

How Nvidia Became “The Most Important Stock in the World”

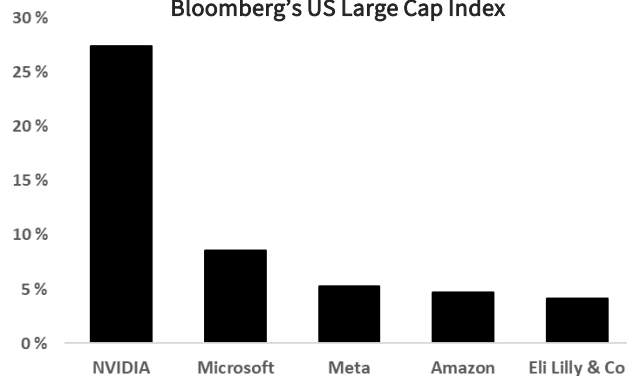
Since the beginning of May, Nvidia’s stock has appreciated 42%. Such a two-month move in a stock is not in itself unusual. However, this level of stock appreciation is unusual for a company that entered May as the U.S.’s third largest company by market capitalization. To put this in perspective, Nvidia’s two-month increase in market capitalization adds up to over \$900 billion, equaling the market capitalization of Walmart and Home Depot combined.

More importantly for investors, the fortunes of Nvidia are having an unusually determinative effect on the U.S. stock market at large. With its current market cap of \$3.2 trillion, Nvidia represents 6% of the combined market cap of the U.S.’s largest 500 publicly traded companies (as measured by Bloomberg’s U.S. Large Cap Index). Its large index weight, and its status as the economy’s artificial-intelligence bellwether, led Goldman Sachs earlier this year to deem Nvidia “the most important stock in the world.”

While that might seem hyperbolic, Nvidia has undoubtedly proven itself as the most important stock for market-cap weighted, large-cap stock indices and those invested in passive strategies benchmarked to them. Year-to-date, those strategies have returned about 15%. Nvidia alone has contributed over 1/4 of those returns. Future returns of these strategies will hinge in large part on the performance of this single stock.

CHART OF THE WEEK

Percent Contribution to Year-to-Date Total Return
Bloomberg’s US Large Cap Index



Source: Bloomberg US Large Cap Total Return Index, as of June 25, 2024.

Equities	Index Returns (%)					
	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.
S&P 500	5469	-0.31	4.44	15.46	27.67	10.18
Russell 1000 Growth	3668	-0.74	8.27	20.62	36.30	11.60
Russell 1000 Value	1723	0.40	-1.91	6.91	16.59	5.42
FTSE High Dividend Yield*	416	-0.02	-1.06	7.95	18.38	7.55
S&P Small and Mid Cap	16153	-0.31	-3.99	3.31	16.11	2.37
MSCI EAFE	2331	0.56	0.46	6.48	14.81	3.21
MSCI EM	1085	0.38	4.84	7.41	12.66	-4.87

* Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Index Characteristics	Index Characteristics				
	NTM P/E	NTM P/E (20Y med)	NTM P/S	NTM P/S (20Y med)	Div. Yld
S&P 500	22.6	16.7	2.9	1.7	1.3
Russell 1000 Growth	30.4	19.8	4.8	2.0	0.7
Russell 1000 Value	16.8	14.9	1.8	1.4	2.2
FTSE High Dividend Yield*	12.8	14.3	1.6	1.6	4.2
S&P Small and Mid Cap	17.0	19.1	1.2	1.2	1.7
MSCI EAFE	14.8	14.7	1.5	1.1	3.0
MSCI EM	13.1	12.6	1.4	1.3	2.6

Fixed Income	Levels					
	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.
U.S. Aggregate	4.90	-0.08	0.81	0.03	3.12	-2.65
U.S. Int. Gov/Credit	4.75	-0.01	0.90	0.75	4.21	-1.02
U.S. Corporates	5.38	-0.13	0.72	0.32	5.64	-2.56
High Yield	7.85	0.17	1.18	2.67	11.44	1.76
Municipals (1-10)	3.38	0.00	-0.27	-0.64	2.45	-0.28

Currencies	Levels			
	Last	1 Wk Ago	Prev YE	3 Yrs Ago
DXY	105.90	105.25	101.33	91.85
\$ per €	1.07	1.07	1.10	1.19
\$ per £	1.27	1.27	1.27	1.39
¥ per \$	160.12	158.09	141.04	110.75

Key Rates	Levels (%)					
	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago
2-yr Treasury	4.74	4.72	4.62	4.25	4.76	0.27
10-yr Treasury	4.25	4.22	4.20	3.88	3.77	1.53
30-yr Treasury	4.38	4.36	4.34	4.03	3.84	2.15
3-mo. LIBOR	5.66	5.61	5.56	5.59	5.53	0.15
6-mo. CD rate	5.37	5.39	5.35	5.28	5.66	0.10
Prime Rate	8.50	8.50	8.50	8.50	8.25	3.25
30-yr fixed mortgage	7.25	7.30	7.25	6.99	7.11	3.13

Commodities	Levels			
	Last	1 Wk Ago	Prev YE	3 Yrs Ago
Oil (WTI)	81.57	80.71	71.69	57.61
Gasoline	3.45	3.46	3.12	3.09
Natural Gas	2.64	2.91	2.51	3.50
Gold	1924	2328	2063	1781
Copper	8350	9647	8464	9388
Wheat	604	582	628	637
BBG Index	239.32	241.82	226.43	197.37

LAST WEEK IN REVIEW

- **Retail Sales(May):** Downside surprise and downward revisions to May. Headline: 0.1%. Ex Auto & Gas: 0.1%.
- **Housing Starts & Permits (May):** Downside surprise. Starts: -5.5% MoM. Permits: -3.8% MoM.
- **Leading Economic Index (May):** -0.5% MoM, continuing trend of negative readings since 2-10 Treasury curve inverted over two years ago.

THIS WEEK

- **New Home Sales(May):** 6/26
- **1Q GDP – Second Revision:** 6/27
- **Durable Goods (May):** 6/27
- **PCE & PCE Price Index (May):** 6/28
- **U. of Mich. Sentiment (June):** 6/28

S & P SECTOR RETURNS

