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Q1 2025 S&P 500 Earnings Season Expectations

As the Q1 2025 earnings season approaches, analysts are tempering expectations for S&P 500 companies amid a backdrop of economic uncertainty and policy shifts. With the unofficial start of the reporting period set for mid-April—led by major banks on April 11—current projections indicate a year-over-year earnings growth rate of 6.1% on revenues up 3.7%, a notable decline from the 10.4% growth anticipated at the start of January (Yahoo Finance, 2025). This downward revision of 4.3 percentage points since year-end exceeds the decade-long average Q1 cut of 3.2%, signaling broader caution (FactSet, 2025a). As of March 31, only 5 S&P 500 firms with February-ending fiscal quarters have reported, including standouts like Oracle and Adobe, but the bulk of results are still weeks away (Yahoo Finance, 2025).

The softening outlook reflects several headwinds. Trump's "Liberation Day" tariff plan, set for April 2, has sparked concerns about cost pressures, with 259 S&P 500 firms citing "tariffs" in conference calls from December 15, 2024, to March 6, 2025 (FactSet, 2025b). Analysts expect these policies—potentially targeting $1.4 trillion in imports—to squeeze margins, especially in consumer discretionary and industrial sectors, where estimates have fallen sharply (Reuters, 2025a). Inflation remains sticky, with February's core PCE at 2.6%, and consumer sentiment has hit a two-year low of 57, curbing purchasing power (Reuters, 2025b). The Technology sector, a consistent growth driver, is projected at +12.7% earnings growth, down from Q4 2024's 26.2%, though it remains a bright spot (Yahoo Finance, 2025). The "Magnificent 7" tech giants are expected to lead with +13.9% growth, while the rest of the index lags at +3.9%, highlighting uneven performance (Yahoo Finance, 2025).

Revisions have been broad-based, with 13 of 16 Zacks sectors seeing cuts since January—hardest hit are conglomerates, aerospace, and autos—while only the medical sector has seen upgrades (Yahoo Finance, 2025). FactSet reports a 3.5% drop in Q1 bottom-up EPS estimates (from $62.89 to $60.66) since December 31, steeper than typical pre-season adjustments (FactSet, 2025a). Posts on X echo this pessimism, noting a 4.5% forecast decline and flagging banks and semiconductors as rare exceptions with slight upward tweaks (X Post, @Yjsp80148027, 2025). If realized, Q1's 7.7% growth would mark the lowest since Q3 2023, down from Q4 2024's 17.1% (Reuters, 2025a). Investors hope earnings surprises—historically common after lowered guidance—could lift the S&P 500, trading at 21 times forward earnings versus a 10-year average of 18, but tariff and inflation risks cloud the outlook (Reuters, 2025a).

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