S&P 500 Index Stock Buybacks Surged In 2018

This chart is for illustrative purposes only and not indicative of any actual investment. 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, while the 11 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector. The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial advisors are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

1. S&P 500 Index stock buybacks totaled an all-time high of $806.4 billion in 2018, up 55.3% from the $519.4 billion spent in 2017, according to S&P Dow Jones Indices.

2. S&P Dow Jones Indices also reported that S&P 500 Index companies spent $2.99 trillion and $4.70 trillion on buybacks, respectively, for the five- and 10-year periods ended 12/31/18 (not shown in chart).

3. As indicated in the chart, Information Technology was by far the most active sector with respect to buyback activity in 2018. Technology companies repurchased stock valued at $278.5 billion, up 134.4% from the $118.8 billion spent in 2017. Tech accounted for 34.5% of total S&P 500 Index buybacks in 2018. Financials and Health Care followed with buybacks totaling $150.1 billion and $108.7 billion, respectively.

4. Those politicians and pundits that have been outspoken of late about companies buying back stock as opposed to reinvesting profits back into their businesses should take some solace in knowing that business investment in the U.S. increased substantially in 2018, according to The New York Times.

5. It reported that U.S. companies overall invested nearly $3 trillion in the economy in 2018, including $460 billion in research and development. Ironically, the companies executing the largest buybacks also happen to be the ones doing the most capital investment, according to its analysis of Securities and Exchange Commission filings of S&P 500 companies.