

Cash Flow and Carey



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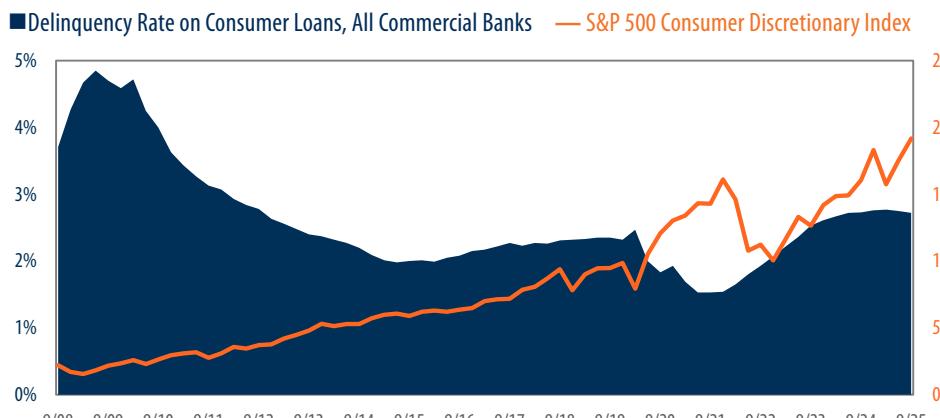


This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Consumer Discretionary Index is an unmanaged index which includes the stocks in the consumer discretionary sector of the S&P 500 Index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance. Consumer delinquency data is seasonally adjusted.

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Consumer Delinquency Rates

Loan Delinquency Rate vs. Consumer Discretionary Stocks



Source: Bloomberg and FRED. Quarterly Data Points from 9/30/2008 to 9/30/25. Past performance is no guarantee of future results.

View from the Observation Deck

For today's post, we compare the delinquency rate on consumer loans issued by all U.S. commercial banks ("consumer delinquency rate") to the price of the S&P 500 Consumer Discretionary Index, over time. We use data from the Board of Governors of the Federal Reserve System, retrieved from FRED, for the former set of observations. As delinquency data is released on a lagging time frame, our observations end in Q3'25

The consumer delinquency rate eased further in Q3'25 and remains below its long-term historical average.

The consumer delinquency rate declined to 2.72% during the quarter, down from its most recent high of 2.77% (Q1'25) and below its long-term average of 3.06% (Q1'87 – Q3'25).

Credit card delinquencies also continued their decline from recent highs, falling for the fifth consecutive quarter in Q3'25.

The delinquency rate for credit cards issued by all insured commercial banks surged to 3.22% at the end of Q2'24, its highest level since the close of Q4'11. In Q3'25, however, the metric stood at 2.98%.

Consumer sentiment, as measured by the University of Michigan's "Surveys of Consumers", declined by 21.3% year-over-year in January 2026.

This metric's deterioration is notable, but we are not alarmed by it. Consumer **sentiment** may have waned, but consumer **activity** continues at record levels. Adobe analytics reported a record \$257.8 billion was spent shopping online over the holiday shopping season (November 1 to December 31, 2025), an increase of 6.8% year-over-year. As we see it, exogenous factors, unrelated to consumer behavior are likely behind the disparity unveiled by these surveys.

Takeaway

The consumer delinquency rate stood at 2.72% at the end of Q3'25, down from 2.77% in Q2'25 and well-below its all-time high of 4.85%. Delinquency rates for credit cards, which have now fallen for five consecutive quarters, settled at 2.98% in Q3'25, down from their most recent high of 3.22% in Q2'24. Consumption continues to increase despite waning consumer sentiment. We have stated it before but welcome the opportunity to repeat this maxim: feelings are not fact. As we see it, recent survey data likely represents exogenous factors rather than consumer's baseline economic outlooks. Notably, U.S. households control more wealth than ever before (a record \$181.6 trillion in Q3'25). Given their sizeable contribution to GDP, we recognize the importance of consumer health. That said, the data above (falling delinquencies, record spending, and surging household wealth) signal to us that the U.S. consumer remains well-positioned. We will continue to monitor the delinquency rate among consumers and report on changes.