

Margin Debt

Leverage, risk appetite and the S&P 500: is it a leading indicator, and why does it matter?

FINRA margin statistics, January 1997 – September 2026 · 357 months

Key findings

0.81

Correlation of margin debt growth with S&P 500 growth (year over year). Leverage moves with the market.

2–5 months

How far margin debt peaked ahead of the S&P 500 before the 2000, 2007 and 2021 bear markets.

–3.2%

Average next-12-month S&P 500 return when margin growth has peaked and is rolling over, vs +8.9% for all months.

3.4×

Margin debt per dollar of investor free credit balances, a record. It was 1.8× in March 2000 and 2.2× in October 2021.

Margin debt is gas in a bull run

What it is

Money investors borrow from brokers against their securities. FINRA publishes the total each month: debit balances in customers' securities margin accounts.

On the way up

Rising prices raise collateral values, so investors can borrow more and buy more. Borrowed money adds buying power to a rally.

On the way down

Falling prices trigger margin calls. Forced selling pushes prices lower and triggers more calls, so leverage deepens a drawdown.

That makes margin debt a direct read on **investor risk appetite**: how much leverage the market is willing to carry.

Risk appetite is at a record

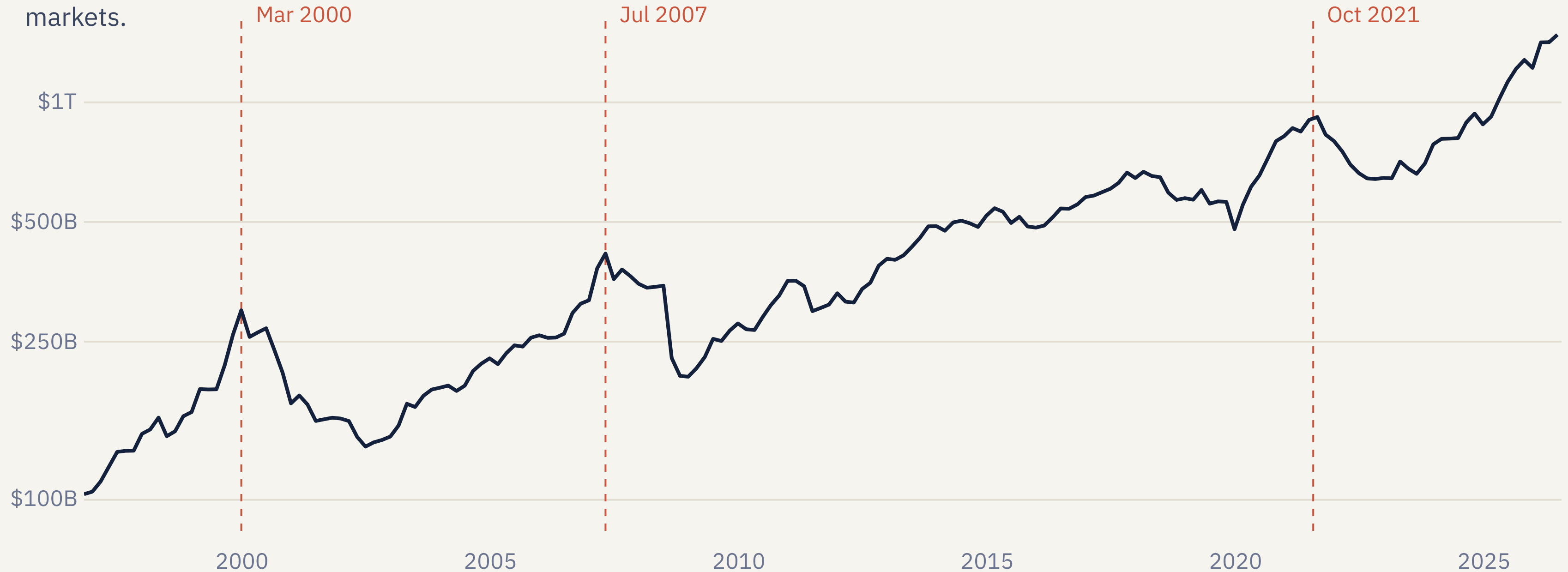
3.4x

Margin debt for every dollar of free credit balances in investors' cash and margin accounts (September 2026). The highest reading since 1997.

Month	Debt ÷ free credits
March 2000 (dot-com peak)	1.79x
July 2007 (pre-crisis peak)	1.09x
February 2009 (crisis low area)	0.64x
October 2021 (meme-era peak)	2.19x
September 2026	3.41x

Thirty years of margin debt

Debit balances in FINRA customer margin accounts, log scale. Dashed lines mark the margin debt peaks before the last three bear markets.



Margin debt moves with the market

0.81

Correlation between margin debt's year-over-year growth and the S&P 500's, same month. Price leads margin slightly more than margin leads price: leverage is fuel that follows the rally.

Alignment	Correlation
S&P leads by 6 months	0.48
S&P leads by 3 months	0.69
Same month	0.81
Margin leads by 3 months	0.62
Margin leads by 6 months	0.40
Margin leads by 12 months	-0.14

Heavy borrowing weighs on later returns

Margin growth says little about the next quarter. Over one to two years, faster borrowing growth has gone with weaker S&P 500 returns.

Forward horizon	Correlation with margin YoY growth
Next 3 months, return	0.04
Next 6 months, return	0.01
Next 12 months, return	-0.14
Next 24 months, return	-0.39
Next 24 months, worst drawdown	-0.15

The signal is the rollover, not the level

Margin debt condition	Months	Next 12m return	Avg worst drawdown	Drawdown >15%
All months	345	+8.9%	−11.0%	26%
YoY growth above 30%	53	+0.5%	−14.2%	45%
YoY growth below 0%	104	+9.3%	−14.0%	38%
Falling 3 months after a record	35	+1.4%	−14.7%	40%
Peaked & rolling	59	−3.2%	−17.6%	56%

“Peaked & rolling”: YoY growth was above 30% within the past six months and has since fallen by more than 15 percentage points.

Margin debt peaked before each major bear market

S&P peak → trough	Drawdown	Margin peak	Lead	YoY growth peak	Margin fall
Aug 2000 → Sep 2002	−46%	Mar 2000	5 months	+80.5% (Mar 2000)	−54%
Oct 2007 → Feb 2009	−52%	Jul 2007	3 months	+62.6% (Jul 2007)	−52%
Dec 2021 → Sep 2022	−25%	Oct 2021	2 months	+71.6% (Mar 2021)	−35%

In every case borrowing peaked before the market did; in 2021 the growth rate turned nine months early. Deleveraging then ran alongside the decline.

Where the signal failed

2020 COVID crash

Margin growth was already -6.2% in February 2020. An outside shock, not leverage, drove the fall, and there was no warning.

Late 2018 selloff

Growth was a modest $+6.9\%$ in September 2018. The fourth-quarter decline came without a leverage extreme.

Spring 2025

Growth reached $+33.5\%$ in January 2025 before the spring selloff, then the rally resumed and borrowing hit new records.

Margin debt measures leverage risk. It cannot see shocks that start outside the market.

Today: peaked and rolling

\$1.48T

Margin debt, Sep 2026, just under June's \$1.502T record

+31%

Year-over-year growth, down from a +53.7% peak (May 2026)

-1.5%

Three-month change, the first decline of this cycle

3.4×

Debt per dollar of free credit balances, a record

Historically, this configuration came with weaker 12-month returns and a higher chance of a drawdown above 15%. It is a risk condition to monitor, not a timing call.

After margin debt peaks: when does the market top?

Margin peak	Debt then fell	Market high	Months later	High vs peak month	Then declined
Jul 1998	−14%	Jul 1998	0.0	+0.0%	−14%
Mar 2000	−55%	Sep 2000	5.1	+1.4%	−48%
Jul 2007	−52%	Oct 2007	2.3	+7.4%	−57%
Apr 2015	−14%	May 2015	0.7	+2.4%	−14%
May 2018	−28%	May 2019	11.1	+8.5%	−24%
Oct 2021	−35%	Jan 2022	2.2	+4.0%	−25%
Jan 2025	−9%	Feb 2025	0.6	+1.8%	−19%
Median			2.2	+2.4%	−24%

FinzData Research • Peak = record margin debt, no new record for 3+ months, then a fall of 8%+. SPY daily closes; 2018 decline includes the 2020 crash •

Two kinds of margin peak

Terminal: debt falls >25%

2000, 2007, 2018, 2021. The market topped a median 3.7 months after the margin peak, 1–9% higher, then fell 24–57% (median –37%).

Mid-cycle: debt falls 9–14%

1998, 2015, 2025. A 14–19% correction within months, then borrowing and prices made new highs.

The two look alike at the peak. What separates them is how far margin debt keeps falling, which is only known as the data come in.

Mapping history onto the S&P 500 today

The top window

Provisional margin peak: June 2026 (\$1.502T), S&P 500 at about 7,494. History puts the high 0–8.5% above that (about 7,494–8,130), within 0–11 months.

The high so far: about 7,818 on Oct 6, 2026, +4.3% after 3.2 months, inside the historical range.

If Oct 6 is the high	S&P 500 level
Mild, −14% (1998, 2015)	≈ 6,720
Correction, −19% (2025)	≈ 6,330
Median, −24%	≈ 5,940
Terminal median, −37%	≈ 4,930

Scenario ranges from seven episodes, not targets. A new margin debt record would void the peak.

What would confirm the peak

1 • Late November

October FINRA data below \$1.502T: four months without a new record.

2 • Price

The S&P 500 losing its 200-day average and failing to reclaim it.

3 • Deleveraging

Margin debt 8% or more below the record, under about \$1.38T.

Cancelled if margin debt sets a new record, as in 2025, when a 19% correction gave way to new highs.

The cycle cross-check

Lens	Reading, mid-October 2026	Verdict
Margin debt	Peaked June; growth rolling over; record leverage vs cash	Late cycle
Breadth	Only 26% of stocks above their 50-day average while the index is near highs	Narrowing
Macro and liquidity	Credit, financial conditions and liquidity tightening; no stress yet	Defensive
Bull/bear regime	Cyclical bull still intact on price and time rules	Not broken
Calendar	Midterm year; seasonal pattern favours a Q4 low, then strength	Neutral

Leverage, breadth and liquidity all point to a late-cycle market. Price has not yet confirmed: the trigger is a break of the 200-day average.

Methodology and limitations

Method

- FINRA monthly margin statistics, Jan 1997 – Sep 2026
- SPY month-end prices, price return only
- 357 months; YoY and 3-month changes
- Drawdowns measured from month-end closes

Limitations

- Only three or four independent bear markets
- Overlapping monthly windows overstate confidence
- Nominal dollars, not scaled to market value
- FINRA data arrives with a lag of about three weeks

For information only; not investment advice. Past relationships may not persist.

Track it yourself

The full FINRA margin debt history since 1997 with leverage signals (net margin debt, YoY, 3-month change, z-score, record flags) via API, JSON or CSV. The last 12 months are free.

finzdata.com/margin-debt

Full study: finzdata.com/research/margin-debt-leading-indicator