



Nvidia's Historic \$280 Billion Loss: Nasdaq's 'Magnificent 7' Plunge

Nvidia's record \$280 billion loss led a sharp decline in the Nasdaq's "Magnificent 7" amid a slowing U.S. job market and potential market turbulence before the election.

Each week, the Syz investment team takes you through the last seven days in seven charts.

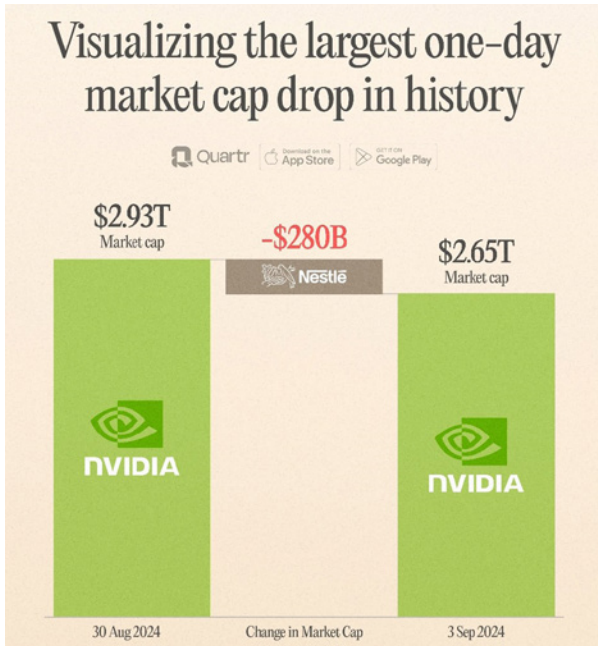
Charles-Henry Monchau
Chief Investment Officer

Chart #1

Nvidia's market capitalisation falls by \$280 billion in a single session

The Nasdaq and the "Magnificent 7" fell sharply during Tuesday's trading session. Nvidia's share price fell by 10%, wiping around \$280 billion off its market capitalisation, making it the biggest daily drop in history.

By way of comparison, \$280 billion is equivalent to the market capitalisation of Nestlé, twice that of Lockheed Martin (\$135 billion) or 5 times that of Volkswagen (\$55 billion). This is also more than the market capitalisation of 474 S&P 500 companies.



Source: Quatr

Chart #2

A market decline in the weeks leading up to the election wouldn't be surprising

Tuesday's stock market tumble aligns perfectly with historical patterns. In presidential election years, markets typically peak around Labor Day (which was last Monday), then stall until the election. The chart below shows the average performance of the S&P 500 during election years over the period from 1984 to 2023.

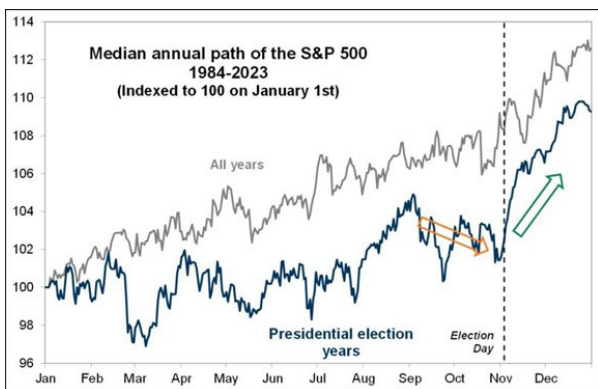


Chart #3

The historical performance of the S&P 500 index seen from another angle

The chart below represents 31 years of S&P 500 stock market performance seen from an original angle. Although the past cannot predict the future, the study below (source: www.awealthofcommonsense.com) can provide a baseline to help define risk expectations and the range of performance that can be expected.

Here's how to read the chart:

1. Choose a starting year.
2. Then move down the number of years and the corresponding square will show you the annualized performance from that starting point.

For example, the annualised performance over 9 years from 1993 was 14% per year.

You can see that there has been more green than red since 1993. However, some periods have been relatively painful for investors.

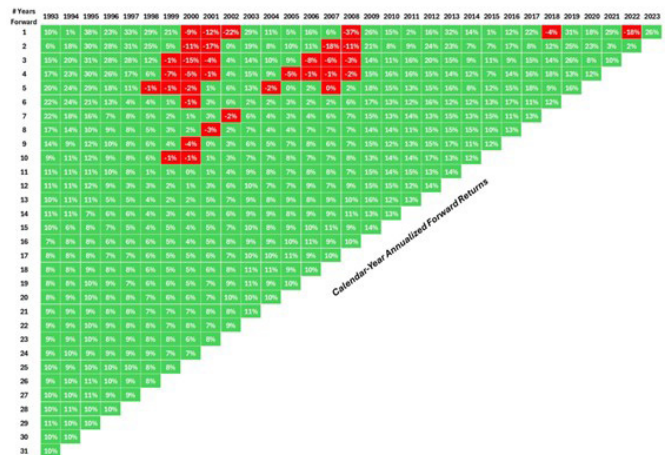
There were no losses for 11 years or more, but from 1999 or 2000 onwards, a decade was 'lost'. There are also several periods with losses over 2, 3, 4 and 5 years. For investors, five years "in the red" can seem like an eternity on the stock markets.

The range of results is also interesting to consider:

- › Annualised returns over 10 years range from -1% to 17%.
- › Over 15 years, the highest annualised return was 14% and the lowest was 4%.
- › Over a 5-year horizon, the range is -2% to 29% (again on an annualised basis).

Conclusion: Investors' experience of the stock market can vary considerably depending on the time window considered.

The good news is that the long term removes much of the variation from the equation. Look at the returns on the chart below, which on the lefthand side all fall within a relatively narrow range. The annualised performance over 31 years (1993 to 2023) has been around 10% per annum, which is in line with long-term averages.



Source: Ben Carlson @awealthofocs

Chart #4

The US job market continues to slow down

US job vacancies fell from 7.91 million in June to 7.67 million in July, the lowest level since January 2021.

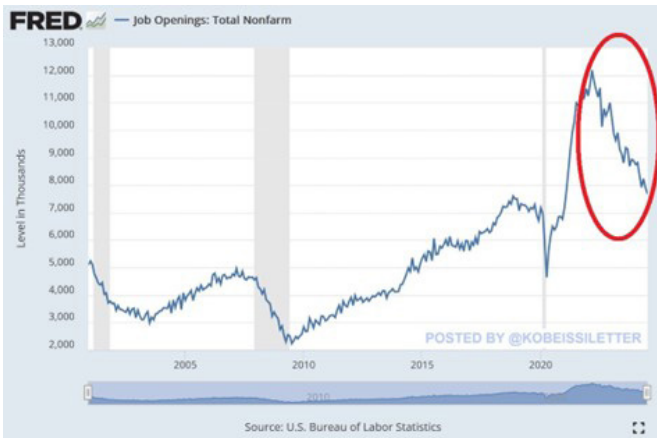
The number of job vacancies in the US was well above expectations at 8.09 million.

Since the peak in March 2022, job vacancies have fallen by 4.51 million, or 38%.

The most notable decline was in the construction sector, which fell to 248,000 in July, its lowest level since October 2020.

At the same time, the ratio of job vacancies to unemployed fell to 1.07 in July, in line with 2018 levels.

The US labour market is dropping significantly.



Source: FRED, The Kobeissi Letter

Chart #5

US public finances are crumbling under the weight of social security and the interest burden on the debt

In the US, spending on interest, social security and healthcare is expected to account for 87% of the increase in US public spending over the next ten years.

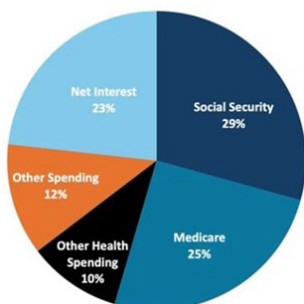
According to the CBO, government spending is expected to rise from \$6.8 trillion in fiscal year 2024 to \$10.3 trillion in 2034.

Of the \$3.5 trillion increase, \$3 trillion is expected to come from social security, federal health care programs and interest costs on the public debt.

Interest costs are expected to be the fastest-growing part of the budget, doubling from \$892 billion in 2024 to \$1.7 trillion in 2034, and net interest could account for as much as 23% of spending growth.

Interest, Social Security, & Health Responsible for 87% of Spending Growth

Share of Nominal Spending Growth, 2024-2034



Source: The Kobeissi Letter, CBO

Chart #6

Chinese equities have never been so cheap compared to US equities

When we talk about the relative valuation of equities (i.e. the valuation multiple of one stock market compared with another), there are what we might call 'cheap' equities and others that are 'very cheap'.

If we look at the 12-month expected price/earnings multiple, the MSCI index of Chinese equities is currently trading at a 40% discount to the S&P 500 index of US equities. This ratio is now two standard deviations below the historical average.

Will this discount be enough to bring international investors back to Chinese stocks? Probably not in the short term. With two months to go before the US elections, the research department of investment bank JP Morgan has decided to stop covering Chinese equities.



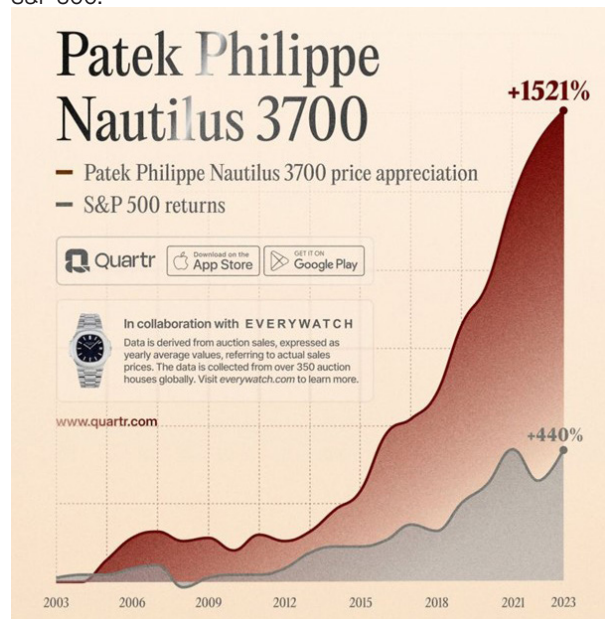
Source: David Ingles, Bloomberg

Chart #7

The mind-boggling rise in price of a Patek Nautilus

“You will never completely own a Patek Philippe. You will just be its guardian for future generations”, says the motto of the family-owned brand.

Over the past twenty years, the resale value of Patek Philippe’s iconic Nautilus 3700 has increased by more than 1,500% since 2003, far outstripping the performance of the S&P 500.



Source: Quartz

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