

Consumer Discretionary Outshining Consumer Staples And The S&P 500

Consumer Stocks vs. the S&P 500 Index
(YTD, 1-Year and Average Annualized Total Returns thru 6/12/18)

Period	S&P 500 Consumer Discretionary Index	S&P 500 Consumer Staples Index	50% Disc./50% Staples	S&P 500 Index
YTD	12.86%	-9.52%	1.16%	5.15%
1-Year	24.54%	-7.07%	7.76%	16.98%
3-Year	14.99%	5.04%	10.07%	12.30%
5-Year	16.70%	7.69%	12.25%	13.90%
10-Year	15.58%	9.22%	12.62%	9.94%
15-Year	11.32%	9.15%	10.45%	9.30%
20-Year	8.66%	6.67%	8.02%	6.76%
25-Year	10.55%	10.06%	10.63%	9.74%

Source: Bloomberg. The 50% Disc./50% Staples average returns reflect a daily calculation. Past performance is no guarantee of future results.

View from the Observation Deck

1. The performance figures featured in today's blog post suggest that investors open to overweighting specific areas of the stock market may want to add consumer stocks to their radar screen, particularly those of a discretionary nature.
2. Why target consumer stocks? Historically, consumer spending has been credited with generating as much as 67% to 70% of U.S. gross domestic product (GDP). That stat is supported by U.S. personal consumption expenditures, which stood at 69.0% at the end of 2017, according to Haver Analytics. One could say that consumption is already inherently overweight in the U.S. economy.
3. As indicated in the chart, the S&P 500 Consumer Discretionary Index outperformed both the S&P 500 Consumer Staples Index and the S&P 500 Index in each of the eight periods.
4. The 50/50 split outperformed the S&P 500 Index in 4 of the 8 periods, but not in any of the periods within the past five years.
5. Perhaps one of the main reasons why Consumer Discretionary has outperformed Consumer Staples, its more defensive counterpart, is fact that economic expansions in the U.S. tend to last much longer than economic contractions. From 1945 through 2009, the average length of an expansion was 58.4 months, compared to 11.1 months for the average contraction, according to the National Bureau of Economic Research.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks (currently 505) used to measure large-cap U.S. stock market performance. The S&P 500 Consumer Discretionary Index is a capitalization-weighted index comprised of companies spanning 30 subsectors in the consumer discretionary sector. The S&P 500 Consumer Staples Index is a capitalization-weighted index comprised of companies spanning 12 subsectors in the consumer staples sector.

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