

# The week in seven charts



**Chart #1**  
Biden, McCarthy reach final deal to prevent default;  
must now sell to Congress  
Read more on p2

Image Source: edition.cnn.com

## White House reach tentative US debt ceiling deal

In the nick of time, President Biden and House Speaker McCarthy reach final agreement on debt ceiling, Nvidia on the verge of joining the trillionaires' club and another Fed hike in June seems highly likely. Each week, the Syz investment team takes you through the last seven days in seven charts.

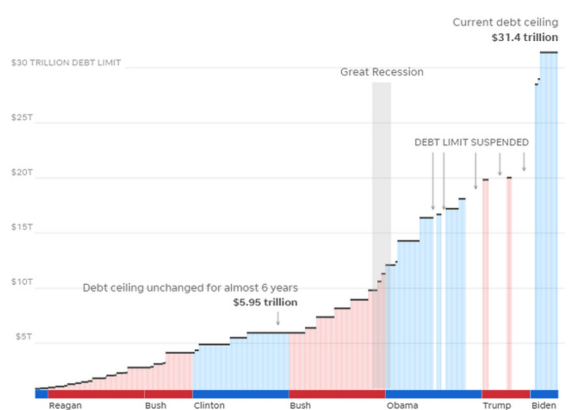
**Charles-Henry Monchau**

*Chief Investment Officer*

**Chart #1 —**

**Biden, McCarthy reach final deal to prevent default, must now sell to Congress**

With days to spare before a potential first-ever government default, President Joe Biden and House Speaker Kevin McCarthy reached final agreement Sunday on a deal to raise the nation’s debt ceiling and worked to ensure enough Republican and Democratic votes to pass the measure in the coming week. This political crisis weighed on investor morale, even though traders have experienced this type of tribulation many times before. Since 1941, Congress has raised the debt ceiling at least 100 times.

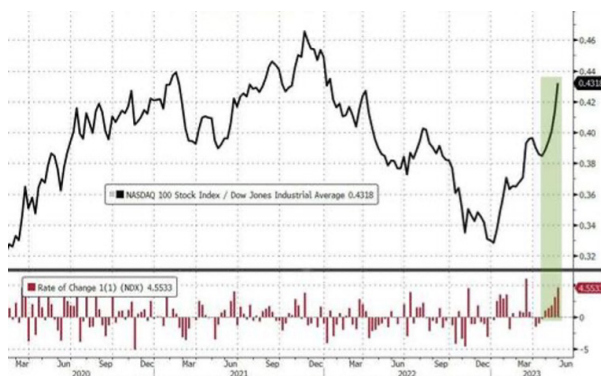


Source: Charlie Bilello

**Chart #2 —**

**Nasdaq continues to outperform the Dow by a wide margin**

Despite fears linked to the US debt ceiling, the S&P 500 edged up slightly over the week (+0.3%). This advance was largely due to the strong performance of technology stocks, particularly Nvidia (see chart #3). The dominance of the technology sector is reflected in the outperformance of the Nasdaq (+2.5% over the week) versus the Dow Jones (-1%). Indeed, technology has a high weighting in the former and a low weighting in the latter. The weekly performance gap between these two indices is the widest since March. And for the past 5 weeks in a row, the Nasdaq has outperformed the Dow.



Source: www.zerohedge.com,

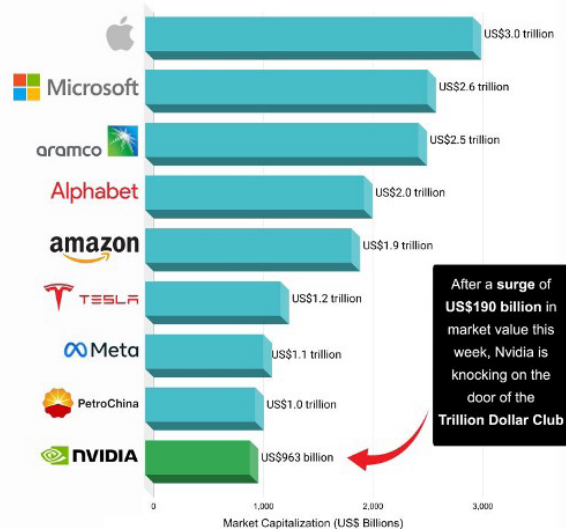
**Chart #3 —**

**Nvidia on the verge of joining the trillionaires' club**

Nvidia’s quarterly results were eagerly awaited by the market, given the stock’s very high valuation and strong growth in recent months (over 100% year-to-date). Although earnings are down 13% on a rolling 12-month basis, the stock jumped 25% thanks to a sharp upward revision of expectations regarding demand for semiconductors used in artificial intelligence projects. Nvidia’s revenue projections for Q2 now stand at \$11 billion, compared with \$7.2 billion previously expected. The year-on-year sales growth rate could therefore exceed 60% in Q2. For Nvidia’s CEO, we’re at the start of a cycle that could last a decade.

Nvidia’s market capitalization rose by almost \$200 billion in one session, twice that of Intel! Since the October 2022 low, Nvidia has gained \$665 billion in market capitalization. This is the biggest single-day market capitalization gain for a stock in the history of the US stock market. On Thursday, NVDA gained more market capitalization than the aggregate capitalization of 472 S&P companies.

**Only 8 Companies Entered The Trillion Dollar Club**  
Peak Market Capitalization 1999-2023



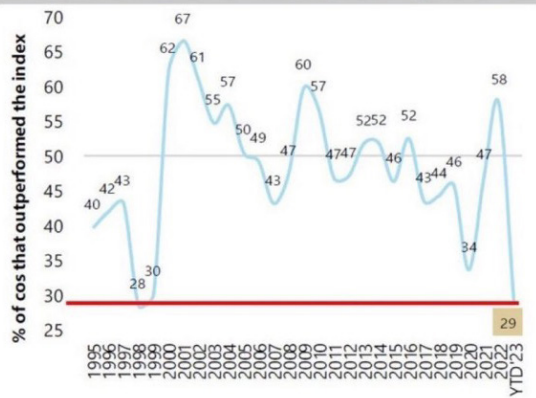
Source: Saxo Bank

**Chart #4 —**

**Only 29% of S&P 500 stocks outperform the index year-to-date**

Since the start of the year, the US equity market has been driven by a limited number of stocks. This makes it very difficult for fund managers to outperform the index. In fact, only 29% of them will outperform the S&P 500 index in 2023, the lowest figure since 1999.

**Exhibit 4: S&P 500 – % of stocks outperforming the index**

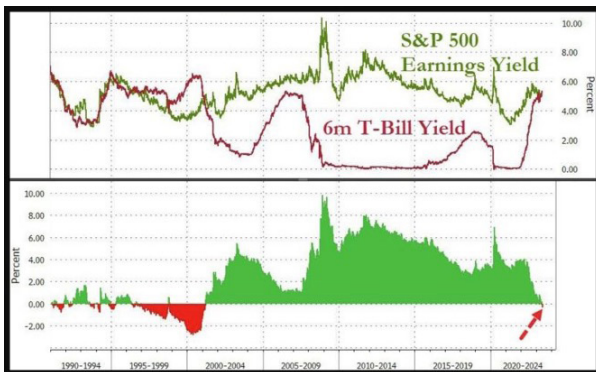


Source: Jefferies, Factset

**Chart #5 –**

**6-month T-bill yield now exceeds S&P 500 earnings yield**

Equity markets face competition from cash. The yield on 6-month US Treasuries is currently trading at a 33 basis point premium to the SP500 earnings yield (which is the inverse of P/E).



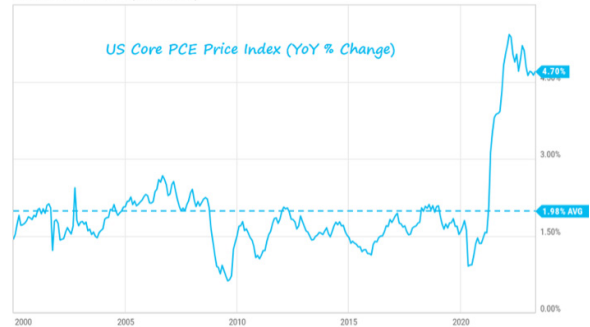
Source: www.zerohedge.com, Bloomberg

**Chart #6 –**

**Inflation looks more resilient than initially forecast**

As the UK's inflation rate excluding energy and food, the US core PCE index (the measure of inflation deemed most credible by the Fed) for April was above consensus expectations (4.7% vs. an estimate of 4.6%) and remains well above the Fed's 2% target.

US Core PCE Price Index YoY (LUSCCPCEPY)



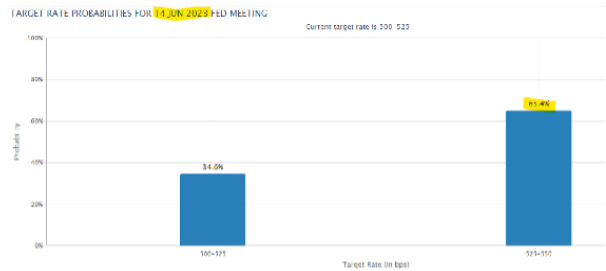
Source: Charlie Bilello

**Chart #7 –**

**A Fed rate hike in June now seems highly likely**

The various inflation figures recently published are prompting the market to revise upwards its expectations for the Fed's fixed-rate curve over the coming months.

The market is currently pricing in a 65% probability of a rate hike at the June FOMC meeting and no rate cut before November.



Source: Charlie Bilello

**For further information**

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