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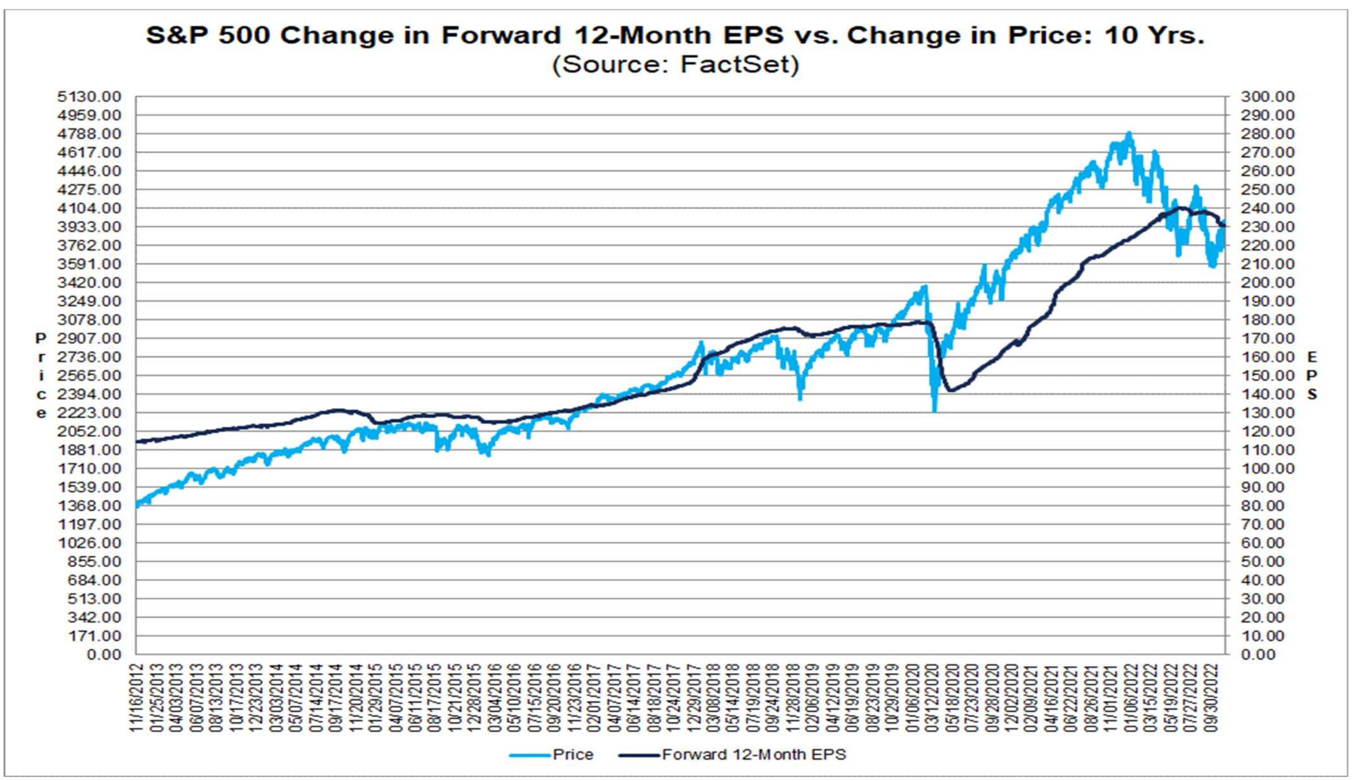
**Author's Note:** ***The FactSet Earnings Insight report will not be published on November 25. The next edition of the report will be published on December 2.***

## Key Metrics

- **Earnings Scorecard:** For Q3 2022 (with 94% of S&P 500 companies reporting actual results), 69% 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 Guidance:** For Q4 2022, 55 S&P 500 companies have issued negative EPS guidance and 27 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.2. This P/E ratio is below the 5-year average (18.5) but above the 10-year average (17.1).

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## Topic of the Week:

### Are Fewer S&P 500 Companies Now Worried About a Recession?

During each corporate earnings season, companies often comment on economic conditions that may impact their businesses. Given the growth in GDP in the third quarter after two straight quarters of declines in GDP, have fewer S&P 500 companies discussed the term "recession" during their earnings conference calls for the third quarter compared to the second quarter?

The answer is yes. 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 "recession" in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from September 15 through November 16.

Of these companies, 179 cited the term "recession" during their earnings calls for the third quarter, which is well above the 5-year average of 63 and the 10-year average of 54. In fact, with about 6% of S&P 500 companies yet to report actual results for the third quarter, this is the third-highest number of S&P 500 companies citing "recession" on their earnings calls going back to at least 2010 (using current index constituents going back in time).

At the sector level, the Financials (34) and Industrials (32) sectors have the highest number of companies that have cited "recession" on earnings calls for Q3. On the other hand, the Real Estate (65%), Materials (57%), and Financials (54%) sectors have the highest percentages of companies that have cited "recession" on their Q3 earnings calls during this period.

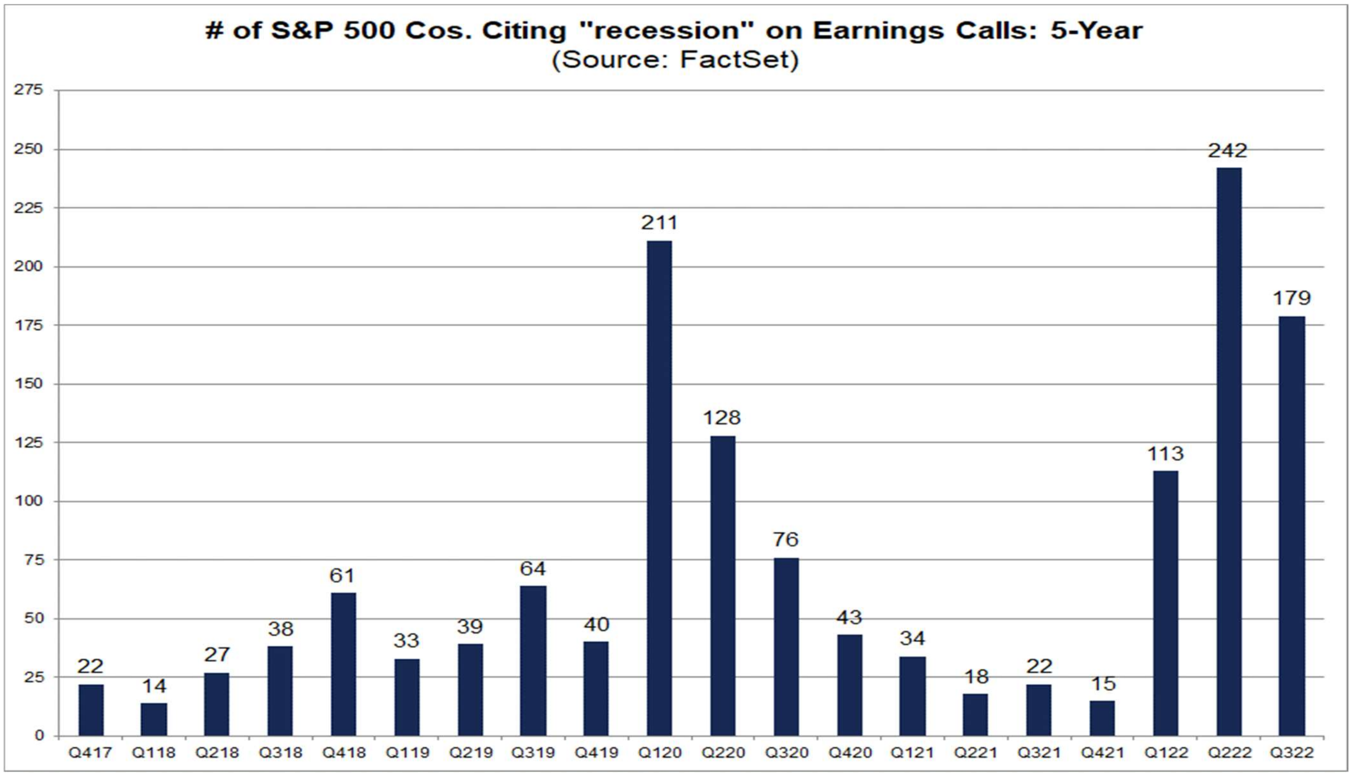
However, 242 S&P 500 companies cited the term "recession" during their earnings calls for the second quarter (from June 15 through September 14). This is the highest number of S&P 500 companies citing the term "recession" on their earnings calls going back to at least 2010 (again using current index constituents going back in time).

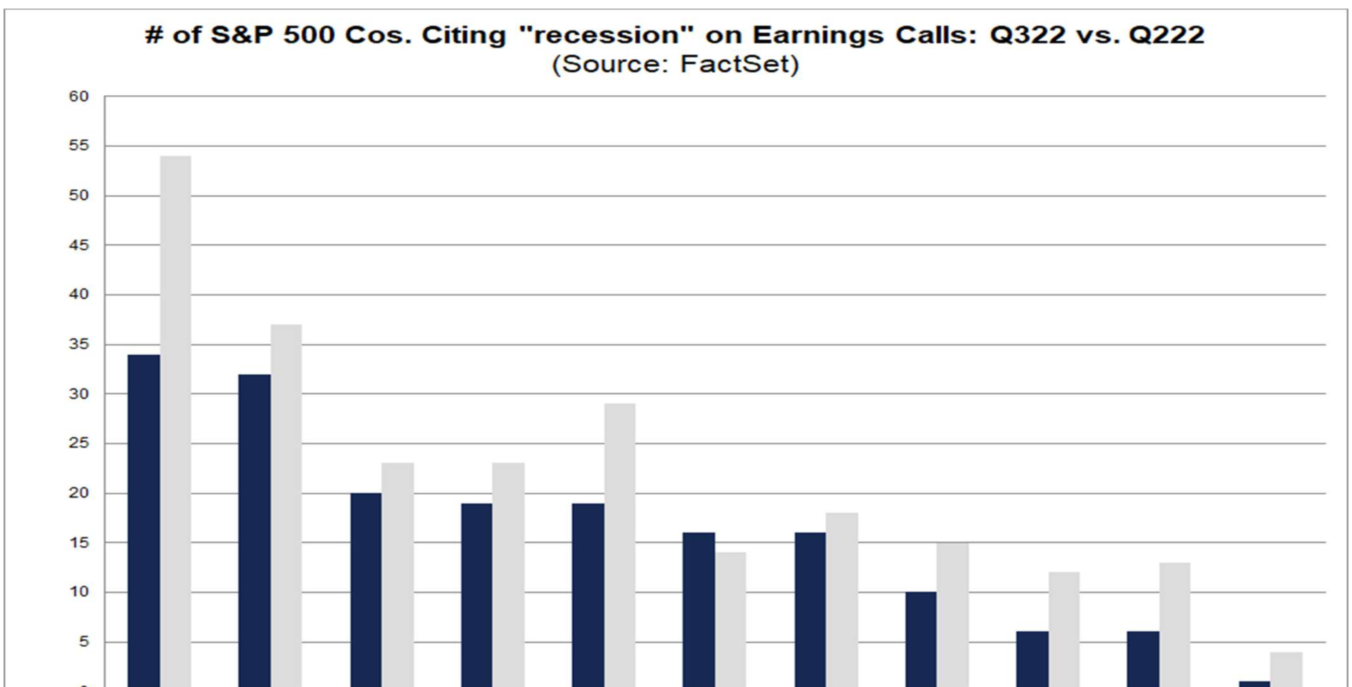
Thus, there has been a 26% quarter-over-quarter decline in the number of S&P 500 companies citing the term "recession" on earnings calls for the third quarter (179) relative to the second quarter (242). Even though the final number of companies citing "recession" for the third quarter will likely finish higher than 179 (with 6% of the index yet to report actual results for the third quarter), it will not finish above the previous quarter's number of 242.

At the sector level, the Financials (-20) and Information Technology (-10) sectors have recorded the largest quarter-over-quarter declines in the number of companies citing the term "recession" on earnings calls for Q3 compared to Q2. On the other hand, the Utilities (-75%), Energy (-54%), and Communication Services (-50%) sectors have recorded the largest quarter-over-quarter percentage declines in the number of companies citing the term "recession" on earnings calls for Q3 compared to Q2.

It is interesting to note despite the quarter-over-quarter decrease in the number of S&P 500 companies citing the term "recession" on earnings calls for Q3 relative to Q2, analysts and companies have been more pessimistic than normal in their earnings outlooks for the fourth quarter. In terms of earnings guidance from corporations, 67% of the S&P 500 companies (55 out of 82) that have issued EPS guidance for Q3 2022 have issued negative guidance, which is above the 5-year average of 60% (but equal to the 10-year average of 67%). In terms of revisions to EPS estimates, industry analysts cut EPS estimates for S&P 500 companies for Q4 2022 by 3.3% in aggregate during the month of October, which is also above the 5-year average (-1.4%) and above the 10-year average (-1.8%) for the first month of a quarter.

As a result, the index is now expected to report a year-over-year decline in earnings for Q4 2022 (-2.1%) for the first time since Q3 2020 (-5.7%). For more details, please see our recent article on this topic: https://insight.factset.com/sp-500-now-projected-to-report-a-year-over-year-decline-in-earnings-in-q4-2022




| | Financials | Industrials | Real Estate | Consumer Disc. | Info. Technology | Health Care | Materials | Consumer Staples | Comm. Services | Energy | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Q322 | 34 | 32 | 20 | 19 | 19 | 16 | 16 | 10 | 6 | 6 | 1 |
| Q222 | 54 | 37 | 23 | 23 | 29 | 14 | 18 | 15 | 12 | 13 | 4 |

# Q3 Earnings Season: By The Numbers

## Overview

With about 6% of S&P 500 companies left to report actual earnings for the third quarter, 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 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, 94% of the companies in the S&P 500 have reported actual results for Q3 2022 to date. Of these companies, 69% 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 1.8% above estimates, which is well below the 5-year average of 8.7% and well below the 10-year average of 6.5%. If 1.8% is the final percentage for the quarter, it will mark the second-lowest surprise percentage reported 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 lower earnings today 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 2.6% at the end of the third quarter (September 30).

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 (or have reported) year-over-year earnings growth, led by the Energy, Real Estate, and Industrials sectors. On the other hand, seven sectors are reporting (or have reported) 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 today relative to the end of the quarter. The blended revenue growth rate for the third quarter is 10.8% today, compared to a revenue growth rate of 8.7% at the end of the third quarter (September 30).

Since September 30, positive revenue surprises reported by companies in multiple sectors (led by the Energy and Financials sectors) have driven the increase in the overall revenue growth rate during this period.

If 10.8% 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 (or have reported) year-over-year growth in revenues, led by the Energy sector.

Looking ahead, analysts expect a decline in earnings of -2.1% for Q4 2022 but earnings growth of 5.2% for CY 2022. For Q1 2023 and Q2 2023, analysts are projecting earnings growth of 1.6% and 0.9%. For CY 2023, analysts predict earnings growth of 5.7%.

The forward 12-month P/E ratio is 17.2, which is below the 5-year average (18.5) but above the 10-year average (17.1). It is also 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, 10 S&P 500 companies 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 (69%) is Below 5-Year Average

Overall, 94% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 69% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 27% 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 69% 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 (81%) sector has the highest percentage of companies reporting earnings above estimates, while the Communication Services (48%) sector has the lowest percentage of companies reporting earnings above estimates.

### Earnings Surprise Percentage (+1.8%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 1.8% 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 1.8% is the final percentage for the quarter, it will mark the second-lowest surprise percentage reported by the index since Q3 2013, trailing only Q1 2018 (+1.1%). A number of companies that reported actual earnings below estimates by unusually wide margins lowered the overall earnings surprise percentage for the index for Q3.

The Energy (+10.2%) sector reported 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) reported the largest positive EPS surprises.

The Health Care (+8.2%) 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 (-8.6%) sector reported 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), Walt Disney ($0.30 vs. $0.56), Alphabet ($1.06 vs. $1.26), Paramount Global ($0.39 vs. $0.46), and Meta Platforms ($1.64 vs. $1.90) reported the largest negative EPS surprises.

The Industrials (-6.8%) 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 +2.4% 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 -3.5% two days before the earnings release through two days after the earnings release. 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 (93%) sector has the highest percentage of companies reporting revenues above estimates, while the Communication Services (48%) sector has the lowest percentage of companies reporting revenues above estimates.

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

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

At the sector level, the Utilities (+12.1%) and Energy (+10.3%) sectors reported the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Communication Services (-1.0%) sector reported the largest negative (aggregate) differences between actual revenues and estimated revenues.

## Revisions: Financials Sector Has Seen Largest Decrease in Earnings Since September 30

### 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 2.6% 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 137.3% from 114.1%) 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 -23.0% from -13.5%), Materials (to -16.2% from -7.0%), Industrials (to 16.1% from 23.8%), and Financials (to -19.1% from -12.1%) sectors. The Financials, Communication Services, and Industrials sectors have also 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) were 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 137.3% from 114.1% over this period.

In the Health Care sector, the positive EPS surprise reported by Pfizer ($1.78 vs. $1.39) was 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 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 -19.1% from -12.1% 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 -23.0% 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 16.2% 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 10.8% 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 Utilities (to 15.5% from 3.1%) and Energy (to 46.9% from 35.5%) sectors. The Energy and Financials sectors have been the largest contributors to the increase in revenues since September 30. On the other hand, five 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 2.8% from 4.3%) sector.

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 ($43.4 billion vs. $39.3 billion) were 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 46.9% 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) were 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 6.2% 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 (or have reported) year-over-year earnings growth, led by the Energy, Real Estate, and Industrials sectors. On the other hand, seven sectors are reporting (or have reported) 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 reported the highest (year-over-year) earnings growth of all eleven sectors at 137.3%. Higher year-over-year oil prices contributed 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 reported a year-over-year increase in earnings: Oil & Gas Refining & Marketing (302%), Integrated Oil & Gas (138%), Oil & Gas Exploration & Production (107%), 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 5.3% rather than growth in earnings of 2.2%.

### Real Estate: 7 of 8 Sub-Industries Reported Year-Over-Year Growth At Or Above 10%

The Real Estate sector reported the second-highest (year-over-year) earnings (FFO) growth of all eleven sectors at 18.7%. At the sub-industry level, seven of the eight sub-industries in the sector reported a year-over-year increase in earnings (FFO) at or above 10%, 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 16.1%. At the industry level, 8 of the 12 industries in the sector are reporting (or have reported) 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 (or have reported) earnings growth above 10%: Trading Companies & Distributors (34%), Machinery (25%), Construction & Engineering (23%), Road & Rail (21%), Electrical Equipment (18%), and Commercial Services & Supplies (13%). On the other hand, four industries are reporting (or have reported) 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 4.3% from 16.1%.

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 26.3% from 16.2%.

### Communication Services: All 5 Industries Reported Year-Over-Year Decline

The Communication Services sector reported the largest (year-over-year) earnings decline of all eleven sectors at -23.0%. At the industry level, all five industries in this sector reported a year-over-year decline in earnings, led by the Entertainment (-57%), Interactive Media & Services (-32%), and Wireless Telecommunication Services (-27%) industries.

At the company level, Alphabet, Meta Platforms, and Warner Bros. Discovery were 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 -2.0% from -23.0%.

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

The Financials sector reported the second-largest (year-over-year) earnings decline of all eleven sectors at -19.1%. At the industry level, four of the five industries in this sector reported an earnings decline of more than 10%: Insurance (-44%), Consumer Finance (-27%), Capital Markets (-21%), and Banks (-13%). On the other hand, the Diversified Financial Services (21%) industry was the only industry that reported year-over-year earnings growth in the sector.

### Materials: Metals & Mining Industry Led Year-Over-Year Decline

The Materials sector reported the third-largest (year-over-year) earnings decline of all eleven sectors at -16.2%. At the industry level, three of the four industries in this sector reported a year-over-year earnings decline: Metals & Mining (-43%), Chemicals (-9%), and Containers & Packaging (-8%). On the other hand, the Construction Materials (12%) industry is the only industry in the sector that reported (year-over-year) earnings growth.

At the company level, Dow, LyondellBasell Industries, and Freeport-McMoRan were the largest contributors to the earnings decline for this sector. If these three companies were excluded, the Materials sector would have reported earnings growth of 6.0% rather than an earnings decline of -16.2%.

## Revenue Growth: 10.8%

The blended (year-over-year) revenue growth rate for Q3 2022 is 10.8%, 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 10.8% 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 (or have reported) year-over-year growth in revenues. Five sectors are reporting (or have reported) double-digit revenue growth, led by the Energy sector.

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

The Energy sector reported the highest (year-over-year) revenue growth rate of all eleven sectors at 46.9%. Higher year-over-year oil prices contributed 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 reported year-over-year growth in revenues above 20%: Oil & Gas Exploration & Production (64%), Integrated Oil & Gas (50%), Oil & Gas Refining & Marketing (43%), 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 7.9% from 10.8%.

## 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 (or have reported) a year-over-year increase in their net profit margins in Q3 2022 compared to Q3 2021, led by the Energy (to 14.4% vs. 8.9%) sector. On the other hand, eight sectors are reporting (or have reported) a year-over-year decrease in their net profit margins in Q3 2022 compared to Q3 2021, led by the Financials (14.3% vs. 18.7%) sector.

Eight sectors are reporting (or have reported) net profit margins in Q3 2022 that are above their 5-year averages, led by the Energy (14.4% vs. 6.8%) sector. On the other hand, three sectors are reporting (or have reported) net profit margins in Q3 2022 that are below their 5-year averages, led by the Financials (14.3% vs. 16.5%) and Communication Services (9.6% 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, 82 companies in the index have issued EPS guidance for Q4 2022. Of these 82 companies, 55 have issued negative EPS guidance and 27 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q4 2022 is 67% (55 out of 82), which is above the 5-year average of 60% but equal to 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, 126 have issued negative EPS guidance and 126 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 50% (126 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 5% for CY 2022

For the third quarter, S&P 500 companies are reporting earnings growth of 2.2% and revenue growth of 10.8%.

For Q4 2022, analysts are projecting an earnings decline of -2.1% and revenue growth of 4.5%.

For CY 2022, analysts are projecting earnings growth of 5.2% and revenue growth of 10.5%.

For Q1 2023, analysts are projecting earnings growth of 1.6% and revenue growth of 3.9%.

For Q2 2023, analysts are projecting earnings growth of 0.9% and revenue growth of 1.3%.

For CY 2023, analysts are projecting earnings growth of 5.7% and revenue growth of 3.4%.

### Valuation: Forward P/E Ratio is 17.2, Above the 10-Year Average (17.1)

The forward 12-month P/E ratio for the S&P 500 is 17.2. This P/E ratio is below the 5-year average of 18.5 but above the 10-year average of 17.1. It is also 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 10.4%, while the forward 12-month EPS estimate has decreased by 2.5%. At the sector level, the Consumer Discretionary (23.2) sector has the highest forward 12-month P/E ratio, while the Energy (10.0) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 19.2, which is below the 5-year average of 22.8 and below the 10-year average of 20.4.

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

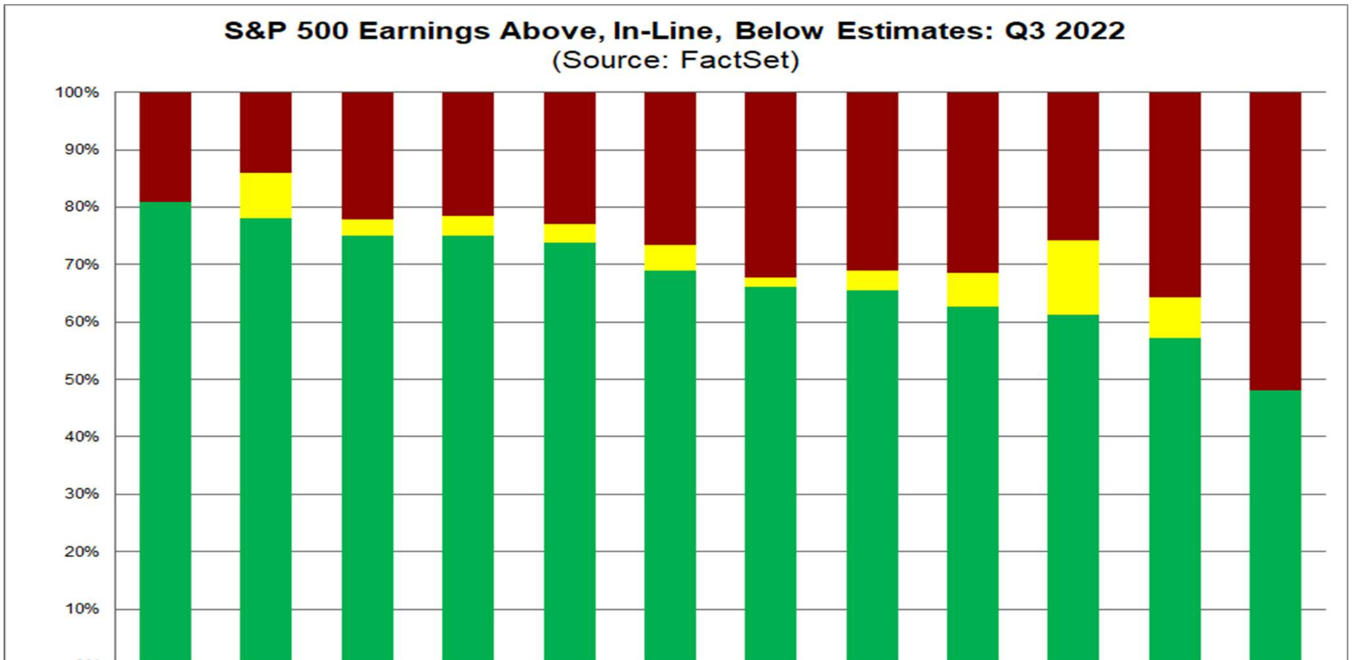
The bottom-up target price for the S&P 500 is 4469.68, which is 12.9% above the closing price of 3958.79. At the sector level, the Consumer Discretionary (+23.8%) and Communication Services (+22.1%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Industrials (+4.7%) and Materials (+5.2%) 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 10,751 ratings on stocks in the S&P 500. Of these 10,751 ratings, 55.5% are Buy ratings, 38.6% are Hold ratings, and 5.8% are Sell ratings. At the sector level, the Energy (64%) 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.

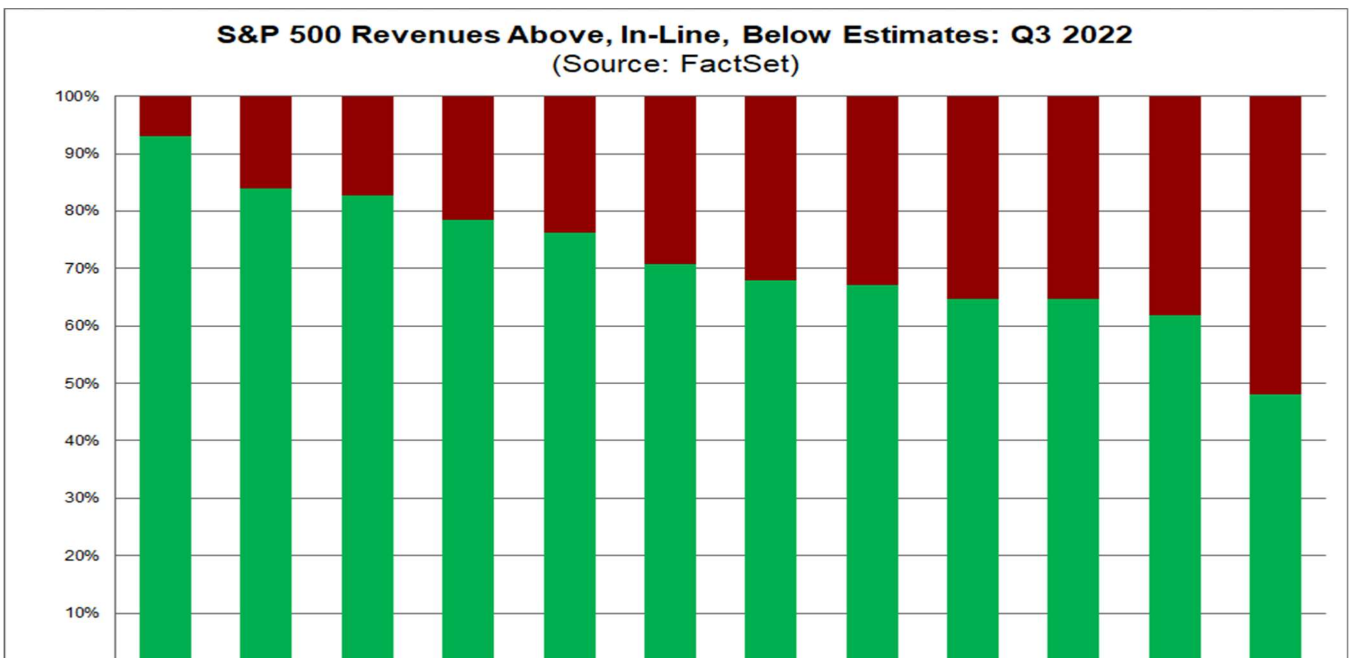
### Companies Reporting Next Week: 10

During the upcoming week, 10 S&P 500 companies are scheduled to report results for the third quarter.

## Q3 2022: Scorecard

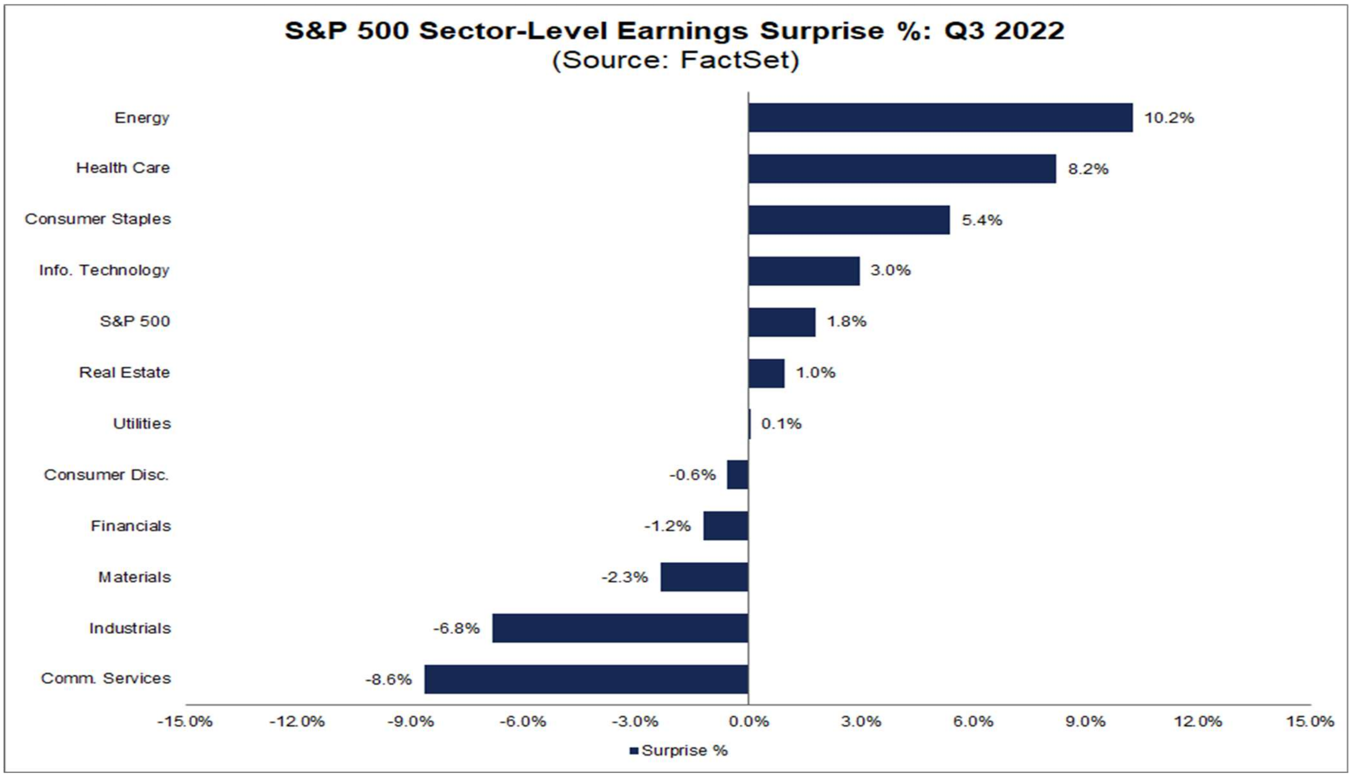


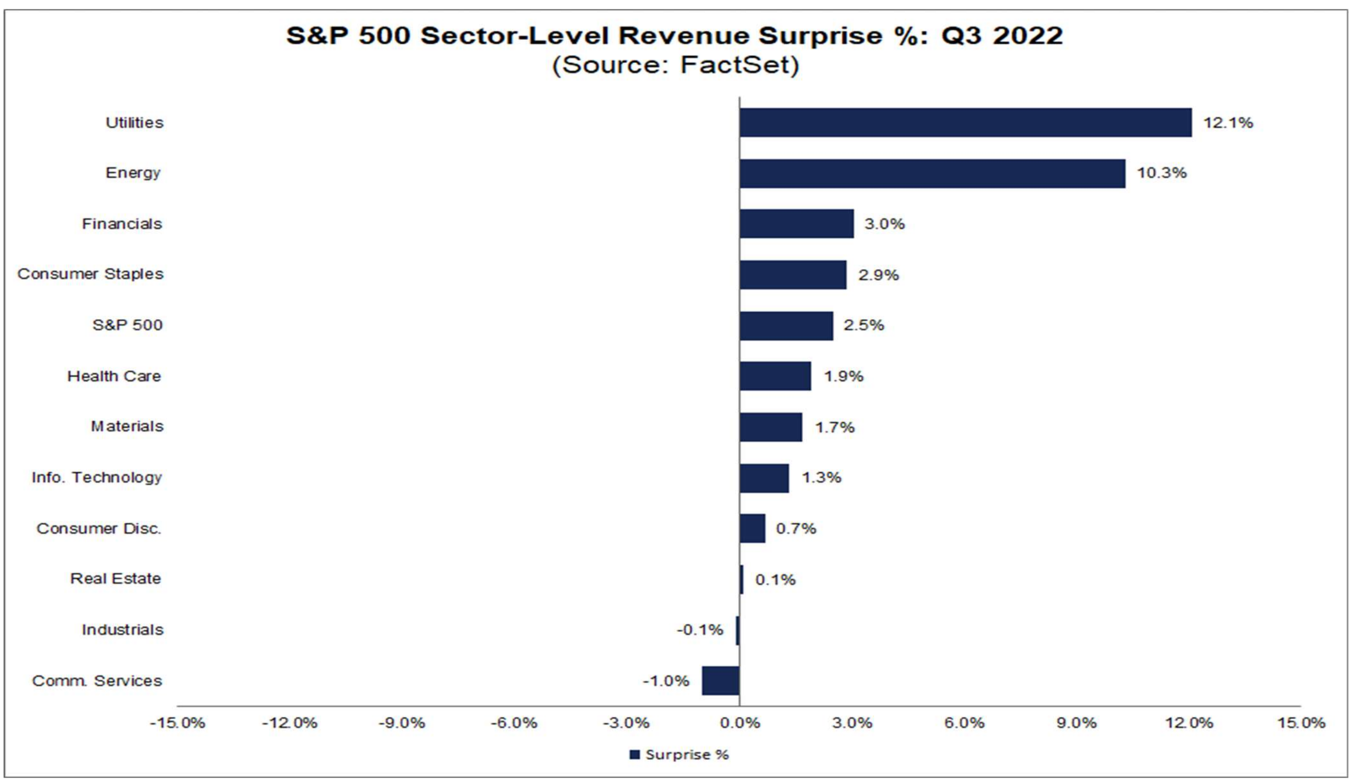

| | Energy | Info. Technology | Industrials | Consumer Staples | Health Care | S&P 500 | Financials | Utilities | Consumer Disc. | Real Estate | Materials | Comm. Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Below | 19% | 14% | 22% | 21% | 23% | 27% | 32% | 31% | 31% | 26% | 36% | 52% |
| In-Line | 0% | 8% | 3% | 4% | 3% | 4% | 2% | 3% | 6% | 13% | 7% | 0% |
| Above | 81% | 78% | 75% | 75% | 74% | 69% | 66% | 66% | 63% | 61% | 57% | 48% |



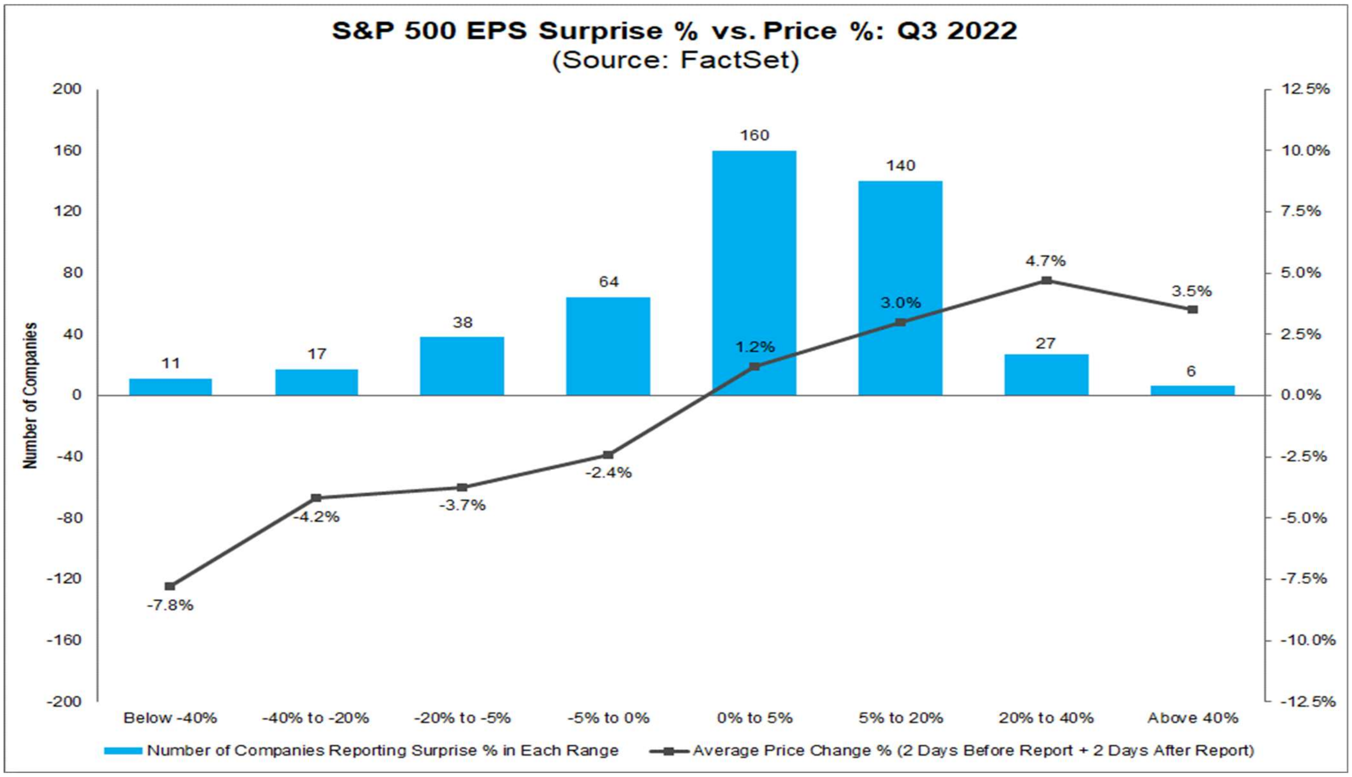

| | Utilities | Real Estate | Info. Technology | Consumer Staples | Energy | S&P 500 | Materials | Health Care | Consumer Disc. | Financials | Industrials | Comm. Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Below | 7% | 16% | 17% | 21% | 24% | 29% | 32% | 33% | 35% | 35% | 38% | 52% |
| In-Line | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Above | 93% | 84% | 83% | 79% | 76% | 71% | 68% | 67% | 65% | 65% | 62% | 48% |

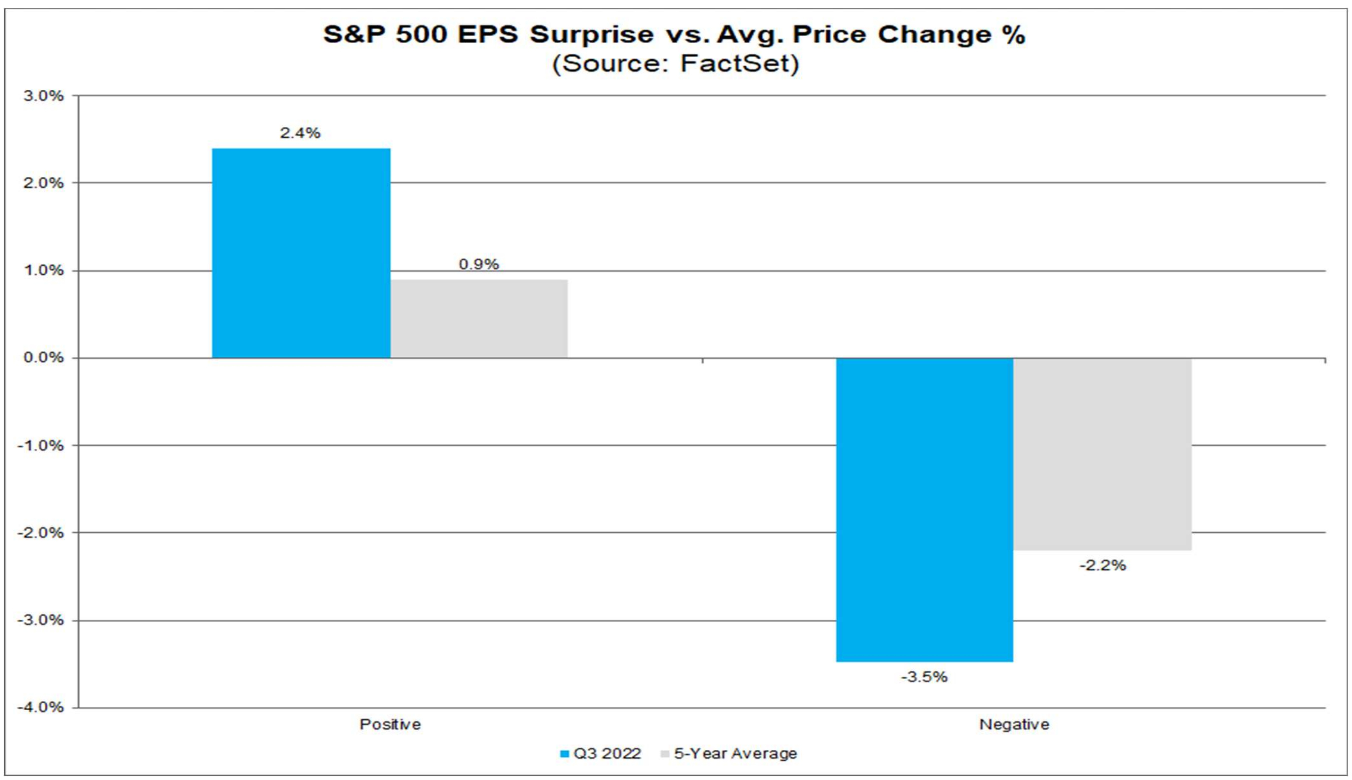
## Q3 2022: Scorecard



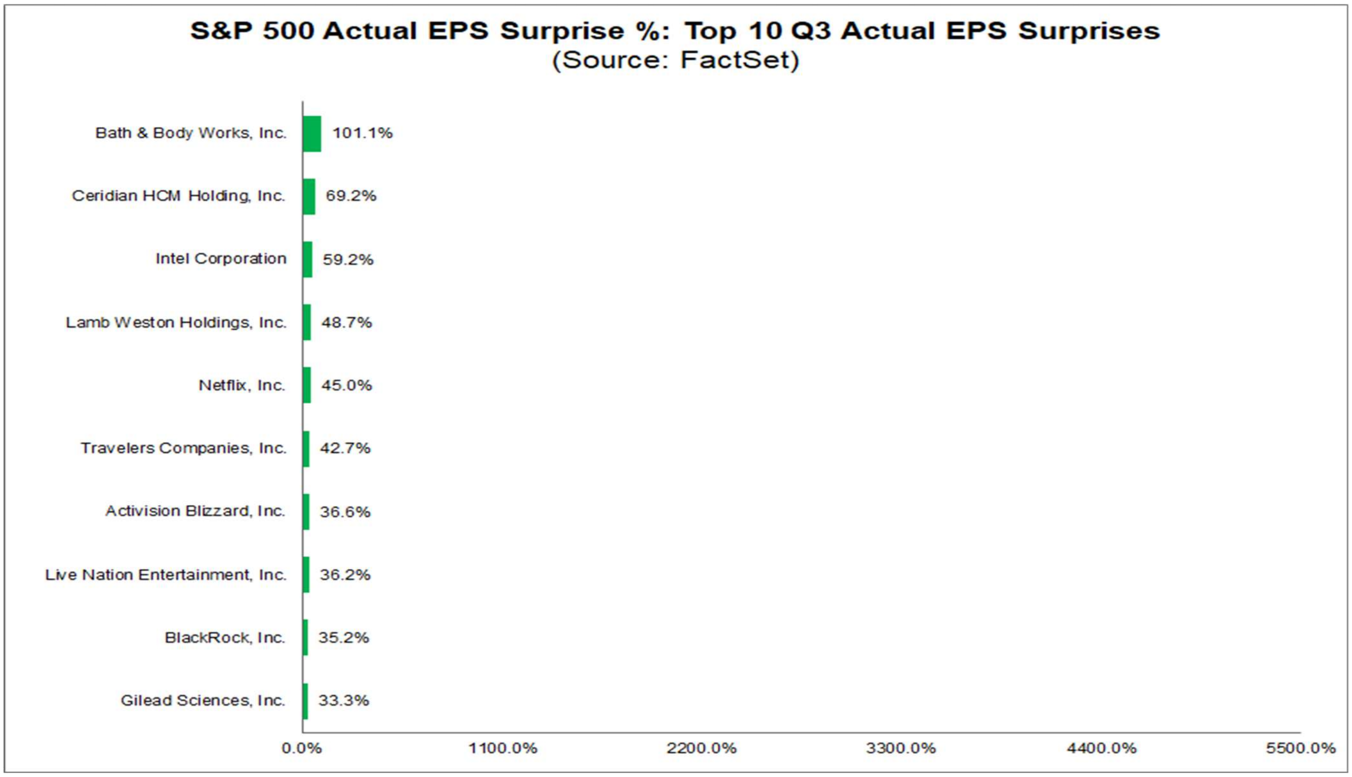



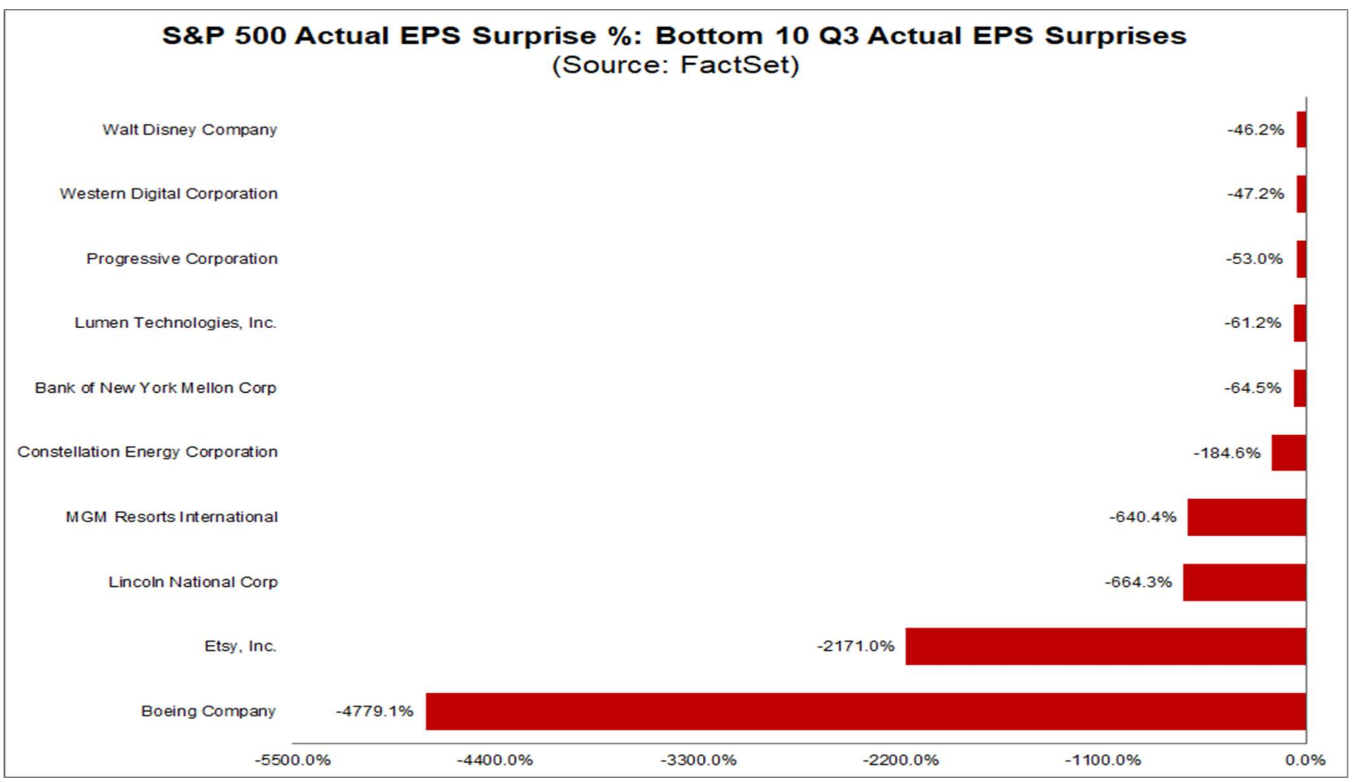
## Q3 2022: Scorecard



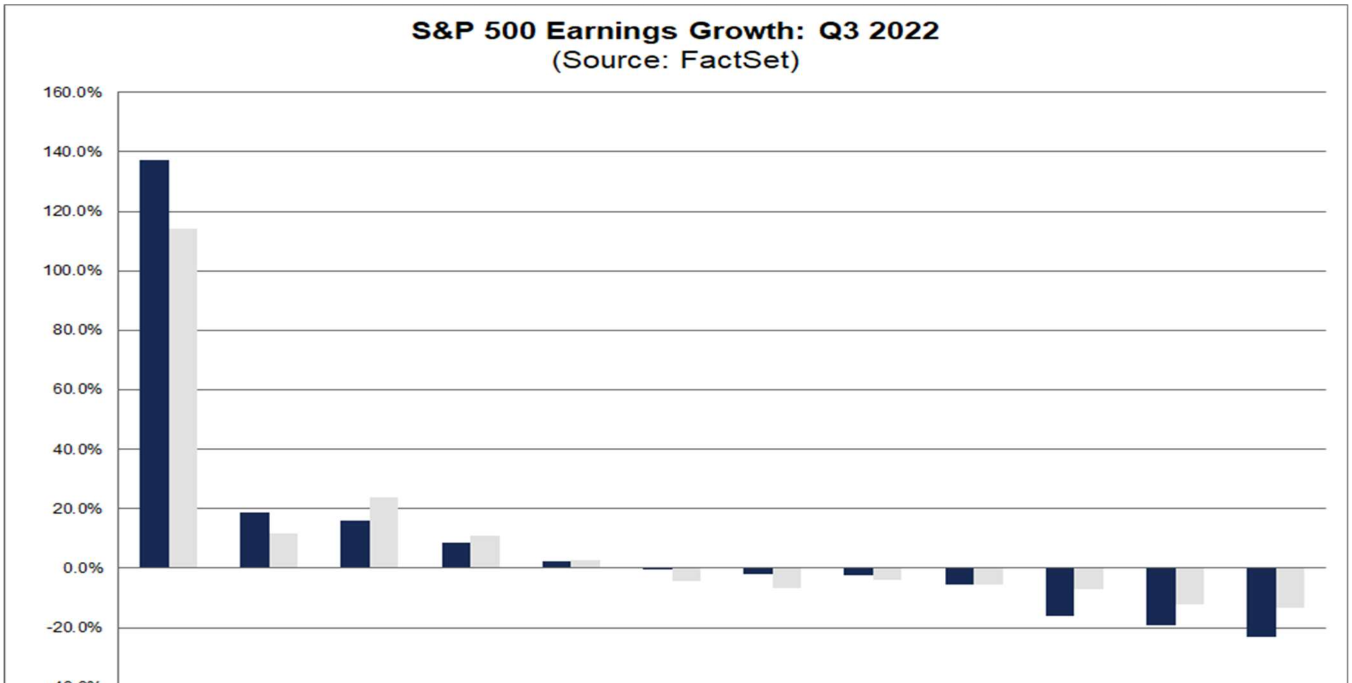



## Q3 2022: Scorecard

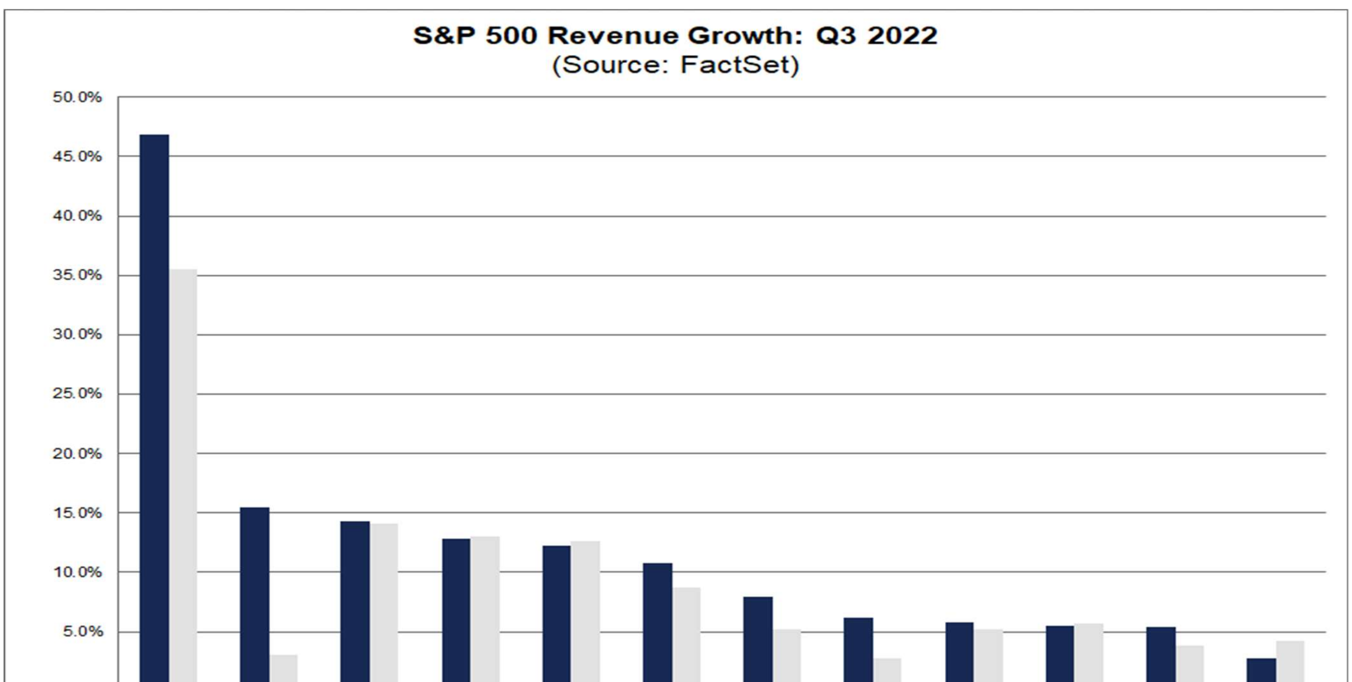


## Q3 2022: Growth

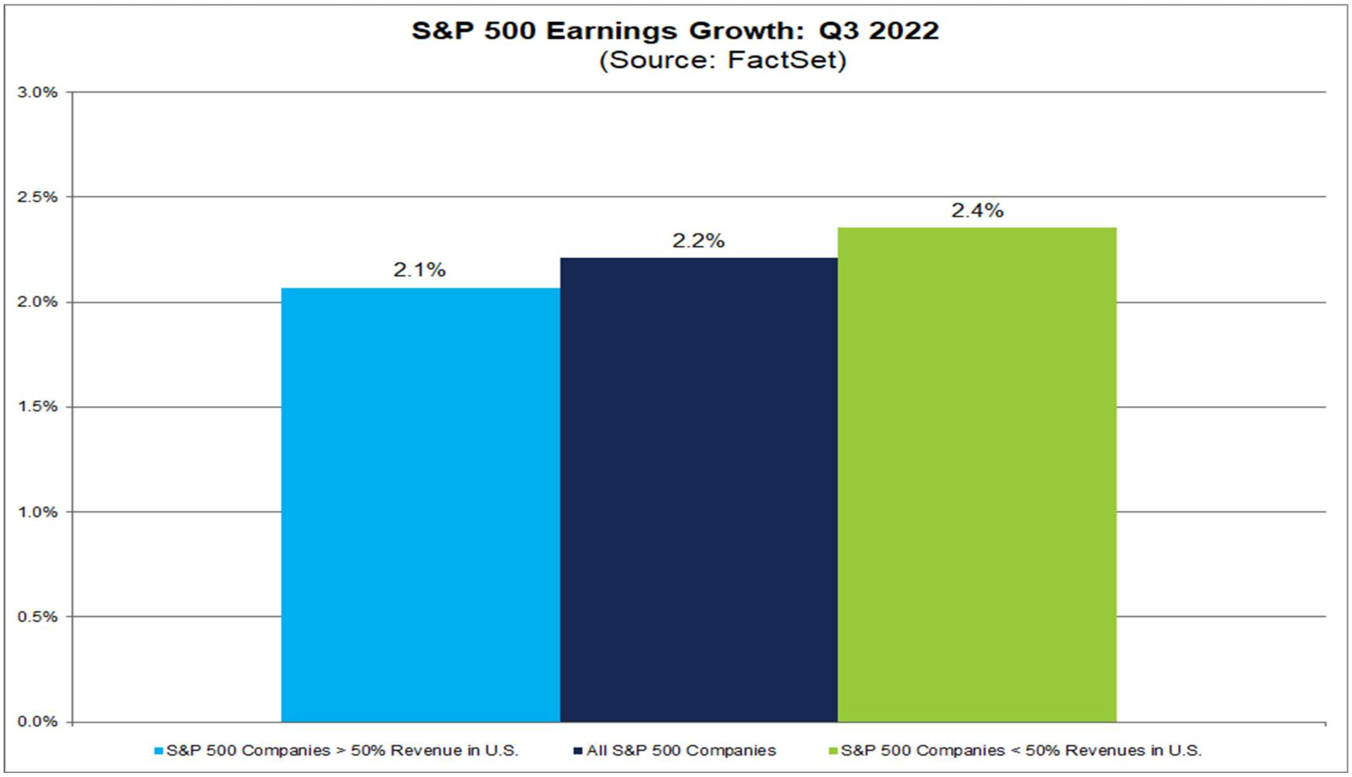


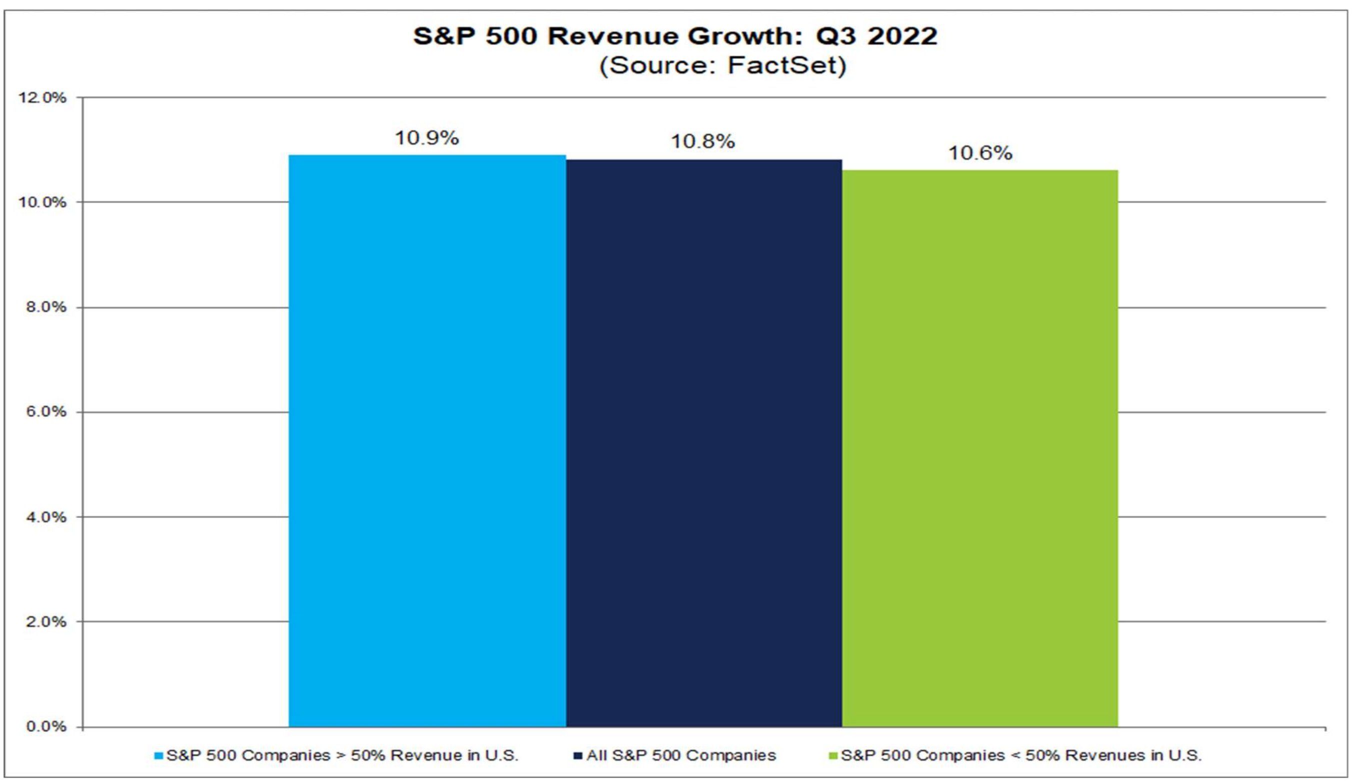

| | Energy | Real Estate | Industrials | Consumer Disc. | S&P 500 | Consumer Staples | Health Care | Info. Technology | Utilities | Materials | Financials | Comm. Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 137.3% | 18.7% | 16.1% | 8.5% | 2.2% | -0.2% | -1.9% | -2.4% | -5.3% | -16.2% | -19.1% | -23.0% |
| 30-Sep | 114.1% | 11.8% | 23.8% | 11.0% | 2.6% | -4.4% | -6.8% | -3.8% | -5.4% | -7.0% | -12.1% | -13.5% |



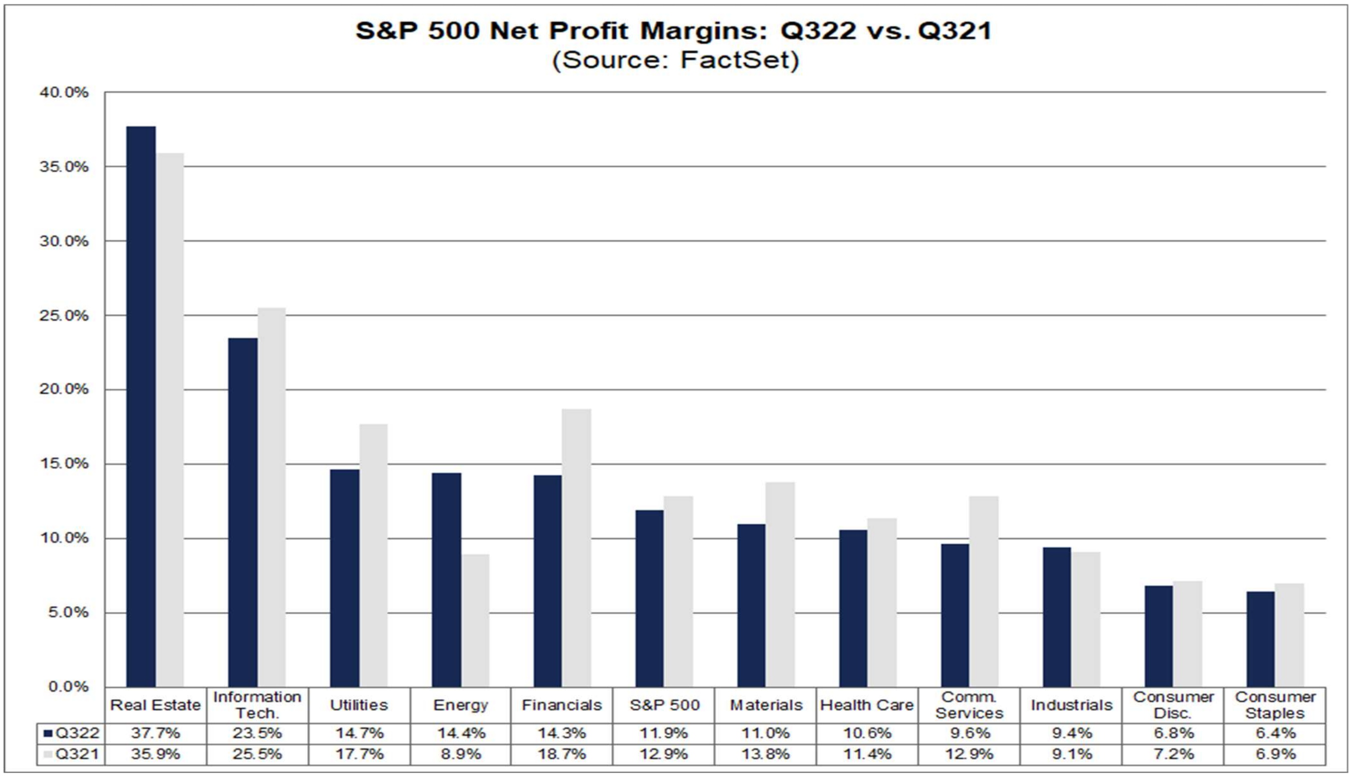

| | Energy | Utilities | Consumer Disc. | Real Estate | Industrials | S&P 500 | Consumer Staples | Financials | Info. Technology | Materials | Health Care | Comm. Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 46.9% | 15.5% | 14.3% | 12.8% | 12.3% | 10.8% | 8.0% | 6.2% | 5.8% | 5.5% | 5.4% | 2.8% |
| 30-Sep | 35.5% | 3.1% | 14.1% | 13.0% | 12.7% | 8.7% | 5.2% | 2.7% | 5.2% | 5.7% | 3.8% | 4.3% |

## Q3 2022: Growth

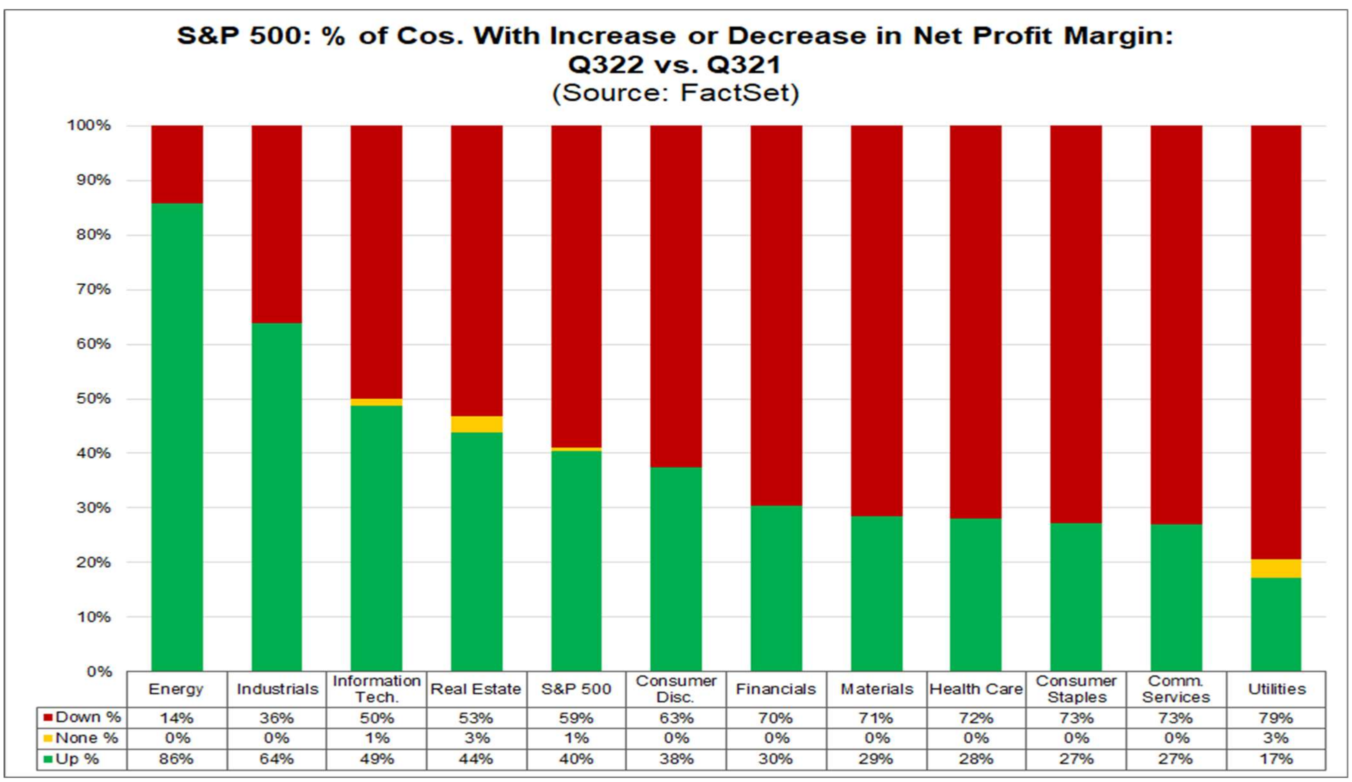


## Q3 2022: Net Profit Margin

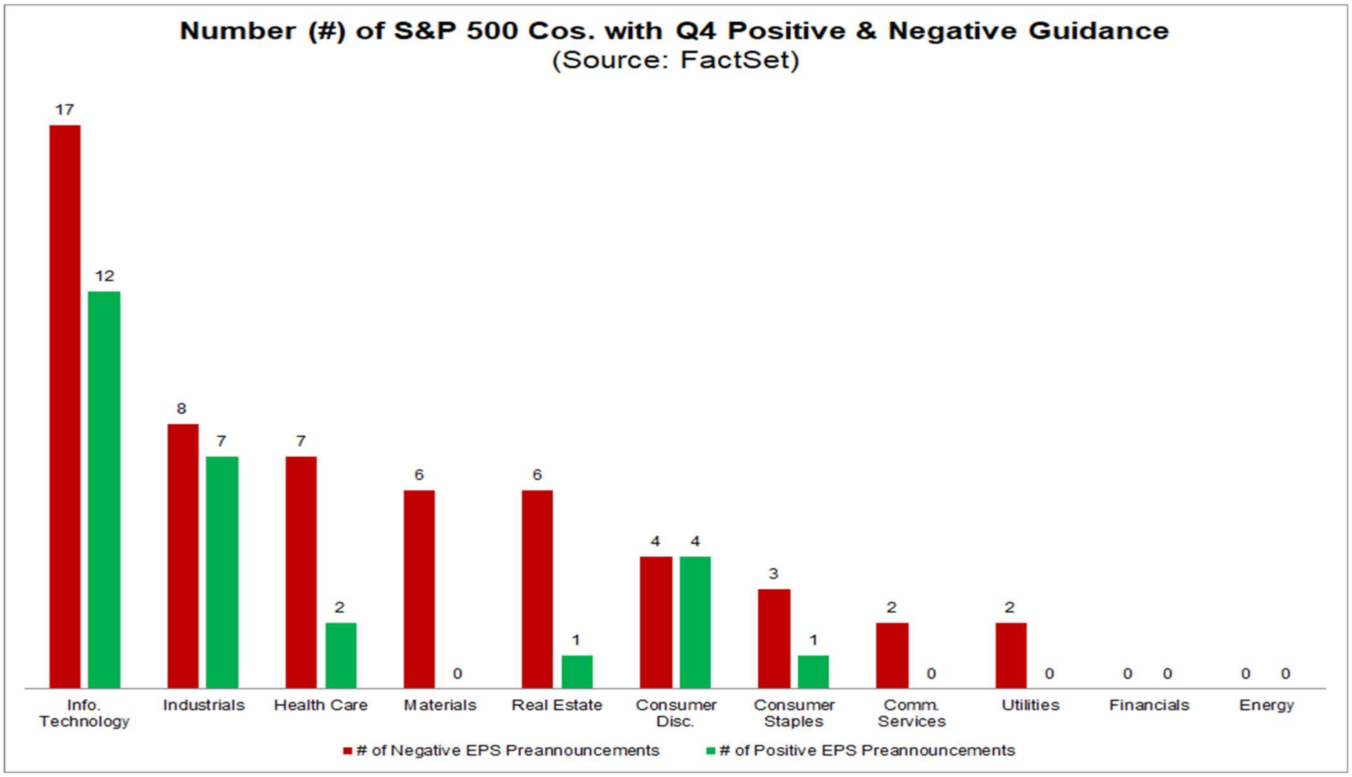


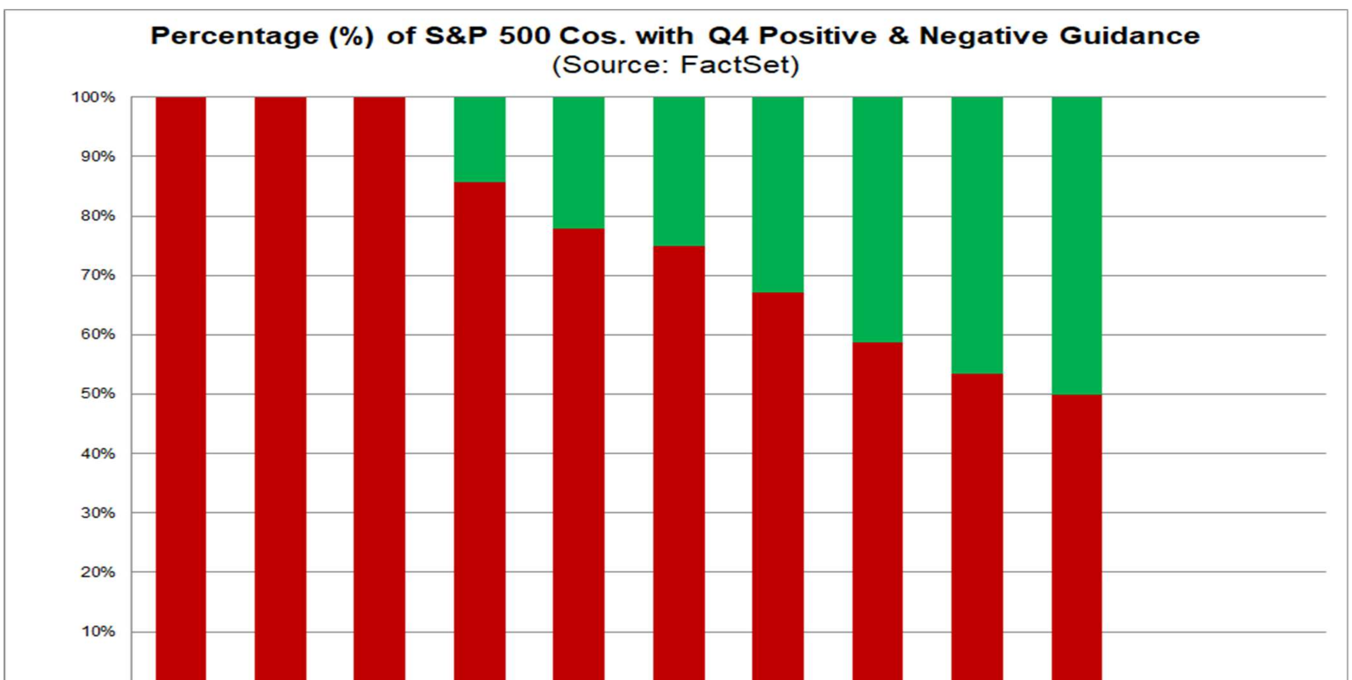

| | Real Estate | Information Tech. | Utilities | Energy | Financials | S&P 500 | Materials | Health Care | Comm. Services | Industrials | Consumer Disc. | Consumer Staples |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q322 | 37.7% | 23.5% | 14.7% | 14.4% | 14.3% | 11.9% | 11.0% | 10.6% | 9.6% | 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 | Consumer Staples | Comm. Services | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Down % | 14% | 36% | 50% | 53% | 59% | 63% | 70% | 71% | 72% | 73% | 73% | 79% |
| None % | 0% | 0% | 1% | 3% | 1% | 0% | 0% | 0% | 0% | 0% | 0% | 3% |
| Up % | 86% | 64% | 49% | 44% | 40% | 38% | 30% | 29% | 28% | 27% | 27% | 17% |

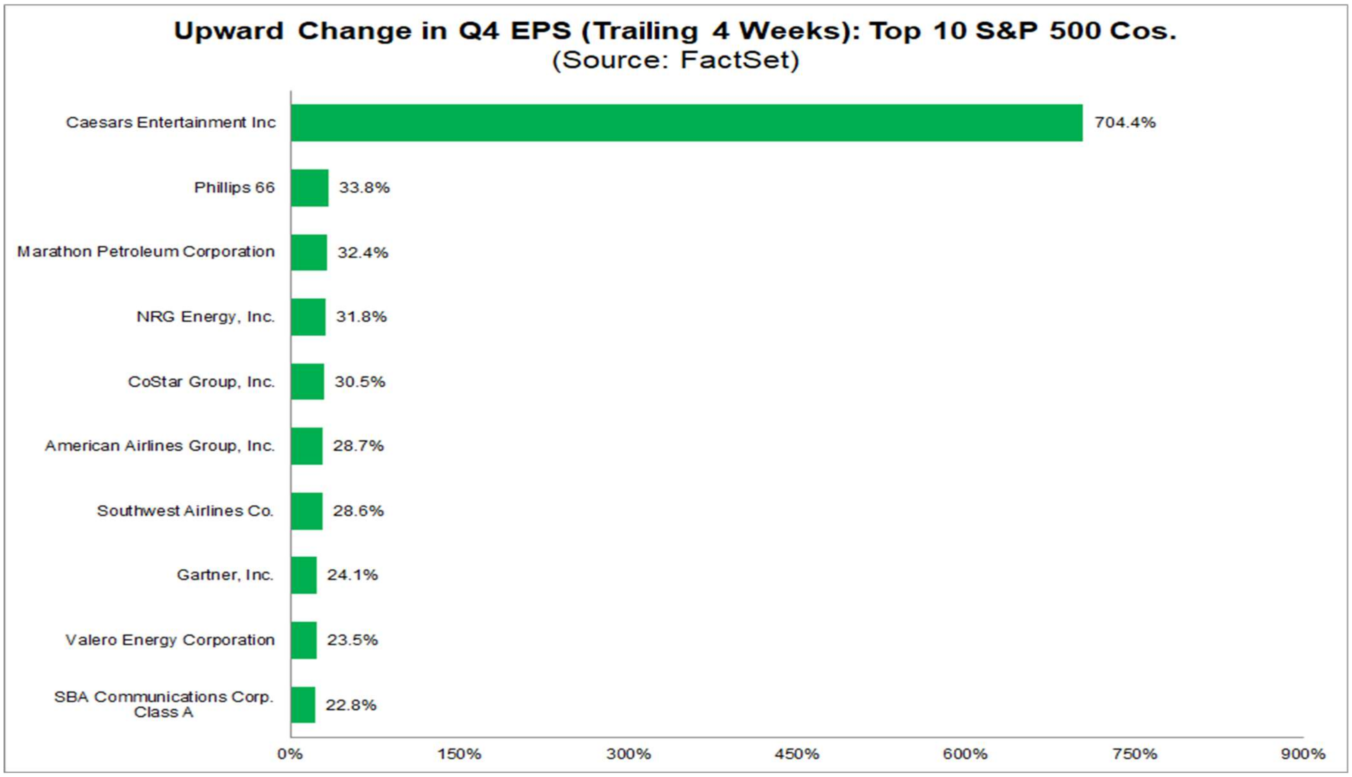
## Q4 2022: Guidance

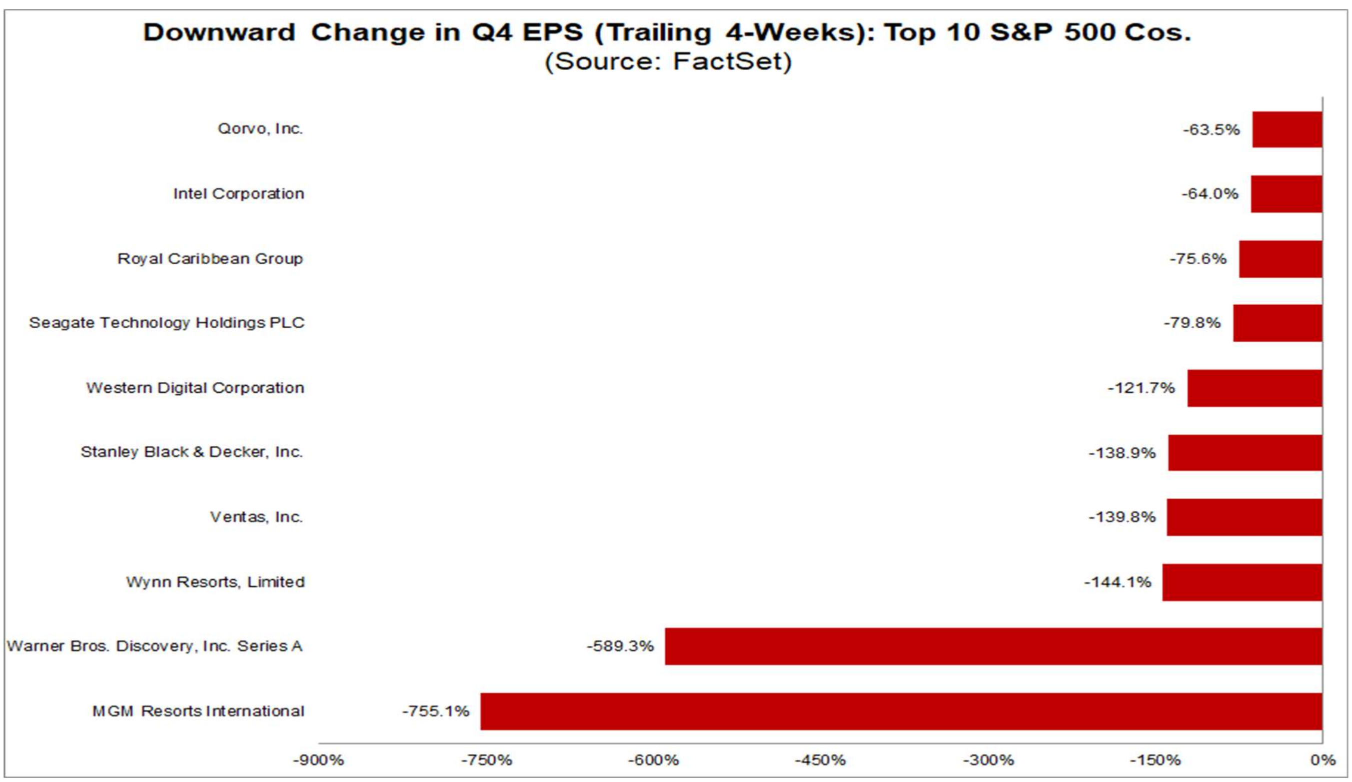


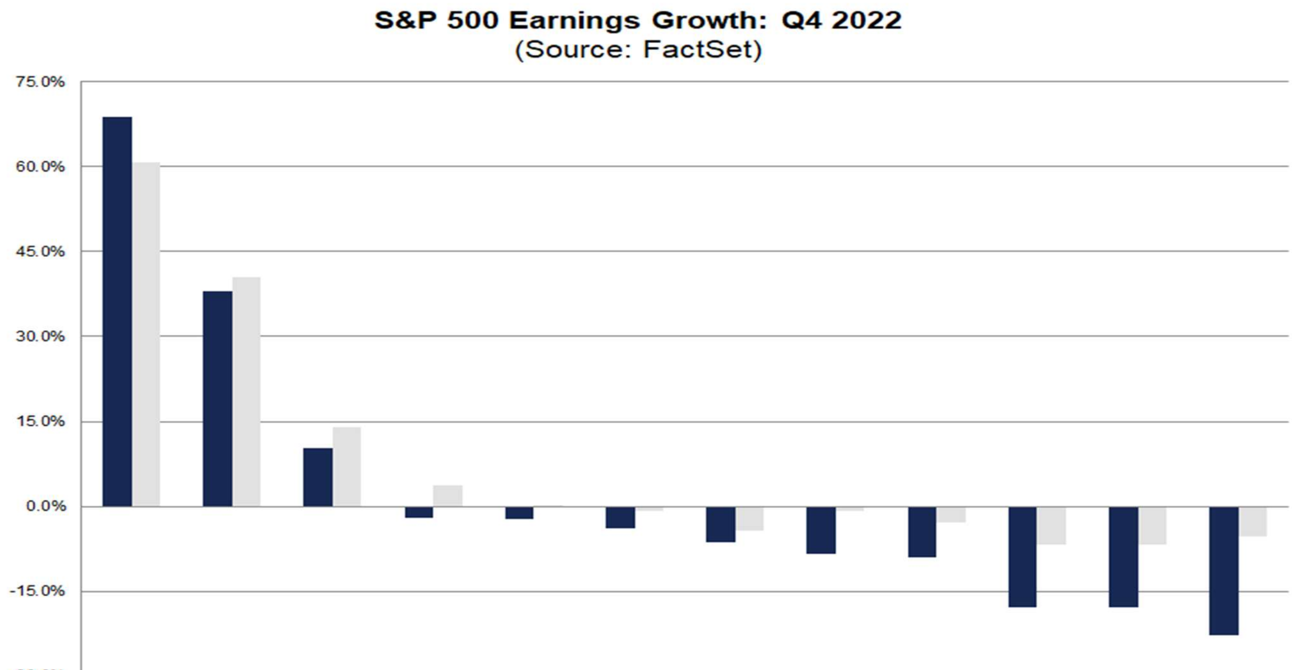

| | Materials | Comm. Services | Utilities | Real Estate | Health Care | Consumer Staples | S&P 500 | Info. Technology | Industrials | Consumer Disc. | Financials | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Positive | 0% | 0% | 0% | 14% | 22% | 25% | 33% | 41% | 47% | 50% | 0% | 0% |
| Negative | 100% | 100% | 100% | 86% | 78% | 75% | 67% | 59% | 53% | 50% | 0% | 0% |

## Q4 2022: EPS Revisions

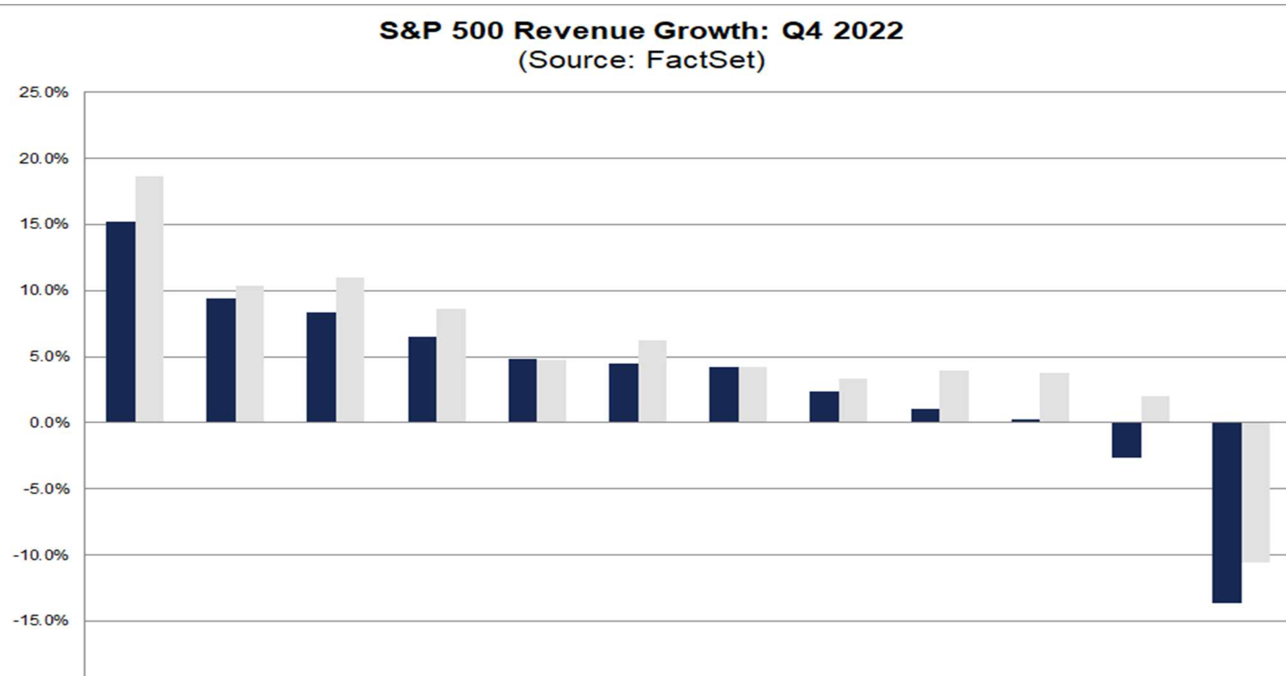


## Q4 2022: Growth

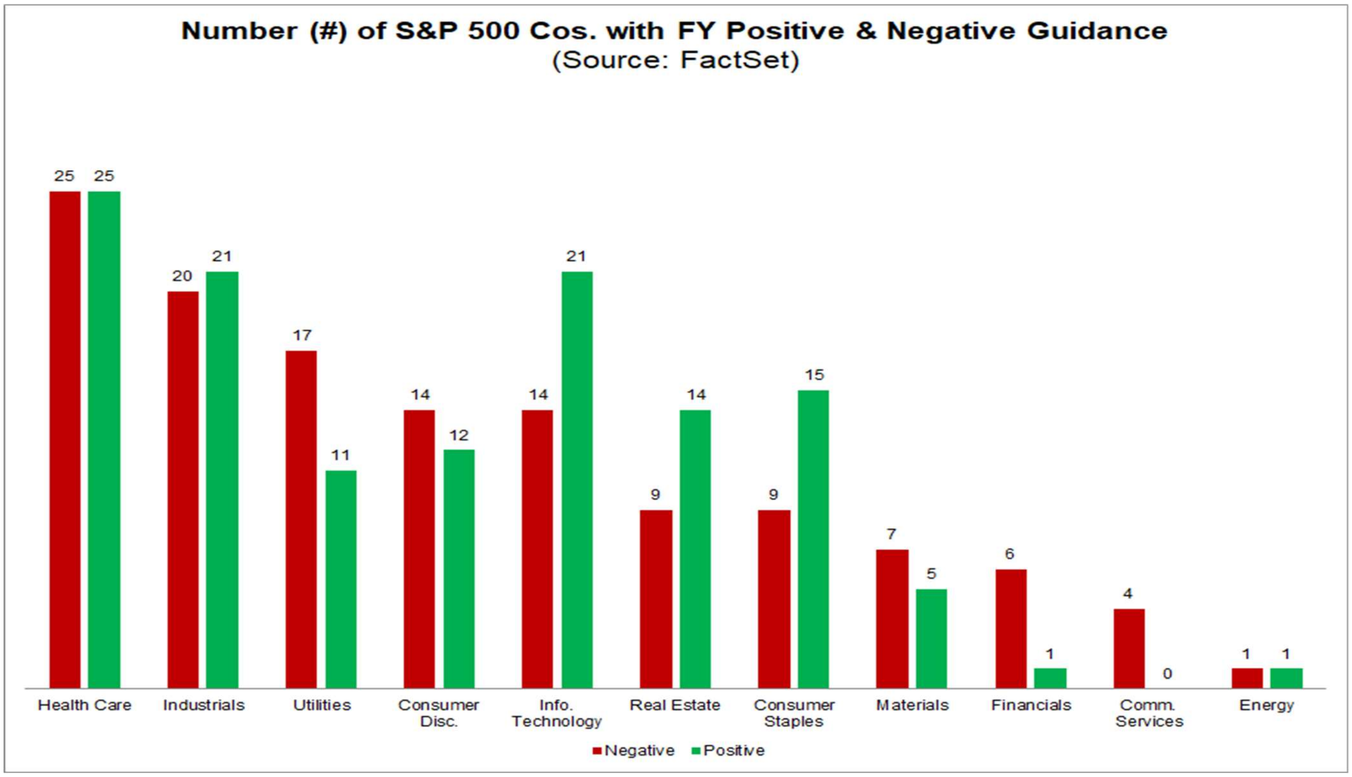


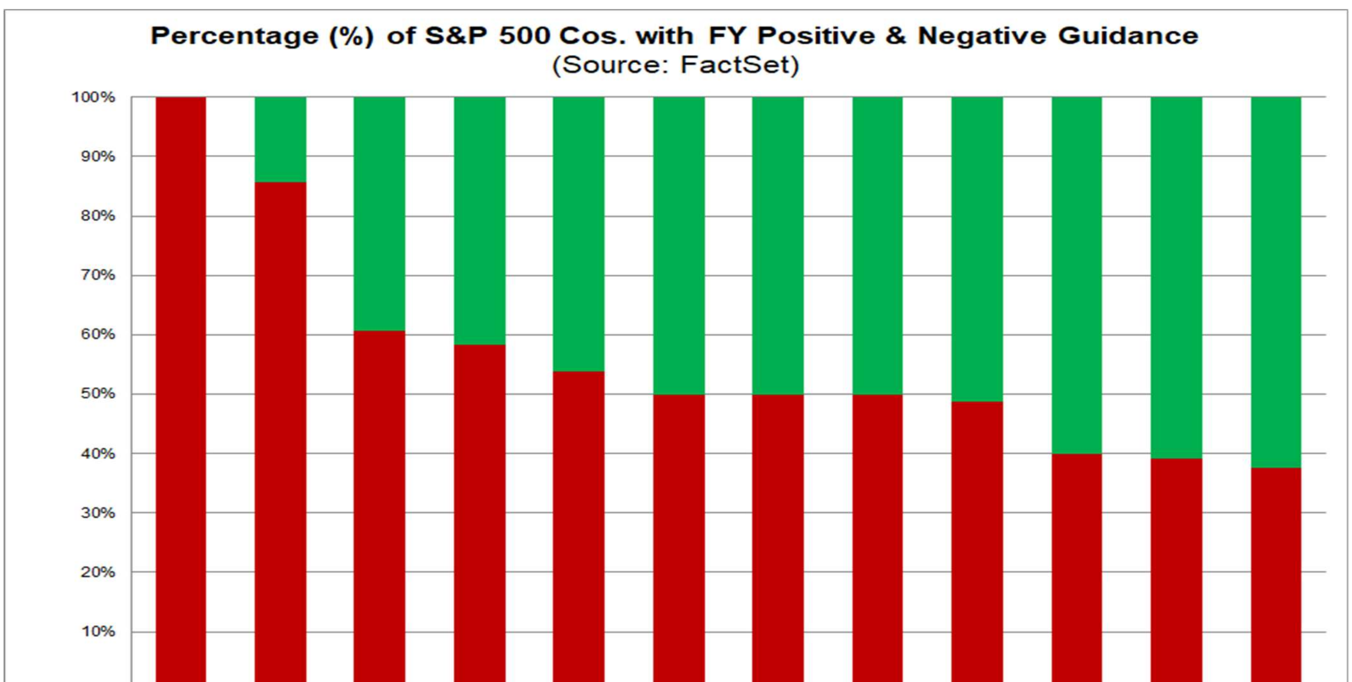

| | Energy | Industrials | Real Estate | S&P 500 | Utilities | Consumer Staples | Financials | Info. Technology | Health Care | Consumer Disc. | Comm. Services | Materials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 68.8% | 38.0% | 10.3% | -2.1% | -2.3% | -3.8% | -6.3% | -8.4% | -9.1% | -17.9% | -17.9% | -22.7% |
| 30-Sep | 60.8% | 40.5% | 13.9% | 3.7% | 0.2% | -0.7% | -4.3% | -0.7% | -2.8% | -6.8% | -6.8% | -5.4% |




| | Energy | Industrials | Consumer Disc. | Real Estate | Financials | S&P 500 | Consumer Staples | Health Care | Comm. Services | Info. Technology | Materials | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 15.2% | 9.4% | 8.4% | 6.5% | 4.9% | 4.5% | 4.2% | 2.4% | 1.1% | 0.3% | -2.6% | -13.7% |
| 30-Sep | 18.6% | 10.4% | 11.0% | 8.6% | 4.7% | 6.3% | 4.2% | 3.4% | 4.0% | 3.7% | 2.0% | -10.6% |

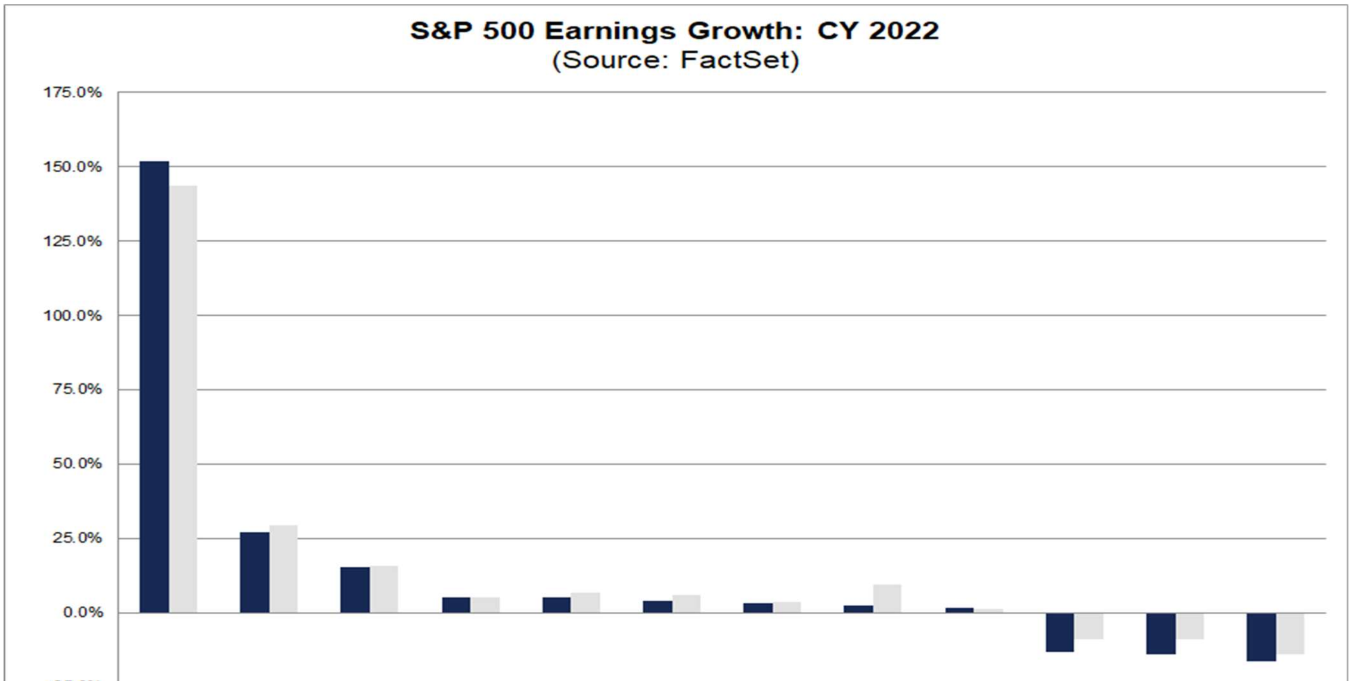
## FY 2022 / 2023: EPS Guidance



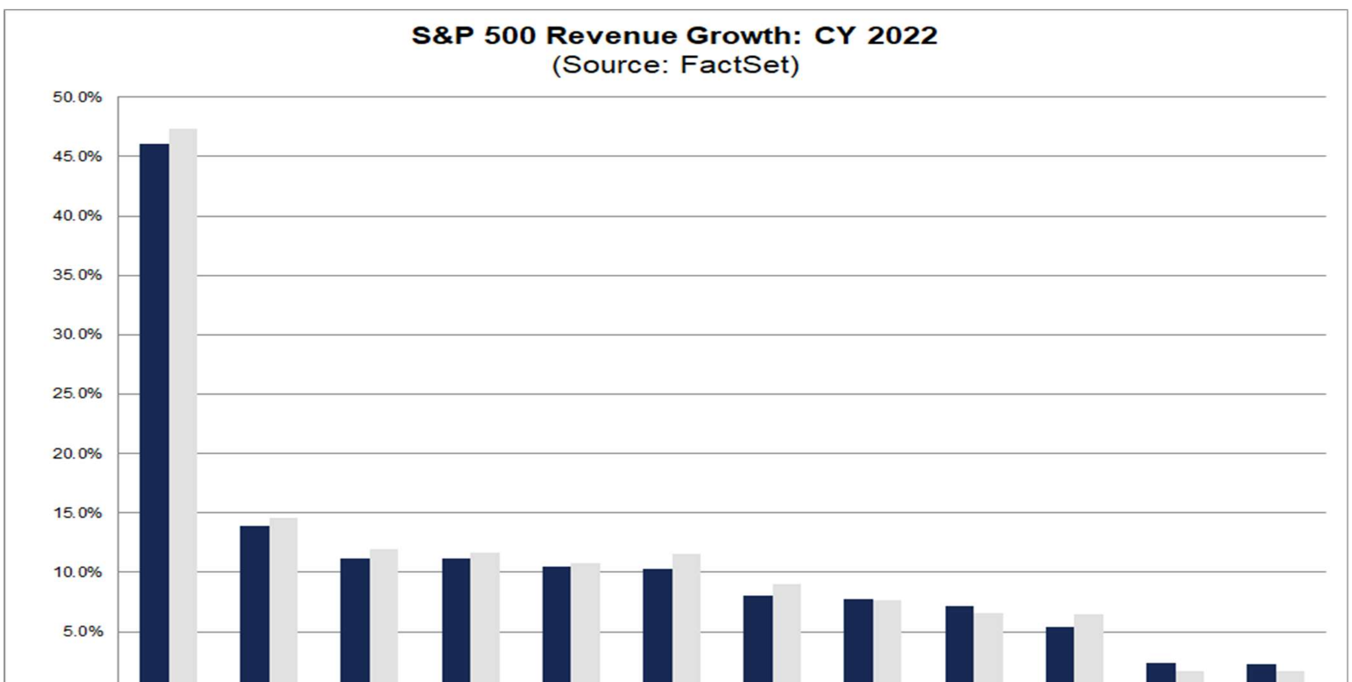




| | Comm. Services | Financials | Utilities | Materials | Consumer Disc. | S&P 500 | Health Care | Energy | Industrials | Info. Technology | Real Estate | Consumer Staples |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Positive | 0% | 14% | 39% | 42% | 46% | 50% | 50% | 50% | 51% | 60% | 61% | 63% |
| Negative | 100% | 86% | 61% | 58% | 54% | 50% | 50% | 50% | 49% | 40% | 39% | 38% |

## CY 2022: Growth

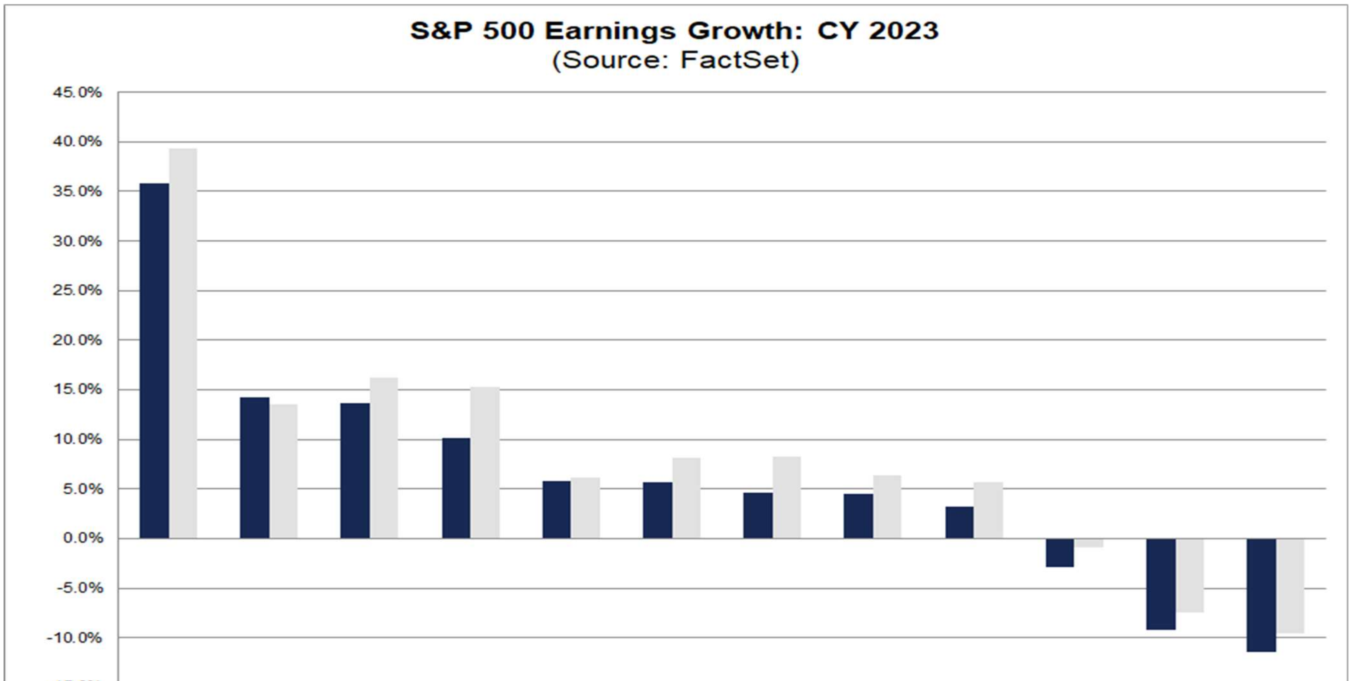



| | Energy | Industrials | Real Estate | Utilities | S&P 500 | Info. Technology | Health Care | Materials | Consumer Staples | Consumer Disc. | Comm. Services | Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 152.0% | 27.3% | 15.3% | 5.3% | 5.2% | 4.0% | 3.2% | 2.6% | 1.7% | -13.1% | -14.1% | -16.2% |
| 30-Sep | 143.7% | 29.6% | 15.9% | 5.2% | 7.0% | 6.1% | 3.6% | 9.4% | 1.2% | -9.0% | -8.9% | -13.9% |

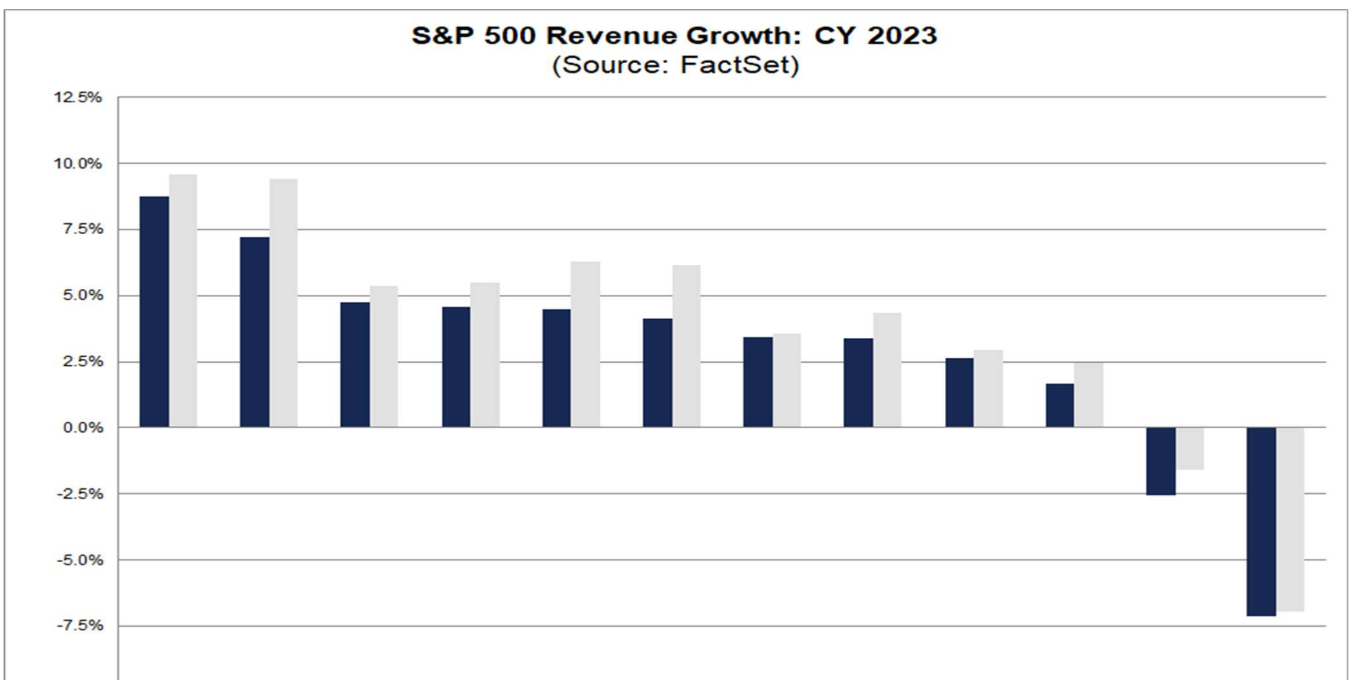



| | Energy | Real Estate | Consumer Disc. | Industrials | S&P 500 | Materials | Info. Technology | Health Care | Consumer Staples | Comm. Services | Utilities | Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 46.0% | 13.9% | 11.2% | 11.2% | 10.5% | 10.3% | 8.1% | 7.8% | 7.1% | 5.4% | 2.3% | 2.3% |
| 30-Sep | 47.4% | 14.6% | 12.0% | 11.7% | 10.8% | 11.5% | 9.0% | 7.7% | 6.5% | 6.5% | 1.7% | 1.7% |

## CY 2023: Growth

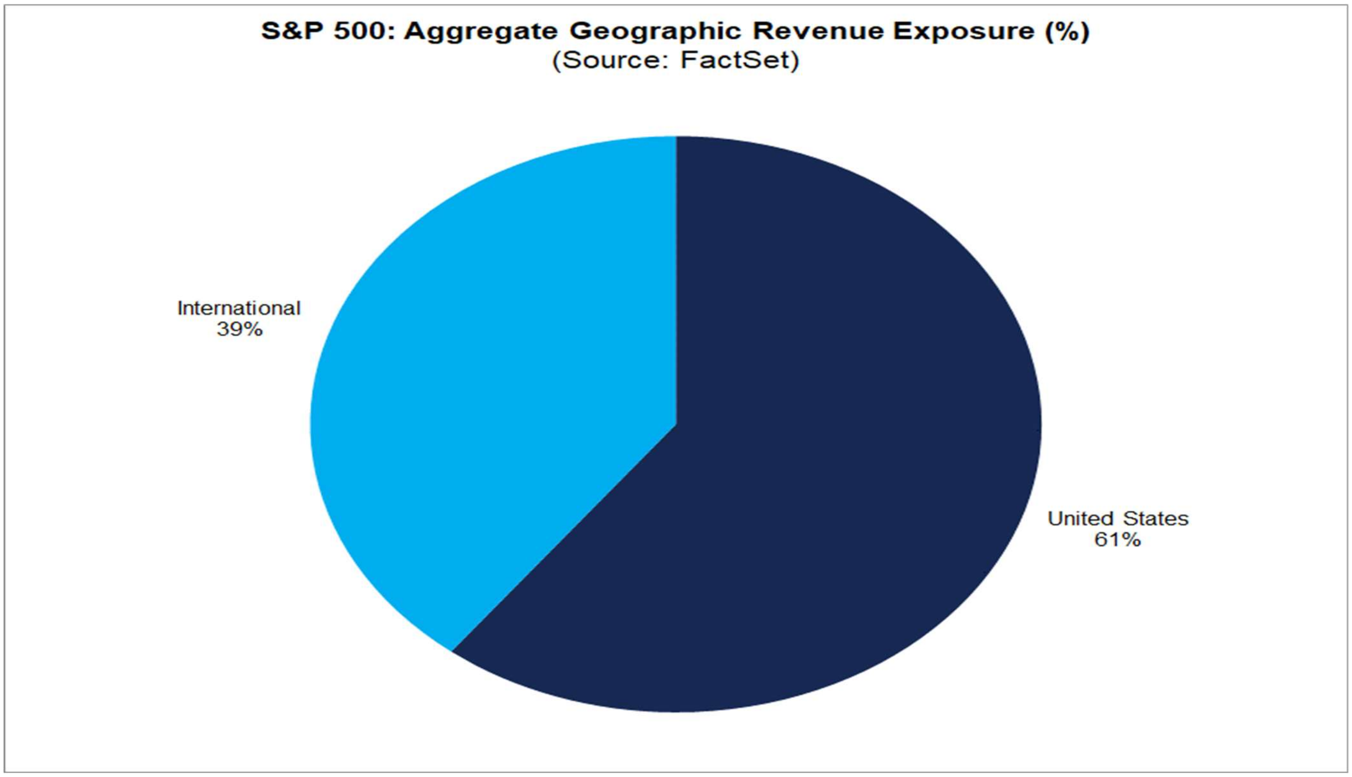


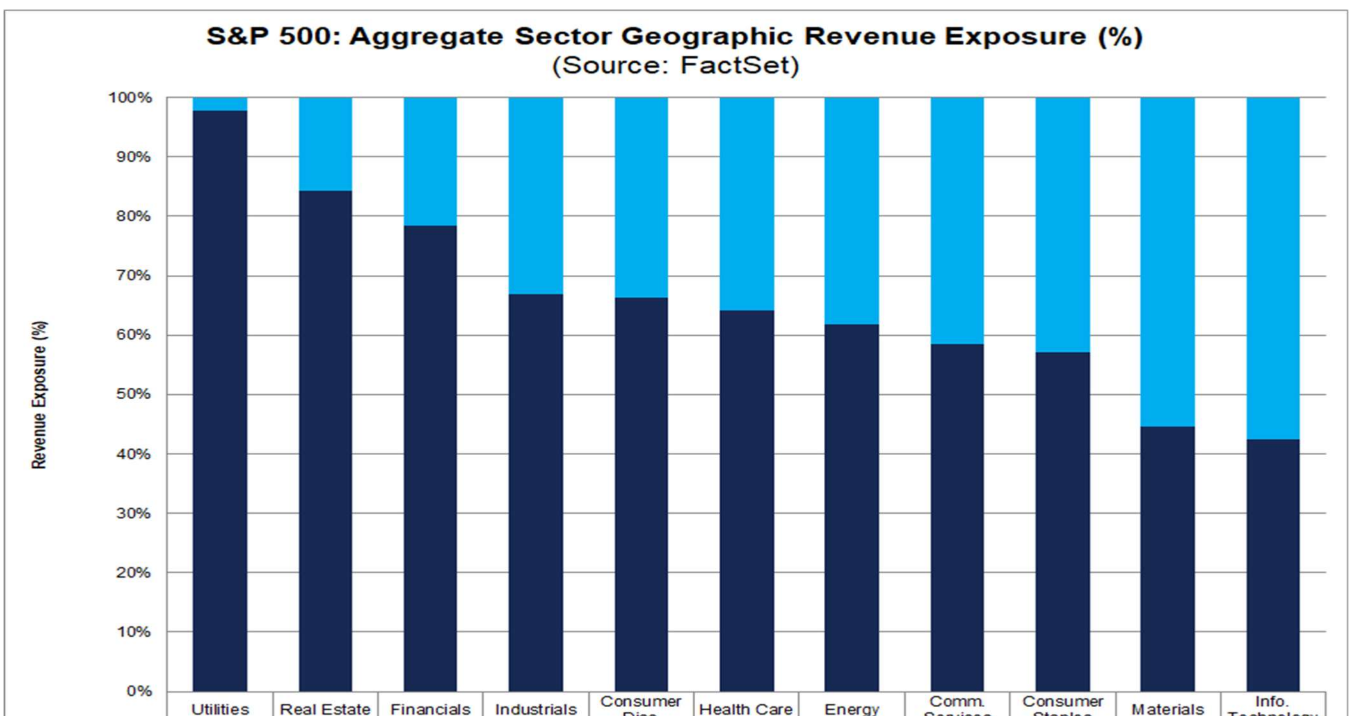

| | Consumer Disc. | Financials | Industrials | Comm. Services | Utilities | S&P 500 | Info. Technology | Consumer Staples | Real Estate | Health Care | Materials | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 35.8% | 14.2% | 13.7% | 10.2% | 5.7% | 5.7% | 4.6% | 4.5% | 3.2% | -2.8% | -9.3% | -11.5% |
| 30-Sep | 39.3% | 13.5% | 16.3% | 15.3% | 6.1% | 8.2% | 8.3% | 6.4% | 5.7% | -0.8% | -7.5% | -9.6% |




| | Financials | Consumer Disc. | Real Estate | Industrials | Comm. Services | Info. Technology | Consumer Staples | S&P 500 | Health Care | Utilities | Materials | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 8.8% | 7.2% | 4.7% | 4.6% | 4.5% | 4.1% | 3.4% | 3.4% | 2.7% | 1.7% | -2.6% | -7.1% |
| 30-Sep | 9.6% | 9.4% | 5.4% | 5.5% | 6.3% | 6.2% | 3.6% | 4.4% | 3.0% | 2.5% | -1.6% | -7.0% |

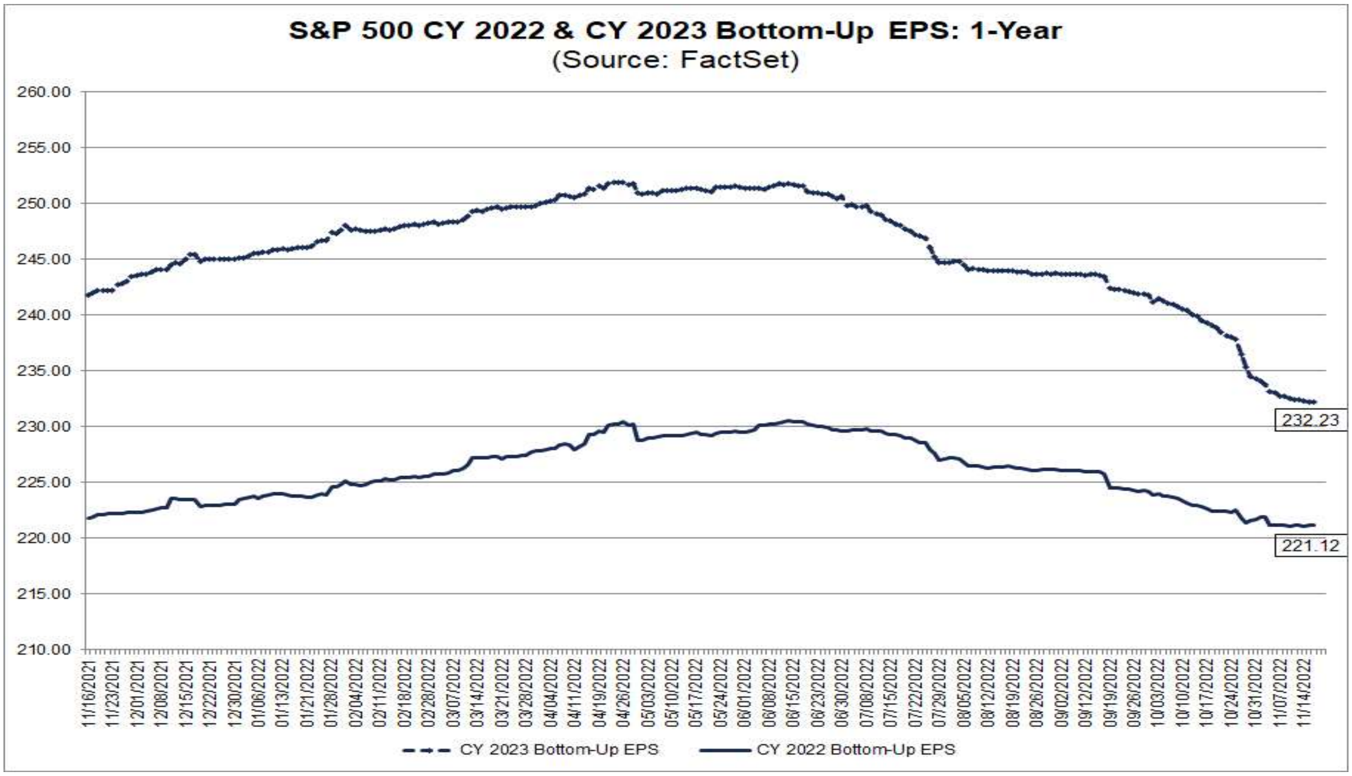
## Geographic Revenue Exposure

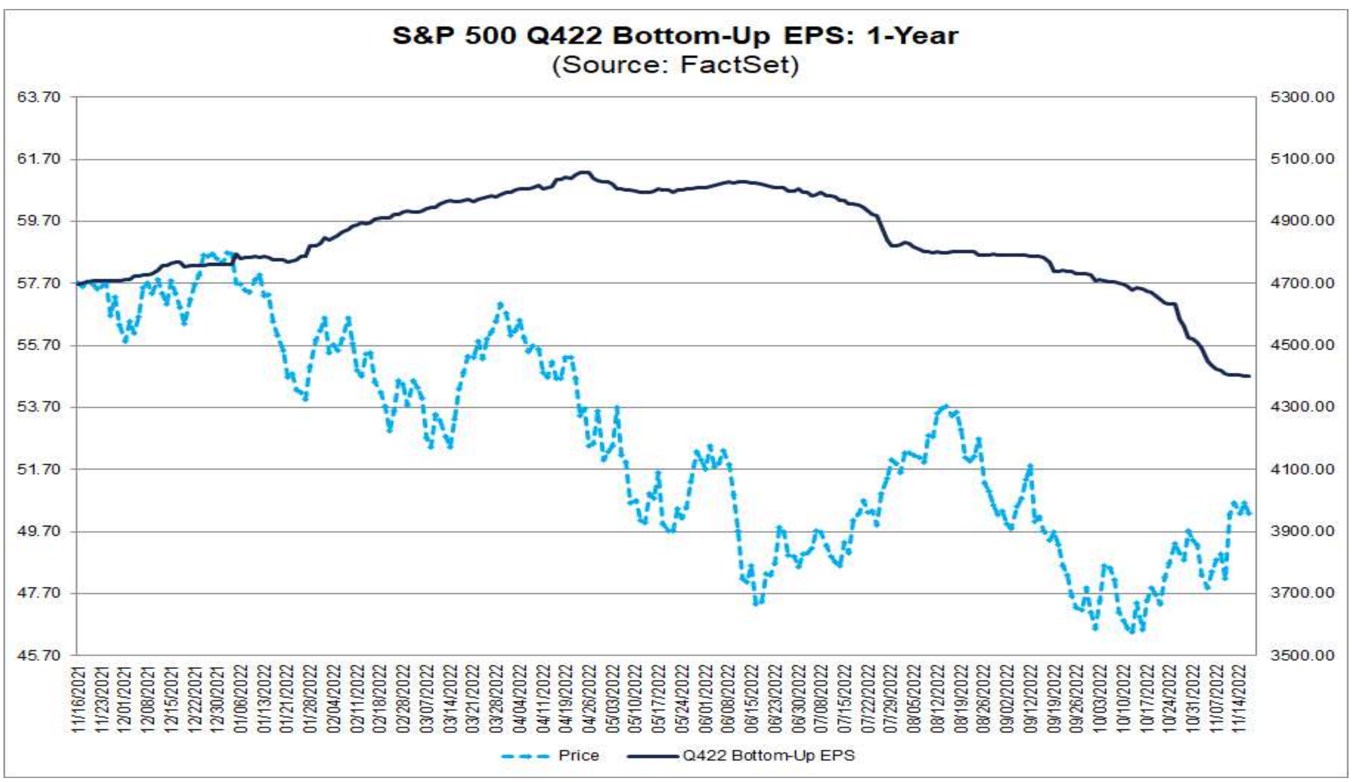


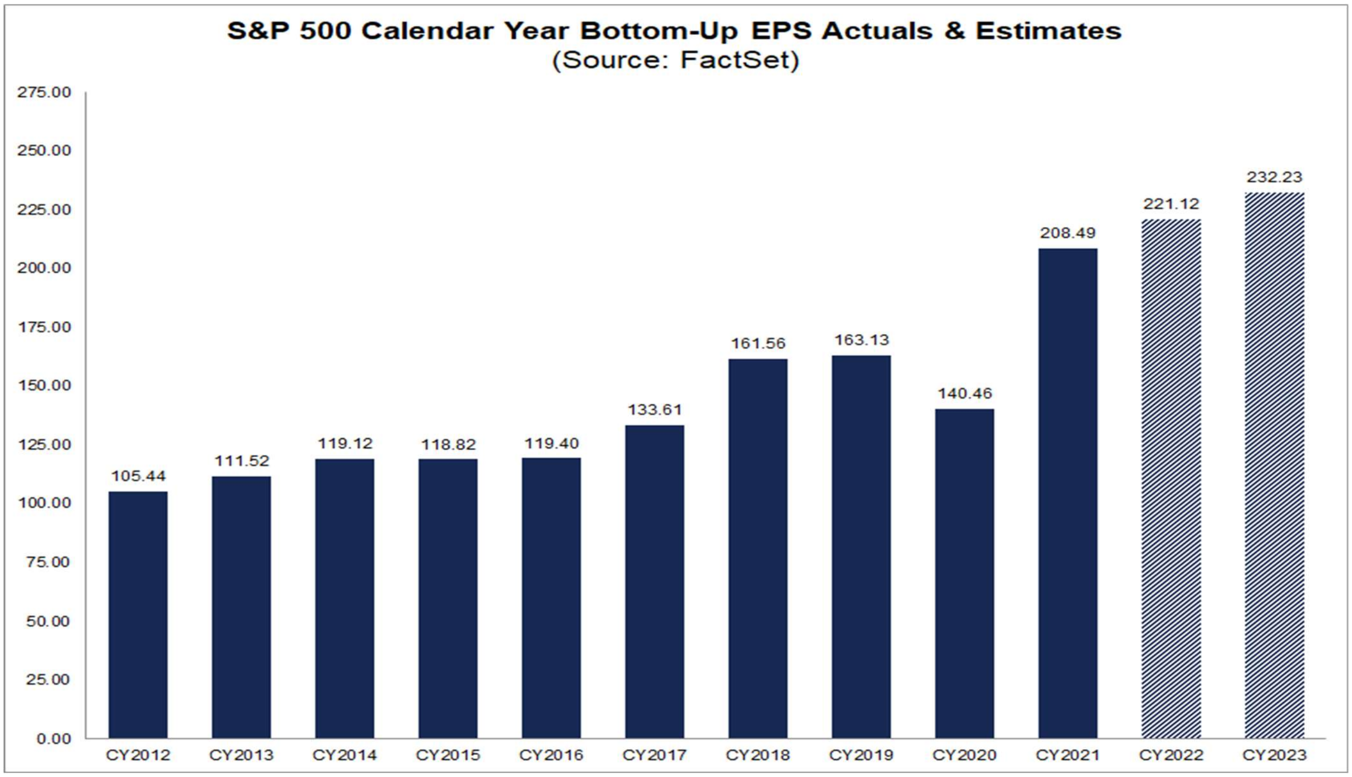

| | Utilities | Real Estate | Financials | Industrials | Consumer Disc. | Health Care | Energy | Comm. Services | Consumer Staples | Materials | Info. Technology |
|---|---|---|---|---|---|---|---|---|---|---|---|
| International | 2% | 16% | 21% | 33% | 34% | 36% | 38% | 42% | 43% | 55% | 58% |
| United States | 98% | 84% | 79% | 67% | 66% | 64% | 62% | 58% | 57% | 45% | 42% |

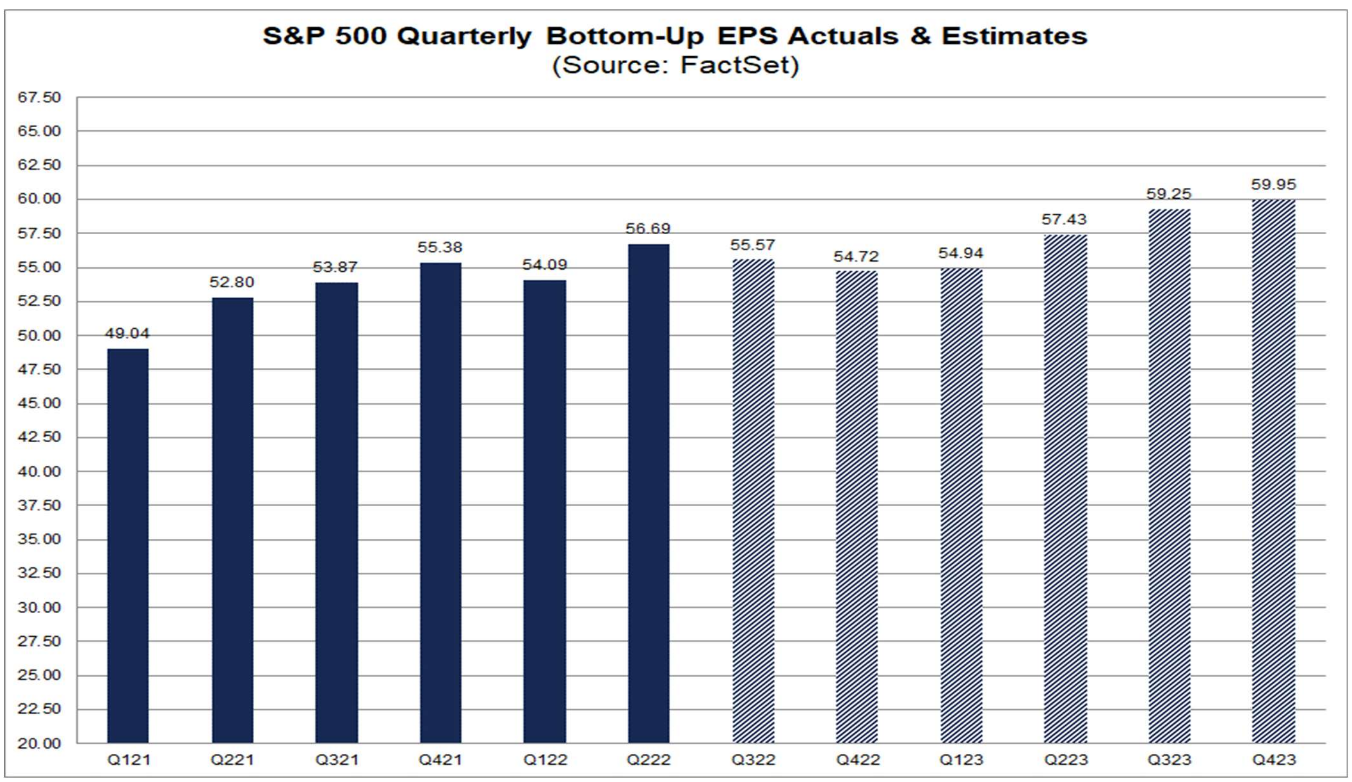
## Bottom-Up EPS Estimates



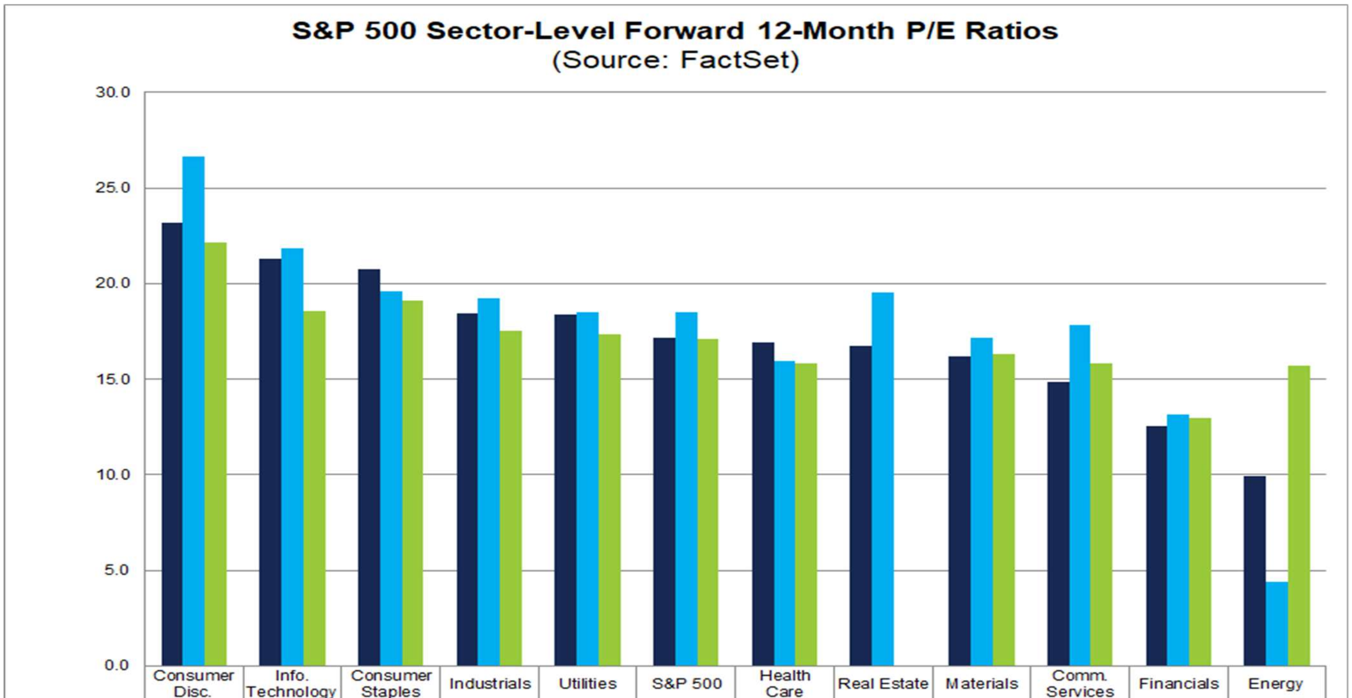



## Bottom-Up EPS Estimates: Current & Historical

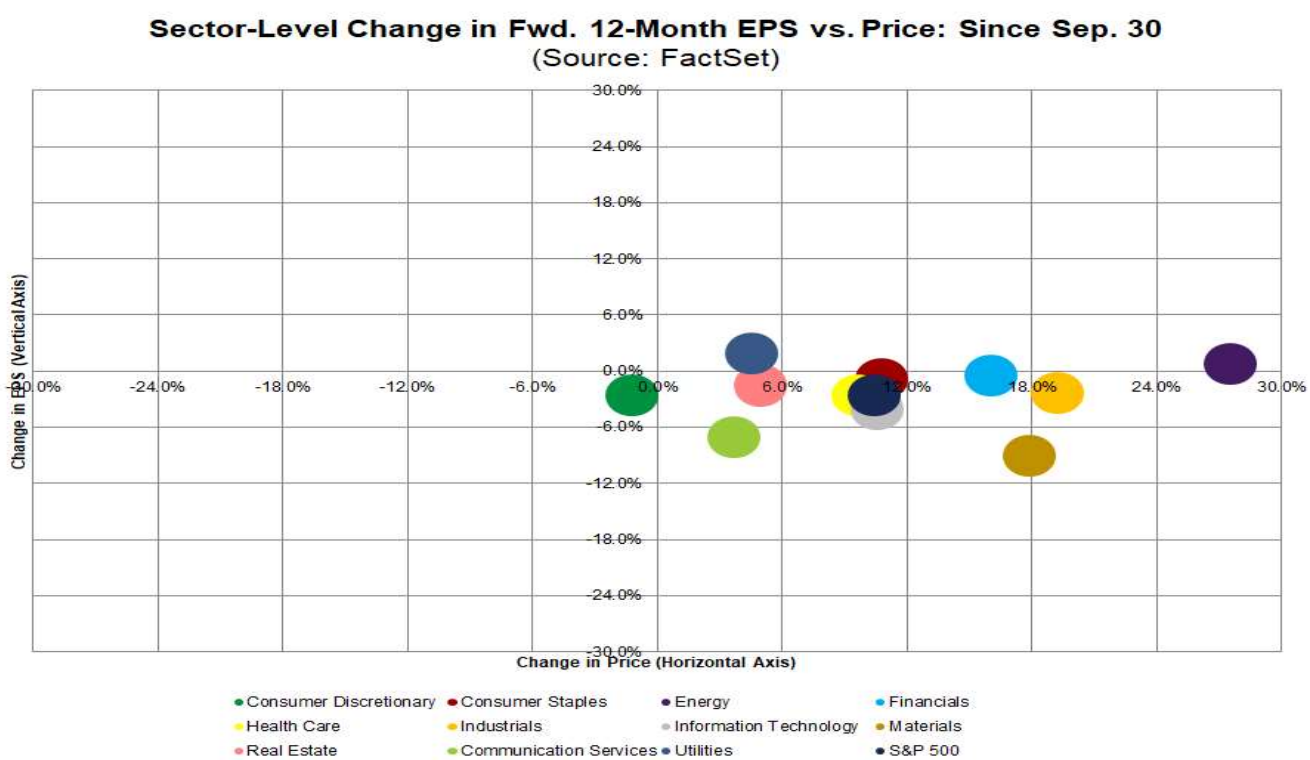


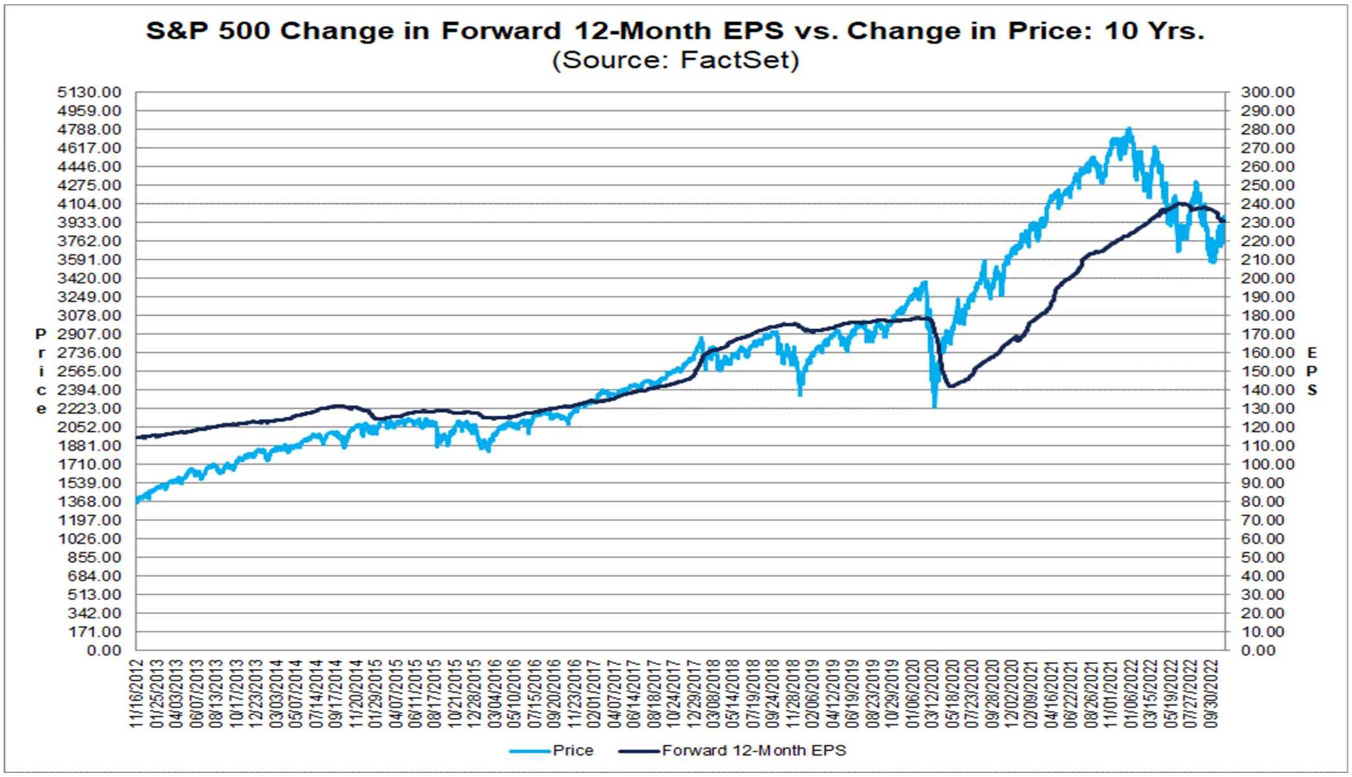
## Forward 12M P/E Ratio: Sector Level

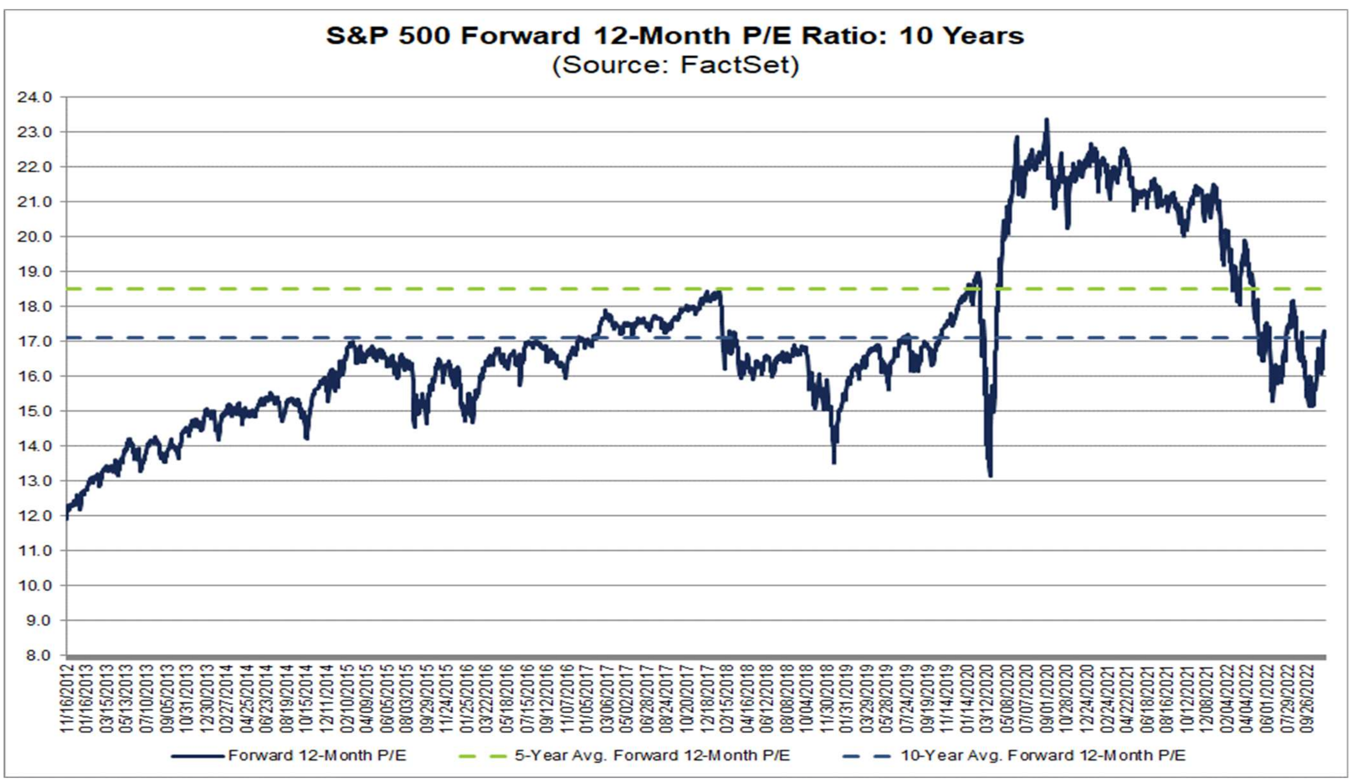



| | Consumer Disc. | Info. Technology | Consumer Staples | Industrials | Utilities | S&P 500 | Health Care | Real Estate | Materials | Comm. Services | Financials | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fwd P/E | 23.2 | 21.3 | 20.8 | 18.4 | 18.3 | 17.2 | 16.9 | 16.7 | 16.2 | 14.9 | 12.5 | 10.0 |
| 5-Yr Avg. | 26.6 | 21.8 | 19.6 | 19.3 | 18.5 | 18.5 | 15.9 | 19.6 | 17.1 | 17.8 | 13.1 | 4.4 |
| 10-Yr Avg. | 22.2 | 18.6 | 19.1 | 17.5 | 17.3 | 17.1 | 15.8 | | 16.3 | 15.8 | 13.0 | 15.7 |

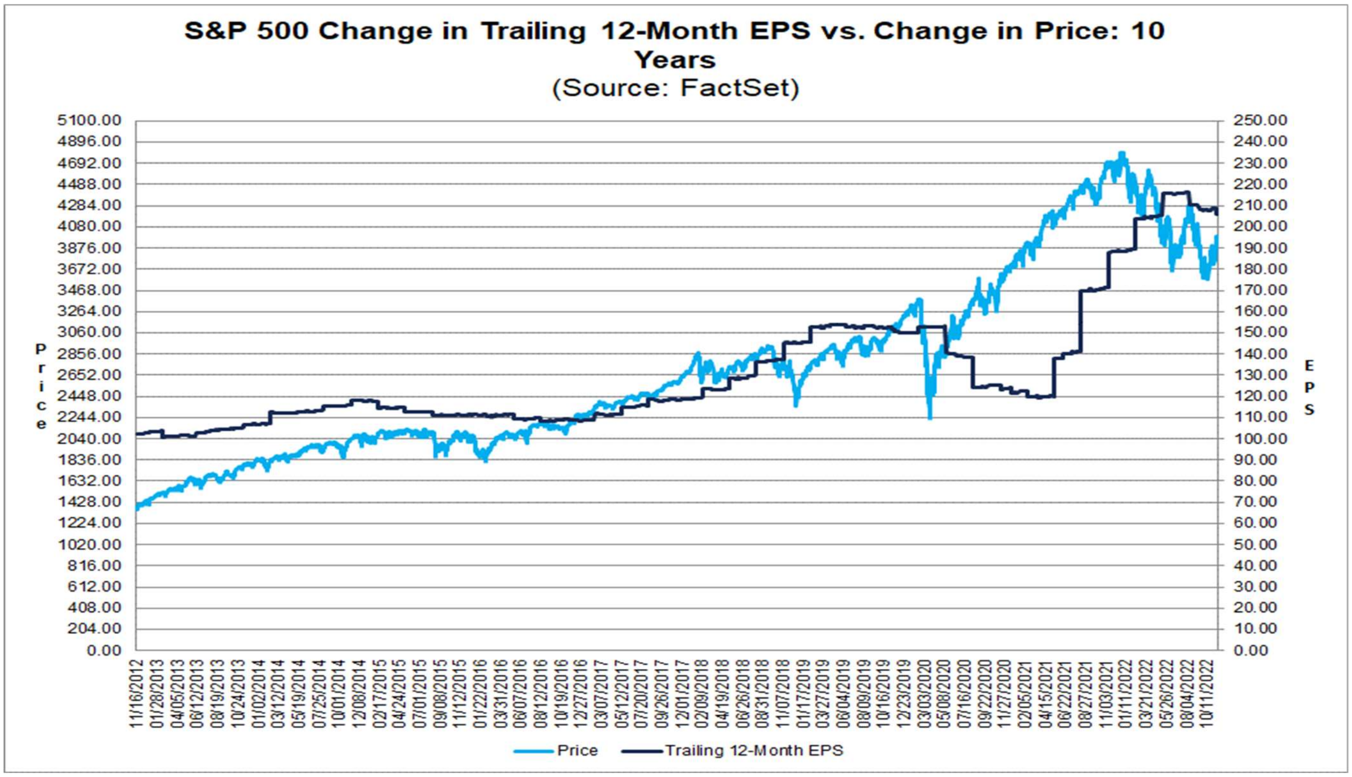


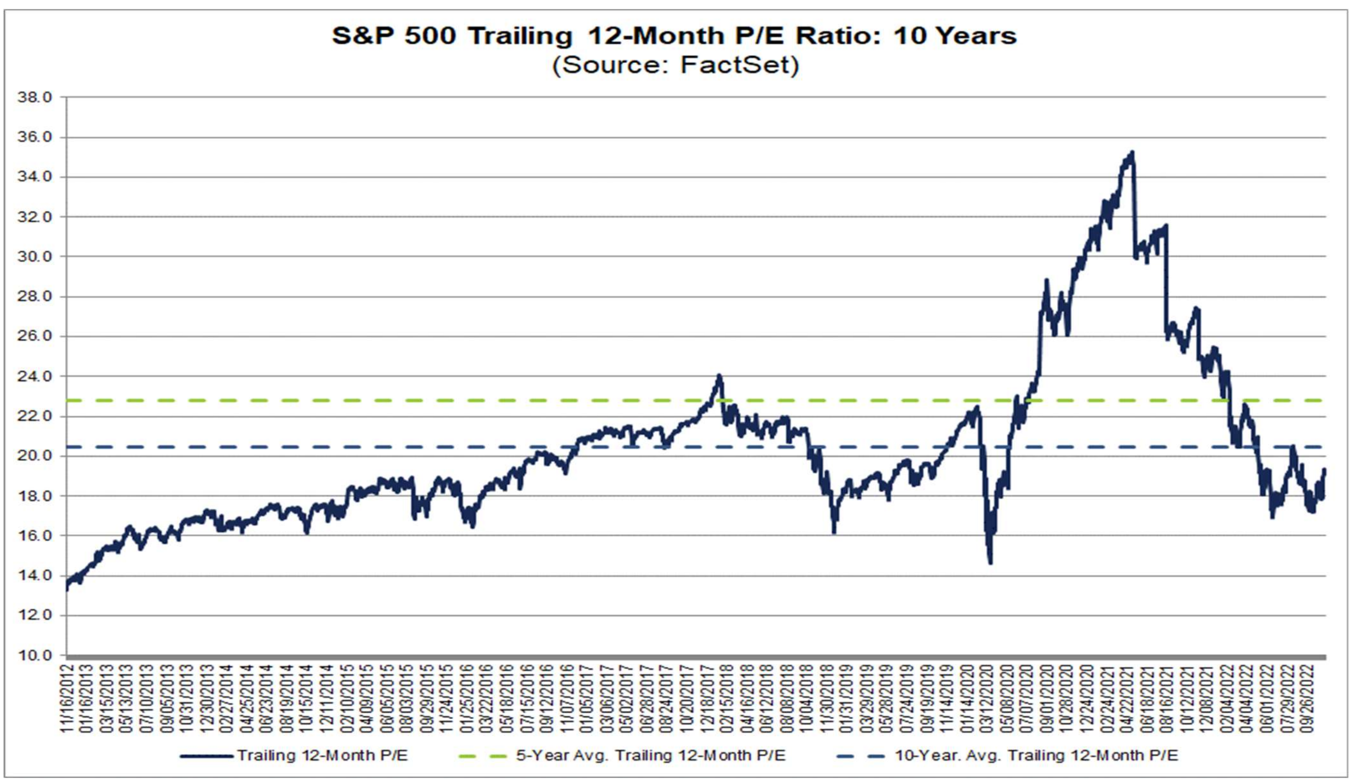
## Forward 12M P/E Ratio: 10-Years



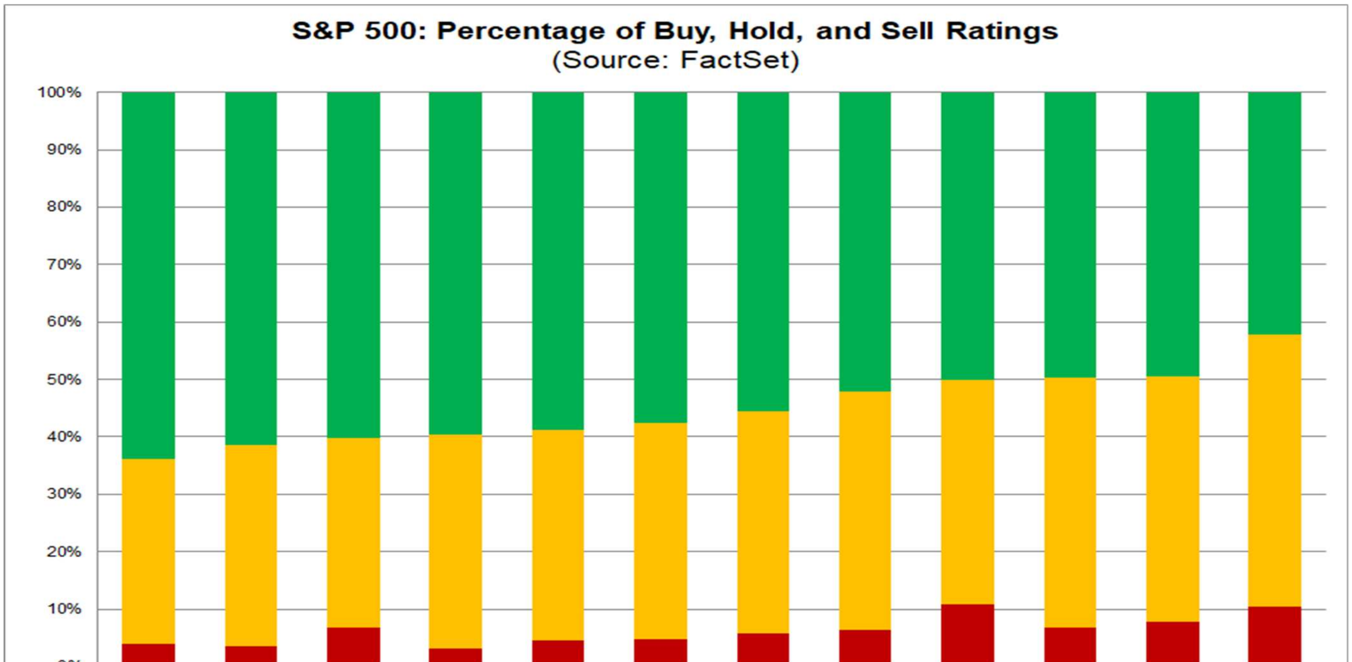



## Trailing 12M P/E Ratio: 10-Years

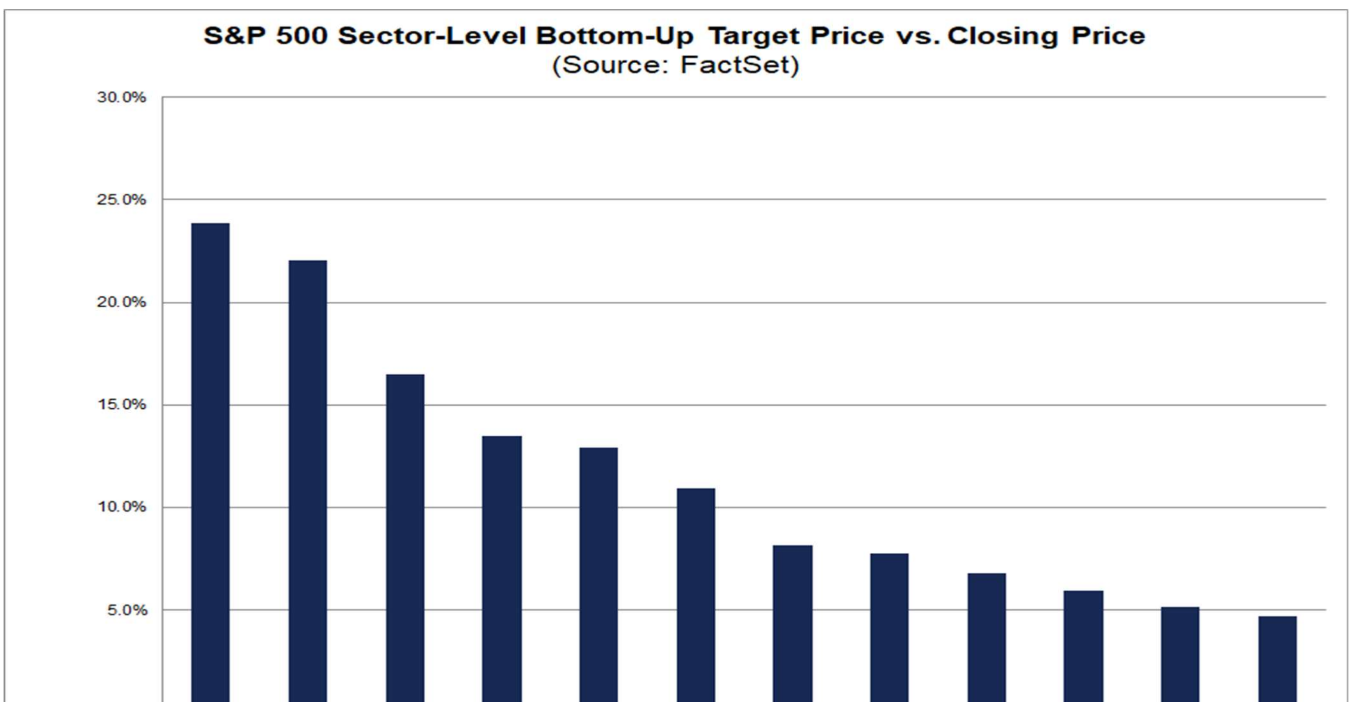


## Targets & Ratings




| | Energy | Info. Tech. | Comm. Services | Real Estate | Health Care | Consumer Disc. | S&P 500 | Industrials | Utilities | Materials | Financials | Consumer Staples |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Buy | 64% | 61% | 60% | 60% | 59% | 58% | 56% | 52% | 50% | 50% | 49% | 42% |
| Hold | 32% | 35% | 33% | 37% | 37% | 38% | 39% | 41% | 39% | 43% | 43% | 47% |
| Sell | 4% | 4% | 7% | 3% | 4% | 5% | 6% | 6% | 11% | 7% | 8% | 10% |




| | Consumer Disc. | Comm. Services | Info. Tech. | Real Estate | S&P 500 | Health Care | Energy | Utilities | Financials | Consumer Staples | Materials | Industrials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Target/Close | 23.8% | 22.1% | 16.5% | 13.5% | 12.9% | 10.9% | 8.2% | 7.7% | 6.8% | 6.0% | 5.2% | 4.7% |

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