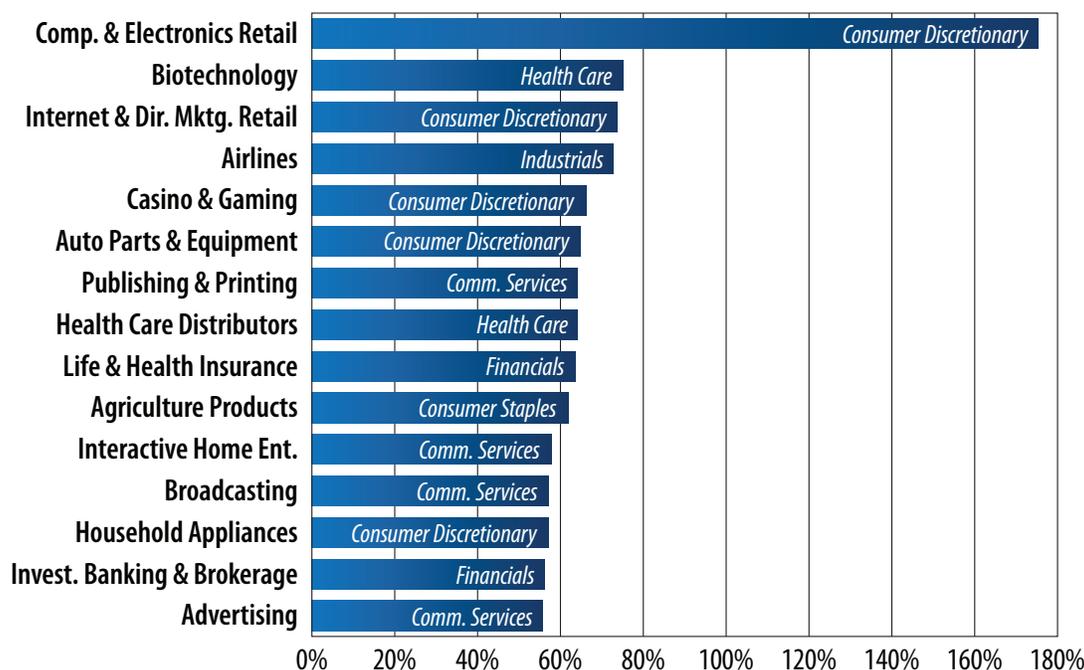


A Look Back At The Top-Performing S&P 500 Index Subsectors In 2013

Top 15 S&P 500 Index Subsector Total Returns (12/31/12-12/31/13)



Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's blog post drills down below the sector level to see what performed well in the stock market during a period in which the yield on the 10-year Treasury Note (T-note) rose significantly.
2. We chose 2013 because it somewhat resembled the current climate with respect to the potential for future rate hikes by the Federal Reserve ("Fed"), perhaps starting in 2022, and the move higher in the 10-year T-note yield.
3. While the Fed did not raise its federal funds target rate in 2013 (remained at 0.25%), due to some signs of a strengthening economy, the yield on the 10-year T-note rose from 1.76% to 3.03%, according to Bloomberg. While its yield closed at 1.35% on 12/3/21, it closed as high as 1.70% in October 2021 (10/21), which was in the vicinity of its 1.76% yield at the start of 2013.
4. The S&P 500 Index is currently comprised of 11 sectors and 124 subsectors, according to S&P Dow Jones Indices.
5. As indicated in the chart above, Consumer Discretionary and Communication Services had five and four subsectors, respectively, on the list. Keep in mind, some of the companies in the communication services sector were transferred over from the consumer discretionary sector in 2018.
6. Ironically, as of 12/3/21, the sector with the highest consensus estimated year-over-year earnings growth rate for 2022 was consumer discretionary at 47.1%, according to Bloomberg. The second-highest was Industrials at 36.7%. The S&P 500 Index's estimate was 7.9%.
7. The 15 top-performing subsectors in the chart, which are still active today, posted total returns ranging from 55.6% (Advertising) to 175.3% (Computers & Electronics Retail).
8. With respect to the 11 sectors, 10 of them posted positive total returns in 2013.
9. From 12/31/12-12/31/13, the top-performing S&P 500 Index sector indices were consumer discretionary, health care, and industrials, up 43.1%, 41.5% and 40.6%, respectively, on a total return basis, according to Bloomberg. The S&P 500 Index posted a total return of 32.4% for the period.
10. There are a growing number of packaged products, such as exchange-traded funds, that feature S&P 500 subsectors.

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 an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance, while the S&P sector and subsector indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector or industry.

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