Market Commentary Blog

Cash Flow *and Carey*

Robert Carey, CFA
Chief Market Strategist

Peter Leonteos
Market Strategist

12/4/25

Consumer Checkup: Aisle 7

Consumer Stocks vs. the S&P 500 Index

(YTD, 1-Year and Average Annualized Total Returns thru 12/1/25)

Period	S&P 500 Consumer Discretionary Index	S&P 500 Consumer Staples Index	50% Disc./ 50% Staples	S&P 500 Index
YTD	5.27%	5.46%	5.37%	17.18%
1-Year	6.62%	0.31%	3.47%	14.08%
3-Year	20.07%	5.91%	12.99%	20.34%
5-Year	9.17%	7.69%	8.43%	14.87%
10-Year	12.65%	8.52%	10.59%	14.42%
15-Year	14.80%	10.52%	12.66%	14.32%

Source: Bloomberg. 50%/50% combination reflects daily rebalancing. **Past Performance is no guarantee of future results.**

View from the Observation Deck

Today's post compares the performance of consumer stocks to the broader market, as measured by the S&P 500 Index, over an extended period. Given that consumer spending has historically accounted for roughly two-thirds of U.S. gross domestic product, we think the performance of consumer stocks may offer insight into potential trends in the broader economy.

Consumer discretionary stocks staged a stunning recovery this year.

Consumer discretionary stocks plummeted by 13.80% (total return) in Q1'25, compared to an increase of 5.23% for consumer staples over the same period. The tables have turned since, with the discretionary sector surging by 22.13% (total return) from 3/31/25 – 12/1/25 compared to 0.22% for staples over the same period. We find this notable given persistent concern regarding the U.S. consumer's ability to maintain (and increase) current levels of expenditure.

So, just how healthy is the U.S. consumer?

Real consumer discretionary spending totaled $9.37 trillion YTD thru August, an increase of 3.2% from $9.08 trillion over the same period last year. One reason for increased spending could be burgeoning U.S. household net worth. The Federal Reserve reported that American's net worth totaled a record $176.3 trillion in Q2'25, an increase of more than $7.0 trillion from the previous quarter, according to Reuters. Consumer sentiment remains muted despite massive wealth gains. The University of Michigan's Index of Consumer Sentiment plummeted by 29.0% year-over-year (y-o-y) in November to its lowest reading in over three years.

Takeaway

As shown in today's table, total returns for the S&P 500 Consumer Discretionary Index generally outpace those of the S&P 500 Consumer Staples Index, over time. The early lead staples built over its discretionary counterpart has eroded this year, with the discretionary sector increasing by 22.13% vs. a gain of just 0.22% for staples between 3/31/25 – 12/1/25. As we see it, U.S. consumers' capacity to spend remains healthy, in large part due to stock market gains. The Federal Reserve reported that U.S. household net worth stood at record levels ($176.3 trillion) at the end of Q2'25. Given the S&P 500 Index's recent total returns (+10.34% since 6/30/25), we expect this number crested even higher in Q3. Consumer sentiment fell sharply in November, but we think investors should take this survey data with a grain of salt. In our view, exogenous factors, such as the government shutdown and continued tariff threats likely clouded respondents' outlooks. Notably, data from Adobe revealed that a record $11.8 billion was spent shopping online during Black Friday this year, an increase of 9.1% from last year's total. Should the consumer remain healthy, the possibility of the U.S. experiencing a notable recession could be diminished. Stay tuned!