

Margin Debt Crosses \$1 Trillion

Investor borrowing to fund stock purchases—known as margin debt—surged past \$1 trillion in June 2025, eclipsing the previous record of \$937 billion set in January. Margin debt doesn't cause market crashes—but it certainly can magnify them. If the rally continues, debt could climb even higher. But if the market falters, this kind of leverage can accelerate declines through forced selling and feedback loops—just as it did in 2000, 2008, and 2022. In this week's "Three on Thursday," we look at what margin debt is telling us now. At face value, record levels suggest investor confidence—maybe even overconfidence. But when scaled to the size of the market, it's not wildly out of line. That makes it more of a yellow flag than a red one. Bottom line: this isn't a crisis in the making, but it feels like late-cycle behavior—and a risk worth watching. See the three charts below to explore further.

Debit Balances in Customers' Securities Margin Accounts



Source: FINRA, First Trust Advisors. Monthly data 1/1997 – 6/2025.

Each month, FINRA tracks and publishes the total debt balances in customers' margin accounts—the amount investors have borrowed to buy securities on credit. Under Rule 4521(d), member firms are required to report these figures at month-end. In June, margin debt reached a record \$1.008 trillion, marking a 66% increase from the low in December 2022.

Margin Debt Relative to the Market



Source: FINRA, First Trust Advisors. Quarterly data Q1 1997 – Q2 2025.

Looking at the raw level of margin debt tells only part of the story. Since both stock prices and market capitalization tend to rise over time, it's more meaningful to view margin debt relative to the size of the market. One common approach is to compare margin debt to the total market capitalization of the S&P 500 Index. While margin borrowing has surged since the 2020 low, the S&P 500 Index's market cap has grown even faster. As a result, margin debt as a share of S&P 500 Index market capitalization stood at 1.9% in Q2 2025, below the historical average of 2.3% going back to 1997. This helps put today's record margin totals in better perspective: high in absolute dollars, but more moderate when scaled to the size of the market.

Top 10 Two-Month Margin Debt Spikes & Forward Returns

Date	Margin Debt		S&P 500 Index Returns			
	2 Month % Change	3 Months	6 Months	9 Months	12 Months	24 Months
1999 - Dec	24.6%	2.0%	-1.0%	-2.2%	-10.1%	-21.9%
2007 - May	20.3%	-3.7%	-3.2%	-13.1%	-8.5%	-39.9%
2007 - Jun	19.4%	1.6%	-2.3%	-12.0%	-14.9%	-38.8%
2000 - Jan	19.3%	4.2%	2.6%	2.5%	-2.0%	-18.9%
2025 - Jun	18.5%	?	?	?	?	?
2020 - Dec	18.0%	5.8%	14.4%	14.7%	26.9%	2.2%
2003 - Jun	17.5%	2.2%	14.1%	15.6%	17.1%	22.3%
2000 - Feb	17.5%	4.0%	11.1%	-3.8%	-9.3%	-19.0%
1997 - Jun	15.6%	7.0%	9.6%	24.5%	28.1%	55.1%
2020 - May	15.3%	15.0%	19.0%	25.2%	38.1%	35.7%

Source: FINRA, Standard & Poor's, First Trust Advisors. Data as of 6/2025.

Past performance is no guarantee of future results. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Index data is for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future.

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