MONEY

S&P 500 flirts with new high; Dow lags

Difference reflects what's moving market

Matt Krantz
USA TODAY

The Standard & Poor's 500 made another run at new highs Friday, but the Dow is struggling to bring up the rear.

An early-day rally pushed the S&P 500 into all-time record ground briefly, toppling the former high notched two weeks ago. The good feelings didn't last — a late-day sell-off knocked the S&P 500 down 6 points to close at 1866.

The Dow has lagged the S&P 500 for more than a year, and remains 1.6% away from its high set at the end of last year. The difference speaks about what's moving the market now.

"The Dow has a very low representation of things moving the market, like ... Netflix, social media stocks, solar stocks and biotech," says Robert Maltbie of Millennium Asset Management. "There's (low) exposure to that" in the Dow.

The Dow's underperformance isn't new. The S&P 500 is up more than 20% over the past 12 months, easily topping the 13% gain of the Dow during the same period. But savvy investors are looking at the differential to yield clues about where the market is headed, including:

▸ **The rise of new leadership.** A new crop of relatively young companies and industries helps the S&P 500 more than the Dow, Maltbie says. Facebook, is just one example of a stock that's in the S&P 500 and not in the Dow. Shares of the No. 1 social networking company are up 23% this year. Meanwhile, the Dow is heavily weighted toward older companies that are lagging, such as IBM. Nearly 100 S&P 500 stocks are up 10% or more this year, says Howard Silverblatt, senior index analyst at S&P Dow Jones Indices.

▸ **The biotech boom.** One of the biggest boons for markets this year is biotech, an industry the Dow has relatively low exposure to. Despite a big sell-off Friday on worries the government might look at biotech drug pricing, biotech darling Biogen Idec is up 14% this year. Healthcare stocks, including biotech, are up 5.2% this year, Silverblatt says. The S&P 500 benefits more from this since health care accounts for 13.4% of the index, vs. just 10.3% of the Dow, Silverblatt says.

▸ **The rotation into financials.** Movement into financial stocks gives a slight edge to the S&P 500, says Chris Johnson of JK Investment Group. Investors not chasing high flyers like biotech are moving into the safety of financial stocks. Financial stocks are up 2.6% this year. That again gives the S&P 500 an edge since financials account for 16.5%, vs. a 15.9% weighting in the Dow.

S&P 500 SHOWS UP THE DOW

Even as the S&P 500 briefly notched an all-time high on Friday, the Dow Jones industrial average is still struggling to keep up. The Dow is ...

1.6%
Below record high of 16576.66 on Dec. 31.

1.3%
Below 2014 closing high of 16530.94 on Jan. 7.

0.1%
Down in March, so far.

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