



Market Coverage

Sector Overview – Communications

Communications Sector Overview

I. Background

- Sector Definition:
 - i. Provides communication and connectivity services through a variety of different mediums.
 - ii. Develops the products and technologies necessary to transmit data by means of television, internet, and phone.
- Sector Size:
 - i. As of June 21, 2024, the Communications Sector is the **6th largest sector** in the economy:
 - 1. More than \$6.17 trillion in public market capitalization.
 - 2. Representing 8.36% of the total market.
- Sector Composition:
 - i. Interactive Media and Services; Wireless Telecom Services; Broadcasting; Movies and Entertainment; Cable and Satellite

II. Players in the Sector

Market Capitalizations as of June 21, 2024

- AT&T Inc (NYSE: T) // Market Capitalization ~\$131 Billion

- Comcast (NASDAQ: CMCSA) // Market Capitalization ~\$150 Billion
- Meta Platforms Inc (NASDAQ: META) // Market Capitalization ~\$1.26 Trillion
- Netflix (NASDAQ: NFLX) // Market Capitalization ~\$295 Billion
- T-Mobile US (NASDAQ: TMUS) // Market Capitalization ~207 Billion
- Verizon Communications (NYSE: VZ) // Market Capitalization ~\$169 Billion

III. Sector Performance

- Return:
 - i. The sector has returned 17.9% throughout 2024 (year-to-date), based on the performance of the ETF SPDR Fund XLC.
 - ii. Relative to the SPY, the Communications Sector has outperformed the general market by 1.9% YTD 2024.

IV. Additional Notes

- The Communications Sector is very broad and includes some subsectors that are more traditional and defensive in nature, while others are more volatile and cyclical.¹
 - i. The more traditional telecom companies – like AT&T and Verizon are defensive as their services are inelastic and demand for these services don't change relative to the health of the general economy. These are large, stable companies with high dividend yields.
 - ii. Newer entrants in the Communications Sector make the space more volatile, as their services are elastic and buyers increase or decrease consumption relative to the general state of the economy. For example, Media and Internet Companies:
 1. Media companies were formerly classified under consumer discretionary.

¹ The Communications Sector changed names in 2018 and was formerly known as the Telecom Sector. The composition of the sector also changed, to include some media companies and internet companies.

2. Internet companies were formerly classified under information technology.

- Large Consolidation in the Communications Sector
 - i. The Communication Sector has gone through massive consolidation over the past few decades to enhance more uniform and efficient means of transmitting data.
- Changing Consumer Preferences
 - i. The advancements in streaming technology have changed the way many people consume media and entertainment, switching from cable television to streaming services to watch shows, movies, news, and live sports.

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The material in this document reflects performance based on adjusted close prices for June 21, 2024.

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