

Sector Rotation in Equities

Revenge of the Fallen

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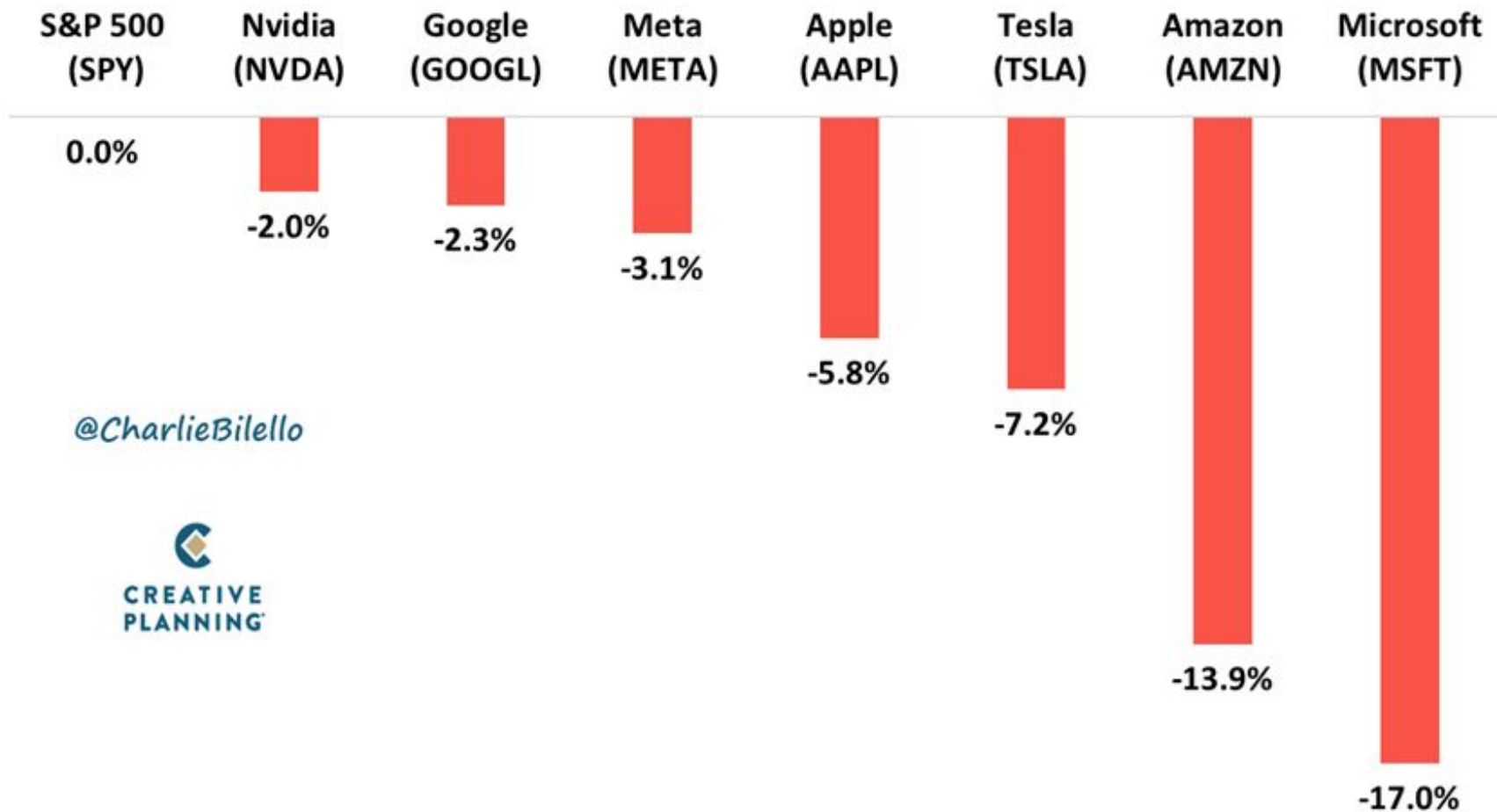
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The Magnificent 7

*Storied market leaders of the last 4 years ironically
become the laggards of today.*

The Magnificent Seven: 2026 Total Returns

(Data via YCharts as of 2/13/26)



@CharlieBilello



The Beveridge Curve

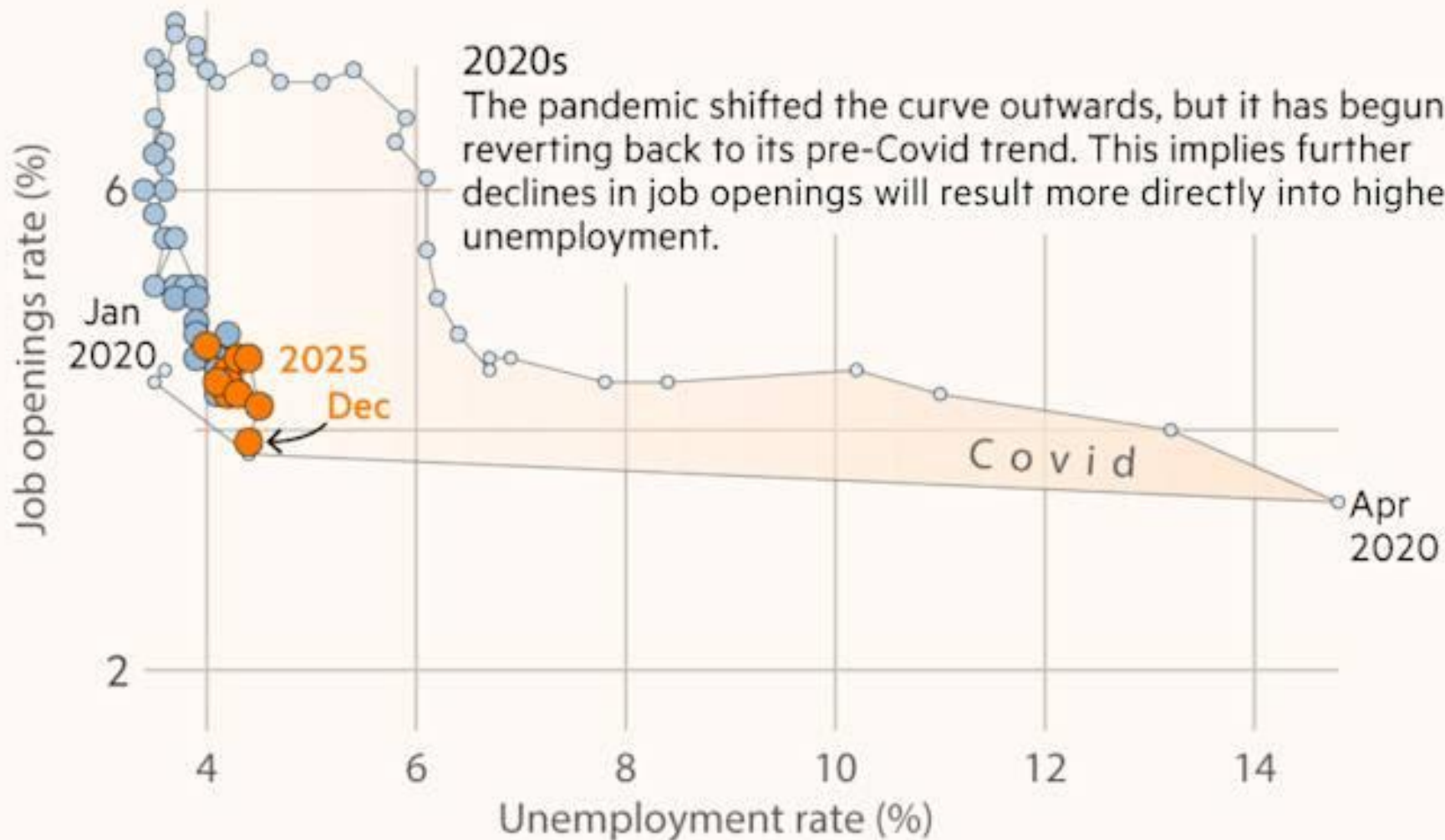
The Beveridge curve represents the relationship between job openings and the unemployment rate. The relationship is considered highly predictive; thus, its importance.

The Beveridge Curve

- Curve relates US unemployment rate to job openings rate
- Curve typically shows inverse proportional job openings rate to unemployment rate.
- Job opening rate is proxy for labor demand.
- Curve indicates health of the labor market at a point in time.
- Example: A low unemployment rate and high vacancy level indicate a tight labor market.

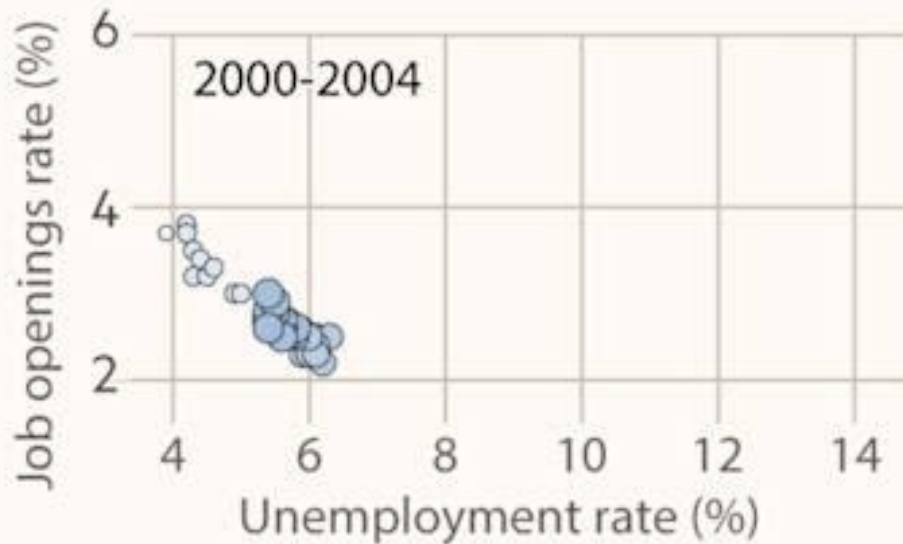
2020s

The pandemic shifted the curve outwards, but it has begun reverting back to its pre-Covid trend. This implies further declines in job openings will result more directly into higher unemployment.

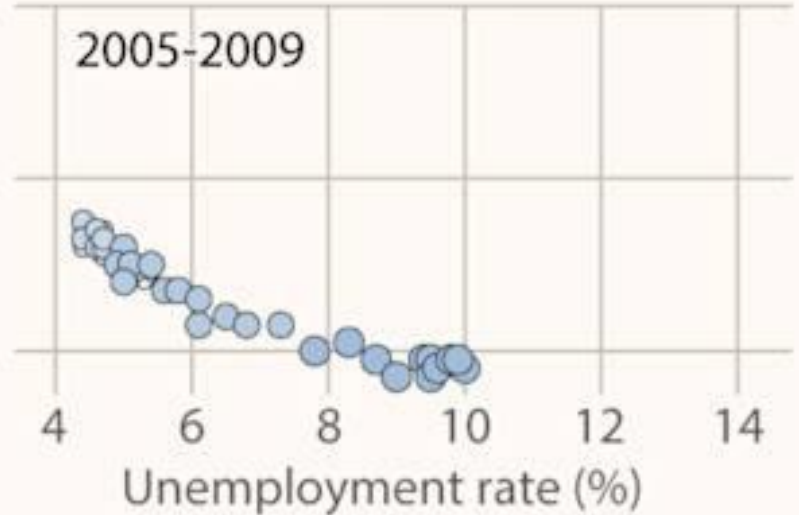


The Beveridge Curve (2000 - 2009)

Years: **2000 - 2004**

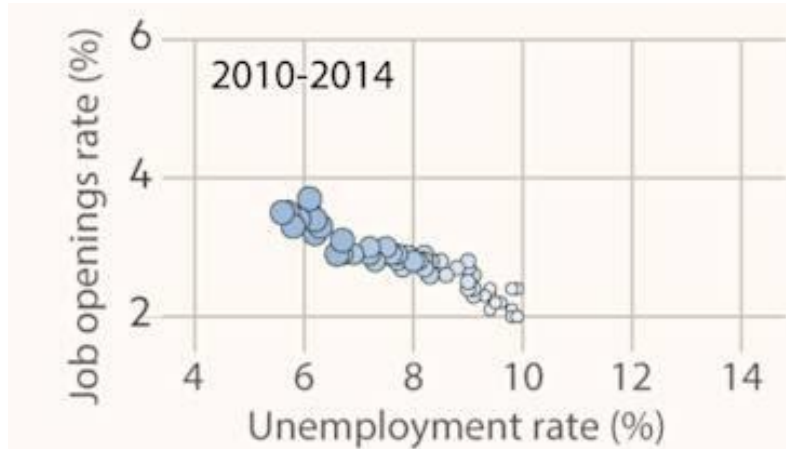


Years: **2005 - 2009**

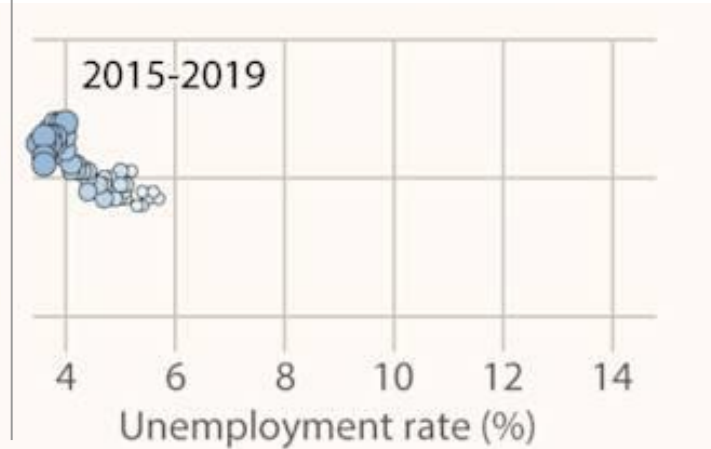


The Beveridge Curve (2010 - 2019)

Years: **2010 - 2014**



Years: **2015 - 2019**



*Job openings divided by the sum of employment and job openings, multiplied by 100

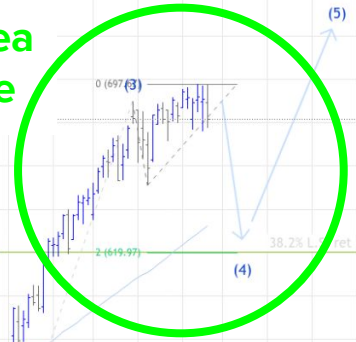
Current State of the Market

S&P500 (cash, futures, ETFs)

SPDR S&P500 ETF | SPY

Weekly Chart

Detail Area
Next Slide

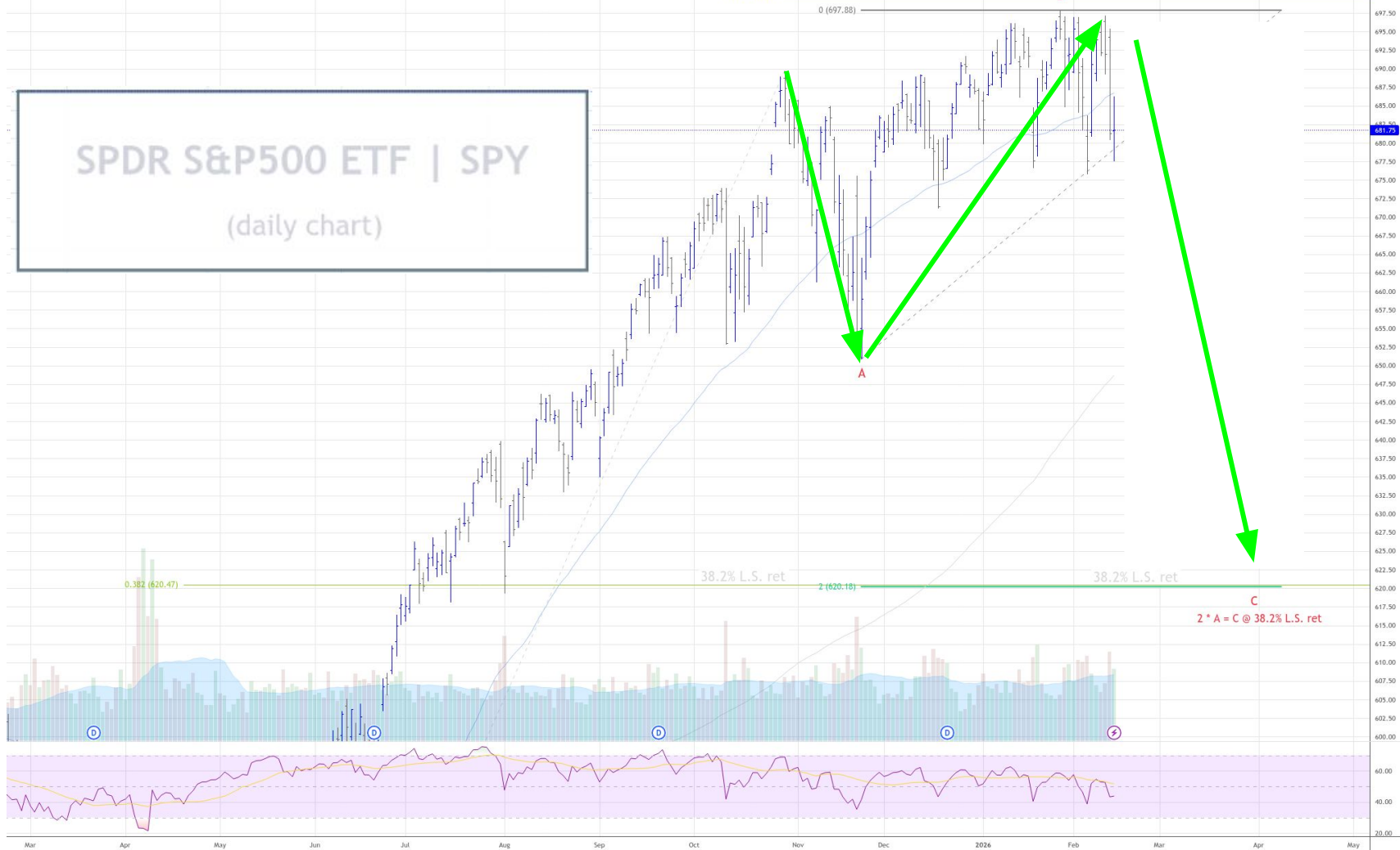


1.272 (700.27)

0 (697.88)

B

SPDR S&P500 ETF | SPY
(daily chart)



0.382 (620.47)

38.2% L.S. ret

2 (620.18)

38.2% L.S. ret

2 * A = C @ 38.2% L.S. ret

D

D

D

D

Z

S&P500

Normalized
@Yield Basis

1929



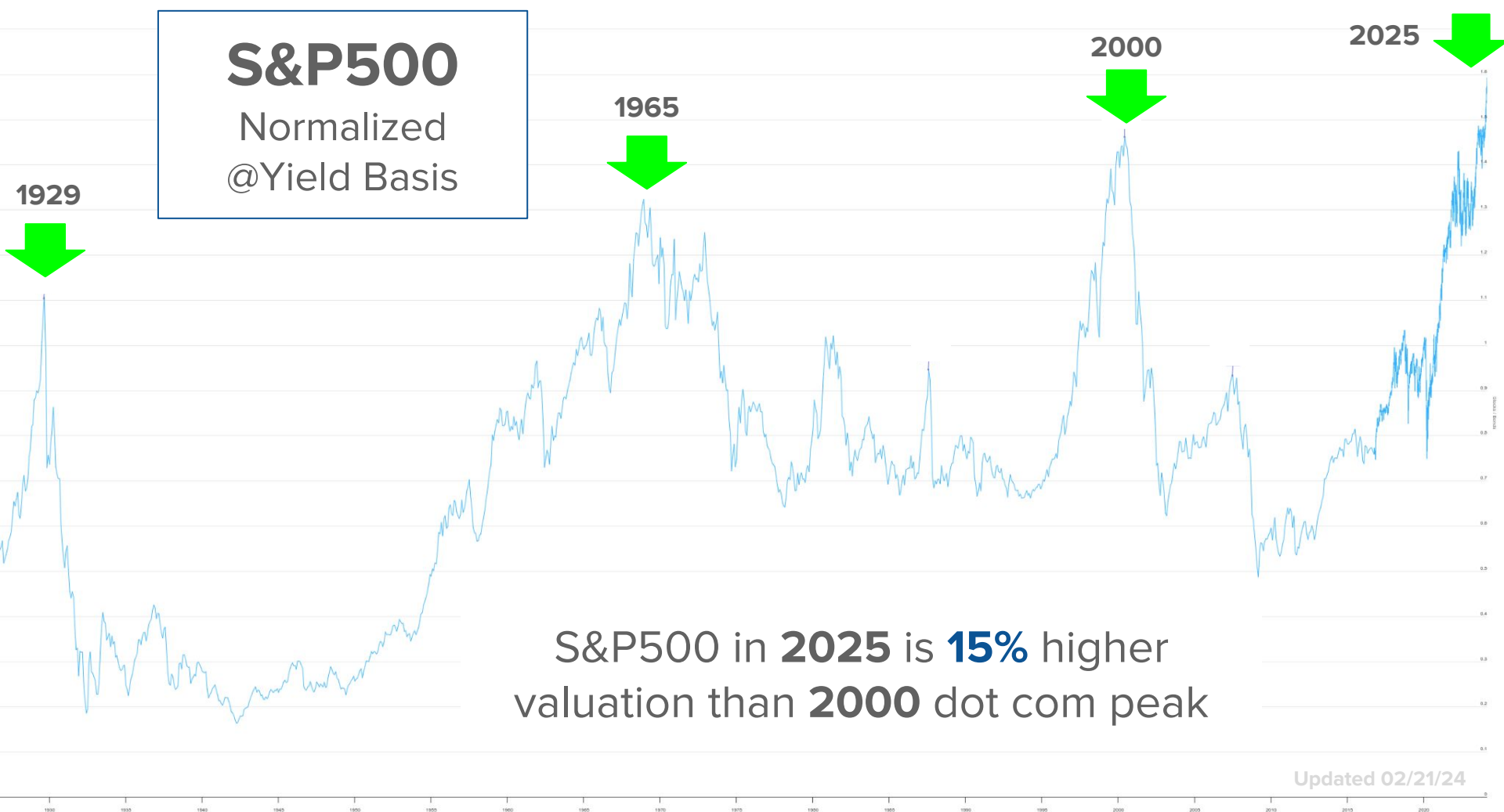
1965



2000



2025



S&P500 in **2025** is **15%** higher
valuation than **2000** dot com peak

Updated 02/21/24

CBOE Skew Index

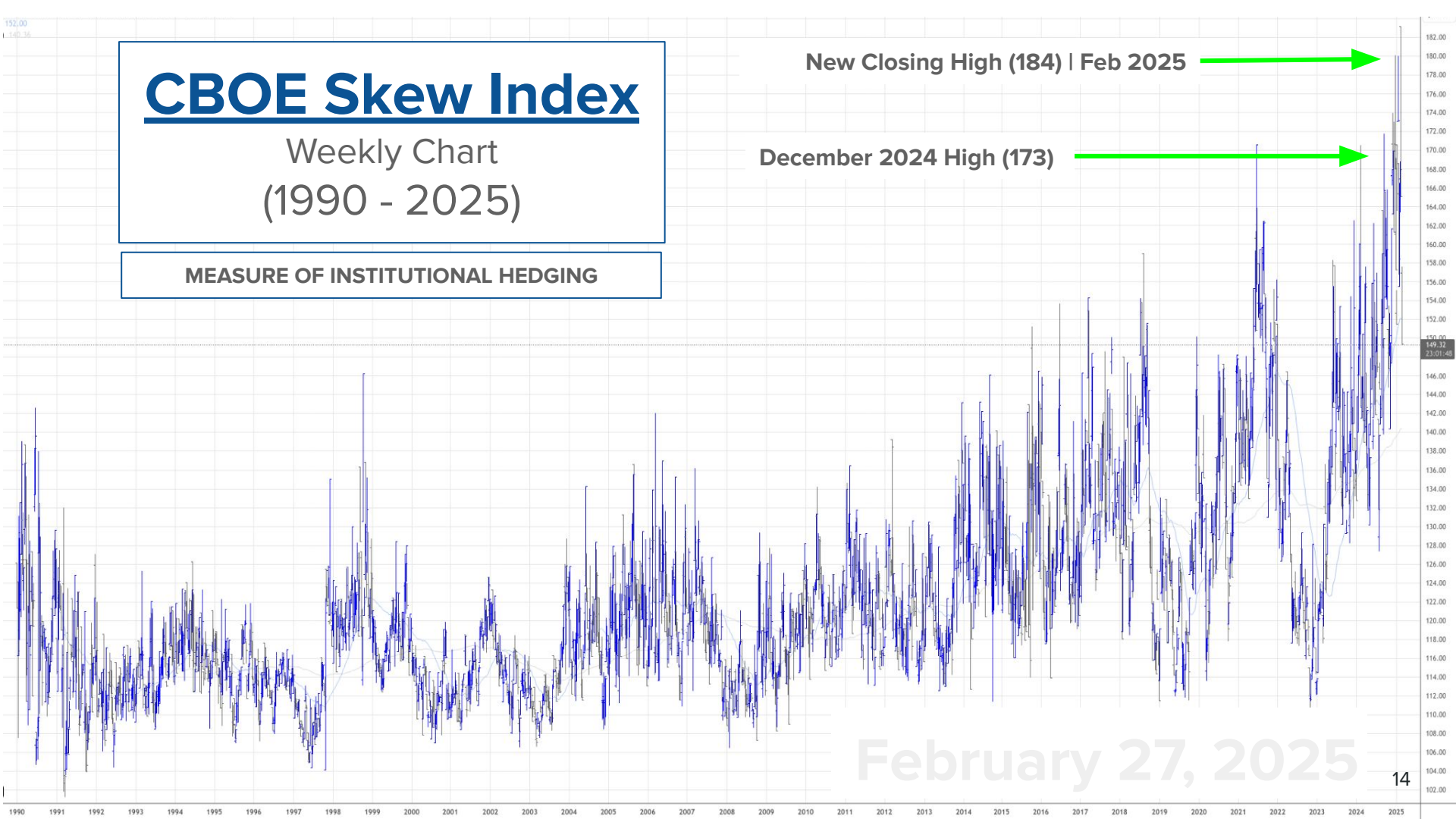
Weekly Chart
(1990 - 2025)

MEASURE OF INSTITUTIONAL HEDGING

New Closing High (184) | Feb 2025



December 2024 High (173)



February 27, 2025

182.00
180.00
178.00
176.00
174.00
172.00
170.00
168.00
166.00
164.00
162.00
160.00
158.00
156.00
154.00
152.00
150.00
149.32
147.01
146.00
144.00
142.00
140.00
138.00
136.00
134.00
132.00
130.00
128.00
126.00
124.00
122.00
120.00
118.00
116.00
114.00
112.00
110.00
108.00
106.00
104.00
102.00

Current State of the Market

Dow Jones Industrial Average

Conclusions

Epilogue & Key Takeaways

Conclusions

- In 20206, the “Magnificent 7” are unilaterally lagging the broader S&P500 in unison.
- Explanations for this vary.
- Public participation in the Mag 7 is highest of any equity sector; clear that public buying may be exhausted and surpassed the point of no return.
- High probability that diminishing returns have also been reached for stocks with \$ trillion+ market capitalisations.
- How returns for this narrow slice of the market will end 2026 is open to debate.

Appendix

Miscellaneous Material

END

PRESENTATION