

# Cash Flow and Carey



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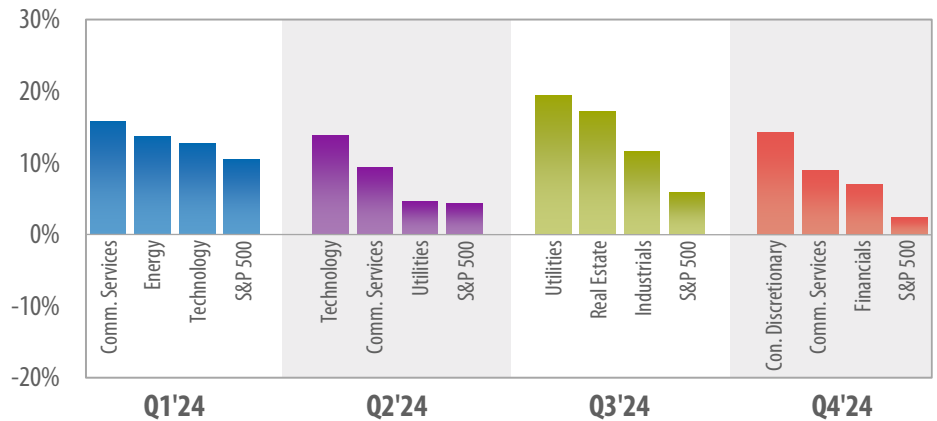
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This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index.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

We are often asked what our favorite sectors are. Sometimes the answer is more evident than at other times, and often it only makes sense via hindsight. Today's blog post is one that we update each quarter to lend context to our responses. While the above chart does not contain yearly data, only two sectors in the S&P 500 Index ("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 Q4'24 were as follows: Consumer Discretionary (14.25%), Communication Services (8.87%), and Financials (7.06%). The total return for the Index was 2.39% over the period. The other eight sectors generated total returns ranging from 4.84% (Information Technology) to -12.42% (Materials).
- By comparison, the total returns of the top performing sectors in the fourth quarter of last year were as follows: Real Estate (18.83%), Information Technology (17.17%), and Financials (13.98%). The worst-performing sectors for the period were: Health Care (6.41%), Consumer Staples (5.54%), and Energy (-6.99%).
- Notably, none of the three top sectors from Q3'24 were among the leaders in the most recent quarter.
- Driven by continued advancements in artificial intelligence (AI), the S&P 500 Communication Services and Information Technology Indices saw total returns of 40.23% and 36.61%, respectively, during the 2024 calendar year.
- The S&P 500 Index posted a total return of 25.00% in 2024. Ten of the eleven major sectors that comprise the Index were positive on a total return basis.
- [Click here](#) to access our post featuring the top-performing sectors in Q1'23, Q2'23, Q3'23 and Q4'23.

### Takeaway

As we observe from today's chart, the top-performing sector often varies from quarter to quarter. The fourth quarter of 2024 was no exception, with the Consumer Discretionary, Communication Services, and Financials Indices rising to the top. From our perspective, the Consumer Discretionary Sector's 14.25% total return is largely the result of persistent consumer spending. In total, consumers are estimated to have spent between \$979.5 and \$989.0 billion in November and December, representing an increase of 2.5% to 3.5% year-over-year. For the second year in a row the S&P 500 Index enjoyed a positive total return, increasing by 25.00% in 2024. Of the eleven sectors that make up the Index, the Communication Services and Information Technology Indices boast the highest total returns on a trailing 12-month basis (40.23% and 36.61%, respectively). That said, it is worth noting the dramatic turnaround in Utilities stocks in 2024. After weathering a total return of -7.08% in 2023 (the worst performer for the year), Utilities surged by 23.43% (total return) in 2024 making them the fifth-best performer during the year. Will a different sector rise to the top in the first quarter of 2025? We look forward to seeing what the data reveals.