



3Q26

Market Outlook

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STIFEL

“ We are raising our year-end
S&P 500 target to
~7,800 ”

The advance is earnings-led as a “running hot” economy
and strong operating leverage drive **explosive profit growth**.

However, stock concentration is at a **40-year high**.
10 stocks account for nearly half of the market
as most stocks are left behind.

S&P 500 Index Concentration

Top 10% of S&P 500 Market Cap



Source: Bloomberg

AI Cycle Playbook

Positioning through peak conditions and valuation pressure

**Late-90s
Analog**

**AI “shortage” trade echoes the
late-1990s hardware cycle**

**Stay Long
AI-Capex
Winners**

Position into the peak

**Expect
Multiple
Compression**

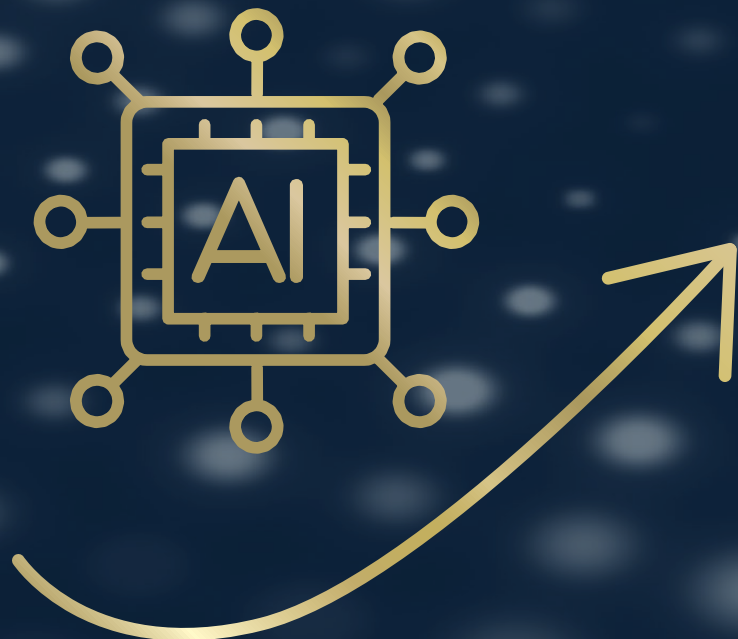
**Hawkish Fed + earnings growth =
multiple compression**

“Tale of Two Economies”

Market Divergence

AI Capex Boom

Running Hot



OUTPERFORMING

Consumer Pressure

Squeezed



LAGGING

Our Running Hot Playbook

STAY LONG

- ✓ Energy
- ✓ Industrials
- ✓ Materials
- ✓ Select Semi/
Hardware



UNDERWEIGHT

Squeezed
Consumers



HEDGE WITH

Defensive
Value

Healthcare -
our preferred





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