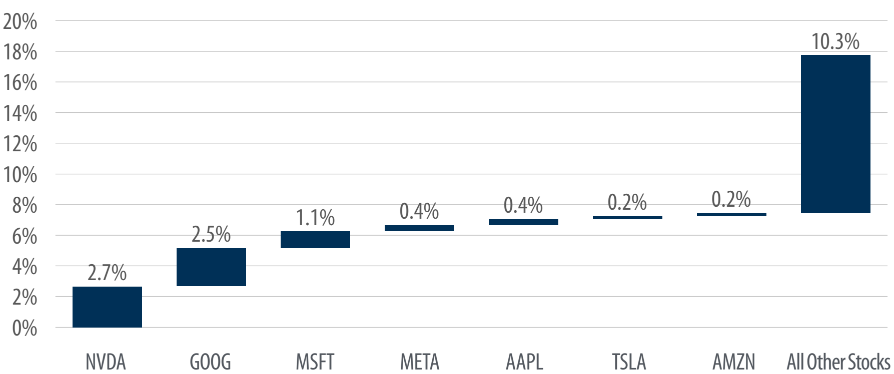
January 8, 2026

The S&P 500 Index 2025 Recap

It's been a remarkable run for the S&P 500 Index (the "Index"), and 2025 was no exception. After surging 26.3% in 2023 and 25.0% in 2024, the Index followed up with a total return of 17.9% in 2025—capping three consecutive years of exceptional performance. This week's edition of Three on Thursday takes a closer look at the S&P 500 Index in 2025. Widely viewed as the benchmark for the U.S. equity market, the Index tracks 500 of the largest publicly traded companies and is weighted by market capitalization, giving greater influence to the biggest firms. While the year ended strongly, the path was anything but smooth. The S&P 500 Index experienced significant volatility along the way, including an almost 19% decline during the first half of the year before rebounding to finish well in the green. Below are three charts to offer a fuller picture of the events that unfolded in 2025.

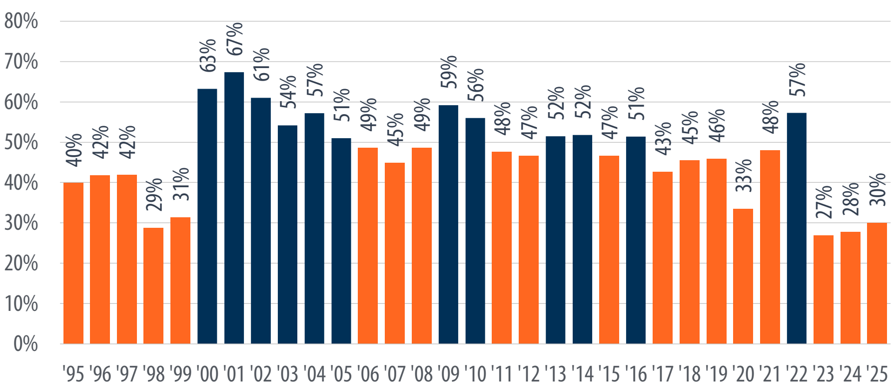
S&P 500 Index 2025 Attribution (Percentage Points)



Source: Capital IQ, First Trust Advisors. Data from 12/31/24 - 12/31/25.

The "Magnificent 7"—Apple, NVIDIA, Microsoft, Amazon, Tesla, Alphabet, and Meta—carried a combined weighting of 32.9% in the S&P 500 Index during 2025, yet accounted for 42.5% of the Index's 17.9% total return. Some broadening is occurring as this marked the first time since 2021 that the group contributed less than half of the market's annual returns. NVIDIA once again delivered the largest contribution, rising 38.9% on the year and adding 2.7 percentage points to the S&P 500 Index's total return. That said, Alphabet posted the strongest performance of the seven, surging 66.0% in 2025. The composition of the "Magnificent 7" no longer perfectly reflects the seven largest companies in the Index by market capitalization. Broadcom has now surpassed Tesla, effectively taking the seventh spot. If Broadcom were substituted for Tesla, the revised group's contribution to the S&P 500 Index's 2025 return would rise to 47.9%.

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



Source: Capital IQ, First Trust Advisors. Annual data from 1995-2025.

In 2023, only 26.9% of stocks outperformed the S&P 500 Index, making it the narrowest market since at least 1995. The trend continued in 2024, with just 27.7% 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. In 2025, 30.5% of members outperformed the overall Index. A little better, but still the fourth narrowest year since 1995. All said, a total of 319 members posted positive gains in 2025.

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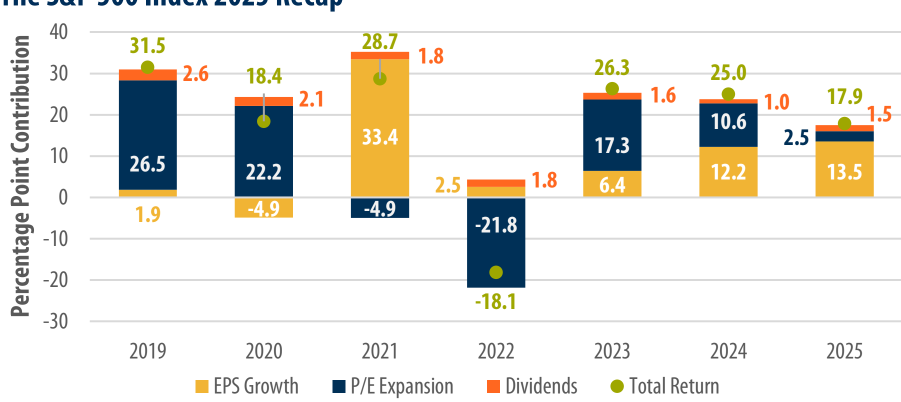

Source: Bloomberg, First Trust Advisors. Annual data from 2019-2025. EPS is earnings per share. P/E is price-to-earnings. Return drivers may not sum exactly to total return because earnings growth and multiple expansion compound rather than add.

The best news in 2025 is that most of the S&P 500 Index's 17.9% total return came from earnings growth. About 13.5 percentage points—over 75% of the gain—was driven by higher earnings-per-share (EPS), with only 2.5 points from price-to-earnings (P/E) expansion and the rest from dividends. This stands in contrast to several of the prior years, when multiple expansion played a much larger role, and marks the strongest earnings-led advance since 2021, when EPS growth more than accounted for the market's 29% return. In short, 2025 was a fundamentals-driven year rather than one fueled by valuation expansion or sentiment.