



Market Coverage

Sector Overview – Materials

Materials Sector Overview

I. Background

- Sector Definition:
 - i. The acquisition, discovery, and processing of raw materials used by the broader marketplace.
 - ii. The sector Includes metals, forestry, and chemicals.
- Sector Size:
 - i. As of June 21, 2024, the Materials Sector is the **9th largest sector** in the economy:
 1. More than \$2.45 trillion in public market capitalization.
 2. Representing 3.22% of the total market.
- Sector Composition:
 - i. Chemicals; Construction Materials; Container and Packaging; Metals and Mining; Paper and Forrest Products

II. Players in the Sector

Market Capitalizations as of June 21, 2024

- Air Products and Chemicals Inc (NYSE: APD) // Market Capitalization ~\$59 Billion
- BHP Group Limited (NYSE: BHP) // Market Capitalization ~142 Billion

- Dupont De Nemours Inc (NYSE: DD) // Market Capitalization ~\$33 Billion
- Rio Tinto PLC (NYSE: RIO) // Market Capitalization ~\$112 Billion
- Steel Dynamics (NASDAQ: STLD) // Market Capitalization ~\$19 Billion

III. Sector Performance

- Return:
 - i. The sector has returned 5.4% throughout 2024 (year-to-date), based on the performance of the ETF SPDR Fund XLB.
 - ii. Relative to the SPY, the Materials Sector has underperformed the general market by 10.6% YTD 2024.

IV. Additional Notes:

- The Materials Sector is highly cyclical because demand is dependent on the broader health of the general economy and its production capacity.
 - i. As building and capital projects expand, raw material prices increase because (all things equal) higher demand means higher prices.
- Materials are considered leading indicators of future economic conditions.
 - i. For example, because of copper's wide application in building materials, copper prices are typically seen as a strong leading economic indicator.
 - ii. When copper prices increase, it means markets that utilize copper for production are experiencing higher than normal purchase orders (e.g., the housing market).
- Trends in the Materials Sector:
 - i. Increasingly scrutinized labor conditions
 - ii. Government regulations and environmental policies
 - iii. High capex expenses, but relatively low operational costs

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

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