

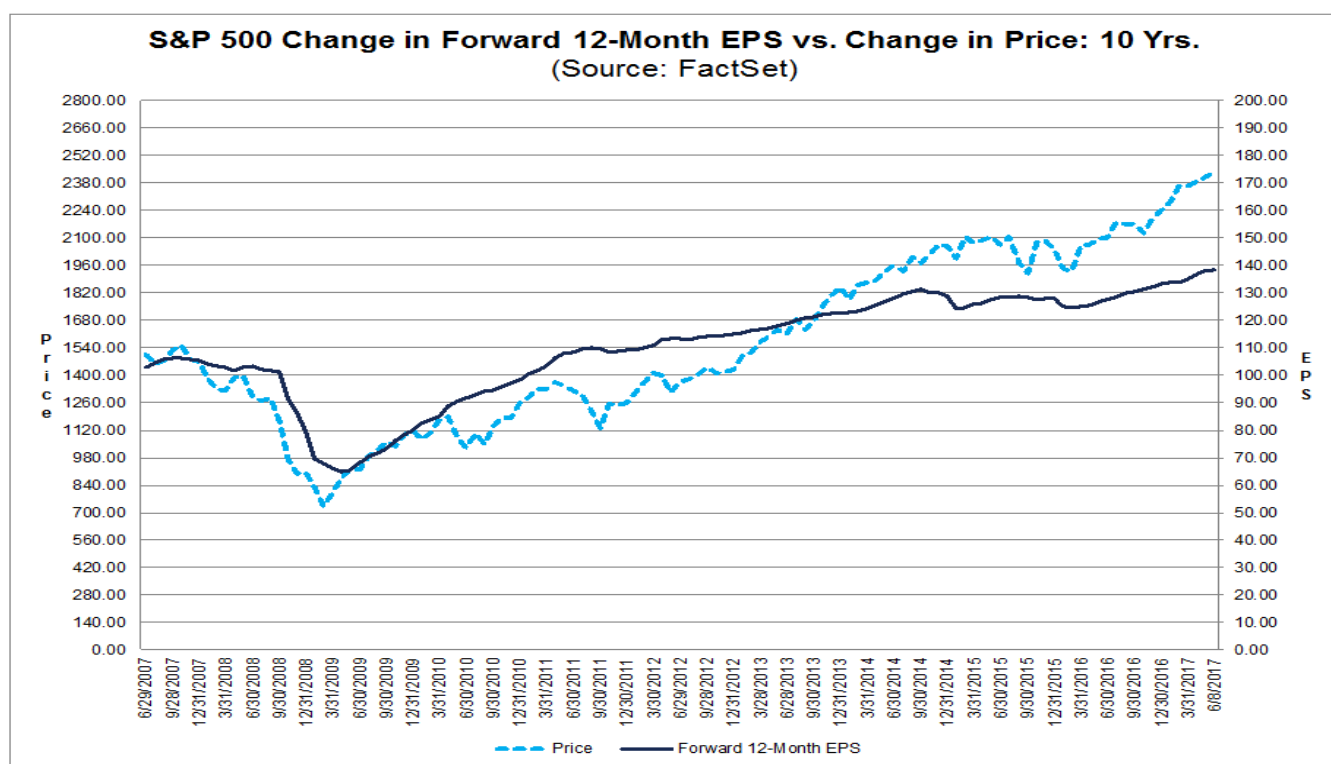
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Key Metrics

- **Earnings Growth:** For Q2 2017, the estimated earnings growth rate for the S&P 500 is 6.6%. Nine sectors are expected to report earnings growth for the quarter, led by the Energy sector
- **Earnings Revisions:** On March 31, the estimated earnings growth rate for Q2 2017 was 8.7%. Ten sectors have lower growth rates today (compared to March 31) due to downward revisions to earnings estimates, led by the Energy sector.
- **Earnings Guidance:** For Q2 2017, 75 S&P 500 companies have issued negative EPS guidance and 37 S&P 500 companies has issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.7. This P/E ratio is above the 5-year average (15.3) and the 10-year average (14.0).
- **Earnings Scorecard:** As of today (with 99.6% of the companies in the S&P 500 reporting actual results for Q1 2017), 75% of S&P 500 companies have beat the mean EPS estimate and 64% of S&P 500 companies have beat the mean sales estimate.



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Topic of the Week: 1

Highest Number of Positive EPS Preannouncements Issued by S&P 500 since 2012

For the second quarter, 75 companies in the S&P 500 have issued negative EPS guidance and 37 companies in the S&P 500 have issued positive EPS guidance.

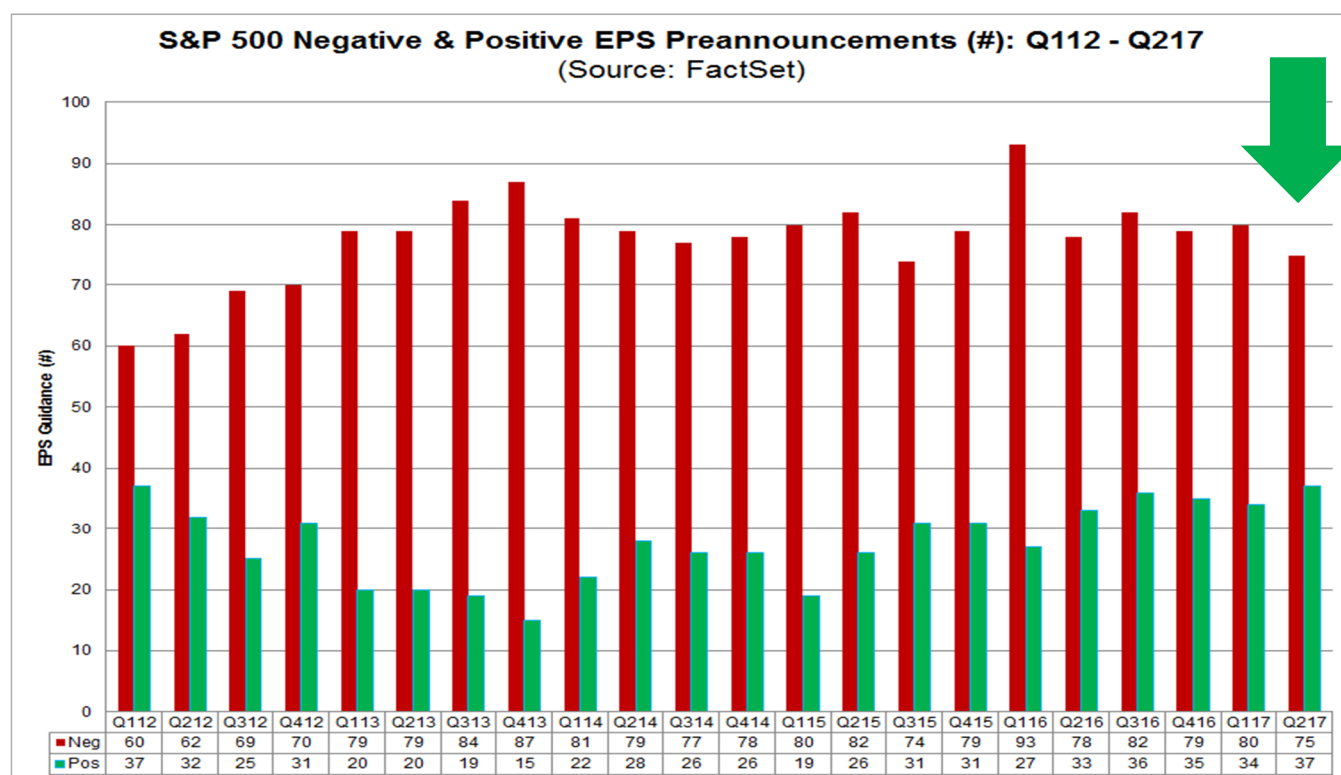
While the number of companies issuing negative EPS is slightly below the 5-year average (79), the number of companies issuing positive EPS guidance is well above the 5-year average (27). If 37 is the final number for the quarter, it will mark the highest number of S&P 500 companies issuing positive EPS guidance since Q1 2012 (also 37).

What is driving the high number of positive preannouncements for the second quarter? At the sector level, the Information Technology and Health Care sectors have the highest number of companies issuing positive EPS guidance for the quarter.

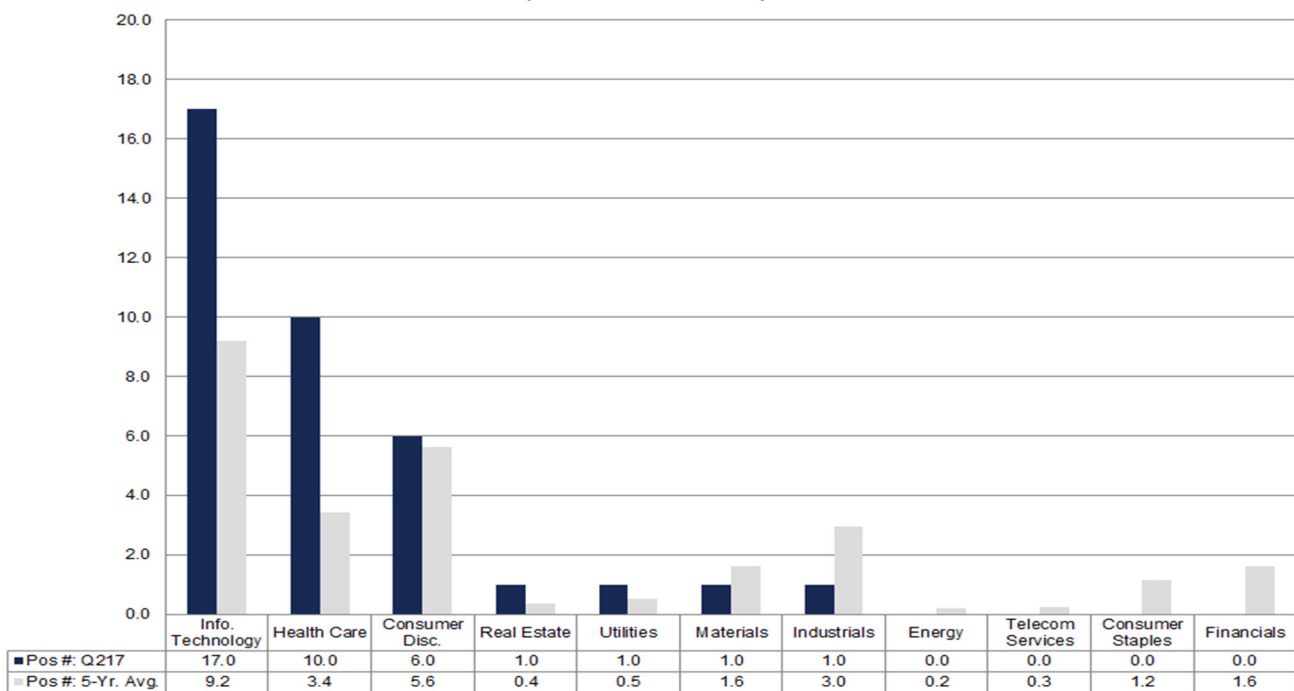
In the Information Technology sector, 17 companies have issued positive EPS guidance for the second quarter. This number is well above the 5-year average for the sector (9). If 17 is the final number for the quarter, it will mark the third highest number of companies issuing positive EPS guidance for this sector since FactSet began tracking EPS guidance in 2006. Nine of these 17 companies are in the Semiconductor & Semiconductor Equipment industry. This industry is projected to report the highest earnings growth (40%) of the seven industries in this sector.

In the Health Care sector, 10 companies have issued positive EPS guidance for the second quarter. This number is well above the 5-year average for the sector (3). If 10 is the final number for the quarter, it will mark the highest number of companies issuing positive EPS guidance for this sector since FactSet began tracking EPS guidance in 2006. Five of these 10 companies are in the Health Care Equipment & Supplies industry. This industry is projected to report the highest earnings growth (10%) of the six industries in this sector.

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.



S&P 500 Sector-Level Positive EPS Guidance: Q217 vs. 5-Year Avg.
(Source: FactSet)



Topic of the Week: 2

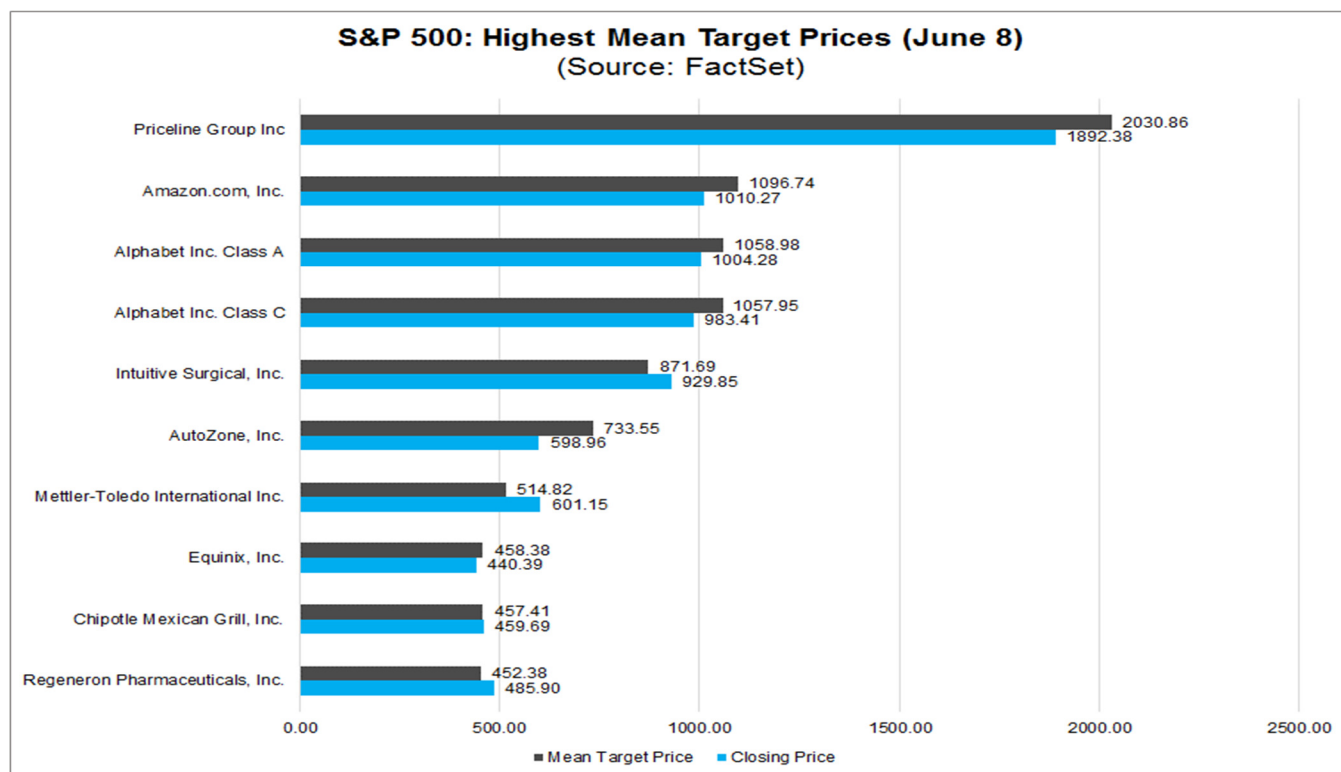
How Many S&P 500 Stocks Are Predicted to See a Share Price of More than \$1,000?

On June 2, the price of Amazon.com stock closed above \$1,000. One business day later (June 5), the price of Alphabet Class A stock also closed above \$1,000. Given these recent closing prices, are any other stocks in the S&P 500 projected to see a closing price above \$1,000 in the near future?

Looking at the mean target price estimates of all the stocks in the S&P 500, four stocks currently have mean target prices above \$1,000. Three of these four stocks (Priceline.com, Amazon.com, and Alphabet Class A) have already seen their share price close above \$1,000 at some point during the month of June. The only stock on the list that has not recorded a closing price above \$1,000 is Alphabet Class C.

It is interesting to note that Intuitive Surgical had a closing price of \$929.85 on June 8. However, the mean target price of analysts for this company is lower than the most recent closing price at \$871.69.

The list below shows the 10 stocks in the S&P 500 with the highest mean target prices as of June 8.



Q2 2017 Earnings Season: By the Numbers

Overview

In terms of estimate revisions for companies in the S&P 500, analysts have made smaller cuts than average to earnings estimates for Q2 2017 to date. On a per-share basis, estimated earnings for the second quarter have fallen by 1.9% since March 31. This percentage decline is smaller than the trailing 5-year average (-3.5%) and the trailing 10-year average (-4.2%) for the first two months of a quarter.

In addition, a smaller percentage of S&P 500 companies have lowered the bar for earnings for Q2 2017 relative to recent averages. Of the 112 companies that have issued EPS guidance for the second quarter, 75 have issued negative EPS guidance and 37 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 67% (75 out of 112), which is below the 5-year average of 75%.

Because of the downward revisions to earnings estimates, the estimated year-over-year earnings growth rate for Q2 2017 is 6.6% today. On March 31, the expected earnings growth rate was 8.7%. Nine sectors are predicted to report year-over-year earnings growth, led by the Energy, Information Technology and Financials sectors. Two sectors are projected to report a year-over-year decline in earnings, led by the Consumer Discretionary sector.

Because of downward revisions to sales estimates, the estimated year-over-year sales growth rate for Q2 2017 is 4.9%. On March 31, the expected revenue growth rate was 5.4%. Ten sectors are projected to report year-over-year growth in revenues, led by the Energy sector. The only sector predicted to report a year-over-year decline in revenues is the Telecom Services sector.

Looking at future quarters, analysts currently project earnings growth to continue for the rest of 2017.

The forward 12-month P/E ratio is 17.7, which is above the 5-year average and the 10-year average.

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

Earnings Revisions: Energy Sector Has Recorded Largest Drop in Expected Earnings Growth

Small Decrease in Estimated Earnings Growth Rate for Q2 This Week

The estimated earnings growth rate for the second quarter is 6.6% this week, which is slightly below the estimated earnings growth rate of 6.7% last week. Small downward revisions to EPS estimates for companies in the Energy and Financials sectors were mainly responsible for the slight decrease in the overall earnings growth rate for the index during the week.

Overall, the estimated earnings growth rate for Q2 2017 of 6.6% today is below the estimated earnings growth rate of 8.7% at the start of the quarter (December 31). Ten 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 Energy and Materials sectors.

Energy: Largest Decline in Expected Earnings Growth since March 31, led by Exxon Mobil and Chevron

The Energy sector has recorded the largest decrease in expected earnings growth since the start of the quarter (to 404.3% from 474.0%). This sector has also witnessed the largest decrease in price (-7.6%) of all eleven sectors during this same period. Overall, 23 of the 33 companies (70%) in the Energy sector have seen a decline in their mean EPS estimate during this time. Of these 23 companies, 17 have recorded a decrease in their mean EPS estimate of more than 10%, led by Anadarko Petroleum (to -\$0.18 from -\$0.03), Baker Hughes (to -\$0.11 from \$0.03), and Murphy Oil (to -\$0.07 from \$0.05). However, Exxon Mobil (to \$0.92 from \$0.99) and Chevron (to \$0.98 from \$1.13) have been the largest contributors to the decrease in earnings growth for this sector since March 31. The price of both stocks have declined since March 31 as well. The price of Exxon Mobil has fallen by 1.1% (to \$81.14 from \$82.01), while the price of Chevron has fallen by 1.9% (to \$105.33 from \$107.37).

Materials: 2nd Largest Decrease in Expected Earnings Growth

The Materials sector has recorded the second largest decrease in expected earnings growth since the start of the quarter (to 5.0% from 10.1%). Despite the decrease in estimated earnings, this sector has witnessed an increase in price of 2.6% since the start of the quarter. Overall, 19 of the 25 companies (76%) in this sector have seen a decline in their mean EPS estimate during this time. Of these 19 companies, 6 have recorded a drop in their mean EPS estimate of more than 10%, led by CF Industries Holdings (to \$0.07 from \$0.30), Sealed Air (to \$0.36 from \$0.72), and FMC Corporation (to \$0.47 from \$0.85).

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

Downward revisions to earnings estimates in aggregate for the second quarter to date have been below recent averages. The Q2 bottom-up EPS estimate (which is an aggregation of the 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 1.9% (to \$31.54 from \$32.13) since March 31. This decline in the EPS estimate for Q2 2017 is below the trailing 1-year (-2.5%) average, the trailing 5-year (-3.5%), and the trailing 10-year average (-4.2%) for the bottom-up EPS estimate for the first two months of a quarter.

Guidance: Negative EPS Guidance (67%) for Q2 Below Average

At this point in time, 112 companies in the index have issued EPS guidance for Q2 2017. Of these 112 companies, 75 have issued negative EPS guidance and 37 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 67% (75 out of 112), which is below the 5-year average of 75%. For more details on EPS guidance, please see page 2.

Earnings Growth: 6.6%

The estimated earnings growth rate for Q2 2017 is 6.6%. Nine sectors are projected to report year-over-year growth in earnings, led by the Energy, Information Technology, and Financials sectors. Two sectors are projected to report a year-over-year decline in earnings, led by the Consumer Discretionary sectors.

Energy: Largest Contributor to Earnings Growth for Q2

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 404.3%. 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 \$9.6 billion in Q2 2017, compared to earnings of 1.9 billion in Q2 2016. Due to this projected \$7.7 billion year-over-year increase in earnings, the Energy sector is expected to be the largest contributor to earnings growth for the S&P 500 as a whole. If this sector is excluded, the estimated earnings growth rate for the remaining ten sectors would fall to 3.7% from 6.6%.

At the sub-industry level, five of the 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 Equipment & Services (N/A due to year-ago loss), Integrated Oil & Gas (167%), Oil & Gas Refining & Marketing (23%), and Oil & Gas Storage & Transportation (8%). On the other hand, the Oil & Gas Drilling (-695%) sub-industry is the only sub-industry predicted to report a year-over-year decline in earnings.

Information Technology: Semiconductor Industry Leads Growth

The Information Technology sector is expected to report the second highest (year-over-year) earnings growth of all eleven sectors at 9.3%. At the industry level, five of the seven industries in this sector are predicted to report earnings growth. However, only one of these five industries is expected to report double-digit earnings growth: Semiconductor & Semiconductor Equipment (40%). This industry is also projected to be the largest contributor to earnings growth for the sector. If the Semiconductor & Semiconductor Equipment industry is excluded, the estimated earnings growth rate for the Information Technology sector would fall to 3.2% from 9.3%. At the company level, Micron Technology is predicted to be the largest contributor to earnings growth for this sector. The mean EPS estimate for Micron Technology for Q2 2017 is \$1.50, compared to year-ago EPS of -\$0.08. If this company alone is excluded, the estimated earnings growth rate for the Information Technology sector would fall to 5.9% from 9.3%.

Financials: Insurance Industry Leads Growth

The Financials sector is expected to report the third highest (year-over-year) earnings growth of all eleven sectors at 7.2%. At the industry level, four of the five industries in this sector are predicted to report earnings growth. However, only one of these four industries is expected to report double-digit earnings growth: Insurance (21%). This industry is also projected to be the largest contributor to earnings growth for the sector. If the Insurance industry is excluded, the estimated earnings growth rate for the Financials sector would fall to 4.3% from 7.2%. At the company level, Bank of America is predicted to be the largest contributor to earnings growth for this sector. The mean EPS estimate for Bank of America for Q2 2017 is \$0.46, compared to year-ago EPS of \$0.36.

Consumer Discretionary: Multiple Industries to Report Decline, Led By Automobiles

The Consumer Discretionary sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -1.9%. At the industry level, eight of the twelve industries in this sector are predicted to report an earnings decline, led by the Automobiles (-12%) and Multiline Retail (-10%) industries. The Automobile industry is also the largest contributor to the projected year-over-year decline in earnings for this sector. If this industry is excluded, the estimated earnings growth rate for the Consumer Discretionary sector would improve to 0.1% from -1.9%. At the company level, Ford Motor and General Motors are predicted to be the largest contributors to the earnings decline for this sector. The mean EPS estimate for Ford Motor for Q2 2017 is \$0.44, compared to year-ago EPS of \$0.52. The mean EPS estimate for General Motors for Q2 2017 is \$1.70, compared to year-ago EPS of \$1.86.

Revenues Growth: 4.9%

The estimated revenue growth rate for Q2 2017 is 4.9%. Ten sectors are projected to report year-over-year growth in revenues, led by the Energy sector. The only sector projected to report a decline in revenues is the Telecom Services sector.

Energy: Largest Contributor to Revenue Growth for Q2

The Energy sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 17.5%. At the sub-industry level, five of the six sub-industries in the sector are projected to report revenue growth: Oil & Gas Equipment & Services (23%), Oil & Gas Refining & Marketing (22%), Oil & Gas Exploration & Production (17%), Integrated Oil & Gas (15%), and Oil & Gas Storage & Transportation (11%). On the other hand, the Oil & Gas Drilling (-11%) sub-industry is the only sub-industry predicted to report a year-over-year decline in earnings.

This sector is also predicted to be the largest contributor to revenue growth for the S&P 500. If the Energy sector is excluded, the estimated revenue growth rate for the index would fall to 3.8% from 4.9%.

Telecom Services: 3 of 4 Companies To Report Decline

The Telecom Services sector is expected to report the largest (year-over-year) sales decline of all eleven sectors at -2.1%. Overall, three of the four companies in the sector (75%) are projected to report a decline in sales for the quarter, led by CenturyLink (-7%).

Looking Ahead: Forward Estimates and Valuation

Growth Expected to Continue for Remainder of 2017

For the second quarter, analysts are predicting earnings growth of 6.6% and revenue growth rate of 4.9%. Analysts currently expect earnings and revenue growth to continue in 2017.

For Q3 2017, analysts are projecting earnings growth of 7.5% and revenue growth of 5.2%.

For Q4 2017, analysts are projecting earnings growth of 12.4% and revenue growth of 5.2%.

For all of 2017, analysts are projecting earnings growth of 9.9% and revenue growth of 5.4%.

Valuation: Forward P/E Ratio is 17.7, above the 10-Year Average (14.0)

The forward 12-month P/E ratio is 17.7. This P/E ratio is above the 5-year average of 15.3, and above the 10-year average of 14.0. It is also above the forward 12-month P/E ratio of 17.5 recorded at the start of the second quarter (March 31). Since the start of the second quarter, the price of the index has increased by 3.0%, while the forward 12-month EPS estimate has increased by 2.4%.

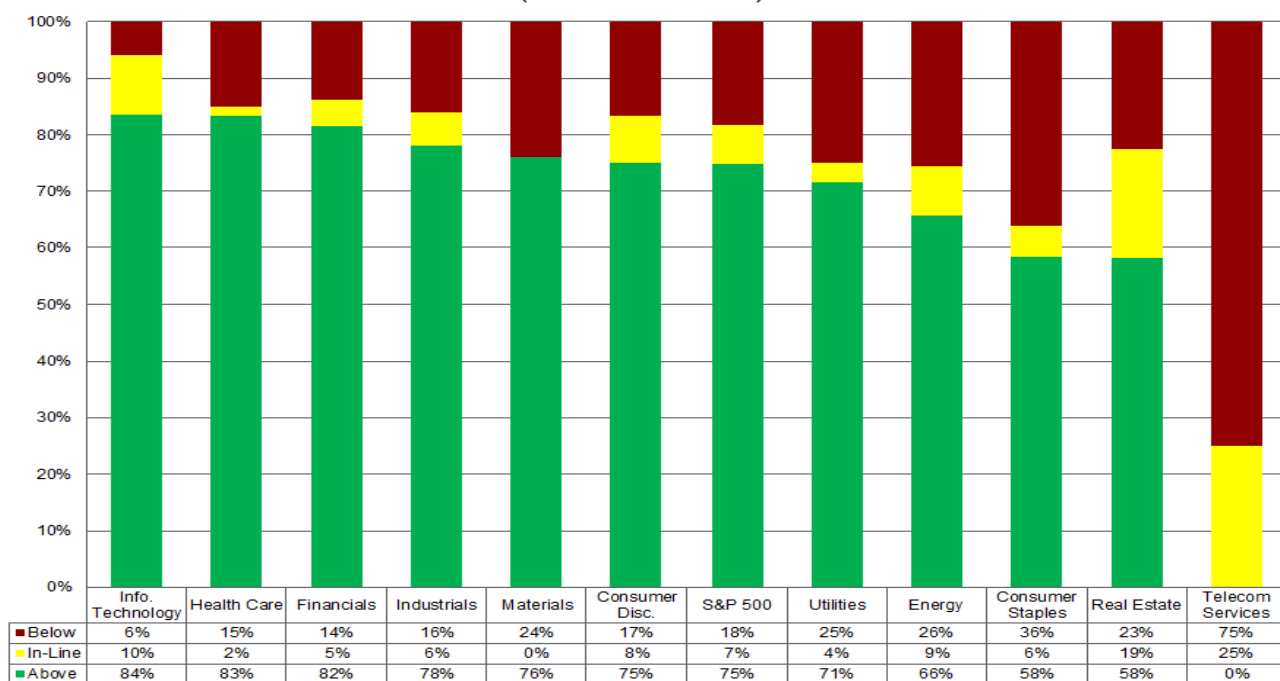
At the sector level, the Energy (26.2) sector has the highest forward 12-month P/E ratio, while the Telecom Services (13.0) sector has the lowest forward 12-month P/E ratio. Nine sectors have forward 12-month P/E ratios that are above their 10-year averages, led by the Energy (26.2 vs. 18.3) sector. One sector (Telecom Services) has a forward 12-month P/E ratio that is below the 10-year average (13.0 vs. 14.3). Historical averages are not available for the Real Estate sector.

Companies Reporting Next Week: 2

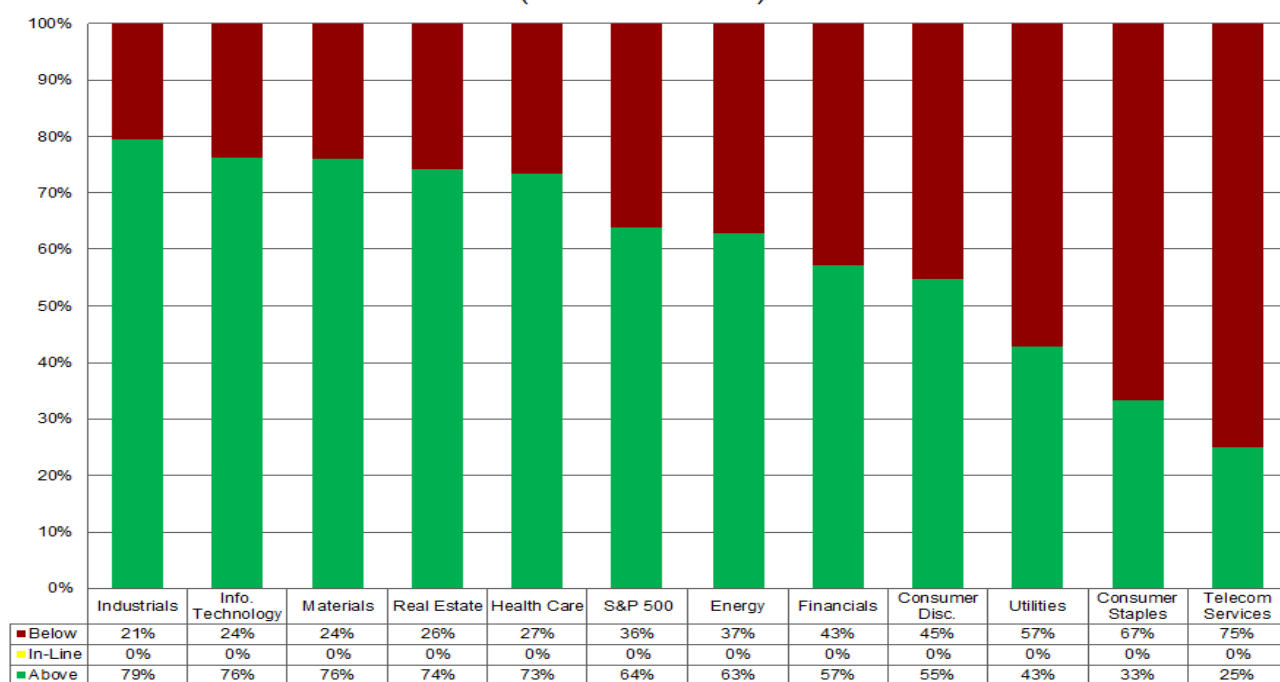
During the upcoming week, two S&P 500 companies are scheduled to report results for the first quarter.

Q1 2017: Scorecard

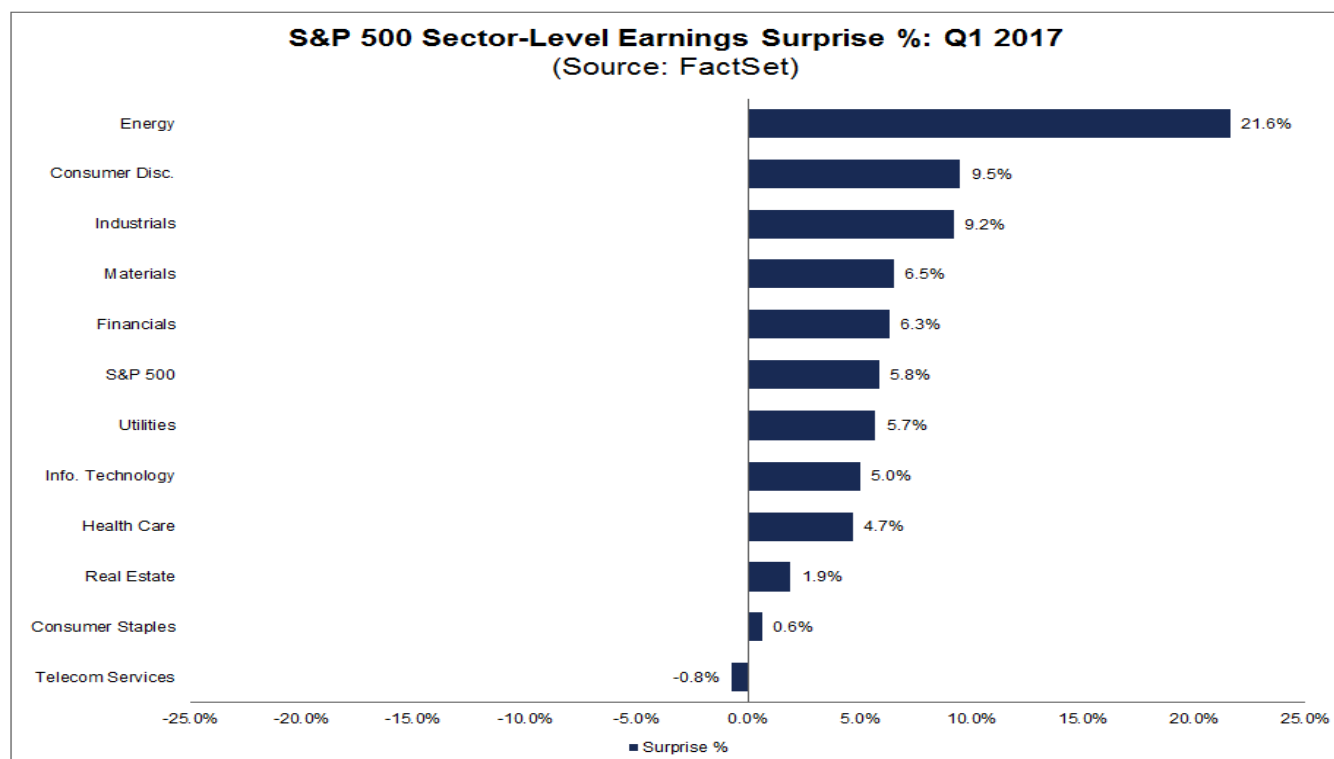
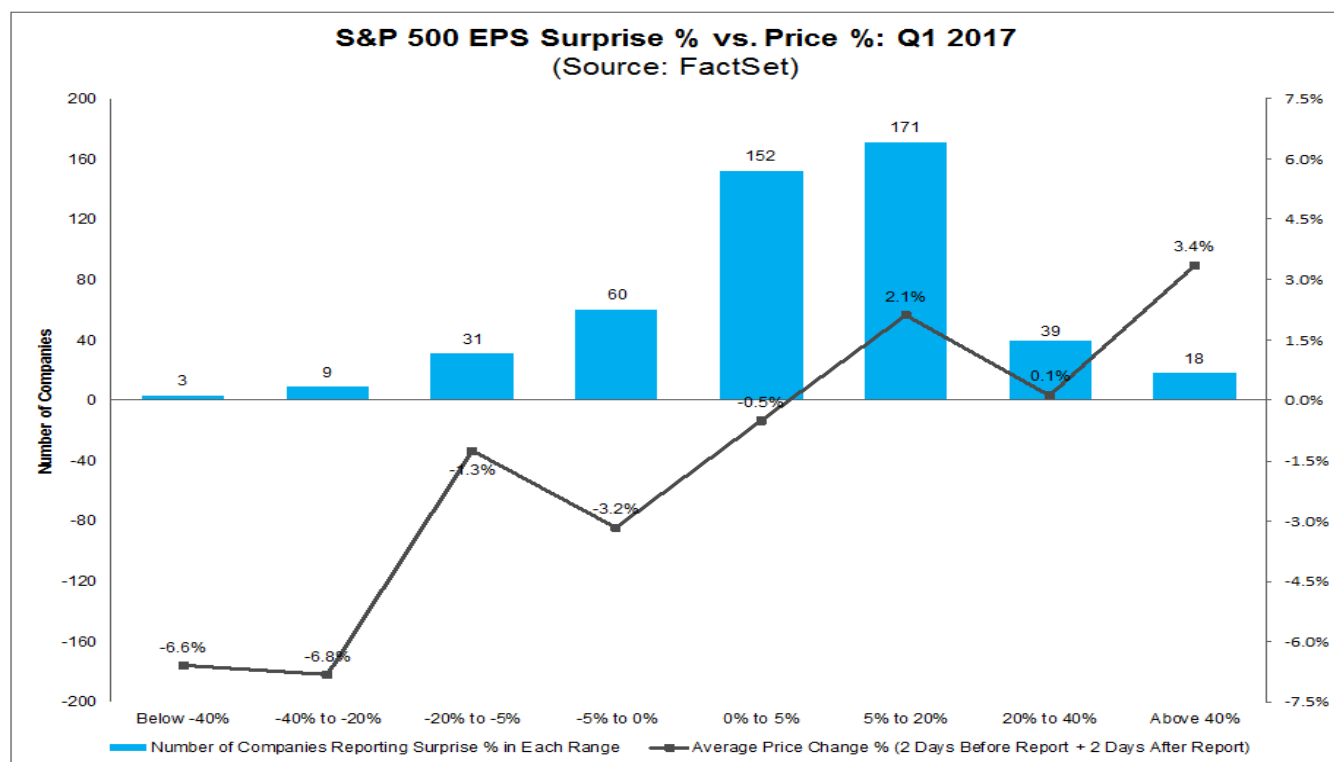
S&P 500 Earnings Above, In-Line, Below Estimates: Q1 2017
(Source: FactSet)



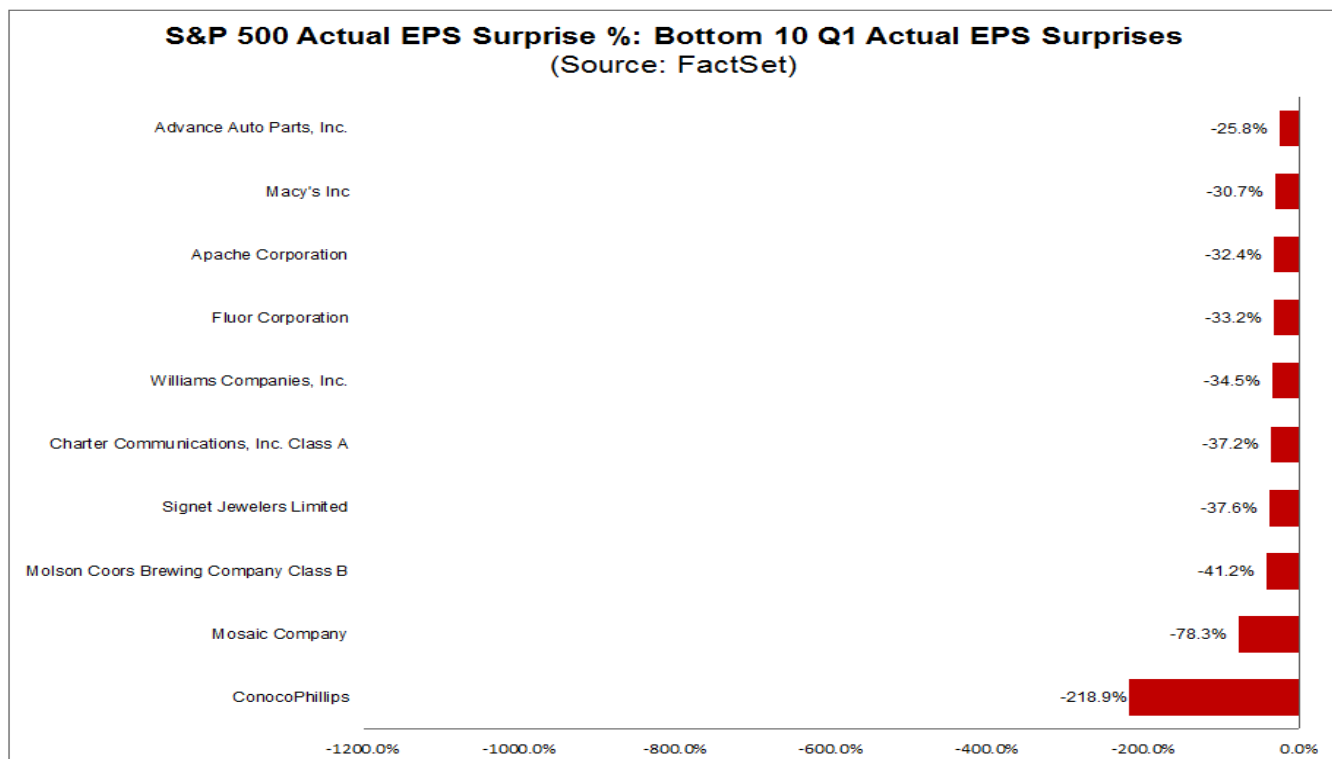
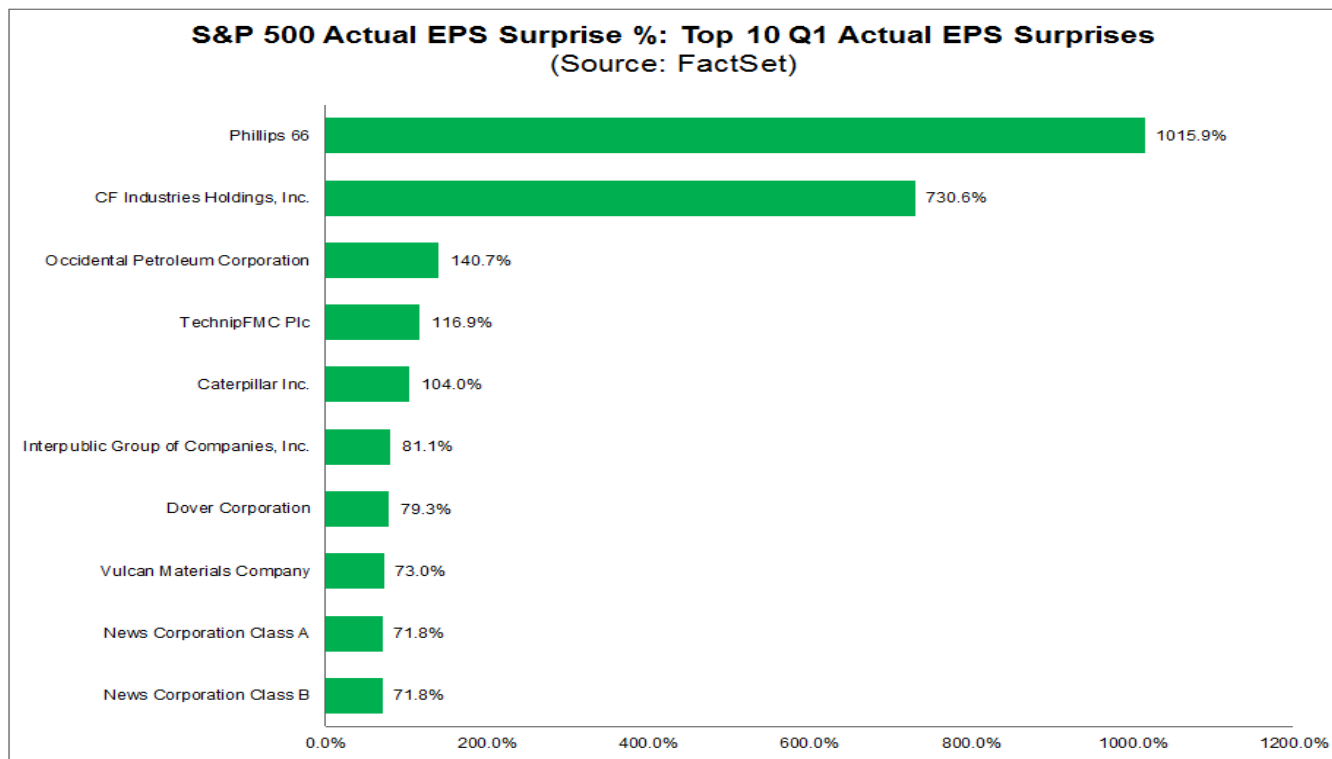
S&P 500 Revenues Above, In-Line, Below Estimates: Q1 2017
(Source: FactSet)



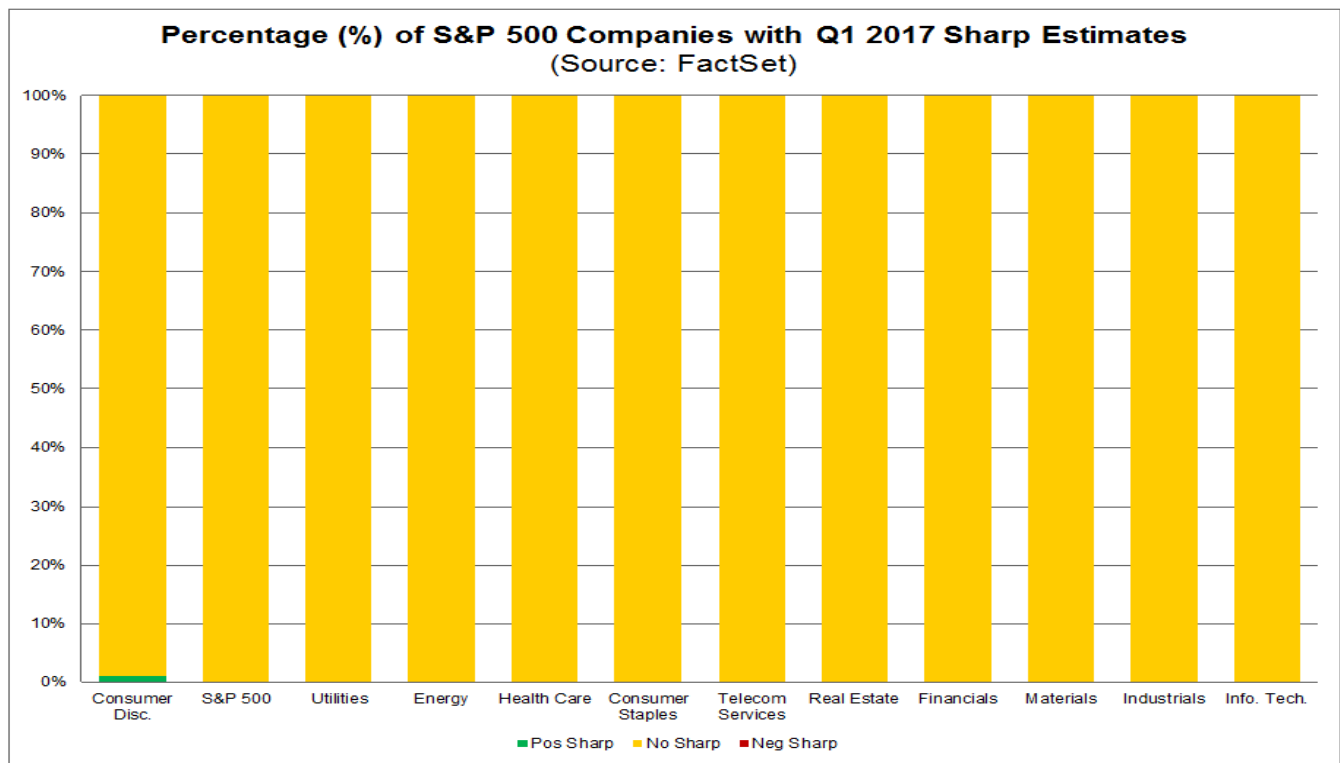
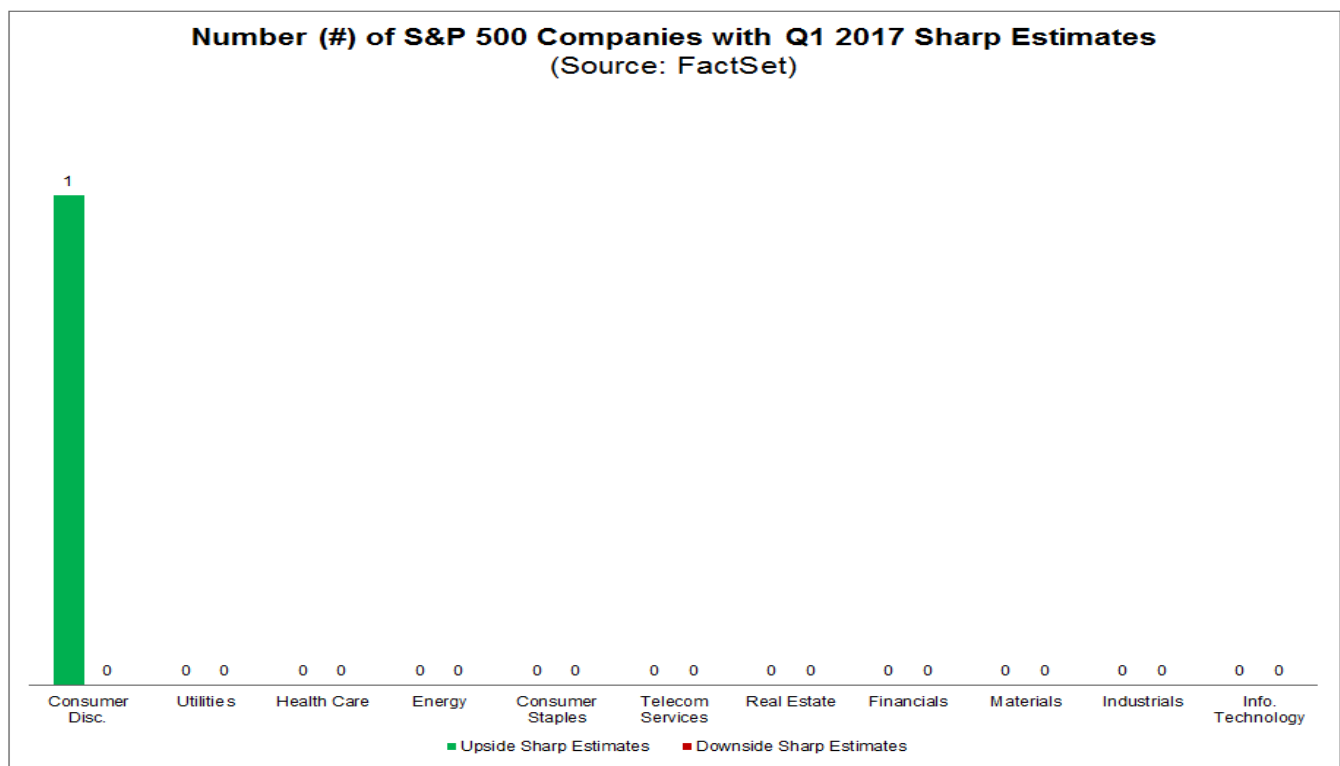
Q1 2017: Scorecard



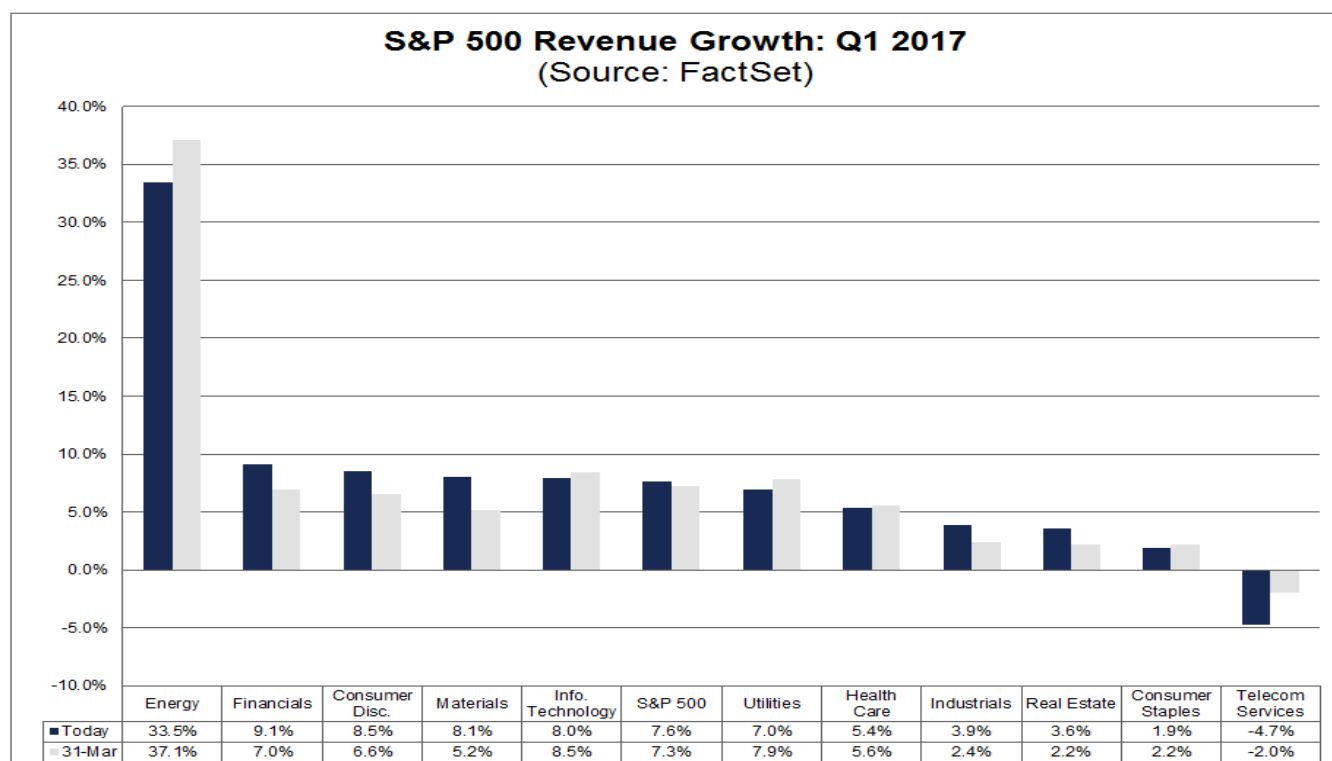
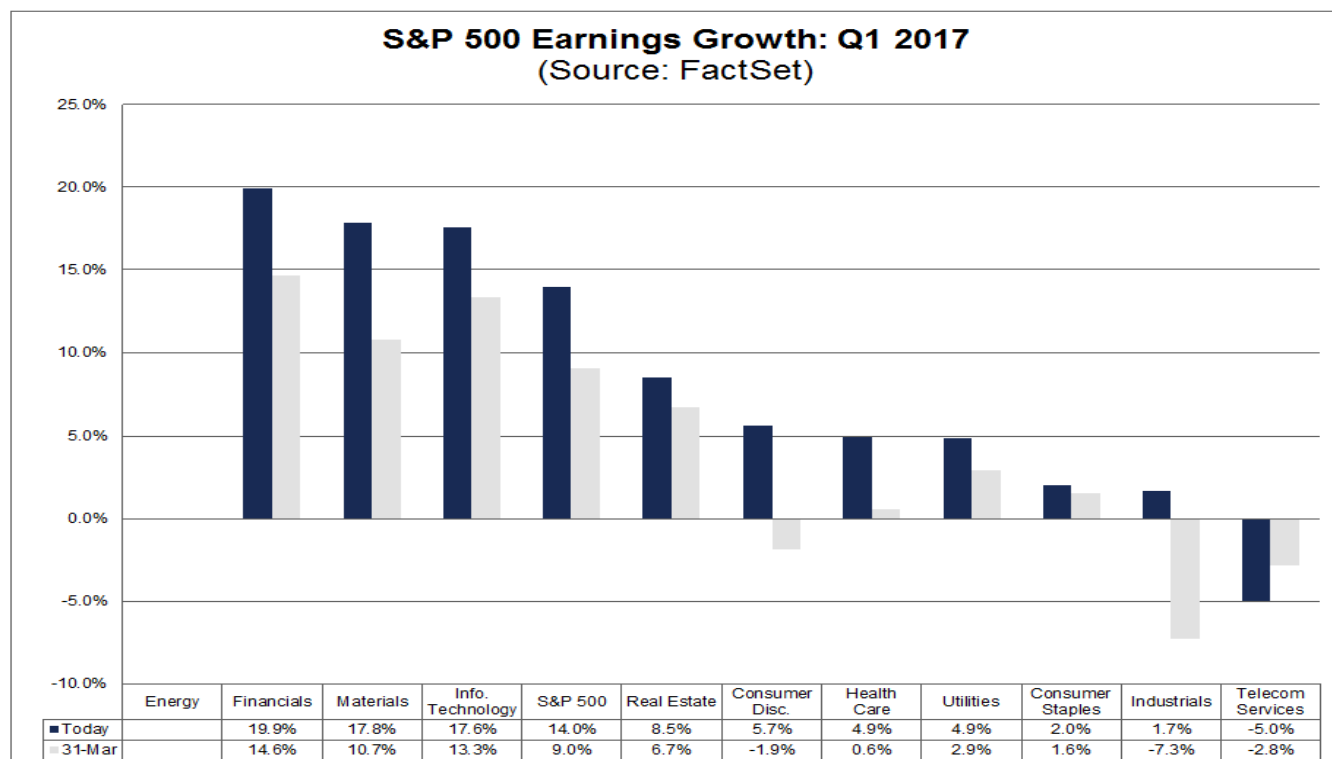
Q1 2017: Scorecard



Q1 2017: Projected EPS Surprises (Sharp Estimates)

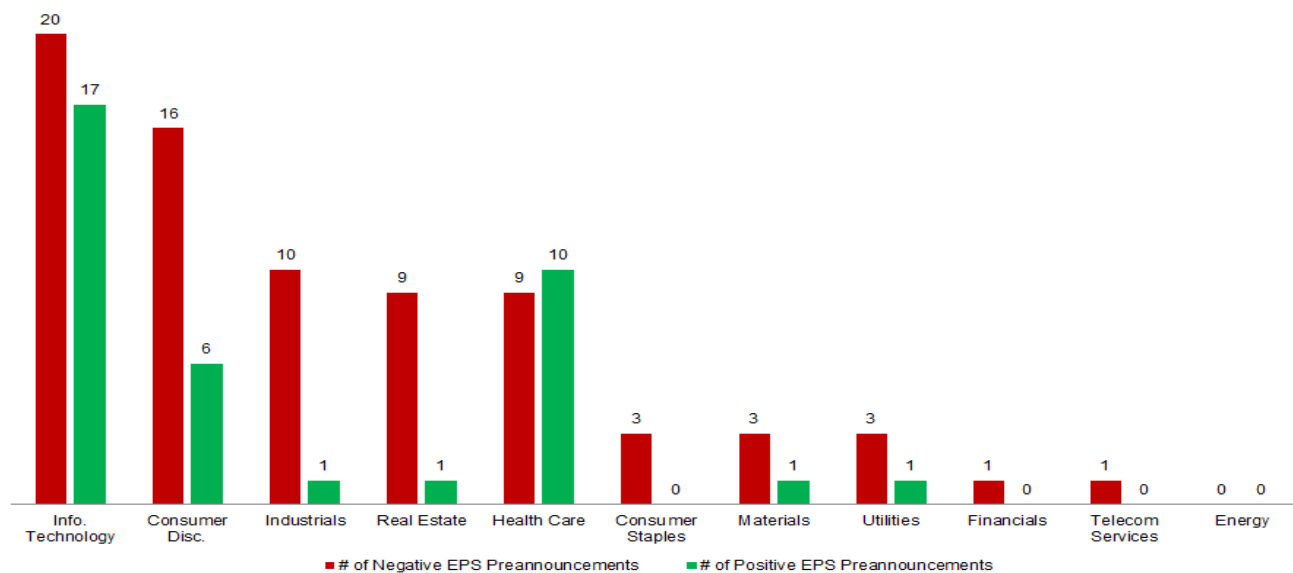


Q1 2017: Growth



Q2 2017: Guidance

Number (#) of S&P 500 Cos. with Q2 Positive & Negative Guidance
(Source: FactSet)

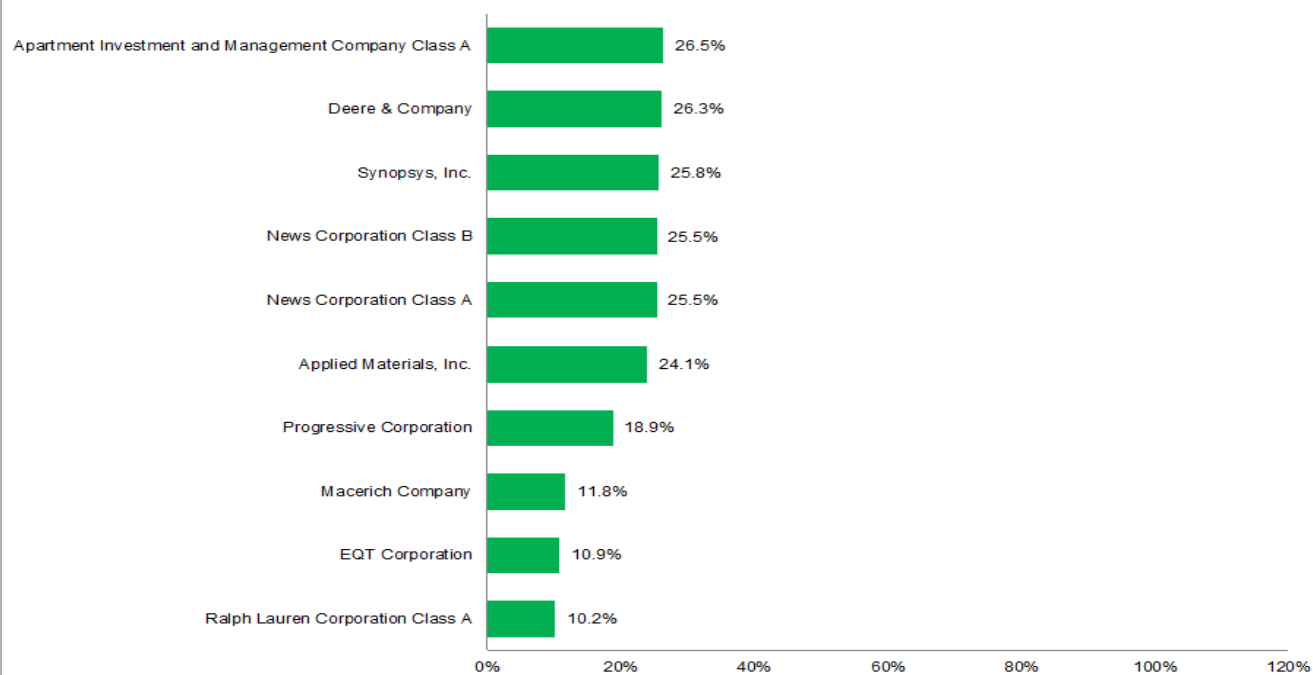


Percentage (%) of S&P 500 Cos. with Q2 Positive & Negative Guidance
(Source: FactSet)

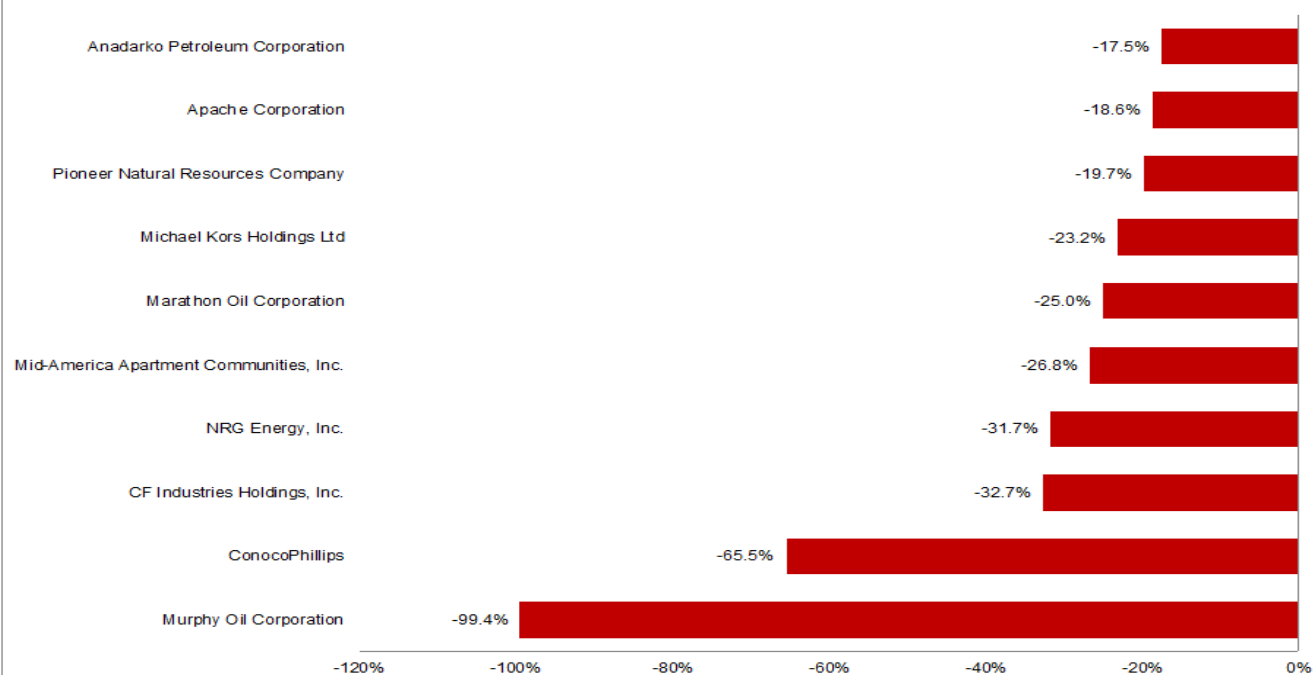


Q2 2017: EPS Revisions

Upward Change in Q2 EPS (Trailing 4 Weeks): Top 10 S&P 500 Cos.
(Source: FactSet)

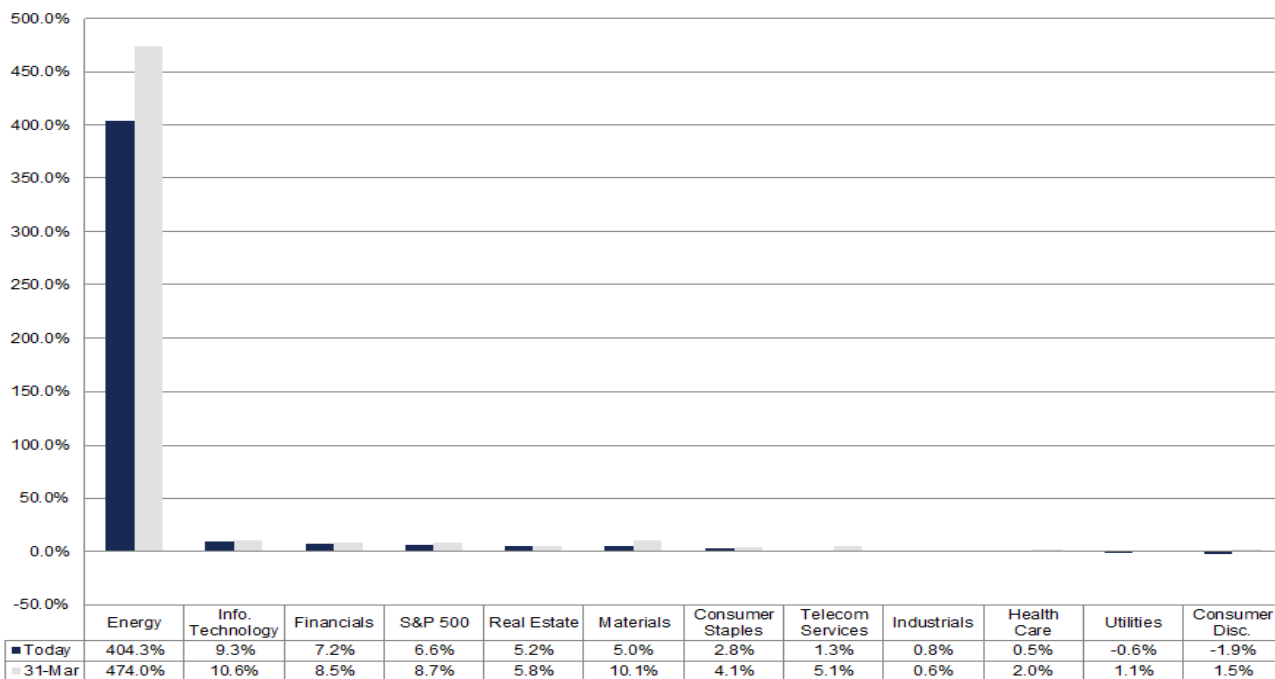


Downward Change in Q2 EPS (Trailing 4-Weeks): Top 10 S&P 500 Cos.
(Source: FactSet)

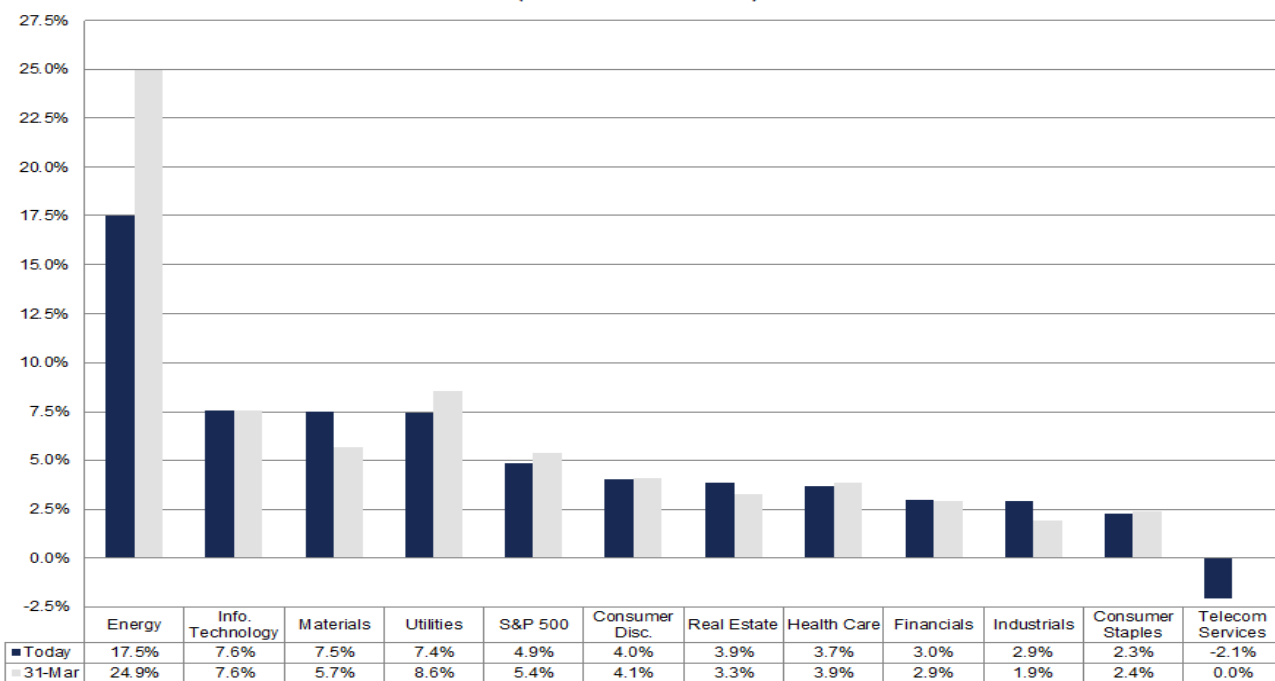


Q2 2017: Growth

S&P 500 Earnings Growth: Q2 2017
(Source: FactSet)

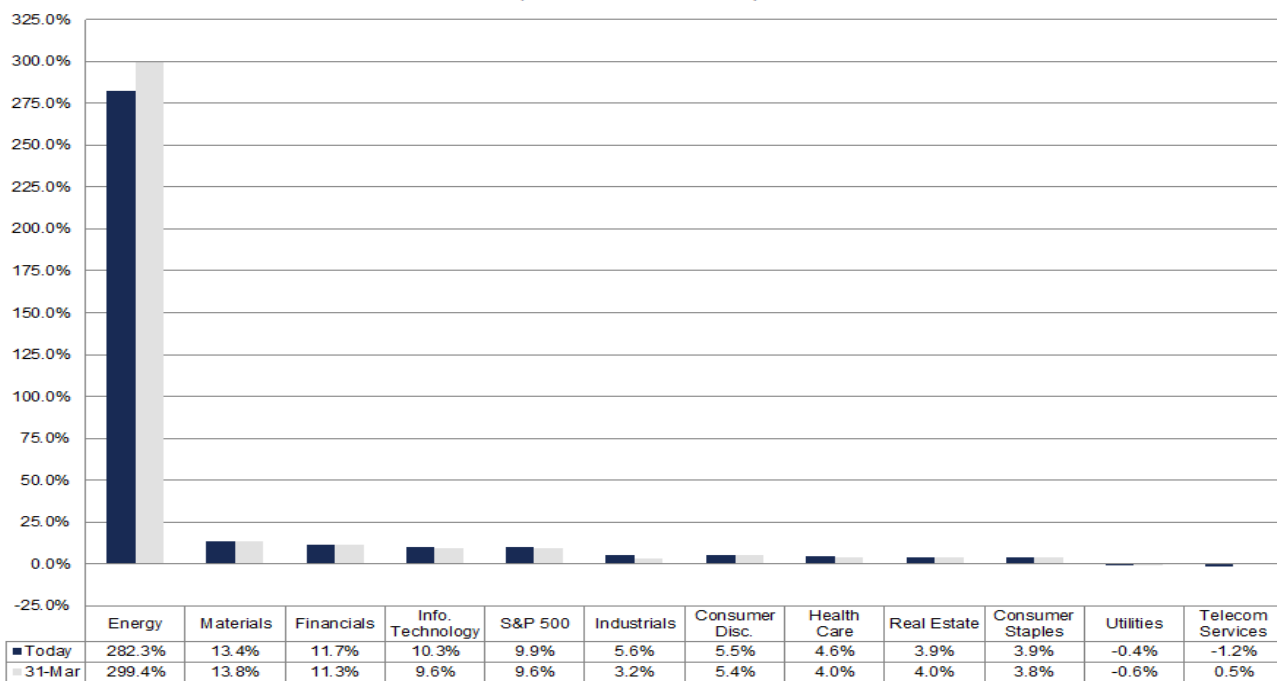


S&P 500 Revenue Growth: Q2 2017
(Source: FactSet)

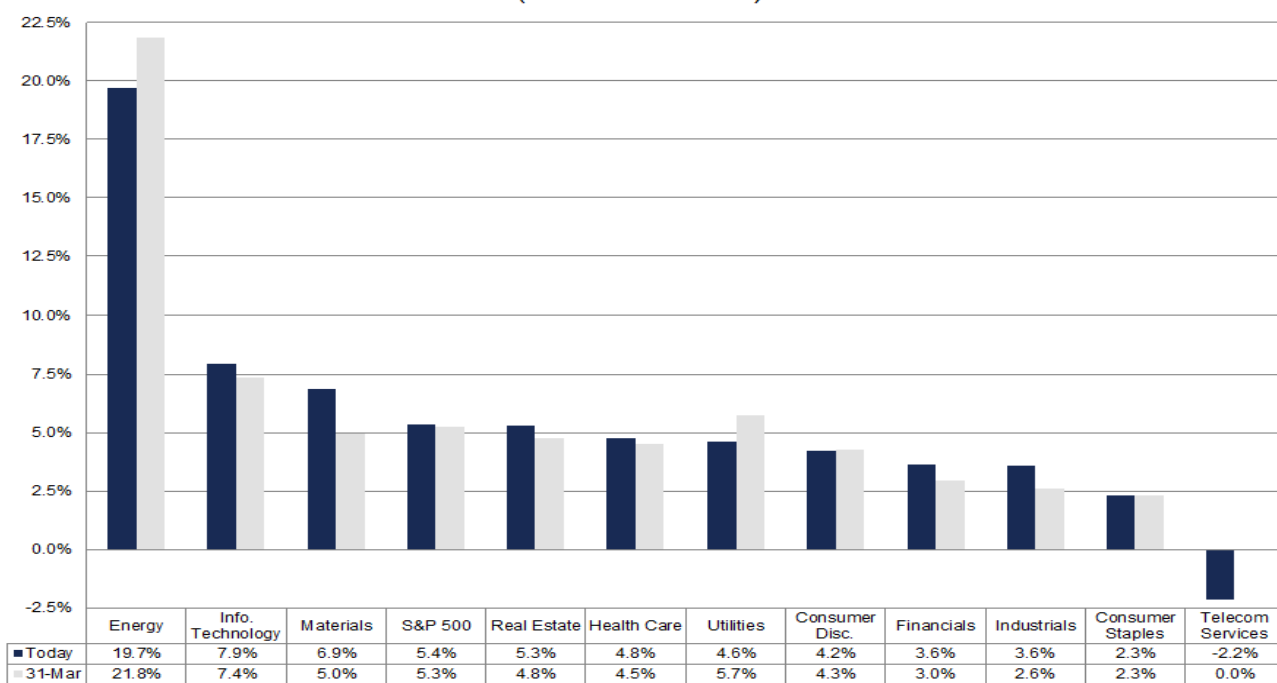


CY 2017: Growth

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

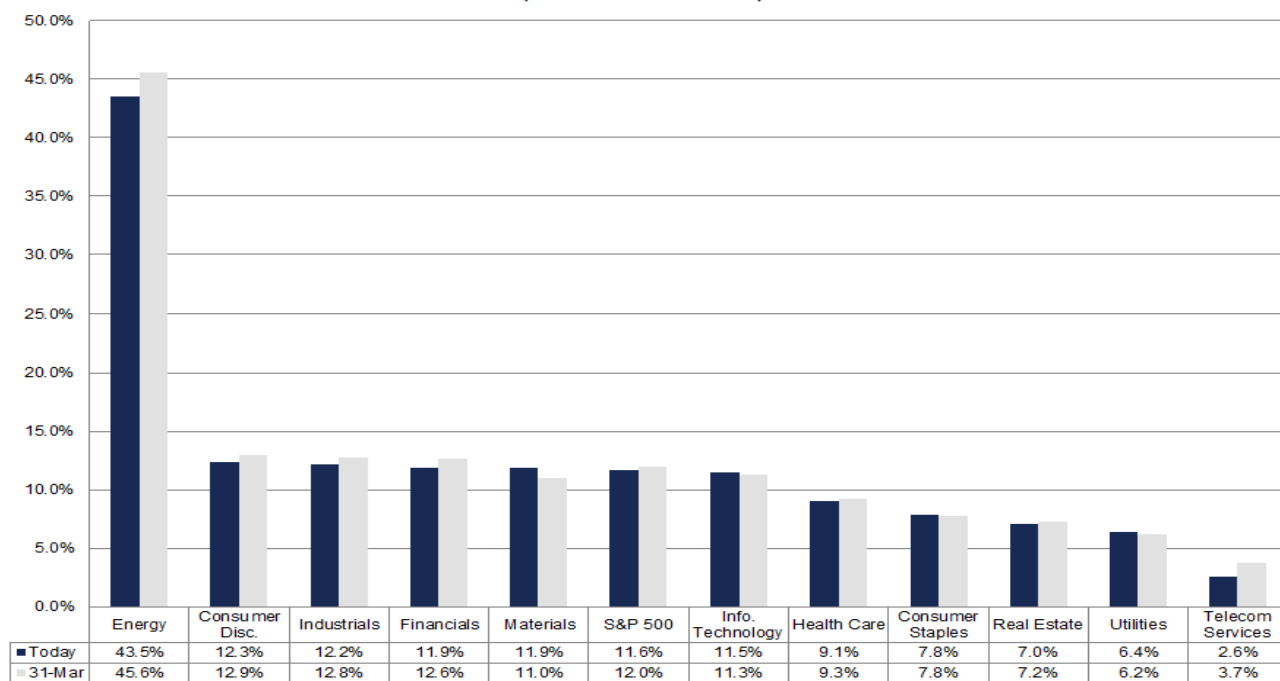


S&P 500 Revenue Growth: CY 2017
(Source: FactSet)

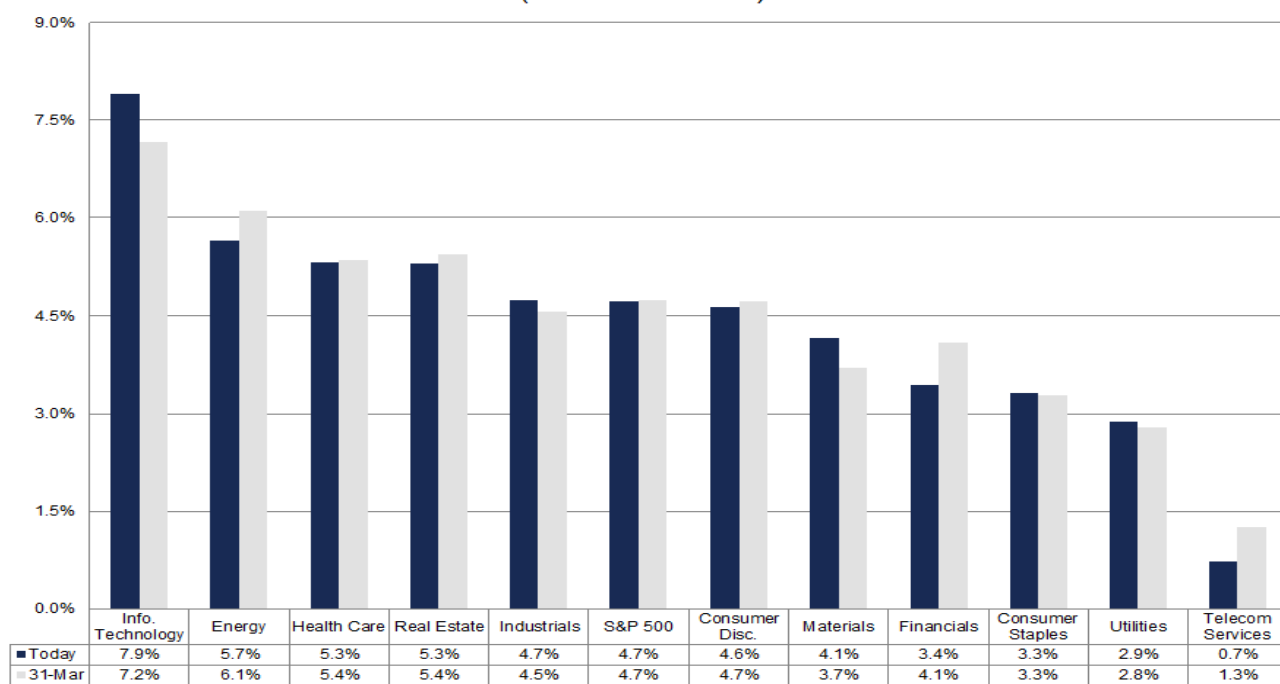


CY 2018: Growth

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

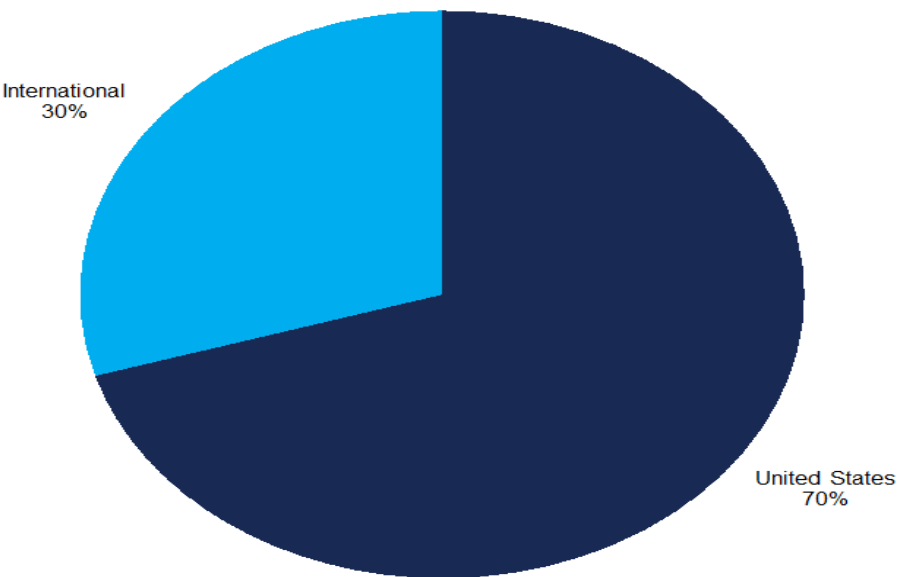


S&P 500 Revenue Growth: CY 2018
(Source: FactSet)

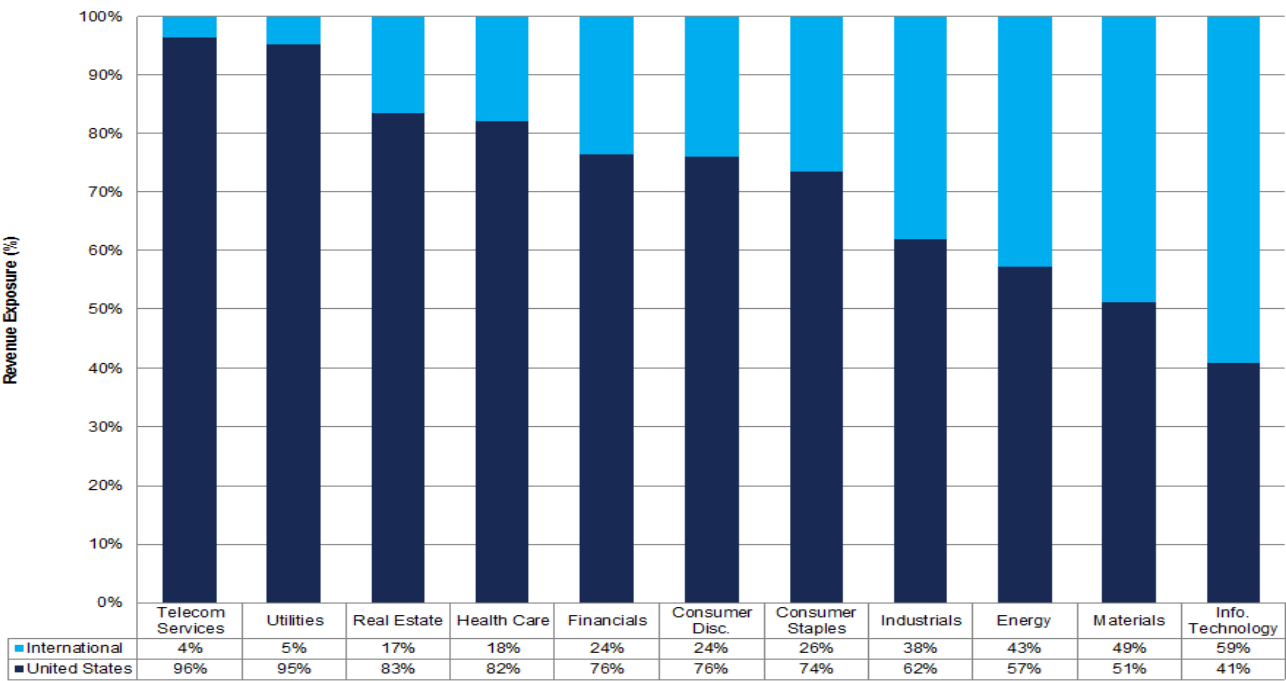


Geographic Revenue Exposure

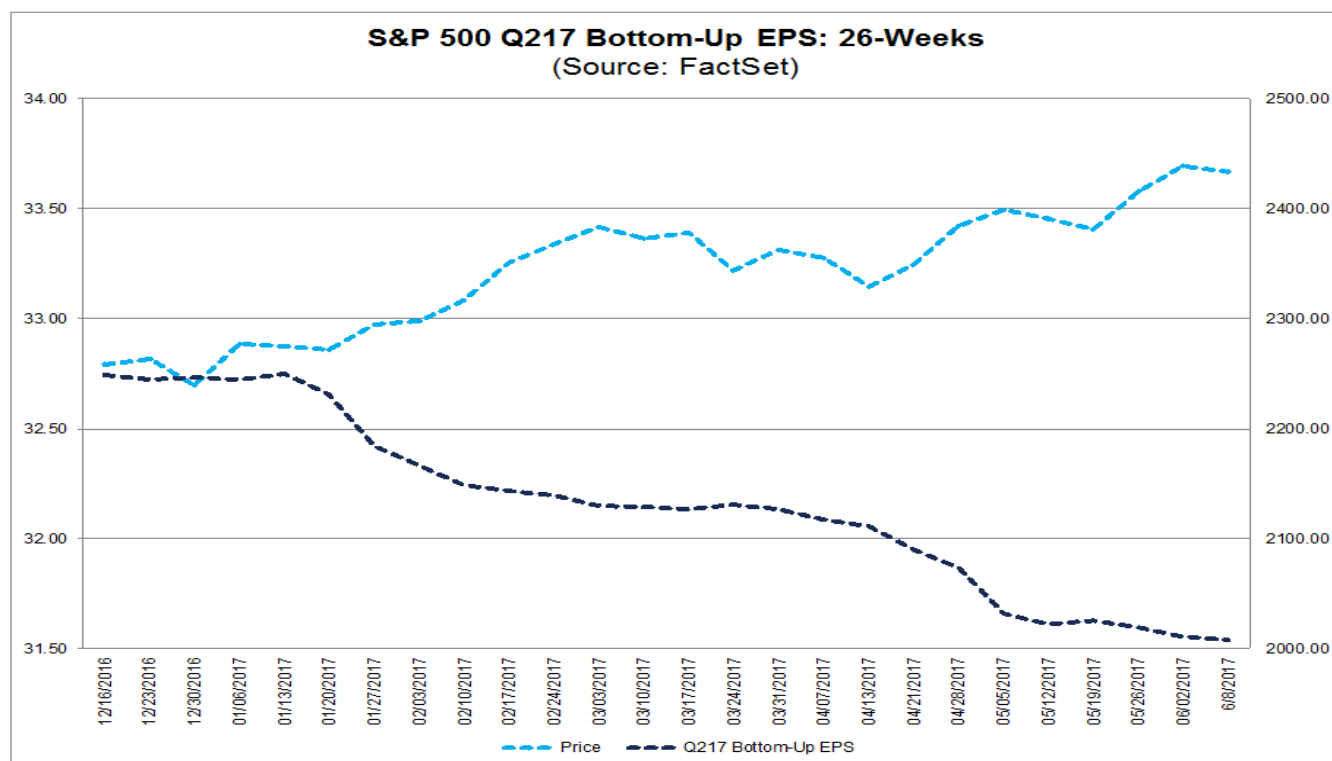
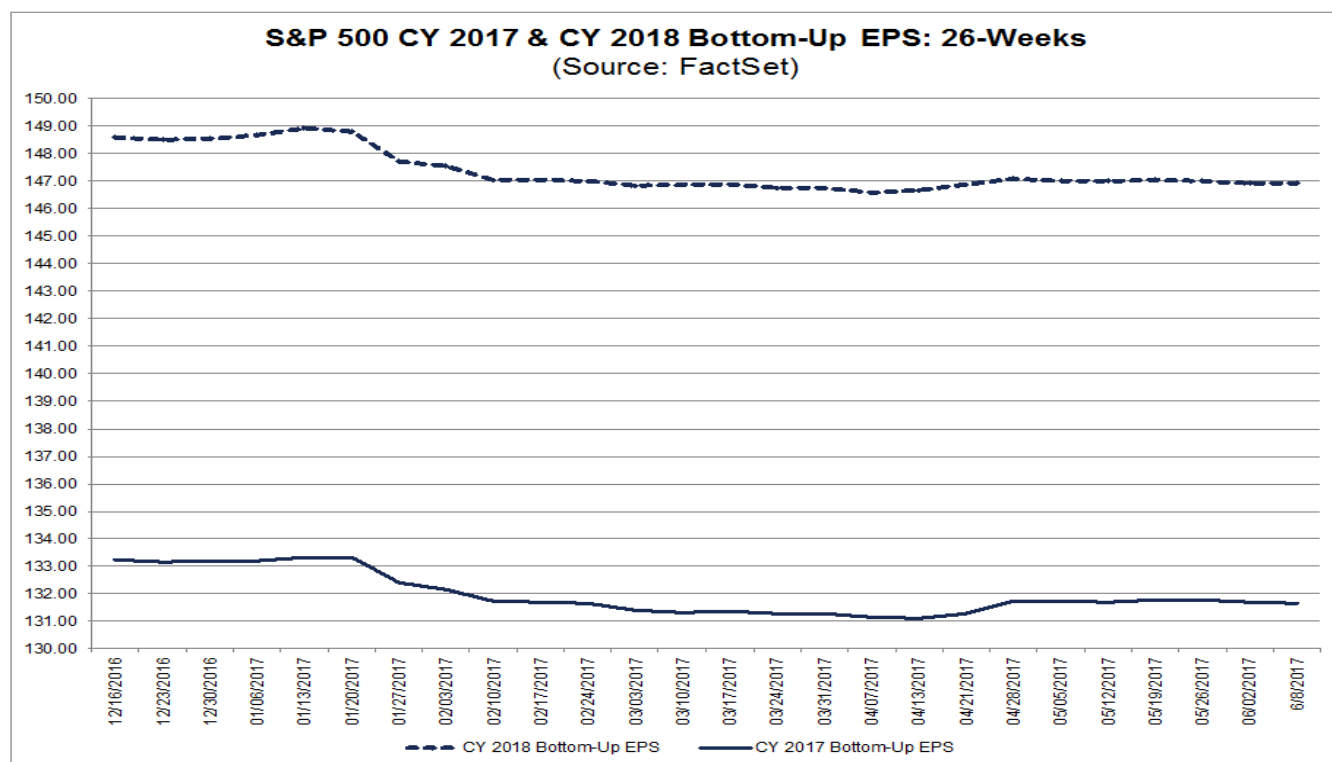
S&P 500: Aggregate Geographic Revenue Exposure (%)
(Source: FactSet)



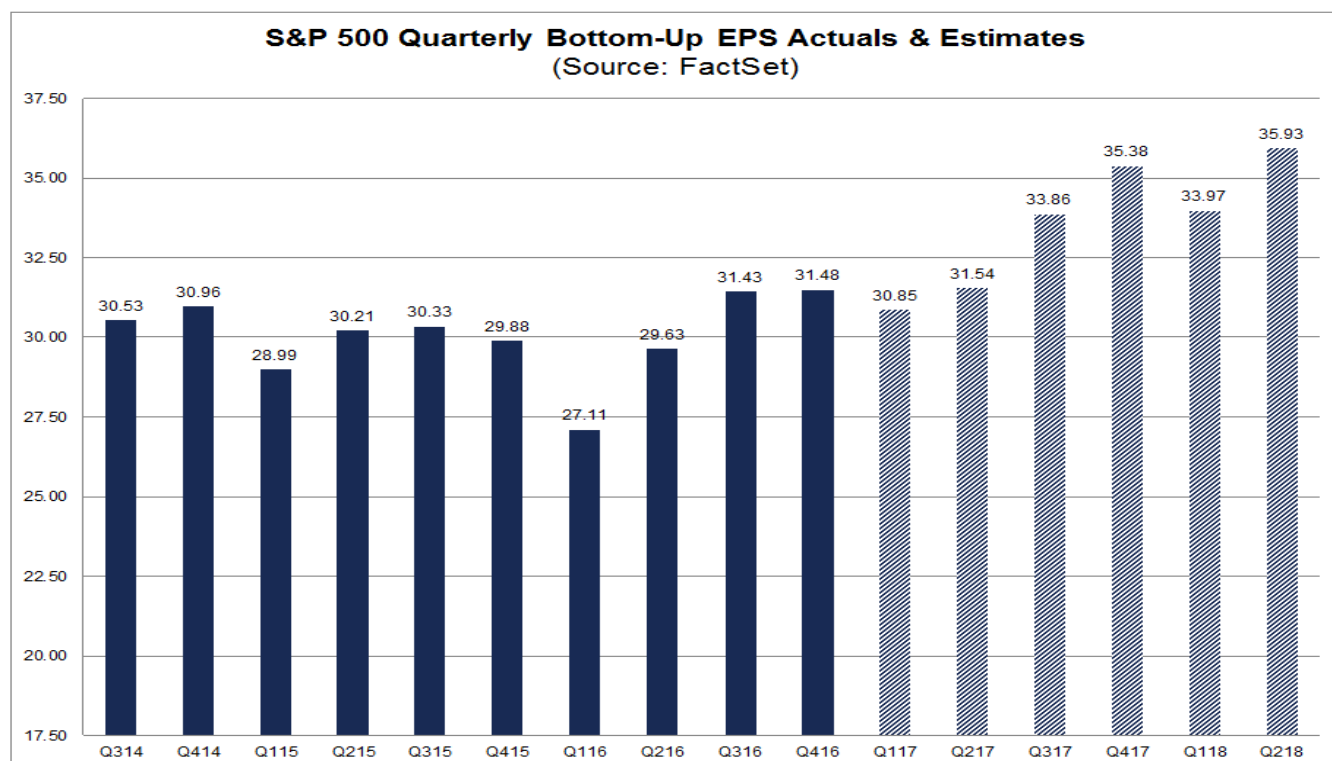
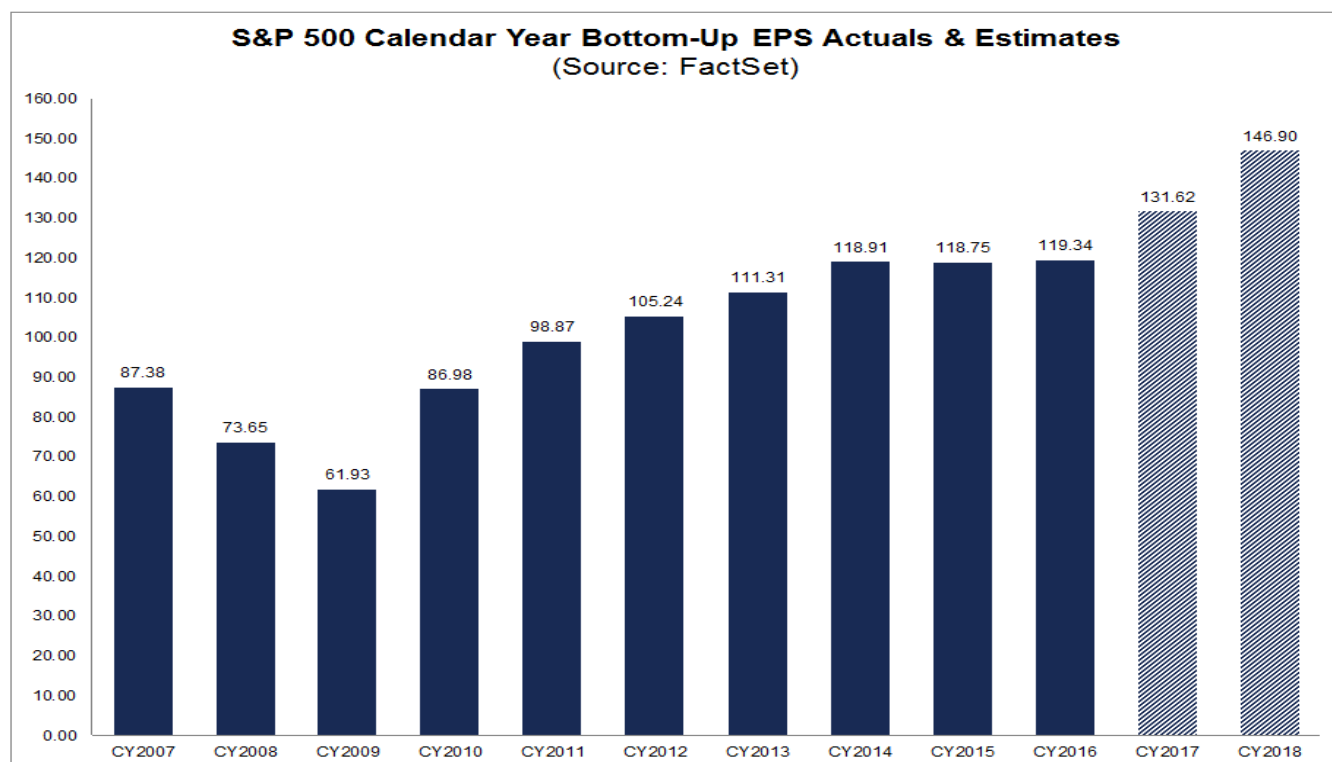
S&P 500: Aggregate Sector Geographic Revenue Exposure (%)
(Source: FactSet)



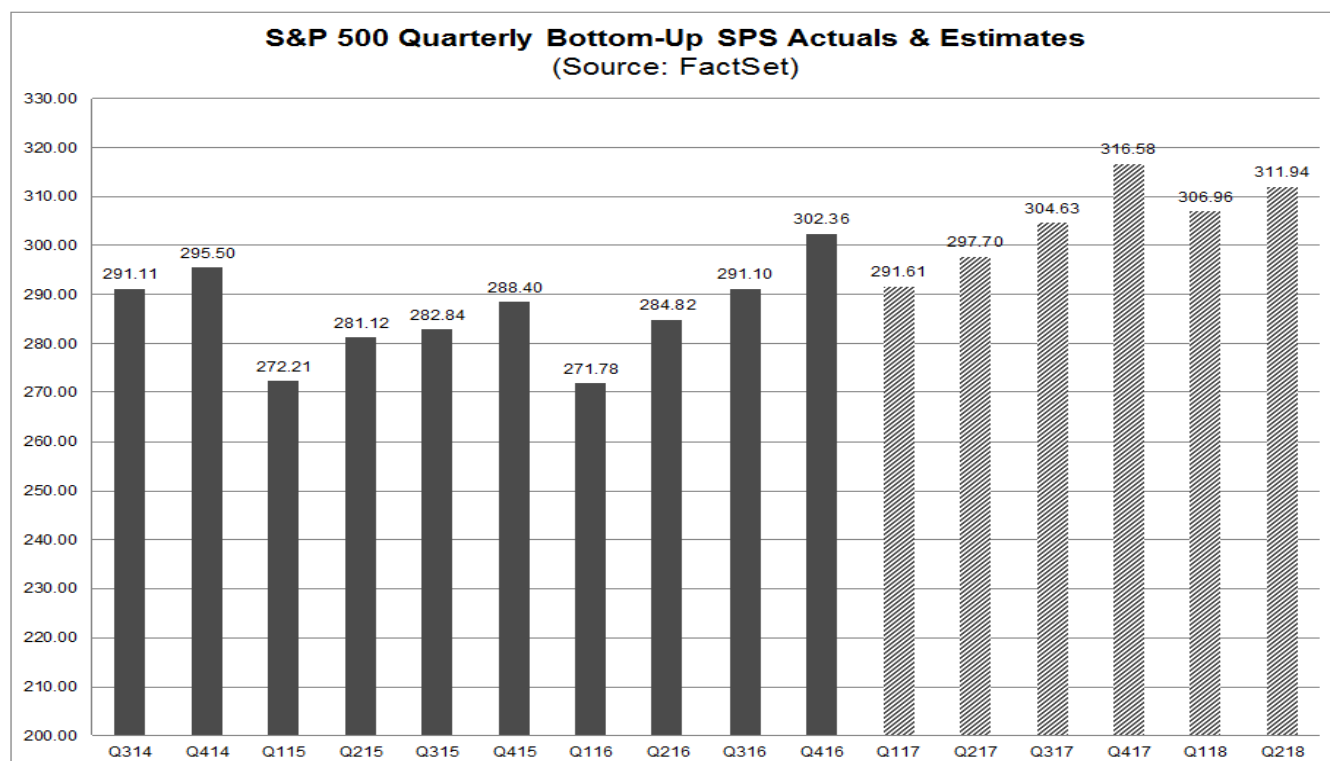
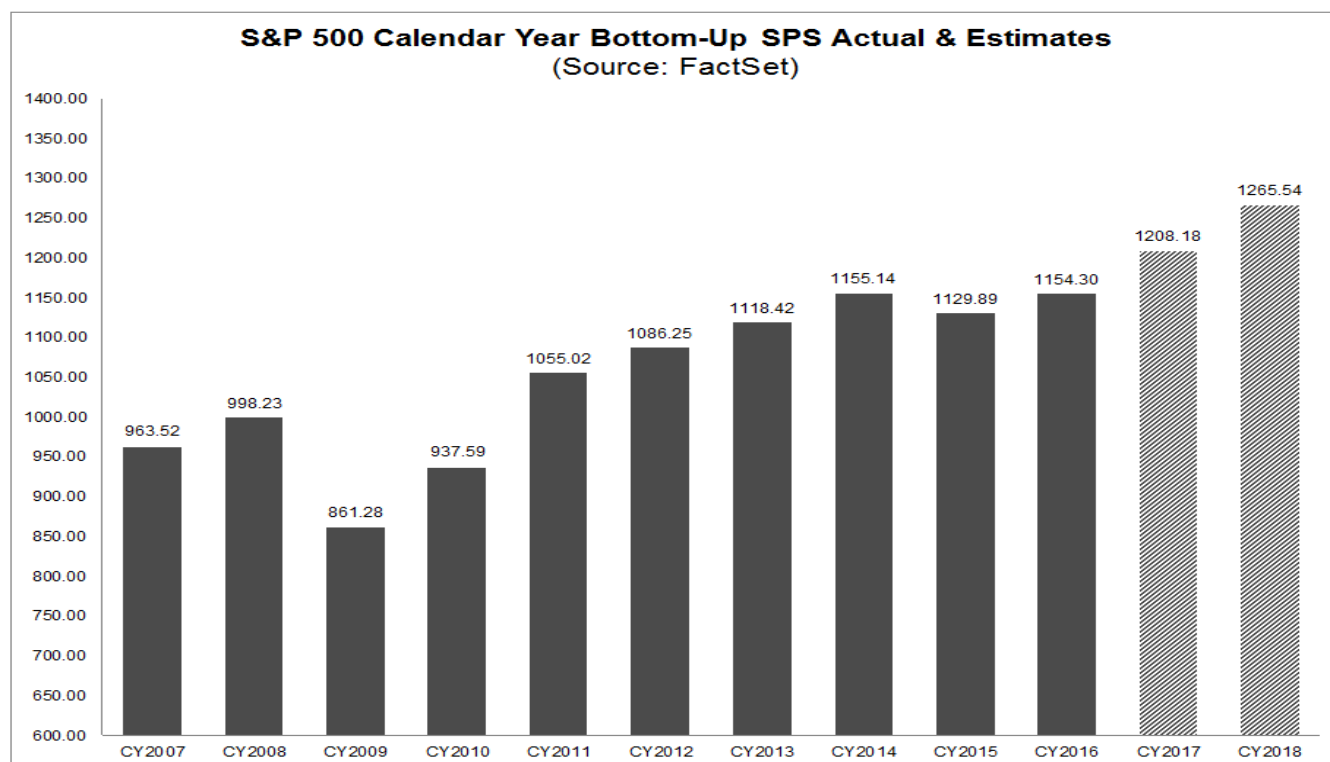
Bottom-up EPS Estimates: Revisions



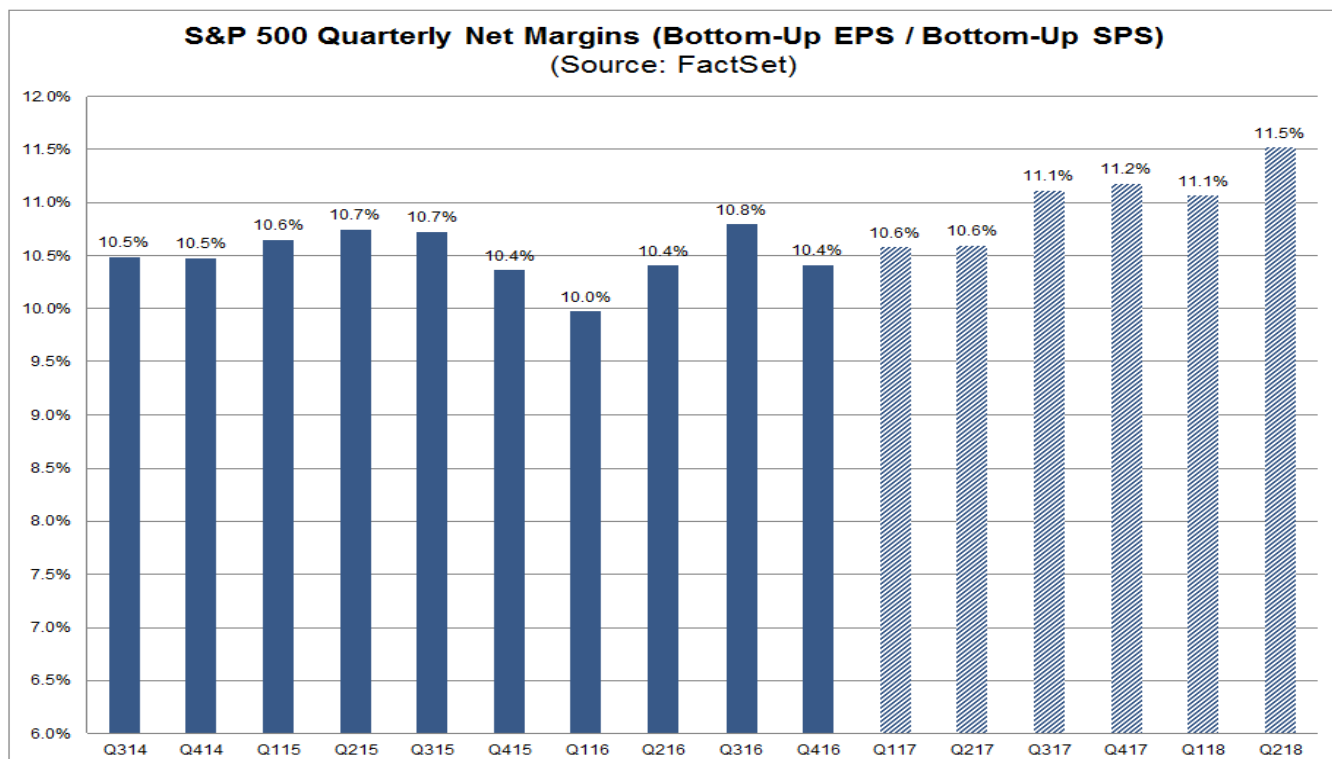
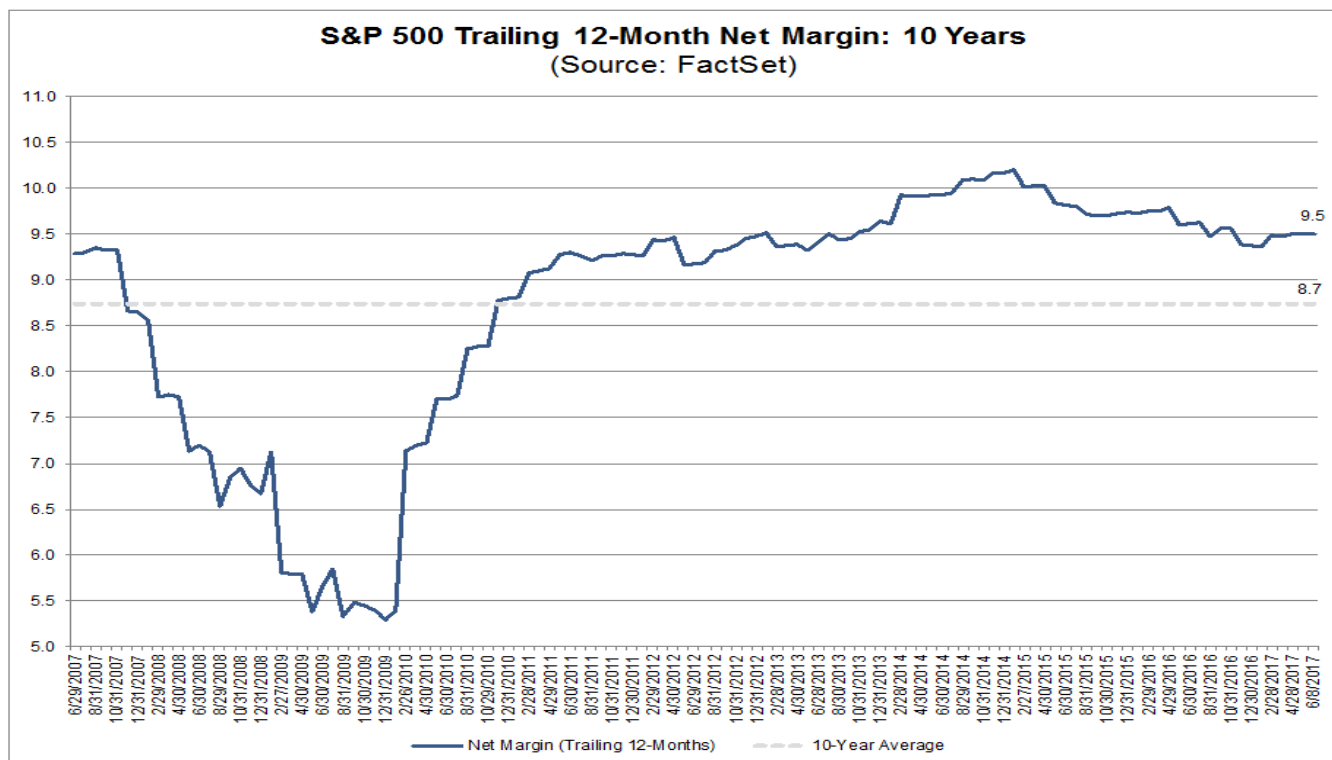
Bottom-up EPS Estimates: Current & Historical



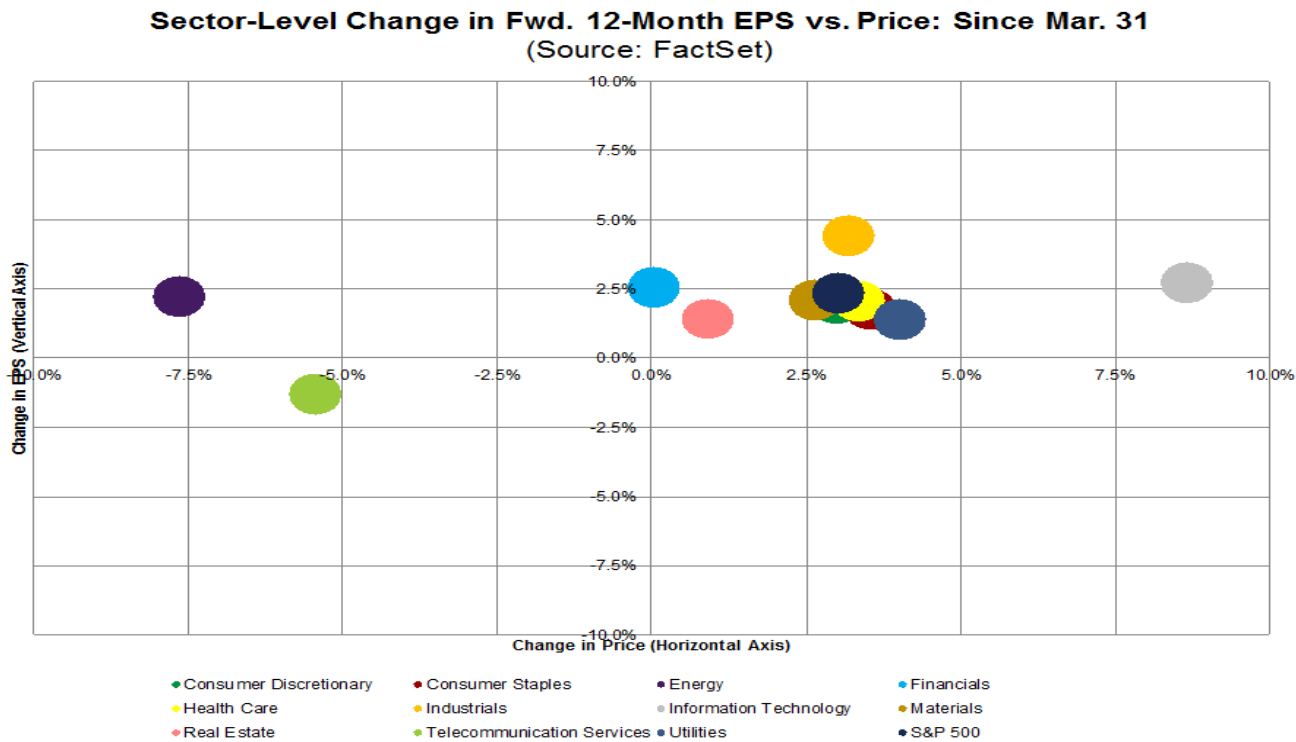
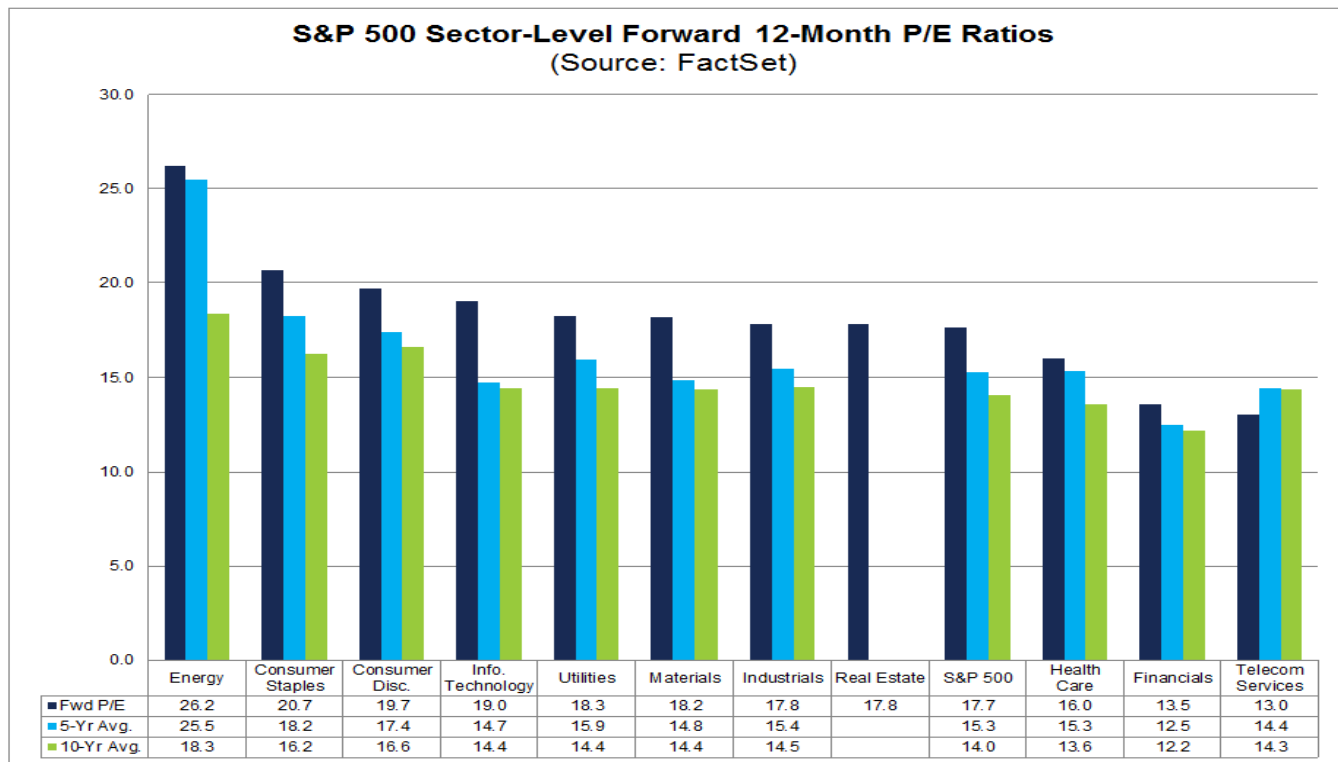
Bottom-up SPS Estimates: Current & Historical



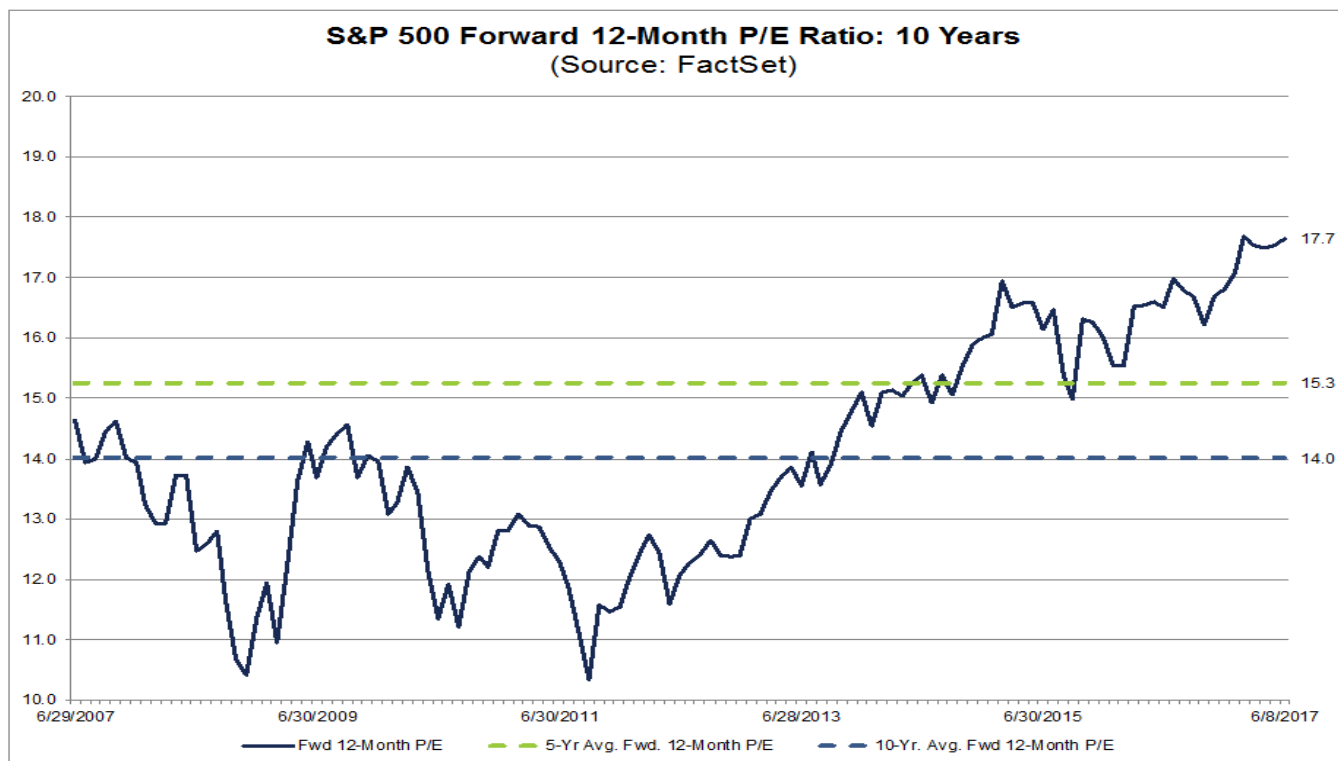
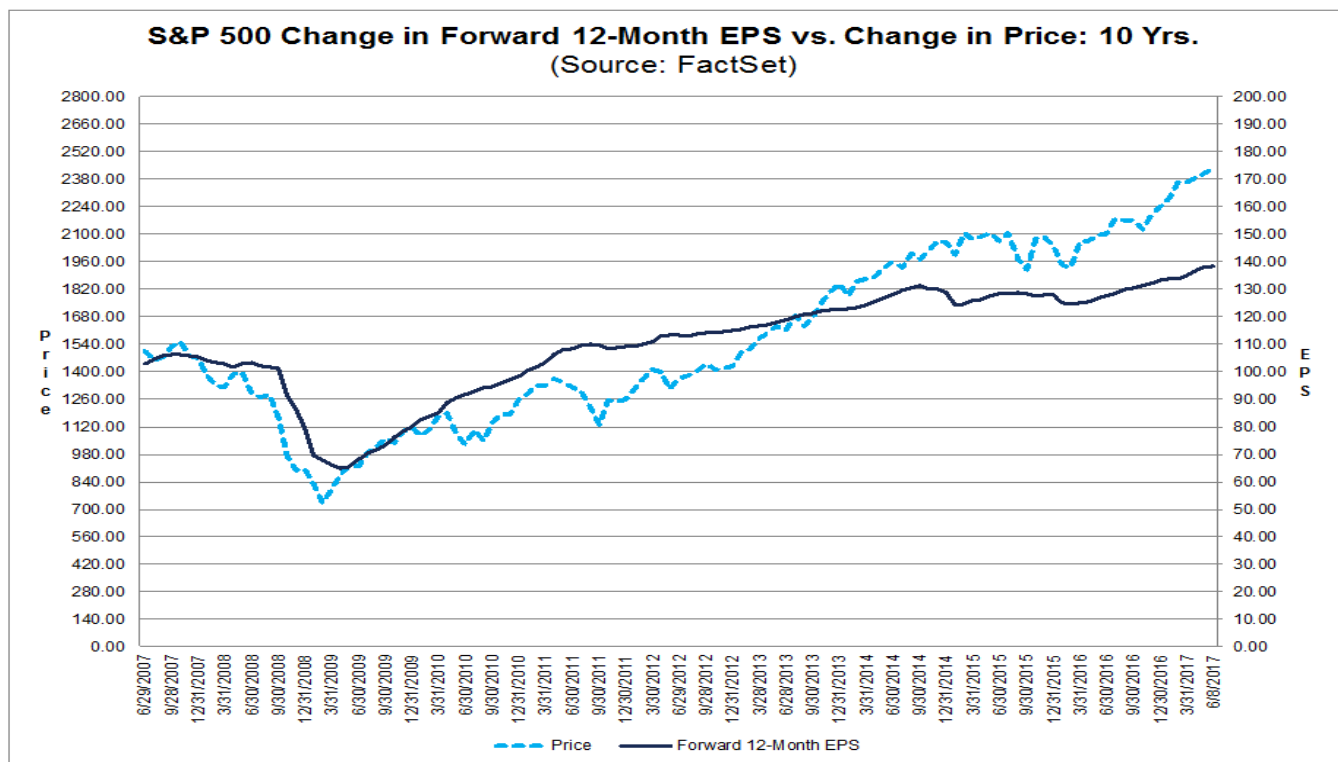
Net Margins: Current & Historical



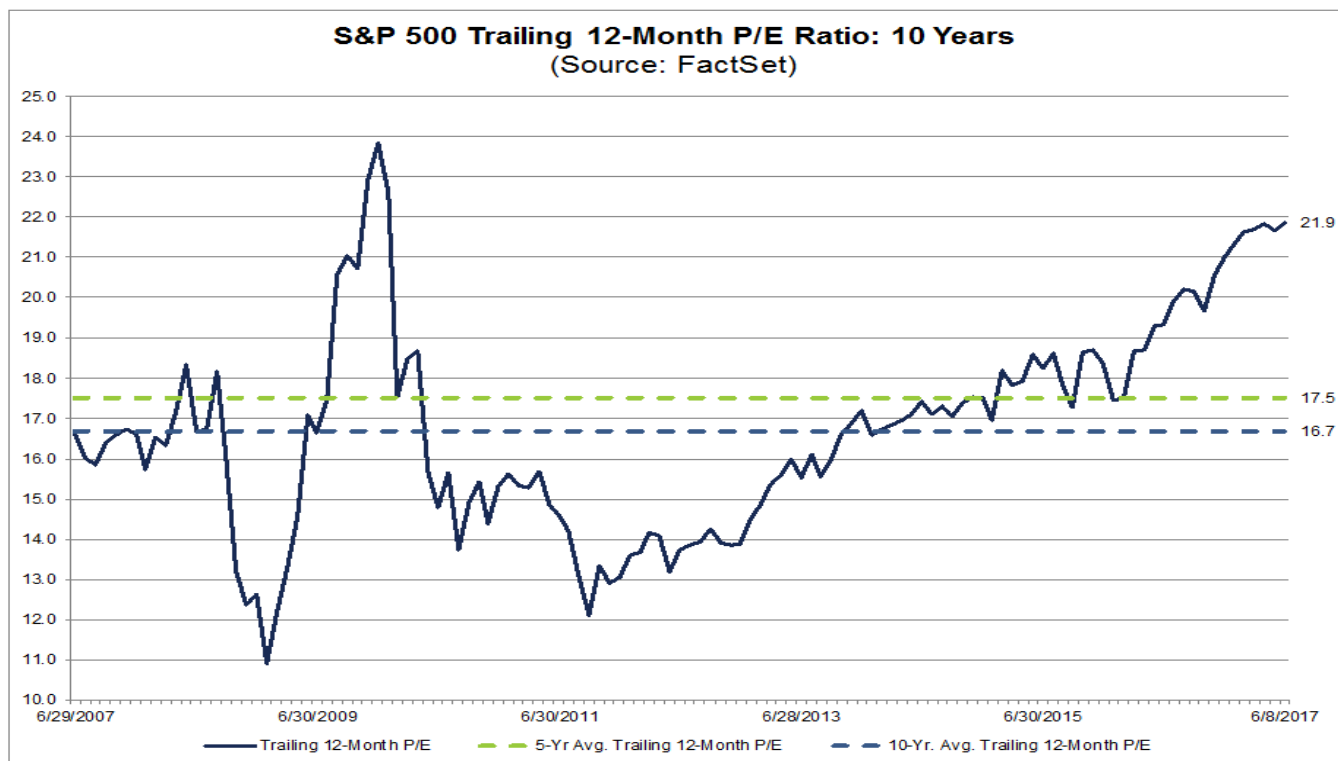
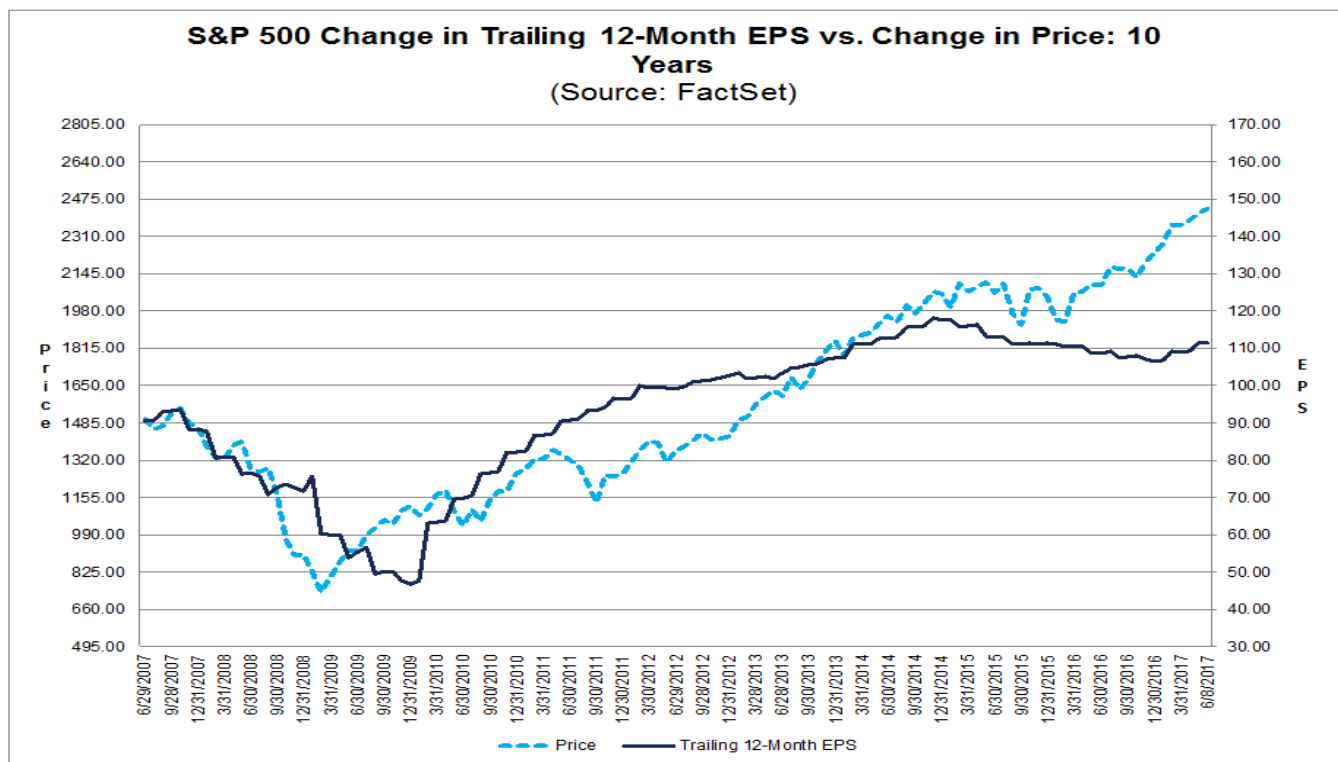
Forward 12M P/E Ratio: Sector Level



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



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



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