Market Commentary Blog

Cash Flow *and Carey*

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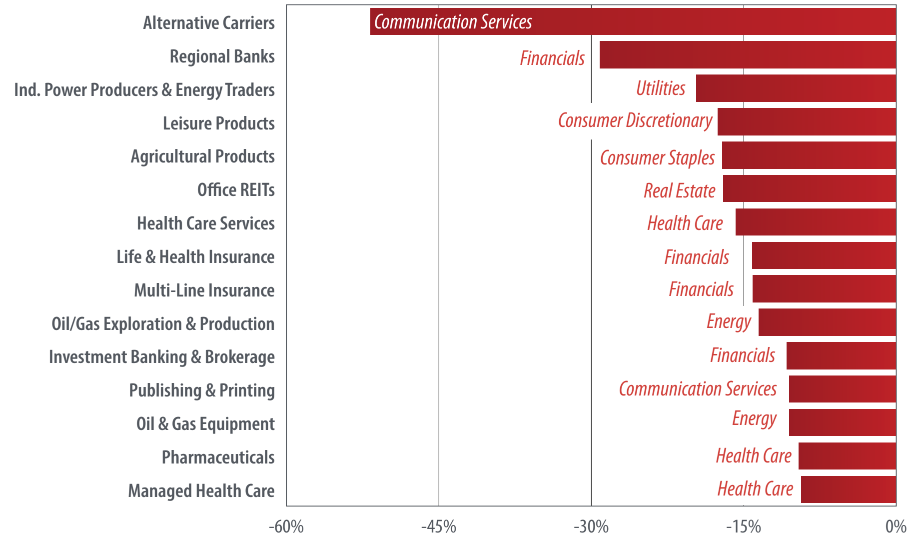
Worst-Performing S&P 500 Index Subsectors YTD (Thru 3/21)

Bottom 15 S&P 500 Index Subsector Total Returns (12/30/22 – 3/21/23)



Source: Bloomberg. **Past Performance is no guarantee of future results.**

View from the Observation Deck

Today's blog post is for those investors who want to drill down below the sector level to see what is not performing well in the stock market. The S&P 500 Index was comprised of 11 sectors and 131 subsectors as of 3/17/23 (most recent data), according to S&P Dow Jones Indices. The 15 worst-performing subsectors in the chart posted total returns ranging from -9.33% (Managed Health Care) to -51.73% (Alternative Carriers).

- As indicated in the chart above, four of the 15 worst-performing subsectors came from the S&P 500 Index Financials sector, followed by Health Care which had three subsectors represented. Alternative Carriers, a subsector of the Communication Services sector was the worst performer, posting a total return of -51.73% for the time period indicated in the chart. Click here to view our last post on the worst performing subsectors.
- With respect to the 11 sectors that comprise the S&P 500 Index, Energy posted the worst total return for the period captured in the chart, falling by 7.35%, according to Bloomberg. The second-and third-worst performers were Utilities and Financials, with total returns of -6.19% and -6.12%, respectively. The S&P 500 Index posted a total return of 4.66% for the period.
- Notably, while Communication Services has the worst subsector represented in today's chart (Alternative Carriers), the sector has posted the highest total return (18.24% through 3/21/23) of the 11 sectors that make up the S&P 500 Index.
- The most heavily weighted sector in the S&P 500 Index was Information Technology at 29.02% as of 3/17/23, according to S&P Dow Jones Indices. For comparison, the Consumer Discretionary and Communication Services sectors had weightings of 10.47% and 8.16%, respectively.
- Excluding Real Estate, Consumer Discretionary had the highest estimated year-end price-to-earnings (P/E) ratio (24.99 as of 2/28) of the 11 sectors that comprise the S&P 500 Index, according to S&P Dow Jones Indices. Information Technology and Consumer Staples were second and third-highest at 23.00 and 20.13, respectively. Energy had the lowest estimated year-end P/E ratio of the group, coming in at 9.76.

Takeaway

The Financials sector accounts for four of the worst-performing subsectors in today's chart. Month-to-date (MTD) thru 3/21/23, the Financials sector is down 10.08%. Its closest peer is the Real Estate sector, which has posted a MTD total return of -4.75% (not included in the chart). Given the recent turmoil in the banking world, this is to be expected, in our opinion. As always, there are no guarantees, but for the value oriented, contrarian investor, there could be some potential deep value opportunities within the 15 subsectors in this group. There is a growing number of packaged products, such as exchange-traded funds, that feature S&P 500 Index subsectors.