



Equities in Focus

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A Market That Demands Selectivity

The S&P 500 Index (Index) has continued to move higher this year, but beneath the surface, the market is telling a much different story.

Key Takeaways

1. Dispersion Is Back, and Consequential

While the Index moves higher, the average stock's experience has been far less uniform.

2. Uncertainty Delivers a Reality Check

Recent volatility has reminded investors that high expectations and valuations can unwind quickly.

3. A Sharper Focus Is Recommended

As dispersion rises, discernment and fundamentals will likely be prominent drivers of investment outcomes.

A Layer Deeper

Taking a closer look at the sector level, the gap between winners and losers has widened more than one might think (*Display 1*). In communication services, consumer discretionary, utilities and other areas of the market, a surprisingly large percentage of companies has generated negative year-to-date returns despite the Index's positive headline return.

And that dispersion isn't just occurring across sectors. It's happening within them.

Technology provides a great example. Earlier in the year, investors crowded into AI infrastructure and semiconductor-related names. More recently, leadership has broadened as many software companies—particularly those demonstrating tangible AI-driven productivity gains and recurring revenue resilience—have regained investor favor. The result has been very different for companies residing in the same sector.

Likewise, within communications services, investors gravitated to traditionally safer telecom providers (e.g., AT&T) earlier in the year, while shunning popular stocks such as Alphabet Inc. and Meta given the latter's significant capital spending, where more questions have arisen around the ultimate return on such investments.

Reactions to a Scarcity of Certainty

At the same time, recent market action has delivered another important lesson: exuberance can come at a cost.

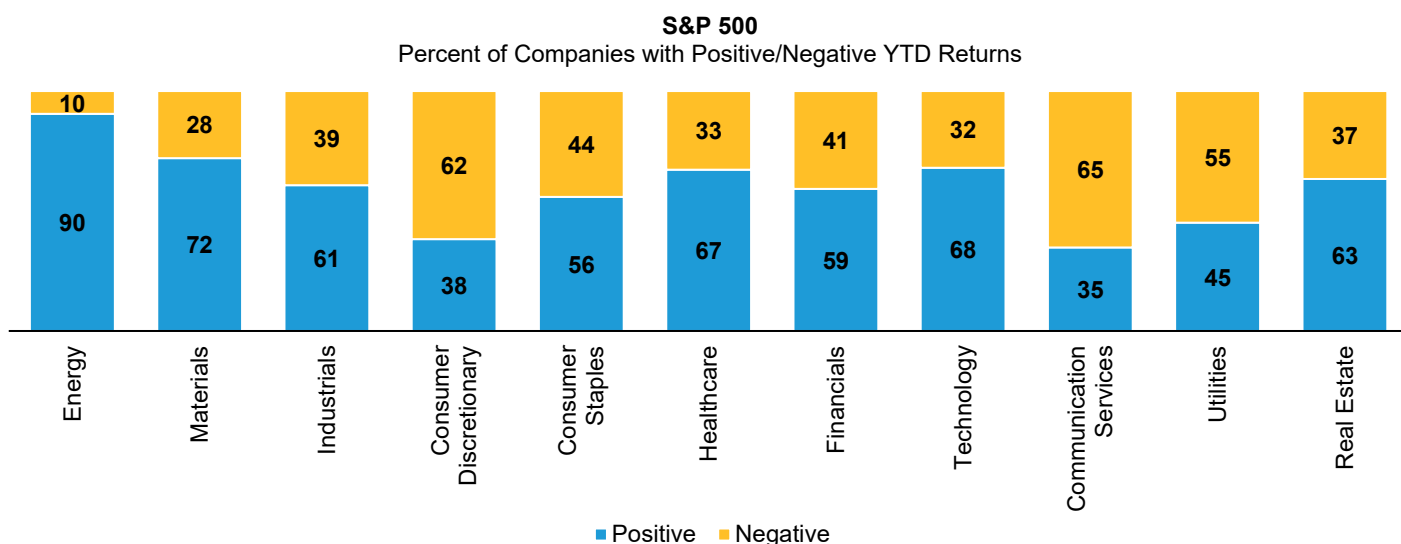
The highest beta and highest P/E stocks have recently experienced some of the market's weakest performance (*Displays 2 and 3*). Concerns ranging from the AI trade and rising interest rates to geopolitical conflicts and higher oil prices are the primary forces driving this. Accordingly, the market is once again demanding evidence of resiliency, not just excitement over trends or specific themes.

Our View

When markets move in lockstep, broad exposure may be enough. But as performance diverges, what investors own matters far more. In this environment, selectivity is not simply an advantage—it may be essential to separate durable businesses from fleeting market enthusiasm.

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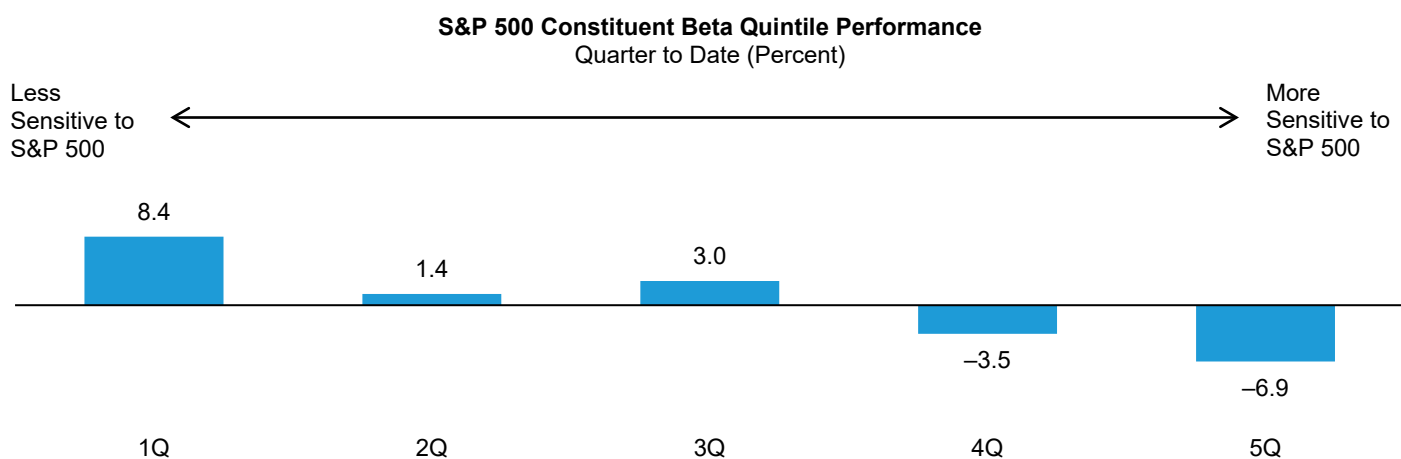
Display 1: Wide Dispersion Within Sectors: A Rising Tide Not Lifting All Boats



As of September 15, 2026

Source: S&P and AllianceBernstein (AB)

Display 2: Exuberance Has Gotten a Recent Gut Check

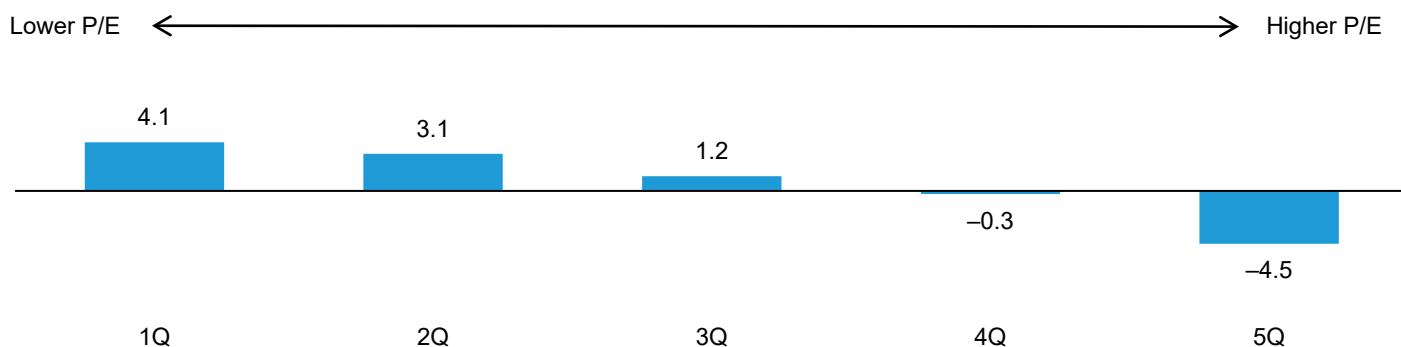


As of September 15, 2026

Source: S&P and AB

Display 3: S&P 500 Constituent NTM P/E Quintile Performance: Valuation is Not Obsolete

Quarter to Date (Percent)



As of September 15, 2026

Source: S&P and AB

The value of an investment can go down as well as up, and investors may not get back the full amount they invested. Capital is at risk. Past performance does not guarantee future results.

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