On the Minds of Investors

Who is buying U.S. equities?

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> **The share of retail participation in the market notched an all-time high on April 29, comprising 36% of order flow. For comparison, prior to the pandemic, the retail share of the market rarely breached 10%.**

The S&P 500 has erased its year-to-date losses, overcoming a nearly 20% drawdown. With it, valuations have vaulted to 21x forward earnings, well above the 30-year average valuation of 17x. Although April may have been the high-water mark for volatility in terms of intensity and magnitude, risks have been mitigated but not eliminated. Earnings growth expectations still sit at an unrealistic 9% y/y for 2025, despite an anticipated slowdown in growth and headwinds from higher tariffs. The 10-year Treasury yield seems to be hugging 4.5% with risks skewed to the upside, while the Fed remains in wait-and-see mode. This is still an environment marked by pervasive uncertainty. So what is driving the rally?

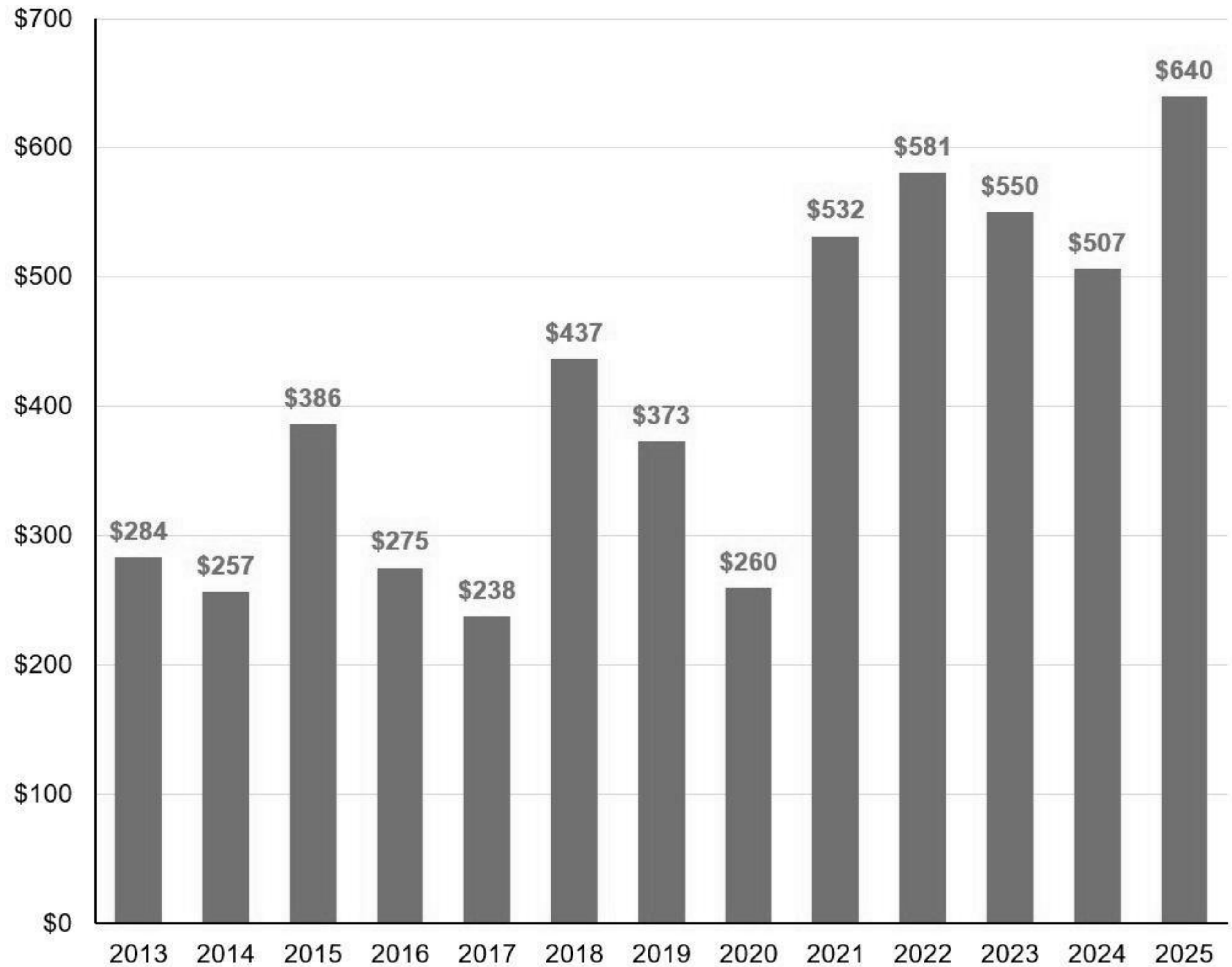
Perhaps the question is not *what*, but rather *who*, is driving the rally:

- **Retail investors** – Since the announcement of reciprocal tariffs, retail investors have been virtually undeterred. Retail flows tracked by our investment bank, which include purchase of single stocks within the Russell 3000, options and a comprehensive selection of ETFs, revealed that **retail investors bought net $36 billion in March and $40 billion in April – back-to-back records for largest monthly inflows**. The share of **retail participation** in the market notched an all-time high on April 29, comprising **36% of order flow**. For comparison, **prior to the pandemic, the retail share of the market rarely breached 10%**. Buying activity somewhat cooled in May but was still positive. Consumers have long engaged in retail therapy; retail investors appear to be buying the dip with a similar mentality.
- **Corporate buybacks** – Companies have also been buying back stock at a near-record pace; **April was the third-highest month for buybacks in well over a decade**. As highlighted in the chart below, this is the strongest year-to-date start for buybacks since at least 2013. Not only does this signal that companies are confident in their long-term prospects at these price levels, but also could **reflect the confluence of strong cash balances and uncertainty.** Companies may have money to spend but are wary of making capital investments given policy uncertainty, exhibited by **weak but inflecting capex intentions**. Similarly, M&A has thus far failed to pick up. This echoes the dynamic observed in 2018 after a massive corporate tax cut but amid the first trade war; **buybacks jumped 68% y/y but capex remained subdued**.

Retail and corporate investors alike may be supporting the recent rally in markets, but high valuations have reasserted themselves and risks still linger. Therefore, investors should be well diversified and prepared for pockets of volatility throughout the rest of the year.

Companies are repurchasing stock at a record pace

Value of S&P 500 announced buybacks year-to-date, $bn



Source: Bloomberg, S&P Global, J.P. Morgan Asset Management. Data is through May of each year. Data are as of May 30, 2025.

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