



# PHILEQUITY CORNER

By Wilson Sy

## The Magnificent One

In 2023, the S&P 500 was led by the “Magnificent Seven” - a group of tech behemoths which includes Microsoft, Apple, Nvidia, Amazon, Alphabet, Meta, and Tesla. Collectively they accounted for 63% of the S&P 500’s return that year. Now, nearly halfway into 2024, one company has risen above the rest earning the title - The Magnificent One. This amazing company is Nvidia.

## Nvidia’s stock soars to unprecedented heights

Nvidia's stock has been experiencing a meteoric rise. It added an unprecedented \$1.7 trillion in market value in just seven months. This is one of the fastest if not the fastest increase in market capitalization in such a short span of time. The chipmaker’s share price skyrocketed from its intraday low of \$392.30 in late October 2023 to an all-time intraday high of \$1,158.19 on May 25, 2024. It closed at \$1,096.33 last Friday. Year-to-date, the stock has soared by an impressive 121%, outperforming the broader market’s return by 12 times.

## Explosive Market Cap growth

Over the past five years, Nvidia’s valuation has undergone explosive growth, surging from \$82.5 billion to \$2.7 trillion. This increase reflects the company’s tremendous growth and dominance in the tech industry. With this remarkable rise in market value, Nvidia now stands as the third-largest US company by market capitalization, trailing only Microsoft and Apple.

## Unrivalled contribution to S&P 500’s performance

Nvidia has been the driving force behind the S&P 500’s performance so far this year. It single-handedly contributed 34.8% of the index’s return, surpassing the combined impact of the other six “Magnificent Seven” tech giants. This achievement underscores Nvidia’s rapid growth and increasing dominance in the tech sector.

Magnificent 7 2023 YoY%	% Contribution to S&P 500's move
Microsoft	13.3%
Apple	12.1%
Nvidia	11.1%
Amazon	7.8%
Alphabet	7.4%
Meta	6.7%
Tesla	4.3%

Magnificent 7 2024 Ytd%	% Contribution to S&P 500's move
Nvidia	34.8%
Alphabet	8.4%
Microsoft	7.1%
Meta	5.9%
Amazon	5.2%
Apple	0.0%
Tesla	-4.6%

Source: Bloomberg, Wealth Securities Research



## **Nvidia at the forefront of the AI revolution**

We've seen how the industrial revolution transformed the world with groundbreaking inventions like the steam engine, electricity, telegraph, iron and steel production, and textile machinery. Similarly, the artificial intelligence (AI) revolution, fueled by companies like Nvidia, is poised to reshape our lives in profound ways. We have discussed these extensively in a previous article (see AI era: A whole new world, Feb. 26, 2024).

## **AI's iPhone moment**

The advent of AI is being hailed as a groundbreaking phenomenon, often compared to the birth of the PC, internet, smartphones, cloud computing, and even the industrial revolution itself. These comparisons underscore the immense potential and far-reaching impact of AI across various industries and aspects of our lives. Jensen Huang, Nvidia's CEO, emphasized the significance of this moment during a speech at the Haas School of Business in February 2023. He declared that the introduction of ChatGPT marked the "iPhone moment" for AI.

## **Nvidia's competitive edge**

Nvidia's cutting-edge chip technology used in large-scale AI, data centers, and gaming has fueled its success. Nvidia's GPUs have become the preferred choice for AI researchers and developers. These have enabled breakthroughs in deep learning, natural language processing, and computer vision. With the growing global demand for AI solutions, Nvidia is poised to capitalize on this trend and continue its upward trajectory.

## **Jensen Huang: A visionary leader and tech rockstar**

Jensen Huang has been hailed as a visionary by Jim Cramer, host of CNBC's Mad Money. Cramer compares him to iconic leaders like Steve Jobs and Bill Gates for their shared qualities of visionary leadership, innovation, and ability to transform industries. Others see Huang as a pioneering figure like Thomas Edison and Nikola Tesla. Huang wears a signature outfit every day – a rockstar style black leather jacket.

## **Jensen Huang: The Warren Buffett of tech**

Huang's influence and popularity in the tech world have also earned him comparisons to Warren Buffett. While Buffett attracts tens of thousands of investors to Berkshire Hathaway's annual meetings in Omaha, Huang draws in crowds of techies to his keynote speeches and presentations. His ability to fill coliseums with enthusiastic supporters is a testament to his charisma, vision, and Nvidia's immense impact on technology. In a display of admiration mirroring the devotion Buffett receives in Omaha, where investors flock to his favorite Gorat's steakhouse, Huang's followers in Taiwan eagerly seek out the restaurants he frequents.

## **From dishwasher to billionaire**

Huang rose from humble beginnings as a dishwasher and busboy at Denny's to lead one of the most valuable companies in the U.S. In fact, the company Nvidia was conceptualized and founded at a table in Denny's. Despite his current net worth of \$96.1 billion, which makes him the 17th richest person in the world today, Huang remains grounded. He often recounts his early experiences with pride: "I used to be a dishwasher. I used to clean toilets. I've cleaned more toilets than all of you combined." His exemplary work ethic, unwavering resilience, and determination have shaped both Huang's personal success and Nvidia's innovative culture.



## Magnificent leader of AI

A year ago, we said: “We are witnessing a historic milestone with the emergence of the AI era. The growing adoption and increasing corporate investments in AI ushered a turn in the US stock market from bear to bull. AI may very well be the major technological leap and transformational catalyst that will catapult global stock markets and the world economy to new heights (see *Conversing with an AI chatbot*, June 12, 2023).” Now this bull market is being led by one stock, the magnificent one - Nvidia