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Stock indices no longer reflect equity reality

Lies, damned lies and stock markets

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All true—and nauseatingly familiar. Less remarked is the fact that the S&P 500 and the world's other benchmark indices are no longer the real stock market, either. Rather than mirroring the universe of domestic equities, they increasingly reflect the fortunes of a few corporate giants, which in turn mostly rise and fall with the unstable outlook for the artificial-intelligence revolution. This is making many benchmarks—and, by extension, the stock portfolios and pension pots of investors everywhere—considerably more volatile.

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Like a championship belt, dominance can be forfeited. Novo Nordisk took over the Danish bourse thanks to Ozempic, then shed its index weight as Eli Lilly's better obesity drug ate its lunch. That serves as a reminder that the stock market aims to capture investors' best collective guess at tomorrow's equity reality. It mirrors today's only when the future is likely to look much like the present. In the age of AI, and of abundant private capital that feeds a long roster of unlisted pretenders which benchmarks omit, that is increasingly not the case. ■