BofA SECURITIES

Earnings Tracker

1Q preview: eyes on guidance (or lack thereof)

10 April 2025

Equity and Quant Strategy
United States

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1Q EPS $61, 8% YoY growth

1Q beats and misses may not move the needle as much as in recent quarters. Beats may be demand pull forwards ahead of tariff risk, taxing future growth. Tariff specifics are still TBD (more below) and guidance is top of mind. 1Q estimates have been cut 4.4% over the last three months, slightly more than usual. Early reporters have come in weaker, pointing to a miss, but other macro indicators point to a beat. We forecast a slight beat ($61, +8% YoY) vs. consensus' $60.12 (+6% YoY (Ex-BMY +4%)). Consensus 1Q25 sales growth is +4%; we estimate a 1.1ppt headwind from FX, up from 55bp in 4Q, impactful to Materials & Tech.

Tariff hit: moving target, tracking ~15% cut

President Trump just announced a 90-day hiatus on April 2 April 2 tariffs (note), with the exception of China (where US additional tariffs total 125% and China 84% as we write) plus a 10% baseline tariff. Based on our earnings framework, the estimated direct impact from China tariffs and retaliation is roughly 15% assuming unitary elasticity, no FX impact and no pass-through of price. The impact will likely be mollified by accounting levers, pricing power and other factors, but could also worsen amid escalating tariffs.

Information vacuum ahead. Radio silence penalty of ~3ppt

There is a reasonable probability that absent some resolution/clarity, transparency could be compromised. Companies tend to shut down guidance amid uncertainty (Exhibit 21). Companies that regularly guide have traded at a premium to those that don't (Exhibit 22). During Covid, we saw a shut down in information – only 10% of companies issued annual guidance in 2Q20, down from an average of 40% in the four quarters prior. During this time, the premium valuation for companies that continued to guide hit a peak, and companies that withdrew annual guidance underperformed peer groups by an average of ~3ppt between the date they last issued guidance and re-instated guidance.

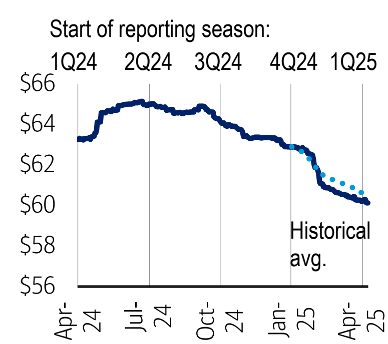
Earnings and the economy

With tariffs posing downside risks to growth and upside risks to inflation, we revisit the impact of the economy on EPS. Real GDP has been a bigger driver of EPS than nominal GDP historically. The beta of S&P EPS to US Real GDP is 5.8x – i.e., for every 1ppt drop in US real GDP growth, S&P EPS growth is hit by 5-6ppt, all else equal. Operating leverage cuts both ways, and is most pronounced in Energy, Discretionary, Industrials, Materials & Tech. Our economists estimate that the April 2 tariffs could have hit GDP by ~1.5ppt, translating to a ~9ppt hit to EPS. We were expecting EPS to grow 13% in 2025, but now assume low single-digit EPS growth until clarity improves.

See inside for BofA analysts' bottom-up read…

So far this month, BofA fundamental analysts have revised down 4x as many 2025 estimates as they have revised up (through April 4) – see Heard on the 16th floor for their latest outlooks, plus an upcoming earnings calendar, tariff math, and more…

Exhibit 1:1Q EPS was cut by 4% in L3M
Revision to consensus S&P 500 1Q



Source: FactSet, BofA US Equity & Quant Strategy
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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
2023	**$221**	**2%**	**$221**	**2%**
1Q24	56.56	7%	56.56	7%
2Q24	60.40	11%	60.40	11%
3Q24	63.21	8%	63.21	8%
4Q24	65.00	14%	65.00	14%
2024	**$243**	**10%**	**$243**	**10%**
1Q25E	60.12	6%	61.00	8%
2Q25E	65.30	8%	59.00	-2%
3Q25E	70.05	11%	63.00	0%
4Q25E	72.71	12%	67.00	3%
2025E	**$269**	**11%**	**$250**	**3%**

Source: FactSet, BofA US Equity & Quant Strategy
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Timestamp: 10 April 2025 04:52AM EDT

1Q25 Earnings Preview

Key quotes from analysts

We highlight key quotes from our analysts on their 1Q earnings outlook. For a full compilation, see Heard on the 16th floor.

John Murphy, Autos – "…2025 started off relatively well with strong US sales and what could be a bottoming of global volumes. Admittedly, there has been pressure in 1Q from two of the most consequential changeovers in the industry that weighed on volumes - Ford Kentucky Truck downtime (Expedition & Navigator changeover) and Tesla's Model Y globally. However, this is all of marginal importance following the US tariff announcement, and the ensuing uncertainty is dominating fundamentals and sentiment. The potential demand destruction is in the range of 2.5mm-3.0mm+ in the US alone (base run rate ~16mm), but could be far greater globally. Therefore, we'd expect that most companies will pull guidance along with reporting tough 1Q results. Nonetheless, we continue to expect pent-up demand (now 10mm+ and growing) to eventually be released and drive better days for the auto industry."

Bryan Spillane, Consumer Staples – "Expect 1Q revenues to come in below expectations, we've cut estimates multiple times during the quarter. Household spend belt tightening creeping up the income curve, uncertainty among migrant/immigrant co-horts and exogenous factors (weather, fires) playing a role. We currently see more risk to sales and earnings right now. Underscores the need to be selective in consumer staples, large/liquid and value are garnering interest."

Rafe Jadrosich, Homebuilders & Building Products – "New home sales slowed in 1Q25 and homebuilders did not see the typical seasonal demand pickup for early spring selling. Homebuilders continue to use incentives and price reductions to offset home buyer affordability challenges and reduce finish spec inventory. Lower net price coupled with land inflation continues to pressure builder margins. Building product company and repair & remodel revenue likely declined in 1Q25 as homeowners continue to defer high ticket discretionary projects."

Lorraine Hutchinson, Department Stores and Specialty Softlines – "The key focus will be on tariffs: quantifying the pressure, cutting guidance, and any mitigants to offset this severe margin hit (price increases, vendor negotiations, etc). Off-price is the area of retail where we expect good news from the plethora of opportunistic apparel buys available."

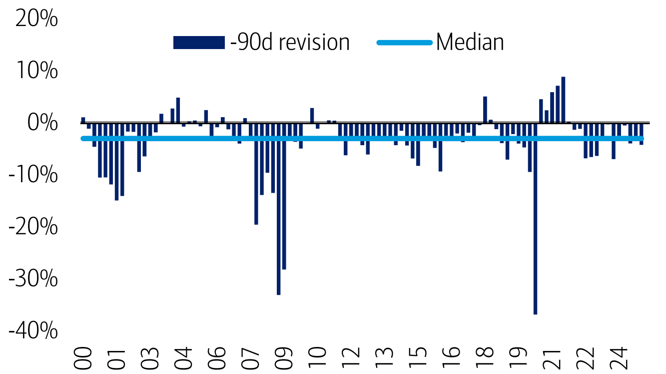
Ebrahim Poonawala, Banks – "While the primary focus among investors has shifted to assessing recession risk (although there were no signs of credit cracks until quarter-end), mgmt. commentary on customer sentiment (= appetite for capex/consumer spending) in face of tariffs/DOGE and areas of vulnerability on credit quality will be closely watched."

Andrew Obin, Multi-industrials – "Despite fears, we expect 1Q25 earnings to be in line or better for our sector. However, we expect 2025 guidance to be maintained or trimmed, with very conservative 2Q guidance. We expect our coverage to lean heavily on pricing to offset incremental tariff costs."

Earnings growth slowing but expected to broaden

Analysts expect 1Q EPS growth of +6% YoY, a deceleration from +14% in 4Q. We note that roughly one-third of growth is attributable to a year-ago charge taken by BMY; ex-BMY, earnings for current constituents are slated to grow +4% YoY. Sales are also expected to grow +4%. Estimates have been cut slightly more than usual over the last three months into earnings (by 4%), led by Materials (-16%), Industrials (-8%) and the Consumer sectors (Discretionary -9% / Staples -7%). Seven of the 11 sectors are expected to see positive YoY earnings growth, up from five last quarter. We forecast a small 1% beat or +8% YoY.

Exhibit 3: 1Q EPS estimates have been cut by 4% over the last three months vs. -3% historical median & -4% avg.
S&P 500 EPS revision in 3mos. before reporting season, 2000-4Q24



Source: FactSet, BofA US Equity & Quant Strategy

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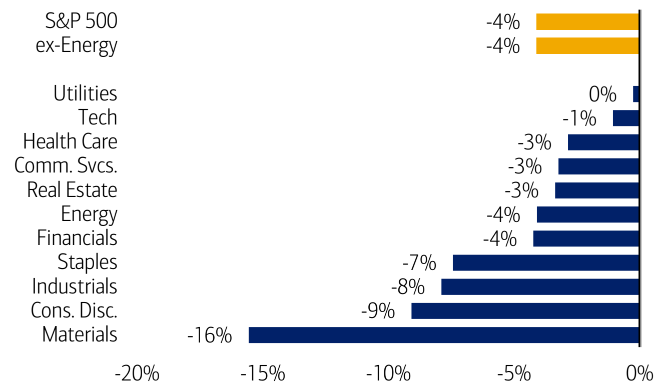
Exhibit 4: Cuts to 1Q EPS estimates over the last 3mos have been led by Materials, Industrials and the Consumer sectors
Revision to consensus 1Q25 earnings estimates over the last 3 months



Source: FactSet, BofA US Equity & Quant Strategy

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Exhibit 5: Consensus expects 7% earnings growth in 1Q
S&P 500 consensus expectations based on current constituents & diluted shares

	Earnings		Sales	
Sector	**YoY%**	**QoQ%**	**YoY%**	**QoQ%**
Consumer Disc.	1.0%	(22.6%)	2.8%	(12.4%)
Consumer Staples	(8.6%)	(9.7%)	1.1%	(4.7%)
Energy	(12.4%)	3.6%	0.3%	(2.2%)
Financials	(0.3%)	(8.9%)	1.4%	(1.0%)
Health Care	35.8%	6.1%	7.9%	(2.0%)
Industrials	1.9%	(14.1%)	(0.9%)	(3.0%)
Technology	15.2%	(11.8%)	11.4%	(7.1%)
Materials	(9.5%)	(6.2%)	2.3%	(0.5%)
Real Estate	0.1%	(5.0%)	3.7%	(5.0%)
Communication Services	5.8%	21.5%	5.4%	(8.1%)
Utilities	8.7%	27.0%	5.2%	10.2%
S&P 500	**6.6%**	**(4.4%)**	**4.0%**	**(4.5%)**
ex. Financials	**8.4%**	**(3.4%)**	**4.4%**	**(5.0%)**
ex. Energy	**7.8%**	**(4.8%)**	**4.3%**	**(4.7%)**
ex. Fins & Energy	**10.0%**	**(3.8%)**	**4.8%**	**(5.2%)**

Source: FactSet, BofA US Equity & Quant Strategy

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Mixed implications from early reporters vs. macro data

Early reporters point to a miss…

Nineteen S&P 500 companies (primarily "early reporters" with February quarter-ends) have reported 4Q results. Just 42% have beaten on EPS, 53% on sales and 37% on both – the lowest proportion of EPS & sales beats since 4Q16 and the lowest proportion of EPS beats since we began tracking data in 2012. This compares to the historical average of 70%/63%/50% beating on EPS/sales/both and last quarter's 77%/59%/59%.

Early reporters are concentrated in Consumer, Tech and Industrials, but can often give a read on the full quarter's results: since we began tracking in 2012, we've found a 69% correlation (48% R^2) between the proportion of early reporter beats on EPS and sales and the proportion of full-quarter beats on EPS and sales.

Exhibit 6: % of S&P 500 companies beating consensus on EPS and sales
Results from early reporters for 1Q25

Sector	Total companies	Number Reported	% with EPS beat	% with Sales beat	% EPS & Sales beat
Cons. Disc.	51	5	60%	60%	60%
Staples	38	5	20%	40%	20%
Energy	23	0	N.A.	N.A.	N.A.
Financials	73	1	100%	0%	0%
Health Care	60	0	N.A.	N.A.	N.A.
Industrials	78	3	0%	33%	0%
Tech	69	5	60%	80%	60%
Materials	26	0	N.A.	N.A.	N.A.
Real Estate	31	0	N.A.	N.A.	N.A.
Comm. Svcs.	20	0	N.A.	N.A.	N.A.
Utilities	31	0	N.A.	N.A.	N.A.
S&P 500	**500**	**19**	**42%**	**53%**	**37%**

Source: FactSet, BofA US Equity & US Quant Strategy

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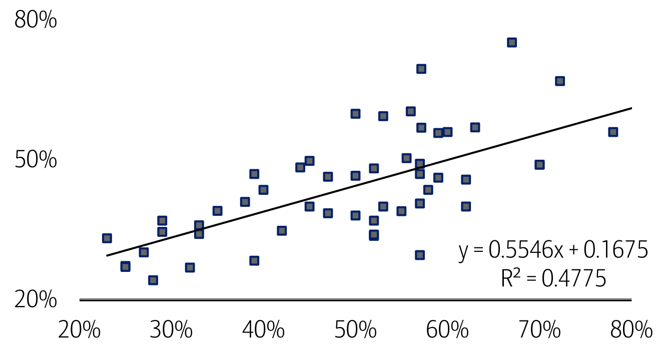
Exhibit 7: Early reporter beats can give a read on the full earnings season beats (48% R-squared)
Proportion of EPS & sales beats for early reporters vs. full quarter since 2012



Source: FactSet, BofA US Equity & US Quant Strategy

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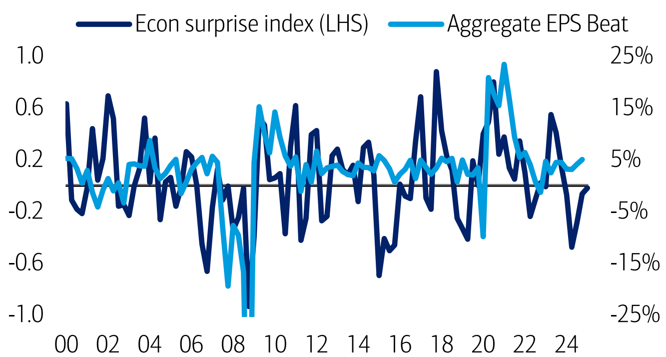
…while predictive macro data generally point to a beat

Both the Economic Surprise Index (which has improved off lows and is currently near neutral) and the ISM Manufacturing Index (which has been near 50 the last three months) each point to a 2% beat. The ISM Services Index also suggests EPS is likely to grown in 1Q, but suggests a 2% miss vs. consensus.

Exhibit 8: Economic Surprise Index near zero, suggests a 2% beat
Bloomberg ECO US surprise index vs. S&P 500 EPS beat (2000-present)



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

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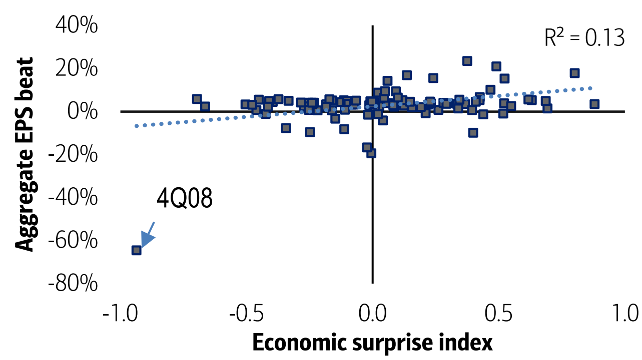
Exhibit 9: 13% R^2 btwn. Econ Surprise Index vs. aggregate EPS beat
Bloomberg ECO US surprise index vs. S&P 500 EPS beat (2000-present)



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

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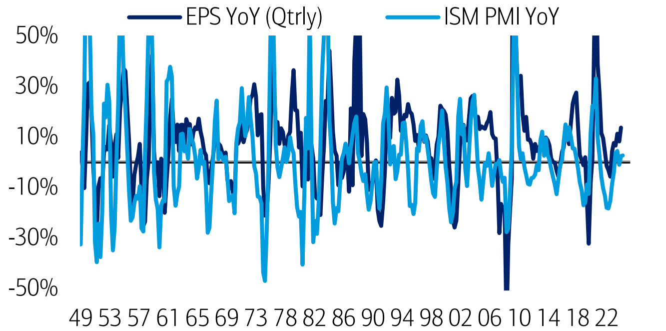
Exhibit 10: A 3% YoY rise in the ISM manufacturing PMI suggests +8% EPS growth in 1Q, 2% above consensus' forecast
ISM Manufacturing PMI YoY vs. S&P 500 qtrly EPS YoY (1949- present)



Source: Bloomberg, FactSet, BofA US Equity & Quant Strategy
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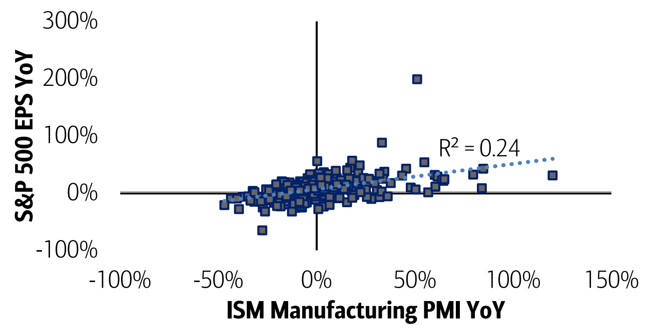
Exhibit 11: 24% R^2 between ISM Manufacturing PMI vs. S&P 500 EPS growth
ISM Manufacturing PMI YoY vs. S&P 500 qtrly EPS YoY (1949- present)



Source: Bloomberg, FactSet, BofA US Equity & Quant Strategy
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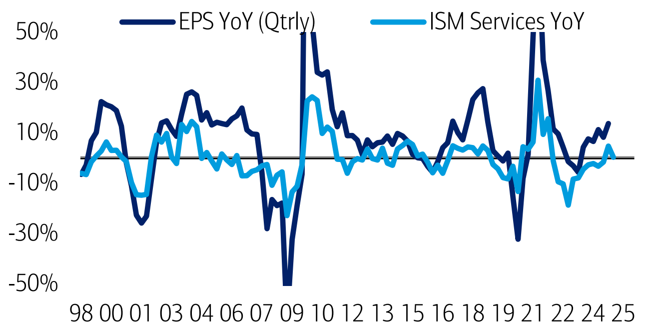
Exhibit 12: A flat YoY ISM Services PMI suggests +4% EPS growth in 1Q, 2% below consensus' forecast
ISM Services PMI YoY vs. S&P 500 quarterly EPS YoY (1998-present)



Source: Bloomberg, FactSet, BofA US Equity & Quant Strategy; dotted = consensus forecast
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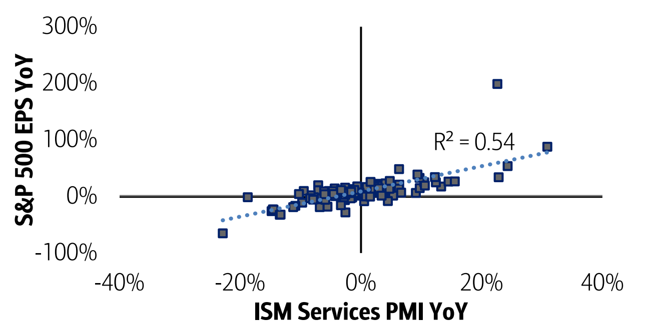
Exhibit 13: 54% R^2 between ISM Services PMI YoY vs. S&P 500 quarterly EPS YoY
ISM Services PMI YoY vs. S&P 500 quarterly EPS YoY (1998-present)



Source: Bloomberg, FactSet, BofA US Equity & Quant Strategy
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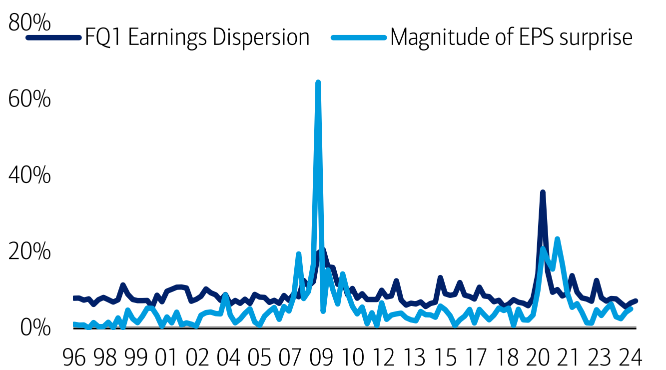
Exhibit 14: Estimate dispersion increased slightly but remains narrow, suggesting a small 3% surprise (positive or negative)
FQ1 earnings dispersion vs. magnitude of EPS surprise (1996-present)



Source: FactSet, Bloomberg, BofA US Equity & Quant Strategy
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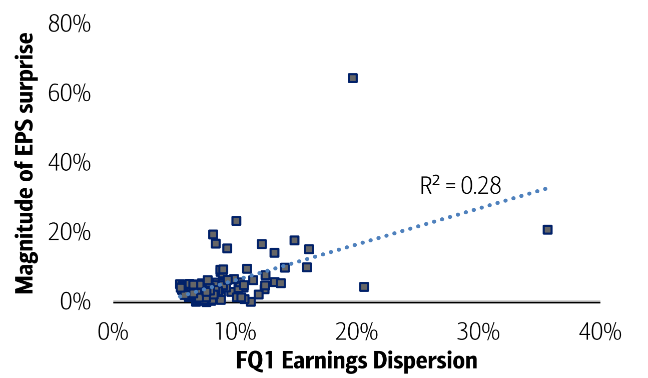
Exhibit 15: 28% R^2 between FQ1 earnings dispersion vs. magnitude of EPS surprise
FQ1 earnings dispersion vs. magnitude of EPS surprise (1996-present)



Source: FactSet, Bloomberg, BofA US Equity & Quant Strategy
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Tariffs: key risk to 2025 EPS

President Trump just announced a 90-day hiatus on April 2 tariffs (note) with the exception of China (where US additional tariffs total 125% and China 84% as we write) plus a 10% baseline tariff. Based on our earnings framework, the estimated direct impact from China tariffs and retaliation is roughly 15% assuming unitary elasticity, no FX impact and no pass-through of price. The impact will likely be mollified by accounting levers, pricing power and other factors, but could also worsen amid escalating tariffs. See appendix of our tariffs (note) for full set of assumptions used.

Exhibit 16: We estimate S&P 500 operating income hit from tariffs of ~15% under current US/China tariffs (+125%/+84%)

Impact to S&P 500 operating income from incremental 125% tariffs on China, 84% retaliation

% hit to foreign sales	% passed through pricing					
	0%	20%	40%	60%	80%	100%
0%	(3%)	(3%)	(2%)	(1%)	(1%)	0%
-2%	(7%)	(6%)	(5%)	(5%)	(4%)	(3%)
-4%	(10%)	(10%)	(9%)	(8%)	(8%)	(7%)
-6%	(14%)	(13%)	(12%)	(12%)	(11%)	(10%)
-8%	(17%)	(16%)	(16%)	(15%)	(14%)	(14%)
-10%	(21%)	(20%)	(19%)	(18%)	(18%)	(17%)

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

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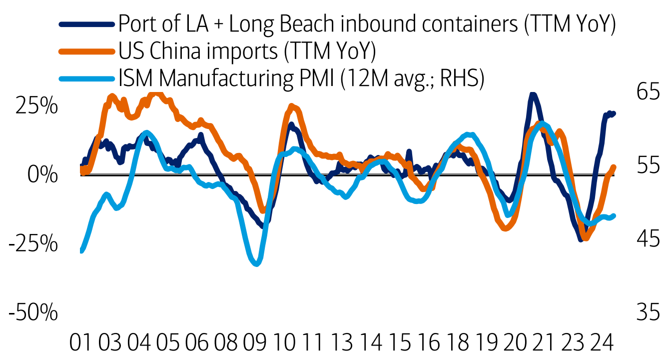
Exhibit 17: On watch: Pre-orders ahead of tariffs could pull from future growth

US West Coast total inbound containers, US China imports and ISM Manufacturing PMI (2001-present)



Source: BofA US Equity & Quant Strategy, Bloomberg

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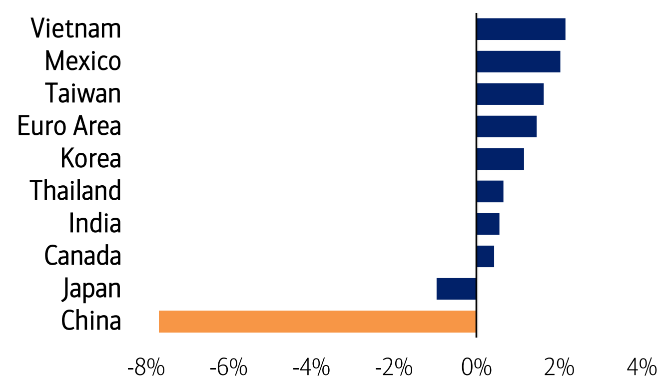
Exhibit 18: US import % from China has declined by 8ppt, down over 1/3 from 21% in 2018 to 13.5% today

Changes in market share in US imports since 2018 (TTM as of 9/24 vs. 2018)



Source: BofA US Equity & Quant Strategy, Haver Analytics

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Recessions/Stagflations and earnings

US Tariffs and retaliatory tariffs from other regions pose downside risk to GDP and upside risk to inflation – representing a bigger hit to real than nominal GDP. For S&P 500 earnings, real GDP is more correlated with earnings than nominal GDP. The 5-year (2019-2024) beta of S&P EPS to US Real GDP is about 5.8 based on quarterly data. So for every 1ppt drop in US GDP, S&P 500 EPS growth is hit by 5 to 6ppt. Real GDP declines have seen bigger impact on cyclical sectors (Exhibit 20)

Historical (2019-2024) relationships suggest that for every 1ppt drop in US GDP, S&P 500 EPS growth would be hit by 5 to 6ppt.

The average hit to earnings during a recession is ~20% but was as low as 5% in 1980 and as much as 45% (GFC systemic collapse). Corporates and consumers were more levered in recessions until COVID. Today, leverage risks have shifted to governments, problematizing the stimulus white knight scenario. Note that 70s stagflation saw an EPS recession of 12% peak to trough. But getting to resolution could be protracted, and the key risk is lost growth amid uncertainty – see Tariffs are complicated note.

Exhibit 19: During prior recessions, EPS declined by 19% peak-to-trough on average
Historical recession stats since 1950

	S&P 500		Price peak-to-trough		Trailing P/E			Normalized ERP			Fwd P/E			GDP	USD	EPS	CPI	Real EPS
Recession	Peak date	Trough date	% return	# of months	Peak	Trough	% chg.	Trough	Peak	Chg. (bps)	Peak	Trough	% chg.	% chg.	% chg.	% chg.	% chg.	% chg.
3Q53-2Q54	1/5/53	9/14/53	(14.8%)	8	11.1	8.9	(19.8%)	8.1%	10.0%	1.9%				(2.5%)		(17.6%)	6.2%	(23.8%)
4Q57-2Q58	8/2/56	10/22/57	(21.6%)	15	14.4	11.2	(21.9%)	7.1%	8.8%	1.7%				(3.6%)		(22.0%)	7.5%	(29.5%)
3Q60-1Q61	8/3/59	10/25/60	(13.9%)	15	17.7	16.0	(9.6%)	3.9%	5.6%	1.7%				(1.3%)		(11.7%)	2.0%	(13.7%)
1Q70-4Q70	11/29/68	5/26/70	(36.1%)	18	18.8	12.6	(33.3%)	5.6%	7.3%	1.8%				(0.7%)	(0.5%)	(12.9%)	7.3%	(20.2%)
1Q74-1Q75	1/11/73	10/3/74	(48.2%)	21	18.7	6.8	(63.5%)	6.3%	16.6%	10.3%				(3.1%)	(7.1%)	(14.8%)	7.9%	(22.7%)
2Q80-3Q80	2/13/80	3/27/80	(17.1%)	1	7.7	6.4	(17.1%)	12.6%	13.5%	0.9%				(2.2%)	7.8%	(5.2%)	10.6%	(15.8%)
4Q81-4Q82	11/28/80	8/12/82	(27.1%)	21	9.5	7.5	(21.0%)	8.0%	5.3%	(2.7%)				(2.6%)	34.8%	(17.0%)	4.3%	(21.2%)
4Q90-1Q91	7/16/90	10/11/90	(19.9%)	3	16.0	12.6	(21.4%)	3.7%	4.6%	0.9%	12.6	10.1	(20.2%)	(1.3%)	(8.2%)	(27.6%)	11.4%	(39.0%)
2Q01-4Q01	3/24/00	10/9/02	(49.1%)	31	29.9	17.3	(42.3%)	(1.0%)	4.8%	5.8%	26.5	14.6	(45.0%)	(0.3%)	2.1%	(23.0%)	2.8%	(25.8%)
1Q08-2Q09	10/9/07	3/9/09	(56.8%)	17	17.4	9.3	(46.2%)	2.6%	10.3%	7.6%	15.7	9.6	(38.8%)	(3.8%)	13.3%	(44.8%)	4.2%	(49.0%)
1Q20-2Q20	2/19/20	3/23/20	(33.9%)	1	20.7	13.7	(33.9%)	5.0%	7.5%	2.5%	19.7	13.1	(33.7%)	(9.2%)	2.8%	(13.9%)	0.5%	(14.4%)
		Median	**(27.1%)**	**15**	**17.4**	**11.2**	**(21.9%)**	**5.6%**	**7.5%**	**1.8%**	**17.7**	**11.6**	**(36.2%)**	**(2.5%)**	**2.4%**	**(17.0%)**	**6.2%**	**(22.7%)**
		Avg.	**(30.8%)**	**14**	**16.5**	**11.1**	**(30.0%)**	**5.6%**	**8.6%**	**2.9%**	**18.7**	**11.8**	**(34.4%)**	**(2.8%)**	**5.6%**	**(19.1%)**	**5.9%**	**(25.0%)**

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

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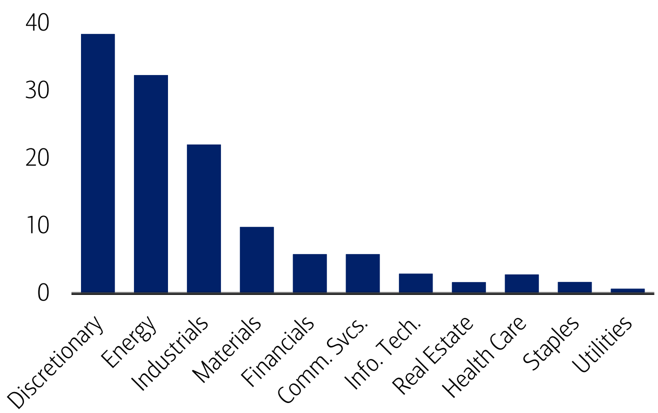
Exhibit 20: Cyclical sectors have the strongest EPS beta to real GDP
5-year beta of Fwd EPS growth vs. real GDP by sector (2020 Q4-2024 Q4)



Source: BofA US Equity & Quant Strategy, FactSet. Note: For Energy, we exclude the Q4 2021 datapoint, which was a large outlier due to COVID.

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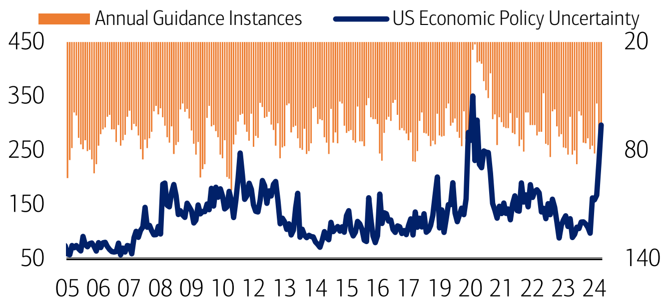
Watch guidance: information vacuum ahead?

Radio silence penalty of ~3ppt

There is a reasonable probability that absent some resolution/clarity, transparency could be compromised. Companies tend to shut down guidance amid uncertainty (Exhibit 21). Companies that regularly guide have traded at a premium to those that don't (Exhibit 22). During Covid, we saw a shut down in information – only 10% of companies issued annual guidance in 2Q20, down from an average of 40% in the four quarters prior. During this time, the premium valuation for companies that continued to guide hit a peak, and companies that withdrew annual guidance underperformed peer groups by an average of ~3ppt between the date they last issued guidance and re-instated guidance.

Exhibit 21: Higher policy uncertainty typically coincides with fewer companies issuing guidance
US Economic Policy Uncertainty (LHS) vs Annual Guidance Instances (RHS-Inverse) from 2000-present



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

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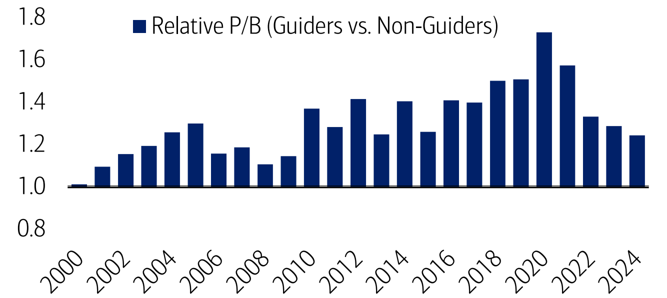
Exhibit 22: Evidence of a premium for transparency, especially during an information shutdown
Premium (discount) to S&P 500 based on median P/B for companies that issue annual or qtrly guidance vs those that do not



Source: Bloomberg, BofA US Equity & Quant Strategy

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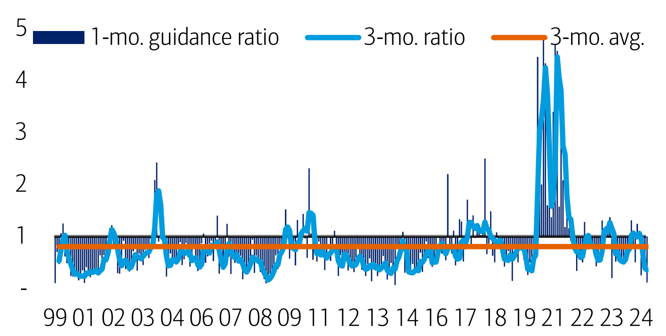
Last 3m guidance is weakest since COVID

Guidance has deteriorated significantly: our 3-mo. guidance ratio (# of above- vs. below-consensus guides) has fallen to 0.4x, its weakest level since April 2020 and well below the historical average of 0.8x. Guidance is typically seasonally weak in Jan/Feb and typically recovers in Mar/Apr, but guidance in March was much weaker than the March average and Jan/Feb were also slightly below averages for those months.

Guide below consensus once? Ok. More than once? Underperform.

Companies that guide below consensus more than once typically underperform for the year (by an average of 8ppt, and with only one-third of those stocks leading for the year). Companies which guide below just once tend to perform in-line with the index, while those with no below-consensus guidance instances have tended to outperform by 2ppt on average.

Exhibit 23: Worst guidance ratio since April 2020: our 3-mo. guidance ratio at 0.4x , well below the 0.8x historical average
S&P 500 guidance ratio (# above vs. below consensus) – 1999-3/25



Source: BofA US Equity & Quant Strategy, Bloomberg

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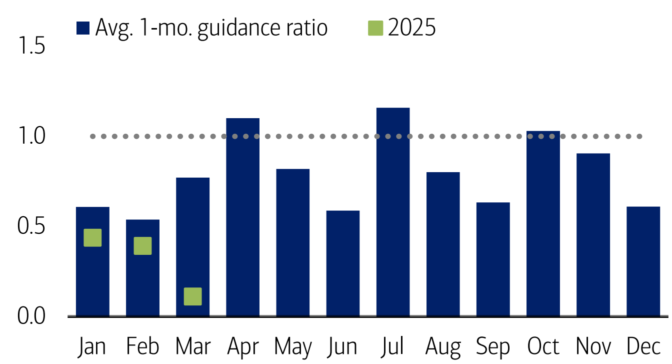
Exhibit 24: Guidance has been weaker than avg. since start of year
Average 1-mo. guidance ratio by month (1999-3/2025) and YTD trend



Source: BofA US Equity & Quant Strategy, Bloomberg

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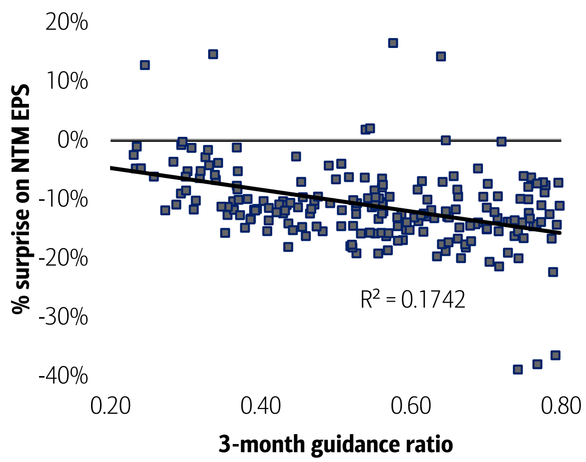
Exhibit 25: Bad guidance in the last three months could point to a bigger positive surprise for 2025
3-month guidance ratio vs % surprise on NTM EPS from 2000-present (as of 3/31/2025)



Source: BofA US Equity & Quant Strategy, Bloomberg

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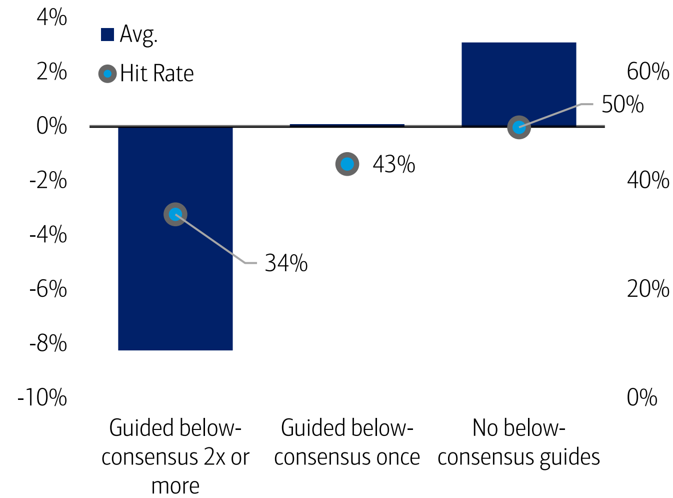
Exhibit 26: Companies that guided below-consensus 2x or more during a year underperformed the S&P 500 that year by an average of 8ppt
Avg. relative annual performance (vs. S&P 500) for stocks based on instances of below-consensus quarterly or annual guidance during the year (avg. for 2000-2024)



Source: Bloomberg, BofA US Equity & US Quant Strategy

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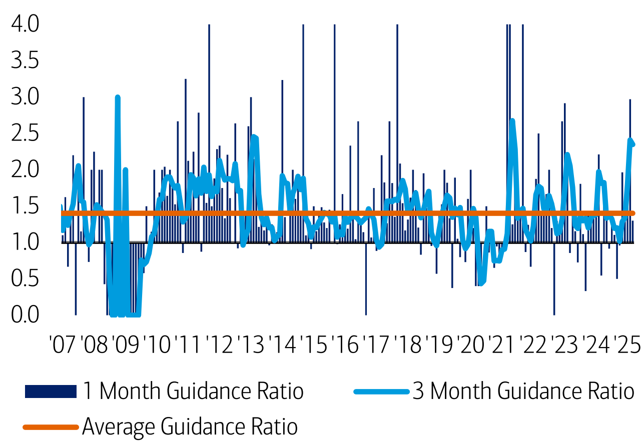
No major project cancellations yet

Capex guidance has been extremely strong: companies have been guiding above-consensus 2.3x as much as below over the last three months, well above the historical average of 1.4x and the highest since 2021. And the latest Business Roundtable CEO Survey in March suggested that the percentage of CEOs expecting higher capex over the next six months ticked up to the highest level since late 2022 (this measure is 75% correlated with actual S&P 500 capex spending).

Exhibit 27: Capex guidance ratio remains very strong at 2.3x (vs. 1.4x avg.)
S&P 500 capex guidance ratio (2007-3/2025)



Source: FactSet, BofA US Equity & Quant Strategy

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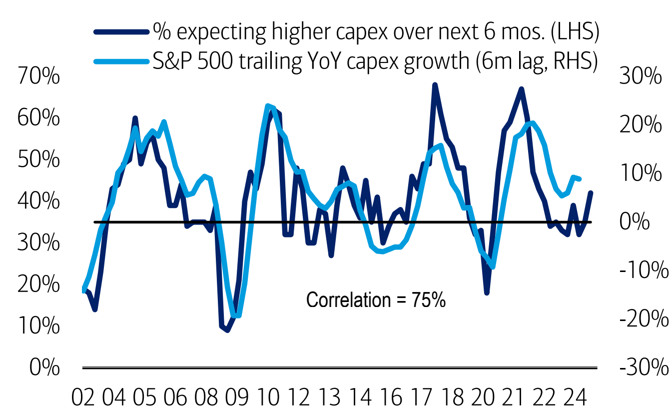
Exhibit 28: % of CEOs expecting higher capex over the next six months rose to the highest level since 4Q22
Business Roundtable CEO Survey: % expecting higher capex over the next 6 mos. vs. S&P 500 TTM YoY capex with a 6-mo lag (4Q02-1Q25)



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

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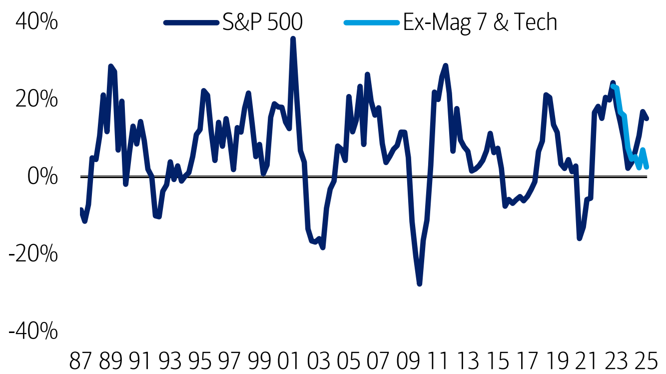
S&P 500 capex remained in the mid-teens in 4Q24, with about three-quarters of that growth driven by Mag 7 and Tech. Capex growth for the rest of the market slowed slightly to low-to-mid single digit growth after accelerating slightly the prior quarter. We'll be monitoring for any further slowdown this earnings season.

Exhibit 29: Capex growth decelerated for non-Mag. 7 + Tech but remained positive
S&P 500 quarterly capex YoY (1987-4Q24)



Source: BofA US Equity & Quant Strategy, FactSet

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Exhibit 30: S&P 500 4Q capex growth decelerated slightly ex-Tech/Mag 7 but picked up in several sectors (Real Estate, Materials, Energy)
S&P 500 4Q24 YoY capex growth by sector

Sector	4Q24 capex	4Q23 capex	Aggregate YoY	Contribution to growth
Cons. Disc.	50,841	38,630	32%	27%
Staples	19,818	19,776	0%	0%
Energy	30,016	27,495	9%	6%
Financials	13,770	13,544	2%	0%
Health Care	17,080	16,312	5%	2%
Industrials	21,971	23,867	(8%)	(4%)
Tech	40,976	29,867	37%	25%
Materials	11,724	11,377	3%	1%
Real Estate	2,939	3,155	(7%)	(0%)
Comm. Svcs.	53,323	37,929	41%	34%
Utilities	45,895	41,254	11%	10%
S&P 500	308,353	263,206	17%	
ex. Tech + Mag. 7	208,062	197,760	5%	23%

Source: BofA US Equity & Quant Strategy, FactSet

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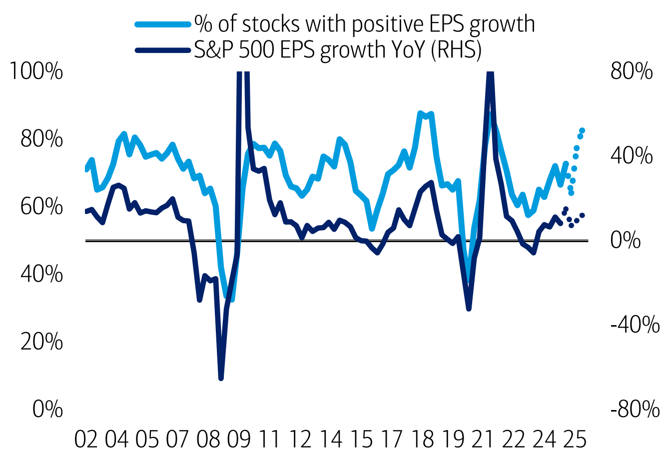
Consensus expects broadening of earnings

64% of companies are expected to post positive EPS growth in 1Q. This metric is expected to improve to 85% by 4Q25 (Exhibit 31), but the trade war now poses additional risks to the earnings recovery.

Exhibit 31: Consensus expects 64% of companies to grow EPS YoY in 1Q, down from 73% in 4Q, but expects 85% by 4Q25
% of S&P 500 stocks with EPS growth vs. S&P 500 EPS YoY (2002-4Q25E)



Source: FactSet, BofA US Equity & Quant Strategy

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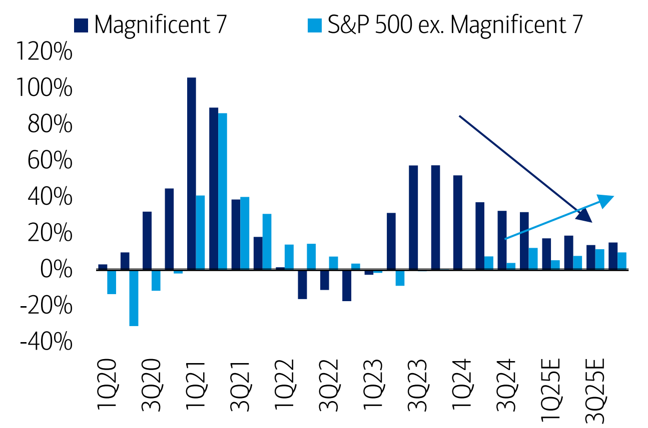
Exhibit 32: Other 493's earnings are starting to pick up, while Mag. 7 earnings are expected to slow
Magnificent 7 vs. the Other 493 consensus quarterly EPS YoY



Source: BofA US Equity & Quant Strategy, FactSet

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Exhibit 33: Earnings growth to slow for most sectors in 1Q

S&P 500 sectors' quarterly earnings growth YoY (current constituents based on float shares)

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25E	2Q25E	3Q25E	4Q25E
Comm. Svcs.	-15%	2%	46%	53%	43%	7%	26%	31%	6%	32%	5%	7%
Cons. Disc.	21%	42%	47%	33%	30%	15%	12%	28%	2%	4%	7%	6%
Staples	0%	7%	6%	7%	6%	3%	4%	2%	-7%	2%	3%	6%
Energy	22%	-48%	-35%	-23%	-25%	1%	-25%	-29%	-15%	-8%	9%	19%
Financials	5%	8%	18%	5%	13%	19%	8%	34%	2%	5%	11%	5%
Health Care	-16%	-27%	-18%	-15%	-25%	19%	15%	14%	38%	10%	13%	16%
Industrials	22%	22%	18%	11%	7%	1%	-6%	7%	4%	8%	27%	7%
Tech	-7%	5%	15%	25%	24%	21%	20%	20%	16%	19%	19%	17%
Materials	-21%	-25%	-16%	-19%	-23%	-11%	-13%	2%	-7%	3%	23%	18%
Real Estate	-1%	1%	-1%	1%	2%	-3%	1%	3%	0%	3%	4%	6%
Utilities	-14%	15%	9%	36%	22%	16%	15%	12%	8%	3%	-2%	9%
S&P 500	**-2%**	**-4%**	**6%**	**9%**	**7%**	**12%**	**9%**	**16%**	**8%**	**10%**	**12%**	**11%**
Mag. 7	**-3%**	**31%**	**57%**	**58%**	**52%**	**37%**	**32%**	**32%**	**17%**	**19%**	**14%**	**15%**
Ex. Mag. 7	**-2%**	**-9%**	**-1%**	**0%**	**0%**	**7%**	**4%**	**12%**	**5%**	**8%**	**11%**	**10%**
ex. PFE, MRK, BMY, Fins	**-2%**	**-1%**	**8%**	**14%**	**11%**	**8%**	**8%**	**11%**	**6%**	**12%**	**12%**	**12%**
ex. Mag. 7 + PFE, MRK, BMY, Fins	**-2%**	**-8%**	**-2%**	**3%**	**0%**	**0%**	**1%**	**4%**	**2%**	**9%**	**12%**	**11%**

Source: FactSet, BofA US Equity & Quant Strategy; Note: charge in 1Q24 from BMY driving big pick-up in Health Care earnings growth in 1Q25

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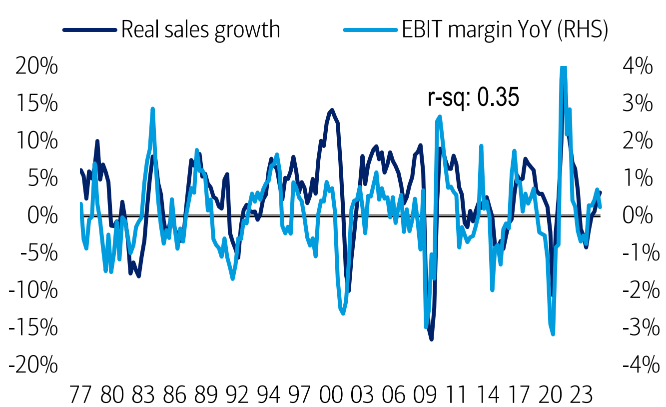
Operating leverage is a double edged sword

Historically, volume drove margins from operating leverage (R^2: 0.35; Exhibit 34). Cyclical sectors have exhibited the biggest operating leverage: Energy, Consumer Discretionary, Industrials, Materials and Tech (Exhibit 35). In 2025, there is a fork in the road. We saw signs of a manufacturing recovery, which bodes well for an earnings and demand recovery. But tariffs and stagflation concerns could quash that nascent uptrend.

Exhibit 34: Demand and margins are closely related

S&P 500 (ex-Fins) real sales growth YoY vs. EBIT margin YoY (1977-4Q24)



Source: BofA Equity & Quant Strategy, FactSet

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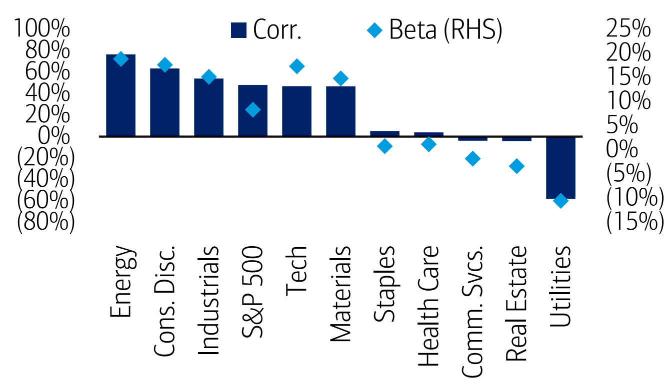
Exhibit 35: Energy, Cons. Disc. Industrials, Materials and Tech have historically had high operating leverage

Correlation & beta between EBIT margin YoY vs. real sales growth YoY (1977-4Q24)



Source: BofA Equity & Quant Strategy, FactSet

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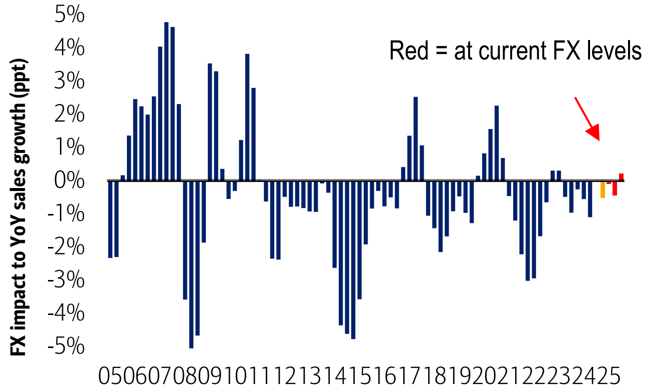
FX headwinds increase to 110bp from 55bp in 4Q

We calculate that FX was a 1.1ppt headwind in 4Q, rising from a 55bp hit in 4Q. By sector, foreign-exposed Materials is estimated to have seen the biggest headwind again (-230bps), followed by Tech (-190bps). In general, we estimate every 10% rise in the USD translates to a 3% hit to EPS, all else equal.

Exhibit 36: FX was a 1.1ppt headwind in 1Q25
Estimated currency impact (in ppt) to S&P 500 quarterly YoY sales growth, 4Q05-1Q25 and 2Q-4Q25E based on current FX



Source: FactSet, BofA US Equity & Quant Strategy

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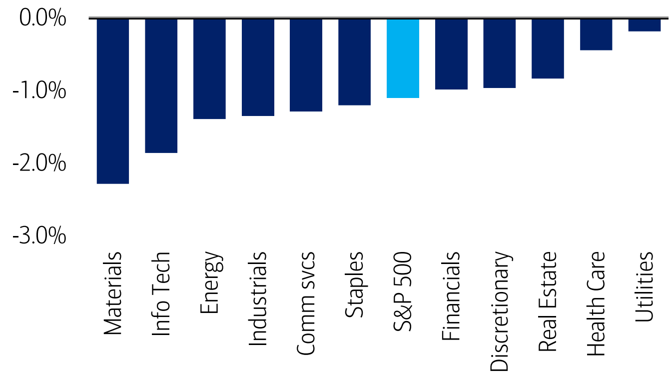
Exhibit 37: We estimate Materials and Tech saw the biggest FX hit in 1Q
Estimated FX impact to YoY sales growth in 4Q24 by sector



Source: FactSet, BofA US Equity & Quant Strategy

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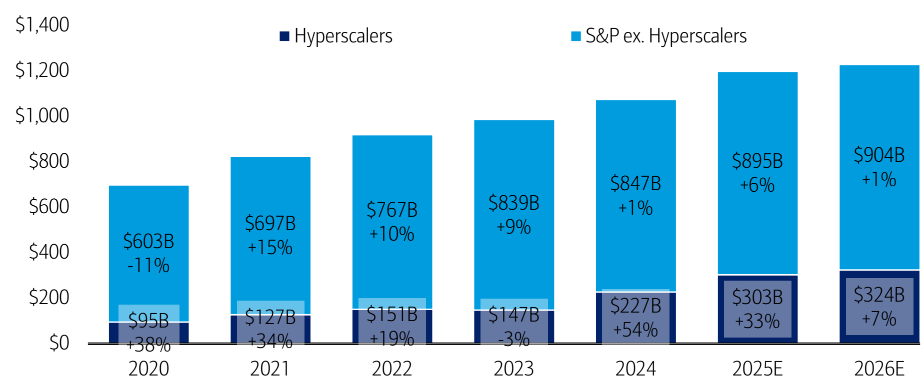
Don't forget the AI arms race

Last quarter, despite concerns around AI monetization and overinvesting, hyperscalers confirmed once again that they are in an AI arm's race. AI monetization remains in question, and companies in reinvestment cycles historically underperformed (Exhibit 39). In our view, AI capex is a bigger tailwind for the market than idiosyncratic AI monetization. Semis are the most obvious beneficiaries, but increased power usage from AI and the physical build out of data centers should also lead to more demand for electrification, construction, utilities, commodities, etc., ultimately creating more jobs.

Exhibit 38: Hyperscalers' capex growth is expected to remain strong for the next couple years
S&P 500 and hyperscalers (MSFT, AMZN, GOOGL, META) capex



Source: BofA US Equity & Quant Strategy, FactSet

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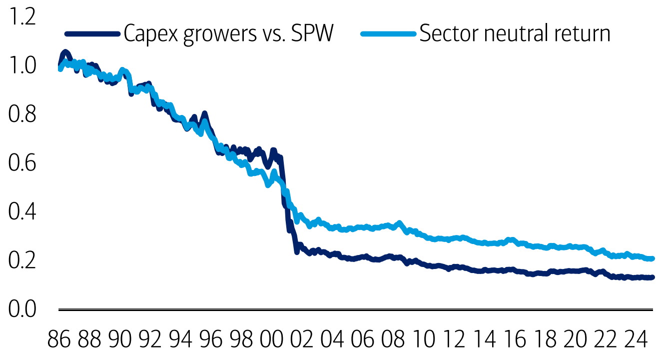
Exhibit 39: Risk to hyperscalers: capex growers have historically underperformed
Relative performance of top decile in LTM capex YoY vs. the equal-weighted S&P 500 (1986-02/25)



Source: BofA US Equity & Quant Strategy, FactSet

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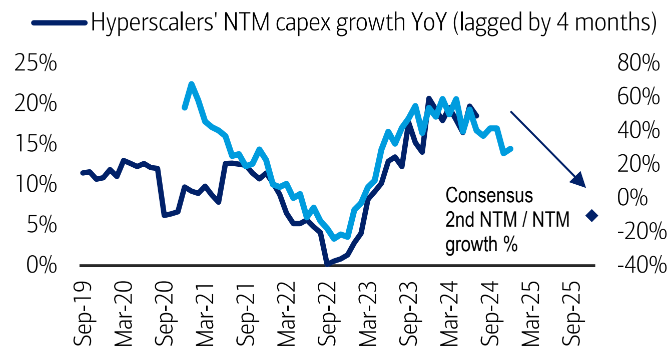
Exhibit 40: Risk to AI Semis: Hyperscalers' capex growth is expected to slow going forward, unless further revised up
Hyperscalers' NTM capex growth YoY with a 4-mo. lag vs. AI Semiconductor Index vs. S&P 500 YoY (9/19-03/25)



Source: BofA US Equity & Quant Strategy, FactSet

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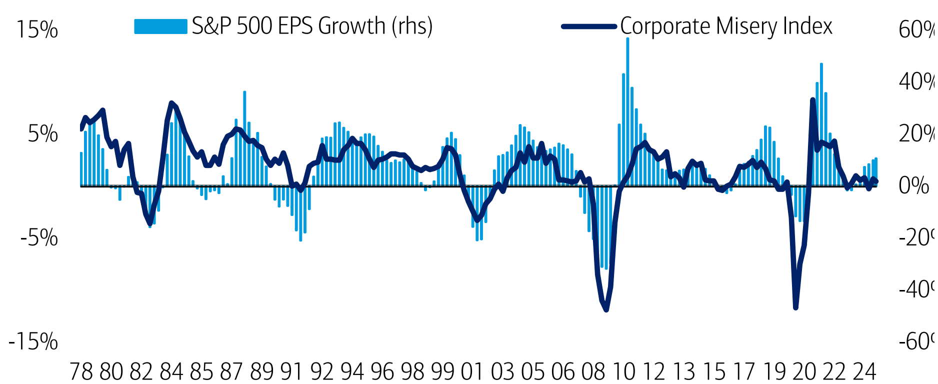
Corporate Misery Indicator deteriorated in 1Q

Our Corporate Misery Indicator, our macro gauge of profit cycle, declined roughly 25bp QoQ in 1Q25, suggesting a slightly worse macro environment for corporates. Macro (Coincident Indicators) were slightly stronger vs. at the end of 4Q while CPI was slightly weaker but wage growth was slightly stronger. Analysts are penciling in net margins falling QoQ to 11.8% in 4Q (vs. 12.3% in 4Q24) but improving YoY from 11.7% in 1Q24.

Exhibit 41: Our Corporate Misery Indicator deteriorated slightly in 1Q
BofA Corp. Misery Indicator (lower=more miserable) 4Q78-1Q25 (as of 2/2025)



Disclaimer: The indicator identified as BofA Corporate Misery Indicator above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This indicator was not created to act as a benchmark. Note: see Appendix for full details/methodology.
Source: BofA US Equity & Quant Strategy, Conference Board, BLS

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Exhibit 42: Analysts are penciling in net margins falling QoQ to 11.8% in 1Q, but improving YoY from 11.7% in 1Q24
S&P 500 quarterly net margins by sectors

Sector	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25E	2Q25E	3Q25E	4Q25E
Consumer Discretionary	6.5%	6.6%	7.0%	5.7%	6.8%	8.6%	10.1%	7.8%	8.3%	9.5%	10.5%	9.2%	8.2%	9.4%	10.4%	9.3%
Consumer Staples	6.7%	6.7%	6.6%	6.3%	6.1%	6.4%	6.3%	6.2%	6.4%	6.6%	6.5%	6.1%	5.8%	6.5%	6.5%	6.3%
Energy	10.7%	14.7%	14.4%	13.0%	12.6%	10.0%	10.8%	10.7%	9.5%	9.1%	8.4%	7.8%	8.3%	8.9%	9.3%	9.1%
Financials	18.3%	17.0%	15.0%	15.9%	18.4%	17.6%	18.9%	17.2%	19.1%	19.0%	19.0%	20.8%	19.1%	20.0%	20.5%	21.0%
Health Care	11.8%	11.1%	10.7%	9.5%	9.3%	7.6%	8.0%	7.4%	7.8%	8.3%	8.3%	7.7%	8.4%	8.5%	8.8%	8.4%
Industrials	8.1%	10.3%	9.6%	9.8%	9.5%	11.4%	10.2%	10.2%	9.1%	10.8%	9.8%	11.4%	9.8%	11.4%	11.4%	11.3%
Information Technology	25.2%	23.9%	24.0%	24.4%	22.8%	24.0%	25.4%	26.5%	26.1%	25.6%	25.6%	27.3%	25.9%	26.0%	27.1%	28.6%
Materials	13.6%	14.4%	11.3%	10.5%	11.2%	11.9%	10.1%	8.9%	9.4%	11.1%	8.9%	8.8%	8.4%	11.0%	10.5%	10.3%
Real Estate	37.1%	36.1%	37.1%	36.1%	36.0%	37.1%	35.5%	35.3%	36.3%	35.8%	35.1%	34.7%	34.8%	34.9%	34.8%	34.8%
Communication Services	16.8%	14.3%	12.9%	12.1%	13.9%	16.1%	17.6%	16.3%	18.6%	18.4%	20.4%	19.9%	18.6%	19.6%	20.1%	19.9%
Utilities	15.2%	11.9%	13.5%	9.1%	10.4%	12.2%	15.8%	12.6%	14.6%	13.8%	17.5%	12.9%	15.0%	13.4%	16.2%	13.2%
S&P 500 ex. Financials	**12.5%**	**12.4%**	**12.0%**	**11.3%**	**11.1%**	**11.3%**	**11.9%**	**11.5%**	**11.7%**	**12.0%**	**12.3%**	**12.3%**	**11.8%**	**12.5%**	**13.0%**	**13.0%**
S&P 500	**13.1%**	**12.9%**	**12.4%**	**11.8%**	**12.0%**	**12.1%**	**12.8%**	**12.2%**	**12.6%**	**12.9%**	**13.2%**	**13.4%**	**12.8%**	**13.4%**	**13.9%**	**14.0%**
ex. Fins & Energy	**12.7%**	**12.1%**	**11.7%**	**11.1%**	**10.9%**	**11.5%**	**12.0%**	**11.6%**	**11.9%**	**12.3%**	**12.7%**	**12.7%**	**12.2%**	**12.8%**	**13.3%**	**13.4%**
ex. Energy	**13.4%**	**12.7%**	**12.1%**	**11.6%**	**12.0%**	**12.3%**	**13.0%**	**12.3%**	**12.9%**	**13.2%**	**13.5%**	**13.8%**	**13.1%**	**13.8%**	**14.3%**	**14.3%**

Source: FactSet, BofA US Equity & Quant Strategy

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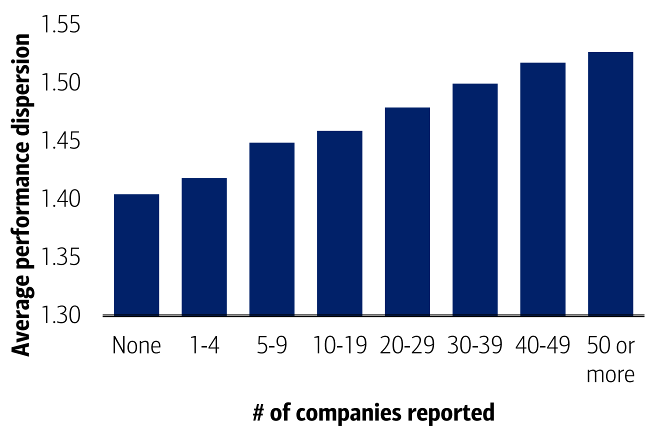
Earnings season is a good time to be a stock picker

For short-term investors, stock differentiation is heightened during earnings season, particularly on the busiest reporting days. Below we show the average dispersion (standard deviation) of daily stock returns based on the number of companies reporting by day since 2009 (Exhibit 43). This reveals that dispersion is consistently higher for busier reporting days. This quarter, the busiest days fall the week of April 28-May 2 (Exhibit 44).

Exhibit 43: Wider performance dispersion on busy earnings days
# of S&P 500 companies reporting daily vs. avg. performance dispersion (standard deviation of daily returns), 2009-present



Source: FactSet, BofA US Equity & Quant Strategy

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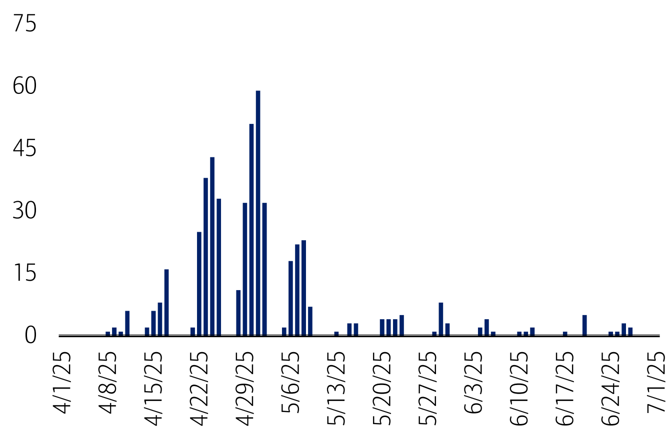
Exhibit 44: S&P 500 1Q25 reporting frequency by day
# of companies reporting each day



Source: Bloomberg, BofA US Equity & Quant Strategy

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Financials, Tech & Utilities rank best for 1Q earnings

Historically, we have found that sectors with strong EPS/sales revisions and guidance have been more likely to have a greater number of earnings beats than misses in the subsequent earnings season. Also, given that positive surprises tend to persist, sectors with a higher ratio of positive to negative surprises in the prior quarter may be more likely to enjoy similar results in the current quarter. Based on these measures, for this earnings season, Financials and Tech screen as most likely to surprise to the upside, while Materials and Staples screen weakest.

Exhibit 45: Sector ranks for 1Q25 earnings season –Financials and Tech rank best; Materials and Staples rank worst
Based on average ranking of EPS & sales revision ratios, guidance ratios and last quarter's surprise results

Sector	Overall Attractiveness	Guidance 3m Ratio	Estimate Revision 3m Ratio	Sales Revision 3m Ratio	Last Qtr. Surprise Ratio (Beats/Misses)
Financials	1	1.33	0.75	0.95	3.67
Information Technology	2	0.28	0.95	0.79	6.37
Utilities	3	1.25	1.27	0.94	0.56
Health Care	4	0.33	0.72	0.78	2.78
Energy	6	N/A	0.68	1.00	1.60
Communication Services	6	N/A	1.00	0.66	2.18
Real Estate	7	1.00	0.38	1.14	1.26
Consumer Discretionary	8	0.14	0.62	0.78	4.71
Industrials	9	0.30	0.40	0.35	2.22
Consumer Staples	10	0.14	0.24	0.48	2.08
Materials	11	0.00	0.16	0.35	1.07
S&P 500		**0.33**	**0.60**	**0.69**	**2.28**

Source: FactSet/First Call, BofA US Equity & Quant Strategy
Note: Surprise ratio based on avg of EPS Beat/Miss ratio and Sales Beat/Miss ratio. Guidance ratio is not counted in calculating the average rank if a sector had <10 instances of guidance over the last 3 months.

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Screens for top & bottom-line beats & misses

We screened the S&P 500 for stocks under BofA coverage that, based on the following screening criteria, are most likely to beat (miss) expectations:

- **BofA vs. Consensus**: BofA EPS and sales above (below) consensus ex-BofA. (Note: Z-score in the tables represents the number of standard deviations that our analyst's estimate is above (below) consensus ex-BofA.)
- **Last quarter's results:** Company beat on both EPS and sales during last quarter's reporting season (for positive surprise screen) or missed on either earnings or sales during last quarter's earnings season (for negative surprise screen).
- **Fundamental Opinion:** We screen for stocks with a BofA rating of Buy (Positive Surprise Screen) or Underperform (Negative Surprise Screen).

We also flag stocks on the positive surprise screen that are underweight by active funds and stocks on the negative surprise screen that are overweight by active funds.

Exhibit 46: 1Q25 Positive Surprise Screen (with under-owned stocks by fund managers highlighted in blue)
Stocks that are most likely to beat expectations based on quantitative screening metrics

Ticker	Company Name	Sector	Industry	Expected Report Date	BofA vs. Consensus EPS: Z-Score	BofA vs. Consensus Sales: Z-Score	Last Qtr: EPS/Sales Surprise	Price	BofA Rating	Rel. Wgt. (vs. S&P 500) in fund holdings
ACGL	Arch Capital Group Ltd.	Financials	Insurance	4/29/2025	1.0	2.2	Beat/Beat	87.83	BUY	0.2
LOW	Lowe's Companies, Inc.	Consumer Discretionary	Specialty Retail	5/21/2025	0.3	1.4	Beat/Beat	223.29	BUY	0.8
RL	Ralph Lauren Corporation Class A	Consumer Discretionary	Textiles Apparel & Luxury Goods	5/23/2025	0.5	1.1	Beat/Beat	197.62	BUY	0.5
AFL	Aflac Incorporated	Financials	Insurance	4/30/2025	1.1	0.7	Beat/Beat	101.98	BUY	0.0
BLK	BlackRock, Inc.	Financials	Capital Markets	4/11/2025	1.7	1.1	Beat/Beat	822.62	BUY	0.9
BDX	Becton, Dickinson and Company	Health Care	Health Care Equipment & Supplies	5/1/2025	0.5	0.9	Beat/Beat	207.34	BUY	0.7
META	Meta Platforms Inc Class A	Communication Services	Interactive Media & Services	4/30/2025	1.3	1.1	Beat/Beat	504.73	BUY	1.9
DHR	Danaher Corporation	Health Care	Life Sciences Tools & Services	4/22/2025	0.8	0.6	Beat/Beat	181.77	BUY	1.5
KKR	KKR & Co Inc	Financials	Capital Markets	5/1/2025	0.7	0.6	Beat/Beat	92.79	BUY	2.7
AAPL	Apple Inc.	Information Technology	Technology Hardware Storage & Peripherals	5/1/2025	0.7	0.9	Beat/Beat	188.38	BUY	0.7
NVDA	NVIDIA Corporation	Information Technology	Semiconductors & Semiconductor Equipment	5/28/2025	0.7	0.7	Beat/Beat	94.31	BUY	1.0
RVTY	Revvity, Inc.	Health Care	Life Sciences Tools & Services	4/28/2025	0.6	0.9	Beat/Beat	94.84	BUY	0.4
STX	Seagate Technology Holdings PLC	Information Technology	Technology Hardware Storage & Peripherals	4/23/2025	0.4	0.9	Beat/Beat	66.73	BUY	0.7

Source: BofA US Equity & Quant Strategy, FactSet. Note: Closing prices and ratings as of close 4/4/25
This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.

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Exhibit 47: 1Q25 Negative Surprise Screen (with over-owned stocks by fund managers highlighted in blue)
Stocks that are most likely to miss expectations based on quantitative screening metrics

Ticker	Company	Sector	Industry	Expected Report Date	BofA vs. Consensus EPS: Z-Score	BofA vs. Consensus Sales: Z-Score	Last Qtr: EPS/Sales Surprise	Price	BofA Rating	Rel. Wgt. (vs. S&P 500) in fund holdings
ENPH	Enphase Energy, Inc.	Information Technology	Semiconductors & Semiconductor Equipment	4/23/2025	-2.4	-0.3	Miss/Miss	57.27	UNDERPERFORM	0.1
MAS	Intel Corporation	Information Technology	Semiconductors & Semiconductor Equipment	4/23/2025	-0.9	-0.2	Miss/Beat	62.92	UNDERPERFORM	0.2
TSCO	Tractor Supply Company	Consumer Discretionary	Specialty Retail	4/24/2025	-0.4	-0.4	In-line/Miss	52.40	UNDERPERFORM	1.4
INTC	Hormel Foods Corporation	Consumer Staples	Food Products	4/24/2025	-1.4	-0.2	In-line/Miss	19.85	NEUTRAL	0.4
GWW	W.W. Grainger, Inc.	Industrials	Trading Companies & Distributors	5/1/2025	-1.3	-0.4	Miss/Miss	942.43	UNDERPERFORM	1.0
HRL	Masco Corporation	Industrials	Building Products	5/30/2025	-1.6	-0.4	In-line/Miss	30.74	UNDERPERFORM	0.0

Source: BofA US Equity & Quant Strategy, FactSet. Note: Closing prices and ratings as of close 4/4/25
This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decision.

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S&P 500 companies reporting in Week 1-2

Below we list confirmed/tentative dates for S&P 500 companies reporting in the first two weeks of earnings.

Exhibit 48: S&P 500 companies scheduled to report in Week 1-2 ($100B+ highlighted in blue)
Week 1-2 schedule

Report Date	Ticker	Company Name	Sector	Market Cap ($B)	Status	Week
4/10/2025	KMX	CARMAX INC	Consumer Discretionary	12	Confirmed	1
4/11/2025	JPM	JPMORGAN CHASE & CO	Financials	652	Confirmed	1
4/11/2025	WFC	WELLS FARGO & CO	Financials	217	Confirmed	1
4/11/2025	MS	MORGAN STANLEY	Financials	180	Confirmed	1
4/11/2025	BLK	BLACKROCK INC	Financials	139	Confirmed	1
4/11/2025	BK	BANK OF NEW YORK MELLON CORP	Financials	57	Confirmed	1
4/11/2025	FAST	FASTENAL CO	Industrials	44	Confirmed	1
4/14/2025	GS	GOLDMAN SACHS GROUP INC	Financials	167	Confirmed	2
4/14/2025	MTB	M & T BANK CORP	Financials	28	Confirmed	2
4/15/2025	JNJ	JOHNSON & JOHNSON	Health Care	364	Confirmed	2
4/15/2025	BAC	BANK OF AMERICA CORP	Financials	282	Confirmed	2
4/15/2025	C	CITIGROUP INC	Financials	121	Confirmed	2
4/15/2025	PNC	PNC FINANCIAL SERVICES GROUP	Financials	63	Confirmed	2
4/15/2025	UAL	UNITED AIRLINES HOLDINGS INC	Industrials	23	Confirmed	2
4/15/2025	JBHT	HUNT (JB) TRANSPRT SVCS INC	Industrials	14	Confirmed	2
4/16/2025	ABT	ABBOTT LABORATORIES	Health Care	220	Confirmed	2
4/16/2025	PGR	PROGRESSIVE CORP	Financials	158	Confirmed	2
4/16/2025	PLD	PROLOGIS INC	Real Estate	93	Confirmed	2
4/16/2025	USB	US BANCORP	Financials	61	Confirmed	2
4/16/2025	KMI	KINDER MORGAN INC	Energy	58	Confirmed	2
4/16/2025	TRV	TRAVELERS COS INC/THE	Financials	56	Confirmed	2
4/16/2025	CSX	CSX CORP	Industrials	54	Confirmed	2
4/16/2025	CFG	CITIZENS FINANCIAL GROUP	Financials	16	Confirmed	2
4/17/2025	UNH	UNITEDHEALTH GROUP INC	Health Care	529	Confirmed	2
4/17/2025	NFLX	NETFLIX INC	Communication Services	404	Confirmed	2
4/17/2025	AXP	AMERICAN EXPRESS CO	Financials	184	Confirmed	2
4/17/2025	BX	BLACKSTONE INC	Financials	169	Tentative	2
4/17/2025	SCHW	SCHWAB (CHARLES) CORP	Financials	140	Confirmed	2
4/17/2025	MMC	MARSH & MCLENNAN COS	Financials	113	Confirmed	2
4/17/2025	TFC	TRUIST FINANCIAL CORP	Financials	50	Confirmed	2
4/17/2025	DHI	DR HORTON INC	Consumer Discretionary	38	Confirmed	2
4/17/2025	FITB	FIFTH THIRD BANCORP	Financials	24	Confirmed	2
4/17/2025	STT	STATE STREET CORP	Financials	24	Confirmed	2
4/17/2025	HBAN	HUNTINGTON BANCSHARES INC	Financials	20	Confirmed	2
4/17/2025	RF	REGIONS FINANCIAL CORP	Financials	18	Confirmed	2
4/17/2025	SNA	SNAP-ON INC	Industrials	17	Confirmed	2
4/17/2025	KEY	KEYCORP	Financials	16	Confirmed	2

Source: Bloomberg, BofA US Equity & US Quant Strategy

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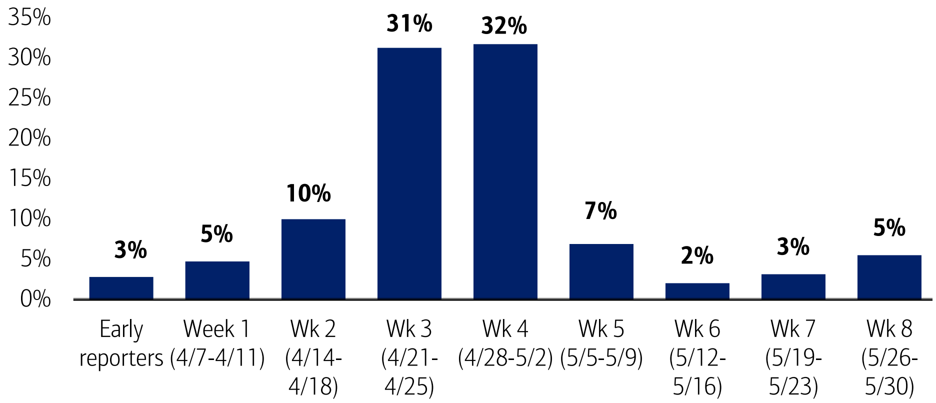
1Q25 Reporting by Week

Exhibit 49: S&P 500 4Q24 Earnings Reporting by Week

% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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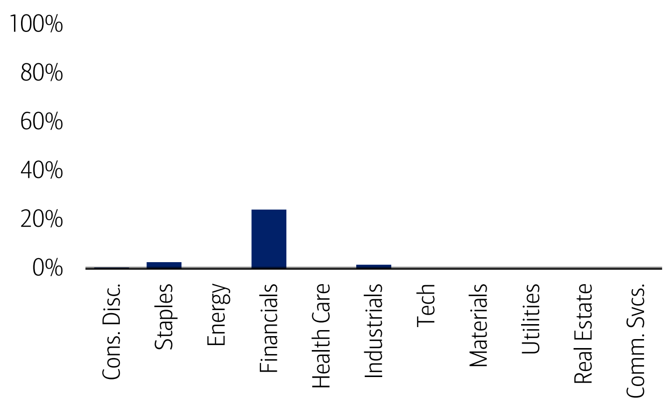
Exhibit 50: Week 1: % 1Q earnings reporting by sector

% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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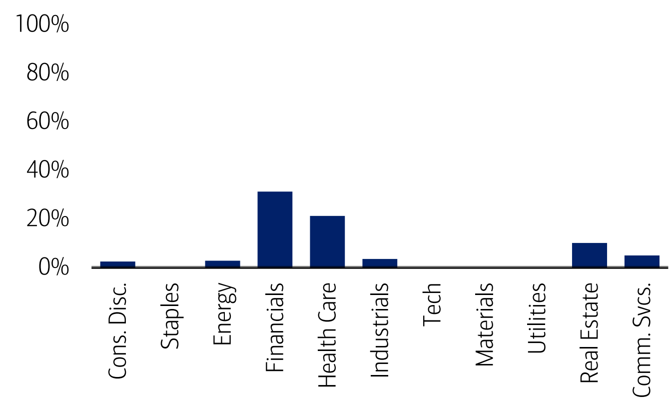
Exhibit 51: Week 2: % 1Q earnings reporting by sector

% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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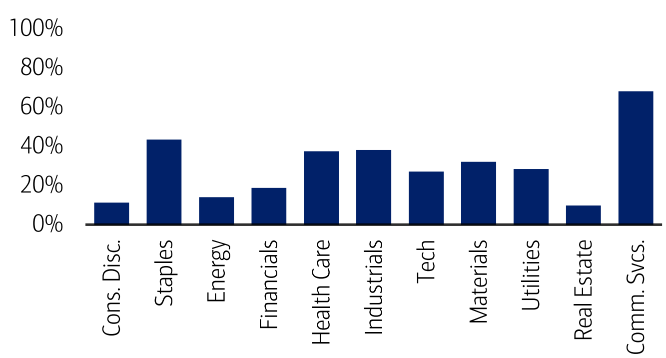
Exhibit 52: Week 3: % 4Q earnings reporting by sector

% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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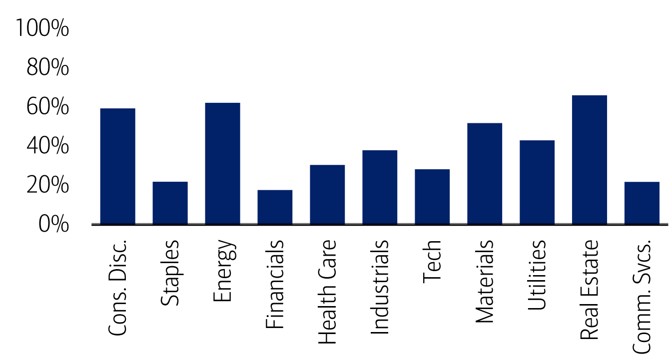
Exhibit 53: Week 4: % 4Q earnings reporting by sector

% of earnings by sector



Source: Bloomberg, BofA US Equity & Quant Strategy

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Heard on the 16th floor

Communication Services

Alexander Waters, Communication Infrastructure: "Tower stocks outperformed in 1Q as investors preferred 'defensive' names. Fundamental tailwinds are still lacking, but carrier conversations are trending positively. Broader tech woes have weighed on data center stocks yet customer demand remains strong post DeepSeek revelations."

Consumer

John Murphy, Autos – From a macro perspective, 2025 started off relatively well with strong US sales and what appeared could be a bottoming of global volumes. Admittedly, there has been pressure in 1Q from two of the most consequential changeover in the industry that weighed on volumes - Ford Kentucky Truck downtime (Expedition & Navigator changeover and Tesla's Model Y globally. However, this is all of marginal importance following the US tariff announcement, and the ensuing uncertainty is dominating fundamentals and sentiment. The potential demand destruction is in the range of 2.5mm-3.0mm+ in the US alone (base run rate ~16mm), but could be far greater globally. Therefore, we'd expect that most companies will pull guidance along with reporting tough 1Q results. Nonetheless, we continue to expect pent-up demand (now 10mm+ and growing) to eventually be released and drive better days for the auto industry.

Bryan Spillane, Consumer Staples – "Expect 1Q revenues to come in below expectations, we've cut estimates multiple times during the quarter. Household spend belt tightening creeping up the income curve, uncertainty among migrant/immigrant co-horts and exogenous factors (weather, fires) playing a role. We currently see more risk to sales and earnings right now. Underscores the need to be selective in consumer staples, large/liquid and value are garnering interest."

Lisa K Lewandowski, Tobacco & Cannabis – "US tobacco results are anticipated to be resilient, aided by smoke-free volume growth, combustible pricing and cost management. This is despite a tough operating environment in the US due to high levels of illicit trade by Chinese imports, one less shipping day in 1Q and the Easter timing shift to 2Q25 (vs. 1Q in 2024). Tariffs likely to have minimal impact on results outside of consumer reactions to rising inflation."

Rafe Jadrosich, Homebuilders & Building Products – "New home sales slowed in 1Q25 and homebuilders did not see the typical seasonal demand pickup for early spring selling. Homebuilders continue to use incentives and price reductions to offset home buyer affordability challenges and reduce finish spec inventory. Lower net price coupled with land inflation continues to pressure builder margins. Building product company and repair & remodel revenue likely declined in 1Q25 as homeowners continue to defer high ticket discretionary projects."

Lorraine Hutchinson, Department Stores and Specialty Softlines – "The key focus will be on tariffs: quantifying the pressure, cutting guidance, and any mitigants to offset this severe margin hit (price increases, vendor negotiations, etc). Off-price is the area of retail where we expect good news from the plethora of opportunistic apparel buys available."

Alex Perry, Leisure Brands & Retailers – "We continue to see a dispersion in trends across Leisure sub-verticals with a focus on reciprocal tariffs for 1Q25. **RVs** – expect continued choppiness in the retail environment given affordability & consumer confidence headwinds leading to outperformance in value oriented travel trailers. **Powersports** – expect focus on tariff impact especially given Mexico exposure, retail likely remains soft, and destocking efforts continue. **Fitness** –near term data looks very strong, models are recession resilient & relatively insulated from tariffs. Longer term support from generational shift to wellness/healthy habits. **Toys/Leisure Products**– topline likely held in well in 1Q, but focus will be on tariff exposure especially given shift in supply chains to SE/Asia (particularly Vietnam) which now face significant reciprocal tariffs."

Jessica Reif Ehrlich, Media – "Current macro uncertainty is creating pockets of weakness in the advertising market in 1Q, particularly in audio. In 2Q and beyond, tariffs and recession risk are very likely to put pressure on advertising. Generally, theme park and live demand is still healthy, but if economic headwinds persist or worsen, there is risk to our forecasts in these two categories in the quarters ahead. Secular challenges related to cord cutting remain, although new bundling packages (e.g. skinny bundles) and recent hybrid linear/streaming carriage agreements could help stem the decline."

Jessica Reif Ehrlich, Cable – "The competitive environment for broadband remains fierce and cable operators are likely to report broadband subscriber losses, particularly among more price sensitive customers, to fixed wireless access competitors. However, with the Affordable Connectivity Program (ACP) largely behind Charter post 4Q, we project subscriber net losses to improve Y/Y and Q/Q with support from rural buildouts and an improved video offering. For Comcast, results will likely worsen Q/Q as the company's reworked pricing and packaging offer which focus on more converged offerings will be launched later in 1H25. M&A, increasing fiber footprints, convergence strategies, capex, pace of plant improvements and mobile results will be other main areas of focus."

Energy

Jean Ann Salisbury, Integrateds and Midstream – "Investors will mainly be interested in how companies will respond to tariffs and recession risk. We anticipate questions around whether production plans will be cut back in a lower oil price environment, and how much. For midstream, understanding 1) how much capex will rise as a result of tariffs, and 2) what end-products will face China's retaliatory tariffs and possibly need to absorb those costs (i.e. LPG exports) and 3) whether buildout plans will slow given the uncertainty caused by tariffs will be top of mind."

Financials

Ebrahim Poonawala, Banks – "While the primary focus among investors has shifted to assessing recession risk (although there were no signs of credit cracks until quarter-end), mgmt. commentary on customer sentiment (= appetite for capex/consumer spending) in face of tariffs/DOGE and areas of vulnerability on credit quality will be closely watched."

Jason Kupferberg, Payments & IT Services – "This is likely be one of the more eagerly awaited Payments earnings seasons in a while. There will be tremendous focus on what transpired with March and April card spending trends, amid elevated macro uncertainty and the recent pullback in consumer confidence surveys. Many of our stocks have increasingly been pricing in a meaningful consumer spending slowdown. We suspect management teams to indicate certain parts of the consumer discretionary market have slowed modestly, but we do not expect to hear commentary suggesting a broad-based slowdown."

Health Care

Alec Stranahan, SMid-cap Biotech**:** "Amidst a broad wave of uncertainty for the sector (tariffs, policy changes, FDA turnover), 1Q25 earnings will focus on maintained company fundamentals including drug launch dynamics and catalyst timing (e.g., regulatory conversations, data readouts). We see late-stage clinical data and launch stories as crucial for investors to help dictate positioning in what has been a turbulent space in 2025. We expect to see increasing emphasis on sales guidance to align expectations for commercial-stage companies in our coverage."

Allen Lutz, Healthcare Technology & Distribution – Pharma Supply Chain**:** "We expect consistent strong utilization trend in 1Q to drive in-line/outperformance for the drug distributor group. We remain confident in the stability of distributors' operating models and look for potential impacts of the stronger flu season, specialty growth, and tariffs. Any adjustments to long-term targets will be in focus. Dental: We are cautious heading into 1Q prints given softer trends exiting 4Q, a stronger flu season, and volatility in consumer sentiment. Broadly, we see valuation as undemanding and look for any green shoots that may support an improvement in sentiment and the end-market through 2025."

Joana Gajuk, Managed Care & HC Facilities/Hospitals – Hospitals: "Our BofA surveys imply volumes in Jan-Feb accelerated from 4Q as flu season was delayed (from Dec to Jan-Feb). While fundamentals should be solid in 2025 (vols growing above average, commercial repricing tailwind, manageable wage growth), there is still an overhang of potential cuts to Medicaid in the Reconciliation Bill and exchange subsidies expiring at the end of 2025."

Joana Gajuk, Managed Care & HC Facilities/Hospitals – Managed Care: "Q1 tends to matter less than other quarters given the limited visibility into claims that early in the year. This year, seasonality for Managed Care earnings will look much different than historically given changes to Medicare Part D reimbursement, resulting in Q1 EPS being the high point for the year. Nevertheless, investors' focus is on trend and whether the companies priced appropriately so any indication of trend coming in as expected would be positive, on the margin."

Jason Zemansky, SMid-cap Biotech: "With macro-related uncertainties weighing on deal-related activity and investor appetite for risk, we anticipate especially acute interest on cash runways beyond the typical areas of focus on quarterly updates, namely: commercial execution and/or late-stage clinical updates."

Industrials

Ken Hoexter, Transportation – "Harsh winter weather in January and February flowed into a suspension of shipper activity ahead of tariffs in March, leading to larger and quicker than expected impact to results. Our proprietary bi-weekly Truck Shipper Survey Demand Indicator fell to 51.1 in March (holding below Freight Recession/54.2 signal level) for the second consecutive survey (which pre-dated the April 1st ISM drop to 49.0 for March). The Indicator has an 82% correlation in leading ISM by a month, with a 0.7 r-squared, suggesting the elongated Freight Recession continues. Additionally, Truckload spot dry-van rates ex-fuel, historically a leading indicator for Surface Transportation demand and supply/demand balance, has dropped to $1.50/mile, operating at cost/mile levels, down from $1.65/mile level in January, per DAT Freight Analytics. We need to see conversation shift from a 'Tariff-ying' backdrop, to growth signals (tax policy, small- to medium-sized capex investment enhancements) before seeing results rebound.

Into 1Q results, we moved well below consensus on rails, trucks (downgrading KNX/SNDR), airfreight (UPS in particular), and less-than-truckload carriers (TFII, XPO, SAIA, ODFL) given excess capacity and cost pressures across the board, and price pressure at truckload carriers. Brokers like CHRW should be able to take advantage of AI and cost focus to benefit from drop in market rates. Given the freeze in demand surrounding tariffs, the setup into 2Q remains hazy until growth prospects begin to arrive."

Andrew G. Didora, Airlines – "The positive industry thesis that drove airline stocks in 2024 was always predicated on demand staying status quo. That has obviously changed since early February driven by macro uncertainty, DOGE cuts, weaker consumer confidence, poor transborder traffic, business travel flattening out, and recent comments that transatlantic demand was slowing. There is no place to hide from softening demand trends, and we expect a 1Q25 earnings season characterized by weak 2Q25 outlooks and lower 2025 earnings guidance. In our view, airlines need macro stability for demand to improve and help reverse the -24% YTD decline in the stocks."

Andrew Obin, Multi-industrials– "Despite fears, we expect 1Q25 earnings to be in line or better for our sector. However, we expect 2025 guidance to be maintained or trimmed, with very conservative 2Q guidance. We expect our coverage to lean heavily on pricing to offset incremental tariff costs."

Materials

Lawson Winder, North American Metals & Mining – "Key issues to watch: generally, the extent to which tariff, and other related uncertainty has already led to demand destruction will be a key focus; in addition to the negative impact on order books. On the other hand, to what extent have tariffs helped? The steel stocks, in particular, witnessed the price of benchmark hot-rolled coil (HRC) appreciate around 37% in Q1'25 and the share prices significantly underperform; perhaps suggesting mispricing in the equities (or vice versa). Copper producers with operations in the US enjoyed a significant copper price premium vs. the rest of the world, but face the same deteriorating demand outlook. The picture for the precious metal companies couldn't be starker, with the gold price appreciating 19% in Q1'25 and the equities largely following suit. We expect significant Q1'25 free cash flow generation from the precious metal companies with the focus to be squarely on capital allocation; investors seeking significantly increased capital returns and the management teams eyeing growth opportunities."

George Staphos, Packaging & Paper/Forest – "1Q commentary from the packagers was moderately upbeat through February's end, but with some sluggishness in paperboard. While March (which is a big month in 1Q) likely had downward volatility due to macro factors, 60% relative valuations across the group (very low by historical standards) provide support."

SMID cap 1Q25 earnings preview

Small caps

- Analysts expect small cap 1Q earnings to be -13% YoY (a deterioration from +6% last quarter). The median small cap is to see earnings -2% YoY (vs +5% in 4Q).
- Staples and Financials are slated to see the highest YoY earnings growth, while Comm. Services and Materials are expected to see the most negative growth.
- Sales are expected to stay flat YoY and+3% YoY median.
- 66% of early reporters beat on EPS, 50% beat on sales and 11% on both.

Exhibit 54: Small cap 1Q25 growth expectations and proportion of beats so far
S&P 600 consensus 1Q25 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	21	1	-105.5%	-0.9%	-1.7%	0.7%	100%	0%	0%
Cons. Disc.	82	1	-12.2%	-6.0%	-1.9%	-0.1%	100%	100%	100%
Cons. Staples	26	4	32.5%	-6.8%	4.7%	2.3%	N.A.	N.A.	0%
Energy	30	0	-27.3%	-24.3%	1.1%	2.3%	N.A.	N.A.	N.A.
Financials	116	6	8.9%	7.8%	10.1%	8.3%	N.A.	N.A.	0%
Health Care	72	2	-19.3%	-4.8%	-1.3%	5.0%	N.A.	N.A.	0%
Industrials	96	5	-2.8%	0.2%	1.6%	1.5%	50%	50%	20%
Technology	70	1	-28.5%	-1.6%	0.6%	3.9%	N.A.	N.A.	0%
Materials	27	2	-43.6%	-21.3%	-7.5%	-2.7%	50%	50%	50%
Real Estate	49	4	-14.3%	-3.7%	-6.4%	1.3%	N.A.	N.A.	0%
Utilities	13	2	-17.8%	3.3%	-12.5%	4.4%	N.A.	N.A.	0%
S&P 600	**602**	**28**	**-12.7%**	**-2.3%**	**0.3%**	**2.9%**	**63%**	**50%**	**11%**
Ex-Financials	486	22	-19.7%	-5.0%	-0.7%	1.6%	63%	50%	14%
Ex-Energy	572	28	-11.5%	-2.1%	0.2%	2.9%	63%	50%	11%
Ex-Energy&Financials	456	22	-18.9%	-4.0%	-0.9%	1.6%	63%	50%	14%

Source: FactSet, BofA US Equity & US Quant Strategy

BofA GLOBAL RESEARCH

Mid caps

- Mid cap earnings are expected to be -1% YoY in 1Q (+2% for the median company) vs -4% YoY in 4Q.
- Health Care and Tech are slated to see the highest YoY earnings growth, while Comm. Services and Energy are slated to see the most negative growth.
- Sales are expected to grow 2% YoY (vs. +3% YoY in 4Q) and +3% median.

Exhibit 55: Mid cap 1Q25 growth expectations and proportion of beats so far
S&P 400 consensus 1Q25 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	7	0	-55.5%	9.0%	-1.0%	1.8%	N.A.	N.A.	N.A.
Cons. Disc.	64	3	-7.6%	-4.8%	-0.5%	1.9%	0%	0%	0%
Cons. Staples	19	1	4.3%	8.5%	5.2%	2.5%	N.A.	N.A.	0%
Energy	18	0	-11.7%	-8.5%	-5.1%	4.2%	N.A.	N.A.	N.A.
Financials	70	2	4.4%	6.3%	5.0%	6.5%	0%	0%	0%
Health Care	35	0	21.7%	7.2%	4.0%	7.2%	N.A.	N.A.	N.A.
Industrials	76	2	-10.6%	-0.8%	-0.5%	1.0%	100%	0%	0%
Technology	42	1	7.5%	0.7%	1.0%	3.6%	0%	0%	0%
Materials	27	2	-3.7%	0.1%	-1.4%	-0.5%	0%	0%	0%
Real Estate	28	0	3.8%	3.1%	46.6%	2.6%	N.A.	N.A.	N.A.
Utilities	15	2	0.5%	5.7%	7.4%	5.2%	N.A.	N.A.	0%
S&P 400	**401**	**13**	**-1.0%**	**2.4%**	**1.7%**	**2.9%**	**20%**	**0%**	**0%**
Ex-Financials	331	11	-2.7%	1.6%	1.3%	2.2%	25%	0%	0%
Ex-Energy	383	13	-0.2%	2.6%	2.1%	2.9%	20%	0%	0%
Ex-Energy&Financials	313	11	-1.9%	1.7%	1.7%	2.2%	25%	0%	0%

Source: FactSet, BofA US Equity & US Quant Strategy

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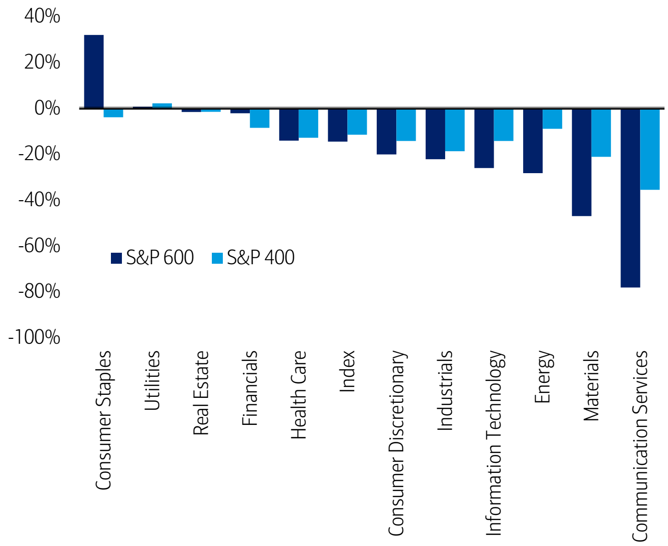
Guidance deteriorated, holding up best in mid caps

- Small cap 1Q estimates have fallen 15% over the last three months, led by Comm. Services commodity-oriented sectors. Mid cap estimates have fallen 12%.
- Earnings revision ratios have continued to fall further below 1.0 (more cuts than raises to estimates) across the board, and are currently weakest in large caps (0.60x vs. 0.63x in mid and 0.68x in small).
- Guidance deteriorated this past quarter for both small and mid caps, where the 3-month ratio of above- vs. below-consensus guidance is now 0.4x and 0.7x respectively, below average in both size segments but holding up best in mid. Large caps have a guidance ratio of 0.4x vs. avg. of 0.8x.

Exhibit 56: Small/Mid Cap 1Q estimates have fallen 15%/12% over the last three months, led by Comm. Services/Materials/Energy

Revision to consensus 1Q earnings over last 3mos for S&P 600 and S&P 400



Source: FactSet, BofA US Equity & US Quant Strategy

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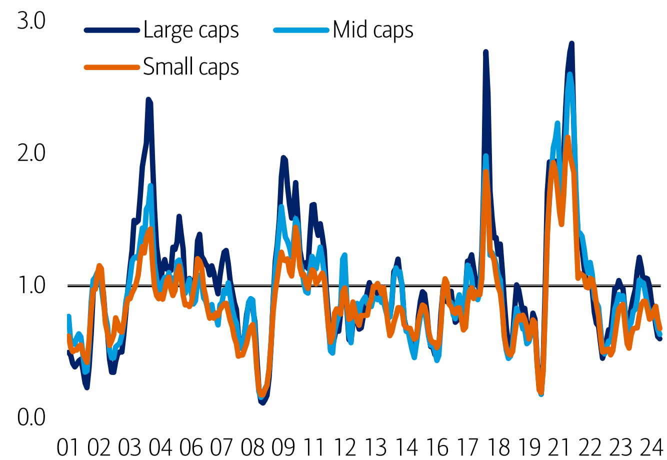
Exhibit 57: Revision trends decreased across the board this past quarter, weakest in large caps

3m earnings revision ratio (ERR) for S&P small, mid and large cap indices as of 3/31/2025



Source: Bloomberg, BofA US Equity & US Quant Strategy

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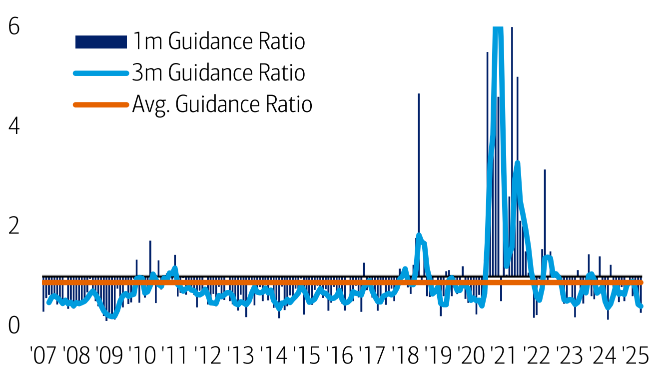
Exhibit 58: Small cap 3m earnings guidance ratio of 0.4x is well below avg. of 0.9x

S&P 600 management guidance ratio (# above- vs. below-consensus) as of 3/31/25



Source: Bloomberg, BofA US Equity & US Quant Strategy

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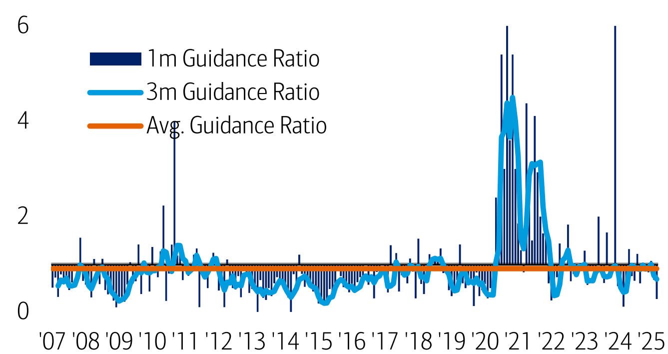
Exhibit 59: Mid cap 3m earnings guidance ratio of 0.7x is slightly below avg. of 0.9x (but holding up better than guidance in small or large)

S&P 400 management guidance ratio (# above- vs. below-consensus) as of 3/31/25



Source: Bloomberg, BofA US Equity & US Quant Strategy

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SMID caps: 4Q24 recap

- Small cap earnings were +6% YoY (better than expected) with sales +2% YoY. 40% of companies beat on EPS & sales, led by Discretionary and Health Care.
- Mid cap earnings were -4% YoY (better than expected) with sales +3% YoY. 42% of companies beat on both EPS and sales, with the most beats in Tech.

Exhibit 60: Small cap 4Q24 growth and proportion of beats
S&P 600 consensus 4Q24 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	21	-8.8%	-14.0%	-0.2%	2.4%	57%	57%	33%
Cons. Disc.	83	81	5.4%	0.8%	0.8%	1.1%	73%	60%	51%
Cons. Staples	26	26	50.9%	7.0%	4.2%	2.1%	59%	50%	31%
Energy	32	32	-40.6%	-31.1%	-8.9%	0.1%	44%	38%	22%
Financials	118	118	1.9%	10.4%	16.4%	6.6%	69%	39%	35%
Health Care	70	70	66.3%	10.1%	5.6%	9.4%	60%	72%	50%
Industrials	94	94	35.0%	3.5%	2.1%	2.7%	68%	54%	47%
Technology	66	66	8.6%	7.0%	-1.2%	5.3%	67%	58%	44%
Materials	25	25	-29.4%	1.4%	-3.6%	-1.2%	52%	32%	12%
Real Estate	47	47	8.8%	2.2%	2.9%	3.5%	51%	78%	43%
Utilities	13	13	-19.6%	0.0%	-13.3%	3.8%	55%	45%	23%
S&P 600	**596**	**593**	**5.6%**	**4.5%**	**1.5%**	**3.6%**	**63%**	**54%**	**40%**
Ex-Financials	478	475	6.8%	3.1%	0.1%	3.3%	62%	58%	41%
Ex-Energy	564	561	10.2%	5.2%	2.6%	3.7%	65%	55%	41%
Ex-Energy&Financials	446	443	13.3%	4.2%	1.2%	3.5%	63%	59%	43%

Source: FactSet, BofA US Equity & US Quant Strategy

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Exhibit 61: Mid cap 4Q24 growth and proportion of beats
S&P 400 consensus 4Q24 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	7	7	11.7%	10.3%	4.3%	5.6%	71%	57%	43%
Cons. Disc.	62	61	-1.8%	8.8%	0.8%	3.5%	75%	56%	44%
Cons. Staples	17	17	7.1%	8.9%	4.9%	1.3%	56%	44%	18%
Energy	19	19	-38.0%	-20.1%	-10.8%	2.0%	47%	37%	26%
Financials	70	70	17.5%	13.3%	12.1%	8.8%	74%	58%	50%
Health Care	37	37	-34.3%	14.4%	5.7%	7.7%	62%	57%	43%
Industrials	75	75	-8.8%	4.9%	2.3%	2.1%	70%	51%	44%
Technology	43	43	15.1%	13.0%	1.0%	10.0%	70%	77%	56%
Materials	28	28	-26.7%	-3.5%	-2.6%	1.6%	52%	41%	25%
Real Estate	28	28	4.8%	4.9%	56.5%	6.2%	43%	71%	36%
Utilities	15	15	16.0%	14.8%	2.4%	4.1%	60%	33%	27%
S&P 400	**401**	**400**	**-4.1%**	**8.5%**	**3.0%**	**4.9%**	**65%**	**56%**	**42%**
Ex-Financials	331	330	-10.0%	7.1%	1.9%	3.7%	64%	55%	40%
Ex-Energy	382	381	-1.4%	8.9%	4.0%	5.0%	66%	57%	43%
Ex-Energy&Financials	312	311	-7.1%	7.8%	2.9%	3.8%	65%	56%	41%

Source: FactSet, BofA US Equity & US Quant Strategy

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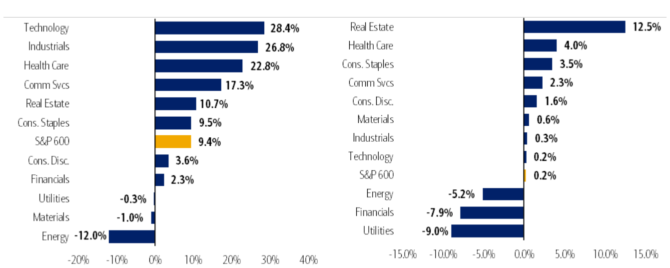
Exhibit 62: 4Q24: Small cap earnings beat by 9%, sales in-line
S&P 600 earnings beat (left) and sales beat (right) vs. consensus on 1/1/25



Source: FactSet, BofA US Equity & US Quant Strategy

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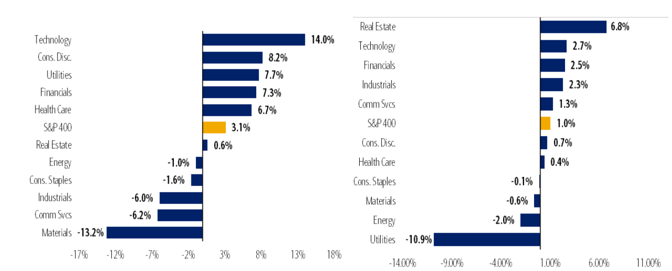
Exhibit 63: 4Q24: Mid cap earnings beat by 3%, sales beat by 1%
S&P 400 earnings beat (left) and sales beat (right) vs. consensus on 1/1/25



Source: FactSet, BofA US Equity & US Quant Strategy

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Appendix - 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.

Earnings Revision ratios

Beginning in April 1986 (and January 2006 for Real Estate), we calculate the ratio between the number of companies in the S&P 500 for which Thomson Financial consensus earnings estimates have been raised versus those that have been lowered. We apply the same calculation to the S&P 500 GICS Sectors (where we use FFO for REITs within Real Estate). One-month revision ratios are computed as the number of companies for which estimates this month are higher than they were last month, divided by the number of companies for which estimates this month are lower than they were last month. For example, within a particular subgroup of the market, if consensus estimates have increased for 5 companies and have decreased for 10, the estimate revision ratio will be 0.5 (5 divided by 10).

The three-month revision ratio is similarly defined as the total number of earnings estimate increases divided by total number of earnings estimate decreases during the last three months. For example, in February 2002, the three-month revision ratio is computed as the total number of companies with increased monthly estimates, divided by the total number of companies with decreased estimates throughout December 2001, January 2002, and February 2002.

We similarly calculate the S&P 600 (small cap) earnings revision ratios (one-month and three-month) by the same methodology, with data beginning in February 2001.

For earnings/sales estimates, we look at the change in the FY1 estimate (current unreported year) if there's more than 120 days between the current date and the company's fiscal year-end date, otherwise we look at the change in the FY2 estimate (next unreported year).

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

[R1]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.

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