

Mega-Cap Excellence

After snapping a lengthy winning streak last week, the market returned to its winning ways, and by “market,” we mean the mega-cap stocks. The Vanguard Mega Cap Growth ETF (MGK) rose 2.2%, while the Invesco S&P 500 Equal Weight ETF (RSP) fell 1.2%. fell 1.0%.



The S&P 500 (+0.3%) and Nasdaq Composite (+1.2%), which have more exposure to mega-cap growth, set record closing highs this week. The Dow Jones Industrial Average (-1.4%) and Russell 2000 (-2.9%), which are more exposed to cyclical names, ended the week with 1% and 3% declines, respectively.

The broader market was slowed down by lingering growth concerns after Walmart (WMT) and Target (TGT) said they will absorb inflation pressures to keep prices down, Cisco (CSCO) issued a revenue warning due to ongoing supply issues, and Austria reimposed a COVID lockdown.

In turn, Treasuries pushed higher in a flight-to-safety trade, and oil prices fell 6% amid expectations for softer demand and potentially

increased supply if countries tap into their oil reserves. The 10-yr yield declined four basis points to 1.54%. The U.S. Dollar Index rose 1.0% to 96.03.

From a sector perspective, the consumer discretionary (+3.8%) information technology (+2.4%), and utilities (+0.9%) sectors were the only sectors that closed higher. The energy (-5.2%), financials (-2.8%), materials (-2.0%), and industrials (-1.2%) sectors fell noticeably.

The economic data, meanwhile, was encouraging. Retail sales for October, industrial production and capacity utilization for October, the NAHB Housing Market Index for November, and the Philadelphia Fed Index for November were each better than expected. Weekly jobless claims also showed continued improvement.

In addition, President Biden signed the \$1.2 trillion bipartisan infrastructure bill, the House passed the \$1.75 trillion Build Back Better Act, and a CDC advisory committee recommended in a unanimous vote for all adults to get COVID-19 booster shots from Pfizer (PFE) or Moderna (MRNA) six months after the second dose.

Nevertheless, investors leaned defensively with the market at record highs and continued to bid up shares of the mega-cap companies for their dependable earnings growth. Notably, NVIDIA (NVDA) rose 8.5% after providing pleasing earnings results and guidance.

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