

Margin Debt Continues to Climb

Investor borrowing to fund stock purchases, known as margin debt, has surged over the past three years and currently sits at historic levels. Margin debt alone doesn't cause market crashes—but it certainly can magnify them when the market falters, accelerating declines through forced selling and feedback loops as it did in 2000, 2008, and 2022. In this week's "Three on Thursday," we take a closer look at the \$1.5 trillion in margin debt outstanding as of August 2026. At face value, record levels suggest investor confidence—maybe even overconfidence. But when scaled to the size of the market, it's in line with historical norms. Bottom line: this may not be a crisis in the making, but it is definitely a risk worth watching. See the two charts and table below to learn more.

Debit Balances in Customers' Securities Margin Accounts



Source: FINRA, First Trust Advisors. Monthly data Jan 1997 - Aug 2026.

Margin Debt Relative to the Market



Source: FINRA, First Trust Advisors. Quarterly data Q1 1997 - Q2 2026.

Top 10 Margin Debt Spikes

Date	Margin Debt 2 Month % Change	S&P 500 Index Price Returns				
		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%	7.8%	10.3%	5.2%	20.9%	?
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%
2026 - May	15.9%	1.4%	?	?	?	?
1997 - Jun	15.6%	7.0%	9.6%	24.5%	28.1%	55.1%

Source: FINRA, Standard & Poor's, First Trust Advisors. Data as of Aug 2026.

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. References to specific securities should not be construed as a recommendation to buy or sell and should not be assumed profitable.

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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. Margin debt reached its most recent low in December 2022, two months after the S&P 500 Index hit its bear market bottom amid elevated inflation and rising interest rates. Since then, the market has roared back, posting double digit annual gains in 2023, 2024, and 2025. Margin debt has followed suit, increasing 140% since the end of 2022 and now stands at a historic \$1.5 trillion. While the recent run up may seem extreme in dollar terms, this pace of growth is not far out of line from other equity market rallies from the past 25 years.

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. Although margin borrowing has reached unprecedented heights, the S&P 500 Index's market cap has as well. In fact, margin debt as a share of S&P 500 Index market capitalization stood at 2.3% in Q2 2026, equal to the historical average going back to 1997. This helps put today's record margin totals in better perspective: high in absolute dollars, but more reasonable when scaled to the size of the market.

In April and May of this year, margin debt surged by 15.9%, the ninth-largest two-month spike on record, signaling a sharp rise in risk appetite across both retail and institutional investors. While it didn't translate into an imminent collapse, will it cause a larger decline later on? Not necessarily. The FINRA data only goes back to 1997, so the historical record is limited. But looking at the 10 largest two-month spikes in margin debt since then shows mixed outcomes—some preceded major corrections, others didn't. The fifth biggest spike occurred just last year in the two months ending June 2025, where margin debt jumped 18.5%. The market then went on to post positive returns over 3, 6, 9, and 12 month timeframes. Still, with markets already stretched by most valuation metrics, we believe the latest jump warrants caution, not panic.