

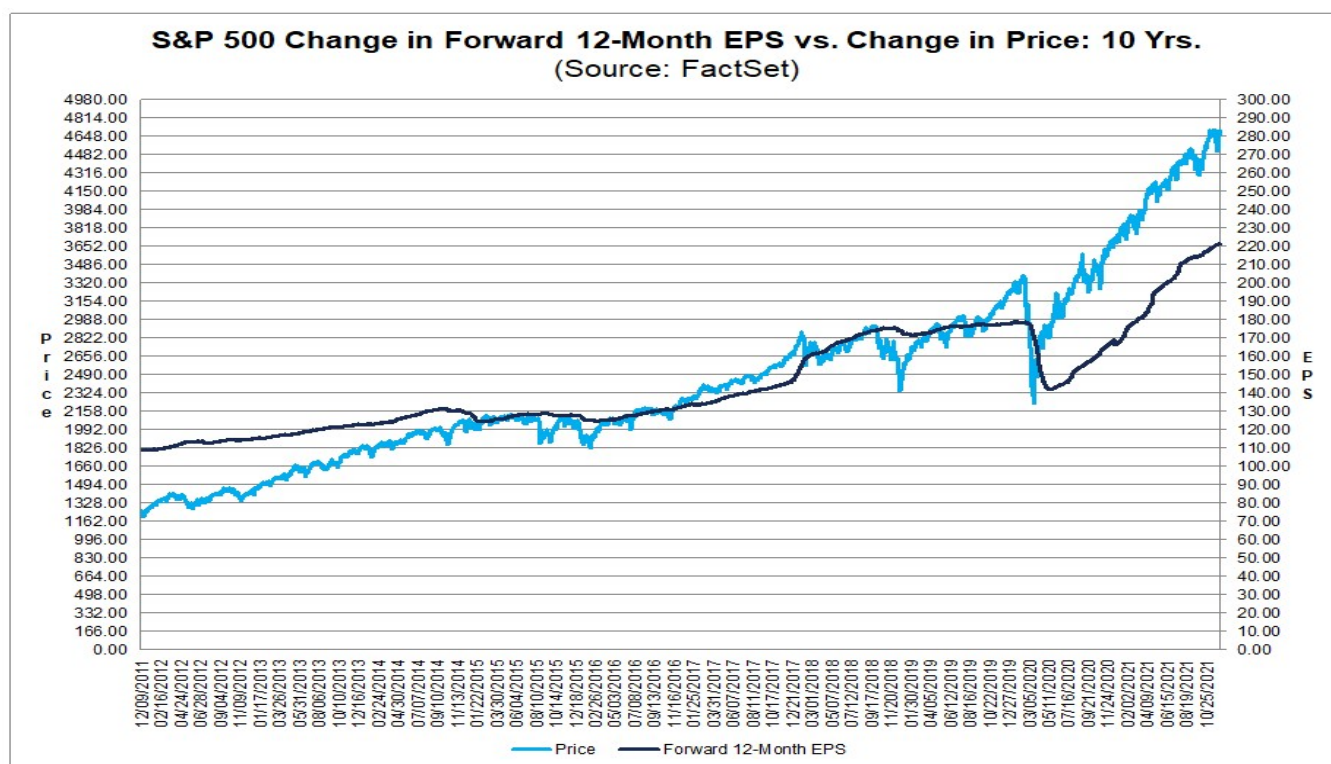
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Key Metrics

- **Earnings Growth:** For Q4 2021, the estimated earnings growth rate for the S&P 500 is 21.2%. If 21.2% is the actual growth rate for the quarter, it will mark the fourth straight quarter of earnings growth above 20%.
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q4 2021 was also 20.9%. Six sectors are expected to report higher earnings today (compared to September 30) due to upward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2021, 56 S&P 500 companies have issued negative EPS guidance and 37 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.1. This P/E ratio is above the 5-year average (18.4) and above the 10-year average (16.6).
- **Earnings Scorecard:** For Q4 2021 (with 3 S&P 500 companies reporting actual results), 3 S&P 500 companies have reported a positive EPS surprise and 3 S&P 500 companies have reported a positive revenue surprise.

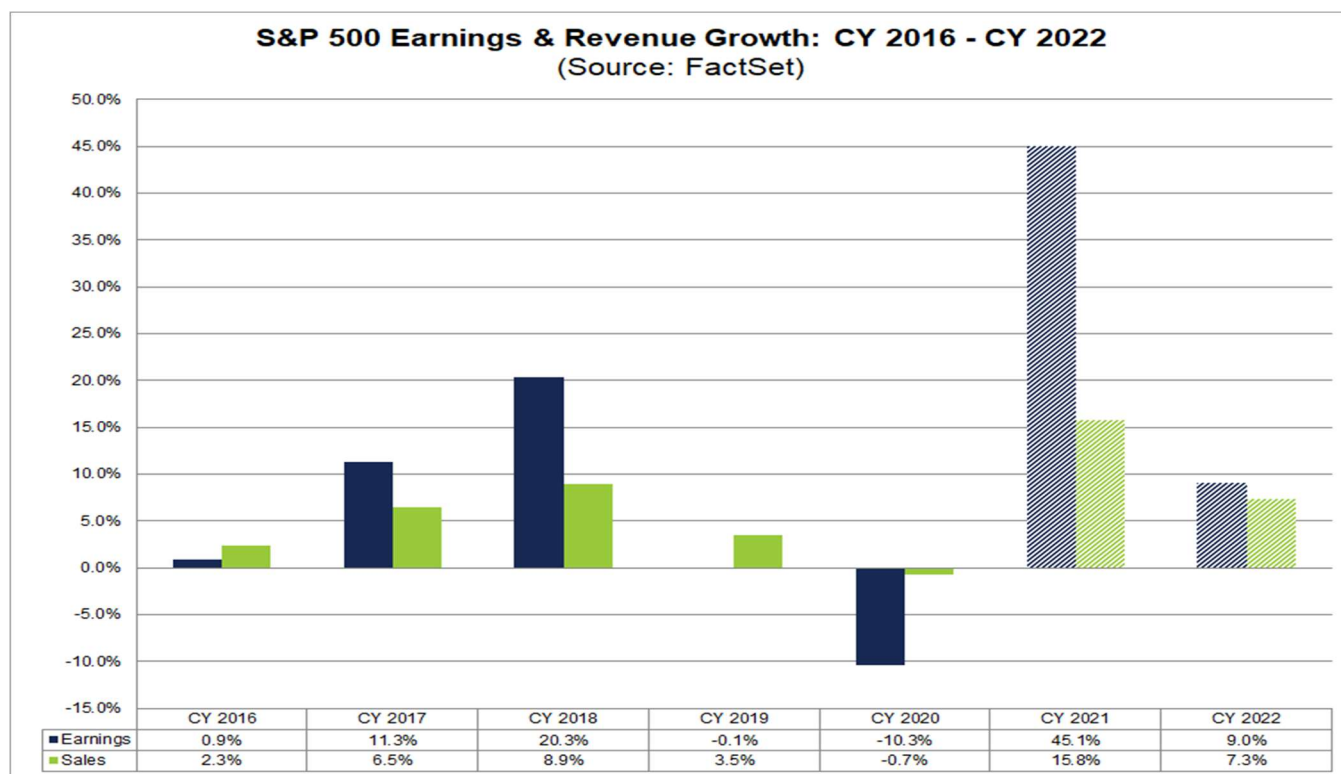


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Topic of the Week: 1

S&P 500 CY 2022 Earnings Preview: Record-High Net Profit Margin Expected in 2022



CY 2022 Earnings Growth: 9.0%

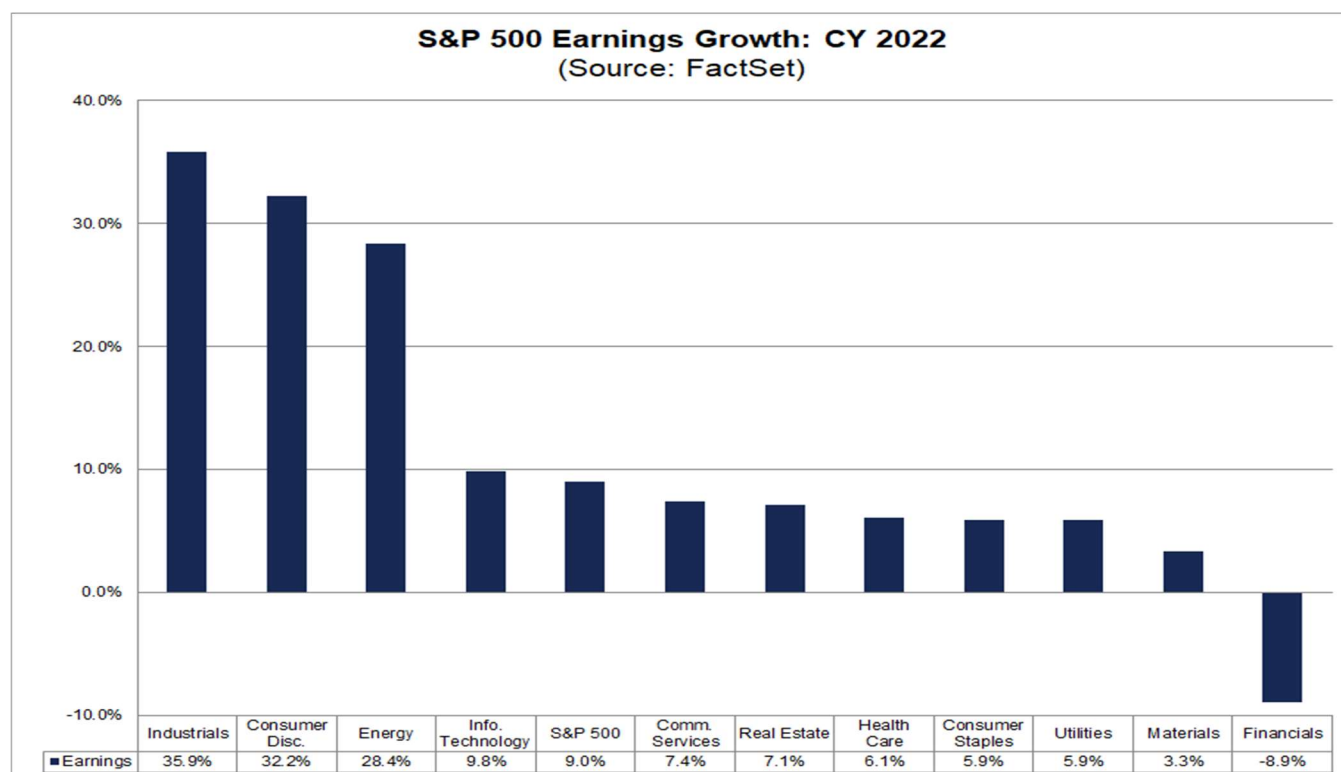
Even with a difficult comparison to (expected) record-high earnings growth of 45.1% in CY 2021, analysts still expect the S&P 500 to report high, single-digit earnings growth in CY 2022. The estimated (year-over-year) earnings growth rate for CY 2022 is 9.0%, which is above the trailing 10-year average (annual) earnings growth rate of 5.0% (2011 – 2020). Ten of the eleven sectors are projected to report year-over-year growth in earnings, led by the Industrials, Consumer Discretionary, and Energy Care sectors. The Financials sector is the only sector projected to report a year-over-year decline in earnings.

The Industrials sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 35.9%. At the industry level, all twelve industries in the sector are projected to report a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to the expected loss for the industry in CY 2021. However, the Airlines industry is predicted to report a profit in CY 2022 (\$4.5 billion) relative to a loss in CY 2021 (-\$15.0 billion). Ten of the remaining eleven industries are predicted to report double-digit growth, led by the Aerospace & Defense (29%), Construction & Engineering (26%), and Industrials Conglomerates (22%) industries. The Airlines industry is also the expected to be the largest contributor to earnings growth for the sector in CY 2022. If this industry were excluded, the estimated earnings growth rate for the Industrials sector would fall to 16.9% from 35.9%.

The Consumer Discretionary sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 32.2%. At the industry level, all ten industries in this sector are projected to report a year-over-year increase in earnings. Seven of these ten industries are predicted to report double-digit earnings growth, led by the Hotels, Restaurants, & Leisure (1,209%), Auto Components (48%), and Internet & Direct Marketing Retail (24%) industries. The Hotels, Restaurants, & Leisure industry is also the expected to be the largest contributor to earnings growth for the sector in CY 2022. If this industry were excluded, the estimated earnings growth rate for the Consumer Discretionary sector would fall to 14.2% from 32.2%.

The Energy sector is expected to report the third-highest (year-over-year) earnings growth rate of all eleven sectors at 28.4%. At the sub-industry level, four of the five sub-industries in the sector are projected to report double-digit earnings growth: Oil & Gas Refining & Marketing (128%), Oil & Gas Equipment & Services (56%), Oil & Gas Exploration & Production (39%), and Integrated Oil & Gas (16%). On the other hand, the Oil & Gas Storage & Transportation (-6%) is the only sub-industry expected to report a year-over-year decline in earnings for the year.

The Financials sector is the only sector expected to report a year-over-year decline in earnings at -8.9%. At the industry level, three of five industries in this sector are projected to report a decline in earnings: Consumer Finance (-19%), Banks (-15%) and Capital Markets (-4%). On the other hand, the Diversified Financial Services (8%) and Insurance (3%) industries are predicted to report year-over-year growth in earnings for the year. The Banks industry is also the expected to be the largest contributor to decline in earnings for the sector in CY 2022. If this industry were excluded, the estimated earnings decline for the Financials sector would improve to -3.3% from -8.9%.

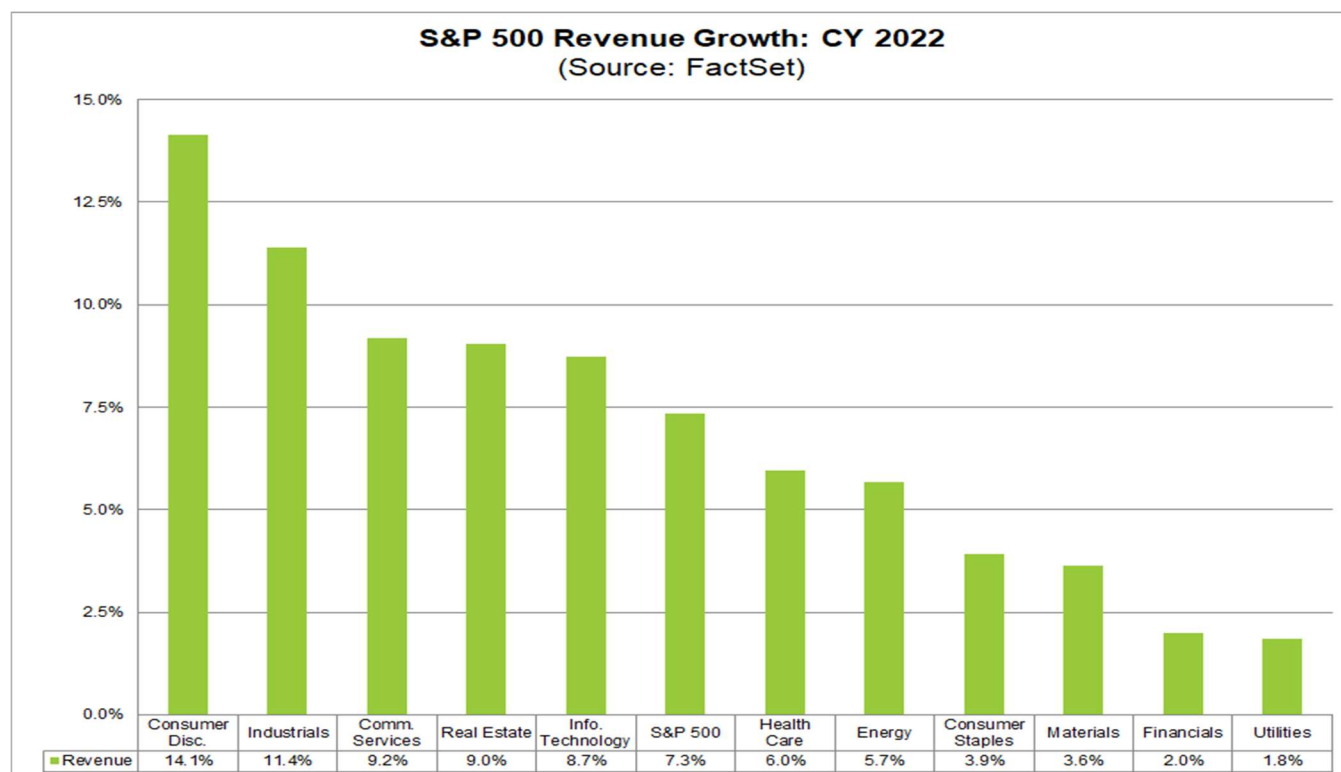


CY 2022 Revenue Growth: 7.3%

Even with a difficult comparison to (expected) record-high revenue growth of 15.8% in CY 2021, analysts still expect the S&P 500 to report high, single-digit revenue growth in CY 2022. The estimated (year-over-year) revenue growth rate for CY 2022 is 7.3%, which is above the trailing 10-year average (annual) revenue growth rate of 3.5% (2011 – 2020). All eleven sectors are projected to report year-over-year growth in revenues, led by the Consumer Discretionary and Industrials sectors.

The Consumer Discretionary sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 14.1%. At the industry level, all ten industries in this sector are projected to report a year-over-year increase in revenues. Six of these ten industries are predicted to report double-digit revenue growth: Hotels, Restaurants, & Leisure (39%), Automobiles (21%), Internet & Direct Marketing Retail (17%), Auto Components (15%), Textiles, Apparel, & Luxury Goods (11%), and Household Durables (11%). The Hotels, Restaurants, & Leisure, Internet & Direct Marketing Retail, and Automobiles industries are also the expected to be the largest contributors to revenue growth for the sector in CY 2022. If these three industries were excluded, the estimated revenue growth rate for the Consumer Discretionary sector would fall to 6.1% from 14.1%.

The Industrials sector is expected to report the second-highest (year-over-year) revenue growth rate of all eleven sectors at 11.4%. At the industry level, all twelve industries in the sector are projected to report a year-over-year increase in revenues. Four of these twelve industries are predicted to report double-digit growth: Airlines (50%), Construction & Engineering (25%), Machinery (11%), and Aerospace & Defense (11%). The Airlines industry is also the expected to be the largest contributor to revenue growth for the sector in CY 2022. If this industry were excluded, the estimated revenue growth rate for the Industrials sector would fall to 8.2% from 11.4%.

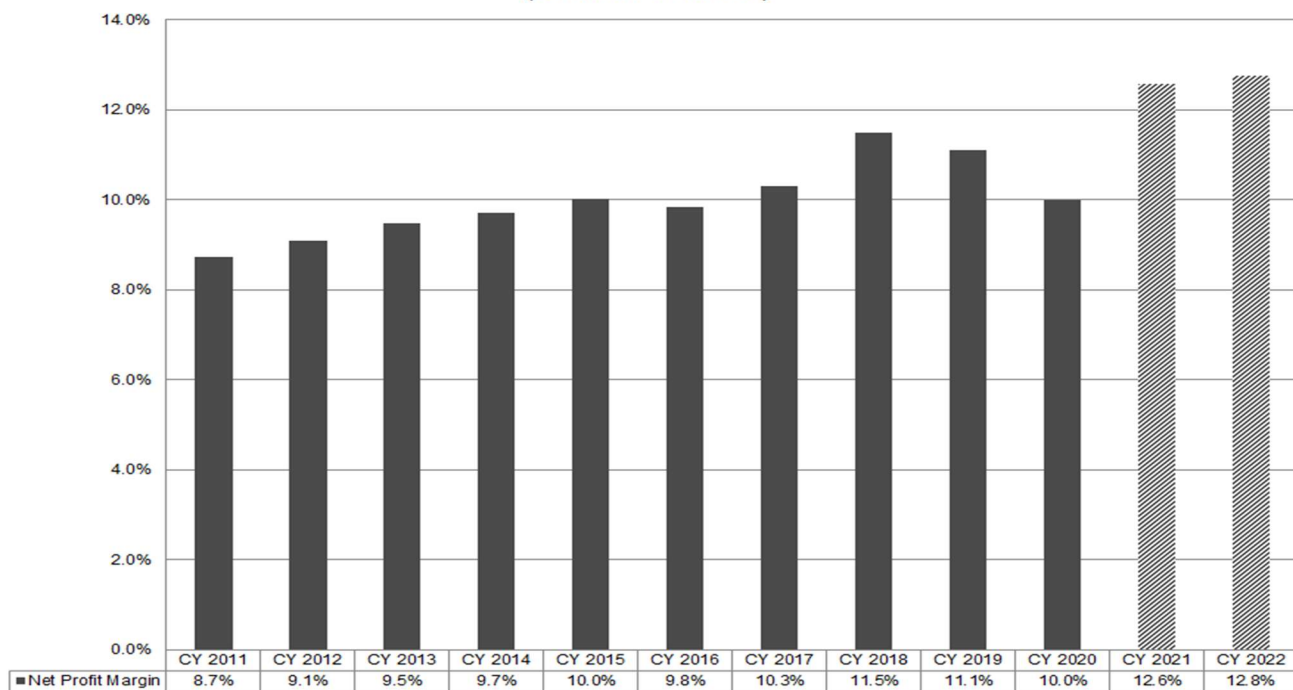


Net Profit Margin: 12.8%

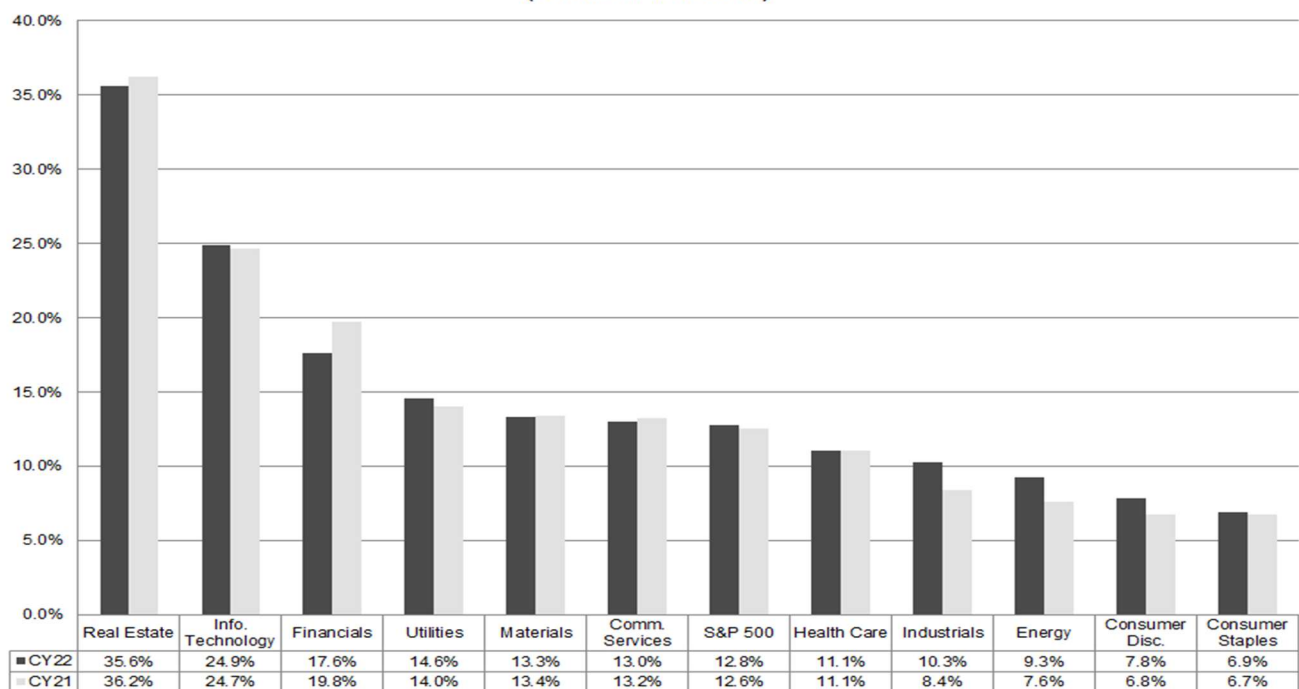
The estimated net profit margin (based on aggregate estimates for revenues and earnings) for the S&P 500 for 2022 is 12.8%. Despite concerns about labor shortages, higher inflation, and supply chain disruptions, if 12.8% is the actual net profit margin for the index in CY 2022, it will mark the highest (annual) net profit margin for the index since FactSet began tracking this metric in CY 2008. The current record is 11.5%, which occurred in CY 2018. Analysts are currently expecting a net profit margin of 12.6% for CY 2021. At the sector level, six of the eleven sectors are projected to report higher net profit margins in CY 2022 relative to expectations for CY 2021, led by the Industrials (10.3% vs. 8.4%) and Energy (9.3% vs. 7.6%) sectors. On the other hand, five sectors are projected to report lower net profit margins in CY 2022 relative to expectations for CY 2021, led by the Financials (17.6% vs. 19.8%) sector.

At the company level, 71% of S&P 500 companies are projected to report a higher net profit margin in CY 2022 relative to expectations for net profit margins in CY 2021.

S&P 500 Net Profit Margin: 2011 - 2022
(Source: FactSet)



S&P 500 Net Profit Margin: CY 2022 vs. CY 2021
(Source: FactSet)



Topic of the Week: 2

Industry Analysts Predict the S&P 500 Will Close Above 5,200 in 2022

With 2021 coming to a close, analysts are making predictions for the closing price of the S&P 500 for next year. A number of market strategists (typically using a top-down approach) believe the S&P 500 will close at or above 5,000 by the end of 2022. Do industry analysts (using a bottom-up approach) also believe the S&P 500 will close at or above 5,000 at the end of 2022?

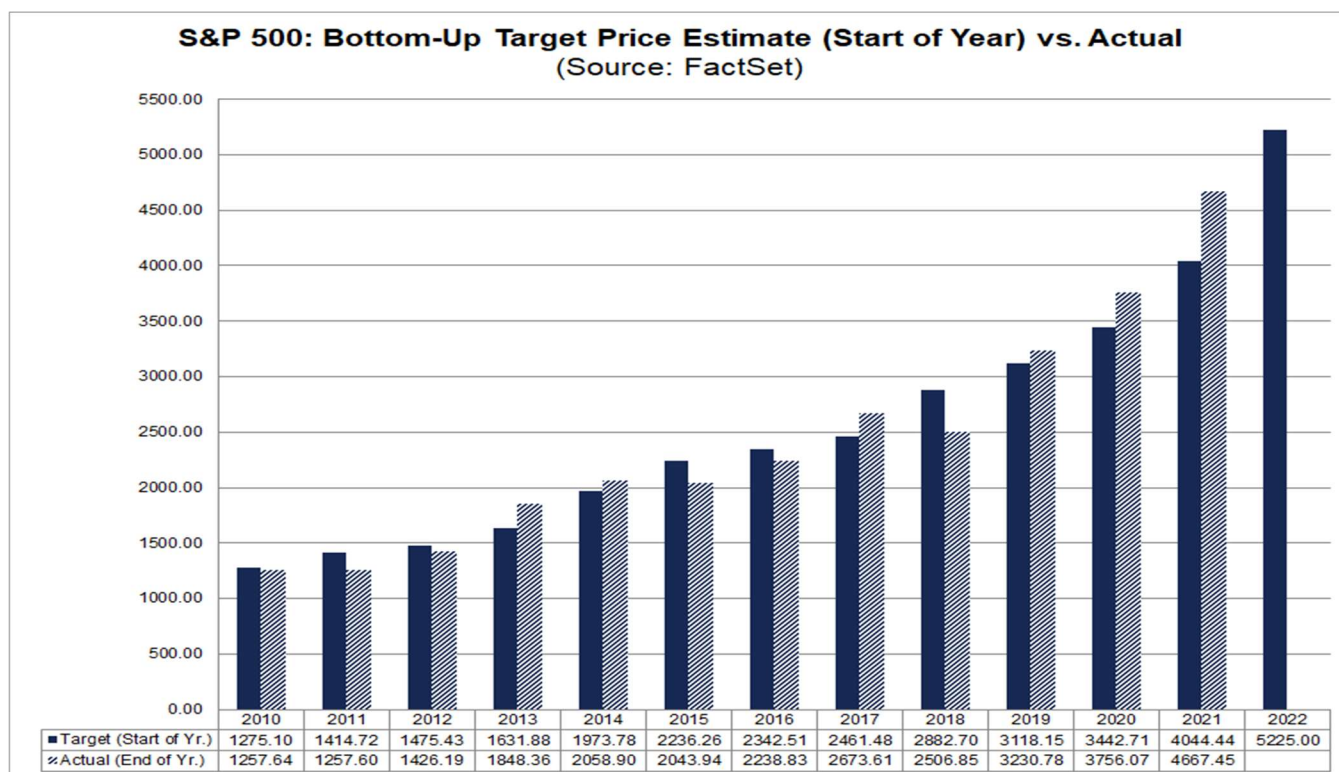
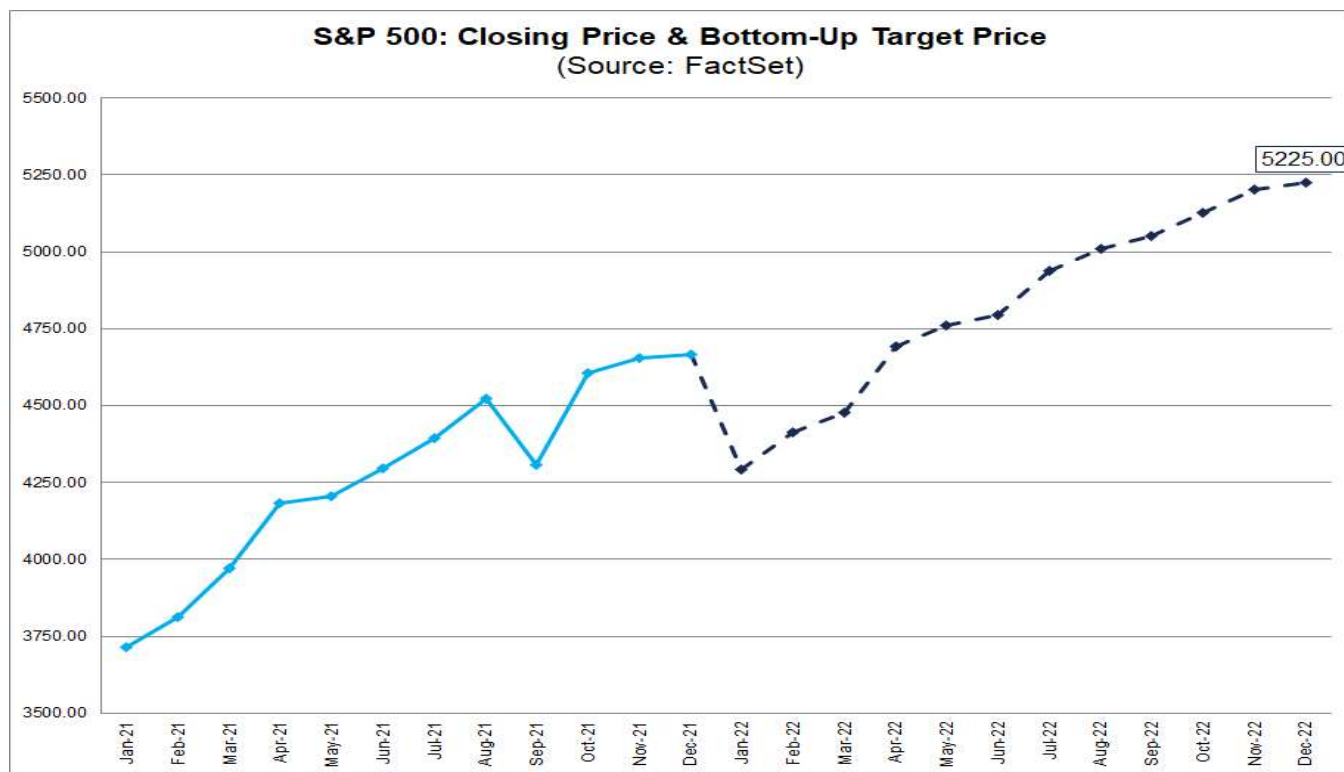
The answer is yes. Industry analysts in aggregate predict the S&P 500 will have a closing price of 5,225.00 in 12 months. This bottom-up target price for the index is calculated by aggregating the median target price estimates (based on the company-level target prices submitted by industry analysts) for all the companies in the index. On December 9, the bottom-up target price for the S&P 500 was 5,225.00, which was 11.9% above the closing price of 4,667.45.

At the sector level, the Communication Services (+22.0%) and Energy (+19.2%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Utilities (+6.2%) 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.

At the company level, the ten stocks in the S&P 500 with the largest upside and downside differences between their median target price and closing price (on December 9) can be found on page 8.

However, it is important to note that industry analysts have historically overestimated the closing price of the index at the start of the year. Over the previous 15 years (2006 – 2020), the average difference between the bottom-up target price estimate at the beginning of the year (December 31) and the final price for the index for that same year has been 7.3%. In other words, industry analysts on average have overestimated the final price of the index by about 7.3% one year in advance during the previous 15 years. Analysts overestimated the final value (the final value finished below the estimate) in 10 of the 15 years and underestimated the final value (the final value finished above the estimate) in the other 5 years.

However, this 7.3% average includes one year (2008) in which there was a substantial difference between the bottom-up target price estimate at the start of the year and the closing price for the index for that same year (+92%). If the year 2008 were excluded, the average difference between the bottom-up target price at the start of the year and the closing price of the index at the end of the year would be 1.6%. If one applies the average overestimation of 7.3% to the current 2022 bottom-up target price estimate (assuming the estimate changes little between now and December 31), the expected closing value for 2022 would be 4,826.63, which is 3.4% above yesterday's closing price of 4,667.45. If one applies the average overestimation of 1.6% (excluding 2008) to the current 2022 bottom-up target price estimate, the expected closing value for 2022 would be 5,141.31, which is 10.2% above yesterday's closing price of 4,667.45.



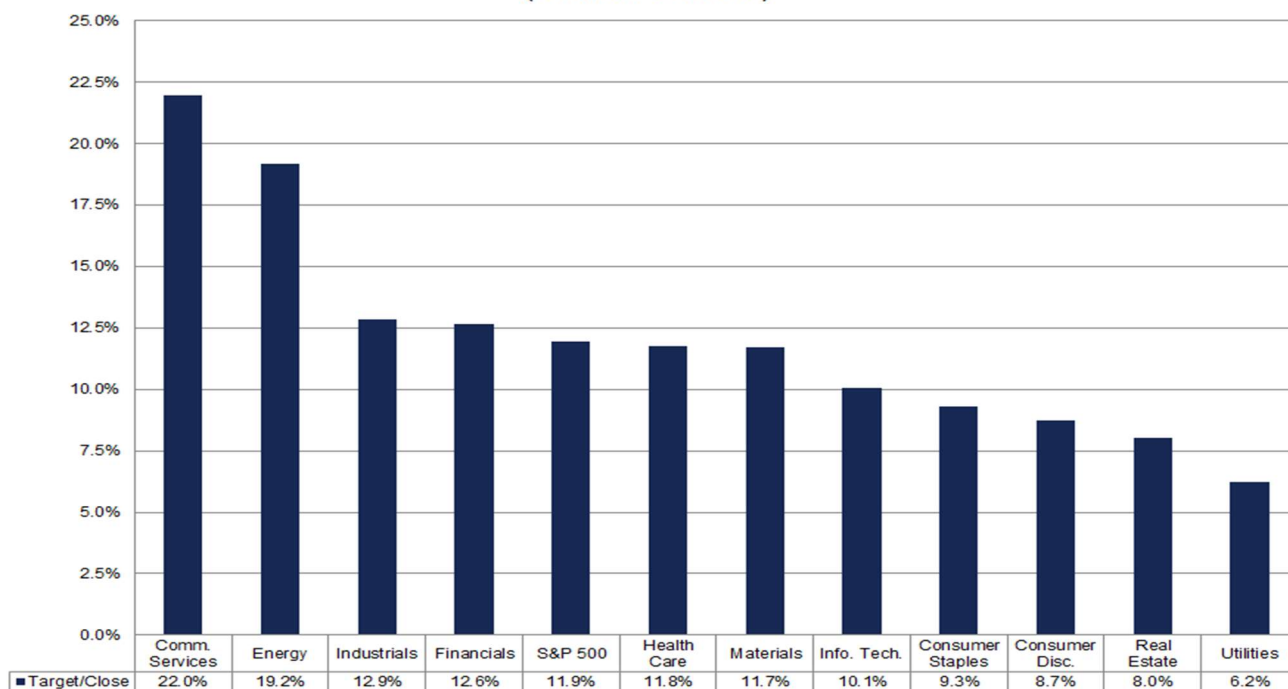
S&P 500: Difference Between Median Target Price & Closing Price: Top 10 (Source: FactSet)

Company	Target	Closing	Diff (\$)	Diff (%)
Activision Blizzard, Inc.	95.00	59.07	35.93	60.8%
Penn National Gaming, Inc.	80.50	51.02	29.48	57.8%
Under Armour, Inc. Class C	32.00	20.32	11.68	57.5%
Discovery, Inc. Class C	35.50	22.69	12.81	56.5%
Global Payments Inc.	196.00	127.37	68.63	53.9%
Discovery, Inc. Class A	36.00	23.58	12.42	52.7%
News Corporation Class A	33.00	21.77	11.23	51.6%
Alaska Air Group, Inc.	77.50	51.42	26.08	50.7%
Caesars Entertainment Inc	136.50	90.81	45.69	50.3%
Generac Holdings Inc.	540.00	360.64	179.36	49.7%

S&P 500: Difference Between Median Target Price & Closing Price: Bottom 10 (Source: FactSet)

Company	Target	Closing	Diff (\$)	Diff (%)
Fastenal Company	52.50	62.81	-10.31	-16.4%
Xilinx, Inc.	190.00	215.02	-25.02	-11.6%
Consolidated Edison, Inc.	73.00	81.68	-8.68	-10.6%
Tesla Inc	899.00	1003.80	-104.80	-10.4%
Juniper Networks, Inc.	30.00	32.74	-2.74	-8.4%
Lumen Technologies, Inc.	11.50	12.07	-0.57	-4.7%
HP Inc.	34.50	36.15	-1.65	-4.6%
Cintas Corporation	430.00	449.13	-19.13	-4.3%
Church & Dwight Co., Inc.	91.50	95.54	-4.04	-4.2%
Mettler-Toledo International Inc.	1515.50	1582.16	-66.66	-4.2%

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



Q4 Earnings Season: By The Numbers

Overview

Analysts and companies have been less optimistic compared to recent quarters in their earnings estimate revisions and earnings outlooks for the fourth quarter to date. As a result, expected earnings for the S&P 500 for the fourth quarter are relatively unchanged today compared to expectations at the start of the quarter. However, the index is still expected to report growth in earnings of more than 20% for the fourth straight quarter. Analysts also project earnings growth of more than 40% for the full year. 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 numerous industries.

In terms of earnings estimate revisions for companies in the S&P 500, upward and downward revisions to estimates by analysts have largely offset each other in aggregate for Q4 2021 to date. Thus, on a per-share basis, estimated earnings for the fourth quarter are just 0.1% above the expectations on September 30. Over the past four quarters, analysts increased EPS estimates by 4.7% on average during the quarter. However, over longer time periods, analysts have usually reduced earnings estimates during the quarter. Over the past five years (20 quarters), earnings estimates have fallen by 2.6% on average during a quarter. Over the past ten years, (40 quarters), earnings estimates have fallen by 3.6% on average during a quarter. Over the past fifteen years, (60 quarters), earnings estimates have fallen by 4.8% on average during a quarter.

Fewer S&P 500 companies have issued positive EPS guidance for Q4 2021 compared to recent quarters as well. At this point in time, 93 companies in the index have issued EPS guidance for Q3 2021. Of these 93 companies, 56 have issued negative EPS guidance and 37 have issued positive EPS guidance. Over the past four quarters, 60 S&P 500 companies issued positive guidance on average for the quarter. However, over longer time periods, fewer companies typically issue positive EPS guidance than negative EPS guidance. The percentage of companies issuing positive EPS guidance for Q4 2021 is 40% (37 out of 93), which is slightly above the 5-year average of 39%.

Given the neutral impact of estimate revisions, the estimated (year-over-year) earnings growth rate for Q4 2021 is slightly above expectations at the start of the fourth quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 21.2%, compared to the estimated (year-over-year) earnings growth rate of 20.9% on September 30.

If 21.2% is the actual growth rate for the quarter, it will mark the fourth straight quarter of year-over-year earnings growth above 20%. The unusually high growth rate is due to a combination of higher earnings for Q4 2021 and a comparison to weaker earnings in Q4 2020 due to the negative impact of COVID-19 on a number of industries. Nine of the eleven sectors are projected to report year-over-year earnings growth, led by the Energy, Materials, and Industrials sectors.

In terms of revenues, however, analysts have continued to be more optimistic than normal in their estimate revisions. Because of the net upward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q4 2021 is higher now relative to the start of the fourth quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 12.7%, compared to the estimated (year-over-year) revenue growth rate of 11.4% on September 30.

If 12.7% is the actual growth rate for the quarter, it will tie the mark (with Q2 2011) for the third-highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008. All eleven sectors are projected to report year-over-year growth in revenues, led by the Energy and Materials sectors.

For the full year, analysts project earnings growth of 45.1% for CY 2021. Looking ahead to the first half of CY 2022, analysts expected earnings growth of 6.0% for Q1 2022 and 3.9% for Q2 2022.

The forward 12-month P/E ratio is 21.1, which is above the 5-year average (18.4) and above the 10-year average (16.6). It is also above the forward P/E ratio of 20.1 recorded at the end of the third quarter (September 30), as price increases have outpaced upward revisions to EPS estimates over the past two months.

During the upcoming week, five S&P 500 companies are scheduled to report results for the fourth quarter.

Earnings Revisions: Energy Sector Sees Largest Estimate Increases

Small Increase in Estimated Earnings Growth Rate for Q4 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q4 2021 increased slightly to 21.2% from 20.9%.

The estimated earnings growth rate for the S&P 500 for Q4 2021 of 21.2% today is slightly above the estimate of 20.9% at the start of the quarter (September 30). Estimated earnings for the index of \$447.4 billion today are also slightly above the estimate of \$446.3 billion at the start of the quarter. Six sectors have recorded an increase in expected (dollar-level) earnings due to upward revisions to earnings estimates, led by the Energy sector. On the other hand, five sectors have recorded a decrease in expected (dollar-level) earnings due to downward revisions to earnings estimates, led by the Consumer Discretionary and Industrials sectors.

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

The Energy sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 37.7% (to \$27.5 billion from \$20.0 billion). A year-over-year growth rate is not being calculated for the Energy sector due to the loss reported by the sector in Q4 2020. This sector has also witnessed the fifth-largest increase in price (+8.0%) of all eleven sectors since September 30. Overall, 18 of the 21 companies (86%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 18 companies, 15 have recorded an increase in their mean EPS estimate of more than 10%, led by Marathon Petroleum (to \$0.55 from -\$0.01), Valero Energy (to \$1.42 from \$0.42), Phillips 66 (to \$1.62 from \$0.65), and Occidental Petroleum (to \$1.02 from \$0.45). However, Exxon Mobil (to \$1.74 from \$1.34), Chevron (to \$2.97 from \$2.19), and ConocoPhillips (to \$2.14 from \$1.49) have been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since September 30.

Consumer Discretionary: Amazon.com Leads Earnings Decrease Since September 30

The Consumer Discretionary sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -15.6% (to \$27.2 billion from \$32.3 billion). As a result, the estimated earnings growth rate for this sector has fallen to 0.9% from 19.5% during this time. Despite the decrease in estimated earnings, this sector has witnessed the second-largest increase in price (+12.4%) of all eleven sectors since September 30. Overall, 41 of the 62 companies (66%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 41 companies, 17 have recorded a decrease in their mean EPS estimate of more than 10%, led by Caesars Entertainment (to -\$0.85 from -\$0.09), Las Vegas Sands (to -\$0.24 from \$0.04), Gap (to -\$0.12 from \$0.50), and Amazon.com (to \$3.89 from \$12.59). Amazon.com is also the largest contributor to the decrease in expected (dollar-level) earnings for this sector since September 30.

Industrials: Boeing, Deere, and Airlines Lead Earnings Decrease Since September 30

The Industrials sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -10.7% (to \$30.4 billion from \$34.0 billion). As a result, the estimated earnings growth rate for this sector has fallen to 104.4% from 128.8% during this time. This sector has also witnessed an increase in price of 7.0% since September 30. Overall, 47 of the 73 companies (64%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 47 companies, 22 have recorded a decrease in their mean EPS estimate of more than 10%, led by United Airlines Holdings (to -\$2.08 from -\$0.42), American Airlines Group (to -\$1.71 from -\$0.65), Delta Air Lines (to -\$0.24 from \$0.45), and Boeing (to -\$0.21 from \$0.52). These four companies, along with Deere & Company (to \$2.27 from \$4.44), have also been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

Index-Level (Bottom-Up) EPS Estimate: 0.1% Increase Since September 30

The Q4 bottom-up EPS estimate (which is an aggregation of the median Q4 earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) has increased by 0.1% (to \$51.09 from \$51.06) since September 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 2.6% on average during a quarter. Over the past ten years (40 quarters), earnings expectations have fallen by 3.6% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 4.8% on average during a quarter.

Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance is Near 5-Year Average

At this point in time, 93 companies in the index have issued EPS guidance for Q4 2021. Of these 93 companies, 56 have issued negative EPS guidance and 37 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 60% (56 out of 93), which is slightly below the 5-year average of 61%.

However, it should be noted that the fourth quarter is the first quarter since Q2 2020 in which more S&P 500 companies are issuing negative EPS guidance than positive EPS guidance.

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 Growth: 21.2%

The estimated (year-over-year) earnings growth rate for Q4 2021 is 21.2%, which is well above the 5-year average earnings growth rate of 11.8%. If 21.2% is the actual growth rate for the quarter, it will mark the fourth straight quarter of year-over-year earnings growth above 20%. The unusually high growth rate is due to a combination of higher earnings in Q4 2021 and an easier comparison to lower earnings in Q4 2020 due to the negative impact of COVID-19 on a number of industries. Nine of the eleven sectors are expected to year-over-year earnings growth, led by the Energy, Materials, and Industrials sectors.

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

The Energy sector is expected to report earnings of \$27.5 billion for Q4 2021 compared to a loss of -\$0.1 billion in Q4 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 Q4 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 Q4 2021 to date (\$78.33) is 91% above the average price for oil in Q4 2020 (\$40.92). At the sub-industry level, all five sub-industries in the sector are projected to report a year-over-year increase in earnings. A growth rate is not being calculated for two of these five sub-industries due to losses reported in the year-ago quarter. However, both are predicted to report profits in Q4 2021: Integrated Oil & Gas and Oil & Gas Refining & Marketing. The other three sub-industries that are expected to report year-over-year growth are the Oil & Gas Exploration & Production (2,755%), Oil & Gas Equipment & Services (160%), and the Oil & Gas Storage & Transportation (7%) sub-industries. At the company level, Exxon Mobil, Chevron, and ConocoPhillips are expected to be the largest contributors to the year-over-year improvement in earnings for the sector. Combined, these three companies account for \$16.0 billion of the \$27.6 billion year-over-year increase in earnings for the sector.

Industrials: Boeing and Airlines Industry Are Largest Contributors to Year-Over-Year Growth

The Industrials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 104.4%. At the industry level, 11 of the 12 industries in the sector are projected to report a year-over-year increase in earnings. A growth rate is not being calculated for the two of these industries due to losses reported in the year-ago quarter: Airlines and Aerospace & Defense. The Aerospace & Defense industry is predicted to report a profit in Q4 2021 (\$6.5 billion) compared to a loss in Q4 2020 (-\$2.3 billion), while the Airlines industry is predicted to report a smaller loss in Q4 2021 (-\$1.9 billion) compared to Q4 2020 (-\$7.3 billion). Five of the remaining ten industries are predicted to report earnings growth above 10%: Trading Companies & Distributors (29%), Electrical Equipment (18%), Construction & Engineering (16%), Road & Rail (14%), and Air Freight & Logistics (12%). The Machinery (-7%) industry is the only industry projected to report a year-over-year decline in earnings in the sector. Boeing and the five companies in the Airlines industry are the largest contributors to earnings growth for the sector. If this company and industry were excluded, the estimated earnings growth rate for the Industrials sector would fall to 5.5% from 104.4%.

Materials: Nucor and Dow Are Largest Contributors to Year-over-Year Growth

The Materials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 61.1%. At the industry level, all four industries in this sector are expected to report year-over-year earnings growth, led by the Metals & Mining (132%) and Chemicals (52%) industries. At the company level, Nucor and Dow are expected to be the largest contributors to year-over-year earnings growth for the sector. If these two companies were excluded, the estimated earnings growth rate for the Materials sector would fall to 35.2% from 61.1%.

Revenue Growth: 12.7%

The estimated (year-over-year) revenue growth rate for Q4 2021 is 12.7%, which is well above the 5-year average revenue growth rate of 5.8%. If 12.7% is the actual growth rate for the quarter, it will tie the mark (with Q2 2011) for the third-highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008. The current record is 25.3%, which occurred in Q2 2021. All eleven sectors are expected to report year-over-year growth in revenues, led by the Energy and Materials sectors.

Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Growth Above 50%

The Energy sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 67.2%. 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 Q4 2021 to date (\$78.33) is 91% above the average price for oil in Q4 2020 (\$40.92). At the sub-industry level, all five sub-industries in the sector are projected to report double-digit (year-over-year) growth in revenues: Oil & Gas Exploration & Production (121%), Integrated Oil & Gas (79%), Oil & Gas Refining & Marketing (54%), Oil & Gas Storage & Transportation (31%), and Oil & Gas Equipment & Services (10%).

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

The Materials sector is expected to report the second-highest (year-over-year) revenue growth of all eleven sectors at 24.5%. At the industry level, all four industries in this sector are projected to report year-over-year growth in revenues. Three of these four industries are predicted to report revenue growth above 20%: Metals & Mining (56%), Construction Materials (26%), and Chemicals (23%).

Net Profit Margin: 11.8%

The estimated net profit margin for the S&P 500 for Q4 2021 is 11.8%, which is above the 5-year average of 10.9% and the year-ago net profit margin of 11.0%, but below the previous quarter's net profit margin of 12.9%.

If 11.8% is the actual net profit margin for the quarter, it will mark the fifth-highest net profit margin reported by the index since FactSet began tracking this metric in 2008. The current record is 13.1%, which occurred in Q2 2021.

At the sector level, five sectors are expected to report a year-over-year increase in their net profit margins in Q4 2021 compared to Q4 2020, led by the Energy (9.9% vs. N/A), Industrials (8.4% vs. 4.6%), and Materials (13.2% vs. 10.2%) sectors. Five sectors are expected to report net profit margins in Q4 2021 that are above their 5-year averages, led by the Energy (9.9% vs. 4.9%), Materials (13.2% vs. 9.5%), and Information Technology (24.9% vs. 21.5%) sectors.

Looking Ahead: Forward Estimates and Valuation

Earnings: S&P 500 Expected to Report Earnings Growth of 45% for CY 2021

For the third quarter, S&P 500 companies reported earnings growth of 39.8% and revenue growth of 17.8%.

For Q4 2021, analysts are projecting earnings growth of 21.2% and revenue growth of 12.7%.

For CY 2021, analysts are projecting earnings growth of 45.1% and revenue growth of 15.8%.

For Q1 2022, analysts are projecting earnings growth of 6.0% and revenue growth of 9.4%.

For Q2 2022, analysts are projecting earnings growth of 3.9% and revenue growth of 7.2%.

For CY 2022, analysts are projecting earnings growth of 9.0% and revenue growth of 7.3%.

Valuation: Forward P/E Ratio is 21.1, Above the 10-Year Average (16.6)

The forward 12-month P/E ratio is 21.1. This P/E ratio is above the 5-year average of 18.4 and above the 10-year average of 16.6. It is also above the forward 12-month P/E ratio of 20.1 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has increased by 8.4%, while the forward 12-month EPS estimate has increased by 3.4%. At the sector level, the Consumer Discretionary (31.7) and Information Technology (27.9) sectors have the highest forward 12-month P/E ratios, while the Energy (11.4) and Financials (14.6) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 24.8, which is above the 5-year average of 23.0 and above the 10-year average of 19.8.

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

The bottom-up target price for the S&P 500 is 5225.00, which is 11.9% above the closing price of 4667.45. At the sector level, the Communication Services (22.0%) and Energy (19.2%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Utilities (+6.2%) 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.

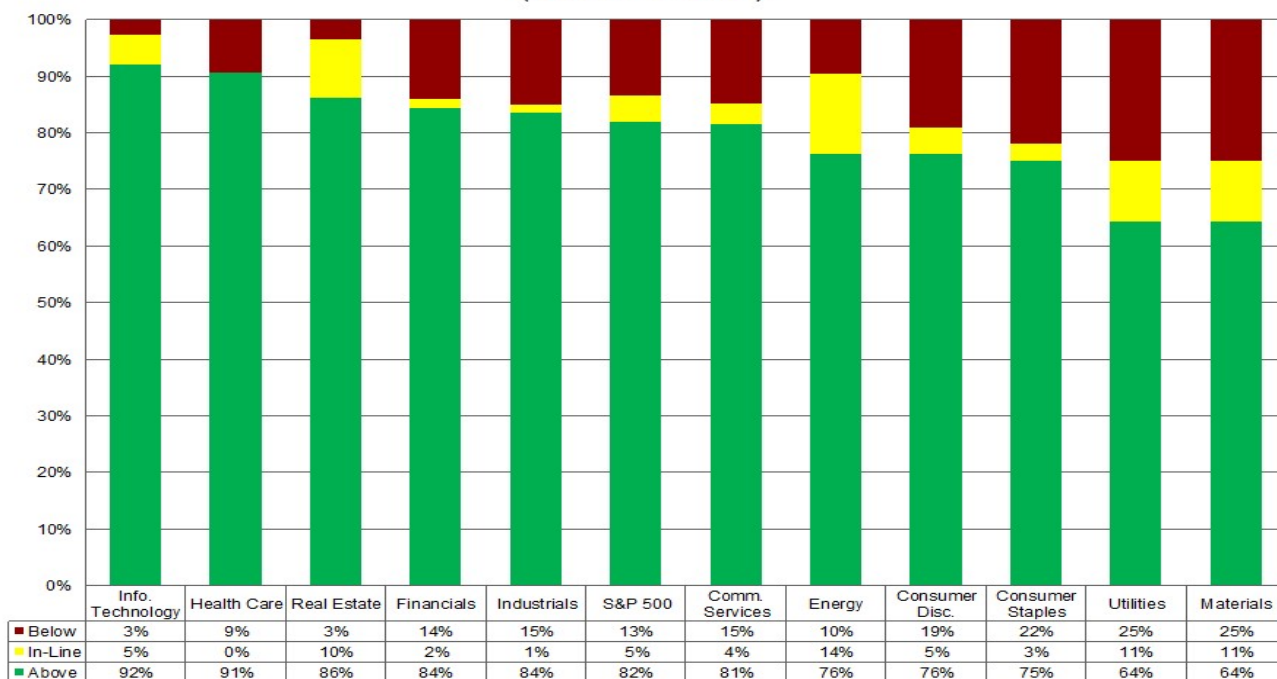
Overall, there are 10,713 ratings on stocks in the S&P 500. Of these 10,713 ratings, 56.8% are Buy ratings, 37.2% are Hold ratings, and 6.0% are Sell ratings. At the sector level, the Energy (67%), Communication Services (62%), Health Care (62%), and Information Technology (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 5

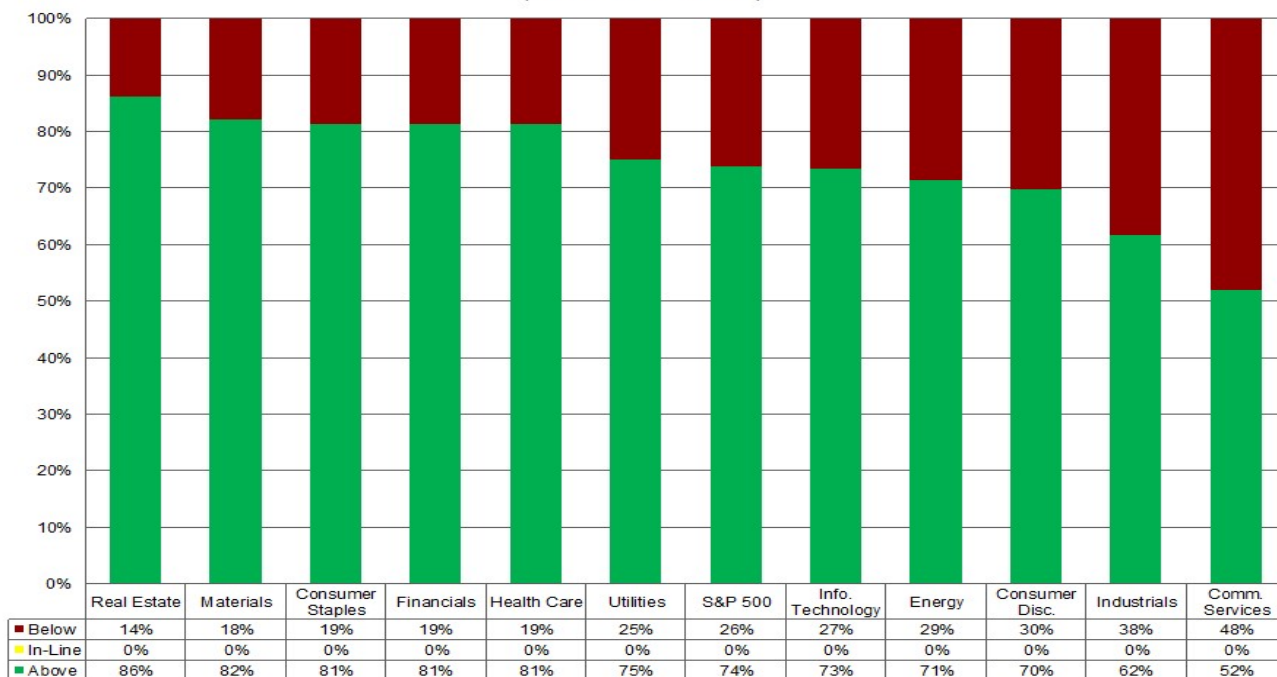
During the upcoming week, 5 S&P 500 companies are scheduled to report results for the fourth quarter.

Q3 2021: Scorecard

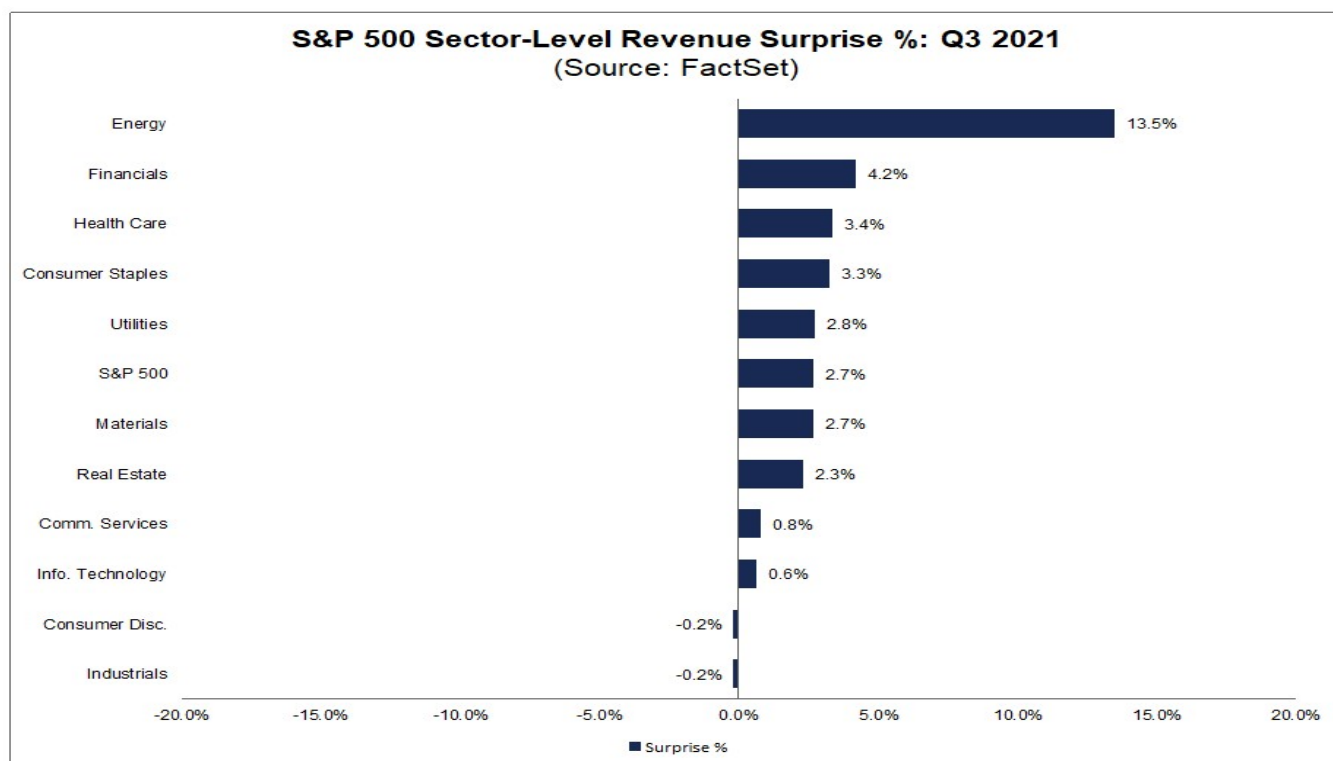
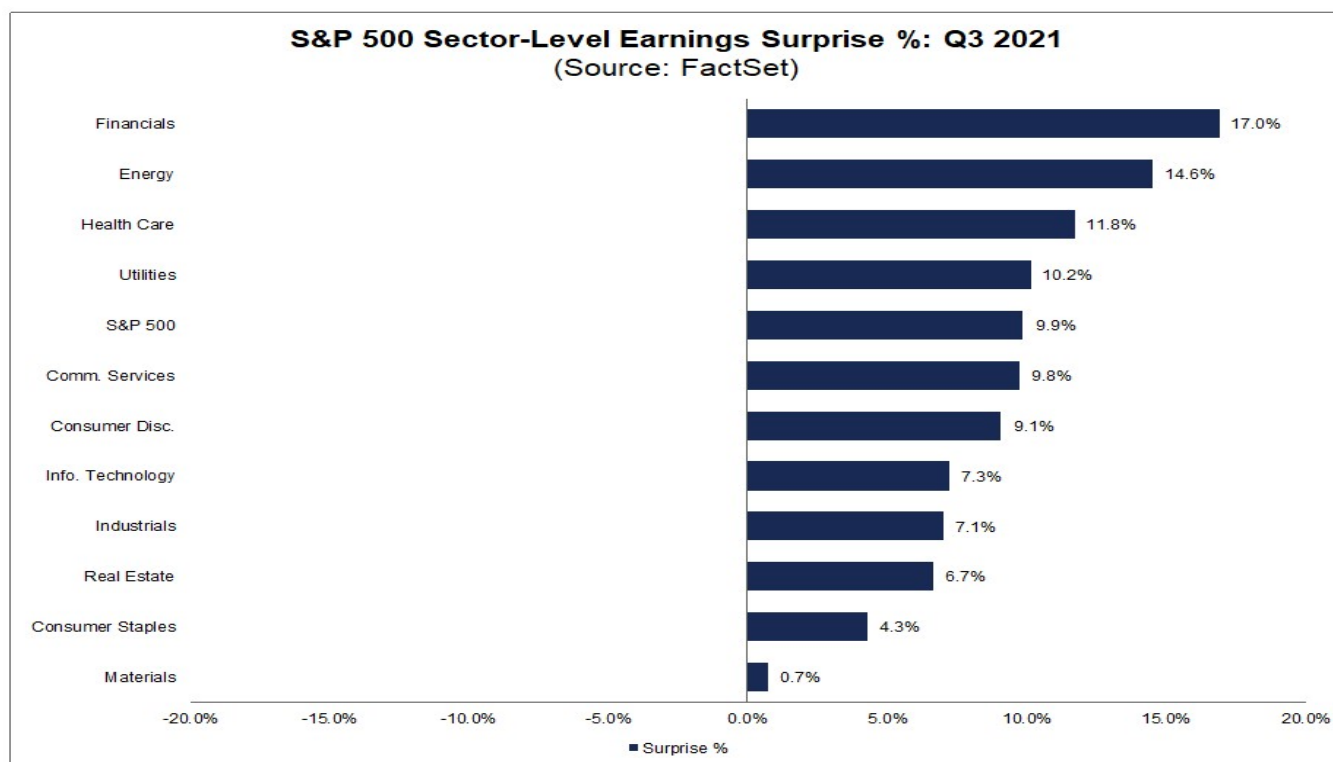
S&P 500 Earnings Above, In-Line, Below Estimates: Q3 2021
(Source: FactSet)



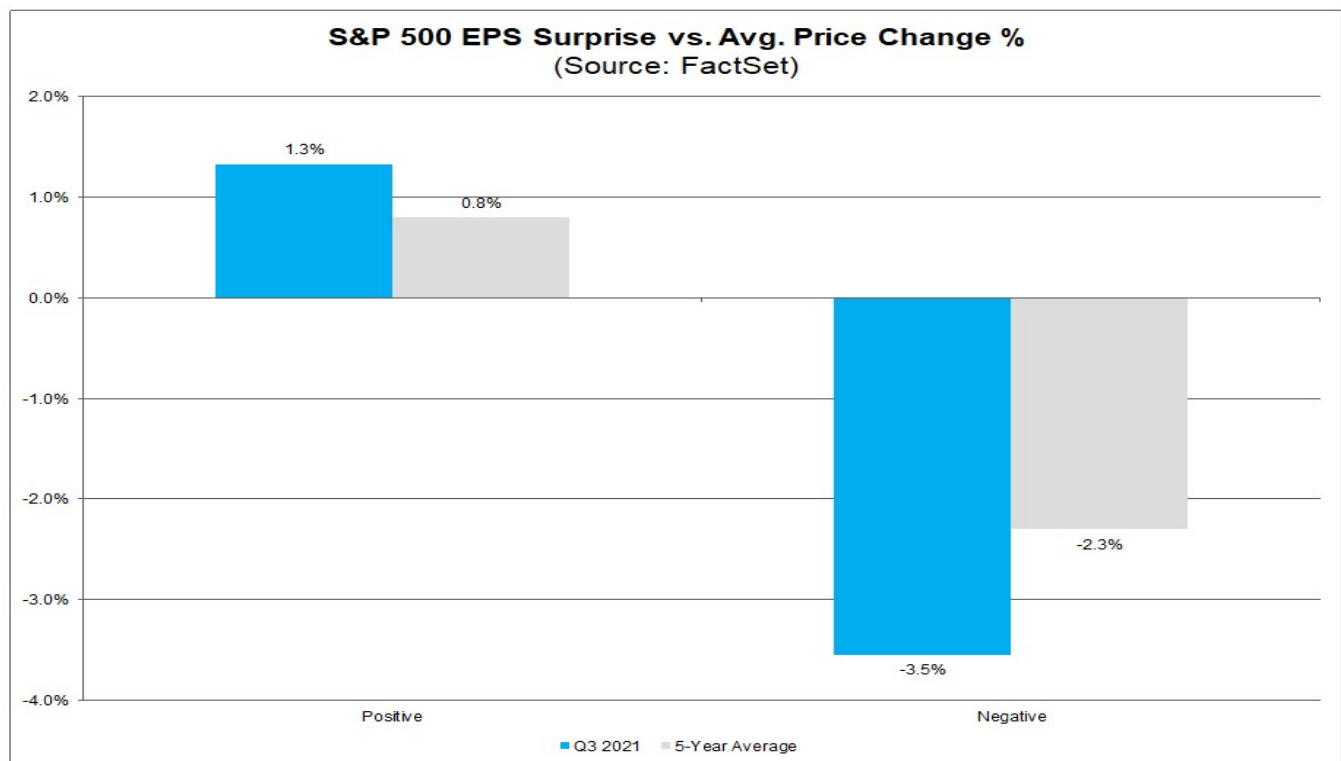
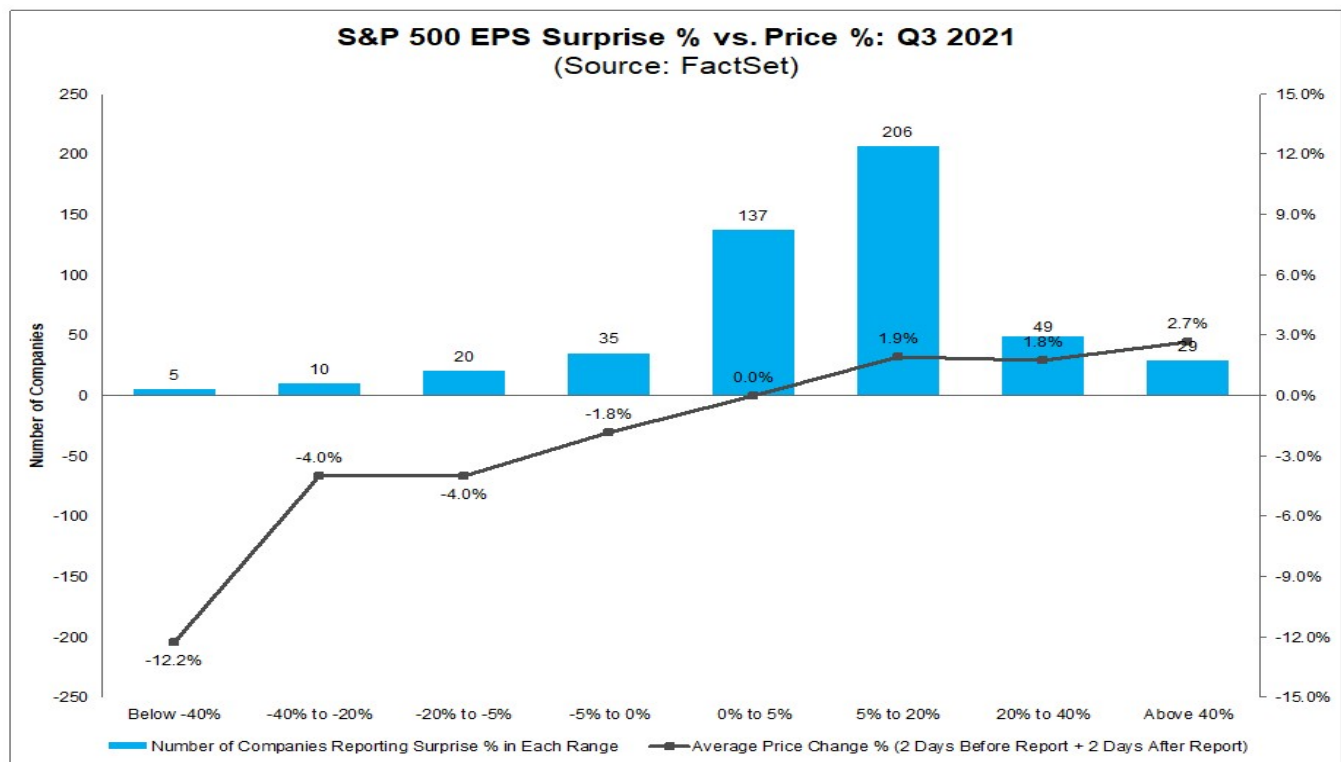
S&P 500 Revenues Above, In-Line, Below Estimates: Q3 2021
(Source: FactSet)



Q3 2021: Scorecard

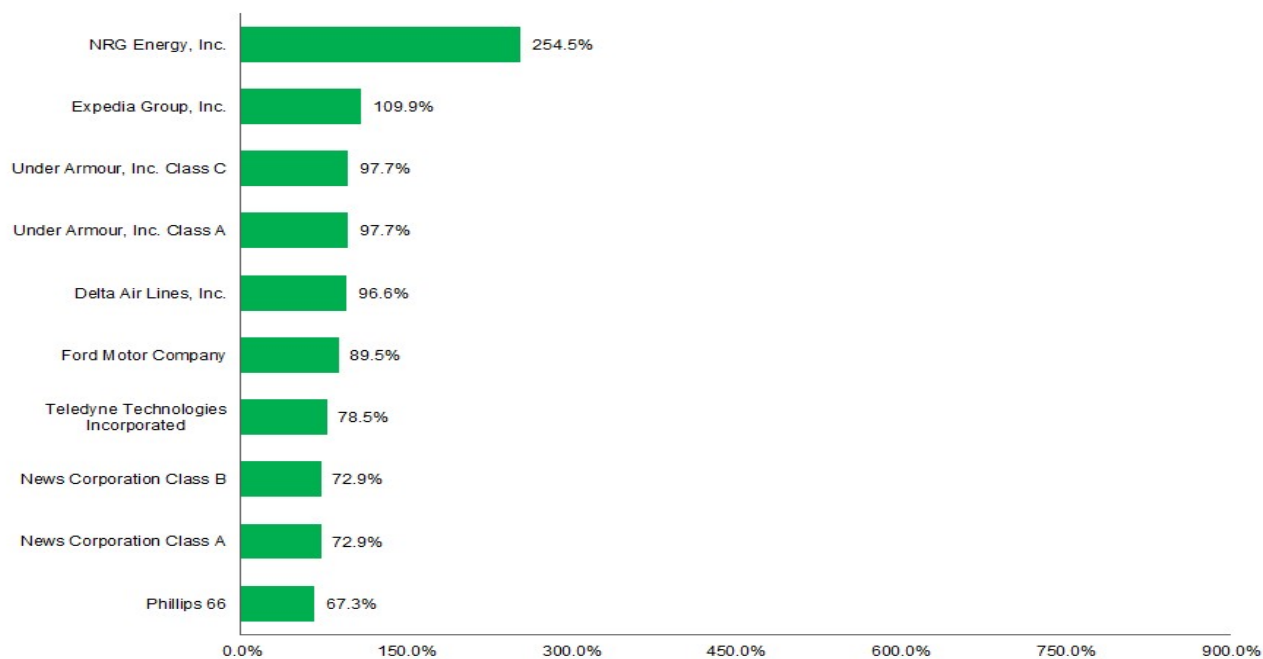


Q3 2021: Scorecard

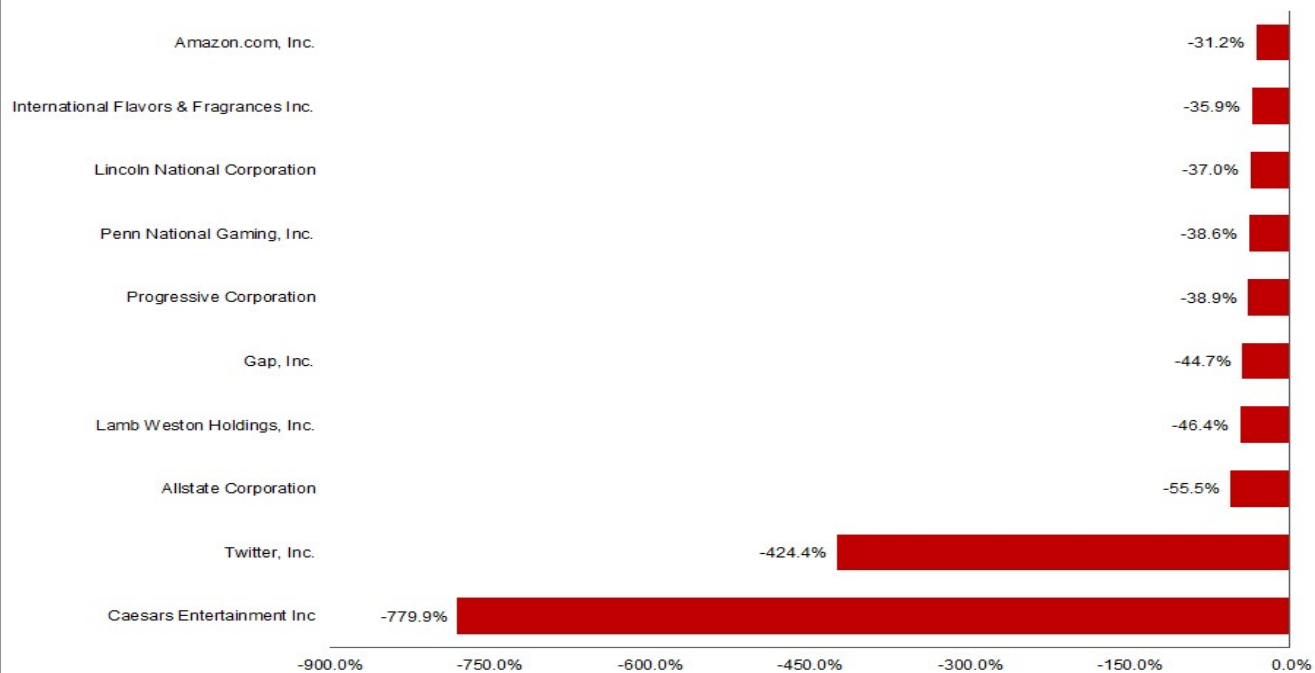


Q3 2021: Scorecard

S&P 500 Actual EPS Surprise %: Top 10 Q3 Actual EPS Surprises
(Source: FactSet)

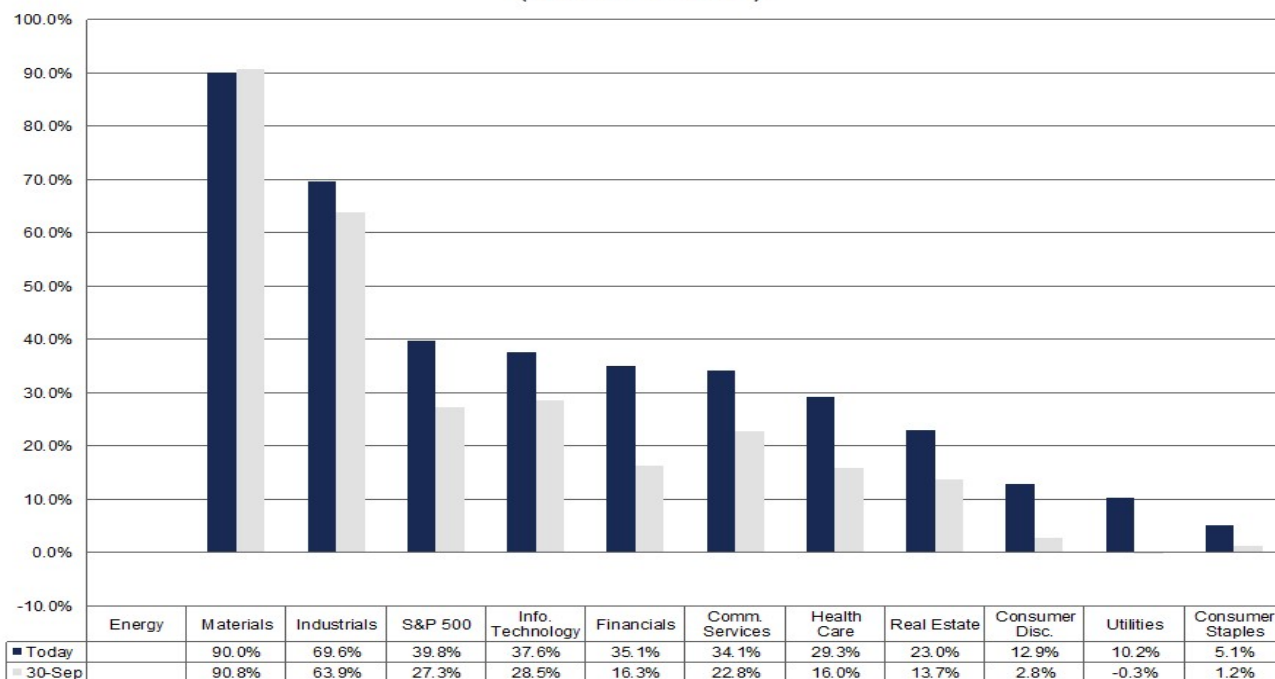


S&P 500 Actual EPS Surprise %: Bottom 10 Q3 Actual EPS Surprises
(Source: FactSet)

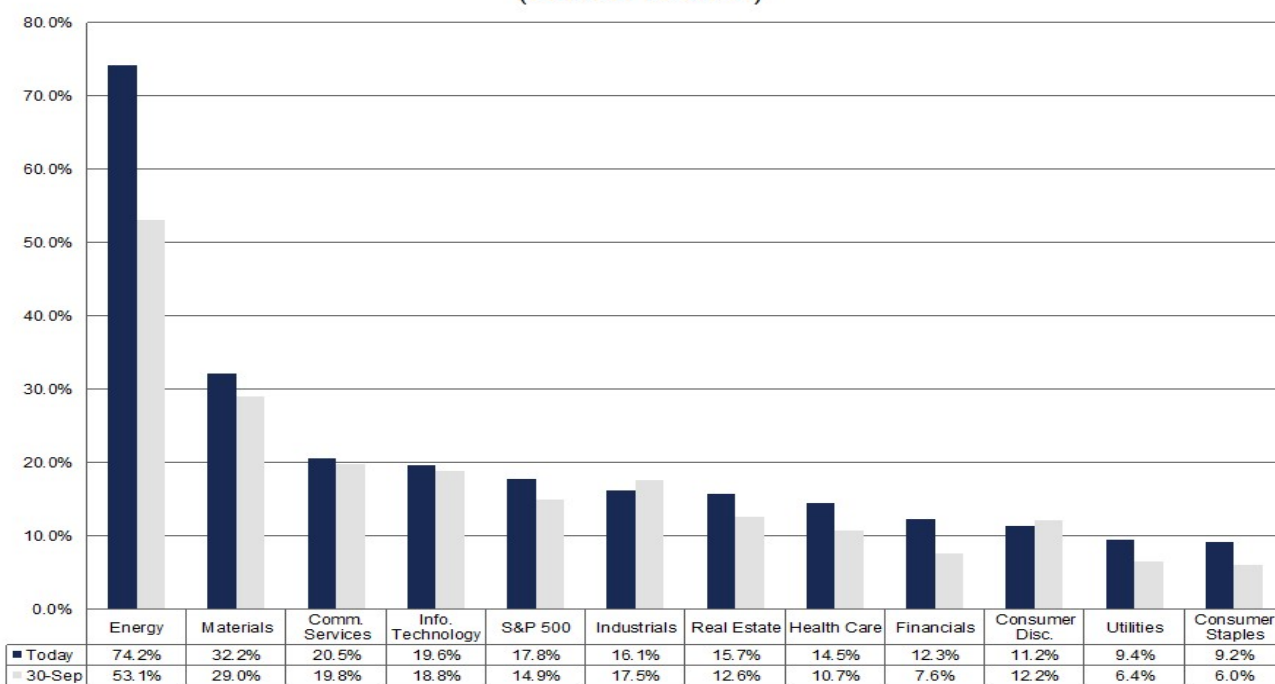


Q3 2021: Growth

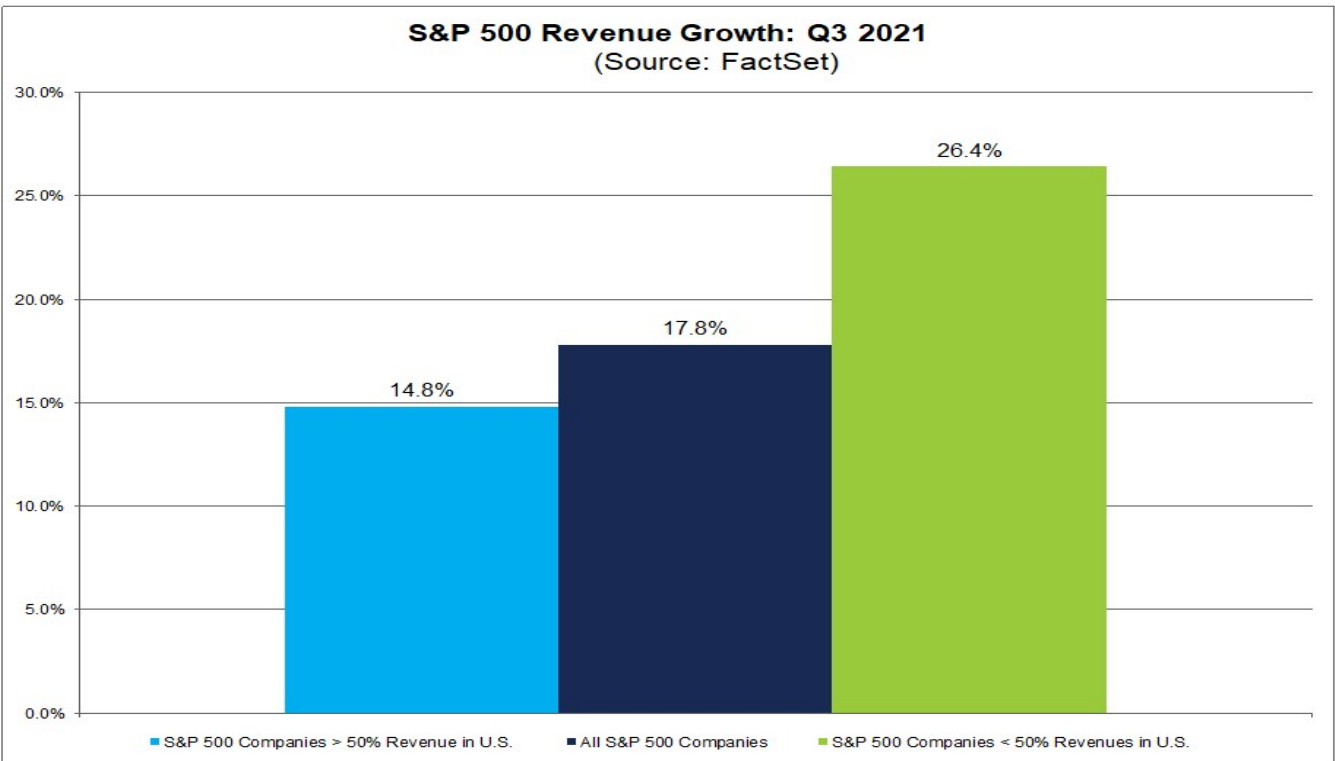
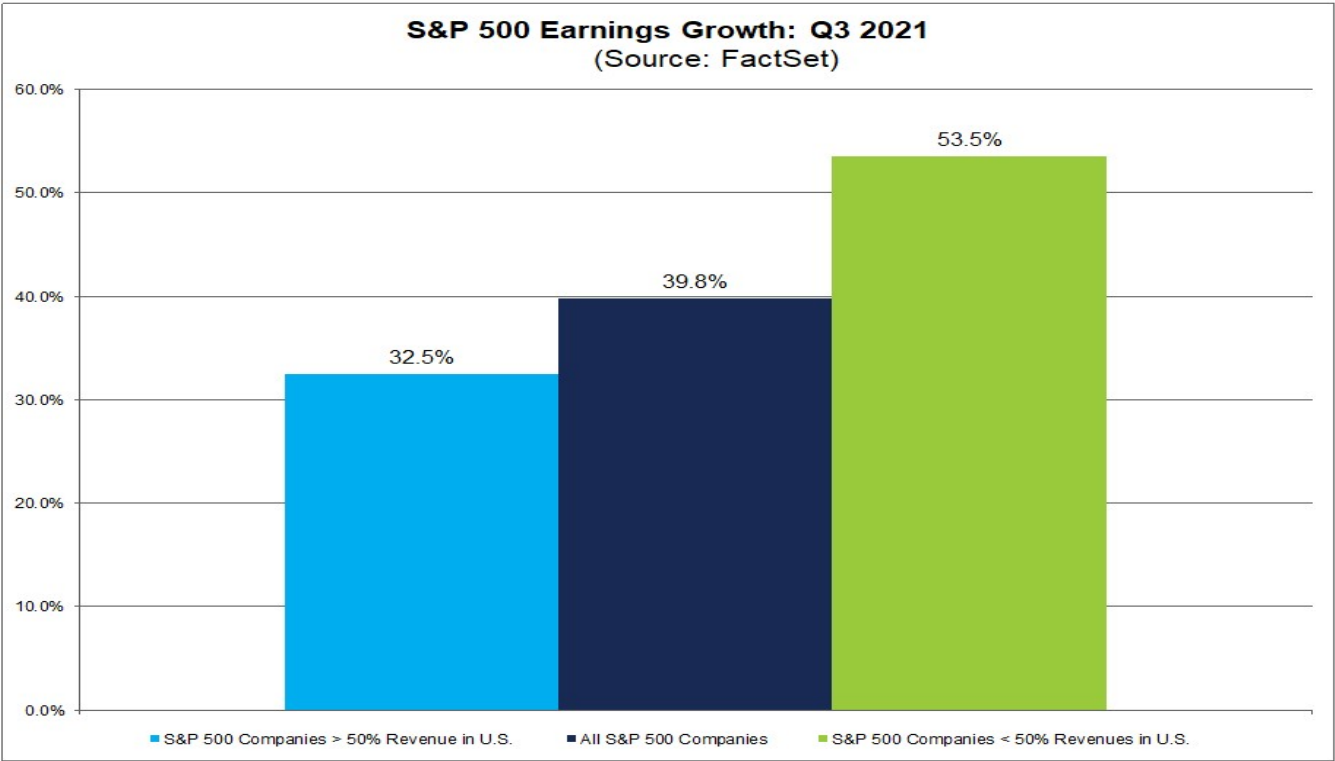
S&P 500 Earnings Growth: Q3 2021
(Source: FactSet)



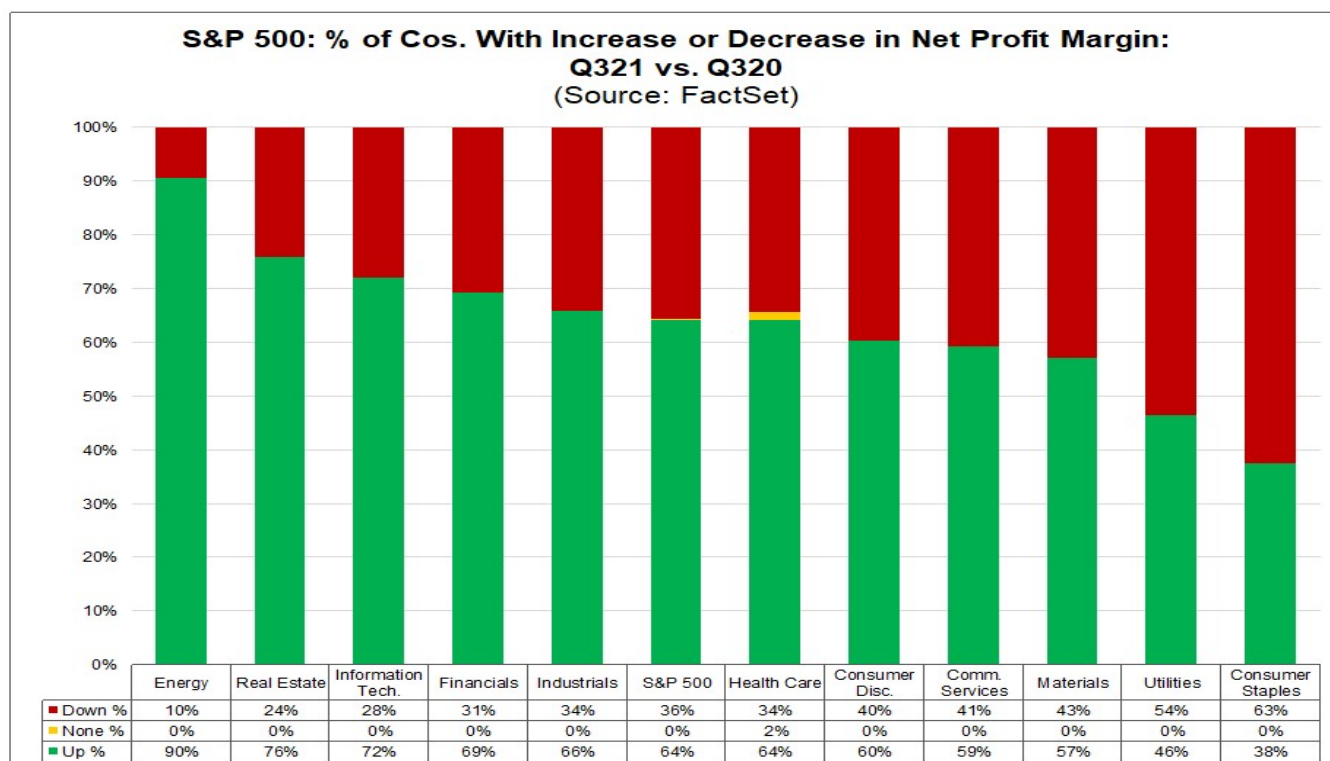
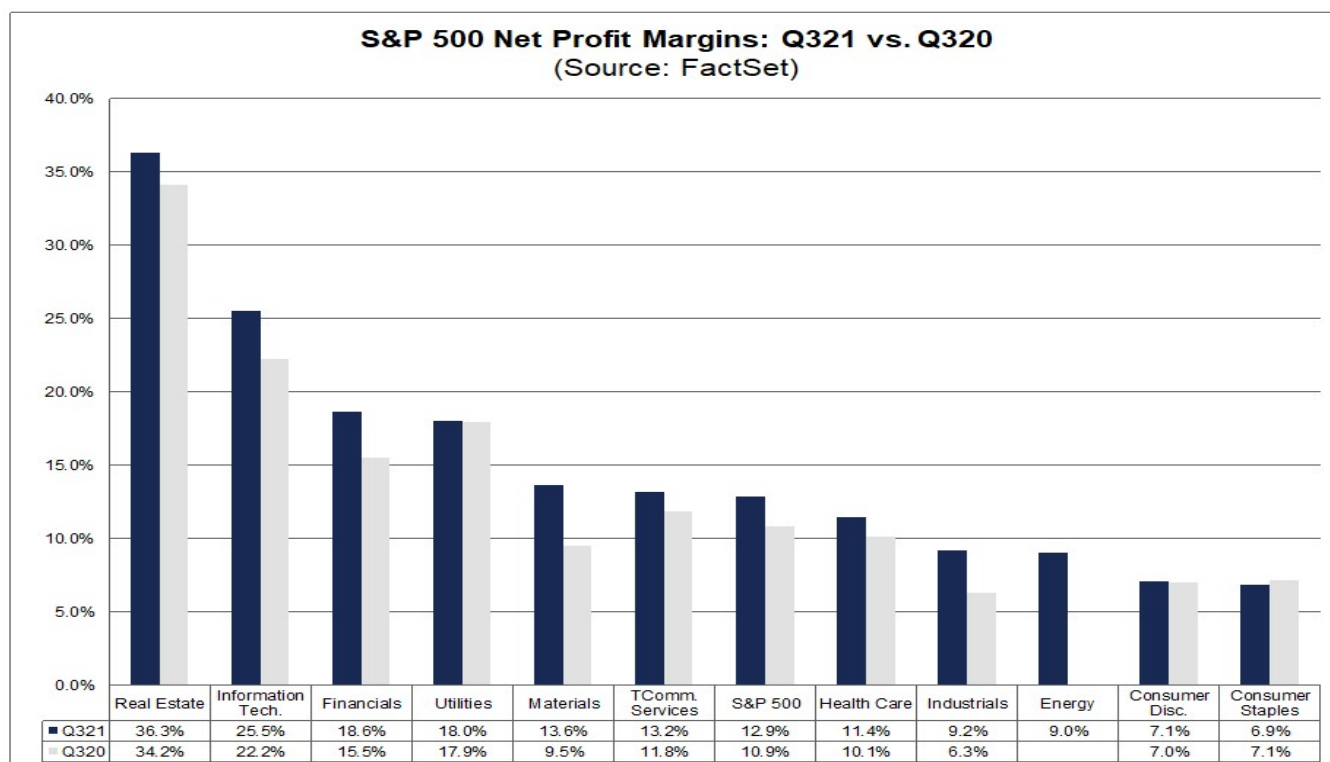
S&P 500 Revenue Growth: Q3 2021
(Source: FactSet)



Q3 2021: Growth

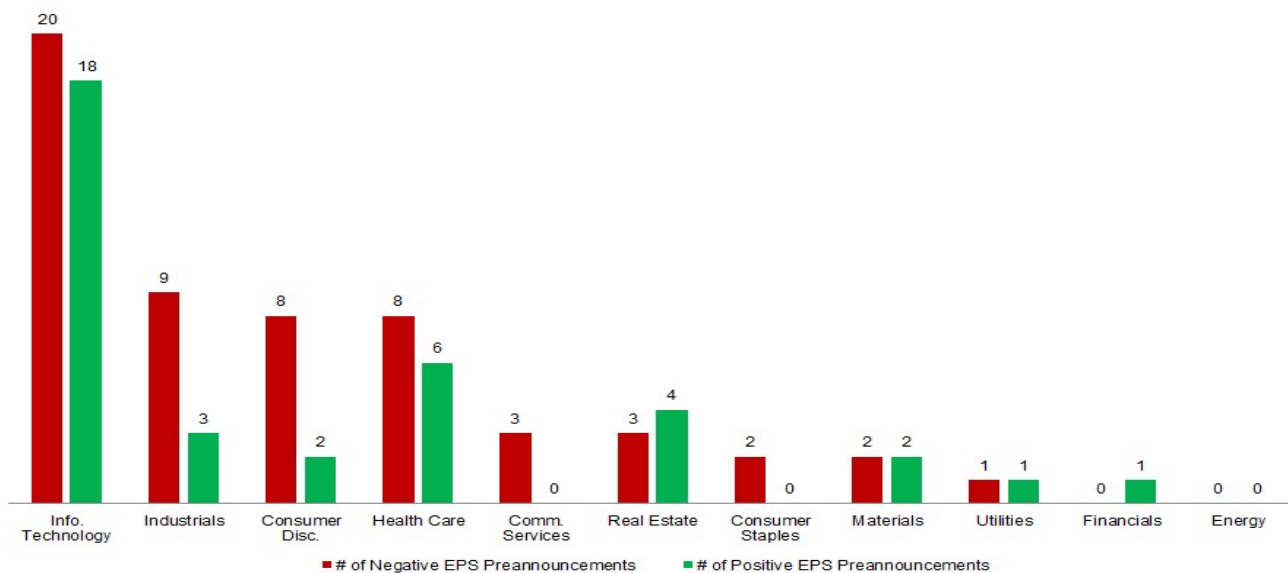


Q3 2021: Net Profit Margin

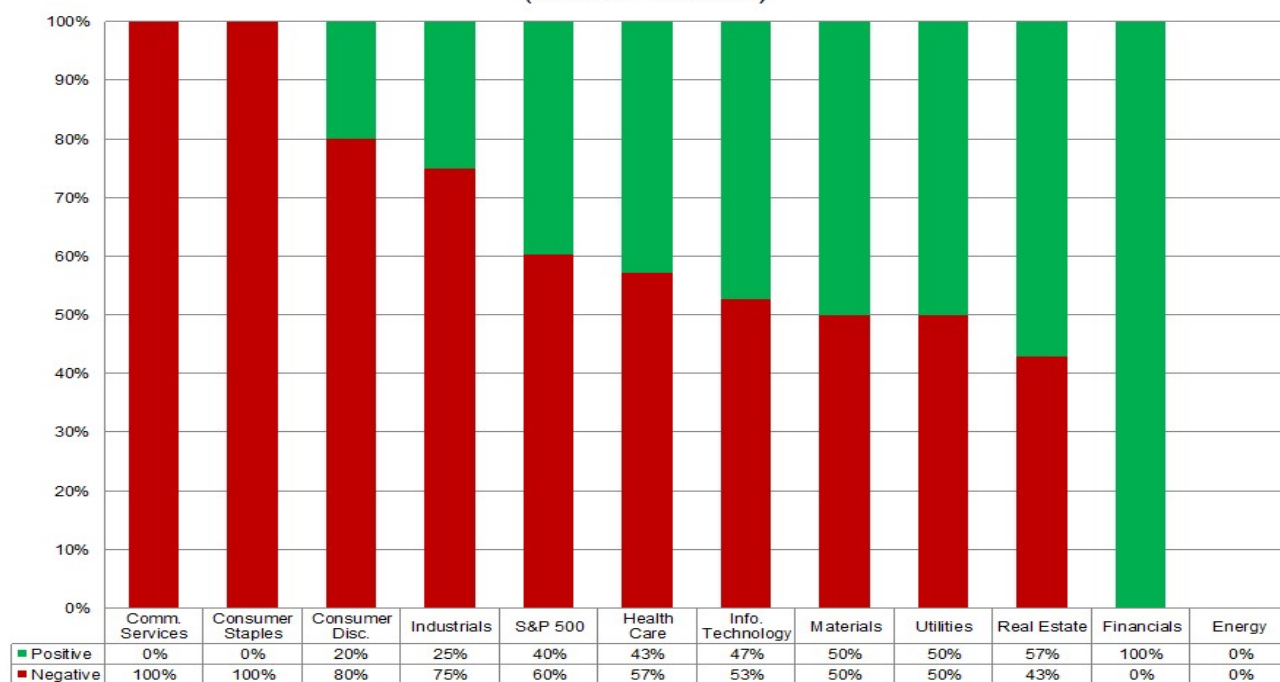


Q4 2021: EPS Guidance

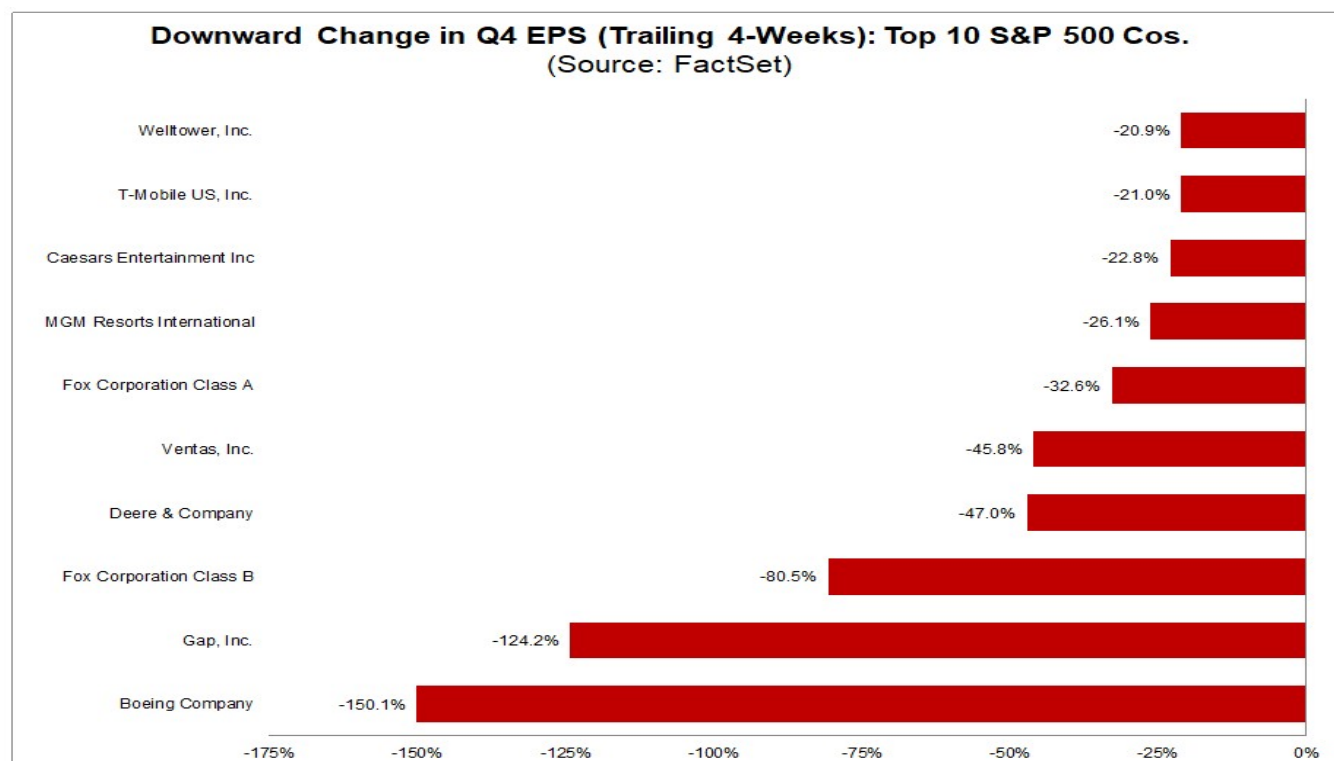
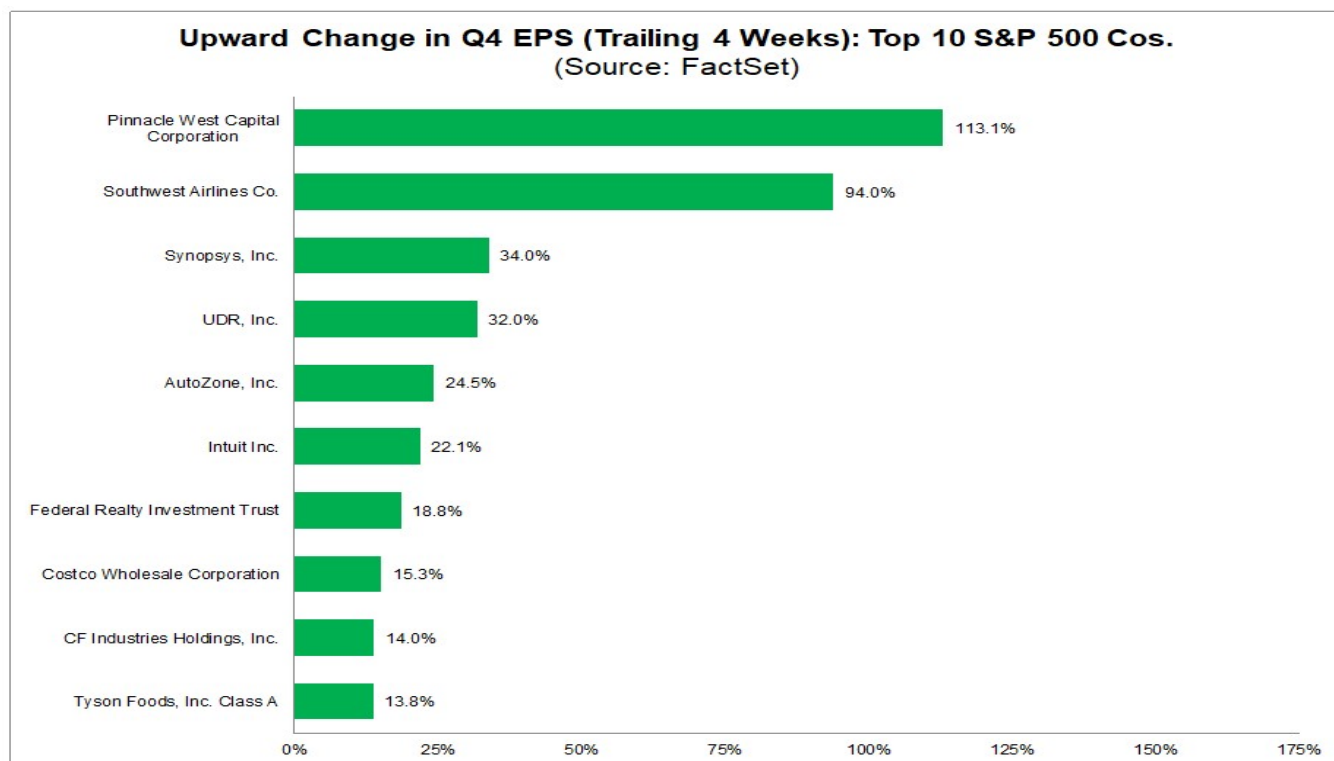
Number (#) of S&P 500 Cos. with Q4 Positive & Negative Guidance
(Source: FactSet)



Percentage (%) of S&P 500 Cos. with Q4 Positive & Negative Guidance
(Source: FactSet)

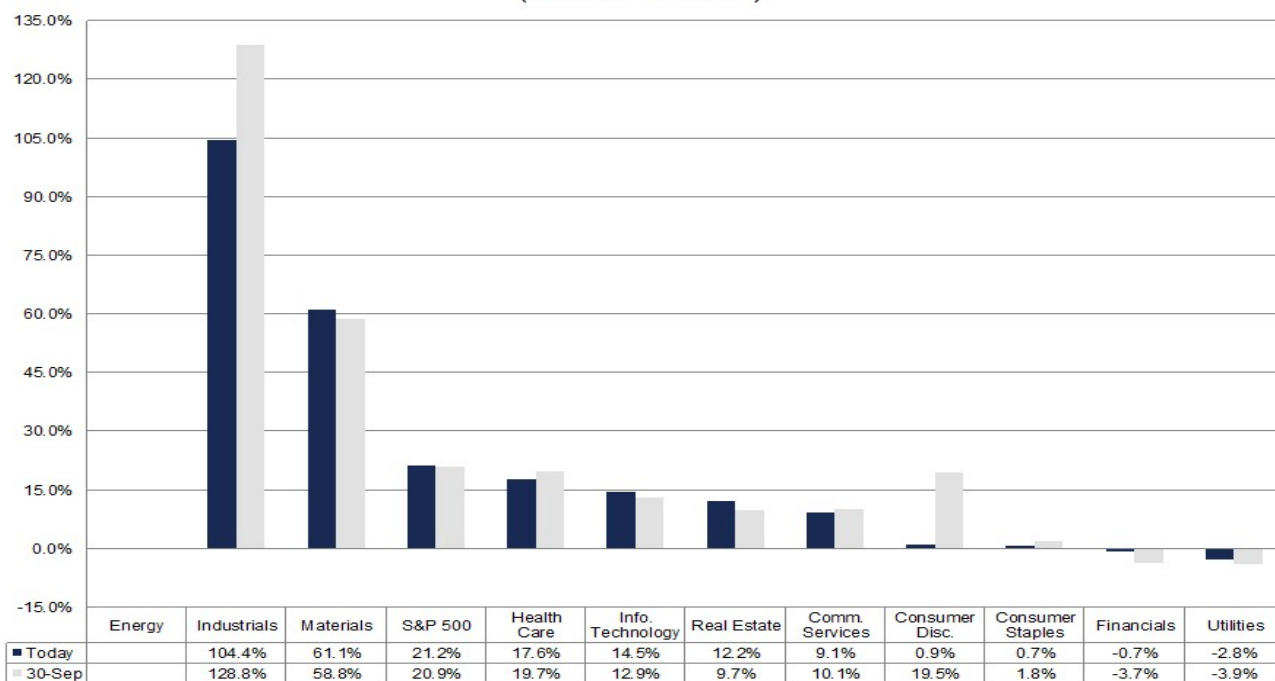


Q4 2021: EPS Revisions

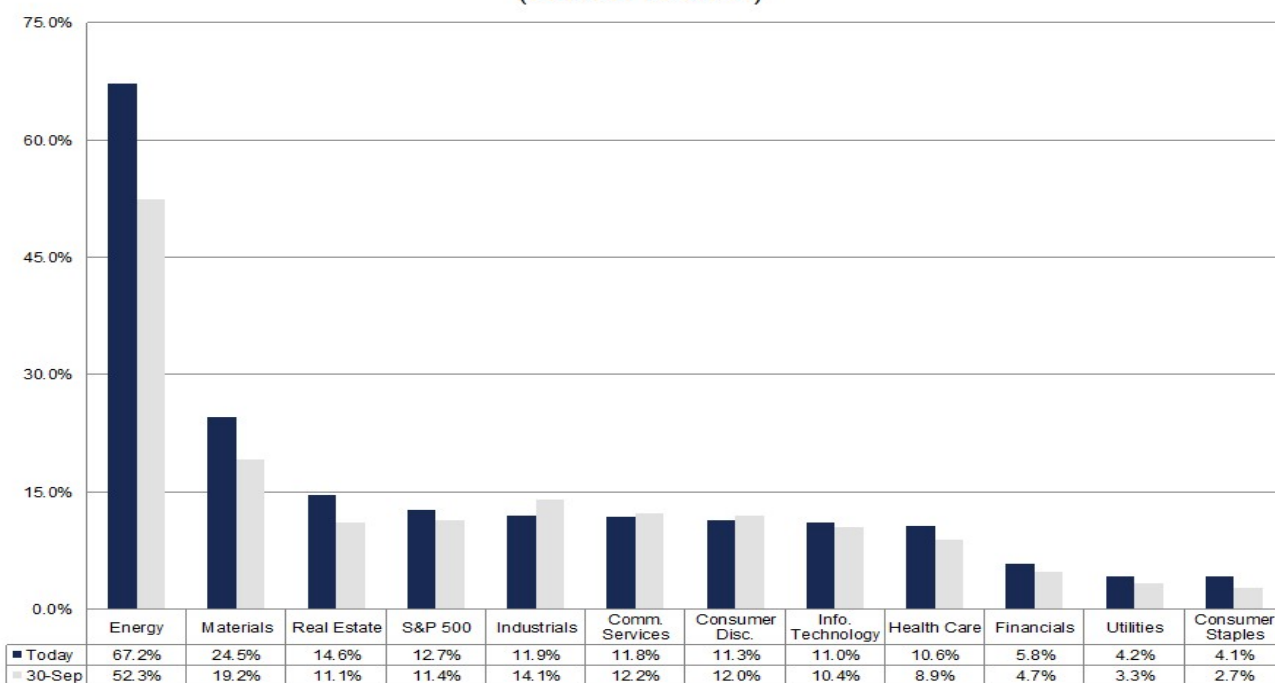


Q4 2021: Growth

S&P 500 Earnings Growth: Q4 2021
(Source: FactSet)

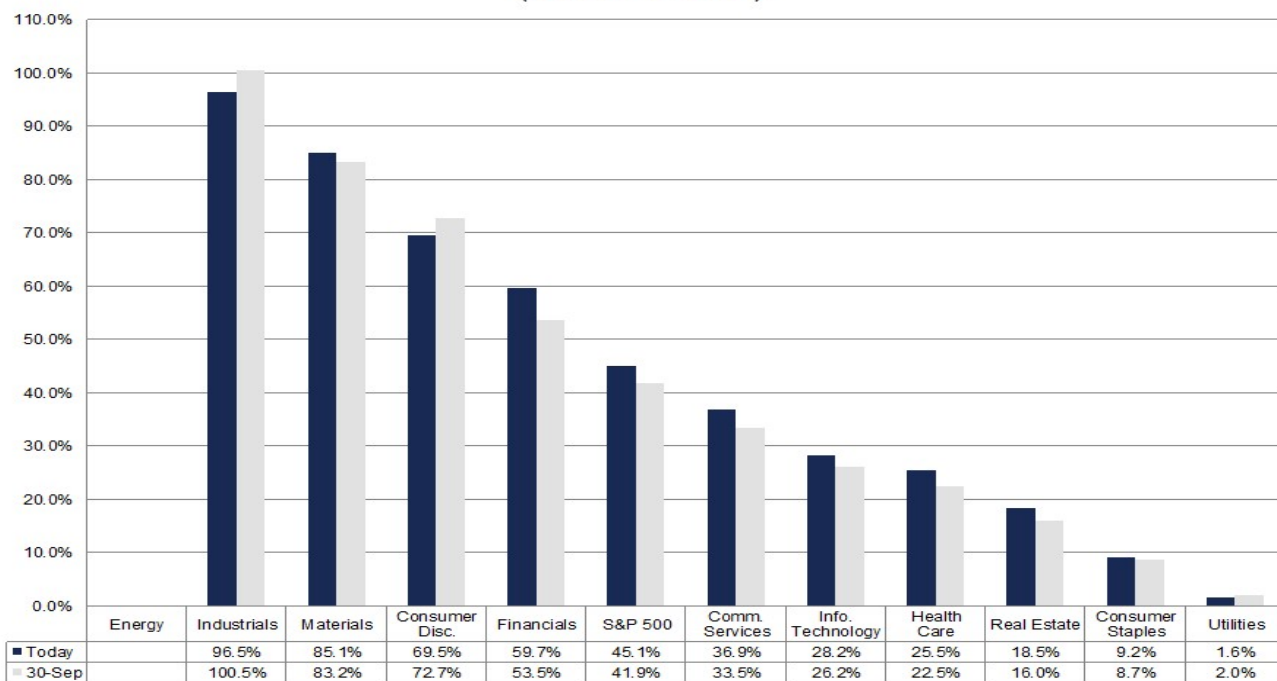


S&P 500 Revenue Growth: Q4 2021
(Source: FactSet)

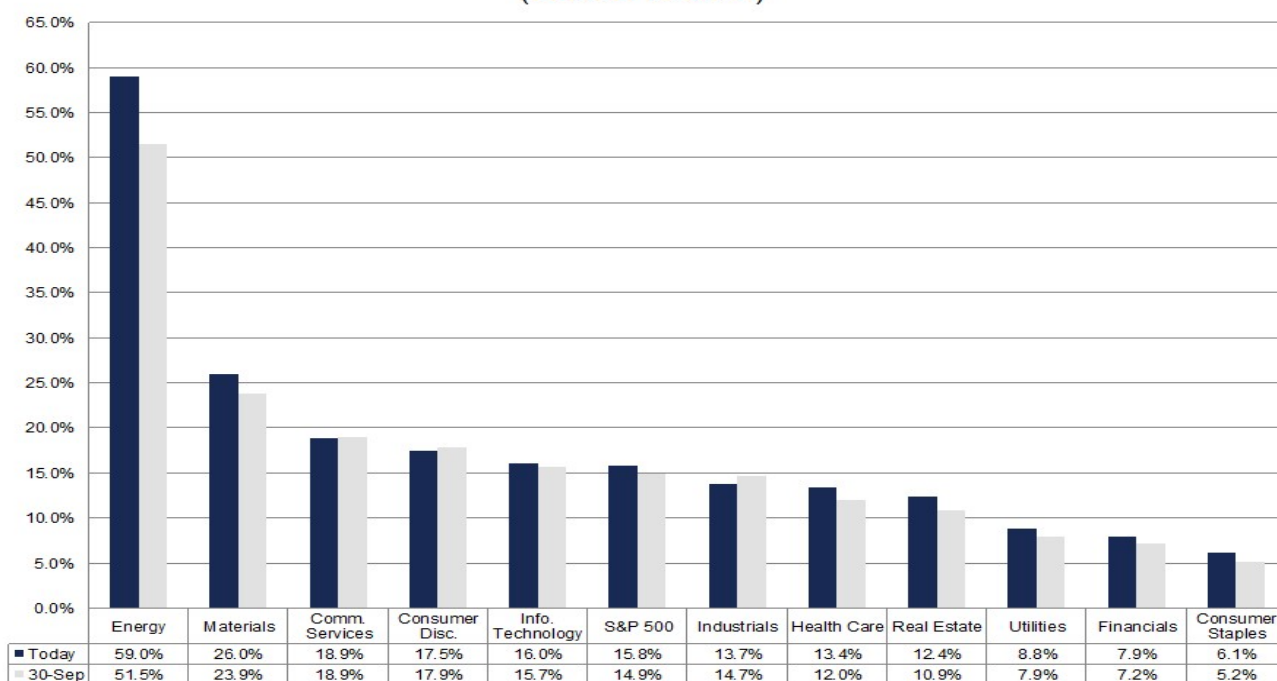


CY 2021: Growth

S&P 500 Earnings Growth: CY 2021
(Source: FactSet)

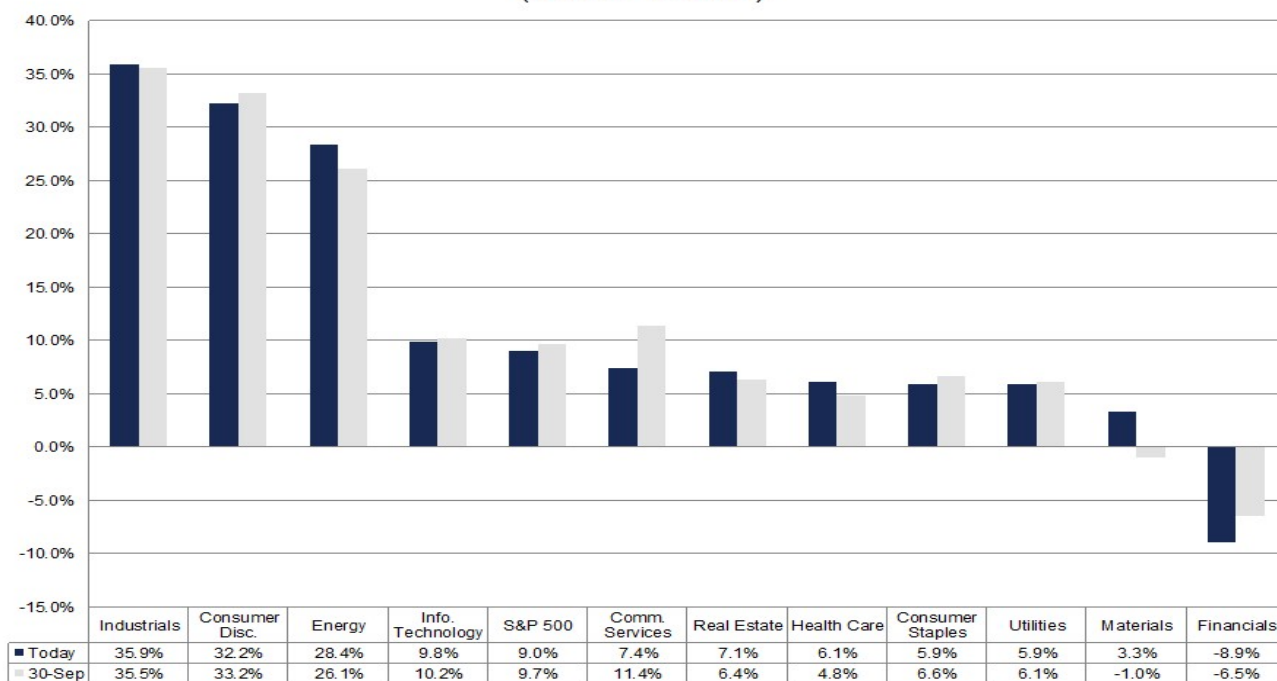


S&P 500 Revenue Growth: CY 2021
(Source: FactSet)

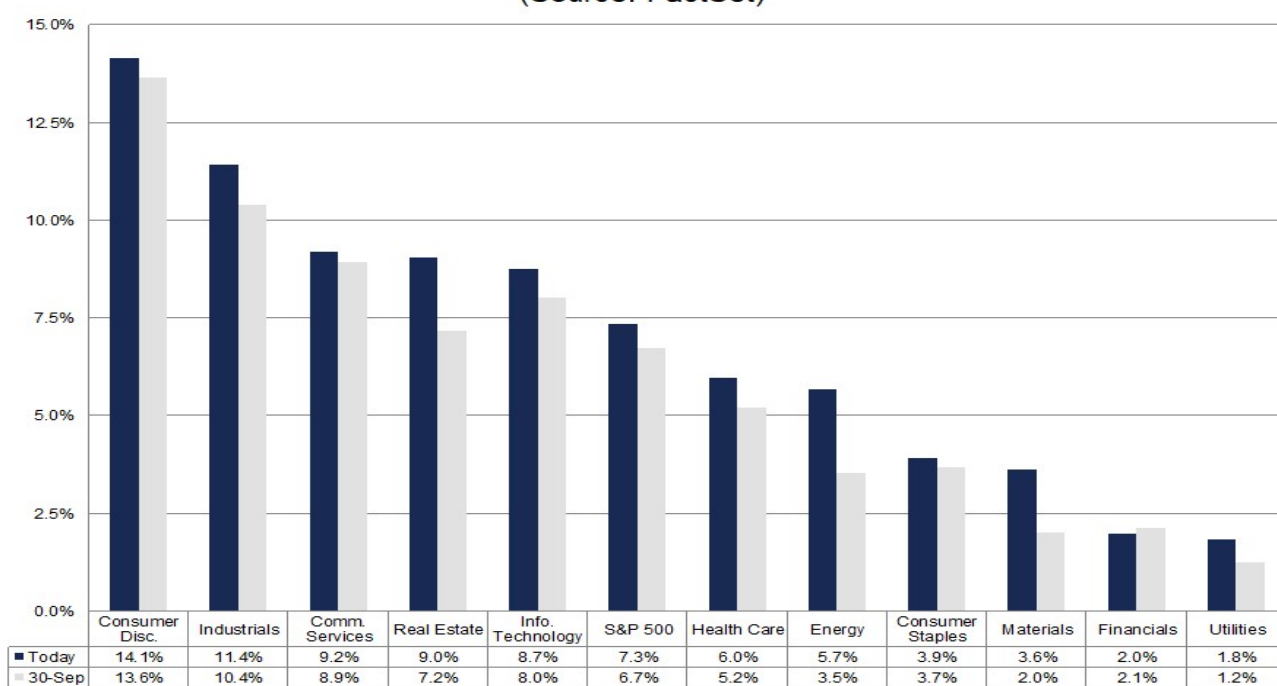


CY 2022: Growth

S&P 500 Earnings Growth: CY 2022
(Source: FactSet)

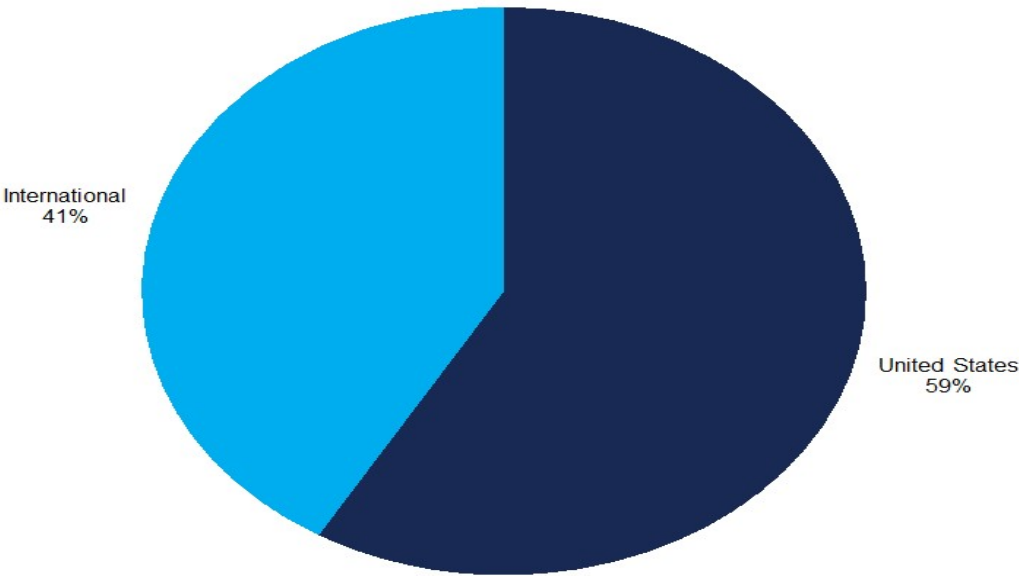


S&P 500 Revenue Growth: CY 2022
(Source: FactSet)

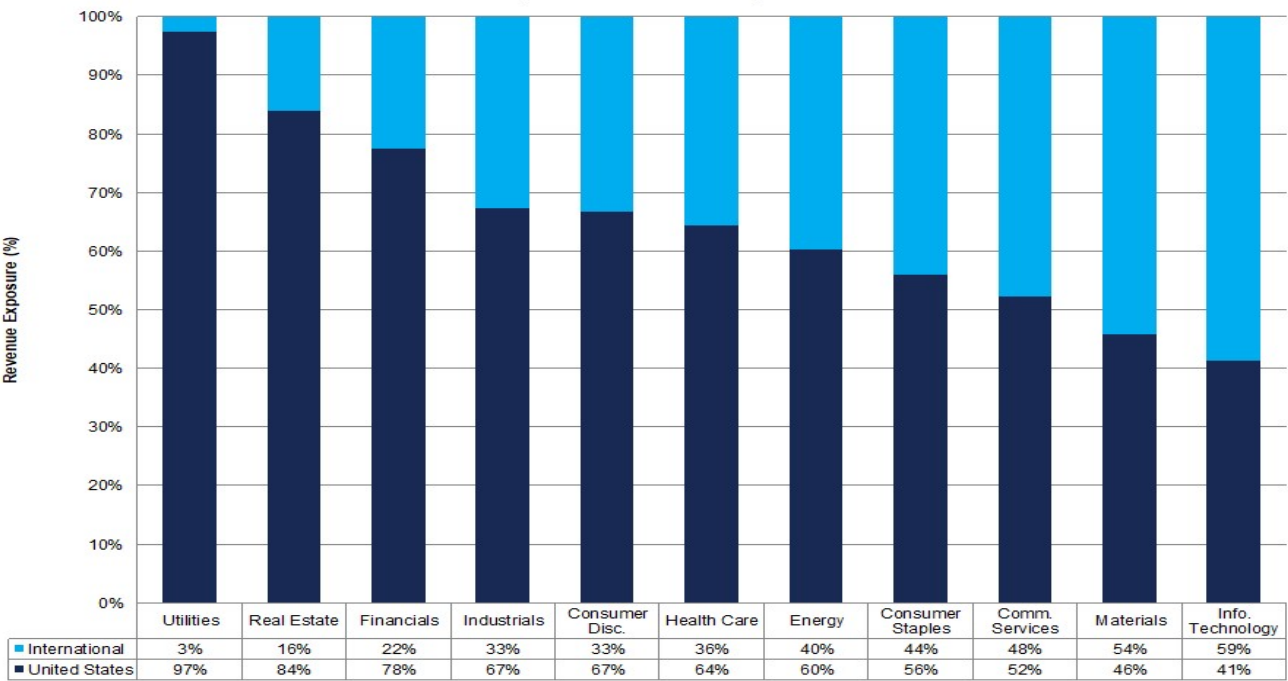


Geographic Revenue Exposure

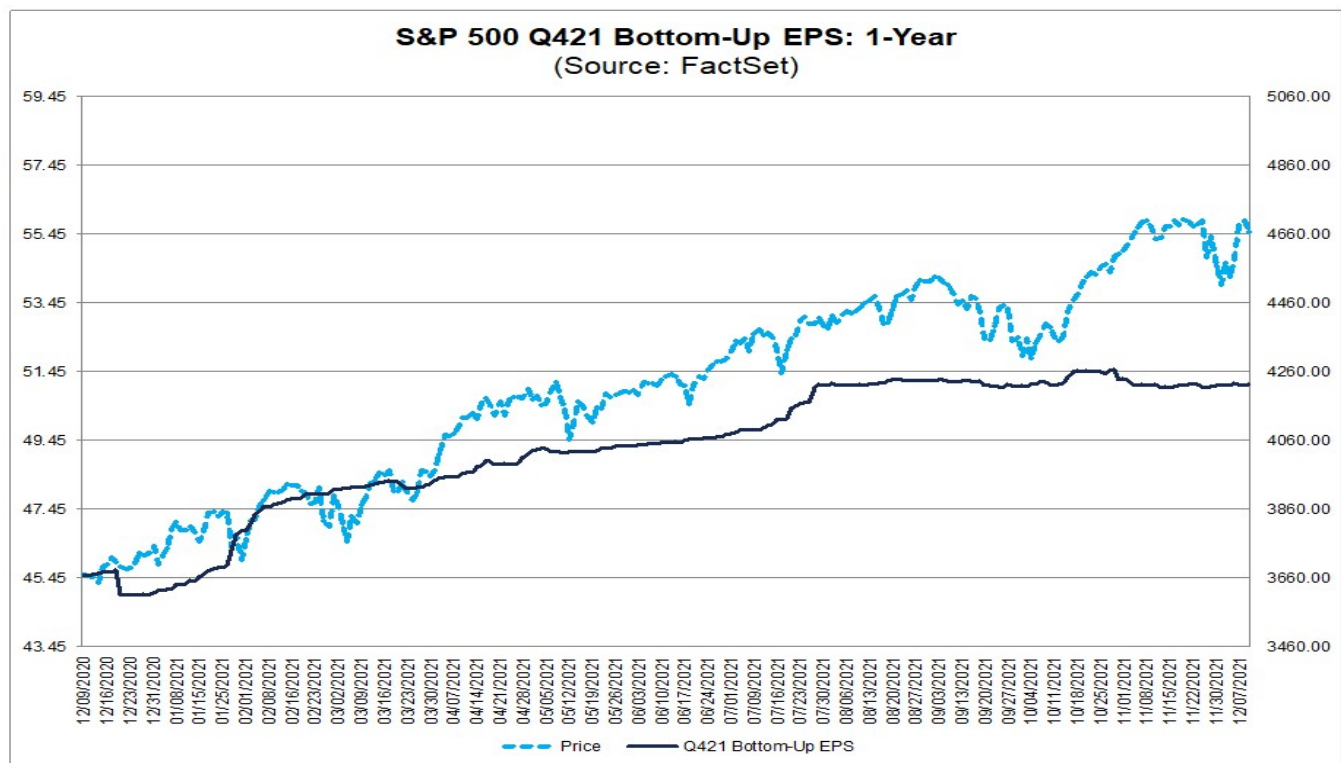
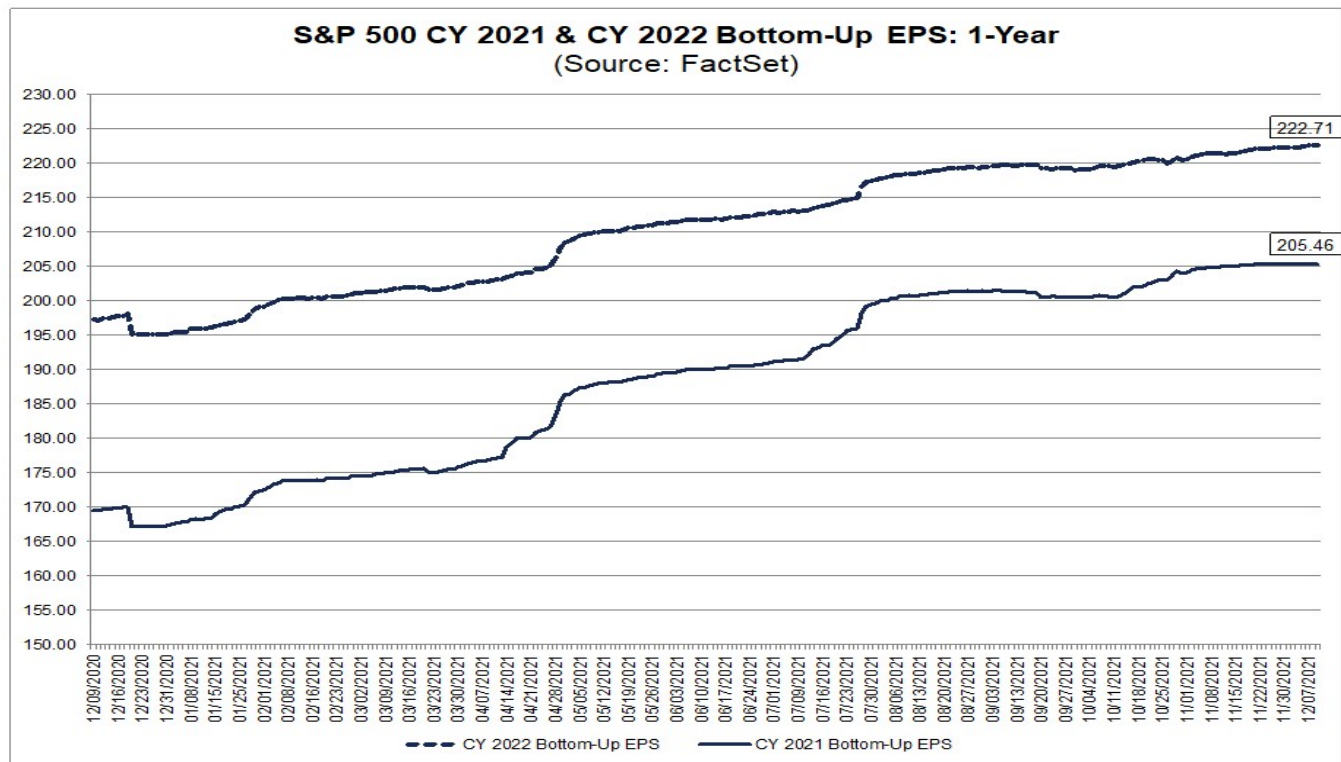
S&P 500: Aggregate Geographic Revenue Exposure (%)
(Source: FactSet)



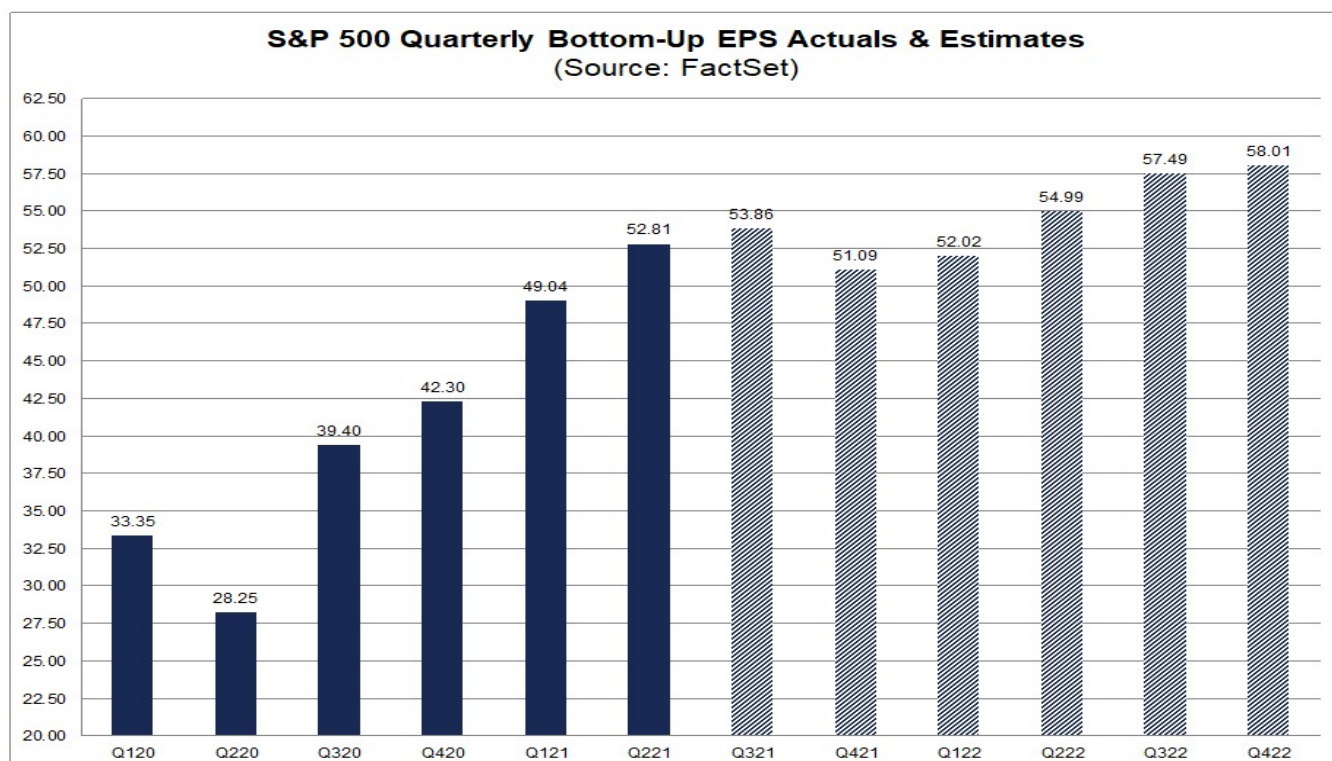
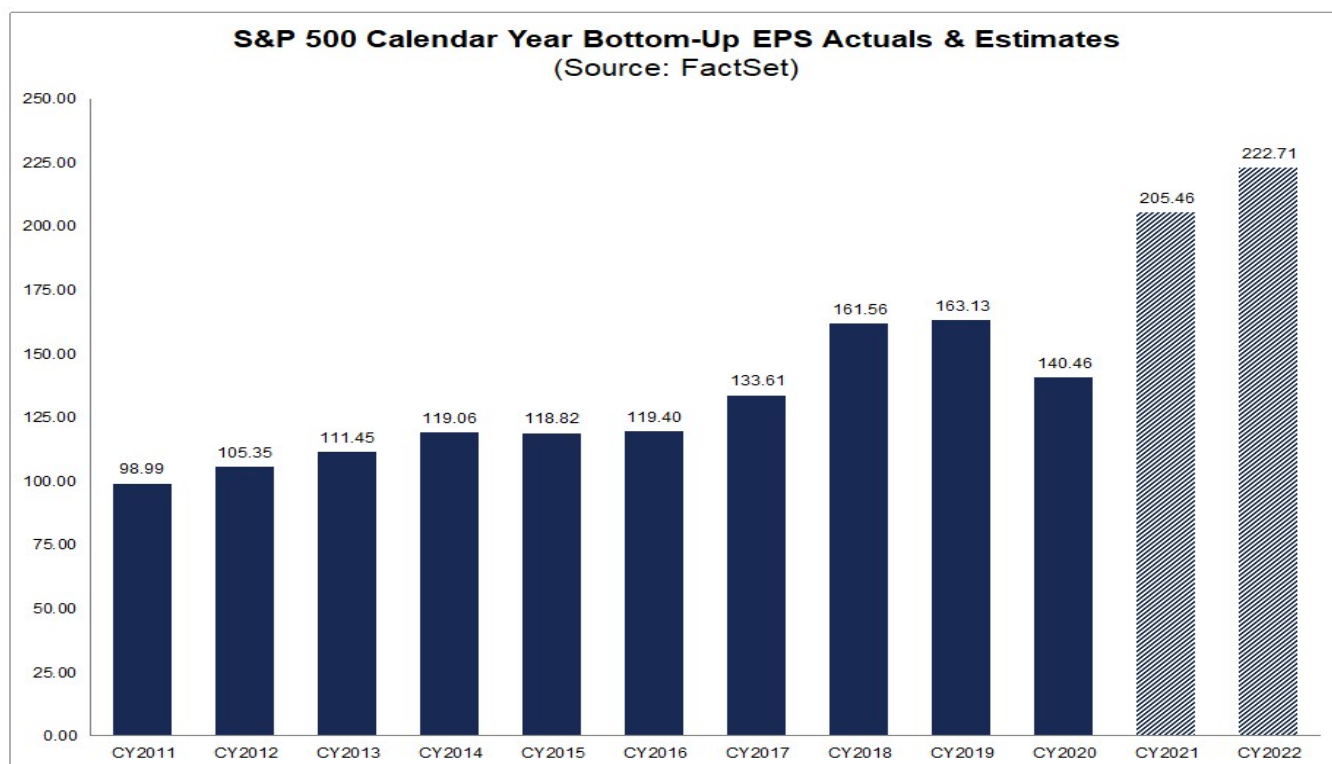
S&P 500: Aggregate Sector Geographic Revenue Exposure (%)
(Source: FactSet)



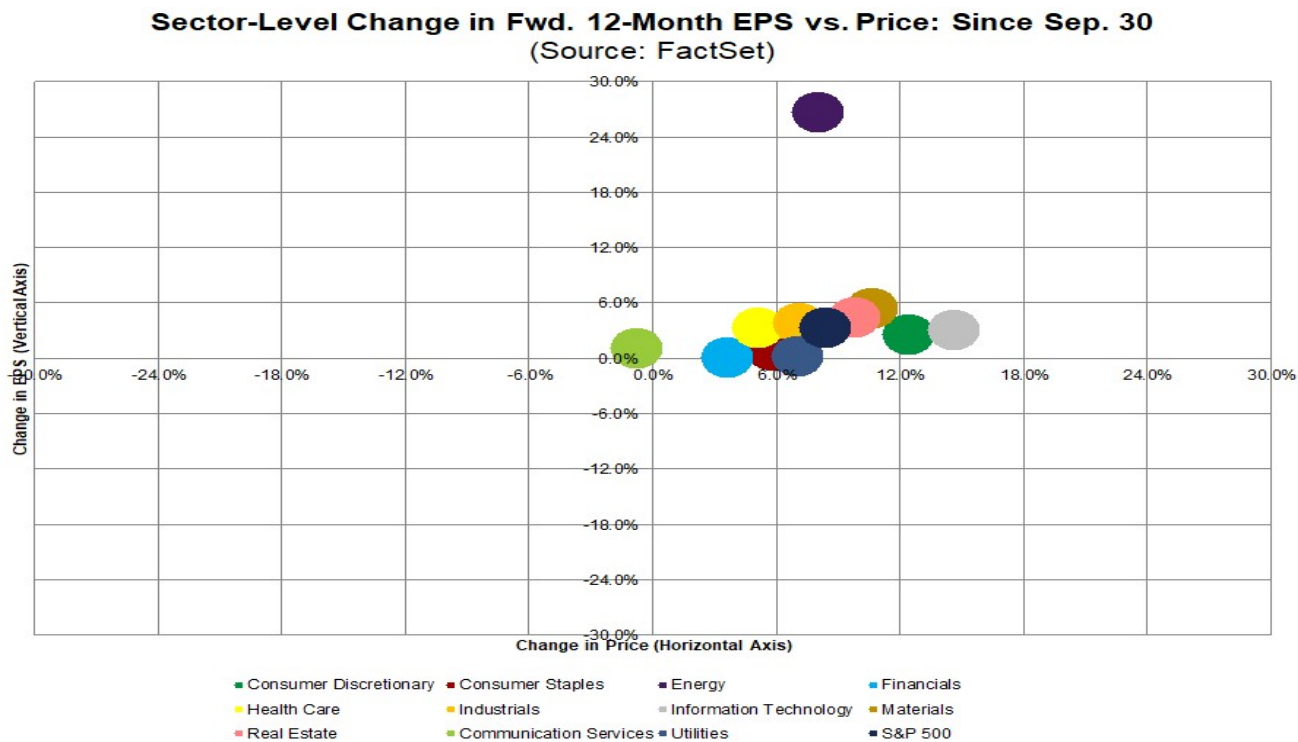
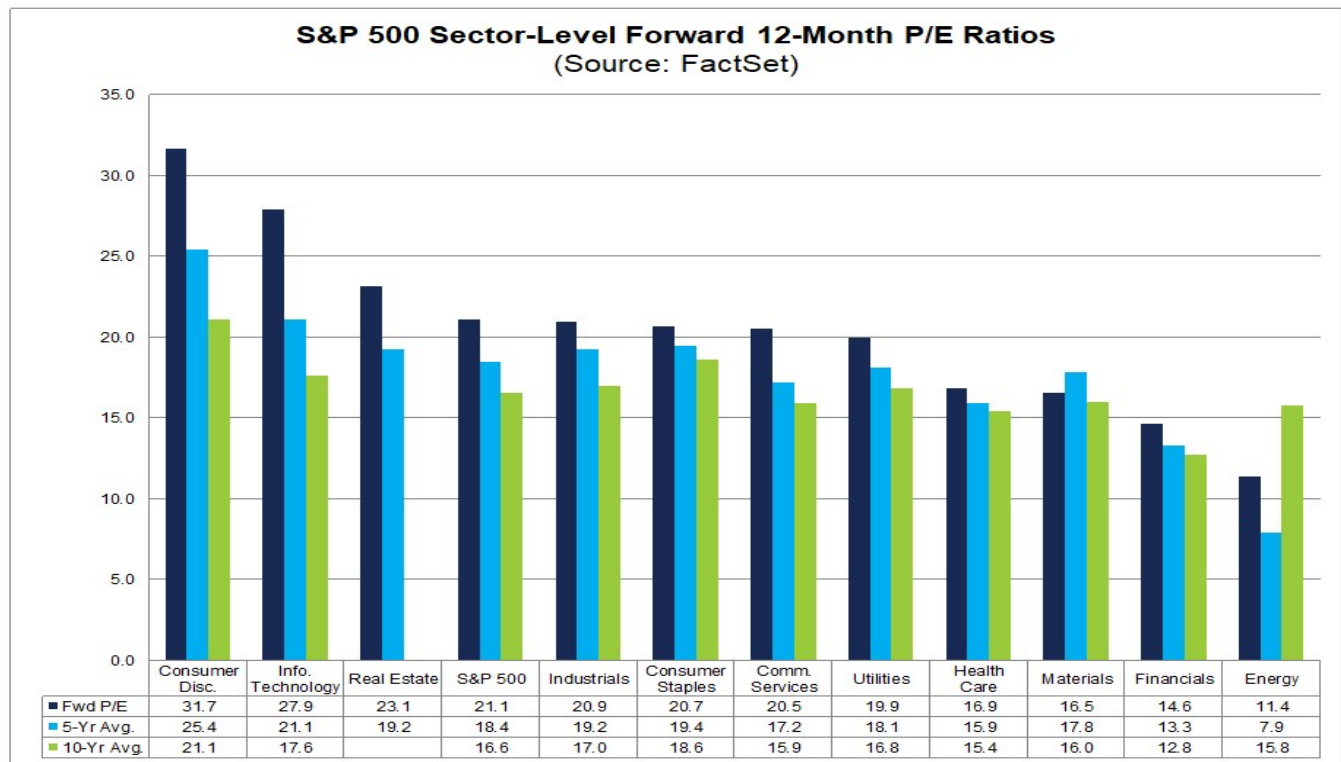
Bottom-up EPS Estimates: Revisions



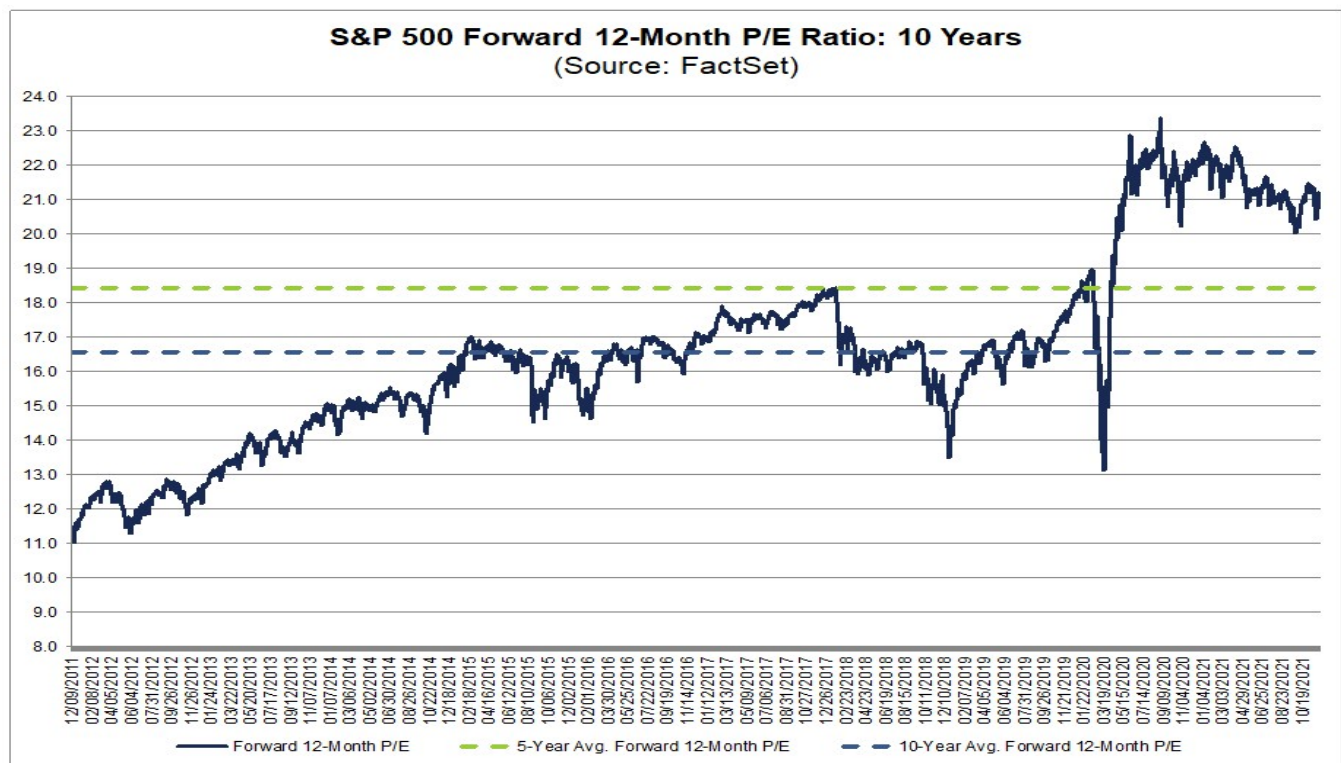
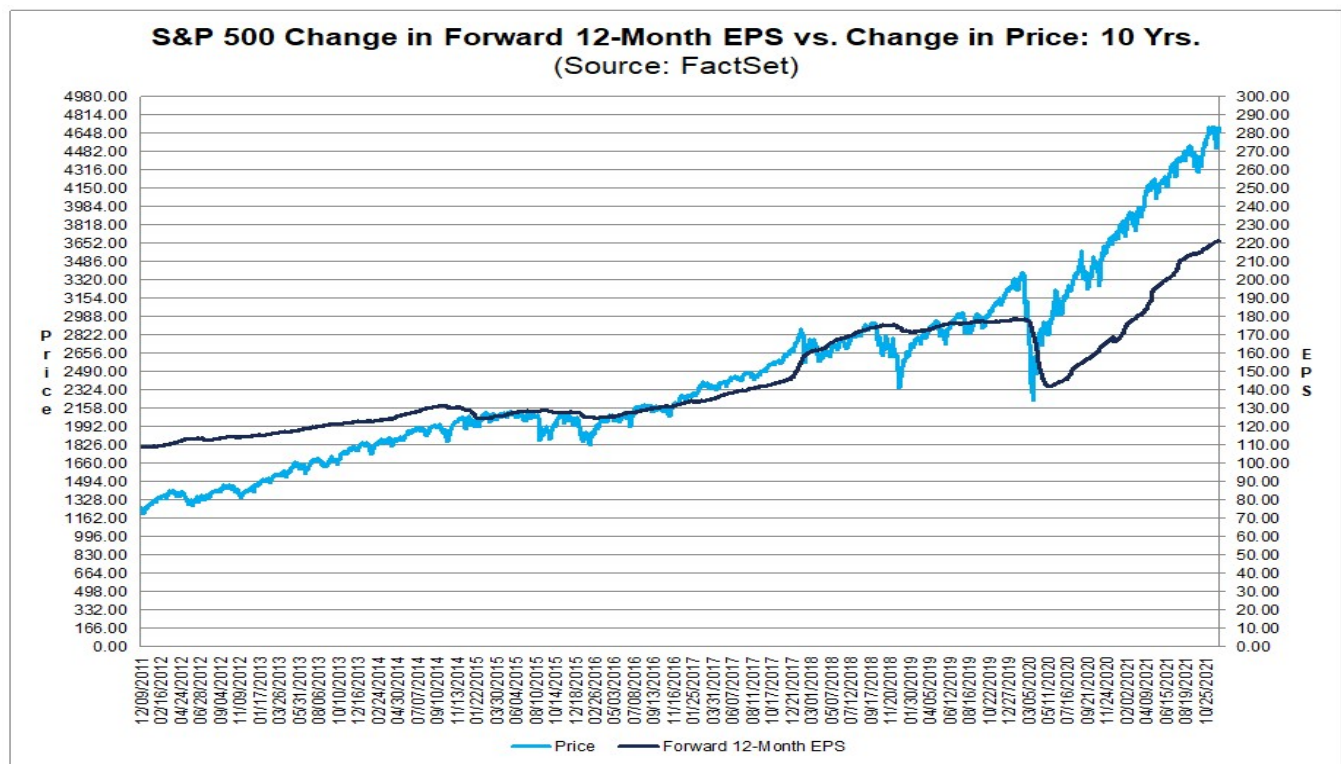
Bottom-up EPS Estimates: Current & Historical



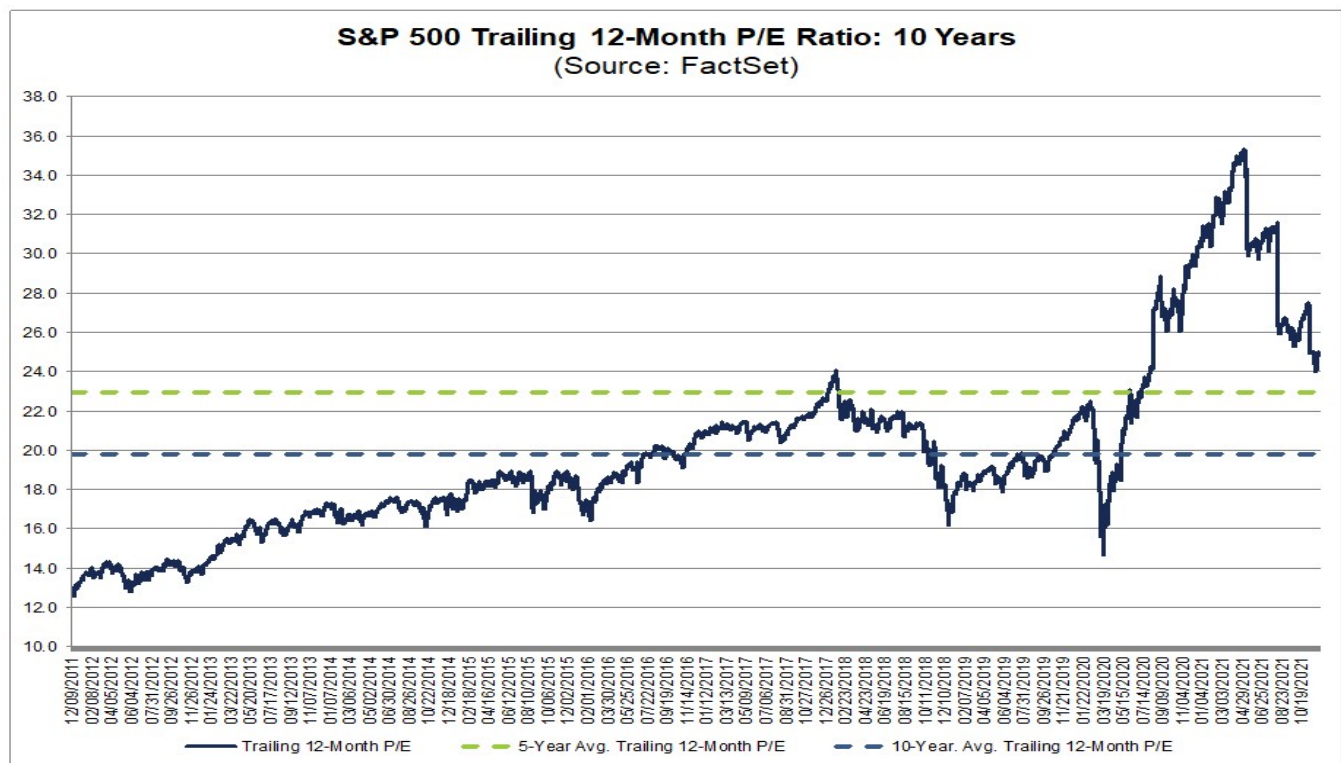
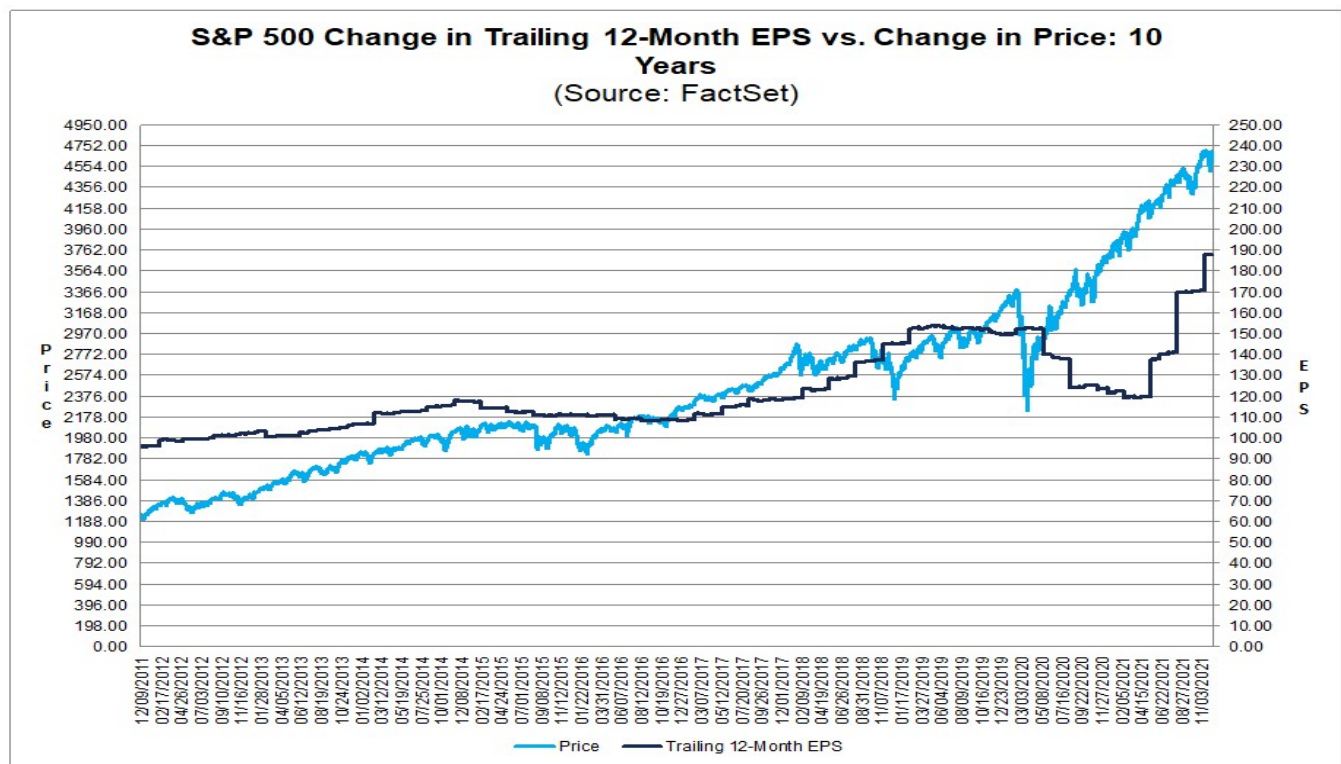
Forward 12M P/E Ratio: Sector Level



Forward 12M P/E Ratio: 10-Years



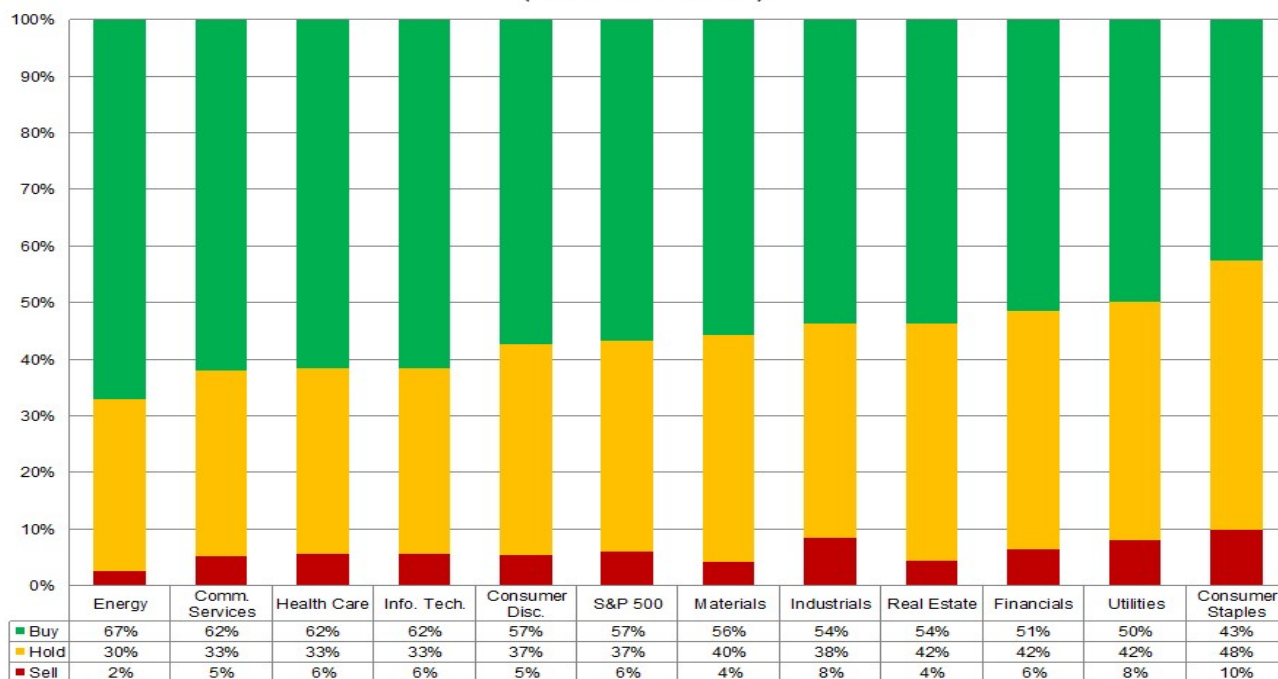
Trailing 12M P/E Ratio: 10-Years



Targets & Ratings

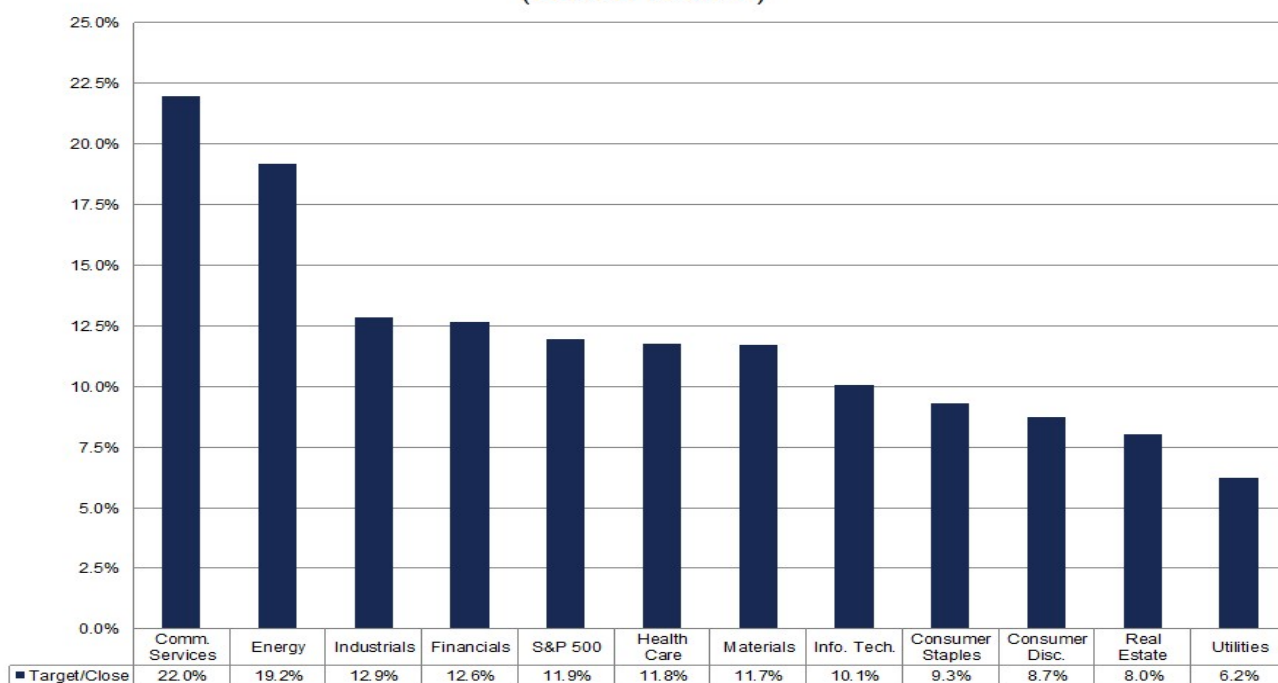
S&P 500: Percentage of Buy, Hold, and Sell Ratings

(Source: FactSet)



S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price

(Source: FactSet)



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