

Special Update

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S&P 500 Q2 2025 Earnings Expectations Report

Executive Summary

The S&P 500 is anticipated to experience a slowdown in earnings growth for the second quarter (Q2) of 2025, with projections indicating a year-over-year (YoY) earnings growth rate of approximately 4.9% to 5.7%, a notable deceleration from the 11.9% growth recorded in Q1 2025. Revenue growth is expected to be around 3.8% to 4.1% YoY, continuing a streak of 19 consecutive quarters of revenue expansion. These estimates reflect downward revisions since the start of the quarter, primarily driven by concerns over tariff uncertainties and macroeconomic factors such as slower GDP growth forecasts. Key sectors like Technology and Financials are expected to significantly influence the index's performance, with the "Magnificent 7" companies projected to contribute substantially to earnings growth, albeit at a reduced margin compared to prior quarters. This report provides a detailed analysis of these expectations, key sector insights, important earnings announcement dates, and potential market implications, supported by data from reputable financial sources.

Current Economic Context

Analysts project a Q2 2025 earnings growth rate for the S&P 500 ranging from 4.9% to 5.7% YoY, marking the lowest growth since Q4 2023's 4.0%. Revenue growth is forecasted at 3.8% to 4.1% YoY, reflecting steady but modest top-line expansion (FactSet, 2025; SuperDaveTrades, 2025; OptiontradinIQ, 2025). These figures represent a material slowdown from Q1 2025's 11.9% earnings growth on 3.6% revenue growth, attributed to factors such as tariff-related uncertainties and revised economic growth expectations (TradingView, 2025).



The Q2 bottom-up earnings per share (EPS) estimate has decreased by 4.0% from \$65.55 to \$62.91 between March 31 and May 29, 2025, indicating cautious analyst revisions (FactSet, 2025).

The forward 12-month price-to-earnings (P/E) ratio for the S&P 500 stands at 20.2 to 22.2, above the 5-year average of 19.9 and the 10-year average of 18.3, suggesting valuations remain elevated (FactSet, 2025). This high P/E ratio, combined with downward EPS revisions, points to a cautious market outlook as investors weigh macroeconomic risks against corporate performance.

Sector-Level Insights

Technology

The Technology sector is expected to be a primary driver of S&P 500 earnings growth, with companies like Nvidia, Apple, Microsoft, Amazon, and Meta Platforms (collectively part of the “Magnificent 7”) projected to post an aggregate earnings growth of approximately 18.3% YoY for Q1, with similar expectations for Q2 (Lipper Alpha Insight, 2025). The sector benefits from strong analyst sentiment, with an ARM score of 73, driven by high expectations around artificial intelligence (AI) developments (Lipper Alpha Insight, 2024).

However, estimate revisions for Technology have stabilized recently due to easing tariff concerns, suggesting a more predictable earnings trajectory (TradingView, 2025).

Financials

The Financials sector faces mixed expectations, with an anticipated YoY EPS decline of 0.4% for Q3 2024, potentially carrying over into Q2 2025 due to similar pressures (Wall Street Horizon, 2024). The Bank sub-sector is expected to lead this decline with a projected 12% YoY decrease, while Capital Markets, Insurance, and Financial Services sub-sectors may offset some losses with growth rates of 11%, 9%, and 4%, respectively. Key players like Goldman Sachs and Morgan Stanley in the Capital Markets segment are anticipated to perform relatively well (Wall Street Horizon, 2024).

Other Sectors

- **Health Care:** Expected to contribute significantly to earnings growth alongside Technology, though specific Q2 2025 projections are less detailed in available data.
- **Consumer Discretionary:** Faces downward revisions due to weaker forward guidance, with companies like Ford and Tesla notably impacting Q1 estimates (Lipper Alpha Insight, 2025).
- **Materials and Industrials:** Both sectors saw significant estimate reductions in Q1, with Materials and Industrials expected to continue facing challenges in Q2 due to margin pressures and economic slowdown concerns (Lipper Alpha Insight, 2025).
- **Energy:** Anticipated to experience margin declines, with Q2 2024 estimates showing a 100 bps drop to 9.7%, a trend that may persist into 2025 (Lipper Alpha Insight, 2024).

Key Factors Influencing Expectations

Several macroeconomic and policy-related factors are shaping Q2 2025 earnings expectations:

- **Tariff Uncertainties:** The threat of increased tariffs, with Goldman Sachs estimating a potential 10-15 percentage point rise in the US effective tariff rate, could reduce S&P 500 EPS by 1-2% per 5 percentage point increase, assuming partial pass-through to consumers (Goldman Sachs, 2025). The stabilization of tariff-related revisions suggests analysts are factoring in a less punitive tariff regime (TradingView, 2025).
- **Economic Growth:** Goldman Sachs forecasts a 1.7% Q4/Q4 real US GDP growth for 2025, down from 2.2%, impacting corporate earnings expectations (Goldman Sachs, 2025). Weaker economic activity typically correlates with subdued earnings growth.

- **Guidance Trends:** Q2 2025 guidance is expected to remain cautious, with a negative-to-positive (N/P) ratio of 2.0 for Q2 2024 pre-announcements, below the long-term average of 2.5, indicating a tempered outlook (Lipper Alpha Insight, 2024). Investors will closely monitor Q3 2025 guidance, particularly with reciprocal tariffs set to expire around July 8, 2025 (Investing.com, 2025).
- **AI Influence:** The growing focus on AI, with 210 S&P 500 companies mentioning it in Q1 2025 earnings calls (compared to a 5-year average of 114), underscores its role as a growth driver, particularly for Technology firms (FactSet, 2025).

Important Earnings Announcement Dates

The Q2 2025 earnings season is expected to gain momentum in mid-July, with several S&P 500 companies reporting fiscal May-quarter results included in the Q2 tally. Below are key confirmed and anticipated earnings dates for major S&P 500 constituents, based on available data and historical patterns:

- **June 25, 2025:** Oracle (ORCL) – Already reported strong fiscal May-quarter results, with cloud revenue growth projected at +40% for fiscal 2026 (TradingView, 2025).
- **June 26, 2025:**
 1. **Accenture (ACN)** – Expected to provide insights into IT consulting market conditions, following a challenging Q1 environment (TradingView, 2025).
 2. **Lennar (LEN)** – Anticipated to reflect homebuilding sector challenges due to affordability concerns and elevated mortgage rates (TradingView, 2025).
- **Mid-July 2025 (Estimated):**
 3. **Major banks** such as JPMorgan Chase, Citigroup, and Wells Fargo typically report in mid-July, kicking off the financial sector's earnings season. Specific dates for 2025 are unconfirmed but expected around July 14–18, based on historical patterns (Wall Street Horizon, 2024).
 4. **Goldman Sachs and Morgan Stanley**, part of the Capital Markets sub-sector, are also likely to report during this period.

- Late July 2025 (Estimated):

1. Technology giants like Microsoft, Apple, and Amazon are expected to report, providing critical updates on AI-driven growth and tariff impacts. Exact dates are typically confirmed closer to the season.
2. FedEx, Micron Technology, and Nike are noted for providing early insights into May and June economic activity, with expected reports in late July (Investing.com, 2025).

Note: Exact dates for many companies remain unconfirmed as of June 26, 2025. Investors should refer to company announcements or earnings calendars like MarketBeat's for precise dates (MarketBeat, 2025).

Market Implications

The anticipated slowdown in Q2 2025 earnings growth, combined with elevated valuations, suggests a cautious market outlook. The S&P 500's forward P/E ratio of 20.2–22.2 indicates that stocks are priced for strong future performance, leaving little room for disappointment (FactSet, 2025). Investors are likely to reward companies that exceed earnings expectations and provide optimistic Q3 guidance, particularly in light of tariff expiration concerns around July 8, 2025 (Investing.com, 2025). The Technology sector's performance, driven by AI and the Magnificent 7, will remain a focal point, though the narrowing earnings growth gap between these companies and the broader S&P 493 may lead to increased rotation into other sectors (Goldman Sachs, 2025). Conversely, sectors like Financials and Materials face headwinds, potentially dragging on overall index performance if negative trends persist.

Conclusion

The S&P 500 Q2 2025 earnings season is poised to reflect a cautious but resilient corporate environment, with expected earnings growth of 4.9% to 5.7% and revenue growth of 3.8% to 4.1%. Technology and Health Care sectors are set to drive growth, while Financials, Materials, and Energy face challenges. Key earnings announcements in mid-to-late July from major banks, Technology giants, and companies like FedEx and Nike will provide critical insights into economic activity and guidance trends.



Investors should monitor tariff developments, AI-driven growth, and sector-specific performance to navigate potential market volatility. This report underscores the importance of aligning expectations with macroeconomic realities and leveraging real-time earnings data for informed investment decisions.

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