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The Structure Behind the Strength

What US Equity Markets May Be Telling Long-Term Investors

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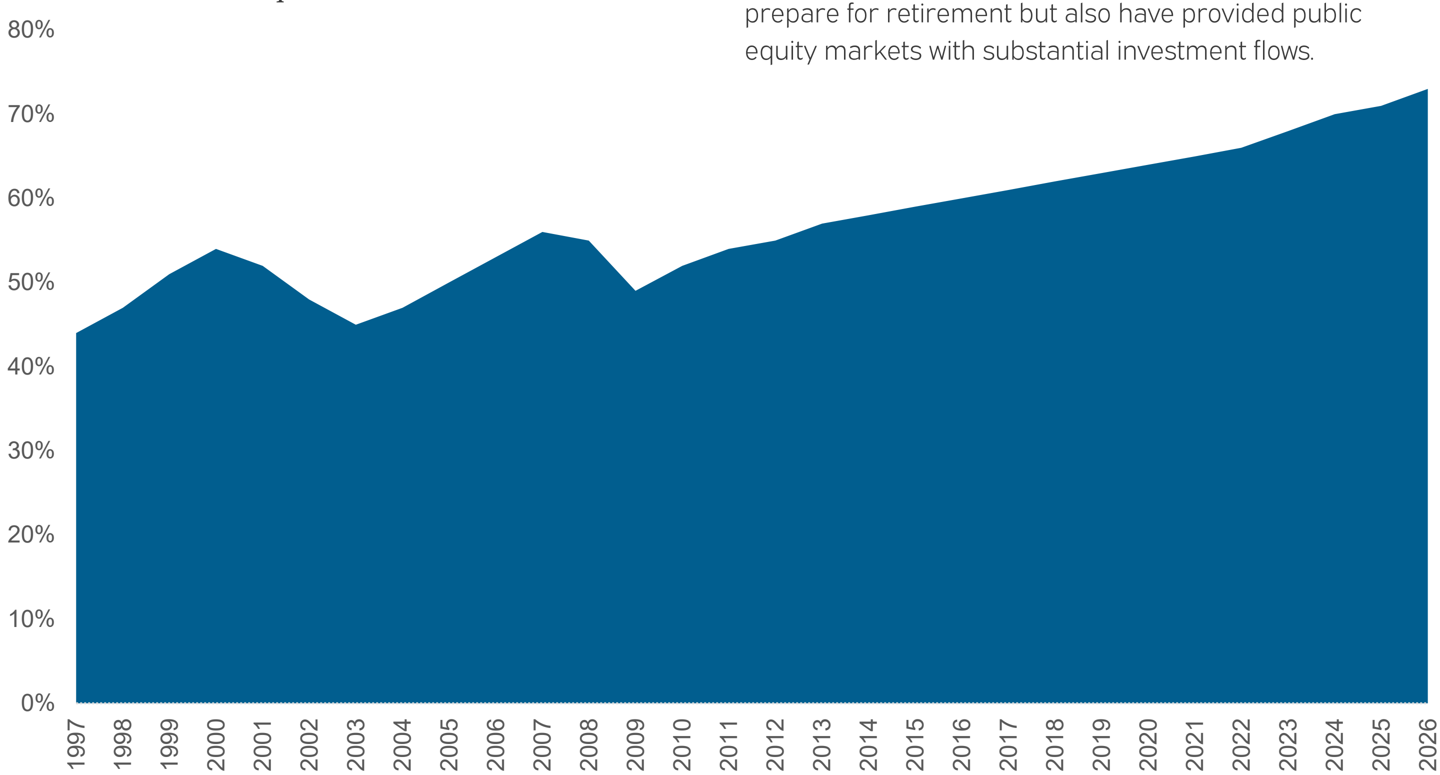
Fifty years is arguably long enough to test a thesis. Since 1976, the S&P 500 Index has grown from roughly $660 billion in market capitalization to approximately $70 trillion today, one of the largest compounding runs in financial history.[1] The US equity market has grown on average 12.0% a year over the past fifty years.[2] The US is celebrating its 250th anniversary and investors may well have even more reasons to expect the compounding of returns to continue. In June, SpaceX completed the largest initial public offering on record, with Anthropic and OpenAI expected to follow later this year.[3] The scale of these listings is consistent with the broader pattern that reinforces the idea of US exceptionalism: global capital keeps concentrating where innovation, liquidity, and growth run deepest, and that remains the United States.[4]

The persistent and rising share of global market capitalization implies that investors perceive resilience and profitability for US listed companies. The United States rose from 44% of the MSCI World Index in 1997 to 73% by 2026, with nearly all of that gain concentrated after the 2008 financial crisis and driven by a small number of dominant technology companies (see Figure 1).[5]

The US exceptionalism story for strong growth rates is not just limited to high profile Magnificent Seven stocks. The Russell 2000 Index of small cap stocks is on track for its best year since 2003, up roughly 22.6% so far in 2026.[6] In 2026, small cap stocks have benefited from lower valuations compared to large cap stocks, artificial intelligence (AI)-related capital spending reaching further into the economy, and recent federal tax changes.[7]

The US stock market's evident strength and resilience over the past 50 years may be related to underlying structures and features of the US economic system, its political system, and its institutions. For example, US exchanges have been diligent in delisting companies that do not meet their requirements. Strong regulatory rules, including extensive annual audits, help to ensure that publicly traded stocks offer investors visibility into the health of publicly traded stocks. Regulatory tax incentives for pre-tax retirement savings have not only helped Americans prepare for retirement but also have provided public equity markets with substantial investment flows.

Figure 1
US Share of Global Equities



Source: MSCI Global Investment Tracker: America at 250, 2026. Represents US weight in the MSCI World Index, 1997 to June 2026.

Beyond these structural features, the clearest source of US exceptionalism has been the ability of listed US companies to grow earnings faster than the broader economy. Since 1990, US corporate earnings have compounded at roughly 7.2% a year and S&P 500 earnings per share at about 7.1%, well ahead of nominal GDP growth of 4.8%, and the gap has widened since 2010.[8] That advantage rests on several mutually reinforcing factors: a global footprint that lets US companies earn more than one-third of their revenue abroad, a market increasingly weighted toward high-growth, high-margin sectors such as information technology, favorable tax and interest-rate tailwinds that lifted after-tax profits, and a shareholder-focused culture of buybacks alongside a deep venture ecosystem that funds the next generation of growth while companies are still private.

Whether that edge persists is the open question. Globalization has plateaued and may be reversing, and the falling tax rates and borrowing costs that the Federal Reserve estimated drove some 40% of corporate profit growth between 1989 and 2019 have already turned. Many companies in the technology sector that were capital-light are now investing heavily in capex, and shareholder buybacks are on the decline. Perhaps most important over the long term has been the culture of innovation, which has been on full display via the AI boom in recent years. How large a premium the US market deserves, and for how long, depends on how many of these historical tailwinds remain in place.

As capital continues to consolidate around US structural strength, a practical question for allocators is to what extent they should position themselves for US durability and the trade-offs that come with such a position. Mega forces, including artificial intelligence, are reshaping the composition of asset classes, with AI playing an important role not just in US equities but also in private equity, private credit, real estate, and infrastructure.

Taken together, US exceptionalism over the past fifty years has been built on scale, innovation, and depth. Those strengths remain intact, but several of the tailwinds behind them have begun to turn, even as the culture of innovation now most visible in the AI boom endures. Elevated valuations reflect genuine conviction in that durability, yet stretched pricing leaves less room for error, and bull markets have historically ended as a result of shocks rather than age alone. For allocators, the question may be not whether US strength is real, but to what extent to remain positioned for its continuation and accept the trade-offs that come with such a position.

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https://meketa.com/leadership/can-listed-us-companies-sustain-earnings-growth/

End Notes

1 Source: Neuberger Berman, "US at 250: What Five Decades of Market History Tell Us About Investing Today," 2026.

2 Source: Bloomberg as of December 2025. S&P 500 index as of December 2025.

3 Source: Meketa Investment Group, "Bigger and Better? The Sequel: What Potential IPOs from SpaceX, Anthropic, and OpenAI Could Mean for Institutional Investors," Connectives, June 2026.

4 Source: Financial Times, K. Duguid, "Investors Pile into Bullish Dollar Bets as 'US Exceptionalism' Trade Returns," June 16, 2026.

5 Source: MSCI Institute, Global Investment Tracker: America at 250, 2026.

6 Source: Bloomberg as of June 2026. In 2003 the Russell 2000 returned 47.3%.

7 Source: Financial Times, E. Herbert, "US Small Caps Soar as Investors Look Beyond Big Tech," July 13, 2026.

8 Source: Bloomberg as of June 2025. GDP as of March 2026. Since 2010, US corporate earnings have compounded at roughly 6.0% a year and the S&P 500 earnings per share at about 9.3%, well ahead of nominal GDP growth of 4.9%. Nominal GDP and corporate profits from FRED as of July 2026.