



The Weekly Market Update – 7/20/26: Checking In On Value Vs. Growth

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	7,457.69	-1.55%	-0.56%	8.94%	20.19%	7,609.78	2.0%
Dow Jones Industrial Average	52,146.42	-0.93%	-0.33%	8.50%	18.26%	53,055.91	1.7%
NASDAQ Composite	25,520.24	-2.90%	-2.65%	9.80%	25.29%	27,093.90	6.2%
Russell 2000	2,962.22	-0.52%	-2.05%	19.35%	36.19%	3,024.37	2.1%
MSCI EAFE (USD)	3,100.07	-0.81%	-0.53%	7.17%	16.77%	3,179.91	2.6%
MSCI Emerging Markets (USD)	1,620.66	-4.14%	-5.93%	15.40%	32.54%	1,802.77	11.2%
Bloomberg Commodity Index	131.38	3.58%	6.66%	19.77%	28.78%	237.95	81.1%
Barclays U.S. Aggregate Bond	92.45	0.08%	-0.65%	-1.72%	-0.28%	112.07	21.2%

Source: FactSet

U.S. value stocks have outperformed growth stocks in July, extending a 2026 rotation in equity leadership. The Russell 1000 Value Index (a widely followed measure of large-company value stocks) increased +2.2% in July-to-date, (as of 7/17/26; price return, not including dividends), while the Russell 1000 Growth Index decreased -3.9% over the same period. The disparity is even greater on a year-to-date (YTD) basis (12/31/25-7/17/26) with the Russell 1000 Value up +17.7%, and the Growth index up just +0.9%. These value and growth indices are compiled by FTSE Russell, with value weightings higher for companies that show lower valuation measures, lower estimated earnings growth, and lower trailing sales growth. Alternatively, the growth index gives higher weights to companies with higher valuations, estimated earnings, and trailing revenue growth. The parent of the Russell 1000 Growth and Value is the Russell Index (representing the largest 1,000 U.S. companies), which increased +8.8% in 2026 YTD. This is very much in line with the S&P 500 (+8.9% YTD through 7/17/26) return, which is a slightly more concentrated representation of large-company U.S. stocks. We point to the large-company indices to highlight performance rotation among sectors as the Russell 1000 Growth Index is highly concentrated in just four sectors (out of 11 GICS sectors total), with Technology, Communication Services, Industrials, and Consumer Discretionary comprising more than 90% of the index capitalization, or cap (as of 6/30/26). The Russell 1000 Value Index is substantially more balanced across sectors with those four sectors comprising just 48% of the Value market cap, and a 5th sector, Financials, is the largest weight in the index. Value outperformance in 2026 is attributed to several factors including larger sector weights in Energy and Real Estate, which have outperformed in 2026, and significantly less exposure to the “Magnificent 7,” which have lagged the broader market YTD. Also, within Technology, many of the memory (sub-industry group) stocks that had market-leading gains in the first half of 2026 were weighted in the Value index, helping drive outperformance. Although in late July, in its annual reconstitution, many of those memory stocks were shifted into the growth index.

We view the value vs. growth debate as a discussion about broadening returns vs. concentrated returns. When value indices outperform, it generally reflects broader sector participation, while growth gains over the past decade are highly correlated with the technology economy (this includes cloud computing, digital advertising, e-commerce, mobile devices, and artificial intelligence (AI) infrastructure). While technology investment remains robust, we see increased volatility in the group as investors become more discerning regarding return on investment, potential disruption, and popular opposition to unregulated digital growth (data centers). We believe that sector diversification can help to balance this risk, which includes having exposure to value stocks and indices.

Early 2Q26 earnings results are tracking positively. For the week ahead (starting 7/20/26), 88 S&P 500 companies are scheduled to report quarterly financial results, and the weighted average Y/Y earnings growth estimate (per FactSet) once all companies have reported was +23% (as of 6/30/26). Through early Monday, just 10% of the index had reported but those early reports were significantly above expectations (+51% Y/Y). We don’t expect that level of upside to continue, but it is likely that 2Q26 earnings will again exceed lofty expectations. While much will be said about strong Technology sector results (+63% growth expected), it should be noted that 10 of 11 sectors are estimated to show Y/Y earnings growth in the second quarter (Health Care estimates are lower). In our view, this supports our view that equity market sector gains can stay broad in 2026.

James D. Ragan, CFA
Co-CIO, Director of Investment Management & Research
(206) 389-4070
jragan@dadco.com

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Within the Technology sector, the Semiconductor group is a sub-industry that includes makers of memory chips.

The Russell 1000 index includes the largest 1000 companies (by market capitalization in the Russell 3000 index). The Russell 1000® Growth Index is a market cap weighted index that measures the performance of the large-cap growth segment of the U.S. equity market. It includes those Russell 1000 companies with relatively higher price-to-book ratios and higher expected earnings growth rates. The Russell 1000® Value Index includes those Russell 1000 companies with relatively lower price-to-book ratios and lower expected earnings growth rates.

Gross domestic product (GDP) is a measure of economic growth and refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S.) while exports are added to GDP. The first revision of 1Q26 U.S. GDP was released on 5/28/26 and can be found at www.bea.gov.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index. As of 6/30/26 the weighted average 2Q26 earnings growth (year-over-year) for the S&P 500 was up +23%.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts estimates from firms that submit estimates to FactSet for a given financial metric.

Volatility looks at to what degree and how quickly prices move over a given span of time. In the stock market, increased volatility, in the form of rapidly falling prices, is often a sign of rising uncertainty.

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities. AI infrastructure refers to spending on data centers, graphic processors (GPUs), networking, power, and cloud computing capacity.

The term “Magnificent 7” was first used in early 2023 by Bank of America. It referred to seven publicly traded stocks that at the time were the most highly valued companies in the S&P 500 index ranked by equity market value. The seven stocks were: Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla. As of 12/31/25, we estimate those 7 stocks comprised 35% of the market capitalization of the S&P 500.

Return on Investment (ROI) is a ratio that measures how much profit or loss an investment generates over time relative to its cost.