

The views expressed in these posts are those of the authors and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness.

Unsere Emerging Markets und Global Income Inhalte sind auf Deutsch verfügbar.

本ページには、翻訳が無く原文のみが掲載されているブログの投稿も含まれております

[MARKETS AND ECONOMY](#) | [OUTLOOK](#)

## 2023 Investment Outlook: Equity

By: EV Forward | December 14, 2022

### We See A Resilient Economy Without a Looming Collapse

#### KEY POINTS

- 1 In our view, the first quarter of 2023 has the ingredients to build on strengths of the fourth quarter of 2022.
- 2 An inverted yield curve hints at a potential economic slowdown at some point in the year ahead.
- 3 We're scaling back on megacap stocks after a mega run-up.

#### 2022 Recap

We continue to believe when 2022 is over, equity investors will think, "That didn't turn out nearly as bad as it felt at times."

#### The State of Future Earnings

The consensus view is that early in 2023, earnings will collapse, bringing the stock market down with them.

Sectoral leadership in the market suggests otherwise. Financials, industrials and materials have all outperformed in October and November. As noted by market consultant John Raphael: "It's puzzling to me why these brokers and investment banks are acting so well. Would you buy these stocks if the SPX had 10% downside?"<sup>1</sup>

If the economy were going to collapse in the first quarter of 2023, these economically cyclical groups would not be leading today.

The S&P 500 equal-weighted is down -11% while the S&P 500 cap-weighted is down -17%.<sup>2</sup> Broader breadth is a bullish signal.

My conclusions? The economy is proving too resilient, causing the "looming collapse" in earnings to remain elusive for yet another quarter. I expect earnings to drip down slowly, frustrating market bears.

With continuing improvements on the inflation front mixed in, you have the ingredients for a strong first quarter.

#### What We Can Learn from Yield Curves

Yield curves are inverted (when interest rates on long-term bonds fall lower than those of short-term bonds), a fact that requires attention and respect.

Yield curves are not very good at predicting *when* a slowdown occurs, only that it *will* occur at some point in the future.

Could the scenario of a weaker second half following a surprisingly strong first half occur in 2023? Said another way, could the narrative change to "weakness in the market-but from higher levels?" Maybe, but that is not the consensus.

#### What About Those Mega Tech Stocks?

At their peak in 2000, the five largest tech-related stocks comprised just over 20% of the S&P 500. Those same stocks bottomed five years later, dropping to only 5% of the S&P 500.<sup>3</sup> At their peak in 2022, the five largest tech stocks comprised roughly 25% of the index.<sup>4</sup> Are they now headed to 5%?

On one hand, the 30 times average valuations of the five largest tech stocks today will never reach the triple-digit valuations of 2000.

But what has historically stunted the growth of the mega S&P 500 stocks is the U.S. government's desire to abate their dominance—and we are now seeing that with increased regulatory scrutiny.

Bolt-on acquisitions have boosted megasized companies' sales growth, averaging roughly 100/year during the 2010s. Year-to-date, however, only 22 acquisitions have been completed.<sup>5</sup>

We believe slowing growth rates combined with premium valuations will allow the S&P equal-weighted to continue to outperform the S&P 500 cap-weighted.

We are reducing our exposure to these megacap stocks for these reasons.

### Overseas Considerations

Non-U.S. markets finally began outperforming the U.S. when the dollar peaked in late September.<sup>6</sup>

Asia ex Japan has lead since the end of October, outperforming Europe and Japan, which have both outperformed the U.S.<sup>7</sup>

As China's zero-COVID policies begin to moderate, combined with a weaker dollar, that could make China an intriguing equity area for 2023.

### Andrew Slimmon

Head of Applied Equity Advisors

<sup>1</sup> John Raphael, November 20, 2022.

<sup>2</sup> Bloomberg, November 29, 2022.

<sup>3</sup> Microsoft, Cisco Systems, Nokia, Intel and IBM. S&P 500 weighting. Bloomberg.

<sup>4</sup> Apple, Microsoft, Google, Amazon and Tesla. Bloomberg.

<sup>5</sup> US Weekly Kickstart, Goldman Sachs, November 11, 2022.

<sup>6</sup> Bloomberg.

<sup>7</sup> FactSet.

The index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment. **Past performance is no guarantee of future results.**

S&P 500<sup>®</sup> Index is an unmanaged index of large cap stocks commonly used as a measure of U.S. stock market performance.

---

**Risk Considerations:** *The value of equity securities can fluctuate in response to activities specific to a company. Stocks of small- and medium-capitalization companies entail special risks, such as limited product lines, markets and financial resources, and greater market volatility than securities of larger, more established companies. Investments in foreign markets entail special risks such as currency, political, economic, market and liquidity risks. Illiquid securities may be more difficult to sell and value than publicly traded securities (liquidity risk). Nondiversified portfolios often invest in a more limited number of issuers. As such, changes in the financial condition or market value of a single issuer may cause greater volatility.*



EV Forward

"The economy is proving too resilient, causing the 'looming collapse' in earnings to remain elusive for yet another quarter."

# Marketing Communication

To report a website vulnerability, please go to [Responsible Disclosure](#).

Eaton Vance is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley.

This site ([www.eatonvance.jp](http://www.eatonvance.jp)) is operated by Eaton Vance Management (International) Limited ("We"). We are a limited company, registered in England and Wales under company number 4228294 and have our registered office at 125 Old Broad Street, London, EC2N 1AR. Our VAT number is 762717416.

Eaton Vance Management (International) Limited is authorised and regulated by the Financial Conduct Authority ("FCA") and is entered on the FCA's register with register number 208634.

The information on this webpage is not intended for U.S. residents. To visit our U.S. website [please click here](#).

Eaton Vance Management (Registration No. 1121338) and Parametric Portfolio Associates (Registration No. 1217626) are the registered trade marks of Eaton Vance.