

Cash Flow and Carey



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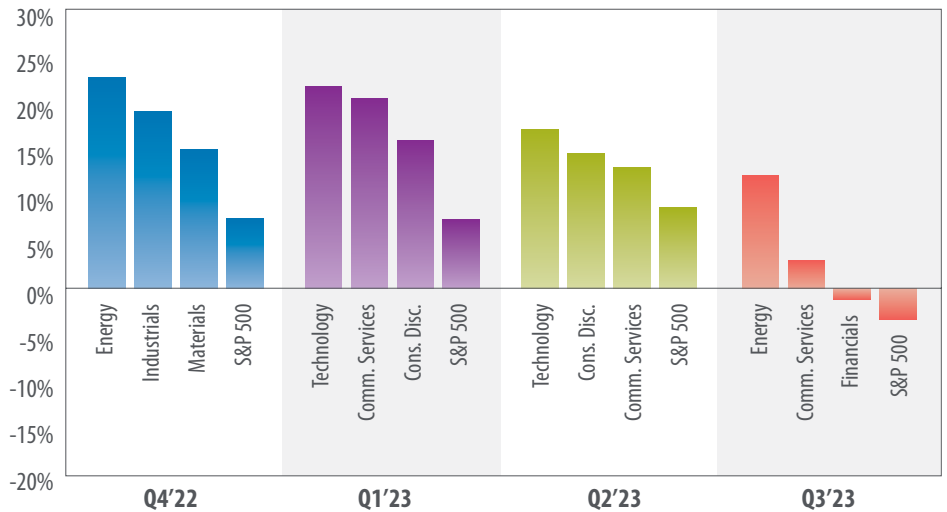


This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 stocks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

One of the most common questions we field on an ongoing basis is the following: What are your favorite sectors? Today's blog post is one that we update on a quarterly basis to lend context to our responses. Sometimes the answer is more evident than at other times, and sometimes it only makes sense via hindsight. While the above chart does not contain yearly data, since 2005, only two sectors in the S&P 500 Index have been the top-performer in back-to-back calendar years. Information Technology was the first, posting the highest total return in 2019 (+50.29%) and 2020 (43.89%). Energy was the second, posting the highest total return in 2021 (54.39%) and 2022 (65.43%), according to Bloomberg.

- The top-performing sectors and their total returns in Q3'23 were as follows: Energy (12.22%), Communication Services (3.07%), and Financials (-1.13%). The total return on the S&P 500 Index was -3.27%. The other eight sectors generated total returns ranging from -2.65% (Health Care) to -9.25% (Utilities).
- By comparison, the top-performing sectors, and their total returns in Q3'22 and were as follows: Consumer Discretionary (4.36%), Energy (2.29%), and Financials (-3.10%). The worst-performing sectors for the period were: Communication Services (-12.71%), Real Estate (-11.03%), and Materials (-7.13%).
- Advancements in artificial intelligence (AI) have proven to be a catalyst to the S&P 500 Communication Services and Information Technology Indices this year, in our opinion. Year-to-date (YTD) through 9/29/23, the total returns for the Communication Services and Information Technology Indices were 40.43% and 34.72%, respectively.
- The S&P 500 posted a YTD total return of 13.06% through 9/29/23. Six of the eleven major sectors that comprise the index were positive on a total return basis while five were negative during the time frame.
- [Click here](#) to access the post featuring the top-performing sectors in Q4'21, Q1'22, Q2'22 and Q3'22.

Takeaway

As we can observe from today's chart, while the top-performing sectors often vary from quarter to quarter, technology and energy stocks dominated the top spot over the past year. Developments in AI may have contributed to higher revenue expectations for Technology companies. At 8.5%, the companies that comprise the S&P 500 Information Technology Index are forecast to see the highest revenue growth rates of any sector in the S&P 500 Index in 2024, according to data from Bloomberg. Similarly, the recent recovery in the price of oil has likely boosted valuations of energy-related stocks. The price of a barrel of WTI crude oil stood at \$90.79 on 9/29/23, representing an increase of 28.52% from when it sat at \$70.64 at the start of the quarter. Will a different sector rise to the top in the fourth quarter? We look forward to seeing what the data reveals.