

Weekly S&P500 ChartStorm - 27 September 2026

This week: the stealth correction, equal-weighted exhaustion, flows, momentum, profit prophets, valuations, Fed, active management, wealth creation, geopolitical risk and energy stocks...



CALLUM THOMAS

SEP 27, 2026  PAID

Welcome to the latest [Weekly S&P500 #ChartStorm!](#)

Learnings and conclusions from this week's charts:

- The stockmarket has undergone a “stealth correction”.
- The equal-weighted S&P500 is down more than 5% off the peak.
- Breadth has been beaten down, and traders have been raising cash.
- Momentum stocks regaining momentum, profit margins punching higher.
- Valuations remain a concern with several metrics still historically elevated.

Overall, there are clear signs of a “stealth correction”, which may be just the sort of healthy reset the market needed before getting into a possible Q4 seasonal upswing. Yet there are a number of things to watch for on the risk side, as discussed...

1. Stealth Correction? While the headline market cap-weighted S&P500 has just been milling about, the equal-weighted version has dropped

just over -5% off the 13-Aug peak. Breadth also paints a picture of market correction, with 200-day moving average breadth dropping from the high-70's to just below 50%.

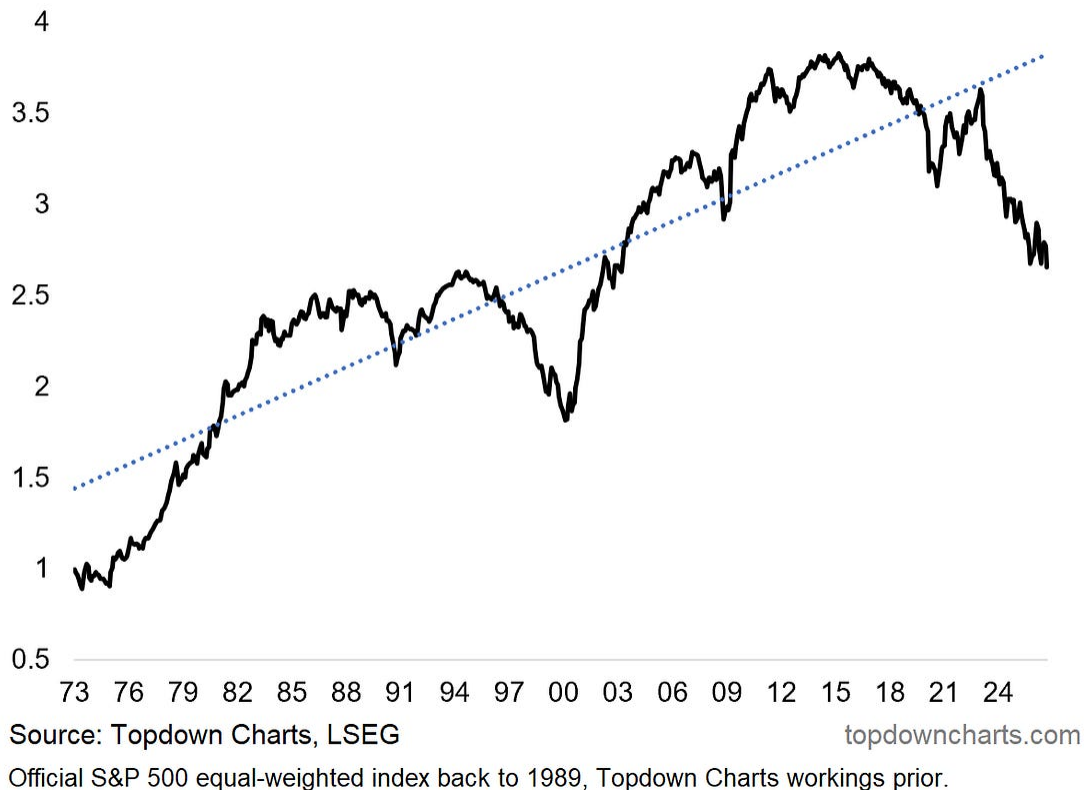
This is a classic stealth correction, on the surface headline index level it seems calm, under the surface there's wreckage and weakness.



Source: [MarketCharts.com](https://www.marketcharts.com)

2. Equal-Weight vs Cap-Weight: with the relative weakness in the equal-weighted index, the equal vs cap weight relative performance line has made new 20+ year lows; extending the already stretched excursion from its long-term uptrend.

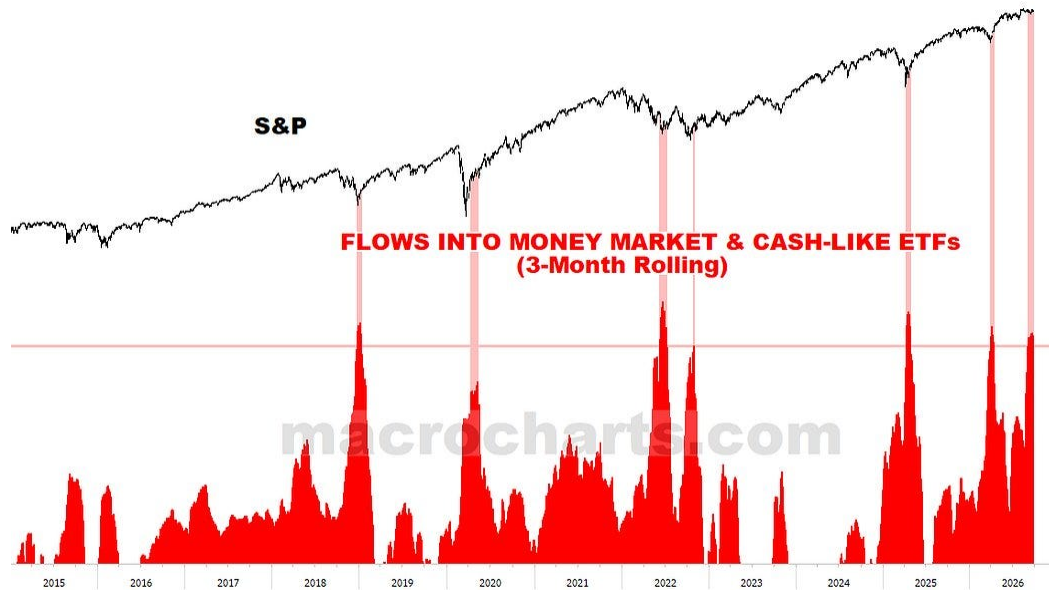
S&P500 Equal-Weight / Market Cap-Weight



Source: **Topdown Charts Professional**

3. Stealth Correction — Flows: back on the idea of a stealth correction, this chart brings another angle on it. Investors have been raising cash at a similar pace to that seen during some of the previous major corrections and resets of the past decade.

So you could argue it amounts to a healthy reset (just in time for Q4 rally?)



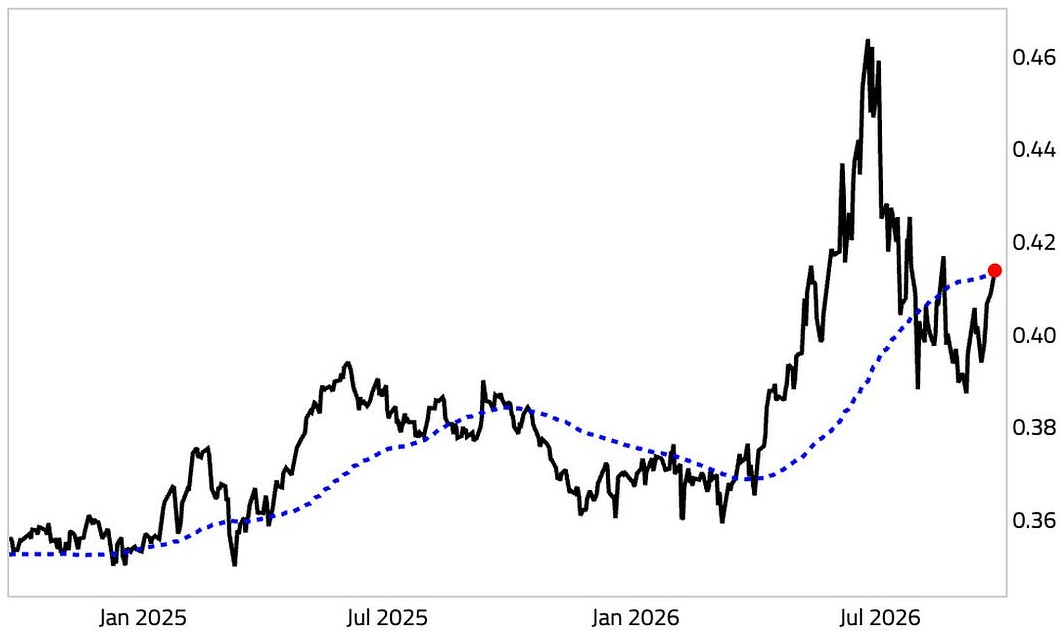
Source: [@MacroCharts](#) via [@RyanDetrick](#)

4. Regaining Momentum: meanwhile there's momentum stocks which peaked in absolute + relative terms back in June... but have been recovering recently. If you add a regaining of momentum for momentum stocks alongside a broader healthy reset and stealth correction then we could be laying out the perfect setting for a Q4/year-end seasonal rally.

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US Momentum (MTUM) vs. SPY

— 0.41 / +0.24% - - - 100dma



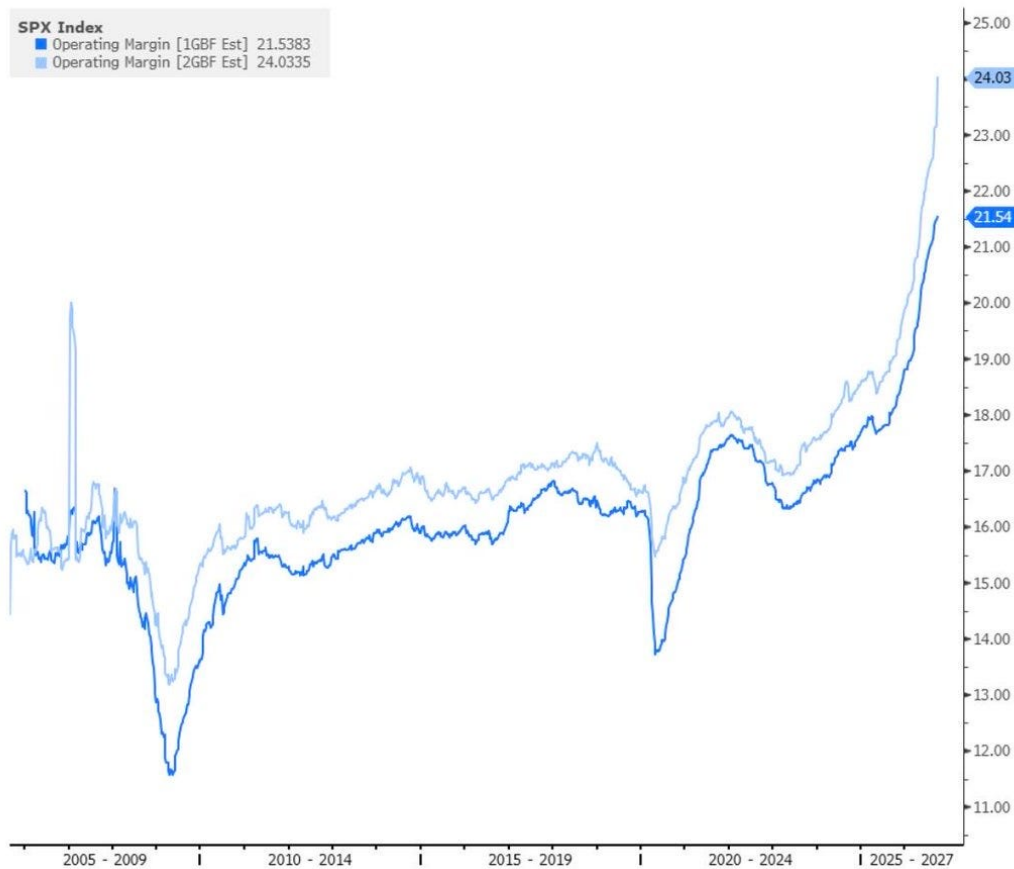
The Daily Shot[®]

Source: @LanceRoberts

5. Profit Prophets: in the background earnings expectations continue to heat up with this exhibit showing euphoric expectations for earnings margins.

But as I have mentioned before, there is such a thing as ***so good it's bad***, as Barclays notes: *"the risk of course would be if .. growth/eps expectations for next year are unrealistically high every investor should take a long hard look at the 'E' in SPX valuations .. if they are going to buy into the 'stocks are cheap' narrative."*

Chart 3: Operating margin expectations are literally unbelievable



Source: Barclays Equities Tactical Strategies (BETS),
Bloomberg

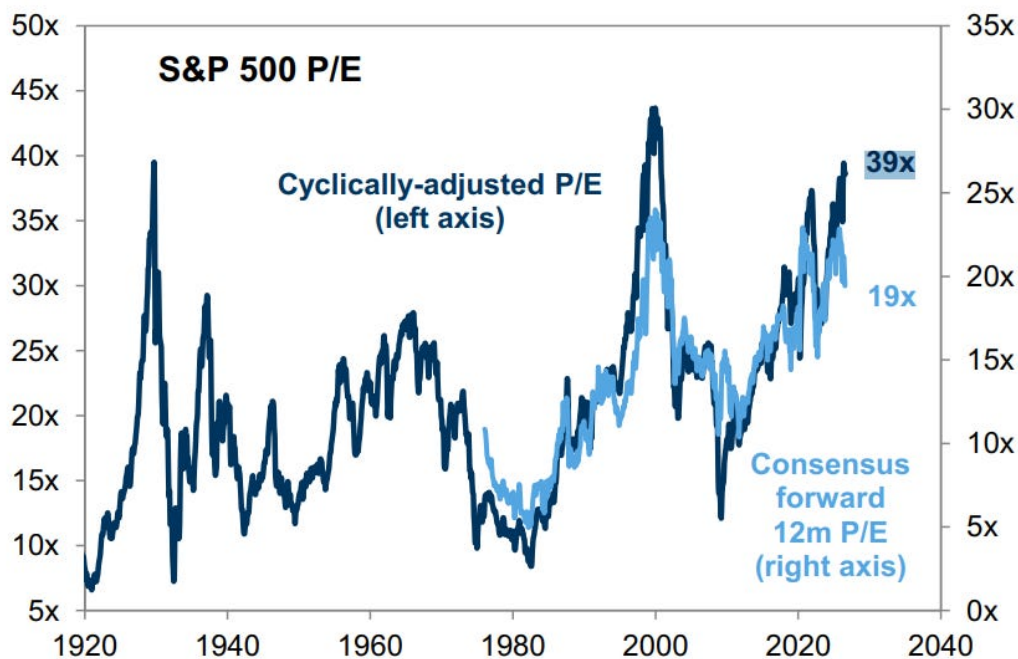
Source: @carlquintanilla

6. PE Ratios: indeed, with the CAPE ratio closing in on some of the highest readings ever, the reset in the forward PE ratio seems less enticing.

The conundrum is: if all these euphoric earnings expectations are right and the E of the PE ratio really does surge, then you could argue stocks are cheap or at least not that expensive.

But if the E is just a boom-bust-bubble thing, you could be looking at a market with a historically high PE ratio being priced off an overinflated E.

Exhibit 8: Multiples on trend earnings remain near record highs
Cyclically-adjusted P/E calculated on total-return scaled earnings



Source: Robert Shiller, Goldman Sachs Global Investment Research

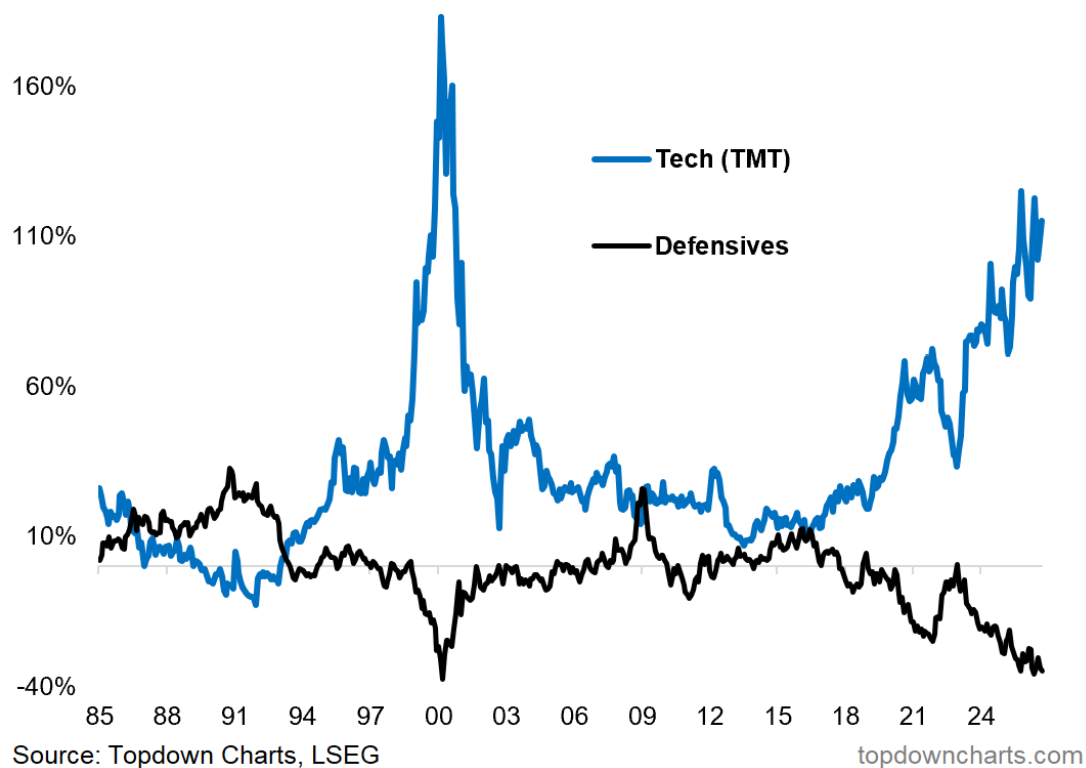
Source: @MikeZaccardi

7. Relative Value Rubber Band: then you also look at the relative value rubber band chart (I call it a rubber band chart when you have two things getting stretched and that will eventually inevitable snap back when something gives).

Tech (using the wider TMT definition to recapture some of the names that got spun out of the traditional tech sector) is trading on historically elevated valuations relative to the index (using a broad suite of valuation metrics).

Meanwhile defensives [healthcare, utilities, consumer staples]; the ones that investors shun in boom times, and look to for a buffer during downturns — are as cheap as dot com on a relative value basis.

US Relative Valuations: Tech & Defensives

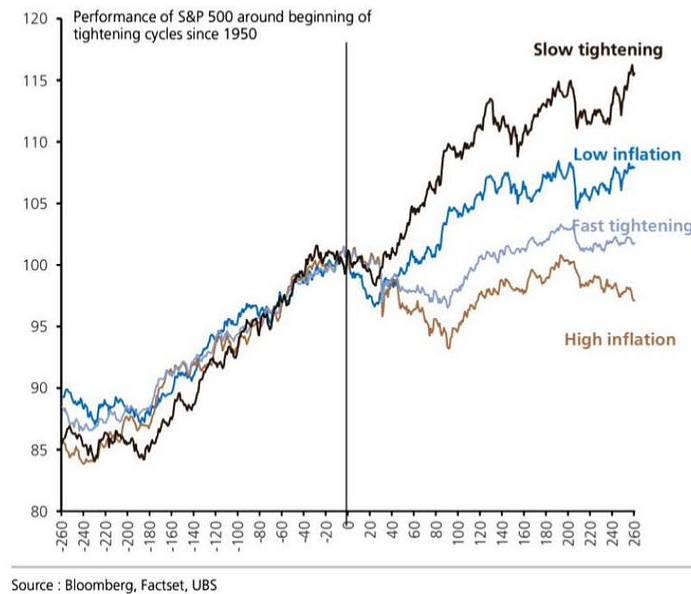


Source: **10 Charts to Watch in 2026 [update]**

8. Fed Hike Impact: although the 16th Sep Fed rate hike now seems like ancient history, I thought this was an interesting one given inflation is high and rising and with risks skewed to the upside.

Add that to **my estimates** that the Fed still has a lot of work to do on the rate hike front, and it seems straightforward to argue the Fed is going to be a source of risk vs dampener of risk for the foreseeable future.

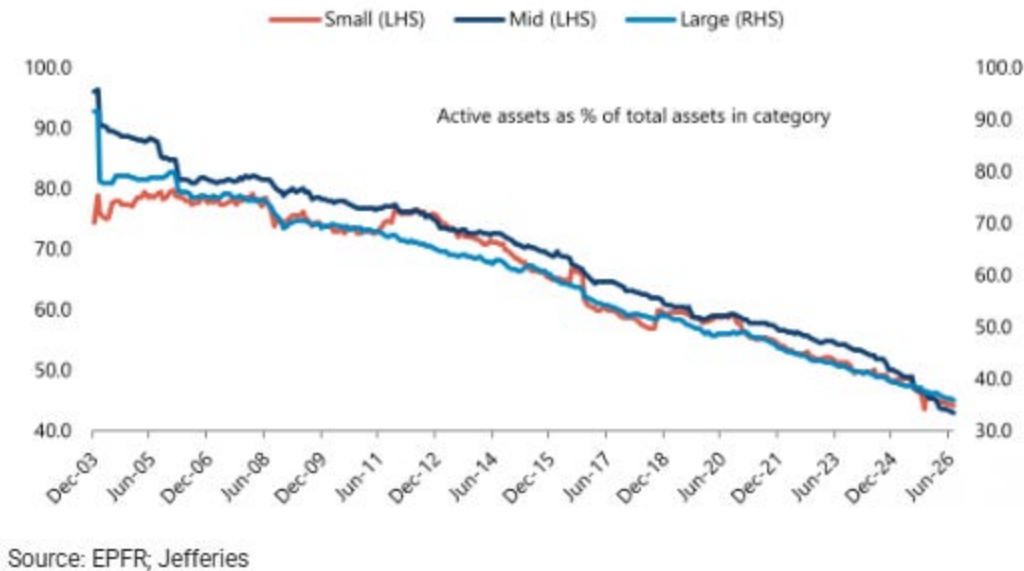
Figure 20: Performance of S&P 500 around the start of Fed hiking cycles based on different regimes



US equities have performed the worst after a Fed rate hike when inflation is high (>3%), falling 7.5% on average over the next 4 months. The S&P has performed best in slow tightening cycle regimes, rallying 15% on avg in the year after the Fed begins to tighten.

Source: @Marlin_Capital

9. Demise of Active: interesting perspective and context here, the active management industry continues to get squeezed out by passive; "64% of assets in Large are managed passively, 56% in Small, and 57% in Mid".



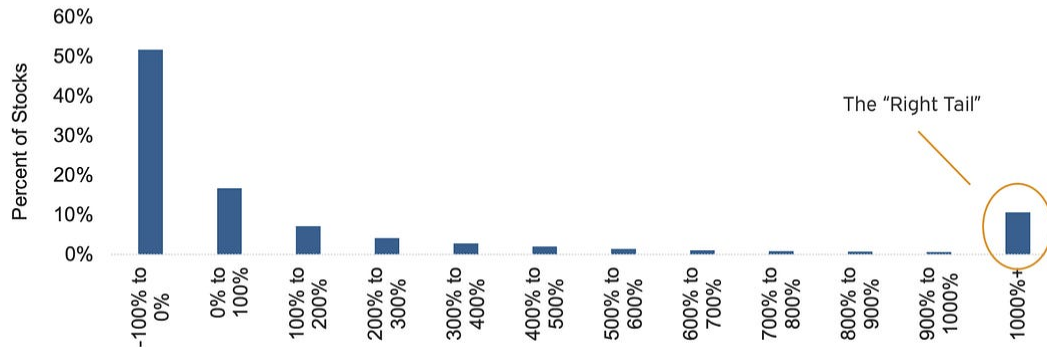
Source: @AggieCapitalist

10. Wealth(creation) Inequality: depending how you look at it, this last one might be another argument in favor of passive (on the assertion that cap-weighted will downweight losers and upweight winners), or for active (on the assumption that active seeks to underweight bad stocks and pick winners).

Either way it's almost daunting to reflect on the concentration of performance in a handful of stocks over the long-run, and the point that half of stocks will not end well: *"A study of nearly a century of US equity returns found that most individual stocks did not beat one-month Treasury bills over their lifetimes, that the median stock produced a negative lifetime return, and that a small minority of companies accounted for essentially all of the net wealth the market created above the return on cash."*

Figure 2

Distribution of Lifetime Cumulative Wealth Creation by Percentile of US Equities



Source: Hendrik Bessembinder, "Do Stocks Outperform Treasury Bills?," 2024. Data compiled by H. Bessembinder, using data in the CRSP common stock daily file, December 1925 to December 2023. Note that the lifetime universe includes more than 29,000 companies.

Source: [SnippetFinance](#)

Thanks for reading, I appreciate your support!

Portfolio Strategy Notes — Geopolitical Energy

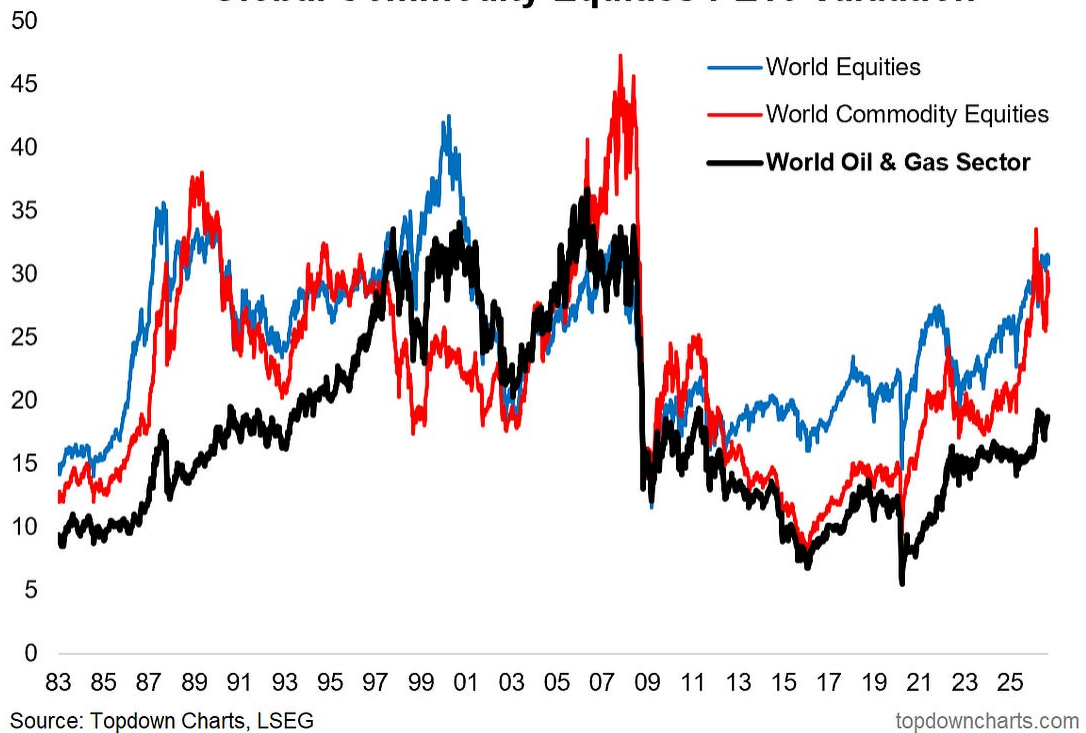
Thinking geopolitics and hedging again this week, the chatter or speculation is that with Trump rejecting the latest peace proposal from Iran that he might be just waiting to get mid-terms over and done with before making the final push. Or basically, that escalation is coming.

This leads us to the possibility of higher-for-longer oil prices.

That has direct and indirect risks for stocks and the macro outlook by raising costs and pushing up interest rates and damaging sentiment.

Global energy stocks are trading at the upper end of the valuation range of the post-2009 era... but are well below the heights of the 1996-07 period, and still trailing well behind the rest of commodity stocks and global equities.

Global Commodity Equities PE10 Valuation



In other words, there is probably room to run on valuations.

Meanwhile positioning is still historically light. Investors remain skeptical on energy stocks despite all the goings on this year.

US Energy ETF AUM % all US Equity ETFs (aka "Implied portfolio Allocations")



So energy stocks would be a natural, cheap (relative value), and underappreciated (light allocations) hedge or buffer to renewed tensions in the Middle East.

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Best wishes,
Callum Thomas

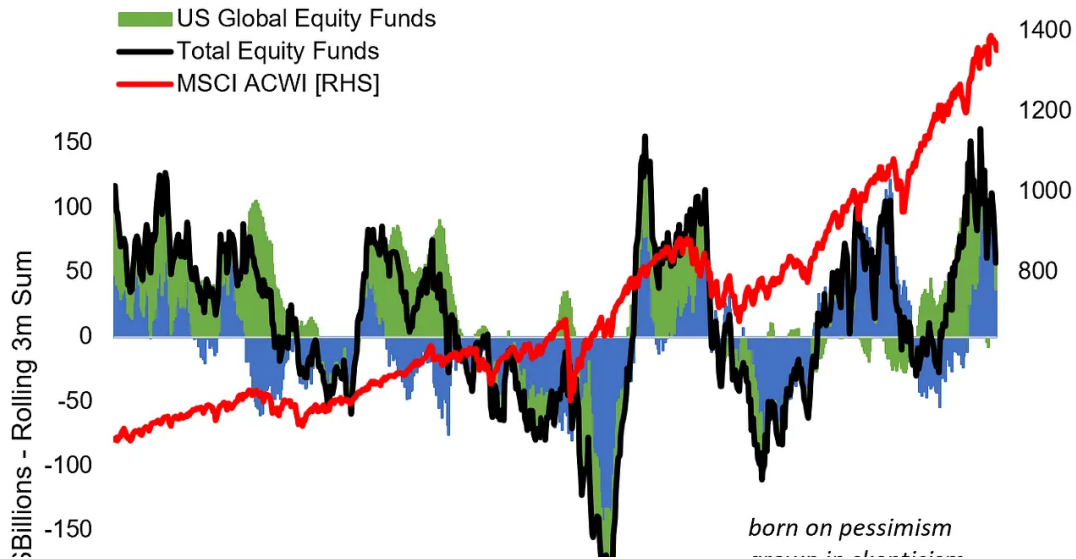
Founder & Editor of The Weekly ChartStorm
and **Head of Research at Topdown Charts**

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In case you missed it, also see last week's edition:

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By Callum Thomas