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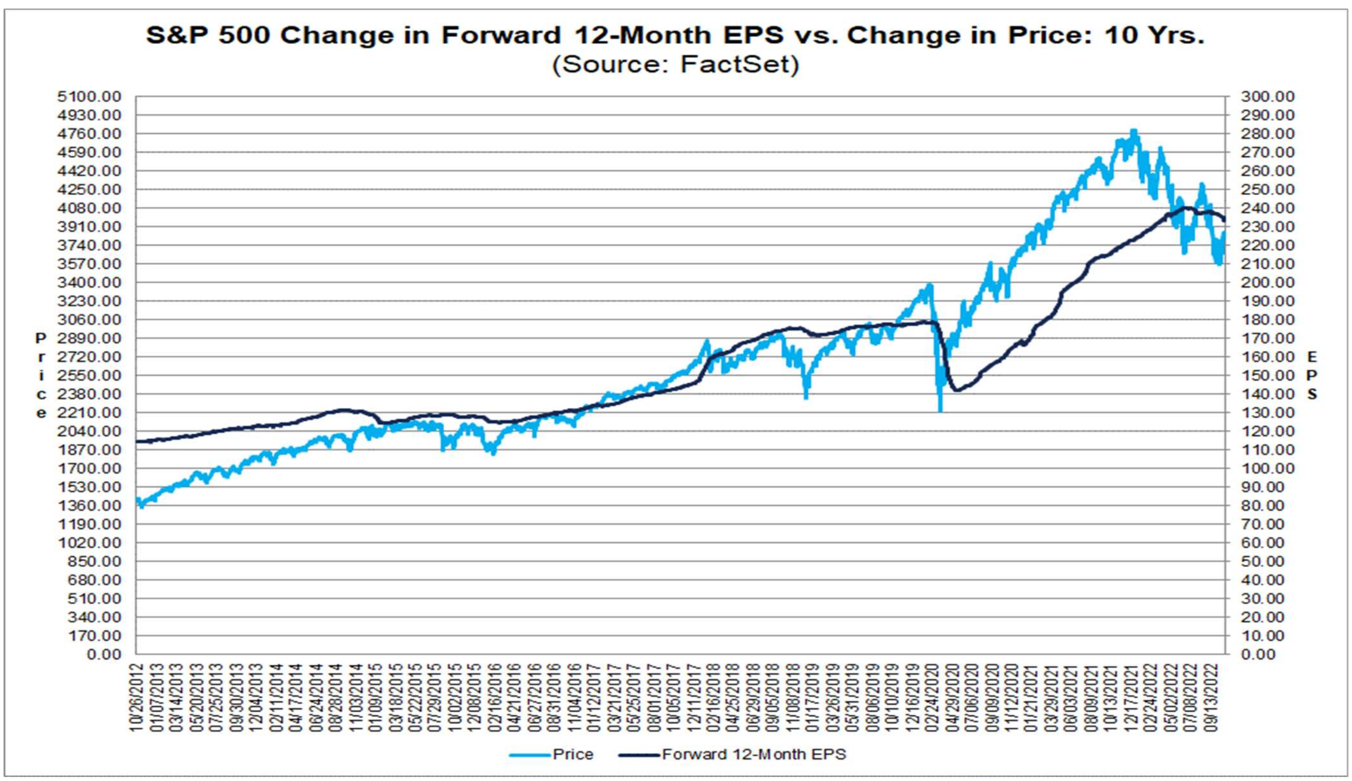
Key Metrics

- **Earnings Scorecard:** For Q3 2022 (with 85% of S&P 500 companies reporting actual results), 70% of S&P 500 companies have reported a positive EPS surprise and 71% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q3 2022, the blended earnings growth rate for the S&P 500 is 2.2%. If 2.2% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q3 2020 (-5.7%).
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q3 2022 was 2.7%. Five sectors are reporting lower earnings today (compared to September 30) due to downward revisions to EPS estimates and negative EPS surprises.
- **Earnings Guidance:** For Q4 2022, 50 S&P 500 companies have issued negative EPS guidance and 23 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 16.1. This P/E ratio is below the 5-year average (18.5) and below the 10-year average (17.1).



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Topic of the Week: 1

S&P 500 Now Projected to Report a Year-over-Year Decline in Earnings in Q4 2022

The (blended) earnings growth rate for the S&P 500 for the third quarter is 2.2%, which would mark the eighth consecutive quarter of (year-over-year) earnings growth reported by the index. Looking at the fourth quarter (Q4 2022), what are analyst expectations for year-over-year earnings? Do analysts believe earnings growth will continue in the fourth quarter of 2022 also?

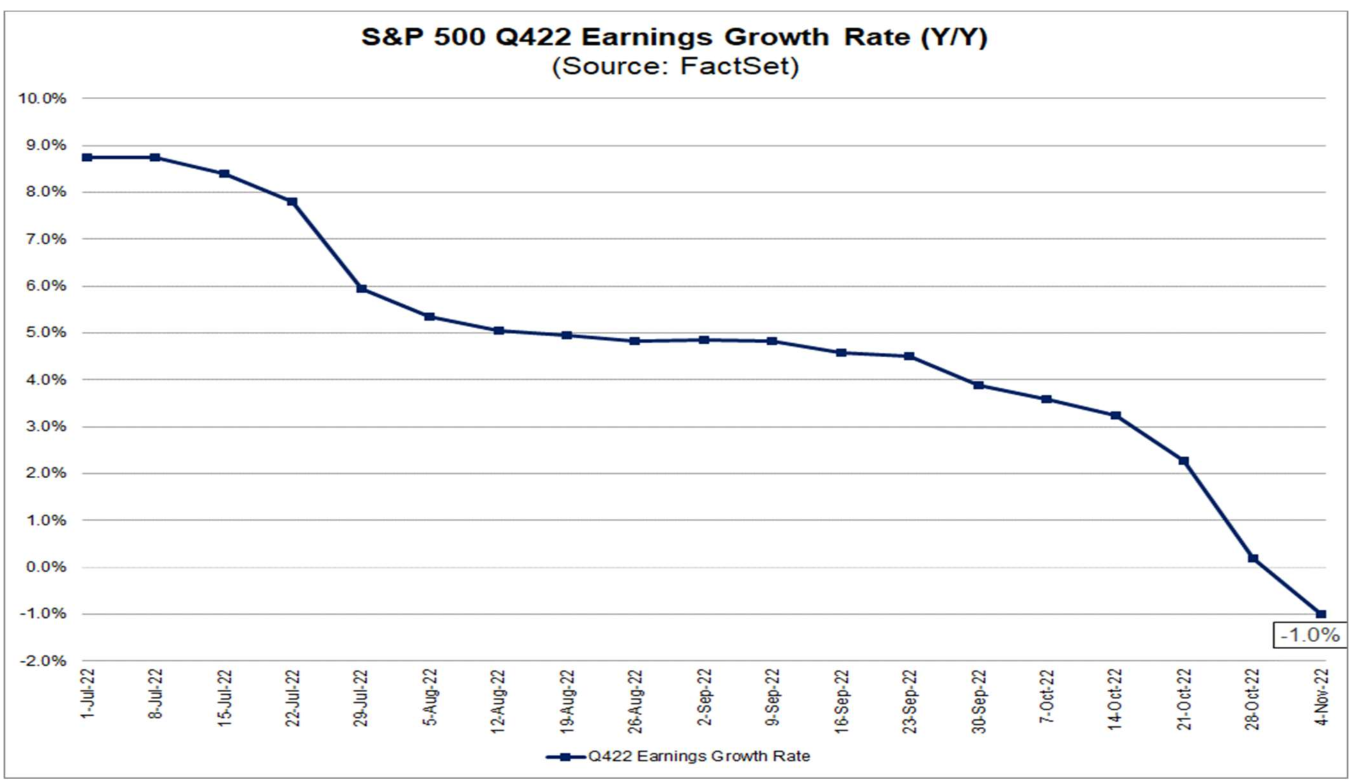
The answer is no. Over the past week, the aggregate earnings growth rate for Q4 2022 changed from slight year-over-year earnings growth on October 28 (+0.2%) to a year-over-year earnings decline today (-1.0%).

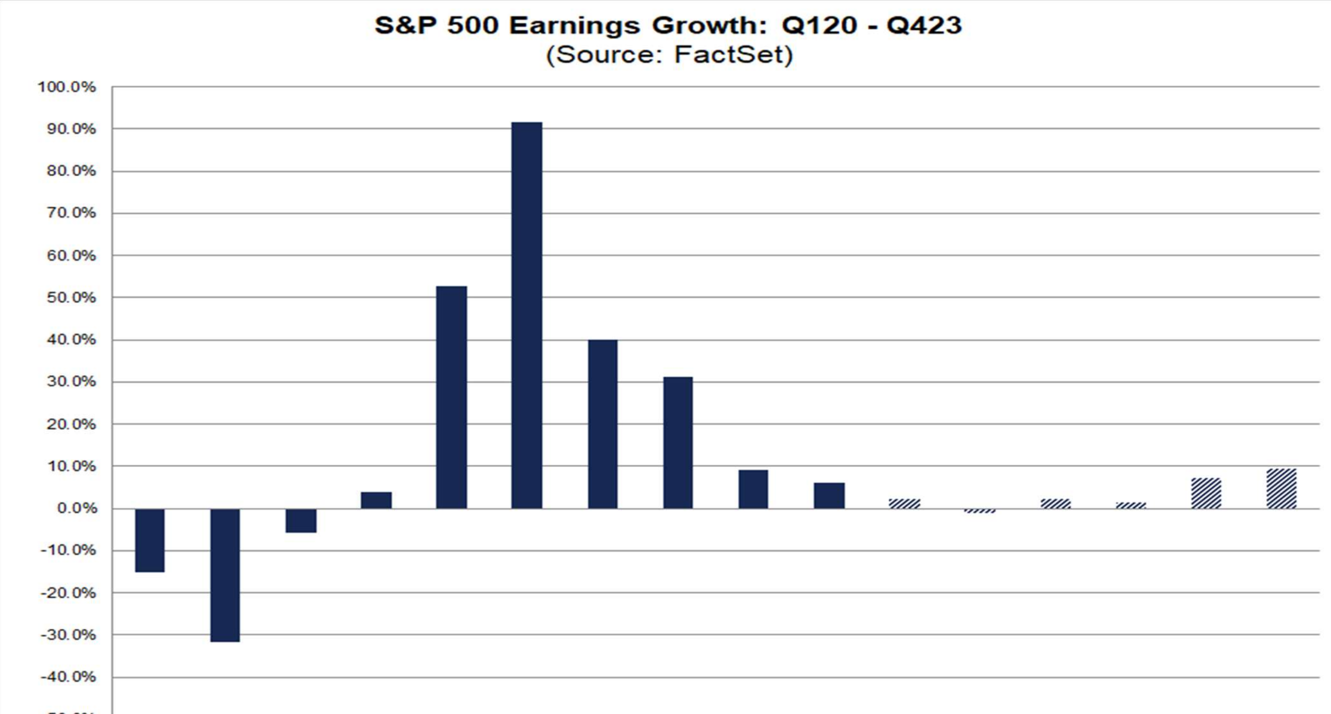
However, expectations for earnings growth for Q4 2022 have been falling over the past few months. On June 30, the estimated earnings growth rate for Q4 2022 was 9.1%. By September 30, the estimated earnings growth rate had fallen to 3.9%. Today, the estimated earnings decline is -1.0%.

Since September 30, estimated earnings for the S&P 500 for Q4 2022 have declined by 4.7%. All eleven sectors have witnessed a decline in expected earnings for the fourth quarter from September 30 through today, led by the Materials (-13.7%), Communication Services (-9.4%), and Consumer Discretionary (-8.3%) sectors.

Overall, eight of the eleven sectors are now projected to report a year-over-year decrease in earnings for the fourth quarter, led by the Materials (-18.0%), Communication Services (-15.4%), and Consumer Discretionary (-14.4%) sectors.

If the index reports a year-over-year decline in earnings in the fourth quarter, it will mark the first time the index has reported a year-over-year decline in earnings since Q3 2020 (-5.7%). However, analysts in aggregate not only expect earnings growth to return in Q1 2023 (2.3%), but also project that the index will report year-over-year earnings growth in all four quarters of 2023.





	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223	Q323	Q423
Growth	-15.0%	-31.8%	-5.7%	4.0%	52.8%	91.7%	40.1%	31.3%	9.2%	6.2%	2.2%	-1.0%	2.3%	1.5%	7.2%	9.6%

Topic of the Week: 2

Are S&P 500 Companies Discussing the Midterm Elections on Q3 Earnings Calls To Date?

During each corporate earnings season, companies often comment on domestic or international events that may have an impact on earnings for future quarters. Given the potential change in the political leadership of the U.S. Congress and a number of individual states after the election on November 8, have many companies in the S&P 500 commented on the upcoming election during their earnings conference calls for the third quarter?

The answer is no. Overall, few S&P 500 companies have discussed the current midterm elections on their earnings calls, and few have done so historically (at least over the past three midterm elections).

FactSet Document Search (which allows users to search for key words or phrases across multiple document types) was used to answer this question. Through Document Search, FactSet searched for the term “election” in the conference call transcripts of the 401 S&P 500 companies that conducted third quarter earnings conference calls from September 15 through November 3 to see if the term was mentioned during the call.

The term “election” was mentioned during the earnings conference calls of 18 S&P 500 companies (or approximately 4% of total) that had conducted earnings calls between September 15 and November 3.

At the sector level, the Utilities sector has the highest number of companies (7) in which the term “election” was discussed during their earnings calls for Q3 2022 during this period. No other sector has more than two companies.

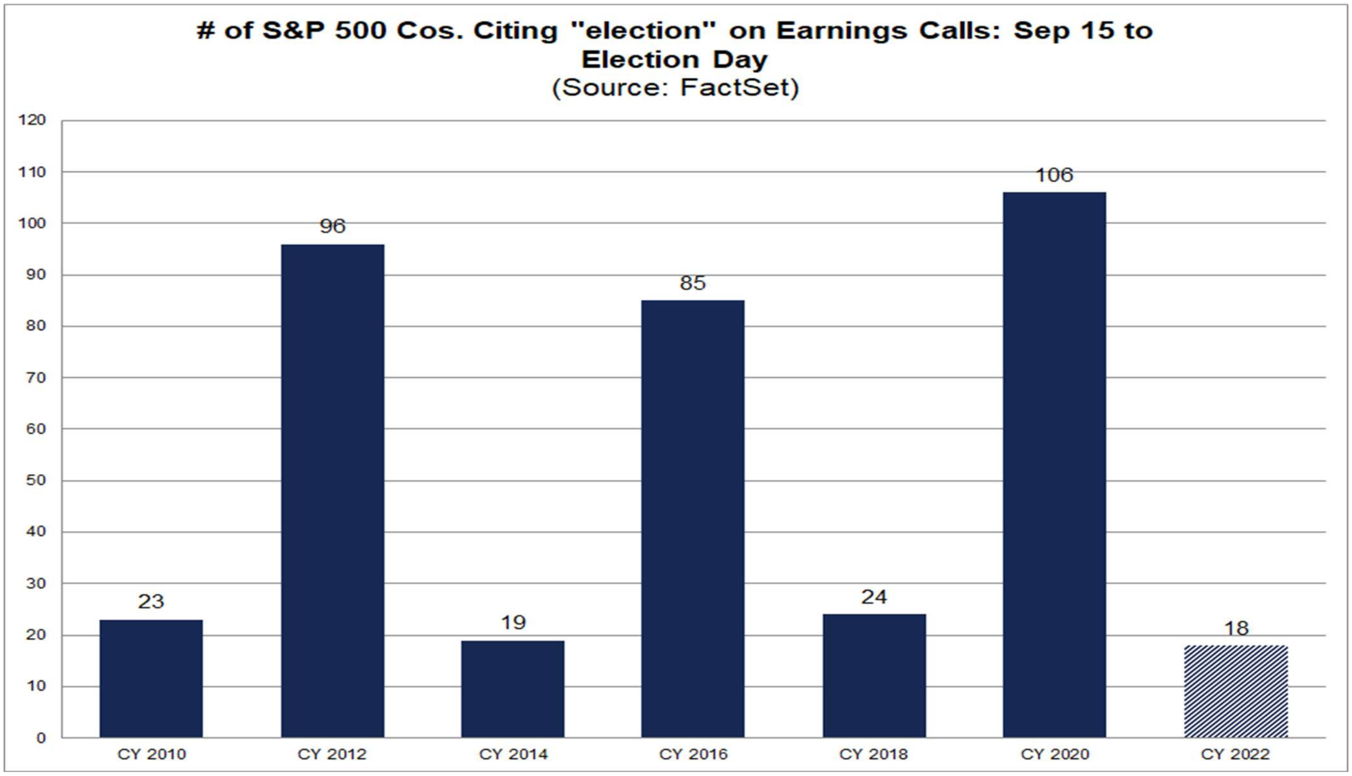
FactSet then searched for the term “election” in the conference call transcripts of all the S&P 500 companies that had conducted third quarter earnings conference calls from September 15 through the day before the election in the previous three midterm election years (2010, 2014, and 2018).

In the weeks leading up to the midterm elections, the term “election” was cited on the earnings calls of 23 S&P 500 companies in 2010, 19 S&P 500 companies in 2014, and 24 S&P 500 companies in 2018.

As the midterm election was held on different dates in each of the preceding three midterm elections, it is helpful to look at the percentages as well. Again, in the weeks leading up to the midterm elections, the term “election was cited on 8% of the earnings calls in 2010, 6% of the earnings calls in 2014, and 6% of the earnings calls in 2018.

Thus, the number and percentage of earnings calls in which the term “election” has been cited in advance of the 2022 midterm elections are slightly lower than recent midterm elections.

It is interesting to note that the term “election” is cited on a much higher number of earnings calls for S&P 500 companies during presidential election years. Over the past three presidential election years (2012, 2016, and 2020), the term “election” was cited on 96 earnings calls on average between September 15 and the day before the election. For more details, please see our article published in 2020 at this link: https://insight.factset.com/more-than-one-third-of-sp-500-companies-are-discussing-the-election-on-q3-earnings-calls


# of S&P 500 Cos. Citing "election" on Earnings Calls: Sep 15 to Election Day
(Source: FactSet)
120
110
100
90
80
70
60
50
40
30
20
10
0
23
96
19
85
24
106
18
CY 2010
CY 2012
CY 2014
CY 2016
CY 2018
CY 2020
CY 2022

Q3 Earnings Season: By The Numbers

Overview

At the end of the peak weeks of the third-quarter earnings season, the number of S&P 500 companies reporting a positive earnings surprise and the magnitude of these earnings surprises are still below their 5-year and 10-year averages. As a result, earnings for the third quarter are slightly higher today relative to the end of last week, but still lower today relative to the end of the quarter. On a year-over-year basis, the S&P 500 is reporting its lowest earnings growth since Q3 2020.

Overall, 85% of the companies in the S&P 500 have reported actual results for Q3 2022 to date. Of these companies, 70% have reported actual EPS above estimates, which is below the 5-year average of 77% and below the 10-year average of 73%. In aggregate, companies are reporting earnings that are 1.9% above estimates, which is well below the 5-year average of 8.7% and well below the 10-year average of 6.5%. If 1.9% is the final percentage for the quarter, it will mark the second-lowest surprise percentage reporting by the index in the past nine years. The lower earnings surprise percentage is due to a number of companies reporting actual earnings below estimates by unusually wide margins.

As a result, the index is reporting slightly higher earnings for the third quarter today relative to the end of last week, but still reporting lower earnings 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 third quarter is 2.2% today, compared to an earnings growth rate of 2.1% last week and an earnings growth rate of 2.7% at the end of the third quarter (September 30).

During the past week, positive earnings surprises reported by companies in multiple sectors (led by the Health Care and Energy sectors) were mostly offset by negative earnings surprises reported by companies in the Financials, Communication Services, and Consumer Discretionary sectors, resulting in a small increase in the earnings growth rate for the index during this period. Since September 30, negative earnings surprises reported by companies in the Financials, Communication Services, and Industrials sectors have been partially offset by positive earnings surprises reported by companies in the Energy and Health Care sectors, resulting in an overall decrease in the earnings growth rate for the index during this period.

If 2.2% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q3 2020 (-5.7%). Four of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Real Estate, and Industrials sectors. On the other hand, seven sectors are reporting a year-over-year decline in earnings, led by the Communication Services, Financials, and Materials sectors.

In terms of revenues, 71% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 69% and above the 10-year average of 62%. In aggregate, companies are reporting revenues that are 2.5% above the estimates, which is above the 5-year average of 1.9% and above the 10-year average of 1.2%.

As a result, the index is reporting higher revenues for the third quarter today relative to the end of last week and relative to the end of the quarter. The blended revenue growth rate for the third quarter is 10.5% today, compared to a revenue growth rate of 9.3% last week and a revenue growth rate of 8.7% at the end of the third quarter (September 30).

Positive revenue surprises reported by companies in multiple sectors (led by the Energy and Financials sectors) were the main contributors to the increase in the overall revenue growth rate during the past week. Positive revenue surprises reported by companies in multiple sectors (again led by the Energy and Financials sectors) have been the largest contributors to the increase in the overall revenue growth rate since September 30.

If 10.5% is the actual growth rate for the quarter, it will mark the seventh straight quarter that the index has reported revenue growth above 10%. All eleven sectors are reporting year-over-year growth in revenues, led by the Energy sector.

Looking ahead, analysts expect a decline in earnings of -1.0% for Q4 2022 but earnings growth of 5.6% for CY 2022. For Q1 2023 and Q2 2023, analysts are projecting earnings growth of 2.3% and 1.5%. For CY 2023, analysts predict earnings growth of 5.9%.

The forward 12-month P/E ratio is 16.1, which is below the 5-year average (18.5) and below the 10-year average (17.1). However, it is above the forward P/E ratio of 15.2 recorded at the end of the third quarter (September 30), as the price of the index has increased while the forward 12-month EPS estimate has decreased since September 30.

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

Scorecard: Number And Magnitude of Positive Earnings Surprises Are Below Average

Percentage of Companies Beating EPS Estimates (70%) is Below 5-Year Average

Overall, 85% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 70% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 25% 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 (78%), below the 5-year average (77%), and below the 10-year average (73%).

If 70% is the final percentage for the quarter, it will mark the lowest percentage of S&P 500 reporting a positive EPS surprise since Q1 2020 (63%).

At the sector level, the Energy (84%) sector has the highest percentage of companies reporting earnings above estimates, while the Materials (54%) and Communication Services (55%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+1.9%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 1.9% above expectations. This surprise percentage is below the 1-year average (+6.5%), below the 5-year average (+8.7%), and below the 10-year average (6.5%).

If 1.9% is the final percentage for the quarter, it will mark the second-lowest surprise percentage reporting by the index since Q3 2013, trailing only Q1 2018 (+1.1%). A number of companies reporting actual earnings below estimates by unusually wide margins is lowering the overall earnings surprise percentage for the index.

The Energy (+11.0%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Phillips 66 ($6.46 vs. $5.05), Exxon Mobil ($4.45 vs. $3.86), SLB ($0.63 vs. $0.55), Chevron ($5.56 vs. $4.89), and APA ($1.97 vs. $1.74) have reported the largest positive EPS surprises.

The Health Care (+8.5%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Gilead Sciences ($1.90 vs. $1.43), Hologic ($0.82 vs. $0.62), Pfizer ($1.78 vs. $1.39), and Cardinal Health ($1.20 vs. $0.94) have reported the largest positive EPS surprises.

The Communication Services (-8.1%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Warner Bros. Discovery (-$0.76 vs. -$0.26), Lumen Technologies ($0.14 vs. $0.36), Alphabet ($1.06 vs. $1.26), Paramount Global ($0.39 vs. $0.46), and Meta Platforms ($1.64 vs. $1.90) have reported the largest negative EPS surprises.

The Industrials (-7.2%) sector is reporting the second-largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Boeing (-$6.18 vs. $0.13), Cummins ($3.21 vs. $4.83), FedEx ($3.44 vs. $5.14), General Electric ($0.35 vs. $0.47), and A.O. Smith ($0.69 vs. $0.87) have reported the largest negative EPS surprises.

Market Rewarding Positive Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q3 2022 have seen an average price increase of +1.8% two days before the earnings release through two days after the earnings release. This percentage increase is above the 5-year average price increase of +0.9% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q3 2022 have seen an average price decrease of -4.1% 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 -2.2% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (71%) is Above 5-Year Average

In terms of revenues, 71% of companies have reported actual revenues above estimated revenues and 29% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (74%), but above the 5-year average (69%) and above the 10-year average (62%).

At the sector level, the Utilities (92%) and Real Estate (87%) sectors have the highest percentages of companies reporting revenues above estimates, while the Communication Services (55%) sector has the lowest percentage of companies reporting revenues above estimates.

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

In aggregate, companies are reporting revenues that are 2.5% above expectations. This surprise percentage is below the 1-year average (+2.9%), but above the 5-year average (+1.9%) and above the 10-year average (+1.2%).

At the sector level, the Utilities (+11.3%) and Energy (+10.5%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Communication Services (-0.8%) sector is reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Slight Increase in Blended Earnings Growth Rate This Week

Slight Increase in Blended Earnings Growth Rate This Week

The blended (year-over-year) earnings growth rate for the third quarter is 2.2%, which is slightly above the earnings growth rate of 2.1% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Health Care and Energy sectors) were mostly offset by negative earnings surprises reported by companies in the Financials, Communication Services, and Consumer Discretionary sectors, resulting in a small increase in the overall earnings growth rate during the past week.

In the Health care sector, the positive EPS surprise reported by Pfizer ($1.78 vs. $1.39) was the largest contributor to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings decline for the Health Care sector improved to -1.9% from -5.3% over this period.

In the Energy sector, the positive EPS surprise reported by Phillips 66 ($6.46 vs. $5.05) 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 Energy sector increased to 139.0% from 133.6% over this period.

In the Financials sector, the negative EPS surprise reported by Lincoln National (-$10.23 vs. $1.81) was the largest detractor to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings decline for the Financials sector increased to -20.2% from -18.0% over this period.

In the Communication Services sector, the negative EPS surprise reported by Warner Bros. Discovery (-$0.76 vs. -$0.26) was a substantial detractor to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings decline for the Communication Services sector increased to -22.2% from -19.0% over this period.

In the Consumer Discretionary sector, the negative EPS surprises reported by Etsy (-$7.62 vs. $0.37) and MGM Resorts (-$1.39 vs. $0.26) were significant detractors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Consumer Discretionary sector decreased to 8.9% from 12.8% over this period.

Increase in Blended Revenue Growth Rate This Week Due to Energy and Financials

The blended (year-over-year) revenue growth rate for the third quarter is 10.5%, which is above the revenue growth rate of 9.3% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Energy and Financials sectors) were the main contributors to the increase in the overall revenue growth rate during the past week.

Financials Sector Has Seen Largest Decrease in Earnings since September 30

The blended (year-over-year) earnings growth rate for Q3 2022 of 2.2% is below the estimate of 2.7% at the end of the third quarter (September 30). Six sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Energy (to 139.0% from 115.4%) sector. The Energy and Health Care sectors have also witnessed the largest dollar-level increases in earnings since September 30. On the other hand, five sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline during this period, led by the Communication Services (to -22.2% from -13.5%), Materials (to -15.7% from -7.0%), Financials (to -20.2% from -12.0%), and Industrials (to 15.9% from 23.8%) sectors. The Financials, Communication Services, and Industrials sectors have witnessed the largest dollar-level decreases in earnings since September 30.

In the Energy sector, the positive EPS surprises reported by Exxon Mobil ($4.45 vs. $3.86), Chevron ($5.56 vs. $4.89), Phillips 66 ($6.46 vs. $5.05), and the upward revisions to EPS estimates and positive EPS surprise for Marathon Petroleum ($7.81 vs. $7.08) have been significant detractors to the decrease in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Energy sector increased to 139.0% from 115.4% over this period.

In the Health Care sector, the positive EPS surprise reported by Pfizer ($1.78 vs. $1.39) has been a substantial detractor to the decrease in the earnings growth rate for the index since September 30. As a result, the blended earnings decline for the Health Care sector has improved to -1.9% from -6.8% over this period.

In the Financials sector, the negative EPS surprises reported by Lincoln Financial (-$10.23 vs. $1.81), Wells Fargo ($0.85 vs. $1.09) and Progressive ($0.49 vs. $0.99), along with the downward revisions to EPS estimates for Berkshire Hathaway (to $2.81 from $3.43) and downward revisions to EPS estimates and the negative EPS surprise for Allstate (-$1.56 vs. -$1.42), have been substantial contributors to the decrease in the earnings growth rate for the index since September 30. As a result, the blended earnings decline for the Financials sector has increased to -20.2% from -12.0% over this period.

In the Communication Services sector, the negative EPS surprises reported by Alphabet ($1.06 vs. $1.26), Warner Bros. Discovery (-$0.76 vs. -$0.26), and Meta Platforms ($1.64 vs. $1.90) have been significant contributors to the decrease in the earnings growth rate for the index since September 30. As a result, the blended earnings decline for the Communication Services sector has increased to -22.2% from -13.5% over this period.

In the Industrials sector, the negative EPS surprise reported by Boeing (-$6.18 vs. $0.13) has been a substantial contributor to the decrease in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Industrials sector has declined to 15.9% from 23.8% over this period.

Energy Sector Has Seen Largest Increase in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2022 of 10.5% is above the estimate of 8.7% at the end of the third quarter (September 30). Seven 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 46.8% from 35.5%) and Utilities (to 12.4% from 3.1%) sectors. The Energy and Financials sectors have been the largest contributors to the increase in revenues since September 30. On the other hand, two 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 Communication Services (to 3.1% from 4.3%) sector. One sector (Consumer Discretionary) has the same revenue growth rate today (14.1%) compared to September 30.

In the Energy sector, the positive revenue surprises reported by Marathon Petroleum ($47.2 billion vs. $35.8 billion), Exxon Mobil ($112.1 billion vs. $104.6 billion), Chevron ($66.6 billion vs. $57.4 billion), Valero Energy ($42.3 billion vs. $40.1 billion), and Phillips 66 ($43.3 billion vs. $39.3 billion) have been significant contributors to the increase in the revenue growth rate for the index since September 30. As a result, the blended revenue growth rate for the Energy sector increased to 46.8% from 35.5% over this period.

In the Financials sector, the positive revenue surprises reported by Prudential ($21.6 billion vs. $14.7 billion) and MetLife ($22.3 billion vs. $20.6 billion) have been substantial contributors to the increase in the revenue growth rate for the index since September 30. As a result, the blended revenue growth rate for the Financials sector has increased to 6.0% from 2.7% over this period.

Earnings Growth: 2.2%

The blended (year-over-year) earnings growth rate for Q3 2022 is 2.2%, which is below the 5-year average earnings growth rate of 14.6% and below the 10-year average earnings growth rate of 8.8%. If 2.2% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) earnings growth rate reported by the index since Q3 2020 (-5.7%).

Four of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Real Estate, and Industrials sectors. On the other hand, seven sectors are reporting a year-over-year decline in earnings, led by the Communication Services, Financials, and Materials sectors.

Energy: Largest Contributor to Year-Over-Year Earnings Growth for S&P 500 For Q3

The Energy sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 139.0%. 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 2022 ($91.43) was 30% above the average price for oil in Q3 2021 ($70.52). At the sub-industry level, all five sub-industries in the sector are reporting a year-over-year increase in earnings: Oil & Gas Refining & Marketing (304%), Integrated Oil & Gas (140%), Oil & Gas Exploration & Production (108%), Oil & Gas Equipment & Services (91%), and Oil & Gas Storage & Transportation (21%).

The Energy sector is also the largest contributor to earnings growth for the S&P 500 for the third quarter. If this sector were excluded, the index would be reporting a decline in earnings of 5.4% rather than growth in earnings of 2.2%.

Real Estate: 7 of 8 Sub-Industries Reporting Year-Over-Year Growth

The Real Estate sector is reporting the second-highest (year-over-year) earnings (FFO) growth of all eleven sectors at 18.4%. At the sub-industry level, seven of the eight sub-industries in the sector are reporting a year-over-year increase in earnings (FFO), led by the Industrial REITs (108%) and Hotel & Resort REITs (90%). On the other hand, the Real Estate Services (-22%) sub-industry is the only sub-industry that reported a year-over-year decline in earnings.

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

The Industrials sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 15.9%. At the industry level, 8 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, the Airlines industry reported a profit of $3.0 billion in Q3 2022 compared to a loss of -$731 million in Q3 2021. Six of the remaining seven industries are reporting earnings growth above 10%: Trading Companies & Distributors (34%), Machinery (25%), Construction & Engineering (23%), Road & Rail (21%), Electrical Equipment (18%), and Commercial Services & Supplies (15%). On the other hand, four industries are reporting a year-over-year decline in earnings, led by the Aerospace & Defense (-42%) industry.

At the industry level, the Airlines industry is 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 4.1% from 15.9%.

On the other hand, the Aerospace & Defense industry is the largest detractor to earnings growth for the sector. At the company level, Boeing is the largest detractor to earnings growth for this industry and for the sector as a whole. If this company were excluded, the blended earnings growth rate for the Industrials sector would improve to 26.2% from 15.9%.

Communication Services: All 5 Industries Reporting Year-Over-Year Decline

The Communication Services sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -22.2%. At the industry level, all five industries in this sector are reporting a year-over-year decline in earnings, led by the Entertainment (-47%), Interactive Media & Services (-32%), and Wireless Telecommunication Services (-27%) industries.

At the company level, Alphabet, Meta Platforms, and Warner Bros. Discovery are the largest contributors to the earnings decline for the sector. If these three companies were excluded, the blended earnings decline for the sector would improve to -0.4% from -22.2%.

Financials: 4 of 5 Industries Reporting Year-Over-Year Decline of More Than 10%

The Financials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -20.2%. At the industry level, all five industries in this sector are reporting a year-over-year decline in earnings. Four of these five industries are reporting an earnings decline of more than 10%: Insurance (-44%), Consumer Finance (-27%), Capital Markets (-22%), and Banks (-13%).

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

The Materials sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -15.7%. At the industry level, three of the four industries in this sector are reporting a year-over-year earnings decline: Metals & Mining (-42%), Chemicals (-8%), and Containers & Packaging (-8%). On the other hand, the Construction Materials (12%) is the only industry in the sector that reported (year-over-year) earnings growth.

At the company level, Dow, LyondellBasell Industries, and Freeport-McMoRan are the largest contributors to the earnings decline for this sector. If these three companies were excluded, the Materials sector would be reporting earnings growth of 6.8% rather than an earnings decline of -15.7%.

Revenue Growth: 10.5%

The blended (year-over-year) revenue growth rate for Q3 2022 is 10.5%, which is above the 5-year average revenue growth rate of 7.8% and above the 10-year average revenue growth rate of 4.6%. If 10.5% is the actual growth rate for the quarter, it will mark the seventh straight quarter that the index has reported (year-over-year) revenue growth above 10%.

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

Energy: All 5 Sub-Industries Reporting Year-Over-Year Growth Above 20%

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 46.8%. 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 2022 ($91.43) was 30% above the average price for oil in Q3 2021 ($70.52). At the sub-industry level, all five sub-industries in the sector are reporting year-over-year growth in revenues above 20%: Oil & Gas Exploration & Production (65%), Integrated Oil & Gas (50%), Oil & Gas Refining & Marketing (42%), Oil & Gas Storage & Transportation (30%), and Oil & Gas Equipment & Services (23%).

The Energy sector is also the largest contributor to revenue growth for the S&P 500 for the third quarter. If this sector were excluded, the blended revenue growth rate for the index would fall to 7.5% from 10.5%.

Net Profit Margin: 11.9%

The blended net profit margin for the S&P 500 for Q3 2022 is 11.9%, which is above the 5-year average of 11.3%, but below the previous quarter's net profit margin of 12.2% and below the year-ago net profit margin of 12.9%.

At the sector level, three sectors are reporting a year-over-year increase in their net profit margins in Q3 2022 compared to Q3 2021, led by the Energy (to 14.5% vs. 8.9%) sector. On the other hand, eight sectors are reporting a year-over-year decrease in their net profit margins in Q3 2022 compared to Q3 2021, led by the Financials (14.1% vs. 18.7%) sector.

Eight sectors are reporting net profit margins in Q3 2022 that are above their 5-year averages, led by the Energy (14.5% vs. 6.8%) sector. On the other hand, three sectors are reporting net profit margins in Q3 2022 that are below their 5-year averages, led by the Financials (14.1% vs. 16.5%) and Communication Services (9.7% vs. 11.7%) sectors.

Looking Ahead: Forward Estimates and Valuation

Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance for Q4 is Above 5-Yr. Average

At this point in time, 73 companies in the index have issued EPS guidance for Q4 2022. Of these 73 companies, 50 have issued negative EPS guidance and 23 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q4 2022 is 68% (50 out of 73), which is above the 5-year average of 60% and above the 10-year average of 67%.

At this point in time, 252 companies in the index have issued EPS guidance for the current fiscal year (FY 2022 or FY 2023). Of these 252 companies, 129 have issued negative EPS guidance and 123 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 51% (129 out of 252).

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 6% for CY 2022

For the third quarter, S&P 500 companies are reporting earnings growth of 2.2% and revenue growth of 10.5%.

For Q4 2022, analysts are projecting an earnings decline of -1.0% and revenue growth of 4.5%.

For CY 2022, analysts are projecting earnings growth of 5.6% and revenue growth of 7.2%.

For Q1 2023, analysts are projecting earnings growth of 2.3% and revenue growth of 3.9%.

For Q2 2023, analysts are projecting earnings growth of 1.5% and revenue growth of 1.3%.

For CY 2023, analysts are projecting earnings growth of 5.9% and revenue growth of 3.4%.

Valuation: Forward P/E Ratio is 16.1, Below the 10-Year Average (17.1)

The forward 12-month P/E ratio for the S&P 500 is 16.1. This P/E ratio is below the 5-year average of 18.5 and below the 10-year average of 17.1. However, it is above the forward 12-month P/E ratio of 15.2 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 3.7%, while the forward 12-month EPS estimate has decreased by 2.3%. At the sector level, the Consumer Discretionary (22.1) sector has the highest forward 12-month P/E ratio, while the Energy (9.9) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 17.8, which is below the 5-year average of 22.8 and below the 10-year average of 20.4.

Targets & Ratings: Analysts Project 20% Increase in Price Over Next 12 Months

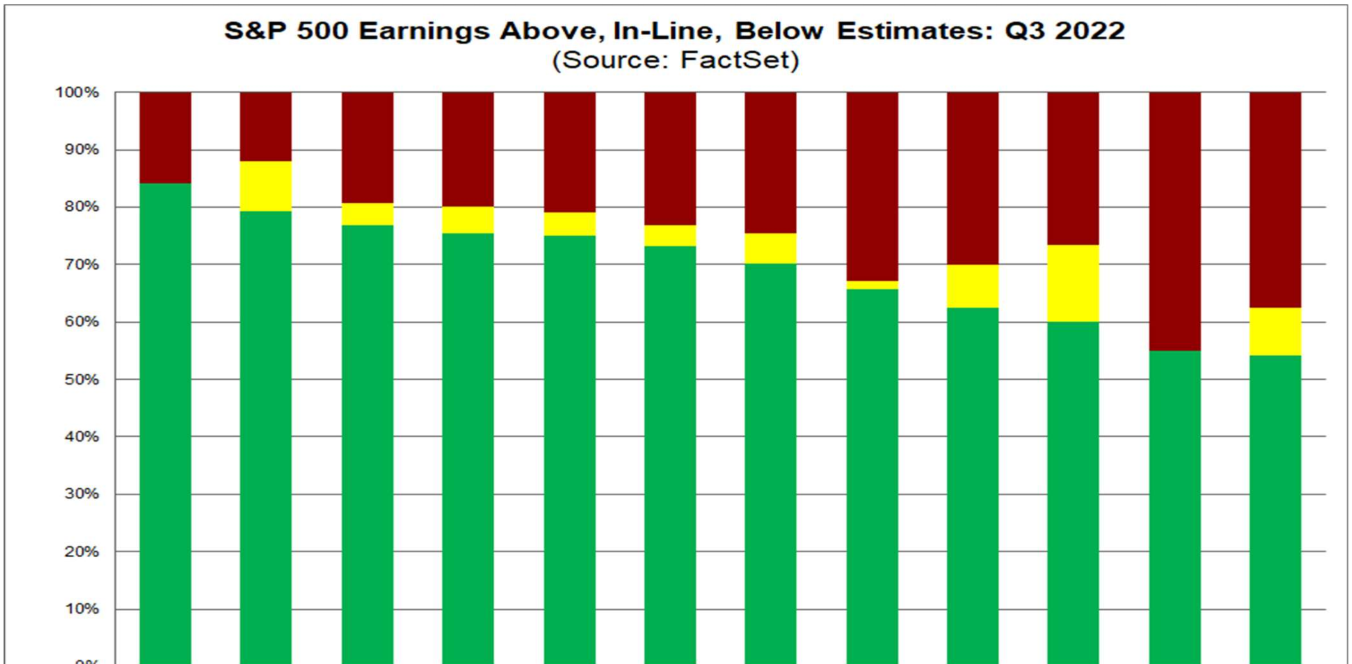
The bottom-up target price for the S&P 500 is 4475.33, which is 20.3% above the closing price of 3719.89. At the sector level, the Communication Services (+39.9%) sector is expected to see the largest price increase, as this sector has the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Energy (+7.0%) and Industrials (+9.4%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,825 ratings on stocks in the S&P 500. Of these 10,825 ratings, 55.5% are Buy ratings, 38.7% are Hold ratings, and 5.8% are Sell ratings. At the sector level, the Energy (64%), Information Technology (61%), and Real Estate (60%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (41%) sector has the lowest percentage of Buy ratings.

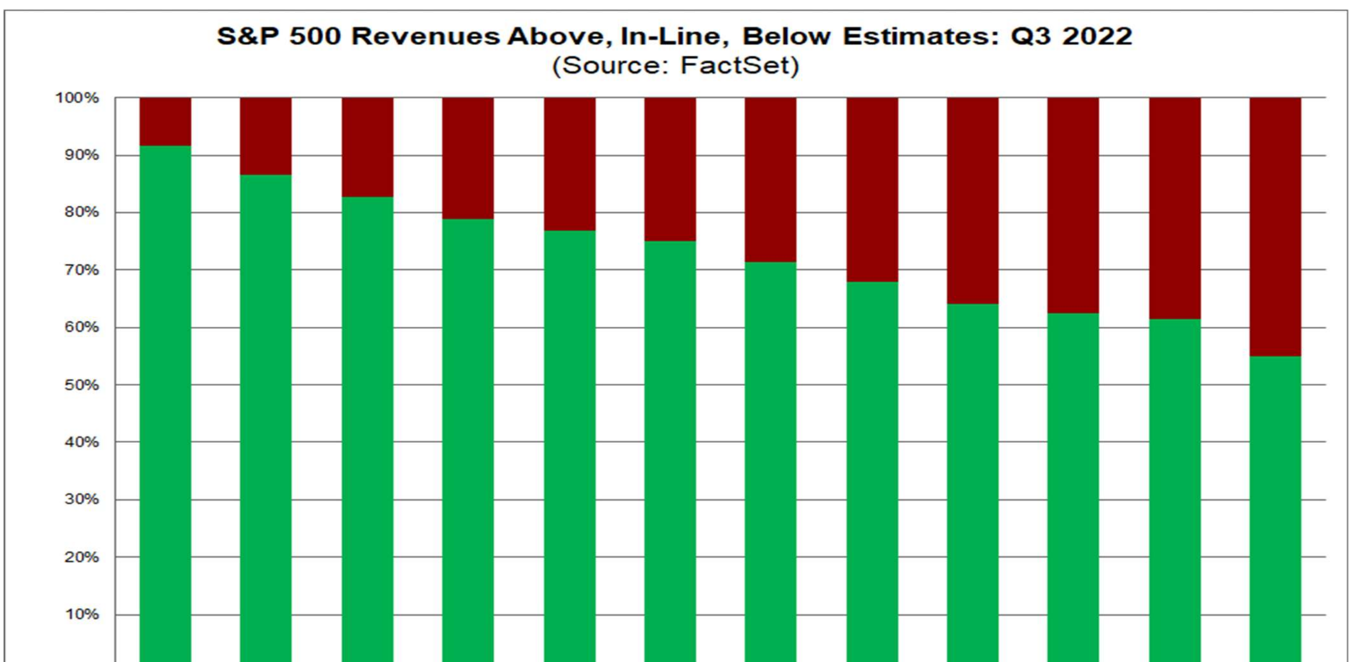
Companies Reporting Next Week: 30

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

Q3 2022: Scorecard

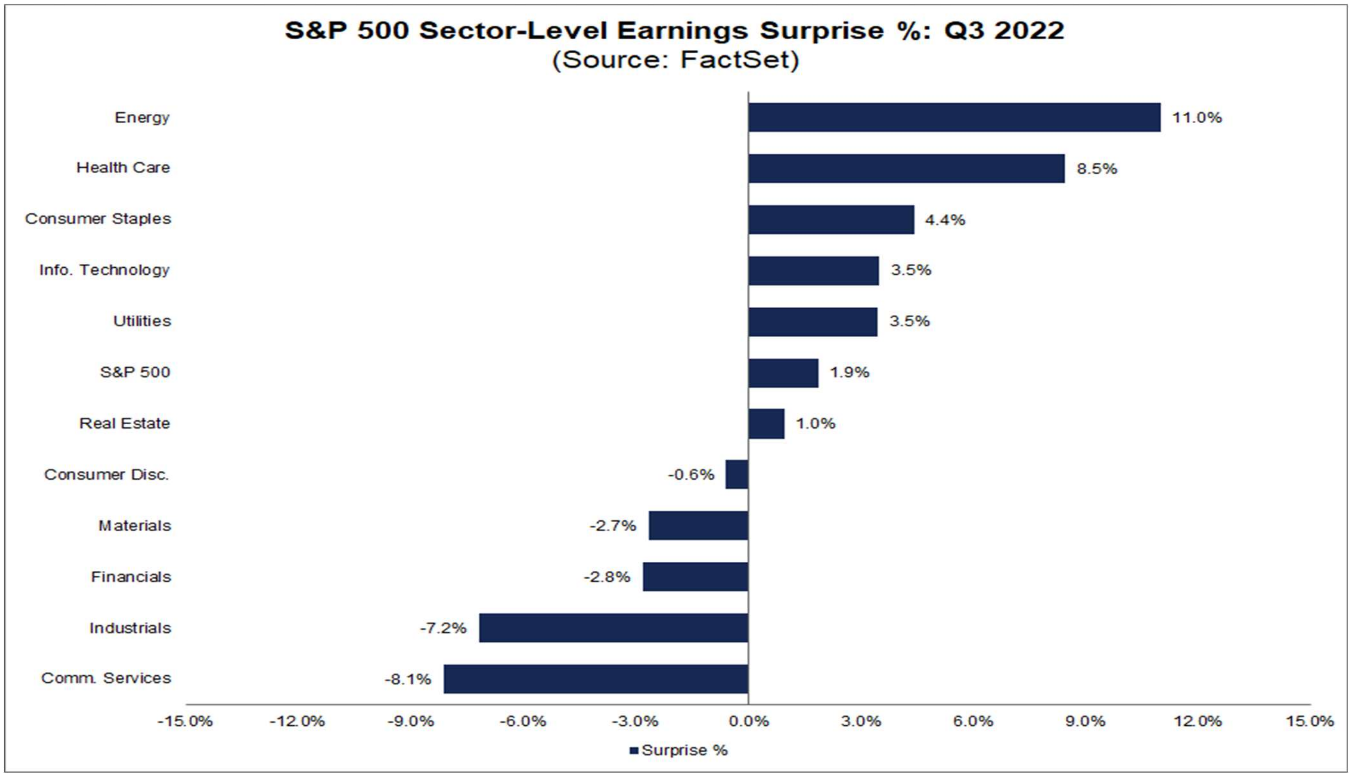


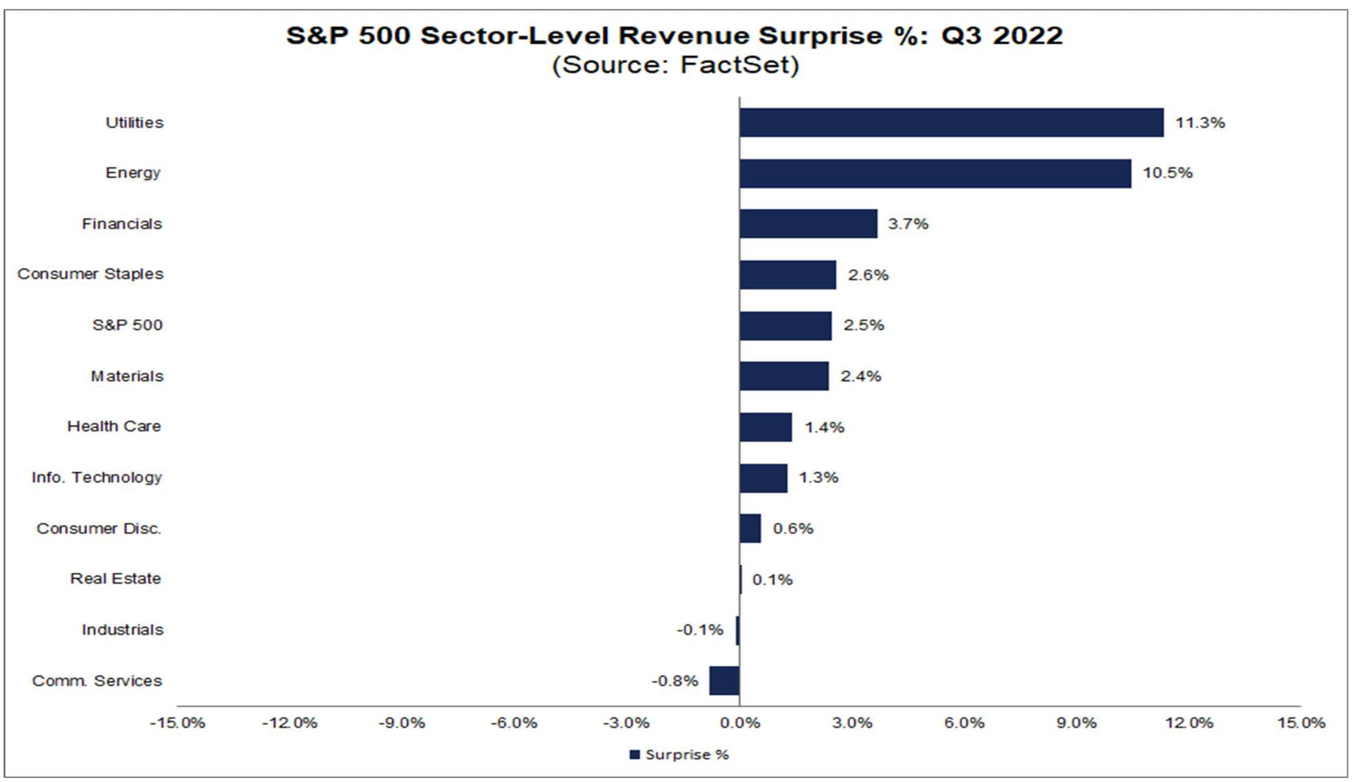
	Energy	Info. Technology	Consumer Staples	Industrials	Utilities	Health Care	S&P 500	Financials	Consumer Disc.	Real Estate	Comm. Services	Materials
Below	16%	12%	19%	20%	21%	23%	25%	33%	30%	27%	45%	38%
In-Line	0%	9%	4%	5%	4%	4%	5%	2%	8%	13%	0%	8%
Above	84%	79%	77%	75%	75%	73%	70%	66%	63%	60%	55%	54%



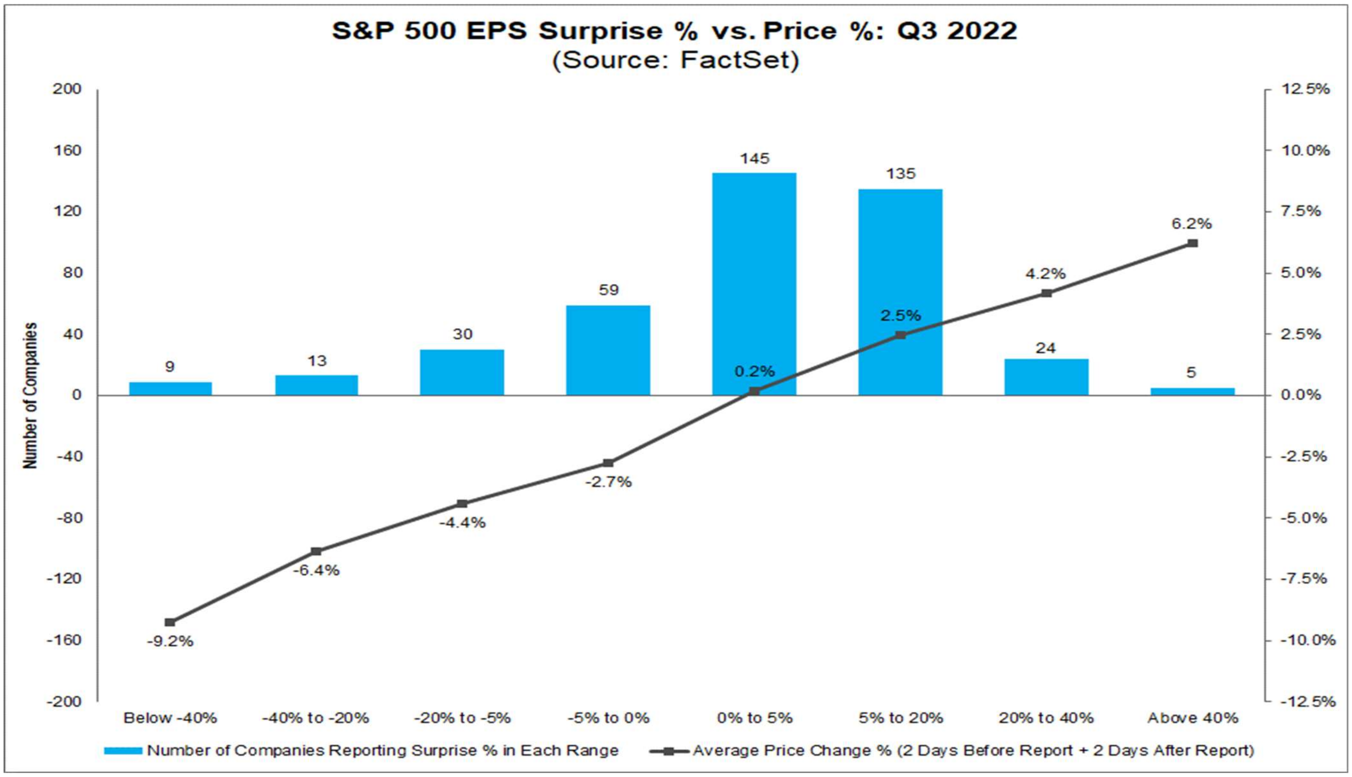
	Utilities	Real Estate	Info. Technology	Energy	Consumer Staples	Materials	S&P 500	Health Care	Financials	Consumer Disc.	Industrials	Comm. Services
Below	8%	13%	17%	21%	23%	25%	29%	32%	36%	38%	38%	45%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	92%	87%	83%	79%	77%	75%	71%	68%	64%	63%	62%	55%

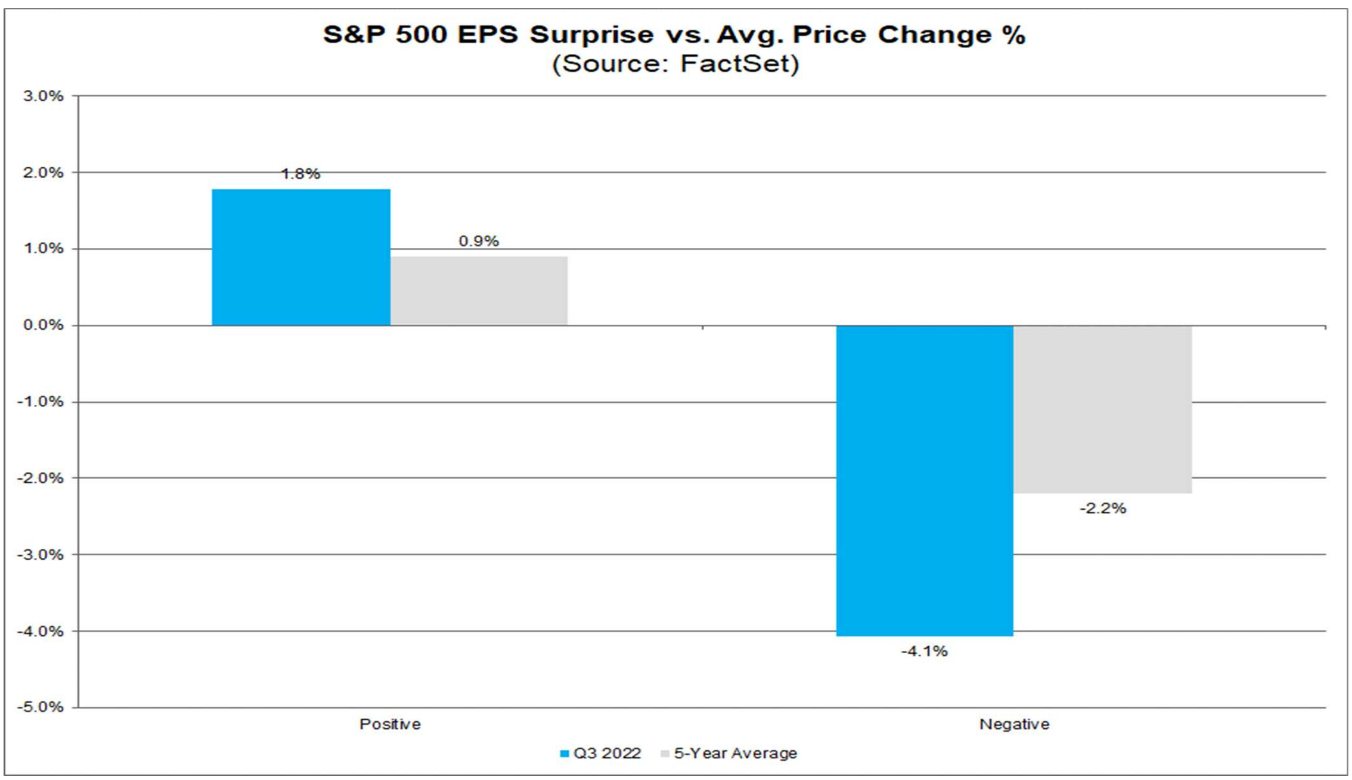
Q3 2022: Scorecard



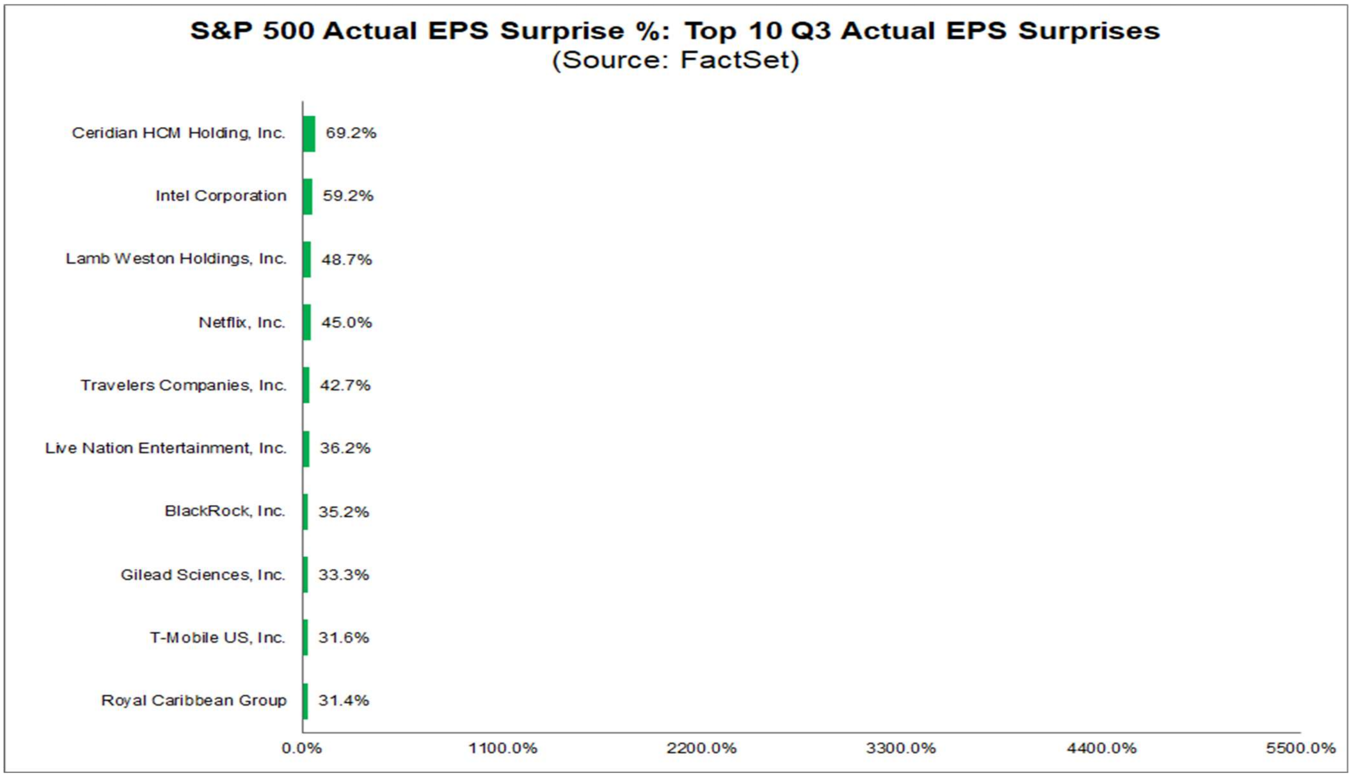


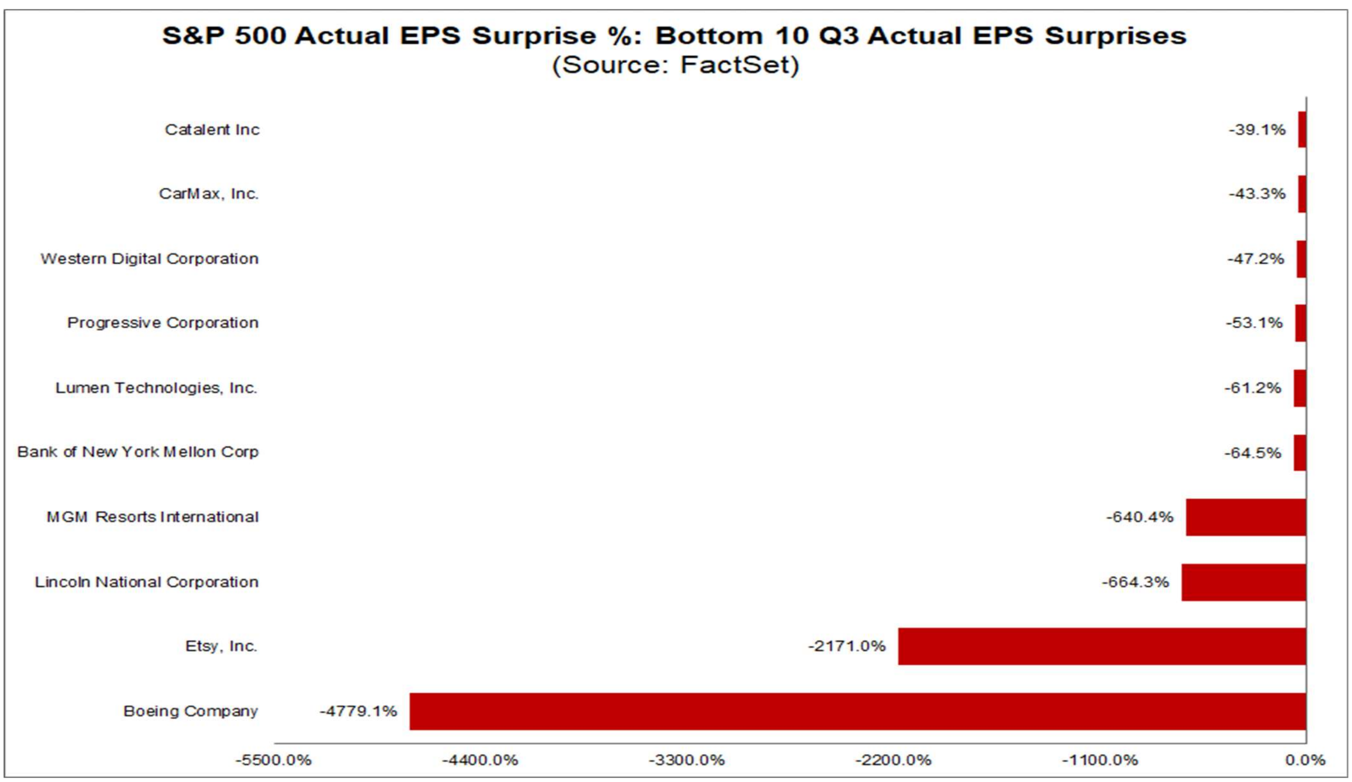
Q3 2022: Scorecard



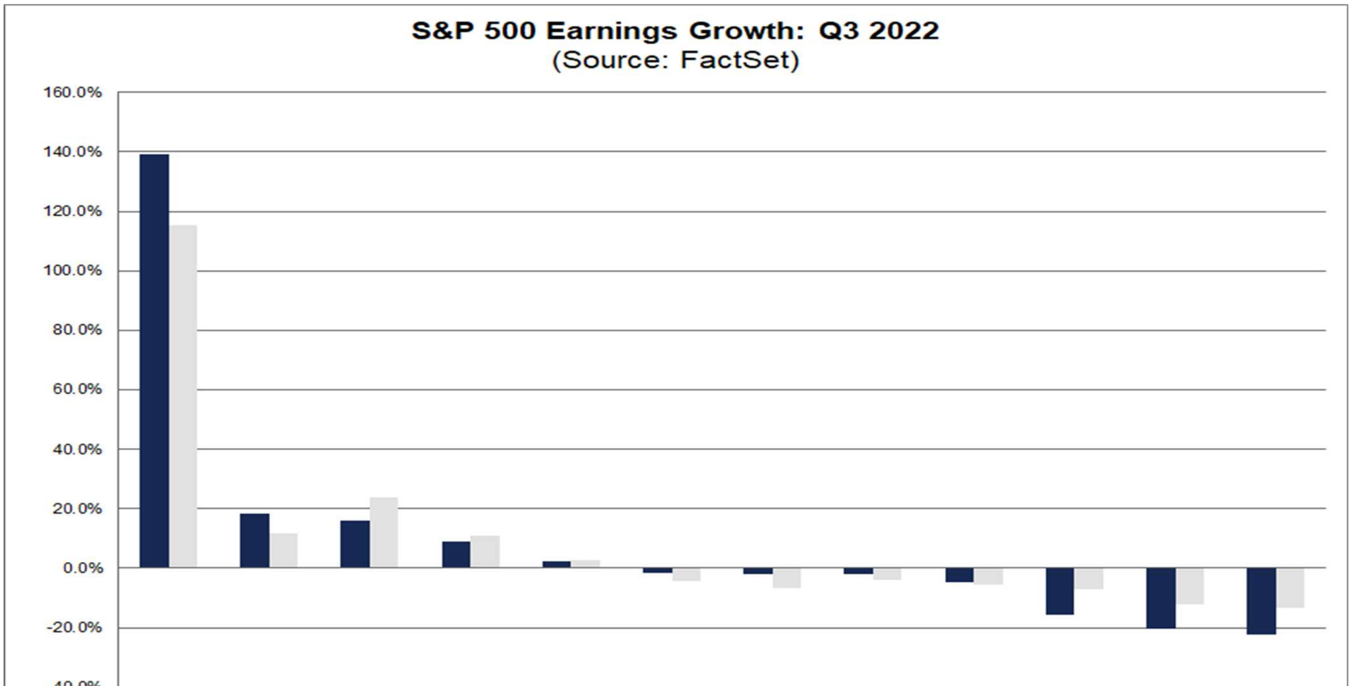


Q3 2022: Scorecard

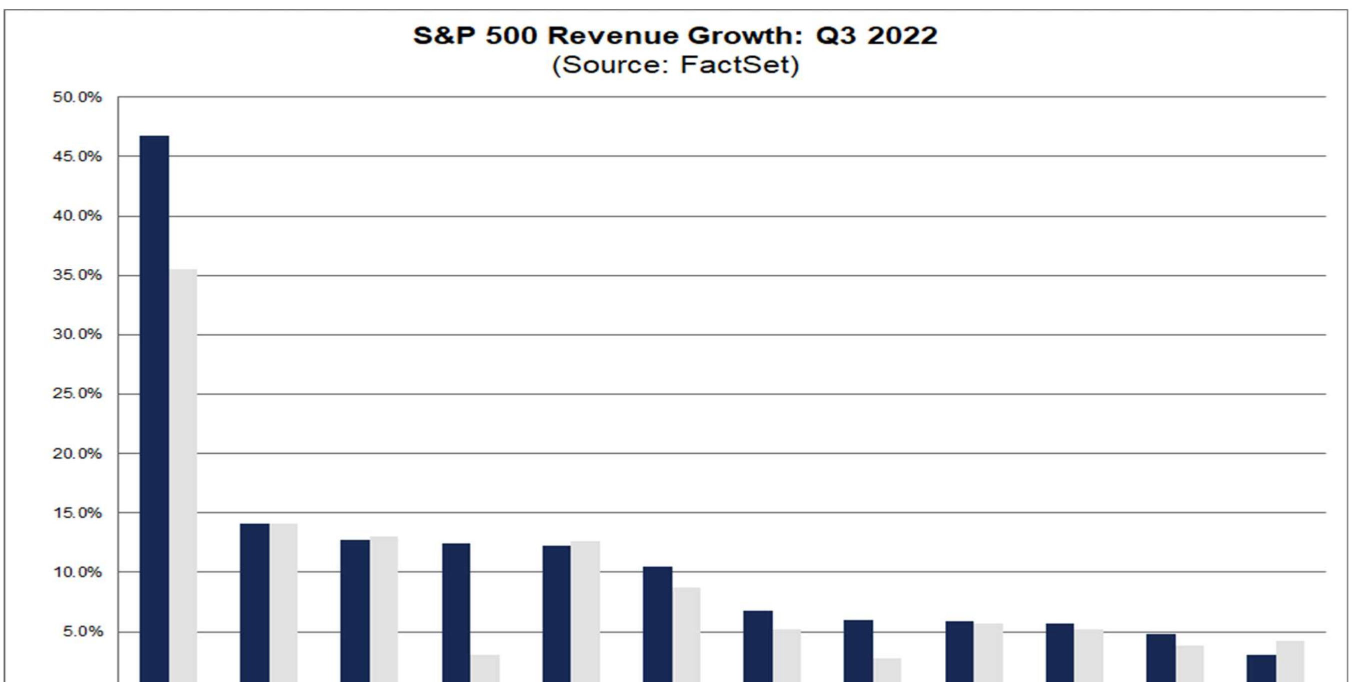




Q3 2022: Growth

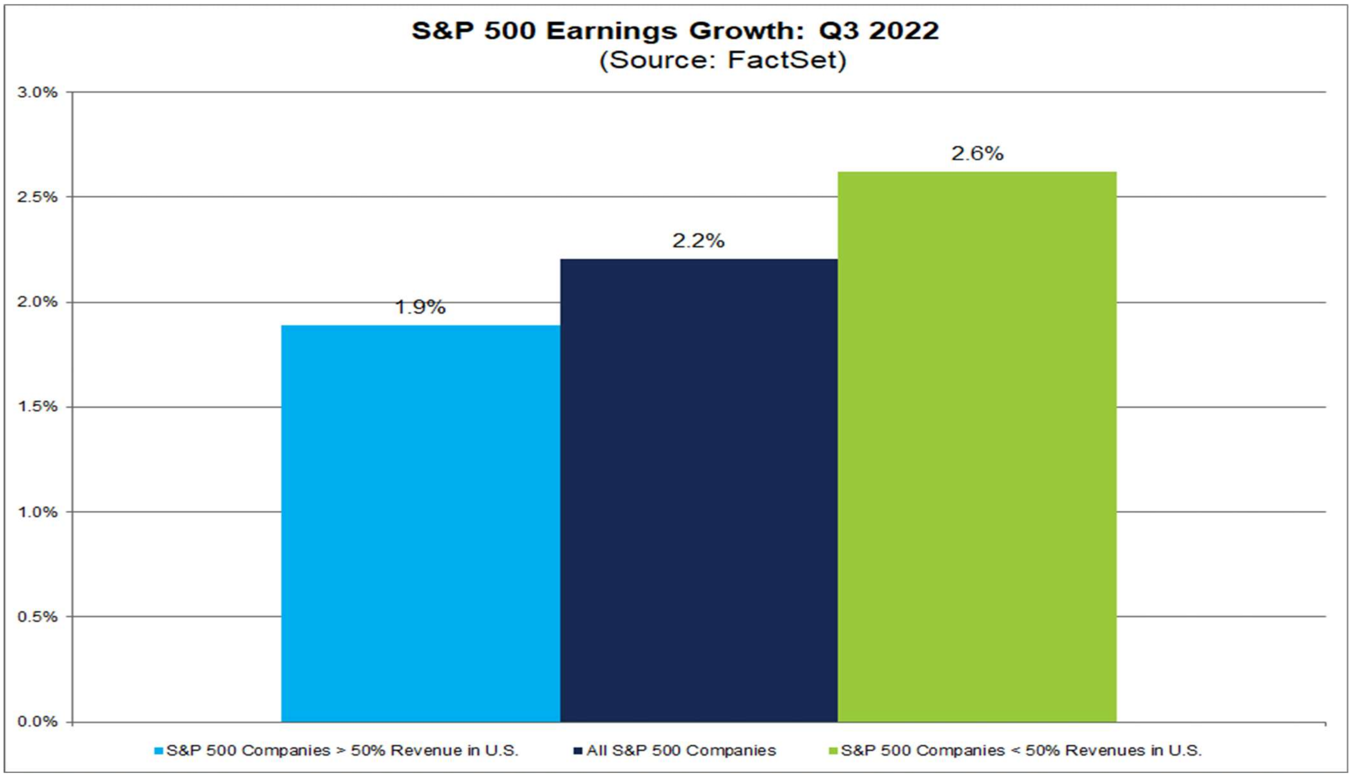


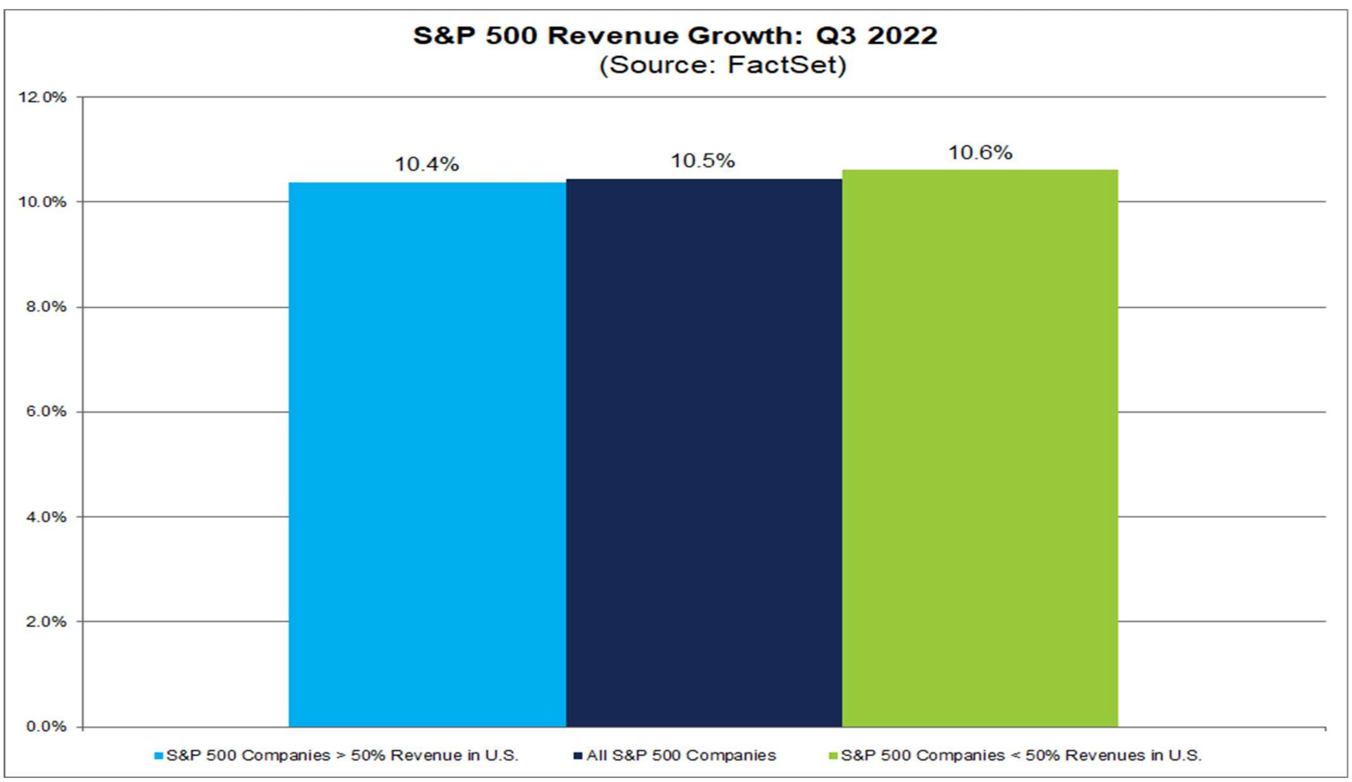
	Energy	Real Estate	Industrials	Consumer Disc.	S&P 500	Consumer Staples	Health Care	Info. Technology	Utilities	Materials	Financials	Comm. Services
Today	139.0%	18.4%	15.9%	8.9%	2.2%	-1.7%	-1.9%	-2.1%	-4.9%	-15.7%	-20.2%	-22.2%
30-Sep	115.4%	11.7%	23.8%	10.9%	2.7%	-4.4%	-6.8%	-3.8%	-5.4%	-7.0%	-12.0%	-13.5%



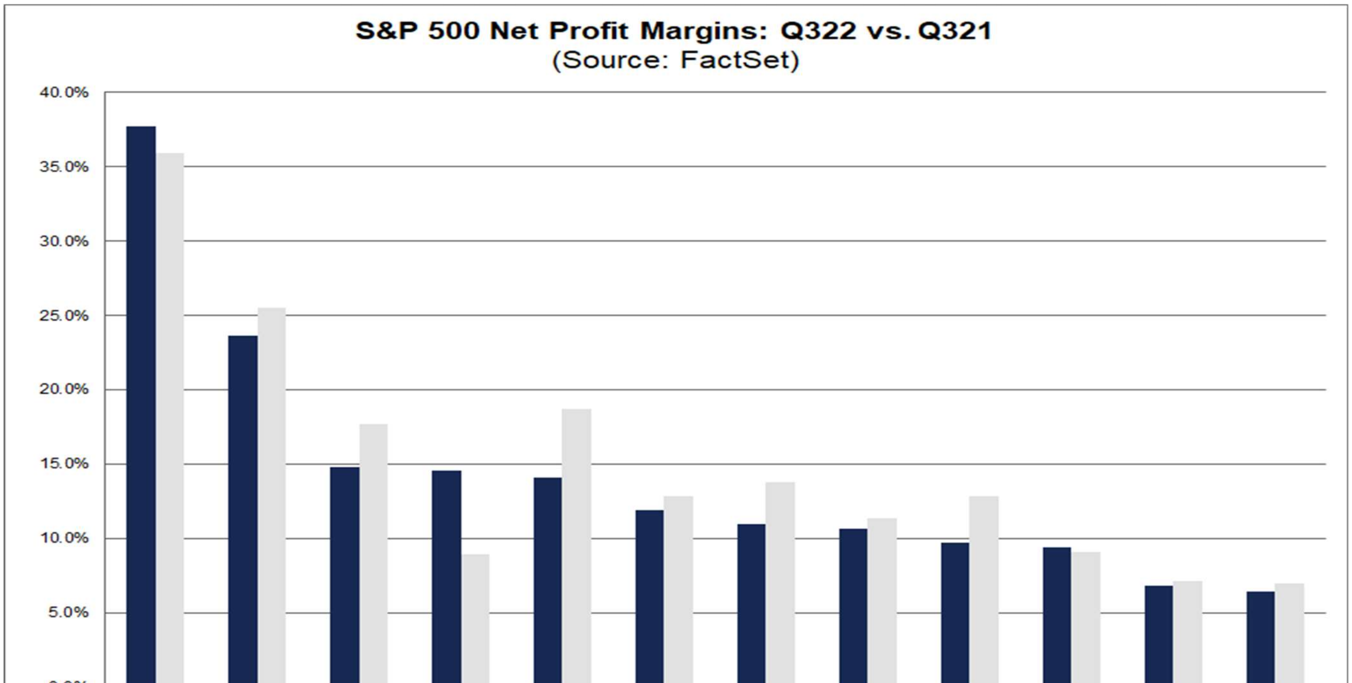
	Energy	Consumer Disc.	Real Estate	Utilities	Industrials	S&P 500	Consumer Staples	Financials	Materials	Info. Technology	Health Care	Comm. Services
Today	46.8%	14.1%	12.7%	12.4%	12.3%	10.5%	6.7%	6.0%	5.9%	5.7%	4.9%	3.1%
30-Sep	35.5%	14.1%	13.0%	3.1%	12.7%	8.7%	5.2%	2.7%	5.7%	5.2%	3.8%	4.3%

Q3 2022: Growth

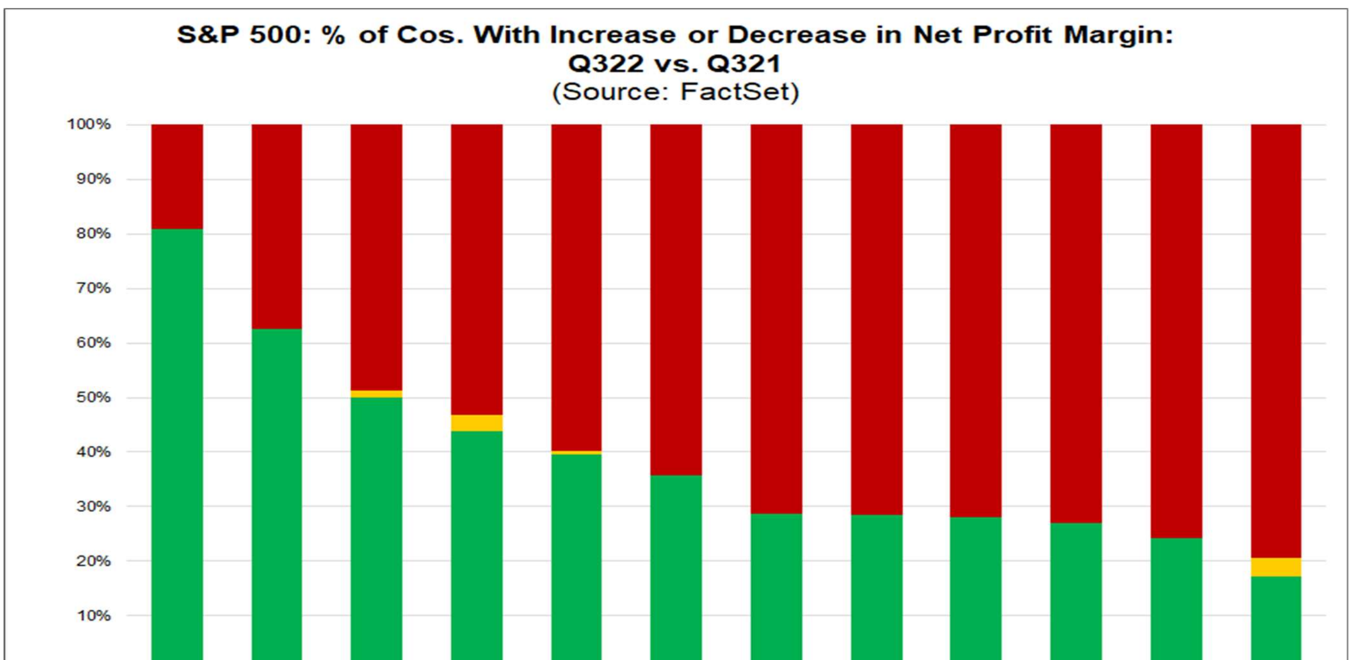




Q3 2022: Net Profit Margin

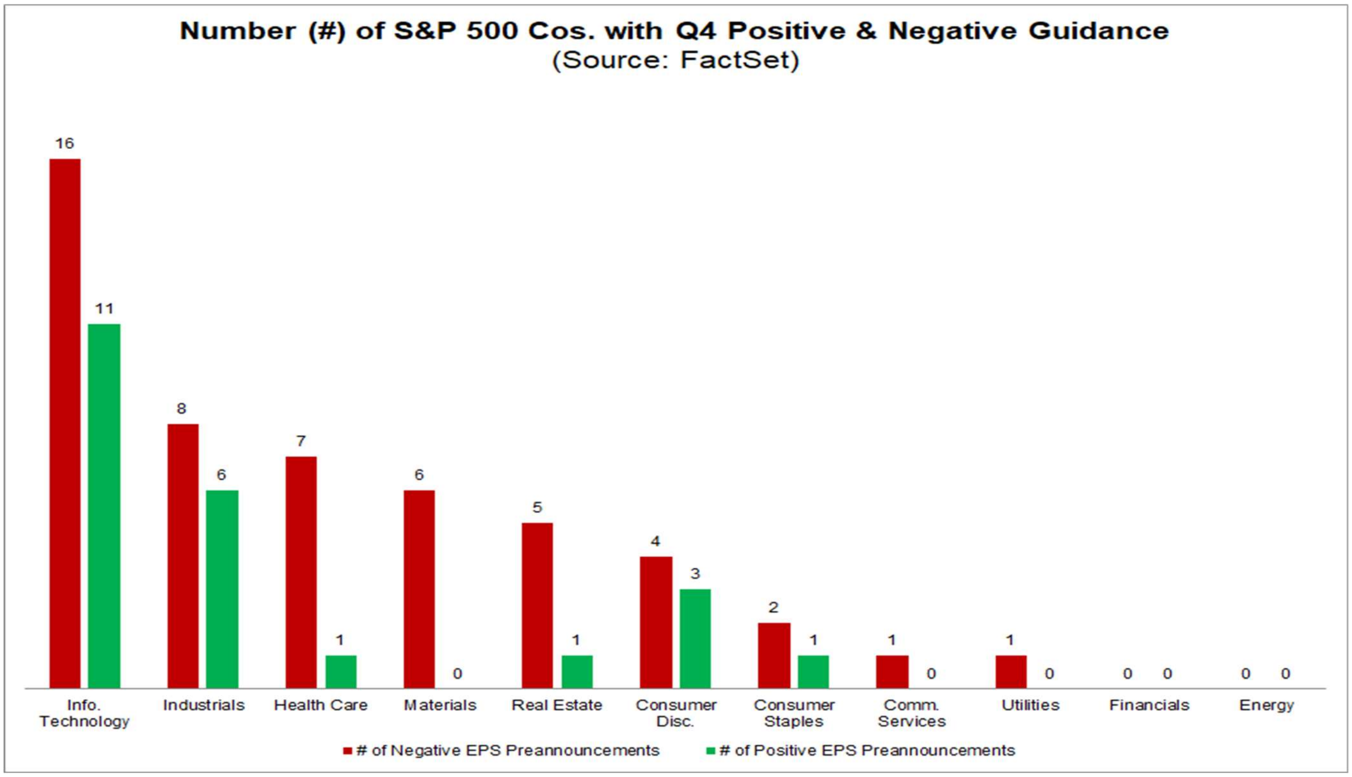


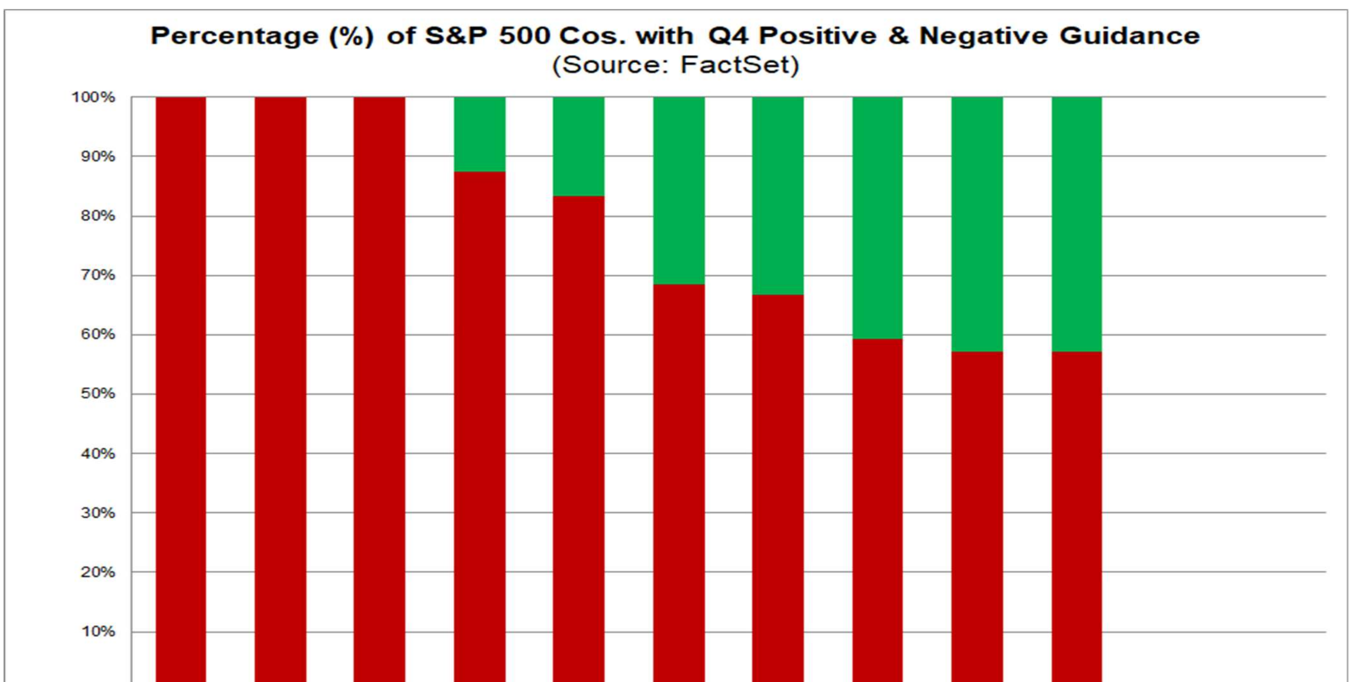
	Real Estate	Information Tech.	Utilities	Energy	Financials	S&P 500	Materials	Health Care	Comm. Services	Industrials	Consumer Disc.	Consumer Staples
Q322	37.7%	23.6%	14.8%	14.5%	14.1%	11.9%	11.0%	10.6%	9.7%	9.4%	6.8%	6.4%
Q321	35.9%	25.5%	17.7%	8.9%	18.7%	12.9%	13.8%	11.4%	12.9%	9.1%	7.2%	6.9%



	Energy	Industrials	Information Tech.	Real Estate	S&P 500	Consumer Disc.	Financials	Materials	Health Care	Comm. Services	Consumer Staples	Utilities
Down %	19%	38%	49%	53%	60%	64%	71%	71%	72%	73%	76%	79%
None %	0%	0%	1%	3%	1%	0%	0%	0%	0%	0%	0%	3%
Up %	81%	63%	50%	44%	40%	36%	29%	29%	28%	27%	24%	17%

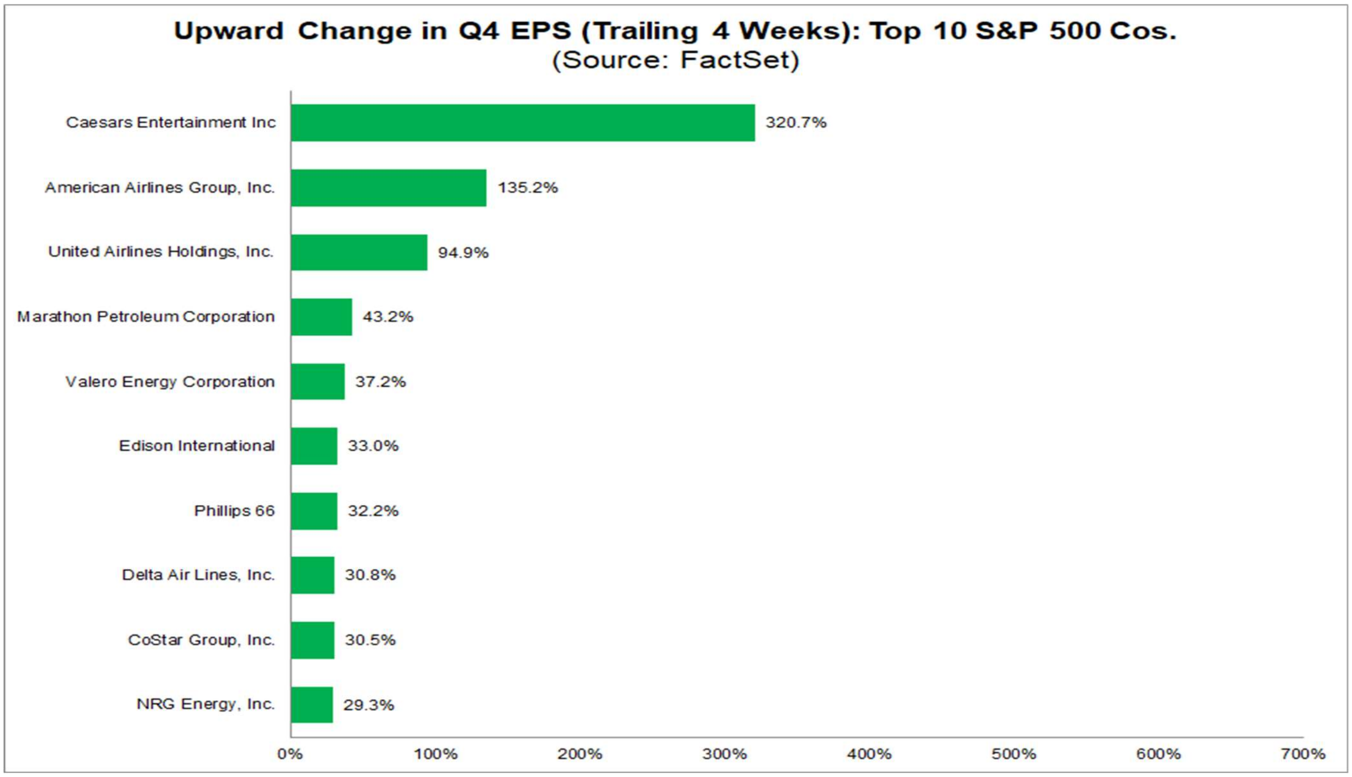
Q4 2022: Guidance

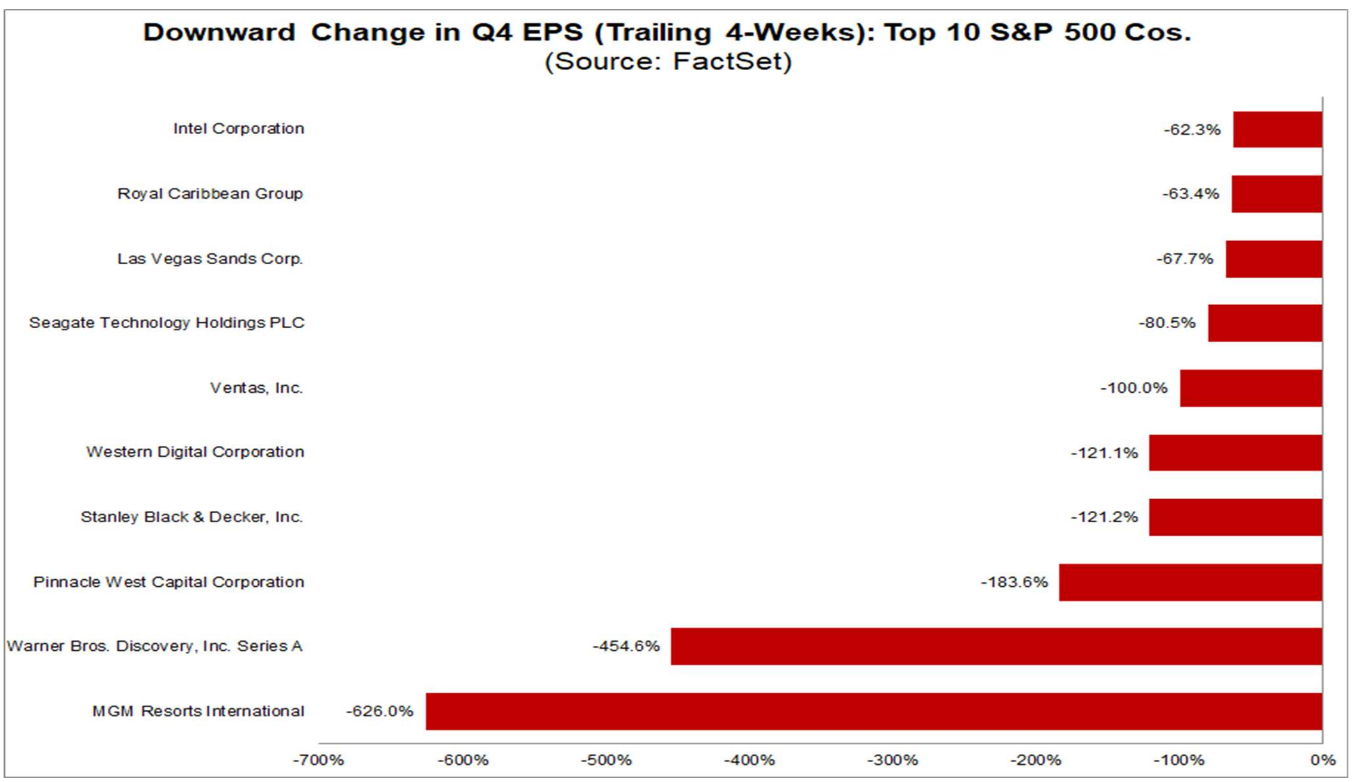




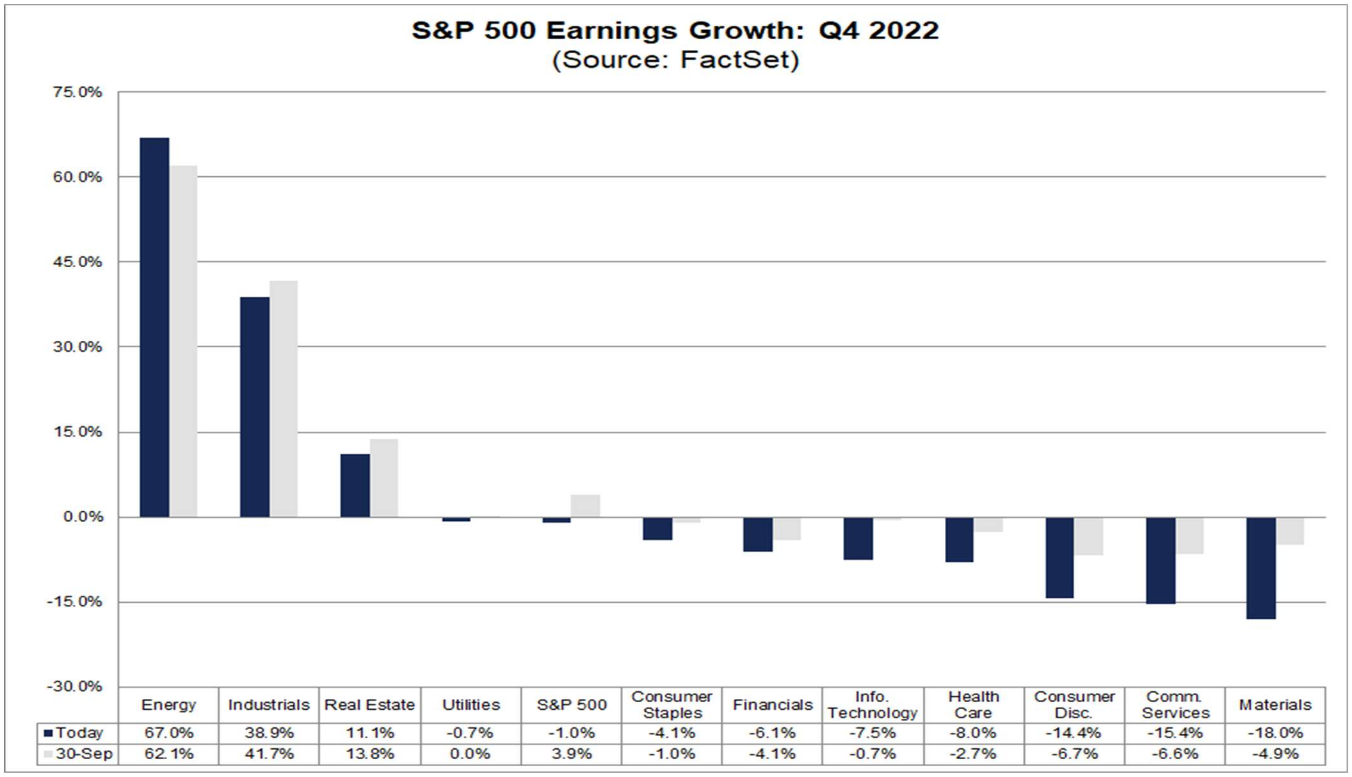
	Materials	Comm. Services	Utilities	Health Care	Real Estate	S&P 500	Consumer Staples	Info. Technology	Industrials	Consumer Disc.	Financials	Energy
Positive	0%	0%	0%	13%	17%	32%	33%	41%	43%	43%	0%	0%
Negative	100%	100%	100%	88%	83%	68%	67%	59%	57%	57%	0%	0%

Q4 2022: EPS Revisions

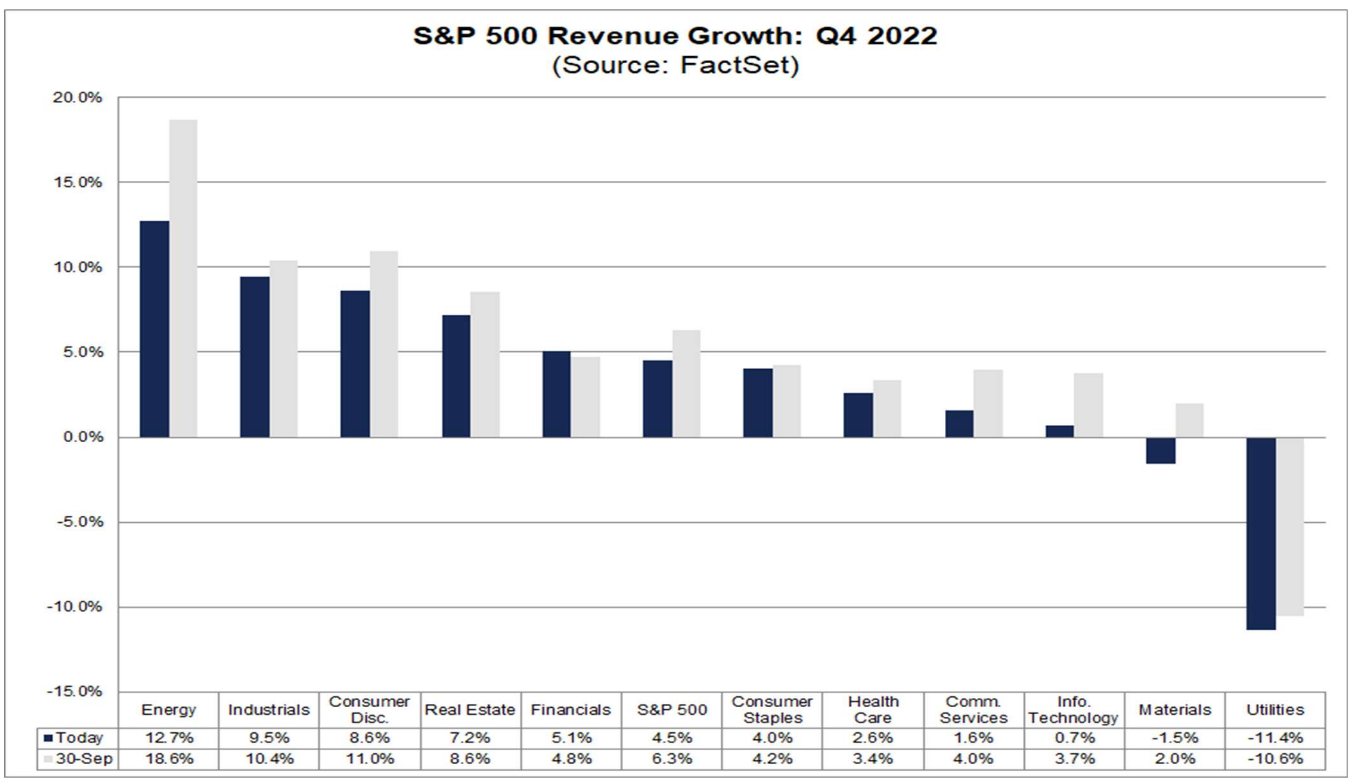




Q4 2022: Growth

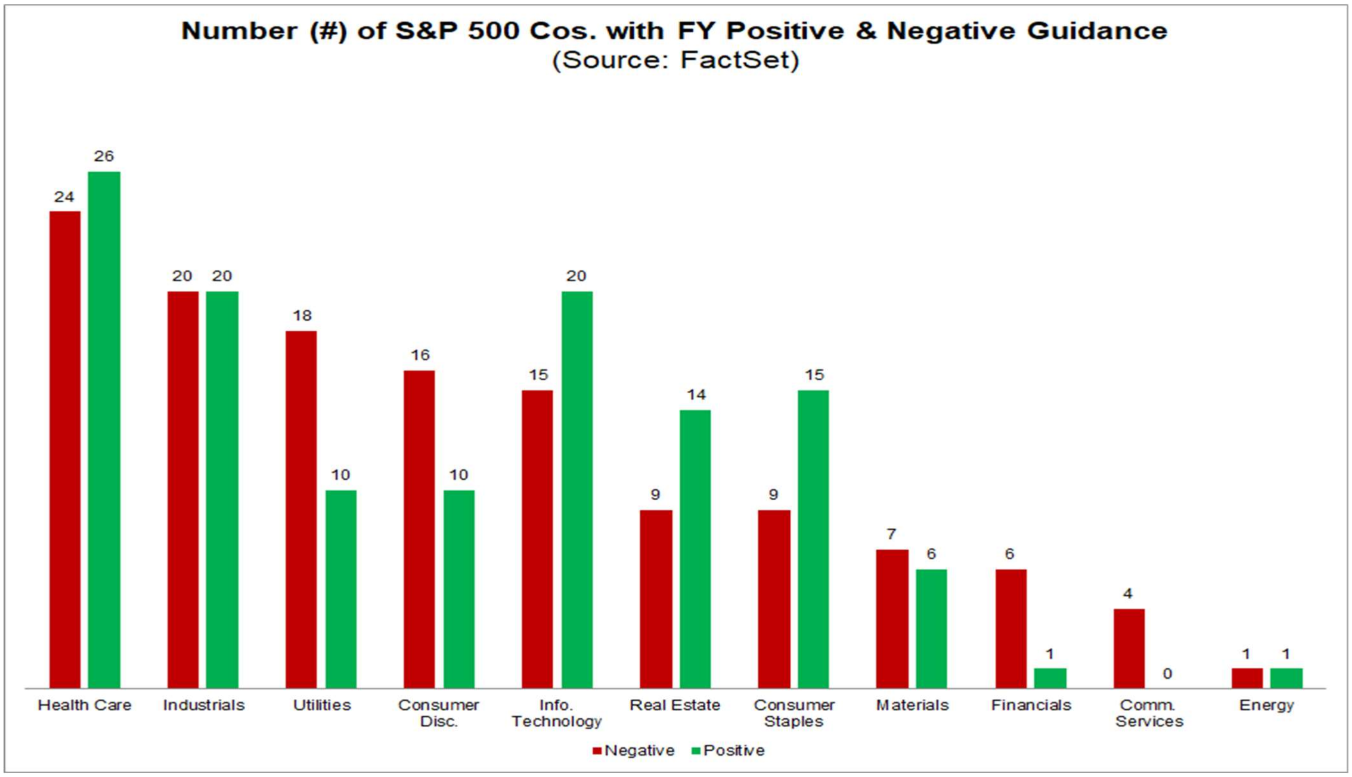


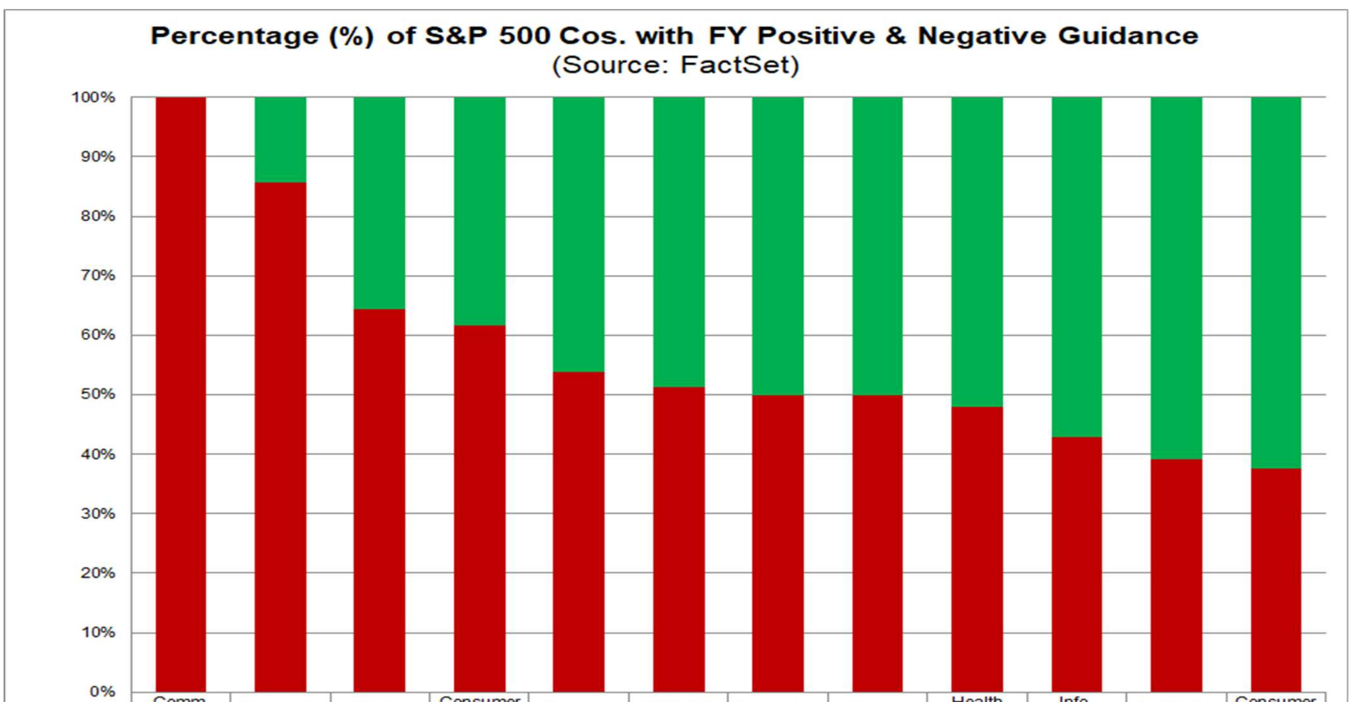
	Energy	Industrials	Real Estate	Utilities	S&P 500	Consumer Staples	Financials	Info. Technology	Health Care	Consumer Disc.	Comm. Services	Materials
Today	67.0%	38.9%	11.1%	-0.7%	-1.0%	-4.1%	-6.1%	-7.5%	-8.0%	-14.4%	-15.4%	-18.0%
30-Sep	62.1%	41.7%	13.8%	0.0%	3.9%	-1.0%	-4.1%	-0.7%	-2.7%	-6.7%	-6.6%	-4.9%



	Energy	Industrials	Consumer Disc.	Real Estate	Financials	S&P 500	Consumer Staples	Health Care	Comm. Services	Info. Technology	Materials	Utilities
Today	12.7%	9.5%	8.6%	7.2%	5.1%	4.5%	4.0%	2.6%	1.6%	0.7%	-1.5%	-11.4%
30-Sep	18.6%	10.4%	11.0%	8.6%	4.8%	6.3%	4.2%	3.4%	4.0%	3.7%	2.0%	-10.6%

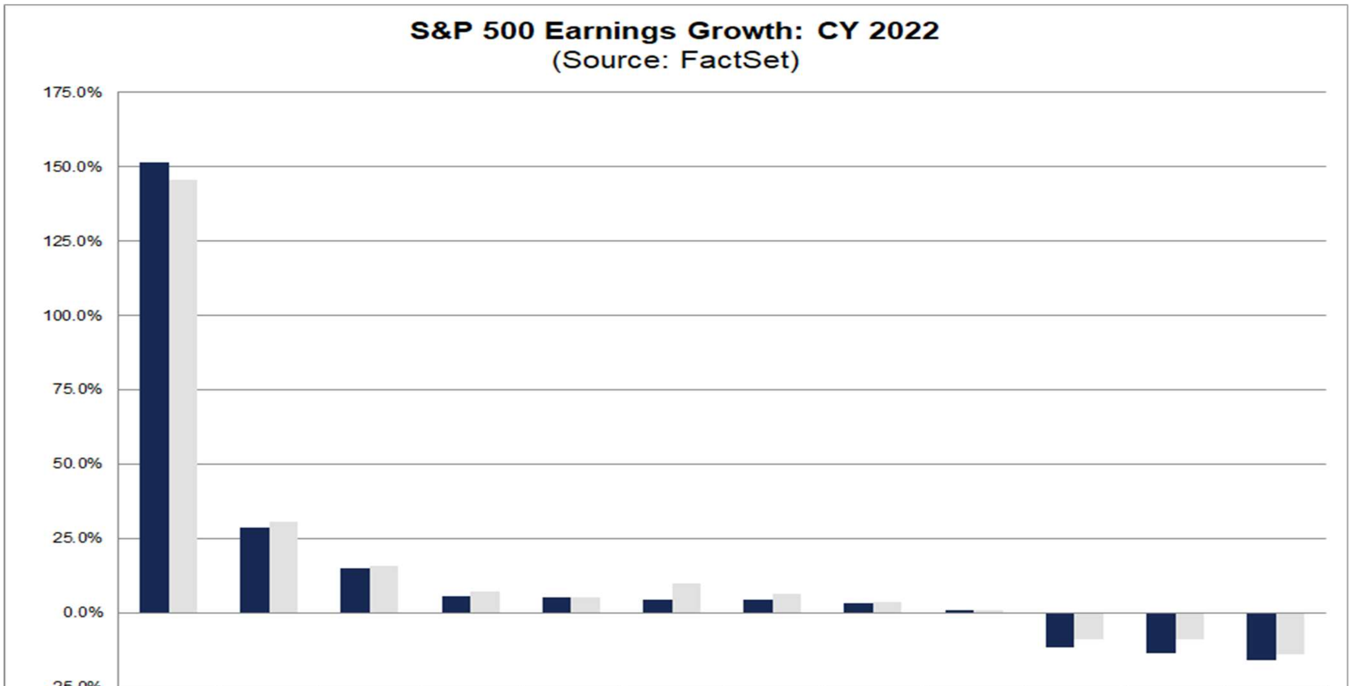
FY 2022 / 2023: EPS Guidance



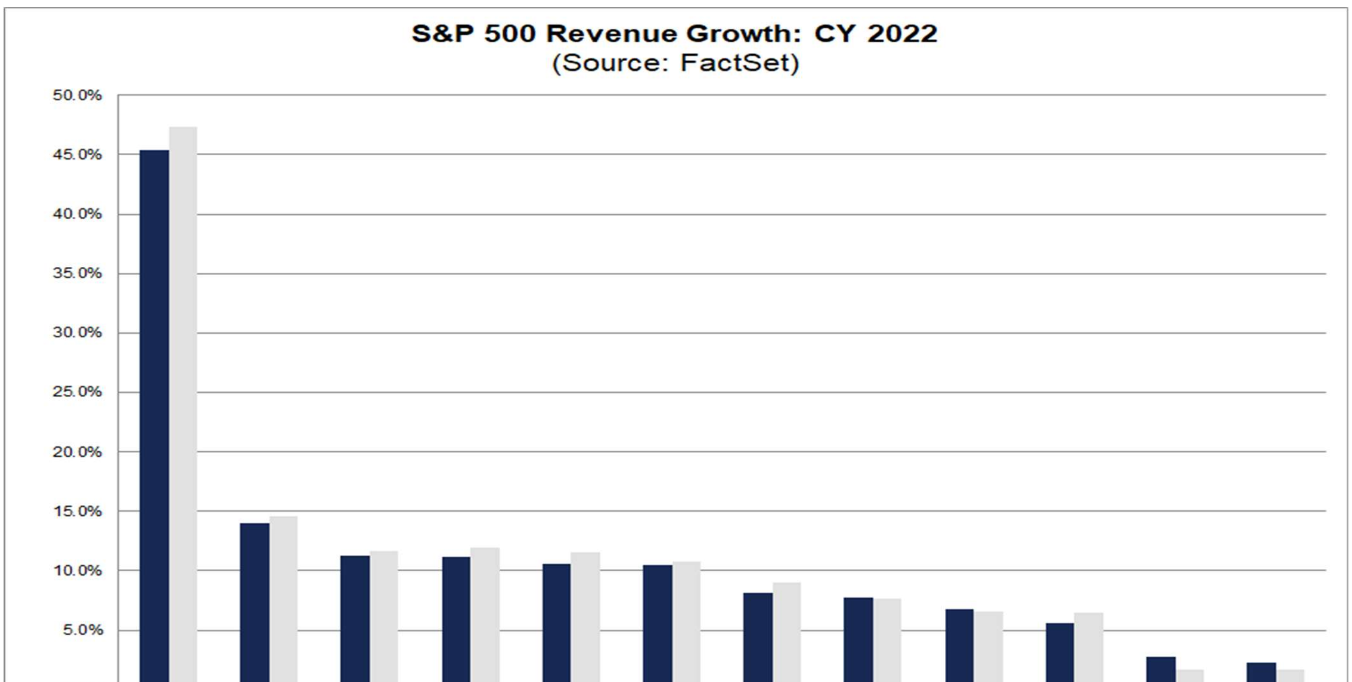


	Comm. Services	Financials	Utilities	Consumer Disc.	Materials	S&P 500	Industrials	Energy	Health Care	Info. Technology	Real Estate	Consumer Staples
Positive	0%	14%	36%	38%	46%	49%	50%	50%	52%	57%	61%	63%
Negative	100%	86%	64%	62%	54%	51%	50%	50%	48%	43%	39%	38%

CY 2022: Growth

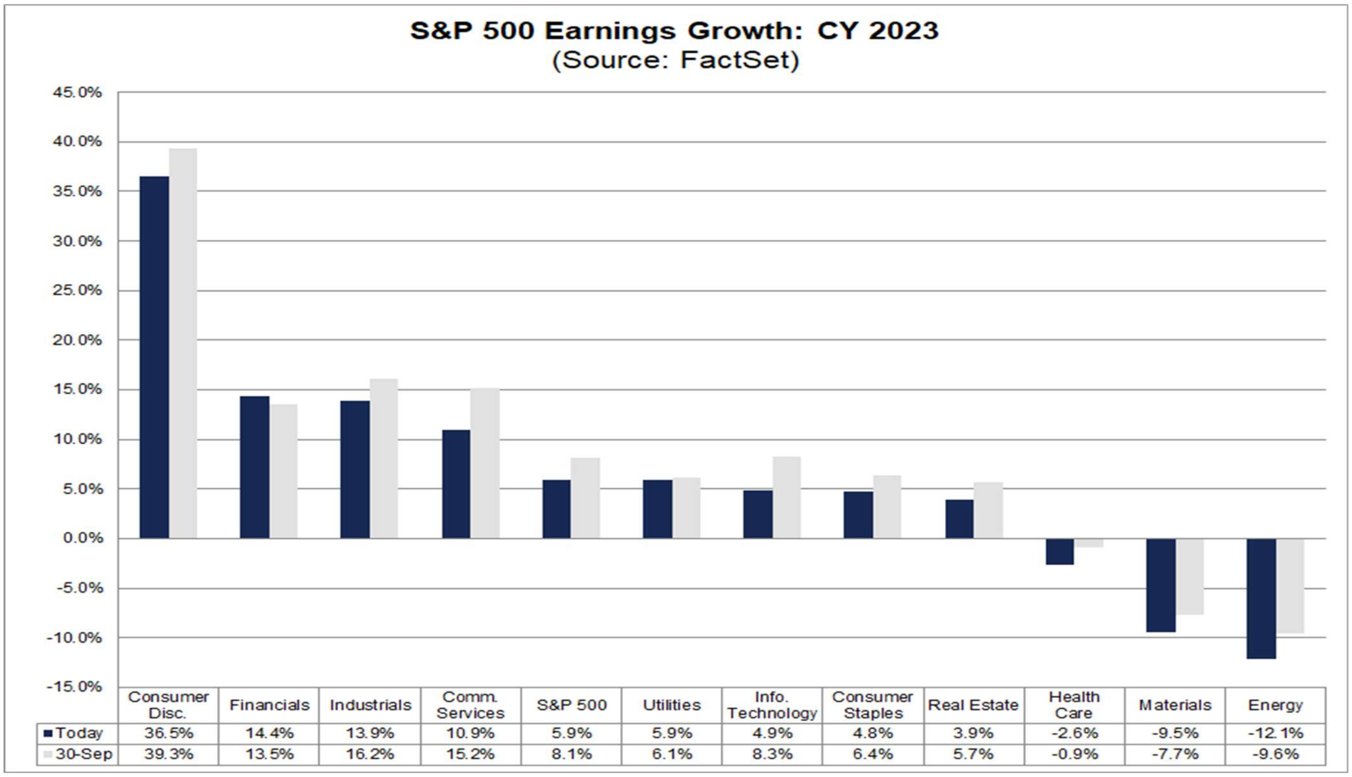


	Energy	Industrials	Real Estate	S&P 500	Utilities	Materials	Info. Technology	Health Care	Consumer Staples	Consumer Disc.	Comm. Services	Financials
Today	151.6%	28.6%	14.9%	5.6%	5.2%	4.3%	4.3%	3.4%	1.1%	-11.7%	-13.4%	-16.1%
30-Sep	145.6%	30.7%	15.7%	7.2%	5.2%	9.9%	6.2%	3.7%	0.9%	-8.9%	-8.8%	-13.8%

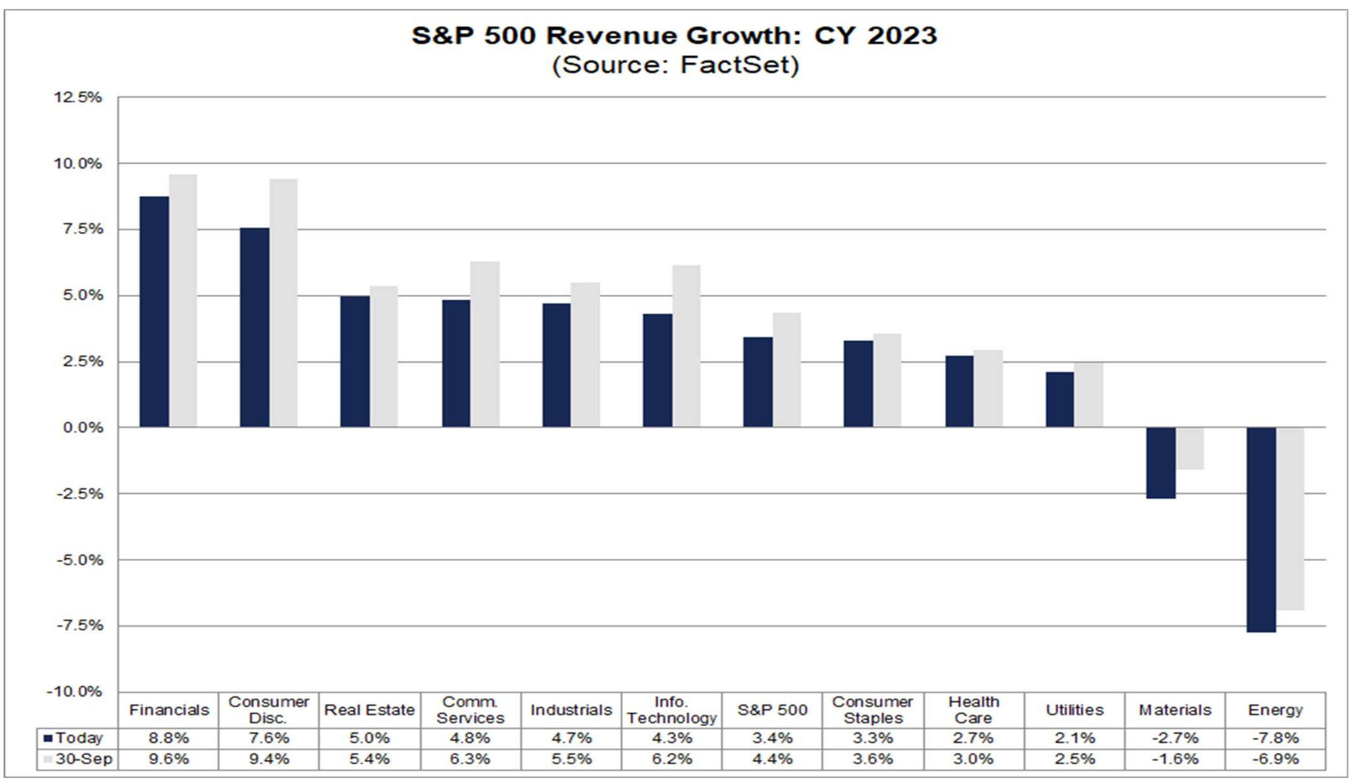


	Energy	Real Estate	Industrials	Consumer Disc.	Materials	S&P 500	Info. Technology	Health Care	Consumer Staples	Comm. Services	Financials	Utilities
Today	45.4%	14.0%	11.3%	11.2%	10.6%	10.5%	8.1%	7.7%	6.8%	5.6%	2.7%	2.3%
30-Sep	47.3%	14.6%	11.7%	12.0%	11.5%	10.8%	9.0%	7.7%	6.5%	6.5%	1.7%	1.7%

CY 2023: Growth

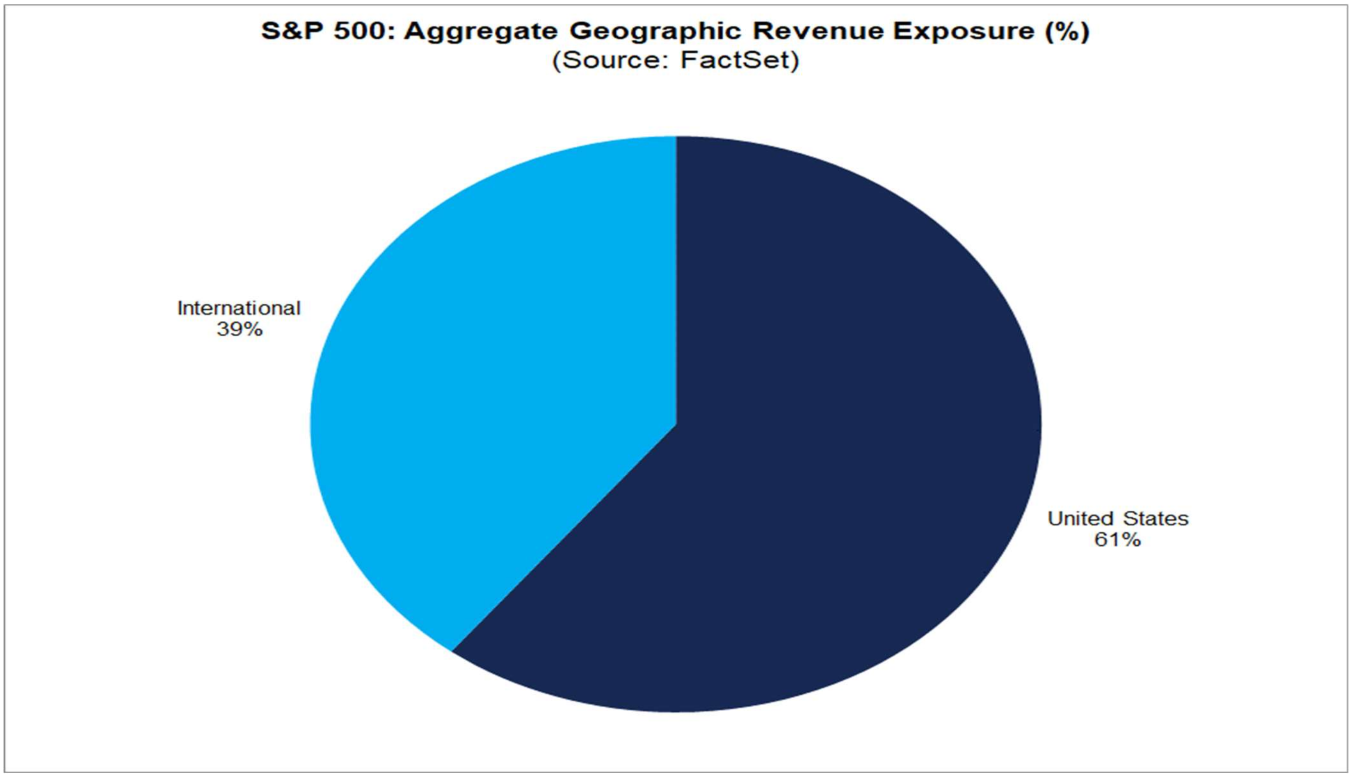


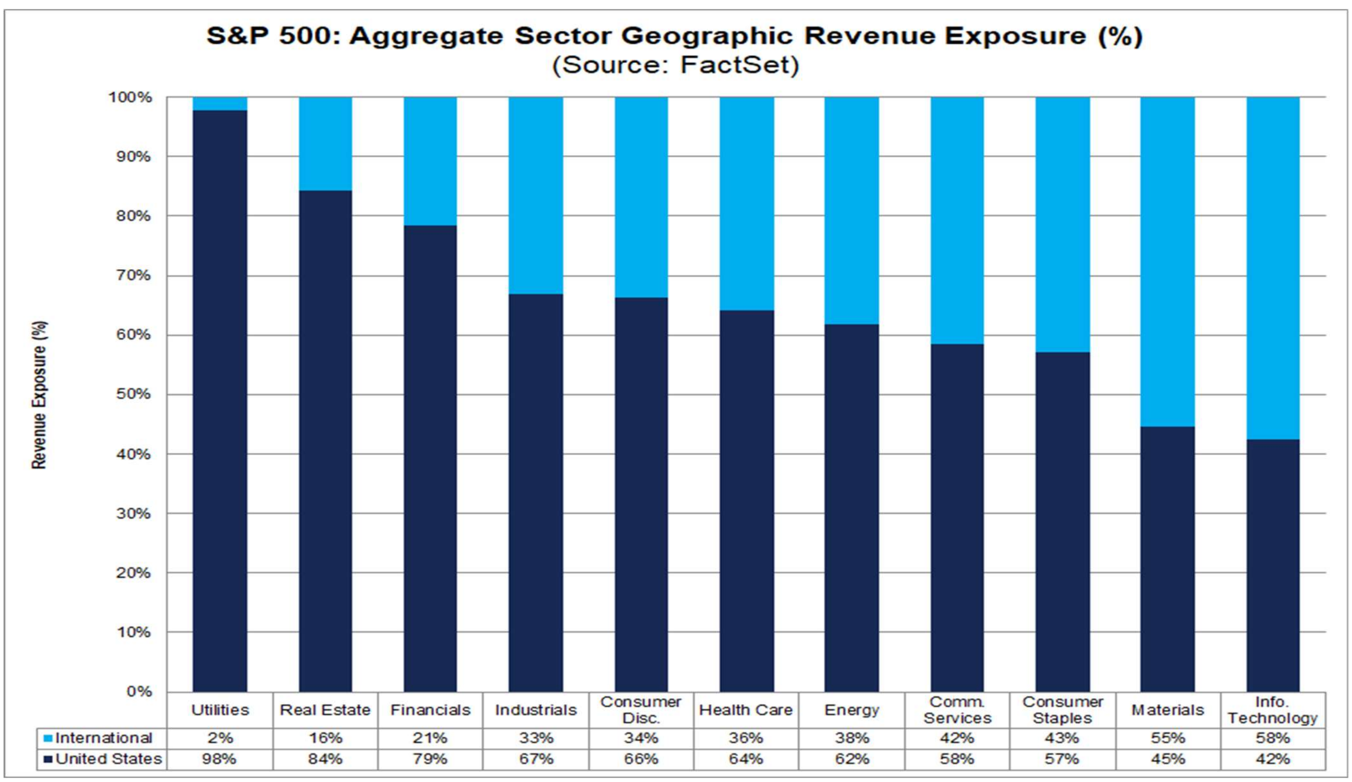
	Consumer Disc.	Financials	Industrials	Comm. Services	S&P 500	Utilities	Info. Technology	Consumer Staples	Real Estate	Health Care	Materials	Energy
Today	36.5%	14.4%	13.9%	10.9%	5.9%	5.9%	4.9%	4.8%	3.9%	-2.6%	-9.5%	-12.1%
30-Sep	39.3%	13.5%	16.2%	15.2%	8.1%	6.1%	8.3%	6.4%	5.7%	-0.9%	-7.7%	-9.6%



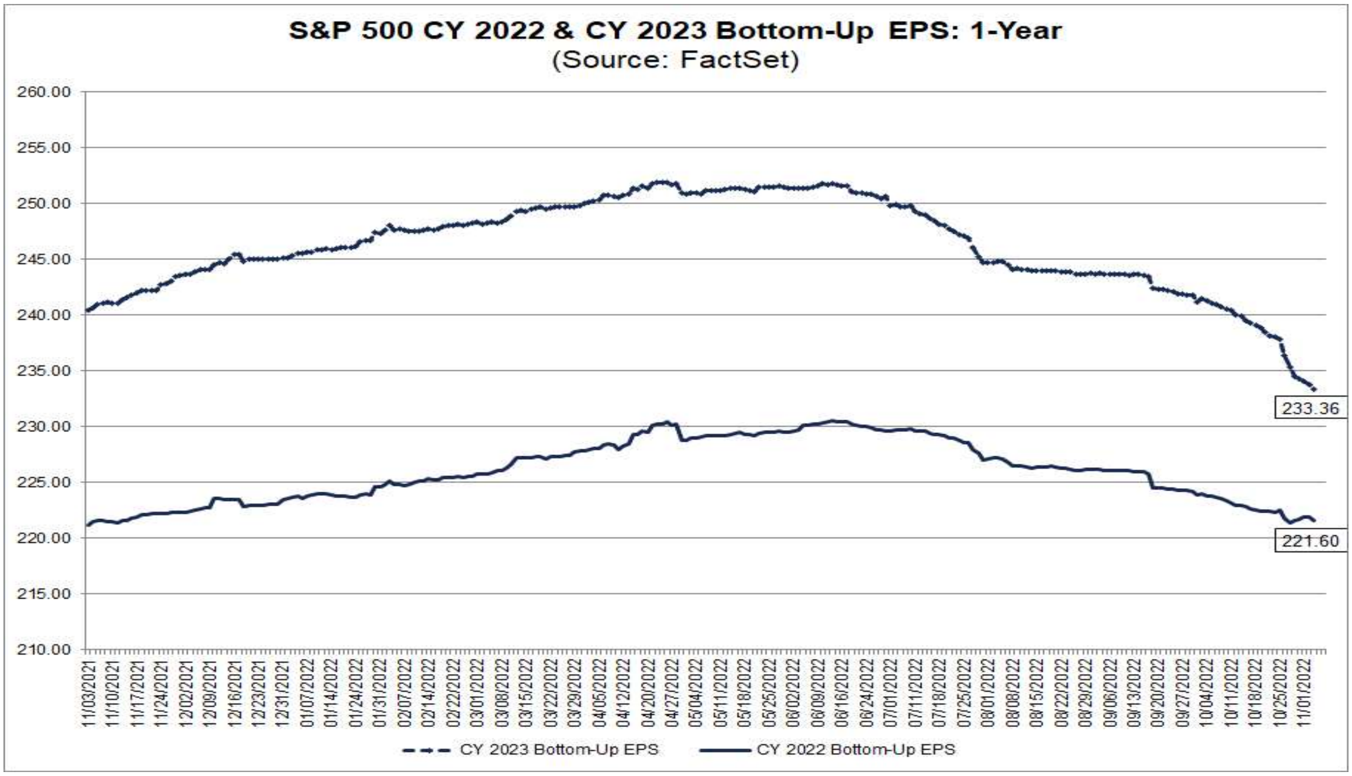
	Financials	Consumer Disc.	Real Estate	Comm. Services	Industrials	Info. Technology	S&P 500	Consumer Staples	Health Care	Utilities	Materials	Energy
Today	8.8%	7.6%	5.0%	4.8%	4.7%	4.3%	3.4%	3.3%	2.7%	2.1%	-2.7%	-7.8%
30-Sep	9.6%	9.4%	5.4%	6.3%	5.5%	6.2%	4.4%	3.6%	3.0%	2.5%	-1.6%	-6.9%

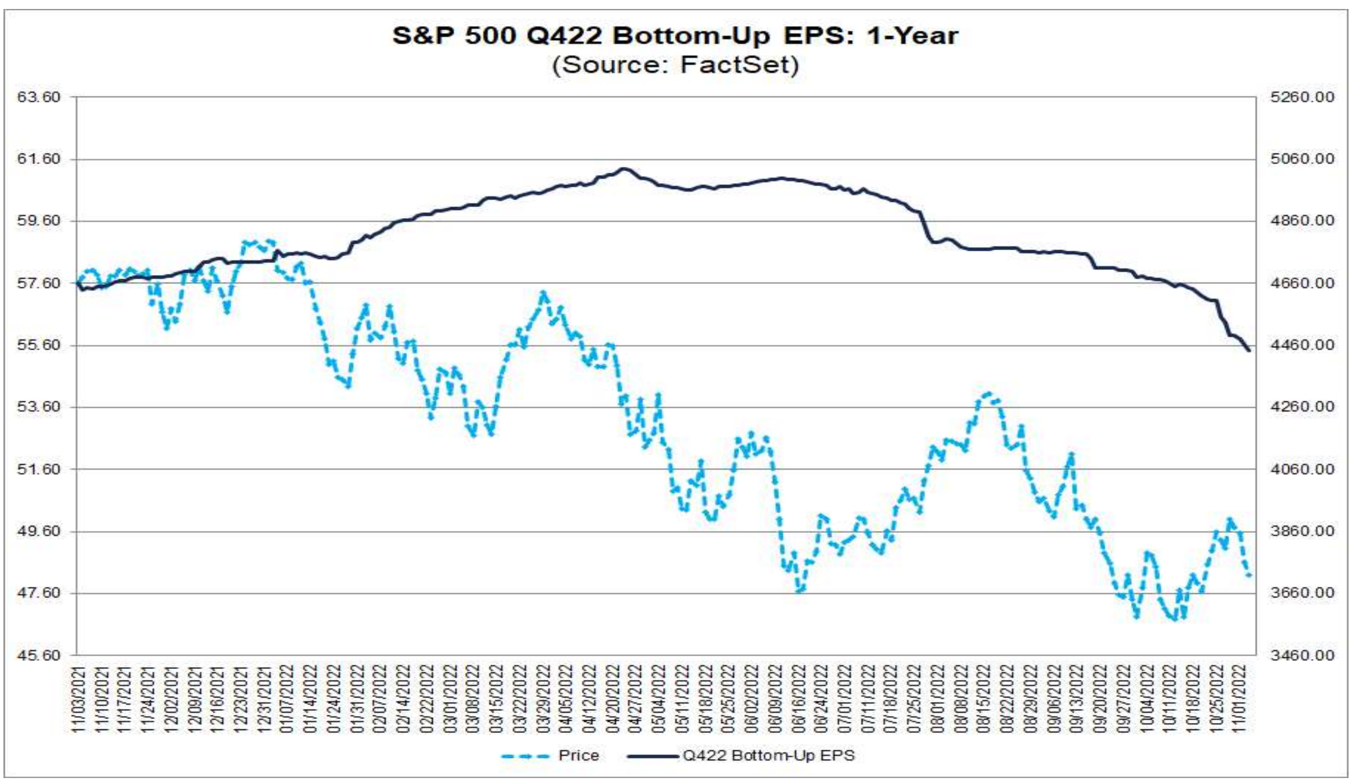
Geographic Revenue Exposure



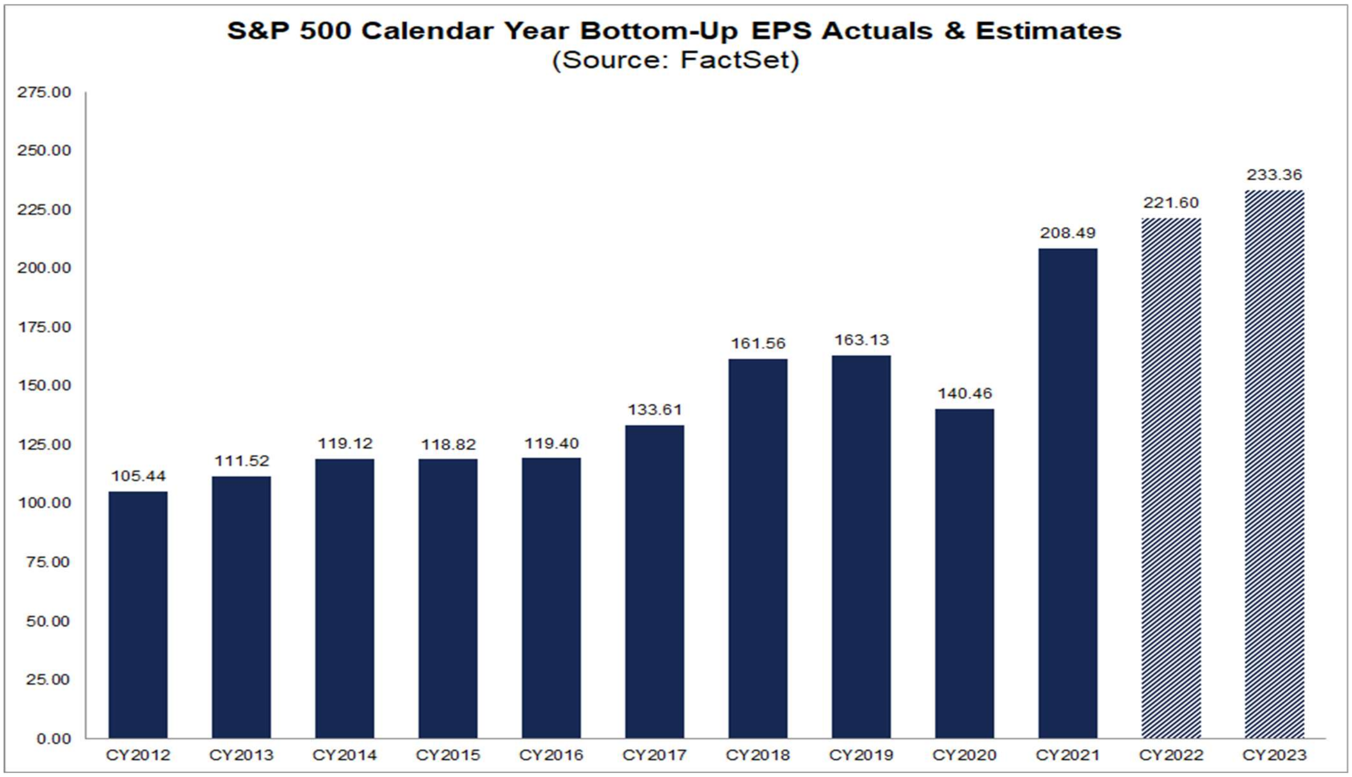


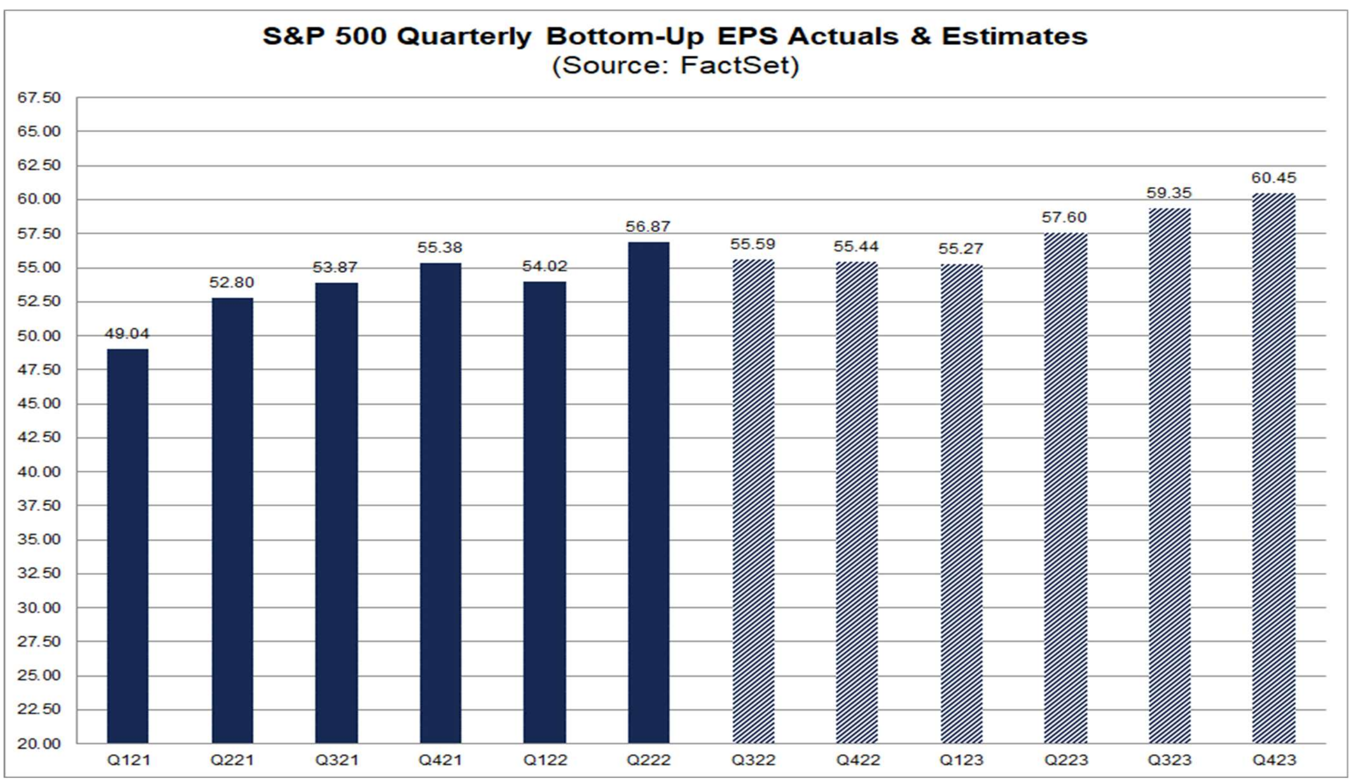
Bottom-Up EPS Estimates



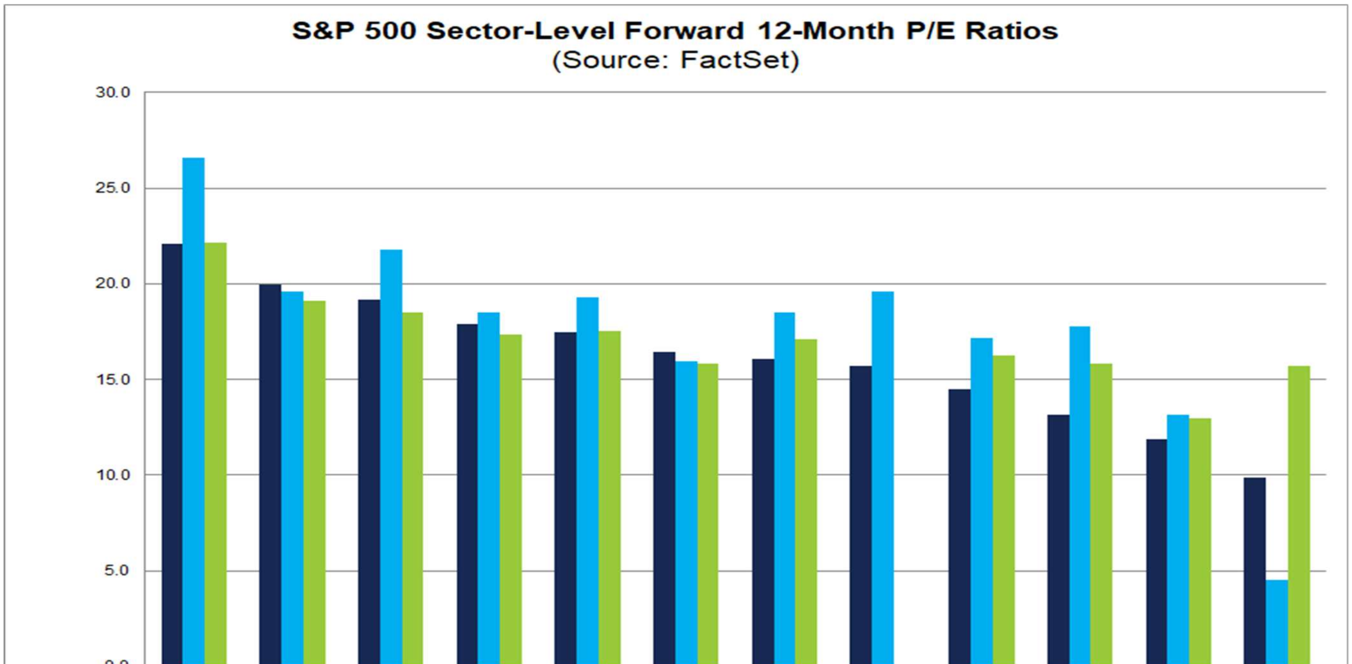


Bottom-Up EPS Estimates: Current & Historical

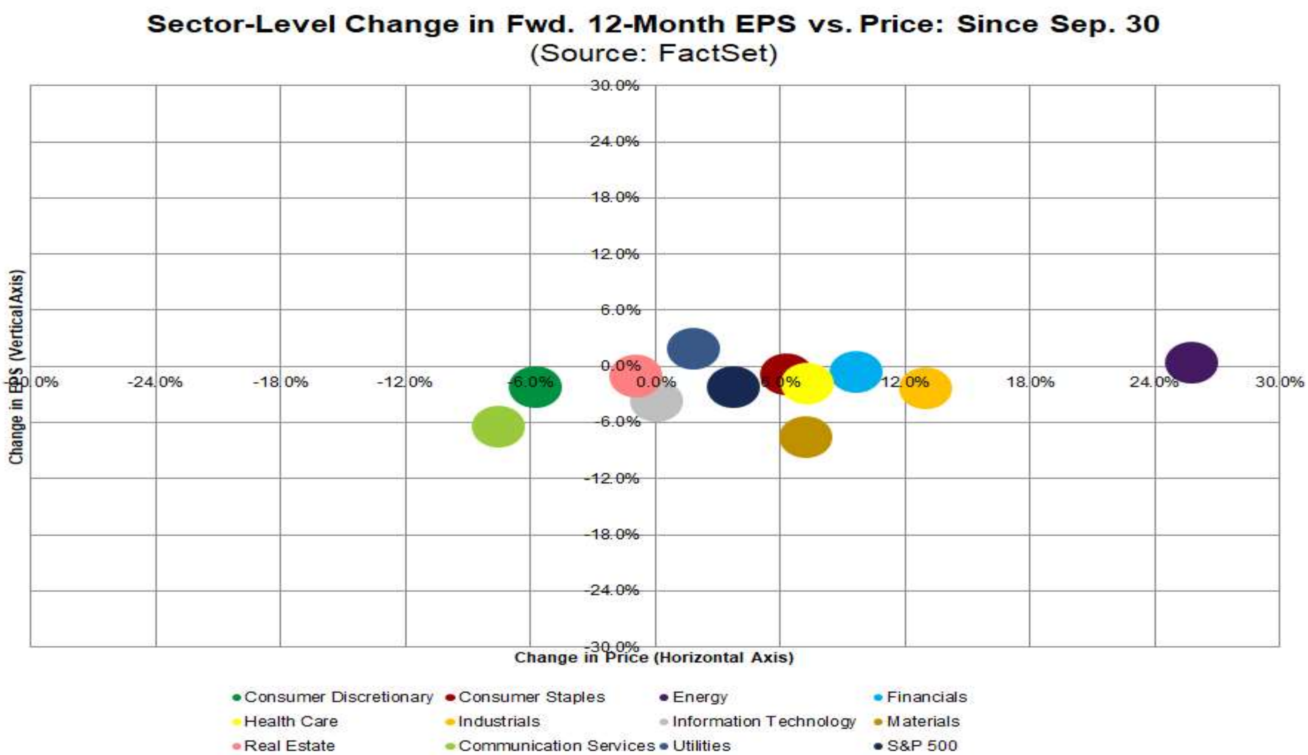




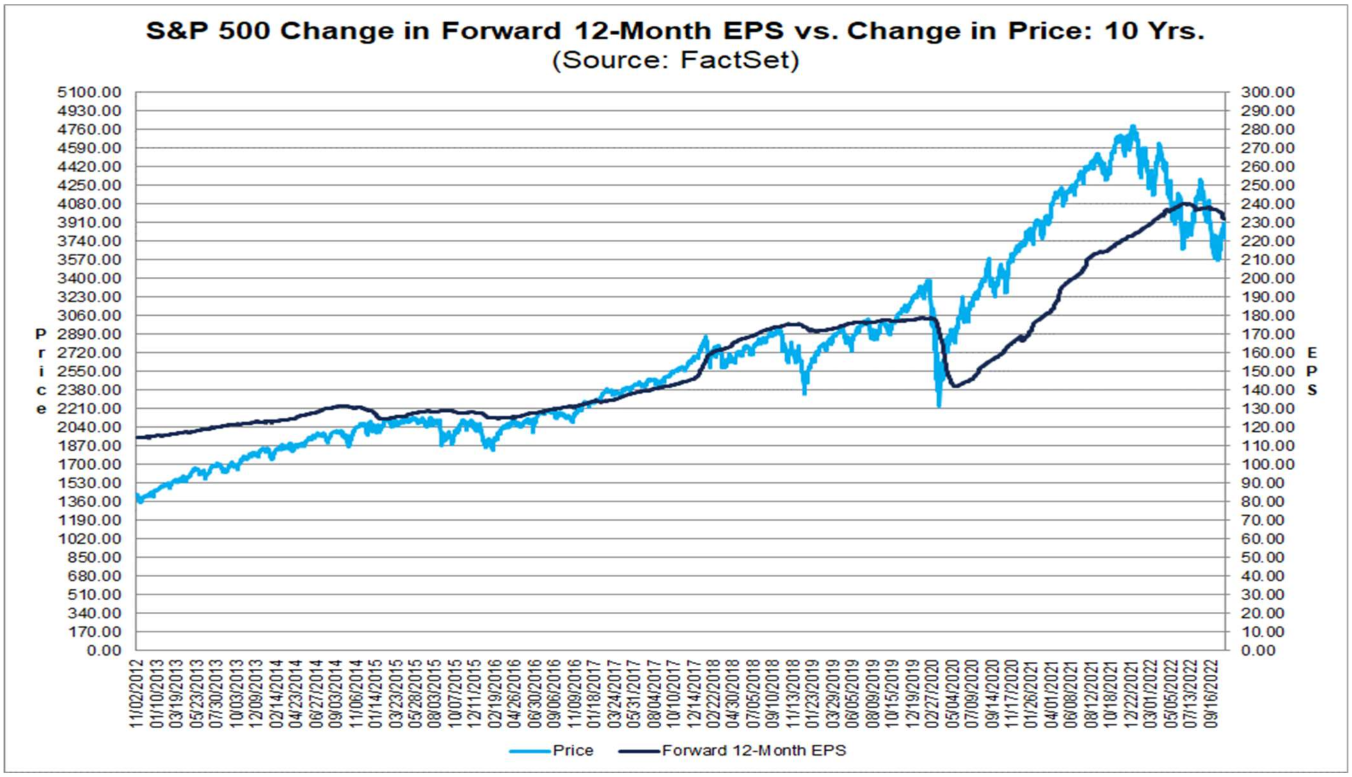
Forward 12M P/E Ratio: Sector Level

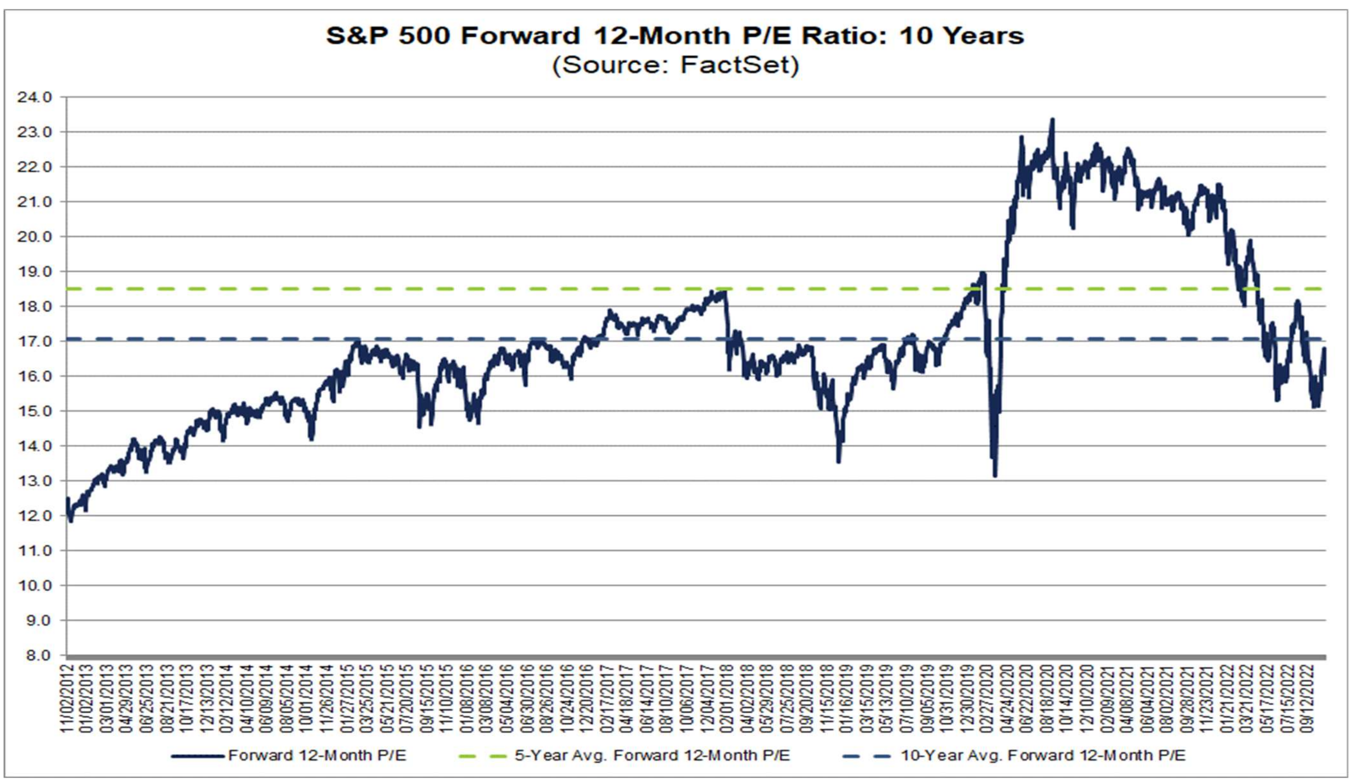


	Consumer Disc.	Consumer Staples	Info. Technology	Utilities	Industrials	Health Care	S&P 500	Real Estate	Materials	Comm. Services	Financials	Energy
Fwd P/E	22.1	19.9	19.2	17.9	17.5	16.5	16.1	15.7	14.5	13.2	11.9	9.9
5-Yr Avg.	26.6	19.6	21.8	18.5	19.3	15.9	18.5	19.6	17.2	17.8	13.1	4.5
10-Yr Avg.	22.1	19.1	18.5	17.3	17.5	15.8	17.1		16.3	15.8	13.0	15.7

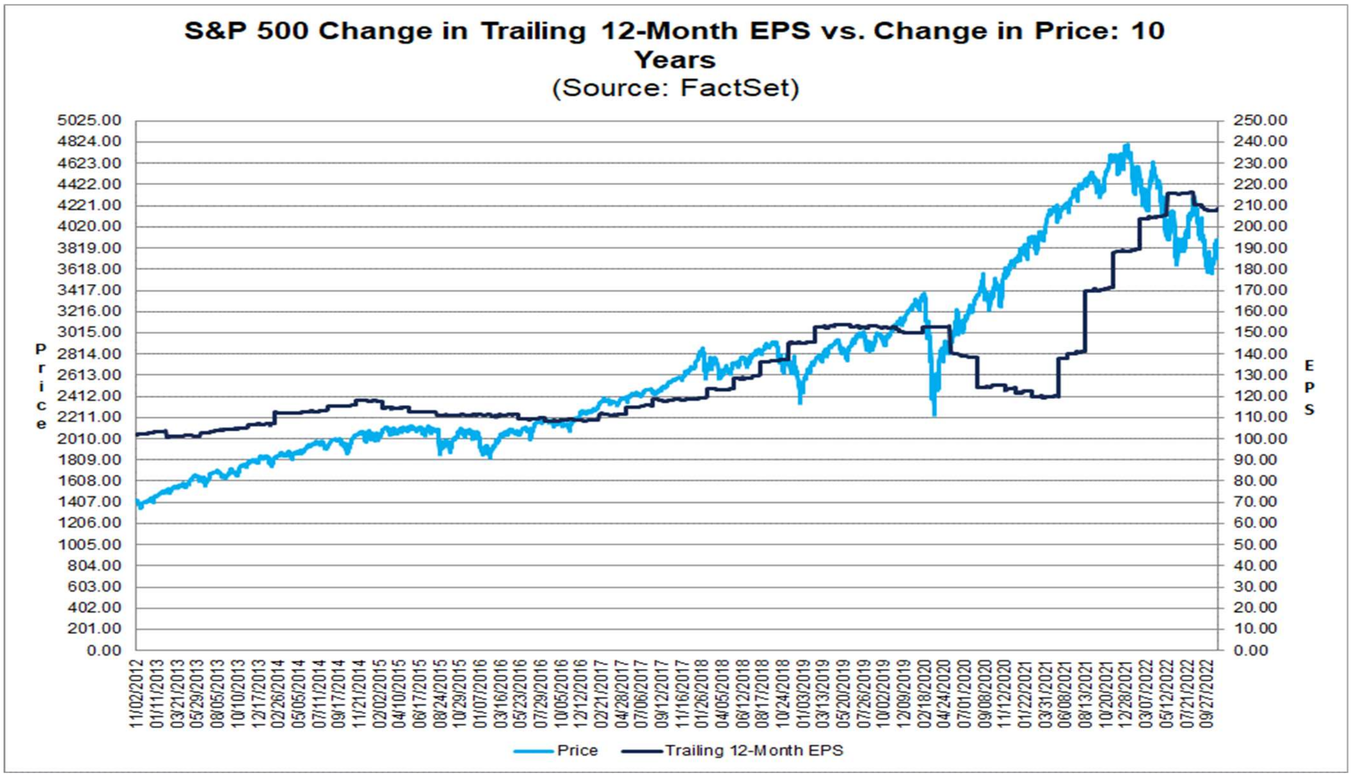


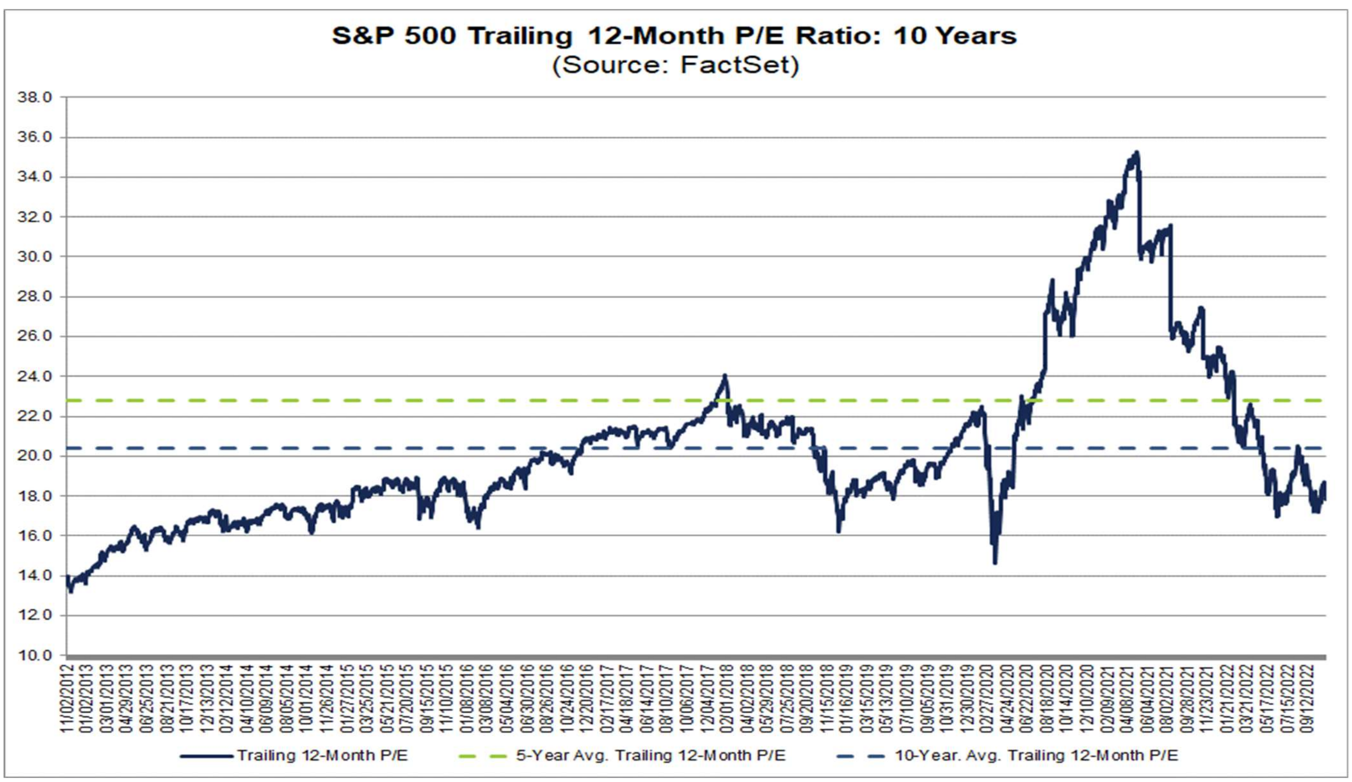
Forward 12M P/E Ratio: 10-Years



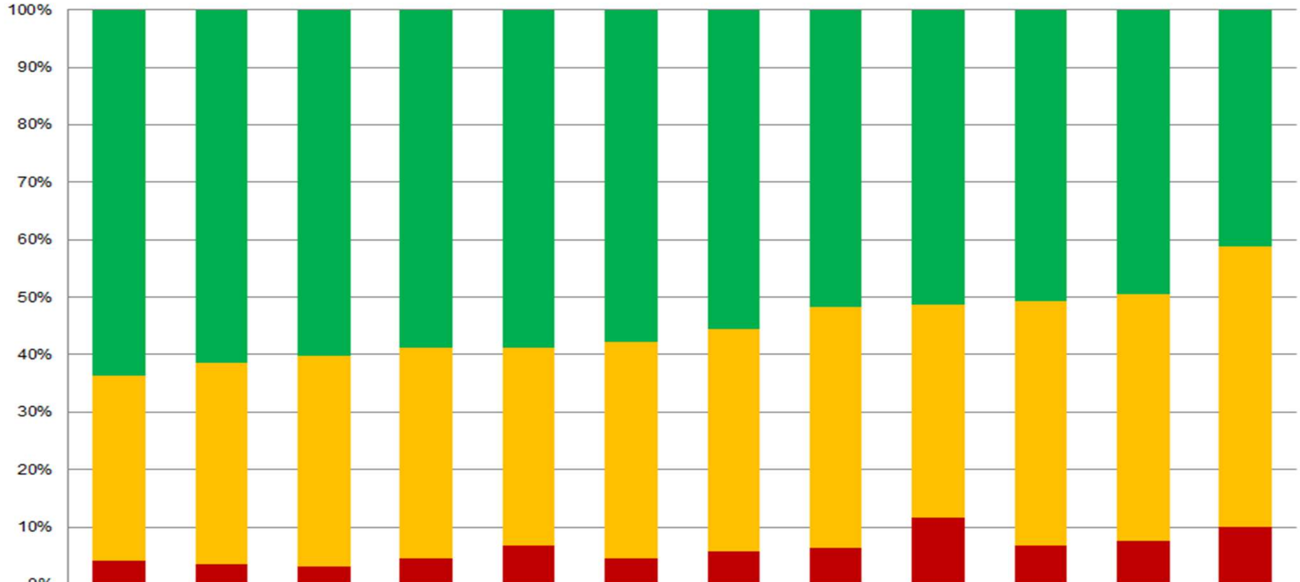


Trailing 12M P/E Ratio: 10-Years

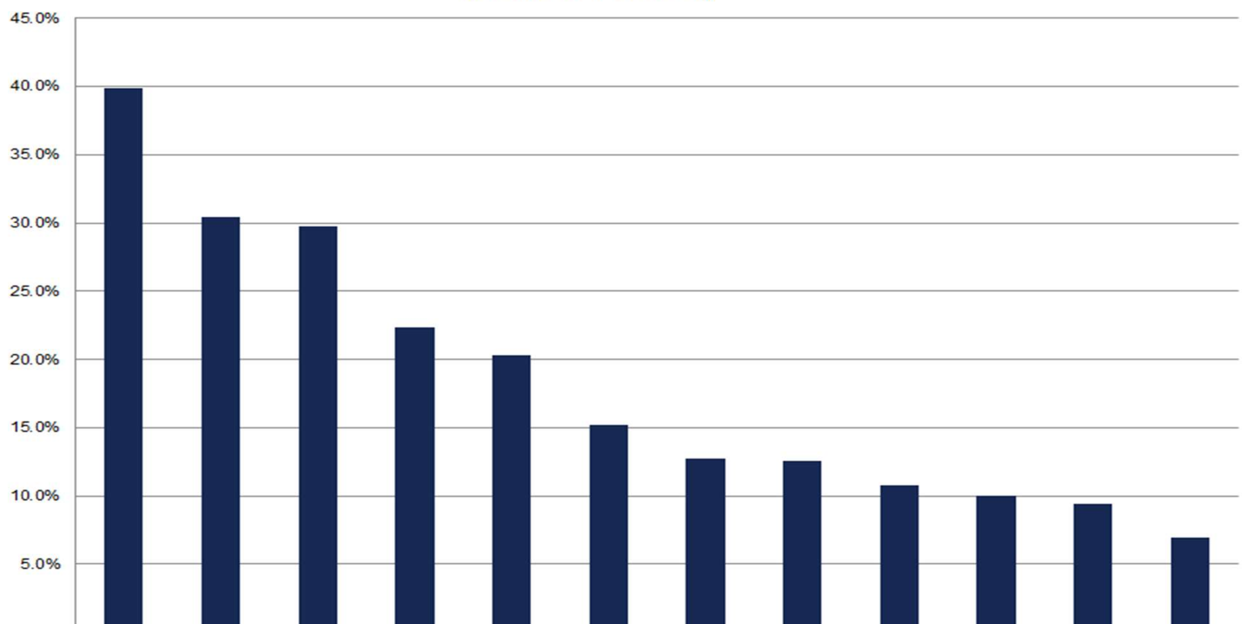




Targets & Ratings



	Energy	Info. Tech.	Real Estate	Health Care	Comm. Services	Consumer Disc.	S&P 500	Industrials	Utilities	Materials	Financials	Consumer Staples
Buy	64%	61%	60%	59%	59%	58%	55%	52%	51%	51%	49%	41%
Hold	32%	35%	37%	37%	35%	38%	39%	42%	37%	43%	43%	49%
Sell	4%	4%	3%	4%	7%	4%	6%	6%	12%	7%	8%	10%



	Comm. Services	Consumer Disc.	Info. Tech.	Real Estate	S&P 500	Materials	Health Care	Financials	Utilities	Consumer Staples	Industrials	Energy
Target/Close	39.9%	30.4%	29.8%	22.3%	20.3%	15.2%	12.7%	12.6%	10.8%	10.0%	9.4%	7.0%

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