

# Cash Flow and Carey



**Robert Carey, CFA**  
Chief Market Strategist



**Peter Leonteos**  
Market Strategist

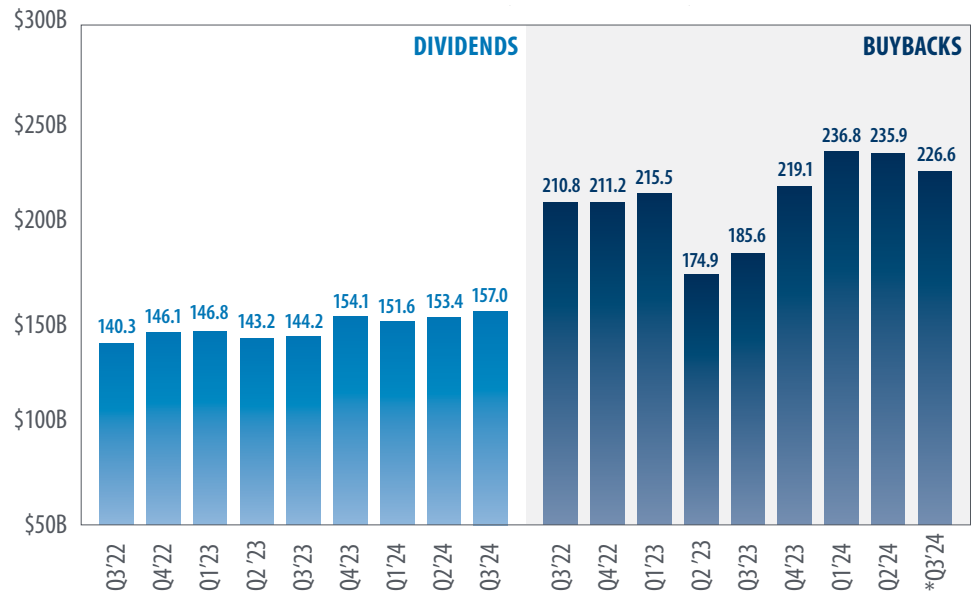
2/6/25

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 11 major sector indices are capitalization-weighted and comprised of S&P 500 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.

## S&P 500 Index Dividends & Stock Buybacks

### S&P 500 Dividend Payout vs. Stock Buybacks



Source: S&P Dow Jones Indices. Quarterly data points in \$ Billions. \*Q3'24 data is preliminary.

### View from the Observation Deck

While companies have a number of ways in which to return capital to shareholders, stock dividends and share repurchases are two of the more customary ways to do so. Apart from Q2'23 and Q1'24, dividend distributions steadily increased over today's set of observations. By contrast, share buybacks continue to account for a greater share of total capital disbursements despite greater variance.

- Combined, stock dividends and share buybacks totaled \$1.535 trillion (preliminary data) over the trailing 12-month period ended September 2024, up from \$1.367 trillion over the same period last year.
- Dividend distributions totaled \$157.0 billion in Q3'24, up from \$144.2 billion in Q3'23. In total, the companies that comprise the S&P 500 Index ("Index") distributed a record \$616.2 billion in dividend payments over the trailing 12-month period ended September 2024, up from \$580.2 billion over the same period last year.
- Stock buybacks totaled \$226.6 billion in Q3'24 (preliminary data), up from \$185.6 billion in Q3'23. Stock buybacks totaled \$918.4 billion over the trailing 12-month period ended September 2024, up from \$787.3 billion over the same period last year.
- In Q3'24, the S&P 500 Index sectors that were most aggressive in repurchasing their stock were as follows (% of all stocks repurchased): Information Technology (28.2%); Financials (19.4%); and Communication Services (14.9%), according to data from S&P Dow Jones Indices.

### Takeaway

Investors often view dividend increases and initiations as signs of financial strength, while cuts and suspensions can be viewed as signs of weakness. The Index saw 342 dividend increases and eight initiations in 2024, down from 348 increases and eleven initiations in 2023. Dividend cuts and suspensions also declined over the period. The Index saw 15 dividend cuts and two suspensions in 2024 compared to 26 cuts and four suspensions in 2023. Tellingly, the Index's dividend distributions totaled a record \$616.2 billion over the trailing 12-months ended September 2024. Buybacks declined during the quarter, totaling \$226.6 billion compared to \$235.9 billion in Q2'24. That said, Q3'24's total buyback expenditures represent an increase of 22.1% year-over-year. When ranked by total buyback expenditures, the top 20 companies in the Index accounted for 53.2% of all share buybacks in Q3'24, up from 52.3% in the previous quarter. For comparison, the historical average for the metric is 47.6%.