FIRST TRUST ECONOMICS

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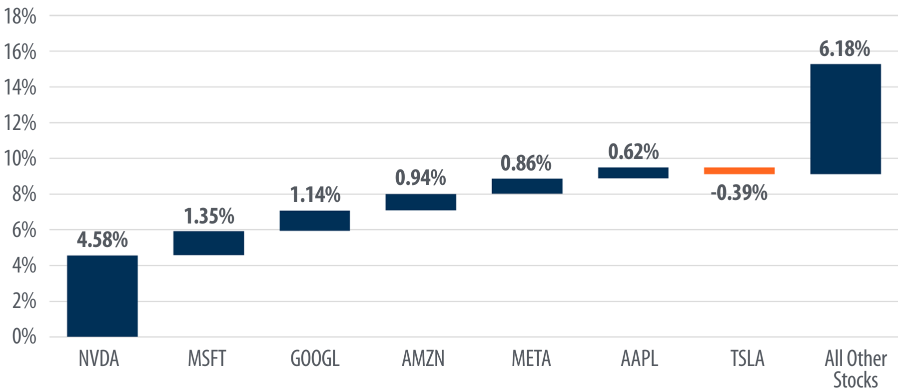
This week's edition of "Three on Thursday" focuses on the S&P 500 Index's performance in the first half of 2024. As a widely respected barometer for the overall stock market, the S&P 500 Index tracks the performance of 500 of the largest companies listed on U.S. stock exchanges. The Index uses a market-cap weighting approach, giving a higher percentage allocation to companies with larger market capitalizations, adjusted for the number of publicly traded shares. In the first half of the year, the S&P 500 Index achieved a remarkable total return of 15.3%, reaching all-time highs 31 times during this period, with a maximum drawdown of only 5.8%. An exceptional first half, indeed! Below are three insightful charts that provide a deeper understanding of the events that shaped this extraordinary first half of the year.

S&P 500 Index 1H 2024 Attribution



Source: Capital IQ, First Trust Advisors. Data from 12/31/23 – 6/28/24.

The "Magnificent 7" companies – Apple, Nvidia, Microsoft, Amazon, Tesla, Alphabet, and Meta – which currently hold a combined 29.5% weighting in the S&P 500 Index, accounted for 59.6% of the Index's 15.3% total return in the first half of 2024. Nvidia stood out with an impressive 149.5% increase, leading the group in contribution. However, not all members of this elite cohort saw positive growth; Tesla experienced a decline of 20.4%, detracting 0.39 percentage points from the market's overall performance and slipping to the eleventh position by market capitalization, with Berkshire Hathaway replacing it in the seventh slot. If Berkshire Hathaway replaced Tesla in the Magnificent 7, the new group's contribution to the overall market return for the first half of 2024 would increase to 63.7%.

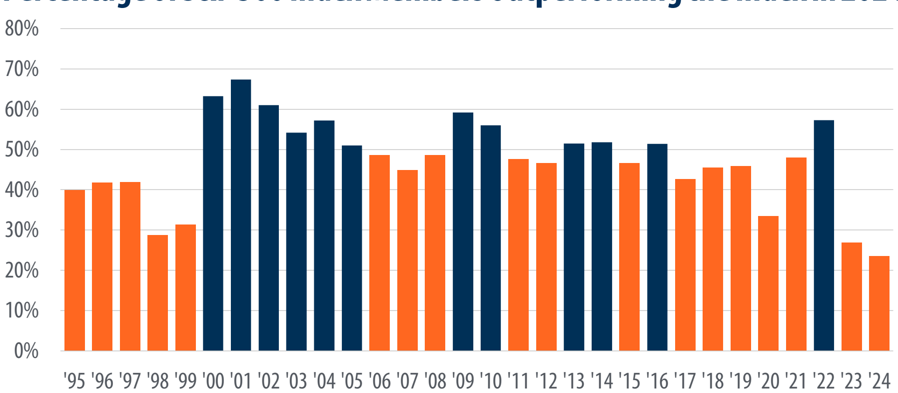
The Magnificent Seven's Impact on the S&P 500 Index

Company Name	Share of S&P 500 Index Earnings Growth (Last 12M)	Share of S&P 500 Index Price Gain (Last 12M)
NVIDIA Corporation	**24.6%**	**30.0%**
Amazon.com, Inc.	**19.3%**	**6.2%**
Meta Platforms, Inc.	**13.8%**	**5.6%**
Alphabet Inc.	**13.4%**	**7.5%**
Microsoft Corporation	**11.1%**	**8.8%**
Apple, Inc.	**3.4%**	**4.1%**
Tesla, Inc.	**1.2%**	**-2.5%**
Mag 7 Total	**86.7%**	**59.6%**
Rest of S&P 500 Index	**13.3%**	**40.4%**
Total	**100%**	**100%**

Source: Capital IQ, First Trust Advisors. Data through 6/28/24.

Although the S&P 500 Index gains have been predominantly driven by the Magnificent 7, it is essential to also consider earnings. Over the past year, the Magnificent 7 have contributed 86.7% to the S&P 500 Index's earnings growth but only 59.6% to its price gain. Five of these seven companies have seen a higher contribution to the Index's earnings growth compared to their share of S&P 500 Index price gain. For example, Amazon accounted for 19.3% of the S&P 500 Index's earnings growth over the past year but only 6.2% of its price gain. While the market gains have been narrow, the concentration in earnings growth has been even more pronounced.

Percentage of S&P 500 Index Members Outperforming the Index in 2024



Source: Capital IQ, First Trust Advisors. Data as of 6/28/2024.

In 2023, market advances were very concentrated, with a mere 27% of firms within the S&P 500 Index surpassing the Index's performance. The first half of 2024 showed even further narrowing with just 24% of companies in the Index outperforming the overall Index. The proportion of companies surpassing the Index is the lowest going back to 1995 and significantly below the 29-year average of 48%, indicating that the market remains unprecedentedly narrow. However, with earnings expected to accelerate outside of the "Magnificent 7" in the second half of the year, there is hope for some market broadening on the horizon.