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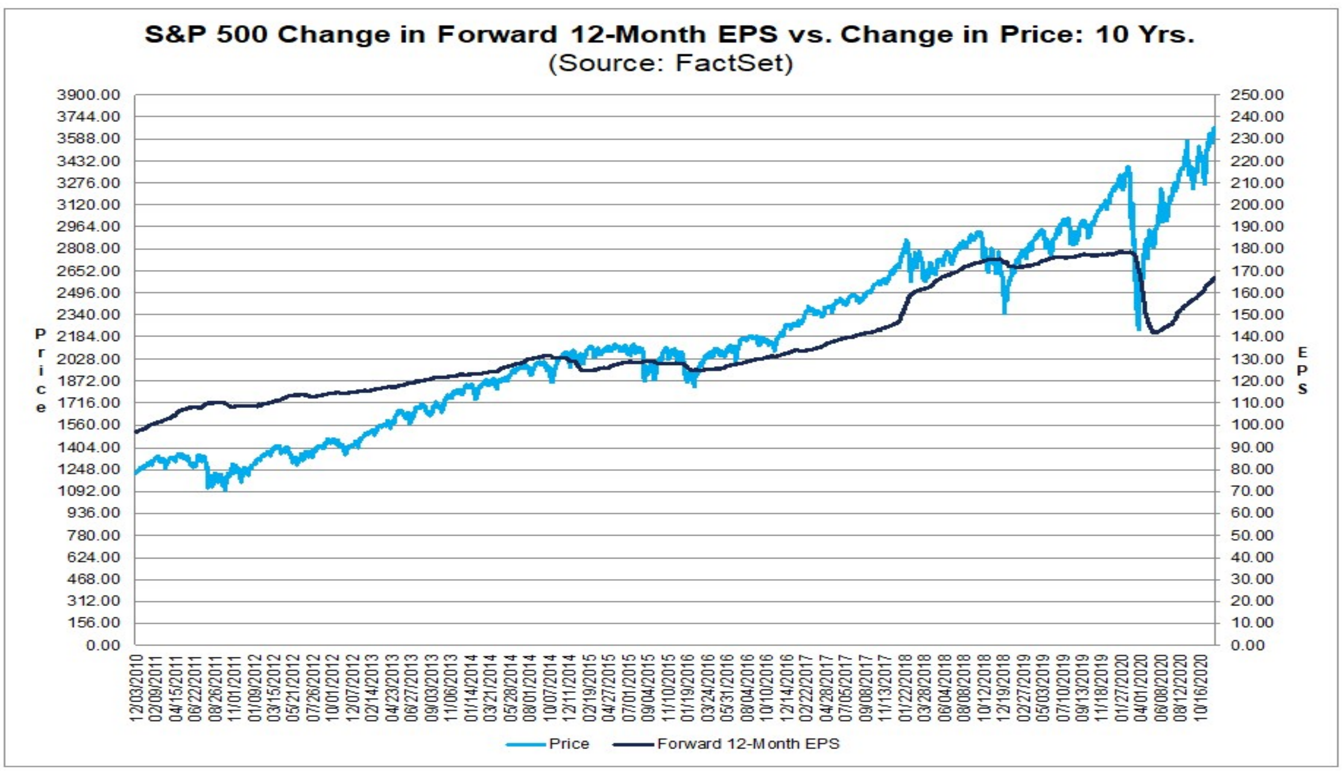
Key Metrics

- **Earnings Growth:** For Q4 2020, the estimated earnings decline for the S&P 500 is -10.1%. If -10.1% is the actual decline for the quarter, it will mark the third-largest (year-over-year) decline in earnings reported by the index since Q3 2009.
- **Earnings Revisions:** On September 30, the estimated earnings decline for Q4 2020 was -12.8%. Six sectors have smaller earnings declines or higher earnings growth rates today (compared to September 30) due to upward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2020, 25 S&P 500 companies have issued negative EPS guidance and 56 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 22.0. This P/E ratio is above the 5-year average (17.4) and above the 10-year average (15.6).
- **Earnings Scorecard:** For Q3 2020 (with 99% of the companies in the S&P 500 reporting actual results), 85% of S&P 500 companies have reported a positive EPS surprise and 79% have reported a positive revenue surprise.



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Topic of the Week: 1

Will the S&P 500 Report Record-High EPS in 2021?

For 2021, the bottom-up EPS estimate (which reflects an aggregation of the median EPS estimates for CY 2021 for all of the companies in the index) is $169.20. If $169.20 is the final number for the year, it will mark a record-high EPS number for the index. However, what is the likelihood that $169.20 will be the final EPS value for the S&P 500 in 2021? How accurate is the bottom-up EPS estimate one year in advance?

Over the past 20 years (2000 – 2019), the average difference between the bottom-up EPS estimate at the beginning of the year (December 31) and the final EPS number for that same year has been 7.0%. In other words, industry analysts on average have overestimated the final EPS number by 7.0% one year in advance. Analysts overestimated the final value (i.e. the final value finished below the estimate) in 13 of the 20 years and underestimated the final value (i.e. the final value finished above the estimate) in the other 7 years. For the purposes of this analysis, the final EPS number for a year is the EPS number recorded two months after the end of each calendar year (February 28) to capture the actual annual EPS results reported by most companies during the fourth quarter earnings season.

However, this 7.0% average includes three years in which there were substantial differences between the bottom-up EPS estimate at the start of the year and the final EPS number: 2001 (+36%), 2008 (+43%), and 2009 (+28%). These large differences can be attributed to events that may have been difficult for analysts to predict at the start of the year. In 2001, the country endured the 9/11 attacks. In 2008 and 2009, the country was in the midst of economic recession. If these three years were excluded, the average difference between the bottom-up EPS estimate one year prior to the end of that year and the final EPS number for that year would be 1.9%.

The year 2020 is not included on this list yet, as the final EPS number for the year will not be available until February 28. However, it is likely CY 2020 will be included on this list going forward, as the current EPS estimate of $139.22 is 28% below the estimate of $177.60 at the start of the year due to the negative impact of COVID-19.

If one applies the average overestimation of 7.0% to the current 2021 EPS estimate (assuming the estimate changes little between now and December 31), the final value for 2021 would be $157.32. If one applies the average overestimation of 1.9% (excluding the years 2001, 2008, and 2009) to the current 2021 EPS estimate, the final value for 2021 would be $165.92. Based on these estimates, EPS of $157.32 would not reflect a new record-high EPS number for the S&P 500 (it would be below the EPS reported in both CY 2018 and CY 2019) while EPS of $165.92 would reflect a new record-high EPS number for the S&P 500.

However, it is important to note that there is a possibility that EPS estimates for CY 2021 will increase after the start of the year once there is more clarity around timetables for mass vaccinations for COVID-19. The current EPS estimate for 2021 of $169.20 is still well below the estimate of $196.70 at the end of CY 2019, which reflected expectations before analysts drastically reduced earnings estimates in the second quarter of 2020 due to the negative impacts of COVID-19. Will there be a corresponding drastic increase in earnings estimates assuming a vaccine is widely available in 2021?

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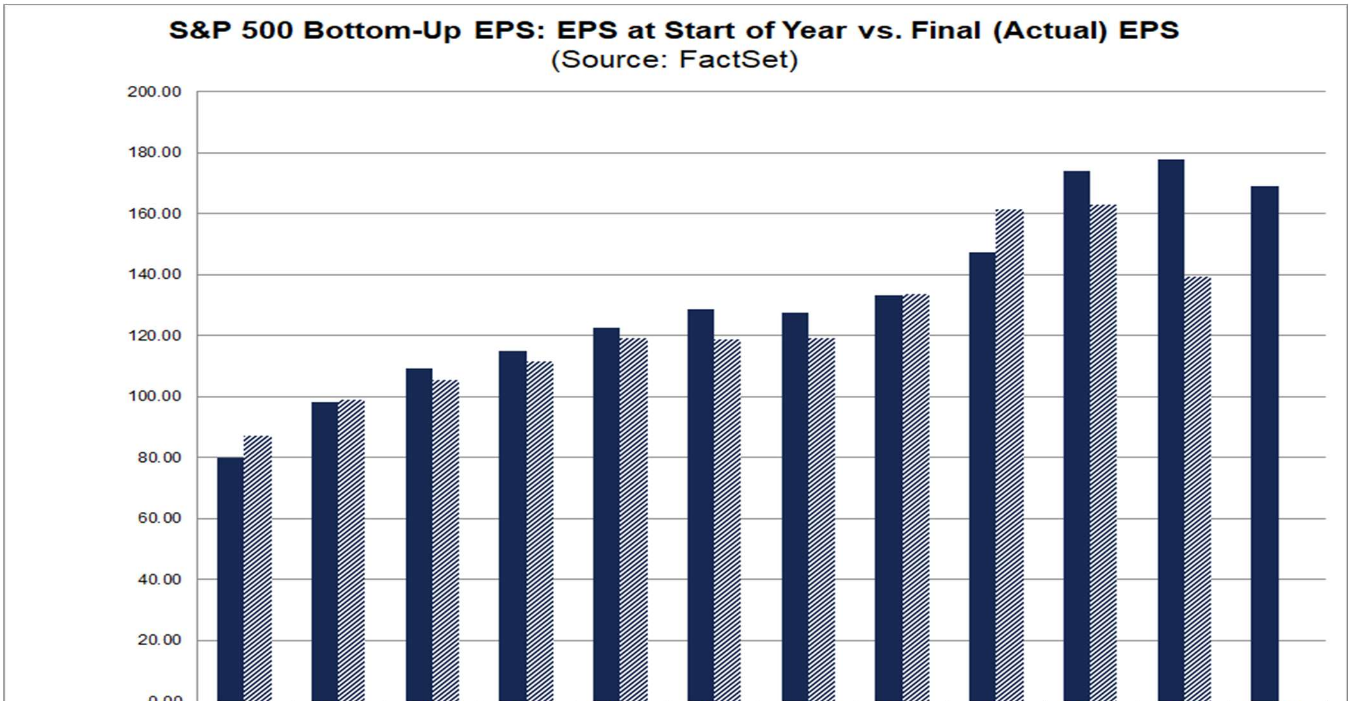
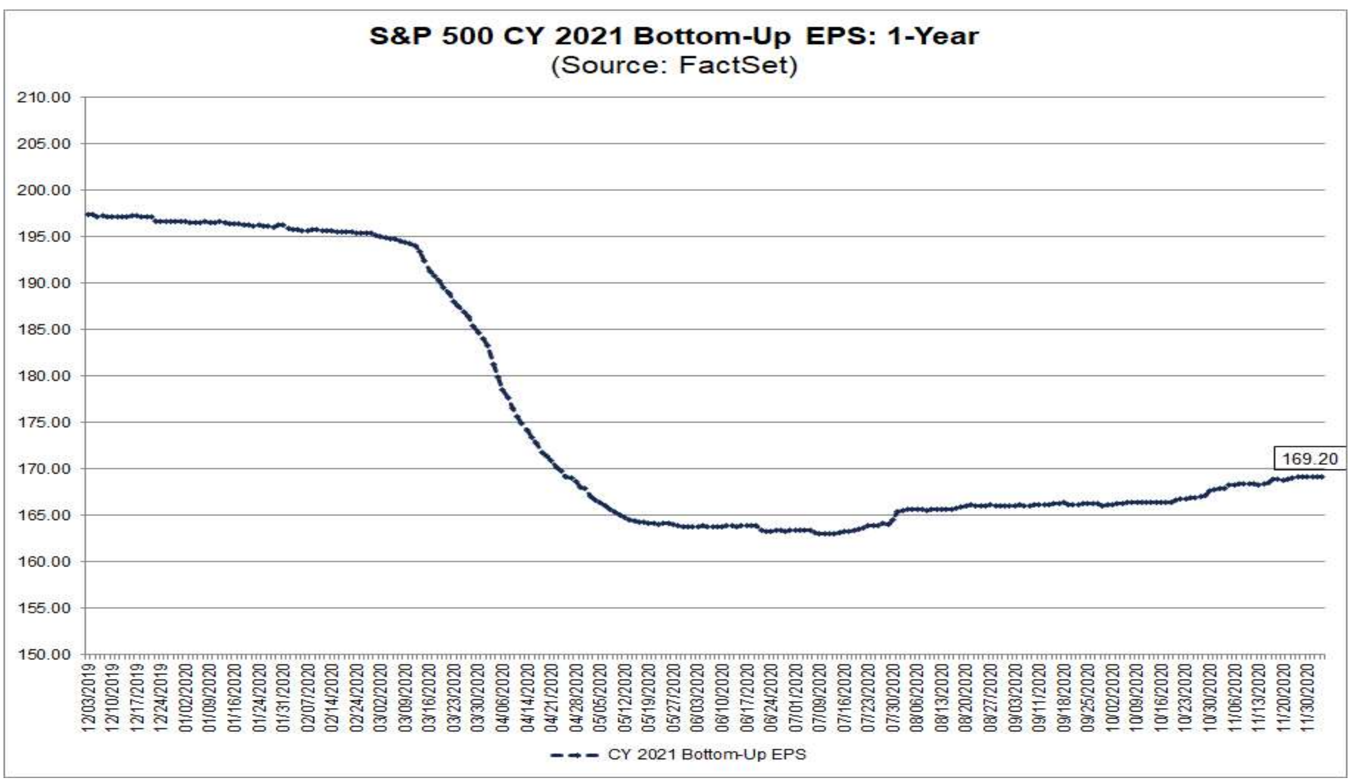


	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20*	CY21
EPS (Start of Yr.)	79.96	98.24	109.16	115.18	122.63	128.82	127.70	133.13	147.46	173.92	177.81	169.20
EPS Actual	87.11	98.99	105.35	111.45	119.06	118.75	119.31	133.50	161.45	163.02	139.22	



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Topic of the Week: 2

Record-High Number of S&P 500 Companies Citing "ESG" on Earnings Calls in Q3

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 third 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 September 15 through December 4.

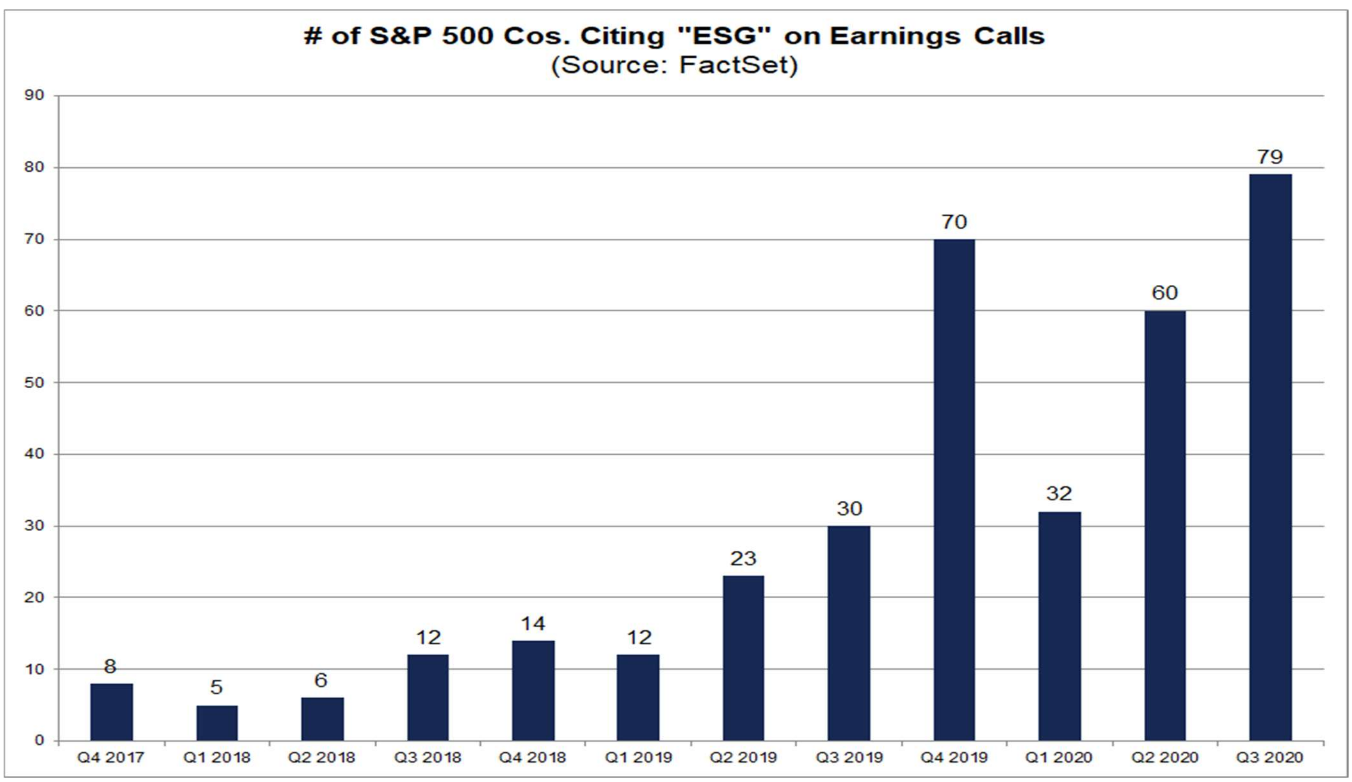
Of these companies, 79 cited the term "ESG" (in reference to environmental, social, and governance factors) during their earnings calls. At the sector level, the Financials (16), Industrials (13), Utilities (12), and Energy (11) sectors had the highest number of companies citing "ESG" on earnings calls for the third quarter.

Although this number is only 16% of the companies in the index, it reflects the highest overall number of S&P 500 companies citing "ESG" on earnings calls going back at least eight years.

It also reflects a 32% increase compared to the number of S&P 500 companies citing "ESG" in the previous quarter (60).

What drove the increase in citations for "ESG" during in earnings calls in Q3 relative to Q2? At the sector level, six of the eleven sectors recorded an increase in the number of companies citing "ESG" on a quarter-over-quarter basis. However, the Financials (+5), Industrials (+5), and Utilities (+5) sectors witnessed the largest increases in the number of companies citing "ESG" on earnings calls in Q3 compared to Q2. These three sectors accounted for almost 80% (15) of the total increase (19) for the index.

The third quarter marked the second consecutive quarter in which the number of S&P 500 companies citing "ESG" on earnings calls increased. 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 sequential increase in the number of companies discussing this topic continues in future quarters.



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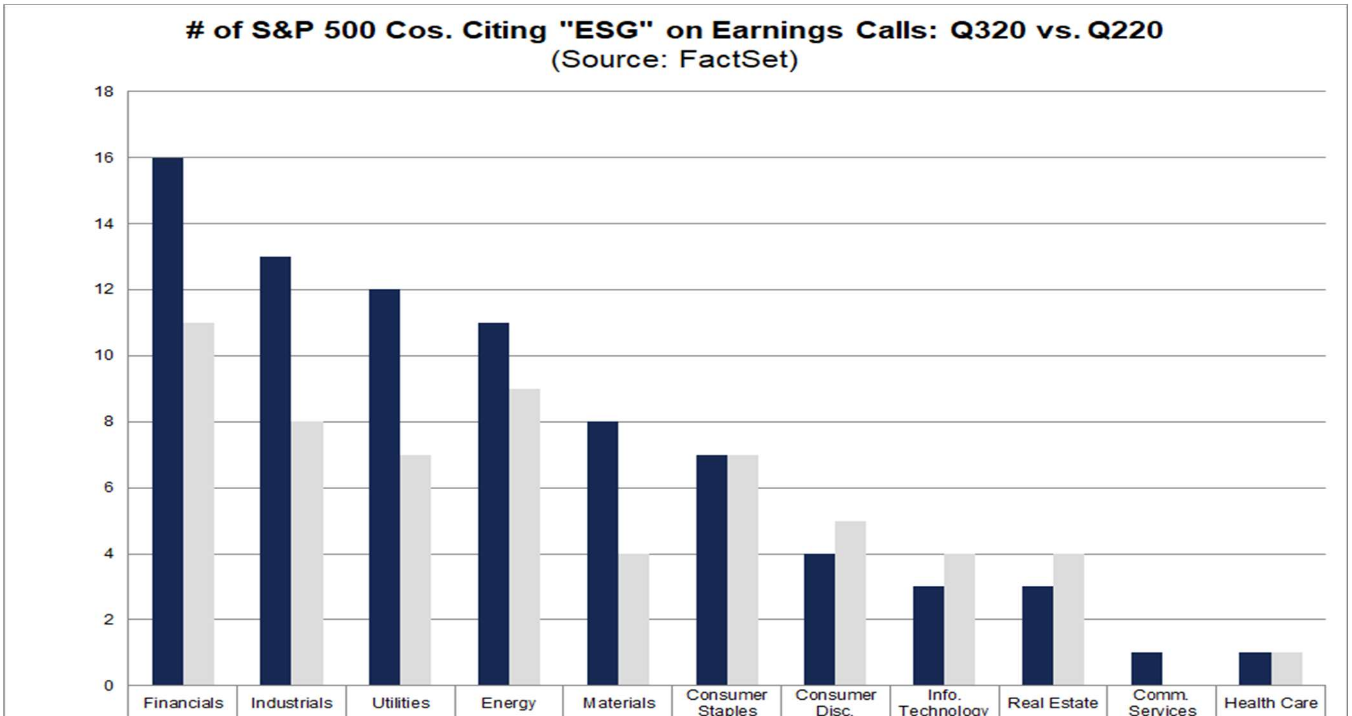

	Financials	Industrials	Utilities	Energy	Materials	Consumer Staples	Consumer Disc.	Info. Technology	Real Estate	Comm. Services	Health Care
Q3 2020	16	13	12	11	8	7	4	3	3	1	1
Q2 2020	11	8	7	9	4	7	5	4	4	0	1

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Topic of the Week: 3

Largest Increase in EPS Estimates for S&P 500 Companies for Q4 Since Q1 2018

During the first two months of the fourth quarter, analysts increased earnings estimates for companies in the S&P 500 for the quarter. The Q4 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q4 for all the companies in the index) increased by 2.8% (to $37.10 from $36.08) during this period. How significant is a 2.8% increase in the bottom up EPS estimate during the first two months of a quarter? How does this increase compare to recent quarters?

During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 3.8%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 3.3%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 3.9%.

Thus, while analysts typically lower EPS estimates during the first two months of a quarter, they increased EPS estimates during the first two months of Q4 2020.

In fact, the fourth quarter marked the second straight quarter and just the fifth quarter since Q2 2011 in which the bottom-up EPS estimate increased over the first two months of a quarter.

In addition, the fourth quarter (+2.8%) marked the largest increase in the bottom-up EPS estimate over the first two months of a quarter since Q1 2018 (+5.7%).

However, it should be noted that analysts made substantial cuts to EPS estimates for Q4 during the second and third quarters (March 31 to September 30). During this period, the Q4 bottom-up EPS estimate declined by 17.5% (to 36.08 from $43.71).

At the sector level, eight sectors recorded an increase in their bottom-up EPS estimate for Q4 during the first two months of the quarter, led by the Financial (to $7.90 from $6.82), Communication Services (to $2.20 from $2.06), and Materials (to $4.39 from $4.14) sectors. Three sectors recorded a decline in their bottom-up estimate for Q3 during the first two months of the quarter, led by the Energy (to $0.00 from $0.60) sector.

As the bottom-up EPS estimate for the index increased during the first two months of the quarter, the value of the S&P 500 also increased during this same period. From September 30 through November 30, the value of the index increased by 7.7% (to 3621.63 from 3363.00). The fourth quarter marked just the fourth time in the past 20 quarters in which both the bottom-up EPS estimate for the index and the value of the index increased during the first two months of the quarter.

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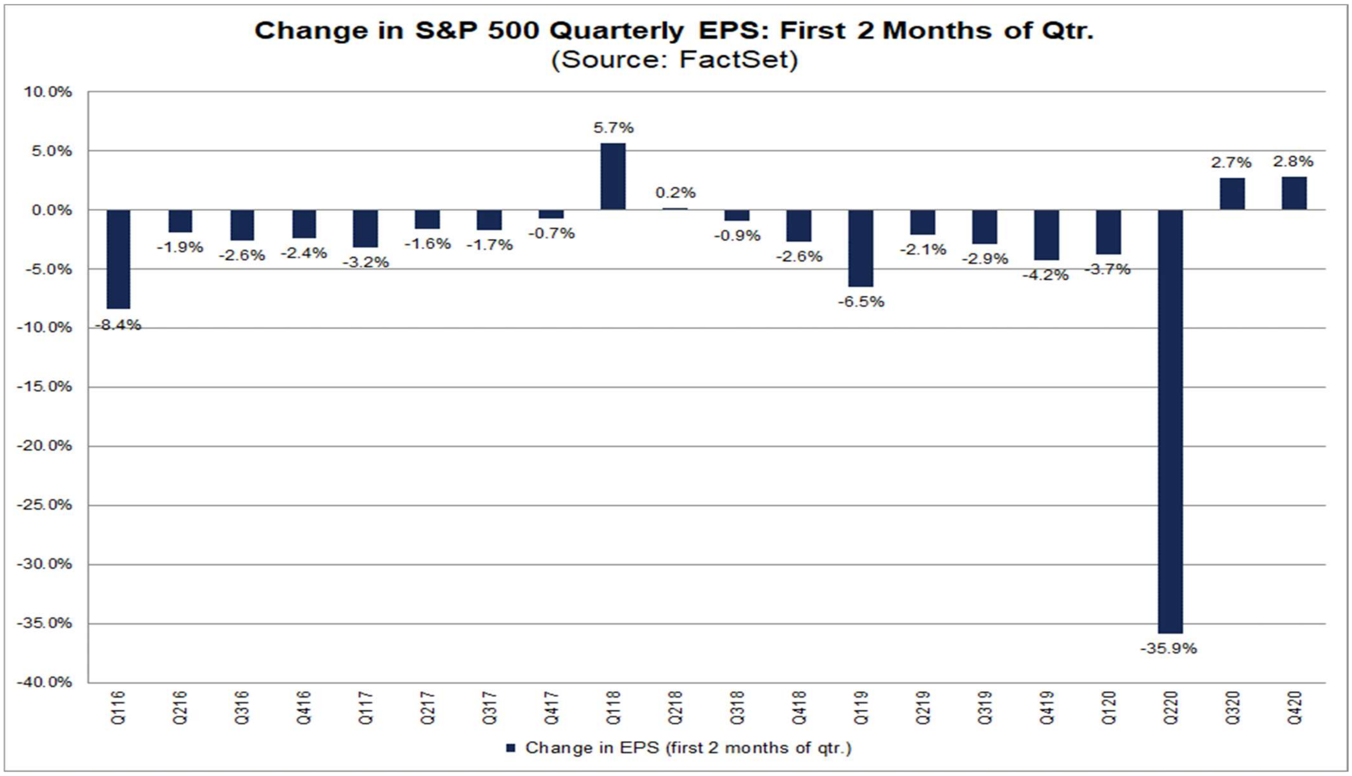
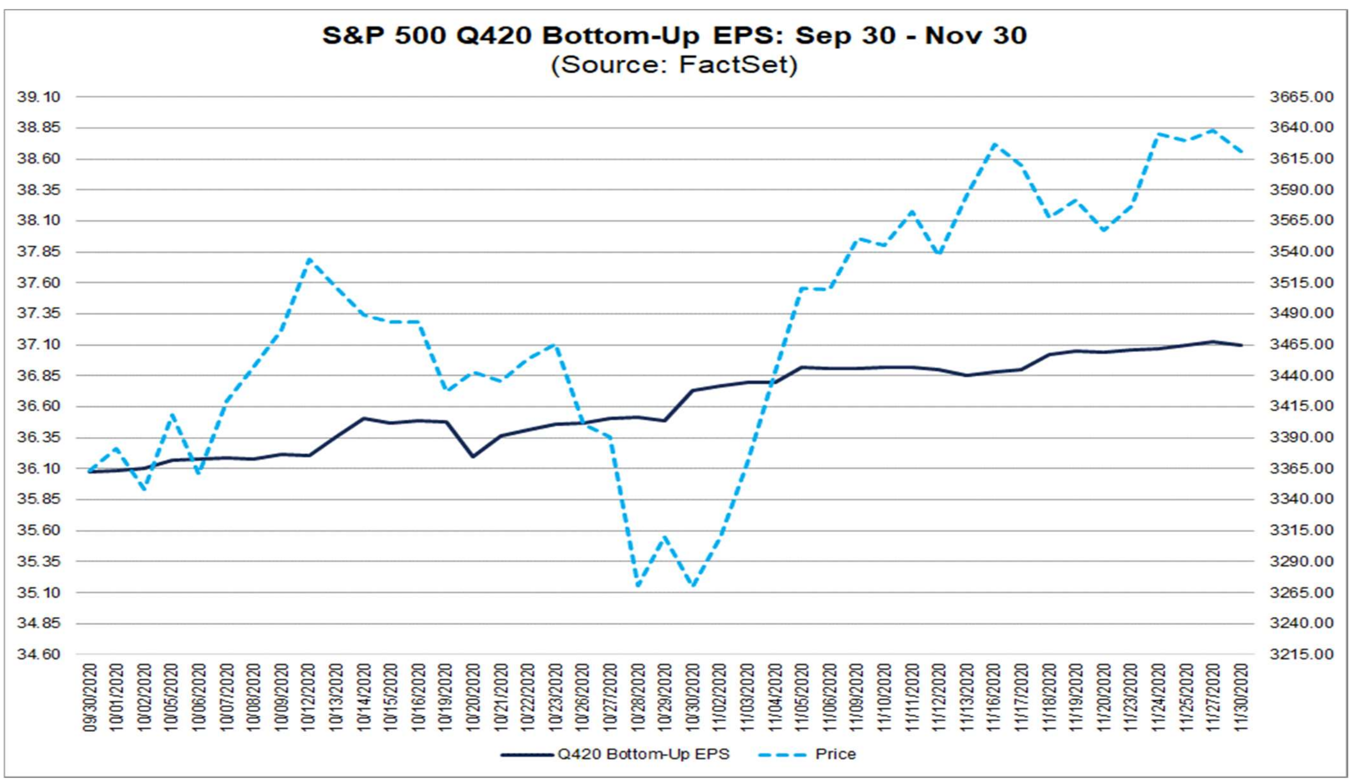
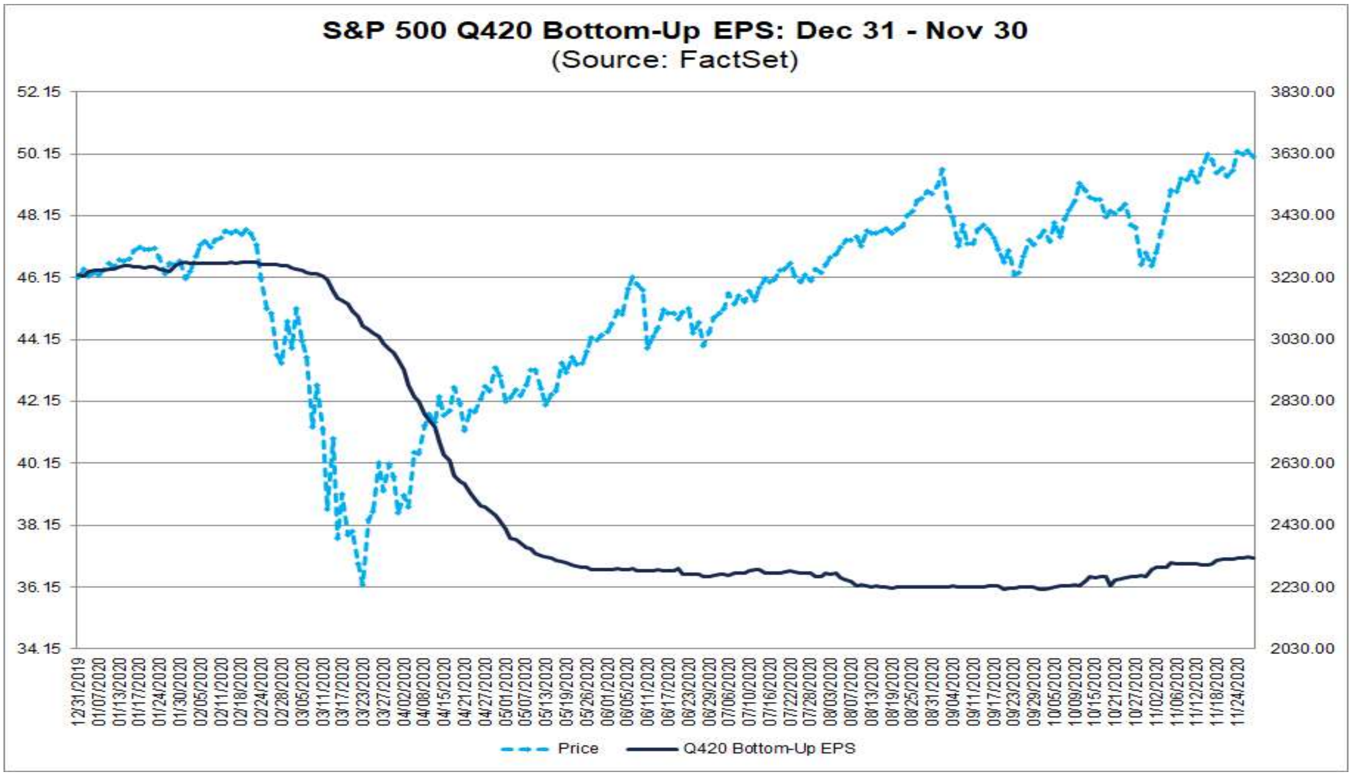

Change in S&P 500 Quarterly EPS: First 2 Months of Qtr.
(Source: FactSet)
-8.4%
-1.9%
-2.6%
-2.4%
-3.2%
-1.6%
-1.7%
-0.7%
5.7%
0.2%
-0.9%
-2.6%
-6.5%
-2.1%
-2.9%
-4.2%
-3.7%
-35.9%
2.7%
2.8%
Change in EPS (first 2 months of qtr.)


S&P 500 Q420 Bottom-Up EPS: Sep 30 - Nov 30
(Source: FactSet)
Q420 Bottom-Up EPS
Price



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Q4 Earnings Season: By The Numbers

Overview

Analyst and companies have been more optimistic than normal in their estimate revisions and earnings outlooks for the fourth quarter to date. As a result, expected earnings for the S&P 500 for the fourth quarter are higher today compared to the start of the quarter. Despite this increase, the index is still expected to report the third largest year-over-year decline in earnings over the past ten years, mainly due to the negative impact of COVID-19 on a number of industries. Earnings growth is projected to return in 2021.

In terms of estimate revisions for companies in the S&P 500, analysts have increased earnings estimates in aggregate for Q4 2020 to date. On a per-share basis, estimated earnings for the fourth quarter increased by 2.8% during the first two months of the quarter. In a typical quarter, analysts usually reduce earnings estimates during the quarter. Over the past five years (20 quarters), earnings estimates have fallen by 3.8% on average during the first two months of a quarter. Over the past ten years, (40 quarters), earnings estimates have fallen by 3.3% on average during the first two months of a quarter. Over the past fifteen years, (60 quarters), earnings expectations have fallen by 3.9% on average during the first two months of quarter.

More S&P 500 companies have issued positive EPS guidance for Q4 2020 than average as well. At this point in time, 81 companies in the index have issued EPS guidance for Q4 2020, Of these 81 companies, 25 have issued negative EPS guidance and 56 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 69% (56 out of 81), which is above the 5-year average of 32%. However, the overall number of companies issuing EPS guidance for the fourth quarter of 81 is below the 5-year average of 104.

Because of the net upward revisions to earnings estimates, the estimated (year-over-year) earnings decline for Q4 2020 is smaller now relative to the start of the fourth quarter. As of today, the S&P 500 is expected to report a year-over-year decline in earnings of -10.1%, compared to a year-over-year decline in earnings of -12.8% on September 30.

If -10.1% is the actual decline for the quarter, it will mark the third-largest year-over-year decline in earnings reported by the index since Q3 2009, trailing only the first and second quarters of this year. It will also mark the seventh time in the past eight quarters in which the index has reported a year-over-year decline in earnings. Four sectors are projected to report year-over-year earnings growth, led by the Health Care and Materials sectors. Seven sectors are projected to report a year-over-year decline in earnings, led by the Energy, Industrials, and Consumer Discretionary sectors.

Because of the net upward revisions to revenue estimates, the S&P 500 is now projected to report (year-over-year) revenue growth for Q4 2020 relative to an estimated (year-over-year) decline at the start of the fourth quarter. As of today, the S&P 500 is expected to report year-over-year growth in revenues of 0.2%, compared to a year-over-year decline in revenue of -1.1% on September 30.

If 0.2% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year revenue growth since Q1 2020. Six sectors are projected to report year-over-year growth in revenues, led by the Health Care sector. Five sectors are projected to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Looking at future quarters, analysts project earnings growth to return starting in Q1 2021 (15.1%).

The forward 12-month P/E ratio is 22.0, which is above the 5-year average and above the 10-year average.

During the upcoming week, 3 S&P 500 companies are scheduled to report results for the third quarter and 4 S&P 500 companies are scheduled to report results for the fourth quarter.

Earnings Revisions: Financials Sector Sees Largest Estimate Increases

Small Decrease in Estimated Earnings Decline for Q4 This Week

During the past week, the estimated earnings decline for the S&P 500 decreased slightly to -10.1% from -10.2%. Upward revisions to EPS estimates for companies in the Information Technology and Financials sectors were mainly responsible for the small decrease in the overall earnings decline for the index during the week.

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Since the start of the quarter, the estimated earnings decline for the S&P 500 has decreased to -10.1% today from -12.8% on September 30. Six sectors have a recorded a decrease in their expected earnings declines or an increase in expected earnings growth due to upward revisions to earnings estimates, led by the Financials, Materials, and Communication Services sectors. On the other hand, five sectors have a recorded an increase in their expected earnings declines or a decrease in expected earnings growth due to downward revisions to earnings estimates, led by the Energy sector.

Financials: JPMorgan Chase Leads Earnings Increase Since September 30

The Financials sector has recorded the largest decrease in its expected earnings decline of all eleven sectors since the start of the quarter (to -11.5% from -24.1%). This sector has also witnessed the second-largest increase in price (+18.6%) of all eleven sectors since September 30. Overall, 53 of the 65 companies (82%) in the Financials sector have seen an increase in their mean EPS estimate during this time. Of these 53 companies, 22 have recorded an increase in their mean EPS estimate of more than 10%, led by Capital One Financial (to $2.46 from $1.24) and Wells Fargo (to $0.60 from $0.33). However, JPMorgan Chase (to $2.31 from $1.83), Wells Fargo, Bank of America (to $0.50 from $0.40), Citigroup (to $1.19 vs. $0.88), Capital One Financial, and Goldman Sachs (to $6.03 vs. $4.61) have been the largest contributors to the increase in expected earnings for this sector since September 30.

Materials: 68% of Companies Have Seen Increase In Earnings Since September 30

The Materials sector has recorded the second-largest decrease in its expected earnings decline of all eleven sectors since the start of the quarter (to 4.3% from -2.0%). This sector has also witnessed the fifth-largest increase in price (+10.2%) of all eleven sectors since September 30. Overall, 19 of the 28 companies (68%) in the Materials sector have seen an increase in their mean EPS estimate during this time. Of these 19 companies, 10 have recorded an increase in their mean EPS estimate of more than 10%, led by Mosaic (to $0.14 vs. $0.07), Nucor (to $0.86 from $0.56), and Dow (to $0.59 from $0.40).

Communication Services: Alphabet and Facebook Lead Earnings Increase since September 30

The Consumer Discretionary sector has recorded the third-largest decrease in its expected earnings decline since the start of the quarter (to -12.9% from -18.2%). This sector has also witnessed the fourth-largest increase in price (+13.0%) of all eleven sectors since September 30. Overall, 13 of the 22 companies (59%) in the Communication Services sector have seen an increase in their mean EPS estimate during this time. Of these 13 companies, 7 have recorded an increase in their mean EPS estimate of more than 10%, led by Netflix (to $1.35 from $0.92) and DISH Network (to $0.82 vs. $0.56). However, Alphabet (to $15.48 from $13.51) and Facebook (to $3.14 from $2.64) have been the largest contributors to the increase in expected earnings for this sector since September 30.

Energy: Exxon Mobil and Chevron Lead Earnings Decrease Since September 30

The Energy sector has recorded the largest decrease in its expected earnings decline since the start of the quarter (to -96.9% from -83.0%). Despite the decrease in expected earnings, this sector has witnessed the largest increase in price (+26.3%) of all eleven sectors since September 30. Overall, 15 of the 25 companies (60%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 15 companies, 9 have recorded a decrease in their mean EPS estimate of more than 10%, led by ConocoPhillips (to -$0.19 from -$0.03), Hess Corporation (to -$0.26 from $0.11), Phillips 66 (to -$0.17 from $0.32), Valero Energy (to -$1.18 from -$0.49), and Exxon Mobil (to -$0.01 from $0.13). Exxon Mobil and Chevron (to $0.07 from $0.26) have been the largest contributors to the decrease in expected earnings for this sector since September 30.

Index-Level (Bottom-Up) EPS Estimate: 2.7% Increase Since September 30

The Q4 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) increased by 2.8% (to $37.10 from $36.08) during the first two months of the quarter. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 3.8% on average during the first two months of a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 3.3% on average during the first two months of a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 3.9% on average during the first two months of a quarter.

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Guidance: More S&P 500 Companies Issuing Positive EPS Guidance for Q4 to Date

To date, more S&P 500 companies are issuing positive earnings guidance than average. At this point in time, 81 companies in the index have issued EPS guidance for Q4 2020. Of these 81 companies, 25 have issued negative EPS guidance and 56 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 69% (56 out of 81), which is well above the 5-year average of 32%.

However, the total number of companies issuing EPS guidance to date for Q4 2020 of 81 is below the 5-year average for a quarter of 104.

The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or mid-point of a range estimates) provided by a company is lower than the mean EPS estimate the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

Earnings Decline: -10.1%

The estimated (year-over-year) earnings decline for Q4 2020 is -10.1%, which is below the 5-year average earnings growth rate of 4.0%. If -10.1% is the actual decline for the quarter, it will mark the third-largest (year-over-year) decline in earnings for the index since Q3 2009. It will also mark the seventh time in the past eight quarters in which the index has reported a year-over-year decline in earnings. Four sectors are projected to report year-over-year earnings growth, led by the Health Care and Materials sectors. Seven sectors are projected to report a year-over-year decline in earnings, led by the Energy, Industrials, and Consumer Discretionary sectors.

Health Care: AbbVie Largest Contributor to Year-Over-Year Growth

The Health Care sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 6.1%. At the industry level, five of the six industries in this sector are predicted to report year-over-year growth in earnings. Four of these five industries are projected to report double-digit earnings growth Life Sciences Tools & Services (40%), Biotechnology (15%), Pharmaceuticals (12%), and Health Care Equipment & Supplies (10%). The only industry projected to report a year-over-year decline in earnings is the Health Care Providers & Services (-20%) industry.

At the company level, AbbVie is the largest contributor to earnings growth for the sector. However, the earnings growth rate for this company is being boosted by an apples-to-oranges comparison of post-merger earnings in Q4 2020 to pre-merger earnings in Q4 2019. If this company were excluded, the estimated earnings growth rate for the sector would fall to 2.9% from 6.1%.

Materials: Metals & Mining Industry Largest Contributor to Year-Over-Year Growth

The Materials sector is expected to report the second-highest (year-over-year) earnings growth of all eleven sectors at 4.3%. At the industry level, the Metals & Mining industry (157%) is the only industry in this sector predicted to report year-over-year growth in earnings. The other three industries in this sector are projected to report year-over-year declines in earnings: Chemicals (-9%), Containers & Packaging (-6%), and Construction Materials (-3%).

The Metals & Mining industry is also projected to be the largest contributor to year-over-year growth in earnings for the sector. If the three companies in this industry were excluded, year-over-year earnings for this sector would fall to -8.2% from 4.3%.

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Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Decline of More Than 90%

The Energy sector is expected to report the largest (year-over-year) decline in earnings of all eleven sectors at -96.9%. Lower year-over-year oil prices are contributing to the earnings decline for this sector, as the average price of oil in Q4 2020 to date ($40.72) is 28% below the average price for oil in Q4 2019 ($56.87). At the sub-industry level, four of the five sub-industries in the sector are expected to report a decline in earnings. Three of these four sub-industries are projected to report a decline in earnings of more than 90%: Oil & Gas Refining & Marketing (-142%), Integrated Oil & Gas (-113%), and Oil & Gas Exploration & Production (-92%). The only sub-industry in the sector that is predicted to report year-over-year growth in earnings is the Oil & Gas Storage & Transportation (1%) sub-industry.

Industrials: Airlines Industry Largest Contributor To Year-Over-Year Decline

The Industrials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -35.1%. At the industry level, seven of the twelve industries in this sector are expected to report a decline in earnings. Six of these seven industries are expected to report a double-digit decline in earnings: Airlines (-340%), Industrial Conglomerates (-19%), Trading Companies & Distributors (-14%), Electrical Equipment (-11%), Building Products (-11%), and Machinery (-10%). On the other hand, five industries are expected to report earnings growth in this sector, led by the Aerospace & Defense (21%) and Air Freight & Logistics (20%) industries.

The Airlines industry is also projected to be the largest contributor to the year-over-year decline in earnings for the sector. If the five companies in this industry were excluded, the estimated earnings decline for the sector would improve to -1.8% from -35.1%.

Consumer Discretionary: Hotels, Restaurants, & Leisure Industry Leads Year-Over-Year Decline

The Consumer Discretionary sector is expected to report the third largest (year-over-year) earnings decline of all eleven sectors at -21.9%. At the industry level, five of the ten industries in this sector are expected to report a decline in earnings. Four these five industries are projected to report a double-digit decline in earnings: Hotels, Restaurants, & Leisure (-129%), Textiles, Apparel, & Luxury Goods (-30%), Internet & Direct Marketing Retail (-24%), and Auto Components (-12%). On the other hand, five industries in this sector are expected to report earnings growth, led by the Automobiles (344%), Multiline Retail (26%), and Household Durables (19%) industries.

The Hotels, Restaurants, & Leisure industry is also projected to be the largest contributor to the year-over-year decline in earnings for the sector. If this industry were excluded, year-over-year earnings for the sector would improve to 5.1% from -21.8%.

Revenue Growth: 0.2%

The estimated (year-over-year) revenue growth rate for Q4 2020 is 0.2%, which is below the 5-year average revenue growth rate of 3.4%. If 0.2% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year revenue growth since Q1 2020. Six sectors are expected to report year-over-year growth in revenues, led by Health Care sector. Five sectors are expected to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Health Care: 5 of 6 Industries Expected to Report Year-Over-Year Growth

The Health Care sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 9.8%. At the industry level, five of the six industries in this sector are expected to report year-over-year growth in revenues, led by the Life Sciences Tools & Services (21%) and Biotechnology (20%) and industries. On the other hand, the only industry that is projected to report a decline in revenue is the Health Care Technology (-3%) industry.

It should be noted that the revenue growth rates of some of the companies that are the largest contributors to revenue growth for this sector (including Centene and AbbVie) are being boosted by apples-to-oranges comparisons of post-merger revenues in Q4 2020 to pre-merger revenues in Q4 2019.

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Energy: 4 of 5 Sub-Industries Expected to Report Year-Over-Year Decline of More Than 25%

The Energy sector reported the largest (year-over-year) decline in revenue of all eleven sectors at -31.6%. Lower year-over-year oil prices are contributing to the revenue decline for this sector, as the average price of oil in Q4 2020 to date ($40.72) is 28% below the average price for oil in Q4 2019 ($56.87). At the sub-industry level, all five sub-industries in the sector are expected to report a year-over-year decline in revenue. Four sub-industries are projected to report a decline in revenue of more than 25%: Oil & Gas Refining & Marketing (-37%), Oil & Gas Exploration & Production (-32%), Integrated Oil & Gas (-30%), and Oil & Gas Equipment & Services (-28%).

Industrials: Airlines Industry Largest Contributor to Year-Over-Year Decline

The Industrials sector is expected to report the second-largest (year-over-year) revenue decline of all eleven sectors at -10.4%. At the industry level, ten of the twelve industries in this sector are predicted to report a decline in revenues, led by the Airlines (-65%) industry. On the other hand, the Air Freight & Logistics (11%) industry is projected to report the largest year-over-year revenue growth in the sector.

The Airlines industry is also the projected to be the largest contributor to the year-over-year decline in revenue for the sector. If the five companies in this industry were excluded, the estimated revenue decline for the sector would improve to -3.0% from -10.4%.

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Looking Ahead: Forward Estimates and Valuation

Earnings: Analysts Expect Earnings Decline of -14% for CY 2020

For the fourth quarter, S&P 500 companies are expected to report a decline in earnings of -10.1% and growth in revenues of 0.2%. Analysts expect an earnings decline of -13.8% and a revenue decline of -1.8% for CY 2020.

For CY 2020, analysts are projecting an earnings decline of -13.8% and a revenue decline of -1.8%.

For Q1 2021, analysts are projecting earnings growth of 15.1% and revenue growth of 3.5%.

For Q2 2021, analysts are projecting earnings growth of 44.6% and revenue growth of 13.6%.

For CY 2021, analysts are projecting earnings growth of 21.7% and revenue growth of 7.7%.

Valuation: Forward P/E Ratio is 22.0, Above the 10-Year Average (15.6)

The forward 12-month P/E ratio is 22.0. This P/E ratio is above the 5-year average of 17.4 and above the 10-year average of 15.6. It is also slightly above the forward 12-month P/E ratio of 21.5 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has decreased by 9.0%, while the forward 12-month EPS estimate has increased by 5.9%.

At the sector level, the Consumer Discretionary (33.0) sector has the highest forward 12-month P/E ratio, while the Financials (14.7) sector has the lowest forward 12-month P/E ratio.

Targets & Ratings: Analysts Project 8% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 3976.06, which is 8.4% above the closing price of 3666.72. At the sector level, the Consumer Discretionary (+12.5%) and Health Care (+12.3%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Financials (+2.8%) 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 10,336 ratings on stocks in the S&P 500. Of these 10,336 ratings, 53.6% are Buy ratings, 39.8% are Hold ratings, and 6.7% are Sell ratings. At the sector level, the Energy (63%) and Health Care (61%) sectors have the highest percentages of Buy ratings, while the Real Estate (46%) and Financials (47%) sectors have the lowest percentages of Buy ratings.

Companies Reporting Next Week: 7

During the upcoming week, 3 S&P 500 companies are scheduled to report results for the third quarter and 4 S&P 500 companies are scheduled to report results for the fourth quarter.

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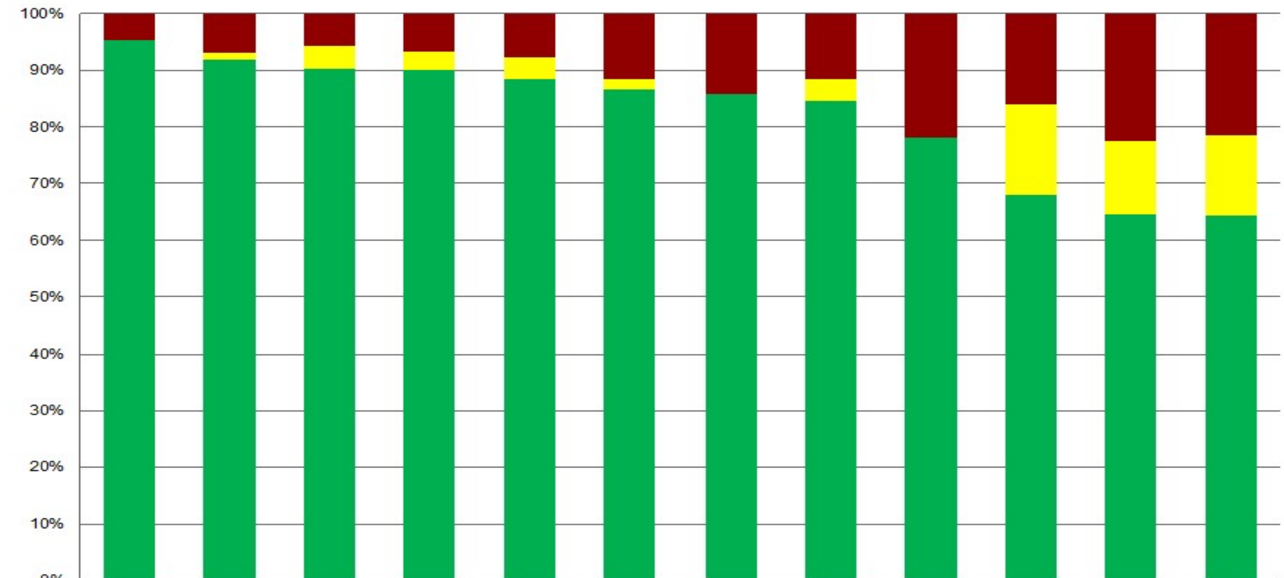
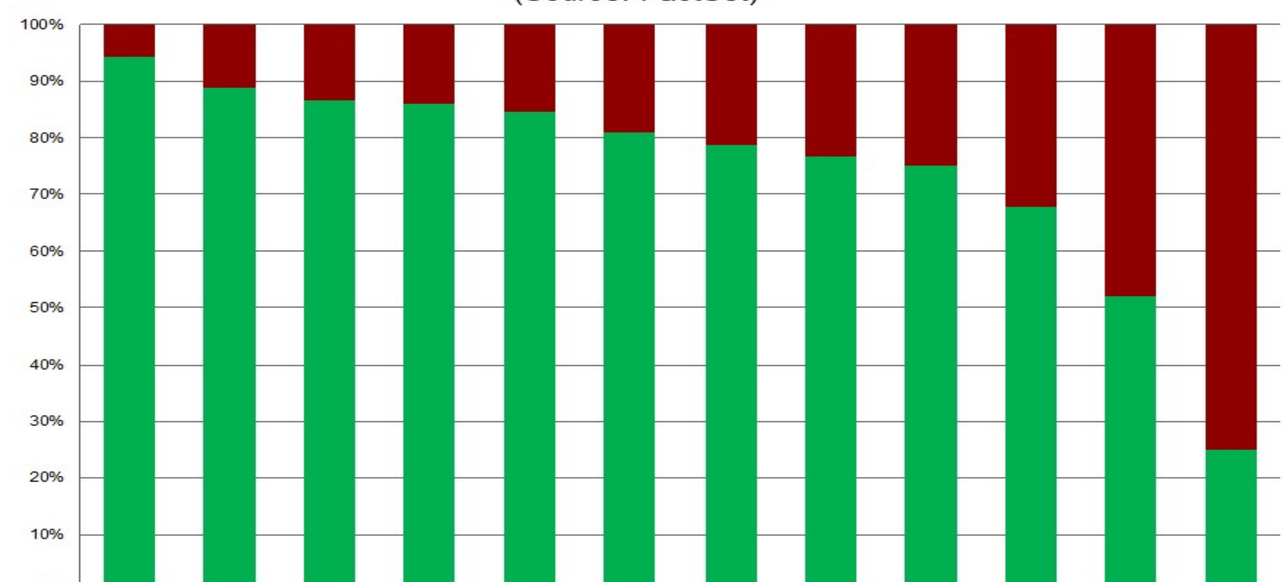
Q3 2020: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q3 2020
(Source: FactSet)



	Health Care	Industrials	Info. Technology	Consumer Staples	Comm. Services	Consumer Disc.	Materials	S&P 500	Financials	Energy	Real Estate	Utilities
Below	5%	7%	6%	7%	8%	12%	14%	12%	22%	16%	23%	21%
In-Line	0%	1%	4%	3%	4%	2%	0%	4%	0%	16%	13%	14%
Above	95%	92%	90%	90%	88%	87%	86%	85%	78%	68%	65%	64%

S&P 500 Revenues Above, In-Line, Below Estimates: Q3 2020
(Source: FactSet)



	Info. Technology	Health Care	Consumer Staples	Financials	Comm. Services	Industrials	S&P 500	Consumer Disc.	Materials	Real Estate	Energy	Utilities
Below	6%	11%	13%	14%	15%	19%	21%	23%	25%	32%	48%	75%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	94%	89%	87%	86%	85%	81%	79%	77%	75%	68%	52%	25%

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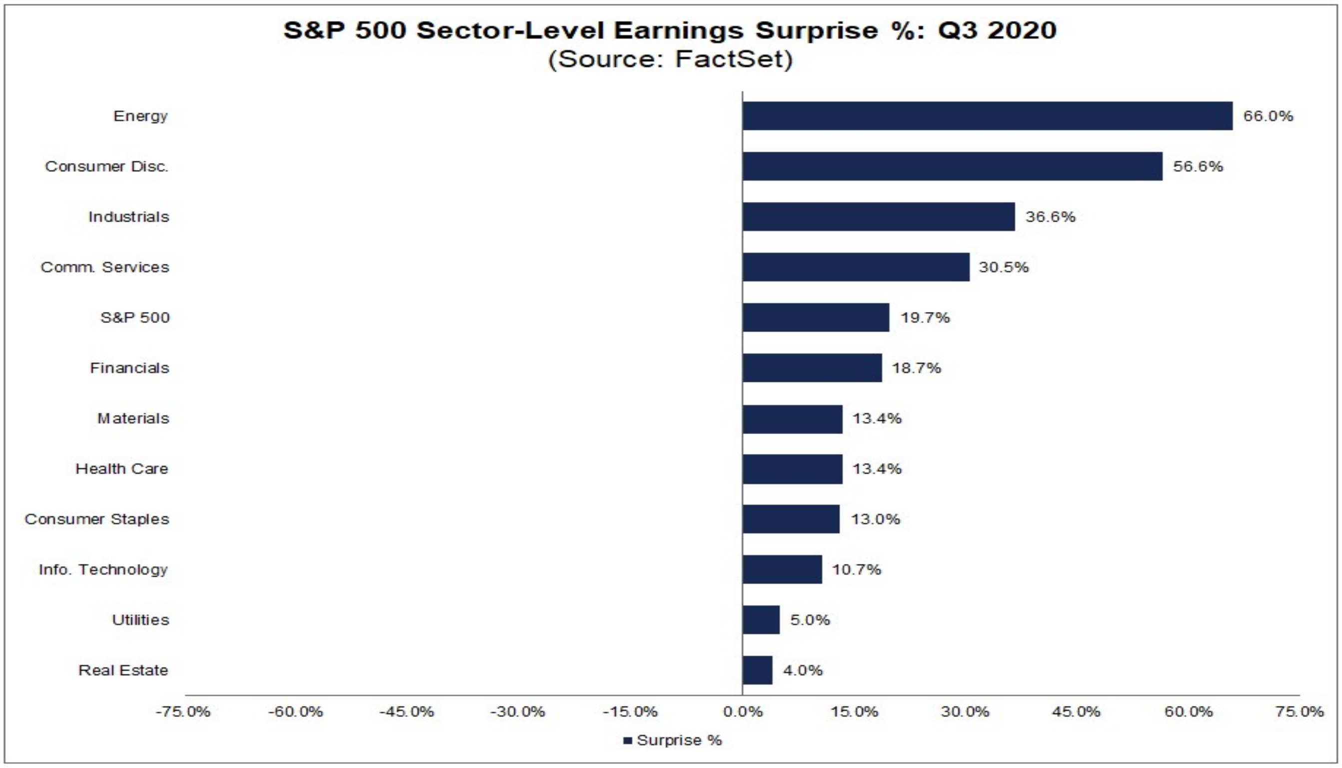
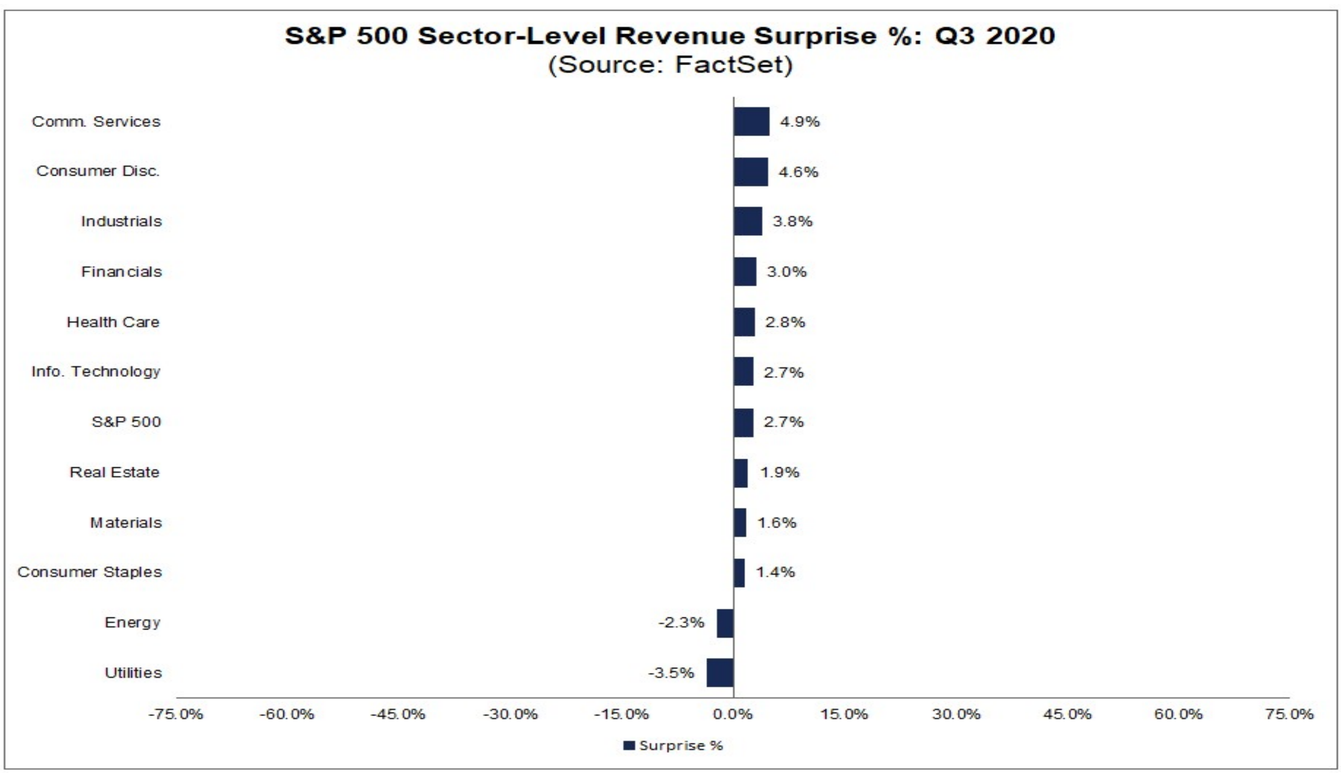
Q3 2020: Scorecard





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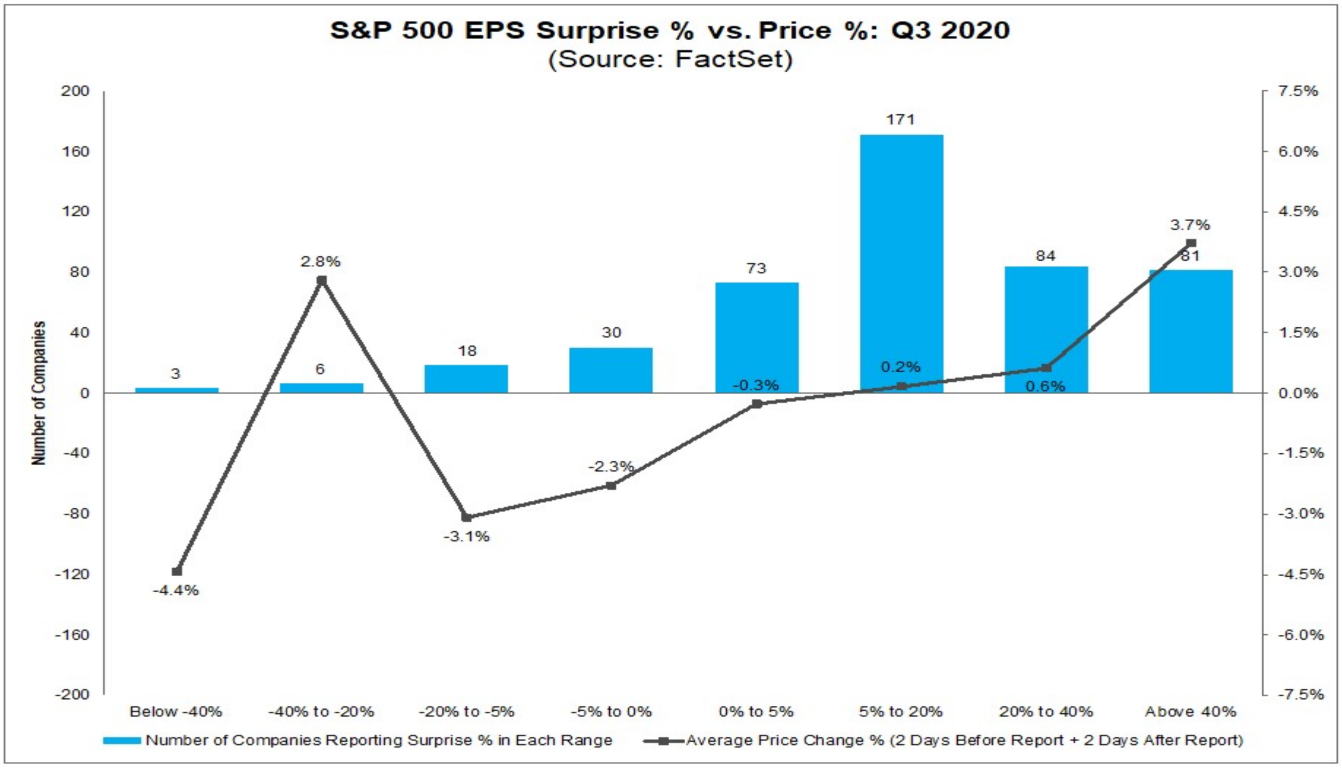
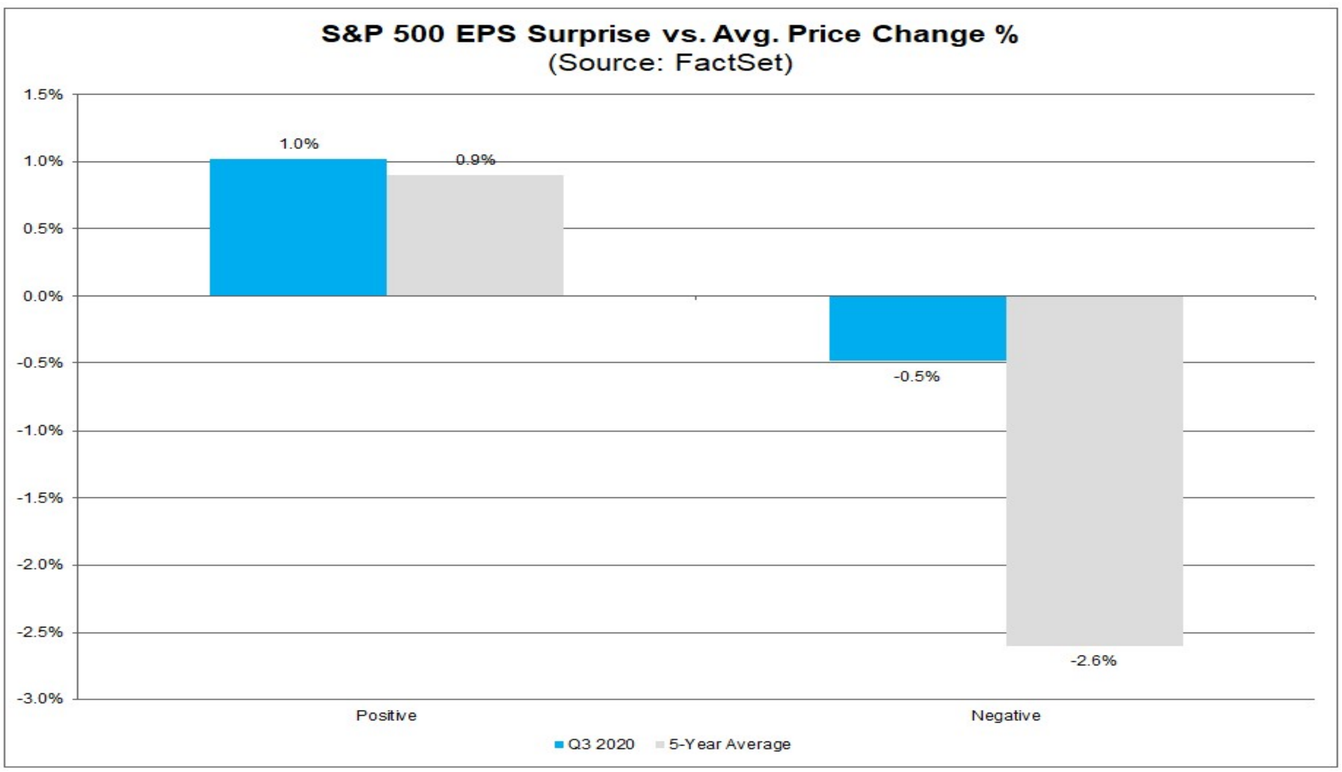
Q3 2020: Scorecard





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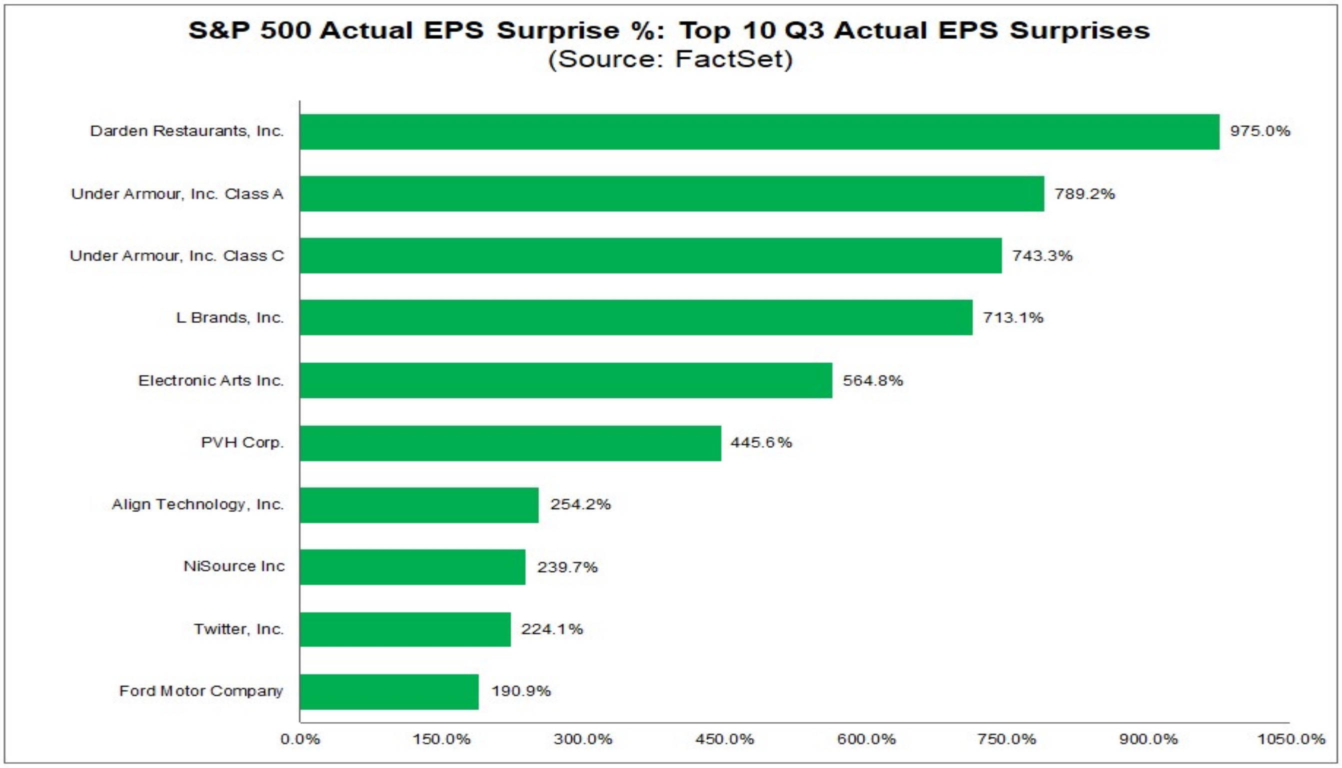
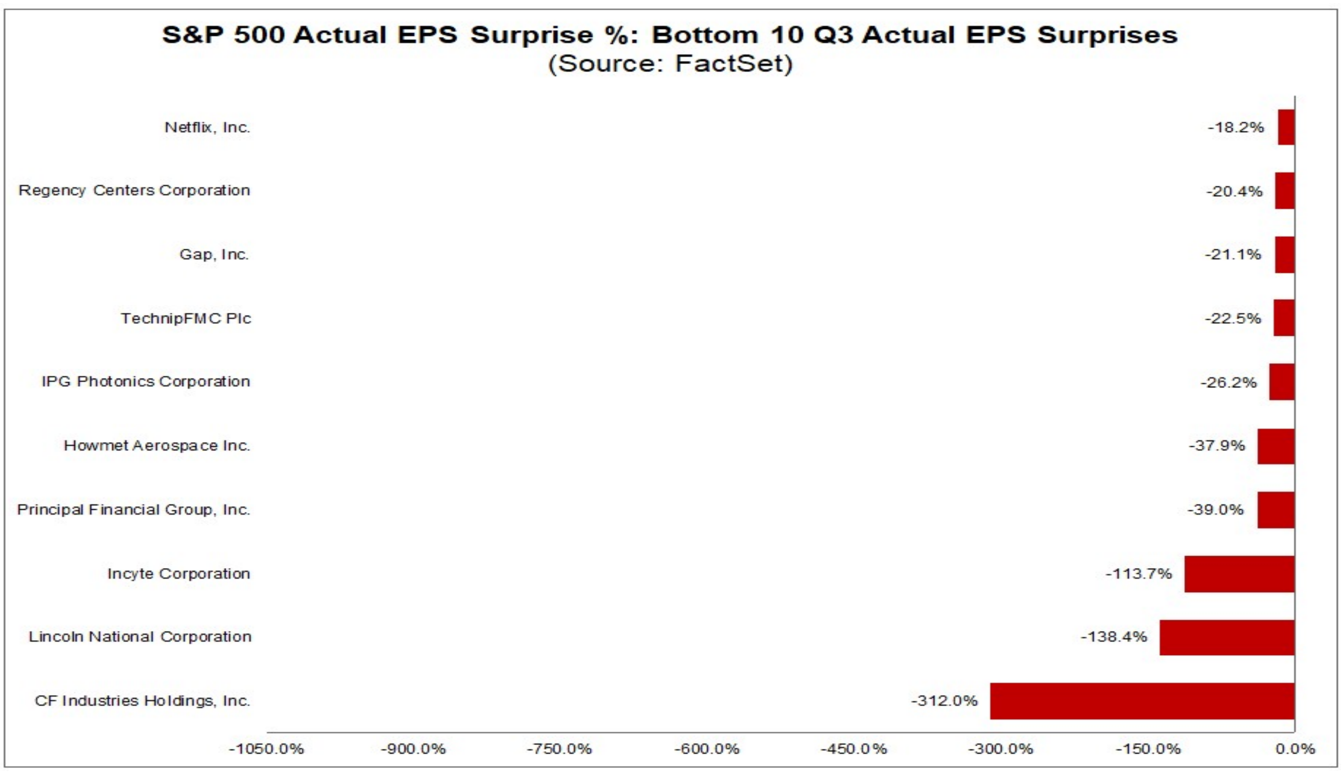
Q3 2020: Scorecard





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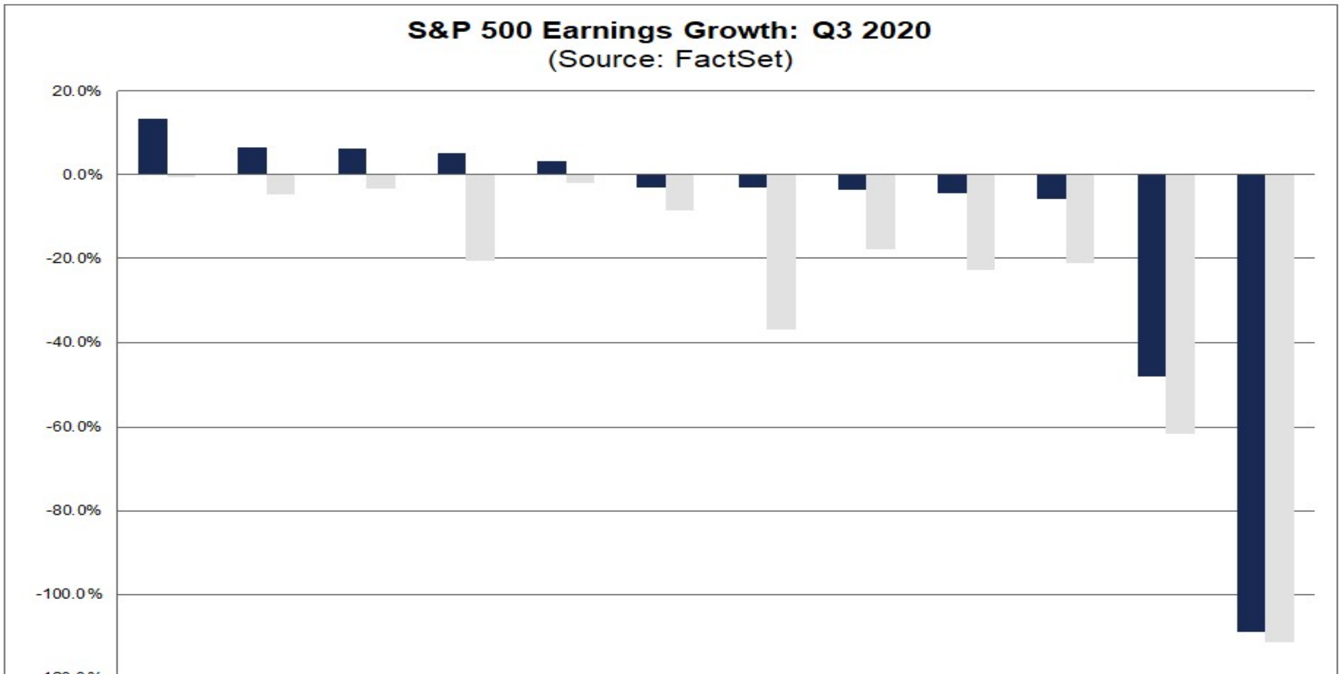
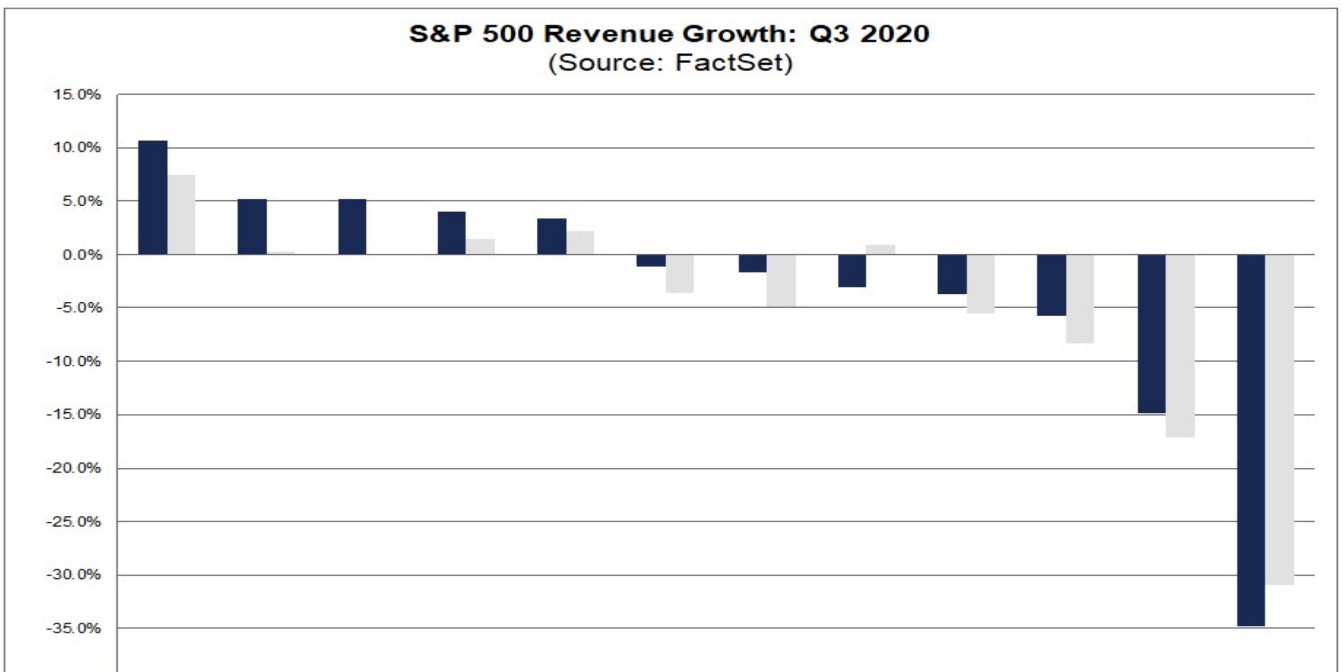
Q3 2020: Growth



	Health Care	Consumer Staples	Info. Technology	Comm. Services	Utilities	Real Estate	Consumer Disc.	Materials	Financials	S&P 500	Industrials	Energy
Today	13.5%	6.6%	6.4%	5.1%	3.2%	-2.9%	-3.1%	-3.7%	-4.5%	-5.7%	-48.2%	-109.1%
30-Sep	-0.6%	-4.8%	-3.3%	-20.5%	-2.1%	-8.4%	-36.9%	-17.9%	-22.9%	-21.2%	-61.5%	-111.4%



	Health Care	Comm. Services	Consumer Disc.	Info. Technology	Consumer Staples	S&P 500	Financials	Utilities	Real Estate	Materials	Industrials	Energy
Today	10.7%	5.2%	5.1%	4.0%	3.4%	-1.1%	-1.7%	-3.1%	-3.8%	-5.8%	-14.8%	-34.8%
30-Sep	7.4%	0.3%	-0.1%	1.4%	2.1%	-3.6%	-5.0%	0.9%	-5.5%	-8.4%	-17.1%	-30.9%

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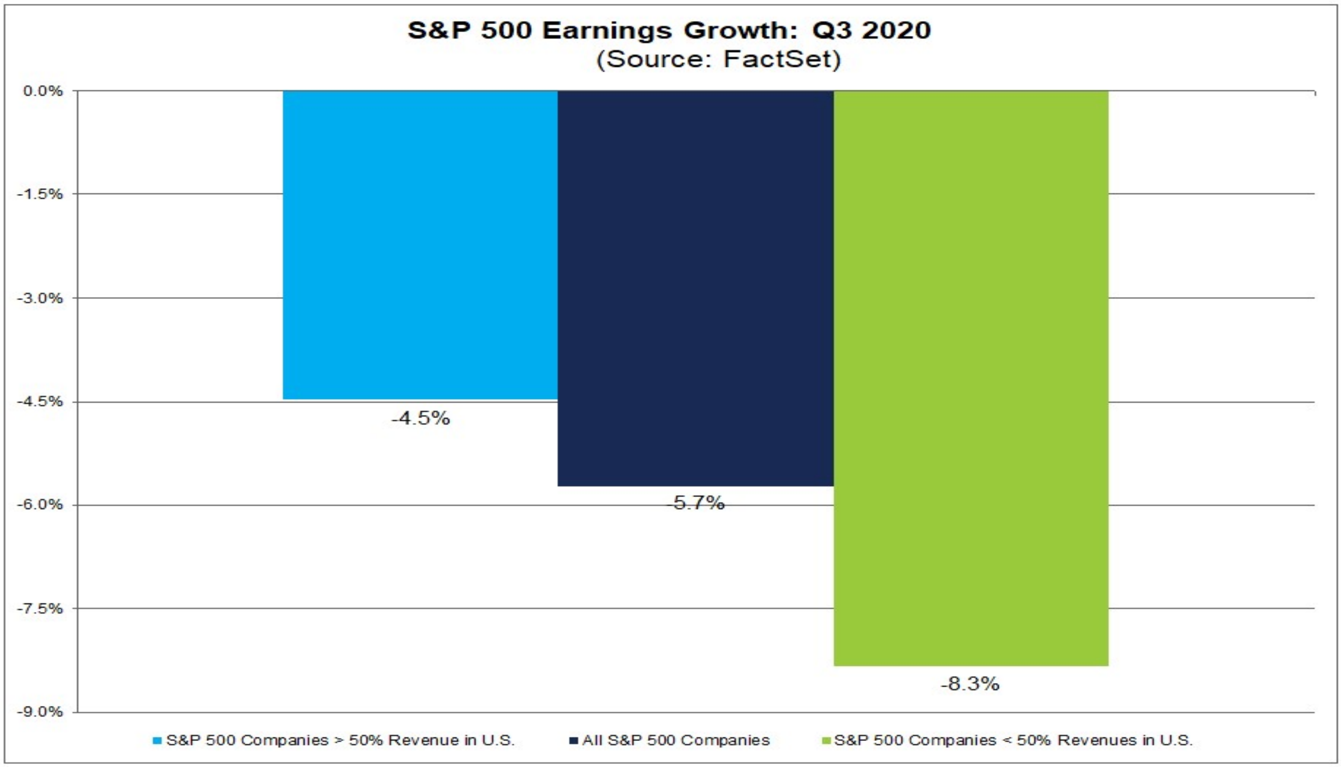
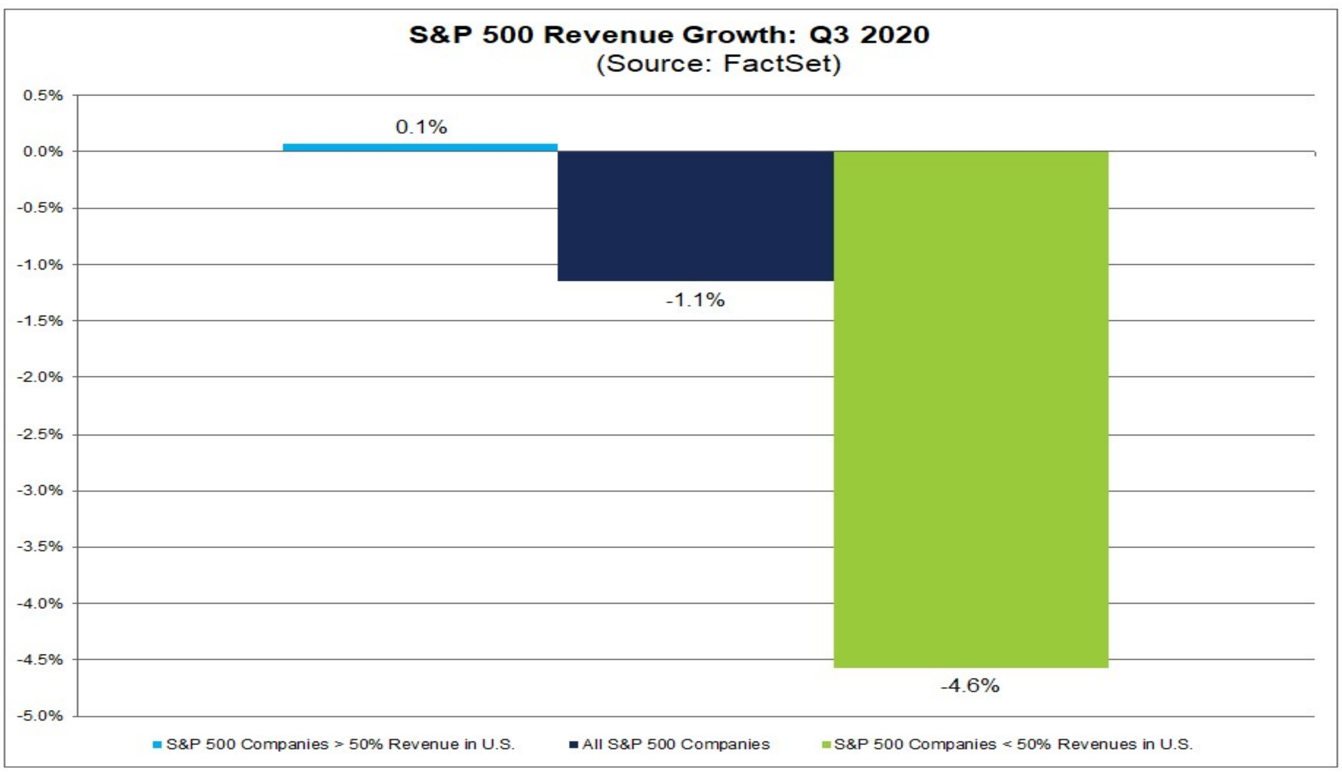
Q3 2020: Growth





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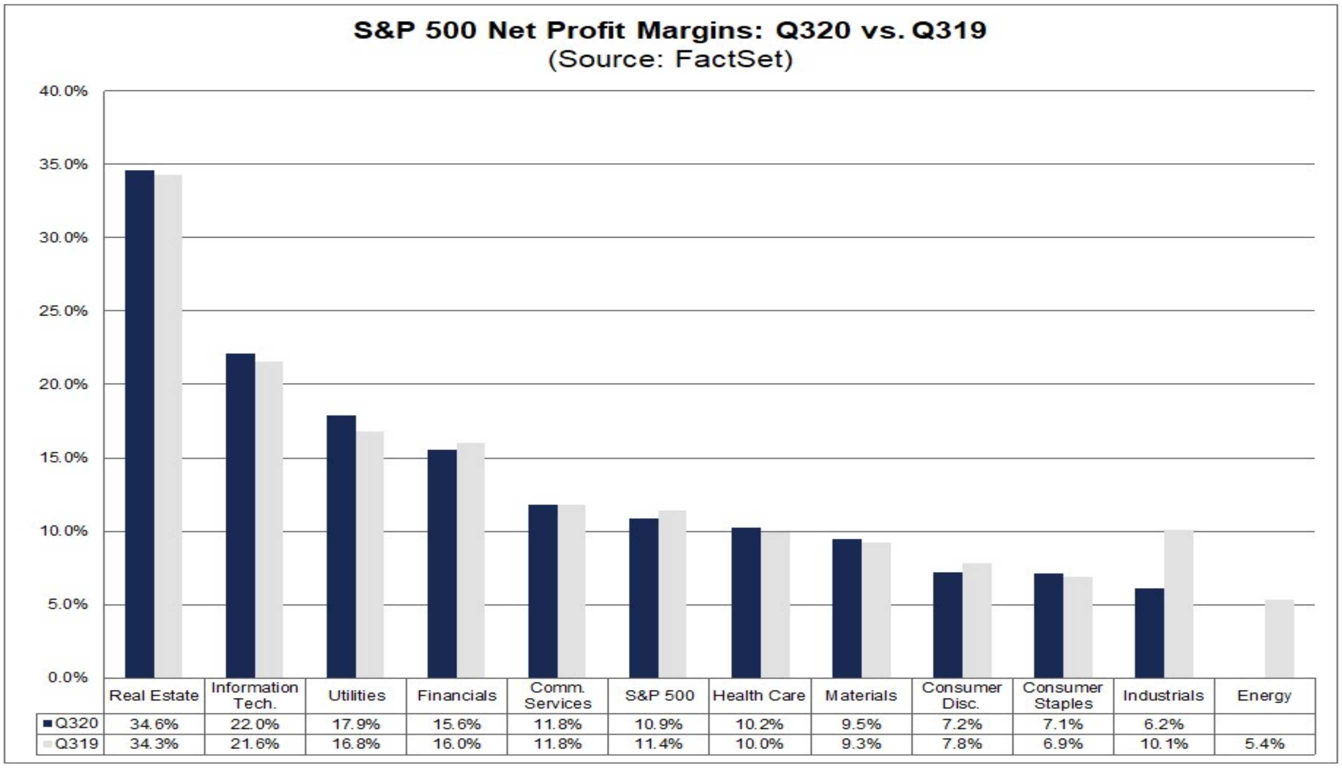
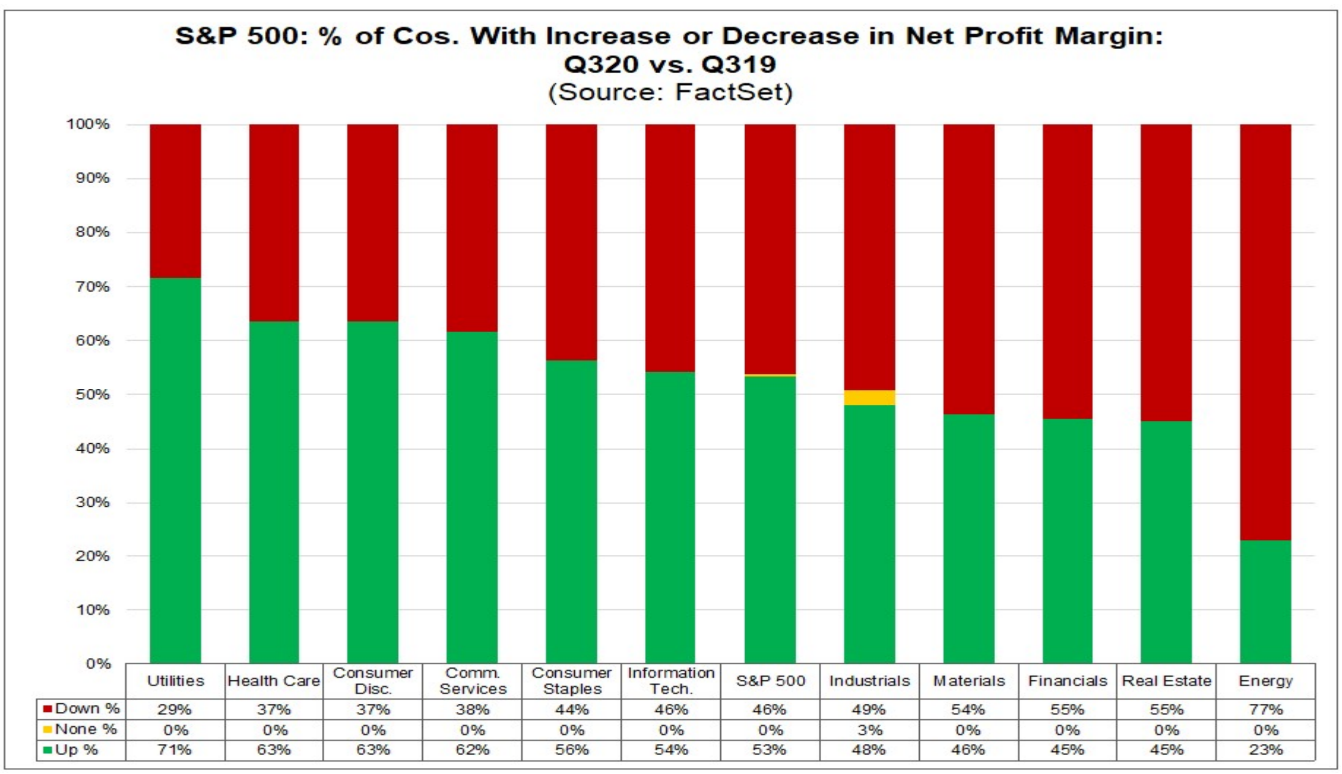
Q3 2020: Net Profit Margin





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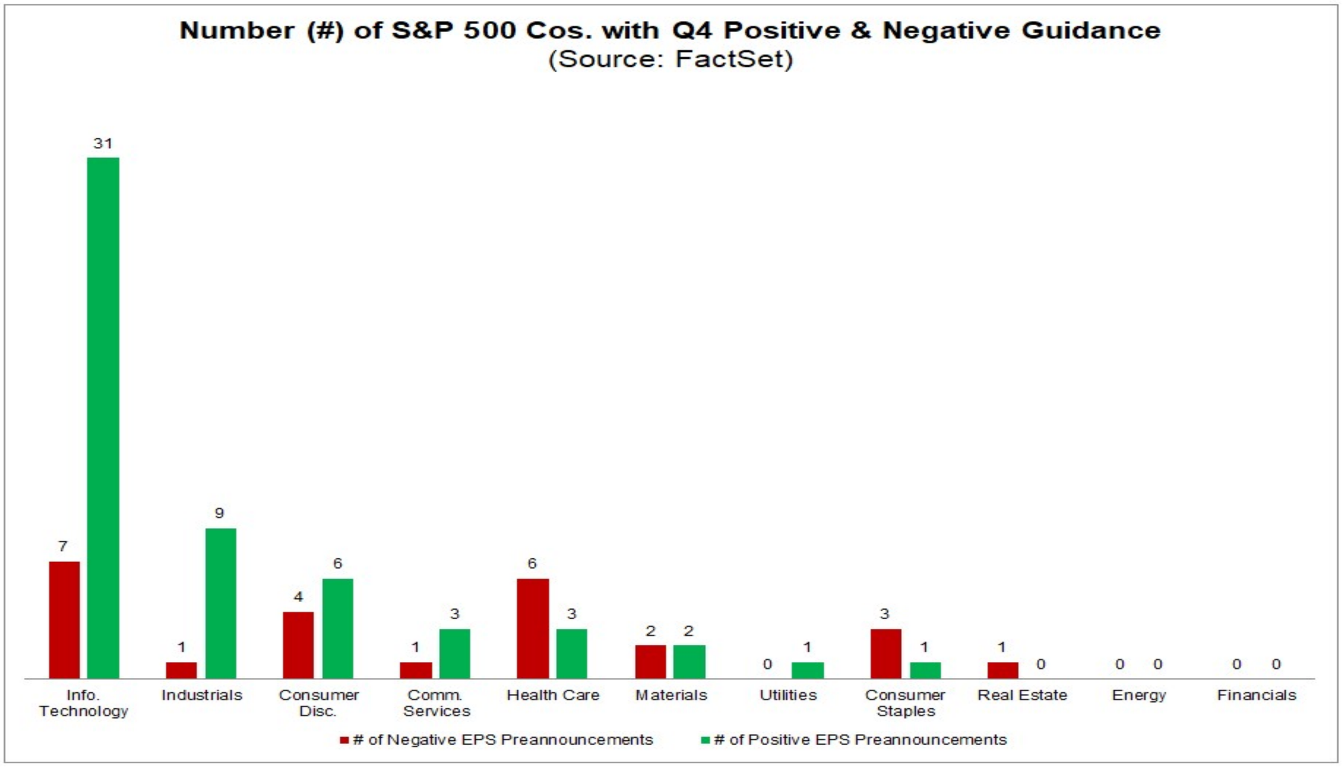
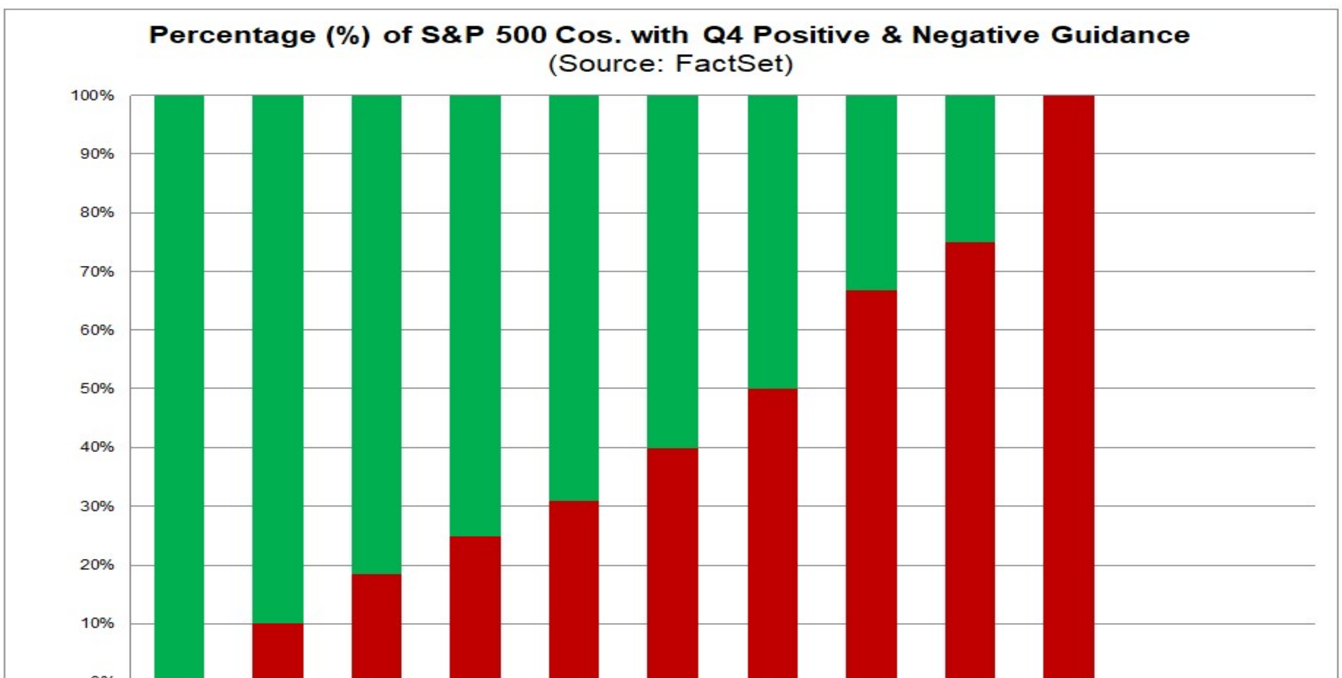
Q4 2020: EPS Guidance





	Utilities	Industrials	Info. Technology	Comm. Services	S&P 500	Consumer Disc.	Materials	Health Care	Consumer Staples	Real Estate	Energy	Financials
Positive	100%	90%	82%	75%	69%	60%	50%	33%	25%	0%	0%	0%
Negative	0%	10%	18%	25%	31%	40%	50%	67%	75%	100%	0%	0%

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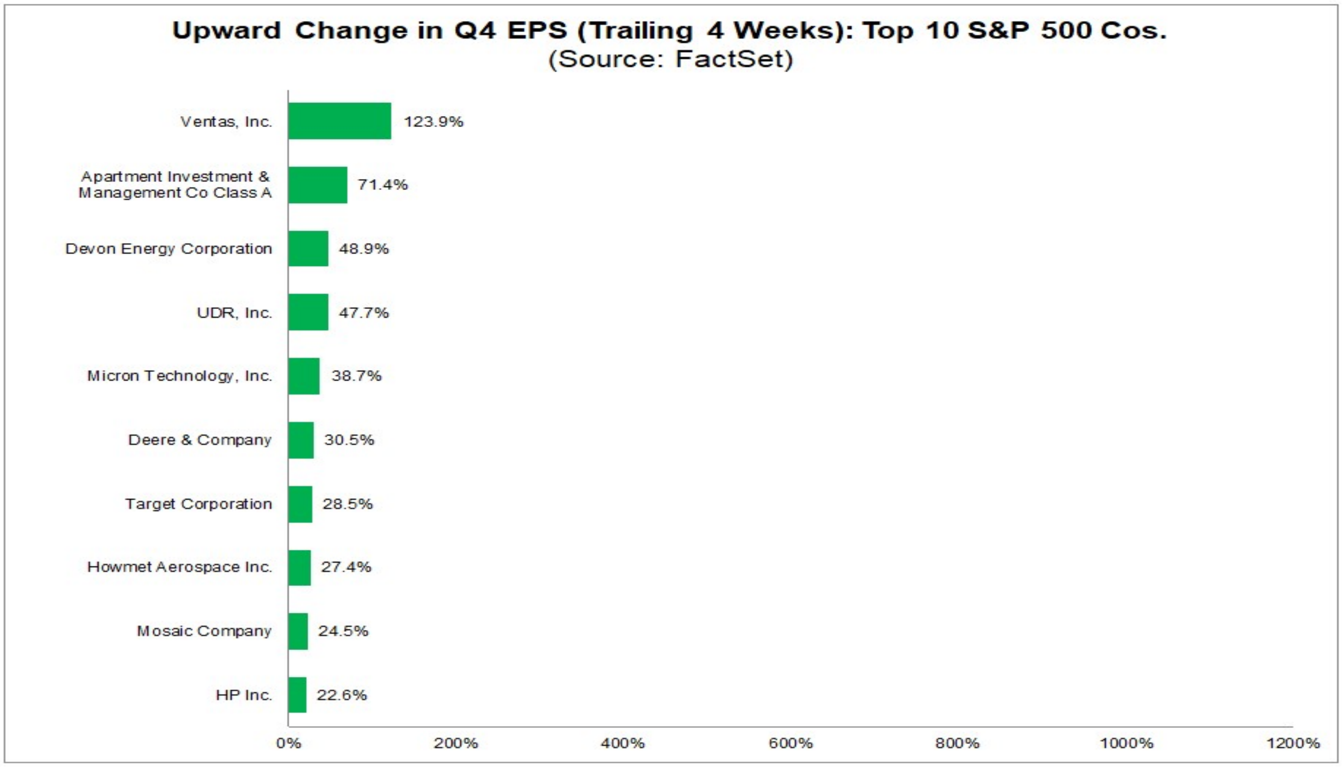
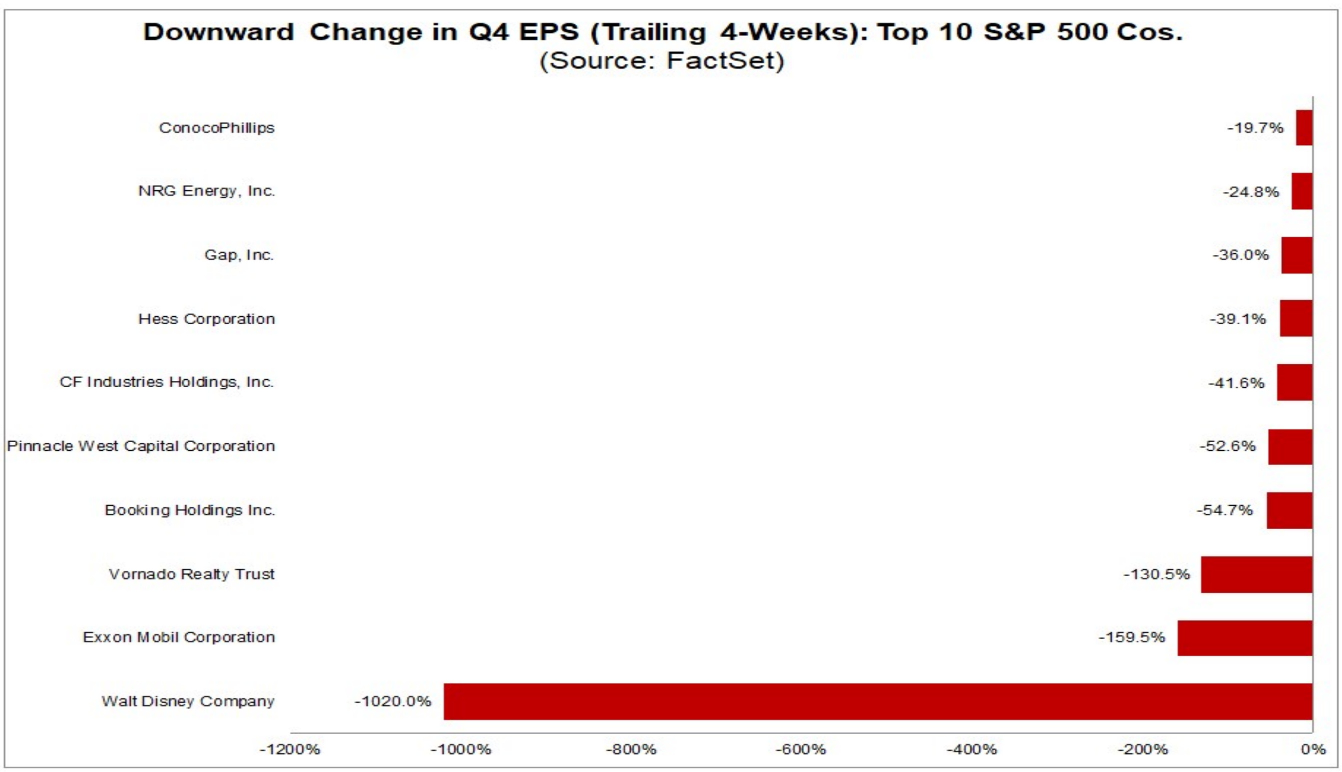
Q4 2020: EPS Revisions





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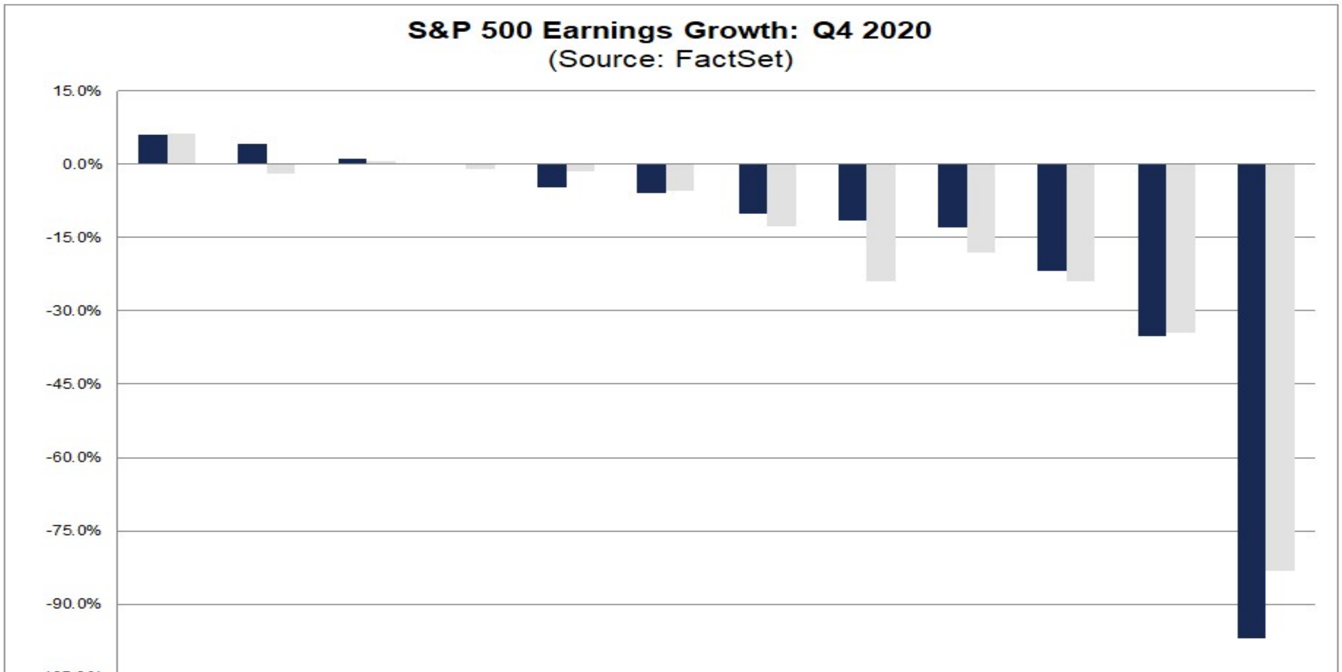
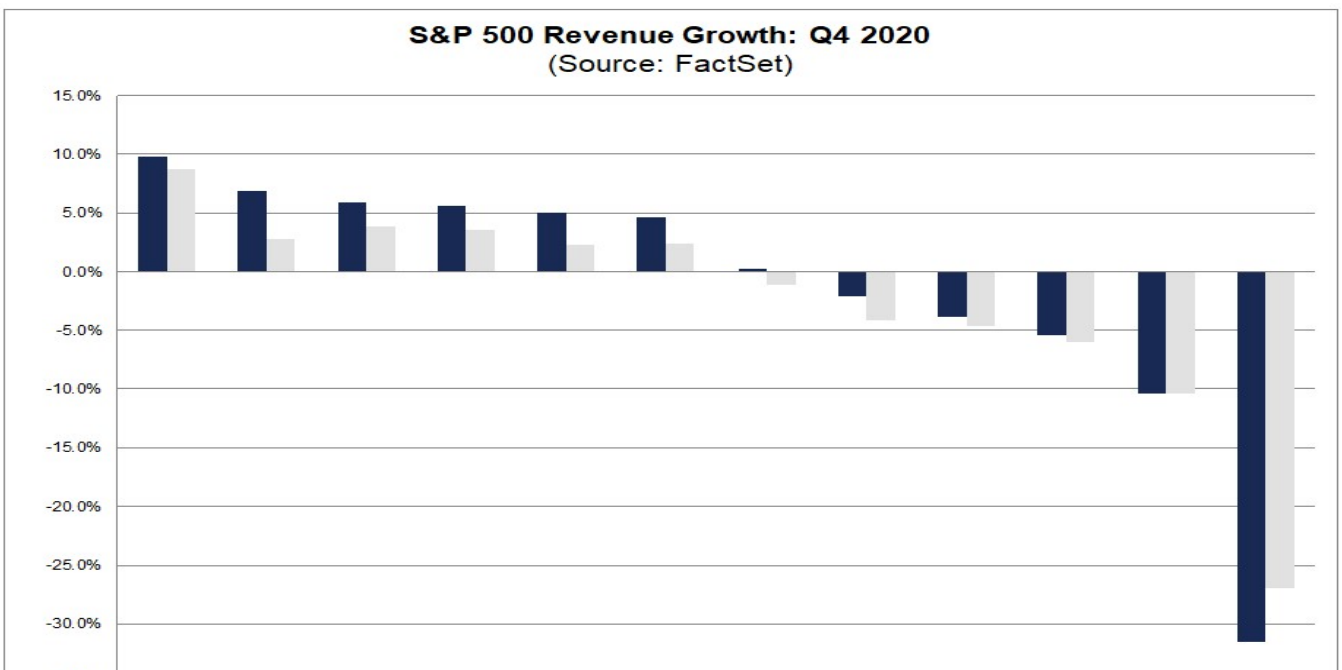
Q4 2020: Growth



	Health Care	Materials	Info. Technology	Consumer Staples	Utilities	Real Estate	S&P 500	Financials	Comm. Services	Consumer Disc.	Industrials	Energy
Today	6.1%	4.3%	1.2%	0.2%	-4.9%	-6.0%	-10.1%	-11.5%	-12.9%	-21.9%	-35.1%	-96.9%
30-Sep	6.2%	-2.0%	0.7%	-1.0%	-1.4%	-5.6%	-12.8%	-24.1%	-18.2%	-24.0%	-34.5%	-83.0%



	Health Care	Consumer Disc.	Utilities	Info. Technology	Comm. Services	Consumer Staples	S&P 500	Materials	Financials	Real Estate	Industrials	Energy
Today	9.8%	6.9%	5.9%	5.6%	5.0%	4.6%	0.2%	-2.1%	-3.9%	-5.4%	-10.4%	-31.6%
30-Sep	8.7%	2.8%	3.8%	3.6%	2.3%	2.4%	-1.1%	-4.2%	-4.6%	-6.0%	-10.4%	-26.9%

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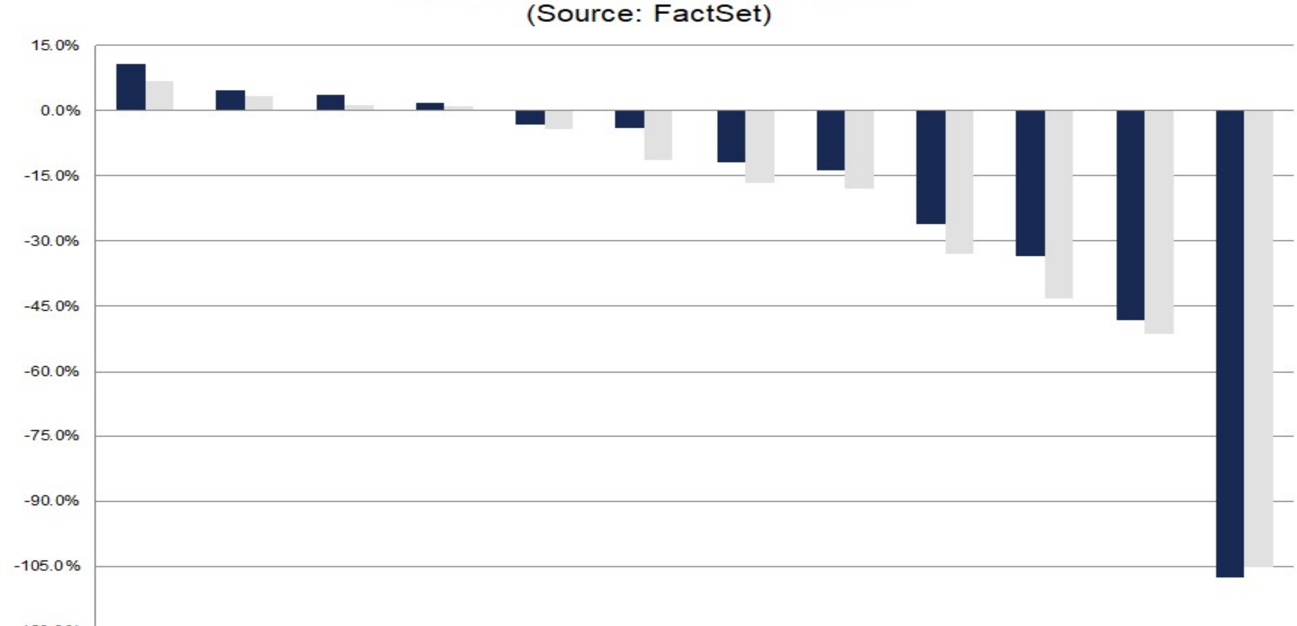
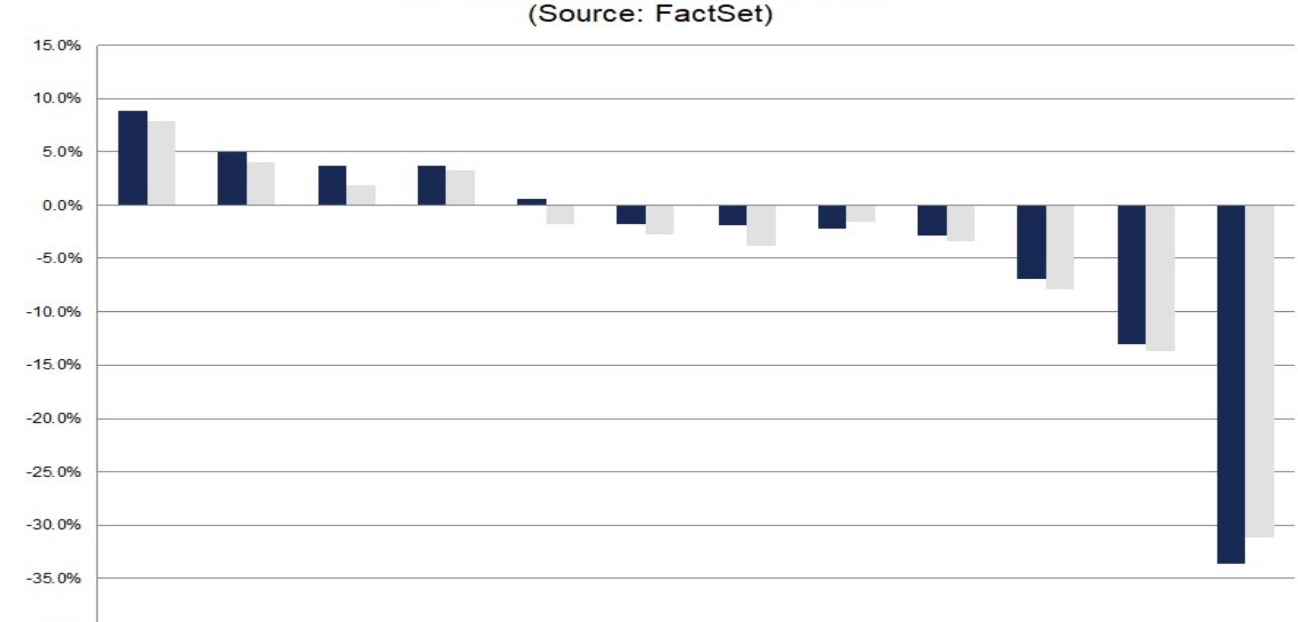
CY 2020: Growth



	Health Care	Info. Technology	Consumer Staples	Utilities	Real Estate	Comm. Services	Materials	S&P 500	Financials	Consumer Disc.	Industrials	Energy
Today	10.7%	4.7%	3.5%	1.7%	-3.1%	-4.0%	-12.0%	-13.8%	-26.1%	-33.6%	-48.5%	-107.5%
30-Sep	6.7%	3.3%	1.1%	0.9%	-4.3%	-11.3%	-16.8%	-17.9%	-33.0%	-43.4%	-51.5%	-105.2%



	Health Care	Info. Technology	Comm. Services	Consumer Staples	Consumer Disc.	S&P 500	Financials	Utilities	Real Estate	Materials	Industrials	Energy
Today	8.9%	5.0%	3.7%	3.7%	0.5%	-1.8%	-1.9%	-2.3%	-2.8%	-6.9%	-13.1%	-33.6%
30-Sep	7.9%	4.0%	1.9%	3.2%	-1.8%	-2.7%	-3.8%	-1.6%	-3.4%	-7.9%	-13.7%	-31.1%

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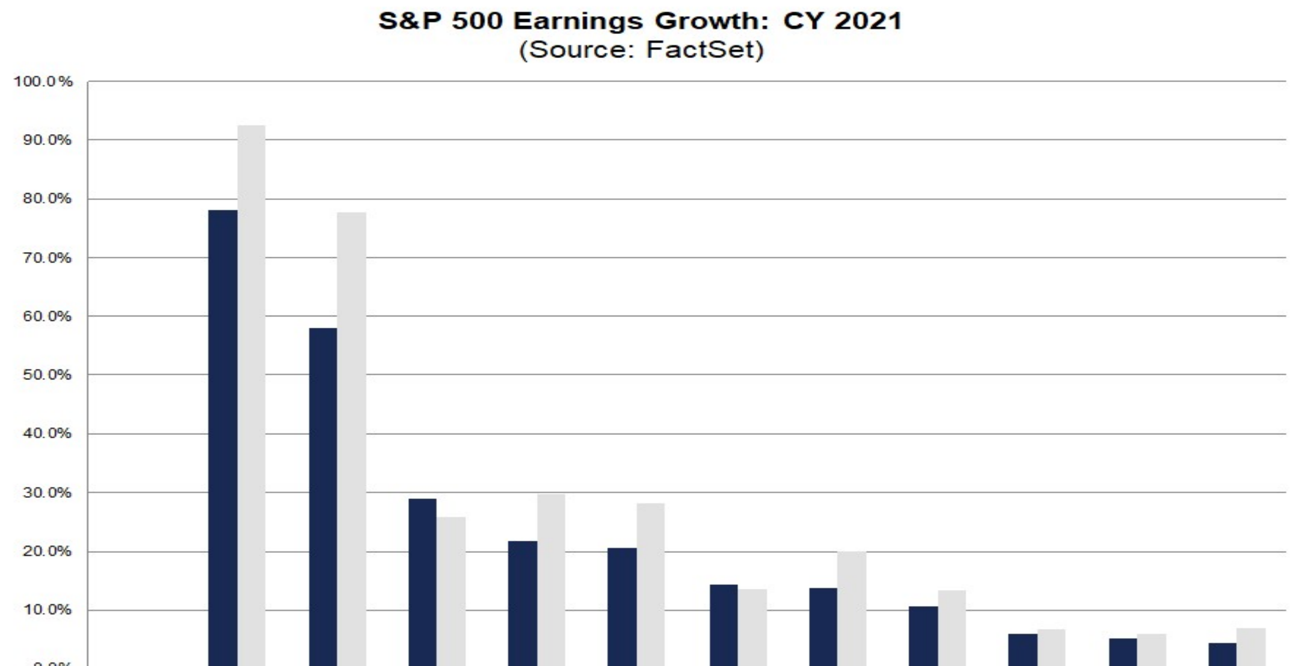
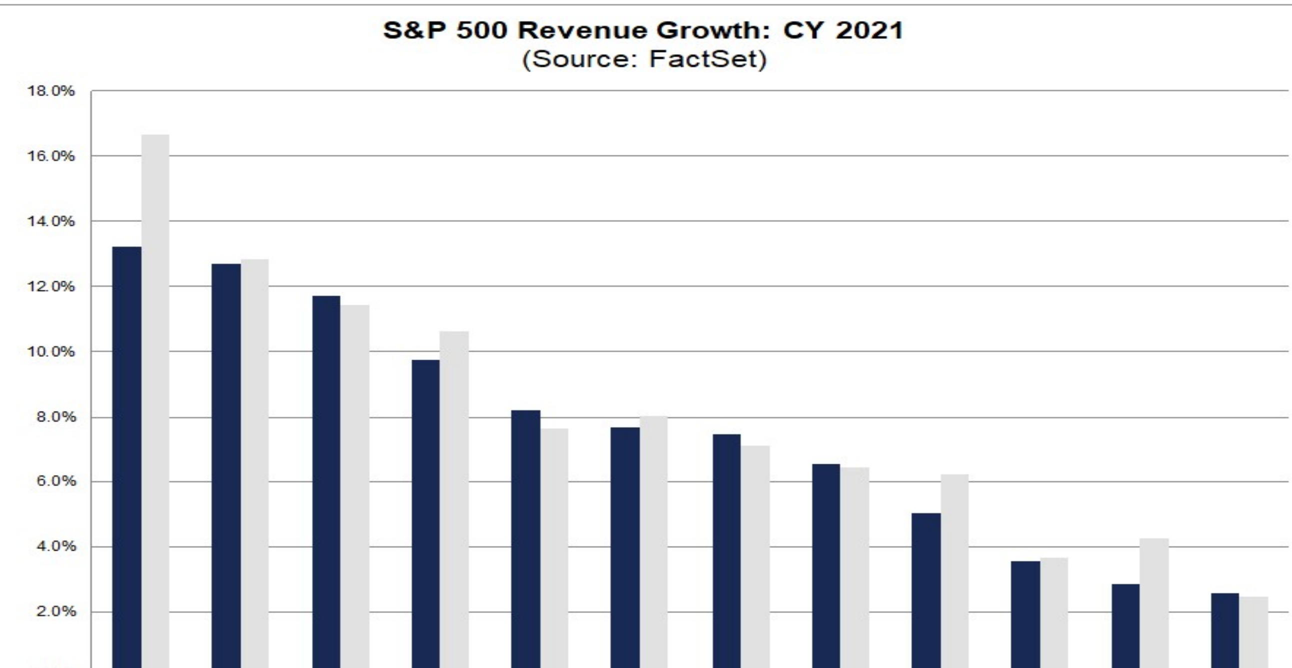
CY 2021: Growth



	Energy	Industrials	Consumer Disc.	Materials	S&P 500	Financials	Info. Technology	Comm. Services	Health Care	Consumer Staples	Utilities	Real Estate
Today		78.0%	57.9%	29.0%	21.7%	20.6%	14.3%	13.8%	10.7%	5.9%	5.1%	4.4%
30-Sep		92.5%	77.6%	25.8%	29.8%	28.1%	13.6%	19.9%	13.5%	6.8%	5.9%	7.0%



	Energy	Consumer Disc.	Comm. Services	Industrials	Info. Technology	S&P 500	Materials	Health Care	Real Estate	Utilities	Financials	Consumer Staples
Today	13.2%	12.7%	11.7%	9.7%	8.2%	7.7%	7.5%	6.6%	5.1%	3.6%	2.9%	2.6%
30-Sep	16.6%	12.8%	11.4%	10.6%	7.6%	8.0%	7.1%	6.5%	6.2%	3.7%	4.3%	2.5%

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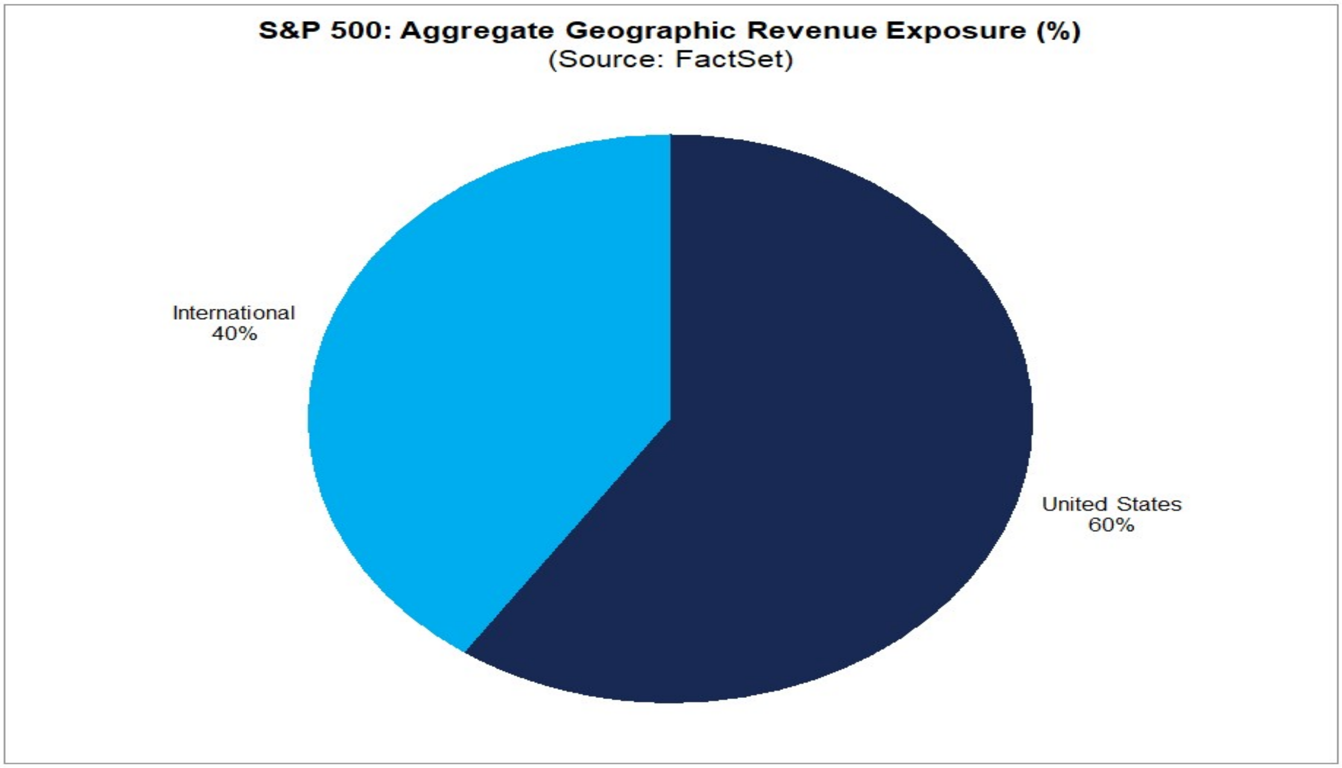
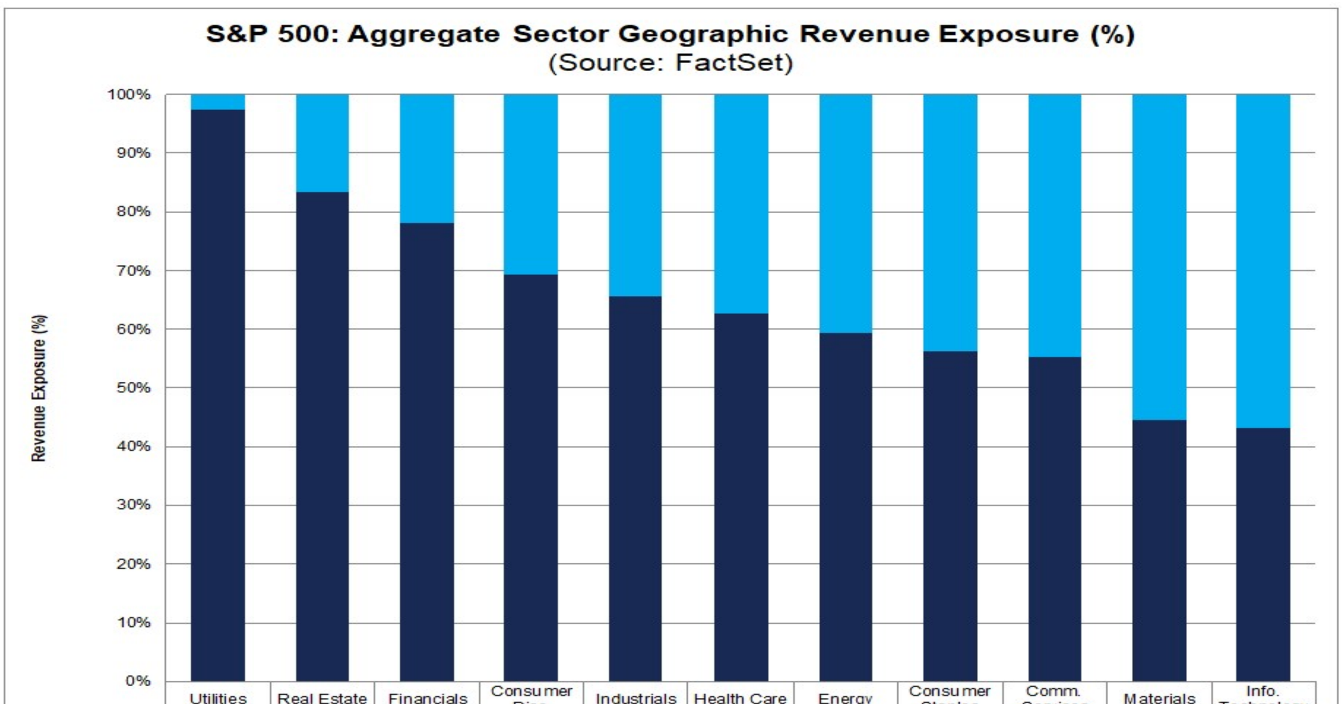
Geographic Revenue Exposure





	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	3%	17%	22%	31%	34%	37%	41%	44%	45%	55%	57%
United States	97%	83%	78%	69%	66%	63%	59%	56%	55%	45%	43%

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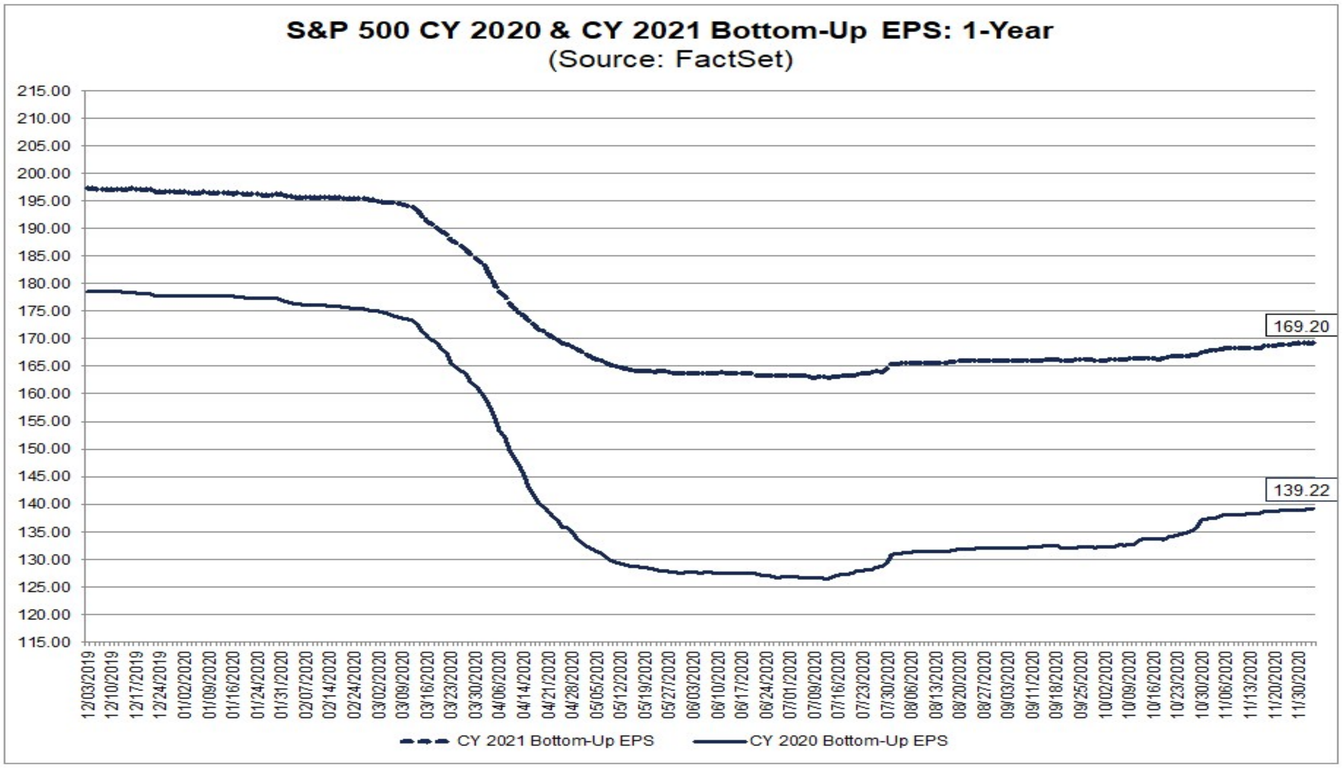
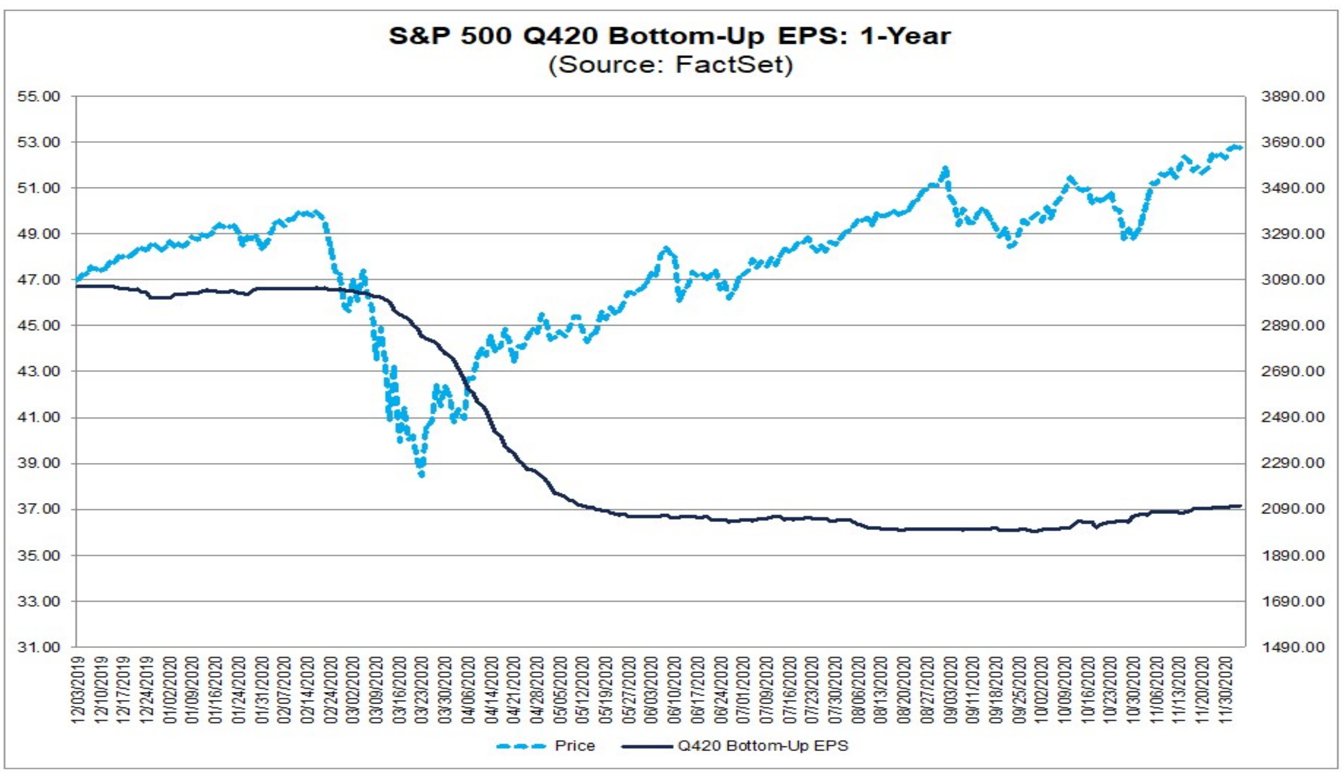
Bottom-up EPS Estimates: Revisions





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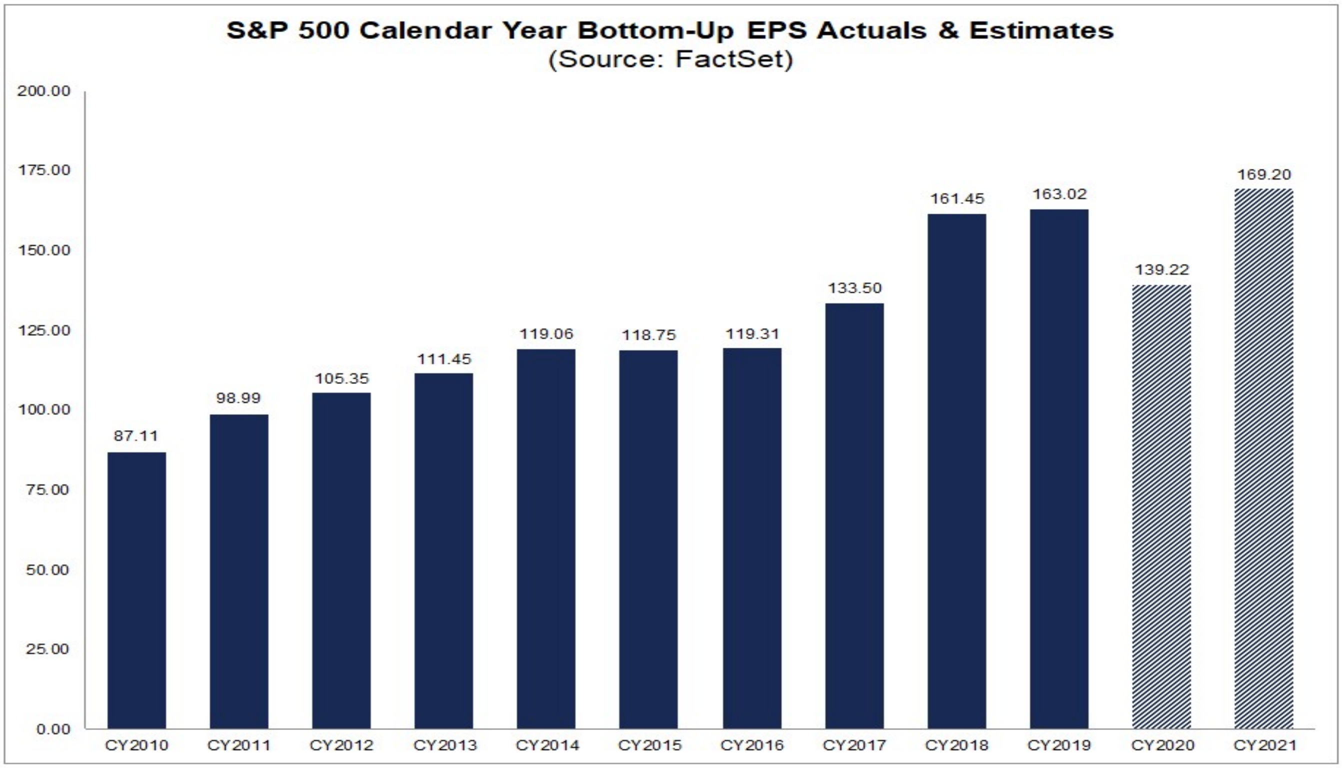
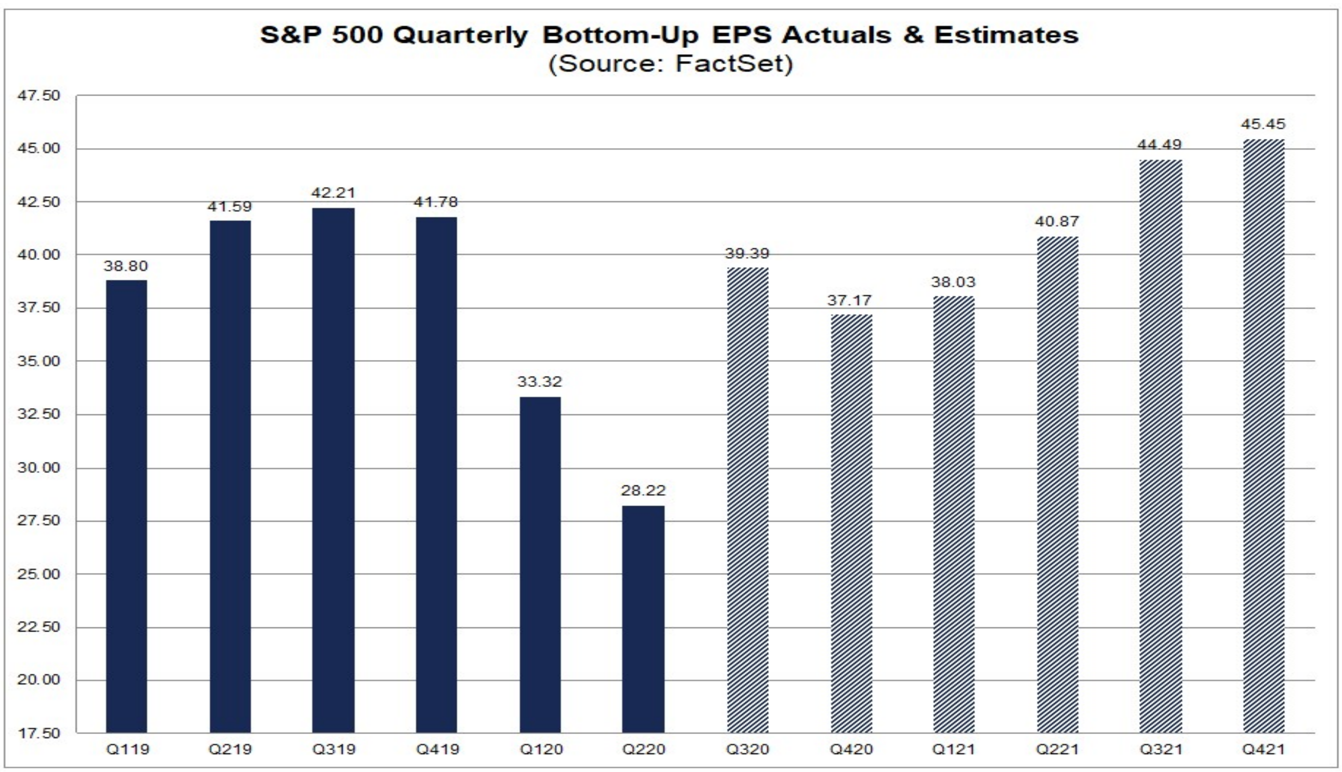
Bottom-up EPS Estimates: Current & Historical





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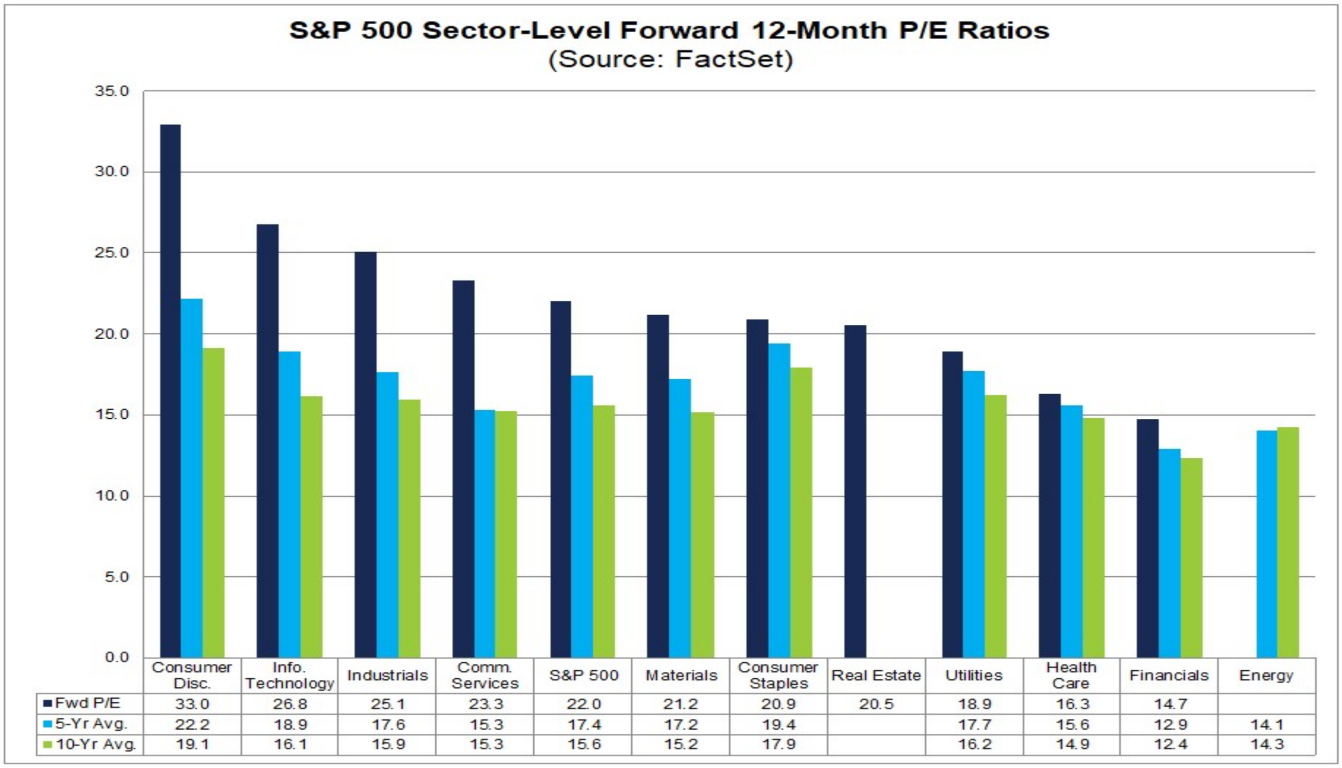
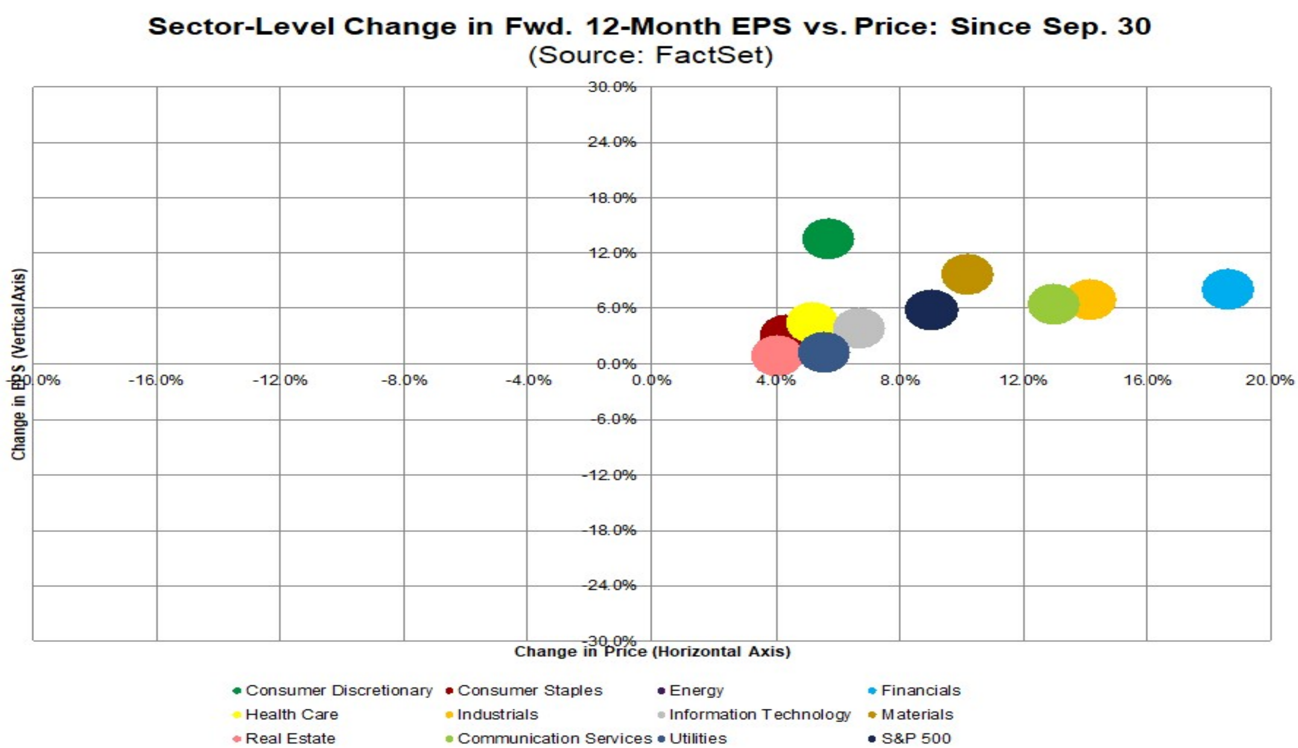
Forward 12M P/E Ratio: Sector Level



	Consumer Disc.	Info. Technology	Industrials	Comm. Services	S&P 500	Materials	Consumer Staples	Real Estate	Utilities	Health Care	Financials	Energy
Fwd P/E	33.0	26.8	25.1	23.3	22.0	21.2	20.9	20.5	18.9	16.3	14.7	
5-Yr Avg.	22.2	18.9	17.6	15.3	17.4	17.2	19.4		17.7	15.6	12.9	14.1
10-Yr Avg.	19.1	16.1	15.9	15.3	15.6	15.2	17.9		16.2	14.9	12.4	14.3



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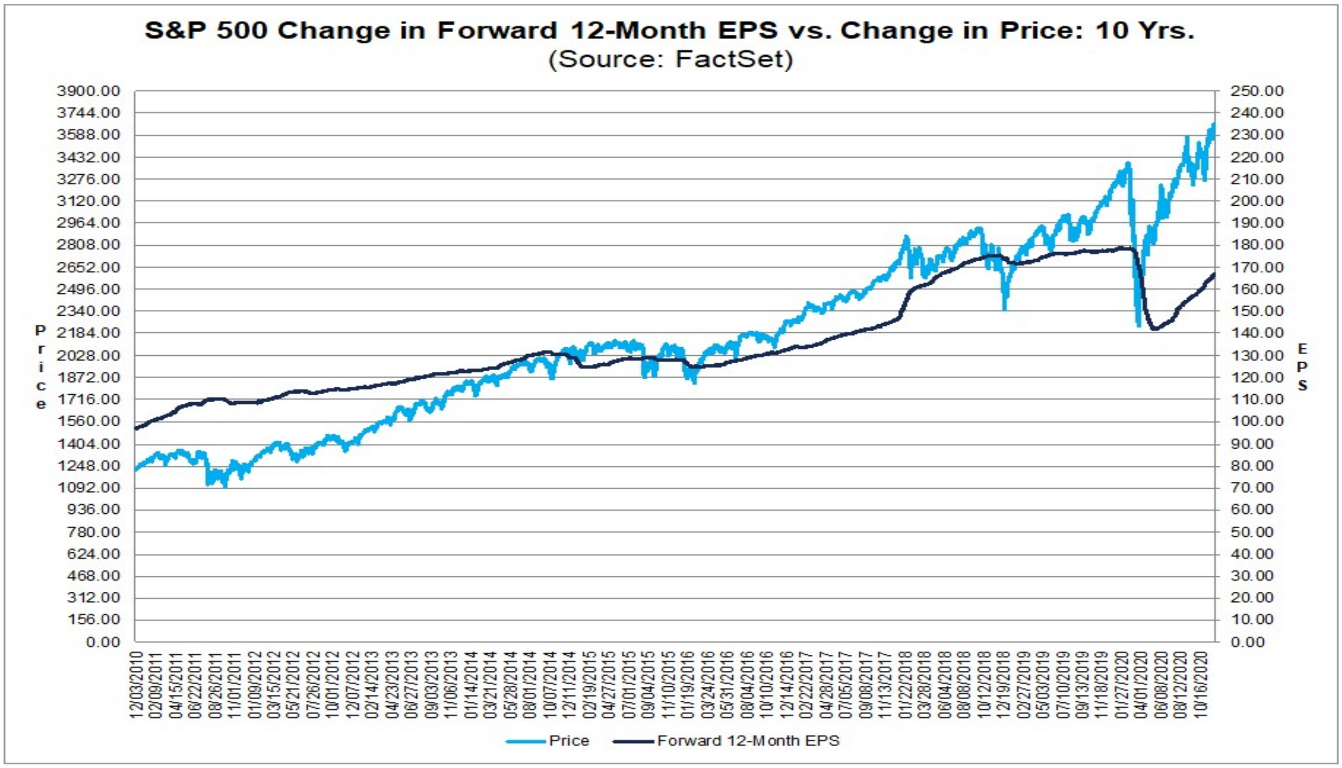
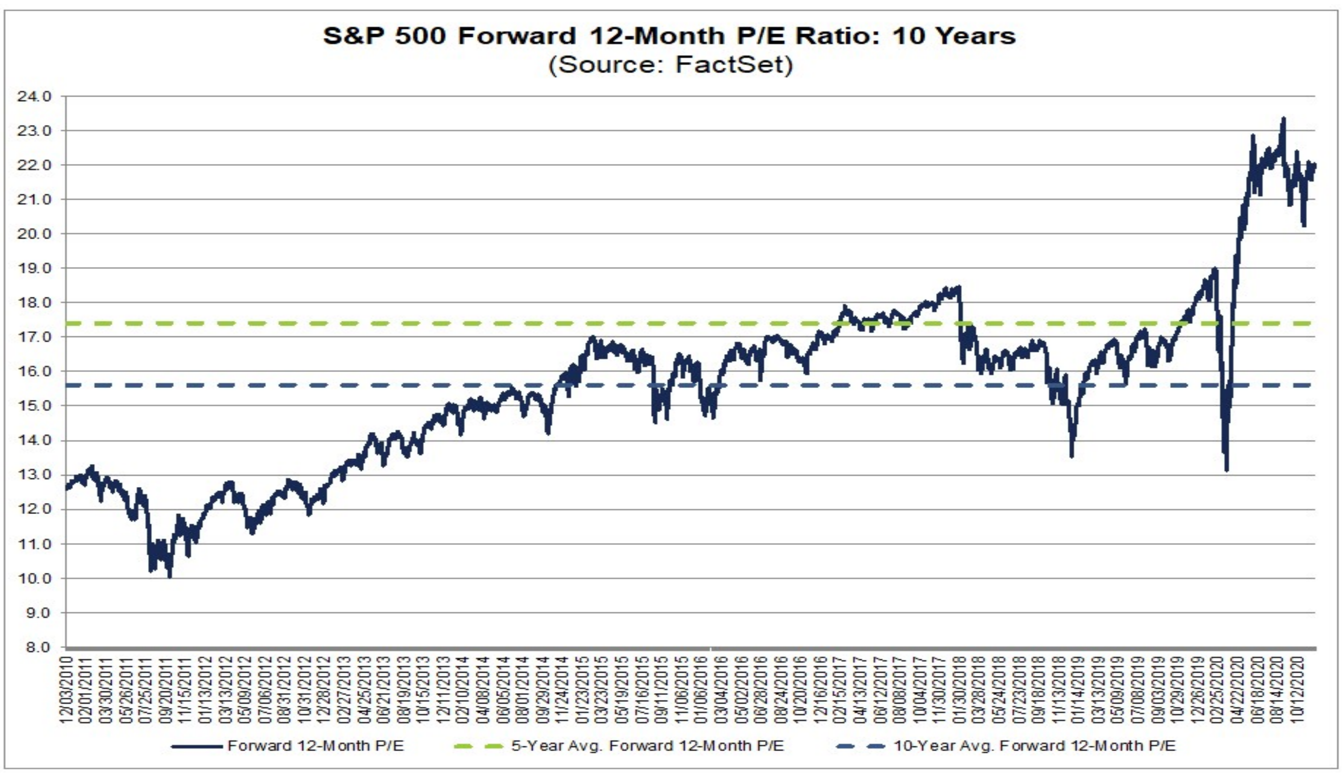
Forward 12M P/E Ratio: 10-Years





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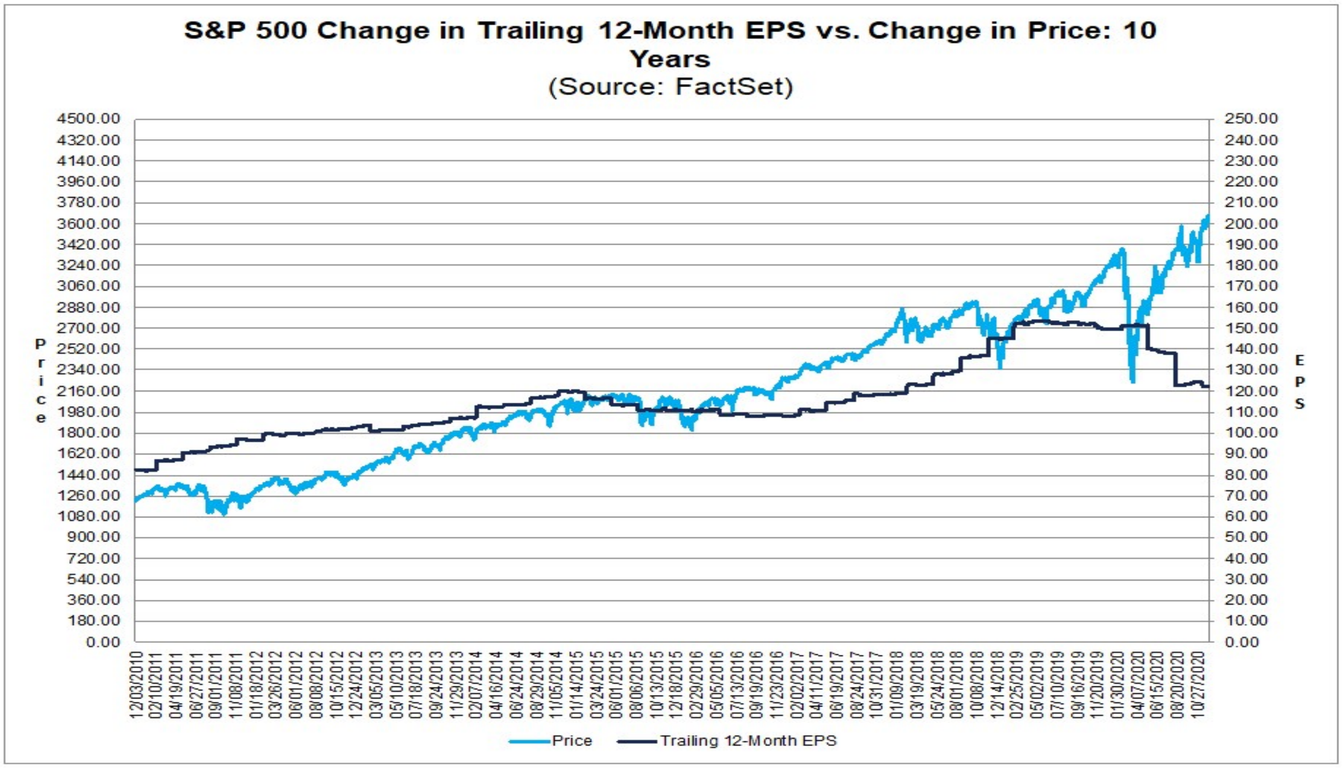
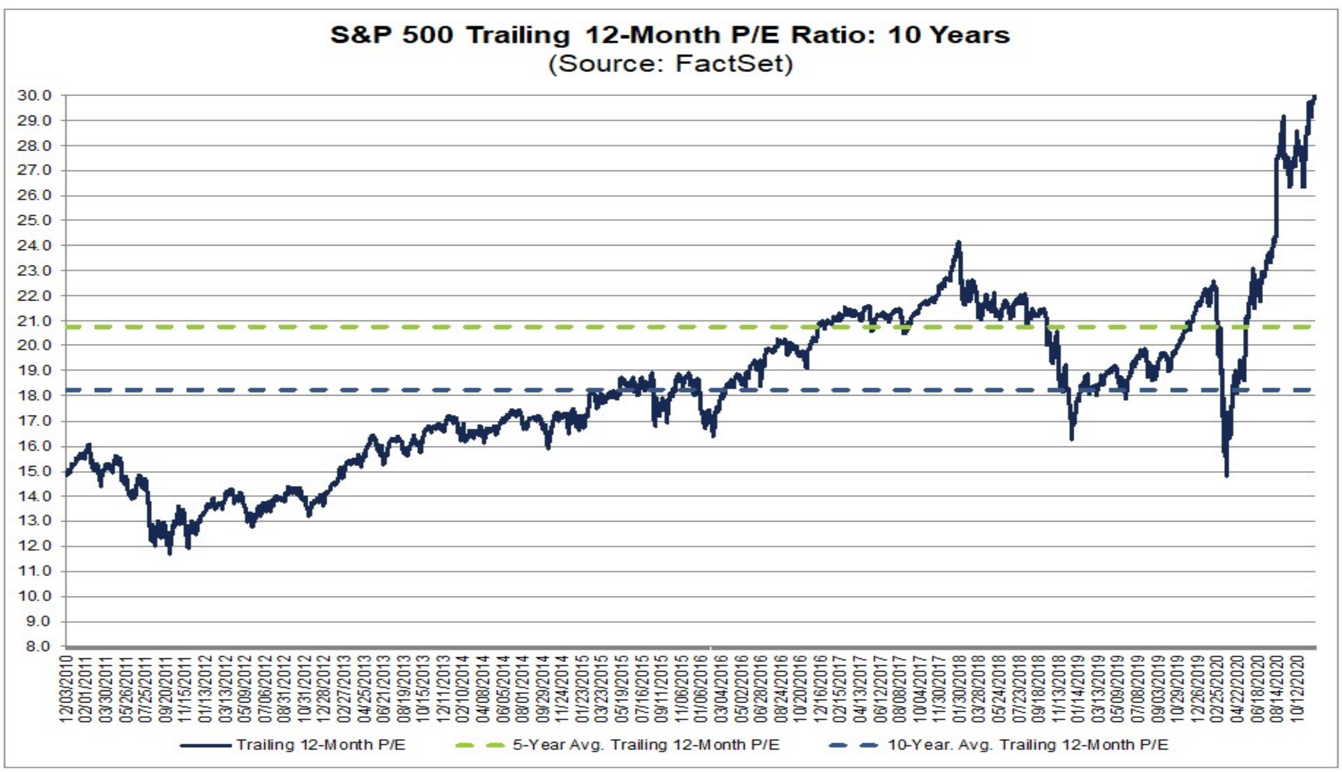
Trailing 12M P/E Ratio: 10-Years





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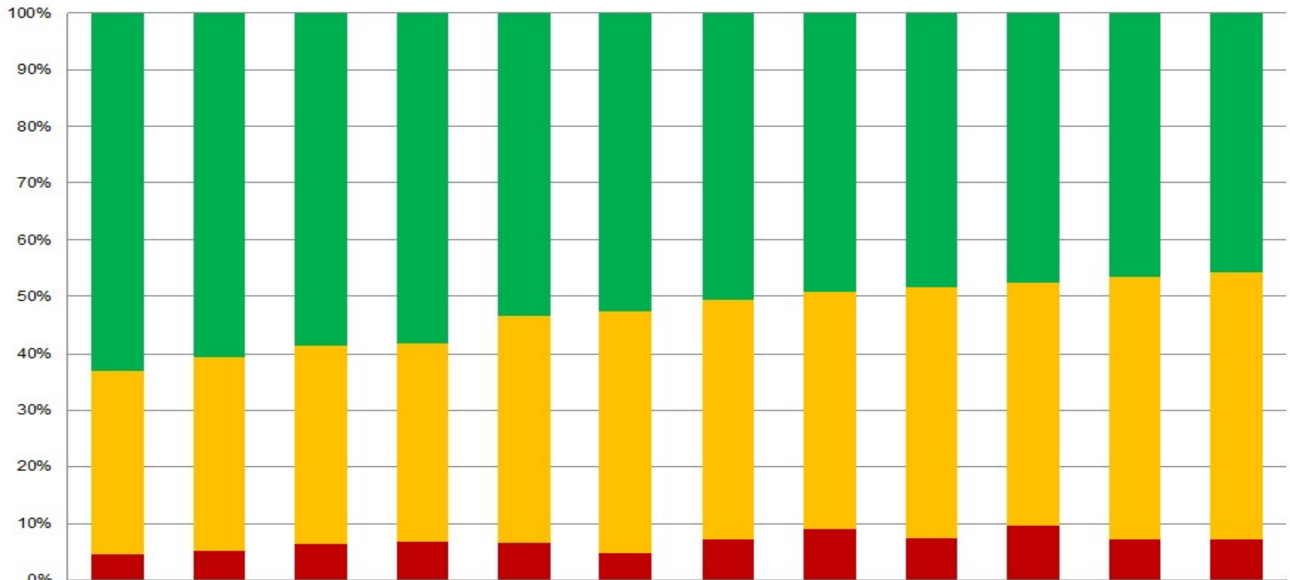
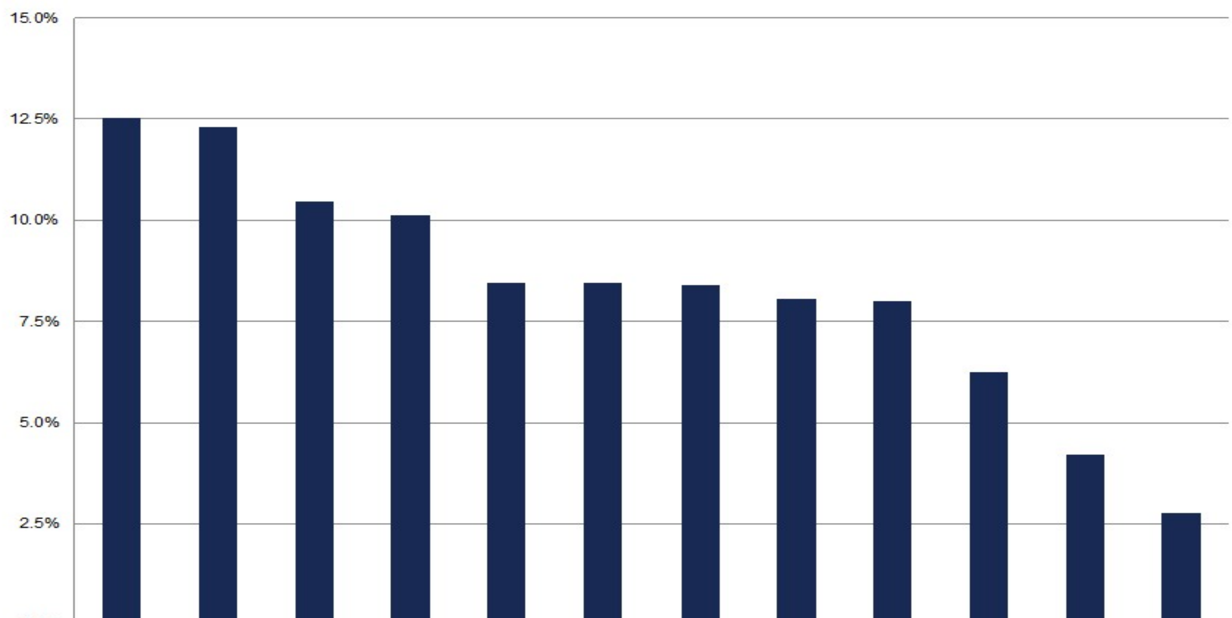
Targets & Ratings

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



	Energy	Health Care	Info. Tech.	Comm. Services	S&P 500	Consumer Disc.	Materials	Industrials	Utilities	Consumer Staples	Financials	Real Estate
Buy	63%	61%	59%	58%	54%	53%	51%	49%	48%	48%	47%	46%
Hold	33%	34%	35%	35%	40%	42%	42%	42%	44%	43%	46%	47%
Sell	4%	5%	6%	7%	7%	5%	7%	9%	7%	10%	7%	7%

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



	Consumer Disc.	Health Care	Utilities	Real Estate	Consumer Staples	S&P 500	Info. Tech.	Comm. Services	Energy	Materials	Industrials	Financials
Target/Close	12.5%	12.3%	10.5%	10.1%	8.4%	8.4%	8.4%	8.1%	8.0%	6.3%	4.2%	2.8%

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