

Cash Flow and Carey



Robert Carey, CFA
Chief Market Strategist



Peter Leonteos
Market Strategist

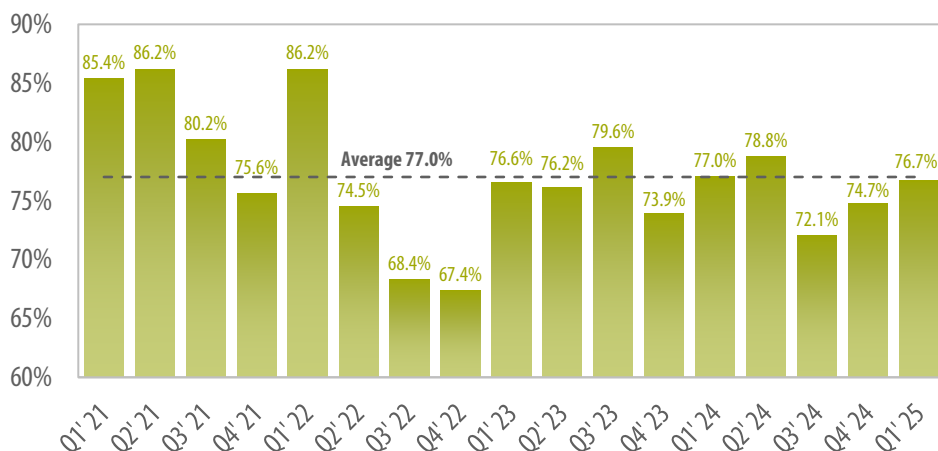
5/20/25

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.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

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

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



S&P Dow Jones Indices. Average spans Q1'21 – Q1'25. Q1'25 beat rate based on 451 company results.

View from the Observation Deck

We update this post on an ongoing basis to provide investors with insight regarding the earnings climate of the S&P 500 Index ("Index"). While quarterly earnings estimates are a useful indicator of a company's financial performance, they are not guarantees. Equity analysts are continually adjusting these estimates as new information is obtained. As of 5/9/25, 451 of the 503 stocks that comprise the Index (89.7%) had reported Q1'25 earnings.

FactSet reported that the Q1'25 blended, year-over-year (y-o-y) earnings growth rate for the Index stood at 13.6% as of 5/16/25, marking the seventh consecutive quarter of y-o-y earnings growth for the Index.

Should this hold, it will mark the second consecutive quarter of double-digit earnings growth for the Index.

The percentage of Index companies that beat earnings expectations in Q1'25 (76.7% as of 5/9/25) sits just 0.3 percentage points below the 4-year average of 77.0%.

Keep in mind, the 4-year average in today's chart reflects favorable comparisons to COVID-era earnings in 2020 and 2021. We expect the average will decline as those results are removed from our dataset.

The three sectors with the highest Q1'25 y-o-y earnings growth rates and their percentages were as follows (as of 5/16/25): Health Care (42.9%); Communication Services (29.2%); and Information Technology (17.5%). For comparison, Materials, Consumer Staples, and Energy suffered y-o-y earnings growth rates of -2.6%, -5.9%, and -12.7%, respectively.

As of 5/9/25, the sectors with the highest Q1'25 earnings beat rates and their percentages were as follows: Health Care (90.9%); Communication Services (90.0%) and Information Technology (86.5%), according to S&P Dow Jones Indices. Real Estate had the lowest beat rate at 60.0% and Consumer Discretionary had the highest earnings miss rate (31.7%).

Takeaway

As revealed in today's chart, the earnings beat rate for the companies that comprise the S&P 500 Index was below average in most of the time frames presented (including the most recent quarter). That said the average earnings beat rate in today's chart includes unusually large observations in 2021 and early 2022 when companies were recovering from COVID lockdowns. A longer view offers a secondary perspective. S&P 500 Index companies beat quarterly earnings estimates 74.6% of the time over the ten-year period ended Q1'25. Just two of our last eight quarterly observations lie below this average. While down slightly, analyst estimates for 2025 and 2026 calendar year earnings continue to reflect strength. On 5/16/25, FactSet reported that the Index's earnings per share are estimated to total a record 265.02 and 300.15 in 2025 and 2026, down from 271.28 and 308.88, respectively, in our last post on this topic. As always, these estimates are subject to change as new information is made available. We will continue to report on this topic as relevant data arises.