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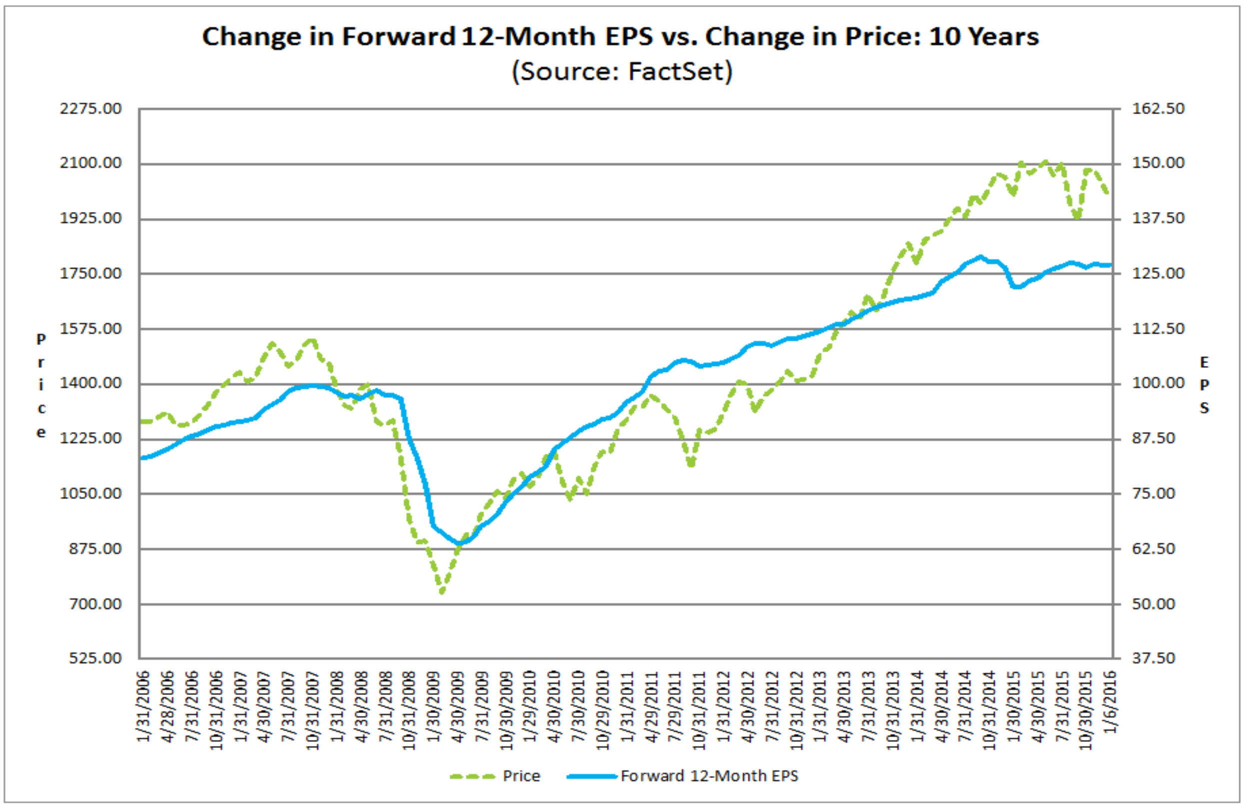
Key Metrics

- **Earnings Growth:** For Q4 2015, the estimated earnings decline is -5.3%. If the index reports a decline in earnings for Q4, it will mark the first time the index has seen three consecutive quarters of year-over-year declines in earnings since Q1 2009 through Q3 2009.
- **Earnings Revisions:** On September 30, the estimated earnings decline for Q4 2015 was -0.6%. Nine sectors have lower growth rates today (compared to September 30) due to downward revisions to earnings estimates, led by the Materials sector.
- **Earnings Guidance:** For Q4 2015, 83 companies have issued negative EPS guidance and 28 companies have issued positive EPS guidance.
- **Valuation:** The 12-month forward P/E ratio is 15.7. This P/E ratio is based on Wednesday's closing price (1990.26) and forward 12-month EPS estimate ($127.11).
- **Earnings Scorecard:** Of the 21 S&P 500 reporting earnings to date for Q4 2015, 16 have reported earnings above the mean estimate, but only 7 have reported sales above the mean estimate.



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Topic of the Week:

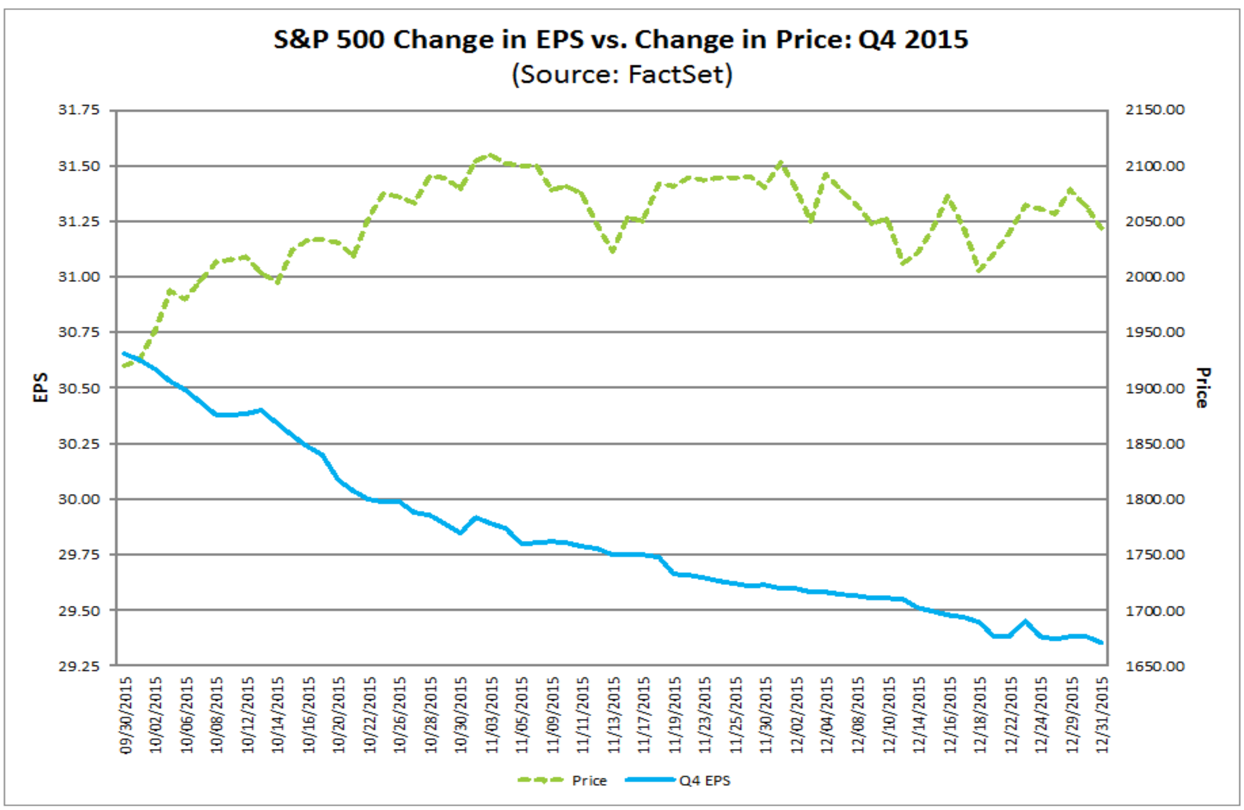
Cuts to S&P 500 Earnings Estimates For Q4 Within Average Levels

During the fourth quarter, analysts lowered earnings estimates for companies in the S&P 500 for the quarter. The Q4 bottom-up EPS estimate (which is an aggregation of the estimates for all the companies in the index) dropped by 4.2% (to $29.36 from $30.65) during this period. How significant is a 4.2% decline in the bottom-up EPS estimate during a quarter? How does this decrease compare to recent quarters?

During the past year (4 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 5.2%. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 3.8%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 5.2%. Thus, the decline in the bottom-up EPS estimate recorded during the course of the fourth quarter was lower than the 1-year average and the 10-year average, but above the 5-year average.

While the bottom-up EPS estimate declined during the fourth quarter, the value of the S&P 500 increased during this same time frame. From September 30 through December 31, the value of the index increased by 6.5% (to 2043.94 from 1920.03). This marked the 14th time out of the past 20 quarters in which the bottom-up EPS estimate decreased while the value of the index increased during a quarter.

At the sector level, nine of the ten sectors recorded a decline in the bottom-up EPS estimate during the fourth quarter, led by the Materials (-21.7%) and Energy (-14.8%) sectors. However, the price of these two sectors moved in opposite directions during the quarter. The Materials sector recorded the largest price increase (+9.1%) of all ten sectors during the quarter, while the Energy sector recorded the largest price decrease (-0.3%) of all ten sectors during the quarter.



Q4 2015 Earnings Season: By the Numbers

Overview

In terms of earnings estimate revisions for the S&P 500, analysts lowered earnings estimates for Q4 2015 within average levels. On a per-share basis, estimated earnings for the fourth quarter fell by 4.2% during the quarter. This percentage decline was larger than the trailing 5-year average (-3.8%) but smaller than the trailing 10-year average (-5.2%) for a quarter.

However, a higher percentage of S&P 500 companies have lowered the bar for earnings for Q4 2015 relative to recent averages. Of the 111 companies that have issued negative EPS guidance for Q4, 83 have issued negative EPS guidance and 28 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 75% (83 out of 111), which is above the 5-year average of 72%.

As a result of the downward revisions to earnings estimates, the estimated year-over-year earnings decline for Q4 2015 is -5.3% today, which is higher than the expected decline of -0.6% at the start of the quarter (September 30). The Energy and Materials sectors are expected to report the largest year over-year decreases in earnings of all ten sectors, while the Telecom Services and Financials sectors are predicted to report the largest year-over-year growth in earnings of all ten sectors for the quarter.

As a result of downward revisions to sales estimates, the estimated sales decline for Q4 2015 is -3.3%, which is also higher than the estimated year-over-year sales decline of -1.1% at the start of the quarter. The Energy and Materials sectors are expected to report the largest year-over-year decreases in sales of all ten sectors, while the Telecom Services and Health Care sectors are expected to report the largest growth in sales of all ten sectors for the quarter.

Looking at future quarters, analysts currently project earnings growth to return in Q1 2016. However, the estimated earnings growth rate for Q1 2016 is only 0.5%.

The forward 12-month P/E ratio is now 15.7, which is still above the 5-year and 10-year averages.

During the upcoming week, 19 S&P 500 companies (including 2 DJIA components) are scheduled to report results for the fourth quarter.

Small Increase in Projected Earnings Decline This Week

Small Increase in Projected Earnings Decline This Week

The estimated earnings decline for the fourth quarter is -5.3% this week, which is slightly higher than the estimated earnings decline of -4.9% last week. Downward revisions to earnings estimates for companies in the Financials sector were mainly responsible for the slight increase in the decline this week, as analysts lowered EPS estimates for Bank of America (to $0.29 from $0.33), Goldman Sachs (to $3.86 from $4.22), Citigroup (to $1.08 from $1.13), and Morgan Stanley (to $0.40 from $0.46) during the week. As a result, the estimated earnings growth rate for the Financials sector dropped to 6.7% from 8.4% over this period

Materials Sector Has Seen Largest Drop in Earnings Growth Expectations since September 30

The estimated earnings decline for Q4 2015 of -5.3% is higher than the estimated earnings decline of -0.6% at the start of the fourth quarter (September 30). Nine sectors have recorded a decline in expected earnings growth since the beginning of the fourth quarter due to downward revisions to earnings estimates, led by the Materials sector. The Telecom Services sector is the only sector that has recorded an increase in expected earnings growth during this time frame.

The Materials sector has recorded the largest decrease in estimated earnings growth (to -25.9% from -6.1%) since the start of the fourth quarter. All 27 companies in this sector have seen downward revisions to EPS estimates to date. Of these 27 companies, 11 have recorded EPS declines of 10% or more, led by Freeport-McMoRan (to -$0.06 from $0.14), Monsanto (-$0.11 from $0.50), Alcoa (to $0.02 from $0.16), and DuPont (to $0.28 from $0.52). The downward revisions to estimates for these four companies have also been the largest contributors to the increase in the projected earnings decline for this sector since September 30.

On the other hand, the Telecom Services sector has seen the largest improvement in expected earnings growth since the start of the fourth quarter (to 27.1% from 25.9%). Overall, 3 of the 5 companies in this sector have seen an increase in EPS estimates to date. The upward revisions to estimates for AT&T (to $0.63 from $0.62) have been the largest contributor to the increase in the earnings growth rate for the sector.

EPS Estimate Revisions: Cuts to Estimates In Line With Recent Averages

Downward revisions to earnings estimates in aggregate for the fourth quarter were in line with recent averages. The percentage decline in the Q4 bottom-up EPS estimate (which is an aggregation of the earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings for the index) was 4.2% (to $29.36 from $30.65). This decline in the EPS estimate for Q4 was below the trailing 1-year (-5.2%) average, above the trailing 5-year (-3.8%), and below the trailing 10-year average (-5.2%) for the bottom-up EPS estimate through approximately this same point in time in the quarter.

Guidance: Negative EPS Guidance (75%) for Q4 Above Average

At this point in time, 111 companies in the index have issued EPS guidance for Q4 2015. Of these 111 companies, 83 have issued negative EPS guidance and 28 have issued positive EPS guidance. Thus, the percentage of companies issuing negative EPS guidance to date for the fourth quarter is 75% (83 out of 111). This percentage is above the 5-year average of 72%.

For more details on guidance, please see the “FactSet Guidance Quarterly” report published on January 4 at this link: www.factset.com/websitefiles/PDFs/guidance/guidance_1.4.16

Third Consecutive Quarter of Earnings Declines (-5.3%)

The estimated earnings decline for Q4 2015 is -5.3%. If this is the final earnings decline for the quarter, it will mark the first time the index has seen three consecutive quarters of year-over-year declines in earnings since Q1 2009 through Q3 2009. It will also mark the largest year-over-year decline in earnings since Q3 2009 (-15.5%). Four sectors are projected to report year-over-year growth in earnings, led by the Telecom Services and Financials sectors. Six sectors are projected to report a year-over-year decline in earnings, led by the Energy and Materials sectors.

Telecom Services: AT&T Leads Growth

The Telecom Services sector is expected to report the highest earnings growth rate at 27.1%. Of the five companies in the sector, AT&T is predicted to be the largest contributor to earnings growth. The mean EPS estimate for Q4 2015 (which reflects the combination of AT&T and DIRECTV) is $0.63, compared to year-ago EPS (which reflects standalone AT&T) of $0.55. If this company is excluded, the estimated earnings growth rate for the Telecom Services sector would fall to 19.8%.

Financials: Citigroup Leads Growth

The Financials sector is predicted to report the second highest earnings growth of all ten sectors at 6.7%. Four of the seven industries in the sector are expected to report earnings growth for the quarter, led by the Banks (21%) industry. At the company level, Citigroup is projected to be the largest contributor to earnings growth for the sector. The mean EPS estimate for Q4 2015 is $1.08, compared to year-ago EPS of $0.06. In the year-ago quarter, the company reported legal and related expenses and repositioning charges of $3.5 billion. If Citigroup is excluded, the expected earnings growth rate for the Financials sector would fall to 0.4%.

Energy: Largest Contributor to Earnings Decline for the S&P 500

The Energy sector is predicted to report the largest year-over-year decline in earnings (-67.7%) of all ten sectors. Six of the seven sub-industries are expected to report a year-over-year drop in earnings: Oil & Gas Exploration & Production (-159%), Coal & Consumable Fuels (-125%), Oil & Gas Equipment & Services (-71%), Integrated Oil & Gas (-59%), Oil & Gas Drilling (-53%), and Oil & Gas Refining & Marketing (-22%). On the other hand, the Oil & Gas Storage & Transportation (25%) is the only sub-industry expected to report earnings growth for the quarter.

This sector is also the largest contributor to the earnings decline for the S&P 500 as a whole. If the Energy sector is excluded, the estimated earnings growth rate for the S&P 500 would jump to 0.0% from -5.3%.

Materials: Weakness in Metals & Mining and Chemicals

The Materials sector is projected to reported the second largest year-over-year decline in earnings (-25.9%) of all ten sectors. At the industry level, two of the four industries are expected to report a year-over-year decrease in earnings: Metals & Mining (-85%) and Chemicals (-23%).

Fourth Consecutive Quarter of Revenue Declines (-3.3%)

The estimated revenue decline for Q4 2015 is -3.3%. If this is the final revenue decline for the quarter, it will mark the first time the index has seen four consecutive quarters of year-over-year revenue declines since Q4 2008 through Q3 2009. Six sectors are expected to report year-over-year growth in revenues, led by the Telecom Services and Health Care sectors. Four sectors are expected to report a year-over-year decline in revenues, led by the Energy and Materials sectors.

Telecom Services: AT&T Leads Growth

The Telecom Services sector is expected to report the highest revenue growth of all ten sectors at 12.6%. At the company level, AT&T is predicted to be the largest contributor to revenue growth for the sector. The mean sales estimate for Q4 2015 (which reflects the combination of AT&T and DIRECTV) is $42.8 billion, compared to year-ago revenue (which reflects standalone AT&T) of $34.4 billion. If AT&T is excluded, the revenue growth rate for the sector would fall to 2.8%.

Health Care: Broad-Based Growth

The Health Care sector is projected to report the second highest revenue growth of all ten sectors at 7.8%. All six industries in this sector are expected to report sales growth for the quarter, led by the Health Care Technology (27%), Biotechnology (12%), and Health Care Providers & Services (10%) industries.

Energy: Largest Contributor to Revenue Decline for the S&P 500

On the other hand, the Energy (-35.5%) sector is expected to report the largest year-over-year decrease in sales for the quarter. All seven sub-industries in the sector are predicted to report a decrease in revenues: Oil & Gas Equipment & Services (-41%), Integrated Oil & Gas (-39%), Oil & Gas Exploration & Production (-38%), Oil & Gas Drilling (-37%), Oil & Gas Refining & Marketing (-31%), Coal & Consumable Fuels (-21%), and Oil & Gas Storage & Transportation (-5%).

This sector is also the expected to be the largest contributor to the revenue decline for the S&P 500 as a whole. If the Energy sector is excluded, the estimated revenue growth rate for the S&P 500 would jump to 1.1% from -3.3%.

Materials: Weakness in Metals & Mining and Chemicals

The Materials (-13.3%) sector is predicted to report the second largest year-over-year decrease in revenue of all ten sectors. Two of the four industries in the sector are projected to report a decline in sales for the quarter: Metals & Mining (-20%) and Chemicals (-16%).

Q4 2015 Earnings Season: Themes

Overview

Similar to last quarter, companies will likely discuss the impact of the stronger dollar, lower oil prices, slower global economic growth, and higher wages during their earnings conference calls.

Stronger U.S. Dollar

The dollar was stronger in Q4 2015 relative to year-ago values for both the euro and the yen. In the year-ago quarter (Q4 2014), one euro was equal to $1.25 dollars on average. For Q4 2015, one euro was equal to $1.10 dollars on average. In the year-ago quarter (Q4 2014), one dollar was equal to $114.44 yen on average. For Q4 2015, one dollar was equal to $121.44 yen on average. Will companies continue to discuss the negative impact of the stronger dollar during their earnings calls for Q4?

"In our Consumer Foods segment, we reported second quarter net sales of approximately $2 billion, this is down versus the prior year as a 2% improvement in price mix, only partially offset a 3% decline in volume and a negative 2% impact from foreign exchange." –ConAgra (Dec. 22)

"NIKE Inc. revenues grew 4% to $7.7 billion despite continued FX headwinds." –NIKE (Dec. 22)

"For 2016, we are forecasting to benefit from the impact of lower fuel prices, which we expect to be partially offset by the stronger dollar. The net favorable impact of lower fuel prices and currency included in our guidance is $0.22 versus the prior year." –Carnival (Dec. 18)

"Net revenues for the quarter were $8 billion, a 1.5% increase in USD, 10% in local currency, reflecting a negative 8.5% FX impact consistent with the assumption we provided in September." –Accenture (Dec. 17)

"Positive sales mix and net price realization increased sales by 1 point while foreign exchange reduced sales by 4 points." –General Mills (Dec. 17)

"Taking into account the fluctuations in foreign currency exchange rates, total revenue would have been $28 million or 630 basis points higher, using the rates from Q3 of last year." –Red Hat (Dec. 17)

"International export revenue per package decreased 9%, as lower fuel surcharges and unfavorable currency exchange rates more than offset higher base rates." –FedEx (Dec. 16)

"Q2 currency headwinds were mostly as expected, around 6% in most categories including total revenues. However, the currency effect to earnings per share was $0.06; one penny more than my guidance." –Oracle (Dec. 16)

"From a year-over-year currency perspective, FX decreased revenue by $59.6 million. We had $1.3 million in hedge gains in Q4 FY 2015 versus $12.2 million in hedge gains in Q4 FY 2014. Thus, the net year-over-year currency decrease to revenue considering hedging gains was $70.5 million." –Adobe Systems (Dec. 10)

"First, FX, in the first quarter, deferred currencies where we operate were weaker year over year versus the U.S. dollar primarily in Canada, Mexico and Korea such that foreign earnings in Q1 when converted into U.S. dollars for reporting purposes were lower by approximately $42 million or $0.10 a share than those earnings would've been, had FX exchange rates been flat year over year." –Costco (Dec. 9)

"Over the quarter, the foreign currency headwinds lowered our EBIT growth rate by more than 1 percentage point." –AutoZone (Dec. 8)

Lower Oil & Gas Prices

During the fourth quarter, the price of crude oil decreased by 17.9% (to $37.04 from $45.09). As a result, the average price of oil for Q4 2015 ($42.25) was more than 40% lower than the average price in the year-ago quarter ($73.19).

The impact of oil and gas prices varies by sector, industry, and company. The negative impact of lower oil prices relative to last year can already been seen in the Energy sector, where year-over-year earnings are expected to decline by more than 65%. What will be the impact of lower oil and gas prices in other sectors of the index for Q4?

"We've talked a lot of about the benefits of low fuel prices, but we've seen these low fuel prices affect our customers more than anticipated 90 days ago. U.S. oil rig counts are down over 60% compared to last year, and the price of oil has tumbled below $40 per barrel. We see the impact of headcount reductions in not only the oil industry, but also in gas and coal. We estimate that headcount reductions in these industries lowered our organic growth rate by about 75 basis points in the second quarter and reduced our operating margin by about 35 basis points. While low fuel prices still more than offset this bottom-line impact in the second quarter, we expect this net impact to be even or slightly negative in the second half of the year." –Cintas (Dec. 21)

"I think the other big variable that's impossible to predict is, first, gas prices and then, second, the impact of gas prices. I know you remember back in the spring of 2008 when gas hits $4, nobody would buy an SUV of any kind. But in October of that same year, gas was below $2 and things kind of went back to where they were…So gas prices have been pretty low for a while, and I think it's provided a boost for trucks and SUVs. But it's really hard to say what will happen going forward." –CarMax (Dec.18)

"For 2016, we are forecasting to benefit from the impact of lower fuel prices, which we expect to be partially offset by the stronger dollar. The net favorable impact of lower fuel prices and currency included in our guidance is $0.22 versus the prior year." –Carnival (Dec. 18)

"While Express fuel expense decreased 43% in the quarter due to lower fuel prices, fuel had a slight negative net impact to earnings versus last year. The negative net impact of fuel was a result of lower fuel surcharge revenue year-over-year, primarily and partially offset by lower fuel prices during the quarter." –FedEx (Dec. 16)

"In regard to our three primary merchandise category splits, discretionary product sales performed the best…We attribute the recent strength in discretionary category to be due to lower gas prices freeing up money for our customers." –AutoZone (Dec. 8)

Global Economic Growth: U.S., Europe, and China

United States

According to FactSet Economic Estimates, real (year-over-year) GDP growth in the U.S. is projected to be 2.6% in 2016, which would be consistent with GDP growth of the past few years. The U.S. remains the key geographic market for the S&P 500. According to FactSet Geographic Revenue Exposure data (based on the most recent fiscal year data), companies in the S&P 500 in aggregate generate about 70% of sales from North America, almost all of which comes from the U.S.

"North America had another strong quarter, with revenues up 10% and futures up 14%. This geography continues to drive strong growth across most key categories." –NIKE (Dec. 22)

"So we obviously are reading the same press releases that you are. We understand the headwinds to U.S. manufacturing, and we're keeping an eye on it." –Cintas (Dec. 21)

"U.S. Retail profit declined 3% in the second quarter due to lower sales, including the impact of acquisitions and divestitures. This was partially offset by benefit from our cost savings initiatives and lower media expense." –General Mills (Dec. 17)

“In North America, I am very pleased that we again delivered double-digit growth. The 11% increase in revenues was driven by strong double-digit growth in the United States.” –Accenture (Dec. 17)

“Our U.S. GDP growth forecast is 2.4% as we end calendar 2015, which is slightly lower than our September 2.5% growth outlook, and our forecast for calendar 2016 is 2.6%, which is led by gains in consumer spending in the near term.” –FedEx (Dec.16)

Europe

According to FactSet Economic Estimates, real (year-over-year) GDP growth in the Eurozone is projected to be 1.7% in 2016, which is a slight improvement relative to expectations for 2015. Europe is still an important geographic market for the S&P 500. According to FactSet Geographic Revenue Exposure data (based on the most recent fiscal year data), companies in the S&P 500 in aggregate generate about 12% of sales from Europe (combination of European Union and non-European Union countries).

“Now let's turn to Western Europe, where we see broad-based demand with strong revenue growth of 12% in the quarter and futures up 25%.” –NIKE (Dec. 22)

“Finally, I want to provide you with some color on 2016. Many early indications are positive. But as Arnold mentioned, our guidance is tempered by ongoing geopolitical and macroeconomic uncertainties, particularly for the European markets and destinations.” Carnival (Dec. 18)

“In Europe, we had another great quarter with 12% revenue growth in local currency, driven by double-digit growth in many of our major markets, such as the United Kingdom, Spain, Italy and Switzerland, as well as high-single digit growth in Germany.” –Accenture (Dec. 17)

China

According to FactSet Economic Estimates, real (year-over-year) GDP growth in China is projected to be 6.5% in 2016, which would be a continuation of the declining growth seen in recent years. China continues to be a vital geographic market for the S&P 500. According to FactSet Geographic Revenue Exposure data (based on the most recent fiscal year data), companies in the S&P 500 in aggregate generate about 10% of sales from the Asia Pacific region, most of which comes from China and Japan.

“In Greater China, we continue to deliver extraordinary revenue growth with Q2 revenue up 28% on a currency neutral basis.” –NIKE (Dec. 22)

“In the end, we expect overall our returns in China to be above the fleet average again next year. We have significant capacity increase, 60% plus, and around 60%. And so it's a unit growth story for us in China….and overall, we are very, very positive on the China market. –Carnival (Dec. 18)

“In the Asia-Pacific region, constant currency net sales were up 2% through the first half, slower than our usual rate of growth due to a more challenging consumer environment in China.” –General Mills (Dec. 17)

Higher Wages

A number of companies commented on the impact of higher wages on earnings and revenues as well during their Q3 earnings calls. Will companies continue to discuss this topic during Q4?

“First I want to just clarify that we, at this point in time, we are not seeing a whole lot of wage rate inflation. And our direct labor is actually less than it was last year. What you're seeing in our labor cost is, bonus payments this year are up for our managers….Historically, when there has been wage pressure and wage growth, that has been good for the demand of the casual dining restaurant business.” –Darden Restaurants (Dec. 18)

"Labor is a complicated factor, one of the big questions that people ask us, where is all the labor gone and why isn't it showing backup and how does that mesh with unemployment and wage gains and everything? To me, it's kind of a double-edged sword. On the one hand, labor costs are going up, on the other hand, wages are going up and that means, more people are going to be able to afford homes. And I think, it's generally a net positive for the industry." –Lennar (Dec. 18)

"Freight segment operating income and operating margin decreased due to salaries and employee benefits expense, significantly outpacing lower-than-anticipated volume growth. We are adjusting staffing levels and other items to offset the impact of the current weak industrial environment." –FedEx (Dec. 16)

"We're not seeing a significant amount of wage inflation yet. We've seen a little bit. We anticipate probably a little bit more going forward." –AutoZone (Dec. 8)

Looking Ahead: Forward Estimates and Valuation

Earnings and Revenue Growth Expected to Return in 2016

For Q4 2015, companies are expected to report year-over-year declines in both earnings (-5.3%) and revenues (-3.3%). However, analysts do currently project earnings growth and revenue growth to return in 2016, starting in the first quarter. For Q1 2016, however, analysts are currently predicting earnings growth of only 0.5% and revenue growth of 2.3%.

For all of 2015, analysts are projecting earnings (-0.7%) and revenues (-3.4%) to decline year-over-year. For all of 2016, analysts are projecting earnings (7.4%) and revenues (4.2%) to increase year-over-year.

Decrease in Profit Margins Projected for Q4

Analysts are also expecting profit margins for Q4 2015 to be below the levels reported for Q3 2015 and Q2 2015. Using the bottom-up sales-per-share (SPS) and earnings-per-share (EPS) estimates for the S&P 500 as proxies for expected sales and earnings for the index for the fourth quarter, a profit margin estimate can be calculated by dividing the expected EPS by the expected SPS. Using this methodology, the estimated net profit margin for Q4 2015 is 9.9%. This number is below the net profit margin of 10.4% reported for Q3 2015 and Q2 2015.

Valuation: Forward P/E Ratio is 15.7, above the 10-Year Average (14.2)

The forward 12-month P/E ratio is 15.7. This P/E ratio is based on Wednesday's closing price (1990.26) and forward 12-month EPS estimate ($127.11).

At the sector level, the Energy (27.1) sector has the highest forward 12-month P/E ratio, while the Telecom Services (12.1) and Financials (12.2) sectors have the lowest forward 12-month P/E ratios.

The P/E ratio of 15.7 for the index as a whole is above the prior 5-year average forward 12-month P/E ratio of 14.3, and above the prior 10-year average forward 12-month P/E ratio of 14.2. It is also above the forward 12-month P/E ratio of 15.1 recorded at the start of the fourth quarter (September 30). Since the start of the fourth quarter, the price of the index has increased by 3.7% (through Wednesday), while the forward 12-month EPS estimate has decreased by less than 0.1%.

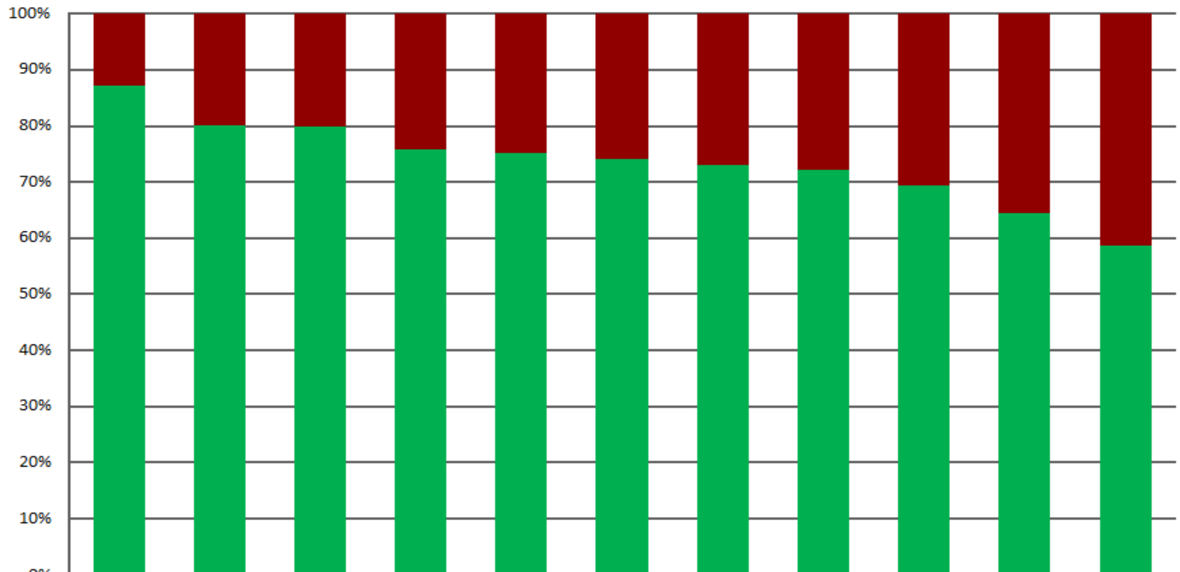
Six sectors have forward 12-month P/E ratios that are above their 10-year averages, led by the Energy (27.1 vs. 13.3) sector. One sector (Financials) has a forward 12-month P/E ratio equal to the 10-year average (12.2). Three sectors have a forward 12-month P/E ratio below the 10-year average, led by the Telecom Services (12.1 vs. 14.7) sector.

Companies Reporting Next Week: 19

During the upcoming week, 19 S&P 500 companies (including 2 DJIA components) are scheduled to report results for the fourth quarter.

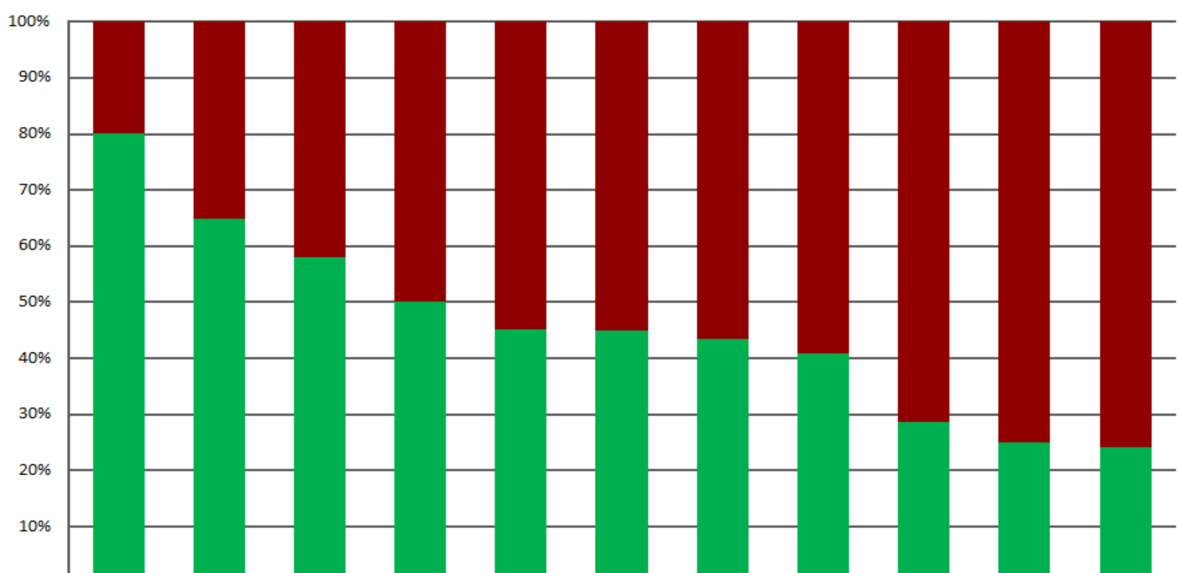
Q3 2015: Scorecard

Q3 2015 Earnings: Above, In-Line, Below Estimates
(Source: FactSet)



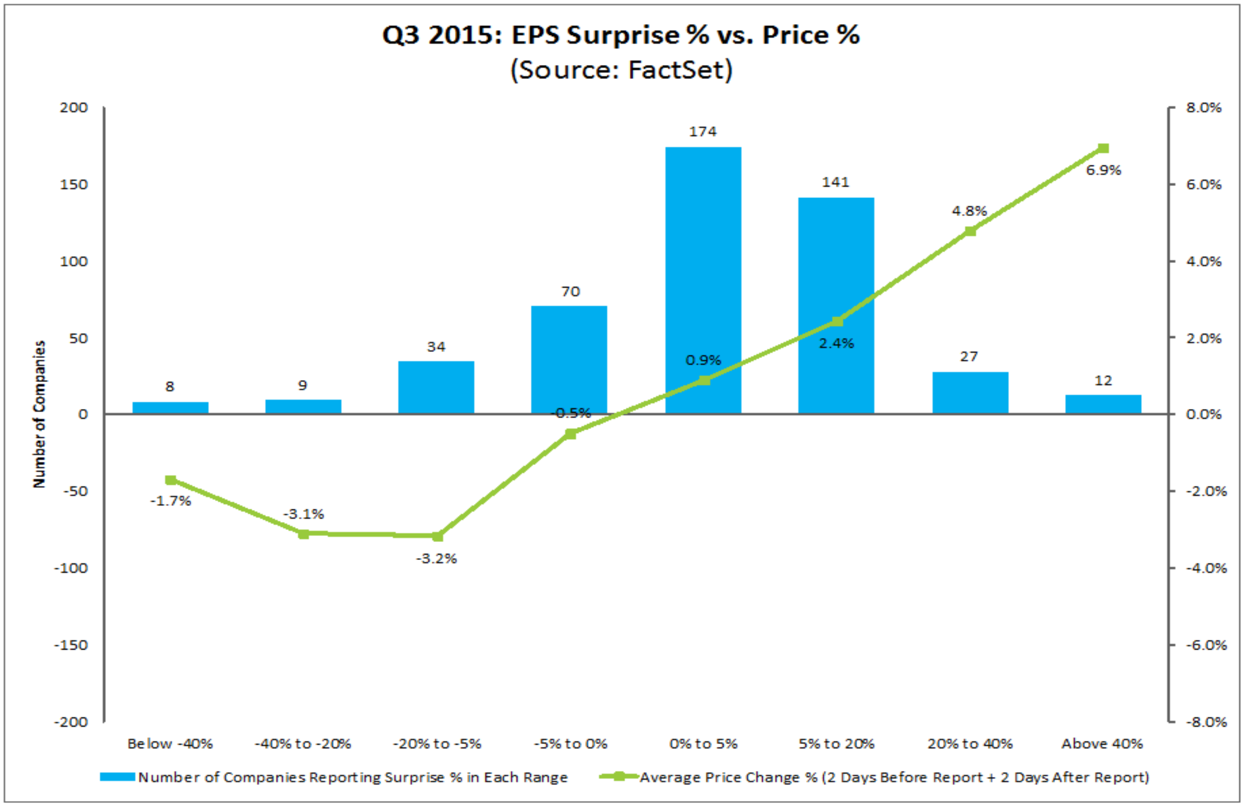
	Health Care	Telecom Services	Info. Technology	Industrials	Energy	S&P 500	Consumer Staples	Financials	Consumer Disc.	Materials	Utilities
Below	13%	20%	20%	24%	25%	26%	27%	28%	31%	36%	41%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	87%	80%	80%	76%	75%	74%	73%	72%	69%	64%	59%

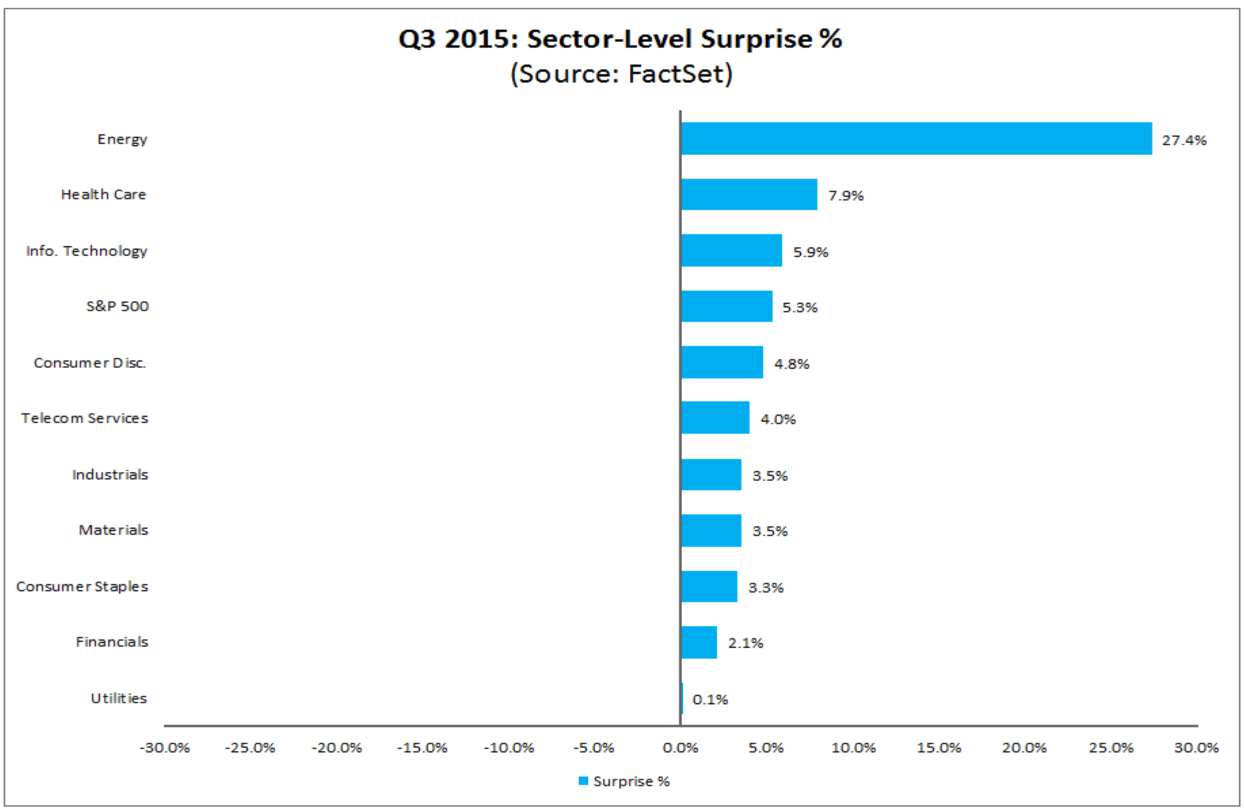
Q3 2015 Revenues: Above, In-Line, Below Estimates
(Source: FactSet)



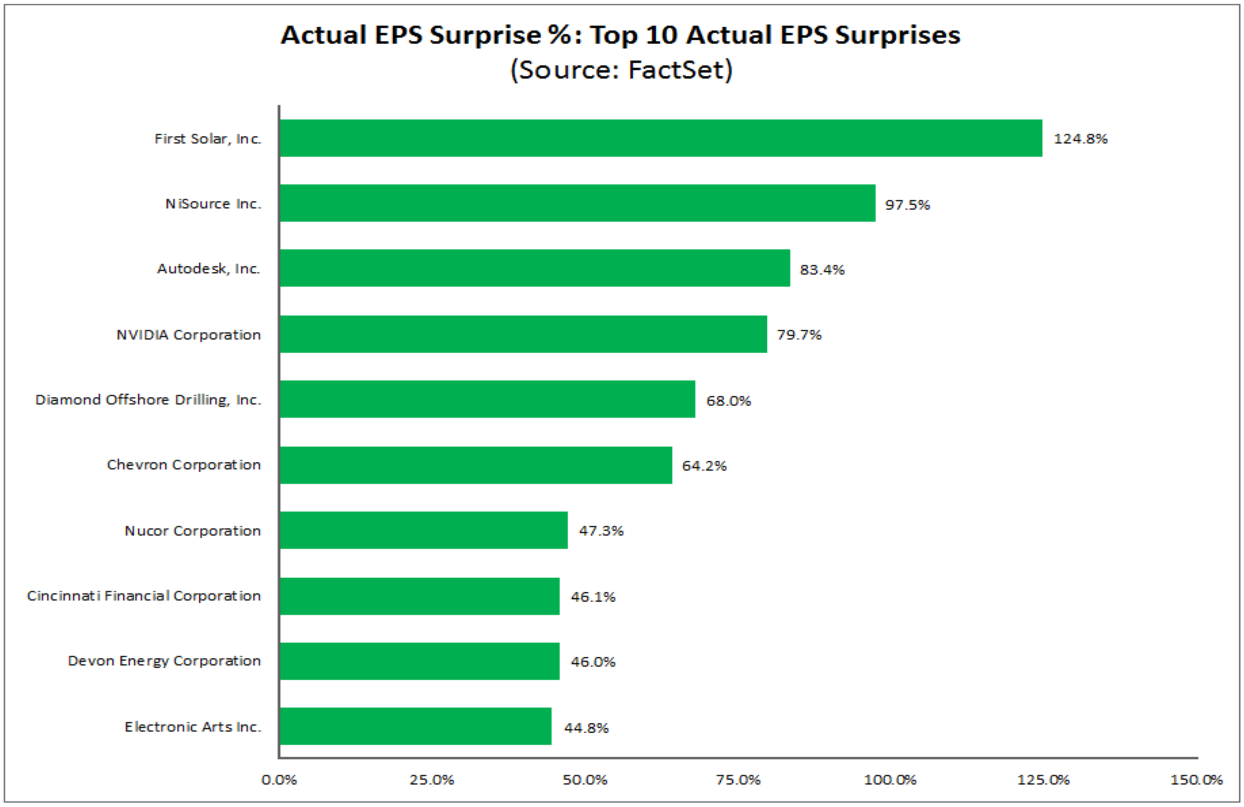
	Telecom Services	Health Care	Info. Technology	Financials	Energy	S&P 500	Consumer Staples	Consumer Disc.	Industrials	Materials	Utilities
Below	20%	35%	42%	50%	55%	55%	57%	59%	71%	75%	76%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	80%	65%	58%	50%	45%	45%	43%	41%	29%	25%	24%

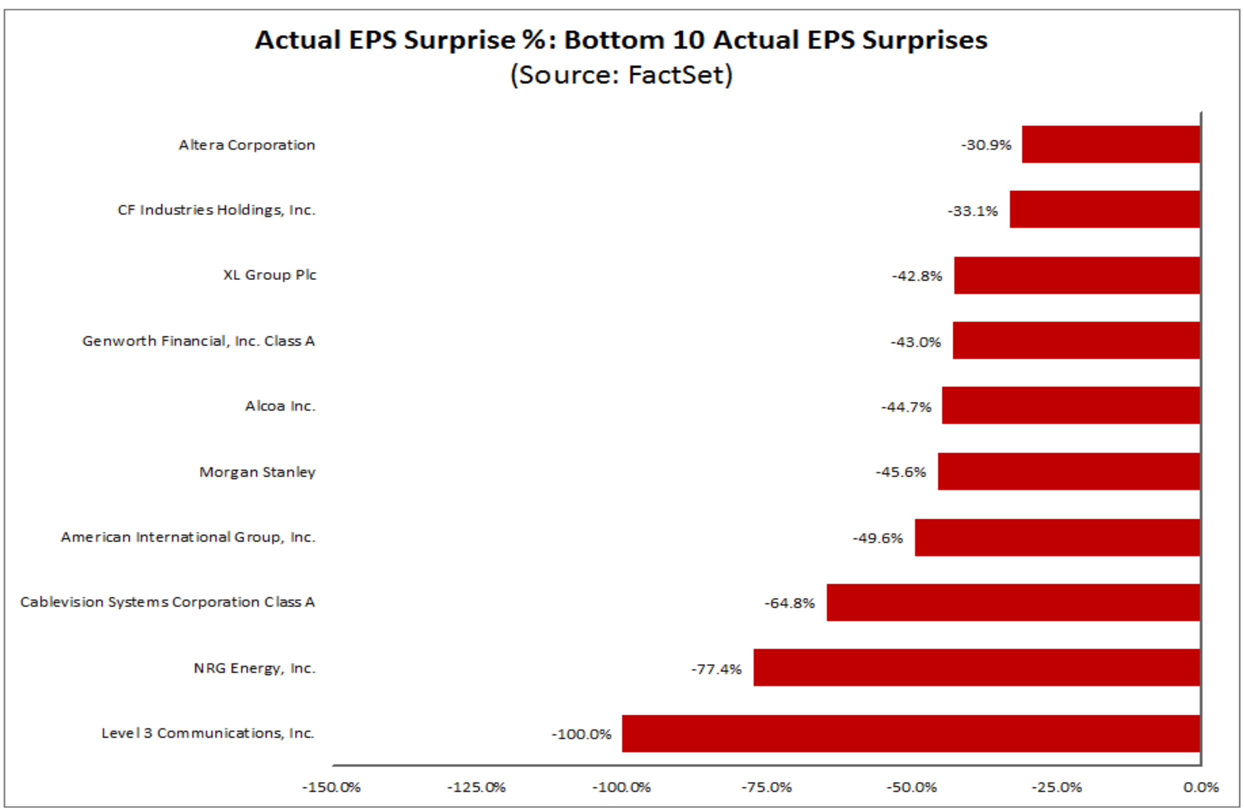
Q3 2015: Scorecard



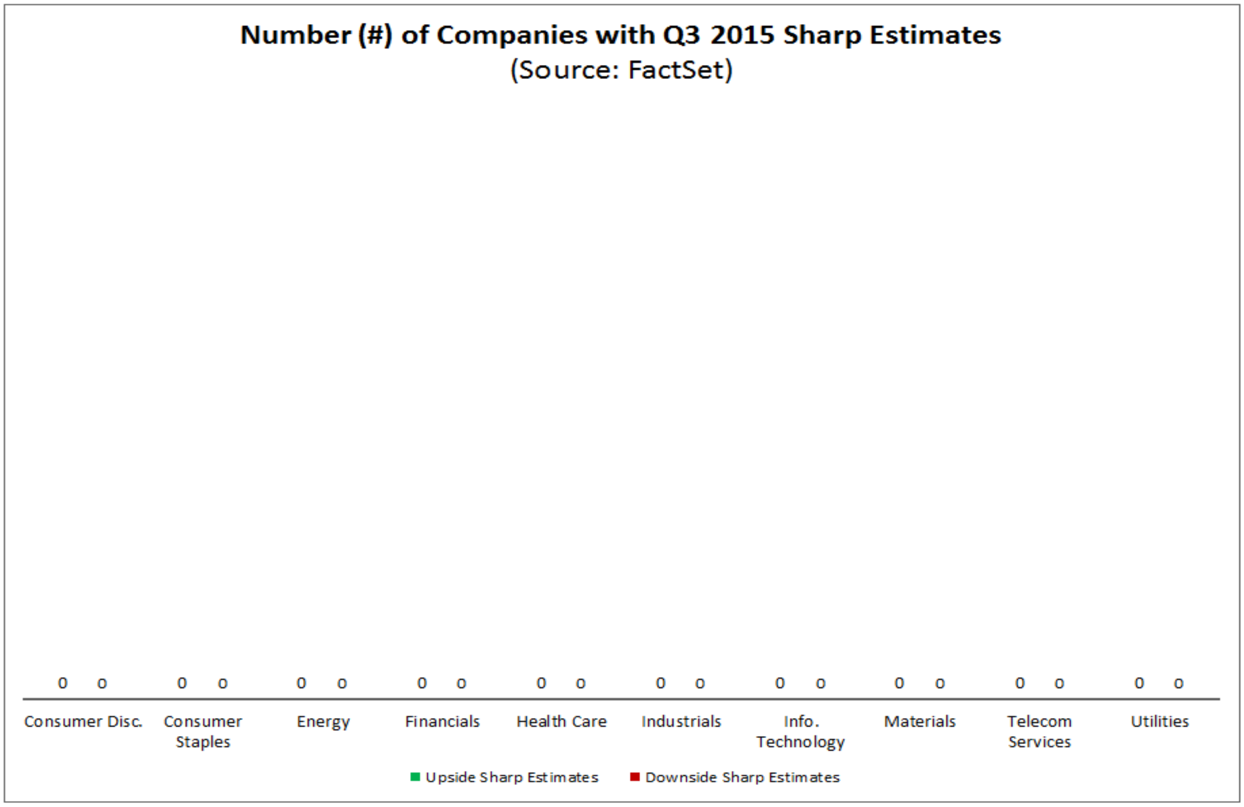


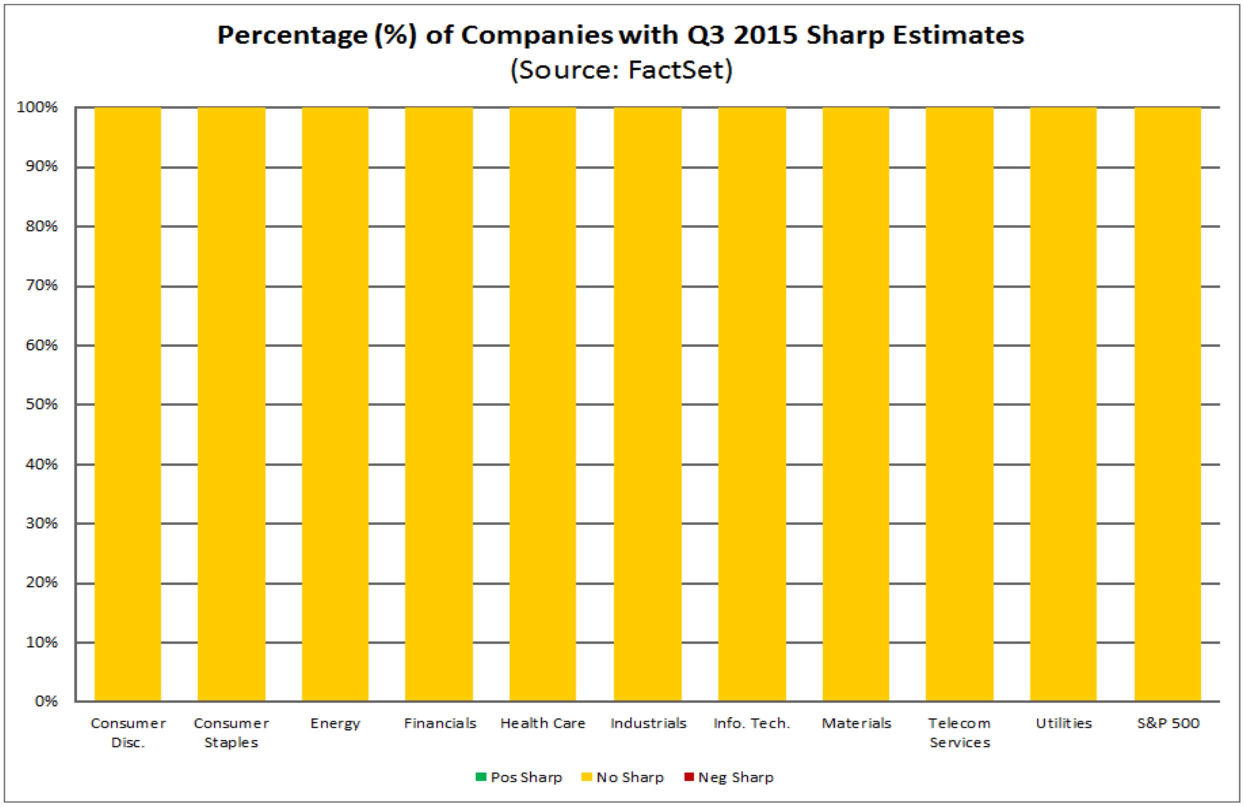
Q3 2015: Scorecard



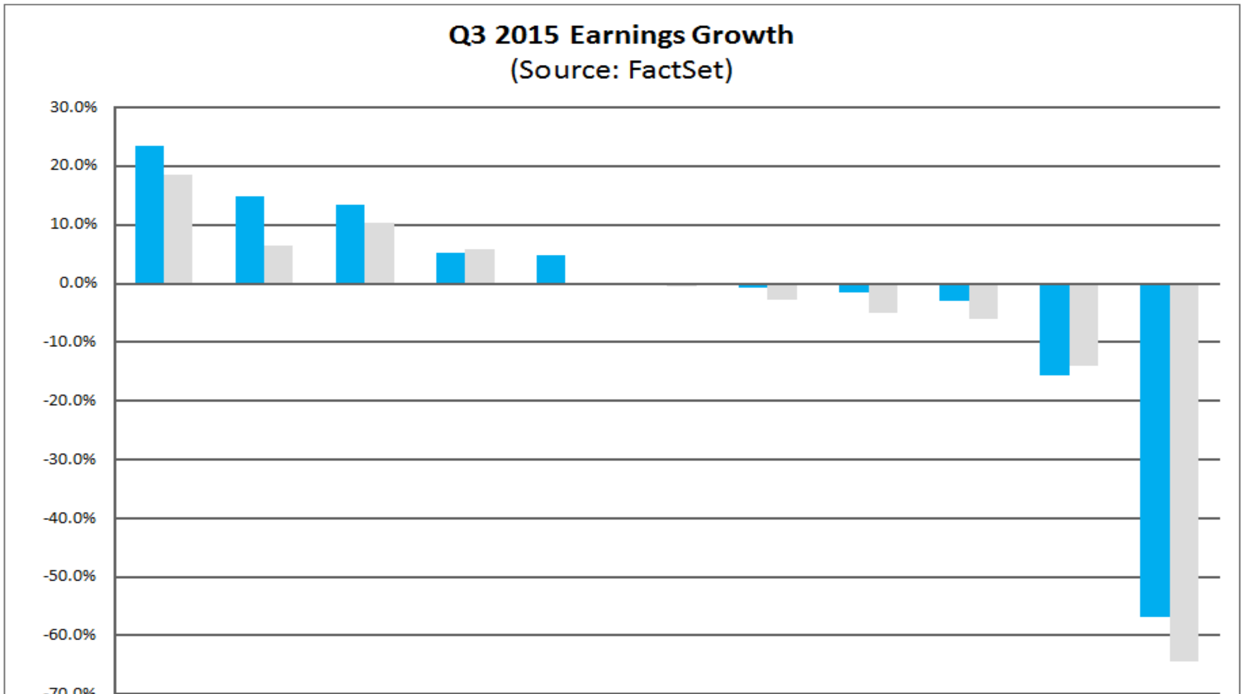


Q3 2015: Projected EPS Surprises (Sharp Estimates)

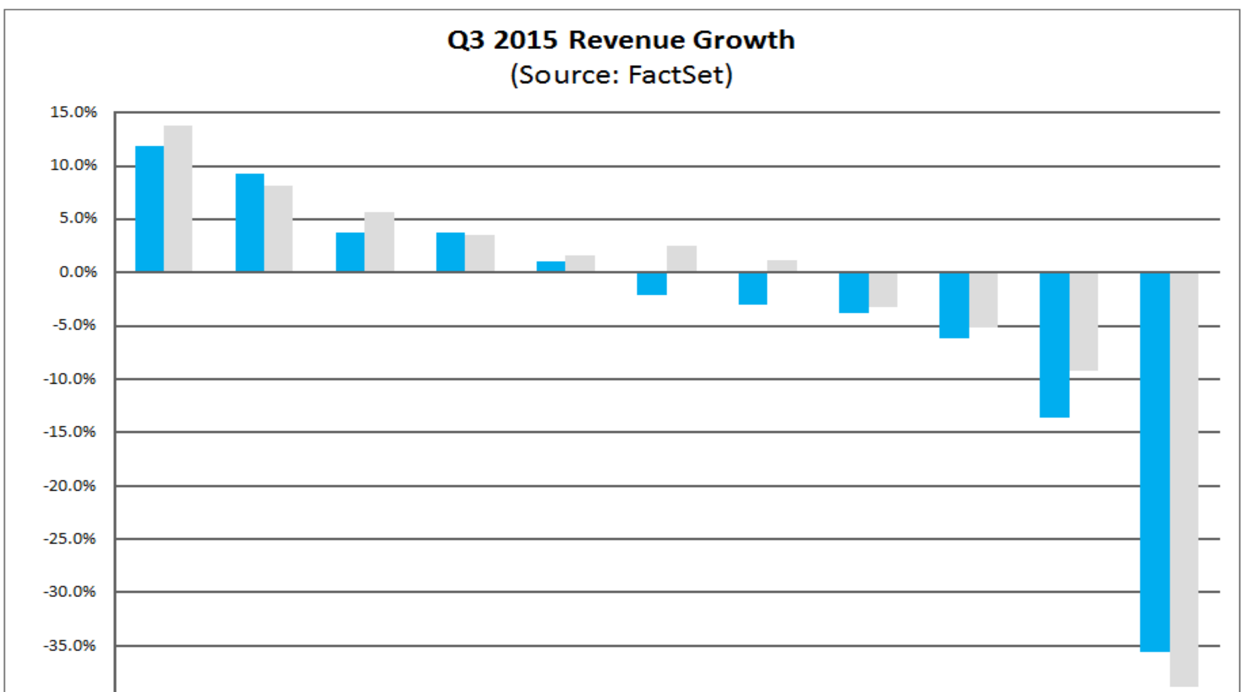




Q3 2015: Growth

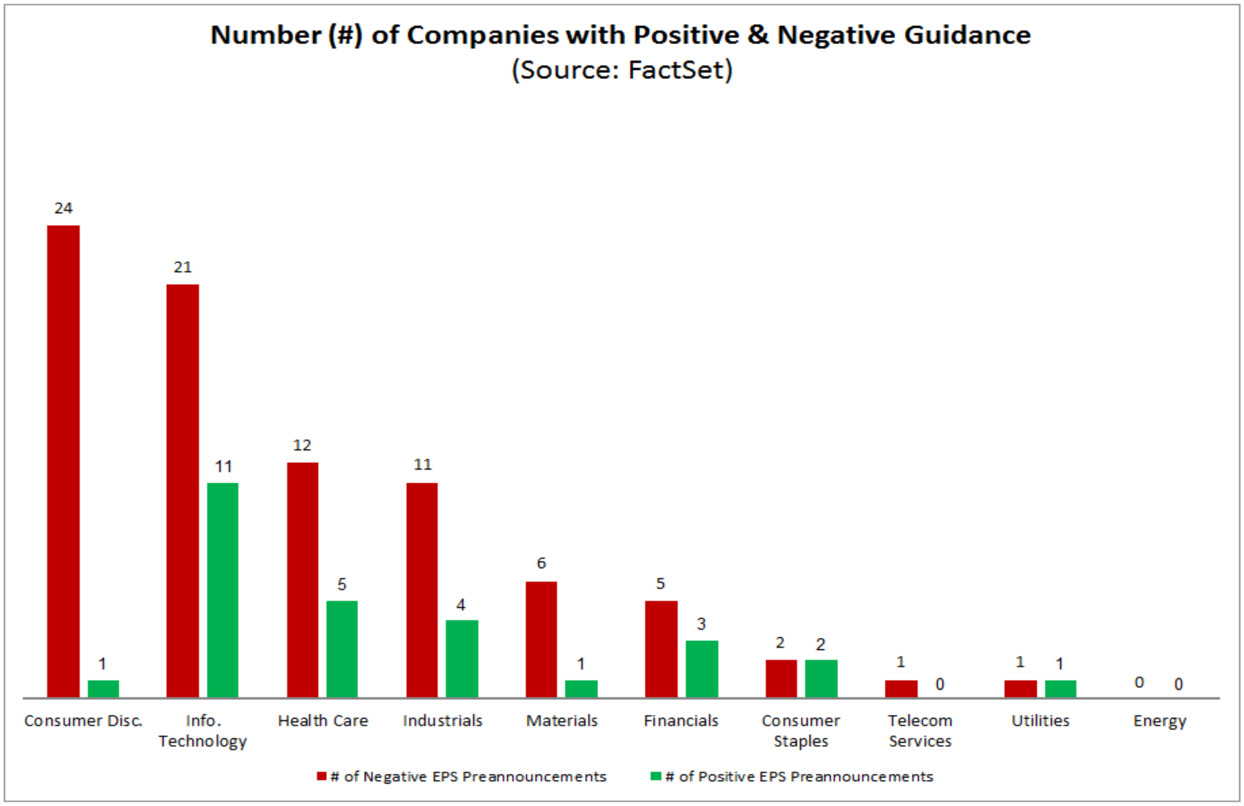


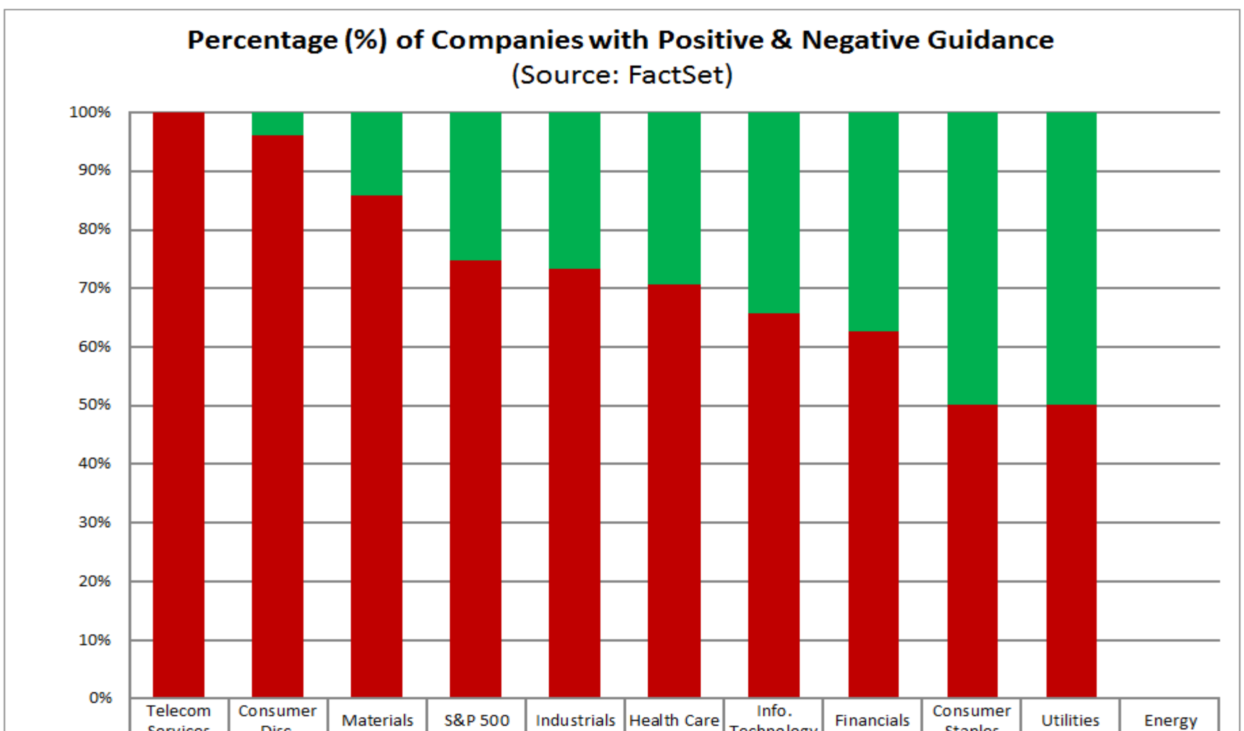
	Telecom Services	Health Care	Consumer Disc.	Financials	Info. Technology	Utilities	Consumer Staples	S&P 500	Industrials	Materials	Energy
Today	23.5%	14.8%	13.4%	5.2%	4.7%	-0.2%	-0.8%	-1.5%	-3.1%	-15.8%	-56.8%
30-Sep	18.4%	6.5%	10.2%	5.8%	-0.1%	-0.6%	-2.9%	-5.1%	-6.1%	-14.2%	-64.4%



	Telecom Services	Health Care	Financials	Consumer Disc.	Consumer Staples	Utilities	Info. Technology	S&P 500	Industrials	Materials	Energy
Today	11.8%	9.3%	3.7%	3.7%	0.9%	-2.1%	-3.0%	-3.9%	-6.2%	-13.6%	-35.5%
30-Sep	13.7%	8.1%	5.6%	3.5%	1.5%	2.5%	1.1%	-3.3%	-5.2%	-9.3%	-38.8%

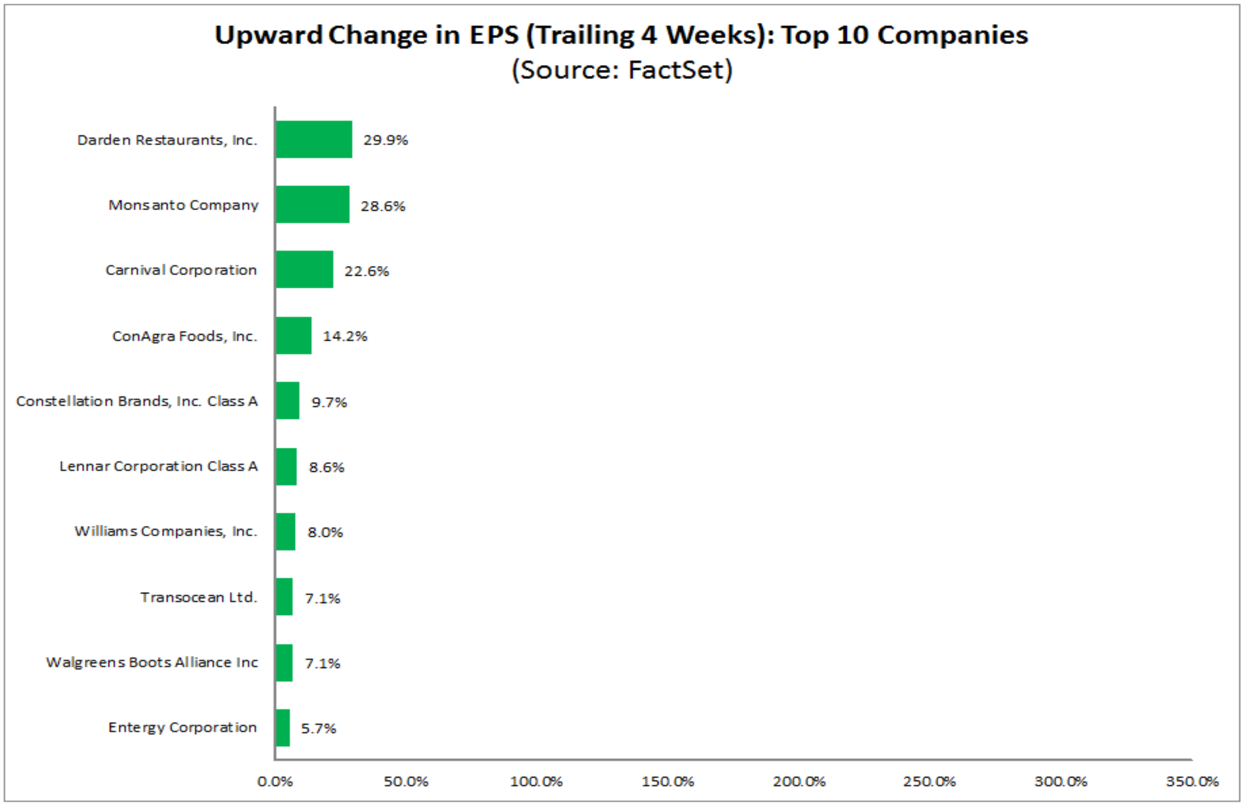
Q4 2015: EPS Guidance

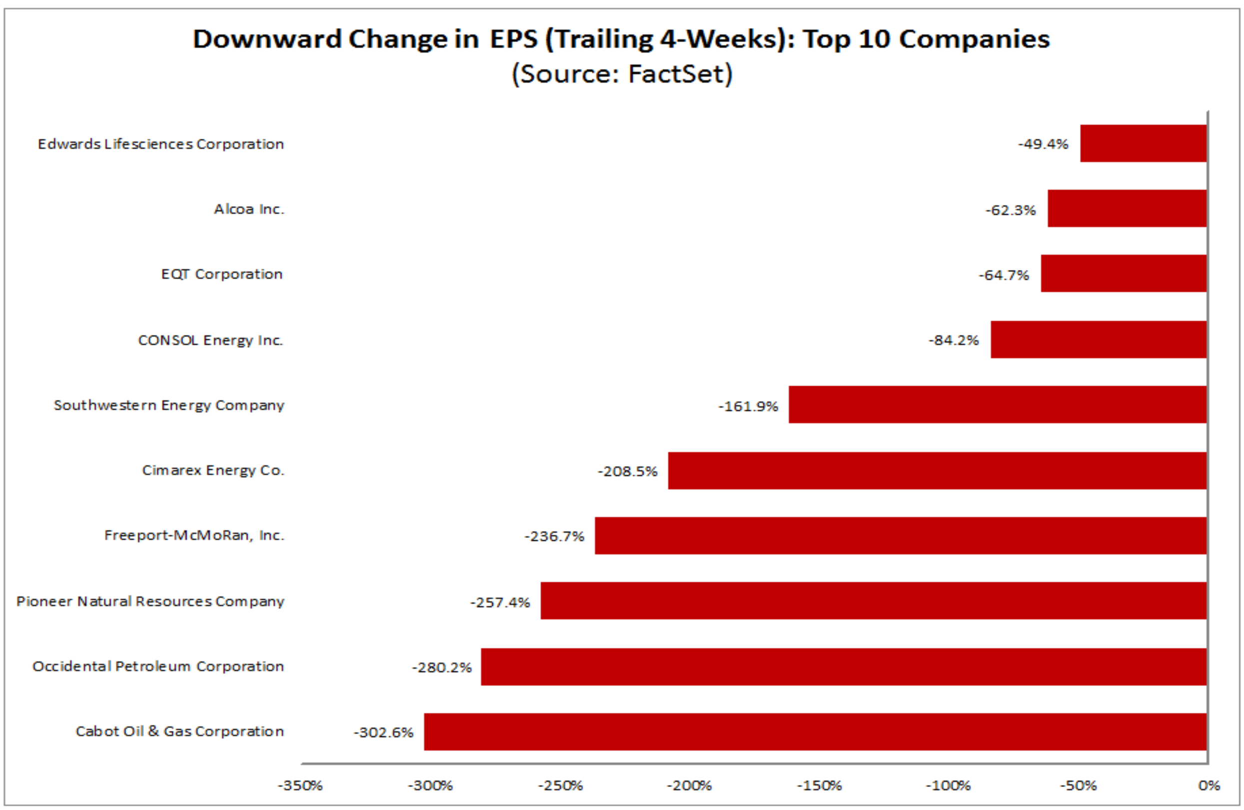




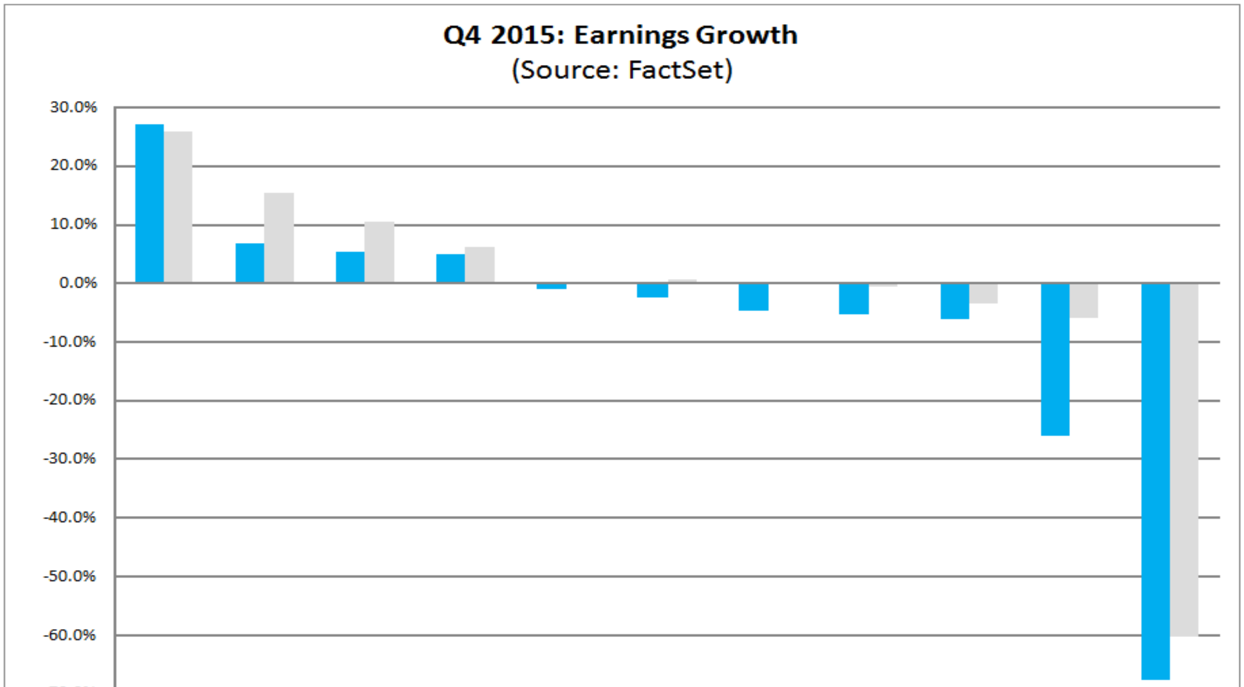
	Telecom Services	Consumer Disc.	Materials	S&P 500	Industrials	Health Care	Info. Technology	Financials	Consumer Staples	Utilities	Energy
Positive	0%	4%	14%	25%	27%	29%	34%	38%	50%	50%	0%
Negative	100%	96%	86%	75%	73%	71%	66%	63%	50%	50%	0%

Q4 2015: EPS Revisions

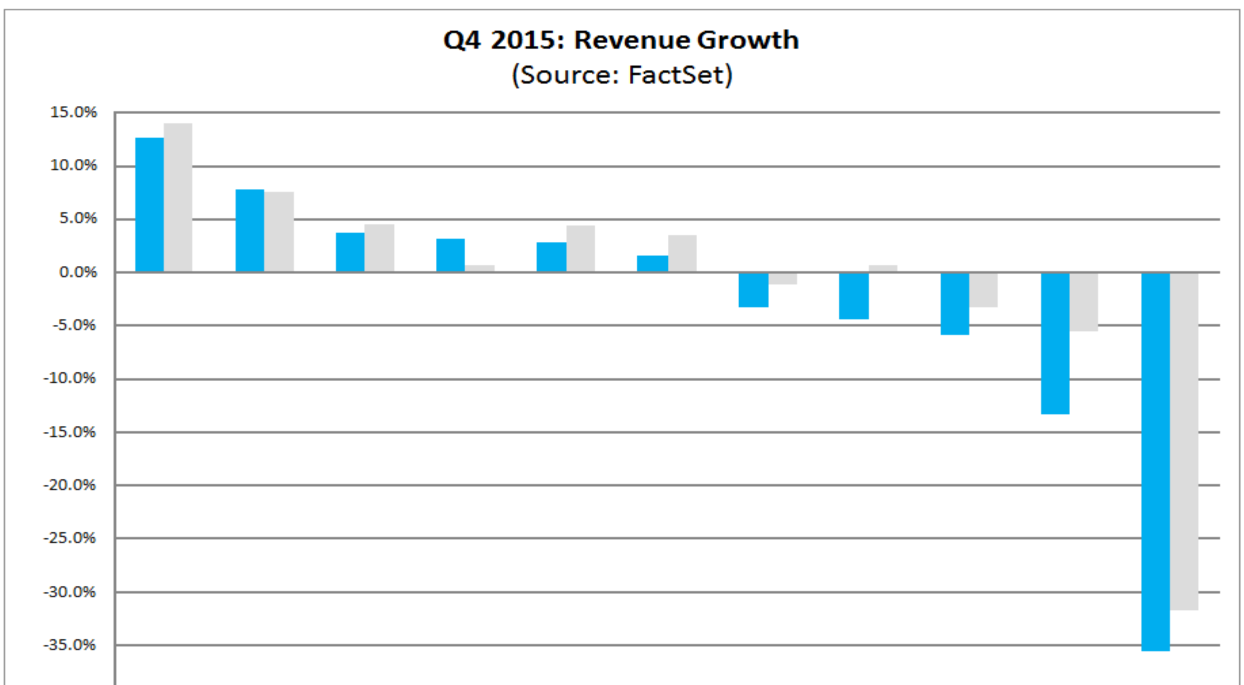




Q4 2015: Growth

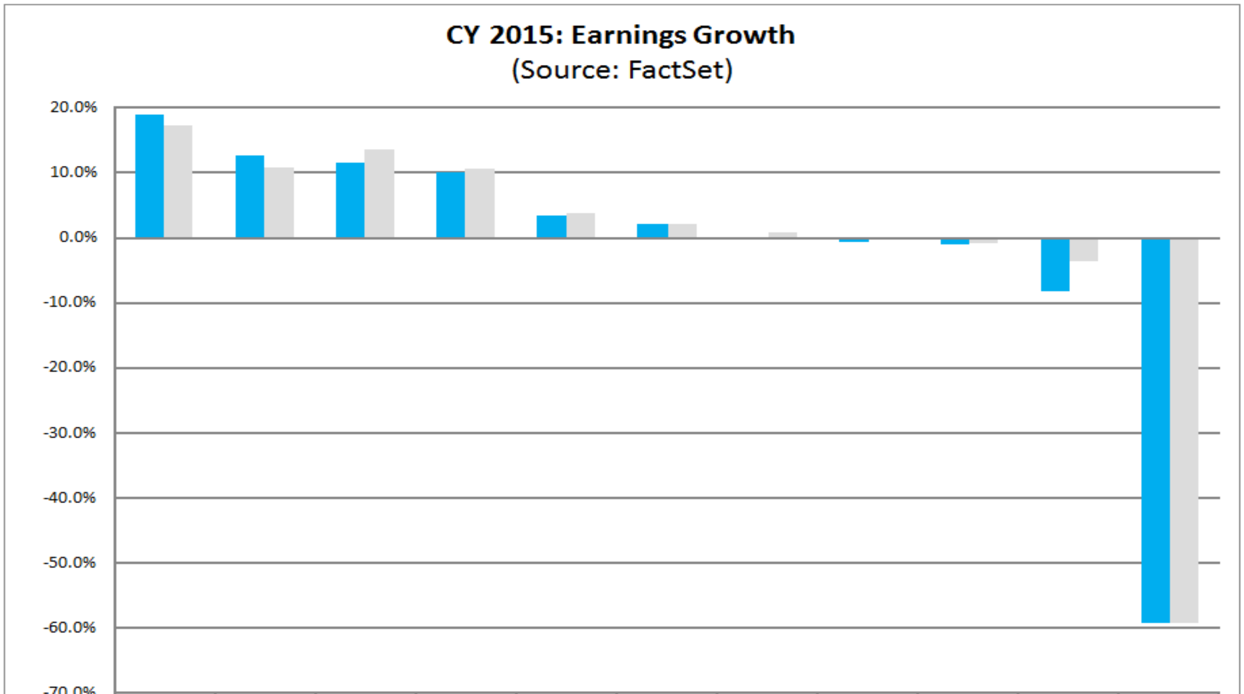


	Telecom Services	Financials	Consumer Disc.	Health Care	Utilities	Consumer Staples	Industrials	S&P 500	Info. Technology	Materials	Energy
Today	27.1%	6.7%	5.2%	4.8%	-1.0%	-2.4%	-4.7%	-5.3%	-6.1%	-25.9%	-67.7%
30-Sep	25.9%	15.3%	10.5%	6.1%	0.1%	0.7%	0.1%	-0.6%	-3.6%	-6.1%	-60.1%

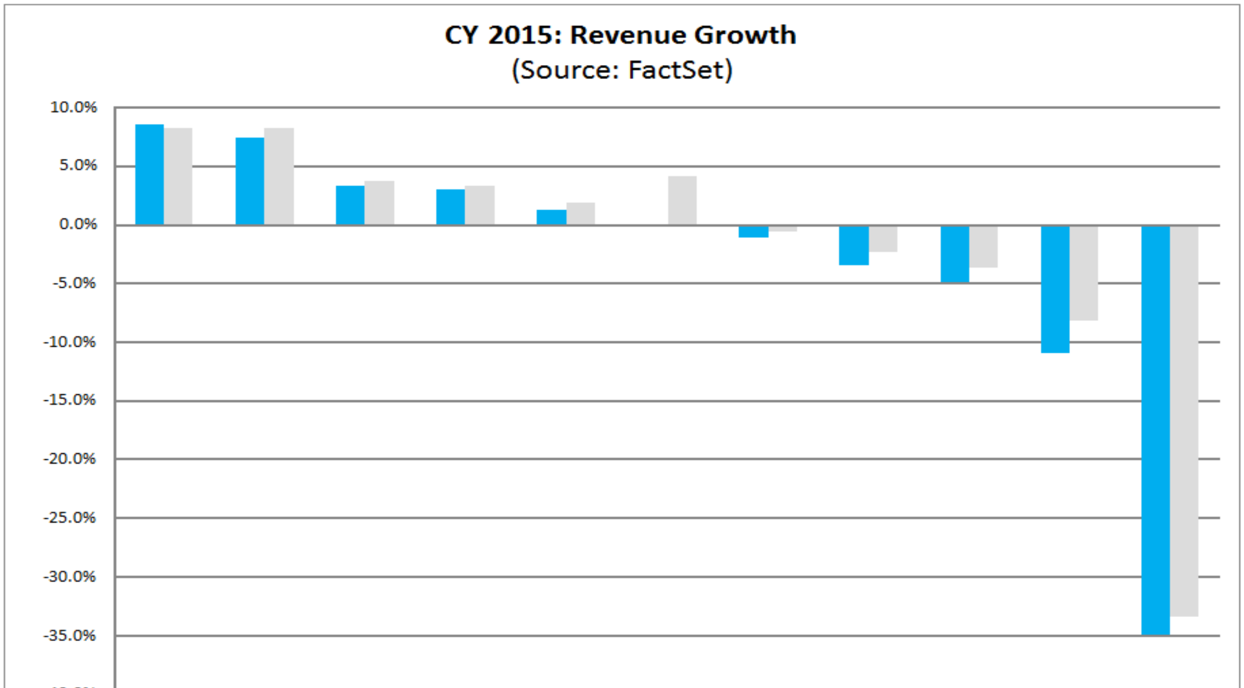


	Telecom Services	Health Care	Consumer Disc.	Utilities	Financials	Consumer Staples	S&P 500	Info. Technology	Industrials	Materials	Energy
Today	12.6%	7.8%	3.7%	3.1%	2.8%	1.6%	-3.3%	-4.4%	-5.9%	-13.3%	-35.5%
30-Sep	14.0%	7.5%	4.4%	0.6%	4.4%	3.4%	-1.1%	0.7%	-3.3%	-5.6%	-31.6%

CY 2015: Growth

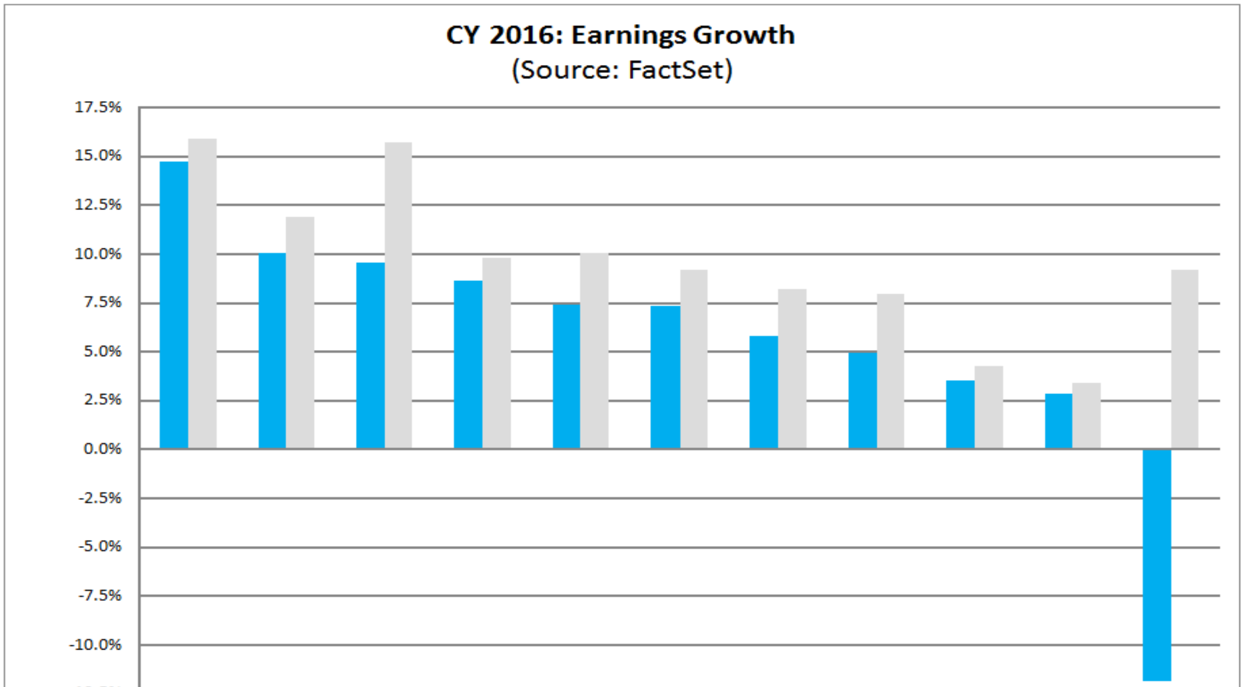


	Telecom Services	Health Care	Financials	Consumer Disc.	Info. Technology	Utilities	Consumer Staples	S&P 500	Industrials	Materials	Energy
Today	18.9%	12.5%	11.4%	9.9%	3.3%	2.0%	-0.1%	-0.7%	-1.1%	-8.2%	-59.1%
30-Sep	17.1%	10.8%	13.5%	10.5%	3.6%	2.1%	0.8%	-0.3%	-0.8%	-3.7%	-59.1%

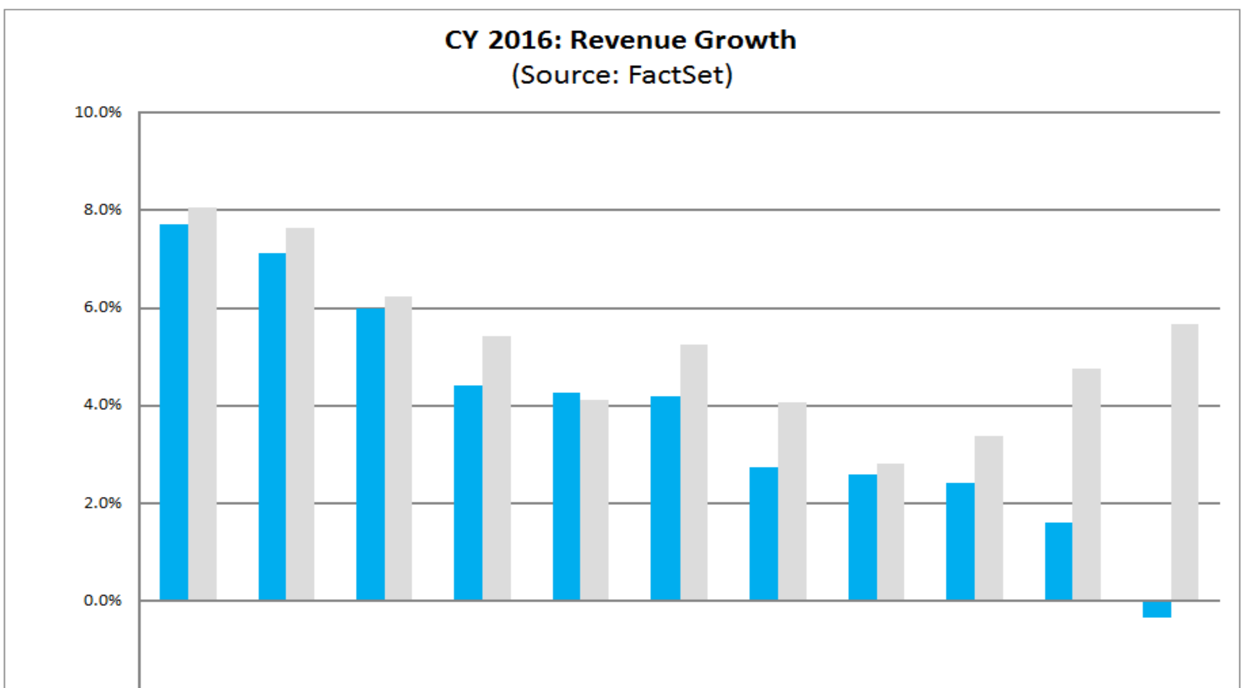


	Health Care	Telecom Services	Financials	Consumer Disc.	Consumer Staples	Info. Technology	Utilities	S&P 500	Industrials	Materials	Energy
Today	8.5%	7.4%	3.3%	3.0%	1.3%	0.0%	-1.2%	-3.4%	-4.9%	-10.9%	-34.9%
30-Sep	8.2%	8.2%	3.7%	3.3%	1.9%	4.1%	-0.6%	-2.4%	-3.7%	-8.2%	-33.4%

CY 2016: Growth

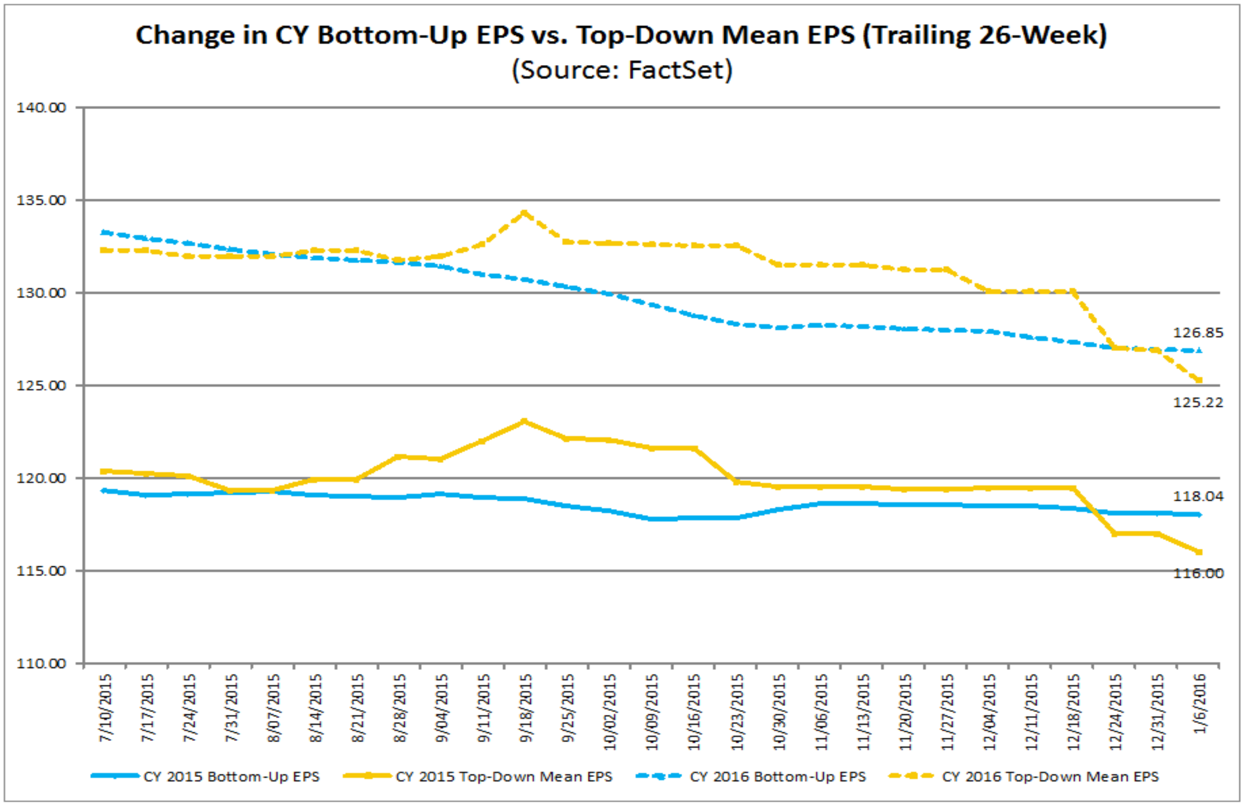


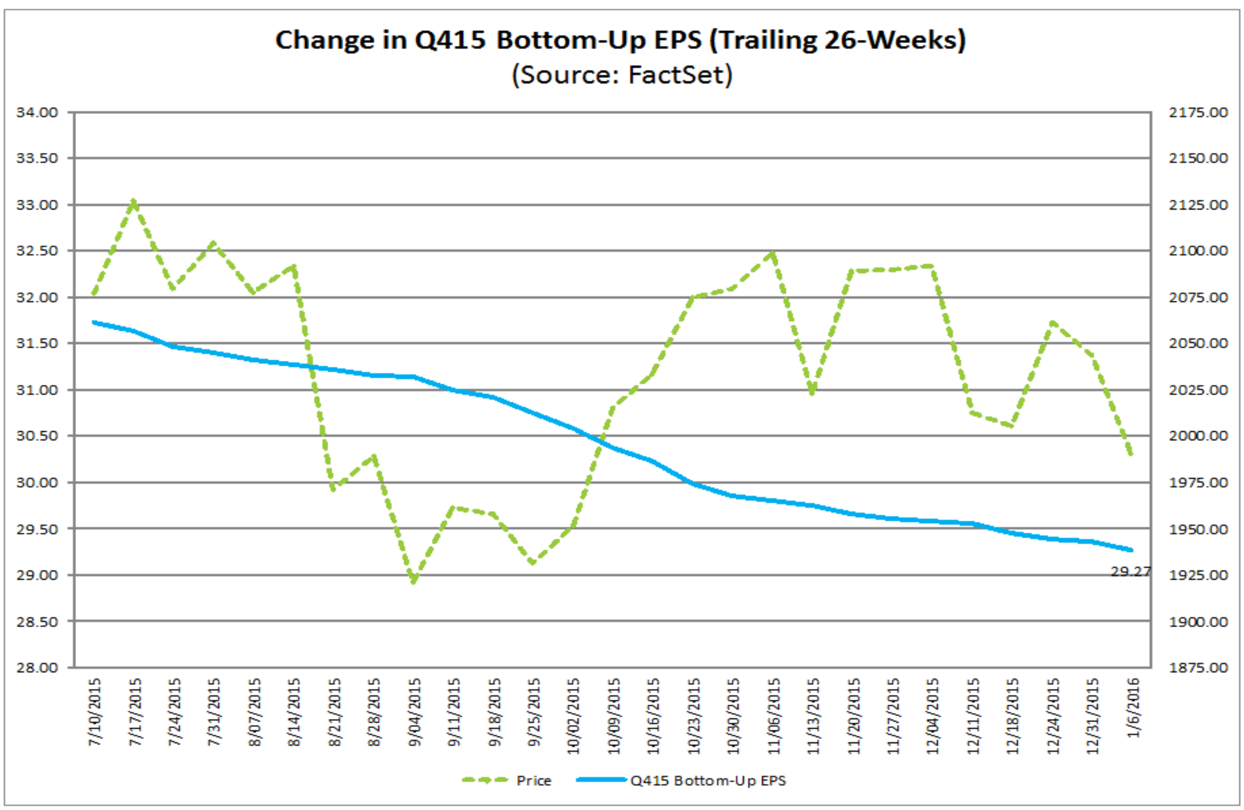
	Consumer Disc.	Health Care	Materials	Financials	S&P 500	Info. Tech.	Consumer Staples	Industrials	Utilities	Telecom Services	Energy
Today	14.7%	10.0%	9.5%	8.6%	7.4%	7.3%	5.8%	4.9%	3.5%	2.8%	-11.8%
30-Sep-15	15.9%	11.9%	15.7%	9.8%	10.1%	9.2%	8.2%	7.9%	4.3%	3.4%	9.2%



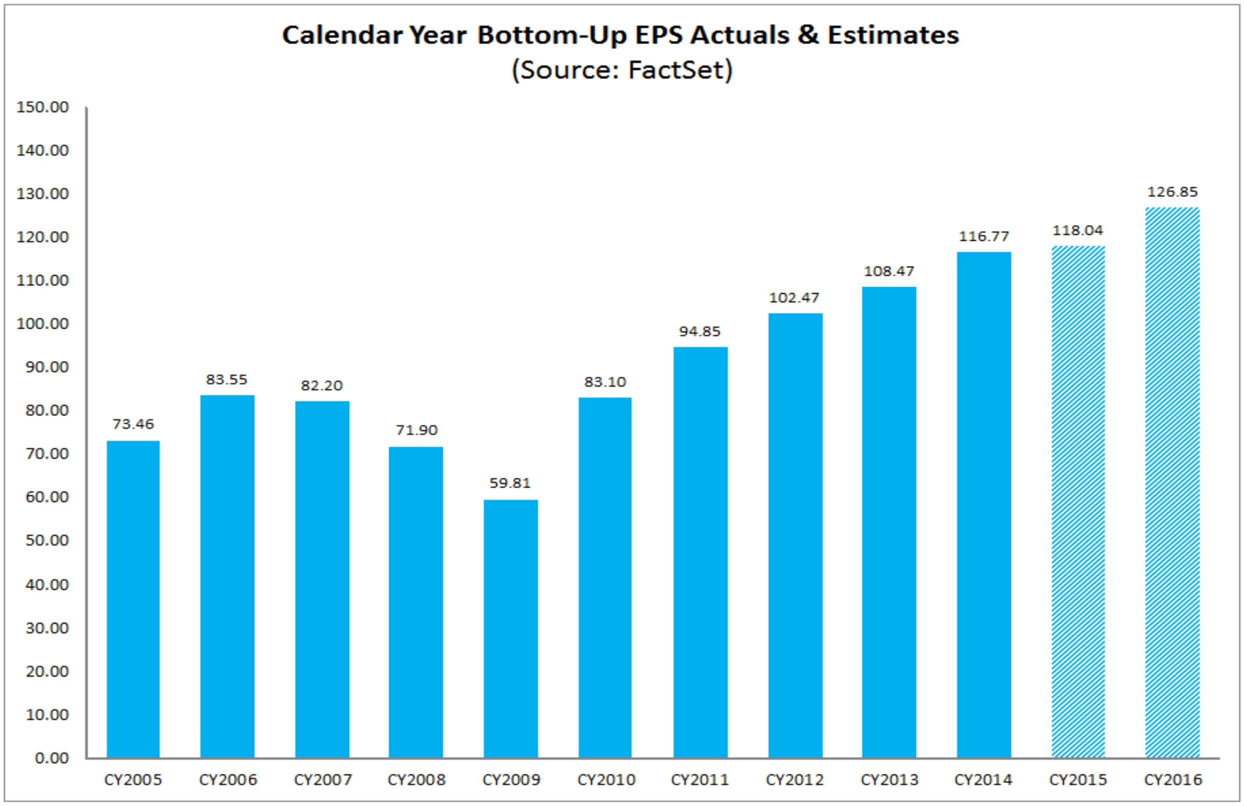
	Health Care	Telecom Services	Consumer Disc.	Info. Technology	Consumer Staples	S&P 500	Financials	Industrials	Utilities	Materials	Energy
Today	7.7%	7.1%	6.0%	4.4%	4.2%	4.2%	2.7%	2.6%	2.4%	1.6%	-0.3%
30-Sep-15	8.1%	7.6%	6.2%	5.4%	4.1%	5.2%	4.0%	2.8%	3.4%	4.8%	5.7%

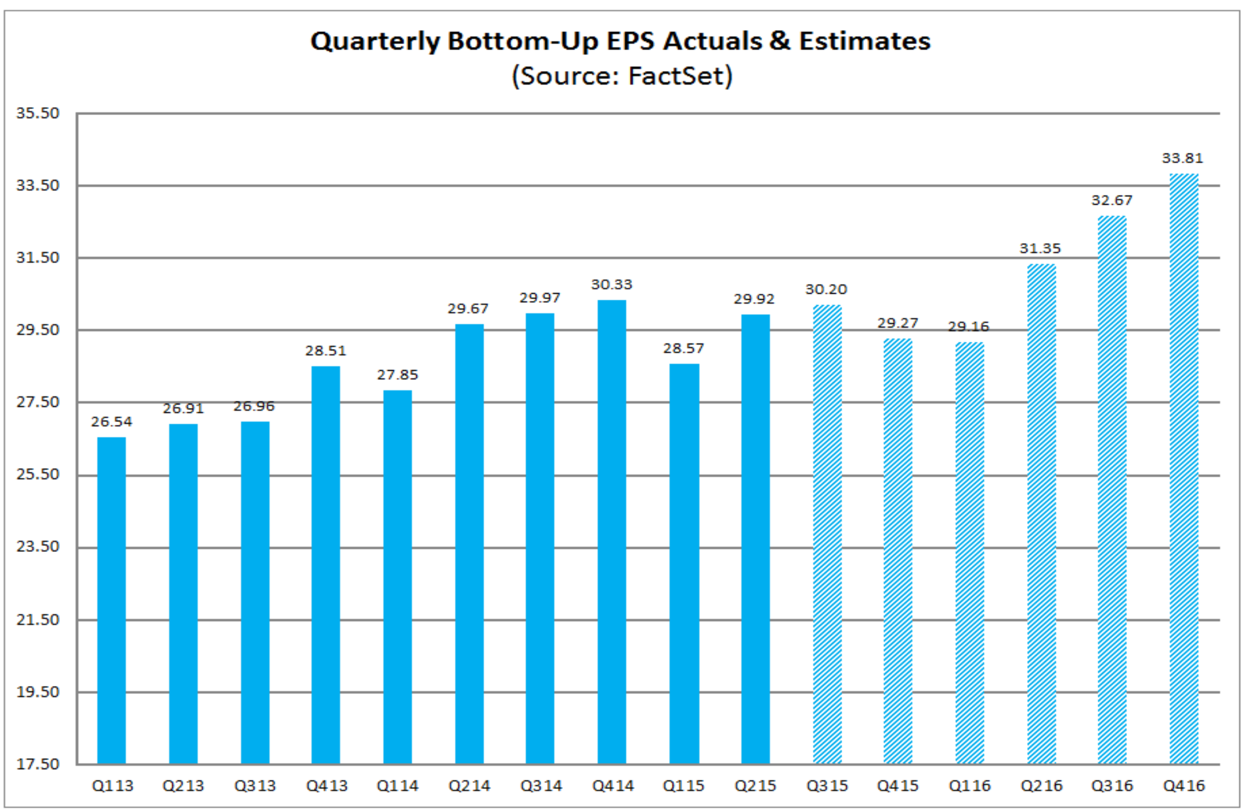
Bottom-Up EPS Estimates: Revisions



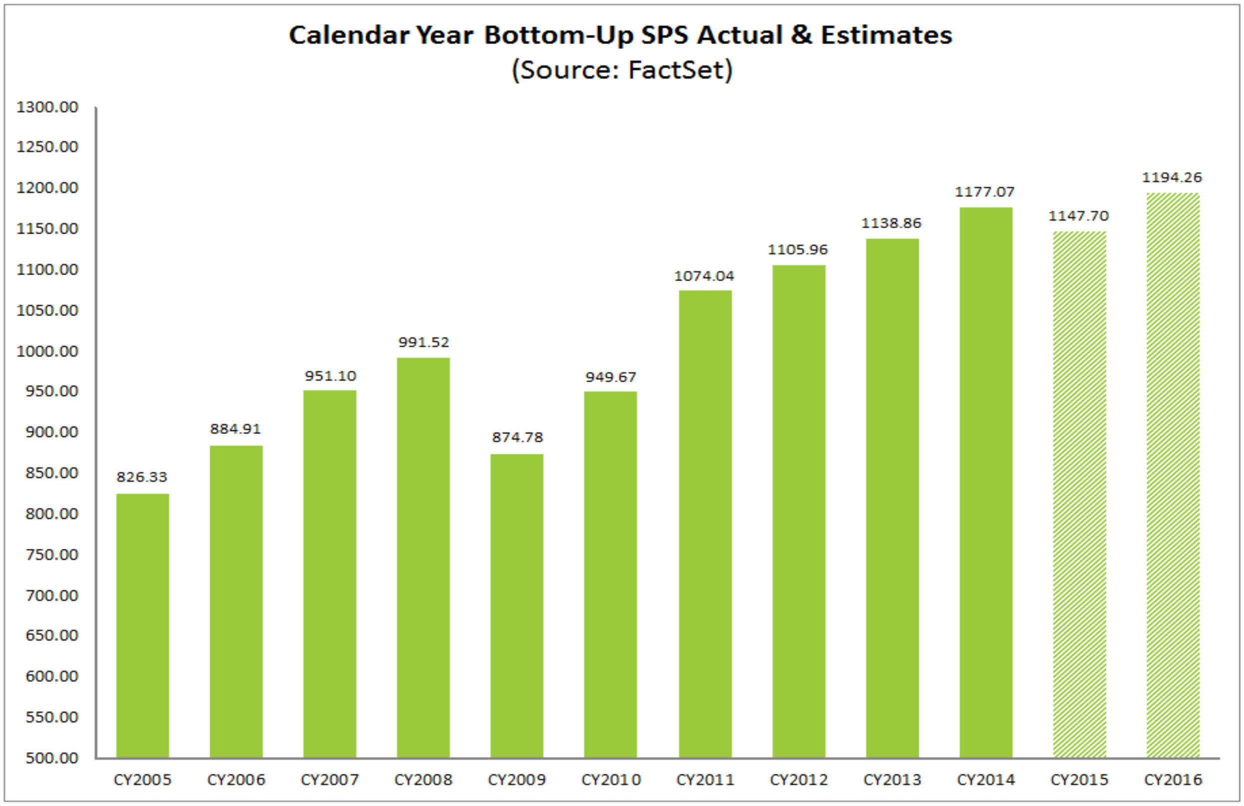


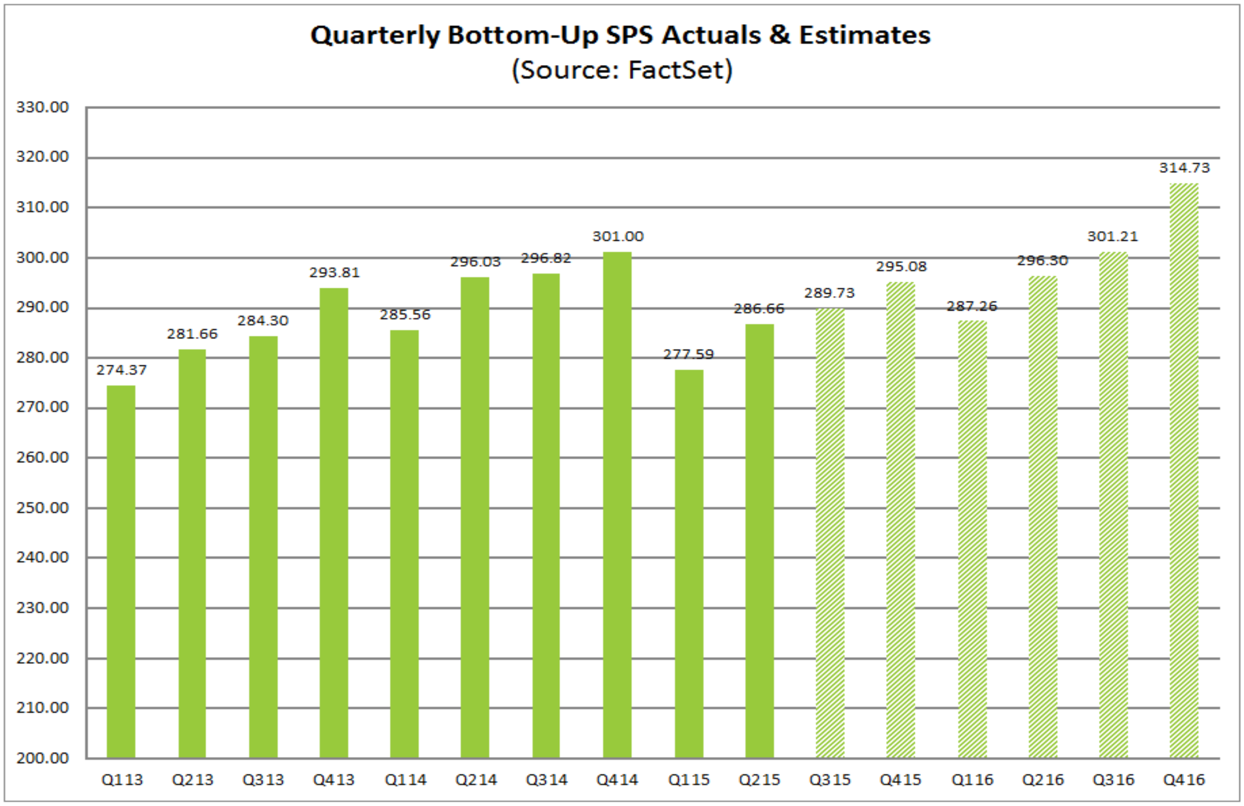
Bottom-Up EPS: Current & Historical



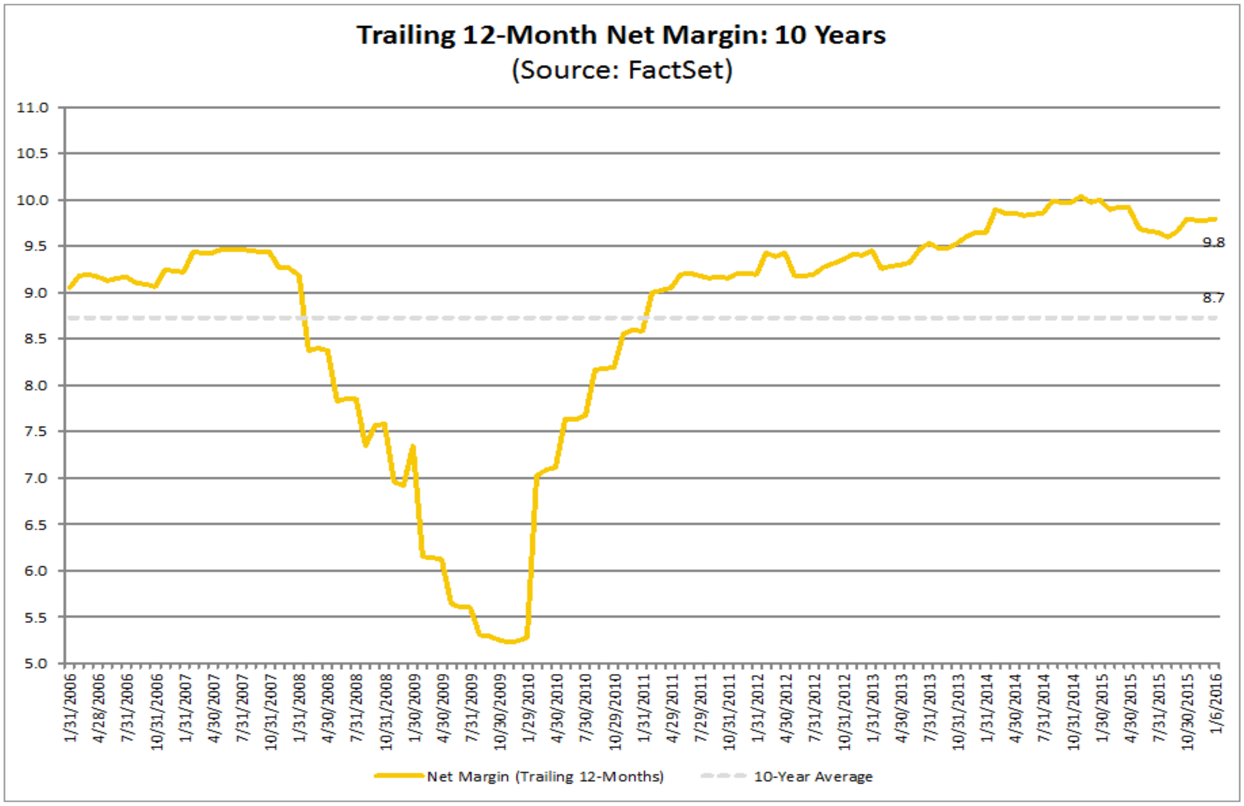


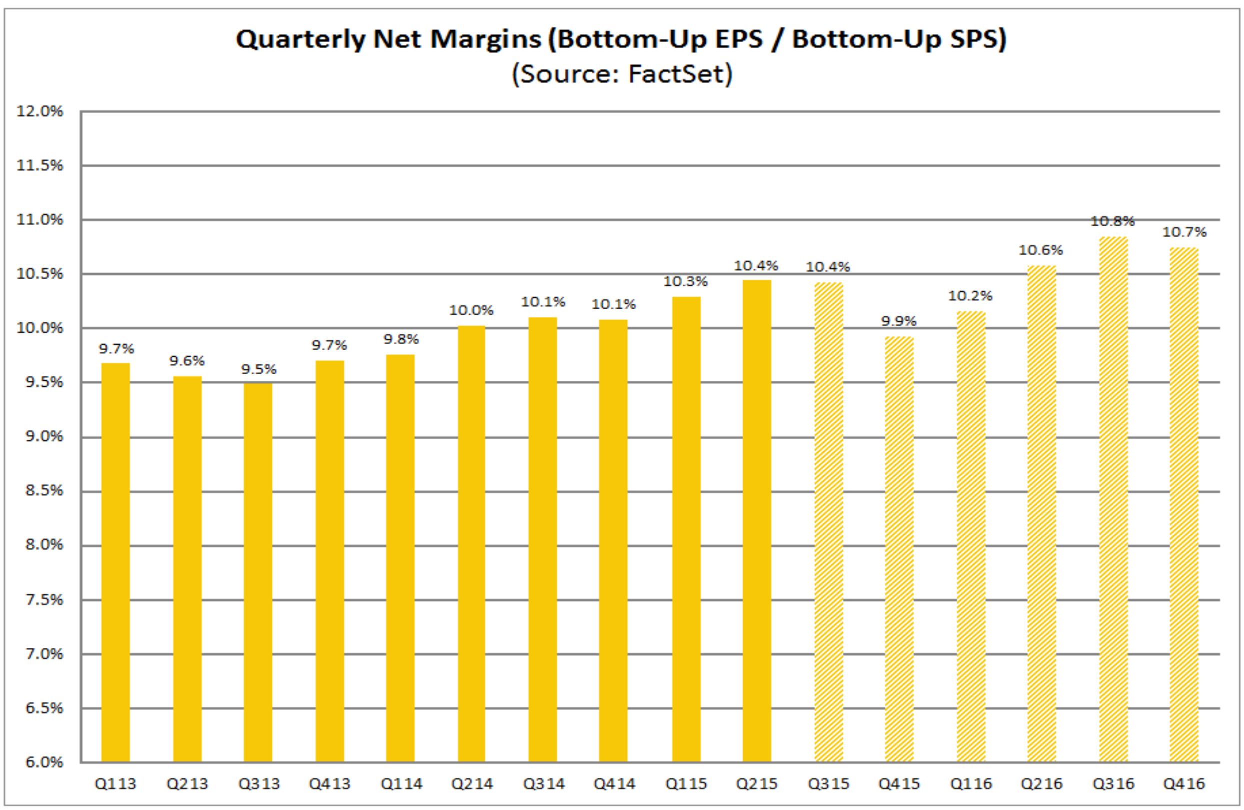
Bottom-Up SPS: Current & Historical





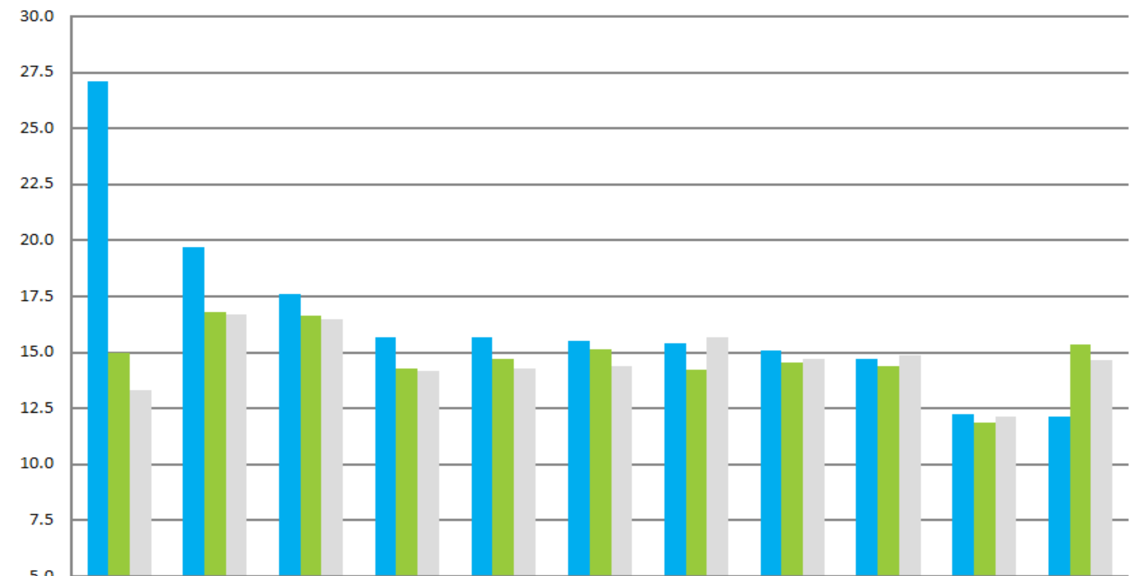
Net Margins: Current & Historical





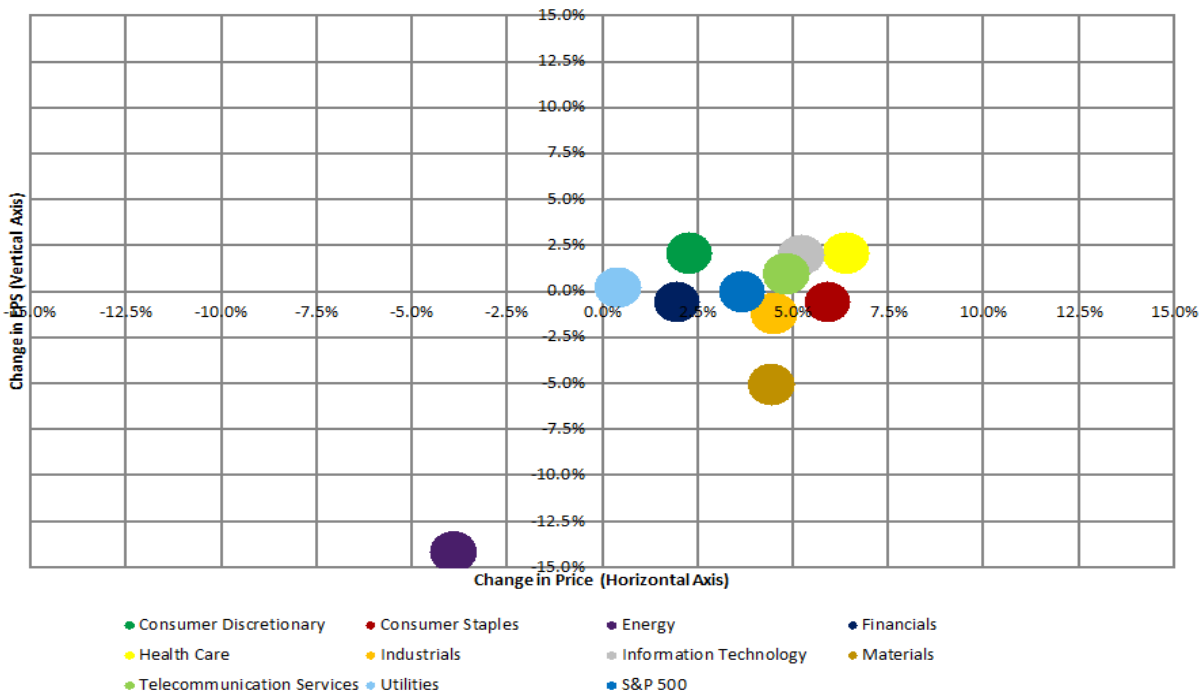
Forward 12M Price / Earnings Ratio: Sector Level

Sector-Level Forward 12-Month P/E Ratios
(Source: FactSet)

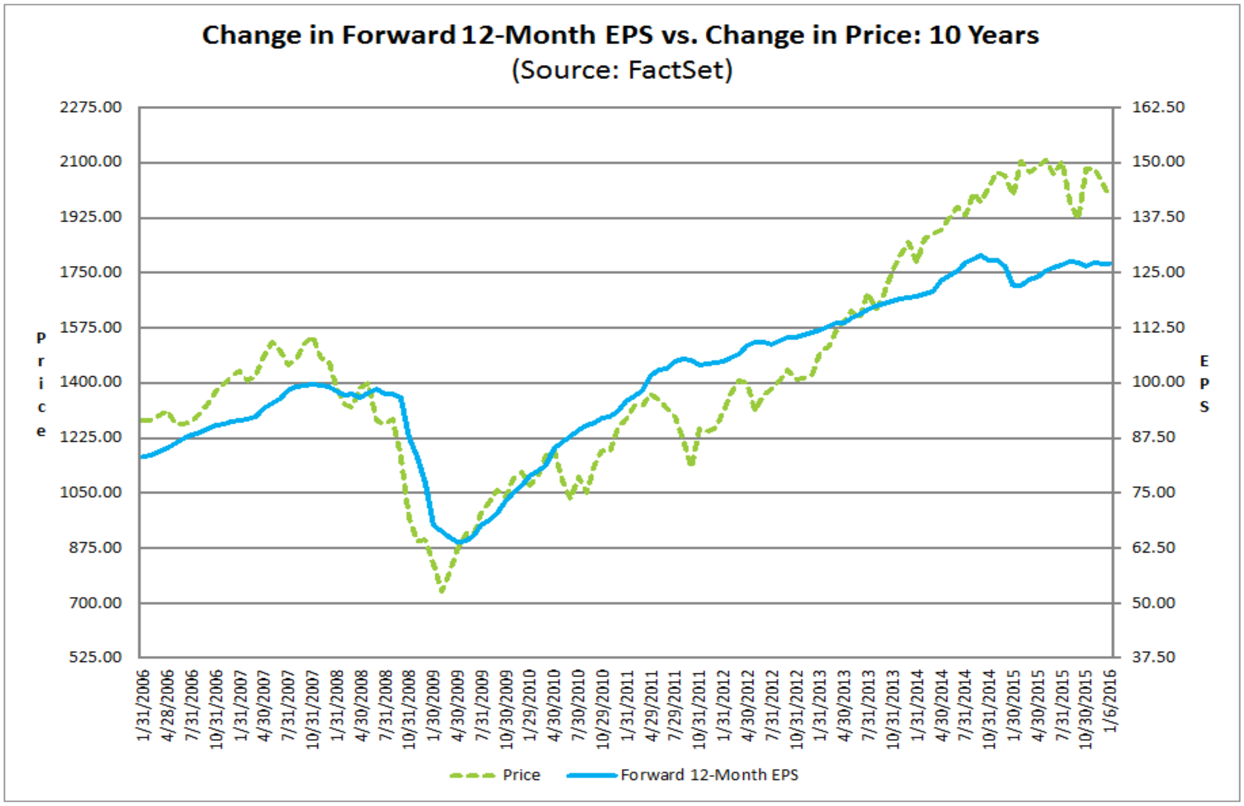


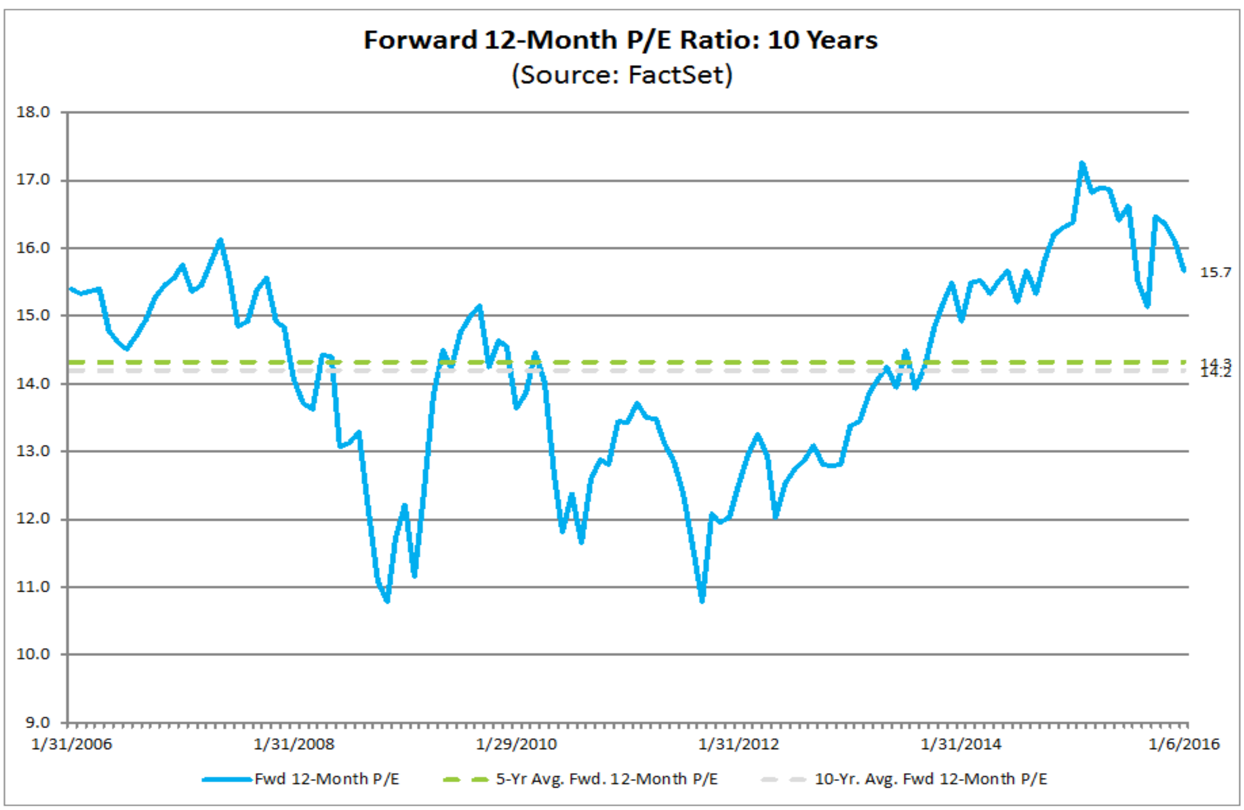
	Energy	Consumer Staples	Consumer Disc.	S&P 500	Health Care	Utilities	Info. Technology	Industrials	Materials	Financials	Telecom Services
Fwd 12M P/E	27.1	19.7	17.6	15.7	15.7	15.5	15.4	15.1	14.7	12.2	12.1
5-Yr Avg.	15.0	16.8	16.6	14.3	14.7	15.1	14.3	14.6	14.4	11.9	15.4
10-Yr Avg.	13.3	16.7	16.5	14.2	14.3	14.4	15.6	14.7	14.9	12.2	14.7

Sector-Level Change in Forward 12-Month EPS vs. Price: Since Jun. 30
(Source: FactSet)

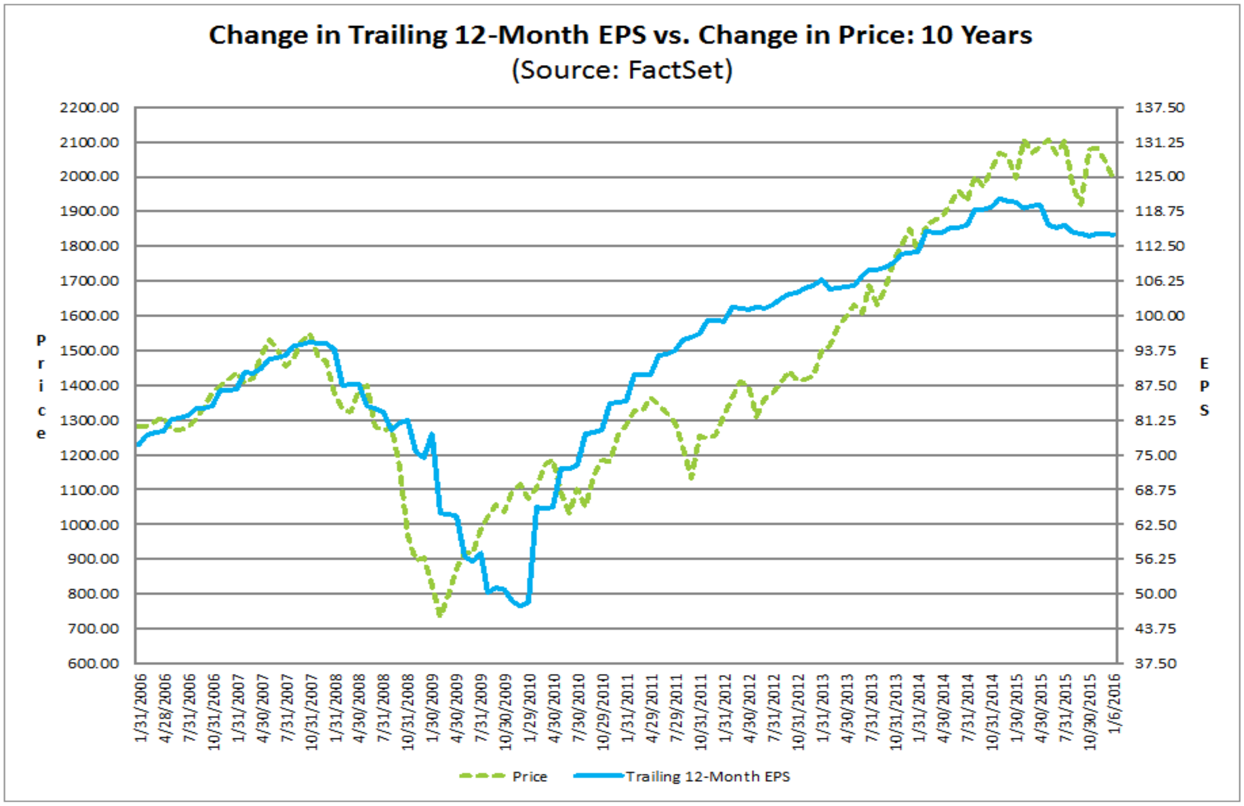


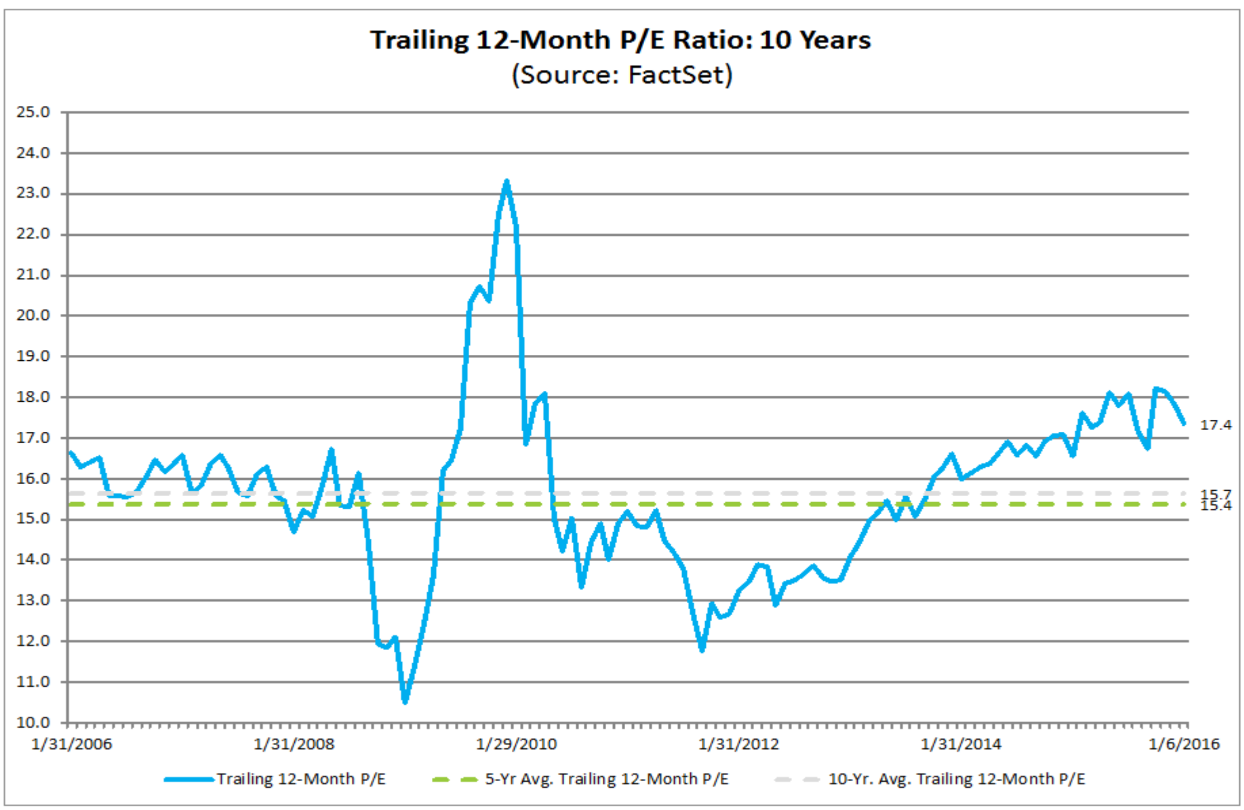
Forward 12M Price / Earnings Ratio: Long-Term Averages





Trailing 12M Price / Earnings Ratio: Long-Term Averages





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