redwheel

Spooky Charts: What Could Investors Be Missing?

The charts below formed part of our recent Halloween-themed webinar, Spooky Charts: What Could Investors Be Missing?'. While the seasonal scares may have passed, the market trends shared below should still give investors pause for thought.

Access the Webinar (https://rwcpartnerslimited.registration.goldcast.io/webinar/4948a8e0-c7c1-44b5-8db0-49f624b2fce0?utm_source=Website&utm_medium=Website&utm_campaign=Website)

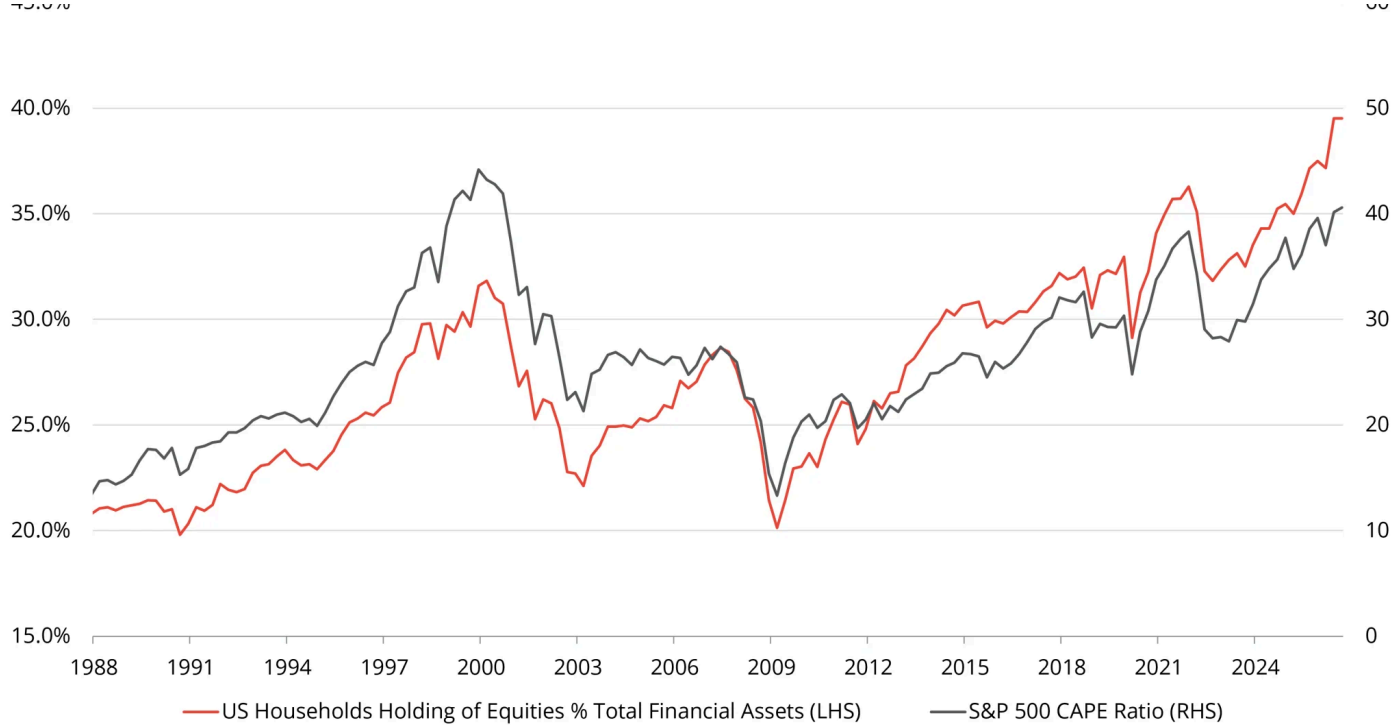
Beneath the buoyant surface of today's equity markets lurk several haunting indicators. As bond yields climb to multi-year peaks, the decade-long regime of cheap money and suppressed yields has vanished. Yet broader equity markets, particularly in the US, continue to party like there are no skeletons in the closet.

When we examine the anatomy of the current market environment, several eerie trends reveal an uncomfortably high degree of investor complacency.

Twin Peaks of Equity Risk

The first chilling signal lies in the mirror image of US household equity allocations and market valuation multiples.

Chart 1: US Equities – Valuations and Allocations



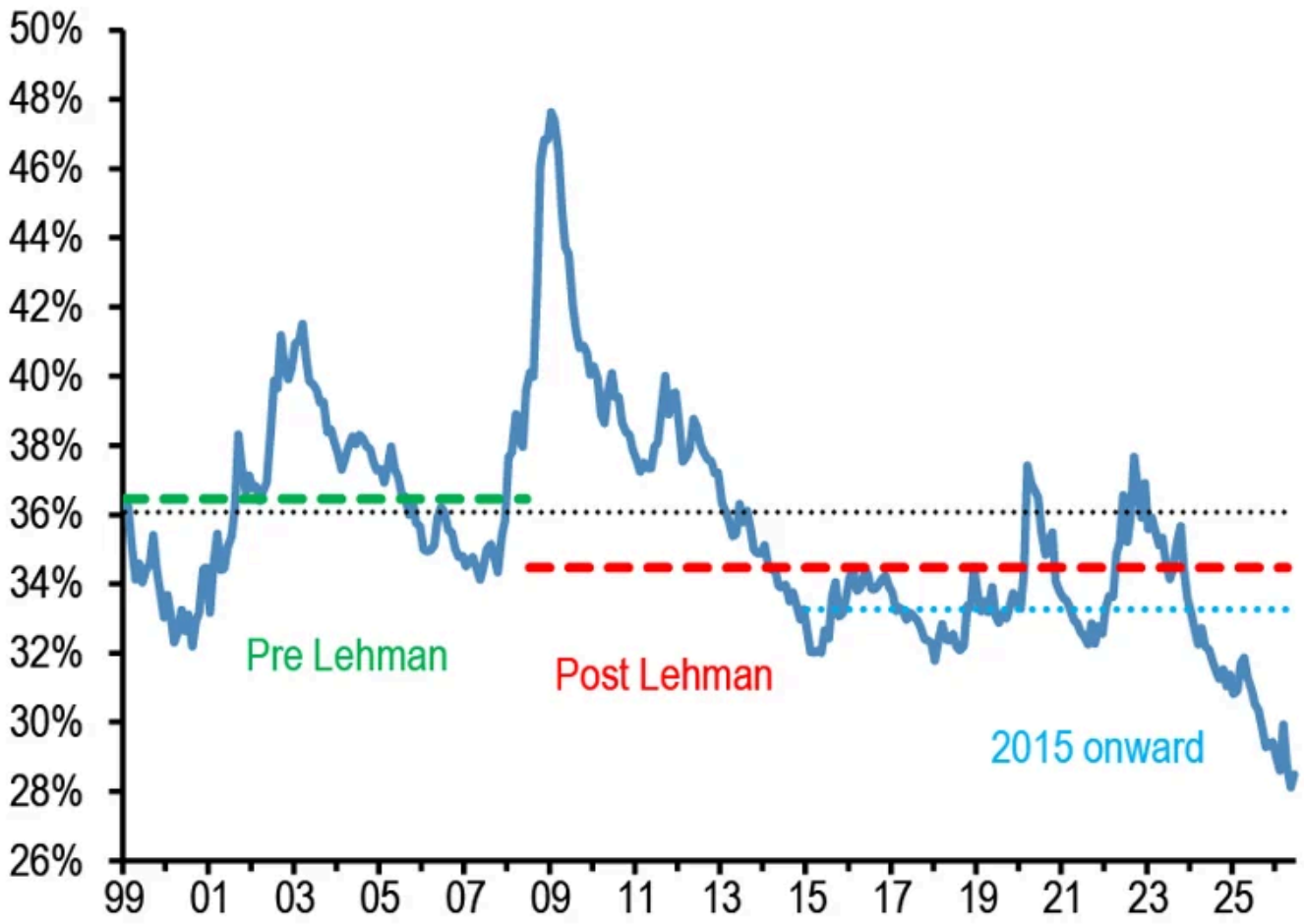
Source: Bloomberg, 30 September 2026. The information shown above is for illustrative purposes. Past performance is not a guide to the future.

US retail investors have piled into equities at proportions rarely witnessed in modern market history. Rather than trimming risk as multiples approach dot-com levels, households have doubled down. Ignoring the valuation monster at the door, in our view, may leave portfolios with little liquidity buffer to absorb unexpected market shocks.

The Vanishing Cash Cushion

Equally ghostly is the disappearance of liquidity reserves across global markets.

Chart 2: Implied cash allocation by non-bank investors globally



Source: Bloomberg Finance L.P., LSEG DataStream, J.P. Morgan Flows & Liquidity. 01 July 2026. Courtesy J.P. Morgan Chase & Co., Copyright 2026. Global cash held by non-bank investors as % total holdings of equities/bonds/M2 by non-bank investors/Commodities including gold held by private investors. Dotted lines are averages. The information shown above is for illustrative purposes only.

Cash holdings among non-bank investors worldwide have withered to their lowest levels in roughly three decades. Investors have thrown caution to the wind, leaving little cash cushion to protect against unexpected drawdowns or to seize mispriced opportunities if market panic were to strike.

Leverage at the Witching Hour

The scare factor intensifies when looking at institutional positioning. The world's largest hedge funds have increased their balance sheet leverage to elevated levels, running gross leverage multiples well above historical norms.

Chart 3: Balance Sheet Leverage of World's Largest Hedge Funds

Source: Federal Reserve Board Financial Stability Report, May 2026 (Figure 3.12). The information shown above is for illustrative purposes only.

Balance sheet leverage for the top 15 mega-funds has doubled in the past decade essentially maxing out capacity. When institutional capital is geared heavily into crowded trades, even modest market adjustments can contribute to rapid deleveraging.

The S&P 500's Haunted Mirror

Today, the top 10 companies in the US represent roughly 40% of the entire index—all within technology. To illustrate how narrow market leadership has become: if 485 companies in the S&P 500 were excluded (including blue chip stalwarts like Johnson & Johnson and Walmart), the remaining index heavyweights would keep the headline benchmark above its 2020 peak.

Chart 4: S&P 500 vs S&P 500 Equal Weight 3m Realised Correlation

Source: Redwheel, Bloomberg, 15 October 2026. The information shown above is for illustrative purposes only.

The AI CapEx Monster Keeps Growing

Forward 12-month capital expenditure projections among the leading hyperscalers (Alphabet, Amazon, Microsoft, Meta, and Oracle) continue to swell, with estimates now exceeding collectively. By comparison, these same tech giants deployed only a fraction of this capital five years ago.

Chart 5: Forward 12-month capital expenditure estimates

Source: Redwheel, Bloomberg, 30 September 2026. The information shown above is for illustrative purposes. Forecasts and estimates are based upon subjective assumptions. Past performance is not a guide to the future.

History offers a chilling reminder: whenever enormous sums of capital are poured into a single thematic infrastructure buildout over a compressed timeframe—whether 19th-century railroads or the dot-com telecom expansion—Has historically tended to be followed by over capacity, fierce price deflation, and depressed shareholder returns.

Escaping the Valuation Nightmare

The combination of sky-high valuations in the US, vanishing cash buffers, and record leverage etc. creates a fragile setup in our view for investors. We believe that it is unlikely that the winners of the past decade will repeat their spell over the next ten years.

In our view, rather than sleepwalking into overvalued, crowded trades, investors may be better placed seeking a diversified approach in portfolios to include a value approach to complement their growth allocations. The Redwheel Global Intrinsic Value Team believe that portfolio resilience comes from owning businesses with robust balance sheets and disciplined valuations that trade at substantial discounts to their intrinsic worth.

To explore several more ‘spooky’ charts with Ian Lance and learn more about the Redwheel Global Intrinsic Value Strategy, access a recording of our recent webinar below.