

A Big Week for the Mega-cap Stocks

It was a big week for the stock market.



We mean that figuratively more so than literally given that the mega-cap stocks dominated this week's trading action. Their influence was plain to see in the outperformance of the market cap-weighted S&P 500 (+1.0%) versus the equal-weighted S&P 500 (-1.3%).

Led by the likes of Apple (AAPL), NVIDIA (NVDA), Microsoft (MSFT), Tesla (TSLA), Amazon.com (AMZN), and the usual cohort, the Vanguard Mega-Cap Growth ETF (MGK) surged 3.7% this week. It drew some energy from an AI trade that was ignited by Salesforce's (CRM) encouraging outlook for its Agentforce AI system for enterprises.

Separately, it was a momentous week for Bitcoin, which topped \$100,000 for the first time ever on Thursday. The stock market took notice of that move (how could it not?) but, notably, it did not see an animal spirits trade in its

wake. Stocks languished on Thursday, albeit after a run that saw the S&P 500 score 11 gains in 12 sessions and set several new record highs in the process.

The latter point notwithstanding, this was not a week accented with broad-based buying interest. The broader market took a backseat to the mega-cap trade and gave in to some consolidation activity.

There were only three S&P 500 sectors that finished higher this week. The upside for the market is that they carried a lot of weight and registered big gains. The consumer discretionary sector (+5.9%) led the charge followed by communication services (+4.1%), and information technology (+3.4%).

The other eight sectors had a tough go of it. The consumer staples sector, which declined 0.8%, lost the least amount of ground. Otherwise, losses ranged from 1.8% (financials) to 4.6% (energy).

Similarly, while the market cap-weighted S&P 500 gained 1.0% (rounding up), the Russell 2000 declined 1.1% and the S&P Midcap 400 Index fell 1.0%.

On a brighter note, the S&P 500 and Nasdaq Composite both finished the week at record closing highs, holding their bullish disposition after a November employment report that was neither too hot nor too cold. In effect, it was just right for the soft landing/no landing view that left the market hopeful about continued earnings growth and another rate cut at the December 17-18 FOMC meeting.

Treasuries also had another winning week. The 2-year note yield fell six basis points this week to 4.10% while the 10-year note yield dropped three basis points to 4.15%.

- Nasdaq Composite: +3.3% for the week / +32.3% YTD
- S&P 500: +1.0% for the week / +27.7% YTD
- S&P Midcap 400: -1.0% for the week / +19.8% YTD
- Russell 2000: -1.1% for the week / +18.8% YTD
- Dow Jones Industrial Average: -0.6% for the week / +18.4% YTD

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