

# Cash Flow and Carey



**Robert Carey, CFA**  
Chief Market Strategist

5/2/24



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. The S&P MidCap 400 Index is a capitalization-weighted index that tracks the mid-range sector of the U.S. stock market. The S&P SmallCap 600 Index is a capitalization-weighted index that tracks U.S. stocks with a small market capitalization. The S&P 500 Equal Weighted Index is the equal-weight version of the S&P 500 Index. The 11 major sector indices are capitalization-weighted and comprised of S&P 500, S&P MidCap 400 and S&P SmallCap 600 constituents representing a specific sector.

The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

## Sector Performance Via Market Cap

### Large-, Mid-, & Small-Cap Total Returns

■ 12/30/22 – 12/29/23 ■ 12/29/23 – 4/30/24

| Category                | S&P 500 |        | S&P MidCap 400 |         | S&P SmallCap 600 |        |
|-------------------------|---------|--------|----------------|---------|------------------|--------|
| <b>Index</b>            | 26.26%  | 6.04%  | 16.39%         | 3.33%   | 15.94%           | -3.30% |
| <b>Comm. Services</b>   | 55.80%  | 13.42% | -7.48%         | -10.07% | 13.91%           | -7.39% |
| <b>Consumer Disc.</b>   | 42.30%  | 0.43%  | 24.28%         | 1.43%   | 32.54%           | -2.44% |
| <b>Consumer Staples</b> | 0.52%   | 6.56%  | 15.70%         | 7.49%   | 14.96%           | -7.43% |
| <b>Energy</b>           | -1.42%  | 12.82% | 7.44%          | 14.65%  | 4.41%            | 3.78%  |
| <b>Financials</b>       | 12.10%  | 7.75%  | 8.05%          | 1.07%   | 5.15%            | -6.97% |
| <b>Health Care</b>      | 2.06%   | 3.32%  | 0.52%          | 1.29%   | -2.38%           | -4.18% |
| <b>Industrials</b>      | 18.08%  | 7.00%  | 31.32%         | 4.97%   | 31.54%           | 2.72%  |
| <b>Info. Tech.</b>      | 57.84%  | 6.57%  | 28.69%         | 12.07%  | 20.95%           | -8.61% |
| <b>Materials</b>        | 12.55%  | 3.95%  | 16.53%         | -2.84%  | 19.88%           | 2.76%  |
| <b>Real Estate</b>      | 12.27%  | -9.00% | 8.60%          | -8.63%  | 7.38%            | -5.07% |
| <b>Utilities</b>        | -7.08%  | 6.29%  | -13.21%        | 16.04%  | -7.49%           | -5.87% |

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

### View from the Observation Deck

We update today's table on a regular basis to provide insight into the variability of sector performance by market capitalization. As of the close on 4/30/24, the S&P 500 Index stood at 5,035.69, 4.16% below its all-time closing high of 5,254.35 set on 3/28/24, according to data from Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood 6.08% and 13.51% below their respective all-time highs as of the same date.

- Large-cap stocks, as represented by the S&P 500 Index, posted total returns of 6.04% on a year-to-date (YTD) basis thru 4/30/24, outperforming the S&P MidCap 400 and S&P SmallCap 600 indices, with total returns of 3.33% and -3.30%, respectively, over the period (see table).
- Sector performance can vary widely by market cap and have a significant impact on overall index returns. Two of the more extreme cases in 2023 were the Communication Services and Technology sectors. In 2024, the Communication Services, Information Technology, and Utilities sectors all exhibit significant variability in performance across market capitalizations.
- Communication Services and Energy stocks, the two top-performing sectors in the S&P 500 Index YTD, represented 9.1% and 4.1%, respectively, of the weight of the Index on 4/30/24. By comparison, those sectors represented 1.4% and 5.6% of the S&P MidCap 400 Index, and 2.8% and 5.0% of the S&P SmallCap 600 Index, respectively, as of the same date.
- As of the close on 4/30/24, the trailing 12-month price-to-earnings (P/E) ratios of the three indices in today's table were as follows: S&P 500 Index P/E: 24.09; S&P MidCap 400 Index P/E: 18.66; S&P SmallCap 600 Index P/E: 17.92.

### Takeaway

As evidenced by the variance in the total return of the Communication Services sector in today's table, performance can vary widely across market capitalizations. The Utilities and Technology sectors reveal a similar trend, with total returns ranging from 16.04% to -5.87% and 12.07% to -8.61%, respectively. Notably, both the broader S&P 500 and S&P MidCap 400 Indices reached new all-time highs in March 2024, while the record high for the S&P SmallCap 600 Index occurred nearly three and a half years ago on 11/8/21. Combined, the SmallCap and MidCap Indices comprised just 8.1% of the total market capitalization of the S&P 1500 Index as of 4/30/24. The last time (pre-COVID) that small and mid-sized companies accounted for 8.1% or less of the S&P 1500 Index's market capitalization was on 4/28/00. Since then, the S&P MidCap 400 and S&P SmallCap 600 Indices notched average annual total returns of 9.23% and 9.17% respectively (4/28/00 thru 4/30/24). For comparison, the average annual total return of the S&P 500 Index was 7.32% over the same period. While past performance is no guarantee of future results, it is our opinion that investors with the appropriate time horizons and risk profiles may benefit from exposure to small and mid-sized companies going forward.