

Cash Flow and Carey



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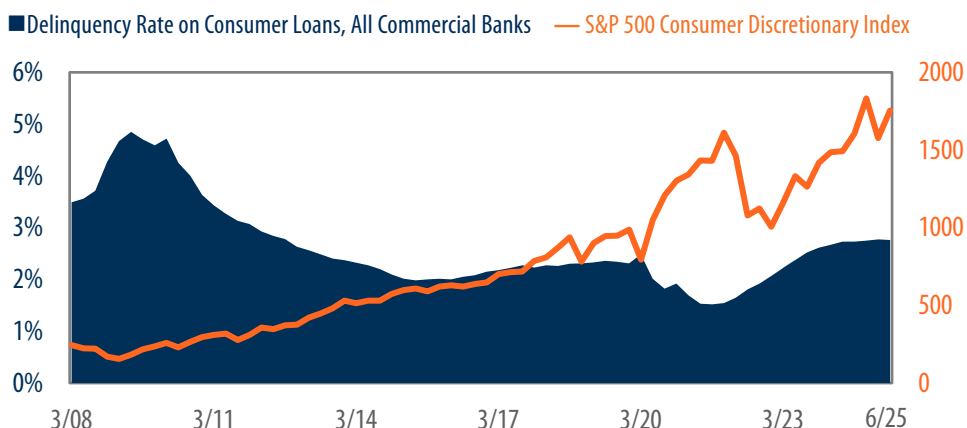
10/30/25

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 Consumer Discretionary Index is an unmanaged index which includes the stocks in the consumer discretionary sector of the S&P 500 Index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance. Consumer delinquency data is seasonally adjusted.

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Consumer Delinquency Rates

Loan Delinquency Rate vs. Consumer Discretionary Stocks



Source: Bloomberg and FRED. Quarterly Data Points from 3/31/2008 to 6/30/25. **Past performance is no guarantee of future results.**

View from the Observation Deck

For today's post, we compare the delinquency rate on consumer loans issued by all U.S. commercial banks ("consumer delinquency rate") to the price of the S&P 500 Consumer Discretionary Index, over time. We use data from the Board of Governors of the Federal Reserve System, retrieved from FRED, for the former set of observations. As delinquency data is released on a lagging time frame, our observations end in Q2'25.

At 30.14%, the S&P 500 Consumer Discretionary Index ("Consumer Discretionary Index") boasted the fourth-highest total return of the 11 major sectors that comprise the S&P 500 Index ("Index") in 2024. The Consumer Discretionary Index has not fared as well in 2025, posting a year-to-date (YTD) total return of 6.82% thru 10/28/25.

For comparison, the Index saw a total return of 18.36% over the same period. Consumer confidence appears to be waning, adding pressure to the Discretionary sector. The Conference Board reported that its consumer confidence index stood at 94.6 in October 2025, down from 109.5 in October 2024. One measure of the survey revealed that American's short-term outlook regarding their income, the job market, and business conditions declined by 2.9 points month-over-month to a reading of 71.5 (a reading of 80 or lower is seen as a marker that can signal a recession ahead).

The consumer delinquency rate has eased of late and remains below its long-term historical average.

The consumer delinquency rate most recently stood at 2.76%, down from its most recent high of 2.77% (Q1'25), and below its long-term average of 3.06% (Q1'87 – Q2'25). Credit card delinquencies also declined from recent highs. The delinquency rate for credit cards issued by all insured commercial banks surged to 3.24% at the end of Q2'24, its highest level since the close of Q4'11. In Q2'25, however, the metric stood at 3.05%.

Takeaway

The consumer delinquency rate stood at 2.76% at the end of Q2'25, down slightly from 2.77% in the previous quarter and well-below its all-time high of 4.85%. Delinquency rates for credit cards have plateaued of late, settling at 3.05% in both Q1 and Q2 of 2025. Consumption continues to increase despite waning consumer confidence. As many investors may be aware, feelings are not fact. As we see it, consumer sentiment data masks the fact that U.S. households control more wealth than ever before (a record \$176.3 trillion in Q2'25). Given their sizeable contribution to GDP, we maintain that a healthy U.S. consumer may play an integral role in the U.S. avoiding an economic recession. We will continue to monitor the delinquency rate among consumers and report on changes.