SKILLS ACADEMY HUB

S&P 500 Market Report

2025

Stop ignoring the obvious

Analyzed by:
SKILLS ACADEMY HUB

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1. Introduction

You can't avoid risk, you can only choose which ones to take. When it comes to investing a lot of thought and effort is put into managing risk and avoiding it. Some people are so stressed at the very concept of risk they are letting their money slowly bleed, just to say ***"Hey, at least I am not taking risks"***. Unfortunately all non-risk takers are just ignorant of what real risks they are taking, in particular the risk of inflation destroying the value of your money & of course the risk of **missing out** the potential for returns, just to ***sit in the sidelines.***

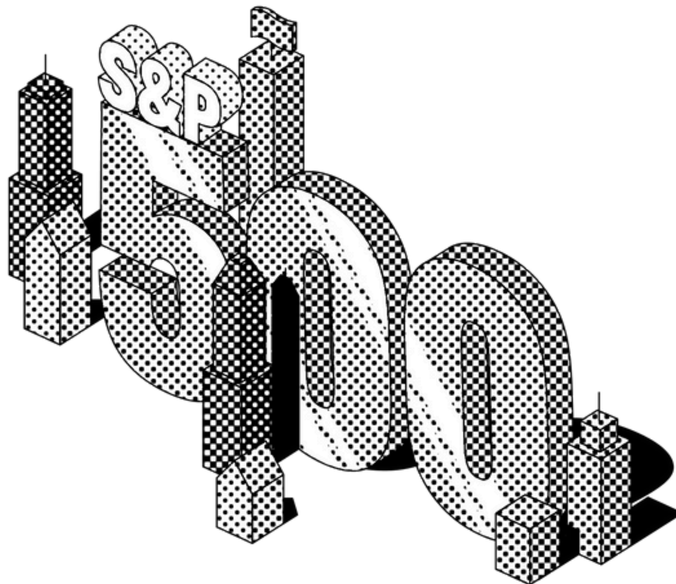
Investors are usually seen as the individuals who take the calculated risk for maximum return & while that is in essence what they are trying to do, very few are able to properly evaluate an opportunity. ***Why is that?*** Because nowadays in the fast information era you have machine learning algorithms designed by a team of 100+ programmers, math experts from Harvard trying to be the fastest on the market and predict trends before they happen.

This approach is seen as a **"smart"** way to invest, but historically it has rarely been sustainable, because in its essence the market is a combination of millions of decisions per day, with all vastly different ideas. Some are removing exposure to a company they don't want to be a part of anymore because of the financial concerns. Others are buying a new stock on the market with spare cash they can risk if it goes bust, some are trying to anticipate a company blowing up after being very stagnant for several years and many more. Due to this overload of information, it has been very difficult for individual investors with little time or experience to find a way to invest that's tested out, low on cost & actually making a return.

Most starting investors rely on a crutch in their beginning journey as we relied on our parents helping us to learn how to walk, talk and do anything. This is not inherently bad, but with the modern bombardment of information it's hard to really get a good grasp on ***fundamental knowledg***e that's reliable in most situations. This report is written with this exact purpose, to provide you & whoever in your life can benefit. We will mainly focus on what is considered to be the benchmark of the market and its performance, in particular the ***S&P 500.***

2. What is the S&P 500?

The S&P 500 (short for **Standard & Poor 500)** is a stock market index created in 1957 to track the 500 most representative companies of the stock market. It was created with the intent to provide a broad overview of the market and has been used as a benchmark to track performance. With the **S&P 500** considered as the standard benchmark for the stock market, naturally people started using it to compare performance not just for individual stocks, but also for **Hedge Funds, Gold, Bonds, Real Estate, exotic wines** & essentially anything that people invest into.



More specifically when you look at **Hedge Funds**, their commission is often connected to the performance of their fund and their investors. It is even considered a standard that a performance commission be paid only if the fund's return has been higher than the **S&P 500** for the year and the commission is only paid on the excess. Since the **S&P 500** is so deeply ingrained in investing culture, let's take a closer look at what exactly is in it that makes it so special?

2.1 Composition

We are going to start from a broader view before we look into individual companies inside of it. **The S&P 500** is divided into 11 Main sectors, divided by the nature of the business.The **S&P 500** is calculated as a market cap based index, meaning that the companies with the highest percentage of representation are in fact the biggest. Since the stock values move every day the ratios and percentages of the stocks or sectors are in a range.

1. Information Technology is the biggest sector in the **S&P 500** typically ranging between **25-30%** of the entire index itself. You can recognize a lot of the big names in Tech here including Apple, Microsoft, NVIDIA and more.

2. Health Care is the second largest sector in the index ranging between **13-15%** of the entire index itself & including companies like **Johnson & Johnson, Pfizer, UnitedHealth.** The **US** is known for its private healthcare reaching absurd figures for individuals so its normal to see this being a big part of **the index.**

3. Financials includes anything relating to **Banking, Investing & Insurance** with a range between **10-13%** of the index' big names in this sector are JPMorgan Chase, Bank of America, Goldman Sachs. All behemoths in the investing ecosystem and tracking closely the stock market and the S&P 500, later on we will cover some of their projections for the index they are a part of.

4. Consumer Discretionary is a sector not many people are familiar with, it is essentially a business which sells goods that people are purchasing that are non-essential and are usually associated with a premium brand or big ticket items like cars. This section is often between **10-12%** of the index itself and some staple names include **Amazon, Tesla, Nike e.t.c.**

5. Communication Services are companies whose main business is related to **Media & Telecom.** Media and telecom giants are usually companies with a long history in the business and often smaller competitors have a hard time breaking through. The industry went through a massive revolution with digital marketing destroying the business model of more traditional media.

Netflix killed **blockbuster, Google and facebook** killed off most newspaper and magazine **advertisements etc**. On the Telecom side of things you have companies like comcast, **AT&T** that have also gone through an **industrialization** over the decades where they were a massive part of the index in the earlier 2000s, but with prices of their services going through a consistent downtrend only the bigger companies are thriving with strategic mergers.

S&P 500 Sector Composition

1. Information Technology:	25–30%	Apple, Microsoft, NVIDIA
2. Health Care:	13–15%	Johnson & Johnson, Pfizer, UnitedHealth
3. Financials:	10–13%	JPMorgan Chase, Bank of America
4. Consumer Discretionary:	10–12%	Amazon, Tesla
5. Communication Services:	8–10%	Google, Meta
6. Industrials:	8–10%	Boeing, Lockheed Martin
7. Consumer Staples:	6–8%	Coca-Cola, Walmart
8. Energy:	4–5%	ExxonMobil, Chevron
9. Utilities:	2–3%	Duke Energy
10. Real Estate:	~2–3%	REITs
11. Materials:	~2–3%	Dow, Newmont

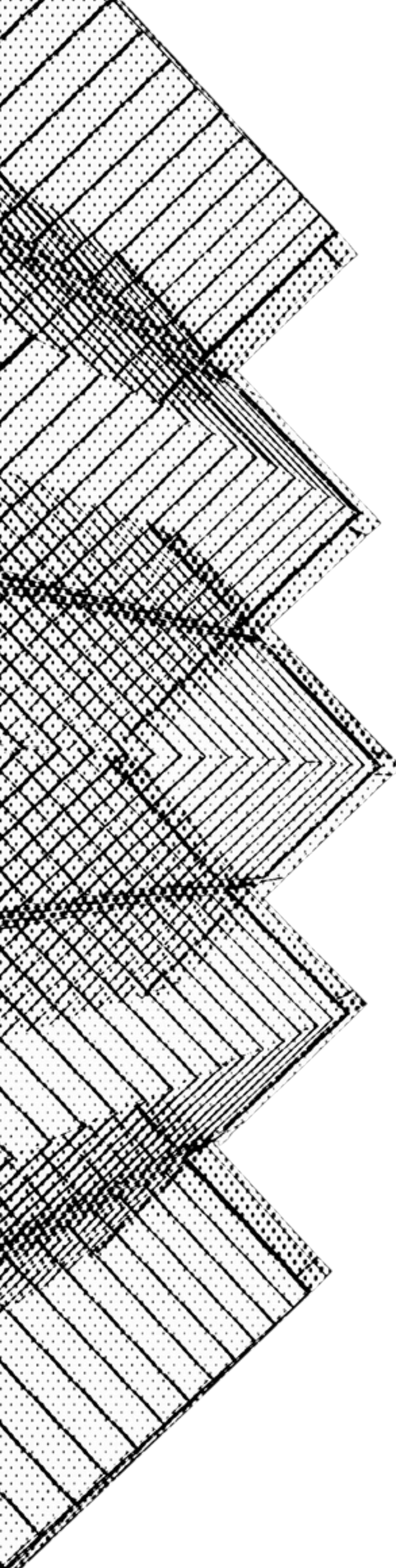
3. Index Eligibility Criteria

6. Industrials are between *8-10%* of the index and includes companies that are in Manufacturing and producing *equipment, transportation & logistics*, Aerospace and defense. A few key companies include *Boeing, Lockheed Martin & Raytheon Technologies*.

7. Consumer Staples are a smaller part of the index sitting between 6-8% of the total index. These include more everyday products that are considered more essential & more cost affordable and are usually considered to have a negative correlation between the product costs and the demand for it. Companies in this sector's usual business strategy is bulk production and aiming for higher volume to deliver better prices for consumers and known to have giant logistical chains. A few companies that are in the index are Procter & Gamble, Coca-Cola, Walmart.

8**. Energy** is between ***4-5%*** of the index & consists of companies like *ExxonMobil, Chevron.* These companies are considered to be quite volatile due to their main product being oil, gas and renewables. The industry is commonly known to provide larger dividends to attract investors when the prices of energy are high. Crude *Oil or WTI* (West Texas Intermediate) is usually used to benchmark the average price of *Oil*.

9. Utilities are between *2-3%* of the index, the companies are mainly related to Power and Water, a few of the larger ones are *NextEra Energy & Duke Energy*. As with energy companies the companies are reliant on the price of electricity and water, which in most cases for regular consumers are regulated to be within certain price ranges. Around the world most energy companies started off as private companies which have developed a large part of the energy infrastructure and afterwards when prices for maintenance become overbearing, they are typically *nationalized*.



8-10%

Industrials

6-8%

Consumer Staples

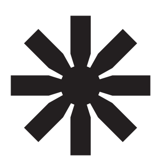
2-3%

Utilities

4-5%

Energy

10. Real Estate companies are a smaller section of the *S&P 500* as most real estate companies are not often publicly traded & the companies in the *S&P 500 are REIT* (Real estate investment trusts), whose typical business model is to provide income to investors by purchasing properties and turning them into rentals. Due to this business model growth in the sector is considered slower & needing to hold large asset portfolios to generate a *sustainable return.*



11. Materials is the smallest sector in the S&P 500 comprising between *2-3%* of the index. The companies are typically involved in mining, chemicals & construction materials. The larger companies in the sector include *Dow & Newmont*.

2.2 Criteria for Entering the S&P 500

In order to be a part of the 500 companies in the *S&P 500* a company needs to go through a list of criteria before even being considered. Investors try to scout out potential candidates and invest in them before they are accepted in the index to take advantage of institutional investors

that will buy shares of the company for treasury purposes.

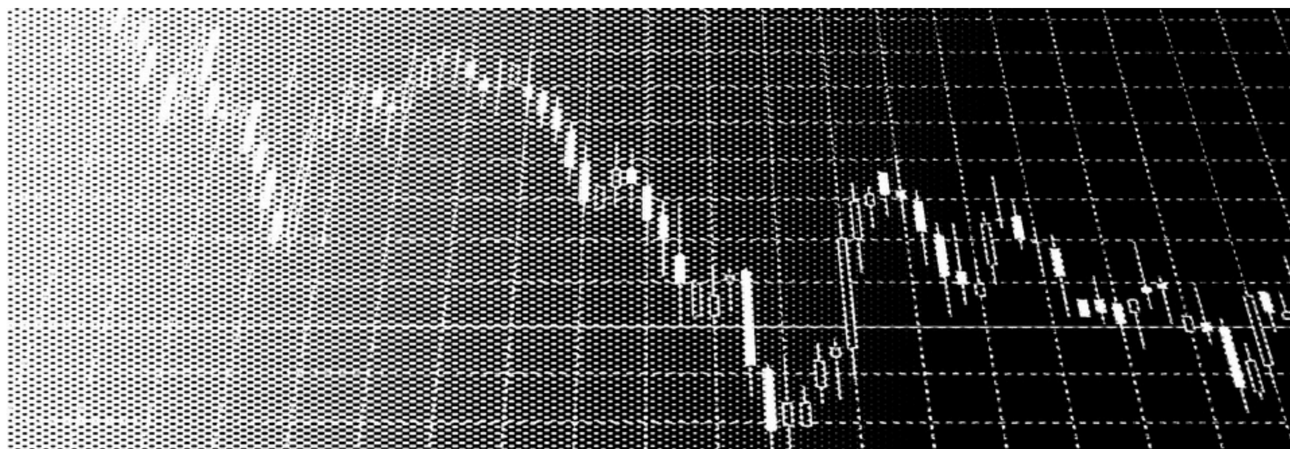
The criteria are as follows:

1. Market Capitalization - The company needs to have a market cap of more than $15 Billion, there is no official minimum number of trading days a company needs to be above the market cap in order to qualify, but Standard & Poor are looking for companies that have sustained the market cap and its not a spike in the price for the short term due. The market cap is calculated by the number of shares the company has that are tradeable X the price of the shares.

2. US Company - The company must be headquartered in the US.

3. Publicly Listed - the shares of the company must be traded on a major US exchange, either the *NYSE or NASDAQ*.

4. Liquidity - The company's shares must be sufficiently liquid and have an adequate trading volume so investors can be able to buy and sell with ease. The minimum trading volume ratio is 0.75 (shares traded / shares outstanding) meaning that a company who has 1,000,000 shares would need to have traded *750,000 of those shares in the last 12 months*.



5. Float-Adjusted Market Cap - Only the shares that are traded publicly count towards eligibility, meaning that shares held for treasury purposes or by private investors within the company or outside are not considered in the calculations. 6. Financial Viability - The company looking to get listed must have positive earnings over the last 4 quarters. Typically the accounting metric used is GAAP net income and the rule intends to filter our speculative and unprofitable companies from entering the index.

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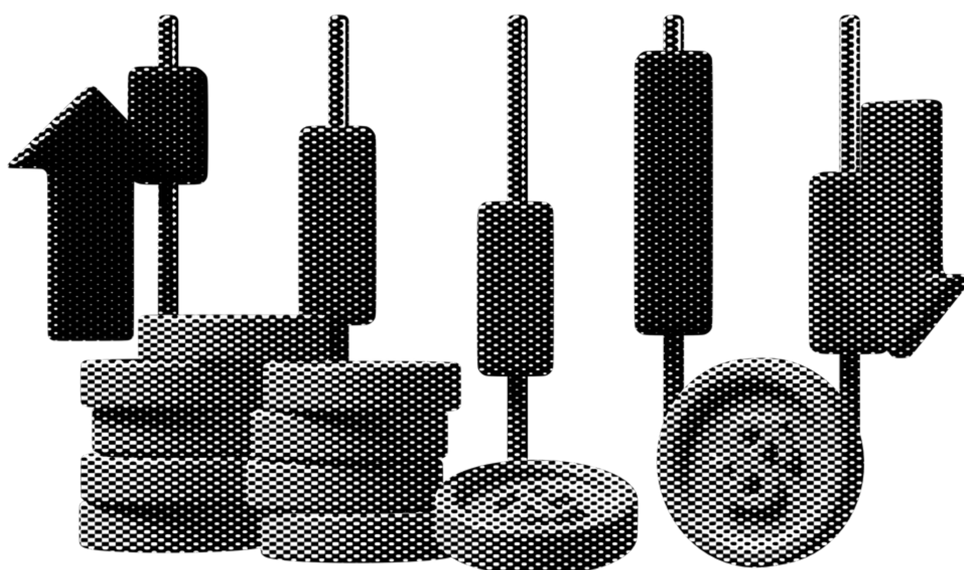
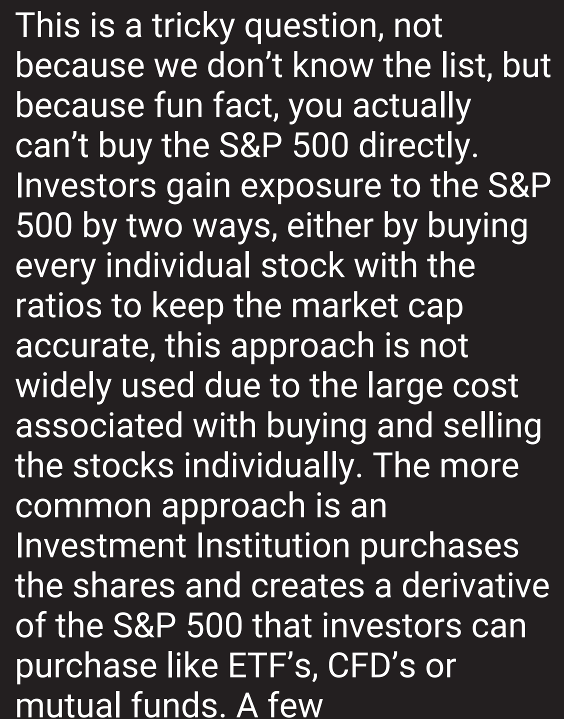
7. Sector Balance - The committee in charge of picking out which stocks enter and leave the index look for balancing out the sectors in the S&P 500 to be consistent with their intent of the index being representative of the broader stock market.

8. Corporate Structure - some corporate structures are excluded from being a part of the S&P 500, Limited Partnerships and Charities are excluded from participating in the S&P 500 due to the difference of their legal structure non-profit goals.



2.3 Who is buying the S&P 500



This is a tricky question, not because we don't know the list, but because fun fact, you actually can't buy the S&P 500 directly. Investors gain exposure to the S&P 500 by two ways, either by buying every individual stock with the ratios to keep the market cap accurate, this approach is not widely used due to the large cost associated with buying and selling the stocks individually. The more common approach is an Investment Institution purchases the shares and creates a derivative of the S&P 500 that investors can purchase like ETF's, CFD's or mutual funds. A few

of the most popular ones are Vanguard, Blackrock (iShares) & State Street Global Advisors (SPDR ETF's). Just for reference, Vanguard's ETFs have over $100 Billion dollars invested in the companies to track the S&P 500, Backrock's iShares ETFs are of similar size.

Now that we got that out of the way, who is mainly investing in the S&P 500?

4 . Who is mainly investing in the S&P 500?

1. Institutional Investors

These are typically the largest investors in general since they typically manage pooled funds with the purpose of investing. These are Pension Funds Insurance Companies Mutual Funds Index Funds & ETFs University Endowments Sovereign Wealth

2. Retail Investors

Retail investing has been gaining traction over the last few decades, the large contributing factors are investing becoming more widespread and understood & fund managers being costly for individual investors unless the fund managers overperform by a large margin.

Retail Investors typically invest by buying a derivative of the S&P 500 like SPY or VOO with a broker, owning direct shares of the companies in the index like Apple or Microsoft. Some retail investors are even investing their pension funds individually in the ETFs.

4. Who is mainly investing in the S&P 500?

3. Fund Managers

We talked about these earlier with Vanguard, Blackrock being the largest ones.

4. Governments and foreign investors

Central banks, foreign pension funds and sovereign wealth funds may also hold US equities and ETFs to be able to accomplish their investment goals

5. Corporate Insiders

Some of the companies publicly traded keep a treasury reserve of shares that they issue to insiders in the company as a form of compensation. When shares are issued to insiders of public companies they are typically offered to the individual with specific requirements, for example they could be performance based compensation for a CEO if the stock is trading above a certain price for a period & typically these shares have requirements to not be sold for a certain period of time to align with the companies goals and to avoid volatility of the stock price. 2.4 Compared to other investment types Below is a breakdown comparison of the annual returns for 2014-2024 on the S&P 500, Nasdaq 100, Gold, Hedge Funds.

5. What effect does inflation have on the S&P 500?

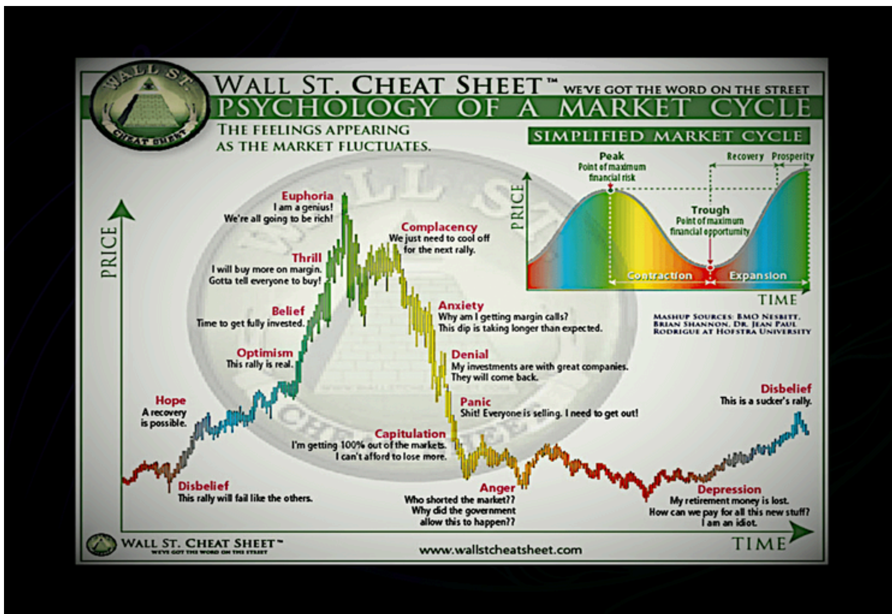
A lot of people have been keeping an eye on inflation since the Covid era caused a lot of supply chain bottlenecks and inflation started spiraling. Inflation has always been around since Roman times and has been mostly ignored unless it has gone out of control. One of the duties of Central Banks and the Federal reserve is to typically ensure market stability through monetary policy to combat issues that would destabilize the markets and investor confidence.

Inflation has been fought with the increase of interest rates and a series of monetary policies to balance out the economy. Inflation as a core issue in the eyes of investors has had them be more cautious about investing, which is actually extremely backwards in thinking. Inflation causes the price of goods and services to increase without the quality of said goods or services changing. This issue is mainly a consumer issue, not so much an investing one, since the companies that are forced to increase their prices due to inflation will have a positive increase in their dollar value earnings and will usually result in the stock price of said company increasing as well.

With this in mind in times of high inflation institutional and smart investors are looking for assets to beat it instead of keeping their cash in a savings or bank account that is barely covering it. Investing your money is the only way to beat inflation. Of course investing your money does not mean that you will automatically make a return, this is why selecting the most appropriate asset that fits your investment needs is crucial in picking just what's right for you.

6.How do investors behave in a Bull Market?

A bull market is when prices of assets rise and are expected to continue to rise, typically its market seeing 20% increase in the price from recent lows and reaching an all time high. During this type of market it's common to see higher highs and higher lows, investors are feeling the pressure of missing out on opportunity and analysts typically revise their price targets higher. Its good to know that following analysts' expectations is usually not productive since they tend to adjust their analysis based on past movements and trends, instead of relying more on predictive analysis for industry or company growth.



Below is one of the most famous pictures on wall street showing the psychological journey of an investor who is going through the motions of the market without having a plan in place. While not being an absolute law in investing, according to statistics most investment losses stem from risk aversion and over confidence.

This highlights one of the most essential investment needs is to have a proper understanding of your financial situation and goals and have clear tangible steps to follow through when uncertainty rises.

8. What to expect from the future?

With every all time high comes the big question of “What now?”. The academically statistical approach is to take into account the average return of the S&P 500 and look at the standard deviation. The average long term return is 10% and the standard deviation is 15% meaning that in most cases the return on the S&P 500 in normal market conditions is between -5% to +25%. The approach that most people go for is to use technical analysis that's meant to be used as a forward looking indicator. The Fibonacci sequence is widely regarded as a forward looking indicator used by investors to determine levels that investors would be looking for entry, support and resistance.

According to the technical analysis with a forward looking approach, it shows that the S&P 500 could reach a key level at approximately $7,200 while the $6,000 level acts as a psychological support. With this in mind investors are likely to look for confirmation of these levels either by testing and sustaining drops above $6,000. Typically for a bull market investors will be looking out for higher highs and higher lows. A couple of things to note on the technical analysis is the RSI (Relative Strength Index) and the BB (Bollinger Bands) are showing signs of the index being overbought.

While that serves for caution it's also worth noting that with these indicators being retroactive and reactive in nature, they should be used as more of a range for volatility rather than predictive for positioning on the market.

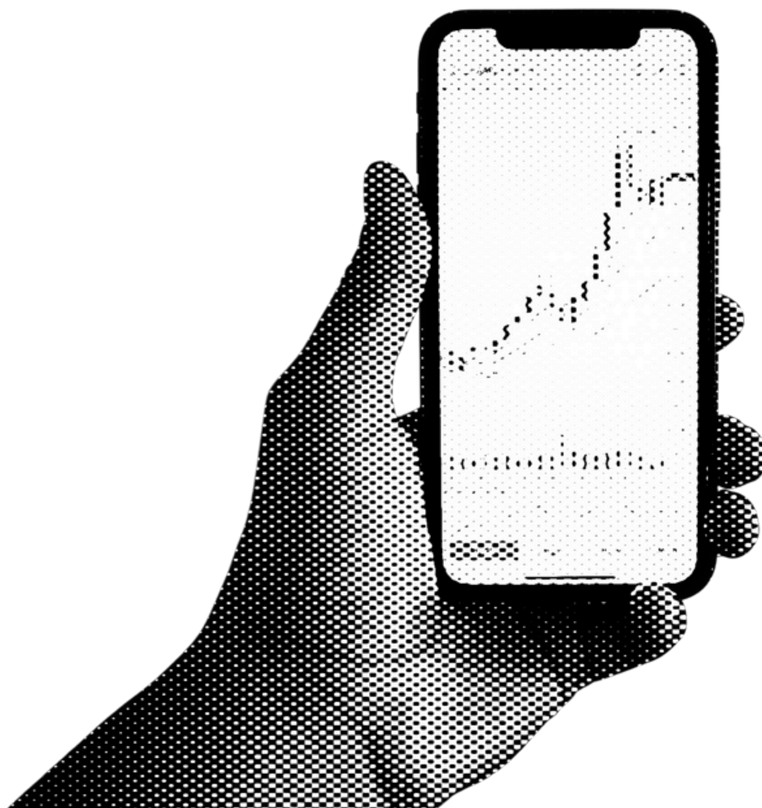
9. Closing Comments

Investing is ultimately a *personal journey* built on understanding, patience, and adaptability. While markets can seem overwhelming with noise, trends, and constant change, the principles remain consistent: *evaluate your risks, define your goals, and make decisions* based on sound reasoning rather than *emotion or hype.*

As you continue exploring opportunities from broad indices like the **S&P 500** to more specialized assets remember that no single strategy *guarantees success.* Instead, lasting results come from continuously learning, questioning assumptions, and staying disciplined even when markets *test your resolve.*

We hope this report has given you practical insights and helped you see investing not as gambling or guesswork, but as a thoughtful way to steward your resources for the future.

Stay informed, stay patient, and always invest with purpose.



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