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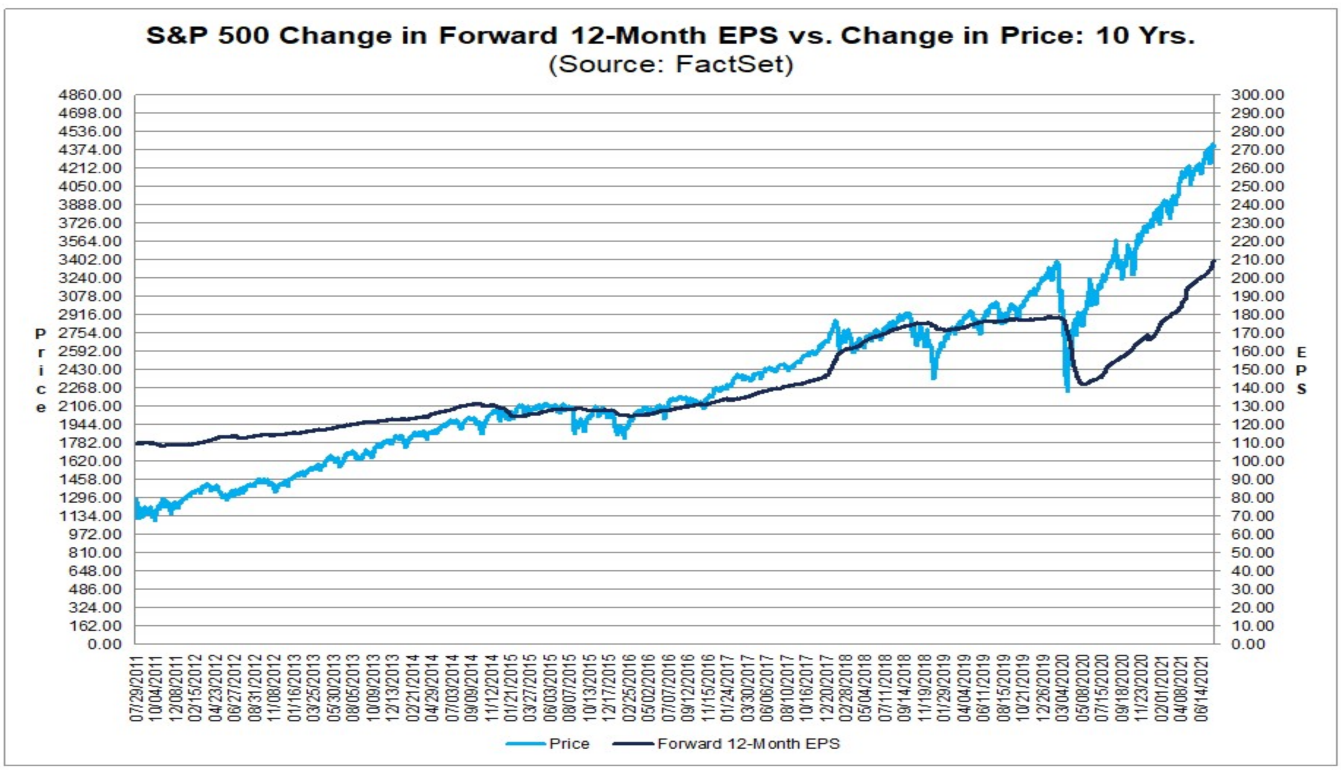
Key Metrics

- **Earnings Scorecard:** For Q2 2021 (with 59% of S&P 500 companies reporting actual results), 88% of S&P 500 companies have reported a positive EPS surprise and 88% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q2 2021, the blended earnings growth rate for the S&P 500 is 85.1%. If 85.1% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q4 2009 (109.1%).
- **Earnings Revisions:** On June 30, the estimated earnings growth rate for Q2 2021 was 63.1%. Ten sectors have higher earnings growth rates today (compared to June 30) due to upward revisions to EPS estimates and positive EPS surprises.
- **Earnings Guidance:** For Q3 2021, 19 S&P 500 companies have issued negative EPS guidance and 29 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.2. This P/E ratio is above the 5-year average (18.1) and above the 10-year average (16.2).



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Topic of the Week:

Analysts Continue to Increase S&P 500 EPS Estimates For Q3, But at a Slower Pace vs. Q2

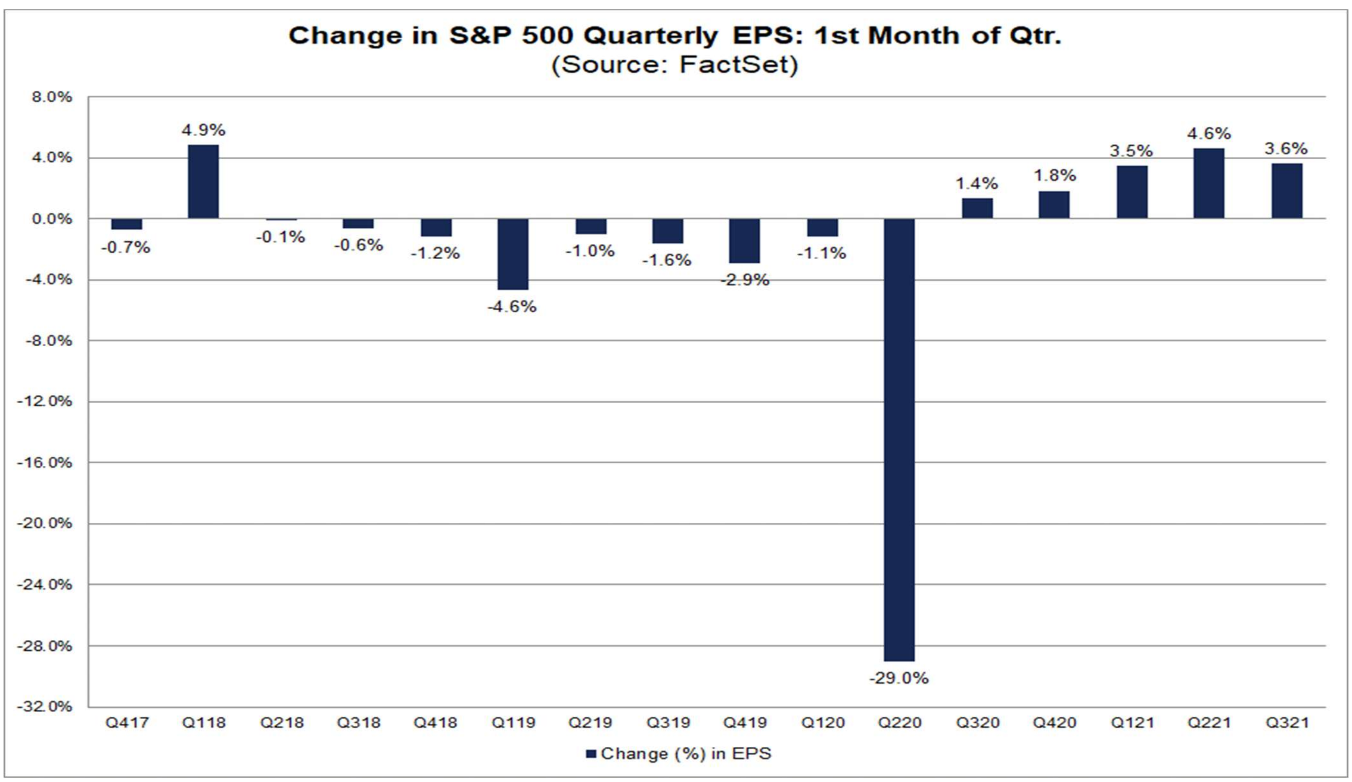
During the month of July, analysts increased earnings estimates for companies in the S&P 500 for the third quarter. The Q3 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q3 for all the companies in the index) increased by 3.6% (to $49.22 from $47.50) during this period. How significant is a 3.6% increase in the bottom-up EPS estimate during the first month of a quarter? How does this increase compare to recent quarters?

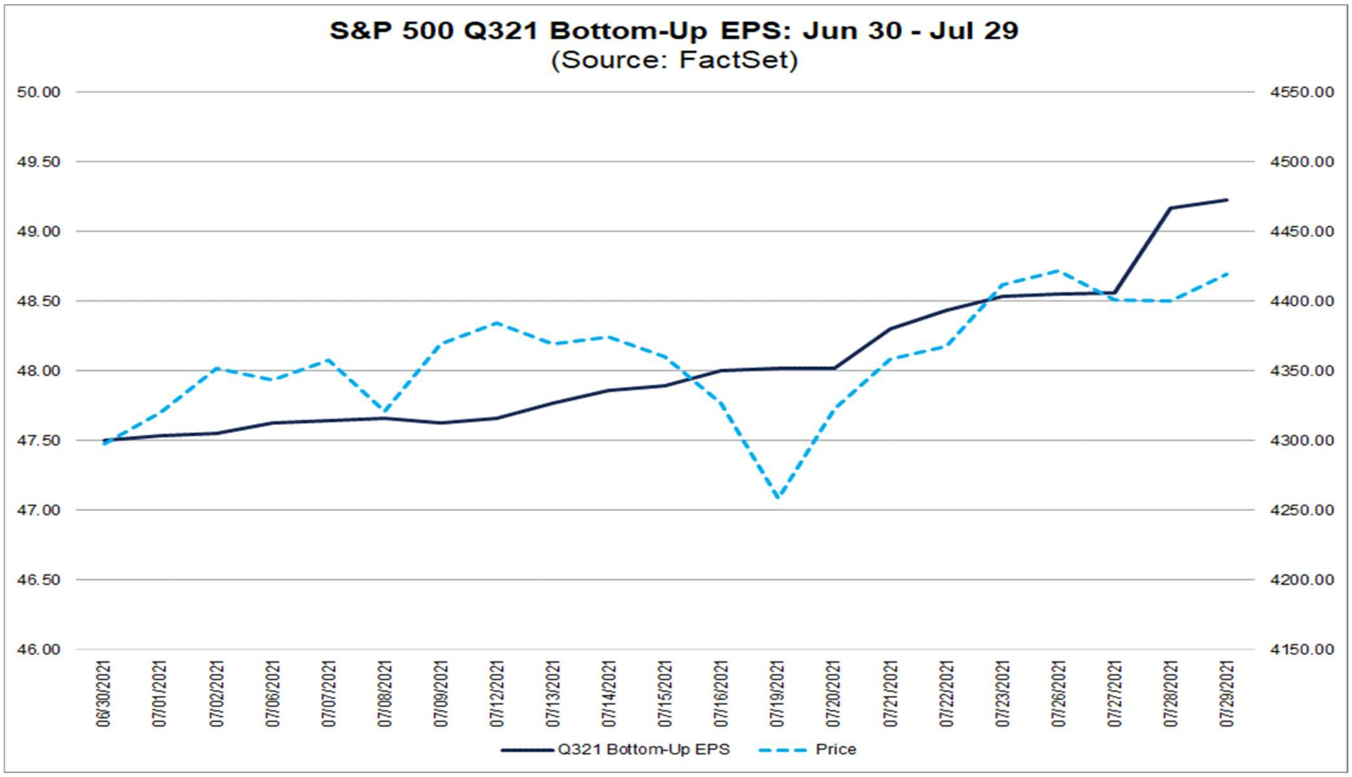
In a typical quarter, analysts usually reduce earnings estimates during the first month of the quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.7%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 2.1%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 2.2%.

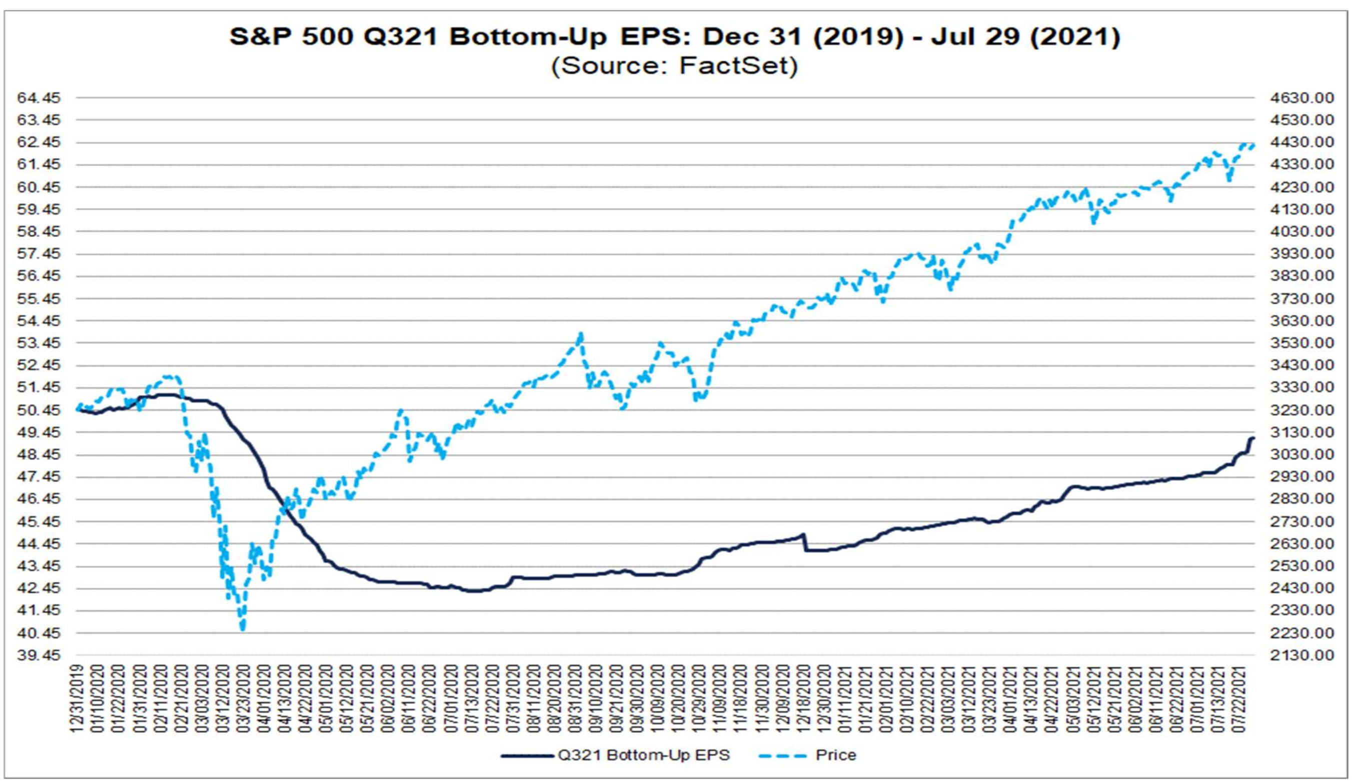
In fact, the third quarter marked the marked the fifth straight quarter in which the bottom-up EPS estimate increased during the first month of the quarter, which is the longest streak since FactSet began tracking this metric in 2002. The previous record was four quarters, which occurred in Q1 2004 through Q4 2004. However, it should be noted that the third quarter also marked the first quarter during this streak in which the percentage increase in the bottom-up EPS estimate was lower compared to the prior quarter. Despite the smaller increase in the first month of Q3 2021 compared to the first month of Q2 2021, the third quarter still marked the third-largest increase in the bottom-up EPS estimate during the first month of a quarter since Q2 2010.

At the sector level, nine sectors recorded an increase in their bottom-up EPS estimate for Q3 during the first month of the quarter, led by the Energy (+14.0%) and Materials (+8.8%) sectors. On the other hand, two sectors recorded a decline in their bottom-up estimate for Q3 during this period, led by the Consumer Staples (-2.1%) sector.

As the bottom-up EPS estimate for the index increased during the first month of the quarter, the value of the S&P 500 also increased during this same period. From June 30 through July 29, the value of the index increased by 2.8% (to 4419.15 from 4297.50). If the price of the index does not close below 4297.50 today, the third quarter will mark just the fourth time in the past 20 quarters (5 years) in which both the bottom-up EPS estimate for the index and the value of the index increased during the first month of a quarter.




S&P 500 Q321 Bottom-Up EPS: Jun 30 - Jul 29
(Source: FactSet)
Q321 Bottom-Up EPS
Price


S&P 500 Q321 Bottom-Up EPS: Dec 31 (2019) - Jul 29 (2021)
(Source: FactSet)
Q321 Bottom-Up EPS
Price

Q2 Earnings Season: By The Numbers

Overview

At this point in time, more S&P 500 companies are beating EPS estimates for the second quarter than average, and beating EPS estimates by a wider margin than average. As a result, the index is reporting higher earnings for the second quarter today relative to the end of last week and relative to the end of the quarter. The index is currently reporting the highest year-over-year growth in earnings since Q4 2009. Analysts also expect double-digit earnings growth for the second half of 2021. These above-average growth rates are due to a combination of higher earnings for 2021 and an easier comparison to weaker earnings in 2020 due to the negative impact of COVID-19 on a number of industries.

Overall, 59% of the companies in the S&P 500 have reported actual results for Q2 2021 to date. Of these companies, 88% have reported actual EPS above estimates, which is above the 5-year average of 75%. If 88% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008. In aggregate, companies are reporting earnings that are 17.2% above estimates, which is also above the 5-year average of 7.8%. If 17.2% is the final percentage for the quarter, it will mark the fourth-largest earnings surprise percentage reported by the index since FactSet began tracking this metric in 2008.

Due to the number and magnitude of these positive EPS surprises, the index is reporting higher earnings for the second quarter today relative to the end of last week and relative to the end of the second quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the second quarter is 85.1% today, compared to an earnings growth rate of 74.1% last week and an earnings growth rate of 63.1% at the end of the second quarter (June 30**)**. Positive earnings surprises reported by companies in multiple sectors (led by the Information Technology and Communication Services sectors) were responsible for the improvement in overall earnings for the index during the past week. Positive earnings surprises reported by companies in the Financials, Information Technology, and Communication Services sectors have been the largest contributors to the overall increase in earnings for the index since the end of the second quarter.

If 85.1% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth reported by the index since Q4 2009 (109.1%). The unusually high growth rate is due to a combination of higher earnings in Q2 2021 and an easier comparison to lower earnings in Q2 2020 due to the negative impact of COVID-19 on a number of industries. All eleven sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, Financials, Consumer Discretionary, and Materials sectors.

In terms of revenues, 88% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 65%. If 88% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive revenue surprise since FactSet began tracking this metric in 2008. In aggregate, companies are reporting revenues that are 4.5% above the estimates, which is also above the 5-year average of 1.2%. If 4.5% is the final percentage for the quarter, it will mark the largest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008.

Due to the number and magnitude of these positive revenue surprises, the blended revenue growth rate for the second quarter is higher now relative to the end of last week and relative to the end of the second quarter. As of today, the S&P 500 is reporting year-over-year growth in revenues of 23.1%, compared to year-over-year growth in revenues of 21.0% last week and year-over-year growth in revenues of 19.4% at the end of the second quarter (June 30). Positive revenue surprises reported by companies in multiple sectors (led by the Communication Services, Information Technology, and Energy sectors) were responsible for the increase in overall revenues for the index over the past week. Positive revenue surprises reported by companies in the Communication Services, Energy, Financials, and Information Technology sectors have been the largest contributors to the increase in the overall revenues for the index since the end of the second quarter.

If 23.1% is the actual growth rate for the quarter, it will mark the highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008. All eleven sectors are reporting year-over-year growth in revenues, led by the Energy, Materials, Consumer Discretionary, and Communication Services sectors.

Looking at future quarters, analysts also project double-digit earnings growth for the remaining two quarters of 2021.

The forward 12-month P/E ratio is 21.2, which is above the 5-year average and above the 10-year average.

During the upcoming week, 148 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the second quarter.

Scorecard: Companies Reporting Record or Near-Record Performances vs. Estimates

Percentage of Companies Beating EPS Estimates (88%) is at Record-High Level

Overall, 59% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 88% have reported actual EPS above the mean EPS estimate, 2% have reported actual EPS equal to the mean EPS estimate, and 9% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year (83%) average and above the 5-year (75%) average.

If 88% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008. The current record is 86%, which occurred in Q1 2021.

At the sector level, the Information Technology (98%) and Health Care (97%) sectors have the highest percentages of companies reporting earnings above estimates, while the Materials (71%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+17.2%) is Near Record-High Level

In aggregate, companies are reporting earnings that are 17.2% above expectations. This surprise percentage is below the 1-year (+19.7%) average but above the 5-year (+7.8%) average.

If 17.2% is the final percentage for the quarter, it will mark the fourth-largest earnings surprise percentage reported by the index since FactSet began tracking this metric in 2008. The current record is 23.1%, which occurred in Q2 2020.

The Consumer Discretionary (+30.8%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Ford Motor ($0.13 vs. -$0.03), V.F. Corporation ($0.27 vs. $0.11), Hasbro ($1.05 vs. $0.47), and NIKE ($0.93 vs. $0.51) have reported the largest positive EPS surprises.

The Financials (+27.4%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, PNC Financial Services Group ($2.43 vs. $1.09), Cincinnati Financial Corporation ($1.79 vs. $0.99), Hartford Financial Services Group ($2.33 vs. $1.34), and American Express ($2.80 vs. $1.63) have reported the largest positive EPS surprises.

The Communication Services (+23.7%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Twitter ($0.20 vs. $0.07), Interpublic Group of Companies ($0.70 vs. $0.44), T-Mobile ($0.78 vs. $0.51), and Alphabet ($27.26 vs. $19.33) have reported the largest positive EPS surprises.

Market Rewarding Positive Earnings Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q2 2021 have seen an average price increase of +1.0% two days before the earnings release through two days after the earnings release. This percentage increase is larger than the 5-year average price increase of +0.8% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q2 2021 have seen an average price decrease of -0.9% two days before the earnings release through two days after the earnings. This percentage decrease is smaller than the 5-year average price decrease of -2.4% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (88%) is at Record-High Level

In terms of revenues, 88% of companies have reported actual revenues above estimated revenues and 12% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (74%) and above the 5-year average (65%).

If 88% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive revenue surprise since FactSet began tracking this metric in 2008. The current record is 79%, which occurred in Q3 2020.

At the sector level, the Communication Services (100%), Health Care (97%), Information Technology (95%), and Consumer Staples (95%) sectors have the highest percentages of companies reporting revenues above estimates, while the Materials (64%) and Utilities (67%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+4.5%) is at Record-High Level

In aggregate, companies are reporting revenues that are 4.5% above expectations. This surprise percentage is above the 1-year (+2.8%) average and above the 5-year (+1.2%) average.

If 4.5% is the final percentage for the quarter, it will mark the largest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008. The current record is 3.8%, which occurred in Q1 2021.

At the sector level, the Energy (+7.6%), Communication Services (+6.1%), Financials (+5.7%), and Information Technology (+5.6%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-0.3%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings Growth Led By Technology and Communications Sectors

Increase in Blended Earnings Growth Rate This Week Led By Technology and Communications Sectors

The blended (year-over-year) earnings growth rate for the second quarter is 85.1%, which is larger than the earnings growth rate of 74.1% last week. Positive earnings surprises reported by companies in multiple sectors, led by the Information Technology and Communication Services sectors, were responsible for the increase in the overall earnings growth rate for the index during the week.

In the Information Technology sector, the positive EPS surprises reported by Apple ($1.30 vs. $1.01) and Microsoft ($2.17 vs. $1.92) were substantial contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Information Technology sector increased to 45.6% from 33.2% over this period.

In the Communications Services sector, the positive EPS surprises reported by Alphabet ($27.26 vs. $19.33), Facebook ($3.61 vs. $3.04), and Comcast ($0.84 vs. $0.66) were significant contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Communication Services sector increased to 70.7% from 46.0% over this period.

Increase in Blended Revenue Growth This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the second quarter is 23.1%, which is larger than the revenue growth rate of 21.0% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Communication Services, Information Technology, and Energy sectors) were responsible for the increase in overall revenues for the index over the past week.

Financials Sector Has Seen Largest Increase in Earnings since June 30

The blended (year-over-year) earnings growth rate for Q2 2021 of 85.1% is larger than the estimate of 63.1% at the end of the second quarter (June 30). Ten sectors have recorded an increase in their earnings growth rate since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Consumer Discretionary (to 261.1% from 204.5%), Industrials (to 403.5% from 347.6%), and the Financials (to 170.8% from 115.9%), Industrials (to 401.0% from 347.7%), and Consumer Discretionary (to 244.9% from 205.1%) sectors. However, the Financials, Information Technology, and Communication Services sectors have been the largest contributors to the increase in the earnings growth rate for the index during this period.

In the Financials sector, the positive EPS surprises reported by Bank of America ($1.03 vs. $0.77), JPMorgan Chase ($3.78 vs $3.20), Goldman Sachs ($15.02 vs. $10.26), Wells Fargo ($1.38 vs. $0.98), Citigroup ($2.85 vs. $1.97), Capital One Financial ($7.71 vs. $4.62), and American Express ($2.80 vs. $1.63) have been substantial contributors to the increase in the earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Financials sector has increased to 170.8% from 115.9% over this period.

In the Information Technology sector, the positive EPS surprises reported by Apple ($1.30 vs. $1.01) and Microsoft ($2.17 vs $1.92) have been significant contributors to the increase in the earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Information Technology sector has increased to 45.8% from 30.5% over this period.

In the Communication Services sector, the positive EPS surprises reported by Alphabet ($27.26 vs. $19.33) and Facebook ($3.61 vs $3.04) have been substantial contributors to the increase in the earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Communication Services sector has increased to 72.3% from 41.0% over this period.

Communication Services Sector Has Seen Largest Increase in Revenues since June 30

The blended (year-over-year) revenue growth rate for Q2 2021 of 23.1% is larger than the estimate of 19.4% at the end of the second quarter (June 30). All eleven sectors have recorded an increase in revenue growth since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Energy (101.4% from 86.6%) and Communication Services (to 30.2% from 23.5%) sectors. These two sectors have also been the largest contributors to the increase in the revenue growth rate for the index during this period.

Earnings Growth: 85.1%

The blended (year-over-year) earnings growth rate for Q2 2021 is 85.1%, which is well above the 5-year average earnings growth rate of 7.1%. If 85.1% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth reported by the index since Q4 2009 (109.1%). The unusually high growth rate is due to a combination of higher earnings in Q2 2021 and an easier comparison to lower earnings in Q2 2020 due to the negative impact of COVID-19 on a number of industries. All eleven sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, Consumer Discretionary, Financials, and Materials sectors.

Energy: Exxon Mobil and Chevron Are Largest Contributors to Higher Year-Over-Year Earnings

The Energy sector is reporting earnings of $14.9 billion for Q2 2021 compared to a loss of -$10.6 billion in Q2 2020. Thus, a year-over-year growth rate is not being calculated for the Energy sector due to the loss reported by the sector in Q2 2020. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q2 2021 ($66.17) was 136% above the average price for oil in Q2 2020 ($28.00). At the sub-industry level, all five sub-industries in the sector are reporting a year-over-year increase in earnings. A growth rate is not being calculated for three of these five sub-industries due to losses reported in the year-ago quarter. However, all three are reporting profits in Q2 2021: Integrated Oil & Gas, Oil & Gas Exploration & Production, and Oil & Gas Refining & Marketing. The other two sub-industries that are reporting year-over-year growth are the Oil & Gas Equipment & Services (1,381%) and Oil & Gas Storage & Transportation (45%) sub-industries. At the company level, Exxon Mobil and Chevron are the largest contributors to the year-over-year improvement in earnings for the sector. Combined, these two companies account for $13.9 billion of the $25.6 billion year-over-year increase in earnings for the sector.

Industrials: Airlines Industry is Largest Contributor to Year-Over-Year Growth

The Industrials sector is reporting to the highest (year-over-year) earnings growth rate of all eleven sectors at 403.5%. At the industry level, all 12 industries in the sector are reporting a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to a loss reported in the year-ago quarter. However, this industry reported a smaller loss in Q2 2021 (-$3.3 billion) relative to Q2 2020 (-$11.5 billion). The remaining eleven industries are all reporting (or are expected to report) double-digit earnings growth. Six of these eleven industries are reporting earnings growth of more than 50%: Industrial Conglomerates (313%), Aerospace & Defense (219%), Machinery (91%), Road & Rail (72%), Air Freight & Logistics (61%), and Electrical Equipment (59%). The Airlines industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 93.3% from 403.5%.

Consumer Discretionary: Hotels, Restaurants & Leisure Industry Is Largest Contributor to Growth

The Consumer Discretionary sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 261.1%. At the industry level, nine of the ten industries in this sector are reporting (or are expected to report) a year-over-year improvement in earnings. A growth rate is not being calculated for four of these nine industries due to losses reported in the year-ago quarter. However, all four industries are reporting (or are projected to report) profits in Q2 2021: Automobiles, Textiles, Apparel & Luxury Goods, Auto Components, and Hotels, Restaurants, & Leisure. The other five industries are reporting double-digit earnings growth: Leisure Products (5,171%), Household Durables (93%), Distributors (68%), Internet & Direct Marketing Retail (40%), and Specialty Retail (33%). The only industry expected to report a year-over-year decline in earnings is the Multiline Retail (-8%) industry. The Hotels, Restaurants, & Leisure industry is also the largest contributor to earnings growth for the sector, as this industry is reporting a profit of $4 million in Q2 2021 compared to a loss of $7.7 billion in Q2 2020. If this industry were excluded, the blended earnings growth rate for the Consumer Discretionary sector would fall to 99.4% from 261.1%.

Financials: Banks Industry Is Largest Contributor to Year-Over-Year Growth

The Financials sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 170.8%. At the industry level, all five industries in this sector are reporting (or are expected to report) a year-over-year improvement in earnings. A growth rate is not being calculated for the Consumer Finance industry due to a loss reported in the year-ago quarter. However, this industry reported a profit in Q2 2021 ($8.6 billion) relative to the loss in Q2 2020 (-$832 million). Three of the other four industries are reporting earnings growth of more than 35%: Banks (420%), Insurance (78%), and Capital Markets (40%). The Banks industry is also the largest contributor to growth for the sector. If this industry were excluded, the blended earnings growth rate for the Financials sector would fall to 88.8% from 170.8%.

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

The Materials sector is reporting the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 132.4%. At the industry level, all four industries in this sector are reporting year-over-year growth. Two of these four industries are reporting growth of more than 100%: Metals & Mining (715%) and Chemicals (127%). The Metals & Mining industry is also the largest contributor to year-over-year growth in earnings for the sector. If this industry were excluded, the blended earnings growth rate for the Materials sector would fall to 97.5% from 132.4%.

Revenue Growth: 23.1%

The blended (year-over-year) revenue growth rate for Q2 2021 is 23.1%, which is well above the 5-year average revenue growth rate of 4.5%. If 23.1% is the actual growth rate for the quarter, it will mark the highest year-over-year revenue growth reported by the index since FactSet began tracking this metric in 2008. The current record is 12.7%, which occurred in Q2 2011. The unusually high growth rate is due to a combination of higher revenues in Q2 2021 and an easier comparison to lower revenues in Q2 2020 due to the negative impact of COVID-19 on a number of industries. All eleven sectors are reporting year-over-year growth in revenues, led by the Energy, Materials, Consumer Discretionary, and Communication Services sectors.

Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Growth Above 90%

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 101.4%. Higher year-over-year oil prices are contributing to the year-over-year improvement in revenues for this sector, as the average price of oil in Q2 2021 ($66.17) was 136% above the average price for oil in Q2 2020 ($28.00). At the sub-industry level, all five sub-industries in the sector are reporting year-over-year growth in revenues. Three of these five sub-industries are reporting revenue growth above 90%: Oil & Gas Exploration & Production (185%), Integrated Oil & Gas (127%), and Oil & Gas Refining & Marketing (95%).

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

The Materials sector is reporting the second-highest (year-over-year) revenue growth of all eleven sectors at 36.5%. At the industry level, all four industries in this sector are reporting (year-over-year growth in revenues, with three of these four industries reporting double-digit growth: Metals & Mining (81%), Chemicals (38%), and Containers & Packaging (15%).

Consumer Discretionary: 5 of 10 Industries Reporting Year-Over-Year Growth Above 50%

The Consumer Discretionary sector is reporting the third-highest (year-over-year) revenue growth of all eleven sectors at 32.9%. At the industry level, all ten industries in this sector are reporting (or are predicted to report) growth in revenues. Nine of these ten industries are reporting (or are predicted to report) double-digit growth, with five of these nine industries reporting (or are projected to report) earnings growth above 50%: Hotels, Restaurants, & Leisure (108%), Auto Components (108%), Textiles, Apparel, & Luxury Goods (76%), Automobiles (63%), and Leisure Products (54%).

Communication Services: Interactive Media & Services Industry Leads Year-Over-Year Growth

The Communication Services industry is reporting the fourth-highest (year-over-year) revenue growth of all eleven sectors at 30.2%. At the industry level, all five industries in this sector are reporting growth in revenues. Four of these five industries are reporting double-digit growth, led by the Interactive Media & Services (61%) industry.

Net Profit Margin: 12.9%

The blended net profit margin for the S&P 500 for Q2 2021 is 12.9%, which is above the 5-year average of 10.6%, above the year-ago net profit margin of 8.6%, and above the previous quarter's net profit margin of 12.8%.

If 12.9% is the actual net profit margin for the quarter, it will mark the highest net profit margin reported by the index since FactSet began tracking this metric in 2008. The current record is 12.8%, which occurred in the previous quarter.

At the sector level, ten sectors are reporting a year-over-year increase in their net profit margins in Q2 2021 compared to Q2 2020, led by the Financials sector (21.4% vs. 8.6%), Industrials (9.0% vs. 2.3%), and Materials (14.7% vs. 8.6%) sectors. Ten sectors are reporting net profit margins in Q2 2021 that are above their 5-year averages, led by the Financials (21.4% vs. 15.5%) and Materials (14.7% vs. 9.3%) sectors.

Looking Ahead: Forward Estimates and Valuation

Guidance: Above-Average % of S&P 500 Companies Issuing Positive EPS Guidance for Q3

At this point in time, 48 companies in the index have issued EPS guidance for Q3 2021. Of these 48 companies, 19 have issued negative EPS guidance and 29 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 60% (29 out of 48), which is well above the 5-year average of 37%.

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: S&P 500 Expected to Report Earnings Growth of 41% for CY 2021

For the second quarter, S&P 500 companies are reporting earnings growth of 85.1% and revenue growth of 23.1%.

For Q3 2021, analysts are projecting earnings growth of 27.7% and revenue growth of 14.0%.

For Q4 2021, analysts are projecting earnings growth of 21.2% and revenue growth of 10.7%.

For CY 2021, analysts are projecting earnings growth of 40.7% and revenue growth of 13.9%.

For CY 2022, analysts are projecting earnings growth of 9.7% and revenue growth of 6.7%.

Valuation: Forward P/E Ratio is 21.2, Above the 10-Year Average (16.2)

The forward 12-month P/E ratio is 21.2 This P/E ratio is above the 5-year average of 18.1 and above the 10-year average of 16.2. However, it is slightly below the forward 12-month P/E ratio of 21.4 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has increased by 2.8%, while the forward 12-month EPS estimate has increased by 3.7%.

At the sector level, the Consumer Discretionary (31.5) and Information Technology (26.5) sectors have the highest forward 12-month P/E ratios, while the Financials (13.8) and Energy (14.3) sectors have the lowest forward 12-month P/E ratios.

Targets & Ratings: Analysts Project 11% Increase in Price Over Next 12 Months

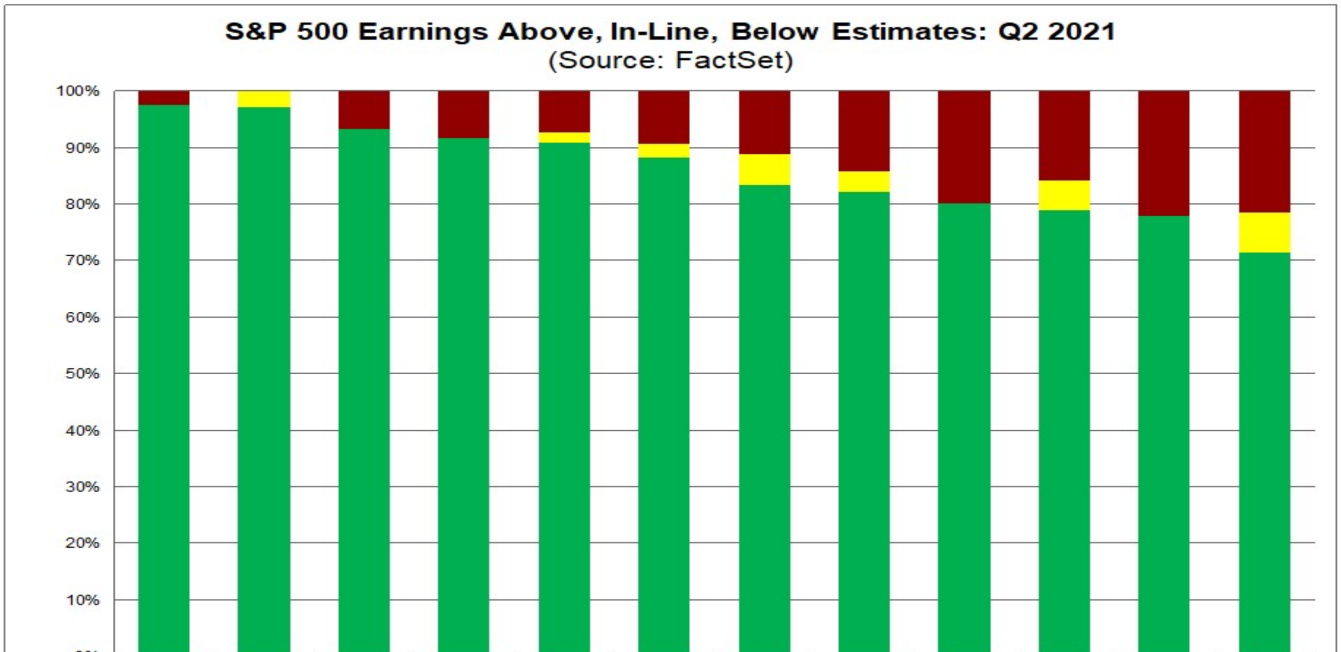
The bottom-up target price for the S&P 500 is 4921.14, which is 11.4% above the closing price of 4419.15. At the sector level, the Energy (+21.8%) and Communication Services (+15.1%) sectors are expected to see the largest price increases, as these two sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Real Estate (+4.7%) 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 10,633 ratings on stocks in the S&P 500. Of these 10,633 ratings, 57.1% are Buy ratings, 36.7% are Hold ratings, and 6.3% are Sell ratings. At the sector level, the Energy (65%), Health Care (63%) Information Technology (62%), and Communication Services (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) sector has the lowest percentage of Buy ratings.

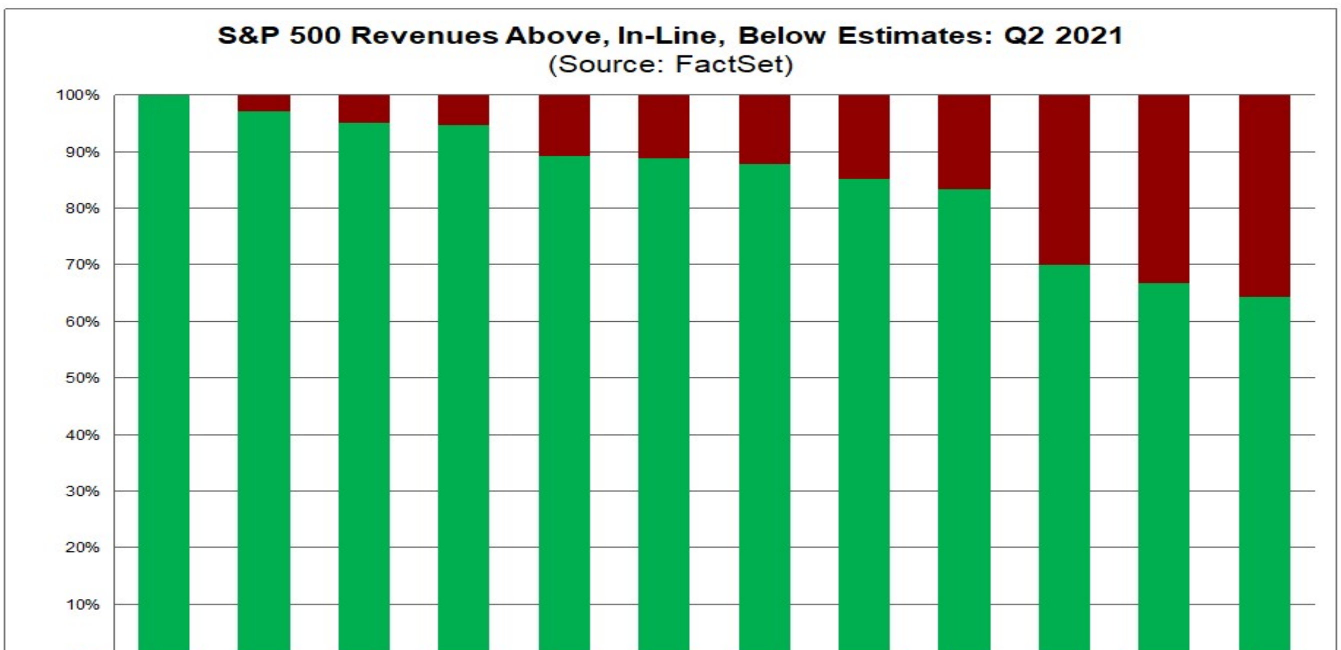
Companies Reporting Next Week: 148

During the upcoming week, 148 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the second quarter.

Q2 2021: Scorecard

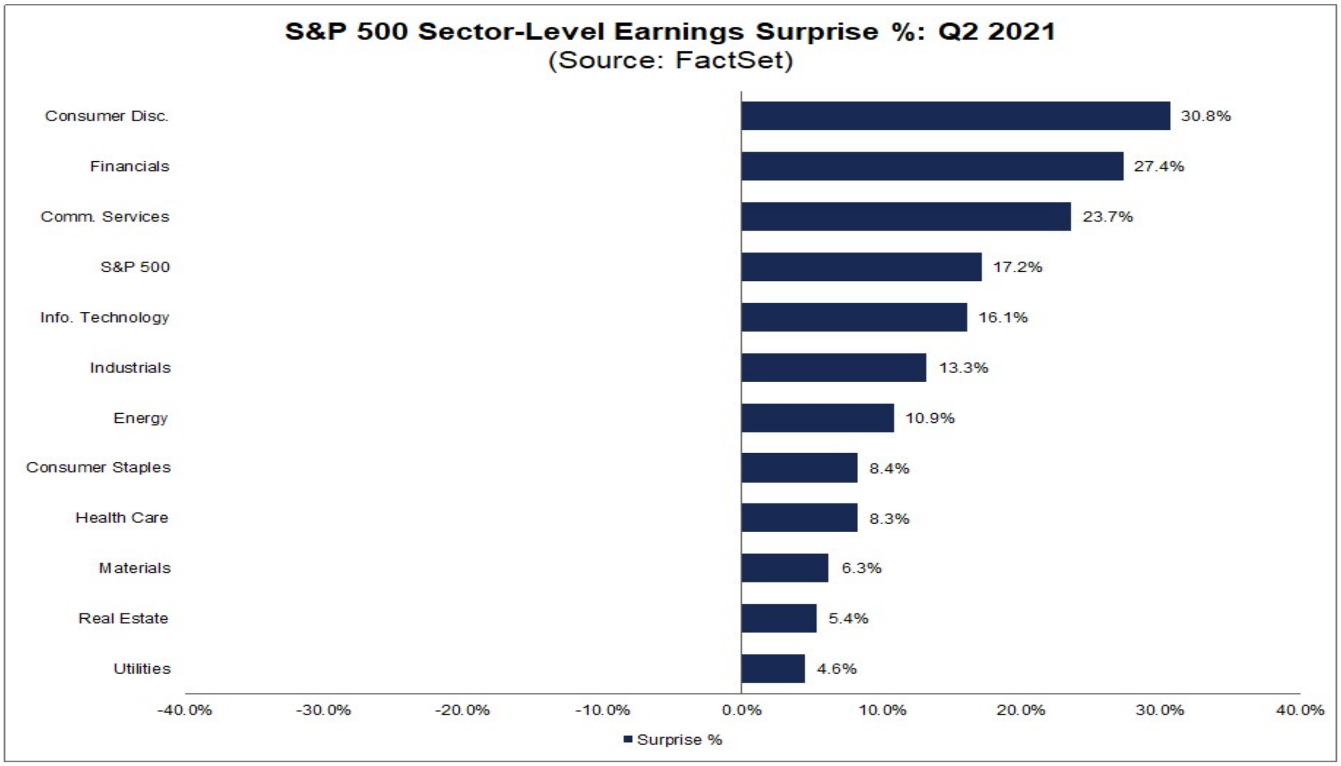


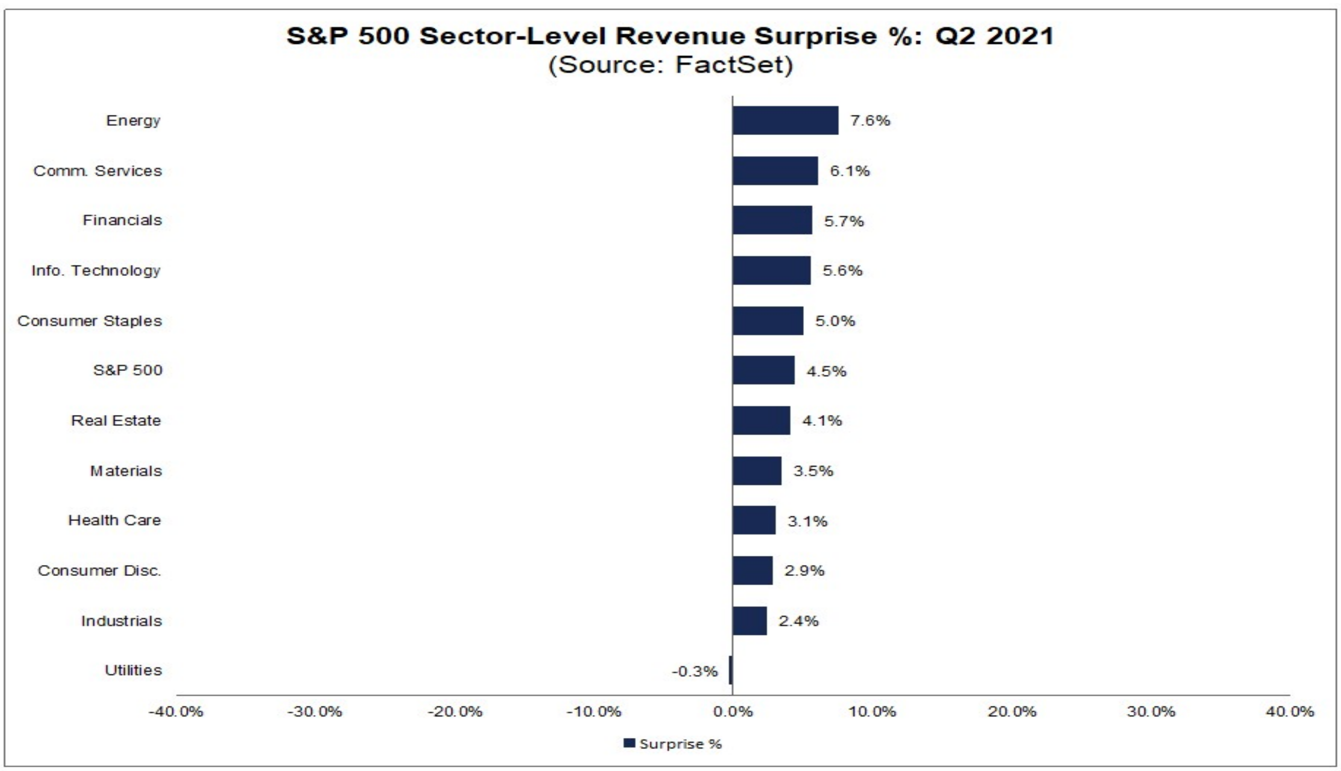
	Info. Technology	Health Care	Consumer Disc.	Comm. Services	Financials	S&P 500	Real Estate	Industrials	Energy	Consumer Staples	Utilities	Materials
Below	3%	0%	7%	8%	7%	9%	11%	14%	20%	16%	22%	21%
In-Line	0%	3%	0%	0%	2%	2%	6%	4%	0%	5%	0%	7%
Above	98%	97%	93%	92%	91%	88%	83%	82%	80%	79%	78%	71%



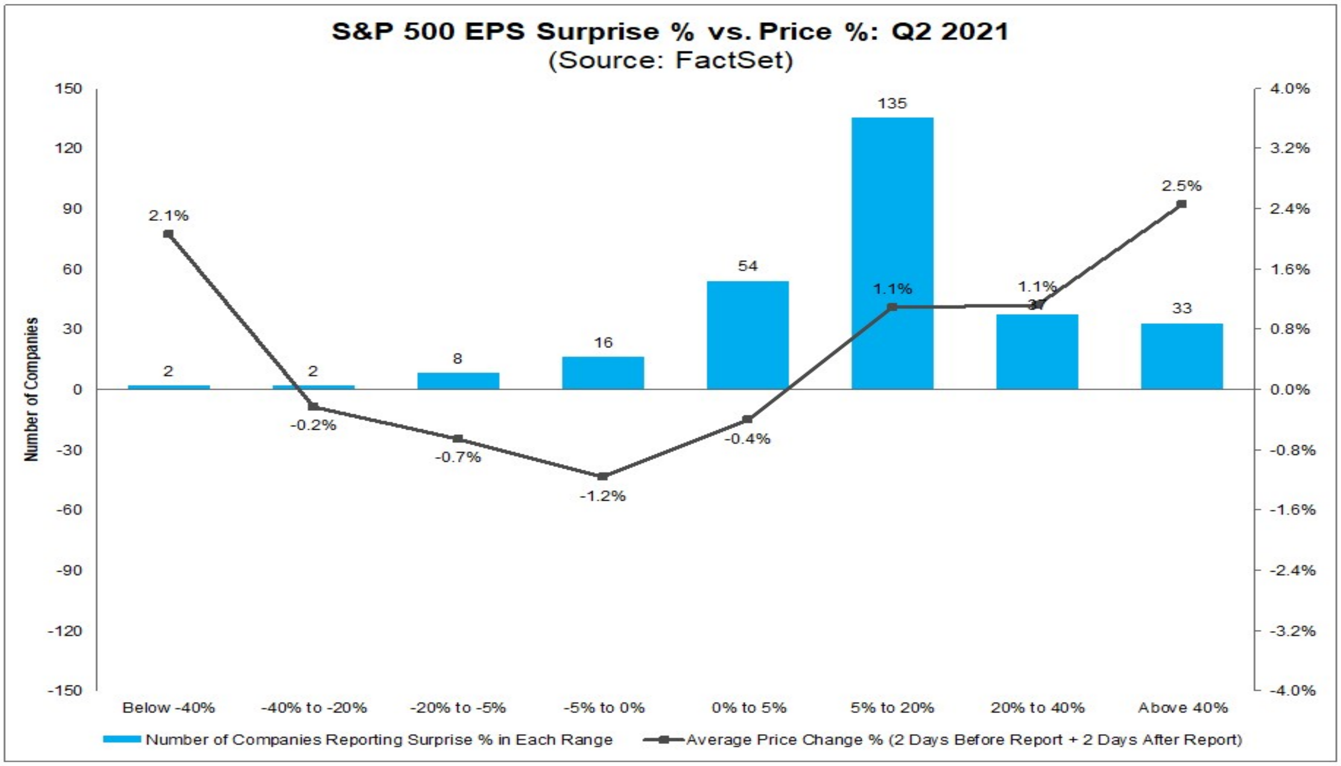
	Comm. Services	Health Care	Info. Technology	Consumer Staples	Industrials	Real Estate	S&P 500	Financials	Consumer Disc.	Energy	Utilities	Materials
Below	0%	3%	5%	5%	11%	11%	12%	15%	17%	30%	33%	36%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	97%	95%	95%	89%	89%	88%	85%	83%	70%	67%	64%

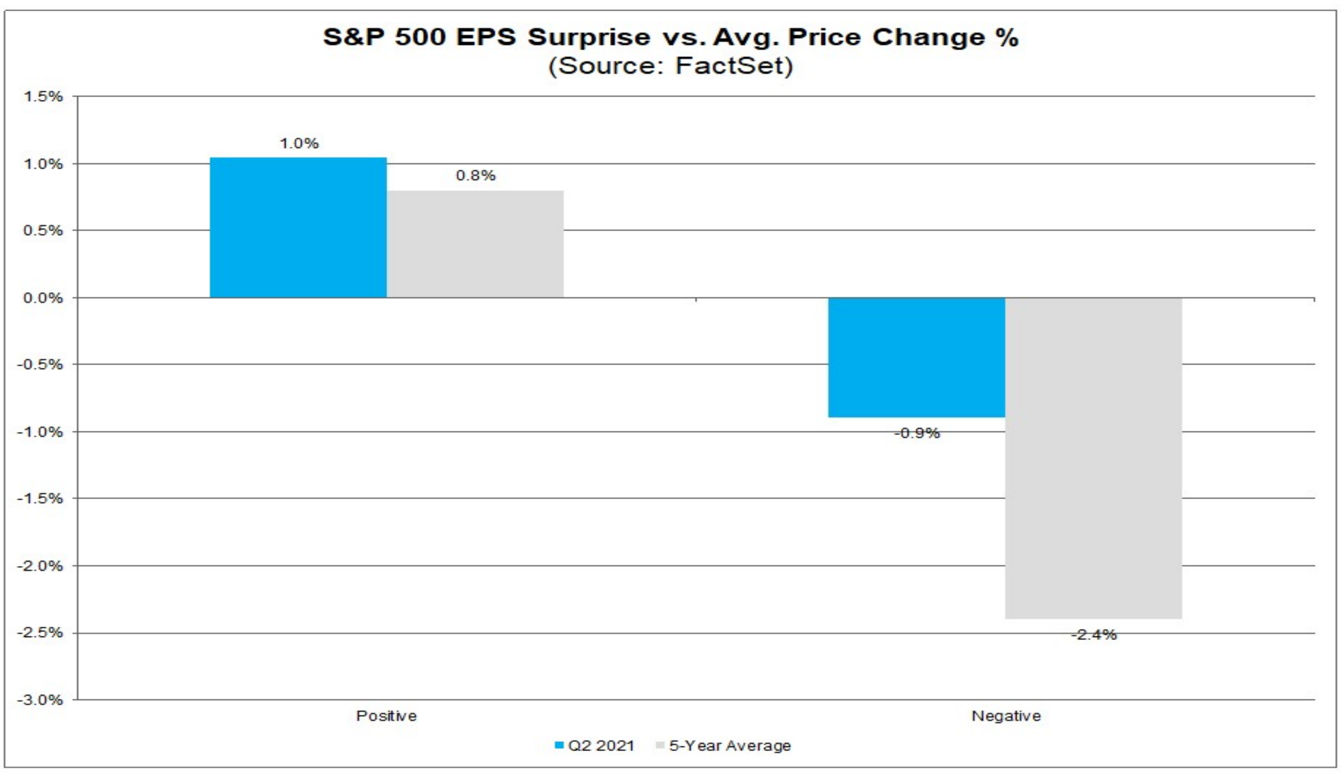
Q2 2021: Scorecard



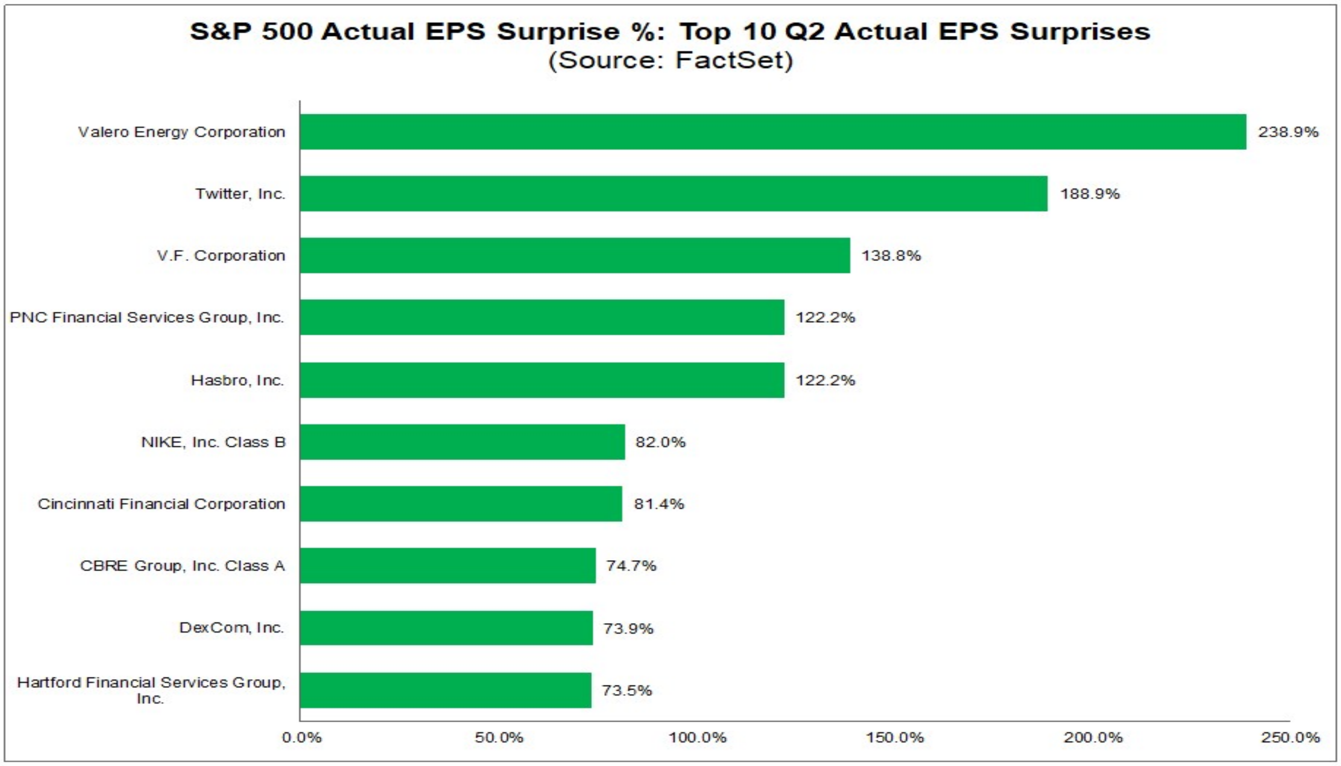


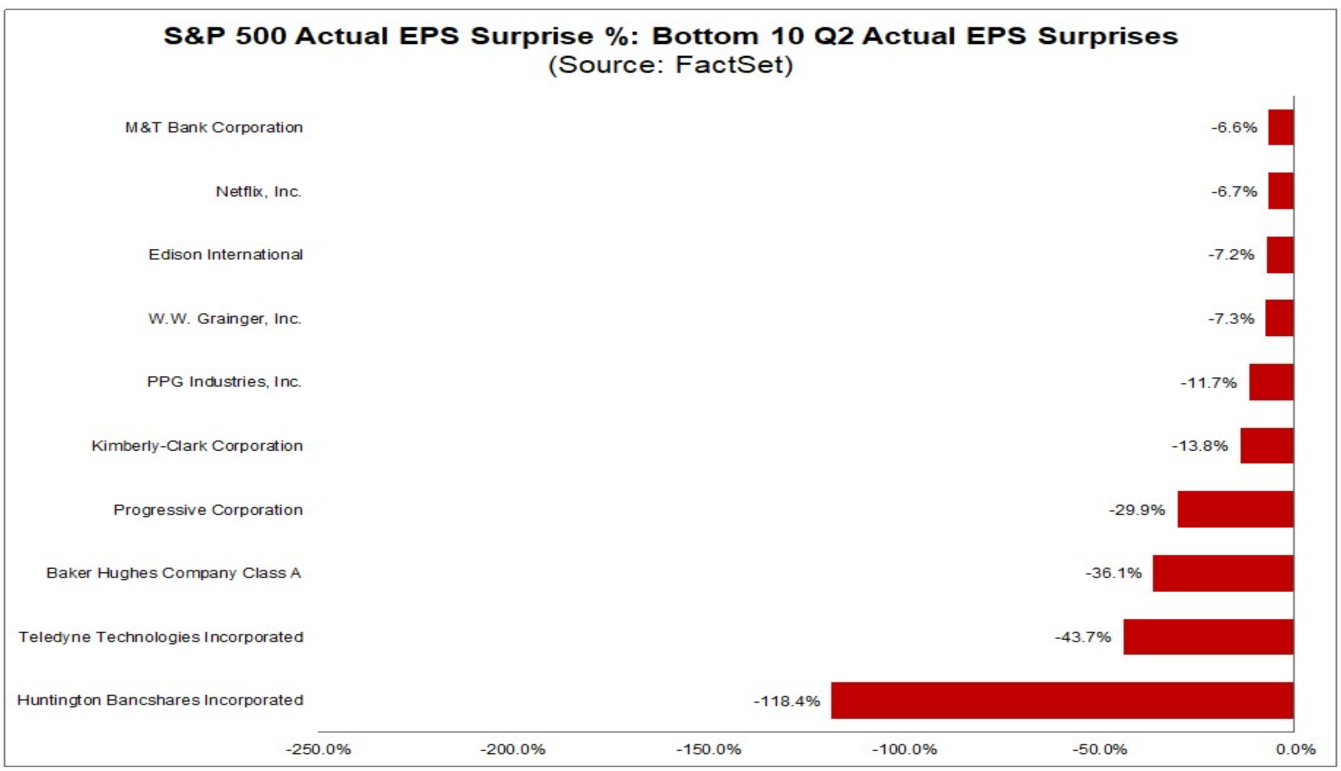
Q2 2021: Scorecard



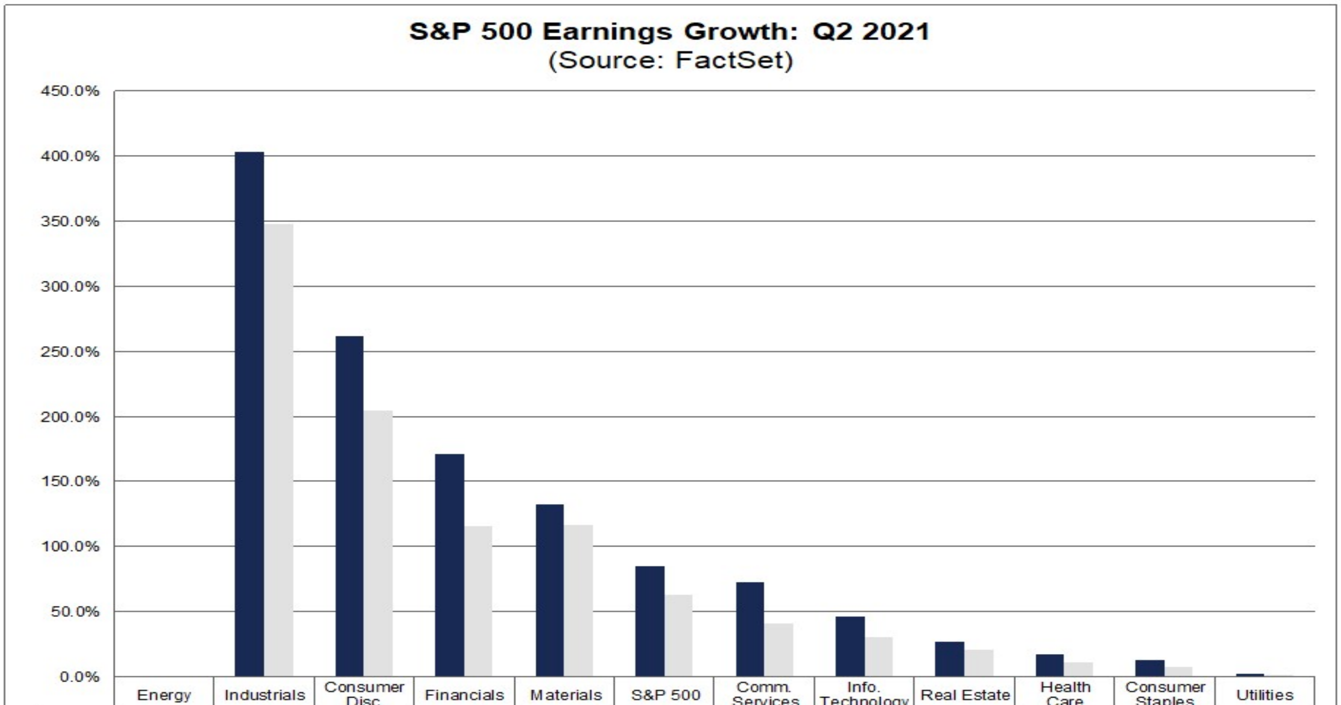


Q2 2021: Scorecard

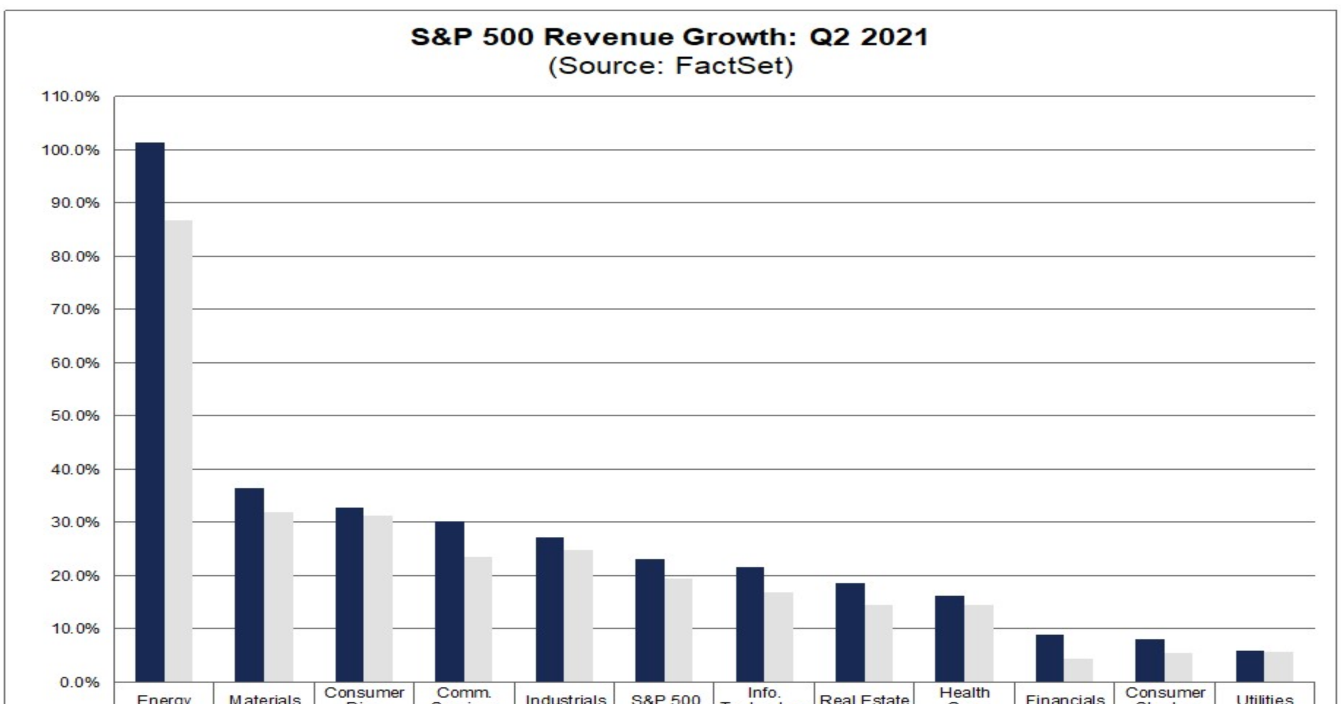




Q2 2021: Growth

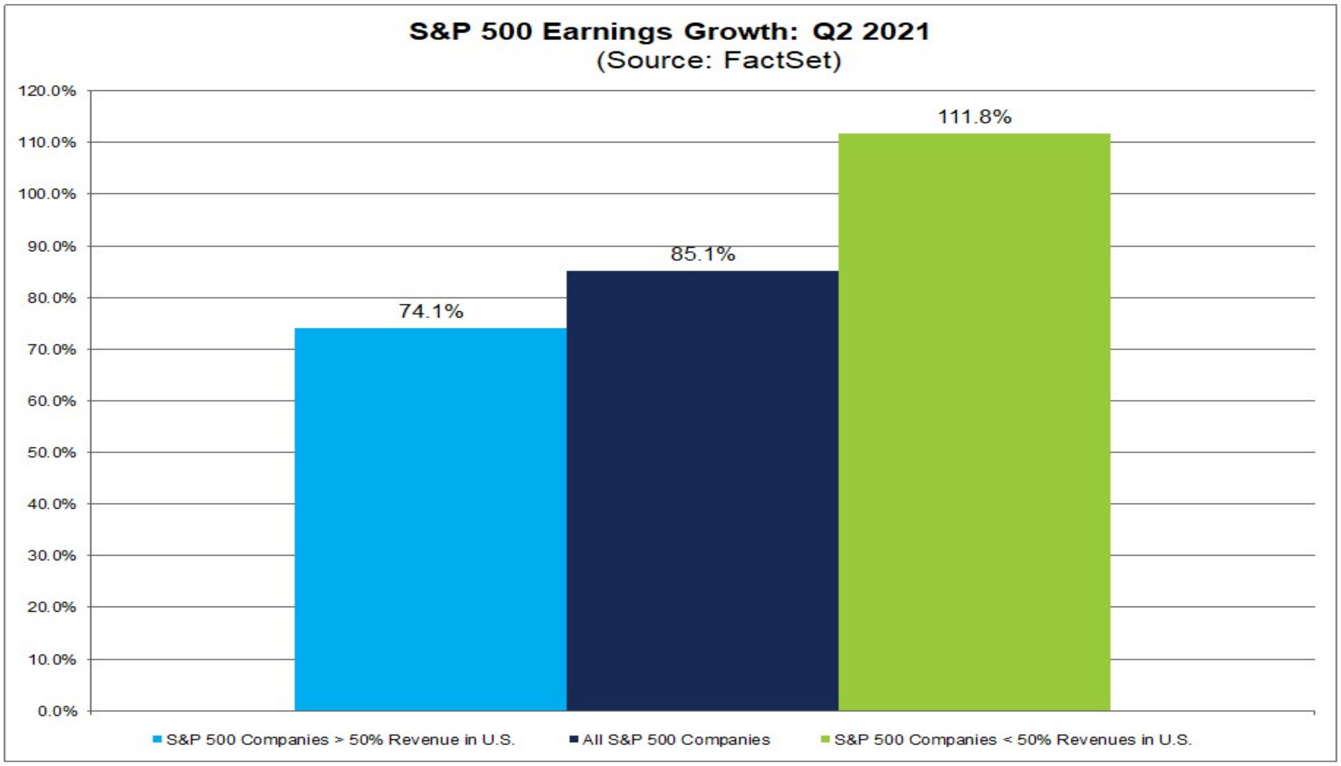


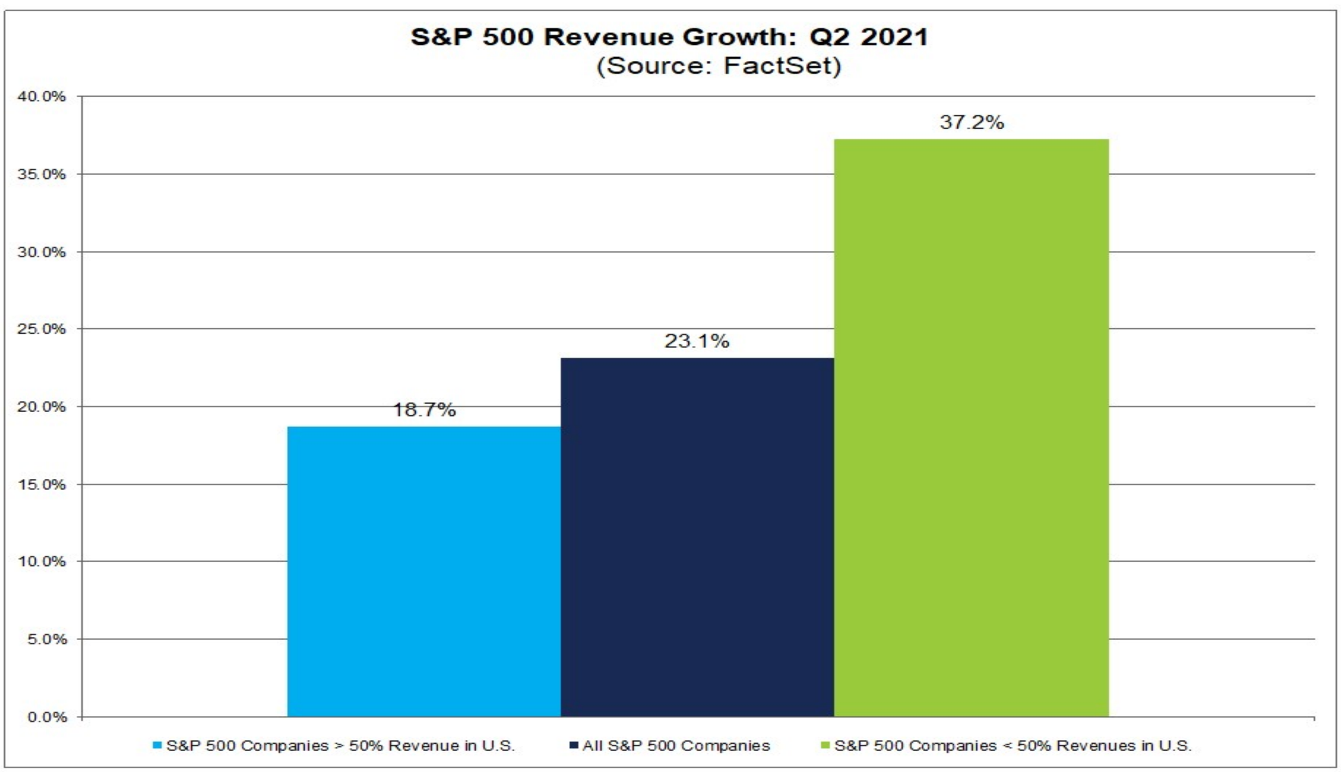
	Energy	Industrials	Consumer Disc.	Financials	Materials	S&P 500	Comm. Services	Info. Technology	Real Estate	Health Care	Consumer Staples	Utilities
Today		403.5%	261.1%	170.8%	132.4%	85.1%	72.3%	45.8%	26.4%	17.4%	12.7%	2.5%
30-Jun		347.6%	204.5%	115.9%	116.1%	63.1%	41.0%	30.5%	20.9%	11.3%	7.0%	0.6%



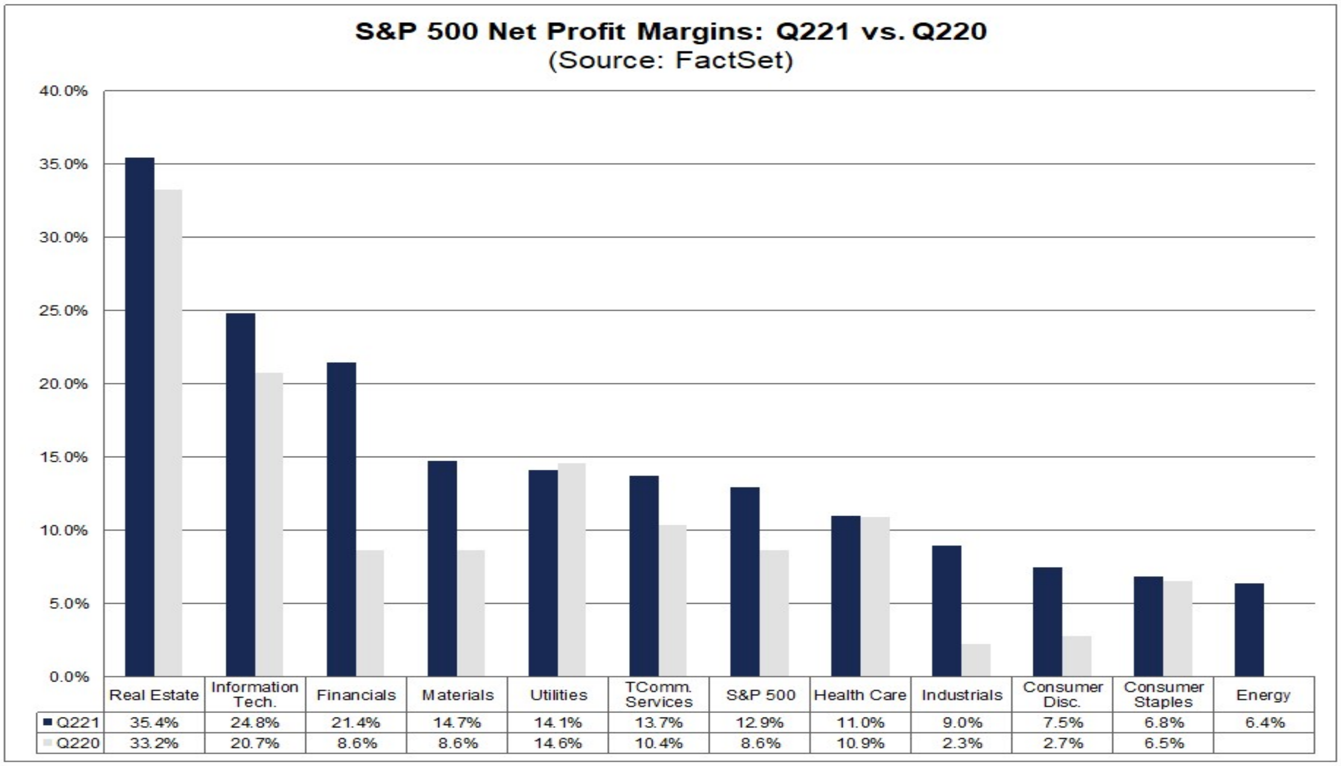
	Energy	Materials	Consumer Disc.	Comm. Services	Industrials	S&P 500	Info. Technology	Real Estate	Health Care	Financials	Consumer Staples	Utilities
Today	101.4%	36.5%	32.9%	30.2%	27.1%	23.1%	21.7%	18.6%	16.3%	8.8%	8.1%	5.9%
30-Jun	86.6%	32.0%	31.2%	23.5%	24.8%	19.4%	16.9%	14.6%	14.6%	4.4%	5.4%	5.7%

Q2 2021: Growth

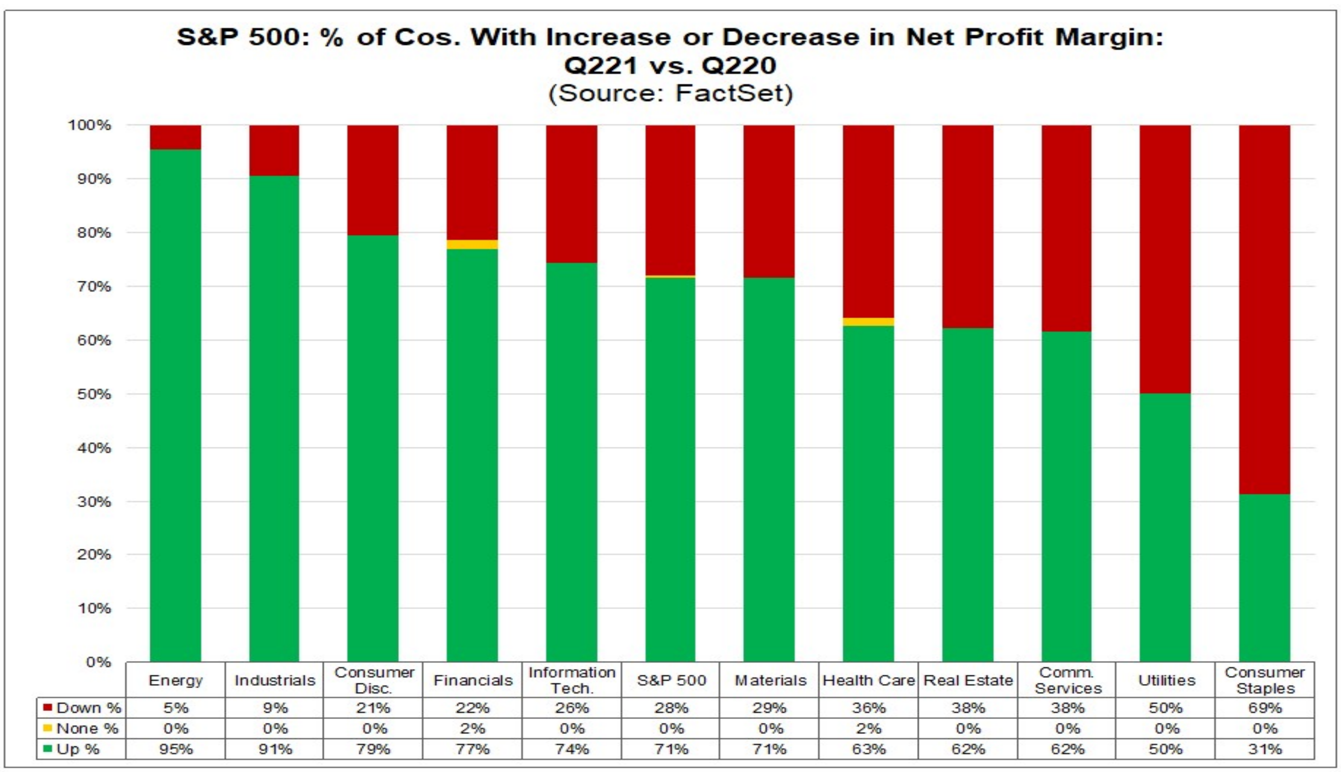




Q2 2021: Net Profit Margin

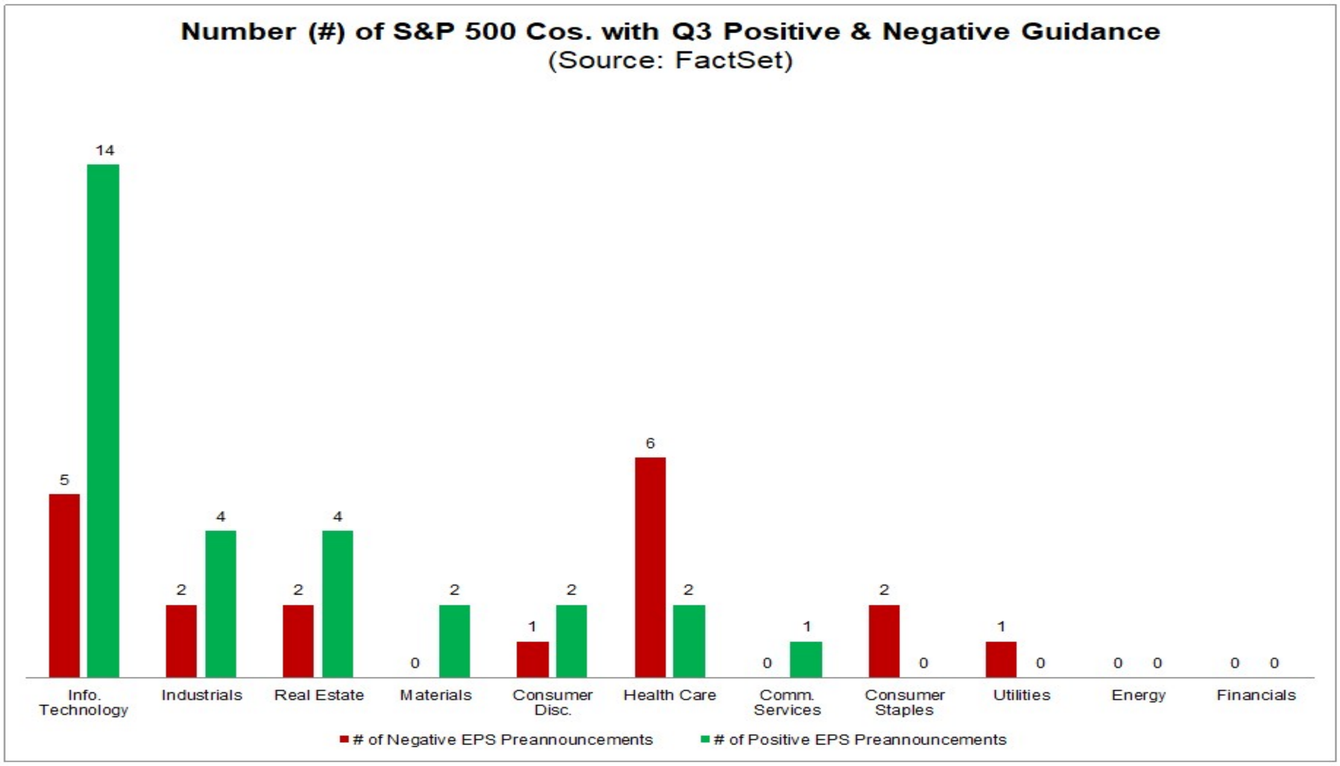


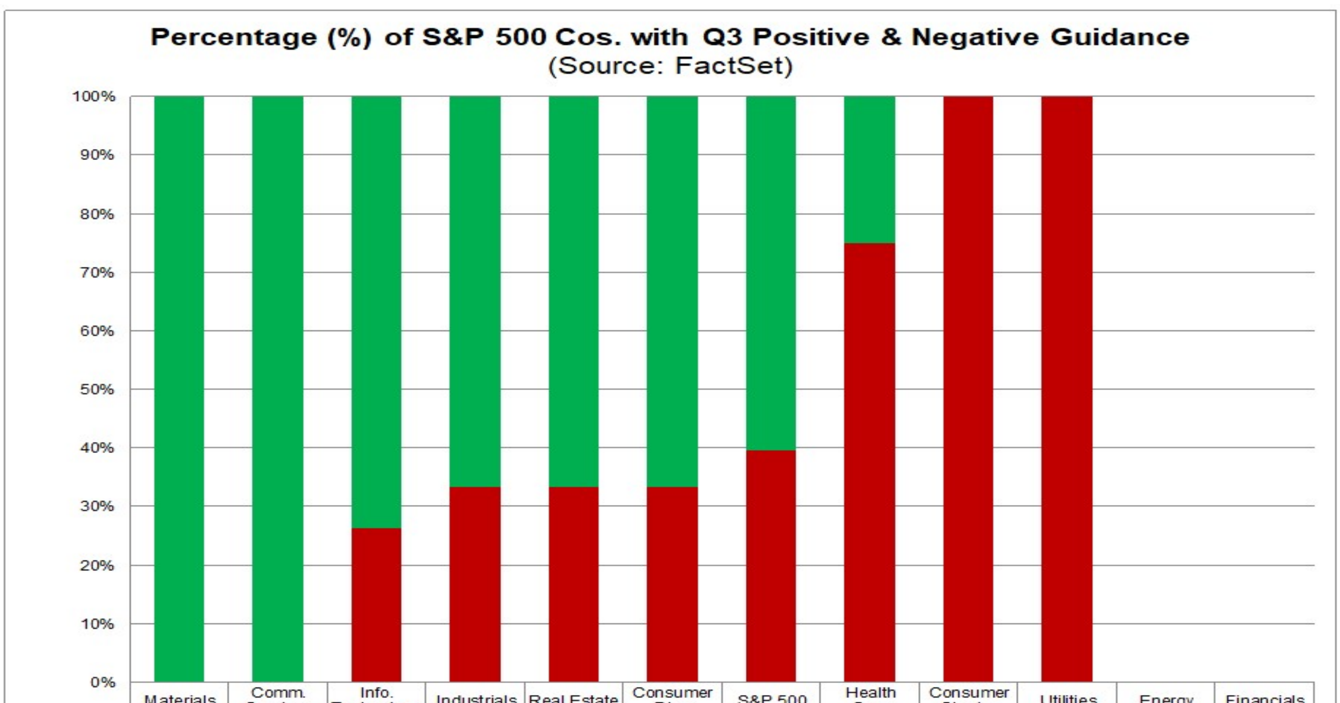
	Real Estate	Information Tech.	Financials	Materials	Utilities	TComm. Services	S&P 500	Health Care	Industrials	Consumer Disc.	Consumer Staples	Energy
Q221	35.4%	24.8%	21.4%	14.7%	14.1%	13.7%	12.9%	11.0%	9.0%	7.5%	6.8%	6.4%
Q220	33.2%	20.7%	8.6%	8.6%	14.6%	10.4%	8.6%	10.9%	2.3%	2.7%	6.5%	



	Energy	Industrials	Consumer Disc.	Financials	Information Tech.	S&P 500	Materials	Health Care	Real Estate	Comm. Services	Utilities	Consumer Staples
Down %	5%	9%	21%	22%	26%	28%	29%	36%	38%	38%	50%	69%
None %	0%	0%	0%	2%	0%	0%	0%	2%	0%	0%	0%	0%
Up %	95%	91%	79%	77%	74%	71%	71%	63%	62%	62%	50%	31%

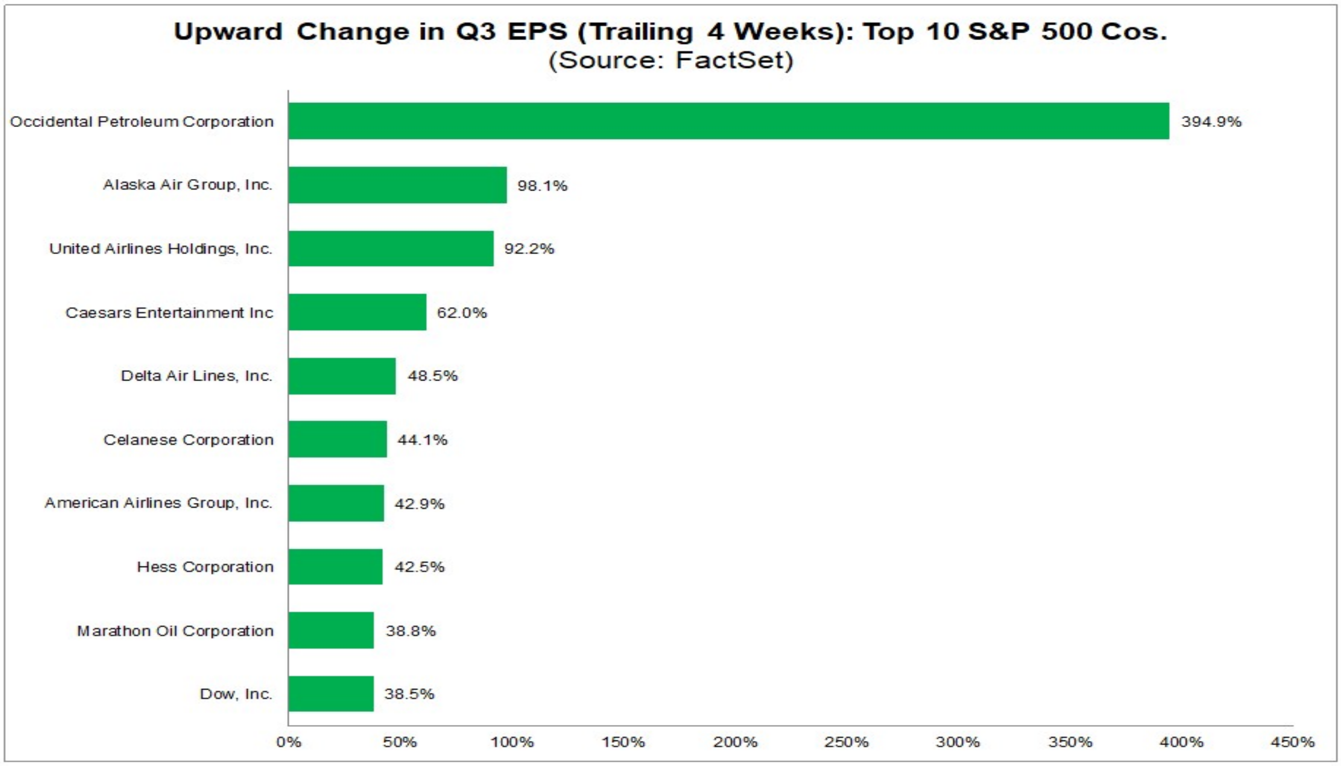
Q3 2021: EPS Guidance

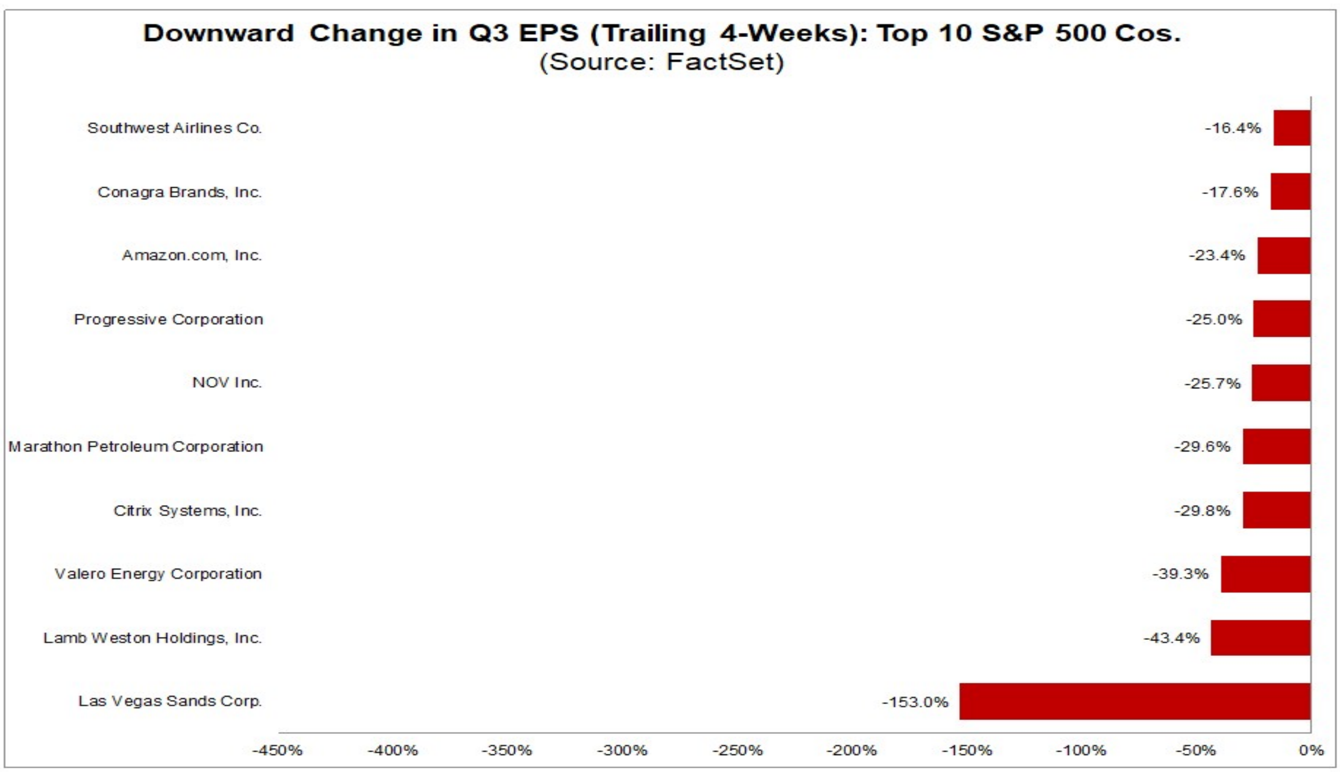




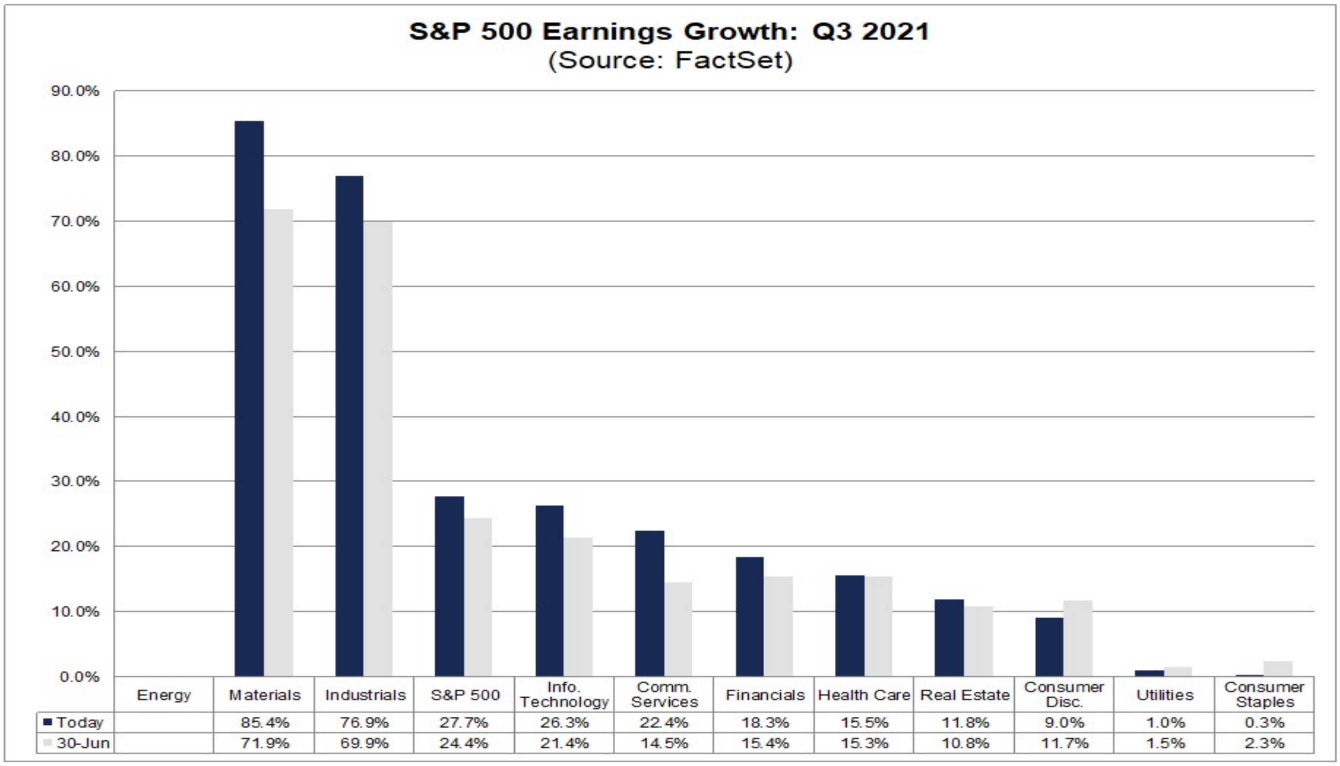
	Materials	Comm. Services	Info. Technology	Industrials	Real Estate	Consumer Disc.	S&P 500	Health Care	Consumer Staples	Utilities	Energy	Financials
Positive	100%	100%	74%	67%	67%	67%	60%	25%	0%	0%	0%	0%
Negative	0%	0%	26%	33%	33%	33%	40%	75%	100%	100%	0%	0%

Q3 2021: EPS Revisions

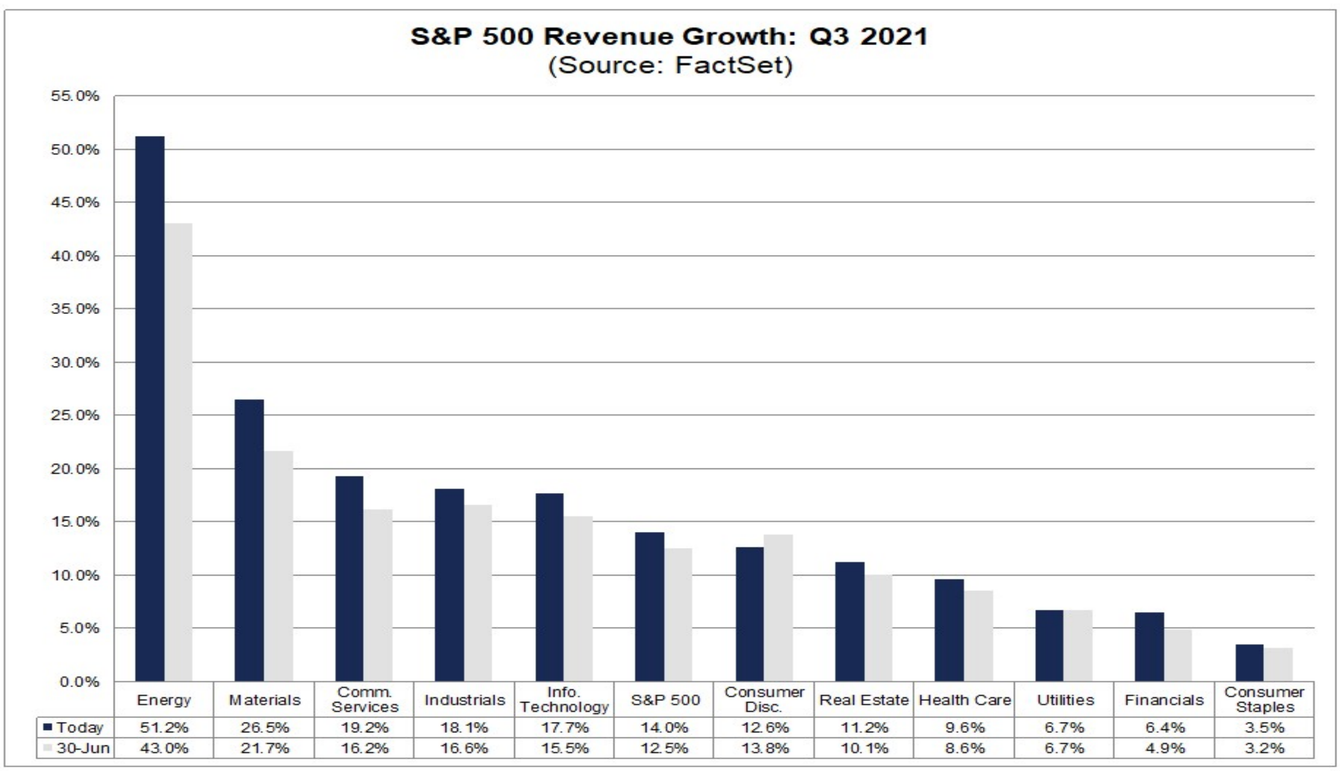




Q3 2021: Growth

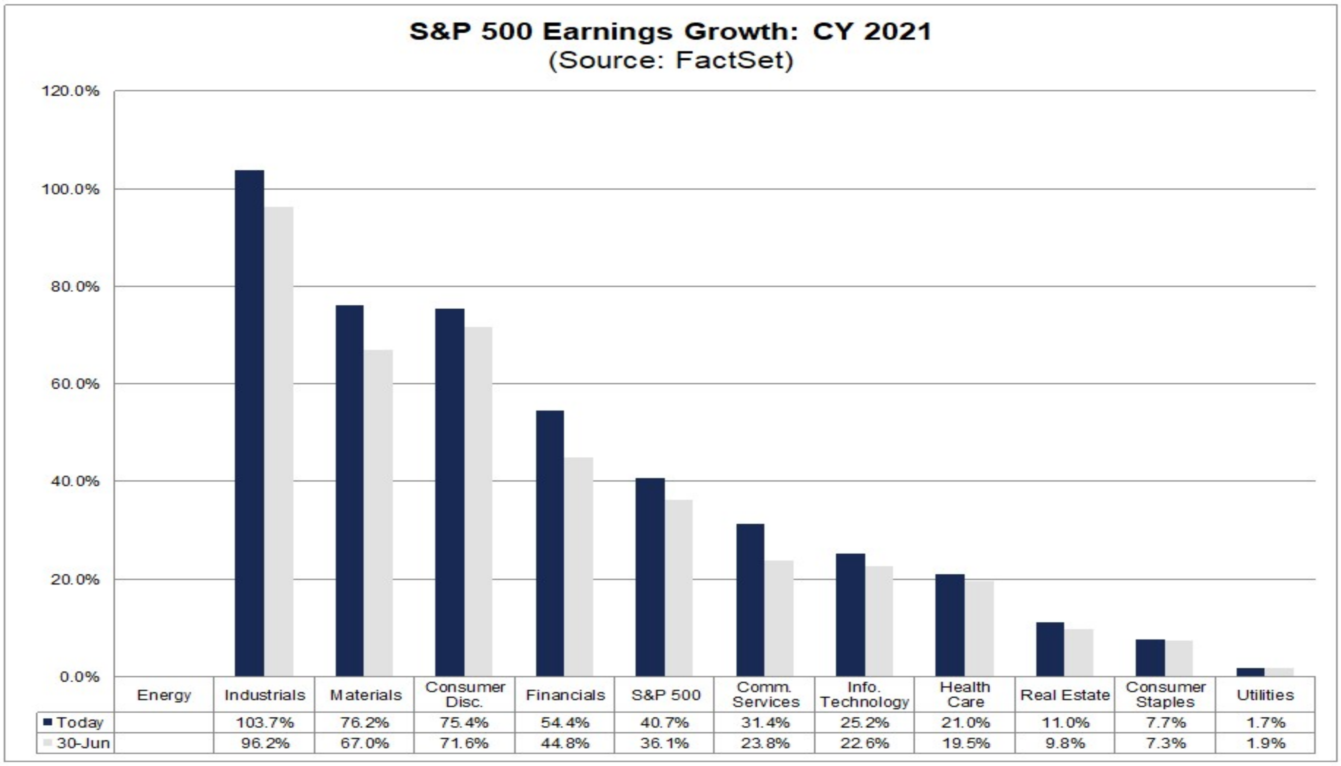


	Energy	Materials	Industrials	S&P 500	Info. Technology	Comm. Services	Financials	Health Care	Real Estate	Consumer Disc.	Utilities	Consumer Staples
Today		85.4%	76.9%	27.7%	26.3%	22.4%	18.3%	15.5%	11.8%	9.0%	1.0%	0.3%
30-Jun		71.9%	69.9%	24.4%	21.4%	14.5%	15.4%	15.3%	10.8%	11.7%	1.5%	2.3%

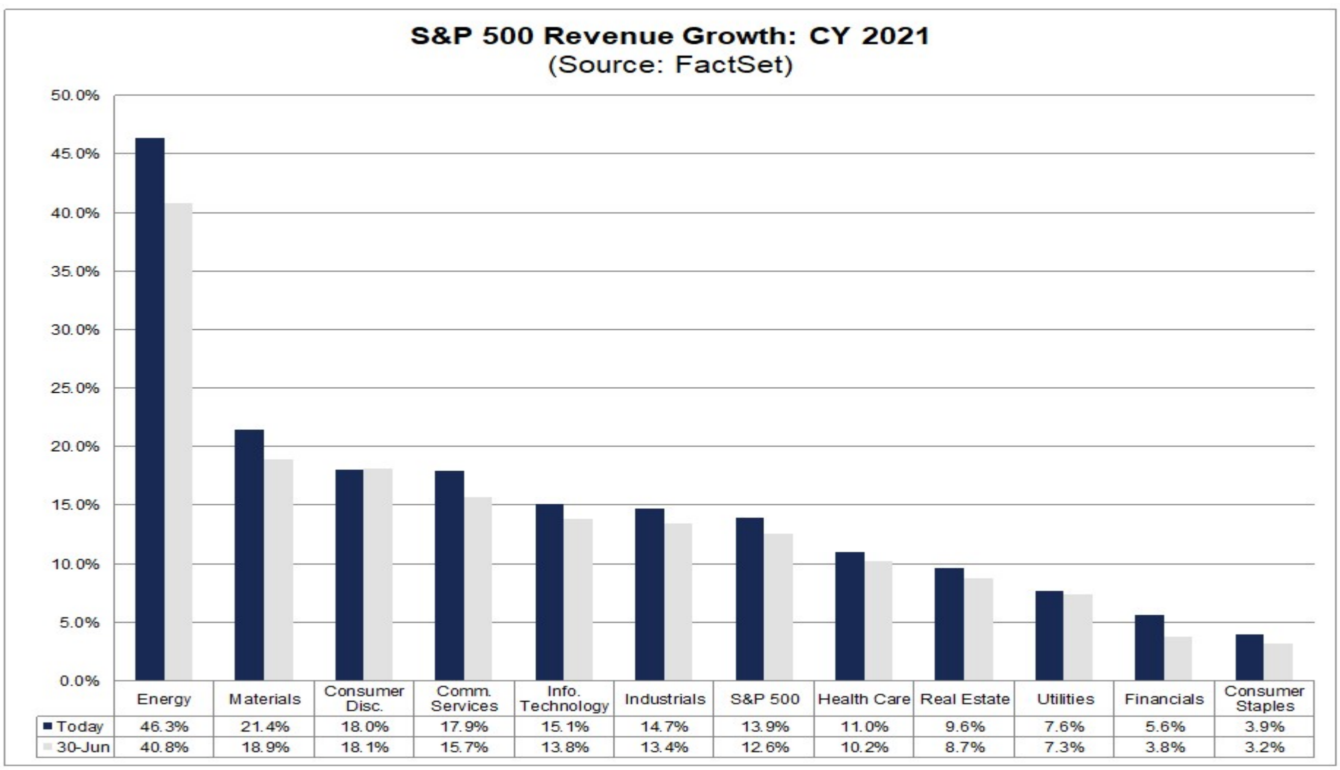


	Energy	Materials	Comm. Services	Industrials	Info. Technology	S&P 500	Consumer Disc.	Real Estate	Health Care	Utilities	Financials	Consumer Staples
Today	51.2%	26.5%	19.2%	18.1%	17.7%	14.0%	12.6%	11.2%	9.6%	6.7%	6.4%	3.5%
30-Jun	43.0%	21.7%	16.2%	16.6%	15.5%	12.5%	13.8%	10.1%	8.6%	6.7%	4.9%	3.2%

CY 2021: Growth



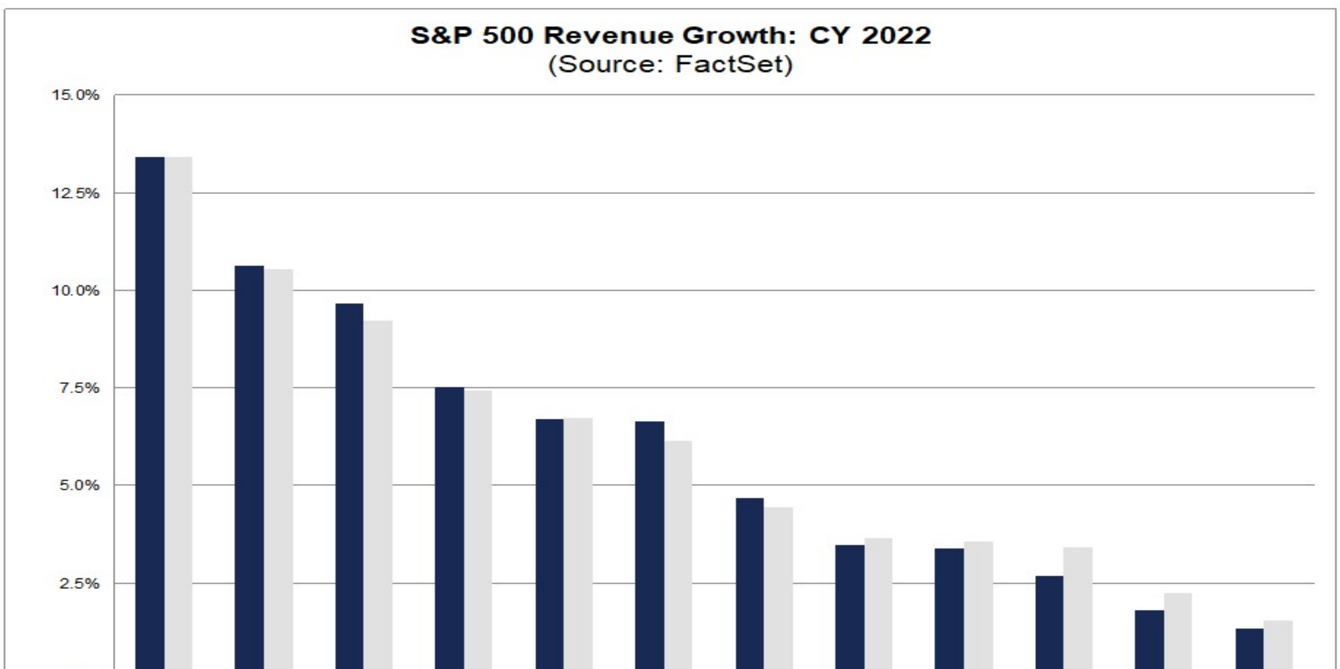
	Energy	Industrials	Materials	Consumer Disc.	Financials	S&P 500	Comm. Services	Info. Technology	Health Care	Real Estate	Consumer Staples	Utilities
Today		103.7%	76.2%	75.4%	54.4%	40.7%	31.4%	25.2%	21.0%	11.0%	7.7%	1.7%
30-Jun		96.2%	67.0%	71.6%	44.8%	36.1%	23.8%	22.6%	19.5%	9.8%	7.3%	1.9%



	Energy	Materials	Consumer Disc.	Comm. Services	Info. Technology	Industrials	S&P 500	Health Care	Real Estate	Utilities	Financials	Consumer Staples
Today	46.3%	21.4%	18.0%	17.9%	15.1%	14.7%	13.9%	11.0%	9.6%	7.6%	5.6%	3.9%
30-Jun	40.8%	18.9%	18.1%	15.7%	13.8%	13.4%	12.6%	10.2%	8.7%	7.3%	3.8%	3.2%

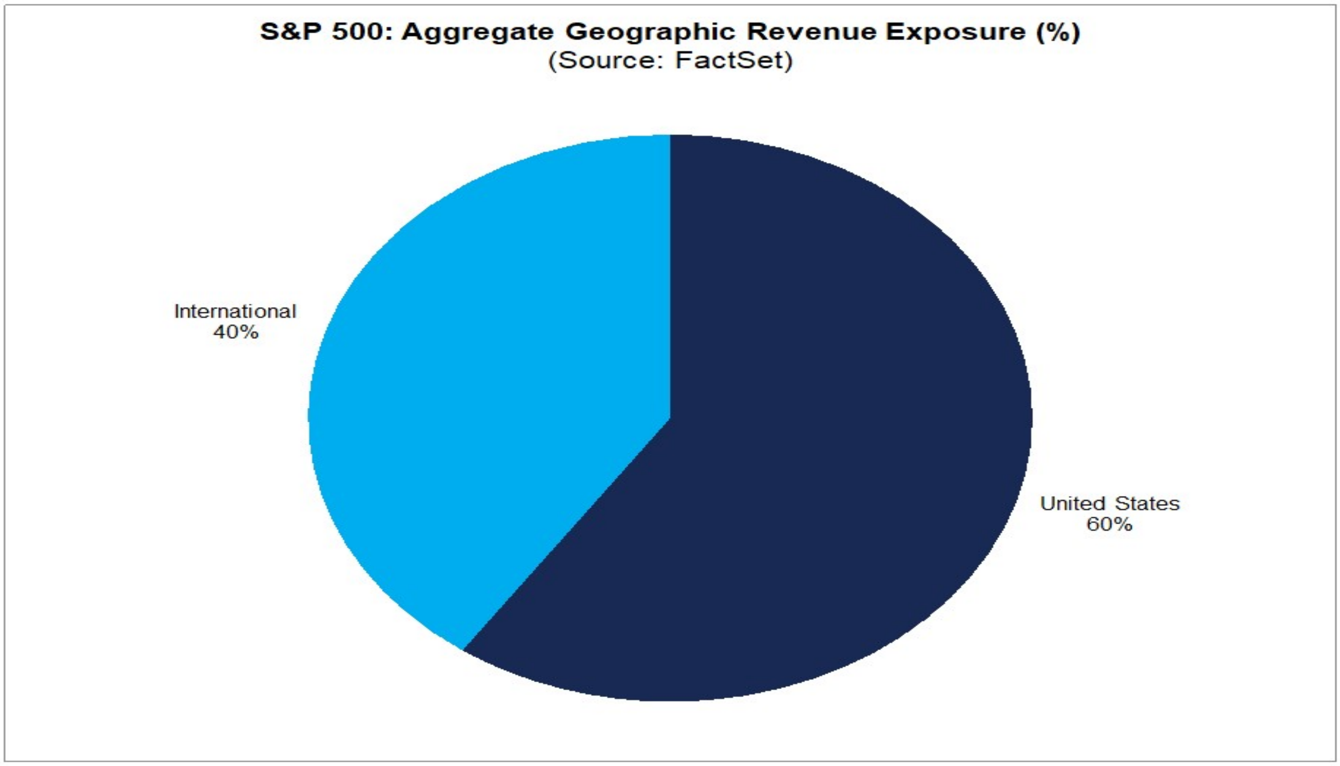
CY 2022: Growth

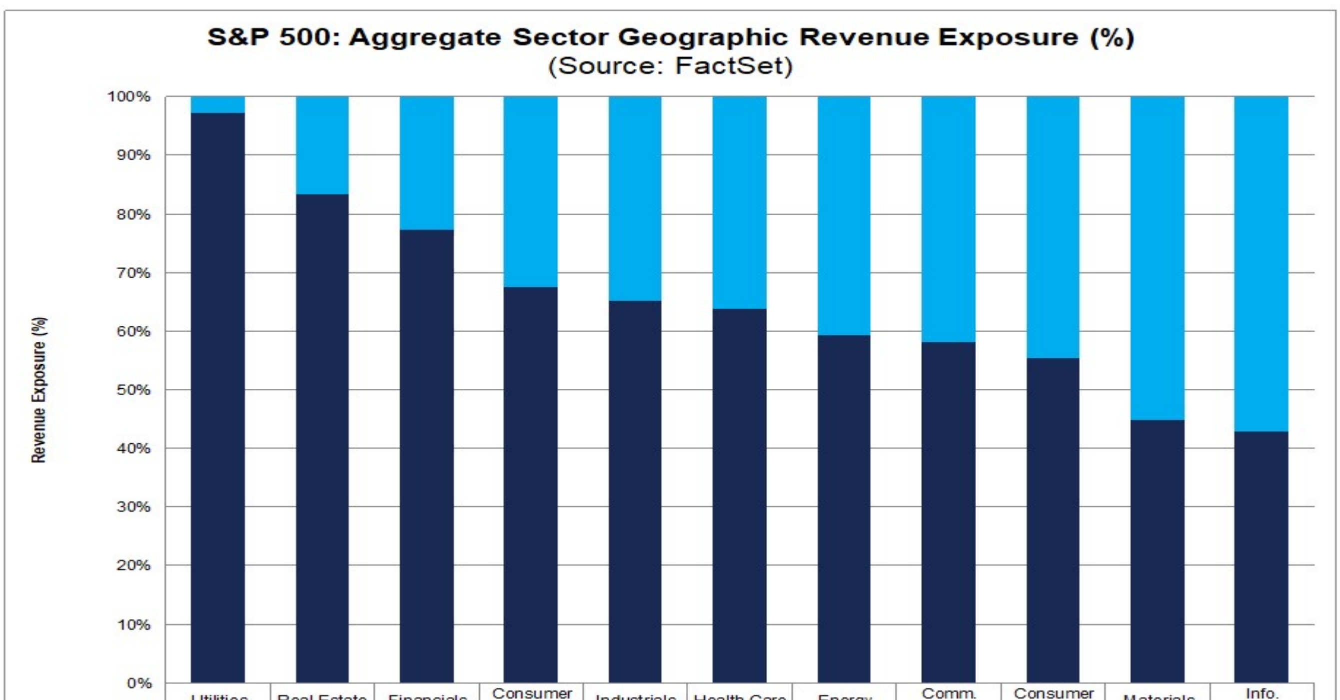
	Industrials	Consumer Disc.	Energy	Comm. Services	Info. Technology	S&P 500	Consumer Staples	Real Estate	Utilities	Health Care	Materials	Financials
Today	34.0%	32.0%	27.6%	11.8%	10.1%	9.7%	7.1%	6.0%	5.8%	4.5%	-1.2%	-5.7%
30-Jun	36.1%	34.8%	27.4%	13.2%	10.9%	11.6%	7.4%	5.8%	7.5%	5.0%	1.4%	-0.3%



	Consumer Disc.	Comm. Services	Industrials	Info. Technology	S&P 500	Real Estate	Health Care	Consumer Staples	Energy	Financials	Materials	Utilities
Today	13.4%	10.6%	9.7%	7.5%	6.7%	6.6%	4.7%	3.5%	3.4%	2.7%	1.8%	1.3%
30-Jun	13.4%	10.5%	9.2%	7.4%	6.7%	6.1%	4.4%	3.7%	3.6%	3.4%	2.2%	1.5%

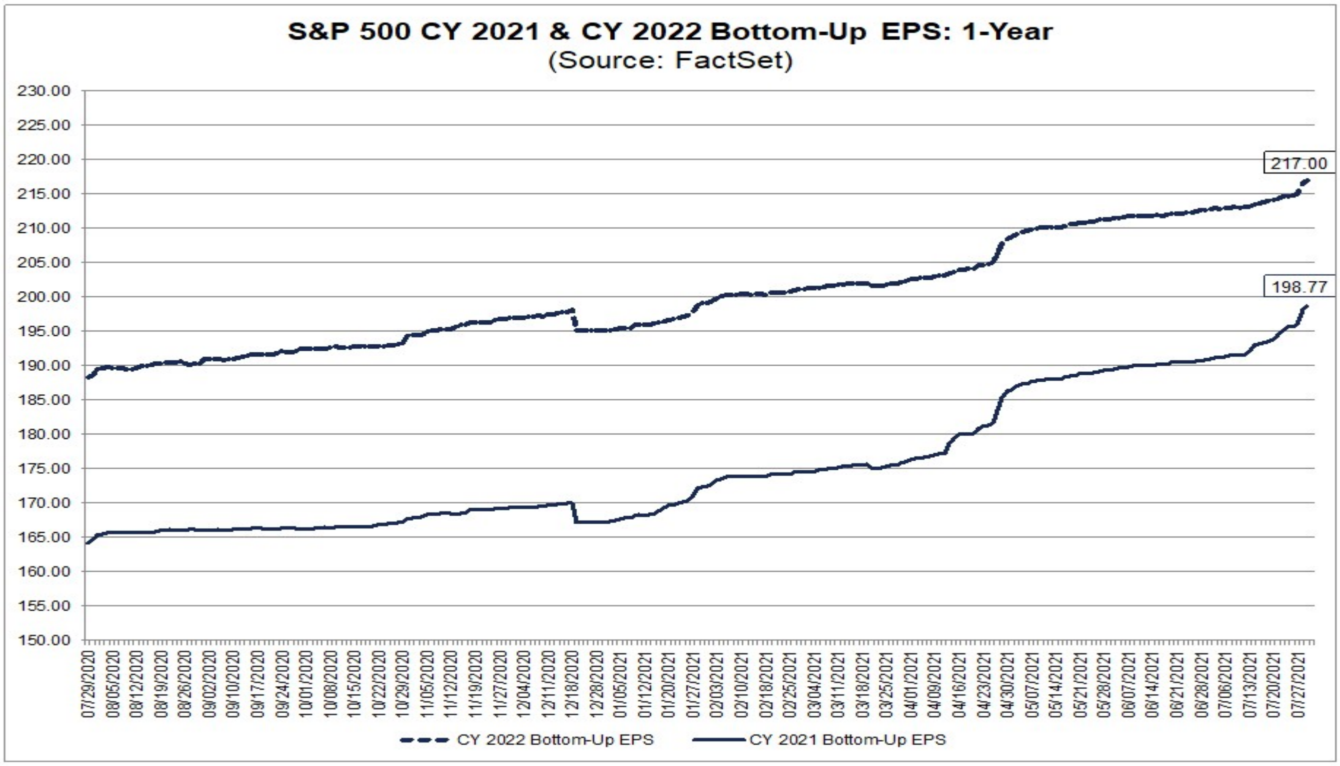
Geographic Revenue Exposure

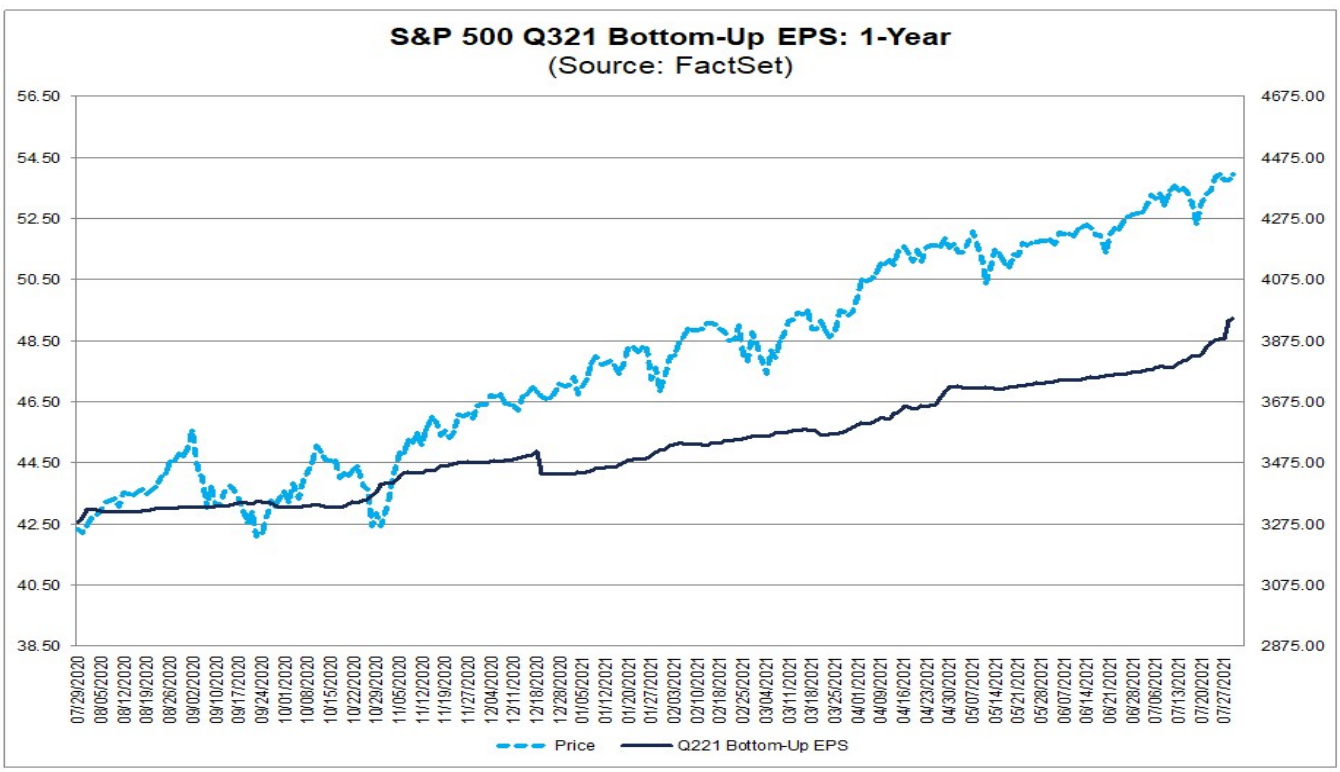




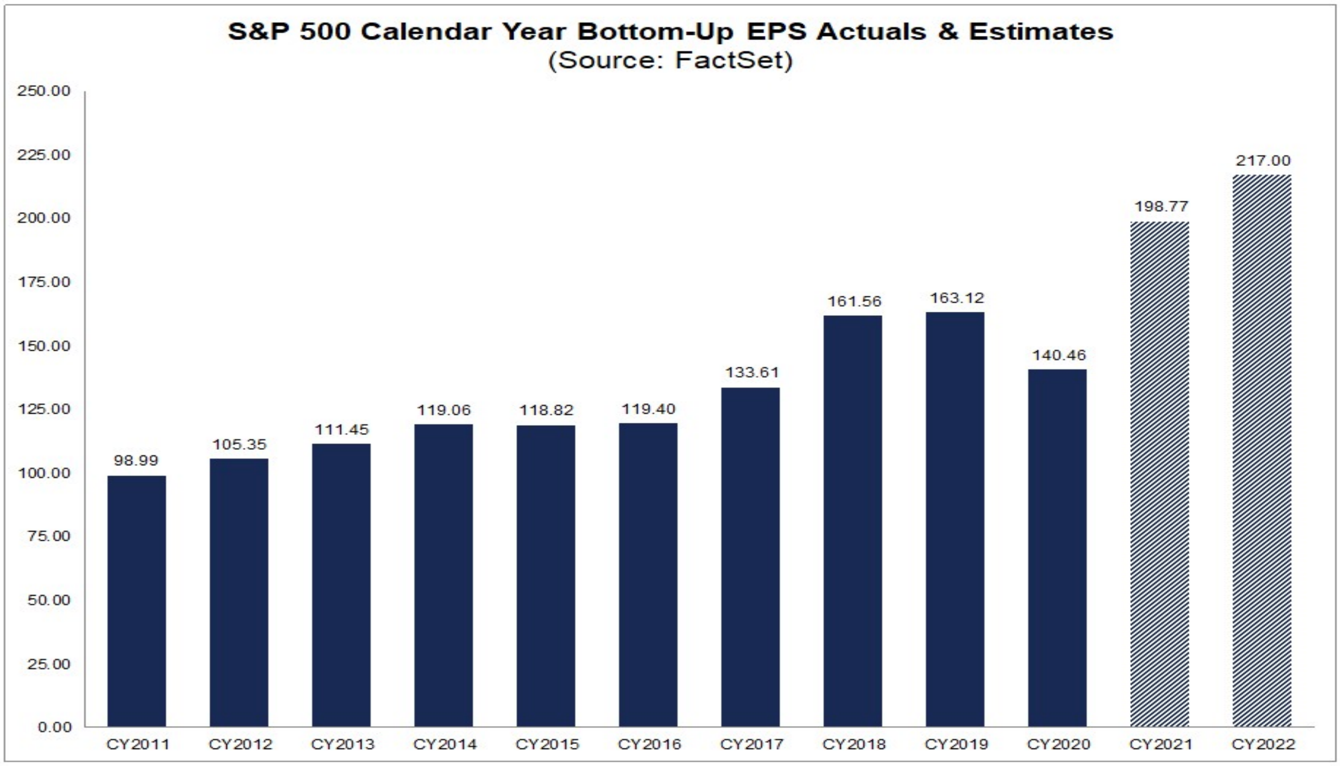
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	3%	17%	23%	32%	35%	36%	41%	42%	45%	55%	57%
United States	97%	83%	77%	68%	65%	64%	59%	58%	55%	45%	43%

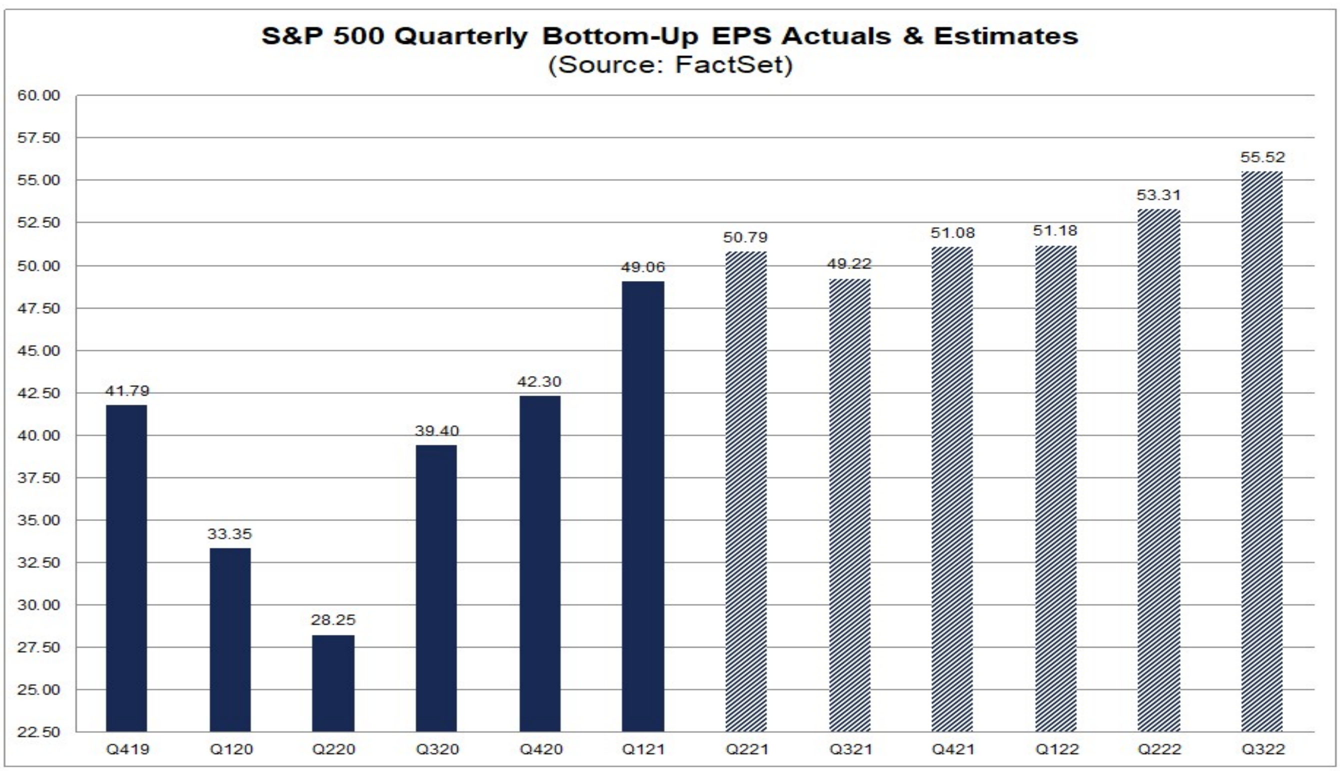
Bottom-up EPS Estimates: Revisions



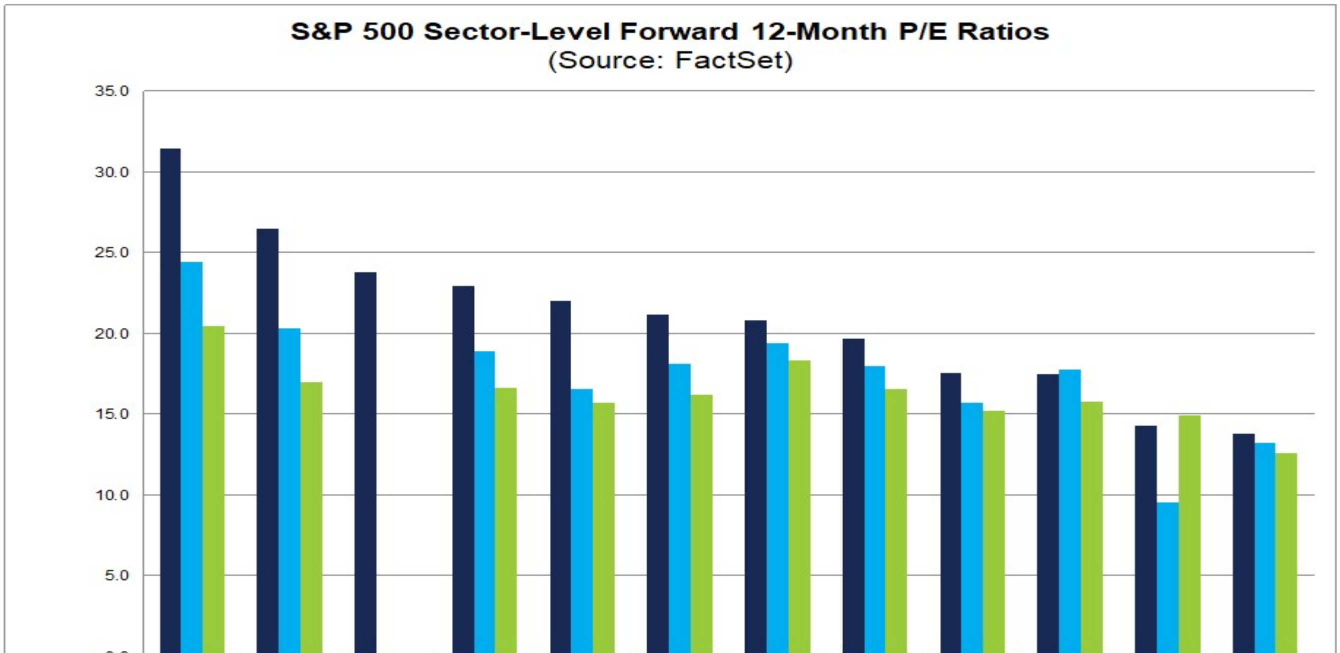


Bottom-up EPS Estimates: Current & Historical

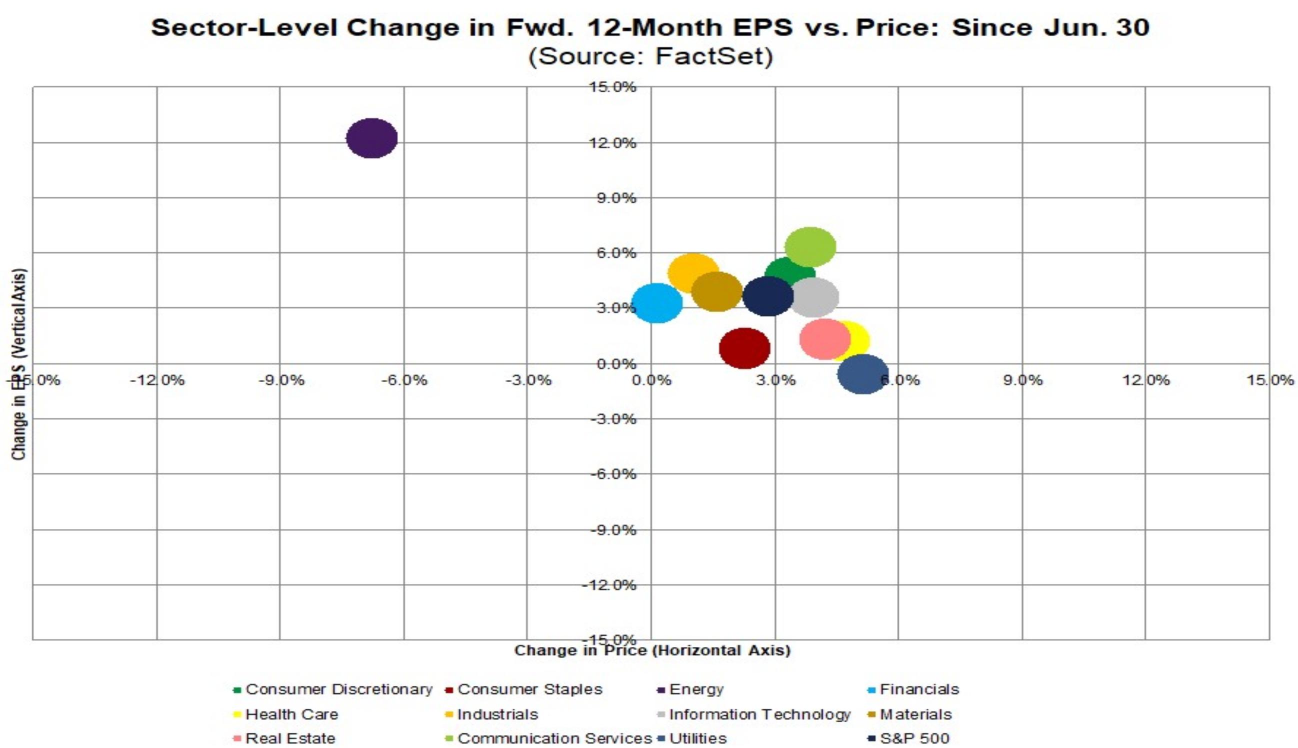




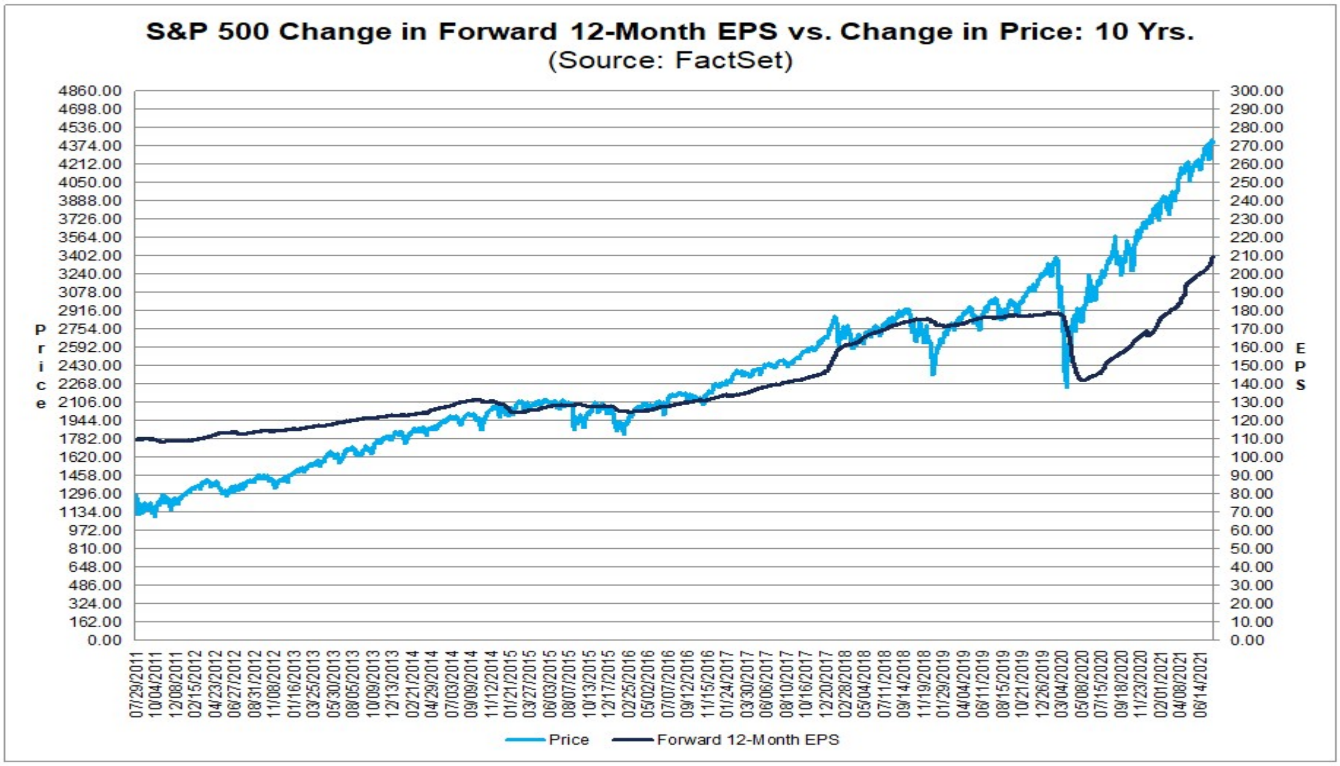
Forward 12M P/E Ratio: Sector Level

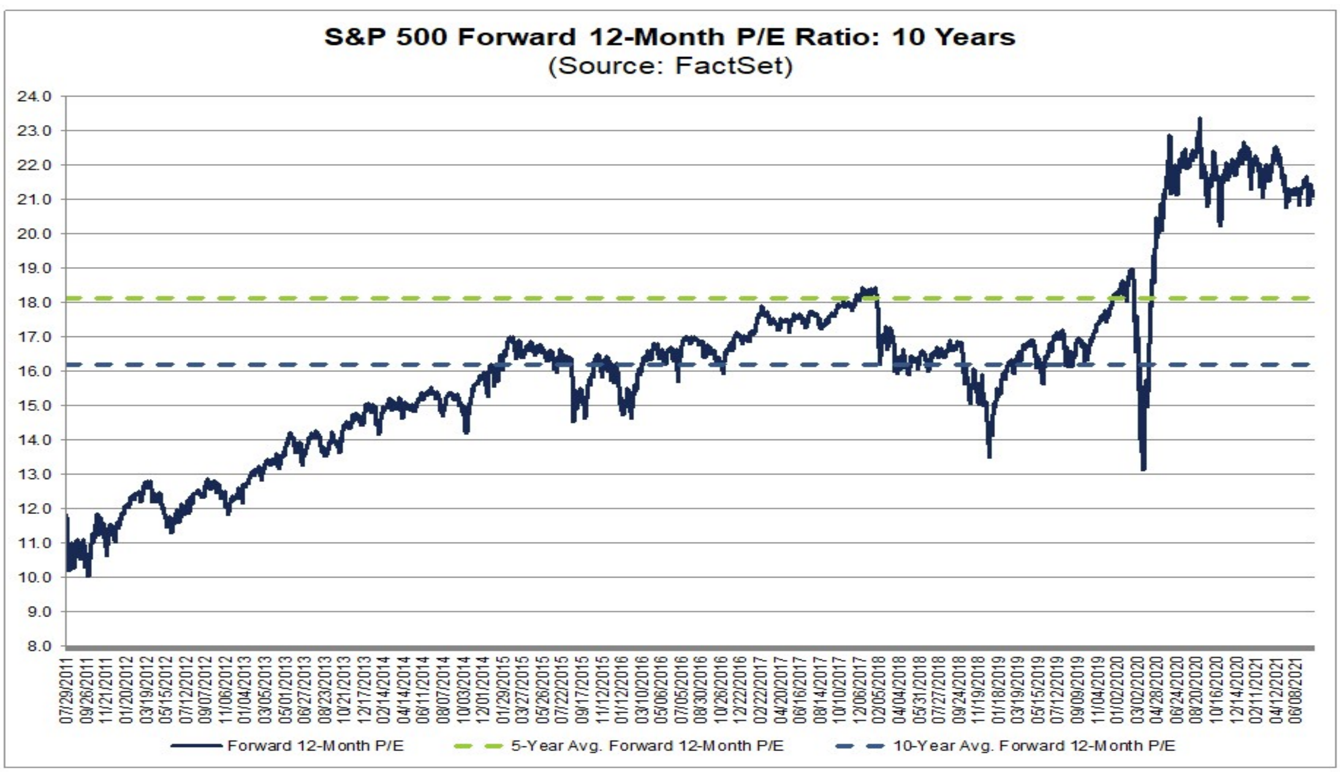


	Consumer Disc.	Info. Technology	Real Estate	Industrials	Comm. Services	S&P 500	Consumer Staples	Utilities	Health Care	Materials	Energy	Financials
Fwd P/E	31.5	26.5	23.8	22.9	22.0	21.2	20.8	19.6	17.5	17.4	14.3	13.8
5-Yr Avg.	24.4	20.3		18.9	16.6	18.1	19.4	18.0	15.7	17.8	9.5	13.2
10-Yr Avg.	20.4	17.0		16.6	15.7	16.2	18.3	16.6	15.2	15.8	14.9	12.6

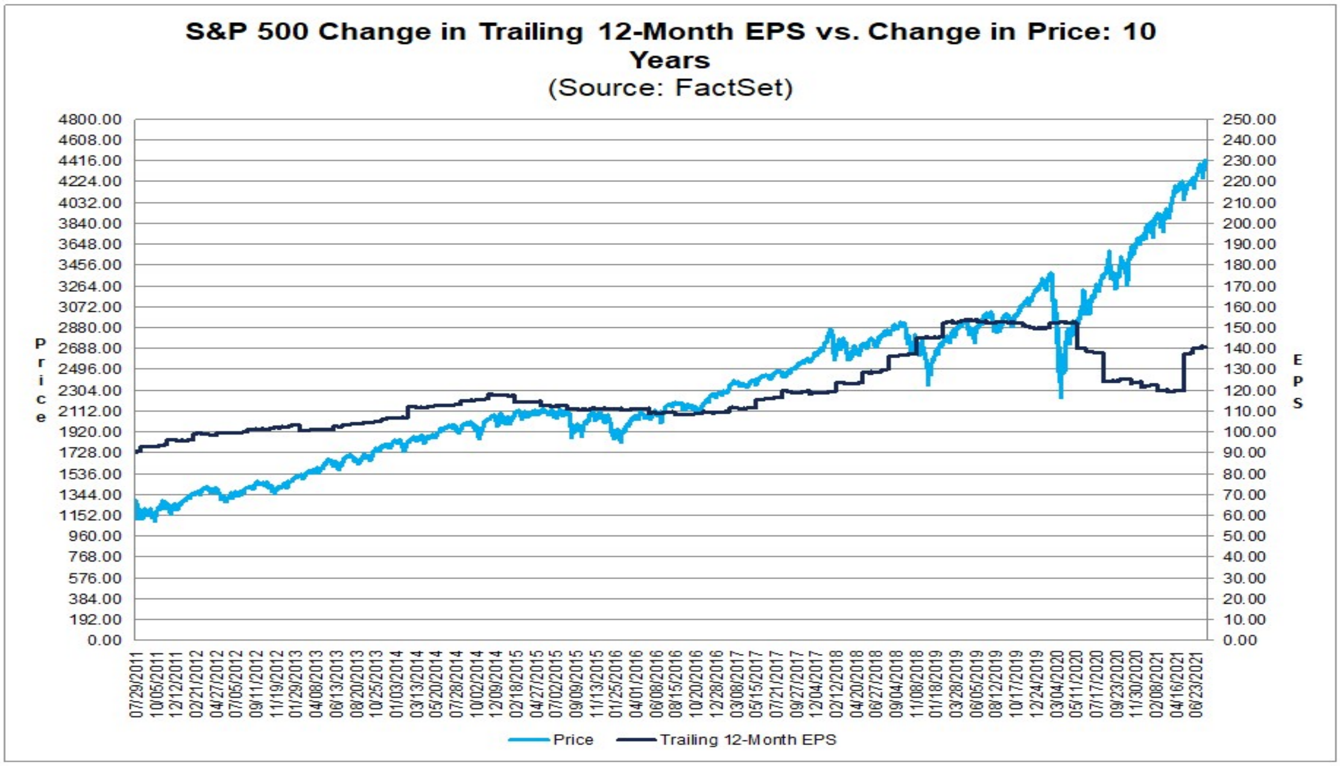


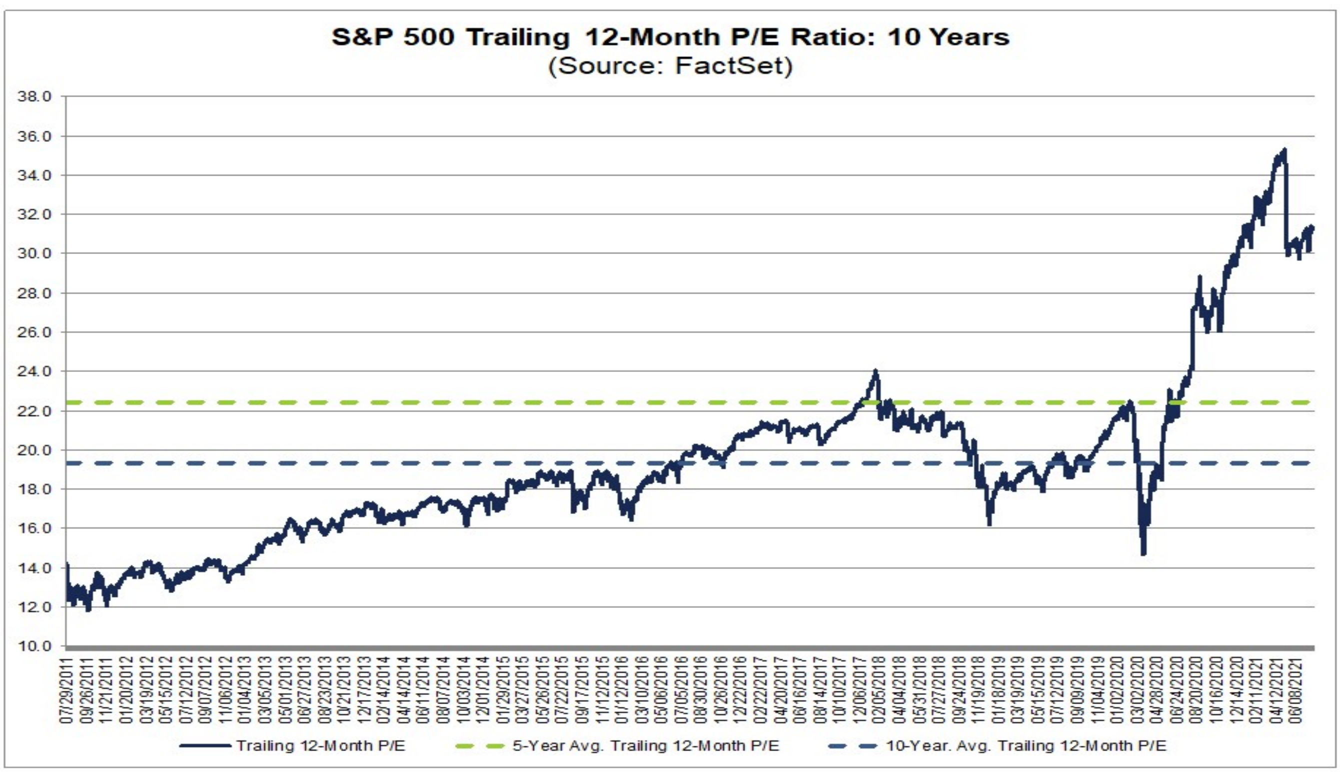
Forward 12M P/E Ratio: 10-Years



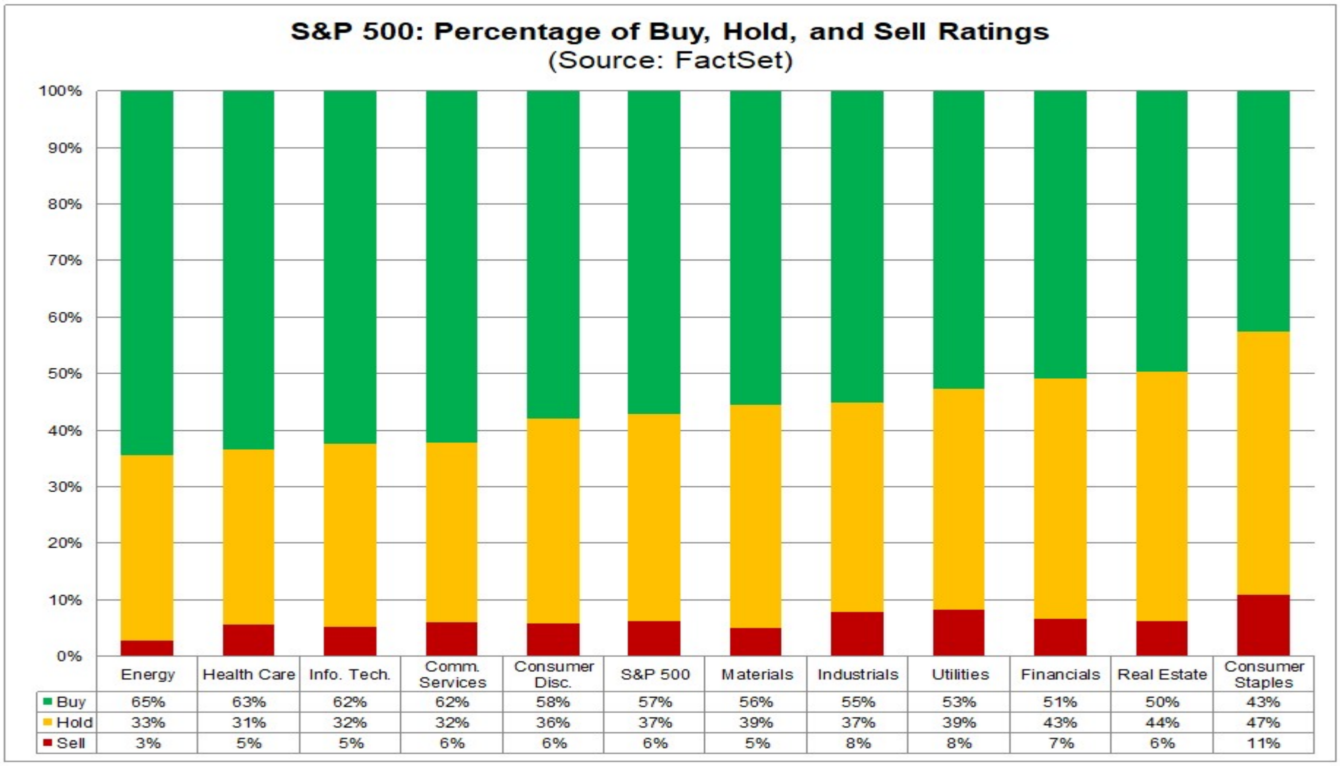


Trailing 12M P/E Ratio: 10-Years

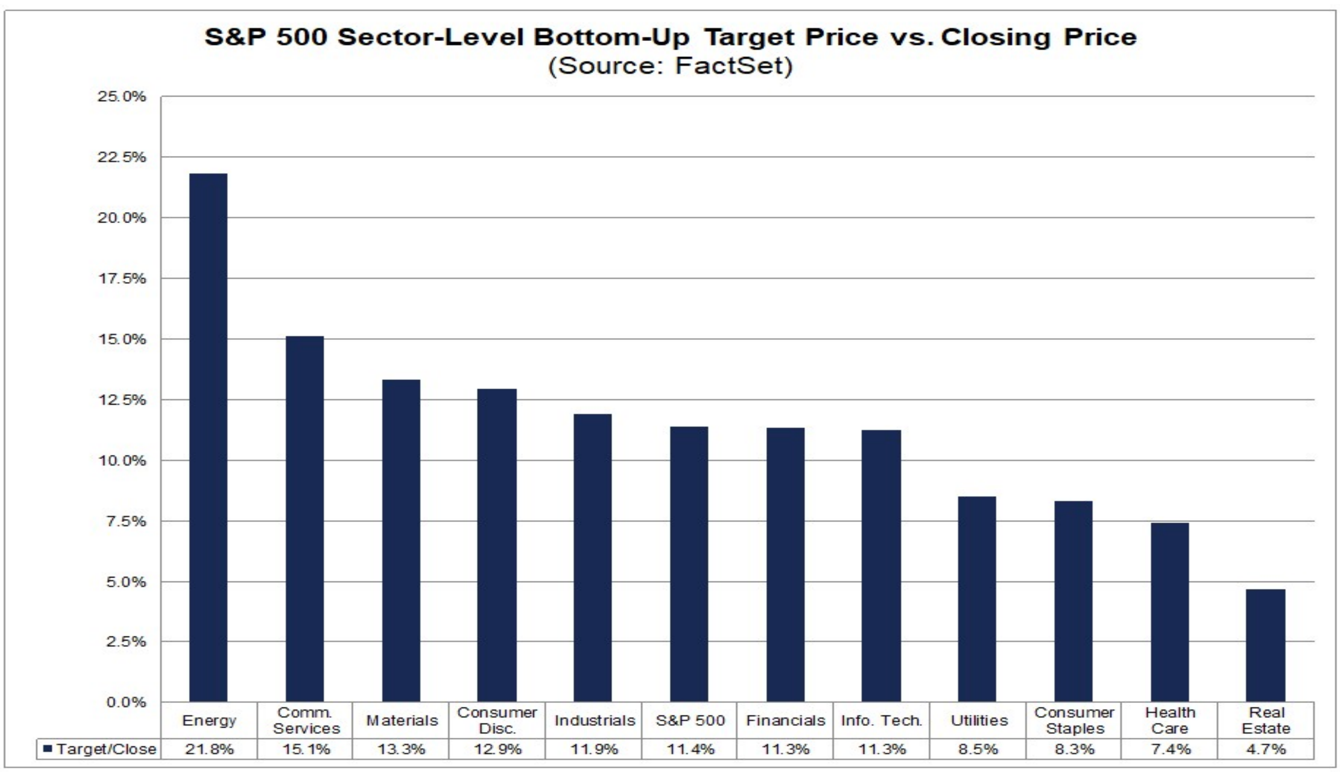




Targets & Ratings



	Energy	Health Care	Info. Tech.	Comm. Services	Consumer Disc.	S&P 500	Materials	Industrials	Utilities	Financials	Real Estate	Consumer Staples
Buy	65%	63%	62%	62%	58%	57%	56%	55%	53%	51%	50%	43%
Hold	33%	31%	32%	32%	36%	37%	39%	37%	39%	43%	44%	47%
Sell	3%	5%	5%	6%	6%	6%	5%	8%	8%	7%	6%	11%



	Energy	Comm. Services	Materials	Consumer Disc.	Industrials	S&P 500	Financials	Info. Tech.	Utilities	Consumer Staples	Health Care	Real Estate
Target/Close	21.8%	15.1%	13.3%	12.9%	11.9%	11.4%	11.3%	11.3%	8.5%	8.3%	7.4%	4.7%

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