

# S&P 500 Q2 2025 Earnings Recap

And The Outlook for the remainder of 2025



Presented by:

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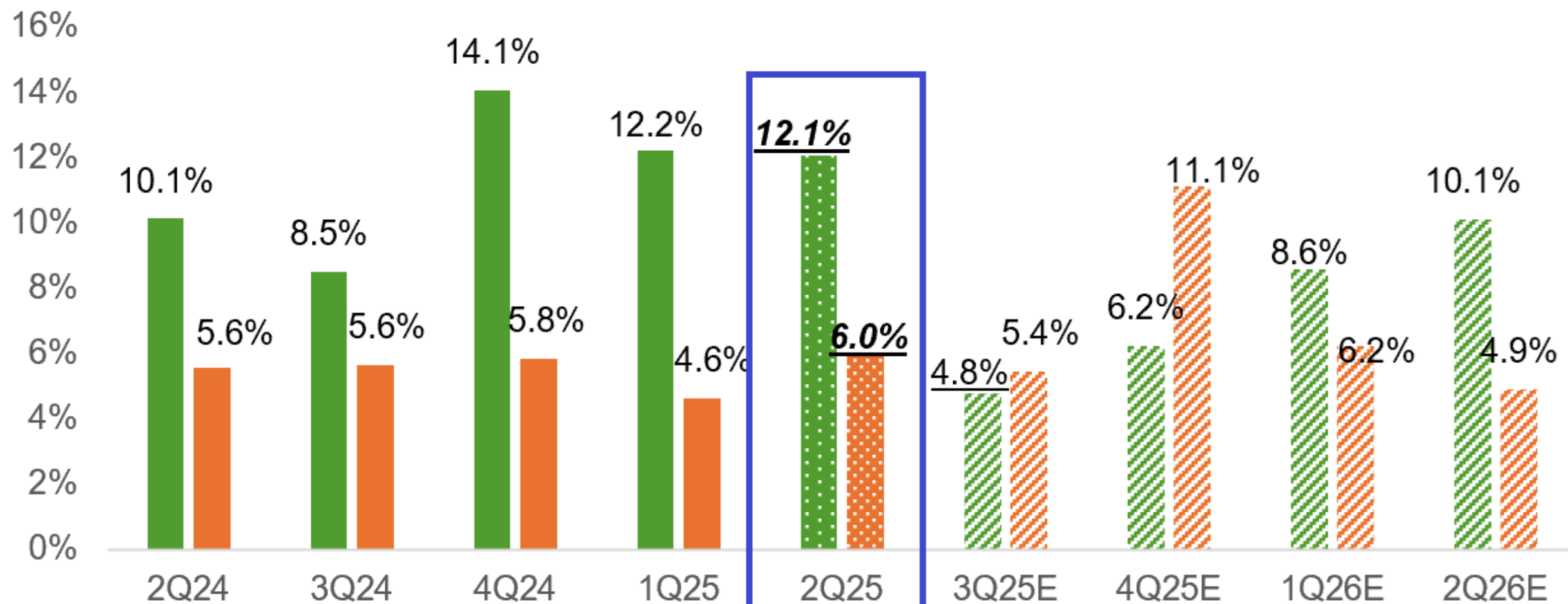
# Q2 2025 Earnings Highlights:



- Earnings growth continues at double-digit clip, surpassing analyst estimates
- Growth has come from a variety of sectors, including critical cyclical industries such as retail, banks, industrials, and consumer discretionary
- Bullish commentary from megacap technology and bank CEOs
- This has buoyed markets, triggering analyst estimate revisions to the upside and sets the tone for the remainder of 2025
- Inflationary pressures persist, as businesses report rising costs, as per the Producer Price Index



## Quarterly Earning & Revenue Growth (YoY)



Source: Zacks Investment Research, Inc.

S&P 500 Blended Summary Picture						
Zacks Sectors	Year-over-Year Growth					
	Earnings		Revenues		Margins	
	2Q25	1Q25	2Q25E	1Q25	2Q25E	1Q25
Cons. Staples	<b>0.6%</b>	-5.0%	<b>0.8%</b>	-2.4%	<b>-0.02%</b>	-0.3%
Cons. Discretionary	<b>135.2%</b>	5.1%	<b>3.3%</b>	1.2%	<b>6.69%</b>	0.4%
Retail/Wholesale	<b>12.7%</b>	10.3%	<b>5.6%</b>	3.7%	<b>0.42%</b>	0.38%
Medical	<b>7.6%</b>	43.0%	<b>10.7%</b>	8.9%	<b>-0.23%</b>	2.1%
Autos	<b>-23.3%</b>	-37.0%	<b>-2.1%</b>	-4.1%	<b>-1.42%</b>	-2.3%
Basic Materials	<b>-7.6%</b>	-8.6%	<b>4.7%</b>	-1.2%	<b>-1.17%</b>	-0.7%
Industrial Products	<b>-5.6%</b>	-9.2%	<b>2.8%</b>	-4.3%	<b>-1.20%</b>	-0.8%
Construction	<b>-11.1%</b>	-10.0%	<b>-1.9%</b>	-1.9%	<b>-1.18%</b>	-0.9%
Conglomerates	<b>8.6%</b>	-4.9%	<b>4.3%</b>	-8.8%	<b>0.71%</b>	0.7%
Technology	<b>20.6%</b>	24.1%	<b>14.0%</b>	11.3%	<b>1.33%</b>	2.6%
Aerospace	<b>26.6%</b>	23.2%	<b>11.7%</b>	-0.1%	<b>0.92%</b>	1.6%
Oil/Energy	<b>-16.8%</b>	-10.1%	<b>-6.7%</b>	1.6%	<b>-0.96%</b>	-1.1%
Finance	<b>14.0%</b>	1.3%	<b>3.9%</b>	2.8%	<b>1.74%</b>	-0.3%
Utilities	<b>4.4%</b>	16.5%	<b>7.3%</b>	11.6%	<b>-0.37%</b>	0.7%
Transportation	<b>-4.4%</b>	8.6%	<b>-0.4%</b>	1.2%	<b>-0.39%</b>	0.5%
Business Services	<b>11.5%</b>	6.7%	<b>7.1%</b>	3.8%	<b>1.03%</b>	0.7%
<b>S&amp;P 500</b>	<b>12.1%</b>	<b>12.2%</b>	<b>6.0%</b>	<b>4.6%</b>	<b>0.70%</b>	0.88%
ex Finance	<b>11.6%</b>	15.0%	<b>6.3%</b>	4.9%	<b>0.6%</b>	1.1%
ex Oil/Energy	<b>13.9%</b>	13.6%	<b>7.1%</b>	4.9%	<b>0.79%</b>	1.0%
ex Tech	<b>8.4%</b>	7.0%	<b>7.1%</b>	5.6%	<b>0.09%</b>	0.1%

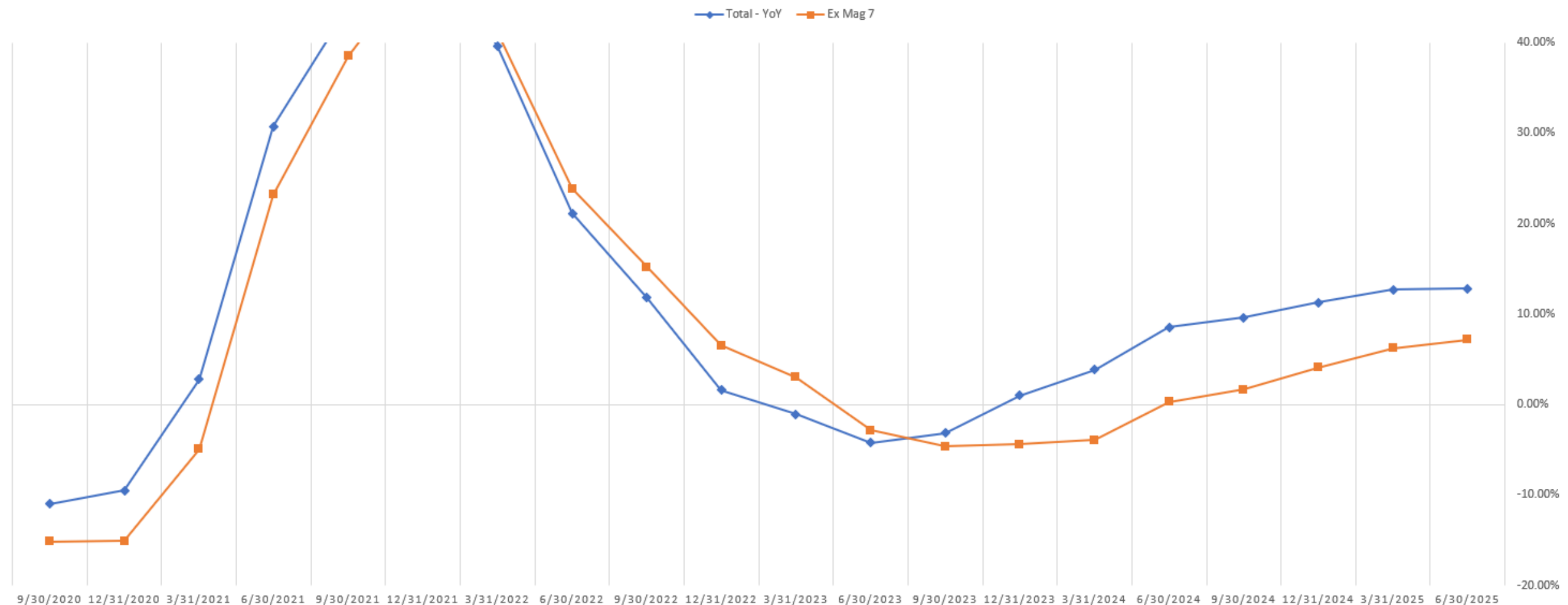
Source: Zacks Investment Research, Inc.  
Data as of: 8/19/25

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	6/30/2025	3/31/2025	12/31/2024	9/30/2024	6/30/2024	3/31/2024	12/31/2023	9/30/2023	6/30/2023	3/31/2023	12/31/2022	9/30/2022	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021	3/31/2021	12/31/2020	9/30/2020
Total - YoY	12.81%	12.66%	11.27%	9.58%	8.54%	3.81%	1.00%	-3.15%	-4.23%	-1.06%	1.61%	11.78%	21.11%	39.64%	51.78%	43.90%	30.72%	2.76%	-9.53%	-11.01%
Ex Mag 7	7.17%	6.20%	4.10%	1.62%	0.28%	-3.94%	-4.39%	-4.66%	-2.87%	3.02%	6.49%	15.20%	23.85%	41.21%	49.38%	38.53%	23.22%	-4.94%	-15.09%	-15.18%

## S&P 500 EARNINGS GROWTH YOY





Even excluding the impact of the Magnificent 7, which have experienced outlier growth these past two years, earnings growth continues to accelerate:

S&P 500 ex Mag 7 Net Income Growth YoY:

2023: -4.9%

2024: +4.0%

2025: +6.5%

# Tone of Managements is Mostly Bullish



Sundar Pichai, CEO of Alphabet/Google

*"We had a standout quarter, with robust growth across the company. We are leading at the frontier of AI and shipping at an incredible pace. AI is positively impacting every part of the business, driving strong momentum. With this strong and growing demand for our Cloud products and services, we are increasing our investment in capital expenditures in 2025 to approximately \$85 billion and are excited by the opportunity ahead."*

Doug McMillon, CEO of Walmart

*"The top-line momentum we have in our business comes from how we're innovating and executing. Connecting with our customers and members through digital experiences is helping to drive our business, and the way we're deploying AI will make these experiences even better."*

Satya Nadella, CEO of Microsoft

*"We are innovating across our tech stack and helping customers unlock the full ROI of AI to capture the massive opportunity ahead. Already, our AI business has surpassed an annual revenue run rate of \$13 billion, up 175% year-over-year."*

Ted Decker, CEO of The Home Depot

*"Our second quarter results were in line with our expectations. The momentum that began in the back half of last year continued throughout the first half as customers engaged more broadly in smaller home improvement projects."*

Jamie Dimon, CEO of JPMorgan Chase

*"We reported another quarter of strong results, generating net income of \$15.0 billion or net income of \$14.2 billion excluding a significant item. Each of the lines of business performed well. The U.S. economy remained resilient in the quarter. The finalization of tax reform and potential deregulation are positive for the economic outlook, however, significant risks persist – including from tariffs and trade uncertainty, worsening geopolitical conditions, high fiscal deficits and elevated asset prices. As always, we hope for the best but prepare the Firm for a wide range of scenarios."*

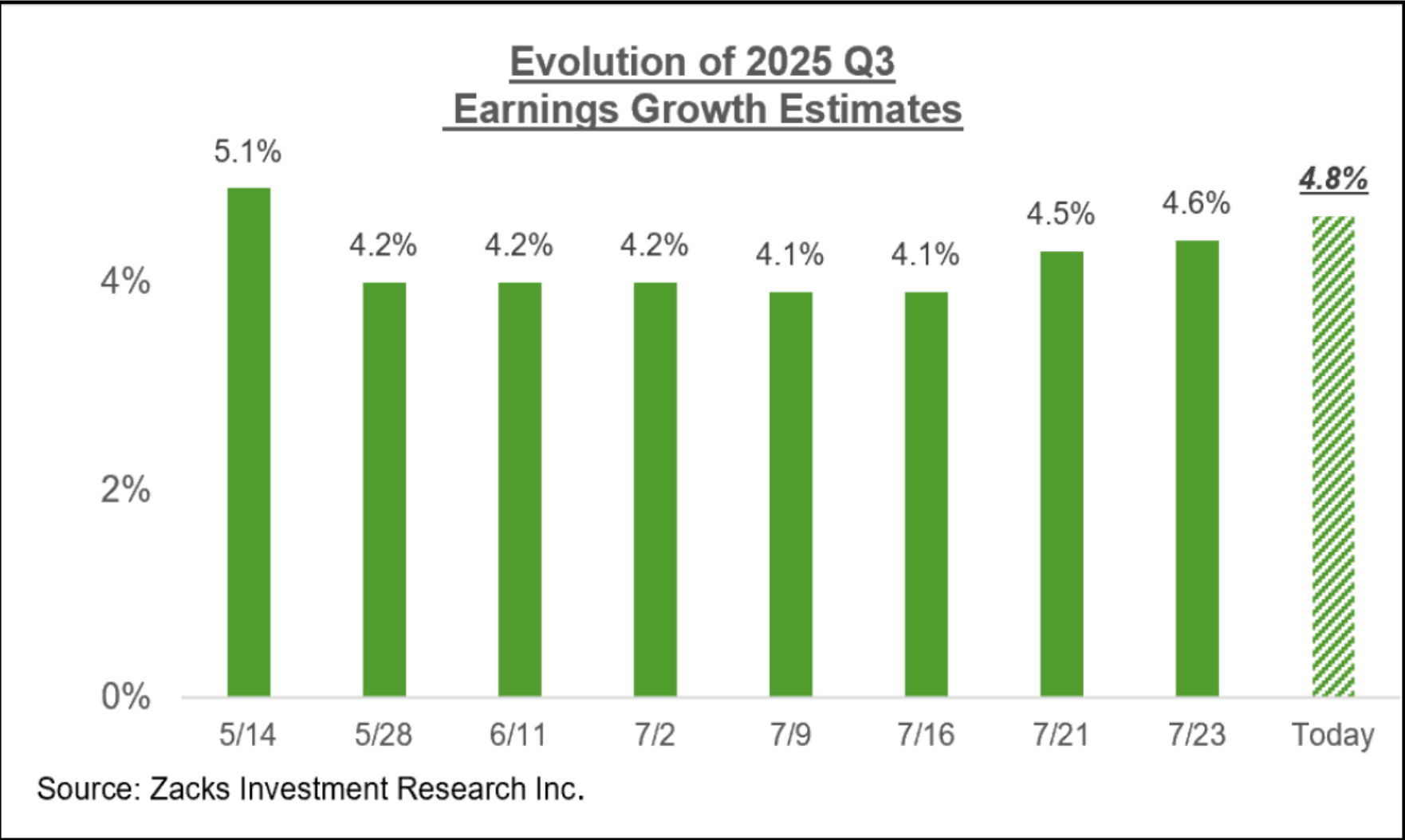




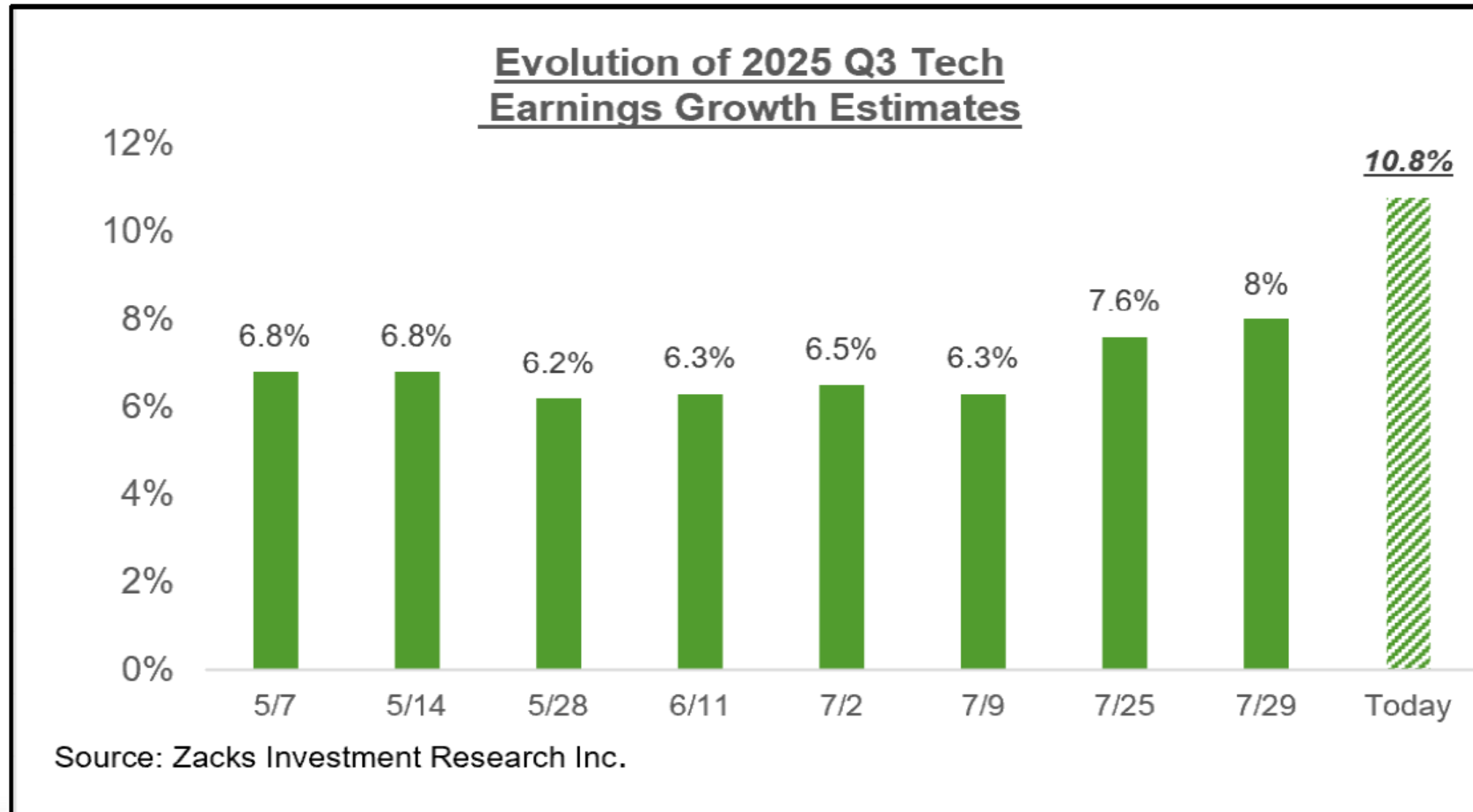
Retailers ex Amazon have reported +3.0% earnings growth YoY on +4.3% revenue growth YoY.

However, tariff threats are weighing on FY 2025 guidance, with Target guiding lower comps and Best Buy withholding any guidance due to the uncertainty.

# Strong Q2 Results + Bullish Commentary Pushing Up Q3 Expectations



# Significant Uptick for the Technology Sector





Q3 and Q4 should see significantly lower YoY growth rates than what we saw in the first half, mainly because the comps are beginning to get more and more difficult.

But overall growth expectations for FY 2026 remains robust and in the double-digit range.



# Takeaways

- ❖ S&P 500 trades at a highly elevated 23x forward P/E with very bullish growth expectations next year. The bar is extremely high—in the top decile over the past 40 years.
- ❖ As such, the forward earnings yield of the market is at parity with the 10-year yield. Historically, market returns over the following 5 years have been poor at these levels. We would need earnings growth to continue at a double-digit pace to support the market at current valuations.
- ❖ Market momentum remains exceptional, with fresh ATHs set in July
- ❖ Remain long the S&P 500 as long as it remains above the 10-week Average True Range (ATR), which sits at 5901 for the SPX. But in my view, the best gains over the next 5 years are going to come from high quality companies with strong balance sheets, high ROIC, and attractive valuations. Refer to the Zacks Deep Value Proxy for a collection of these companies.

# Top Ideas in the Zacks Deep Value Proxy



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