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On the Minds of Investors

How extreme is market concentration?

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It was as if Q1 never happened: markets were back at all-time highs, earnings were soaring and megacap tech reigned supreme. Then suddenly, fears over Fed rate hikes began roiling markets once more, reminding investors that while record earnings and stellar performance are welcome, expensive valuations and elevated concentration create risks for portfolios that are exposed during bouts of market volatility.

First, consider valuations. The top ten stocks in the S&P 500 sport a price tag of 26x, 25% more expensive than their long-term averages. Although this dipped to 23x by the end of March, it has nearly retraced its geopolitical sell-off. While still off the peaks, when valuations are priced to perfection, they are prone to correction. Increasingly, these corrections are felt more acutely in portfolios as substantial concentration has built up.

Today, the concentration of the top ten stocks in the S&P 500 is 40.8% -- a level that barely budged during the March pullback and stands well above the 26.6% tech bubble peak. This means when those stocks correct, they have an outsized impact on portfolio volatility.

This has become a prevailing risk, although not necessarily a concern, as earnings have also been concentrated in those same top ten stocks. These companies contribute just over one-third of all the index's earnings, which has broadly moved in lockstep with overall market cap concentration for the past decade. This certainly gives investors a reason to own these stocks, but a reasonable level of exposure can manage risks. Yet, if earnings are so robust, what is the risk? AI sentiment shifts and geopolitics have precipitated corrections over the last 18 months, even as earnings have remained impressive.

Investors may also question how big the risk is after all if these stocks often rally enthusiastically after a pullback. Indeed, within these top ten names, five are outperforming the S&P 500 year-to-date. However, even the best one only ranks #82 in the top S&P 500 performers this year. As for the other five, they all remain negative. Ultimately, the biggest are not always the best.

For investors, this means owning the benchmark will leave a portfolio highly concentrated. It also means that even when investors attempt to diversify, there can be hidden overlap of the same positions. For example, 3 of the top 10 stocks appear in both the Russell 1000 Value and the Russell 1000 Growth. If one already owned these names in their growth allocation, then they could have 6.6% more exposure to these three companies because they also show up in value. This can be exacerbated through drift when portfolios are not rebalanced.

To identify some of these overlaps across managers, our digital portfolio insights tool now features a Top 10 Underlying Equities function to view each fund's biggest holdings and the exact allocation to each stock to assess any unintended duplication.

Concentration is not a new dynamic this year, but it is an extremely persistent one that requires regular review, rebalancing and active stock selection.

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Data are as of May 18, 2026.

By Meera Pandit & Corey Hill - May 20, 2026

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