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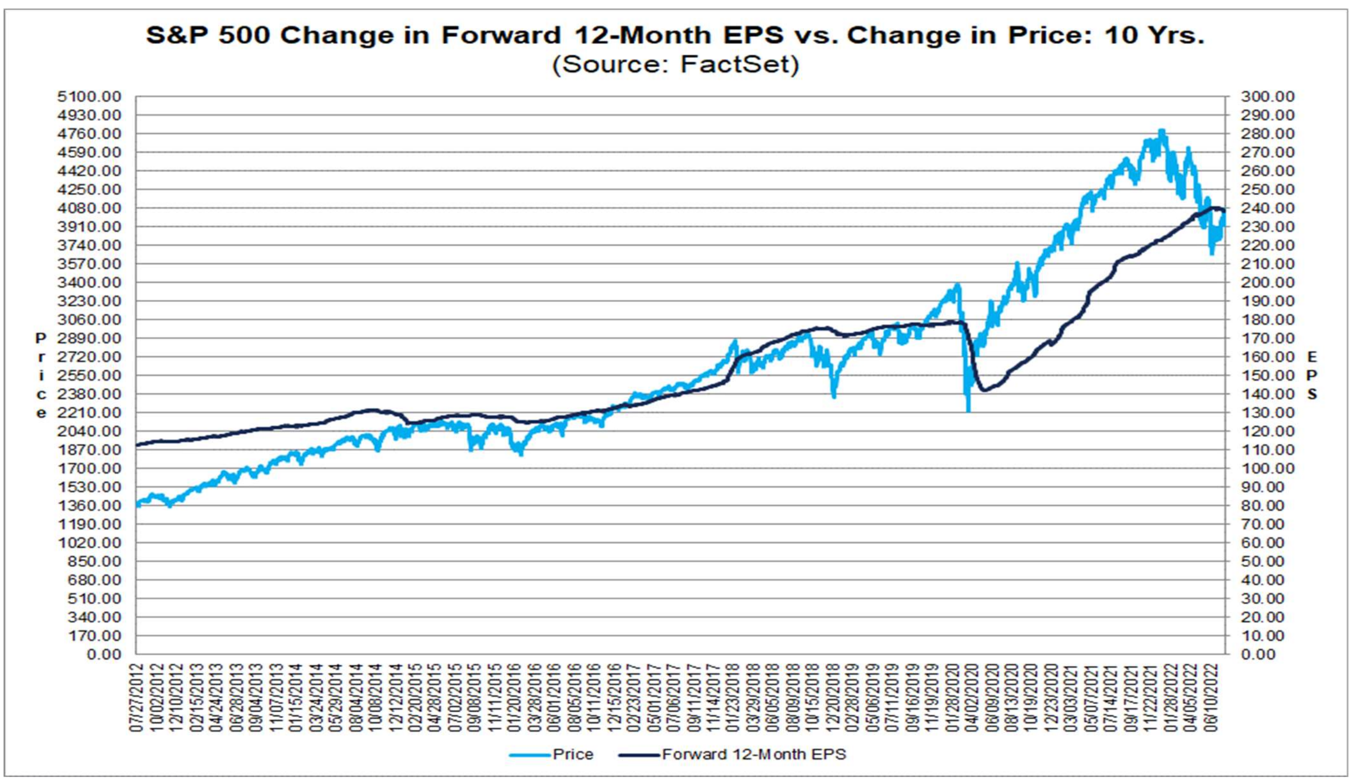
Key Metrics

- **Earnings Scorecard:** For Q2 2022 (with 56% S&P 500 companies reporting actual results), 73% of S&P 500 companies have reported a positive EPS surprise and 66% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q2 2022, the blended earnings growth rate for the S&P 500 is 6.0%. If 6.0% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q4 2020 (4.0%).
- **Earnings Revisions:** On June 30, the estimated earnings growth rate for Q2 2022 was 4.0%. Four sectors are reporting higher earnings today (compared to June 30) due to upward revisions to EPS estimates and positive EPS surprises.
- **Earnings Guidance:** For Q3 2022, 28 S&P 500 companies have issued negative EPS guidance and 17 S&P 500 company has issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.1. This P/E ratio is below the 5-year average (18.6) but above the 10-year average (17.0).



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Topic of the Week:

Analysts Making Larger Cuts Than Average to EPS Estimates for S&P 500 Companies for Q3

Given the decline in GDP for a second straight quarter, have analysts lowered EPS estimates more than normal for S&P 500 companies for the third quarter?

The answer is yes. During the month of July, analysts lowered EPS estimates for the third quarter by a larger margin than average. The Q3 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q3 for all the companies in the index) decreased by 2.5% (to $57.98 from $59.44) from June 30 to July 28.

In a typical quarter, analysts usually reduce earnings estimates during the first month of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.3%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.8%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 2.1%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.7%

Thus, the decline in the bottom-up EPS estimate recorded during the first month of the third quarter was larger than the 5-year average, 10-year average, 15-year average, and 20-year average. The third quarter also marked the largest decrease in the bottom-up EPS estimate during the first month of a quarter since Q2 2020 (-29.0%).

At the sector level, nine of the eleven sectors witnessed a decrease in their bottom-up EPS estimate for Q3 2022 from June 30 to July 28, led by the Communication Services (-9.6%) and Materials (-5.1%) sectors. On the other hand, two sectors recorded an increase in their bottom-up EPS estimate for Q3 2022 during this period, led by the Energy (+7.7%) sector.

While analysts were decreasing EPS estimates in aggregate for the third quarter, they were also decreasing EPS estimates in aggregate for the fourth quarter. The bottom-up EPS estimate for the fourth quarter declined by 2.4% (to $59.26 from $60.73) from June 30 to July 28.

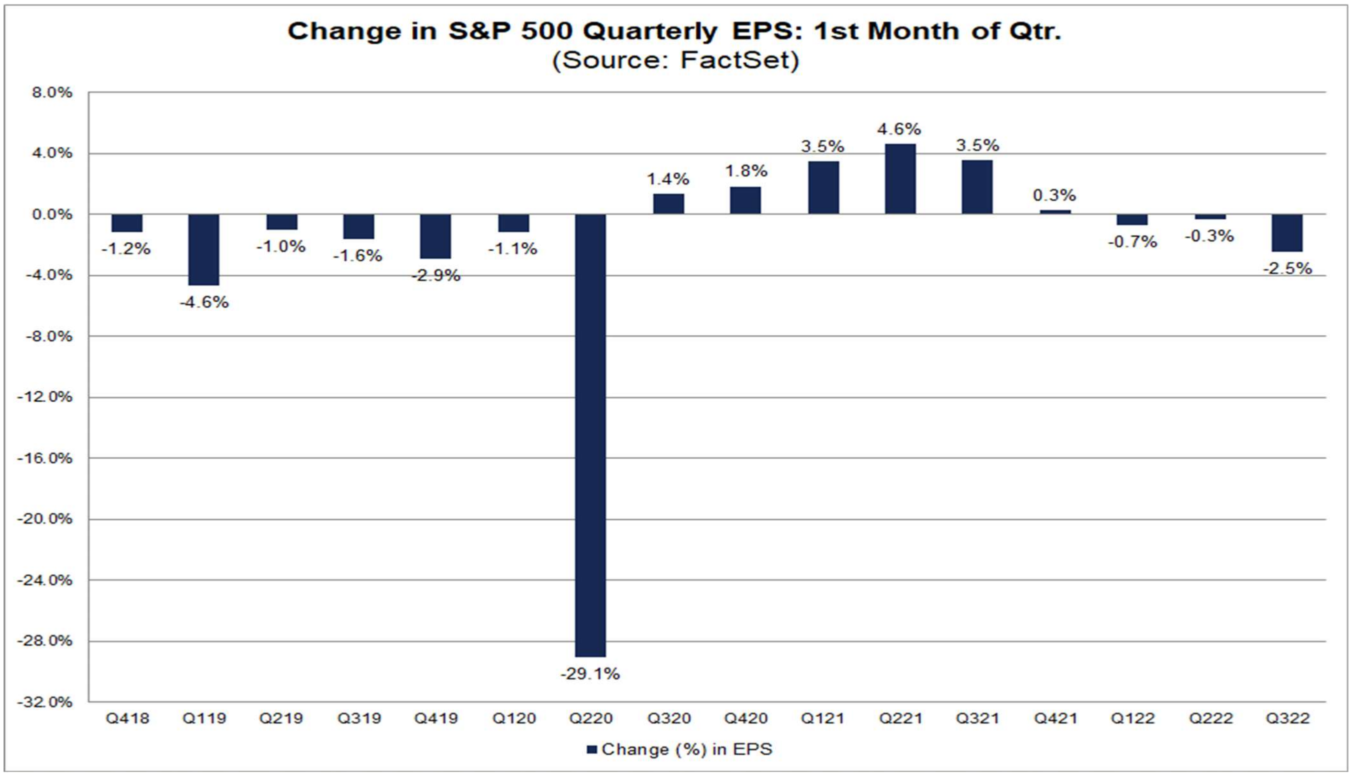
Given the decreases in the bottom-up EPS estimates for third quarter and fourth quarter, which were partially offset by the increase in the bottom-up EPS estimate for Q2 2022 (due to upward revisions to EPS estimates and positive EPS surprises) analysts also decreased EPS estimates for all of 2022 during this period. The CY 2022 bottom-up EPS estimate declined by 0.8% (to $227.77 from $229.63) from June 30 to July 28.

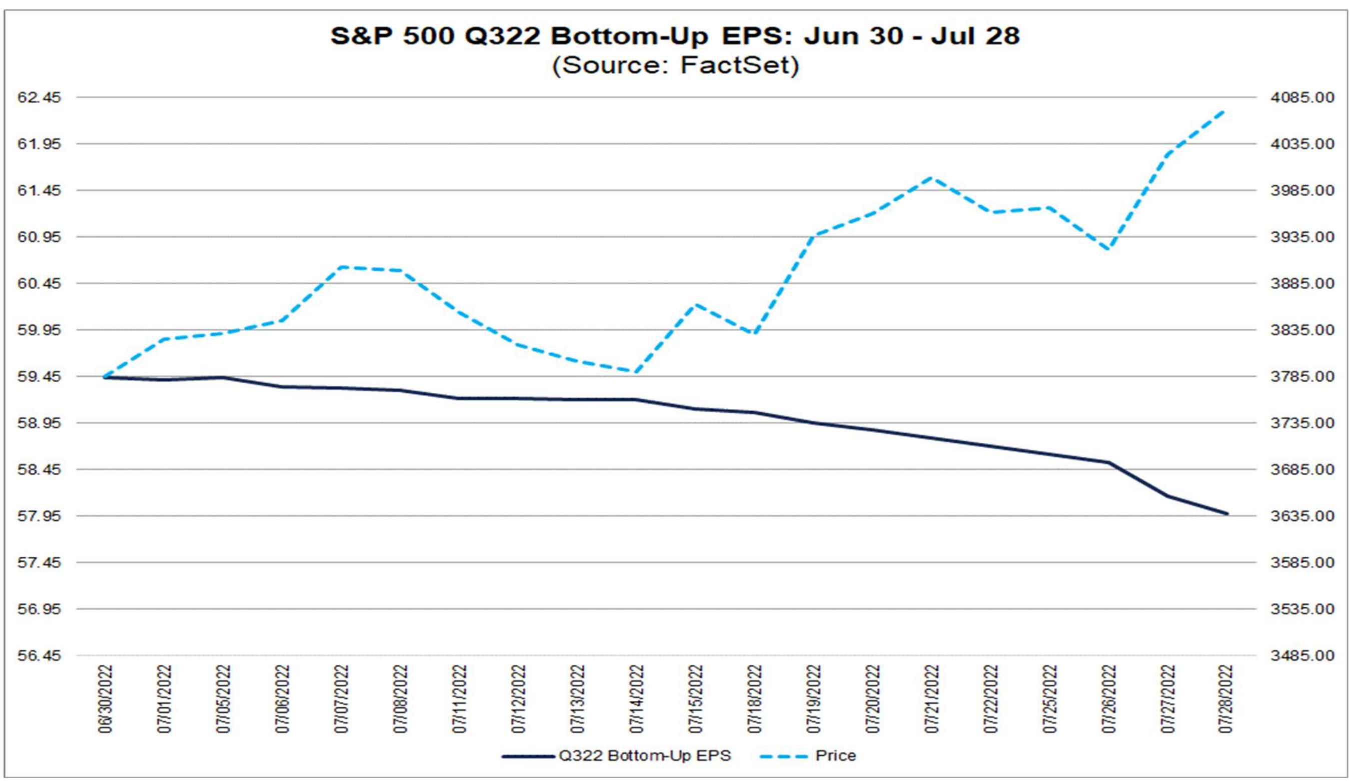
At the sector level, nine sectors witnessed a decrease in their bottom-up EPS estimate for CY 2022 from June 30 to July 28, led by the Communication Services (-5.5%) and Materials (-2.6%) sectors. On the other hand, two sectors witnessed an increase in their bottom-up EPS estimate for CY 2022 during this time, led by the Energy (+8.1%) sector.

In addition, analysts lowered earnings estimates for CY 2023 during this time, as the bottom-up EPS estimate for CY 2023 decreased by 2.0% (to $245.61 from $250.59) from June 30 to July 28.

It is interesting to note that the forward 12-month P/E ratio for the S&P 500 has increased to 17.1 from 15.8 since June 30, as the price of the index increased while EPS estimates for CY 2022 and CY 2023 declined during this time.

The market will certainly be watching EPS estimate revisions over the next few weeks to see if analysts continue to lower EPS estimates for CY 2022 and CY 2023.


Change in S&P 500 Quarterly EPS: 1st Month of Qtr.
(Source: FactSet)
8.0%
4.0%
0.0%
-4.0%
-8.0%
-12.0%
-16.0%
-20.0%
-24.0%
-28.0%
-32.0%
-1.2%
-4.6%
-1.0%
-1.6%
-2.9%
-1.1%
-29.1%
1.4%
1.8%
3.5%
4.6%
3.5%
0.3%
-0.7%
-0.3%
-2.5%
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Q121
Q221
Q321
Q421
Q122
Q222
Q322
Change (%) in EPS


S&P 500 Q322 Bottom-Up EPS: Jun 30 - Jul 28
(Source: FactSet)
62.45
61.95
61.45
60.95
60.45
59.95
59.45
58.95
58.45
57.95
57.45
56.95
56.45
4085.00
4035.00
3985.00
3935.00
3885.00
3835.00
3785.00
3735.00
3685.00
3635.00
3585.00
3535.00
3485.00
06/30/2022
07/01/2022
07/05/2022
07/06/2022
07/07/2022
07/08/2022
07/11/2022
07/12/2022
07/13/2022
07/14/2022
07/15/2022
07/18/2022
07/19/2022
07/20/2022
07/21/2022
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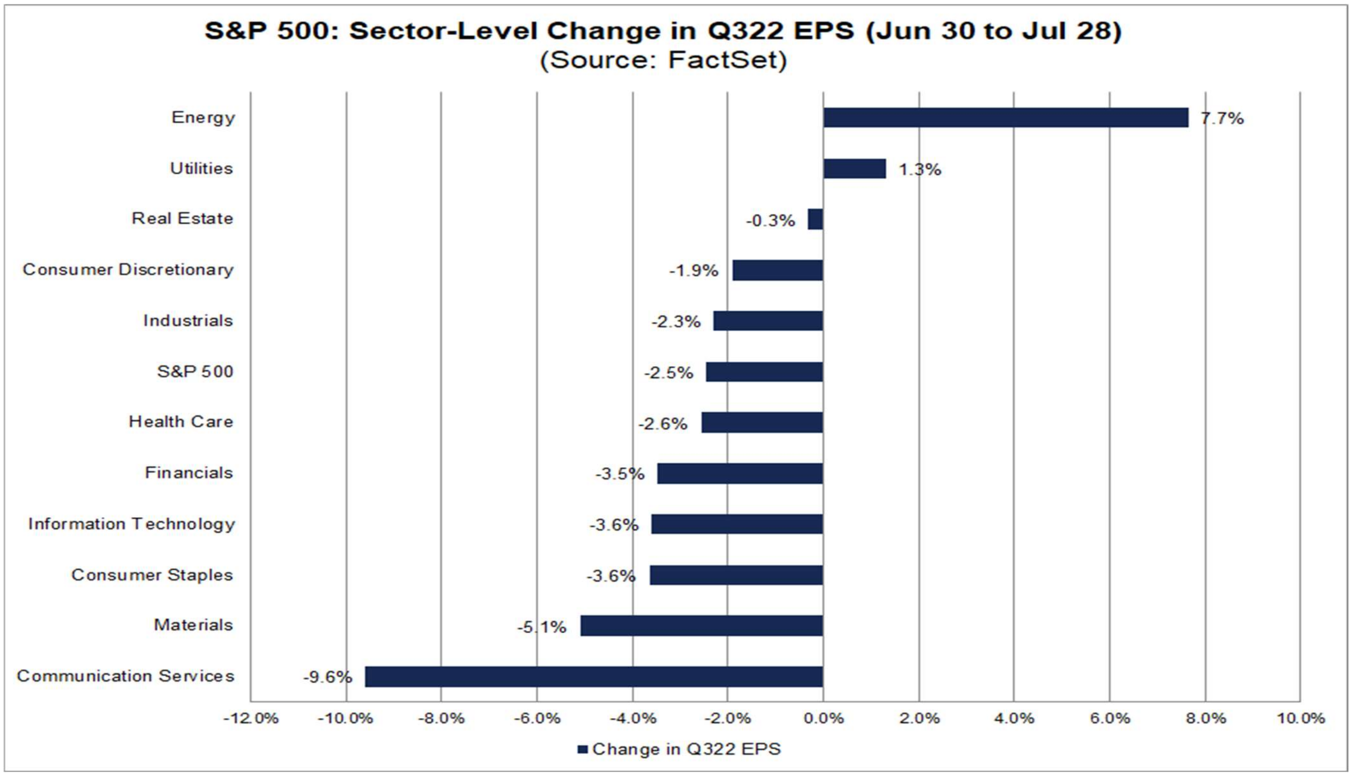
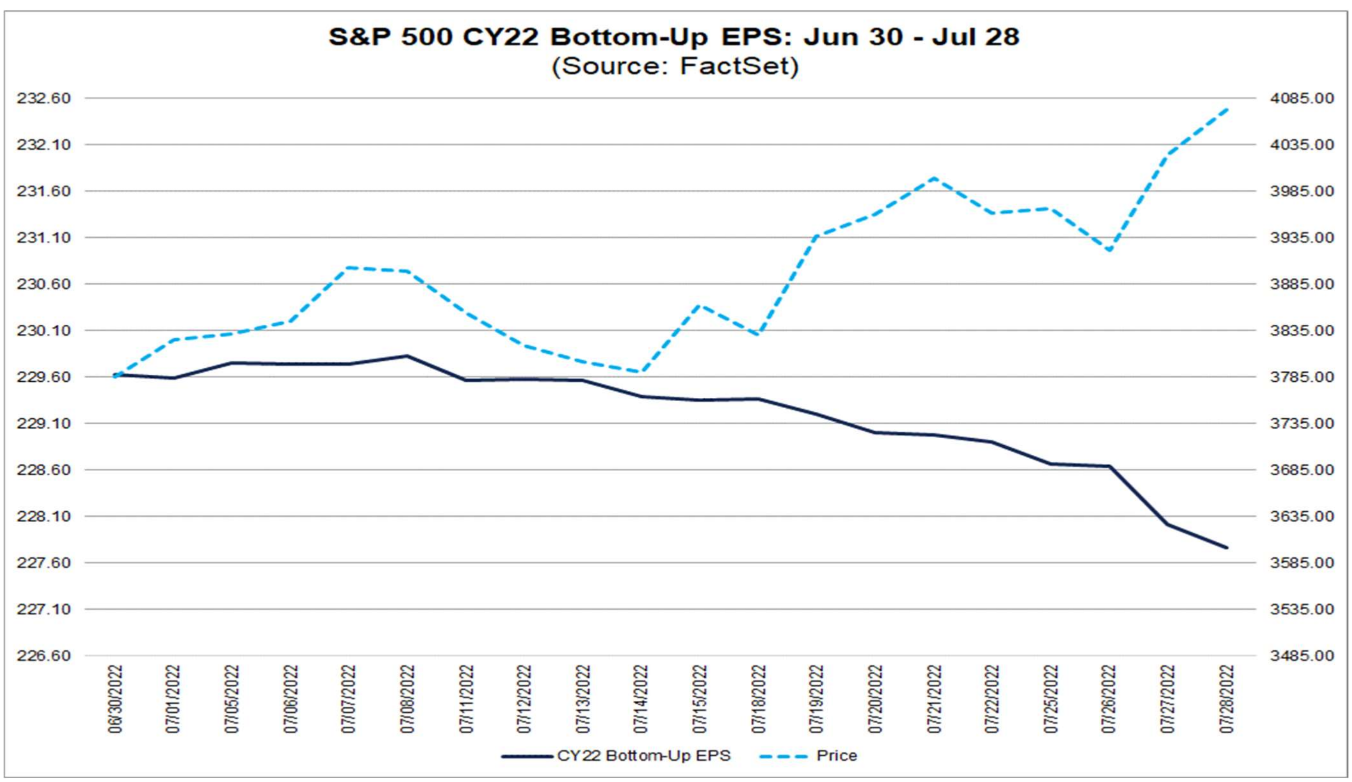
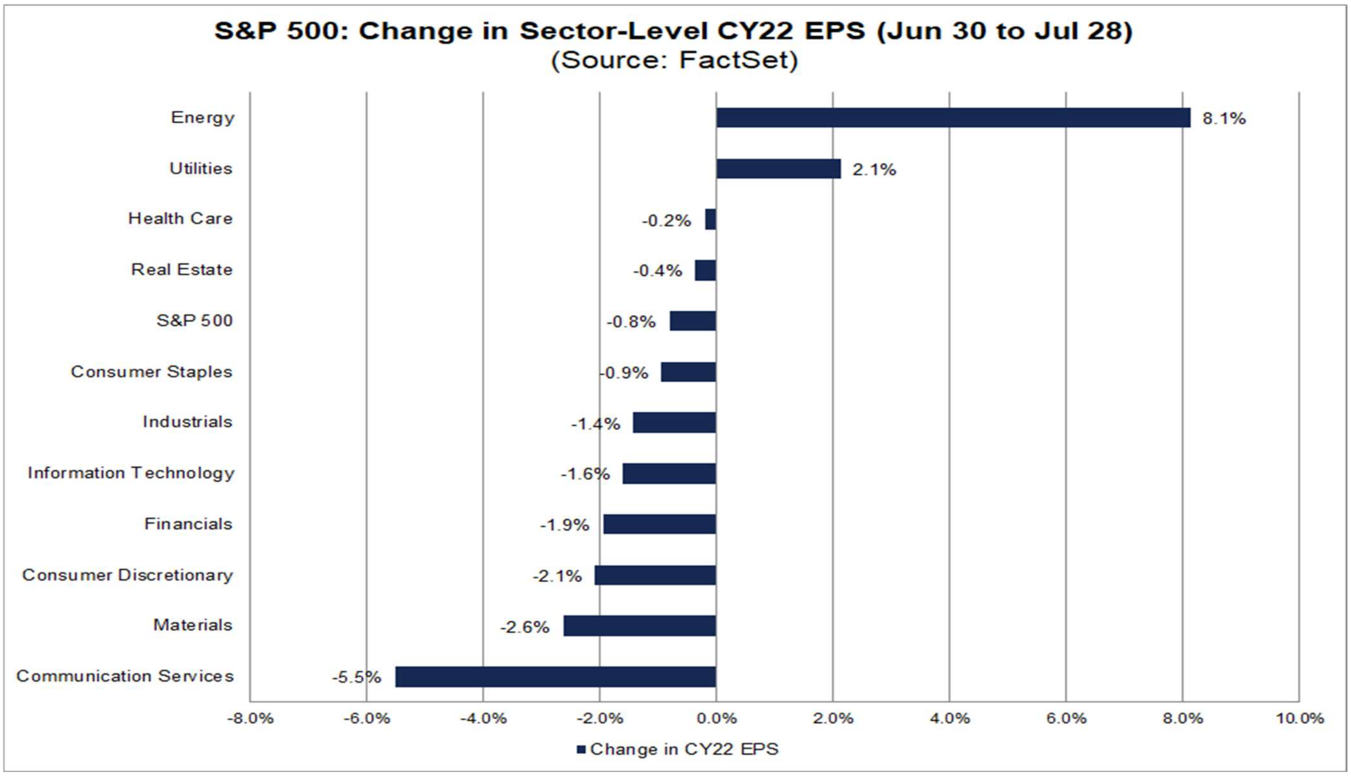
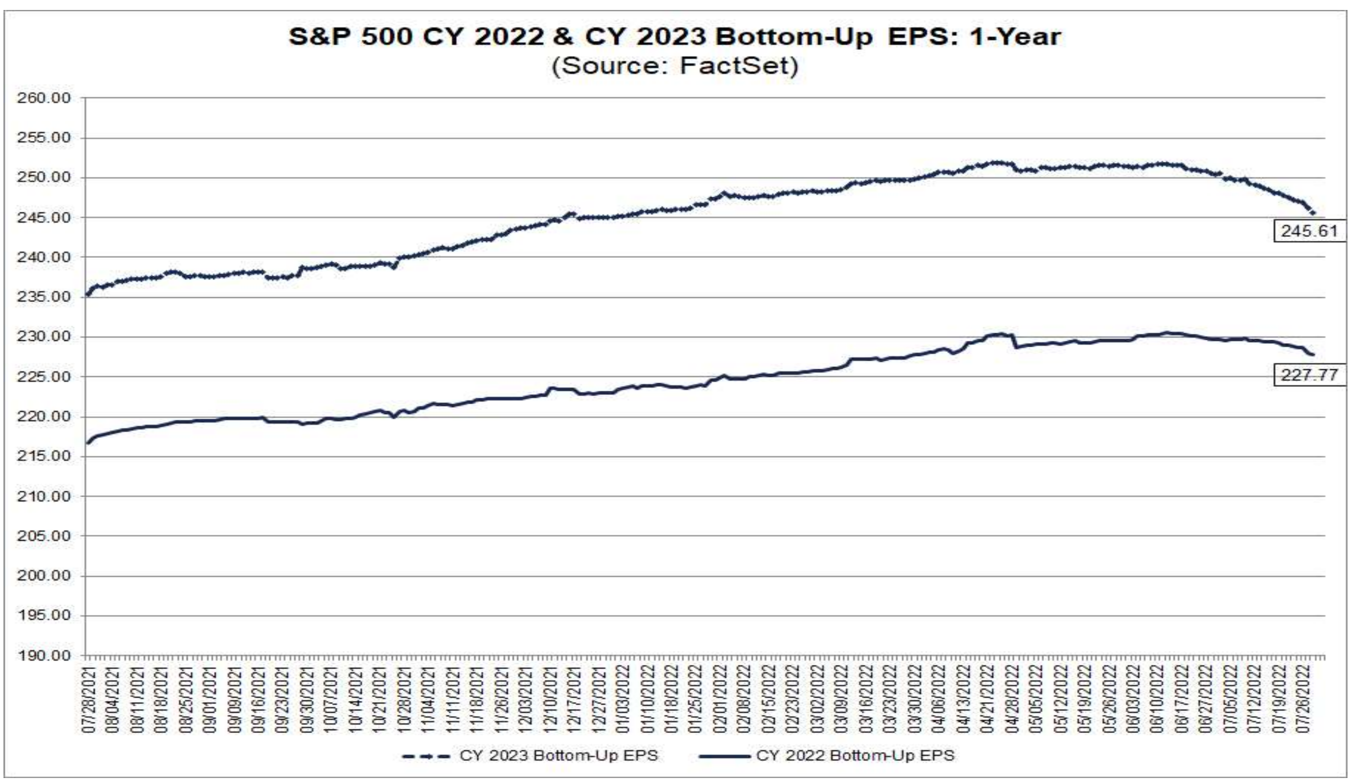
07/25/2022
07/26/2022
07/27/2022
07/28/2022
Q322 Bottom-Up EPS
Price


S&P 500: Sector-Level Change in Q322 EPS (Jun 30 to Jul 28)
(Source: FactSet)
Energy 7.7%
Utilities 1.3%
Real Estate -0.3%
Consumer Discretionary -1.9%
Industrials -2.3%
S&P 500 -2.5%
Health Care -2.6%
Financials -3.5%
Information Technology -3.6%
Consumer Staples -3.6%
Materials -5.1%
Communication Services -9.6%
-12.0% -10.0% -8.0% -6.0% -4.0% -2.0% 0.0% 2.0% 4.0% 6.0% 8.0% 10.0%
Change in Q322 EPS


S&P 500 CY22 Bottom-Up EPS: Jun 30 - Jul 28
(Source: FactSet)
232.60 232.10 231.60 231.10 230.60 230.10 229.60 229.10 228.60 228.10 227.60 227.10 226.60
4085.00 4035.00 3985.00 3935.00 3885.00 3835.00 3785.00 3735.00 3685.00 3635.00 3585.00 3535.00 3485.00
06/30/2022 07/01/2022 07/05/2022 07/06/2022 07/07/2022 07/08/2022 07/11/2022 07/12/2022 07/13/2022 07/14/2022 07/15/2022 07/18/2022 07/19/2022 07/20/2022 07/21/2022 07/22/2022 07/25/2022 07/26/2022 07/27/2022 07/28/2022
CY22 Bottom-Up EPS
Price


S&P 500: Change in Sector-Level CY22 EPS (Jun 30 to Jul 28)
(Source: FactSet)
Energy
Utilities
Health Care
Real Estate
S&P 500
Consumer Staples
Industrials
Information Technology
Financials
Consumer Discretionary
Materials
Communication Services
8.1%
2.1%
-0.2%
-0.4%
-0.8%
-0.9%
-1.4%
-1.6%
-1.9%
-2.1%
-2.6%
-5.5%
-8.0% -6.0% -4.0% -2.0% 0.0% 2.0% 4.0% 6.0% 8.0% 10.0%
Change in CY22 EPS


S&P 500 CY 2022 & CY 2023 Bottom-Up EPS: 1-Year
(Source: FactSet)
260.00
255.00
250.00
245.00
240.00
235.00
230.00
225.00
220.00
215.00
210.00
205.00
200.00
195.00
190.00
245.61
227.77
CY 2023 Bottom-Up EPS
CY 2022 Bottom-Up EPS

Q2 Earnings Season: By The Numbers

Overview

The number of S&P 500 companies reporting positive earnings surprises continued to rise over the past week. As a result, the earnings growth rate for the second quarter is higher today compared to the end of last week and compared to the end of the quarter. However, both the number and magnitude of positive earnings surprises are still below their 5-year averages. On a year-over-year basis, the S&P 500 is reporting its lowest earnings growth since Q4 2020. The lower earnings growth rate for Q2 2022 relative to recent quarters can be attributed to both a difficult comparison to unusually high earnings growth in Q2 2021 and continuing macroeconomic headwinds.

Overall, 56% of the companies in the S&P 500 have reported actual results for Q2 2022 to date. Of these companies, 73% have reported actual EPS above estimates, which is above last week's percentage of 68% but below the 5-year average of 77%. In aggregate, companies are reporting earnings that are 3.1% above estimates, which is below last week's percentage of 3.6% and below the 5-year average of 8.8%.

As a result, the index has a higher earnings growth rate for the second quarter today relative to the end of last week and relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the second quarter is 6.0% today, compared to an earnings growth rate of 4.7% last week and an earnings growth rate of 4.0% at the end of the second quarter (June 30). Positive earnings surprises reported by companies in the Energy and Health Care sectors were substantial contributors to the increase in the earnings growth rate over the past week. Upward revisions to EPS estimates and positive earnings surprises for companies in the Energy sector have been the largest contributors to the overall increase in earnings for the index since the end of the second quarter (June 30).

If 6.0% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q4 2020 (4.0%). Six of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, and Materials sectors. On the other hand, five sectors are reporting a year-over-year decline in earnings, led by the Financials, Consumer Discretionary, and Communication Services sectors.

In terms of revenues, 66% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69%. In aggregate, companies are reporting revenues that are 2.5% above the estimates, which is above the 5-year average of 1.8%.

As a result, the index has a higher revenue growth rate for the second quarter today relative to the end of last week and relative to the end of the quarter. The blended revenue growth rate for the second quarter is 12.3% today, compared to a revenue growth rate of 10.9% last week and a revenue growth rate of 10.1% at the end of the second quarter (June 30). Upward revisions to revenue estimates and positive revenue surprises for companies in the Energy sector have been the largest contributor to both the increase in the revenue growth rate since the end of last week and the increase in the revenue growth rate since the end of the quarter (June 30).

If 12.3% is the actual growth rate for the quarter, it will mark the sixth-straight quarter of year-over-year revenue growth above 10% for the index. All eleven sectors are reporting year-over-year growth in revenues, led by the Energy, Materials, and Real Estate sectors.

Looking ahead, analysts expect earnings growth of 6.7% for Q3 2022 and 6.7% for Q4 2022. For CY 2022, analysts are predicting earnings growth of 8.9%.

The forward 12-month P/E ratio is 17.1, which is below the 5-year average (18.6) but above the 10-year average (17.0). It is also above the forward P/E ratio of 15.8 recorded at the end of the second quarter (June 30), as the price of the index has increased while the forward EPS estimate has decreased since June 30.

During the upcoming week, 152 S&P 500 companies (including two Dow 30 components) are scheduled to report results for the second quarter.

Scorecard: Fewer Companies Beating EPS and Revenue Estimates Than Average

Percentage of Companies Beating EPS Estimates (68%) is Below 5-Year Average

Overall, 56% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 73% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 24% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (81%) and below the 5-year average (77%), but above the 10-year average (72%).

If 73% is the final percentage for the quarter, it will mark the lowest percentage of S&P 500 companies reporting a positive EPS surprise since Q1 2020 (63%).

At the sector level, the Health Care (81%) sector has the highest percentage of companies reporting earnings above estimates, while the Communication Services (50%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+3.1%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 3.1% above expectations. This surprise percentage is below the 1-year average (+9.8%), below the 5-year average (+8.8%), and below the 10-year average (6.5%).

If 3.1% is the final percentage for the quarter, it will mark the lowest surprise percentage reporting by the index since Q1 2020 (1.1%).

The Energy (+10.1%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Schlumberger ($0.50 vs. $0.40), Valero Energy ($11.36 vs. $9.26), Chevron ($5.82 vs. $5.08), and Phillips 66 ($6.77 vs. $5.95) have reported the largest positive EPS surprises.

The Health Care (+9.5%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Hologic ($0.95 vs. $0.71), Biogen ($5.25 vs. $4.06), and Abbott Laboratories ($1.43 vs. $1.14) have reported the largest positive EPS surprises.

The Utilities (+8.0%) sector is reporting the third-largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Southern Company ($1.07 vs. $0.84) and CMS Energy ($0.53 vs. $0.44) have reported the largest positive EPS surprises.

The Consumer Discretionary (-10.6%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Amazon.com (-$0.20 vs. $0.12) and V.F. Corporation ($0.09 vs. $0.13) have reported the largest negative EPS surprises. It should be noted that the GAAP EPS number for Amazon.com of -$0.20 included a pre-tax (valuation) loss of $3.9 billion. The majority of analysts provide estimates for Amazon.com on a GAAP basis.

Market Rewarding Positive EPS Surprises and Negative EPS Surprises More Than Average

To date, the market is rewarding positive earnings surprises and negative earnings surprises more than average.

Companies that have reported positive earnings surprises for Q2 2022 have seen an average price increase of +2.9% two days before the earnings release through two days after the earnings release. This percentage increase is well above 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 2022 have seen an average price increase of +1.2% two days before the earnings release through two days after the earnings. This percentage increase is well above 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 (66%) is Below 5-Year Average

In terms of revenues, 66% of companies have reported actual revenues above the mean revenue estimate and 33% of companies have reported actual revenues below the mean revenue estimate. The percentage of companies reporting revenues above estimates is below the 1-year average (78%) and below the 5-year average (69%), but above the 10-year average (61%).

If 66% is the final percentage for the quarter, it will mark the lowest percentage of S&P 500 companies reporting a positive revenue surprise since Q2 2020 (65%).

At the sector level, the Energy (88%) sector has the highest percentage of companies reporting revenues above estimates, while the Communication Services (50%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.5%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.5% above expectations. This surprise percentage is below the 1-year average (+3.2%), but above the 5-year average (+1.8%) and above the 10-year average (1.1%).

At the sector level, the Utilities (+11.7%) and Energy (+11.6%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Information Technology (-0.1%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings Growth This Week Due to Energy and Health Care

Increase in Blended Earnings Growth Rate This Week Due to Energy and Health Care

The blended (year-over-year) earnings growth rate for the second quarter is 6.0%, which is above the earnings growth rate of 4.7% last week. Positive earnings surprises reported by companies in the Energy and Health Care sectors were the top contributors to the increase in the overall earnings growth rate during the week.

In the Energy sector, the positive EPS surprises reported by Chevron ($5.82 vs. $5.08), Exxon Mobil ($4.14 vs. $3.94), Valero Energy ($11.36 vs. $9.26), and Phillips 66 ($6.77 vs. $5.95) 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 Energy sector increased to 290.3% from 265.2% over this period.

In the Health Care sector, the positive EPS surprises reported by Pfizer ($2.04 vs. $1.72), Merck ($1.87 vs. $1.70), and Bristol-Myers Squibb ($1.93 vs. $1.77) 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 5.5% from 1.2% over this period.

Increase in Blended Revenue Growth This Week Due to Energy

The blended (year-over-year) revenue growth rate for the second quarter is 12.3%, which is above the revenue growth rate of 10.9% last week. Positive surprises reported by companies in the Energy sector were the top contributor to the increase in the overall revenue growth rate for the index during the week.

Energy Sector Has Seen Largest Increase in Earnings since June 30

The blended (year-over-year) earnings growth rate for Q2 2022 of 6.0% is larger than the estimate of 4.0% at the end of the second quarter (June 30). Four 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 Energy (to 290.3% from 219.8%) sector. The Energy sector has also been the largest contributor to the increase in the earnings growth rate for the index during this period. On the other hand, six sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline during this period, led by the Consumer Discretionary (to -17.9% from -9.4%) sector. One sector (Information Technology) has the same earnings growth rate today (1.3%) relative to June 30.

In the Energy sector, upward revisions to EPS estimates and positive EPS surprises for Exxon Mobil ($4.14 vs. $3.94), Chevron ($5.82 vs. $5.08), Valero Energy (to $11.36 from $9.26), Marathon Petroleum (to $8.92 from $5.68), and Phillips 66 ($6.77 vs. $5.95) have been significant contributors to the increase in the overall earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Energy sector increased to 290.3% from 219.8% during this period.

Energy Sector Has Seen Largest Increase in Revenues since June 30

The blended (year-over-year) revenue growth rate for Q2 2022 of 12.3% is larger than the estimate of 10.1% at the end of the second quarter (June 30). Six 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 (to 66.4% from 44.7%) sector. The Energy sector has also been the largest contributor to the increase in the revenue growth rate for the index during this period. On the other hand, three sectors have recorded a decrease in their revenue growth rate since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Materials (to 14.8% from 16.2%) sector. Two sectors (Communication Services and Industrials) have the same revenue growth rates today relative to June 30.

Earnings Growth: 6.0%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings growth rate for Q2 2022 is 6.0%, which is below the 5-year average earnings growth rate of 14.8% and below the 10-year average earnings growth rate of 8.9%. If 6.0% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) earnings growth rate reported by the index since Q4 2020 (4.0%).

The lower earnings growth rate for Q2 2022 relative to recent quarters can be attributed to both a difficult comparison to unusually high earnings growth in Q2 2021 and continuing macroeconomic headwinds. In Q2 2021, the S&P 500 reported (year-over-year) earnings growth of 91.7%, which is the second-highest year-over-year earnings growth rate reported by the index since 2008. Companies also continue to face macroeconomic headwinds, including higher costs, supply chain disruptions, labor shortages, and the military conflict in Ukraine. During the earnings season for Q1 2022, 85% of S&P 500 companies cited “inflation” on their earnings calls from March 15 to June 14, while 74% of S&P 500 companies cited “supply chain” on their earnings calls from March 15 to June 14. These are the highest percentages of S&P 500 companies citing “inflation” and “supply chain” on earnings calls going back to at least 2010.

Six of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, and Materials sectors. On the other hand, five sectors are reporting a year-over-year decline in earnings, led by the Financials, Consumer Discretionary, and Communication Services sectors.

Energy: Largest Contributor to Year-Over-Year Earnings Growth for S&P 500 For Q2

The Energy sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 290.3%. 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 2022 ($108.52) was 64% above the average price for oil in Q2 2021 ($66.17). At the sub-industry level, all five sub-industries in the sector are reporting a year-over-year increase in earnings of more than 20%. Three of these five sub-industries are reporting a year-over-year increase in earnings of 210% or more: Oil & Gas Refining & Marketing (1,228%), Integrated Oil & Gas (284%), and Oil & Gas Exploration & Production (214%).

The Energy sector is also the largest contributor to earnings growth for the S&P 500 for the second quarter. If this sector were excluded, the index would be reporting a decline in earnings of 4.2% rather than growth in earnings of 6.0%.

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

The Industrials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 25.7%. At the industry level, 11 of the 12 industries in the sector are reporting a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry reported a profit of $2.9 billion in Q2 2022 compared to a loss of -$3.3 billion in Q2 2021. Six of the remaining ten industries are reporting earnings growth at or above 10%: Trading Companies & Distributors (52%), Construction & Engineering (48%), Air Freight & Logistics (20%), Road & Rail (13%), Electrical Equipment (12%), and Industrial Conglomerates (11%). On the other hand, the Aerospace & Defense (-27%) industry is the only industry reporting a year-over-year decline in earnings.

At the industry level, the Airlines industry is also the largest contributor to earnings growth for the sector. If the five companies in this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 4.9% from 25.7%.

Materials: 3 of 4 Industries Reporting Year-Over-Year Growth Above 10%

The Materials sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 12.9%. At the industry level, all four industries in this sector are reporting year-over-year earnings growth. Three of the four industries are reporting earnings growth at or above 10%: Containers & Packaging (15%), Metals & Mining (13%), and Chemicals (13%).

Financials: Largest Detractor to Year-Over-Year Earnings Growth for S&P 500 For Q2

The Financials sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -25.0%. At the industry level, four of the five industries in this sector are reporting a year-over-year earnings decline of 15% or more: Consumer Finance (-32%), Banks (-28%), Insurance (-28%), and Capital Markets (-19%). Higher provisions for loan losses are having a negative impact on earnings growth for companies in the Banks industry. On the other hand, the Diversified Financial Services (4%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

The Financials sector is also the largest detractor to earnings growth for the S&P 500 for the second quarter. If this sector were excluded, the blended earnings growth rate for the index would improve to 13.3% from 6.0%.

Consumer Discretionary: Amazon Is Largest Contributor to Year-Over-Year Decline

The Consumer Discretionary sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -17.9%. At the industry level, 5 of the 10 industries in the sector are reporting (or are expected to report) a year-over-year decrease in earnings. Four of these five industries are reporting (or are projected to report) a double-digit decline in earnings: Internet & Direct Marketing Retail (-118%), Multiline Retail (-49%), Auto Components (-13%), and Textiles, Apparel, & Luxury Goods (-12%). On the other hand, five industries are reporting year-over-year earnings growth of more than 10%: Hotels, Restaurants, & Leisure (2,075%), Automobiles (41%), Household Durables (27%), Leisure Products (11%), and Distributors (11%).

At the company level, Amazon.com is the largest contributor to the decline in earnings for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting earnings growth of 11.6% rather than an earnings decline of 17.9%.

Communication Services: Meta Platforms is Largest Contributor to Year-Over-Year Decline

The Communication Services sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -11.5%. At the industry level, three of the five industries in this sector are reporting a year-over-year earnings decline in earnings, led by the Wireless Telecommunication Services (-112%) and Interactive Media & Services (-21%) industries. On the other hand, two industries are reporting double-digit earnings growth: Media (11%) and Entertainment (11%).

At the company level, Meta Platforms is the largest contributor to the decline in earnings for the sector. If this company were excluded, the blended earnings decline for the Communication Services sector would improve to -6.5% from -11.5%.

Revenue Growth: 12.3%

The blended, year-over-year revenue growth rate for Q2 2022 is 12.3%, which is above the 5-year average revenue growth rate of 7.4% and above the 10-year average revenue growth rate of 4.3%. If 12.3% is the actual growth rate for the quarter, it will mark the sixth-straight quarter of (year-over-year) revenue growth above 10% for the index.

All eleven sectors are reporting year-over-year growth in revenues. Five sectors are reporting double-digit revenue growth, led by the Energy, Materials, and Real Estate sectors.

Energy: All 5 Sub-Industries Reporting Year-Over-Year Growth Above 15%

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 66.4%. 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 2022 ($108.52) was 64% above the average price for oil in Q2 2021 ($66.17). At the sub-industry level, all five sub-industries in the sector are reporting double-digit (year-over-year) growth in revenues: Oil & Gas Exploration & Production (84%), Integrated Oil & Gas (75%), Oil & Gas Refining & Marketing (58%), Oil & Gas Storage & Transportation (45%), and Oil & Gas Equipment & Services (17%).

Materials: 3 of 4 Industries Reporting Year-Over-Year Growth At or Above 15%

The Materials sector is reporting the second-highest (year-over-year) revenue growth of all eleven sectors at 16.1%. At the industry level, all four industries in this sector are reporting year-over-year growth in revenues. Three of these four industries are reporting revenue growth at or above 15%: Construction Materials (27%), Chemicals (18%), and Metals & Mining (15%).

Real Estate: 6 of 8 Sub-Industries Reporting Year-Over-Year Growth At or Above 10%

The Real Estate sector is reporting the third-highest (year-over-year) revenue growth of all eleven sectors at 14.7%. At the sub-industry level, all eight sub-industries in this sector are reporting year-over-year growth in revenues. Six of these eight sub-industries are reporting (or are projected to report) revenue growth at or above 10%: Hotel & Resort REITs (94%), Real Estate Services (20%), Retail REITs (18%), Health Care REITs (17%), Office REITs (14%), and Specialized REITs (10%).

Net Profit Margin: 12.4%

The blended net profit margin for the S&P 500 for Q2 2022 is 12.4%, which is above the 5-year average of 11.2% and the previous quarter's net profit margin of 12.3%, but below the year-ago net profit margin of 13.1%. If 12.4% is the actual net profit margin for the quarter, it will tie the mark (with Q4 2021) for the fourth-highest net profit margin reported by the index since FactSet began tracking this metric in 2008.

At the sector level, two sectors are reporting a year-over-year increase in their net profit margins in Q2 2022 compared to Q2 2021, led by the Energy (to 15.2% vs. 6.5%) sector. On the other hand, nine sectors are reporting a year-over-year decrease in their net profit margins in Q2 2022 compared to Q2 2021, led by the Financials (16.0% vs. 21.9%) sector.

Six sectors are reporting net profit margins in Q2 2022 that are above their 5-year averages, led by the Energy (15.2% vs. 6.1%) and Materials (14.4% vs. 10.3%) sectors. On the other hand, four sectors are reporting net profit margins in Q2 2022 that are below their 5-year averages, led by the Consumer Discretionary (5.7% vs. 6.6%) sector.

Looking Ahead: Forward Estimates and Valuation

Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance for Q3 is Above 5-Year Average

At this point in time, 45 companies in the index have issued EPS guidance for Q3 2022. Of these 45 companies, 28 have issued negative EPS guidance and 17 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2022 is 62% (28 out of 45), which is above the 5-year average of 60% but below the 10-year average of 67%.

At this point in time, 243 companies in the index have issued EPS guidance for their current fiscal year (FY 2022 or FY 2023). Of these 243 companies, 134 have issued negative EPS guidance and 109 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for their current fiscal year is 55% (134 out of 243).

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 9% for CY 2022

For the second quarter, S&P 500 companies are reporting earnings growth of 6.0% and revenue growth of 12.3%.

For Q3 2022, analysts are projecting earnings growth of 6.7% and revenue growth of 9.4%.

For Q4 2022, analysts are projecting earnings growth of 6.7% and revenue growth of 6.9%.

For CY 2022, analysts are projecting earnings growth of 8.9% and revenue growth of 10.7%.

Valuation: Forward P/E Ratio is 17.1, Above the 10-Year Average (17.0)

The forward 12-month P/E ratio for the S&P 500 is 17.1. This P/E ratio is below the 5-year average of 18.6 but above the 10-year average of 17.0. It is also above the forward 12-month P/E ratio of 15.8 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 7.6%, while the forward 12-month EPS estimate has decreased by 0.8%. At the sector level, the Consumer Discretionary (25.0) has the highest forward 12-month P/E ratio, while the Energy (8.4) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 18.9, which is below the 5-year average of 22.9 and below the 10-year average of 20.3.

Targets & Ratings: Analysts Project 16% Increase in Price Over Next 12 Months

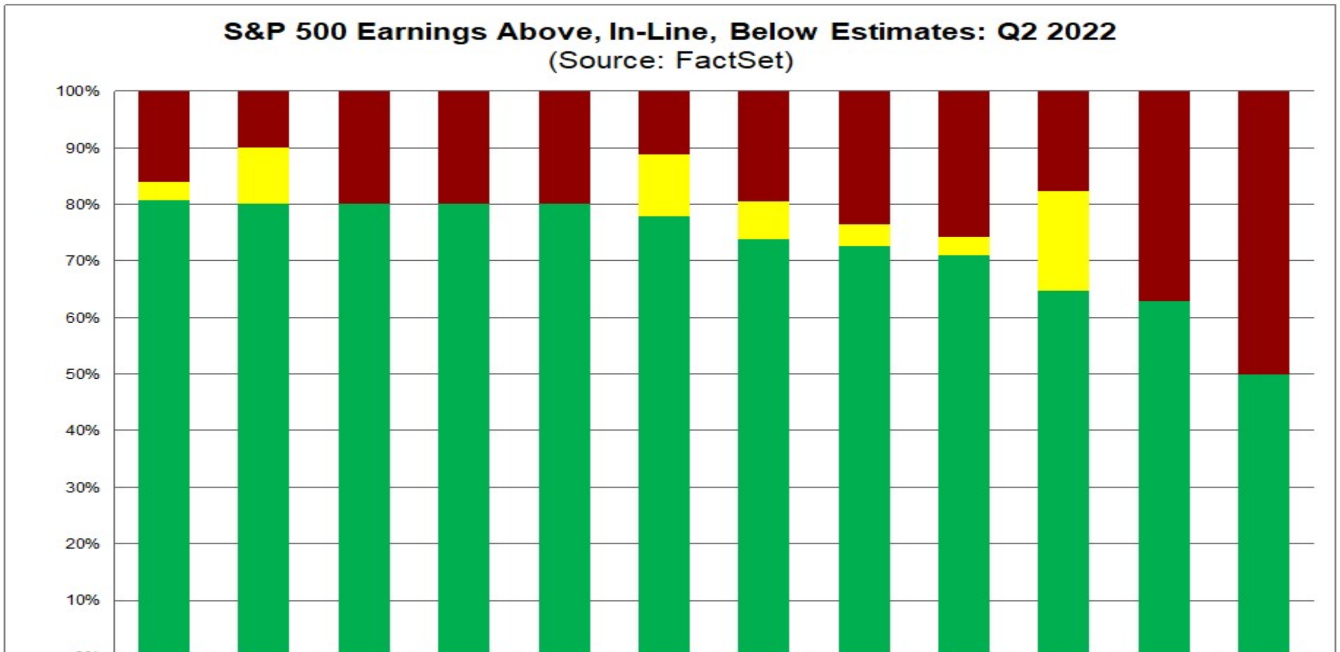
The bottom-up target price for the S&P 500 is 4731.03, which is 16.2% above the closing price of 4072.43. At the sector level, the Communication Services (+23.3%) and Energy (+23.0%) sectors are expected to see the largest price increases, as these two sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Utilities (+5.3%) and Consumer Staples (+7.2%) sectors are expected to see the smallest price increases, as these two sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,694 ratings on stocks in the S&P 500. Of these 10,694 ratings, 56.3% are Buy ratings, 38.1% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Information Technology (64%) and Energy (63%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (39%) sector has the lowest percentage of Buy ratings.

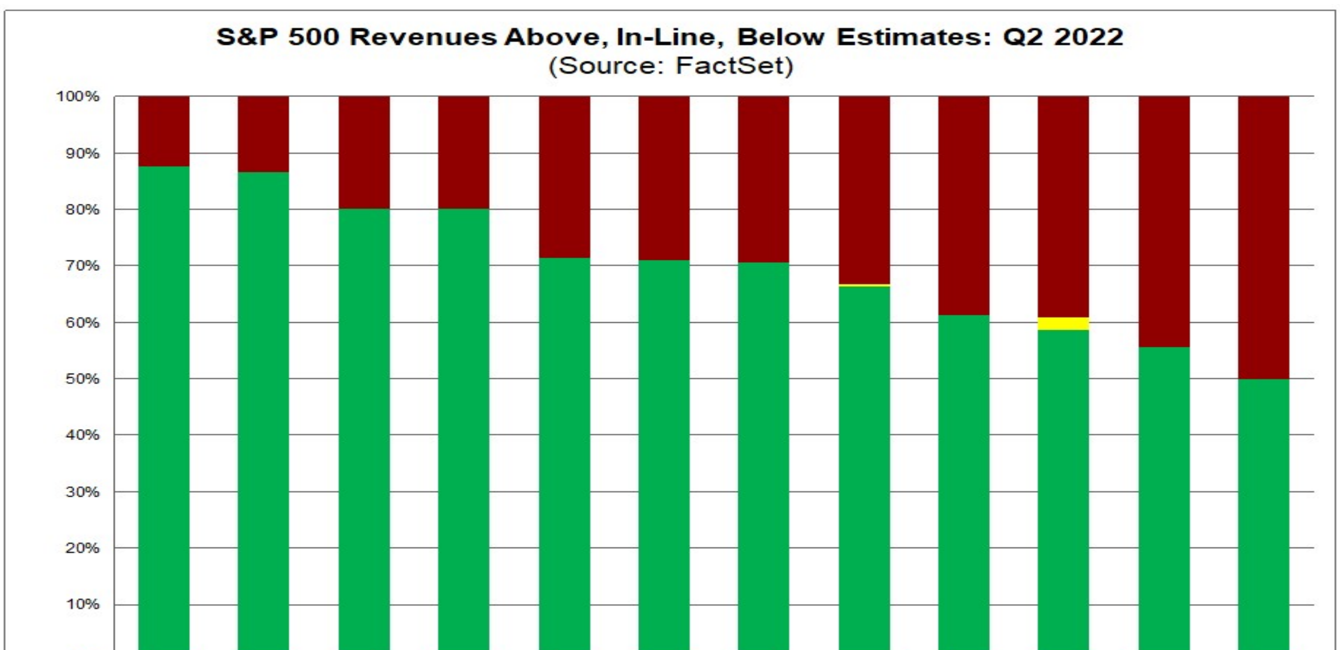
Companies Reporting Next Week: 152

During the upcoming week, 152 S&P 500 companies (including two Dow 30 components) are scheduled to report results for the second quarter.

Q2 2022: Scorecard

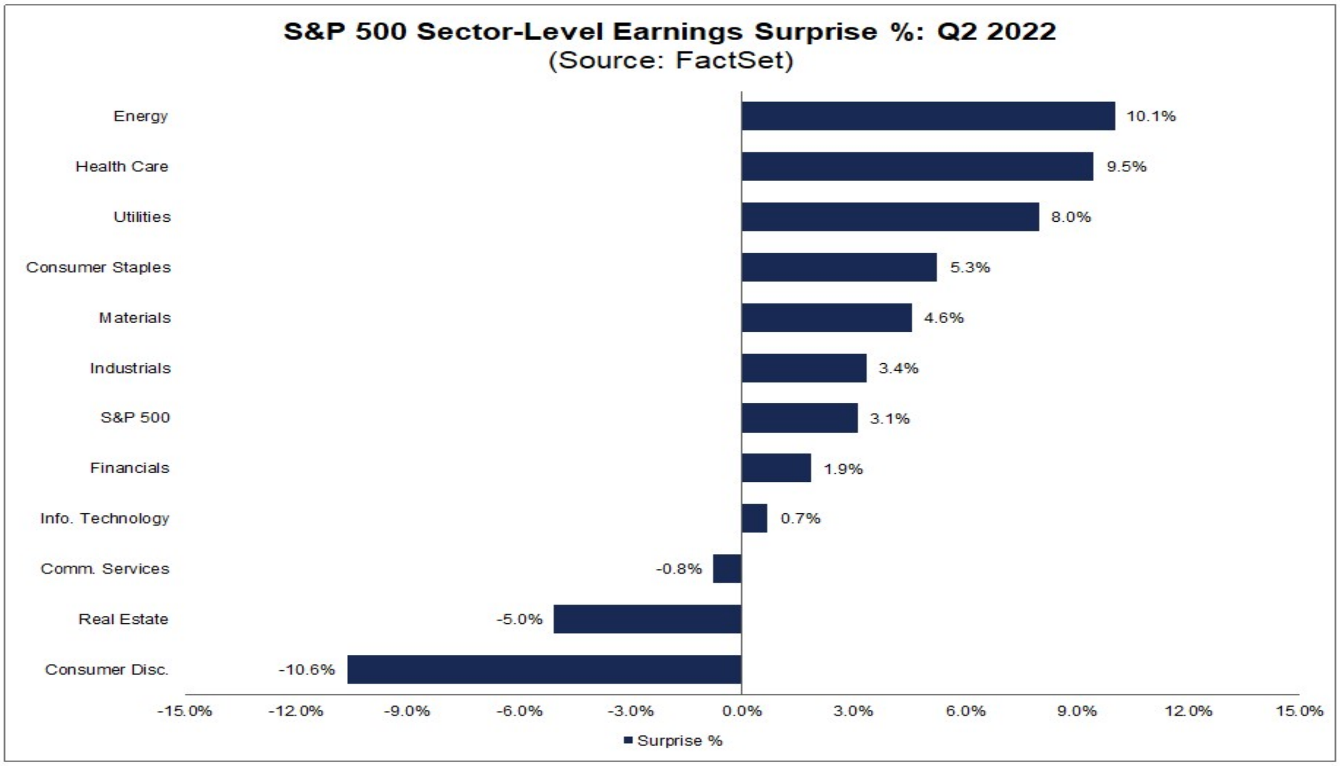


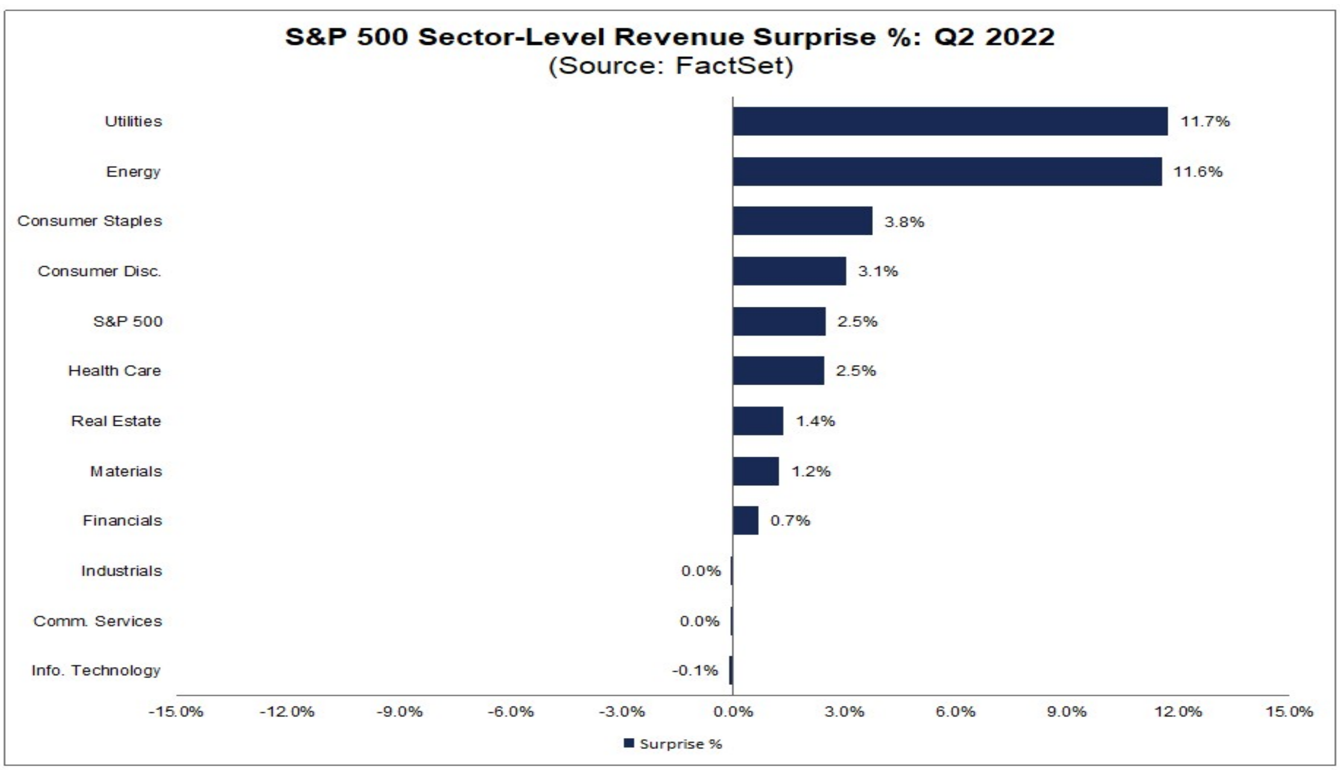
	Health Care	Consumer Staples	Info. Technology	Utilities	Materials	Energy	Industrials	S&P 500	Consumer Disc.	Real Estate	Financials	Comm. Services
Below	16%	10%	20%	20%	20%	11%	20%	24%	26%	18%	37%	50%
In-Line	3%	10%	0%	0%	0%	11%	7%	4%	3%	18%	0%	0%
Above	81%	80%	80%	80%	80%	78%	74%	73%	71%	65%	63%	50%



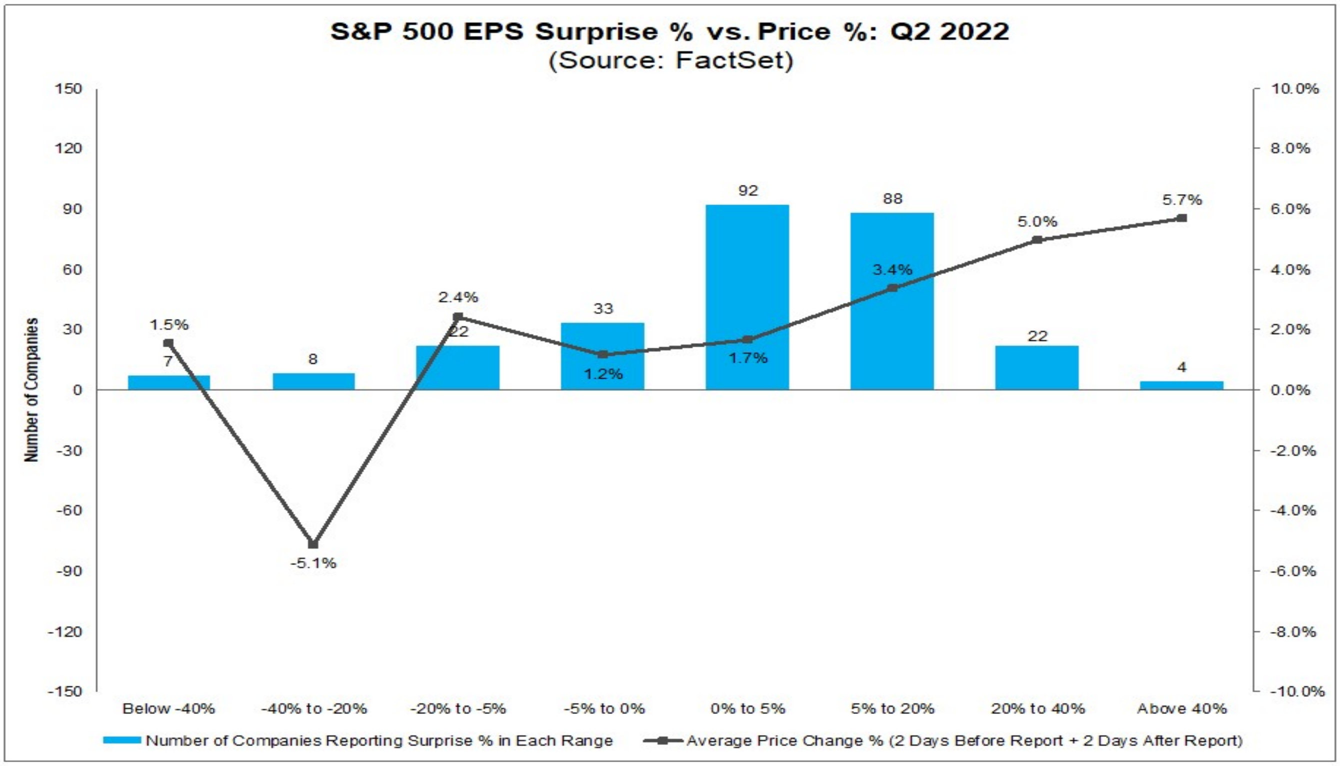
	Energy	Materials	Consumer Staples	Utilities	Info. Technology	Health Care	Real Estate	S&P 500	Consumer Disc.	Industrials	Financials	Comm. Services
Below	13%	13%	20%	20%	29%	29%	29%	33%	39%	39%	44%	50%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%
Above	88%	87%	80%	80%	71%	71%	71%	66%	61%	59%	56%	50%

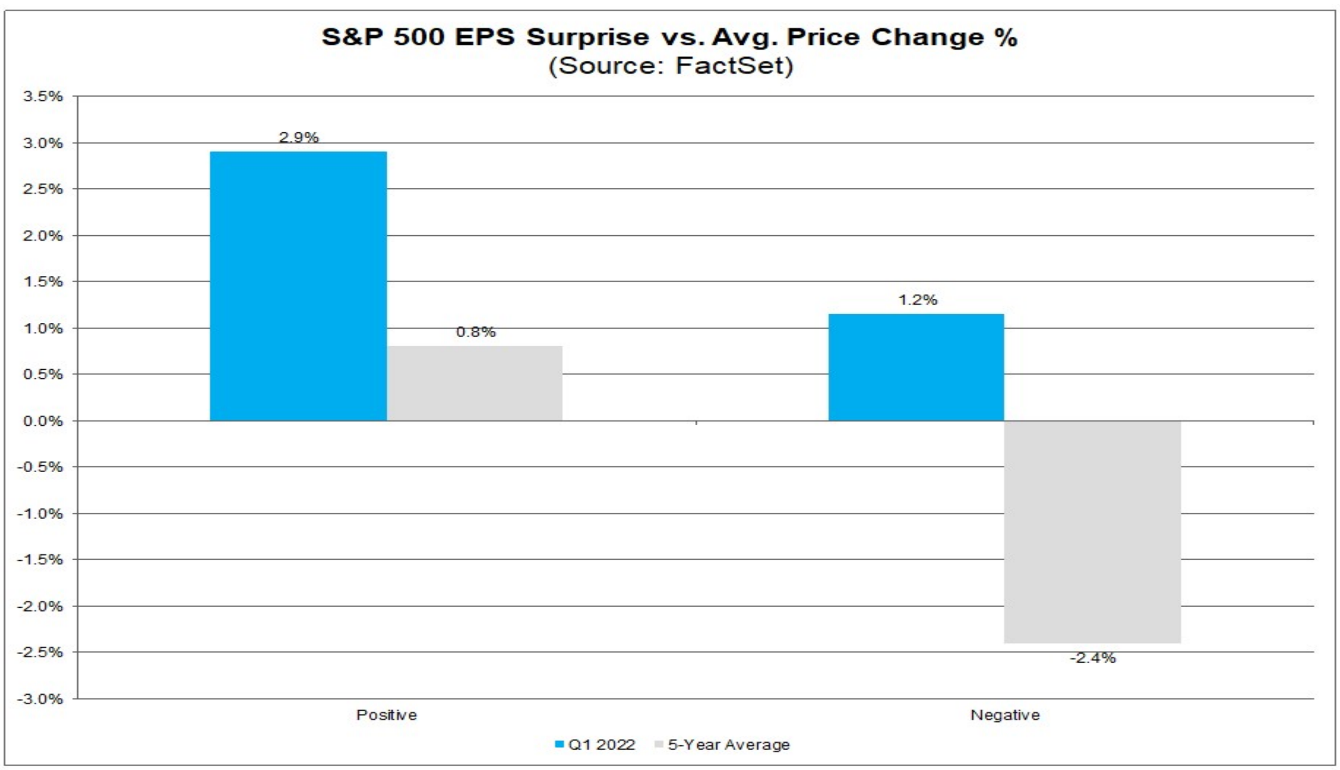
Q2 2022: Scorecard



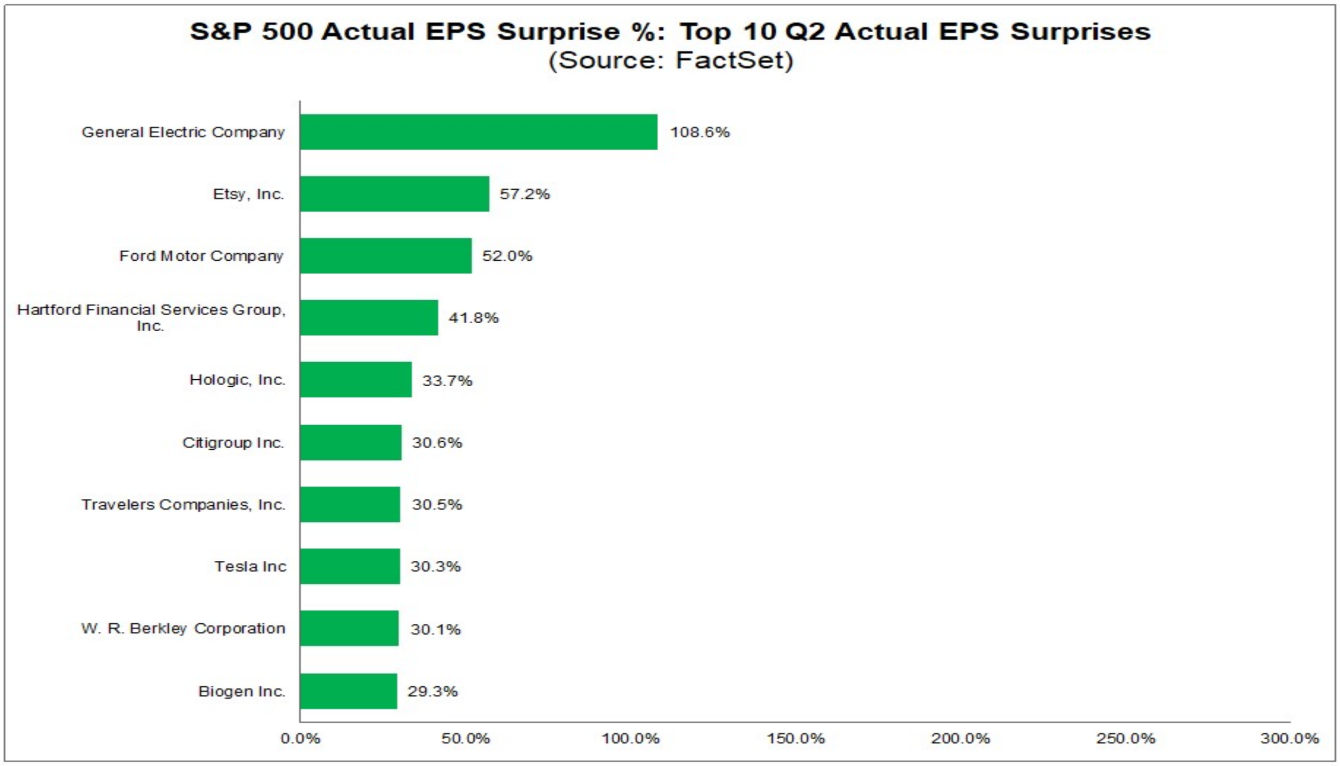


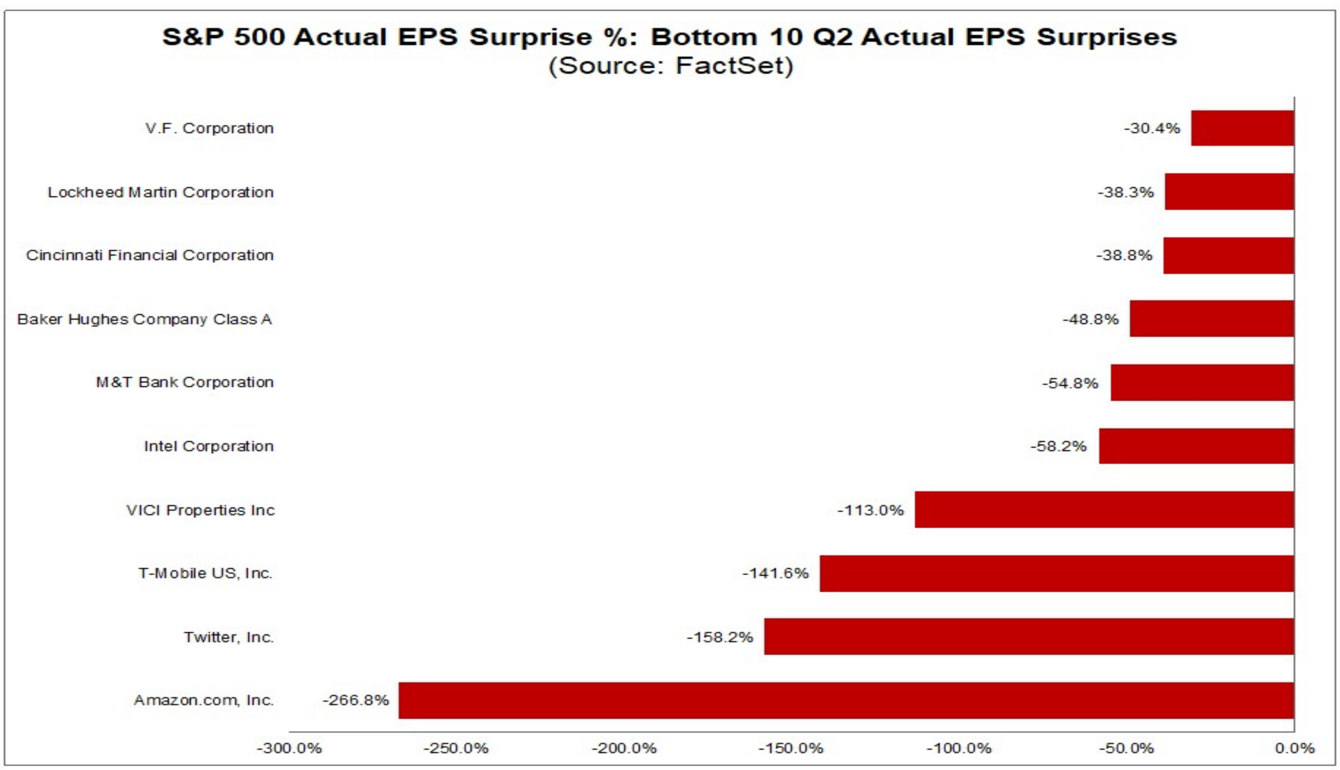
Q2 2022: Scorecard



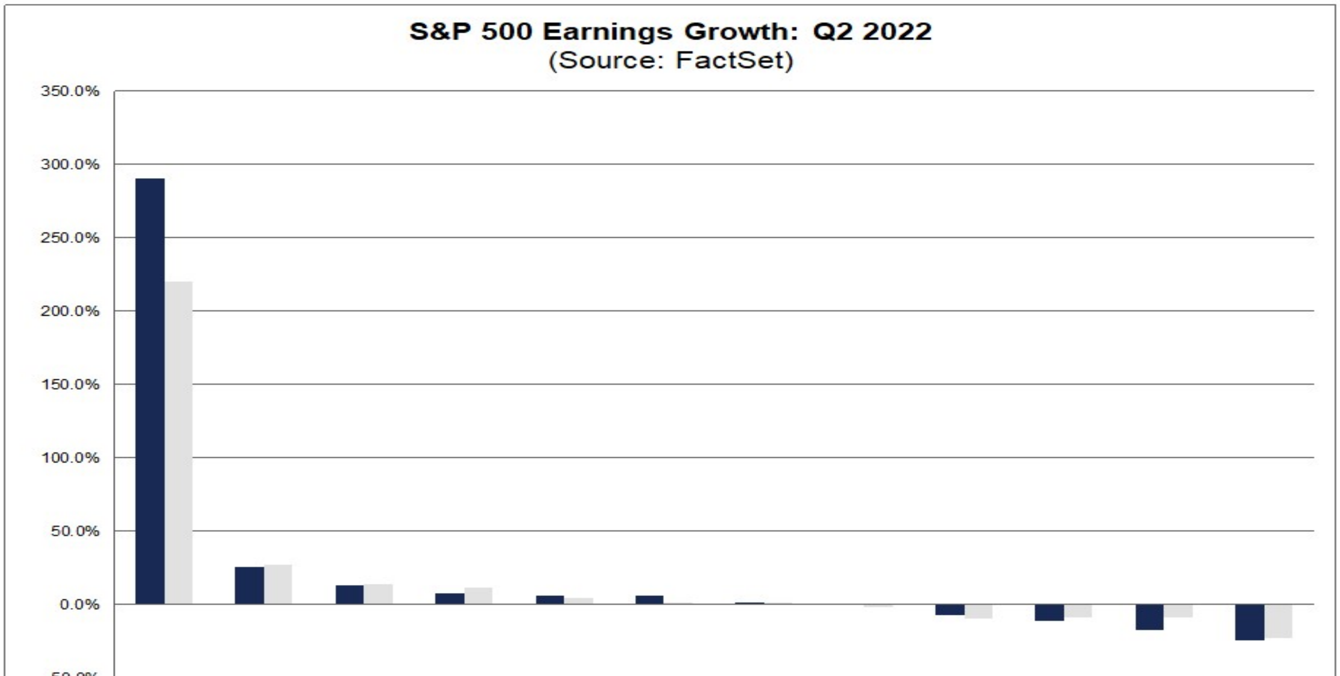


Q1 2022: Scorecard

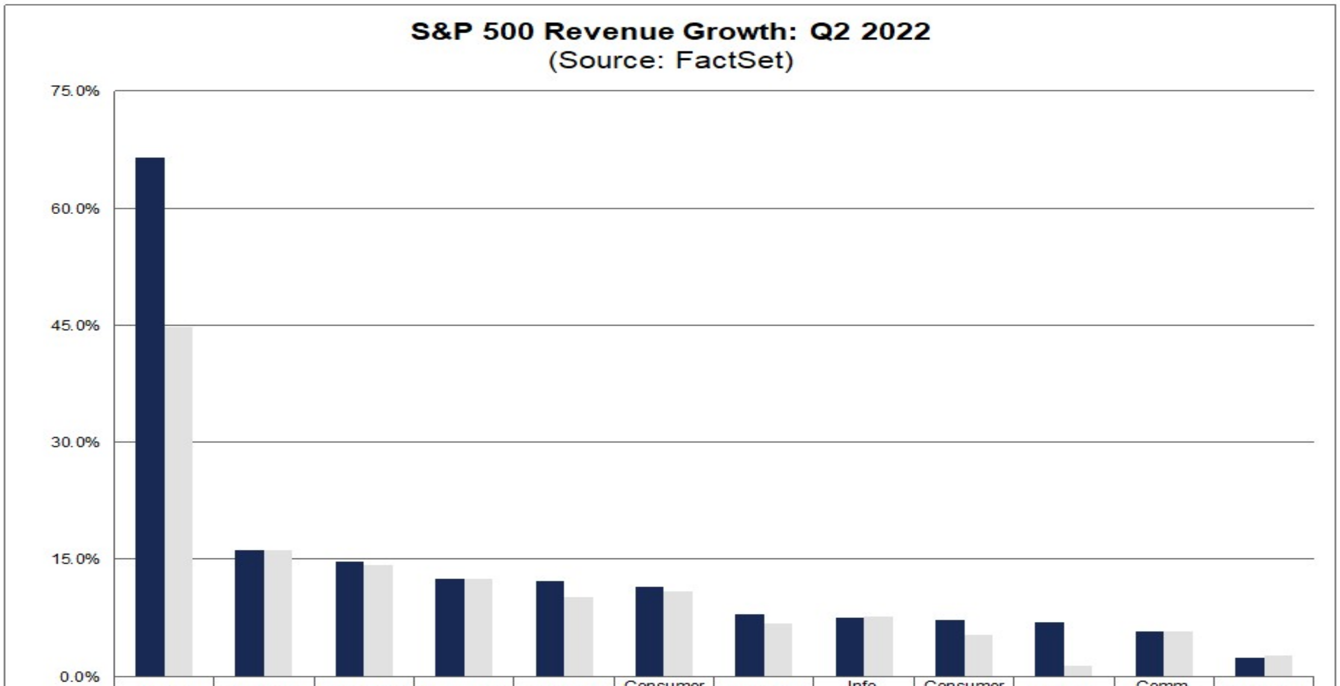




Q2 2022: Growth

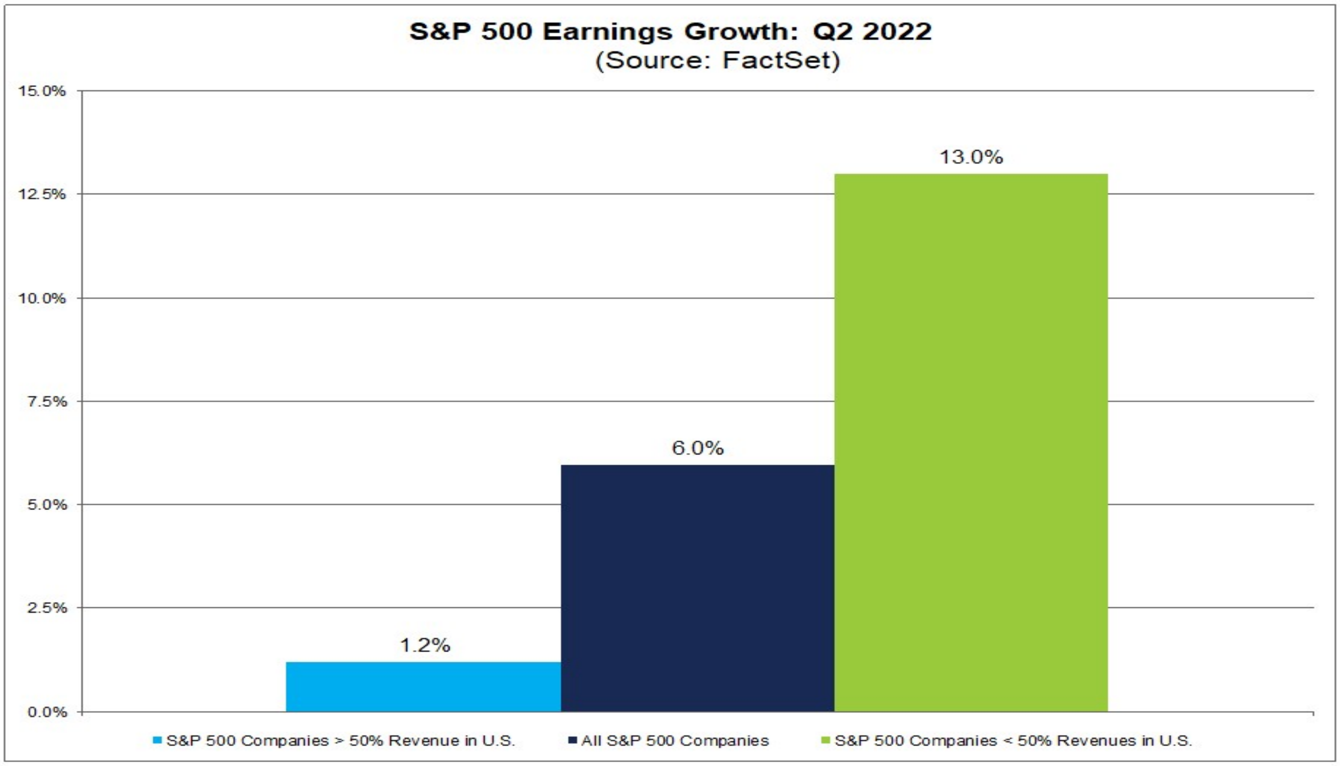


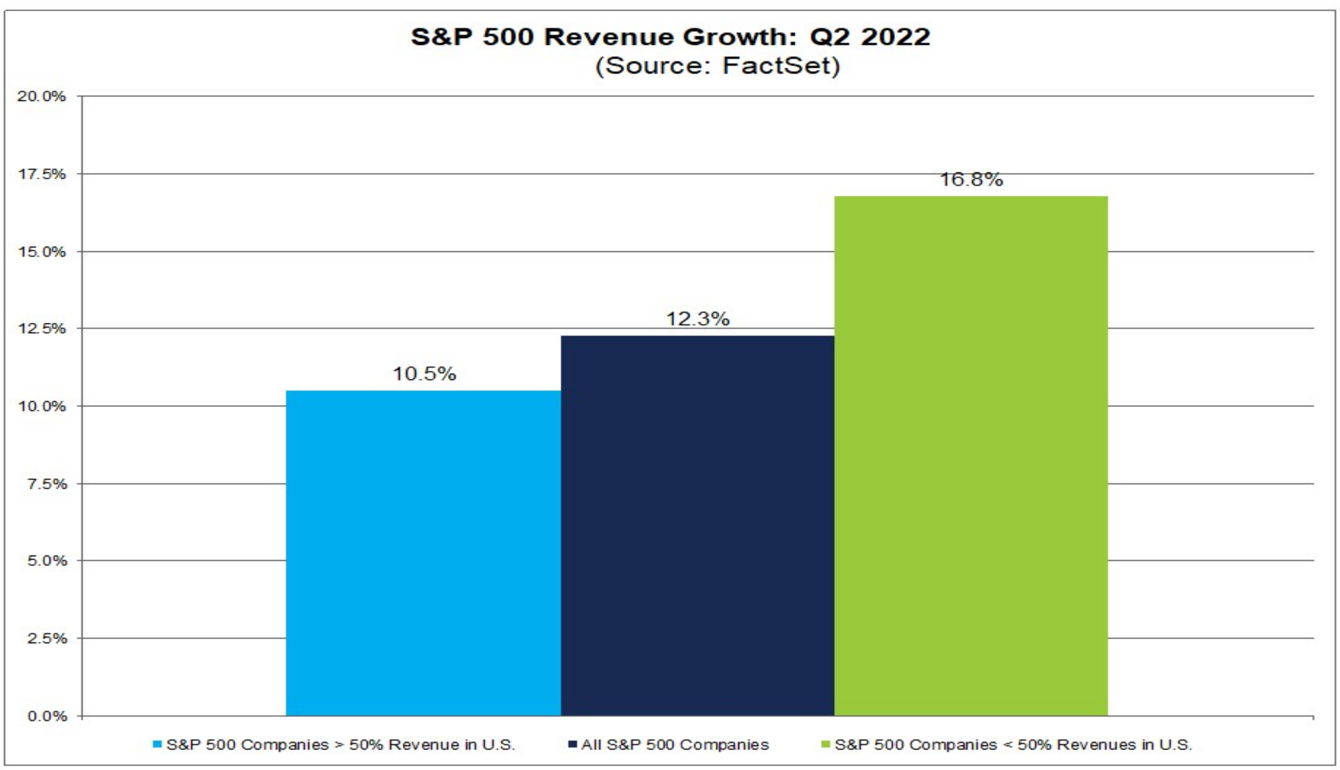
	Energy	Industrials	Materials	Real Estate	S&P 500	Health Care	Info. Technology	Consumer Staples	Utilities	Comm. Services	Consumer Disc.	Financials
Today	290.3%	25.7%	12.9%	7.4%	6.0%	5.5%	1.3%	-0.8%	-7.3%	-11.5%	-17.9%	-25.0%
30-Jun	219.8%	27.0%	13.4%	10.9%	4.0%	0.6%	1.3%	-2.5%	-9.6%	-8.9%	-9.4%	-23.1%



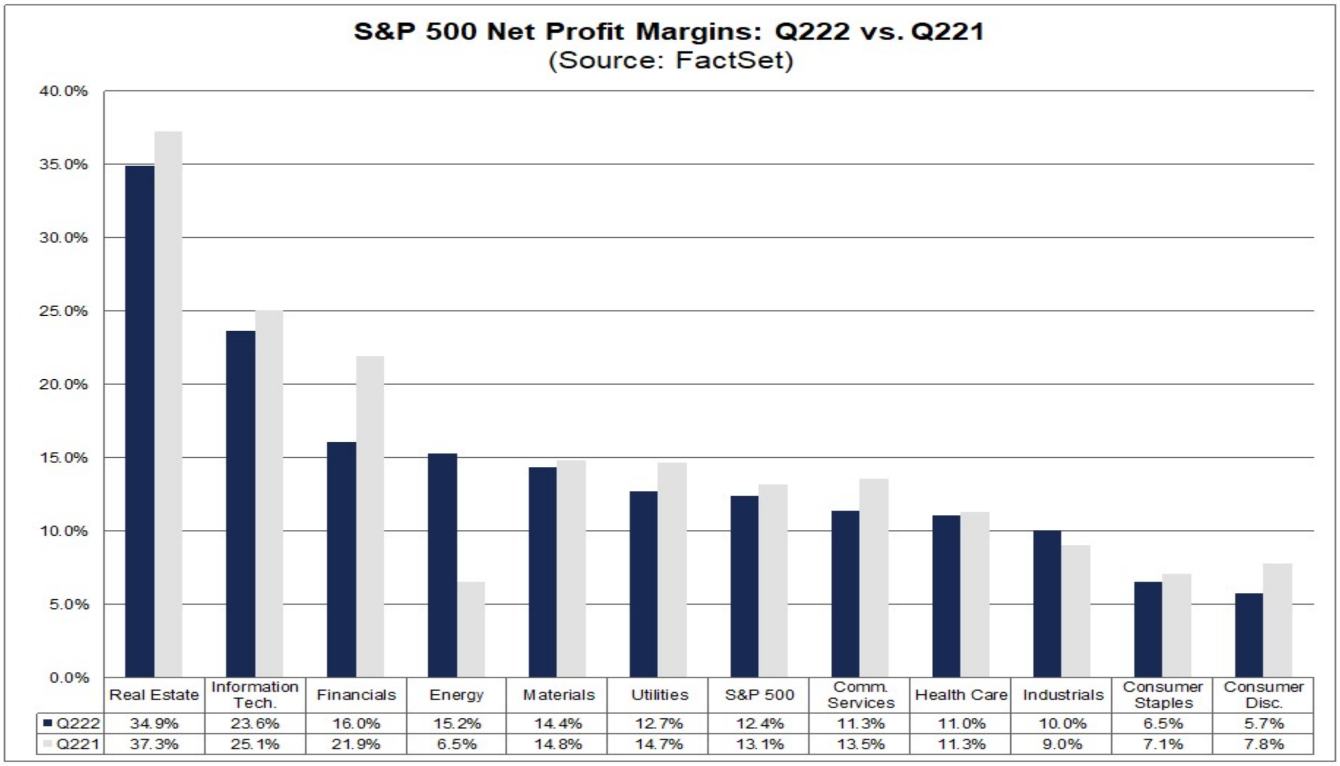
	Energy	Materials	Real Estate	Industrials	S&P 500	Consumer Disc.	Health Care	Info. Technology	Consumer Staples	Utilities	Comm. Services	Financials
Today	66.4%	16.1%	14.7%	12.5%	12.3%	11.5%	8.0%	7.5%	7.3%	6.9%	5.8%	2.5%
30-Jun	44.7%	16.2%	14.2%	12.5%	10.1%	10.9%	6.7%	7.7%	5.3%	1.3%	5.8%	2.7%

Q2 2022: Growth

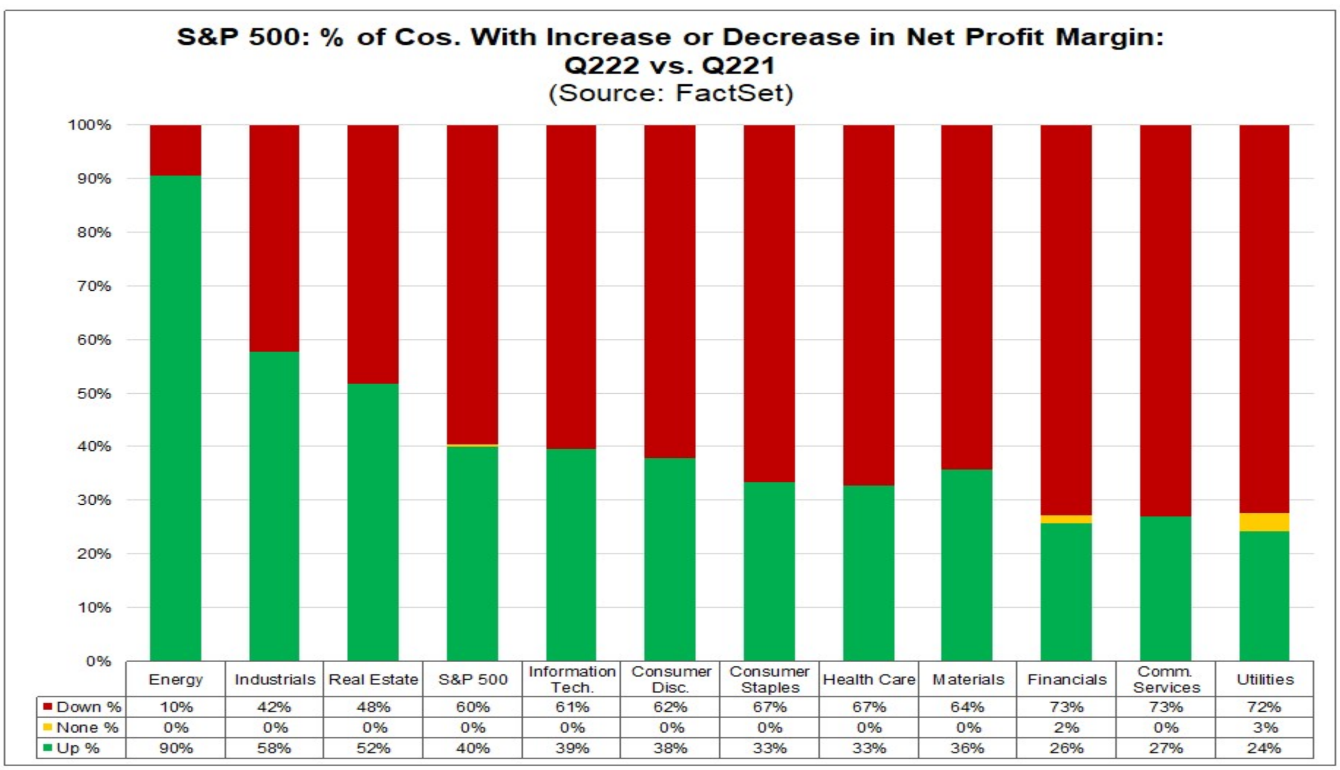




Q2 2022: Net Profit Margin

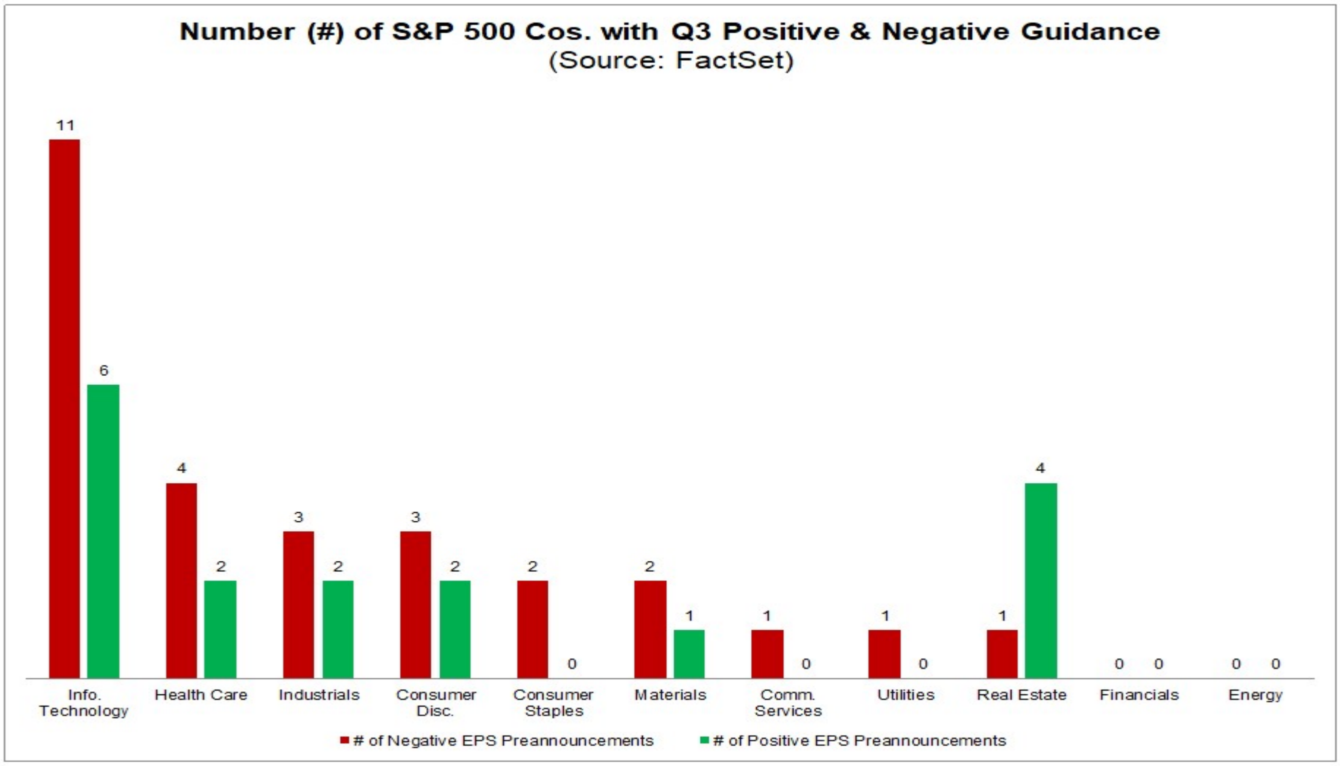


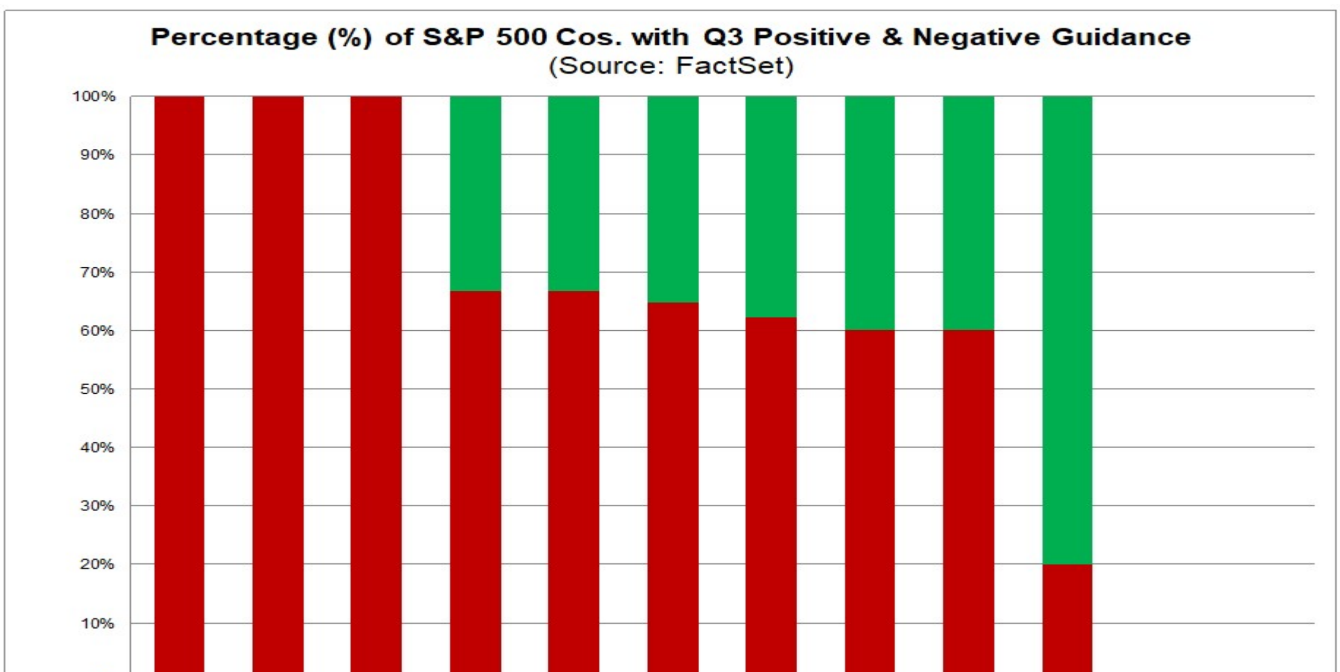
	Real Estate	Information Tech.	Financials	Energy	Materials	Utilities	S&P 500	Comm. Services	Health Care	Industrials	Consumer Staples	Consumer Disc.
Q222	34.9%	23.6%	16.0%	15.2%	14.4%	12.7%	12.4%	11.3%	11.0%	10.0%	6.5%	5.7%
Q221	37.3%	25.1%	21.9%	6.5%	14.8%	14.7%	13.1%	13.5%	11.3%	9.0%	7.1%	7.8%



	Energy	Industrials	Real Estate	S&P 500	Information Tech.	Consumer Disc.	Consumer Staples	Health Care	Materials	Financials	Comm. Services	Utilities
Down %	10%	42%	48%	60%	61%	62%	67%	67%	64%	73%	73%	72%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	3%
Up %	90%	58%	52%	40%	39%	38%	33%	33%	36%	26%	27%	24%

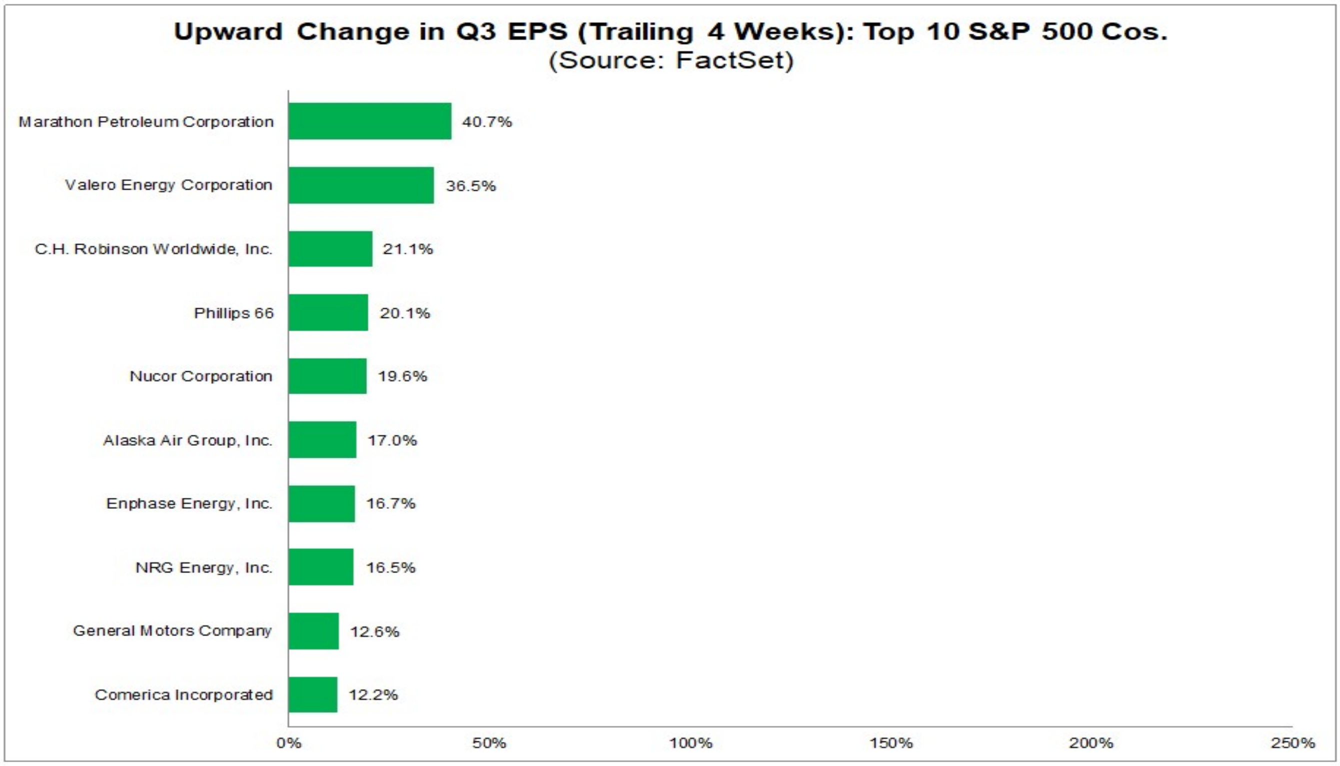
Q3 2022: Guidance

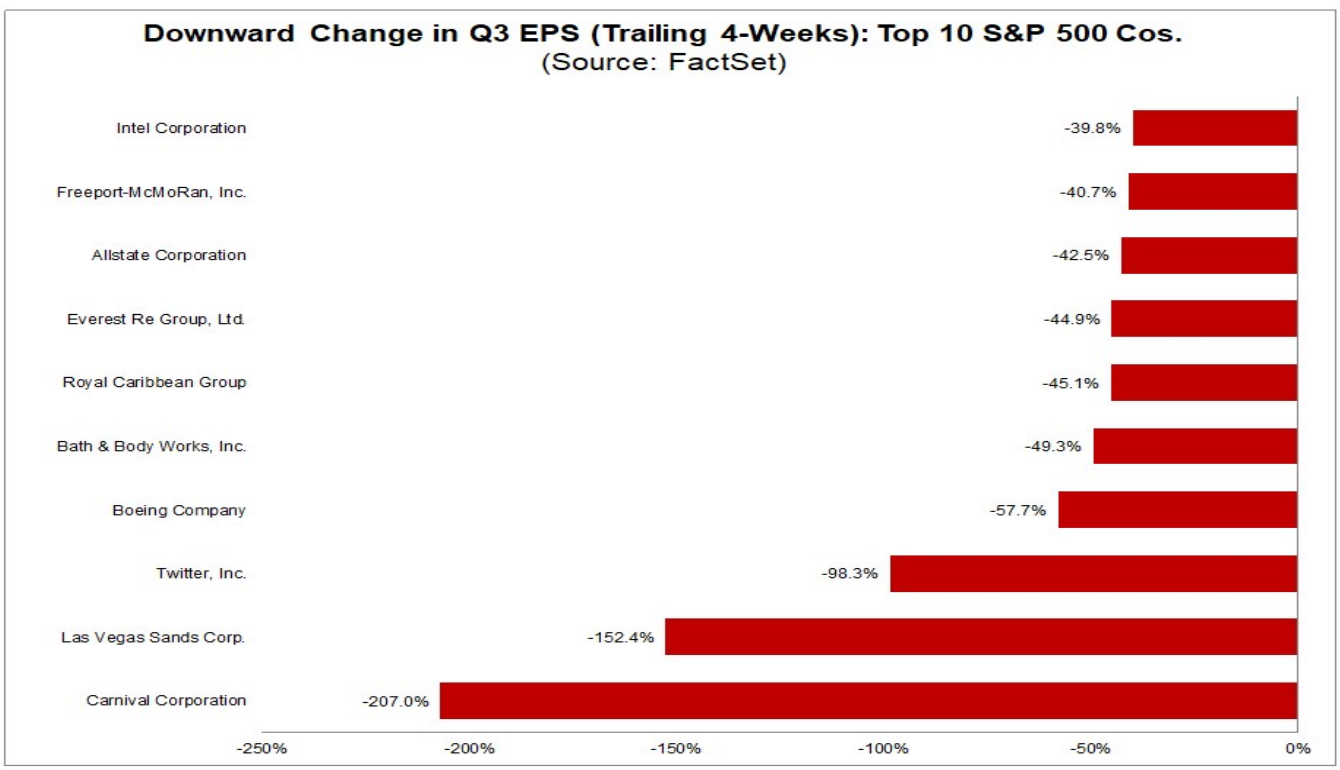




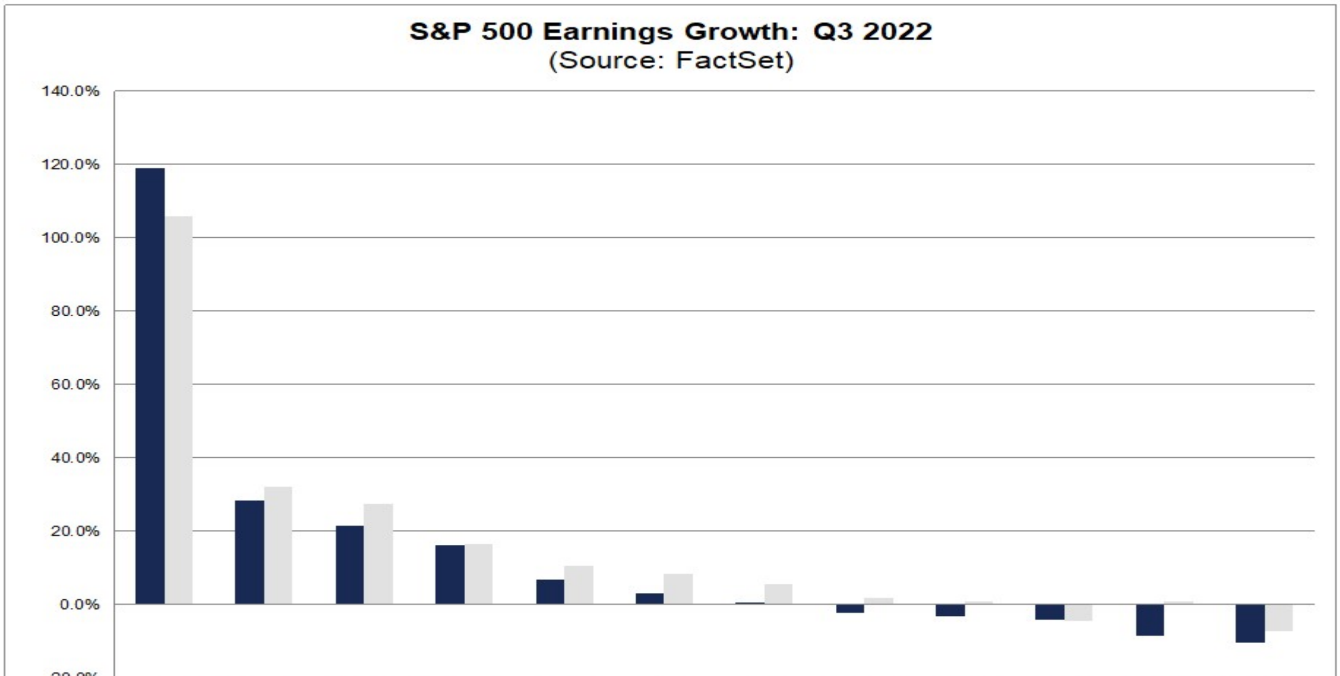
	Consumer Staples	Comm. Services	Utilities	Health Care	Materials	Info. Technology	S&P 500	Industrials	Consumer Disc.	Real Estate	Financials	Energy
Positive	0%	0%	0%	33%	33%	35%	38%	40%	40%	80%	0%	0%
Negative	100%	100%	100%	67%	67%	65%	62%	60%	60%	20%	0%	0%

Q3 2022: EPS Revisions

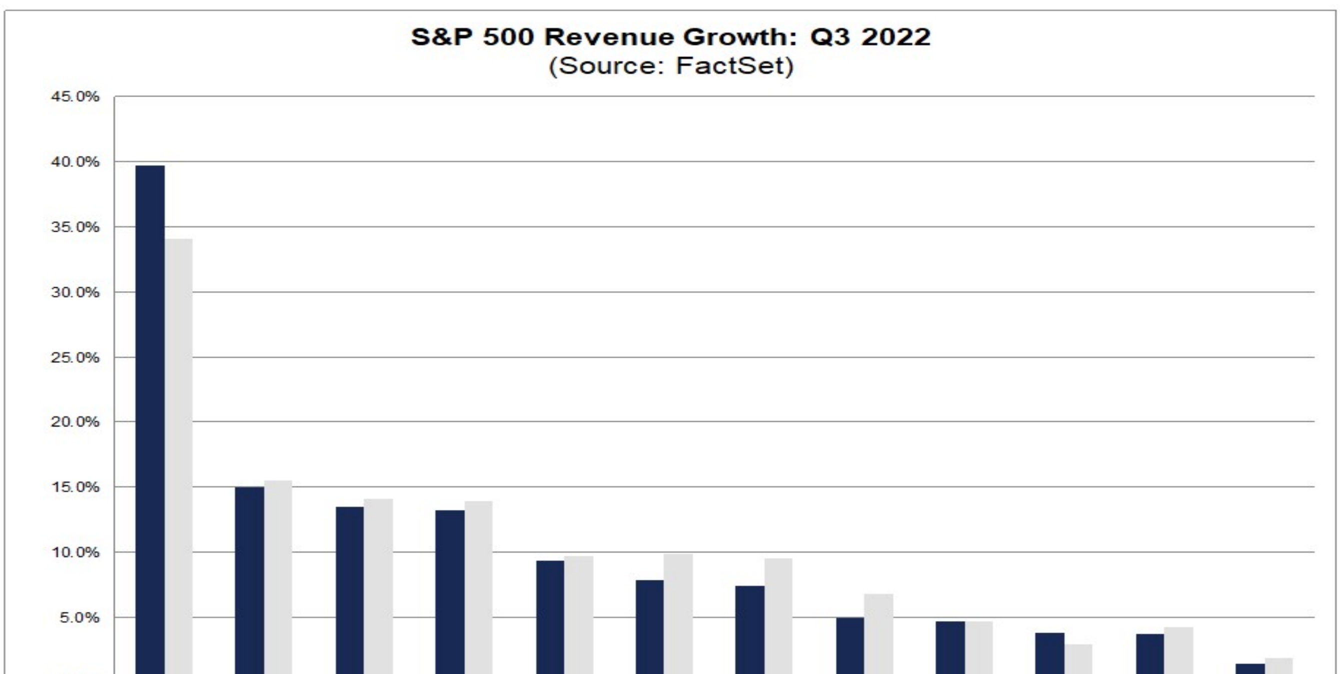




Q3 2022: Growth

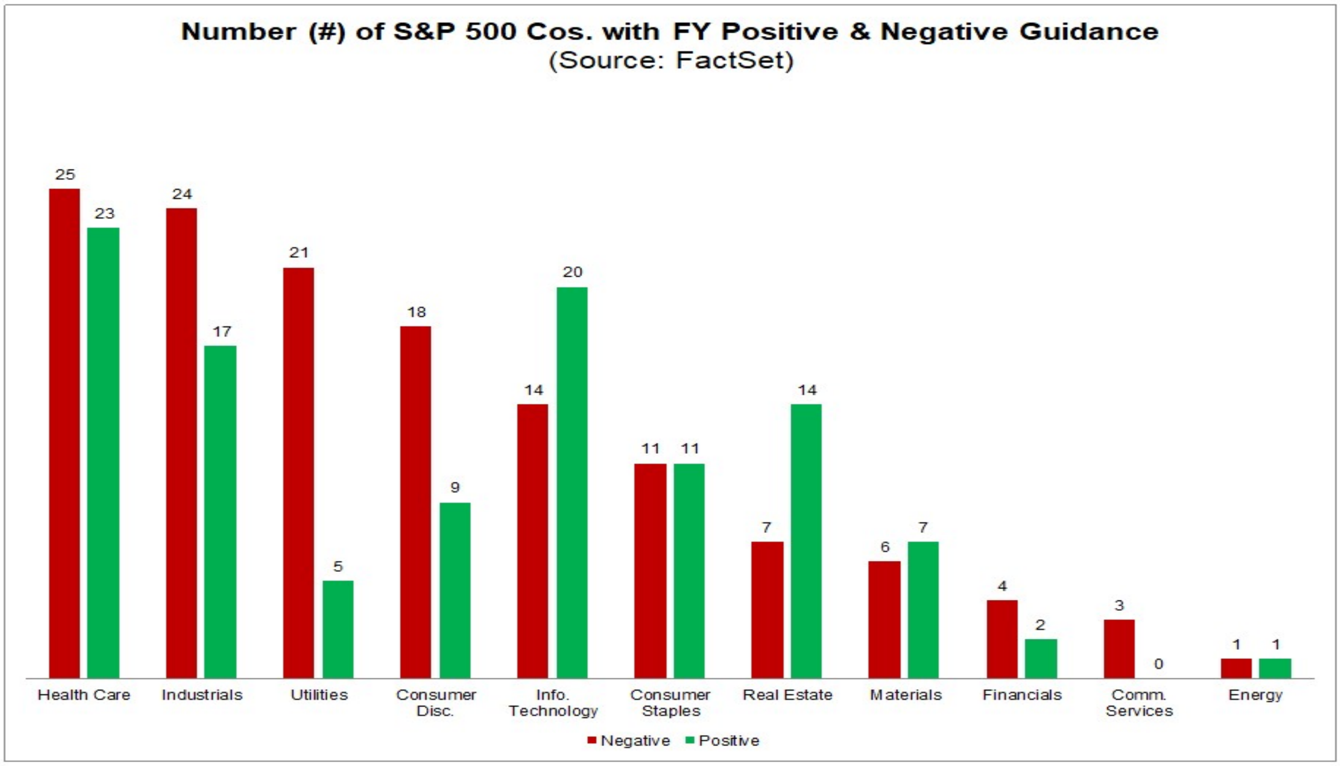


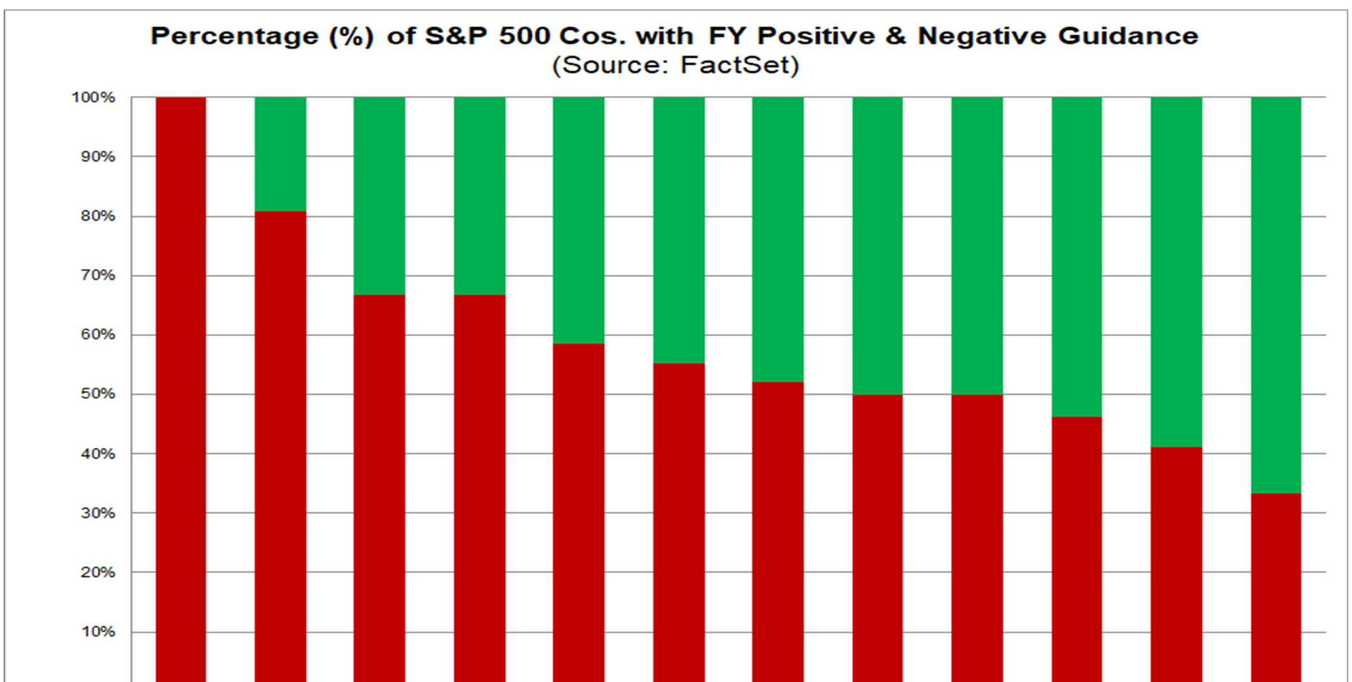
	Energy	Industrials	Consumer Disc.	Real Estate	S&P 500	Materials	Info. Technology	Consumer Staples	Health Care	Utilities	Comm. Services	Financials
Today	119.1%	28.4%	21.5%	16.0%	6.7%	2.9%	0.3%	-2.3%	-3.4%	-4.1%	-8.7%	-10.6%
30-Jun	106.0%	31.9%	27.3%	16.4%	10.4%	8.4%	5.5%	1.6%	0.6%	-4.6%	0.9%	-7.3%



	Energy	Consumer Disc.	Real Estate	Industrials	S&P 500	Materials	Info. Technology	Comm. Services	Consumer Staples	Utilities	Health Care	Financials
Today	39.7%	15.0%	13.5%	13.2%	9.4%	7.8%	7.4%	4.9%	4.7%	3.8%	3.7%	1.4%
30-Jun	34.1%	15.5%	14.1%	13.9%	9.7%	9.9%	9.5%	6.8%	4.7%	2.9%	4.2%	1.9%

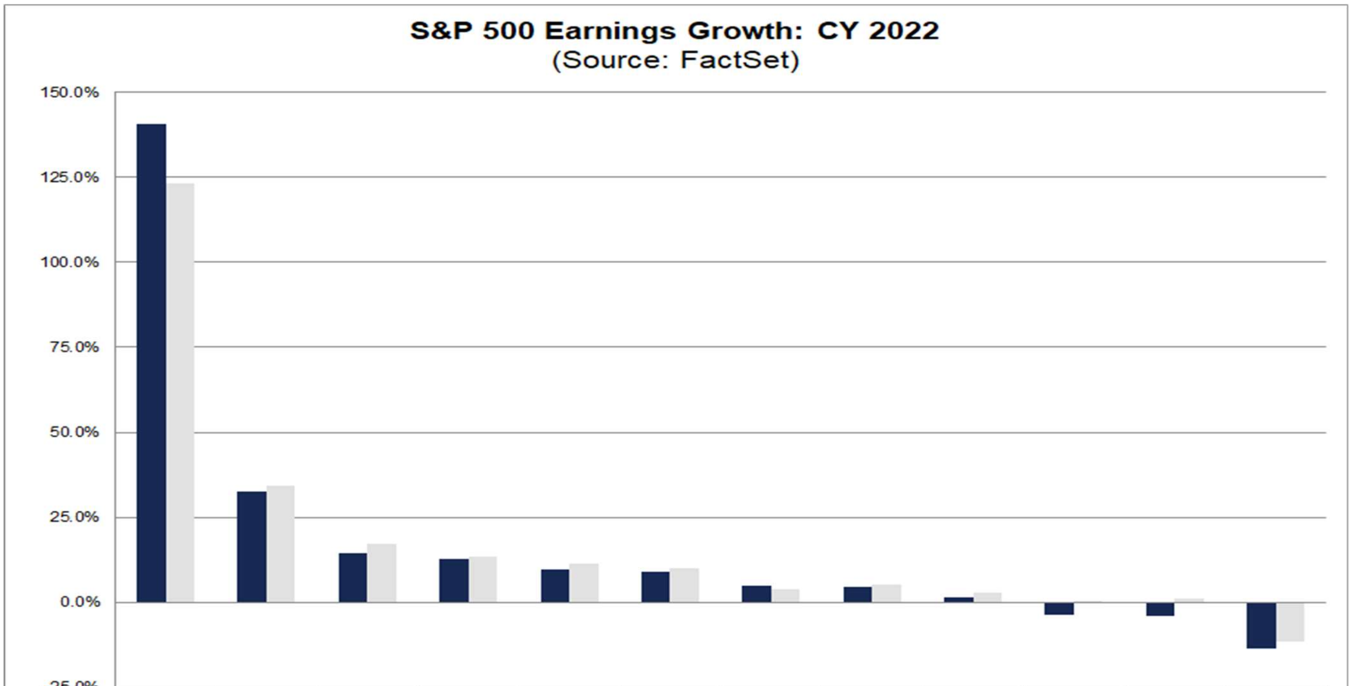
FY 2022 / 2023: EPS Guidance



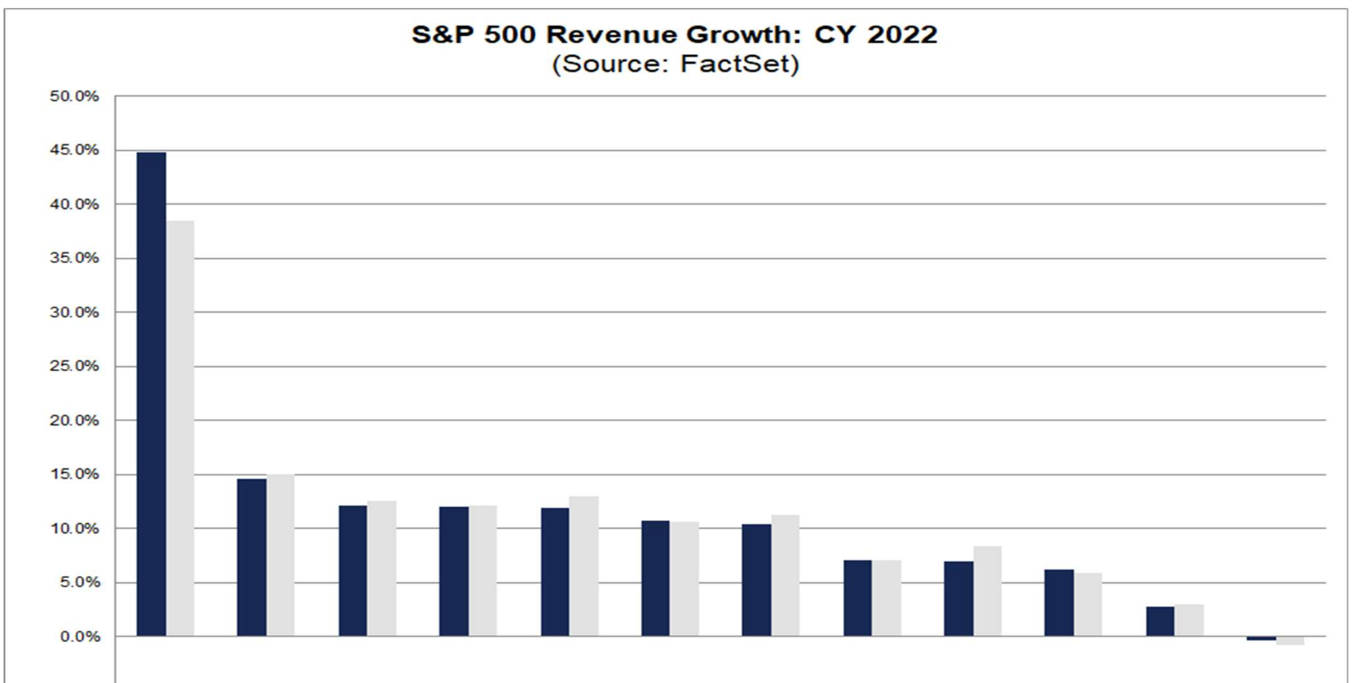


	Comm. Services	Utilities	Consumer Disc.	Financials	Industrials	S&P 500	Health Care	Consumer Staples	Energy	Materials	Info. Technology	Real Estate
Positive	0%	19%	33%	33%	41%	45%	48%	50%	50%	54%	59%	67%
Negative	100%	81%	67%	67%	59%	55%	52%	50%	50%	46%	41%	33%

CY 2022: Growth

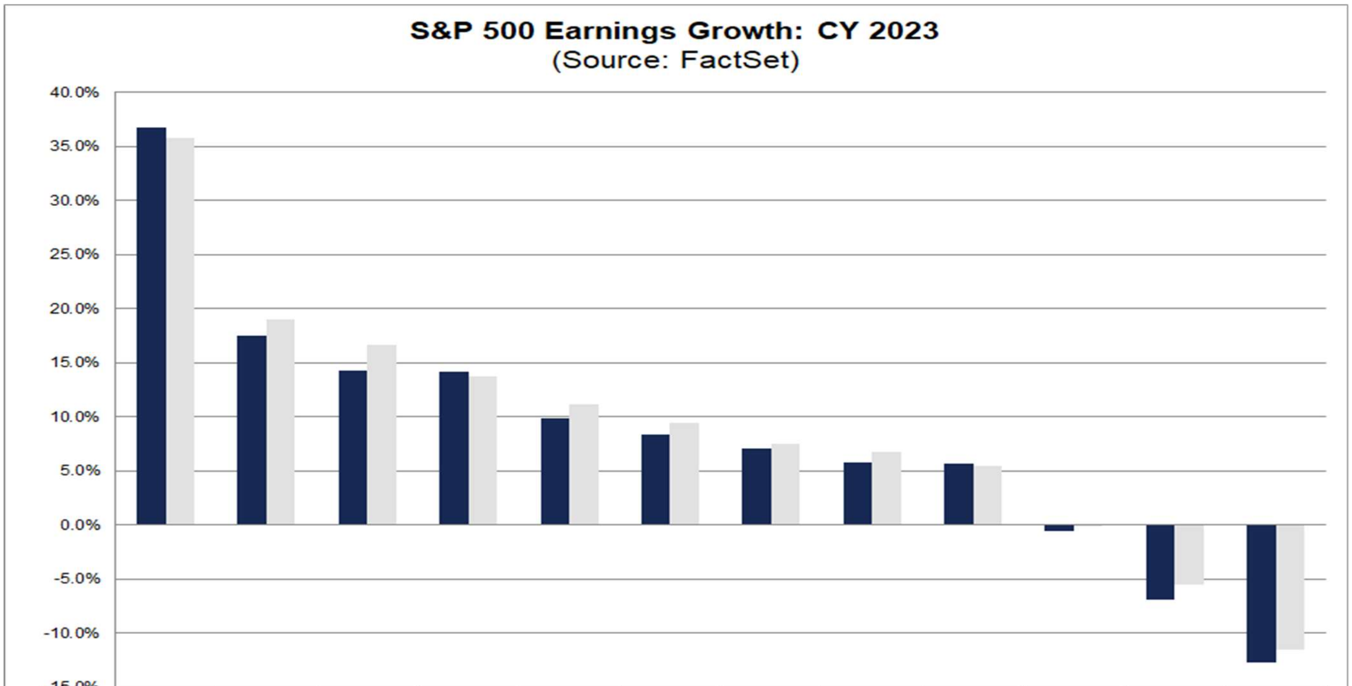


	Energy	Industrials	Materials	Real Estate	Info. Technology	S&P 500	Utilities	Health Care	Consumer Staples	Consumer Disc.	Comm. Services	Financials
Today	140.8%	32.4%	14.3%	12.8%	9.5%	8.9%	4.8%	4.4%	1.5%	-3.6%	-3.9%	-13.6%
30-Jun	123.2%	34.3%	17.2%	13.6%	11.4%	10.1%	3.9%	5.1%	2.9%	0.3%	1.1%	-11.6%

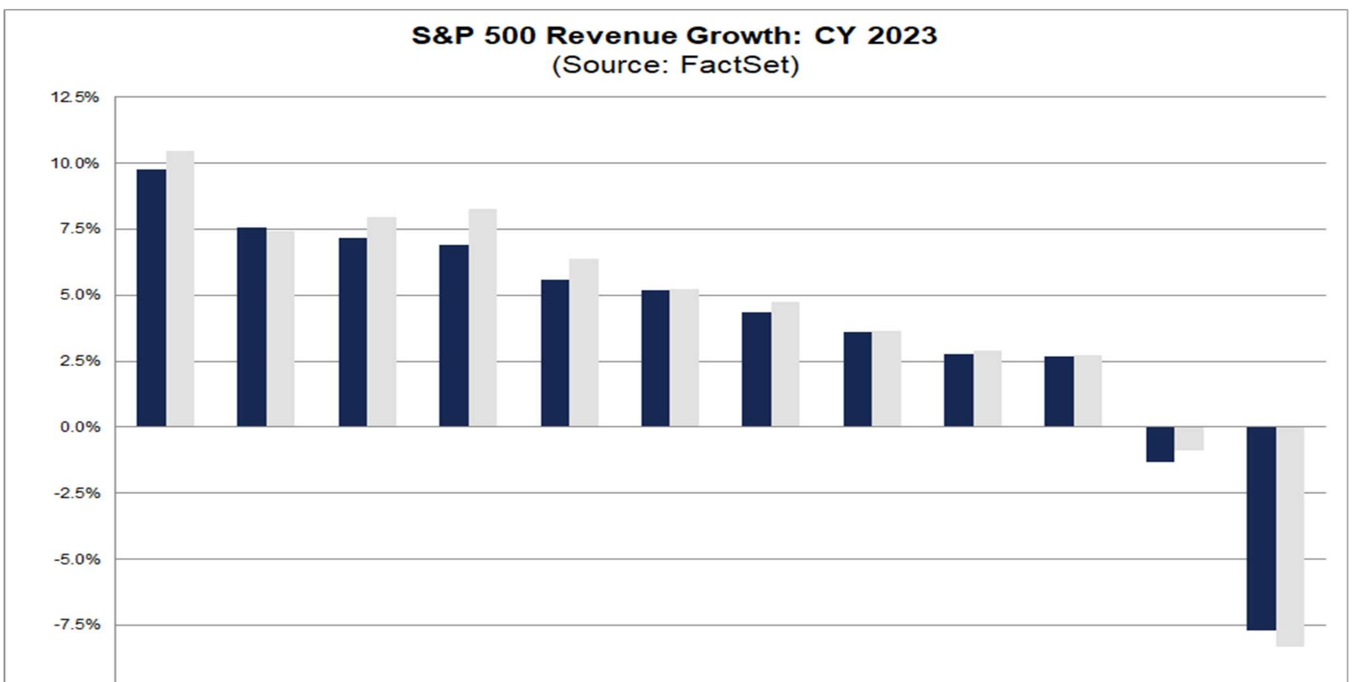


	Energy	Real Estate	Consumer Disc.	Industrials	Materials	S&P 500	Info. Technology	Health Care	Comm. Services	Consumer Staples	Financials	Utilities
Today	44.8%	14.6%	12.1%	12.0%	11.9%	10.7%	10.4%	7.1%	6.9%	6.2%	2.8%	-0.4%
30-Jun	38.5%	15.0%	12.6%	12.2%	13.0%	10.6%	11.3%	7.1%	8.4%	5.9%	3.0%	-0.8%

CY 2023: Growth

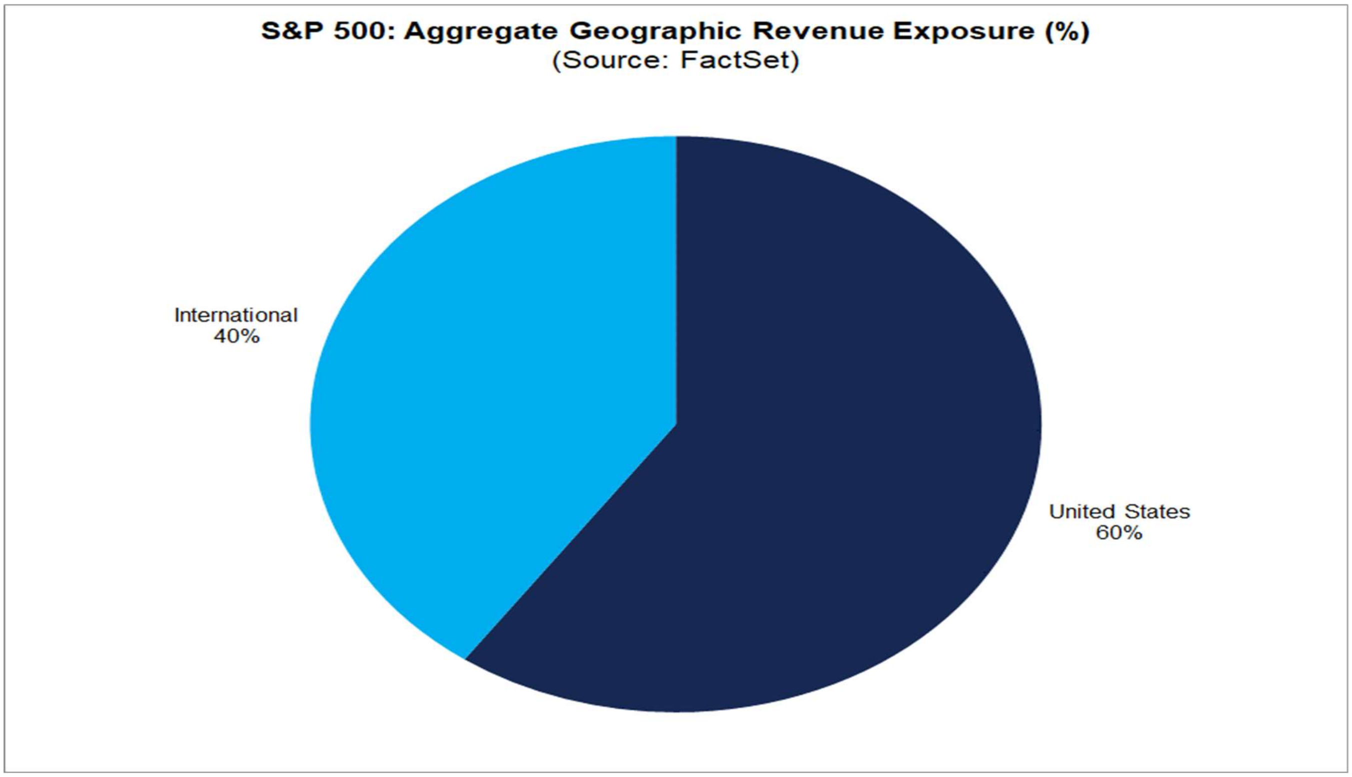


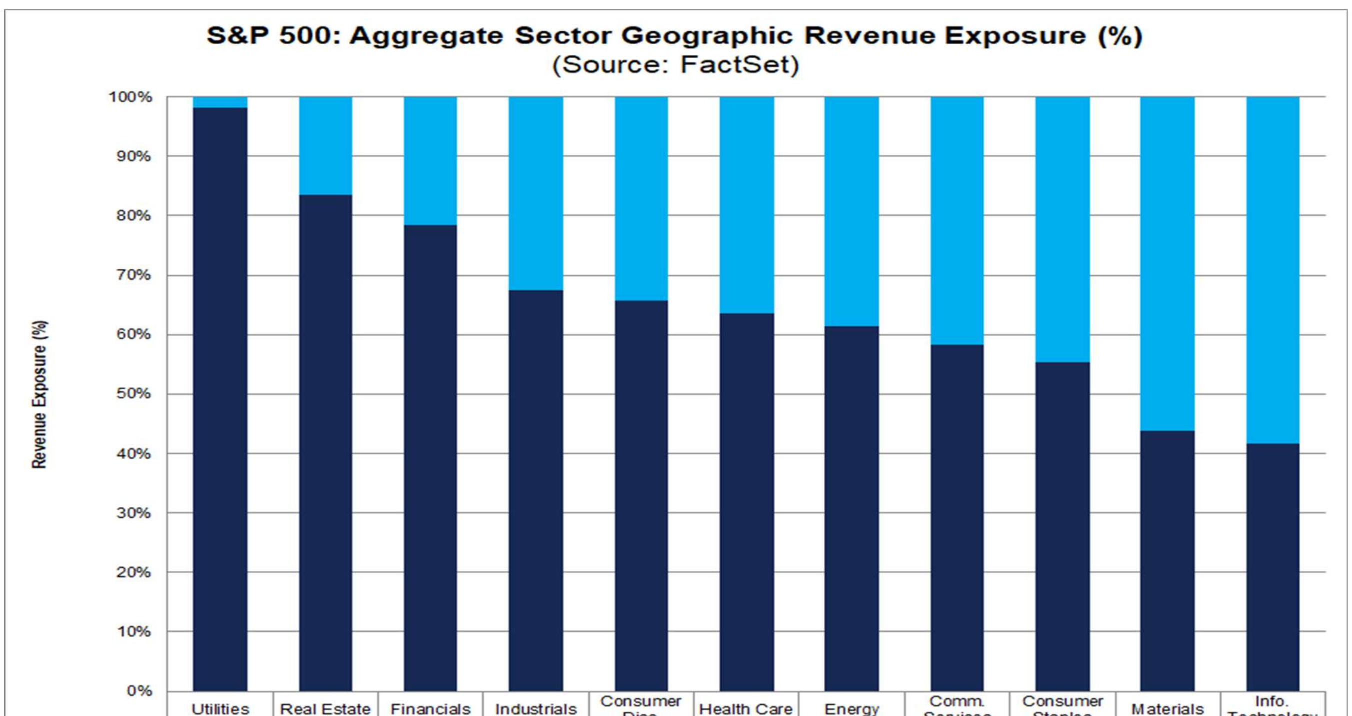
	Consumer Disc.	Industrials	Comm. Services	Financials	Info. Technology	S&P 500	Consumer Staples	Utilities	Real Estate	Health Care	Materials	Energy
Today	36.7%	17.5%	14.3%	14.2%	9.9%	8.4%	7.0%	5.7%	5.6%	-0.6%	-6.9%	-12.7%
30-Jun	35.8%	19.0%	16.7%	13.7%	11.1%	9.4%	7.5%	6.8%	5.5%	-0.2%	-5.5%	-11.6%



	Consumer Disc.	Financials	Info. Technology	Comm. Services	Industrials	Real Estate	S&P 500	Consumer Staples	Health Care	Utilities	Materials	Energy
Today	9.8%	7.6%	7.2%	6.9%	5.6%	5.2%	4.3%	3.6%	2.8%	2.7%	-1.3%	-7.7%
30-Jun	10.4%	7.4%	7.9%	8.3%	6.4%	5.2%	4.8%	3.6%	2.9%	2.7%	-0.9%	-8.3%

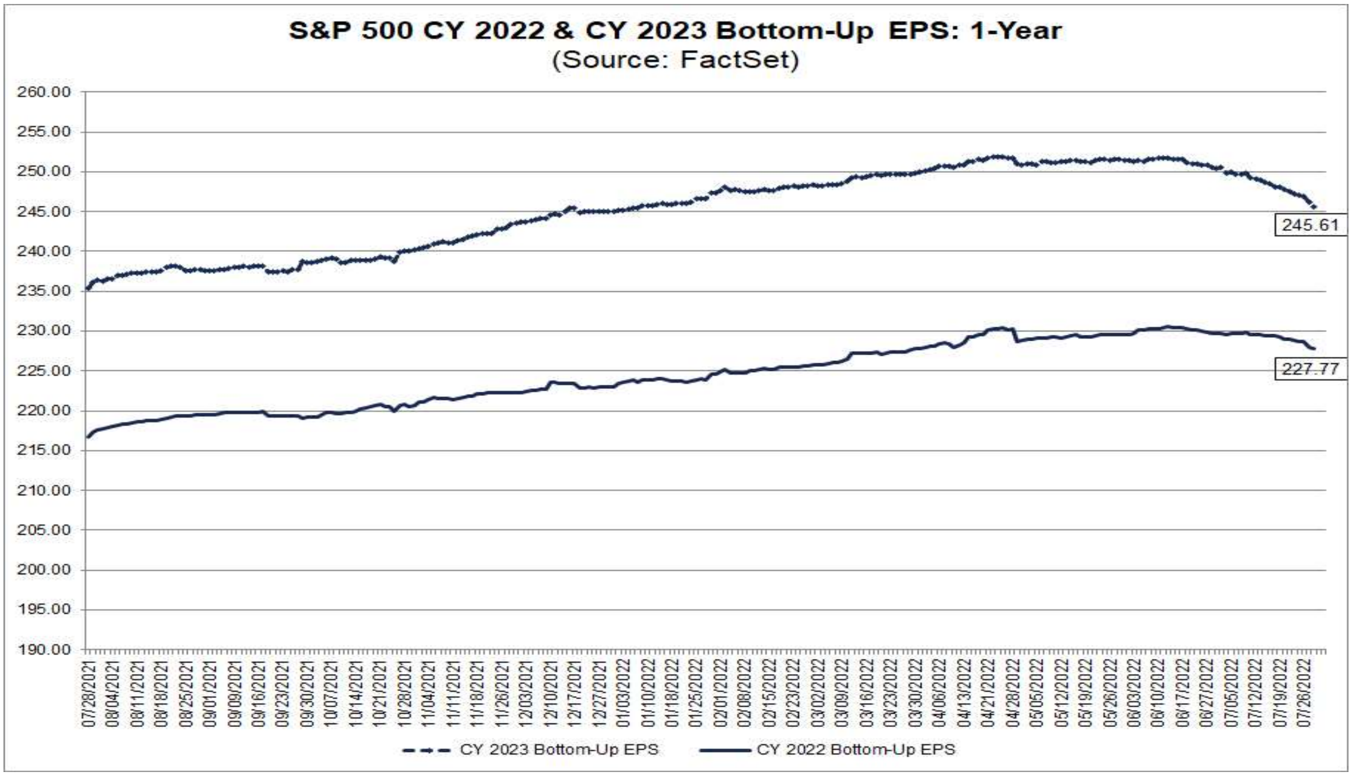
Geographic Revenue Exposure

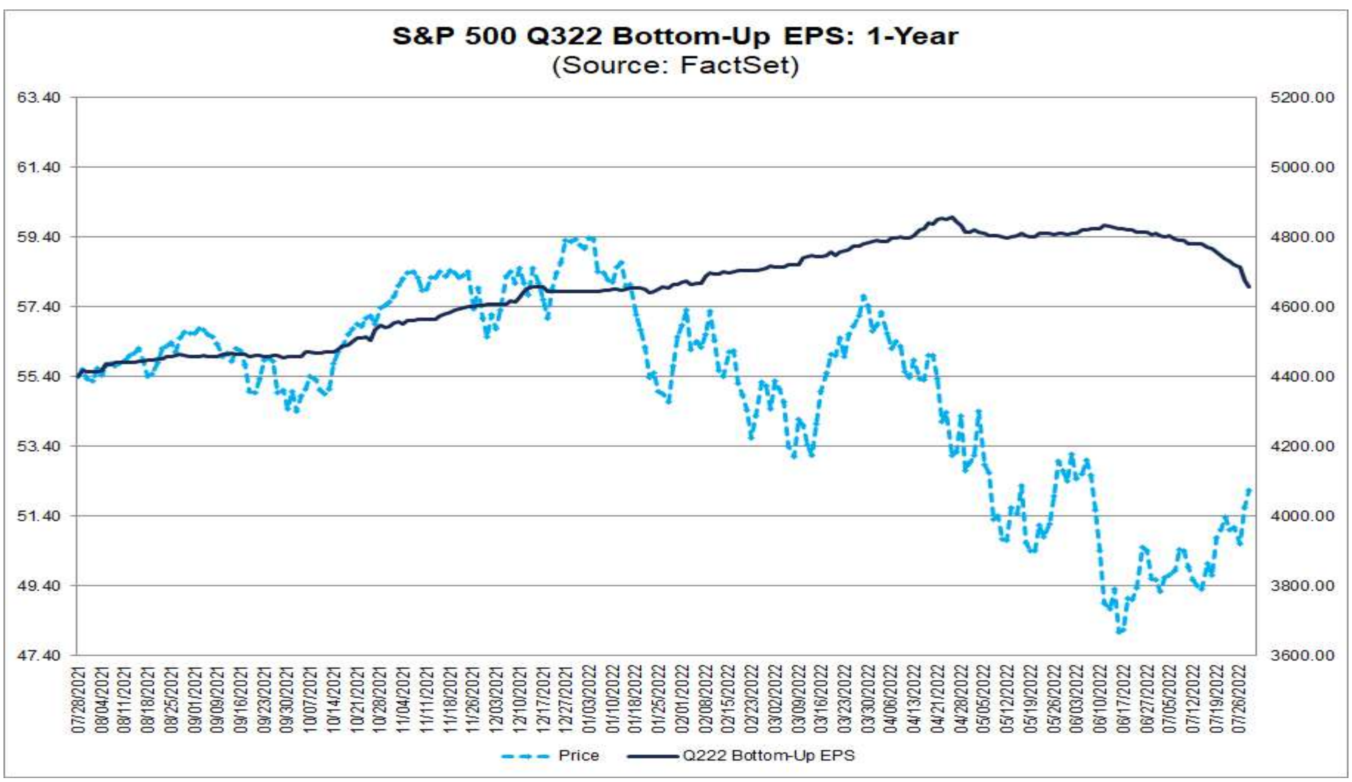




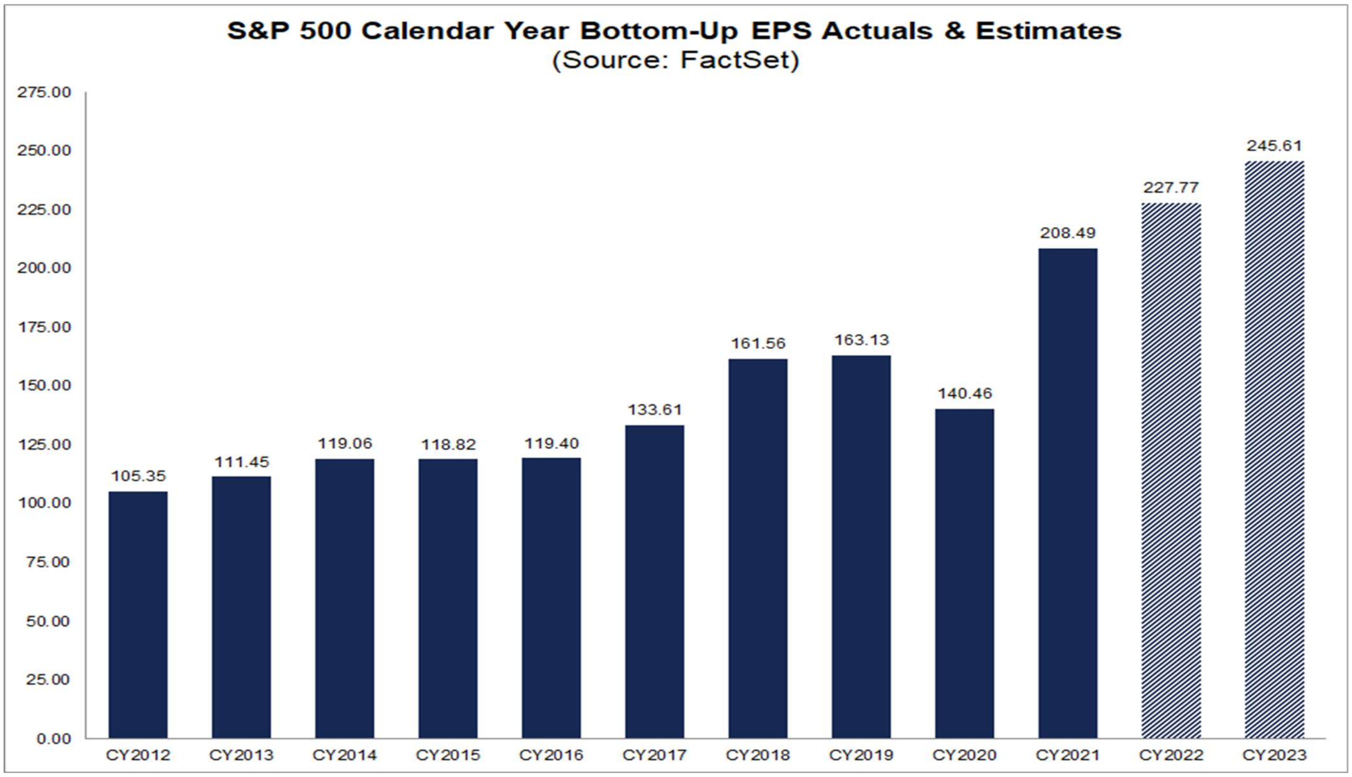
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	2%	17%	22%	32%	34%	36%	39%	42%	45%	56%	58%
United States	98%	83%	78%	68%	66%	64%	61%	58%	55%	44%	42%

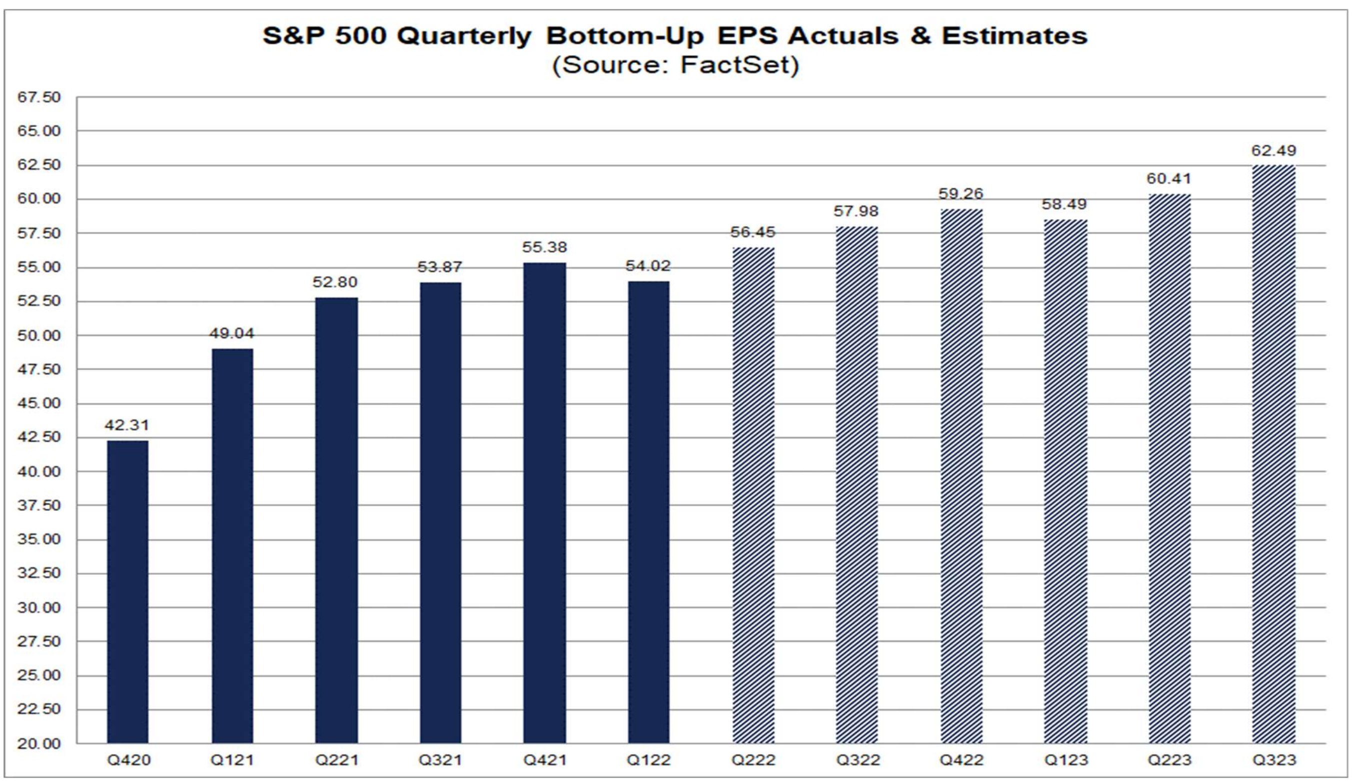
Bottom-Up EPS Estimates



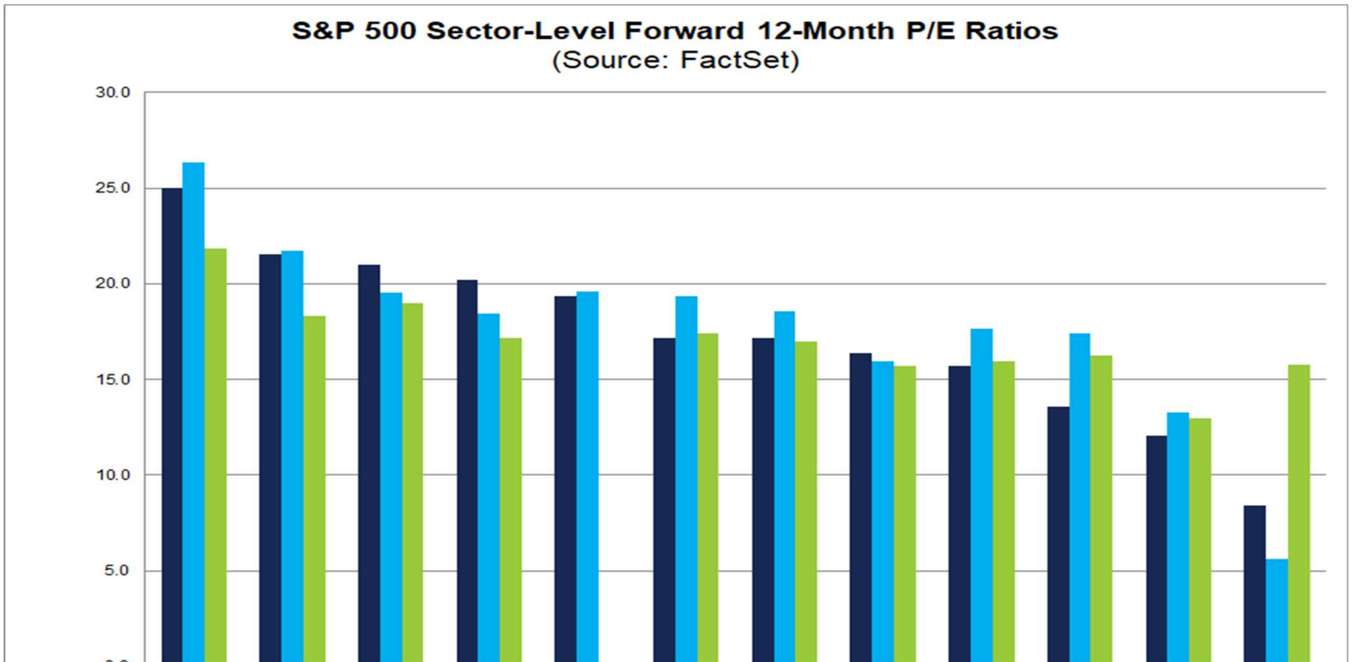


Bottom-Up EPS Estimates: Current & Historical

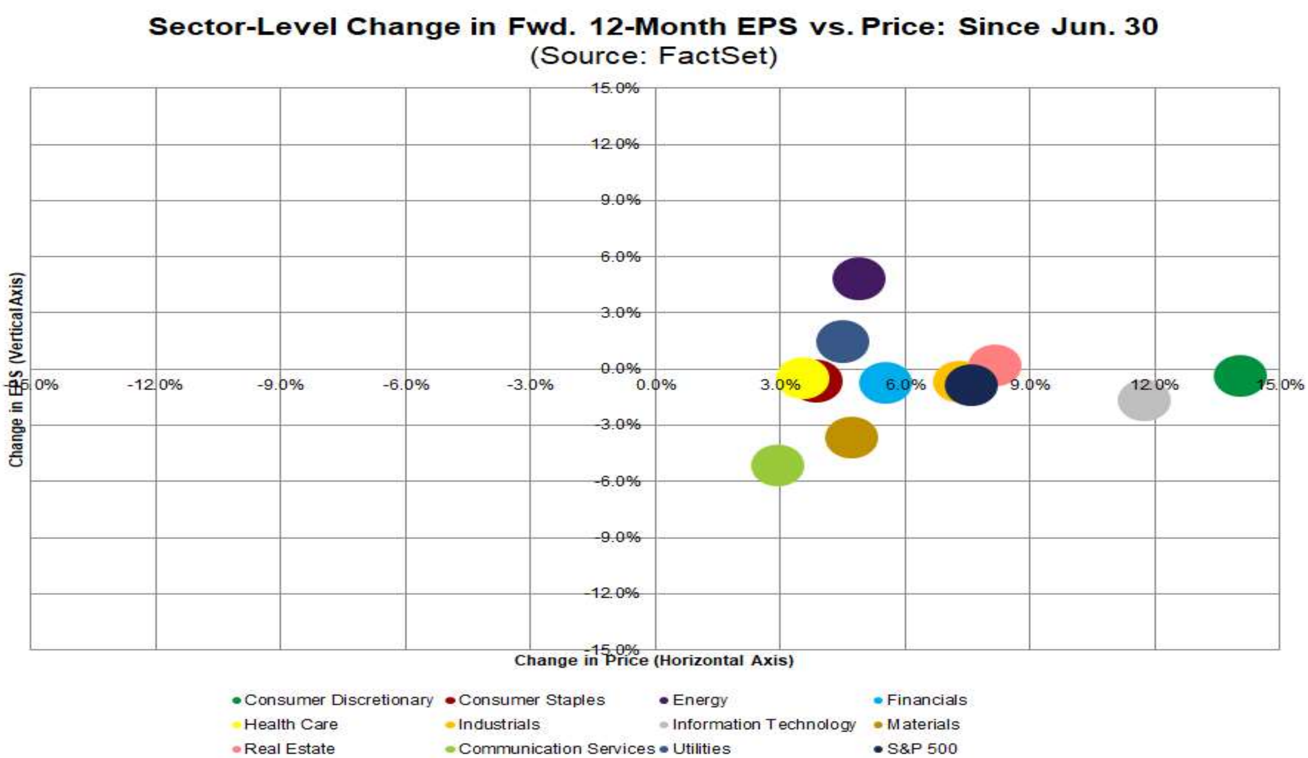




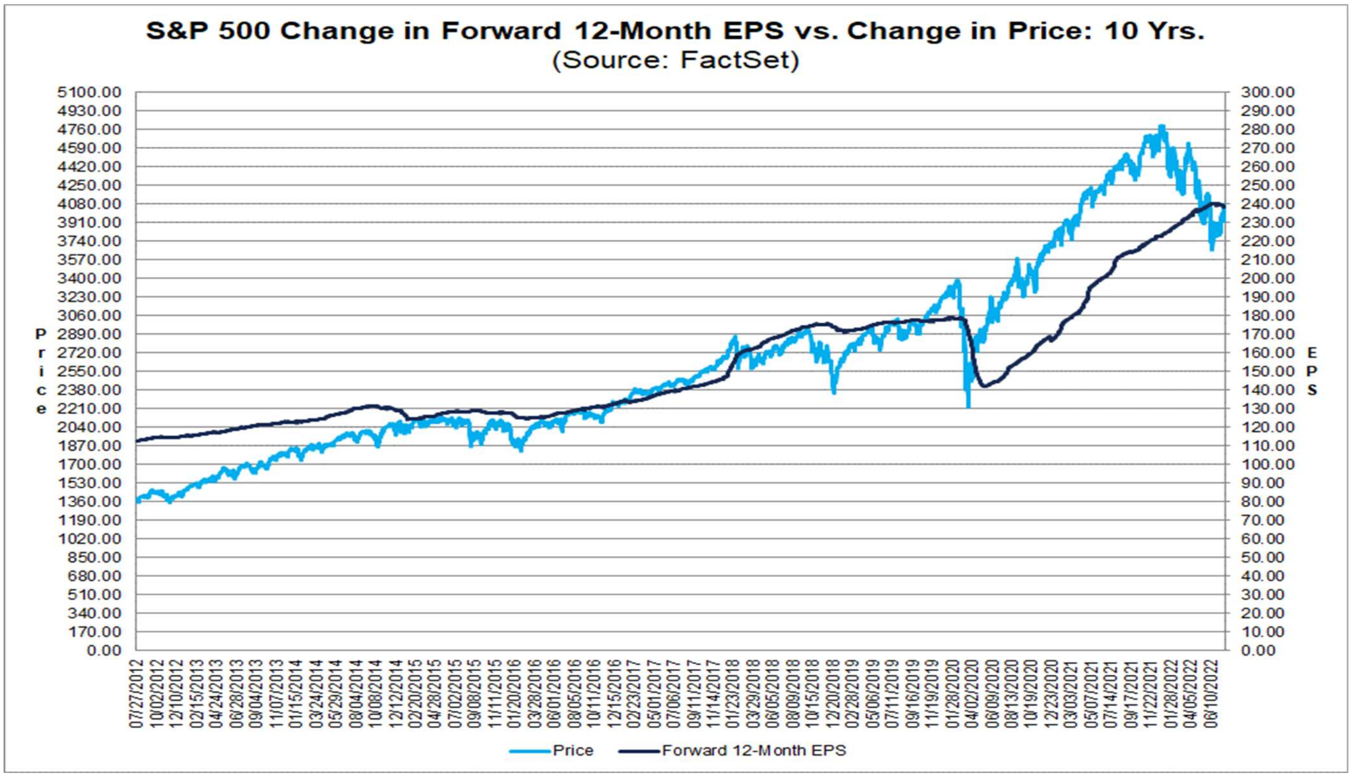
Forward 12M P/E Ratio: Sector Level

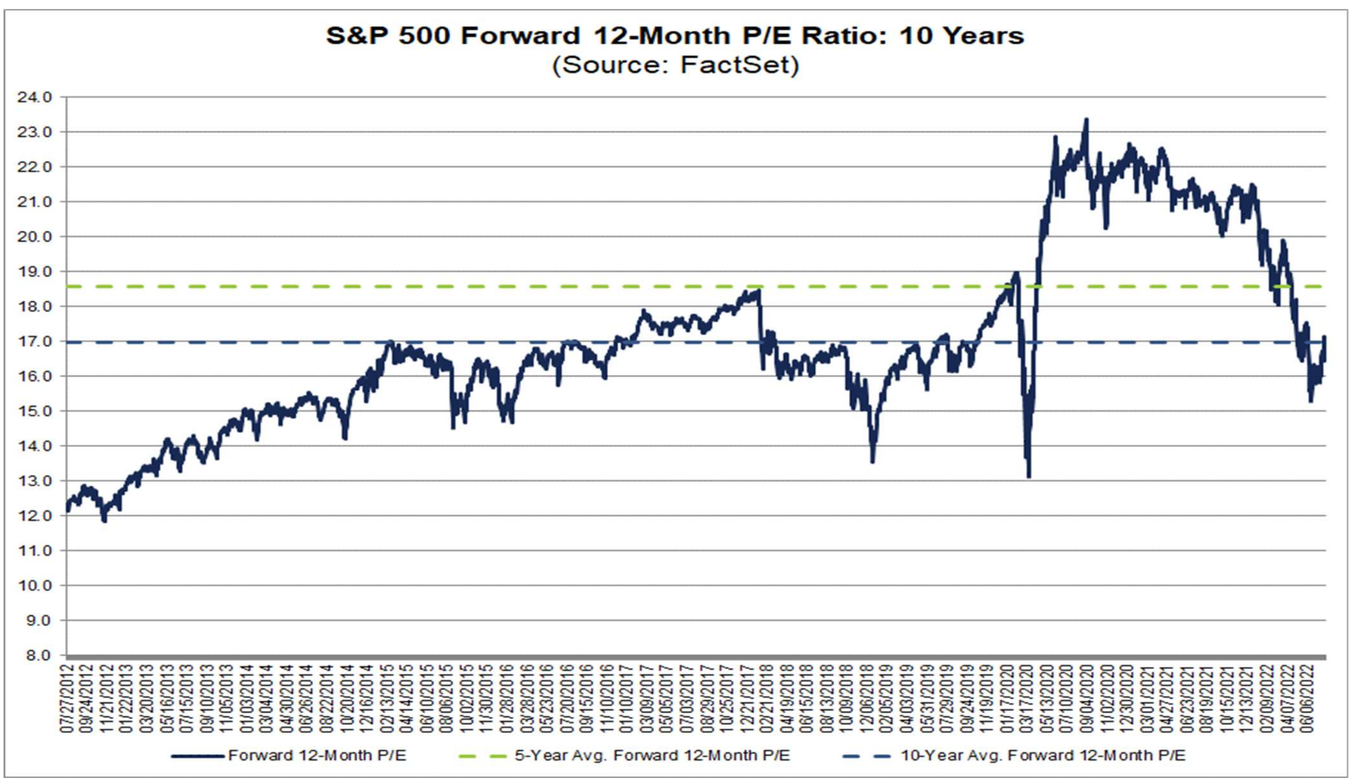


	Consumer Disc.	Info. Technology	Consumer Staples	Utilities	Real Estate	Industrials	S&P 500	Health Care	Comm. Services	Materials	Financials	Energy
Fwd P/E	25.0	21.5	21.0	20.2	19.4	17.1	17.1	16.4	15.7	13.5	12.1	8.4
5-Yr Avg.	26.3	21.7	19.6	18.4	19.6	19.3	18.6	16.0	17.7	17.4	13.3	5.6
10-Yr Avg.	21.9	18.3	19.0	17.2		17.4	17.0	15.7	15.9	16.2	12.9	15.8

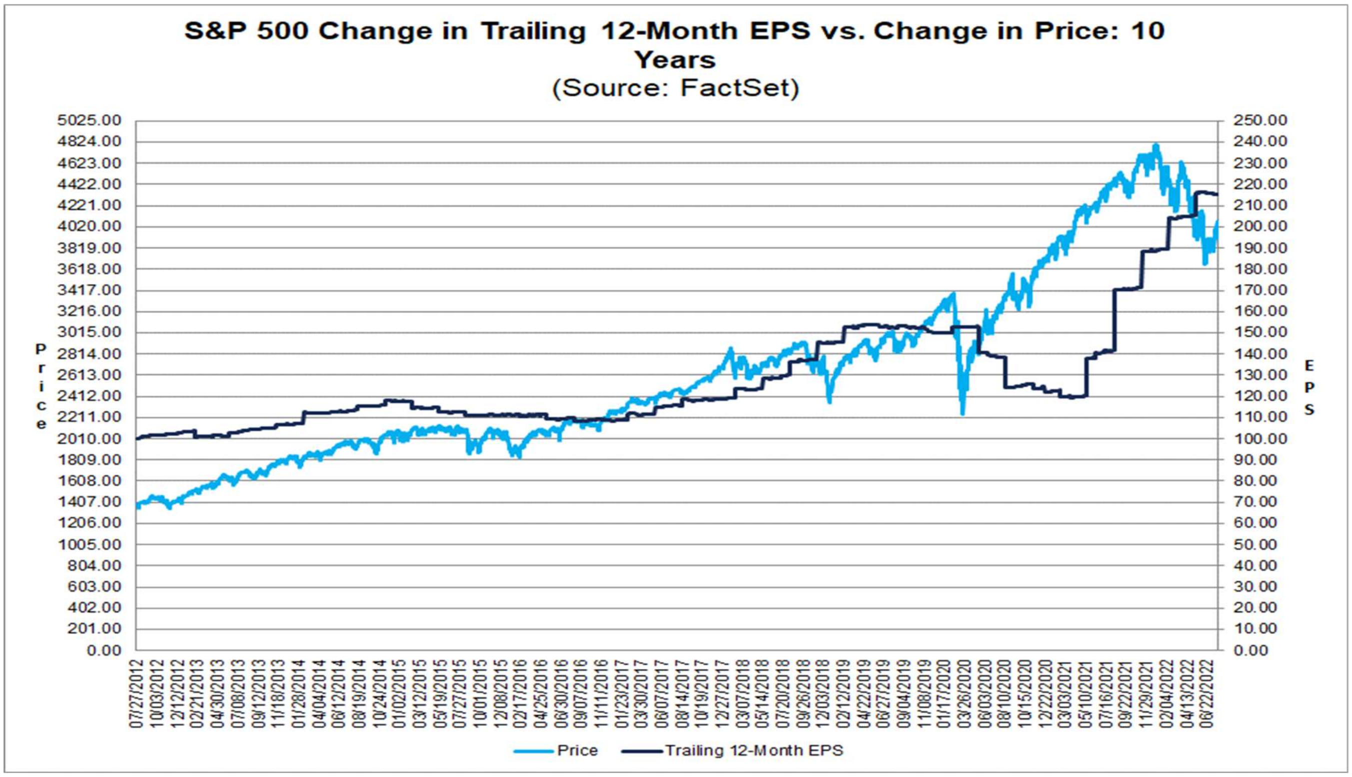


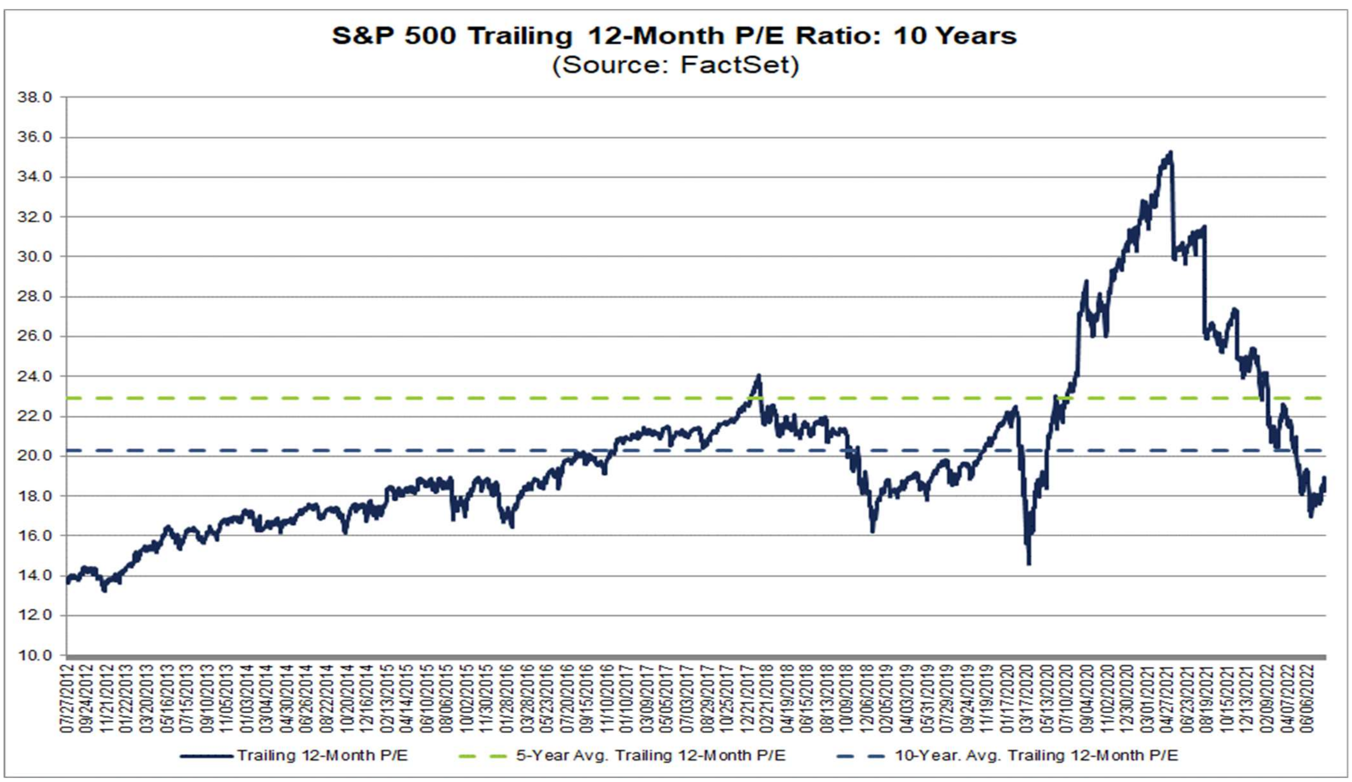
Forward 12M P/E Ratio: 10-Years



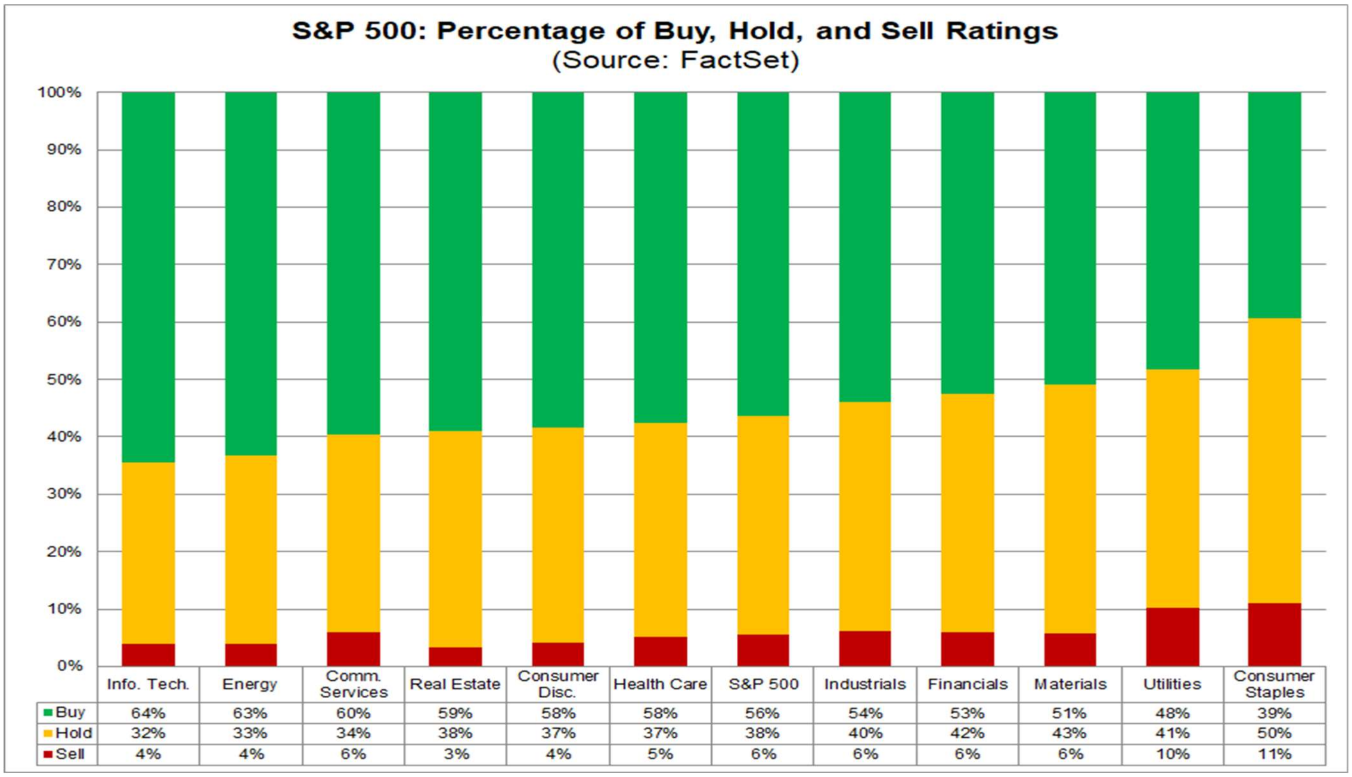


Trailing 12M P/E Ratio: 10-Years

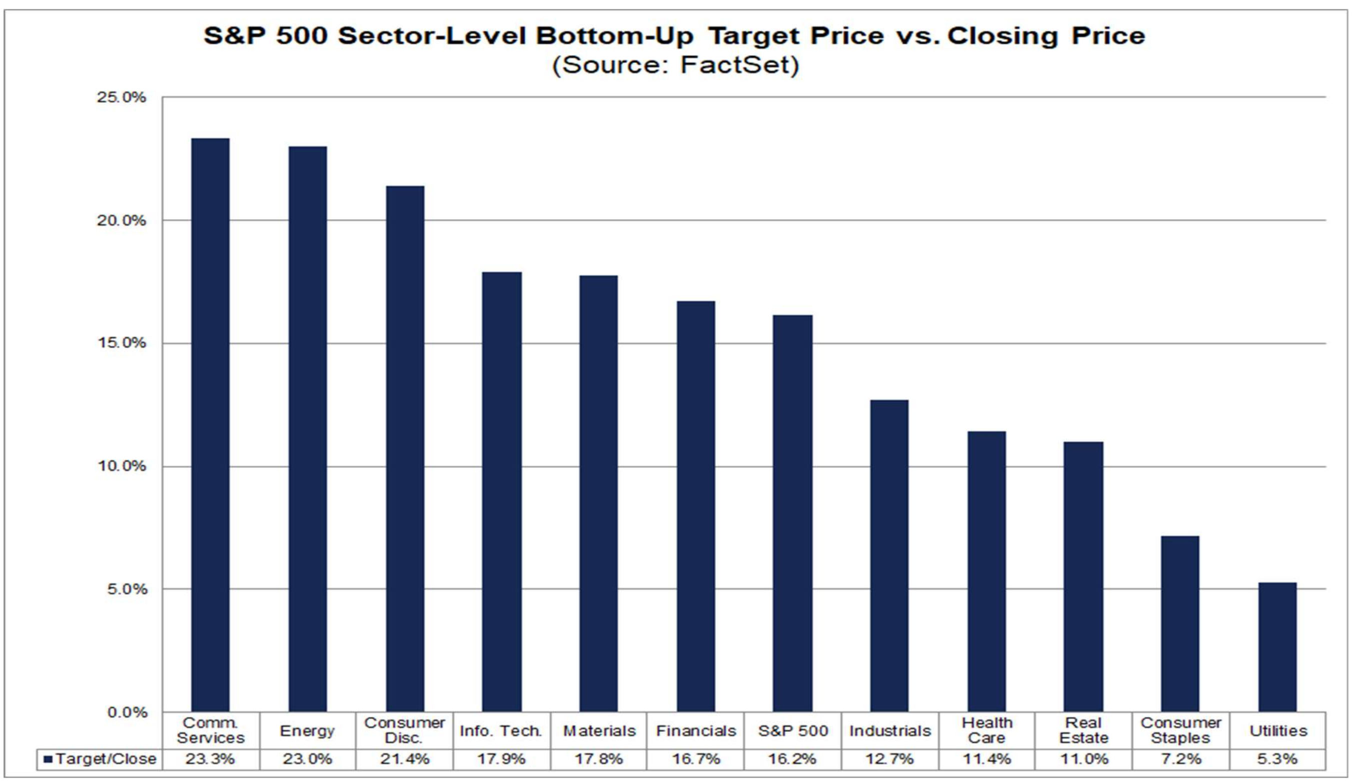




Targets & Ratings



	Info. Tech.	Energy	Comm. Services	Real Estate	Consumer Disc.	Health Care	S&P 500	Industrials	Financials	Materials	Utilities	Consumer Staples
Buy	64%	63%	60%	59%	58%	58%	56%	54%	53%	51%	48%	39%
Hold	32%	33%	34%	38%	37%	37%	38%	40%	42%	43%	41%	50%
Sell	4%	4%	6%	3%	4%	5%	6%	6%	6%	6%	10%	11%



	Comm. Services	Energy	Consumer Disc.	Info. Tech.	Materials	Financials	S&P 500	Industrials	Health Care	Real Estate	Consumer Staples	Utilities
Target/Close	23.3%	23.0%	21.4%	17.9%	17.8%	16.7%	16.2%	12.7%	11.4%	11.0%	7.2%	5.3%

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