

# Cash Flow and Carey



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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 companies used to measure large-cap U.S. stock market performance. The S&P MidCap 400 Index is a capitalization-weighted index that tracks the mid-range sector of the U.S. stock market. The S&P SmallCap 600 Index is a capitalization-weighted index that tracks U.S. stocks with a small market capitalization. The S&P 500 Equal Weighted Index is the equal-weight version of the S&P 500 Index. The 11 major sector indices are capitalization-weighted and comprised of S&P 500, S&P MidCap 400 and S&P SmallCap 600 constituents representing a specific sector.

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## Sector Performance Via Market Cap

### Large-, Mid- & Small-Cap Total Returns

■ 12/31/21 – 12/30/22 ■ 12/30/22 – 12/29/23

Category	S&P 500		S&P MidCap 400		S&P SmallCap 600	
Index	-18.13%	26.26%	-13.12%	16.39%	-16.15%	15.94%
Comm. Services	-39.89%	55.80%	-20.40%	-7.48%	-34.51%	13.91%
Consumer Disc.	-37.03%	42.30%	-21.03%	24.28%	-27.84%	32.54%
Consumer Staples	-0.62%	0.52%	-0.77%	15.70%	-6.50%	14.96%
Energy	65.43%	-1.42%	36.63%	7.44%	47.62%	4.41%
Financials	-10.57%	12.10%	-3.48%	8.05%	-14.12%	5.15%
Health Care	-1.95%	2.06%	-20.05%	0.52%	-26.32%	-2.38%
Industrials	-5.51%	18.08%	-11.51%	31.32%	-9.52%	31.54%
Info. Tech.	-28.19%	57.84%	-20.47%	28.69%	-22.37%	20.95%
Materials	-12.28%	12.55%	-2.73%	16.53%	-6.09%	19.88%
Real Estate	-26.21%	12.27%	-26.35%	8.60%	-29.50%	7.38%
Utilities	1.56%	-7.08%	-0.15%	-13.21%	-1.84%	-7.49%

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

### View from the Observation Deck

We update today's table on a regular basis to provide insight into the variability of sector performance by market capitalization. As of the close on 12/29/23, the S&P 500 Index stood just 0.56% below its all-time closing high, according to data from Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood 4.44% and 10.08% below their respective all-time highs.

- Large-cap stocks, as represented by the S&P 500 Index ("LargeCap Index"), posted total returns of 26.26% in 2023, significantly outperforming the S&P MidCap 400 ("MidCap Index") and S&P SmallCap 600 ("SmallCap Index") indices, with total returns of 16.39% and 15.94%, respectively, over the period (see table). That said, the tide shifted in November and December of 2023, with mid-cap and small-cap stocks outperforming their large-cap counterparts. The total return of the LargeCap, MidCap, and SmallCap Indices stood at 14.08%, 17.96%, and 22.08%, respectively, over the two-month period.
- Sector performance can vary widely by market cap and have a significant impact on overall index returns. Three of the more extreme cases in 2022 were Health Care, Energy, and Consumer Discretionary. In 2023, the Communication Services and Technology sectors reveal a significant variance of returns across market capitalizations.
- Technology and communication services stocks, the two top-performing sectors in 2023, represented 28.9% and 8.6%, respectively, of the weight of the LargeCap Index at the close of 2023. By comparison, those sectors represented 9.7% and 1.7% of the MidCap Index, and 12.0% and 2.7% of the SmallCap Index, respectively.
- As of the close on 12/29/23, the trailing 12-month price-to-earnings (P/E) ratios of the three indices in today's table were as follows: S&P 500 Index P/E: 22.94; S&P MidCap 400 Index P/E: 17.86; S&P SmallCap 600 Index P/E: 16.34.

### Takeaway

As today's table reveals, market performance can vary widely across market capitalizations and sectors. In 2023, Information Technology and Communication Services were the top performing sectors in the S&P 500 Index, accounting for over 70% of the index's total return during the year. The S&P MidCap 400 and S&P SmallCap 600 Indices also had sectors that clearly outperformed their peers, but none to the level of those in the S&P 500 Index. That said, the table fails to capture a notable change that occurred over the last two months of the year. In November and December alone, the MidCap and SmallCap Indices rose by a staggering 17.96% and 22.08%, respectively, on a total return basis. For comparison, the two-month total return in the LargeCap Index was 14.08%. In addition, the total return of the S&P 500 Equal Weight Index was 16.61% over the same period (not in table). While two months does not make a trend, this data could be a signal that investors are finding value outside of the narrow market of the past year. Over the 10-year period ended 12/29/23, the average monthly P/E ratios for the three indices in today's table were as follows: S&P 500 Index: 20.67; S&P MidCap 400 Index: 21.25, and S&P SmallCap 600 Index: 25.22, according to data from Bloomberg. As of market close on 12/29/23 the P/E ratios for those indices stood at 22.94, 17.86, and 16.34, respectively.