

Cash Flow and Carey



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8/5/25

This table 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 stocks used to measure large-cap U.S. stock market performance. The S&P 500 Consumer Discretionary Index is a capitalization-weighted index comprised of companies spanning 19 subsectors in the consumer discretionary sector. The S&P 500 Consumer Staples Index is a capitalization-weighted index comprised of companies spanning 12 subsectors in the consumer staples sector.

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Consumer Checkup: Aisle 7

Consumer Stocks vs. the S&P 500 Index

(YTD, 1-Year and Average Annualized Total Returns thru 8/1/25)

Period	S&P 500 Consumer Discretionary Index	S&P 500 Consumer Staples Index	50% Disc./ 50% Staples	S&P 500 Index
YTD	-4.87%	4.45%	-0.21%	6.85%
1-Year	17.91%	6.85%	12.38%	16.04%
3-Year	11.36%	6.68%	9.02%	16.55%
5-Year	9.49%	9.30%	9.40%	15.47%
10-Year	11.76%	8.40%	10.08%	13.45%
15-Year	15.28%	11.01%	13.15%	14.36%

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 can offer insight into potential trends in the broader economy.

The YTD total returns in today's table mask a significant trend occurring within these two sectors.

Consumer discretionary stocks plummeted by 13.80% (total return) in Q1'25, compared to an increase of 5.23% for consumer staples companies over the same period. The Discretionary sector has recovered a significant amount of that decline in recent months, surging by 10.36% (total return) from 3/31/25 – 8/1/25, but still lags Staples YTD. We view this volatility as a byproduct of this year's tariff turmoil, which sent investors clamoring for less turbulent areas of broader equity markets in the first quarter.

Just how healthy is the U.S. consumer?

Real consumer discretionary spending totaled \$6.99 trillion YTD thru June, an increase of 2.9% from \$6.79 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 \$169.3 trillion in Q1'25, up from \$163.2 trillion in Q1'24. That said, consumer sentiment remains muted. The University of Michigan's Index of Consumer Sentiment declined by 7.1% year-over-year (y-o-y) in July. While they remain below historical averages, consumer delinquency rates are rising, which could be pushing sentiment lower. [Click here](#) to see our most recent report on consumer delinquency rates.

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. As noted above, investors generally view consumer staples stocks as a refuge during periods of heightened volatility. From our perspective, YTD returns in the consumer discretionary sector reflect early-year tariff and inflation concerns as well as American's increasingly burdensome debt levels. That said, investors would be well-served to keep the full picture in mind. The Federal Reserve reported that U.S. household net worth increased by 3.7% y-o-y to \$169.3 trillion at the end of Q1'25. Given the S&P 500 Index's recent total returns (+11.62% since 3/31/25), we expect this number crested even higher in Q2, lending further support to consumer spending. Inflation, as measured by the 12-month rate of change in the consumer price index ticked up to 2.7% in June but remains well below its most recent high of 9.1% (June 2022). Should the consumer remain healthy, the possibility of the U.S. experiencing a notable recession could be diminished. Stay tuned!