

# Cash Flow and Carey



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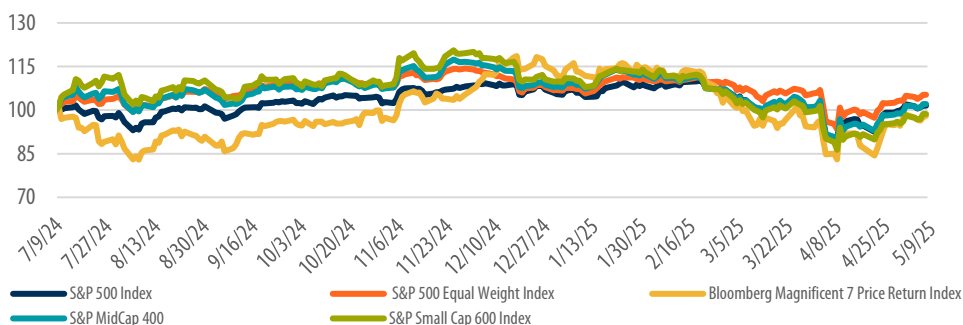
5/13/25

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 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The S&P 500 Equal Weighted Index is the equal-weight version of the S&P 500 Index. The Bloomberg Magnificent 7 Price Return Index is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies in the U.S. The S&P MidCap 400 Index is a capitalization-weighted index which measures the performance of the mid-range sector of the U.S. stock market. The S&P SmallCap 600 Index is an unmanaged index of 600 companies used to measure small-cap U.S. stock market performance.

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## Worth the Weight?

### Daily Price Returns Since 7/9/24



Source: Bloomberg. Daily observations from 7/9/24 – 5/9/25, normalized to a factor of 100.

**Past Performance is no guarantee of future results.**

### View from the Observation Deck

In a post from December 2024 ([click here](#)) we noted that interest rate policy expectations had set off a rally in small and mid-cap stocks, sending them soaring when compared to their large-cap peers. Given recent economic deterioration and increasingly disruptive tariff turmoil, we thought an update to our previous post would be timely. The chart above includes the price-only returns of the specified indices from 7/9/24 to 5/9/25, normalized to a factor of 100. As a refresher, we chose 7/9/24 as our starting point as it was the day Jerome Powell testified that the U.S. economy was no longer overheated, implying that looser monetary policy could be forthcoming.

**For reference, the total returns for the five indices in today's chart were as follows (7/9/24 – 5/9/24):**

S&P 500 Equal Weighted Index: 6.86%

S&P MidCap 400 Index: 3.24%

S&P 500 Index: 2.57%

S&P SmallCap 600 Index: -0.01%

Bloomberg Magnificent 7 Index: -1.76%

Total returns for each of these indices are significantly lower than where they stood in our last post. From our perspective, the potential for a trade war and deteriorating U.S. economic data were the most likely catalysts for declining equity prices between publications. Notably, the S&P 500 Equal Weight Index was the top performer from 7/9/24 – 5/9/25, indicating investor's continued desire to broaden their equity holdings.

**Valuations for the S&P 500 Equal Weight, S&P SmallCap 600, and S&P MidCap 400 Indices remain more attractive than those of the Bloomberg Magnificent 7 and broader S&P 500 Indices.**

As of 5/13/25, the price-to-earnings ratios for each of the indices in today's chart were as follows: Bloomberg Magnificent 7 Index (33.54); S&P 500 Index (23.70); S&P 500 Equal Weighted Index (18.20); S&P MidCap 400 Index (17.09); and S&P SmallCap 600 Index (15.84).

### Takeaway

With a total return of 6.86%, the S&P 500 Equal Weighted Index was the top performer over the period in today's chart. The S&P SmallCap 600 Index sits near the bottom, with a total return of -0.01%, down from a gain of 18.00% in our last post. As we see it, lackluster economic data and the threat of a trade war explain the stark change in small cap performance since December. Earnings expectations have suffered as well. As of 5/12/25, earnings for the S&P Small Cap 600 Index were estimated to increase by 5.44% year-over-year (y-o-y) in 2025, down from 17.49% y-o-y in our last post on this topic. For comparison, the 2025 earnings growth estimates for the remaining indices were as follows: Bloomberg Magnificent 7 Index (30.83%); S&P 500 Index (11.64%); S&P 500 Equal Weighted Index (5.43%); and S&P MidCap 400 Index (2.20%). As always, these are estimates and are subject to constant revision. As investors charge toward the second half of the year, we trust they will be asking: "what investments are worth the weight they've been assigned in my portfolio?" and adjusting accordingly.