

Cash Flow and Carey



Robert Carey, CFA
Chief Market Strategist

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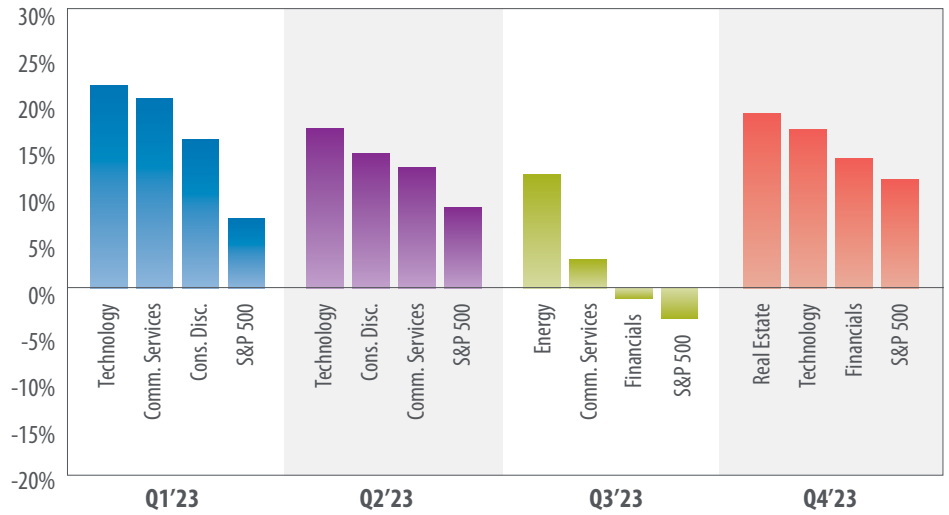


This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. The respective S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector.

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The Only Constant Is Change

Top Three S&P 500 Index Sectors In Each Of The Past Four Quarters



Source: Bloomberg. Returns are total returns. **Past Performance is no guarantee of future results.**

View from the Observation Deck

One of the most common questions we field on an ongoing basis is the following: What are your favorite sectors? Today's blog post is one that we update on a quarterly basis to lend context to our responses. Sometimes the answer is more evident than at other times, and sometimes it only makes sense via hindsight. While the above chart does not contain yearly data, since 2005, only two sectors in the S&P 500 Index have been the top-performer in back-to-back calendar years. Information Technology was the first, posting the highest total return in 2019 (+50.29%) and 2020 (43.89%). Energy was the second, posting the highest total return in 2021 (54.39%) and 2022 (65.43%), according to data from Bloomberg.

- The top-performing sectors and their total returns in Q4'23 were as follows: Real Estate (18.83%), Information Technology (17.17%), and Financials (13.98%). The total return on the S&P 500 Index was 11.68% over the period. The other eight sectors generated total returns ranging from 13.00% (Industrials) to -6.99% (Energy).
- By comparison, the top-performing sectors, and their total returns in Q4'22 and were as follows: Energy (22.74%), Industrials (19.18%), and Materials (15.05%). The worst-performing sectors for the period were: Real Estate (3.82%), Communication Services (-1.38%), and Consumer Discretionary (-10.18%).
- Advancements in artificial intelligence (AI) were a catalyst to the S&P 500 Information Technology and Communication Services Indices in 2023. The total returns for the Information Technology and Communication Services Indices were 57.84% and 55.80%, respectively, during the calendar year.
- The S&P 500 Index posted a total return of 26.26% in 2023. Nine of the eleven major sectors that comprise the index were positive on a total return basis.
- [Click here](#) to access the post featuring the top-performing sectors in Q1'22, Q2'22, Q3'22 and Q4'22.

Takeaway

As we can observe from today's chart, while the top-performing sectors often vary from quarter to quarter, technology and energy stocks claimed the top spot in three of the past four quarters. Developments in AI continue to bolster revenue expectations for Technology companies. As of 12/29/23, data from Bloomberg revealed that revenues for the companies that comprise the S&P 500 Technology Index are forecast to grow by 8.2% in 2024. The figure represents the highest year-over-year revenue growth estimate of the eleven sectors that comprise the broader S&P 500 Index. Revenue growth estimates for the S&P 500 Health Care Index, which is notably absent from today's chart, came in second at 6.2%. The S&P 500 Information Technology and Health Care Indices also boast the highest year-over-year earnings growth rate estimates for 2024, coming in at 17.7% and 17.5%, respectively. Will a different sector rise to the top in the first quarter of 2024? We look forward to seeing what the data reveals.