The Not So Magnificent Seven... | CIO Insights

Mag-7 is clearly struggling, and doing that since end Oct'25. The malaise is reflected both in absolute performance and relative to the broader market. In an environment where tech and growth are struggling in general (see note from 5th Jan "as goes January, so goes the year") one would expect "defensive" sectors (staples, utilities, healthcare) to be outperforming - but that's not the case. So what is driving performance? It's "Value Sectors" (Financials, Industrials, Materials). Consensus is positioned for growth aided by rate cuts - but markets see cyclical growth rather than an impulse led by monetary policy.

Broadening participation is generally good news, especially into cyclical value sectors, suggesting a relatively robust economic environment. Our proprietary economic nowcaster corroborates the view of an economy humming along. But this does raise the question of why the FED needs to cut at all? There are other implications too - strength in commodities raises inflationary risks, further pressurizing treasury yields higher, which in turn benefits financials as the yield curve steepens.

As for the broad market, the biggest question is whether strength ex-tech can sustain?

- The Not So Magnificent Seven - MAG-7 have recovered neither in absolute, nor in relative terms since the Nov'25 swoon led by concerns on AI related capex and monetization risks. Meantime, the broader index (S&P) is back to new highs, led by the "other 493" stocks - fig 1 below shows the XMAG (other 493 stocks) building on recent outperformance vs. the MAG-7 after a 28% point underperformance between Apr'25 and Oct'25.

- The Differentiation Within the MAG-7 (fig 2) - Even within the MAG-7, all aren't created equal. MSFT, AAPL and TSLA are clearly the worst positioned while AMZN and GOOGL have better momentum. NVDA and META are searching for direction.

- Style Bias Favors "Value" (fig 3) - Not only is value outperforming growth and the broad market, all the three value sectors, financials, industrials, materials have positive momentum.

- Rotational Trends at Play (fig 4) - Rotational trends clearly show momentum in favor of value sectors. Interestingly though, even amongst the defensives, it's really utilities that are a drag - somewhat understandable given that the sector has become somewhat of an "AI Play" rather than the classic defensive positioning.

Fig 1 - XMAG (493 stocks ex MAG-7) vs. MAG-7 - Magnificent Seven - Not so Magnificent

source: Trading View

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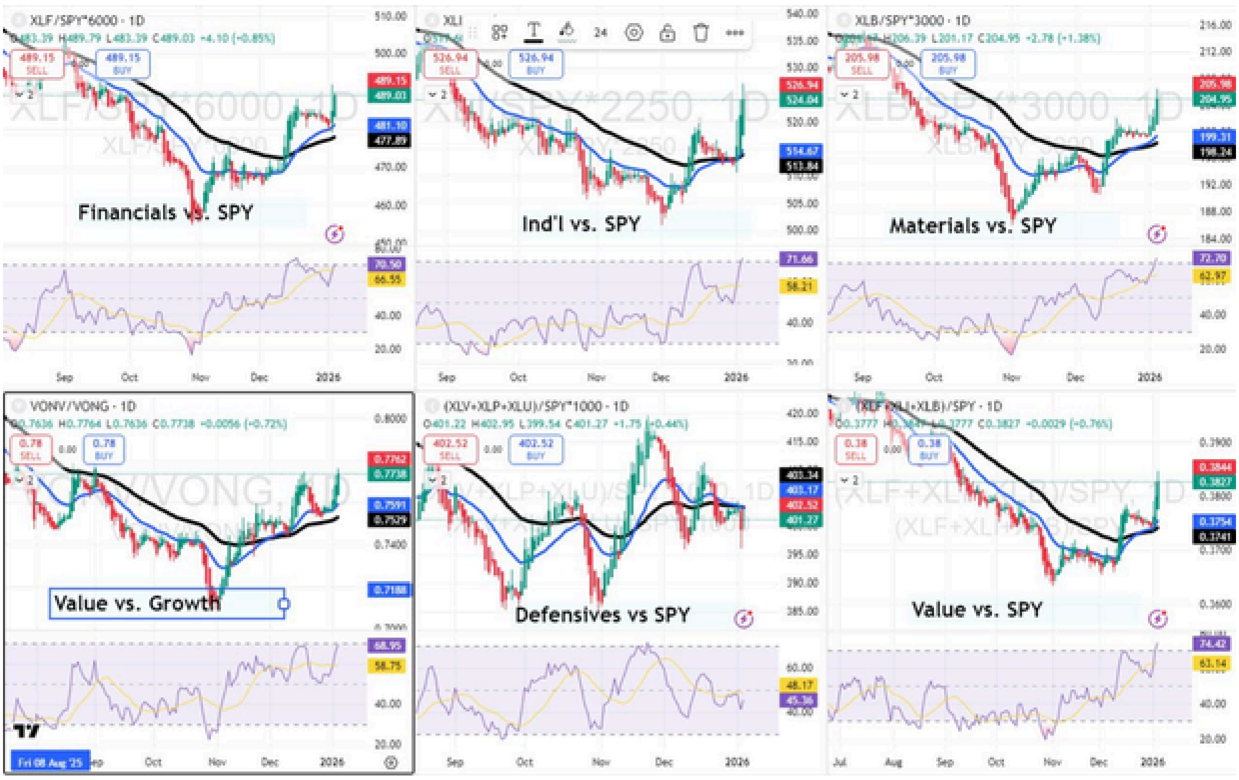
Fig 2 - AAPL and MSFT - Worst Positioned

source: Trading View

Fig 3 - Value is Outperforming



source: Trading View

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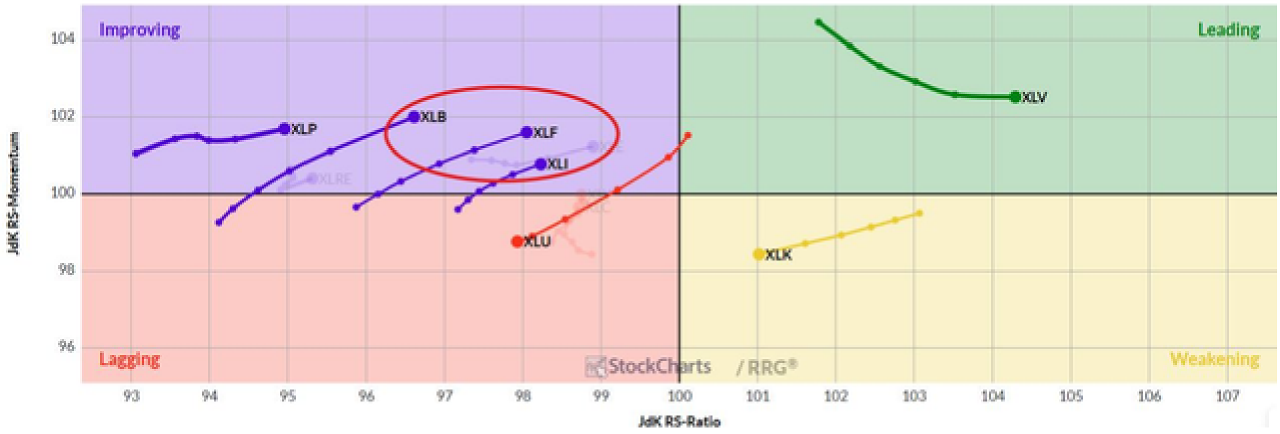
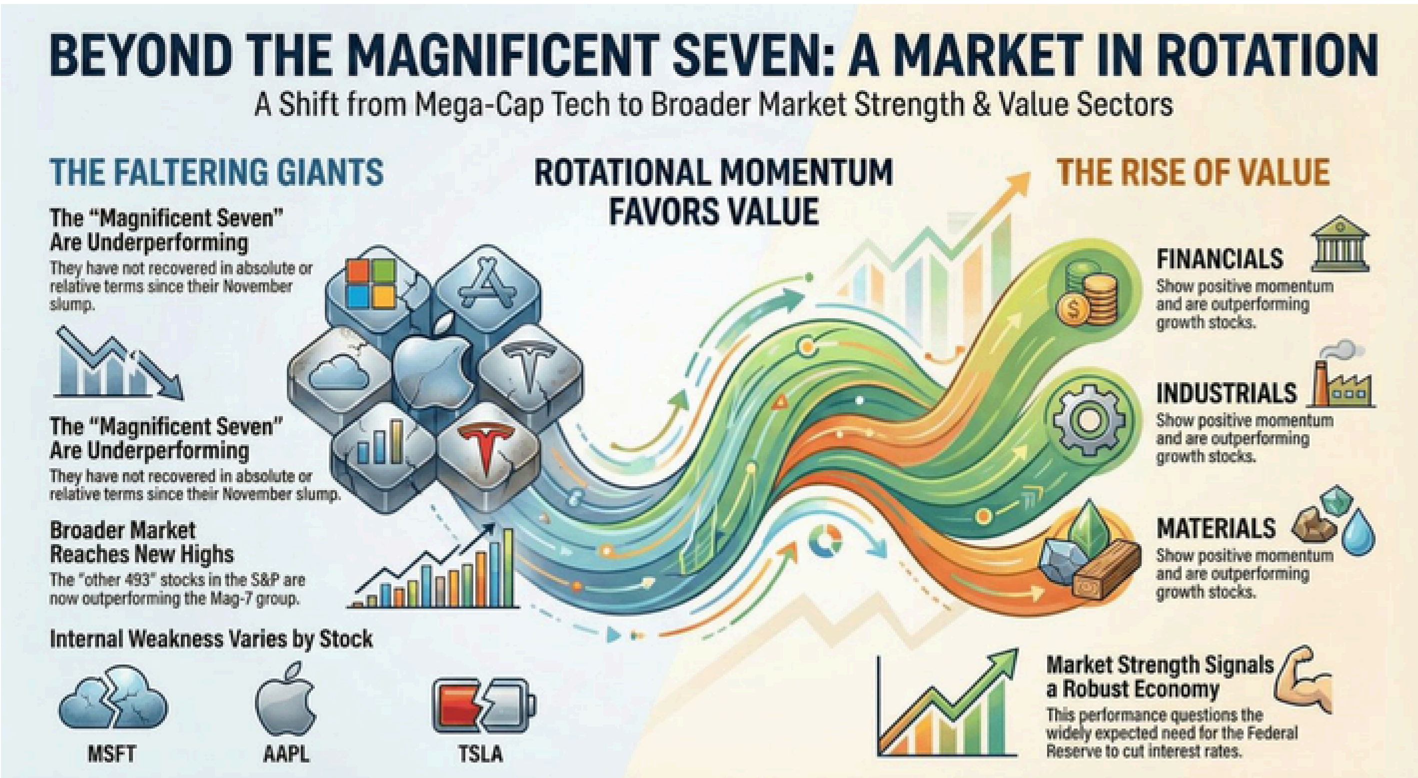
Fig 4 - Value Sectors Have Momentum...



source: Stockcharts



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