

Cash Flow and Carey



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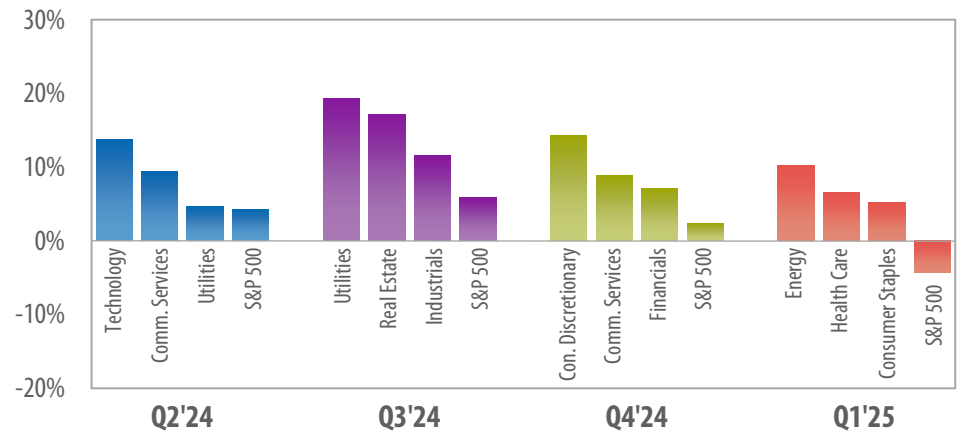
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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. 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

We are often asked what our favorite sectors are. Sometimes the answer is more evident than at other times, and often it only makes sense via hindsight. Today's blog post is one that we update each quarter to lend context to our responses. While the above chart does not contain yearly data, only two sectors in the S&P 500 Index ("Index") have been the top-performer in back-to-back calendar years since 2005. 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 Q1'25 were as follows: Energy (10.21%), Health Care (6.54%), and Consumer Staples (5.23%). The total return for the Index was -4.28% over the period. The other eight sectors generated total returns ranging from 4.94% (Utilities) to -13.80% (Consumer Discretionary).
- By comparison, the total returns of the top performing sectors in the first quarter of last year were as follows (not in chart): Communication Services (15.82%), Energy (13.69%), and Information Technology (12.69%). The worst-performing sectors for the period were: Consumer Discretionary (4.98%), Utilities (4.57%), and Real Estate (-0.55%).
- For the second consecutive quarter, not a single sector remained in the top three from quarter to quarter.
- Sector rotation can occur rapidly. Case-in-point, the S&P 500 Communication Services and Information Technology Indices, the two top performing sectors in the broader Index last year, saw total returns of -6.21% and -12.65%, respectively, during Q1'25.
- [Click here](#) to access our post featuring the top-performing sectors in Q2'23, Q3'23, Q4'23 and Q1'24.

Takeaway

As we observe from today's chart, the top-performing sector often varies from quarter to quarter. The first quarter of 2025 kept that trend intact, with the S&P 500 Energy, Health Care, and Consumer Staples Indices emerging as the top performers. Notably absent from today's list are the Communication Services and Information Technology sectors, which were the top performing sectors in 2024. From our perspective, tariffs and diminishing economic data explain much of the recent weakness in these sectors. Additionally, there is mounting concern regarding Artificial Intelligence's near-term profitability, which has added pricing pressure to the companies in those sectors. Of the eleven sectors that make up the Index, the Financials and Utilities Indices boast the highest total returns on a trailing 12-month basis (thru 5/5), at 23.68% and 19.86%, respectively. Will a different sector rise to the top in the first quarter of 2025? We look forward to seeing what the data reveals.