

Cash Flow and Carey



Robert Carey, CFA
Chief Market Strategist



Peter Leonteos
Market Strategist

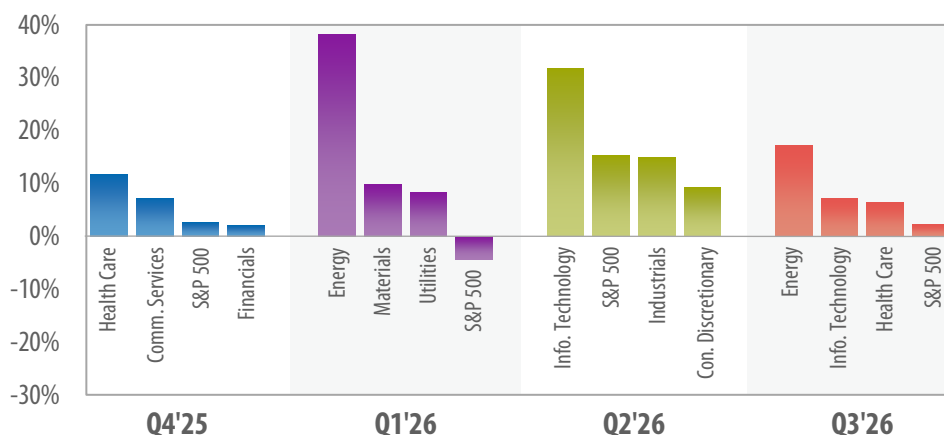
10/8/26

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 presently 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 chart does not contain yearly data, only 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 (50.3%) and 2020 (43.9%). Energy was second, posting the highest total return in 2021 (54.4%) and 2022 (65.4%). Communication Services was the most recent addition to this exclusive club, posting a total return of 40.2% in 2024 and 33.6% in 2025, according to data from Bloomberg.

- The top-performing sectors and their total returns in Q3'26 were as follows: Energy (17.2%), Information Technology (7.2%), and Health Care (6.5%). The Index's total return was 2.3% over the period. The other eight sectors generated total returns ranging from 3.6% (Communication Services) to -12.4% (Utilities).
- By comparison, the total returns of the top-performing sectors in the third quarter of 2025 were as follows (not in chart): Information Technology (13.2%), Communication Services (12.0%), and Consumer Discretionary (9.5%). The worst-performing sectors for the period were: Materials (3.1%), Real Estate (2.6%), and Consumer Staples (-2.4%).
- [Click here](#) to access our post featuring last quarter's top performers.

Takeaway

Just four of the Index's eleven sectors saw positive total returns in Q3'26, with Energy, Information Technology, and Health Care forming the trio of top performers over the period. Energy was the clear standout, increasing by 17.2% amid persistently high oil prices and continued hostilities in the Middle East. As a sign of the sector's volatility, Energy was the worst-performing sector when we last discussed this topic three months ago, declining 13.5% in Q2'26. Inflation remains elevated, prompting the Federal Reserve to increase its benchmark interest rate in September, which could weigh on valuations in the near term. That said, given that interest rate hikes were largely prompted by highly volatile oil prices, which could come down quickly if peace is agreed upon, we think investors would be well served to maintain a long view regarding their allocations. Will a different sector rise to the top in the fourth quarter of 2026? We look forward to seeing what the data reveals.