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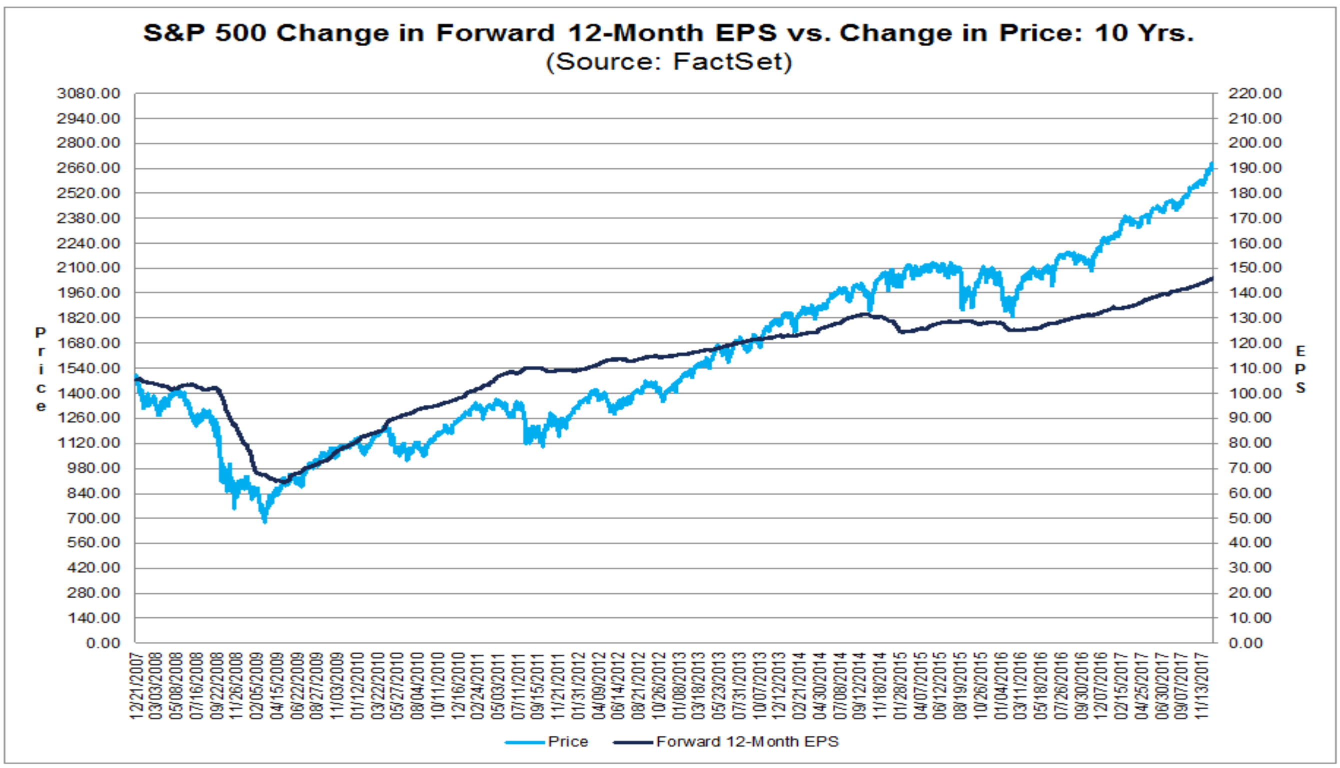
Author's Note: The FactSet Earnings Insight report will not be published on December 29. The next edition will be published on January 5.

Key Metrics

- **Earnings Growth:** For Q4 2017, the estimated earnings growth rate for the S&P 500 is 10.9%. All eleven sectors 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 Q4 2017 was 11.3%. Seven sectors have lower growth rates today (compared to September 30) due to downward revisions to earnings estimates.
- **Earnings Guidance:** For Q4 2017, 72 S&P 500 companies have issued negative EPS guidance and 36 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.4. This P/E ratio is above the 5-year average (15.8) and above the 10-year average (14.2).



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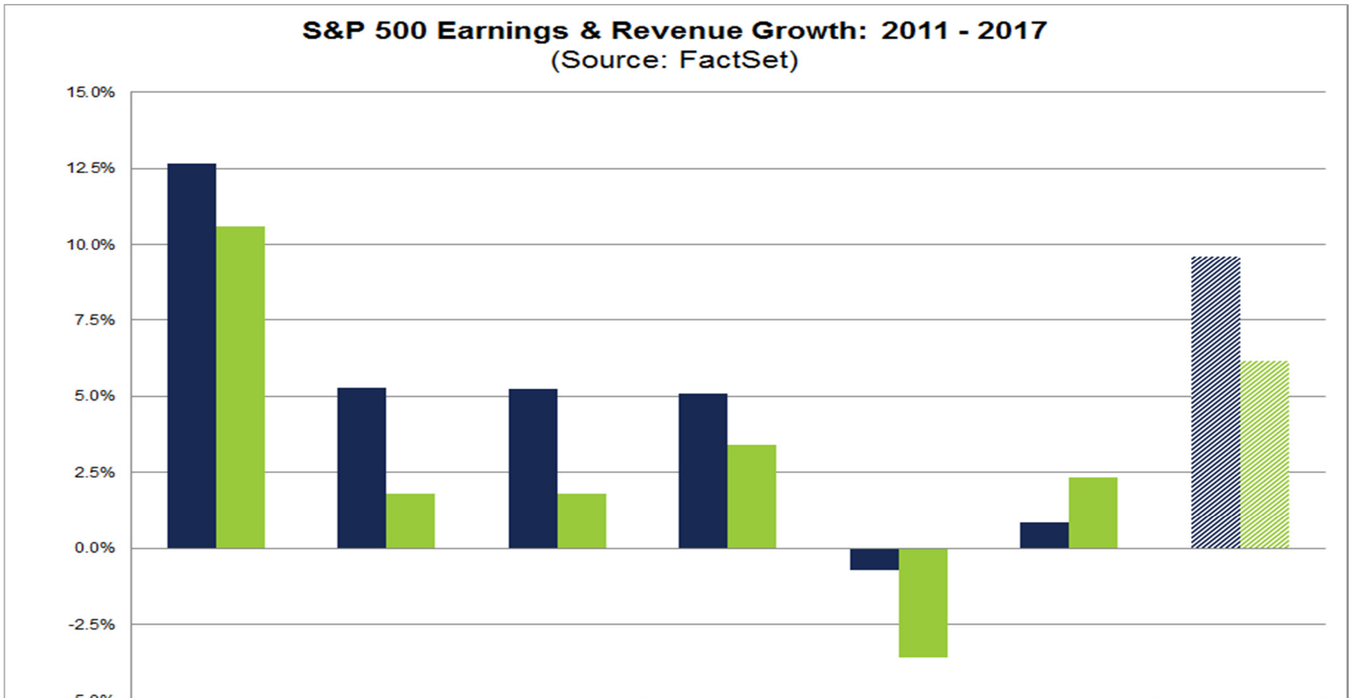
Topic of the Week: 1

Energy, Materials, and Tech Sectors See Highest Earning Growth in S&P 500 in CY 2017



	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017
Earnings	12.7%	5.3%	5.2%	5.1%	-0.7%	0.9%	9.6%
Sales	10.6%	1.8%	1.8%	3.4%	-3.6%	2.3%	6.2%

CY 2017 Earnings Growth: 9.6%

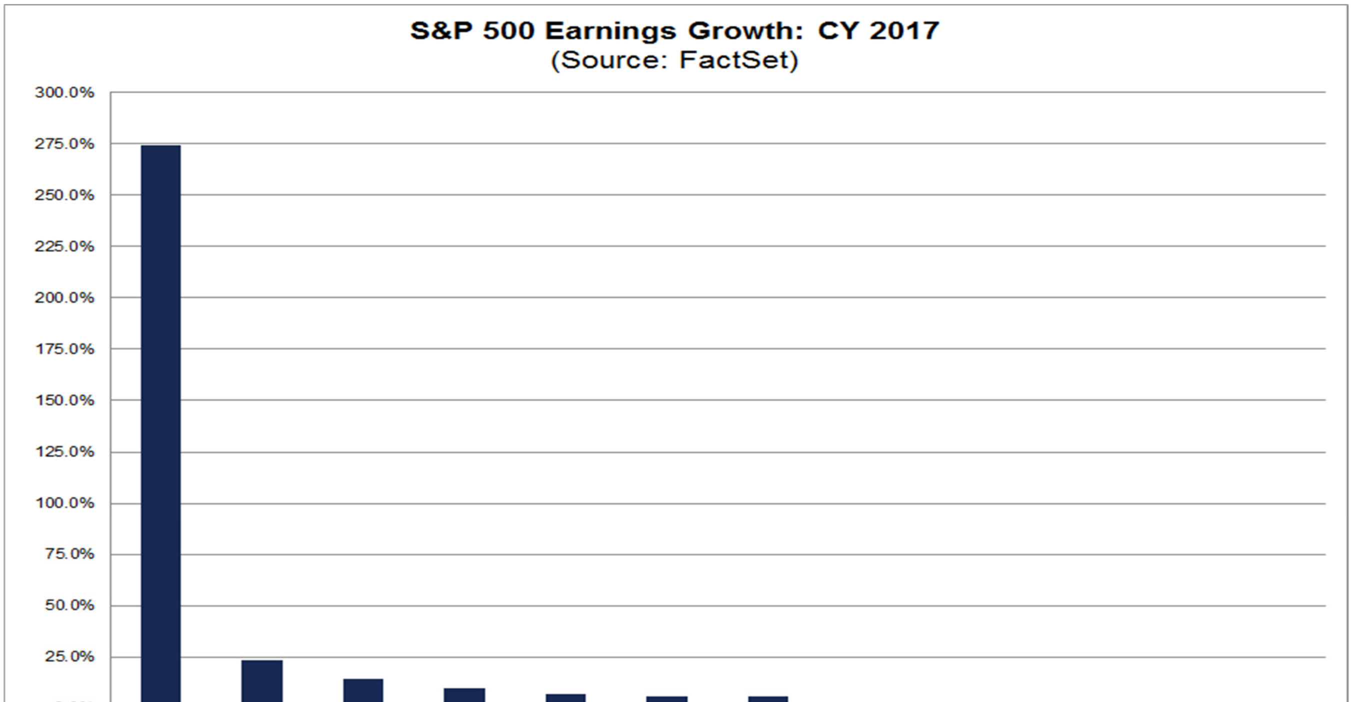
As of today, the estimated earnings growth rate for the S&P 500 for CY 2017 is 9.6%. If 9.6% is the final growth rate for the year, it will mark the highest annual earnings growth for the index since 2011 (12.7%). All eleven sectors are projected to report year-over-year growth in earnings, led by the Energy, Materials, and Information Technology sectors.

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 274.6%. 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 (165%), Integrated Oil & Gas (118%), Oil & Gas Refining & Marketing (55%), and Oil & Gas Storage & Transportation (19%).

The unusually high growth rate for the sector is mainly due to unusually low earnings reported in CY 2016. On a dollar-level basis, the Energy sector is predicted to report earnings of $39.7 billion in CY 2017, compared to earnings of 10.6 billion in CY 2016. If the Energy sector were excluded, the estimated earnings growth rate for the remaining ten sectors would fall to 6.9% from 9.6%.

The Materials sector is expected to report the second highest (year-over-year) earnings growth of all eleven sectors at 23.3%. At the industry level, all four industries are projected to report earnings growth, led by the Metals & Mining (85%) and Chemicals (22%) industries. At the company level, DowDuPont is projected to be the largest contributor to earnings growth for the sector. However, the EPS estimate for CY 2017 reflects the combined DowDuPont company, while the EPS actual for CY 2016 reflects the standalone Dow Chemical company. This apple-to-orange comparison is the main reason DowDuPont is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated earnings growth rate for the sector would fall to 11.6% from 23.3%.

The Information Technology sector is expected to report the third highest (year-over-year) earnings growth of all eleven sectors at 14.5%. At the industry level, all seven industries in this sector are projected to report earnings growth. Five of these seven industries are projected to report double-digit growth: Semiconductor & Semiconductor Equipment (39%), IT services (12%), Technology Hardware, Storage, & Peripherals (11%), Software (10%), and Electronic Equipment, Instruments, & Components (10%).



	Energy	Materials	Info. Technology	S&P 500	Financials	Real Estate	Health Care	Consumer Staples	Consumer Disc.	Utilities	Industrials	Telecom Services
Today	274.6%	23.3%	14.5%	9.6%	6.8%	6.0%	5.9%	2.4%	2.4%	2.3%	1.8%	1.2%

CY 2017 Revenue Growth: 6.2%

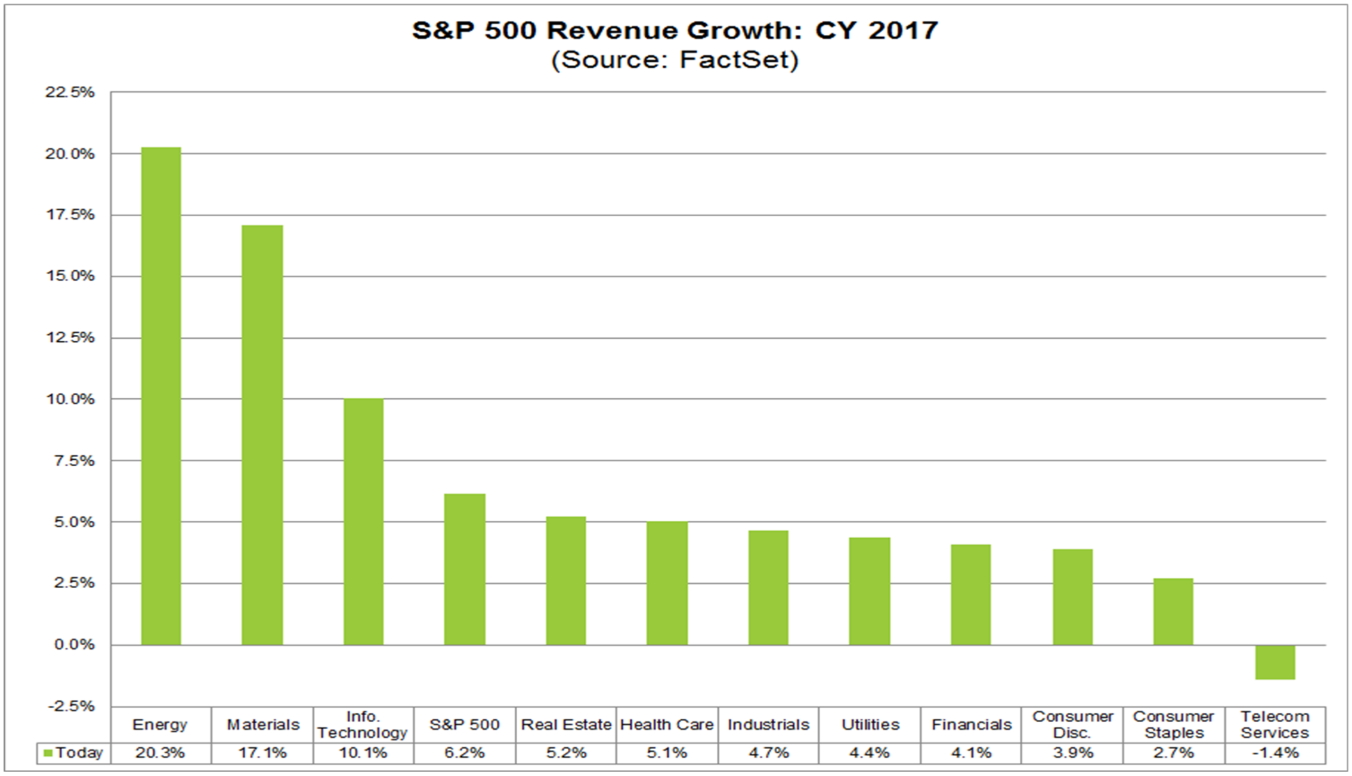
The estimated (year-over-year) revenue growth rate for the S&P 500 for CY 2017 is 6.2%. If 6.2% is the final growth rate for the year, it will mark the highest annual revenue growth for the index since 2011 (10.6%). Ten sectors are expected to report year-over-year growth in revenues, led by the Energy, Materials, and Information Technology sectors.

The Energy sector is expected to reported the highest (year-over-year) revenue growth of all eleven sectors at 20.3%. At the sub-industry level, all six sub-industries in the sector are predicted to report double-digit revenue growth: Oil & Gas Equipment & Services (26%), Oil & Gas Refining & Marketing (23%), Integrated Oil & Gas (20%), Oil & Gas Exploration & Production (16%), Oil & Gas Drilling (14%), and Oil & Gas Storage & Transportation (13%).

This sector is projected 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 5.0% from 6.2%.

The Materials sector is expected to report the second highest (year-over-year) revenue growth of all eleven sectors at 17.1%. At the industry level, all four industries in this sector are predicted to report revenue growth, led by the Chemicals (23%) and Metals & Mining (12%) industries. At the company level, DowDuPont is projected to be the largest contributor to revenue growth for the sector. However, the estimated revenues for CY 2017 reflect the combined DowDuPont company, while the actual revenues for CY 2016 reflect the standalone Dow Chemical company. This apple-to-orange comparison is the main reason DowDuPont is projected to be the largest contributor to revenue growth for the sector. If this company were excluded, the estimated revenue growth rate for the sector would fall to 7.8% from 17.1%.

The Information Technology sector is expected to report the third highest (year-over-year) revenue growth of all eleven sectors at 10.1%. At the industry level, six of the seven industries in this sector are predicted to report revenue growth. Three of these six industries are projected to report double-digit revenue growth: Internet Software & Services (23%), Semiconductor & Semiconductor Equipment (16%), and IT Services (11%).



Higher Global Exposure = Higher Earnings & Revenue Growth in CY 2017

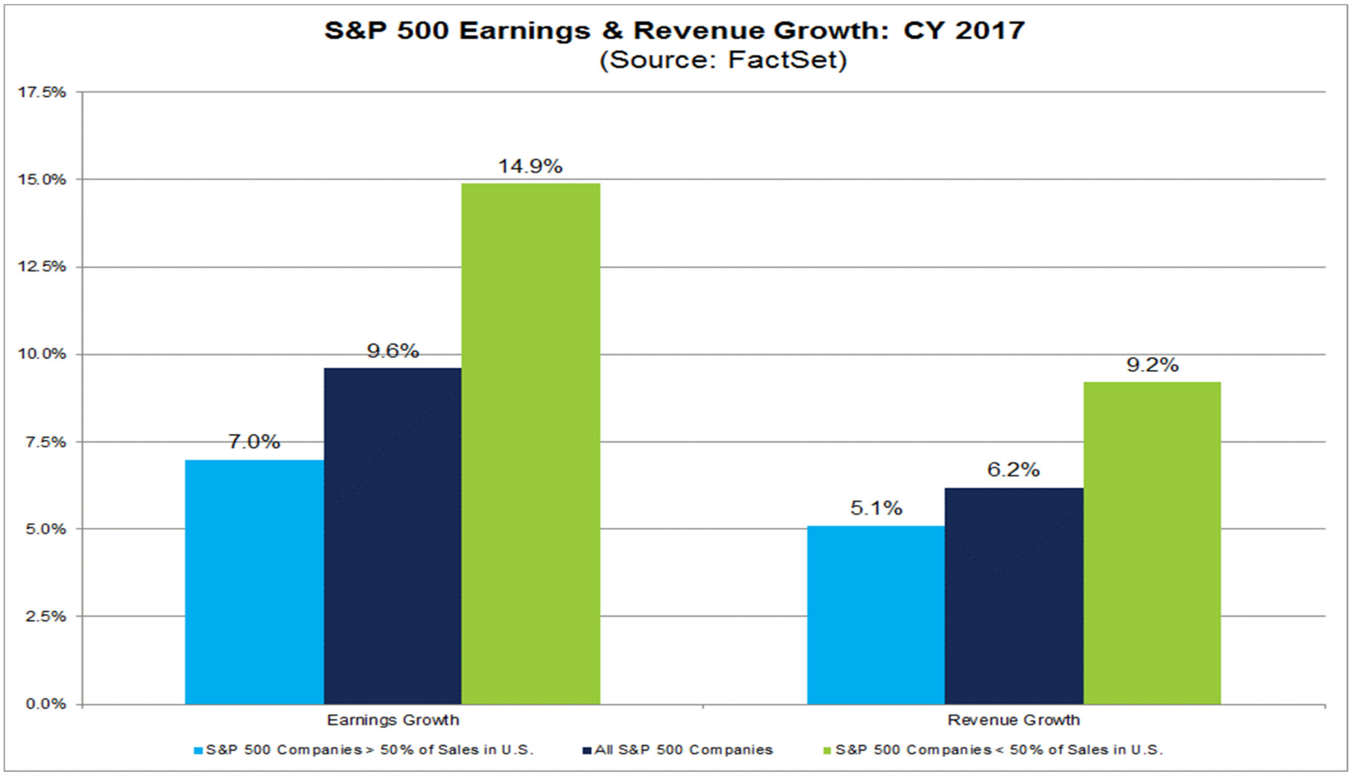
It is interesting to note that the Energy (42%), Materials (47%), and Information Technology (60%) sectors have the highest international revenue exposures of all eleven sectors in the index. Thus, are S&P 500 companies with higher global revenue exposure expected to outperform S&P 500 companies with lower global revenue exposure in terms of earnings growth and sales growth for CY 2017?

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

The earnings growth rate for the S&P 500 for CY 2017 is 9.6%. For companies that generate more than 50% of sales inside the U.S., the earnings growth rate is 7.0%. For companies that generate less than 50% of sales inside the U.S., the earnings growth rate is 14.9%.

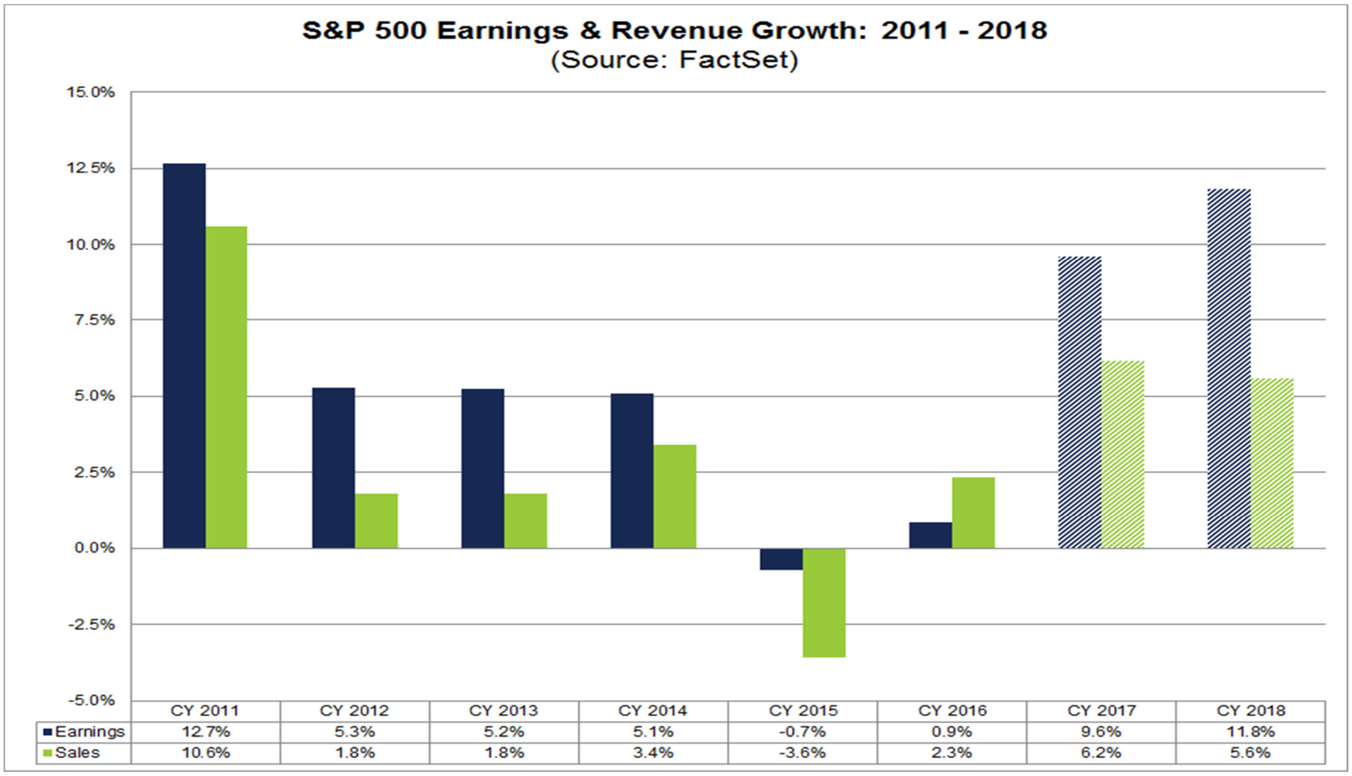
The sales growth rate for the S&P 500 for CY 2017 is 6.2%. For companies that generate more than 50% of sales inside the U.S., the sales growth rate is 5.1%. For companies that generate less than 50% of sales inside the U.S., the sales growth rate is 9.2%.

At the sector level, the Information Technology and Energy sectors are expected to be the largest contributors to earnings and revenue growth in CY 2017 for S&P 500 companies with more global exposure.


S&P 500 Earnings & Revenue Growth: CY 2017
(Source: FactSet)
17.5%
15.0%
12.5%
10.0%
7.5%
5.0%
2.5%
0.0%
7.0%
9.6%
14.9%
5.1%
6.2%
9.2%
Earnings Growth
Revenue Growth
S&P 500 Companies > 50% of Sales in U.S.
All S&P 500 Companies
S&P 500 Companies < 50% of Sales in U.S.

Topic of the Week: 2

Double-Digit Earnings Growth & High Profit Margin Projected for S&P 500 in CY 2018



CY 2018 Earnings Growth: 11.8%

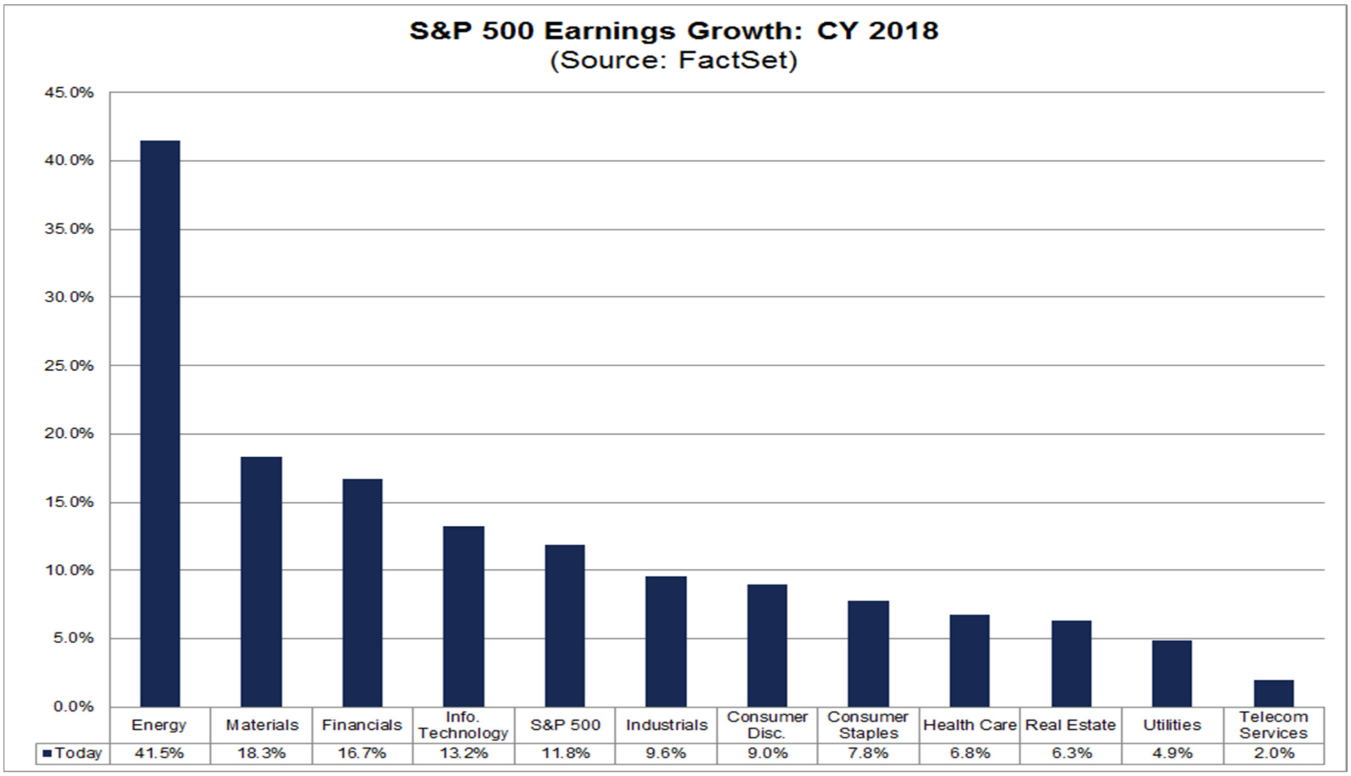
As of today, the estimated earnings growth rate for the S&P 500 for CY 2018 is 11.8%. If 11.8% is the final growth rate for the year, it will mark the highest annual earnings growth since 2011 (12.7%). It will also mark the first time index has reported double-digit earnings growth since 2011. All eleven sectors are projected to report year-over-year growth in earnings, led by the Energy, Materials, Financials, and Information Technology sectors.

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 41.5%. At the sub-industry level, all six sub-industries in the sector are projected to report earnings growth: Oil & Gas Drilling (N/A due to year-ago loss), Oil & Gas Exploration & Production (300%), Oil & Gas Equipment & Services (65%), Oil & Gas Refining & Marketing (32%), Integrated Oil & Gas (23%), and Oil & Gas Storage & Transportation (20%).

The Materials sector is expected to report the second highest (year-over-year) earnings growth of all eleven sectors at 18.3%. At the industry level, all four industries in the sector are projected to report double-digit earnings growth: Construction Materials (33%), Metals & Mining (31%), Containers & Packaging (23%), and Chemicals (15%).

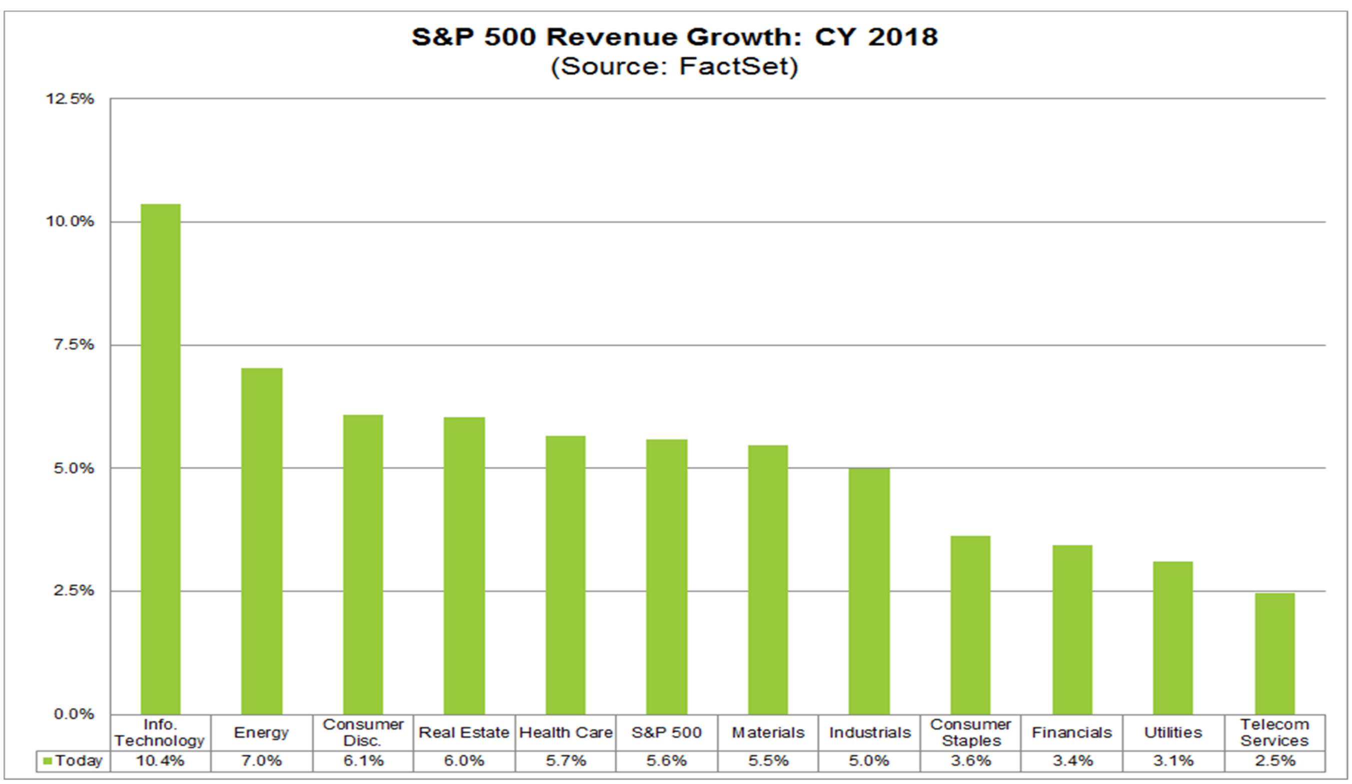
The Financials sector is expected to report the third highest earnings growth of all eleven sectors at 16.7%. At the industry level, all five industries in the sector are projected to report double-digit earnings growth: Diversified Financial Services (31%), Insurance (30%), Banks (14%), Consumer Finance (12%), and Capital Markets (12%).

The Information Technology sector is expected to report the fourth highest (year-over-year) earnings growth of all eleven sectors at 13.2%. At the industry level, all seven industries in this sector are projected to report earnings growth. Five of these seven industries are projected to report double-digit earnings growth: Internet Software & Services (21%), Technology Hardware, Storage, & Peripherals (16%), Semiconductors & Semiconductor Equipment (12%), IT services (11%), and Software (10%).



CY 2018 Revenue Growth: 5.6%

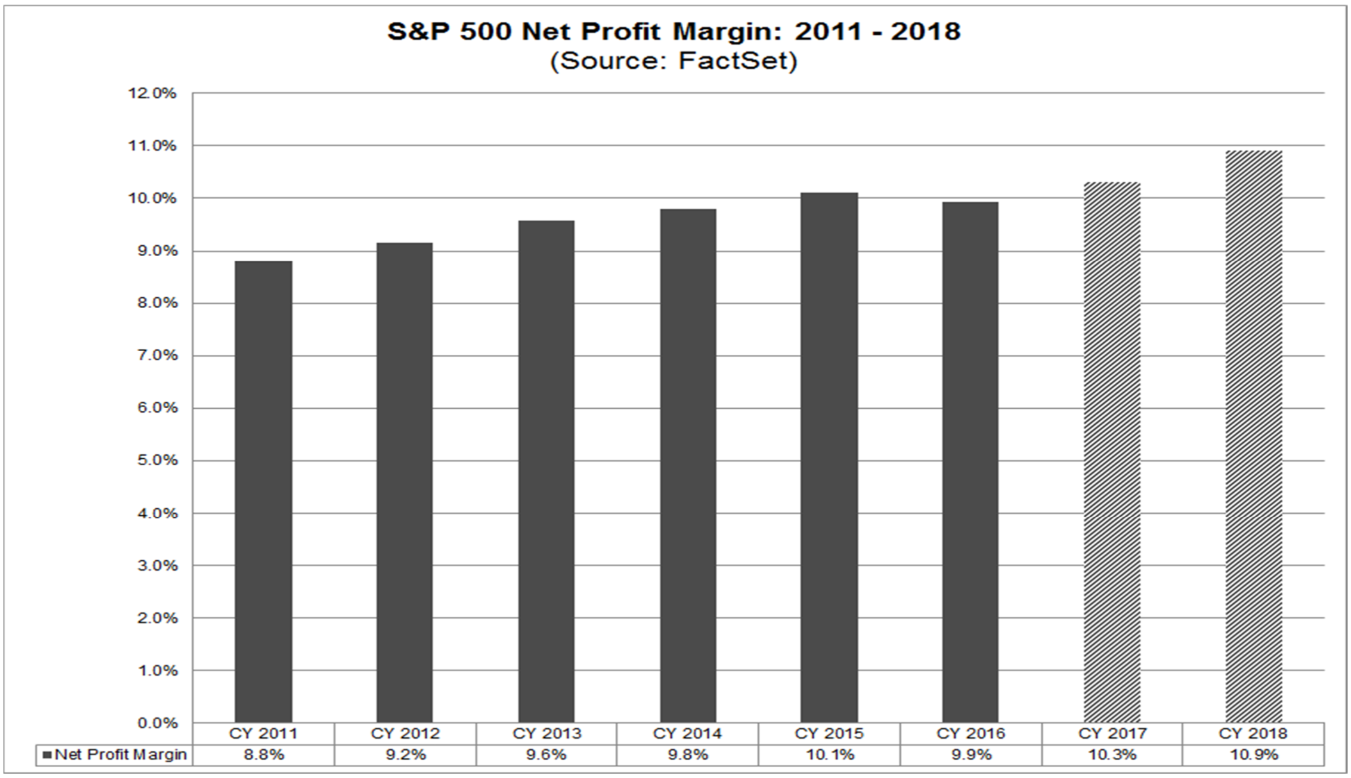
The estimated (year-over-year) revenue growth rate for CY 2018 is 5.6%. All eleven sectors are expected to report year-over-year growth in revenues, led by the Information Technology sector.



The Information Technology sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 10.4%. At the industry level, all seven industries in this sector are predicted to report revenue growth. Two of these seven industries are projected to report double-digit revenue growth: Internet Software & Services (20%) and Technology Hardware, Storage, & Peripherals (10%).

Highest Profit Margin (10.9%) Projected in 10 Years for CY 2018

Based on aggregate revenue and earnings estimates for the index, the projected net profit margin for the S&P 500 for CY 2018 is 10.9%. If 10.9% is the actual net profit margin for the year, it will mark the highest annual profit margin for the S&P 500 since FactSet began tracking aggregate earnings and revenue data for the S&P 500 in 2008. Nine of the eleven sectors are expected to see profit margins increase on a year-over-year basis in CY 2018.



Q4 2017 Earnings Season: By the Numbers

Overview

In terms of estimate revisions, analysts have made smaller cuts than average to earnings estimates for companies in the S&P 500 for Q4 2017 to date. On a per-share basis, estimated earnings for the fourth quarter have fallen by 0.3% since September 30. This percentage decline is smaller than the trailing 5-year average (-4.2%) and the trailing 10-year average (-6.0%) for a quarter.

In addition, a smaller percentage of S&P 500 companies have lowered the bar for earnings for Q4 2017 relative to recent averages. Of the 108 companies that have issued EPS guidance for the fourth quarter, 72 have issued negative EPS guidance and 36 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 67% (72 out of 108), which is below the 5-year average of 74%.

Because of the downward revisions to earnings estimates, the estimated year-over-year earnings growth rate for Q4 2017 has fallen from 11.3% on September 30 to 10.9% today. All eleven sectors are predicted to report year-over-year earnings growth. Five sectors are projected to report double-digit earnings growth for the quarter: Energy, Materials, Information Technology, Utilities, and Financials. The Telecom Services, Industrials, and Consumer Discretionary sectors are projected to report the lowest earnings growth for the quarter.

Because of upward revisions to sales estimates, the estimated year-over-year sales growth rate for Q4 2017 has increased from 5.7% on September 30 to 6.7% today. All eleven sectors are projected to report year-over-year growth in revenues. Three sectors are predicted to reported double-digit growth in revenues: Energy, Materials, and Information Technology. The Telecom Services and Financials sectors are predicted to report the lowest revenue growth for the quarter.

Looking at future quarters, analysts currently project earnings growth to continue at double-digit levels through 2018.

The forward 12-month P/E ratio is 18.4, which is above the 5-year average and the 10-year average.

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

Earnings Revisions: Industrials Sector Down, Energy Sector Up Since September 30

Increase in Estimated Earnings Growth Rate for Q4 This Week Due to Tech and Energy Sectors

The estimated earnings growth rate for the fourth quarter is 10.9% this week, which is higher than the estimated earnings growth rate of 10.6% last week. Upside earnings surprises reported by companies in the Information Technology sector and upward revisions to earnings estimates for companies in the Energy sector were mainly responsible for the increase in the earnings growth rate for the index over the past week.

Overall, the estimated earnings growth rate for Q4 2017 of 10.9% today is below the estimated earnings growth rate of 11.3% at the start of the quarter (September 30). Seven sectors have recorded a decline in expected earnings growth since the beginning of the quarter due to downward revisions to earnings estimates, led by the Industrials sector. On the other hand, fours sectors have recorded an increase in expected earnings growth since the start of the quarter due to upward revisions to earnings estimates, led by the Energy sector.

Industrials: Largest Decline in Expected Earnings Growth since September 30, led by GE

The Industrials sector has recorded the largest decrease in expected earnings growth since the start of the quarter (to 1.8% from 10.1%). Despite the drop in expected earnings, this sector has witnessed an increase in price of 5.3% during this same period. Overall, 42 of the 69 companies (61%) in the Industrials sector have seen a decline in their mean EPS estimate during this time. Of these 42 companies, 7 have recorded a decrease in their mean EPS estimate of more than 10%, led by General Electric (to $0.30 from $0.57), Nielsen Holdings (to $0.46 from $0.81), and Alaska Air Group (to $0.93 from $1.56). General Electric has also been the largest contributor to the decrease in expected earnings for this sector since September 30. The stock price of General Electric has fallen by 27.8% (to $17.47 from $24.18) during this same period.

Energy: Largest Increase in Expected Earnings Growth Since September 30

The Energy sector has recorded the largest increase in expected earnings growth since the start of the quarter (to 132.0% from 88.1%). This sector has also witnessed an increase in price of 4.8% during this same period. Overall, 24 of the 32 companies (75%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 24 companies, 19 have recorded an increase in their mean EPS estimate of more than 10%, led by ConocoPhillips (to $0.39 from $0.16). The increase in the mean EPS estimates for Exxon Mobil (to $1.00 from $0.86), Chevron (to $1.23 from $0.95), ConocoPhillips, and Marathon Petroleum (to $1.03 from $0.61) have been the largest contributors to the increase in expected earnings for this sector since September 30.

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

Downward revisions to earnings estimates in aggregate for the fourth quarter to date have been below recent averages. 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 fallen by 0.3% (to $34.88 from $35.00) since September 30. This decline in the EPS estimate for Q4 2017 is below the trailing 1-year (-3.1%), the trailing 5-year (-4.2%), and the trailing 10-year average (-6.0%) for the bottom-up EPS estimate for a quarter.

Earnings Guidance: Negative EPS Guidance Below Average For Q4

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

At this point in time, 108 companies in the index have issued EPS guidance for Q4 2017. Of these 108 companies, 72 have issued negative EPS guidance and 36 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 67% (72 out of 108), which is below the 5-year average of 74%.

Earnings Growth: 10.9%

The estimated (year-over-year) earnings growth rate for Q4 2017 is 10.9%. If the final earnings growth rate for the quarter is 10% (or higher), it will mark the third time in the past four quarters that the index has reported double-digit earnings growth. All eleven sectors are expected to report year-over-year growth in earnings. Five sectors are expected to report double-digit earnings growth: Energy, Materials, Information Technology, Utilities, and Financials. On the other hand, the Telecom Services, Industrials, and Consumer Discretionary sectors are predicted to report the lowest earnings growth for the quarter.

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

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 132.0%. At the sub-industry level, all six sub-industries in the sector are predicted to report earnings growth for the quarter: 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 (228%), Oil & Gas Refining & Marketing (176%), Integrated Oil & Gas (70%), and Oil & Gas Storage & Transportation (21%).

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 projected to report earnings of $12.3 billion in Q4 2017, compared to earnings of $5.3 billion in Q4 2016. If the Energy sector were excluded, the estimated earnings growth rate for the remaining ten sectors would fall to 8.5% from 10.9%.

Materials: 3 of 4 Industries Expected to Report Double-Digit Growth

The Materials sector is expected to report the second highest (year-over-year) earnings growth of all eleven sectors at 28.1%. At the industry level, all four industries are predicted to report earnings growth. Three of these four industries are projected to report double-digit earnings growth: Metals & Mining (83%), Containers & Packaging (32%), and Chemicals (21%).

Information Technology: Semiconductor & Internet Software Industries Lead Growth

The Information Technology sector is expected to report the third highest (year-over-year) earnings growth of all eleven sectors at 16.1%. At the industry level, five of the seven industries in this sector are predicted to report earnings growth. Three of these five industries are predicted to report double-digit earnings growth: Semiconductor & Semiconductor Equipment (37%), Internet Software & Services (33%), and IT Services (12%).

Utilities: NRG Energy, Southern Company, and Exelon Lead Growth

The Utilities sector is expected to report the fourth highest (year-over-year) earnings growth at 11.9%. At the company level, NRG Energy, Southern Company, and Exelon are projected to be the largest contributors to earnings growth for the sector. The mean EPS estimate for NRG Energy for Q4 2017 is $0.32, compared to year-ago actual EPS of -$0.61. The mean EPS estimate for Southern Company for Q4 2017 is $0.46, compared to year-ago actual EPS of $0.24. The mean EPS estimate for Exelon for Q4 2017 is $0.60, compared to year-ago actual EPS of $0.44. If these three companies were excluded, the estimated earnings growth rate for the Utilities sector would fall to 1.6% from 11.9%.

Financials: AIG Leads Growth on Easy Comparison to Year-Ago Loss

The Financials sector is expected to report the fifth highest (year-over-year) earnings growth of all eleven sectors at 11.7%. At the industry level, all five industries in this sector are predicted to report growth in earnings. Two of these five industries are predicted to report double-digit earnings growth: Insurance (36%) and Consumer Finance (24%). At the company level, AIG is expected to be the largest contributor to earnings growth for the sector, mainly due to an easy comparison to a substantial loss in the year-ago quarter. The mean EPS estimate for AIG for Q4 2017 is $0.93, compared to actual EPS of -$2.72 for Q4 2016. In the company's earnings release for Q4 2016, AIG noted, *"The fourth quarter included a $5.6 billion or ($3.56) per share impact from prior year adverse reserve development."* If AIG were excluded, the estimated earnings growth rate for the Financials sector would decline to 3.7% from 11.7%.

Telecom Services: AT&T Largest Detractor to Earnings Growth

On the other hand, the Telecom Services sector is expected to report the lowest (year-over-year) earnings growth of all eleven sectors at 1.0%. Of the three companies in this sector, AT&T is expected to be the largest detractor to earnings growth in the sector. The mean EPS estimate for AT&T for Q4 2017 is $0.65, compared to year-ago actual EPS of $0.66.

Industrials: General Electric Largest Detractor to Earnings Growth

The Industrials sector is expected to report the second lowest (year-over-year) earnings growth of all eleven sectors at 1.8%. At the industry level, nine of the twelve industries in this sector are predicted to report earnings growth, led by the Machinery (33%) and Aerospace & Defense (10%) industries. On the other hand, three industries are projected to report a year-over-year decline in earnings: Industrial Conglomerates (-18%), Airlines (-18%), and Professional Services (-17%). At the company level, General Electric is expected to be the largest detractor to earnings growth in the sector. The mean EPS estimate for GE for Q4 2017 is $0.30, compared to year-ago actual EPS of $0.46. If General Electric were excluded, the estimated earnings growth rate for the Industrials sector would improve to 8.1% from 1.8%.

Consumer Discretionary: 5 of 12 Industries Expected to Report Decline

The Consumer Discretionary sector is expected to report the third lowest (year-over-year) earnings growth of all eleven sectors at 2.1%. At the industry level, seven of the twelve industries in this sector are predicted to report earnings growth, led by the Automobiles (18%) and Internet & Direct Marketing Retail (17%) industries. On the other hand, five industries are projected to report a year-over-year decline in earnings, led by the Leisure Products (-16%) and Auto Components (-13%) industries.

Revenue Growth: 6.7%

The estimated (year-over-year) revenue growth rate for Q4 2017 is 6.7%. All eleven sectors are expected to report year-over-year growth in revenues. Three sectors are predicted to report double-digit growth in revenues: Energy, Materials, and Information Technology. On the other hand, the Telecom Services and Financials sectors are projected to report the lowest revenue growth for the quarter.

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

The Energy sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 17.3%. At the sub-industry level, all six sub-industries in the sector are predicted to reported revenue growth: Oil & Gas Drilling (47%), Oil & Gas Equipment & Services (32%), Oil & Gas Refining & Marketing (20%), Integrated Oil & Gas (18%), Oil & Gas Exploration & Production (3%), and Oil & Gas Storage & Transportation (3%) industry.

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

The Materials sector is expected to report the second highest (year-over-year) revenue growth of all eleven sectors at 16.7%. At the industry level, all four industries in this sector are expected to report revenue growth, led by the Chemicals (22%) and Metals & Mining (13%) industries. At the company level, DowDuPont is predicted to be the largest contributor to revenue growth for the sector. However, the estimated revenues for Q4 2017 ($19.4 billion) reflect the combined DowDuPont company, while the actual revenues for Q4 2016 ($13.0 billion) reflect the standalone Dow Chemical company. This apple-to-orange comparison is the main reason DowDuPont is projected to be the largest contributor to revenue growth for the sector. If this company were excluded, the estimated revenue growth rate for the sector would fall to 9.7% from 16.7%.

Information Technology: Internet Software & Services Leads Growth

The Information Technology sector is expected to report the third highest (year-over-year) revenue growth of all eleven sectors at 11.0%. At the industry level, all seven industries in this sector are predicted to report revenue growth. Three of these seven industries are projected to report double-digit revenue growth: Internet Software & Services (23%), Semiconductor & Semiconductor Equipment (16%), and IT Services (14%).

Telecom Services: AT&T Largest Detractor to Revenue Growth

On the other hand, the Telecom Services sector is expected to report the lowest (year-over-year) revenue growth of all eleven sectors at 1.7%. Of the three companies in this sector, AT&T is expected to be the largest detractor to revenue growth in the sector. The mean sales estimate for AT&T for Q4 2017 is $41.2 billion, compared to year-ago actual sales of $41.8 billion.

Financials: Insurance Industry Detractor to Revenue Growth

The Financials sector is expected to report the second lowest (year-over-year) revenue growth of all eleven sectors at 2.3%. At the industry level, four of the five industries in this sector are predicted to report revenue growth, led by the Consumer Finance (8%) industry. The Insurance (-2%) is the only industry expected to report a (year-over-year) decline in revenues for the quarter.

Looking Ahead: Forward Estimates and Valuation

Double-Digit Earnings Growth Expected to Continue in 2018

For the fourth quarter, analysts are expecting companies to report earnings growth of 10.9% and revenue growth of 6.7%. Analysts currently expect earnings to continue at double-digit levels in 2018. However, they are also projecting lower year-over-year revenue growth in the second half of 2018.

For Q1 2018, analysts are projecting earnings growth of 11.2% and revenue growth of 6.8%.

For Q2 2018, analysts are projecting earnings growth of 10.9% and revenue growth of 6.8%.

For Q3 2018, analysts are projecting earnings growth of 12.4% and revenue growth of 5.8%.

For Q4 2018, analysts are projecting earnings growth of 11.7% and revenue growth of 4.4%.

For all of 2018, analysts are projecting earnings growth of 11.8% and revenue growth of 5.6%.

Valuation: Forward P/E Ratio is 18.4, above the 10-Year Average (14.2)

The forward 12-month P/E ratio is 18.4. This P/E ratio is above the 5-year average of 15.8 and above the 10-year average of 14.2. 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 6.6%, while the forward 12-month EPS estimate has increased by 2.9%.

At the sector level, the Energy (26.2) sector has the highest forward 12-month P/E ratio, while the Telecom Services (13.4) 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 (26.2 vs. 19.2), Industrials (19.6 vs. 14.6), and Information Technology (18.9 vs. 14.4) sectors. One sector (Telecom Services) has a forward 12-month P/E ratio that is below the 10-year average (13.4 vs. 14.1). Historical averages are not available for the Real Estate sector.

Targets & Ratings: Analysts Project 7% Increase in Price Over Next 12 Months

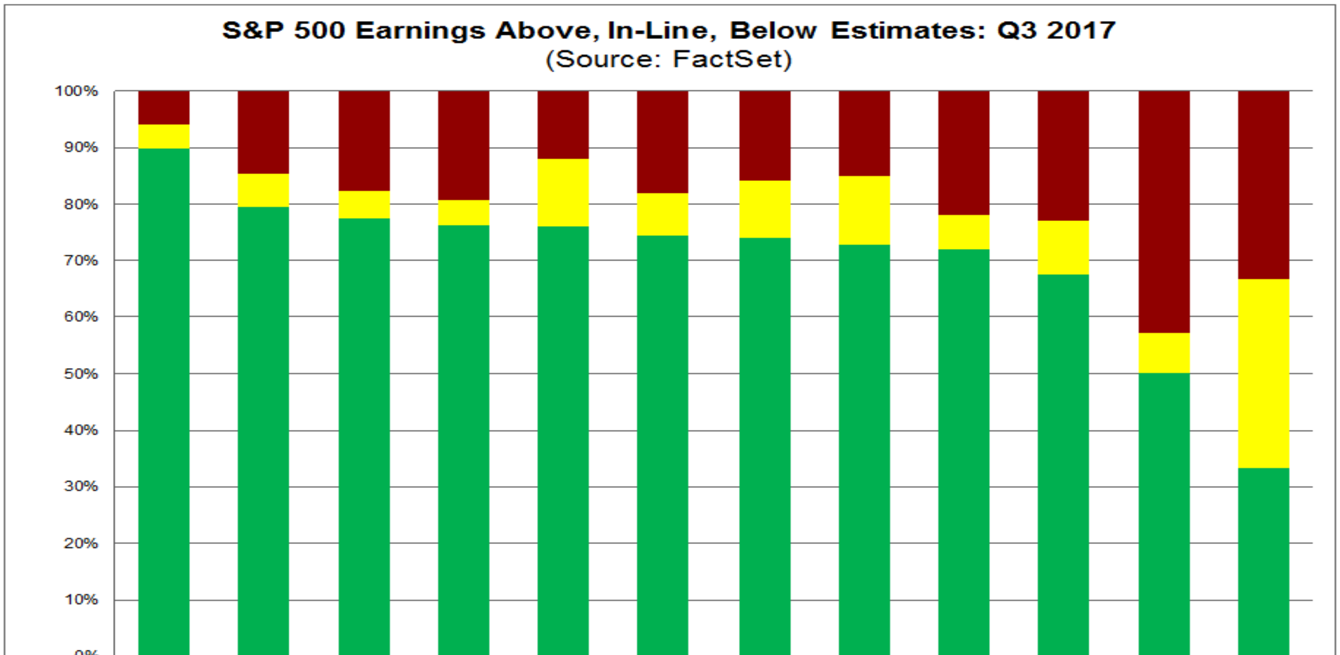
The bottom-up target price for the S&P 500 is 2868.91, which is 6.9% above the closing price of 2684.57. At the sector level, the Information Technology (+10.9%) sector has the largest upside difference between the bottom-up target price and the closing price, while the Telecom Services (-0.5%) sector has the largest downside difference between the bottom-up target price and the closing price.

Overall, there are 11,120 ratings on stocks in the S&P 500. Of these 11,120 ratings, 49.5% are Buy ratings, 45.4% are Hold ratings, and 5.2% are Sell ratings. At the sector level, the Information Technology (58%), Health Care (57%), and Energy (55%) sectors have the highest percentages of Buy ratings, while the Telecom Services (29%) and Utilities (36%) sectors have the lowest percentages of Buy ratings.

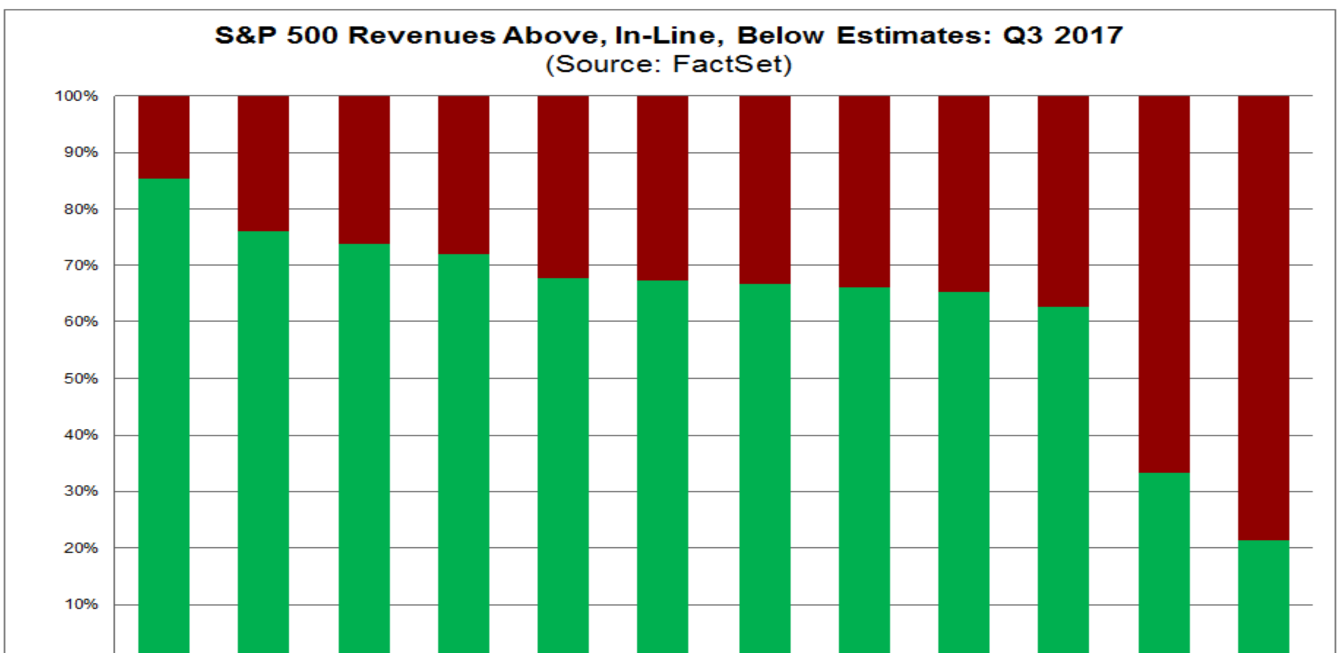
Companies Reporting Next Week: 0

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

Q3 2017: Scorecard

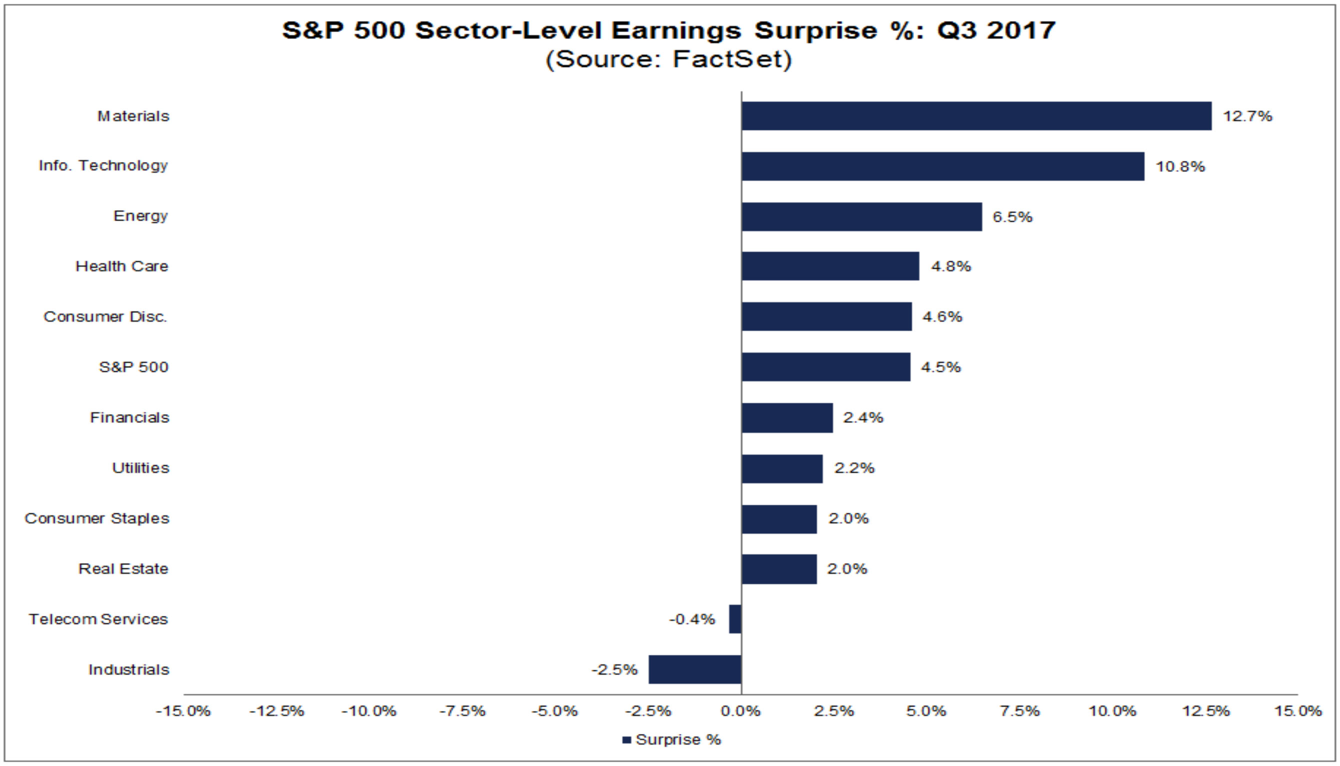


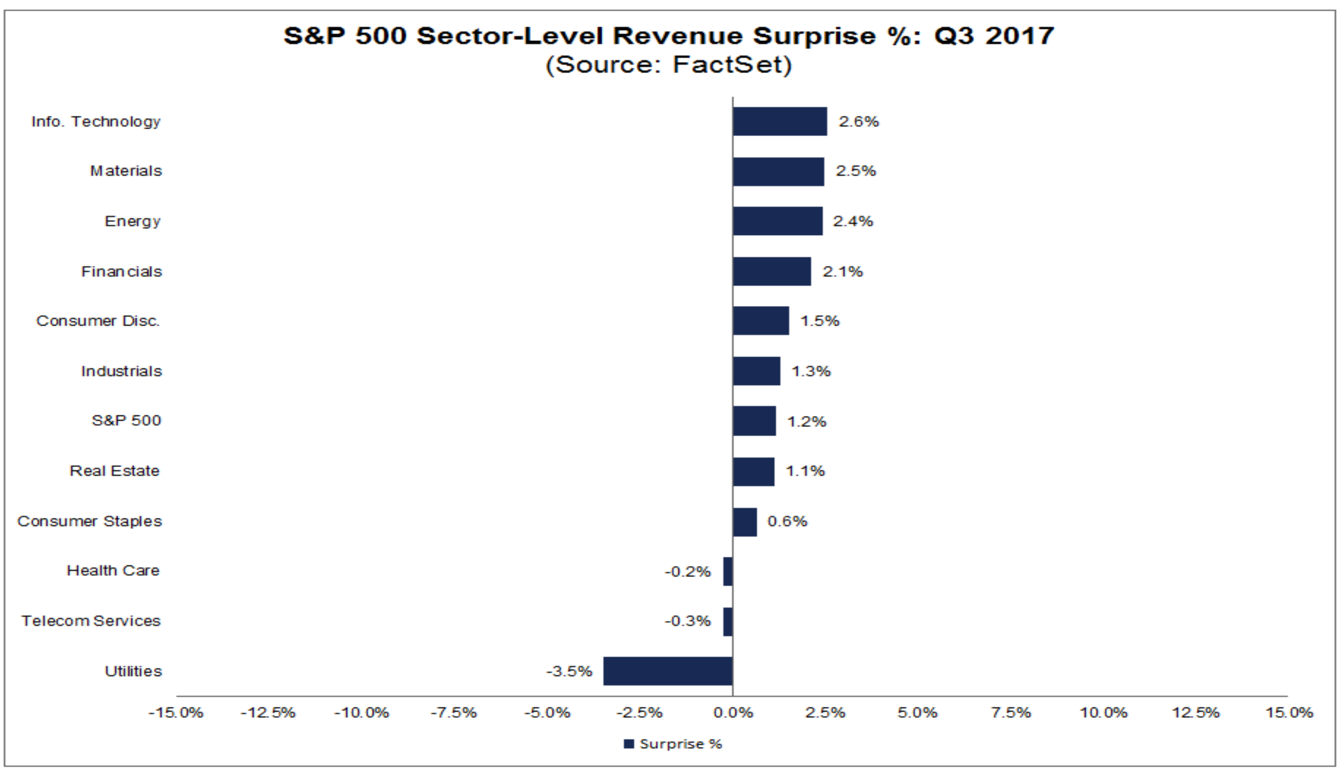
	Info. Technology	Consumer Staples	Health Care	Financials	Materials	S&P 500	Industrials	Real Estate	Energy	Consumer Disc.	Utilities	Telecom Services
Below	6%	15%	18%	19%	12%	18%	16%	15%	22%	23%	43%	33%
In-Line	4%	6%	5%	4%	12%	8%	10%	12%	6%	10%	7%	33%
Above	90%	79%	77%	76%	76%	74%	74%	73%	72%	67%	50%	33%



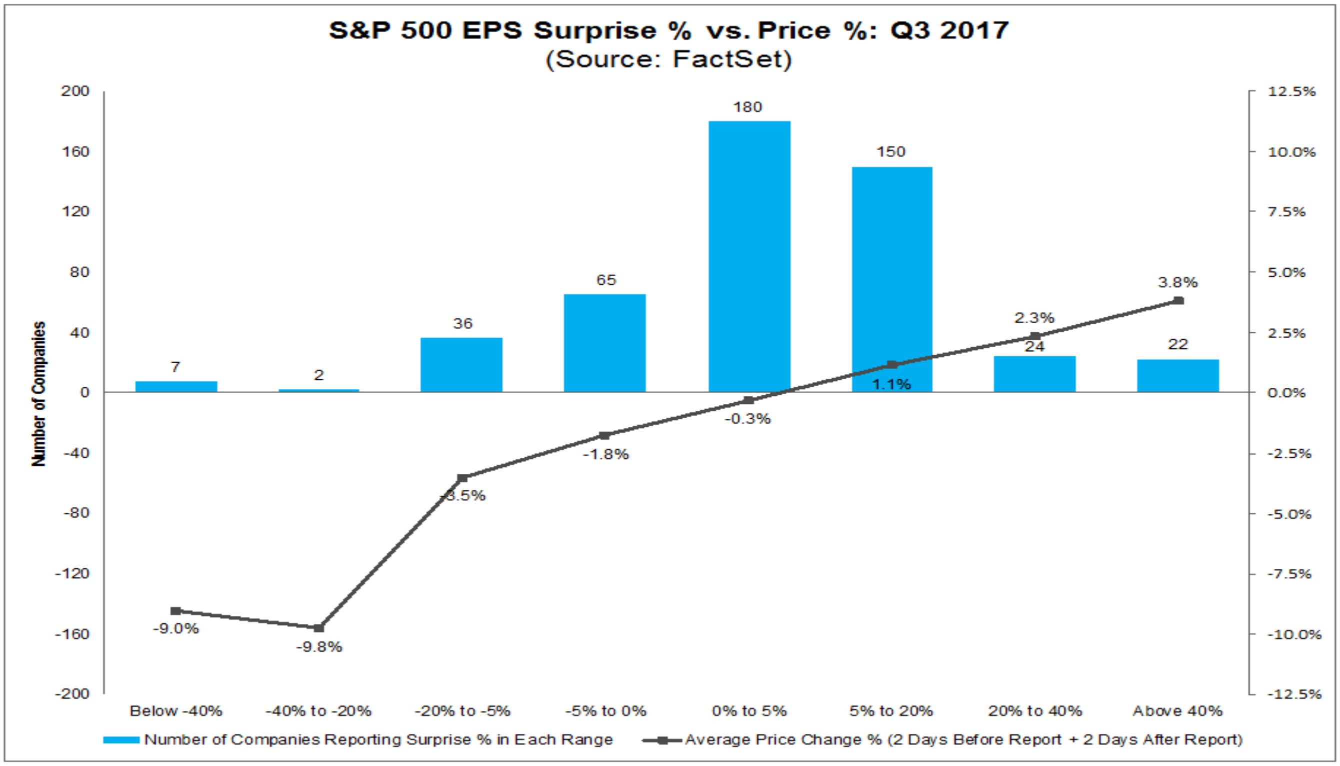
	Info. Technology	Materials	Financials	Energy	Consumer Staples	S&P 500	Real Estate	Health Care	Industrials	Consumer Disc.	Telecom Services	Utilities
Below	15%	24%	26%	28%	32%	33%	33%	34%	35%	37%	67%	79%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	85%	76%	74%	72%	68%	67%	67%	66%	65%	63%	33%	21%

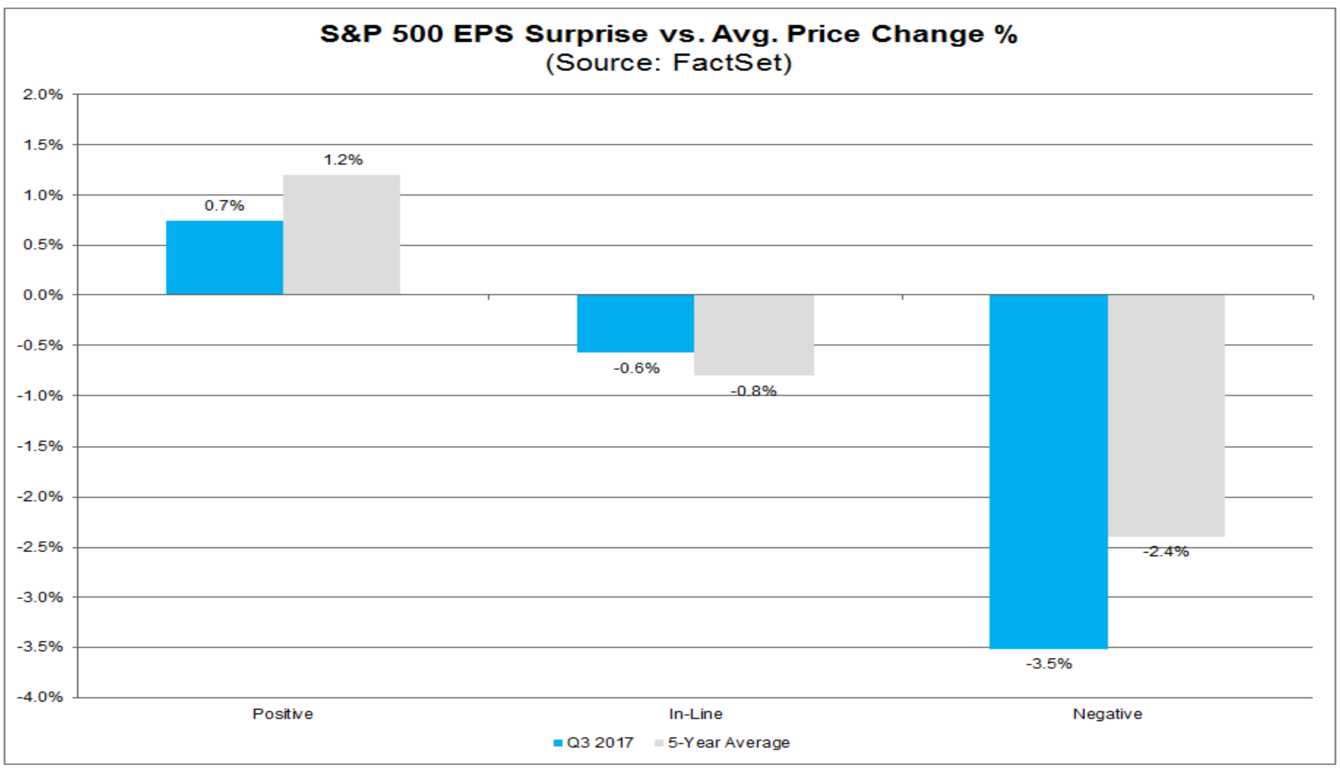
Q3 2017: Scorecard



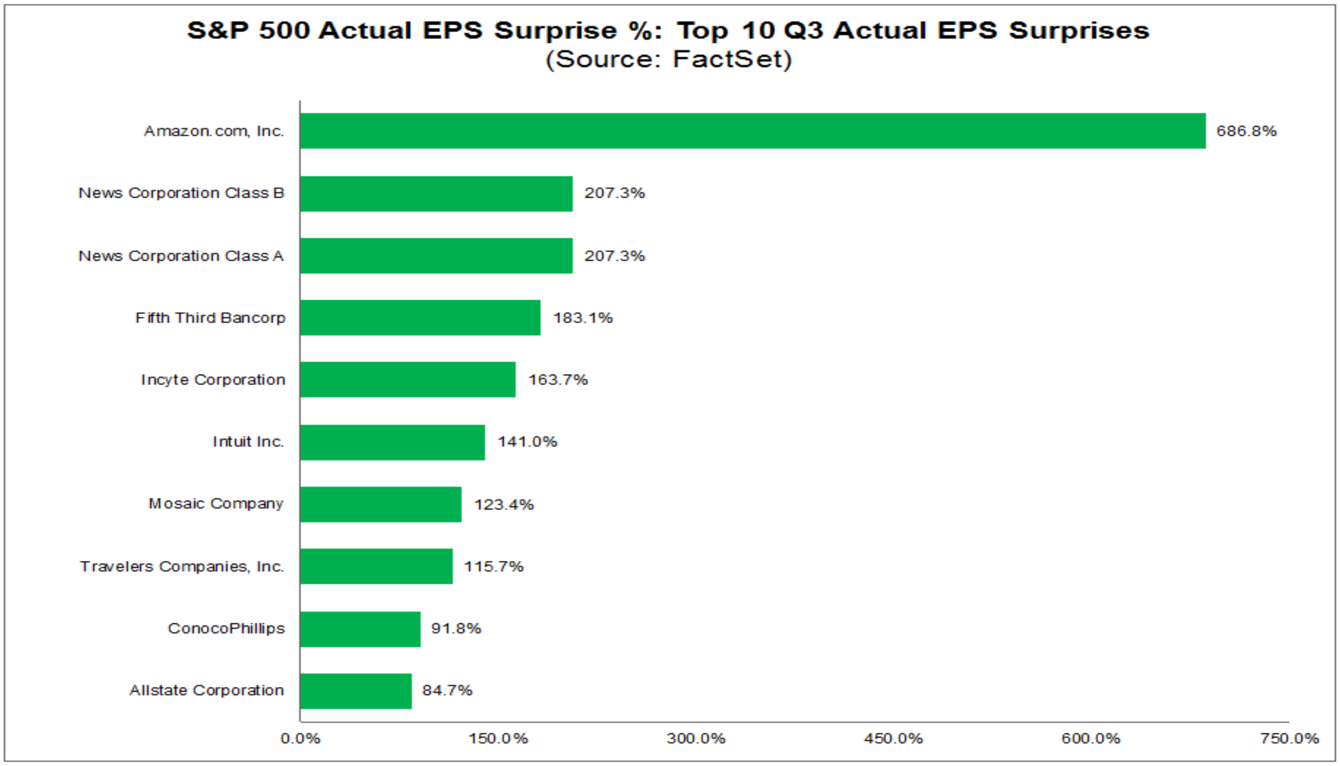


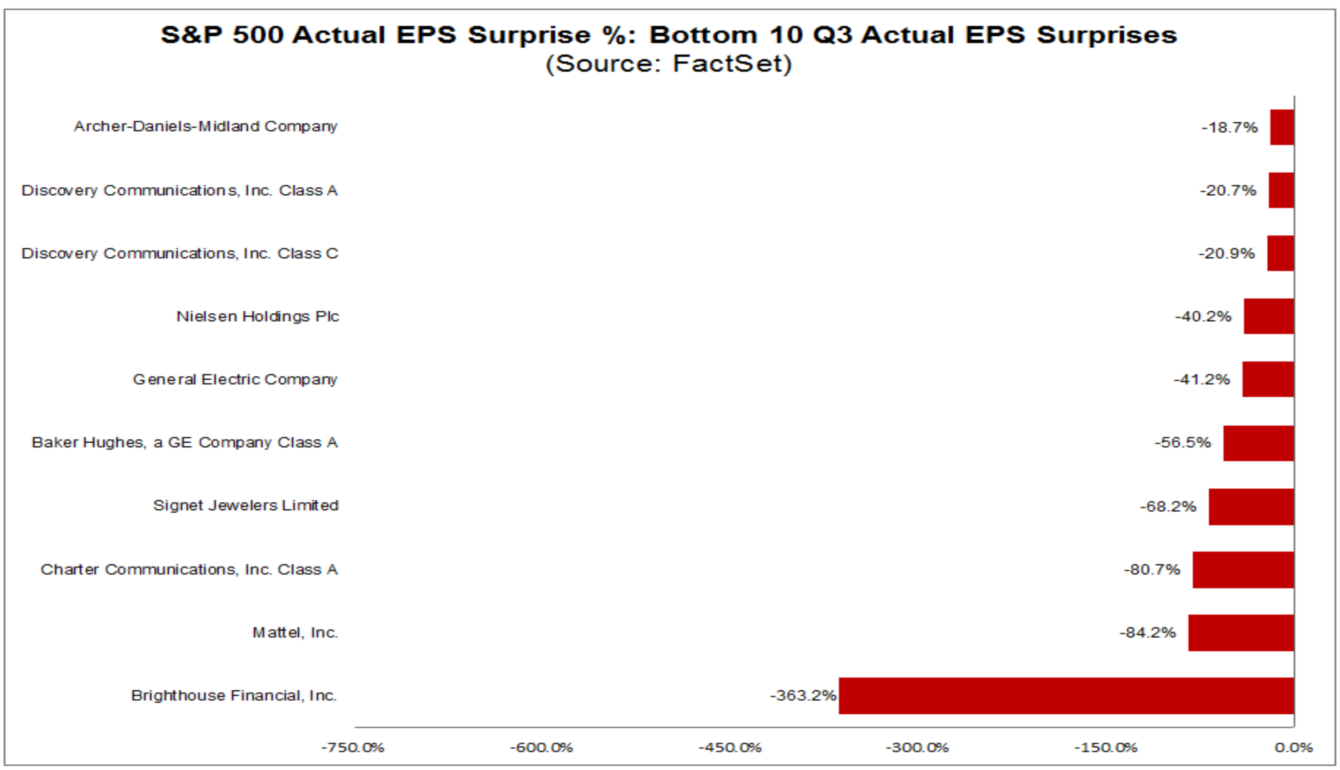
Q3 2017: Scorecard



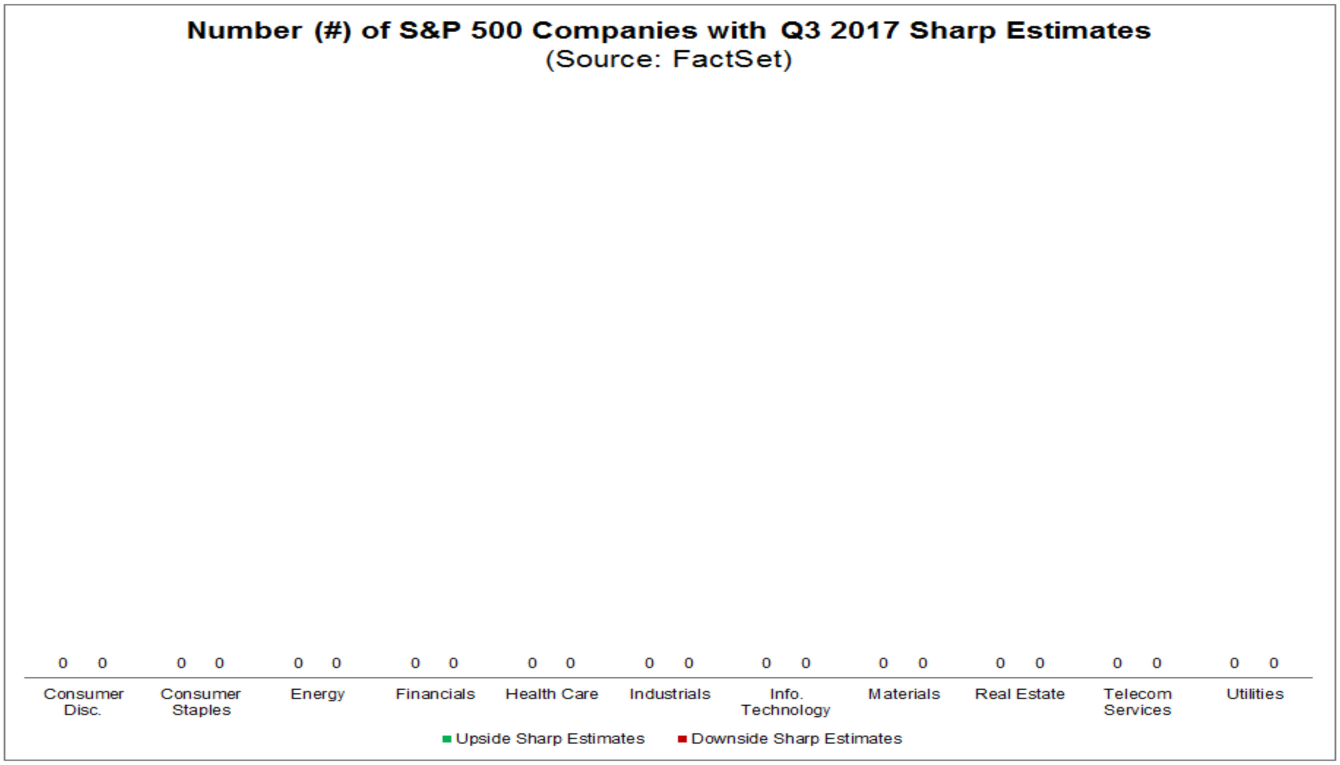


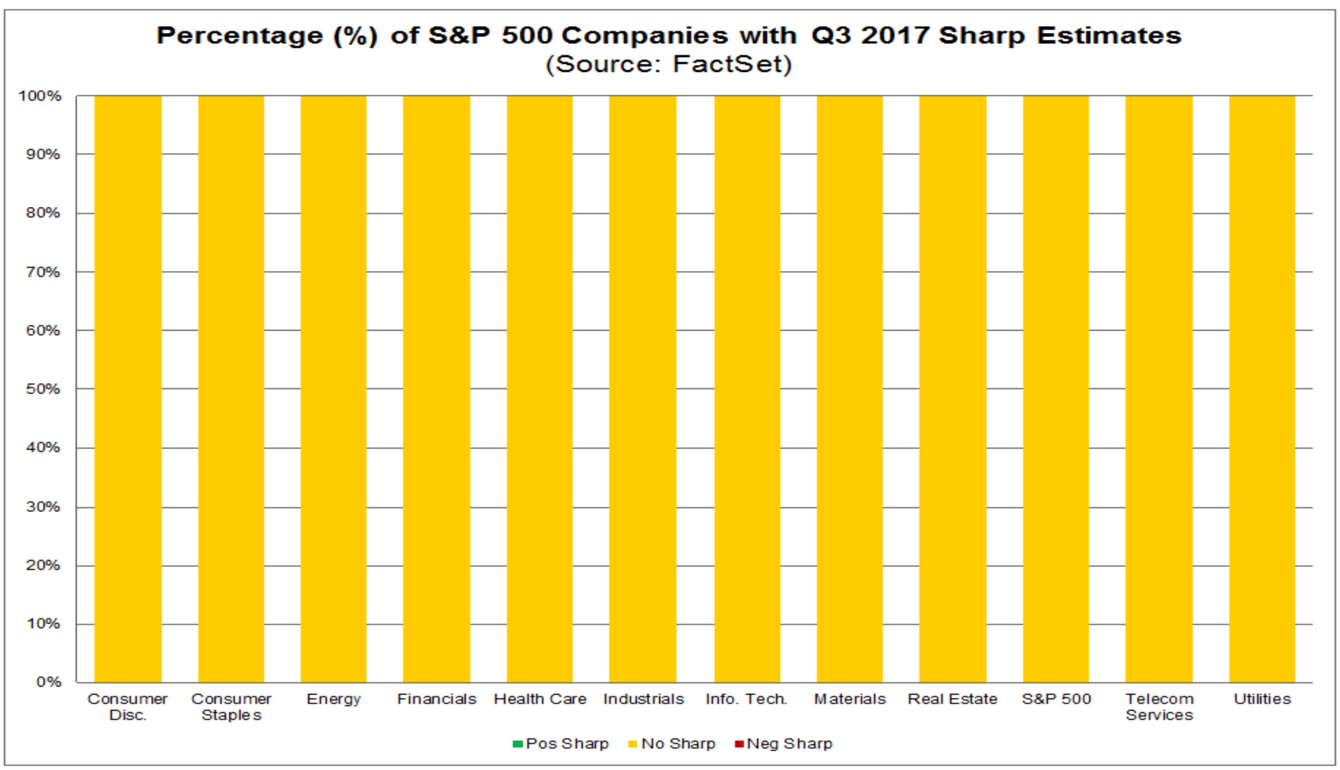
Q3 2017: Scorecard



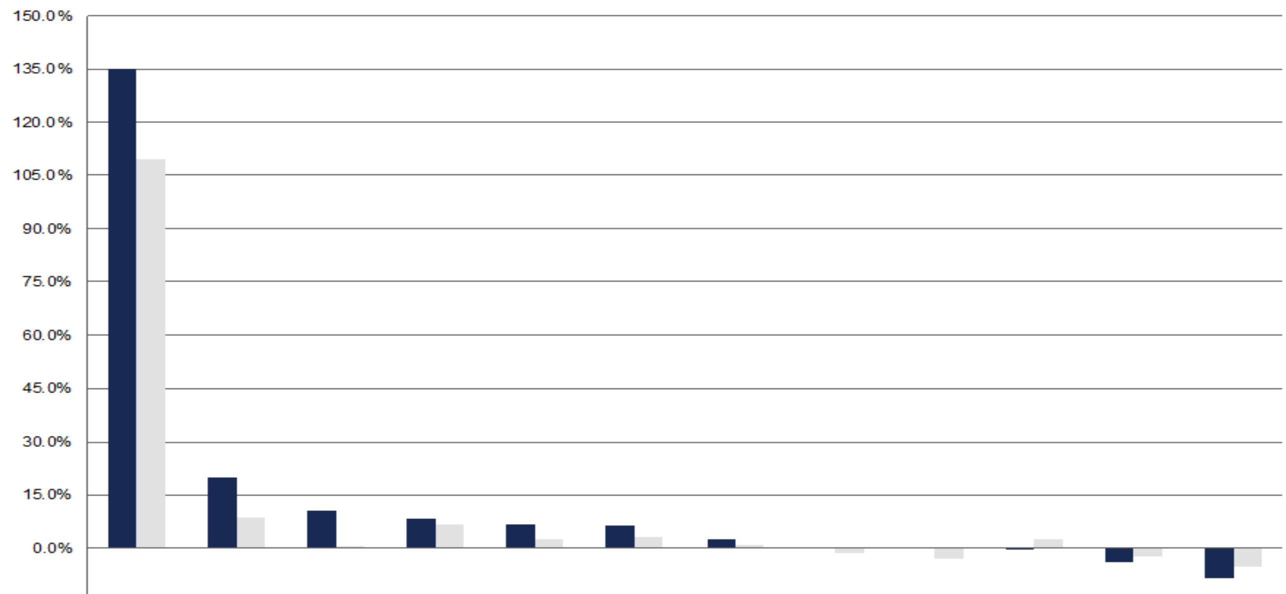


Q3 2017: Projected EPS Surprises (Sharp Estimates)

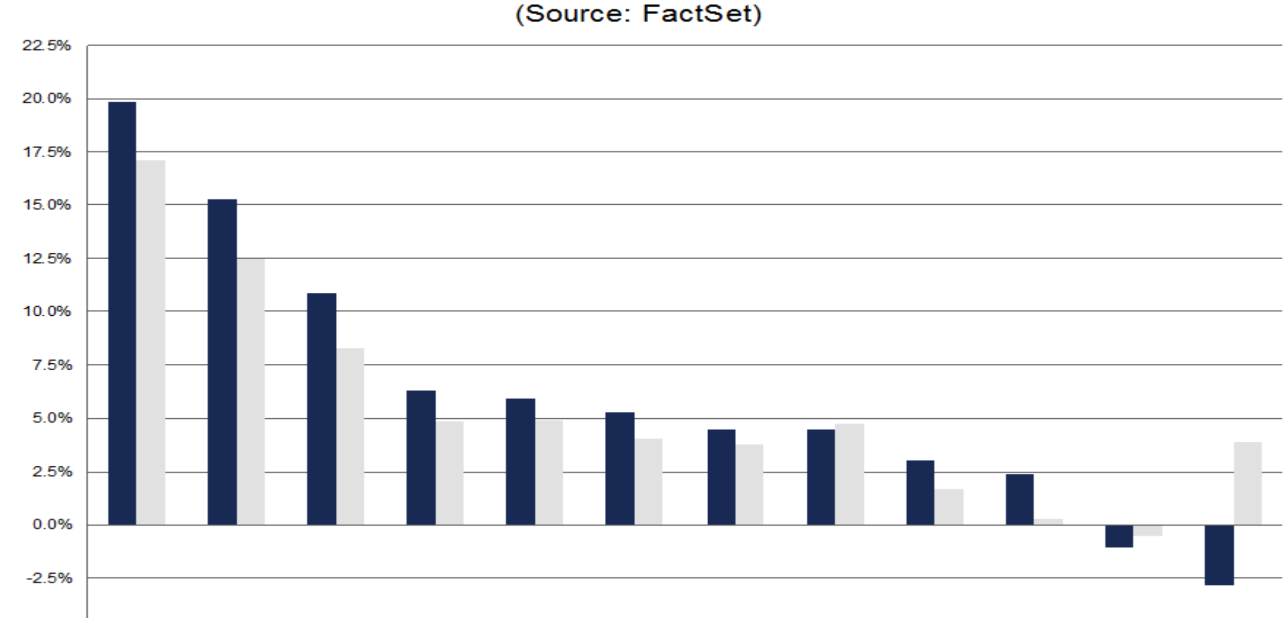




Q3 2017: Growth

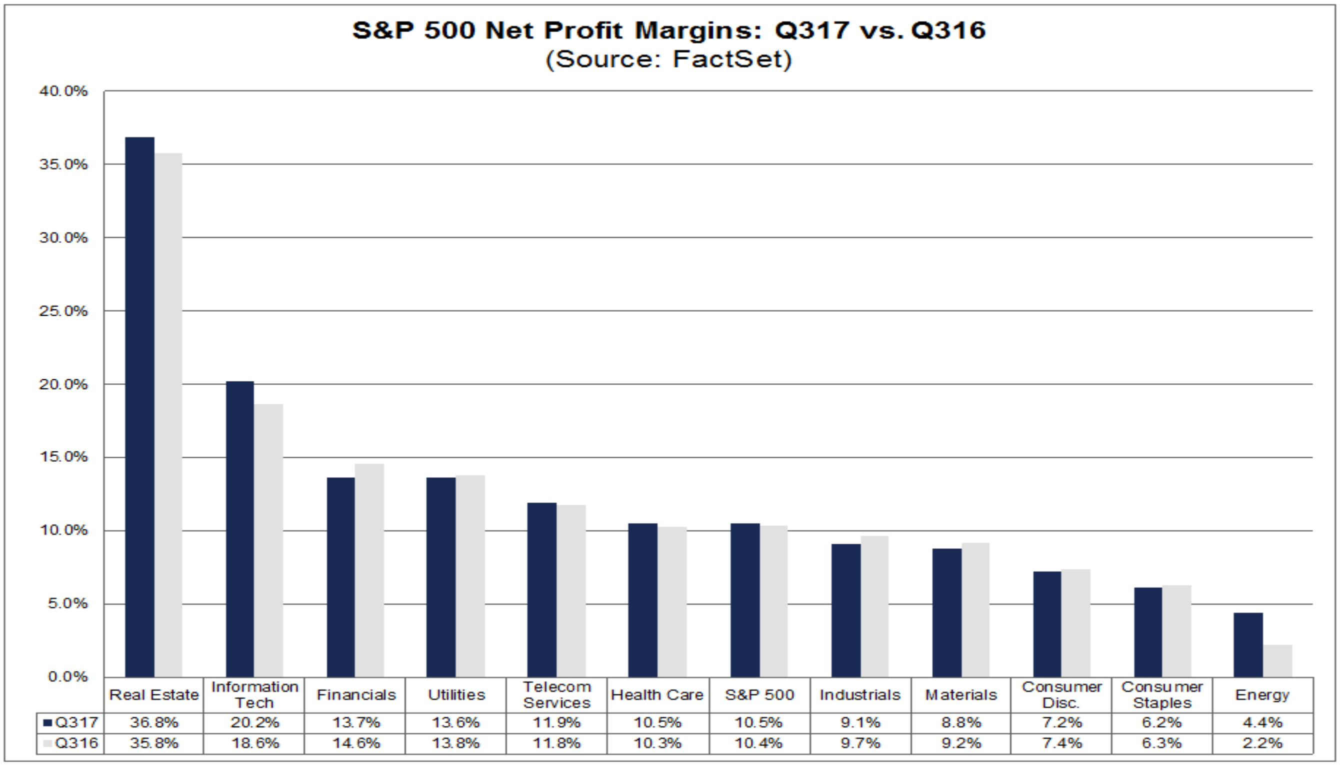


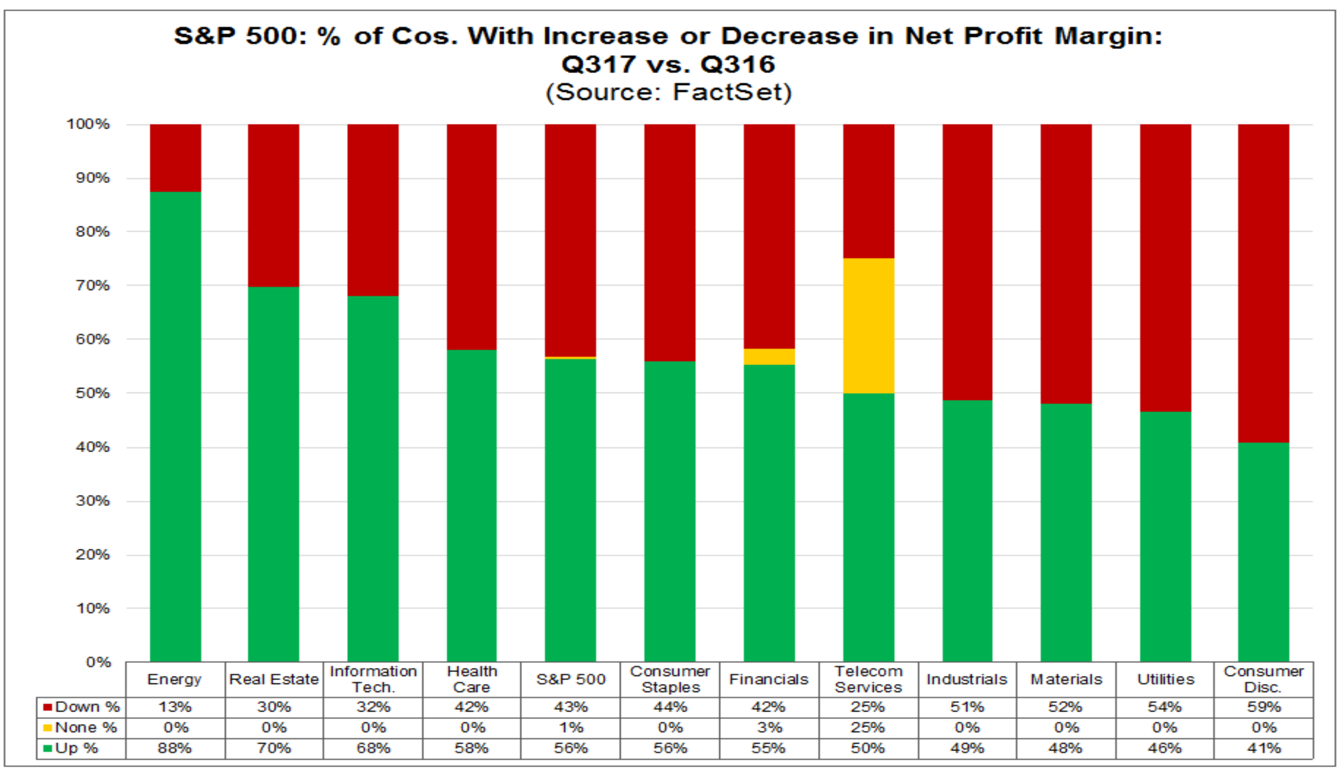
	Energy	Info. Technology	Materials	Real Estate	Health Care	S&P 500	Consumer Staples	Telecom Services	Consumer Disc.	Industrials	Utilities	Financials
Today	135.1%	20.1%	10.6%	8.5%	6.8%	6.4%	2.7%	0.2%	0.1%	0.0%	-4.0%	-8.3%
30-Sep	109.6%	8.9%	0.5%	6.8%	2.5%	3.1%	1.0%	-1.3%	-2.8%	2.4%	-2.4%	-5.1%



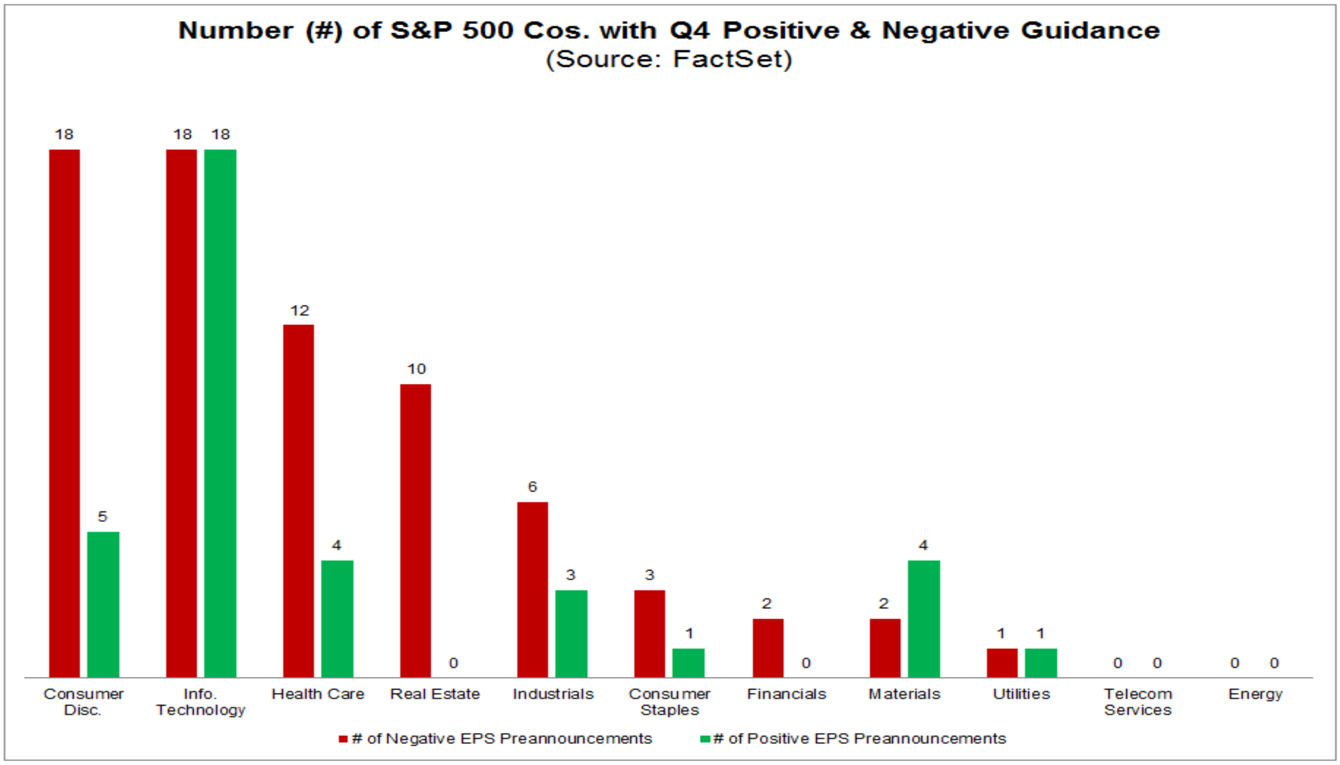
	Energy	Materials	Info. Technology	Industrials	S&P 500	Real Estate	Consumer Staples	Health Care	Consumer Disc.	Financials	Telecom Services	Utilities
Today	19.8%	15.3%	10.8%	6.3%	6.0%	5.3%	4.5%	4.5%	3.0%	2.4%	-1.0%	-2.8%
30-Sep	17.1%	12.5%	8.2%	4.9%	4.9%	4.1%	3.8%	4.8%	1.7%	0.3%	-0.5%	3.9%

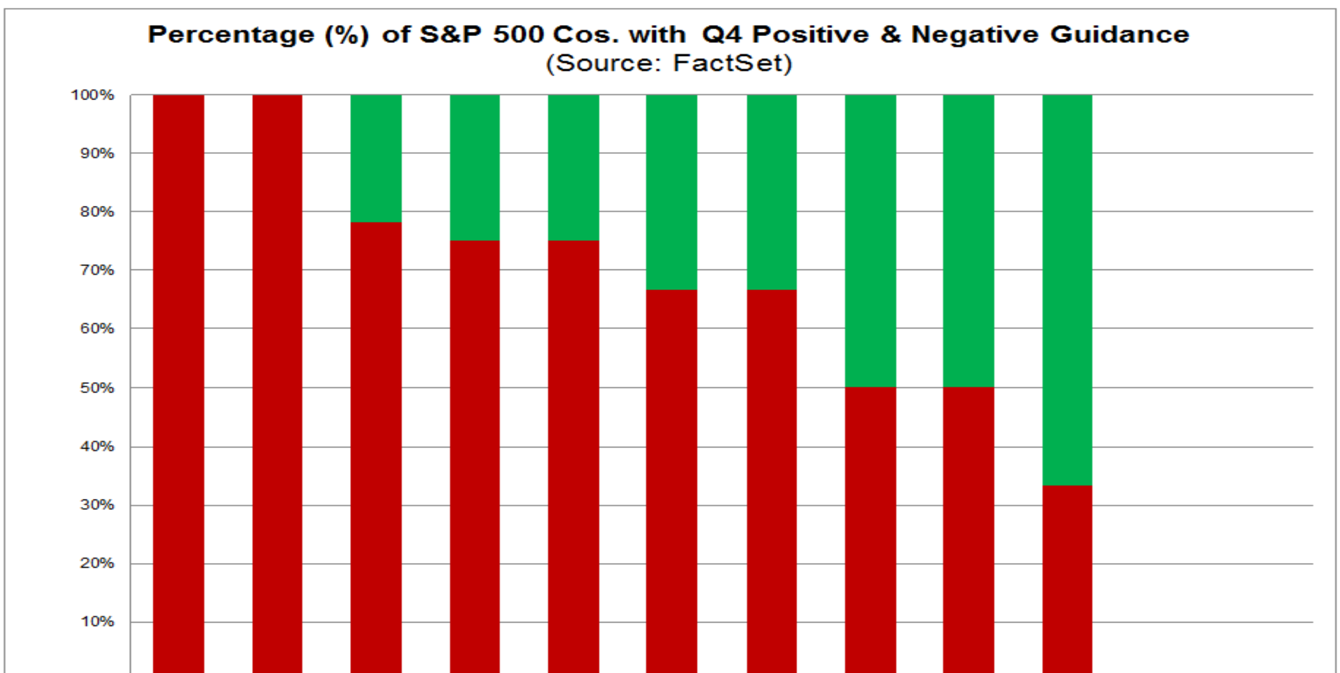
Q3 2017: Net Profit Margin





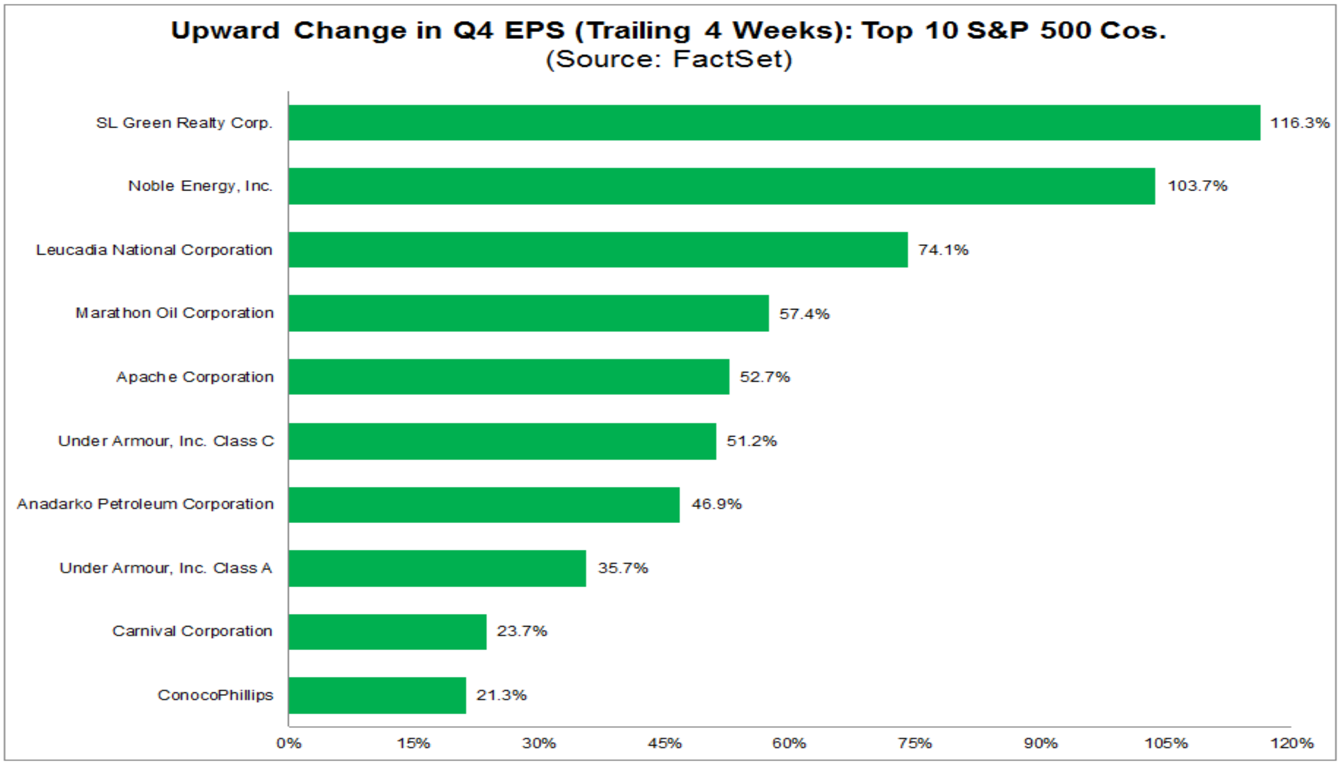
Q4 2017: Guidance

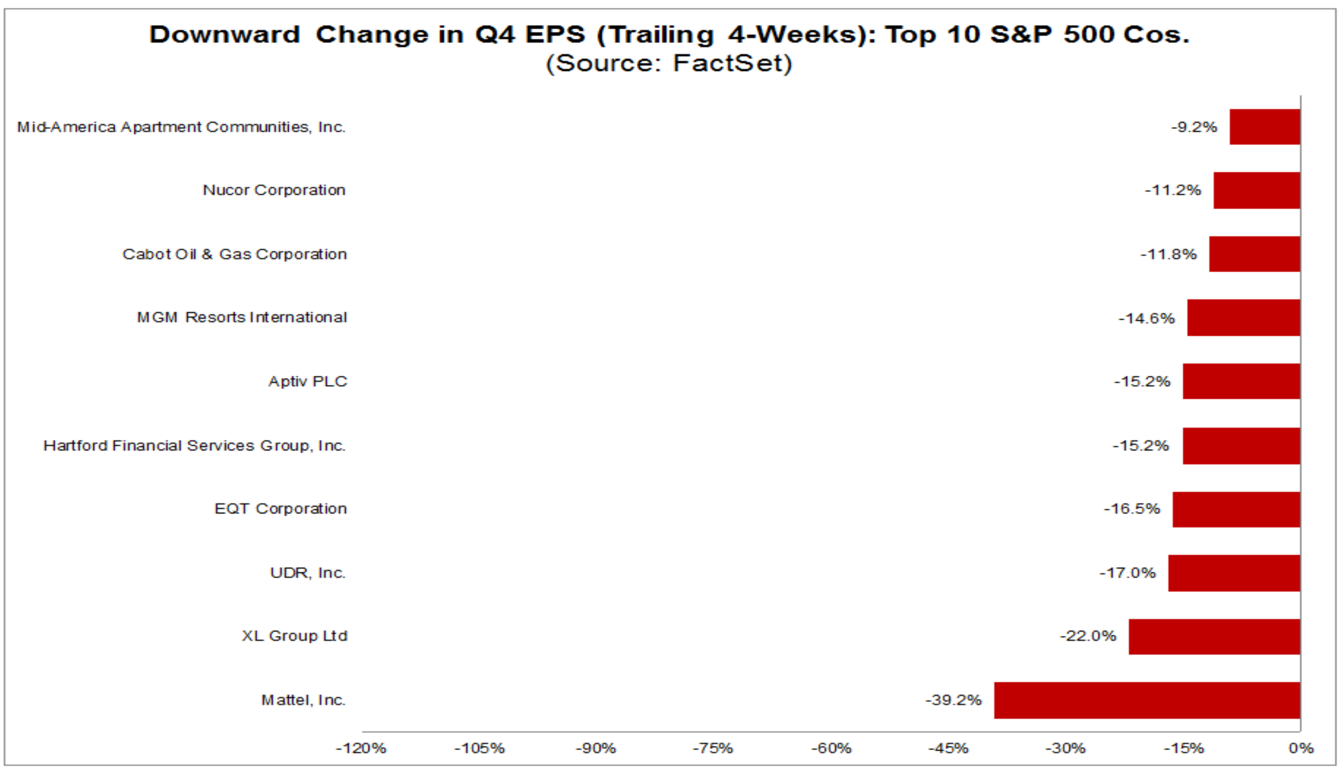




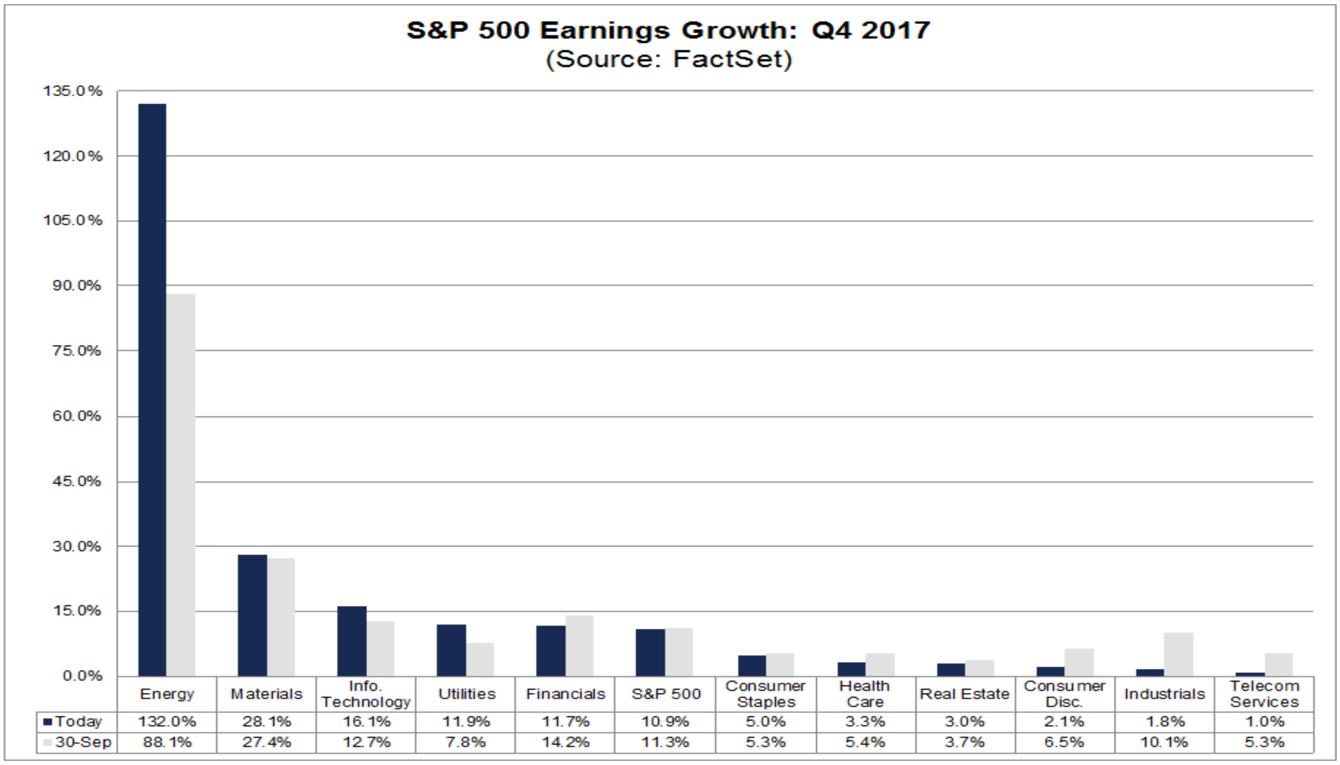
	Real Estate	Financials	Consumer Disc.	Health Care	Consumer Staples	S&P 500	Industrials	Info. Technology	Utilities	Materials	Telecom Services	Energy
Positive	0%	0%	22%	25%	25%	33%	33%	50%	50%	67%	0%	0%
Negative	100%	100%	78%	75%	75%	67%	67%	50%	50%	33%	0%	0%

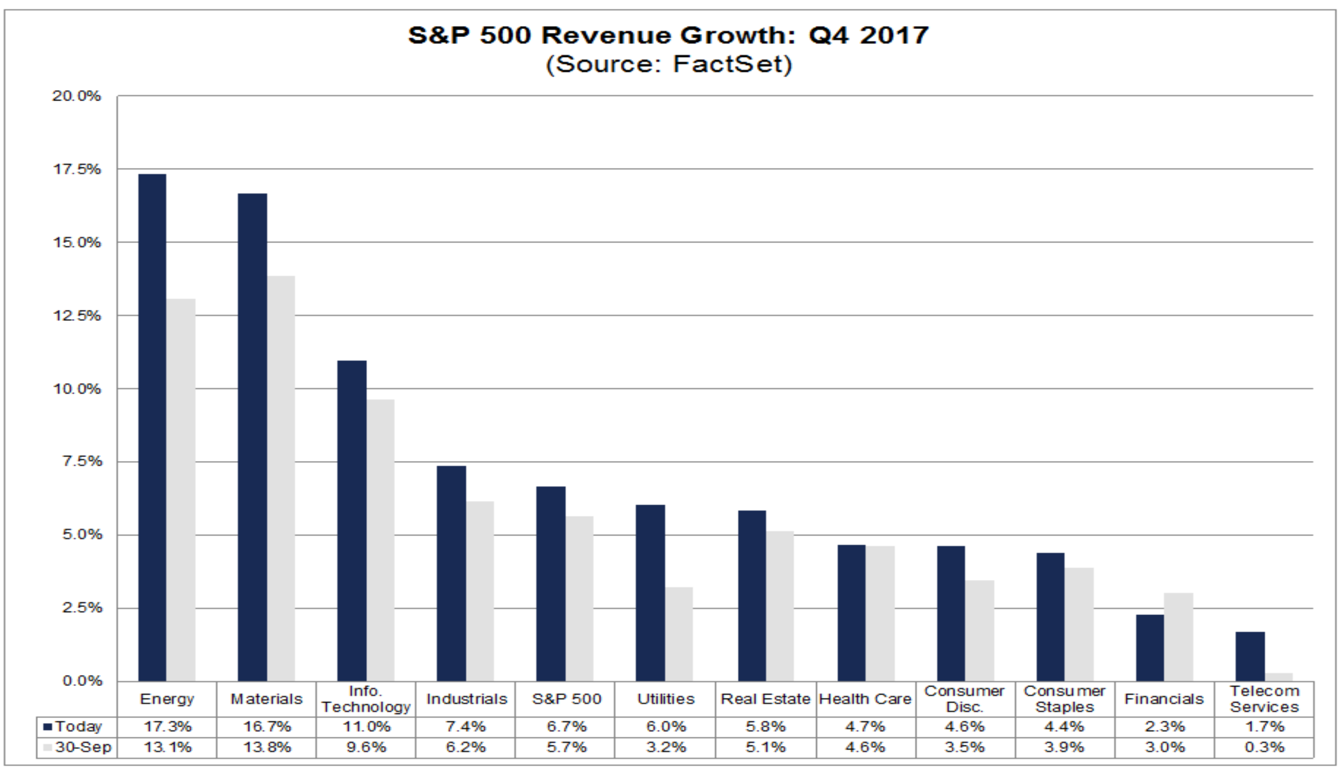
Q4 2017: EPS Revisions



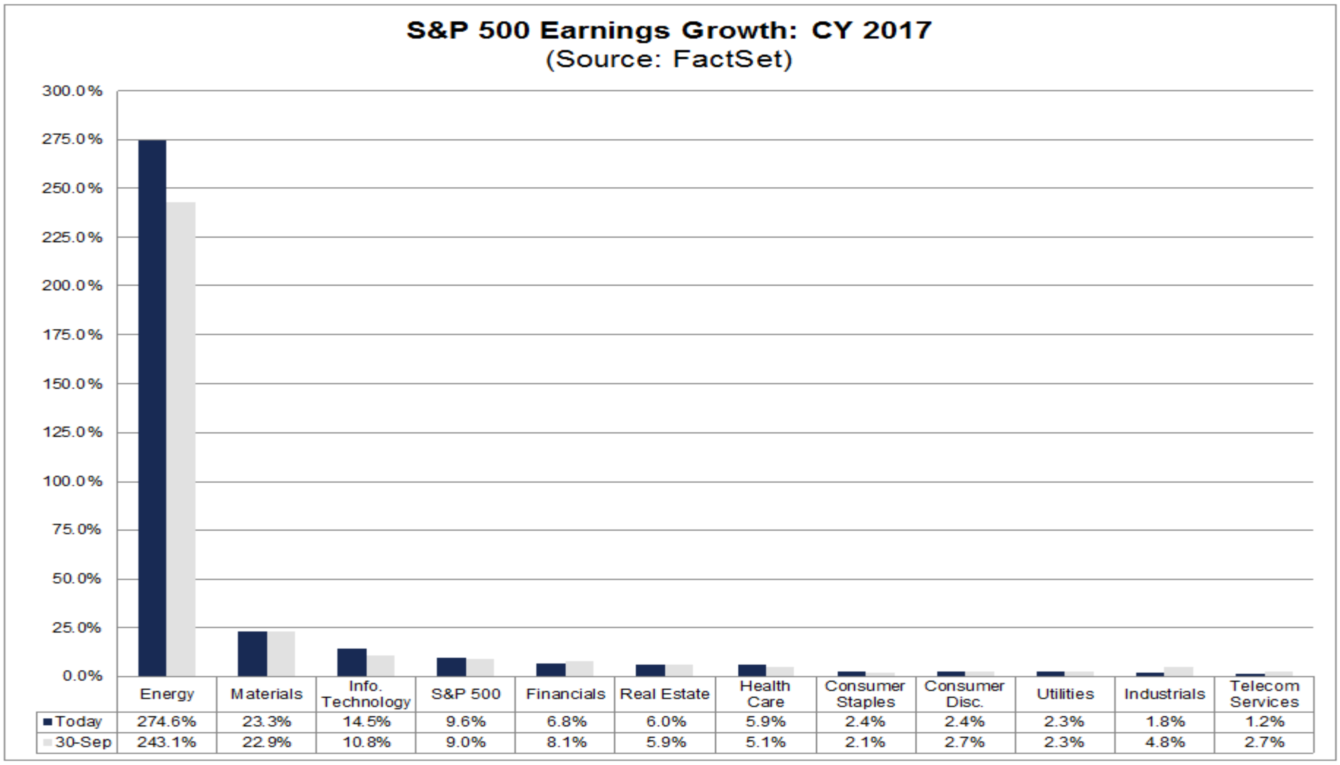


Q4 2017: Growth

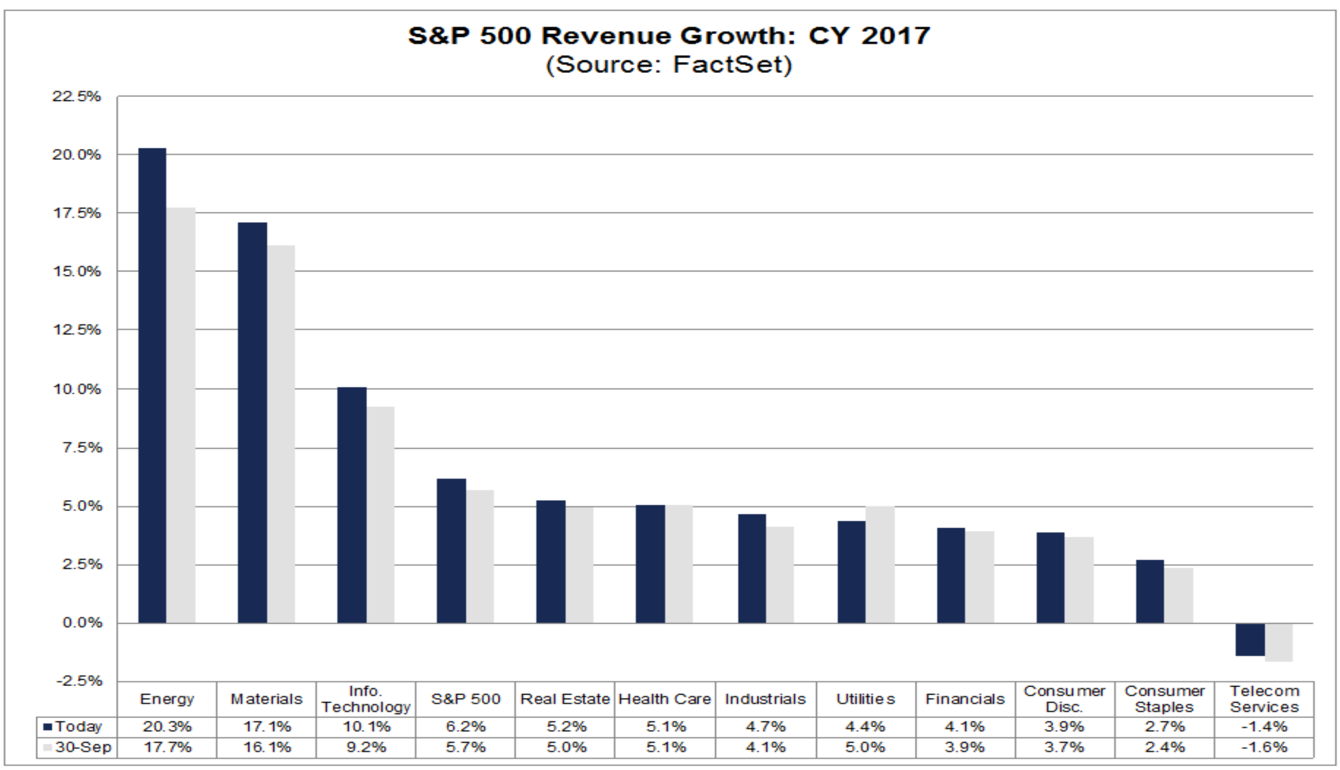




CY 2017: Growth

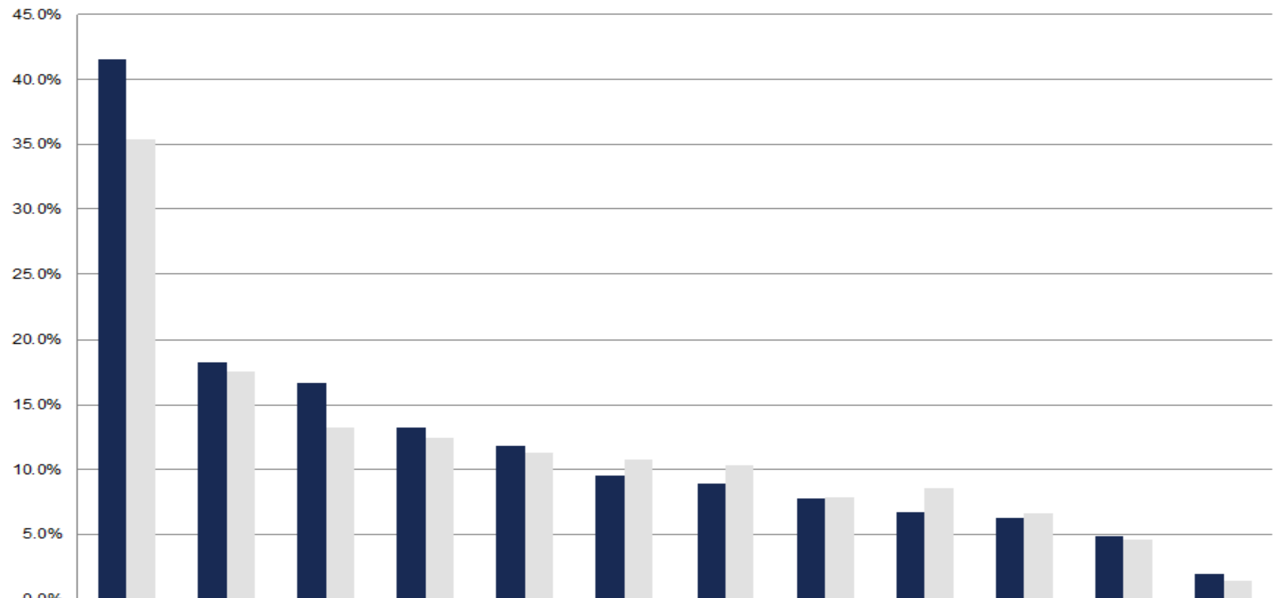


	Energy	Materials	Info. Technology	S&P 500	Financials	Real Estate	Health Care	Consumer Staples	Consumer Disc.	Utilities	Industrials	Telecom Services
Today	274.6%	23.3%	14.5%	9.6%	6.8%	6.0%	5.9%	2.4%	2.4%	2.3%	1.8%	1.2%
30-Sep	243.1%	22.9%	10.8%	9.0%	8.1%	5.9%	5.1%	2.1%	2.7%	2.3%	4.8%	2.7%

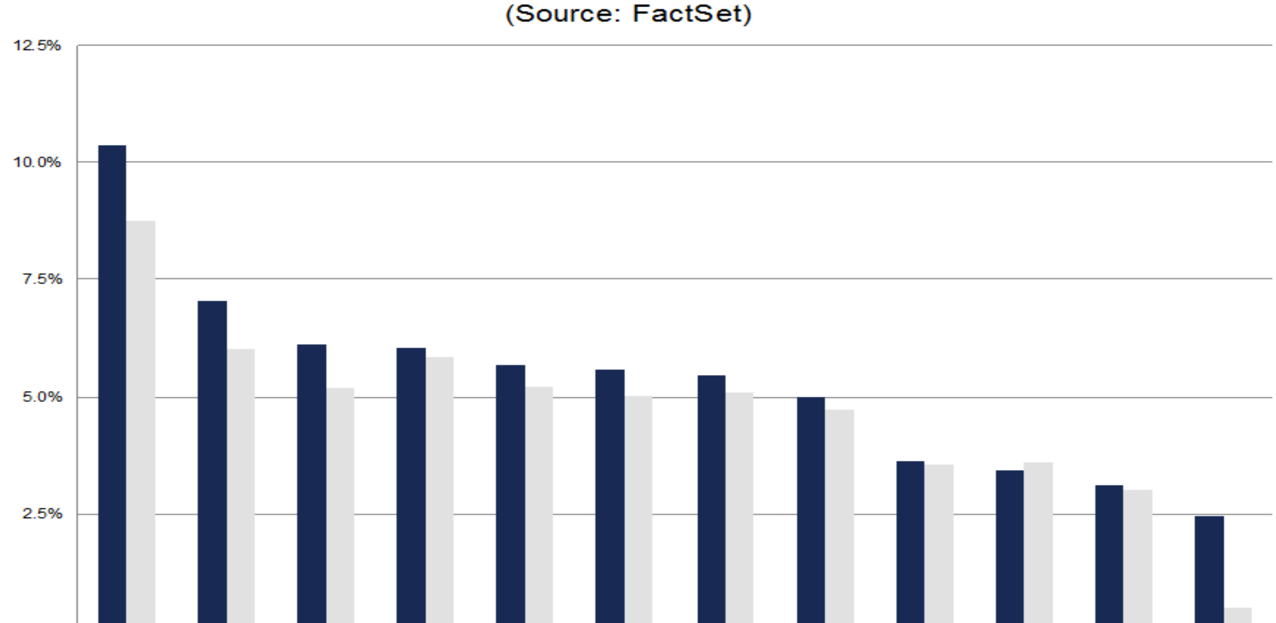


	Energy	Materials	Info. Technology	S&P 500	Real Estate	Health Care	Industrials	Utilities	Financials	Consumer Disc.	Consumer Staples	Telecom Services
Today	20.3%	17.1%	10.1%	6.2%	5.2%	5.1%	4.7%	4.4%	4.1%	3.9%	2.7%	-1.4%
30-Sep	17.7%	16.1%	9.2%	5.7%	5.0%	5.1%	4.1%	5.0%	3.9%	3.7%	2.4%	-1.6%

CY 2018: Growth



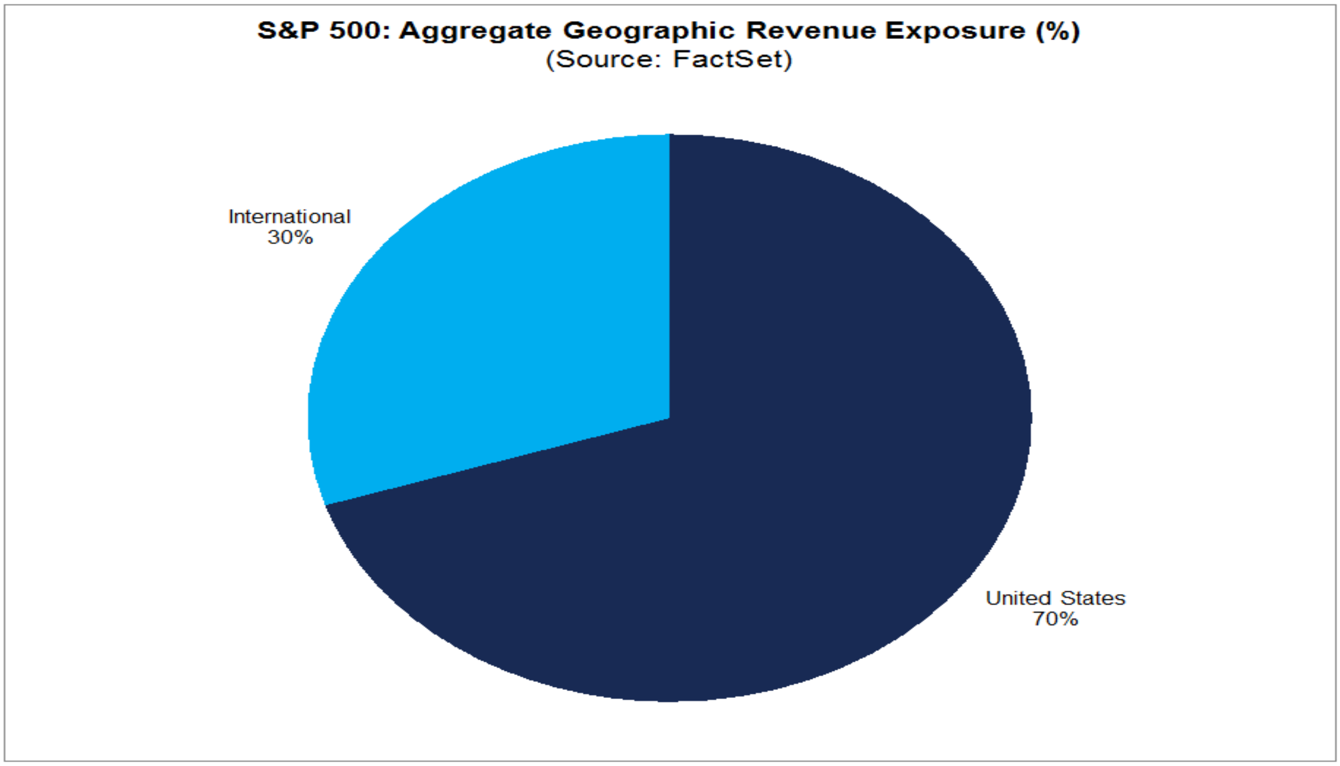
	Energy	Materials	Financials	Info. Technology	S&P 500	Industrials	Consumer Disc.	Consumer Staples	Health Care	Real Estate	Utilities	Telecom Services
Today	41.5%	18.3%	16.7%	13.2%	11.8%	9.6%	9.0%	7.8%	6.8%	6.3%	4.9%	2.0%
30-Sep	35.4%	17.6%	13.3%	12.4%	11.3%	10.8%	10.4%	7.9%	8.6%	6.7%	4.6%	1.5%

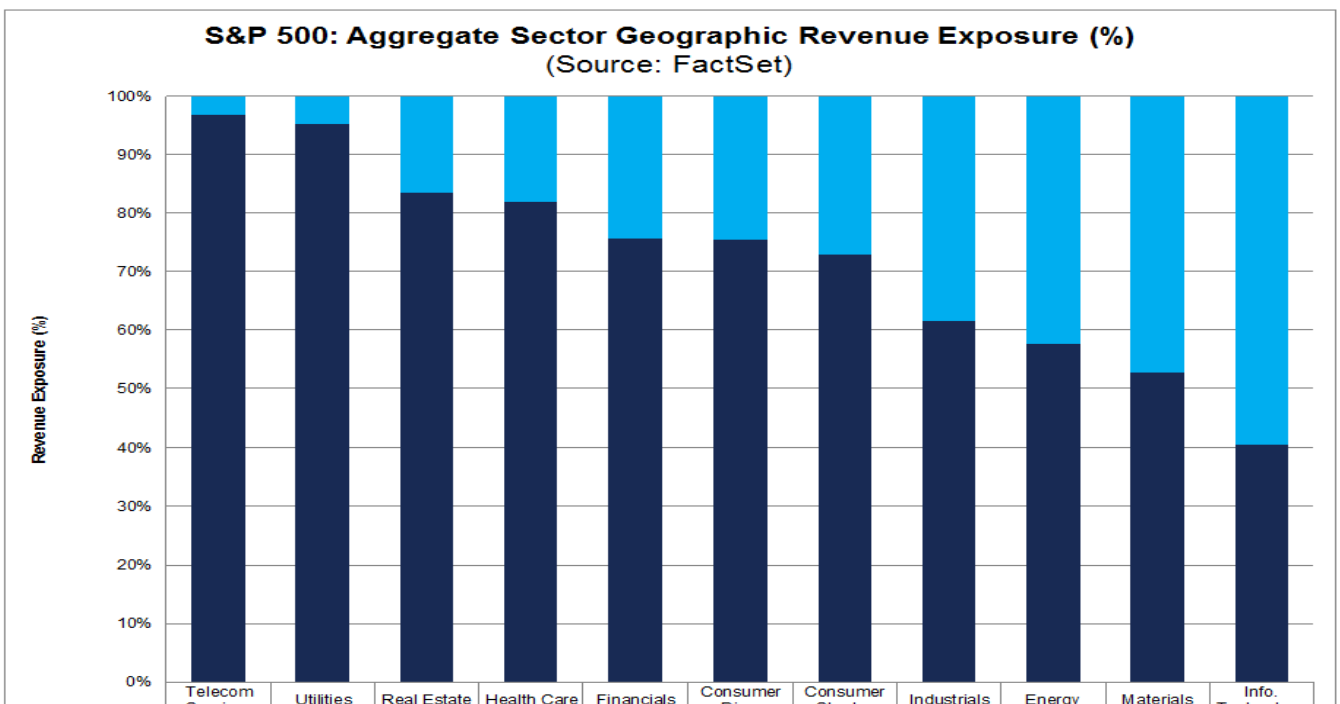


	Info. Technology	Energy	Consumer Disc.	Real Estate	Health Care	S&P 500	Materials	Industrials	Consumer Staples	Financials	Utilities	Telecom Services
Today	10.4%	7.0%	6.1%	6.0%	5.7%	5.6%	5.5%	5.0%	3.6%	3.4%	3.1%	2.5%
30-Sep	8.8%	6.0%	5.2%	5.8%	5.2%	5.0%	5.1%	4.7%	3.6%	3.6%	3.0%	0.5%

FACTSET

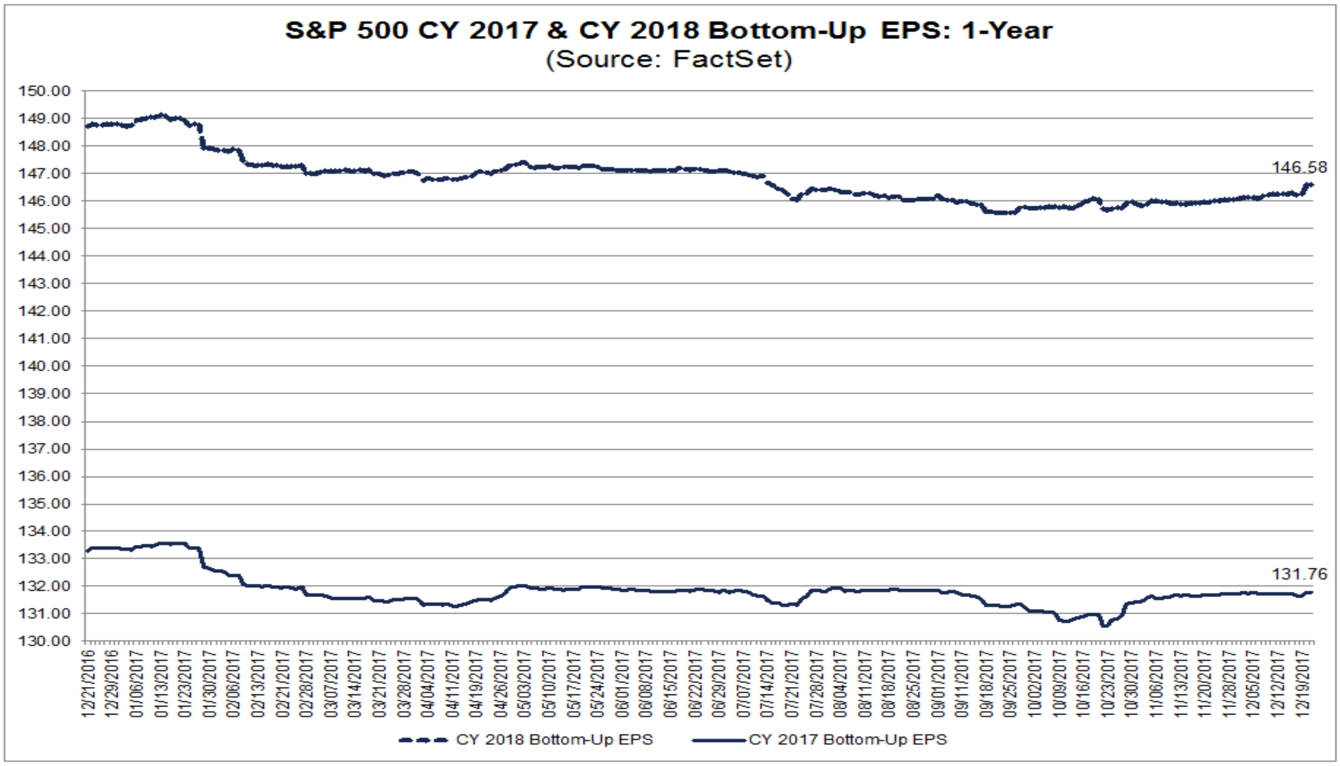
Geographic Revenue Exposure

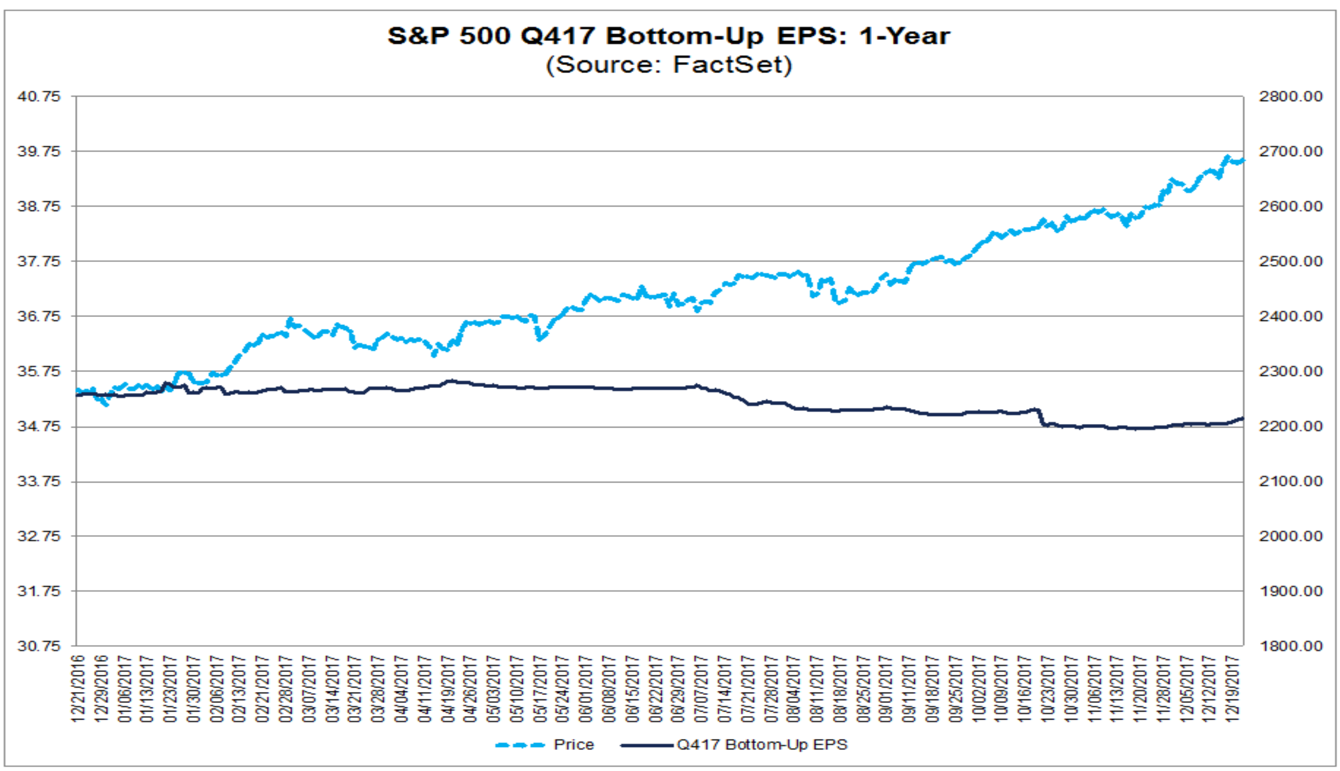




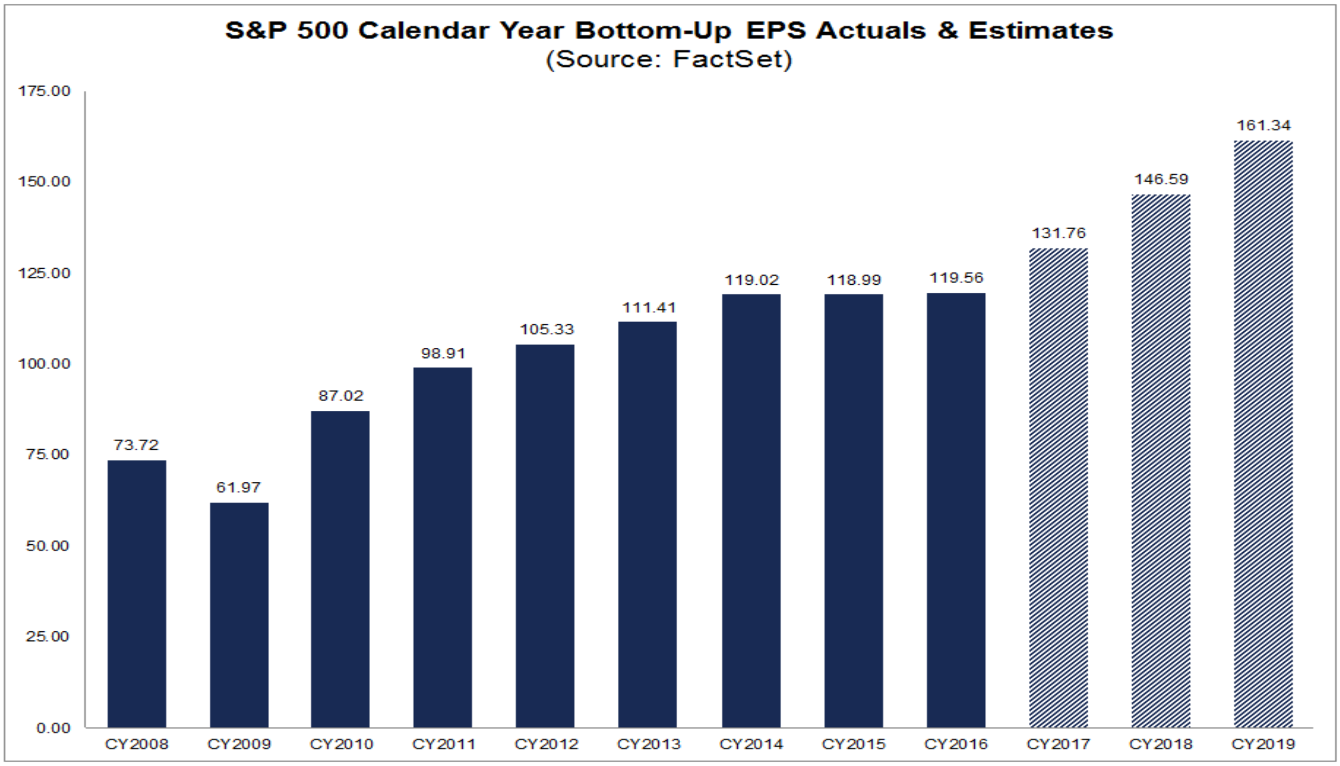
	Telecom Services	Utilities	Real Estate	Health Care	Financials	Consumer Disc.	Consumer Staples	Industrials	Energy	Materials	Info. Technology
International	3%	5%	17%	18%	24%	24%	27%	38%	42%	47%	60%
United States	97%	95%	83%	82%	76%	76%	73%	62%	58%	53%	40%

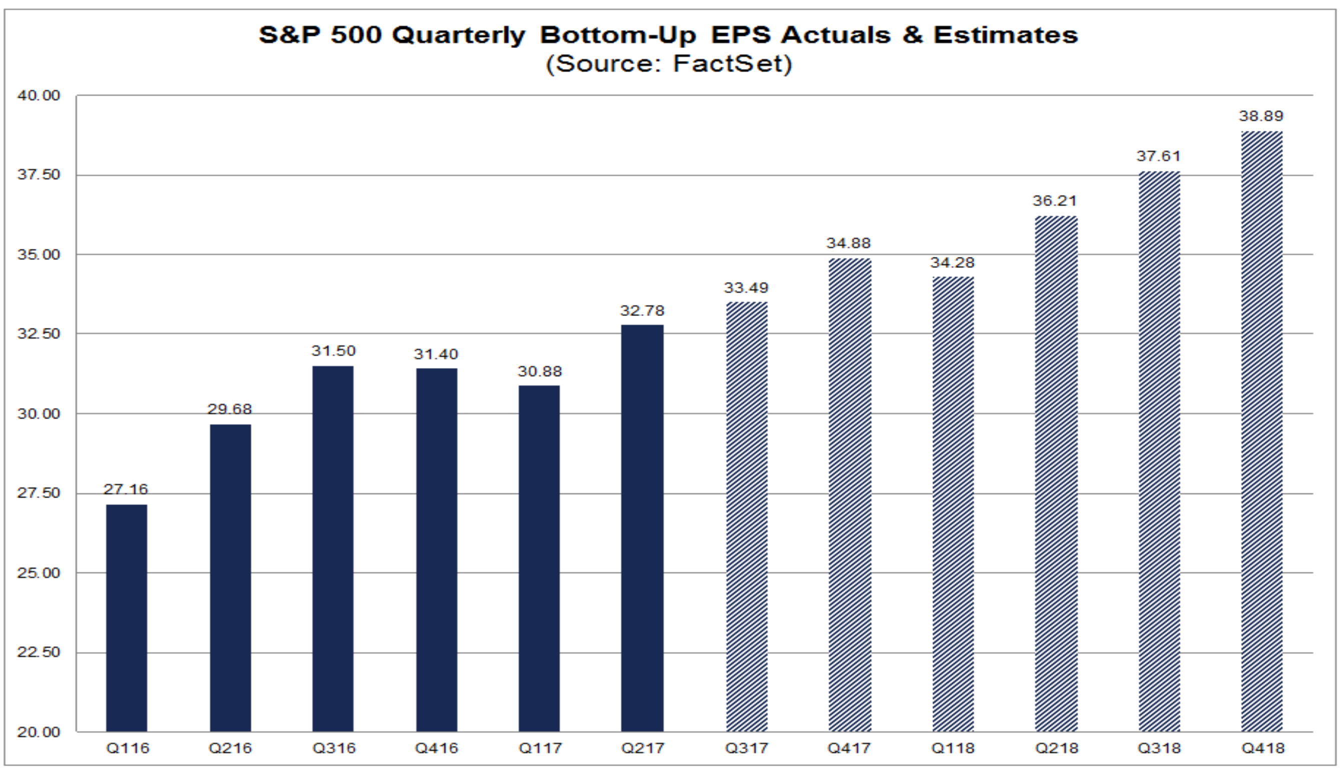
Bottom-up EPS Estimates: Revisions



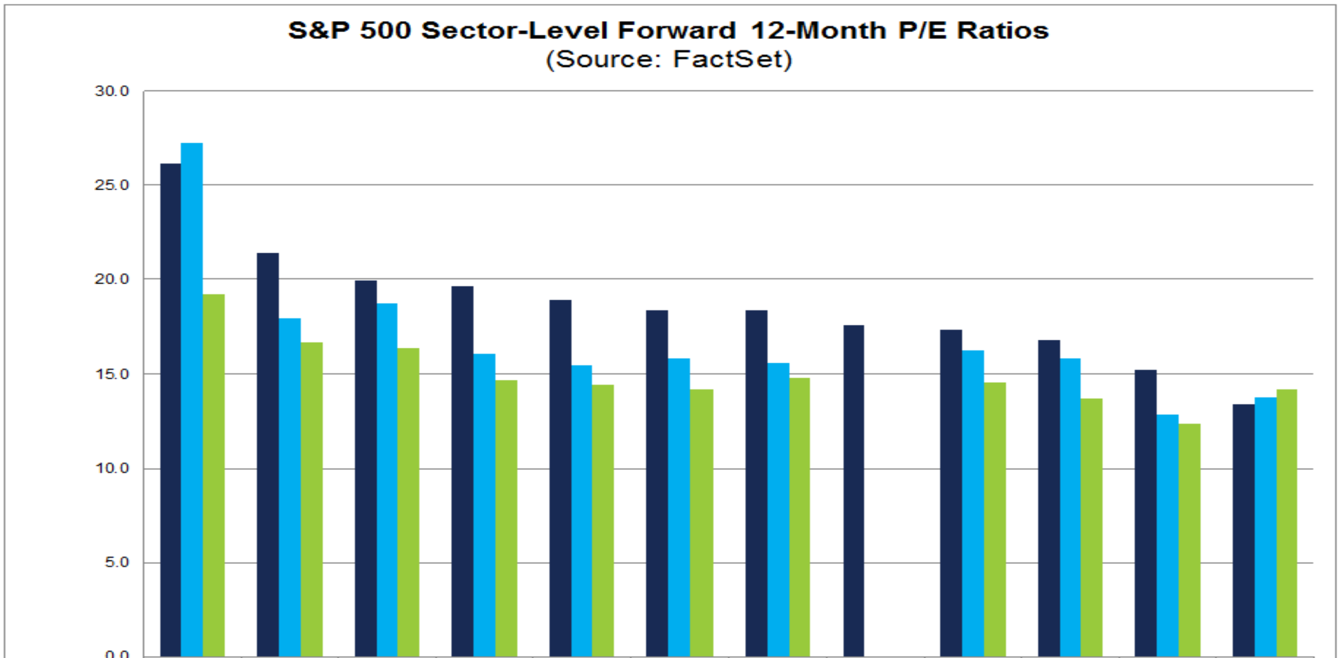


Bottom-up EPS Estimates: Current & Historical

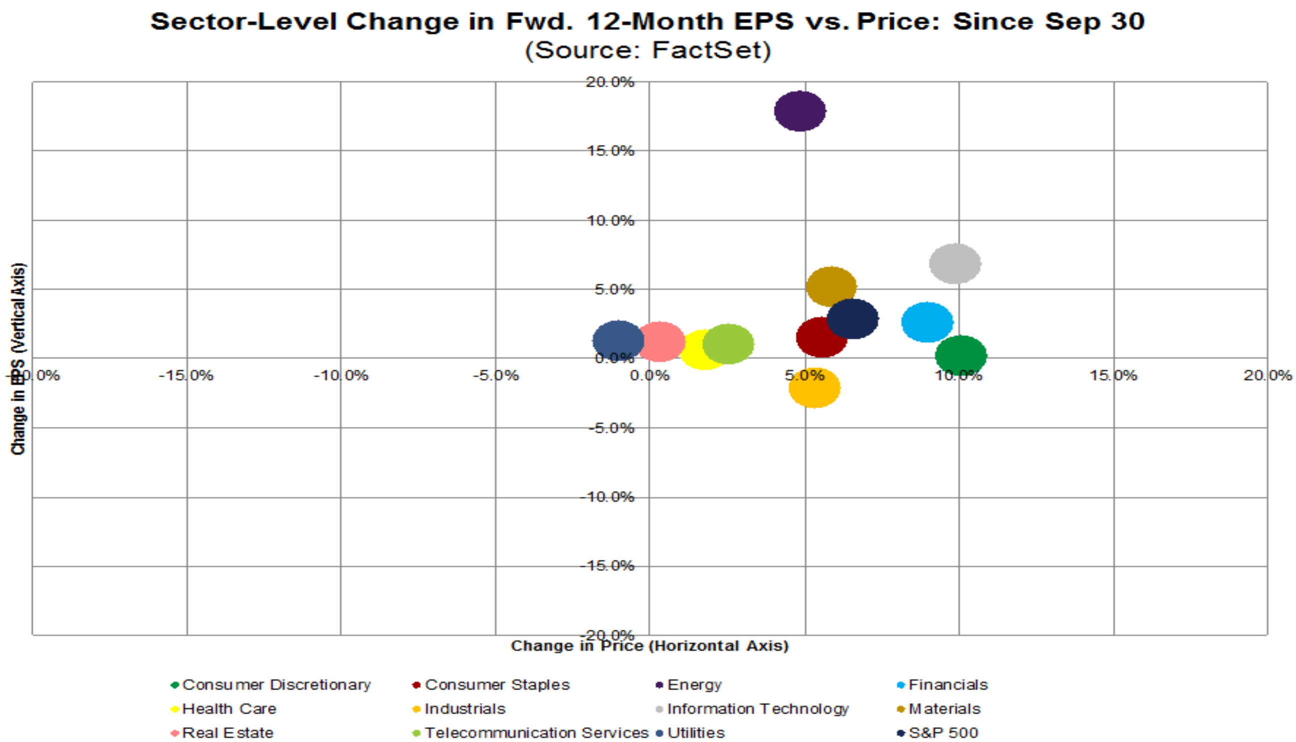




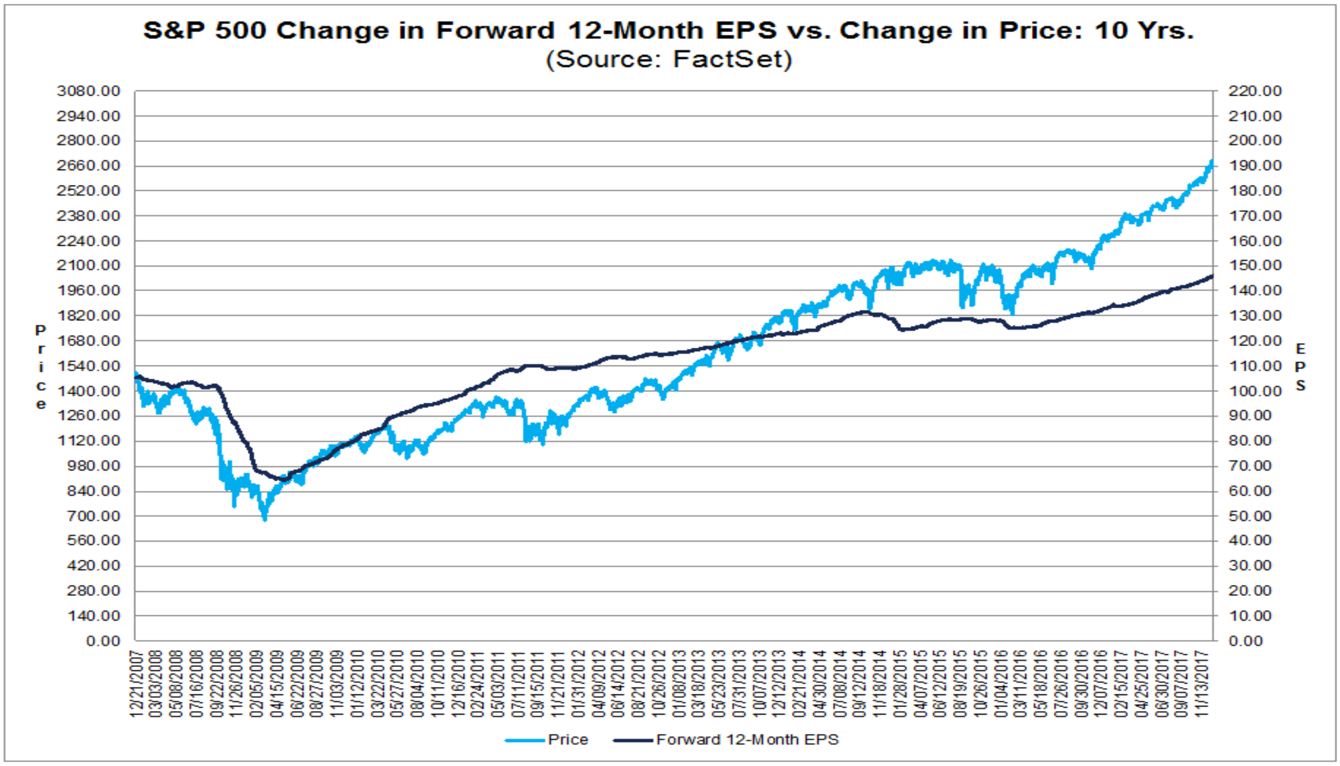
Forward 12M P/E Ratio: Sector Level

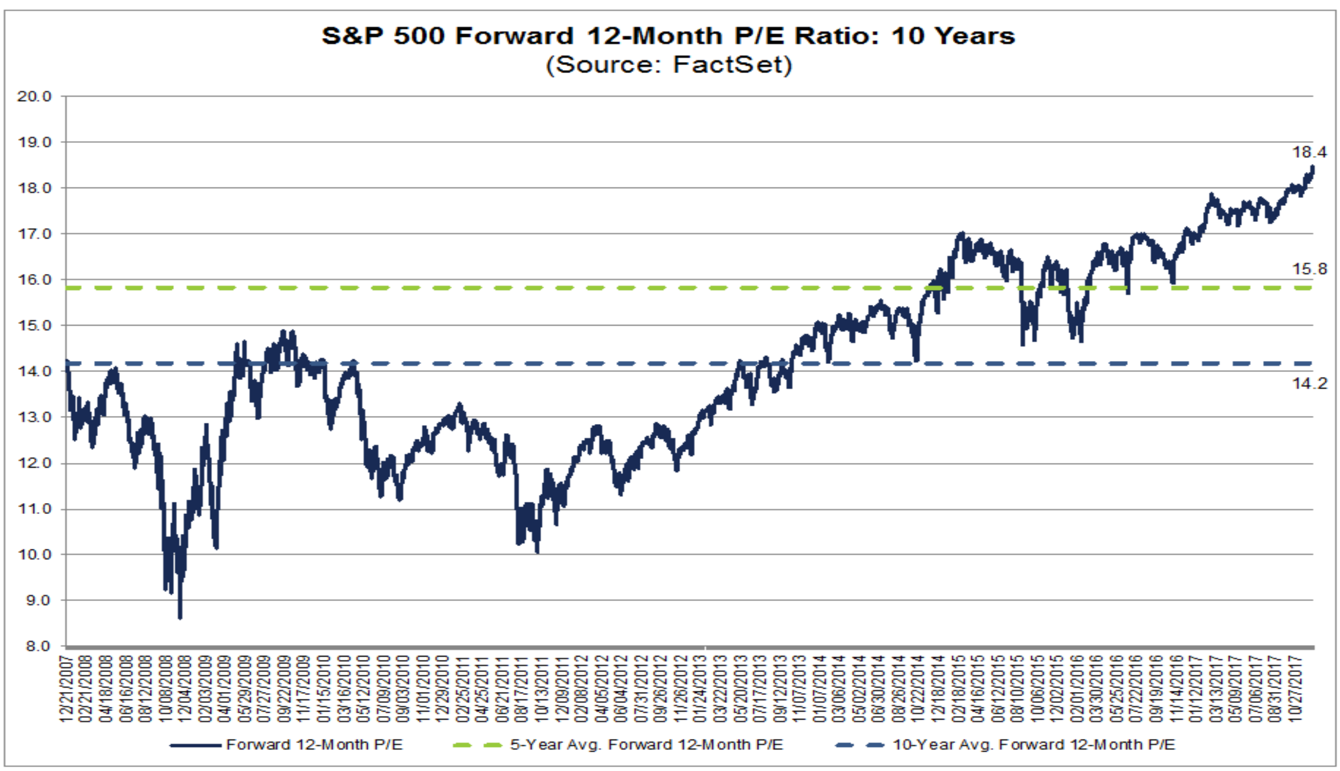


	Energy	Consumer Disc.	Consumer Staples	Industrials	Info. Technology	S&P 500	Materials	Real Estate	Utilities	Health Care	Financials	Telecom Services
Fwd P/E	26.2	21.4	19.9	19.6	18.9	18.4	18.4	17.6	17.3	16.8	15.2	13.4
5-Yr Avg.	27.3	18.0	18.7	16.0	15.4	15.8	15.6		16.2	15.8	12.9	13.7
10-Yr Avg.	19.2	16.7	16.4	14.6	14.4	14.2	14.7		14.5	13.6	12.4	14.1

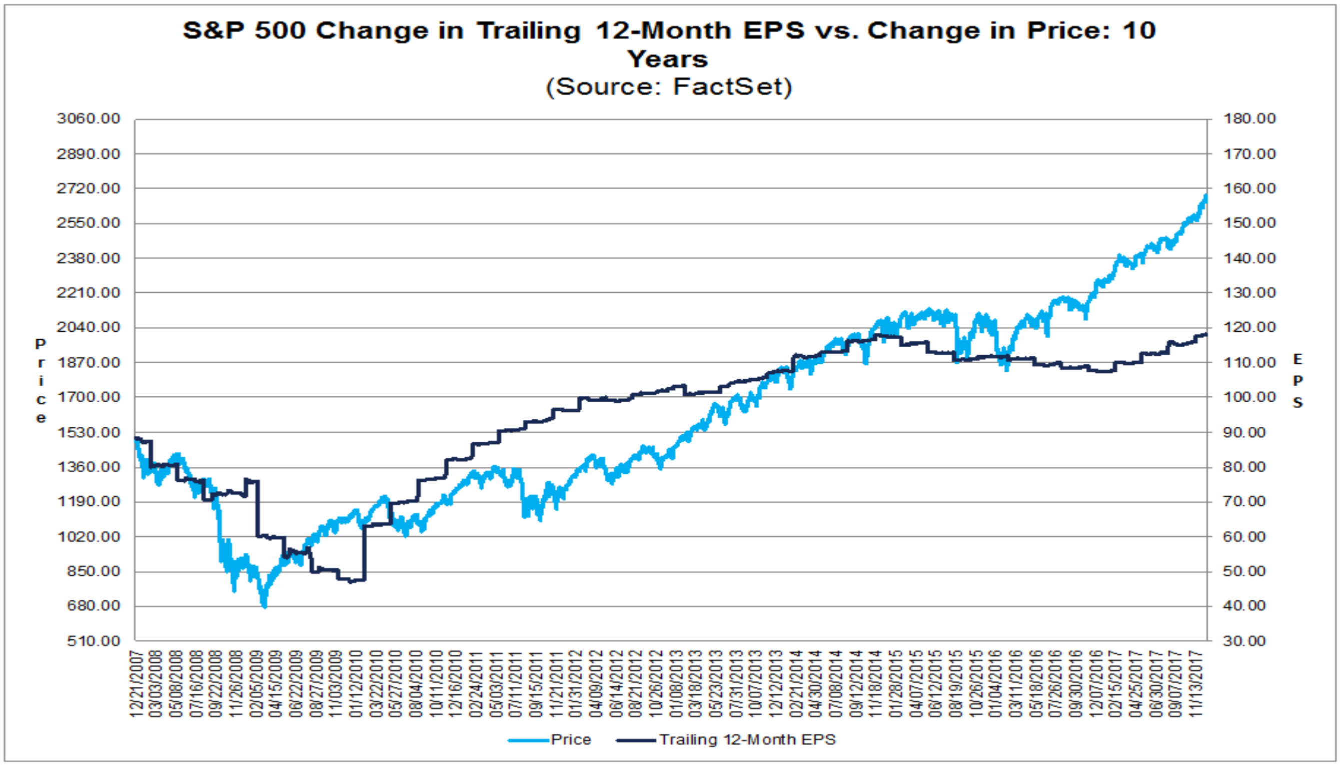


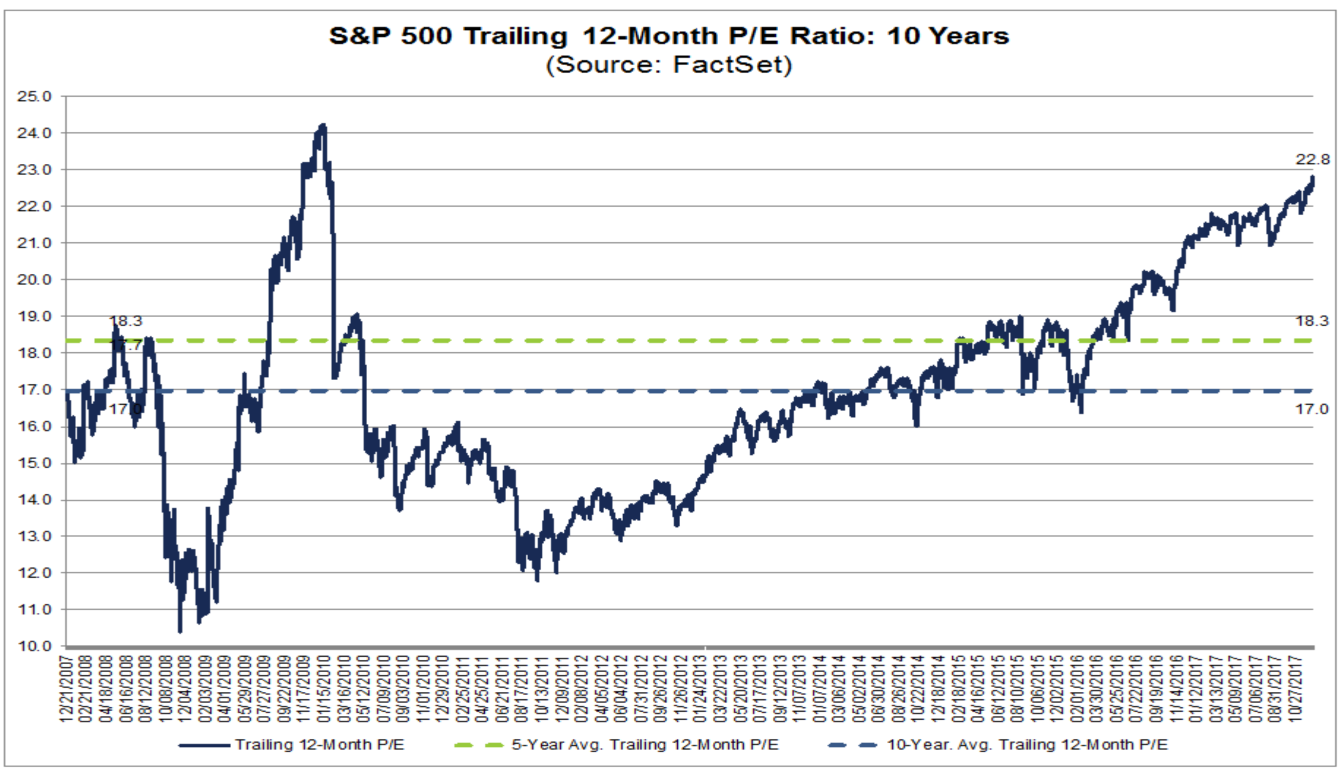
Forward 12M P/E Ratio: Long-Term Averages



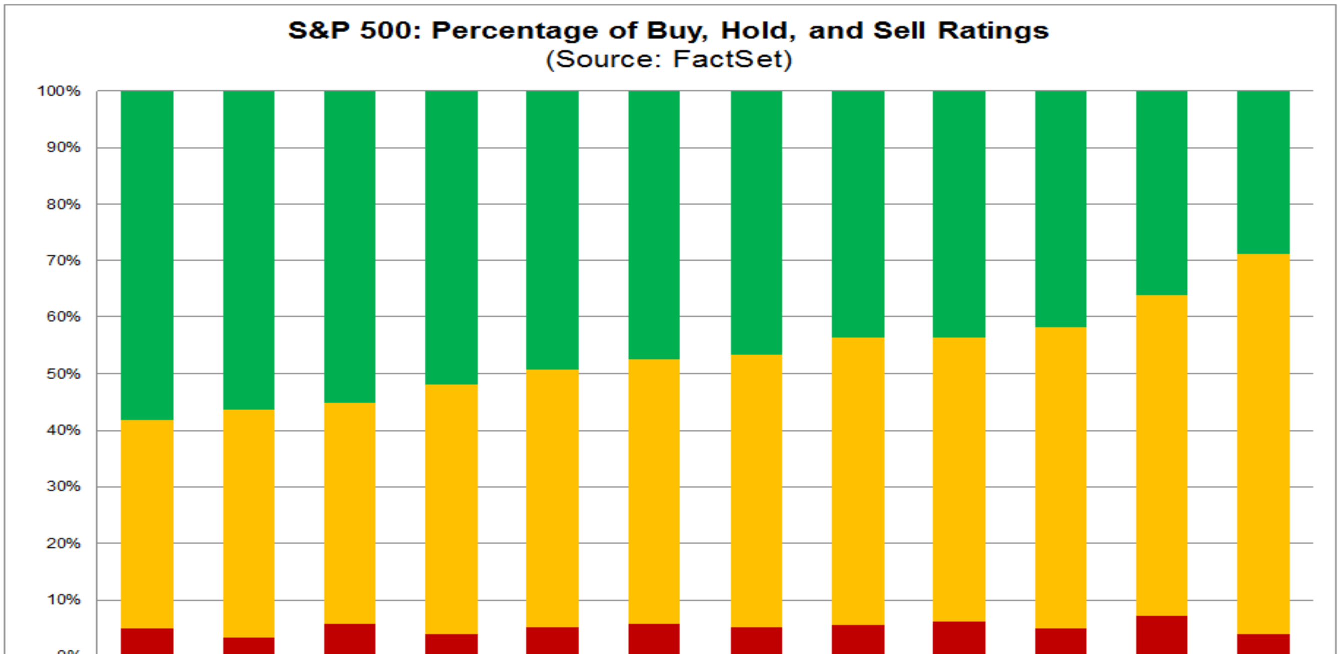


Trailing 12M P/E Ratio: Long-Term Averages

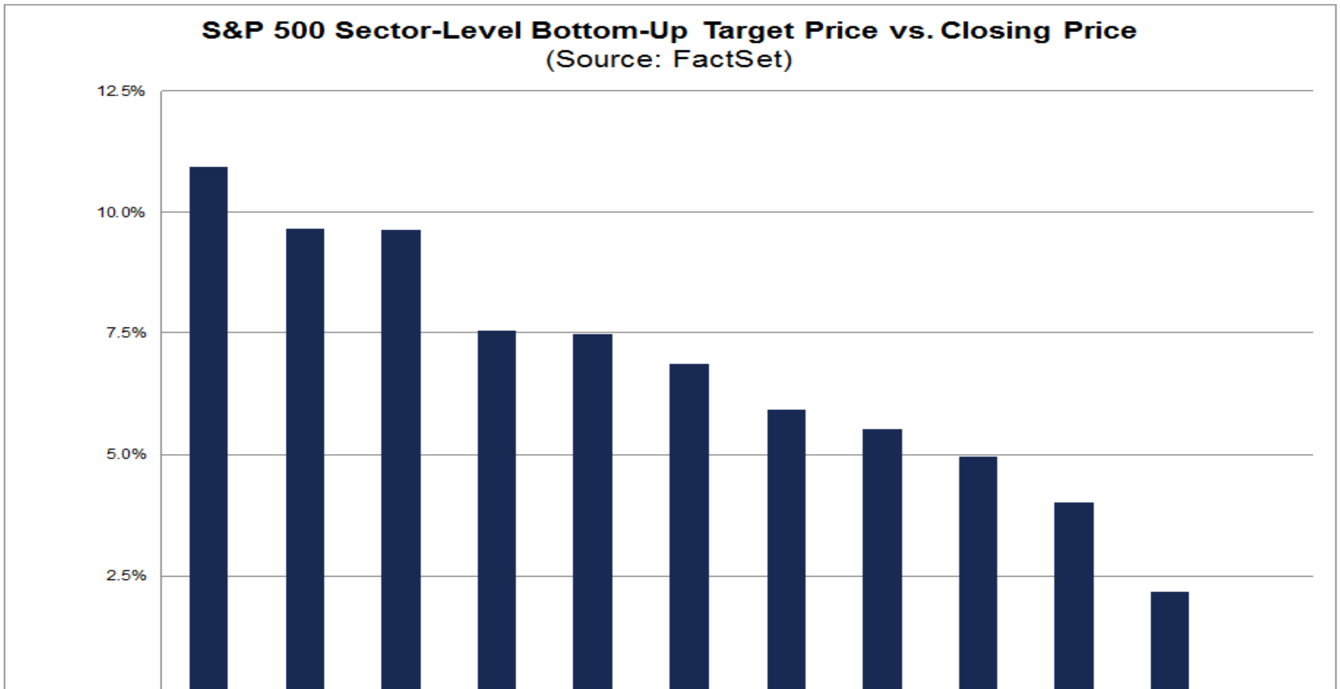




Targets & Ratings



	Info. Tech.	Health Care	Energy	Materials	S&P 500	Consumer Disc.	Industrials	Consumer Staples	Financials	Real Estate	Utilities	Telecom Services
Buy	58%	57%	55%	52%	49%	48%	47%	44%	44%	42%	36%	29%
Hold	37%	40%	39%	44%	45%	47%	48%	51%	50%	53%	57%	67%
Sell	5%	3%	6%	4%	5%	6%	5%	6%	6%	5%	7%	4%



	Info. Tech.	Health Care	Real Estate	Materials	Utilities	S&P 500	Consumer Disc.	Consumer Staples	Energy	Industrials	Financials	Telecom Services
Target/Close	10.9%	9.7%	9.6%	7.5%	7.5%	6.9%	5.9%	5.5%	5.0%	4.0%	2.2%	-0.5%

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