Market Commentary Blog

Cash Flow *and Carey*

Robert Carey, CFA
Chief Market Strategist

Peter Leonteos
Market Strategist

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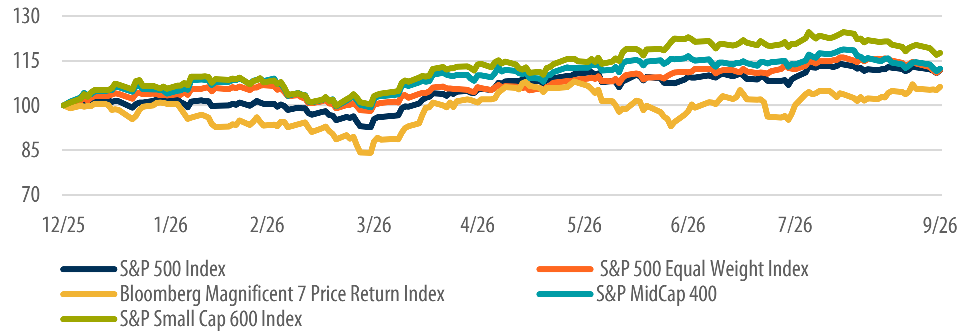
Worth the Weight?

Daily Price Returns Since 12/31/25



Source: Bloomberg. Daily observations from 12/31/25 – 9/11/26, normalized to a factor of 100.

Past Performance is no guarantee of future results.

View from the Observation Deck

In today's discussion, we investigate the catalysts behind the year-to-date (YTD) price returns of five major U.S. equity indices through September 11, 2026. As the chart reveals, equity prices continue to march upward, despite a tenuous geopolitical landscape, surging energy prices, and increasingly hawkish monetary policy expectations.

Small and mid-sized companies outperformed their peers by a large margin over the period. For reference, YTD price returns for the five indices in today's chart were as follows:

S&P SmallCap 600 Index: 17.6%

S&P MidCap 400 Index: 12.4%

S&P 500 Equal Weighted Index: 11.9%

S&P 500 Index: 11.9%

Bloomberg Magnificent 7 Index: 6.2%

Valuations for the S&P 500 Equal Weight, S&P SmallCap 600, and S&P MidCap 400 Indices remain more attractive than those of the Blomberg Magnificent 7 and market cap weighted S&P 500 Indices.

As of September 11, 2026, the forward price-to-earnings ratios for each of the indices in today's chart were as follows: Bloomberg Magnificent 7 Index (26.01); S&P 500 Index (20.95); S&P 500 Equal Weighted Index (16.91); S&P MidCap 400 Index (16.72); and S&P SmallCap 600 Index (15.92).

Takeaway

While each of the Indices in today's chart exhibits positive YTD price returns, the S&P SmallCap 600 and Bloomberg Magnificent 7 Indices reveal a notable disparity in performance across market capitalizations. Small-cap stocks have outperformed their peers in 2026, increasing by 17.6% on a price-return basis YTD through September 11, 2026. Larger companies have not fared as well, with the Bloomberg Magnificent 7 Index increasing 6.2% over the same time frame. As we see it, rising bond yields, the increasing likelihood of tighter monetary policy, and relatively attractive valuations may explain the broadening trade signaled by these returns. Bond yields are one area we are watching closely, with the yield on the 10-year Treasury note reaching 5.01% in intraday trading on September 14, 2026. As many investors are likely aware, rising yields often result in price contraction among equity securities as investors adjust future expectations for higher discount rates. While this generally holds across market capitalizations, we are not surprised to see areas with the highest valuations underperform early in a tightening cycle. That said, analysts expect strong earnings results from each of these indices, which may lend support to current price levels. As we approach year-end, we feel a good question to ask might be: "What investments are worth the weight they've been assigned in my portfolio?"