



## Bullish Excess, but no Sign of Imminent Implosion

A recent advisory survey from *Investors Intelligence* highlights there's an awful lot of bullishness in the market. These periods historically lead to less favorable rewards for risk taken.

It may be different this time around, though. First, the chart and then *Investors Intelligence's* take on the indicator's status.



*“The bull-bear spread edged higher +46.1%, from +44.2% a week ago. This is the 37th positive difference in a row and confirms the bull market remains intact. However, it is also the third week in the +40-danger zone level. That was last shown for three weeks late Oct/early Nov-2025. Danger increases the wider it gets. The spring 2025 decline resulted in eight negative differences (more bears than bulls), with two weeks in Apr-25 at -11.0 or below. Those were the first negative spreads since the fall 2022 lows. Negative differences signal diminished*

risk and allow for broad buying the wider they get. Just before Thanksgiving it had narrowed to +20.4%, which reflected diminished lower risk for longs.”

As *Investors' Intelligence* notes, the indicator is a long way from a safe-haven situation where one can aggressively buy stocks hand over fist.

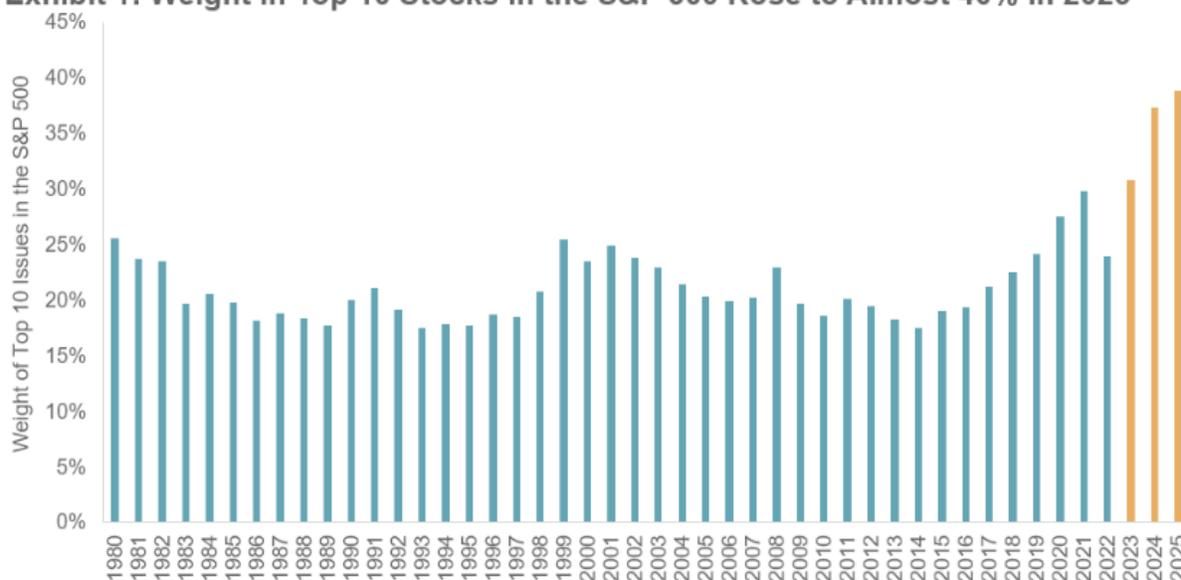
The last layup opportunity was during the Tariff smash about 10 months ago.

That said, it's also not given that the S&P 500 is simply going to implode due to bullish excess.

Why? Well, as I noted in this space before, the S&P 500 is historically top-heavy. The top 10 stocks account for about 40% of the index's weight. That blows away other excessive periods, such as the Dot-Com Bubble.

(Click on image to enlarge)

**Exhibit 1: Weight in Top 10 Stocks in the S&P 500 Rose to Almost 40% in 2025**



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

While this top heaviness increases risk, it's practically impossible for the S&P 500 to suffer significant damage *until* those key stocks take a beating. The S&P 500 has become an index driven by so few stocks, and those stocks matter entirely to the index's performance, that methods of the past linking excessive bullishness to poor future stock returns are less effective.

*When* AI-powered stocks pull back, the S&P 500 will feel some pain. And of course, that will happen at some point. As a result, 2026 creates better opportunities elsewhere.

Individual stock picking, which has been challenging in recent years due to the dominance of so few stocks, will hit its stride again.

The average stock in the S&P 500 is a better relative value than the index-weighted version.

Small-cap stocks are likely to start pulling their own weight.

International stocks, and particularly emerging markets, still look attractive. I have highlighted in this space before that the spread between international and U.S. stocks was too wide and that

the gap would close. 2025 was a great start and U.S. stocks were among the worst-performing markets globally. There's still a good amount of meat on the bone for international stocks, given years of underperformance relative to U.S. stocks.

*When sentiment craters the other way, bearishness is excessive, and stocks are deeply oversold, the risk/reward ratio favors buying aggressively. For now, a more thoughtful approach will likely power returns in 2026.*

**DISCLAIMER:**

***THIS COMMUNICATION IS FOR EDUCATIONAL AND INFORMATIONAL PURPOSES AND DOES NOT CONSTITUTE INVESTMENT ADVICE.*** Any Publishing Service offered by HSD Publishing is for educational and informational purposes only and ***should NOT be construed as a securities-related offer of solicitation or be relied upon as personalized investment advice.*** HSD Publishing strongly recommends that you consult a licensed or registered professional before making any investment decision.

***THE RESULTS PRESENTED ARE NOT TYPICAL OR VERIFIED.*** HSD Publishing has not verified information regarding the historical trading performance presented. Subscribers' trading results have ***NOT been tracked or verified,*** past performance is not necessarily indicative of future results, ***and the results presented in this communication are NOT TYPICAL.*** Actual results will vary significantly due to factors such as experience, skill, risk mitigation practices, market dynamics, and the amount of capital deployed. Investing in securities is speculative and carries a high risk; you may lose some, all, or possibly more than your original investment.

***HS DENT IS NOT AN INVESTMENT ADVISOR NOR A REGISTERED BROKER.*** Neither HSD Publishing nor its owners or employees is registered as a securities broker-dealer, broker, investment advisor (IA), or I.A. representative with the U.S. Securities and Exchange Commission, state securities or regulatory authority, or self-regulatory organization.

***WE MAY HOLD THE SECURITIES DISCUSSED.*** HSD Publishing has not been paid directly or indirectly by the issuer of any security mentioned in the Services. However, HS Dent, its owners, and its employees may purchase, sell, or hold long or short positions in securities of the companies mentioned in this and future communications.

*John Del Vecchio is not an employee or partner of HSD Publishing. HSD Publishing serves solely as the marketing arm for John Del Vecchio – who provides research to HSD Publishing via Parabolix Research, Inc.-- and Unbounded Wealth.*

© 2026 HSD PUBLISHING. ALL RIGHTS RESERVED. 15016 Mountain Creek Trail, Frisco, TX 77573.