

# Cash Flow and Carey



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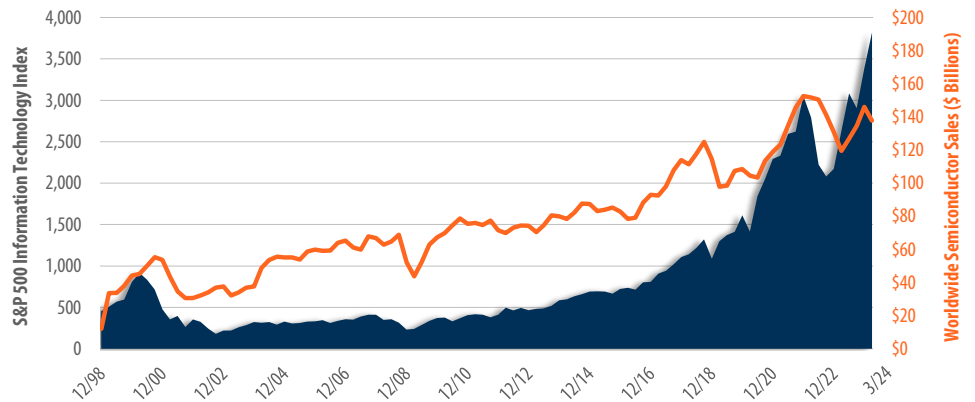


This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Information Technology Index is capitalization-weighted and comprised of S&P 500 constituents representing the technology sector. The S&P 500 Communication Services Index is capitalization-weighted and comprised of S&P 500 constituents representing the communication services sector.

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## Technology Stocks and Semiconductors

### Worldwide Semiconductor Sales vs. S&P 500 Information Technology Index (Price-Only)



Bloomberg. Quarterly Data Points from 12/31/1998 through 3/31/2024. **Past Performance is no guarantee of future results.**

### View from the Observation Deck

Tracking the direction of worldwide semiconductor sales can provide investors with additional insight into the potential demand for tech-oriented products and the overall climate for technology stocks, in our opinion. As evidenced by recent developments in artificial intelligence (AI) and robotics, as well as the vast market for smartphones, tablets, and wearables, we continue to find creative and innovative ways to integrate semiconductors into our everyday lives.

#### Semiconductor sales appear to lag fluctuations in the valuations of technology stocks.

Historically, it has been atypical to observe a persistent divergence between global semiconductor sales and the performance of the S&P 500 Technology Index. That has not been the case so far in 2024. As revealed in the chart, the S&P 500 Technology Index closed at an all-time high near the end of March 2024. Semiconductor sales, however, have yet to recapture their record highs which were set in 2022.

#### Worldwide sales of semiconductors totaled \$137.7 billion in Q1'24, an increase of 15.2% from Q1'23, but down 5.7% from Q4'23.

Amidst unprecedented demand, the Semiconductor Industry Association reported that worldwide semiconductor sales surged by 26.2% to settle at a record \$555.9 billion in 2021. In 2022, sales rose to another record of \$574.1 billion, but had begun to stagnate in the second half of the year. In 2023, worldwide sales of semiconductors declined by 8.2% year-over-year to \$526.8 billion.

#### The technology sector continues to be a top performing sector compared to its peers.

Propelled forward by promising developments in AI and an easing in the global chip shortage, the S&P 500 Information Technology Index rose by 57.84% in 2023. In our view, these factors remain relevant today, and continue to entice investors to the sector. Year-to-date through 5/29/24, the S&P 500 Information Technology Index posted a total return of 20.25%, second only to the S&P 500 Communication Services Index which rose by 21.48% on a total return basis over the same time frame.

### Takeaway

It is nearly impossible to discuss semiconductors and technology stocks without mentioning developments in AI, and rightly so. One forecast suggests the global AI market could grow to nearly \$600 billion by 2026 and \$1.8 trillion by 2030, according to Ryan Issakainen, ETF Strategist at First Trust Portfolios L.P. These growth projections, coupled with expectations that the Fed could cut interest rates in the first half of 2024, led to an unprecedented surge in the S&P 500 Information Technology Index, which rose by 57.84% on a total return basis in 2023. That growth has continued in 2024. While the valuations of technology companies are spiking, global semiconductor sales remain below their all-time high set in 2022. With the chip shortage behind us, and increased demand due to the compute power required for AI, global semiconductor sales are expected to recover this year. In February 2024 (most recent data), the Semiconductor Industry Association forecast that the global semiconductor market will grow by 13.1% in 2024.