

Equity Market Outlook: Tech Bubble 2.0, or No?

Gina Martin Adams, CFA, CMT
Chief Equity Strategist

Bloomberg Intelligence

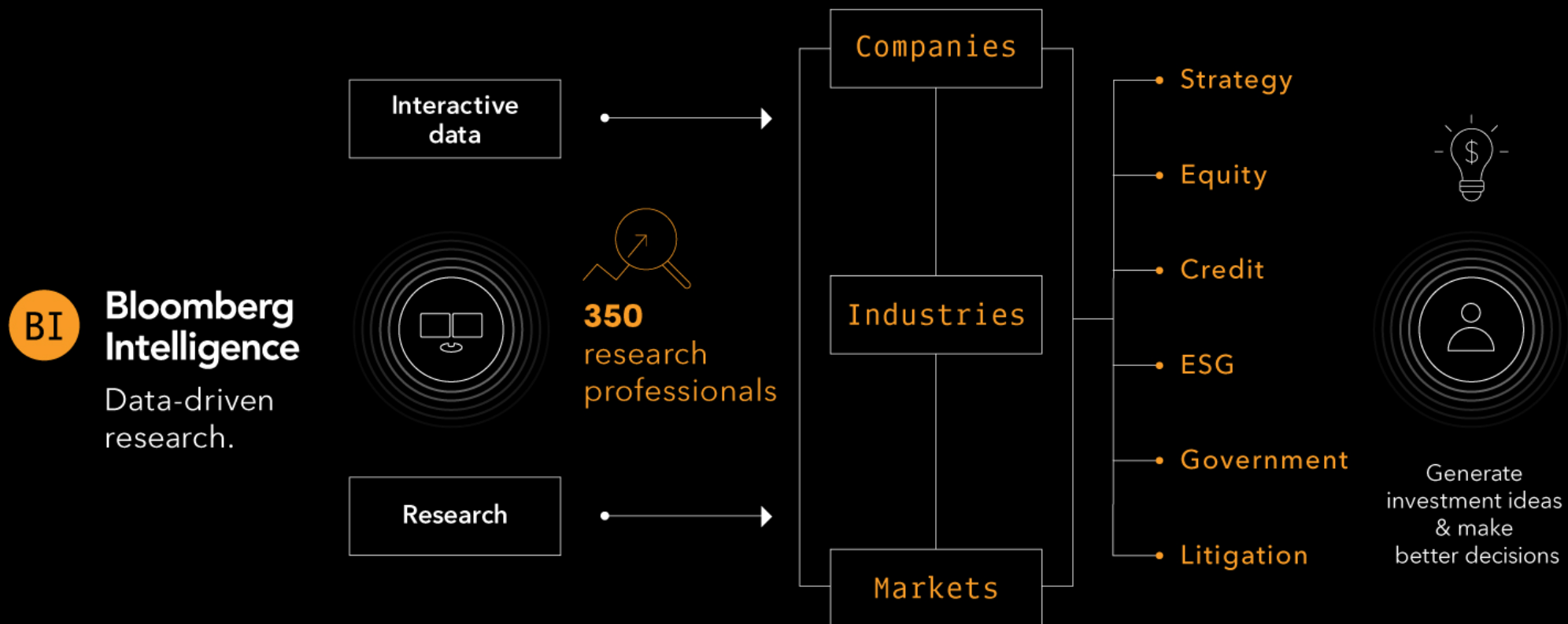
500+
data contributors

135+
industries

2,000+
companies

15yrs
avg. analyst experience

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U.S. Equities

Market Health Checklist

Technicals Mixed, Earnings Underappreciated, Inflation Still the Risk to Watch

Tech Bubble 2.0, or No?

Valuations and Themes Review


Sectors and Small Caps

Rotation Getting Underway or Stalling?

Checklist Shows More Supports than Weaknesses

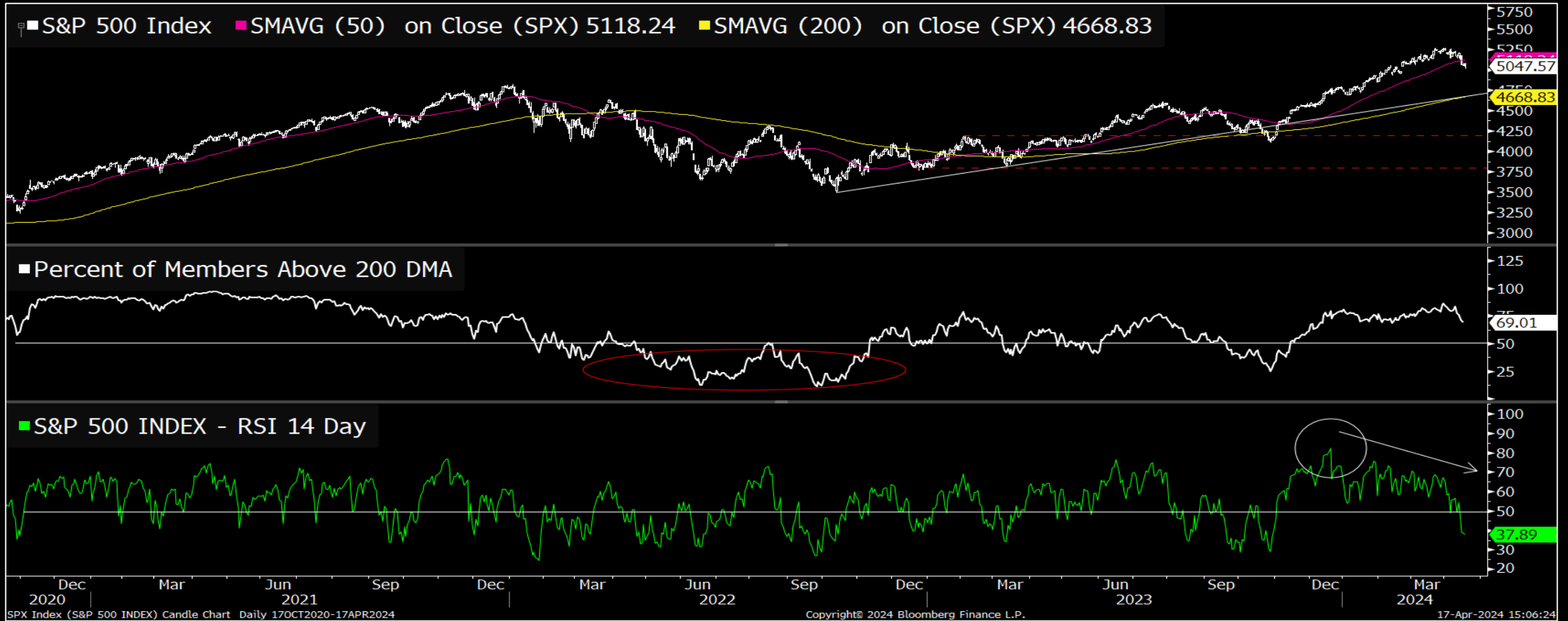
	Technicals	Earnings	Bond & Macro
	BI Market Pulse Index	Relative EPS Growth	High Yield Spreads
	Price Trends	EPS Cycle	Stocks/Bonds Correlation
	Breadth & Momentum	Earnings Breadth	Yield Curve
	Sector Signals	Margin Forecast	BI Economic Regime Model
	Industry Signals	Revision Momentum	Manufacturing PMIs
	Small Cap Technicals		Employment Conditions
Legend:	Favorable	Neutral	Unfavorable

Source: Bloomberg Intelligence

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* Source: Bloomberg Intelligence

Bull Intact, But Momentum Shows Exhaustion



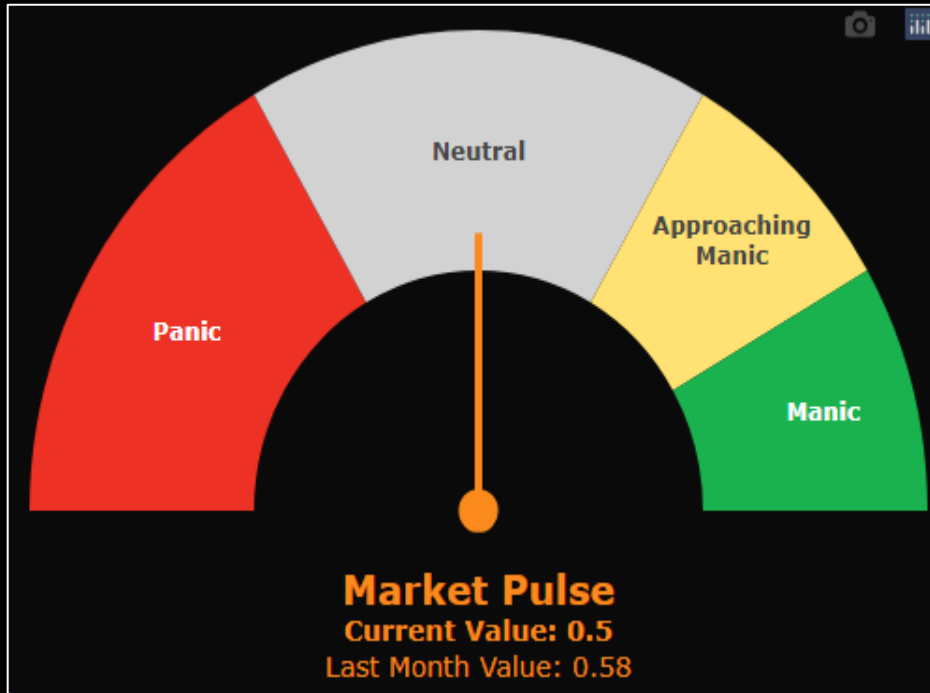
* Source: Bloomberg Intelligence

Leading Industries Turning Down Again

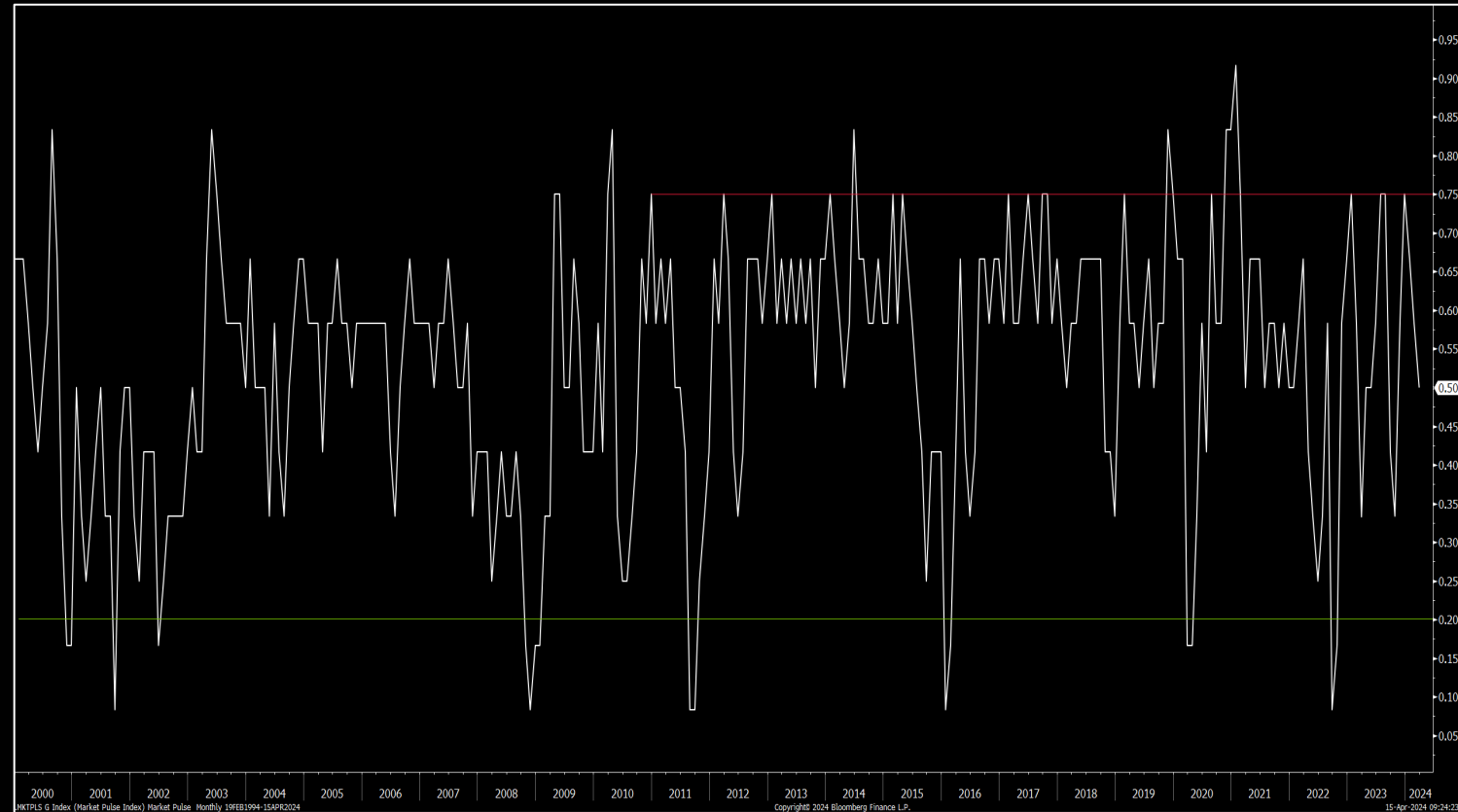


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Market Pulse Sentiment Gauge Neutral

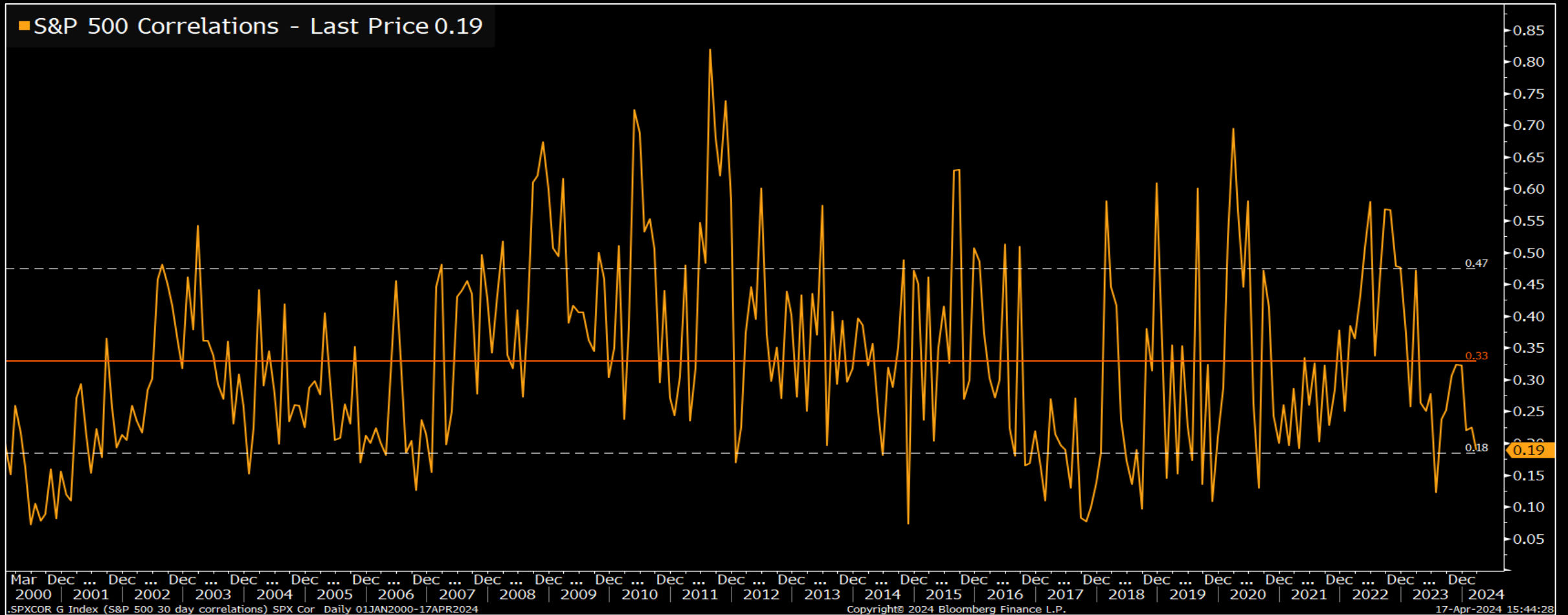


BI Market Pulse Index



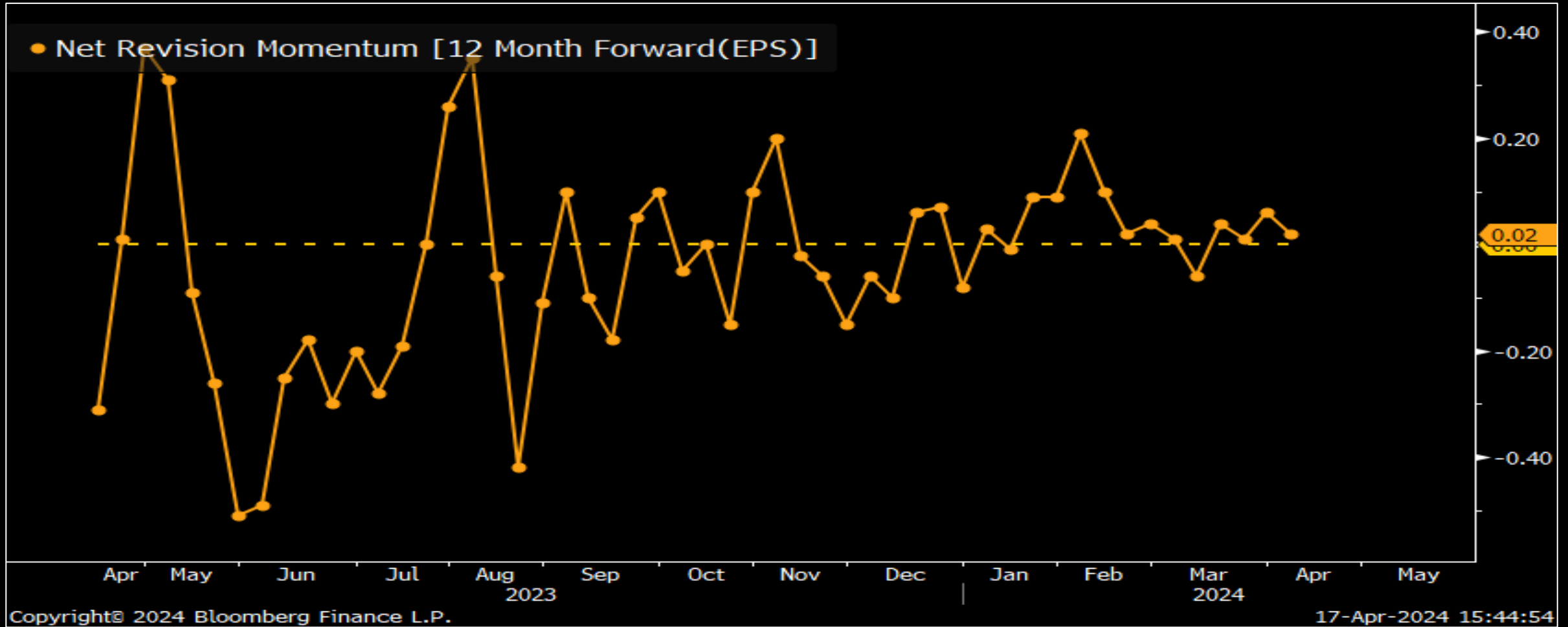
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... But, Pairwise Correlations Very Low After 1Q



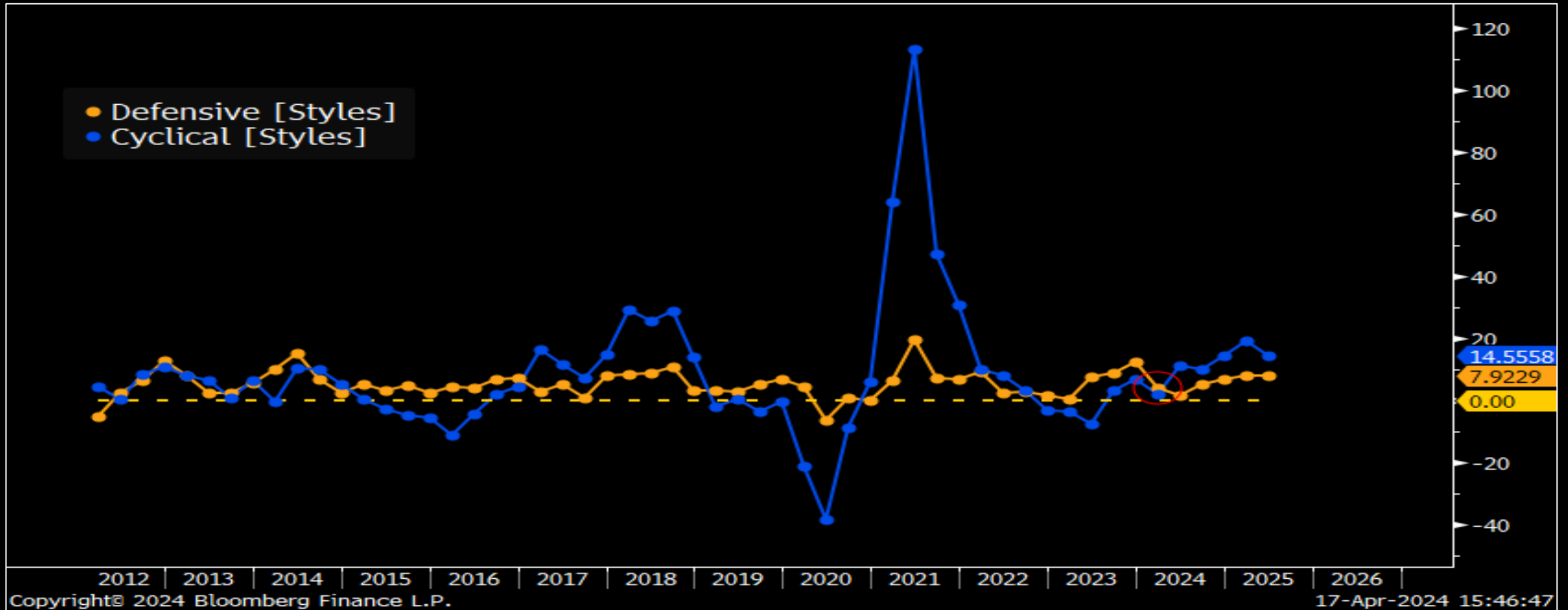
* Source: Bloomberg Intelligence

EPS Trend and Revisions in Recovery



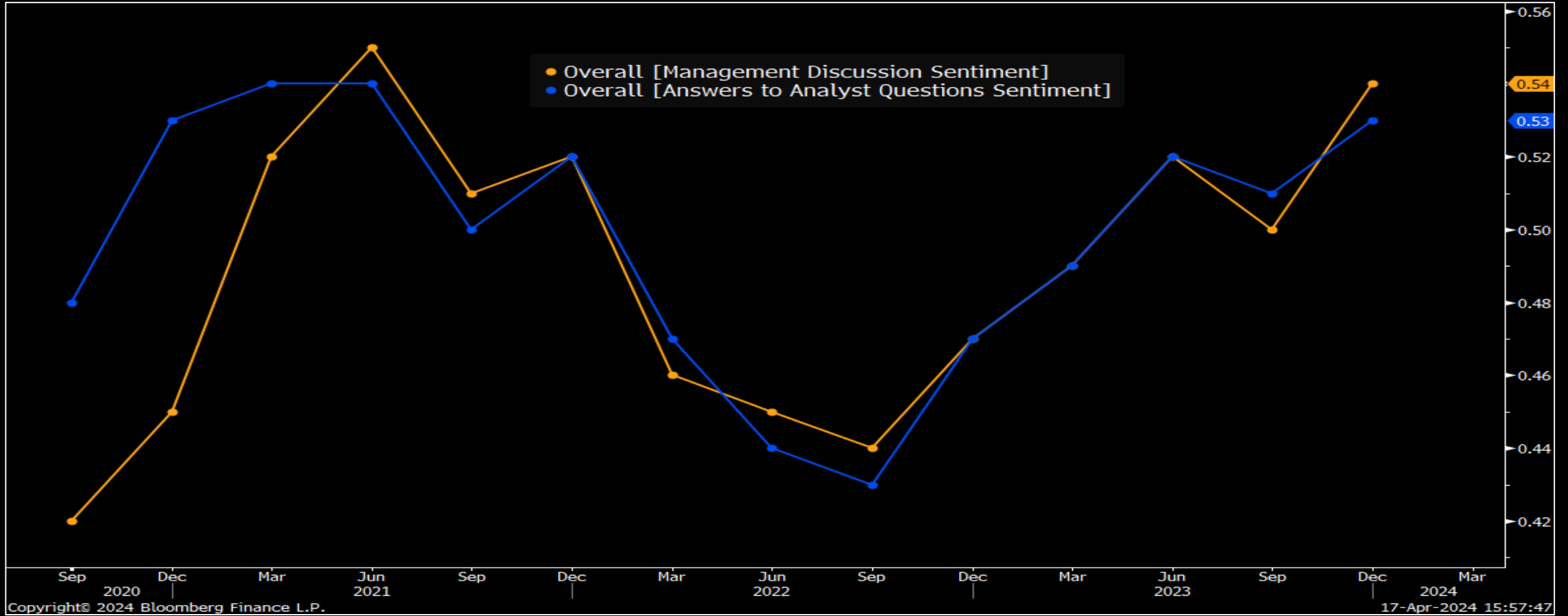
* Source: Bloomberg Intelligence

Earnings Cycle and Breadth Also Better



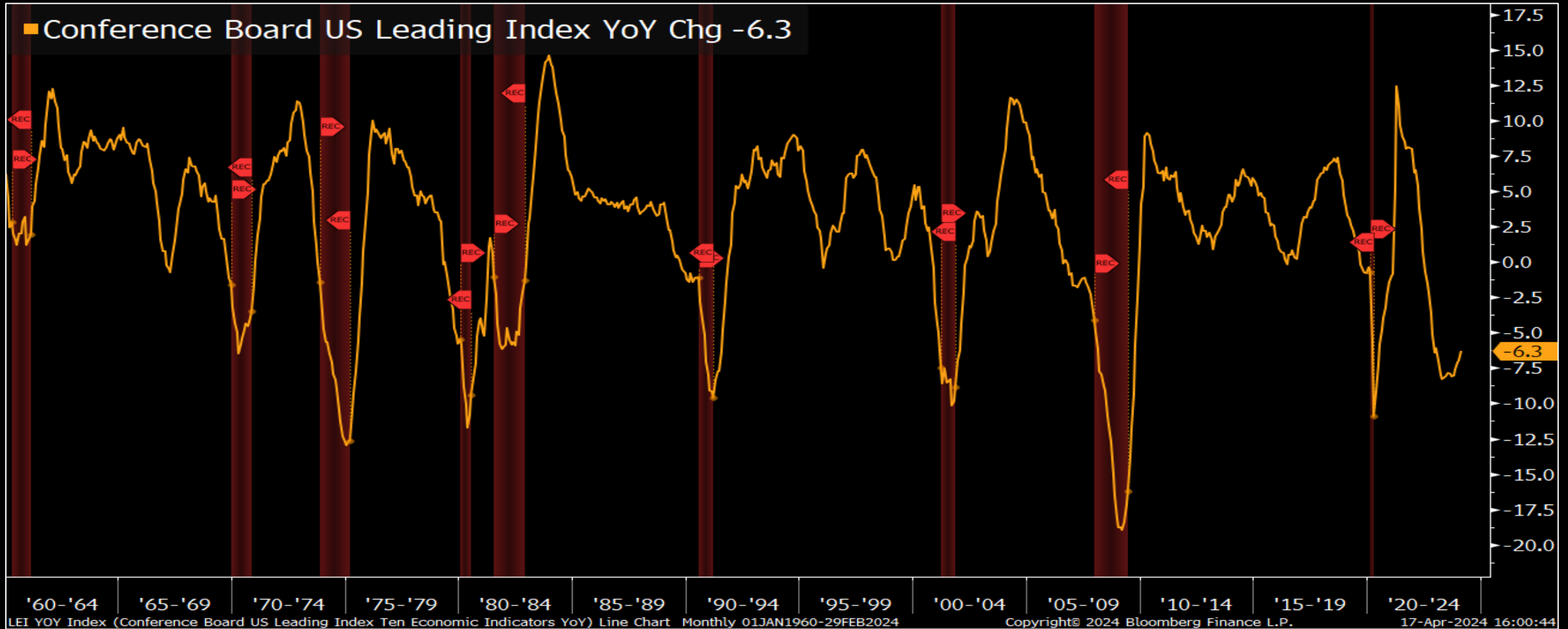
* Source: Bloomberg Intelligence

Transcript Sentiment Springing



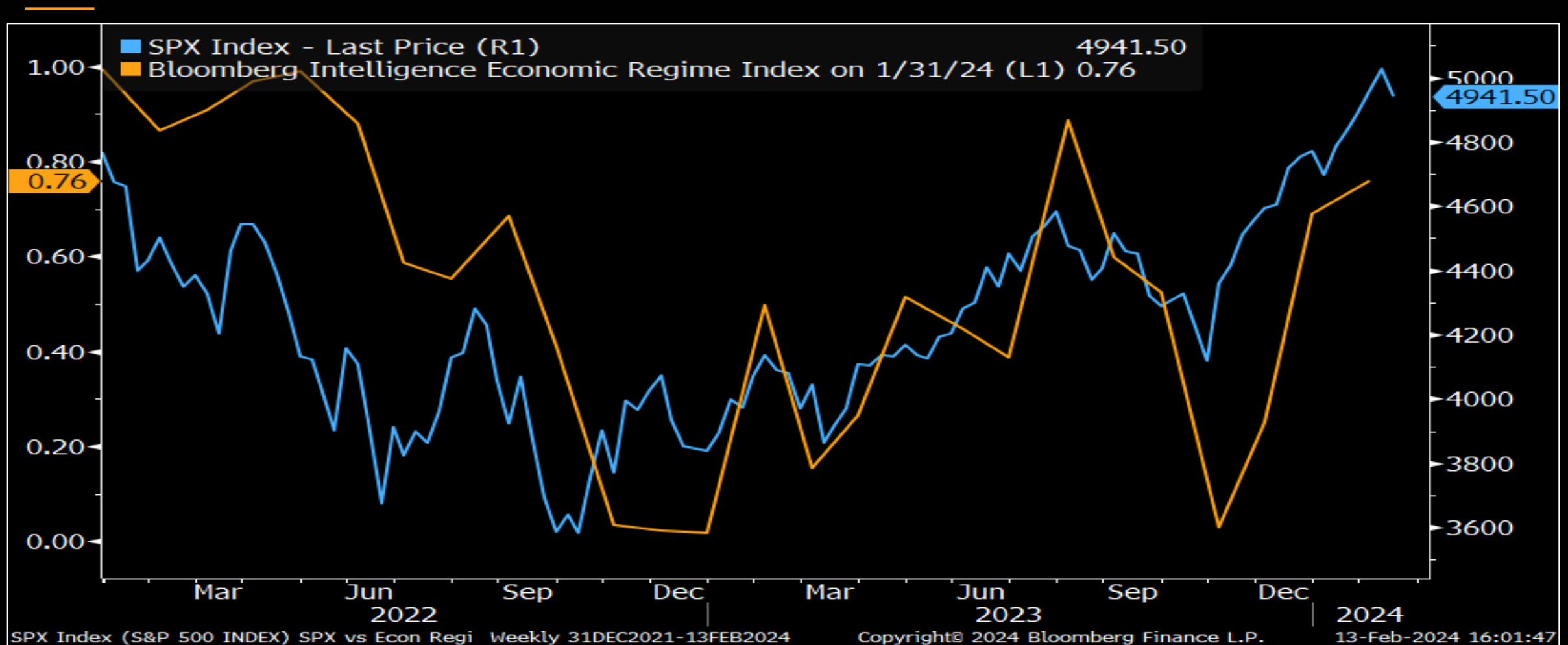
* Source: Bloomberg Intelligence

LEI Indicator Weak Since 2022, But Less Bad in 2024



* Source: Bloomberg Intelligence

Regime Model Says Momentum Rebound After Double Dip



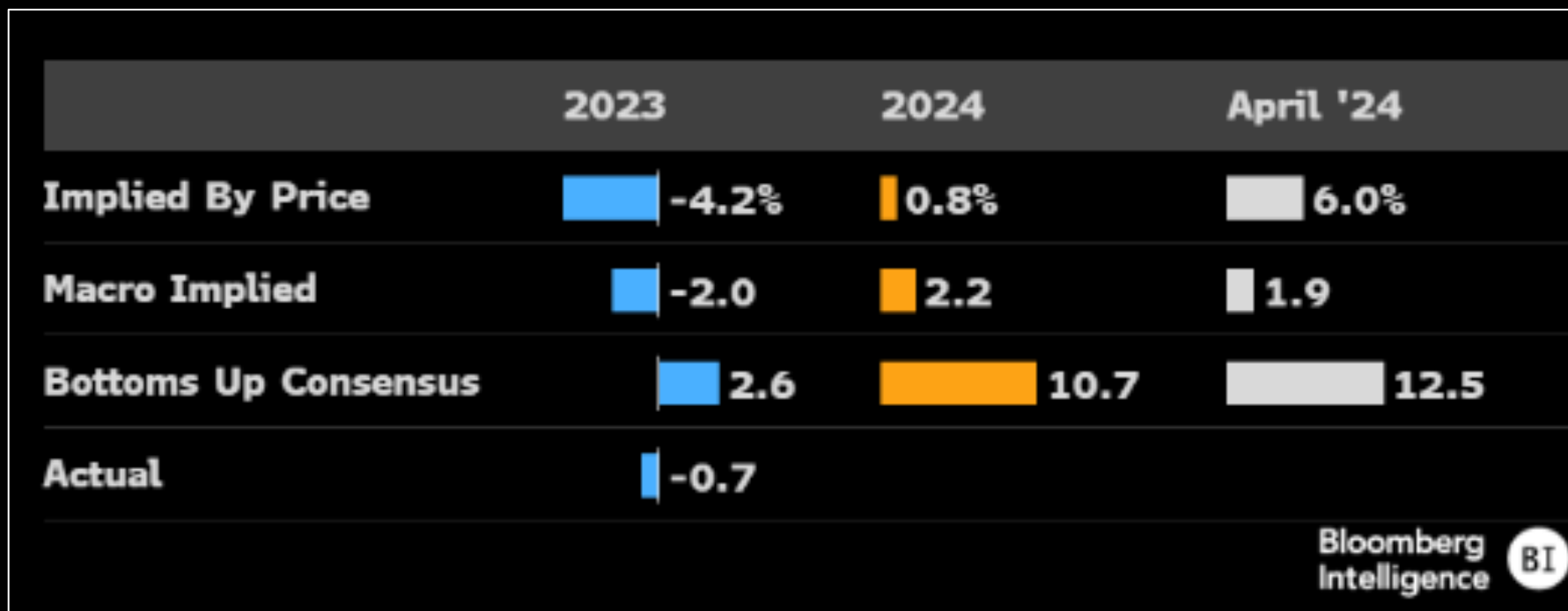
* Source: Bloomberg Intelligence

Big Economic Momentum Loss Hinted at Recovery

Forward S&P 500 Returns After Economic Regime



S&P 500 Implied EPS Growth Still Limited



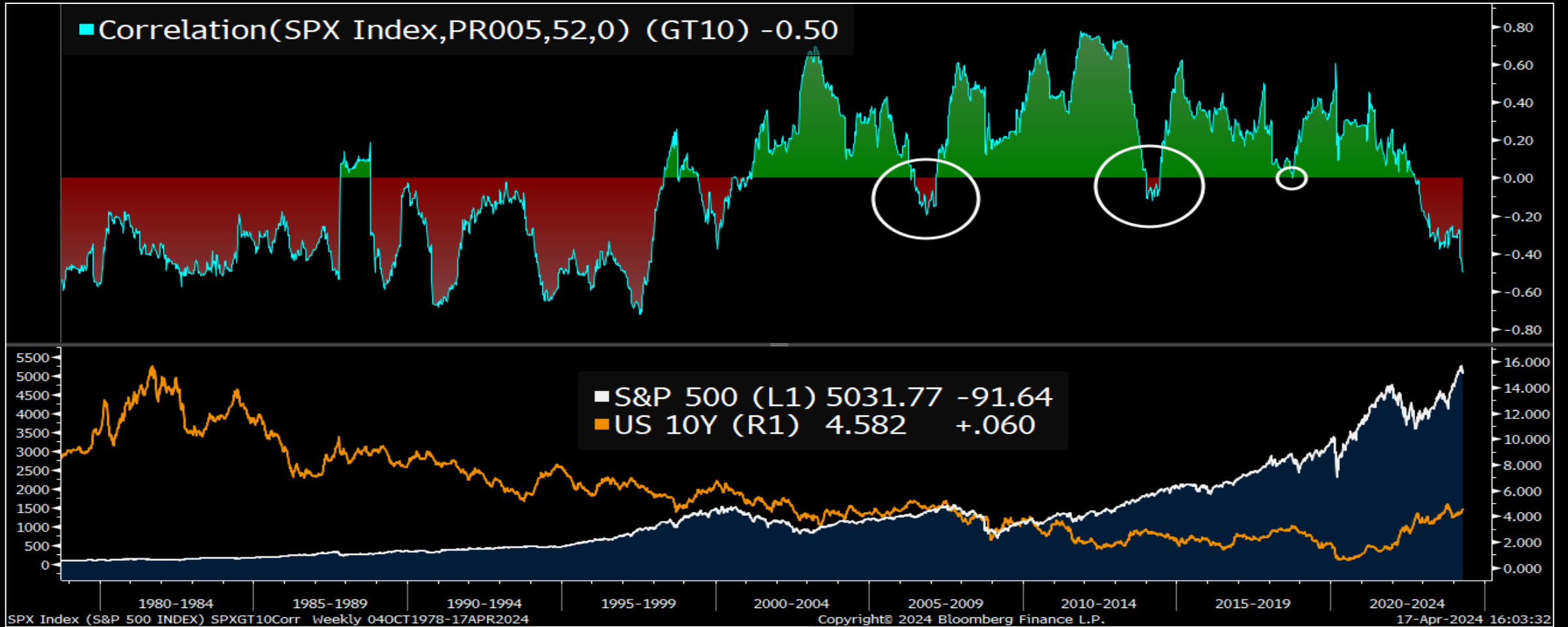
* Source: Bloomberg Intelligence

Growth and Inflation Still Both Expected to Decelerate



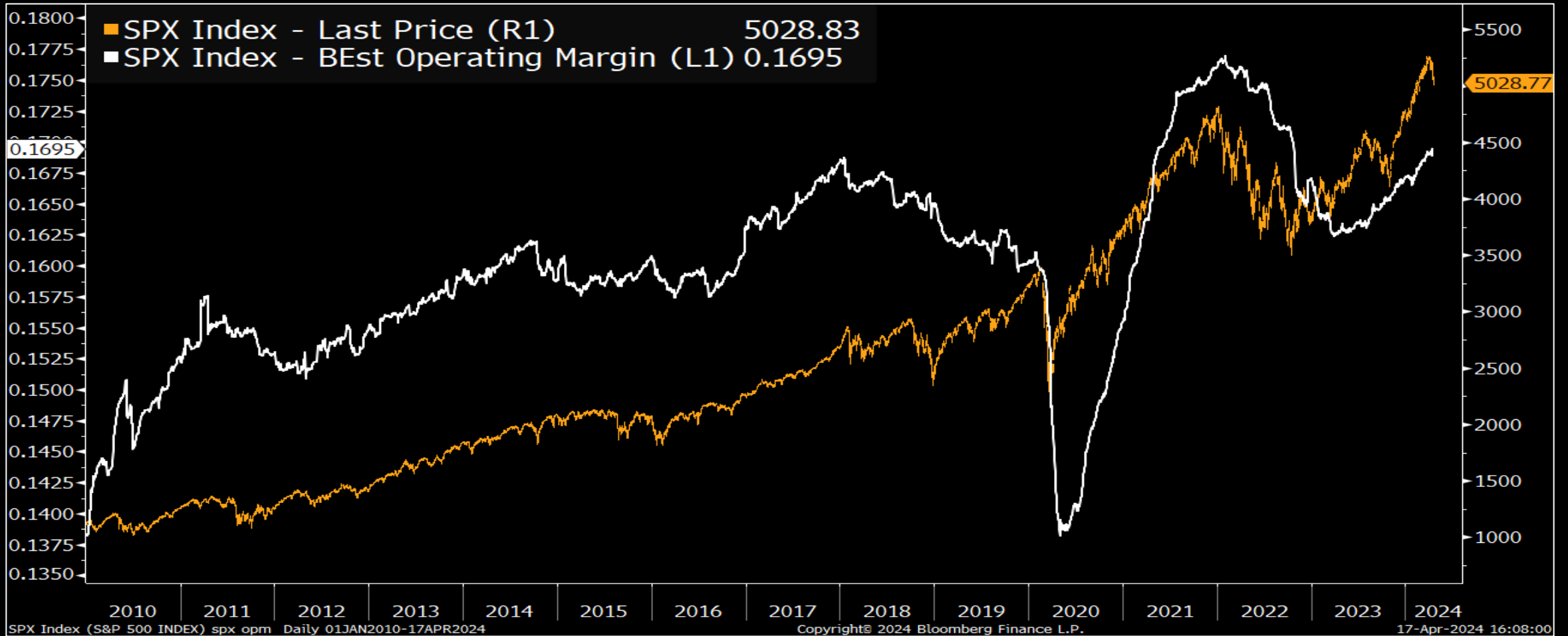
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Stocks/Bond Correlation Suggests Inflation Still the Primary Risk



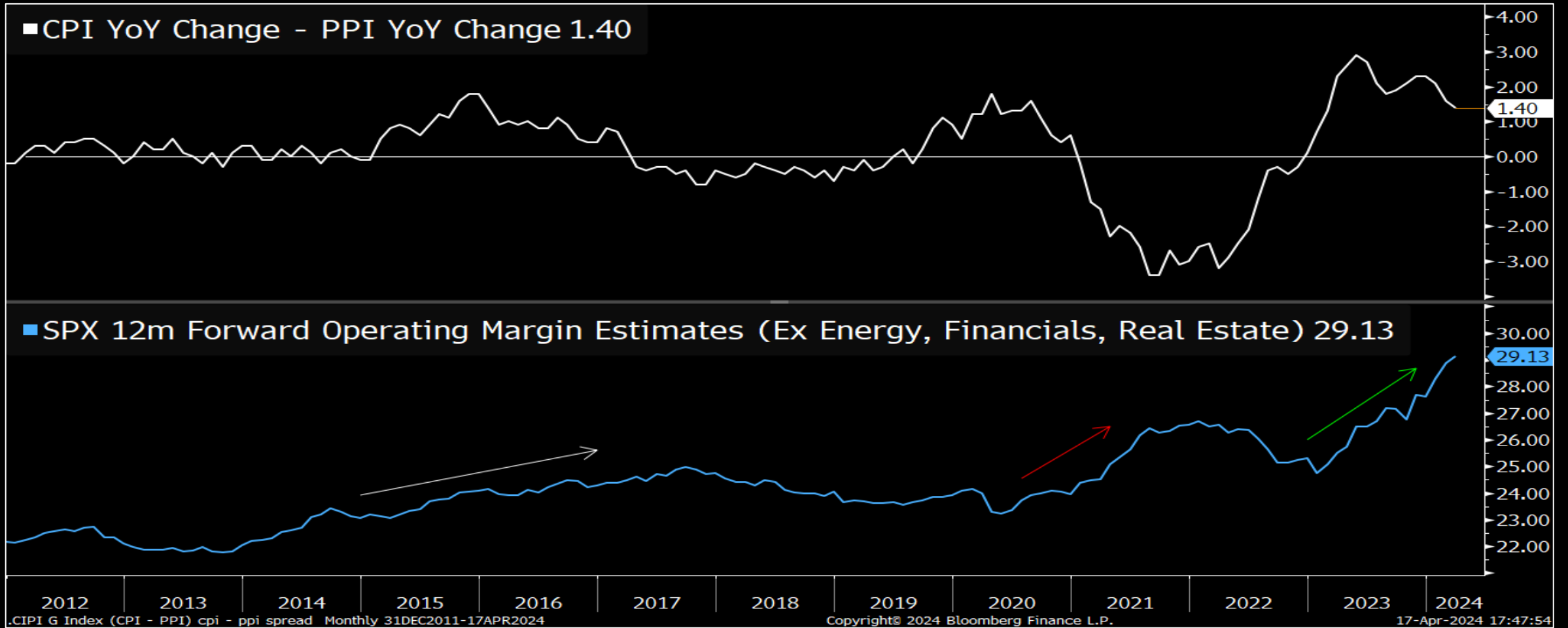
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Inflation Signals for Stocks – Mostly About Margins



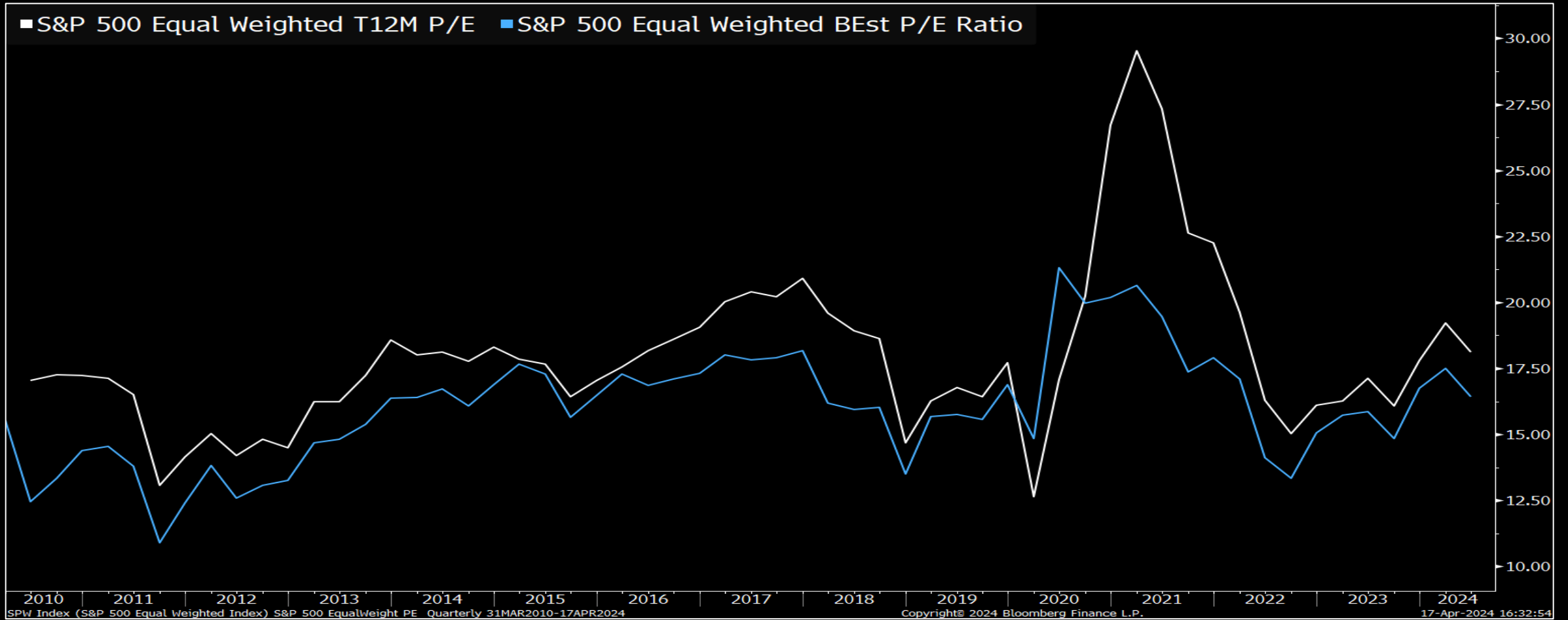
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CPI-PPI and Operating Margins



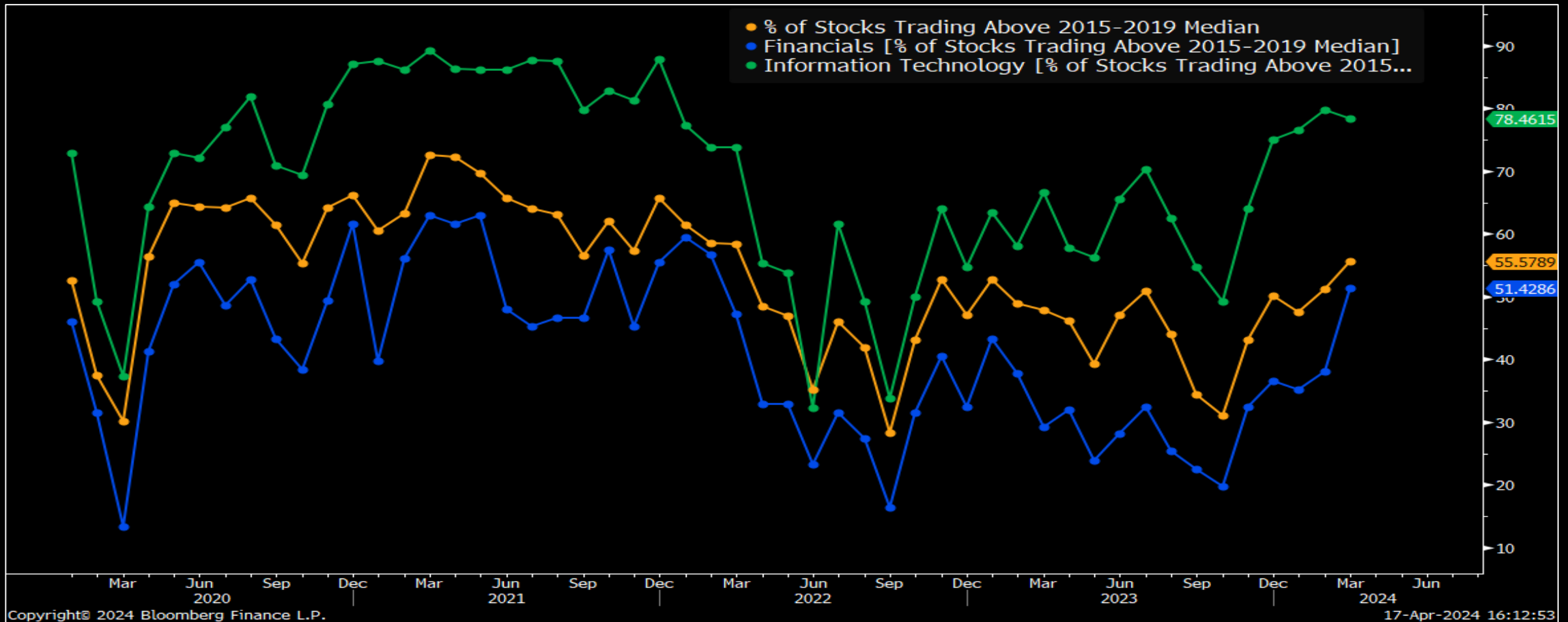
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Valuations a Risk? S&P Equal Weight



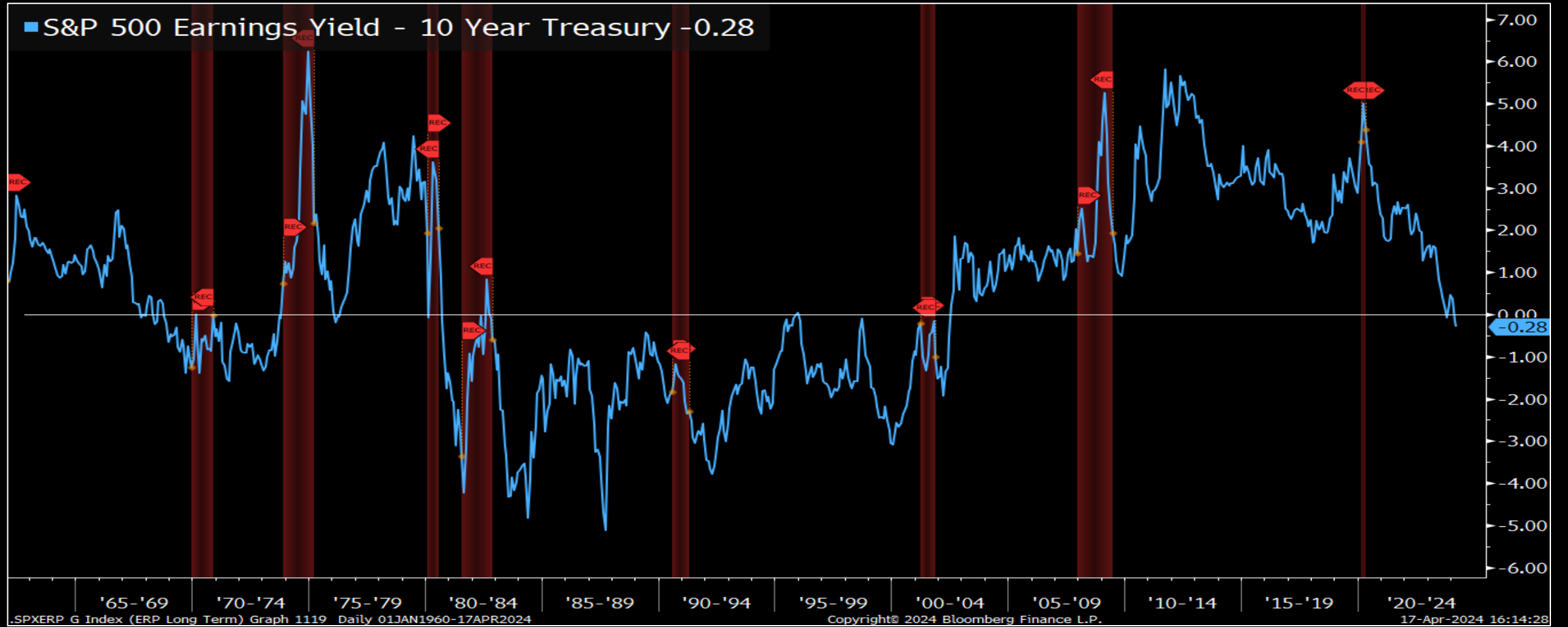
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% of Constituents with Forward P/E > 2015-2019 Median



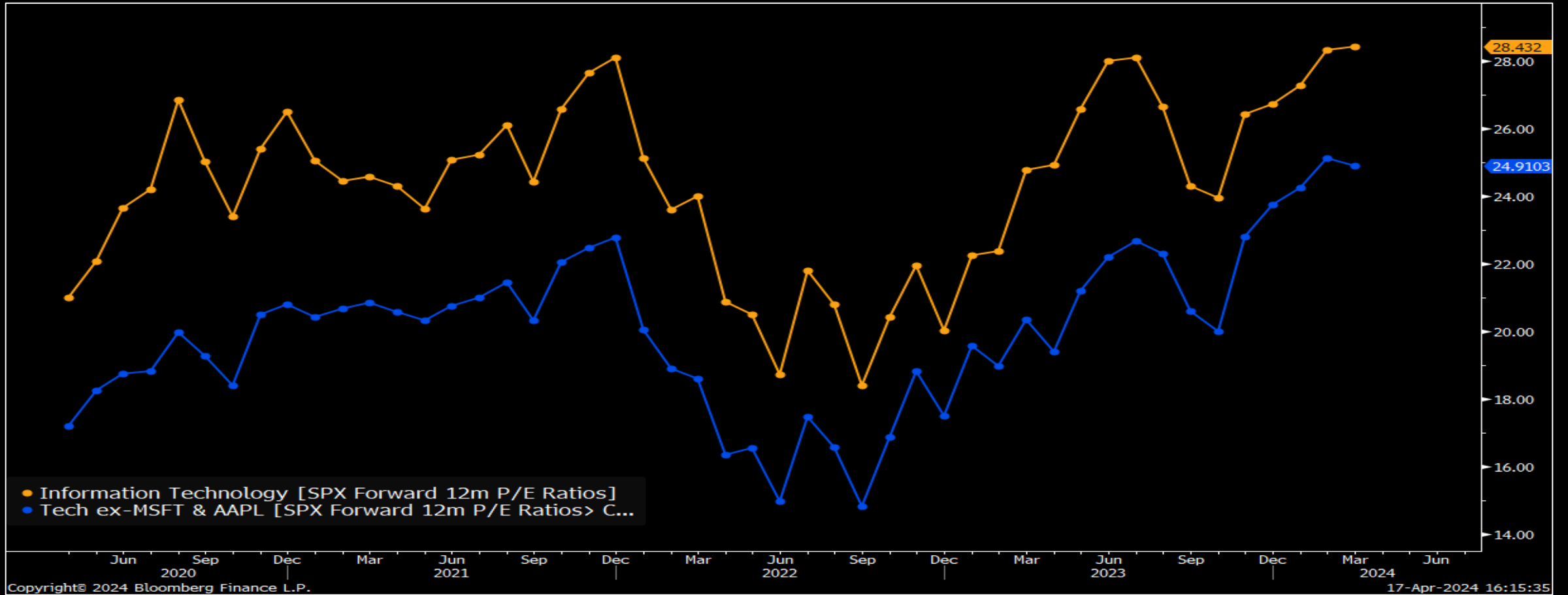
* Source: Bloomberg Intelligence

Earnings Yield Now Flat to Treasury Yield



* Source: Bloomberg Intelligence

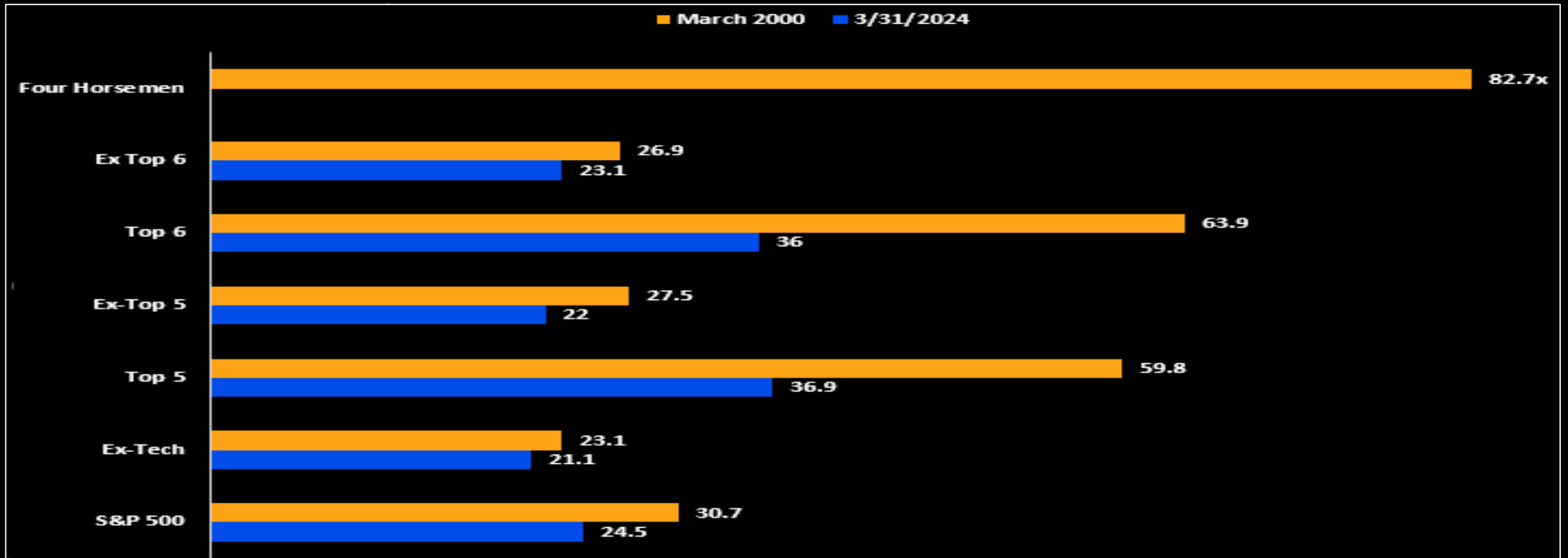
Tech's Not-so-Magic Multiple? 28X



* Source: Bloomberg Intelligence

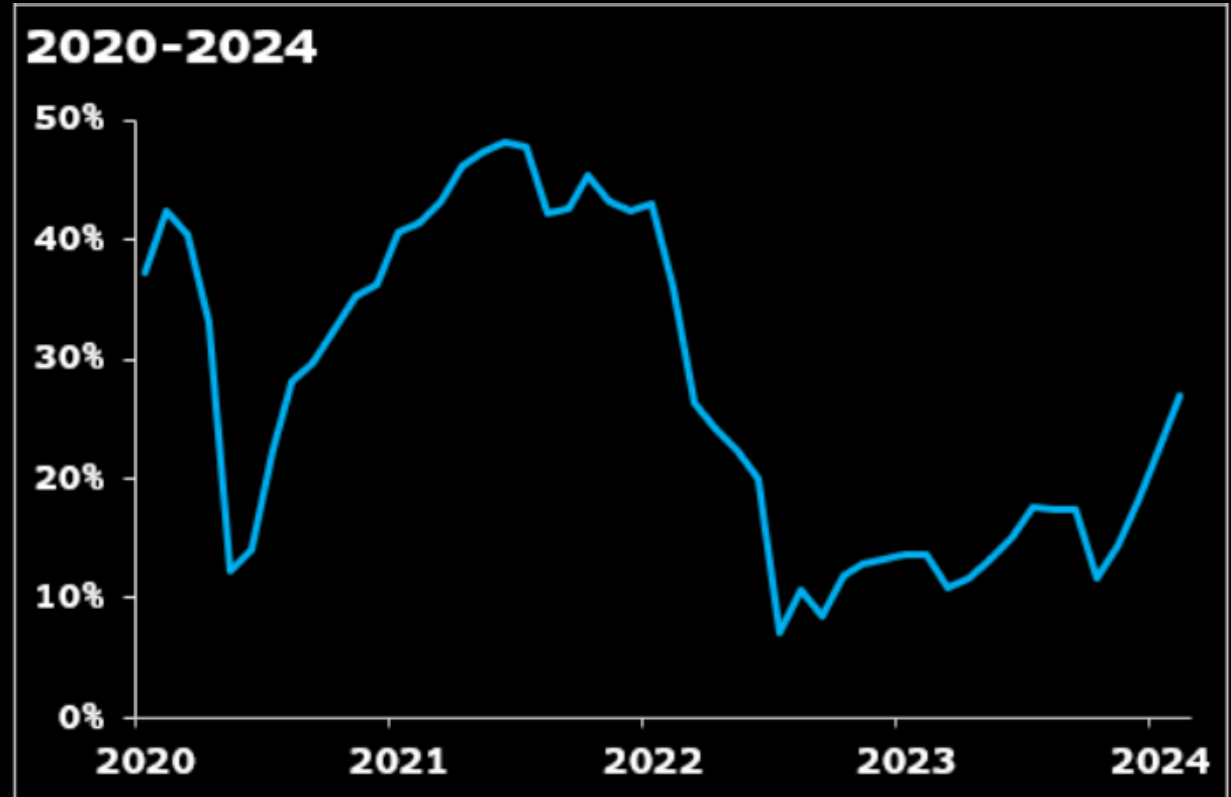
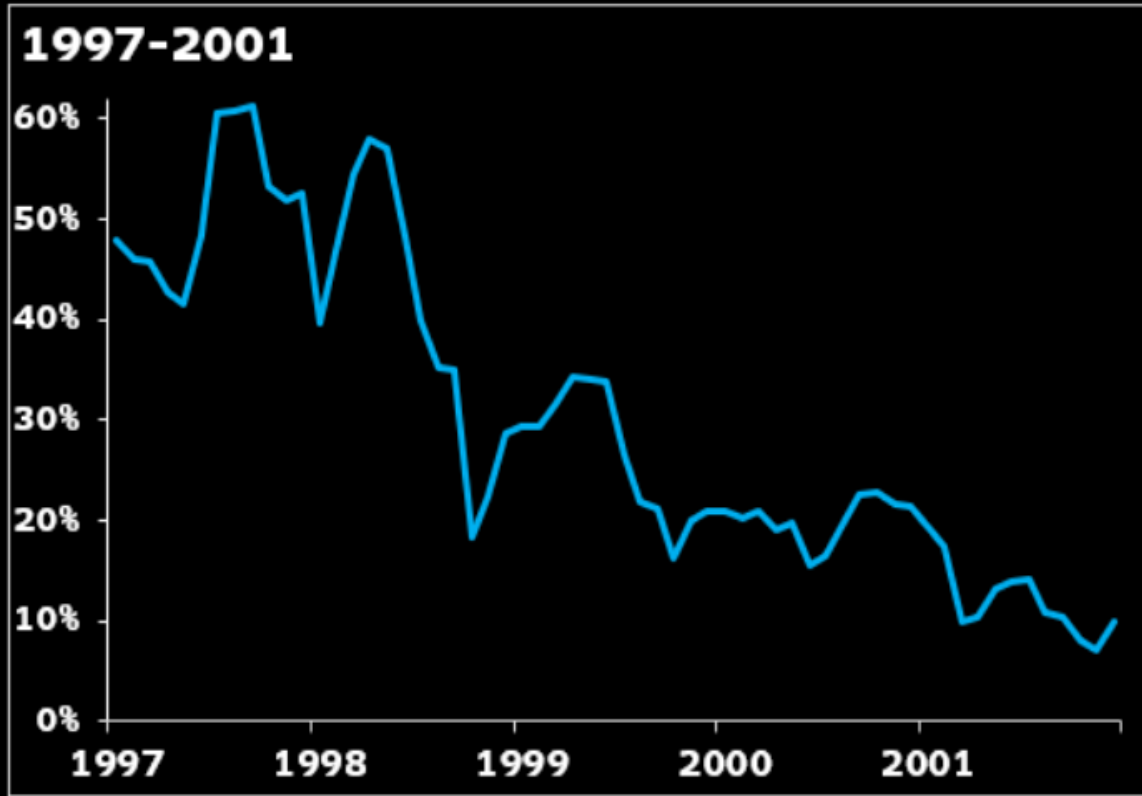
Tech Bubble? Not Even Close.... Yet??

TTM P/E Ratios - 2000 Price Peak vs. Today



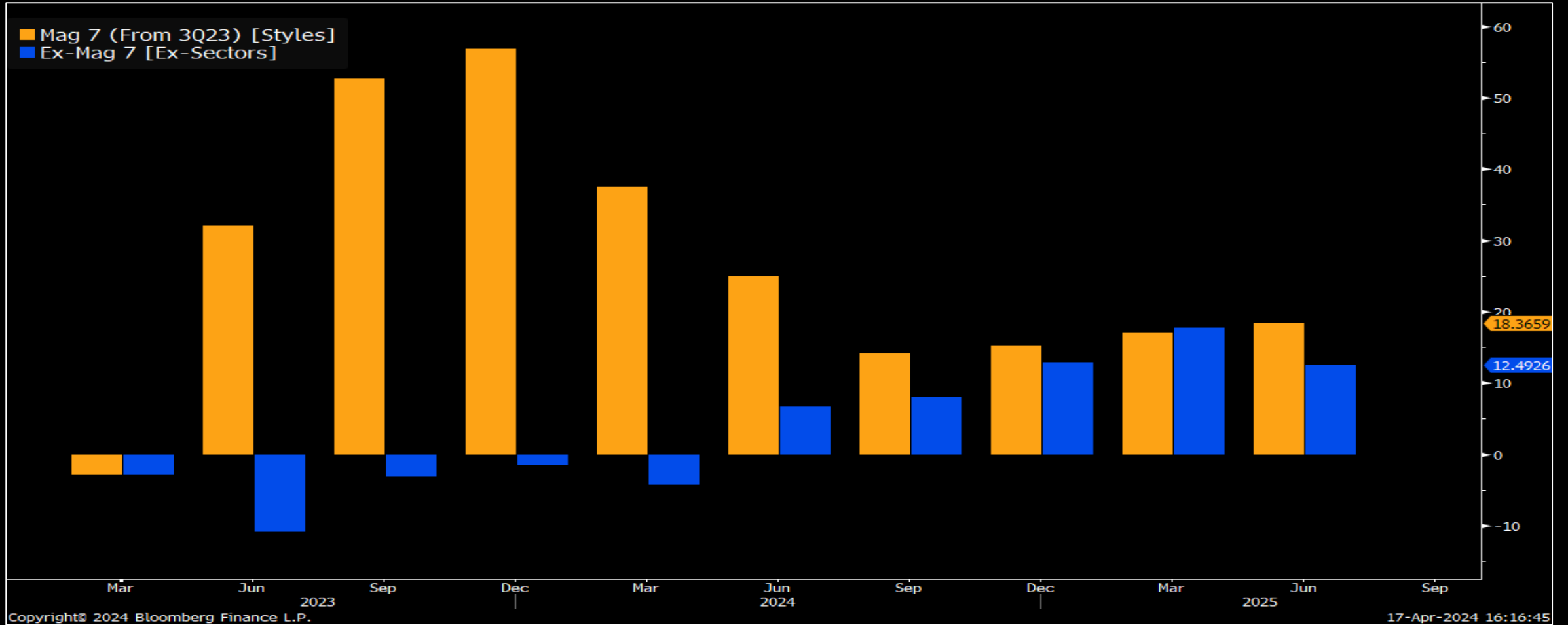
* Source: Bloomberg Intelligence

% of S&P 500 Making New Highs



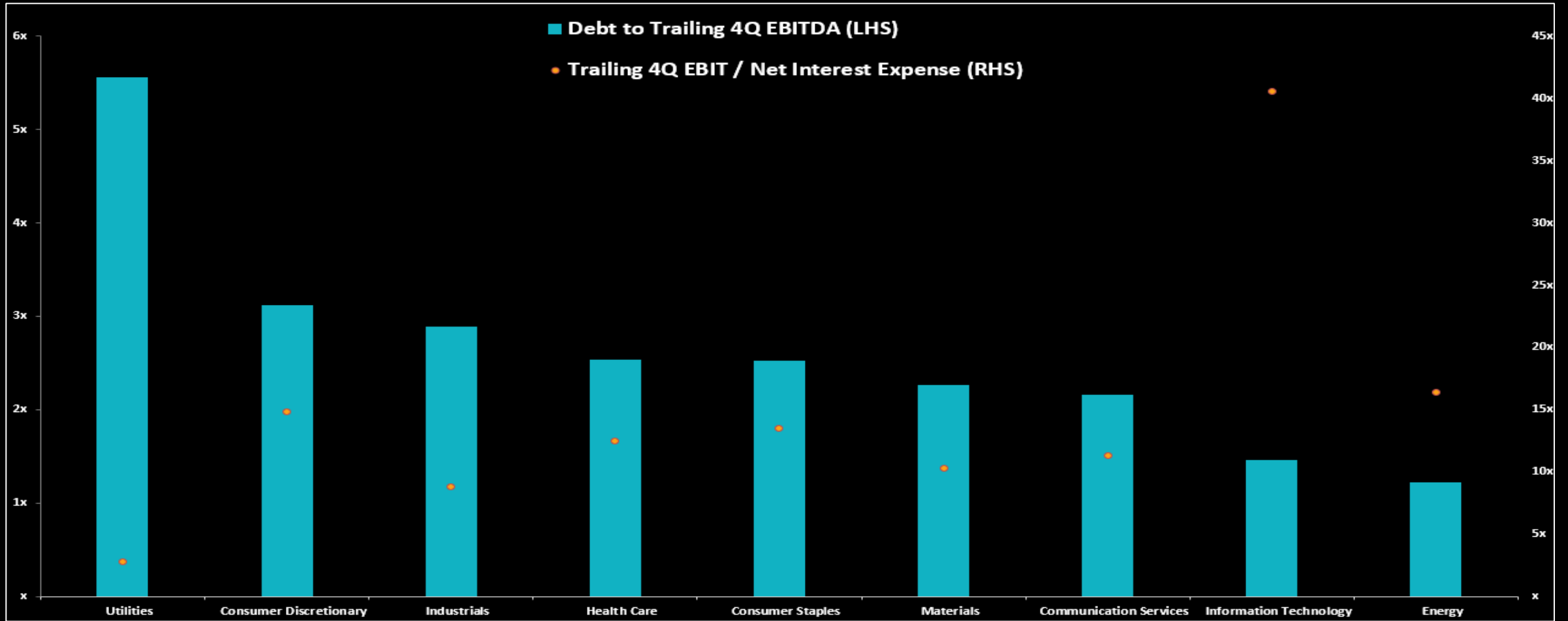
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Earnings Have Made the Case for Mag 7



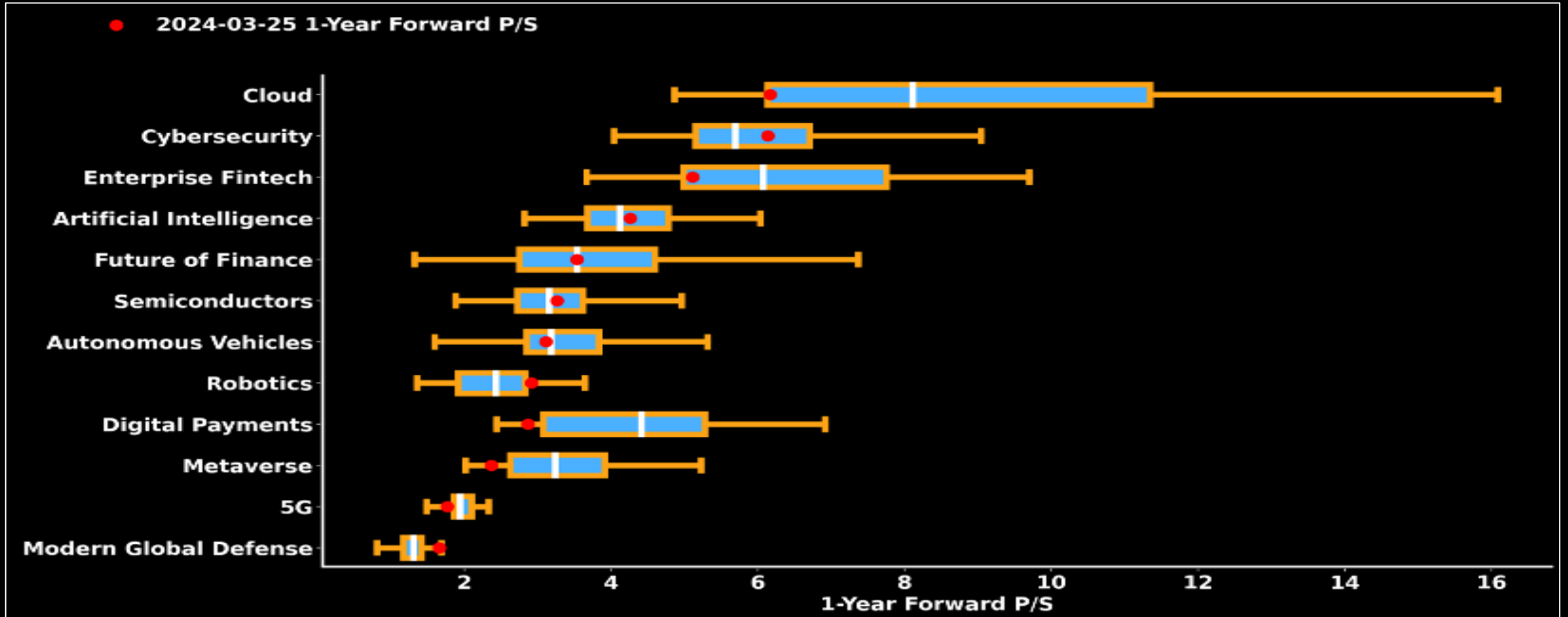
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Are Rates Really a Problem for Tech?



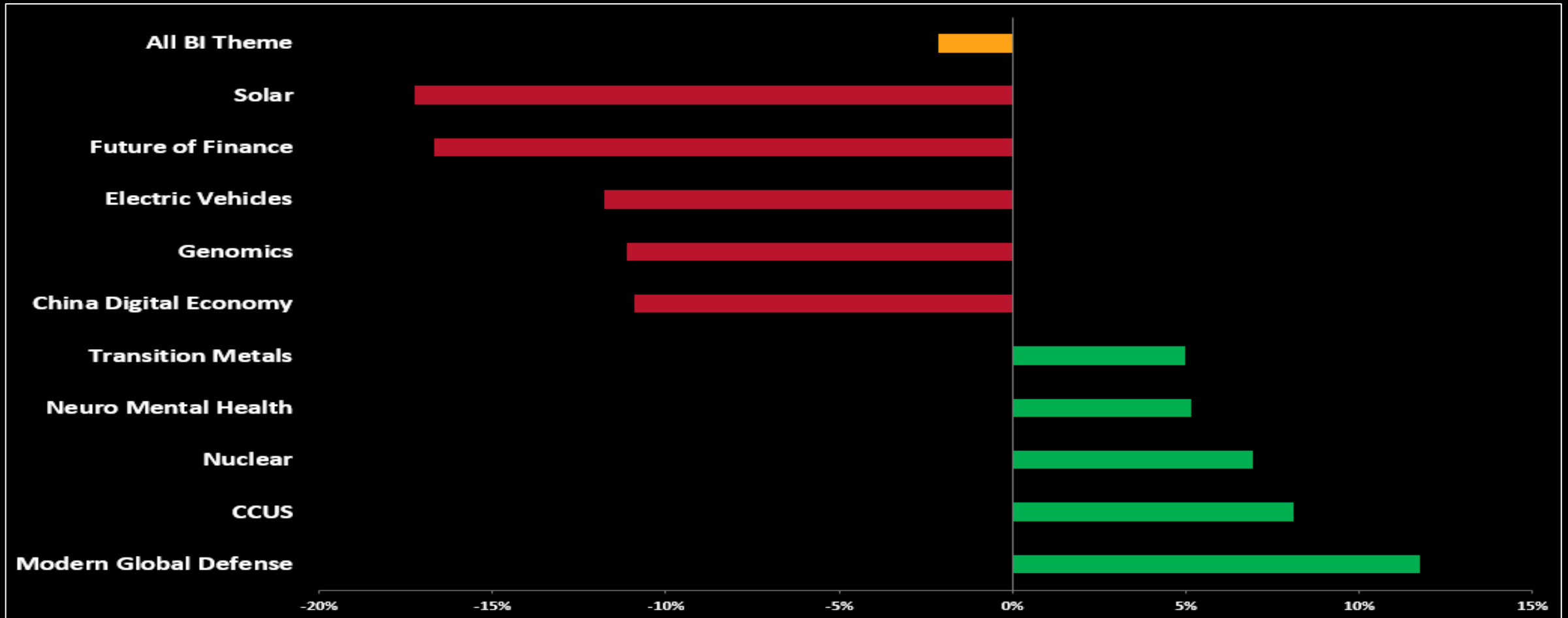
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AI Driving Narrative, But Does Not Stand Out on P/S



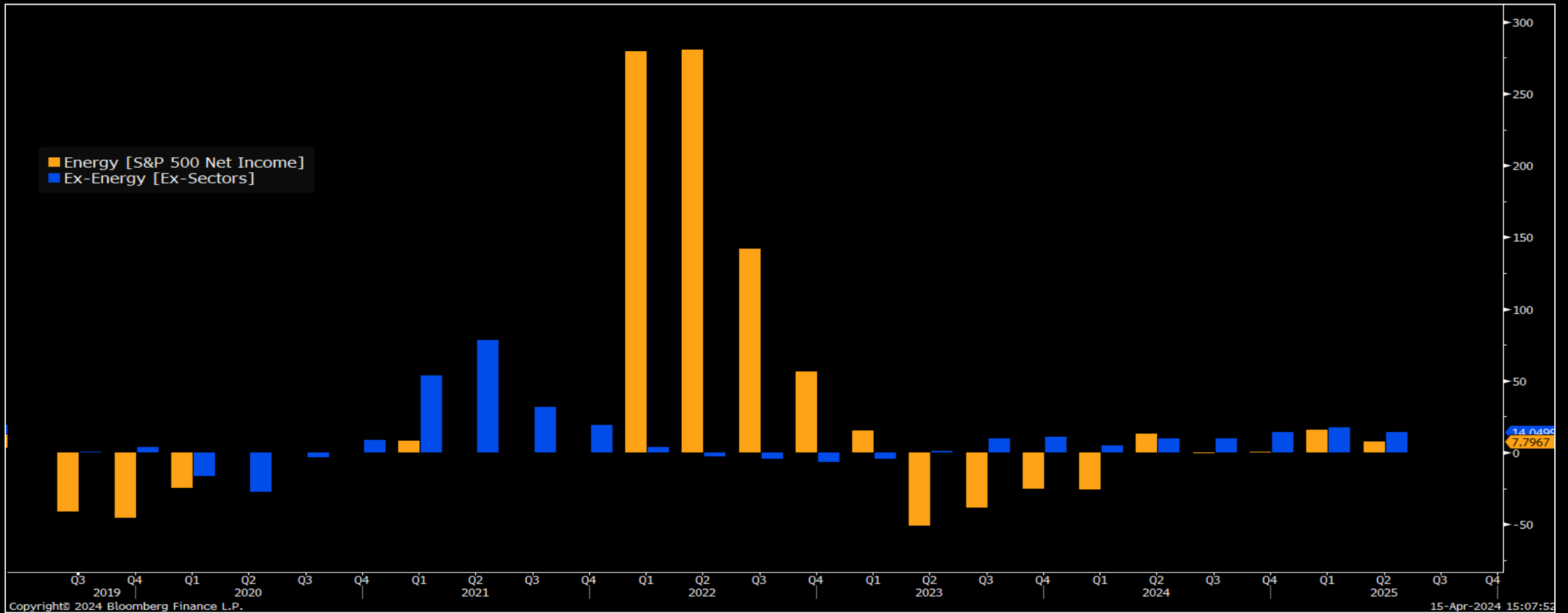
* Source: Bloomberg Intelligence

Other Themes are Hopping in 2024



* Source: Bloomberg Intelligence

Energy Holds Clues for Stocks



* Source: Bloomberg Intelligence

Financials Scorecard Upshifts on Consumer Finance

S&P 500 Financials Industry Rankings

	Overall Composite	Price Momentum	Price Breadth	Earnings Trend	Revision Breadth	Relative Value
Consumer Finance	Favorable	Favorable	Favorable	Favorable	Neutral	Neutral
Insurance	Neutral	Neutral	Favorable	Unfavorable	Favorable	Unfavorable
Financial Services	Neutral	Unfavorable	Neutral	Unfavorable	Favorable	Favorable
Banks	Neutral	Favorable	Unfavorable	Neutral	Unfavorable	Favorable
Capital Markets	Unfavorable	Unfavorable	Unfavorable	Favorable	Unfavorable	Unfavorable

Legend: Favorable Neutral Unfavorable

Source: BI STOX <GO>

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Communications Scorecard Leans Defensive With Telecom on Top

S&P 500 Communications Industry Rankings

	Overall Composite	Price Momentum	Price Breadth	Earnings Trend	Revision Breadth	Relative Value
Telecommunication Services	Favorable	Neutral	Favorable	Neutral	Favorable	Neutral
Interactive Media	Neutral	Neutral	Neutral	Neutral	Neutral	Neutral
Entertainment	Neutral	Favorable	Favorable	Unfavorable	Neutral	Unfavorable
Media	Unfavorable	Unfavorable	Unfavorable	Favorable	Unfavorable	Favorable

Legend: Favorable (Green), Neutral (Yellow), Unfavorable (Red)

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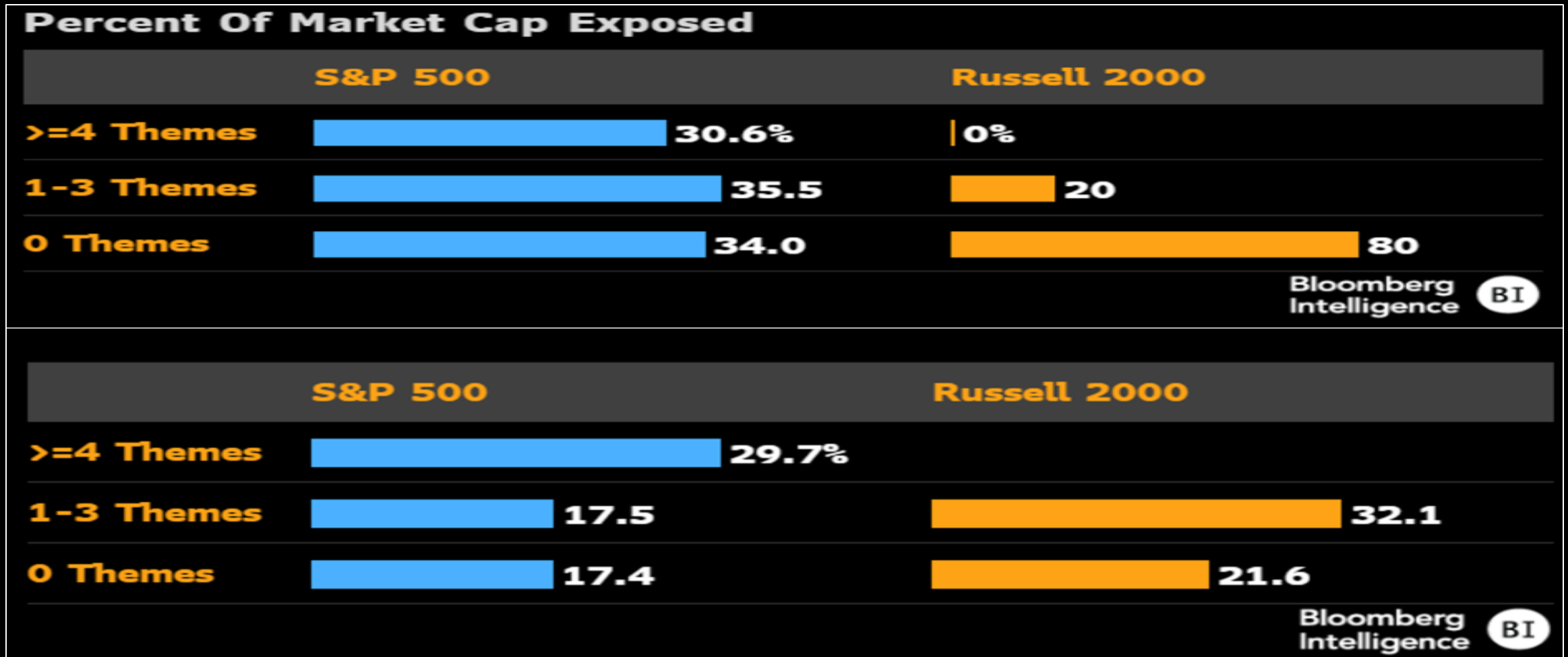
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Small-Cap Stocks' Breakout Failing Again



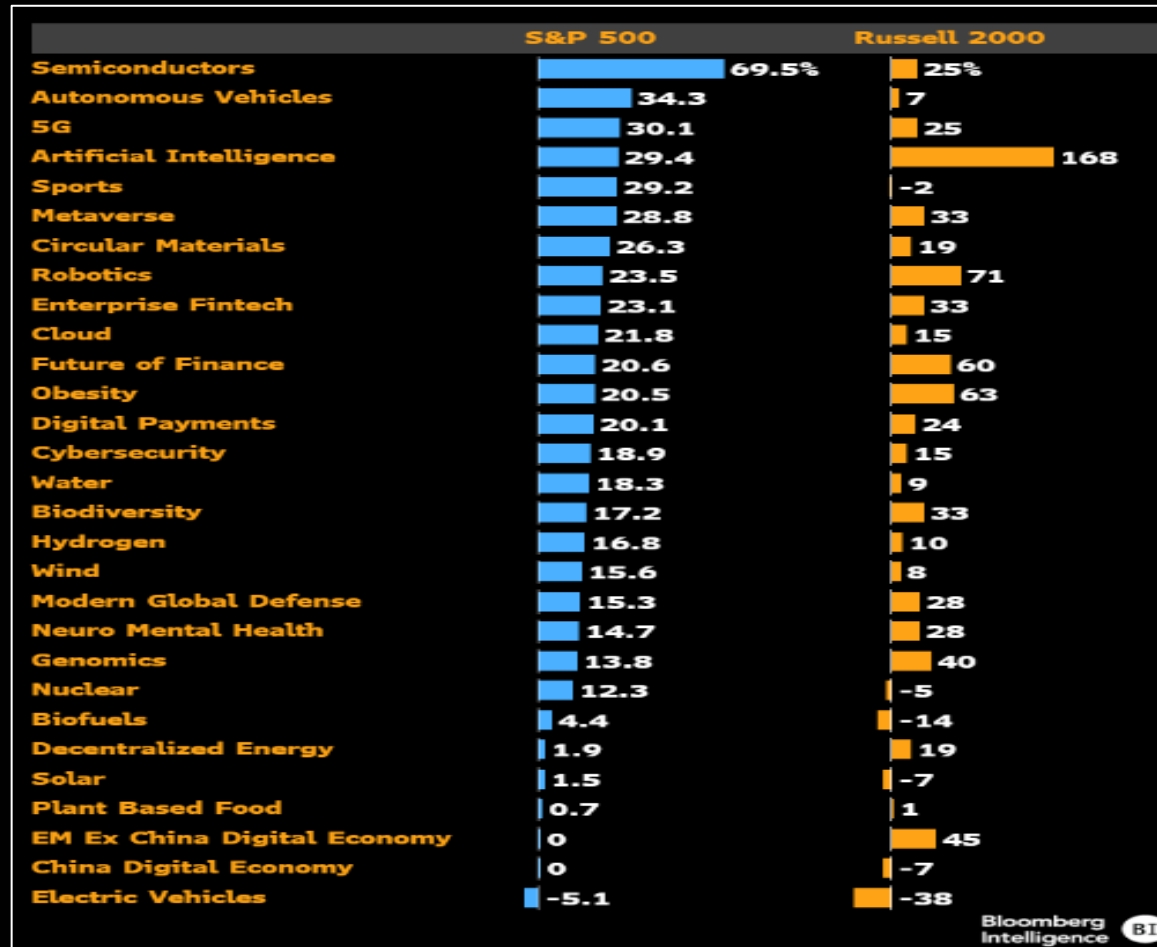
* Source: Bloomberg Intelligence

Lack of Thematic Anchors Leaves Small Caps Listless



* Source: Bloomberg Intelligence

AI, Obesity Are Small Caps' Bread and Butter



* Source: Bloomberg Intelligence

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US Equity Outlook Fall 2023: Sticky Inflation Threatens Recovery

US stocks appear vulnerable to continued disappointment from monetary policy in the short run as inflation risk threatens to dismantle the presumed outlook. Both large- and small-cap stocks' upside is still limited by the lack of a monetary policy put this cycle, leaving both segments somewhat stuck and dependent on an uncertain earnings recovery in the near term. The earnings cycle appears to passing a near-term trough, a lagged response to last year's inflation peak, though a growth catalyst remains elusive and the late summer surge in oil prices threatens to ...

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Featured Research

- 1) BI MVP Portfolio Update, 4Q 2023
- 2) US Large-Cap Equities: Fall 2023 Outlook
- 3) US Small-Cap Equities: Fall 2023 Outlook
- 4) BI Equity Strategy: The Week in Charts, Nov. 9
- 5) US Equity Factors: Large Caps Falter After Strong 2022
- 6) Sector Scorecards Go All In on Recovery in 2024
- 7) US Equity Fair-Value Models: Autumn 2023
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- 9) A Comeback for High Quality Stocks, But Now Unusually Pricey
- 10) Cyclical Might Rule Small Caps as Stocks Stuck, Scorecard Says
- 11) ✓ Sector Scorecards Scoff at Recession Risks, Say Cyclical Lead
- 12) ✓ As Recession Looms, Scorecard Leans Even Harder Into Cyclical

Thank You

Global and U.S. Equity Strategy

Gina Martin Adams, Chief Equity Strategist, gmartinadam1@bloomberg.net

Chris Cain, U.S. Quantitative Equity Strategist, ccain27@bloomberg.net

Michael Casper, U.S. Equity Strategist, mcasper4@bloomberg.net

Wendy Soong, Strategy Data Analyst, csoong@bloomberg.net

Gillian Wolff, Global Equity Strategist, gwolff14@bloomberg.net

Emerging Markets Equity Strategy

Kumar Gautam, Quantitative Equity Strategist, kgautam11@bloomberg.net

Marvin Chen, China/North Asia Equity Strategist, mchen779@bloomberg.net

Nitin Chanduka, EM Equity Strategist, nchanduka3@bloomberg.net

Sufianti, EM Equity Strategist, ssufianti@bloomberg.net

European Equity Strategy

Tim Craighead, European Equity Strategist, tcraighead@bloomberg.net

Laurent Douillet, European Equity Strategist, ldouillet4@bloomberg.net

Kaidi Meng, Associate Analyst, kmeng15@bloomberg.net

Thank you

For additional information, please contact your Bloomberg representative.

Beijing
+86 10 6649 7500

Hong Kong
+852 2977 6000

New York
+1 212 318 2000

Singapore
+65 6212 1000

Dubai
+971 4 364 1000

London
+44 20 7330 7500

San Francisco
+1 415 912 2960

Sydney
+61 2 9777 8600

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