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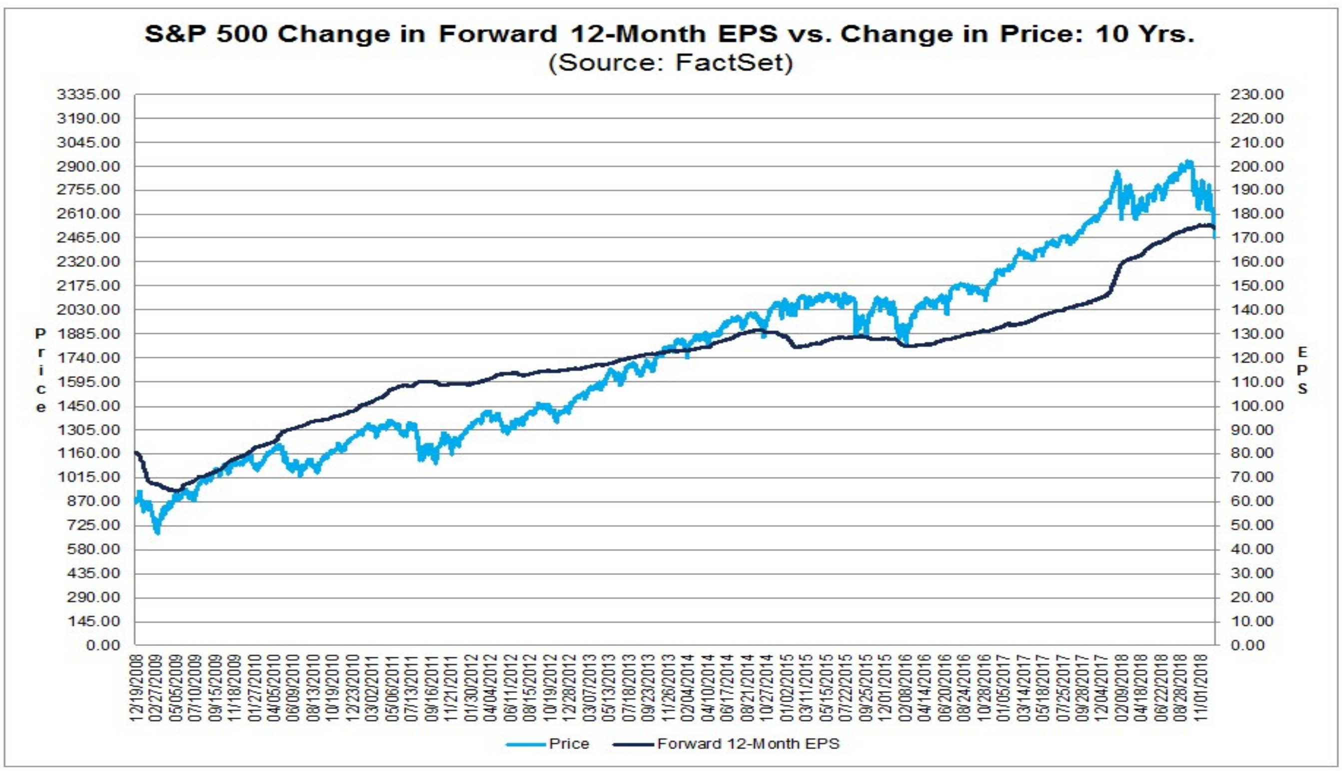
Author's Note: The FactSet Earnings Insight report will not be published on December 28. The next edition will be published on January 4.

Key Metrics

- **Earnings Growth:** For Q4 2018, the estimated earnings growth rate for the S&P 500 is 12.4%. If 12.4% is the actual growth rate for the quarter, it will mark the fifth straight quarter of double-digit earnings growth for the index.
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q4 2018 was 16.6%. All eleven sectors have lower growth rates today (compared to September 30) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2018, 72 S&P 500 companies have issued negative EPS guidance and 33 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 14.2. This P/E ratio is below the 5-year average (16.4) and below the 10-year average (14.6).



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Topic of the Week: 1

S&P 500 2018 Earnings Preview: Highest Earnings Growth in 8 Years

CY 2018 Earnings Growth: 20.3%

As of today (December 21), the estimated earnings growth rate for CY 2018 is 20.3%. If 20.3% is the final growth rate for the year, it will mark the highest annual earnings growth for the index since 2010 (39.6%). All eleven sectors are projected to report year-over-year growth in earnings. Nine of the eleven sectors are predicted to report double-digit earnings growth, led by the Energy, Materials, and Financials sectors.

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 108.3%. Higher year-over-year oil prices are helping to drive the unusually high growth rate for the sector. Despite the recent decline in price, the average price of oil in CY 2018 ($65.44) to date is still 39% higher than the average price of oil in CY 2017 ($47.15). At the sub-industry level, all six sub-industries in the sector are projected to report earnings growth: Oil & Gas Drilling (N/A due to year-ago loss), Oil & Gas Exploration & Production (1,150%), Oil & Gas Refining & Marketing (71%), Integrated Oil & Gas (69%), Oil & Gas Storage & Transportation (65%), and Oil & Gas Equipment & Services (36%).

The Materials sector is expected to report the second highest (year-over-year) earnings growth of all eleven sectors at 30.5%. At the industry level, all four industries are projected to report earnings growth of at least 20%: Metals & Mining (50%), Containers & Packaging (41%), Chemicals (26%), and Construction & Materials (21%) industries.

The Financials sector is expected to report the third highest (year-over-year) earnings growth of all eleven sectors at 24.6%. At the industry level, all five industries are projected to report earnings growth of at least 20%: Diversified Financial Services (73%), Consumer Finance (33%), Capital Markets (24%), Insurance (22%), and Banks (21%).

Tax Reform Significant Contributor to High Earnings Growth in 2018

The tax reform law passed in late 2017 has been a significant contributor to earnings growth for the index in 2018, as the corporate tax rate was lower in 2018 relative to 2017. Shortly after the tax bill became law, analysts began raising company-level EPS estimates for 2018. From November 30, 2017 through February 28, 2018, the estimated earnings growth rate for CY 2018 increased by more than 7 percentage points (to 16.8% from 9.5%). During this same period over the past five years, the estimated (annual) earnings growth rate declined by more than 3 percentage points on average. Over the first three quarters of 2018, the (aggregate) effective tax rate (income taxes divided by pretax income) for the S&P 500 has been 19.0%. This compares to an (aggregate) effective tax rate of 25.7% over the first three quarters of 2017.

CY 2018 Revenue Growth: 8.9%

The estimated (year-over-year) revenue growth rate for CY 2018 is 8.9%. If 8.9% is the final growth rate for the year, it will mark the highest annual revenue growth for the index since 2011 (10.6%). All eleven sectors are expected to report year-over-year growth in revenues. Four of the eleven sectors are predicted to report double-digit growth, led by the Energy, Communication Services, and Materials sectors.

The Energy sector (along with the Communication Services sector) is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 18.8%. At the sub-industry level, all six sub-industries in the sector are predicted to report revenue growth: Oil & Gas Drilling (33%), Integrated Oil & Gas (23%), Oil & Gas Exploration & Production (21%), Oil & Gas Refining & Marketing (17%), Oil & Gas Storage & Transportation (7%), and Oil & Gas Equipment & Services (5%).

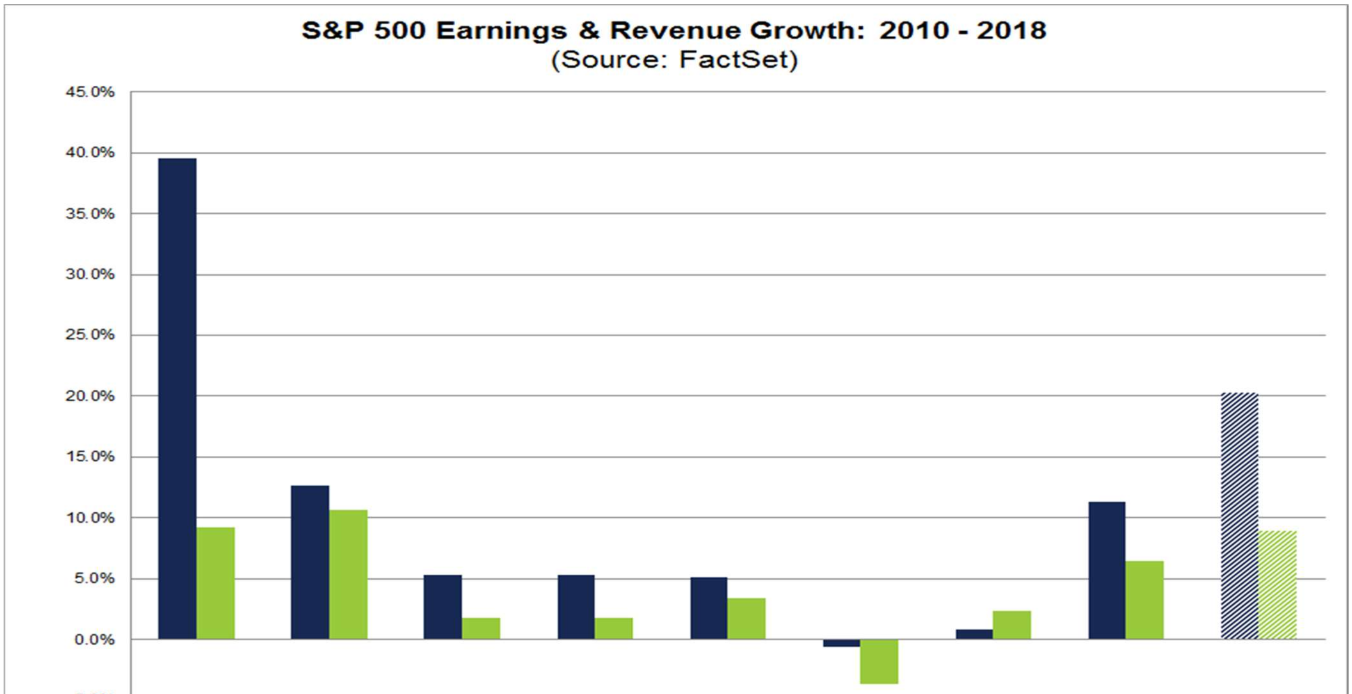
The Communication Services sector (along with the Energy sector) is predicted to report the highest (year-over-year) growth rate of all eleven sectors at 18.8%. At the industry level, all four industries are expected to report revenue growth, led by the Interactive Media & Services (49%) and Media (11%) industries.

The Materials sector is expected to report the second highest (year-over-year) revenue growth of all eleven sectors at 16.2%. At the industry level, all four industries in this sector are predicted to report revenue growth, led by the Chemicals (19%) and Metals & Mining (16%) industries.

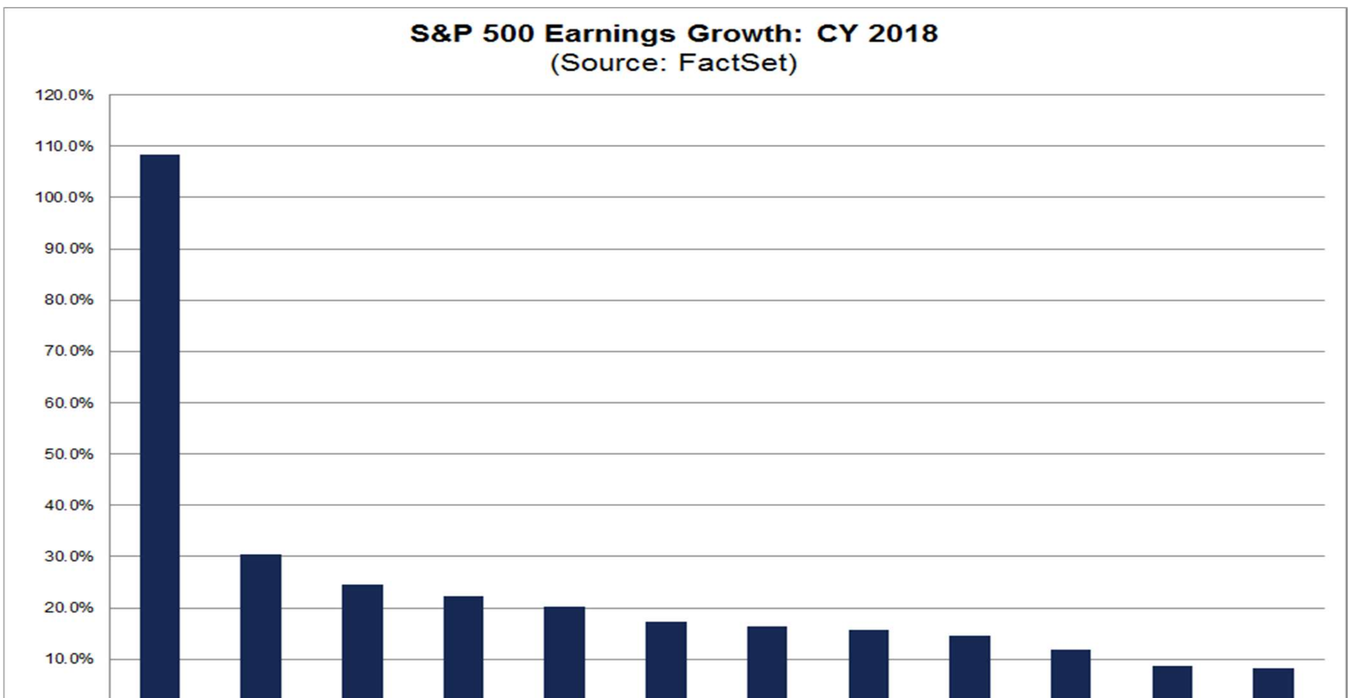
Records Broken in CY 2018

Several recent records for various earnings and revenue metrics were broken (or are projected to be broken) in CY 2018. Here is a list. Please see the tables on page 6 for more details.

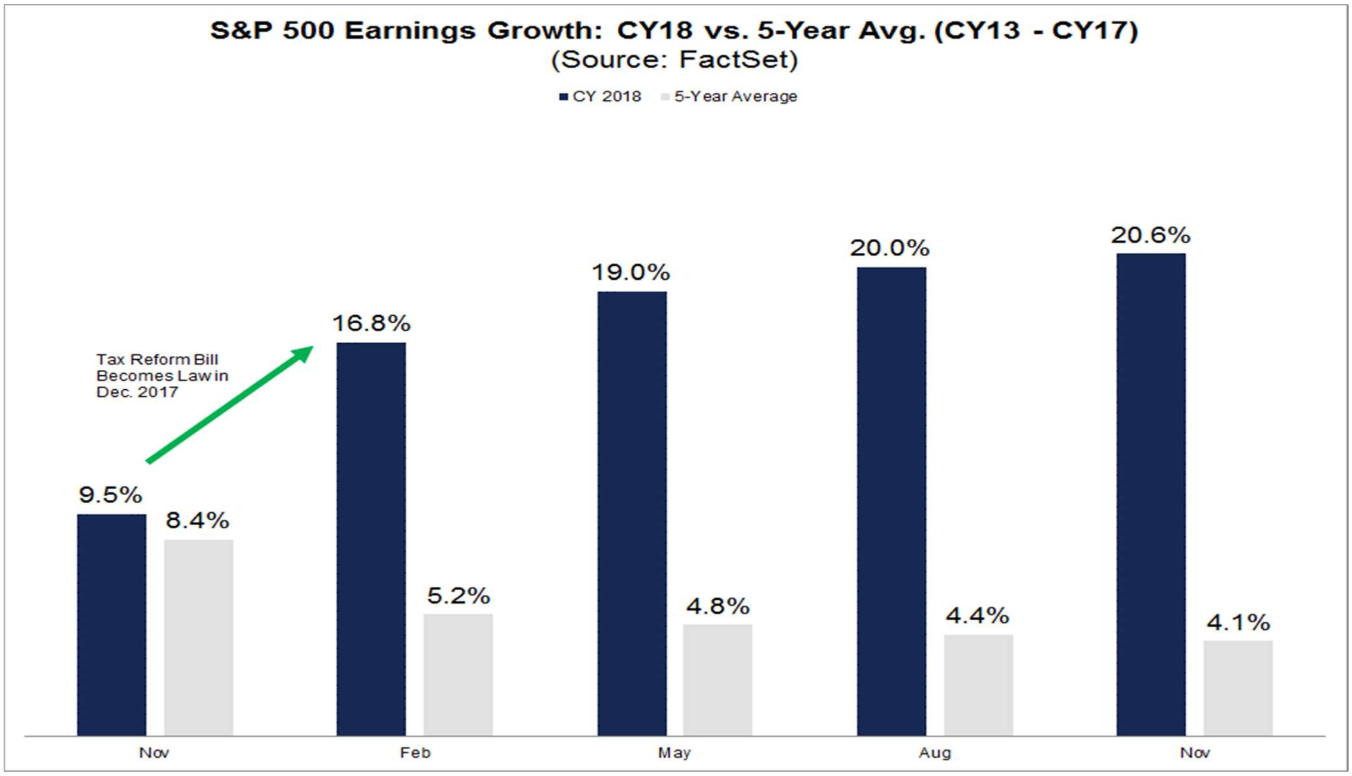
- **5.4% Increase in Q118 Bottom-Up EPS Estimate:** Highest increase in (quarterly) bottom-up EPS estimate during a quarter since FactSet began tracking this metric in Q2 2002
- **53 S&P 500 Cos. Issuing Positive EPS Guidance for Q118:** Highest number of S&P 500 companies issuing positive EPS guidance for a quarter since FactSet began tracking this metric in Q1 2006
- **80% Earnings Beat % in Q218**: Highest percentage of S&P 500 companies reporting actual EPS above estimated EPS for a quarter since FactSet began tracking this metric in Q3 2008
- **77% Revenue Beat % in Q118**: Tied (with Q417) for highest percentage of S&P 500 companies reporting actual revenues above estimated revenues for a quarter since FactSet began tracking this metric in Q3 2008
- **7.5% Earnings Surprise % in Q118**: Highest aggregate difference between actual earnings and estimated earnings for a quarter since Q4 2010
- **26.0% Earnings Growth in Q318**: Highest quarterly (year-over-year) earnings growth reported by S&P 500 since Q3 2010
- **10.5% Revenue Growth in Q218**: Highest quarterly (year-over-year) revenue growth reported by S&P 500 since Q3 2011.
- **12.0% Net Profit Margin in Q318:** Highest quarterly net profit margin reported by S&P 500 since FactSet began tracking this metric in Q3 2008
- **20.3% Earnings Growth in CY18** (projected): Would be highest annual earnings growth reported by S&P 500 since CY 2010.
- **8.9% Revenue Growth in CY18** (projected): Would be highest annual revenue growth reported by S&P 500 since CY 2011

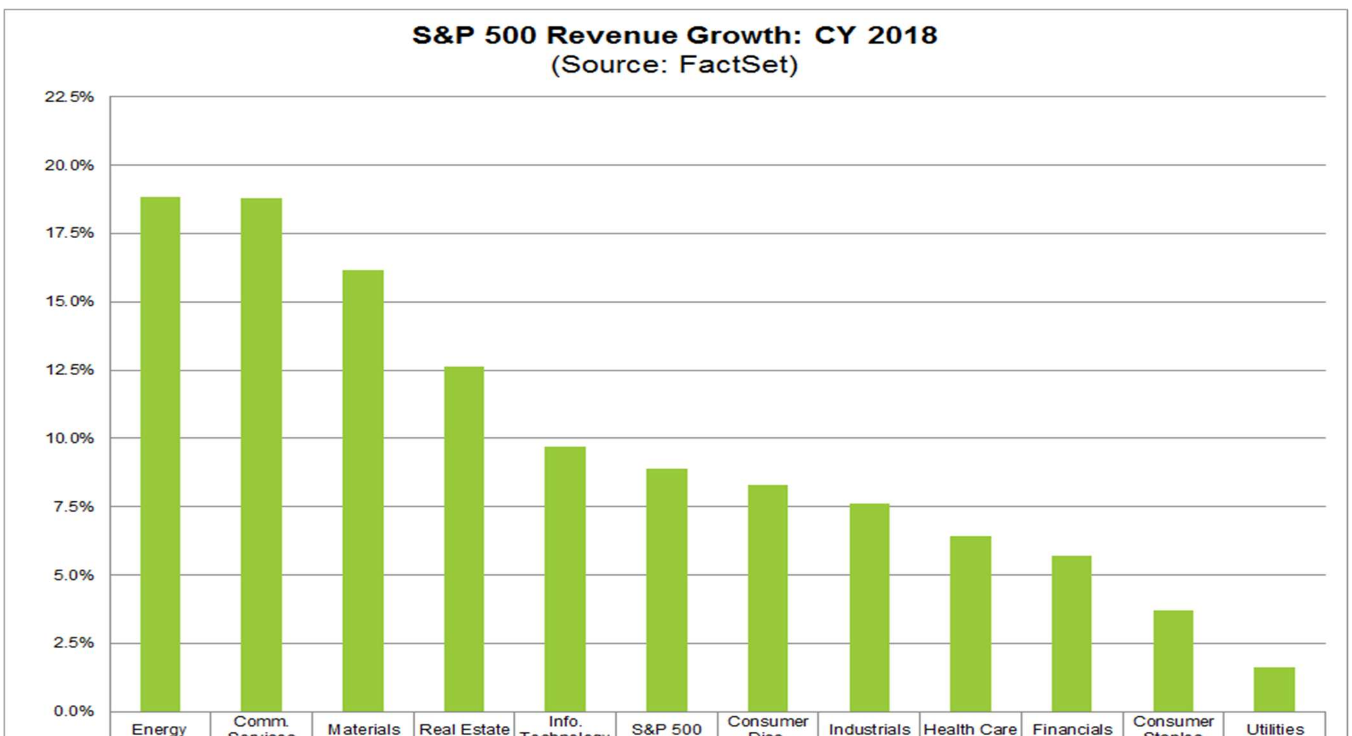


	CY 2010	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018
Earnings	39.6%	12.7%	5.3%	5.3%	5.1%	-0.6%	0.9%	11.4%	20.3%
Sales	9.3%	10.6%	1.8%	1.8%	3.5%	-3.6%	2.3%	6.5%	8.9%



	Energy	Materials	Financials	Comm. Services	S&P 500	Consumer Disc.	Industrials	Info. Technology	Health Care	Utilities	Consumer Staples	Real Estate
Today	108.3%	30.5%	24.6%	22.2%	20.3%	17.3%	16.5%	15.7%	14.5%	11.9%	8.6%	8.2%





	Energy	Comm. Services	Materials	Real Estate	Info. Technology	S&P 500	Consumer Disc.	Industrials	Health Care	Financials	Consumer Staples	Utilities
Today	18.8%	18.8%	16.2%	12.6%	9.7%	8.9%	8.3%	7.6%	6.4%	5.7%	3.7%	1.6%

Earnings Revisions / Guidance: 2018

	Quarterly EPS Revision %	Negative EPS Guidance #	Positive EPS Guidance #
Q118	**5.4%**	52	**53**
Q218	0.7%	62	47
Q318	-1.1%	74	26
Q418	*-3.4%*	*72*	*33*

Earnings & Revenue Scorecard: 2018

	Earnings Beat %	Revenue Beat %	Earnings Surprise %
Q118	78%	**77%**	**7.5%**
Q218	**80%**	72%	5.2%
Q318	77%	62%	6.6%
Q418	*88%*	*65%*	*2.8%*

Earnings & Revenue Growth: 2018

	Earnings Growth %	Revenue Growth %	Net Profit Margin
Q118	24.8%	9.0%	11.6%
Q218	25.2%	**10.5%**	11.8%
Q318	**26.0%**	9.2%	**12.0%**
Q418	*12.0%*	*6.1%*	*11.2%*
CY18	***20.3%***	***8.9%***	*11.5%*

Topic of the Week: 2

S&P 500 2019 Earnings Preview: Higher Global Exposure = Lower Earnings & Sales Growth

CY 2019 Earnings Growth: 7.9%

As of today (December 21), the estimated earnings growth rate for CY 2019 is 7.9%. All eleven sectors are projected to report year-over-year growth in earnings, led by the Industrials, Consumer Discretionary, Energy, and Financials sectors.

The Industrials sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 11.4%. At the industry level, eleven of the twelve industries in the sector are projected to report earnings growth. Seven of these eleven industries are predicted to report double-digit growth, led by the Construction & Engineering (26%) and Airlines (22%) industries.

The Consumer Discretionary sector is expected to report the second highest year-over-year earnings growth at 9.8%. At the industry level, nine of the eleven industries in this sector are projected to report earnings growth, led by the Leisure Products (353%), Internet & Direct Marketing Retail (26%), and Textiles, Apparel, & Luxury Goods (13%) industries. The Diversified Consumer Services (-10%) and Automobiles (-4%) industries are the only two industries expected to report a year-over-year decline in earnings for the year.

The Energy sector is expected to report the third highest (year-over-year) earnings growth of all eleven sectors at 9.7%. At the sub-industry level, all six sub-industries in the sector are projected to report earnings growth: Oil & Gas Drilling (278%), Oil & Gas Refining & Marketing (29%), Oil & Gas Equipment & Services (23%), Oil & Gas Storage & Transportation (14%), Oil & Gas Exploration & Production (4%), and Integrated Oil & Gas (4%).

The Financials sector is expected to report the fourth highest year-over-year earnings growth at 9.5%. At the industry level, all five industries in this sector are projected to report earnings growth, led by the Insurance (14%) and Banks (11%) industries.

CY 2019 Revenue Growth: 5.3%

The estimated (year-over-year) revenue growth rate for CY 2019 is 5.3%. All eleven sectors are expected to report year-over-year growth in revenues, led by the Communication Services and Health Care sectors.

The Communication Services sector is predicted to report the highest (year-over-year) growth rate of all eleven sectors at 10.5%. At the industry level, all four industries are expected to report revenue growth, led by the Interactive Media & Services (21%) industry.

The Health Care sector is expected to report the second highest (year-over-year) revenue growth of all eleven sectors at 7.8%. At the industry level, all six industries in this sector are predicted to report revenue growth, led by the Health Care Providers & Services (9%) and Health Care Technologies (8%) industries.

Higher International Exposure = Lower Estimated Earnings & Revenue Growth in CY 2019

Heading into 2019, there are concerns in the market about the stronger U.S. dollar and slower international economic growth. Given these concerns, are S&P 500 companies with higher international revenue exposure expected to underperform S&P 500 companies with lower international revenue exposure in terms of earnings growth and sales growth in CY 2019?

The answer is yes. FactSet Geographic Revenue Exposure data (based on the most recently reported fiscal year data for each company in the index) can be used to answer this question. For this analysis, the index was divided into two groups: companies that generate more than 50% of sales inside the U.S. (less international exposure) and companies that generate less than 50% of sales inside the U.S. (more international exposure). Aggregate earnings and revenue growth rates were then calculated based on these two groups.

The earnings growth rate for the S&P 500 for CY 2019 is 7.9%. For companies that generate more than 50% of sales inside the U.S., the earnings growth rate is 8.4%. For companies that generate less than 50% of sales inside the U.S., the earnings growth rate is 6.9%.

The sales growth rate for the S&P 500 for CY 2019 is 5.3%. For companies that generate more than 50% of sales inside the U.S., the sales growth rate is 5.6%. For companies that generate less than 50% of sales inside the U.S., the sales growth rate is 4.7%.

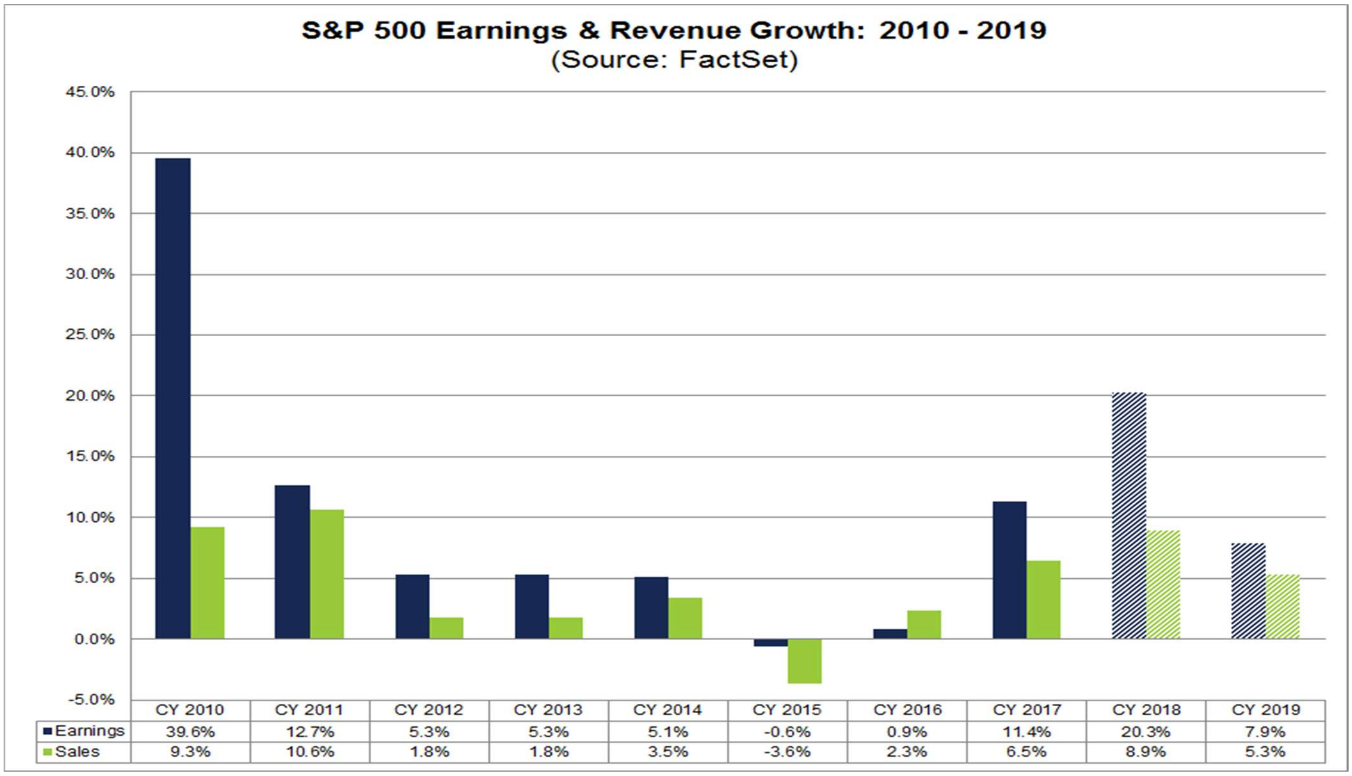
Record-High Net Profit Margin (11.8%) Projected for 2019

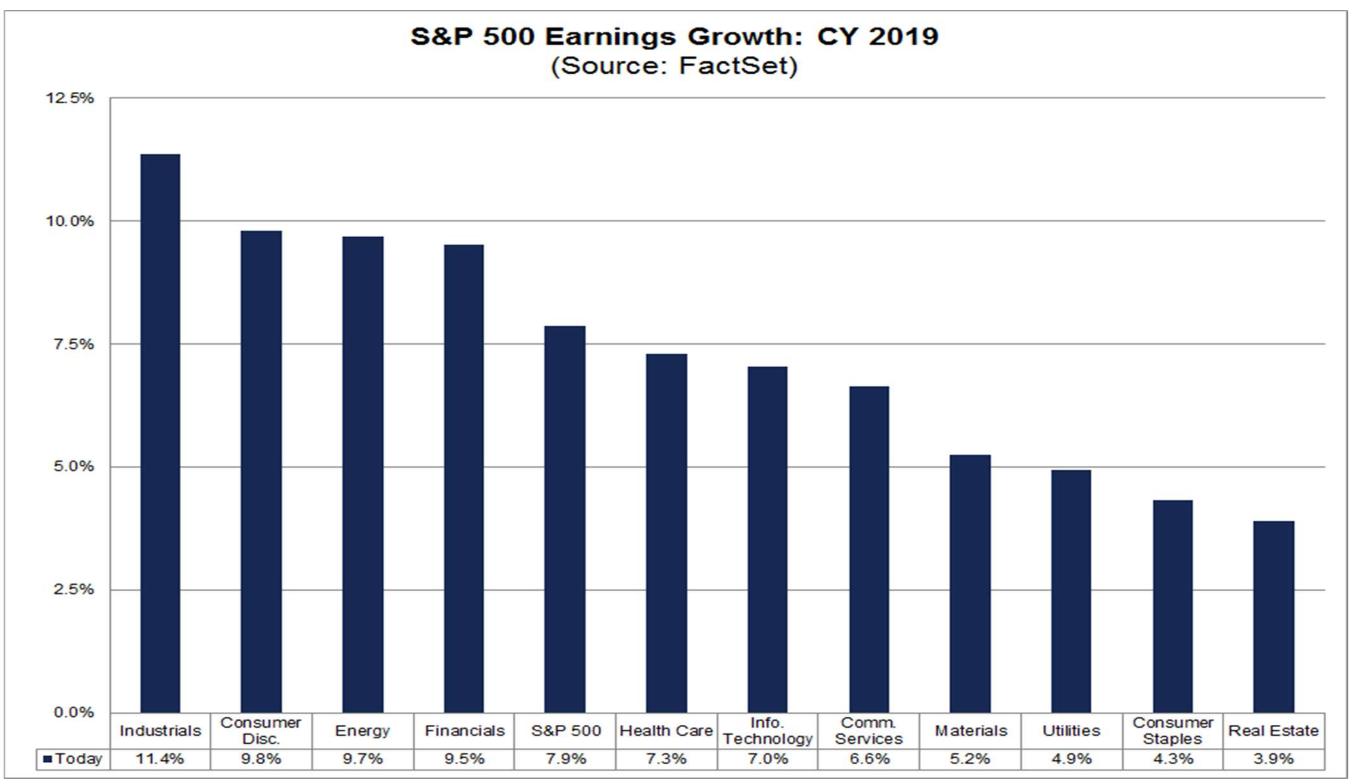
Despite concerns about rising costs, the estimated net profit margin (based on aggregate estimates for revenues and earnings) for the S&P 500 for 2019 is 11.8%. If 11.8% is the actual net profit margin for the index, it will mark the highest (annual) net profit margin for the index since FactSet began tracking this metric in CY 2008. Eight of the eleven sectors are projected to see higher net profit margins in CY 2019 relative to CY 2018.

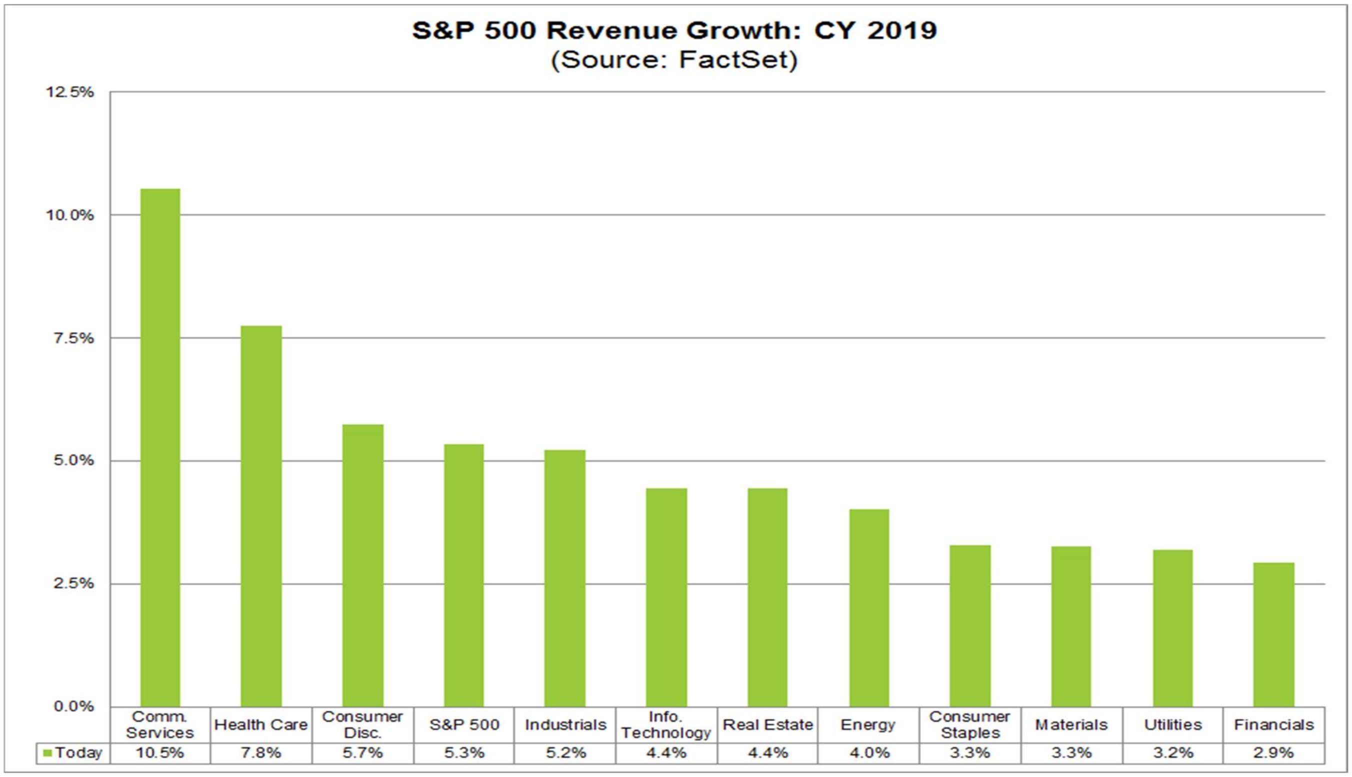
Key Themes to Watch in 2019

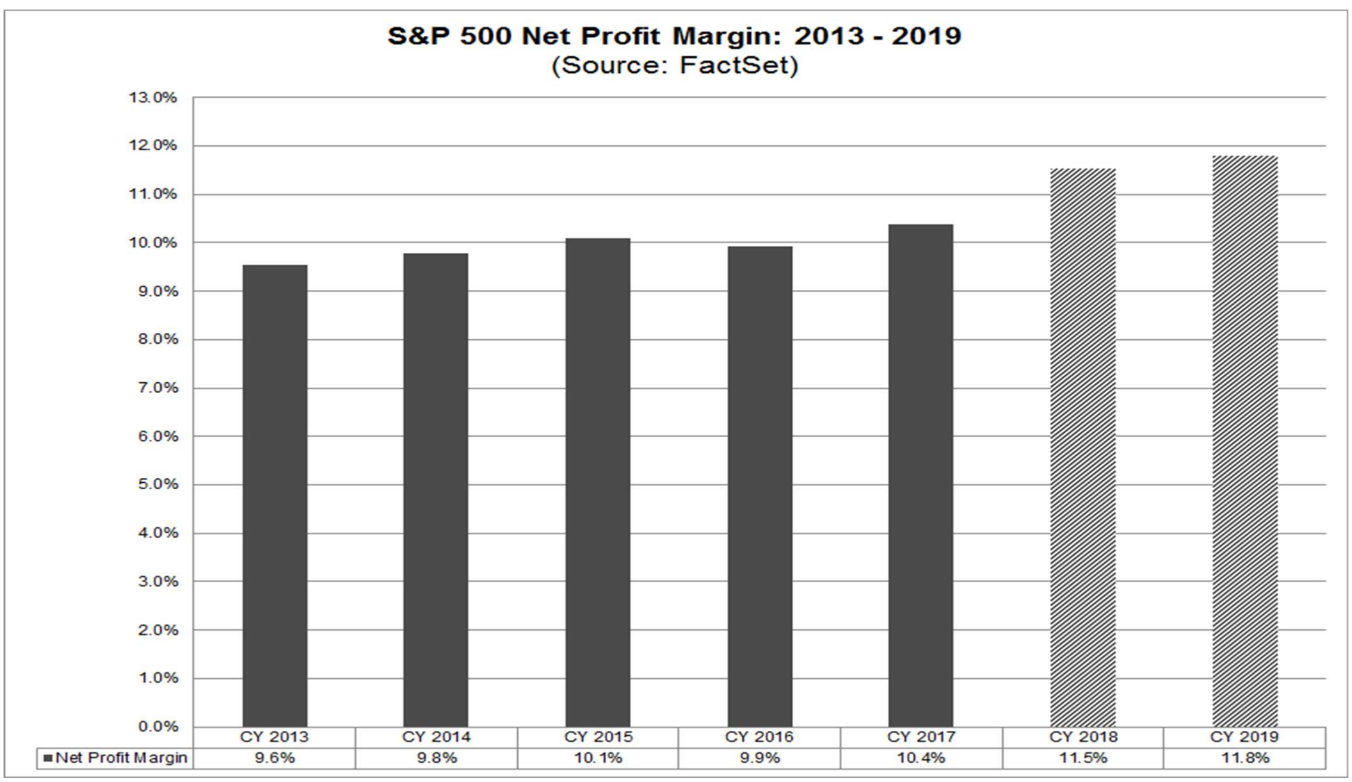
Here are some of the key themes to watch for 2019 that could impact earnings and revenue growth expectations:

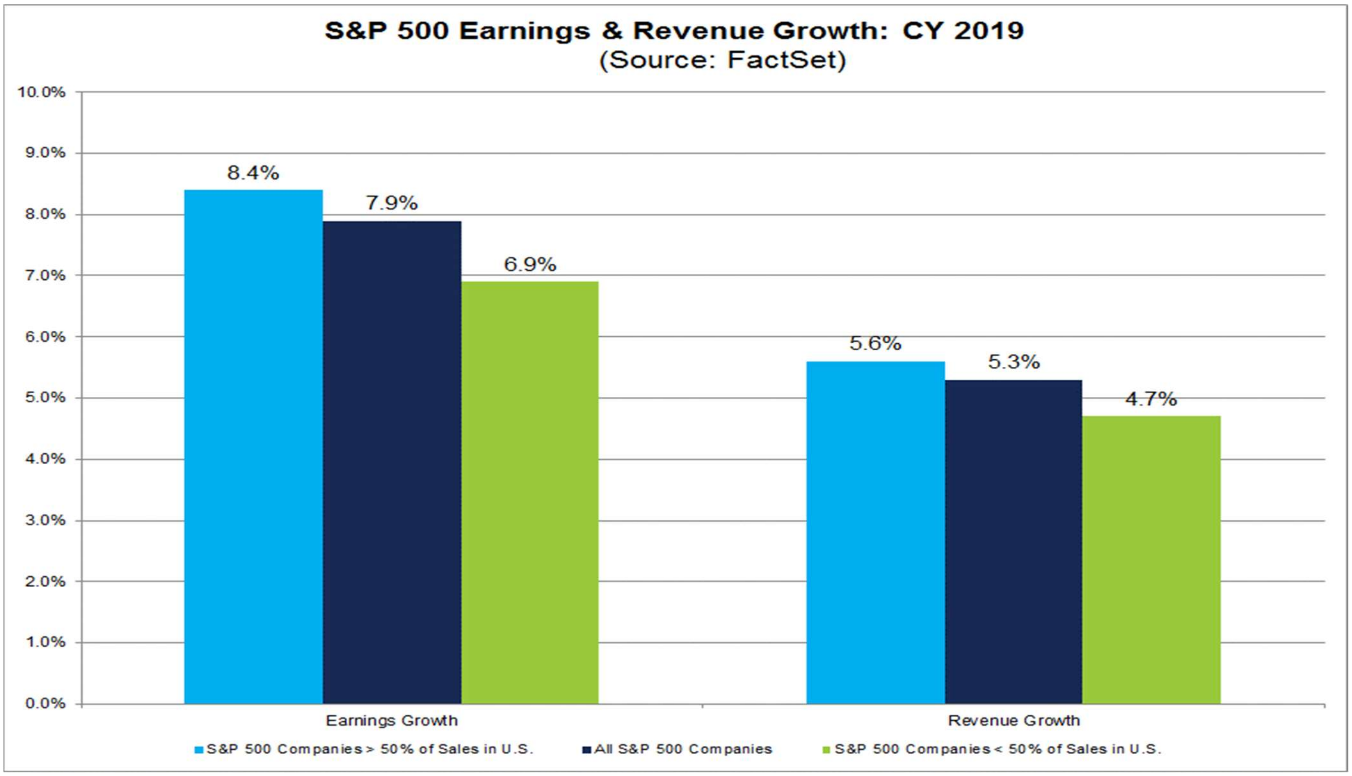
- **Foreign Exchange Rates:** The U.S. dollar shifted from a tailwind to a headwind during the course of 2018, as the U.S. dollar strengthened relative to a number of currencies. On Q3 earnings calls, 20 of the 30 companies in the Dow 30 cited a negative impact from the stronger dollar. What are exchange rates in 2019?
- **Rising Costs:** Several S&P 500 companies have discussed rising costs (including raw materials, wages, and transportation costs) on earnings calls in 2018. Do costs continue to rise and pressure profit margins in 2019?
- **Rising Interest Rates:** Will the Fed continue to raise interest rates in 2019?
- **Oil Prices:** Oil prices have declined substantially over the past few months. The Energy sector is expected to report the third highest earnings growth in the index in 2019, and future EPS estimates for Energy sector companies are highly correlated to oil prices. Where do oil prices go from here?
- **Slower International Economic Growth:** GDP growth in Europe and China is expected to be lower in 2019 relative to 2018. S&P 500 companies with higher international revenue exposure are already expected to underperform S&P 500 companies with lower international revenue exposure in terms of earnings growth and sales growth in CY 2019. Does this gap widen in 2019?
- **Escalating Tariffs:** In Q3, roughly 30% of S&P 500 companies discussed tariffs on earnings calls. Generally speaking, most companies stated that current tariffs were “manageable.” If tariffs continue to escalate, do more companies see a negative impact from tariffs?

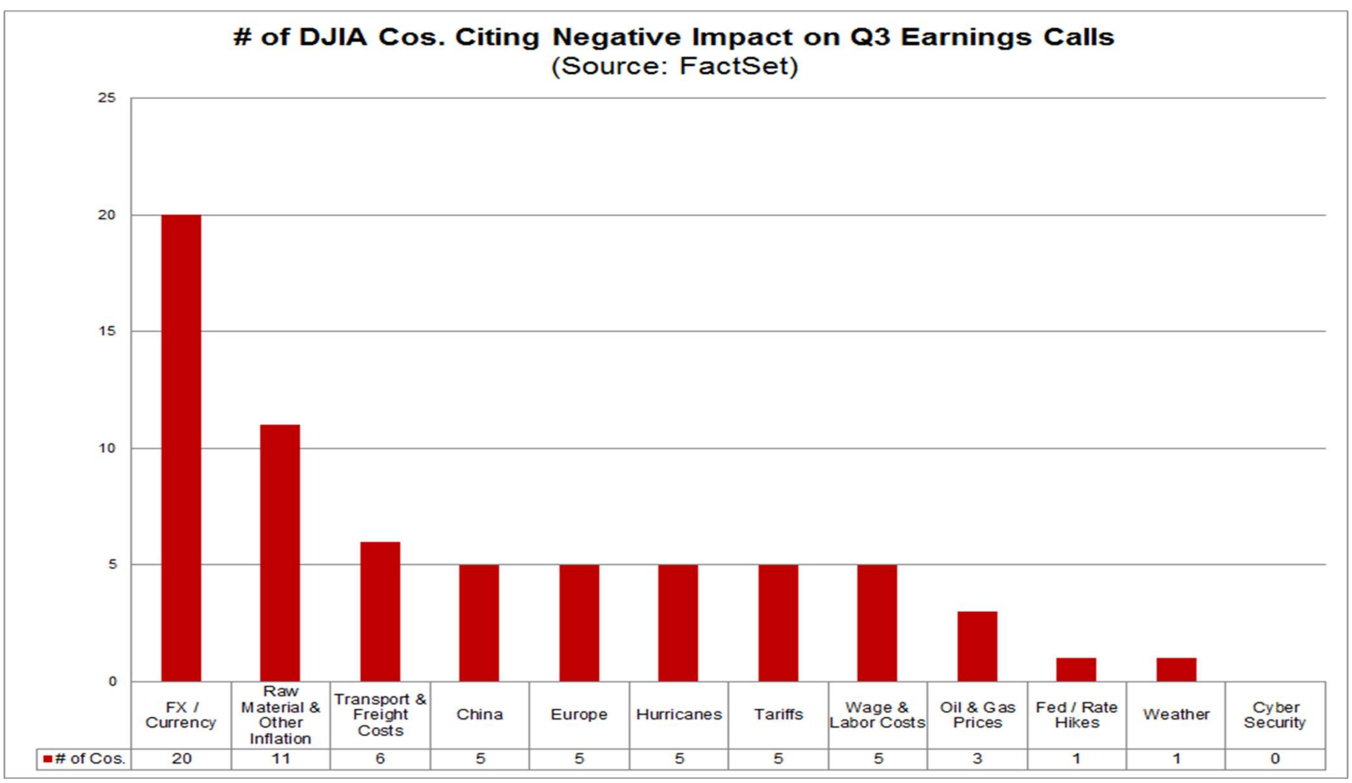

S&P 500 Earnings & Revenue Growth: 2010 - 2019
(Source: FactSet)
45.0%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
CY 2010 CY 2011 CY 2012 CY 2013 CY 2014 CY 2015 CY 2016 CY 2017 CY 2018 CY 2019
Earnings 39.6% 12.7% 5.3% 5.3% 5.1% -0.6% 0.9% 11.4% 20.3% 7.9%
Sales 9.3% 10.6% 1.8% 1.8% 3.5% -3.6% 2.3% 6.5% 8.9% 5.3%


S&P 500 Earnings Growth: CY 2019
(Source: FactSet)
12.5%
10.0%
7.5%
5.0%
2.5%
0.0%
Industrials Consumer Disc. Energy Financials S&P 500 Health Care Info. Technology Comm. Services Materials Utilities Consumer Staples Real Estate
Today 11.4% 9.8% 9.7% 9.5% 7.9% 7.3% 7.0% 6.6% 5.2% 4.9% 4.3% 3.9%


S&P 500 Revenue Growth: CY 2019
(Source: FactSet)
12.5%
10.0%
7.5%
5.0%
2.5%
0.0%
Comm. Services
Health Care
Consumer Disc.
S&P 500
Industrials
Info. Technology
Real Estate
Energy
Consumer Staples
Materials
Utilities
Financials
Today
10.5%
7.8%
5.7%
5.3%
5.2%
4.4%
4.4%
4.0%
3.3%
3.3%
3.2%
2.9%


S&P 500 Net Profit Margin: 2013 - 2019
(Source: FactSet)
13.0%
12.0%
11.0%
10.0%
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
CY 2013
CY 2014
CY 2015
CY 2016
CY 2017
CY 2018
CY 2019
Net Profit Margin
9.6%
9.8%
10.1%
9.9%
10.4%
11.5%
11.8%


S&P 500 Earnings & Revenue Growth: CY 2019
(Source: FactSet)
10.0%
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
8.4%
7.9%
6.9%
5.6%
5.3%
4.7%
Earnings Growth
Revenue Growth
S&P 500 Companies > 50% of Sales in U.S.
All S&P 500 Companies
S&P 500 Companies < 50% of Sales in U.S.


# of DJIA Cos. Citing Negative Impact on Q3 Earnings Calls
(Source: FactSet)
25
20
15
10
5
0
FX / Currency
Raw Material & Other Inflation
Transport & Freight Costs
China
Europe
Hurricanes
Tariffs
Wage & Labor Costs
Oil & Gas Prices
Fed / Rate Hikes
Weather
Cyber Security
# of Cos.
20
11
6
5
5
5
5
5
3
1
1
0

Q4 Earnings Season: By The Numbers

Overview

In terms of estimate revisions for companies in the S&P 500, analysts have reduced EPS estimates within average levels for Q4 2018 to date. On a per-share basis, estimated earnings for the fourth quarter have fallen by 3.4% since September 30. This percentage decline is larger than the 5-year average (-3.1%) for a quarter, but smaller than the10-year average (-4.5%) and the 15-year average (-3.9%) for this period.

In addition, an average number of S&P 500 companies have lowered the bar for earnings for Q4 2018 relative to recent quarters. Of the 105 companies that have issued EPS guidance for the fourth quarter, 72 have issued negative EPS guidance and 33 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 69% (72 out of 105), which is slightly below the 5-year average of 70%.

Because of the net downward revisions to earnings estimates, the estimated year-over-year earnings growth rate for Q4 2018 has decreased to 12.4% today from 16.6% on September 30. All eleven sectors are predicted to report year-over-year earnings growth. Six sectors are projected to report double-digit growth in earnings for the quarter, led by the Energy, Financials, and Industrials sectors.

Because of net downward revisions to revenue estimates, the estimated year-over-year revenue growth rate for Q4 2018 has decreased to 6.3% today from 6.8% on September 30. Ten of the eleven sectors are projected to report year-over-year growth in revenues. Four sectors are predicted to report double-digit growth in revenues: Communication Services, Real Estate, Energy, and Materials.

Looking at future quarters, analysts see single-digit earnings growth for the first three quarters of 2019.

The forward 12-month P/E ratio is 14.2, which is below the 5-year average and below the 10-year average.

During the upcoming week, no S&P 500 companies are scheduled to report results for the fourth quarter.

Earnings Revisions: Largest Decline in Energy Sector

Small Decline in Estimated Earnings Growth Rate for Q4 This Week

The estimated earnings growth rate for the fourth quarter is 12.4% this week, which is slightly below the estimated earnings growth rate of 12.6% last week. Downward revisions to estimates for companies in the Energy and Financials sectors were mainly responsible for the decrease in the overall growth rate during the week.

The estimated earnings growth rate for Q4 2018 of 12.4% today is below the estimated earnings growth rate of 16.6% at the start of the quarter (September 30). All eleven sectors have a recorded a decrease in expected earnings growth due to downward revisions to earnings estimates, led by the Energy, Utilities, and Materials sectors.

Energy: Exxon Mobil and Chevron Lead Decline

The Energy sector has recorded the largest decrease in expected earnings growth since the start of the quarter (to 76.3% from 95.4%). This sector has also witnessed the largest decrease in price since September 30 at -25.2%. Overall, 18 of the 30 companies (60%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 18 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Hess Corporation (to -$0.01 from $0.10), National Oilwell Varco (to $0.09 from $0.16) and Valero Energy (to $0.93 from $1.50). However, Exxon Mobil (to $1.13 from $1.36) and Chevron (to $1.98 from $2.25) have been the largest contributors to the decrease in earnings for this sector. The stock prices for both Exxon Mobil (-19.3%) and Chevron (-14.1%) have seen double-digit declines since September 30.

Utilities: 90% of Companies Have Seen a Decline in Earnings Expectations

The Utilities sector has recorded the second largest decrease in expected earnings growth since the start of the quarter (to 1.1% from 10.2%). Despite the decline in expected earnings, this sector has witnessed the largest increase in price since September 30 at 3.0%. Overall, 26 of the 29 companies (90%) in the Utilities sector have seen a decrease in their mean EPS estimate during this time. Of these 26 companies, 11 have recorded a decrease in their mean EPS estimate of more than 10%, led by Entergy, (to $0.40 from $0.86), NRG Energy (to $0.15 from $0.28), Evergy (to $0.21 from $0.35), Pinnacle West Capital (to $0.18 from $0.30), and SCANA (to $0.44 from $0.70). The stocks of all five of these companies have increased since September 30.

Materials: 79% of Companies Have Seen a Decline in Earnings Expectations

The Materials sector has recorded the third largest decrease in expected earnings growth since the start of the quarter (to 9.1% from 17.7%). This sector has also witnessed a decrease in price of 15.3% since September 30. Overall, 19 of the 24 companies (79%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 19 companies, 7 have recorded a decrease in their mean EPS estimate of more than 10%, led by Freeport McMoRan (to $0.21 from $0.33), Martin Marietta Materials, (to $1.86 from $2.58), WestRock Company (to $0.84 from $1.13), and Newmont Mining (to $0.25 from $0.33).

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

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) has decreased by 3.4% (to $41.12 from $42.56) since September 30. This percentage decline is larger than the 5-year average (-3.1%) for a quarter, but smaller than the 10-year average (-4.5%) and the 15-year average (-3.9%) for a quarter.

Guidance: Average % of S&P 500 Companies Issuing Negative EPS Guidance for Q4

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, 105 companies in the index have issued EPS guidance for Q4 2018. Of these 105 companies, 72 have issued negative EPS guidance and 33 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 69% (72 out of 105), which is slightly below the 5-year average of 70%.

Earnings Growth: 12.4%

The estimated (year-over-year) earnings growth rate for Q4 2018 is 12.4%. If 12.4% is the final growth rate for the quarter, it will mark the fifth straight quarter of double-digit earnings growth for the index. All eleven sectors are expected to report year-over-year growth in earnings. Six sectors are projected to report double-digit earnings growth, led by the Energy, Financials, and Industrials sectors.

Energy: Broad-Based Growth Expected

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 76.3%. At the sub-industry level, five of the six sub-industries in the sector are projected to report earnings growth for the quarter: Oil & Gas Drilling (N/A due to $0 earnings in year-ago), Oil & Gas Exploration & Production (165%), Integrated Oil & Gas (76%), Oil & Gas Storage & Transportation (68%), and Oil & Gas Refining & Marketing (51%). The Oil & Gas Equipment & Services (-7%) sub-industry is the only sub-industry expected to report a year-over-year decline in earnings in the sector.

Industrials: 8 of 12 Industries Expected to Report Double-Digit Growth

The Industrials sector is expected to report the second highest (year-over-year) earnings growth of all eleven sectors at 14.6%. At the industry level, 9 of the 12 industries in this sector are predicted to report earnings growth for the quarter. Eight of these nine industries are projected to report double-digit growth in earnings, led by the Construction & Engineering (54%), Trading Companies & Distributors (39%), and Road & Rail (31%) industries. At the company level, General Electric is the largest detractor to earnings growth for the sector. The mean EPS estimate for GE for Q4 2018 is $0.22, compared to actual EPS of $0.27 in the year-ago quarter. If this company were excluded, the estimated earnings growth rate for the sector would improve to 17.4% from 14.6%.

Financials: 4 of 5 Industries Expected to Report Double-Digit Growth

The Financials sector is expected to report the third highest (year-over-year) earnings growth of all eleven sectors at 14.2%. At the industry level, all five industries in this sector are predicted to report earnings growth for the quarter. Four of these five industries are projected to report double-digit growth in earnings: Diversified Financial Services (58%), Consumer Finance (26%), Banks (16%), and Capital Markets (13%).

Revenue Growth: 6.3%

The estimated (year-over-year) revenue growth rate for Q4 2018 is 6.3%. Ten of the eleven sectors are expected to report year-over-year growth in revenues. Four sectors are projected to report double-digit growth in revenues: Communication Services, Real Estate, Energy, and Materials.

Communication Services: Alphabet Leads Growth

The Communication Services sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 20.1%. At the industry level, all four industries in this sector are predicted to report revenue growth. Two of these four industries are projected to report double-digit revenue growth: Interactive Media & Services (45%) and Media (17%). At the company level, Alphabet is projected to be the largest contributor to revenue growth for this sector. The mean revenue estimate for Alphabet for Q4 4018 is $38.9 billion, compared to revenue of $25.9 billion in the year-ago quarter. Because Alphabet is a dual-listed ticker in the index, the company's revenue numbers are counted twice in the growth rate calculation (once for GOOG and once for GOOGL). If this company were excluded, the estimated revenue growth rate for this sector would fall to 12.0% from 20.1%.

Real Estate: CBRE Group Leads Growth

The Real Estate sector is expected to report the second highest (year-over-year) revenue growth of all eleven sectors at 11.0%. At the company level, CBRE Group is projected to be the largest contributor to revenue growth for the sector. The mean revenue estimate for CBRE Group for Q4 2018 is $5.95 billion, compared to revenue of $4.34 billion in the year-ago quarter. If this company were excluded, the revenue growth rate for the sector would fall to 5.4% from 11.0%.

Energy: 4 of 6 Sub-Industries Expected to Report Double-Digit Growth

The Energy sector is expected to report the third highest (year-over-year) revenue growth of all eleven sectors at 10.9%. At the sub-industry level, five of the six sub-industries are predicted to report revenue growth. Four of these five sub-industries are projected to report double-digit revenue growth: Oil & Gas Drilling (27%), Oil & Gas Refining & Marketing (16%), Oil & Gas Exploration & Production (14%), and Integrated Oil & Gas (10%).

Materials: Linde Leads Growth on Easy Comparison to Standalone Revenue for Praxair

The Materials sector is expected to report the fourth highest (year-over-year) revenue growth of all eleven sectors at 10.2%. At the industry level, three of the four industries in this sector are predicted to report revenue growth, led by the Chemicals (14%) industry. At the company level, Linde plc is the projected to be the largest contributor to revenue growth for the sector. However, the estimated revenues for Q4 2018 ($7.25 billion) reflect the combination of Praxair and Linde, while the actual revenues for Q4 2017 ($2.95 billion) reflect the standalone Praxair company. This apple-to-orange comparison is the main reason Linde plc is expected to be the largest contributor to revenue growth for the sector. If this company were excluded, the estimated revenue growth rate for the sector would fall to 5.4% from 10.2%.

Looking Ahead: Forward Estimates and Valuation

Single-Digit Growth Projected for First 3 Quarters of 2019

For the fourth quarter, analysts expect companies to report earnings growth of 12.4% and revenue growth of 6.3%. For CY 2018, analysts are projecting companies to report earnings growth of 20.3% and revenue growth of 8.9%. However, analysts expect single-digit earnings growth for the first three quarters of 2019.

For Q1 2019, analysts are projecting earnings growth of 3.5% and revenue growth of 6.5%.

For Q2 2019, analysts are projecting earnings growth of 4.1% and revenue growth of 5.2%.

For Q3 2019, analysts are projecting earnings growth of 4.6% and revenue growth of 5.1%.

For Q4 2019, analysts are projecting earnings growth of 11.8% and revenue growth of 5.9%.

For CY 2019, analysts are projecting earnings growth of 7.9% and revenue growth of 5.3%.

For more details on CY 2018 and CY 2019 earnings and revenue growth, please see pages 2 – 11.

Valuation: Forward P/E Ratio is 14.2, Below the 10-Year Average (14.6)

The forward 12-month P/E ratio is 14.2. This P/E ratio is below the 5-year average of 16.4 and below the 10-year average of 14.6. It is also below the forward 12-month P/E ratio of 16.8 recorded at the start of the fourth quarter (September 30). Since the start of the fourth quarter, the price of the index has decreased by 15.3%, while the forward 12-month EPS estimate has increased by 0.3%.

In fact, the last time the forward 12-month P/E ratio for the S&P 500 was 14.2 or lower was October 16, 2014 (also 14.2).

At the sector level, the Consumer Discretionary (17.8) sector has the highest forward 12-month P/E ratio, while the Financials (10.2) sector has the lowest forward 12-month P/E ratio.

Targets & Ratings: Analysts Project 27% Increase in Price Over Next 12 Months

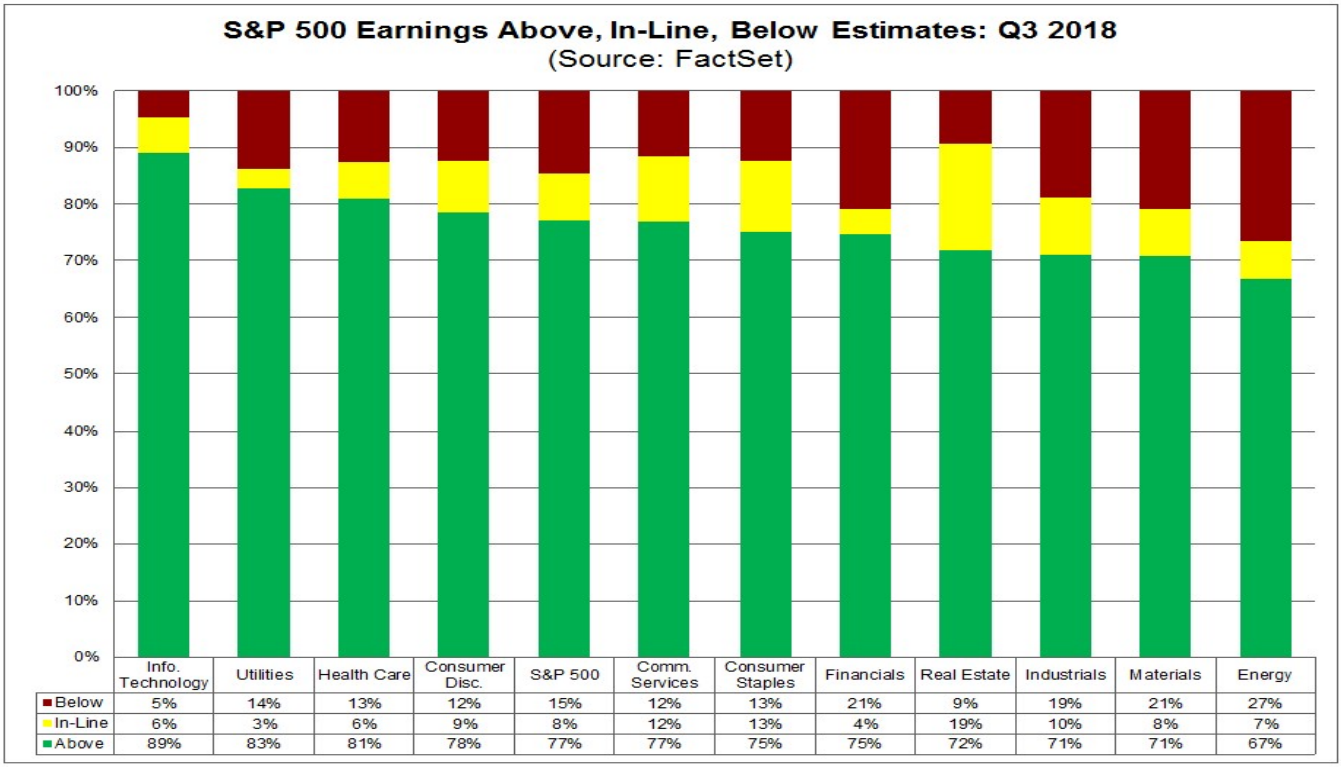
The bottom-up target price for the S&P 500 is 3128.10, which is 26.8% above the closing price of 2467.42. At the sector level, the Energy (+41.8%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Utilities (+4.9%) 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 11,125 ratings on stocks in the S&P 500. Of these 11,125 ratings, 54.5% are Buy ratings, 40.2% are Hold ratings, and 5.4% are Sell ratings. At the sector level, the Energy (67%) sector has the highest percentage of Buy ratings, while the Consumer Staples (41%) sector has the lowest percentage of Buy ratings.

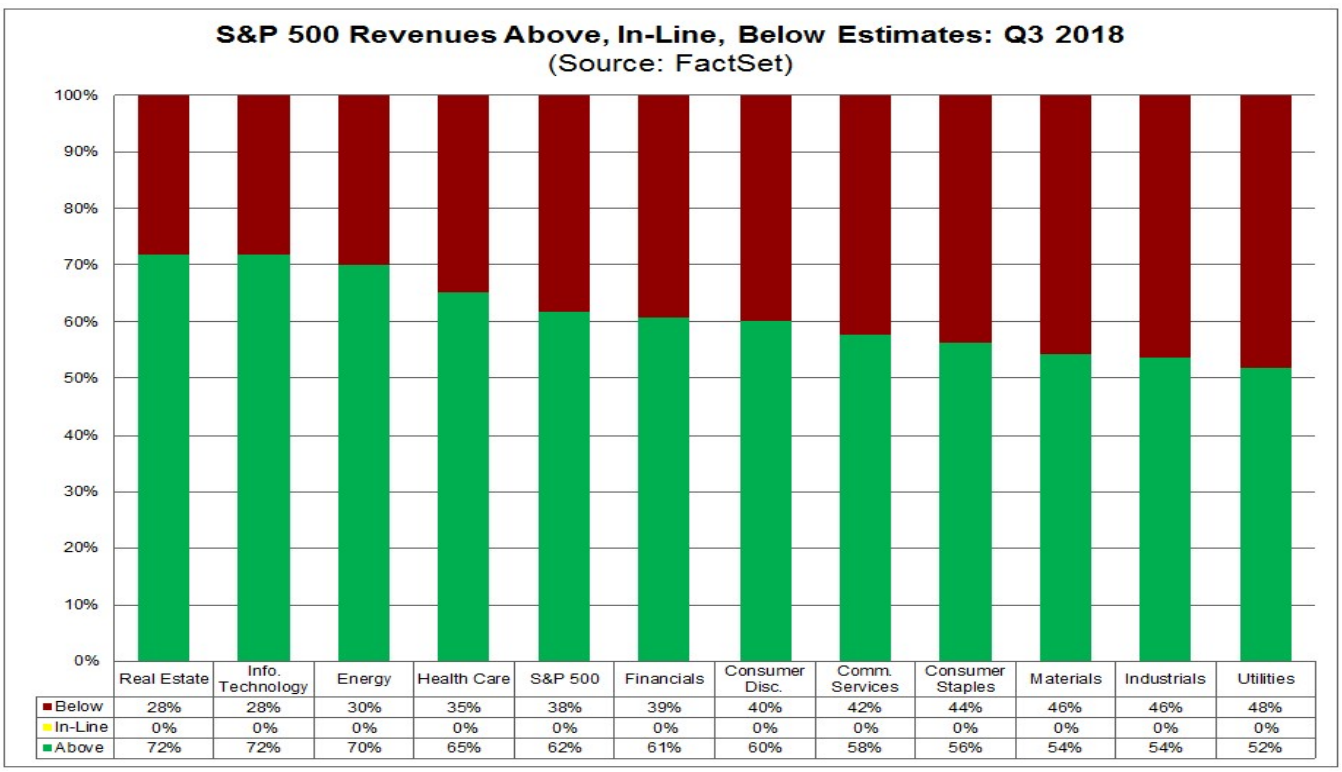
Companies Reporting Next Week: 0

During the upcoming week, no S&P 500 companies are scheduled to report results for the fourth quarter.

Q3 2018: Scorecard

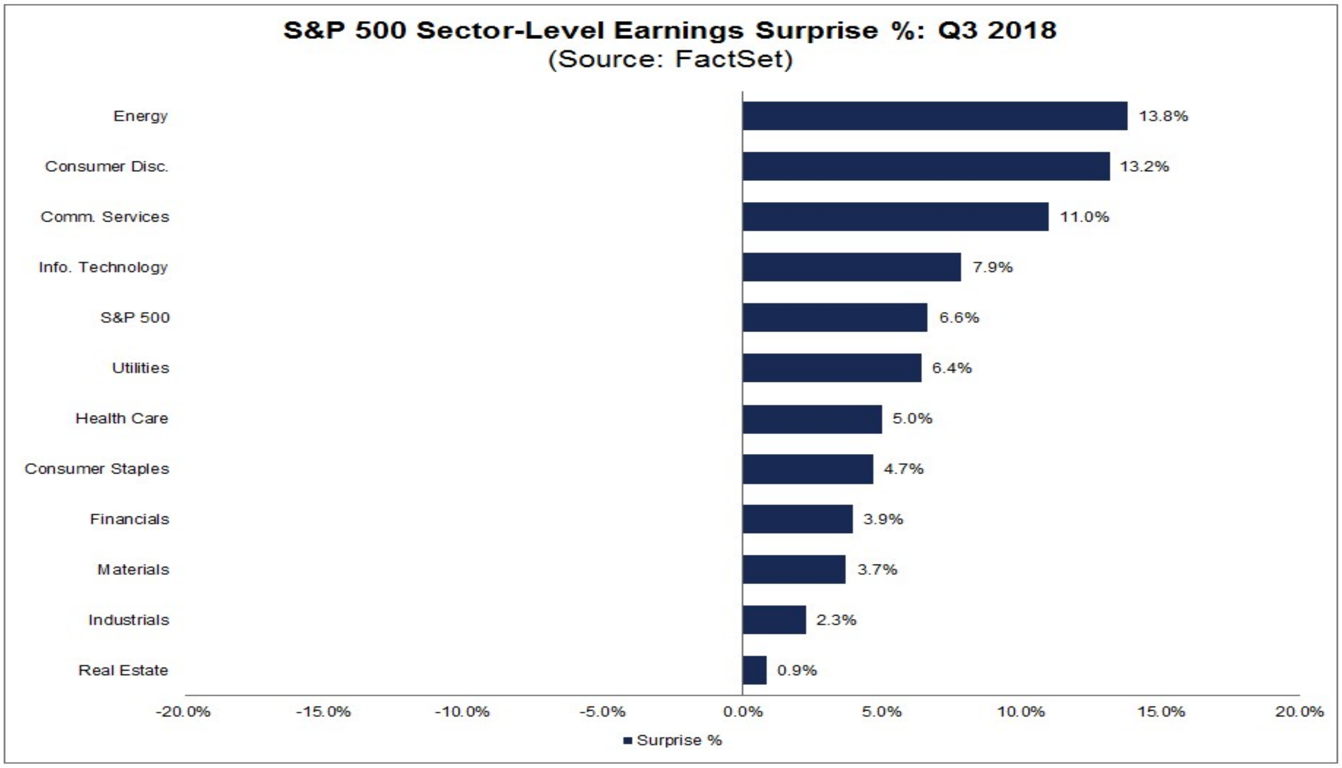


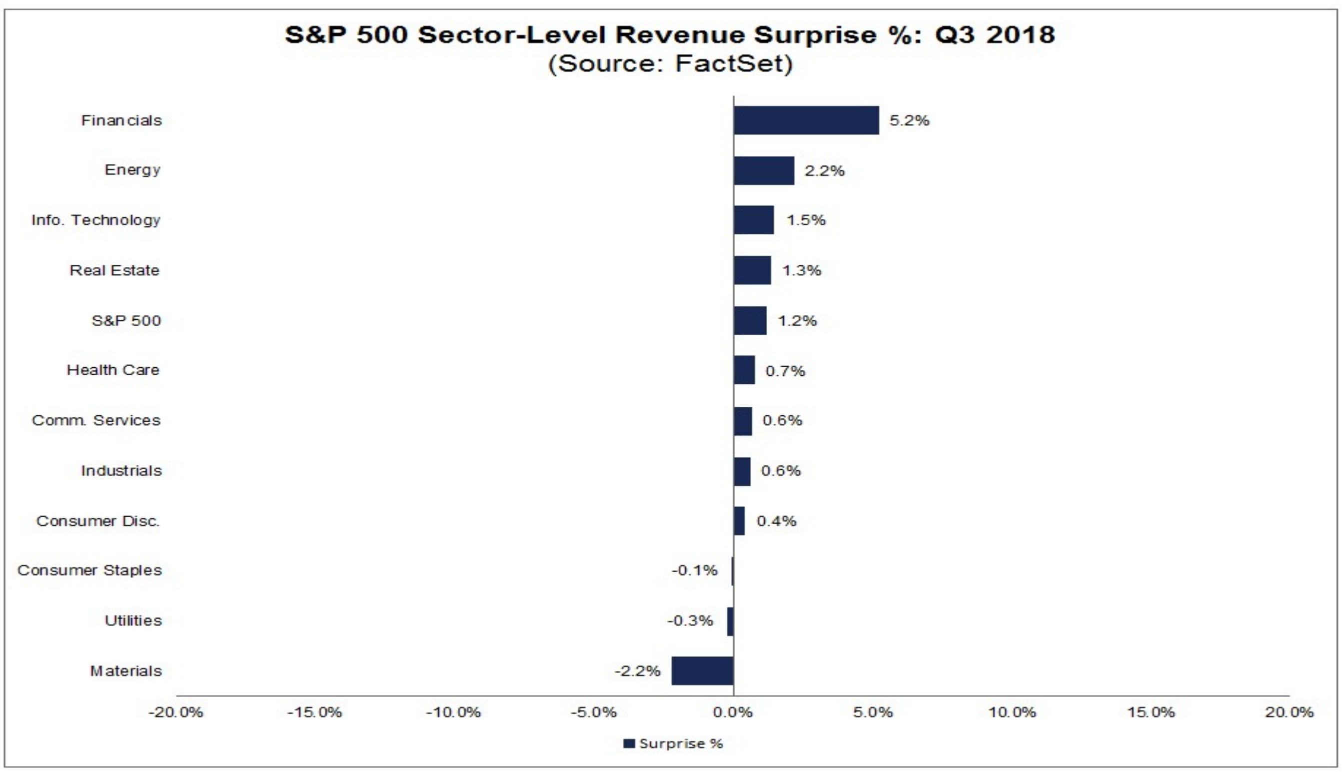
	Info. Technology	Utilities	Health Care	Consumer Disc.	S&P 500	Comm. Services	Consumer Staples	Financials	Real Estate	Industrials	Materials	Energy
Below	5%	14%	13%	12%	15%	12%	13%	21%	9%	19%	21%	27%
In-Line	6%	3%	6%	9%	8%	12%	13%	4%	19%	10%	8%	7%
Above	89%	83%	81%	78%	77%	77%	75%	75%	72%	71%	71%	67%



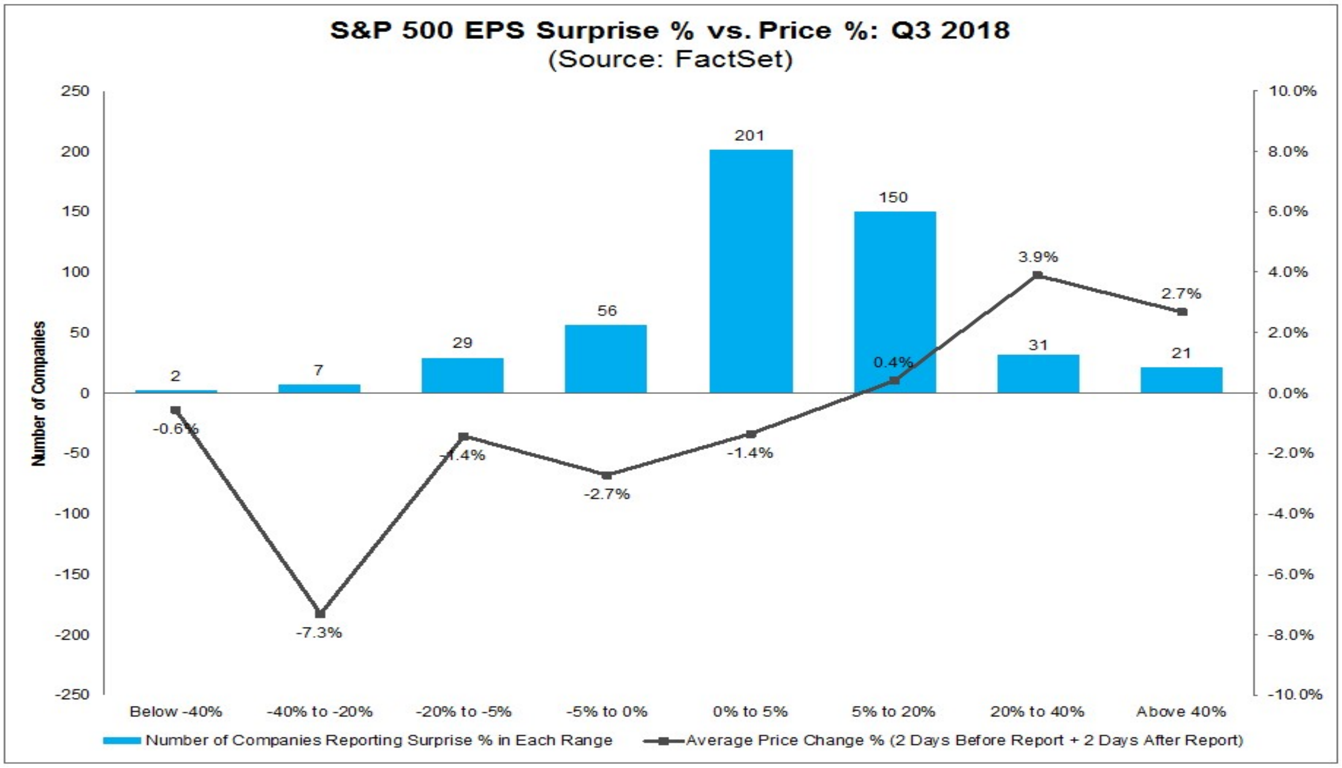
	Real Estate	Info. Technology	Energy	Health Care	S&P 500	Financials	Consumer Disc.	Comm. Services	Consumer Staples	Materials	Industrials	Utilities
Below	28%	28%	30%	35%	38%	39%	40%	42%	44%	46%	46%	48%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	72%	72%	70%	65%	62%	61%	60%	58%	56%	54%	54%	52%

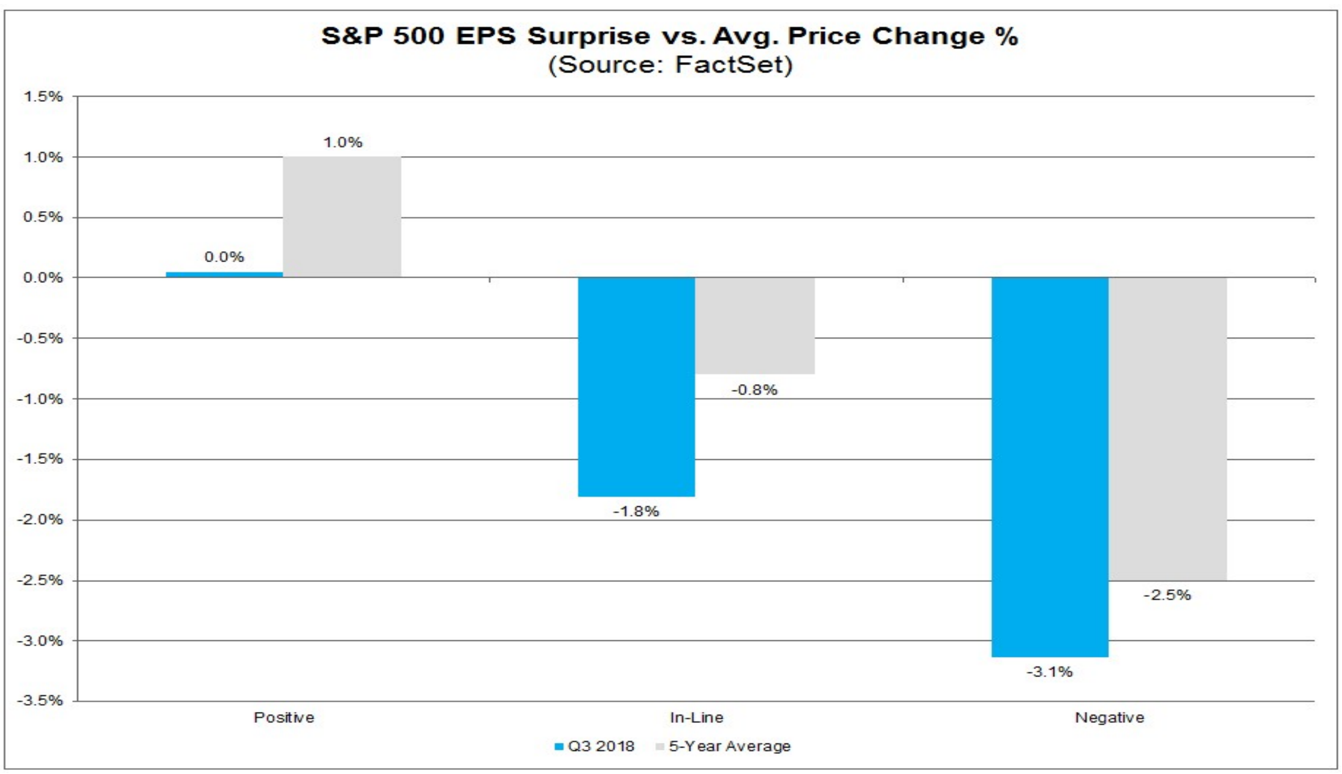
Q3 2018: Scorecard



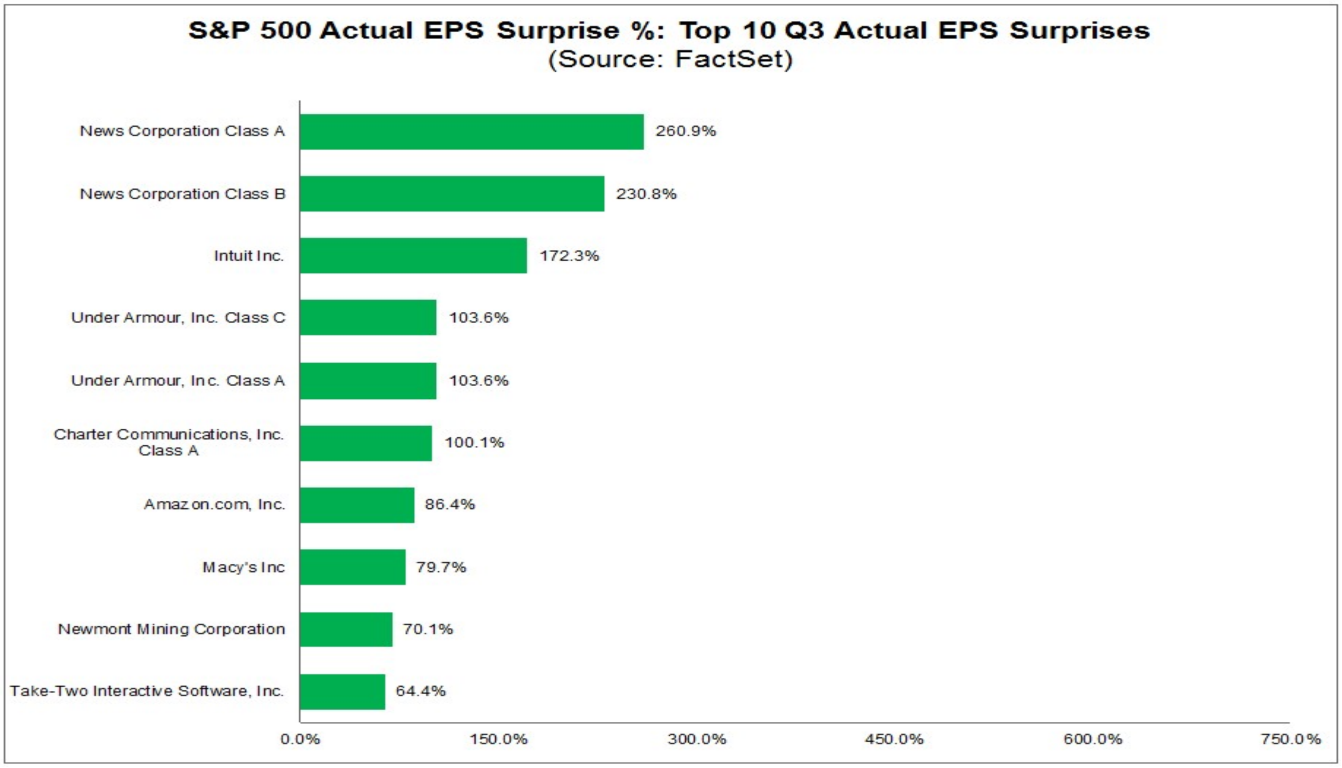


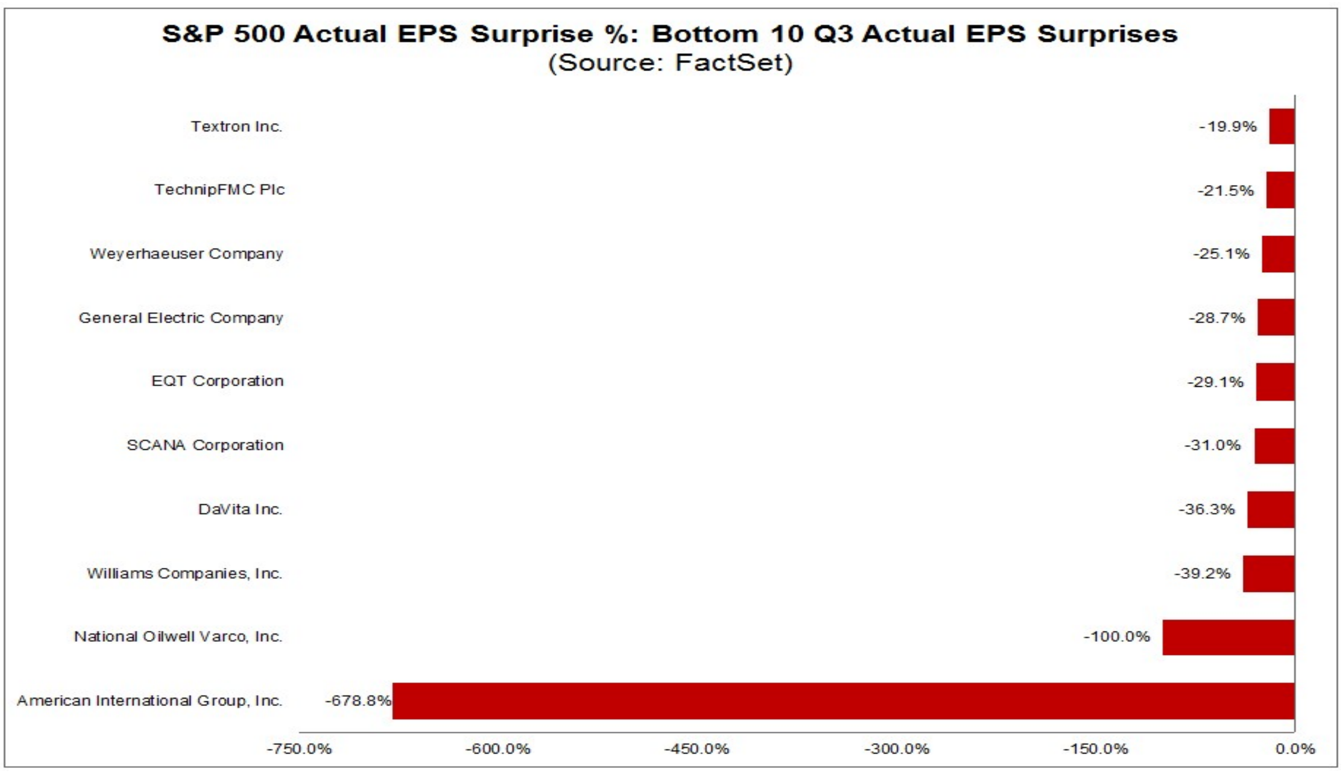
Q3 2018: Scorecard



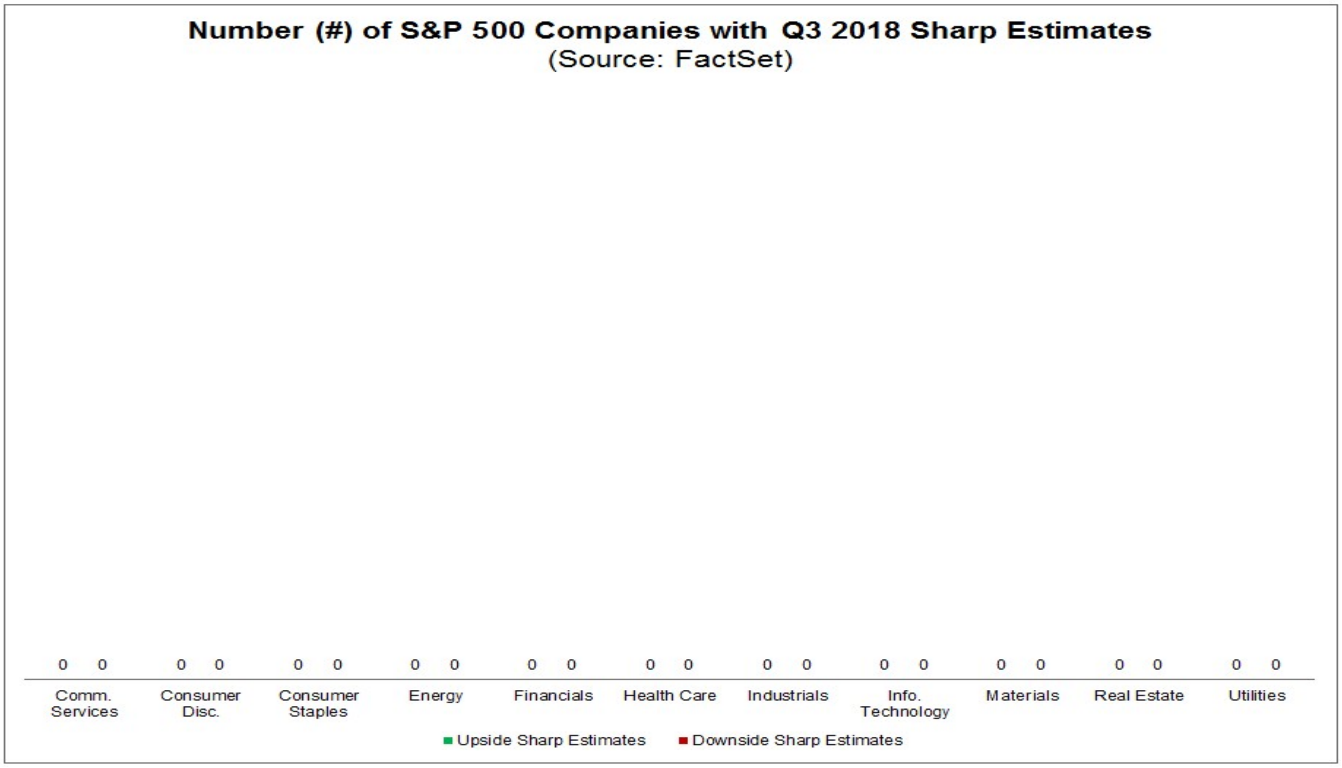


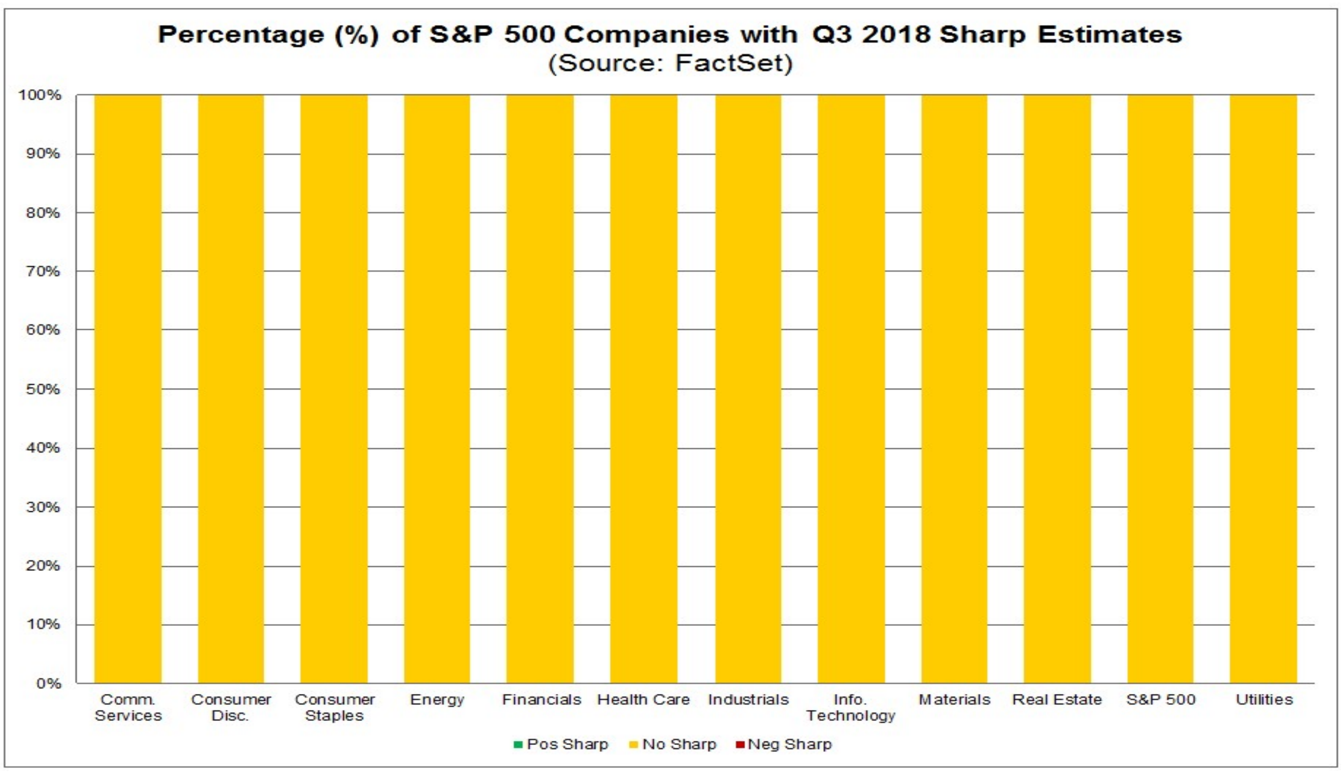
Q3 2018: Scorecard



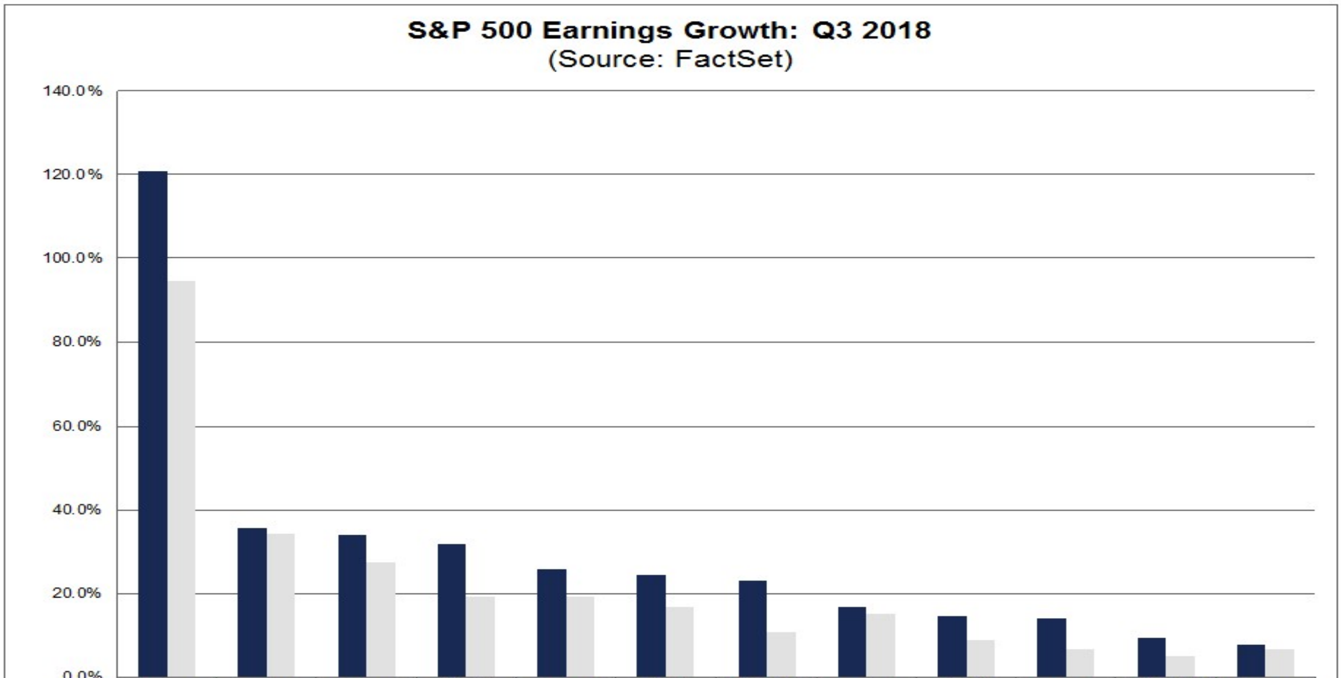


Q3 2018: Projected EPS Surprises (Sharp Estimates)

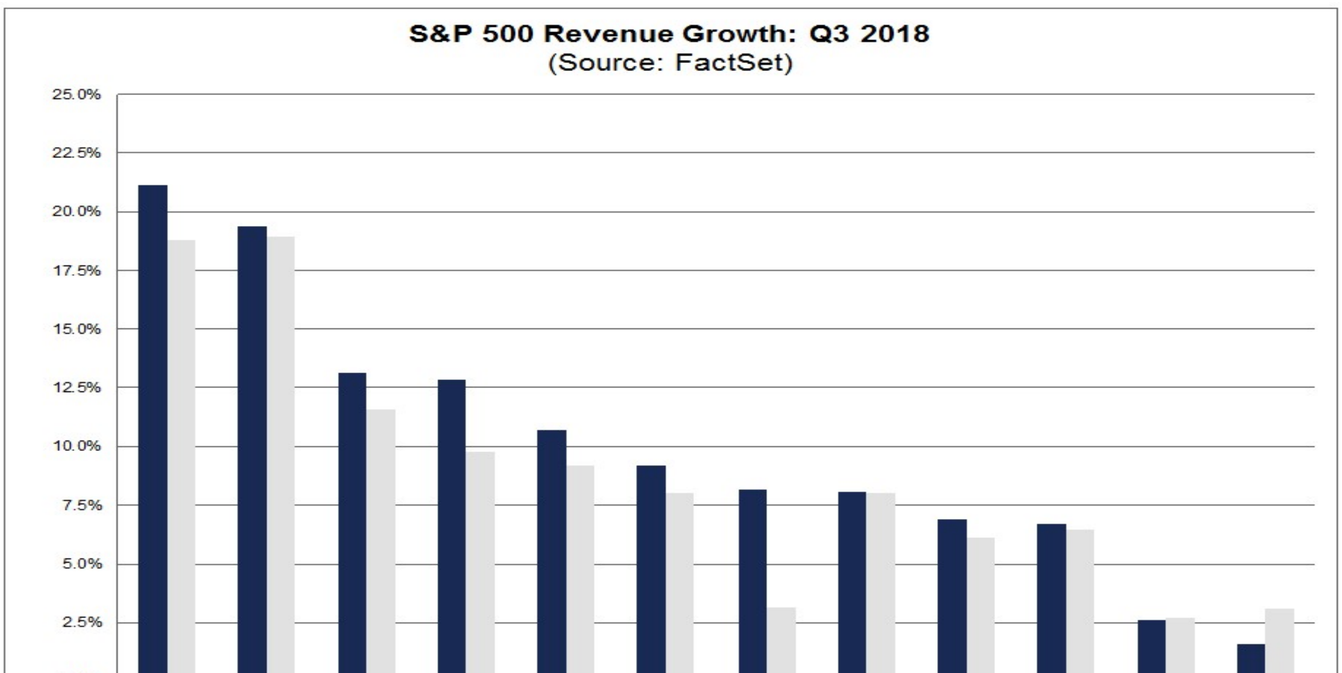




Q3 2018: Growth

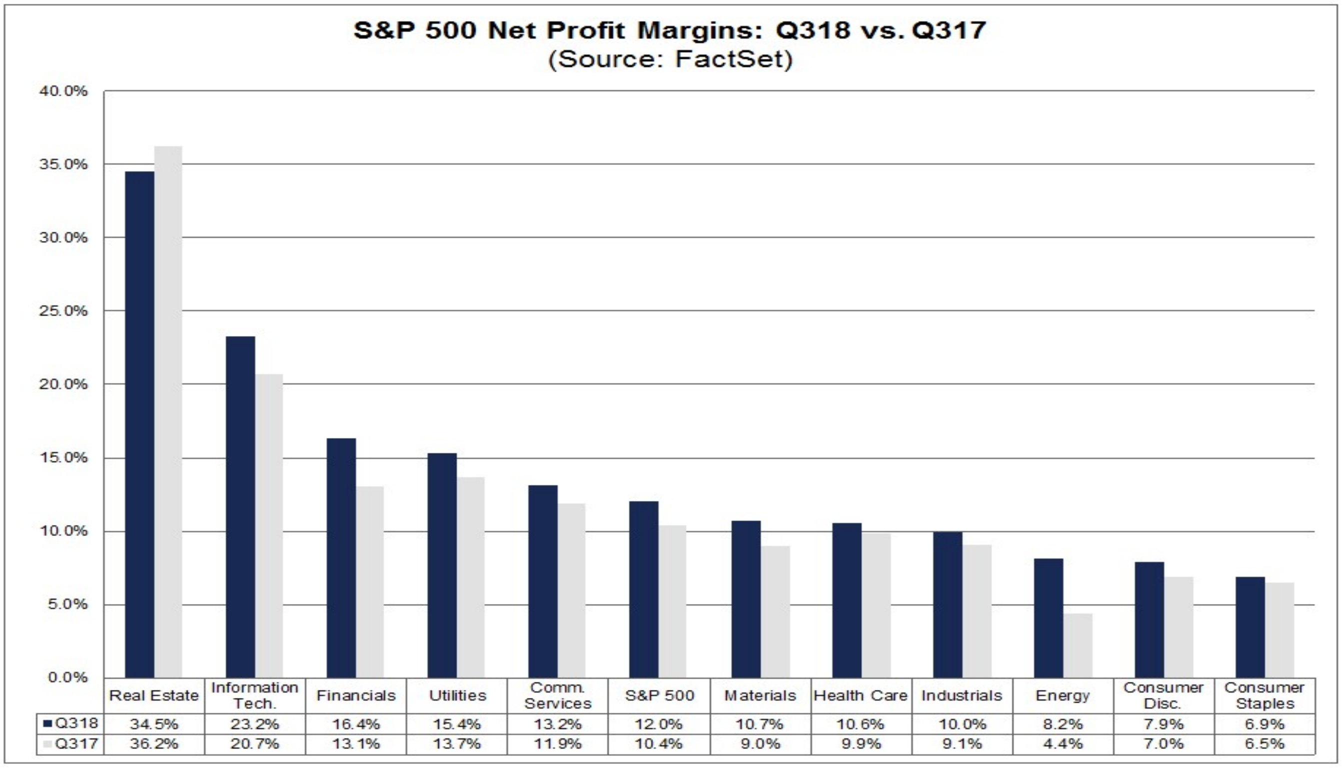


	Energy	Financials	Materials	Comm. Services	S&P 500	Info. Technology	Consumer Disc.	Industrials	Health Care	Utilities	Consumer Staples	Real Estate
Today	120.8%	35.7%	34.2%	31.8%	26.0%	24.5%	23.0%	16.7%	14.5%	14.2%	9.3%	7.8%
30-Sep	94.6%	34.2%	27.6%	19.3%	19.3%	16.8%	10.8%	15.1%	8.9%	6.6%	5.1%	6.6%

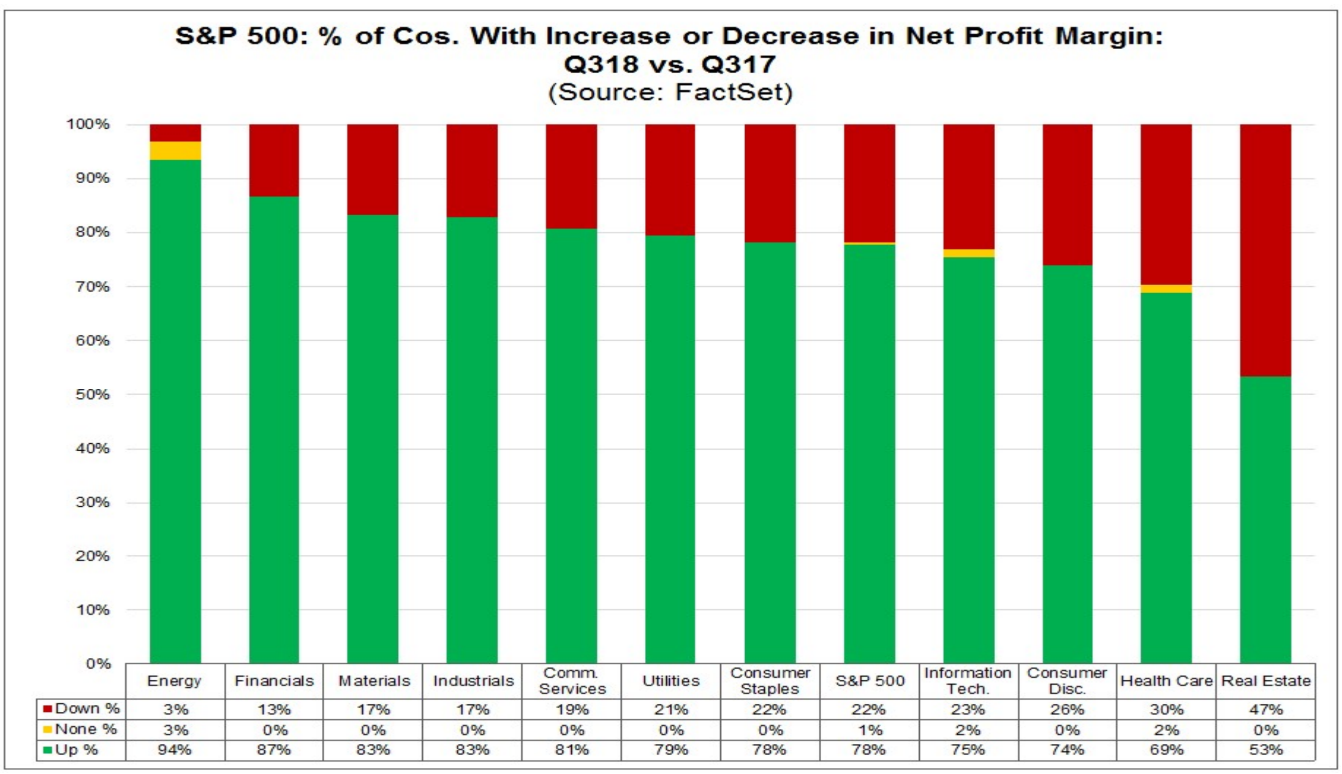


	Energy	Comm. Services	Real Estate	Materials	Info. Technology	S&P 500	Financials	Consumer Disc.	Health Care	Industrials	Consumer Staples	Utilities
Today	21.1%	19.4%	13.1%	12.8%	10.7%	9.2%	8.2%	8.1%	6.9%	6.7%	2.6%	1.6%
30-Sep	18.8%	18.9%	11.6%	9.8%	9.2%	8.0%	3.1%	8.0%	6.1%	6.5%	2.7%	3.1%

Q3 2018: Net Profit Margin

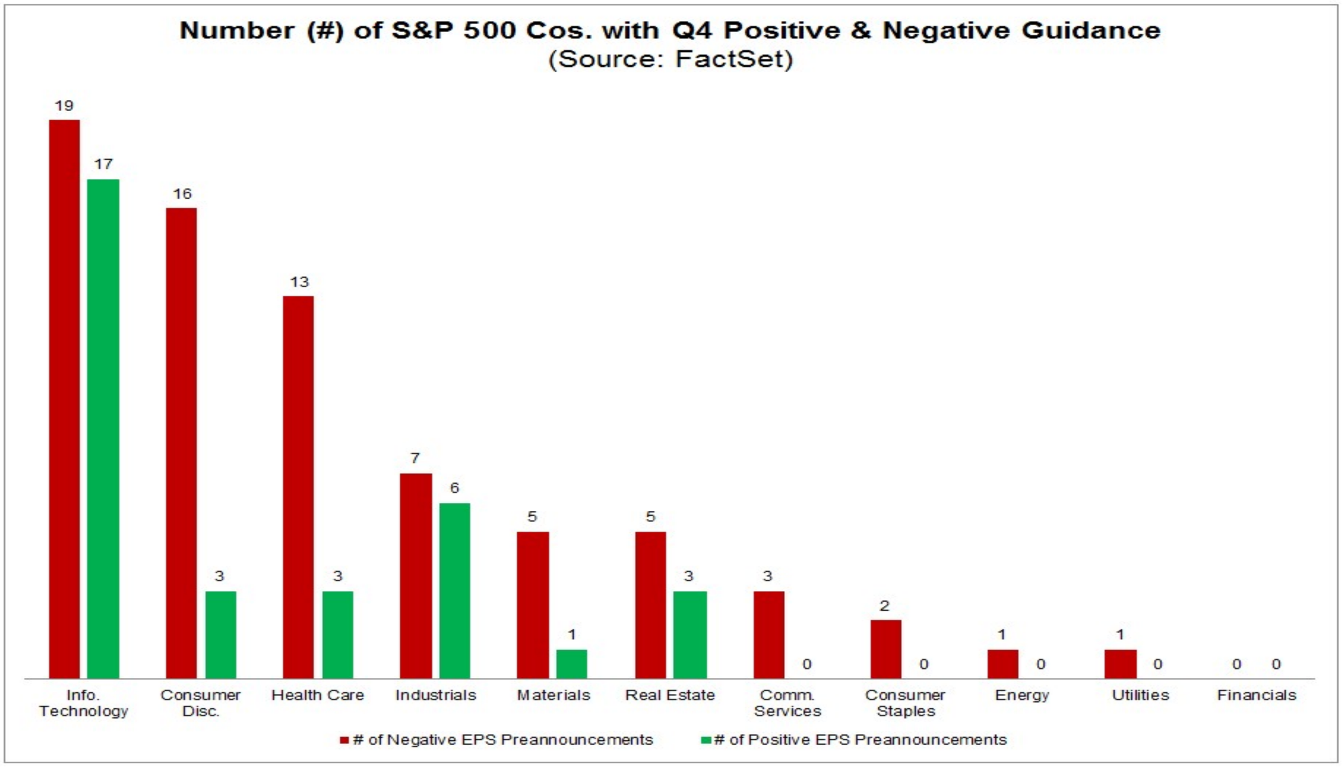


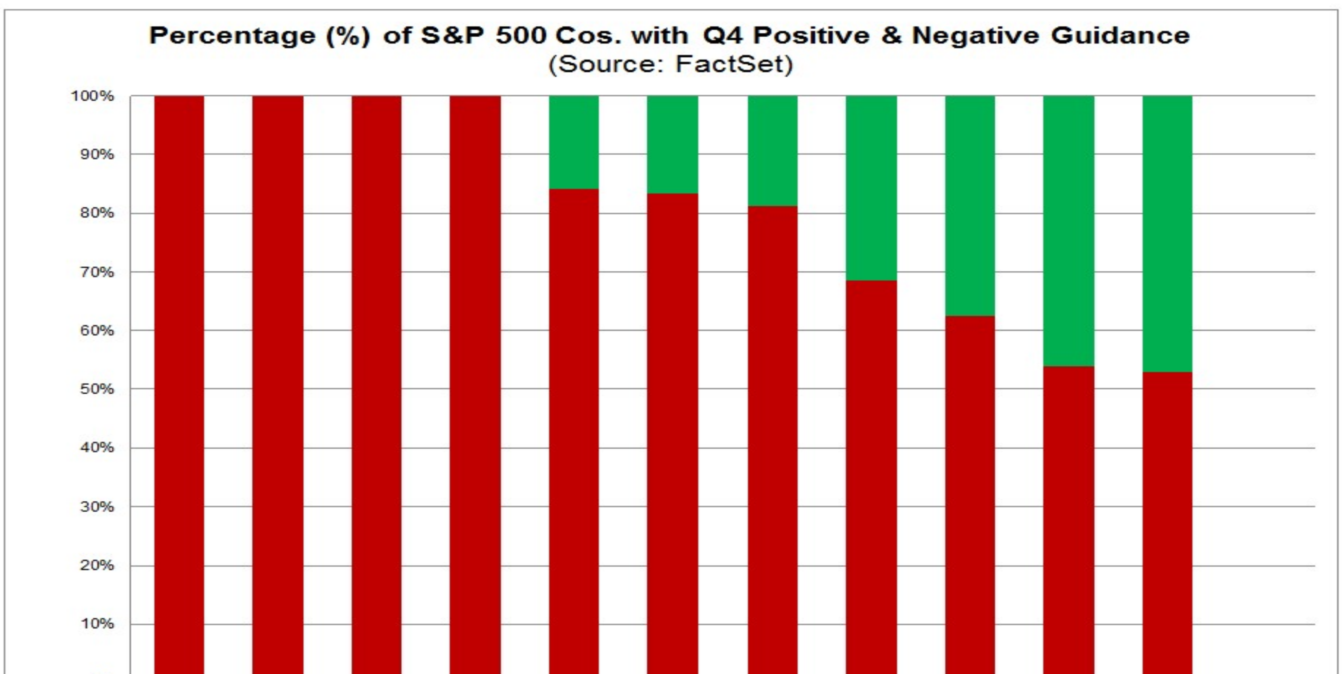
	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Materials	Health Care	Industrials	Energy	Consumer Disc.	Consumer Staples
Q318	34.5%	23.2%	16.4%	15.4%	13.2%	12.0%	10.7%	10.6%	10.0%	8.2%	7.9%	6.9%
Q317	36.2%	20.7%	13.1%	13.7%	11.9%	10.4%	9.0%	9.9%	9.1%	4.4%	7.0%	6.5%



	Energy	Financials	Materials	Industrials	Comm. Services	Utilities	Consumer Staples	S&P 500	Information Tech.	Consumer Disc.	Health Care	Real Estate
Down %	3%	13%	17%	17%	19%	21%	22%	22%	23%	26%	30%	47%
None %	3%	0%	0%	0%	0%	0%	0%	1%	2%	0%	2%	0%
Up %	94%	87%	83%	83%	81%	79%	78%	78%	75%	74%	69%	53%

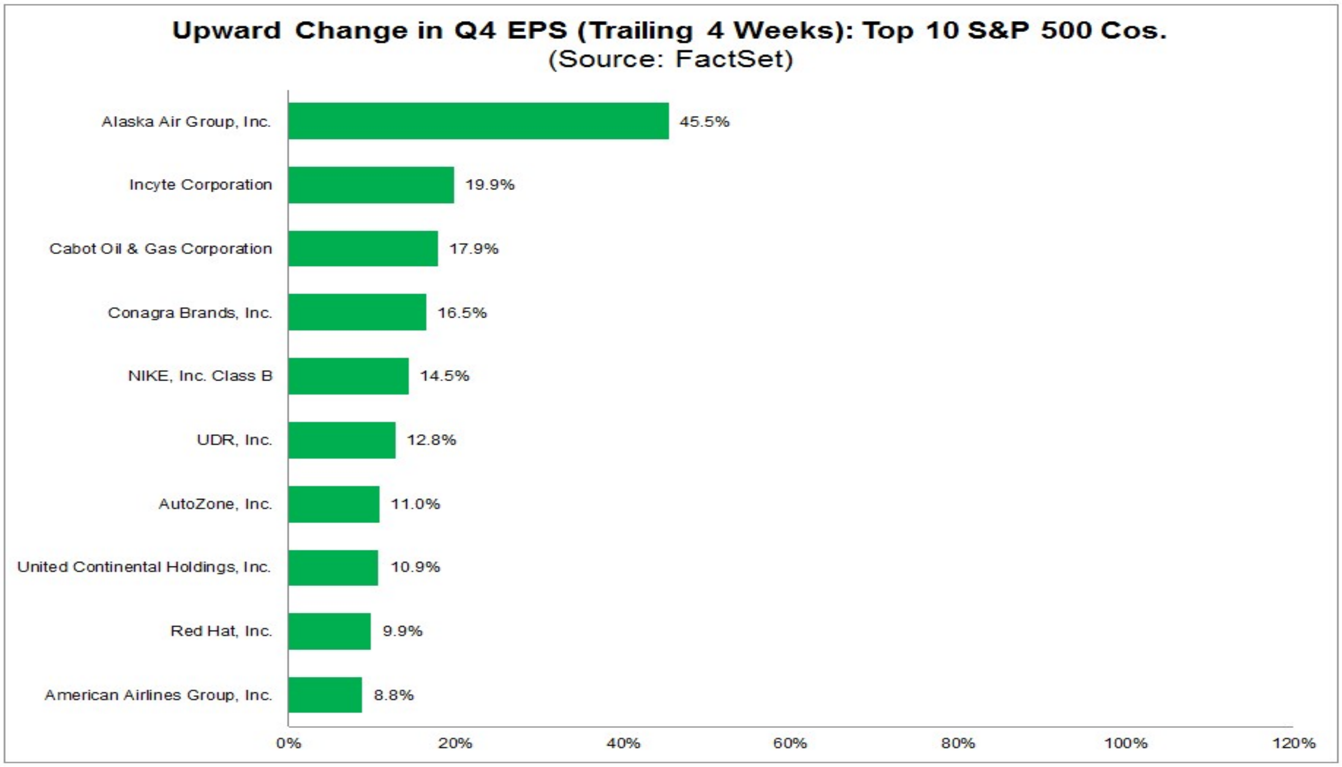
Q4 2018: EPS Guidance

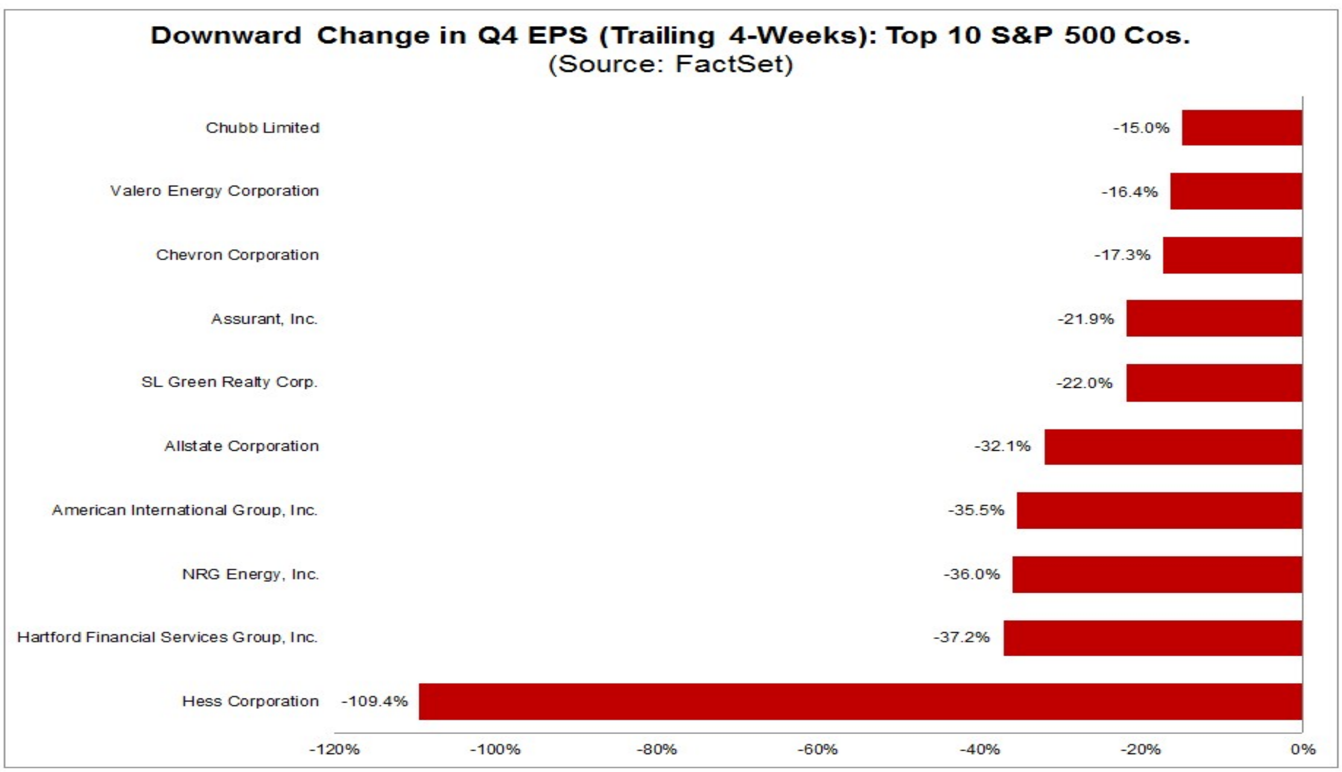




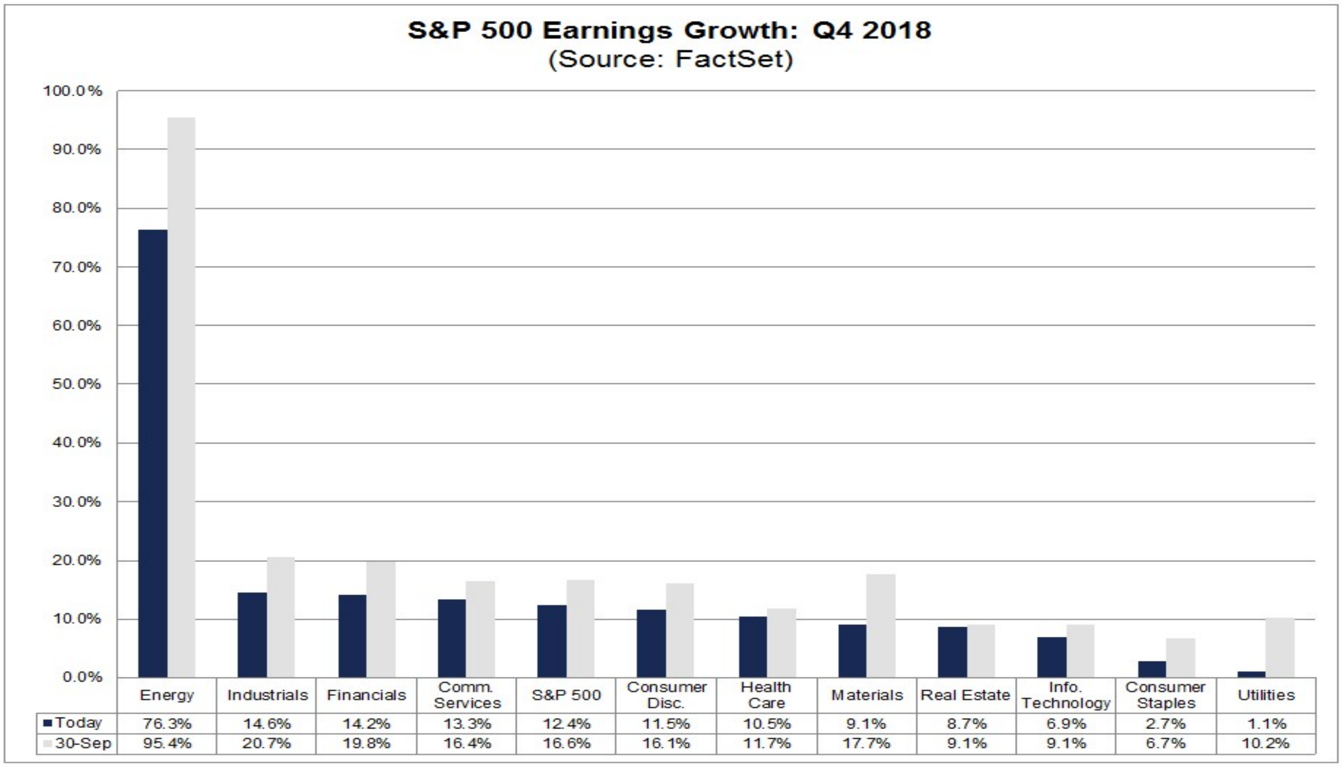
	Comm. Services	Consumer Staples	Energy	Utilities	Consumer Disc.	Materials	Health Care	S&P 500	Real Estate	Industrials	Info. Technology	Financials
Positive	0%	0%	0%	0%	16%	17%	19%	31%	38%	46%	47%	0%
Negative	100%	100%	100%	100%	84%	83%	81%	69%	63%	54%	53%	0%

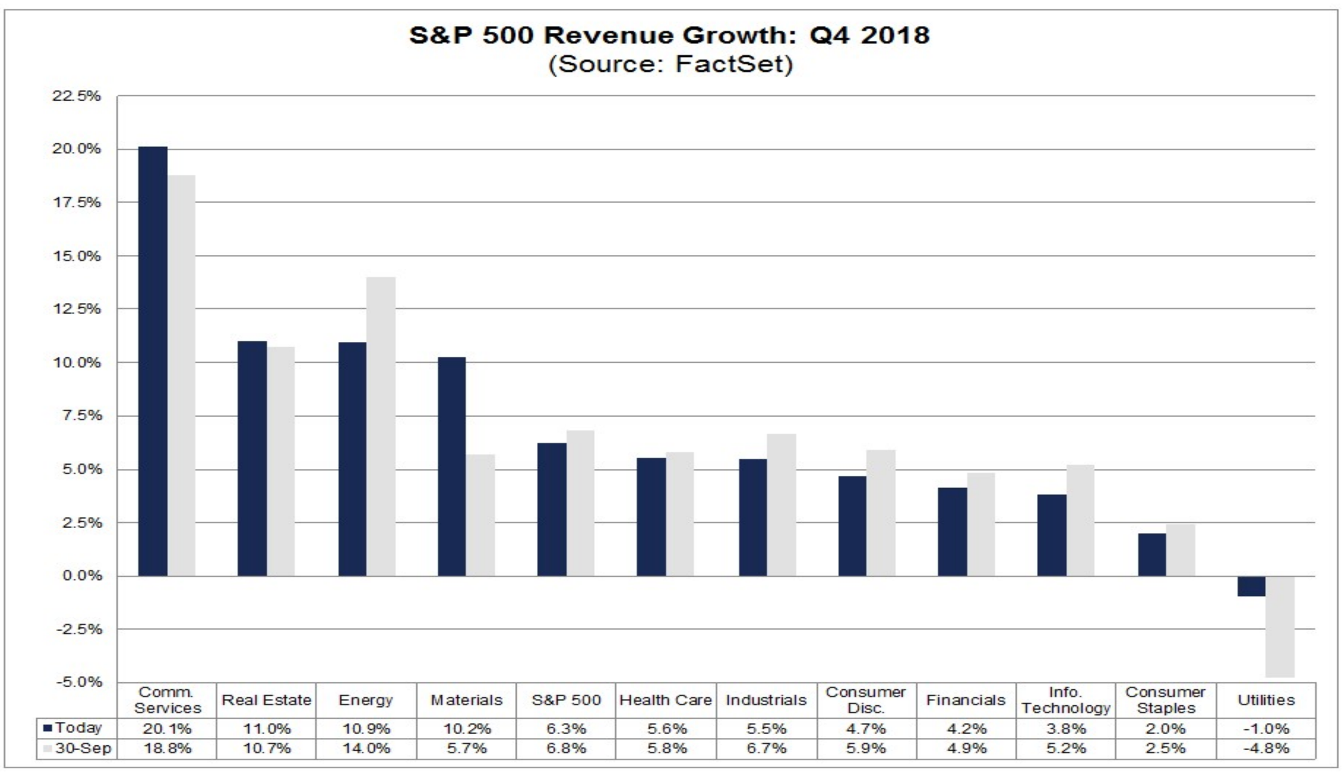
Q4 2018: EPS Revisions



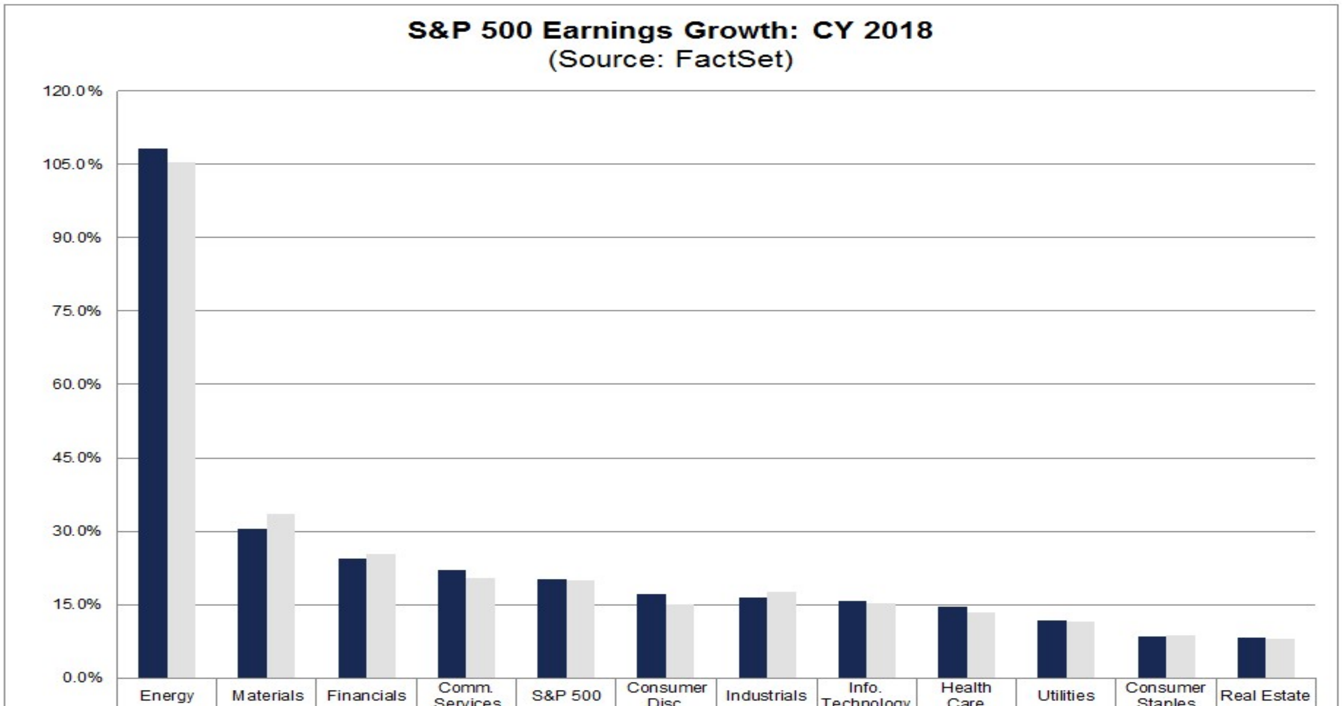


Q4 2018: Growth

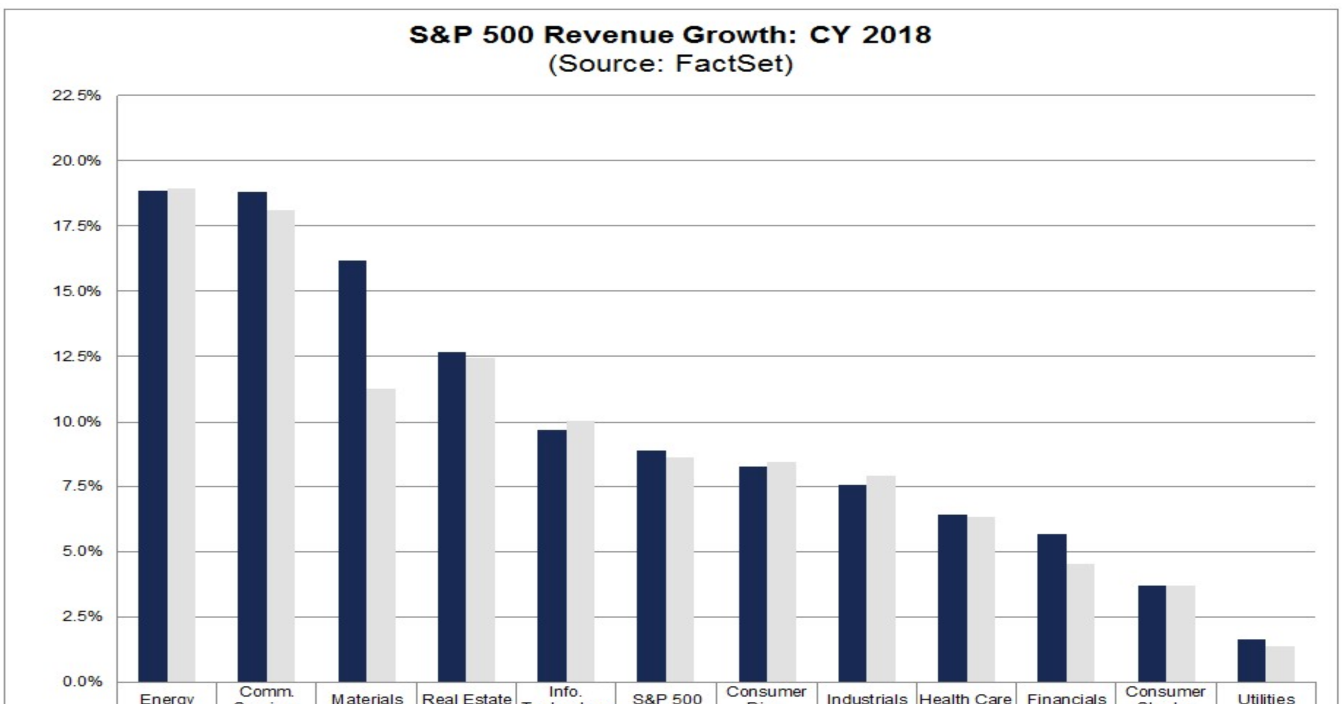




CY 2018: Growth

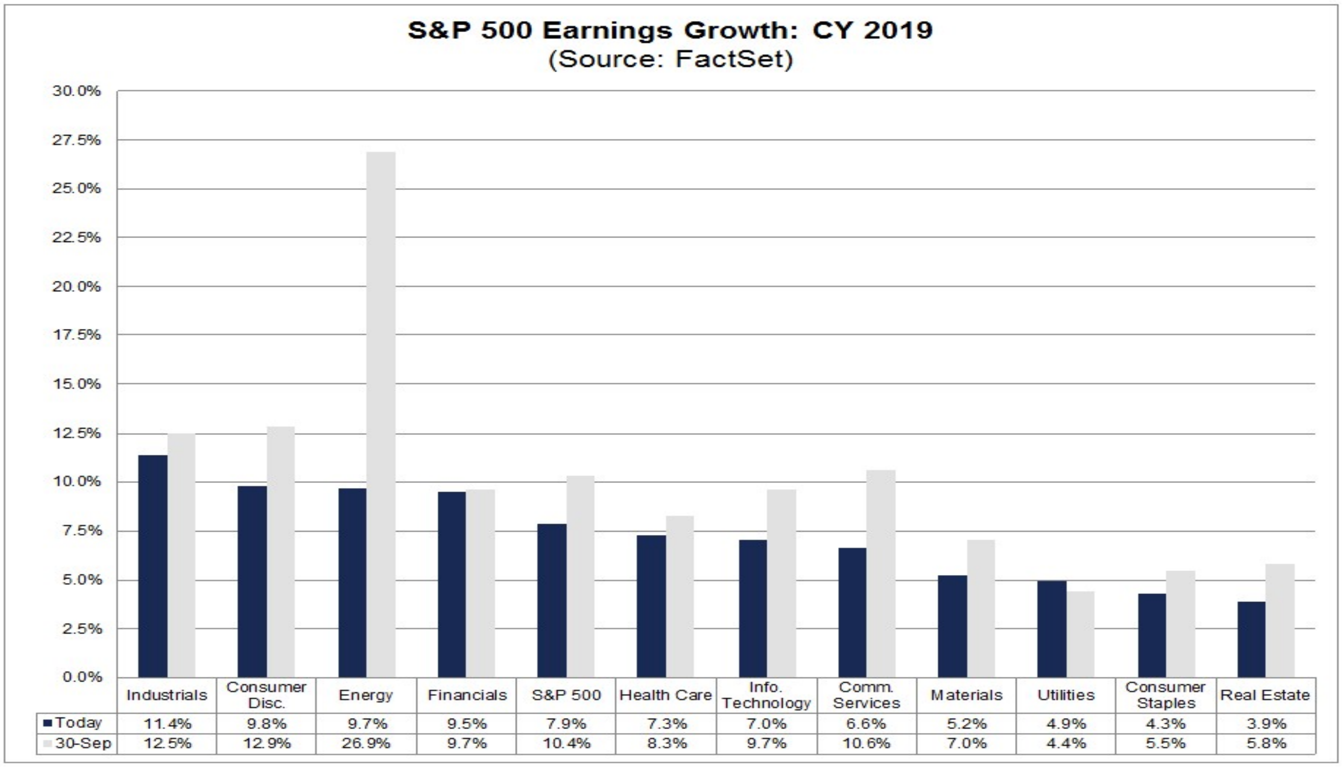


	Energy	Materials	Financials	Comm. Services	S&P 500	Consumer Disc.	Industrials	Info. Technology	Health Care	Utilities	Consumer Staples	Real Estate
Today	108.3%	30.5%	24.6%	22.2%	20.3%	17.3%	16.5%	15.7%	14.5%	11.9%	8.6%	8.2%
30-Sep	105.4%	33.6%	25.4%	20.5%	20.0%	15.1%	17.8%	15.5%	13.4%	11.6%	8.9%	8.1%

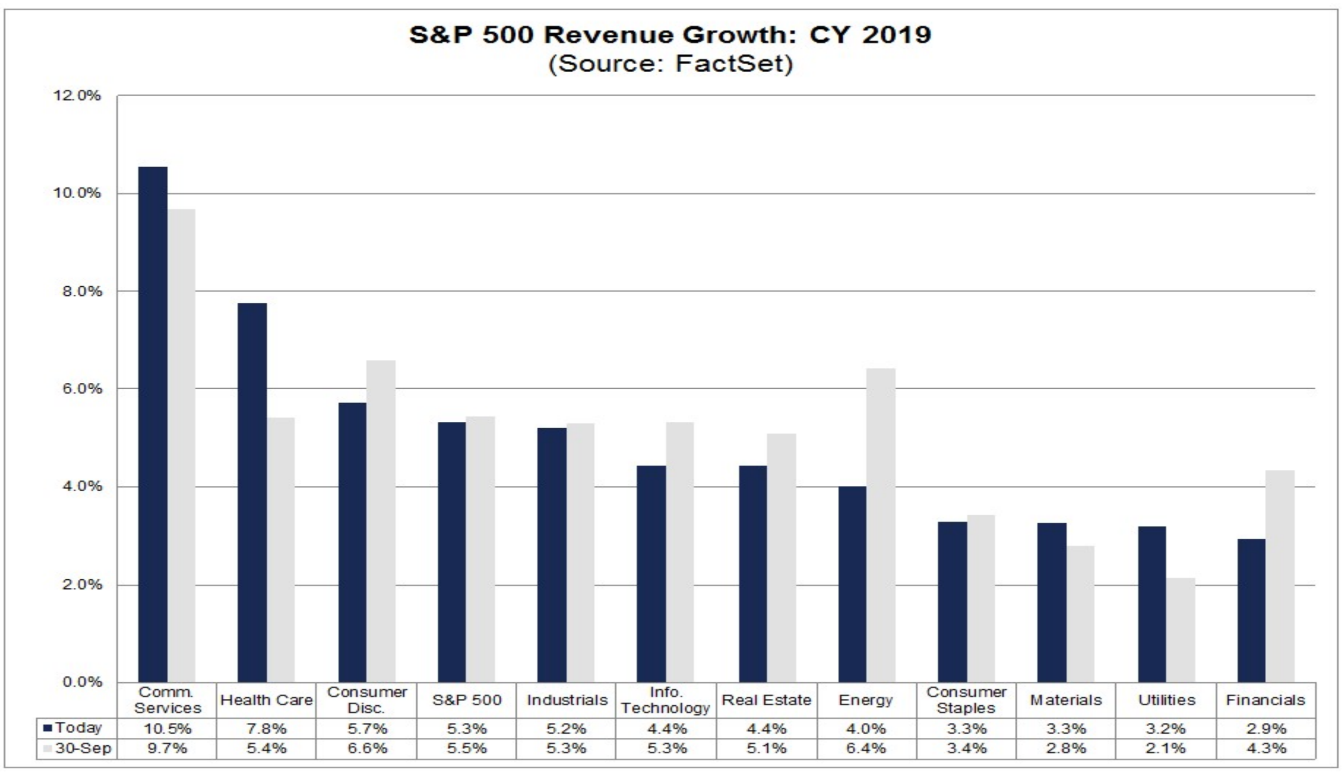


	Energy	Comm. Services	Materials	Real Estate	Info. Technology	S&P 500	Consumer Disc.	Industrials	Health Care	Financials	Consumer Staples	Utilities
Today	18.8%	18.8%	16.2%	12.6%	9.7%	8.9%	8.3%	7.6%	6.4%	5.7%	3.7%	1.6%
30-Sep	18.9%	18.1%	11.2%	12.4%	10.1%	8.6%	8.5%	7.9%	6.3%	4.6%	3.7%	1.4%

CY 2019: Growth

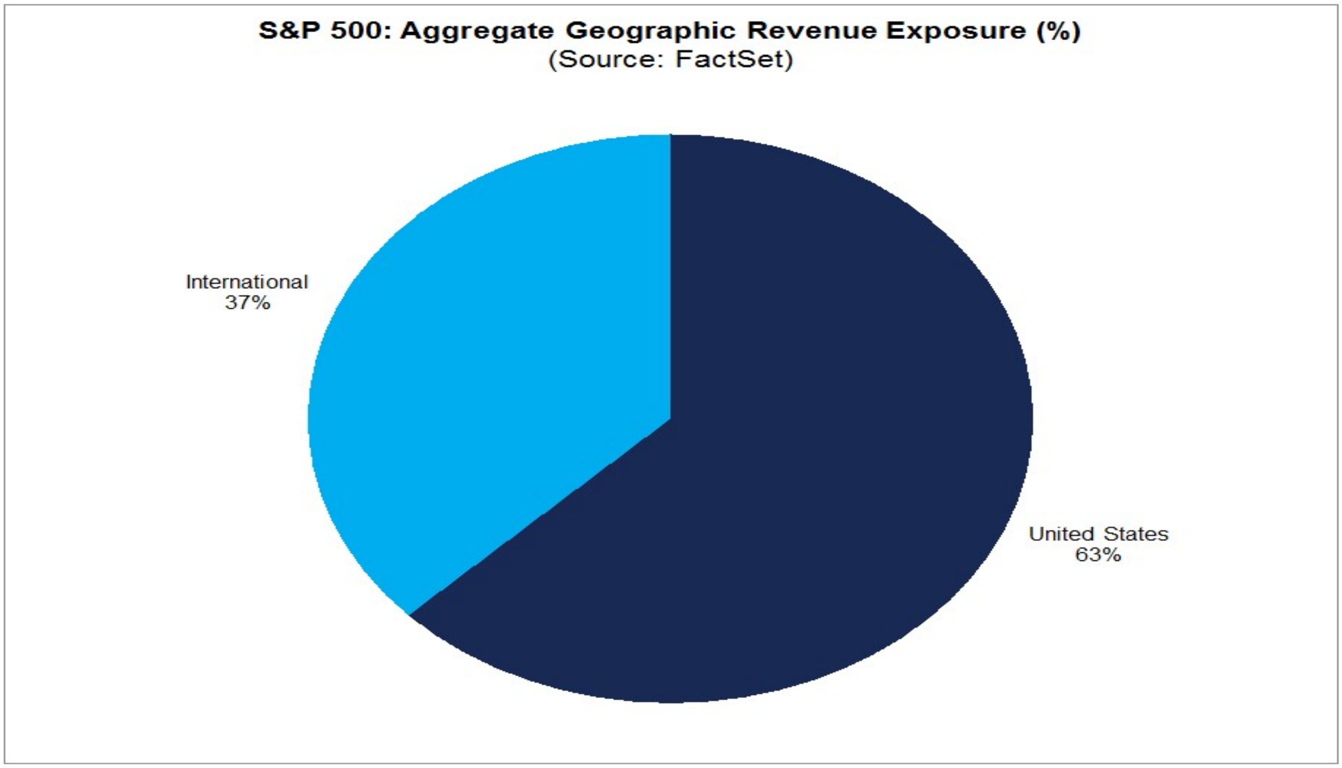


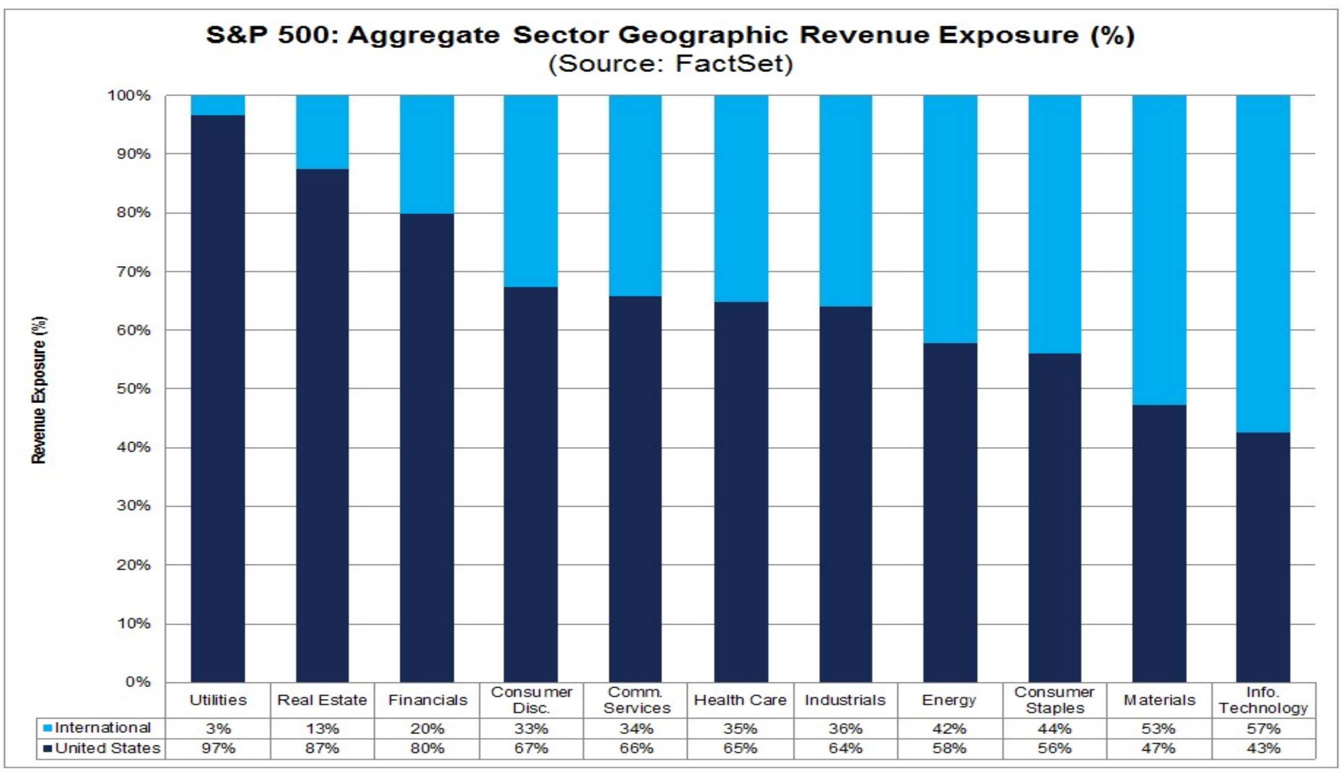
	Industrials	Consumer Disc.	Energy	Financials	S&P 500	Health Care	Info. Technology	Comm. Services	Materials	Utilities	Consumer Staples	Real Estate
Today	11.4%	9.8%	9.7%	9.5%	7.9%	7.3%	7.0%	6.6%	5.2%	4.9%	4.3%	3.9%
30-Sep	12.5%	12.9%	26.9%	9.7%	10.4%	8.3%	9.7%	10.6%	7.0%	4.4%	5.5%	5.8%



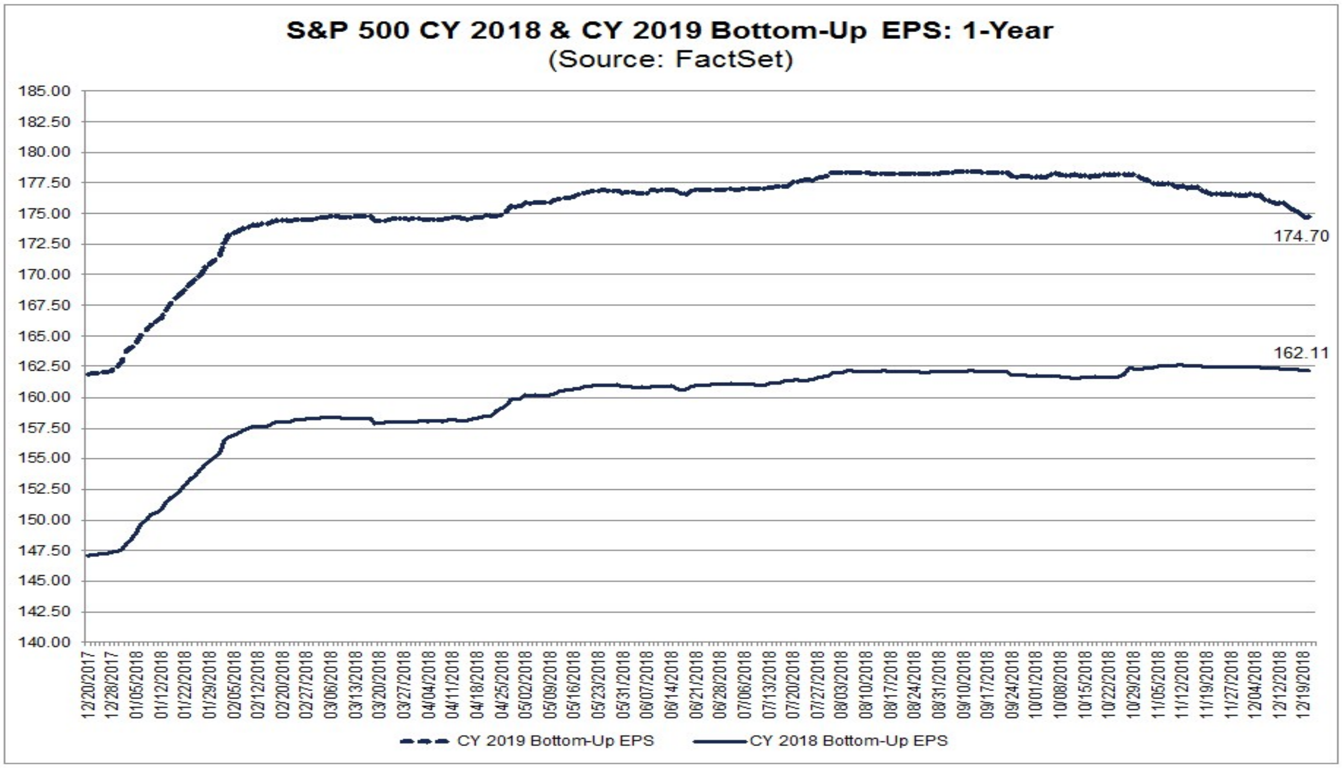
	Comm. Services	Health Care	Consumer Disc.	S&P 500	Industrials	Info. Technology	Real Estate	Energy	Consumer Staples	Materials	Utilities	Financials
Today	10.5%	7.8%	5.7%	5.3%	5.2%	4.4%	4.4%	4.0%	3.3%	3.3%	3.2%	2.9%
30-Sep	9.7%	5.4%	6.6%	5.5%	5.3%	5.3%	5.1%	6.4%	3.4%	2.8%	2.1%	4.3%

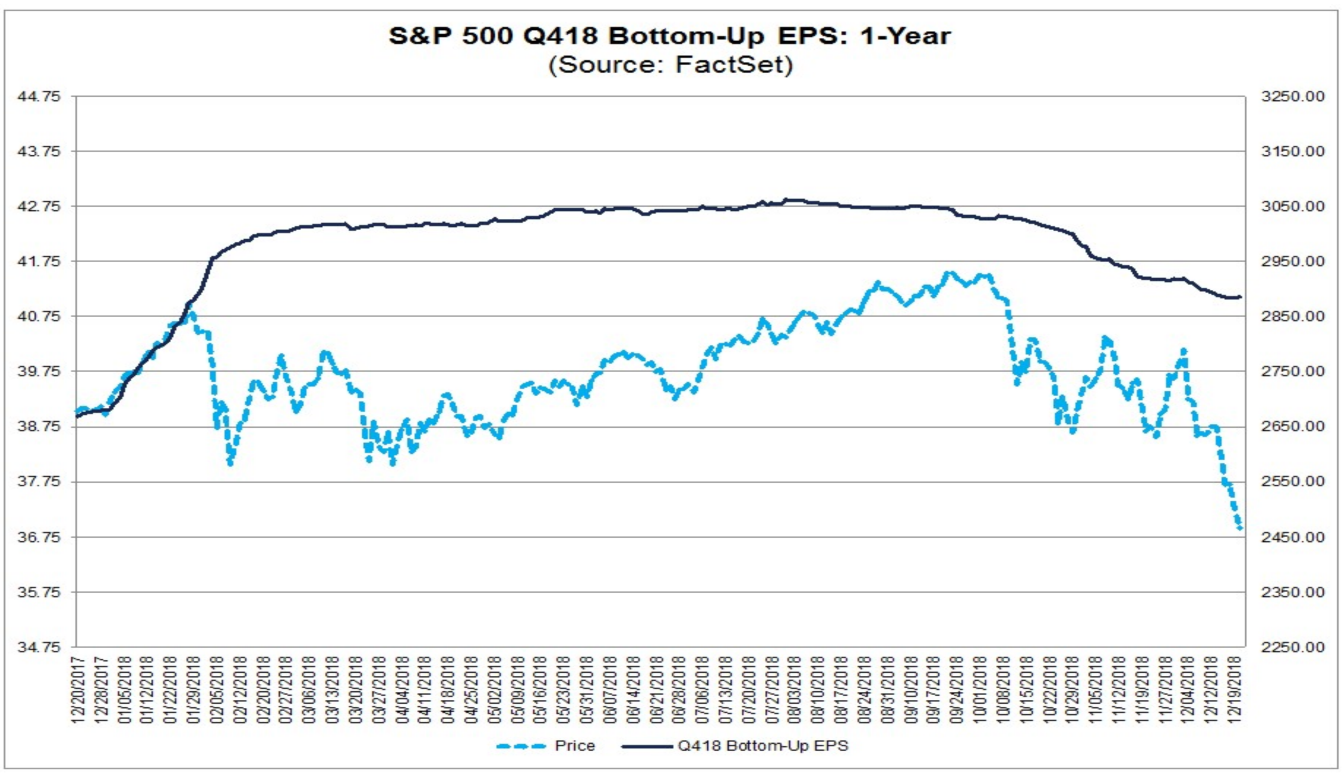
Geographic Revenue Exposure



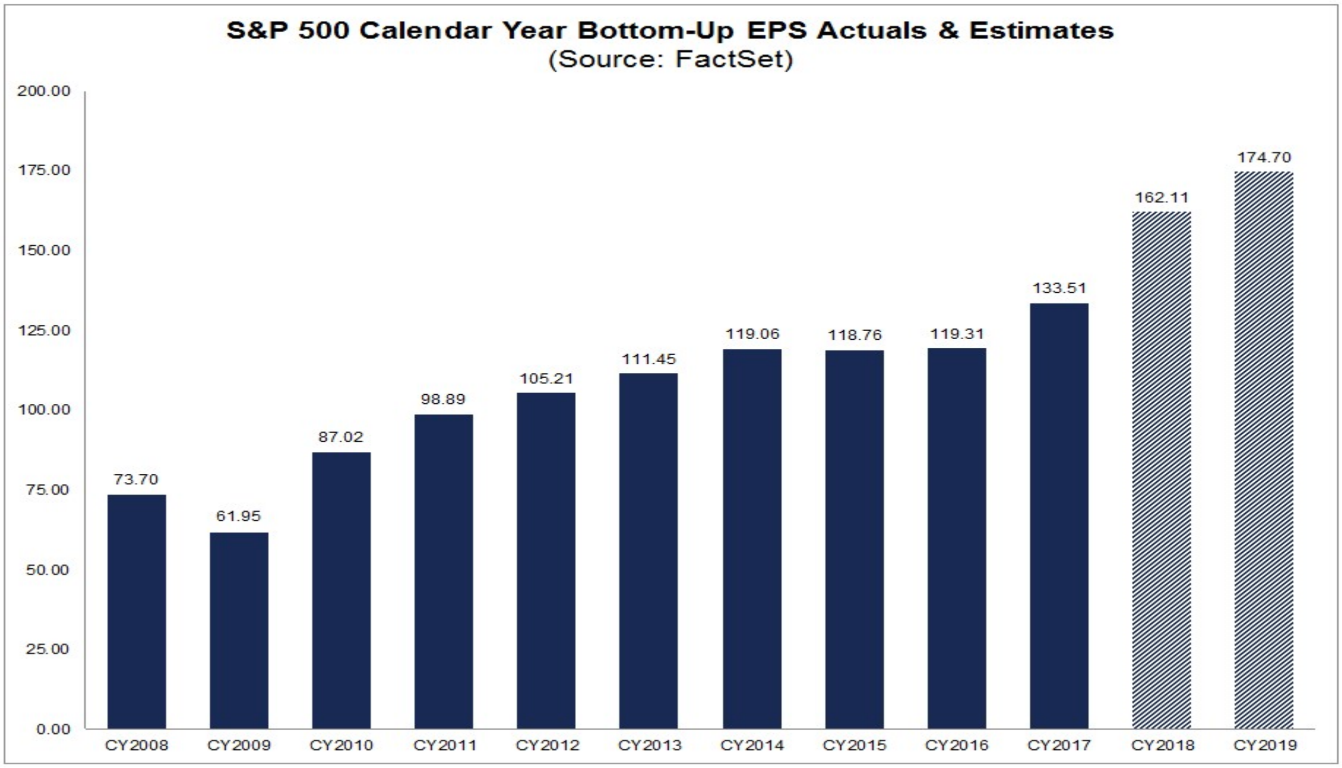


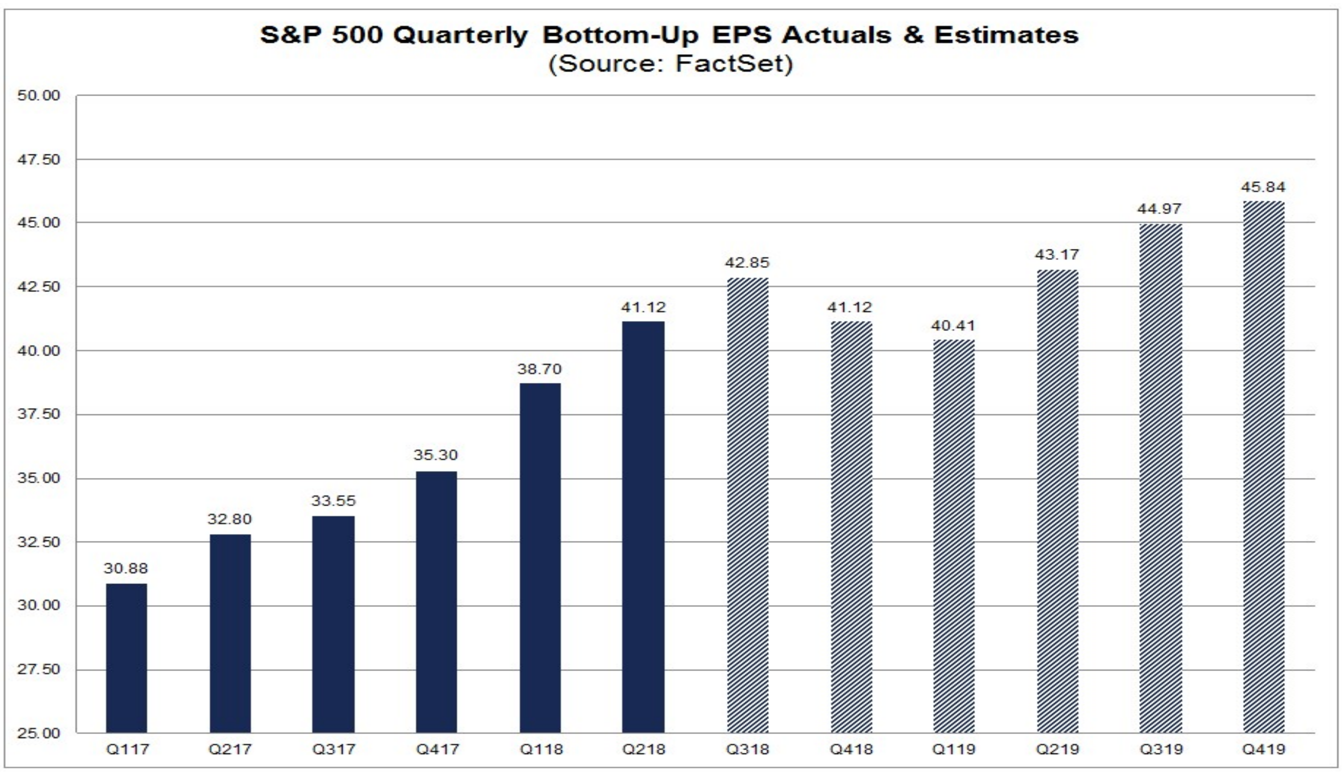
Bottom-up EPS Estimates: Revisions



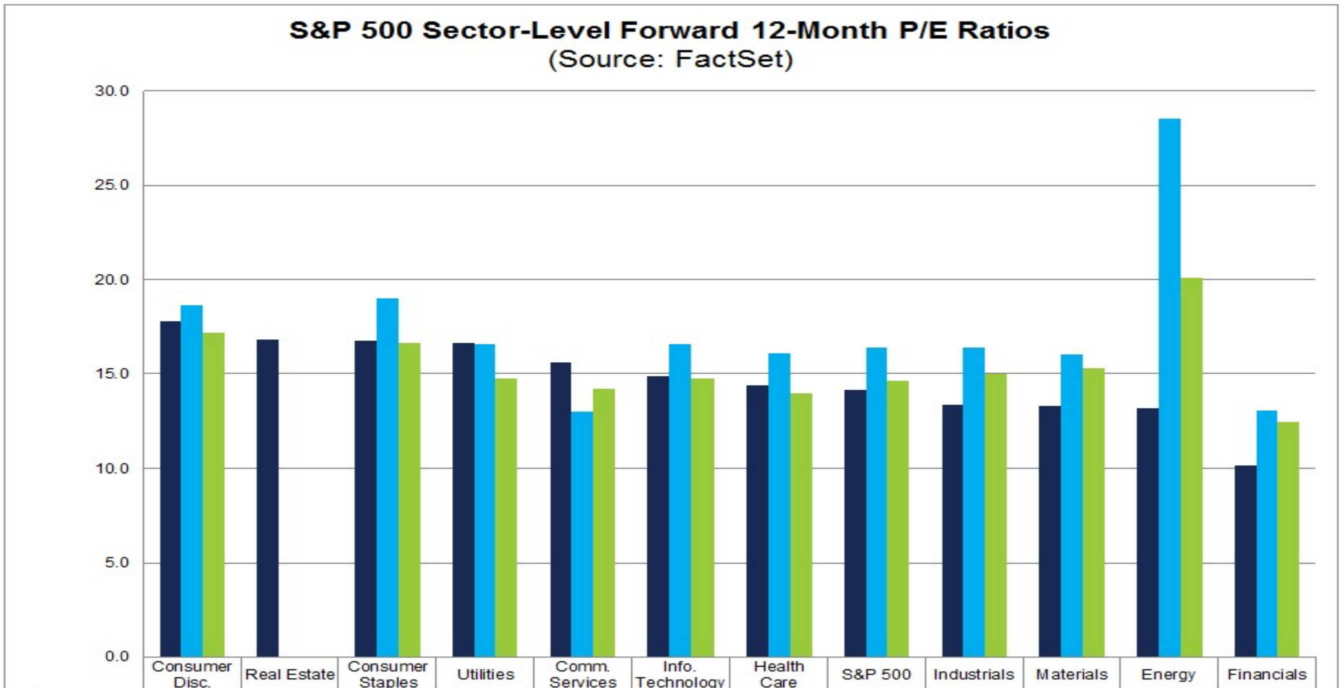


Bottom-up EPS Estimates: Current & Historical

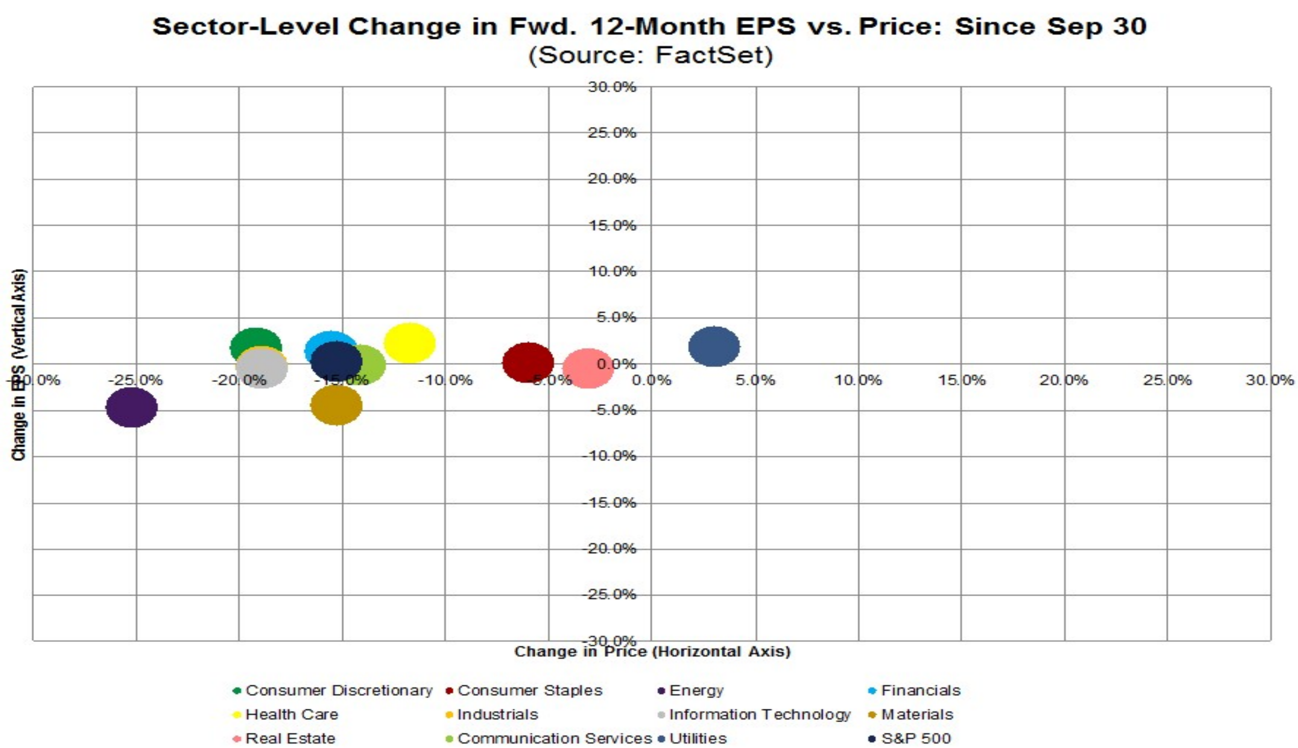




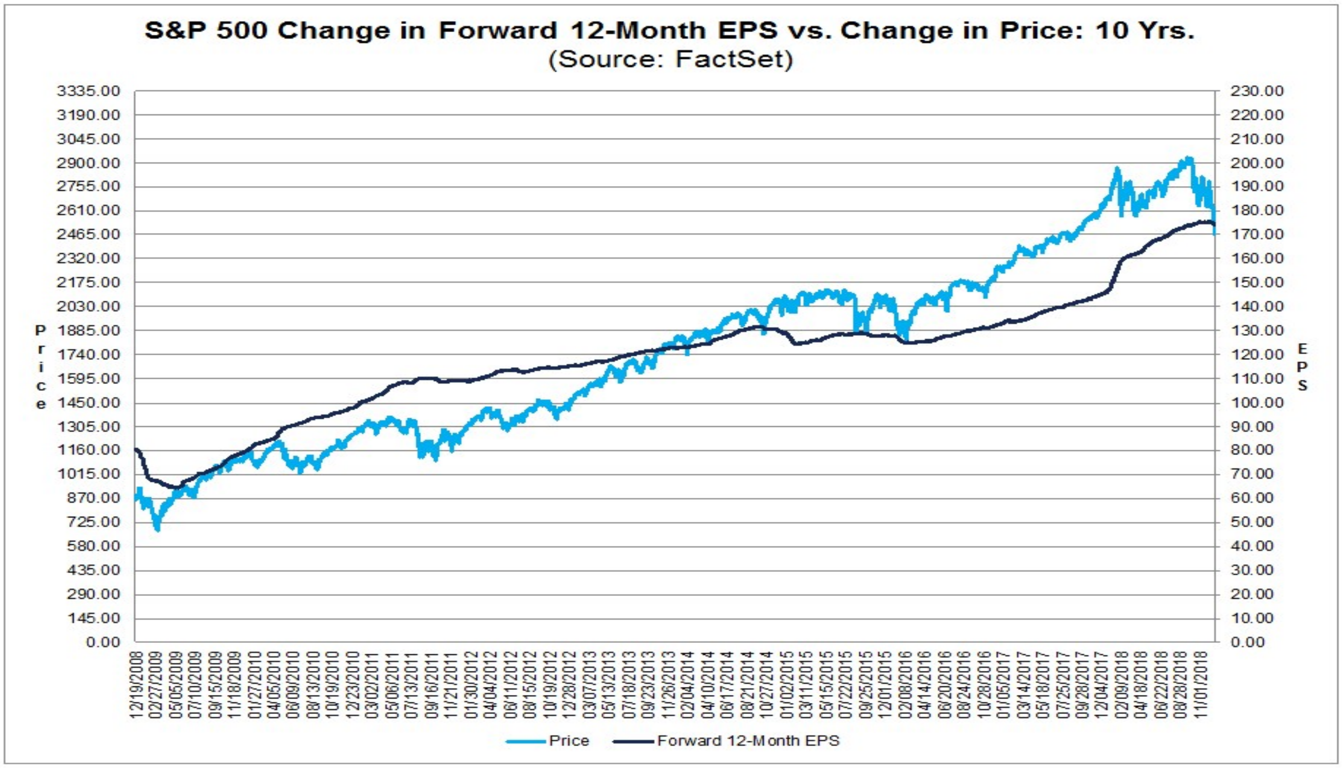
Forward 12M P/E Ratio: Sector Level

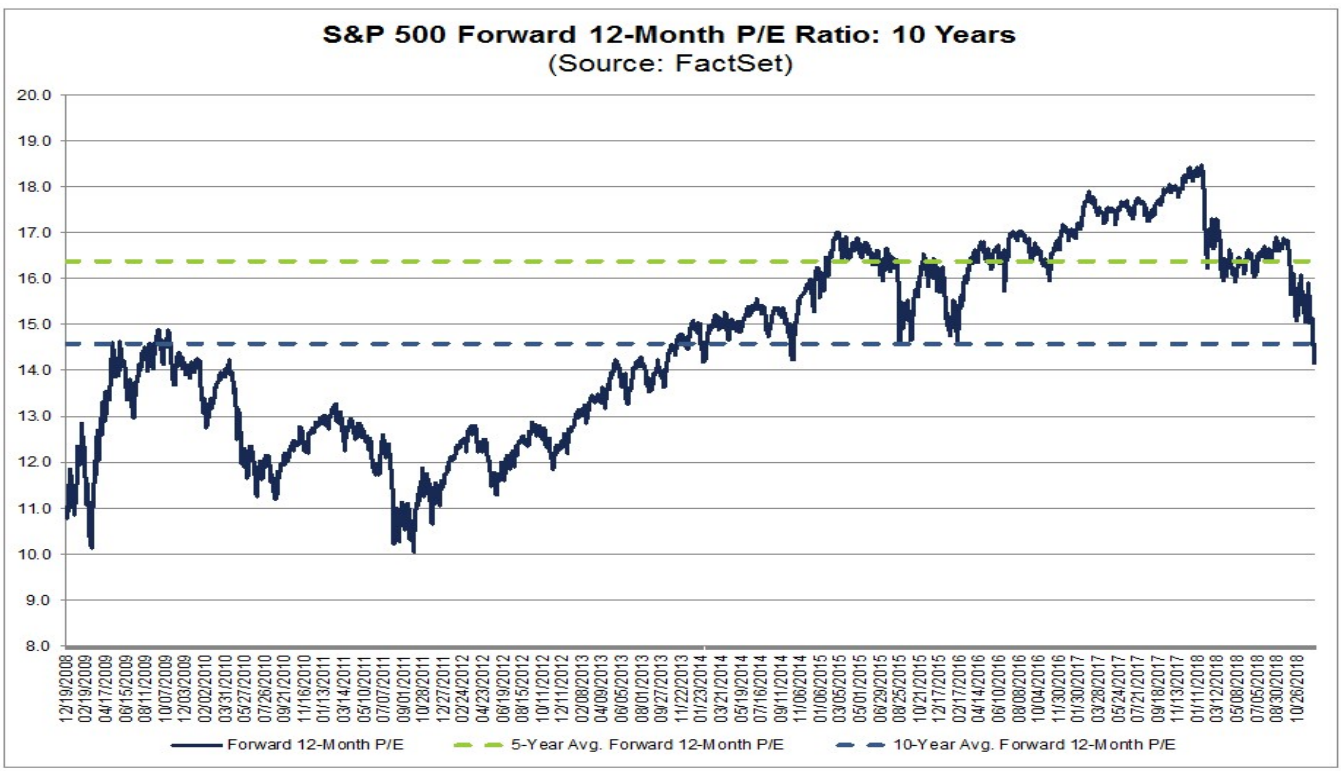


	Consumer Disc.	Real Estate	Consumer Staples	Utilities	Comm. Services	Info. Technology	Health Care	S&P 500	Industrials	Materials	Energy	Financials
Fwd P/E	17.8	16.8	16.8	16.6	15.6	14.8	14.4	14.2	13.4	13.3	13.2	10.2
5-Yr Avg.	18.6		19.0	16.5	13.0	16.6	16.0	16.4	16.4	16.0	28.5	13.1
10-Yr Avg.	17.2		16.6	14.8	14.2	14.7	14.0	14.6	15.0	15.3	20.1	12.5

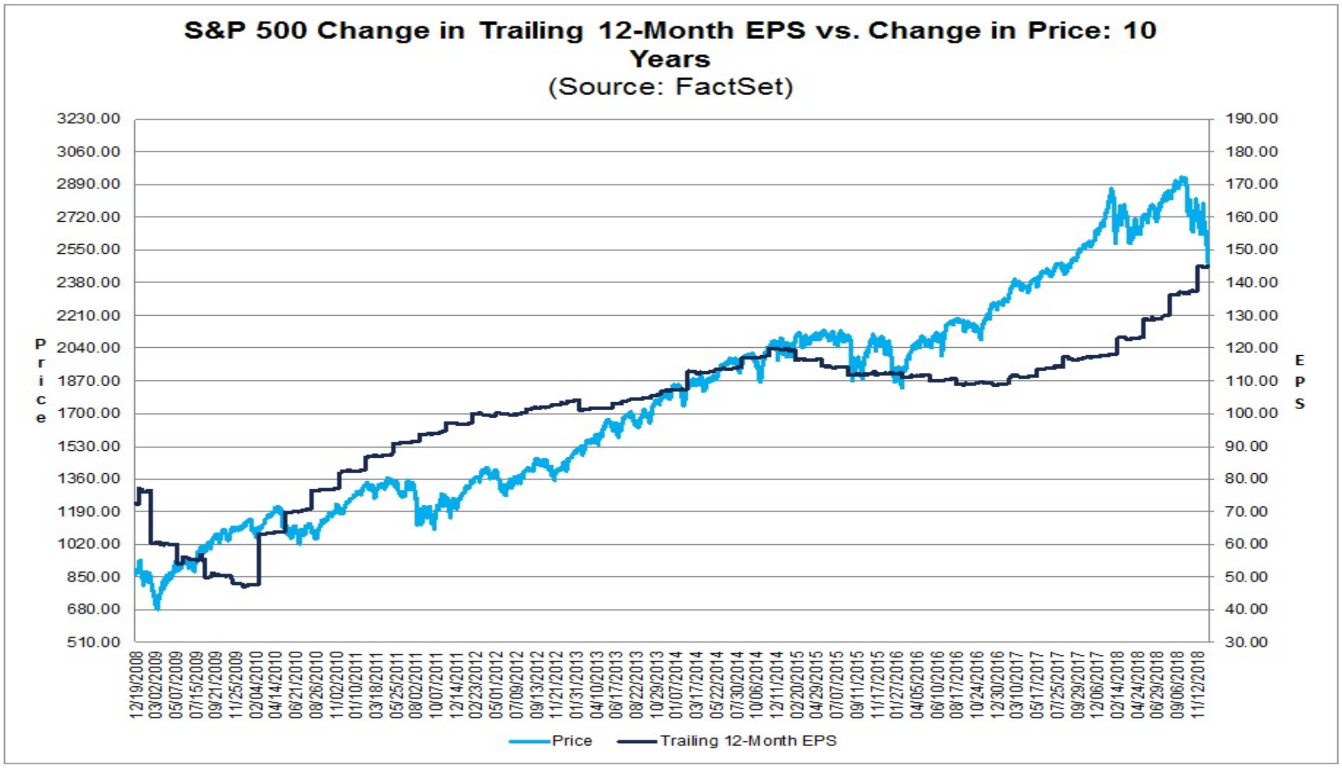


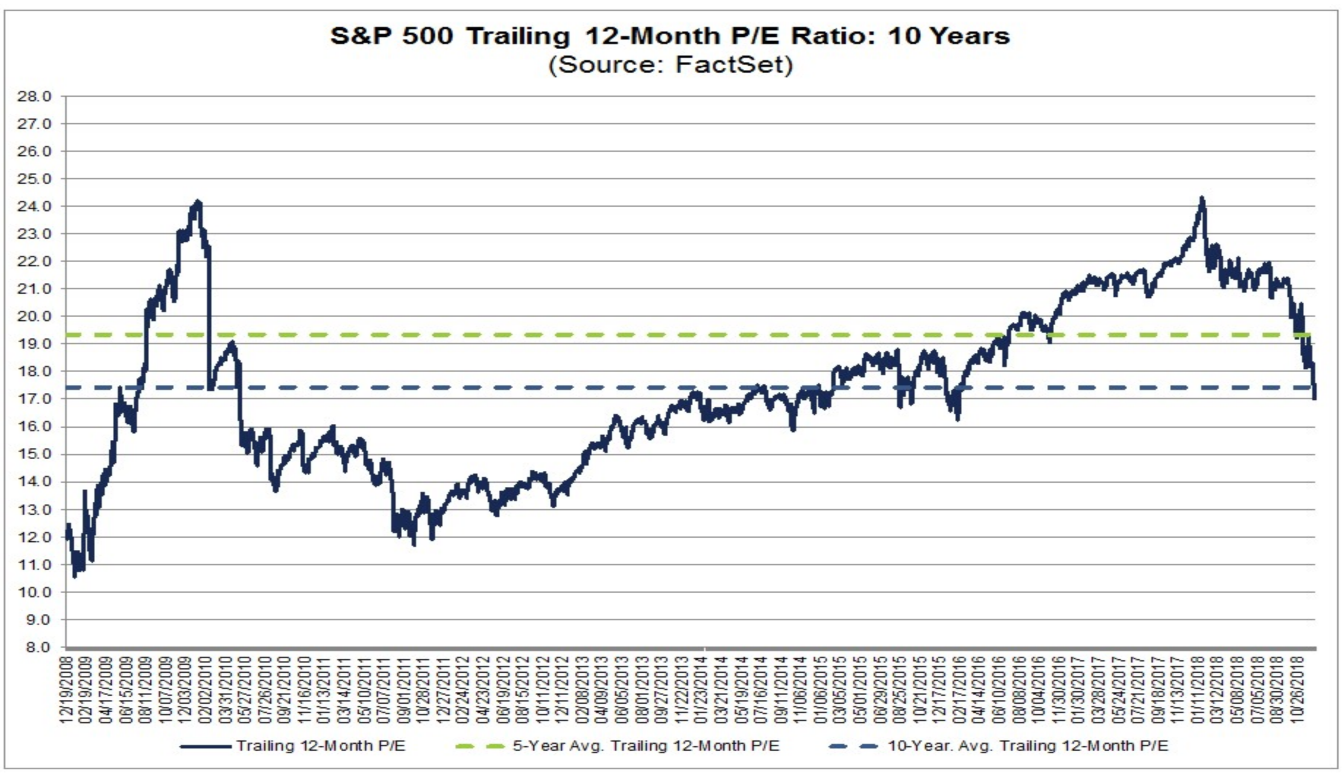
Forward 12M P/E Ratio: Long-Term Averages



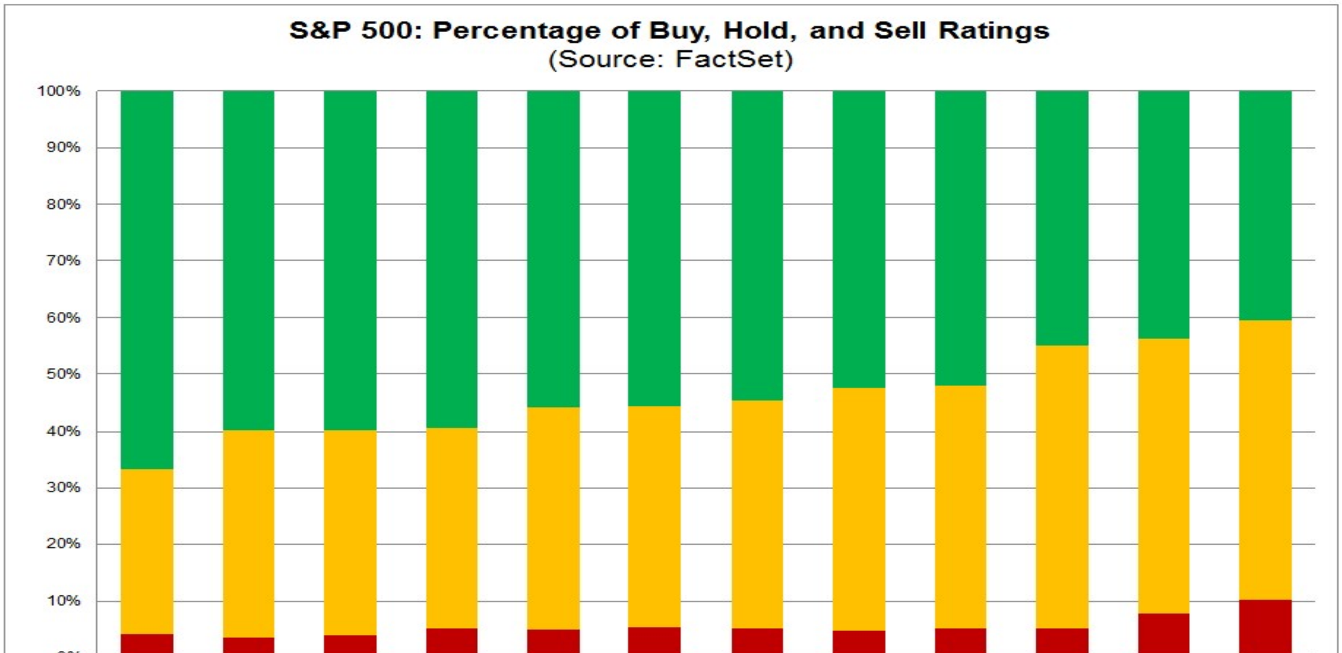


Trailing 12M P/E Ratio: Long-Term Averages





Targets & Ratings



	Energy	Materials	Health Care	Comm. Services	Info. Tech.	Industrials	S&P 500	Consumer Disc.	Financials	Real Estate	Utilities	Consumer Staples
Buy	67%	60%	60%	59%	56%	56%	54%	53%	52%	45%	44%	41%
Hold	29%	37%	36%	36%	39%	39%	40%	43%	43%	50%	48%	49%
Sell	4%	4%	4%	5%	5%	5%	5%	5%	5%	5%	8%	10%

	Energy	Financials	Consumer Disc.	Comm. Services	Industrials	Info. Tech.	Materials	S&P 500	Health Care	Consumer Staples	Real Estate	Utilities
Target/Close	41.8%	31.4%	31.1%	30.1%	29.4%	29.2%	27.5%	26.8%	22.0%	13.4%	12.6%	4.9%

Important Notice

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