

Bigger Moves, Fewer Anchors

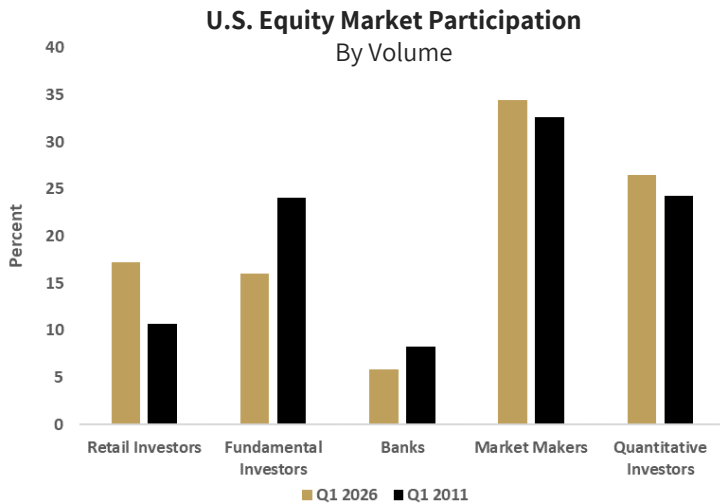
“Every stock seems to be a biotech stock”—as one colleague recently put it—reflecting the outsized price moves following earnings announcements. The point wasn’t that every company suddenly belonged to biotech, but that many stocks were exhibiting biotech-like volatility, particularly in the immediate aftermath of earnings. What could be driving this behavior?

A straightforward explanation is that elevated market levels have raised the bar. After a sustained run to all-time highs, companies must deliver not just solid results, but also strong guidance to justify valuations. Even modest disappointments can trigger sharp price reactions.

However, we think a deeper structural shift is also at work. Over the past 15 years, the composition of market participants has changed meaningfully. The share of fundamentally oriented, institutional stock pickers has fallen from roughly 25% to 15%, while retail participation has doubled from about 10% to 20%. At the same time, quantitatively driven, systematic investors have gained share.*

These shifts likely amplify momentum effects. Stocks perceived as winners are increasingly—and sometimes excessively—rewarded, while perceived losers are punished more severely. With fewer fundamental investors anchoring valuations, momentum can persist with less resistance.

For investors, this dynamic creates near-term discomfort but also opportunity. Extended valuation spreads may prove challenging in the short run, yet they can present attractive entry points for those with the patience to look beyond the market’s immediate reactions.



* Data from Bloomberg Market Structure Intelligence. Fundamental investors includes long-only and hedge-fund investors. Quantitative investors includes independent high-frequency traders. As of May 18, 2026.

Economy

Last Week
- NFIB Small Business Optimism (Apr): 95.9 vs. 95.8 one month prior
- Consumer Price Index (Apr): HL 0.6% MoM / 3.8% YoY ex food & energy 0.4% MoM / 2.8% YoY
- Producer Price Index (Apr): HL 1.4% MoM / 6.0% YoY ex food & energy 1.0% MoM / 5.2% YoY
- Retail Sales (Apr): 0.5% MoM vs. 1.7% one month ago Control Group 0.5% vs. 0.7% one month ago

This Week
- FOMC Meeting Minutes (Apr): 5/20
- Housing Starts & Building Permits (Apr): 5/21
- U. of Mich. Consumer Sentiment (May F): 5/22

Equities

Index	Level	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	7403	-0.10	13.55	8.61	25.73	22.20	13.91
Russell 1000 Growth	4995	0.46	16.45	5.06	24.32	25.37	15.49
Russell 1000 Value	2286	-0.84	8.84	11.09	24.05	17.53	10.19
FTSE High Dividend Yield*	575	0.54	5.77	9.81	23.63	17.91	11.33
S&P Small and Mid Cap	20147	-2.20	7.29	10.34	20.66	14.76	6.99
MSCI EAFE	3027	-1.52	7.58	6.44	22.44	16.04	9.09
MSCI EM	1639	-3.46	19.38	19.25	45.42	22.14	7.31

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD	
				YTD (%)	Energy
S&P 500	19.0	15.7	1.2	40	Energy
Russell 1000 Growth	23.3	18.2	0.5	30	IT
Russell 1000 Value	15.6	13.6	1.9	20	Staples
FTSE High Dividend Yield*	13.3	13.1	3.7	10	Comm. Serv.
S&P Small and Mid Cap	14.3	15.3	1.8	0	Industrials
MSCI EAFE	14.6	13.5	3.0	-10	Materials
MSCI EM	10.4	11.1	2.3		Real Estate
					Utilities
					Cons. Discr.
					Financials
					Health Care

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Index	Yield	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.87	-0.94	-0.67	-1.06	4.09	3.64	0.02
U.S. Int. Gov/Credit	4.50	-0.55	-0.31	-0.53	3.74	4.16	1.12
U.S. Corporates	5.34	-0.86	-0.07	-0.99	4.93	5.06	0.52
High Yield	7.28	-0.49	1.33	0.63	6.76	8.95	4.27
Municipals (1-10)	3.32	-0.43	0.33	-0.22	4.34	3.13	1.12

Key Rates	Last	1 Wk Ago	Levels (%)				
			Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	4.05	3.99	3.48	3.48	3.97	4.26	0.16
10-yr Treasury	4.59	4.46	4.17	4.17	4.49	3.65	1.67
30-yr Treasury	5.12	5.03	4.85	4.85	4.97	3.91	2.37
SOFR	3.53	3.60	3.87	3.87	4.27	5.05	
6-mo. CD rate	3.83	3.81	3.62	3.62	4.43	5.32	0.14
Prime Rate	6.75	6.75	6.75	6.75	7.50	8.25	3.25
30-yr fixed mortgage	6.46	6.44	6.25	6.25	6.97	6.99	3.09

