

Special Update

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S&P 500 Q2 2025 Earnings Report: Performance and Expectations

The S&P 500 Q2 2025 earnings season, as of July 25, 2025, shows a mixed but generally positive performance, with approximately 34% of companies (154 firms) having reported results. The blended earnings per share (EPS) growth rate is 6.4% year-over-year (YoY), marking the lowest growth since Q4 2023 but exceeding the 4.9% estimated at the quarter's end. Revenue growth is steady at 4.4% YoY, continuing a 19-quarter streak of expansion. About 80% of companies have surpassed EPS estimates, above the 5-year average of 78% and the 10-year average of 75%, with notable strength in Communication Services and Financials. However, tariff uncertainties, macroeconomic pressures, and sector-specific weaknesses, particularly in Energy and Materials, have tempered growth. This week, July 28 to August 1, 2025, is the busiest of the season, with key reports from technology giants like Microsoft, Meta, Apple, and Amazon expected to significantly influence market sentiment. This report analyzes Q2 performance, highlights significant over- and underperformances, and outlines expectations for upcoming reports, supported by credible sources.

Q2 2025 S&P 500 Earnings Performance

Overall Performance

- **Earnings Growth:** The blended EPS growth rate for Q2 2025 is 6.4% YoY, up from the 4.9% estimate as of June 30, 2025, reflecting positive earnings surprises. This is a slowdown from Q1 2025's 11.9% growth but marks the seventh consecutive quarter of earnings growth (FactSet, 2025a; @litusresearch, 2025). If historical trends hold, with an average 4.6% increase in earnings growth during the season over the past four quarters, the final Q2 growth could reach 9.5% (FactSet, 2025b).

- Revenue Growth: The blended revenue growth rate is 4.4% YoY, slightly up from 4.3% last week and 4.2% at the quarter's end, marking the 19th consecutive quarter of revenue growth. Ten of eleven sectors report YoY revenue growth, led by Information Technology, while Energy reports a decline (FactSet, 2025c).
- Earnings Surprises: Approximately 80% of S&P 500 companies have beaten EPS estimates, with an average surprise of +4.0%, and 82% have exceeded revenue expectations with a +5.24% growth over Q2 2024. These figures surpass the 5-year (78%) and 10-year (75%) averages for EPS beats, indicating a strong start despite lower growth expectations (FactSet, 2025a; @EarningsScout, 2025).
- Valuations: The forward 12-month price-to-earnings (P/E) ratio is 22.4, above the 5-year average of 19.9 and the 10-year average of 18.4, suggesting elevated valuations amid tariff and economic uncertainties (FactSet, 2025c; Roan Capital Partners, 2025).

Sector Performance

Strong Performers:

- Communication Services: This sector led with a 32% YoY earnings growth, driven by companies like Alphabet and Meta, fueled by strong digital advertising and AI-related investments. The sector's robust performance has significantly buoyed the S&P 500's overall growth (Charles Schwab, 2025; FactSet, 2025a).
- Financials: Expected to report a 2.4% YoY earnings growth, with 80% of reporting companies beating estimates. The Consumer Finance (23%) and Insurance (13%) sub-sectors led, with standout performances from Capital One Financial. However, the Bank sub-sector is projected to decline by 12% YoY, reflecting mixed results (FactSet, 2025d; @rymondIncKenya, 2025).
- Information Technology: Projected to achieve 18% YoY earnings growth, driven by AI and capital expenditure (capex) spending. Companies like NVIDIA and Microsoft have been key contributors, though tariff concerns have stabilized recently, supporting estimates (Charles Schwab, 2025; Roan Capital Partners, 2025).
- Health Care: Strong performance alongside Technology, with companies like Fortrea (+44.99%) and Medpace (+43.49%) leading due to robust demand, though specific growth figures are less detailed (Morningstar, 2025; Roan Capital Partners, 2025)



Underperformers

- Energy: The sector reported a significant 25% YoY earnings decline, driven by lower oil prices and economic weakness, marking it as the only sector with a revenue decline (Charles Schwab, 2025; RIA, 2025).
- Materials: Earnings fell by approximately 12% YoY, reflecting economic slowdown and reduced demand for commodities, a trend tied to broader economic activity (RIA, 2025).
- Industrials: The only sector reporting a YoY revenue decline, with earnings growth also lagging due to manufacturing contraction and tariff-related pressures (FactSet, 2025c).

Significant Overperformance and Underperformance

Overperformance

- Fortrea and Medpace: These healthcare companies saw share price gains of 44.99% and 43.49%, respectively, driven by strong Q2 earnings that exceeded analyst expectations, reflecting robust demand in health technology (Morningstar, 2025).
- Communication Services Leaders: Companies like Alphabet and Meta outperformed due to strong digital advertising revenues and AI-driven growth, contributing significantly to the sector's 32% earnings growth (Charles Schwab, 2025).
- Financials Surprises: Capital One Financial led the Consumer Finance sub-sector with a 23% earnings growth, boosting the Financials sector's overall performance (FactSet, 2025d).

Underperformance

- STMicroelectronics, Charter, and Texas Instruments: These companies experienced sharp declines of 19.14%, 18.93%, and 14.60%, respectively, due to disappointing earnings or weak guidance, particularly in technology and consumer services (Morningstar, 2025).
- Tesla: A 4.12% share price drop followed a Q2 earnings miss, reflecting challenges in the electric vehicle market and competitive pressures (T. Rowe Price, 2025).

- Energy Sector: The sector's 25% earnings decline was driven by companies facing lower commodity prices and reduced demand, significantly dragging on overall S&P 500 growth (RIA, 2025).

Expectations for Important Reports This Week (July 28–August 1, 2025)

This week is the peak of the Q2 earnings season, with nearly 40% of S&P 500 companies reporting, including key “Magnificent 7” firms (Microsoft, Meta, Apple, Amazon). These reports are critical due to their significant index weighting and influence on market sentiment.

Microsoft (Tuesday, July 29):

- **Expectations:** Analysts forecast earnings of \$2.93 per share (+8.5% YoY) on revenue of \$64.4 billion (+14.7% YoY). Strength in Azure cloud services and AI-driven growth is expected, though investors will focus on guidance amid tariff uncertainties and high capex for AI infrastructure (Kiplinger, 2025; Roan Capital Partners, 2025).
- **Impact:** Microsoft’s performance and forward guidance could significantly influence the Technology sector’s trajectory, given its role in AI and cloud computing.

Meta Platforms (Wednesday, July 30):

- **Expectations:** Projected earnings of \$5.21 per share (+12.3% YoY) on revenue of \$39.2 billion (+19.8% YoY). Strong digital advertising and AI investments are expected to drive results, but guidance on AI spending and regulatory pressures will be closely watched (Kiplinger, 2025).
- **Impact:** Meta’s report could reinforce Communication Services’ leadership in Q2 earnings growth, with positive surprises potentially lifting sector peers.

Apple (Thursday, July 31):

- **Expectations:** Analysts expect earnings of \$1.41 per share (+0.7% YoY) on revenue of \$90.7 billion (+5.7% YoY), slightly below consensus estimates. Solid iPhone sales and services growth are anticipated, but tariff impacts on supply chains and cautious guidance could weigh on sentiment (Kiplinger, 2025; Roan Capital Partners, 2025).

- **Impact:** Apple's report is pivotal for Technology sector momentum, with potential to affect broader market valuations given its index weight.

Amazon (Thursday, July 31):

- **Expectations:** Forecasted earnings of \$1.32 per share (+4.8% YoY) on revenue of \$162.0 billion (+9.5% YoY). Strength in retail, advertising, and Amazon Web Services (AWS) is expected, but a cautious Q3 outlook due to tariff uncertainties and rising Project Kuiper expenses could temper optimism (Kiplinger, 2025).
- **Impact:** Amazon's results could drive market sentiment, particularly if AWS growth exceeds expectations, though tariff-related costs may pressure margins.

Other Notable Reports:

- **Financials:** Goldman Sachs, Morgan Stanley, American Express, Bank of America, Citigroup, Travelers, and Wells Fargo are expected to report, with focus on Capital Markets and Insurance sub-sectors. Analysts anticipate mixed results, with Capital Markets (11% growth) offsetting Bank declines (FactSet, 2025d; Roan Capital Partners, 2025).
- **Industrials and Technology:** FedEx, Micron Technology, and Nike are expected to provide early insights into economic activity, with reports likely in late July. Their guidance will be critical for assessing tariff impacts and consumer demand (Roan Capital Partners, 2025).
- **Consumer Goods:** Procter & Gamble (P&G) is projected to report earnings of \$1.42 per share (+1.4% YoY) on revenue of \$20.9 billion (+2% YoY). Investors will focus on P&G's full-year guidance, expected to reflect muted market growth and limited tariff impact (Kiplinger, 2025).

Critical Analysis

The Q2 2025 earnings season reflects resilience despite macroeconomic headwinds, with 80% of companies beating EPS estimates, driven by Communication Services and Technology. The “Magnificent 7” continue to play an outsized role, with their projected 14.1% earnings growth contrasting with the broader index’s 3.4% (Edward Jones, 2025). However, the 6.4% blended EPS growth, while above estimates, is the lowest since Q4 2023, reflecting tariff-related pressures and economic slowdown, particularly in Energy (-25%) and Materials (-12%) (RIA, 2025). The elevated forward P/E ratio of 22.4 suggests stretched valuations, leaving little room for disappointment, especially from tech giants this week (FactSet, 2025c). Tariff uncertainties, with an effective U.S. tariff rate projected to rise to 13%, could shave 1-2% off EPS growth per 5 percentage point increase, posing risks to future quarters (Goldman Sachs, 2025). The strong earnings surprise rate and historical trends suggest potential for a final growth rate of 9.5% or higher, but negative guidance from key firms could trigger volatility (FactSet, 2025b). Investors should monitor this week’s reports for insights into AI investment, tariff pass-through, and consumer demand, particularly from Microsoft, Apple, Amazon, and Financials.

Conclusion

The S&P 500 Q2 2025 earnings season has shown solid performance, with a 6.4% YoY EPS growth and 4.4% revenue growth, driven by strong beats in Communication Services, Financials, and Technology. Significant overperformances from firms like Fortrea and Medpace contrast with underperformances in Energy, Materials, and select technology stocks like Tesla and Texas Instruments. This week’s reports from Microsoft, Meta, Apple, Amazon, and major Financials firms are critical, with potential to shape market direction amid high valuations and tariff concerns. While the season has exceeded expectations, cautious guidance and macroeconomic risks could challenge the market’s upward momentum. Investors should focus on forward guidance and sector-specific trends to navigate potential volatility.

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