

A market of winners and losers

Insights
July 2026



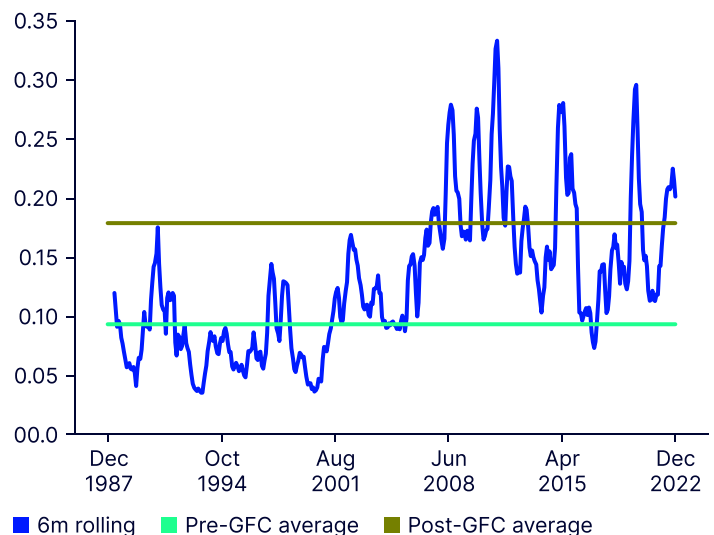
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Global equity markets have spent much of the past two decades moving to the rhythm of big macro narratives: inflation, interest rates, geopolitics, and artificial intelligence (AI). These forces still matter. But beneath the index-level story, a different pattern is emerging. Stocks are no longer moving together to the same degree, while the gap between winners and losers has widened sharply. For active investors, that combination matters. It suggests a market in which company-specific fundamentals may once again have more room to drive returns.

For much of the period following the Global Financial Crisis, market behavior was dominated by a succession of macroeconomic regimes. Quantitative easing, sovereign debt crises, the pandemic, inflation shocks, and the most aggressive rate-hiking cycle in decades encouraged investors to take a top-down approach. Stock return correlations noticeably broke higher

(Figure 1) and success often depended on correctly forecasting growth, inflation, or monetary policy rather than identifying the individual companies with the strongest prospects.

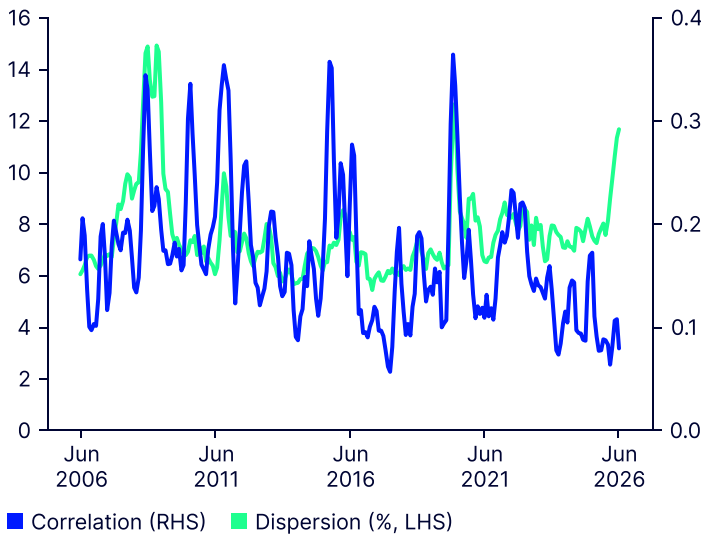
Figure 1: Stock return correlations break higher post-GFC



Source: State Street Investment Management, Factset as at June 30, 2026. Rolling six-month pairwise correlation for MSCI World stocks. The performance data quoted represents past performance. Past performance does not guarantee future results.

Today, that dynamic appears less dominant. The evidence can be seen in two measures of market structure: cross-sectional dispersion and pairwise stock correlations since the market lows at the end of 2022 (Figure 2). Put simply, stocks are behaving less like a single trade and more like a collection of individual businesses. That is an important distinction. Low correlation means company returns are moving more independently. High dispersion means the reward gap between winners and losers is larger.

Figure 2: Correlation and dispersion in rare divergence



Source: State Street Investment Management, Factset as at June 30, 2026. Rolling three-month cross-sectional dispersion and pairwise correlation for MSCI World stocks. The performance data quoted represents past performance. Past performance does not guarantee future results.

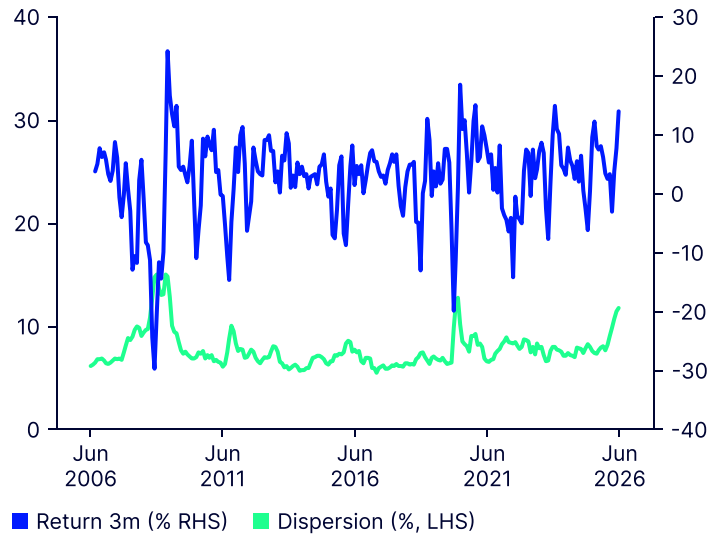
The current combination is striking. Dispersion has risen to one of the highest levels observed over the past two decades, while correlations remain close to the lower end of their historical range. This combination is unusual. High dispersion alone is not especially informative; periods of market stress often produce larger performance differences between stocks, and peaks in dispersion often coincide with market dips, as well as high correlations (Figure 3).

That is not what we are observing today. Instead, stocks are increasingly behaving independently from one another. Investors appear willing to reward some companies while penalizing others, creating a much wider range of outcomes beneath relatively stable index returns. In other words, markets are becoming more selective.

Macro still matters, stock selection matters more

This does not mean macro has stopped mattering. Interest rates, inflation, policy uncertainty, and geopolitics will continue to shape the market backdrop. Nor does it mean that index-level returns are irrelevant.

Figure 3: Rolling 3-month return and dispersion



Source: State Street Investment Management, Factset as at June 30, 2026. Rolling three-month cross-sectional dispersion for MSCI World stocks and rolling three-month returns for MSCI World Index. The performance data quoted represents past performance. Past performance does not guarantee future results.

But it does suggest that broad narratives may be less capable of overwhelming company-specific outcomes than they were in previous years. Investors appear more willing to reward companies with improving fundamentals, stronger earnings resilience, or credible catalysts, while punishing those where expectations look stretched or execution is weaker.

For active investors, this distinction is important. When stocks move together, market direction dominates and security selection has less room to influence outcomes. When the gap between winners and losers widens and stocks move more independently, selection becomes more valuable. But the opportunity cuts both ways. Higher dispersion increases the reward for being right, but it also raises the cost of being wrong.

That is why we believe the current environment favors a disciplined, diversified approach rather than simply taking more active risk. A broader opportunity set is only useful if investors can assess it consistently, avoid overreliance on any single theme and control unintended exposures. In our systematic active equity process, we seek to identify companies with attractive combinations of valuation, quality, sentiment, and

catalysts, while explicitly managing portfolio risk. As markets become more differentiated, breadth matters: across stocks, across regions, and across multiple drivers of return.

We are not calling for a return to the Great Moderation. Macroeconomic uncertainty remains elevated and markets will continue to react to political and economic developments. But beneath those headlines, stocks are increasingly trading on their own merits. For investors willing to look beyond the index and into the cross-section of opportunities, this may prove to be one of the most fertile environments for active stock selection in recent years.

To learn more about the views and investment capabilities of the Systematic Equity—Active team, please visit our [website](#).

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* This figure is presented as of March 31, 2026 and includes ETF AUM of \$1,940.32 billion USD of which approximately \$184.18 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

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