The triple breadth


Source: AI generated

Market, earnings and macro participation are widening at the same time. The three breadths are not three independent confirmations of the same fact, they are a sequence. Macro breadth measures volumes across industries and geographies; earnings breadth measures those volumes arriving in company revenue, at a price; market breadth measures investors pricing the result.

Triple breadth is the analytical case for the allocation we already hold rather than an argument for changing it.

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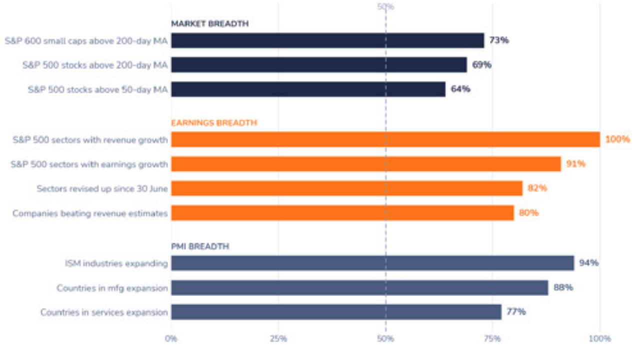
The most informative feature of this market is not its level but its participation rate. Three separate measures of breadth — how many stocks are rising, how many companies are growing profits, and how many economies are expanding — are widening at the same time. Each is interesting on its own. The alignment is what carries the signal, because breadth on all three dimensions is characteristic of the early-to-middle phase of a cycle rather than its end.

The late-cycle pattern is the mirror image: an index at highs, progressively fewer stocks participating, and profit growth concentrated in a shrinking group of names. Two of our three measures show the opposite of that today. The third — market breadth — is genuinely strong but carries a caveat we set out below.

Chart 1 · The triple breadth scoreboard

Participation rates across three independent dimensions · latest available readings, early August 2026



Market breadth: the rally is broadening from below

Roughly 69% of S&P 500 constituents trade above their 200-day moving average and 64% above their 50-day moving average, the latter hitting 70% earlier in the week for the first time since January. Small- and mid-caps are leading rather than lagging: around 73% of S&P SmallCap 600 members are in long-term uptrends, and the S&P MidCap 400 is also above 70%. The cumulative advance-decline lines reached new all-time highs during July, and the S&P 500's high-low percentage hit +13.2%, its strongest since February, after exceeding +10% on four occasions during the month.

The leadership evidence points the same way. The Russell 2000 is up roughly 20% year-to-date and is comfortably outpacing the S&P 500, while the equal-weighted index has outperformed the cap-weighted one. Globally, MSCI ACWI traded around 1,130 against an all-time high of 1,136.59; the second quarter was the best for global equities since late 2020, with emerging markets posting their strongest quarter since 2009.

There are two caveats. First, part of this is rotation rather than pure broadening: the cap-weighted index has been held back by weakness in mega-cap technology, which mechanically flatters equal-weight and small-cap relative performance. A market in which the median stock rises while the largest stocks fall is a healthier construction than the reverse, but it is not the same thing as everything rising together. Second, the McClellan Oscillator has sat below zero for a fortnight — the advance-decline lines are at highs, but the pace of advance has slowed — and the less liquid tail of the market remains in net decline even as the liquid universe advances. Breadth is increasing, but unevenly.

Earnings breadth: the profit cycle is no longer a handful of names

The second quarter is delivering the strongest profit growth of this cycle. Blended earnings growth for the S&P 500 stands at 47.4%, the highest since the second quarter of 2021, on revenue growth of 14.1%, the fastest since the second quarter of 2022. The net profit margin is 16.7%, against 12.9% a year ago and a five-year average of 12.4%.

The breadth beneath those numbers is what matters. All eleven sectors are reporting year-on-year revenue growth. Ten of eleven are reporting earnings growth, and eight of those ten are growing at double-digit rates, led by Energy, Communication Services, Consumer Discretionary, Information Technology and Materials, with Health Care the sole decliner. Nine of the eleven sectors have had their growth rate revised up since 30 June. 80% of companies have beaten revenue estimates against a five-year average of 70%, with revenues coming in 2.8% above expectations versus a 1.9% five-year average. That is a beat rate on the top line, not on cost control.

Chart 2 · S&P 500 Q2 2026 growth rates through earnings season

Blended year-on-year growth rates for Q2 2026 as reported at each date · revenue figure for 30 June as published 2 July

Here an honest qualification is required, and it cuts against the headline rather than against the breadth. The increase in the index growth rate since the end of the quarter has been led overwhelmingly by two sectors, Communication Services, revised from 7.3% to 109.8%, and Consumer Discretionary, from 5.0% to 90.7%, driven largely by Alphabet and Amazon. Excluding them, the blended growth rate is 28.8% rather than 47.4%. The aggregate is concentrated, but the breadth is not: the number of sectors and earnings estimates being revised higher points to a broader improvement than the headline figure suggests.

PMI breadth: components, sectors and countries

The macro leg is broad on all three of its own sub-dimensions. By component, July's ISM report expanded everywhere that matters: production at 58.5, the highest since November 2021; backlogs at 55.0; new orders at 56.7; and employment at 52.8, in expansion for the first time in thirty-three months. Fifteen of sixteen manufacturing industries reported growth.

Chart 3 · PMI breadth by component — US ISM manufacturing, June vs. July 2026

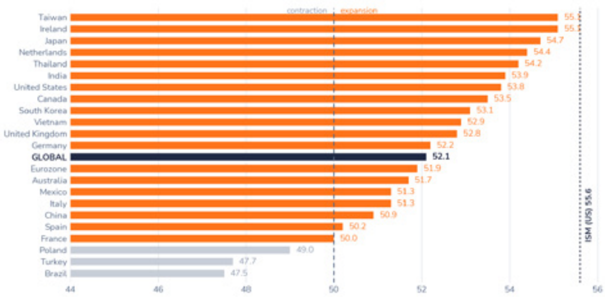
Diffusion indices · 50 = no change on the prior month · Prices Paid shown on the same scale

By sector, the recovery is no longer goods-only. The share of tracked countries with services PMIs above 50 has risen from 53% in the spring to 77% in July, driven by monthly gains in the US, UK and Eurozone, and the global manufacturing and services indices now both sit near 52, the highest joint reading since early 2022.

By country, 88% of tracked economies are in manufacturing expansion, up from 59% six months ago and the strongest reading since 2021. Japan, Taiwan, South Korea, Ireland, the Netherlands, and Thailand all sit above 54. The exception is China, where the official index fell to 49.2 in a second consecutive month of contraction, which is why we continue to prefer expressing the emerging-market goods cycle through ASEAN, Mexico, and North Asian exporters rather than Chinese domestic demand.

Chart 4 · PMI Breadth by Country — Manufacturing, July 2026

Selected economies · S&P Global manufacturing PMIs · dashed line at 50 separates expansion from contraction



Why the alignment matters more than any one measure

The three breadths are not three independent confirmations of the same fact. They are a sequence. Macro breadth measures volumes across industries and geographies; earnings breadth measures those volumes arriving in company revenue, at a price; market breadth measures investors pricing the result. PMI breadth leads, earnings breadth confirms, market breadth discounts. When all three widen simultaneously, the chain is intact from end to end.

That is the structural case for treating the current environment as early-to-mid cycle rather than late, and it is more durable than any single indicator because it is falsifiable in a specific order. The chain breaks from the macro end first: PMI breadth peaks, then earnings revision breadth narrows, and only then does market breadth diverge from the index. What we would not want to see is the index making new highs while the advance-decline line fails to confirm, the number of sectors with rising estimates falling, and profit growth reverting to a handful of names. None of the signals have yet occurred.

What this means for positioning

Triple breadth is the analytical case for the allocation we already hold rather than an argument for changing it. It argues for owning the median stock and not only the index: a cyclical tilt inside a diversified core that stays balanced across regions, styles and market capitalisations, with small- and mid-caps a legitimate beneficiary rather than a contrarian bet. It supports remaining selective but positive in technology while allocating alongside it to industrials, capital goods, materials, and energy, because breadth means the opportunity set has widened rather than moved. It reinforces equities over bonds and short duration, since the same nominal growth producing the profit breadth is what keeps the price side elevated. It also leaves gold and hedge funds carrying the hedging function, because government duration does not diversify equity risk in this regime.

What would break it

- Market. The index at new highs with the advance-decline line failing to confirm, and the share of stocks above their 200-day average falling back through 50%.
- Earnings. The number of sectors with upward revisions falling below half, or a quarter in which the growth rate excluding the largest two or three names drops into single digits.
- PMI. China's contraction spreading to the ASEAN and North Asian exporters, with the share of countries in manufacturing expansion turning down from 88%.

Syz Source: Syz Research; FactSet Earnings Insight (S&P 500 Q2 2026 blended growth rates and sector counts); StockCharts / S&P Dow Jones Indices (moving-average and advance-decline breadth); ISM (July 2026 Manufacturing PMI Report); S&P Global PMI; China NBS; Bloomberg. Data as of 5 August 2026. Breadth is an unweighted count in each case; measures are drawn from different universes and are not directly comparable with one another. For professional investors only. This document is for information purposes and does not constitute investment advice. Past performance is not indicative of future results.

BASE CASE & IMPLICATIONS

Market, earnings and macro breadth are widening at the same time. That combination is characteristic of the early-to-middle phase of a cycle, and it is the alignment rather than any single measure that carries the information. Two caveats stay in view: market breadth is partly rotation rather than pure broadening, and the aggregate earnings number has been strongly enhanced by Alphabet and Amazon, even though the sector and revision counts are much less concentrated than they used to be.

We continue to favour equities over bonds, with duration short, the hedge carried by gold and hedge funds, and the dollar overweight against all currencies, except the yen which is neutral. Within equities: selective but positive on technology, alongside other cyclical stories (financials, industrials, consumer discretionary) — breadth means owning the median stock, not only the index. We also keep broad diversification across regions and style.

Welcome to Syzerland®

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