

Cash Flow and Carey



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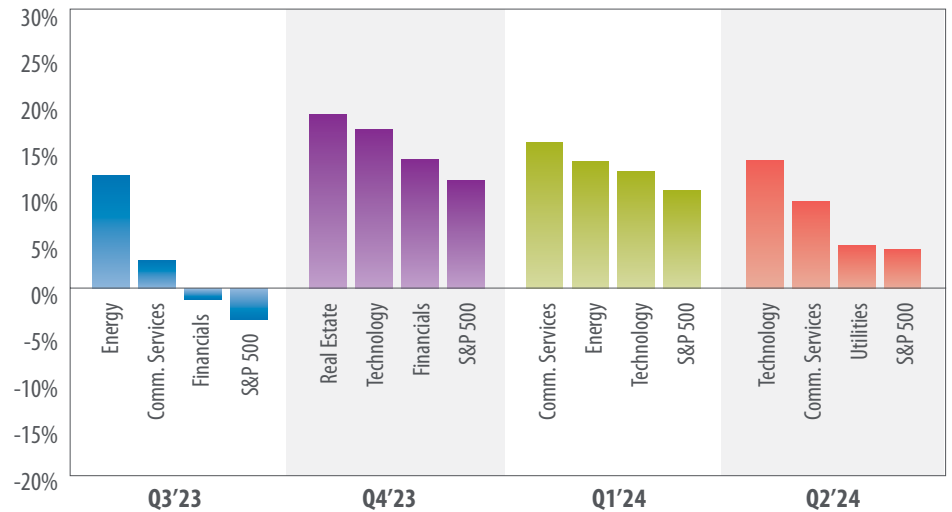


This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 stocks 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, only two sectors in the S&P 500 Index have been the top-performer in back-to-back calendar years since 2005. 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 data from Bloomberg.

- The top-performing sectors and their total returns in Q2'24 were as follows: Information Technology (13.81%), Communication Services (9.38%), and Utilities (4.66%). The total return for the S&P 500 Index was 4.28% over the period. The other eight sectors generated total returns ranging from 1.35% (Consumer Staples) to -4.50% (Materials).
- By comparison, the top-performing sectors and their total returns in Q2'23 were as follows: Information Technology (17.20%), Consumer Discretionary (14.58%), and Communication Services (13.07%). The worst-performing sectors for the period were: Consumer Staples (0.45%), Energy (-0.89%), and Utilities (-2.53%).
- Propelled by continued advancements in Artificial Intelligence (AI), the S&P 500 Communication Services and Information Technology Indices surged by 44.87% and 41.78%, respectively, over the trailing 12-months ended June 28, 2024. For comparison, the total return of the S&P 500 Index was 24.54% over the same time frame.
- The 2024 expected earnings growth rates for the Communication Services and Information Technology Indices were 22.02% and 18.30% as of 6/28/24. For comparison, the S&P 500 Index earnings growth rate is estimated to total 9.59% during the calendar year.
- [Click here](#) to access the post featuring the top-performing sectors in Q3'22, Q4'22, Q1'23 and Q2'23.

Takeaway

As we can observe from today's chart, the top-performing sector often varies from quarter to quarter. Of the eleven sectors that make up the S&P 500 Index, the Communication Services and Information Technology Indices boast the highest total returns on a trailing 12-month basis (44.87% and 41.78%, respectively). Even so, they have only claimed the top spot in two of the last four quarters. Revenue expectations for these sectors remain elevated. On June 28, 2024, data from Bloomberg revealed that revenues for the companies that comprise the S&P 500 Technology and Communication Services Indices are forecast to grow by 10.27% and 6.64%, respectively, in 2024. The figures represent the first-and-third-highest year-over-year revenue growth estimates of the eleven sectors that comprise the broader S&P 500 Index. Revenue growth estimates for the S&P 500 Health Care Index, which is notably absent from today's chart, came in second at 6.69%. Will a different sector rise to the top in the third quarter of 2024? We look forward to seeing what the data reveals.