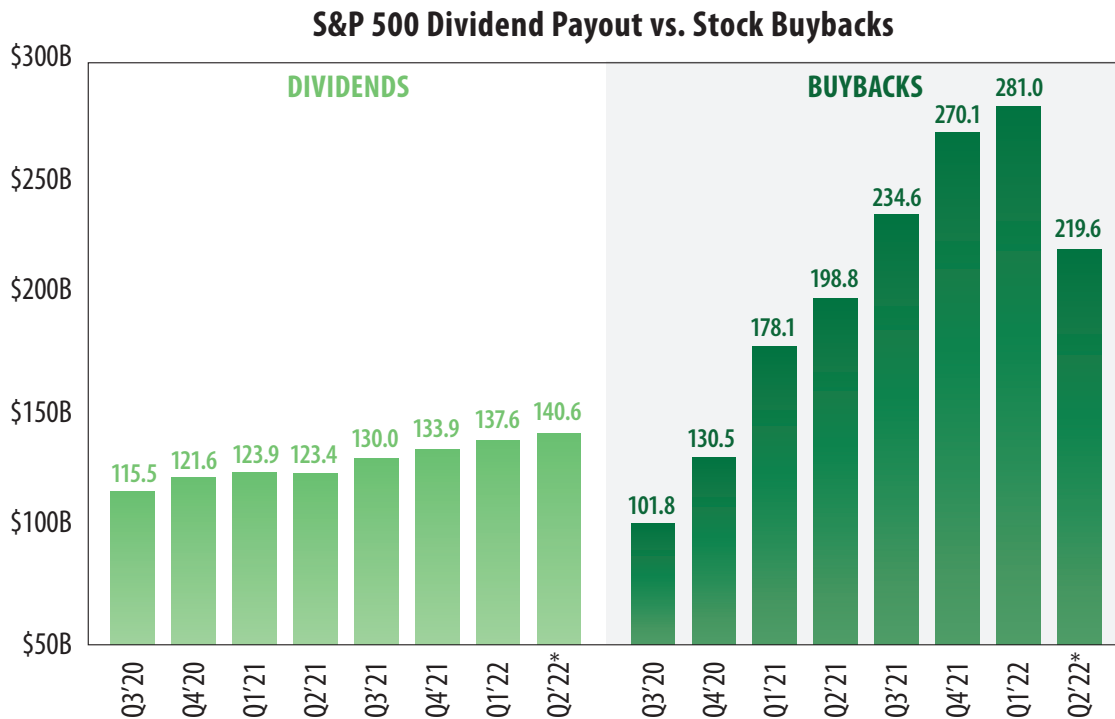


S&P 500 Index Dividends Set New Record While Buybacks Drop



Source: S&P Dow Jones Indices. Quarterly data points in \$ Billions. *Q2'22 data is preliminary.

View from the Observation Deck

1. Companies have a number of ways in which to return capital to their shareholders. Two of the more popular ways in recent years are cash dividends and stock buybacks.
2. Today's blog post shows that both dividend distributions and stock buybacks have recently reached all-time highs a little over two years after the onset of the COVID-19 pandemic, as measured by the S&P 500 Index.
3. For comparative purposes, we include the dividend distributions and share buybacks for the past eight quarters. Companies are clearly spending more on buybacks than dividends.
4. The all-time high for the S&P 500 Index's quarterly dividend payout was the \$140.6 billion distributed in Q2'22, according to data from S&P Dow Jones Indices. Quarterly stock buybacks totaled \$219.6 billion in Q2'22, down from a record high of \$281.0 in Q1'22, according to data from S&P Dow Jones Indices.
5. The Inflation Reduction Act recently passed into law will levy a 1% excise tax on stock buybacks beginning in 2023. Howard Silverblatt, Senior Index Analyst at S&P Dow Jones Indices, notes that while the 1% tax is an additional cost, it is not substantial enough to impact buybacks moving forward.
6. As of 6/30/22, the S&P 500 Index sectors contributing the most to its total dividend payout were as follows: Information Technology (17.0%); Health Care (14.8%); Financials (14.2%); and Consumer Staples (10.8%), according to S&P Dow Jones Indices.
7. As of Q2'22, the S&P 500 Index sectors that were most aggressive in repurchasing their stock were as follows (% of all stocks repurchased): Information Technology (32.8%); Communication Services (13.4%); Consumer Discretionary (12.6%); and Financials (9.7%), according to S&P Dow Jones Indices.
8. Overall, the companies in the S&P 500 Index are flush with cash, as measured by the S&P 500 Industrials (Old) Cash & Equivalents. This measure excludes Financials, Utilities and Transportation companies. Cash holdings totaled \$1.6 trillion (preliminary) on 6/30/22, according to S&P Dow Jones Indices.
9. Keep in mind that, from 12/31/19-6/30/22, S&P 500 Index companies spent \$2.1 trillion on stock buybacks and another \$1.4 trillion on dividends, yet they hold slightly more cash today (\$1.6 trillion) than they did on 12/31/19 (\$1.5 trillion).

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 an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance.

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