Equity Insights

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Q2 2025 Earnings Season To Date:

Key bullet points summarizing the S&P 500's Q2 2025 earnings season:

•**Robust Earnings Surprises:** 82% of reported companies beat EPS estimates—well above the 5- and 10-year averages.
•**Earnings Growth:** The S&P 500 shows a blended year-over-year earnings growth rate of 10.3%, marking the third consecutive quarter with double-digit gains.
•**Strong Revenue Growth:** 79% of companies exceeded revenue expectations with an aggregate revenue growth of 6.0%.
•**Sector Leaders:**

- Communication Services (+40.7% earnings growth, highest sector)
- Information Technology (+21.1%, especially strong in Semiconductors)
- Financials (+12.8%, led by insurance and consumer finance; banks slightly negative)

•**Laggard Sectors:**

- Energy (-20.3%, primarily due to lower oil prices)
- Materials (-5.0%, negative surprises in Dow, International Paper)
- Utilities (+0.3%, sharply lower than earlier projections)

•**Net Profit Margins:** S&P 500 blended net margin at 12.7%, with notable gains in Communication Services, Financials, and Information Technology.
•**Market Valuation:** Forward P/E ratio at 22.2, above historical averages, reflecting both strong earnings growth and elevated valuations.
•**Corporate Execution:** Magnitude and breadth of positive surprises point to strong corporate performance, especially in tech and consumer-oriented sectors.

Bottom Line:

- Strength in tech, communications, and finance is driving the index.
- Energy remains the biggest drag.
- Overall market is growing at a historically high pace, albeit at elevated valuations.

Market Technicals – Entering seasonally weak month(s)

1. **Market Correction Still Ongoing** - While there could be a short-term rally soon due to oversold conditions, it is believed the larger market decline is not yet over.

2. **Decline Started in Early July** - The current market weakness began just after July 4th, not in the last few days. Most stocks stalled around that time, even if major indexes only recently dropped sharply.

3. **Breadth Indicators are Weak** - The Overbought/Oversold Oscillator is well below zero, pointing to persistent weakness. Breadth (number of advancing minus declining stocks) has been negative for most of the past week.

4. **Short-Term Oversold Conditions Approaching** - By midweek, markets are likely to be short-term oversold, potentially setting the stage for a rebound.

5. **New Lows Expanding** - The number of stocks making new lows is increasing, both on a 10-day and 20-day moving average basis, which suggests selling is not yet exhausted.

6. **Sentiment Indicators Aren't Extreme Yet** - The put/call ratio is rising, showing some caution among investors, but has not reached levels that typically mark a major sentiment shift (usually above 0.95).

7. **Intermediate-Term Indicators Not Oversold** - Despite recent selling, longer-term indicators aren't signaling a bottom.

<u>Summary:</u>
Short-term, the market is approaching oversold levels and may experience a bounce, but broader technical signals and continuing expansion in new lows mean the overall decline likely isn't finished. Keep an eye on support levels and sentiment indicators and watch for contraction in new lows before looking for a true market bottom.

Portfolio Company Earnings the Week of 7/21– VZ, EQT, IBM

7/21:

Verizon, VZ, $42.88, Div. Yield 6.34%, Ex. Div. Date 7/10/25:

EPS Estimate: $1.19

EPS Actual: $1.22, 2.59% surprise

Price targets are $42-$58

Strong quarter with record results: Verizon beat expectations on revenue, profitability, and free cash flow. Guidance increased for 2025 across key metrics, reflecting management's confidence in operational and financial discipline. AI, digital, and network investments are supporting growth and retention, offsetting some persistent industry headwinds. Broadband and fixed wireless remain bright spots, with expansion into new segments and markets bolstering growth.

7/22:

EQT Corp, EQT, $52.34, Div. Yield 1.17%, Ex. Div. Date 8/6/25:

EPS Estimate: $0.40

EPS Actual: $0.45, 11.57% surprise

Price targets are $42-$75

EQT delivered robust Q2 2025 results with record production, strong free cash flow generation, and materially improved profitability, executing well on its operational and capital efficiency goals. The company continues to build a platform for future growth with strategic acquisitions, disciplined financial management, and resolution of legacy issues.

7/23:

International Business Machines Corp, IBM, $250.09, Div. Yield 2.65%, Ex. Div. Date 8/8/25:

EPS Estimate: $2.65

EPS Actual: $2.80, 5.47% surprise

Price targets are $198-$350

IBM raised full-year guidance: now projecting free cash flow above $13.5B for 2025. Hardware performance, especially mainframe (z17), provided a key revenue boost even as software revenue came in strong but slightly below some bullish forecasts. Consulting segment remains steady, focused on supporting client digital transformation with AI. IBM continues to invest in next-generation tech (quantum computing, security, hybrid cloud), with ongoing acquisitions (e.g., Hakkoda) to deepen AI and data capabilities.

Portfolio Company Earnings the Week of 7/21, Cont'd– TSLA, URI, HON

7/23 Cont'd:

Tesla, TSLA, $302.74:
EPS Estimate: $0.40
EPS Actual: $0.40, -1.11% surprise
Price targets are $115-$500

Tesla launched its pilot Robotaxi service in Austin and plans to expand it (with human drivers) to San Francisco Bay Area soon. Broader rollout and regulatory approvals are ongoing, plans for a fully driverless "Cybercab" entering volume production in 2026, Initial production of a more affordable vehicle ("Model 2") began in June. By end of 2025, the company targets its autonomous ride-hailing service to cover about half the U.S. population, pending approvals. Tesla confirmed a multi-billion dollar deal with Samsung for the production of its next-generation AI chips. Preparation is underway for mass deployment of products like Optimus (Tesla's humanoid robot) and Cybercab in coming years.

7/24:

United Rentals, URI $859.98, Div. Yield 0.81%, Ex. Div. Date 8/13/25:
EPS Estimate: $10.54
EPS Actual: $10.47, -0.62% surprise
Price targets are $592-$1,225

United Rentals delivered strong Q2 results—record rental revenue, raised guidance, increased shareholder returns—despite margin pressures from rising costs and market normalization in used equipment sales. Raised dividend.Management expects continued growth, focusing on specialty rental, digital transformation, and selective M&A.

Honeywell, HON, $217.76, Div. Yield 2.03%, Ex. Div. Date 8/15/25:
EPS Estimate: $2.66
EPS Actual: $2.75, 3.49% surprise
Price targets are $210-$290

Honeywell delivered a strong Q2, exceeding its own forecasts on sales and profit, raised its full-year outlook, and continued strategic actions, including M&A, divestitures, and preparations for a three-way separation. Building Automation remains a standout, while some margin pressure appeared in Aerospace and Energy. Investors are watching for spin-off progress and signs of margin recovery.

Portfolio Company Earnings the Week of 7/28– ABBV, AMZN, AAPL

7/31:

Abbvie, ABBV, $195.16, Div. Yield 3.47%, Ex. Div. Date 7/15/25:
EPS Estimate: $2.91
EPS Actual: $2.97, 2.14% surprise
Price targets are $207-$236
AbbVie delivered robust revenue and adjusted EPS growth in Q2, powered by immunology and neuroscience franchises. Strong execution enabled another raise in annual guidance despite Humira's erosion and softness in aesthetics. Strategic pipeline advances and approvals further underscore AbbVie's emphasis on innovation and diversification as it enters the second half of 2025 with strong operating momentum. Targets raised across the street.

Amazon, AMZN, $214.80:
EPS Estimate: $1.32
EPS Actual: $1.68, 27.66% surprise
Price targets are $245-$265
Amazon posted another strong beat on revenue and earnings, powered by AWS and operational improvements in both North America and international markets. However, a cloud margin dip, fierce competition, mixed profit guidance, and worry about heavy investments tempered investor enthusiasm. Analysts believe upside is underestimated. Targets raised (mostly) across the street.

Apple, Inc., AAPL, $202.31, Div. Yield 0.50%, Ex. Div. Date 5/12/25:
EPS Estimate: $1.43
EPS Actual: $1.57, 9.48% surprise
Price targets are $245-$255
Apple posted its strongest quarterly growth in over three years, driven by robust iPhone and services demand, solid performance in international markets, and continued innovation in both hardware and software. The company's broad-based operational strength—and more clarity on its AI direction—helped offset investor worries about tariffs and competition. CEO Tim Cook just laid out the biggest, greatest, most clearly defined roadmap ever seen, saying point blank that Apple views "AI as one of the most profound technologies of our lifetime, and we are significantly growing our investments." Targets raised across the street.

Portfolio Company Earnings the Week of 7/28– SCCO, XOM

7/31 Continued:
Southern Copper Corporation, SCCO, $91.59, Div. Yield 3.40%, Ex. Div. Date 8/15/25:
EPS Estimate: $1.11
EPS Actual: $1.22, 9.60% surprise
Price targets are $67-$130
Southern Copper delivered steady profit growth and margin expansion on the back of sharp cost management and strong by-product revenue. This occurred despite lower copper volumes and weaker pricing. The company increased its dividend and maintained a disciplined approach to both spending and expansion plans. Management's outlook emphasizes long-term copper demand—especially from decarbonization and AI trends—though global trade risks remain in focus. Strategic demand from electrification and AI infrastructure offers long-term support, but short-term swings are increasingly governed by trade policy and speculative trading. **U.S. President Donald Trump's planned 50% copper tariffs will include all refined copper, semi-final copper imports. – this is a much watch.**

8/1:
Exxon, XOM, $109.62, Div. Yield 3.55%, Ex. Div. Date 5/15/25:
EPS Estimate: $1.56
EPS Actual: $1.64, 4.93% surprise
Price targets are $95-$140
While ExxonMobil delivered a quarter that exceeded estimates on both earnings and revenue and achieved record production, year-over-year profits fell due to softer commodity prices. The company continues to return substantial capital to shareholders and is on track with major project and cost-saving milestones. Investors remain focused on execution, asset mix improvements, and Exxon's ability to grow earnings in a more challenging oil price environment.

Portfolio Company Earnings the Week of 8/4– PLTR, SPG, PFE, AMGN

8/4:
Palantir, PLTR, $154.32:
EPS Estimate: $0.14
Price targets are $40-$178
New markets, new clients, new technologies, new partnerships? No one would be upset if you took some gains off the table.

Simon Property, SPG, $160.66, Div. Yield 5.13%, Ex. Div. Date 6/9/25:
EPS Estimate: $1.56
Price targets are $160-$200
Retail REITs continue to hang in there, but there are growing concerns around the consumer and headline risk.

8/5:
Pfizer, PFE, $23.46, Div. Yield 7.39%, Ex. Div. Date 7/25/25:
EPS Estimate: $0.57
Price targets are $23-$38
Pharmas weak after Trump admin announced drug pricing letters sent to CEOs. UK judge found MRNA's patent valid and infringed by PFE. (No further details yet). High, stable yield, attractive valuation, expanding pipeline, operational efficiency. Tend to be defensive during market downturns. Play on AI advancement on drug development.

Amgen, AMGN, $296.81, Div. Yield 3.23%, Ex. Div. Date 5/16/25:
EPS Estimate: $5.28
Price targets are $185-$400
One of the world's largest biotech companies with a diversified product portfolio, rising earnings estimates, robust cash flow, and a pipeline focused on high-growth therapeutic areas including cardiovascular disease and obesity. The company also offers a modest dividend yield (around 3.1%), indicating a commitment to shareholder returns. May be priced to perfection.

Portfolio Company Earnings the Week of 8/4, cont'd- KTOS, SHOP, EOG

8/6:

Kratos Defense & Security Solutions, KTOS, $56.76:
EPS Estimate: $0.09
Price targets are $37-$78
Operation Spiderweb (FY25 national defense budget request), signed new deal with Champion Tire & Wheel (driverless trucking technology), margin expansion opps and 20-30% revenue growth annually through 2030 expected.

Shopify, SHOP, $118.61:
EPS Estimate: $0.29
Price targets are $85-$155
Mixed reports heading into earnings, some say priced to perfection, some say increases in e-comm strength and exposure to international and enterprise markets may help drive a beat.

8/7:

EOG Resources, EOG, $116.62, Div. Yield 3.40%, Ex. Div. Date 10/17/25:
EPS Estimate: $2.20
Price targets are $118-$170
Concerns for depressed oil prices weigh on the sector. If any major source is taken out (Russia?), will the Saudis step in to take their market share or will we see prices increase? (Potential tailwind)

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