

# Cash Flow and Carey



**Robert Carey, CFA**  
Chief Market Strategist



**Peter Leonteos**  
Market Strategist

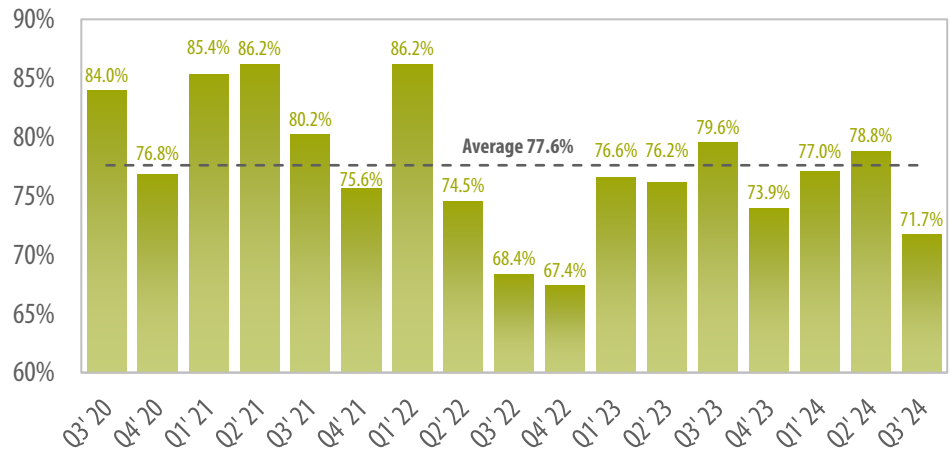
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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance, while the S&P sector and subsector indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector or industry.

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## A Snapshot of the S&P 500 Earnings Beat Rate

### % of S&P 500 Companies That Beat Their Quarterly Earnings Estimates



S&P Dow Jones Indices. Average spans Q3'20 – Q3'24. Q3'24 beat rate based on 470 company results.

### View from the Observation Deck

We update this post on an ongoing basis to provide investors with insight into the earnings beat rate for the companies that comprise the S&P 500 Index ("Index"). While quarterly earnings estimates provide a view into the expected financial performance of a given company, they are not guarantees, and equity analysts continually adjust their estimates as new information is obtained. That said, from Q3'20 through Q3'24 (the 17 quarters in today's chart), the average earnings beat rate for the companies that comprise the Index was 77.6%.

**As of 11/20/24, the sectors with the highest Q3'24 earnings beat rates and their percentages were as follows: Information Technology (87.5%); Health Care (83.3%); Financials (77.5%); and Consumer Staples (77.4%), according to S&P Dow Jones Indices. Real Estate had the lowest beat rate at 45.2%, while Materials had the highest earnings miss rate (46.4%) over the quarter.**

**As indicated in today's chart, the percentage of companies in the Index that reported higher than expected earnings in Q3'24 (71.7%) stood 5.9 percentage points below the 4-year average of 77.6%.**

Per the chart, this is not unusual. The Index's earnings beat rate exceeded the average in just seven of the 17 quarters presented. More recently, the Index's beat rate exceeded the average in just two of the past eight consecutive quarters. Keep in mind that the Q3'24 data in the chart reflects earnings results for 470 of the 503 companies that comprise the Index and could change in the coming weeks.

**FactSet reported that the blended, year-over-year (y-o-y) earnings growth rate for the Index stood at 5.8% as of 11/22/24.**

If the metric remains positive, it will mark the fifth consecutive quarter of y-o-y earnings growth. For comparison, the y-o-y earnings growth rates for Q1'24 and Q2'24 were 5.8% and 11.2%, respectively.

### Takeaway

While earnings beats are generally viewed as positive for the overall market, they represent just one piece of an intricate puzzle. As today's chart reveals, the earnings beat rate for the companies that comprise the S&P 500 Index has been below the average in most of the time frames presented (including the most recent quarter). Despite this fact, the S&P 500 Index closed at 5,969.34 on 11/22/24, representing an increase of 66.9% on a price only basis from its most recent low of 3,577.03 (10/12/22). From our perspective, persistent earnings growth has been a key catalyst to higher equity valuations. Case-in-point, the Q3'24 blended (y-o-y) earnings growth rate for the Index was 5.8% on 11/22/24. While that is below the 5-year and 10-year averages of 10.0% and 8.5%, respectively, it represents the fifth consecutive quarter of y-o-y earnings growth for the Index. Additionally, earnings are estimated to rise substantially over the coming quarters. FactSet reported that analysts estimate the Index's earnings will increase by 12.0%, 12.7%, 12.1%, and 15.3% in Q4'24, Q1'25, Q2'25 and Q3'25, respectively.