

**The week in
seven charts**



Chart #4

**Apple is holding up much better
than other FAANGs**

[Read more on p2](#)

Apple is holding up much better than other FAANGs

ExxonMobile posts best earnings since the invention of the lightbulb, while Meta leads the pack of poor performing mega-caps. Each week, the Syz investment team takes you through the last seven days in seven charts.

Charles-Henry Monchau

Chief Investment Officer

Chart #1 —

Another week of gains for US equities

Despite disappointing results from major US technology companies, the main US equity indices enjoyed a second consecutive week of gains. The S&P 500 gained nearly 4% last week. There was a significant dichotomy between the Dow Jones and Nasdaq indices. The Dow Jones gained 5.7% over the week and is up over 4 consecutive weeks (+14%), its biggest 4-week rally since April 2020. The Nasdaq, on the other hand, gained 2.2% over the week and "only" gained 5% over the month, due to weak results and forecasts from large caps in the technology sector (see next point).

Divergence in performance between the Dow Jones and the Nasdaq indices

INDEX	WEEK	YTD
Dow Jones Industrial Average	5.7%	-9.6%
S&P 500 Index	4.0%	-18.2%
NASDAQ	2.2%	-29.0%

Source: Edward Jones

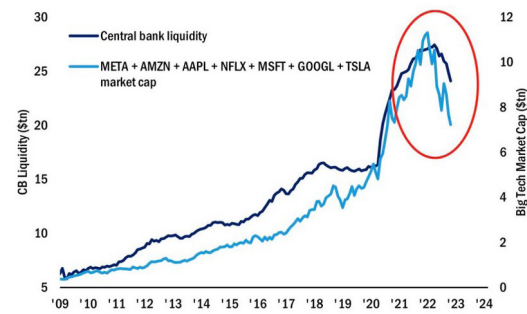
Chart #2 —

A double-whammy for mega-cap tech stocks

During the years of quantitative easing (QE), FAANGs outperformed the markets, reaching very high weights in the indices (see point 4). This dominance was further amplified during the COVID years as their business models took full advantage of global containment and teleworking. But these stocks are now facing a double whammy: as the economy reopens and some operating costs rise (salaries, delivery costs, etc), revenue and profit growth is slowing down significantly. For Facebook (Meta) and Netflix, this is the lowest revenue growth rate in the company's history. Meta/Facebook revenue is down 4.5% year-over-year, the worst performance in its history. The stock is down 25% in the past week; its market cap is down 75% since the September 2021 peak. Its market capitalisation has fallen from \$1.1 trillion to \$269 billion over the period.

Alongside the slowdown in growth, the decline in liquidity and the resurgence of value stocks are hurting GAFAs valuation multiples. Since 2021, the reduction in the combined size of central bank balance sheets (-\$3.3 trillion) is paralleled by the decline in the market capitalisation of US technology mega-cap companies (-\$4.1 trillion). If central bank balance sheets are further reduced, the compression of multiples could continue.

Central bank balance sheets vs. market capitalization of US mega-cap Tech stocks



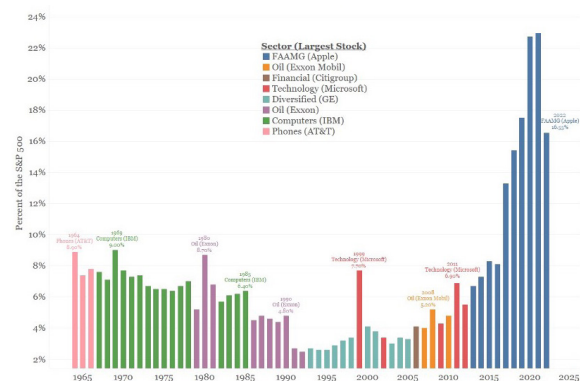
Source: BofA

Chart #3 —

A loss of hegemony of the "big 5"?

Different periods in history have been marked by the dominance of a few large stocks. As the chart below shows, the Top 5 of the S&P 500 has been made up of stocks from different sectors: energy, finance, telecoms, technology, etc. With the GAFAs, the weight of the top 5 has never been so important. Indeed, the weighting has reached 23% in 2021. The GAFAs began to lose some of their dominance in 2022 even though their weight in the index still represents 17% of the S&P 500.

Weight of Top 5 stocks within S&P 500



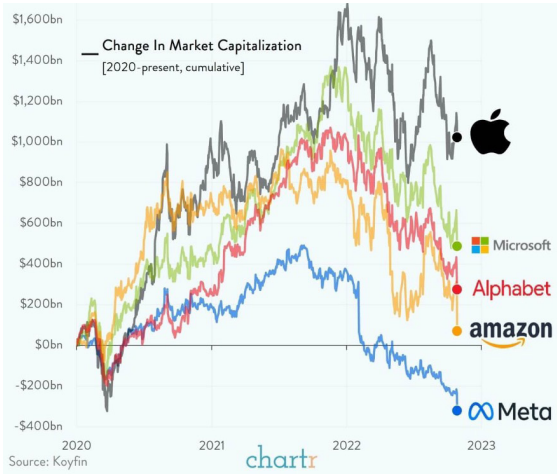
Source: Bianco Research

Chart #4 —

Apple is holding up much better than other FAANGs

The only tech giant to emerge relatively unscathed this week was Apple, which despite reporting slower than expected iPhone 14 sales growth, reported very strong results. Apple shares ended up 7.6% on Friday, its best day since 2020. The stock is at a record high against the Nasdaq 100 index.

Change in market cap of the FAANGs



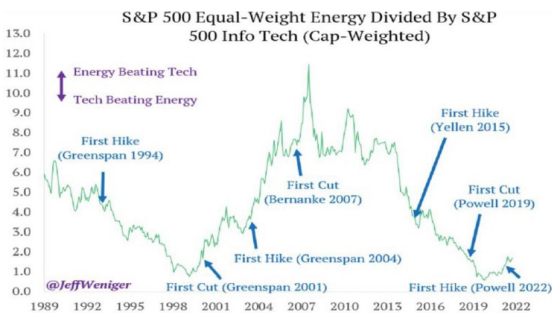
Source: Chart

Chart #5 —

Energy stocks are outperforming tech stocks

Historically, the relative performance of energy compared to the technology sector has been characterised by long periods of outperformance and underperformance. With the bursting of the internet bubble, the energy sector had outperformed technology until the great financial crisis. Between 2009 and 2020, the outperformance of technology was particularly marked. But since 2021, the trend has started to reverse. Company results also show a dominance of the technology sector. Exxon Mobil just reported its best earnings in 152 years...

S&P 500 equal weight Energy / S&P Info Tech cap-weighted



Source: Jeff Weniger

Chart #6 —

China stocks tumbled

Shares of Chinese companies listed in the US fell sharply on Monday, following the Chinese Communist Party Congress which saw President Yi Jinping win a third term and further strengthen his grip on power. On Monday, the China Internet ETF (KWEB) hit an all-time low, down 81% from its February peak. The indiscriminate selling by investors looked like a capitulation.

Kraneshares CSI China Internet ETF (KWEB)



Source: Charlie Bilello

Chart #7 —

Slight change of tone by central banks

As expected, the European Central Bank raised key interest rates by 75 basis points. Another 50 or 75 basis point increase is expected before the end of the year. The surprise came from the cautious speech of President Christine Lagarde, who spoke of the risk of a slowdown in the economy and mentioned that rate hikes will be decided "meeting by meeting" (i.e. depending on macroeconomic data). At the last ECB meeting, she had said that she expected rate hikes over several meetings. It seems that the risks were directed towards downside risks to the economy rather than upside risks to inflation. The ECB has not mentioned a date for the start of quantitative tightening. As the eurozone is already on the brink of recession, these concerns make sense.

If the intention was to stabilise the bond markets, it has worked rather well. The yield on the 10-year bund has fallen by more than 20 basis points (below 2%) and spreads with Italian BTP have tightened.

The ECB is not the only central bank to have changed its rhetoric or the course of its monetary policy action. Last week, the Bank of Canada raised rates less than expected (50bps vs 75bps). Brazil's central bank suspended its rate hike and Mexico's central bank halted the monetary tightening cycle.

As the chart below shows, most central banks are pursuing a restrictive monetary policy. But as is often the case, it is the second derivative that matters to the markets.

Monetary policy from main central banks

Country	Rate	Central Bank Rate (Today)	CPI YoY	Real Central Bank Rate	Last Move	Last Move Month
Japan	Policy Rate Bal	-0.10%	3.0%	-3.1%	Cut	Jan-16
Switzerland	Target Rate	0.50%	3.3%	-2.8%	Hike	Sep-22
Denmark	Deposit Rate	0.65%	10.0%	-9.4%	Hike	Sep-22
Thailand	Policy Rate	1.00%	6.4%	-5.4%	Hike	Sep-22
Eurozone	Deposit Rate	1.50%	9.9%	-8.4%	Hike	Oct-22
Taiwan	Discount Rate	1.63%	2.8%	-1.1%	Hike	Sep-22
Sweden	Repo Rate	1.75%	10.8%	-9.1%	Hike	Sep-22
Norway	Deposit Rate	2.25%	6.9%	-4.7%	Hike	Sep-22
UK	Bank Rate	2.25%	10.1%	-7.9%	Hike	Sep-22
Malaysia	Policy Rate	2.50%	4.5%	-2.0%	Hike	Sep-22
Australia	Cash Rate	2.60%	7.3%	-4.7%	Hike	Oct-22
South Korea	Repo Rate	3.00%	5.6%	-2.6%	Hike	Oct-22
US	Fed Funds	3.13%	8.2%	-5.1%	Hike	Sep-22
New Zealand	Cash Rate	3.50%	7.2%	-3.7%	Hike	Oct-22
Hong Kong	Base Rate	3.50%	4.4%	-0.9%	Hike	Sep-22
China	Loan Prime Rate	3.65%	2.8%	0.9%	Cut	Aug-22
Canada	Overnight	3.75%	6.9%	-3.2%	Hike	Oct-22
Saudi Arabia	Repo Rate	3.75%	3.1%	0.7%	Hike	Sep-22
Philippines	Key Policy Rate	4.25%	6.9%	-2.7%	Hike	Sep-22
Indonesia	Repo Rate	4.75%	6.0%	-1.2%	Hike	Oct-22
India	Repo Rate	5.90%	7.4%	-1.5%	Hike	Sep-22
South Africa	Repo Rate	6.25%	7.5%	-1.3%	Hike	Sep-22
Poland	Repo Rate	6.75%	17.2%	-10.5%	Hike	Sep-22
Peru	Policy Rate	7.00%	8.5%	-1.5%	Hike	Oct-22
Czech Republic	Repo Rate	7.00%	18.0%	-11.0%	Hike	Jun-22
Russia	Key Policy Rate	7.50%	13.7%	-6.2%	Cut	Sep-22
Mexico	Overnight Rate	9.25%	8.7%	0.6%	Hike	Sep-22
Colombia	Repo Rate	10.00%	11.4%	-1.4%	Hike	Sep-22
Turkey	Repo Rate	10.50%	83.5%	-73.0%	Cut	Oct-22
Chile	Base Rate	11.25%	13.7%	-2.5%	Hike	Oct-22
Brazil	Target Rate	13.75%	7.2%	6.6%	Hike	Aug-22
Argentina	Benchmark Rate	75.00%	82.9%	-7.9%	Hike	Sep-22

Source: Charlie Billelo

For further information

Banque Syz SA

Quai des Bergues 1

CH-1201 Geneva

Tel +41 58 799 10 00

Fax +41 58 799 20 00

syzgroup.com

Charles-Henry Monchau, Chief Investment Officer

charles-henry.monchau@syzgroup.com

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