INTRODUCING THE EARNINGS PATH

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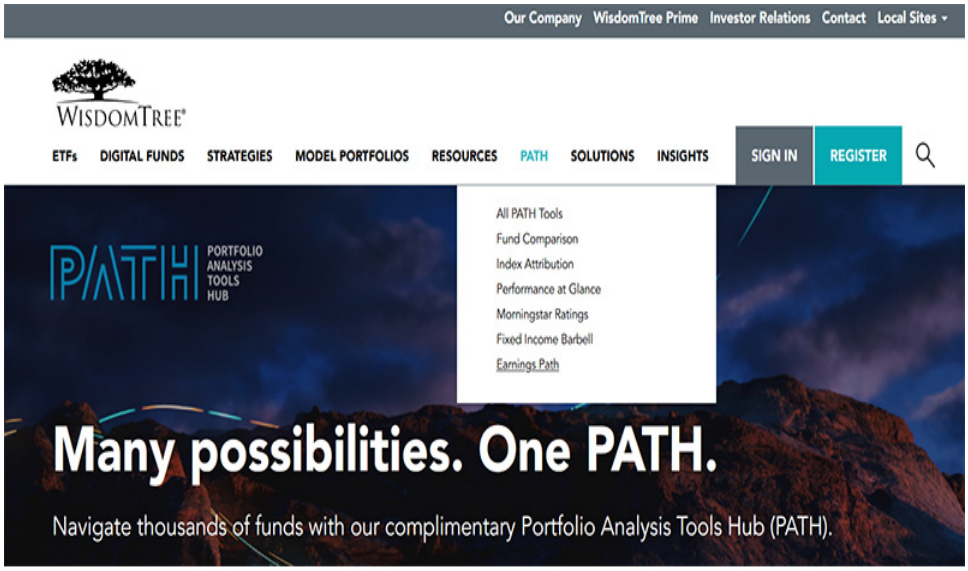
All eyes are on corporate earnings.

The collapses of Silicon Valley Bank (SVB) and Signature Bank in March have led investors to pay extra attention to first quarter earnings for any further signs of distress in the banking industry and for recession signals more broadly.

We have spent the last several months developing a tool called the Earnings Path as a way for investors to track trends in earnings throughout the reporting season.

How to Get There

All our tools are located in the PATH–Portfolio Analysis Tools Hub–drop-down on the WisdomTree website. The Earnings Path can be found at the bottom of this drop-down.



Blended Sales and Earnings Growth

The default setting of the tool shows the S&P 500 Index quarterly earnings summary for the current quarterly reporting season.
The tab that is selected–Growth (All)–shows a blend of actual reported sales and earnings growth with median analyst estimates as of the latest business date.

The below screenshot was taken on April 27. The data includes the actual sales and earnings growth of all companies that had reported 1Q earnings through April 26, blended with the latest analyst estimates.

At the aggregate Index level–summing all the aggregate sales and earnings in 1Q 2023 compared to 1Q 2022–S&P 500 earnings are anticipated to have margin compression, with sales estimated to grow slightly compared to a drop in earnings.

Information Technology–which we can see has the largest weight in the Index–is expected to have a modestly negative sales growth alongside a much larger decline in earnings.

500 - S&P 500 | Q1-2023 | Quarterly

GROWTH (ALL) | GROWTH (REPORTED) | SURPRISE

S&P 500 Q1-2023

GROWTH (ALL)	COUNT	WEIGHT	GROWTH	
ENTITY	TOTAL	% WEIGHT OF INDEX	SALES	EARNINGS
Index	500	100.0%	2.6%	-5.2%
Communication Services	21	8.0%	0.8%	-12.1%
Consumer Discretionary	53	9.9%	7.6%	42.3%
Consumer Staples	37	7.5%	4.3%	-3.9%
Energy	23	4.7%	-5.5%	6.8%
Financials	73	13.1%	10.8%	5.8%
Health Care	65	14.6%	2.0%	-19.9%
Industrials	73	8.4%	6.1%	17.0%
Information Technology	66	25.7%	-3.9%	-13.1%
Materials	29	2.6%	-7.9%	-33.1%
Real Estate	30	2.5%	5.1%	-23.2%
Utilities	30	2.9%	0.4%	-12.3%

Sources: WisdomTree, FactSet, as of 4/27/23. Q1-2023 refers to companies with financial report periods between 2/16/23 and 5/15/23

Clicking on the Index entity or any of the sector names shows a time series analysis of year-over-year earnings growth.

From this series, we see that the earnings growth anticipated for 1Q 2023 would be the second consecutive negative earnings growth for the Index—typically called an earnings recession—and the worst earnings growth since the COVID-19 lockdowns in 2Q 2020.

S&P 500 Q1-2023

GROWTH (ALL)	COUNT	WEIGHT	GROWTH	
ENTITY	TOTAL	% WEIGHT OF INDEX	SALES	EARNINGS
Index	500	100.0%	2.6%	-5.2%

Sources: WisdomTree, FactSet, as of 4/27/23. Q1-2023 refers to companies with financial report periods between 2/16/23 and 5/15/23

Reported Sales and Earnings Growth

The next tab in the tool—Growth (Reported)—is for actual reported earnings through the latest business date.

Through April 27, 43.7% of the Index had reported 1Q earnings. The biggest banks typically report earlier in the reporting season, which can be seen by the Financials sector having one of the greatest proportions of weight reported, at over 60%.

The Financials that reported by that date had resilient earnings, with sales growth of 13.5% and earnings growth of 11%.

S&P 500 Q1-2023

GROWTH (REPORTED)	COUNT	WEIGHT		GROWTH	
ENTITY	REPORTED/TOTAL	% WEIGHT REPORTED	% WEIGHT OF INDEX	SALES	EARNINGS
Index	165 / 500	43.7%	100.0%	6.0%	-0.2%
Communication Services	6 / 21	60.8%	8.0%	-4.0%	-8.7%
Consumer Discretionary	18 / 53	34.6%	9.9%	11.7%	5.1%
Consumer Staples	13 / 37	59.4%	7.5%	5.0%	2.0%
Energy	5 / 23	12.4%	4.7%	17.0%	38.3%
Financials	42 / 73	60.3%	13.1%	13.5%	11.2%
Health Care	16 / 65	40.4%	14.6%	7.1%	-5.8%
Industrials	31 / 73	52.5%	8.4%	5.8%	22.3%
Information Technology	17 / 66	38.0%	25.7%	1.1%	-10.6%
Materials	8 / 29	29.0%	2.6%	-13.6%	-44.8%
Real Estate	6 / 30	35.3%	2.5%	12.5%	-29.7%
Utilities	3 / 30	25.0%	2.9%	31.1%	-2.5%

Sources: WisdomTree, FactSet, as of 4/27/23. Q1-2023 refers to companies with financial report periods between 2/16/23 and 5/15/23.

Sales and Earnings Surprise

The last tab of the tool highlights sales and earnings surprise figures—actual sales and earnings reports compared to median analyst estimates.

Similar to the report growth tab, this tab will have greater statistical significance later in the earnings season as more companies report earnings.

To date, 10 out of the 11 sectors show a positive earnings surprise (with Real Estate being the outlier).

S&P 500 Q1-2023

EARNINGS SURPRISE	COUNT	WEIGHT		SURPRISE	
ENTITY	REPORTED/TOTAL	% WEIGHT REPORTED	% WEIGHT OF INDEX	SALES	EARNINGS
Index	165 / 500	43.7%	100.0%	2.2%	6.9%
Communication Services	6 / 21	60.8%	8.0%	0.1%	5.7%
Consumer Discretionary	18 / 53	34.6%	9.9%	4.2%	20.9%
Consumer Staples	13 / 37	59.4%	7.5%	1.5%	7.0%
Energy	5 / 23	12.4%	4.7%	-1.4%	6.3%
Financials	42 / 73	60.3%	13.1%	2.8%	7.2%
Health Care	16 / 65	40.4%	14.6%	3.2%	4.6%
Industrials	31 / 73	52.5%	8.4%	1.4%	9.5%
Information Technology	17 / 66	38.0%	25.7%	1.8%	2.5%
Materials	8 / 29	29.0%	2.6%	0.8%	18.1%
Real Estate	6 / 30	35.3%	2.5%	0.9%	-4.1%
Utilities	3 / 30	25.0%	2.9%	8.3%	2.6%

Sources: WisdomTree, FactSet, as of 4/27/23. Q1-2023 refers to companies with financial report periods between 2/16/23 and 5/15/23.

Compare Across Indexes

Included in the tool is a diverse sample of indexes to help give perspective on earnings trends in different segments of the market.

For example, those interested in tracking earnings trends in a thematic universe like cloud computing can select the BVP NASDAQ Emerging Cloud Index from the drop-down.

EMCLOUD - BVP NASDAQ Emerging... | Q1-2023 | Quarterly

GROWTH (ALL) | GROWTH (REPORTED) | SURPRISE

BVP NASDAQ Emerging Cloud Index Q1-2023

GROWTH (ALL)	COUNT	WEIGHT	GROWTH	
ENTITY	TOTAL	% WEIGHT OF INDEX	SALES	EARNINGS
Index	70	100.0%	14.3%	31.3%
Communication Services	2	2.6%	15.0%	37.2%
Consumer Discretionary	1	0.9%	-5.7%	74.3%
Consumer Staples	0	-	-	-
Energy	0	-	-	-
Financials	4	5.4%	12.4%	29.6%
Health Care	2	3.0%	3.2%	-17.5%
Industrials	0	-	-	-
Information Technology	61	88.2%	15.5%	33.4%
Materials	0	-	-	-
Real Estate	0	-	-	-
Utilities	0	-	-	-

Sources: WisdomTree, FactSet, as of 4/27/23. Q1-2023 refers to companies with financial report periods between 2/16/23 and 5/15/23.

Bookmark Our Tool!

We hope this tool can be a valuable resource for those wishing to keep track of earnings throughout the reporting period and that you will bookmark this link for easy access to daily data updates.

As with all our PATH tools, we will continue to make enhancements over time, such as adding indexes, export functions and other unique ways of tracking earnings trends.

For standardized performance and the most recent month-end performance click here NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

View the online version of this article here.

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You cannot invest directly in an index.

DEFINITIONS

S&P 500 Index : Market capitalization-weighted benchmark of 500 stocks selected by the Standard and Poor's Index Committee designed to represent the performance of the leading industries in the United States economy.

Growth : Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

Aggregate earnings : total earnings.

BVP Nasdaq Emerging Cloud Index : designed to track the performance of emerging public companies primarily involved in providing cloud software to their customers.