EDWARD CONARD

TOP TEN
The New York Times
BESTSELLER

Macro Roundup Artcile

Headline: Magnificently Concentrated

Article Link: https://www.gmo.com/americas/research-library/magnificently-concentrated_gmoquarterlyletter/

Author(s)	Ben Inker and John Pease
Publication	GMO
Publication Date	February 12, 2024

Tweet: Ben Inker and John Pease note that large-cap stocks have historically underperformed the market, and argue the Magnificent 7 stocks that currently make up 28% of the S&P; 500's market cap will underperform going forward. @GMOInsights

Summary: The largest stocks certainly don’t underperform all of the time, but on average, they have substantially trailed the average S&P 500 stock, as we can see in Exhibit 2. Since 1957, the 10 largest stocks in the S&P 500 have underperformed an equal-weighted index of the remaining 490 stocks by 2.4% per year. But the last decade has been a very notable departure from that trend, with the largest 10 outperforming by a massive 4.9% per year on average. History suggests that the next decade is likely to see a reversal of the recent pattern with the capitalization-weighted version of the S&P 500 underperforming the equal-weighted version. In such an environment, active managers will suddenly look much better versus the S&P 500 and other capitalization-weighted benchmarks. Related: Long-Term Shareholder Returns: Evidence From 64,000 Global Stocks and The Seven Samurai: Big Tech to the Rescue! and Five Easy Pieces

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Op-Ed/Blog Post

Permalink: https://www.edwardconard.com/macro-roundup/ben-inker-and-john-pease-note-that-large-cap-stocks-have-historically-underperformed-the-market-and-argue-the-magnificent-7-stocks-that-currently-make-up-28-of-the-sp-500s-market-cap-will-underper?view=detail

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2024/02/SandP-500-Top-10-Versus-490-GMO.png