

Cash Flow and Carey



Robert Carey, CFA

Chief Market Strategist



Peter Leonteos

Market Strategist

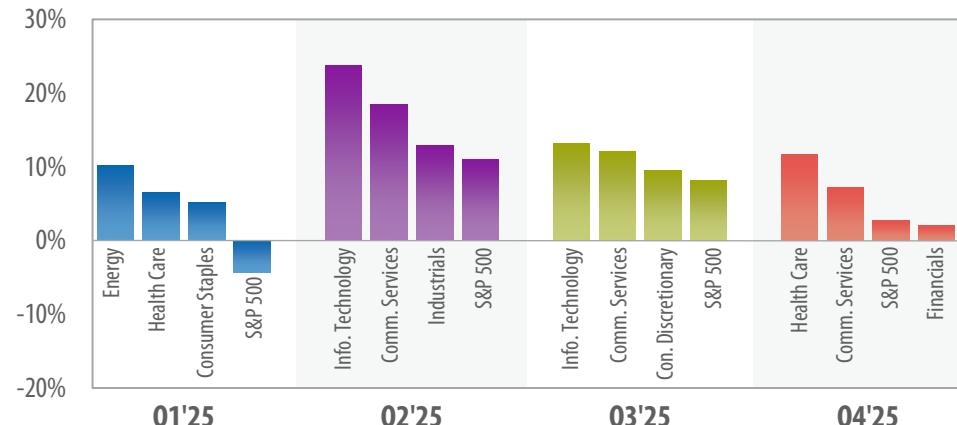


This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 stocks 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 evident while other times hindsight offers the best clarity. 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, just three sectors in the S&P 500 Index ("Index") have been the top-performer in back-to-back calendar years since 2005. Information Technology was first, posting the highest total return in 2019 (50.29%) and 2020 (43.89%). Energy was second, posting the highest total return in 2021 (54.39%) and 2022 (65.43%). Communication Services was the most recent addition to this exclusive club, posting a total return of 40.23% in 2024 and 33.56% in 2025, according to data from Bloomberg.

- The top-performing sectors and their total returns in Q4'25 were as follows: Health Care (11.68%), Communication Services (7.26%), and Financials (2.01%). The Index's total return was 2.65% over the period. The other eight sectors generated total returns ranging from 1.53% (Energy) to -2.87% (Real Estate).
- By comparison, the total returns of the top-performing sectors in the fourth quarter of 2024 were as follows (not in chart): Consumer Discretionary (14.25%), Communication Services (8.87%), and Financials (7.06%). The worst-performing sectors for the period were: Real Estate (-7.94%), Health Care (-10.30%), and Materials (-12.42%).
- [Click here](#) to access our post featuring the top-performing sectors in Q1'24, Q2'24, Q3'24 and Q4'24.

Takeaway

As we observe from today's chart, the top-performing sector often varies from quarter to quarter. The fourth quarter of 2025 was no exception, with Health Care and Financials joining Communication Services to round out the trio of top sectors. For the first time since 2021, each of the 11 sectors that comprise the broader Index saw positive total returns over the calendar year. Also notable: Communication Services was the top performing sector in back-to-back calendar years, marking just the third time this has happened since 2005. From our perspective, massive AI-focused investment helps account for the performance of communication services and technology companies (the top performing sector in Q2'25 and Q3'25) last year. In its 2025 AI Index Report, Stanford University noted that U.S. private AI investment totaled \$109.1 billion in 2024. Private investment in generative AI increased 18.7% year-over-year to \$33.9 billion during the period. Despite the rapid increase, AI capital needs continue to grow. In April 2025, McKinsey reported that \$5.2 trillion in data center investment will be required by 2030 to meet global AI demand, according to Reuters. Will a different sector rise to the top in the first quarter of 2026? We look forward to seeing what the data reveals.