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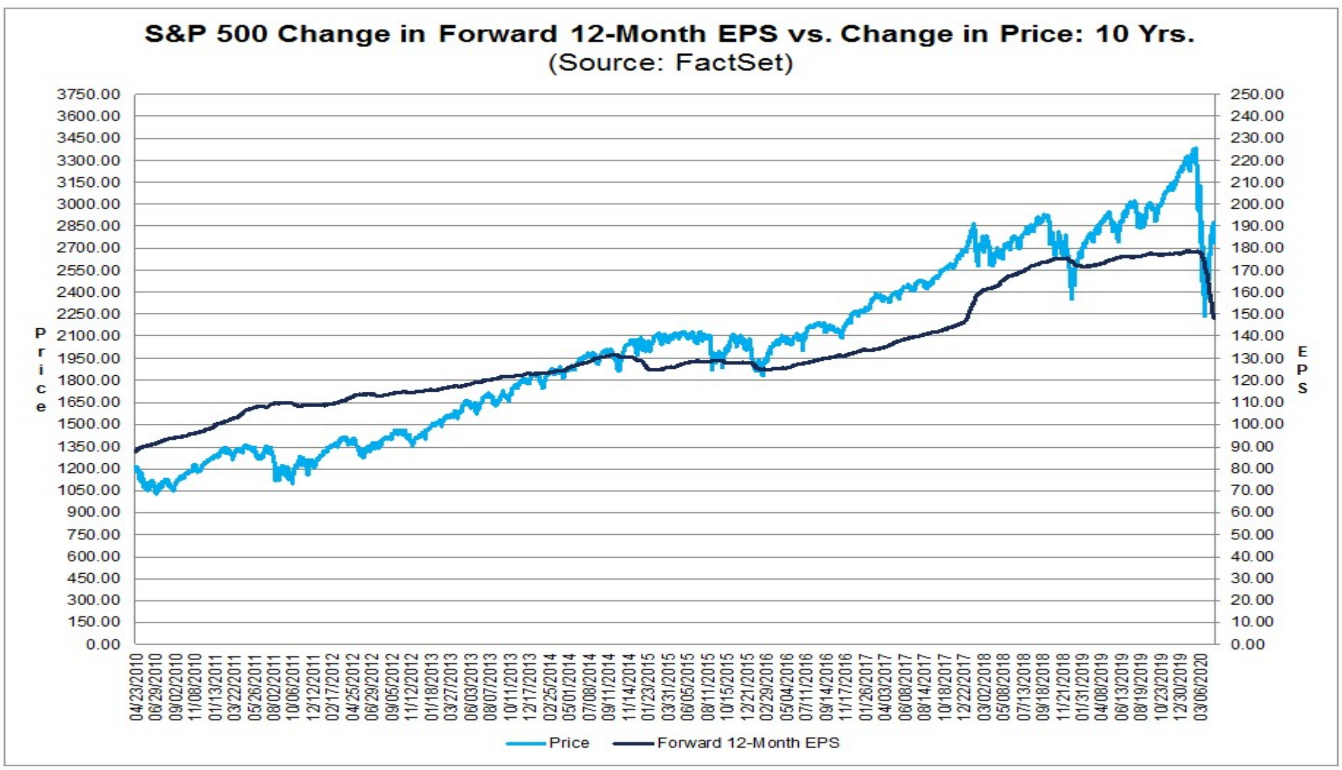
Key Metrics

- **Earnings Scorecard:** For Q1 2020 (with 24% of the companies in the S&P 500 reporting actual results), 60% of S&P 500 companies have reported a positive EPS surprise and 60% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q1 2020, the blended earnings decline for the S&P 500 is -15.8%. If -15.8% is the actual decline for the quarter, it will mark the largest year-over-year decline in earnings reported by the index since Q2 2009 (-26.9%).
- **Earnings Revisions:** On March 31, the estimated earnings decline for Q1 2020 was -6.8%. Nine sectors have lower growth rates today (compared to March 31) due to downward revisions to EPS estimates and negative EPS surprises.
- **Earnings Guidance:** For Q2 2020, 5 S&P 500 companies have issued negative EPS guidance and 5 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 19.1. This P/E ratio is above the 5-year average (16.7) and above the 10-year average (15.0).



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Topic of the Week:

Are More S&P 500 Companies Withdrawing or Providing EPS Guidance for 2020?

During each corporate earnings season, it is not unusual for companies to provide guidance on expected earnings for future quarters or for the full year. However, a number of companies are currently having difficulty providing an estimate for future earnings due to the uncertainty surrounding the negative impacts of COVID-19. Given this difficulty, how many S&P 500 companies have provided EPS guidance for 2020 during the Q1 earnings season? How many S&P 500 companies have withdrawn EPS guidance for 2020 during the Q1 earnings season?

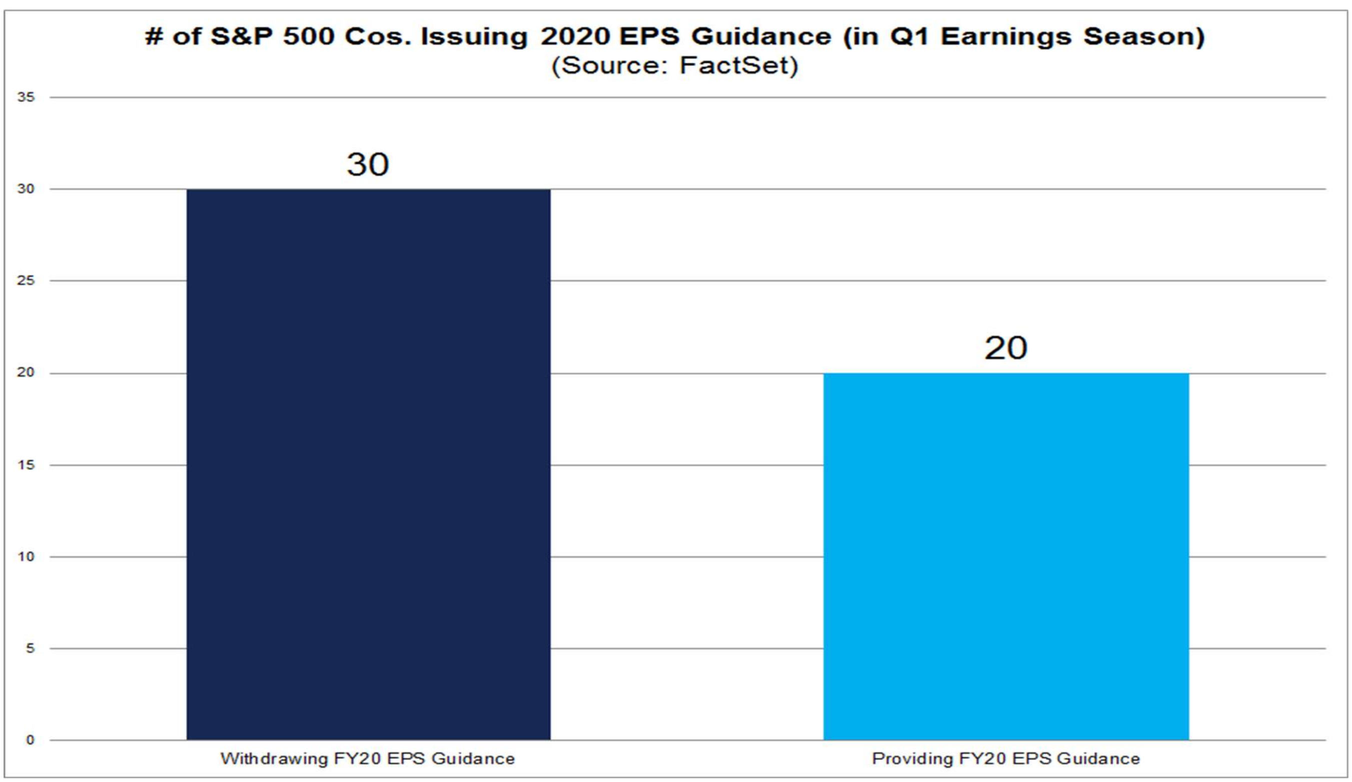
To answer these questions, FactSet searched for comments on annual EPS guidance in the Q1 earnings releases, presentations, and conference call transcripts of the 122 S&P 500 companies that had reported actual results for the first quarter through April 24. Of these 122 companies, 50 (41%) commented on EPS guidance for the current year.

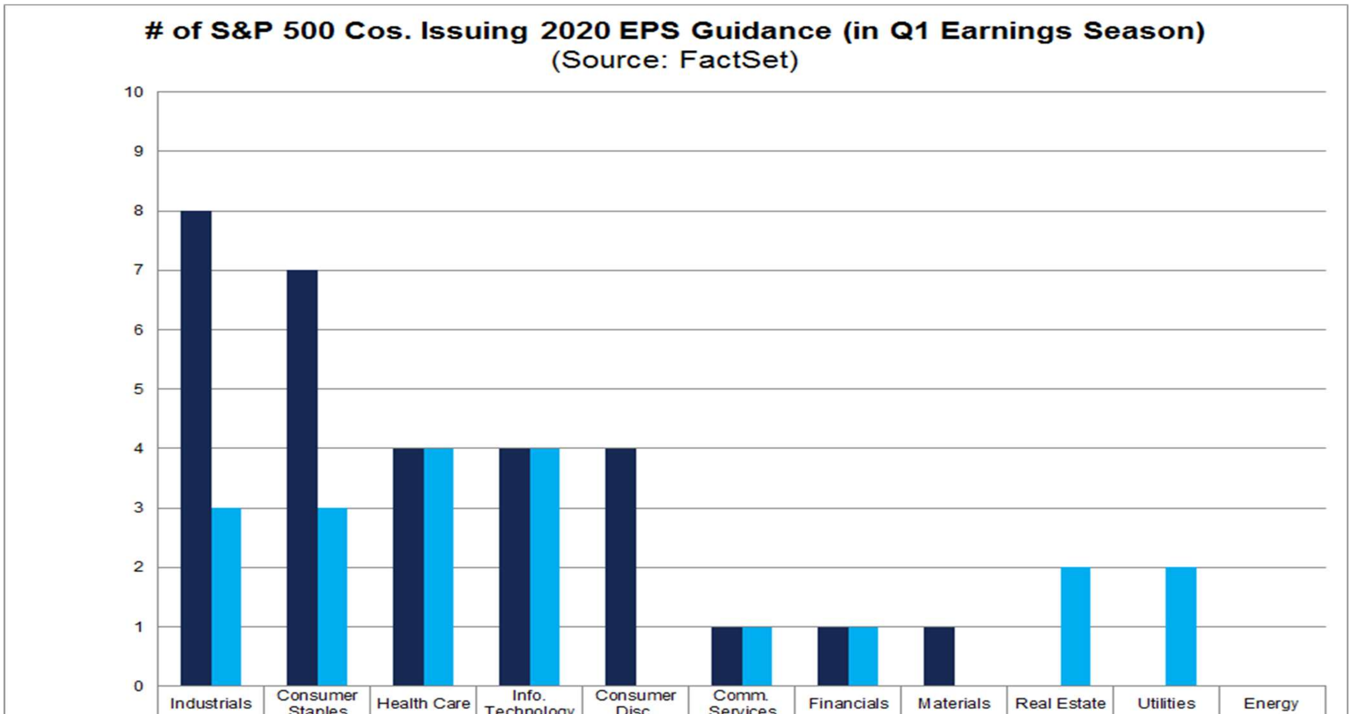
Of these 50 companies, 30 (60%) stated that they were withdrawing or had already withdrawn previous EPS guidance for FY 2020. All 30 of these companies cited the uncertainty of the future impacts of COVID-19 as the reason for withdrawing EPS guidance for the full year. At the sector level, the Industrials (8) and Consumer Staples (7) sectors had the highest number of companies withdrawing EPS guidance for the year.

On the other hand, 20 S&P 500 companies provided EPS guidance for FY 2020. Of these 20 companies, 10 provided annual EPS guidance that was lower than the previous guidance issued by the company, 6 maintained previous (annual) EPS guidance, and 4 provided annual EPS guidance that was higher than the previous guidance issued by the company. At the sector level, the Health Care (4) and Information Technology (4) sectors had the highest number of companies issuing EPS guidance for the year.

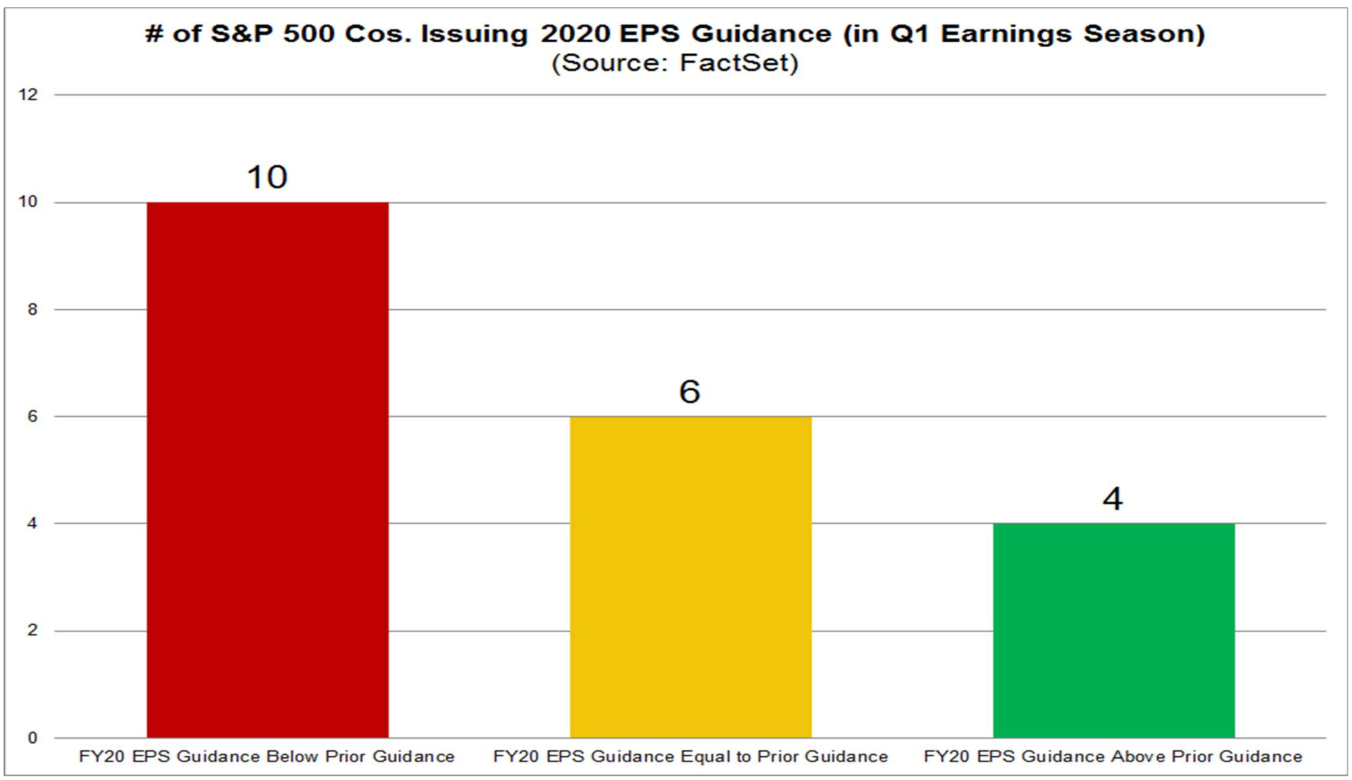
The market will certainly continue to focus on any forward EPS guidance issued by S&P 500 companies for the remainder of the earnings season to gain as much clarity as possible on the financial impact of COVID-19.

A list of the 30 companies withdrawing 2020 EPS guidance and a list of the 20 companies providing 2020 EPS guidance during the Q1 earnings season and their comments can be found on pages 4 through 7.





	Industrials	Consumer Staples	Health Care	Info. Technology	Consumer Disc.	Comm. Services	Financials	Materials	Real Estate	Utilities	Energy
Withdrawing	8	7	4	4	4	1	1	1	0	0	0
Providing	3	3	4	4	0	1	1	0	2	2	0



Withdrawing or Not Providing FY20 EPS Guidance (30)

"We are suspending our fiscal 2020 earnings forecast for our consolidated and segment results due to the great uncertainty caused by the coronavirus pandemic." -FedEx (Mar. 17)

"Due to the uncertainty, including the severity and duration of the pandemic, we are not providing guidance for the fourth quarter of fiscal 2020 at this time and withdrawing our full fiscal year guidance." -Cintas Corporation (Mar. 19)

"Given the uncertainty of the situation, the Corporation is currently unable to provide an earnings forecast, however it expects a net loss on both a U.S. GAAP and adjusted basis for the fiscal year ending November 30, 2020." -Carnival Corporation (Mar. 19)

"The Company is withdrawing its full year financial outlook for fiscal 2020." -Darden Restaurants (Mar. 19)

"McCormick previously issued its fiscal 2020 guidance on January 28, 2020, which did not include the impact of COVID-19. Due to the rapidly evolving situation and the high degree of uncertainty relating to the impacts of COVID-19, including on consumer demand across all channels and the global economy, the company is withdrawing its fiscal 2020 guidance." -McCormick & Co. (Mar. 31)

"Turning now to guidance, Stefano has already mentioned that we were well on track to confirm our full year adjusted EPS guidance. Second quarter EPS was ahead of our expectations. We delivered sequential improvement in our US sales comps. And a majority of our business initiatives were on track, including cash generation and the Transformational Cost Management Program. However, given the many rapidly-changing variables related to the COVID-19 pandemic, right now, we're not in a position to accurately forecast the future impacts of COVID-19." -Walgreens Boots Alliance (Apr. 2)

"Fiscal 2021 EPS guidance is unavailable at this time due to potential impacts on the business from COVID-19." -Constellation Brand (Apr. 3)

"Due to uncertainties regarding the duration and impact of the coronavirus (COVID-19) pandemic, Abbott is suspending its previously announced annual guidance for 2020." -Abbott Laboratories (Apr. 16)

"Due to the general economic uncertainty created by the global COVID-19 pandemic, KCS is withdrawing previously provided revenue, volume, operating ratio and earnings per share guidance." -Kansas City Southern (Apr. 17)

"Due to the rapidly evolving environment and continued uncertainties resulting from the economic impact globally of the coronavirus disease ("COVID-19"), we are not providing guidance for the second quarter of 2020, and are withdrawing our previously announced guidance for full year 2020, which was issued on February 12, 2020." -Equifax (Apr. 20)

"IBM is withdrawing its full-year 2020 guidance in light of the current COVID-19 crisis." -IBM (Apr. 20)

"In addition, given the great uncertainty of the current environment, we feel it's prudent to hold off providing fiscal year 2020 guidance. We expect to come back in our second quarter call in July with greater clarity." -Coca-Cola (Apr. 21)

"Due to the COVID-19 pandemic and the resulting negative impact to the global demand environment we are unable to forecast with certainty the effect on Dover's financial and operational results, which could be material, and as such, Dover's previously communicated guidance for full year 2020 revenue growth and adjusted EPS has been suspended." -Dover (Apr. 21)

"As a result, at this time the Company cannot reasonably estimate the impact the COVID-19 pandemic will have on its operating and financial results. Due to this continued uncertainty, the Company is withdrawing its previously issued guidance for 2020." -HCA Healthcare (Apr. 21)

"Given the inherent uncertainty surrounding the COVID-19 pandemic and the related impact on PMI's business globally, the company is currently unable to forecast its full-year financial results with reasonable accuracy. PMI is therefore withdrawing its 2020 reported diluted EPS forecast of at least $5.50, originally provided on February 6, 2020." -Philip Morris International (Apr. 21)

“As we look ahead, the overall demand and operating environment remains highly uncertain. The full impact of the COVID-19 pandemic on our business will depend on many unpredictable future developments, including the length and severity of the crisis, potential additional government actions and the overall impact of the pandemic on the global economy, among many other factors. As a result, until conditions become more predictable, we believe it is prudent to withdraw our full-year sales and EPS guidance, and we will not be providing a specific outlook for the coming quarter.” -Amphenol (Apr. 22)

“Due to the lack of visibility related to COVID-19 pandemic and recovery, the Company has withdrawn financial guidance at this time.” -AT&T (Apr. 22)

“Due to the rapidly evolving situation and the high degree of uncertainty related to the duration and potential impacts of COVID-19 and the overall environment, including global business and economic activity, consumer and end-market demand, global supply chain operations, and volatility in foreign currency exchange rates and commodity costs, the company is withdrawing its previous 2020 guidance and not providing any additional outlook at this time.” -Kimberly-Clark (Apr. 22)

“As many of you know, we withdrew our 2020 guidance on March 31 given the unprecedented uncertainty caused by COVID-19 pandemic. We expect to provide updated 2020 guidance at a more appropriate time when visibility improves around the impact of COVID-19 and the duration of current stay-at-home measures in place across the United States.” -Quest Diagnostics (Apr. 22)

“Thermo Fisher announced on April 6, 2020, that it withdrew its 2020 annual guidance due to the evolving COVID-19 pandemic and related customer impact.” -Thermo Fisher (Apr. 22)

“Given the unprecedented and rapidly evolving uncertainty related to COVID-19, the Company is withdrawing all previously issued 2020 guidance.” -O’Reilly Automotive (Apr. 22)

“Given this uncertainty, Air Products is not providing fiscal third quarter EPS guidance and we believe it is prudent to withdraw our prior fiscal year 2020 EPS and CapEx guidance.” -Air Products and Chemicals (Apr. 23)

“The company previously withdrew its 2020 outlook for revenue and EPS due to the uncertainty surrounding the COVID-19 pandemic, as well as its impact on demand and the supply chain.” -Allegion (Apr. 23)

“Given the uncertain climate and the limited visibility into the duration of this health crisis and its impact on the economy and consumer spending, and consistent with other companies, we are suspending our guidance for 2020.” -Alliance Data Systems (Apr. 23)

“Due to the rapidly evolving situation and the high degree of uncertainty, we do not believe we are able to estimate the full-year financial impact with reasonable accuracy and, therefore, believe it is prudent to withdraw our fiscal 2020 full-year guidance at this time.” -Hershey (Apr. 23)

“Given the uncertainty related to the COVID-19 pandemic, the Company withdrew its guidance for fiscal 2020 on April 7, 2020.” -Tractor Supply Company (Apr. 23)

“Given the uncertainty around the depth and duration of this pandemic, and the related economic response, we are suspending our guidance for 2020.” -W.W. Grainger (Apr. 23)

“Due to the uncertain scope and duration of the COVID-19 pandemic, and uncertain timing of a global recovery and economic normalization, we are unable to estimate the overall impacts on our operations and financial results as we move forward. As a result, we are withdrawing all prior financial guidance, which was provided on January 30, 2020, and suspending all future financial guidance for the balance of the year.” -IDEX Corporation (Apr. 23)

“Moving to the full year, with limited visibility due to the uncertainty driven by COVID-19, we are not guiding the full year.” -Intel (Apr. 23)

“In summary, we are certainly in unprecedented times, and looking ahead, it's impossible to forecast our financial results for the rest of the year without knowing the answer to the two questions Steve posed earlier: when and how quickly the economy improves, and what happens to unemployment and the pace of small business recovery?” -American Express (Apr. 24)

Providing FY20 EPS Guidance Below Previous Guidance (10)

"The company now expects diluted EPS to be in the range of $7.48 to $7.70, compared with $7.66 to $7.84 previously." -Accenture (Mar. 19)

"In terms of our forward view for 2020, as Lance stated, due to the uncertainty, we have developed three scenarios to take into account different assumptions on how the virus, the price of oil, and economic situation evolve over the next few months and quarters. Our supplemental schedules detail the three scenarios with the following ranges: revenue of $4.275 billion to $4.425 billion; organic growth of between 1% and 4%, normalized for the impact of the Q2 events; adjusted EBITDA of $1.825 billion to $1.85 billion; and adjusted EPS of $2.76 to $2.81. As Lance mentioned, we would direct your estimate to the lower end of these ranges at this time." -IHS Markit (Mar. 24)

"Net income diluted earnings per share growth are now anticipated to increase approximately 7% and adjusted net income and adjusted diluted earnings per share are expected to grow approximately 6%." -Paychex (Mar. 25)

"Accounting for that, we would be comfortable with your models reflecting reported adjusted EPS ranging from $7.50 to $7.90, a range of minus 13.6% to minus 9.0%, based on what we know today." -Johnson & Johnson (Apr. 14)

"Management has updated the fiscal year 2020 outlook to reflect the changing demand environment associated with COVID-19 and the concurrent unfolding energy market dynamics. GAAP earnings per share guidance is $2.62 to $2.82. Adjusted earnings per share guidance, which excludes restructuring actions and related costs, is $3.00 to $3.20, compared to prior guidance of $3.55 to $3.80. This drop in guidance reflects the negative impact of reduced global demand, partially offset by aggressive cost containment actions, reduced stock compensation and other non-operating items." -Emerson Electric (Apr. 21)

"Taking these assumptions into account, we are lowering our 2020 core FFO guidance midpoint by $0.11. We now expect a range between $3.55 and $3.65 per share which includes $0.15 of net promote income." -Prologis (Apr. 21)

"Globe Life projects that net operating income per share will be in the range of $6.65 to $7.15 for the year ending December 31, 2020. The reduction in our earnings guidance, as well as the wider range, reflects the impact of COVID-19 on our operations." -Globe Life (Apr. 22)

"The Company is revising its earnings guidance ranges for the year ending December 31, 2020 to net income per share of $1.83 to $2.33 and FFO per share of $6.60 to $7.10 per share as we expect that the global COVID-19 pandemic will have an impact on our business, and our industry as a whole, going forward." -SL Green Realty (Apr. 22)

"Additionally, the company now expects full year 2020 adjusted earnings per share of $4.75 to $5.25 versus previous guidance of $6.15 to $6.40." -Edwards Lifesciences (Apr. 23)

"The company now expects adjusted EPS growth (non-GAAP) of -2 to 2 percent, an update from prior guidance for 2020 adjusted EPS growth (non-GAAP) of 2 to 4 percent. This updated expectation is based on a scenario that assumes significant headwinds prevailing through second-quarter 2020." -Verizon Communications (Apr. 24)

Maintaining Previous FY20 EPS Guidance (6)

"The company maintained its full year earnings per share outlook for 2020, including net earnings of $15.45 to $15.75 per share and adjusted net earnings of $16.25 to $16.55 per share. As the year progresses, the company will continue to evaluate the impact of COVID-19 across its balanced and diversified businesses." -UnitedHealth Group (Apr. 15)

"As we stand here today, though, we continue to believe our guidance ranges for the fiscal year on both the top and bottom lines remain relevant. Our internal forecasts remain within these ranges, but I must again emphasize ranges, and I must again emphasize the degree of uncertainty and volatility we face day-to-day…We currently expect organic sales growth for the year in a range of 4% to 5%, assuming continued operations in our facilities and those of our customers and suppliers. On the bottom line, we're forecasting core earnings per share growth in the range of 8% to 11% for the year." -Procter & Gamble (Apr. 17)

"For fiscal 2020, our guidance is as follows: revenue in the range of $2.545 billion to $2.585 billion, non-GAAP operating margin of 32% to 33%, GAAP EPS in the range of $1.58 to $1.68, non-GAAP EPS in the range of $2.40 to $2.50." -Cadence Design Systems (Apr. 20)

“Moving on to chart 8, based on our review of COVID-19-related potential impacts, as Marillyn noted, we are lowering the midpoint of our guidance range on sales by $375 million, while holding our guidance for segment operating profit, earnings per share, and cash from operations.” -Lockheed Martin (Apr. 21)

“For 2020, NextEra Energy continues to expect its adjusted earnings per share to be in the range of $8.70 to $9.20.” -NextEra Energy (Apr. 22)

“The company is affirming its full-year operating (non-GAAP) guidance of $2.40 to $2.60 per share.” -FirstEnergy (Apr. 23)

Providing FY20 EPS Guidance Above Previous Guidance (4)

“Constant-currency adjusted diluted earnings per share are now expected to increase 6% to 8% from the base of $3.22 earned in fiscal 2019, which is ahead of the previous range of 3% to 5%. The primary drivers of our increased EPS guidance are the increased forecasts for adjusted operating profit and the expectation for reduced interest expense that I mentioned earlier.” -General Mills (Mar. 18)

“We're updating our full year guidance today to note that we now expect to exceed our prior full year guidance for total company sales and profit metrics.” -ConAgra Brands (Mar. 31)

“However, based on the strength of our first quarter and visibility into the near-term pipeline, we are raising the top end of our full year outlook for revenue and EPS.” -Citrix Systems (Apr. 23)

“The company has updated certain elements of its 2020 financial guidance on a reported basis and a non-GAAP basis to reflect both management's expectations for operational performance and the uncertainty surrounding the extent and duration of the impact of the COVID-19 pandemic...Based on the key assumptions outlined above, the company has adjusted earnings per share for 2020 to now be in the range of $6.20 to $6.40 on a reported basis and $6.70 to $6.90 on a non-GAAP basis.” -Eli Lilly (Apr. 23)

Q1 Earnings Season: By The Numbers

Overview

To date, 24% of the companies in the S&P 500 have reported actual results for Q1 2020. In terms of earnings, the percentage of companies reporting actual EPS above estimates (60%) is below the 5-year average. In aggregate, companies are reporting earnings that are 5.1% below the estimates, which is also below the 5-year average. In terms of sales, the percentage of companies (60%) reporting actual sales above estimates is above the 5-year average. In aggregate, companies are reporting sales that are 0.5% above estimates, which is below the 5-year average.

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the first quarter is -15.8%, which is larger than the earnings decline of -14.8% last week. Negative earnings surprises reported by companies in the Financials sector were mainly responsible for the increase in the overall earnings decline during the week. If -15.8% is the actual decline for the quarter, it will mark the largest year-over-year decline in earnings for the index since Q2 2009 (-26.9%). It will also mark the fourth time in the past five quarters in which the index has reported a year-over-year decline in earnings. Six sectors are reporting year-over-year growth in earnings, led by the Communication Services sector. Five sectors are reporting a year-over-year decline in earnings: Energy, Consumer Discretionary, Financials, Industrials, and Materials.

The blended revenue growth rate for the first quarter is 0.1%, which is below the revenue growth rate of 0.4% last week. Downward revisions to revenue estimates and negative revenue surprises for companies in multiple sectors (led by the Energy, Communication Services, and Consumer Discretionary sectors) were mainly responsible for the decrease in the overall revenue growth rate during the week. If 0.1% is the actual growth rate for the quarter, it will mark the lowest year-over-year growth in revenue for the index since Q2 2016 (-0.2%). Seven sectors are reporting year-over-year growth in revenues, led by the Health Care and Communication Services sectors. Four sectors are reporting a year-over-year decline in revenues, led by the Materials and Energy sectors.

Looking at future quarters, analysts predict a (year-over-year) decline in earnings in the second quarter (-31.9%), third quarter (-16.9%), and fourth quarter (-7.4%) of 2020.

The forward 12-month P/E ratio is 19.1, which is above the 5-year average and above the 10-year average.

During the upcoming week, 172 S&P 500 companies (including 12 Dow 30 components) are scheduled to report results for the first quarter.

Scorecard: More Companies Missing EPS Estimates Than Average

Percentage of Companies Beating EPS Estimates (60%) is Below 5-Year Average

Overall, 24% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 60% have reported actual EPS above the mean EPS estimate, 6% have reported actual EPS equal to the mean EPS estimate, and 34% 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 (74%) average and below the 5-year (73%) average.

If 60% is the final number for the quarter, it will mark the lowest percentage of S&P 500 companies reporting actual EPS above the mean EPS estimate since Q4 2011 (59%).

At the sector level, the Utilities (100%), Health Care (90%), and Information Technology (81%) sectors have the highest percentages of companies reporting earnings above estimates, while the Energy (20%) and Financials (38%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (-5.1%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 5.1% below expectations. This surprise percentage is below the 1-year (+4.8%) average and below the 5-year (+4.9%) average.

The Materials sector (+10.8%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Freeport-McMoRan (-$0.16 vs. -$0.18) has reported the largest positive EPS surprise.

The Health Care sector (+9.5%) sector is reporting the second largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Biogen ($9.14 vs. $7.72), Eli Lilly ($1.75 vs. $1.48), Edwards Lifesciences ($1.51 vs. $1.32), Johnson & Johnson ($2.30 vs. $2.02), and Abbott Laboratories ($0.65 vs. $0.59) have reported the largest positive EPS surprises.

The Information Technology sector (+9.0%) sector is reporting the third largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Verisign ($2.96 vs. $1.28), Citrix Systems ($1.73 vs. $1.17), Texas Instruments ($1.24 vs. $1.01), Micron Technology ($0.45 vs. $0.37), and Intel ($1.45 vs. $1.28) have reported the largest positive EPS surprises.

The Financials sector (-30.1%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Capital One Financial (-$3.02 vs. $1.88), Comerica (-$0.46 vs. $0.98), Discover Financial Services (-$0.25 vs. $0.72), and Wells Fargo ($0.01 vs. $0.37) have reported the largest negative EPS surprises.

The Energy sector (-8.1%) sector is reporting the second largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Technip FMC (-$0.11 vs. $0.22) has reported the largest negative EPS surprise.

Market Punishing Earnings Misses Less Than Average

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

Companies that have reported positive earnings surprises for Q1 2020 have seen an average price increase of +1.1% two days before the earnings release through two days after the earnings. 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 Q1 2020 have seen an average price decrease of -0.5% two days before the earnings release through two days after the earnings. This percentage decrease is smaller than the 5-year average price decrease of -2.8% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (60%) is Above 5-Year Average

In terms of revenues, 60% of companies have reported actual sales above estimated sales and 40% have reported actual sales below estimated sales. The percentage of companies reporting sales above estimates is above the 1-year average (59%) and above the 5-year average (59%).

At the sector level, the Health Care (90%) and Information Technology (81%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (0%), Energy (20%), and Communication Services (25%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+0.5%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 0.5% above expectations. This surprise percentage is above the 1-year (+0.4%) average but below the 5-year (+0.6%) average.

At the sector level, the Information Technology (+2.3%) sector is reporting the largest positive (aggregate) difference between actual revenue and estimated revenue, while the Energy (-3.4%) sector is reporting the largest negative (aggregate) difference between actual revenue and estimated revenue.

Revisions: Increase in Blended Earnings Decline this Week Due to Financials

Increase in Blended Earnings Decline This Week Due to Financials

The blended (year-over-year) earnings decline for the first quarter is -15.8%, which is larger than the earnings decline of -14.8% last week. Negative earnings surprises reported by companies in the Financials sector were mainly responsible for the increase in the overall earnings decline during the week.

In the Financials sector, the negative EPS surprises reported by Capital One Financial (-$3.02 and $1.88) and American Express ($0.41 vs. $1.46) were substantial contributors to the increase in the earnings decline for the index during the week. As a result, the blended earnings decline for the Financials sector increased to -41.9% from -35.9%.over this period.

Decrease in Blended Revenue Growth This Week

The blended (year-over-year) revenue growth rate for the first quarter is 0.1%, which is smaller than the revenue growth rate of 0.4% last week. Downward revisions to revenue estimates and negative revenue surprises for companies in multiple sectors (led by the Energy, Communication Services, and Consumer Discretionary sectors) were mainly responsible for the decrease in the overall revenue growth rate during the week.

Financials and Energy Sectors Have Seen Largest Decreases in Earnings since March 31

The blended (year-over-year) earnings decline for Q1 2020 of -14.5% is larger than the estimate of -6.8% at the end of the first quarter (March 31). Two sectors have recorded an improvement in earnings growth since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Consumer Staples (to 3.6% from -1.5%) sector. Nine sectors have recorded a decrease in earnings growth during this time due to downward revisions to earnings estimates and negative earnings surprises, led by the Financials (to -41.9% from -8.8%), Energy (to -66.6% from -40.3%), and Consumer Discretionary (to -42.1% from -29.0%) sectors.

Energy Sector Has Seen Largest Decrease in Revenues since March 31

The blended (year-over-year) revenue growth rate for Q1 2020 of 0.6% is smaller than the estimate of 1.6% at the end of the first quarter (March 31). One sector (Consumer Staples) has recorded an improvement in revenue growth (to 4.1% from 3.1%) since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises. Ten sectors have recorded a decrease in revenue growth during this time due to downward revisions to revenue estimates and negative revenue surprises, led by the Energy (to -14.0% from -8.4%) sector.

Earnings Decline: -15.8%

The blended (year-over-year) earnings decline for Q1 2020 is -15.8%, which is below the 5-year average earnings growth rate of 6.3%. If -15.8% is the actual decline for the quarter, it will mark the largest year-over-year decline in earnings for the index since Q2 2009 (-26.9%). It will also mark the fourth time in the past five quarters in which the index has reported a year-over-year decline in earnings.

S&P 500 companies with more international revenue exposure are reporting a smaller decline in earnings relative to S&P 500 companies with less international revenue exposure. For S&P 500 companies that generate more than 50% of revenue outside the U.S., the blended earnings decline is -7.8%. For S&P 500 companies that generate more than 50% of revenue inside the U.S., the blended earnings decline is -19.6%.

Six sectors are reporting year-over-year growth in earnings, led by the Communication Services sector. Five sectors are reporting a year-over-year decline in earnings: Energy, Consumer Discretionary, Financials, Industrials, and Materials sectors.

Communication Services: Facebook Leads Year-Over-Year Growth

The Communication Services sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 5.5%. At the industry level, three of the five industries in this sector are reporting (or projected to report) growth in earnings: Interactive Media & Services (32%), Diversified Telecommunication Services (less than 1%), and Media (less than 1%). On the other hand, the other two industries in the sector are reporting (or are projected to report) a decline in earnings: Entertainment (-26%) and Wireless Telecommunication Services (-2%).

At the company level, Facebook is projected to be the largest contributor to year-over-year growth in earnings for the sector. The mean EPS estimate for the Facebook for Q1 is $1.75, compared to year-ago EPS of $0.85. If this company were excluded, the estimated growth rate for the sector would fall to -1.8% from 5.5%.

Energy: 4 of 6 Sub-Industries Expected To Report Year-Over-Year Decline of More Than 70%

The Energy sector is reporting the largest (year-over-year) decline in earnings of all eleven sectors at -66.6%. Lower oil prices are contributing to the earnings decline for this sector, as the average price of oil in Q1 2020 ($45.78) was 17% below the average price in Q1 2019 ($54.90). At the sub-industry level, four of the six sub-industries in the sector are expected to report a decline in earnings for the quarter of more than 70%: Oil & Gas Drilling (-97%), Integrated Oil & Gas (-84%), Oil & Gas Exploration & Production (-77%), and Oil & Gas Refining & Marketing (-71%). On the other hand, the other two sub-industries in the sector are reporting growth in earnings for the quarter: Oil & Gas Storage & Transportation (9%) and Oil & Gas Equipment & Services (3%).

Consumer Discretionary: 9 of 11 Industries Reporting Year-Over-Year Double-Digit Decline

The Consumer Discretionary sector is reporting the second largest (year-over-year) earnings decline of all eleven sectors at -42.1%. At the industry level, nine of the eleven industries in this sector are reporting (or are projected to report) a decline in earnings. All nine industries are reporting (or are expected to report) a double-digit decline: Automobiles (-88%), Multiline Retail (-75%), Textiles, Apparel, & Luxury Goods (-57%), Auto Components (-55%), Hotels, Restaurants, & Leisure (-51%), Diversified Consumer Services (-33%), Specialty Retail (-28%), Internet & Direct Marketing Retail (-16%), and Distributors (-10%).

Financials: 3 of 5 Industries Reporting Year-Over-Year Decline of More Than 10%

The Financials sector is reporting the third largest (year-over-year) earnings decline of all eleven sectors at -41.9%. At the industry level, four of the five industries in this sector are reporting a decline in earnings: Consumer Finance (-120%), Banks (-63%), Capital Markets (-13%), and Insurance (-2%). On the other hand, the Diversified Financial Services (+12%) industry is the only industry expected to report growth in the sector.

Industrials: Boeing and Airlines Industry Lead Year-Over-Year Decline

The Industrials sector is reporting the fourth largest (year-over-year) earnings decline of all eleven sectors at -31.0%. At the industry level, ten of the twelve industries in this sector are reporting (or are projected to report) a decline in earnings. Eight of these ten industries are reporting (or are expected to report) a double-digit decline: Airlines (-226%), Machinery (-32%), Air Freight & Logistics (-30%), Aerospace & Defense (-28%), Construction & Engineering (-21%), Industrial Conglomerates (-16%), Building Products (-12%), and Trading Companies & Distributors (-10%).

At the company level, Boeing and the five companies in the Airlines industry are the largest contributors to the year-over-year decline in earnings for the sector. The mean EPS estimate for Boeing for Q1 is -$1.35, compared to year-ago EPS of $3.16. If these six companies were excluded, the estimated earnings decline for the sector would improve to -12.2% from -31.0%.

Materials: All 4 Industries Reporting Year-Over-Year Decline of More Than 10%

The Materials sector is reporting the fifth largest (year-over-year) earnings decline of all eleven sectors at -24.9%. At the industry level, all four industries in this sector are reporting (or are projected to report) a double-digit decline in earnings: Metals & Mining (-46%), Containers & Packaging (-25%), Chemicals (-23%), and Construction Materials (-13%).

Revenue Growth: 0.1%

The blended (year-over-year) revenue growth rate for Q1 2020 is 0.1%, which is below the 5-year average revenue growth rate of 3.5%. If 0.1% is the actual growth rate for the quarter, it will mark the lowest year-over-year growth in revenue for the index since Q2 2016 (-0.2%).

S&P 500 companies with more international revenue exposure are reporting a decline in revenues relative to S&P 500 companies with less international revenue exposure. For S&P 500 companies that generate more than 50% of revenue outside the U.S., the blended revenue decline is -4.0%. For S&P 500 companies that generate more than 50% of revenue inside the U.S., the blended earnings growth rate is 1.6%.

Seven sectors are reporting year-over-year growth in revenues, led by the Health Care and Communication Services sectors. Four sectors are reporting a year-over-year decline in revenues, led by the Materials and Energy sectors.

Health Care: 5 of 6 Industries Reporting Growth

The Health Care sector is reporting the highest (year-over-year) revenue growth of all eleven sectors at 7.2%. At the industry level, five of the six industries in this sector are reporting (or are expected to report) growth in revenues, led by the Health Care Providers & Services (8%), Biotechnology (8%), and Pharmaceuticals (8%) industries.

Communication Services: Entertainment & Interactive Media Lead Year-Over-Year Growth

The Communication Services sector is reporting the second highest (year-over-year) revenue growth of all eleven sectors at 6.3%. At the industry level, four of the five industries in this sector are reporting (or are expected to report) growth in revenues. Two of these four industries are reporting (or are expected to report) double-digit revenue growth: Entertainment (17%) and Interactive Media & Services (13%).

Materials: DuPont Leads Decline on Hard Comparison to Year-Ago Pre-Split Revenues

The Materials sector is reporting the largest (year-over-year) decline in revenue of all eleven sectors at -16.8%. At the industry level, two of the four industries in this sector are reporting a decline in revenue for the quarter: Chemicals (-24%) and Metals & Mining (-7%).

At the company level, DuPont is expected to be the largest contributor to the (year-over-year) decline in revenue for the sector. However, the revenue decline is boosted by an apples-to-oranges comparison of post-split revenues to pre-split revenues. The estimated revenue for DuPont for Q1 2020 ($5.07 billion) reflects the standalone revenue for DuPont, while the actual revenue for Q1 2019 ($19.65 billion) reflects the combined revenue for DowDuPont (DuPont, Dow, and Corteva). This apples-to-oranges comparison is the main reason DuPont is projected to be the largest contributor to the revenue decline for the sector. If this company were excluded, the estimated revenue decline for the sector would improve to -3.8% from -16.8%.

Energy: 4 of 6 Sub-Industries Expected to Report Year-Over-Year Decline of More Than 10%

The Energy sector is reporting the second largest (year-over-year) decline in revenue of all eleven sectors at -14.0%. Lower oil prices are contributing to the revenue decline for this sector, as the average price of oil in Q1 2020 ($45.78) was 17% below the average price in Q1 2019 ($54.90). At the sub-industry level, all six sub-industries in the sector are reporting (or are expected to report) a year-over-year decline in revenue. Four sub-industries are expected to report a double-digit decline: Oil & Gas Drilling (-22%), Oil & Gas Exploration & Production (-21%), Oil & Gas Refining & Marketing (-15%), and Integrated Oil & Gas (-15%).

Looking Ahead: Forward Estimates and Valuation

Guidance: Negative Guidance for Q2 is Below Average to Date

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.

At this point in time, 10 companies in the index have issued EPS guidance for Q2 2020. Of these 10 companies, 5 have issued negative EPS guidance and 5 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 50% (5 out of 10), which is below the 5-year average of 70%.

For more details on annual EPS guidance, please see pages 2 through 7

Earnings: Analysts Expect Earnings Decline of -15.2% for CY 2020

For the first quarter, S&P 500 companies are reporting a decline in earnings of -15.8% and growth in revenues of 0.1%. Analysts expect an earnings decline of -15.2% and a revenue decline of -2.3% for CY 2020

For Q2 2020, analysts are projecting an earnings decline of -31.9% and a revenue decline of -8.2%.

For Q3 2020, analysts are projecting an earnings decline of -16.9% and a revenue decline of -3.4%.

For Q4 2020, analysts are projecting an earnings decline of -7.4% and revenue growth of 0.1%.

For CY 2020, analysts are projecting an earnings decline of -15.2% and a revenue decline of -2.3%.

Valuation: Forward P/E Ratio is 19.1, Above the 10-Year Average (15.0)

The forward 12-month P/E ratio is 19.1. This P/E ratio is above the 5-year average of 16.7 and above the 10-year average of 15.0. It is also above the forward 12-month P/E ratio of 15.6 recorded at the end of the first quarter (March 31). Since the end of the first quarter (March 31), the price of the index has increased by 8.2%, while the forward 12-month EPS estimate has decreased by 11.0%.

At the sector level, the Consumer Discretionary (29.5) sector has the highest forward 12-month P/E ratio, while the Financials (12.8) sector has the lowest forward 12-month P/E ratio.

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

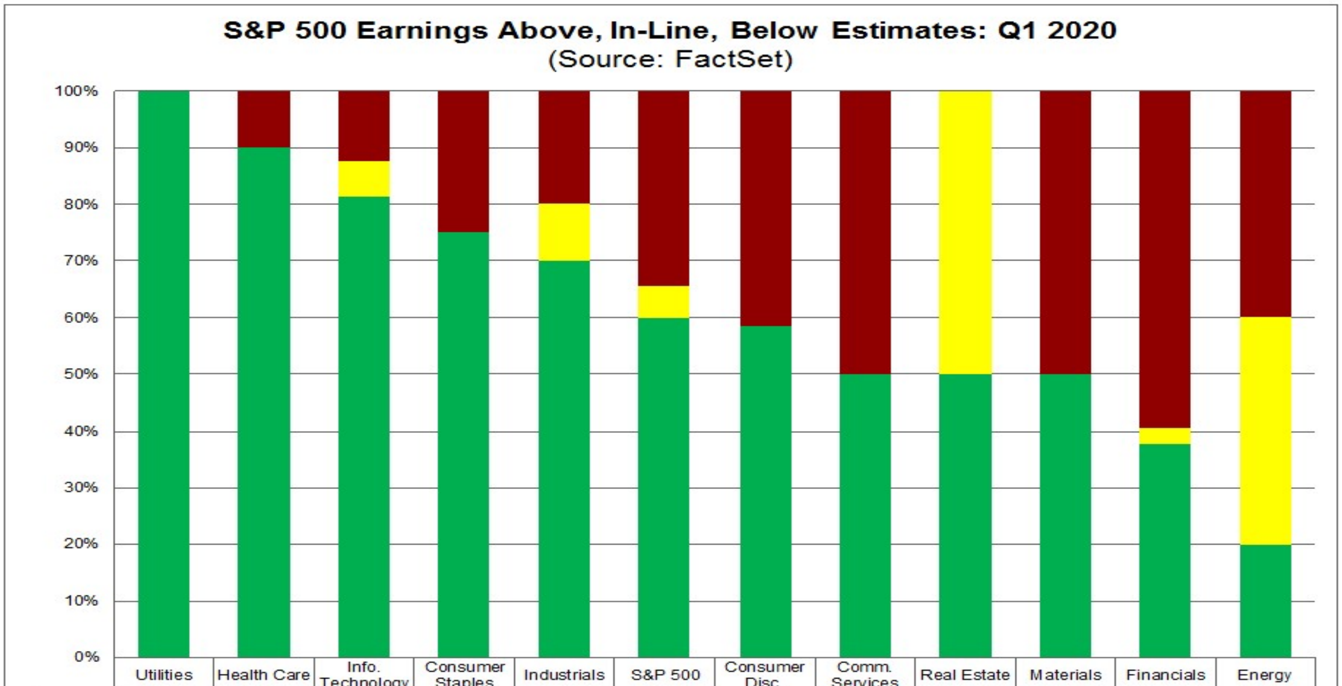
The bottom-up target price for the S&P 500 is 3169.65, which is 13.3% above the closing price of 2797.80. At the sector level, the Financials (+22.1%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Consumer Discretionary (+9.1%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 10,266 ratings on stocks in the S&P 500. Of these 10,266 ratings, 52.9% are Buy ratings, 41.3% are Hold ratings, and 5.8% are Sell ratings. At the sector level, the Energy (63%) sector has the highest percentage of Buy ratings, while the Consumer Staples (44%) sector has the lowest percentage of Buy ratings.

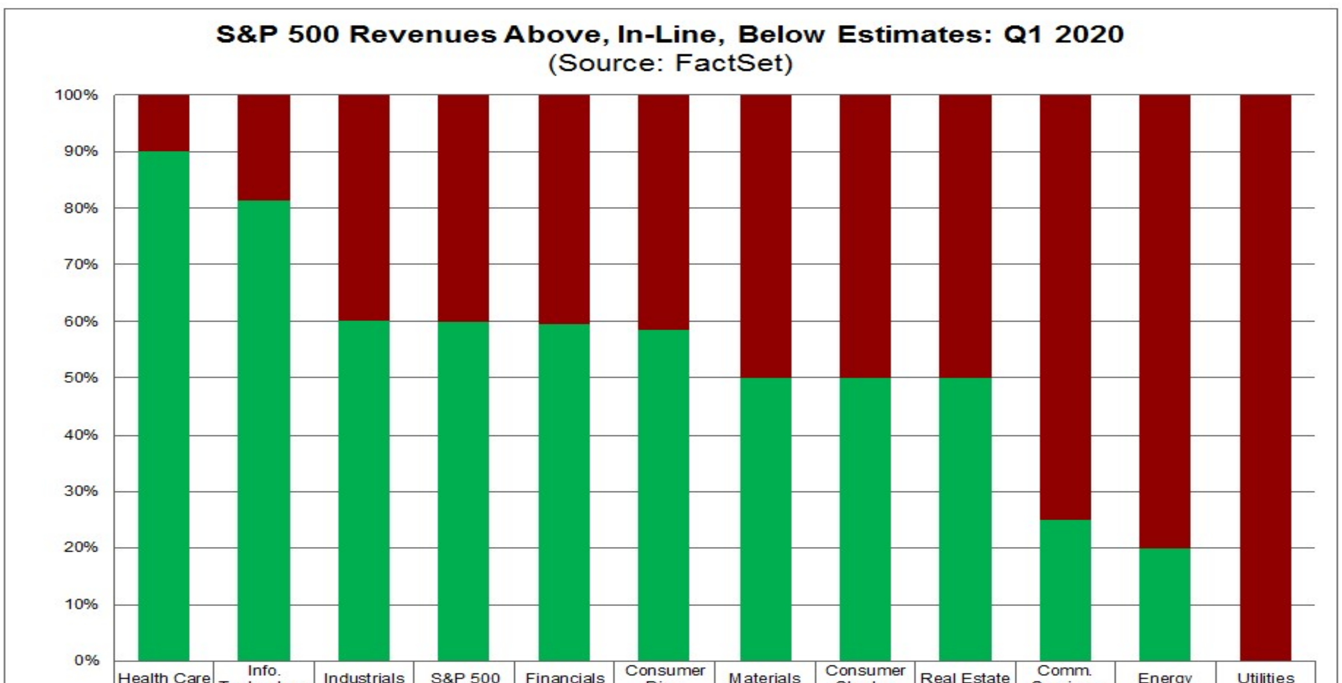
Companies Reporting Next Week: 172

During the upcoming week, 172 S&P 500 companies (including 12 Dow 30 components) are scheduled to report results for the first quarter.

Q1 2020: Scorecard

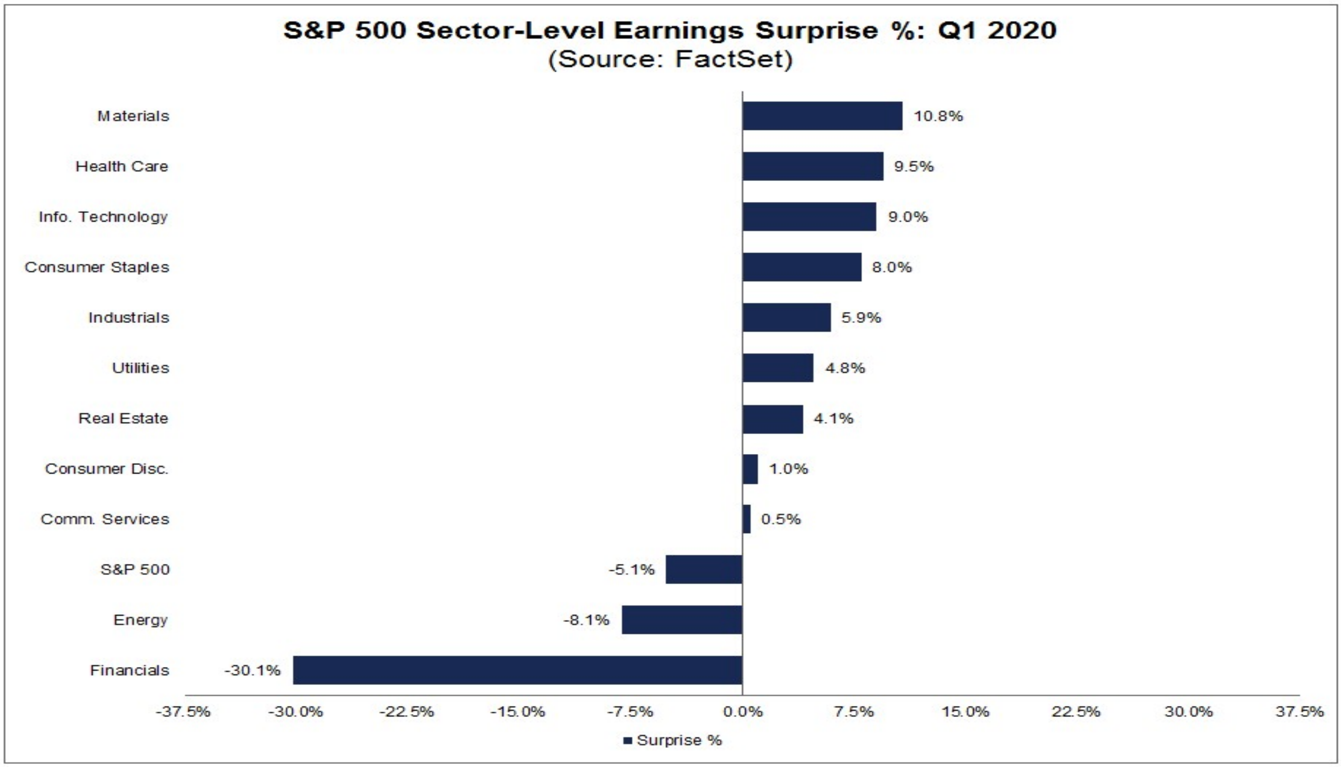


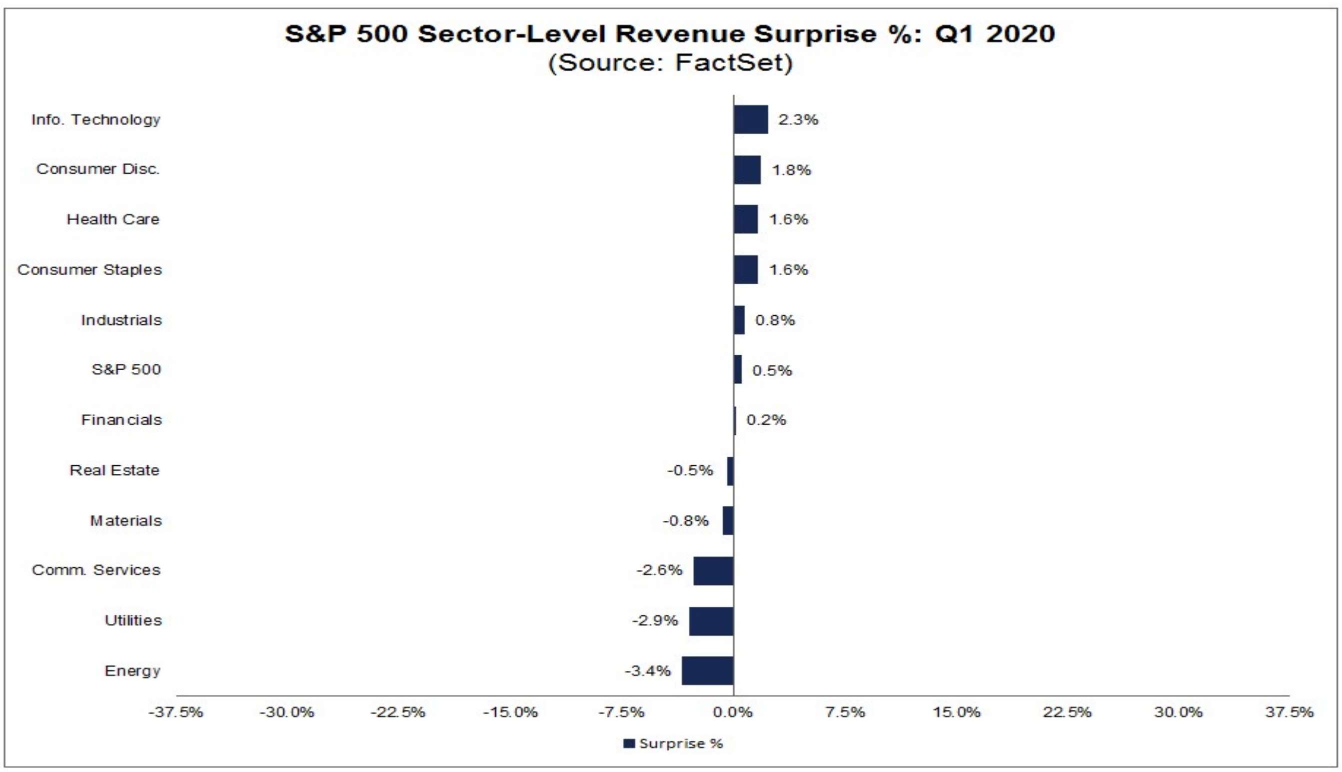
	Utilities	Health Care	Info. Technology	Consumer Staples	Industrials	S&P 500	Consumer Disc.	Comm. Services	Real Estate	Materials	Financials	Energy
Below	0%	10%	13%	25%	20%	34%	42%	50%	0%	50%	59%	40%
In-Line	0%	0%	6%	0%	10%	6%	0%	0%	50%	0%	3%	40%
Above	100%	90%	81%	75%	70%	60%	58%	50%	50%	50%	38%	20%



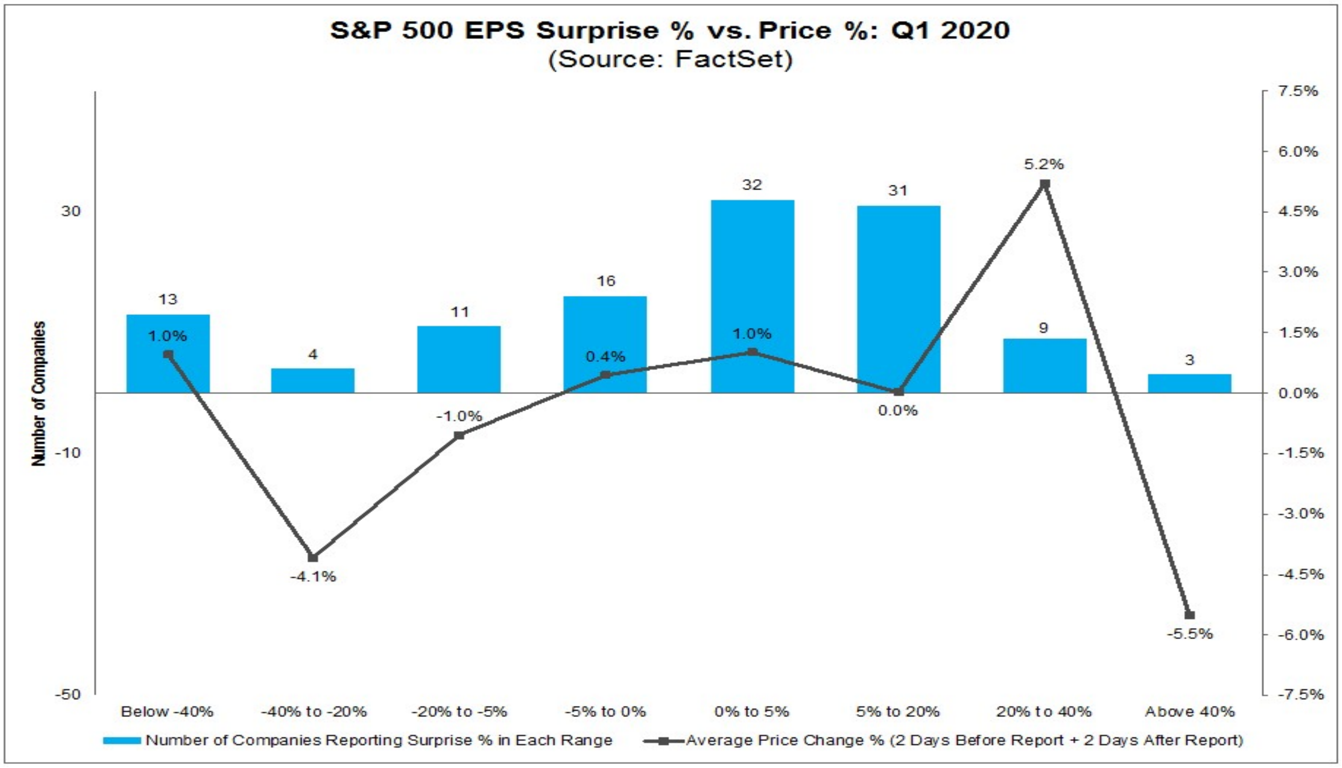
	Health Care	Info. Technology	Industrials	S&P 500	Financials	Consumer Disc.	Materials	Consumer Staples	Real Estate	Comm. Services	Energy	Utilities
Below	10%	19%	40%	40%	41%	42%	50%	50%	50%	75%	80%	100%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	90%	81%	60%	60%	59%	58%	50%	50%	50%	25%	20%	0%

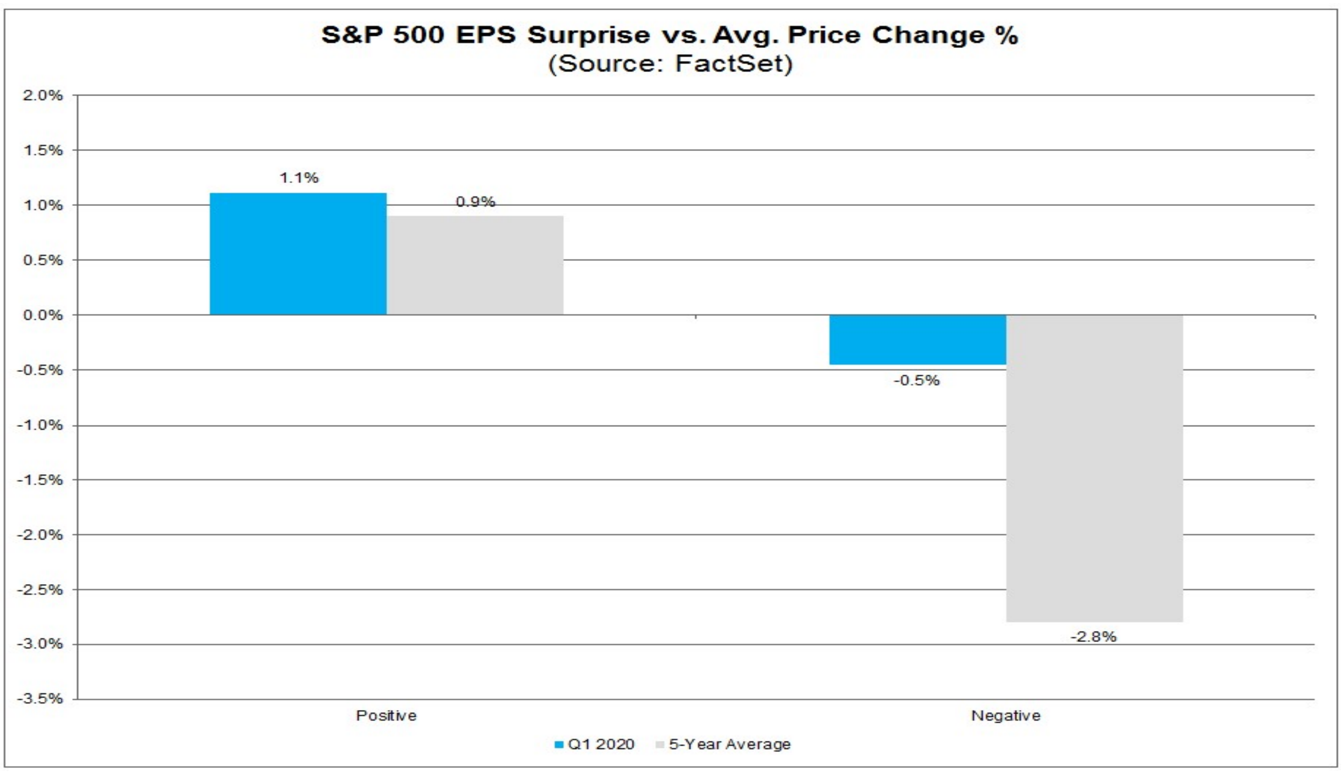
Q1 2020: Scorecard



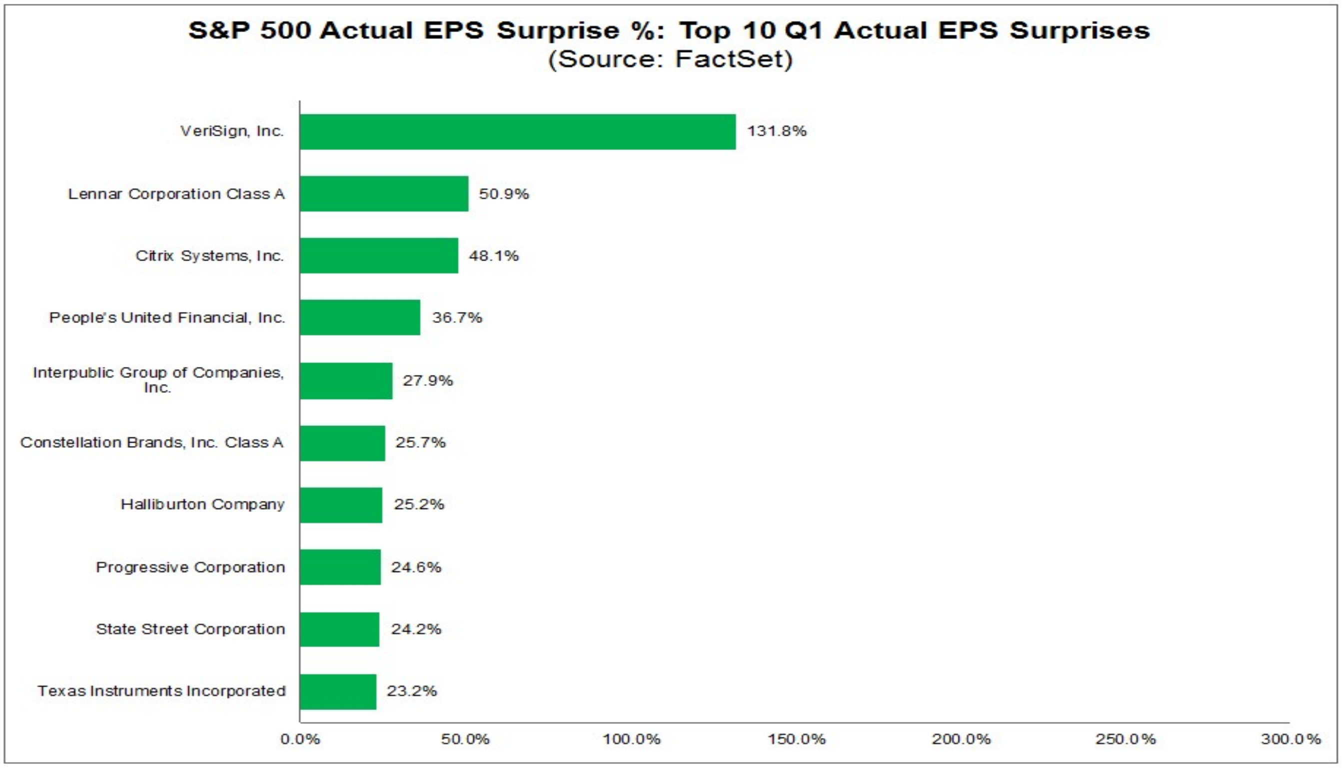


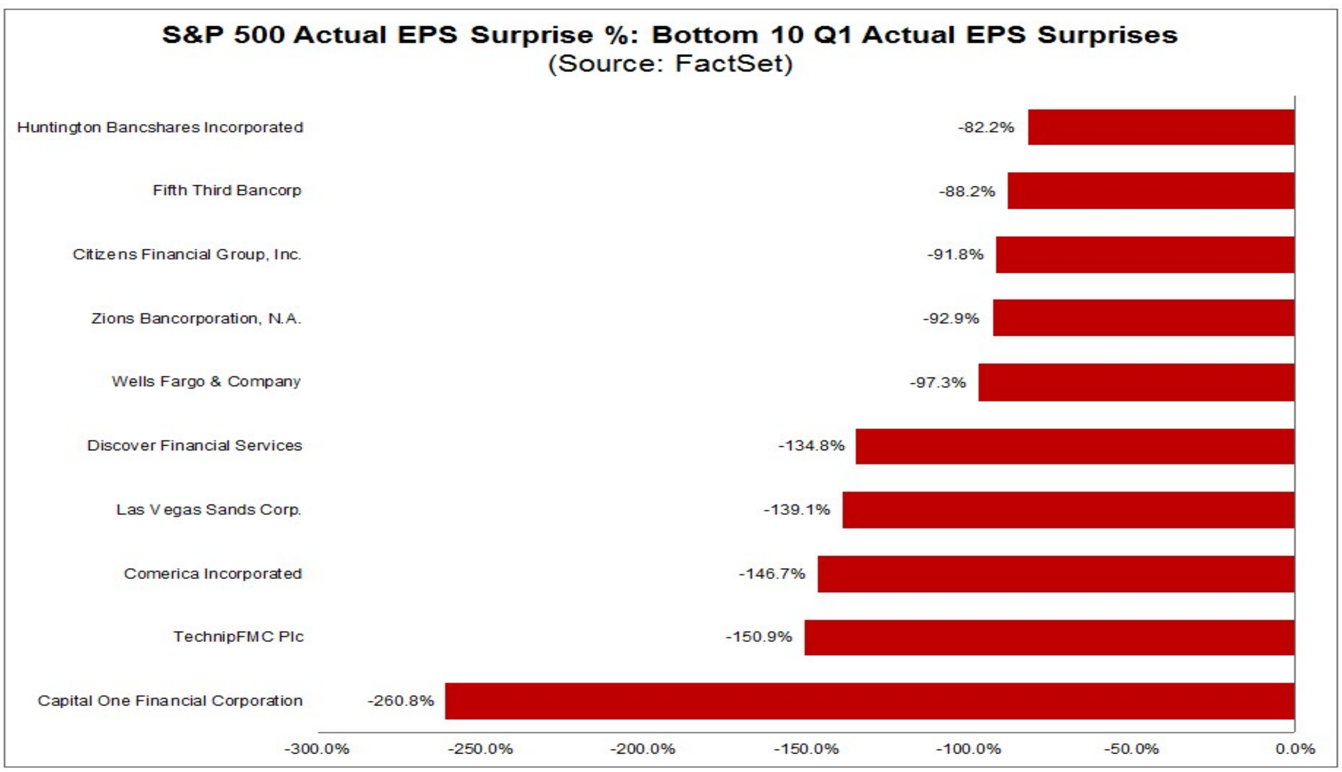
Q1 2020: Scorecard





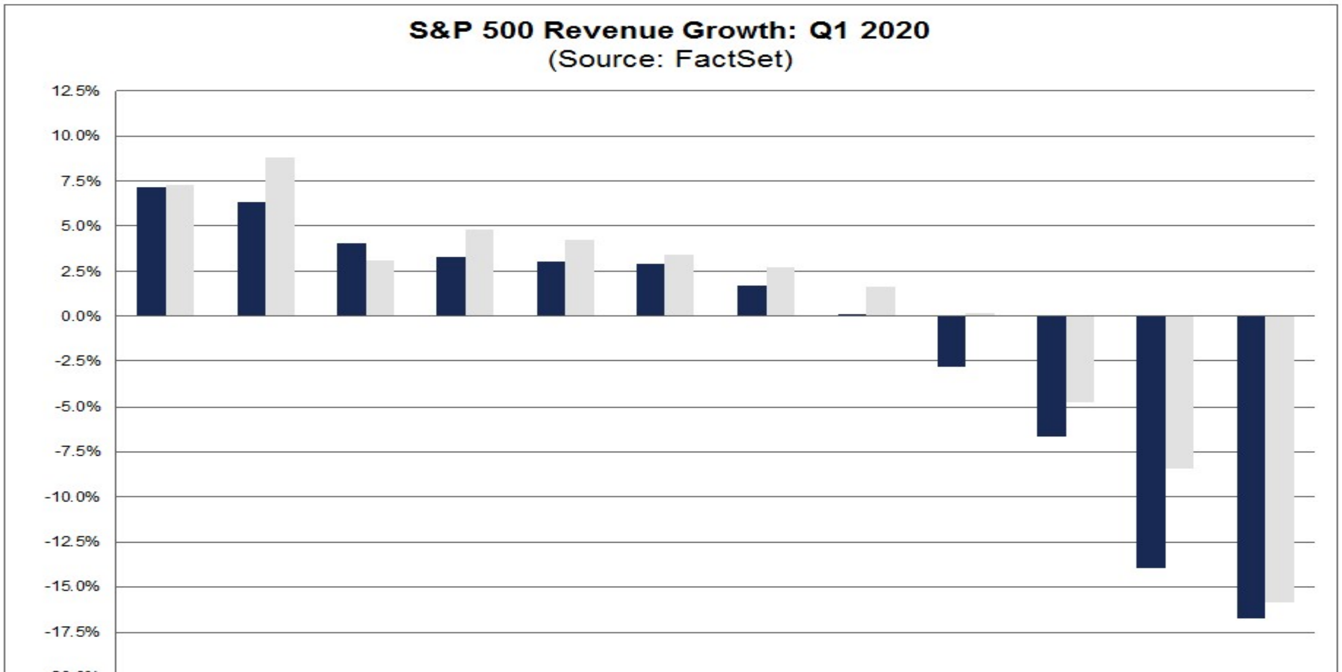
Q1 2020: Scorecard





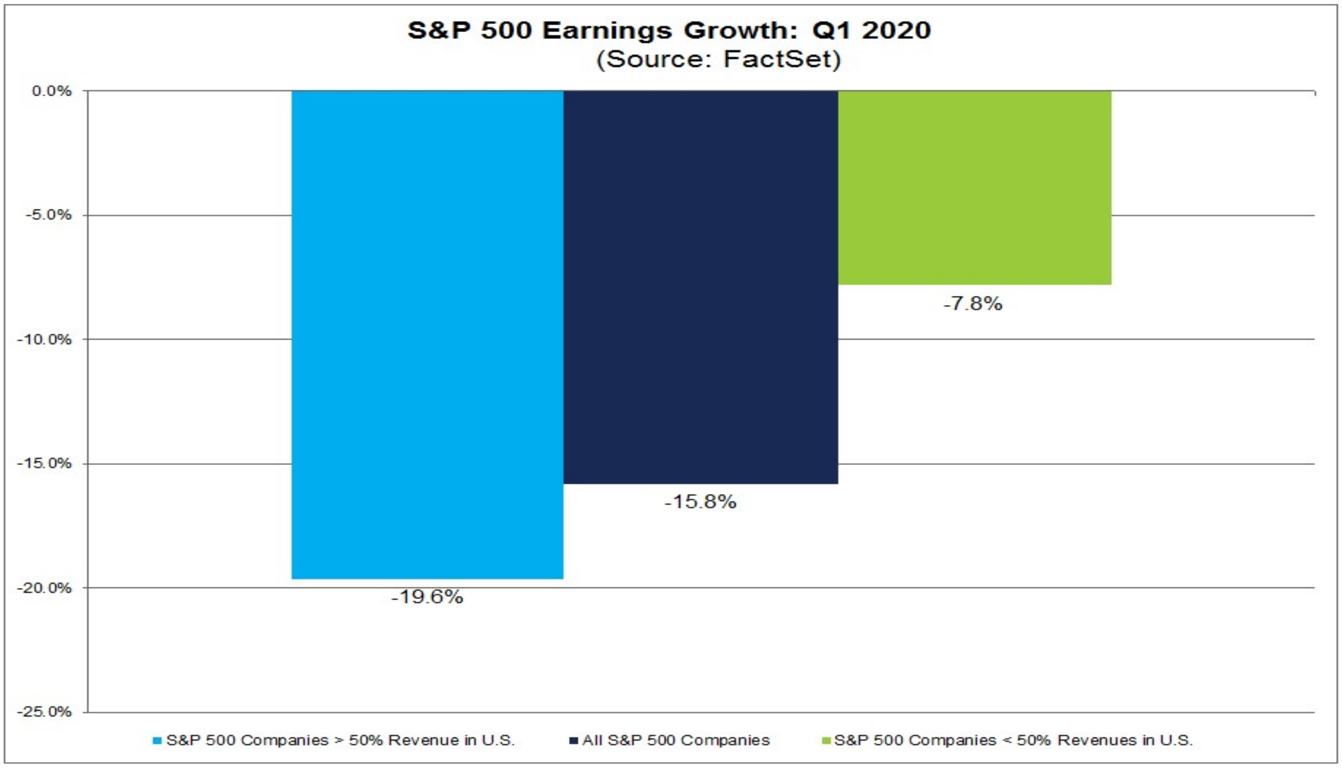
Q1 2020: Growth

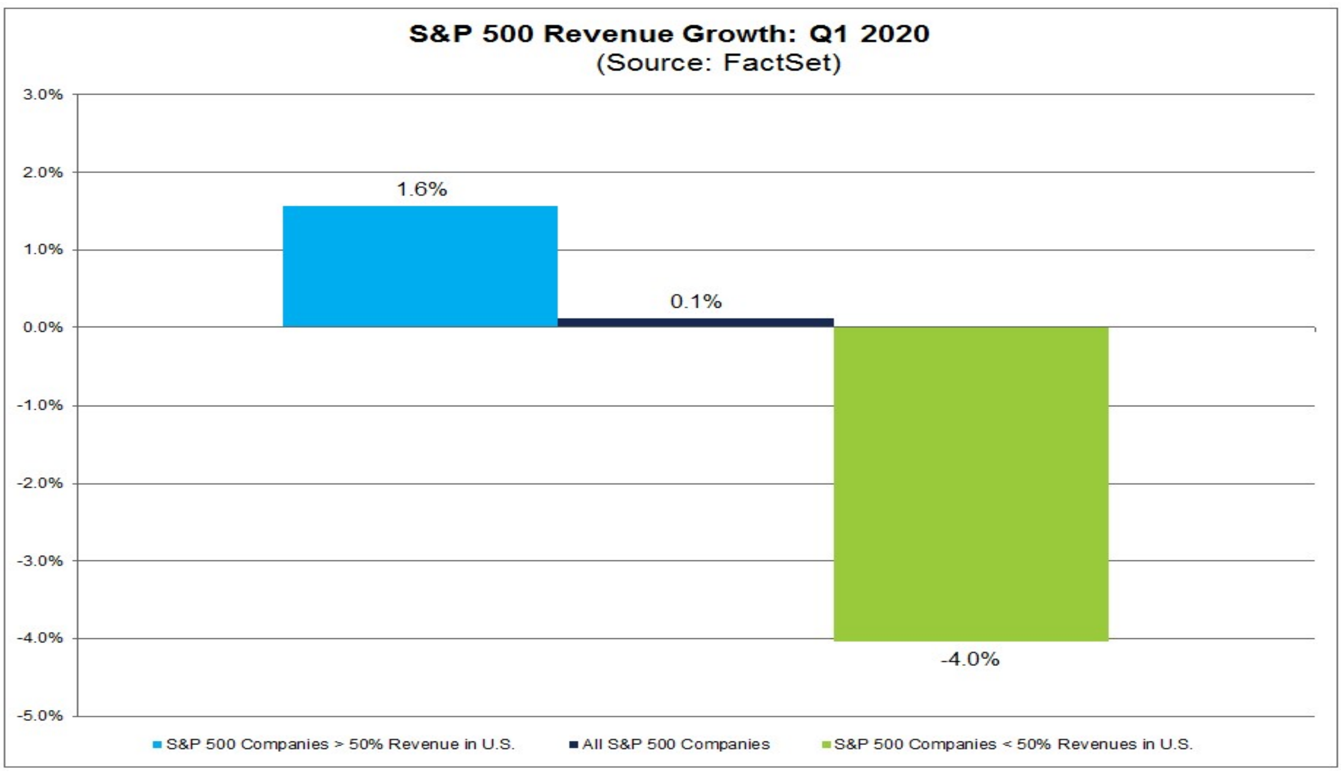
	Comm. Services	Utilities	Consumer Staples	Health Care	Real Estate	Info. Technology	S&P 500	Materials	Industrials	Financials	Consumer Disc.	Energy
Today	5.5%	4.0%	3.6%	2.6%	2.3%	0.8%	-15.8%	-24.9%	-31.0%	-41.9%	-42.1%	-66.6%
31-Mar	9.4%	4.8%	-1.5%	2.1%	3.1%	1.5%	-6.8%	-21.3%	-27.3%	-8.8%	-29.0%	-40.3%



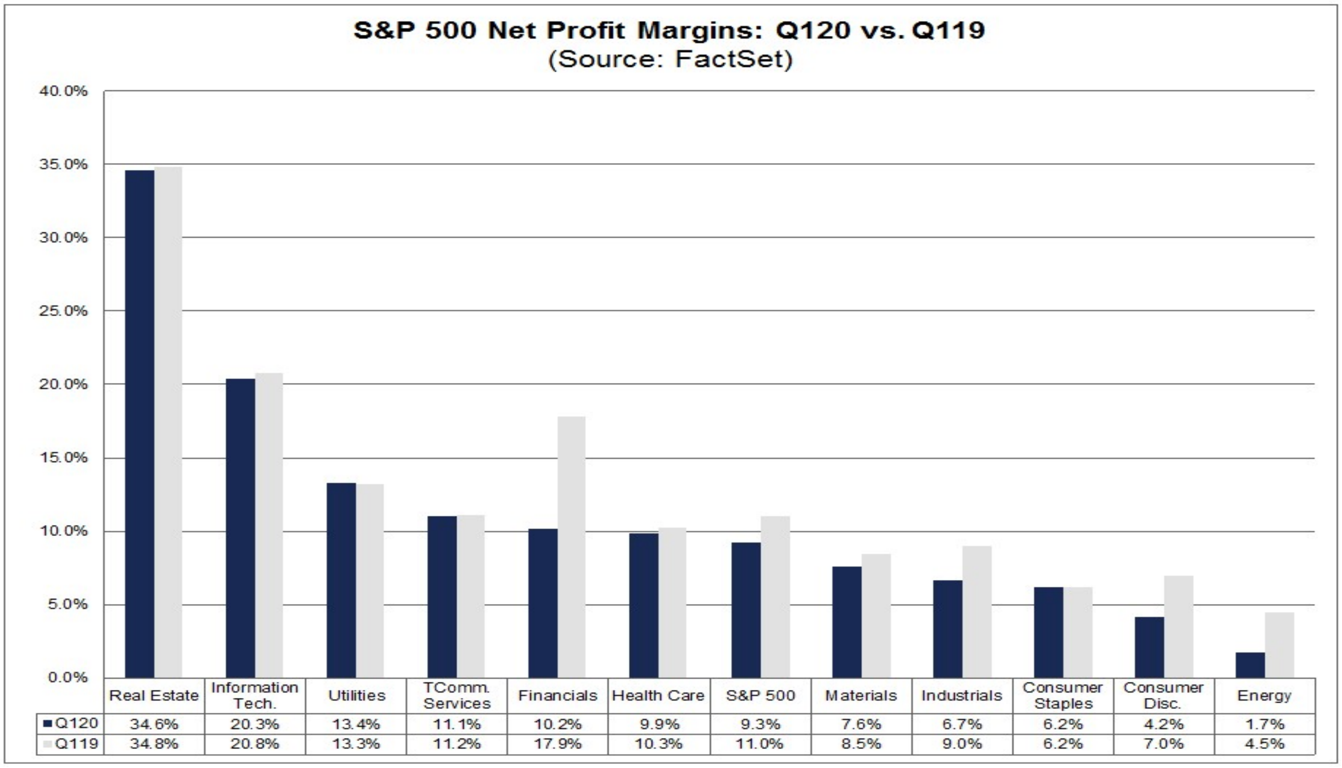
	Health Care	Comm. Services	Consumer Staples	Utilities	Info. Technology	Real Estate	Financials	S&P 500	Consumer Disc.	Industrials	Energy	Materials
Today	7.2%	6.3%	4.1%	3.3%	3.0%	2.9%	1.7%	0.1%	-2.8%	-6.7%	-14.0%	-16.8%
31-Mar	7.3%	8.8%	3.1%	4.8%	4.2%	3.4%	2.7%	1.6%	0.2%	-4.7%	-8.4%	-15.9%

Q1 2020: Growth

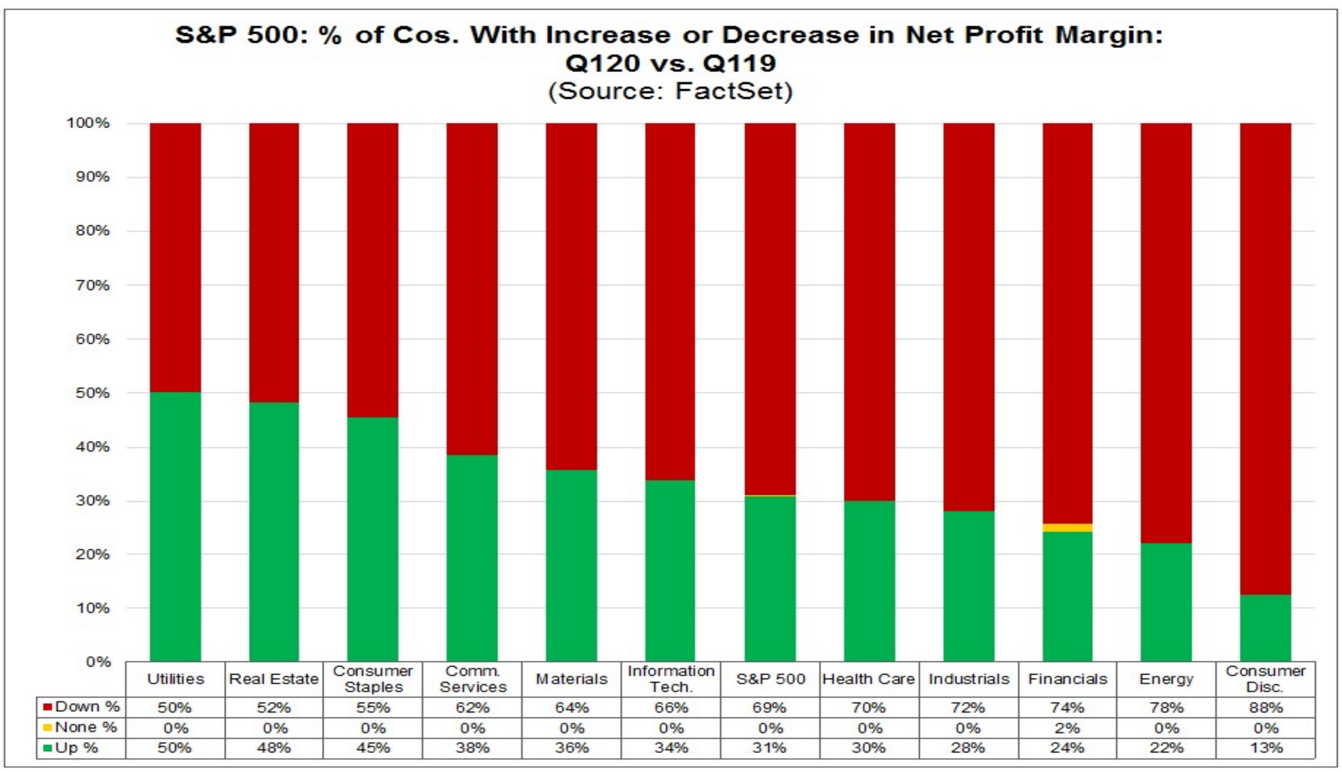




Q1 2020: Net Profit Margin

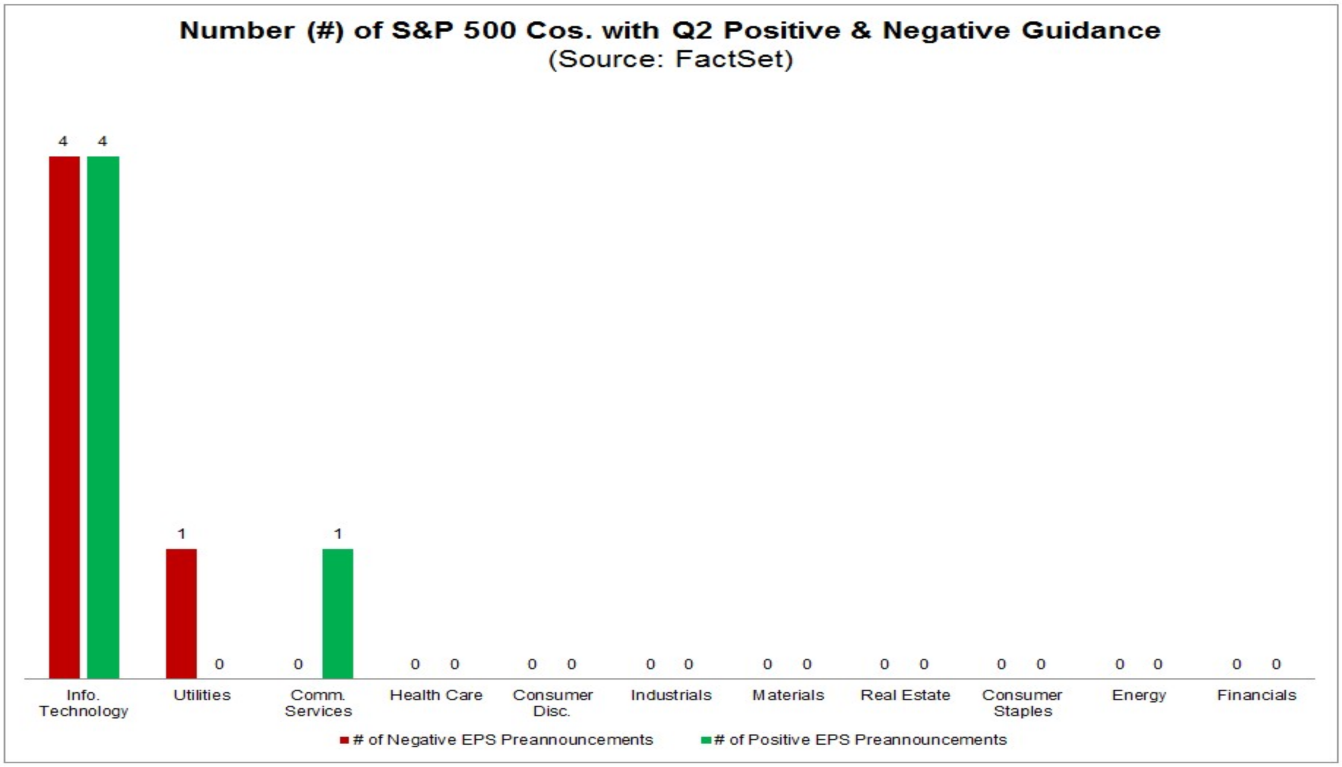


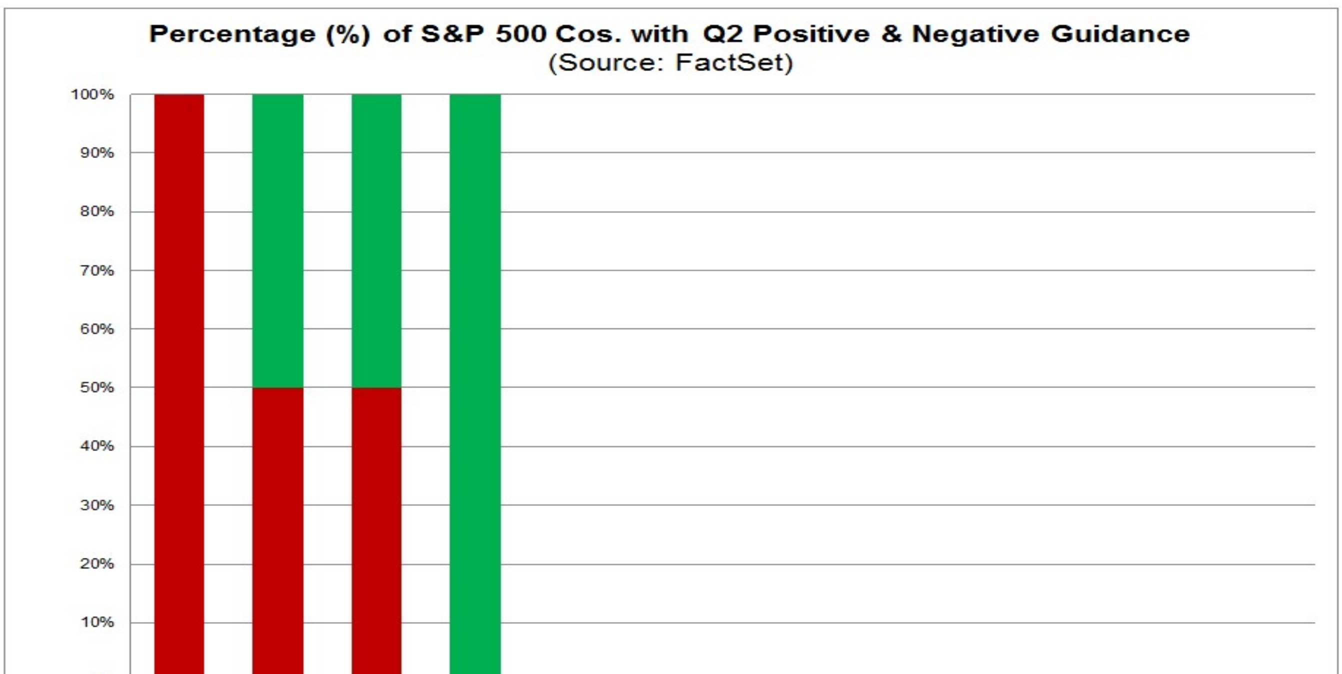
	Real Estate	Information Tech.	Utilities	TComm. Services	Financials	Health Care	S&P 500	Materials	Industrials	Consumer Staples	Consumer Disc.	Energy
Q120	34.6%	20.3%	13.4%	11.1%	10.2%	9.9%	9.3%	7.6%	6.7%	6.2%	4.2%	1.7%
Q119	34.8%	20.8%	13.3%	11.2%	17.9%	10.3%	11.0%	8.5%	9.0%	6.2%	7.0%	4.5%



	Utilities	Real Estate	Consumer Staples	Comm. Services	Materials	Information Tech.	S&P 500	Health Care	Industrials	Financials	Energy	Consumer Disc.
Down %	50%	52%	55%	62%	64%	66%	69%	70%	72%	74%	78%	88%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%
Up %	50%	48%	45%	38%	36%	34%	31%	30%	28%	24%	22%	13%

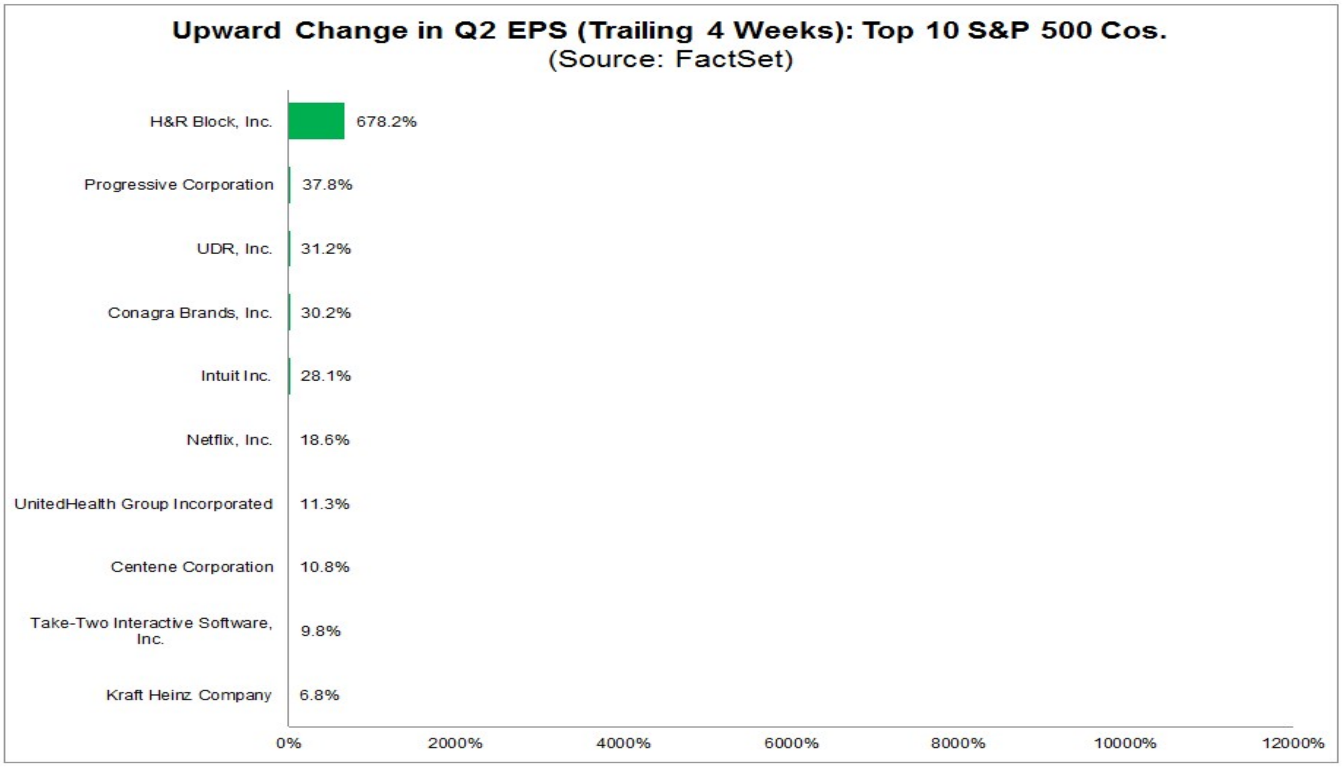
Q2 2020: EPS Guidance

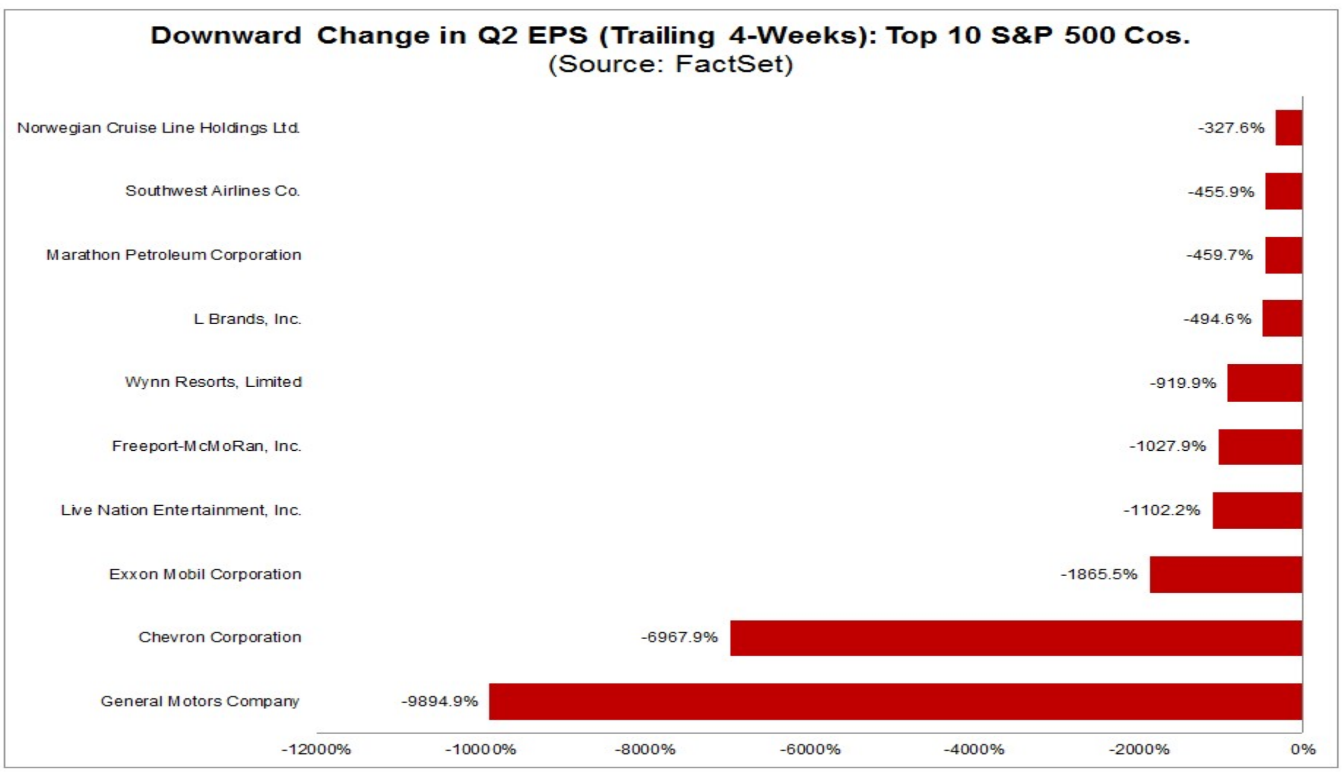




	Utilities	S&P 500	Info. Technology	Comm. Services	Consumer Staples	Consumer Disc.	Industrials	Health Care	Real Estate	Materials	Energy	Financials
Positive	0%	50%	50%	100%	0%	0%	0%	0%	0%	0%	0%	0%
Negative	100%	50%	50%	0%	0%	0%	0%	0%	0%	0%	0%	0%

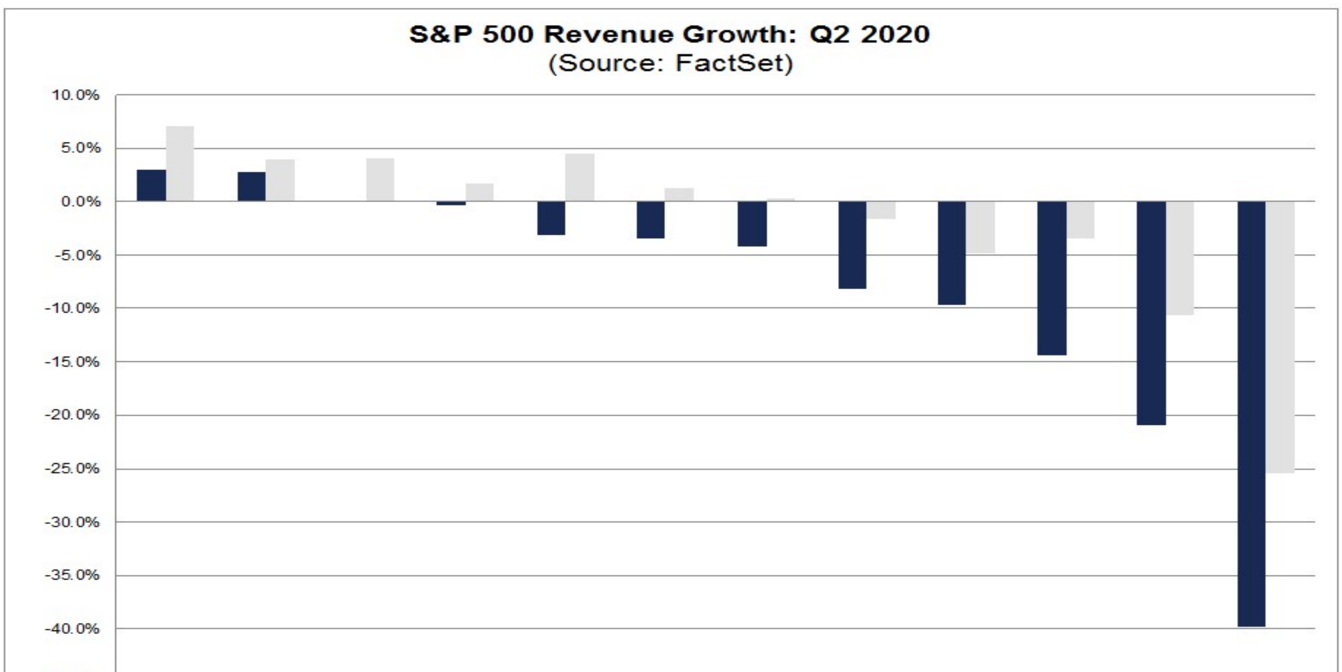
Q2 2020: EPS Revisions





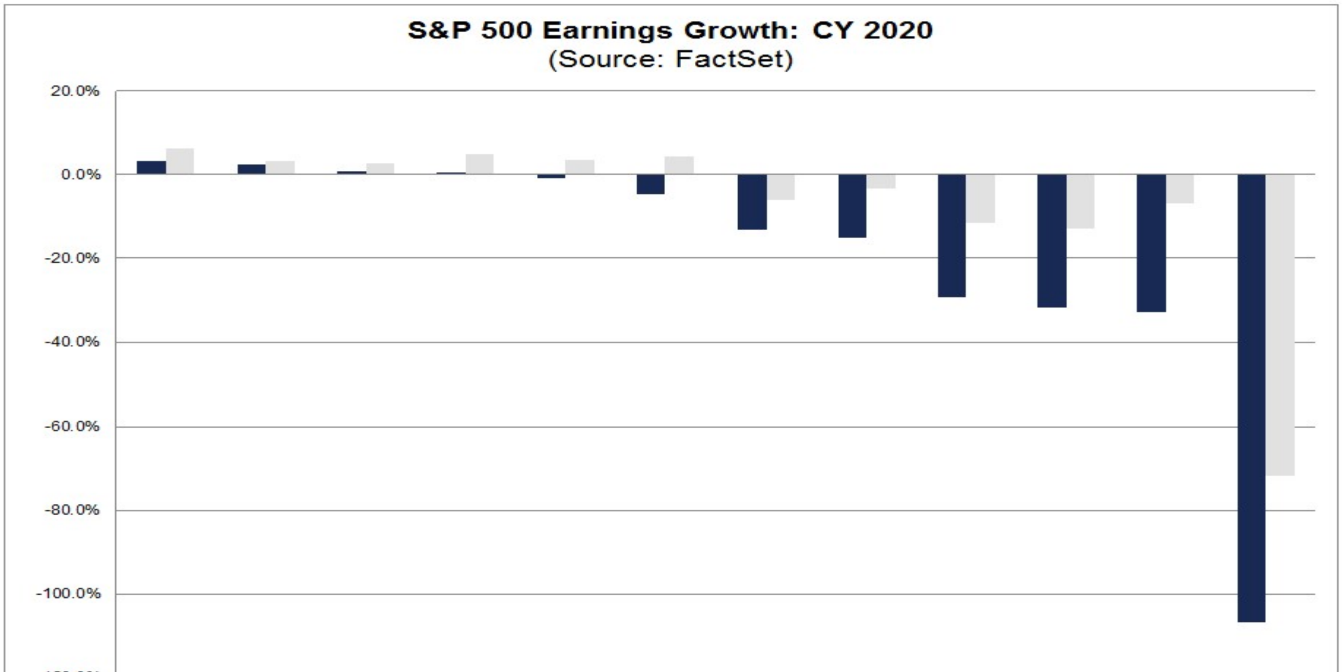
Q2 2020: Growth

	Utilities	Real Estate	Info. Technology	Consumer Staples	Health Care	Comm. Services	Materials	S&P 500	Financials	Industrials	Consumer Disc.	Energy
Today	4.5%	-3.9%	-5.4%	-8.1%	-10.9%	-17.3%	-24.3%	-31.9%	-42.7%	-64.7%	-70.7%	-139.9%
31-Mar	6.5%	2.7%	1.5%	-0.2%	0.5%	-2.3%	-11.4%	-13.4%	-13.8%	-33.3%	-38.3%	-101.0%

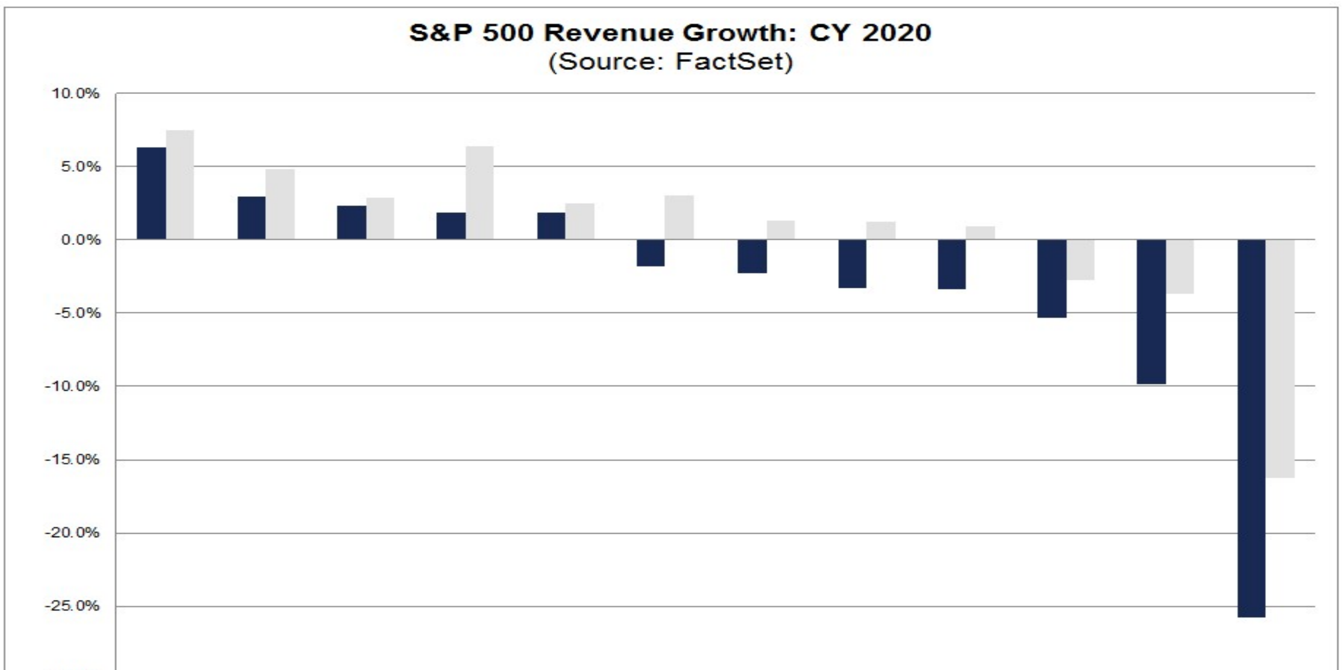


	Health Care	Utilities	Info. Technology	Consumer Staples	Comm. Services	Real Estate	Financials	S&P 500	Materials	Consumer Disc.	Industrials	Energy
Today	3.0%	2.8%	0.1%	-0.4%	-3.1%	-3.5%	-4.2%	-8.2%	-9.7%	-14.4%	-20.9%	-39.8%
31-Mar	7.1%	3.9%	4.0%	1.7%	4.5%	1.2%	0.3%	-1.6%	-4.8%	-3.5%	-10.7%	-25.4%

CY 2020: Growth

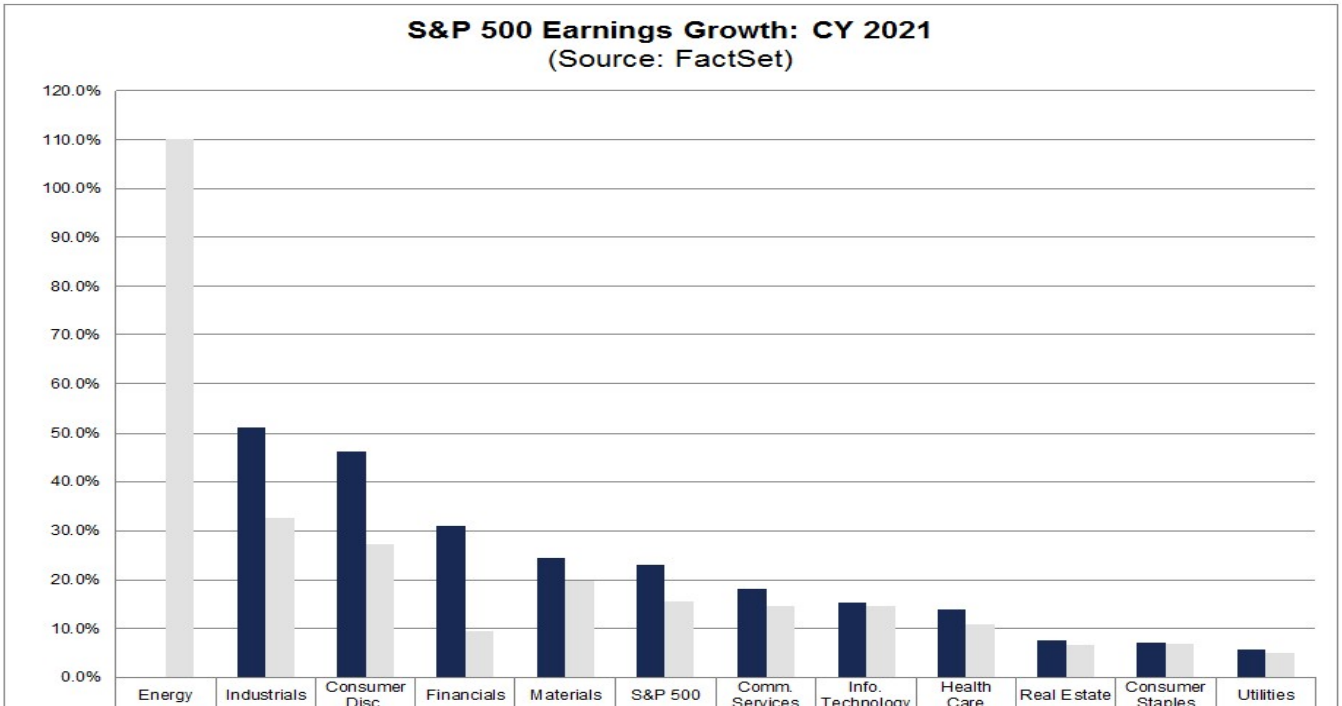


	Info. Technology	Utilities	Consumer Staples	Health Care	Real Estate	Comm. Services	Materials	S&P 500	Consumer Disc.	Industrials	Financials	Energy
Today	3.2%	2.5%	0.7%	0.4%	-0.9%	-4.6%	-13.2%	-15.2%	-29.4%	-31.8%	-32.8%	-106.6%
31-Mar	6.2%	3.3%	2.8%	4.9%	3.4%	4.2%	-6.1%	-3.4%	-11.5%	-12.8%	-6.9%	-71.9%

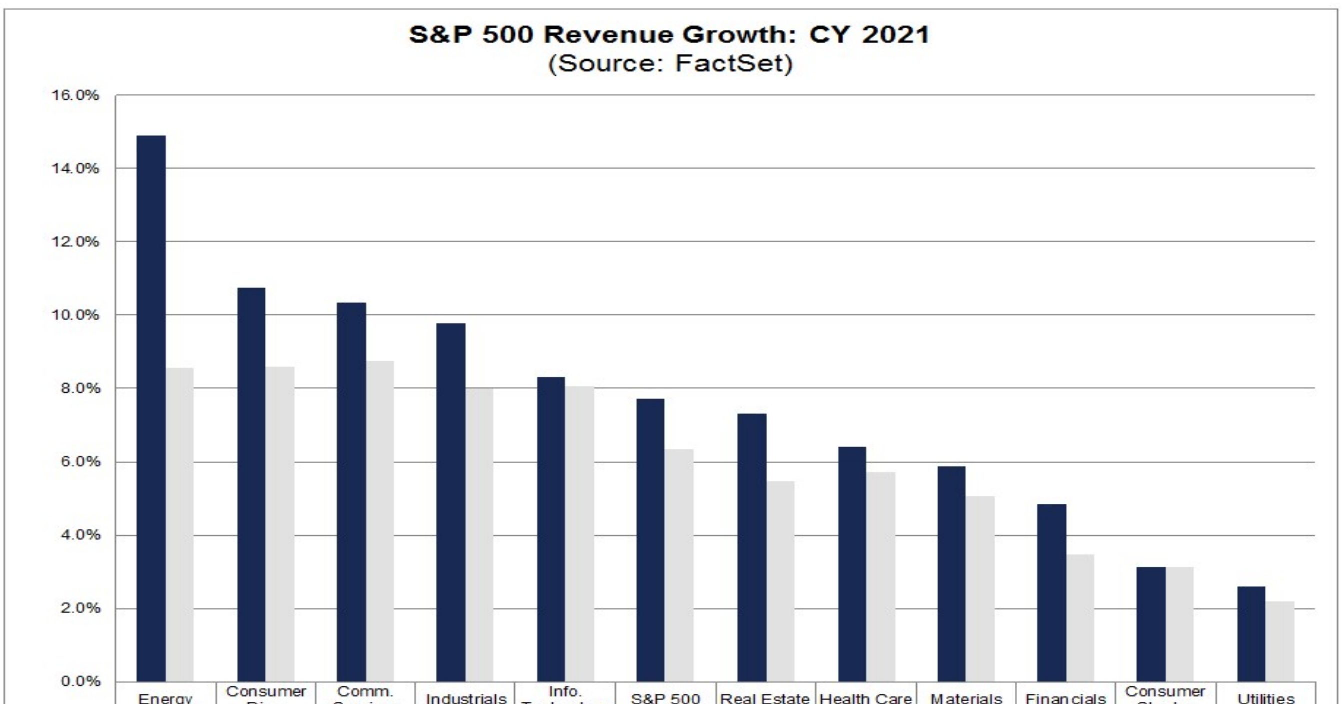


	Health Care	Info. Technology	Consumer Staples	Comm. Services	Utilities	Real Estate	S&P 500	Financials	Consumer Disc.	Materials	Industrials	Energy
Today	6.3%	3.0%	2.3%	1.8%	1.8%	-1.8%	-2.3%	-3.3%	-3.4%	-5.4%	-9.9%	-25.8%
31-Mar	7.5%	4.8%	2.9%	6.3%	2.5%	3.0%	1.3%	1.2%	0.9%	-2.8%	-3.7%	-16.2%

CY 2021: Growth

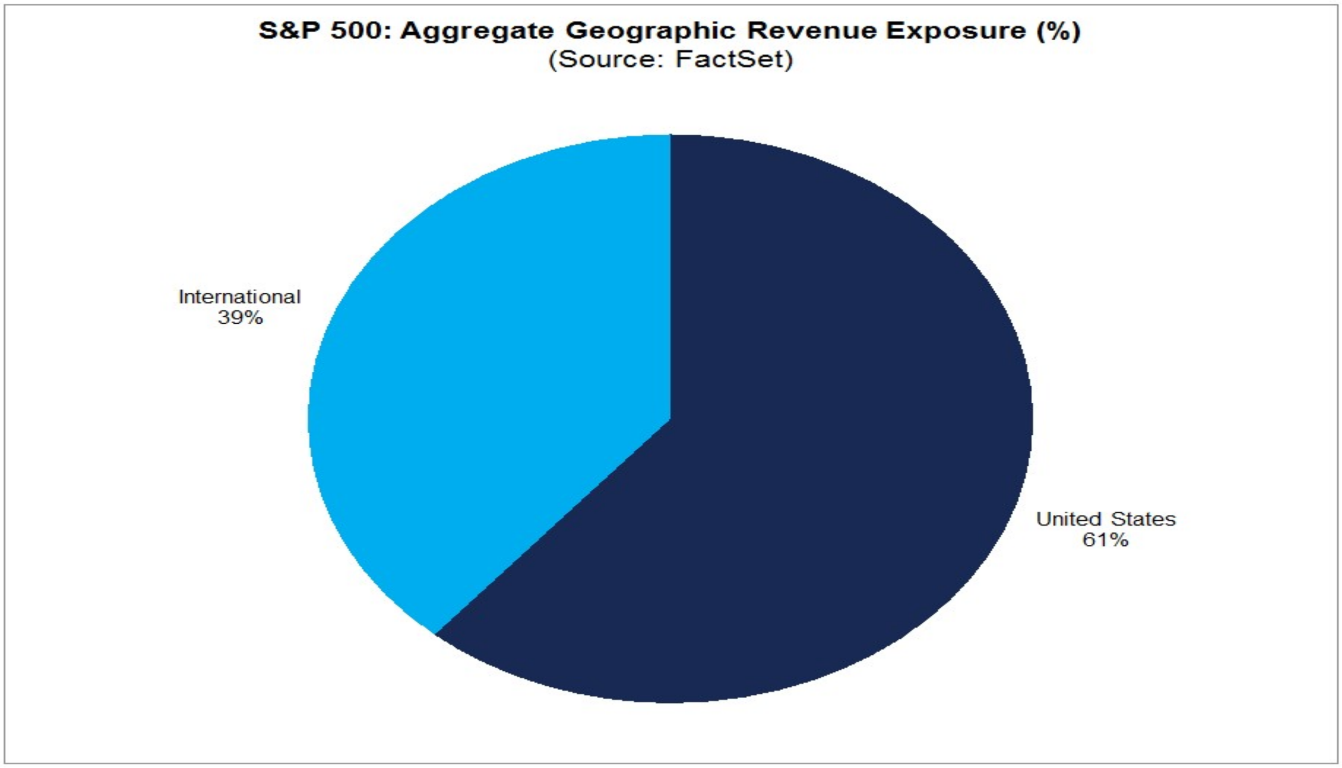


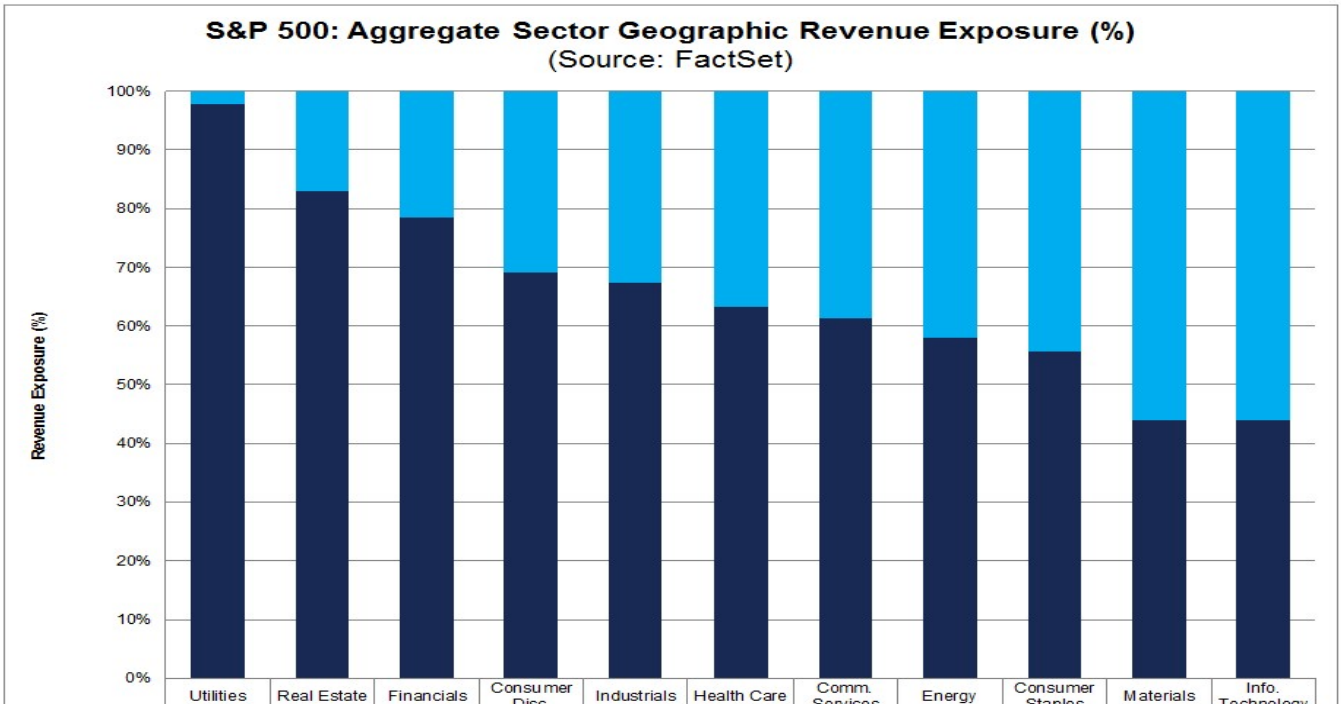
	Energy	Industrials	Consumer Disc.	Financials	Materials	S&P 500	Comm. Services	Info. Technology	Health Care	Real Estate	Consumer Staples	Utilities
Today		51.1%	46.4%	31.1%	24.6%	23.2%	18.1%	15.3%	13.9%	7.6%	7.1%	5.7%
31-Mar	110.0%	32.8%	27.3%	9.4%	19.8%	15.5%	14.6%	14.7%	10.9%	6.8%	6.8%	5.0%



	Energy	Consumer Disc.	Comm. Services	Industrials	Info. Technology	S&P 500	Real Estate	Health Care	Materials	Financials	Consumer Staples	Utilities
Today	14.9%	10.7%	10.3%	9.8%	8.3%	7.7%	7.3%	6.4%	5.9%	4.9%	3.1%	2.6%
31-Mar	8.5%	8.6%	8.7%	8.0%	8.0%	6.4%	5.5%	5.7%	5.1%	3.5%	3.1%	2.2%

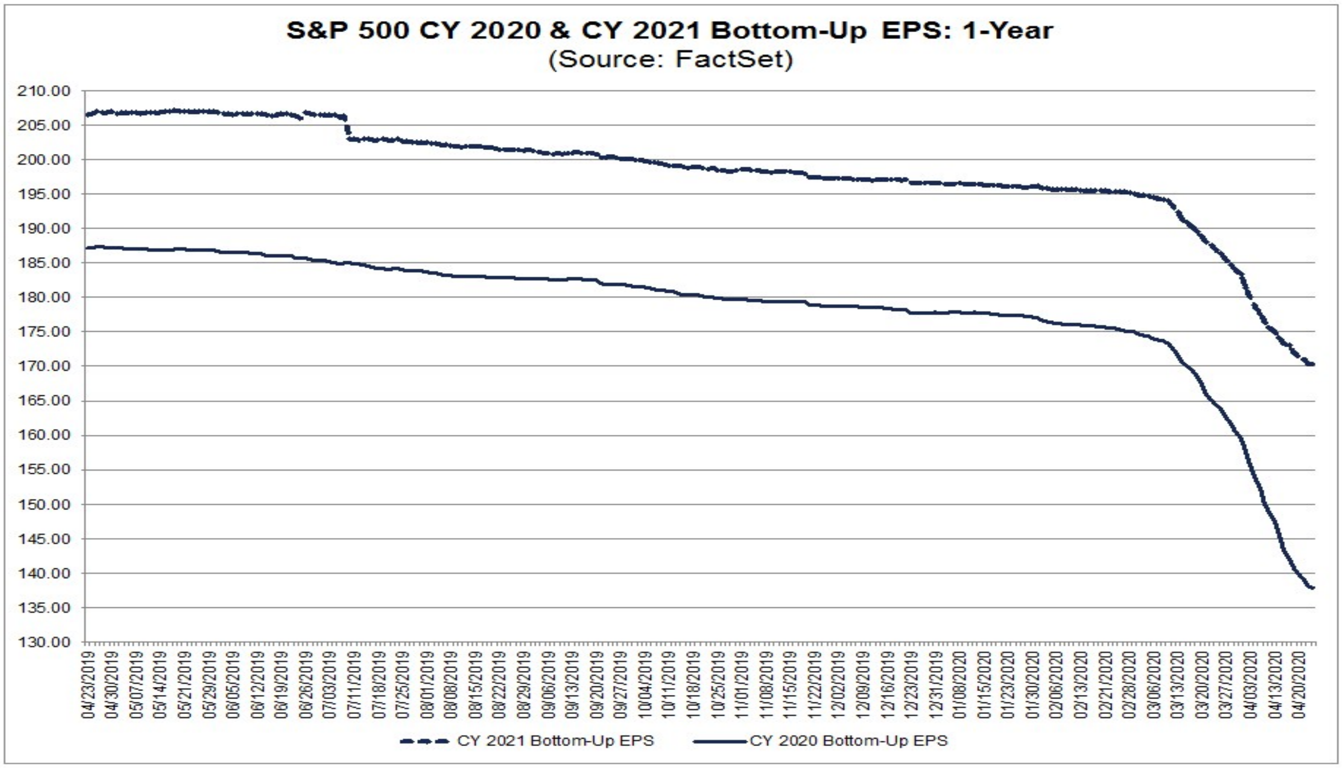
Geographic Revenue Exposure

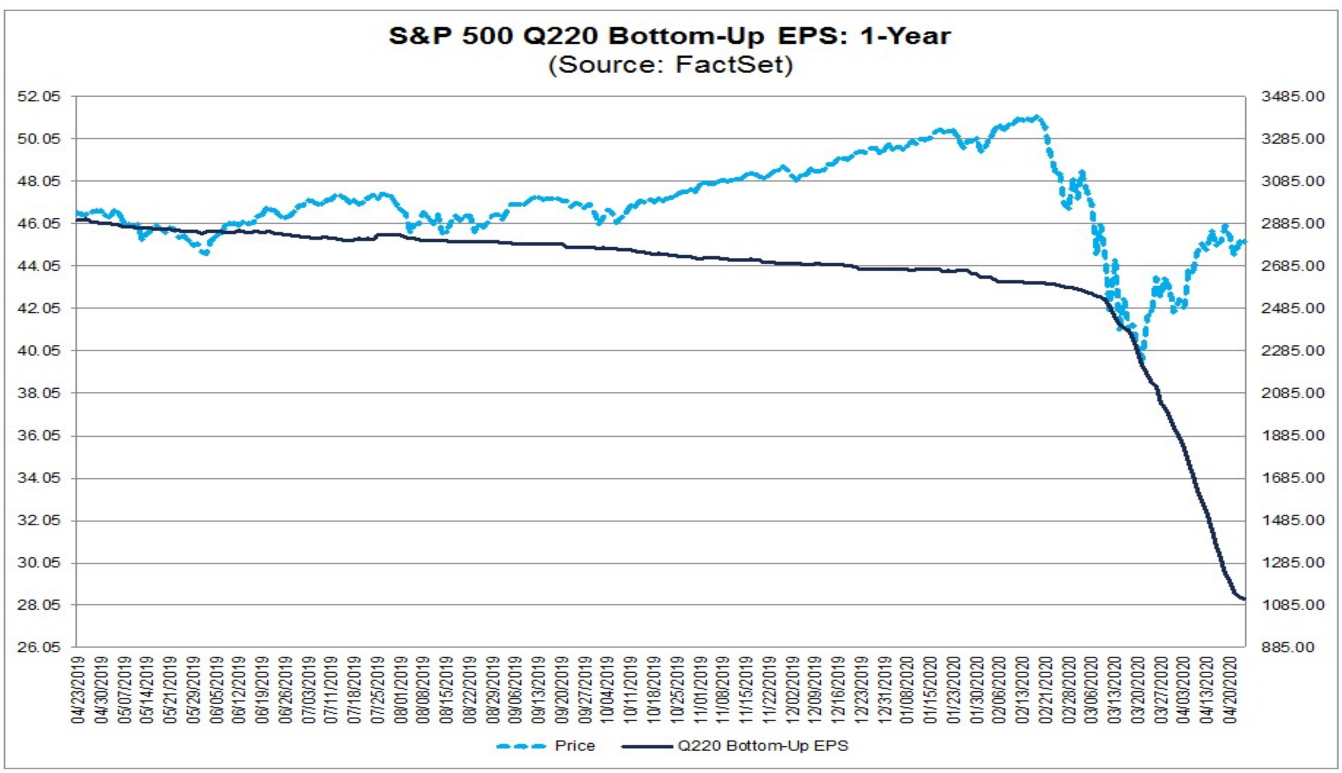




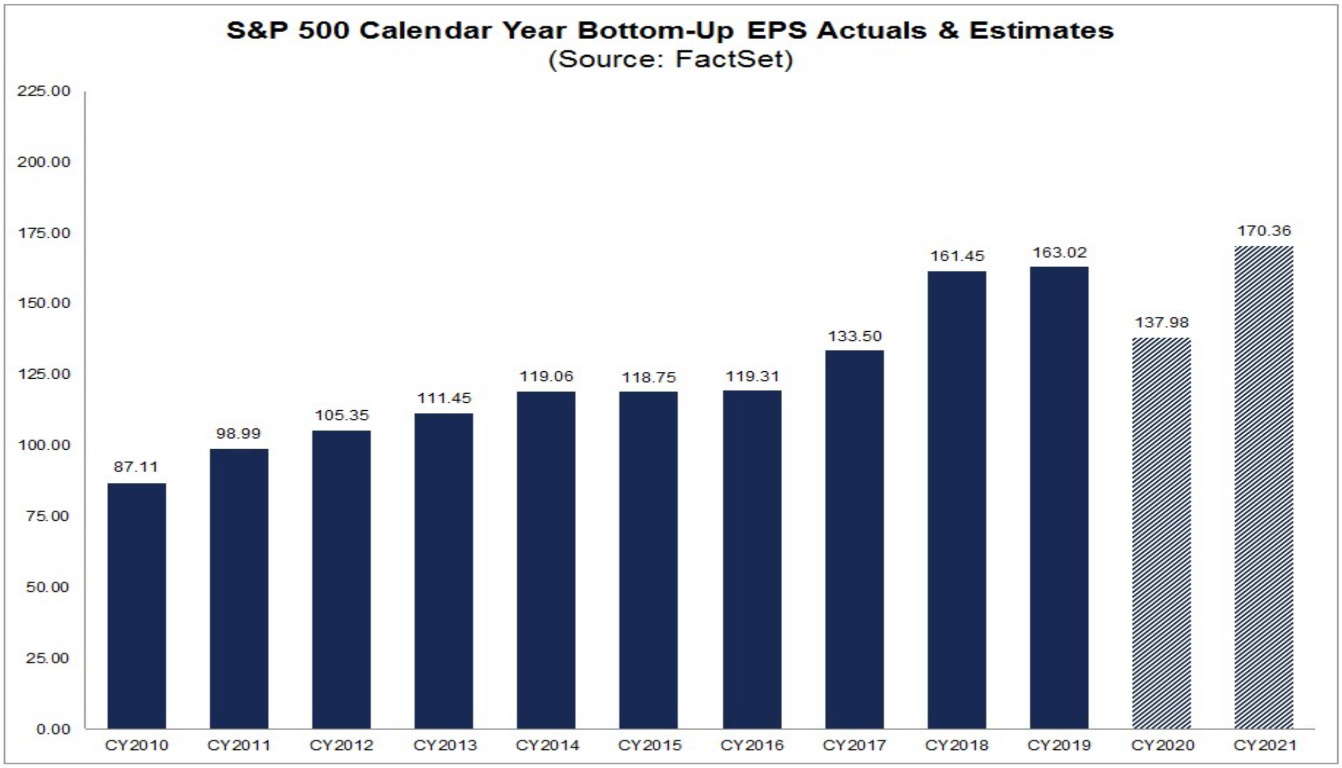
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Comm. Services	Energy	Consumer Staples	Materials	Info. Technology
International	2%	17%	22%	31%	33%	37%	39%	42%	44%	56%	56%
United States	98%	83%	78%	69%	67%	63%	61%	58%	56%	44%	44%

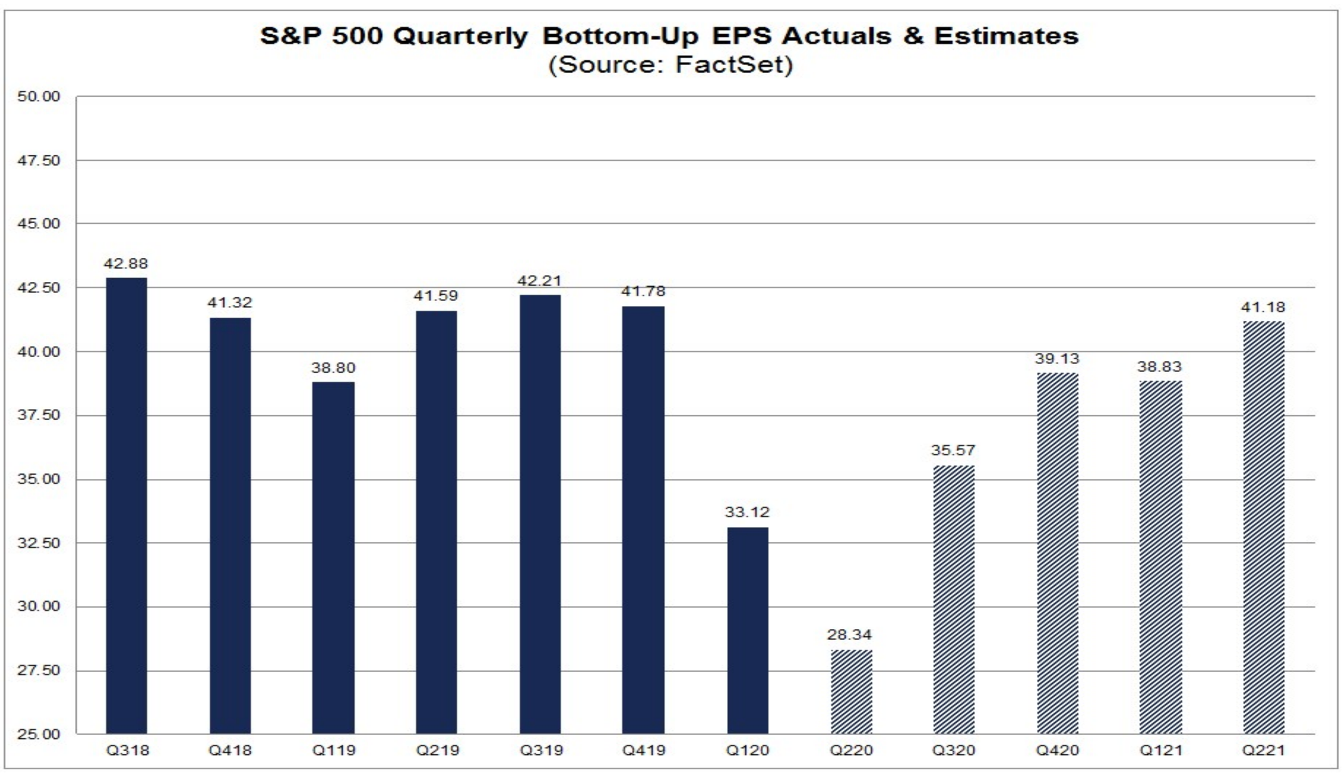
Bottom-up EPS Estimates: Revisions



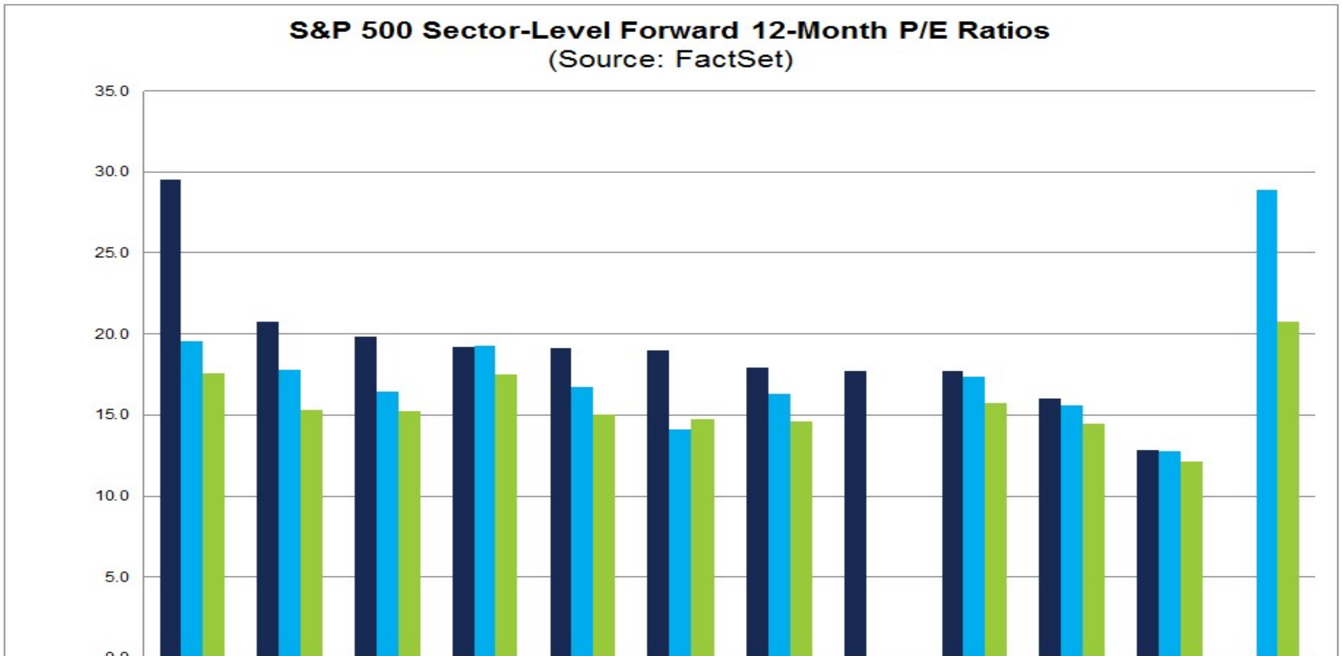


Bottom-up EPS Estimates: Current & Historical

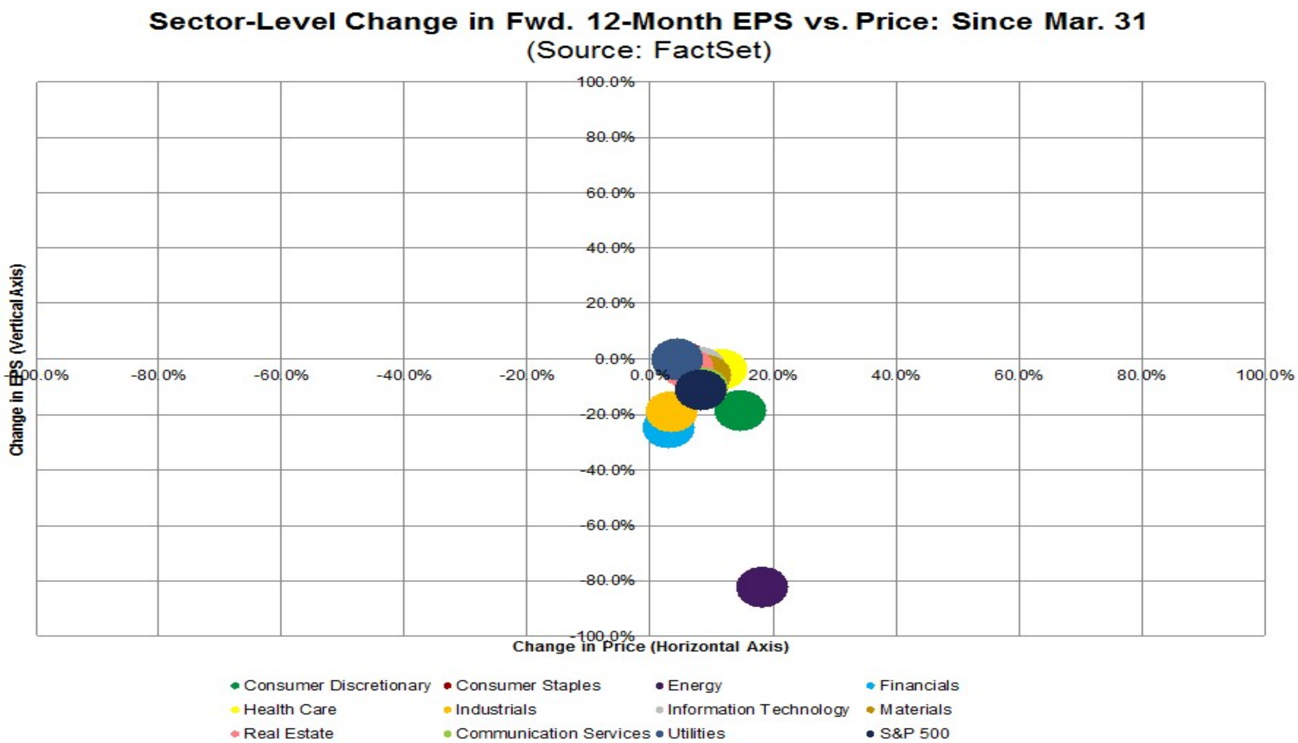




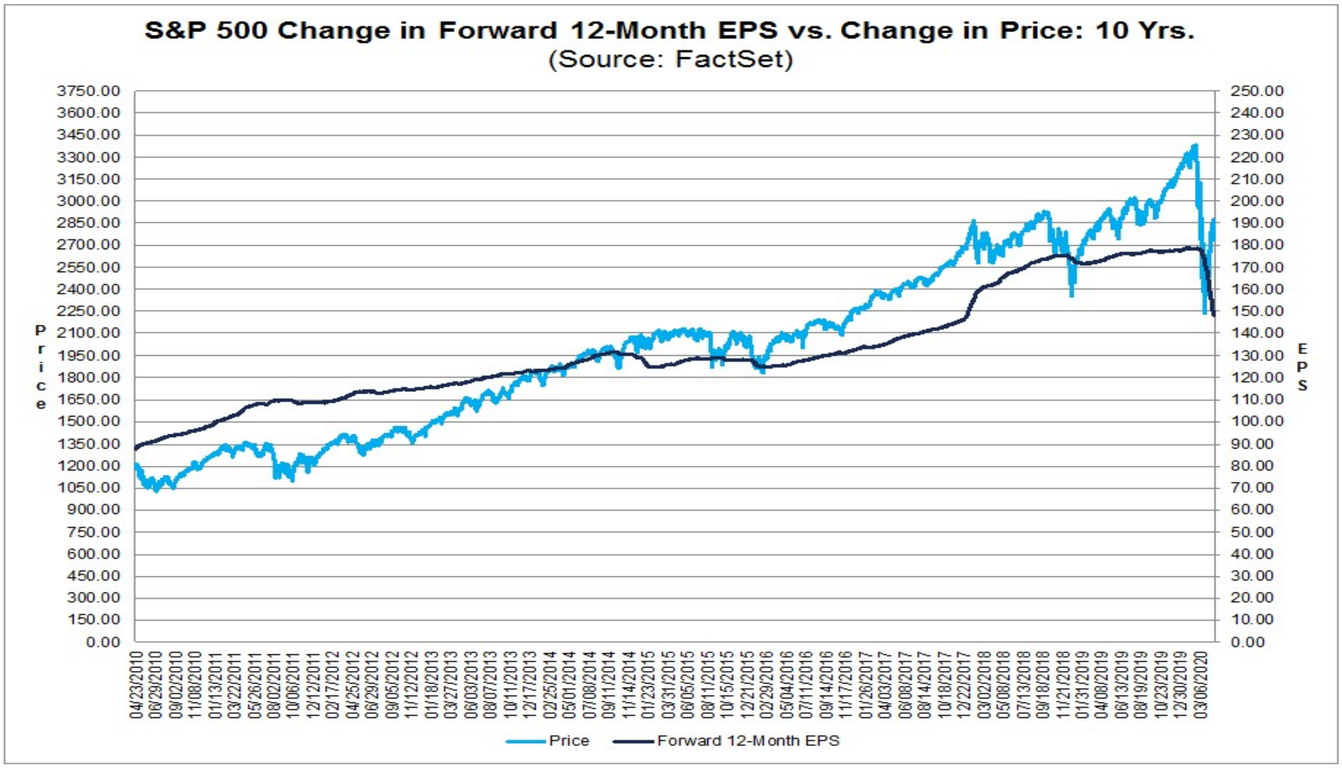
Forward 12M P/E Ratio: Sector Level

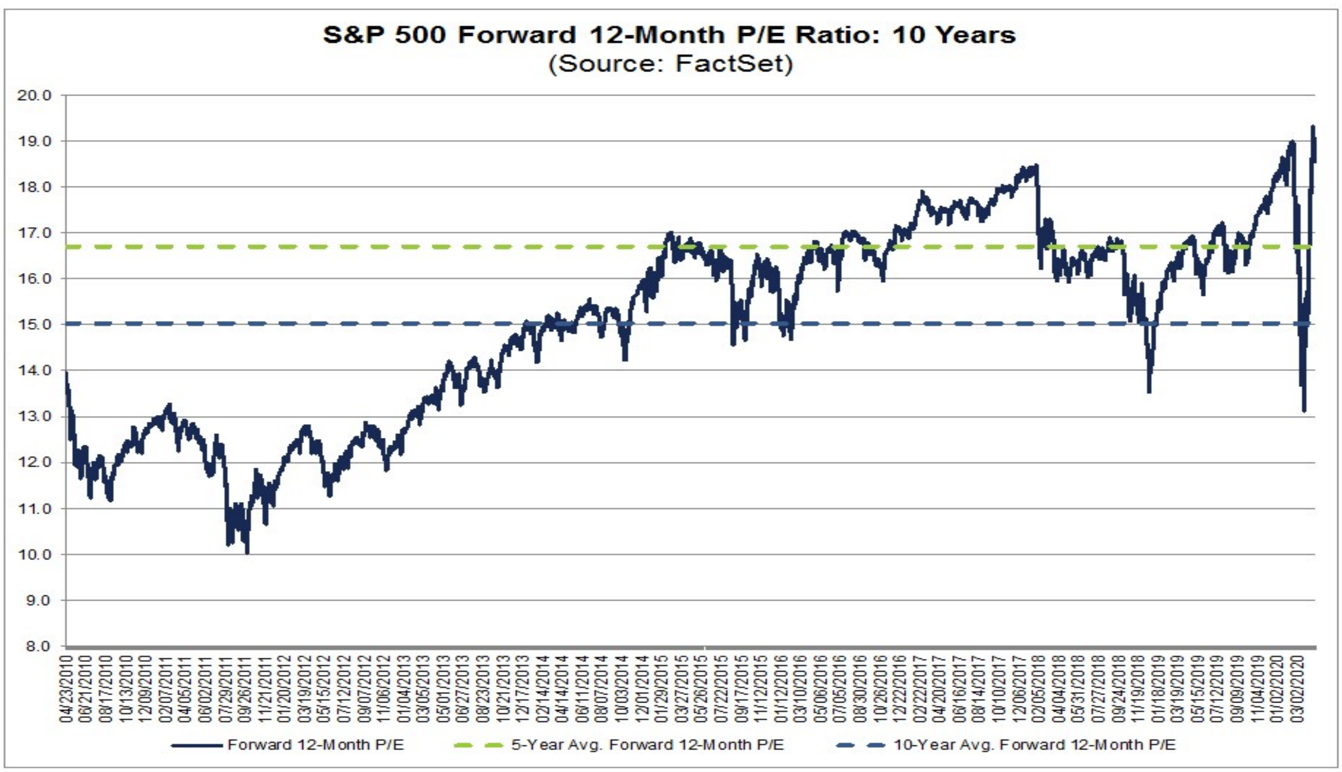


	Consumer Disc.	Info. Technology	Industrials	Consumer Staples	S&P 500	Comm. Services	Materials	Real Estate	Utilities	Health Care	Financials	Energy
Fwd P/E	29.5	20.8	19.8	19.2	19.1	18.9	17.9	17.7	17.7	16.1	12.8	
5-Yr Avg.	19.6	17.7	16.4	19.2	16.7	14.1	16.3		17.4	15.6	12.8	28.9
10-Yr Avg.	17.5	15.3	15.2	17.5	15.0	14.8	14.7		15.8	14.5	12.2	20.8

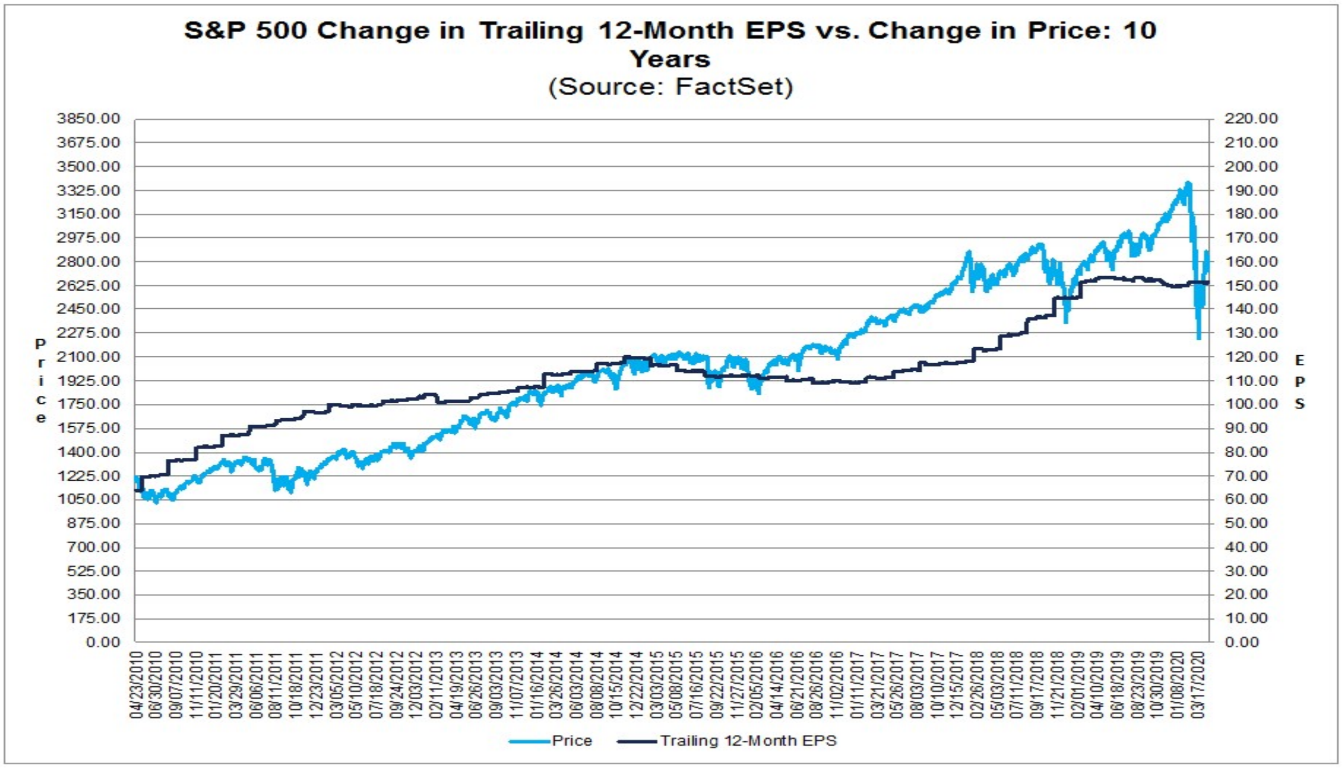


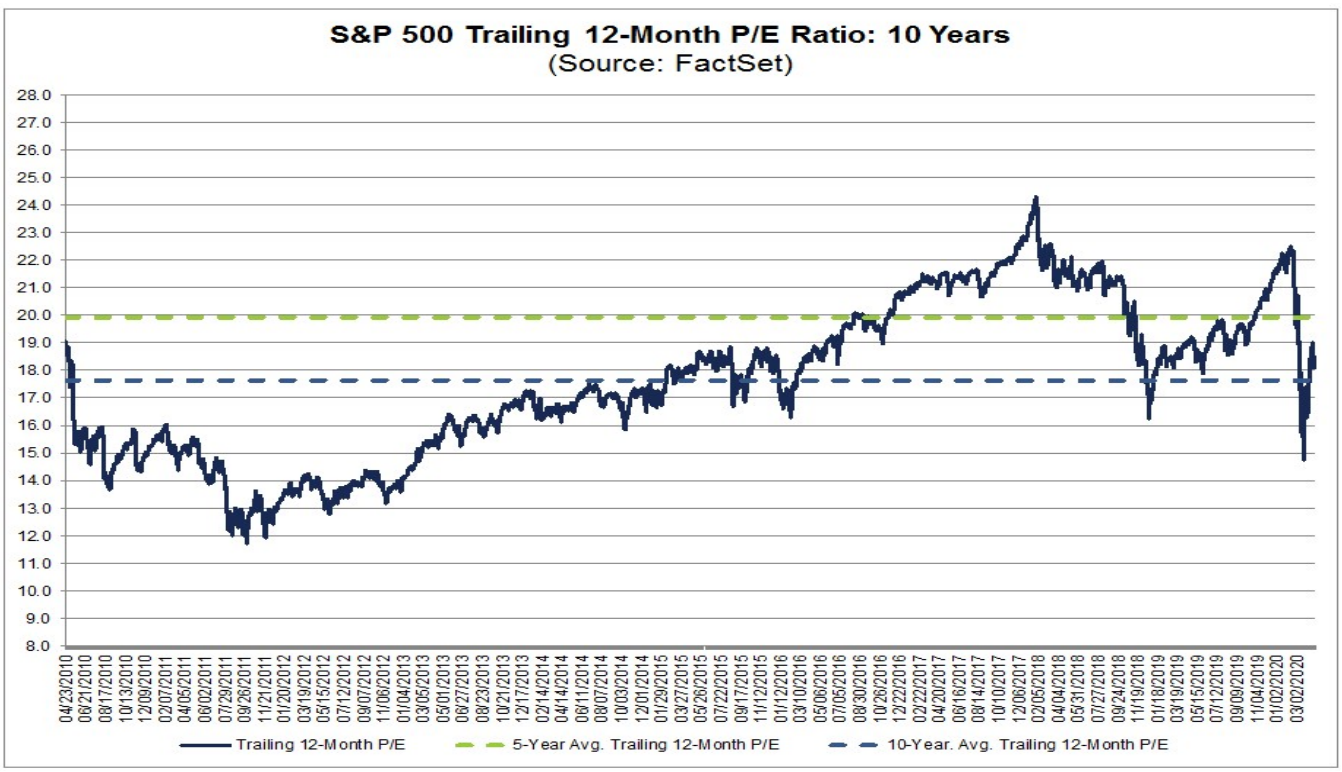
Forward 12M P/E Ratio: 10-Years





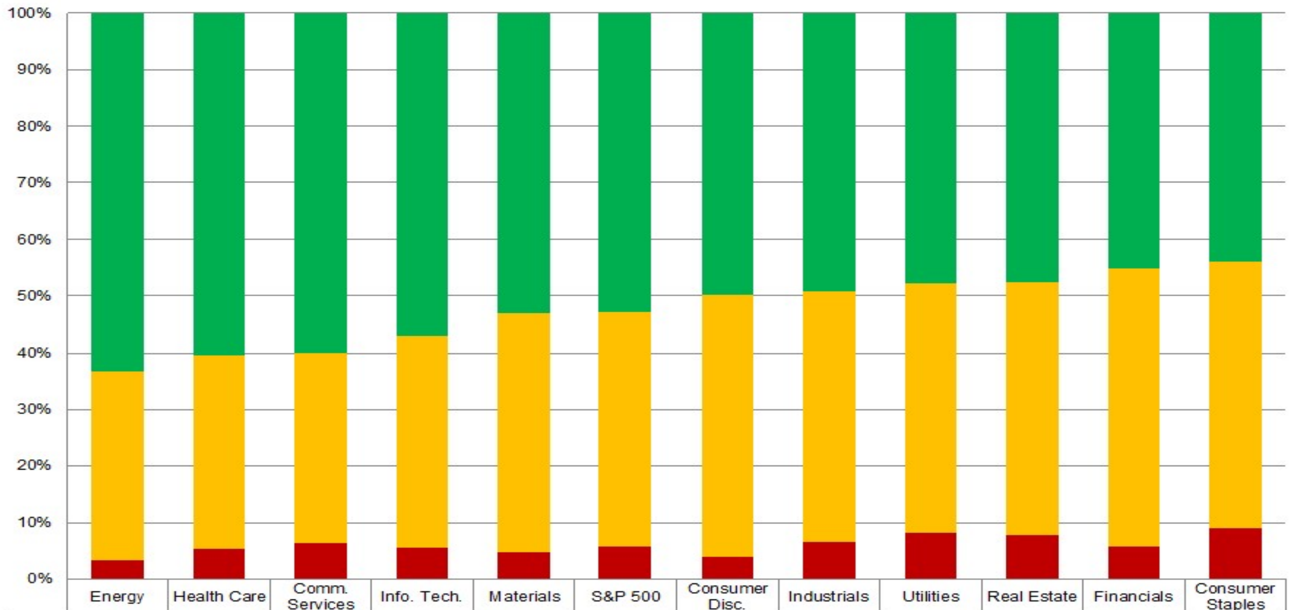
Trailing 12M P/E Ratio: 10-Years





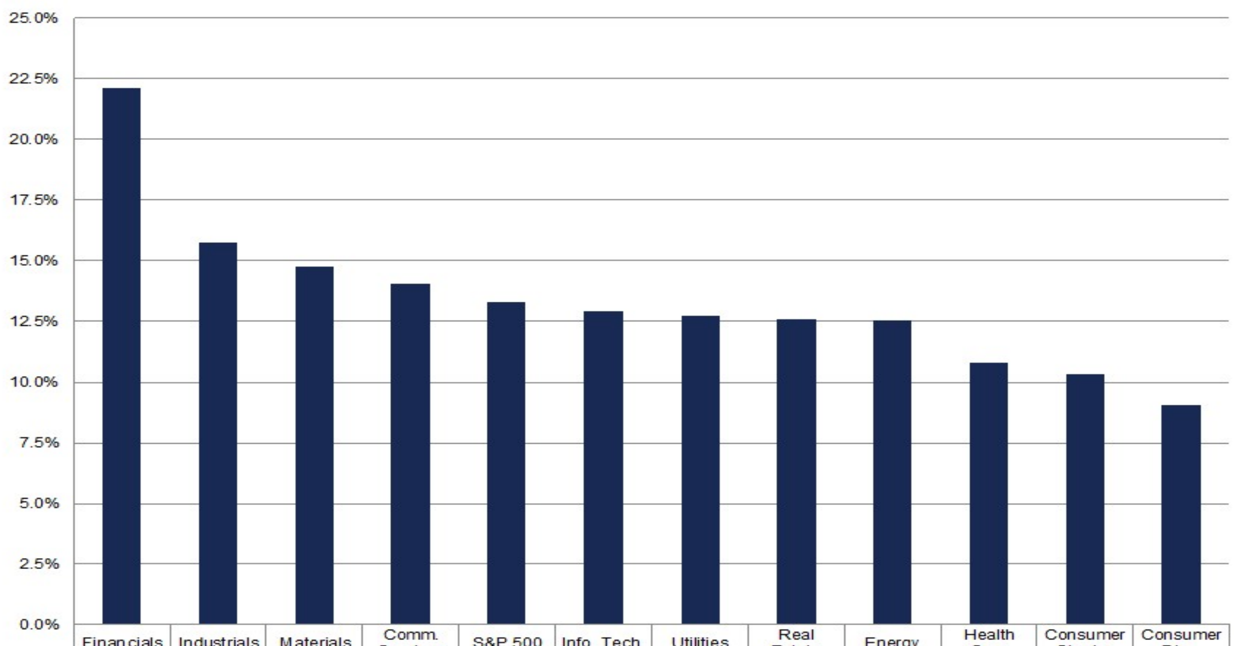
Targets & Ratings

S&P 500: Percentage of Buy, Hold, and Sell Ratings
(Source: FactSet)



	Energy	Health Care	Comm. Services	Info. Tech.	Materials	S&P 500	Consumer Disc.	Industrials	Utilities	Real Estate	Financials	Consumer Staples
Buy	63%	60%	60%	57%	53%	53%	50%	49%	48%	48%	45%	44%
Hold	33%	34%	34%	37%	42%	41%	46%	44%	44%	45%	49%	47%
Sell	3%	5%	6%	6%	5%	6%	4%	7%	8%	8%	6%	9%

S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)



	Financials	Industrials	Materials	Comm. Services	S&P 500	Info. Tech.	Utilities	Real Estate	Energy	Health Care	Consumer Staples	Consumer Disc.
Target/Close	22.1%	15.7%	14.7%	14.0%	13.3%	12.9%	12.7%	12.6%	12.5%	10.8%	10.4%	9.1%

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