

# CJ's Weekly Market Memo

May 10, 2026

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## **“Awash!”**

A great wave of money is washing over American markets. Sovereign capital that once chased opportunity overseas is finding its way home, retail investors are still piling into ETFs at a pace that defies anything we have seen before, and money market funds are sitting on a record cash hoard. “Awash” barely captures it. After more than five decades watching capital move around the world, I can tell you this kind of liquidity wave is rare, powerful, and worth paying close attention to.

## **The Economy**

The fundamental backdrop remains constructive. Private payrolls rose 123,000 in April, comfortably ahead of the 75,000 estimate, and the unemployment rate held at 4.3%, the lowest level since last summer. Prime-age employment has now held at 80.7% for three straight months, a historically strong reading. Wage growth has slowed to roughly 3% year over year for non-managers, but when you fold in hours worked and headcount, aggregate non-managerial payroll disbursements are still growing about 5% annualized. Real labor income is not superlative, but it is more than adequate to keep the consumer engaged.

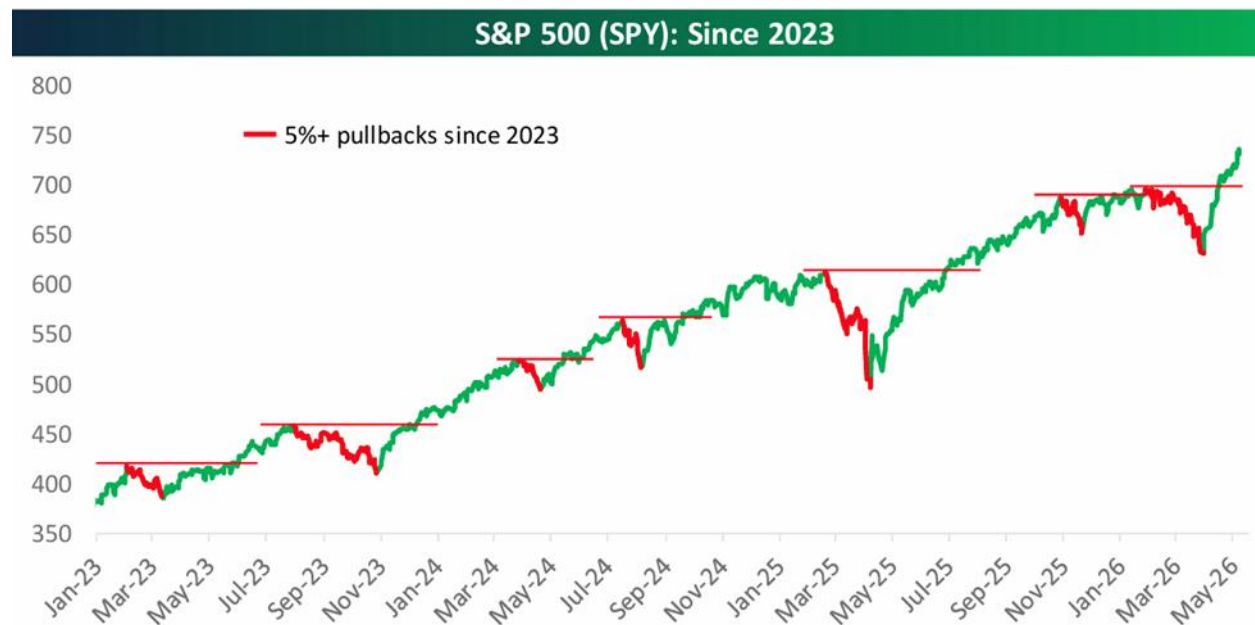
Earnings are doing the heavy lifting. With about 1,447 companies reporting this season, 74% have beaten EPS estimates and 74% have beaten on sales — well above the ten-year averages of 67% and 65%. Roughly 11% have raised guidance against just 3% lowering, and the triple-play rate is running near 10% versus a long-term average of 7.4%. That is the very definition of a healthy corporate America generating the cash flow that funds future capital investment, dividends, and buybacks.

Two flies in the ointment. First, the Iran conflict that began in late February has pushed gas prices above \$4.50 a gallon and Bespoke's MORTGAS index has jumped from 9 to 11 — a real bite on household budgets. Second, the University of Michigan's preliminary May Consumer Sentiment reading made another all-time low going back to 1978. High prices and geopolitical noise are doing the damage. The disconnect between weak consumer mood and strong consumer spending is one of the more interesting features of this cycle, and history says spending tends to win that argument.

## **Current Market Technical Conditions**

Bespoke nicely captured the tape this week, observing that the rally has gone from a “V” to a checkmark. The S&P 500 is up 17% from its end-of-March low after a 9.9% drawdown when the Iran war began, and each new high is establishing a higher trading range. We should remember this is now the fourth or fifth such V-bottom recovery since

the bull began in October 2022 — sharp declines followed by sharper advances are the signature of a bull market, not a topping process.



*Chart Courtesy Bespoke Investment Research*

That said, the move is reaching manic levels in pockets. Twelve months ago semiconductors were roughly 6% of the S&P 500's market cap; today the Philly SOX equals 23% of the index. The SOX is now 33% above its 50-day moving average and 60% above its 200-day — levels last seen in March 2000. Micron is up over 1,000% from the April 2025 lows. The numbers are staggering, and they are pulling the cap-weighted indices along with them.

Underneath the surface the picture is more sober. Only 50% of S&P 500 stocks are above their 50-day moving averages and just 56.8% are above their 200-day. At fresh all-time highs since 1990, those readings have historically averaged closer to 73% and 77%. In other words, current breadth resembles what you typically see when the index is down four or five percent from a high, not setting records. The cumulative advance/decline line confirms the story: a small number of mega-cap technology and semi names is doing most of the work.

My read: this thin breadth is largely a product of the same wave we opened with. Cash is pouring into the largest equity ETFs — the ten biggest ETFs have grown from roughly \$1 trillion in AUM at the start of 2020 to over \$4.4 trillion today, more than a 300% increase, and VOO alone is approaching \$1 trillion. That money flows mechanically into the largest names, which happen to be the AI and semi leaders. Add in foreign capital seeking the safety of the U.S. dollar as the Iran conflict drags on and growth softens elsewhere, and you have a powerful but narrow tide. Healthy? Not entirely. With CNN's

Fear & Greed at 67 (Greed) and the SOX trading at 13.4x sales, caution is warranted in the hottest corners.

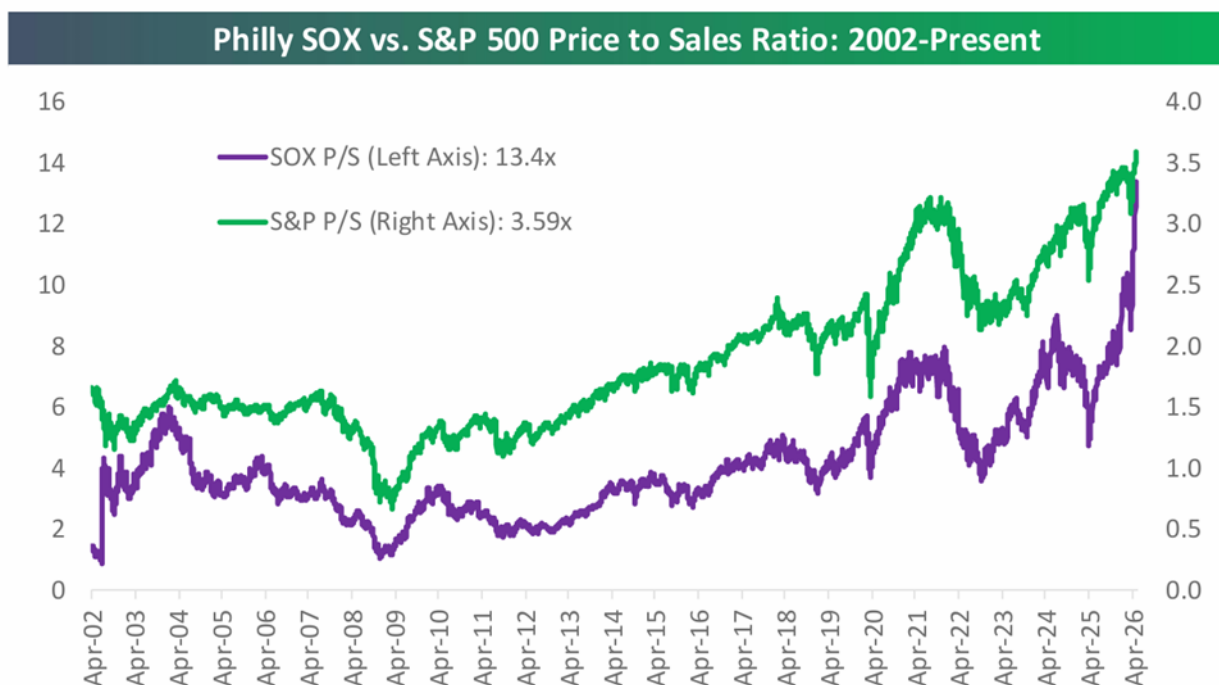


Chart Courtesy Bespoke Investment Research

## A Prognostication for 2026

My father used to say that a bull market is when greed overcomes fear. That line has stayed with me for a long time, and it fits this moment squarely. Money market fund assets just hit a record \$7.75 trillion this week, with \$122 billion in inflows in a single week — the largest weekly jump since April 2020. That is not bearish positioning; that is fear, sitting in cash, earning 4%. When the Iran conflict eventually de-escalates — and these things always do, eventually — the fear premium comes off, and a meaningful slice of that \$7.75 trillion starts looking for a home. Greed begins to overcome fear, the cash gets drawn into stocks, combined with steady ETF inflows and the safe-haven bid from foreign capital, the path of least resistance for U.S. equities over the balance of 2026 remains higher.

Near term, expect a digestion phase. The semis and a handful of mega-caps need to consolidate, and a 4% to 7% pullback would be entirely normal and entirely healthy after a run like this one. What I would watch for is broadening: the average stock catching up to the index. Bespoke is right that the clock is ticking on that one. If the laggards — Health Care at an 8.2% S&P weight (lowest since 1994 and arguably the next AI beneficiary), Financials, and Industrials — begin to participate, the bull lengthens and strengthens. If they don't, the top gets narrower and risk rises.

Longer term, I remain firmly optimistic. The current bull is 1,304 days old and up 106.6% — below the post-1928 average bull's 114% gain over 1,022 days. The Nasdaq's post-ChatGPT path correlates 0.96 with the post-Netscape path through 862 days, and we are nowhere near where that analog finally peaked. We are in the middle stages of an infrastructure buildout for a generational technology, not the end of one. Earnings growth, productivity gains from AI, a Fed that has room to cut, and trillions in sidelined cash are not the ingredients of a bear market top. They are the ingredients of the next leg up.

Stay invested. Stay diversified. Trim where exuberance has gotten ahead of fundamentals. And keep some powder dry for the inevitable pullback — because in a market this awash with money, the dips have been brief and the rewards for patience have been generous.

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