

Cash Flow and Carey



Robert Carey, CFA
Chief Market Strategist



Peter Leonteos
Market Strategist

4/7/26

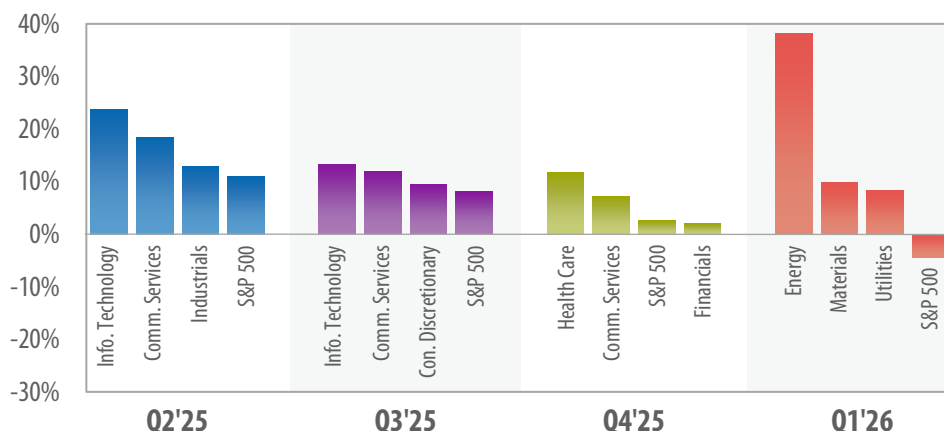


This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 stocks 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.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

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 (50.3%) 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 Q1'26 were as follows: Energy (38.3%), Materials (9.7%), and Utilities (8.3%). The Index's total return was -4.4% over the period. The other eight sectors generated total returns ranging from 7.7% (Consumer Staples) to -9.5% (Financials).
- By comparison, the total returns of the top-performing sectors in the first quarter of 2025 were as follows (not in chart): Energy (10.2%), Health Care (6.5%), and Consumer Staples (5.2%). The worst-performing sectors for the period were: Communication Services (-6.2%), Information Technology (-12.7%), and Consumer Discretionary (-13.8%).
- [Click here](#) to access our post featuring the top-performing sectors in Q2'24, Q3'24, Q4'24 and Q1'25.

Takeaway

Despite prevalent weakness in the month of March, six of the Index's eleven sectors saw positive total returns in Q1'26, with Energy, Materials, and Utilities forming the trio of top sectors during the quarter. The obvious standout is the Energy sector, which increased by 38.3% over the period, propelled upward by the ongoing Iranian conflict and subsequent closure of the Strait of Hormuz. Inflation expectations edged higher in the wake of surging oil prices, resulting in diminished rate cut expectations over the near term. The broader Index declined by 4.4% in Q1'26 (total return), led lower by the Information Technology, Consumer Discretionary, and Financials sectors. As we see it, recalibrated interest rate expectations likely explain the weakness in these cyclical sectors. Will a different sector rise to the top in the second quarter of 2026? We look forward to seeing what the data reveals.