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PHILEQUITY CORNER

By Wilson Sy



Nasdaq 20,000

The Nasdaq 100 index came within striking distance of breaching the historic milestone of 20,000 for the first time. It reached an intraday high of 19,979.93 or just 20 points shy of 20,000 last Thursday, June 20. The tech-heavy gauge's ascent was fueled by continued enthusiasm for big tech and artificial intelligence (AI) stocks which pushed US equities to new heights. Despite encountering resistance, the index closed at 19,700.43, posting a 0.21% gain for the week even as tech-leader Nvidia eased from all-time highs.

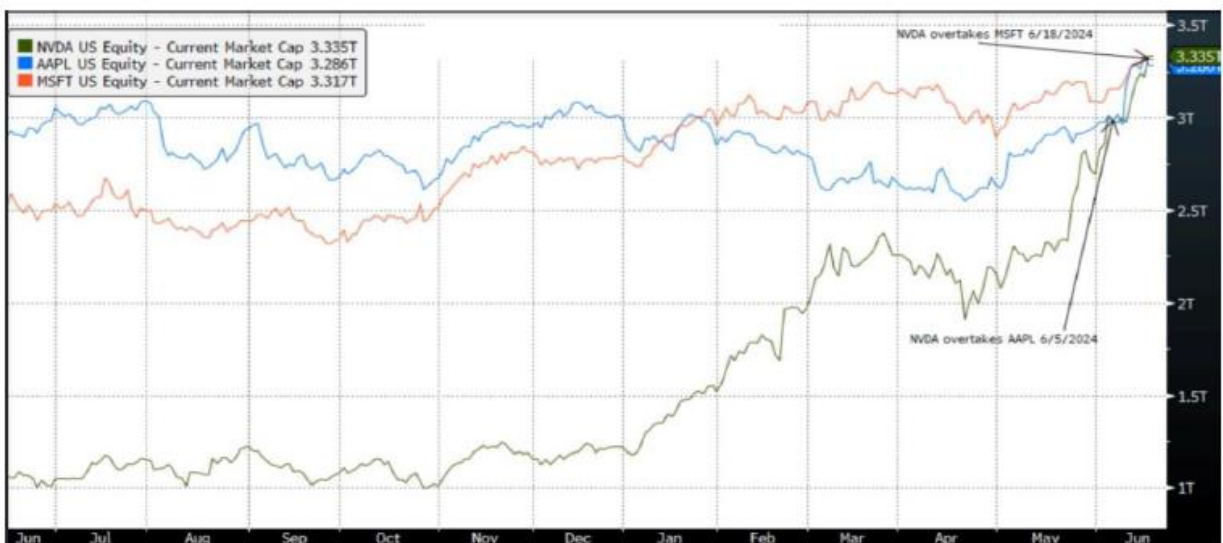
S&P 500 reaches 5,500

The S&P 500 also set a fresh record after briefly passing the 5,500 barrier. The broad market index closed last week at 5,464.62 with gains of 0.61%. Investors rotated from tech stocks to other sectors, most of which finished the week in the green. The Magnificent Seven (less Tesla) – Nvidia, Microsoft, Google, Meta, Apple, Amazon - took a breather. The group's performance has concentrated market weighting even further, with the top 10 stocks now accounting for over a third of the S&P 500's market capitalization.

Nvidia overtakes Apple and Microsoft

Nvidia temporarily overtook Microsoft as the world's largest public company with its market cap reaching \$3.3 trillion on Wednesday, June 19. The chipmaker has surged more than 160% this year bolstered by the demand for artificial intelligence (AI) applications and data center spending. While Apple and Microsoft still boast of valuations north of \$3 trillion, competition is intensifying as technology leadership evolves.

Top 3 Most Valuable US Companies



Source: Bloomberg, Wealth Securities Research

Larger than all but four of world's biggest stock markets

Nvidia's furious rally has also put it above the entire stock market value of some of the world's largest economies. Its market cap has already surpassed the market caps of the entire stock markets in Germany, France and the UK. Only the US, China, Japan and India have stock market values bigger than Nvidia.

High concentration of S&P 500's top 10 holdings

The concentration of the top 10 holdings of the S&P 500 has also reached historically high levels. These ten companies now account for 36% of the index's total value. While this concentration has raised concerns about potential vulnerabilities of the market, it also reflects a broader trend of leading businesses consolidating their market positions and capturing a larger share of the profits.

Contributions to S&P 500's return

The top 10 stocks contributed a staggering 77.8% to S&P 500's year-to-date return, with Nvidia alone contributing over a third. In contrast, the top 10 stocks in 2023 contributed 69.8% of the S&P 500's return that year. This trend of concentrated returns is intensifying the debate about market fragility and the sustainability of gains. Critics argue that the narrow leadership leaves the broader market vulnerable to sharp reversals if sentiment shifts.

The big gets bigger

On the other hand, the relentless surge of mega-cap tech stocks underscores the "big gets bigger" phenomenon that's reshaping the markets we are in. Although the market is indeed more concentrated historically, all it really means is that leading businesses have been able to collect all the profits and have become so powerful, thus amplifying their market caps.

Nvidia consolidates after rapid ascent

The speed of Nvidia's rise makes it susceptible to pullbacks and periods of consolidation. After hitting an intraday all-time high of 140.76 per share last Thursday, the stock formed an "outside day" technical pattern, which often precedes a correction or consolidation phase as the stock digests recent gains. Nevertheless, Nvidia remains a must own stock due to its trail-blazing technology, robust profits and leading position in the high-demand AI market.

Witnessing history unfold

Witnessing Nvidia's spectacular rise is like watching an epic movie unfold in real-time. It mirrors pivotal moments like the Industrial Revolution or the dawn of the atomic age as portrayed in the movie "Oppenheimer." For NBA fans, it's like watching a generational talent like MJ, Kobe, LeBron, Curry or Doncic rise to basketball superstardom.

Nvidia's historic move – adding two trillion dollars in market cap in just the past year – parallels the historic rise of tech giants like Apple, Microsoft, Amazon, and Google, but at an unprecedented pace. This accelerated trajectory characterizes the breakneck speed at which AI is advancing globally and being adopted across industries.

One thing is for certain: we are living through a pivotal chapter not only in the capital markets but in human history. This will be studied and referenced for years to come.