Key Metrics

- **Earnings Scorecard:** For Q3 2017 (with 6% of the companies in the S&P 500 reporting actual results for the quarter), 81% of S&P 500 companies have reported positive EPS surprises and 78% have reported positive sales surprises.

- **Earnings Growth:** For Q3 2017, the blended earnings growth rate for the S&P 500 is 2.1%. Seven sectors are reporting or are expected to report earnings growth for the quarter, led by the Energy sector.

- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q3 2017 was 3.0%. Six sectors have lower growth rates today (compared to September 30) due to downward revisions to earnings estimates and downside earnings surprises, led by the Financials sector.

- **Earnings Guidance:** For Q4 2017, 5 S&P 500 companies have issued negative EPS guidance and 5 S&P 500 companies have issued positive EPS guidance.

- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.9. This P/E ratio is above the 5-year average (15.6) and above the 10-year average (14.1).
Topic of the Week: 1

Nearly Half of S&P 500 Companies Citing Negative Impact from Hurricanes in Q3 Earnings Calls

While the majority of S&P 500 companies will report earnings results for Q3 2017 over the next few weeks, about 6% of the companies in the index (28 companies) have already reported earnings results for the third quarter (through October 12). Given the number of concerns in the market, have these companies discussed specific factors that had a negative impact on earnings or revenues for the third quarter (or are expected to have a negative impact in future quarters) during their earnings conference calls?

To answer this question, FactSet searched for specific terms related to a number of factors (i.e. “currency,” “China,” etc.) in the conference call transcripts of the 28 S&P 500 companies that have conducted third quarter earnings conference calls through October 12 to see how many companies discussed these factors. FactSet then looked to see if the company cited a negative impact, expressed a negative sentiment (i.e. “volatility,” “uncertainty,” “pressure,” “headwind,” etc.), or discussed clear underperformance in relation to the factor for either the quarter just reported or in guidance for future quarters. The results are shown below.

Hurricanes have been cited by the highest number companies in the index to date as a factor that either had a negative impact on earnings or revenues in Q3, or is expected to have a negative impact on earnings and revenues in future quarters. Of the 28 companies that have reported results for Q3 2017 through October 12, 13 (or 46%) have discussed a negative impact from this factor. A list of these companies and their comments can be found on the next page.

Foreign exchange rates have been cited by the second highest number of companies in the index to date as a factor that either had a negative impact on earnings or revenues in Q3, or is expected to have a negative impact on earnings and revenues in future quarters. Of the 28 companies that have reported to date, 11 (or 39%) have discussed a negative impact from this factor. However, it is interesting to note that a number of S&P 500 companies also stated that they expect to see either a smaller negative impact or some positive impact from foreign exchange rates on their earnings and revenues in future periods.
“We've had more than 600 stores closed at some point as a result of these stores – storms.” – AutoZone (Sep. 19)

“Our first quarter adjusted EPS was $2.51, compared to an adjusted $2.82 last year. The $2.51 reflects the estimated negative impact of $0.79 from the TNT Express cyberattack and $0.02 from Hurricane Harvey.” – FedEx (Sep. 19)

“As you may recall, Harvey hit Houston during the last week of our second quarter…All six of our stores in the Houston market were closed for the last 5.5 working days of the quarter…Before I open up the line for questions, let me give you a brief update on the impact of Hurricane Irma. We are pleased to report that all of our stores are open for business. We closed 28 stores, primarily in Florida and Georgia, for varying lengths of time in September. And as we previously discussed with weather events, we would expect to realize those sales later.” – CarMax (Sep. 22)

“Well first of all in the third quarter, there was a little bit less than a $0.01 impact, negative impact as a result of Hurricane Harvey, but it was tiny. The $0.10 to $0.12 was in total for the year including that impact, $0.09 of the $0.10 to $0.12 were canceled voyages, expenses we incurred, some lower occupancy on the voyages that took place immediately after Irma. And the other $0.01 to $0.03 is the estimated booking impact for the fourth quarter.” – Carnival Corporation (Sep. 26)

“The guidance does however include our preliminary estimates of the negative impact from the hurricanes. Based on our early assessment, we estimate fiscal 2018 revenue to be reduced by approximately $10 million to $15 million and EPS to be reduced by about $0.05 to $0.08. These estimates are subject to change as more information becomes available.” – Cintas (Sep. 26)

“In terms of Irma, as I mentioned on the remarks, we expect impact of Hurricane Irma to be double the impact of Hurricane Harvey. And remember, Hurricane Harvey was about 30 basis point in comps and $0.015 in EPS. So think 6 points in comps and $0.03 in EPS.” – Darden Restaurants (Sep. 26)

“In addition, as I noted earlier, we came to the end of the third quarter, Hurricane Harvey came through in Texas, and that was followed by Irma at the beginning of the fourth quarter. For homebuilders and homebuilding divisions on the business side, these storms present many cumbersome challenges, whether the storm is a direct hit or a near miss. Preparation for these storms requires a shutdown of the business operations with extensive preparation to batten down the hatches, so to speak…And due to the business disruption, we expect approximately 950 closings will be pushed from 2017 into 2018. Additionally, given the volume push into 2018, the positive trajectory of our margins will be temporarily impacted as well, and Bruce will give some additional detail.” – Lennar Corp. (Oct. 3)

“We do expect that the hurricanes will have an impact on our sales and revenue in the next quarter, this current quarter that we're in now, as businesses may be forced out of business, at least temporarily.” – Paychex (Oct. 3)

“Finally, as you update your models, I'd like to highlight the following three items as they relate to the fourth quarter….We estimate the impact of the recent natural disasters to negatively impact EPS by approximately 3 percentage points, and we expect sequential improvement at our North American Beverage business.” – PepsiCo (Oct. 4)

“We believe the recent natural disasters had a minor impact on our Q2 results and may have some minimal impact on Q3 results, which we factored into our new guidance. However, we continue to monitor the situation in these affected areas.” – Constellation Brands (Oct. 4)

“This year's fourth quarter SG&A expenses included an $11 million or about $0.015 negative hit related to Hurricane Harvey. This represented about a 3-basis-point detriment to our reported SG&A percentage in the quarter.” – Costco (Oct. 5)

“Third, we estimate that the hurricanes that hit the Gulf, the Southeast and Puerto Rico shaved 20 basis points to 30 basis points from revenue during the quarter.” – Fastenal (Oct. 11)

“We generated 6% top line growth, a 16% operating margin, and $1.6 billion of operating cash flow, while facing pressure from rising fuel prices and $120 million headwind from Hurricane Irma.” – Delta Air Lines (Oct. 11)
Topic of the Week: 2

S&P 500 Forward 12-Month P/E Ratio Hits 18.0 For First Time in 15 Years

With the 30-year anniversary of the stock market crash of 1987 approaching (October 19), there are concerns in the market today (as there were back in 1987) about the high valuations of many stocks. On Wednesday (October 11), the value of the S&P 500 closed at yet another all-time high at 2555.24. Based on this closing price, the forward 12-month P/E ratio for the S&P 500 on that date was 18.0. Given the high values driving the “P” in the P/E ratio, how does this 18.0 P/E ratio compare to historical averages? What is driving the increase in the P/E ratio?

The forward 12-month P/E ratio of 18.0 on October 11 was above the four most recent historical averages for the S&P 500: 5-year (15.6), 10-year (14.1), 15-year (14.5), and 20-year (16.0). In fact, this past week (the forward 12-month P/E ratio was also 18.0 on October 5) marked the first time the forward 12-month P/E had been equal to (or above) 18.0 since June 18, 2002. However, it is important to point out that even at 18.0, the forward 12-month P/E ratio was still well below the peak P/E ratio (of the past 20 years) of 24.4 recorded in 1999 and 2000.

At the sector level, seven of ten sectors had forward 12-month P/E ratios on October 11 that exceeded their 20-year averages, led by the Energy (29.1 vs. 17.5), Materials (18.5 vs. 13.9), and Utilities (18.2 vs. 14.1) sectors. On the other hand, the Telecom Services (13.0 vs. 16.6), Information Technology (18.8 vs. 20.8), and Health Care (16.8 vs. 17.6) sectors were the only three sectors with forward 12-month P/E ratios below their 20-year averages on October 11. Historical P/E ratios are not available for the Real Estate sector.

At the start of the year, the forward 12-month P/E ratio was 16.8. From December 31 through October 11, the price of the S&P 500 increased by 14.1%, while the forward 12-month EPS estimate increased by 6.9%. Thus, the increase in the “P” has been the main driver of the increase in the P/E ratio since the beginning of the year.

It is interesting to note that analysts are projecting record-level EPS for the S&P 500 for CY 2018 of $145.79 (compared to estimated EPS for CY 2017 of $130.70). If not, the forward 12-month P/E ratio on October 11 would have been even higher than 18.0.
Q3 2017 Earnings Season: By the Numbers

Overview

To date, 6% of the companies in the S&P 500 have reported actual results for Q3 2017. In terms of earnings, more companies (81%) are reporting actual EPS above estimates compared to the 5-year average. In aggregate, companies are reporting earnings that are 2.5% above the estimates, which is below the 5-year average. In terms of sales, more companies (78%) are reporting actual sales above estimates compared to the 5-year average. In aggregate, companies are reporting sales that are 0.9% above estimates, which is above the 5-year average.

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 third quarter is 2.1% today, which is lower than the earnings growth rate of 2.7% last week. Downward revisions to earnings estimates and downside earnings surprises for companies in the Financials sector were mainly responsible for the decrease in the earnings growth rate for the index during the past week. Overall, seven sectors are reporting or are predicted to report year-over-year earnings growth, led by the Energy and Information Technology sectors. Four sectors are reporting or are projected to report a year-over-year decline in earnings, led by the Financials and Consumer Discretionary sectors.

The blended sales growth rate for the third quarter is 5.0% today, which is equal to the sales growth rate of 5.0% last week. During the past week, upside sales surprises reported by companies in the Financials sector were mainly offset by downward revisions to sales estimates for companies in the Energy and Utilities sectors, resulting in no change in the revenue growth rate for the index. Overall, ten sectors are reporting or are projected to report year-over-year growth in revenues, led by the Energy, Materials, and Information Technology sectors. The only sector predicted to report a year-over-year decline in revenues is the Telecom Services sector.

During the upcoming week, 56 S&P 500 companies (including 9 Dow 30 components) are scheduled to report results for the third quarter.

For Q4 2017, five S&P 500 companies have issued negative EPS guidance and five S&P 500 companies have issued positive EPS guidance.

The forward 12-month P/E ratio is 17.9, which is above the 5-year average and the 10-year average.

Scorecard: More Companies Beating EPS and Revenue Estimates than Average

Percentage of Companies Beating EPS Estimates (81%) is Above 5-Year Average

Overall, 6% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 81% have reported actual EPS above the mean EPS estimate, 6% have reported actual EPS equal to the mean EPS estimate, and 13% 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 (71%) average and above the 5-year (69%) average.

At the sector level, the Information Technology (100%) and Materials (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Industrials (57%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+2.5%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 2.5% above expectations. This surprise percentage is below the 1-year (+5.1%) average and below the 5-year (+4.2%) average.

The Materials (+148.7%) sector is reporting the largest upside aggregate difference between actual earnings and estimated earnings. On the other hand, the Industrials sector (-2.9%) is reporting the largest downside aggregate difference between actual earnings and estimated earnings.

Market Not Rewarding Earnings Beats

To date, the market is rewarding upside earnings surprises less than average and punishing downside earnings surprises at about average levels.
Companies that have reported upside earnings surprises for Q3 2017 have seen an average price increase of +0.3% two days before the earnings release through two days after the earnings. This percentage increase is below the 5-year average price increase of +1.2% during this same window for companies reporting upside earnings surprises.

Companies that have reported downside earnings surprises for Q3 2017 have seen an average price decrease of -2.3% two days before the earnings release through two days after the earnings. This percentage decrease is nearly equal to the 5-year average price decrease of -2.4% during this same window for companies reporting downside earnings surprises.

Percentage of Companies Beating Revenue Estimates (78%) is Above 5-Year Average
In terms of revenues, 78% of companies have reported actual sales above estimated sales and 22% have reported actual sales below estimated sales. The percentage of companies reporting sales above estimates is well above the 1-year average (61%) and well above the 5-year average (55%).

At the sector level, the Information Technology (100%) and Materials (100%) sectors have the highest percentages of companies reporting revenues above estimates, while the Financials (67%) and Consumer Staples (67%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+0.9%) is Above 5-Year Average
In aggregate, companies are reporting sales that are 0.9% above expectations. This surprise percentage is above the 1-year (+0.6%) average and above the 5-year (+0.5%) average.

The Materials (+7.6%) sector is reporting the largest upside aggregate difference between actual sales and estimated sales, while the Industrials (0.0%) sector is reporting the smallest aggregate difference between actual sales and estimated sales.

Decrease in Blended Earnings Growth This Week Due to Financials
In the Financials sector, the downside earnings surprise reported by Wells Fargo ($0.84 vs. $1.02) and the downward revisions to EPS estimates for AIG (to -$0.79 from $0.07) and XL Group (to -$3.50 from -$1.48) were the largest contributors to the decrease in the overall earnings growth rate for the index during the past week.

As a result, the blended earnings decline for the Financials sector increased to -11.4% from -7.9% during this period.

No Change in Blended Revenue Growth This Week
The blended sales growth rate for the S&P 500 for the third quarter is 5.0% today, which is equal to the sales growth rate of 5.0% last week. Upside sales surprises reported by companies in the Financials sector were mainly offset by downward revisions to sales estimates for companies in the Energy and Utilities sectors, resulting in no change in the revenue growth rate for the index during the past week.

Financials Sector Has Seen Largest Decrease in Earnings Growth since September 30
The blended earnings growth rate for Q3 2017 of 2.1% is smaller than the estimate of 3.0% at the end of the third quarter (September 30). Three sectors have recorded an increase in earnings growth since the end of the quarter due to upward revisions to earnings estimates and upside earnings surprises, led by the Energy (to 113.7% from 109.6%) sector. Six sectors have recorded a decrease in earnings growth during this time due to downward revisions to estimates and downside earnings surprises, led by the Financials (to -11.4% from -5.8%) sector. Two sectors (Information Technology and Telecom Services) have recorded no change in earnings growth since September 30.
Earnings Growth: 2.1%

The blended (year-over-year) earnings growth rate for Q3 2017 is 2.1%. Seven sectors are reporting or are expected to report year-over-year growth in earnings, led by the Energy and Information Technology sectors. On the other hand, four sectors are reporting or are expected to report a year-over-year decline in earnings, led by the Financials and Consumer Discretionary sectors.

Energy: Highest Earnings Growth on Easy Comparison to Low Year-Ago Earnings

The Energy sector is projected to report the highest (year-over-year) earnings growth of all eleven sectors at 113.7%. At the sub-industry level, all six sub-industries in the sector are projected to report earnings growth: Oil & Gas Exploration & Production (N/A due to year-ago loss), Oil & Gas Drilling (N/A due to year-ago loss), Oil & Gas Equipment & Services (247%), Oil & Gas Refining & Marketing (70%), Integrated Oil & Gas (40%), and Oil & Gas Storage & Transportation (12%).

The unusually high growth rate for the sector is mainly due to unusually low earnings in the year-ago quarter. On a dollar-level basis, the Energy sector is predicted to report earnings of $9.7 billion in Q3 2017, compared to earnings of 4.6 billion in Q3 2016. This sector is one of the top two contributors (along with the Information Technology sector) to earnings growth for the S&P 500. If the Energy sector were excluded, the blended earnings growth rate for the remaining ten sectors would fall to 0.2% from 2.1%.

Information Technology: Semiconductor Industry Leads Growth

The Information Technology sector is reporting the second highest (year-over-year) earnings growth of all eleven sectors at 8.8%. At the industry level, five of the seven industries in this sector are reporting or are predicted to report earnings growth. Only one of these five industries is reporting double-digit earnings growth: Semiconductor & Semiconductor Equipment (31%). The Semiconductor & Semiconductor Equipment industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Information Technology sector would fall to 3.7% from 8.8%. At the company level, Micron Technology is the largest contributor to earnings growth for the sector. The company reported actual EPS of $2.02 for Q3 2017, compared to year-ago EPS of -$0.05. If Micron Technology alone were excluded, the blended earnings growth rate for the Information Technology sector would fall to 4.8% from 8.8%.

This sector is one of the top two contributors (along with the Energy sector) to earnings growth for the S&P 500. If the Information Technology sector were excluded, the blended earnings growth rate for the remaining ten sectors would fall to 0.3% from 2.1%.

Financials: Insurance Industry Leads Decline

The Financials sector is reporting the highest (year-over-year) earnings decline of all eleven sectors at -11.4%. At the industry level, two of the five industries in this sector are predicted to report a decline in earnings, led by the Insurance industry (-68%). This industry is also expected to be the largest contributor to the earnings decline for the sector. If the Insurance industry were excluded, the blended earnings growth rate for the Financials sector would increase to 3.4% from -11.4%.

This sector is also the top detractor to earnings growth for the entire S&P 500. If the Financials sector were excluded, the estimated earnings growth rate for the remaining ten sectors would rise to 5.0% from 2.1%.

Consumer Discretionary: General Motors Leads Decline

The Consumer Discretionary sector is reporting the second largest (year-over-year) decline in earnings for the quarter at -2.9%. At the industry level, seven of the twelve industries in this sector are reporting or are projected to report a decline in earnings. Four of these seven industries are reporting or are projected to report a double-digit decline in earnings: Automobiles (-22%), Textiles, Apparel, & Luxury Goods (-15%), Auto Components (-13%), and Multi-line Retail (-12%). At the company level, General Motors is expected to be the largest contributor to the earnings decline for the sector. The mean EPS estimate for the company for Q3 2017 is $1.13, compared to year-ago EPS of $1.72. If General Motors were excluded, the blended earnings growth rate for the Consumer Discretionary sector would rise to 0.3% from -2.9%.
Revenue Growth: 5.0%

The blended (year-over-year) revenue growth rate for Q3 2017 is 5.0%. Ten sectors are reporting or are expected to report year-over-year growth in revenues, led by the Energy, Materials, and Information Technology sectors. The only sector that is expected to report a decline in revenues is the Telecom Services sector.

Energy: Highest Revenue Growth

The Energy sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 17.2%. At the sub-industry level, five of the six sub-industries in the sector are predicted to report revenue growth: Oil & Gas Equipment & Services (54%), Oil & Gas Drilling (48%), Oil & Gas Refining & Marketing (26%), Integrated Oil & Gas (11%), and Oil & Gas Storage & Transportation (2%). On the other hand, the Oil & Gas Exploration & Production (-3%) sub-industry is the only sub-industry that is expected to report a year-over-year decline in earnings.

This sector is also expected to be the largest contributor to revenue growth for the S&P 500. If the Energy sector were excluded, the blended revenue growth rate for the index would fall to 4.0% from 5.0%.

Materials: DowDuPont Leads Growth on Easy Comparison to Standalone Revenue for Dow Chemical

The Materials sector is reporting the second highest (year-over-year) revenue growth of all eleven sectors at 12.6%. At the industry level, all four industries in this sector are reporting or are predicted to report revenue growth, led by the Chemicals (16%) and Metals & Mining (10%) industries. At the company level, DowDuPont is expected to be the largest contributor to revenue growth for the sector. However, the mean revenue estimate for Q3 2017 ($17.6 billion) reflects the combined DowDuPont company, while the year-ago revenue actual for Q3 2016 ($12.5 billion) reflects the standalone Dow Chemical company. This apples-to-oranges comparison is the main reason DowDuPont is expected to be the key driver of revenue growth for the sector. If DowDuPont were excluded, the estimated revenue growth rate for the sector would fall to 6.8% from 12.6%.

Information Technology: Internet Software & Services Leads Growth

The Information Technology sector is reporting the third highest (year-over-year) revenue growth of all eleven sectors at 8.1%. At the industry level, five of the seven industries in this sector are reporting or are predicted to report revenue growth. Three of these five industries are reporting or are projected to report double-digit revenue growth: Internet Software & Services (22%), Semiconductor & Semiconductor Equipment (14%), and IT Services (11%).

Telecom Services: 2 of 4 Companies to Report Sales Decline

The Telecom Services sector is the only sector that is expected to report a (year-over-year) decline in revenues at -0.6%. Two of the four companies in the sector are projected to report a sales decline for the quarter, led by CenturyLink (-7%).
Looking Ahead: Forward Estimates and Valuation

Earnings Guidance: Below Average % of Negative EPS Guidance For Q4 To Date

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

At this point in time, 10 companies in the index have issued EPS guidance for Q4 2017. Of these 10 companies, 5 have issued negative EPS guidance and 5 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 50% (5 out of 10), which is below the 5-year average of 75%.

Growth Expected to Rebound to Double-Digit Levels after Q3

For the third quarter, companies are reporting earnings growth of 2.1% and revenue growth of 5.0%. Analysts currently expect earnings to rebound to double-digit levels over the next few quarters.

For Q4 2017, analysts are projecting earnings growth of 11.1% and revenue growth of 5.7%.
For Q1 2018, analysts are projecting earnings growth of 10.6% and revenue growth of 6.2%.
For Q2 2018, analysts are projecting earnings growth of 10.3% and revenue growth of 5.9%.
For all of 2017, analysts are projecting earnings growth of 9.1% and revenue growth of 5.8%.

Valuation: Forward P/E Ratio is 17.9, above the 10-Year Average (14.1)

The forward 12-month P/E ratio is 17.9. This P/E ratio is above the 5-year average of 15.6, and above the 10-year average of 14.1. It is also above the forward 12-month P/E ratio of 17.8 recorded at the start of the fourth quarter (September 30). Since the start of the fourth quarter, the price of the index has increased by 1.3%, while the forward 12-month EPS estimate has increased by 0.3%.

At the sector level, the Energy (28.9) sector has the highest forward 12-month P/E ratio, while the Telecom Services (12.5) sector has the lowest forward 12-month P/E ratio. Nine sectors have forward 12-month P/E ratios that are above their 10-year averages, led by the Energy (28.9 vs. 18.9) sector. One sector (Telecom Services) has a forward 12-month P/E ratio that is below the 10-year average (12.5 vs. 14.2). Historical averages are not available for the Real Estate sector.

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

The bottom-up target price for the S&P 500 is 2743.61, which is 7.6% above the closing price of 2550.93. At the sector level, the Consumer Discretionary (+12.1%) has the largest upside difference between the bottom-up target price and the closing price, while the Utilities (+2.0%) sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 11,123 ratings on stocks in the S&P 500. Of these 11,123 ratings, 49.3% are Buy ratings, 45.4% are Hold ratings, and 5.2% are Sell ratings. At the sector level, the Information Technology (58%), Energy (56%), and Health Care (56%) sectors have the highest percentages of Buy ratings, while 6 sectors are tied for the highest percentage of Sell ratings at 6%.

Companies Reporting Next Week: 56

During the upcoming week, 56 S&P 500 companies (including 9 Dow 30 components) are scheduled to report results for the third quarter.
Q3 2017: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q3 2017
(Source: FactSet)

S&P 500 Revenues Above, In-Line, Below Estimates: Q3 2017
(Source: FactSet)
Q3 2017: Scorecard

S&P 500 Sector-Level Earnings Surprise %: Q3 2017
(Source: FactSet)

S&P 500 Sector-Level Revenue Surprise %: Q3 2017
(Source: FactSet)
Q3 2017: Scorecard

**S&P 500 EPS Surprise % vs. Price %: Q3 2017**
(Source: FactSet)

**S&P 500 EPS Surprise vs. Avg. Price Change %**
(Source: FactSet)
Q3 2017: Scorecard

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

1. Nike, Inc. Class B: 18.8%
2. Red Hat, Inc.: 14.8%
3. Conagra Brands, Inc.: 14.8%
4. Constellation Brands, Inc. Class A: 14.1%
5. Cintas Corporation: 13.4%
6. Micron Technology, Inc.: 10.0%
7. Adobe Systems Incorporated: 9.2%
8. IHS Markit Ltd.: 5.5%
9. CitiGroup Inc.: 7.5%
10. McCormick & Company, Incorporated: 6.5%

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

1. Costco Wholesale Corporation: -5.3%
2. PNC Financial Services Group, Inc.: -7.0%
3. Accenture Plc Class A: -17.4%
4. AutoZone, Inc.: -18.0%
5. Darden Restaurants, Inc.: -24.3%
6. Fastenal Company: -26.2%
7. J.B. Hunt Transport Services, Inc.: -26.3%
8. General Mills, Inc.: -30.8%
9. FedEx Corporation: -39.4%
10. Wells Fargo & Company: -42.3%
Q3 2017: Projected EPS Surprises (Sharp Estimates)

Number (#) of S&P 500 Companies with Q3 2017 Sharp Estimates
(Source: FactSet)

Percentage (%) of S&P 500 Companies with Q3 2017 Sharp Estimates
(Source: FactSet)
Q3 2017: Growth

S&P 500 Earnings Growth: Q3 2017
(Source: FactSet)

S&P 500 Revenue Growth: Q3 2017
(Source: FactSet)
Q3 2017: Net Profit Margin

**S&P 500 Net Profit Margins: Q317 vs. Q316**
(Source: FactSet)

**S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin:**
Q317 vs. Q316
(Source: FactSet)
Earnings Insight

Q4 2017: 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 2017: EPS Revisions

**Upward Change in Q4 EPS (Trailing 4 Weeks): Top 10 S&P 500 Cos.**
(Source: FactSet)

- Andeavor: 26.6%
- Ameren Corporation: 26.7%
- Noble Energy, Inc.: 26.0%
- Micron Technology, Inc.: 22.2%
- Marathon Petroleum Corporation: 18.8%
- Apache Corporation: 15.4%
- Newmont Mining Corporation: 12.3%
- Valero Energy Corporation: 12.1%
- Entergy Corporation: 8.8%
- WestRock Co: 8.0%

**Downward Change in Q4 EPS (Trailing 4-Weeks): Top 10 S&P 500 Cos.**
(Source: FactSet)

- Delta Air Lines, Inc.: -10.8%
- Crown Castle International Corp: -12.1%
- Lennar Corporation Class A: -12.6%
- United Continental Holdings, Inc.: -13.4%
- Carnival Corporation: -18.0%
- Baker Hughes, a GE Company Class A: -21.1%
- American Airlines Group, Inc.: -22.3%
- NIKE, Inc. Class B: -23.7%
- National Oilwell Varco, Inc.: -32.3%
- SL Green Realty Corp.: -57.6%
Earnings Insight

Q4 2017: Growth

S&P 500 Earnings Growth: Q4 2017
(Source: FactSet)

S&P 500 Revenue Growth: Q4 2017
(Source: FactSet)
Earnings Insight

CY 2017: Growth

**S&P 500 Earnings Growth: CY 2017**
(Source: FactSet)

**S&P 500 Revenue Growth: CY 2017**
(Source: FactSet)
CY 2018: Growth

S&P 500 Earnings Growth: CY 2018
(Source: FactSet)

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<thead>
<tr>
<th>Sector</th>
<th>Today</th>
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<td>Energy</td>
<td>35.4%</td>
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<td>Info Technology</td>
<td>11.6%</td>
<td>11.4%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>10.8%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Industrials</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Consumer Disc.</td>
<td>8.4%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Health Care</td>
<td>7.8%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>7.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>6.7%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Utilities</td>
<td>4.4%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Telecom Services</td>
<td>2.1%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

S&P 500 Revenue Growth: CY 2018
(Source: FactSet)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Today</th>
<th>30-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Info Technology</td>
<td>8.9%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Energy</td>
<td>0.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>5.7%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Consumer Disc.</td>
<td>5.3%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Health Care</td>
<td>5.2%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Materials</td>
<td>5.2%</td>
<td>5.1%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>4.7%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Industrials</td>
<td>3.7%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Financials</td>
<td>3.7%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Utilities</td>
<td>2.9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Telecom Services</td>
<td>0.5%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>
Geographic Revenue Exposure

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

- International: 30%
- United States: 70%

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

- Telecom Services: United States 90%, International 10%
- Utilities: United States 95%, International 5%
- Real Estate: United States 83%, International 17%
- Health Care: United States 82%, International 18%
- Financials: United States 75%, International 25%
- Consumer Discretionary: United States 76%, International 24%
- Consumer Staples: United States 73%, International 27%
- Industrials: United States 61%, International 39%
- Energy: United States 57%, International 43%
- Materials: United States 52%, International 48%
- Information Technology: United States 41%, International 59%
Bottom-up EPS Estimates: Revisions
Bottom-up EPS Estimates: Current & Historical

S&P 500 Calendar Year Bottom-Up EPS Actuals & Estimates
(Source: FactSet)

S&P 500 Quarterly Bottom-Up EPS Actuals & Estimates
(Source: FactSet)
Forward 12M P/E Ratio: Sector Level

S&P 500 Sector-Level Forward 12-Month P/E Ratios
(Source: FactSet)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Fwd P/E</th>
<th>5-Yr Avg</th>
<th>10-Yr Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>28.8</td>
<td>19.6</td>
<td>16.3</td>
</tr>
<tr>
<td>Consumer Disc.</td>
<td>19.6</td>
<td>18.5</td>
<td>15.3</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>18.2</td>
<td>15.1</td>
<td>11.6</td>
</tr>
<tr>
<td>Info Technology</td>
<td>18.6</td>
<td>15.9</td>
<td>11.6</td>
</tr>
<tr>
<td>Materials</td>
<td>18.6</td>
<td>16.1</td>
<td>13.5</td>
</tr>
<tr>
<td>Industrials</td>
<td>18.5</td>
<td>16.1</td>
<td>13.9</td>
</tr>
<tr>
<td>Utilities</td>
<td>16.2</td>
<td>17.9</td>
<td>14.6</td>
</tr>
<tr>
<td>Real Estate</td>
<td>16.1</td>
<td>16.7</td>
<td>14.2</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>17.9</td>
<td>15.7</td>
<td>13.9</td>
</tr>
<tr>
<td>Health Care</td>
<td>16.0</td>
<td>14.6</td>
<td>12.3</td>
</tr>
<tr>
<td>Financials</td>
<td>16.0</td>
<td>14.4</td>
<td>12.3</td>
</tr>
<tr>
<td>Telecom Services</td>
<td>13.3</td>
<td>14.1</td>
<td>14.2</td>
</tr>
</tbody>
</table>

Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Sep 30
(Source: FactSet)
Forward 12M P/E Ratio: Long-Term Averages

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**S&P 500 Change in Forward 12-Month EPS vs. Change in Price: 10 Yrs.**  
(Source: FactSet)

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**S&P 500 Forward 12-Month P/E Ratio: 10 Years**  
(Source: FactSet)
Trailing 12M P/E Ratio: Long-Term Averages

(Sources: FactSet)
Targets & Ratings

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

- **Info. Tech.**: Buy 50%, Hold 40%, Sell 10%
- **Energy**: Buy 50%, Hold 30%, Sell 20%
- **Health Care**: Buy 50%, Hold 45%, Sell 5%
- **Materials**: Buy 40%, Hold 40%, Sell 20%
- **S&P 500**: Buy 40%, Hold 40%, Sell 20%
- **Consumer Disc.**: Buy 30%, Hold 30%, Sell 40%
- **Industrials**: Buy 40%, Hold 40%, Sell 20%
- **Financials**: Buy 50%, Hold 20%, Sell 30%
- **Consumer Staples**: Buy 50%, Hold 20%, Sell 30%
- **Real Estate**: Buy 40%, Hold 20%, Sell 40%
- **Utilities**: Buy 40%, Hold 30%, Sell 30%
- **Telecom Services**: Buy 20%, Hold 30%, Sell 50%

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

- **Consumer Disc.**: Target/Close 12.1%
- **Telecom Services**: Target/Close 8.7%
- **Info. Tech.**: Target/Close 8.7%
- **Consumer Staples**: Target/Close 7.5%
- **S&P 500**: Target/Close 7.2%
- **Health Care**: Target/Close 5.7%
- **Energy**: Target/Close 5.1%
- **Materials**: Target/Close 5.3%
- **Real Estate**: Target/Close 5.4%
- **Financials**: Target/Close 5.3%
- **Industrials**: Target/Close 2.0%
- **Utilities**: Target/Close 2.0%
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