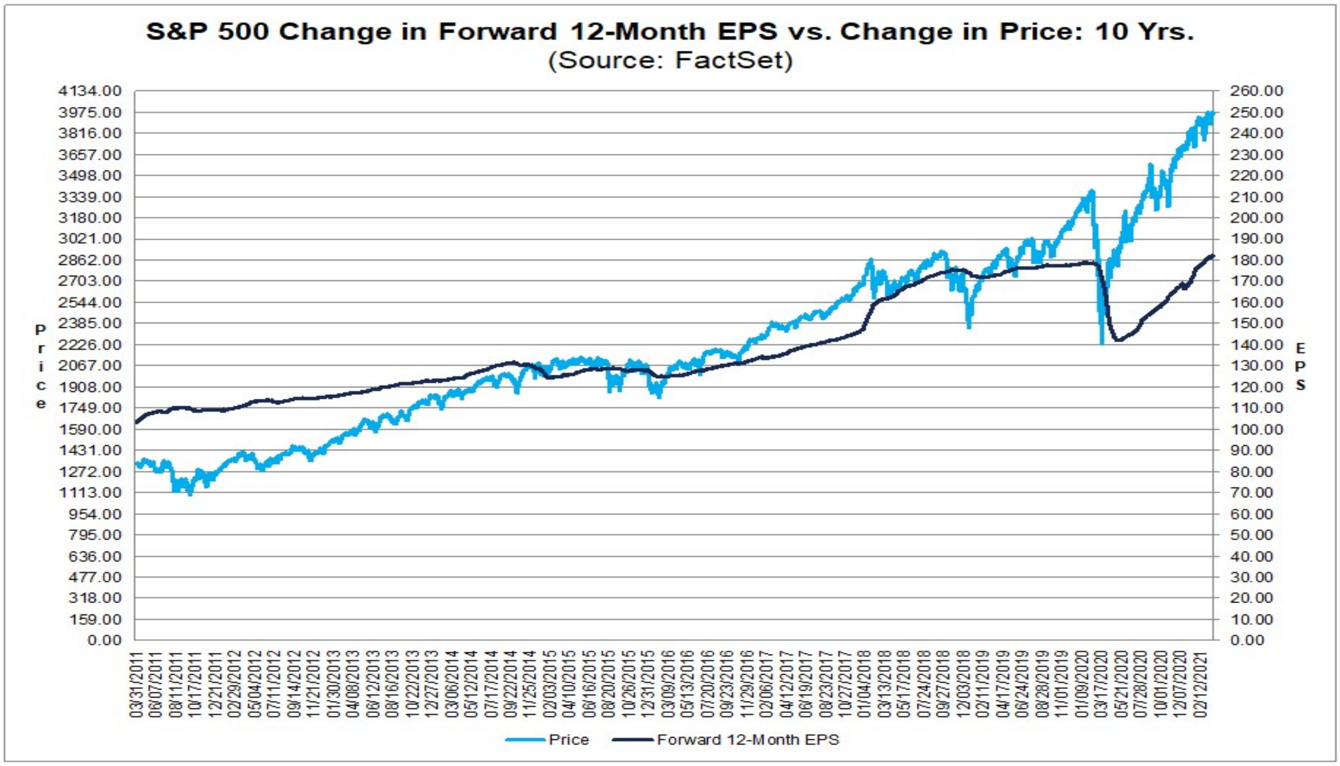
Forward 12M P/E Ratio: Sector Level

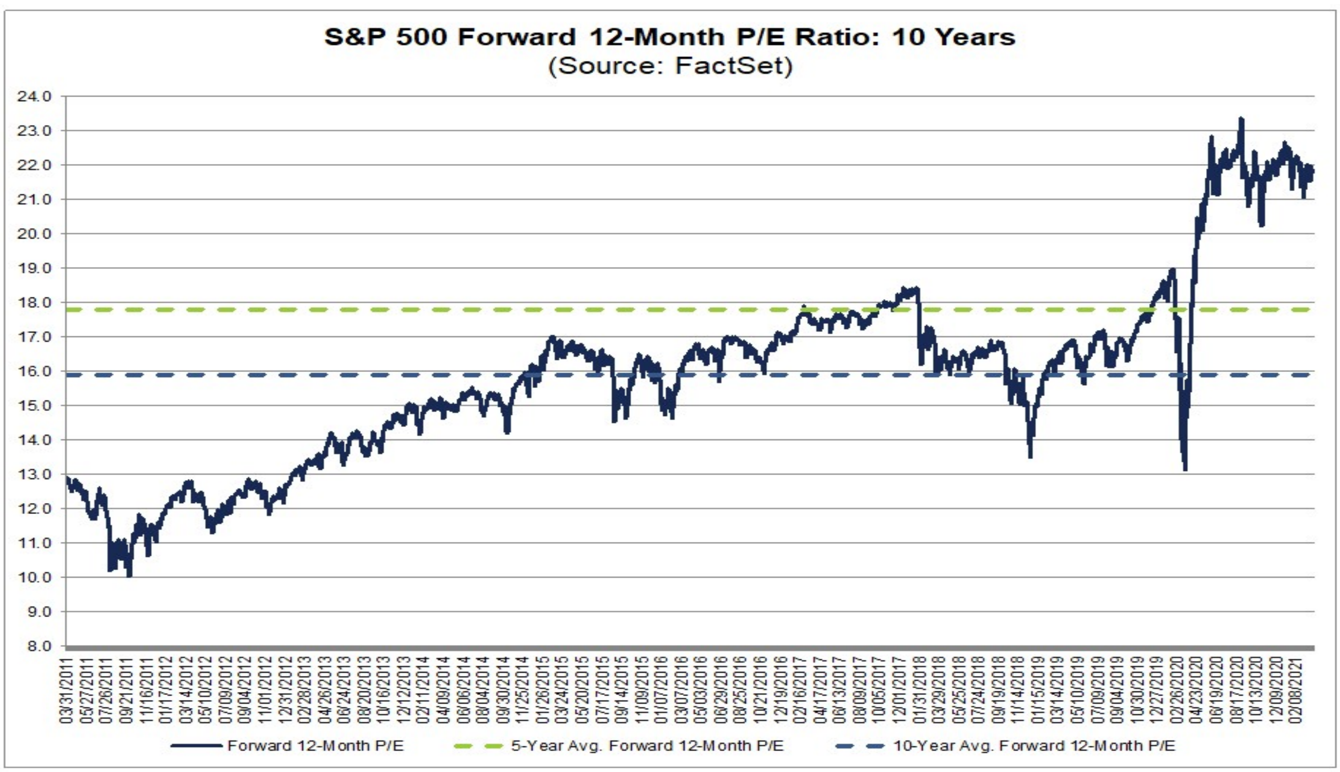


	Consumer Disc.	Info. Technology	Industrials	Comm. Services	Energy	S&P 500	Real Estate	Consumer Staples	Materials	Utilities	Health Care	Financials
Fwd P/E	35.7	25.9	25.8	23.0	22.2	21.9	21.8	20.6	20.1	19.0	16.2	15.0
5-Yr Avg.	23.3	19.6	18.3	16.0	12.9	17.8		19.4	17.6	17.9	15.6	13.1
10-Yr Avg.	19.8	16.5	16.3	15.5	14.7	15.9		18.1	15.5	16.4	15.0	12.5

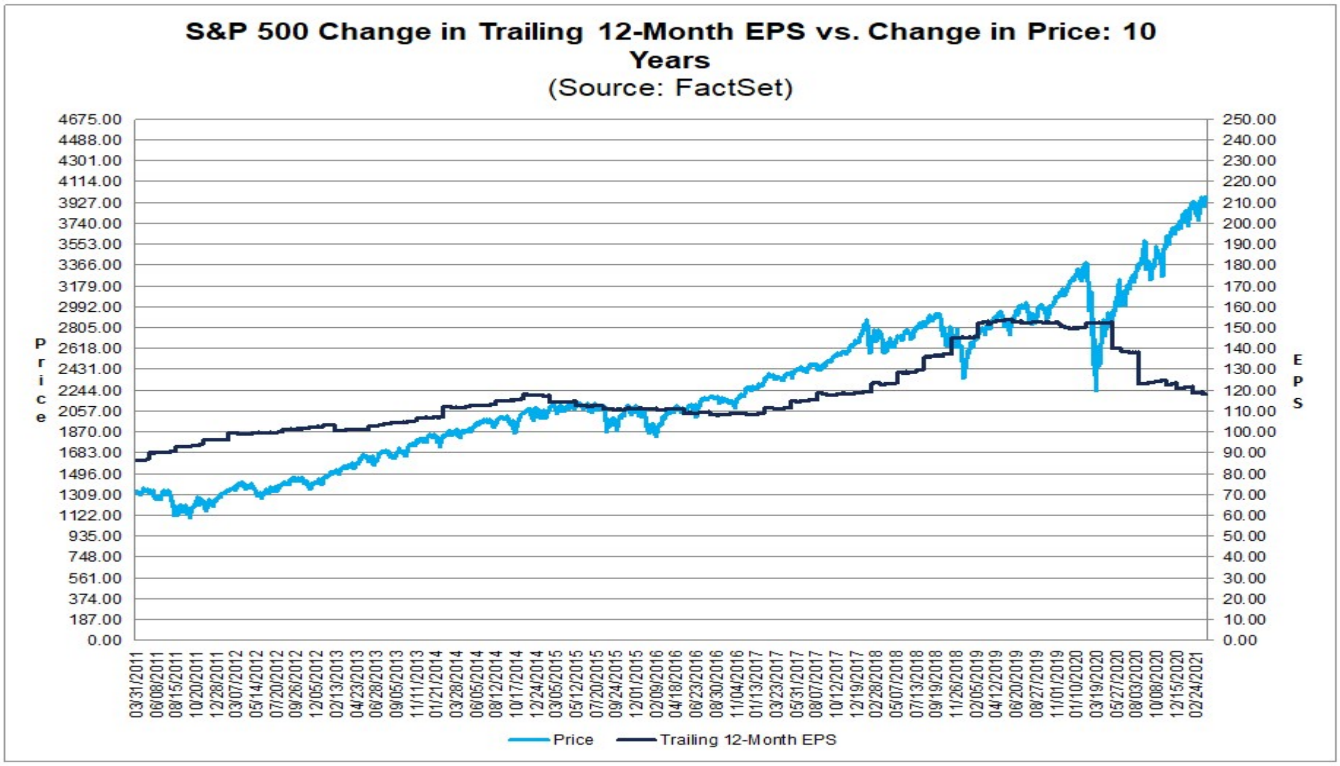


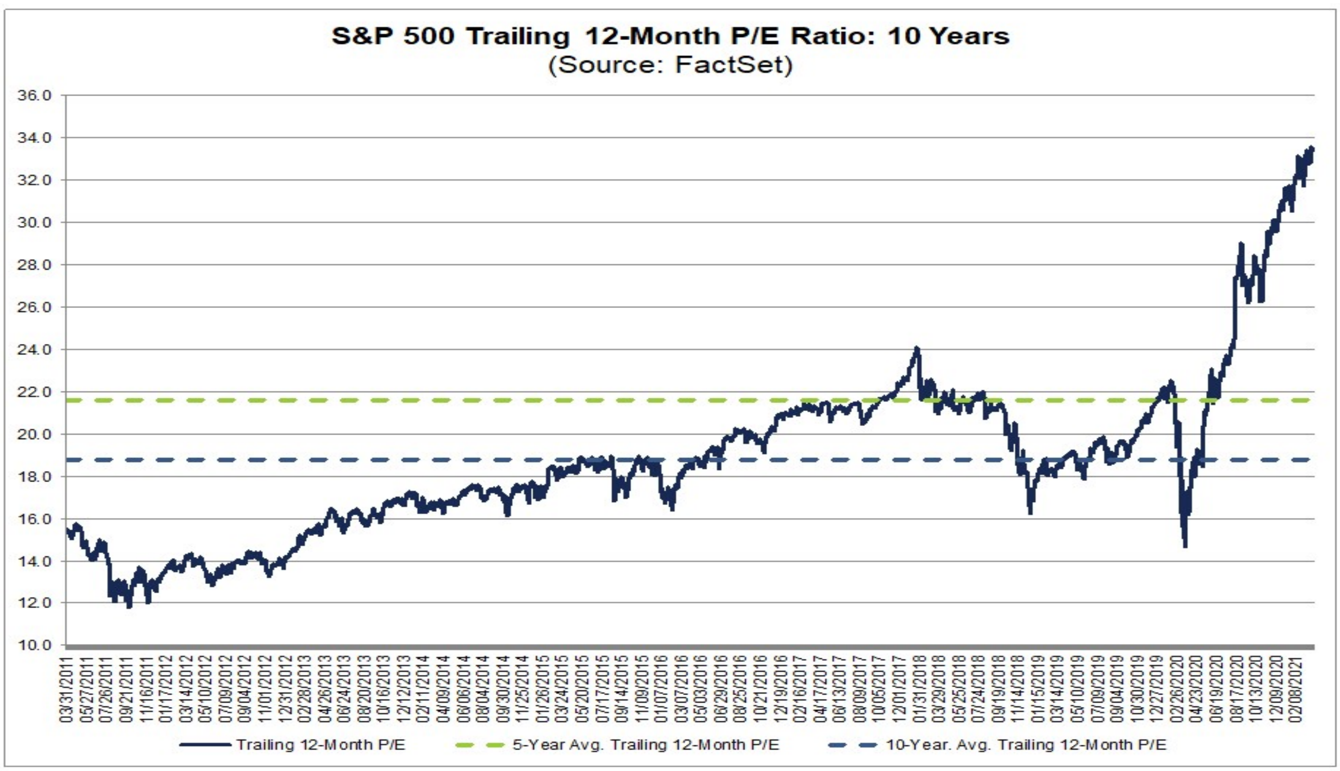
Forward 12M P/E Ratio: 10-Years



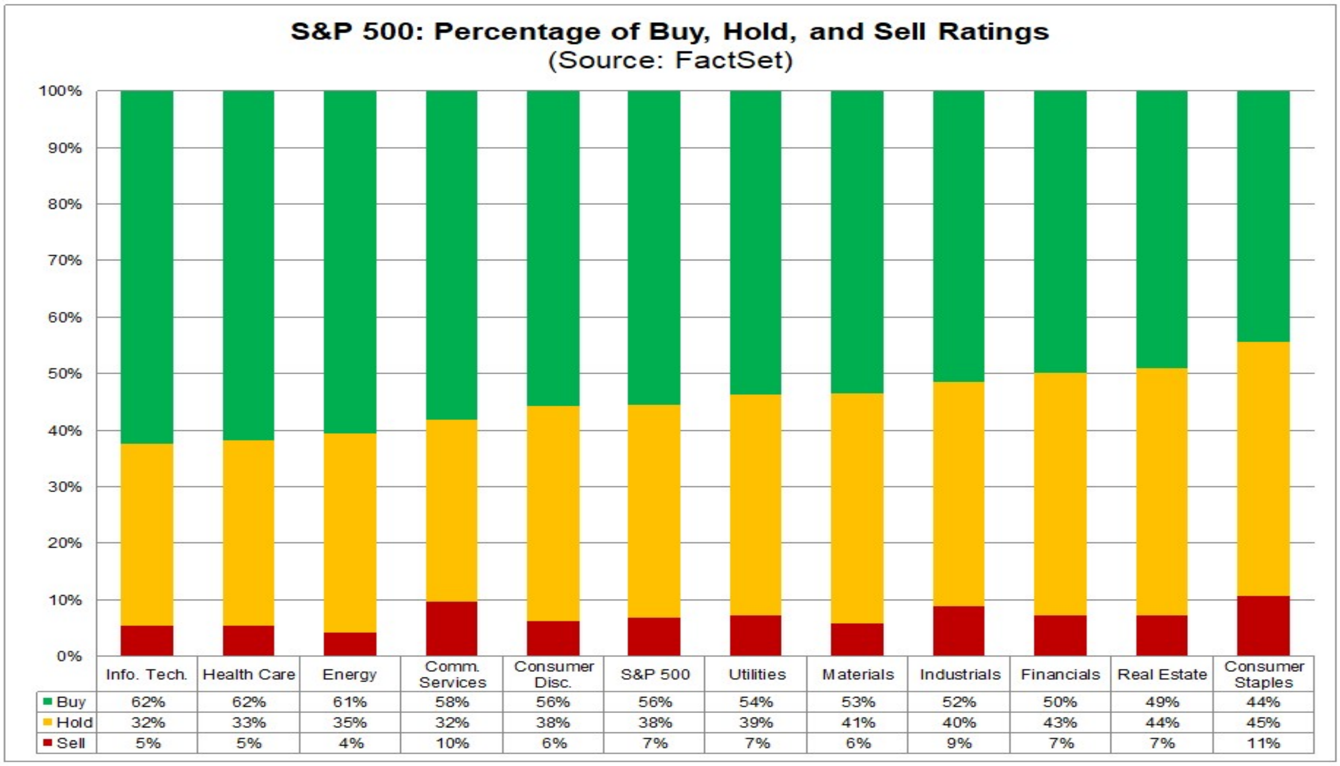


Trailing 12M P/E Ratio: 10-Years

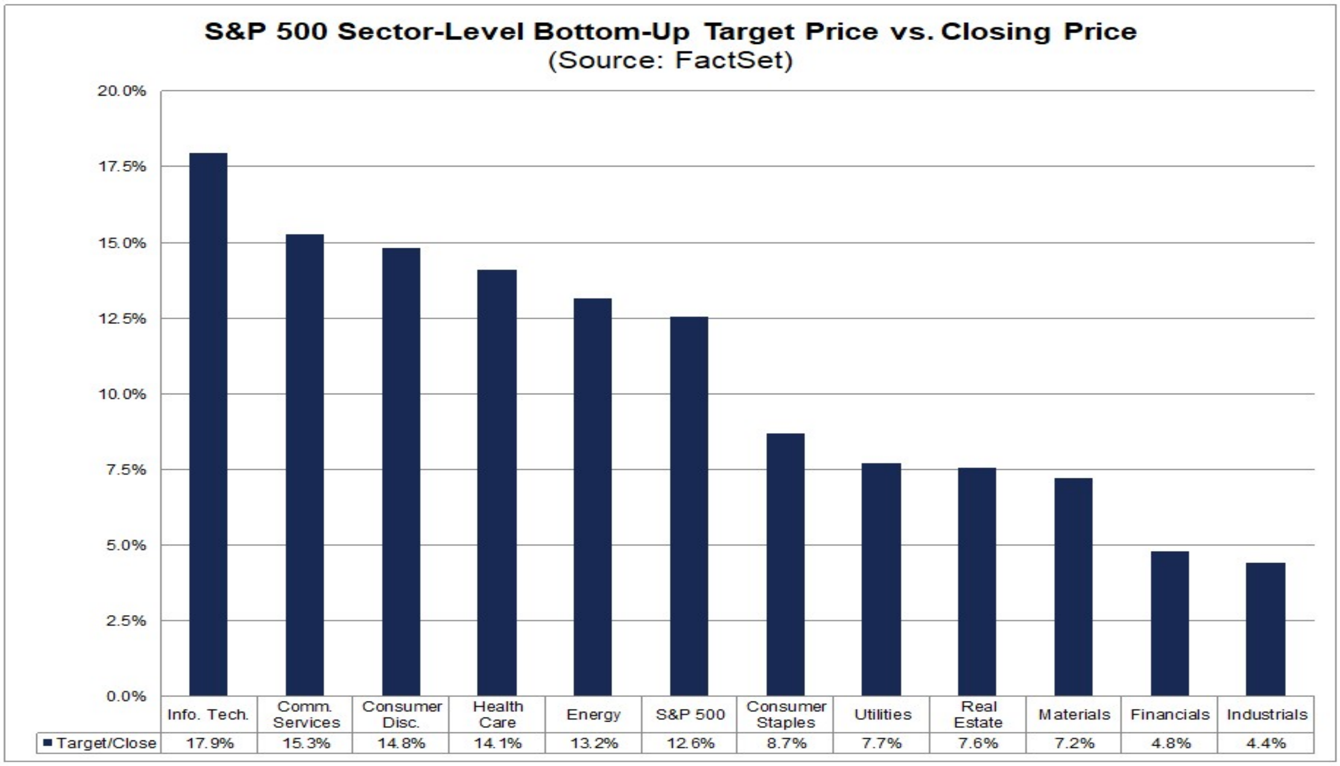




Targets & Ratings



	Info. Tech.	Health Care	Energy	Comm. Services	Consumer Disc.	S&P 500	Utilities	Materials	Industrials	Financials	Real Estate	Consumer Staples
Buy	62%	62%	61%	58%	56%	56%	54%	53%	52%	50%	49%	44%
Hold	32%	33%	35%	32%	38%	38%	39%	41%	40%	43%	44%	45%
Sell	5%	5%	4%	10%	6%	7%	7%	6%	9%	7%	7%	11%



	Info. Tech.	Comm. Services	Consumer Disc.	Health Care	Energy	S&P 500	Consumer Staples	Utilities	Real Estate	Materials	Financials	Industrials
Target/Close	17.9%	15.3%	14.8%	14.1%	13.2%	12.6%	8.7%	7.7%	7.6%	7.2%	4.8%	4.4%

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