

## Earnings Tracker

## Week 1: What we've learned so far

## EPS in-line so far, but fewer beats vs. history

52 S&P 500 companies (13% of index earnings) are in. Consensus 4Q EPS remains largely flat vs. the beginning of January. But the proportion of beats is tracking weaker – 56%/60%/37% beat on EPS/sales/both vs. the post-Week 1 average of 67%/64%/48% and last quarter's 75%/61%/50%. So far, beats saw almost no rewards (+20bps the next day), while misses got penalized (-500bps), pointing to a higher bar after a big rally.

## Early read on guidance: Weak (as expected)

While still very early, our 1-mo. guidance ratio (# of above- vs. below-consensus guides) is tracking at just 0.25x so far in January (sample size: 12), the bottom 7<sup>th</sup> percentile in history. But this was expected, as Jan-Feb has seasonally been the weakest period for guidance (Exhibit 10) and companies have no reason to guide aggressively. Despite weak guidance, companies have sounded more positive so far, with our Corporate Sentiment Indicator jumping back to the 4Q21 peak level (Exhibit 21). We don't believe weak guidance and estimate cuts in 1Q are good reasons to sell equities (see [preview](#)).

## Manufacturing still bottoming with more signs of recovery

The ISM Manufacturing PMI has been in contraction for the past 14 months, the fourth longest downturn since 1950. We continue to see signs that the manufacturing economy is in the bottoming process with some early signs of recovery. JB Hunt reported intermodal volume improved for the ninth straight month and Taiwan Semiconductor expects healthy 10% growth in 2024 for the overall semi market following the inventory correction last year. Korea exports and rail volume also inflected higher. With easing rate pressure, we expect an improving manufacturing economy throughout 2024.

## Upcycle in earnings = peak in corporate layoffs?

Despite some layoff announcements recently, both the size and frequency have been falling (Exhibit 19). Layoff announcements from Banks were also fairly muted vs. last year, other than Citi (restructuring). 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.

## Good news for the Fed: consumer exuberance is over

The consumer is increasingly becoming disciplined. Our Luxury Goods analysts highlighted that the US luxury market has now given back all the outsized consumption since 2019 and they remain cautious on the sector – see [Luxury Year Ahead](#). Watches of Switzerland's guidance cut was also a sign that consumer exuberance is coming to an end – see [guidance cut](#). While negative for the sector, we believe it's a net positive for the overall market. Rising consumer sentiment, combined with more disciplined consumption patterns, suggests a rising chance of a soft landing.

## Up next: earnings broaden out to all 11 sectors

Also see Equity Derivative team's report: [Navigating Earnings with Options](#).

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.

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**Refer to important disclosures on page 15 to 17.**

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22 January 2024

Equity and Quant Strategy  
United States

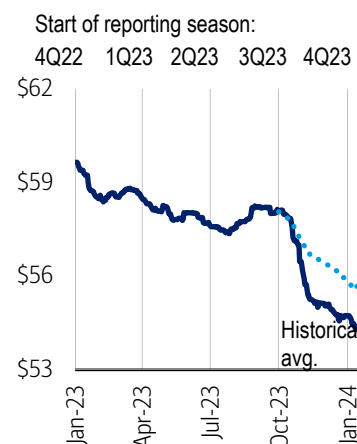
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## Exhibit 1: 4Q EPS is unchanged QTD

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&amp;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	54.57	3%	56.50	6%
<b>2023E</b>	<b>\$219</b>	<b>1%</b>	<b>\$222</b>	<b>2%</b>
1Q24E	55.93	5%	57.00	7%
2Q24E	59.66	10%	58.00	7%
3Q24E	63.37	8%	61.00	4%
4Q24E	63.96	17%	59.00	4%
<b>2024E</b>	<b>\$243</b>	<b>11%</b>	<b>\$235</b>	<b>6%</b>

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

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## Key quotes from companies:

**Watches of Switzerland (Consumer)** – “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.”

**Delta Airlines (Industrials)** – “Consumer spend is continuing to shift from goods to services [...] And corporate travel continues to improve, with demand accelerating into year-end.”

**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.”

**PPG (Materials)** – “We continue to experience lower global industrial production, along with soft US and European architectural demand, especially for DIY-related products. Notable for us during the quarter was China, where despite a lethargic general economy, we achieved a high single-digit percentage volume growth.”

**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.”

## EPS in-line so far, but fewer beats vs. history

Following Week 1, 52 S&P 500 companies (13% of index earnings) are in. Consensus 4Q EPS remains largely flat vs. the beginning of January. The proportion of beats is tracking weaker this quarter – 56%/60%/37% beat on EPS/sales/both vs. the post-Week 1 average of 67%/64%/48% and last quarter's 75%/61%/50%.

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

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

Sector	Earnings		Sales	
	YoY%	QoQ%	YoY%	QoQ%
Consumer Disc.	24.5%	(26.7%)	3.8%	3.8%
Consumer Staples	(0.6%)	(7.6%)	3.0%	1.3%
Energy	(31.0%)	(13.6%)	(7.4%)	(2.8%)
Financials	7.3%	(8.5%)	5.3%	(3.0%)
Health Care	(21.0%)	(10.3%)	4.3%	0.6%
Industrials	(2.7%)	(5.5%)	1.5%	0.7%
Technology	14.1%	8.6%	6.1%	10.5%
Materials	(23.4%)	(18.1%)	(5.5%)	(2.7%)
Real Estate	2.6%	(0.5%)	6.2%	1.7%
Communication Services	46.5%	35.4%	4.9%	6.2%
Utilities	32.4%	(21.9%)	5.6%	7.3%
<b>S&amp;P 500</b>	<b>2.9%</b>	<b>(3.2%)</b>	<b>2.8%</b>	<b>1.8%</b>
<b>ex. Financials</b>	<b>2.0%</b>	<b>(2.0%)</b>	<b>2.5%</b>	<b>2.5%</b>
<b>ex. Energy</b>	<b>6.7%</b>	<b>(2.4%)</b>	<b>3.8%</b>	<b>2.3%</b>
<b>ex. Fins &amp; Energy</b>	<b>6.5%</b>	<b>(0.9%)</b>	<b>3.6%</b>	<b>3.1%</b>

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

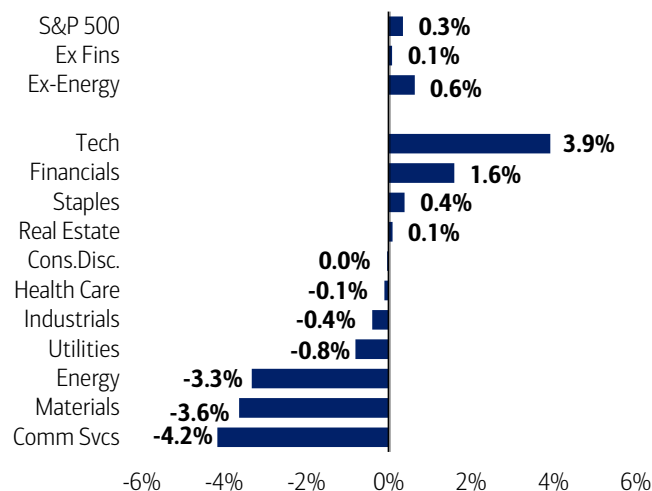
Sector	Total companies	Number Reported	% with EPS beat	% with Sales beat	% EPS & Sales beat
Cons. Disc.	53	6	100%	50%	50%
Cons. Staples	38	6	100%	50%	50%
Energy	23	2	50%	50%	50%
Financials	72	24	42%	58%	25%
Health Care	64	1	100%	100%	100%
Industrials	78	6	33%	67%	33%
Tech	64	5	40%	80%	40%
Materials	28	1	100%	100%	100%
Real Estate	31	1	0%	0%	0%
Comm. Svcs.	19	0	N.A.	N.A.	N.A.
Utilities	30	0	N.A.	N.A.	N.A.
<b>S&amp;P 500</b>	<b>500</b>	<b>52</b>	<b>56%</b>	<b>60%</b>	<b>37%</b>

Source: FactSet, BofA US Equity & US Quant Strategy

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**Exhibit 5: Earnings are tracking a meet**

Revision to consensus 4Q23 earnings since start of January

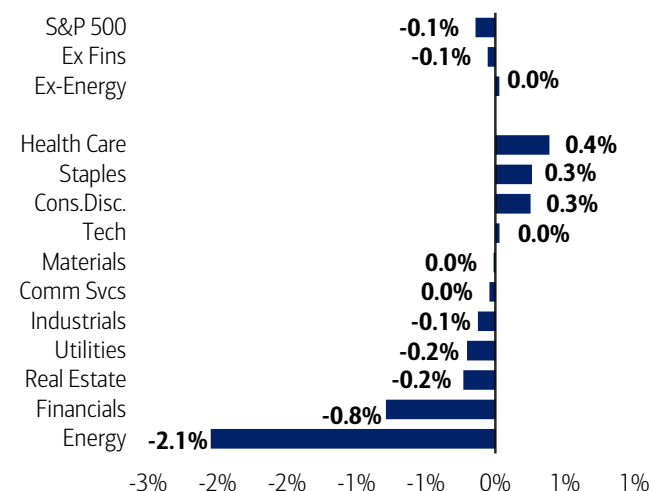


Source: FactSet, BofA US Equity &amp; Quant Strategy

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**Exhibit 6: Sales are also tracking a meet**

Revision to consensus 4Q23 sales since the start of January



Source: FactSet, BofA US Equity &amp; Quant Strategy

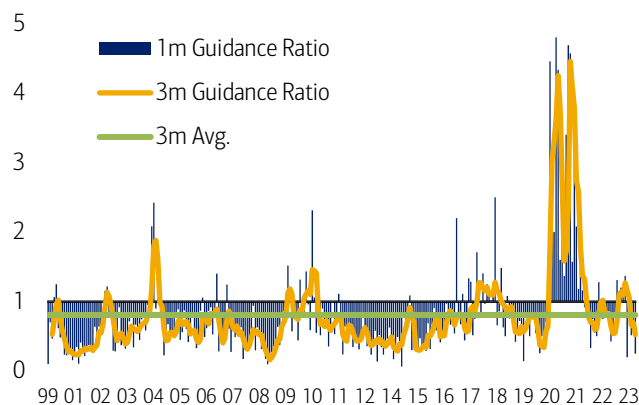
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**Guidance is coming in weak (as expected)**

While still very early, our 1-mo. guidance ratio (# of above- vs. below-consensus guides) is tracking at just 0.25x so far in January (sample size: 12), the bottom 7<sup>th</sup> percentile in history. But this was expected, as Jan-Feb has seasonally been the weakest period for guidance (Exhibit 10) and companies have no reason to guide aggressively. We don't believe weak guidance and estimate cuts in 1Q are good reasons to sell equities (see [preview](#)).

**Exhibit 7: Our 1-mo. guidance ratio is tracking at just 0.25x so far in January**

S&amp;P 500 guidance ratio (# above vs. below consensus) – 1999-1/19/24

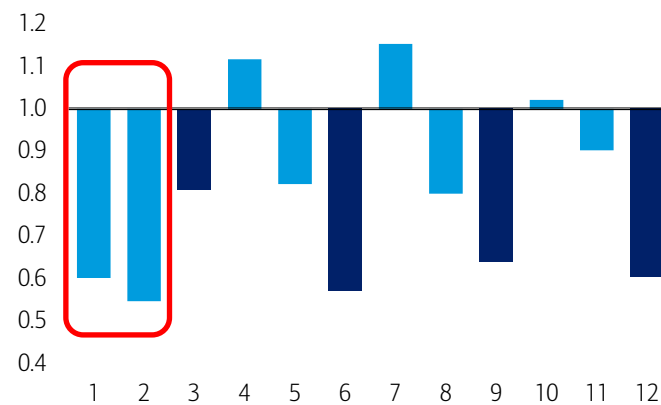


Source: BofA US Equity and Quantitative Strategy

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**Exhibit 8: Jan-Feb has historically been the weakest period for guidance (light blue = earnings seasons)**

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

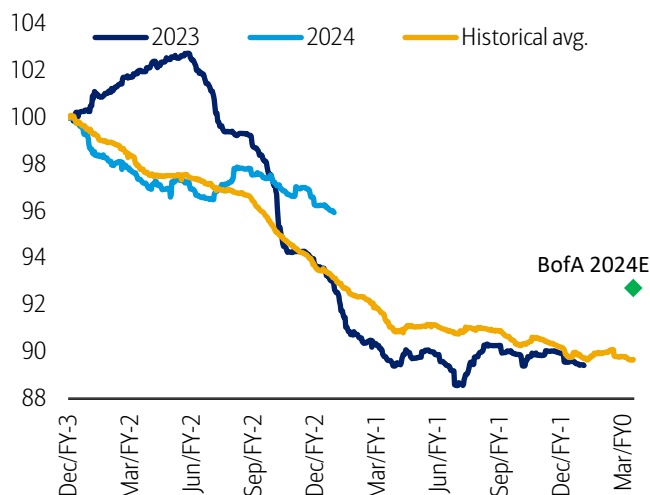


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 9: Consensus EPS typically gets cut through March FY-1**

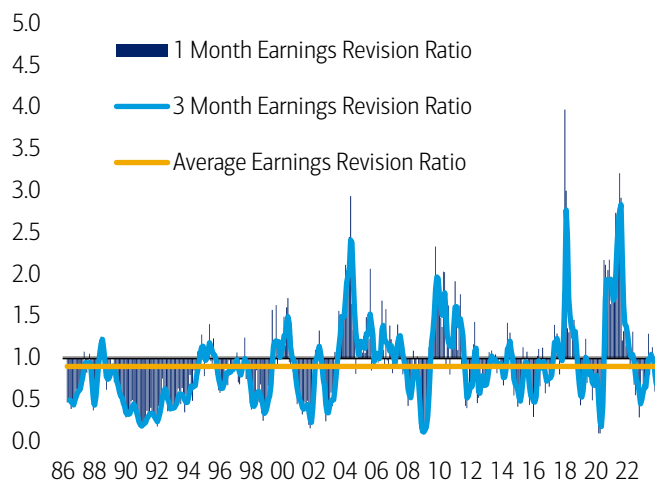
S&P 500 historical FY2 EPS revisions vs. 2023-24 consensus EPS (2023-24 as of 1/3/24)



Source: BofA US Equity & Quant Strategy, FactSet; Note: historical average based on 2001-2022  
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**Exhibit 10: Our 1-mo. earnings revision ratio improved to 0.9x in December from 0.7x in November**

S&P 500 earnings estimate revision ratio, 1/86-12/23



Source: BofA US Equity and Quant Strategy, FactSet

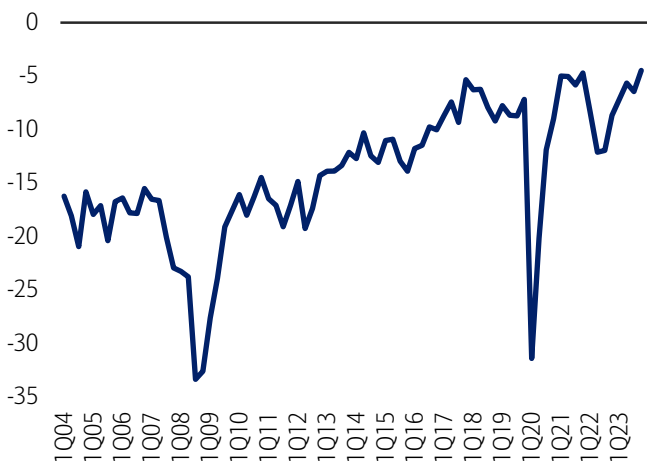
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**Early sentiment read: building optimism**

BofA's Predictive Analytics team helped analyze earnings transcripts using Loughran McDonald's financial dictionary to calculate sentiment scores (see Appendix for full methodology). Early read on sentiment indicates companies are becoming more optimistic after turning slightly more negative in 3Q. The sentiment score is now back to the peak 4Q21 level. The YoY change in corporate sentiment has been highly correlated with quarterly EPS YoY with a one quarter lag, pointing to a continued earnings recovery ahead.

**Exhibit 11: Corporate sentiment improved to the 4Q21 peak level**

Avg. negative sentiment score for S&P 500 companies (2004-4Q23 as of 1/18/24)

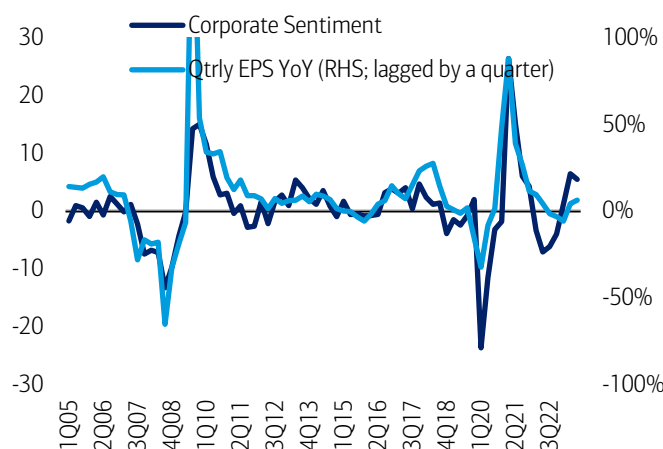


Source: BofA Global Research, FactSet

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**Exhibit 12: ...but still points to positive earnings growth ahead**

S&P 500 avg. negative sentiment score YoY vs. quarterly EPS YoY with a quarter lag (r-sq=50%; 1Q05-4Q23 as of 1/18/24)



Source: BofA Global Research, FactSet

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**Demand recovery still missing, but it's coming**

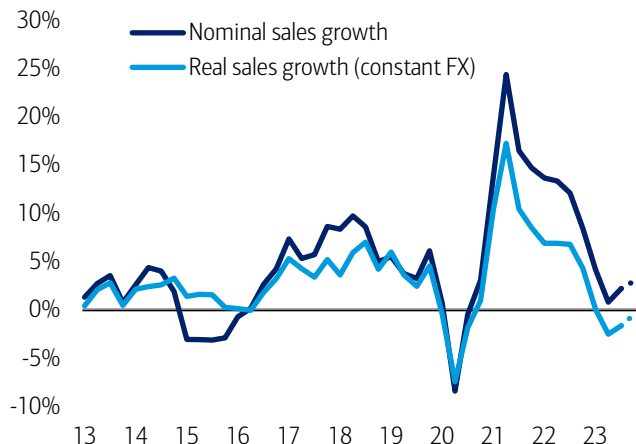
Although earnings have inflected higher, sales growth remains muted, -2% YoY adjusted for inflation and FX. Mentions of weak demand also remains elevated. The main reason

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 we see early signs of the goods/manufacturing recession coming to an end, including Korea exports, freight demand, and PMI new orders vs. inventories. We expect the bottoming process in goods, followed by a recovery in the near-term, should result in earnings outpacing GDP in 2024. Margins have increased for the second straight quarter in 3Q without a sales recovery, pointing to companies' lower cost profile now. A demand recovery ahead should result in margins potentially surprising to the upside.

#### Exhibit 13: Real sales growth remains negative

S&P 500 sales growth and real growth (constant FX) – 2013-4Q23E

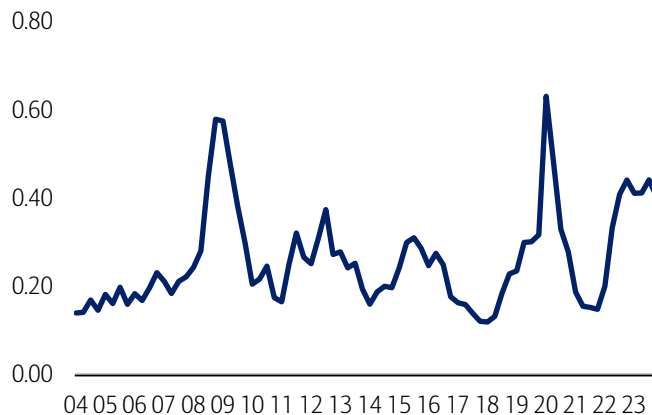


Source: FactSet, BofA US Equity & Quant Strategy

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#### Exhibit 14: Mentions of weak demand remains elevated

Avg. mention of weak demand per co. for Consumer sectors ('03-4Q23 through 1/18/24)



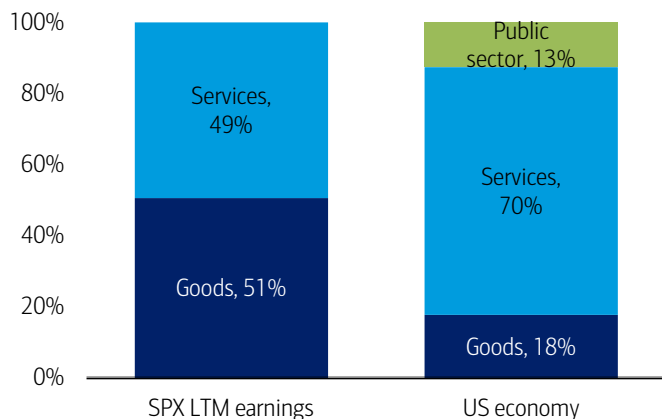
Source: BofA Global Research

Note: mentions include "lower," "softer," "moderating," "weaker"

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#### Exhibit 15: 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)

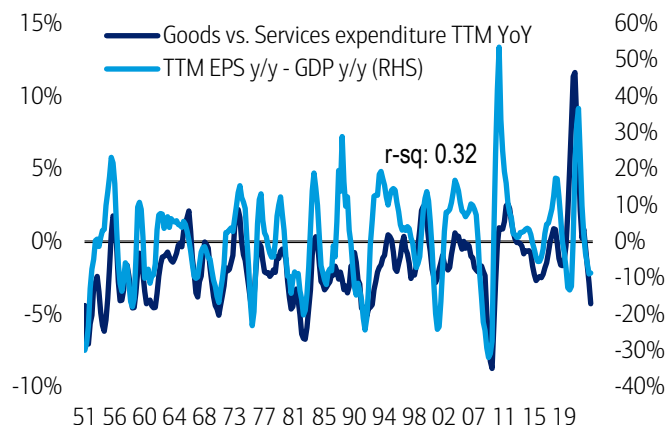


Source: Haver Analytics, FactSet, BofA US Equity & US Quant Strategy

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#### Exhibit 16: 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 17: Korea exports rebounded recently, pointing to a manufacturing recovery**

Korea exports YoY vs. ISM Manufacturing PMI (1997-12/23)

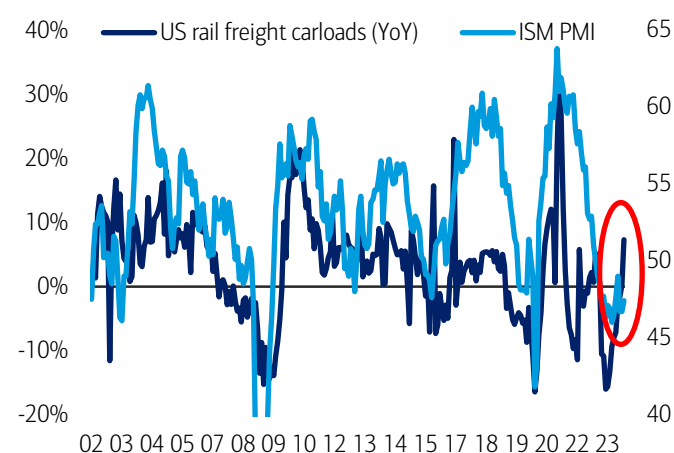


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 18: Rail freight carloads also sharply rebounded, pointing to a manufacturing recovery**

US rail freight carloads YoY vs. ISM Manufacturing PMI (2002-12/23)

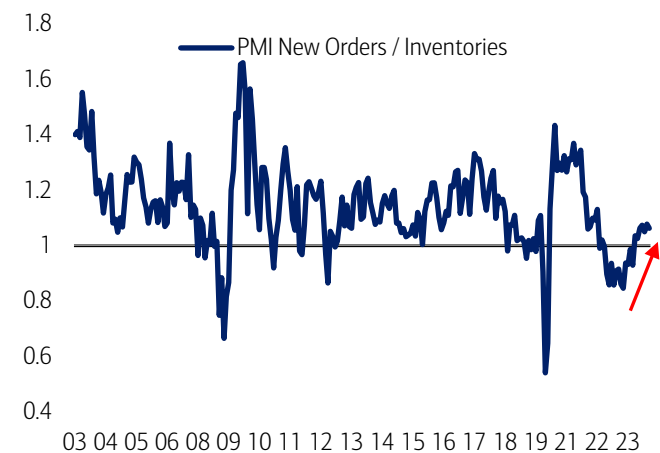


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 19: Manufacturing new orders remain stronger than inventory levels – i.e. re-stocking**

ISM Manufacturing PMI new orders / inventories (2003-12/23)

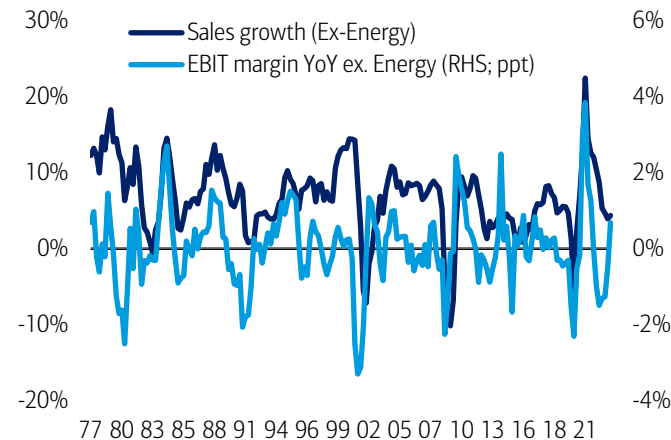


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 20: Margins already inflected higher without sales boost**

S&amp;P 500 ex. Energy &amp; Financials sales growth YoY vs. EBIT margin YoY (1977-3Q23)



Source: FactSet, BofA US Equity &amp; Quant Strategy

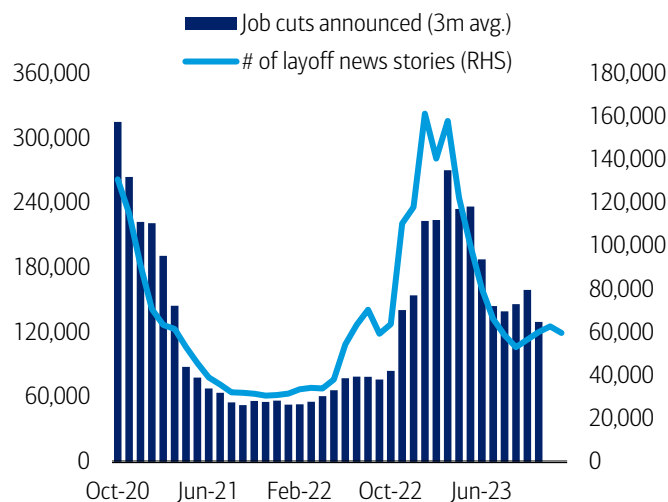
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**Upcycle in earnings = peak in corporate layoffs?**

Despite some layoff announcement recently, both the size and frequency have been falling (Exhibit 19). Layoff announcements from Banks were also fairly muted vs. last year, other than Citi (restructuring). 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.

**Exhibit 21: Size and frequency of layoff announcements have declined**

Challenger job cuts announced (3-mo. avg.) vs. # of layoff news stories on Bloomberg (2020-12/23)

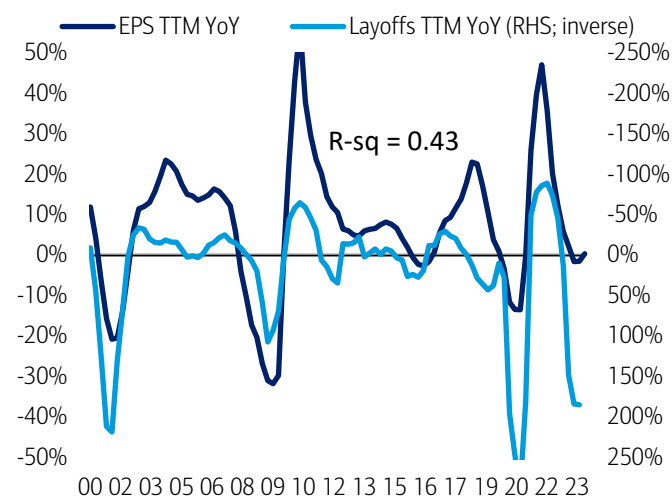


Source: BofA US Equity & Quant Strategy, Bloomberg

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**Exhibit 22: 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

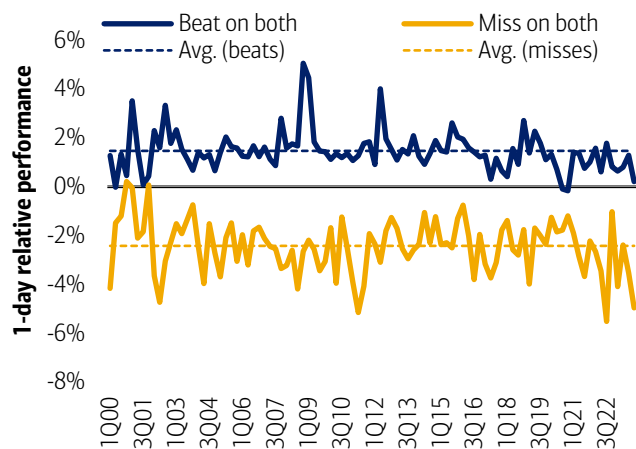
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**No rewards for beats, but misses got punished**

While still early, companies that beat on both sales and EPS saw almost no rewards, outperforming the S&P 500 by just 20bps the next day (vs. +150bps historical average). But misses were penalized more than usual, underperforming by 500bps, much more than a typical -240bps.

**Exhibit 23: No rewards for beats, but bigger reactions to misses**

Rel. 1-day post-reporting performance (vs. S&P 500) on EPS & sales surprise (1Q00-4Q23 as of 1/19/24)



Source: FactSet, BofA US Equity & Quant Strategy

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**Exhibit 24: 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	-0.3%	-0.8%	-2.1%	-1.2%
EPS Miss	-2.3%	-3.9%	-3.9%	-3.4%
EPS In-Line	-0.8%	-3.7%	-2.7%	NA
Sales Beat	0.0%	0.1%	-3.3%	-2.6%
Sales Miss	-2.2%	-4.1%	-2.0%	-0.1%
Sales In-Line	NA	NA	NA	NA
<b>Both Beat</b>	<b>0.2%</b>	<b>-0.3%</b>	<b>-3.1%</b>	<b>-2.6%</b>
<b>Both Miss</b>	<b>-5.0%</b>	<b>-6.9%</b>	<b>-2.7%</b>	<b>-3.4%</b>

Source: FactSet, BofA US Equity & Quant Strategy

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**Exhibit 25: Relative performance by sector vs. S&P 500**

4Q23 earnings reactions based on surprise by sector

Sector	At the open (+1D)		Intraday (+1D)		1 day after reporting		5 days after reporting	
	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.	-0.7%	NA	1.32%	NA	0.6%	N.A.	-2.2%	N.A.
Staples	-0.5%	NA	0.60%	NA	0.1%	N.A.	0.1%	N.A.
Energy	1.7%	-1.8%	-0.7%	-0.5%	1.0%	-2.3%	N.A.	N.A.
Financials	1.5%	-1.9%	-1.5%	0.6%	-0.1%	-1.3%	-0.5%	-3.1%
Health Care	-4.1%	NA	0.7%	NA	-3.4%	N.A.	-4.3%	N.A.
Industrials	-0.8%	-11.9%	-1.1%	1.3%	-1.8%	-10.6%	-1.1%	-10.1%
Tech	2.4%	-10.7%	3.5%	-2.4%	6.1%	-12.9%	5.1%	-11.4%
Materials	0.3%	NA	-4.0%	NA	-3.7%	N.A.	N.A.	N.A.
Real Estate	NA	NA	NA	NA	N.A.	N.A.	N.A.	N.A.
Comm. Svcs.	NA	NA	NA	NA	N.A.	N.A.	N.A.	N.A.
Utilities	NA	NA	NA	NA	N.A.	N.A.	N.A.	N.A.
<b>S&amp;P 500</b>	<b>0.4%</b>	<b>-5.0%</b>	<b>-0.2%</b>	<b>0.0%</b>	<b>0.2%</b>	<b>-5.0%</b>	<b>-0.3%</b>	<b>-6.9%</b>

Source: FactSet, BofA US Equity &amp; Quant Strategy

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**S&P 500 companies reporting in Week 2**

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

**Exhibit 26: S&P 500 companies slated to report 4Q results in Week 2 (mega caps highlighted in blue)**

Week 2 schedule

Report Date	Ticker	Company Name	Sector	Market Cap (\$B)	Status
1/22/2024	BRO	BROWN & BROWN INC	Financials	21	Confirmed
1/22/2024	UAL	UNITED AIRLINES HOLDINGS INC	Industrials	13	Confirmed
1/22/2024	ZION	ZIONS BANCORP NA	Financials	6	Confirmed
1/23/2024	JNJ	JOHNSON & JOHNSON	Health Care	389	Tentative
1/23/2024	PG	PROCTER & GAMBLE CO/THE	Consumer Staples	348	Confirmed
1/23/2024	NFLX	NETFLIX INC	Communication Services	211	Confirmed
1/23/2024	VZ	VERIZON COMMUNICATIONS INC	Communication Services	165	Confirmed
1/23/2024	TXN	TEXAS INSTRUMENTS INC	Information Technology	158	Confirmed
1/23/2024	GE	GENERAL ELECTRIC CO	Industrials	141	Confirmed
1/23/2024	ISRG	INTUITIVE SURGICAL INC	Health Care	132	Tentative
1/23/2024	RTX	RTX CORP	Industrials	123	Confirmed
1/23/2024	LMT	LOCKHEED MARTIN CORP	Industrials	114	Confirmed
1/23/2024	MMM	3M CO	Industrials	60	Tentative
1/23/2024	DHI	DR HORTON INC	Consumer Discretionary	52	Confirmed
1/23/2024	PCAR	PACCAR INC	Industrials	50	Tentative
1/23/2024	BKR	BAKER HUGHES CO	Energy	31	Confirmed
1/23/2024	HAL	HALLIBURTON CO	Energy	30	Confirmed
1/23/2024	STLD	STEEL DYNAMICS INC	Materials	18	Confirmed
1/23/2024	SYF	SYNCHRONY FINANCIAL	Financials	15	Confirmed
1/23/2024	IVZ	INVESCO LTD	Financials	8	Confirmed
1/24/2024	TSLA	TESLA INC	Consumer Discretionary	675	Confirmed
1/24/2024	ABT	ABBOTT LABORATORIES	Health Care	199	Confirmed
1/24/2024	IBM	INTL BUSINESS MACHINES CORP	Information Technology	157	Confirmed
1/24/2024	NOW	SERVICENOW INC	Information Technology	154	Confirmed
1/24/2024	T	AT&T INC	Communication Services	119	Confirmed
1/24/2024	ELV	ELEVANCE HEALTH INC	Health Care	109	Confirmed
1/24/2024	LRCX	LAM RESEARCH CORP	Information Technology	109	Tentative
1/24/2024	PGR	PROGRESSIVE CORP	Financials	100	Confirmed
1/24/2024	CSX	CSX CORP	Industrials	68	Confirmed
1/24/2024	GD	GENERAL DYNAMICS CORP	Industrials	68	Tentative
1/24/2024	APH	AMPHENOL CORP-CL A	Information Technology	58	Confirmed
1/24/2024	FCX	FREEMPORT-MCMORAN INC	Materials	56	Tentative
1/24/2024	CCI	CROWN CASTLE INC	Real Estate	47	Confirmed
1/24/2024	KMB	KIMBERLY-CLARK CORP	Consumer Staples	41	Confirmed
1/24/2024	TEL	TE CONNECTIVITY LTD	Information Technology	41	Confirmed
1/24/2024	URI	UNITED RENTALS INC	Industrials	39	Confirmed
1/24/2024	AMP	AMERIPRISE FINANCIAL INC	Financials	39	Confirmed





**Exhibit 26: S&P 500 companies slated to report 4Q results in Week 2 (mega caps highlighted in blue)**

Week 2 schedule

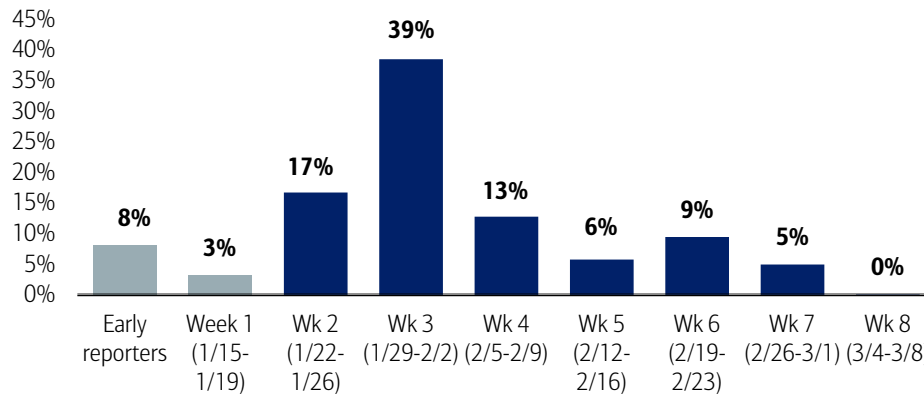
Report Date	Ticker	Company Name	Sector	Market Cap (\$B)	Status
1/24/2024	LVS	LAS VEGAS SANDS CORP	Consumer Discretionary	37	Confirmed
1/24/2024	RMD	RESMED INC	Health Care	25	Confirmed
1/24/2024	RJF	RAYMOND JAMES FINANCIAL INC	Financials	23	Confirmed
1/24/2024	TDY	TELEDYNE TECHNOLOGIES INC	Information Technology	21	Confirmed
1/24/2024	WRB	WR BERKLEY CORP	Financials	19	Confirmed
1/24/2024	STX	SEAGATE TECHNOLOGY HOLDINGS	Information Technology	18	Confirmed
1/24/2024	TXT	TEXTRON INC	Industrials	15	Confirmed
1/24/2024	PKG	PACKAGING CORP OF AMERICA	Materials	15	Confirmed
1/25/2024	V	VISA INC-CLASS A SHARES	Financials	559	Confirmed
1/25/2024	INTC	INTEL CORP	Information Technology	203	Confirmed
1/25/2024	TMUS	T-MOBILE US INC	Communication Services	191	Confirmed
1/25/2024	CMCSA	COMCAST CORP-CLASS A	Communication Services	174	Confirmed
1/25/2024	UNP	UNION PACIFIC CORP	Industrials	146	Confirmed
1/25/2024	BX	BLACKSTONE INC	Financials	144	Tentative
1/25/2024	NEE	NEXTERA ENERGY INC	Utilities	116	Confirmed
1/25/2024	MMC	MARSH & MCLENNAN COS	Financials	98	Confirmed
1/25/2024	KLAC	KLA CORP	Information Technology	83	Confirmed
1/25/2024	SHW	SHERWIN-WILLIAMS CO/THE	Materials	78	Confirmed
1/25/2024	NOC	NORTHROP GRUMMAN CORP	Industrials	71	Confirmed
1/25/2024	AJG	ARTHUR J GALLAGHER & CO	Financials	52	Confirmed
1/25/2024	HUM	HUMANA INC	Health Care	49	Confirmed
1/25/2024	COF	CAPITAL ONE FINANCIAL CORP	Financials	49	Confirmed
1/25/2024	VLO	VALERO ENERGY CORP	Energy	44	Confirmed
1/25/2024	LHX	L3HARRIS TECHNOLOGIES INC	Industrials	39	Confirmed
1/25/2024	DOW	DOW INC	Materials	37	Confirmed
1/25/2024	XEL	XCEL ENERGY INC	Utilities	33	Confirmed
1/25/2024	FICO	FAIR ISAAC CORP	Information Technology	31	Confirmed
1/25/2024	WY	WEYERHAEUSER CO	Real Estate	24	Confirmed
1/25/2024	LUV	SOUTHWEST AIRLINES CO	Industrials	18	Tentative
1/25/2024	WDC	WESTERN DIGITAL CORP	Information Technology	18	Confirmed
1/25/2024	MKC	MCCORMICK & CO-NON VTG SHRS	Consumer Staples	17	Tentative
1/25/2024	AAL	AMERICAN AIRLINES GROUP INC	Industrials	9	Tentative
1/26/2024	AXP	AMERICAN EXPRESS CO	Financials	133	Confirmed
1/26/2024	CL	COLGATE-PALMOLIVE CO	Consumer Staples	66	Confirmed
1/26/2024	NSC	NORFOLK SOUTHERN CORP	Industrials	53	Tentative

Source: Bloomberg, BofA US Equity &amp; US Quant Strategy

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**4Q23 Reporting by Week****Exhibit 27: S&P 500 4Q23 Earnings Reporting by Week**

% of earnings by sector



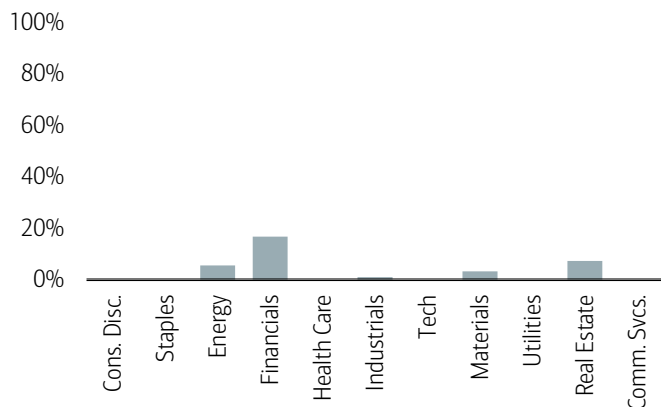
Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 28: Week 1: % 4Q earnings reported by sector**

% of earnings by sector

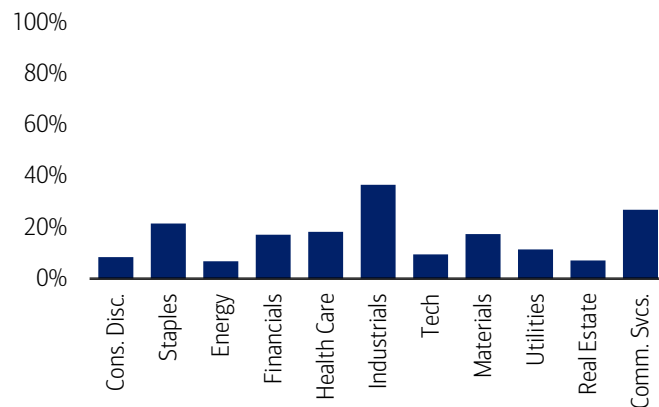


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 29: Week 2: % 4Q earnings reported by sector**

% of earnings by sector

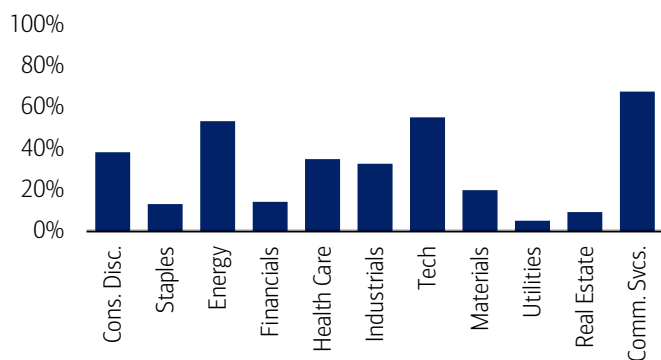


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 30: Week 3: % 4Q earnings reported by sector**

% of earnings by sector

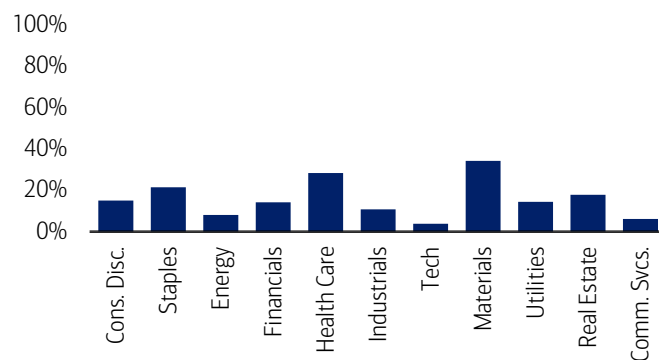


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 31: Week 4: % 4Q earnings reported by sector**

% of earnings by sector

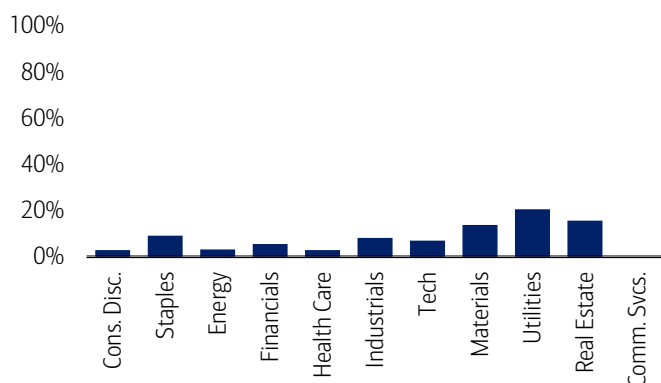


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 32: Week 5 % 4Q earnings reported by sector**

% of earnings by sector

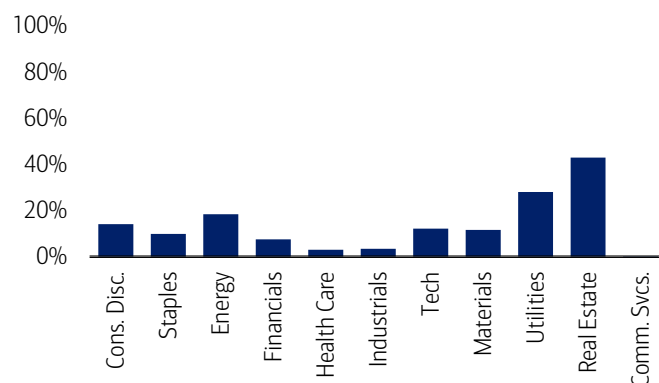


Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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**Exhibit 33: Week 6: % 4Q earnings reported by sector**

% of earnings by sector



Source: Bloomberg, BofA US Equity &amp; Quant Strategy

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## Small cap 4Q23 earnings update

- So far, 47 S&P 600 companies have reported. 4Q consensus earnings are 1.1% above where they stood at the start of January while sales are 0.3% lower than at the start of January.
- Materials and Financials are the sectors that have seen the most positive earnings revisions while Energy and Staples have seen the largest downward revisions since the start of January.
- 79% of companies beat on EPS, 46% beat on sales, and 17% beat on both.
- Analysts are forecasting 4Q small cap earnings to be -14% YoY (-12% for the median company) on sales -2% YoY (-0.2% median).

### Exhibit 3: Small cap 4Q23 growth expectations and proportion of beats so far

S&P 600 consensus 4Q23 earnings and sales growth and % positive surprises

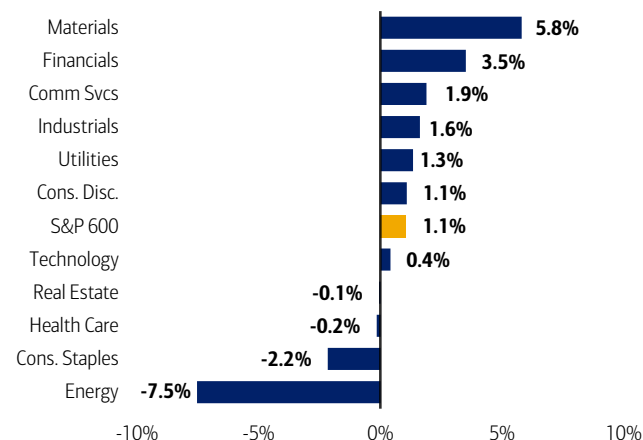
Sector	Total Companies	Number Reported	Earnings YoY%	Median earnings YoY%	Sales YoY%	Median sales YoY%	% With EPS Beat	% With Sales Beat	Both Beat %
Comm Svcs	23	1	-75.0%	-46.4%	-7.6%	-6.6%	0%	0%	0%
Cons. Disc.	85	2	3.7%	-9.0%	-2.2%	-0.8%	50%	100%	50%
Cons. Staples	30	8	-42.2%	-21.7%	-2.5%	0.9%	75%	50%	25%
Energy	28	0	-18.7%	-9.8%	-6.4%	0.9%	N.A.	N.A.	N.A.
Financials	118	12	-7.5%	-15.8%	9.7%	-0.3%	100%	0%	0%
Health Care	67	3	11.5%	-1.8%	0.7%	5.5%	0%	100%	0%
Industrials	95	11	-21.9%	-9.5%	-1.4%	0.3%	100%	44%	36%
Technology	62	2	-27.4%	-11.7%	-7.5%	-3.5%	100%	50%	50%
Materials	32	3	-11.1%	-12.7%	-4.0%	-3.2%	50%	50%	0%
Real Estate	51	4	-30.5%	-23.1%	-2.5%	-0.5%	N.A.	N.A.	0%
Utilities	11	1	21.9%	6.5%	7.8%	8.0%	N.A.	N.A.	0%
<b>S&amp;P 600</b>	<b>602</b>	<b>47</b>	<b>-14.0%</b>	<b>-11.9%</b>	<b>-2.2%</b>	<b>-0.2%</b>	<b>79%</b>	<b>46%</b>	<b>17%</b>
Ex-Financials	484	35	-16.2%	-11.1%	-3.2%	-0.2%	76%	52%	23%
Ex-Energy	574	47	-13.5%	-12.3%	-1.7%	-0.3%	79%	46%	17%
Ex-Energy&Financials	456	35	-15.9%	-11.1%	-2.8%	-0.3%	76%	52%	23%

Source: FactSet, BofA US Equity & US Quant Strategy

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### Exhibit 35: Earnings tracking +1.1% better than estimates at start of January

4Q23 earnings revisions since the start of reporting on 1/1/24

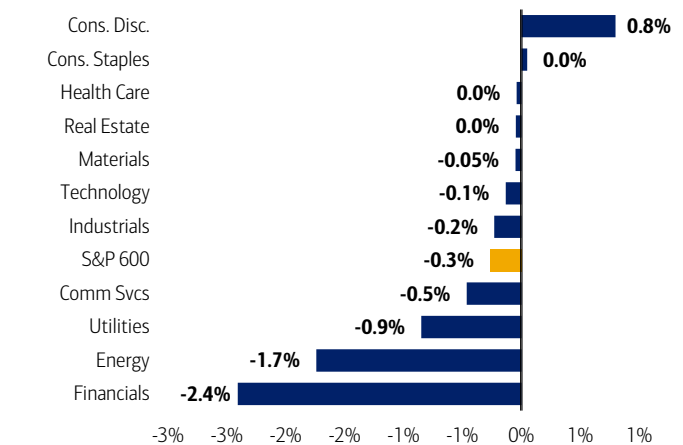


Source: FactSet, BofA US Equity & Quant Strategy

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### Exhibit 36: 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, 28 S&P 400 companies have reported. Earnings estimates are 1.5% lower since the start of earnings season and sales forecasts are down 0.2%.
- Technology, Comm. Svcs., and Health Care 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, 60% of companies beat on EPS, 33% beat on sales and 14% beat on both, better than in small caps.
- Earnings are expected to be -6% YoY (-3% for the median company) while sales are expected to be -1% YoY (+1% for the median company).

### Exhibit 6: Mid cap 4Q23 growth expectations and proportion of beats so far

S&P 400 consensus 4Q23 earnings and sales growth and % positive surprises

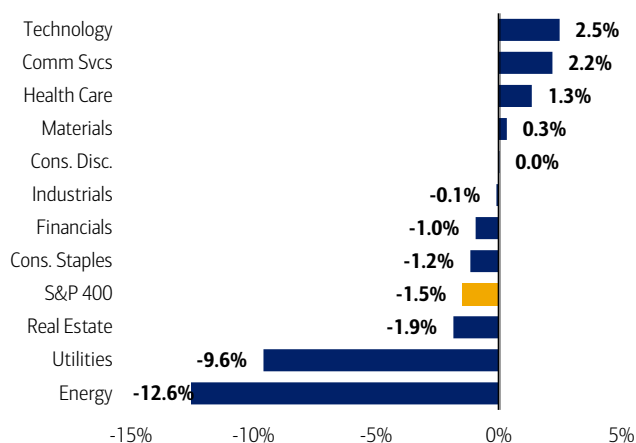
Sector	Total Companies	Number Reported	Earnings YoY%	Median earnings YoY%	Sales YoY%	Median sales YoY%	% With EPS Beat	% With Sales Beat	Both Beat %
Comm Svcs	9	0	-18.8%	-5.5%	-0.5%	0.2%	N.A.	N.A.	N.A.
Cons. Disc.	65	3	4.4%	5.5%	1.2%	0.7%	100%	100%	67%
Cons. Staples	17	1	10.6%	6.0%	5.5%	6.3%	N.A.	N.A.	0%
Energy	20	0	-35.9%	-1.6%	-20.8%	-4.8%	N.A.	N.A.	N.A.
Financials	65	14	0.6%	-10.7%	4.3%	0.2%	33%	33%	7%
Health Care	36	1	22.5%	2.6%	7.6%	8.3%	100%	0%	0%
Industrials	74	2	-7.4%	0.1%	1.3%	4.1%	50%	0%	0%
Technology	41	1	-19.3%	-17.2%	-11.0%	-8.2%	100%	0%	0%
Materials	27	4	-14.5%	-18.0%	-5.5%	-3.3%	67%	33%	25%
Real Estate	31	0	-10.0%	-7.6%	37.5%	2.4%	N.A.	N.A.	N.A.
Utilities	16	2	11.6%	-7.6%	-9.5%	-2.1%	N.A.	N.A.	0%
<b>S&amp;P 400</b>	<b>401</b>	<b>28</b>	<b>-5.8%</b>	<b>-2.9%</b>	<b>-1.3%</b>	<b>1.2%</b>	<b>60%</b>	<b>33%</b>	<b>14%</b>
Ex-Financials	336	14	-7.9%	-1.3%	-1.9%	1.3%	78%	33%	21%
Ex-Energy	381	28	-2.1%	-3.4%	0.6%	1.3%	60%	33%	14%
Ex-Energy&Financials	316	14	-3.1%	-1.3%	0.1%	1.5%	78%	33%	21%

Source: FactSet, BofA US Equity & US Quant Strategy

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### Exhibit 38: Earnings estimates are down 1.5% since start of January

4Q23 earnings revisions since the start of reporting on 1/1/24

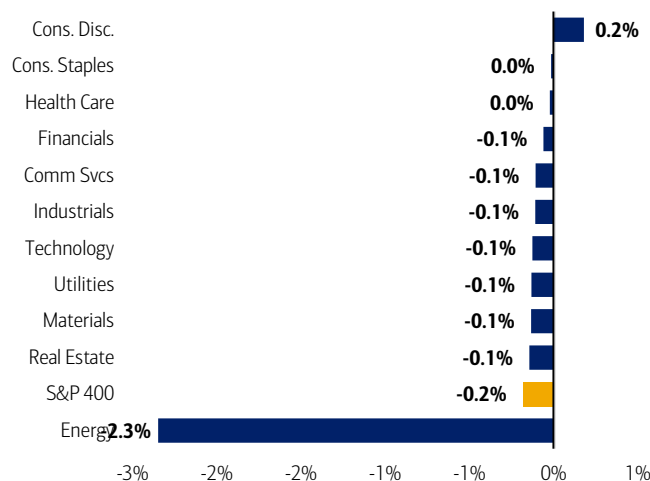


Source: FactSet, BofA US Equity & Quant Strategy

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### Exhibit 39: Sales estimates down -0.2% since start of January

4Q23 sales revisions since the start of reporting on 1/1/24



Source: FactSet, BofA US Equity & Quant Strategy

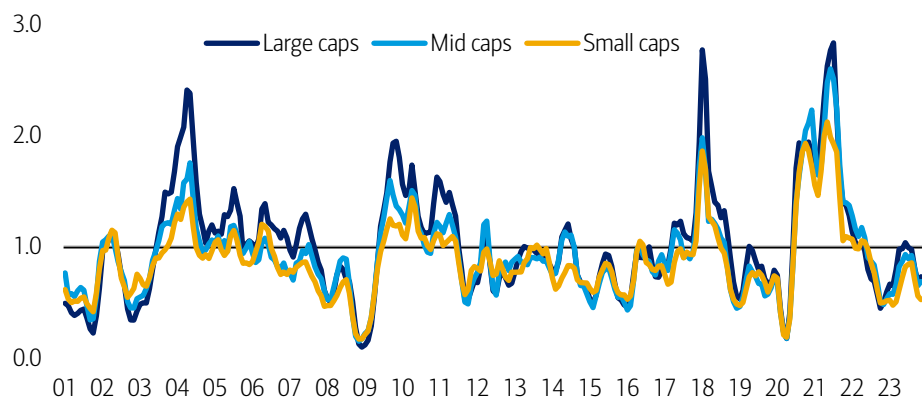
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## Estimates still coming down; recent guidance improvement

- Earnings revision trends weakened across the board over the last three months and revision ratios are still below 1.0 (more cuts than raises to estimates) in all three size segments (and weakest in small caps). But, large and mid caps saw slight improvement from last month while small caps continued to deteriorate.
- For small caps, the 3-month ratio of above- vs. below-consensus guidance rose this week to 0.89 (above the long-term average of 0.88x and above the current 3m guidance ratio for large caps). Also, on a one month guidance ratio has been rising for the past quarter.
- Mid caps' 3m guidance ratio rose to 1.0x (above the long-term average of 0.9x).

### Exhibit 40: Revision trends weakened across the board since October, weakest in small caps

3m earnings revision ratio (ERR) for S&P small, mid and large cap indices as of 12/31/2023

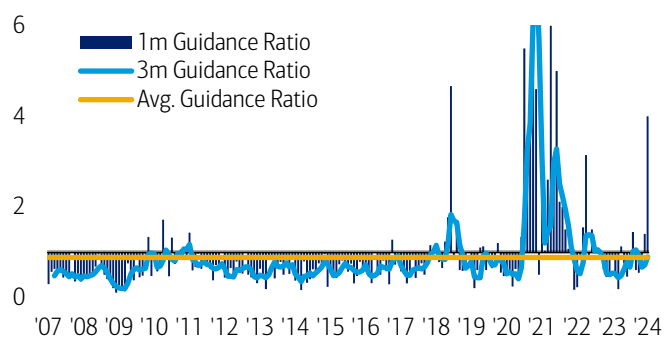


Source: Bloomberg, BofA US Equity & US Quant Strategy

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### Exhibit 41: Small cap earnings guidance is slightly above average on a 3m basis

S&P 600 management guidance ratio (# above- vs. below-consensus) as of 1/31/23

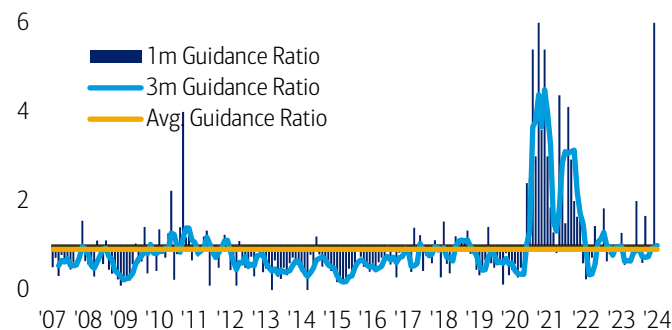


Source: Bloomberg, BofA US Equity & US Quant Strategy

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### Exhibit 42: Mid cap earnings guidance is slightly above average on a 3m basis

S&P 400 management guidance ratio (# above- vs. below-consensus) as of 1/31/23



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).

# Disclosures

## Important Disclosures

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R1</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R1</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

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