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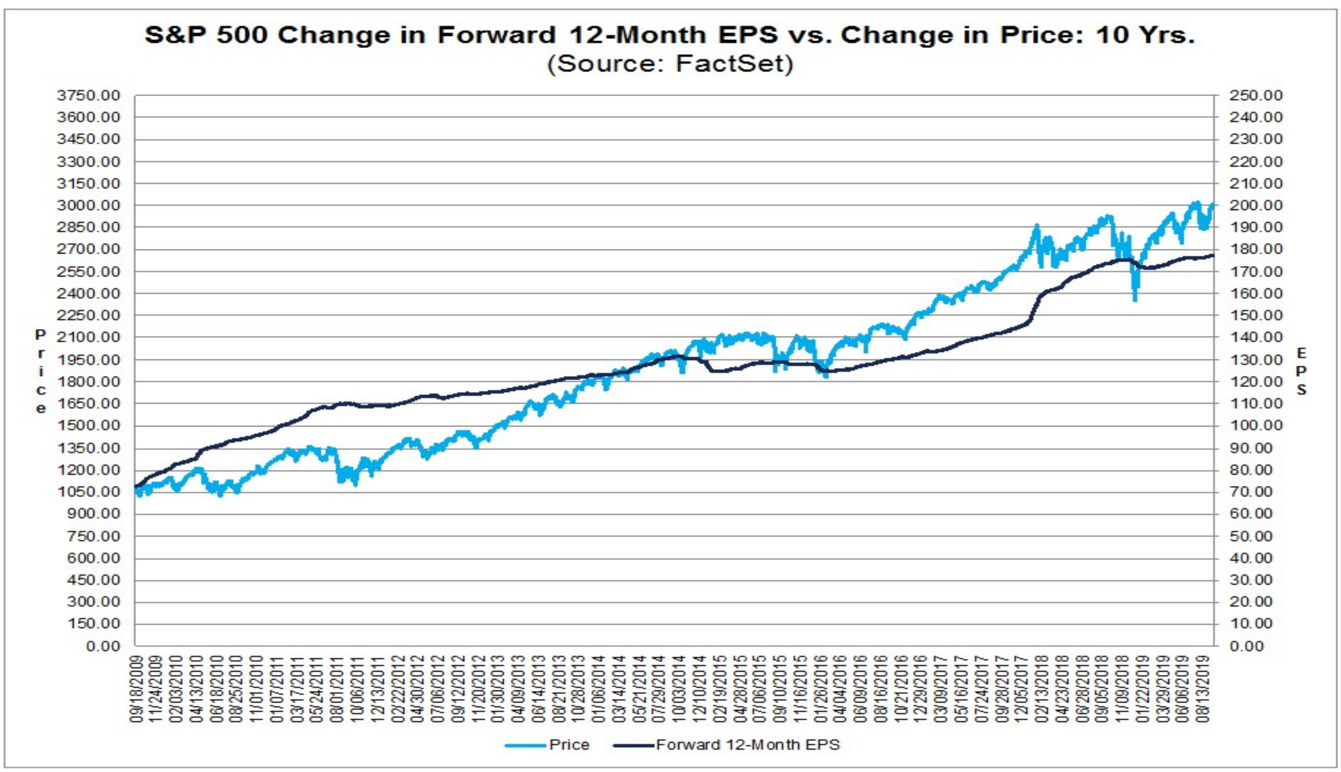
Key Metrics

- **Earnings Growth:** For Q3 2019, the estimated earnings decline for the S&P 500 is -3.8%. If -3.8% is the actual decline for the quarter, it will mark the first time the index has reported three straight quarters of year-over-year earnings declines since Q4 2015 through Q2 2016.
- **Earnings Revisions:** On June 30, the estimated earnings decline for Q3 2019 was -0.6%. All eleven sectors have lower growth rates today (compared to June 30) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q3 2019, 82 S&P 500 companies have issued negative EPS guidance and 31 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.0. This P/E ratio is above the 5-year average (16.6) and above the 10-year average (14.8).
- **Earnings Scorecard:** For Q3 2019 (with 5 of the companies in the S&P 500 reporting actual results), 3 S&P 500 companies have reported a positive EPS surprise and 1 S&P 500 company has reported a positive revenue surprise.



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Topic of the Week:

100% Increase in S&P 500 Companies Citing "ESG" on Earnings Calls in Q2 vs. Q1

During each corporate earnings season, it is not unusual for companies to comment on their ongoing corporate goals and initiatives. Given the growing focus on environmental, social, and governance factors by investors, did companies in the S&P 500 comment on these factors during their earnings conference calls for the second quarter?

To answer this question, FactSet searched for the term "ESG" in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from June 15 through September 14.

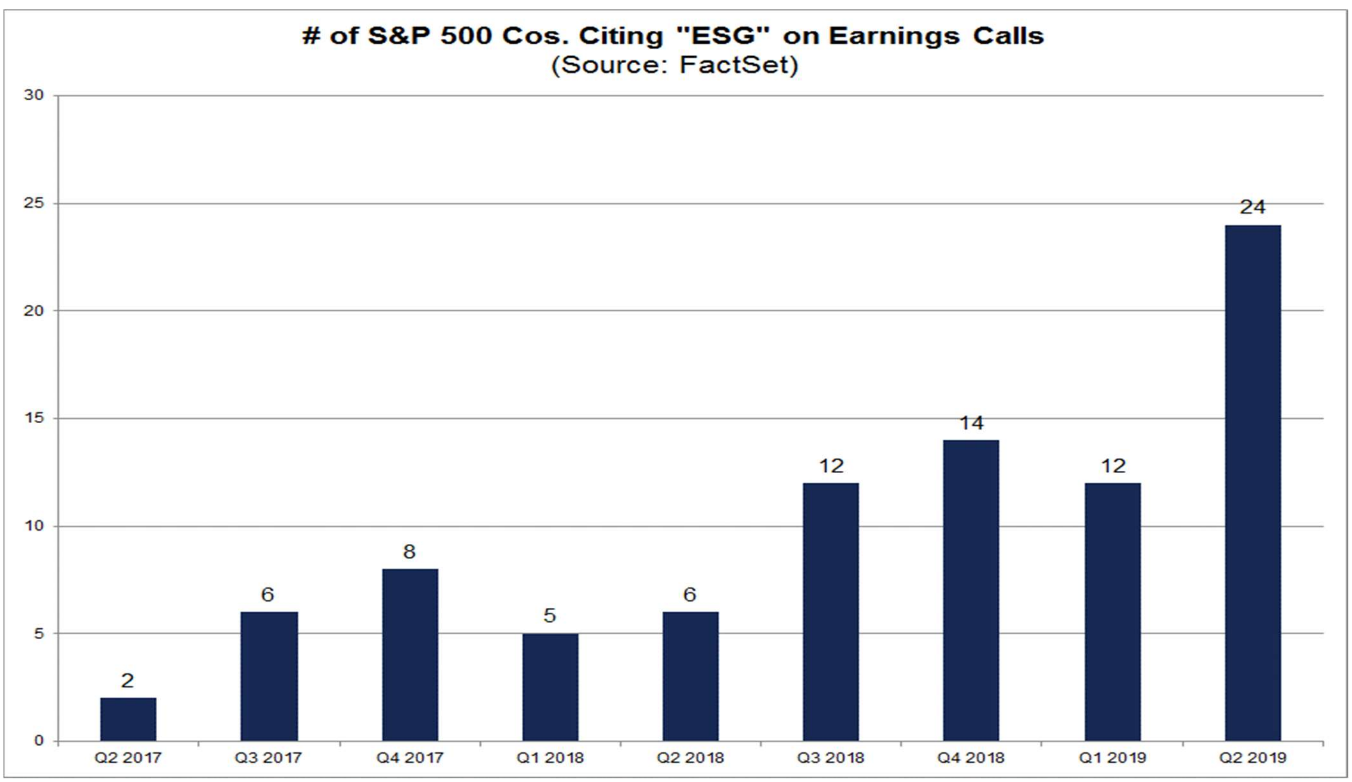
Of these companies, 24 cited the term "ESG" (in reference to environmental, social, and governance factors) during their earnings calls. Although this number is only 5% of the companies in the index, it is double the number of companies from the previous quarter (12) and the highest overall number of companies going back two years. At the sector level, the Financials (7) sector had the highest number of companies discussing "ESG" on Q2 earnings calls of all eleven sectors. However, the Real Estate sector had the largest increase (+4) in the number of companies citing "ESG" on earnings calls in Q2 relative to Q1.

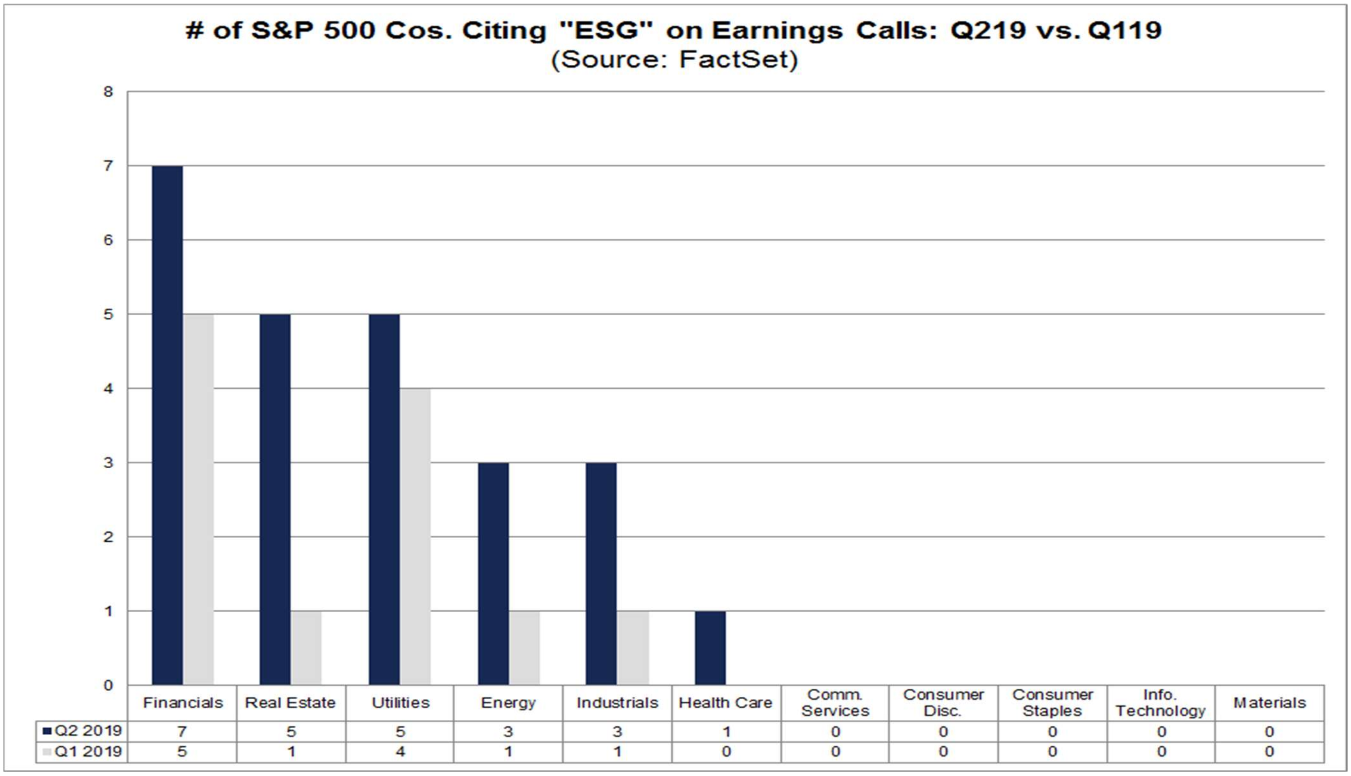
Broadly speaking, almost all the companies that discussed ESG on their earnings calls in Q2 either discussed their own corporate ESG initiatives and reporting (17) or discussed ESG-related businesses, products, or services (7).

However, the distinction between a company's own ESG initiatives and ESG-related businesses, products and services may be blurring. As Xylem noted in their earnings call, *"…we don't have a sustainability strategy that sits separate from our business strategy. They go hand-in-hand."*

It will be interesting to track the number of S&P 500 companies that cite "ESG" in their earnings calls going forward to see if the rise in these citations in Q2 reflects a one-time event or an ongoing increase.

Specific comments on "ESG" from these companies can be found on the next few pages.





ESG – Corporate Initiatives & Reporting (17)

"I'm also happy to say we're continuing to make nice strides with our ESG and corporate responsibility efforts, including expanding our philanthropic efforts, increasing support in our local communities and increasing our environmental sustainability efforts." -Cooper Companies (Aug. 29)

"Lastly, let me mention one important thing on the topic of environmental, social and governance or ESG. We'll be updating our EEI ESG template soon to include 2018 data. This will be the first time our template will include consolidated Evergy data whereas previously it was reported separately by our KCP&L and Westar utilities. We'll also re-filing our 2018 sustainability report where you can find details on focus areas such as reducing our impact on environment, diversity and inclusion, and growing philanthropy efforts and to help our communities move forward." -Evergy (Aug. 8)

"On slide 12, I'd like to highlight our ESG efforts, particularly our commitment to environmental stewardship. We are proud of our progress to-date and will continue our efforts to further improve the environments of the communities we serve. The most significant contribution we make in reducing greenhouse gas is through our natural gas distribution business pipeline replacement program, which is the largest component of our $5.3 billion five-year natural gas distribution capital plan…These investments not only better enable us to safely serve our customers, they're also beneficial to the environment. We're proud of the progress we have made in this area." -CenterPoint Energy (Aug. 7)

"Our expanding implementation of water reuse, electric frac fleets, and solar power are just a few of the many things we're doing to reduce our environmental footprint. Our goal is to be the leader in ESG performance by delivering high returns with responsibly-focused operations. We will have more details in our updated Sustainability Report to be published later this year." -EOG Resources (Aug. 2)

"We also know that the growing power of ESG investors is very consistent and complementary to our environmental leadership commitment, our leading governance structure, and our focus onto our employees, customers and community." -American Water Works Company (Aug. 1)

"I also want to point out that, last quarter, we published our annual Corporate Responsibility Report, which I would encourage everyone to review on our website. It's an important element of our culture and our strategy. We believe our ESG characteristics and the initiatives are a unique and positive differentiator of the Duke Realty investment proposition." -Duke Realty (Aug. 1)

"Our ESG profile really contributes to attracting investors. As you know, with the green bonds, there needs to be a green reason to use it. And certainly as we move forward with all of clean energy applications there could be more opportunities to issue green bonds going forward. So, I guess the capacity for them is dependent upon what you're doing that's green and we do a lot of things that are green. So, I would expect that we'd have much more capacity to issue green bonds as we move forward." -Eversource Energy (Aug. 1)

"As we look ahead, our business plan remains straightforward and disciplined. We will…maintain a conservative balance sheet with ample liquidity and continue our decades-long focus on our ESG efforts." -HCP (Aug. 1)

"During the quarter we also launched the NYSE Board Advisory Council, a creative initiative that leverages the unmatched network of the NYSE and one that seeks to address some of the important ESG issues that face corporations today." -Intercontinental Exchange (Aug. 1)

"And she and I did a terrific event here, I think with our colleagues, really reinforcing to them that we don't have a sustainability strategy that sits separate from our business strategy. They go hand-in-hand. And so, the more that we are able to deliver on the signature goals that we laid out here, no doubt that's also good for business. But that's not the only reason we're doing it. We're doing it because we really believe that we have the responsibility here to really make a big positive impact for our communities, and our customers and our suppliers. But it's also all about making sure that we attract, retain the top talent across the landscape. And people, nowadays as you all know, they want to believe in something larger than themselves and they want to work for a company that has a purpose. And we're not the only one out there. I realized that. But that's what's really driving the sustainability goals. Is it's good for business, it's good for the planet, it's good for everyone involved, and we have a unique opportunity and a role to play here in doing so." -Xylem (Aug. 1)

"Another topic we regularly highlight to all Dominion Energy stakeholders is our ongoing ESG efforts. We are continuously enhancing our strategy in this area and increasing our communications regarding the progress we have made and will continue to make. For example, to our knowledge, we were the first utility company and we believe the only U.S. company in any sector to hold a dedicated ESG-focused Investor Day meeting. We created a new board-level Sustainability and Corporate Responsibility Committee that oversees our approach to these matters. We have updated our emissions reduction goals to be more aggressive. We have improved our disclosures across the board, including inclusion of comparable ESG metrics. They are included in the appendix of these earnings call materials." -Dominion Energy (Jul. 31)

"Before turning to the question-and-answer session, I'd like to review a few of our recent activities demonstrating our commitment to a sustainable future. Each year, Moody's has further honed its CSR program to strategically focus on societal issues that we are in a unique position to help address and those that our employees are most passionate about. Additionally, Moody's work on ESG, specifically climate-related risks and opportunities, is directed toward promoting global measurement standards for use by market participants. Moody's continues to support disclosing and adhering to the standards set by the Task Force on Climate Related Financial Disclosures, or TCFD. Moody's released its most recent TCFD report earlier this month which is linked to this presentation and otherwise available on moodys.com/csr." -Moody's (Jul. 31)

"Last, we recently published our inaugural Corporate Responsibility Report and launched an ESG website on udr.com. These resources will help our stakeholders better understand what UDR has done, is doing and plans to accomplish with regards to these important topics. We are constantly striving to improve all aspects of our business and would welcome any feedback stakeholders may have on this front." -UDR (Jul. 31)

"We continue to build upon our industry-leading commitment to sustainability with the publication of our Inaugural ESG Report, and we were officially named an ENERGY STAR partner." -Digital Realty Trust (Jul. 30)

"We recently announced our 2030 ESG commitments to meet the challenge of climate change while increasing access to air conditioning, perishable foods and medicines and improving the quality of life for people and communities where we operate and serve. We are committing to reduce our customer carbon footprint by 1 gigaton of CO2 through our HVAC and transport refrigerant products and services….We continue to transform our supply chain and operations to have restorative impact on the environment, including achieving carbon-neutral operations and giving back more water than we use in water-stressed areas. We are committed to increasing opportunity for all, strengthening economic mobility and bolstering the quality of life of our people. This includes gender parity in leadership roles, a workforce reflective of our community populations, maintaining livable, market-competitive wages and broadening community access to cooling, comfort and healthful foods. -Ingersoll-Rand (Jul. 30)

"Finally, I'm proud that Kimco ranks at the top of all retail for both social and environmental progress in the ESG's rankings by ISS and through our recent inclusion in the FTSE4Good Index Series. This is further evidence of a culture that not only wants to be the best in its sector, it also wants to do things the right way for our people, our shareholders and the next-generation of stakeholders in our efforts to create long-term sustained value." -Kimco Realty (Jul. 25)

"ESG is going to become an increasingly important part of our responsibilities in our governance of our brand and how we operate into the future. You're right, that is probably a bigger point of emphasis in Europe today than it is in the U.S. But it's going to continue to grow here as well. We've made a lot of commitments as an industry as well as an airline and I'm pleased to say that Delta is continuing to meet its commitments in that. We've made a commitment as a company as well as an industry to reduce our footprint by 50% by the year 2050, which requires that we need to continue to reduce our footprint by up to 2% per year, which is right in line with where we are today on fuel and emissions. We've made a commitment as a company to eliminate single-use plastics from onboard our aircraft as well as in our lounges in our airports and we continue to make new announcements." -Delta Air Lines (Jul. 11)

ESG – Businesses, Products, & Services (7)

Clearly, the opportunity on ESG or sustainable investing in the world is enormous…We have had incredible success, and we continue to do so. We've had a lot of investments into this area that have propelled significant growth. We have a product set that is – cuts across the board from ESG research, for exclusions and screening to ESG ratings, to ESG indices, to ESG as a factor in risk models. We are now taking all of that ESG content and putting it into our technology platform distribution channels and the like." -MSCI (Aug. 1)

"Well, you're giving me an exciting opportunity to talk about our low-carbon business strategy, and that we are getting calls from all over the world with people wanting our help to help them also figure out how to capture CO2 from industrial sources, and then what to do with it in oil reservoirs. We have the processing capability. We have the ability to design it, and we're the largest handler of CO2 for enhanced oil recovery in the world…So these are not only opportunities to earn some revenue for our low-carbon ventures business through providing technical services and evaluations, but also to look at projects around the world for possible participation. So, that's one way, that's one unique and different thing that we're seeing happening to our group now, and that's really exciting, because, as we go forward, there's going to be more pressure on companies to do something about their climate change story." -Occidental Petroleum (Aug. 1)

"So if we look at the overall size of our ESG business, we're looking at activities and products across all of our divisions as Doug just explained. So think about Renewable Energy in Platts, think about Trucost and ESG scorecards that are being developed, in Market Intelligence, the S&P Dow Jones Sustainability Index and the new 500 ESG Index, in Index, the Ratings ESG Evaluations and many more products that are currently under development." -S&P Global (Aug. 1)

"I think there's some scarcity value to some of the assets in the ESG and climate space. So we've obviously acquired majority stakes in Vigeo Eiris, which is really data and scores for investors in ESG. And then they also have a very nice green bond assessment platform for issuers. Four Twenty Seven I just talked about focused on climate data and analytics for investors, financial institutions. So we think we've gotten some very good assets. We're also producing ESG content within the rating agency, increasingly kind of thinking about and being more explicit about how we factor ESG considerations into the ratings. And I think what you'll see is over time, all of this will be part of a branded, broader Moody's suite of ESG offerings. And they will be – then the ESG content I think you will see packaged to meet a wide range of customer needs across Moody's Corporation, as I said, both the needs of the rating agency, the needs of Vigeo Eiris and Four Twenty Seven customers, and the needs of MA's very broad customer base." -Moody's (Jul. 31)

"Today, we see AQR running their businesses at scale, and they have ability to run them at industry margin…They've grown and diversified over all these years and building out new business lines. Today they have a number of opportunities in their business. First, a number of their products are high-performing. And they – including, for example, risk parity, defensive equities, fixed income. They're also investing in a number of growth areas including ESG and tax-managed strategy. So, longer term, we do see margins returning, we see growth returning at AQR, and so we're very bullish on this business. And I'll just repeat that we see great optionality in the business." -Affiliated Managers Group (Jul. 29)

"And lastly, regarding Corporate Services and in line with our renewed strategic focus on the products and services most critical to the C-suite and to the boards of public and private companies, we continue to work to unlock more potential from our IR intelligence and governance solutions businesses. We have added more research and insights for our users via the launch of the Nasdaq Center for Corporate Governance, while in IR we are seeing increased demand resulting from our ESG and MiFID II specific products, including our recently announced Connect IR tool that helps corporate customers engage more effectively with the buy side." -Nasdaq (Jul. 24)

"Sustainable ETFs represent another strategic growth area for iShares, as clients increasingly look for strategies that target a measurable ESG impact and financial returns. We launched the iShares ESG Leaders Fund in the second quarter, which generated over $1 billion of net inflows, representing the best asset gathering in an equity ETF launch in 15 years. Since launching our iShares Sustainable Core ETFs in October, we have doubled assets to $13 billion and our clients' discussions suggest increasingly more client demand. Beyond ETFs and across our investment platform we're seeing greater demand for ESG – or sustainable investments. BlackRock has invested to develop significant expertise in this space. We are leveraging our insights and technology to analyze sustainability-related risk and opportunities across asset classes so we can better deliver long-term results and opportunities for clients across indexed, active and alternative investment strategies." -BlackRock (Jul. 19)

Q3 Earnings Season: By The Numbers

Overview

In terms of estimate revisions for companies in the S&P 500, analysts have made cuts to EPS estimates at average levels for Q3 2019 to date. On a per-share basis, estimated earnings for the third quarter have fallen by 3.3% since June 30. This percentage decline is equal to the 5-year average (-3.3%) for a quarter, larger than the 10-year average (-3.1%) for a quarter, and smaller than the 15-year average (-4.3%) for a quarter.

However, a larger percentage of S&P 500 companies have lowered the bar for earnings for Q3 2019 relative to recent quarters. Of the 113 companies that have issued EPS guidance for the third quarter, 82 have issued negative EPS guidance and 31 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 73% (82 out of 113), which is above the 5-year average of 70%.

Because of the net downward revisions to earnings estimates, the estimated (year-over-year) earnings decline for Q3 2019 is -3.8% today compared to the estimated (year-over-year) earnings decline of -0.6% on June 30. If -3.8% is the actual decline for the quarter, it will mark the first time the index has reported three straight quarters of year-over-year declines in earnings since Q4 2015 through Q2 2016. It will also mark the largest year-over-year decline in earnings reported by the index since Q1 2016 (-6.9%). Five sectors are predicted to report year-over-year earnings growth, led by the Utilities and Real Estate sectors. Six sectors are projected to report a year-over-year decline in earnings, led by the Energy, Information Technology, and Materials sectors.

Because of the net downward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q3 2019 is 2.8% today compared to the estimated (year-over-year) revenue growth rate of 3.5% on June 30. If 2.8% is the actual growth rate for the quarter, it will mark the lowest revenue growth rate for the index since Q3 2016 (2.7%). Eight sectors are projected to report year-over-year growth in revenues, led by the Health Care sector. Three sectors are predicted to report a year-over-year decline in revenues, led by the Materials sector.

Looking ahead, analysts see low single-digit earnings growth in the fourth quarter followed by high single-digit earnings growth for both Q1 2020 and Q2 2020.

The forward 12-month P/E ratio is 17.0, which is above the 5-year average and above the 10-year average.

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

Estimate Revisions: Largest Estimate Cuts in Energy Sector

Slight Increase in Estimated Earnings Decline for Q3 This Week

The estimated earnings decline for the third quarter is -3.8% this week, which is slightly larger than the estimated earnings decline of -3.7% last week.

The estimated earnings decline for Q3 2019 of -3.8% is larger than the estimated earnings decline of -0.6% at the start of the quarter (June 30). All eleven sectors have a recorded a decrease in expected earnings growth due to downward revisions to earnings estimates, led by the Energy, Consumer Discretionary, and Materials sectors.

Energy: 89% of Companies Have Seen a Decline in Q3 EPS Estimates since June 30

The Energy sector has recorded the largest decrease in expected earnings growth since the start of the quarter (to -28.7% from -13.9%). This sector has also witnessed the largest decrease in price of all eleven sectors since June 30 at -4.1%. Overall, 25 of the 28 companies (89%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 25 companies, 16 have recorded a decrease in their mean EPS estimate of more than 10%, led by Noble Energy (to -$0.07 from $0.01), Hess Corporation (to -$0.21 from -$0.04), and Apache Corporation (to -$0.08 from $0.20). However, Exxon Mobil (to $0.90 from $1.15), Chevron (to $1.82 from $2.10), and Occidental Petroleum (to $0.56 from $1.00) have been the largest contributors to the decline in expected earnings for this sector since the start of the quarter. The stock prices of all three companies have decreased since June 30.

Consumer Discretionary: 72% of Companies Have Seen a Decline in Q3 EPS Estimates since June 30

The Consumer Discretionary sector has recorded the second largest decrease in expected earnings growth since the start of the quarter (to -2.3% from 3.8%). Despite the decrease in expected earnings, this sector has witnessed an increase in price of 1.5% since June 30. Overall, 44 of the 61 companies (72%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 44 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Macy's (to $0.01 from $0.10), L Brands (to $0.03 from $0.08), Under Armour (to $0.18 from $0.27), and Amazon.com (to $4.61 from $6.67). Amazon.com (to $4.61 from $6.67) and Ford Motor (to $0.27 from $0.33) have been the largest contributors to the decrease in expected earnings for this sector since the start of the quarter. The stock prices of both companies have decreased since June 30.

Materials: 82% of Companies Have Seen a Decline in Q3 EPS Estimates since June 30

The Materials sector has recorded the third largest decrease in expected earnings growth since the start of the quarter (to -7.6% from -1.7%). This sector has also witnessed the third largest decrease in price of all eleven sectors since June 30 at -0.1%. Overall, 23 of the 28 companies (82%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 23 companies, 9 have recorded a decrease in their mean EPS estimate of more than 10%, led by Mosaic (to $0.27 from $0.57), Freeport-McMoRan (to $0.07 from $0.11), and International Paper (to $1.01 from $1.41). International Paper and Mosaic have also been the largest contributors to the decrease in expected earnings for this sector since the start of the quarter. The stock prices of both companies have decreased since June 30.

Index-Level (Bottom-Up) EPS Estimate: Average Decline to Date

The Q3 bottom-up EPS estimate (which is an aggregation of the median earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings for the index) has decreased by 3.3% (to $41.49 from $42.90) since June 30. This percentage decline is equal to the 5-year average (-3.3%) for a quarter, larger than the 10-year average (-3.1%) for a quarter, and smaller than the 15-year average (-4.3%) for a quarter.

Guidance: More S&P 500 Companies Issuing Negative EPS Guidance for Q3 than Average

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, 113 companies in the index have issued EPS guidance for Q3 2019. Of these 113 companies, 82 have issued negative EPS guidance and 31 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 73% (82 out of 113), which is above the 5-year average of 70%.

Year-Over-Year Earnings Decline: -3.8%

The estimated (year-over-year) earnings decline for Q3 2019 is -3.8%, which is below the 5-year average earnings growth rate of 7.3%. If -3.8% is the actual decline for the quarter, it will mark the first time the index has reported three straight quarters of year-over-year declines in earnings since Q4 2015 through Q2 2016. It will also mark the largest year-over-year decline in earnings reported by the index since Q1 2016 (-6.9%).

Five sectors are predicted to report year-over-year earnings growth, led by the Utilities and Real Estate sectors. Six sectors are projected to report a year-over-year decline in earnings, led by the Energy, Information Technology, and Materials sectors.

Utilities: Gas Utilities Industry Leads Year-Over-Year Growth

The Utilities sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 4.0%. At the industry level, all five industries in this sector are projected to report growth in earnings. One of these five industries is predicted to report double-digit earnings growth: Gas Utilities (21%).

Real Estate: Industrial REITs Sub-Industry Leads Year-Over-Year Growth

The Real Estate sector is expected to report the second highest (year-over-year) earnings (FFO) growth of all eleven sectors at 3.7%. At the sub-industry level, six of the eight sub-industries in this sector are projected to report growth in earnings (FFO). One of these six sub-industries is predicted to report double-digit growth: Industrial REITs (25%). On the other hand, two sub-industries are expected to report a year-over-year decline in earnings (FFO): Hotel & Resort REITs (-8%) and Real Estate Services (-2%).

Energy: 3 of 6 Sub-Industries Expected to Report Year-Over-Year Growth

The Energy sector is expected to report the largest (year-over-year) decline in earnings of all eleven sectors at -28.7%. Lower oil prices are helping to drive the expected decline in earnings for the sector. Despite the recent increase, the average price of oil in Q3 2019 ($56.40) to date is 19% lower than the average price of oil in Q3 2018 ($69.43). At the sub-industry level, three of the six sub-industries in the sector are expected to report a decline in earnings for the quarter: Oil & Gas Exploration & Production (-40%), Integrated Oil & Gas (-36%), and Oil & Gas Refining & Marketing (-12%). On the other hand, the other three sub-industries in the sector are expected to report growth in earnings for the quarter: Oil & Gas Drilling (37%), Oil & Gas Storage & Transportation (24%), and Oil & Gas Equipment & Services (1%).

Information Technology: Micron Technology Leads Year-Over-Year Decline

The Information Technology sector is expected to report the second highest (year-over-year) earnings decline of all eleven sectors at -10.2%. At the industry level, four of the six industries in this sector are projected to report a decline in earnings: Semiconductors & Semiconductor Equipment (-31%), Technology Hardware, Storage, & Peripherals (-14%), Electronic Equipment, Instruments & Components (-11%), and Communications Equipment (<-1%). On the other hand, the other two industries in this sector are expected to reporting earnings growth: Software (8%) and IT Services (5%).

At the company level, Micron Technology is expected to be the largest contributor to the (year-over-year) decline in earnings for the sector. The mean EPS estimate for Q3 2019 is $0.51, compared to year-ago EPS of $3.53. If Micron Technology were excluded, the estimated earnings decline for the sector would improve to -5.6% from -10.2%.

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

The Materials sector is expected to report the third highest (year-over-year) earnings decline of all eleven sectors at -7.6%. At the industry level, two of the four industries in this sector are projected to report a decline in earnings: Metals & Mining (-48%) and Containers & Packaging (-15%). On the other hand, the other two industries in this sector are expected to report earnings growth: Construction Materials (20%) and Chemicals (3%).

At the company level, Nucor and Freeport-McMoRan are expected to be the largest contributors to the (year-over-year) decline in earnings for the sector. The mean EPS estimate for Nucor for Q3 2019 is $0.93, compared to year-ago EPS of $2.33. The mean EPS estimate for Freeport-McMoRan for Q3 2019 is $0.07, compared to year-ago EPS of $0.35. If these two companies were excluded, the estimated earnings growth rate for the sector would improve to 2.3% from -7.6%.

Year-Over-Year Revenue Growth: 2.8%

The estimated (year-over-year) revenue growth rate for Q3 2019 is 2.8%, which is below the 5-year average revenue growth rate of 3.5%. If 2.8% is the actual growth rate for the quarter, it will mark the lowest revenue growth rate for the index since Q3 2016 (2.7%).

Eight sectors are projected to report year-over-year growth in revenues, led by the Health Care sector. Three sectors are predicted to report a year-over-year decline in revenues, led by the Materials sector.

Health Care: Cigna and CVS Lead Growth on Easy Comparisons to Year-Ago Pre-Merger Revenues

The Health Care sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 12.5%. At the industry level, five of the six industries in this sector are predicted to report revenue growth for the quarter. However, the Health Care Providers & Services is the only industry projected to report double-digit revenue growth (17%). On the other hand, the Pharmaceuticals (-1%) industry is the only industry projected to report a decline in revenue.

At the company level, Cigna and CVS Health are predicted to be the largest contributors to (year-over-year) revenue growth for the sector. However, the revenue growth rates for both companies are being boosted by apples-to-oranges comparisons of post-merger revenues to pre-merger revenues. The revenue estimate for Cigna for Q3 2019 ($34.49 billion) reflects the combined revenues of Cigna and Express Scripts, while the actual revenue for Q3 2018 ($11.46 billion) reflects the standalone revenue for Cigna. The revenue estimate for CVS Health for Q3 2019 ($62.97 billion) reflects the combined revenues of CVS Health and Aetna, while the actual revenue for Q3 2018 ($47.27 billion) reflects the standalone revenue for CVS Health. These apples-to-oranges comparisons are the main reason Cigna and CVS Health are projected to be the largest contributors to revenue growth for the sector. If these companies were excluded, the estimated revenue growth rate for the sector would fall to 5.1% from 12.5%.

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

The Materials sector is expected to report the highest (year-over-year) decline in revenue of all eleven sectors at -12.2%. At the industry level, two of the four industries in this sector are predicted to report a decline in revenue for the quarter: Chemicals (-19%) and Metals & Mining (-7%).

At the company level, DuPont is predicted to be the largest contributor to the (year-over-year) decline in revenue for the sector. However, the revenue decline is being boosted by an apples-to-oranges comparison of post-split revenues to pre-split revenues. The revenue estimate for DuPont for Q3 2019 ($5.48 billion) reflects the standalone revenue for DuPont, while the actual revenue for Q3 2018 ($20.12 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 4.6% from -12.2%.

Looking Ahead: Forward Estimates and Valuation

Earnings: Low Single-Digit Earnings Growth Projected for 2019

For the third quarter, S&P 500 companies are expected to report a decline in earnings of -3.8% and growth in revenues of 2.8%. Analysts see low single-digit earnings growth in the fourth quarter followed by high single-digit earnings growth for both Q1 2020 and Q2 2020.

For Q4 2019, analysts are projecting earnings growth of 3.0% and revenue growth of 3.6%.

For CY 2019, analysts are projecting earnings growth of 1.3% and revenue growth of 4.1%.

For Q1 2020, analysts are projecting earnings growth of 7.9% and revenue growth of 5.4%.

For Q2 2020, analysts are projecting earnings growth of 9.0% and revenue growth of 6.3%.

For CY 2020, analysts are projecting earnings growth of 10.6% and revenue growth of 5.6%.

Valuation: Forward P/E Ratio is 17.0, Above the 10-Year Average (14.8)

The forward 12-month P/E ratio is 17.0. This P/E ratio is above the 5-year average of 16.6 and above the 10-year average of 14.8. It is also above the forward 12-month P/E ratio of 16.8 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has increased by 2.2%, while the forward 12-month EPS estimate has increased by 0.8%.

At the sector level, the Consumer Discretionary (21.4) sector has the highest forward 12-month P/E ratio, while the Financials (12.2) sector has the lowest forward 12-month P/E ratio.

Targets & Ratings: Analysts Project 10% Increase in Price Over Next 12 Months

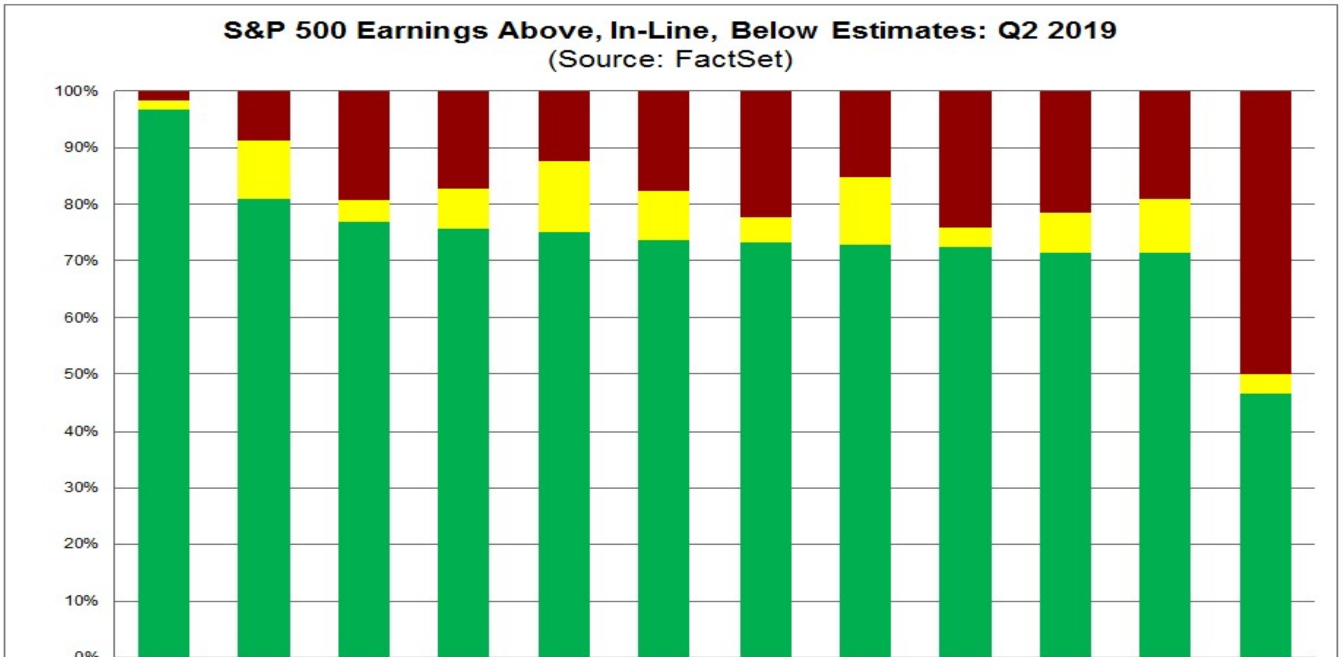
The bottom-up target price for the S&P 500 is 3312.94, which is 10.2% above the closing price of 3006.79. At the sector level, the Energy (+17.0%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Utilities (0.0%) sector is expected to see no price increase, as there is almost no difference between the bottom-up target price and the closing price for this sector.

Overall, there are 10,248 ratings on stocks in the S&P 500. Of these 10,248 ratings, 51.6% are Buy ratings, 41.8% are Hold ratings, and 6.5% are Sell ratings. At the sector level, the Energy (66%) sector has the highest percentage of Buy ratings, while the Consumer Staples (40%) sector has the lowest percentage of Buy ratings.

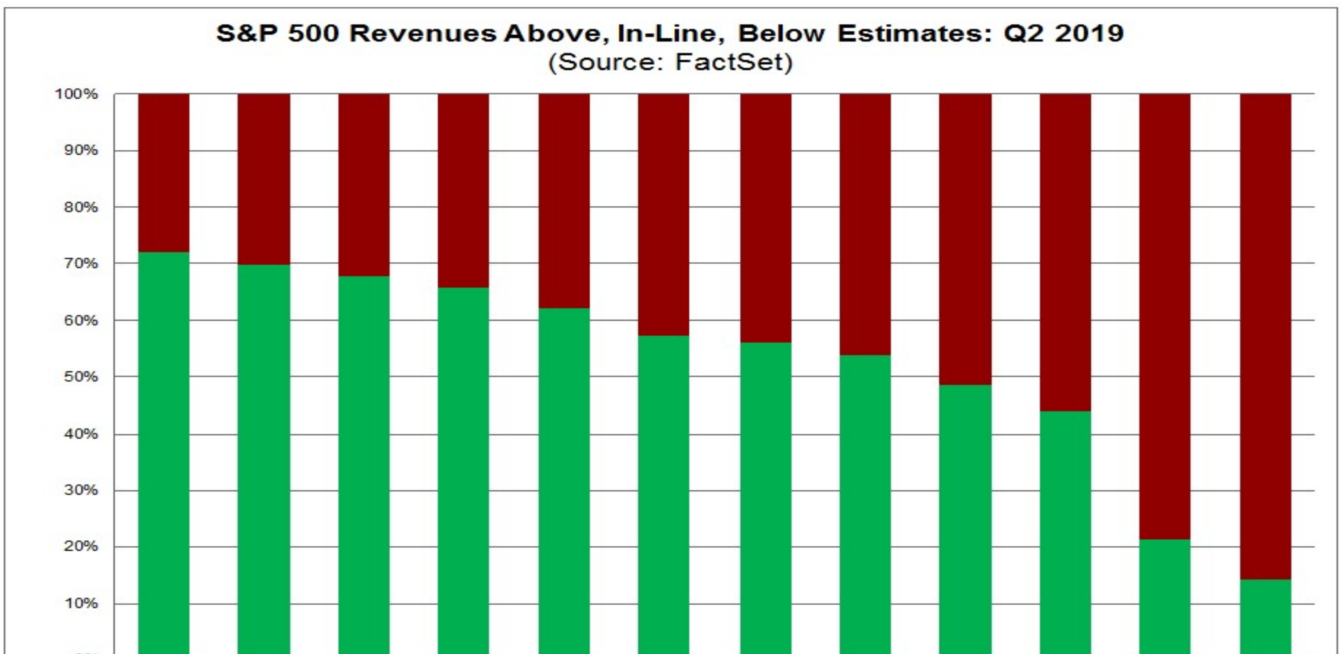
Companies Reporting Next Week: 9

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

Q2 2019: Scorecard

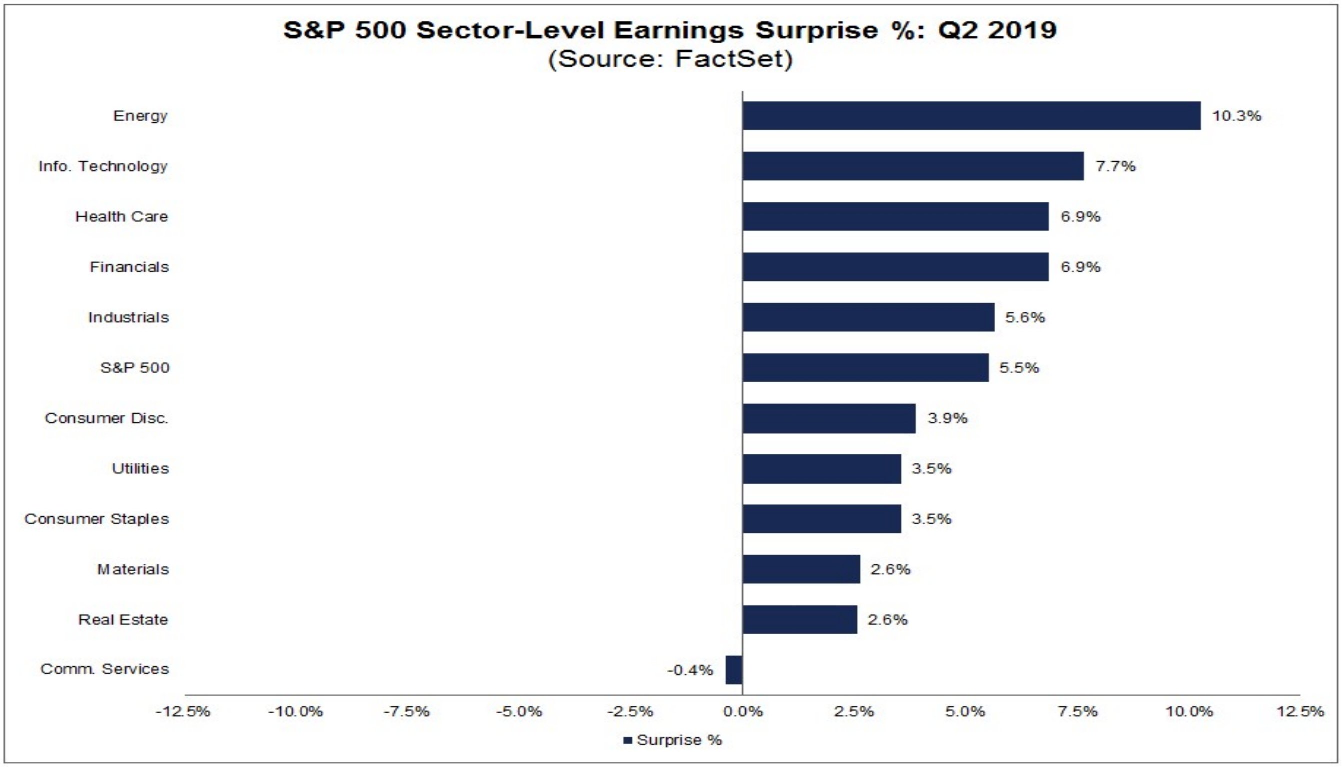


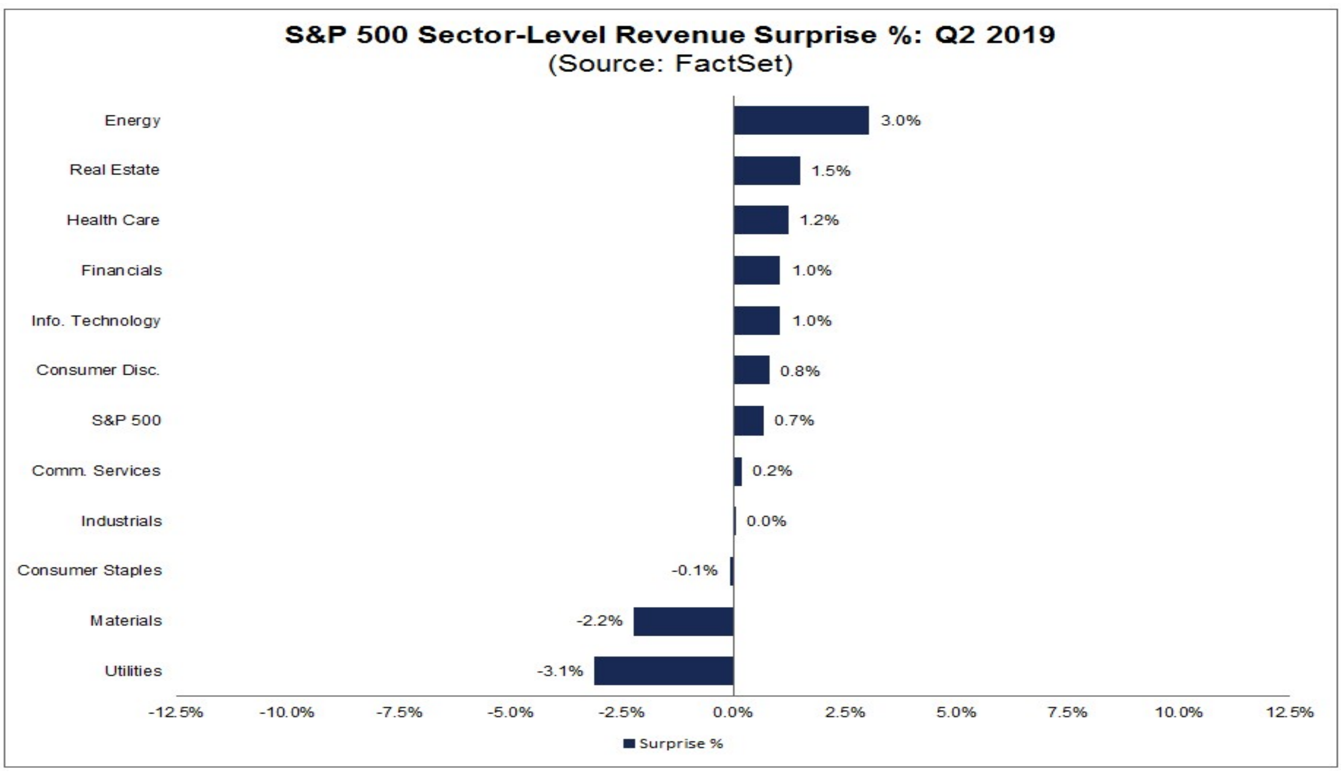
	Health Care	Info. Technology	Comm. Services	S&P 500	Real Estate	Industrials	Financials	Consumer Staples	Energy	Materials	Consumer Disc.	Utilities
Below	2%	9%	19%	17%	13%	18%	22%	15%	24%	21%	19%	50%
In-Line	2%	10%	4%	7%	13%	9%	4%	12%	3%	7%	10%	4%
Above	97%	81%	77%	76%	75%	74%	73%	73%	72%	71%	71%	46%



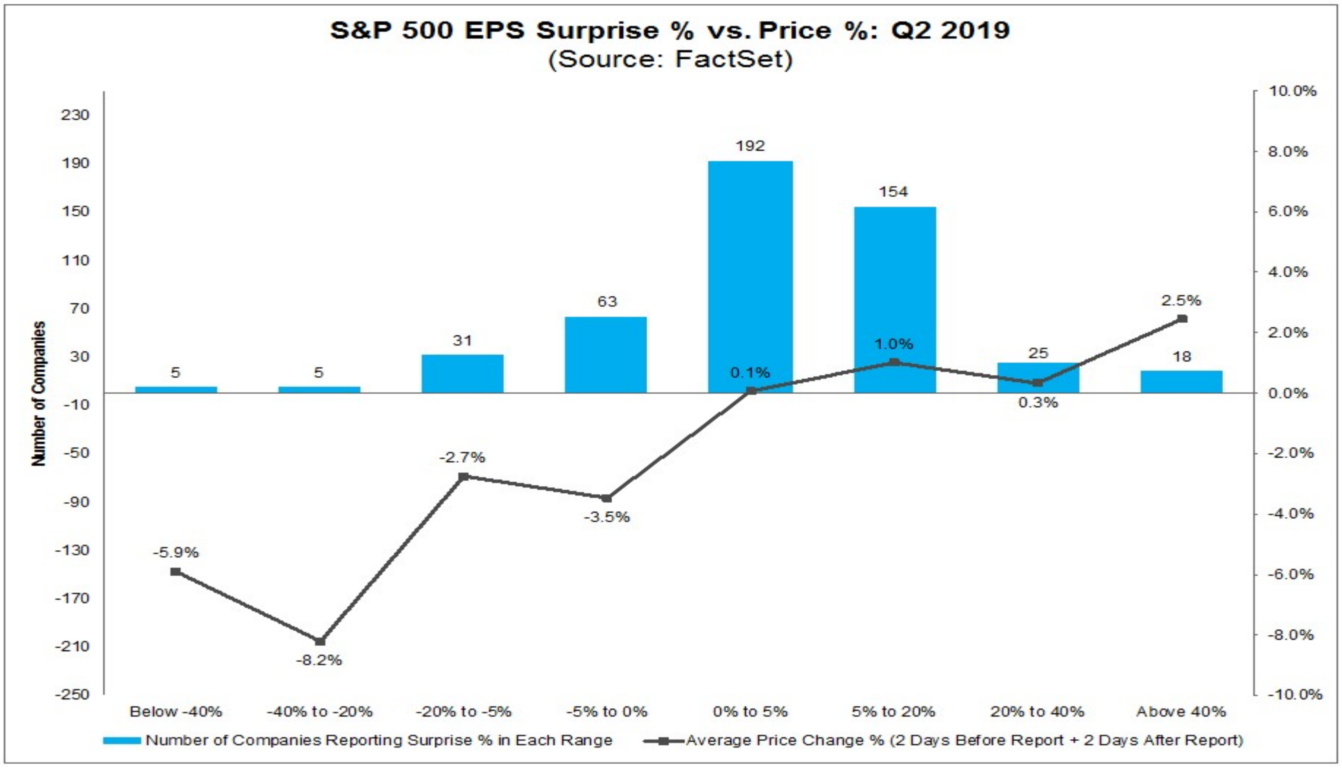
	Info. Technology	Financials	Health Care	Real Estate	Energy	Consumer Disc.	S&P 500	Comm. Services	Consumer Staples	Industrials	Materials	Utilities
Below	28%	30%	32%	34%	38%	43%	44%	46%	52%	56%	79%	86%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	72%	70%	68%	66%	62%	57%	56%	54%	48%	44%	21%	14%

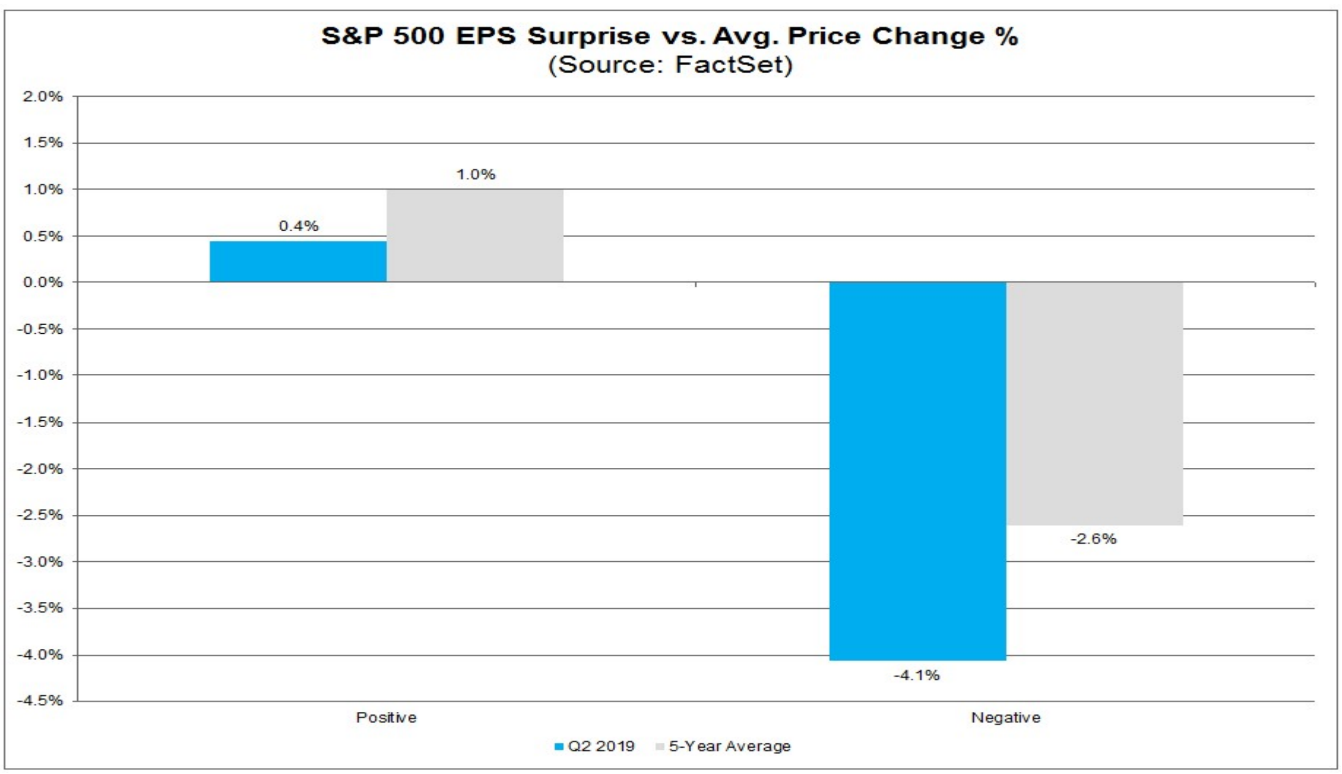
Q2 2019: Scorecard



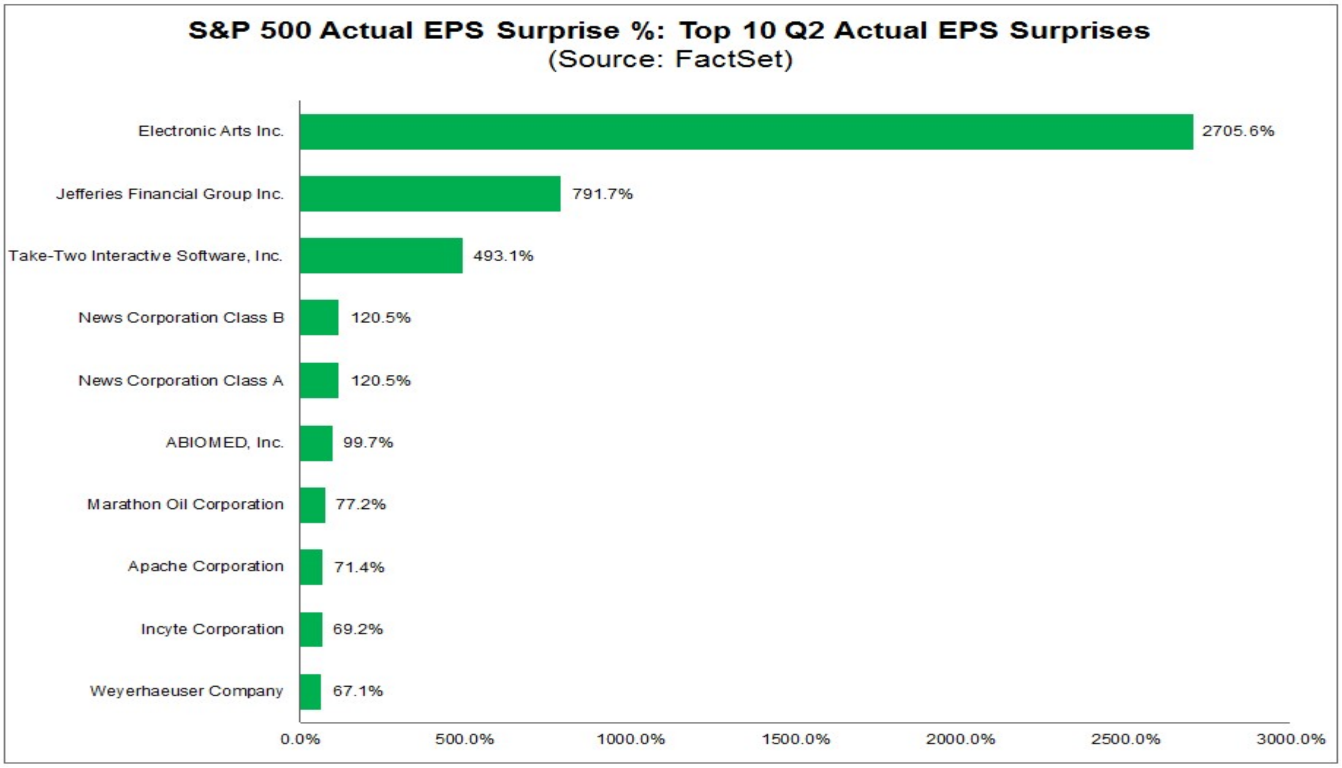


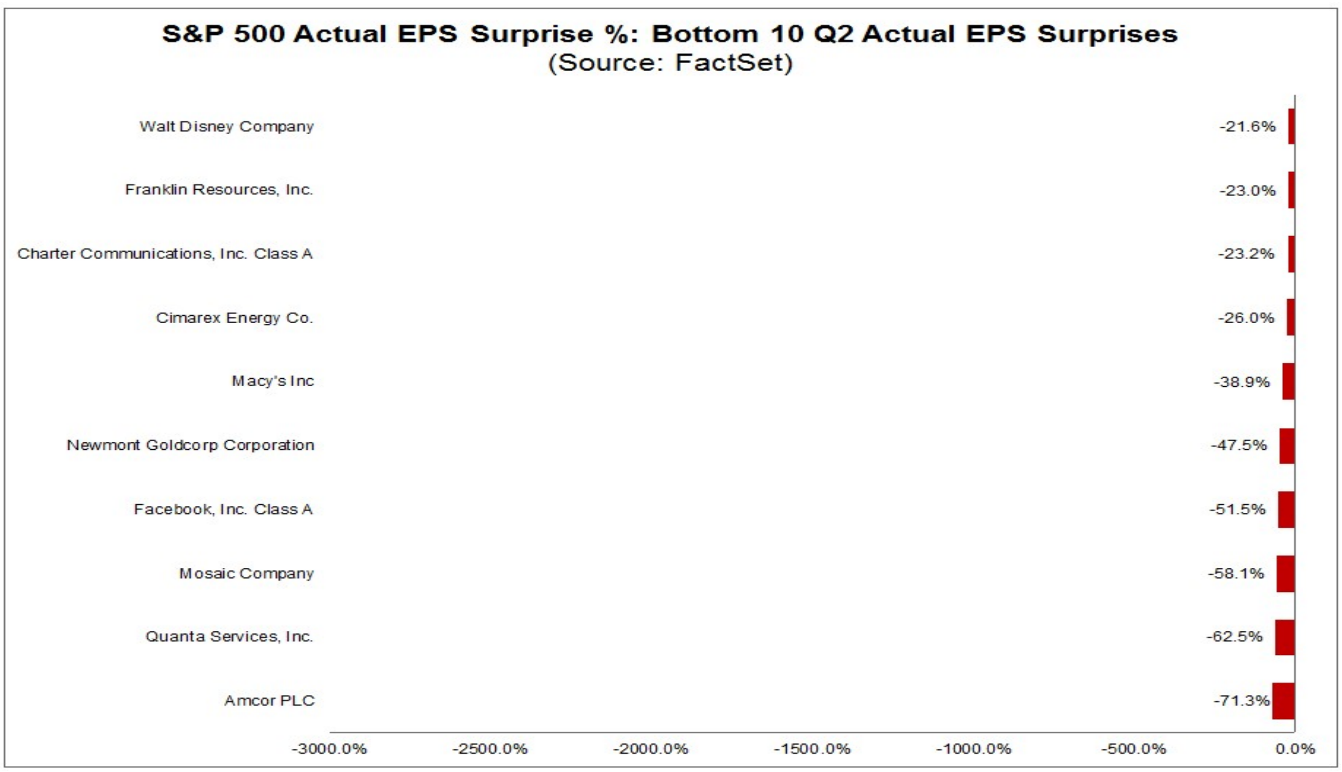
Q2 2019: Scorecard



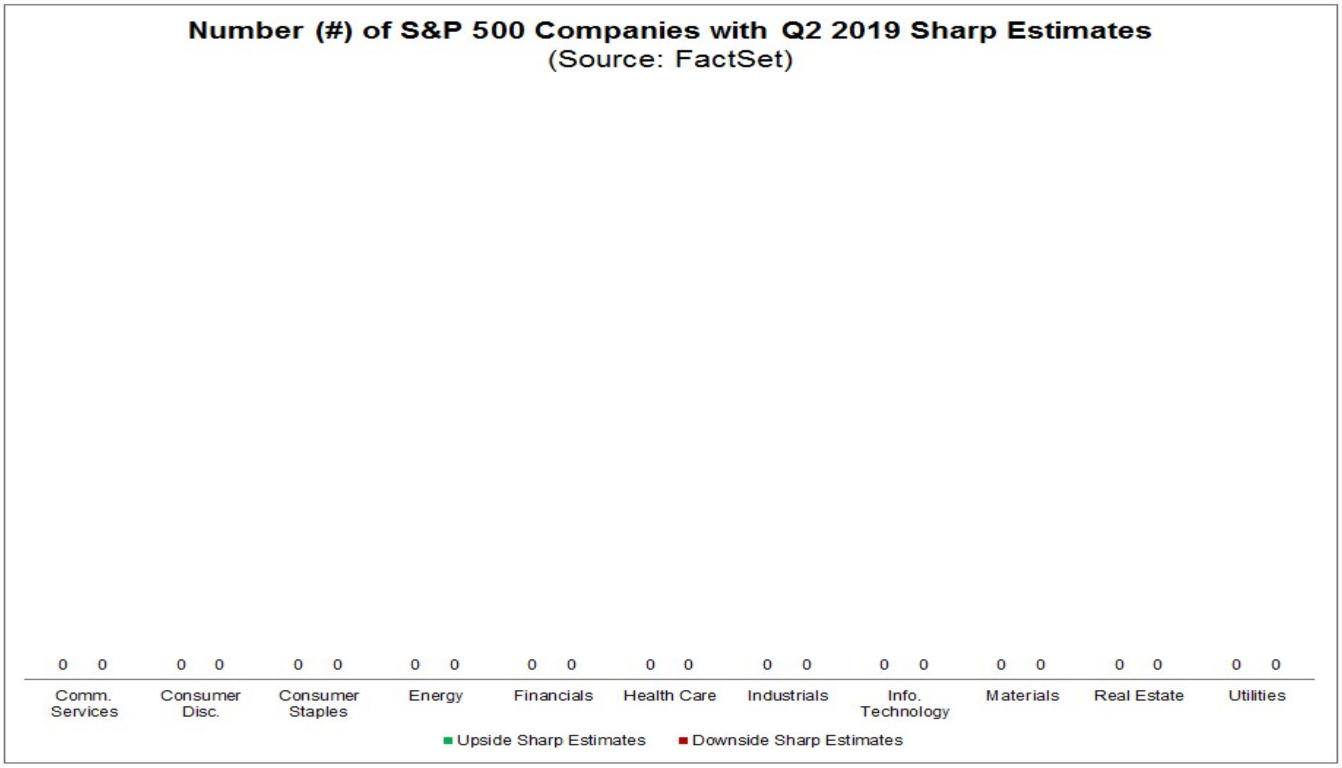


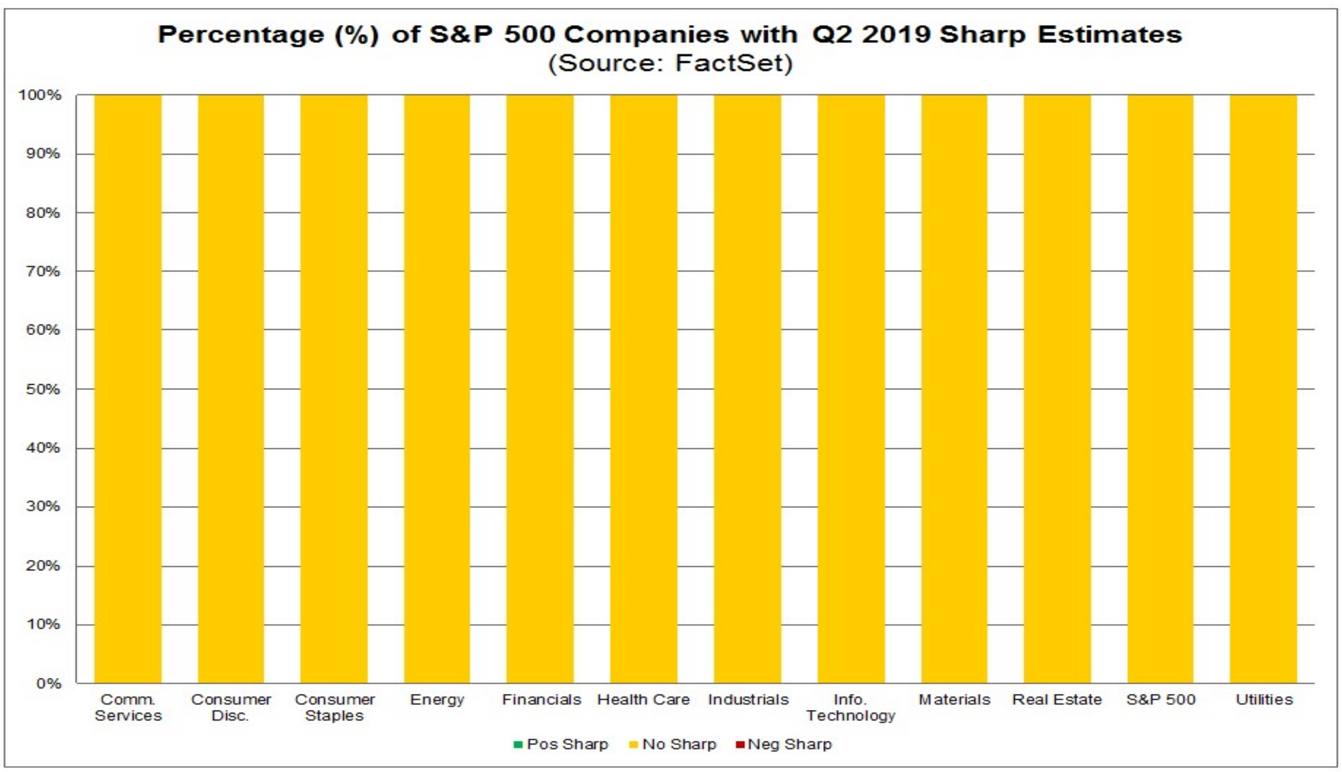
Q2 2019: Scorecard



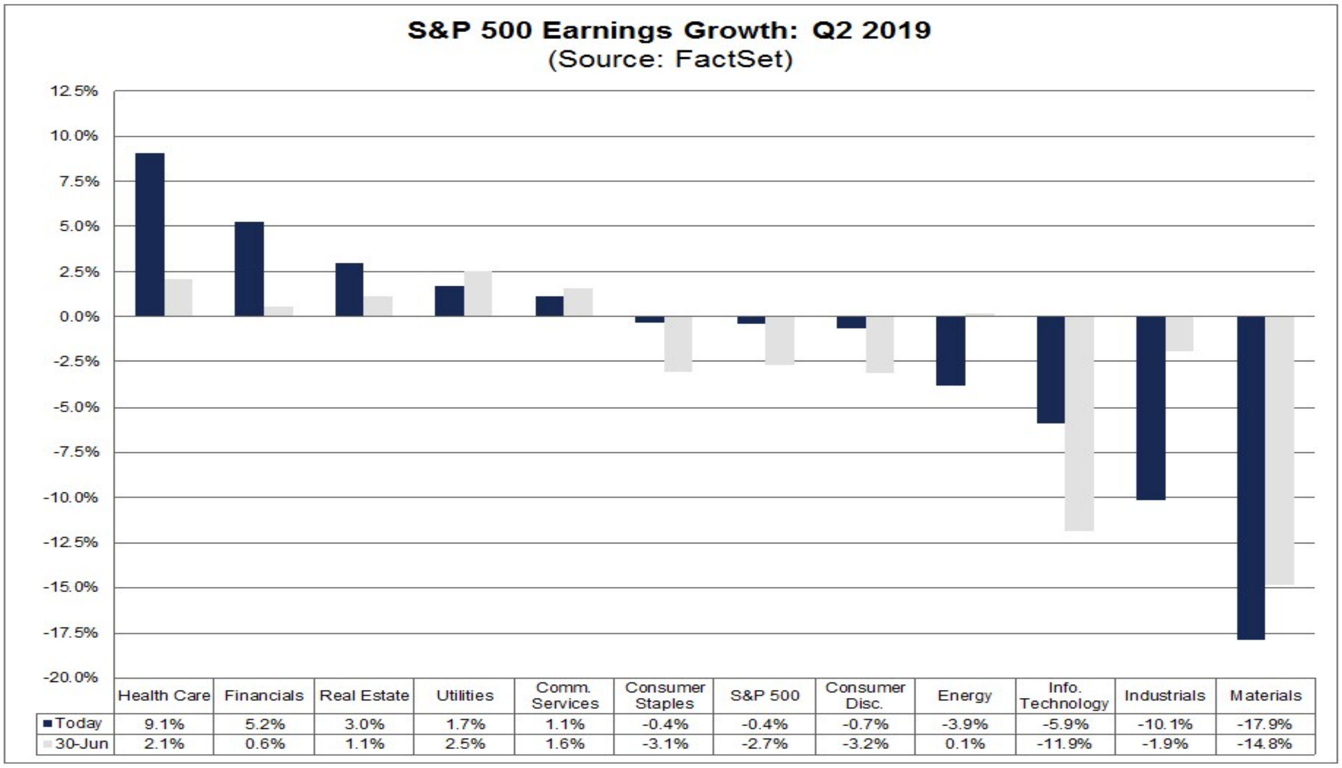


Q2 2019: Projected EPS Surprises (Sharp Estimates)

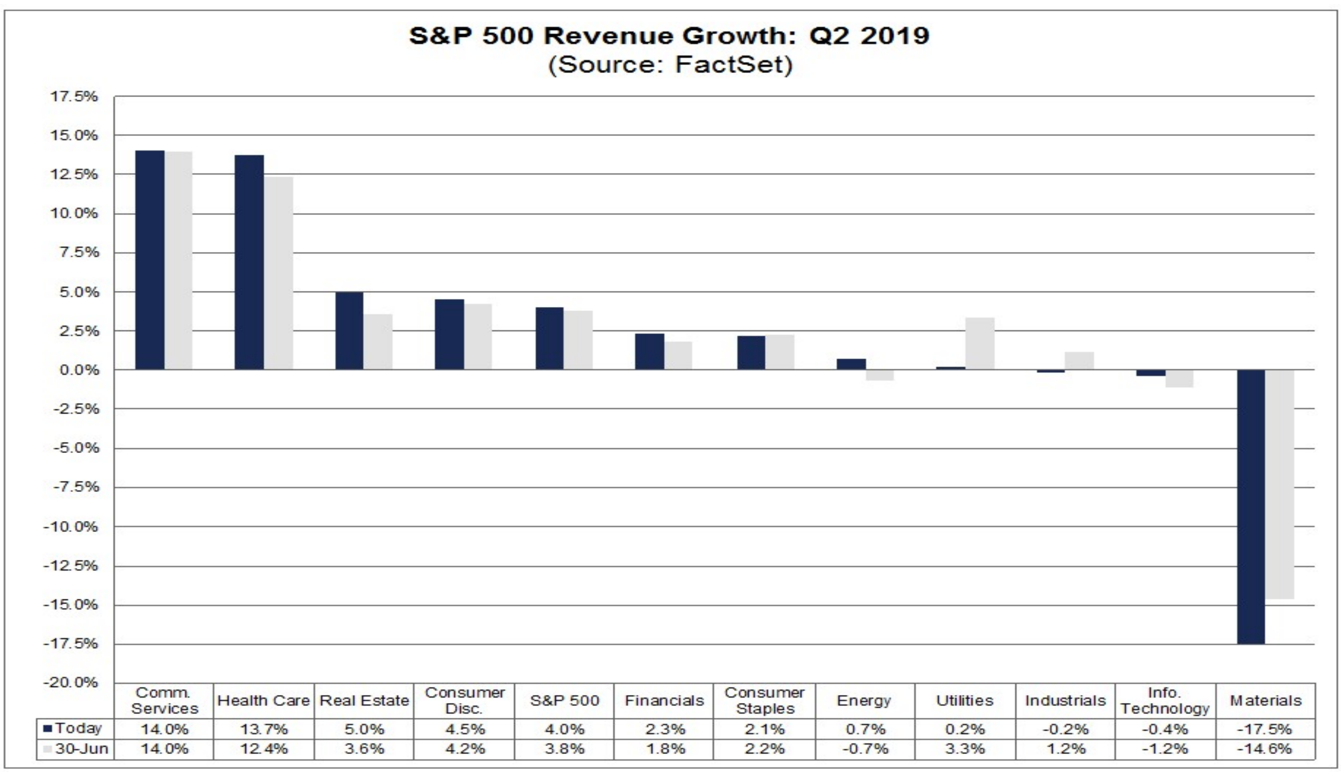




Q2 2019: Growth

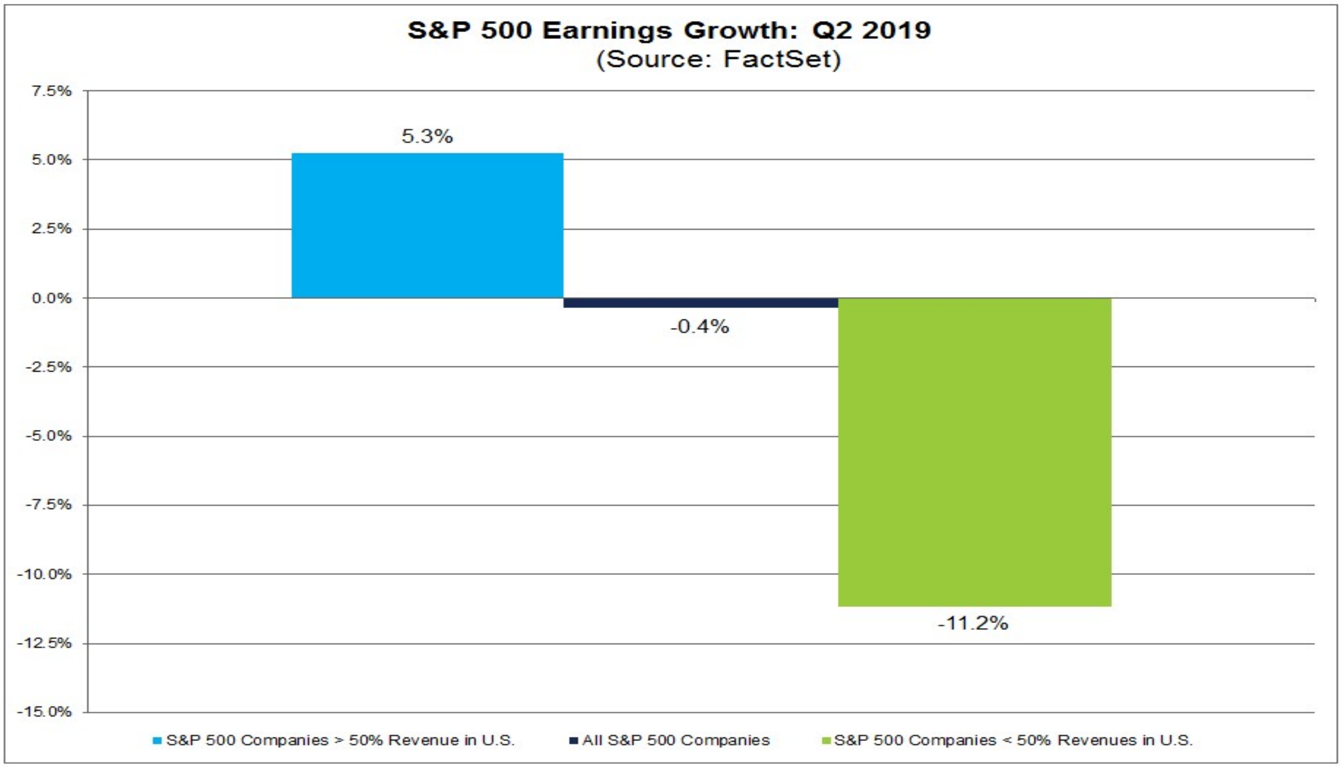


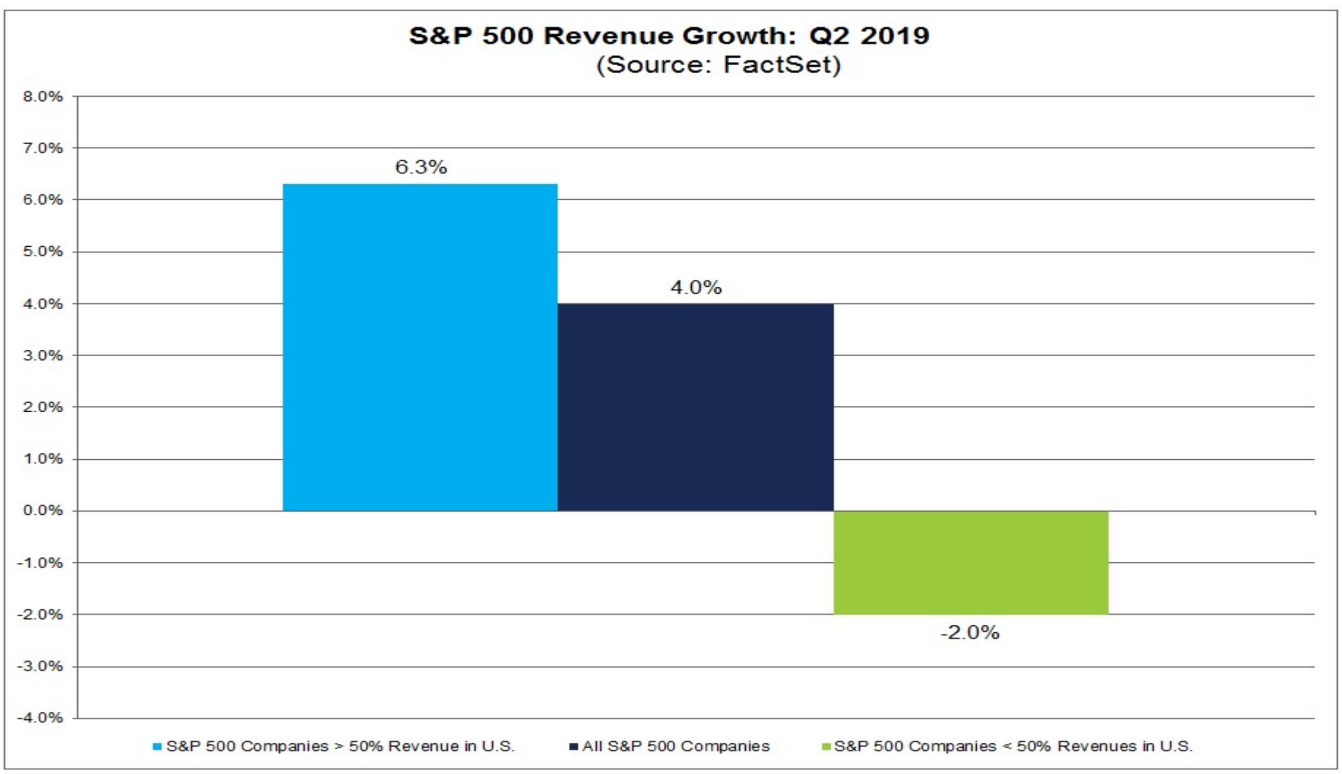
	Health Care	Financials	Real Estate	Utilities	Comm. Services	Consumer Staples	S&P 500	Consumer Disc.	Energy	Info. Technology	Industrials	Materials
Today	9.1%	5.2%	3.0%	1.7%	1.1%	-0.4%	-0.4%	-0.7%	-3.9%	-5.9%	-10.1%	-17.9%
30-Jun	2.1%	0.6%	1.1%	2.5%	1.6%	-3.1%	-2.7%	-3.2%	0.1%	-11.9%	-1.9%	-14.8%



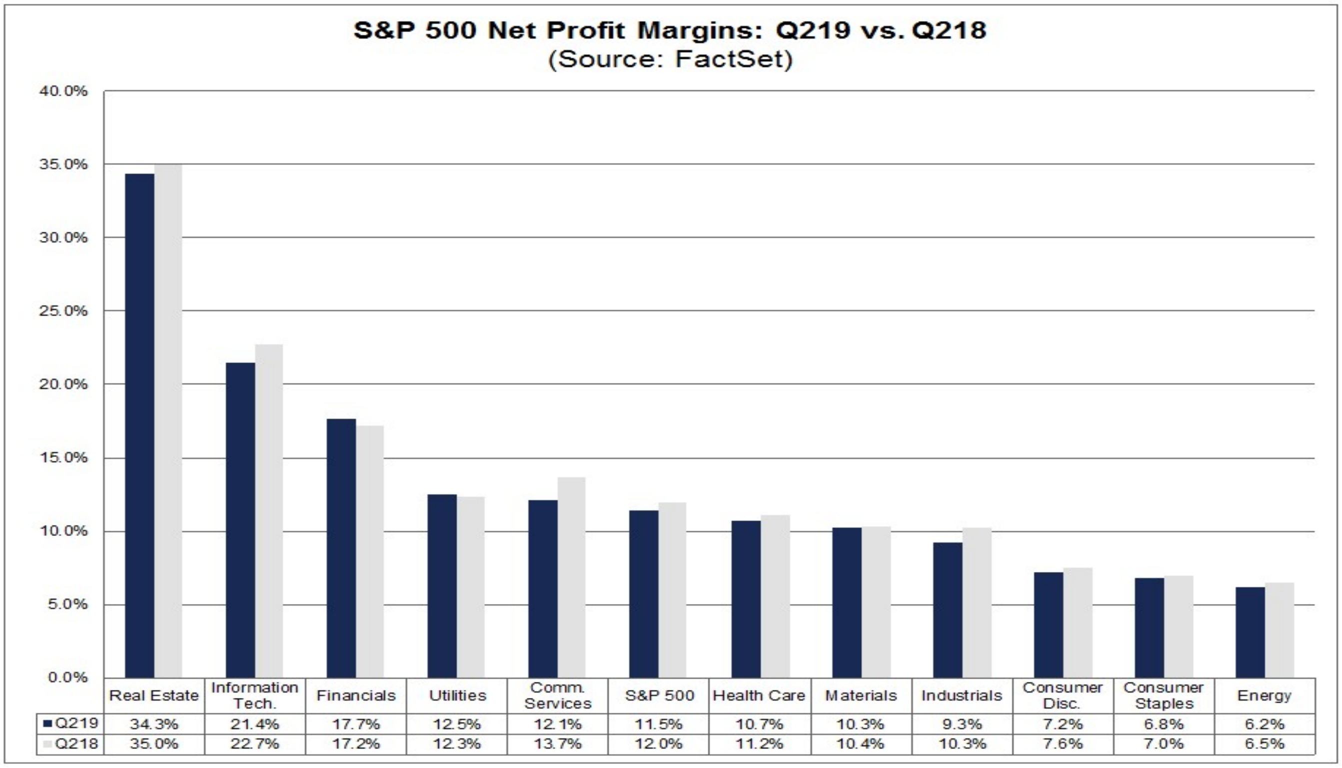
	Comm. Services	Health Care	Real Estate	Consumer Disc.	S&P 500	Financials	Consumer Staples	Energy	Utilities	Industrials	Info. Technology	Materials
Today	14.0%	13.7%	5.0%	4.5%	4.0%	2.3%	2.1%	0.7%	0.2%	-0.2%	-0.4%	-17.5%
30-Jun	14.0%	12.4%	3.6%	4.2%	3.8%	1.8%	2.2%	-0.7%	3.3%	1.2%	-1.2%	-14.6%

Q2 2019: Growth

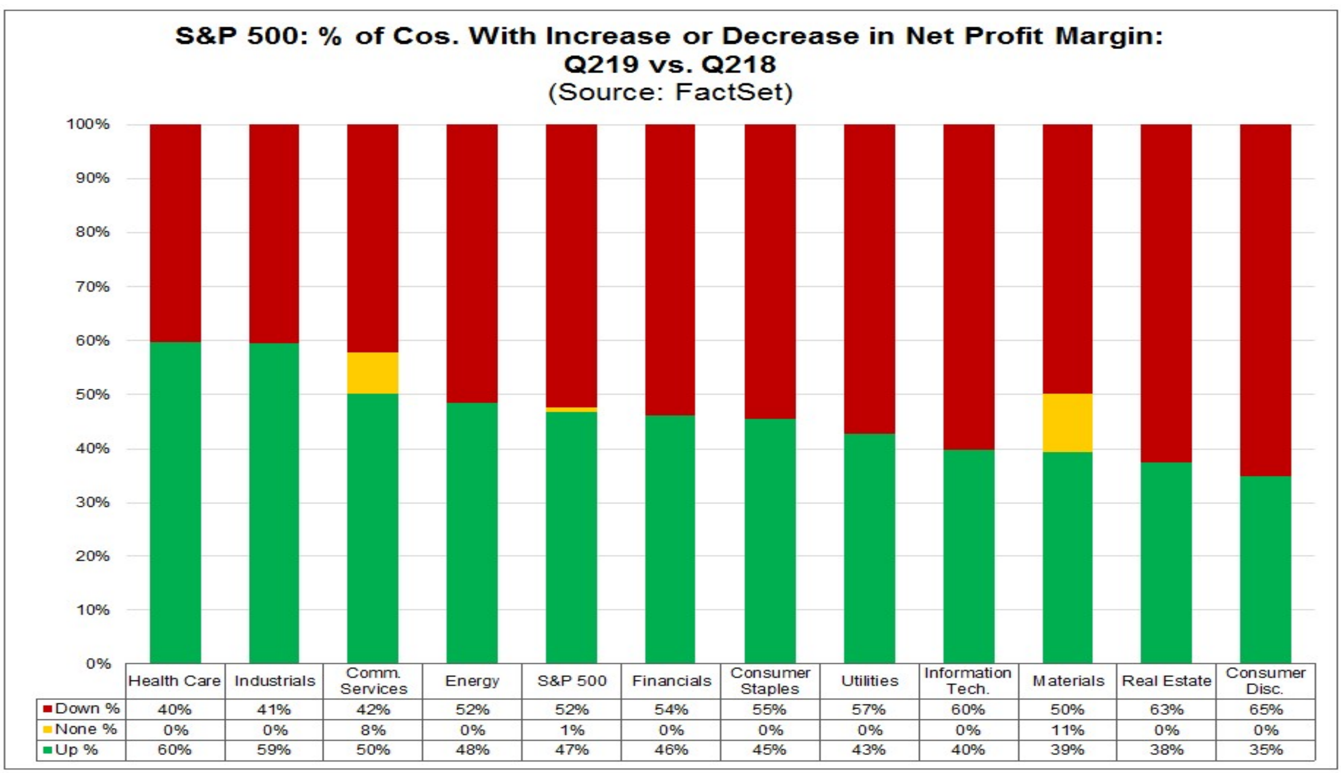




Q2 2019: Net Profit Margin

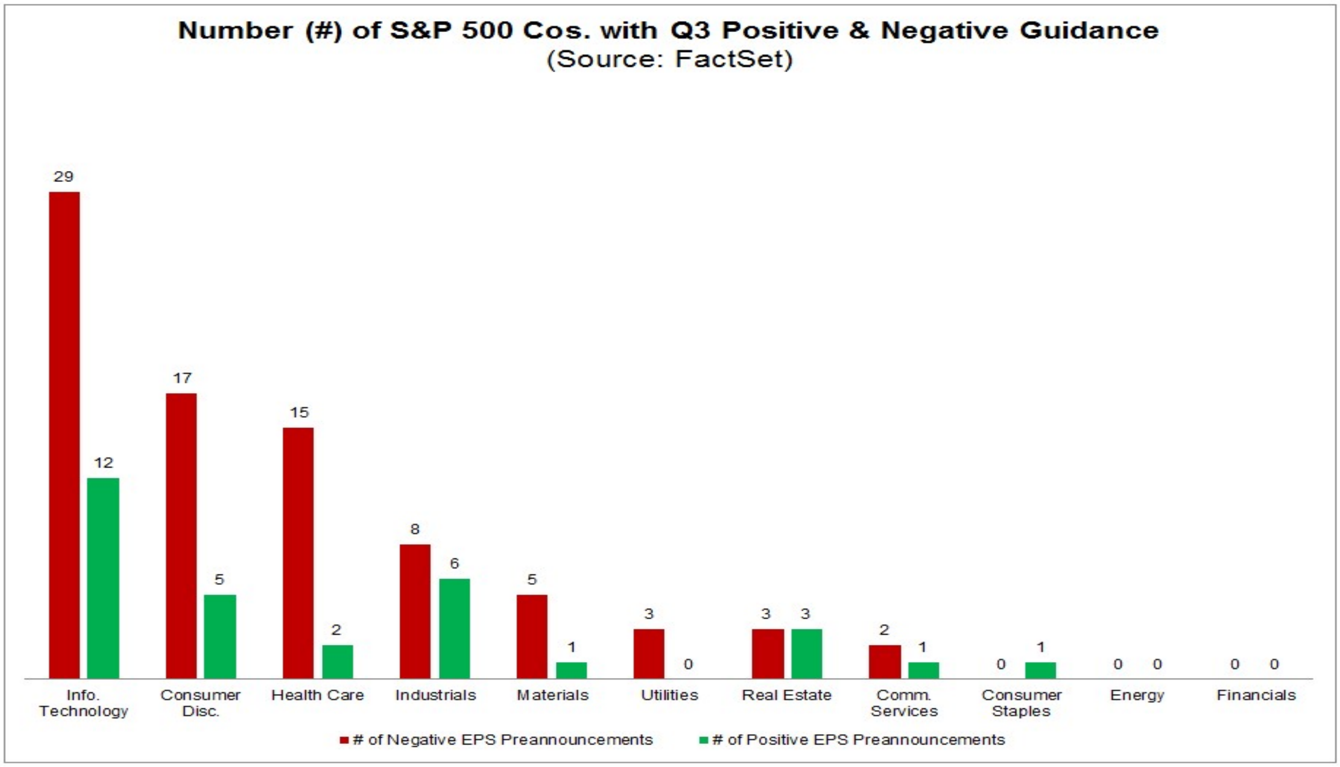


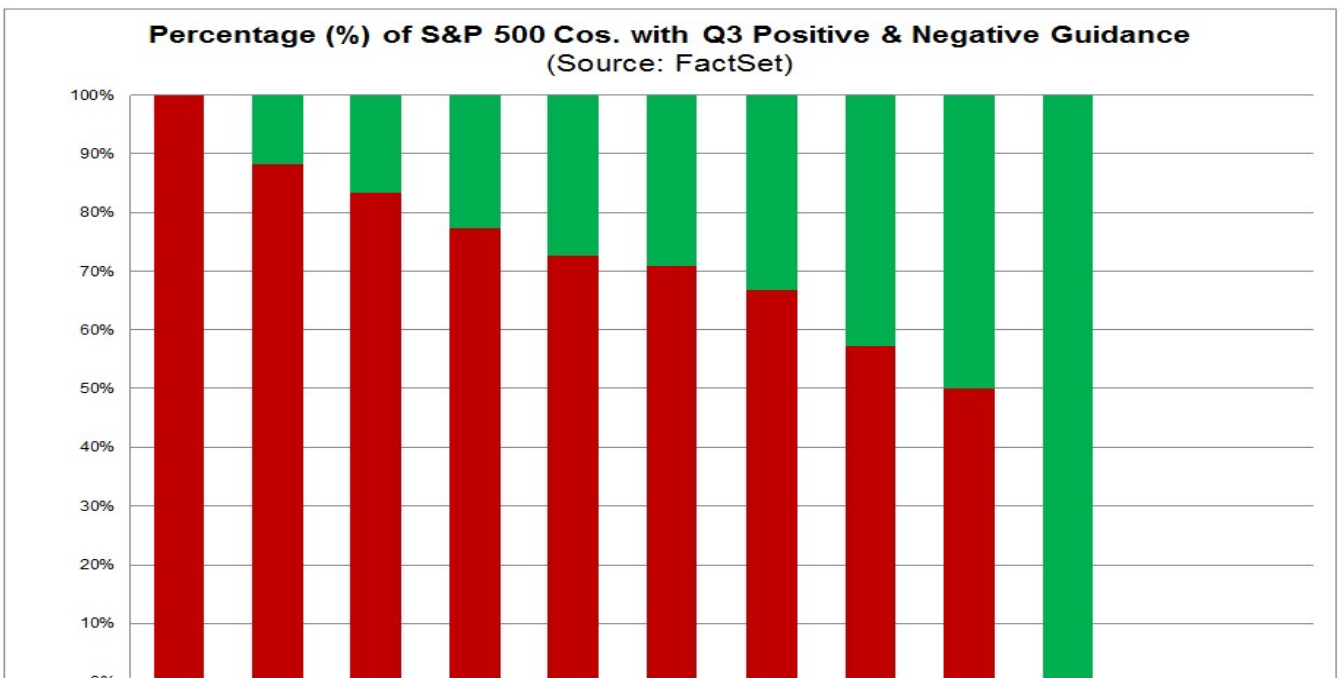
	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Health Care	Materials	Industrials	Consumer Disc.	Consumer Staples	Energy
Q219	34.3%	21.4%	17.7%	12.5%	12.1%	11.5%	10.7%	10.3%	9.3%	7.2%	6.8%	6.2%
Q218	35.0%	22.7%	17.2%	12.3%	13.7%	12.0%	11.2%	10.4%	10.3%	7.6%	7.0%	6.5%



	Health Care	Industrials	Comm. Services	Energy	S&P 500	Financials	Consumer Staples	Utilities	Information Tech.	Materials	Real Estate	Consumer Disc.
Down %	40%	41%	42%	52%	52%	54%	55%	57%	60%	50%	63%	65%
None %	0%	0%	8%	0%	1%	0%	0%	0%	0%	11%	0%	0%
Up %	60%	59%	50%	48%	47%	46%	45%	43%	40%	39%	38%	35%

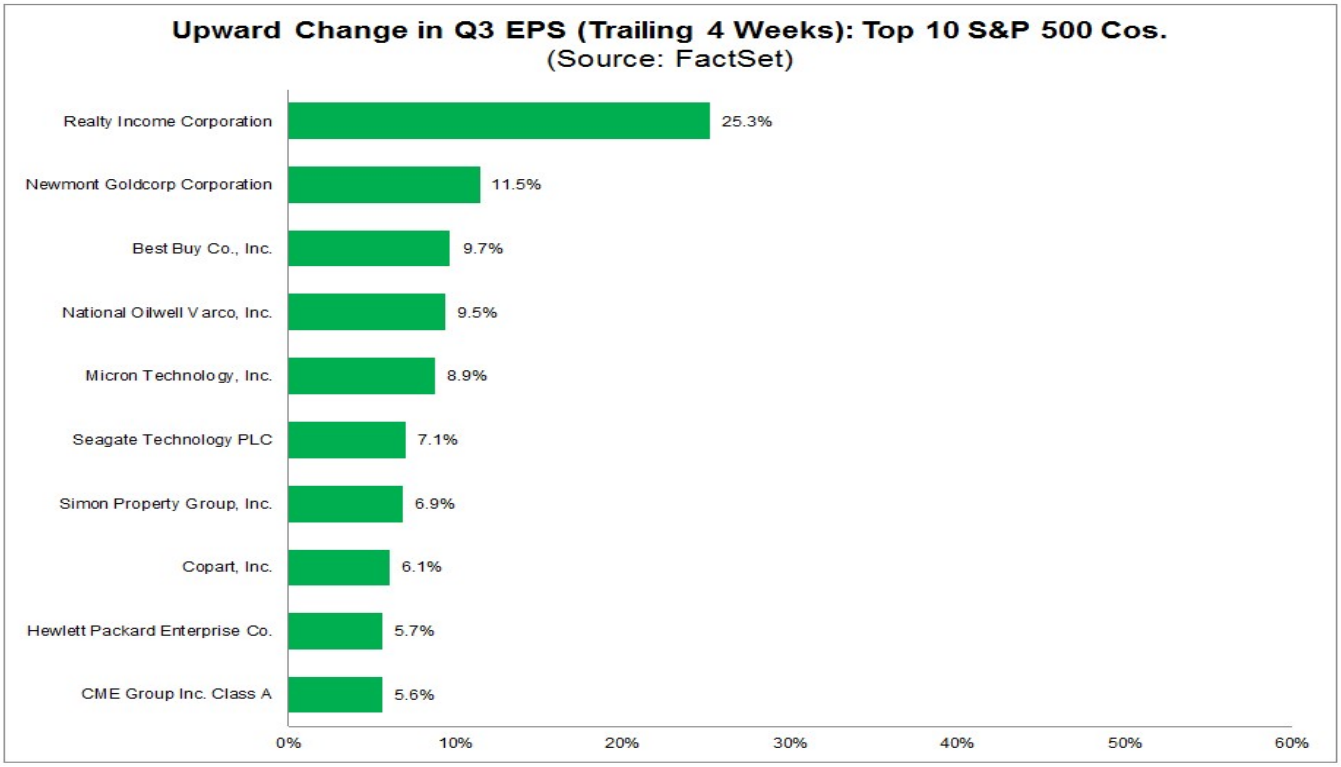
Q3 2019: EPS Guidance

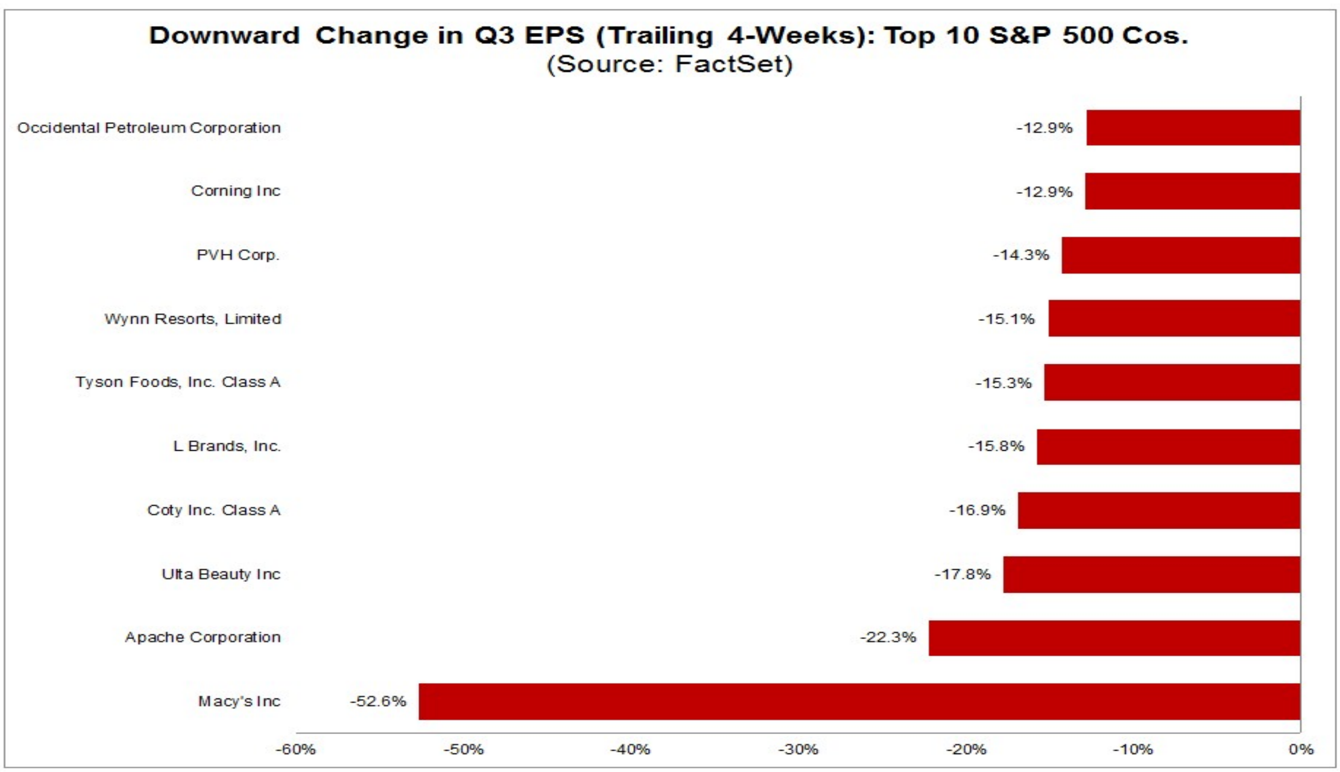




	Utilities	Health Care	Materials	Consumer Disc.	S&P 500	Info. Technology	Comm. Services	Industrials	Real Estate	Consumer Staples	Energy	Financials
Positive	0%	12%	17%	23%	27%	29%	33%	43%	50%	100%	0%	0%
Negative	100%	88%	83%	77%	73%	71%	67%	57%	50%	0%	0%	0%

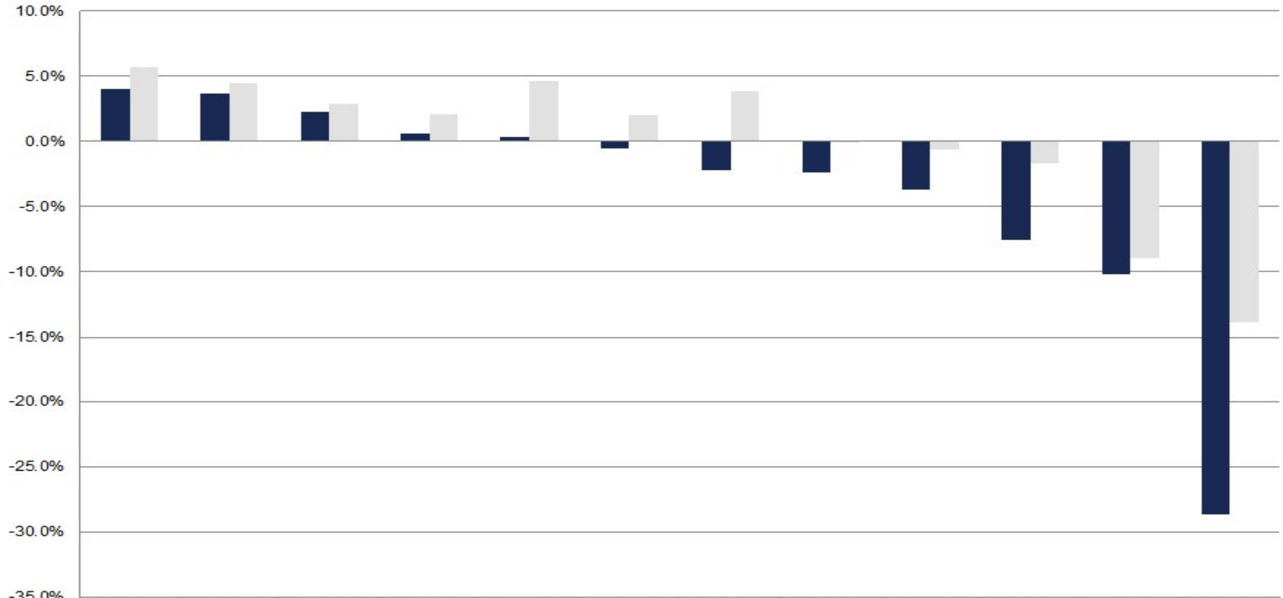
Q3 2019: EPS Revisions





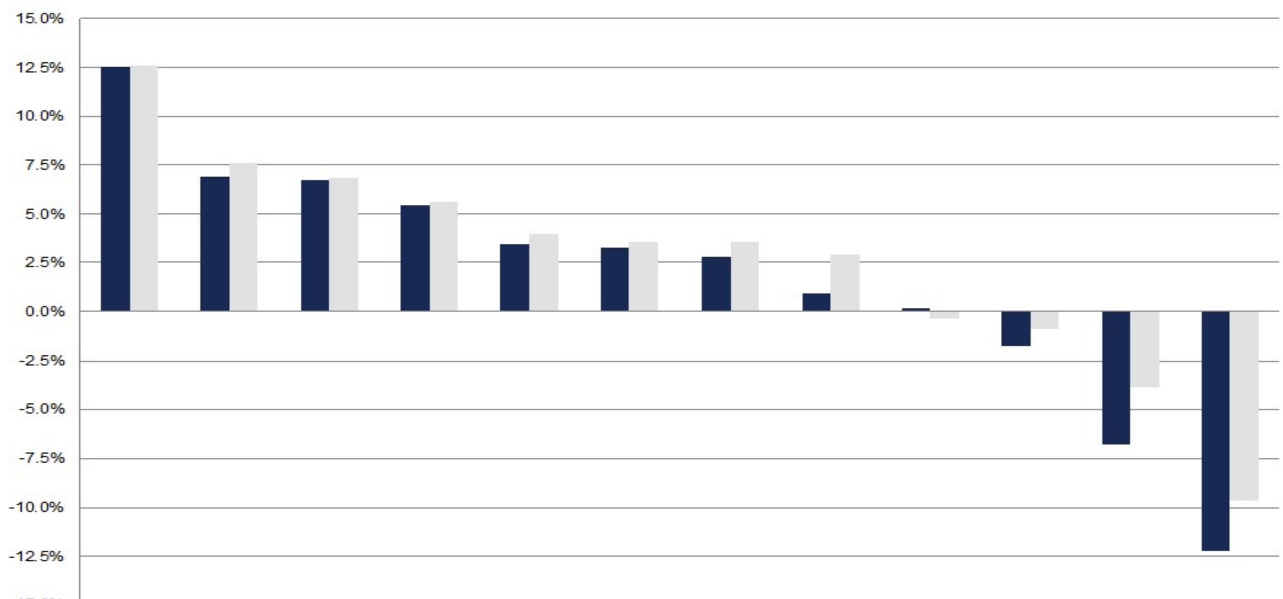
Q3 2019: Growth

S&P 500 Earnings Growth: Q3 2019
(Source: FactSet)



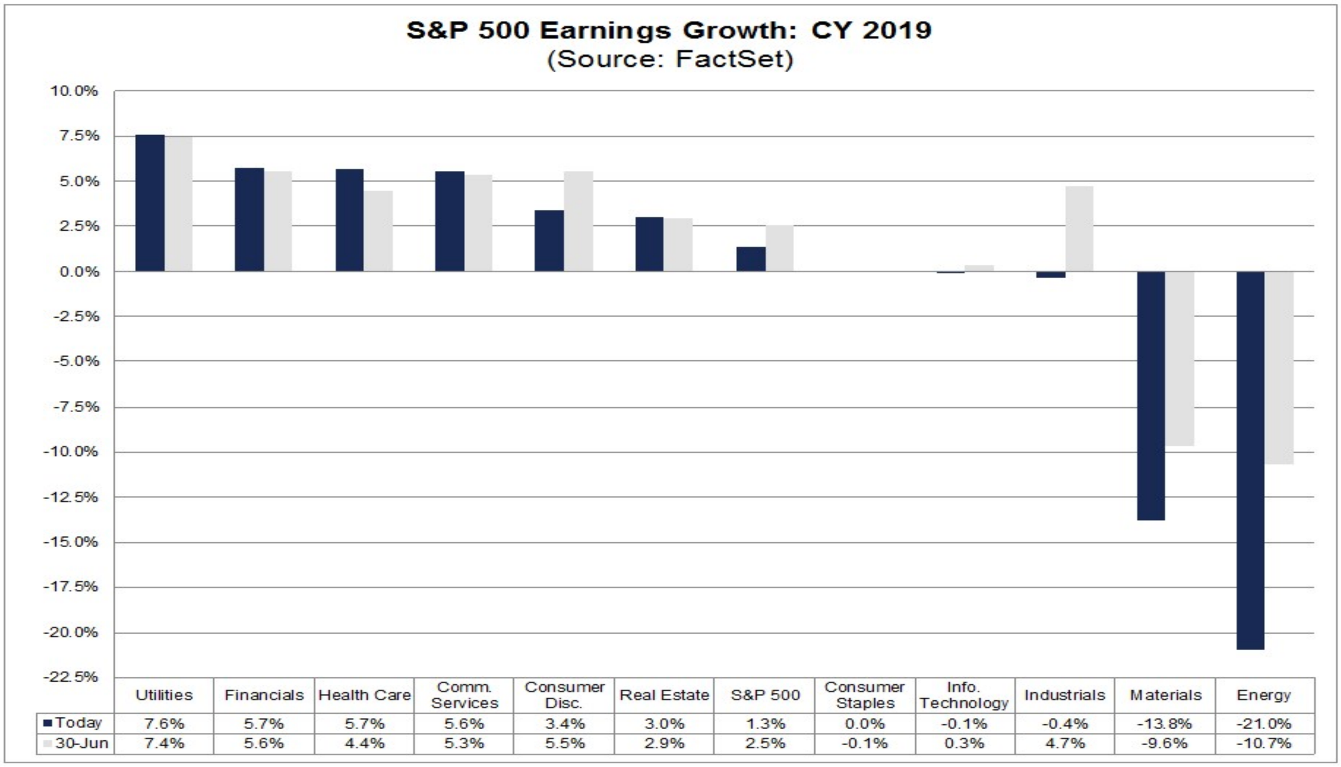
	Utilities	Real Estate	Health Care	Comm. Services	Industrials	Financials	Consumer Disc.	Consumer Staples	S&P 500	Materials	Info. Technology	Energy
Today	4.0%	3.7%	2.2%	0.6%	0.3%	-0.6%	-2.3%	-2.4%	-3.8%	-7.6%	-10.2%	-28.7%
30-Jun	5.7%	4.5%	2.9%	2.0%	4.6%	2.0%	3.8%	-0.1%	-0.6%	-1.7%	-9.0%	-13.9%

S&P 500 Revenue Growth: Q3 2019
(Source: FactSet)

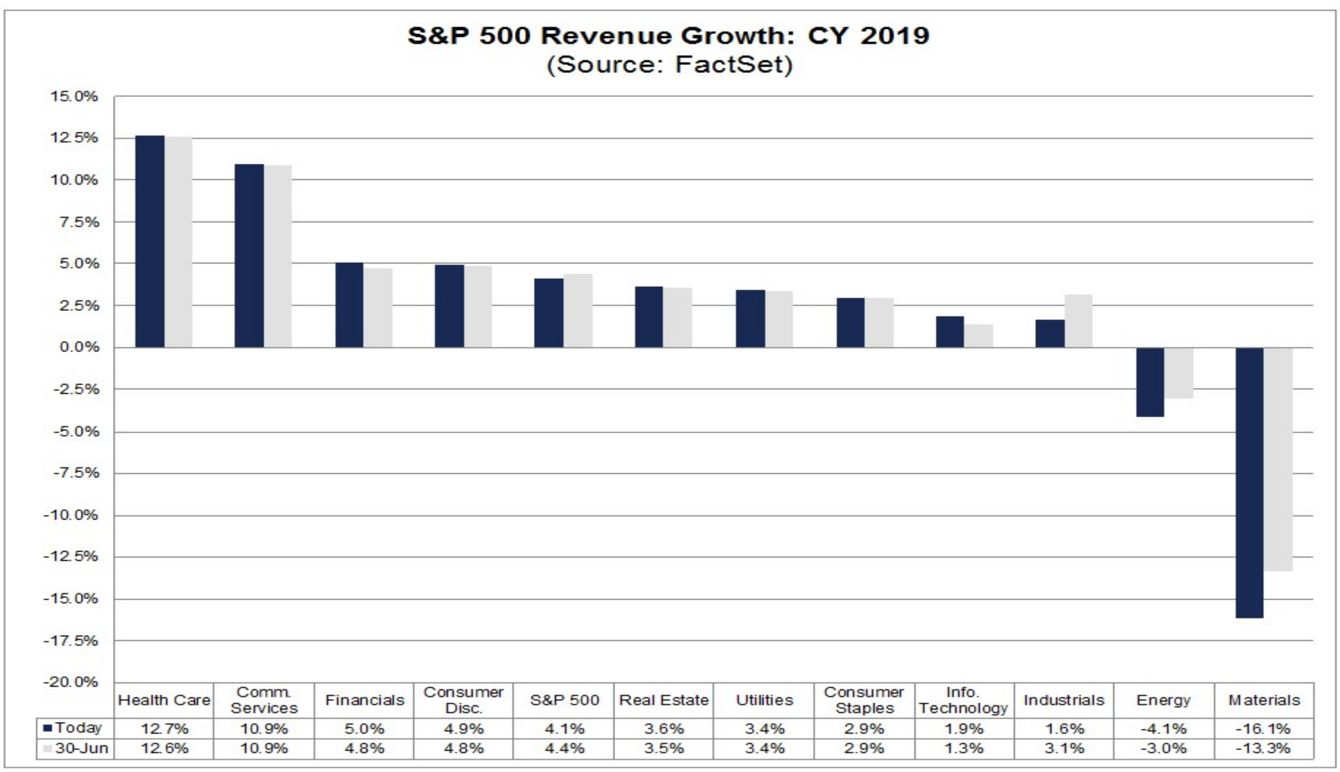


	Health Care	Utilities	Comm. Services	Consumer Disc.	Real Estate	Consumer Staples	S&P 500	Industrials	Info. Technology	Financials	Energy	Materials
Today	12.5%	6.9%	6.7%	5.4%	3.5%	3.2%	2.8%	0.9%	0.2%	-1.7%	-6.7%	-12.2%
30-Jun	12.6%	7.6%	6.8%	5.6%	4.0%	3.6%	3.5%	2.9%	-0.4%	-0.9%	-3.8%	-9.6%

CY 2019: Growth

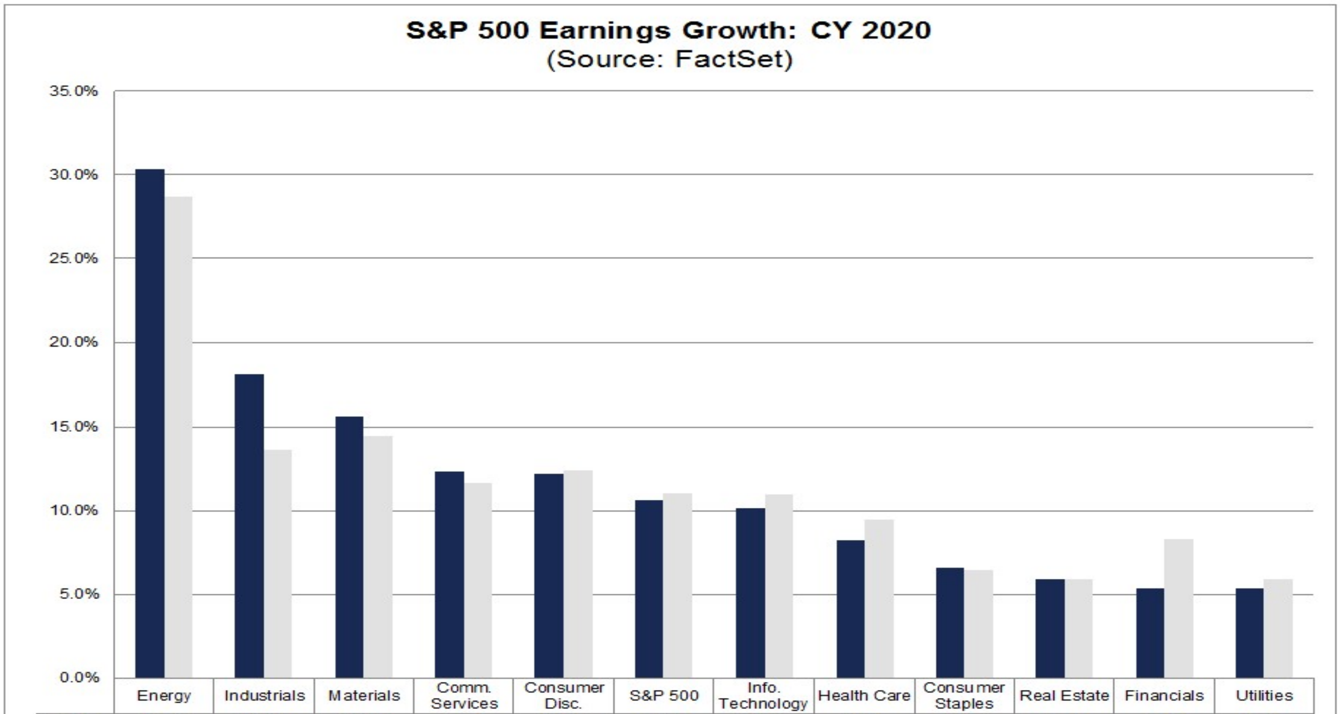


	Utilities	Financials	Health Care	Comm. Services	Consumer Disc.	Real Estate	S&P 500	Consumer Staples	Info. Technology	Industrials	Materials	Energy
Today	7.6%	5.7%	5.7%	5.6%	3.4%	3.0%	1.3%	0.0%	-0.1%	-0.4%	-13.8%	-21.0%
30-Jun	7.4%	5.6%	4.4%	5.3%	5.5%	2.9%	2.5%	-0.1%	0.3%	4.7%	-9.6%	-10.7%

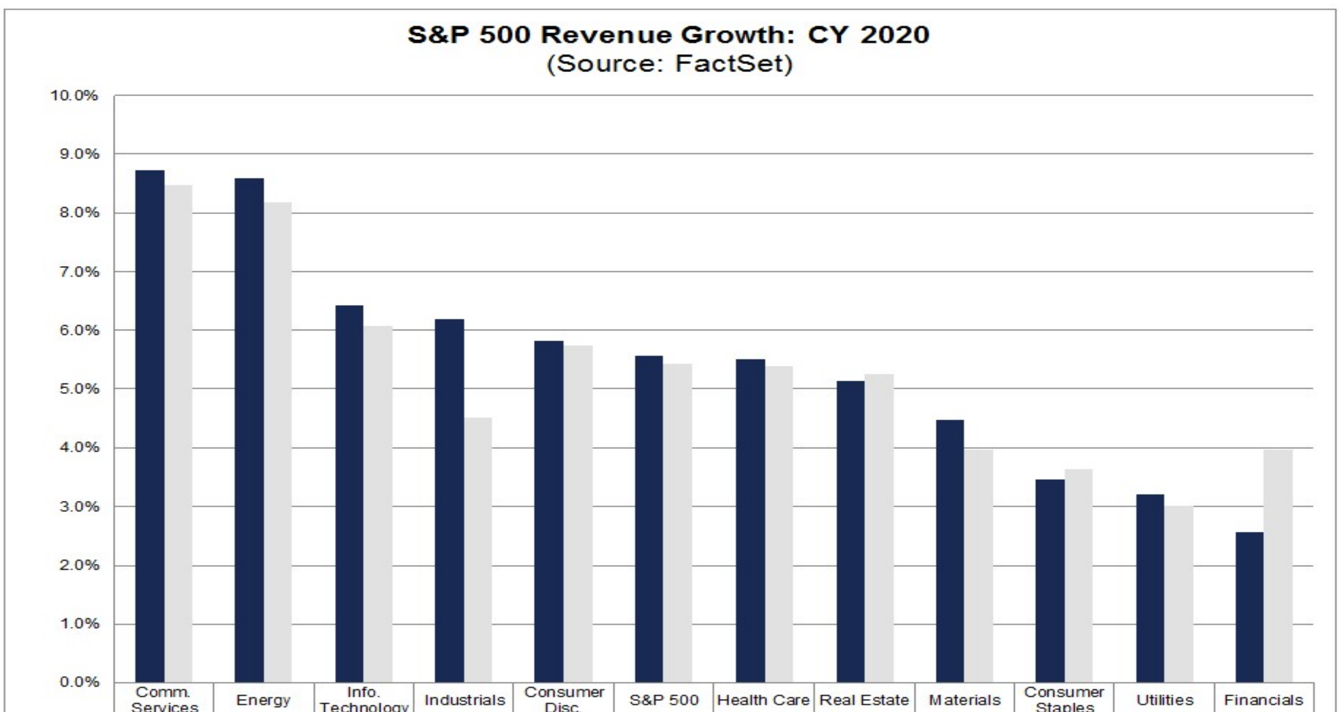


	Health Care	Comm. Services	Financials	Consumer Disc.	S&P 500	Real Estate	Utilities	Consumer Staples	Info. Technology	Industrials	Energy	Materials
Today	12.7%	10.9%	5.0%	4.9%	4.1%	3.6%	3.4%	2.9%	1.9%	1.6%	-4.1%	-16.1%
30-Jun	12.6%	10.9%	4.8%	4.8%	4.4%	3.5%	3.4%	2.9%	1.3%	3.1%	-3.0%	-13.3%

CY 2020: Growth

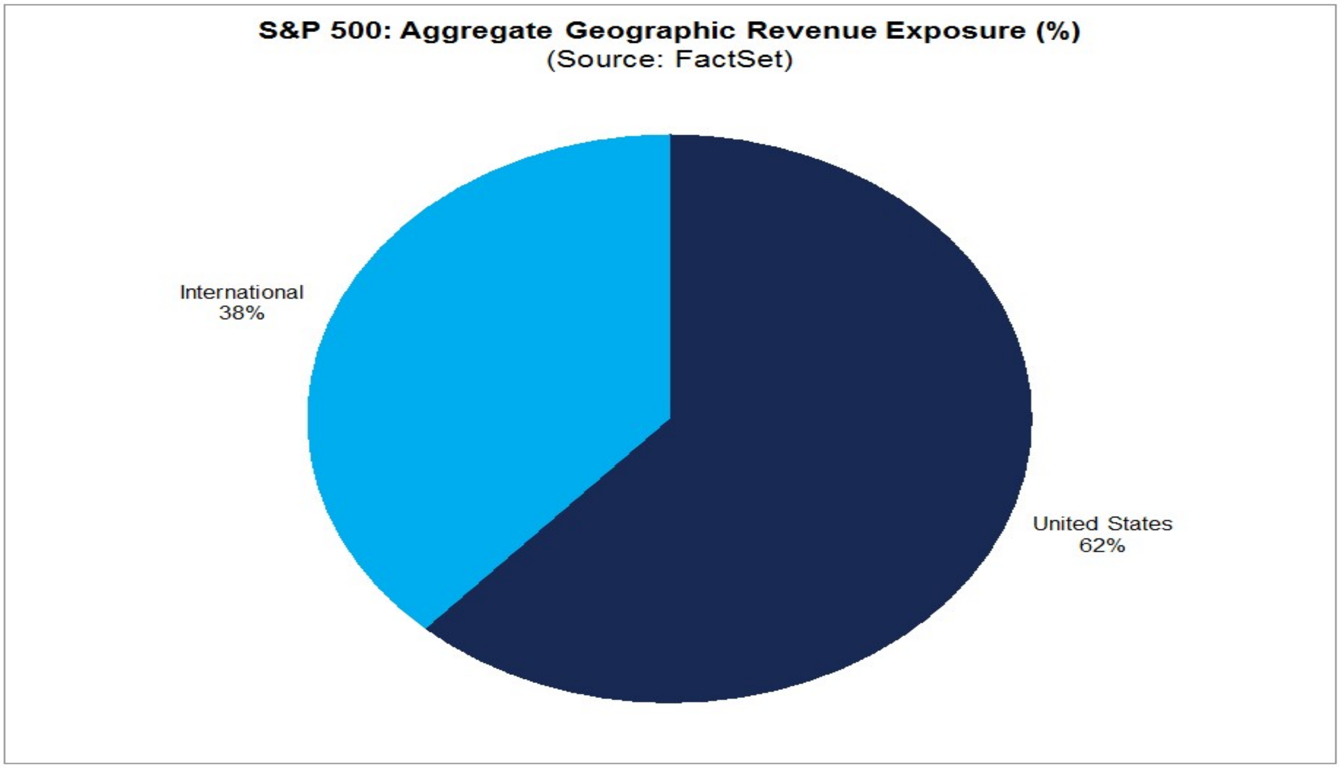


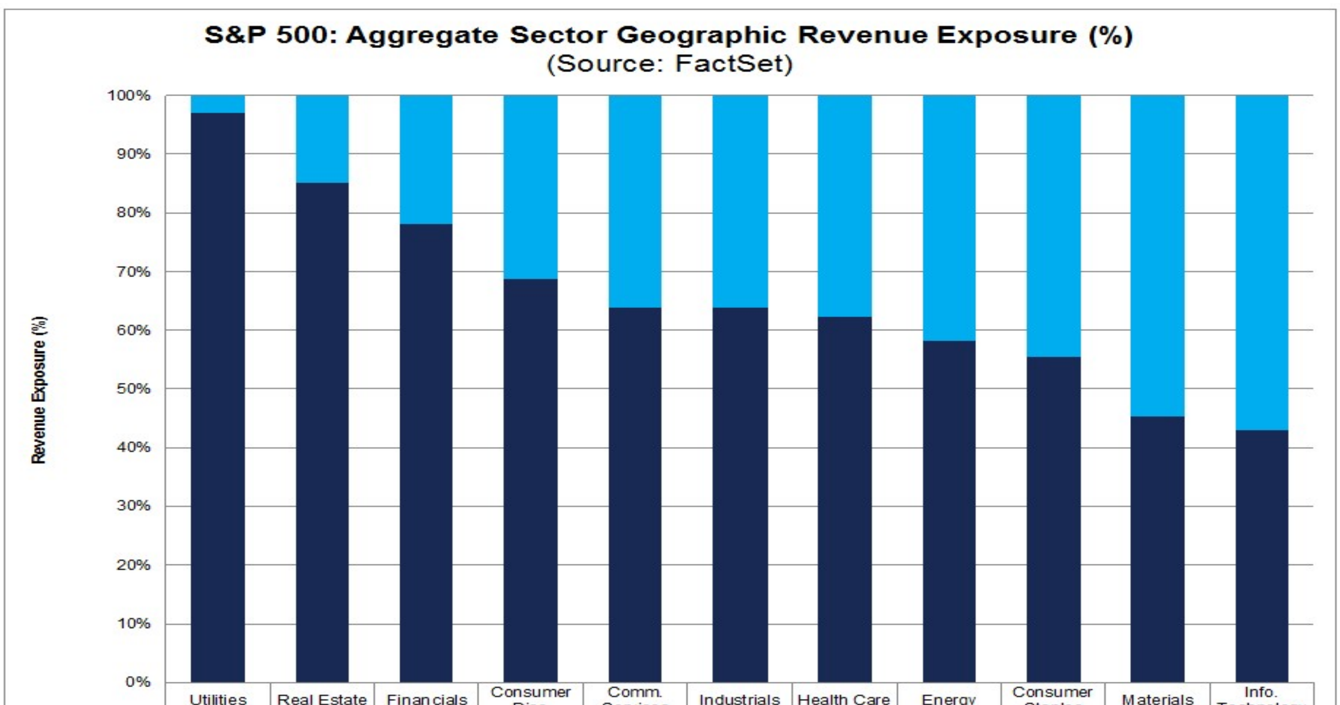
	Energy	Industrials	Materials	Comm. Services	Consumer Disc.	S&P 500	Info. Technology	Health Care	Consumer Staples	Real Estate	Financials	Utilities
Today	30.3%	18.1%	15.6%	12.3%	12.2%	10.6%	10.1%	8.2%	6.6%	5.9%	5.4%	5.4%
30-Jun	28.7%	13.6%	14.5%	11.6%	12.4%	11.0%	11.0%	9.5%	6.4%	5.9%	8.3%	5.9%



	Comm. Services	Energy	Info. Technology	Industrials	Consumer Disc.	S&P 500	Health Care	Real Estate	Materials	Consumer Staples	Utilities	Financials
Today	8.7%	8.6%	6.4%	6.2%	5.8%	5.6%	5.5%	5.1%	4.5%	3.5%	3.2%	2.6%
30-Jun	8.5%	8.2%	6.1%	4.5%	5.7%	5.4%	5.4%	5.2%	4.0%	3.6%	3.0%	4.0%

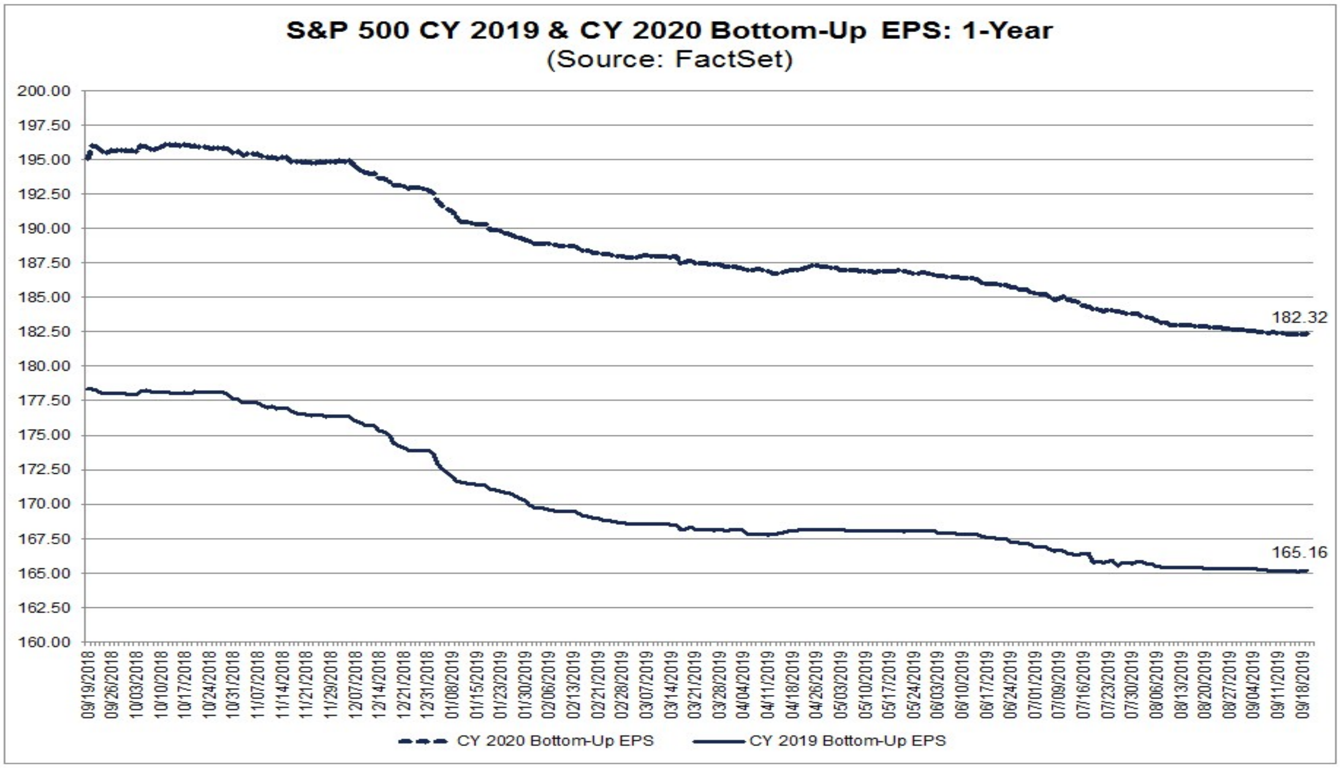
Geographic Revenue Exposure

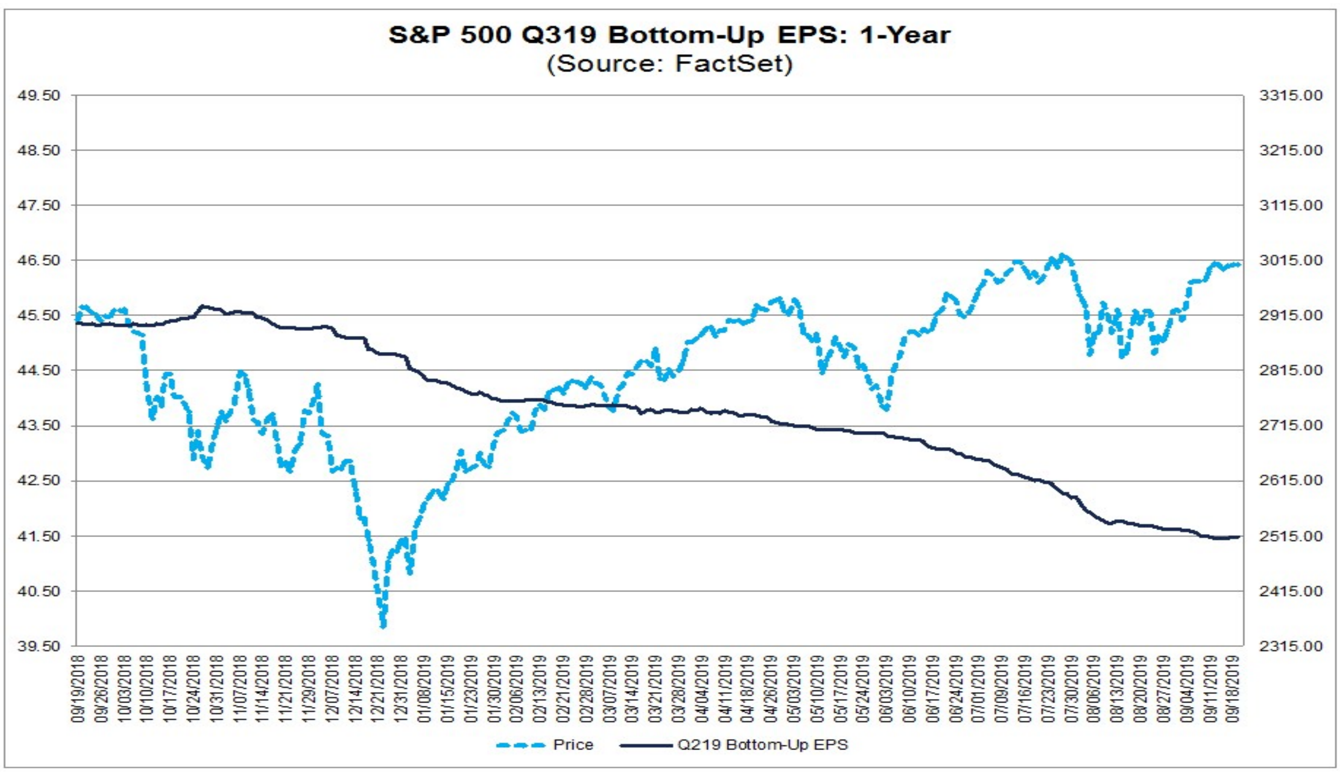




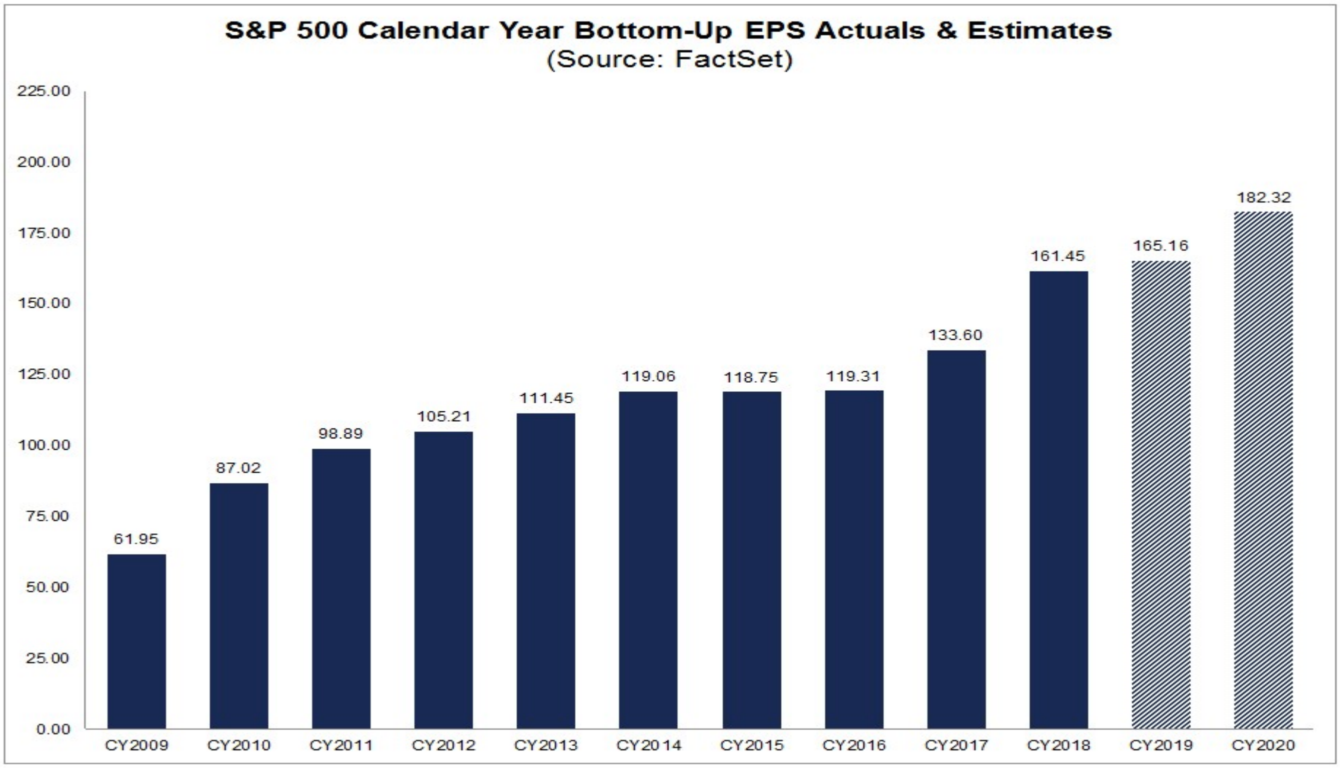
	Utilities	Real Estate	Financials	Consumer Disc.	Comm. Services	Industrials	Health Care	Energy	Consumer Staples	Materials	Info. Technology
International	3%	15%	22%	31%	36%	36%	38%	42%	45%	55%	57%
United States	97%	85%	78%	69%	64%	64%	62%	58%	55%	45%	43%

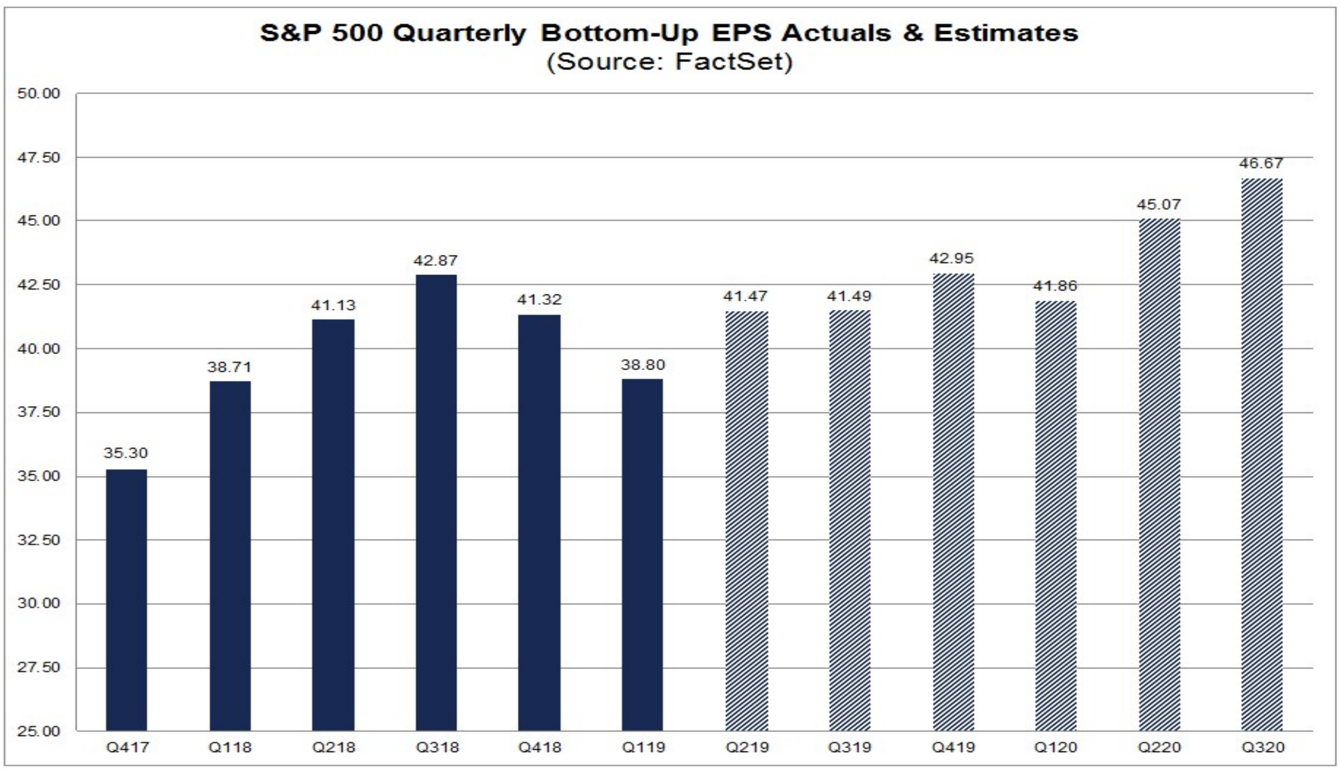
Bottom-up EPS Estimates: Revisions



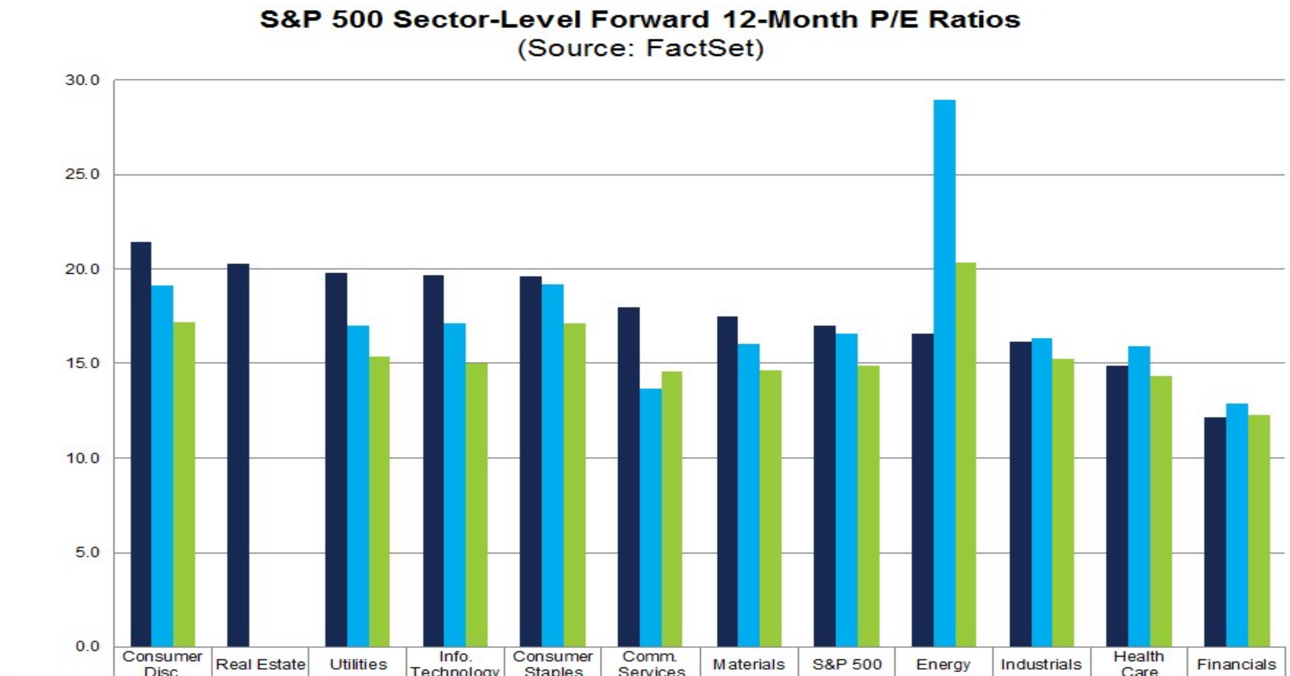


Bottom-up EPS Estimates: Current & Historical

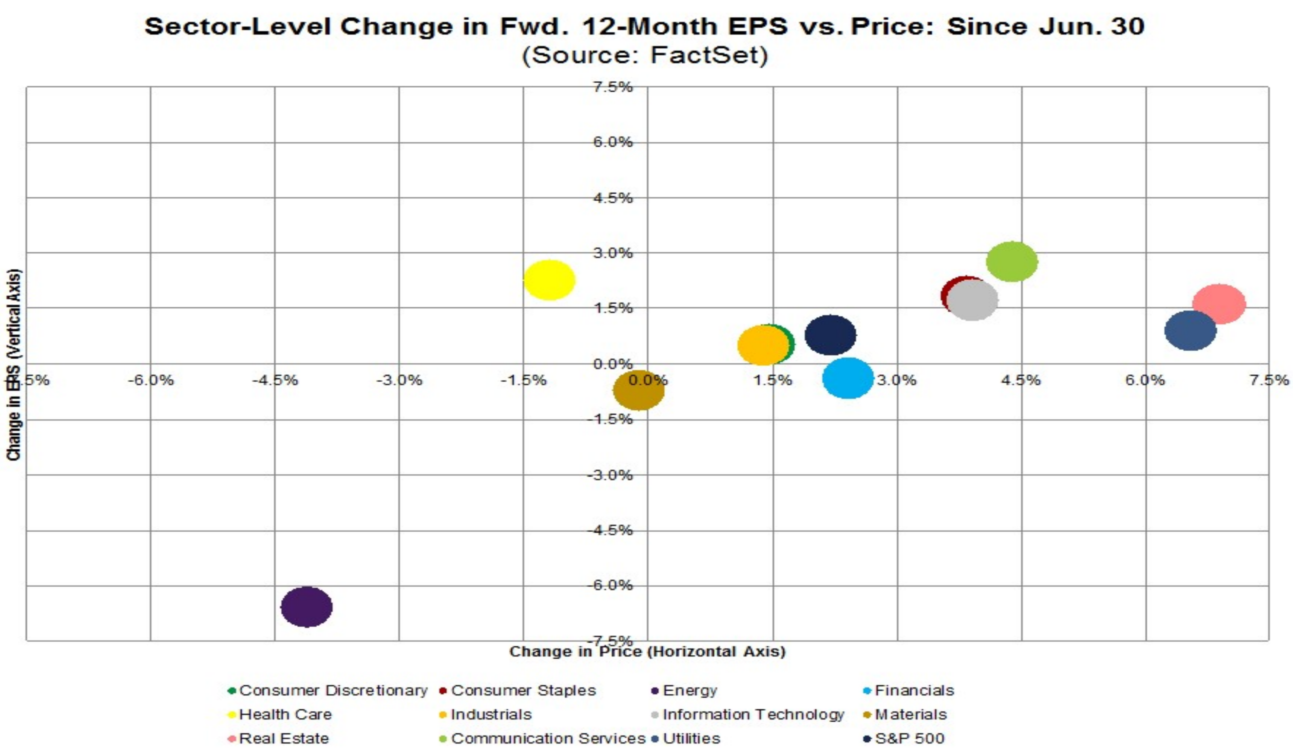




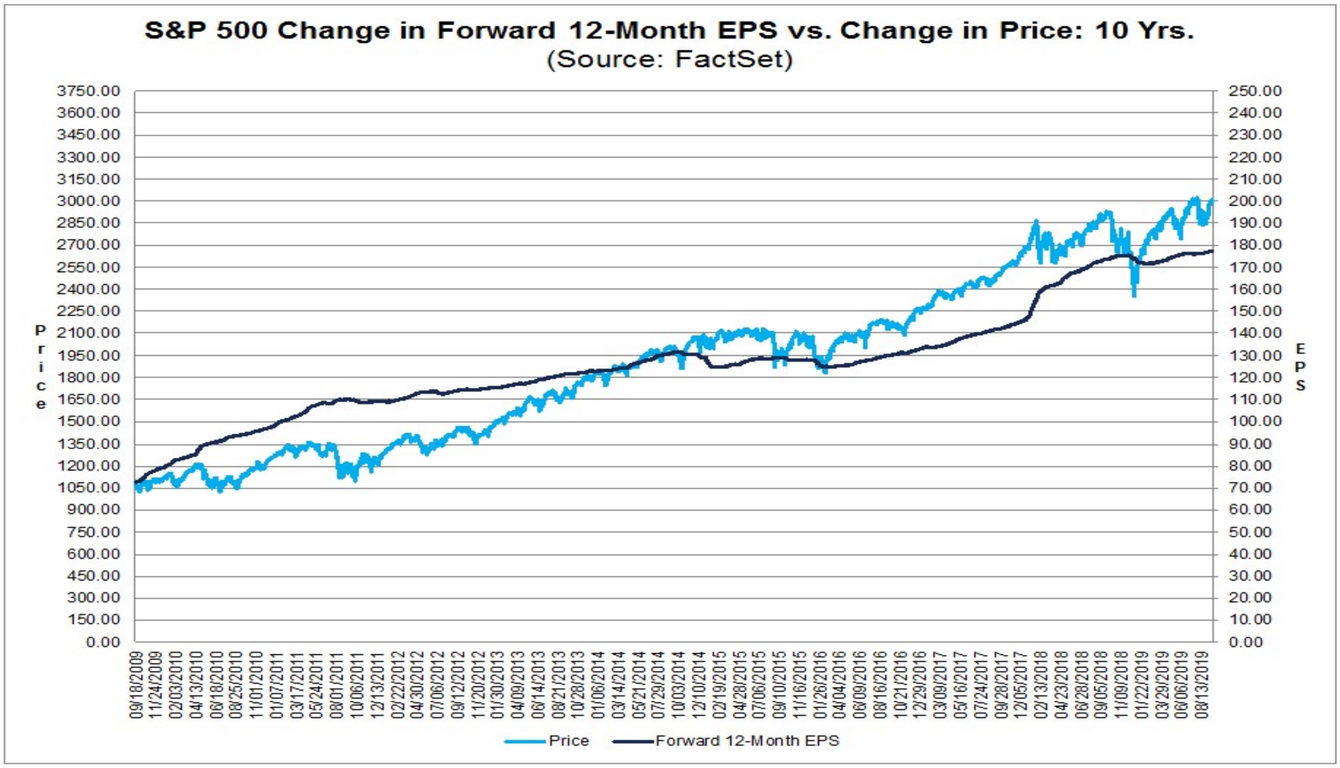
Forward 12M P/E Ratio: Sector Level

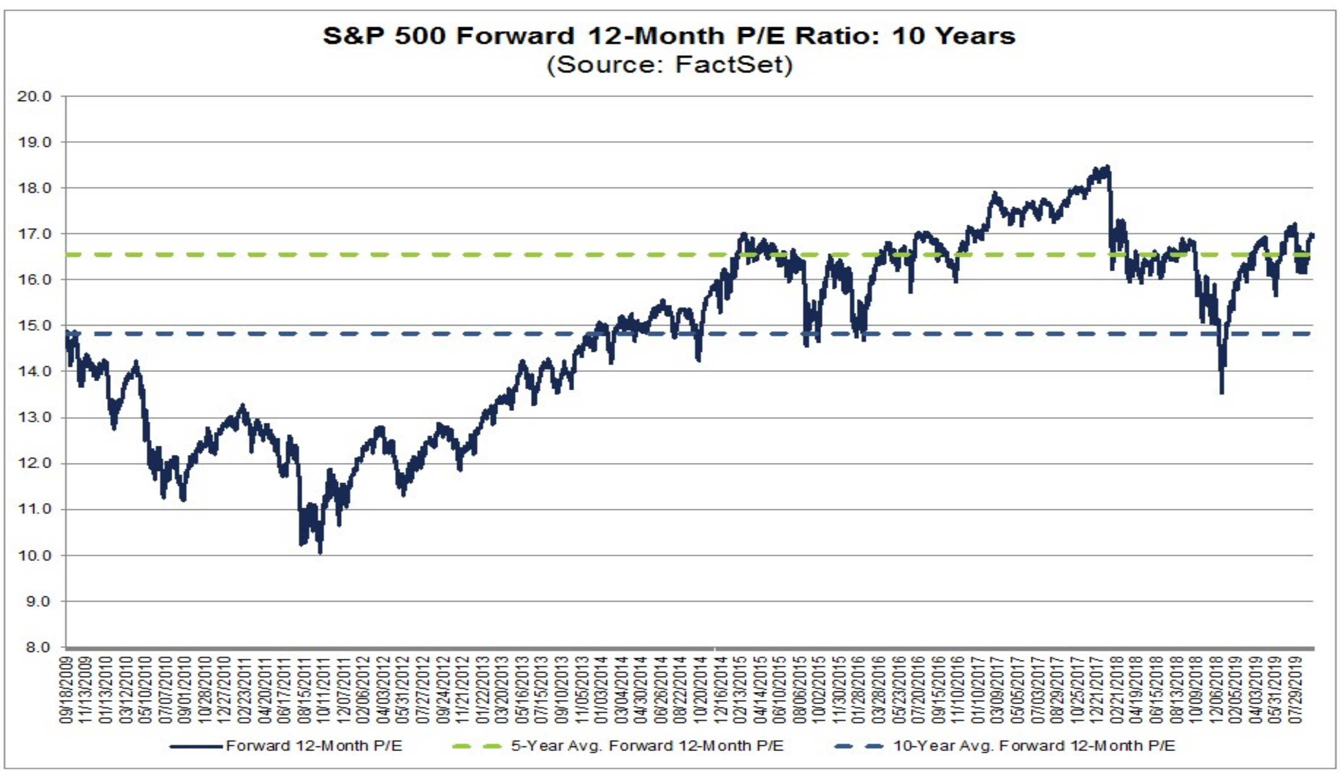


	Consumer Disc.	Real Estate	Utilities	Info. Technology	Consumer Staples	Comm. Services	Materials	S&P 500	Energy	Industrials	Health Care	Financials
Fwd P/E	21.4	20.3	19.8	19.6	19.6	17.9	17.5	17.0	16.5	16.1	14.9	12.2
5-Yr Avg.	19.1		17.0	17.1	19.2	13.6	16.0	16.6	29.0	16.3	15.9	12.9
10-Yr Avg.	17.2		15.3	15.0	17.1	14.6	14.6	14.8	20.3	15.2	14.3	12.3

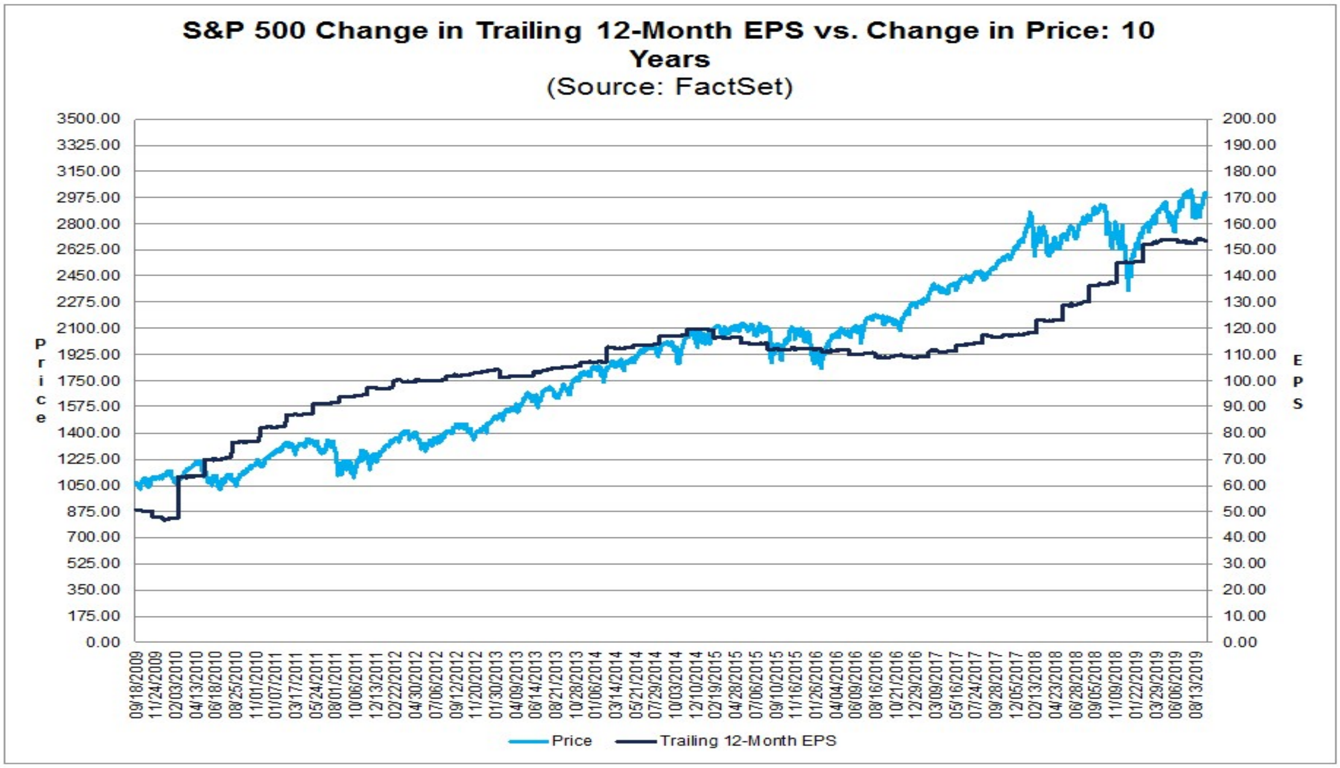


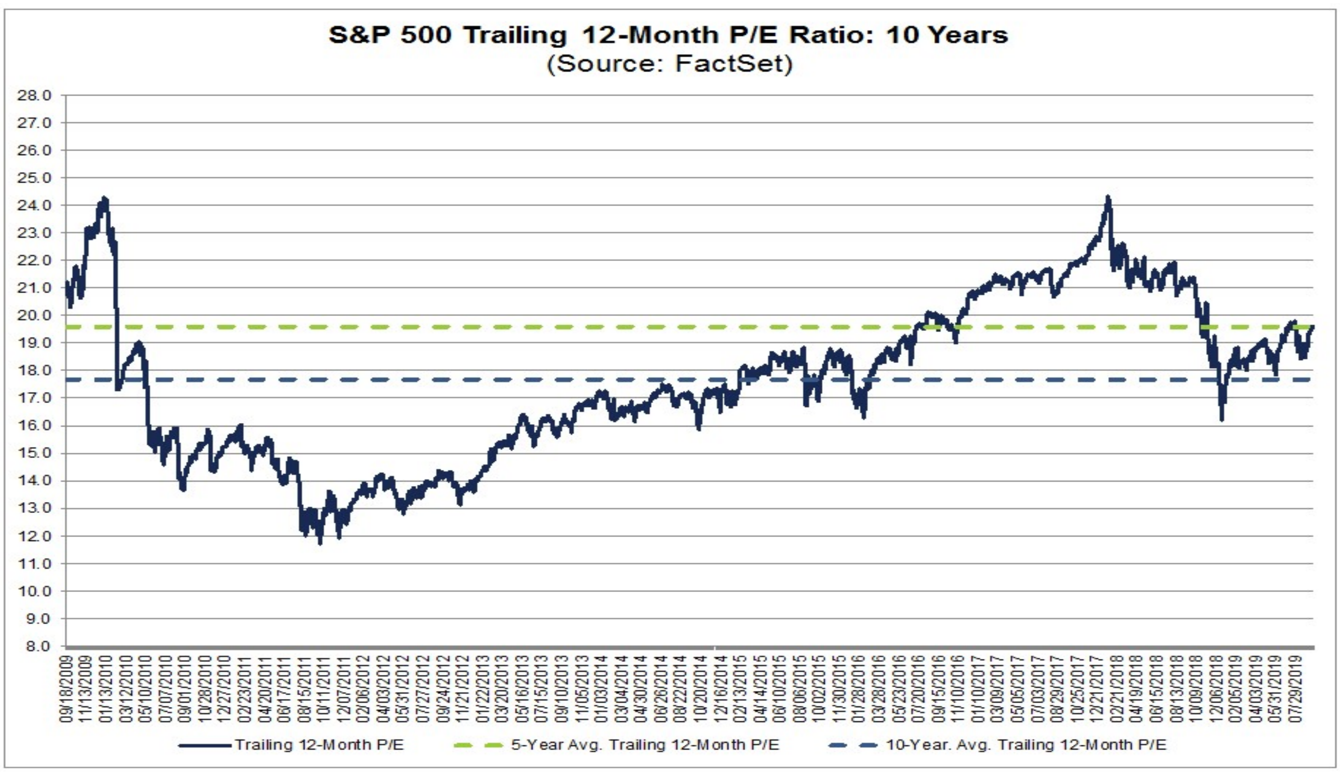
Forward 12M P/E Ratio: 10-Years



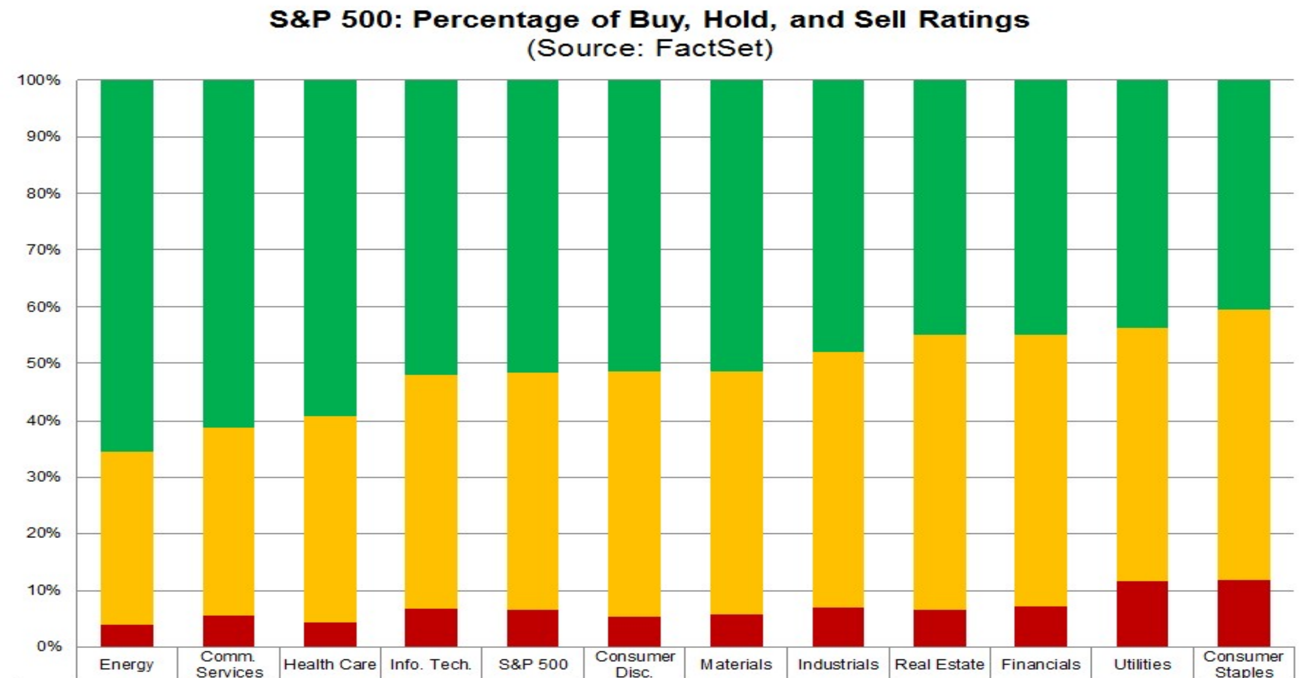


Trailing 12M P/E Ratio: 10-Years





Targets & Ratings



	Energy	Comm. Services	Health Care	Info. Tech.	S&P 500	Consumer Disc.	Materials	Industrials	Real Estate	Financials	Utilities	Consumer Staples
Buy	66%	61%	59%	52%	52%	52%	51%	48%	45%	45%	44%	40%
Hold	31%	33%	36%	41%	42%	43%	43%	45%	48%	48%	45%	48%
Sell	4%	5%	4%	7%	7%	5%	6%	7%	7%	7%	12%	12%

	Energy	Comm. Services	Health Care	Consumer Disc.	S&P 500	Info. Tech.	Materials	Industrials	Consumer Staples	Financials	Real Estate	Utilities
Target/Close	17.0%	14.0%	13.8%	12.6%	10.2%	10.1%	8.8%	8.4%	7.8%	6.7%	2.1%	0.0%

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