

## Macro Roundup Article

Headline: [Pillow Talk](#)

**Article Link:** <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/eye-on-the-market/outlook-2024-amv.pdf>

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**Tweet:** Michael Cembalest @jpmorgan argues the valuation of the magnificent 7 "largely reflects their higher margins and free cash flow."

**Summary:** The percent of market cap that the “magnificent 7” represent is at an all-time high, and they accounted for most of the equity market gains in 2023. Another sign of concentration: last year also saw the second highest percentage of S&P 500 stocks underperforming the index since 1980 (72% underperformed vs 52% average). But without judicial brakes on them, the strong are getting stronger and I see little reason, other than valuations that become too high relative to the market, that this should change. While megacap stocks look increasingly expensive relative to the market, after adjusting for their higher earnings growth expectations they don’t look nearly as overpriced. The challenge is everyone seems to agree; this is a very crowded trade.

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