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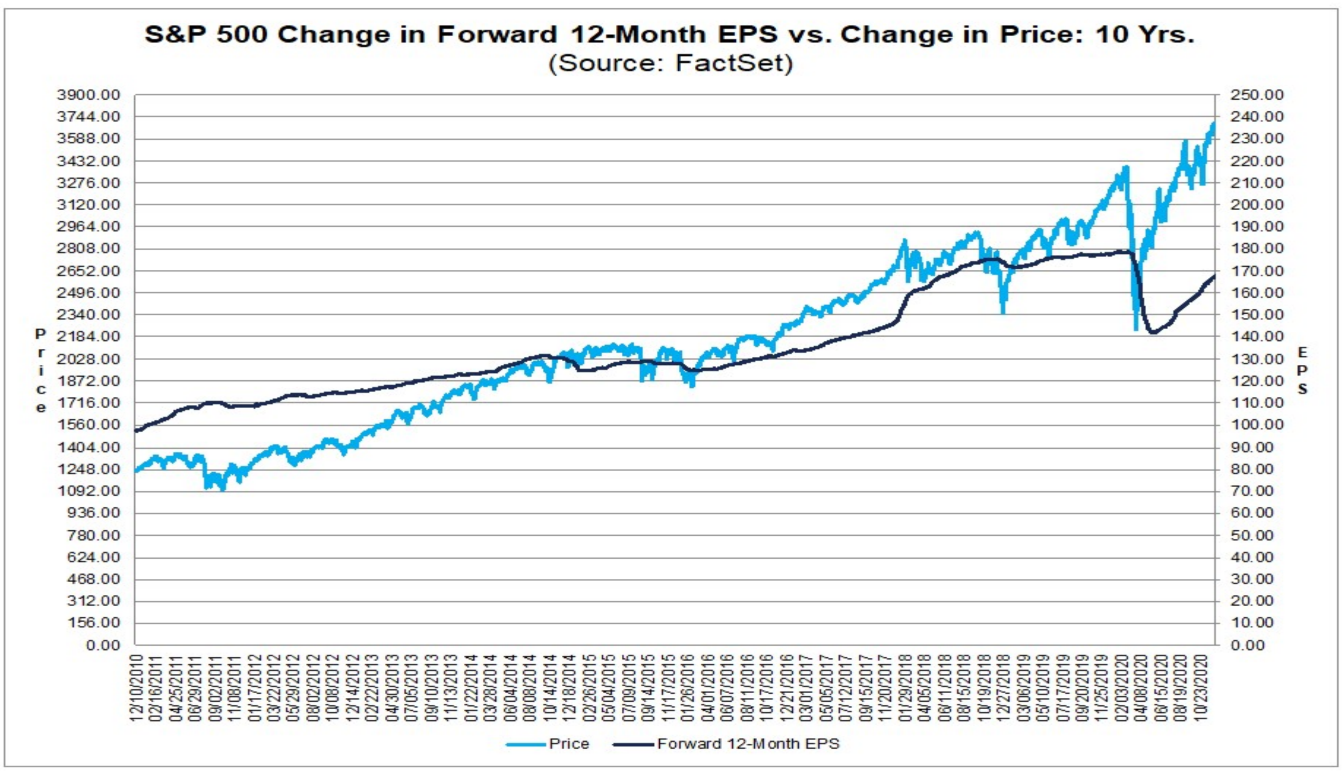
Key Metrics

- **Earnings Growth:** For Q4 2020, the estimated earnings decline for the S&P 500 is -9.9%. If -9.9% is the actual decline for the quarter, it will mark the third-largest (year-over-year) decline in earnings reported by the index since Q3 2009.
- **Earnings Revisions:** On September 30, the estimated earnings decline for Q4 2020 was -12.7%. Six sectors have smaller earnings declines or higher earnings growth rates today (compared to September 30) due to upward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2020, 27 S&P 500 companies have issued negative EPS guidance and 55 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.9. This P/E ratio is above the 5-year average (17.4) and above the 10-year average (15.6).
- **Earnings Scorecard:** For Q4 2020 (with 4 of the companies in the S&P 500 reporting actual results), 4 S&P 500 companies have reported a positive EPS surprise and 4 have reported a positive revenue surprise.



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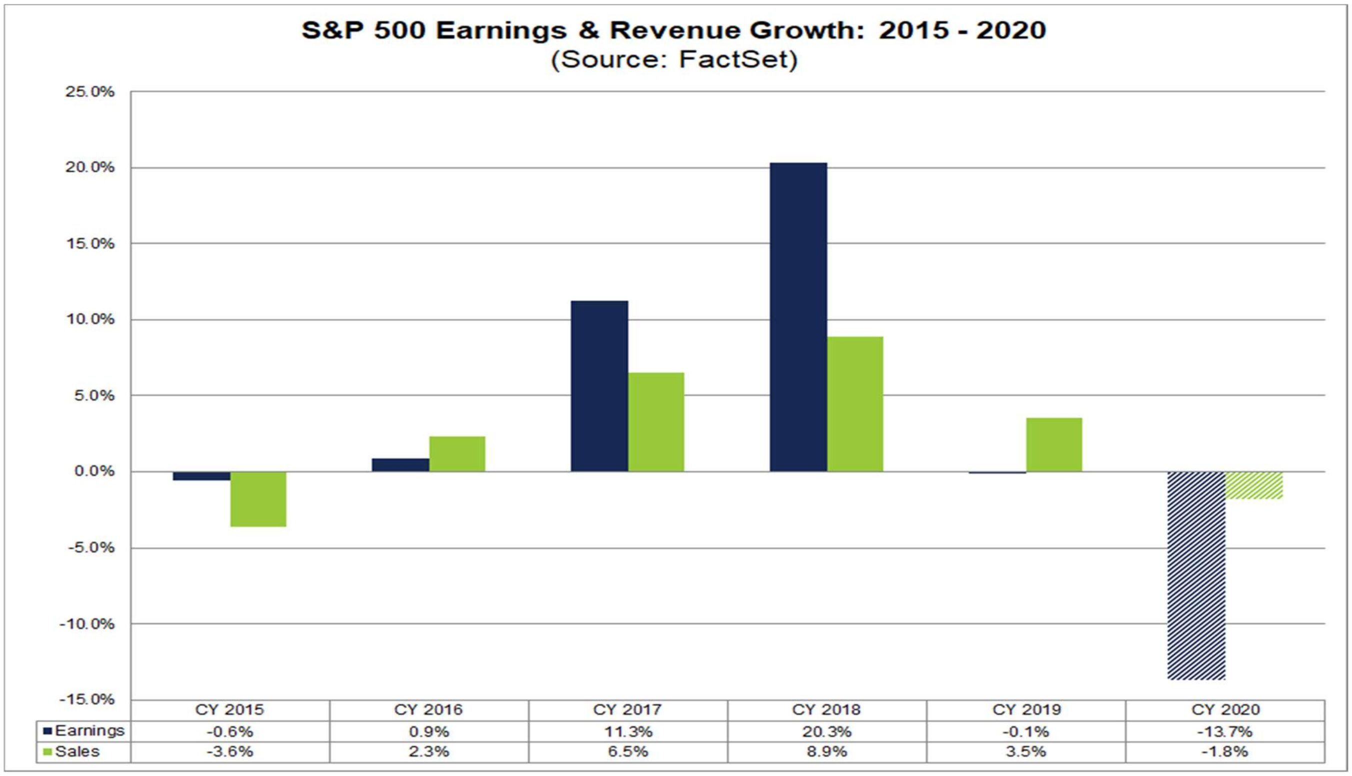
Topic of the Week: 1

S&P 500 CY 2020 Earnings Preview: Largest Year-Over-Year Earnings Decline Since 2008



CY 2020 Earnings Decline: -13.7%

The estimated (year-over-year) earnings decline for the S&P 500 for CY 2020 is -13.7%, which is below the 10-year average (annual) earnings growth rate of 10.0%. If -13.7% is the actual decline for the year, it will mark the largest annual earnings decline reported by the index since CY 2008 (-25.5%). The unusually large decrease in earnings can be attributed to the negative impact of COVID-19 on a number of industries in the index. At the sector level, four sectors are projected to report year-over-year growth in earnings, led by the Health Care sector. Seven sectors are expected to report a year-over-year decline in earnings, led by the Energy, Industrials, Consumer Discretionary, and Financials sectors.

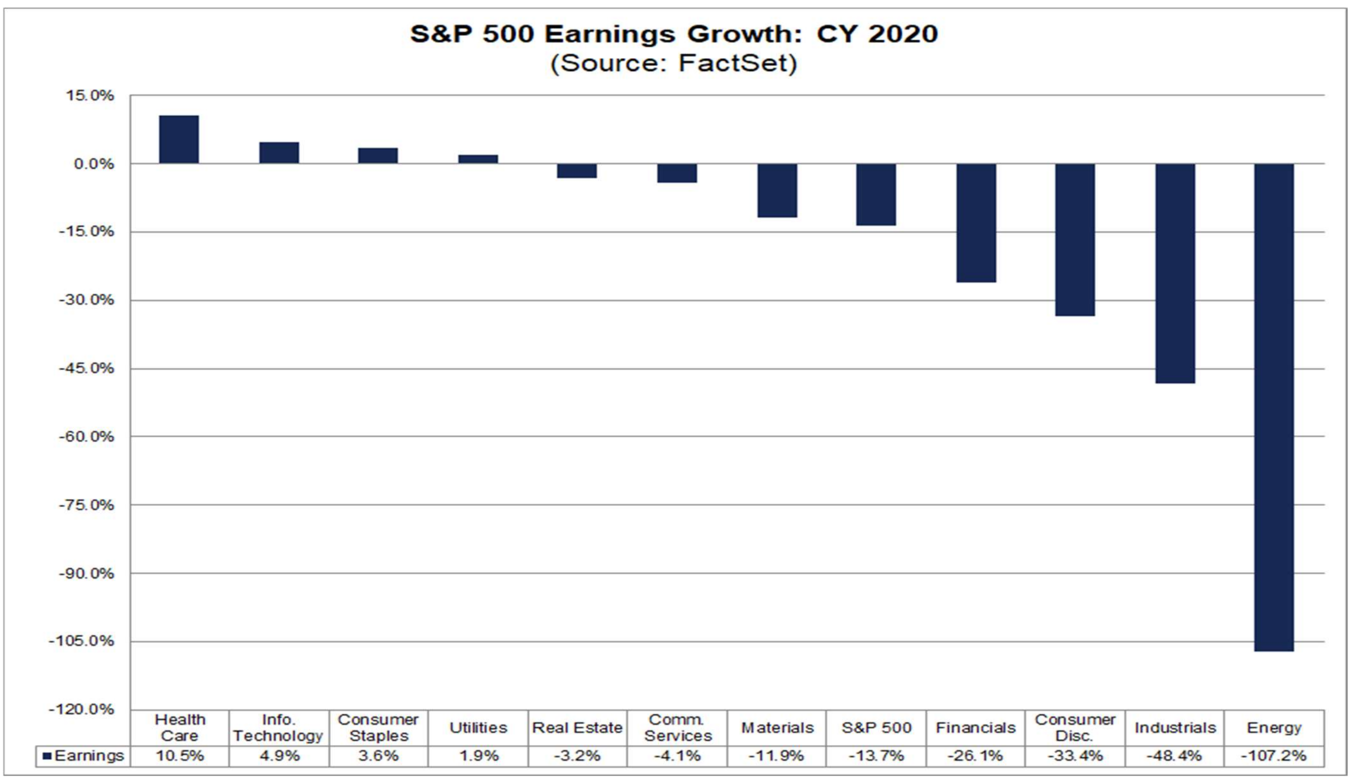
The Health Care sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 10.5%. At the industry level, five of the six industries in this sector are predicted to report year-over-year growth in earnings. Four of these five industries are projected to report double-digit earnings growth: Life Sciences Tools & Services (25%), Biotechnology (15%), Health Care Providers & Services (11%), and Pharmaceuticals (11%).

The Energy sector is expected to report the highest (year-over-year) earnings decline of all eleven sectors at -107.2%. Lower oil prices are helping to drive the decline in earnings for the sector, as the average price of oil in CY 2020 to date ($38.85) is 32% lower than the average price of oil in CY 2019 ($57.04). At the sub-industry level, all five sub-industries in the sector are projected to report a decline in earnings. Three of these sub-industries are predicted to report a decline in earnings of more than 100%: Oil & Gas Refining & Marketing (-137%), Integrated Oil & Gas (-124%), and Oil & Gas Exploration & Production (-108%).

The Industrials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -48.4%. At the industry level, eight of the twelve industries in this sector are expected to report a decline in earnings. Five of these eight industries are expected to report a double-digit decline in earnings: Airlines (-345%), Industrial Conglomerates (-35%), Machinery (-22%), Electrical Equipment (-15%), and Road & Rail (-10%). The Airlines industry is also projected to be the largest contributor to the year-over-year decline in earnings for the sector. If the five companies in this industry were excluded, the estimated earnings decline for the sector would improve to -14.2% from -48.4%.

The Consumer Discretionary sector is expected to report the third-largest (year-over-year) earnings decline of all eleven sectors at -33.4%. At the industry level, six of the ten industries in this sector are expected to report a decline in earnings. Five of these six industries are projected to report a double-digit decline in earnings: Hotels, Restaurants, & Leisure (-139%), Auto Components (-49%), Automobiles (-42%), Textiles, Apparel, & Luxury Goods (-25%), and Leisure Products (-11%). On the other hand, four industries in this sector are expected to report earnings growth, led by the Multiline Retail (36%) and Household Durables (16%) industries.

The Financials sector is expected to report the fourth-largest (year-over-year) earnings decline of all eleven sectors at -26.1%. At the industry level, four of the five industries in this sector are expected to report a decline in earnings. Two of these four industries are projected to report a double-digit decline in earnings: Consumer Finance (-67%) and Banks (-41%). The only industry in this sector are expected to report earnings growth is the Capital Markets (6%) industry.



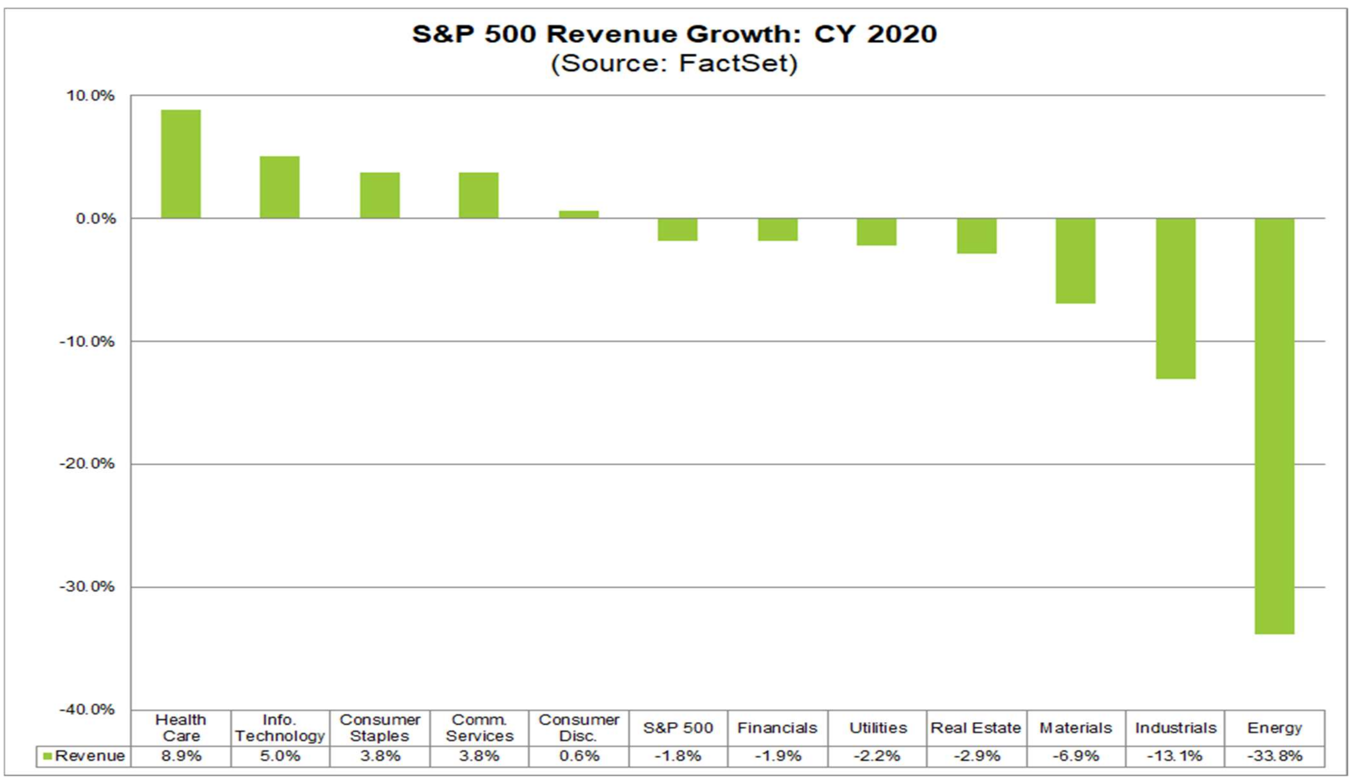
CY 2020 Revenue Decline: -1.8%

The estimated (year-over-year) revenue decline for CY 2020 is -1.8%, which is below the 10-year average (annual) revenue growth rate of 4.5%. If -1.8% is the actual decline for the year, it will mark the largest annual revenue decline for the index since CY 2015 (-3.6%). The decrease in revenues can be attributed to the negative impact of COVID-19 on a number of industries in the index. At the sector level, five sectors are expected to report year-over-year growth in revenues, led by the Health Care sector. Six sectors are expected to report a year-over decline in revenues, led by the Energy and Industrials sectors.

The Health Care sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 8.9%. At the industry level, five of the six industries in this sector are predicted to report year-over-year growth in revenues. Two of these five industries are projected to report double-digit revenue growth: Biotechnology (17%) and Life Sciences Tools & Services (11%).

The Energy sector is expected to report the highest (year-over-year) revenue decline of all eleven sectors at -33.8%. Lower oil prices are helping to drive the decline in revenues for the sector, as the average price of oil in CY 2020 to date ($38.85) is 32% lower than the average price of oil in CY 2019 ($57.04). At the sub-industry level, all five sub-industries in the sector are projected to report a double-digit decline in revenues. Three of these sub-industries are predicted to report a decline in revenues of more than 30%: Oil & Gas Refining & Marketing (-39%), Oil & Gas Exploration & Production (-39%), and Integrated Oil & Gas (-32%).

The Industrials sector is expected to report the second-largest (year-over-year) revenue decline of all eleven sectors at -13.1%. At the industry level, eleven of the twelve industries in this sector are expected to report a decline in revenues. Four of these eleven industries are expected to report a double-digit decline in revenues, led by the Airlines (-63%) industry. The Airlines industry is also projected to be the largest contributor to the year-over-year decline in revenues for the sector. If the five companies in this industry were excluded, the estimated revenue decline for the sector would improve to -6.2% from -13.1%.



Topic of the Week: 2

Do Industry Analysts Predict the S&P 500 Will Close Above 4,000 in 2021?

With 2020 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 4000 by the end of 2021. Do industry analysts (using a bottom-up approach) also believe the S&P 500 will close at or above 4000 at the end of 2021?

The answer is yes. Industry analysts in aggregate predict the S&P 500 will have a closing price of 4000.08 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 10, the bottom-up target price for the S&P 500 was 4000.08, which was 9.1% above the closing price of 3668.10.

At the sector level, the Consumer Discretionary (+14.3%) 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 Energy (+2.0%) 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.

However, it is important to note that industry analysts have historically overestimated the closing price of the index at the start of the year.

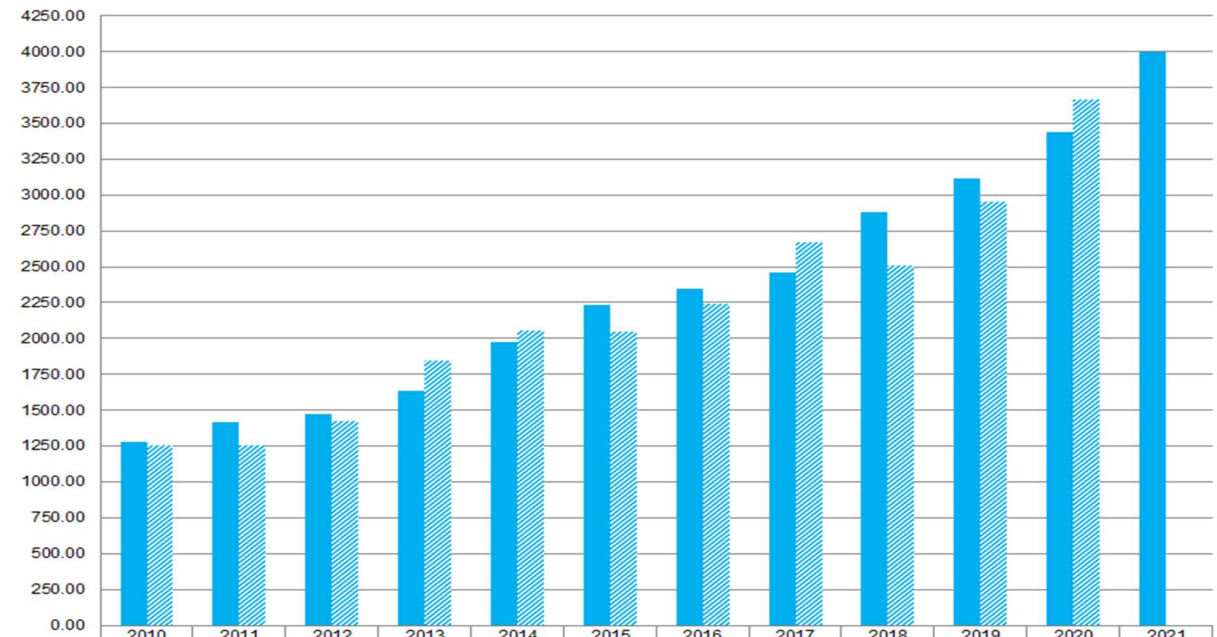
Over the previous 15 years (2005 – 2019), the average difference between the bottom-up target price estimate at the beginning of the year (December 31) and the final price for the index for that same year has been 9.3%. In other words, industry analysts on average have overestimated the final price of the index by about 9.3% one year in advance during the previous 15 years. Analysts overestimated the final value (i.e. the final value finished below the estimate) in 12 of the 15 years and underestimated the final value (i.e. the final value finished above the estimate) in the other 3 years.

However, this 9.3% 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 3.4%.

If one applies the average overestimation of 9.3% to the current 2021 bottom-up target price estimate (assuming the estimate changes little between now and December 31), the expected closing value for 2021 would be 3627.96, which is 1.1% below yesterday's closing price of 3668.10. If one applies the average overestimation of 3.4% (excluding 2008) to the current 2021 bottom-up target price estimate, the expected closing value for 2021 would be 3864.07, which is 5.3% above yesterday's closing price of 3668.10.

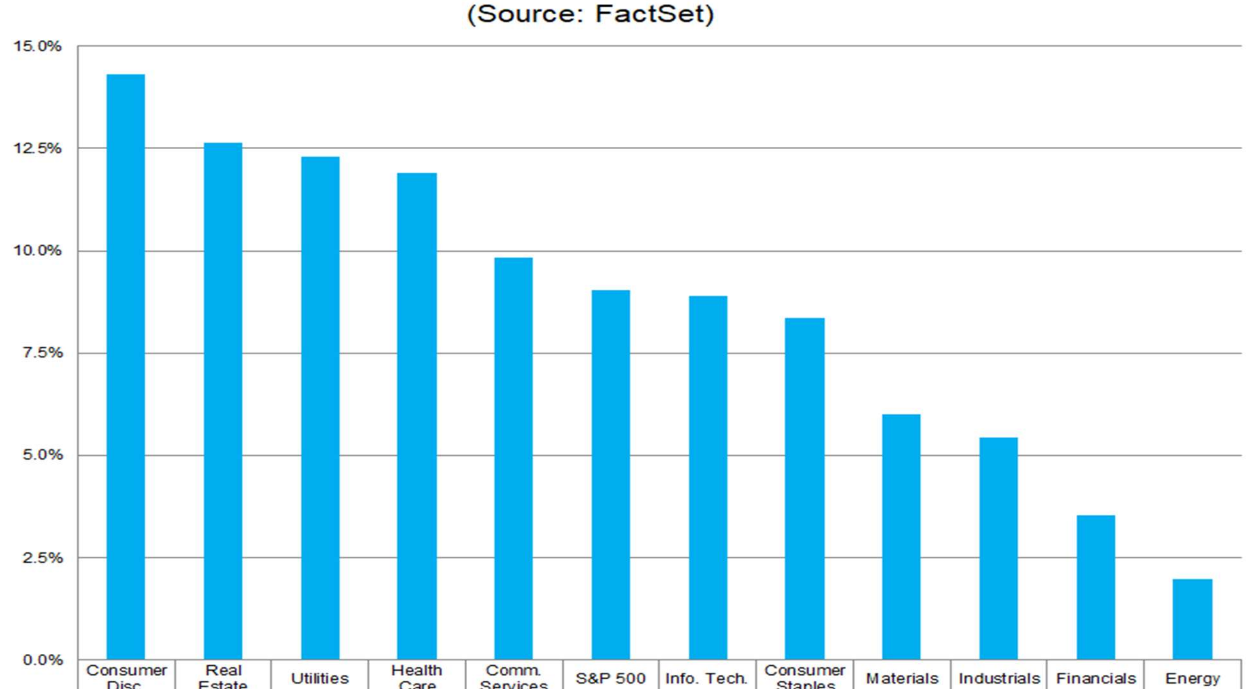
Thus, although industry analysts believe the S&P 500 will finish 2021 with at a price of 4,000, they also have overestimated the closing price of the index 80% of the time over the past 15 years. For 2020, despite the negative impact of COVID-19 on a number of companies in the index, it appears industry analysts will have underestimated the closing price for the index for the year back at the start of 2020. Will the 2021 target price prediction of the industry analysts follow the historical average of the last 15 years or buck the trend like 2020?

S&P 500: Bottom-Up Target Price Estimate (Start of Year) vs. Actual
(Source: FactSet)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Target (Start of Yr.)	1275.10	1414.72	1475.43	1631.88	1973.78	2236.26	2342.51	2461.74	2882.70	3118.15	3442.77	4000.08
Actual (End of Yr.)	1257.64	1257.60	1426.19	1848.36	2058.90	2043.94	2238.83	2673.61	2506.85	2954.22	3668.10	

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



	Consumer Disc.	Real Estate	Utilities	Health Care	Comm. Services	S&P 500	Info. Tech.	Consumer Staples	Materials	Industrials	Financials	Energy
Target/Close	14.3%	12.6%	12.3%	11.9%	9.8%	9.1%	8.9%	8.4%	6.0%	5.5%	3.5%	2.0%

Q4 Earnings Season: By The Numbers

Overview

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

In terms of estimate revisions for companies in the S&P 500, analysts have increased earnings estimates in aggregate for Q4 2020 to date. On a per-share basis, estimated earnings for the fourth quarter increased by 3.3%. In a typical quarter, analysts usually reduce earnings estimates during the quarter. Over the past five years (20 quarters), earnings estimates have fallen by 4.5% on average during a quarter. Over the past ten years, (40 quarters), earnings estimates have fallen by 4.2% on average during a quarter. Over the past fifteen years, (60 quarters), earnings expectations have fallen by 5.2% on average during a quarter.

More S&P 500 companies have issued positive EPS guidance for Q4 2020 than average as well. At this point in time, 82 companies in the index have issued EPS guidance for Q4 2020, Of these 82 companies, 27 have issued negative EPS guidance and 55 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 67% (55 out of 82), which is above the 5-year average of 32%. However, the overall number of companies issuing EPS guidance for the fourth quarter of 82 is below the 5-year average of 104.

Because of the net upward revisions to earnings estimates, the estimated (year-over-year) earnings decline for Q4 2020 is smaller now relative to the start of the fourth quarter. As of today, the S&P 500 is expected to report a year-over-year decline in earnings of -9.9%, compared to a year-over-year decline in earnings of -12.7% on September 30.

If -9.9% is the actual decline for the quarter, it will mark the third-largest year-over-year decline in earnings reported by the index since Q3 2009, trailing only the first and second quarters of this year. It will also mark the seventh time in the past eight quarters in which the index has reported a year-over-year decline in earnings. Four sectors are projected to report year-over-year earnings growth, led by the Health Care and Materials sectors. Seven sectors are projected to report a year-over-year decline in earnings, led by the Energy, Industrials, and Consumer Discretionary sectors.

Because of the net upward revisions to revenue estimates, the S&P 500 is now projected to report (year-over-year) revenue growth for Q4 2020 relative to an estimated (year-over-year) decline at the start of the fourth quarter. As of today, the S&P 500 is expected to report year-over-year growth in revenues of 0.1%, compared to a year-over-year decline in revenue of -1.1% on September 30.

If 0.1% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year revenue growth since Q1 2020. Six sectors are projected to report year-over-year growth in revenues, led by the Health Care sector. Five sectors are projected to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Looking at future quarters, analysts project earnings growth to return starting in Q1 2021 (15.5%).

The forward 12-month P/E ratio is 21.9, which is above the 5-year average and above the 10-year average.

During the upcoming week, 7 S&P 500 companies (including 1 Dow 30 component) are scheduled to report results for the fourth quarter.

Earnings Revisions: Financials Sector Sees Largest Estimate Increases

Small Decrease in Estimated Earnings Decline for Q4 This Week

During the past week, the estimated earnings decline for the S&P 500 decreased slightly to -9.9% from -10.1%. Upward revisions to EPS estimates and positive EPS surprises for companies in the Information Technology, Financials, and Consumer Staples sectors were mainly responsible for the small decrease in the overall earnings decline for the index during the week.

Since the start of the quarter, the estimated earnings decline for the S&P 500 has decreased to -9.9% today from -12.7% on September 30. Six sectors have recorded a decrease in their expected earnings declines or an increase in expected earnings growth due to upward revisions to earnings estimates, led by the Financials, Materials, and Communication Services sectors. On the other hand, five sectors have recorded an increase in their expected earnings declines or a decrease in expected earnings growth due to downward revisions to earnings estimates, led by the Energy sector.

Financials: JPMorgan Chase and Wells Fargo Lead Earnings Increase Since September 30

The Financials sector has recorded the largest decrease in its expected earnings decline of all eleven sectors since the start of the quarter (to -11.1% from -24.1%). This sector has also witnessed the second-largest increase in price (+19.0%) of all eleven sectors since September 30. Overall, 53 of the 65 companies (82%) in the Financials sector have seen an increase in their mean EPS estimate during this time. Of these 53 companies, 23 have recorded an increase in their mean EPS estimate of more than 10%, led by Capital One Financial (to $2.45 from $1.24) and Wells Fargo (to $0.61 from $0.33). However, JPMorgan Chase (to $2.33 from $1.83), Wells Fargo, Bank of America (to $0.50 from $0.40), Citigroup (to $1.21 vs. $0.88), Capital One Financial, and Goldman Sachs (to $6.07 vs. $4.61) have been the largest contributors to the increase in expected earnings for this sector since September 30.

Materials: 64% of Companies Have Seen Increase In Earnings Since September 30

The Materials sector has recorded the second-largest decrease in its expected earnings decline of all eleven sectors since the start of the quarter (to 4.5% from -2.0%). This sector has also witnessed the fifth-largest increase in price (+11.6%) of all eleven sectors since September 30. Overall, 18 of the 28 companies (64%) in the Materials sector have seen an increase in their mean EPS estimate during this time. Of these 18 companies, 10 have recorded an increase in their mean EPS estimate of more than 10%, led by Mosaic (to $0.14 vs. $0.07), Nucor (to $1.01 from $0.56), and Dow (to $0.59 from $0.40).

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

The Communication Services sector has recorded the third-largest decrease in its expected earnings decline since the start of the quarter (to -13.0% from -18.2%). This sector has also witnessed the fourth-largest increase in price (+11.9%) of all eleven sectors since September 30. Overall, 14 of the 22 companies (64%) in the Communication Services sector have seen an increase in their mean EPS estimate during this time. Of these 14 companies, 7 have recorded an increase in their mean EPS estimate of more than 10%, led by Netflix (to $1.35 from $0.92) and DISH Network (to $0.79 vs. $0.56). However, Alphabet (to $15.48 from $13.51) and Facebook (to $3.14 from $2.64) have been the largest contributors to the increase in expected earnings for this sector since September 30.

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

The Energy sector has recorded the largest increase in its expected earnings decline since the start of the quarter (to -96.4% from -83.0%). Despite the decrease in expected earnings, this sector has witnessed the largest increase in price (+36.2%) of all eleven sectors since September 30. Overall, 13 of the 25 companies (52%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 13 companies, 10 have recorded a decrease in their mean EPS estimate of more than 10%, led by ConocoPhillips (to -$0.19 from -$0.03), Hess Corporation (to -$0.26 from $0.11), Phillips 66 (to -$0.17 from $0.32), Valero Energy (to -$1.21 from -$0.49), and Exxon Mobil (to $0.01 from $0.13). Exxon Mobil, Chevron (to $0.07 from $0.26), and Valero Energy have been the largest contributors to the decrease in expected earnings for this sector since September 30.

Index-Level (Bottom-Up) EPS Estimate: 3.3% Increase Since September 30

The Q4 bottom-up EPS estimate (which is an aggregation of the median earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings for the index) has increased by 3.3% (to $37.26 from $36.08) to date. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 4.5% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 4.2% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 5.2% on average during a quarter.

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

To date, more S&P 500 companies are issuing positive earnings guidance than average. At this point in time, 82 companies in the index have issued EPS guidance for Q4 2020. Of these 82 companies, 27 have issued negative EPS guidance and 55 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 67% (55 out of 82), which is well above the 5-year average of 32%.

However, the total number of companies issuing EPS guidance to date for Q4 2020 of 82 is below the 5-year average for a quarter of 104.

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

Earnings Decline: -9.9%

The estimated (year-over-year) earnings decline for Q4 2020 is -9.9%, which is below the 5-year average earnings growth rate of 4.0%. If -9.9% is the actual decline for the quarter, it will mark the third-largest (year-over-year) decline in earnings for the index since Q3 2009. It will also mark the seventh time in the past eight quarters in which the index has reported a year-over-year decline in earnings. Four sectors are projected to report year-over-year earnings growth, led by the Health Care and Materials sectors. Seven sectors are projected to report a year-over-year decline in earnings, led by the Energy, Industrials, and Consumer Discretionary sectors.

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

The Health Care sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 6.0%. At the industry level, five of the six industries in this sector are predicted to report year-over-year growth in earnings. Four of these five industries are projected to report double-digit earnings growth: Life Sciences Tools & Services (41%), Biotechnology (15%), Pharmaceuticals (12%), and Health Care Equipment & Supplies (10%). The only industry projected to report a year-over-year decline in earnings is the Health Care Providers & Services (-20%) industry.

At the company level, AbbVie is the largest contributor to earnings growth for the sector. However, the earnings growth rate for this company is being boosted by an apples-to-oranges comparison of post-merger earnings in Q4 2020 to pre-merger earnings in Q4 2019. If this company were excluded, the estimated earnings growth rate for the sector would fall to 2.8% from 6.0%.

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

The Materials sector is expected to report the second-highest (year-over-year) earnings growth of all eleven sectors at 4.5%. At the industry level, the Metals & Mining industry (158%) is the only industry in this sector predicted to report year-over-year growth in earnings. The other three industries in this sector are projected to report year-over-year declines in earnings: Chemicals (-9%), Containers & Packaging (-6%), and Construction Materials (-3%).

The Metals & Mining industry is also projected to be the largest contributor to year-over-year growth in earnings for the sector. If the three companies in this industry were excluded, year-over-year earnings for this sector would fall to -7.9% from 4.6%.

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

The Energy sector is expected to report the largest (year-over-year) decline in earnings of all eleven sectors at -96.4%. Lower year-over-year oil prices are contributing to the earnings decline for this sector, as the average price of oil in Q4 2020 to date ($41.25) is 27% below the average price for oil in Q4 2019 ($56.87). At the sub-industry level, four of the five sub-industries in the sector are expected to report a decline in earnings. Three of these four sub-industries are projected to report a decline in earnings of more than 90%: Oil & Gas Refining & Marketing (-144%), Integrated Oil & Gas (-111%), and Oil & Gas Exploration & Production (-91%). The only sub-industry in the sector that is predicted to report year-over-year growth in earnings is the Oil & Gas Storage & Transportation (3%) sub-industry.

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

The Industrials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -35.0%. At the industry level, seven of the twelve industries in this sector are expected to report a decline in earnings. Six of these seven industries are expected to report a double-digit decline in earnings: Airlines (-341%), Industrial Conglomerates (-19%), Trading Companies & Distributors (-14%), Electrical Equipment (-11%), Building Products (-11%), and Machinery (-10%). On the other hand, five industries are expected to report earnings growth in this sector, led by the Aerospace & Defense (21%) and Air Freight & Logistics (21%) industries.

The Airlines industry is also projected to be the largest contributor to the year-over-year decline in earnings for the sector. If the five companies in this industry were excluded, the estimated earnings decline for the sector would improve to -1.5% from -35.0%.

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

The Consumer Discretionary sector is expected to report the third largest (year-over-year) earnings decline of all eleven sectors at -21.7%. At the industry level, five of the ten industries in this sector are expected to report a decline in earnings. Four these five industries are projected to report a double-digit decline in earnings: Hotels, Restaurants, & Leisure (-128%), Textiles, Apparel, & Luxury Goods (-30%), Internet & Direct Marketing Retail (-24%), and Auto Components (-12%). On the other hand, five industries in this sector are expected to report earnings growth, led by the Automobiles (345%), Multiline Retail (26%), and Household Durables (19%) industries.

The Hotels, Restaurants, & Leisure industry is also projected to be the largest contributor to the year-over-year decline in earnings for the sector. If this industry were excluded, year-over-year earnings for the sector would improve to 5.2% from -21.7%.

Revenue Growth: 0.1%

The estimated (year-over-year) revenue growth rate for Q4 2020 is 0.1%, which is below the 5-year average revenue growth rate of 3.4%. If 0.1% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year revenue growth since Q1 2020. Six sectors are expected to report year-over-year growth in revenues, led by Health Care sector. Five sectors are expected to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

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

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

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

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

The Energy sector is expected to report the largest (year-over-year) decline in revenue of all eleven sectors at -31.3%. Lower year-over-year oil prices are contributing to the revenue decline for this sector, as the average price of oil in Q4 2020 to date ($41.25) is 27% below the average price for oil in Q4 2019 ($56.87). At the sub-industry level, all five sub-industries in the sector are expected to report a year-over-year decline in revenue. Four sub-industries are projected to report a decline in revenue of more than 25%: Oil & Gas Refining & Marketing (-37%), Oil & Gas Exploration & Production (-32%), Integrated Oil & Gas (-29%), and Oil & Gas Equipment & Services (-28%).

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

The Industrials sector is expected to report the second-largest (year-over-year) revenue decline of all eleven sectors at -10.5%. At the industry level, ten of the twelve industries in this sector are predicted to report a decline in revenues, led by the Airlines (-66%) industry. On the other hand, the Air Freight & Logistics (12%) industry is projected to report the largest year-over-year revenue growth in the sector.

The Airlines industry is also the projected to be the largest contributor to the year-over-year decline in revenue for the sector. If the five companies in this industry were excluded, the estimated revenue decline for the sector would improve to -3.0% from -10.5%.

Looking Ahead: Forward Estimates and Valuation

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

For the fourth quarter, S&P 500 companies are expected to report a decline in earnings of -9.9% and growth in revenues of 0.1%. Analysts expect an earnings decline of -13.7% and a revenue decline of -1.8% for CY 2020.

For CY 2020, analysts are projecting an earnings decline of -13.7% and a revenue decline of -1.8%.

For Q1 2021, analysts are projecting earnings growth of 15.5% and revenue growth of 3.6%.

For Q2 2021, analysts are projecting earnings growth of 44.7% and revenue growth of 13.7%.

For CY 2021, analysts are projecting earnings growth of 21.9% and revenue growth of 7.9%.

Valuation: Forward P/E Ratio is 21.9, Above the 10-Year Average (15.6)

The forward 12-month P/E ratio is 21.9. This P/E ratio is above the 5-year average of 17.4 and above the 10-year average of 15.6. It is also above the forward 12-month P/E ratio of 21.5 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has decreased by 9.1%, while the forward 12-month EPS estimate has increased by 6.4%.

At the sector level, the Consumer Discretionary (32.2) sector has the highest forward 12-month P/E ratio, while the Financials (14.7) sector has the lowest forward 12-month P/E ratio.

Targets & Ratings: Analysts Project 9% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 4,000.08, which is 9.1% above the closing price of 3668.10. At the sector level, the Consumer Discretionary (+14.3%) 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 Energy (+2.0%) 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.

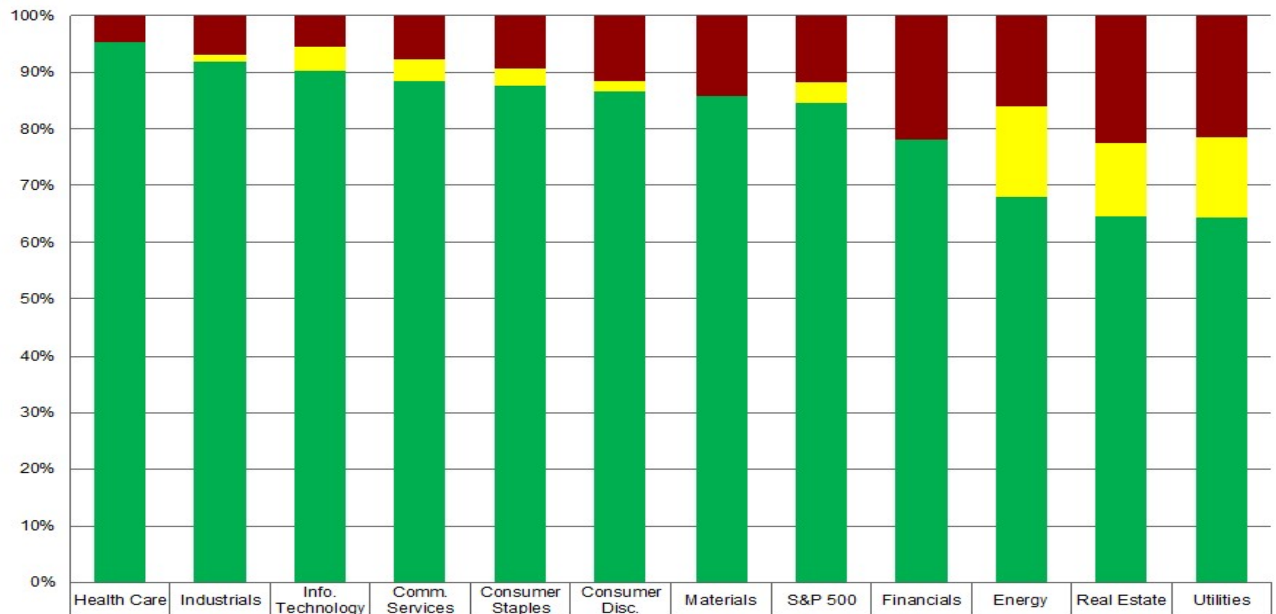
Overall, there are 10,350 ratings on stocks in the S&P 500. Of these 10,350 ratings, 53.5% are Buy ratings, 39.7% are Hold ratings, and 6.8% are Sell ratings. At the sector level, the Energy (62%) and Health Care (61%) sectors have the highest percentages of Buy ratings, while the Real Estate (46%) sector has the lowest percentages of Buy ratings.

Companies Reporting Next Week: 7

During the upcoming week, 7 S&P 500 companies (including 1 Dow 30 component) are scheduled to report results for the fourth quarter.

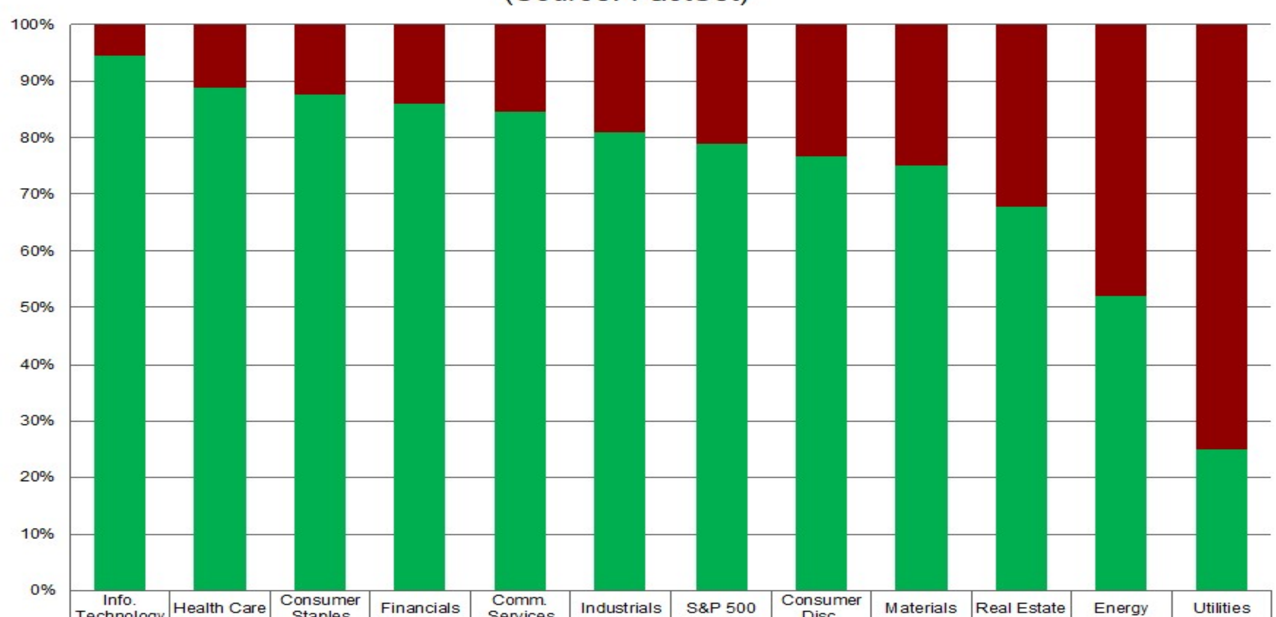
Q3 2020: Scorecard

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



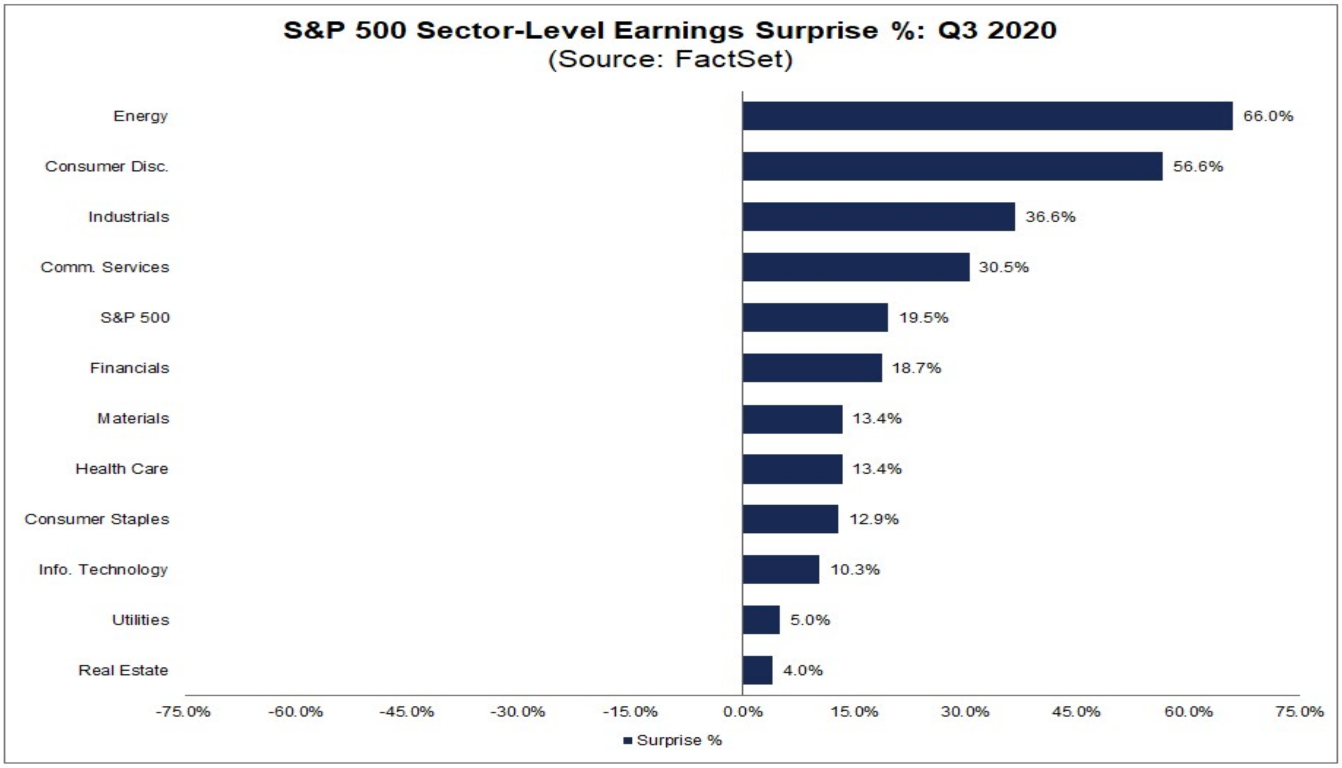
	Health Care	Industrials	Info. Technology	Comm. Services	Consumer Staples	Consumer Disc.	Materials	S&P 500	Financials	Energy	Real Estate	Utilities
Below	5%	7%	6%	8%	9%	12%	14%	12%	22%	16%	23%	21%
In-Line	0%	1%	4%	4%	3%	2%	0%	4%	0%	16%	13%	14%
Above	95%	92%	90%	88%	88%	87%	86%	84%	78%	68%	65%	64%

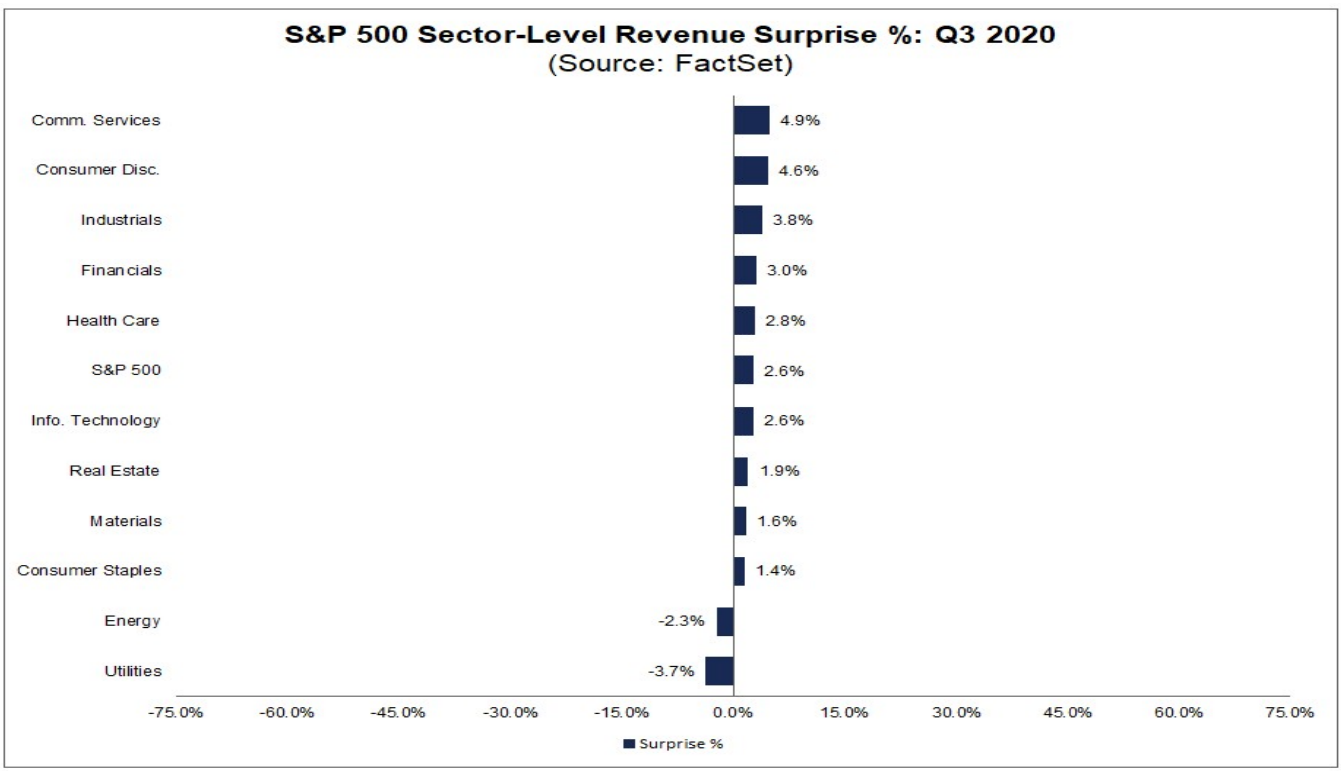
S&P 500 Revenues Above, In-Line, Below Estimates: Q3 2020
(Source: FactSet)



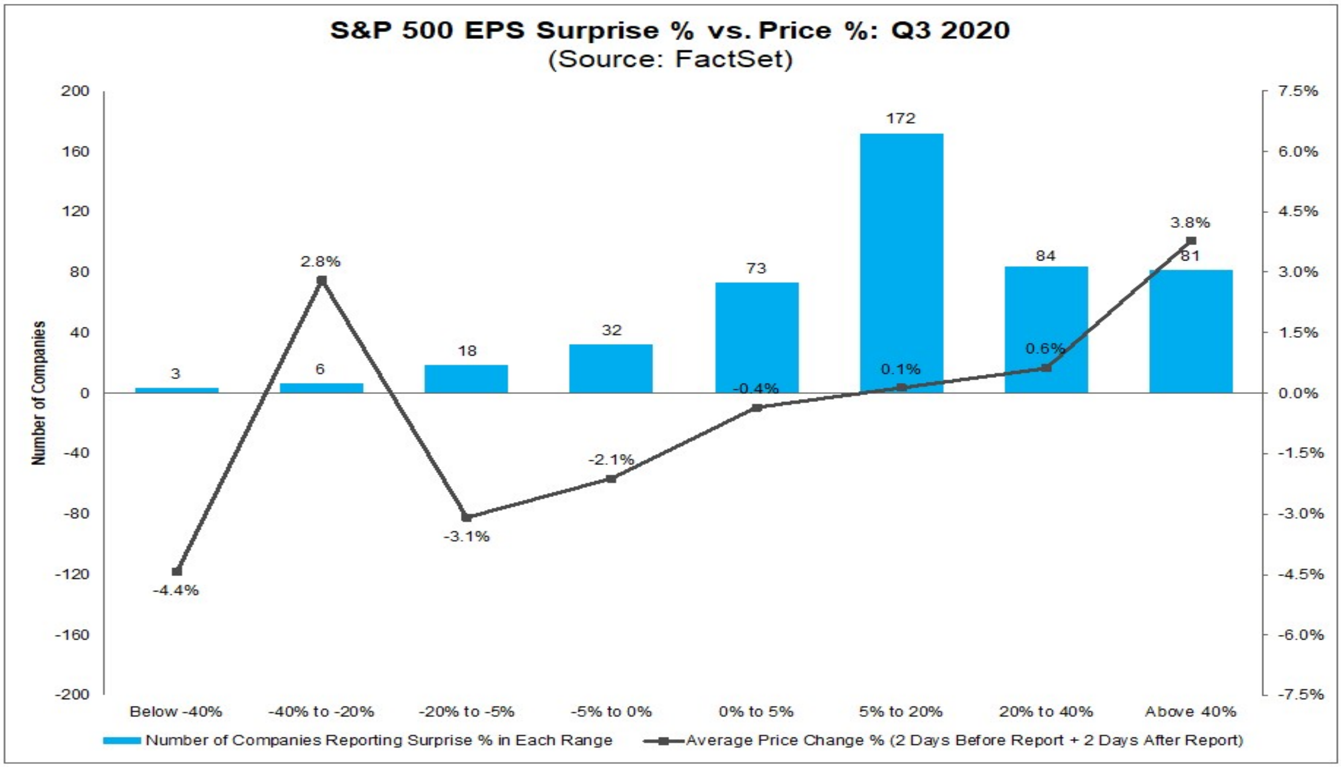
	Info. Technology	Health Care	Consumer Staples	Financials	Comm. Services	Industrials	S&P 500	Consumer Disc.	Materials	Real Estate	Energy	Utilities
Below	6%	11%	13%	14%	15%	19%	21%	23%	25%	32%	48%	75%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	94%	89%	88%	86%	85%	81%	79%	77%	75%	68%	52%	25%

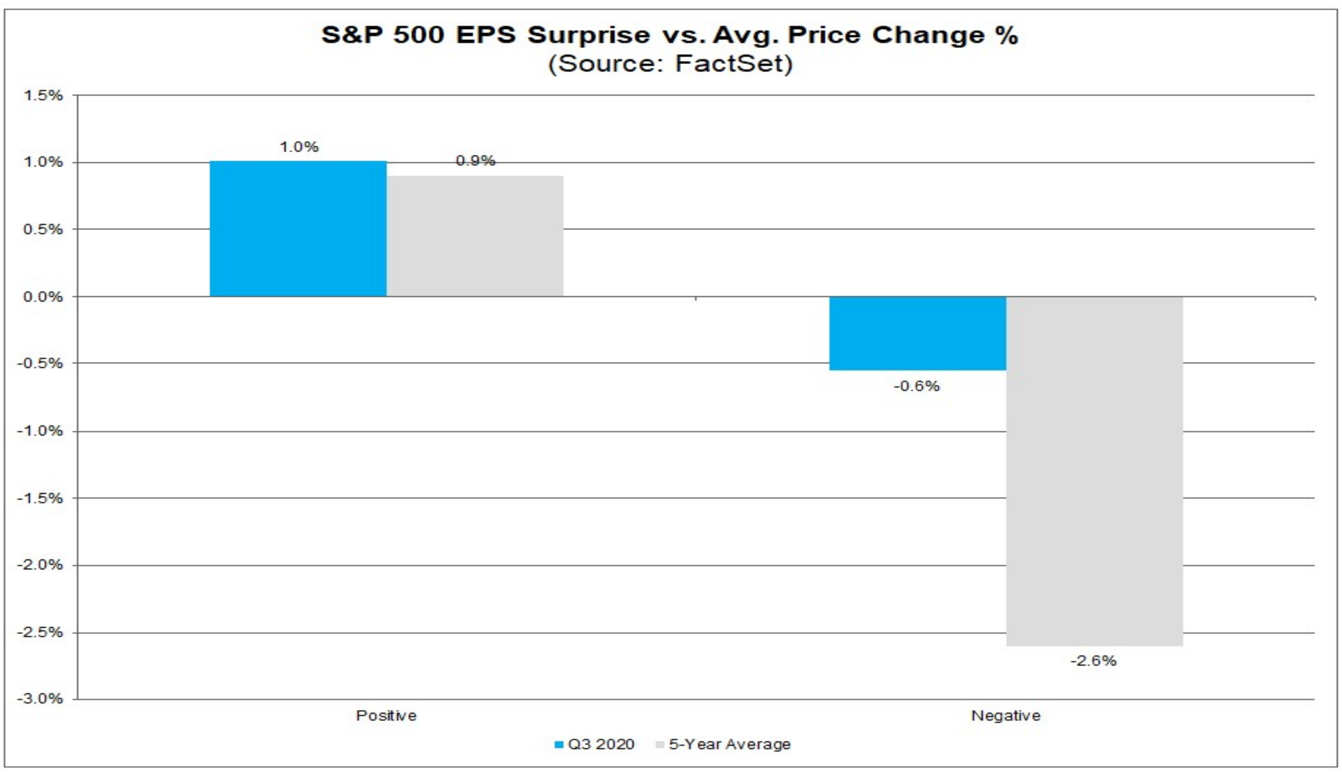
Q3 2020: Scorecard



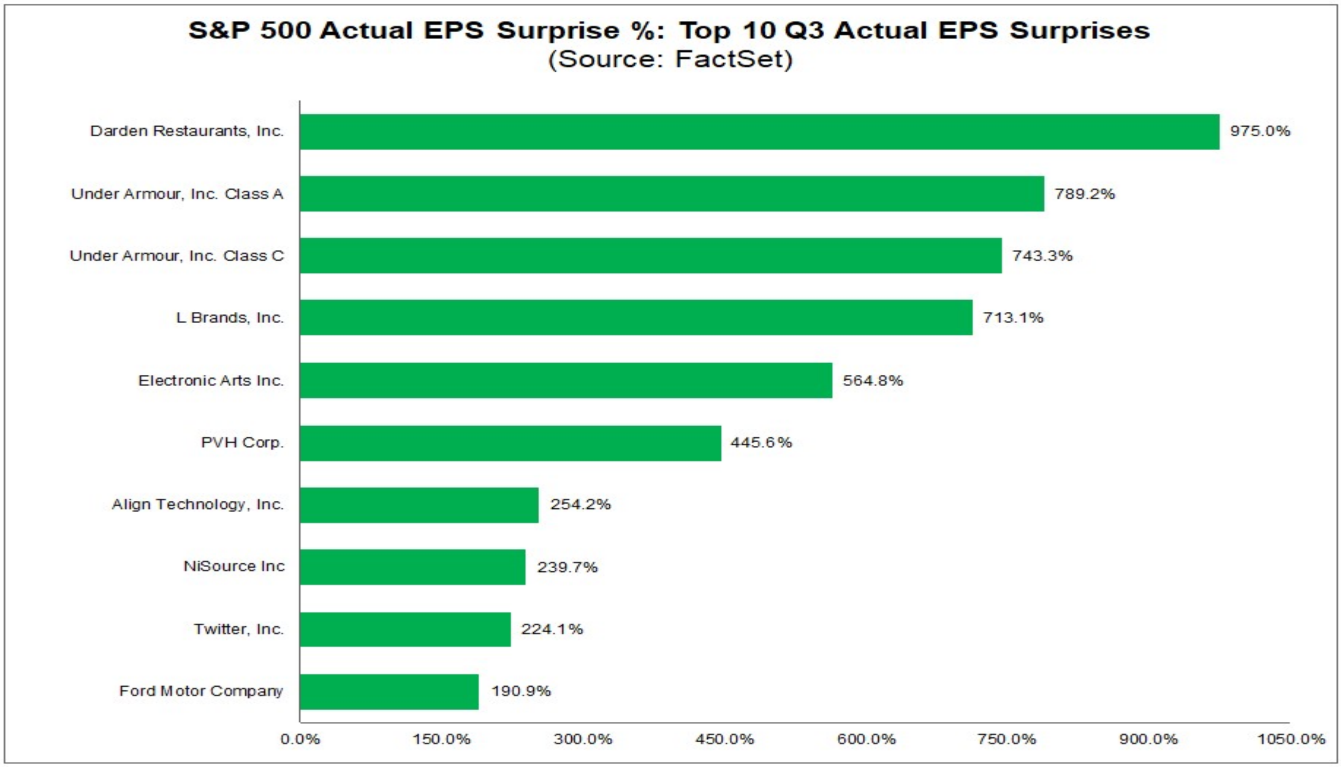


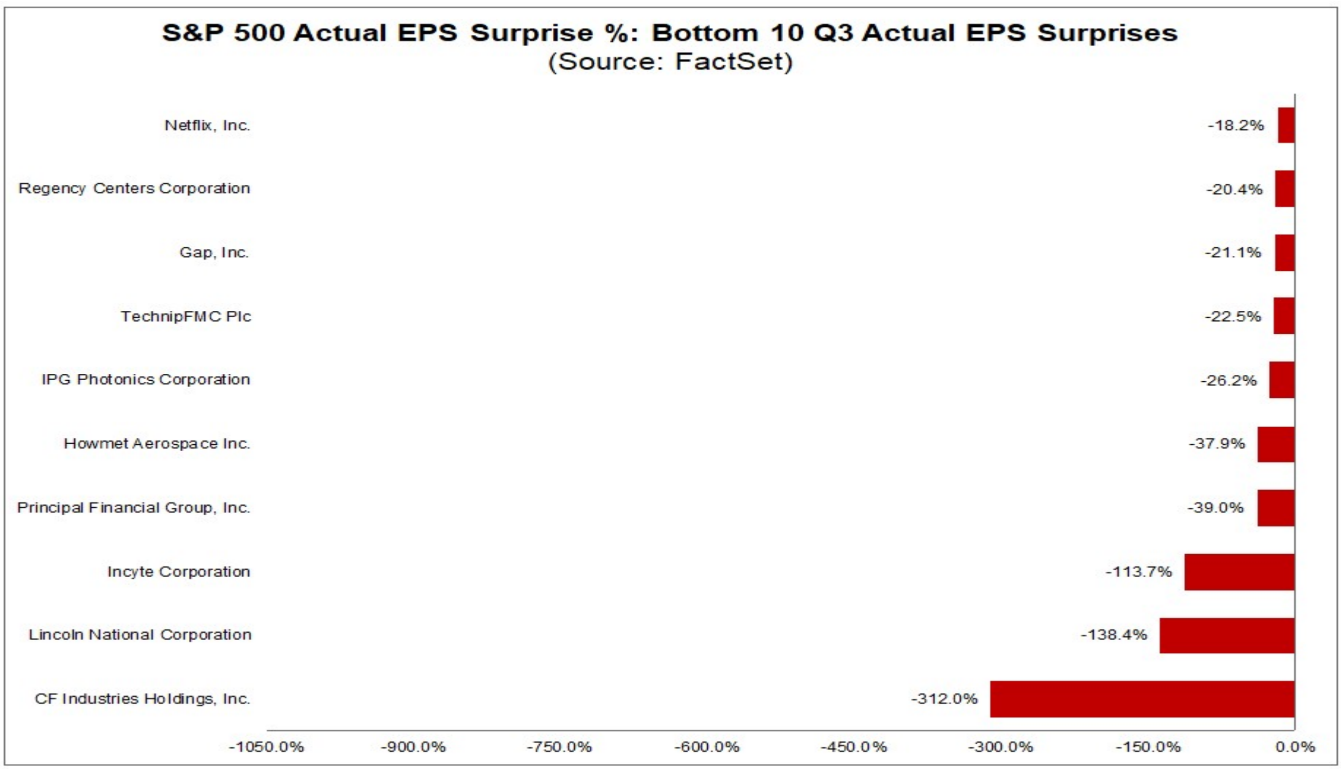
Q3 2020: Scorecard



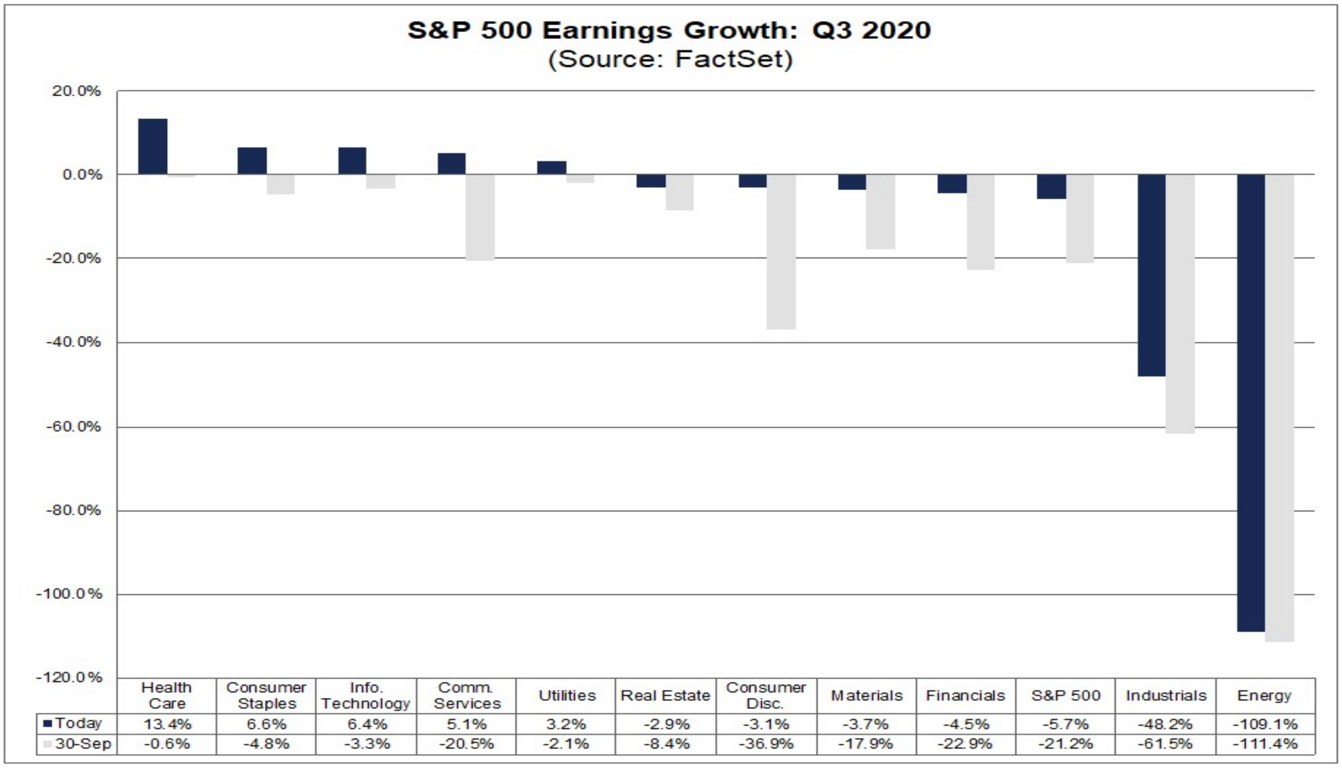


Q3 2020: Scorecard

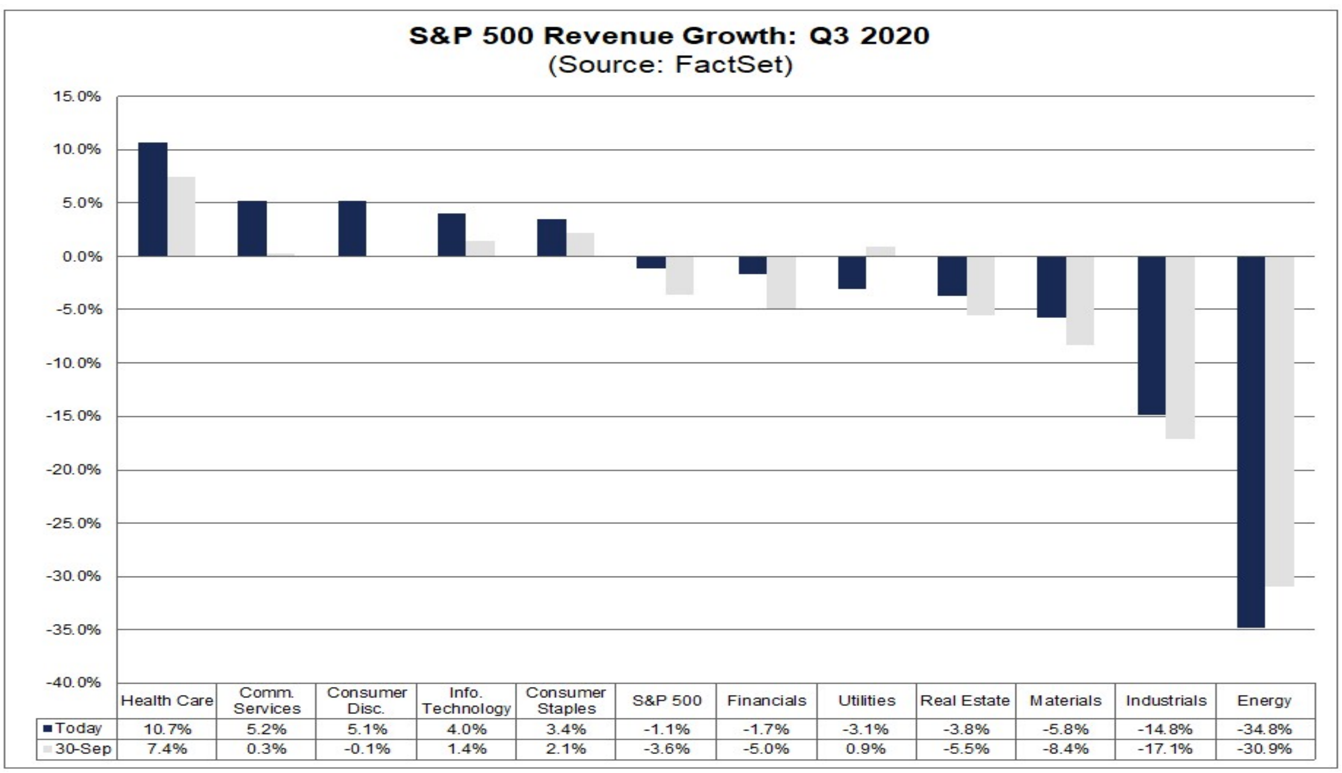




Q3 2020: Growth

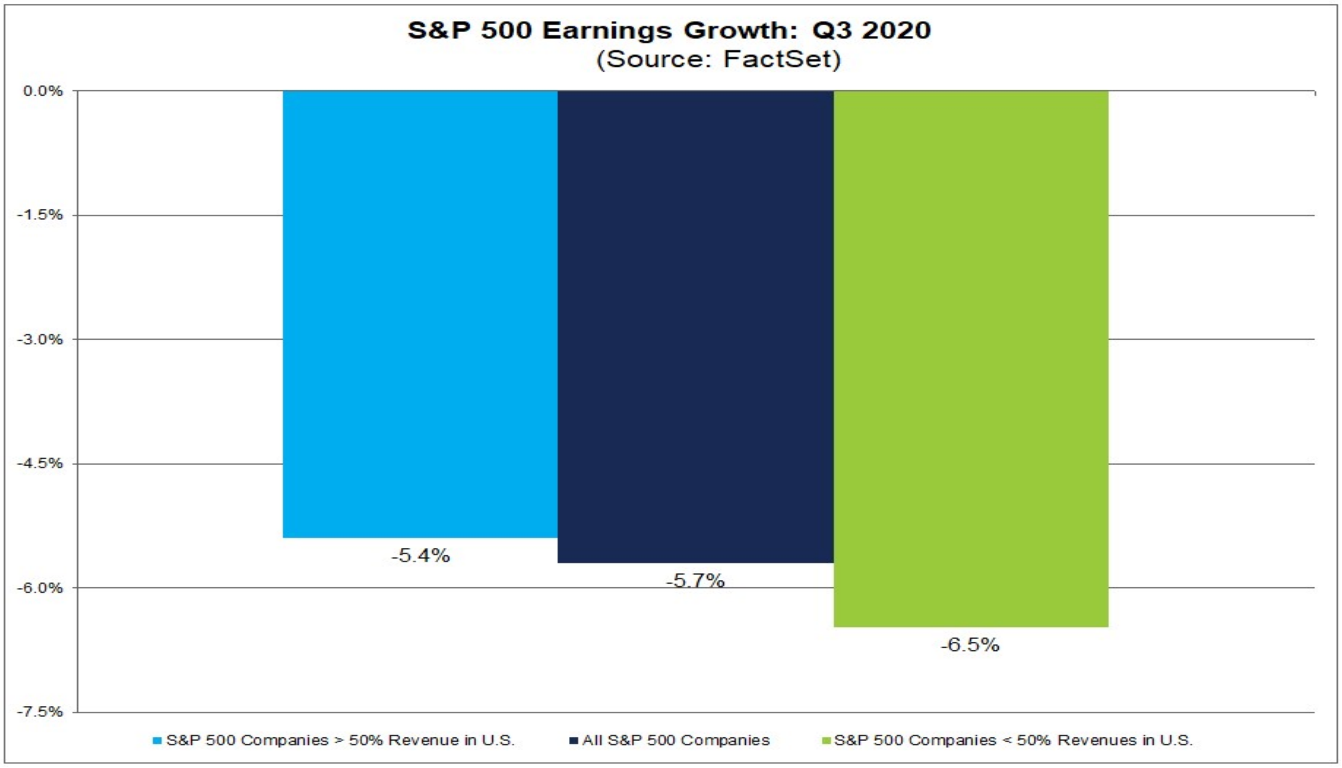


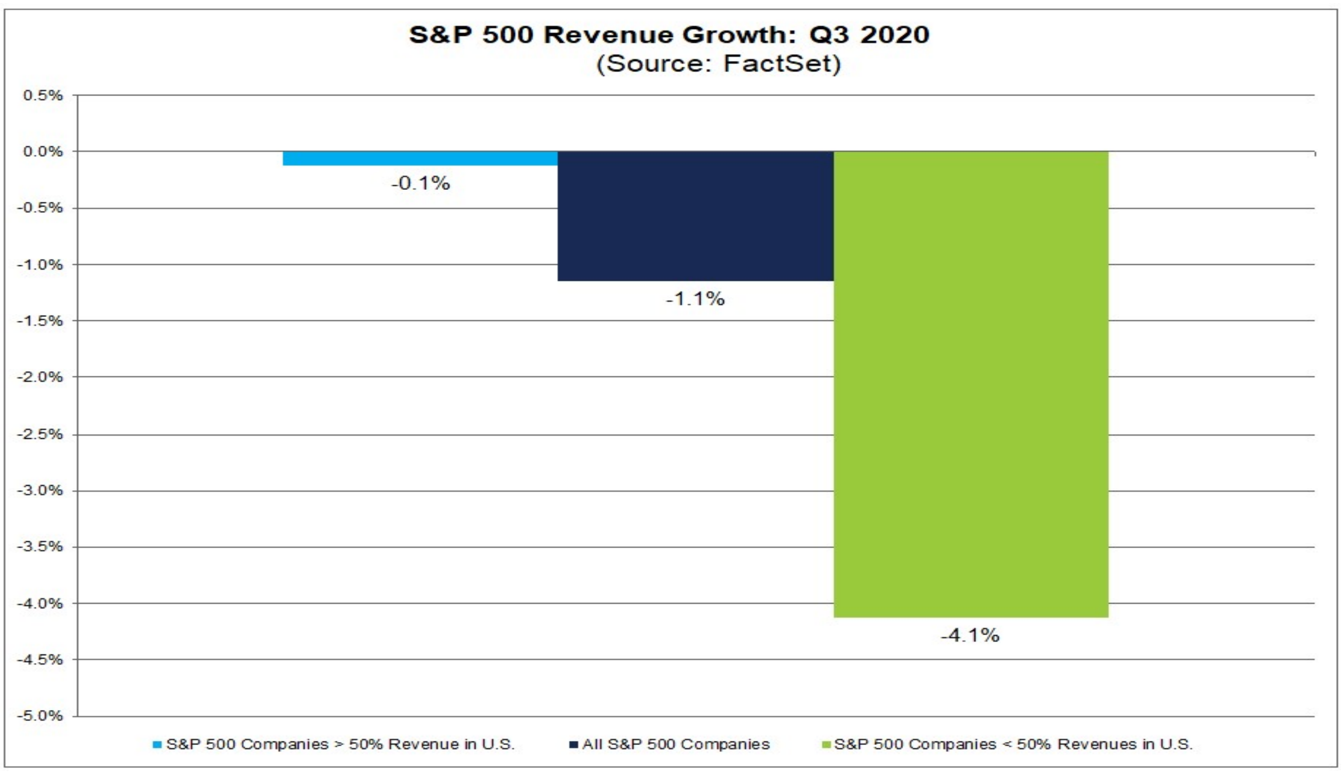
	Health Care	Consumer Staples	Info. Technology	Comm. Services	Utilities	Real Estate	Consumer Disc.	Materials	Financials	S&P 500	Industrials	Energy
Today	13.4%	6.6%	6.4%	5.1%	3.2%	-2.9%	-3.1%	-3.7%	-4.5%	-5.7%	-48.2%	-109.1%
30-Sep	-0.6%	-4.8%	-3.3%	-20.5%	-2.1%	-8.4%	-36.9%	-17.9%	-22.9%	-21.2%	-61.5%	-111.4%



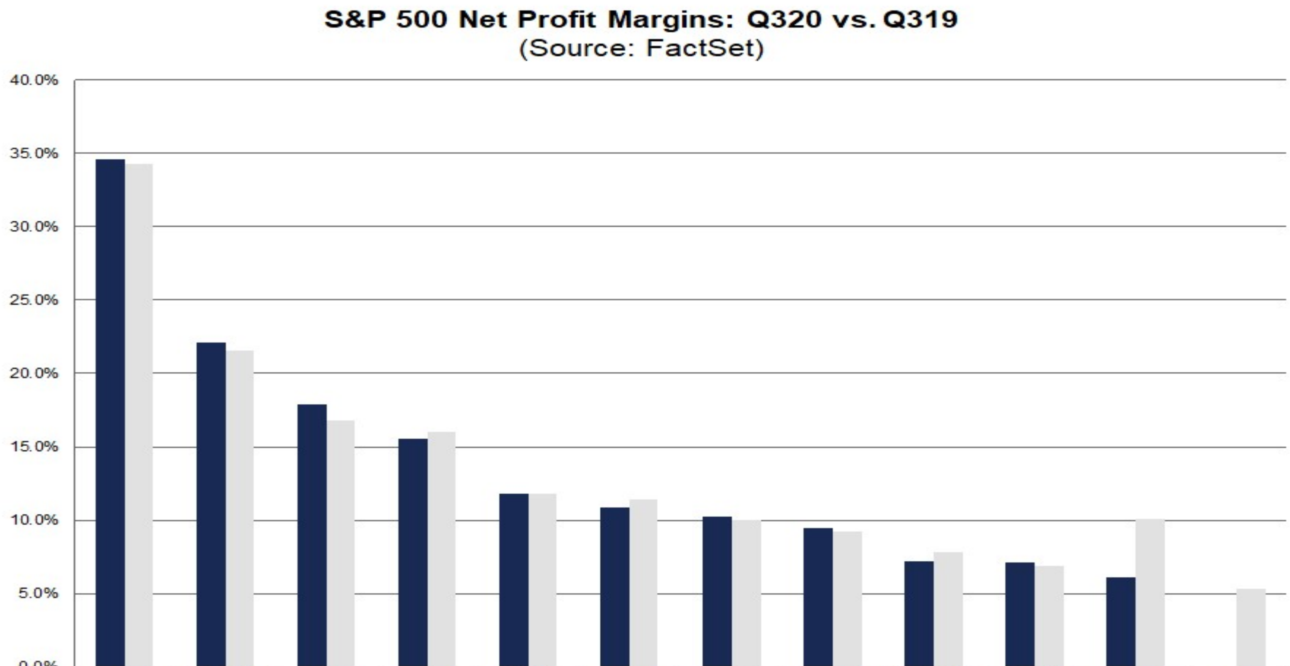
	Health Care	Comm. Services	Consumer Disc.	Info. Technology	Consumer Staples	S&P 500	Financials	Utilities	Real Estate	Materials	Industrials	Energy
Today	10.7%	5.2%	5.1%	4.0%	3.4%	-1.1%	-1.7%	-3.1%	-3.8%	-5.8%	-14.8%	-34.8%
30-Sep	7.4%	0.3%	-0.1%	1.4%	2.1%	-3.6%	-5.0%	0.9%	-5.5%	-8.4%	-17.1%	-30.9%

Q3 2020: Growth

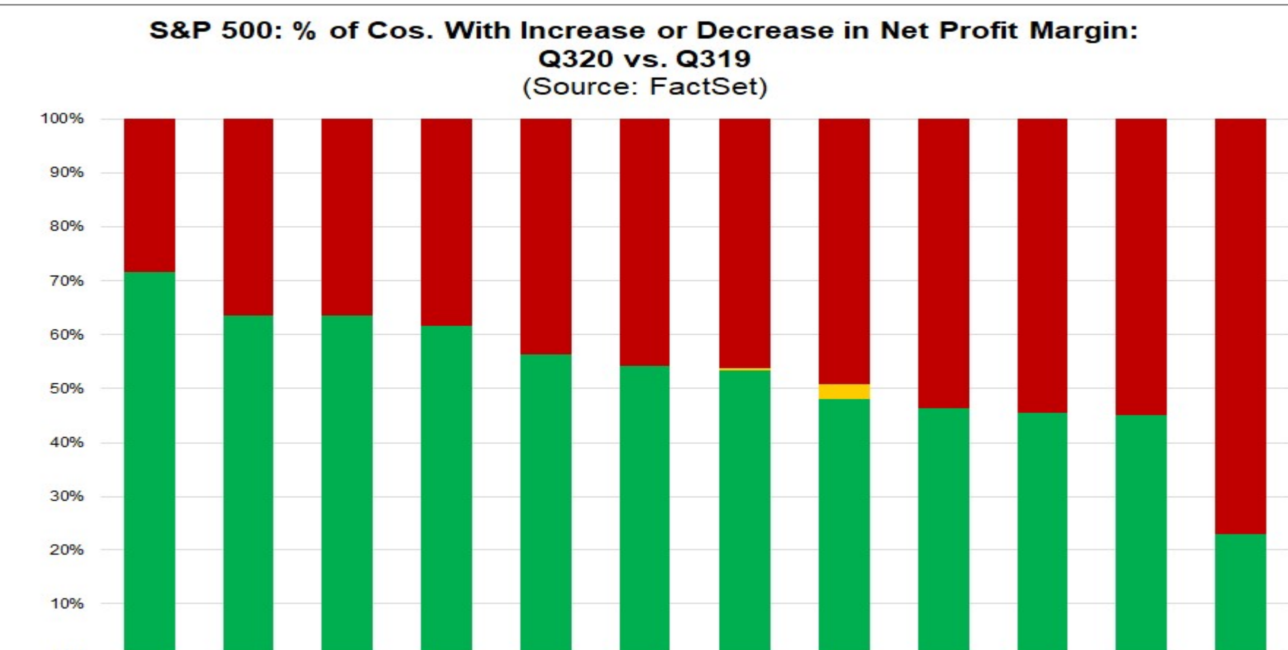




Q3 2020: Net Profit Margin

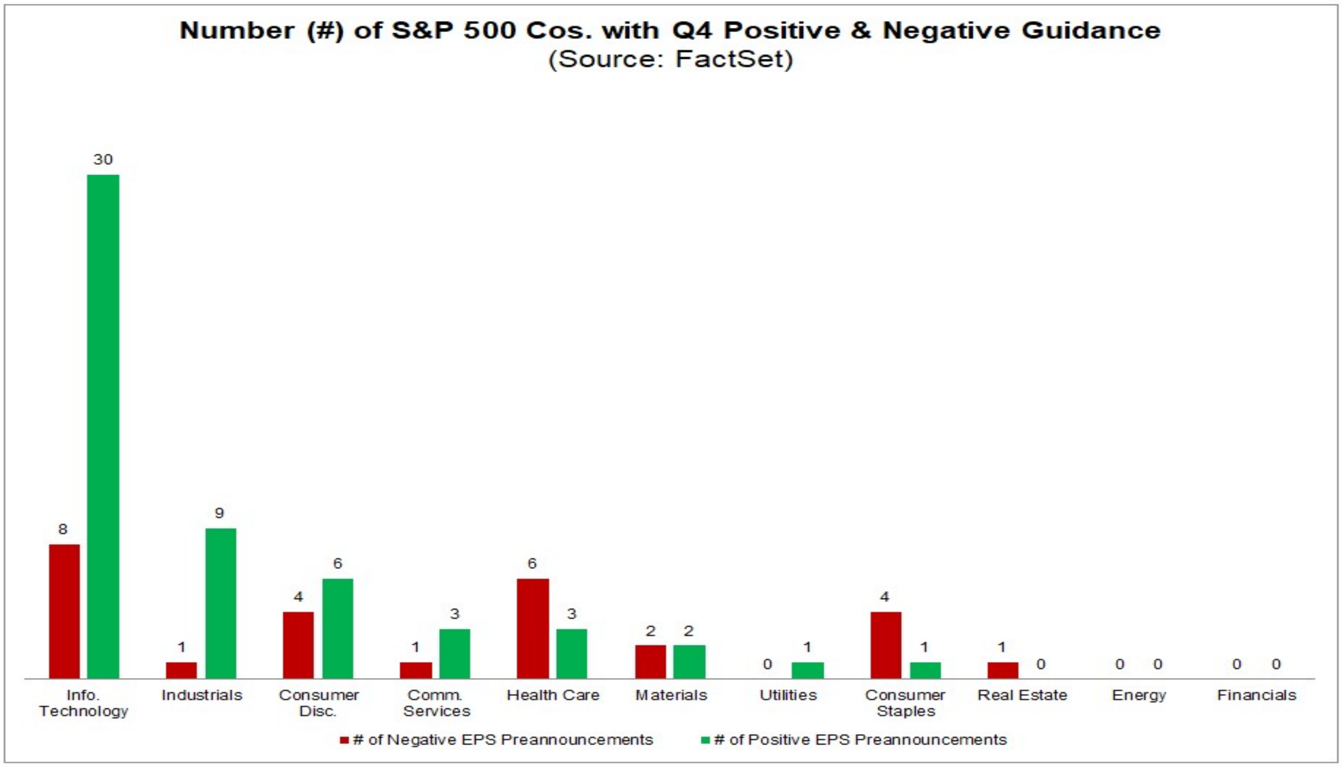


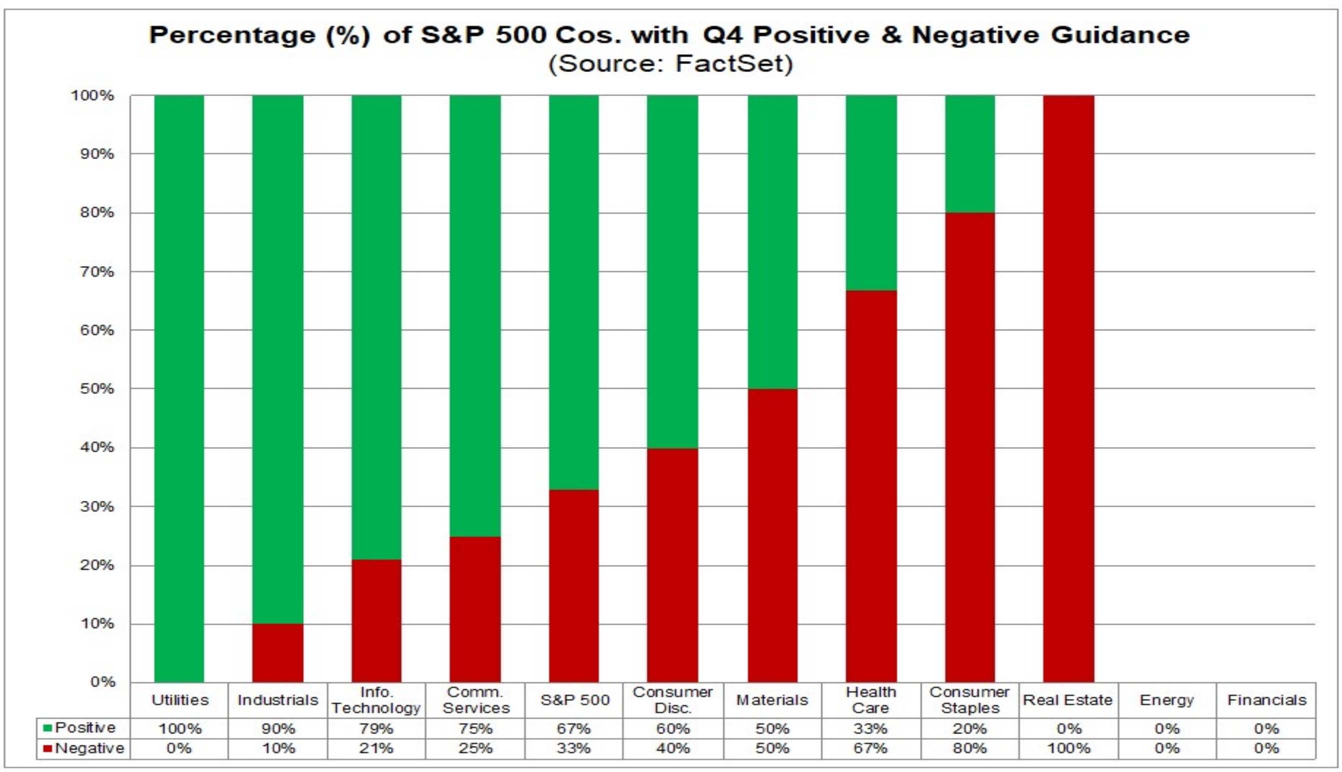
	Real Estate	Information Tech.	Utilities	Financials	Comm. Services	S&P 500	Health Care	Materials	Consumer Disc.	Consumer Staples	Industrials	Energy
Q320	34.6%	22.1%	18.0%	15.6%	11.8%	10.9%	10.3%	9.5%	7.2%	7.1%	6.2%	
Q319	34.3%	21.6%	16.8%	16.0%	11.8%	11.4%	10.0%	9.3%	7.8%	6.9%	10.1%	5.4%



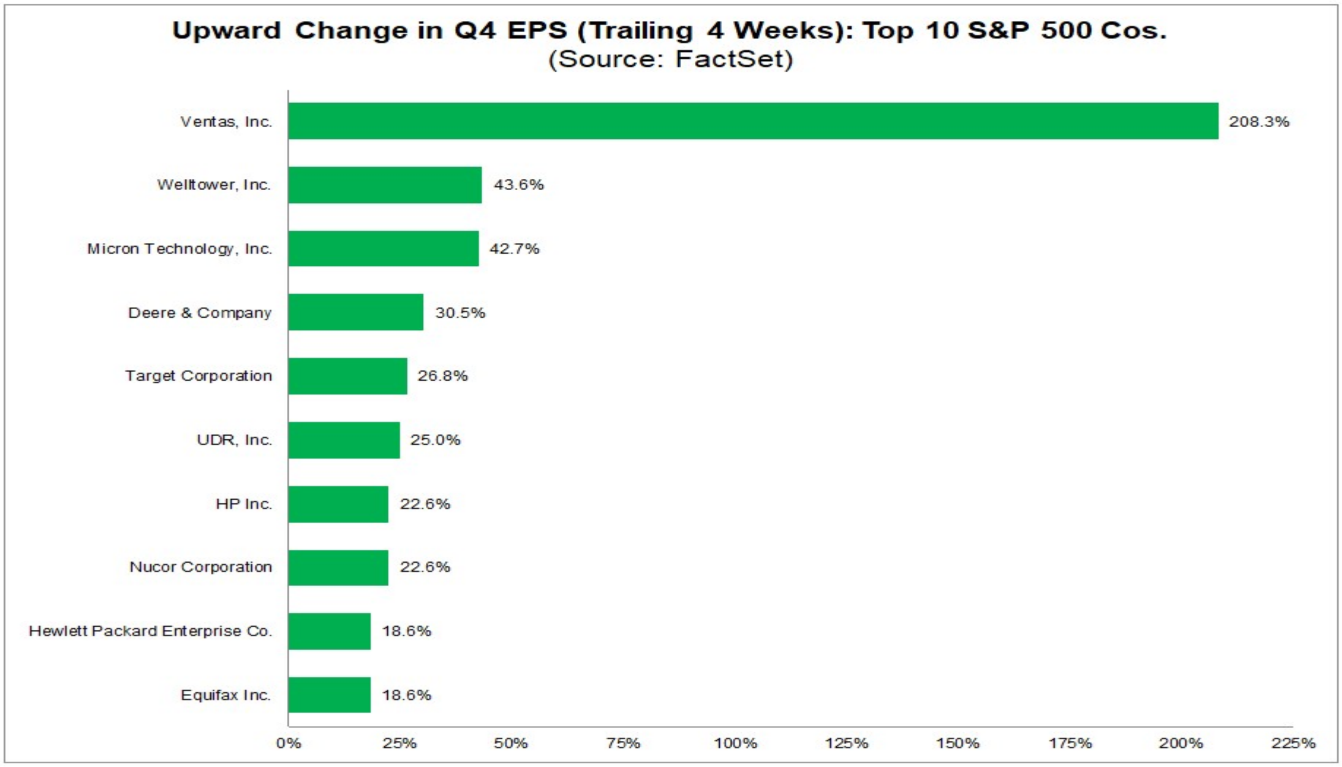
	Utilities	Health Care	Consumer Disc.	Comm. Services	Consumer Staples	Information Tech.	S&P 500	Industrials	Materials	Financials	Real Estate	Energy
Down %	29%	37%	37%	38%	44%	46%	46%	49%	54%	55%	55%	77%
None %	0%	0%	0%	0%	0%	0%	0%	3%	0%	0%	0%	0%
Up %	71%	63%	63%	62%	56%	54%	53%	48%	46%	45%	45%	23%

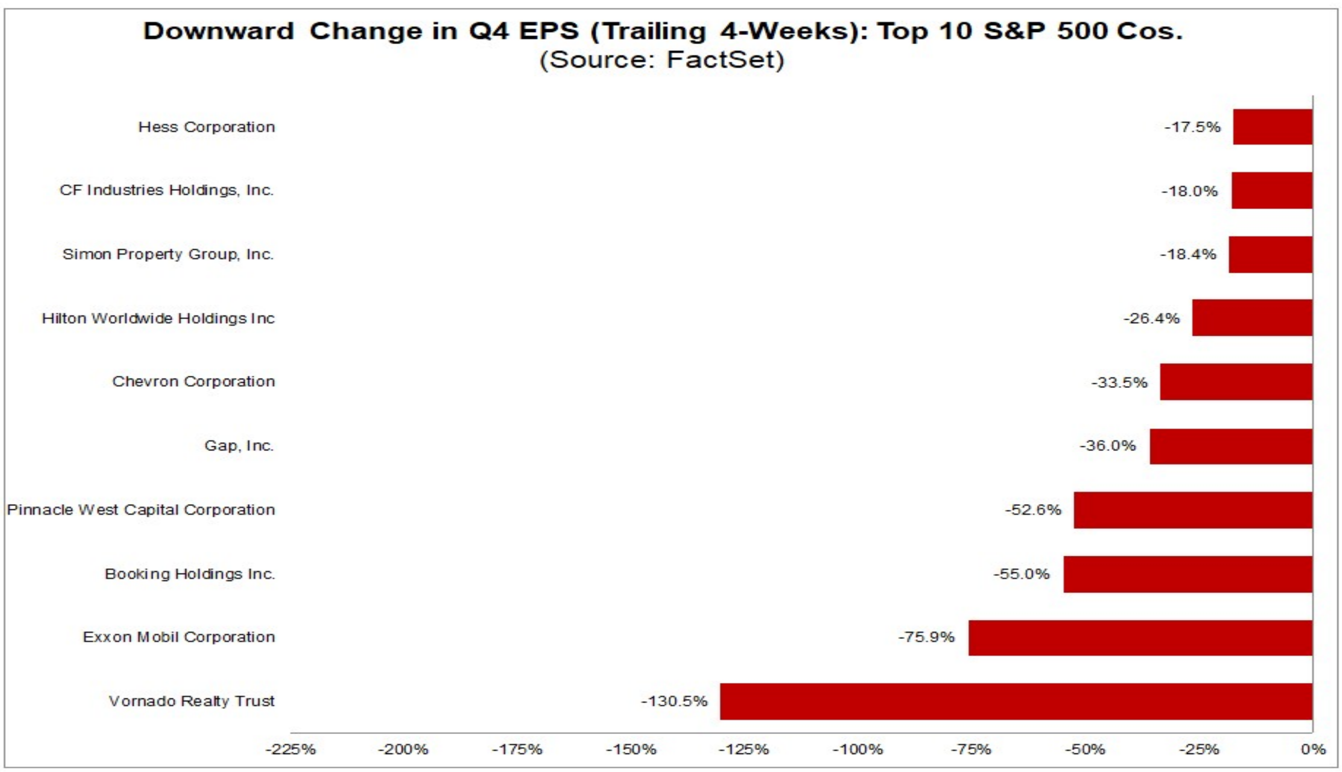
Q4 2020: EPS Guidance



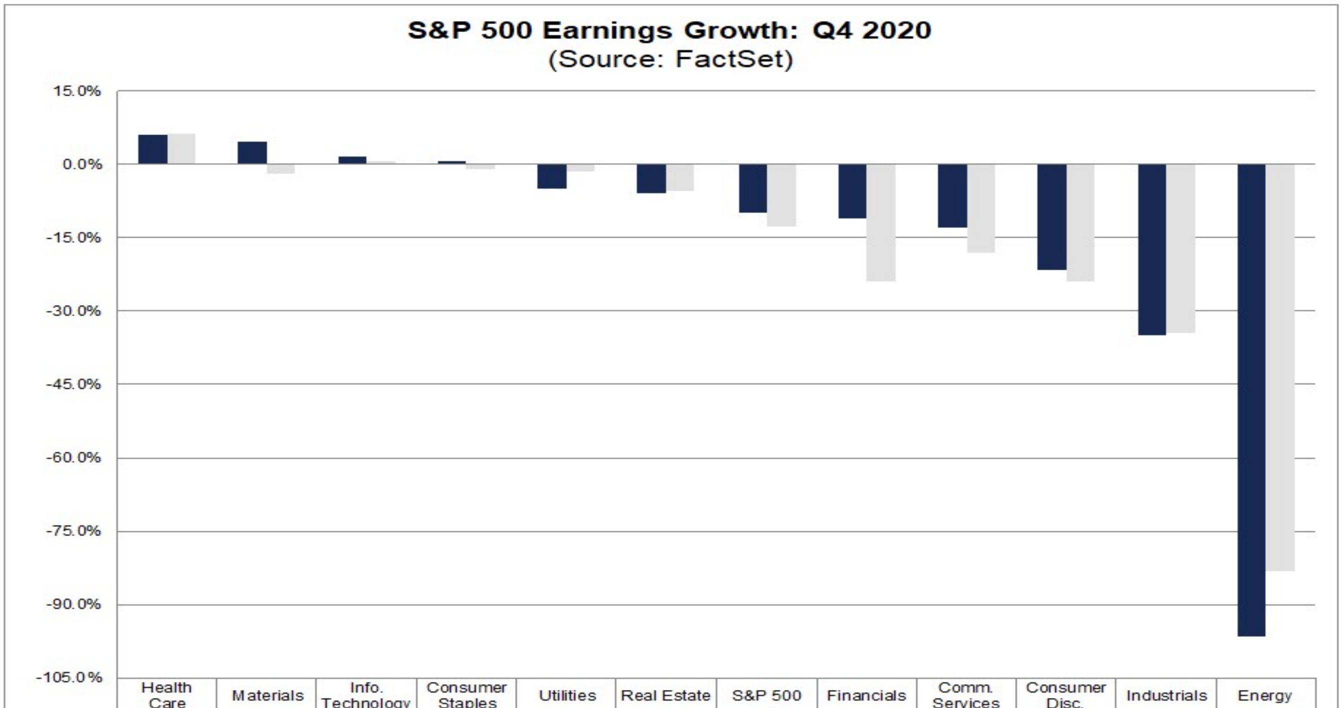


Q4 2020: EPS Revisions

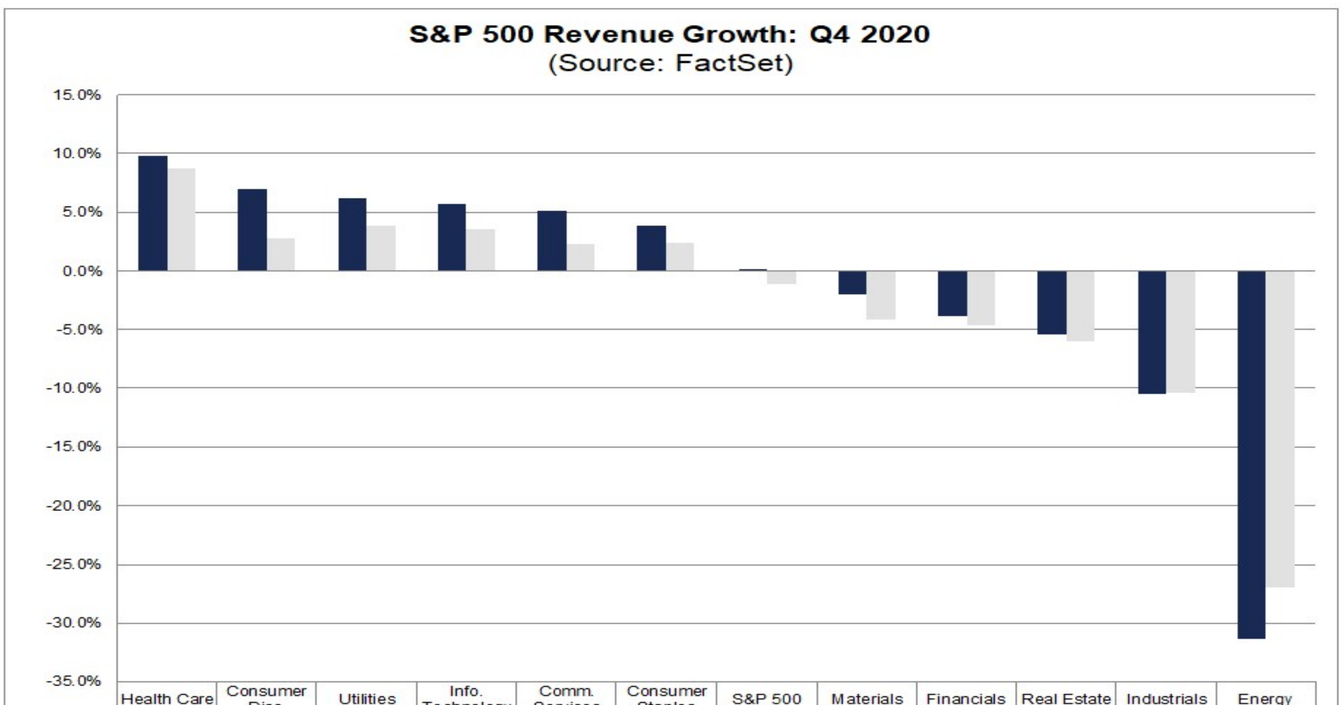




Q4 2020: Growth

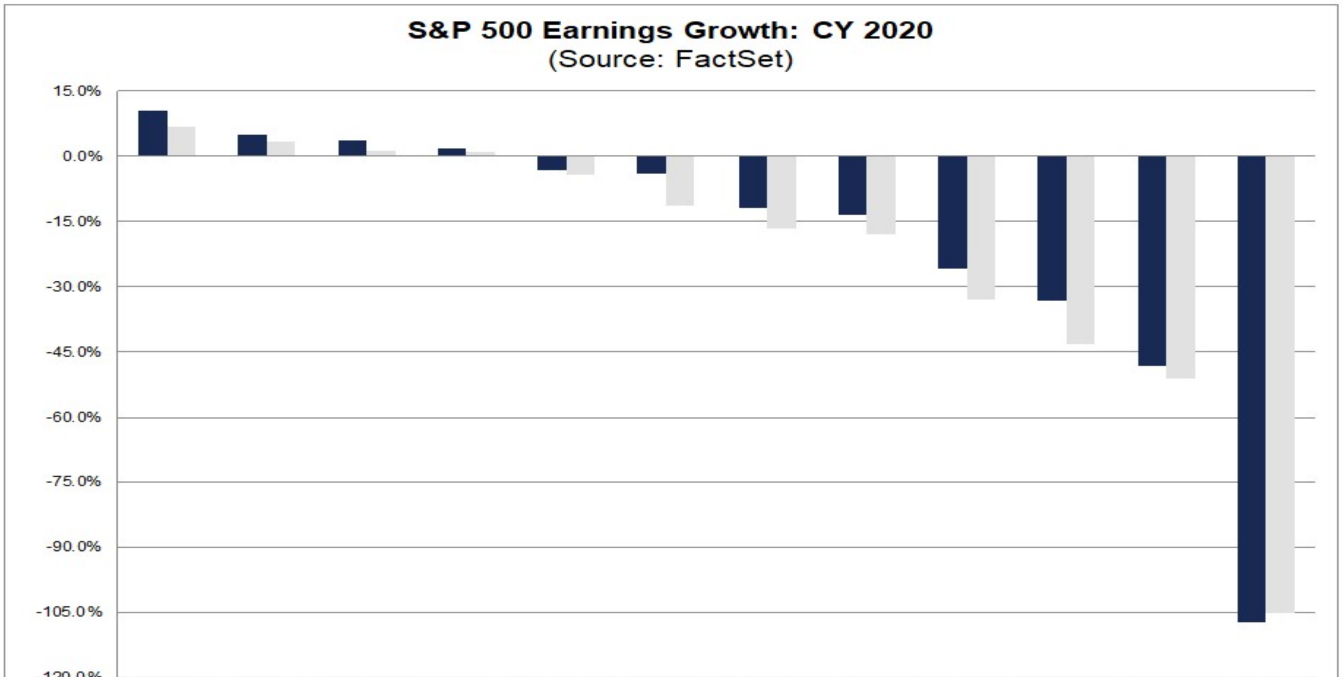


	Health Care	Materials	Info. Technology	Consumer Staples	Utilities	Real Estate	S&P 500	Financials	Comm. Services	Consumer Disc.	Industrials	Energy
Today	6.0%	4.5%	1.6%	0.6%	-5.1%	-6.0%	-9.9%	-11.1%	-13.0%	-21.7%	-35.0%	-96.4%
30-Sep	6.2%	-2.0%	0.7%	-1.0%	-1.4%	-5.6%	-12.7%	-24.1%	-18.2%	-24.0%	-34.4%	-83.0%

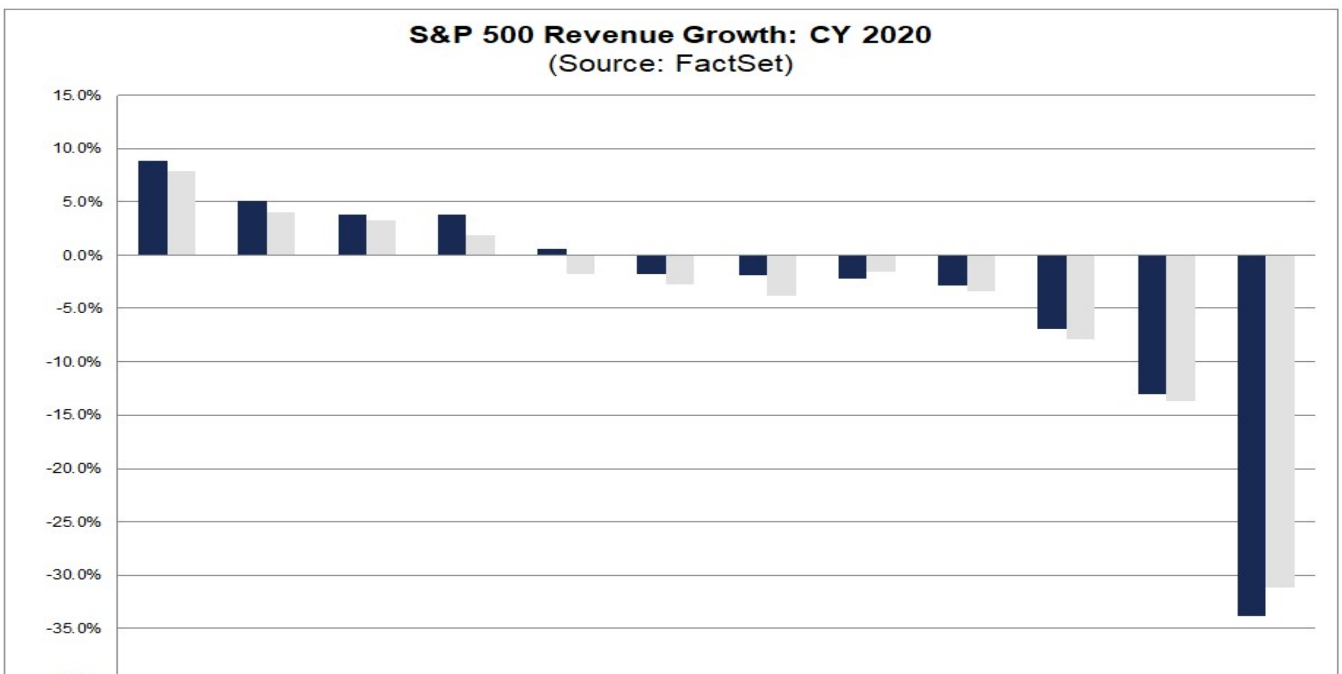


	Health Care	Consumer Disc.	Utilities	Info. Technology	Comm. Services	Consumer Staples	S&P 500	Materials	Financials	Real Estate	Industrials	Energy
Today	9.8%	6.9%	6.2%	5.7%	5.1%	3.9%	0.1%	-2.1%	-3.8%	-5.4%	-10.5%	-31.3%
30-Sep	8.7%	2.8%	3.8%	3.6%	2.3%	2.4%	-1.1%	-4.2%	-4.6%	-6.0%	-10.4%	-26.9%

CY 2020: Growth

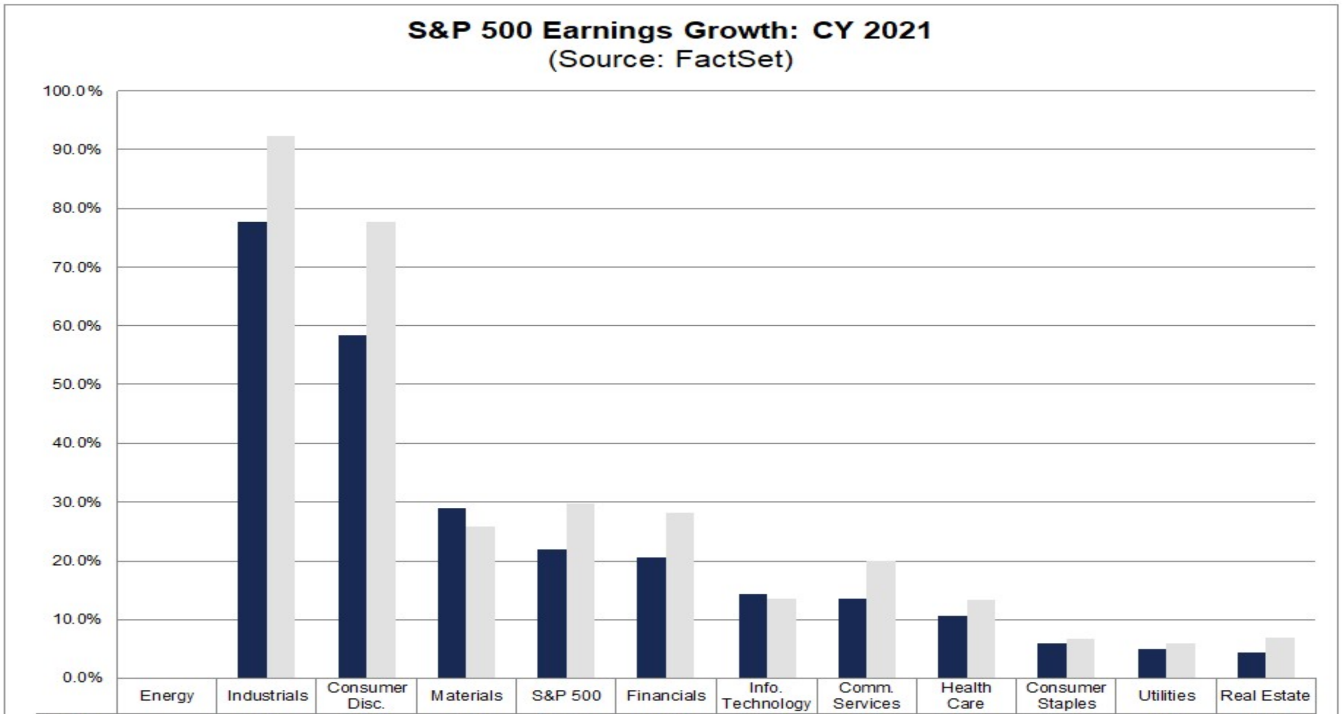


	Health Care	Info. Technology	Consumer Staples	Utilities	Real Estate	Comm. Services	Materials	S&P 500	Financials	Consumer Disc.	Industrials	Energy
Today	10.5%	4.9%	3.6%	1.9%	-3.2%	-4.1%	-11.9%	-13.7%	-26.1%	-33.4%	-48.4%	-107.2%
30-Sep	6.7%	3.3%	1.1%	0.9%	-4.3%	-11.3%	-16.8%	-17.9%	-33.0%	-43.4%	-51.4%	-105.2%

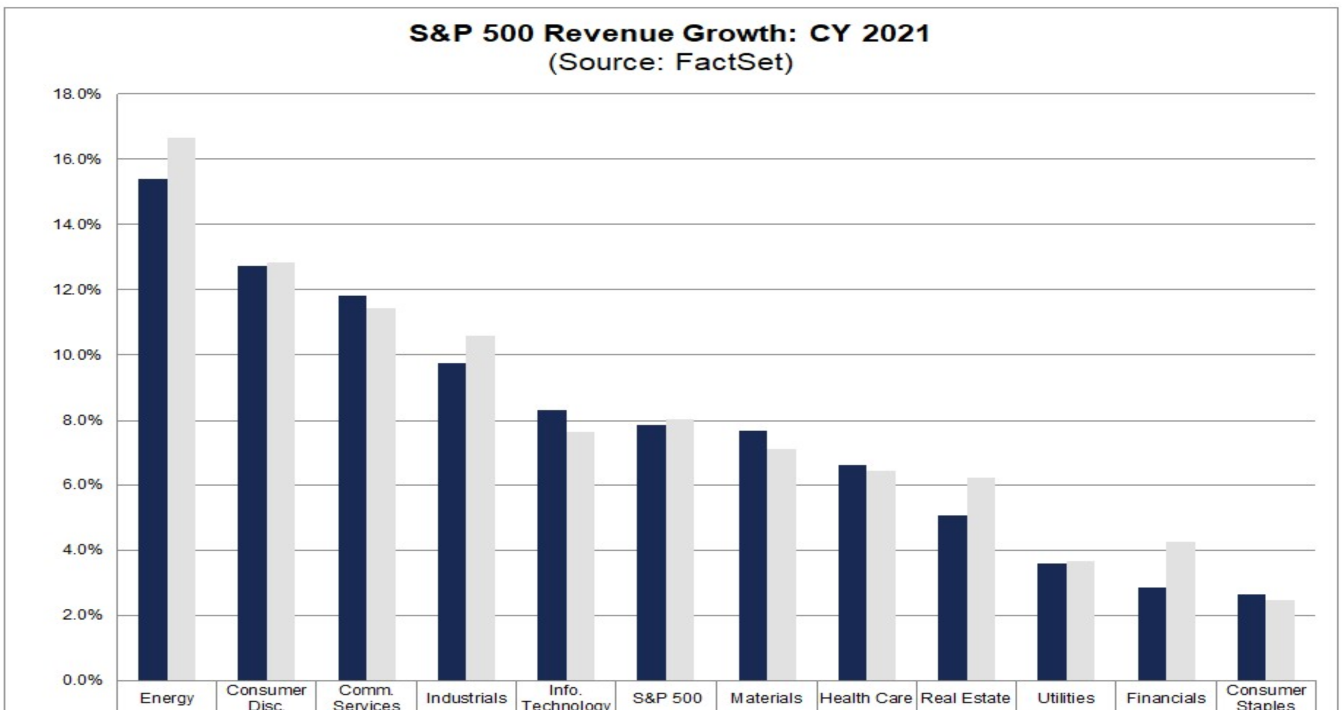


	Health Care	Info. Technology	Consumer Staples	Comm. Services	Consumer Disc.	S&P 500	Financials	Utilities	Real Estate	Materials	Industrials	Energy
Today	8.9%	5.0%	3.8%	3.8%	0.6%	-1.8%	-1.9%	-2.2%	-2.9%	-6.9%	-13.1%	-33.8%
30-Sep	7.9%	4.0%	3.2%	1.9%	-1.8%	-2.7%	-3.8%	-1.6%	-3.4%	-7.9%	-13.7%	-31.1%

CY 2021: Growth

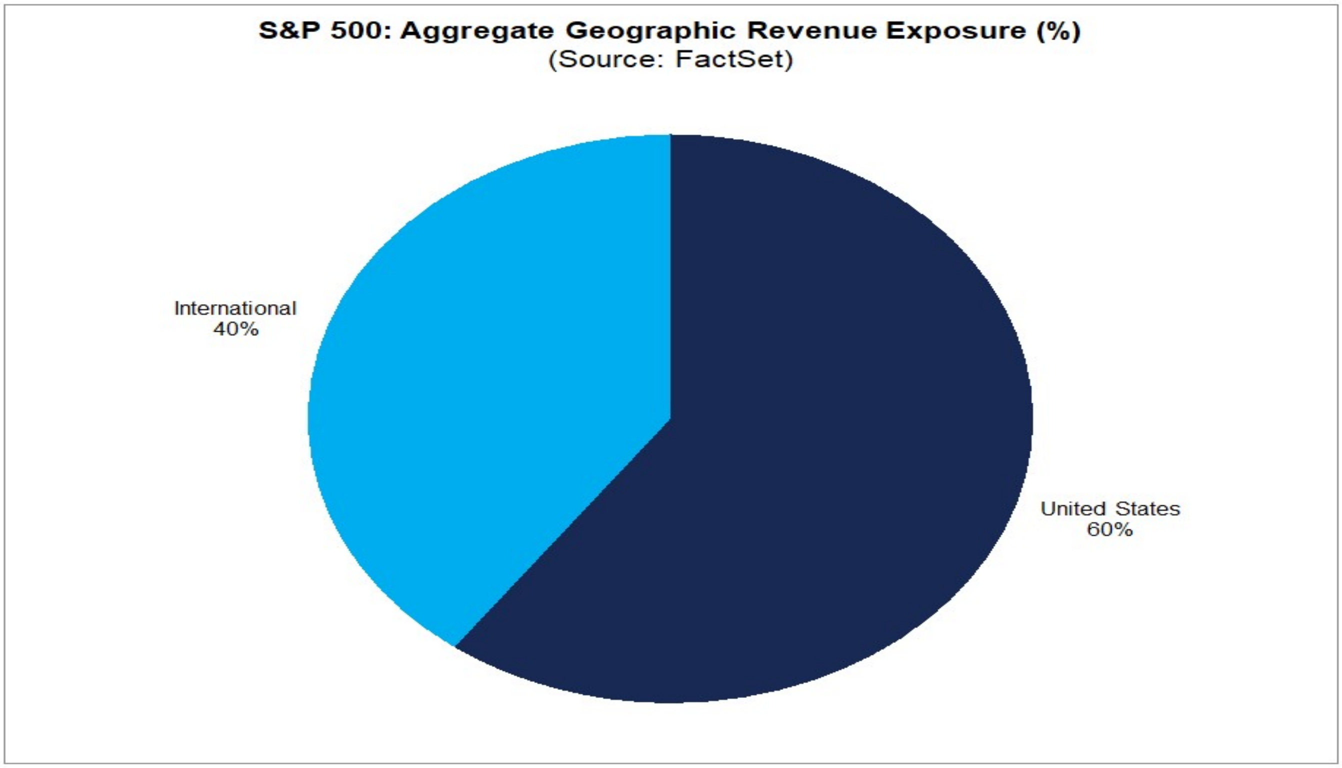


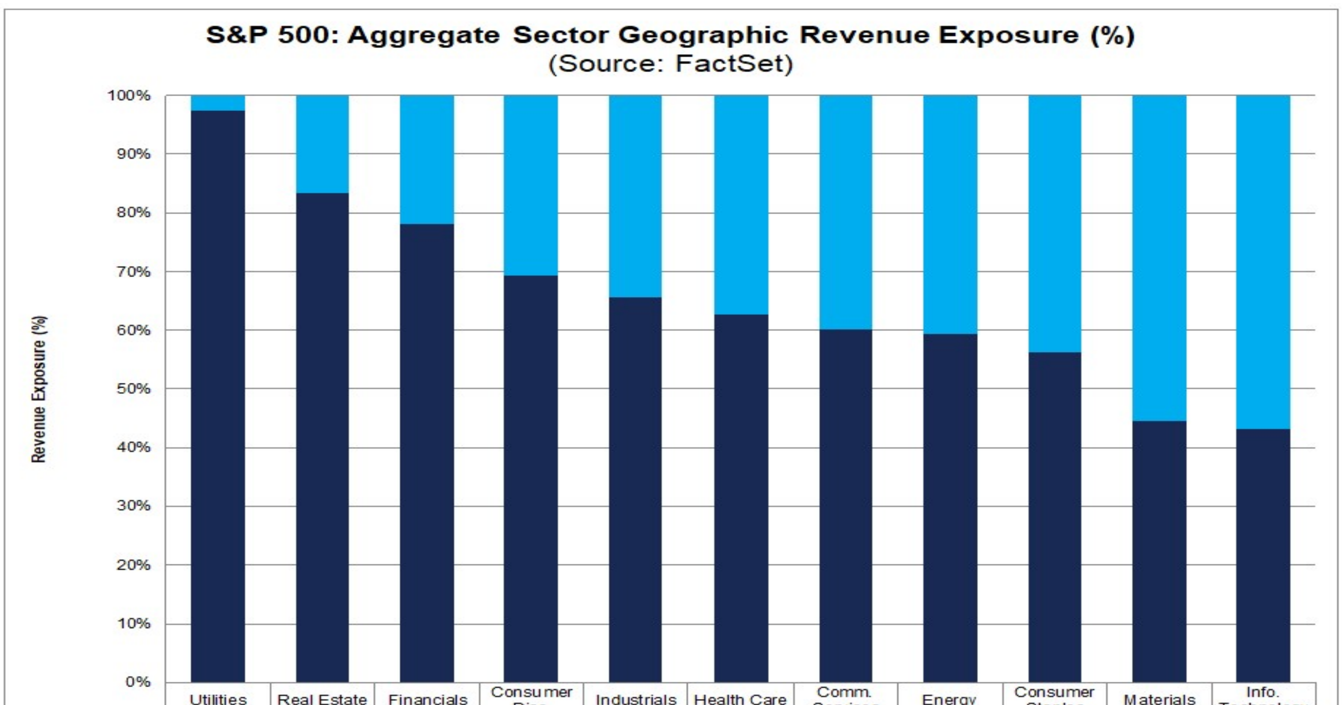
	Energy	Industrials	Consumer Disc.	Materials	S&P 500	Financials	Info. Technology	Comm. Services	Health Care	Consumer Staples	Utilities	Real Estate
Today		77.7%	58.3%	29.1%	21.9%	20.6%	14.4%	13.7%	10.7%	6.0%	5.0%	4.4%
30-Sep		92.4%	77.7%	25.8%	29.8%	28.1%	13.6%	19.9%	13.4%	6.8%	5.9%	7.0%



	Energy	Consumer Disc.	Comm. Services	Industrials	Info. Technology	S&P 500	Materials	Health Care	Real Estate	Utilities	Financials	Consumer Staples
Today	15.4%	12.7%	11.8%	9.7%	8.3%	7.9%	7.7%	6.6%	5.1%	3.6%	2.9%	2.6%
30-Sep	16.6%	12.8%	11.4%	10.6%	7.6%	8.0%	7.1%	6.5%	6.2%	3.7%	4.3%	2.5%

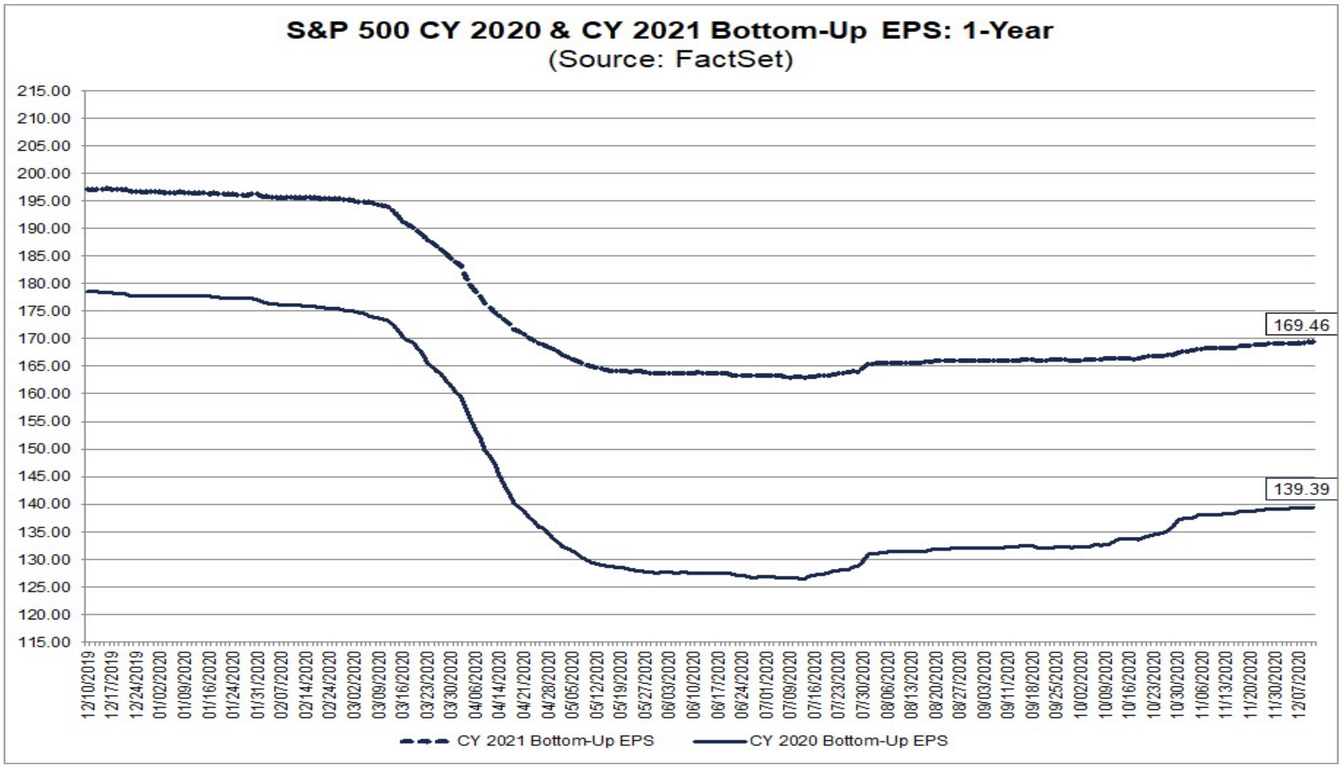
Geographic Revenue Exposure

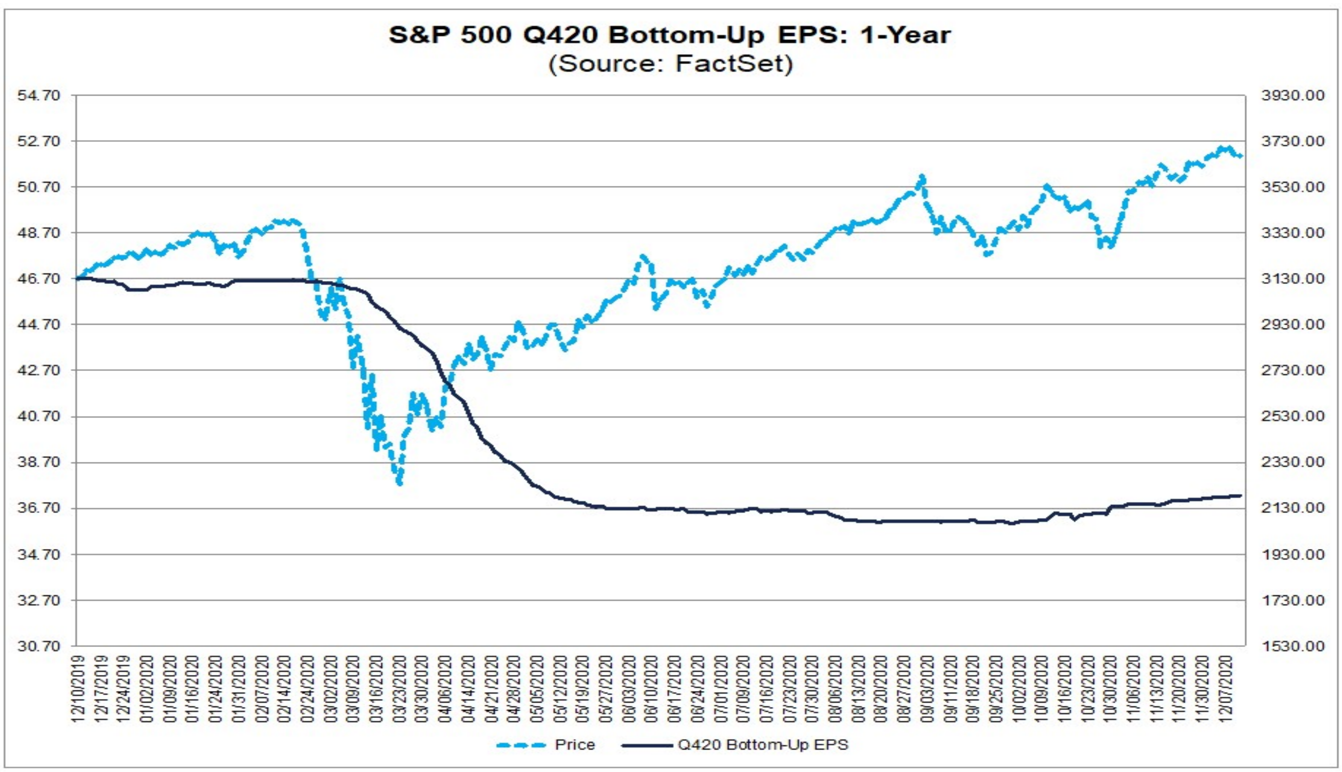




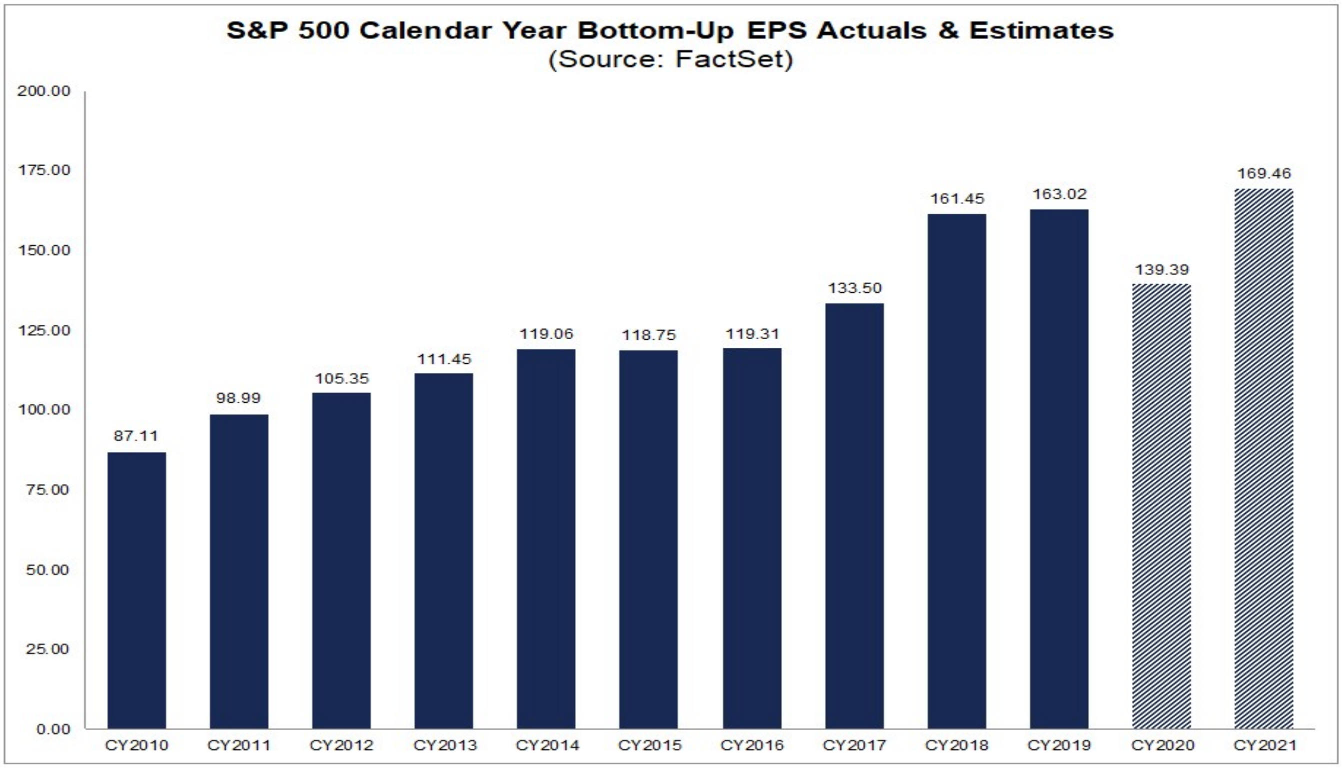
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Comm. Services	Energy	Consumer Staples	Materials	Info. Technology
International	3%	17%	22%	31%	34%	37%	40%	41%	44%	55%	57%
United States	97%	83%	78%	69%	66%	63%	60%	59%	56%	45%	43%

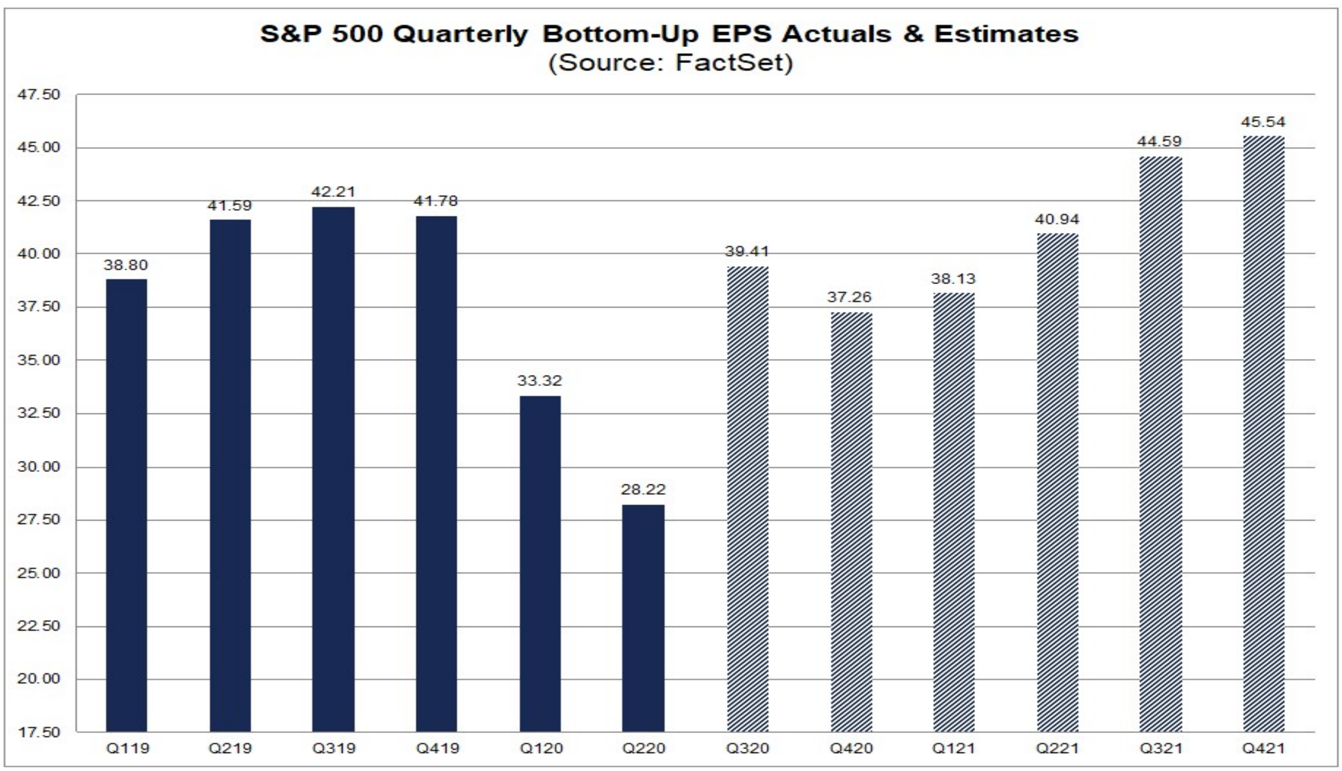
Bottom-up EPS Estimates: Revisions



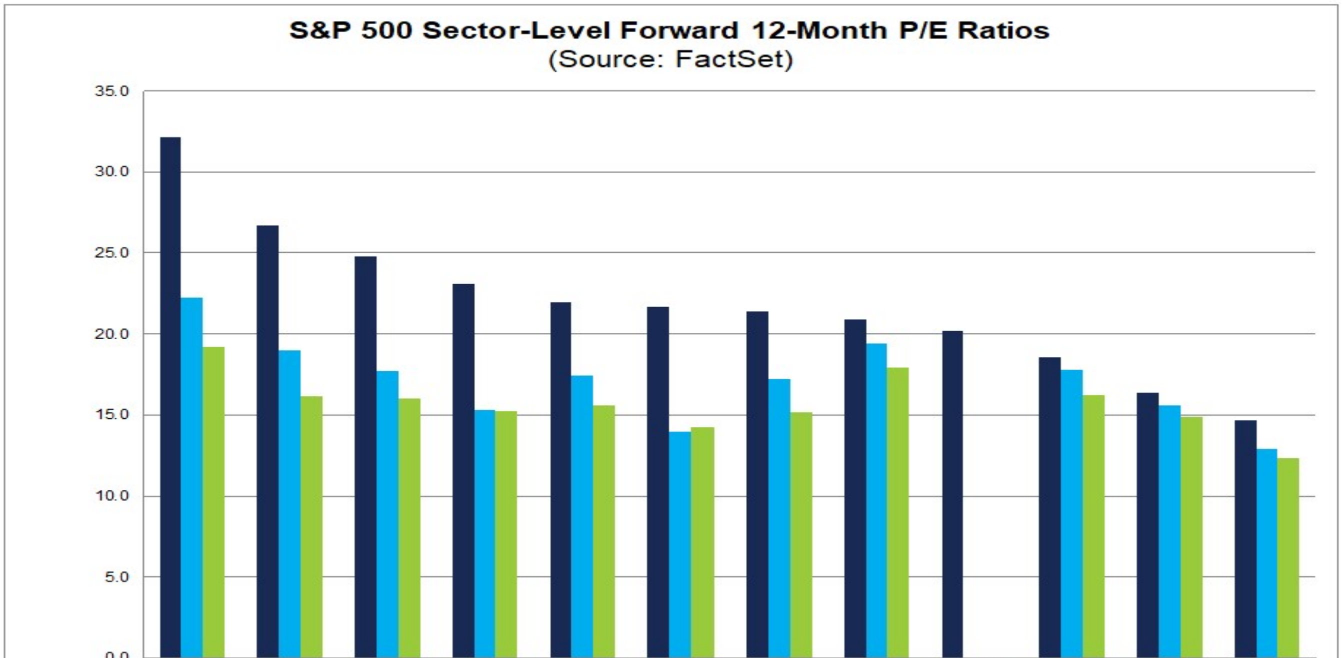


Bottom-up EPS Estimates: Current & Historical

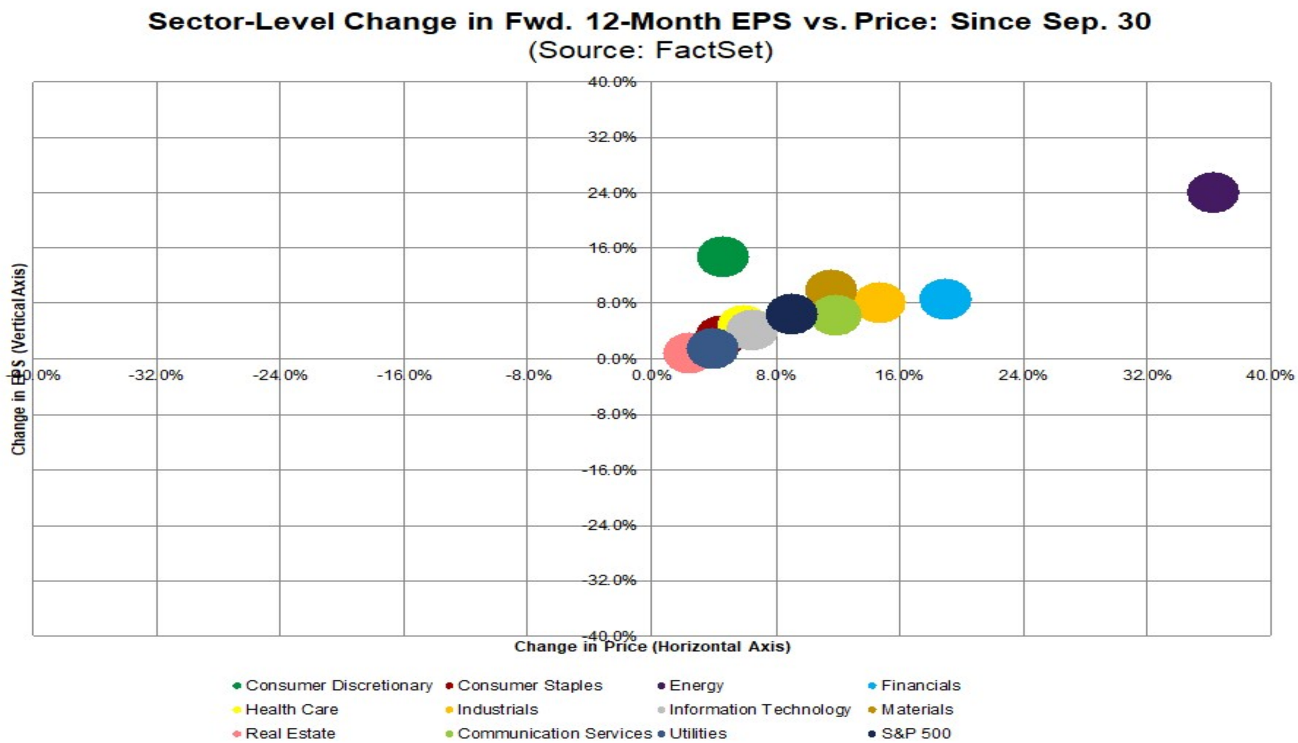




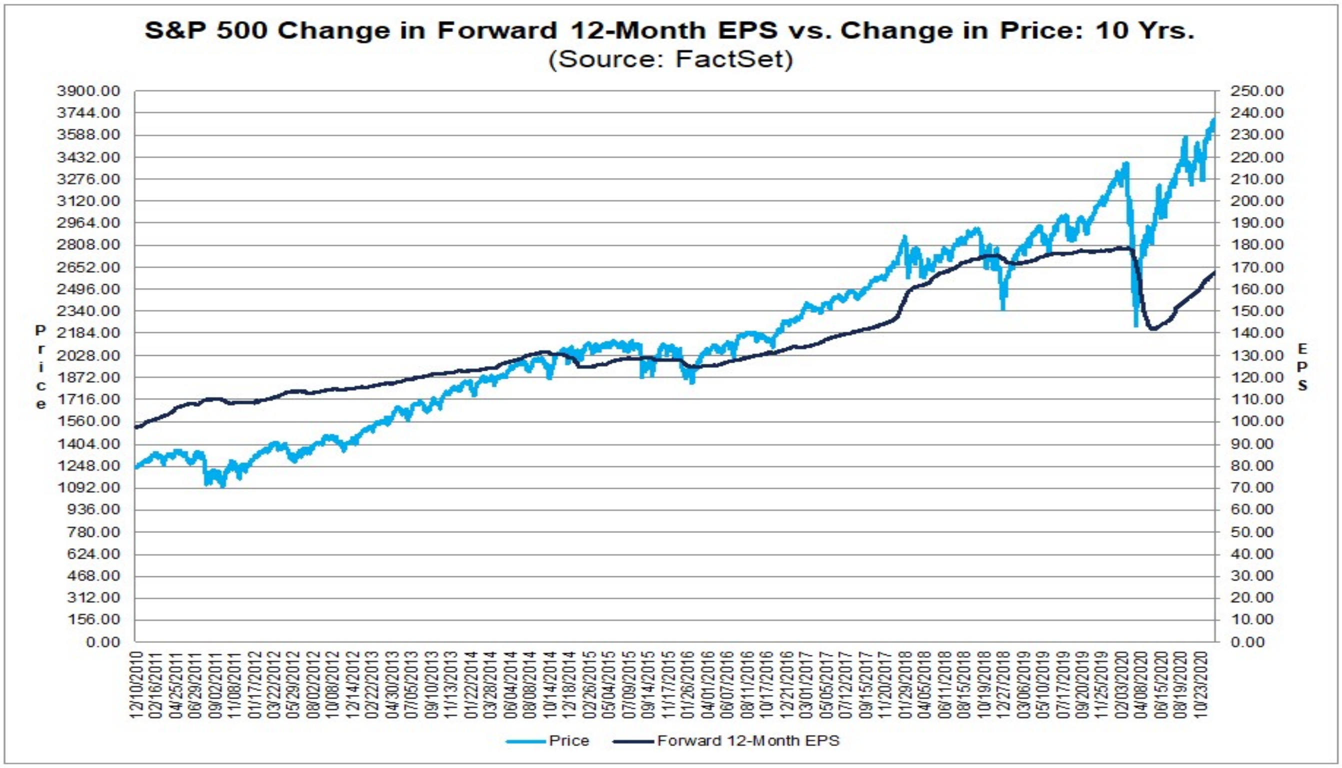
Forward 12M P/E Ratio: Sector Level

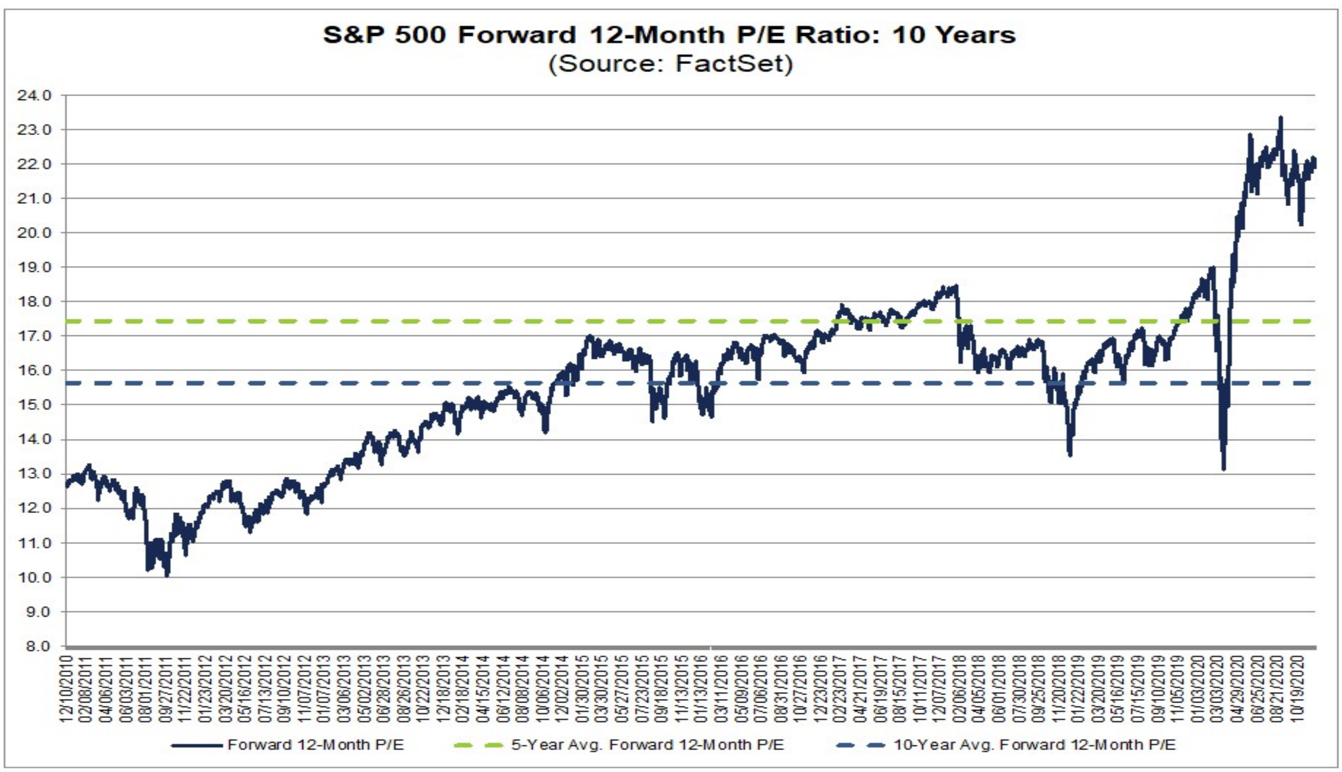


	Consumer Disc.	Info. Technology	Industrials	Comm. Services	S&P 500	Energy	Materials	Consumer Staples	Real Estate	Utilities	Health Care	Financials
Fwd P/E	32.2	26.7	24.8	23.1	21.9	21.7	21.4	20.9	20.2	18.5	16.3	14.7
5-Yr Avg.	22.2	19.0	17.7	15.4	17.4	14.0	17.2	19.4		17.7	15.6	12.9
10-Yr Avg.	19.2	16.1	16.0	15.3	15.6	14.3	15.2	17.9		16.2	14.9	12.4

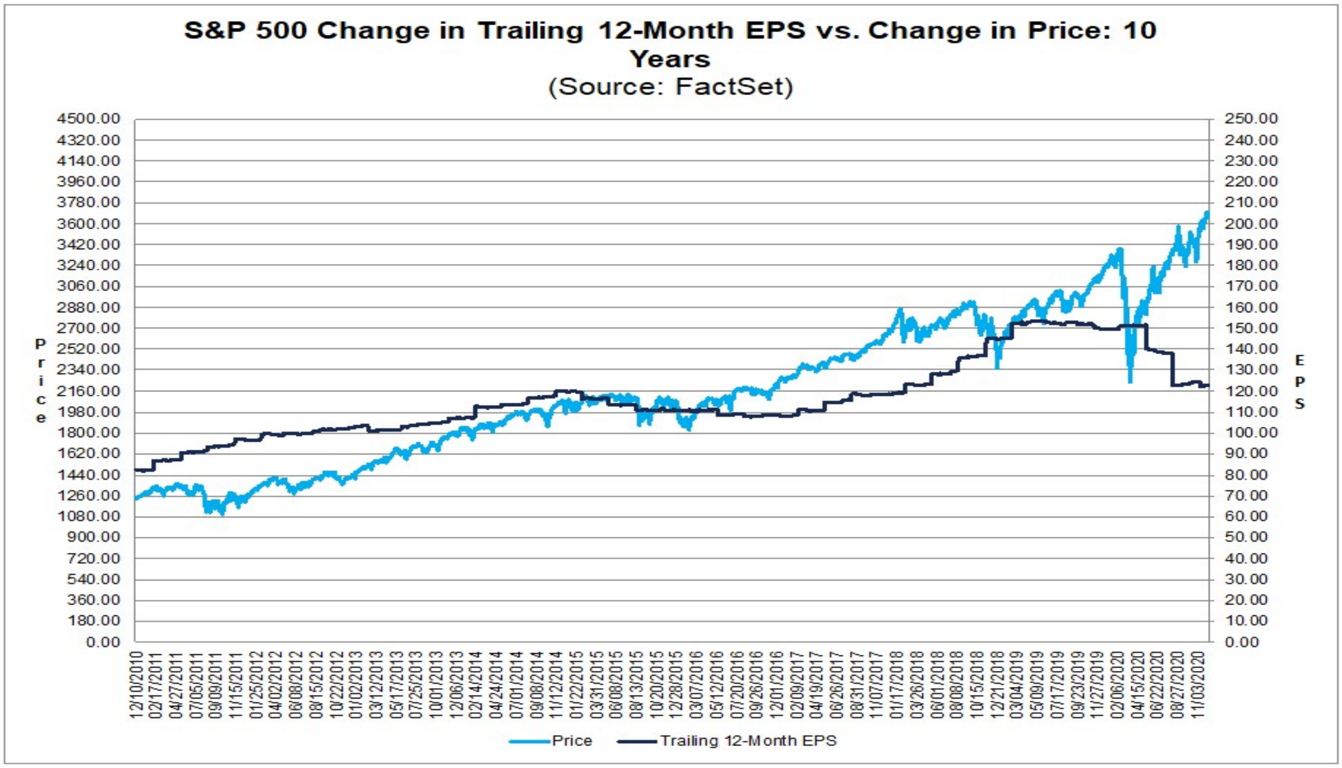


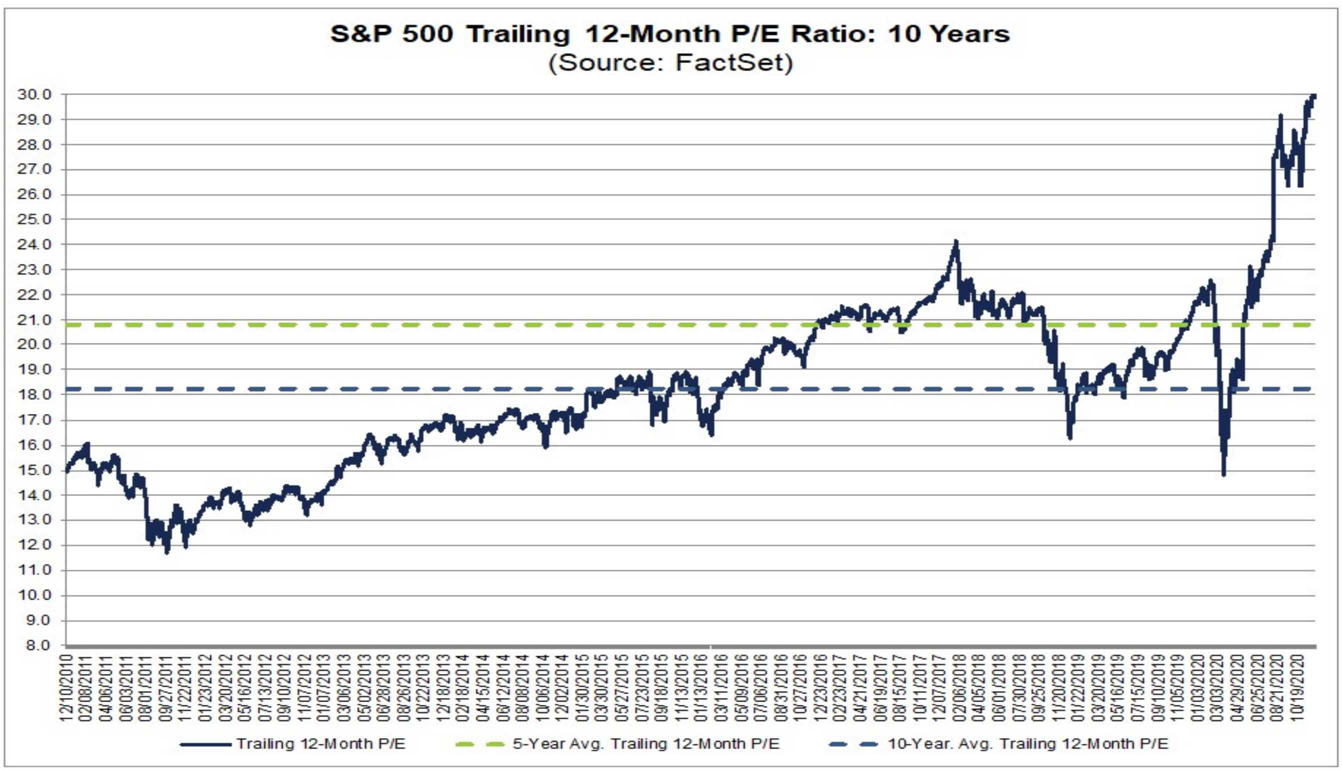
Forward 12M P/E Ratio: 10-Years





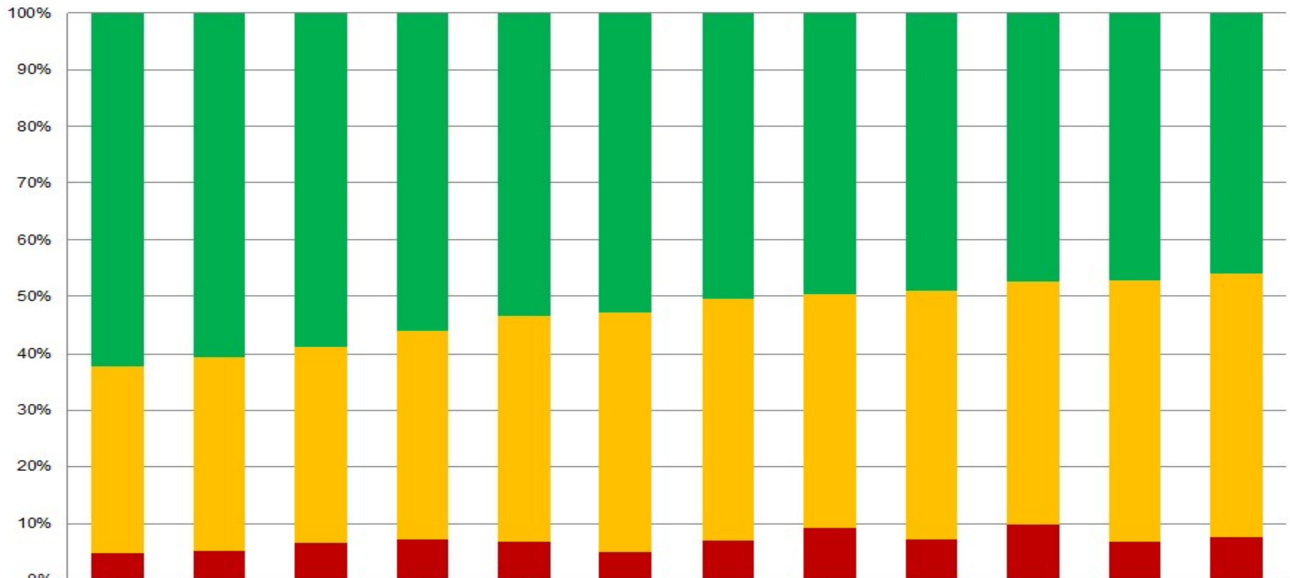
Trailing 12M P/E Ratio: 10-Years





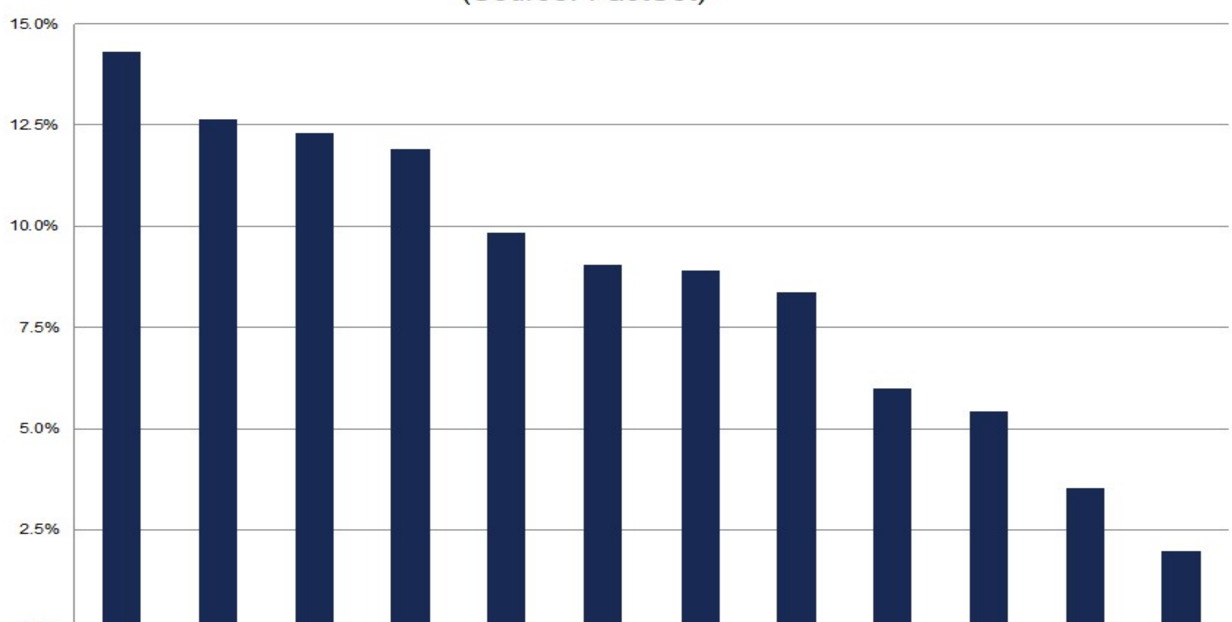
Targets & Ratings

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



	Energy	Health Care	Info. Tech.	Comm. Services	S&P 500	Consumer Disc.	Materials	Industrials	Utilities	Consumer Staples	Financials	Real Estate
Buy	62%	61%	59%	56%	54%	53%	51%	50%	49%	47%	47%	46%
Hold	33%	34%	35%	37%	40%	42%	42%	41%	44%	43%	46%	47%
Sell	5%	5%	7%	7%	7%	5%	7%	9%	7%	10%	7%	8%

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



	Consumer Disc.	Real Estate	Utilities	Health Care	Comm. Services	S&P 500	Info. Tech.	Consumer Staples	Materials	Industrials	Financials	Energy
Target/Close	14.3%	12.6%	12.3%	11.9%	9.8%	9.1%	8.9%	8.4%	6.0%	5.5%	3.5%	2.0%

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