April 20, 2026

Market Commentary

An Equity Restart

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After suffering a relatively mild drawdown in March, the S&P 500 Index rallied close to an all-time high during the first half of April.

- Despite investor angst about energy prices and geopolitical risk, earnings expectations just keep rising. Forward-looking earnings per share growth for the next twelve months has jumped over 20% year-over-year (Fig. 1).
- Simultaneously, the S&P 500 Index has been basically flat since last fall, which has allowed the forward-looking P/E ratio to compress from 24 to about 21 today (Fig. 1).

Should investors take advantage of the recent rally to reduce exposure? To the extent that you are not overweight US large cap equities, our answer is no.

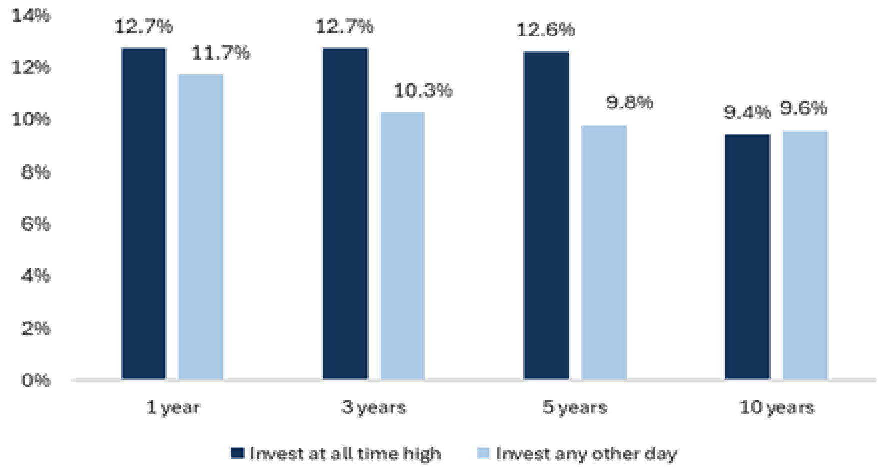
First, we'll lean on history and remind everyone that all-time highs are usually good times to invest, not indicators of an imminent pull-back. Since 1989, investments made when the S&P 500 was within 2% of an all-time high outperformed investments made any other day over 1, 3, and 5 years horizons, and performed nearly as well over 10-year horizons (Fig. 2).

Second, we don't see signs of economic deterioration from the war in Iran just yet. Inflation remains a concern, but overall the economy, exemplified by the optimism we see from corporate earnings, remains resilient.

Fig. 1: Next-twelve-month S&P 500 consensus earnings growth and P/E ratio

Source: Bloomberg, Mill Creek. As of 4/14/2026.

Fig 2: S&P 500 performance around all-time highs



Source: Bloomberg, Mill Creek. As of 4/14/2026.

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