MARKETS

Wall Street Is Punishing Stocks When Earnings Fail to Sparkle

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The market isn't far from all-time highs and many experts would argue that stocks are priced for perfection. That is a problem because top companies like Meta Platforms ↓ META -2.42% and Chipotle are reporting earnings and issuing outlooks that are a little less than perfect.

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According to data from FactSet, S&P 500 companies reporting negative earnings surprises so far in the third quarter have fallen an average of 5.4% in response. That compares with an average of 2.6% over the past five years.

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What is more, companies aren't getting rewarded as much for good news. Sure, there are isolated examples with hot stocks like fuel-cell provider Bloom Energy, which popped nearly 20% after posting stronger-than-expected results and an upbeat outlook. Amazon also surged Friday thanks to its stellar quarter and solid guidance. But FactSet said that the average price increase following a positive earnings surprise so far this quarter is just 0.3%, compared with the five-year average of 0.9%.