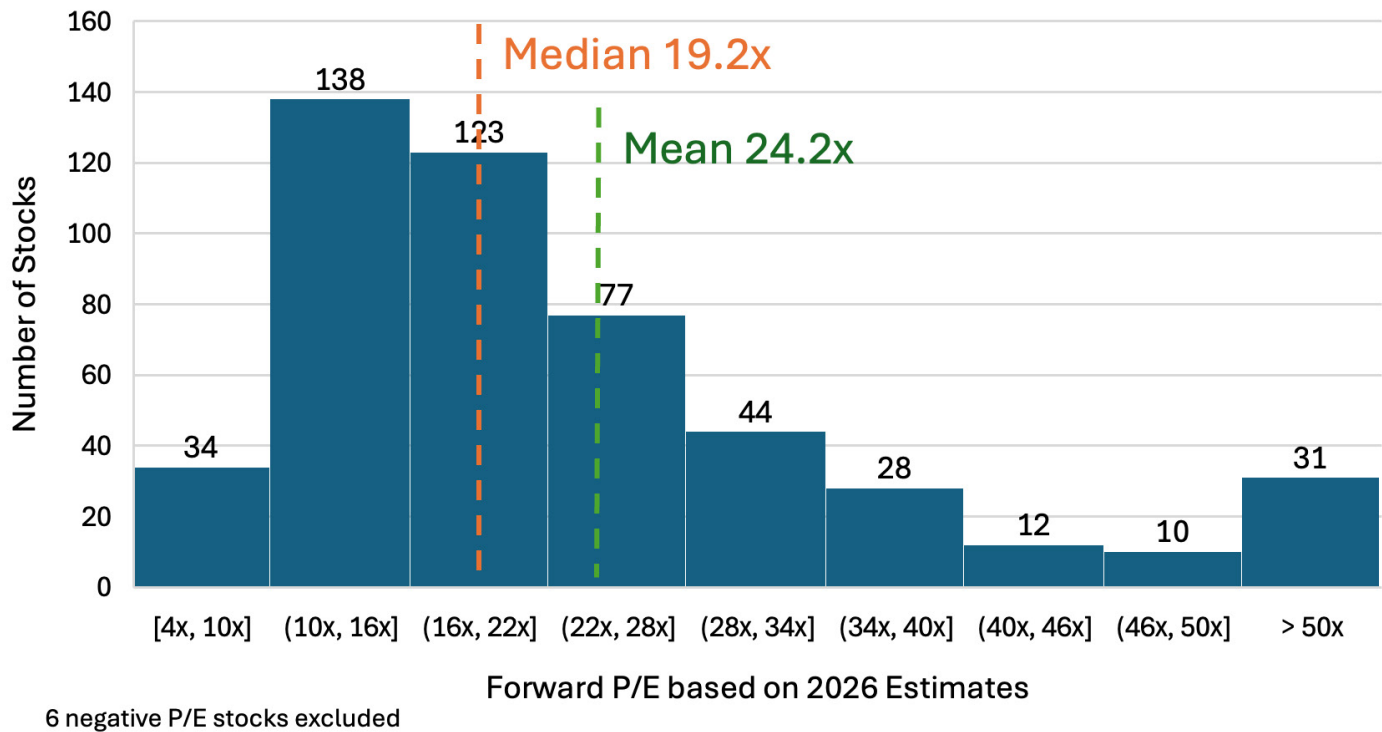




Opportunities Reside Inside the S&P 500 Index

- ▶ Headline S&P 500 valuations continue to overstate how expensive the “average” stock actually is. While the cap-weighted index trades at roughly 22x 2026 earnings estimates, the equal-weight S&P 500 trades closer to 17x, a nearly 30% discount that highlights how a handful of mega-cap stocks are skewing the index multiple higher.
- ▶ Valuation breadth beneath the surface remains surprisingly healthy. Roughly 260 S&P 500 constituents trade below 20x forward earnings, while 159 stocks trade below 15x.
- ▶ The distribution of valuations across the index is highly skewed. A small cluster of very expensive stocks materially lifts the average multiple, while the median stock trades at a far more reasonable valuation level. That creates opportunities for active managers willing to look beyond the largest benchmark weights.
- ▶ Elevated index-level multiples are also supported by unusually strong fundamentals. Forward return on equity and profit margins for the S&P 500 remain near multi-decade highs, suggesting valuations are not being driven solely by speculation, but also by strong corporate profitability.
- ▶ Valuation dispersion inside the S&P 500 remains historically wide, with “cheap” stocks trading at a fraction of the valuation assigned to the market’s most expensive names. Historically, periods of wide dispersion have created good conditions for stock selection.
- ▶ **The key takeaway:** investors should avoid treating the S&P 500 as a monolith. Beneath a historically expensive cap-weighted index sits a much more attractively valued universe of companies, particularly outside the largest mega-cap growth names.

S&P 500 P/E Distribution



Source: Bloomberg, as of May 22, 2026

For investment terms see: [TouchstoneInvestments.com/insights/investment-terms-and-index-definitions](https://www.touchstoneinvestments.com/insights/investment-terms-and-index-definitions)

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For Index Definitions see: TouchstoneInvestments.com/insights/investment-terms-and-index-definitions

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