

The week in
seven charts

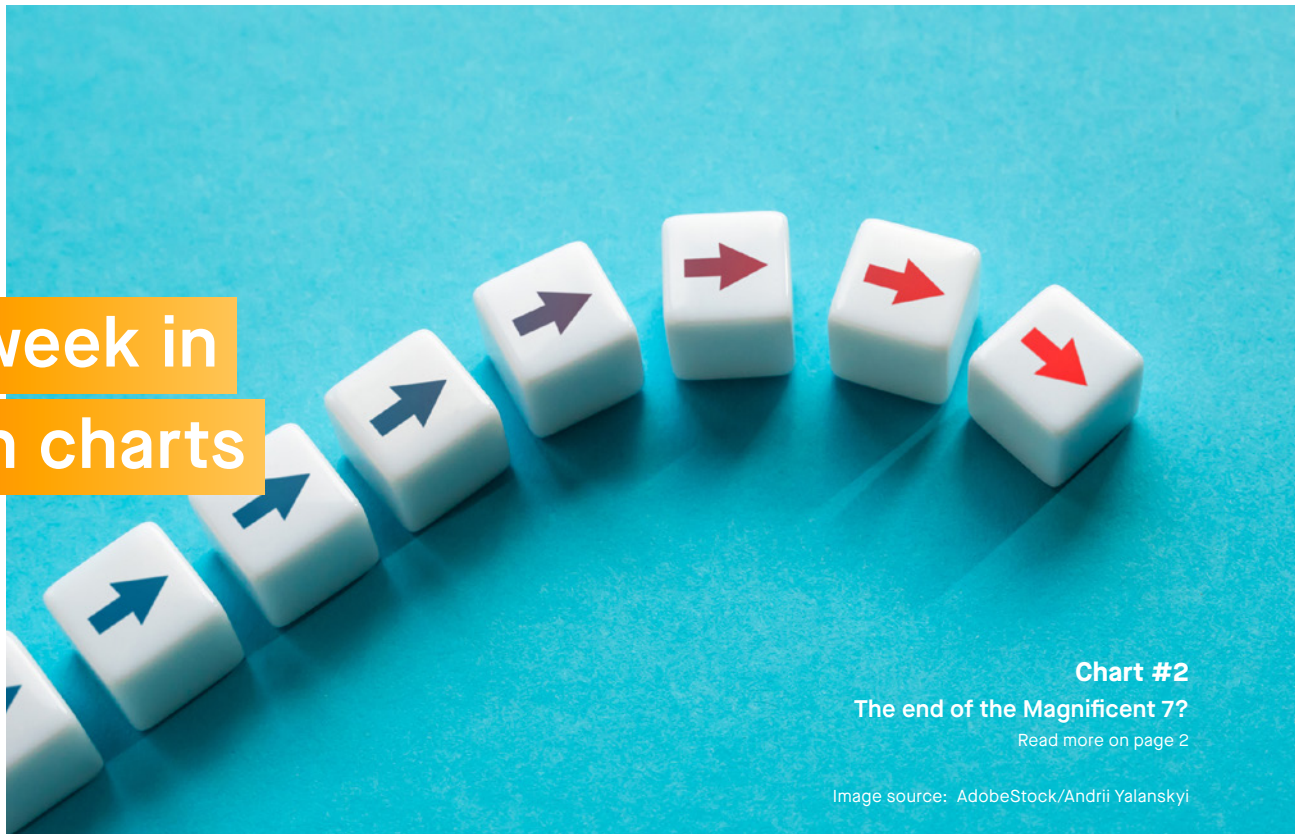


Chart #2

The end of the Magnificent 7?

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Image source: AdobeStock/Andrii Yalanskyi

The end of the Magnificent 7?

US stock market concentration means 50% fewer publicly traded companies since 1995, while bitcoin reaches new heights and France's budget needs tidying up. Each week...

Charles-Henry Monchau

Chief Investment Officer

Chart #1

A long & quiet river

It's now been over a year since the S&P 500 dropped more than 2% in a single day. Looking at historical data since the 2000s, this is the third longest period without a major correction. However, the record number of days without a correction of more than 2% was observed between May 19, 2003, and February 26, 2007, when 949 working days (almost 4 years!) went by without a major daily correction...

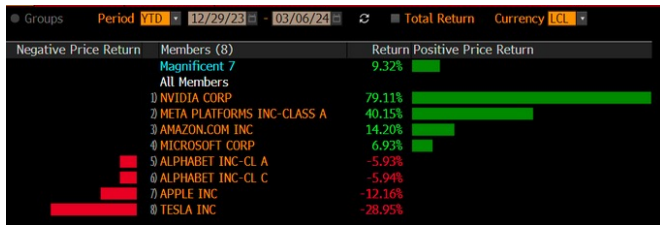


Source: Bespoke

Chart #2

The end of the Magnificent 7?

Last year, the Magnificent 7 (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia and Tesla) rose almost in unison, giving rise to the so-called "Mag 7" acronym. The start of 2024 seems to coincide with a change of regime for the Magnificent 7, as a wide dispersion of performance is observed: while Nvidia and Meta Platforms record spectacular progress, Tesla, Alphabet and Apple are in the red. The "Mag 7" is now being referred to as the "Mag 4"...



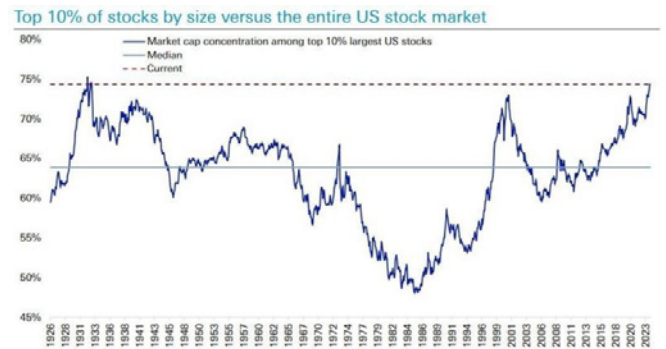
Source: Bloomberg

Chart #3

Big companies are getting bigger...

Fewer and fewer companies are listed on the stock market. In fact, the number of publicly traded companies in the USA has fallen by 50% since 1995. At present, there are only around 4,200 listed companies in the United States. The same trend has been observed for the number of banks in the U.S., which has fallen from 31,000 in 1920 to just 4,000 today.

What's more, the top 10% of U.S. stocks (by market capitalization) now account for around 75% of the total market. This is by far the most concentrated US stock market since the Great Depression of 1931. Even during the Internet bubble of 1998-2001, the concentration of the top 10% of stocks peaked at a lower level (around 72%) ... Big companies are getting bigger!

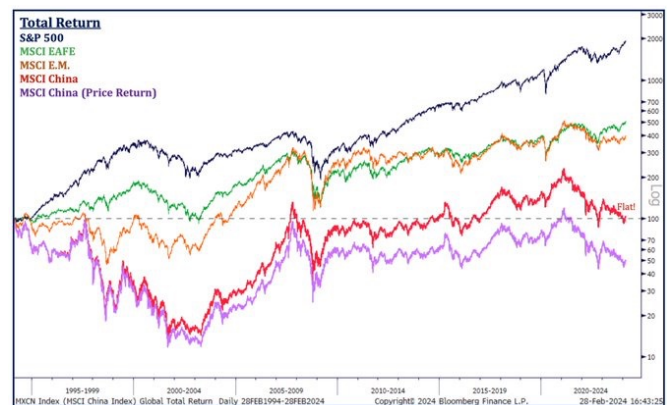


Source: Kenneth R. French database, Deutsche Bank
Source: DB, The Kobeissi Letter, Wall Street Engine

Chart #4

The Chinese market has done nothing in 30 years

Goldman's CIO advises against investing in China, and the chart below probably explains the frustration with Chinese equities: over the past 30 years, the MSCI China index has returned 0% (price variation + dividends). Add to this mediocre performance the fact that this market has been highly volatile. Indeed, during this period, no fewer than 22 intra-annual corrections of more than -20% were observed (compared with 6 for the S&P 500). The average annual correction for the Chinese market was -30%, or 2x the average annual correction for the S&P 500.



Source: Strategas

Chart #5

The Bank of Japan now holds almost 60% of the total Japanese bond market

The share of bonds issued by Japan held by the Japanese central bank (BOJ) has risen steadily over the past decade. This is an unusual behavior for a central bank of one of the world's largest economies.

Although the central bank is supposed to be an independent institution, the BoJ's monetary policy is effectively integrated into the Japanese government's fiscal policy.

The bank began buying massive quantities of bonds after the start of its monetary easing ("QE") policy in April 2013 under the leadership of Haruhiko Kuroda, a former senior official at the Ministry of Finance, who had then taken the helm of the BOJ with the support of then Prime Minister Abe.

Outstanding bonds held by the BOJ have continued to rise since it maintained its policy of monetary easing, even as its foreign counterparts began raising interest rates in 2022 to fight inflation.

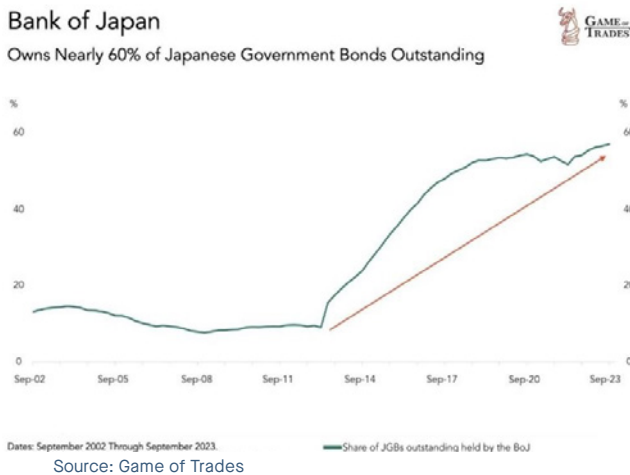


Chart #6

France's budgetary undiscipline

Since the great financial crisis of 2008, France has only managed to keep its budget deficit below 3% (one of the Maastricht Treaty criteria) once (in 2018). This track record is even worse than that of Italy. France's debt-to-GDP ratio is 110%, compared with 64% before the financial crisis. With potential GDP growth at barely 1% and declining, structurally low (or even negative) real interest rates are needed to support the government's debt burden.

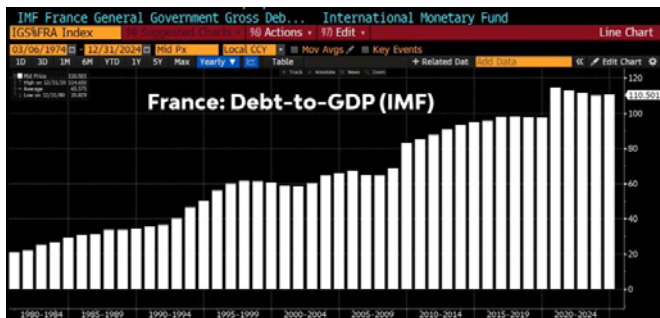
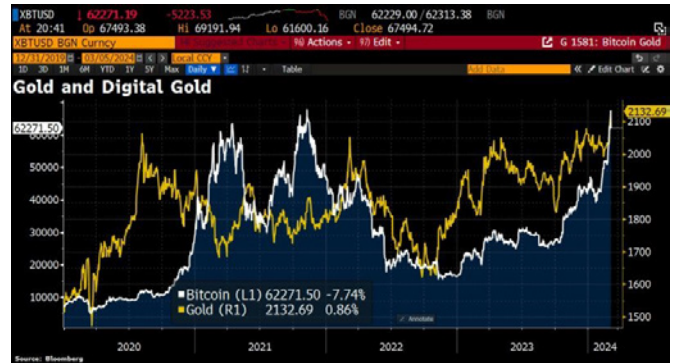


Chart #7

Gold and digital gold

Tuesday's session was a historic one: not only did "digital gold" (aka bitcoin) hit an all-time high, but actual gold also traded at record levels. What is the message here for the fiat-currency-based financial system?



For further information

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