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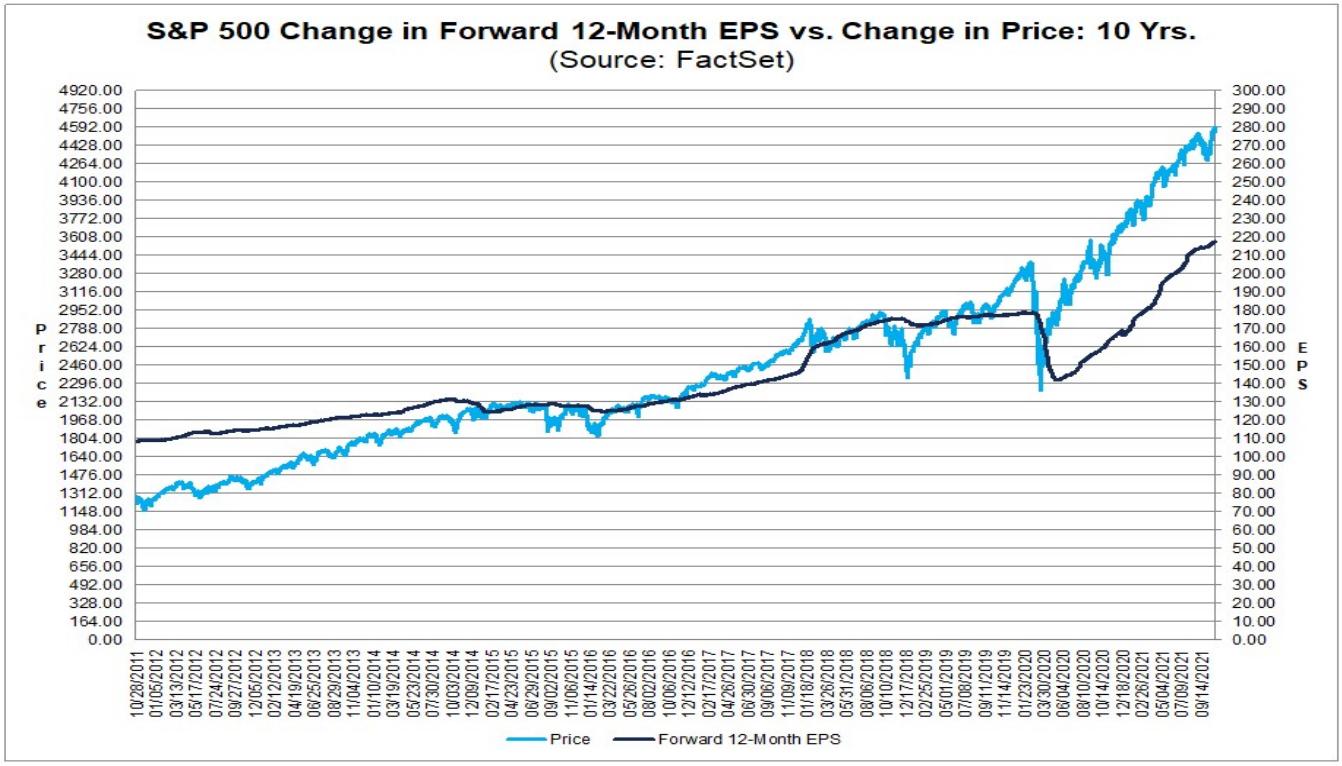
Key Metrics

- **Earnings Scorecard:** For Q3 2021 (with 56% of S&P 500 companies reporting actual results), 82% of S&P 500 companies have reported a positive EPS surprise and 75% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q3 2021, the blended earnings growth rate for the S&P 500 is 36.6%. If 36.6% is the actual growth rate for the quarter, it will mark the third-highest (year-over-year) earnings growth rate reported by the index since 2010.
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q3 2021 was 27.4%. Nine sectors have higher earnings growth rates today (compared to September 30) due to positive EPS surprises and upward revisions to estimates
- **Earnings Guidance:** For Q4 2021, 25 S&P 500 companies have issued negative EPS guidance and 15 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.1. This P/E ratio is above the 5-year average (18.3) and above the 10-year average (16.5).



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Topic of the Week:

Smallest Increase In EPS Estimates for S&P 500 Companies for Q4 Over the Past 5 Quarters

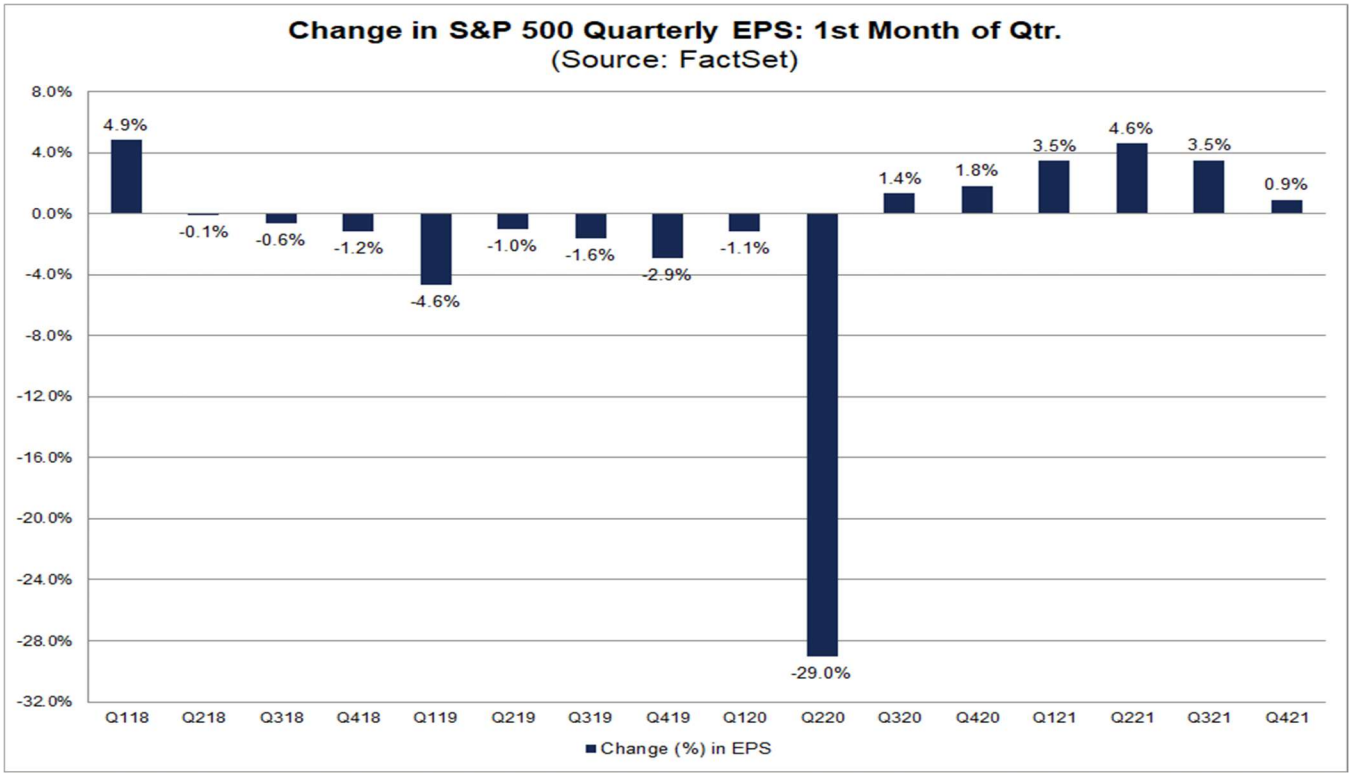
During the month of October, analysts have increased earnings estimates for companies in the S&P 500 for the fourth quarter. The Q4 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q4 for all the companies in the index) has increased by 0.9% (to $51.53 from $51.06) during this period. How significant is a 0.9% increase in the bottom-up EPS estimate during the first month of a quarter? How does this increase compare to recent quarters?

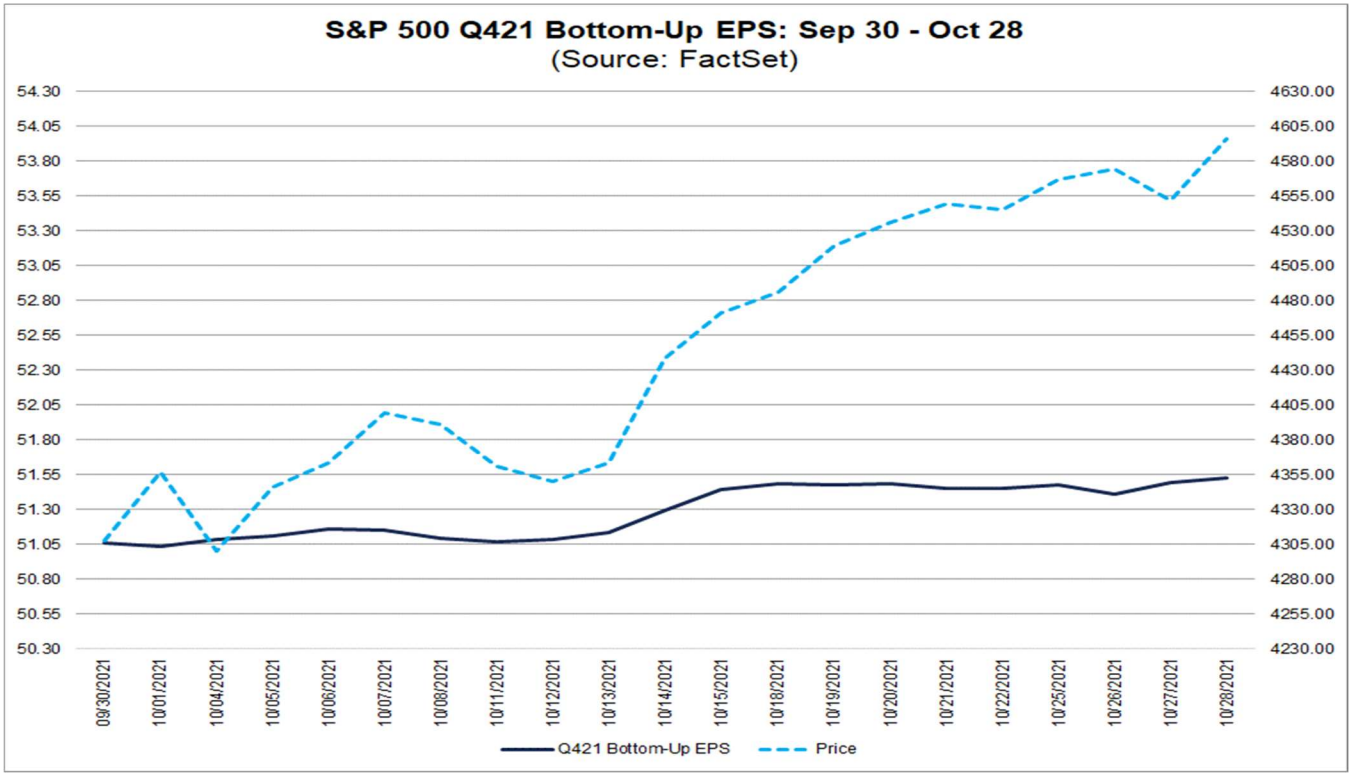
In a typical quarter, analysts usually reduce earnings estimates during the first month of the quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.4%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 2.0%. 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 2.2%.

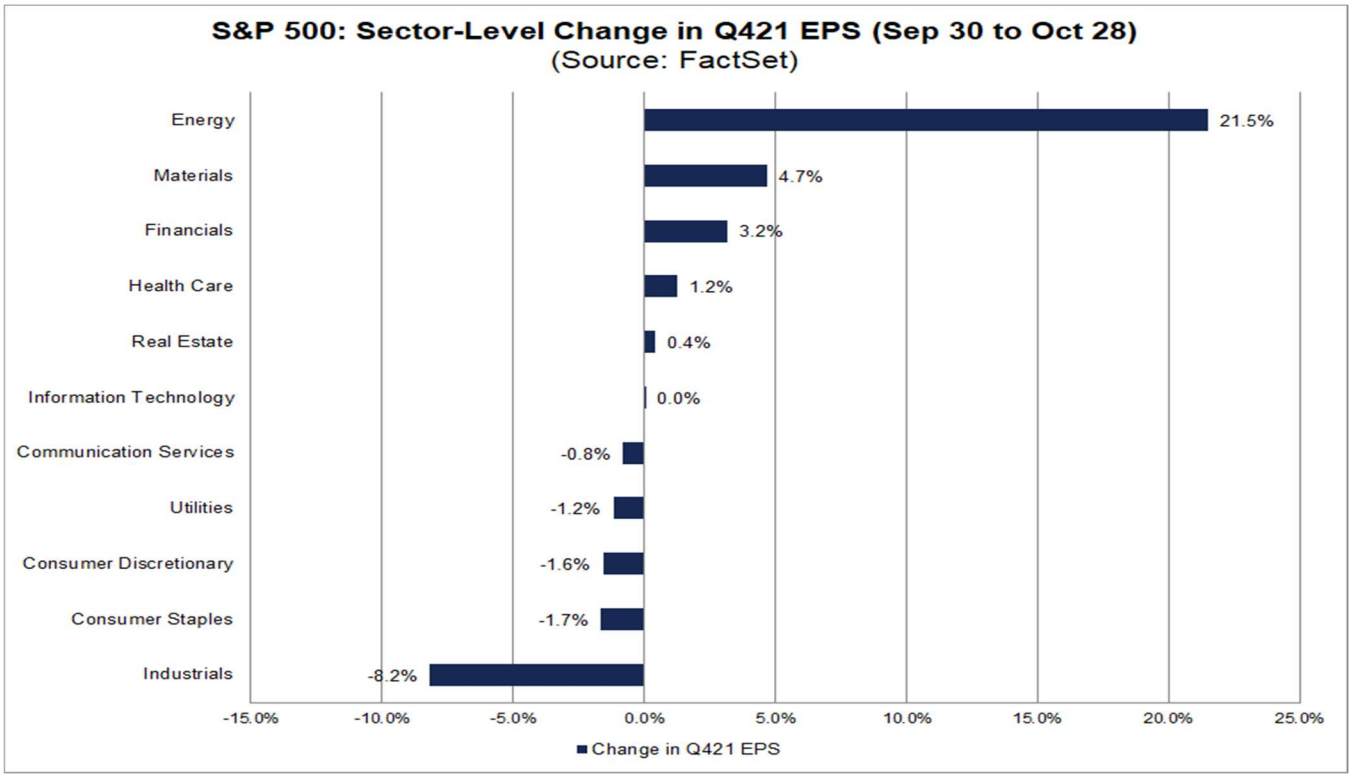
In fact, the fourth quarter marked the sixth consecutive quarter in which the bottom-up EPS estimate increased during the first month of the quarter, which is the longest streak since FactSet began tracking this metric in 2002. The previous record was four quarters, which occurred in Q1 2004 through Q4 2004. However, it should also be noted that the fourth quarter marked the lowest percentage increase in the bottom-up EPS estimate during these six quarters.

At the sector level, six sectors have recorded an increase in their bottom-up EPS estimate for Q4 during the first month of the quarter, led by the Energy (+21.5%) and Materials (+4.7%) sectors. On the other hand, five sectors have recorded a decline in their bottom-up estimate for Q4 during this period, led by the Industrials (-8.2%) sector.

As the bottom-up EPS estimate for the index increased during the first month of the quarter, the value of the S&P 500 also increased during this same period. From September 30 through October 28, the value of the index increased by 6.7% (to 4596.42 from 4307.54). If the price of the index does not close below 4307.54 today, the fourth quarter will mark the fifth time in the past 20 quarters (and the third straight quarter) in which both the bottom-up EPS estimate for the index and the value of the index increased during the first month of a quarter.







Q3 Earnings Season: By The Numbers

Overview

At this point in time, more S&P 500 companies are beating EPS estimates for the third quarter than average, and beating EPS estimates by a wider margin than average. Due to these positive surprises, the index is reporting higher earnings for the third quarter today relative to the end of last week and relative to the end of the quarter. The index is now reporting the third-highest (year-over-year) growth in earnings since Q2 2010. Analysts also expect earnings growth of more than 20% for the fourth quarter and earnings growth of more than 40% for the full year. 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, 56% of the companies in the S&P 500 have reported actual results for Q3 2021 to date. Of these companies, 82% have reported actual EPS above estimates, which is above the 5-year average of 76%. If 82% is the final percentage for the quarter, it will mark with the fourth-highest percentage of S&P 500 companies reporting a positive earnings surprise since FactSet began tracking this metric in 2008. In aggregate, companies are reporting earnings that are 10.3% above estimates, which is also above the 5-year average of 8.4%.

Due to the number and magnitude of these positive EPS surprises, the index is reporting higher earnings for the third quarter today relative to the end of last week and relative to the end of the third 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 third quarter is 36.6% today, compared to an earnings growth rate of 32.6% last week and an earnings growth rate of 27.4% at the end of the third quarter (September 30). Positive earnings surprises reported by companies in multiple sectors, led by the Health Care, Communication Services, Information Technology, and Energy sectors, were mainly responsible for the improvement in overall earnings for the index during the past week. Positive earnings surprises reported by companies in the Financials, Health Care, Information Technology, Communication Services, and Energy sectors have been the top contributors to the overall increase in earnings for the index since the end of the third quarter.

If 36.6% is the actual growth rate for the quarter, it will mark the third-highest (year-over-year) earnings growth rate reported by the index since Q2 2010, trailing only the previous two quarters. The unusually high growth rate is due to a combination of higher earnings in Q3 2021 and an easier comparison to lower earnings in Q3 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, Materials, Industrials, Information Technology, Financials, and Communication Services sectors.

In terms of revenues, 75% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 67%. In aggregate, companies are reporting revenues that are 1.6% above the estimates, which is also above the 5-year average of 1.4%.

Due to the number and magnitude of these positive revenue surprises, the blended revenue growth rate for the third quarter is higher now relative to the end of last week and relative to the end of the third quarter. As of today, the S&P 500 is reporting year-over-year growth in revenues of 15.8%, compared to year-over-year growth in revenues of 15.3% last week and year-over-year growth in revenues of 14.9% at the end of the third quarter (September 30). Positive revenue surprises reported by companies in multiple sectors, led by the Energy and Health Care sectors, were responsible for the increase in overall revenues for the index over the past week. Positive revenue surprises reported by companies in the Energy, Financials, and Health Care sectors sector have been the largest contributors to the increase in overall revenues for the index since the end of the third quarter.

If 15.8% is the actual growth rate for the quarter, it will mark the second-highest (year-over-year) revenue growth rate reported by the index since FactSet began tracking this metric in 2008, trailing only the previous quarter. All eleven sectors are reporting year-over-year growth in revenues, led by the Energy and Materials sectors.

Looking ahead, analysts project earnings growth of more than 20% for Q4 2021 and more than 40% for CY 2021.

The forward 12-month P/E ratio is 21.1, which is above the 5-year average and above the 10-year average. It is also above the forward P/E ratio of 20.1 at the end of the third quarter (September 30), as price increases have outpaced upward revisions to EPS estimates over the past few weeks.

During the upcoming week, 167 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the third quarter.

Scorecard: More Companies Beating EPS and Sales Estimates vs. 5-Year Averages

Percentage of Companies Beating EPS Estimates (82%) is Near Record-High

Overall, 56% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 82% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 14% 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 (84%) but above the 5-year average (76%).

If 82% is the final percentage for the quarter, it will mark the fourth-highest percentage of S&P 500 companies reporting a positive earnings surprise since FactSet began tracking this metric in 2008. The current record is 87%, which occurred in Q2 2021.

At the sector level, the Real Estate (93%), Communication Services (91%), and Health Care (91%) sectors have the highest percentages of companies reporting earnings above estimates, while the Utilities (50%) and Energy (56%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+10.3%) is Above 5-Year Average

In aggregate, companies are reporting earnings that are 10.3% above expectations. This surprise percentage is below the 1-year average (+18.0%) but above the 5-year average (+8.4%).

The Financials (+18.5%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Goldman Sachs ($14.93 vs. $10.14), Cincinnati Financial ($1.28 vs. $0.87), Hartford Financial Services ($1.26 vs. $0.86), and Travelers Companies ($2.60 vs. $1.83) have reported the largest positive EPS surprises.

The Energy (+15.9%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Phillips 66 ($3.18 vs. $1.90), Chevron ($2.96 vs. $2.20), and Valero Energy ($1.22 vs. $0.92) have reported the largest positive EPS surprises.

The Health Care (+11.8%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Bio-Rad Laboratories ($3.71 vs. $2.44), Gilead Sciences ($2.65 vs. $1.76) and Abbott Laboratories ($1.40 vs. $0.94) have reported the largest positive EPS surprises.

The Communication Services (+10.3%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Interpublic Group of Companies ($0.63 vs. $0.49), Netflix ($3.19 vs. $2.57), and Omnicom Group ($1.65 vs. $1.37) have reported the largest positive EPS surprises.

Market Punishing Negative Earnings Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q3 2021 have seen an average price increase of +0.9% two days before the earnings release through two days after the earnings release. This percentage increase is slightly 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 Q3 2021 have seen an average price decrease of -3.1% two days before the earnings release through two days after the earnings. This percentage decrease is larger than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (75%) is Above 5-Year Average

In terms of revenues, 75% of companies have reported actual revenues above estimated revenues and 25% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (80%) but above the 5-year average (67%).

At the sector level, the Real Estate (87%), Consumer Staples (84%), and Utilities (83%) sectors have the highest percentages of companies reporting revenues above estimates, while the Communication Services (55%) and Consumer Discretionary (56%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.6%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 1.6% above expectations. This surprise percentage is below the 1-year average (+3.5%) but above the 5-year average (+1.4%).

At the sector level, the Energy (+8.0%) sector is reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Consumer Discretionary (-2.3%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings Growth Rate This Week Due to Multiple Sectors

Increase in Blended Earnings Growth Rate This Week Due to Multiple Sectors

The blended (year-over-year) earnings growth rate for the third quarter is 36.6%, which is larger than the earnings growth rate of 32.6% last week. Positive earnings surprises reported by companies in multiple sectors, led by the Health Care, Communication Services, Information Technology, and Energy sectors, were responsible for the increase in the overall earnings growth rate for the index during the week.

In the Health Care sector, the positive EPS surprises reported by Gilead Sciences ($2.65 vs. $1.76), Merck ($1.75 vs. $1.55), and Thermo Fisher Scientific ($5.76 vs. $4.68) 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 24.2% from 19.5% over this period.

In the Communication Services sector, the positive EPS surprises reported by Alphabet ($27.99 vs. $23.83) and Comcast ($0.87 vs. $0.75) 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 Communication Services sector increased to 33.8% from 26.1% over this period.

In the Information Technology sector, the positive EPS surprise reported by Microsoft ($2.27 vs. $2.08) was a significant 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 35.1% from 32.1% over this period.

In the Energy sector, the positive EPS surprises reported by Chevron ($2.96 vs. $2.20) and Phillips 66 ($3.18 vs. $1.90) were substantial contributors to the increase in the earnings growth rate for the index during the week. As a result, aggregate earnings for the Energy sector for Q3 increased to $23.6 billion from $21.5 billion over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Ford Motor ($0.51 vs. $0.27) and General Motors ($1.52 vs. $0.98) were mostly offset by the negative EPS surprise reported by Amazon.com ($6.12 vs. $8.90). As a result, the sector was not a significant contributor to the increase in the earnings growth rate for the index during the week.

Increase in Blended Revenue Growth This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the third quarter is 15.8%, which is larger than the revenue growth rate of 15.3% last week. Positive revenue surprises reported by companies in multiple sectors, led by the Energy and Health Care sectors, were responsible for the increase in the overall revenue growth rate during the past week.

Financials Sector Has Seen Largest Increase in Earnings since September 30

The blended (year-over-year) earnings growth rate for Q3 2021 of 36.6% is larger than the estimate of 27.4% at the end of the third quarter (September 30). Nine 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 35.0% from 16.8%), Communication Services (to 33.8% from 22.9%), and Health Care (to 24.2% from 16.0%) sectors. The Financials, Health Care, Information Technology, Communication Services, and Energy sectors have been the largest contributors to the increase in the earnings growth rate for the index during this period.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase ($3.74 vs. $3.00), Goldman Sachs ($14.93 vs. $10.14), Bank of America ($0.85 vs. $0.71), Capital One Financial ($6.86 vs. $5.28), Citigroup ($2.15 vs. $1.71), Morgan Stanley ($2.04 vs. $1.69), and Wells Fargo ($1.17 vs. $1.00) have been substantial contributors to the increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Financials sector has increased to 35.0% from 16.8% over this period.

In the Health Care sector, the positive EPS surprises reported by Gilead Sciences ($2.65 vs. $1.76), Abbott Laboratories ($1.40 vs. $0.94) and Johnson & Johnson ($2.60 vs. $2.35) have been significant contributors to the increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Health Care sector has increased to 24.2% from 16.0% over this period.

In the Information Technology sector, the positive EPS surprises reported by Intel ($1.71 vs. $1.11) and Microsoft ($2.27 vs. $2.08) have been substantial contributors to the increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Information Technology sector has increased to 35.1% from 28.5% over this period.

In the Communication Services sector, the positive EPS surprise reported by Alphabet ($27.99 vs. $23.83) has been a significant contributor to the increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Communication Services sector has increased to 33.8% from 22.9% over this period.

In the Energy sector, the positive EPS surprises reported by Chevron ($2.96 vs. $2.20) and Phillips 66 ($3.18 vs. $1.90) and the upward revisions to estimates for Exxon Mobil have been substantial contributors to the increase in the earnings growth rate for the index since September 30. As a result, aggregate earnings for the Energy sector for Q3 have increased to $23.6 billion from $20.0 billion over this period.

Energy Sector Has Seen Largest Increase in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2021 of 15.8% is larger than the estimate of 14.9% at the end of the third quarter (September 30). Seven sectors have recorded an increase in their revenue growth rate since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Energy (to 61.5% from 53.1%) sector. Three sectors have recorded a decrease in their revenue growth rates since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Consumer Discretionary (to 9.5% from 12.2%) sector. The Information Technology (18.8%) sector has the same revenue growth rate today relative to September 30.

Earnings Growth: 36.6%

The blended (year-over-year) earnings growth rate for Q3 2021 is 36.6%, which is well above the 5-year average earnings growth rate of 11.8%. If 36.6% is the actual growth rate for the quarter, it will mark the third-highest year-over-year earnings growth rate reported by the index since Q2 2010 (41.5%). The unusually high growth rate is due to a combination of higher earnings in Q3 2021 and an easier comparison to lower earnings in Q3 2020 due to the negative impact of COVID-19 on a number of industries.

Companies with more international revenue exposure are reporting higher earnings growth than companies with more domestic revenue exposure. For companies that generate more than 50% of sales inside the U.S., the blended earnings growth rate is 28.8%. For companies that generate more than 50% of sales outside the U.S., the blended earnings growth rate is 50.9%.

All eleven sectors are reporting year-over-year earnings growth, led by the Energy, Materials, Industrials, Information Technology, Financials, and Communication Services sectors.

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

The Energy sector is reporting earnings of $23.6 billion for Q3 2021 compared to a loss of -$1.5 billion in Q3 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 Q3 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 Q3 2021 ($70.52) was 72% above the average price for oil in Q3 2020 ($40.92). At the sub-industry level, all five sub-industries in the sector are reporting 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 reporting profits in Q3 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 (159%) and the Oil & Gas Storage & Transportation (11%) sub-industries. At the company level, Exxon Mobil and Chevron are the largest contributors to the year-over-year improvement in earnings for the sector. Combined, these two companies account for $13.0 billion of the $25.1 billion year-over-year increase in earnings for the sector.

Materials: 2 of 4 Industries Reporting Year-over-Year Growth Above 85%.

The Materials sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 90.2%. At the industry level, two of the four industries in this sector are reporting year-over-year earnings growth above 85%: Metals & Mining (197%) and Chemicals (87%). On the other hand, the only industry expected to report a year-over-year decline in earnings is the Construction Materials (-3%) industry. At the company level, Nucor, Dow, and LyondellBasell Industries are the largest contributors to year-over-year earnings growth for the sector. If these three companies were excluded, the blended earnings growth rate for the Materials sector would fall to 36.4% from 90.2%.

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 67.9%. 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 much smaller loss in Q3 2021 (-$731 million) relative to Q3 2020 (-$8.9 billion). Six of the remaining eleven industries are reporting (or are expected to report) earnings growth at or above 15%: Machinery (28%), Road & Rail (22%), Electrical Equipment (21%), Trading Companies & Distributors (19%), Commercial Services & Supplies (15%), and Air Freight & Logistics (15%). 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 17.1% from 67.9%.

Information Technology: Apple Is Largest Contributor to Year-Over-Year Growth

The Information Technology sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 35.1%. At the industry level, all six industries in this sector are reporting year-over-year growth in earnings. Five of these six industries are reporting double-digit earnings growth: Technology Hardware, Storage, & Peripherals (65%), Semiconductors & Semiconductor Equipment (53%), Electronic Equipment, Instruments, & Components (25%), IT Services (21%), and Software (14%). At the company level, Apple is the largest contributor to year-over-year earnings growth. If this company were excluded, the blended earnings growth rate for the Information Technology sector would fall to 28.9% from 35.1%.

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

The Financials sector is reporting the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 35.0%. At the industry level, four of the five industries in this sector are reporting (or are expected to report) year-over-year earnings growth above 25%: Consumer Finance (56%), Banks (44%), Capital Markets (43%), and Diversified Financial Services (24%). On the other hand, the only industry reporting a year-over-year decline in earnings is the Insurance (-3%) industry. The Banks industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Financials sector would fall to 27.7% from 35.0%.

Communication Services: Interactive Media & Services Industry Leads Year-Over-Year Growth

The Communication Services sector is reporting the fifth-highest (year-over-year) earnings growth rate of all eleven sectors at 33.8%. At the industry level, four industries in this sector are reporting double-digit (year-over-year) growth in earnings: Entertainment (408%), Interactive & Media Services (44%), Media (19%), and Diversified Telecommunication Services (13%). The only industry reporting a year-over-year decline in the earnings is the Wireless Telecommunication Services (-51%) industry. The Interactive Media & Services industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Communication Services sector would fall to 24.6% from 33.8%.

Revenue Growth: 15.8%

The blended (year-over-year) revenue growth rate for Q3 2021 is 15.8%, which is above the 5-year average revenue growth rate of 5.8%. If 15.8% is the actual growth rate for the quarter, it will mark the second-highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008. The current record is 25.3%, which occurred in Q2 2021.

Companies with more international revenue exposure are reporting higher revenue growth than companies with more domestic revenue exposure. For companies that generate more than 50% of sales inside the U.S., the blended revenue growth rate is 12.4%. For companies that generate more than 50% of sales outside the U.S., the blended revenue growth rate is 25.7%.

All eleven sectors are reporting year-over-year growth in revenues, led by the Energy and Materials sectors.

Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Growth Above 45%

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 61.5%. 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 Q3 2021 ($70.52) was 72% above the average price for oil in Q3 2020 ($40.92). At the sub-industry level, all five sub-industries in the sector are reporting (or are projected to report) double-digit (year-over-year) growth in revenues: Oil & Gas Exploration & Production (122%), Integrated Oil & Gas (67%), Oil & Gas Refining & Marketing (49%), Oil & Gas Storage & Transportation (37%), and Oil & Gas Equipment & Services (11%).

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 31.2%. At the industry level, all four industries in this sector are reporting (or are predicted to report) double-digit (year-over-year) growth in revenues: Metals & Mining (61%), Chemicals (32%), Construction Materials (13%), and Containers & Packaging (13%).

Net Profit Margin: 12.8%

The blended (combines actual results for companies that have reported and estimated results for companies yet to report) net profit margin for the S&P 500 for Q3 2021 is 12.8%, which is above the 5-year average of 10.9% and the year-ago net profit margin of 10.9%, but below the previous quarter's record-high net profit margin of 13.1%.

If 12.8% is the actual net profit margin for the quarter, it will tie the mark with Q1 2021 for the second-highest net profit margin reported by the index since FactSet began tracking this metric in 2008. The current record is 13.1%, which occurred in Q2 2021.

At the sector level, eight sectors are reporting a year-over-year increase in their net profit margins in Q3 2021 compared to Q3 2020, led by the Energy (9.2% vs. N/A) and Materials (13.7% vs. 9.5%) sectors. All eleven sectors are reporting net profit margins in Q3 2021 that are above their 5-year averages, led by the Energy (9.2% vs. 4.9%), Materials (13.7% vs. 9.5%), and Utilities (16.9% vs. 12.9%) sectors.

Looking Ahead: Forward Estimates and Valuation

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

At this point in time, 40 companies in the index have issued EPS guidance for Q4 2021. Of these 40 companies, 25 have issued negative EPS guidance and 15 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 63% (25 out of 40), which is above the 5-year average of 61%.

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 44% for CY 2021

For the third quarter, S&P 500 companies are reporting earnings growth of 36.6% and revenue growth of 15.8%.

For Q4 2021, analysts are projecting earnings growth of 21.6% and revenue growth of 11.9%.

For CY 2021, analysts are projecting earnings growth of 44.4% and revenue growth of 15.2%.

For Q1 2022, analysts are projecting earnings growth of 5.8% and revenue growth of 8.6%.

For CY 2022, analysts are projecting earnings growth of 8.6% and revenue growth of 6.9%.

Valuation: Forward P/E Ratio is 21.1, Above the 10-Year Average (16.5)

The forward 12-month P/E ratio is 21.1. This P/E ratio is above the 5-year average of 18.3 and above the 10-year average of 16.5. It is also above the forward 12-month P/E ratio of 20.1 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has increased by 6.7%, while the forward 12-month EPS estimate has increased by 1.5%. At the sector level, the Consumer Discretionary (30.9) and Information Technology (26.6) sectors have the highest forward 12-month P/E ratios, while the Energy (12.8) and Financials (15.1) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 27.0, which is above the 5-year average of 22.8 and above the 10-year average of 19.7.

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

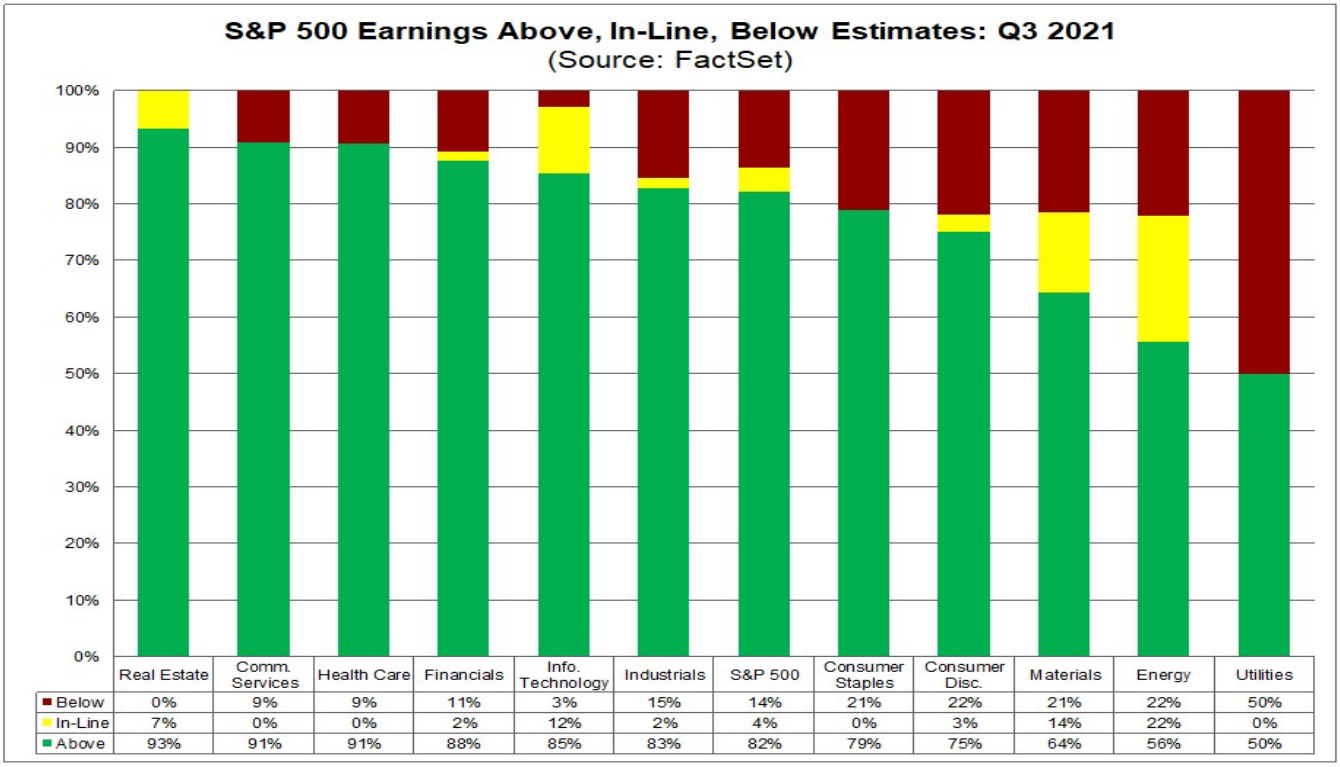
The bottom-up target price for the S&P 500 is 5120.51, which is 11.4% above the closing price of 4596.42. At the sector level, the Communication Services (19.1%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Real Estate (+5.7%) 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 10,626 ratings on stocks in the S&P 500. Of these 10,626 ratings, 56.6% are Buy ratings, 37.4% are Hold ratings, and 6.1% are Sell ratings. At the sector level, the Energy (65%), Communication Services (63%), Health Care (62%), and Information Technology (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (42%) sector has the lowest percentage of Buy ratings.

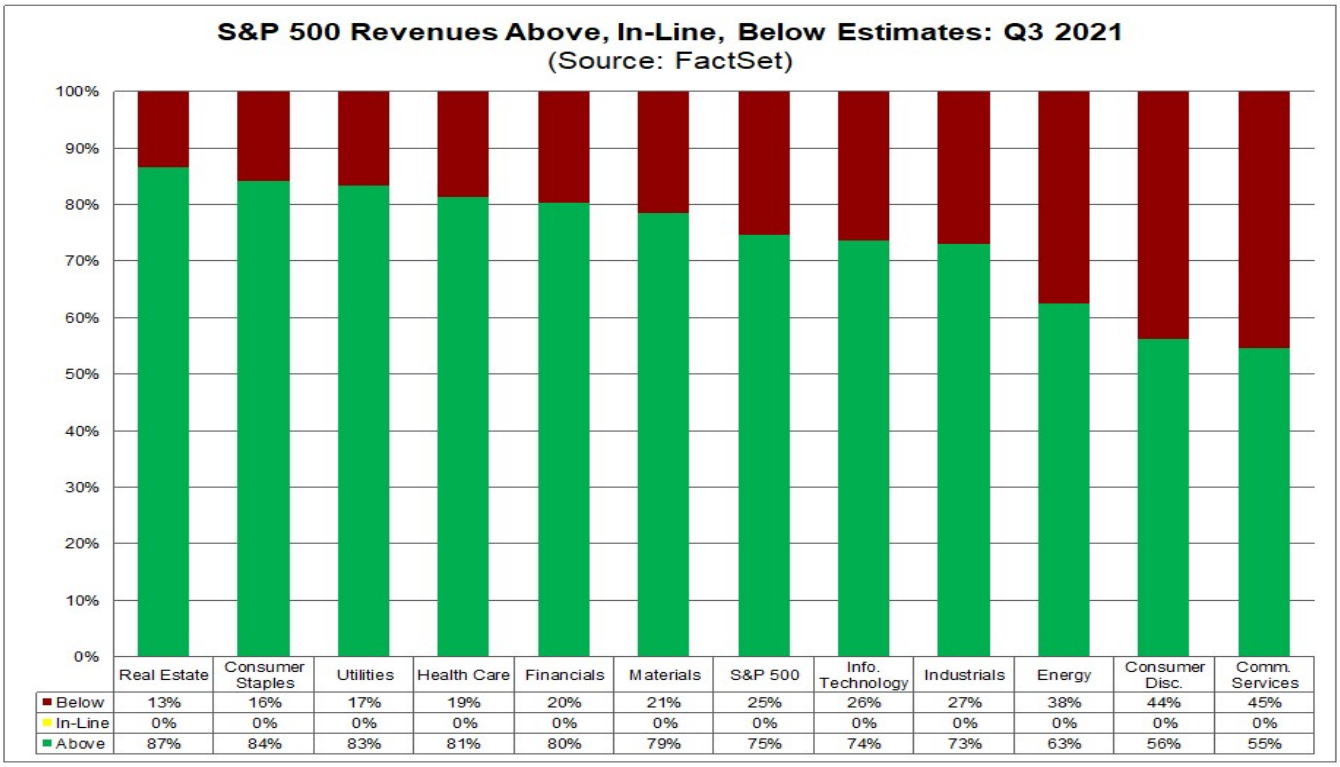
Companies Reporting Next Week: 167

During the upcoming week, 167 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the third quarter.

Q3 2021: Scorecard

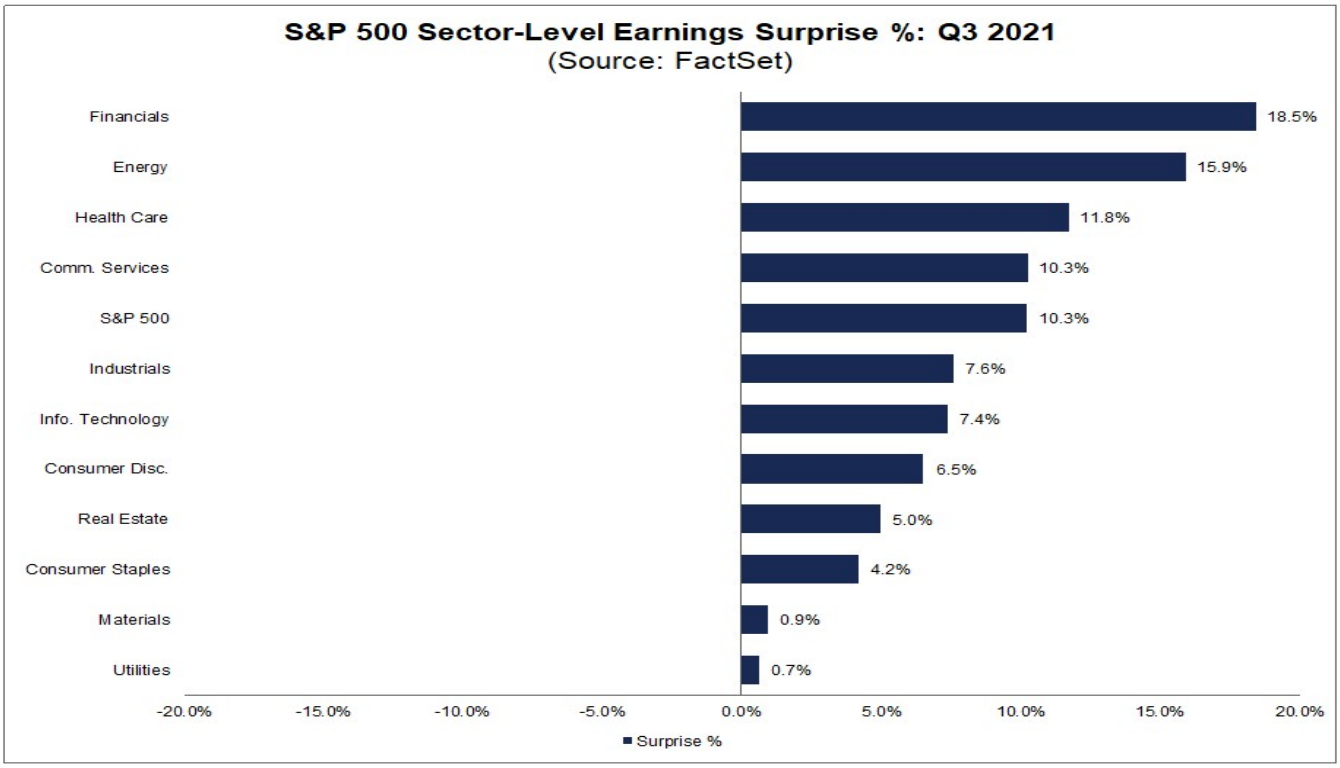


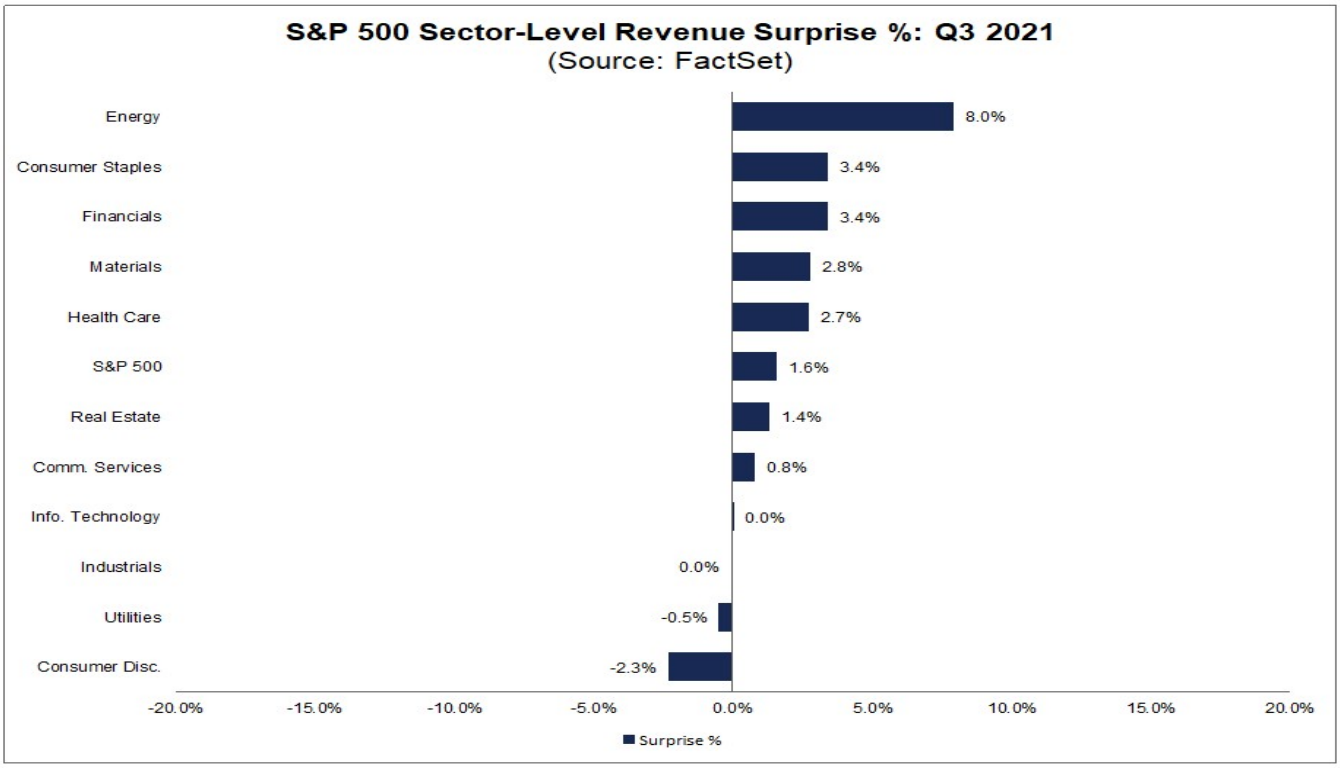
	Real Estate	Comm. Services	Health Care	Financials	Info. Technology	Industrials	S&P 500	Consumer Staples	Consumer Disc.	Materials	Energy	Utilities
Below	0%	9%	9%	11%	3%	15%	14%	21%	22%	21%	22%	50%
In-Line	7%	0%	0%	2%	12%	2%	4%	0%	3%	14%	22%	0%
Above	93%	91%	91%	88%	85%	83%	82%	79%	75%	64%	56%	50%



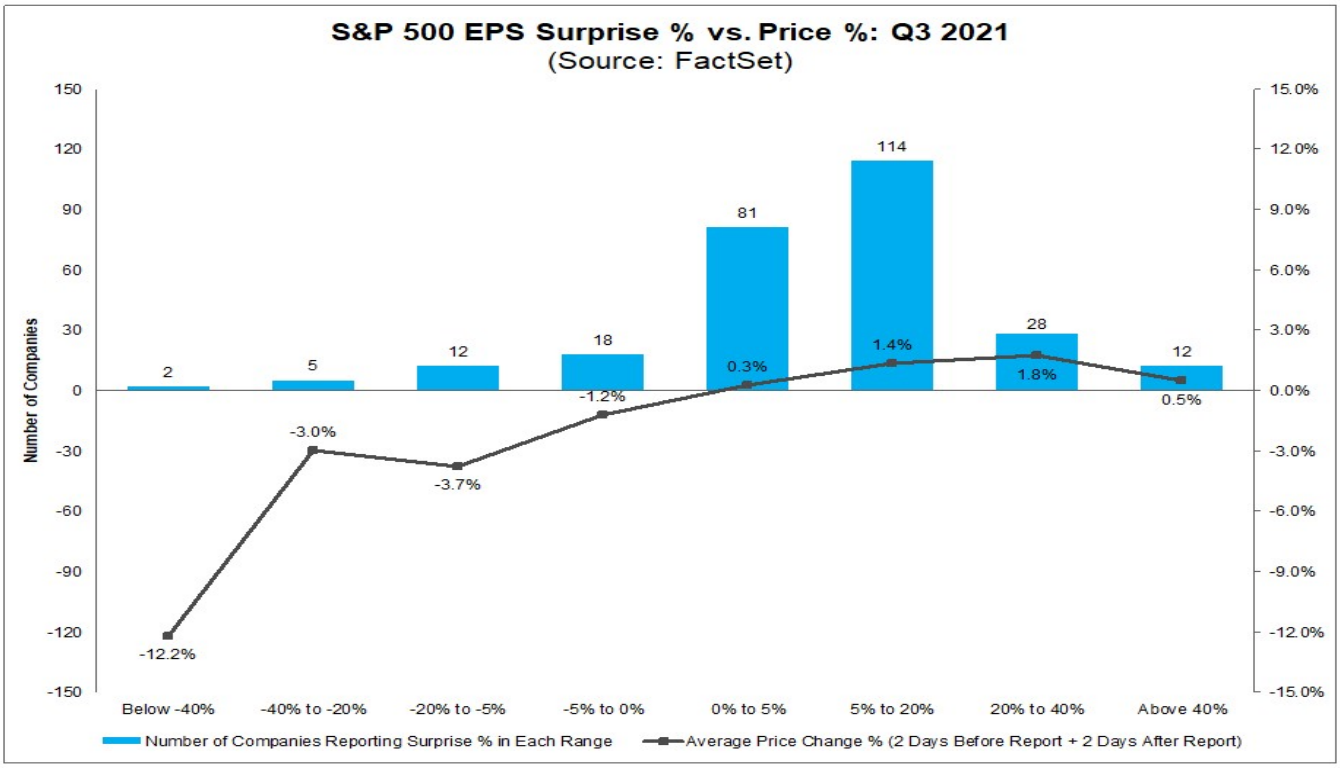
	Real Estate	Consumer Staples	Utilities	Health Care	Financials	Materials	S&P 500	Info. Technology	Industrials	Energy	Consumer Disc.	Comm. Services
Below	13%	16%	17%	19%	20%	21%	25%	26%	27%	38%	44%	45%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	87%	84%	83%	81%	80%	79%	75%	74%	73%	63%	56%	55%

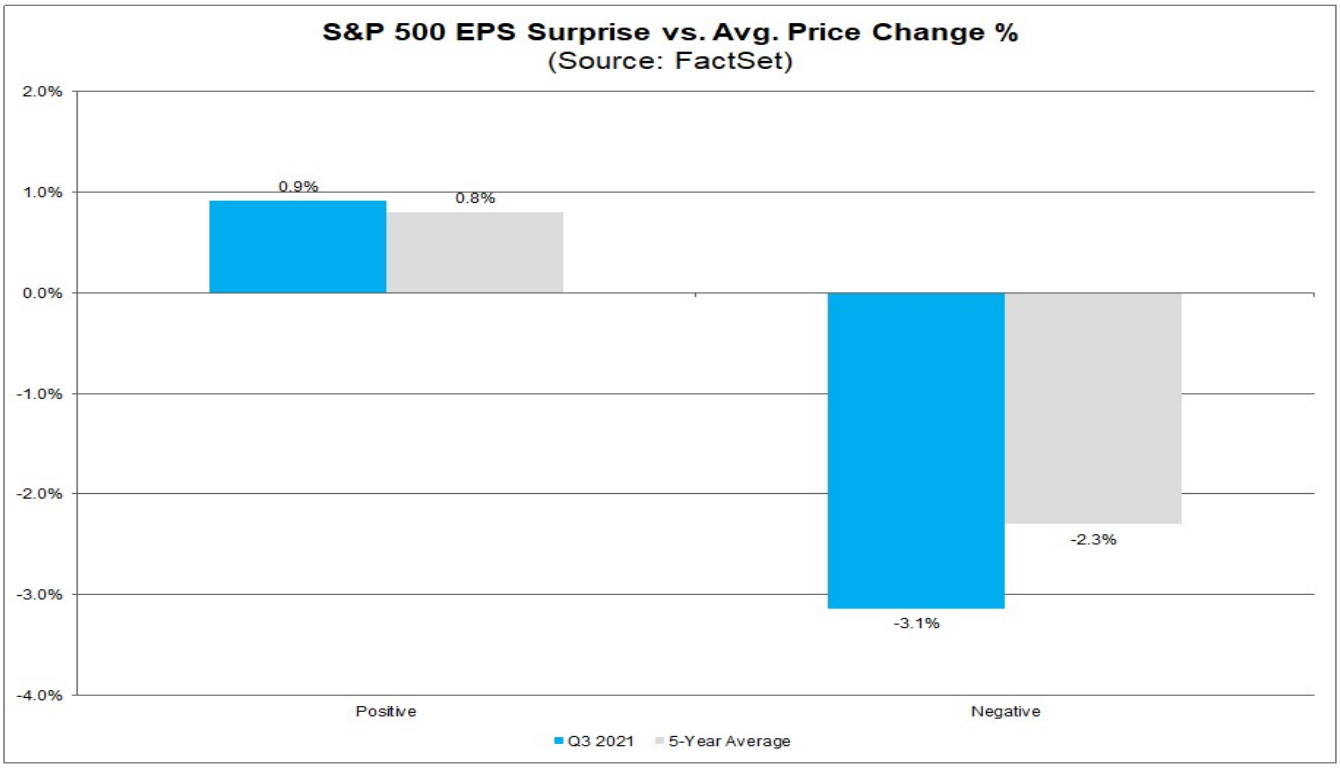
Q3 2021: Scorecard



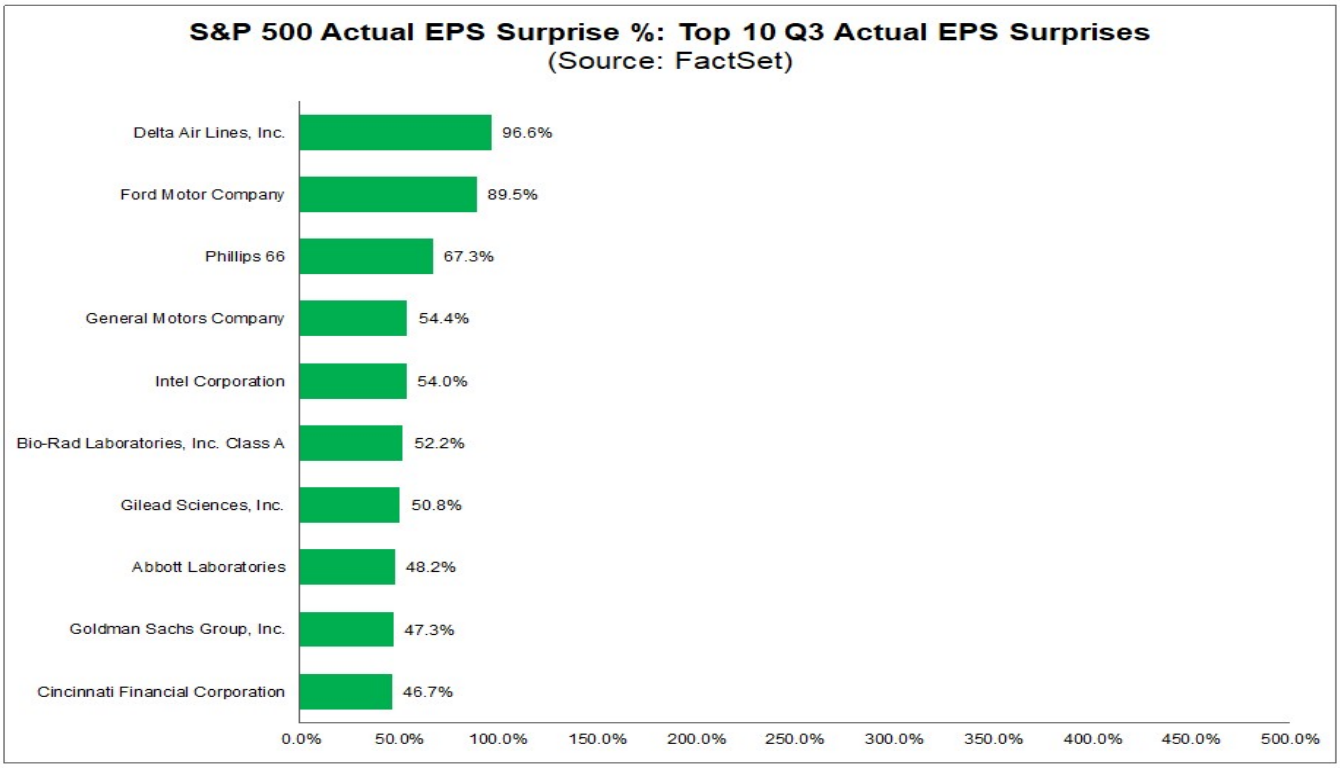


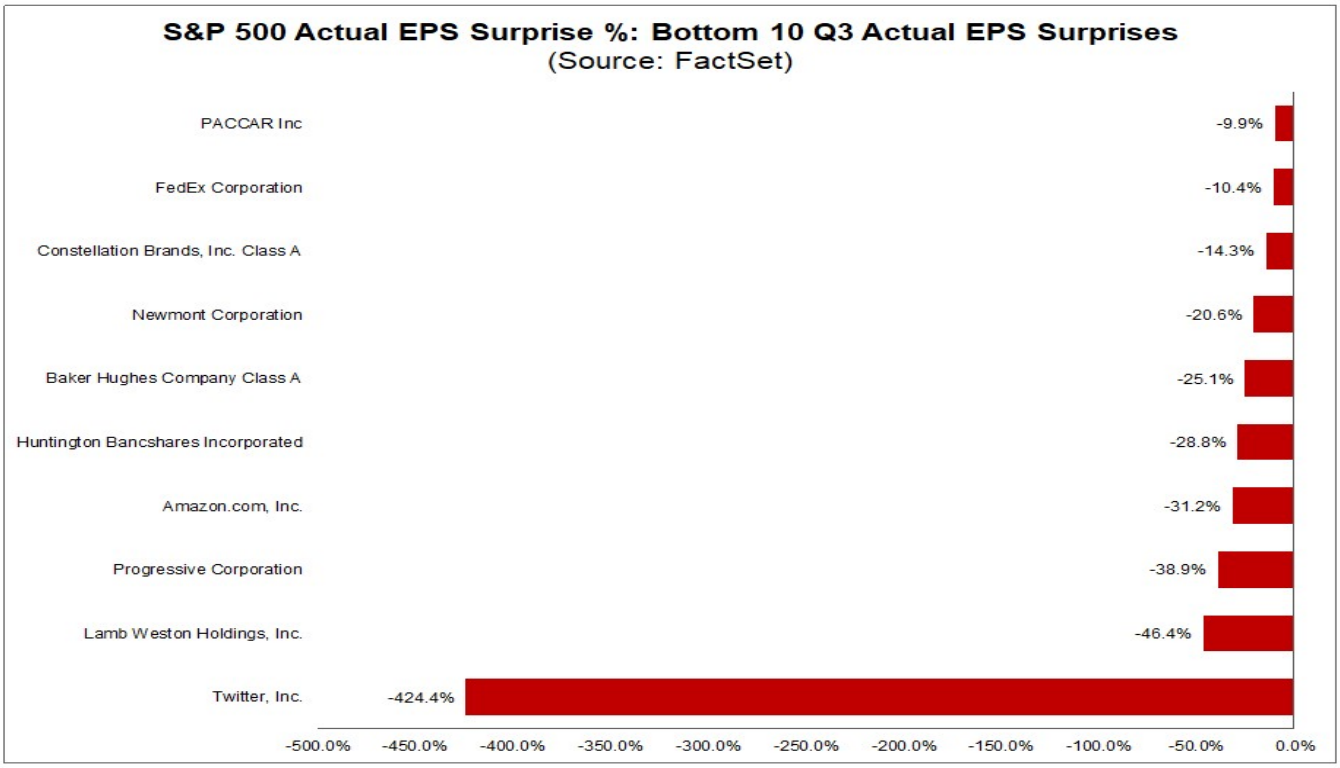
Q3 2021: Scorecard



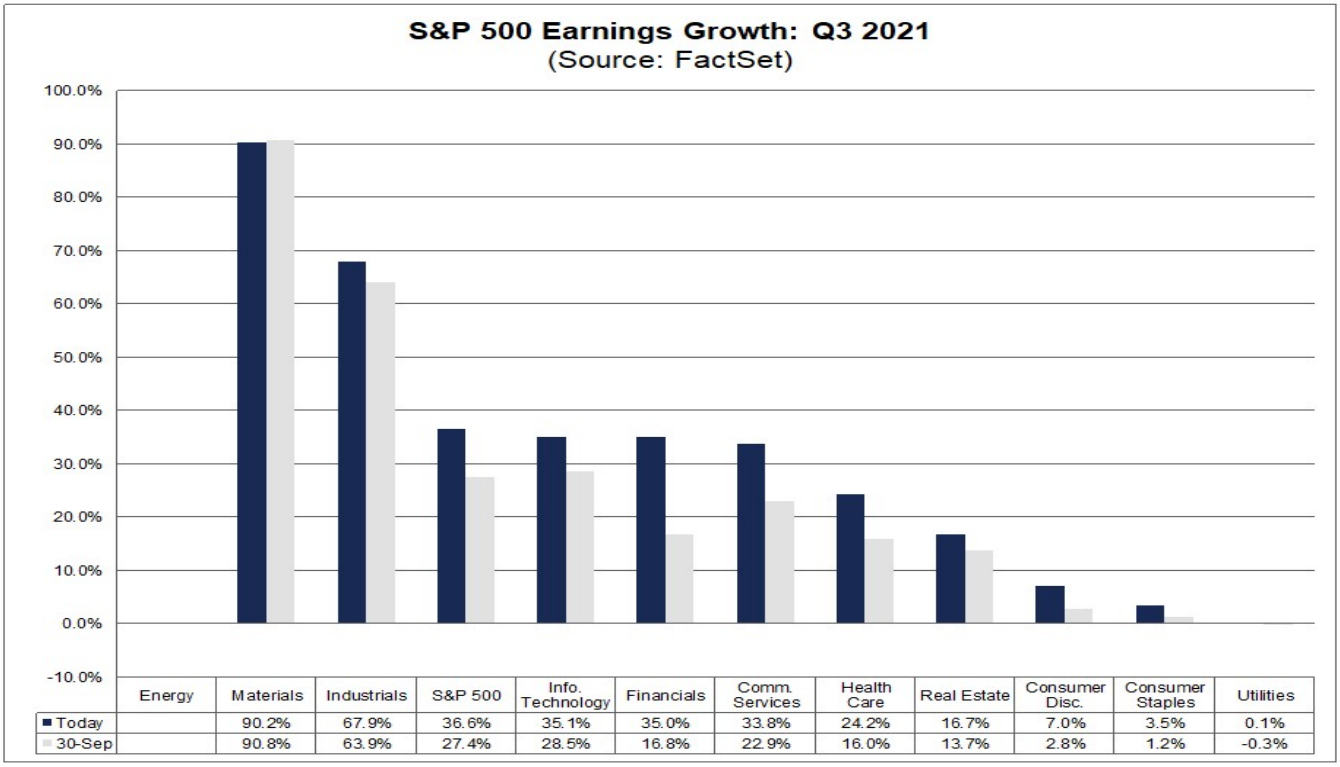


Q3 2021: Scorecard

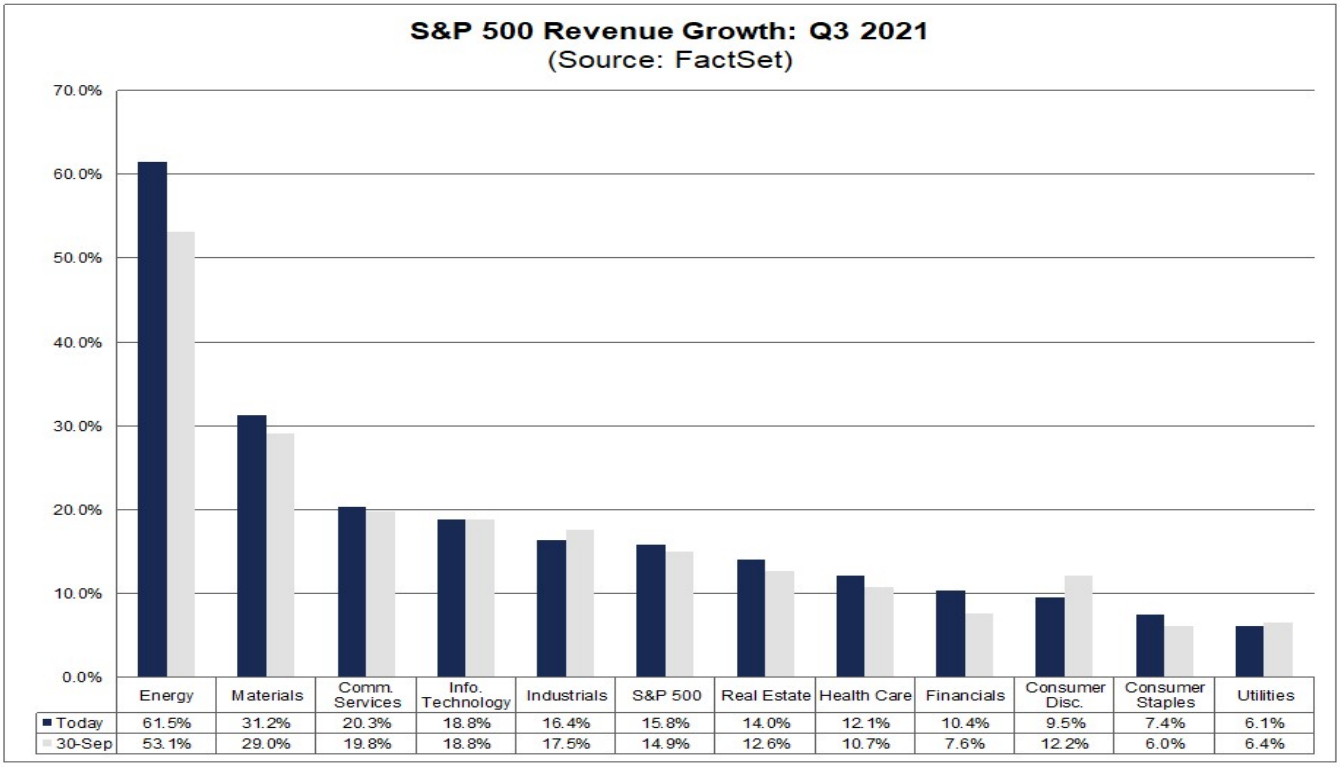




Q3 2021: Growth

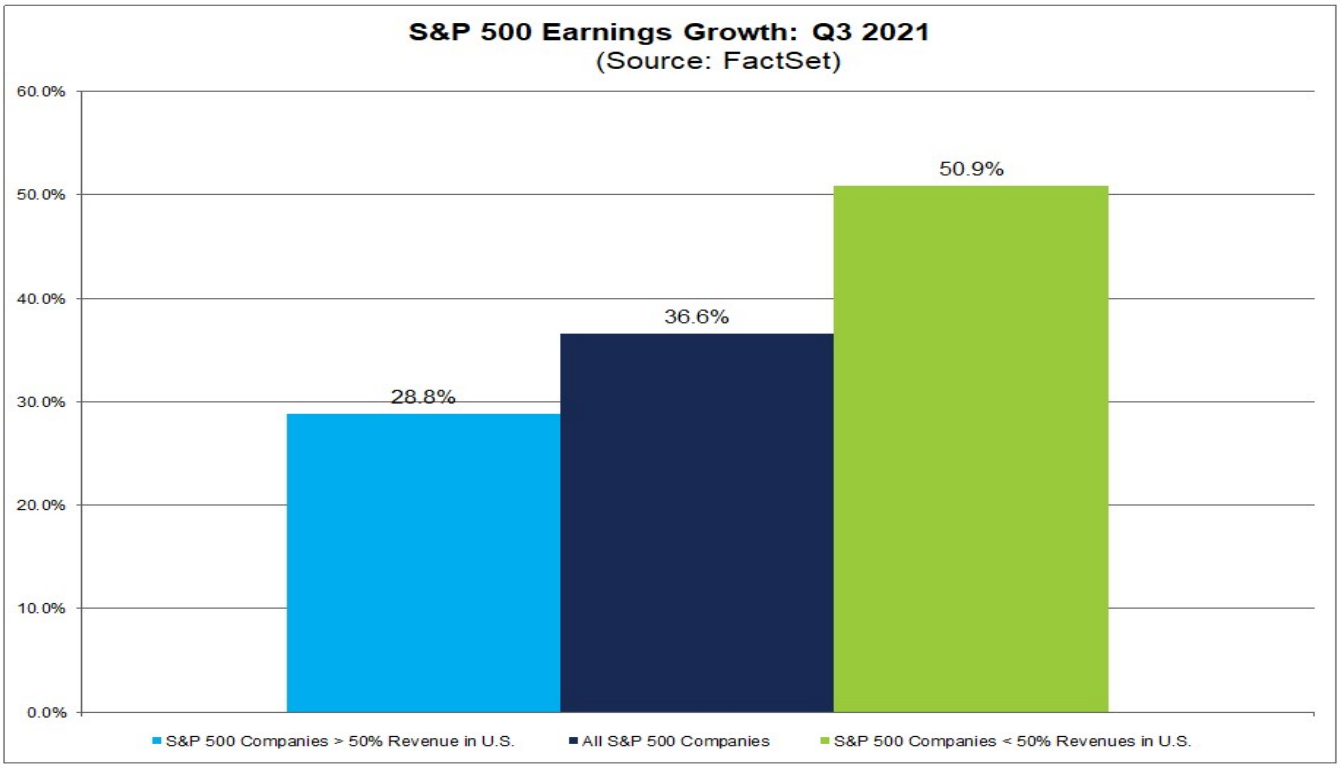


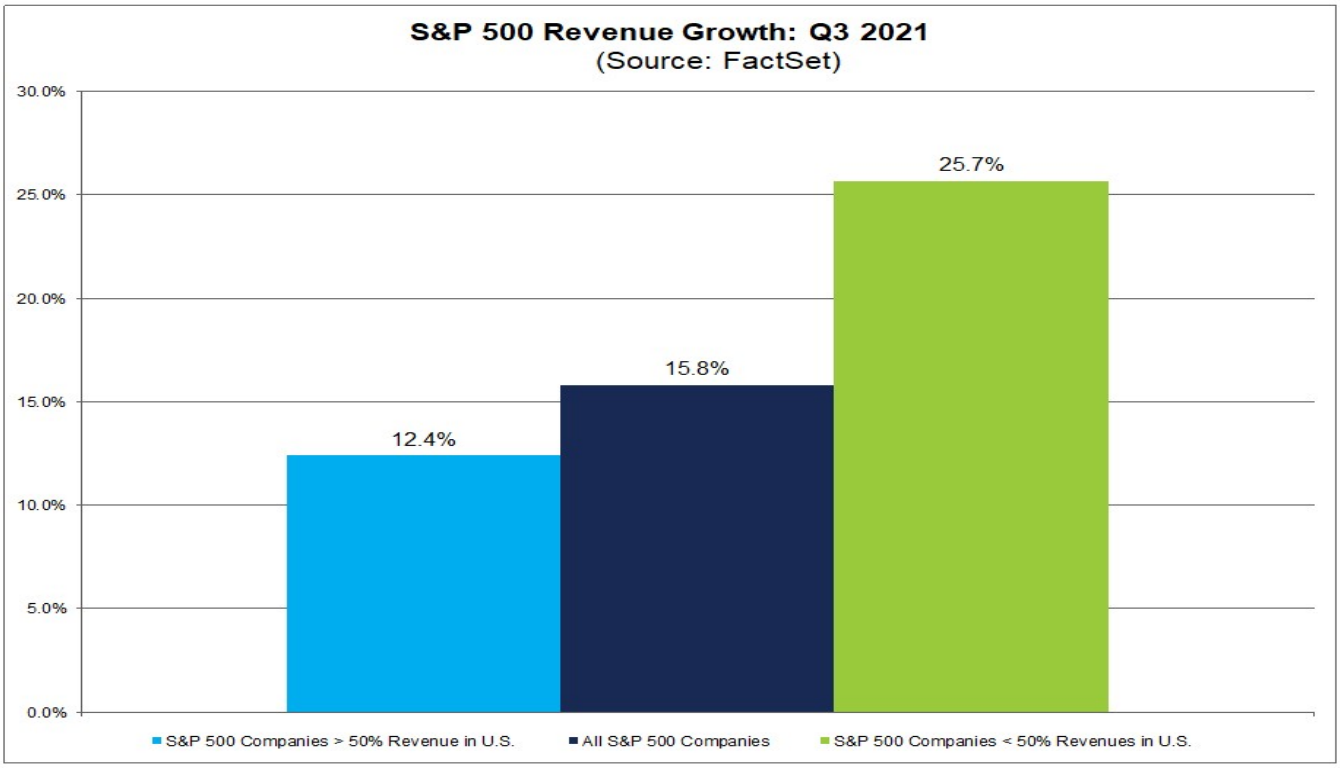
	Energy	Materials	Industrials	S&P 500	Info. Technology	Financials	Comm. Services	Health Care	Real Estate	Consumer Disc.	Consumer Staples	Utilities
Today		90.2%	67.9%	36.6%	35.1%	35.0%	33.8%	24.2%	16.7%	7.0%	3.5%	0.1%
30-Sep		90.8%	63.9%	27.4%	28.5%	16.8%	22.9%	16.0%	13.7%	2.8%	1.2%	-0.3%



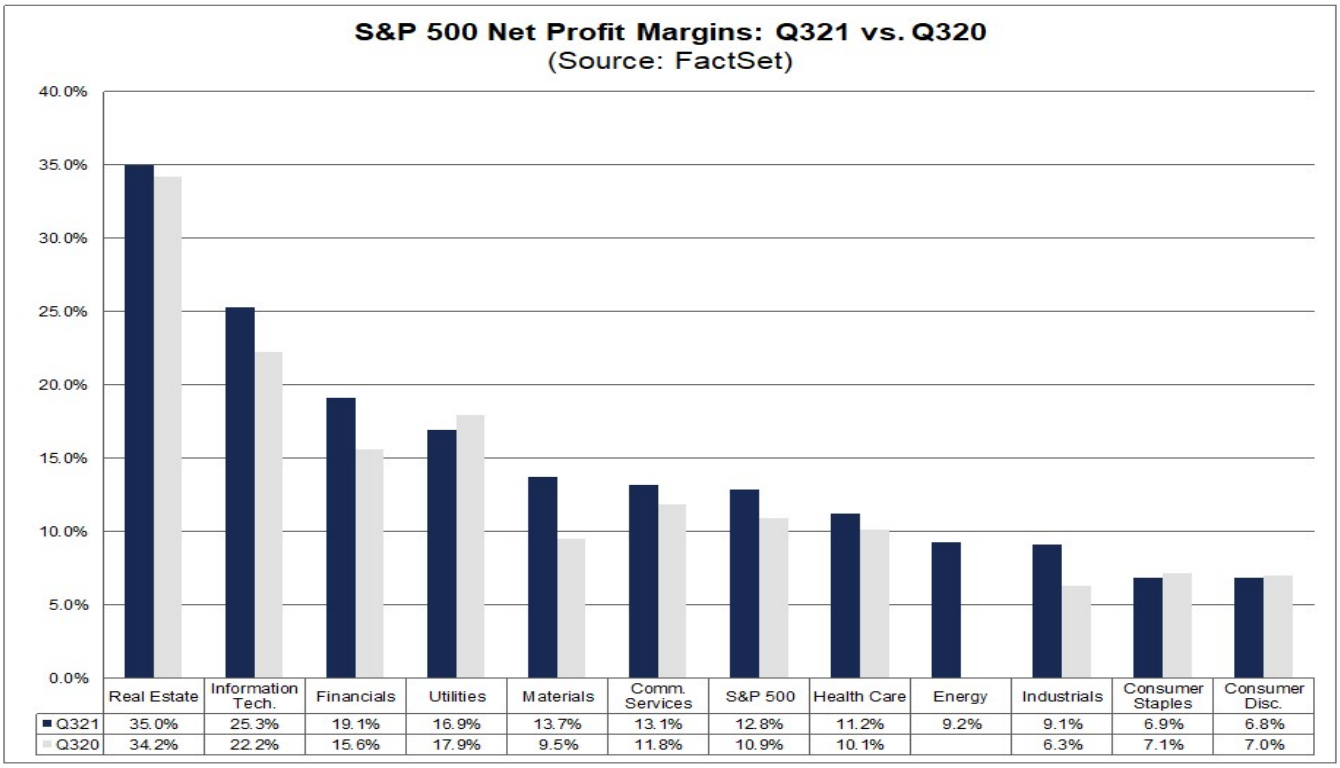
	Energy	Materials	Comm. Services	Info. Technology	Industrials	S&P 500	Real Estate	Health Care	Financials	Consumer Disc.	Consumer Staples	Utilities
Today	61.5%	31.2%	20.3%	18.8%	16.4%	15.8%	14.0%	12.1%	10.4%	9.5%	7.4%	6.1%
30-Sep	53.1%	29.0%	19.8%	18.8%	17.5%	14.9%	12.6%	10.7%	7.6%	12.2%	6.0%	6.4%

Q3 2021: Growth

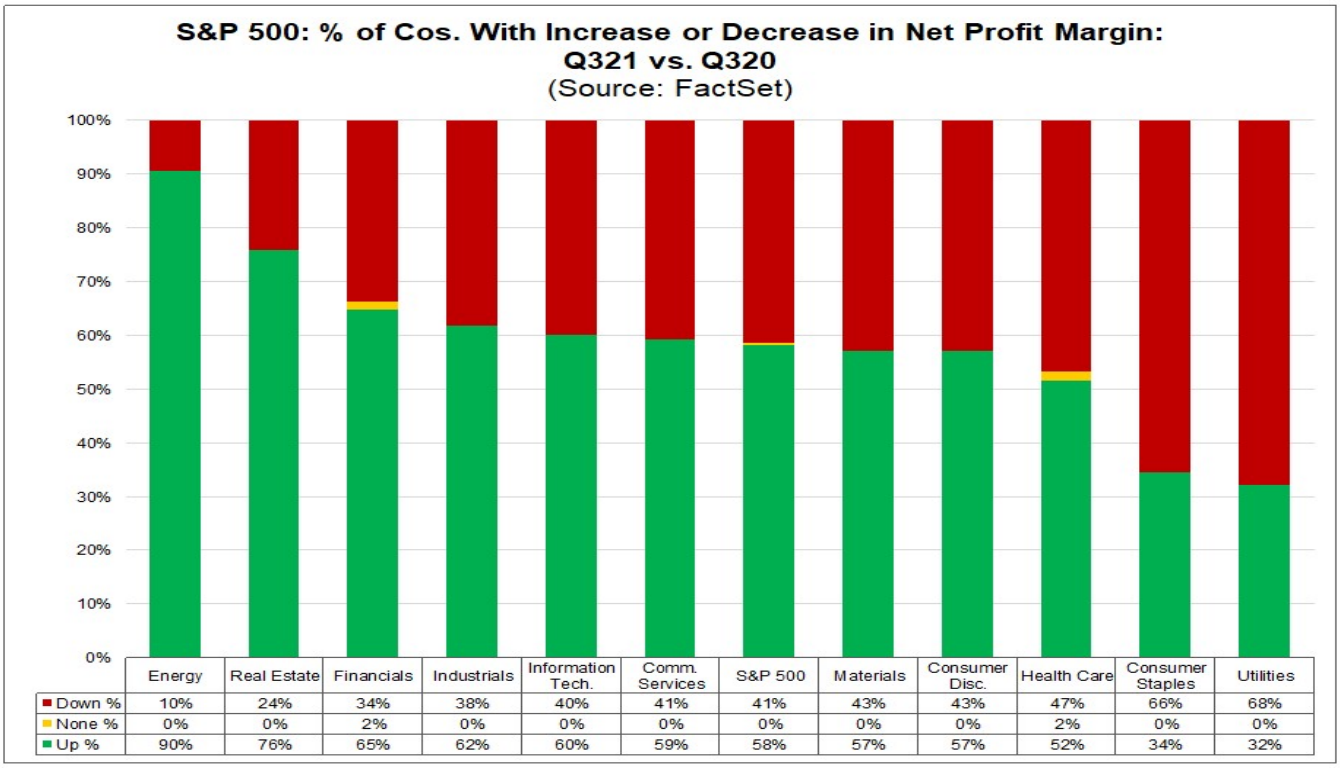




Q3 2021: Net Profit Margin

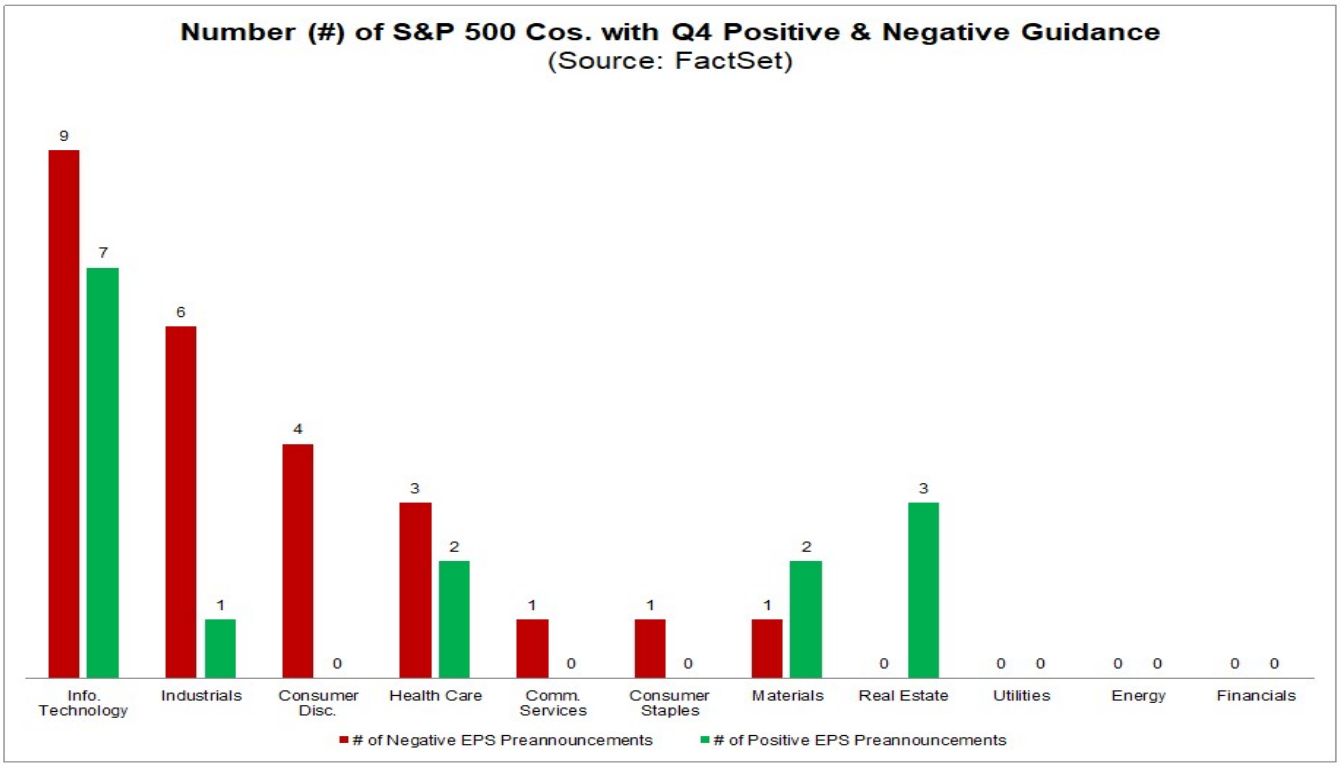


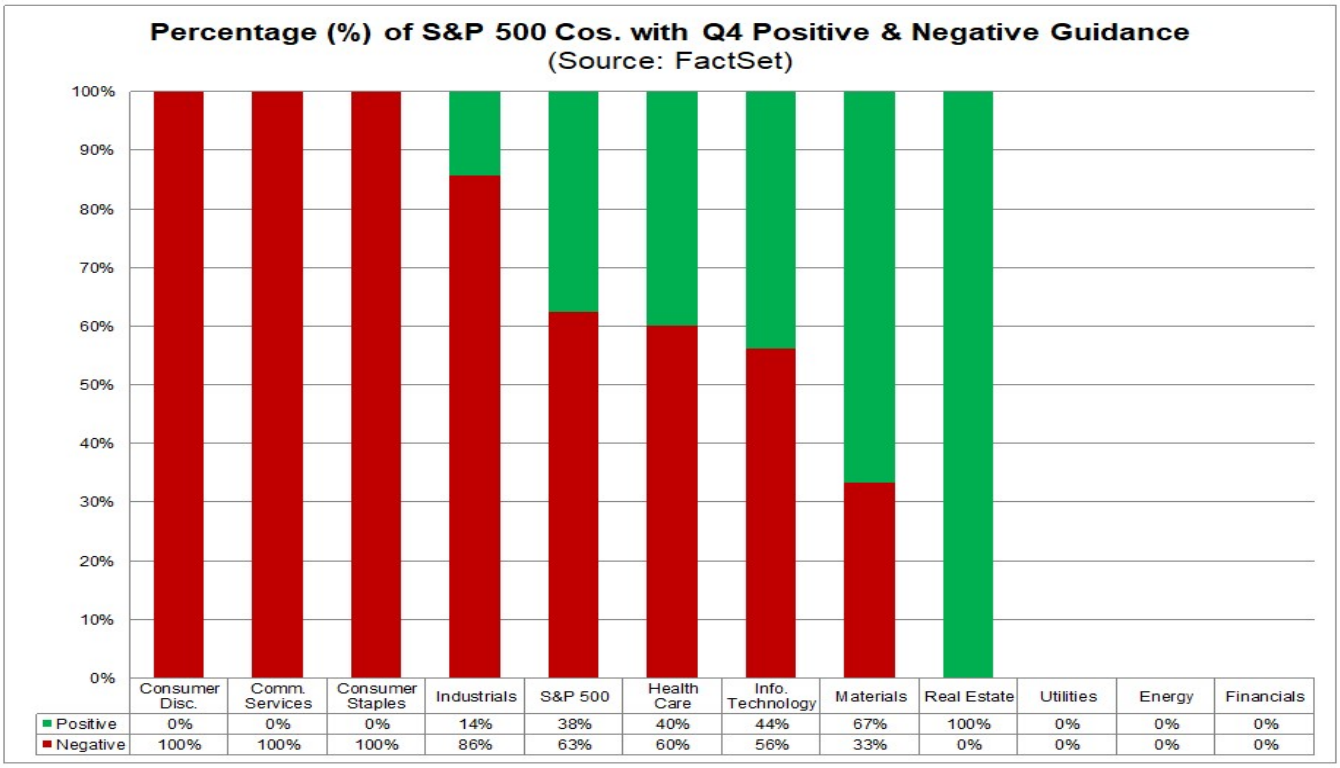
	Real Estate	Information Tech.	Financials	Utilities	Materials	Comm. Services	S&P 500	Health Care	Energy	Industrials	Consumer Staples	Consumer Disc.
Q321	35.0%	25.3%	19.1%	16.9%	13.7%	13.1%	12.8%	11.2%	9.2%	9.1%	6.9%	6.8%
Q320	34.2%	22.2%	15.6%	17.9%	9.5%	11.8%	10.9%	10.1%		6.3%	7.1%	7.0%



	Energy	Real Estate	Financials	Industrials	Information Tech.	Comm. Services	S&P 500	Materials	Consumer Disc.	Health Care	Consumer Staples	Utilities
Down %	10%	24%	34%	38%	40%	41%	41%	43%	43%	47%	66%	68%
None %	0%	0%	2%	0%	0%	0%	0%	0%	0%	2%	0%	0%
Up %	90%	76%	65%	62%	60%	59%	58%	57%	57%	52%	34%	32%

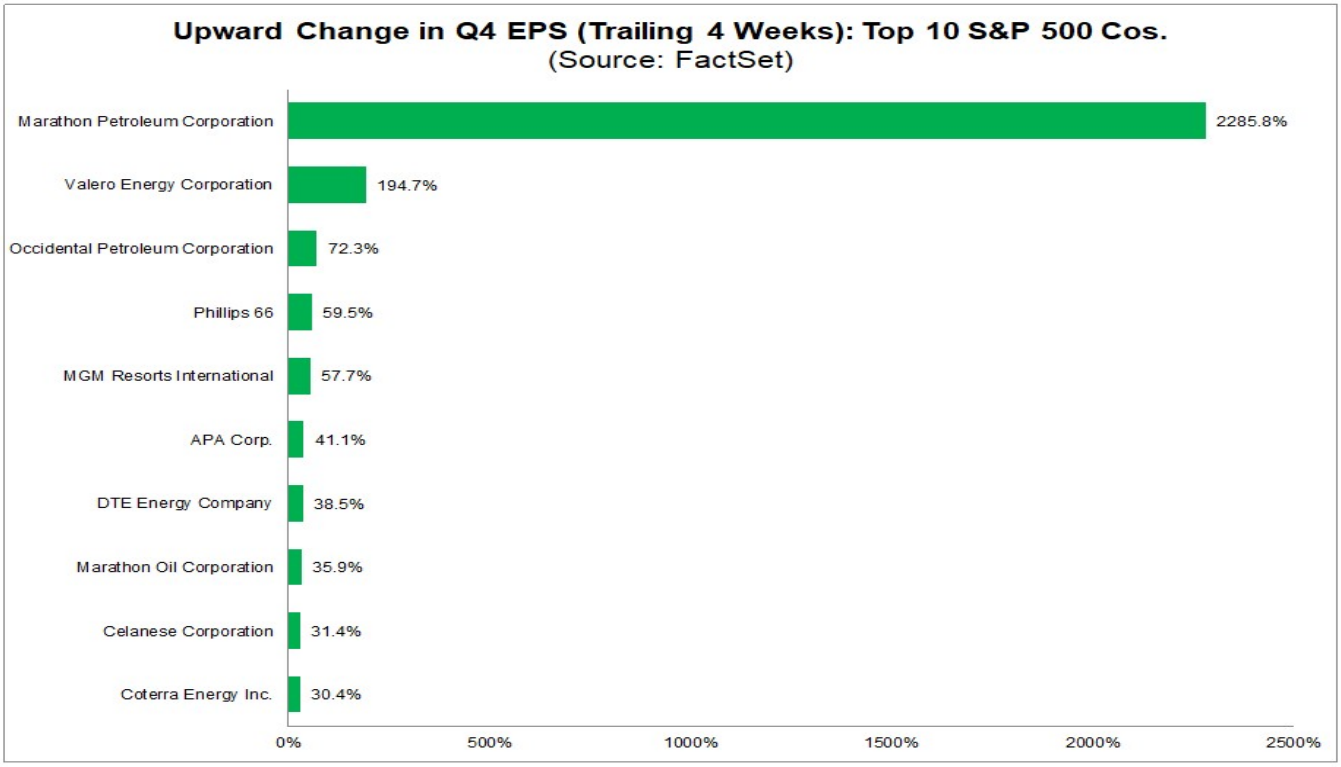
Q4 2021: EPS Guidance

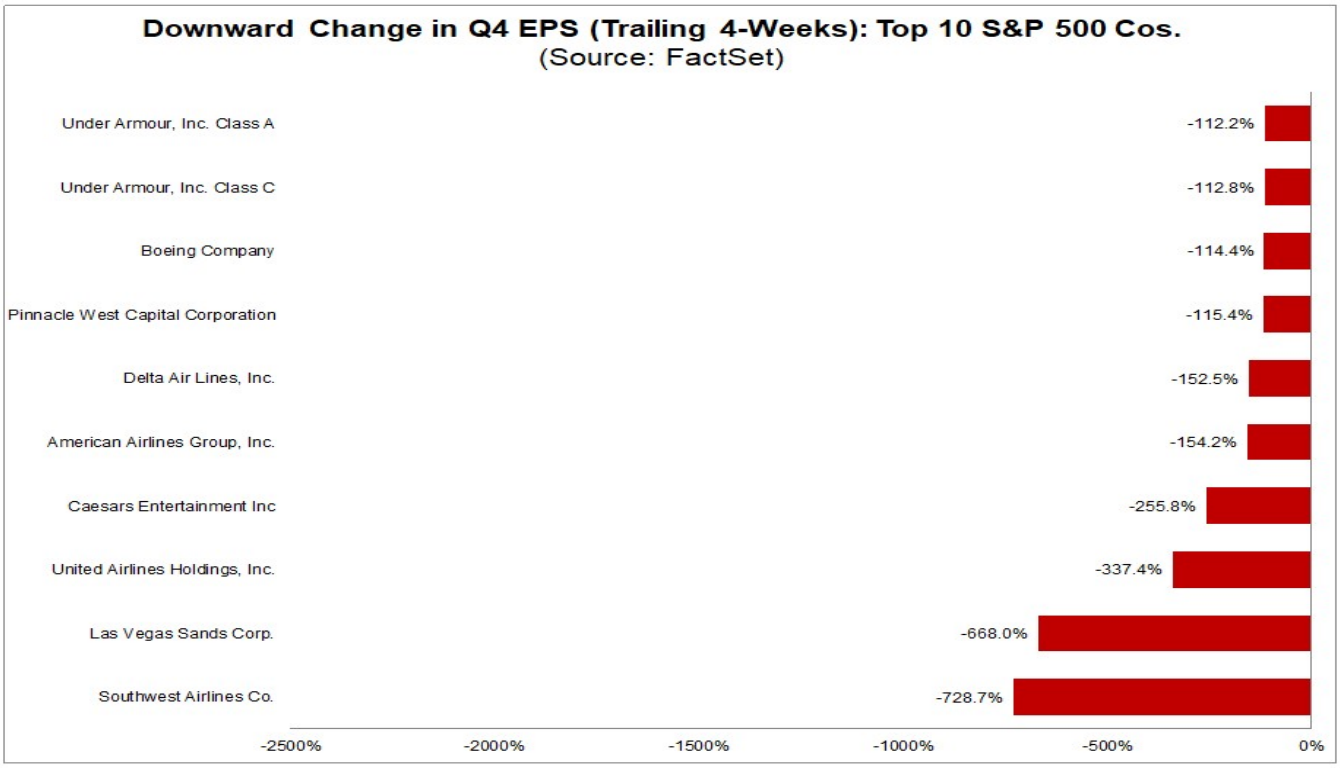




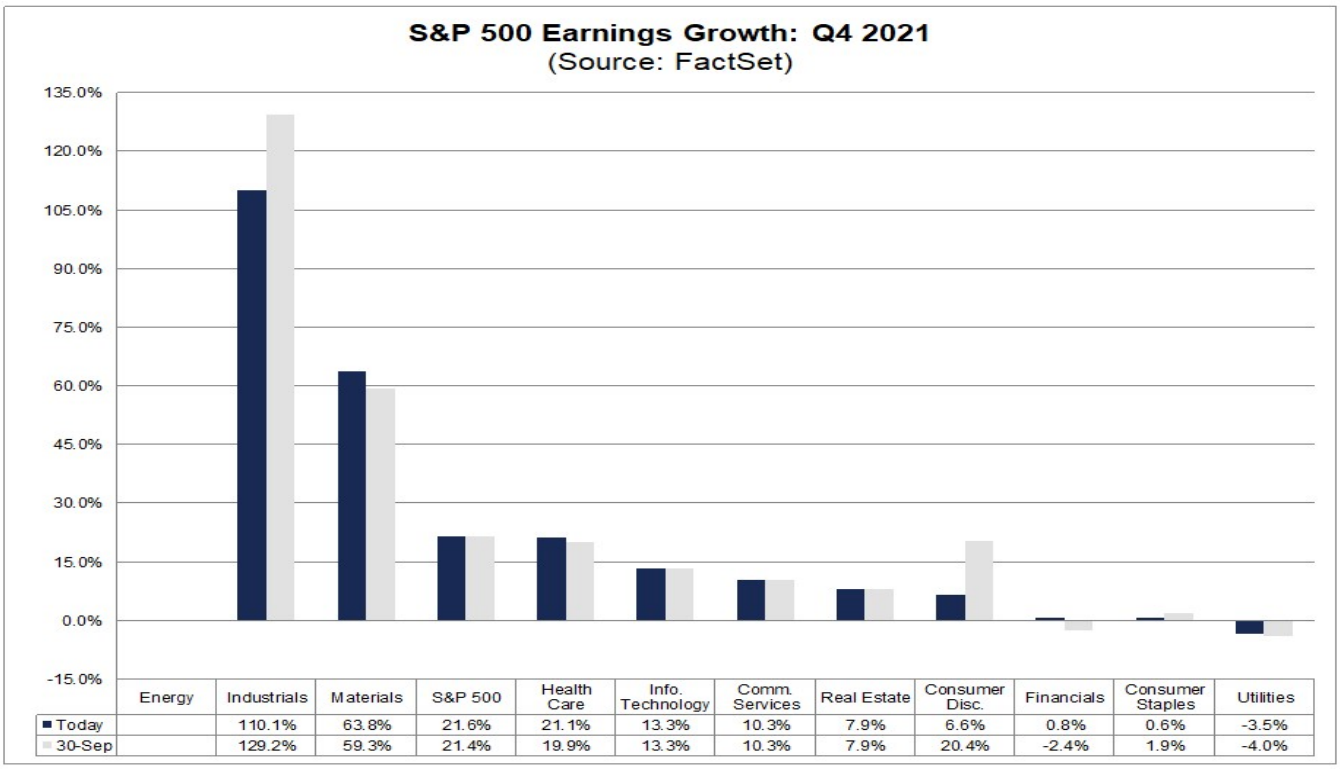
	Consumer Disc.	Comm. Services	Consumer Staples	Industrials	S&P 500	Health Care	Info. Technology	Materials	Real Estate	Utilities	Energy	Financials
Positive	0%	0%	0%	14%	38%	40%	44%	67%	100%	0%	0%	0%
Negative	100%	100%	100%	86%	63%	60%	56%	33%	0%	0%	0%	0%

Q4 2021: EPS Revisions

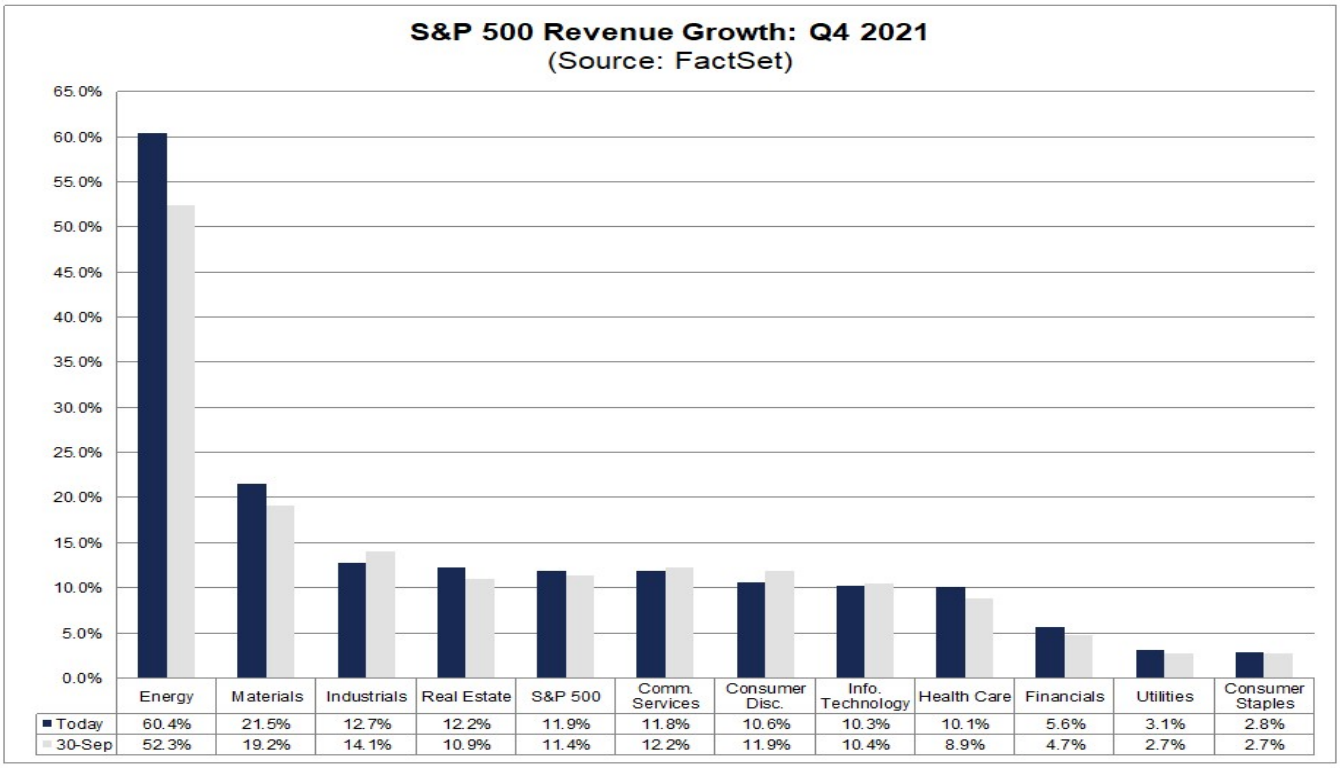




Q4 2021: Growth

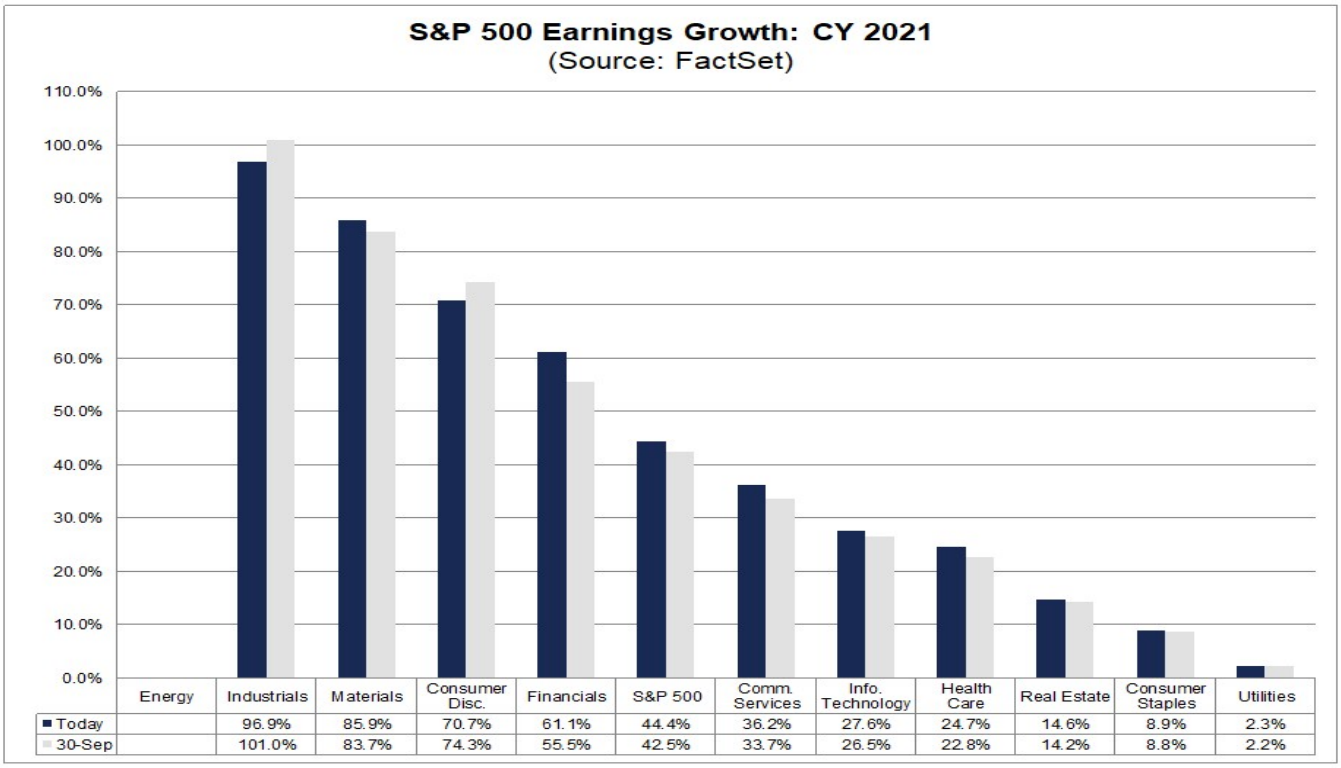


	Energy	Industrials	Materials	S&P 500	Health Care	Info. Technology	Comm. Services	Real Estate	Consumer Disc.	Financials	Consumer Staples	Utilities
Today		110.1%	63.8%	21.6%	21.1%	13.3%	10.3%	7.9%	6.6%	0.8%	0.6%	-3.5%
30-Sep		129.2%	59.3%	21.4%	19.9%	13.3%	10.3%	7.9%	20.4%	-2.4%	1.9%	-4.0%

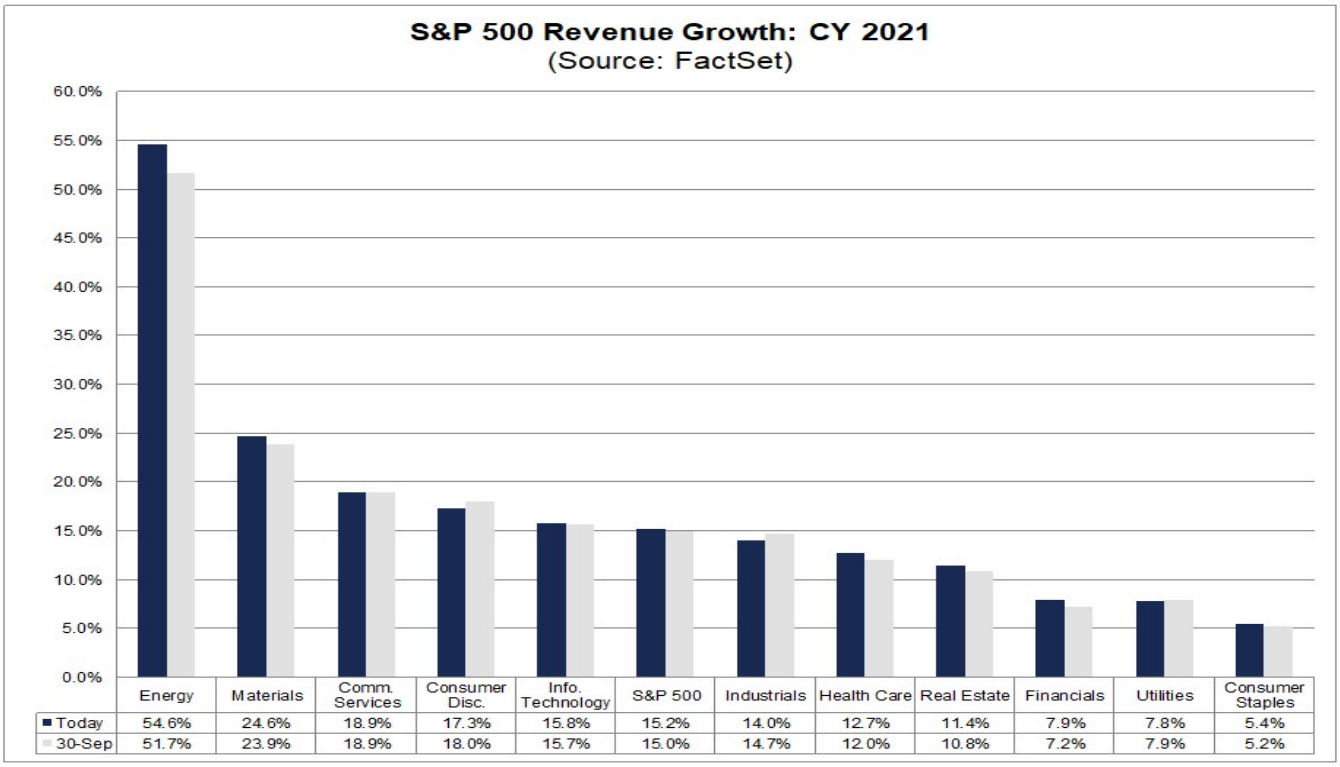


	Energy	Materials	Industrials	Real Estate	S&P 500	Comm. Services	Consumer Disc.	Info. Technology	Health Care	Financials	Utilities	Consumer Staples
Today	60.4%	21.5%	12.7%	12.2%	11.9%	11.8%	10.6%	10.3%	10.1%	5.6%	3.1%	2.8%
30-Sep	52.3%	19.2%	14.1%	10.9%	11.4%	12.2%	11.9%	10.4%	8.9%	4.7%	2.7%	2.7%

CY 2021: Growth

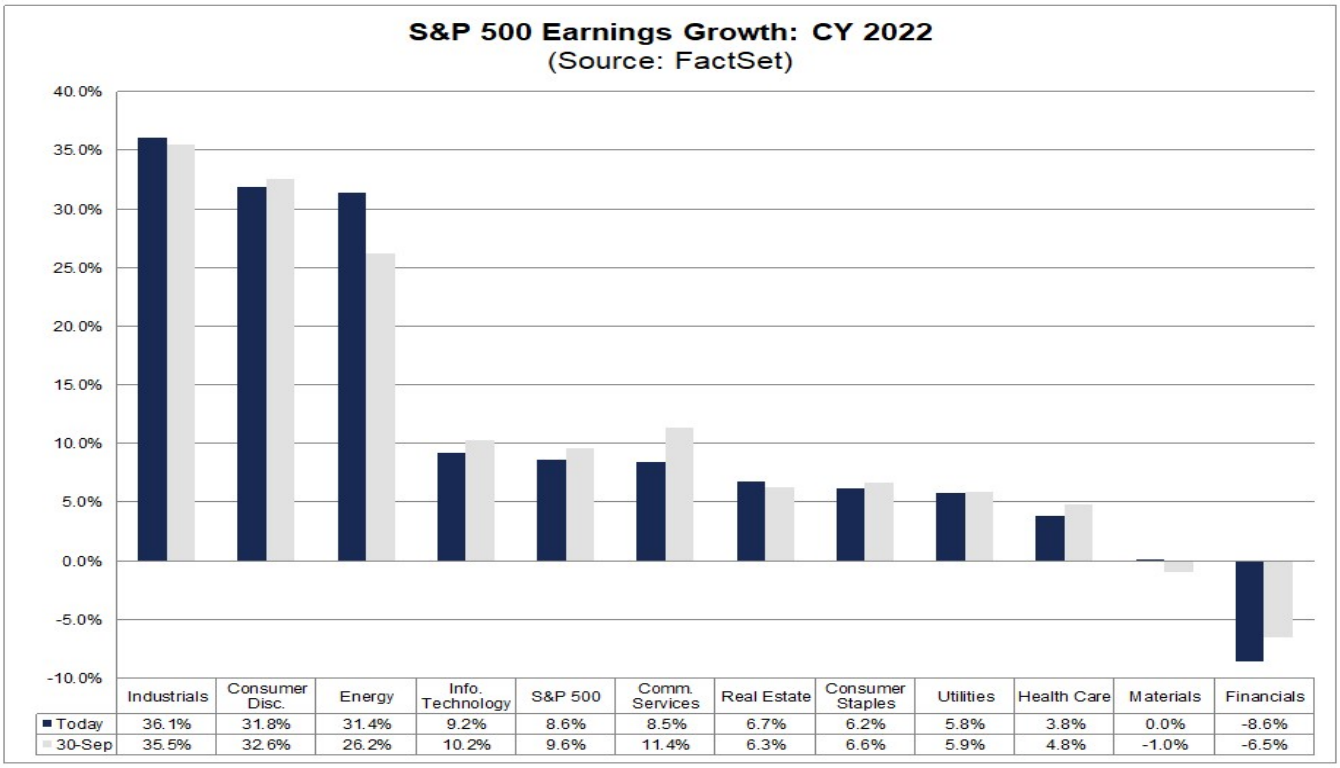


	Energy	Industrials	Materials	Consumer Disc.	Financials	S&P 500	Comm. Services	Info. Technology	Health Care	Real Estate	Consumer Staples	Utilities
Today		96.9%	85.9%	70.7%	61.1%	44.4%	36.2%	27.6%	24.7%	14.6%	8.9%	2.3%
30-Sep		101.0%	83.7%	74.3%	55.5%	42.5%	33.7%	26.5%	22.8%	14.2%	8.8%	2.2%

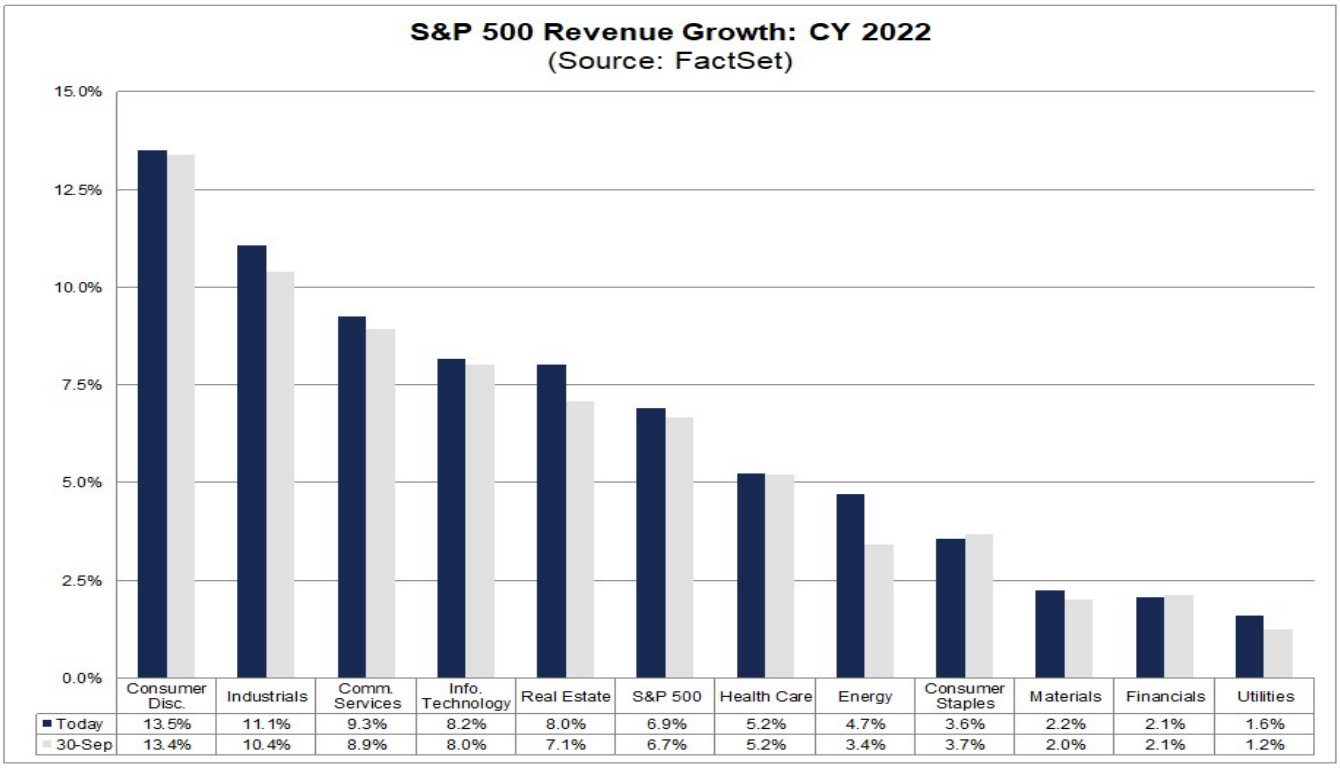


	Energy	Materials	Comm. Services	Consumer Disc.	Info. Technology	S&P 500	Industrials	Health Care	Real Estate	Financials	Utilities	Consumer Staples
Today	54.6%	24.6%	18.9%	17.3%	15.8%	15.2%	14.0%	12.7%	11.4%	7.9%	7.8%	5.4%
30-Sep	51.7%	23.9%	18.9%	18.0%	15.7%	15.0%	14.7%	12.0%	10.8%	7.2%	7.9%	5.2%

CY 2022: Growth

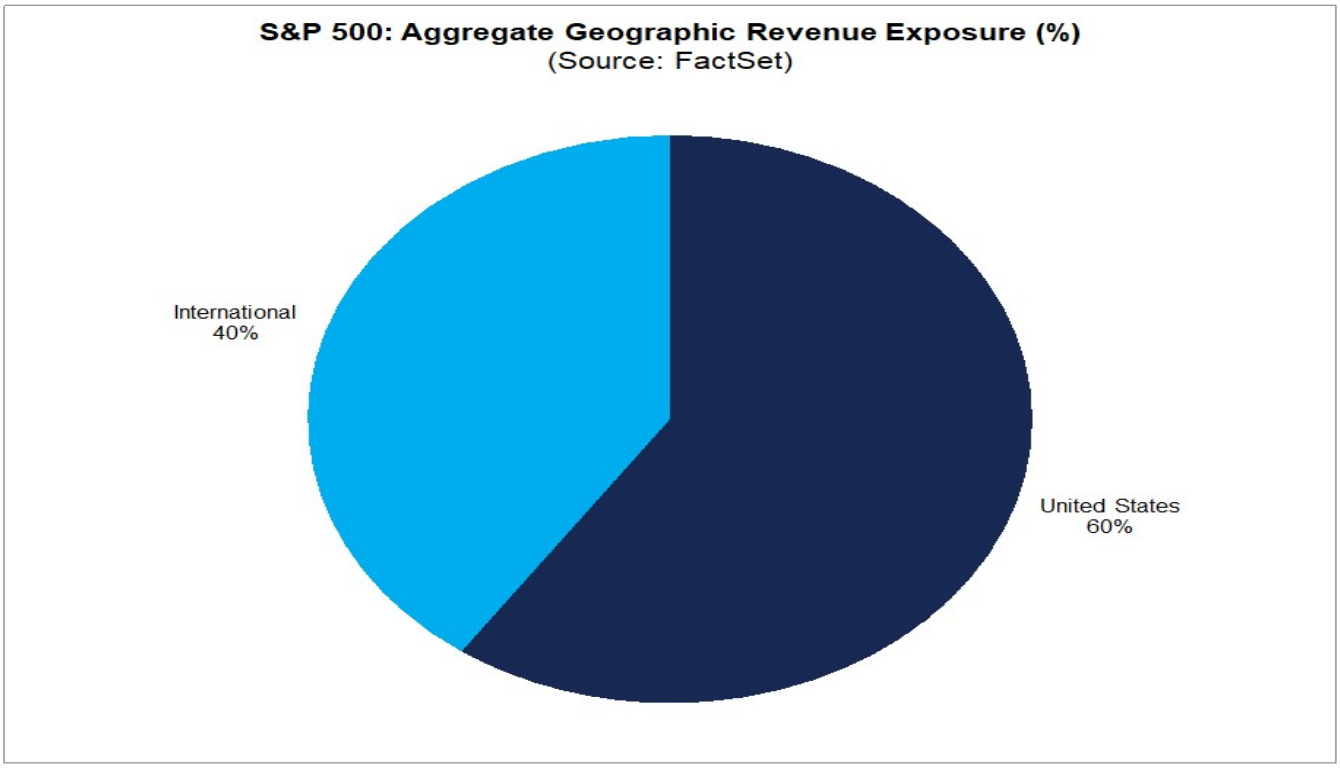


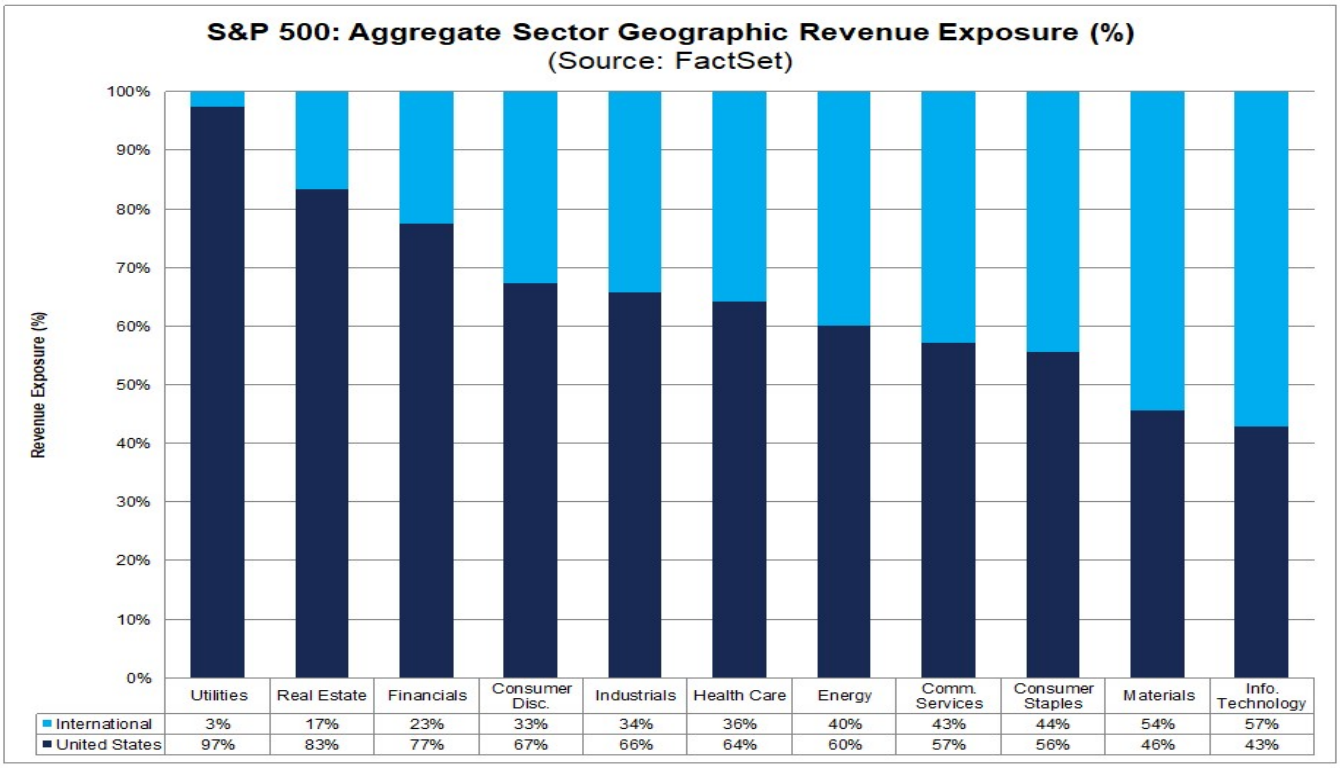
	Industrials	Consumer Disc.	Energy	Info. Technology	S&P 500	Comm. Services	Real Estate	Consumer Staples	Utilities	Health Care	Materials	Financials
Today	36.1%	31.8%	31.4%	9.2%	8.6%	8.5%	6.7%	6.2%	5.8%	3.8%	0.0%	-8.6%
30-Sep	35.5%	32.6%	26.2%	10.2%	9.6%	11.4%	6.3%	6.6%	5.9%	4.8%	-1.0%	-6.5%



	Consumer Disc.	Industrials	Comm. Services	Info. Technology	Real Estate	S&P 500	Health Care	Energy	Consumer Staples	Materials	Financials	Utilities
Today	13.5%	11.1%	9.3%	8.2%	8.0%	6.9%	5.2%	4.7%	3.6%	2.2%	2.1%	1.6%
30-Sep	13.4%	10.4%	8.9%	8.0%	7.1%	6.7%	5.2%	3.4%	3.7%	2.0%	2.1%	1.2%

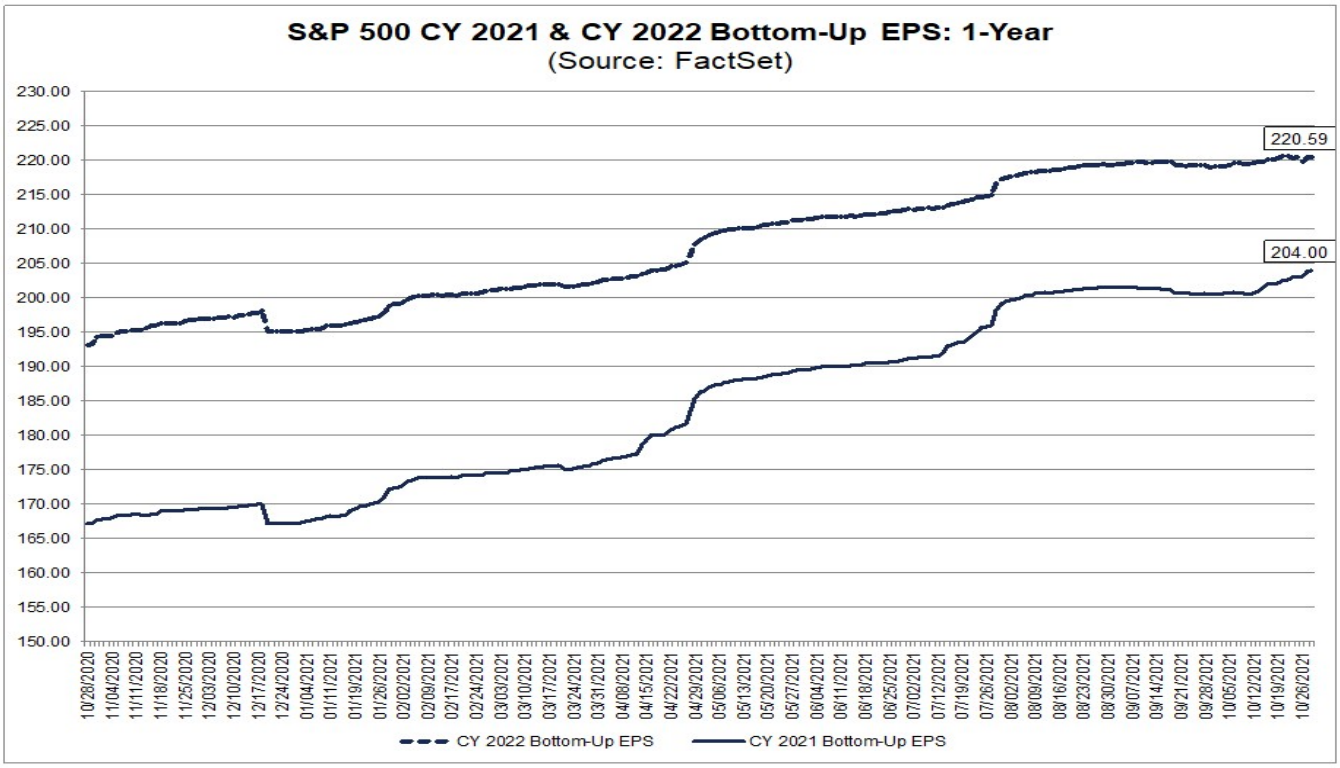
Geographic Revenue Exposure

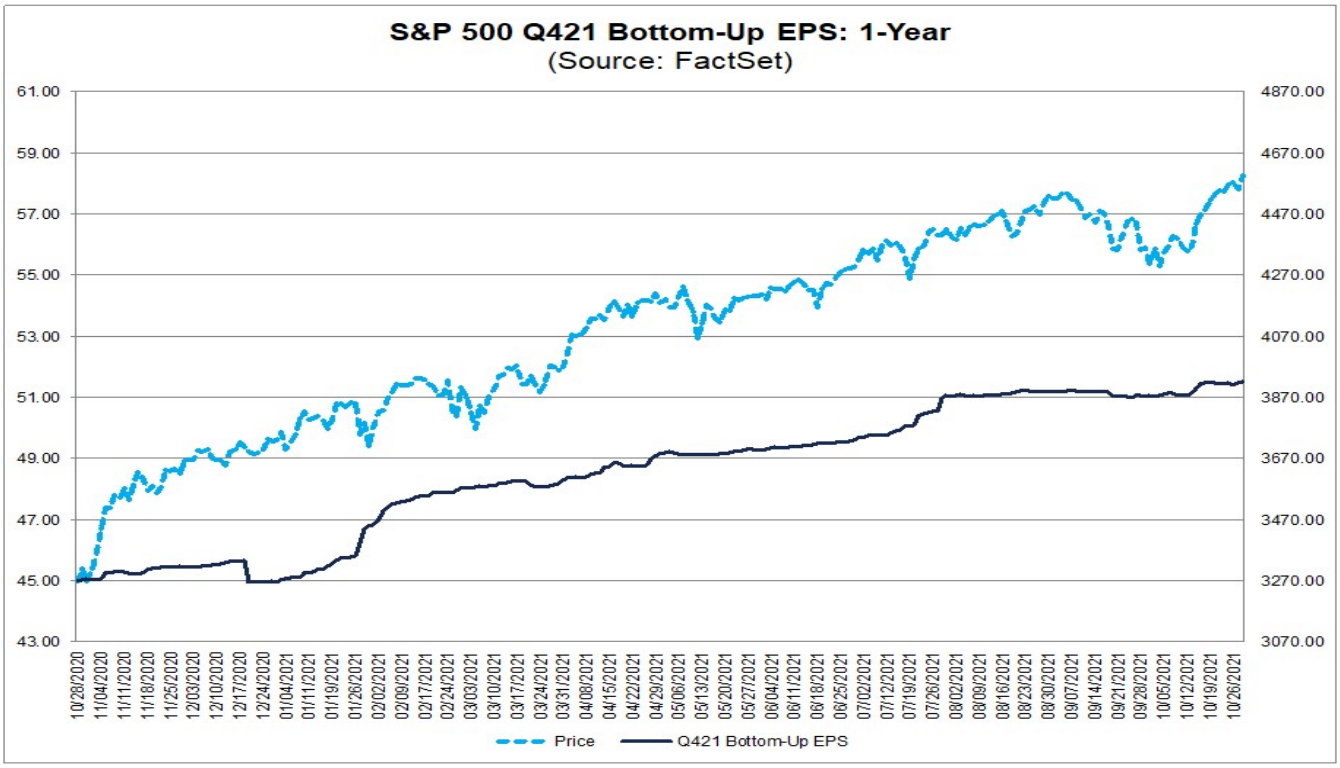




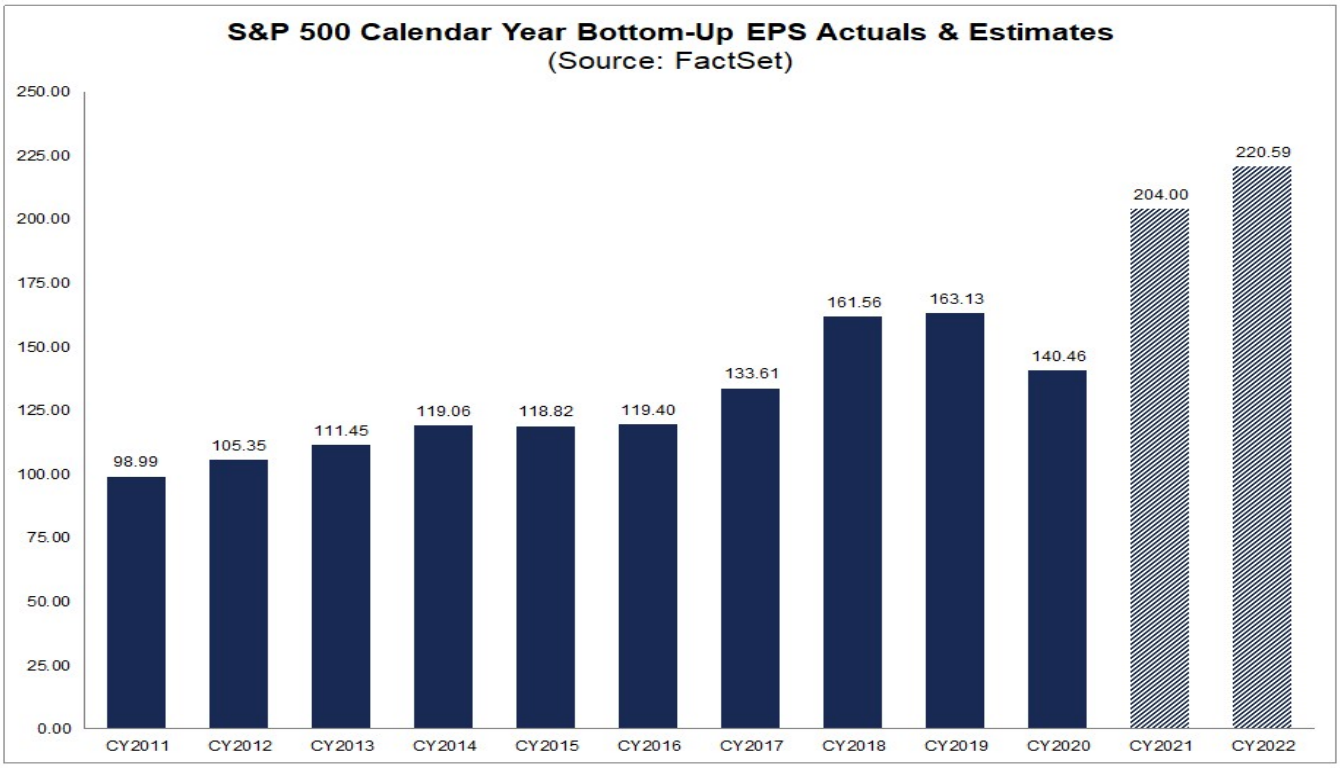
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	3%	17%	23%	33%	34%	36%	40%	43%	44%	54%	57%
United States	97%	83%	77%	67%	66%	64%	60%	57%	56%	46%	43%

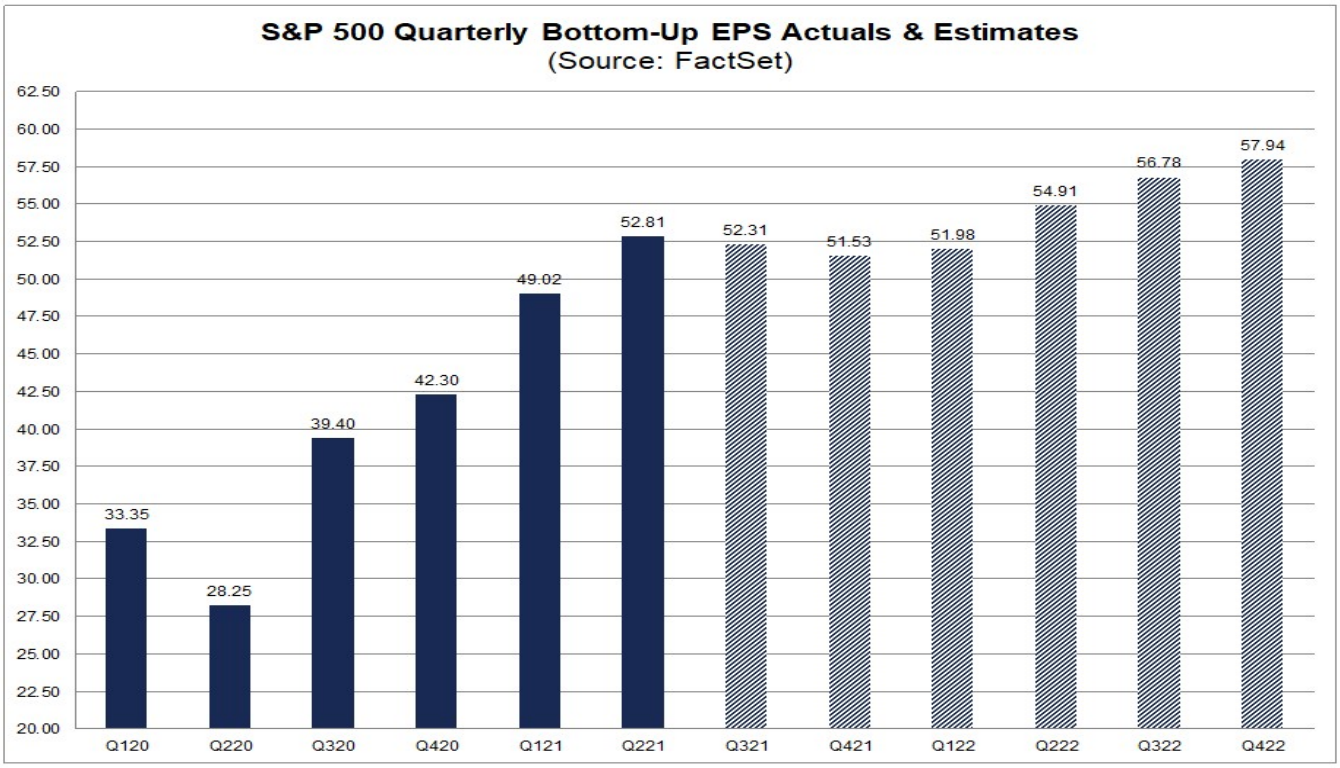
Bottom-up EPS Estimates: Revisions



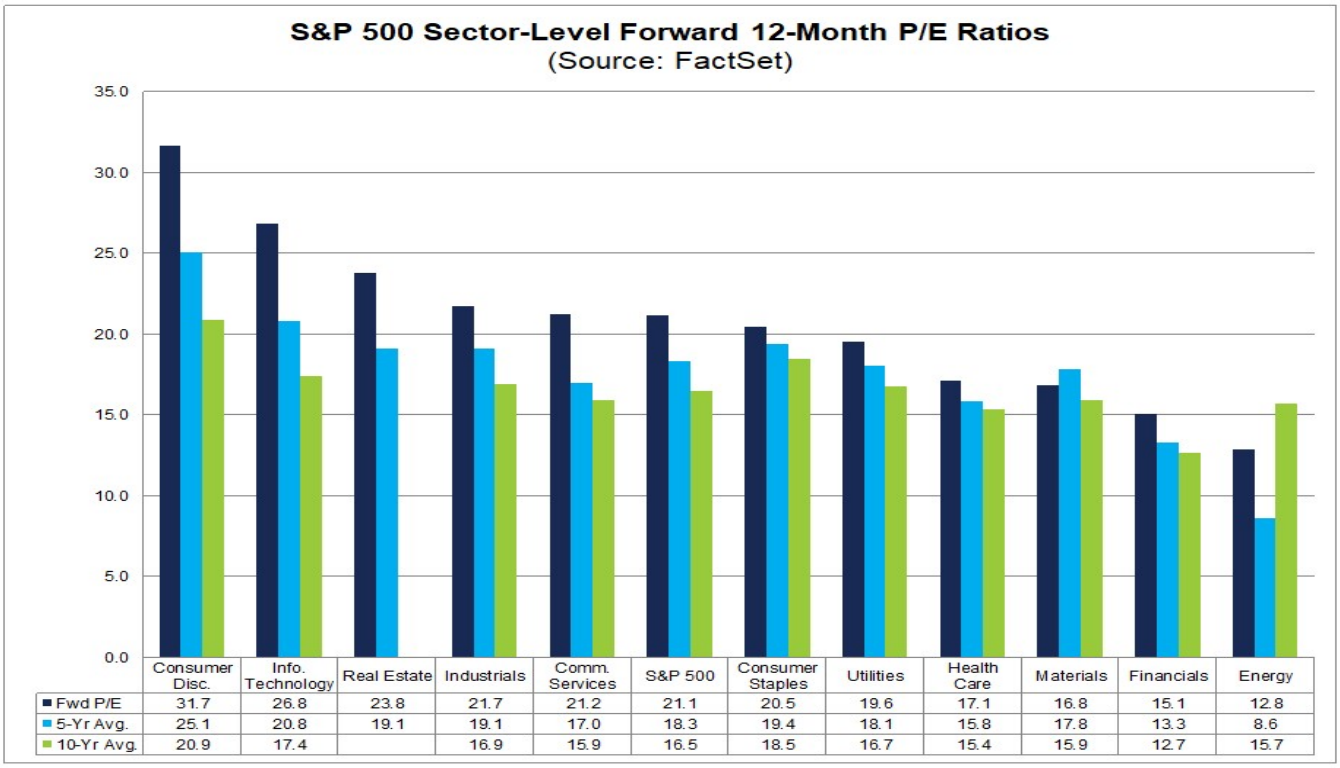


Bottom-up EPS Estimates: Current & Historical

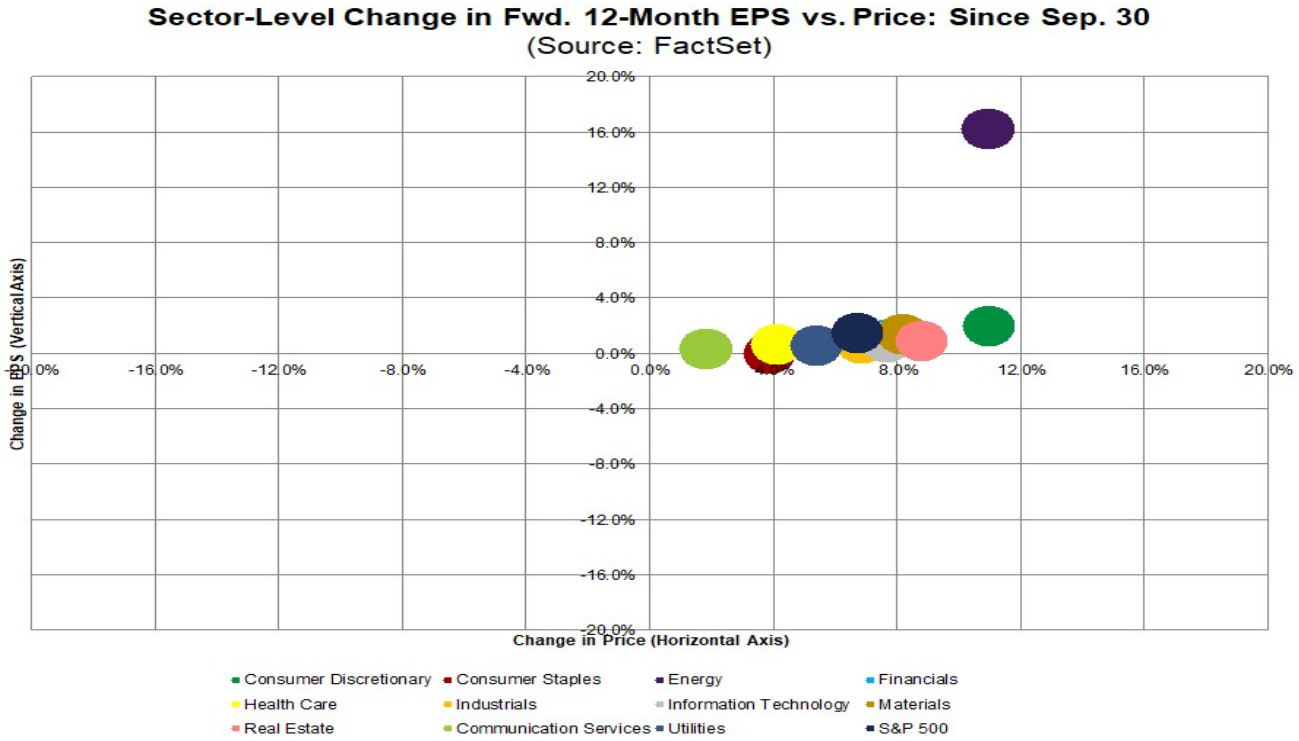




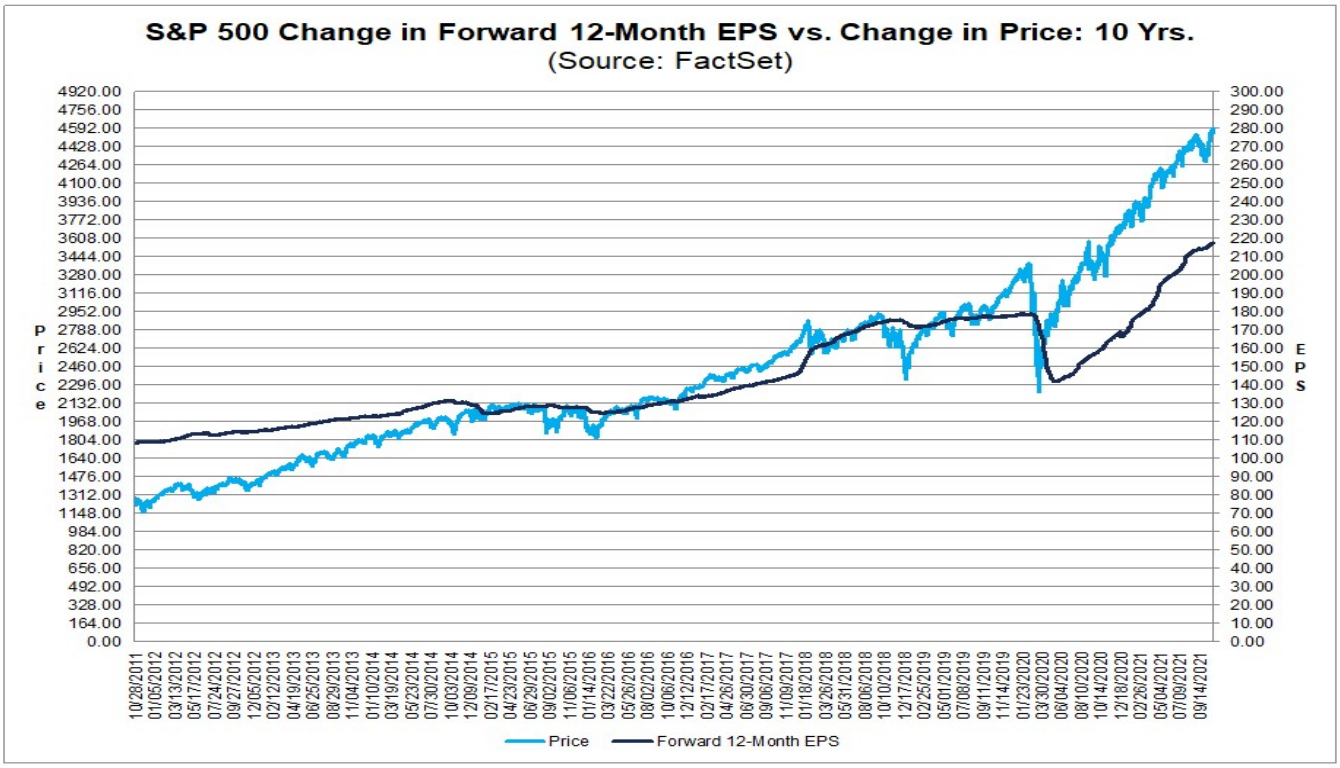
Forward 12M P/E Ratio: Sector Level

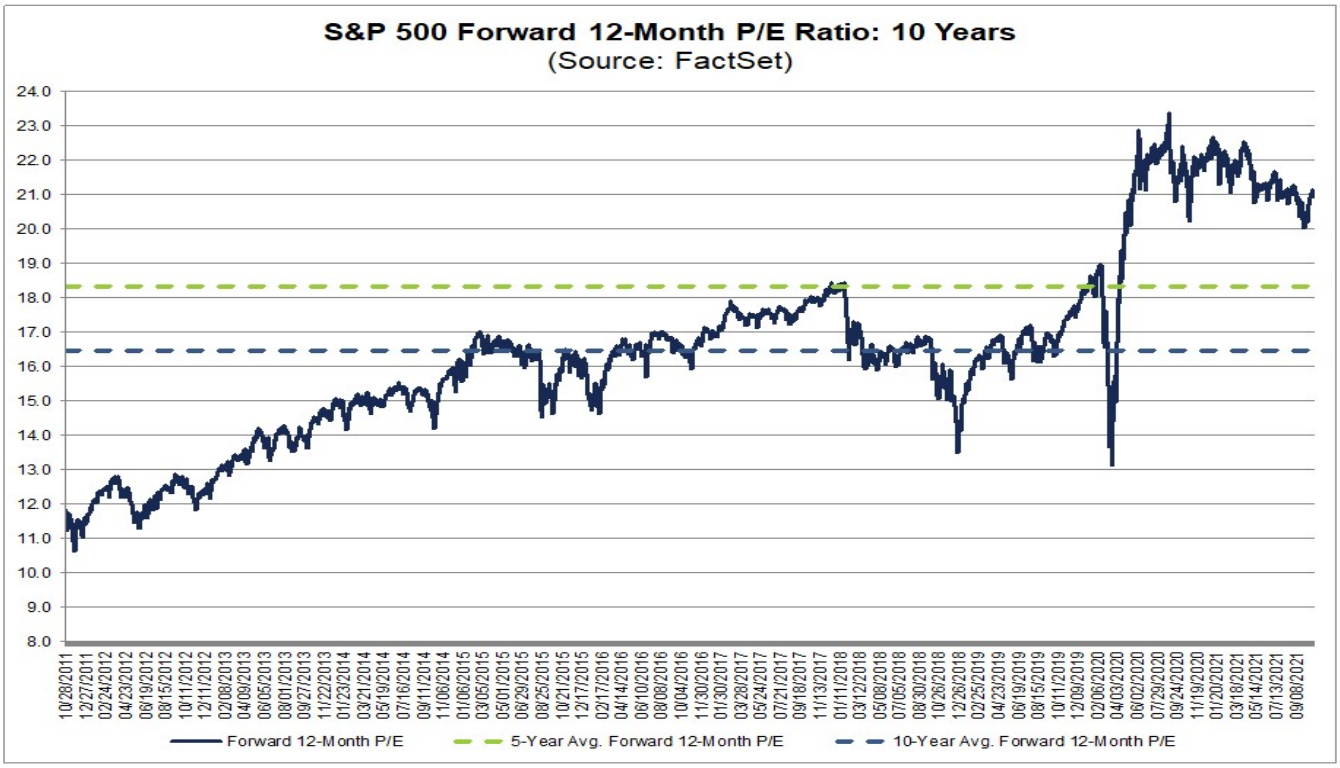


	Consumer Disc.	Info. Technology	Real Estate	Industrials	Comm. Services	S&P 500	Consumer Staples	Utilities	Health Care	Materials	Financials	Energy
Fwd P/E	31.7	26.8	23.8	21.7	21.2	21.1	20.5	19.6	17.1	16.8	15.1	12.8
5-Yr Avg.	25.1	20.8	19.1	19.1	17.0	18.3	19.4	18.1	15.8	17.8	13.3	8.6
10-Yr Avg.	20.9	17.4		16.9	15.9	16.5	18.5	16.7	15.4	15.9	12.7	15.7

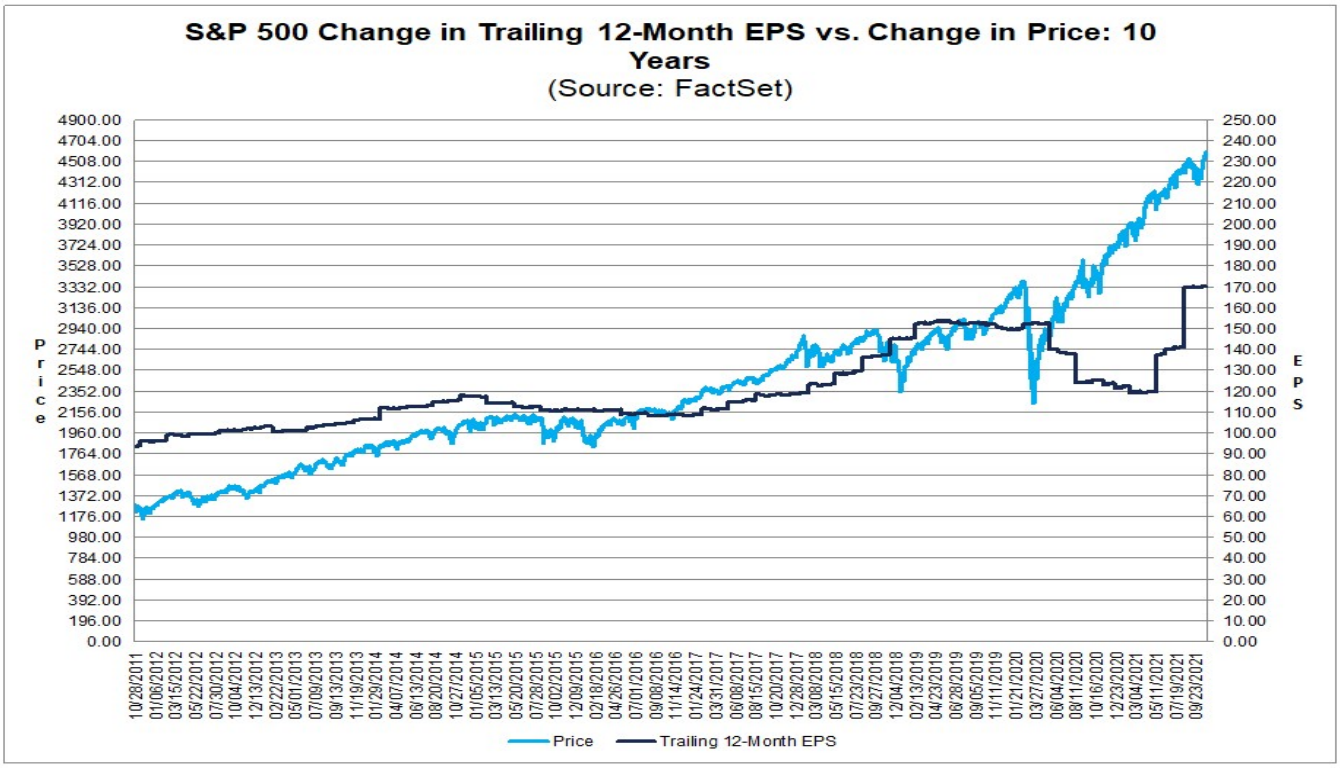


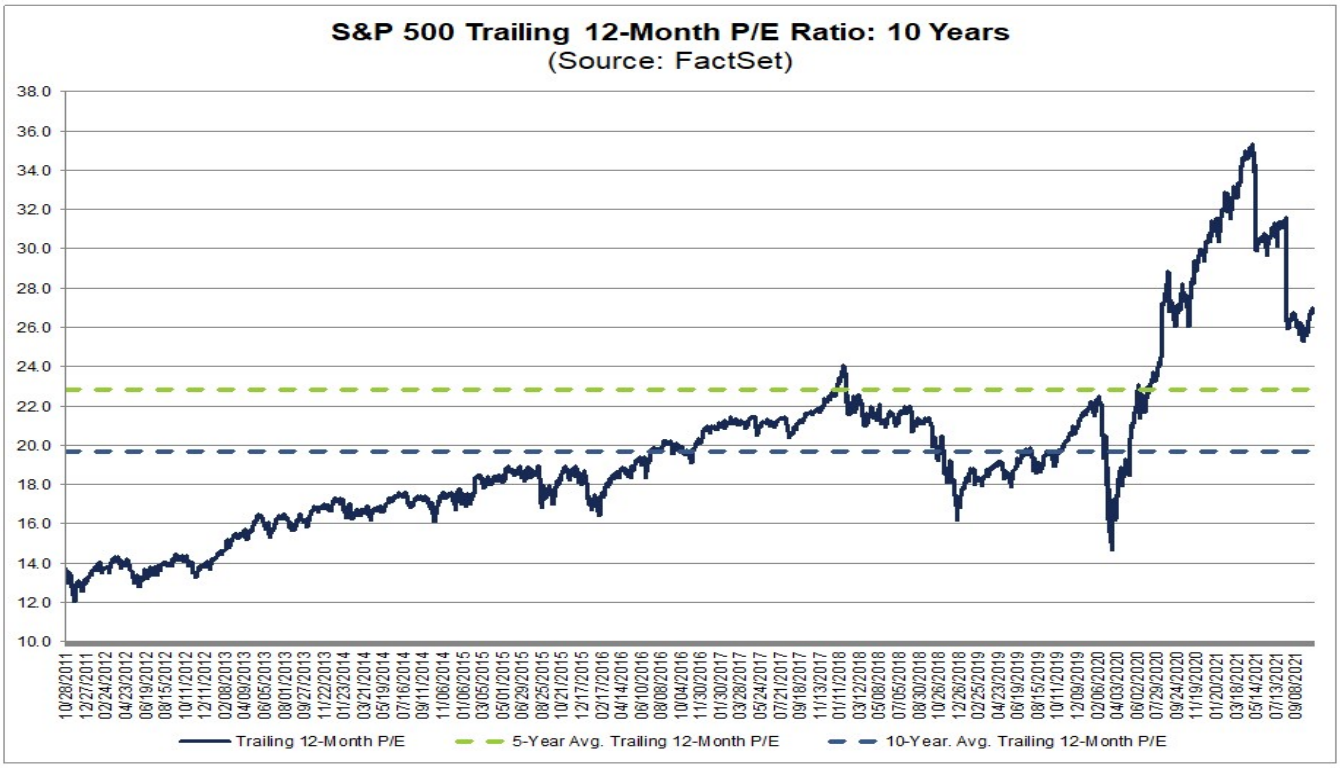
Forward 12M P/E Ratio: 10-Years



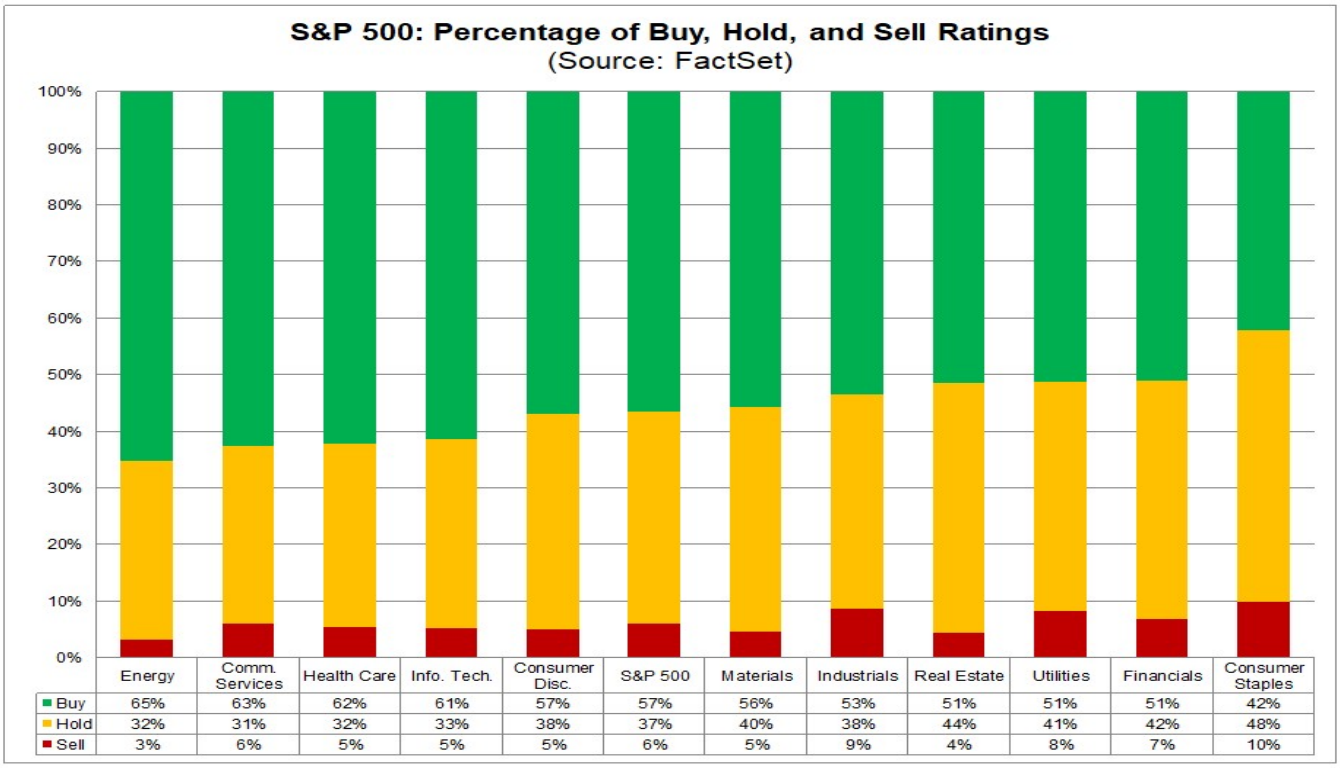


Trailing 12M P/E Ratio: 10-Years

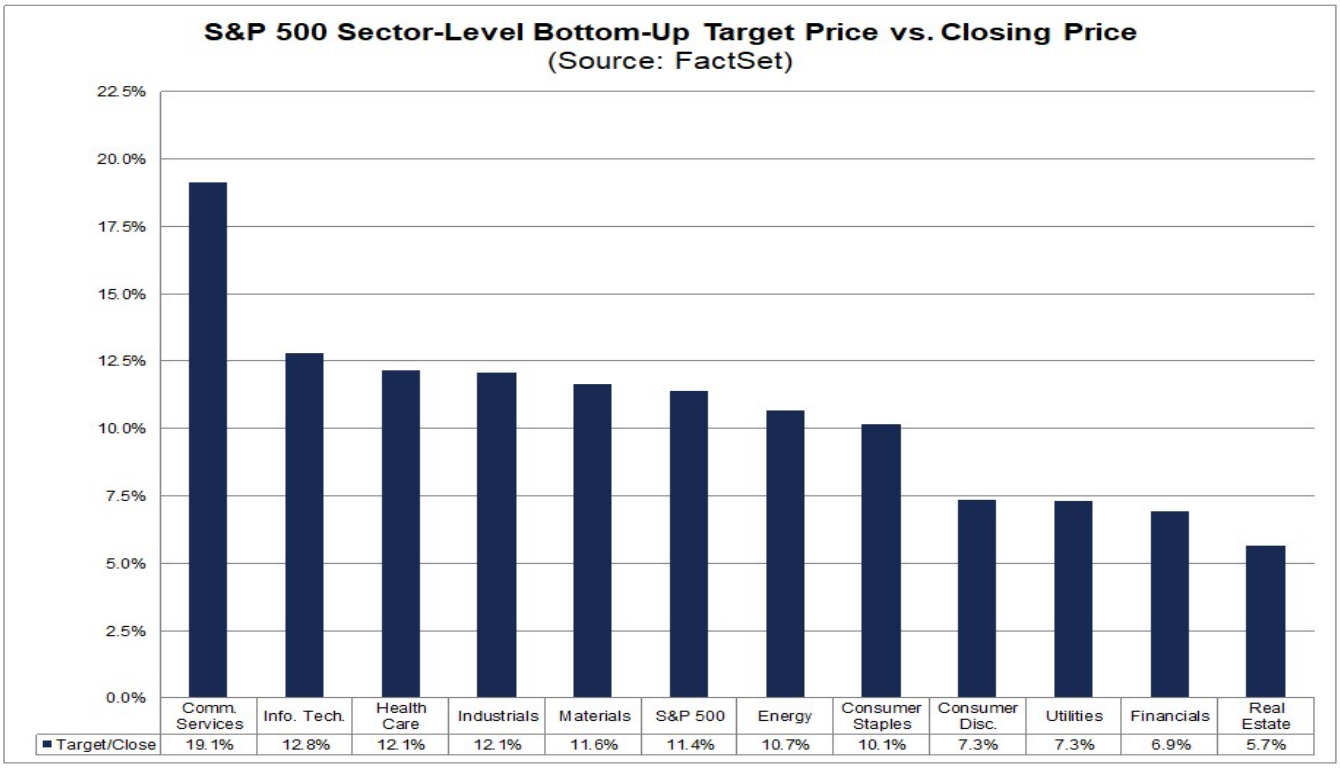




Targets & Ratings



	Energy	Comm. Services	Health Care	Info. Tech.	Consumer Disc.	S&P 500	Materials	Industrials	Real Estate	Utilities	Financials	Consumer Staples
Buy	65%	63%	62%	61%	57%	57%	56%	53%	51%	51%	51%	42%
Hold	32%	31%	32%	33%	38%	37%	40%	38%	44%	41%	42%	48%
Sell	3%	6%	5%	5%	5%	6%	5%	9%	4%	8%	7%	10%



	Comm. Services	Info. Tech.	Health Care	Industrials	Materials	S&P 500	Energy	Consumer Staples	Consumer Disc.	Utilities	Financials	Real Estate
Target/Close	19.1%	12.8%	12.1%	12.1%	11.6%	11.4%	10.7%	10.1%	7.3%	7.3%	6.9%	5.7%

Important Notice

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