The week in seven charts

Indian equities join elite ranks of top 5 stock markets worldwide

The Magnificent Seven's market cap tops the world's biggest stock markets, earnings growth decorrelated from R&D investments, and analysts prepare for next year's probable rate cuts. Each week, the Syz investment team takes you through the last seven days in seven charts.

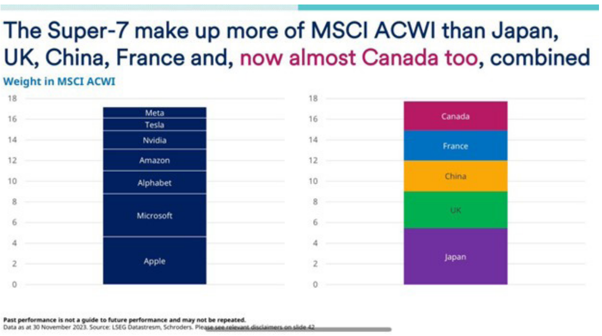
Charles-Henry Monchau
Chief Investment Officer

PRIVATE BANKING

Chart #1

A histogram chart for history books

The market capitalization of the "Magnificent 7" (Apple, Microsoft, Alphabet, Amazon, Nvidia, Tesla and Meta/ Facebook) is now greater than that of the French, Chinese, British, Japanese and Canadian equity markets combined... The dominance of such a small number of stocks is a risk that investors should not overlook as they enter a new stock market year.

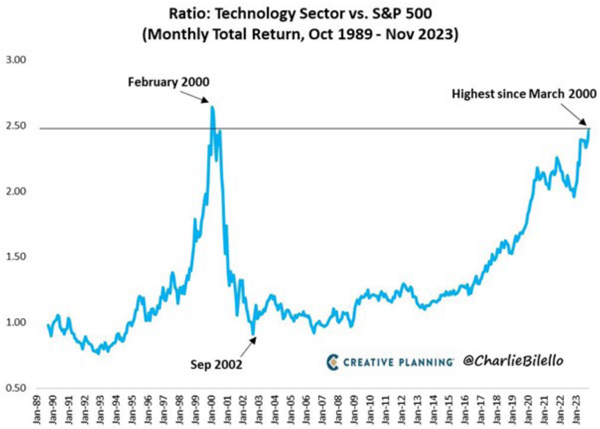


Source: Bank of America

Chart #2

Technology sector relative chart at record level

The dominance of the magnificent 7 is logically reflected in their stock market performance. As the chart below shows, the outperformance of the technology sector, relative to the rest of the S&P 500 index, has reached its highest level since March 2000, a date which corresponds to the peak of the dotcom bubble.



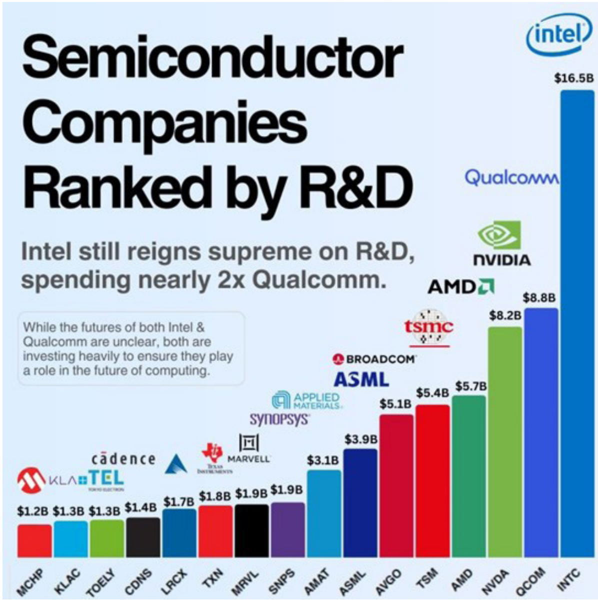
Source: Charlie Bilello

Chart #3

High R&D investment is not necessarily associated with growth and stock market performance

High R&D (research & development) spending does not guarantee earnings growth and/or strong stock market performance for shareholders. The chart below, produced by AI & Tech Investing, shows semiconductor companies ranked according to their R&D spending over the past 12 months. Intel, Qualcomm, Nvidia, AMD and Taiwan Semiconductors top the list.

Intel has spent over $100 billion on R&D over the past decade. Despite this, the stock has posted the second-lowest stock market performance in the semiconductor universe over this period. The same is true when it comes to sales trends: Intel generated $52.9 billion in revenues over the last twelve months. Ten years ago, Intel's sales amounted to... 52.4 billion dollars.



Source: Eric | AI & Tech Investing

Chart #4

Earnings growth pushes DAX index to all-time highs

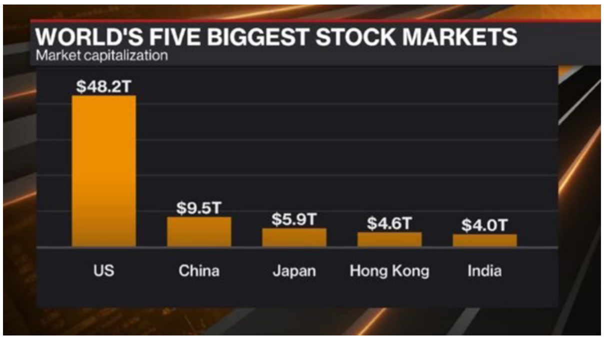
The DAX index reached an all-time high last week. It's worth noting that most of the DAX's rise this year is due to higher expectations for earnings growth, not to an increase in the price/earnings ratio. The Dax has gained 18% since the start of the year, while the price/earnings ratio of the DAX index has risen by just 6%, from 11.5x to 12.2x.

Source: Bloomberg, HolgerZ

Chart #5

Indian equities are now part of the world's 5 biggest stock markets

The Indian stock market reached an important milestone last week. Its market capitalization is now $4,000 billion, the 5th largest in the world.



Source: David Ingles, Bloomberg

Chart #6

2024 should be the year of interest rate cuts

The table below shows what the markets are currently anticipating as regards the first rate cuts by the major central banks. The consensus is for the European and Canadian central banks to cut their key rates as early as April. The U.S. Federal Reserve is expected to follow in May, while the SNB and the Bank of England will not start cutting rates until June.

MARKETS SEE RATE CUTS IN 2024

Cuts fully/nearly fully priced by:

MONTH	CENTRAL BANK
April	ECB
April	Bank of Canada
May	Fed
June	SNB
June	BOE
August	RBNZ
December	RBA

Source: Data as of 8am HKT, Dec. 4

Source: Bloomberg, David Ingles

Chart #7

The vast majority of bitcoins in circulation are held by a very small number of addresses

Bitcoin has a wealth concentration problem. As the chart below shows, 2.08% of bitcoin holders (based on listed addresses) own almost 93% of the digital tokens currently in circulation.

What will happen if several spot bitcoin ETFs are approved and large asset managers have to source bitcoins in a hurry to keep up with demand? What will be the effect on the BTC price if very few of the holders categorized in the aforementioned 2.08% do not wish to sell their bitcoin?

Some analysts believe that this picture is misleading. For example, Glassnode has pointed out that it does not take into account the fact that a single address can be used by several bitcoin holders, that many digital tokens have been lost and that many bitcoins are "packaged" in other tokens. By adjusting these figures, we could arrive at less than 50% concentration for the top 2% of addresses, which is still a high figure, but well below the current distribution of wealth in the world.

These figures do, however, raise the question of the mismatch between supply and demand for bitcoin, and the shock that could ensue the day several bitcoin cash ETFs are approved. Indeed, in the event of strong demand for these ETFs, asset managers would become "forced" buyers of an asset whose supply is relatively scarce. It is possible, however, that some "whales" (the largest holders of bitcoins) will take advantage of rising demand and prices to offload some of the BTC they have accumulated over the past few years. Time will tell.

Bitcoin distribution

Balance, BTC	Addresses	% Addresses (Total)	Coins	USD	% Coins (Total)
(0 - 0.00001)	3612727	7.4% (100%)	18.31 BTC	$478,071	0% (100%)
[0.00001 - 0.0001)	9611325	19.7% (92.6%)	413.15 BTC	$10,787,839	0% (100%)
[0.0001 - 0.001)	12082762	24.76% (72.9%)	4,682 BTC	$122,241,425	0.02% (100%)
[0.001 - 0.01)	11222719	23% (48.14%)	41,812 BTC	$1,091,742,847	0.21% (99.97%)
[0.01 - 0.1)	7814029	16.01% (25.14%)	262,627 BTC	$6,857,429,941	1.35% (99.76%)
[0.1 - 1)	3435719	7.04% (9.12%)	1,067,177 BTC	$27,865,004,505	5.48% (98.41%)
[1 - 10)	858266	1.76% (2.08%)	2,139,161 BTC	$55,855,528,728	10.99% (92.93%)
[10 - 100)	140997	0.29% (0.32%)	4,457,081 BTC	$116,378,624,150	22.9% (81.94%)
[100 - 1,000)	13816	0.03% (0.03%)	3,858,455 BTC	$100,747,939,055	19.82% (59.04%)
[1,000 - 10,000)	1909	0% (0%)	4,689,589 BTC	$122,449,632,050	24.09% (39.22%)
[10,000 - 100,000)	104	0% (0%)	2,283,571 BTC	$59,626,219,908	11.73% (15.12%)
[100,000 - 1,000,000)	4	0% (0%)	660,085 BTC	$17,235,450,698	3.39% (3.39%)

BTC distribution as of August 2023| Source: BitInfoCharts

Source: BitInfoCharts

For further information

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