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Macro Roundup Article

Headline: Five Easy Pieces

Article Link: https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/eye-on-the-market/five-easy-pieces-amv.pdf

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Tweet: Michael Cembalest @jpmorgan notes the 28% rally of the Magnificent 7 since 2019 has been driven by earnings: "21% is attributable to sales growth, 6% from margin expansion and just 1% from multiple expansion."

Summary: The Mag 7 [AAPL, MSFT, GOOGL, AMZN, NVDA, META, TSLA] rally has been earnings-driven rather than relying on multiple expansion. Of the group's 28% return since 2019, 21% is attributable to sales growth, 6% from margin expansion, and just 1% from multiple expansion. This is quite different than the margin-less bubble in 2000-2001. But there are challenges as well, market concentration has reached its highest level since 1972. The top 10 stocks have broken away from stocks #11-#50 to an even greater degree than during the tech bubble in 2000-2001. Large spikes in market concentration have frequently coincided with or preceded prior recessions. Antitrust issues are the primary Achilles heel I can imagine that could disrupt the continued domination of the largest stocks. While Tesla has run into a pricing buzzsaw and lower volumes, the rest continue to thrive.

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