On the Minds of Investors

Are stocks repeating last year’s rally?

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Stock performance is shaping up to be eerily similar to 2025: each year began with AI anxieties – this year it was AI labor displacement; last year it was DeepSeek. This AI handwringing gave way to seismic political change – from tariffs in 2025 to the Iran war in 2026.

Both events had the potential to impair earnings and economic growth, spur inflation and alter the path of monetary policy. Yet the fallout has been limited, with political pivots giving way to double-digit rebounds. One month since the market low, the S&P 500 is up 13%. Last year, one month after reciprocal tariffs were postponed, markets had also jumped 13% off the lows.

In fact, this follows a pattern we’ve seen repeatedly this decade: early corrections due to the pandemic in 2020 and the regional banking crisis in 2023 were followed by strong rallies. The Russia/Ukraine war in 2022 also unsettled markets early on, but a subsequent recovery was thwarted by aggressive Fed hiking.

Underneath the hood, it’s not only performance that has swung wildly this year but also sector beneficiaries. Energy is the strongest performer YTD (+26%) but is down since the market low, effectively wiping out most of its wartime gains. On the other hand, financials were the worst performers pre-war, but one of the best protectors during the sell-off. Similarly, the growth sectors – info tech, communication services, and consumer discretionary – were the other three worst performers pre-war, but the strongest three sectors since the market bottom, more than recovering their March losses. The Mag 7 are up 22% since the market low, semis leapt 39% and even software has rallied 14%, performing better post-war than pre-war.

These dynamics at the sector level conflict with stock performance, though. Despite growth’s rebound, value edged out growth in the number of stocks represented in the best 50 S&P 500 performers YTD. Within those 50, not one is a Mag 7; in fact, not one Mag 7 even cracks the top 100. In addition, the tech dispersion is significant too, hosting both 23 of the best 50 stocks and 19 of the worst 50.

Will the rest of the year be off to the races, as 2025 was? From a fundamentals standpoint, the landscape appears more robust than in 2025. At the start of 2025, S&P 500 earnings growth was projected to be 14.1% for the year; strikingly, 2026 began with a nearly identical outlook of 14.9%. Yet today earnings growth estimates have climbed to 18.7% for 2026 – double the estimated 9.3% at the same point in 2025. In addition, the M&A backdrop has been healthy, with a blockbuster pipeline for IPOs this year.

Markets do not like uncertainty, but are typically only derailed by *peak* uncertainty, which is likely behind us, paving the way for this recent rebound. The question now is how sustainable is this rally? While fundamentals are supportive, the market is always vulnerable to sentiment swings and multiple contraction.

This decade has been defined by sharp early drawdowns and robust rebounds

S&P 500 price index, indexed to 100 = January 1

Source: Factset, J.P. Morgan Asset Management.

Events: pandemic (2020), regional banking crisis (2023), tariffs (2025), Iran war (2026). Pre-event = January 1 to February 19, 2020; March 8, 2023; April 2, 2025; February 27, 2026. Drawdown = event to market low on March 23, 2020; March 13, 2023; April 8, 2025; March 30, 2026. Recovery = market low to 28 days later.

Data are as of April 27, 2026.

By Meera Pandit - April 29, 2026

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