

# Small- & Mid-Cap Stocks Gain Momentum

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## 2026 earnings growth revisions (%)

■ Current (as of 2/9/2026) ■ As of 6/30/2025 ■ As of 12/31/2024

Russell 2000 Index



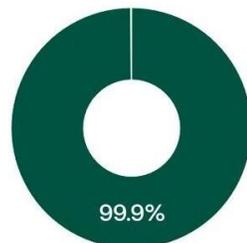
## Small businesses make up nearly all businesses and the majority of job growth.

Share of the private sector by business size, June 2025

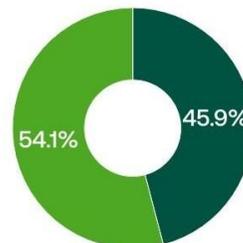
S&P 500 Index



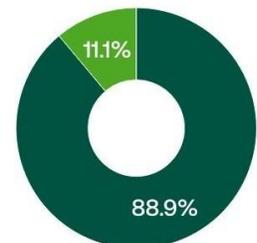
■ Small businesses ■ Large businesses



Total businesses



Total employment



Job growth, 2023–2024

Market leadership is beginning to broaden beyond the Magnificent 7, and down-cap equities, both mid- and small-cap stocks, are providing great opportunities for investors looking to diversify concentrated, large-cap growth positions. Down-cap equities are currently undervalued relative to large-cap stocks and generally under-owned within portfolios, meaning these segments of the market have both tremendous potential and ample runway to outperform. But most importantly, the chart<sup>1</sup> above shows that small- and mid-cap stocks are finally delivering on the most critical driver of stock market returns – earnings growth. Earnings growth revisions for down-cap stocks have been consistently positive and meaningfully stronger than revisions for large-caps, leading small and mid-cap stocks to outperform. Year-to-date, the Russell 2000 Small-Cap Index (0.14%), the Russell 2500 Smid-Cap Index (1.07%), and the Russell Midcap Index (0.85%) are all positive, despite the market volatility in response to the Iran conflict and the spike in oil prices, while large-cap stocks, as measured by the S&P 500 (-2.86%), the Dow Jones (-2.75%), or the NASDAQ (-4.77%), are solidly negative.

Ironically, small companies make up the vast majority of businesses in the U.S., account for an outsized portion of recent job growth, and, if measured collectively, would be the single largest employer in the country, but are significantly underrepresented within investor portfolios.<sup>2</sup> Solid economic growth, interest rate cut expectations, and an improving regulatory environment with the One Big Beautiful Bill Act (OBBBA) together create favorable conditions for down-cap equities. Strongly positive recent earnings growth revisions indicate that small companies are responding and excelling in the current environment and may be poised for a good stretch of outperformance looking forward.

## Index Definitions

**S&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**NASDAQ:** The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

**Dow Jones Industrial Average:** The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Russell Mid-Cap:** Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

**Russell 2000:** The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

**Russell 2500:** The Russell 2500 Index measures the performance of the small to mid-cap segment of the US equity universe, commonly referred to as the “smid” cap.

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<sup>1</sup> [Smid-cap stocks gain momentum as market broadens | Capital Group](#)

<sup>2</sup> [What role do small businesses play in the US economy? | USAFacts](#)