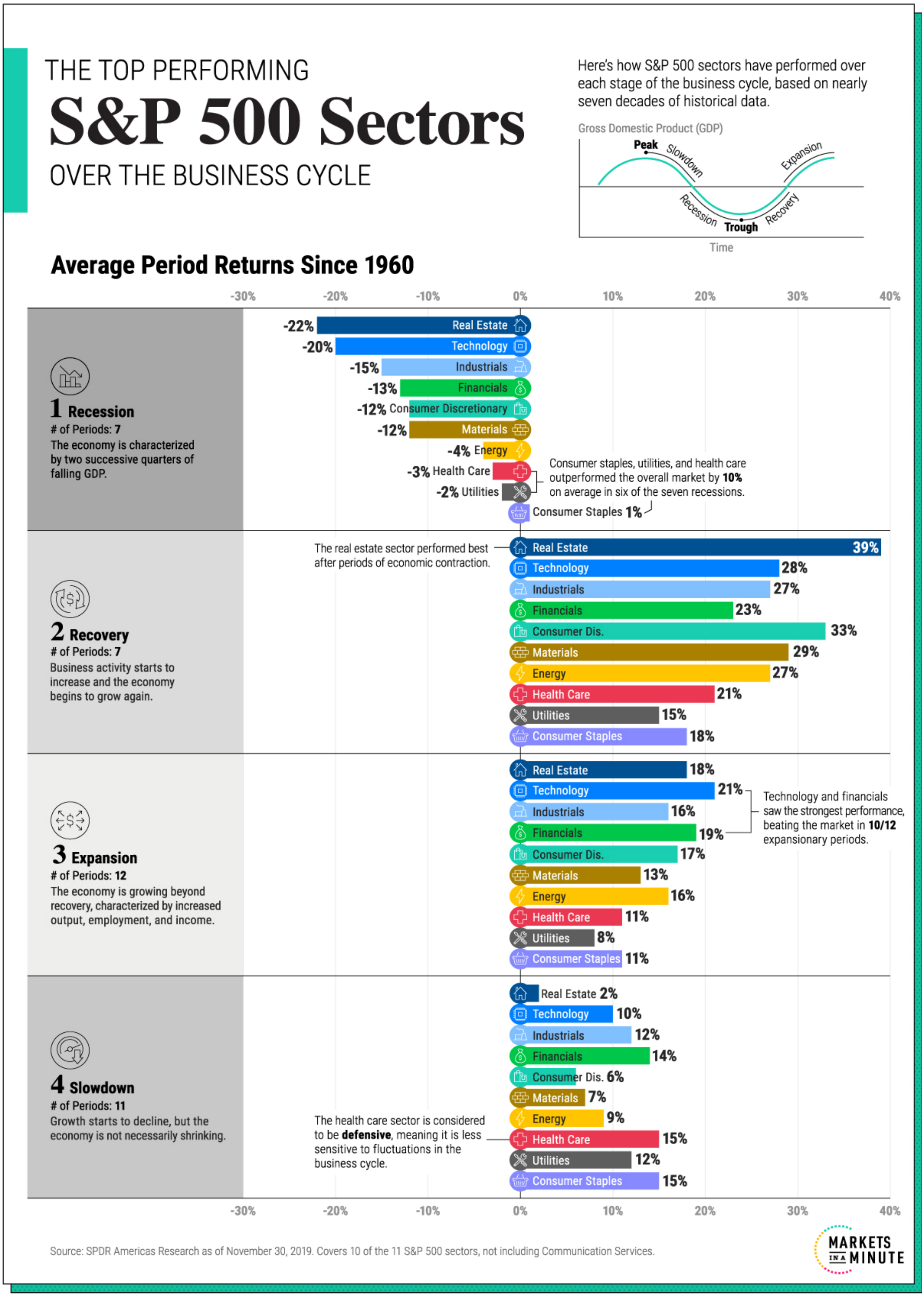
The Top Performing S&P 500 sectors over the business cycle

The business cycle experiences shifts over time, from the peaks seen after expansions to troughs seen in recessionary periods, and each stage of the cycle tends to affect the equity market in different ways. On this week's chart, we explore the sector performances of the S&P 500 during each phase of the business cycle – the returns seen on the next page in our chart are the averages seen in each period dating back to 1960.

It is important to note that these figures are indeed just averages and are not perfect predictors of performance. In any given timeframe, specific sectors can significantly outperform or underperform these averages due to external or even once-off factors. A perfect example of this would be the recent sharp rally in technology and consumer discretionary names as a result of the current AI-boom.

The dataset is based on an index which comprises ten economic indicators in the United States which tend to reveal typical turning points in the business cycle and cover a broad range of areas. It can at times be difficult to ascertain exactly which stage of the cycle the economy may be in. At present, we believe that we are likely somewhere in the 'Slowdown' phase, due to weakening global growth figures seen over recent quarters.

While a recession is not guaranteed, any potential one certainly has not started yet. Central bankers may succeed in navigating the economy into a 'soft-landing' – i.e. a situation whereby the economy transitions from a period of rapid growth and inflation to more sustainable and stable levels, without entering a recession. Clearly, we are in somewhat of an unorthodox business cycle at present. If a soft-landing is achieved, we may see the current 'Slowdown' phase transition into some sort of a 'Recovery' phase, and essentially skip a recession or only see a very shallow one. A hard-landing or soft-landing scenario would have very different knock-on effects for sectors within the equity market.



Source: Visual Capitalist, SPDR Americas Research