

Macro Roundup Article

Headline: 2024 US Equity Outlook: “All You Had To Do Was Stay”

Article Link: <https://www.goldmansachs.com/intelligence/pages/gs-research/2024-us-equity-outlook-all-you-had-to-do-was-stay/report.pdf>

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Tweet: .@GoldmanSachs forecasts a 6% total return for the S&P; 500 in 2024, with the Magnificent 7 growing sales at a CAGR of 11% vs. 3% for the rest of the S&P; 500.

Summary: The massive outperformance of the “Magnificent 7” mega-cap tech stocks has been a defining feature of the equity market in 2023. The stocks should collectively outperform the remainder of the index in 2024. The 7 stocks have faster expected sales growth, higher margins, a greater re-investment ratio, and stronger balance sheets than the other 493 stocks and trade at a relative valuation in line with recent averages after accounting for expected growth. However, the risk/reward profile of this trade is not especially attractive given elevated expectations. Analyst estimates show the mega-cap tech companies growing sales at a CAGR of 11% through 2025 compared with just 3% for the rest of the S&P 500. The net margins of the Magnificent 7 are twice the margins of the rest of the index, and consensus expects this gap will persist through 2025. Related: A Few Stocks Drive the Stock Market: Dot.com Vs. Today Vs. the Last 100 Years and Long-Term Shareholder Returns: Evidence From 64,000 Global Stocks and Birth, Death, and Wealth Creation

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