

Tech Companies Lead the S&P 500 to Record Highs

This past week the S&P 500 battled resistance at its previous all-time highs (just below 3400). We had two consecutive record closes, only to fall back after the Wednesday release of minutes from the previous Federal Reserve meeting. Those minutes revealed just how much uncertainty exists within the minds of our central bankers. The gist is that our economy took an unprecedented beating during the second quarter and it is entirely unclear when or even *if* we will return to pre-COVID strength as an economy. A medical solution is the only way out at this point.

Despite the Fed's gloomy assessment, the broad indexes closed higher on Friday and are higher again today. As of this writing, the S&P 500 is at 3420 and holding. This is certainly a good sign and strong evidence that we can go higher. I remain concerned that the bulk of the rally has occurred on the back of a select few gigantic companies. These include Amazon, Google, Apple and Netflix. The most common indexes, such as the Dow Jones, Nasdaq and S&P 500 are market-cap weighted, which means that the bigger the company, the more it makes up the index in percentage terms. These few behemoths now make up more than 20% of the entire S&P 500. This skews the performance of the index to reflect the performance of just a few companies, rather than the performance of the broader economy. Unfortunately, if you look "under the hood" you will see that the vast majority of companies are underperforming, and many remain in bear market conditions. Investors who have single stock portfolios know what I mean.

We need to see broad participation by more than just the tech sector for this rally to continue. We need small-caps and mid-caps to catch up and outperform as they typically do in a healthy economy. As I have stated the past two weeks, we need to see the financial sector participate. Banks have lagged far behind and that needs to change. Some of that is occurring today, but one day does not make a trend.

I am an optimistic investor and the glass is at least half full right now. I just would feel a lot better if some of the corporate good news was spread out a little bit. As good as Apple and Amazon are, they can't carry the entire U.S. economy alone.

Last week's market commentary can be found [here](#).



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