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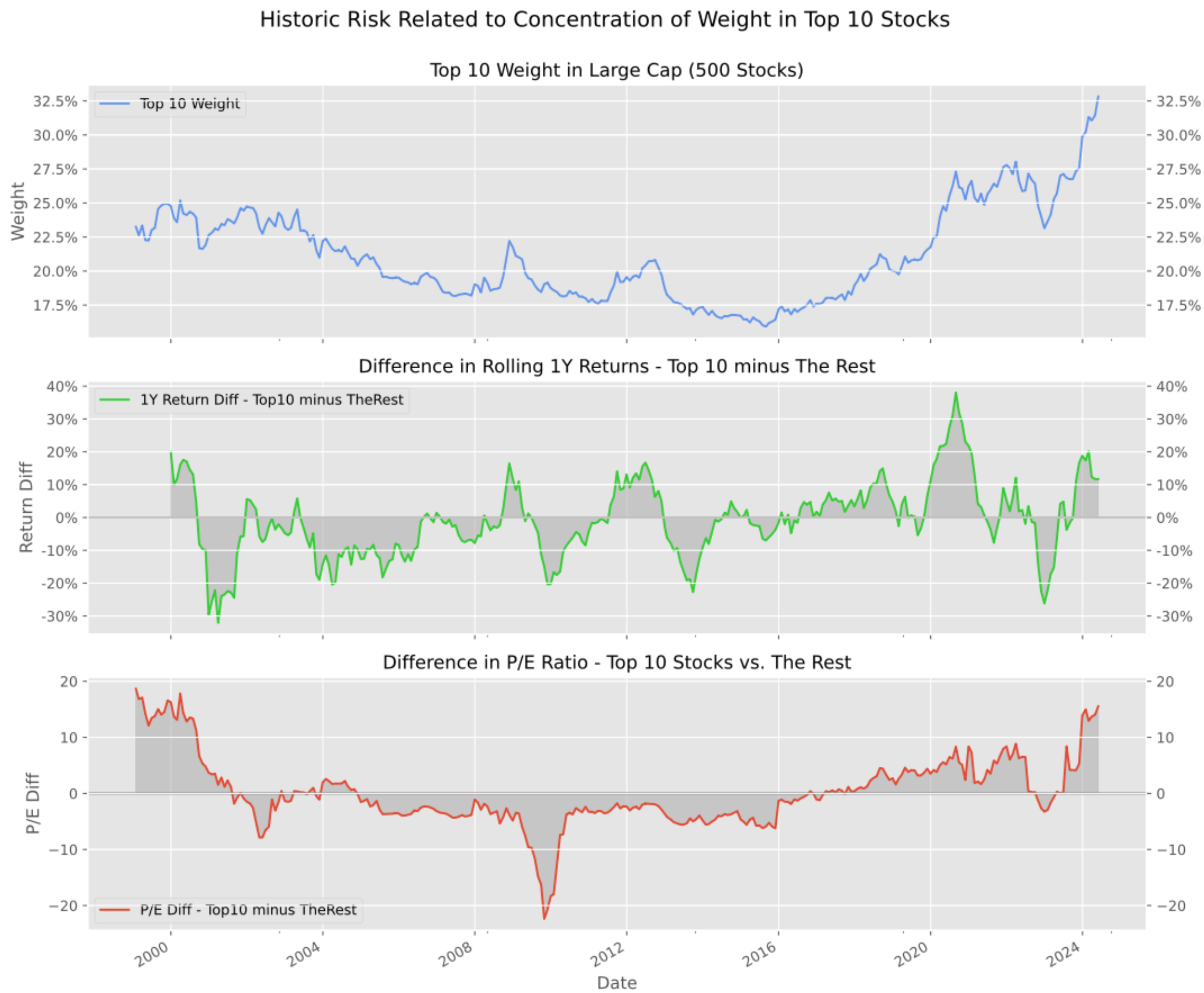
Top 10 Largest Cap Stocks Dominate Performance[i]

The cap-weighted market is up significantly year-to-date, and it has been primarily carried by the top 10 stocks by market cap. But runs like this have historically ended poorly; especially for the popular "story" stocks, which have led the charge.

In summary:

- The 10 largest cap stocks now make up about one-third of the S&P 500, higher than it has been in the last quarter century.
- A few of the largest technology stocks (e.g. Nvidia) have gone parabolic relative to the rest of the market.
- But the outsized returns of the top 10 have far surpassed their earnings growth, with much of the return coming from P/E expansion.
- The last time the P/E spread was this wide occurred during the Internet Bubble.
- Continued outperformance of these top 10 stocks, relative to the S&P 500, is unlikely over the next 1, 3, 5 years.



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[i] June 26, 2024

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