

# Wealth Management

Ameritas Investment Partners, Inc.

## Market Commentary

Quarter Ended June 30, 2024

### AI and the Iceberg

It has been said that only 10% of an iceberg is visible, while the remaining 90% is submerged under the water. Is that what we're seeing in today's market?

The S&P 500 and Nasdaq notched several all-time highs in June, according to MarketWatch, building on an impressive advance this year.

#### Key Index Returns as of 6/30/2024

	MTD %	YTD %
<b>Dow Jones Industrial Average</b>	1.23	4.79
<b>Nasdaq Composite</b>	6.03	18.57
<b>S&amp;P 500 Index</b>	3.59	15.29
<b>Russell 2000 Index</b>	-0.93	1.73
<b>MSCI World ex-USA*</b>	-1.63	5.36
<b>MSCI Emerging Markets*</b>	4.01	7.68
<b>Bloomberg U.S. Agg Total Return</b>	0.95	-0.71

\*in U.S. dollars

Source: Tamarac

*Indices are unmanaged, do not incur fees or expenses and cannot be invested into directly. The above returns include the impact of both price appreciation (depreciation) and dividends. Equity markets fluctuate in value and smaller companies and foreign investments often are more volatile than larger domestic companies. Past performance is not indicative of future results.*

### What's driving the headlines?

The artificial intelligence (AI) revolution is powering significant gains in technology shares and the S&P 500. Look no further than AI-chipmaker [Nvidia \(NVDA\)](#)<sup>1</sup>, which briefly became the largest publicly traded company in the world last month. [Fortune.com](#)<sup>2</sup> pointed out that shares of the stock accounted for more than one-third of the S&P 500's advance this year (through mid-June).

Here's another interesting factoid. Nvidia accounted for 44% of the rise in the S&P 500 since the end of 2021, according to [The Wall Street Journal](#)<sup>3</sup> (as of June 21).

Why? The S&P 500 Index is a market-capitalization-weighted index. The top three stocks are valued at over \$9 trillion, comprising a significant portion of the S&P 500's value of about [\\$46 trillion](#)<sup>4</sup>.

For additional explanation, look no further than the lesser-known [S&P 500 Top 10 Index](#)<sup>5</sup>, which consists of 10 of the largest S&P 500 companies. It rose nearly 29% in the first half of the year, according to S&P Dow Jones Indexes.

Outside of AI, other catalysts that have fueled this year's advance include:

- Corporate profits that have topped expectations.
- Job growth is solid, the economy is expanding, and the soft-economic landing scenario still appears to be in place.

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We've established that the largest publicly traded companies are, on average, performing admirably. That said, have investors shunned many of the equities that make up the S&P 500 Index in favor of a few firms?

Let's review the S&P 500 Equal Weight Index.

As the name implies, every stock in the index equally contributes to the performance of the index. In this case, it is the S&P 500 Index. The equal weight index is up a respectable but modest 5.07% as of 6/30/24. Notably, the equal-weighted index was off 2.63% in the second quarter versus an advance of 4.28% for the S&P 500 market-cap-weighted index.

What might this mean?

Some market technicians have fretted over the lack of breadth in today's market.

"This Rally Is All About a Few Star Stocks—and Some Investors Are Worried," *The Wall Street Journal*<sup>6</sup> opined.

Here's another one from *Barron's*<sup>7</sup>: "The Stock Market's Rally is Being Driven by a Few Stocks."

But the *WSJ* story was published on June 6, 2023, and the *Barron's* piece hit the wire on April 3, 2023.

The S&P 500 is up nearly 23% over the last year (ending June 28, S&P Dow Jones Indexes).

## Investor's Corner

Over a longer period, the optimists argue that investors are underestimating the economic impact of the AI revolution. The upbeat scenario argues that technology and AI will drive productivity, fueling economic growth just as *millennials*<sup>8</sup> are entering their prime spending years.

We believe the economic fundamentals—the economy and corporate profits—will have the greatest influence on the major indexes in the near and medium term. If the ever-elusive recession materializes later in the year, we'd expect volatility to return.

Attempting to time the market is a tricky business and one we don't recommend. Market pullbacks are inevitable. Know that we are continuously seeking out market opportunities to aid you in reaching your investment goals and objectives.

I trust you have found this review to be informative. If you have any inquiries or wish to discuss other matters, please don't hesitate to contact your financial professional.

As always, we are honored and humbled that you have given us the opportunity to serve you.



Ameritas Investment Partners

<sup>1</sup> Source: investing.com, June 27, 2024, "Truist raises Nvidia stock target: 'Number one can become number one-er'"

[<https://finance.yahoo.com/news/truist-raises-nvidia-stock-target-084819117.html?guccounter=1>]

<sup>2</sup> Source: fortune.com, June 15, 2024, "Nvidia alone accounts for more than a third of the S&P 500's gains this year—and it's a big risk for investors, top economist warns"

[<https://fortune.com/2024/06/15/nvidia-stock-valuation-nvda-sp500-returns-market-capitalization-risk-investors/>]

<sup>3</sup> Source: The Wall Street Journal, June 21, 2024, "Stock Market News, June 21, 2024: S&P 500 Books Third Straight Weekly Gain"

[<https://www.wsj.com/livecoverage/stock-market-today-dow-sp500-nasdaq-live-06-21-2024/card/streetwise-forget-the-s-p-500-it-s-nvidia-versus-the-rest-F07mhAHfH17aVWwpyyQH>]

<sup>4</sup> Source: Slickcharts, "Total S&P 500 Market Capitalization" [<https://www.slickcharts.com/sp500/marketcap>]

<sup>5</sup> Source: S&P Dow Jones Indices, "S&P 500 Top 10 Index"  
[<https://www.spglobal.com/spdji/en/indices/equity/sp-500-top-10-index/#overview>]

<sup>6</sup> Source: The Wall Street Journal, June 6, 2023, "This Rally Is All About a Few Star Stocks—and Some Investors Are Worried"  
[<https://www.wsj.com/articles/this-rally-is-all-about-a-few-star-stocksand-some-investors-are-worried-b64382e2>]

<sup>7</sup> Source: Barron's, April 6, 2023 "The Stock Market's Rally Is Being Driven by a Few Big Stocks"  
[<https://www.barrons.com/articles/stock-market-rally-apple-tech-9bbb6f11>]

<sup>8</sup> Source: Goldman Sachs, "Millennials Coming of Age"  
[<https://www.goldmansachs.com/intelligence/archive/millennials/>]

**Footnotes:** Total Return includes interest, capital gains, dividends and distributions realized over a given period.

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