



## Quarterly Market Recap

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Winter  
2023

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**Phillip T. Anderson** MBA  
Associate Vice President - Investments  
Financial Consultant

### On the “Magnificent Seven” and market concentration

So far in 2023, U.S. stocks have staged a solid bounce following 2022 that was negative for nearly all major asset classes (with the notable exception of oil & gas stocks and energy-related commodities). However, compared to history, a huge portion of the gains are attributable to just a handful of technology-related stocks, many of which have direct or indirect connections to the burgeoning Artificial Intelligence or “AI” revolution.

The media has come up with a nickname for the seven largest companies in the S&P 500 – dubbing them the “Magnificent Seven” earlier this year. Those of you who have been following financial news for the past few years may remember a similar phenomenon from 2017 and 2019 when a group of market leaders (which included four of the current seven stocks) were dubbed the “FAANG” stocks.

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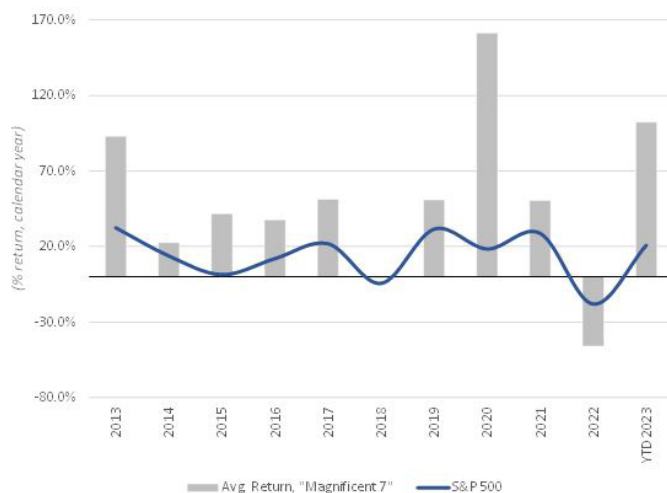
## Quarterly Recap continued

The practical impact of all of this is that at least for the time being, is that it skews investor expectations and can make it very difficult for the market to overcome a poor year among these large technology companies. You need look no further than 2022 when the stock in these seven companies declined by an average of 46%, and the S&P 500 lost 18.1%, despite decent performances from many of the smaller companies in the index. What has shifted over the past decade is the influence that mega companies have over the index as a whole. The concentration among the seven largest stocks has risen from the 14-16% range a decade ago to roughly 29% of the S&P 500 today. Not only do they exert an outsized influence on the market, but these companies are also more volatile than the S&P 500 in general, sporting an average “beta” to the market of 1.23. Beta, for those who are unfamiliar, is essentially a measure of how much more or less a stock typically moves than the market as a whole, and a beta of 1.23 means that these stocks, on average, move 1.23% for every 1% the S&P 500 moves.

So how have these megacaps influenced the markets during 2023? According to data from FactSet, through the end of November, they had returned a weighted average of 82% return, versus 20.8% for the S&P 500 and only 6% for the remaining 493 companies in the Index. This type of contribution isn’t a new phenomenon either – since 2013, there has only been one year when this basket of stocks was closer to a “flat” return than the market in 2018. In every other year, these stocks have either been up more in an “up year” or down more in a “down year.” We want to be clear – this is not an endorsement of these companies. As a recent piece from Renaissance Investment Management<sup>1</sup>

points out, after a “concentrated” period like the one we are currently in from 1995-1999, the S&P 500 went through a six-year period in which the equal weight version of the index (which assigns small companies the same weight as larger ones), outperformed from 2000-2005.

Relationship Between the S&P 500 and the “Magnificent 7”



Source: FactSet, Compustat

1 – Renaissance Investment Management, “The Magnificent Seven”, published October 20, 2023. The Magnificent Seven - AMG Funds

\* Past performance is not an indication of future results. An index is not managed and is unavailable for direct investments.



James E. Mayer, Jr., C(k)P, CRPS

The systems you design today will dictate what kind of year you will have in 2024.

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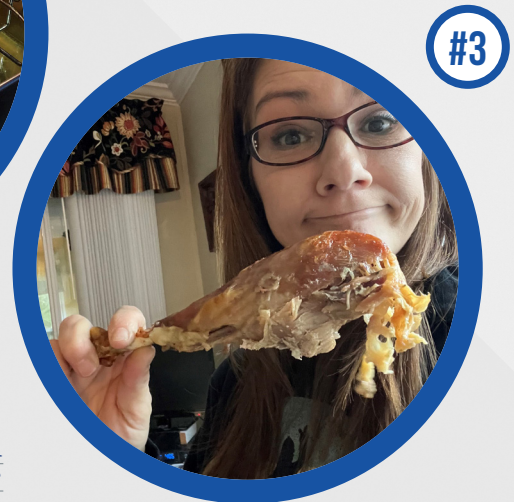
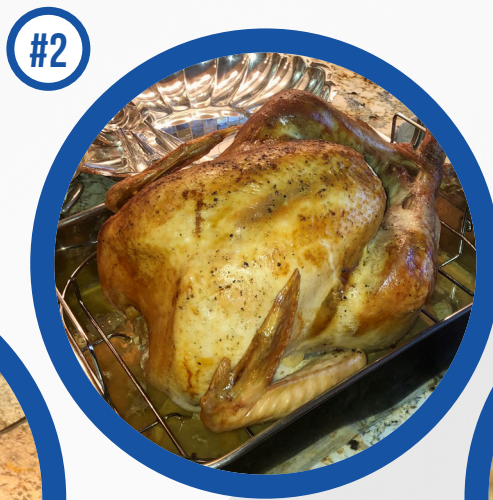
**“We use the 4th quarter to plan our systems for next year!”**

All the ideas I get from Facebook, LinkedIn, conferences, podcasts, books, and other advisors gets put on a list and discussed in the 4th quarter.

Our entire team shares their thoughts and then we build the system for the next year. How do you plan for the new year?

*Let's Play*

# GUESSES WHO'S TURKEY!



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***“We should just be thankful for being together. I think that’s what they mean by Thanksgiving, Charlie Brown.”***

**- Marcie, A Charlie Brown Thanksgiving**

# THANKSGIVING



**James E. Mayer, Jr.** CRPS® C(k)P® **Managing Director - Branch Manager**

I am so thankful my family convinced me to attend some plays and a Taylor Swift concert.  
I am also even more thankful my family attended it with me.  
Without them, my life would be a Blank Space.



**Rachel Dominessy** Registered Client Associate



Things I'm thankful for...

We were Thankful we left the Ohio weather behind and headed to sunny FL...

Thankful for that our auto insurance covers hit & runs!!  
(All parties involved were unharmed)

Thankful I didn't have to cook the turkey!!

Thankful for the clues in the Escape Room!!  
(Otherwise, we'd still be locked in!!)



Thankful my family humored me by posing for a picture with Bucc-ee!!

And let's all be thankful that I am not president!!



# REFLECTIONS

OUR TEAM'S THANKFUL TESTIMONIES

**Phillip T. Anderson** <sup>MBA</sup> Associate Vice President - Investments  
Financial Consultant



I'm thankful for my friends, family, and the great group of people that I work with.

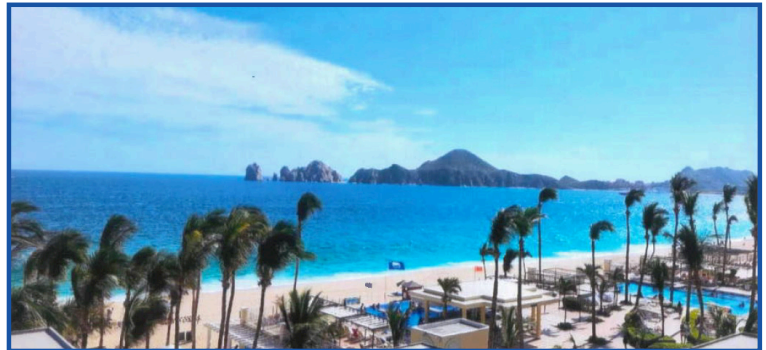


**Donna Hassett** Senior Client Associate - Assistant Vice President

This year, my husband & I are so thankful for the opportunity to take two awesome vacations with family & friends.

Our first vacation was an Alaskan Cruise, and our second vacation was to Cabo San Lucas, Mexico, to celebrate our daughter's 30th birthday.

Both trips were truly unforgettable, and we made some great lifetime memories. We are thankful we could enjoy some of our world's spectacular views this year!



**Margie Gilliland** Senior Registered Client Associate - Vice President



I am thankful that we have a new Steeler fan in the family and that, because of all the technology in the world, I get to talk to my granddaughter on a regular basis. I am also thankful for the rest of my family and all my friends.



# THANKSGIVING REFLECTIONS (Continued)



**Ryan Richards** <sup>AAMS™</sup>

Financial Consultant  
Associate Vice President - Investment Officer

I am thankful for my newborn daughter Palmer. She will bring so much joy to our family for a lifetime to come.



**Daniel M. Huffman** <sup>CFP®</sup>

Managing Director - Investment Officer



I am thankful for my newest Grandson, Jonathan Tytan.



**Thomas J. Gilliland** Client Associate

I am thankful to have traveled to New Orleans for the first time. It was an experience of a lifetime. I am thankful to be able to see our Tennessee family this holiday season.

## Your Future Self

"What would you tell yourself in the Future?"  
I ate better so you would be healthier.  
I saved more so you would be financially secure.  
I built plans for the future.  
We don't often think about how what we do today impacts our Future Self!  
Our latest Sunday video discusses this topic.  
We hope you enjoy it.



Follow Us!



Scan Above  
To Watch!



## WHEN CAN I RETIRE?

## HOW MUCH DO I NEED TO RETIRE?

## WHO DO I TALK TO ABOUT PLANNING MY RETIREMENT?

Commonly we get asked questions about retirement, Social Security, or even concerns with various media topics and their affects on the markets.

If you have any questions, concerns or would like second opinion, we offer a "20 MINUTE ASK ME ANYTHING" session for you or someone you may know.



Scan the QR Code if you are interested in scheduling a time!

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