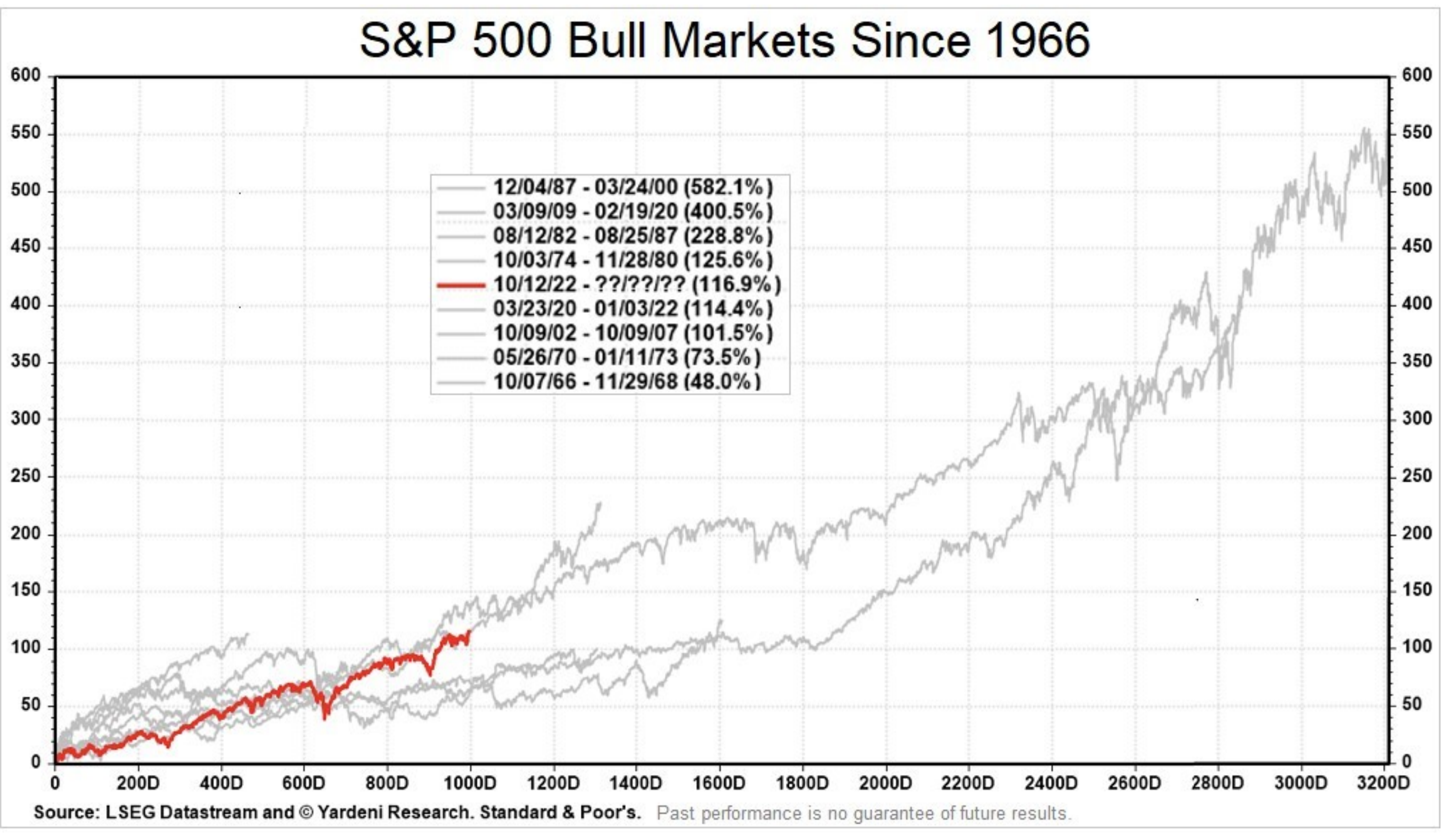
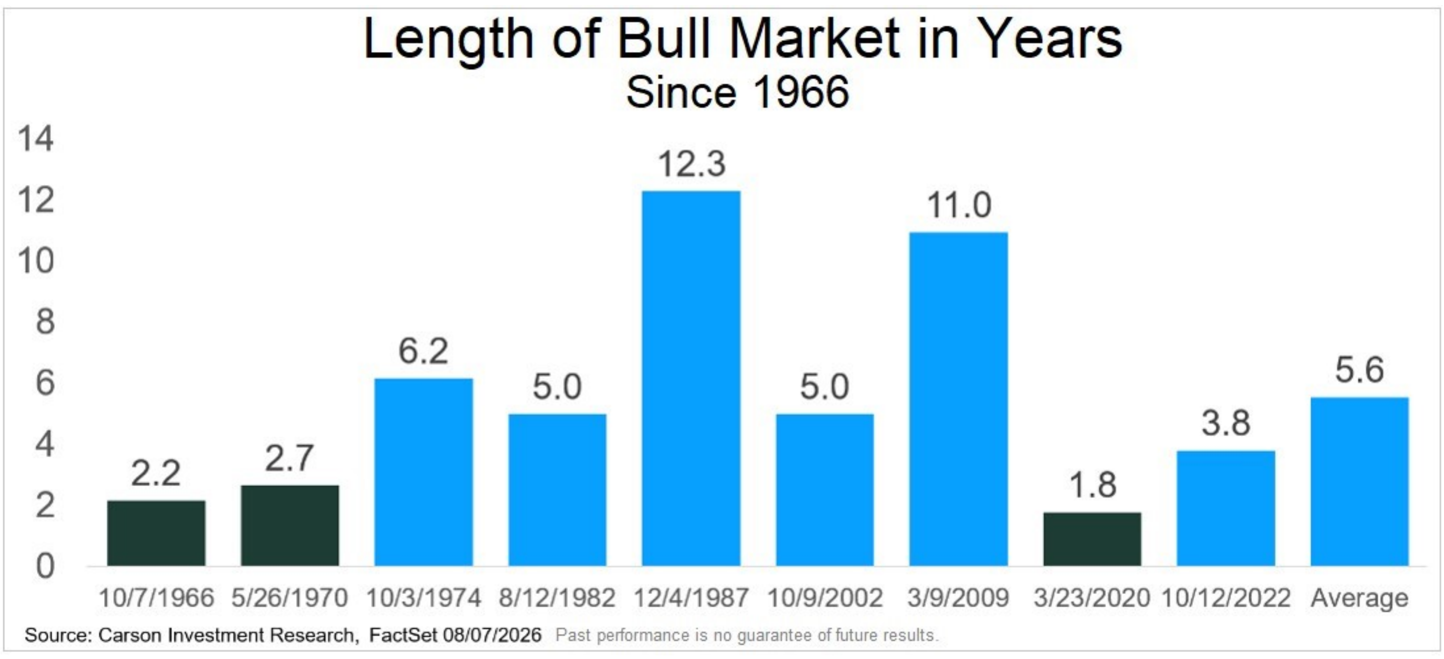
Chart of the Month

August 2026





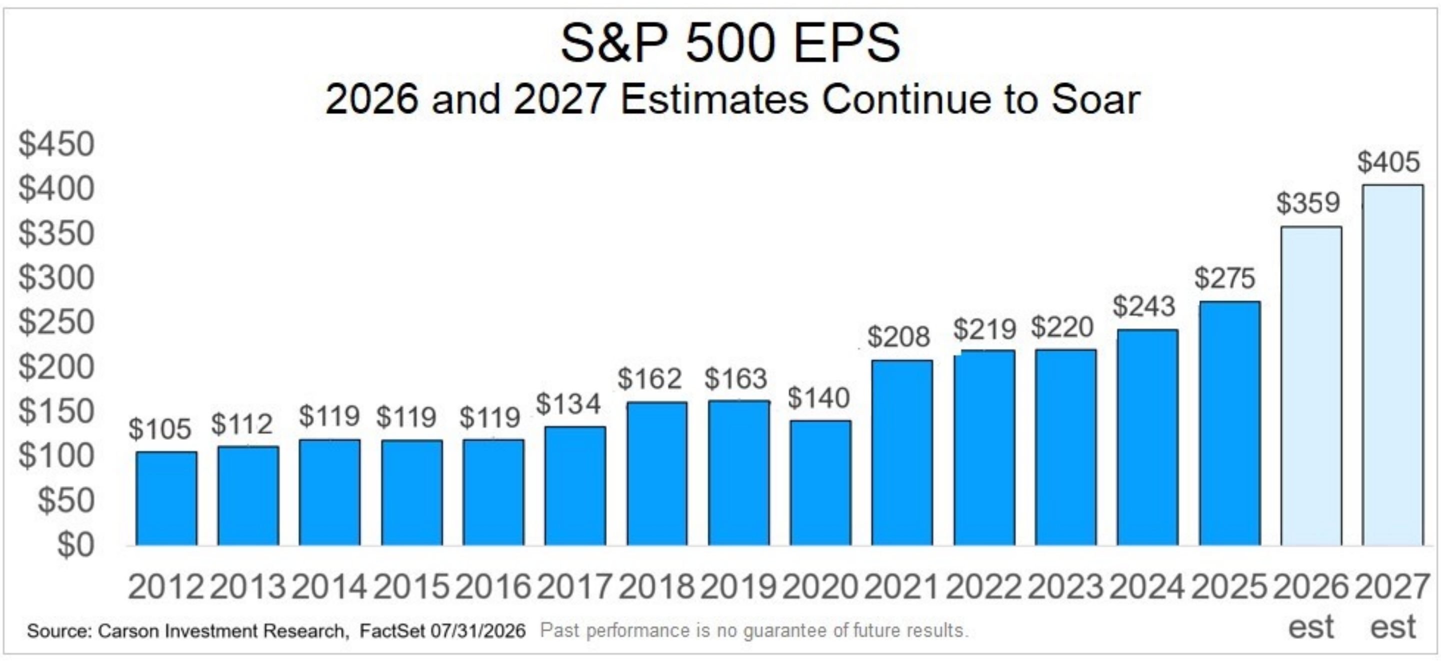
The Dow Jones Industrial Average, S&P 500, and Nasdaq gained 3.0%, 3.6%, and 5.2%, respectively, last week, breaking out of their mostly sideways trading ranges during the first half of the summer. The Dow and S&P made new all-time highs while the Nasdaq is still 2% below its early June peak.

As shown above, the current bull market (represented by the red line) has advanced 117% since October 12, 2022. It is now 3.8 years *young*. The average duration since 1966 has been 5.6 years with two of them lasting more than 10 years. The December 1987 to March 2000 bull skyrocketed 582% in 12-plus years while the March 2009-February 2020 bull quintupled in 11 years. While there are no guarantees that the present advance will match those two, they serve as reminders of the upside potential over what strategist Ed Yardeni has championed the “Roaring 2020s.”

Earnings have been the driving force behind the current bull market. As displayed in the bar chart below, the S&P 500 has increased its EPS 10.5% in 2024 and 13.2% in 2025 with estimates soaring 30.5% in 2026 and 12.8% in 2027. The gains have been driven by a boom in productivity, record capital expenditures, and solid consumer spending, along with non-operating valuation gains reported by Alphabet and Amazon this year.

In the quarter ending in June, 86% of the companies have reported earnings that exceeded expectations, one of the best beat rates ever. Yardeni, in response to the strong earnings this quarter, raised his EPS estimates to $375 for 2026 and $415 next year. The firm expects a “steady progression” to $550 by the end of 2029. Based on a theoretical price-earnings multiple of 18-20x, the S&P 500 could trade in the neighborhood of 10,000 to 11,000 or 30%-40% higher in the next few years.

It is important to remember that bull markets do not die of old age. Instead, they end when earnings roll over, generally due to tightening financial conditions (i.e. a reduction in the availability of money and credit coupled with rising borrowing costs) that lead or coincide with economic downturns. According to the Chicago Fed National Financial Conditions Index, financial conditions are looser than average, suggesting there is no recession in sight.



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