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Market Commentary

Weekly perspective on current market sentiment **August 12, 2026**

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Last week's S&P 500 Index: 3.6%

More than preseason hype

Key takeaways

- The S&P 500 Index's latest breakout is being supported by fundamentals, not just optimism, as earnings growth has sharply exceeded expectations and pushed markets back near record highs.
- Market participation has broadened beyond mega-cap market leaders, but we believe investors should stay disciplined by adding to U.S. Large Cap Equities, Information Technology, and artificial-intelligence-linked sub-industries when they experience pullbacks.

Every August, NFL fans start hunting for breakout players. One viral practice clip, one flash from a first-round pick, or one glowing report from training camp can make a fan base believe its team is closer to championship contention. Training-camp optimism can run ahead of reality because every team remains undefeated in August. But every once in a while a true breakout arrives. The equity market is offering a more tangible example of what that upside can look like. After spending much of the summer between the 20s (rangebound), the S&P 500 Index pushed back into record territory last week, helped by two important breakouts: stronger earnings and broader constituent participation.

Second-quarter earnings results have been much stronger than expected: Bloomberg data shows that with 89% of S&P 500 Index companies having reported as of August 7, 87% have beaten earnings-per-share (EPS) estimates and 69% have beaten revenue estimates. Earnings growth climbed to 31% (or 51% if exceptionally large non-operating gains from a few companies were included), up from the 23% estimate at the end of June. If sustained, it would mark the strongest earnings growth rate for the index since the postrecession rebound in 2021. All-time highs for equity markets are being supported by improving fundamentals, not just preseason-like optimism.

The second breakout is participation: The S&P 500 Equal Weighted Index has outperformed the cap-weighted index year-to-date and also reached a new all-time high last week. That matters because equal-weight index performance is a useful gauge of the market's depth chart. When it is working, more stocks are contributing, not just its superstars. As of August 7, 63% of S&P 500 Index constituents were trading above their 50-day moving average while 71% were above their 200-day moving average.

Still, every strong roster has an injury report. Higher oil and interest rates and geopolitical uncertainty, including the war in the Persian Gulf, continue to weigh on valuation multiples. The forward 12-month price-to-earnings (P/E) ratio for the S&P 500 Index currently stands at 20x, in line with its five-year average and only a point above its 10-year average.

Our guidance is to stay constructive, but disciplined, with equity-market exposure. Rely on the stars that brought the S&P 500 Index here: earnings growth, healthy balance sheets, and artificial-intelligence (AI) leadership. We continue to favor U.S. Large Cap Equities and Information Technology where we recommend adding on pullbacks. Additionally, spread the ball to other favorably ranked and AI-linked sub-industries including Electrical Equipment, Machinery, Banks and Capital Markets (to fund the buildout), and Construction Materials.

Risk considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets.

Sector investing can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. Risks associated with the **Technology** sector include increased competition from domestic and international companies, unexpected changes in demand, regulatory actions, technical problems with key products, and the departure of key members of management. Technology and Internet-related stocks, especially smaller, less-seasoned companies, tend to be more volatile than the overall market. Investing in the **Financial** services companies will subject an investment to adverse economic or regulatory occurrences affecting the sector. There is increased risk investing in the **Industrials** sector. The industries within the sector can be significantly affected by general market and economic conditions, competition, technological innovation, legislation and government regulations, among other things, all of which can significantly affect a portfolio's performance

Definitions

S&P 500 Equal Weighted Index (EWI) includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight - or 0.2% of the index total at each quarterly rebalance.

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

An index is unmanaged and not available for direct investment.

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