



## Monthly Digest

APRIL 2026

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CHAIRMAN | CEO | CIO

## Expensive Market — or Expensive Top?

After a volatile late winter — driven by the Iran conflict, AI spending concerns, and questions about whether earnings could support current valuations — the S&P 500 has rallied to fresh record highs, posting four consecutive weekly gains through April 24. First-quarter earnings season has reinforced the bullish tone: 84% of reporting companies have beaten estimates, and blended earnings growth is tracking at 15.1%, the sixth consecutive quarter of double-digit growth<sup>1</sup>. Beneath the renewed optimism, however, sits a more important question: is the market too expensive?

<sup>1</sup>FactSet Earnings Insight, April 24, 2026.

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The first answer depends heavily on which lens you apply. The S&P 500's forward 12-month P/E ratio sits at 20.9, above both the five-year average of 19.9 and the ten-year average of 18.9. The trailing P/E is 27.8, versus a ten-year average of 23.2. By most measures, valuations are stretched – not at dot-com extremes, but clearly on the expensive side of normal.

A different lens tells a sharper story. In a recent Barron's piece, "The Stock Market Is More Expensive Than It Looks," Jack Hough points out the forward price-to-free-cash-flow ratio sits roughly 37% above its 20-year average. Earnings and free cash flow normally move in close relationship, and the current gap is unusually wide. The reason is AI-related capital spending. Earnings accounting spreads the cost of data centers, chips, and networking gear across their useful life. Free cash flow subtracts those outlays immediately. Meanwhile, the revenue flowing to the companies on the receiving end of that spending – Nvidia, Broadcom, Micron – is booked right away. The result is that earnings look comparatively healthy while cash generation looks pinched.

### **A CLOSER LOOK AT THE ACCOUNTING**

Does this divergence mean reported earnings are overstating true profitability? Not necessarily. Spreading the cost of capital investments across the years they generate income is the standard – and appropriate – treatment for any long-lived asset.

Whether today's AI capex will ultimately earn its cost of capital is a legitimate and open question, however. Free cash flow is a useful cross-check during a heavy-spending cycle, but it systematically understates economic value during any major infrastructure buildout. The same critique could have been leveled at railroads in the 1870s, electrical infrastructure in the 1920s, or fiber networks in the late 1990s. Some of those buildouts paid off handsomely and some did not – and the distinction was not visible in the free cash flow statements at the time.

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The more useful question is what fraction of current AI capex will produce durable cash flows. Goldman Sachs has noted that capex is on track to reach 75% of cash flows, similar to tech company expenditures in the late 1990s. That is a reasonable signal to be selective about where AI exposure comes from. It is not, on its own, evidence that the market as a whole is mispriced.

### **EXPENSIVE TOP, NOT EXPENSIVE MARKET**

This is a theme we have written about before, and the case has only strengthened. The ten largest companies now account for roughly 41% of the S&P 500's total weight but are expected to generate only about 32% of its earnings, according to RBC Wealth Management. That gap has widened considerably over the past decade. The cap-weighted S&P 500 trades at close to a 30% premium to its equal-weighted counterpart, up from roughly 13% just before the pandemic and well above the near-parity levels of a decade ago.

First-quarter 2026 earnings data illustrates the same divergence. The Magnificent Seven are on track for 22.8% year-over-year earnings growth, according to FactSet. If Nvidia is excluded, that figure drops to 6.4%. The other 493 companies, meanwhile, are growing earnings at 10.1%. Outside the very top of the market, earnings growth is genuine and valuations are substantially more moderate. The S&P 500 equal-weight index and the broader mid- and small-cap universe are not trading at the same premium as the cap-weighted headline index.

Put differently, it is the top of the market that is expensive, not the market as a whole. Owning a cap-weighted S&P 500 index fund today means owning a concentrated bet on a handful of names whose valuations already price in significant continued outperformance. That bet has paid off over the past three years, but it is not the only way to own U.S. equities, and its risk profile is meaningfully different from a diversified allocation across sectors, sizes, and styles.

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### **WHERE THIS LEAVES US**

The volatility of February and March is a useful reminder that markets can reprice quickly when narratives shift. The Iran conflict pushed crude oil sharply higher and sent the S&P 500 down roughly 9% from its January high in a matter of weeks. The market has since recovered and pressed to new highs, but the lesson is straightforward: As always, the time to position a portfolio thoughtfully is before volatility arrives, not during it.

Looking ahead, valuation has historically been a poor predictor of one-year returns but a reasonably strong predictor of ten-year returns. Investors planning for the next decade should temper return expectations and choose their exposures deliberately rather than chase what has recently worked. None of this is an argument for abandoning equities. Over long horizons, owning businesses with pricing power and durable earnings remains the most reliable way to grow wealth faster than inflation can erode it. But with stretched valuations concentrated at the top of the index, the best opportunities may lie outside the cap-weighted headline – in equal-weighted exposure, mid- and small-caps, and international developed and emerging markets, where valuations and earnings growth are better aligned.

As always, our team is here to help you think through what any of this means for your specific situation. No two clients have the same goals, time horizon, or comfort with risk, and the right portfolio is the one built around yours. If recent volatility has raised questions or surfaced concerns, we welcome the conversation.



# **CLIENT UPDATES**



## CLIENT UPDATES

# Section 31 Transaction Fee Rate Advisory for Fiscal Year 2026

**From BNY Pershing:** The Securities and Exchange Commission announced that, starting on April 4, 2026, the fee rates applicable to most securities transactions will be set at \$20.60 per million dollars.

Consequently, each self-regulatory organization will continue to pay the Commission a rate of \$0.00 per million dollars for covered sales occurring on charge dates through April 3, 2026, and a rate of \$20.60 per million dollars for covered sales occurring on charge dates on or after April 4, 2026.

For assistance, please call 239.920.4440 or email [support@moranwm.com](mailto:support@moranwm.com).



## CLIENT UPDATES

# A Fresh Start

We've officially wrapped up our seminar season and want to extend a sincere thank you to everyone who attended. We value the opportunity to connect in person, answer your questions, and share insights on the trends shaping today's market environment.

While our seminar series is on pause until the fall, we'll continue sharing timely updates through our weekly podcast videos and website articles.

If you're looking for guidance specific to your situation, our team is always here as a resource. We also welcome the opportunity to meet with you one-on-one to review your strategy and discuss any considerations for the months ahead.



## CLIENT UPDATES

# Address Changes for Seasonal Residents

As the seasons change, we're here to help with any updates to your mailing address.

For clients who maintain multiple residences, a signed Pershing dual change of address form is required for the first time a seasonal address is established. Any updates to your address or the addition of a new residence will also require a new form.

If you've already completed this form and your addresses have not changed, no additional paperwork is needed.

To update your mailing address, simply contact our office to provide verbal authorization.

**Clients using USPS mail forwarding do not need to notify our office.**

For assistance, please call 239.920.4440 or email [support@moranwm.com](mailto:support@moranwm.com).

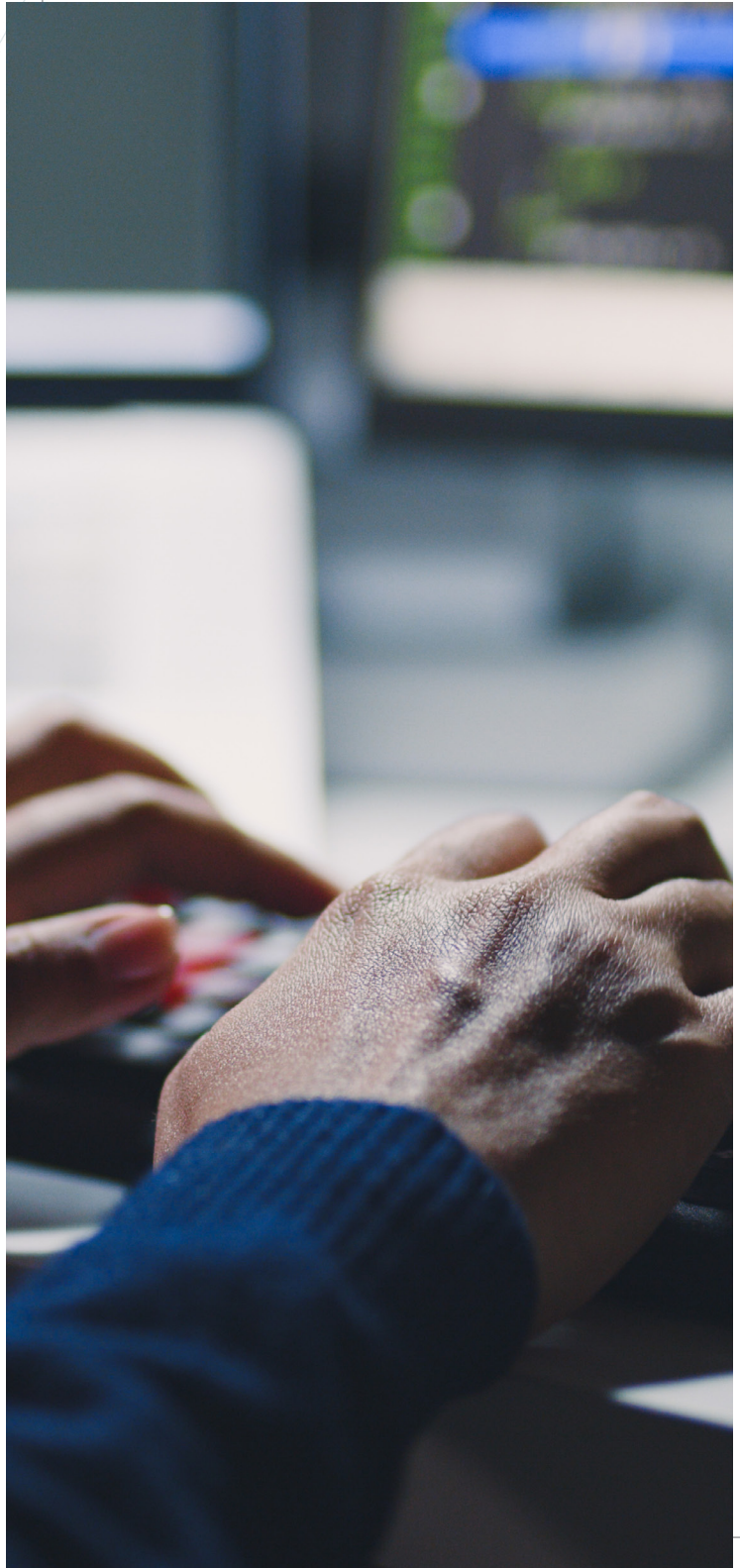
CLIENT UPDATES

## Today's Cyber Threats Are Evolving – Stay Ahead

We recently encountered a client situation that serves as a reminder of how important it is to stay vigilant. Cyber threats today are increasingly sophisticated and not always easy to detect.

Online threats don't just come from infected devices; they often start with something as simple as a malicious email. If something seems suspicious, do not open it. Be cautious with links and attachments. Phishing relies on quick clicks without a second thought.

These messages are often designed to look like everyday emails, making them easy to overlook. Most legitimate organizations will not ask you to share sensitive information like your Social Security number, banking details, or personal security answers via email.



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### **THE FOLLOWING SITUATION HIGHLIGHTS THIS EVOLVING RISK:**

A client came to Digital Privacy & Protection (DPP) after experiencing a breach on their computer.

Like many people would, they took immediate action and brought their device to a major retailer to have it professionally wiped.

At first glance, everything appeared to be resolved.

However, when DPP conducted a deeper review, they found that the malware had embedded itself not only within the files, but deeper in the system's memory.

Without that additional layer of expertise, the threat could have remained undetected, leaving the client vulnerable even after believing the issue was resolved.

Cyber threats today aren't always obvious and resolving them is not always as simple as it may seem.

### **OUR APPROACH TO DIGITAL PROTECTION**

Digital Privacy & Protection is designed to safeguard both your cybersecurity and your overall online privacy.

Services include cyber education, property registration to help prevent fraud, opt-out services for pre-approved credit and insurance offers, and ongoing dark web monitoring.

Subscriptions start at \$35 per month and include coverage for up to three devices.

This offering is exclusively available to Moran Wealth clients, and we encourage taking advantage of these services to strengthen your digital protections.

**[If you'd like to learn if this service is a fit for you, please complete the contact form here.](#)**

Moran Wealth Management does not receive compensation, referral fees, or any other remuneration from Digital Privacy & Protection (DPP) in connection with client referrals or subscriptions to its services.



**FEATURED  
MEDIA**



## FEATURED MEDIA

# Understanding Alternative Investments

For high-net-worth investors, a traditional portfolio of stocks and bonds may provide a strong foundation, but it may not fully address the complexities of today's markets.

Alternative investments including private equity, hedge funds, real estate, and private credit can offer additional diversification and distinct return drivers.

However, these strategies often involve longer time horizons, reduced liquidity, and greater complexity. A disciplined, well-coordinated approach is important when evaluating their role within a broader wealth plan.

In our latest article, we explore how these investments work and the key considerations in determining whether they align with your objectives. Continue reading on our blog.

**CONTINUE READING ON OUR BLOG**

Alternative investments involve significant risks, including the potential loss of principle, illiquidity, and limited transparency. These investments may use leverage or complex strategies that can increase volatility and risk. They are not suitable for all investors and are typically available only to qualified or accredited investors. Past performance is not indicative of future results. Investors should carefully review all offering documents and consult with their financial, tax, and legal advisors before investing.

FEATURED MEDIA



### An Economist's View of Q1 2026 and What Comes Next with Dr. John Silvia – Quarter Over Quarter E018

With the first quarter of 2026 in the books, investors and consumers alike are searching for clarity amid a complex economic backdrop: tariffs, an ongoing conflict in the Middle East, and the ever-present question of what the Fed will do next.

In this episode, Tom Moran and Don Drury are joined by Dr. John Silvia, former Managing Director and Chief Economist at Wells Fargo and founder of Dynamic Economic Strategy.



### Understanding the Role of Leverage in a Financial Plan – Dime After Dime E017

Leverage is often viewed cautiously, and while it can be a useful financial tool in certain situations, it is not appropriate for all investors and involves meaningful risks.

In this episode of Dime After Dime, Tony Stich speaks with Julie Rich about what leverage means in the context of financial planning for both individual and high-net-worth investors.

**WATCH BOTH ON OUR YOUTUBE CHANNEL HERE!**



# **HIGHLIGHTED STRATEGY**

# MAGG

## FEATURED STRATEGY

### Moderate Aggressive Global Growth (MAGG)

This strategy seeks to optimize returns in a risk-controlled framework, delivering consistent added value over a full business cycle.

#### WHAT IS THE MAGG STRATEGY?

- This strategy is designed to capture the benefits of diversification and the advantages that come from the dissimilarity in return patterns across different asset classes.
- This strategy invests primarily in equity securities believed to have strong growth potential and attractive valuations.
- This strategy utilizes tactical active risk management driven by an informed view of current market conditions.

[For more information on MAGG and other strategies, please visit our website.](#)

Your financial advisor will begin building your portfolio by first identifying your unique investment style based on a variety of factors, such as income, risk tolerance, diversification, investment and financial goals, and preferred market exposure. This will help us select a suitable strategy for you, allowing us to use a personalized approach designed to help pursue your short- and long-term financial goals.

# Where Strategy Begins

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