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Earnings Tracker

Week 3: 6% beat, debunking three bears and one red herring

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Biggest week, outsized beat, 70% positive EPS surprises

230 S&P 500 companies (66% of index earnings) are in. EPS have beat by 6ppt so far, sales by a slimmer 0.7% (driving bear case #1, below). Consensus 4Q EPS (actuals + ests) is tracking a 3% beat, in line with our forecast. 70%/65%/48% beat on EPS/sales/both, better than the historical average of 63%/59%/44%. Reactions to beats (+140bps) have been in line, and misses have been punished (-430bps vs. -220bps historical avg.). The ratio of up-to-down guides sits at 0.5x, below average but in line with Jan-Feb levels.

Bear case #1: Demand is too weak

The EPS recovery of +6% YoY is clouded by tepid top line (+2.9%) which in real terms is negative. Weak demand mentions are elevated (Exhibit 12) but leading indicators tell a different story– e.g. Korean exports surged (Exhibit 15), manufacturing new orders vs. inventories suggest re-stocking not de-stocking (Exhibit 17) - margins have improved for several quarters; sustained margin improvement tends to lead operating leverage and sales growth rather than demand deterioration (Exhibit 18). Consumption trends are healthy and will likely remain so unless we see broad-based layoffs, which leads to ….

Bear case #2: "Layoffs are dominating the headlines"

Layoff headlines have picked up, but mostly due to seasonality. The magnitude is much smaller vs. last year (-20% YoY in January) and layoffs typically slow in earnings upcycles as they are today (Exhibit 20). Employment remains shockingly robust (see blowout note) where structural drivers (demographics/great resignation, immigration, etc) are factors.

Bear case #3: Cost of capital will imperil divs & capex

Another bank cuts its dividend on negative marks, re-invigorating credit concerns. But NYCB (like SVB) was seen as idiosyncratic, not systemic, by our fundamental team (see NYCB). Moreover, capex guidance remains solid (1.4x) and a domestic investment cycle, plus AI / efficiency spend, will likely prolong the cycle even if some fiscal stimulus is clawed back. META's new dividend more than offset cuts so far, and supports our call for a "total return world", where dividends drive the next leg up (see dividend note).

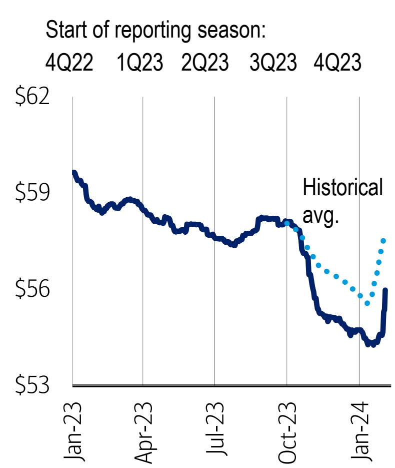
Red herring: Red Sea/Panama Canal disruptions

Transportation costs are 2% of total OPEX for the S&P 500 (Exhibit 29); water transportation is just 0.0008%. Consumer industries are more exposed at 5%, and BofA Retail analysts see potential margin headwinds (link) and Red Sea compilation. But this could be a tailwind to manufacturing, where the inventory cycle has already inflected with a pickup in demand to rebuild inventories ahead of longer lead times/Chinese New Year, similar to "just-in-case" inventory mgmt. post-COVID supply chain risks (Exhibit 30). The risk here may be more inflation and fewer Fed cuts, but there are puts and takes for EPS.

Up next: 13% of earnings report this week

This week marks another busy week with 100+ companies scheduled to report. Also see Equity Derivative team's report: Navigating Earnings with Options.

Exhibit 1: 4Q EPS is +3% QTD
Revision to consensus S&P 500 4Q EPS



Source: FactSet, BofA US Equity & Quant Strategy
*Note: Historical average indexed to the estimate as of the beginning of last earnings season
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Exhibit 2: S&P 500 qtrly EPS forecasts
Bottom-up consensus vs. our estimates

	Btm-up analysts	YoY	BofA Strategy	YoY
1Q23	53.08	-3%	53.08	-3%
2Q23	54.29	-6%	54.29	-6%
3Q23	58.41	4%	58.41	4%
4Q23E	56.20	6%	56.50	6%
2023E	**$220**	**1%**	**$222**	**2%**
1Q24E	55.38	4%	57.00	7%
2Q24E	59.28	9%	58.00	7%
3Q24E	63.18	8%	61.00	4%
4Q24E	64.14	14%	59.00	4%
2024E	**$242**	**10%**	**$235**	**6%**

Source: FactSet, BofA US Equity & Quant Strategy
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Key quotes from companies:

Infrastructure/Industrials/capex

United Rentals (Industrials) – "Both infrastructure and non-res continued to show solid growth year-over-year as our customers kicked off new projects across a diverse range of markets. These include battery plants, semiconductor-related jobs, power, infrastructure, as well as data centers."

Dow (Materials) – "While we expect softness in industrial and durable goods demand to continue in the first quarter, we are encouraged by early positive signals in areas including construction, automotive, and consumer electronics."

Illinois Toll Works (Industrials) – "We definitely see some positives in terms of moderating headwinds in the external environment from supply chain, input cost inflation, and customer and channel partner inventory reductions. But there are certainly some challenges, including lower automotive bills."

De-stocking/inventory

Taiwan Semiconductors (Tech) – "Coming off the steep inventory correction and low base of 2023, for the full year of 2024, we forecast the overall semiconductor market, excluding memory, to increase by more than 10% year-over-year."

Texas Instrument (Tech) – "We know anecdotally that we're shipping below demand [in industrials]. We have customers who have told us that they have built inventory and plan to correct that."

JB Hunt (Industrials) – "We have seen an improvement in our year-over-year monthly volume trends since April or for nine consecutive months. By month in the fourth quarter, our volumes were up 6% in October, 6% in November, and up 8% in December."

3M (Industrials) – "If you look at the channels, I see broadly the channels are stabilizing [...] as we went through the first part of last year, there was aggressive reduction in inventory in the channel. That played out and it's more balanced as we come through Q4 as we look into Q1."

Consumer/labor

Visa (Financials) – "We did see that growth slow down the first week of January and we've looked really closely at it. And it's directly correlated to the extreme cold weather."

Starbucks (Consumer Discretionary) – "Our most loyal customers remain loyal and, in fact, increased their frequency and spend in the quarter. But we did see a softening of U.S. traffic. Specifically, our occasional U.S. customers who tend to visit in the afternoon came in less frequently."

Robert Half (Industrials) – "The tone of client discussions has improved in the last 90 days due to some combination of lower inflation, a more favorable interest rate policy, fewer predictions of pending recession, and newly approved staffing levels resulting from the annual budget cycle. These factors contribute to a more positive backdrop heading into 2024 than we saw a year ago."

ADP (Industrials) – "We feel good about the demand environment overall at this point. I think companies are still hiring."

Watches of Switzerland (Consumer Discretionary) – "The consumer preference about where they were spending money, and there's no doubt that travel, leisure, food, beverage, hospitality and so on beauty, were all favored categories, and watches and jewelry went down the priority list."

McCormick (Staples) – "Consumers are exhibiting even more value-seeking behavior. They are increasing shopping trips, reducing basket size, and making just-in-time purchases creating further uncertainty in the consumer environment."

Tech/AI

Meta (Communication Services) – "Returning capital to shareholders remains an important priority for us. And we believe introducing a dividend really just serves as a nice complement to the existing share repurchase program."

Microsoft (Tech) – "We expect capital expenditures to increase materially on a sequential basis, driven by investments in our cloud and AI infrastructure."

ServiceNow (Tech) – "Our Gen AI products drove the largest net new ACV (Annual Contract Value) contribution for our first full quarter at any of our new product family releases ever."

Alphabet (Communication Services) – "The step up in CapEx in Q4 reflects our outlook for the extraordinary applications of AI [...] In 2024, we expect investment in CapEx will be notably larger than in 2023."

2/3 done, strong 6% beat, 70% are beating on EPS

Following Week 3, 230 S&P 500 companies (66% of index earnings) are in and EPS so far came in 6% above consensus and sales beat by 0.7%. Consensus 4Q EPS (actuals + estimates) is tracking a 3% beat, in line with our expectation. 70%/65%/48% of reporters beat on EPS/sales/both, better than the historical average of 63%/59%/44%.

Exhibit 3: Consensus expects 6% earnings growth in 4Q

S&P 500 consensus earnings and sales growth expectations by sector based on current constituents

	Earnings		Sales	
Sector	**YoY%**	**QoQ%**	**YoY%**	**QoQ%**
Consumer Disc.	30.8%	(23.0%)	5.3%	5.3%
Consumer Staples	0.8%	(6.3%)	2.8%	1.1%
Energy	(25.9%)	(7.2%)	(9.5%)	(5.1%)
Financials	4.9%	(10.6%)	5.6%	(2.7%)
Health Care	(17.7%)	(6.5%)	5.7%	1.9%
Industrials	0.8%	(2.1%)	2.3%	1.5%
Technology	19.6%	13.8%	7.0%	11.4%
Materials	(21.9%)	(16.5%)	(5.6%)	(2.8%)
Real Estate	2.7%	(0.5%)	6.0%	1.5%
Communication Services	49.0%	38.1%	6.5%	7.9%
Utilities	32.3%	(22.0%)	0.6%	2.2%
S&P 500	**5.6%**	**(0.6%)**	**3.3%**	**2.3%**
ex. Financials	**5.8%**	**1.6%**	**2.9%**	**3.0%**
ex. Energy	**9.1%**	**(0.1%)**	**4.5%**	**2.9%**
ex. Fins & Energy	**10.2%**	**2.4%**	**4.4%**	**3.8%**

Source: FactSet, BofA US Equity & Quant Strategy

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Exhibit 4: % of S&P 500 companies beating consensus expectations on 4Q23 EPS and sales

Results from companies that have reported 4Q earnings

Sector	**Total companies**	**Number Reported**	**% with EPS beat**	**% with Sales beat**	**% EPS & Sales beat**
Cons. Disc.	53	18	78%	44%	33%
Cons. Staples	38	15	80%	47%	40%
Energy	23	10	70%	30%	20%
Financials	72	49	73%	63%	49%
Health Care	64	26	73%	88%	65%
Industrials	78	45	64%	64%	51%
Tech	64	31	81%	68%	61%
Materials	28	14	79%	64%	57%
Real Estate	31	8	13%	50%	13%
Comm. Svcs.	19	10	50%	90%	40%
Utilities	30	4	50%	25%	25%
S&P 500	**500**	**230**	**70%**	**63%**	**48%**

Source: FactSet, BofA US Equity & US Quant Strategy

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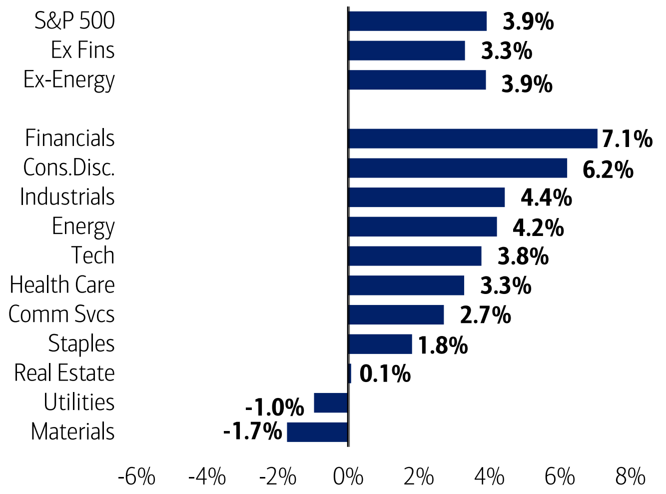
Exhibit 5: Earnings are tracking a 4% beat

Revision to consensus 4Q23 earnings since start of January



Source: FactSet, BofA US Equity & Quant Strategy

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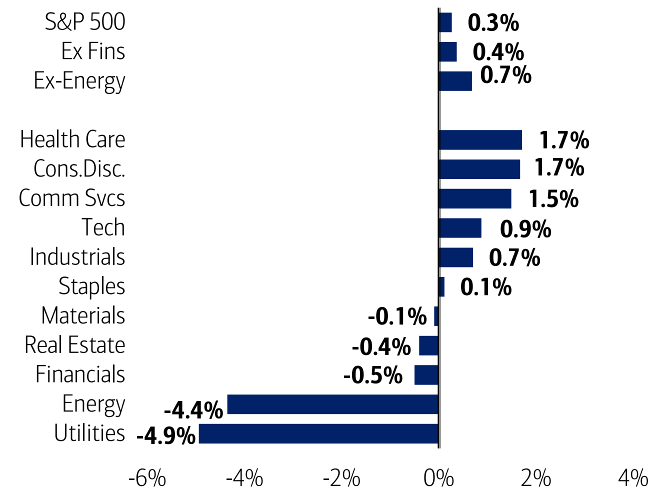
Exhibit 6: Sales are tracking a meet

Revision to consensus 4Q23 sales since the start of January



Source: FactSet, BofA US Equity & Quant Strategy

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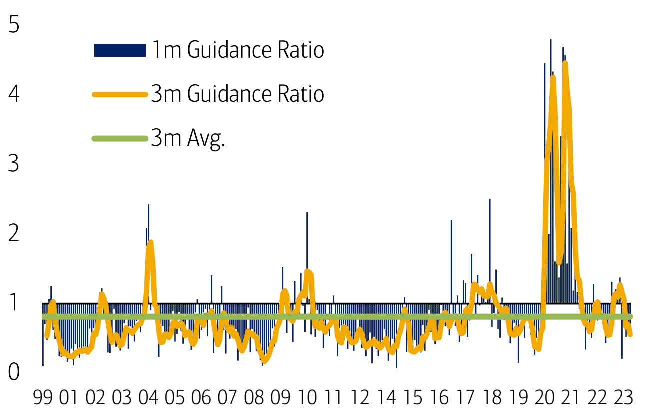
Guidance is weak, but in line with a typical Jan-Feb

Our 1-mo. guidance ratio (# of above- vs. below-consensus guides) is tracking at 0.5x so far this earnings season. Although weaker on an absolute level, this is in line with the seasonal pattern in January-February. We also see no reasons for companies to guide aggressively amid macro uncertainty, and don't believe weak guidance and estimate cuts in 1Q are good reasons to sell equities (see preview). 2024 consensus EPS has been cut by 0.7% YTD, led by Energy and Materials.

Exhibit 7: Our guidance ratio is tracking weak at 0.5x...

S&P 500 guidance ratio (# above vs. below consensus) – 1999-2/2/24



Source: BofA US Equity and Quantitative Strategy

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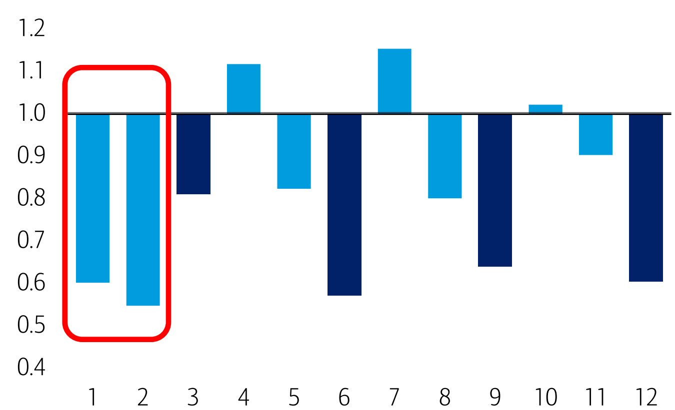
Exhibit 8: ...but it is in line with the historical Jan-Feb average (light blue = earnings seasons)

Avg. 1-mo. guidance ratio by month (1999-2023)



Source: Bloomberg, BofA US Equity & Quant Strategy

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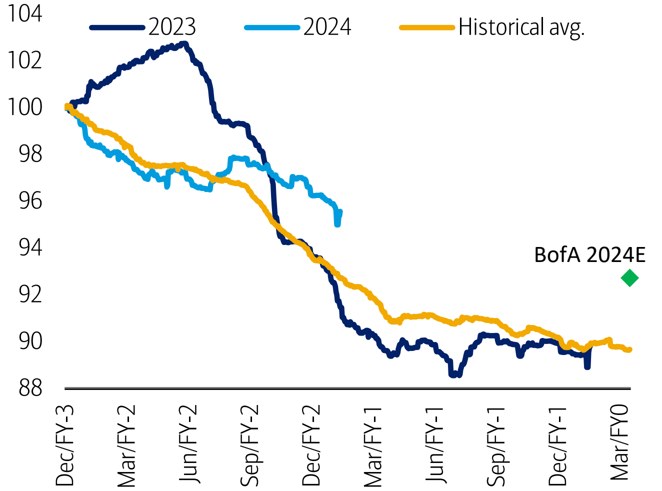
Exhibit 9: Consensus EPS typically gets cut through March FY-1
S&P 500 historical FY2 EPS revisions vs. 2023-24 consensus EPS (2023-24 as of 2/1/24)



Source: BofA US Equity & Quant Strategy, FactSet; Note: historical average based on 2001-2022
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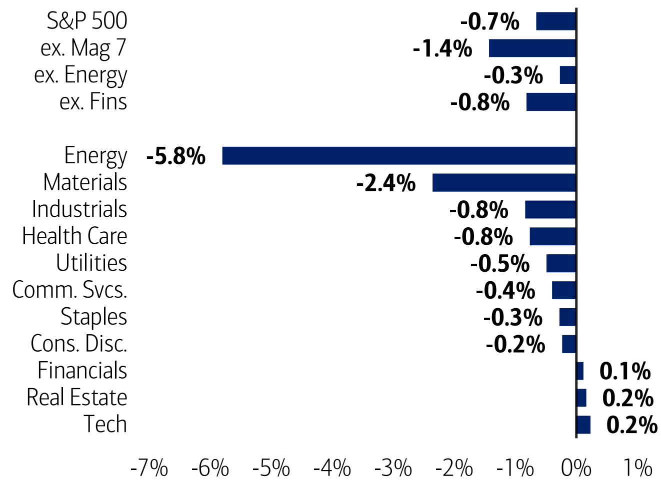
Exhibit 10: 2024 consensus EPS has been cut by 0.7% YTD, led by Energy and Materials
S&P 500 2024 consensus EPS revision YTD (as of 2/1/24)



Source: BofA US Equity & Quant Strategy, FactSet
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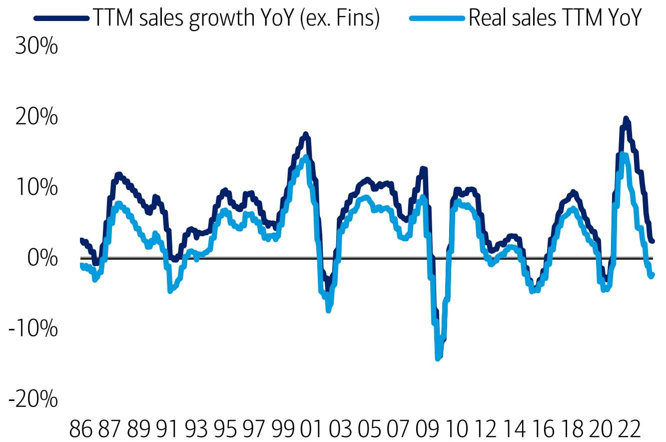
Real-time monitor of the four bear cases

Bear #1: Demand remains weak

Despite the solid EPS recovery (+5% YoY), the top line remains more tepid, especially in real terms (+2.9% nominal, -0.5% real). Mentions of weak demand also remains elevated (Exhibit 12). The main reason for tepid sales despite robust GDP growth was the mix between goods and services. The goods/manufacturing economy remained weak, which represents 50% of S&P 500 earnings but just 20% of GDP.

But there are encouraging signs that demand has inflected higher – e.g. Korean exports (Exhibit 15). Manufacturing new orders vs. inventories also suggest we're now in a re-stocking cycle (Exhibit 17). Margins already started improving and we expect even further improvement once demand starts to improve (Exhibit 18).

Exhibit 11: Real sales growth remain negative (-2% YoY LTM)
Trailing 12-mo. sales growth ex. Fins, nominal vs. real (1986-12/23)



Source: FactSet, Bloomberg, BofA US Equity & Quant Strategy

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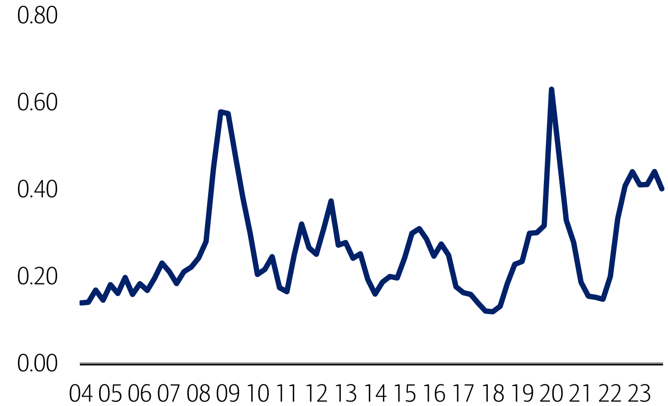
Exhibit 12: Mentions of weak demand remains elevated
Avg. mention of weak demand per co. for Consumer sectors ('03-4Q23 through 2/2/24)



Source: BofA Global Research
Note: mentions include "lower," "softer," "moderating," "weaker"

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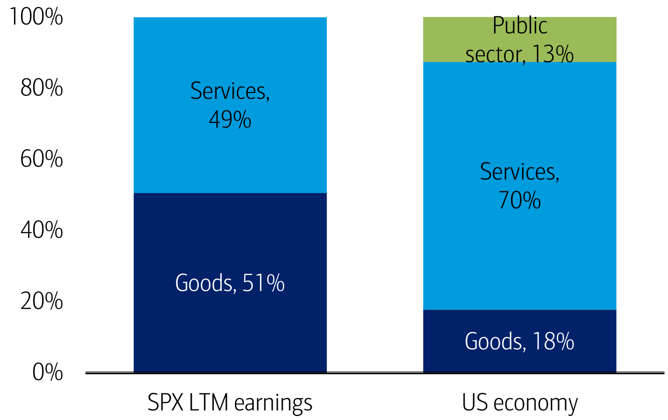
Exhibit 13: S&P 500 is more geared towards goods than the economy
Our estimate for Goods vs. Services exposure of S&P 500 based on industry breakout of 2Q23 earnings vs. % goods/services for US economy (based on gross value added by industry, 2022)



Source: Haver Analytics, FactSet, BofA US Equity & US Quant Strategy

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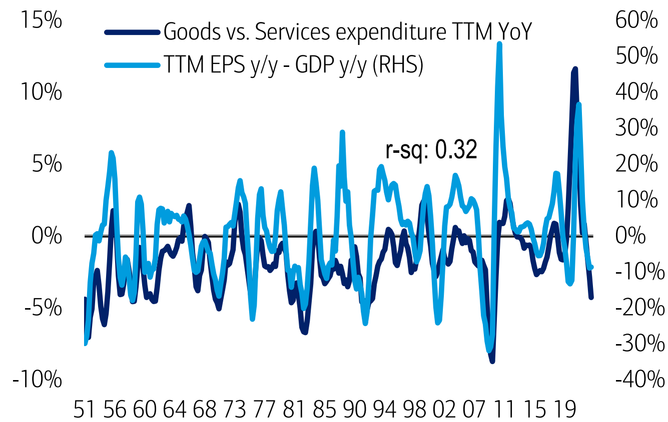
Exhibit 14: Goods outpacing services has historically been a tailwind for earnings vs. GDP
Goods vs. Services consumption TTM YoY vs. EPS vs. GDP TTM YoY (1951-3Q23)



Source: FactSet, Bloomberg, BofA US Equity & Quant Strategy

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Exhibit 15: Korea exports soared, pointing to a manufacturing recovery
Korea exports YoY vs. ISM Manufacturing PMI (1997-1/24)

Source: Bloomberg, BofA US Equity & Quant Strategy

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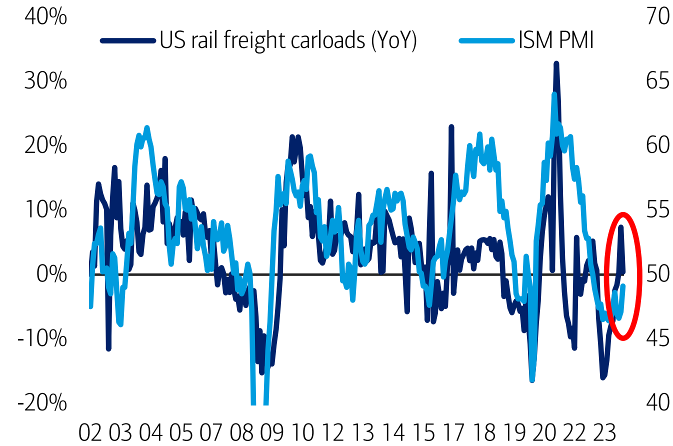
Exhibit 16: Rail freight carload growth moderated in January, but likely due to the cold weather and still points to upside in PMI
US rail freight carloads YoY vs. ISM Manufacturing PMI (2002-1/24)



Source: Bloomberg, BofA US Equity & Quant Strategy

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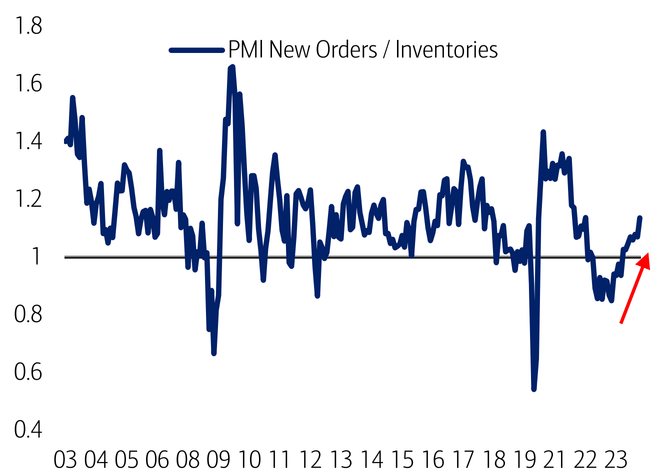
Exhibit 17: We're now in a re-stocking cycle
ISM Manufacturing PMI new orders / inventories (2003-1/24)



Source: Bloomberg, BofA US Equity & Quant Strategy

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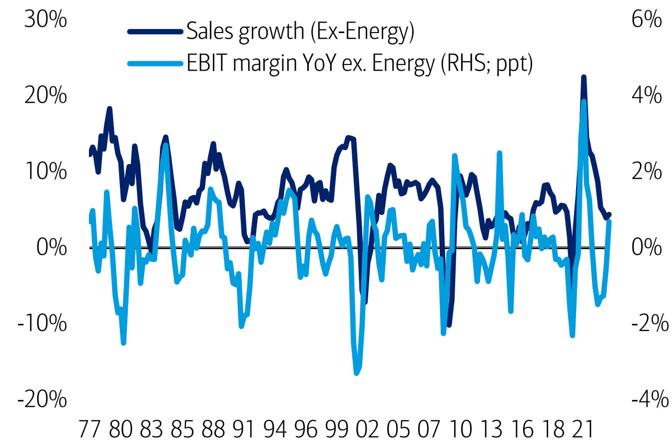
Exhibit 18: Margins already inflected higher even without sales boost
S&P 500 ex. Energy & Financials sales growth YoY vs. EBIT margin YoY (1977-3Q23)



Source: FactSet, BofA US Equity & Quant Strategy

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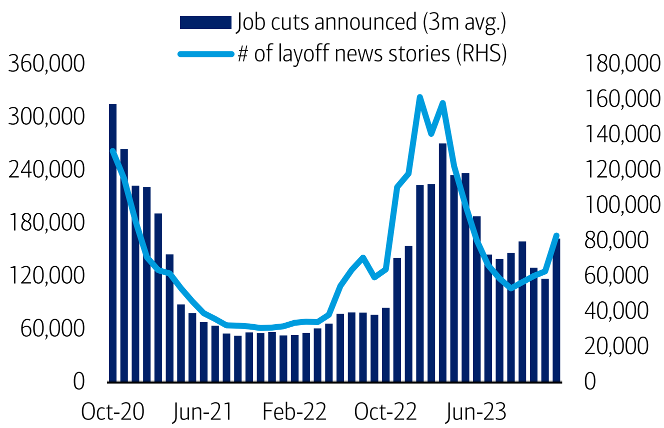
Bear #2: Companies are laying off workers

Layoff headlines have picked up, but it's mostly due to seasonality and the magnitude is much smaller vs. last year (-20% YoY in January). Historically, layoffs and earnings cycles have shown a strong inverse correlation (0.43 r-sq) – Exhibit 20. The earnings upcycle that we expect in 2024 suggests that the peak corporate layoff cycle is likely behind us. The job market remains robust.

Exhibit 19: Size and frequency of layoff announcements are well off the peak
Challenger job cuts announced (3-mo. avg.) vs. # of layoff news stories on Bloomberg (2020-1/24)



Source: BofA US Equity & Quant Strategy, Bloomberg

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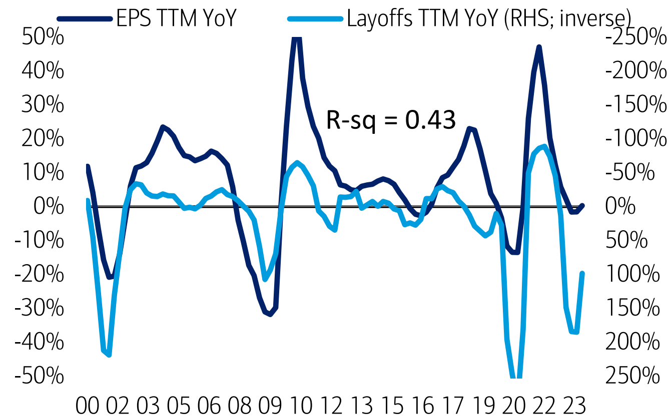
Exhibit 20: Earnings upcycle should translate to fewer layoffs ahead
S&P 500 trailing 12-mo. EPS YoY vs. Challenger job cuts TTM YoY (2000-12/23)



Source: BofA US Equity & Quant Strategy, Bloomberg, FactSet

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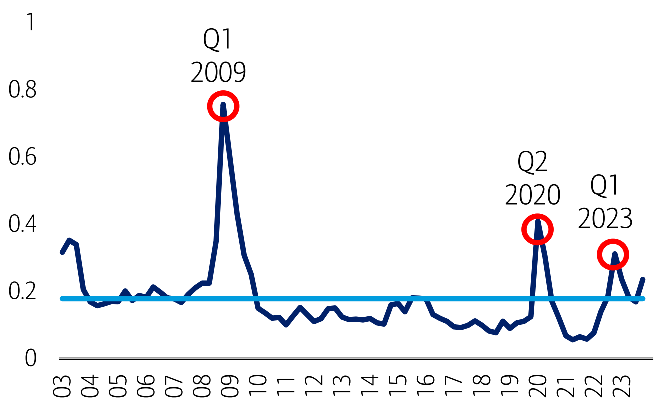
Exhibit 21: Mentions of "layoffs" in earnings transcript ticked up
Earnings transcript mentions of "layoffs" (as of 1/30/2024)



Source: BofA Global Research, FactSet

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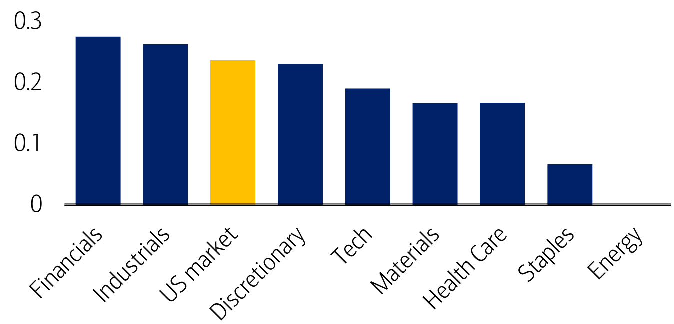
Exhibit 22: "Layoff" mentions most acute in Financials so far this earnings season
Earnings transcript mentions of "layoffs" in 2024; sectors with sample size <10 were excluded



Source: BofA Global Research, FactSet

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Is this a good signal? "Layoff" mentions on earnings calls don't provide a clear signal for short-term returns (Exhibit 23). However, over a longer-time period, we have found that labor-light companies tend to outperform peers (Exhibit 24).

Exhibit 23: A few "layoff" mentions aren't a negative catalyst, but many mentions (7+) are associated with short-term underperformance
Fwd. returns of stock with "layoff" mentioned in earnings transcript, relative to industry group (2003-present)

	Fwd. returns of stock with "layoff" mentioned in earnings transcript, relative to industry group	
At least...	**+1 day**	**+5 days**
1 mention	0.0%	0.1%
2 mentions	0.0%	0.0%
3 mentions	-0.1%	0.2%
4 mentions	0.1%	0.5%
5 mentions	0.0%	0.2%
6 mentions	-0.1%	0.6%
7 mentions	-0.8%	0.4%
8 mentions	-1.3%	0.1%
9 mentions	-1.5%	-0.2%
10 mentions	-1.7%	-0.5%

Source: BofA US Equity & Quant Strategy, FactSet

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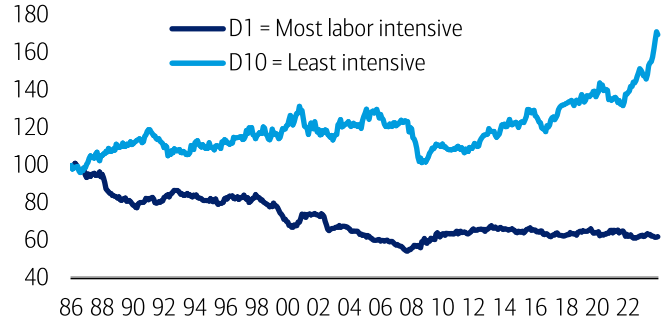
Exhibit 24: Labor-light companies tend to outperform their labor-intensive peers
Cumulative relative performance vs. equal weighted S&P 500 index (based on top and bottom sector neutral deciles by # of employees to sales ratio)



Source: BofA US Equity & Quant Strategy, FactSet

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Bear #3: Capital cost is going to hurt capex and dividends

With another bank cutting its dividend on negative real asset marks, bears argue that corporate cash return and capex are potentially at risk, unless the Fed cuts aggressively. But NYCB was likely idiosyncratic, not systematic (see NYCB note). While capex slowed in 4Q as expected (-1% YoY), our capex guidance remains solid at 1.4x (in line with the historical avg.). We believe a domestic investment cycle, combined with an AI investment cycle, will result in a prolonged capex cycle. META's dividend issuance also indicates we are in a total return world with a greater focus on dividends (see dividend note).

Exhibit 25: Capex slowed to -1% YoY in 4Q (as expected), vs. +2% in 3Q
S&P 500 4Q capex YoY (sample size = 169)

Sector	4Q23 Capex	4Q22 Capex	Aggregate YoY
Consumer Discretionary	29,339	27,967	5%
Consumer Staples	4,362	4,076	7%
Energy	15,052	12,919	17%
Financials	639	675	-5%
Health Care	4,859	4,766	2%
Industrials	18,465	21,673	-15%
Information Technology	25,486	24,579	4%
Materials	5,206	4,580	14%
Real Estate	716	621	15%
Communication Services	35,820	38,289	-6%
Utilities	2,857	3,779	-24%
S&P 500	**142,801**	**143,924**	**-1%**
ex. Tech + Mag. 7	**81,736**	**84,257**	**-3%**

Source: FactSet, BofA US Equity & Quant Strategy

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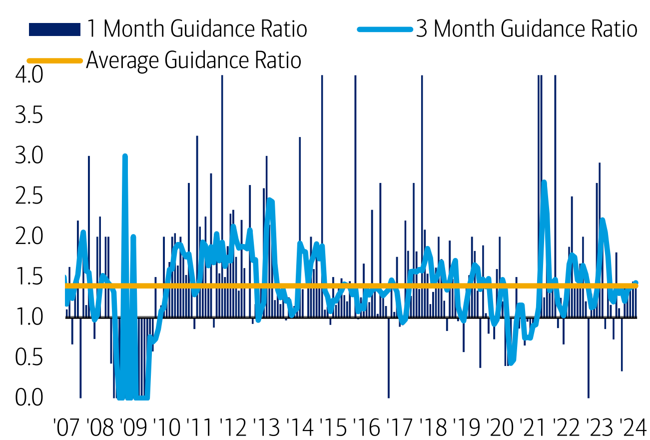
Exhibit 26: Our capex guidance remains solid at 1.4x, in line with the historical avg.
Capex guidance ratio (# above vs. below-consensus capex guides); 2007-2/2/24



Source: Bloomberg, BofA US Equity & Quant Strategy

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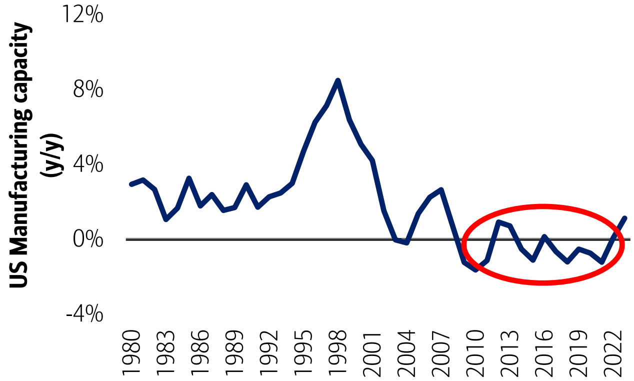
Exhibit 27: Coming out of 10+ years of underinvestment in US manufacturing
US manufacturing capacity YoY (1980-12/2023)



Source: Federal Reserve, BofA Global Research

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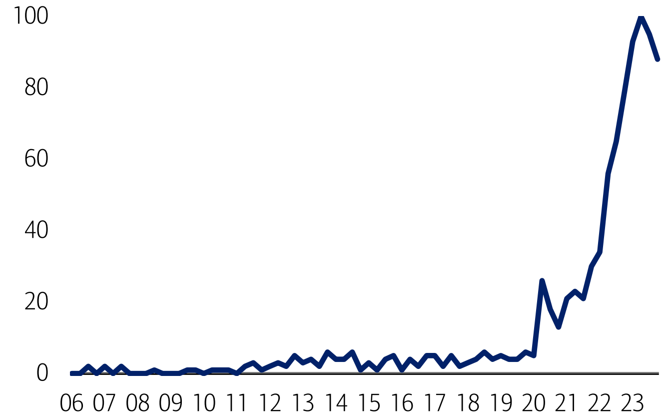
Exhibit 28: Mentions of re-shoring skyrocketed over past year
Companies mentions of re-/near-/on-shoring (100=max; 2006-12/23)



Source: AlphaSense, BofA Global Research

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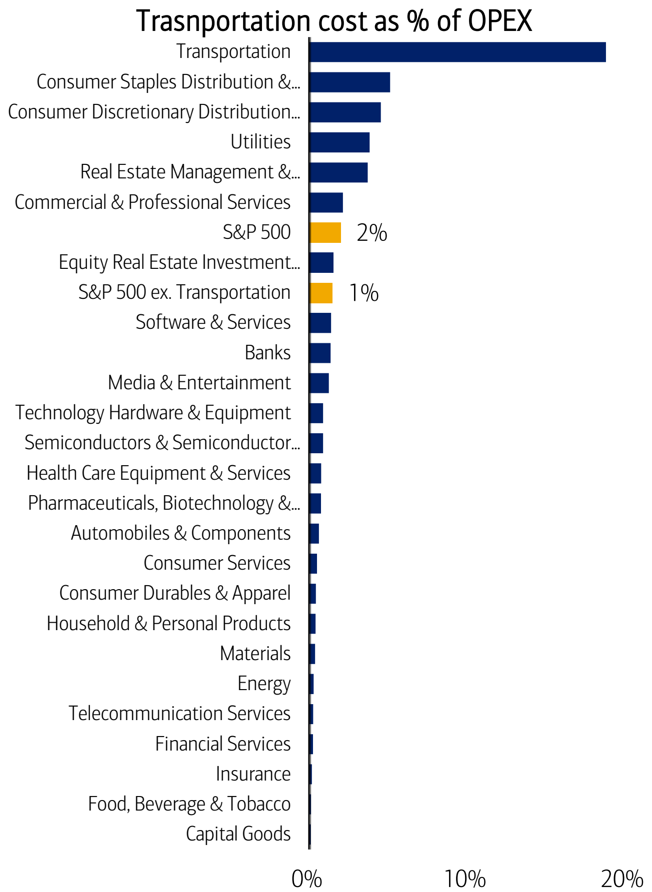
Bear #4: Red Sea/Panama Canal supply chain disruptions

We estimate that transportation costs are only 2% of total OPEX for the S&P 500 (Exhibit 29) and water transportation is just 0.0008%. Consumer industries are more exposed to transportation, at 5%, where BofA Retail analysts see potential margin headwinds (link) – also see Red Sea research compilation. Despite concerns, we believe this could be a tailwind to manufacturing, where the inventory cycle already started to inflect and demand is rising to rebuild inventories ahead of longer lead times and Chinese New Year, similar to the just-in-case inventory mgmt. post-COVID (Exhibit 30).

Exhibit 29: Transportation costs represent just 2% of total OPEX for the S&P 500
Transportation cost as % of total OPEX by industry group (as of 2022)



Source: BofA US Equity & Quant Strategy, FactSet, BEA

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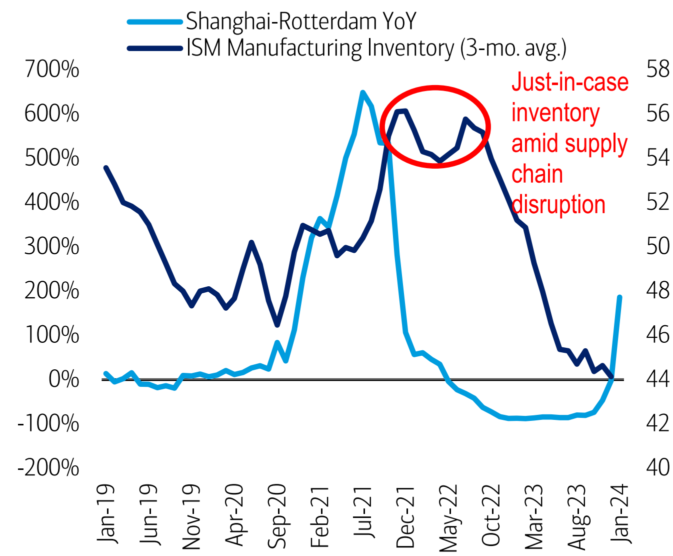
Exhibit 30: Supply chain disruptions post-COVID led to just-in-case inventory management. Red Sea disruptions could fuel re-stocking
Shanghai-Rotterdam freight rate YoY vs. ISM Manufacturing inventory (1/19-1/24)



Source: Bloomberg, BofA US Equity & Quant Strategy

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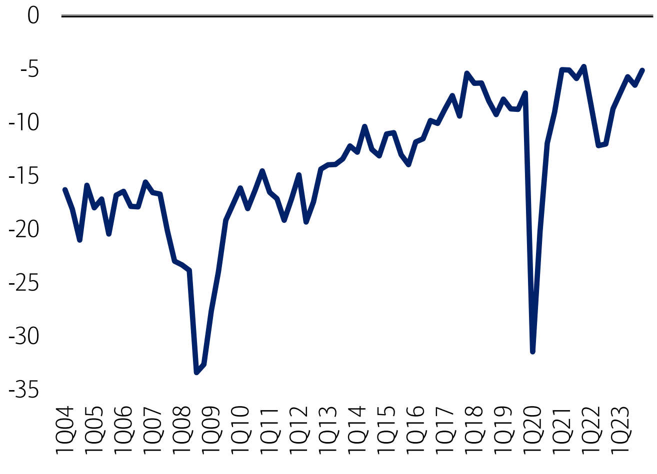
Corporate sentiment improves to near-record highs

BofA's Predictive Analytics team helped analyze earnings transcripts using Loughran McDonald's financial dictionary to calculate sentiment scores (see Appendix for full methodology). Our Corporate Sentiment Indicator improved QoQ to near its record high from 4Q21. The YoY change in corporate sentiment has been highly correlated with quarterly EPS YoY with a one quarter lead, pointing to a continued earnings recovery ahead.

Exhibit 31: Corporate sentiment improved to a near-record high
Avg. negative sentiment score for S&P 500 companies (2004-4Q23 as of 1/31/24)



Source: BofA Global Research, FactSet

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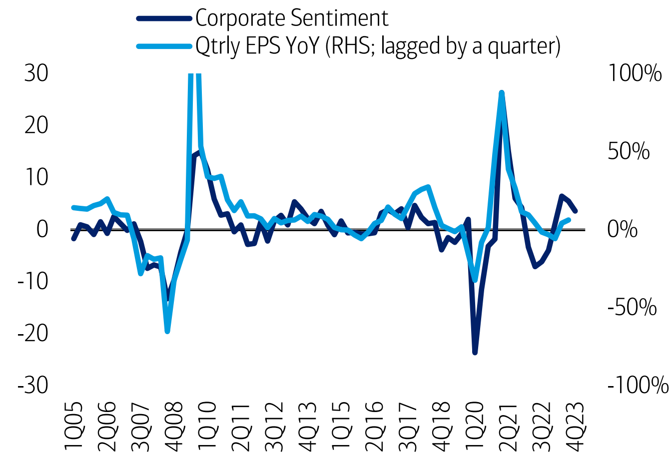
Exhibit 32: YoY change in Corporate Sentiment is slowing but still positive
S&P 500 avg. negative sentiment score YoY vs. quarterly EPS YoY with a quarter lag (r-sq=50%; 1Q05-4Q23 as of 1/31/24)



Source: BofA Global Research, FactSet

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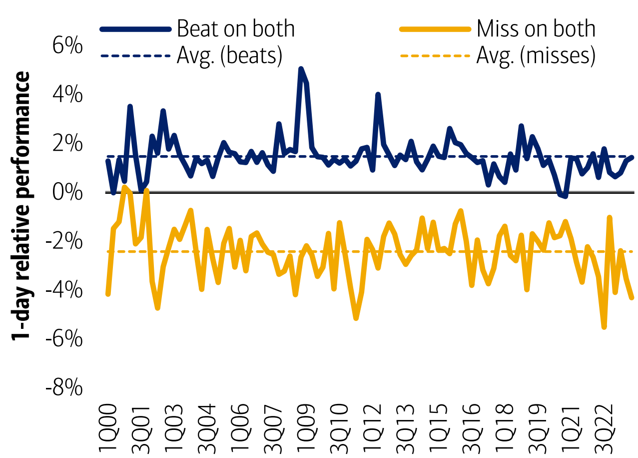
Average reactions to beats, but misses got punished

Companies that beat on both sales and EPS outperformed the S&P 500 by 140bps the next day, largely in line with the historical average. But misses were penalized more than usual, underperforming by 430bps vs. a typical -240bps.

Exhibit 33: Beats were rewarded, but misses got punished more than usual
Rel. 1-day post-reporting performance (vs. S&P 500) on EPS & sales surprise (1Q00-4Q23 as of 2/2/24)



Source: FactSet, BofA US Equity & Quant Strategy

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Exhibit 34: Relative performance of reported companies vs. S&P 500
4Q23 earnings reactions based on surprise

	1 day	5 day	Start of reporting season to 1 day after reporting	Start of reporting season to 5 days after reporting
EPS Beat	0.9%	0.6%	-0.6%	-1.0%
EPS Miss	-3.3%	-1.4%	-5.0%	-3.4%
EPS In-Line	-0.5%	0.1%	-2.2%	-0.3%
Sales Beat	0.9%	0.7%	-0.3%	-0.7%
Sales Miss	-1.6%	-0.8%	-3.9%	-2.8%
Sales In-Line	0.9%	NA	-7.7%	NA
Both Beat	**1.4%**	**0.9%**	**0.2%**	**-0.6%**
Both Miss	**-4.3%**	**-1.4%**	**-6.4%**	**-3.4%**

Source: FactSet, BofA US Equity & Quant Strategy

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Exhibit 35: Relative performance by sector vs. S&P 500
4Q23 earnings reactions based on surprise by sector

	At the open (+1D)		Intraday (+1D)		1 day after reporting		5 days after reporting	
Sector	**Beat on both**	**Missed on both**	**Beat on both**	**Missed on both**	**Beat on both**	**Missed on both**	**Beat on both**	**Missed on both**
Cons. Disc.	1.6%	-2.1%	0.38%	-4.1%	1.9%	-6.1%	1.6%	-9.4%
Staples	0.5%	-4.7%	0.71%	-1.0%	1.2%	-5.6%	1.5%	-3.8%
Energy	1.5%	-1.8%	2.0%	-0.5%	3.6%	-2.3%	5.7%	-6.5%
Financials	2.0%	-0.7%	-1.3%	-0.5%	0.8%	-1.2%	1.0%	1.1%
Health Care	2.7%	-4.9%	-1.2%	1.2%	1.3%	-3.8%	2.6%	N.A.
Industrials	1.4%	-7.0%	0.2%	-0.7%	1.7%	-7.6%	-0.1%	1.1%
Tech	0.0%	-2.2%	-0.1%	-0.6%	-0.1%	-2.8%	-0.5%	-3.4%
Materials	3.2%	-1.6%	0.6%	-1.7%	3.6%	-3.4%	0.9%	N.A.
Real Estate	2.9%	NA	1.5%	NA	4.4%	N.A.	3.0%	N.A.
Comm. Svcs.	2.9%	NA	1.8%	NA	4.9%	N.A.	6.7%	N.A.
Utilities	3.0%	NA	-1.8%	NA	1.2%	N.A.	3.3%	N.A.
S&P 500	**1.7%**	**-3.4%**	**-0.2%**	**-1.0%**	**1.4%**	**-4.3%**	**0.9%**	**-1.4%**

Source: FactSet, BofA US Equity & Quant Strategy

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S&P 500 companies reporting in Week 4

Below we list confirmed/tentative dates for S&P 500 companies reporting this week.

Exhibit 36: S&P 500 companies slated to report 4Q results in Week 4 ($100B+ in market cap highlighted in blue)
Week 4 schedule

Report Date	Ticker	Company Name	Sector	Market Cap ($B)	Status	Week
2/5/2024	MCD	MCDONALD'S CORP	Consumer Discretionary	215	Tentative	4
2/5/2024	CAT	CATERPILLAR INC	Industrials	160	Confirmed	4
2/5/2024	VRTX	VERTEX PHARMACEUTICALS INC	Health Care	109	Confirmed	4
2/5/2024	APD	AIR PRODUCTS & CHEMICALS INC	Materials	57	Confirmed	4
2/5/2024	NXPI	NXP SEMICONDUCTORS NV	Information Technology	55	Confirmed	4
2/5/2024	EL	ESTEE LAUDER COMPANIES-CL A	Consumer Staples	48	Confirmed	4
2/5/2024	SPG	SIMON PROPERTY GROUP INC	Real Estate	45	Confirmed	4
2/5/2024	IDXX	IDEXX LABORATORIES INC	Health Care	44	Confirmed	4
2/5/2024	ON	ON SEMICONDUCTOR	Information Technology	31	Confirmed	4
2/5/2024	TSN	TYSON FOODS INC-CL A	Consumer Staples	20	Confirmed	4
2/5/2024	L	LOEWS CORP	Financials	16	Confirmed	4
2/5/2024	FMC	FMC CORP	Materials	8	Confirmed	4
2/6/2024	LLY	ELI LILLY & CO	Health Care	634	Confirmed	4
2/6/2024	LIN	LINDE PLC	Materials	197	Confirmed	4
2/6/2024	AMGN	AMGEN INC	Health Care	173	Confirmed	4
2/6/2024	GILD	GILEAD SCIENCES INC	Health Care	96	Confirmed	4
2/6/2024	FI	FISERV INC	Financials	87	Confirmed	4
2/6/2024	CMG	CHIPOTLE MEXICAN GRILL INC	Consumer Discretionary	68	Confirmed	4
2/6/2024	EW	EDWARDS LIFESCIENCES CORP	Health Care	52	Confirmed	4
2/6/2024	FTNT	FORTINET INC	Information Technology	51	Tentative	4
2/6/2024	CARR	CARRIER GLOBAL CORP	Industrials	51	Confirmed	4
2/6/2024	F	FORD MOTOR CO	Consumer Discretionary	49	Confirmed	4
2/6/2024	CNC	CENTENE CORP	Health Care	40	Confirmed	4
2/6/2024	CTSH	COGNIZANT TECH SOLUTIONS-A	Information Technology	39	Confirmed	4
2/6/2024	AME	AMETEK INC	Industrials	39	Confirmed	4
2/6/2024	PRU	PRUDENTIAL FINANCIAL INC	Financials	37	Confirmed	4
2/6/2024	IT	GARTNER INC	Information Technology	37	Confirmed	4
2/6/2024	CMI	CUMMINS INC	Industrials	35	Tentative	4
2/6/2024	GEHC	GE HEALTHCARE TECHNOLOGY	Health Care	34	Confirmed	4
2/6/2024	XYL	XYLEM INC	Industrials	28	Confirmed	4
2/6/2024	DD	DUPONT DE NEMOURS INC	Materials	27	Confirmed	4
2/6/2024	WTW	WILLIS TOWERS WATSON PLC	Financials	26	Confirmed	4
2/6/2024	WAT	WATERS CORP	Health Care	19	Confirmed	4
2/6/2024	VLTO	VERALTO CORP	Industrials	19	Confirmed	4
2/6/2024	OMC	OMNICOM GROUP	Communication Services	18	Confirmed	4
2/6/2024	CINF	CINCINNATI FINANCIAL CORP	Financials	18	Confirmed	4
2/6/2024	J	JACOBS SOLUTIONS INC	Industrials	17	Confirmed	4
2/6/2024	ATO	ATMOS ENERGY CORP	Utilities	17	Confirmed	4
2/6/2024	IEX	IDEX CORP	Industrials	17	Tentative	4
2/6/2024	ESS	ESSEX PROPERTY TRUST INC	Real Estate	15	Confirmed	4
2/6/2024	ENPH	ENPHASE ENERGY INC	Information Technology	14	Tentative	4
2/6/2024	AMCR	AMCOR PLC	Materials	14	Confirmed	4
2/6/2024	JKHY	JACK HENRY & ASSOCIATES INC	Financials	12	Confirmed	4
2/6/2024	UDR	UDR INC	Real Estate	12	Confirmed	4
2/6/2024	AIZ	ASSURANT INC	Financials	9	Confirmed	4
2/6/2024	VFC	VF CORP	Consumer Discretionary	6	Confirmed	4
2/7/2024	DIS	WALT DISNEY CO/THE	Communication Services	178	Confirmed	4
2/7/2024	UBER	UBER TECHNOLOGIES INC	Industrials	140	Tentative	4
2/7/2024	CVS	CVS HEALTH CORP	Health Care	94	Confirmed	4
2/7/2024	PYPL	PAYPAL HOLDINGS INC	Financials	67	Tentative	4
2/7/2024	MCK	MCKESSON CORP	Health Care	67	Confirmed	4
2/7/2024	ORLY	O'REILLY AUTOMOTIVE INC	Consumer Discretionary	62	Confirmed	4
2/7/2024	EMR	EMERSON ELECTRIC CO	Industrials	54	Confirmed	4
2/7/2024	HLT	HILTON WORLDWIDE HOLDINGS IN	Consumer Discretionary	50	Confirmed	4
2/7/2024	ALL	ALLSTATE CORP	Financials	41	Confirmed	4
2/7/2024	YUM	YUM! BRANDS INC	Consumer Discretionary	36	Confirmed	4
2/7/2024	CDW	CDW CORP/DE	Information Technology	31	Confirmed	4
2/7/2024	EFX	EQUIFAX INC	Industrials	31	Confirmed	4
2/7/2024	MPWR	MONOLITHIC POWER SYSTEMS INC	Information Technology	30	Confirmed	4
2/7/2024	STE	STERIS PLC	Health Care	22	Confirmed	4
2/7/2024	FLT	FLEETCOR TECHNOLOGIES INC	Financials	21	Confirmed	4

Exhibit 36: S&P 500 companies slated to report 4Q results in Week 4 ($100B+ in market cap highlighted in blue)
Week 4 schedule

Report Date	Ticker	Company Name	Sector	Market Cap ($B)	Status	Week
2/7/2024	EG	EVEREST GROUP LTD	Financials	17	Confirmed	4
2/7/2024	MAA	MID-AMERICA APARTMENT COMM	Real Estate	15	Confirmed	4
2/7/2024	FOX	FOX CORP - CLASS B	Communication Services	15	Confirmed	4
2/7/2024	FOXA	FOX CORP - CLASS A	Communication Services	15	Confirmed	4
2/7/2024	BG	BUNGE GLOBAL SA	Consumer Staples	15	Confirmed	4
2/7/2024	NWS	NEWS CORP - CLASS B	Communication Services	14	Confirmed	4
2/7/2024	NWSA	NEWS CORP - CLASS A	Communication Services	14	Confirmed	4
2/7/2024	PAYC	PAYCOM SOFTWARE INC	Industrials	12	Confirmed	4
2/7/2024	GL	GLOBE LIFE INC	Financials	11	Confirmed	4
2/7/2024	DAY	DAYFORCE INC	Industrials	11	Confirmed	4
2/7/2024	WYNN	WYNN RESORTS LTD	Consumer Discretionary	11	Confirmed	4
2/8/2024	PM	PHILIP MORRIS INTERNATIONAL	Consumer Staples	144	Confirmed	4
2/8/2024	SPGI	S&P GLOBAL INC	Financials	144	Confirmed	4
2/8/2024	COP	CONOCOPHILLIPS	Energy	131	Confirmed	4
2/8/2024	DUK	DUKE ENERGY CORP	Utilities	74	Confirmed	4
2/8/2024	ICE	INTERCONTINENTAL EXCHANGE IN	Financials	74	Tentative	4
2/8/2024	TDG	TRANSDIGM GROUP INC	Industrials	62	Confirmed	4
2/8/2024	MSI	MOTOROLA SOLUTIONS INC	Information Technology	54	Confirmed	4
2/8/2024	DXCM	DEXCOM INC	Health Care	47	Confirmed	4
2/8/2024	HSY	HERSHEY CO/THE	Consumer Staples	40	Confirmed	4
2/8/2024	KVUE	KENVUE INC	Consumer Staples	40	Confirmed	4
2/8/2024	TTWO	TAKE-TWO INTERACTIVE SOFTWRE	Communication Services	28	Confirmed	4
2/8/2024	ZBH	ZIMMER BIOMET HOLDINGS INC	Health Care	26	Confirmed	4
2/8/2024	MTD	METTLER-TOLEDO INTERNATIONAL	Health Care	26	Confirmed	4
2/8/2024	TROW	T ROWE PRICE GROUP INC	Financials	25	Confirmed	4
2/8/2024	ILMN	ILLUMINA INC	Health Care	23	Confirmed	4
2/8/2024	DTE	DTE ENERGY COMPANY	Utilities	22	Confirmed	4
2/8/2024	FE	FIRSTENERGY CORP	Utilities	21	Confirmed	4
2/8/2024	EXPE	EXPEDIA GROUP INC	Consumer Discretionary	21	Confirmed	4
2/8/2024	MOH	MOLINA HEALTHCARE INC	Health Care	21	Tentative	4
2/8/2024	VRSN	VERISIGN INC	Information Technology	20	Confirmed	4
2/8/2024	BAX	BAXTER INTERNATIONAL INC	Health Care	20	Tentative	4
2/8/2024	K	KELLANOVA	Consumer Staples	19	Confirmed	4
2/8/2024	SNA	SNAP-ON INC	Industrials	15	Confirmed	4
2/8/2024	MAS	MASCO CORP	Industrials	15	Confirmed	4
2/8/2024	KIM	KIMCO REALTY CORP	Real Estate	14	Confirmed	4
2/8/2024	IPG	INTERPUBLIC GROUP OF COS INC	Communication Services	13	Confirmed	4
2/8/2024	REG	REGENCY CENTERS CORP	Real Estate	12	Tentative	4
2/8/2024	PEAK	HEALTHPEAK PROPERTIES INC	Real Estate	10	Confirmed	4
2/8/2024	RL	RALPH LAUREN CORP	Consumer Discretionary	10	Confirmed	4
2/8/2024	TPR	TAPESTRY INC	Consumer Discretionary	9	Confirmed	4
2/8/2024	BWA	BORGWARNER INC	Consumer Discretionary	8	Tentative	4
2/8/2024	MHK	MOHAWK INDUSTRIES INC	Consumer Discretionary	7	Confirmed	4
2/9/2024	PEP	PEPSICO INC	Consumer Staples	235	Confirmed	4
2/9/2024	CTLT	CATALENT INC	Health Care	10	Confirmed	4

Source: Bloomberg, BofA US Equity & Quant Strategy

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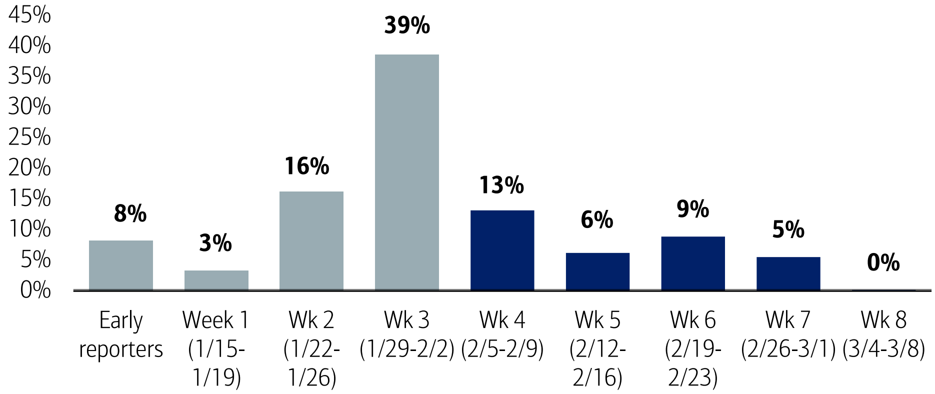
4Q23 Reporting by Week

Exhibit 37: S&P 500 4Q23 Earnings Reporting by Week

% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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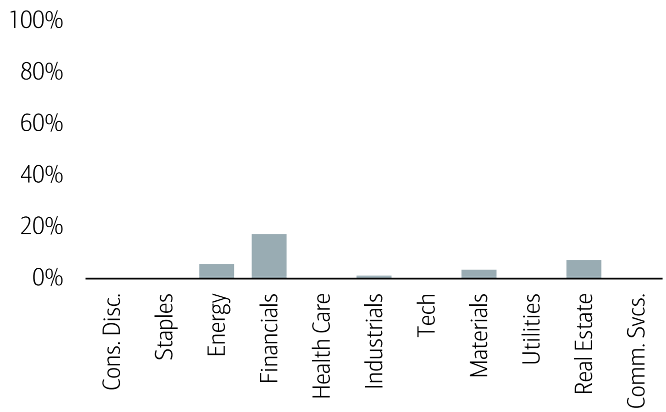
Exhibit 38: Week 1: % 4Q earnings reported by sector

% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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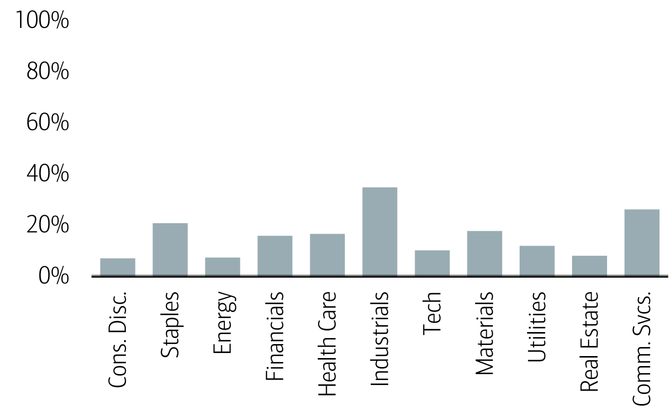
Exhibit 39: Week 2: % 4Q earnings reported by sector

% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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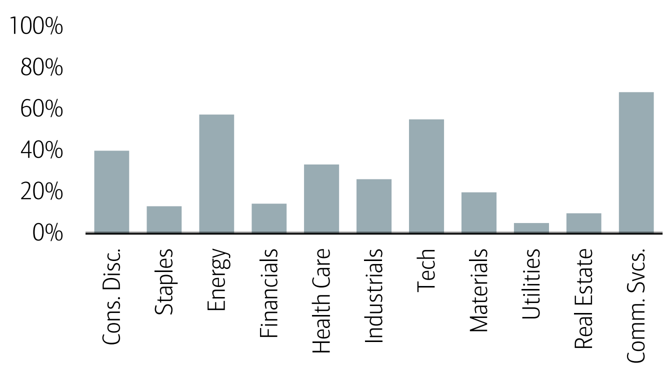
Exhibit 40: Week 3: % 4Q earnings reported by sector

% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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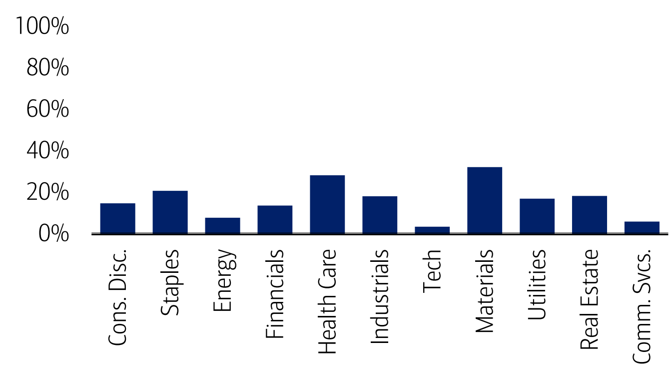
Exhibit 41: Week 4: % 4Q earnings reported by sector

% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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Small cap 4Q23 earnings update

- So far, 169 S&P 600 companies have reported. 4Q consensus earnings are 2.4% above where they stood at the start of January while sales are 0.3% lower than at the start of January.
- Financials and Industrials are the sectors that have seen the most positive earnings revisions while Real Estate and Energy have seen the largest downward revisions since the start of January.
- 62% of companies beat on EPS, 31% beat on sales, and 20% beat on both.
- Analysts are forecasting 4Q small cap earnings to be -13% YoY (-12% for the median company) on sales -2% YoY (-0.6% median).

Exhibit 44: Small cap 4Q23 growth expectations and proportion of beats so far
S&P 600 consensus 4Q23 earnings and sales growth and % positive surprises

Sector	Total Companies	Number Reported	Earnings YoY%	Median earnings YoY%	Sales YoY%	Median sales YoY%	% With EPS Beat	% With Sales Beat	Both Beat %
Comm Svcs	22	1	-75.5%	-45.0%	-7.9%	-6.0%	0%	0%	0%
Cons. Disc.	85	18	3.4%	-9.2%	-1.6%	-0.6%	53%	53%	33%
Cons. Staples	30	8	-40.7%	-17.4%	-2.4%	1.3%	75%	50%	25%
Energy	28	5	-18.2%	-8.1%	-6.3%	1.0%	25%	50%	20%
Financials	118	74	-1.1%	-15.8%	6.9%	-4.3%	61%	19%	15%
Health Care	67	5	12.6%	-1.3%	0.6%	5.5%	0%	50%	0%
Industrials	95	26	-18.5%	-6.7%	-1.4%	0.4%	89%	44%	31%
Technology	62	17	-25.0%	-11.4%	-7.6%	-3.3%	73%	33%	29%
Materials	32	8	-11.4%	-12.7%	-3.8%	-3.3%	50%	25%	0%
Real Estate	50	6	-133.7%	-28.4%	-2.4%	-0.5%	0%	50%	0%
Utilities	11	1	21.8%	5.8%	7.5%	6.5%	N.A.	N.A.	0%
S&P 600	600	169	-12.8%	-11.8%	-2.2%	-0.6%	62%	31%	20%
Ex-Financials	482	95	-16.9%	-9.8%	-3.0%	0.1%	N.A.	N.A.	23%
Ex-Energy	572	164	-12.3%	-11.8%	-1.7%	-0.7%	63%	30%	20%
Ex-Energy&Financials	454	90	-16.8%	-10.3%	-2.5%	0.0%	66%	43%	23%

Source: FactSet, BofA US Equity & US Quant Strategy

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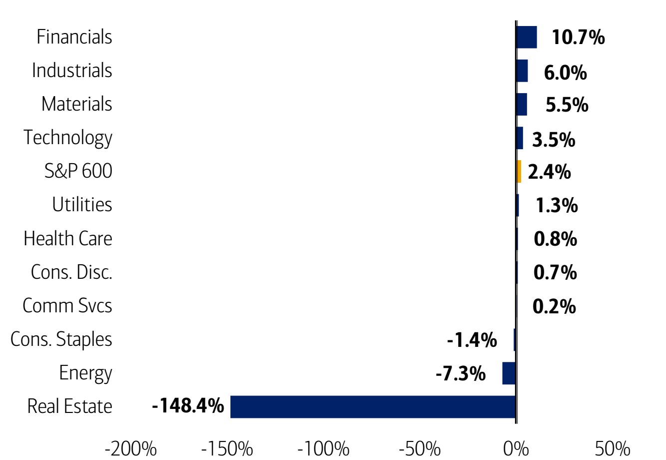
Exhibit 43: Earnings tracking +2.4% better than estimates at start of January
4Q23 earnings revisions since the start of reporting on 1/1/24



Source: FactSet, BofA US Equity & Quant Strategy

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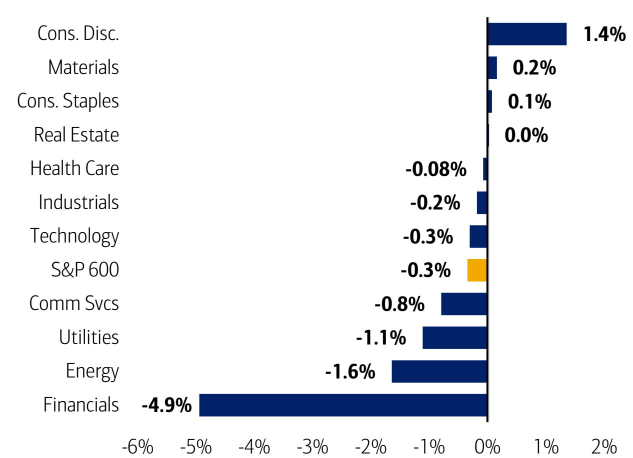
Exhibit 44: Sales tracking -0.3% worse than the estimates at start of January
4Q23 sales revisions since the start of reporting on 1/1/24



Source: FactSet, BofA US Equity & Quant Strategy

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Mid cap 4Q23 earnings update

- So far, 108 S&P 400 companies have reported. Earnings estimates are 2.5% lower since the start of earnings season and sales forecasts are in-line.
- Real Estate and Tech have seen the biggest upward EPS revisions since the start of January, while Energy and Utilities have seen the most negative earnings revisions.
- So far, 62% of companies beat on EPS, 49% beat on sales and 29% beat on both, better than in small caps.
- Earnings are expected to be -7% YoY (-3% for the median company) while sales are expected to be -1% YoY (+1% for the median company).

Exhibit 47: Mid cap 4Q23 growth expectations and proportion of beats so far
S&P 400 consensus 4Q23 earnings and sales growth and % positive surprises

Sector	Total Companies	Number Reported	Earnings YoY%	Median earnings YoY%	Sales YoY%	Median sales YoY%	% With EPS Beat	% With Sales Beat	Both Beat %
Comm Svcs	9	0	-19.7%	-5.6%	-0.6%	0.2%	N.A.	N.A.	N.A.
Cons. Disc.	65	10	5.4%	5.5%	1.2%	0.8%	80%	100%	40%
Cons. Staples	17	3	11.9%	7.3%	5.5%	6.3%	N.A.	N.A.	0%
Energy	20	2	-38.1%	-9.4%	-19.0%	-3.6%	50%	50%	50%
Financials	65	47	-6.6%	-10.0%	2.7%	-0.7%	50%	40%	19%
Health Care	36	1	22.8%	3.3%	7.7%	8.3%	100%	0%	0%
Industrials	74	18	-6.9%	1.0%	1.4%	4.4%	69%	50%	44%
Technology	41	11	-16.9%	-16.9%	-9.4%	-8.0%	75%	63%	36%
Materials	27	9	-13.1%	-15.4%	-5.4%	-3.3%	75%	38%	33%
Real Estate	31	4	3.6%	-5.6%	37.3%	2.3%	75%	75%	50%
Utilities	16	3	8.6%	-5.2%	-10.6%	-0.4%	N.A.	N.A.	0%
S&P 400	401	108	-6.8%	-3.4%	-1.1%	1.2%	62%	49%	29%
Ex-Financials	336	61	-6.8%	-1.0%	-1.5%	1.4%	73%	57%	36%
Ex-Energy	381	106	-2.9%	-3.0%	0.6%	1.4%	62%	49%	28%
Ex-Energy&Financials	316	59	-1.4%	-0.7%	0.3%	1.6%	74%	57%	36%

Source: FactSet, BofA US Equity & US Quant Strategy

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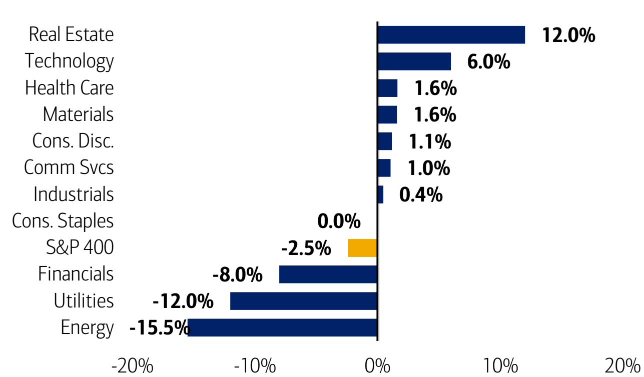
Exhibit 46: Earnings estimates are down 2.5% since start of January
4Q23 earnings revisions since the start of reporting on 1/1/24



Source: FactSet, BofA US Equity & Quant Strategy

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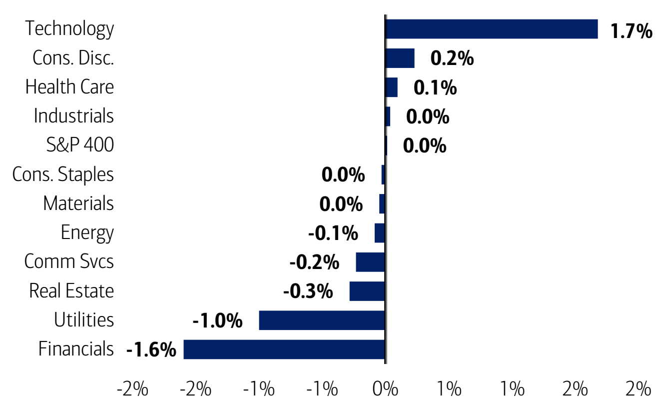
Exhibit 47: Sales estimates are in-line since start of January
4Q23 sales revisions since the start of reporting on 1/1/24



Source: FactSet, BofA US Equity & Quant Strategy

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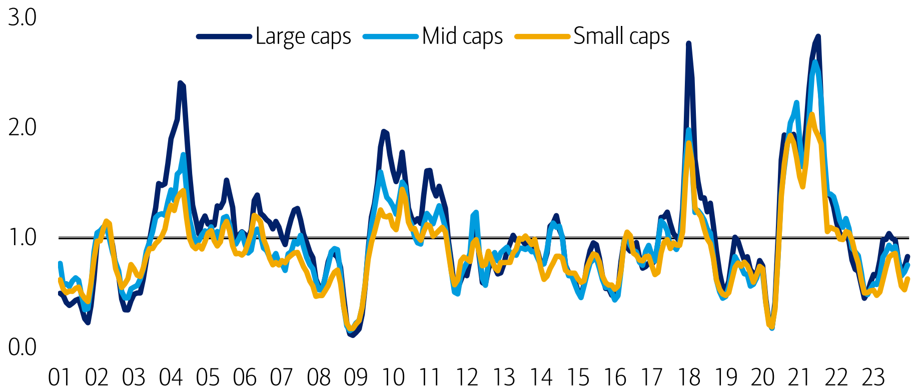
Revisions better in large, guidance better in SMID

- Earnings revision trends improved across the board over this past month but revision ratios are still below 1.0 (more cuts than raises to estimates) in all three size segments (and weakest in small caps). All size segments saw slight improvements from last month.
- Meanwhile, guidance for small is now below average while mid is now above average: the 3-month ratio of above- vs. below-consensus guidance is tracking at 0.7x in small and 1.1x in mid, both higher than in large caps.

Exhibit 48: Revision trends improved across the board this past month, weakest in small caps
3m earnings revision ratio (ERR) for S&P small, mid and large cap indices as of 1/31/2024



Source: Bloomberg, BofA US Equity & US Quant Strategy

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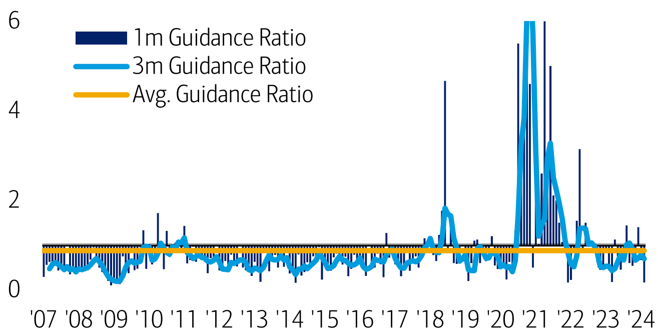
Exhibit 49: Small cap earnings guidance is below average on a 3m basis
S&P 600 management guidance ratio (# above- vs. below-consensus) as of 2/2/24



Source: Bloomberg, BofA US Equity & US Quant Strategy

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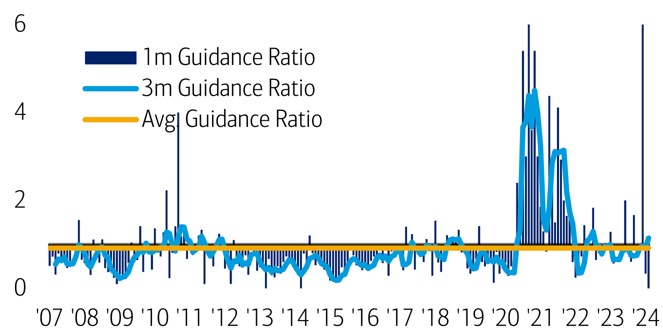
Exhibit 50: Mid cap earnings guidance is above its long-term average on a 3m basis
S&P 400 management guidance ratio (# above- vs. below-consensus) as of 2/22/24



Source: Bloomberg, BofA US Equity & US Quant Strategy

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Methodology

Guidance Ratios

Earnings guidance: We track the number of instances of above- vs. below-consensus management guidance for earnings over the last three months for S&P 500 companies. If a company issues changes to its outlook more than once in a one-month period, we incorporate all instances of guidance into our aggregate number. The ratio also includes all instances of above- or below-consensus earnings guidance issued by a company (for example, if they issue both quarterly and annual guidance). The one-month and three-month revision ratios are calculated as they are for estimate revision ratios. The data source is Bloomberg. For companies that provide both GAAP and Operating guidance, or for REITs that provide both EPS and FFO guidance, we remove one data point if both data points provide the same guidance direction, otherwise both data points are used.

Capex guidance: We track the number of instances of above- vs. below-consensus management guidance for planned capex over the last three months for S&P 500 companies, calculated the same way as above; data source is FactSet.

Methodology: Earnings Calls Sentiment

With the help of BofA's Predictive Analytics team, we parsed through earnings calls transcripts to calculate sentiment for the S&P500 universe of companies that have reported since 31st March 2020. We use the Loughran McDonald's financial dictionary to calculate sentiment scores as per the definition below.

Sentiment score = No. of Unique positive words – No. of unique negative and uncertainty words

The sentiment score is computed with three different filters: the full transcript, management discussion and answers of CEO/CFO from Q/A section. Calculated scores were then averaged on the Sector level. Loughran-McDonald Sentiment and Uncertainty:

1. **Loughran-McDonald Sentiment:** Examples of positive words include ***accomplish, achieve, outperform, stabilize, strength*** and negative words such as ***abandon, abnormal, downturn, evade, failing, stagnate.*** In total, the lexicon has 2,355 negative words and 354 positive words.

2. **Loughran-McDonald Uncertainty**: Examples of uncertain words include ***almost, ambiguity, hidden, fluctuate, doubts, unclear.*** In total, the lexicon has 297 words.

Note that the charts show the sentiment score multiplied by (- 1) and after applying the natural log to normalize the data on the same scale. Our Predictive Analytics team is currently researching more advance modeling approaches including Deep Learning so please stay tuned for future enhancements.

BofA Corporate Misery Indicator methodology

The Corporate Misery Indicator is our macro-based predictor of the profits cycle and is based on the CPI, Average Hourly Earnings, and the Coincident Indicators. Our theory is that corporate profits are a function of how many units a company sells and their margin per unit. Implicitly, these factors incorporate productivity because enhanced productivity will result in either better margins or more units sold for the same inputs.

We use the YoY change in the Coincident Indicators as a proxy for units, because the Coincident Indicators are a proxy for Real GDP, a measure of unit growth. We use the spread between the YoY change in the CPI and the YoY change in Average Hourly Earnings to approximate margins. When the indicator declines, it implies that profits are being squeezed. This has historically coincided with a decelerating profits cycle.

***Corporate Misery Indicator** = CPI (YoY) – Average Hourly Earnings (YoY) + Coincident Indicators (YoY).*

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