

MARKET COMMENTARY – October 1, 2026

Once more unto the breach, dear friends, once more.

~ William Shakespeare

The bard has King Henry V beginning his stirring speech with the line above. Meant to embolden his men as they would again charge the crumbling walls of the French at Harfleur during the Hundred Years War, the sentiment reminds us of the repetitive cadence of quarterly earnings results. And since we anticipate hundreds of reports in the coming weeks with the end of the third quarter, we thought it valuable to return to the breach to see if we expect them to justify current valuations or to suggest caution.

A cursory glance at the most common valuation metric employed by investors shows that trailing PE ratios are significantly extended compared to history. Before we show the numbers to our dear readers, we suggest consuming them with a grain of salt. The trailing PE for the S&P 500 is now nearly 31 times. That compares unfavorably to the average for this century of approximately 23 times. It looks more expensive over a longer time-series of average PE ratios for the S&P 500 which sits around 19 times.

There are a couple reasons that this “over-valuation” may not tell the full story. First, the range of PE ratios within the S&P 500 companies themselves is near its broadest in thirty years. Stated otherwise, there are a handful of companies with prices selling at extraordinarily high multiples. This smaller number of companies (generally concentrated in the theme du jour – AI) skews the average PE of the entire index upward. This means that a large majority of companies are more normal or even below normal when compared to their historic valuations, giving us reason to find hope and opportunities in non-AI companies that will benefit from utilizing this new technology.

Second, growth has been and is expected to be robust. Revenue growth for the full year of 2026 is expected to be over 12% and for 2027 a solid 9%. Earnings growth is expected to be even more vigorous. For 2026 the earnings growth rate is expected to tally 32%. This number has only increased as more of the year has slipped by and better estimates have become available. The earnings growth for 2027 is expected to be a very strong 15% according to analysts polled by FactSet. The result, should these forecasts come close to reality, says the actual forward PE ratio is 19.2 times, which is actually below the five-year average and just a little higher than the ten-year average.



Astute investors (like you) might rightly protest that just like sexy AI companies are skewing valuations higher, their outstanding growth rates are doing the same for S&P 500 revenue and earnings estimates. To be sure, technology prospects are pulling growth averages up, too. However, digging into some weeds demonstrates that energy, communication services, materials, consumer discretionary, and real estate are all expected to produce outstanding growth rates. Honorable mentions might even be awarded to health care, industrials, financials, and utilities. The point being made is that the fastest growth is reserved for technology right now, but that most of the other sectors are firing on all cylinders as well.

The above analysis informs us that valuations need not deter savers from making long-term investments in high-quality companies. There is a plethora of opportunities for folks willing to endure volatility and sometimes harrowing news stories.

Protests to the idea that it is still safe to commit dollars to companies include pointing out the US debt situation or the Iran conflict and any of a hundred other potential calamities. These are real, sometimes scary, situations. Interest rates and war alter the landscape dramatically. They could tip prices into a prolonged sell-off tomorrow. Or not. But looking into our historical glass reminds us that even after the most severe price downturns, those investors who were not leveraged (in extreme debt) fared well by holding onto companies with strong competitive advantages. When viewed in this manner, the price volatility matters less. We continue to recommend clients diversify across equities and fixed income with the mix set according to your individual needs such as cash flow, risk tolerance, time horizon, tax situation, and more.

So, we are happy to again enter the earnings breach with and for our clients. And while we could never hope to inspire as much as Shakespeare's Henry V, we hope the above review has given ample context and confidence as to why it is important to stick with your long-range plan.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely
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