

# Cash Flow and Carey



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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 4/7/26)

Period	S&P 500 Consumer Discretionary Index	S&P 500 Consumer Staples Index	50% Disc./ 50% Staples	S&P 500 Index
YTD	-9.82%	6.65%	-1.59%	-3.04%
1-Year	21.00%	10.73%	15.87%	32.31%
3-Year	16.25%	7.91%	12.08%	18.82%
5-Year	5.38%	8.06%	6.72%	11.74%
10-Year	11.99%	8.23%	10.11%	14.38%
15-Year	13.51%	10.41%	11.96%	13.32%

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 may offer insight into potential trends in the broader economy.

#### Staples have dominated their discretionary peers year-to-date (YTD).

The S&P Consumer Staples Index had a strong start in 2026, increasing by 7.71% (total return) in January amidst ballooning AI capital expenditures and faltering consumer confidence. Consumer discretionary stocks, by contrast, increased by just 1.71% during the month. Since then, the performance differential between these indices has grown substantially, with staples increasing by 6.65% (total return) YTD through 4/7, compared to a decline of 9.82% for discretionary stocks over the period.

#### So, just how healthy is the U.S. consumer?

Real consumer discretionary spending totaled \$14.2 trillion over the trailing 12-months ended January 2026, an increase of 2.9% from \$13.8 trillion over the same period last year. We maintain that burgeoning U.S. household net worth is one catalyst behind the increase. The Federal Reserve reported that U.S. household net worth totaled a record \$184.1 trillion in Q4'25, an increase of \$2.2 trillion from the previous quarter, according to Bloomberg. Household debt levels also grew, increasing by \$191 billion quarter-over-quarter to \$18.80 trillion in Q4'25. Even so, consumers do not appear to be struggling with the increased debt burden. The share of consumers with accounts in collections fell to 4.6% in Q4'25, a near record-low for the data series.

### 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. This year's results have defied this convention, with staples extending their lead over discretionary companies through 4/7. Even so, we wonder if these results reflect systemic issues or near-term, exogenous factors like the Iranian war. The data appears to support the latter, in our view. While true that U.S. households carry more debt than ever before, their capacity to service that debt has also increased, resulting in the lowest share of accounts in collections on record. Furthermore, capitalism continues to prove itself as the world's most potent wealth generation engine. According to the American Enterprise Institute, 31.1% of U.S. households earned enough to be considered "upper-middle class" in 2024, up from just 10.4% of households in 1979. Amazingly, 2024 was the first time in U.S. history where more households were above the "core middle class" (34.8%) than below it (34.5%). We truly live in unprecedented times!