

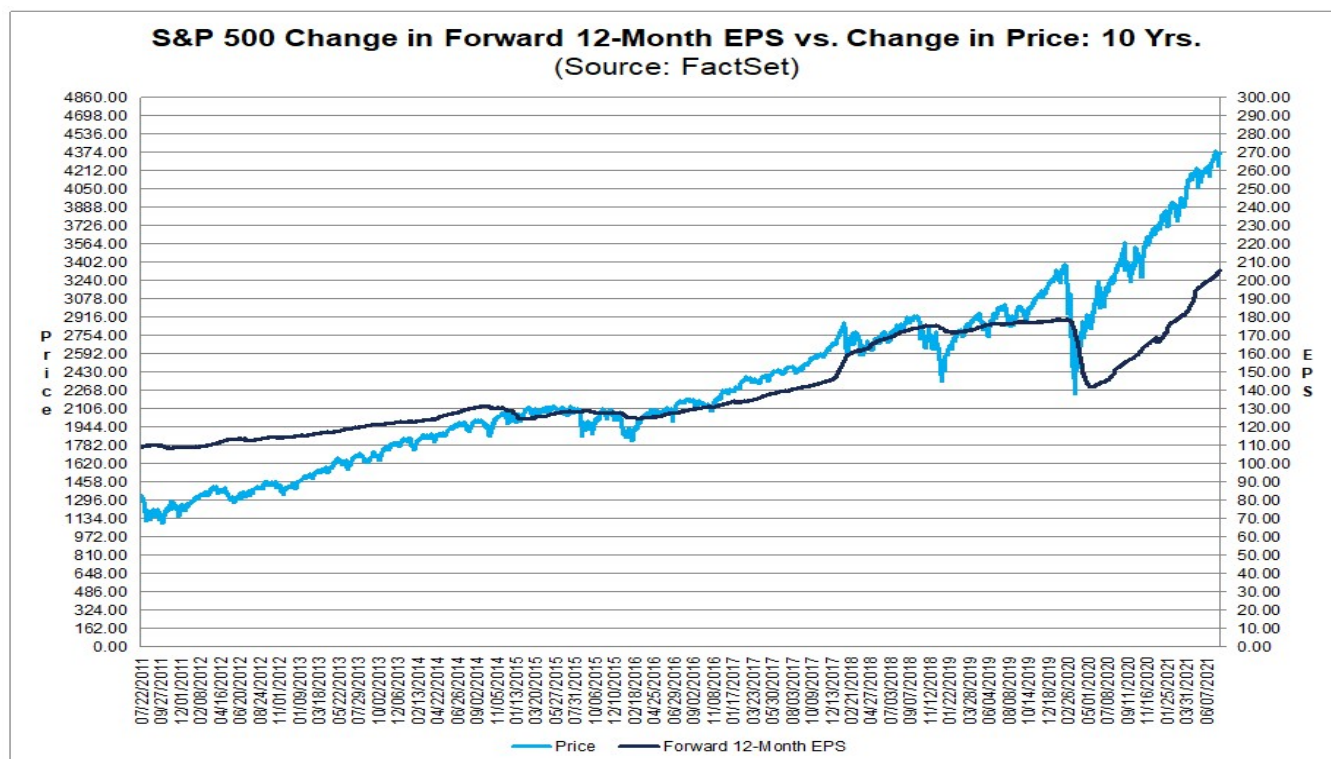
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Key Metrics

- **Earnings Scorecard:** For Q2 2021 (with 24% of S&P 500 companies reporting actual results), 88% of S&P 500 companies have reported a positive EPS surprise and 86% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q2 2021, the blended earnings growth rate for the S&P 500 is 74.2%. If 74.2% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q4 2009 (109.1%).
- **Earnings Revisions:** On June 30, the estimated earnings growth rate for Q2 2021 was 63.2%. Ten sectors have higher earnings growth rates today (compared to June 30) due to upward revisions to EPS estimates and positive EPS surprises.
- **Earnings Guidance:** For Q3 2021, 4 S&P 500 companies have issued negative EPS guidance and 8 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.3. This P/E ratio is above the 5-year average (18.1) and above the 10-year average (16.2).



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Topic of the Week:

S&P 500 Is Reporting 2nd Highest Net Profit Margin Since 2008 For Q2

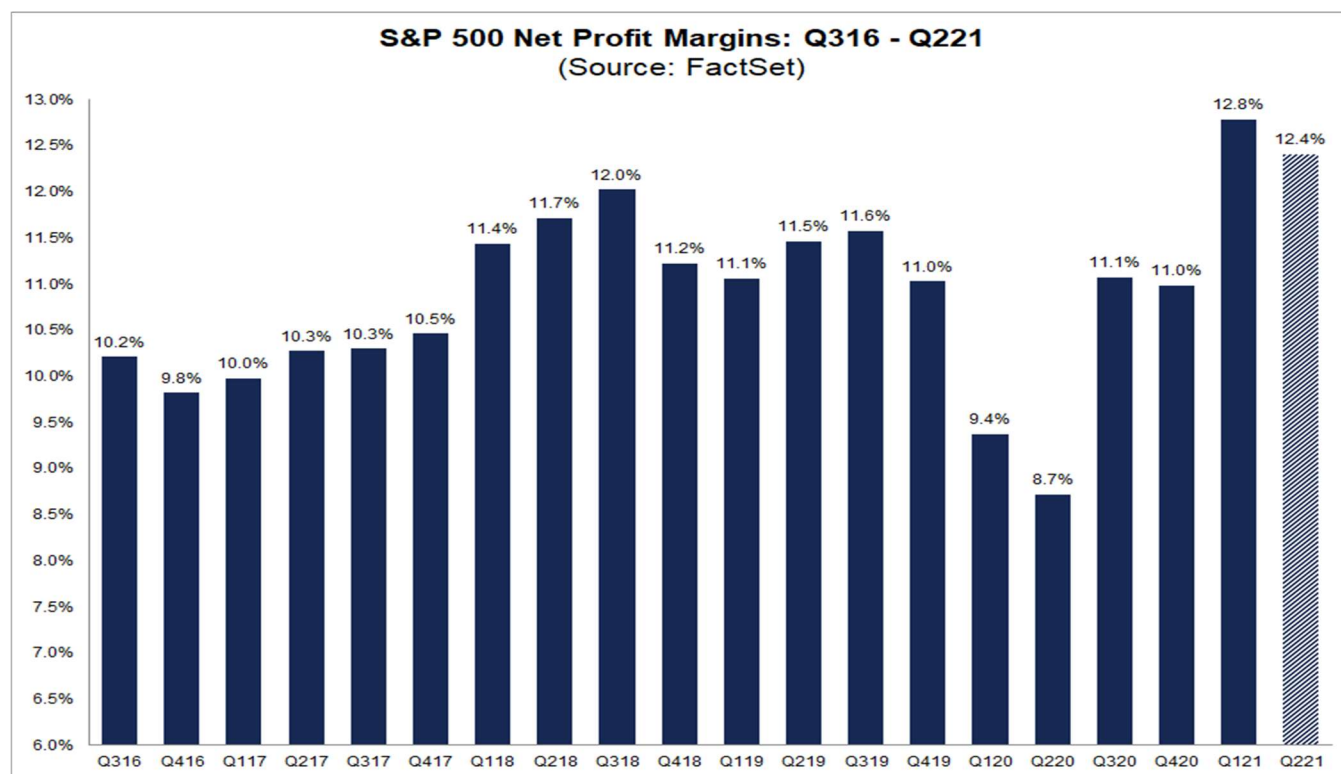
Given concerns in the market about rising inflation, what is the S&P 500 reporting for a net profit margin in the second quarter?

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 Q2 2021 is 12.4%, which is above the year-ago net profit margin and above the 5-year average net profit margin (10.8%). However, it is below the previous quarter's record-high net profit margin of 12.8%. If 12.4% is the actual net profit margin for the quarter, it will mark the second-highest net profit margin reported by the index since FactSet began tracking this metric in 2008, trailing only the previous quarter.

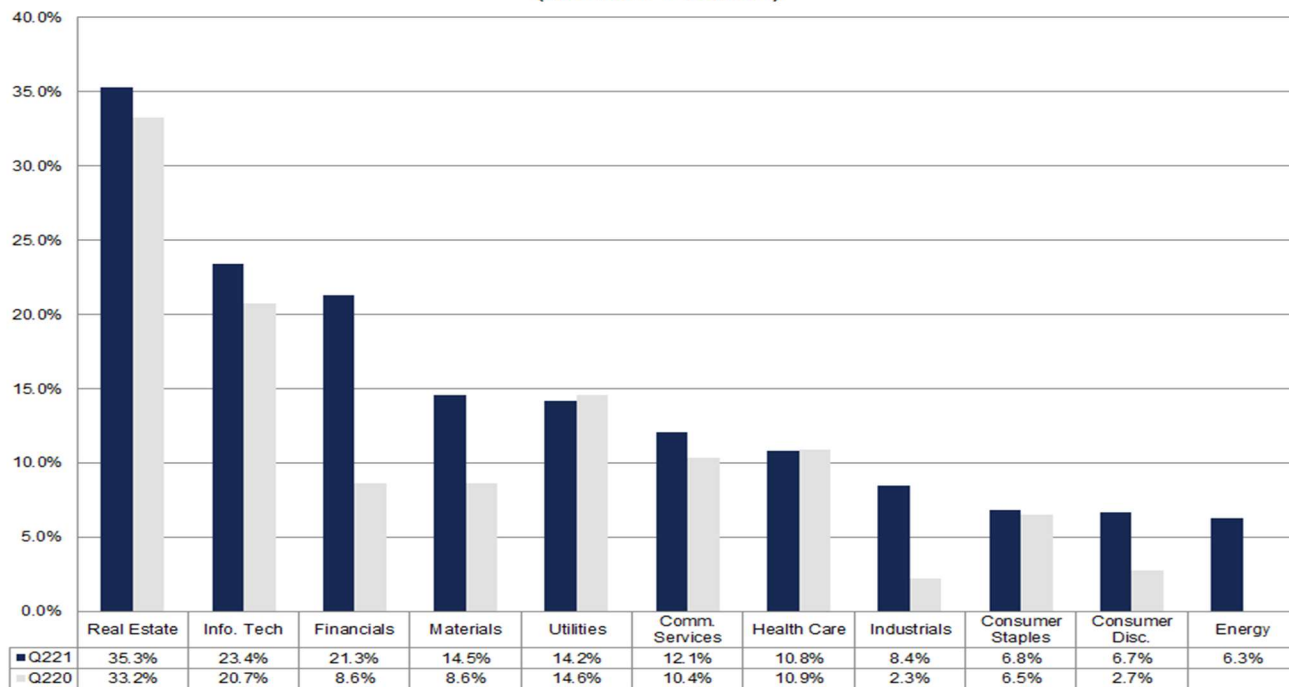
At the sector level, nine sectors are reporting a year-over-year increase in their net profit margins in Q2 2021 compared to Q2 2020, led by the Financials sector (21.3% vs. 8.6%). Ten sectors are reporting net profit margins in Q2 2021 that are above their 5-year averages, led by the Financials sector (21.3% vs. 15.5%) and Materials (14.5% vs. 9.3%) sectors. However, only five sectors are reporting a quarter-over-quarter increase in their net profit margins for Q2 2021 compared to Q1 2021, led by the Materials (14.5% vs. 11.7%) sector.

If 14.5% is the actual net profit margin reported by the Materials sector for Q2, it will mark the highest net profit margin reported by this sector since FactSet began tracking this metric in 2008. The current record for this sector is 11.7%, which occurred in the previous quarter. If 21.3% is the actual net profit margin reported by the Financials sector for Q2, it will mark the second-highest net profit margin reported by this sector since FactSet began tracking this metric in 2008. The current record for the sector is 22.3%, which occurred in the previous quarter.

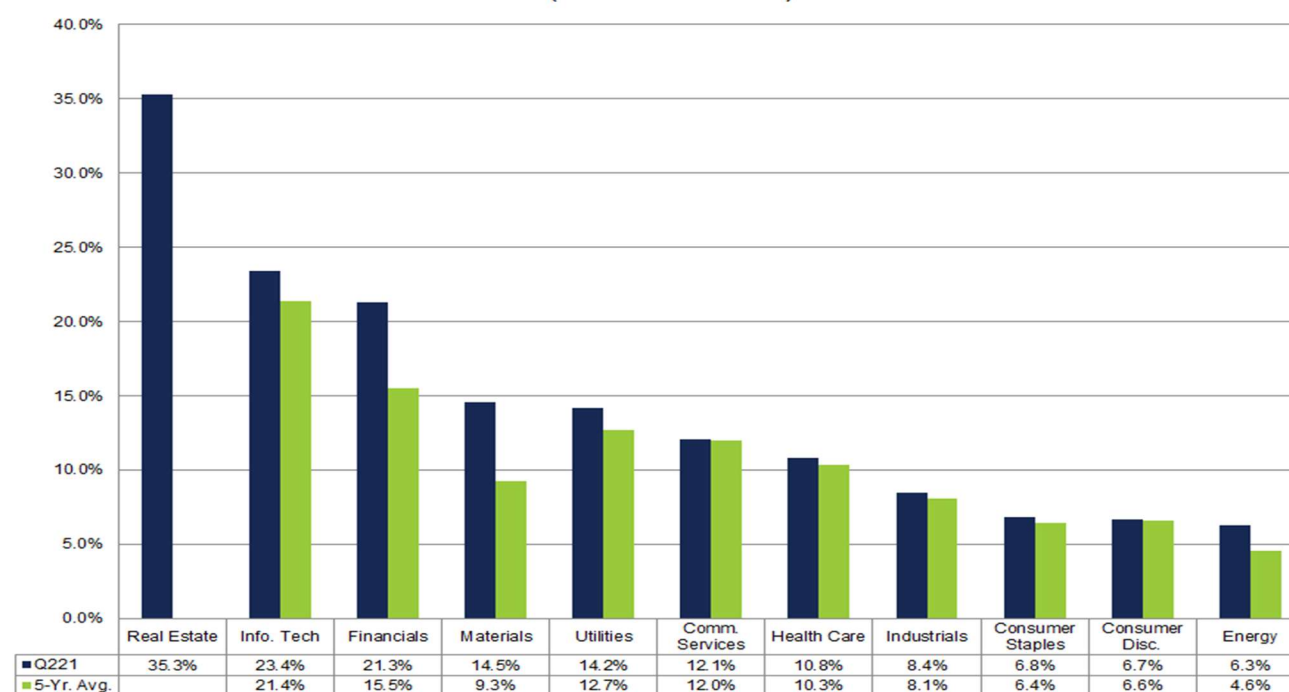
Analysts also believe net profit margins for the S&P 500 will continue to be at least 12.0% for the remainder of 2021. As of today, the estimated net profit margins for Q3 2021 and Q4 2021 are 12.1% and 12.0%.



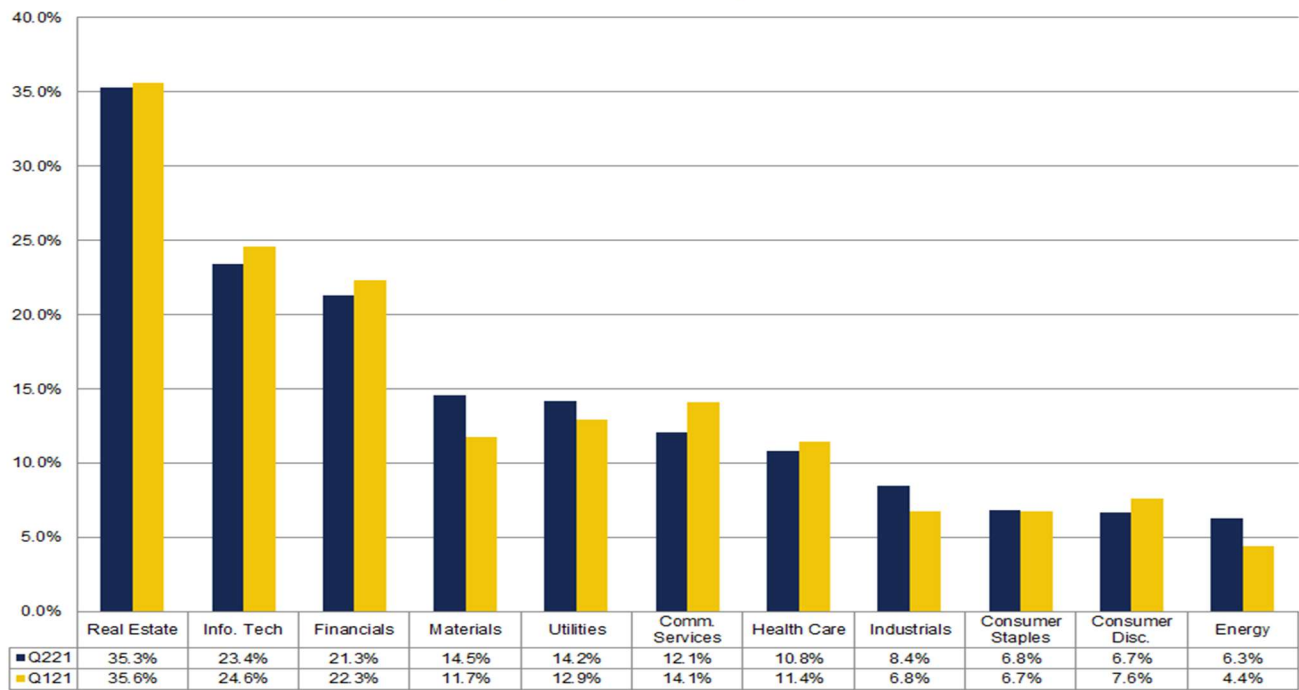
S&P 500 Sector-Level Net Profit Margins: Q221 vs. Q220
(Source: FactSet)



S&P 500 Sector-Level Net Profit Margins: Q221 vs. 5-Year Avg.
(Source: FactSet)



S&P 500 Sector-Level Net Profit Margins: Q221 vs. Q121
(Source: FactSet)



Q2 Earnings Season: By The Numbers

Overview

At this point in time, more S&P 500 companies are beating EPS estimates for the second quarter than average, and beating EPS estimates by a wider margin than average. As a result, the index is reporting higher earnings for the second quarter today relative to the end of last week and relative to the end of the quarter. The index is currently reporting the highest year-over-year growth in earnings since Q4 2009. Analysts also expect double-digit earnings growth for the second half of 2021. These above-average growth rates 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 a number of industries.

Overall, 24% of the companies in the S&P 500 have reported actual results for Q2 2021 to date. Of these companies, 88% have reported actual EPS above estimates, which is above the 5-year average of 75%. If 88% is the final percentage for the quarter, it will mark the 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 19.0% above estimates, which is also above the 5-year average of 7.8%. If 19.0% 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 second quarter today relative to the end of last week and relative to the end of the second 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 second quarter is 74.2% today, compared to an earnings growth rate of 69.4% last week and an earnings growth rate of 63.2% at the end of the second quarter (June 30). Positive earnings surprises reported by companies in multiple sectors (led by the Financials, Health Care, Information Technology, and Communication Services sectors) were responsible for the improvement in overall earnings for the index during the past week. Positive earnings surprises reported by companies in the Financials sector (led by Bank of America, JPMorgan Chase, Goldman Sachs, Wells Fargo, Citigroup, and Capital One Financial) have been the top contributors to the overall increase in earnings for the index since the end of the second quarter.

If 74.2% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth reported by the index since Q4 2009 (109.1%). The unusually high growth rate is due to a combination of higher earnings in Q2 2021 and an easier comparison to lower earnings in Q2 2020 due to the negative impact of COVID-19 on a number of industries. All eleven sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, Financials, Consumer Discretionary, and Materials sectors.

In terms of revenues, 86% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 65%. If 86% is the final percentage for the quarter, it will mark the 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 4.0% above the estimates, which is also above the 5-year average of 1.2%. If 4.0% 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 positive revenue surprises, the blended revenue growth rate for the second quarter is higher now relative to the end of last week and relative to the end of the second quarter. As of today, the S&P 500 is reporting year-over-year growth in revenues of 20.9%, compared to year-over-year growth in revenues of 20.2% last week and year-over-year growth in revenues of 19.4% at the end of the second quarter (June 30). Positive revenue surprises reported by companies in multiple sectors (led by the Health Care, Communication Services, Energy, and Financials sectors) were responsible for the increase in overall revenues for the index over the past week. Positive revenue surprises reported by companies in the Financials, Energy, and Health Care sectors have been the largest contributors to the increase in the overall revenues for the index since the end of the second quarter.

If 20.9% is the actual growth rate for the quarter, it will mark the highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008. All eleven sectors are reporting year-over-year growth in revenues, led by the Energy, Materials, and Consumer Discretionary sectors.

Looking at future quarters, analysts also project double-digit earnings growth for the remaining two quarters of 2021.

The forward 12-month P/E ratio is 21.3, which is above the 5-year average and above the 10-year average.

During the upcoming week, 180 S&P 500 companies (including ten Dow 30 components) are scheduled to report results for the second quarter.

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

Percentage of Companies Beating EPS Estimates (88%) is at Record-High Level

Overall, 24% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 88% have reported actual EPS above the mean EPS estimate, 1% have reported actual EPS equal to the mean EPS estimate, and 11% 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 (83%) average and above the 5-year (75%) average.

If 88% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008. The current record is 86%, which occurred in Q1 2021.

At the sector level, the Health Care (100%), Information Technology (100%), Real Estate (100%), and Utilities (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Energy (75%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+19.0%) is Near Record-High Level

In aggregate, companies are reporting earnings that are 19.0% above expectations. This surprise percentage is below the 1-year (+19.7%) average but above the 5-year (+7.8%) average.

If 19.0% 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 Financials (+30.2%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, PNC Financial Services Group (\$2.43 vs. \$1.09), American Express (\$2.80 vs. \$1.63), Capital One Financial (\$7.71 vs. \$4.62), and Zions Bancorporation (\$2.08 vs. \$1.29) have reported the largest positive EPS surprises.

The Consumer Discretionary (+29.4%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, NIKE (\$0.93 vs. \$0.51), CarMax (\$2.63 vs. \$1.63), and AutoZone (\$26.48 vs. \$20.13) have reported the largest positive EPS surprises.

The Industrials (+19.2%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Alaska Air Group (-\$0.30 vs. -\$0.43), Robert Half International (\$1.33 vs. \$1.05), and Delta Air Lines (-\$1.07 vs. -\$1.38) have reported the largest positive EPS surprises.

Market Punishing Negative Earnings Surprises Less Than Average

To date, the market is rewarding positive earnings surprises at average levels but punishing negative earnings surprises less than average.

Companies that have reported positive earnings surprises for Q2 2021 have seen an average price increase of +0.8% two days before the earnings release through two days after the earnings release. This percentage increase is equal to the 5-year average price increase of +0.8% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q2 2021 have seen an average price decrease of -1.8% two days before the earnings release through two days after the earnings. This percentage decrease is smaller than the 5-year average price decrease of -2.4% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (86%) is at Record-High Level

In terms of revenues, 86% of companies have reported actual revenues above estimated revenues and 14% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (74%) and above the 5-year average (65%).

If 86% is the final percentage for the quarter, it will mark the 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 (100%), Health Care (100%), and Information Technology (100%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (0%) and Energy (50%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+4.0%) is at Record-High Level

In aggregate, companies are reporting revenues that are 4.0% above expectations. This surprise percentage is above the 1-year (+2.8%) average and above the 5-year (+1.2%) average.

If 4.0% 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 3.8%, which occurred in Q1 2021.

At the sector level, the Consumer Discretionary (+7.8%) and Financials (+5.6%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-10.0%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings Growth Led By Financials Sector

Increase in Blended Earnings Growth Rate This Week Led By Financials Sector

The blended (year-over-year) earnings growth rate for the second quarter is 74.2%, which is larger than the earnings growth rate of 69.4% last week. Positive earnings surprises reported by companies in multiple sectors, led by the Financials, Health Care, Information Technology, and Communication Services sectors, were responsible for the increase in the overall earnings growth rate for the index during the week.

In the Financials sector, the positive EPS surprises reported by Capital One Financial (\$7.71 vs. \$4.62), American Express (\$2.80 vs. \$1.63), Discover Financial Services (\$5.55 vs. \$4.11), Synchrony Financial (\$2.12 vs. \$1.39), and Travelers Companies (\$3.45 vs. \$2.39) were substantial contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Financials sector increased to 167.3% from 152.3% over this period.

In the Health Care sector, the positive EPS surprises reported by Johnson & Johnson (\$2.48 vs. \$2.29), HCA Healthcare (\$4.37 vs. \$3.16), Danaher (\$2.46 vs. \$2.05), and Abbott Laboratories (\$1.17 vs. \$1.02) were significant contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Health Care sector increased to 14.8% from 11.6% over this period.

In the Information Technology sector, the positive EPS surprise reported by Intel (\$1.28 vs. \$1.07) was a substantial contributor to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Information Technology sector increased to 33.2% from 31.3% over this period.

In the Communications Services sector, the positive EPS surprises reported by AT&T (\$0.89 vs. \$0.79) and Verizon Communications (\$1.37 vs. \$1.30) were significant contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Communication Services sector increased to 46.0% from 41.7% over this period.

Increase in Blended Revenue Growth This Week Led By Multiple Sectors

The blended (year-over-year) revenue growth rate for the second quarter is 20.9%, which is larger than the revenue growth rate of 20.2% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Health Care, Communication Services, Energy, and Financials sectors) were responsible for the increase in overall revenues for the index over the past week.

Financials Sector Has Seen Largest Increase in Earnings since June 30

The blended (year-over-year) earnings growth rate for Q2 2021 of 74.2% is larger than the estimate of 63.2% at the end of the second quarter (June 30). Ten sectors have recorded an increase in their earnings growth rate since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Financials (to 167.3% from 116.0%), Industrials (to 370.2% from 347.9%), and Consumer Discretionary (to 221.5% from 205.1%) sectors. The Financials sector is also the largest contributor to the increase in the earnings growth rate for the index during this period.

In the Financials sector, the positive EPS surprises reported by Bank of America (\$1.03 vs. \$0.77), JPMorgan Chase (\$3.78 vs \$3.20), Goldman Sachs (\$15.02 vs. \$10.26), Wells Fargo (\$1.38 vs. \$0.98), Citigroup (\$2.85 vs. \$1.97), and Capital One Financial (\$7.71 vs. \$4.62) have been the largest contributors to the increase in the earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Financials sector has increased to 167.3% from 116.0% over this period.

Energy Sector Has Seen Largest Increase in Revenues since June 30

The blended (year-over-year) revenue growth rate for Q2 2021 of 20.9% is larger than the estimate of 19.4% at the end of the second quarter (June 30). Ten sectors have recorded 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 Energy (92.1% from 86.6%), Financials (to 8.0% from 4.4%), and Materials (to 35.2% from 32.0%) sectors. The Utilities (to 4.4% from 5.7%) sector 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.

Earnings Growth: 74.2%

The blended (year-over-year) earnings growth rate for Q2 2021 is 74.2%, which is well above the 5-year average earnings growth rate of 7.1%. If 74.2% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth reported by the index since Q4 2009 (109.1%). The unusually high growth rate is due to a combination of higher earnings in Q2 2021 and an easier comparison to lower earnings in Q2 2020 due to the negative impact of COVID-19 on a number of industries. All eleven sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, Consumer Discretionary, Financials, and Materials sectors.

Energy: Exxon Mobil and Chevron Are Largest Contributors to Higher Year-Over-Year Earnings

The Energy sector is reporting earnings of \$13.9 billion for Q2 2021 compared to a loss of -\$10.6 billion in Q2 2020. Thus, a year-over-year growth rate is not being calculated for the Energy sector due to the loss reported by the sector in Q2 2020. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q2 2021 (\$66.17) was 136% above the average price for oil in Q2 2020 (\$28.00). At the sub-industry level, all five sub-industries in the sector are reporting (or are projected to report) a year-over-year increase in earnings. A growth rate is not being calculated for three of these five sub-industries due to losses reported in the year-ago quarter. However, all three are projected to report profits in Q2 2021: Integrated Oil & Gas, Oil & Gas Exploration & Production, and Oil & Gas Refining & Marketing. The other two sub-industries that are reporting year-over-year growth are the Oil & Gas Equipment & Services (1,299%) and Oil & Gas Storage & Transportation (44%) sub-industries. At the company level, Exxon Mobil and Chevron are expected to be the largest contributors to the year-over-year improvement in earnings for the sector. Combined, these two companies account for \$13.3 billion of the \$24.6 billion year-over-year increase in earnings for the sector.

Industrials: Airlines Industry is Largest Contributor to Year-Over-Year Growth

The Industrials sector is reporting to the highest (year-over-year) earnings growth rate of all eleven sectors at 370.2%. At the industry level, all 12 industries in the sector are reporting (or are projected to report) a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to a loss reported in the year-ago quarter. However, this industry reported a smaller loss in Q2 2021 (-\$3.3 billion) relative to Q2 2020 (-\$11.5 billion). The remaining eleven industries are all reporting (or are expected to report) double-digit earnings growth. Six of these eleven industries are reporting (or are projected to report) earnings growth of more than 50%: Industrial Conglomerates (277%), Aerospace & Defense (174%), Machinery (84%), Road & Rail (68%), Electrical Equipment (57%), and Air Freight & Logistics (53%). The Airlines industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 81.8% from 370.2%.

Consumer Discretionary: Hotels, Restaurants & Leisure Industry Is Largest Contributor to Growth

The Consumer Discretionary sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 221.5%. At the industry level, nine of the ten industries in this sector are reporting (or are expected to report) a year-over-year improvement in earnings. A growth rate is not being calculated for four of these nine industries due to losses reported in the year-ago quarter. However, three of these four industries are reporting (or are projected to report) profits in Q2 2021: Automobiles, Textiles, Apparel & Luxury Goods, and Auto Components. The Hotels, Restaurants, & Leisure industry is reporting a smaller loss in Q2 2021 (-\$562 million) relative to Q2 2020 (-\$7.7 billion). The other five industries are reporting (or are predicted to report) double-digit earnings growth: Leisure Products (2,264%), Household Durables (82%), Distributors (45%), Specialty Retail (31%), and Internet & Direct Marketing Retail (15%). The only industry expected to report a year-over-year decline in earnings is the Multiline Retail (-8%) industry. The Hotels, Restaurants, & Leisure industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Consumer Discretionary sector would fall to 80.8% from 221.5%.

Financials: Banks Industry Is Largest Contributor to Year-Over-Year Growth

The Financials sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 167.3%. At the industry level, all five industries in this sector are reporting (or are expected to report) a year-over-year improvement in earnings. A growth rate is not being calculated for the Consumer Finance industry due to a loss reported in the year-ago quarter. However, this industry reported a profit in Q2 2021 (\$8.6 billion) relative to the loss in Q2 2020 (-\$832 million). Three of the other four industries are reporting earnings growth of more than 35%: Banks (426%), Insurance (61%), and Capital Markets (38%). The Banks industry is also the largest contributor to growth for the sector. If this industry were excluded, the blended earnings growth rate for the Financials sector would fall to 81.9% from 167.3%.

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

The Materials sector is expected to report the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 127.4%. At the industry level, all four industries in this sector are reporting (or are predicted to report) year-over-year growth. Two of these four industries are reporting growth of more than 100%: Metals & Mining (715%) and Chemicals (121%). The Metals & Mining industry is also the largest contributor to year-over-year growth in earnings for the sector. If this industry were excluded, the blended earnings growth rate for the Materials sector would fall to 92.2% from 127.4%.

Revenue Growth: 20.9%

The blended (year-over-year) revenue growth rate for Q2 2021 is 20.9%, which is above the 5-year average revenue growth rate of 4.5%. If 20.9% is the actual growth rate for the quarter, it will mark the highest year-over-year revenue growth reported by the index since FactSet began tracking this metric in 2008. The current record is 12.7%, which occurred in Q2 2011. The unusually high growth rate is due to a combination of higher revenues in Q2 2021 and an easier comparison to lower revenues in Q2 2020 due to the negative impact of COVID-19 on a number of industries. All eleven sectors are reporting year-over-year growth in revenues, led by the Energy, Materials, and Consumer Discretionary sectors.

Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Growth Above 75%

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 92.1%. Higher year-over-year oil prices are contributing to the year-over-year improvement in revenues for this sector, as the average price of oil in Q2 2021 (\$66.17) was 136% above the average price for oil in Q2 2020 (\$28.00). At the sub-industry level, all five sub-industries in the sector are reporting (or are projected to report) year-over-year growth in revenues. Three of these five sub-industries are projected to report revenue growth above 75%: Oil & Gas Exploration & Production (183%), Integrated Oil & Gas (118%), and Oil & Gas Refining & Marketing (78%).

Materials: Metals & Mining Industry Leads Year-Over-Year Growth

The Materials sector is reporting the second-highest (year-over-year) revenue growth of all eleven sectors at 35.2%. At the industry level, all four industries in this sector are reporting (or are predicted to report) year-over-year growth in revenues, with three of these four industries reporting (or projected to report) double-digit growth: Metals & Mining (81%), Chemicals (36%), and Containers & Packaging (13%).

Consumer Discretionary: 4 of 10 Industries Reporting Year-Over-Year Growth Above 50%

The Consumer Discretionary sector is reporting the third-highest (year-over-year) revenue growth of all eleven sectors at 31.6%. At the industry level, all ten industries in this sector are reporting (or are predicted to report) growth in revenues. Nine of these ten industries are reporting (or are predicted to report) double-digit growth, with four of these nine industries reporting (or are projected to report) earnings growth above 50%: Auto Components (108%), Hotels, Restaurants, & Leisure (105%), Textiles, Apparel, & Luxury Goods (76%), and Automobiles (52%).

Net Profit Margin: 12.4%

The blended net profit margin for the S&P 500 for Q2 2021 is 12.4%, which is above the 5-year average of 10.6% and the year-ago net profit margin of 8.6%, but below the previous quarter's record-high net profit margin of 12.8%.

At the sector level, nine sectors are reporting a year-over-year increase in their net profit margins in Q2 2021 compared to Q2 2020, led by the Financials sector (21.3% vs. 8.6%), Industrials (8.4% vs. 2.3%), and Materials (14.5% vs. 8.6%) sectors. Ten sectors are reporting net profit margins in Q2 2021 that are above their 5-year averages, led by the Financials (21.3% vs. 15.5%) and Materials (14.5% vs. 9.3%) sectors.

Looking Ahead: Forward Estimates and Valuation

Guidance: Above-Average % of S&P 500 Companies Issuing Positive EPS Guidance for Q3

At this point in time, 12 companies in the index have issued EPS guidance for Q3 2021. Of these 12 companies, 4 have issued negative EPS guidance and 8 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 67% (8 out of 12), which is well above the 5-year average of 37%.

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 Expected to Report Earnings Growth of 39% for CY 2021

For the second quarter, S&P 500 companies are reporting earnings growth of 74.2% and revenue growth of 20.9%.

For Q3 2021, analysts are projecting earnings growth of 26.2% and revenue growth of 13.4%.

For Q4 2021, analysts are projecting earnings growth of 20.3% and revenue growth of 10.1%.

For CY 2021, analysts are projecting earnings growth of 38.9% and revenue growth of 13.3%.

For CY 2022, analysts are projecting earnings growth of 10.3% and revenue growth of 6.7%.

Valuation: Forward P/E Ratio is 21.3, Above the 10-Year Average (16.2)

The forward 12-month P/E ratio is 21.3. This P/E ratio is above the 5-year average of 18.1 and above the 10-year average of 16.2. However, it is slightly below the forward 12-month P/E ratio of 21.4 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has increased by 1.6%, while the forward 12-month EPS estimate has increased by 1.8%.

At the sector level, the Consumer Discretionary (31.8) and Information Technology (27.1) sectors have the highest forward 12-month P/E ratios, while the Financials (13.7) and Energy (14.2) sectors have the lowest forward 12-month P/E ratios.

Targets & Ratings: Analysts Project 11% Increase in Price Over Next 12 Months

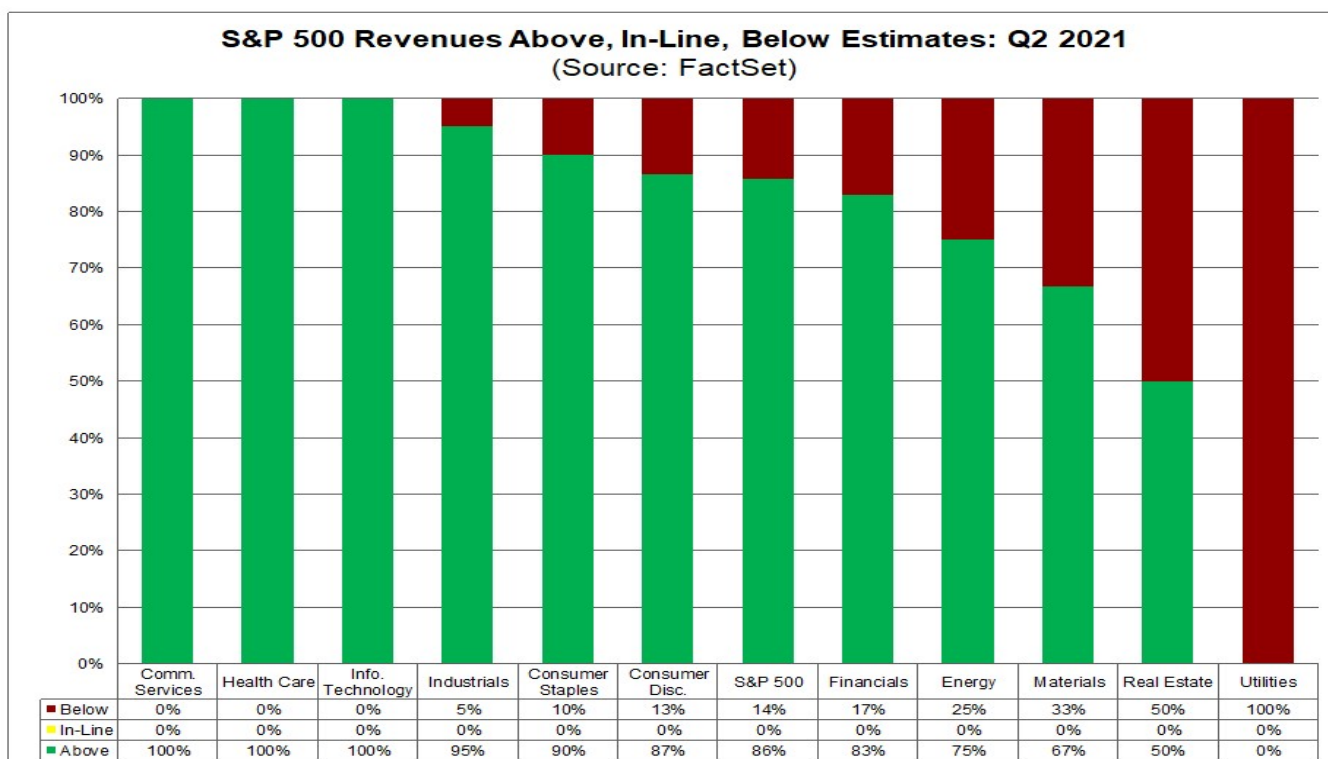
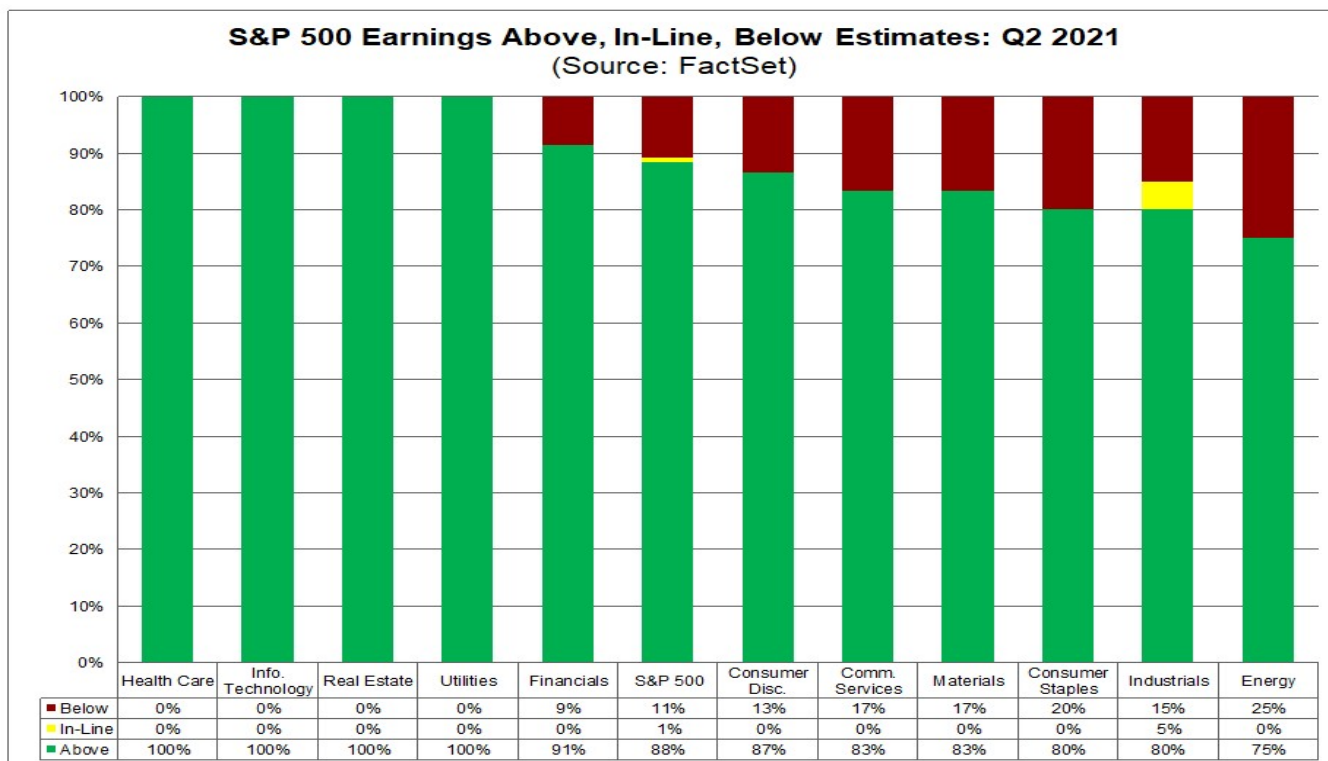
The bottom-up target price for the S&P 500 is 4831.98, which is 10.6% above the closing price of 4367.48. At the sector level, the Energy (+24.8%) and Materials (+16.8%) sectors are expected to see the largest price increases, as these two sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Real Estate (+4.1%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 10,570 ratings on stocks in the S&P 500. Of these 10,570 ratings, 57.1% are Buy ratings, 36.6% are Hold ratings, and 6.3% are Sell ratings. At the sector level, the Energy (65%), Health Care (63%), Information Technology (62%), and Communication Services (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) sector has the lowest percentage of Buy ratings.

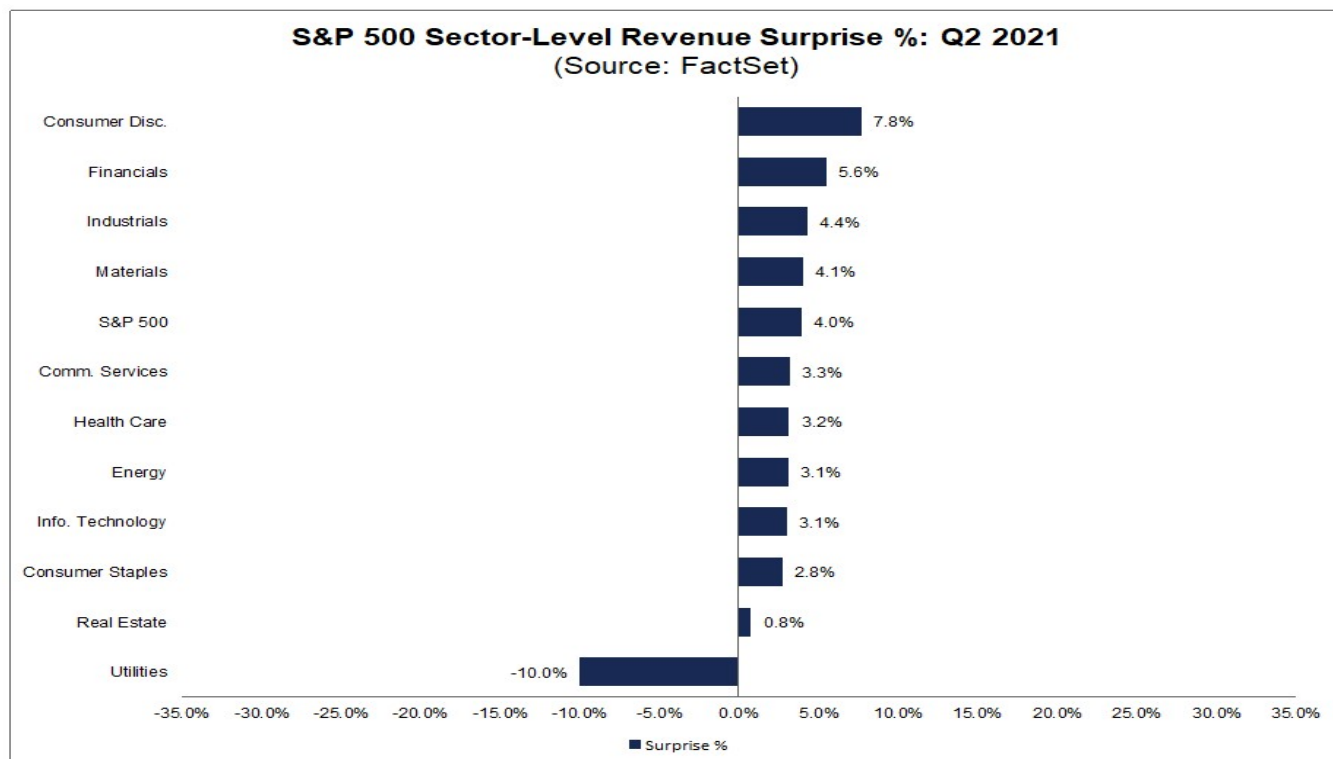
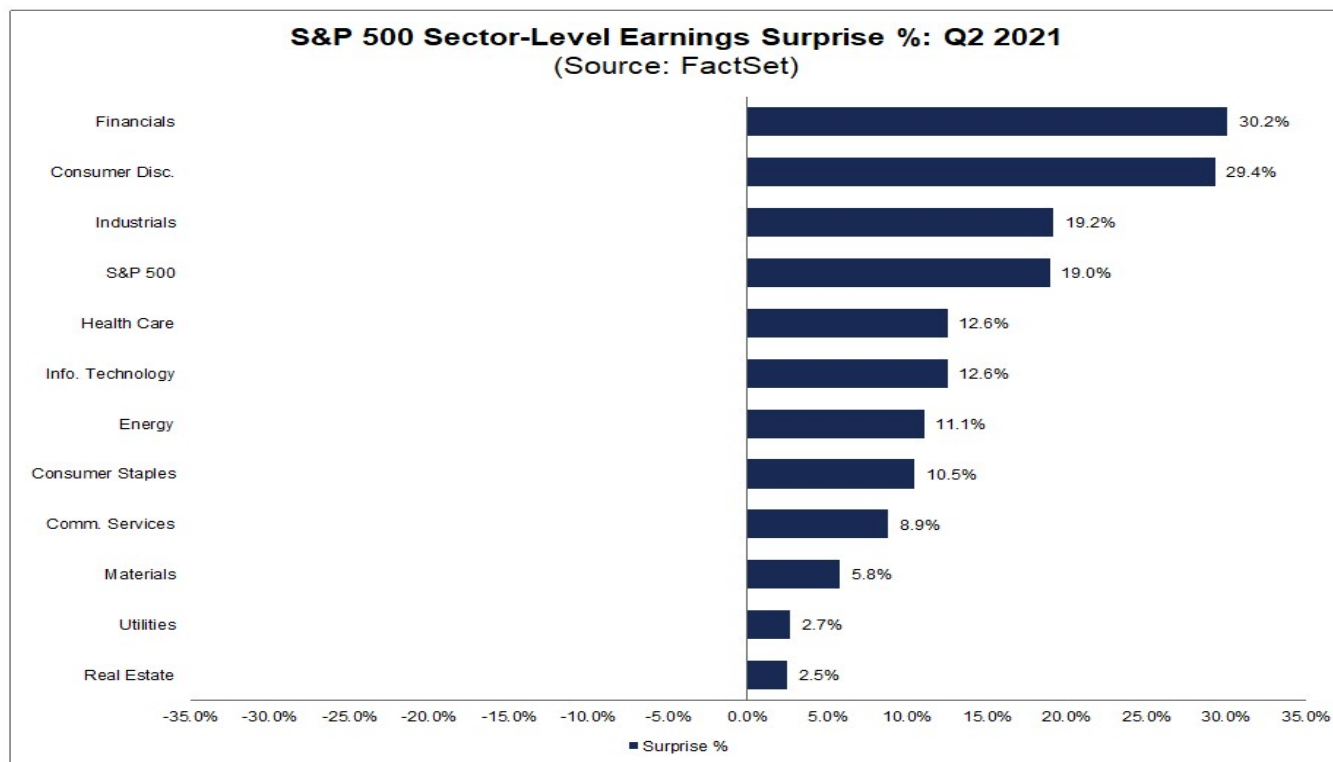
Companies Reporting Next Week: 180

During the upcoming week, 180 S&P 500 companies (including ten Dow 30 components) are scheduled to report results for the second quarter.

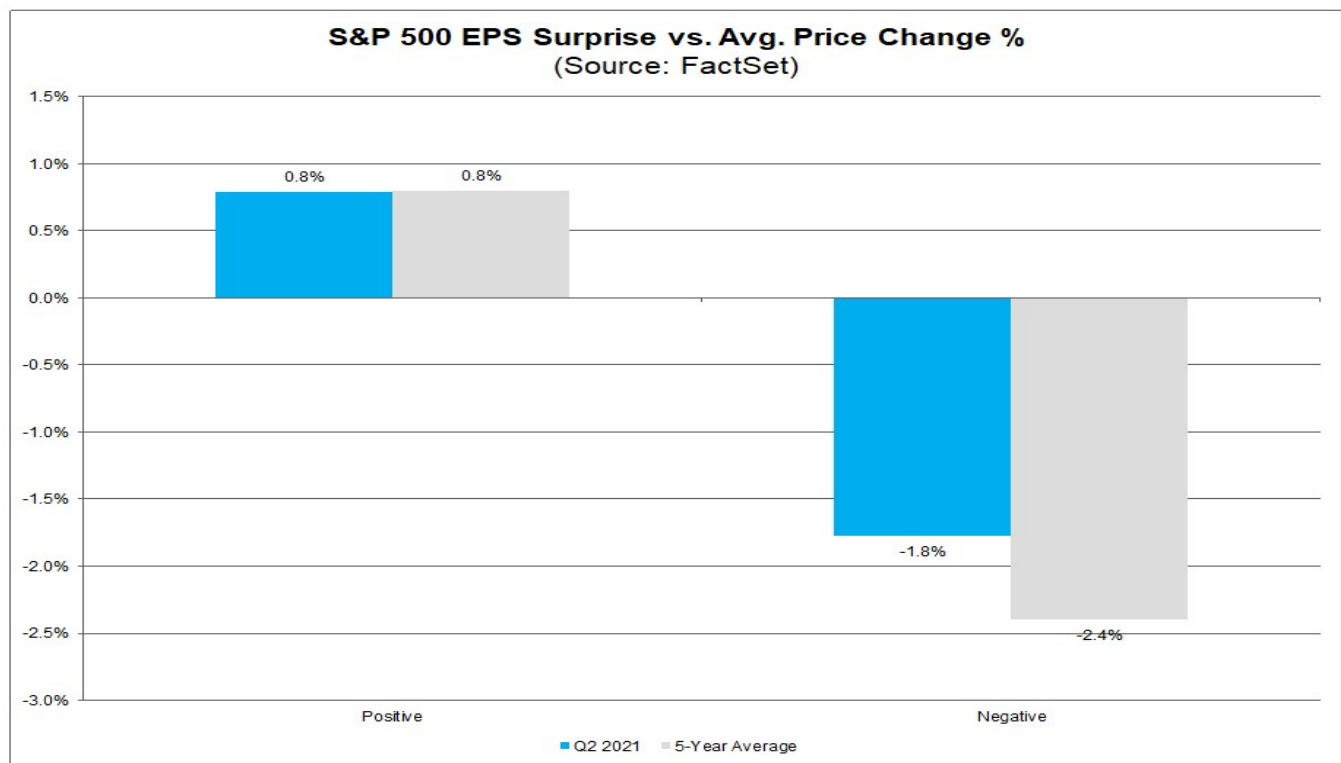
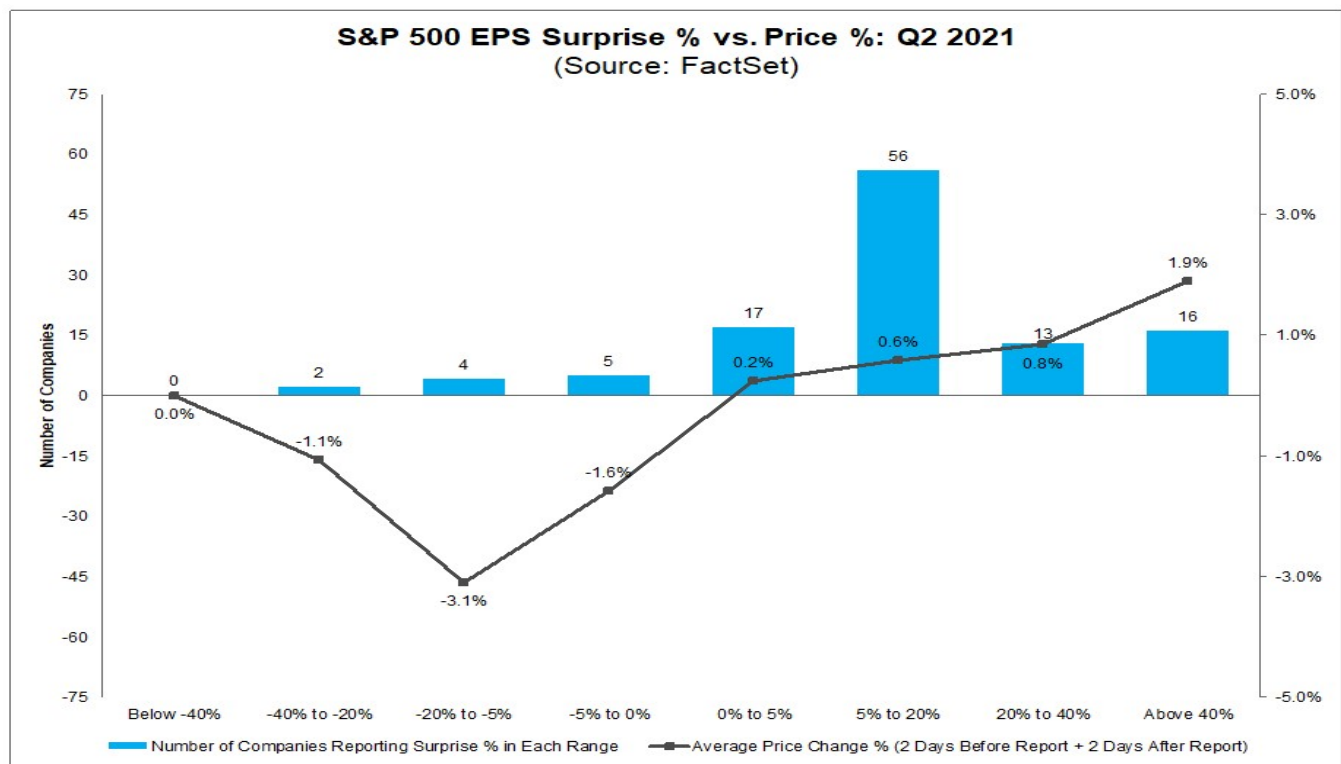
Q2 2021: Scorecard



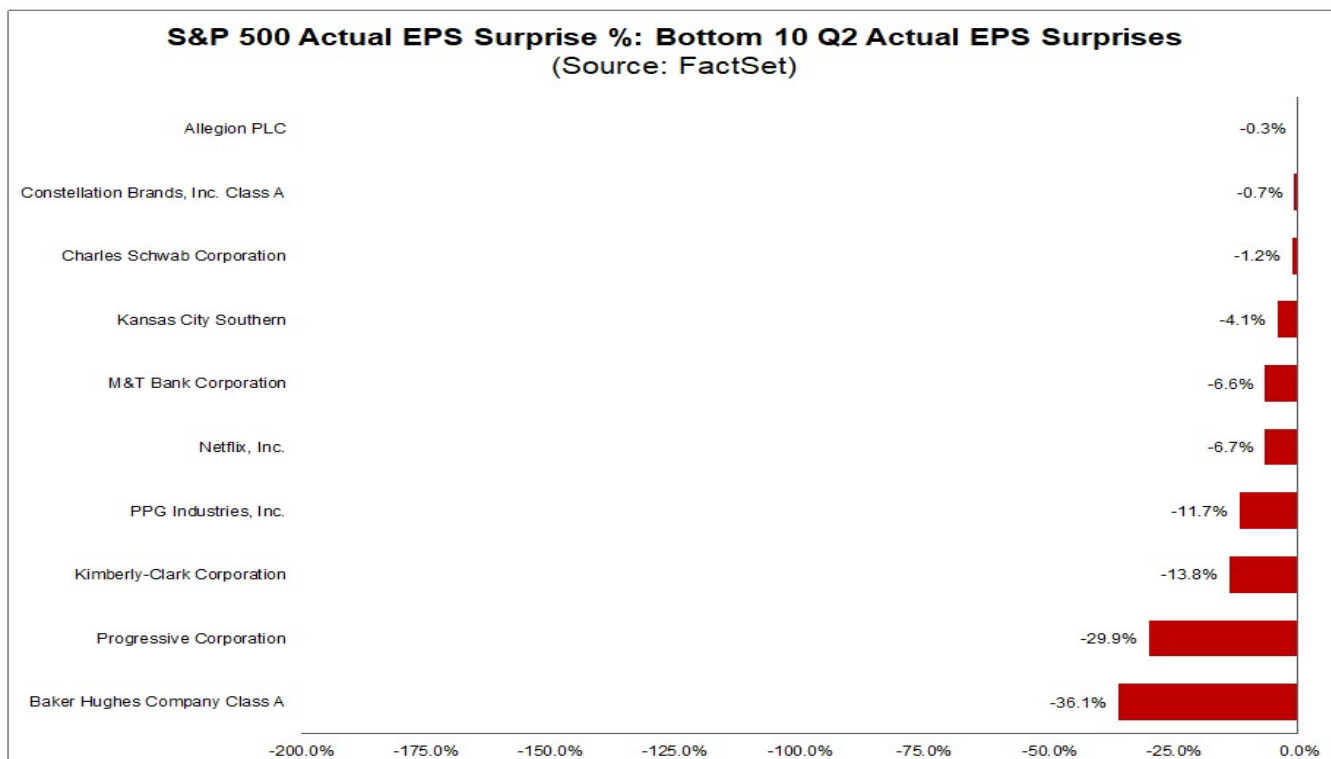
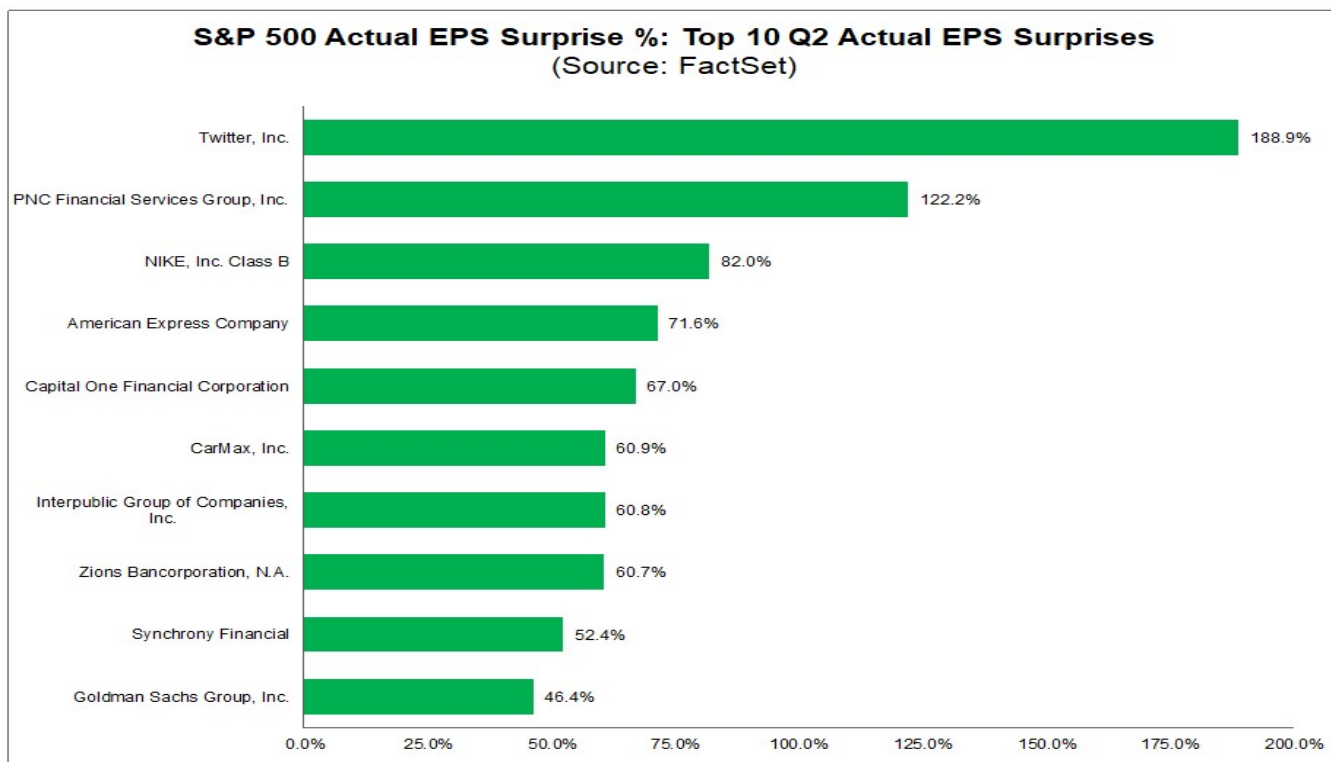
Q2 2021: Scorecard



Q2 2021: Scorecard

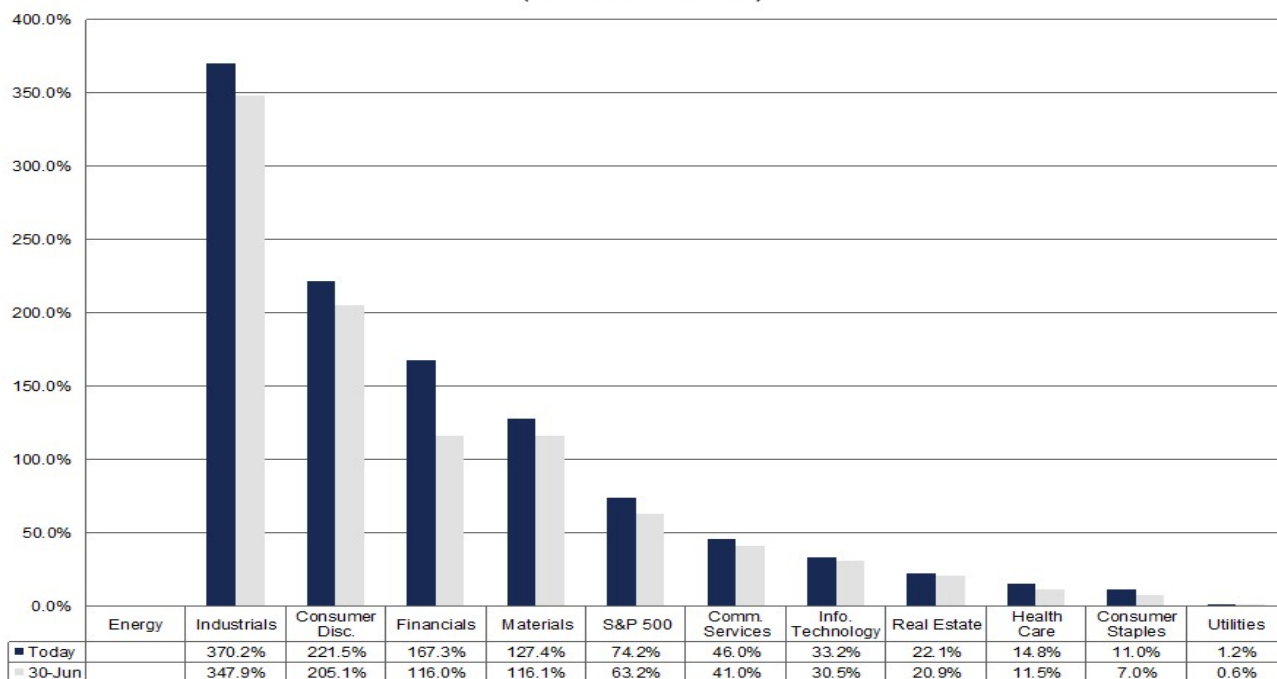


Q2 2021: Scorecard

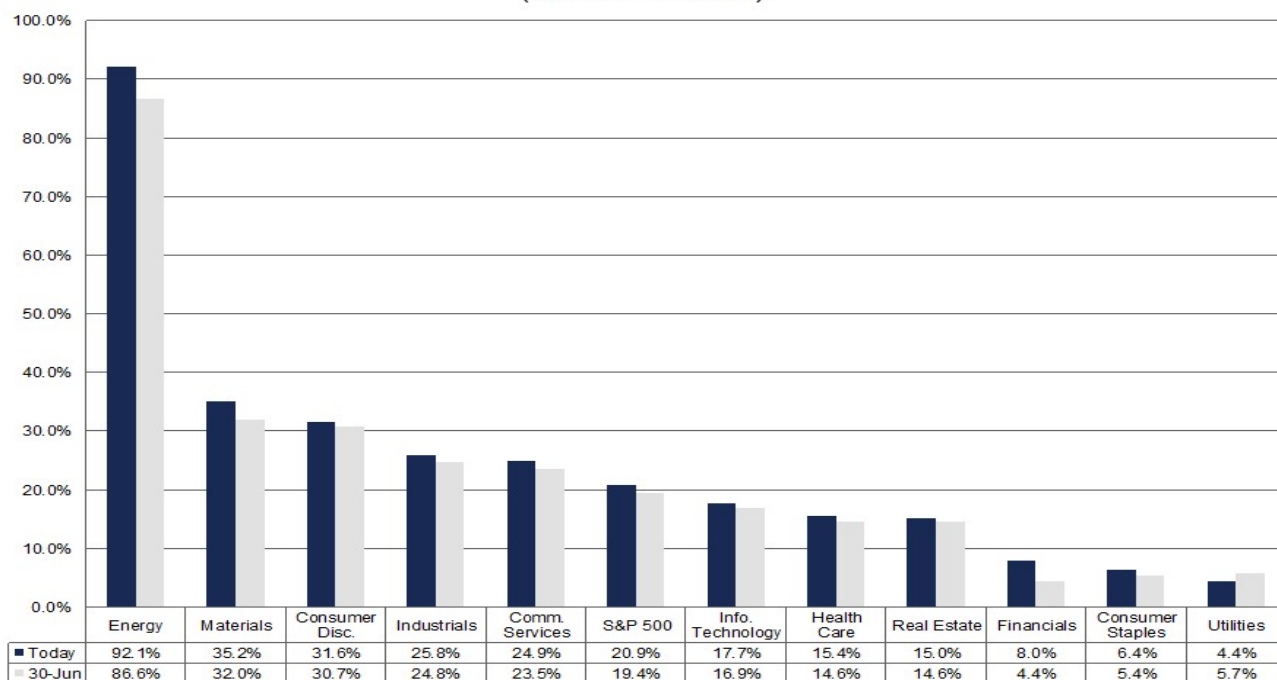


Q2 2021: Growth

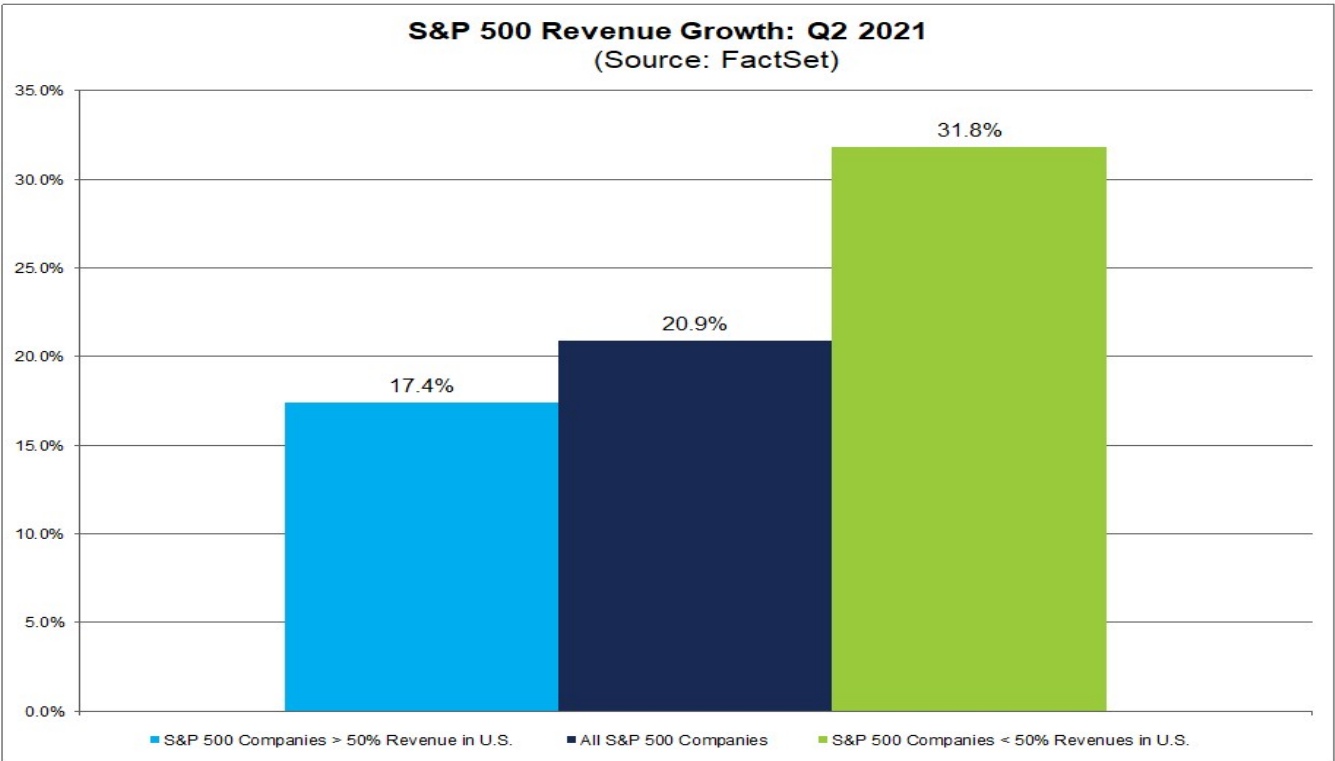
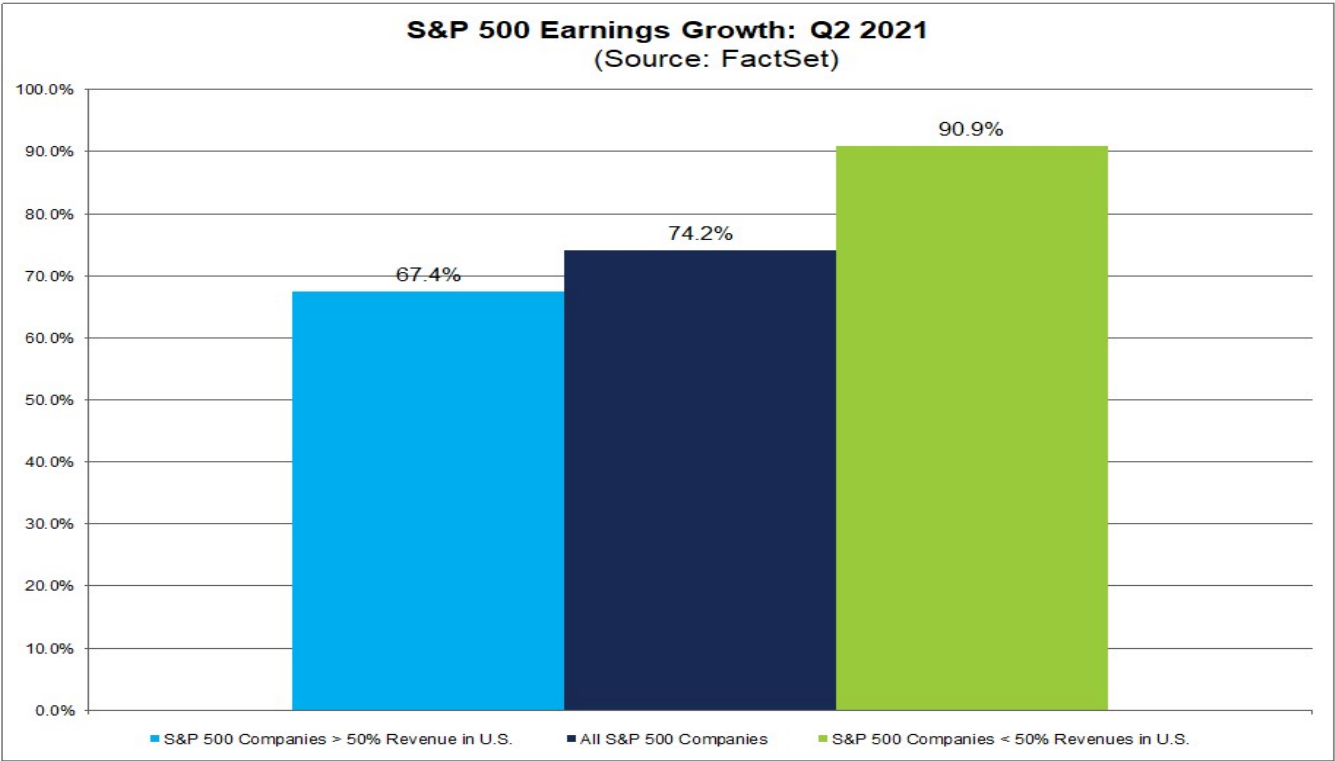
S&P 500 Earnings Growth: Q2 2021
(Source: FactSet)



S&P 500 Revenue Growth: Q2 2021
(Source: FactSet)



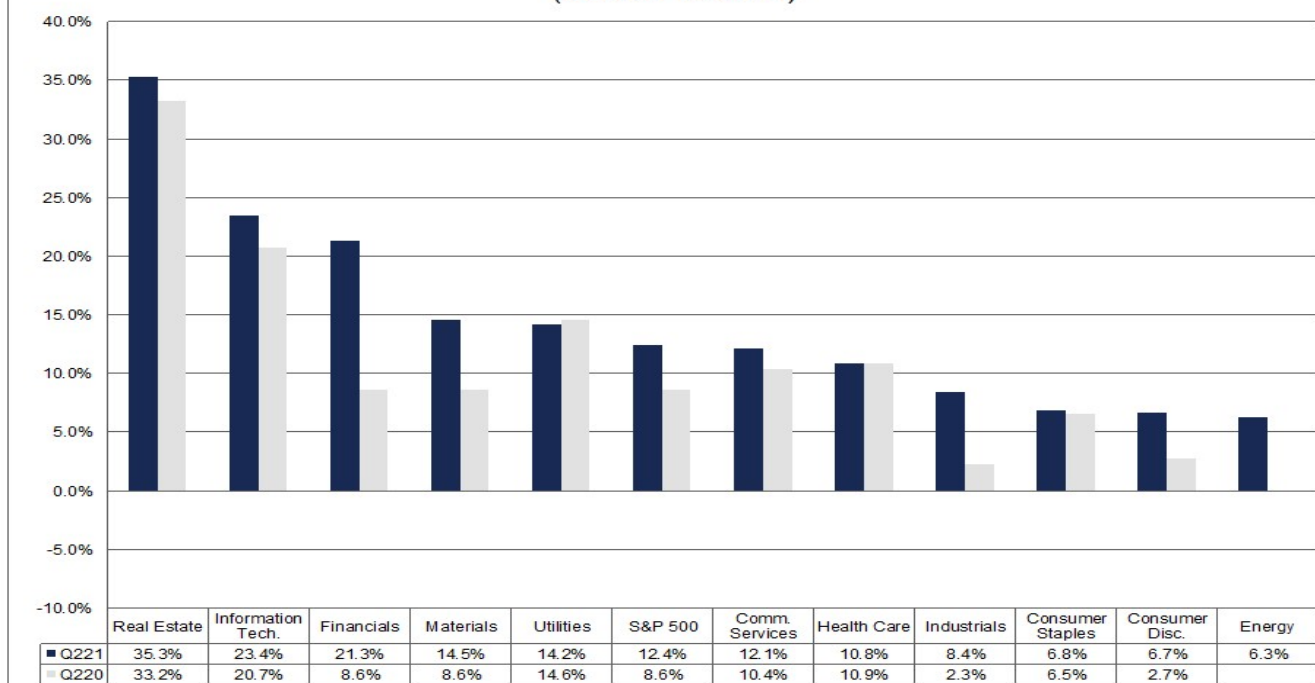
Q2 2021: Growth



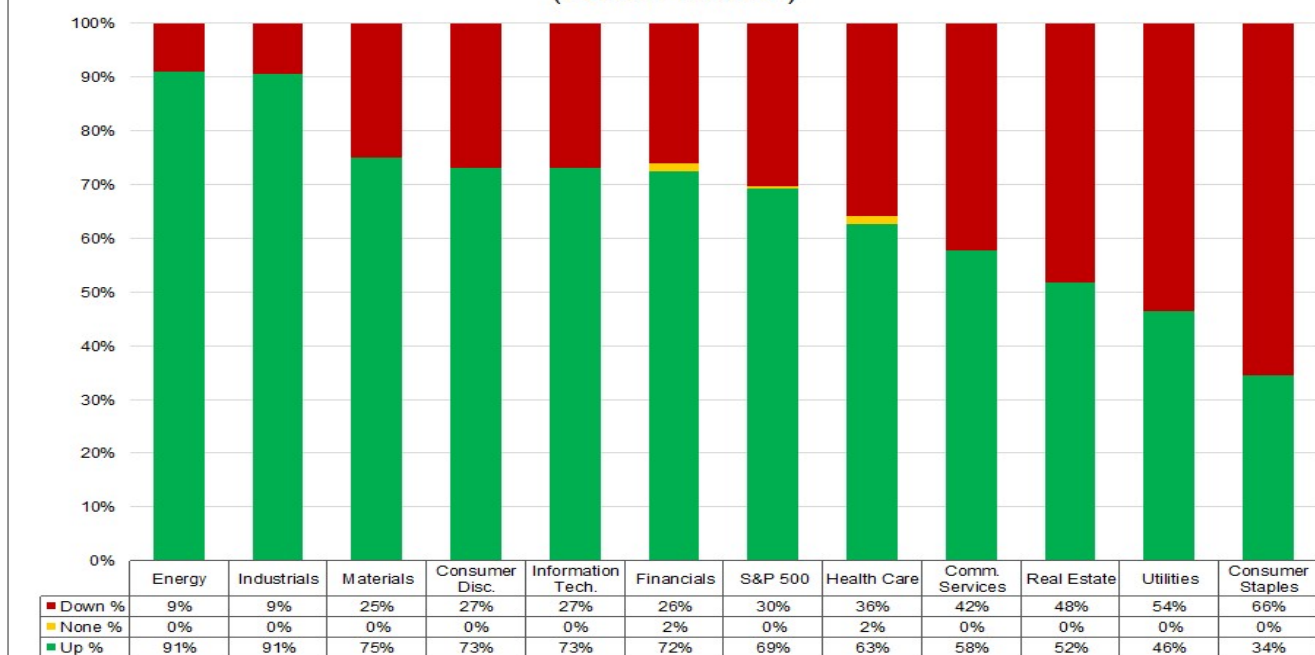
Q2 2021: Net Profit Margin

S&P 500 Net Profit Margins: Q221 vs. Q220

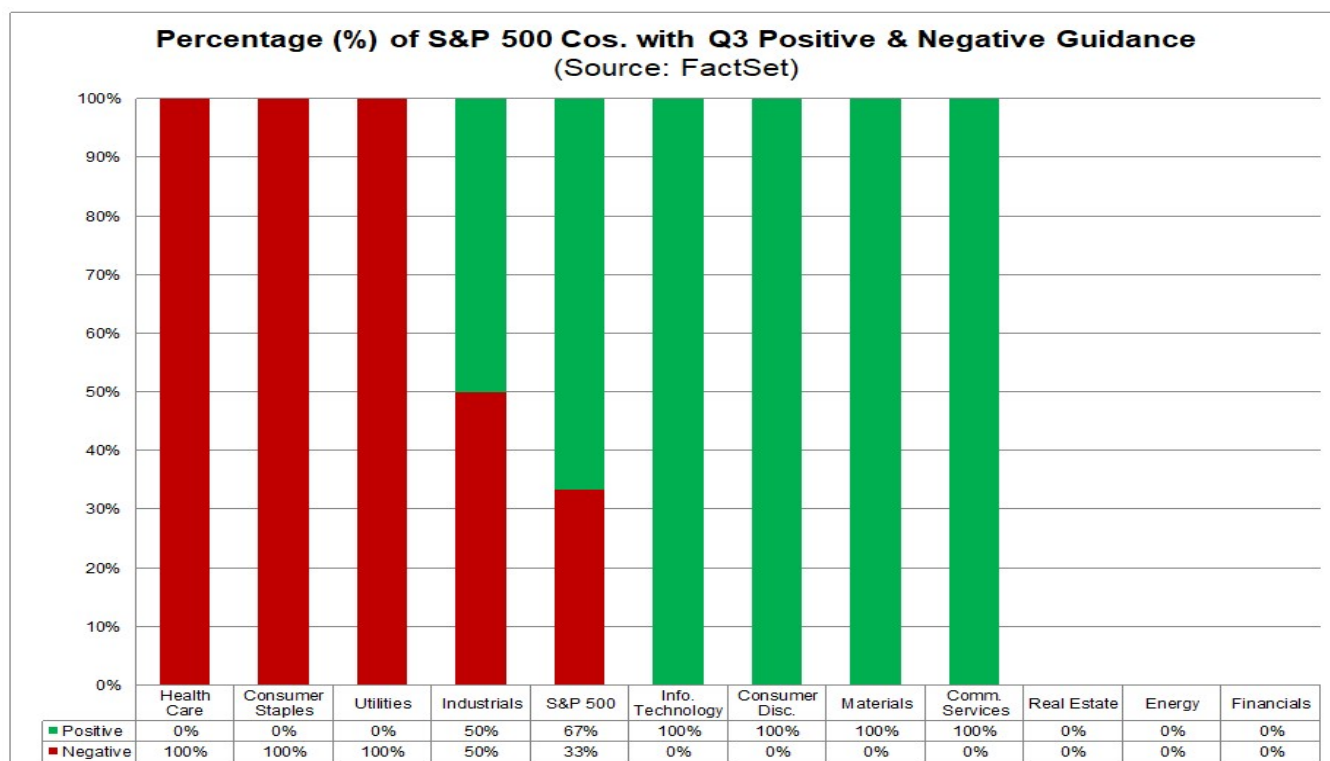
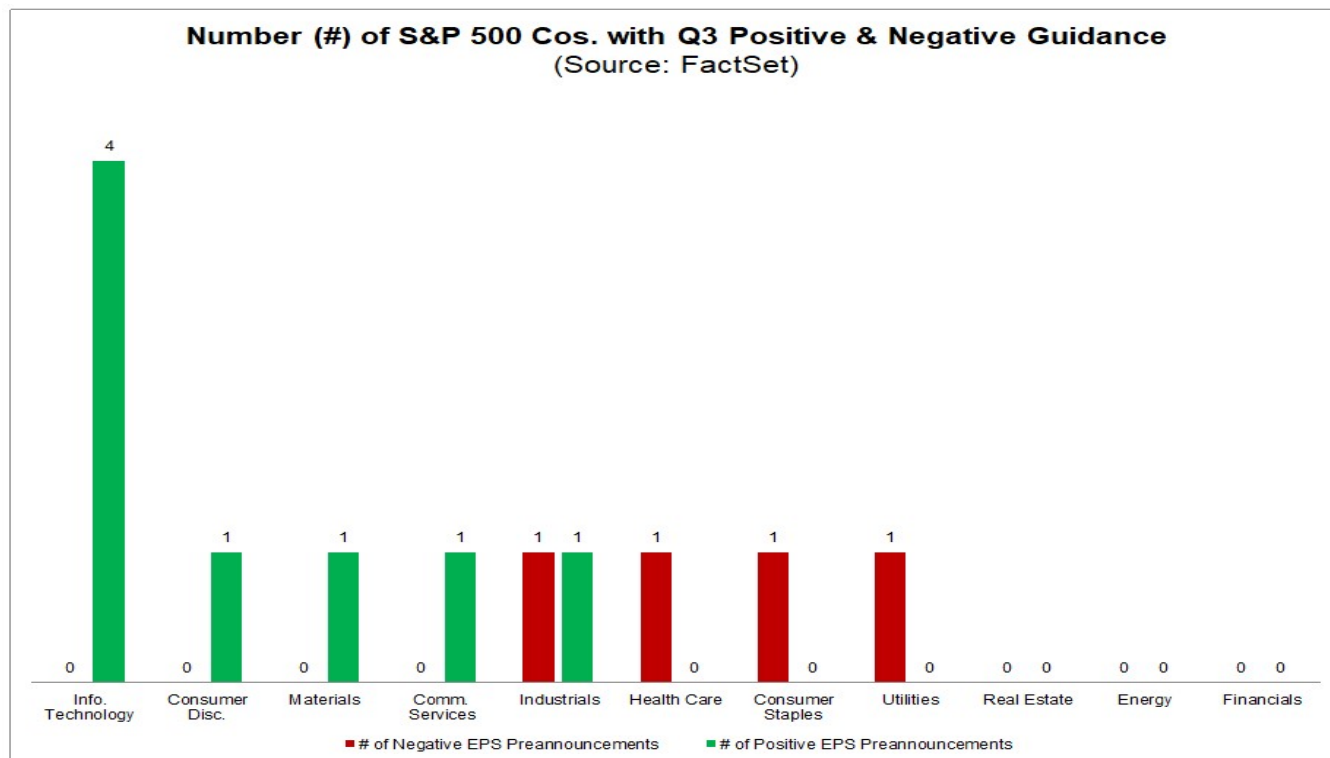
(Source: FactSet)

**S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin:****Q221 vs. Q220**

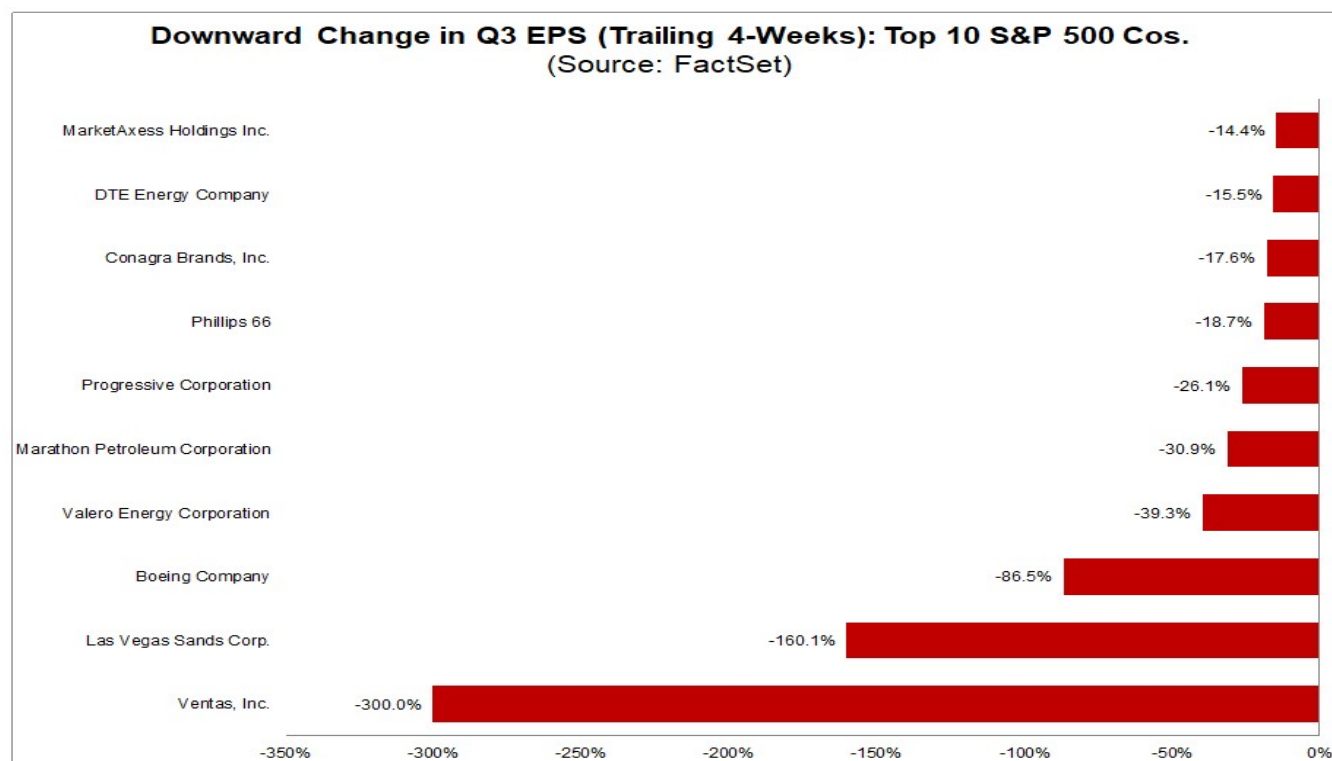
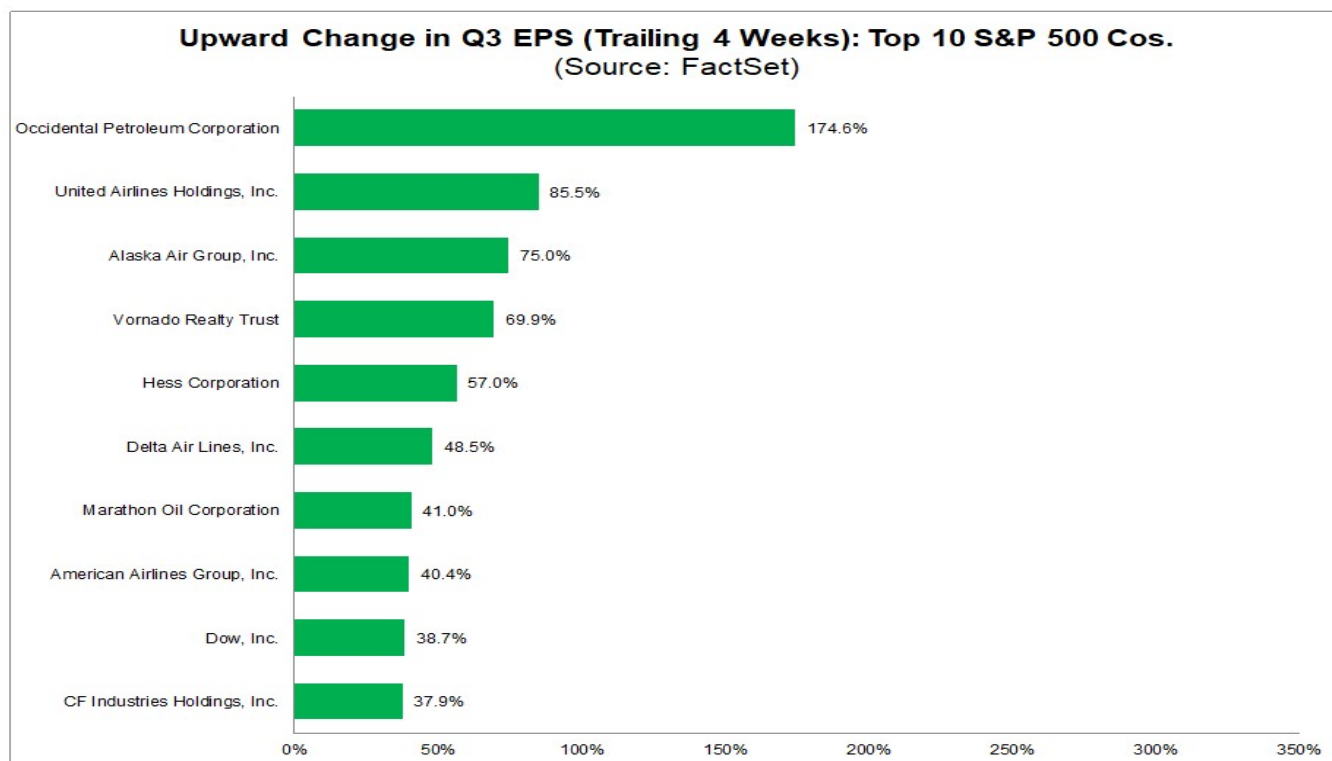
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Q3 2021: EPS Guidance

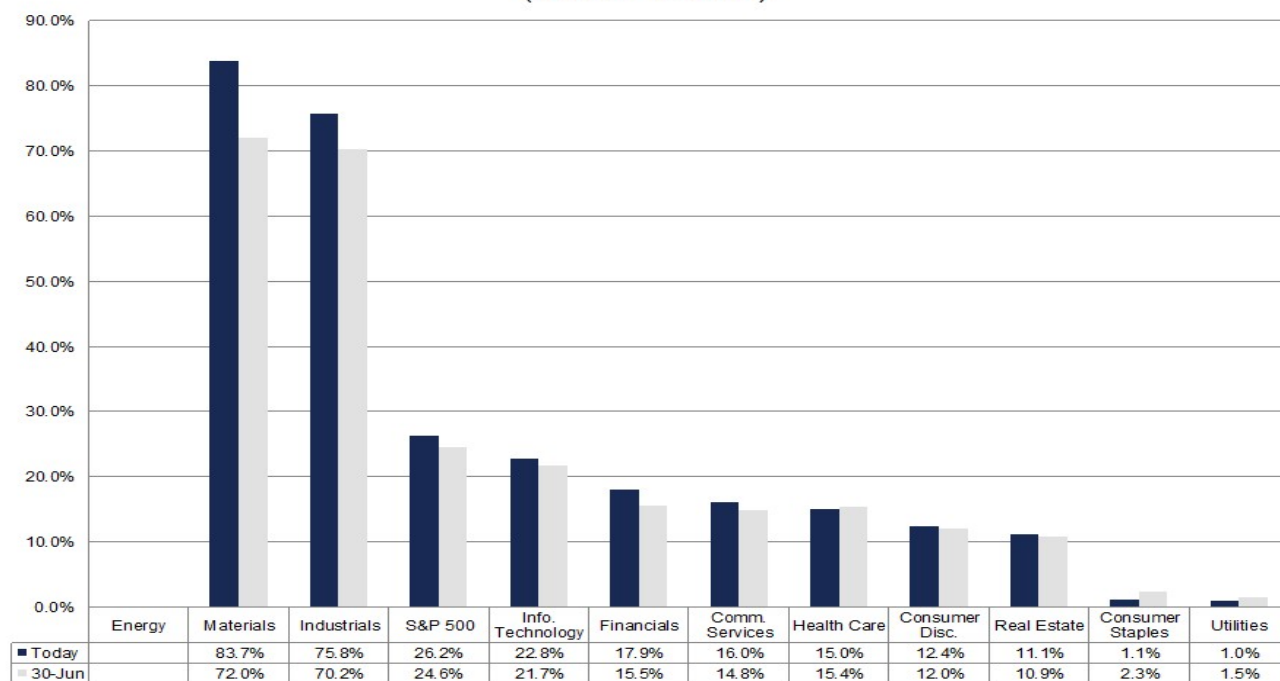


Q3 2021: EPS Revisions

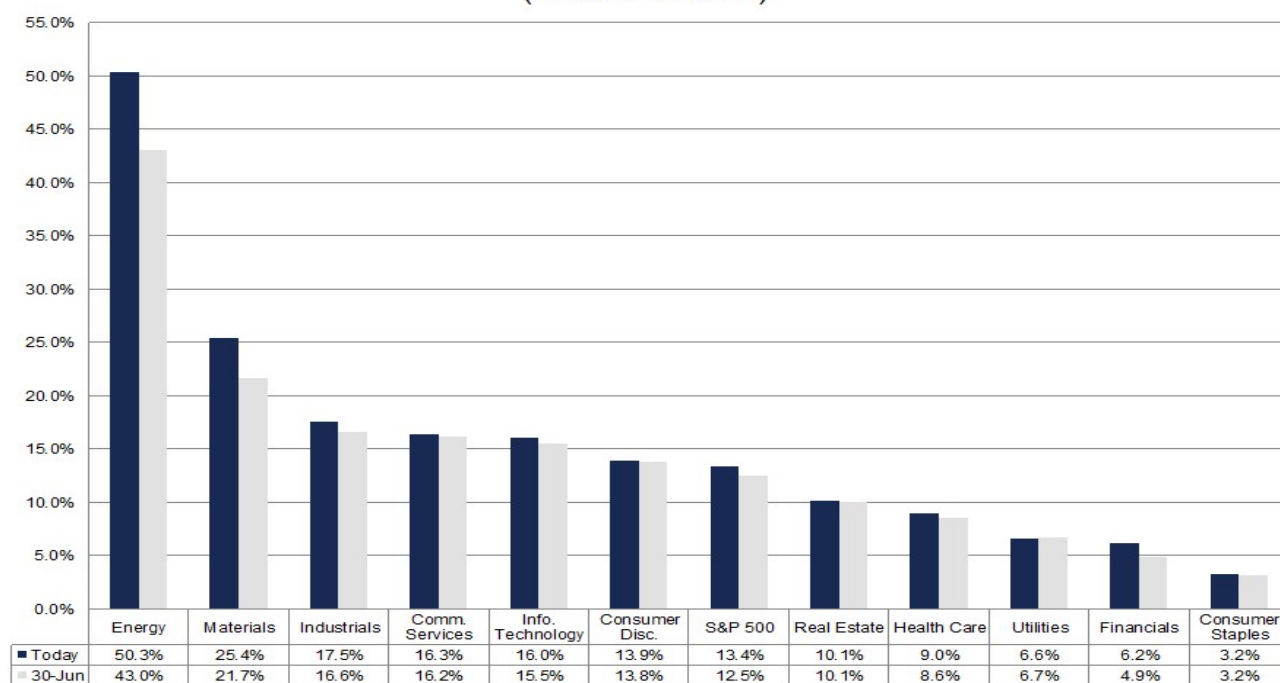


Q3 2021: Growth

S&P 500 Earnings Growth: Q3 2021
(Source: FactSet)

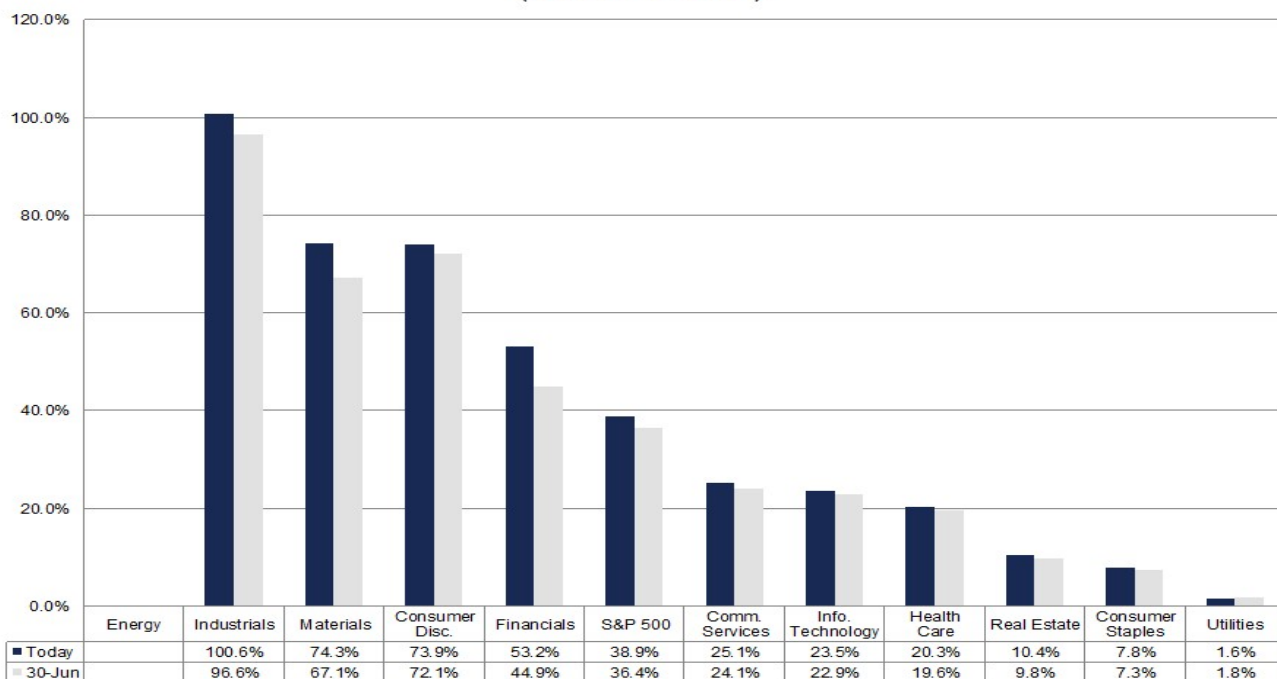


S&P 500 Revenue Growth: Q3 2021
(Source: FactSet)

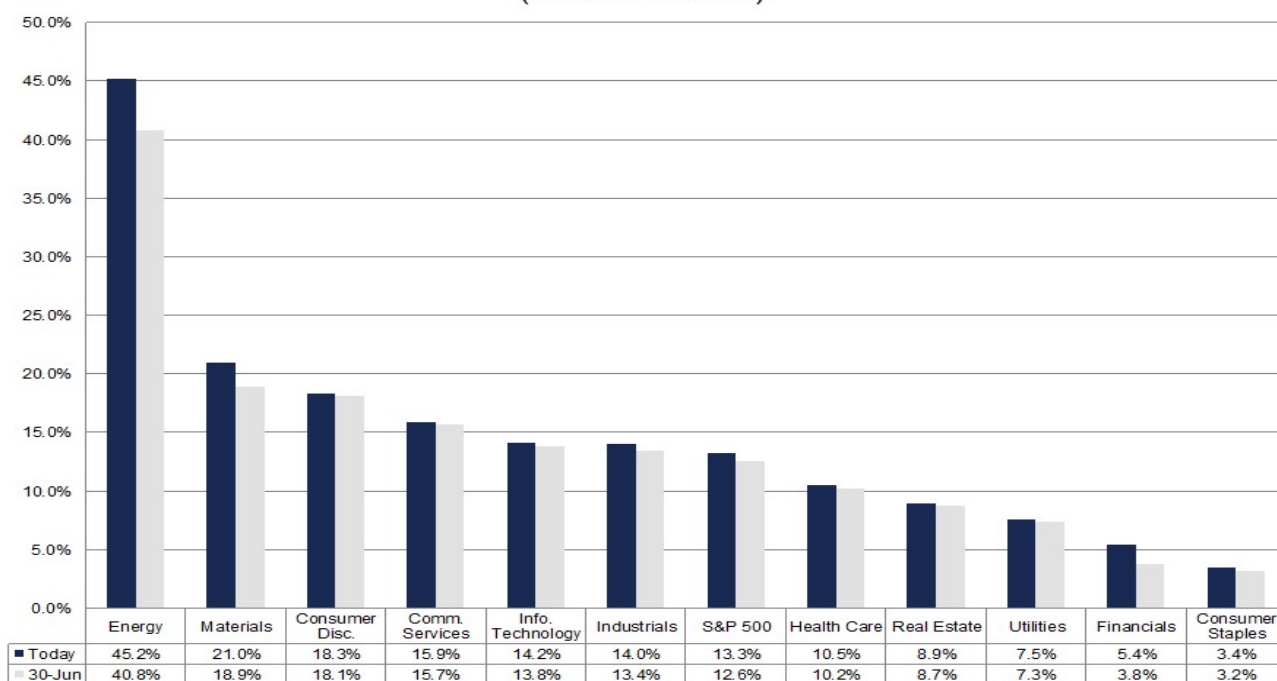


CY 2021: Growth

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

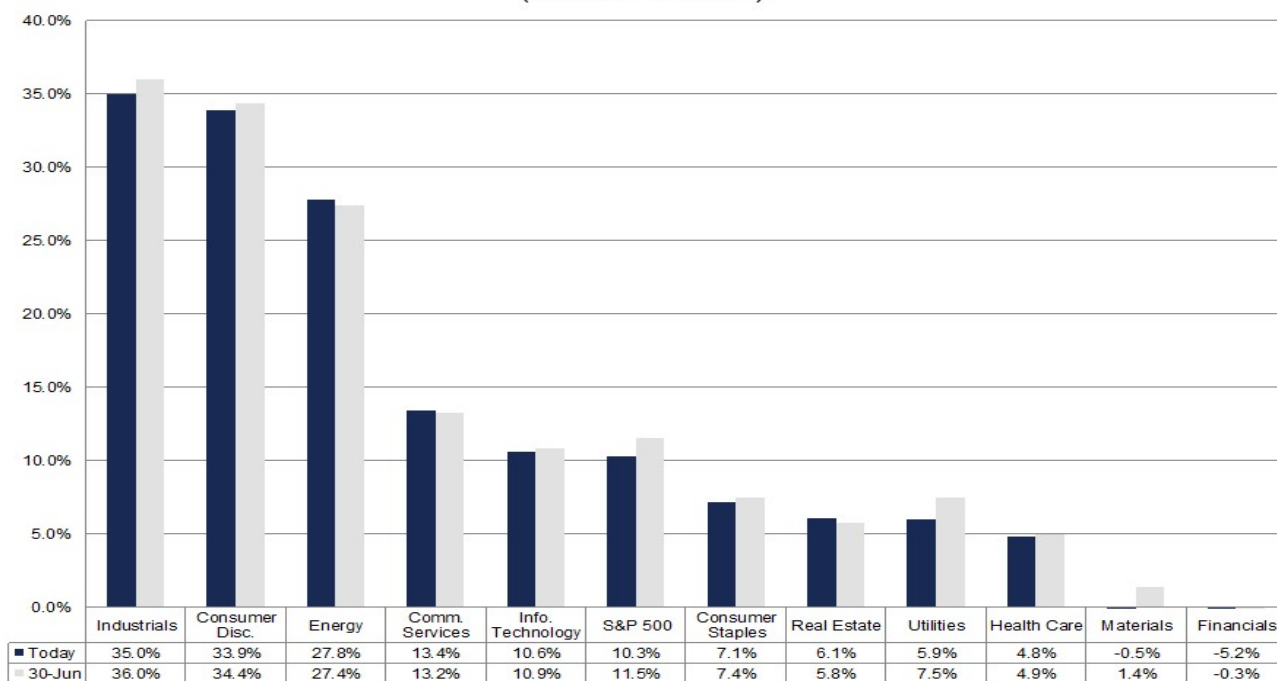


S&P 500 Revenue Growth: CY 2021
(Source: FactSet)

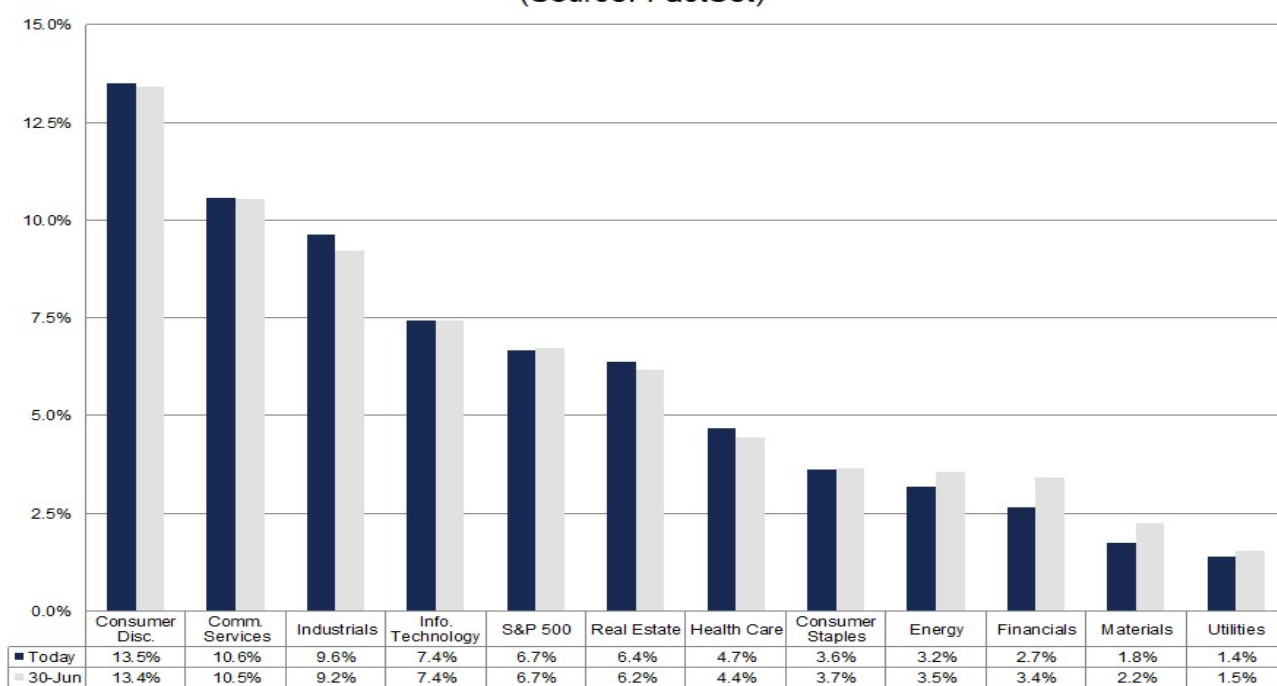


CY 2022: Growth

S&P 500 Earnings Growth: CY 2022
(Source: FactSet)

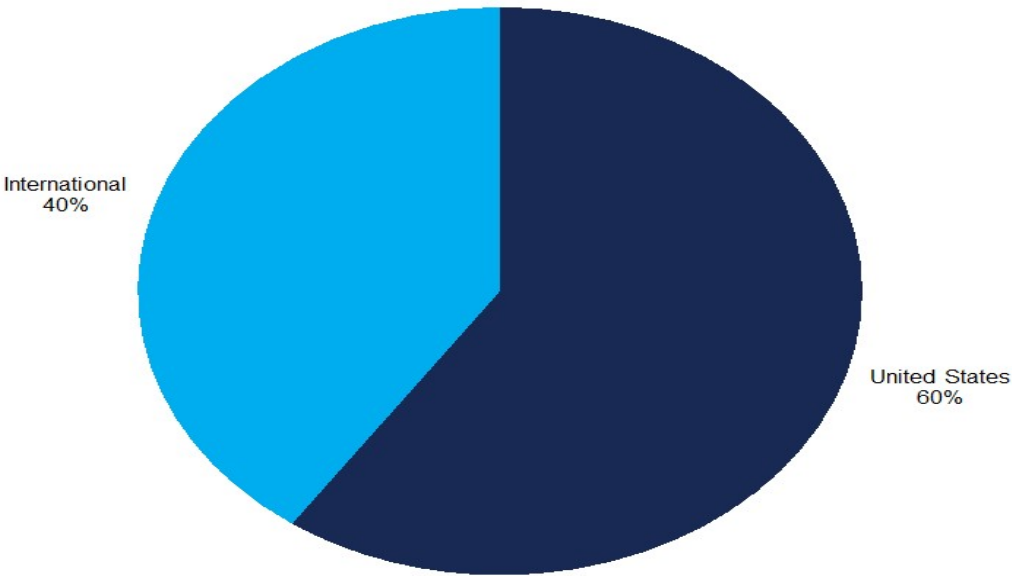


S&P 500 Revenue Growth: CY 2022
(Source: FactSet)

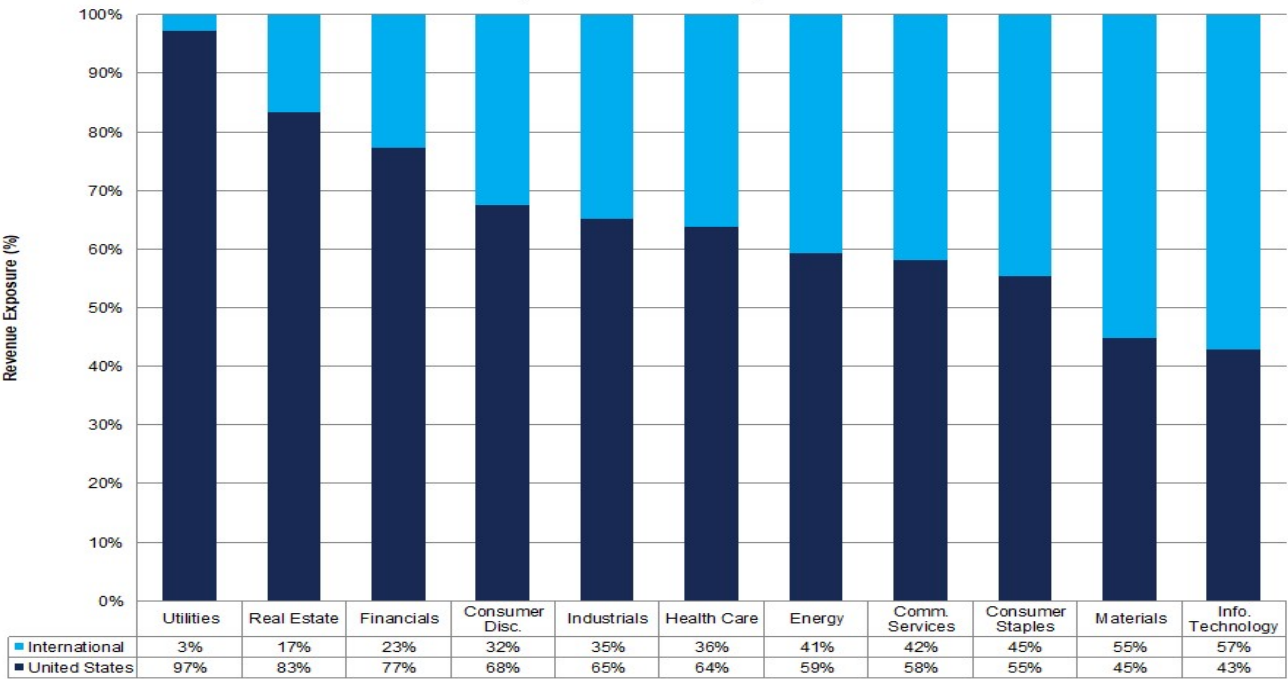


Geographic Revenue Exposure

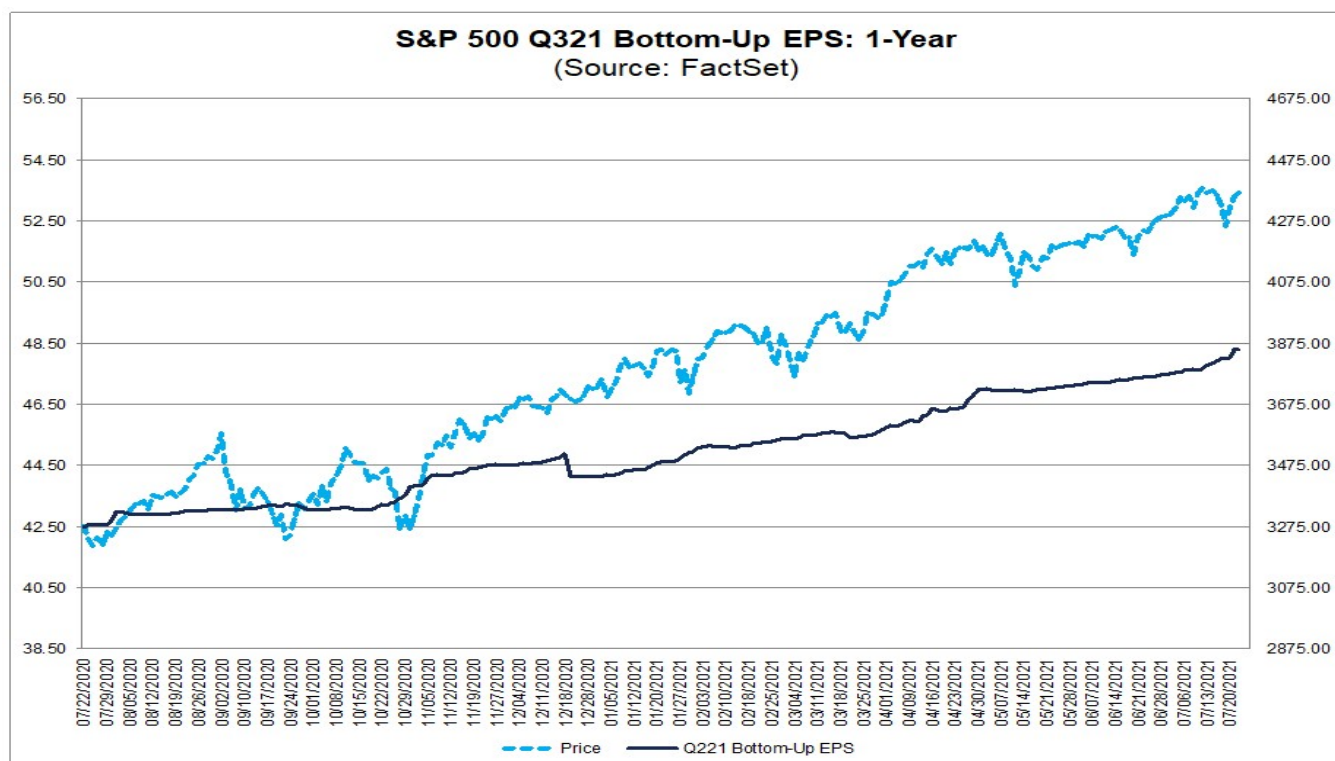
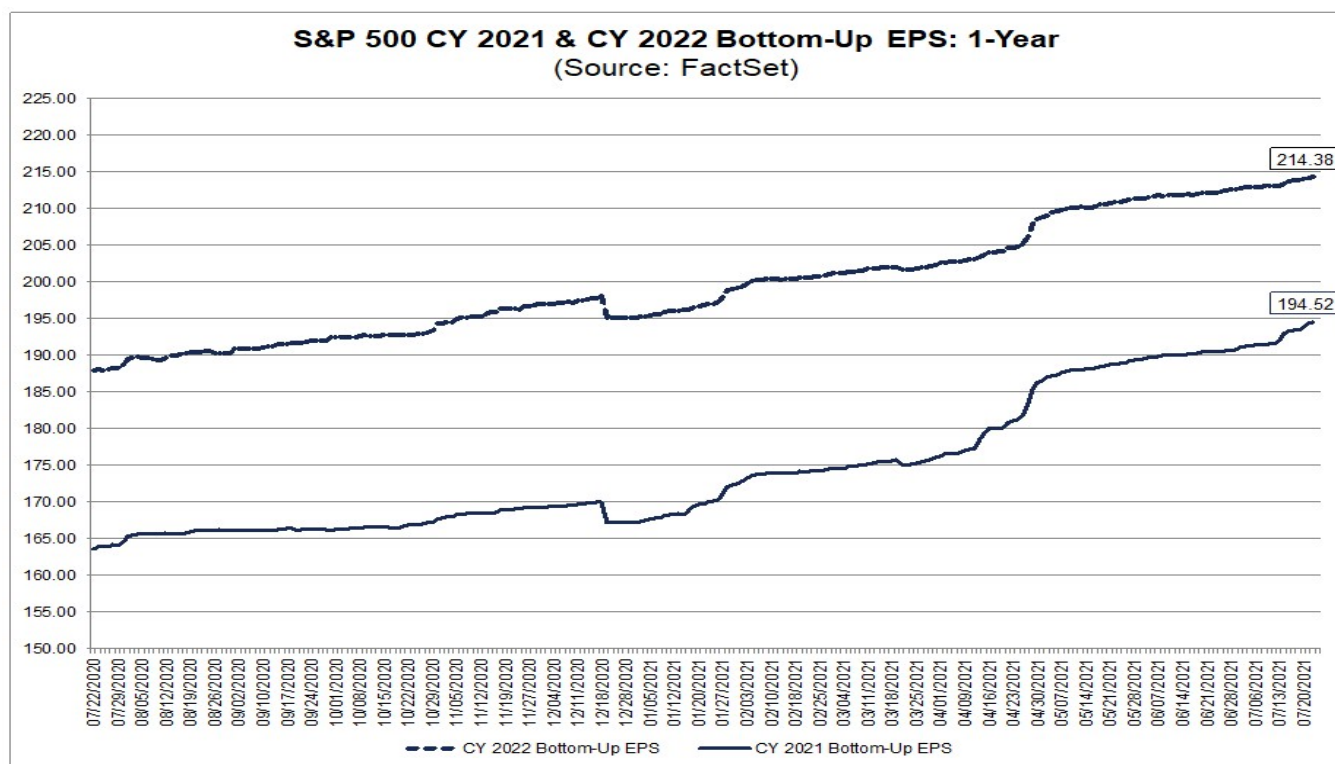
S&P 500: Aggregate Geographic Revenue Exposure (%)
(Source: FactSet)



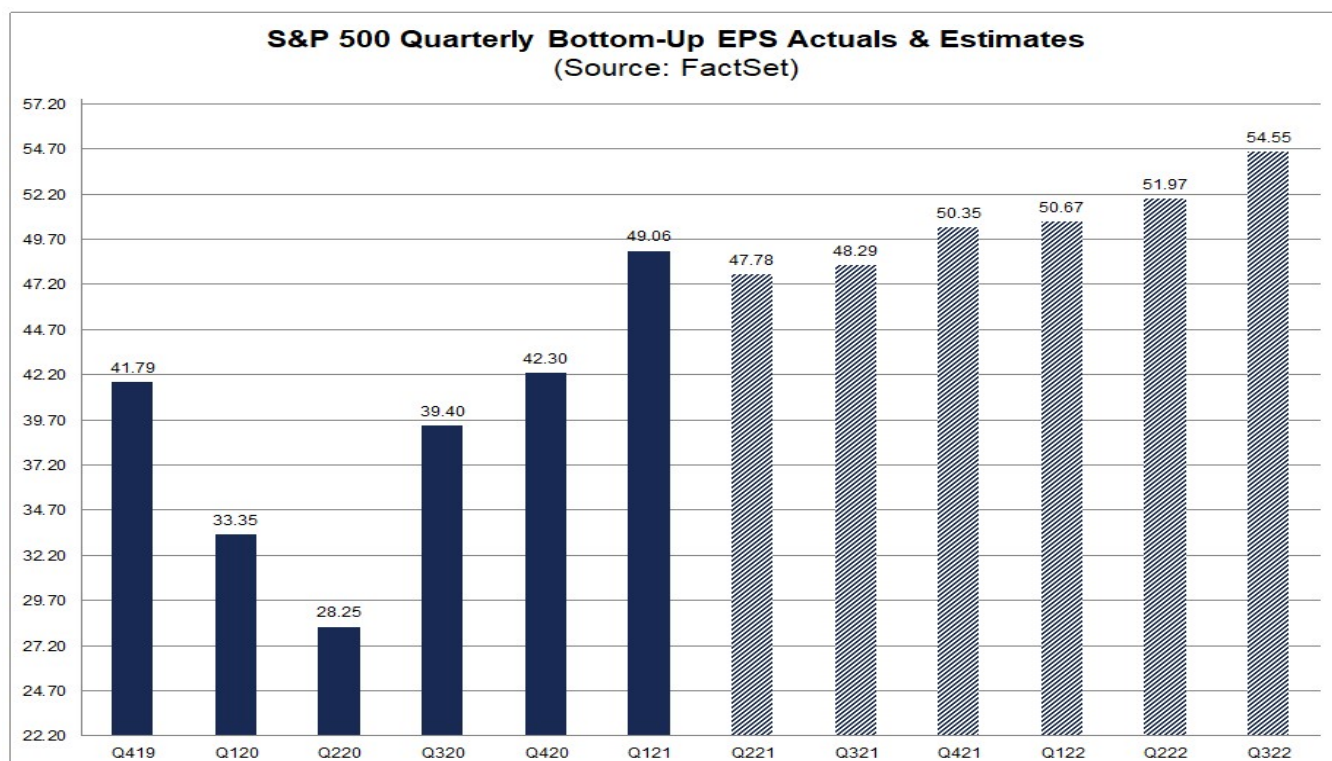
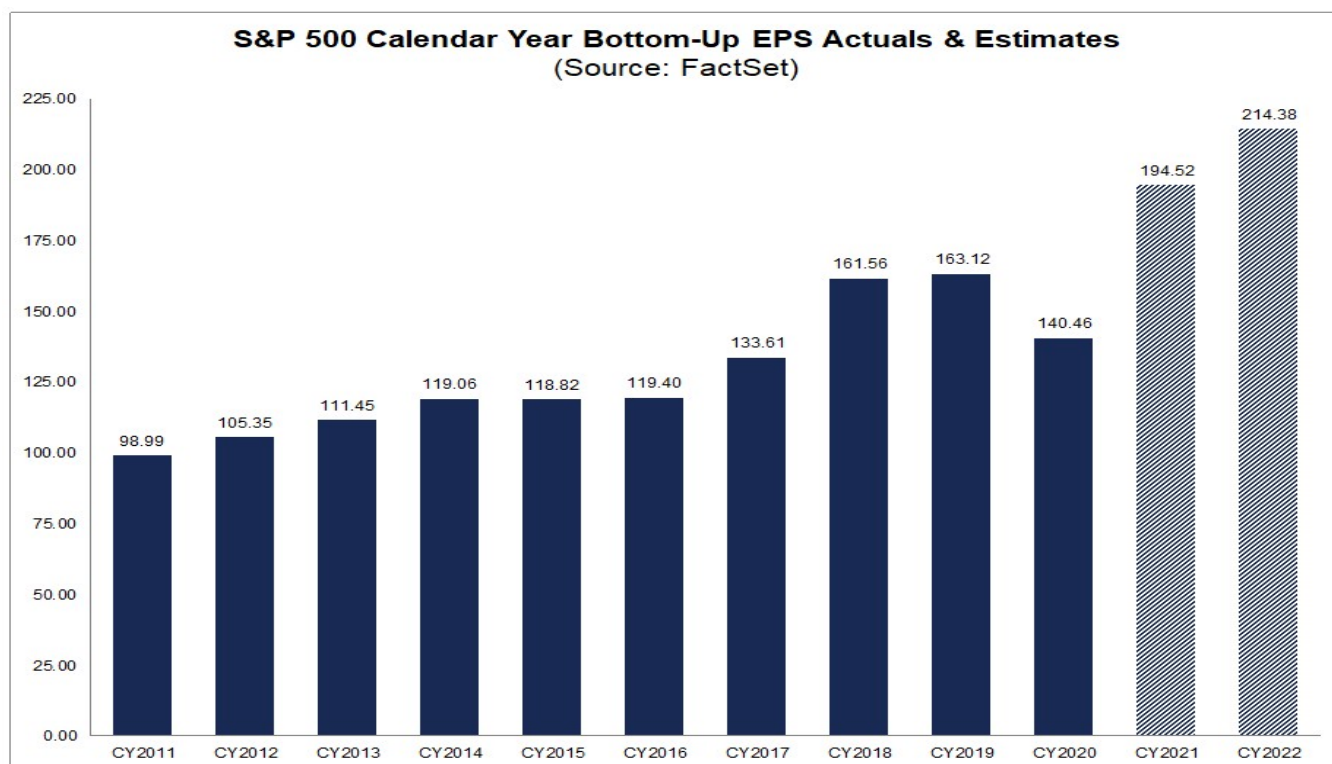
S&P 500: Aggregate Sector Geographic Revenue Exposure (%)
(Source: FactSet)



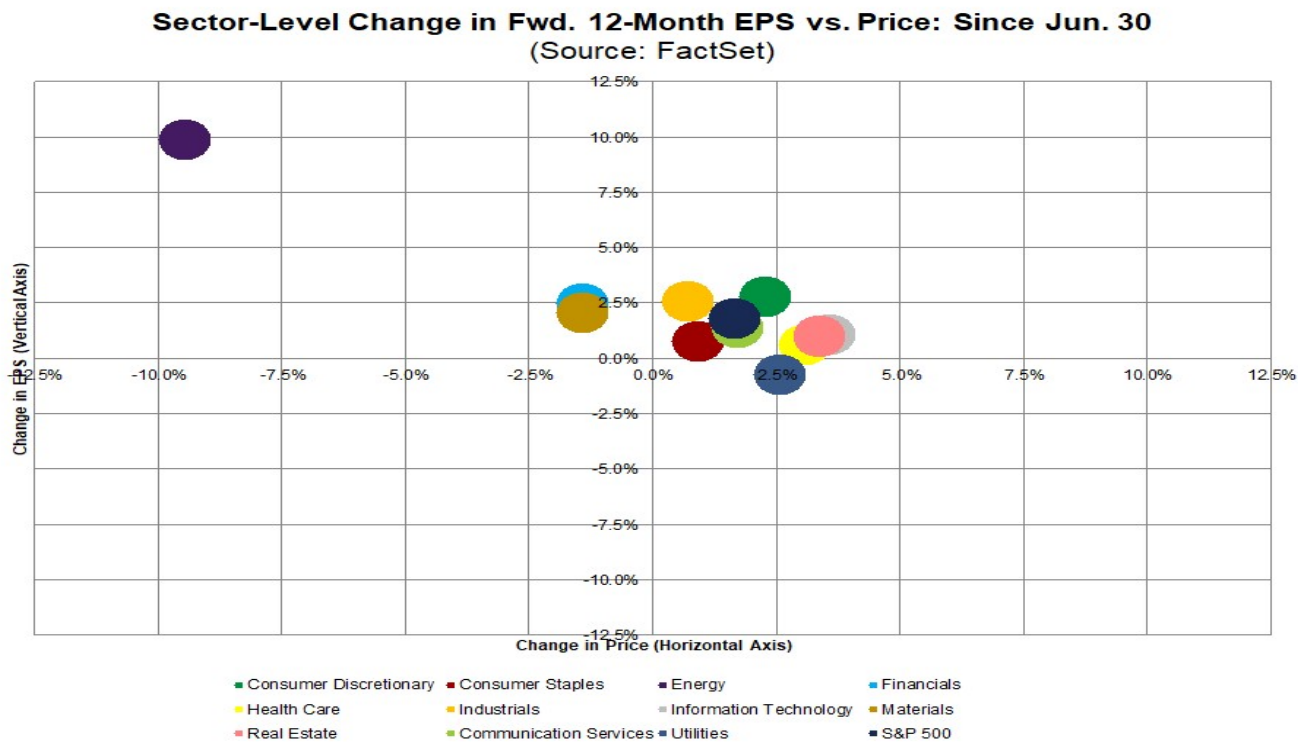
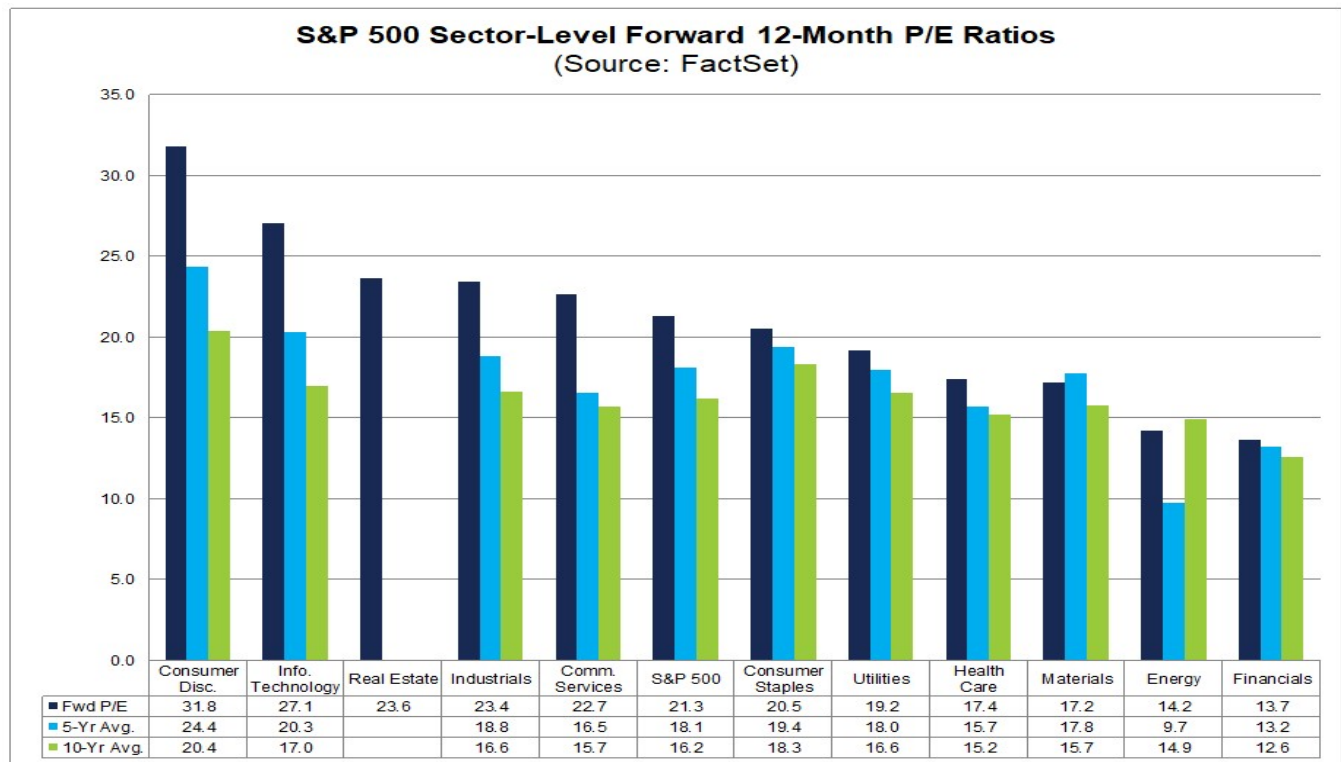
Bottom-up EPS Estimates: Revisions



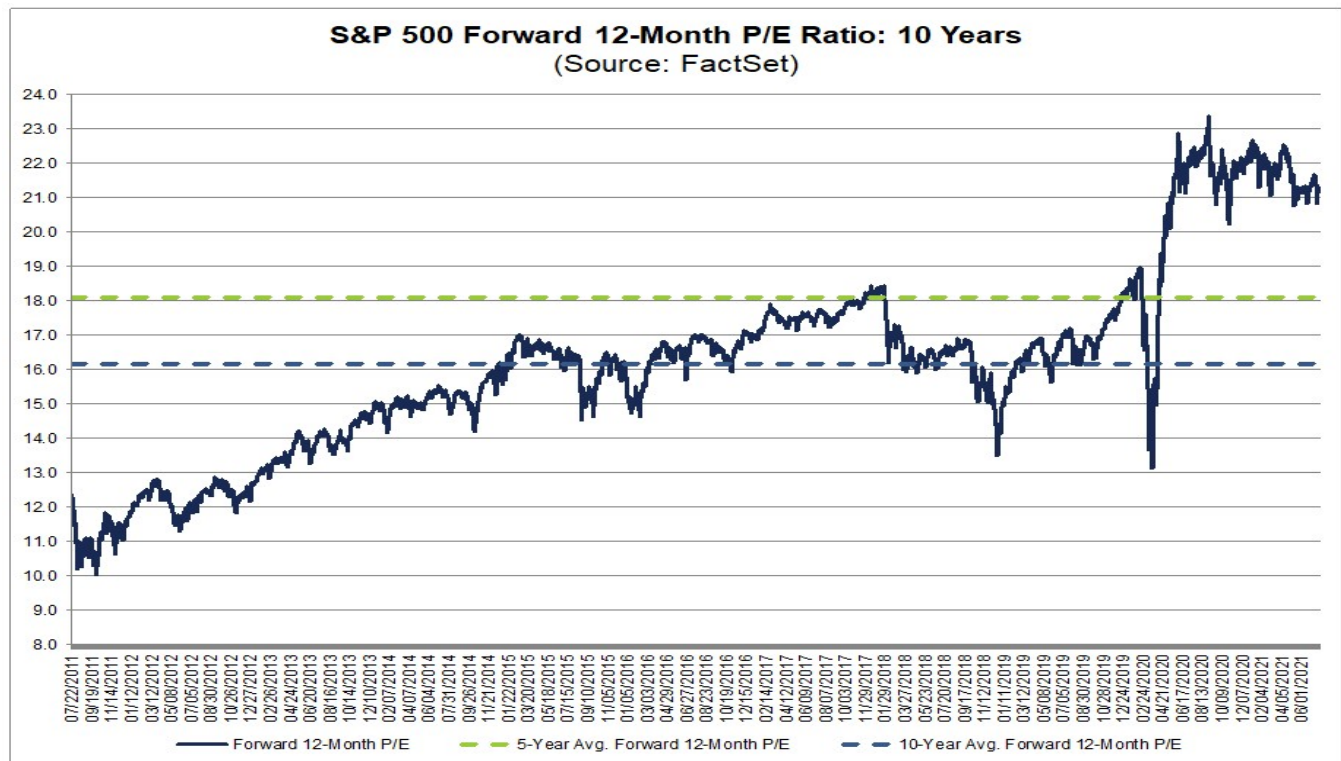
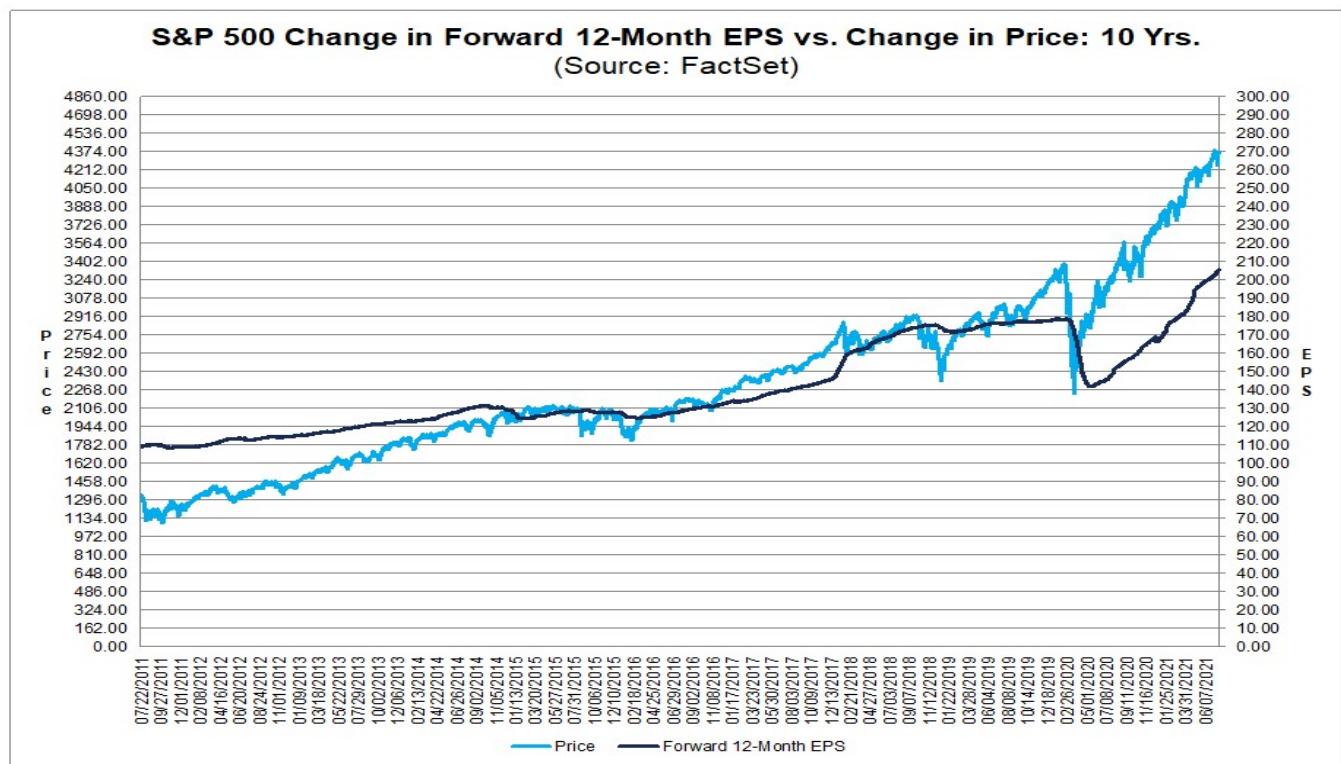
Bottom-up EPS Estimates: Current & Historical



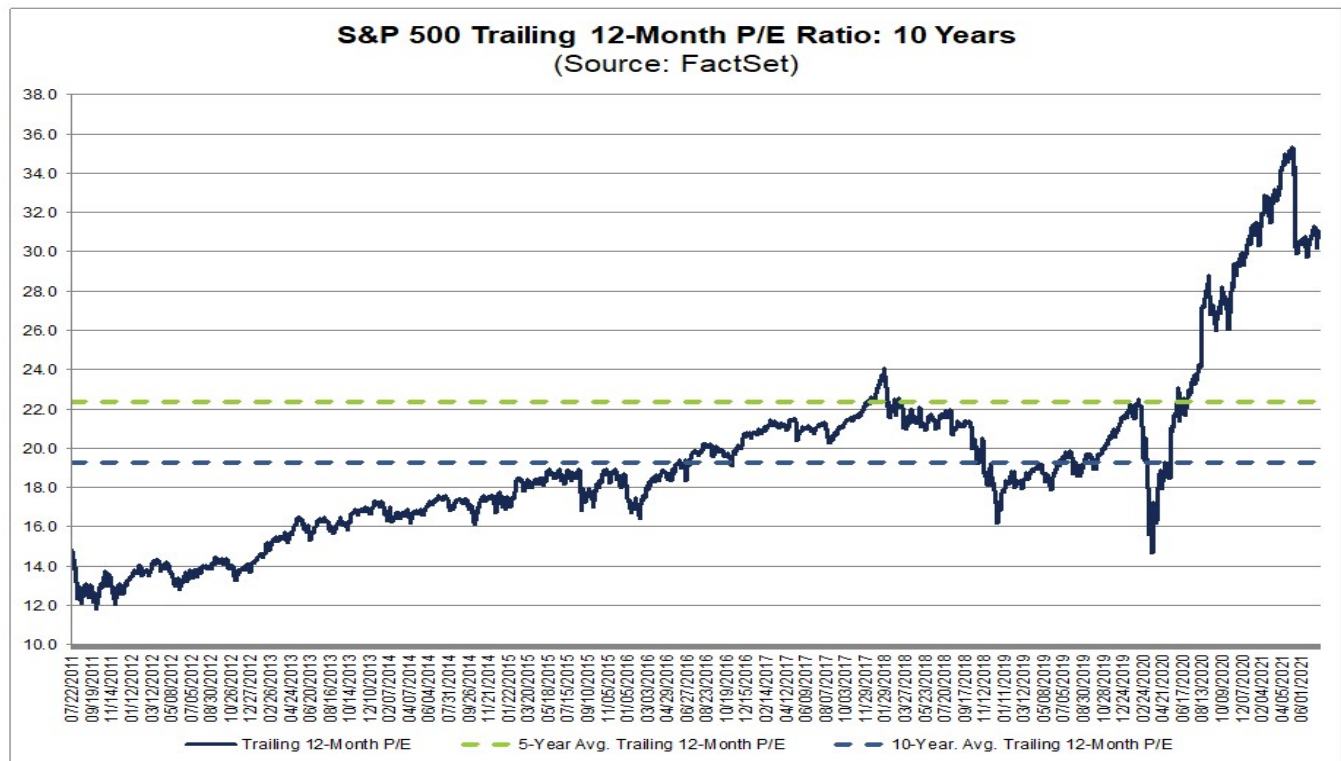
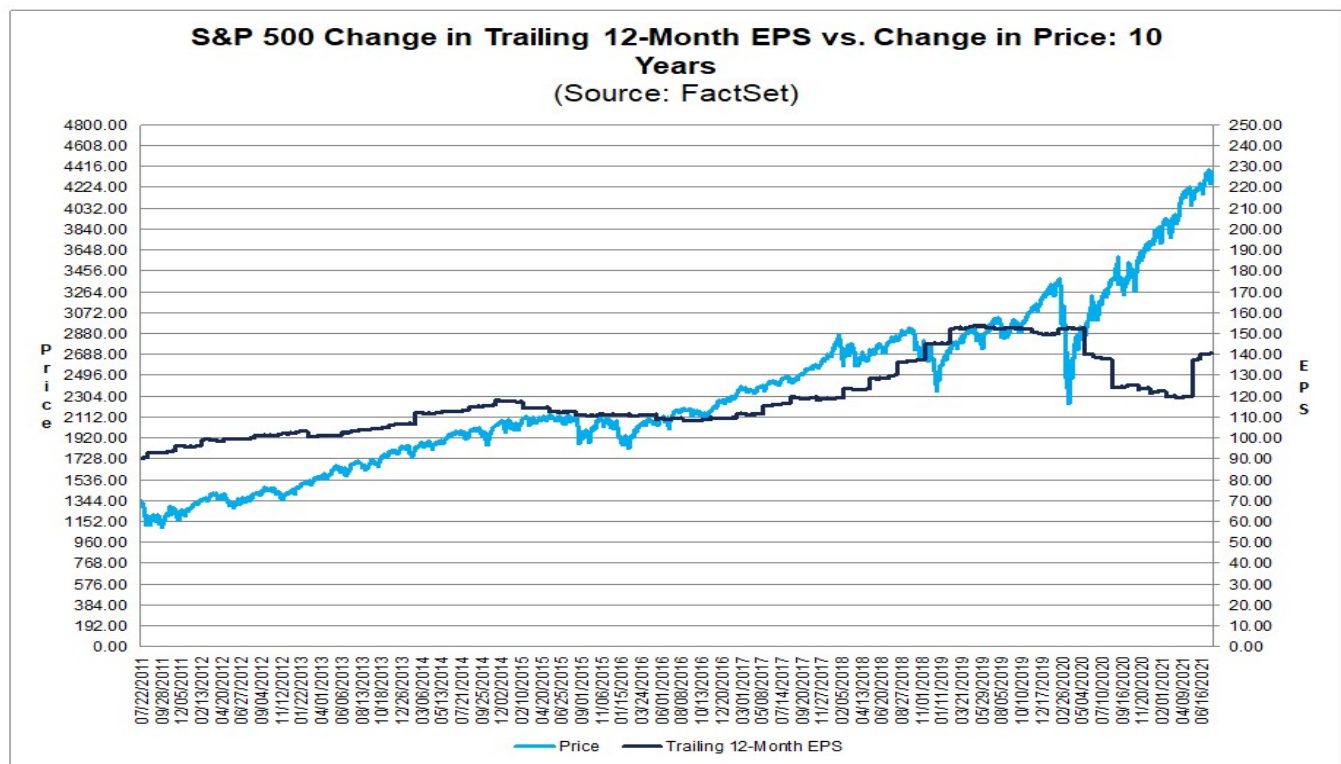
Forward 12M P/E Ratio: Sector Level



Forward 12M P/E Ratio: 10-Years

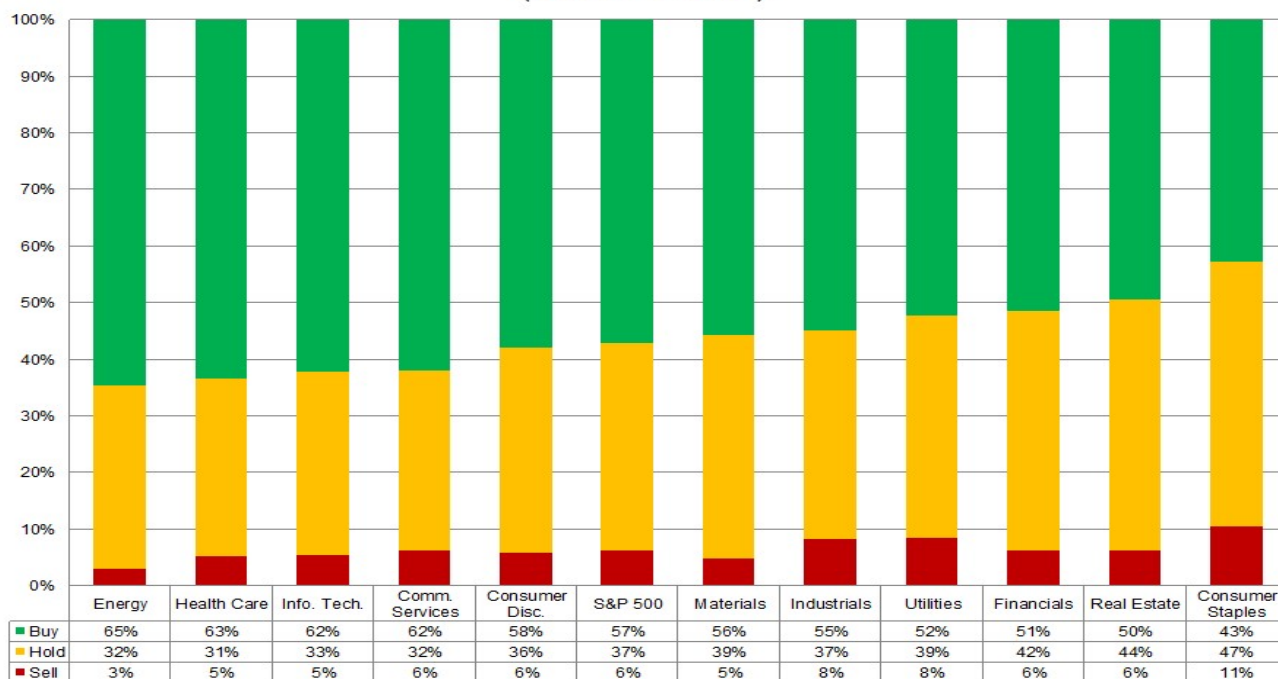


Trailing 12M P/E Ratio: 10-Years

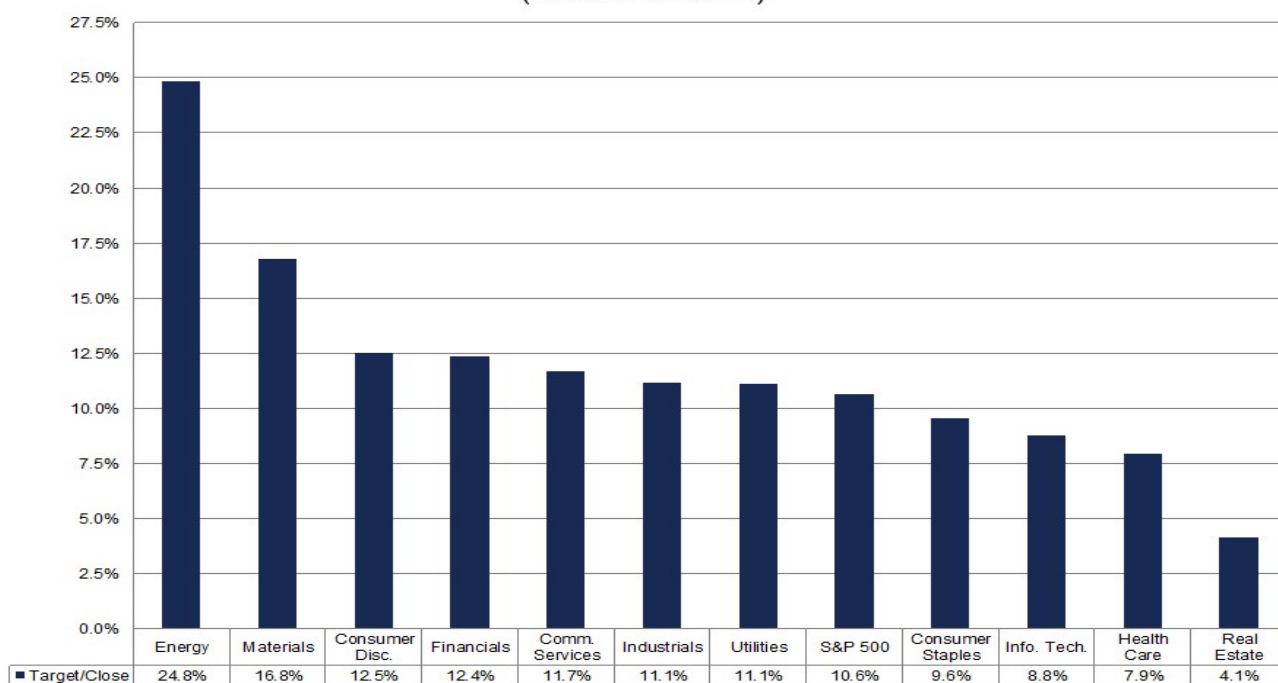


Targets & Ratings

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



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



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