THOUGHTS FOR THE WEEK

THE OTHER BUFFETT

July 24, 2026

Most months, if we're quoting Buffett, you can assume we're talking about Warren. This month, however, we're borrowing a lesson from the *other* Buffett.

Oh, yesterday's over my shoulder, so I can't look back for too long
There's just too much to see waiting in front of me and I know that I just can't go wrong

- Jimmy Buffett

Like Buffett, the stock market is "forward looking" — less concerned with what's over its shoulder and more concerned with what's waiting in front of it. That distinction matters — particularly in a year like 2026.

Despite a cascade of dramatic headlines about wars, tariffs, and deficits, investors sent the S&P 500 to new all time highs last month — propelled largely by increasing earnings estimates, or what investors think companies will earn in the future.

At the start of the year, analysts expected 2026 S&P 500 earnings to be approximately $313. Today, those expectations have risen to roughly $342, a 9% increase. Over the same period, expected 2027 earnings have grown from $351 to $400, a 14% increase (Source: Morgan Stanley).

Historically, earnings growth has been one of the largest contributors to long term returns, but this year's revisions come with an important caveat: the expected growth has not been evenly distributed.

A relatively small group of companies and sectors have accounted for a disproportionate share of both earnings growth and market returns. For example, earnings estimates for the S&P 500 Technology sector are up approximately 80% since July 2025, and a single stock accounted for more than 30% of the S&P 500's first-quarter earnings growth (Source: Morgan Stanley). Market leadership has been narrow, and narrow leadership can make some investors uncomfortable.

But narrow leadership is not unusual. In fact, a small number of exceptional businesses have driven outsized wealth creation throughout modern market history. Studies show that over the past 100 years, the S&P 500 has outperformed short term US government bonds by approximately 7%, and all of that outperformance is attributed to only 4% of publicly traded companies. (Source: Hendrik Bessembinder).

The challenge for investors is that concentration – despite historical a precedent — rarely feels comfortable in real time.

When leadership narrows, it is tempting to assume the market must be wrong. It is tempting to search for the flaw in the story — the proverbial lost shaker of salt – that will prove the optimism misplaced. But investors should be cautious about declaring that "this time is different." Healthy skepticism has value, but perpetual cynicism can be costly.

Of course, things can go wrong. Valuations can fluctuate. And not every optimistic forecast will prove correct. But successful investing has never required a perfect forecast or skilled market timing. Instead, successful investing has required the willingness to acknowledge uncertainty while still looking ahead. To prepare for the future but not predict it.

Yesterday belongs over our shoulders. What's waiting in front of us is what matters most.

Enjoy your reading and your weekend — and raise a glass to Jimmy if you're so inclined.

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Awards:
2024-2025 Barron's Top 250 Private Wealth Management Teams
Source: Barrons.com (Awarded 2024-2025). Data compiled by Barron's based on 12-month period concluding in Dec of the year prior to the issuance of the award.

2024-2025 Forbes Best-In-State Wealth Management Teams
Source: Forbes.com (Awarded 2024-2025). Data compiled by SHOOK Research LLC based on 12-month time period concluding in March of year prior to the issuance of the award.

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