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# The extreme weight of AI in the S&P 500: Measures of concentration for market cap, returns, earnings, and capex

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Apollo Global Management

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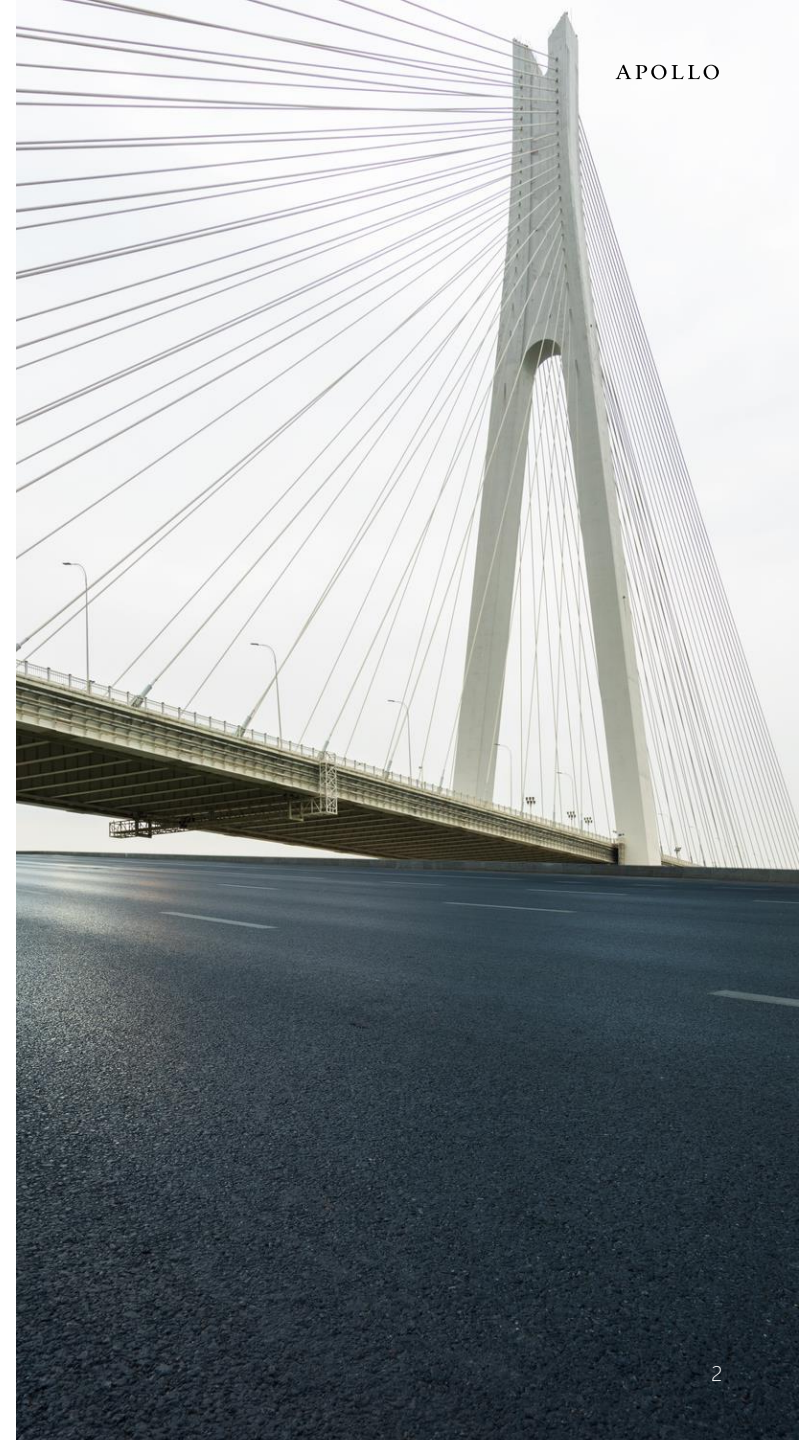
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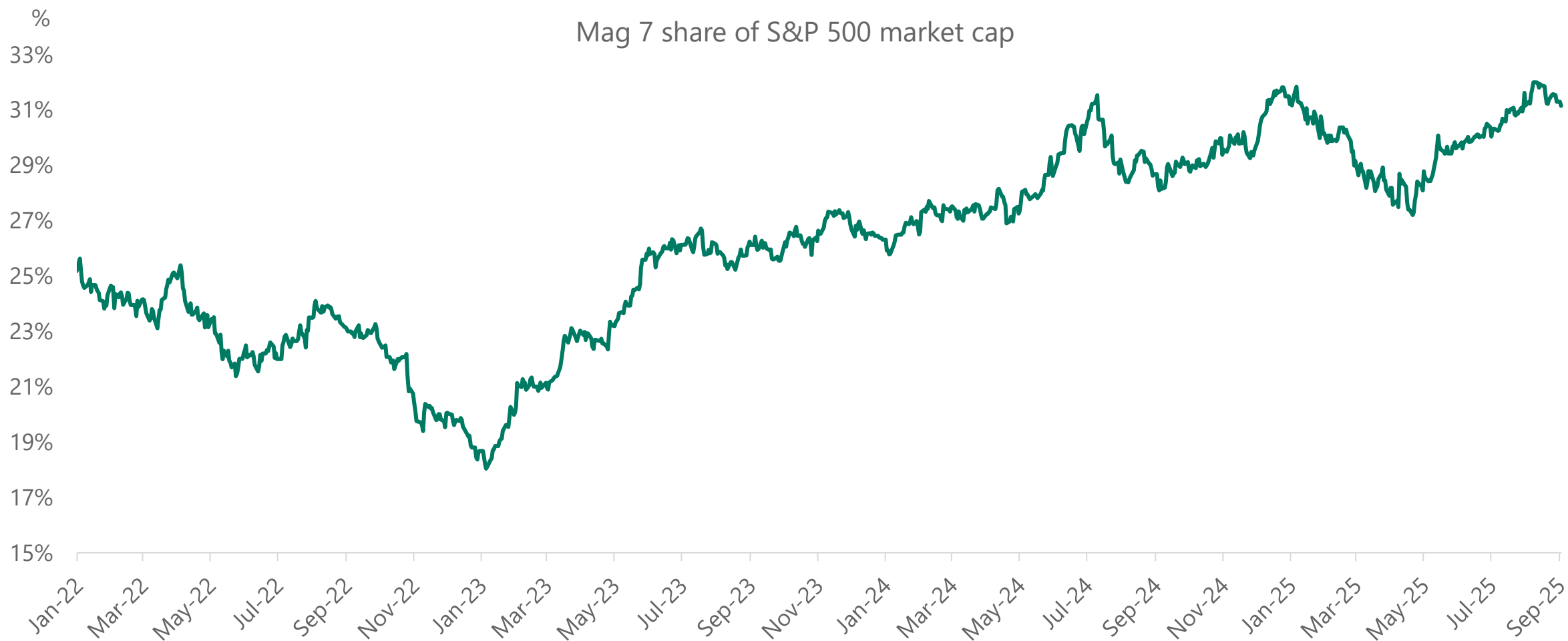


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# S&P 500 market cap concentration

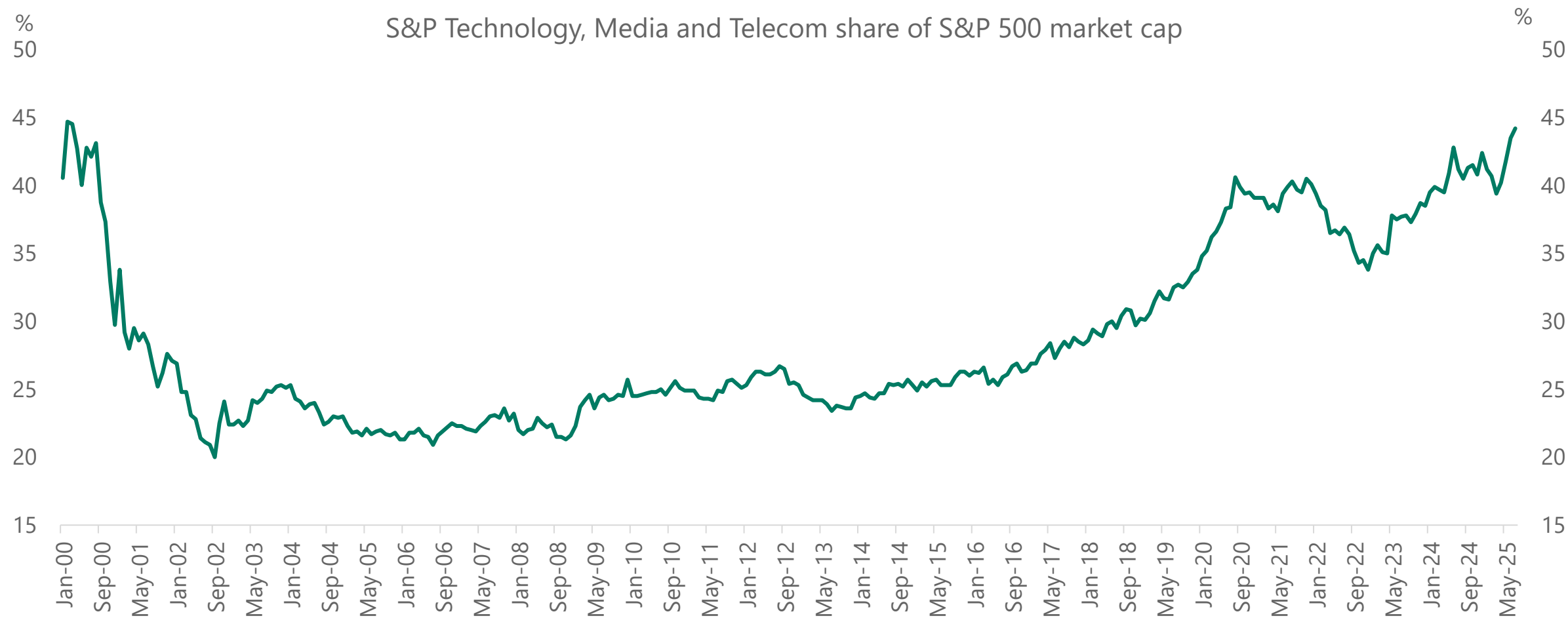
# Mag 7 share of S&P 500 market cap



# The weight of the biggest stock in the S&P 500

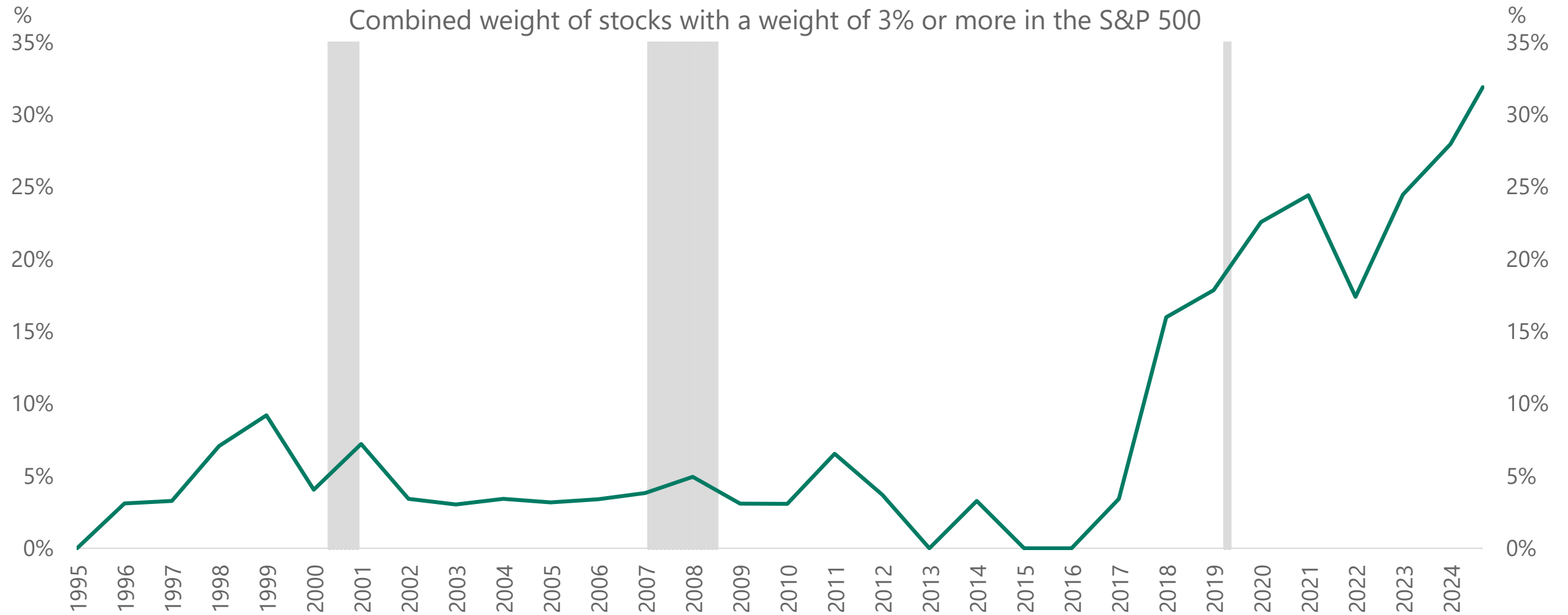


# S&P TMT market share as high as during the tech bubble



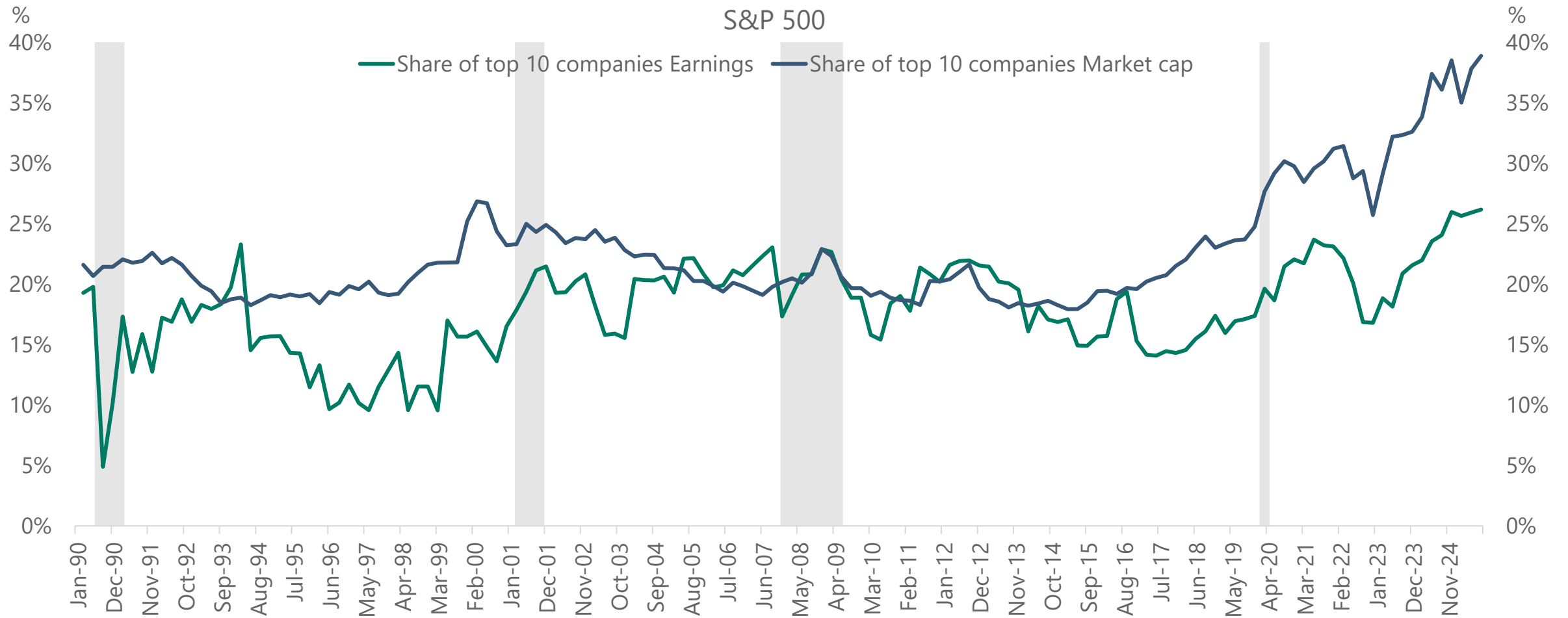
Source: Bloomberg, Apollo Chief Economist

# Another measure of market cap concentration

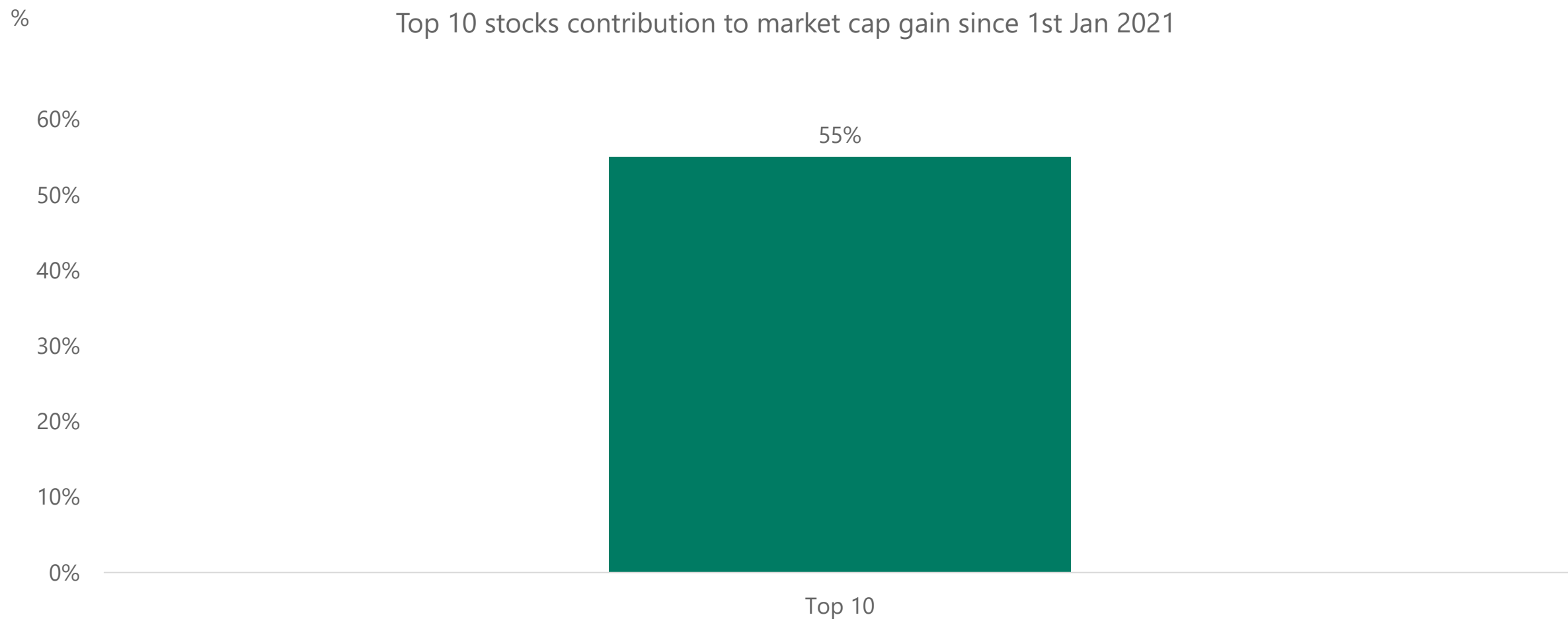




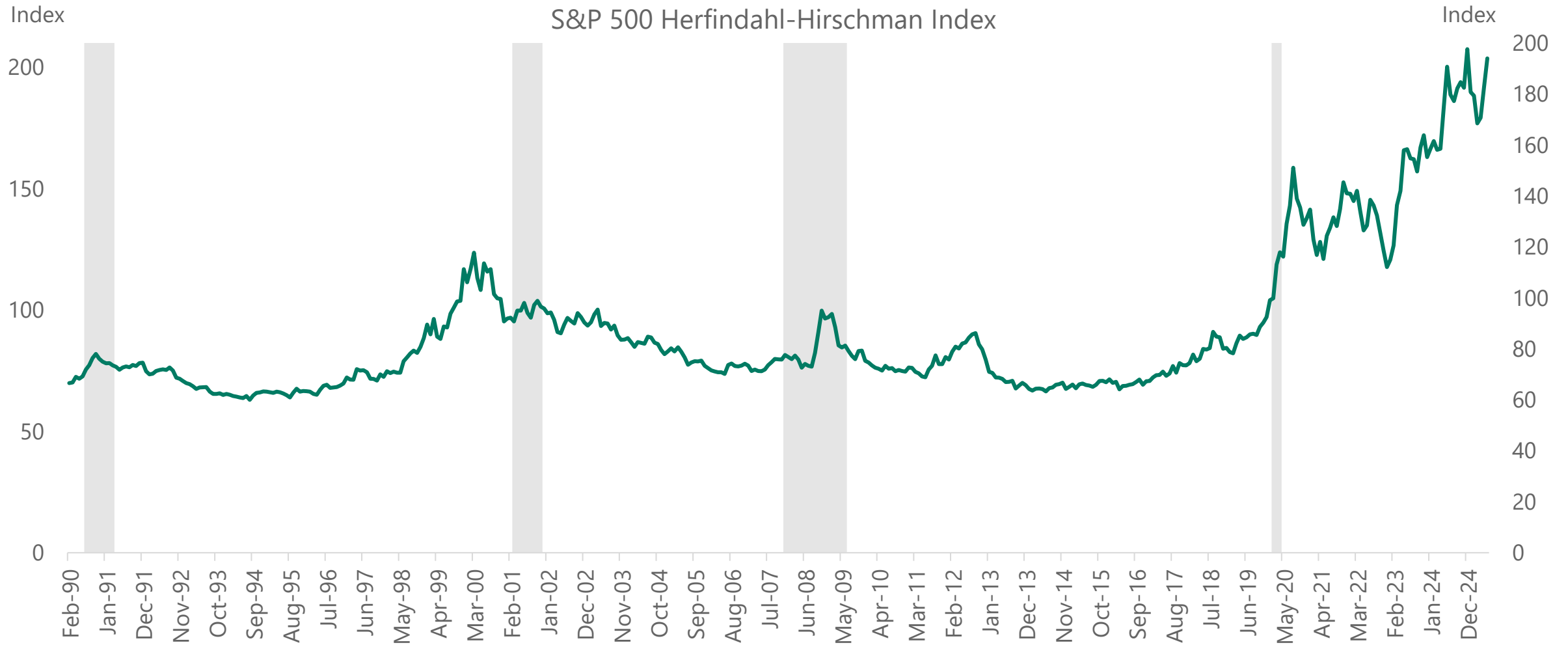
# Earnings and market cap concentration rising and near record-high levels in S&P 500



# S&P 500 returns are extremely concentrated



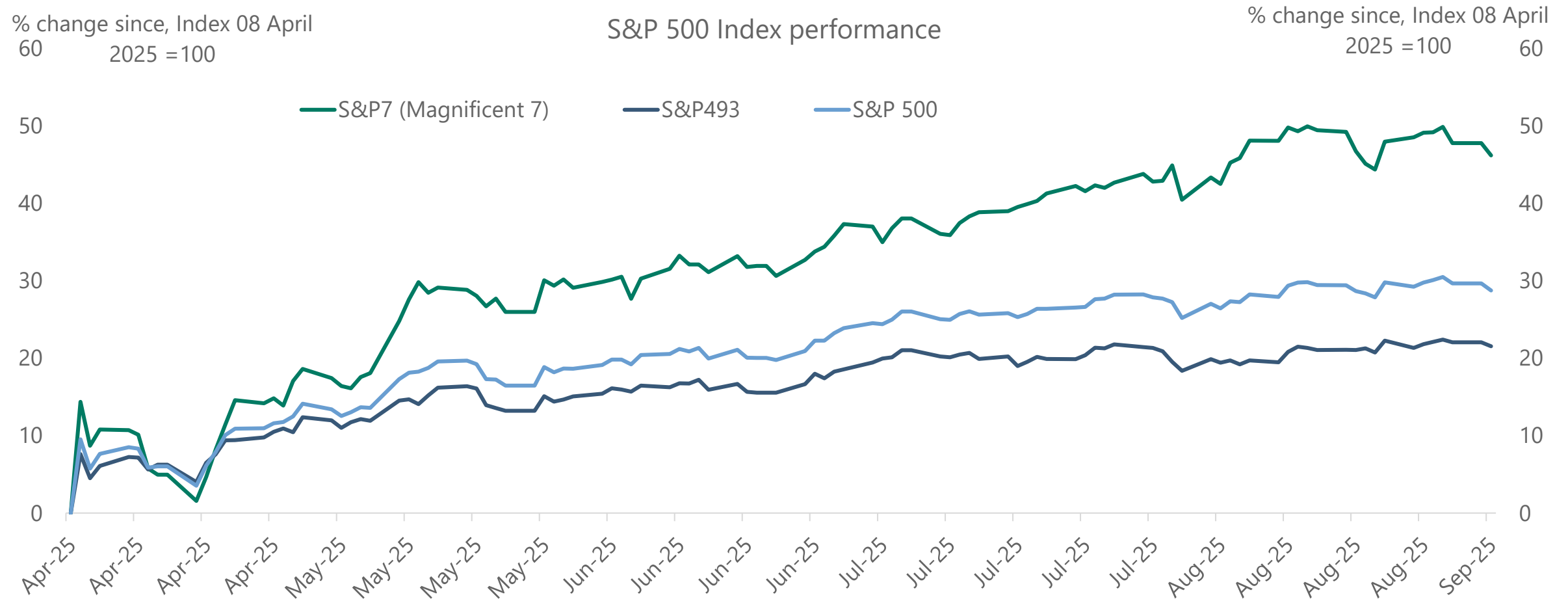
# Measures of concentration in the S&P 500 are at record high levels



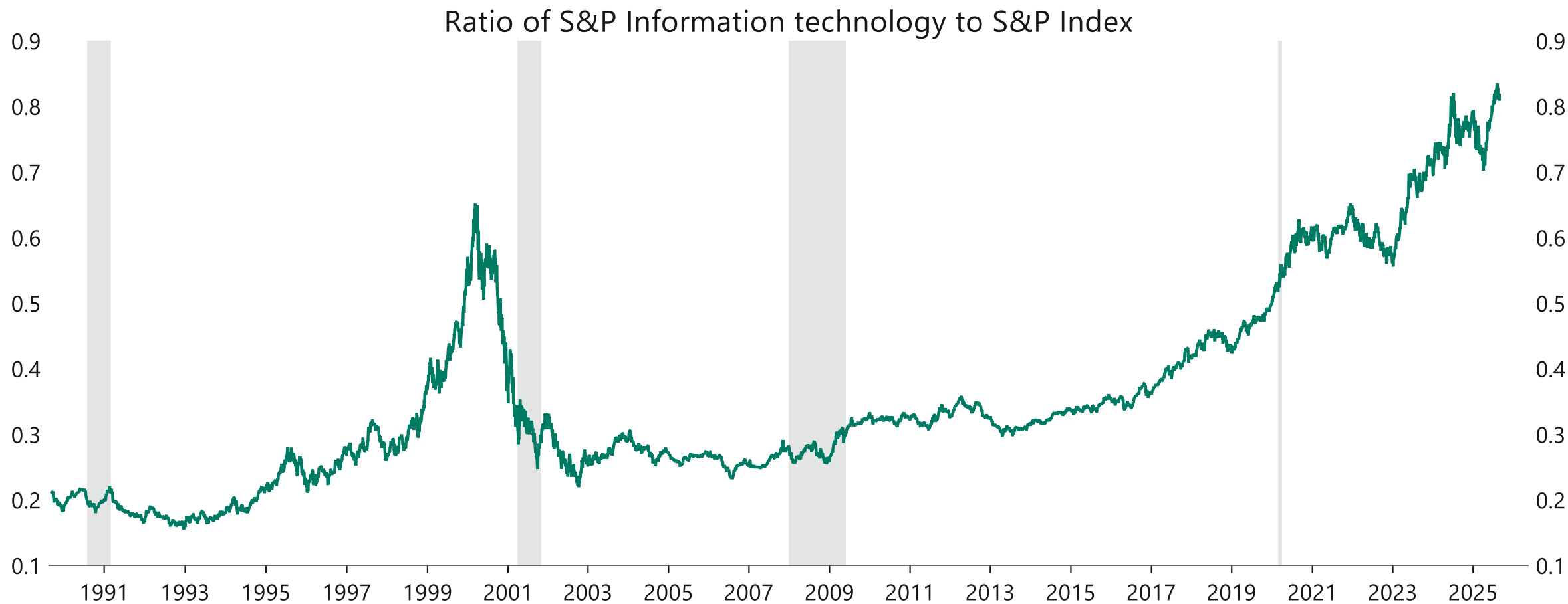
Source: Bloomberg, Apollo Chief Economist. Note: The Herfindahl-Hirschman Index (HHI) is a measure of market concentration, indicating the size of firms relative to the industry they are in and the level of competition among them. Applying the Herfindahl-Hirschman Index to the S&P 500 and inverting the result gives the "effective membership" a measure of concentration showing how many stocks are truly moving the benchmark. A lower number implies increased concentration.

S&P 500 returns concentration

# Magnificent 7 outperforming the rest of the index

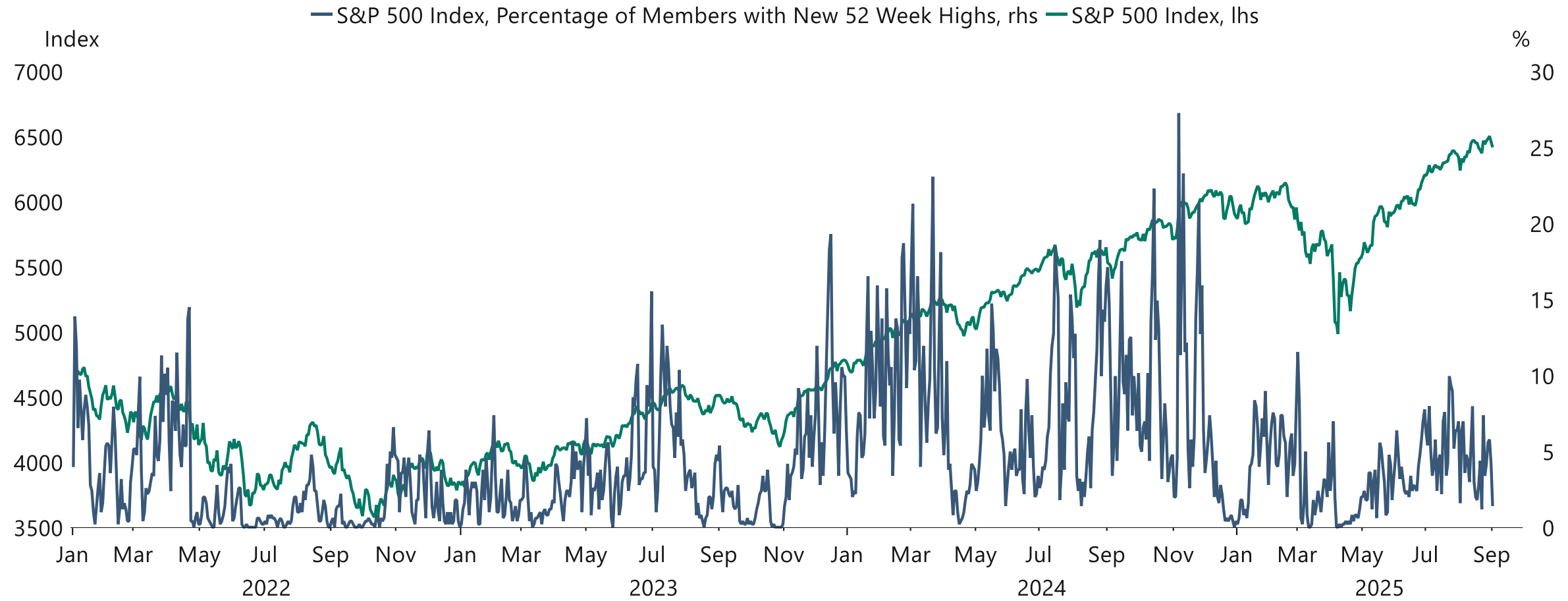


# Performance of tech index relative to S&P 500 higher than tech bubble



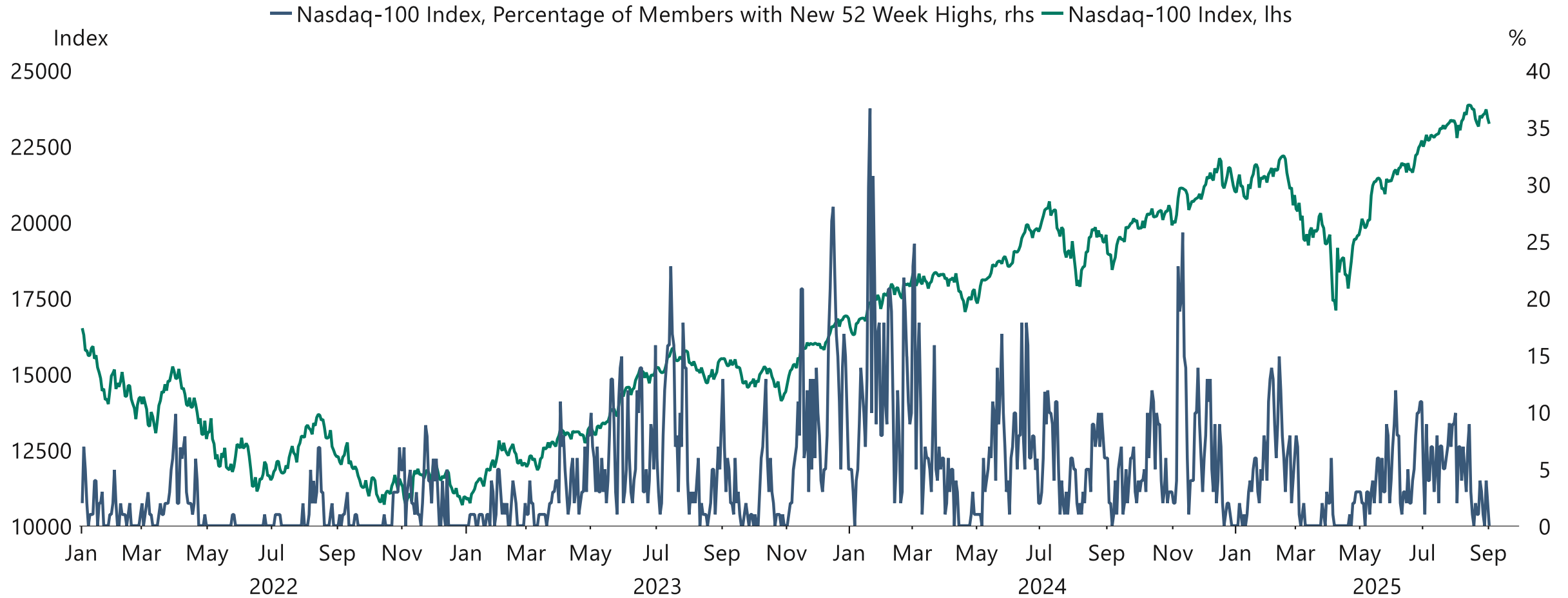
Source: Bloomberg, Macrobond, Apollo Chief Economist

# S&P 500 reaching new highs while percentage of index members reaching new highs low



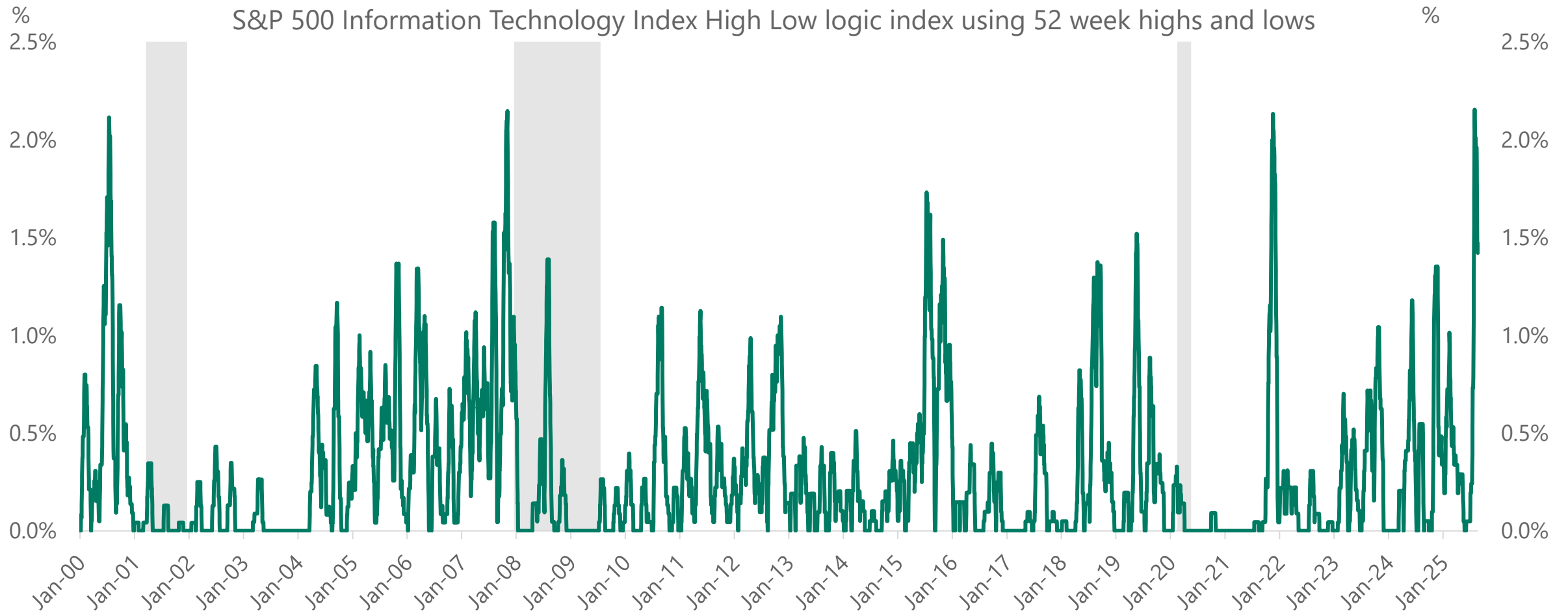
Source: Bloomberg, Macrobond, Apollo Chief Economist

# Nasdaq reaching new highs while percentage of index members reaching new highs low

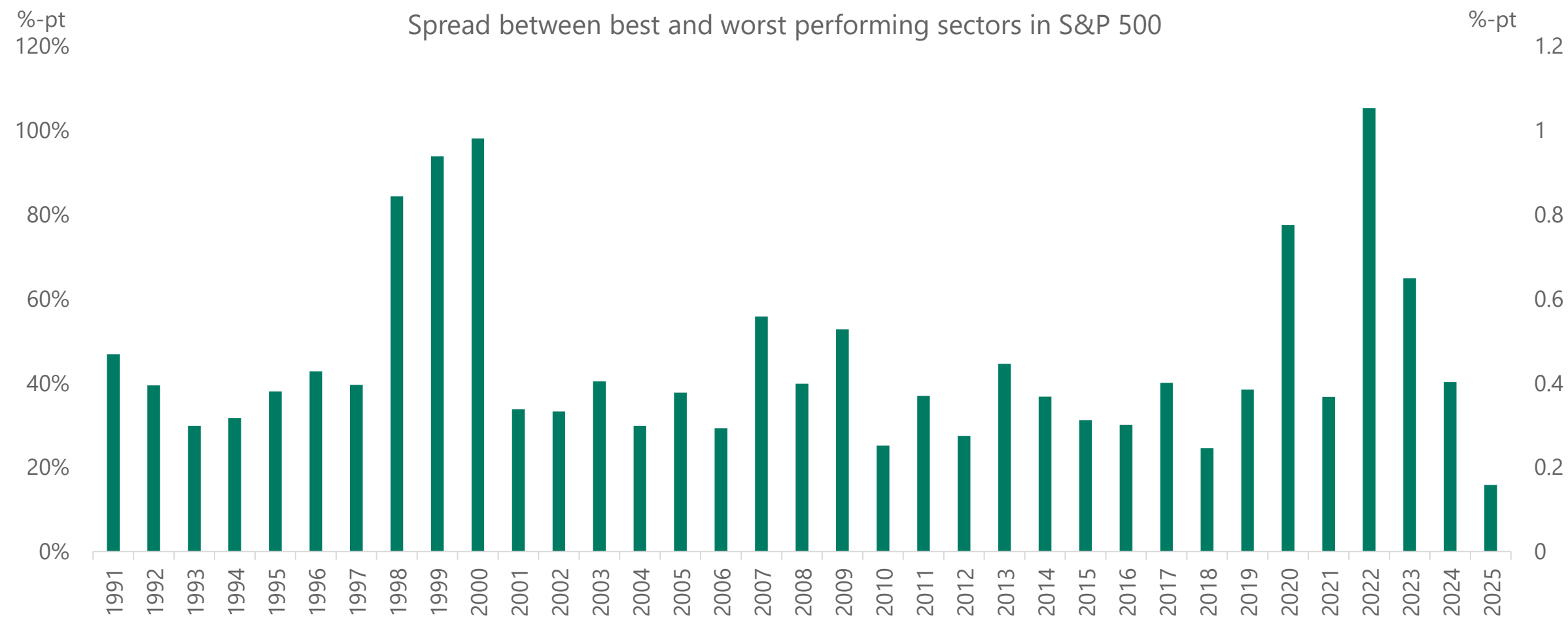




# High low logic index indicating AI creating winners and losers simultaneously



# Spread between best and worst performing sectors the lowest in 2025



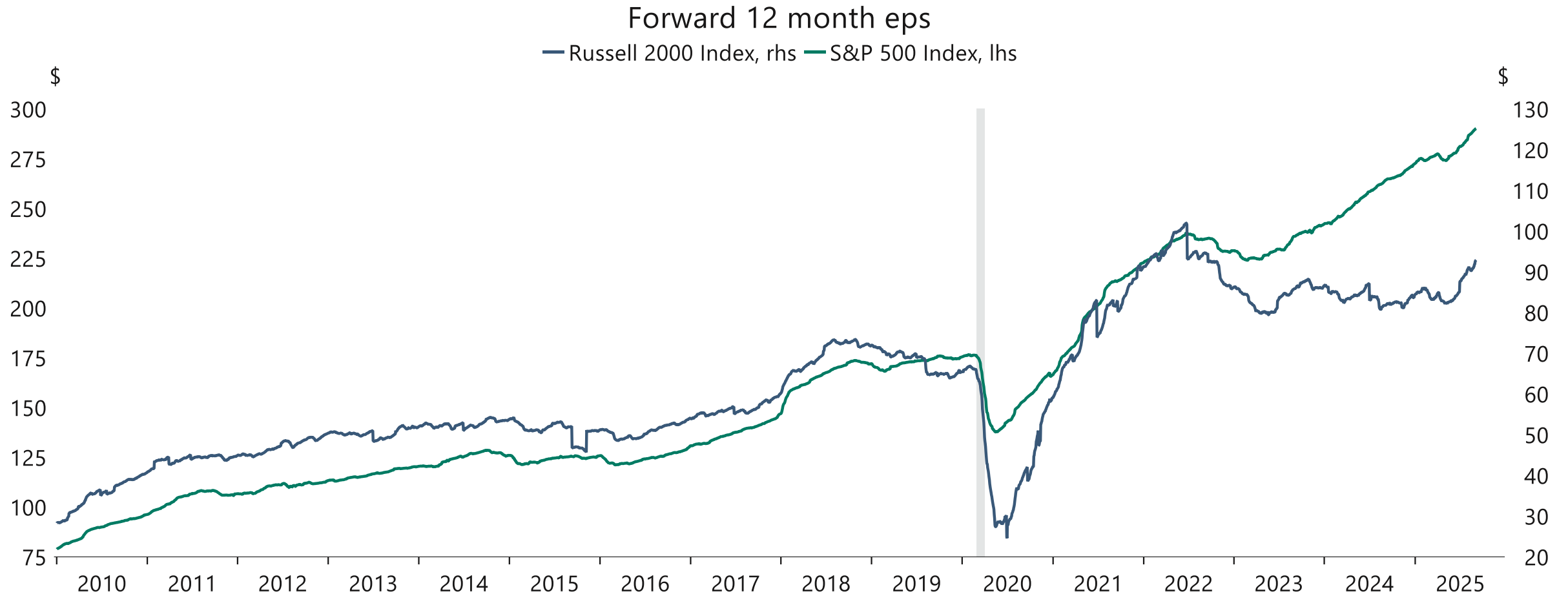
Source: Bloomberg, Apollo Chief Economist. Note: 2025 is YTD

S&P 500 earnings concentration

# Earnings growth concentrated in the Magnificent 7 and slowing down

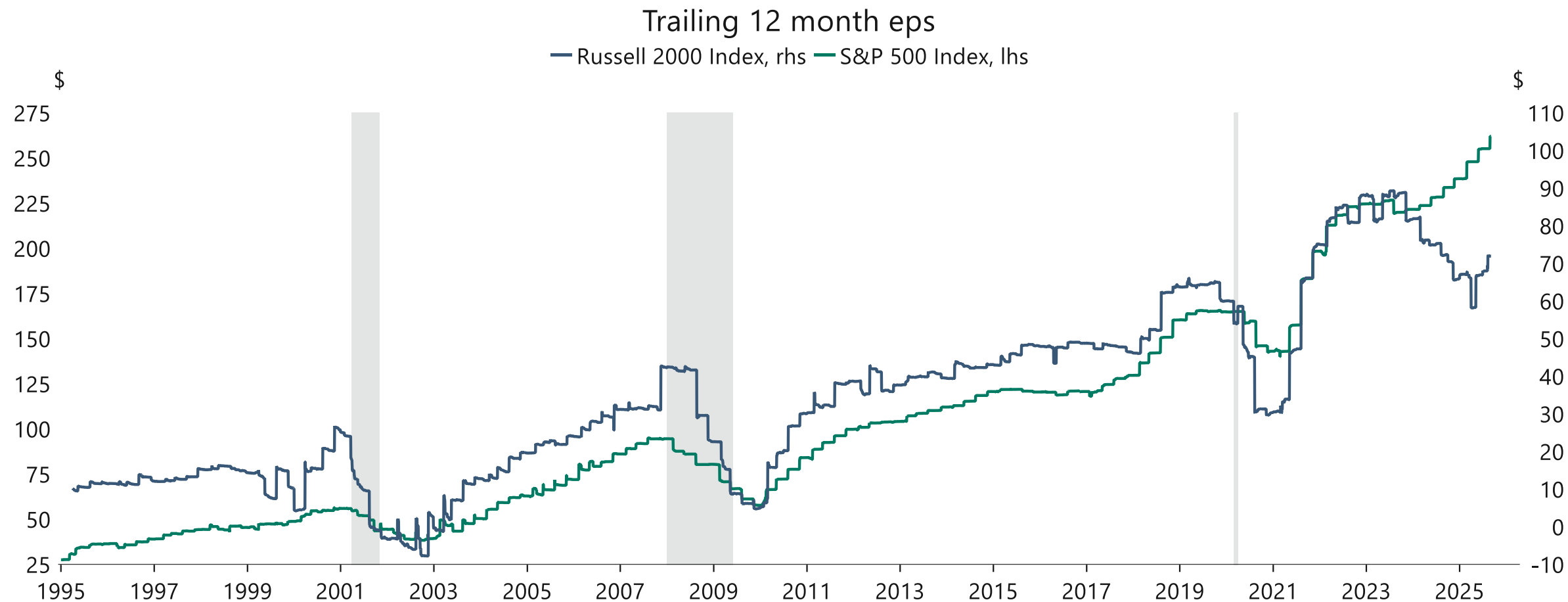


# Earnings expectations rising for large cap but flat for small cap



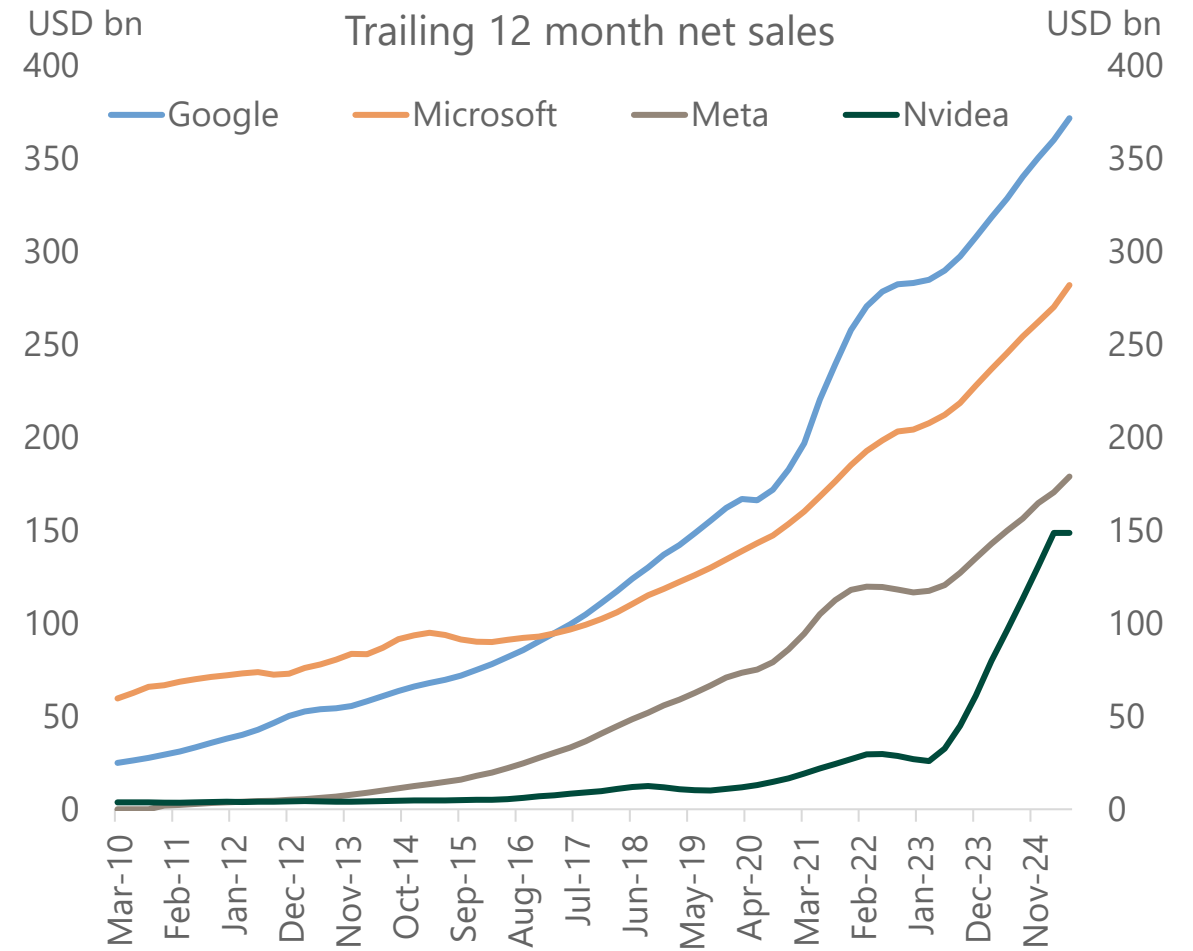
Source: Bloomberg, Macrobond, Apollo Chief Economist

# Actual earnings rising in large companies and falling in small companies

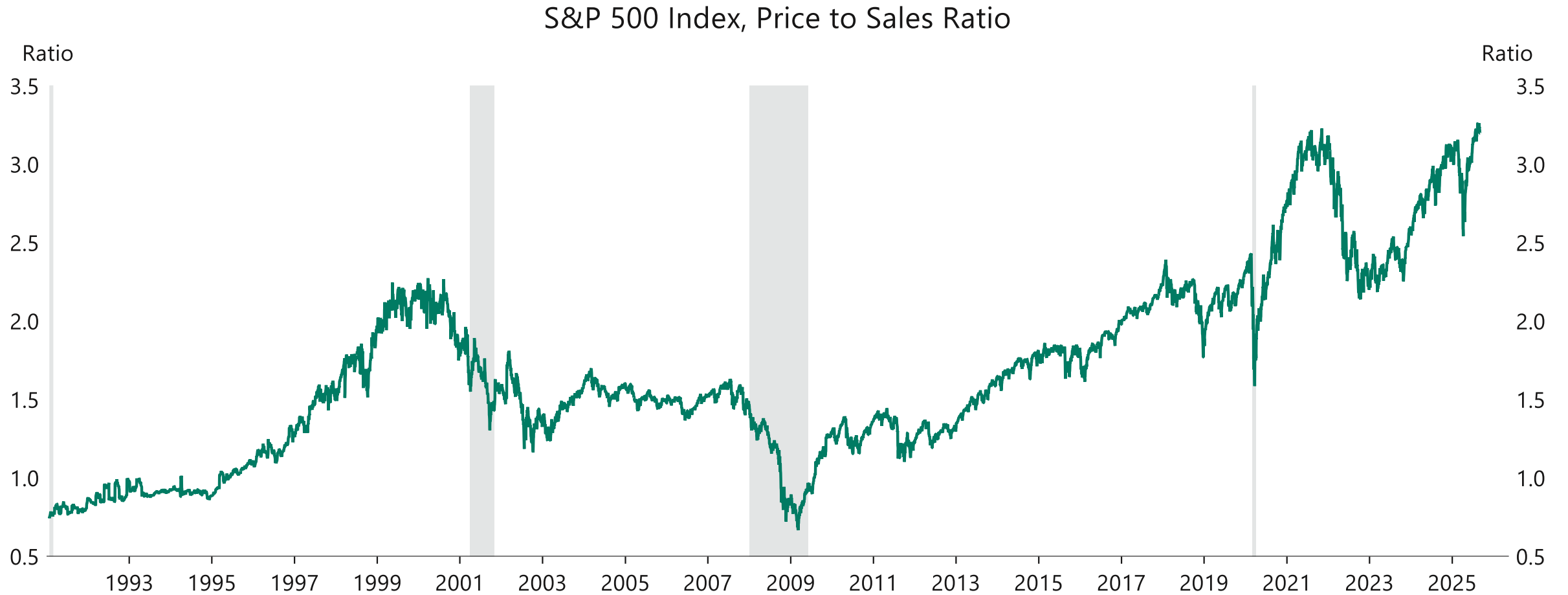


Source: Bloomberg, Macrobond, Apollo Chief Economist

# Revenue growth in Mag 7 companies



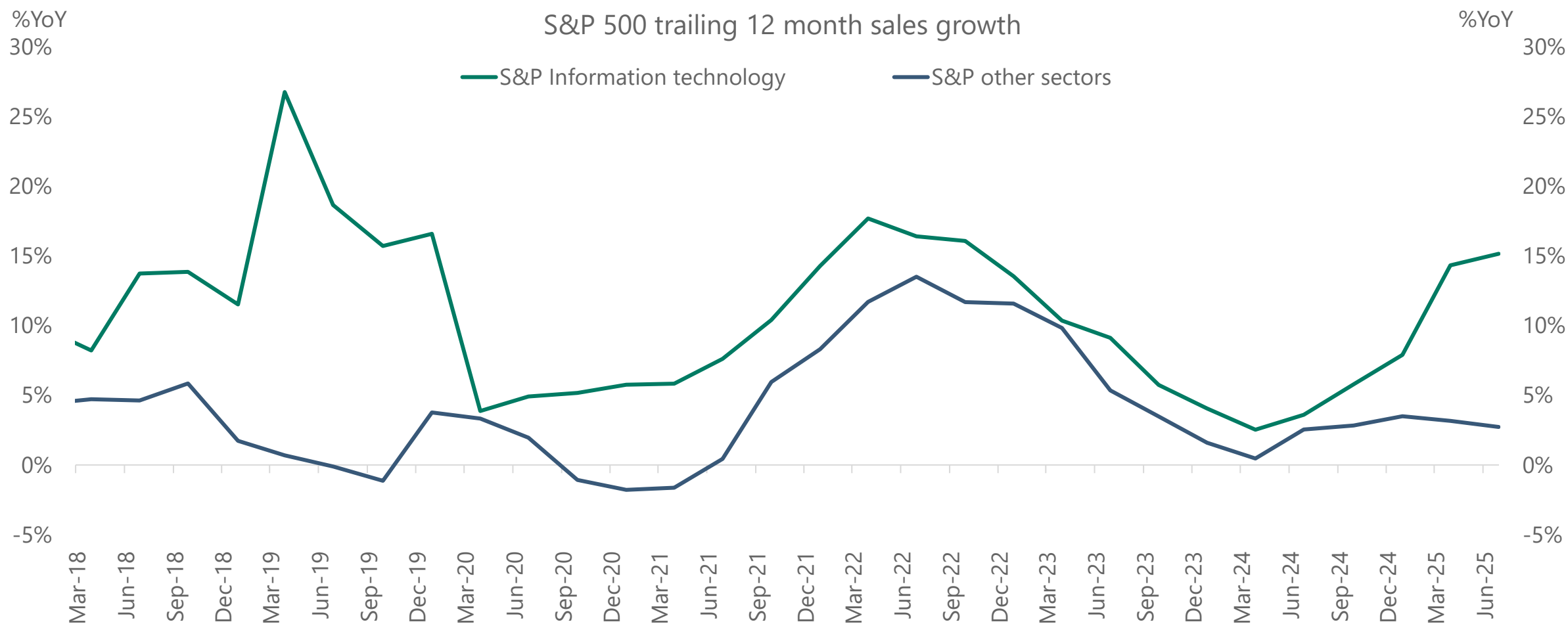
# Price to sales ratio at new highs for the S&P 500



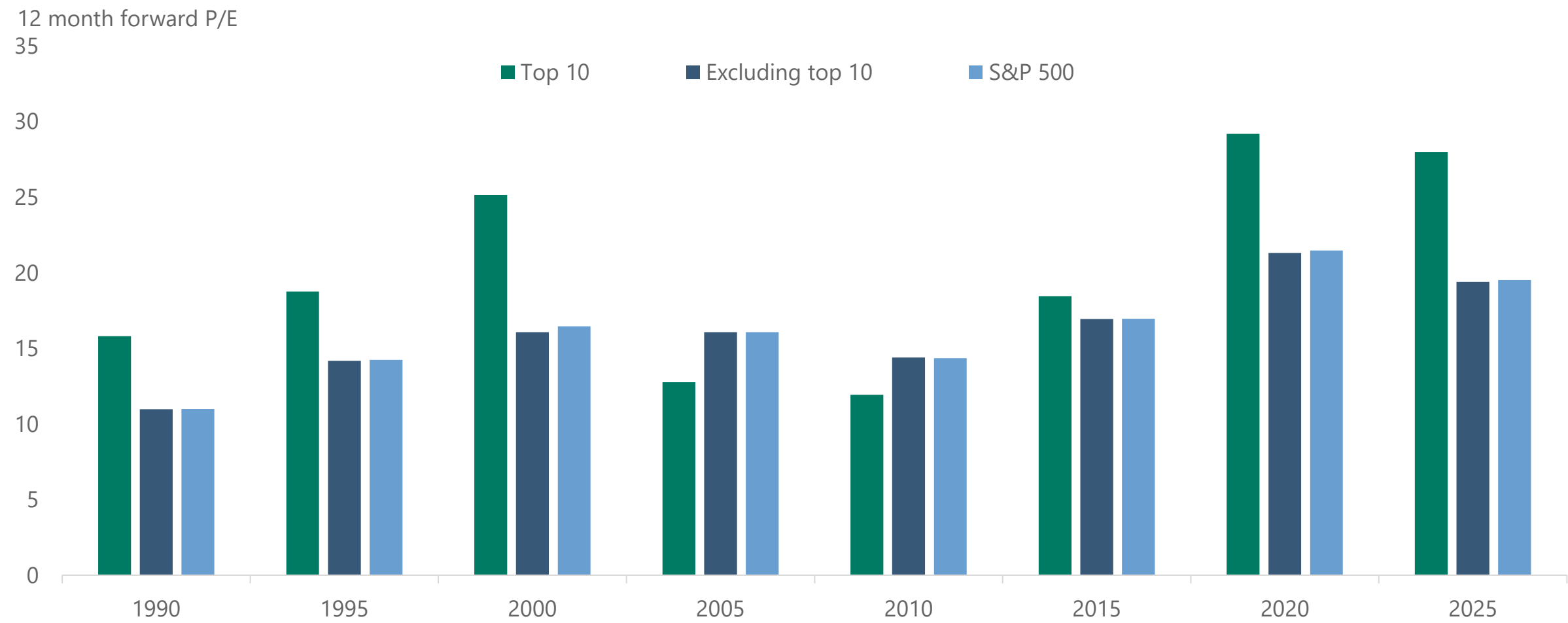
Source: Bloomberg, Macrobond, Apollo Chief Economist



# Sales growth in technology higher than in other sectors

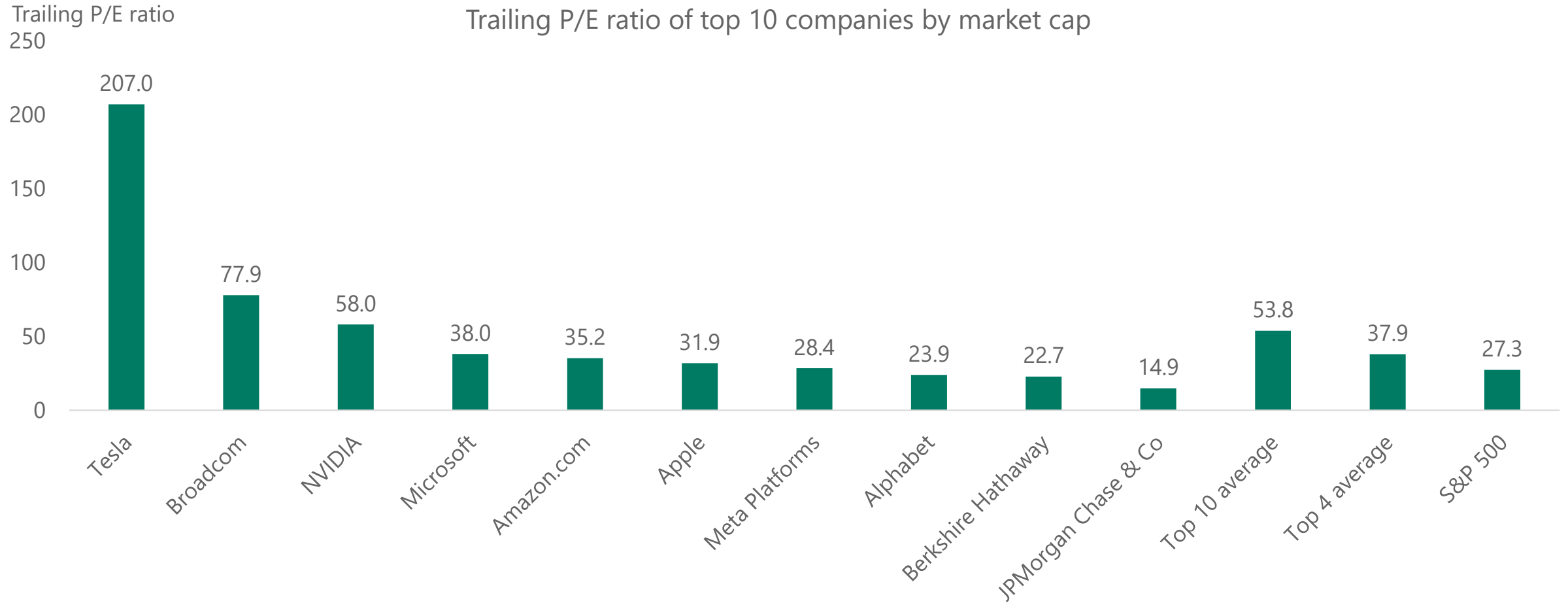


# The AI bubble today is bigger than the IT bubble in the 1990s

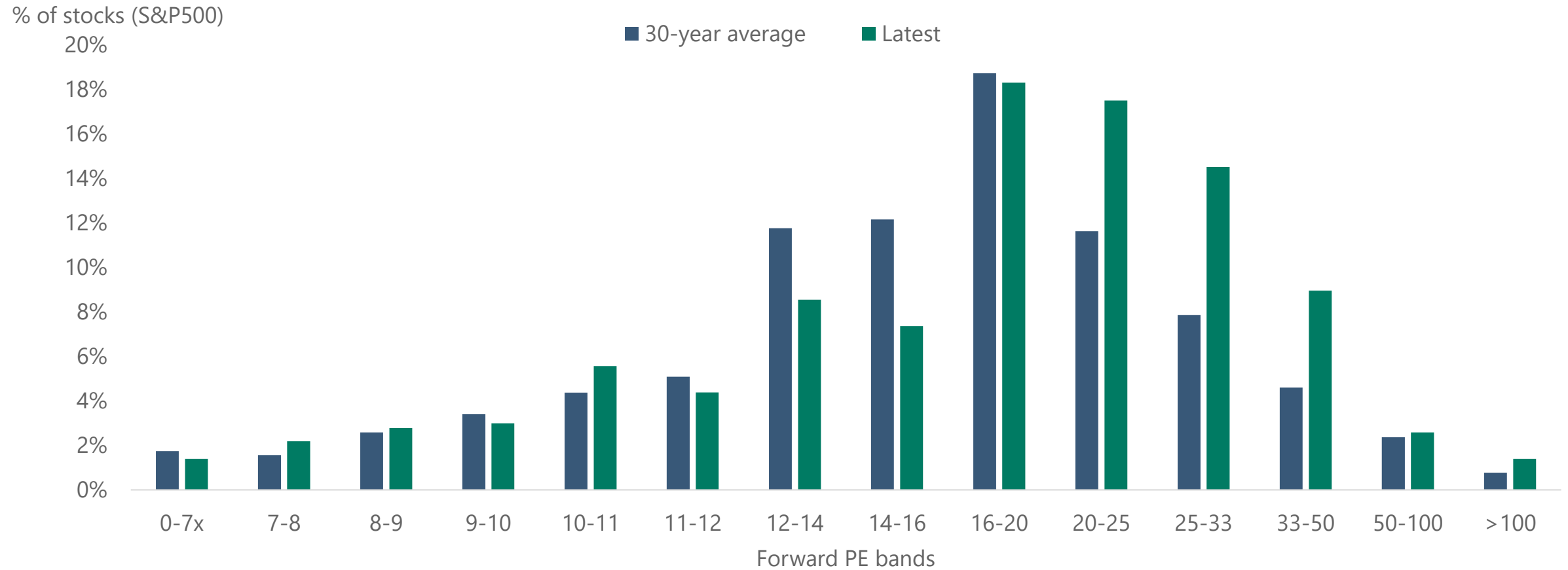


Note: Data as of February 10<sup>th</sup> July, 2025. Top 4 and top 10 companies are by market cap. Source: Bloomberg, Apollo Chief Economist.

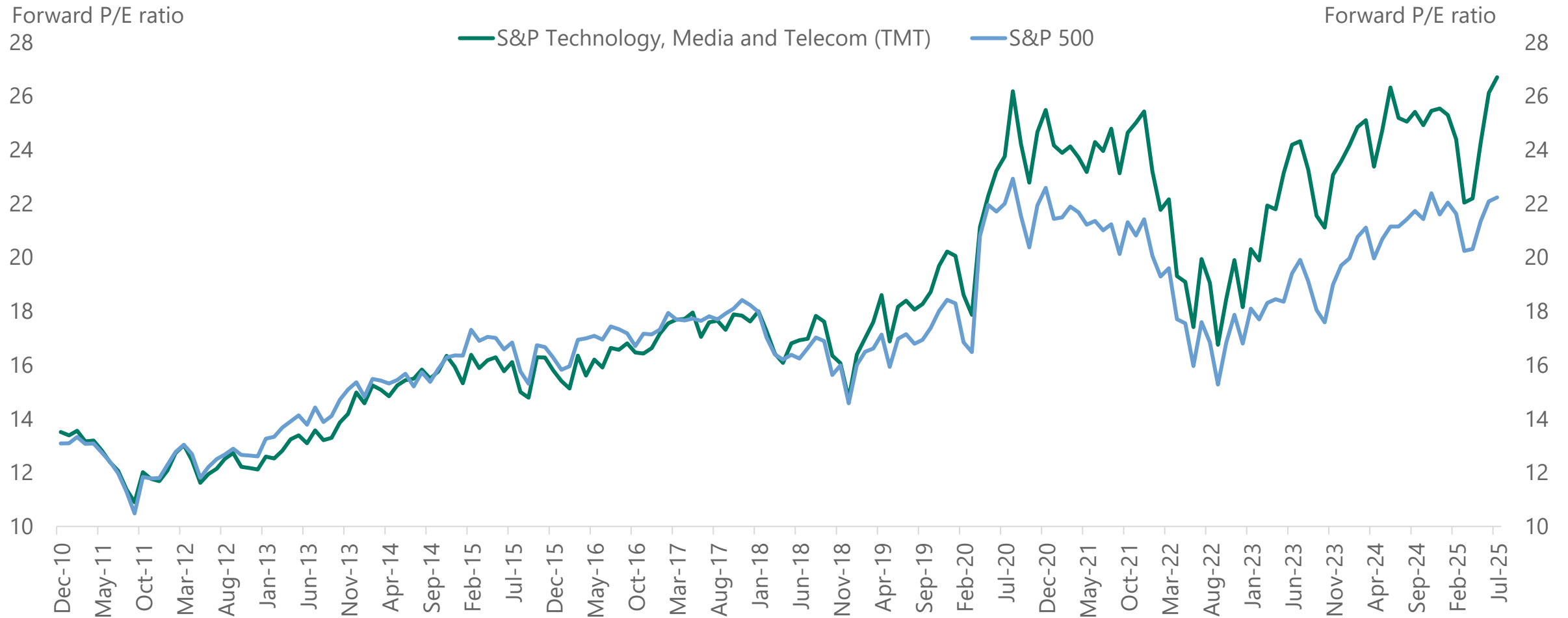
The average P/E ratio of the top 10 companies in the S&P 500 is around 50



# S&P 500 is overvalued compared to history

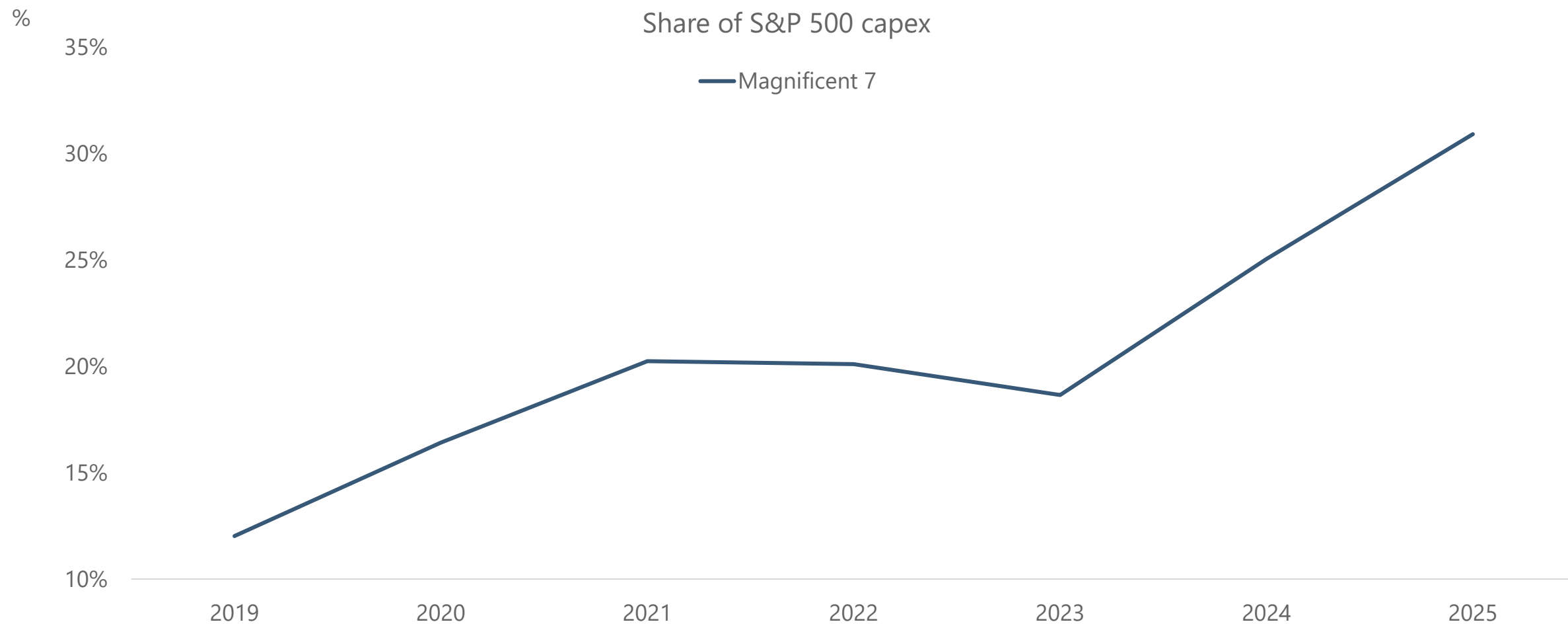


# Forward P/E ratio higher for technology, media and communication relative to S&P 500

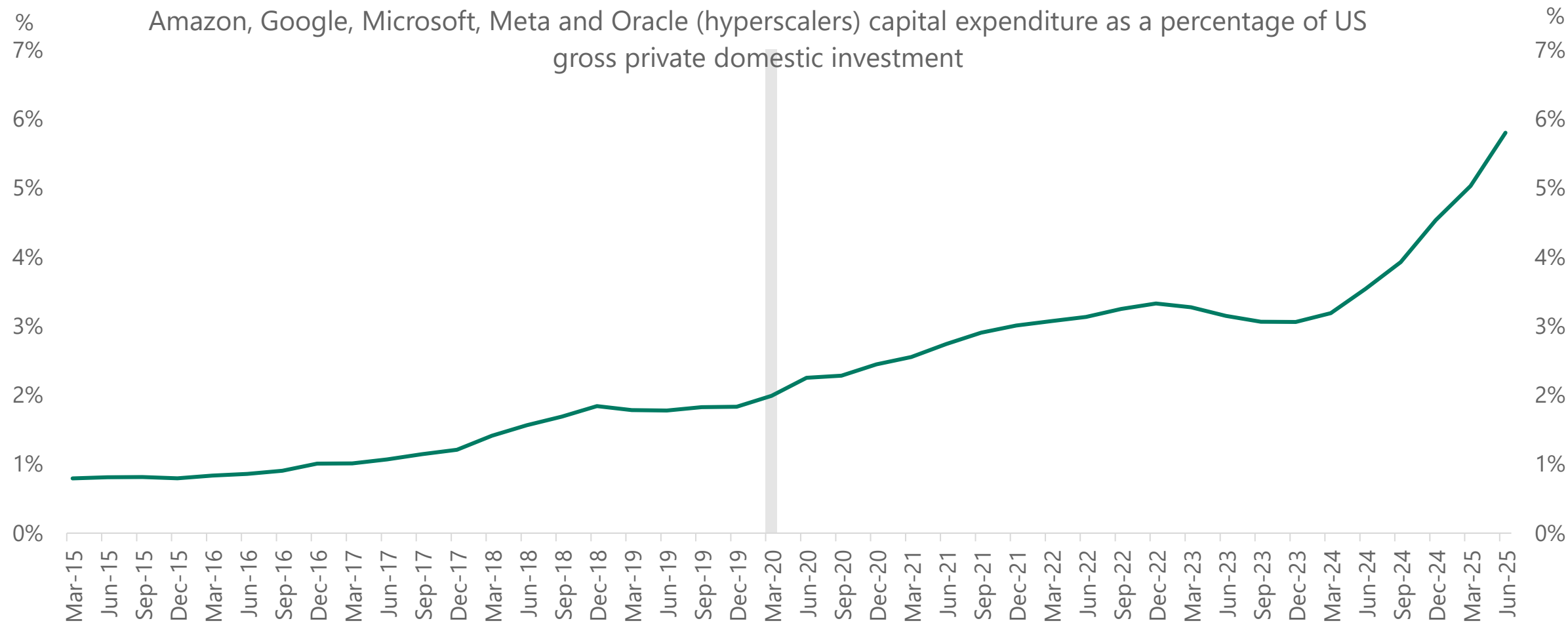


S&P 500 capex concentration

# Capex spending concentrated in the Magnificent 7



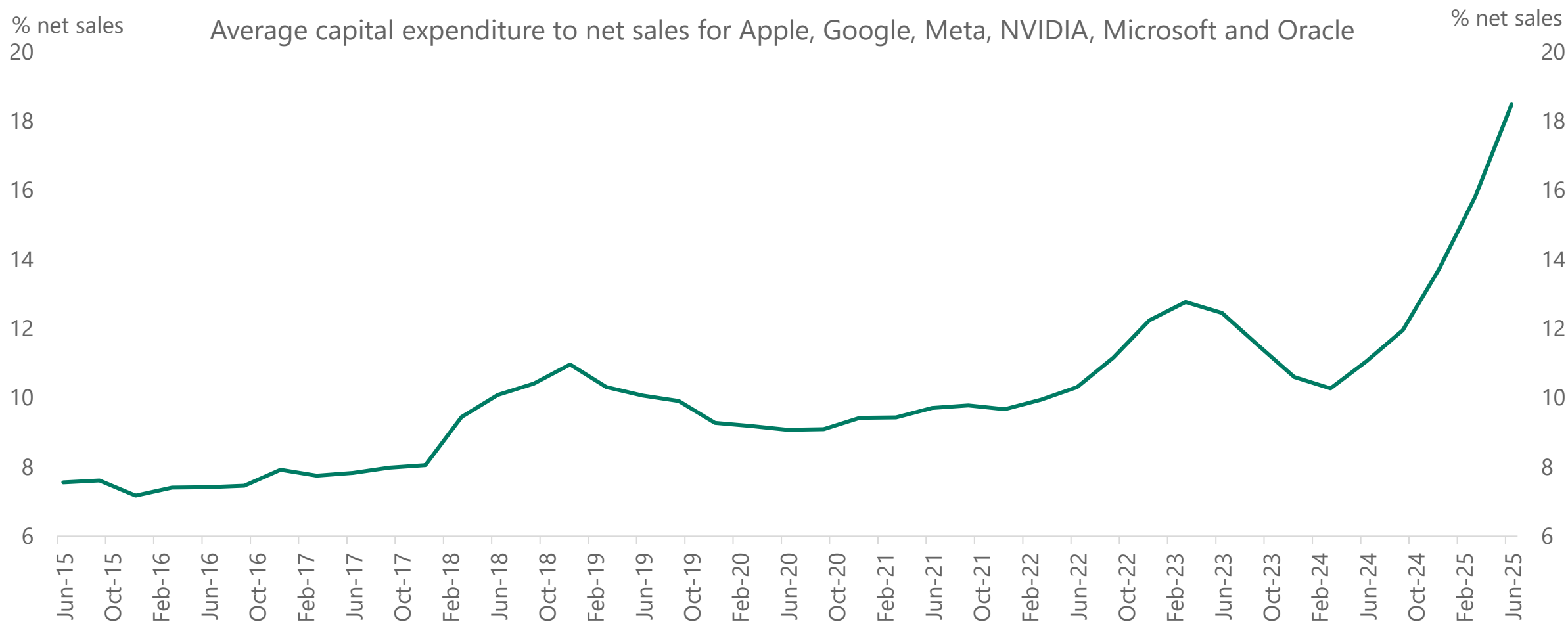
# Hyperscalers capital expenditure share of US private domestic investment has doubled since 2023



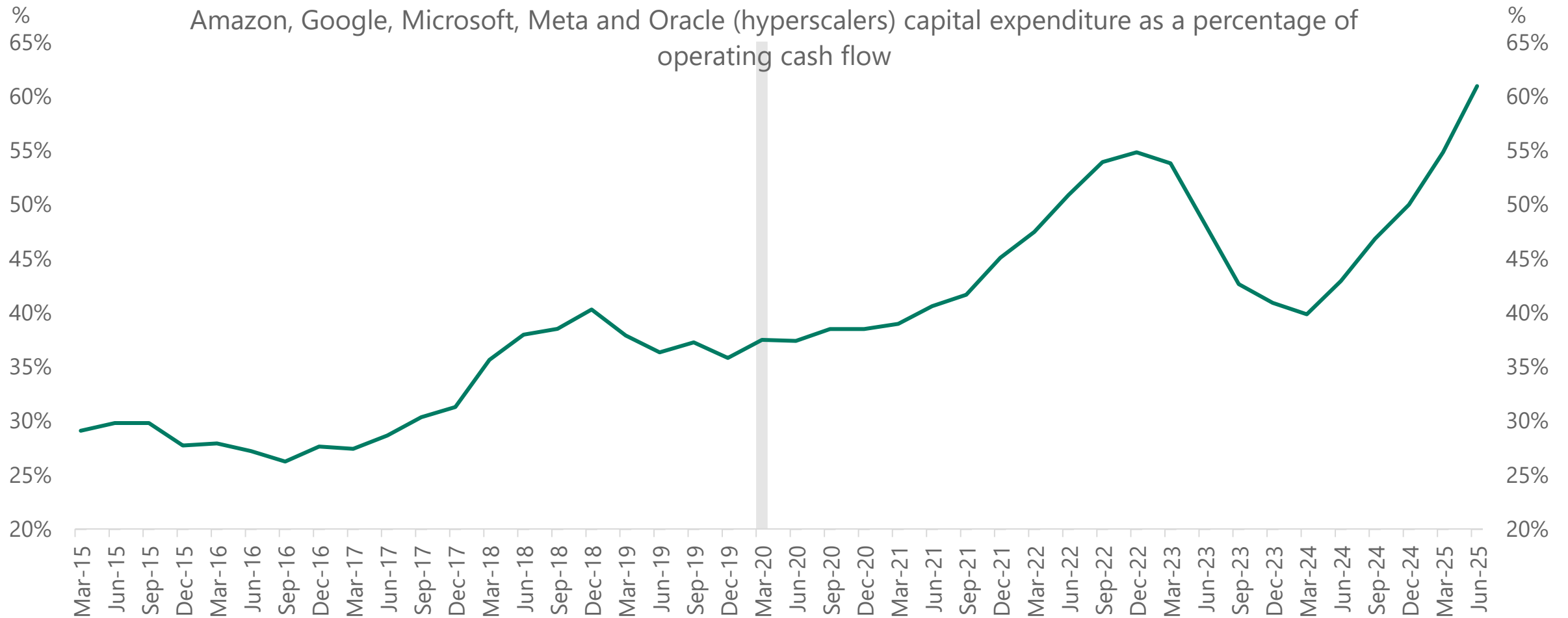
Source: Bloomberg, Apollo Chief Economist



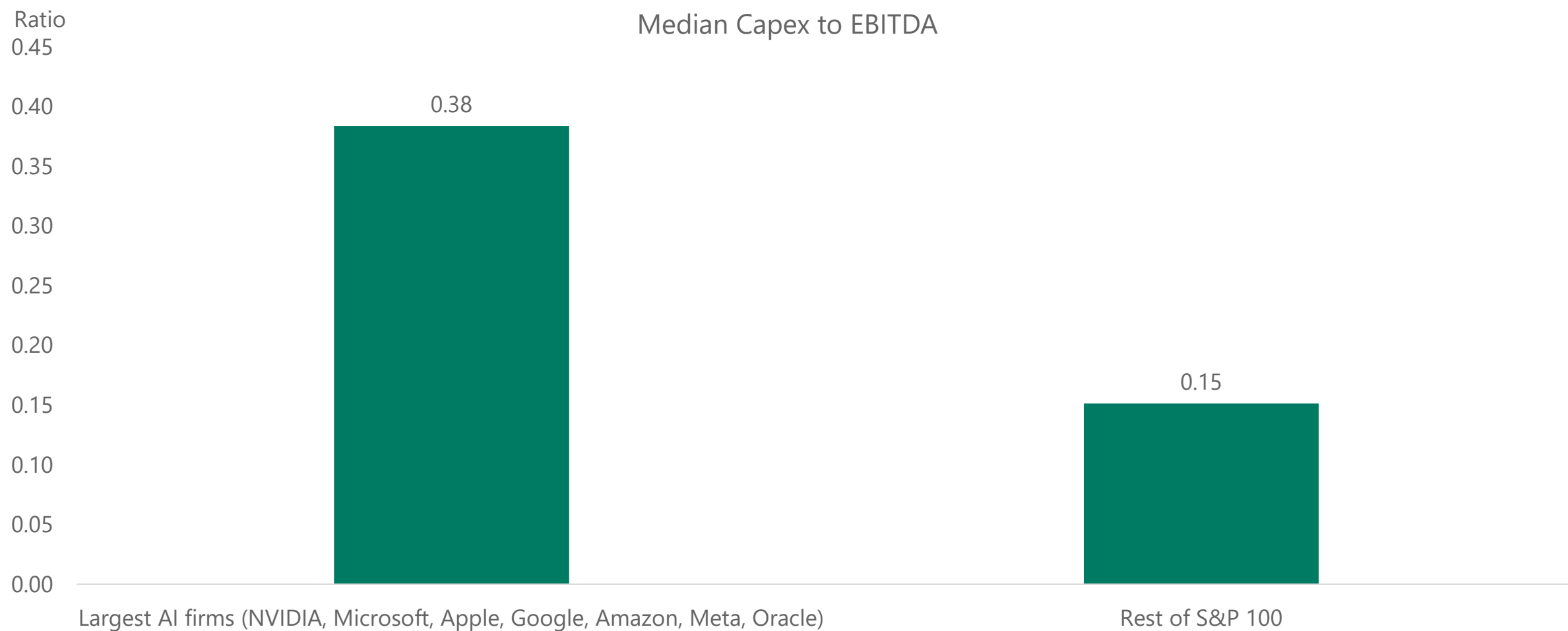
# Capex share of net sales for hyperscalers approaching 20%



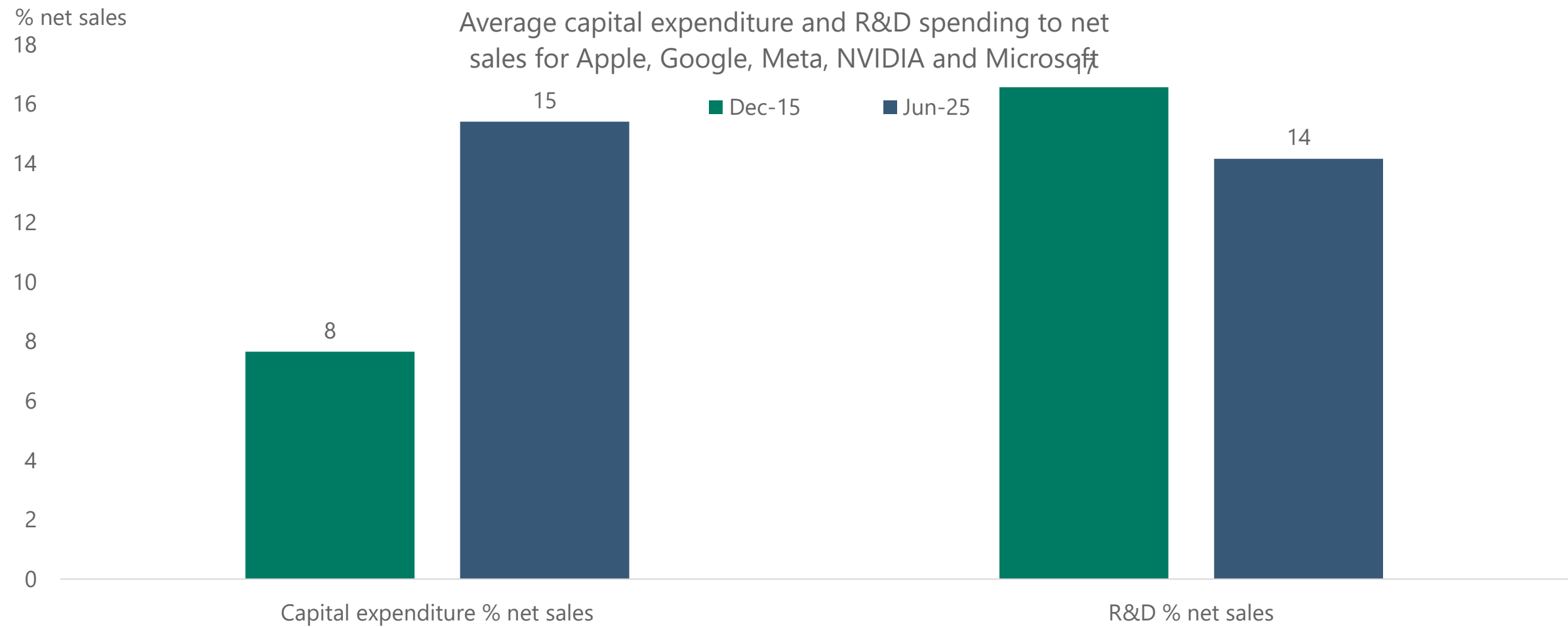
# Capex share of operating cash flow for hyperscalers: 60%



# Capex to EBITDA ratio for largest AI firms more than 2 times rest of S&P 100

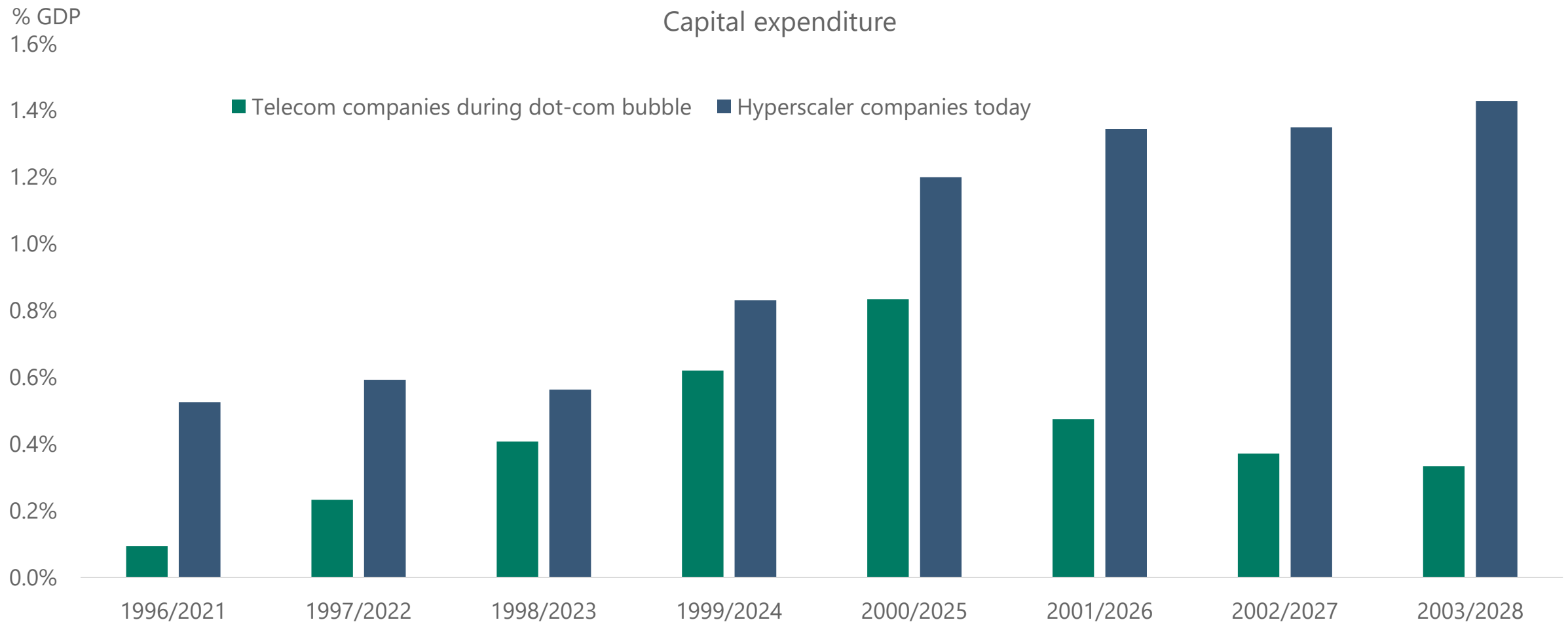


# Capex in largest AI firms is rising while R&D spending is declining



Source: Bloomberg, Apollo Chief Economist

# Capital expenditure share of GDP much higher for hyperscalers today vs telecom companies during dot-com bubble



Source: Bloomberg, Factset, Apollo Chief Economist> Note: Hyperscaler companies include Oracle, Microsoft, Meta, Amazon, Google and Telecom companies include Level 3 Communications, WorldCom, Global Crossing, Nortel Networks, Verizon, AT&T, Nokia, Cisco Systems) Williams Companies and XO Communications



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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.