

# Cash Flow and Carey



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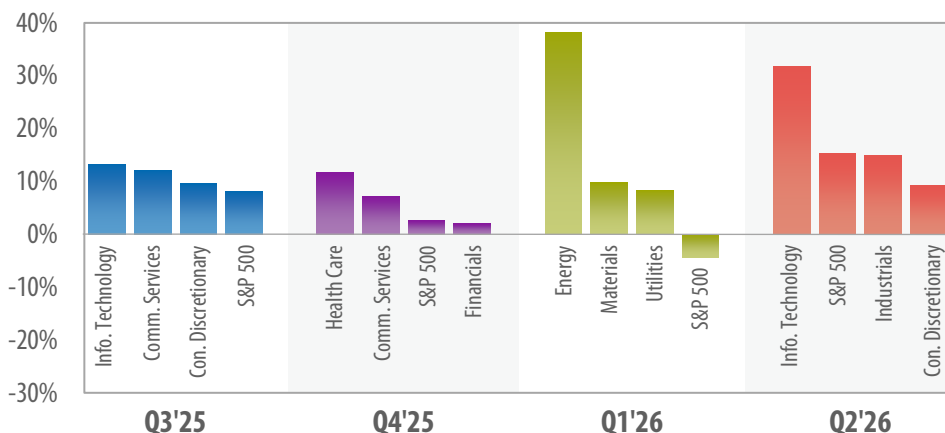
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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. 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 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 Q2'26 were as follows: Information Technology (31.8%), Industrials (14.9%), and Consumer Discretionary (9.3%). The Index's total return was 15.2% over the period while the other eight sectors generated total returns ranging from 9.0% (Financials) to -13.5% (Energy).
- By comparison, the total returns of the top-performing sectors in the second quarter of 2025 were as follows (not in chart): Information Technology (23.7%), Communication Services (18.5%), and Industrials (12.9%). The worst-performing sectors for the period were: Real Estate (-0.1%), Health Care (-7.2%), and Energy (-8.6%).
- [Click here](#) to access our post featuring the top-performing sectors in Q3'24, Q4'24, Q1'25 and Q2'25.

### Takeaway

Nine of the Index's eleven sectors saw positive total returns in Q2'26, with Information Technology, Industrials, and Consumer Discretionary forming the trio of top sectors during the quarter. Information Technology was the obvious standout, increasing by 31.8% over the period amidst persistent earnings growth and seemingly insatiable demand for chips and software related to AI. Energy was the worst performing sector during the quarter, shedding 13.5% as U.S. and Iranian peace negotiations resulted in renewed shipments through the Strait of Hormuz. Despite this quarter's decline, Energy is still the third-best performing sector year-to-date through June, with a total return of 19.7%. Inflation, as measured by the trailing 12-month rate of change in the consumer price index, increased to 4.2% in May 2026. The figure represents the metric's highest observation since April 2023. We expect inflation could moderate in the coming months as reduced oil prices work their way into the reported data. Will a different sector rise to the top in the third quarter of 2026? We look forward to seeing what the data reveals.