THREE ON THURSDAY

First Trust

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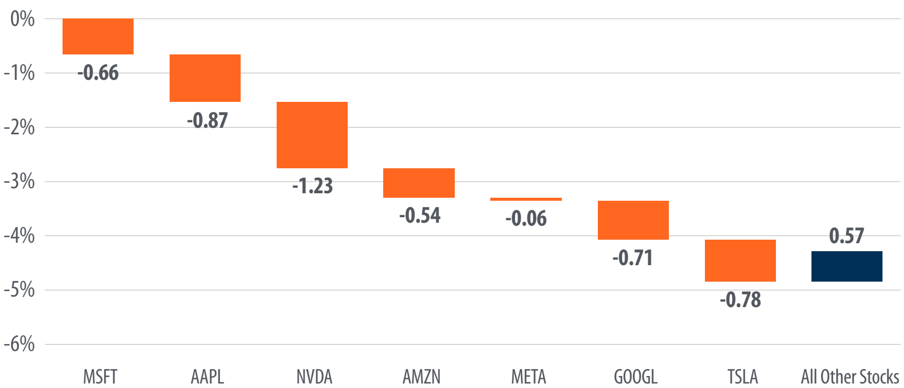
S&P 500 Index in Q1: The Quiet Strength Beneath a Weak Quarter

This week's edition of "Three on Thursday" looks at the S&P 500 Index over the first quarter of 2025. Widely regarded as a 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 S&P 500 Index adopts a market-cap weighting approach, allocating a higher percentage of the Index to companies with larger market capitalizations, adjusting for the number of shares available to trade publicly. In the first quarter, the S&P 500 Index delivered a total return of -4.3%, the worst quarterly return since the third quarter of 2022. As of yesterday's close, the S&P 500 Index is now off 7.5% on a total return basis since hitting its all-time high on February 19th of this year. But the picture looks much different under the surface. Below are three charts to offer a fuller picture of the events that unfolded in the first quarter.

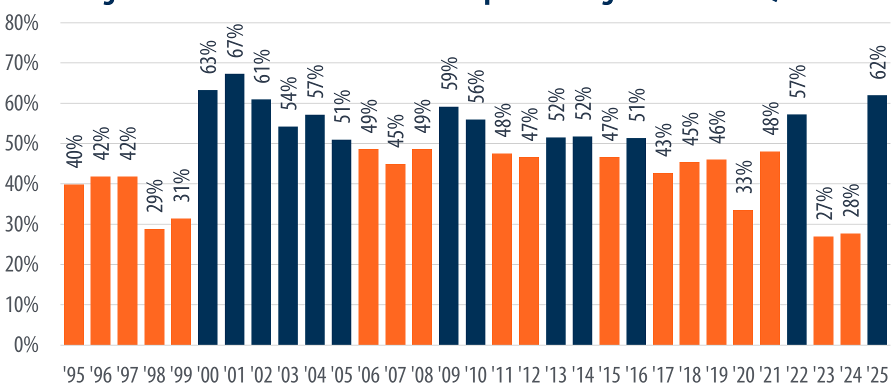
S&P 500 Index Q1 2025 Attribution (Percentage Points)



Source: Bloomberg, First Trust Advisors. Data from 12/31/24 – 3/31/25.

The "Magnificent 7" — Apple, Nvidia, Microsoft, Amazon, Tesla, Alphabet, and Meta — currently make up a hefty 32.0% of the S&P 500 Index. Yet in Q1, they were anything but magnificent. Collectively, these seven stocks accounted for the entire 4.3% drop in the total return of the S&P 500 Index for the quarter, with each one posting a loss. Tesla led the declines with a steep 35.8% drop, while Nvidia fell 19.3%, subtracting 1.2 percentage points from the S&P 500 Index on its own — the largest single negative contributor. In stark contrast, the remaining 493 companies in the index contributed a positive 0.6 percentage points to the overall return, highlighting how concentrated performance among the market's giants continues to drive broader index moves.

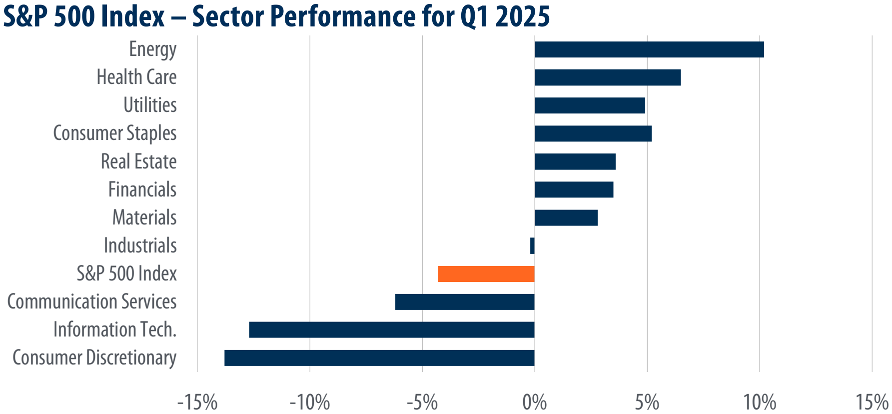
Percentage of S&P 500 Index Members Outperforming the Index in Q1 2025



Source: Capital IQ, First Trust Advisors. Data from 12/31/94 – 3/31/25.

In 2023, only 27% of stocks outperformed the S&P 500 Index, making it the narrowest market since at least 1995. The trend continued in 2024, with just 28% of stocks beating the index—marking the second narrowest year in nearly three decades. Such extreme concentration hasn't been seen since 1998 and 1999. However, after that period in the late '90s, the market broadened out significantly over the following years. So far through the first quarter we have seen just that with 62% of members outperforming the overall index. 238 members saw positive gains in Q1 led by CVS Health Corp, which grew 52.8%.

S&P 500 Index – Sector Performance for Q1 2025



Source: Bloomberg, First Trust Advisors. Data from 12/31/24 – 3/31/25.

If you have adhered to the advice of financial professionals (and we believe you should) and built a highly diversified portfolio, there's a good chance your performance outpaced the S&P 500 Index in Q1. While the overall index posted a negative return, seven of its eleven sectors delivered positive results. Leading the way was the Energy sector, which climbed 10.2% for the quarter. Of its 23 constituent companies, 19 posted gains. On the flip side, Consumer Discretionary was the worst-performing sector, falling 13.8% in Q1. Among its 52 members, 36 ended the quarter in negative territory, dragging down the sector's overall performance.