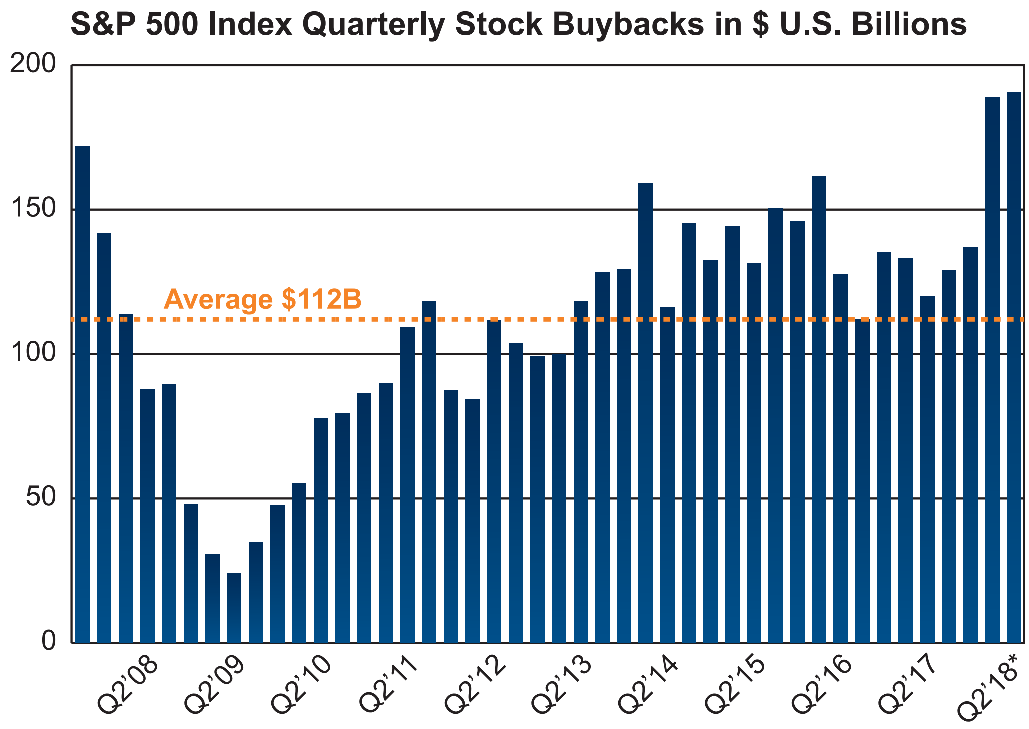
S&P 500 Index Companies Set Stock Buyback Record in Q2'18



Source: S&P Dow Jones Indices. Q3'07 - Q218. *Q2'18 is preliminary.

View from the Observation Deck

1. Stock buybacks are one way that a company can return capital to shareholders, particularly those companies that reduce outstanding share count.
2. Companies with excess cash can also spend it on such things as capital expenditures, stock dividends, mergers and acquisitions and research and development.
3. We chose Q3'07 as the start date for the period depicted in the chart because prior to Q1'18 and Q2'18 it stood as the biggest quarter ever for S&P 500 Index buybacks at $172.0 billion, according to S&P Dow Jones Indices.
4. S&P 500 Index buybacks totaled an all-time high of $190.62 billion (preliminary total) in Q2'18, up 0.8% from the $189.05 billion executed in Q1'18 (previous record) and up 58.7% from the $120.11 billion spent on buybacks in Q2'17, according to S&P Dow Jones Indices.
5. Goldman Sachs expects S&P 500 Index buybacks to exceed $1 trillion for the first time in 2018, according to MarketWatch. For the 5-year period ended 6/30/18, S&P 500 Index buybacks totaled $2.82 trillion, according to S&P Dow Jones Indices.
6. Critics of companies repurchasing sizable chunks of their own stock often say that they would rather see management invest that money back into the company instead. In the current climate, it may be possible to have one's cake and eat it too.
7. Corporate profits are so robust these days that capital expenditures are also on the rise. Goldman Sachs reported that capital spending by S&P 500 companies totaled $341 billion in the first half of 2018, up 19.2% from the $286 billion posted in the first half of 2017. If companies maintain the current pace, it would mark the fastest growth in capital spending in at least 25 years, according to MarketWatch.