

Earnings Season Tracker

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Have a question
for the team?

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One of **the most important tasks of an investment firm is** to respond in a timely manner to the challenges of the economy and market conditions. While many risks of a geopolitical and financial nature cannot be predicted, it is worth staying informed to understand what is happening in a meaningful way.

Interest rates, the real estate market, employment and unemployment, inflation and corporate profits are just a few of the variety of factors affecting asset and security pricing.

Our goal is to provide a deeper and clearer understanding of what is happening in the markets with an emphasis on illustrations, charts and visuals.

Earnings Season Tracker provides a deeper insight into the financial results of companies that drive stock market performance. Tracking the dynamics is fundamentally important for analyzing the long-term stability of not only companies or sectors, but also the entire stock market. It is the timely understanding of the latest dynamics that can help an investor to position himself in the market at the right time.

Earnings Season Tracker (15.04 – 19.04.2024)

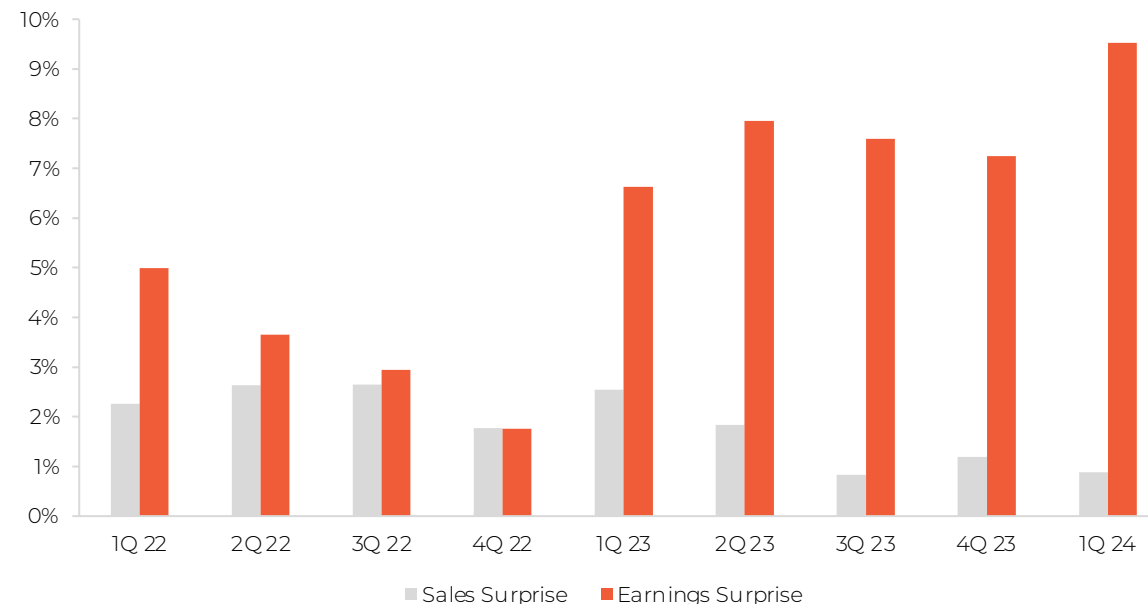
1Q 2024 earnings season is still at an early stage, and since negative revisions to revenue and EPS growth in the S&P 500 index vary from week to week, it is still too early to draw definitive conclusions. Nevertheless, the first results are presented below.

No. of S&P 500 companies that have reported and their EPS Surprise

Sector	No. of companies that have reported	EPS Surprise
S&P500	70 / 499	
Communications	2 / 23	138.60%
Consumer Discretionary	8 / 52	-2.70%
Consumer Staples	8 / 38	0.60%
Energy	2 / 25	-0.60%
Financials	26 / 58	-35.00%
Real Estate	2 / 30	0.00%
Health Care	5 / 63	-174.70%
Industrials	8 / 71	-15.60%
Materials	1 / 28	3.80%
Technology	8 / 81	-33.60%
Utilities	0 / 30	

- As of the end of the second week of 1Q 2024 earnings season, 70 companies out of 499 in the S&P 500 index have reported.
- In terms of sectoral breakdown, 10 out of 11 sectors, except for Utilities, started publishing their reports. The most significant company reports this week were in Financials, Healthcare and Technology sectors.
- Since the beginning of earnings season, expectations for S&P500 EPS growth for 1Q 2024 have halved (from 4.1% to 2.0%), which indicates a continuation of negative trend since the beginning of the year. Currently, we believe that the market may be in an active phase of revaluation of corporate earnings amid a changing macroeconomic environment.

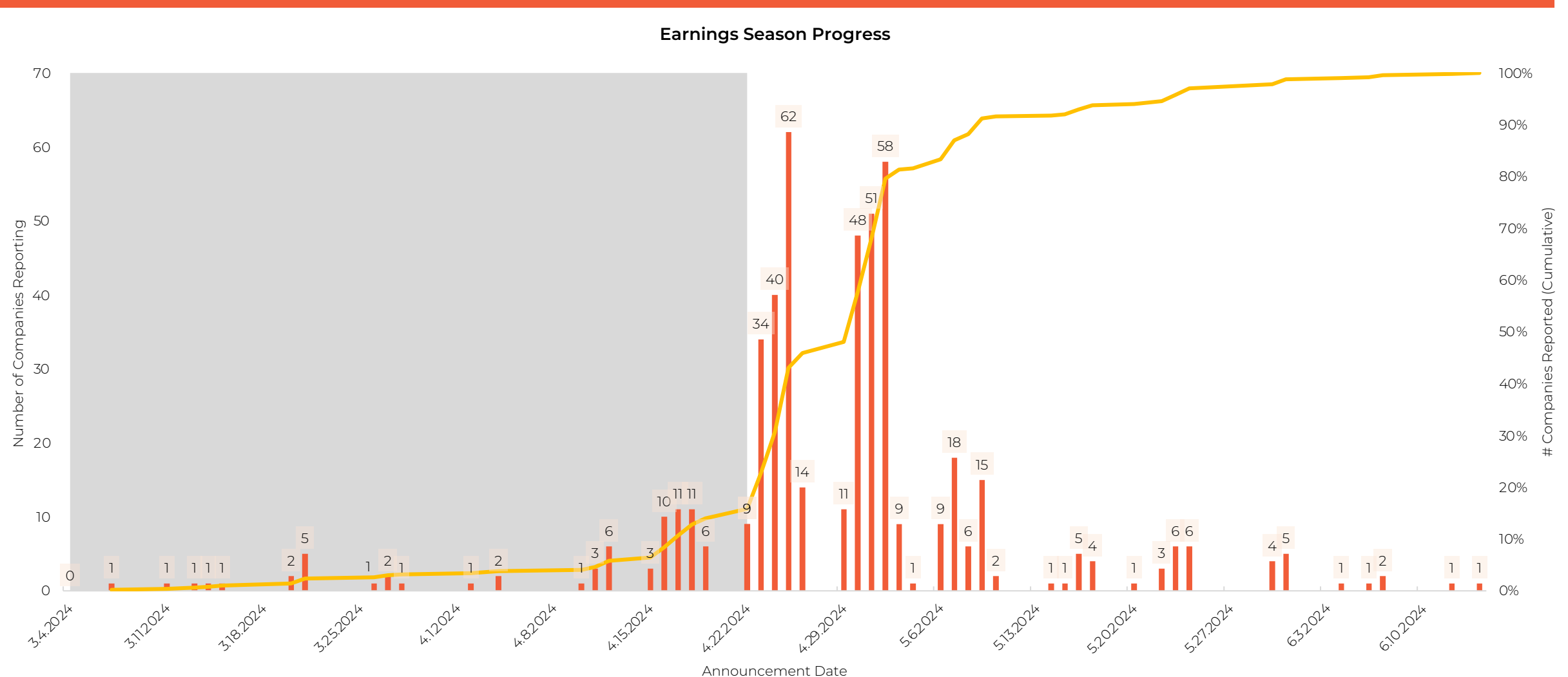
Dynamics of Sales and EPS Surprise for S&P 500



- Compared to the previous week, the level of revenue and EPS surprises decreased. In particular, the level of EPS surprise decreased by more than 5% (from 14.5% week earlier to 9.5% nowadays).
- Given the current trend, this sharp change is likely to continue next week, when more companies will report.
- The most disappointing reports this week were in Healthcare and Technology sectors, although the number of companies reporting in these sectors is not yet sufficient to draw any final conclusions about their results.

Earnings Season Tracker – Earnings Season Progress

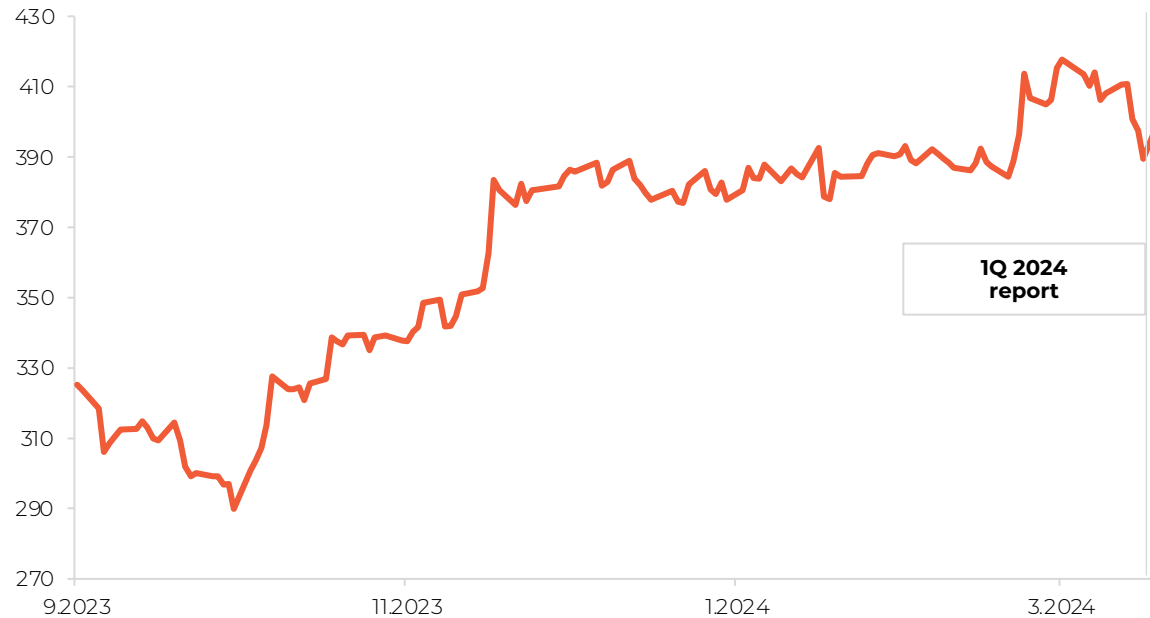
Actual earnings growth exceeded expectations in 37 of the last 40 quarters. The same trend is observed now - 14% of S&P 500 companies have reported so far, of which ¾ have published results that exceeded market expectations.



Earnings Season Tracker – Highly Watched Companies

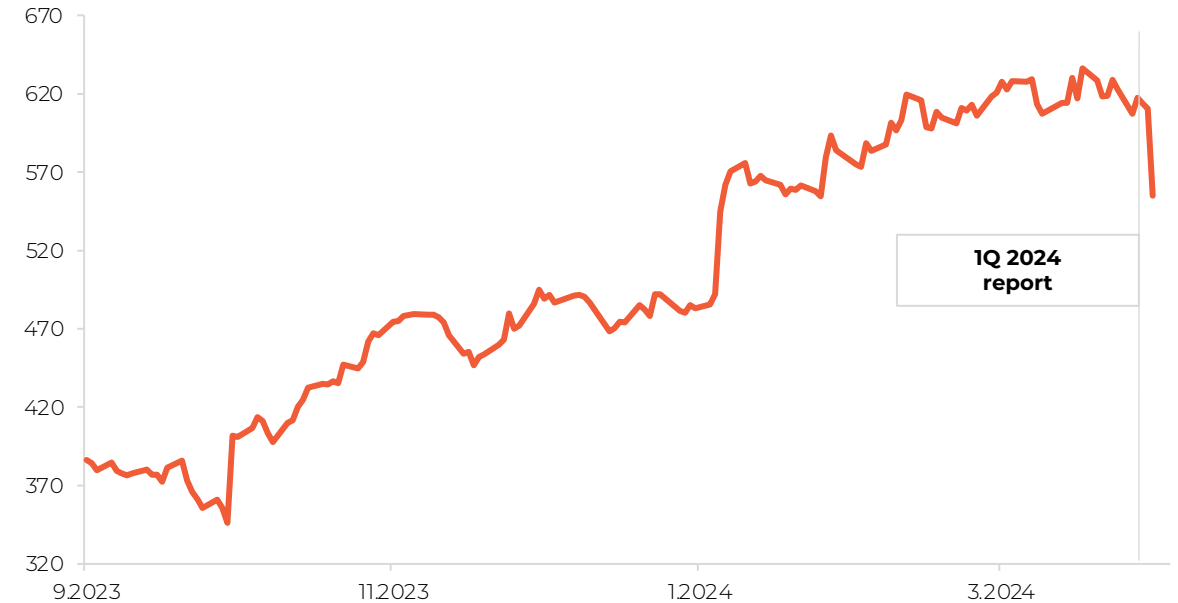
The second week of 1Q 2024 earnings season showed some positive dynamics: large banks such as GS and BofA, as well as Communication Services sector, exceeded market expectations, but regional banks reports were worse than expected, which clearly indicates problems in the industry.

Goldman Sachs share price dynamics



- The first to report this week was Goldman Sachs, which showed solid earnings and cost control results (8% reduction in the expense ratio compared to Q1 2023). Prior to that, there was a significant increase in banking fees, which set a strong start to the year.
- The bank's revenues for the quarter increased by 2.92% y/y (to \$14.2 billion), which was 9.5% higher than market forecasts, as well as EPS, which increased by 2.92% y/y (to \$11.6), which was 31.7% higher than market expectations.
- The higher profit margin was also due to a 10% increase in revenue from bonds and equities trading (bonds and equities revenue were 15.7% and 10.0% above market expectations, respectively).

Netflix share price dynamics



- Netflix's Q1 2024 reports satisfied investors in general: the company showed strong results due to a significant increase in the number of paid subscriptions (by 12.8%) in the US and European markets.
- 1Q 2024 revenue increased by 5.73% y/y (to \$9.37 billion), which was 1.14% ahead of expectations, and EPS increased by 60% y/y (to \$5.28), which was 16.81% higher than expectations.
- Nevertheless, the company's shares fell after report, as the forecast for Q2 was significantly lower than the first quarter due to seasonality. In addition, in 2025, the company will stop publishing data on new subscriptions, which may signal a slowdown in user growth.

Earnings Season Tracker – Upcoming Release Calendar

Next week will be more intense, as exactly one third of S&P 500 companies (165 companies) will report. Of these, the Industrials sector will account for the largest share, although the biggest focus next week will be on the reports of Magnificent 7 companies.

Upcoming highly watched companies

Company Name	Ticker	Sector	Ann Date	Time
PepsiCo	PEP	Consumer Staples	04/23/2024	13:00
Tesla	TSLA	Consumer Discretionary	04/23/2024	Aft-mkt
Meta Platforms	META	Technology	04/24/2024	Aft-mkt
Alphabet	GOOG	Technology	04/25/2024	Aft-mkt
Boeing Co	BA	Industrials	04/24/2024	17:30
Caterpillar	CAT	Industrials	04/25/2024	15:30
JetBlue Airways	JBLU	Industrials	04/23/2024	17:00
American Airlines Group	AAL	Industrials	04/25/2024	15:30
Visa	V	Financials	04/23/2024	Aft-mkt

Brief overview:

- **PEP:** company is important not only in the context of impact of inflation on sales dynamics, but its report will also demonstrate changes in global macroeconomic trends.
- **TSLA:** the importance of TSLA's report is that the company has recently had a negative news background due to the announcement of 10% of its employees being laid off. As the company is a representative of the cyclically sensitive Consumer Discretionary sector, its report can show general industry trends and reveal the real state of demand in the automotive market. Moreover, given the high share of the Consumer Discretionary sector in the index structure, TSLA's share price dynamics may have an impact on the quotes of the entire sector.
- **META, GOOG, MSFT:** Magnificent 7 reports will be important for understanding the dynamics of S&P 500, as these companies currently have the historically highest concentration in the index.
- **BA, CAT:** BA and CAT are also cyclically sensitive, which means that their revenue levels are highly dependent on demand, purchasing power and other macroeconomic factors. That is why their reports can better reflect the real state of demand among businesses. In particular, CAT reports will also reflect the level of companies capital investments, which will be a marker of how much companies are currently investing in business expansion.
- **JBLU, AAL:** these companies are quite important in the context of consumer sentiment, demand and savings, both globally in the case of AAL and more locally in the US and Latin America in the case of JBLU.
- **V:** as a company that dominates in electronic payments industry, Visa's report will be interesting from the perspective of changes in consumer spending and purchase intensity.

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