

## Market Concentration from Railroads to AI

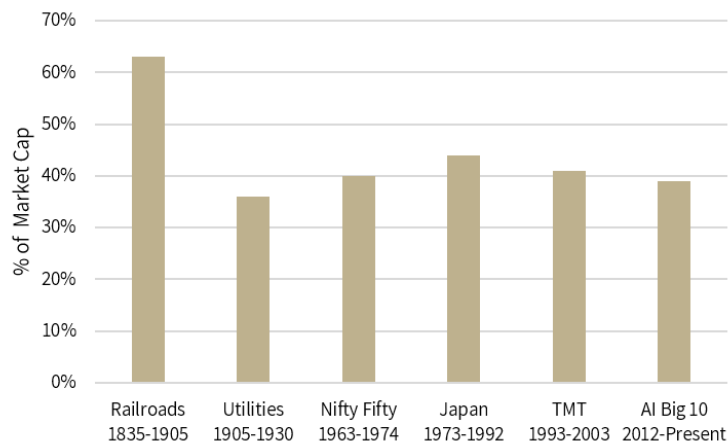
Throughout history, a small group of companies or sectors has periodically dominated U.S. equity markets. Each cycle follows a similar arc: concentration rises quickly around a major innovation theme, peaks, and then declines. Historical peaks include railroads (~63% in the late 1800s), utilities and industrials (~36% in the early 20th century), the Nifty Fifty (~40% in the early 1970s), Japan (~44% in the late 1980s), and TMT (~41% in the late 1990s). Notably, after the TMT peak, the top ten stocks' share fell by roughly half within five years, illustrating how quickly leadership can reverse.

Today, the "AI Big 10" accounts for roughly 39% of the S&P 500, placing it near the upper end of past cycles but still below the extreme seen during the railroad era. The chart highlights both the recurring nature of concentration cycles and how rapidly leadership can narrow during periods of strong technological change.

Looking ahead, several outcomes are possible. First, the market could follow historical patterns, with concentration peaking near current levels and then declining as growth broadens and valuations normalize. Second, AI leadership could persist longer if dominant firms maintain structural advantages such as scale, data, and capital intensity, keeping concentration elevated. Third, concentration could overshoot prior peaks before correcting sharply, as in the late stages of the dot-com cycle.

Overall, the chart raises a key question for investors to consider: whether AI represents a typical cycle or a more lasting fundamental shift in market structure.

### Market Concentration Peaks Throughout History



Note: Japan is measured as % of MSCI ACWI. The rest are measured as % of S&P 500. The "AI Big 10" is the Magnificent 7 + Broadcom, AMD, and Micron.

Sources: BofA Global Investment Strategy, GFD Finaeon, Bloomberg

### Economy

#### Last Week

- Industrial Production (May): 0.1% vs. 0.7% prior

- Housing Starts MoM (May): -15.4% vs. -2.8% prior

- Retail Sales MoM (May): 0.9% vs. 0.5% prior

- FOMC Meeting (June): Rates left unchanged.

#### This Week

- New Home Sales (May): 6/24

- Durable Goods (May): 6/25

- Wholesale Inventories (May): 6/26

- U. of Michigan Sentiment (June): 6/26

### Equities

Index	Level	1 Week	Returns (%)				
			QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	7501	1.47	15.19	10.18	26.90	21.05	13.57
Russell 1000 Growth	4965	1.46	15.82	4.49	22.14	22.27	13.63
Russell 1000 Value	2383	1.24	13.67	16.02	30.29	18.68	11.36
FTSE High Dividend Yield*	585	-0.73	7.51	11.62	25.35	18.11	12.05
S&P Small and Mid Cap	21297	0.74	13.58	16.81	30.12	15.90	8.22
MSCI EAFE	3126	0.76	11.35	10.17	25.21	17.34	9.60
MSCI EM	1786	4.16	28.63	28.48	55.39	24.64	8.89

#### Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD														
				Energy	IT	Industrials	Materials	Real Estate	Comm. Serv.	Staples	Utilities	Cons. Discr.	Health Care	Financials				
S&P 500	18.9	15.8	1.2	25														
Russell 1000 Growth	22.8	18.2	0.6	20														
Russell 1000 Value	16.1	13.7	1.8	15														
FTSE High Dividend Yield*	13.4	13.1	3.8	10														
S&P Small and Mid Cap	14.9	15.3	1.7	5														
MSCI EAFE	15.2	13.5	2.9	0														
MSCI EM	10.8	11.1	2.2	-5														

\* 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	4.74	0.15	0.54	0.49	4.80	4.14	0.09
U.S. Int. Gov/Credit	4.45	-0.11	0.21	0.19	3.79	4.57	1.18
U.S. Corporates	5.20	0.15	1.32	0.77	5.52	5.40	0.39
High Yield	7.12	0.23	2.32	1.81	7.04	9.01	4.25
Municipals (1-10)	3.09	0.23	1.21	0.97	4.69	3.39	1.33

#### Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	4.18	4.07	3.80	3.48	3.86	4.72	0.23
10-yr Treasury	4.46	4.48	4.32	4.17	4.35	3.72	1.47
30-yr Treasury	4.90	4.98	4.91	4.85	4.88	3.81	2.09
SOFR	3.62	3.69	3.68	3.87	4.29	5.05	
6-mo. CD rate	4.00	3.89	3.84	3.62	4.33	5.67	0.11
Prime Rate	6.75	6.75	6.75	6.75	7.50	8.25	3.25
30-yr fixed mortgage	6.46	6.56	6.48	6.25	6.88	7.03	3.18

Data as of 2:10 PM ET, June 22, 2026. Returns through June 19, 2026.

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