

Consumer Stocks Have Outperformed The Broader Market Over The Past 10 Years

50/50 Sector Split

Consumer Discretionary/Consumer Staples vs. S&P 500 Index

	S&P 500 Index		50/50 Split		
Q3'06	5.67%	5.34%	Q3'11	-13.87%	-8.59%
Q4'06	6.70%	6.90%	Q4'11	11.82%	11.42%
Q1'07	0.64%	0.71%	Q1'12	12.59%	10.75%
Q2'07	6.28%	3.17%	Q2'12	-2.75%	0.14%
Q3'07	2.03%	-0.74%	Q3'12	6.35%	5.64%
Q4'07	-3.33%	-3.08%	Q4'12	-0.38%	0.18%
Q1'08	-9.44%	-4.04%	Q1'13	10.61%	13.36%
Q2'08	-2.73%	-6.57%	Q2'13	2.91%	3.66%
Q3'08	-8.37%	2.07%	Q3'13	5.24%	4.30%
Q4'08	-21.94%	-17.84%	Q4'13	10.51%	9.74%
Q1'09	-11.01%	-9.32%	Q1'14	1.81%	-1.15%
Q2'09	15.93%	13.97%	Q2'14	5.23%	4.08%
Q3'09	15.61%	15.34%	Q3'14	1.13%	1.11%
Q4'09	6.04%	7.05%	Q4'14	4.93%	8.45%
Q1'10	5.39%	8.13%	Q1'15	0.95%	2.89%
Q2'10	-11.43%	-9.52%	Q2'15	0.28%	0.09%
Q3'10	11.29%	12.90%	Q3'15	-6.44%	-1.38%
Q4'10	10.76%	9.37%	Q4'15	7.04%	6.72%
Q1'11	5.92%	3.62%	Q1'16	1.35%	3.59%
Q2'11	0.10%	4.35%	Q2'16	2.46%	1.86%

Source: Bloomberg. The returns for the two sectors represent the S&P 500 Consumer Discretionary Index and the S&P 500 Consumer Staples Index. Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's blog post compares quarterly total returns for the S&P 500 Index versus a 50/50 split between the S&P 500 Consumer Discretionary Index and the S&P 500 Consumer Staples Index.
2. For the 10-year period ended 6/30/16, the 50/50 split outperformed the S&P 500 Index in 21 of the 40 quarters.
3. In that same period, the 50/50 split posted 10 quarters of negative total returns, compared to 11 quarters for the S&P 500 Index.
4. The 50/50 split also outperformed the S&P 500 Index over the entire period. From 6/30/06-6/30/16, the 50/50 split posted an average annualized total return of 11.16%, compared to 7.42% for the S&P 500 Index.
5. Why target consumer stocks? Historically, consumer spending has been credited with generating as much as 67% to 70% of U.S. gross domestic product (GDP). That stat is derived from U.S. personal consumption expenditures, which stood at 68.4% in 2015, according to Haver Analytics. Others argue that consumer spending's influence is overstated.
6. In an article in *The Wall Street Journal* in April 2014, economist Mark Skousen argued that capital investment and business spending in the intermediate stages of the supply chain actually accounts for more than 50% of economic activity, while consumer spending represents less than 40%. Either way, consumer spending has a significant influence on U.S. economic activity.
7. As of 6/30/16, the S&P 500 Consumer Discretionary Index and the S&P 500 Consumer Staples Index carried a combined weighting of 22.9% in the S&P 500 Index, according to S&P Dow Jones Indices.

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 Index is a capitalization-weighted index comprised 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 31 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.

