



Equities in Focus

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A Narrow Market—but a Widening Opportunity Set

There has been a lot to like about recent equity returns. Improved prospects for the Strait of Hormuz reopening and a surge in positive earnings revisions across the S&P 500 Index (S&P) are among the catalysts. Good news, to be sure, but the backdrop for many stock pickers has proved frustrating given that recent winners have been confined to a tight clique.

Key Takeaways

1. Positive Earnings Revisions Are on a Broadening Streak

Following the first quarter's strong results, analysts are increasingly marking up their earnings forecasts.

2. Recent Stock Outperformance Is Tapered

This quarter's leaders reside in technology stocks reaping benefits from AI capital spending.

3. A Calm Surface, but Look Under the Hood

The S&P's volatility tells a different story than its underlying constituents.

Up, Up and Away

On the heels of a strong first-quarter reporting season, the trend in favorable earnings breadth is hitting a new dimension (*Display 1*). With more companies' profit forecasts being raised than cut, it is clear that solid corporate fundamentals are not confined to just a handful of winners. But this rising tide of earnings expectations has not lifted all boats.

Fewer Victors and Volatility's Dual Complexion

Quarter to date, only 128 of the S&P's 501 constituents have outperformed the index, roughly 26%, driven by industries such as semiconductor manufacturers and providers of tech hardware and storage. Another 173 stocks have been positive but still lagged the benchmark, while 200 have been negative (*Display 2*). This, in part, helps explain why pairwise correlations among S&P 500 stocks have been low (*Display 3*), as many stocks are marching to different drummers.

The volatility story is just as interesting (*Display 4*). The S&P's index-level, three-month option-implied volatility[†] remains subdued, consistent with a market that has been in a strong uptrend. But the average stock's implied volatility[†] is much higher. This spread between calm index volatility and higher individual stock volatility is the kind of environment in which stock selection can matter more.

Our View

Do not confuse a narrow market with a barren one. We believe a selective mix of durable AI capex beneficiaries, companies that successfully adopt AI, and those insulated from its disruption may create a stronger alpha formula than simply leaning into the current performance outliers. If the market broadens to a similar degree as its earnings have, today's dispersion could become tomorrow's reward.

To learn more about AB's equity investment solutions and to access other market insights, visit [Equity Investments | AB](#).

*The annualized forward-looking expectation of market fluctuations for the S&P 500 Index over the next 90 days that is calculated from the prices of the options on this index.

†Average stock option implied volatility is the average of implied volatilities extracted from options on individual equities in the S&P 500 Index, over the next 90 days.

Display 1: Positive Revisions Are Widespread...

S&P 500 EPS Revisions Ratio



Past performance does not guarantee future results.

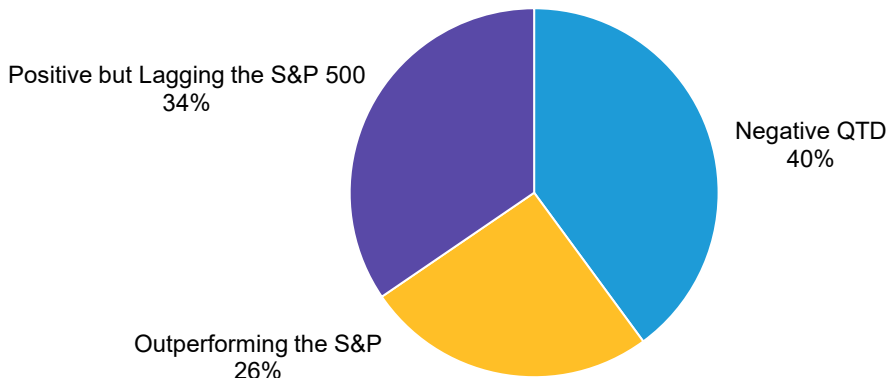
Earnings-per-share (EPS) revisions ratio: (upward revisions—downward revisions) divided by total EPS revisions

As of June 17, 2026

Source: FactSet, S&P and AllianceBernstein (AB)

Display 2: ...Yet Outperformance Has Been Narrow

Quarter-to-Date S&P 500 Constituent Performance



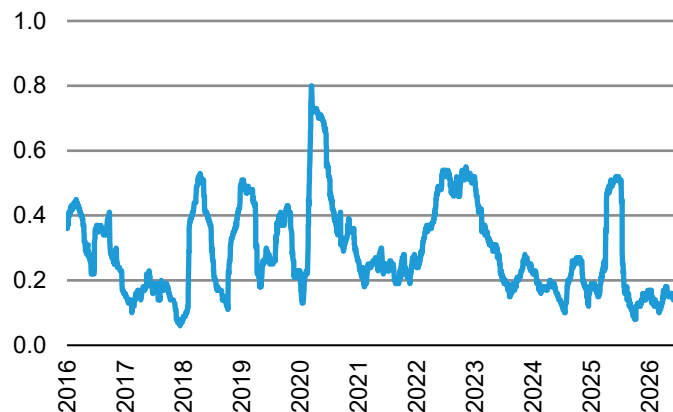
Past performance does not guarantee future results.

As of June 17, 2026

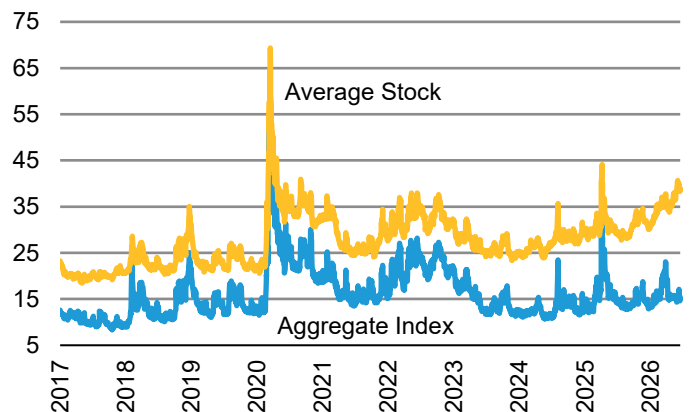
Source: FactSet, S&P and AB

Display 3: The Average Stock Is Moving Less with the Market, While Volatility Has Risen

S&P 500 Three-Month Realized Average Stock Correlation



S&P 500 Three-Month Option-Implied Volatility



Current analysis and forecasts do not guarantee future results.

As of June 17, 2026

Source: FactSet, S&P, Goldman Sachs and AB

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