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CLUB

Wall Street analysts name 13 of our stocks as top picks for 2024 — their take and our take

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A trader works the floor at the New York Stock Exchange on Oct. 11, 2023.

Angela Weiss | AFP | Getty Images

This year's powerful rally has more than made up for the carnage of 2022 on Wall Street. Tech stocks reasserted their leadership and even some out-of-favor sectors perked up in recent weeks.

So, what about 2024 for the market and our Club stocks?

The Federal Reserve remains a big question as milder inflation data and decent economic growth seemed to have convinced traders that interest rate hikes are done and rate cuts are coming next year. However, inflation, while cooler, does remain elevated, and consumers still appear hesitant with bargain-hunting top of mind this holiday shopping season.

“A further rally of 2023 proportions seems unlikely to me.” Jim Cramer said during last week’s December Monthly Meeting for Club members. “Although, I do not deny the possibility.”

Cautious optimism would stand to reason.

With less than five full trading days left in 2023, the Dow was up 13%, the S&P 500 was up 24%, and the Nasdaq was up 43%. The Dow closed at an all-time high Tuesday. The S&P 500 and the Nasdaq still have some work to do.

In its market outlook for 2024, JPMorgan is “cautious on the performance of risky assets and the broader macro outlook over the next 12 months.” They cited geopolitical risks and “expensive asset valuations.”

While possibly facing a more difficult backdrop in 2024, Wall Street does see opportunities to put cash to work in certain stocks they believe have upside potential next year. We’re highlighting in alphabetic order 13 names in Jim’s Charitable Trust, the portfolio we use for the Club, looking at the analysts’ takes and our takes on each.

1. Alphabet

Analyst take: JPMorgan calls out Alphabet as a new top internet pick for 2024, citing improving advertising growth, better margins, and enhancing its position in generative artificial intelligence. In a Dec. 13 research note, analysts said they expect revenue to improve in Google’s Search, monetization to come in from YouTube Shorts, and better profit margins to follow. The analysts said the expected January launch of Google’s AI model called Gemini, “represents significant innovation” and should “close the Gen AI gap” with competitors. To be sure, the tech giant faces a judicial headwind from the ongoing government antitrust cases, but JPMorgan believes the impact of those should be “less onerous than feared.”

Alphabet Class A

141.49 ▲ +1.07 (+0.76%)
Close

Alphabet YTD

Club take: Even though the company delivered a better-than-expected third quarter, its Google Cloud division underperformed. That didn’t shake us because tje cloud business is still in its early stages of growth. Plus, we’re optimistic that Google Cloud can perform better in 2024 as corporate budgets look to prioritize cloud spending, especially as Google expands its AI offerings. This is why we're staying patient. Plus, in the medium term, any challenges should be offset by continued strength in Google's advertising revenue and strong operating income from Google Services. We did trim Alphabet in late November in an overbought market as the stock's 2023 outperformance caused our position to swell.

2. Amazon

Analyst take: JPMorgan names Amazon as a top large-cap pick for 2024 based on expectations of revenue reacceleration and improving profitability across its diversified businesses. The analysts have a $190 price target on Amazon shares and an overweight buy-equivalent rating on the stock. Analysts model Amazon Web Services (AWS) revenue to grow 17% in 2024 compared to 2023′s 13% growth — driven by the migration of workloads from on-premise to the cloud. The analysts highlight that currently, 90% of IT infrastructure is on-prem, which means AWS is "supported by strong secular growth." They also see retail growth accelerating supported by continued growth in same-day delivery and the Prime flywheel.

Amazon.com Inc

153.42 ▼ -0.42 (-0.27%)
Close

Amazon YTD

Club take: We believe a significant growth factor at Amazon will be in its growing AWS cloud business — bolstered by its new artificial intelligence offerings. The company continues to strengthen its position in generative AI through the development of its own proprietary chips, a new chatbot, and a growing strategic partnership with semi leader Nvidia. AWS can continue to cement its position as a leader in the cloud competing with big players like Alphabet and fellow Club stock Microsoft. We also believe Amazon's updated regional fulfillment network can help with efficiency, lower transportation times, and cost optimization that should lead to better retail margins.

3. Apple

Analyst take: Evercore ISI analysts named Apple one of its top stock picks in 2024, citing iPhone share gains in India, gross margin expansion, and new product launches like the Vision Pro mixed reality headset. The analysts described Apple as a "set it and forget it" stock, adding that any weakness – like increasingly stiff competition in China's smartphone market – will be offset by long-term growth prospects. Evercore said the market has not priced in Apple's ability to accelerate revenue from its Services segment either. The analysts, who maintained a buy-equivalent rating on shares, increased Apple's price target to $220 per share — 13% upside from Thursday's close of more than $194.

Apple Inc

193.60 ▾ -1.08 (-0.55%)
Close

Apple YTD

Club take: Evercore's commentary touched on key points in our own investment thesis around Apple — particularly its "own it, don't trade it" status in the portfolio. We're optimistic about an acceleration in revenue for the company's Services segment, even more so after management's upbeat remarks alongside its earnings release back in November. Apple continues expanding into emerging markets like India in an effort to grab share in untapped economies. The tech giant opened two retail stores in the world's most-populous country earlier this year, one in Mumbai and the other in New Delhi. Apple is also trying to diversify its supply chain and reduce reliance on China amid uncertain relations between Beijing and Washington.

4. Broadcom

Analyst take: Like Nvidia, the Club's other "own it, don't trade it" stock, chip designer Broadcom has found its way onto a few top-picks lists including Bank of America, Bernstein and Deutsche Bank.

BofA touted Broadcom for its "leadership in custom AI chips," alluding to its longstanding relationship with Alphabet as the co-developer of Tensor Processing Units, which the Google parent uses for specific AI tasks. The analysts were also optimistic about the growing adoption of Broadcom's latest Tomahawk 5 switching chip, which is designed for machine-learning workloads and launched earlier in 2023.

Bernstein likes Broadcom's setup for 2024 and beyond. Broadcom's "robust AI story" is helping offset some weakness in other parts of its semiconductor business such as broadband, the firm said, while the now-closed VMWare acquisition is poised to deliver "significant" boosts to earnings per share in the coming years.

Analysts at Deutsche Bank foresee questions about the sustainability of AI-related revenue growth being a large point of contention in 2024, so they recommend "names where revenue is accelerating and diversifying." That prompted the firm to identify Broadcom – along with Marvell, a former Club holding and current member of our Bullpen watchlist– as its two favorite AI plays.

Broadcom Inc

1,121.98 ▼ -5.31 (-0.47%)
Close

Broadcom YTD

Club take: Our decision to trim Broadcom on Dec. 18 was rooted in our investment discipline after the stock surged nearly 20% in the week prior. That's a jaw-dropping move for a company worth more than a half trillion dollars, and it made sense to lock in a 31% profit on shares purchased just four months ago. Zooming out, though, all the tailwinds that motivated our Broadcom investment to begin with – such as its substantial AI opportunity and VMWare deal benefits – should carry into the new year.

5. Caterpillar

Analyst take: In the industrials sector, Jefferies named Caterpillar one of their top machinery picks for 2024. The analysts cited the Fed's potential rate cuts next year, along with increased federal spending as a tailwind for shares. Caterpillar will be a top beneficiary from the Infrastructure Act and the Inflation Reduction Act, which is slated to pour well over $1 trillion into infrastructure and machinery projects – which will, in turn, utilize the products and services provided by the Club holding.

Caterpillar Inc

290.36 ▲ +0.29 (+0.10%)
Close

Caterpillar YTD

Club take: The influx of domestic funding is a key reason why we started our position in Caterpillar in the first place. Caterpillar is the biggest maker of earth-moving equipment in the U.S. This market dominance makes the company a top beneficiary as stimulus boosted demand. "I remain convinced that federal largesse will fall into the lap of Club holding Caterpillar, and it's wrong to ignore what will be a gusher into American-made earth-moving equipment and steel," Jim wrote in a column earlier this year. That notion was reiterated by CEO Jim Umpleby. Back in August, he forecasted "continued growth in nonresidential construction in North America due to the positive impact of government-related infrastructure investments and a healthy pipeline of construction projects."

6. Constellation Brands

Analyst take: Constellation Brands is one of JPMorgan's top picks for beverages heading into 2024. Analysts see the Mexican beer powerhouse as "having among the best set-ups within beverages" for its solid top-line and earnings-per-share (EPS) growth. The analysts also see "potential for strong margin expansion in the beer division" as pressure from higher costs dissipates.

In a separate note, TD Cowen called Constellation "the best growth story in U.S. beer" in its Best Ideas 2024 research report. Slower growth in the company's Wine & Spirits business is offset by its "robust capital returns," which are supported by its "industry-leading beer margins," analysts said. TD Cowen also cites positive demographic trends that support beer growth. The analysts see "continued share gains from the Modelo brand family, driven by younger consumers." Constellation is also behind the Corona and Pacifico brands.

Constellation Brands Inc

237.88 ▲ +2.01 (+0.85%)
Close

Constellation Brands YTD

Club take: Constellation Brands' stock performance has disappointed us given there were several catalysts that should have pushed the stock higher like a strong fiscal 2024 second quarter, which was reported on Oct. 5, and a positive Investor Day held nearly a month later. Despite the stock being held back, the company has still outperformed in its category. Shares have gained rough 3% in 2023 compared to the S&P 500 Food Beverage & Tobacco Industry Group index down more than 8% for the year. We still believe the stock has potential to trend higher next year given the company's consistent free cash flow, cash returns to shareholders, and solid execution from management. Outside of its three top beer brands in the U.S., we also see opportunity for the company to capitalize on Victoria, its premium beer brand in Mexico, and its high-quality tequila brands. Also, Constellation has been working with activist investor Elliott Management, which has a track-record of pushing companies to deliver more shareholder value.

7. Costco

Analyst take: BMO names Costco its top food pick for 2024. The analysts believe Costco is "best positioned in a deflationary environment" since the wholesale retailer should benefit from continued market share gains as well as volume growth and changes in consumer pivot to value. To be sure, analysts said the grocery backdrop for 2024 is expected to be "more challenging" due to minimal food inflation, a factor that has propped up retail revenues over the past year. At the same time, BMO thinks weaker inflation will take pressure off consumers who could then have more room for discretionary purchases. This could, in turn, help the multi-category retailer that's exposed to things like electronics and jewelry.

Costco Wholesale Corp

671.60 ▲ +6.44 (+0.97%)
Close

Costco YTD

Club take: Costco has a strong track record as a stellar retail operator that has consistently delivered strong top line and earnings growth in both good and bad economic times. That's why if the economy weakens in 2024, we are sticking with Costco given that consumers will be attracted to its strong value proposition: selling high volume of quality merchandise at affordable prices. Even in a difficult consumer staples category this year, Costco finished 2023 strong, delivering a better than expected fiscal 2024 first quarter, supported by its strong membership model and loyalty rates. Shareholders like us were happy to get one of two potential catalysts we've been waiting for: a special dividend. The second is an increase in membership fees, which could come some time next year.

8. Danaher

Analyst take: Investors who want exposure to the life-science tools market should be selective, Deutsche Bank said in a note to clients on Dec. 18. But the analysts still favor Danaher due to its leading market position in the bioprocessing industry, which is primed for a rebound next year. Danaher's bioprocessing business sells products and services used throughout the drug development and manufacturing process. Deutsche Bank lifted its price target on Danaher to $250 per share from $230. In addition to Danaher, the firm said it also likes Thermo Fisher Scientific among the largest life sciences companies.

Danaher Corp

230.36 ▲ +0.01 (+0.00%)
Close

Danaher YTD

Club take: Following a rough-and-tumble 2023, Danaher should find solid ground awaiting in 2024. We share Deutsche Bank's view that Danaher's outsized bioprocessing exposure is positive because management has argued this year should mark the bottom for that segment, which has been a drag on the company's overall performance in recent quarters. With the Abcam acquisition now complete, Danaher's growth profile is poised to improve. Over time, that should make its stock worthy of a higher valuation compared with slower-growing peers. Another potential catalyst for Danaher in the new year is an improved funding environment for the company's key customers in the biotech industry. Danaher generally benefits when its startup customers are able to go public because that gives them an influx of capital that they can partially spend on Danaher products and services as those customers invest in future growth. However, the IPO market has been frosty for the better part of two years, amid the Fed's aggressive series of interest-rate hikes. The Fed's policy tightening also has raised the cost of money for any Danaher customers who tap the debt market to fuel growth. At this point, though, the U.S. central bank expects to cut rates multiple times in 2024, which could help ease some of the funding pressures that weigh on Danaher by extension.

9. Eli Lilly

Analyst takes: JPMorgan and BMO Capital Markets analysts remain bullish on Eli Lilly into the new year, projecting more gains beyond the stock's more than 55% ascent so far in 2023.

Lilly "remains one of our favorite names in the [large-cap pharma] group as we see further upside to Street estimates as Mounjaro [diabete] continues to ramp and Zepbound [weight loss] fully launches in 2024," JPMorgan wrote in a note to clients Dec. 19. Despite its premium valuation, Eli Lilly is poised to grow EPS at more than 20% annually "for the foreseeable future," the firm argued.

Lilly is also BMO's top pick among legacy large-cap pharma stocks. In addition to Mounjaro and Zepbound optimism, the analysts cited the expected approval of Lilly's Alzheimer's drug in early 2024 an additional catalyst. BMO's price target of $710 per share on Lilly implies more than 20% upside from current levels.

Eli Lilly and Co

570.39 ▼ -1.61 (-0.28%)
Close

Eli Lilly YTD

Club take: Eli Lilly's emerging leadership in the fast-growing market for type-2 diabetes and obesity drugs powered its stock this year. It can do so again in 2024. In the very near term, it wouldn't surprise us to see some weakness in Eli Lilly shares as investors book profits in an outperformer. But that alone wouldn't shake our belief in the multiyear diabetes-and-obesity opportunity.

10. Meta Platforms

Analyst take: Bank of America prefers Meta Platforms as its large-cap online pick in 2024. The analysts see things like "ongoing Reels monetization" as one of the main drivers. As more social media platforms like Meta push their users to short-form video content, BofA expects monetization in this category to "switch from a headwind to tailwind to revenue growth as companies enable more advertising around SFV [short-form video] content." As Meta continues to flex its AI capabilities across its social media platforms, that should help with increased user engagement and support recurring revenue, they said.

Meta Platforms Inc

353.39 ▼ -0.70 (-0.20%)
Close

Meta Platforms YTD

Club take: There's mixed sentiment whether there will be a recession in 2024, which could impact advertisers' budgets. (At the Club, we don't think there will be a recession.) If there is a softness in advertising, combined with more cautious consumer, these factors could be headwinds to Meta's business. But we see the social media giant as a winner in the digital advertising market and believe the company can safeguard its business through its generative AI features. As Meta improves its use of generative AI to enhance user experiences across its social media sites, more advertisers should come in and revenue growth can be more consistent over time. While Meta believes the metaverse is still a part of the company's future, we're still concerned about the billions of dollars in losses accumulating at its Reality Labs division. We hope CEO Mark Zuckerberg can take a page from his 2023 "year of efficiency" playbook in this area to curb the cash burn.

11. Microsoft

Analyst take: Oppenheimer named Microsoft its top large-cap stock pick for 2024, citing the company's unique lead in generative AI among Big Tech names. The analysts forecasted an incremental boost in revenue on further adoption of AI assistant Copilot and the firm's cloud services. Microsoft "stands alone by having the best AI infrastructure and LLMs [large language models], as well as the easiest applications to improve," the analysts wrote in Tuesday's research note. "They also have relationships with nearly every enterprise in the world, almost all of whom are looking to leverage AI immediately."

Microsoft Corp

374.58 ▲ +1.04 (+0.28%)
Close

Microsoft YTD

Club take: We continue to be bullish on Microsoft's AI story because of the huge growth opportunities and incremental revenue boosts for the software and cloud giant. The company has positioned itself uniquely within the space thanks to its partnership with OpenAI, the Azure AI ecosystem and continued expansion of Copilot. Microsoft has made massive bets over the past year on the nascent tech – to the tune of $13 billion into OpenAI – despite an uncertain macro environment. Still, the lofty investments are already showing early signs of paying off. In October, Microsoft had its biggest earnings beat in more than two years, highlighted by an acceleration in revenue for cloud computing platform Azure.

12. Nvidia

Analyst take: Semiconductor analysts at multiple Wall Street firms tapped 2023 standout Nvidia as their favorite idea in the new year.

It may seem obvious that Nvidia is TD Cowen's No. 1 pick, the analysts acknowledged, but they argued that doesn't make their selection wrong. "An accelerating product roadmap keeps [Nvidia] the far and away leader in the very early days of a massive paradigm shift to ubiquitous accelerated computing and generative AI," Cowen wrote in a note Dec. 11.

Meanwhile, Bank of America and Bernstein also highlighted Nvidia as one of their top picks.

In a Dec. 15 note, Bank of America said the stock's valuation – at around 24 times 2024 earnings estimates – suggested investors have grown skeptical about the durability of generative AI investments, which are key to Nvidia's overall growth story. The firm has a price target of $700 per share on Nvidia, as do Cowen and Bernstein.

In the eyes of Bernstein analysts, Nvidia is still the best – "and, surprisingly, cheapest!" – way to invest in the AI theme among all the chip stocks they cover. "We understand the nervousness over their current run of success, but think you have to be there," the firm wrote.

NVIDIA Corp

488.30 ▼ -1.60 (-0.33%)
Close

Nvidia YTD

Club take: We remain optimistic on Nvidia heading into 2024 and continue bestowing upon the stock the rare “own it, don’t trade it” designation. Apple is the only other Club holding Jim places in that camp. While we acknowledge the demand-sustainability questions, Nvidia is poised to keep delivering innovative products that raise the performance bar. Plus, new categories of chip buyers are emerging, such as governments, which should be supportive of growth. “There’s a reluctance to buy the best performers. ... I come back and I just say, ‘Why penalize something that’s doing very well when it’s now inexpensive with tremendous growth paths?’” Jim said on Dec. 18. “I like Nvidia more than all the [chip stocks] being upgraded” by analysts, such as Micron Technology, Jim added.

13. Disney

Analyst take: Disney is Wells Fargo’s top idea in media for 2024 since the company has “turned a corner” following surprise fiscal 2023 fourth-quarter strength reported on Nov. 8. While analysts acknowledge uncertainties facing the media industry next year, including cord-cutting – as U.S. households shift from traditional linear TV to streaming services – softer advertising spend and an unknown timeline on streaming profitability, they said bigger players like Disney which has a large content library, customer loyalty and a better balance sheet, should fare better. Analysts are also bullish on the “significant amount of margin potential” in Disney’s streaming business.

Walt Disney Co

91.02 ▼ -1.00 (-1.09%)
Close

Disney YTD

Club take: Disney has made a lot of significant changes in 2023 as part of CEO Bob Iger’s business turnaround strategy. Investors like us took the corporate restructuring, cost-cutting, price increases in its direct-to-consumer services and investments in its theme parks as steps in the right direction. But with continued losses in the company’s streaming business, the revenue drag in linear, and union strikes (now resolved), the stock has underperformed this year. Still, we believe shares have the potential to be a $100+ stock again if the company shows that its cash flow can continue to grow and a shift from losses to profits in streaming. Pressure exerted by a strong business advocate like activist investor Nelson Peltz, who has considerable skin in the game, can only help. He’s fighting for board seats. Peltz’s Trian investment company owns $3 billion worth of Disney shares.

(Jim Cramer's Charitable Trust is long GOOGL, AMZN, APPL, AVGO, CAT, STZ, COST, DHR, LLY, META MSFT, NVDA, DIS. See here for a full list of the stocks.)

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