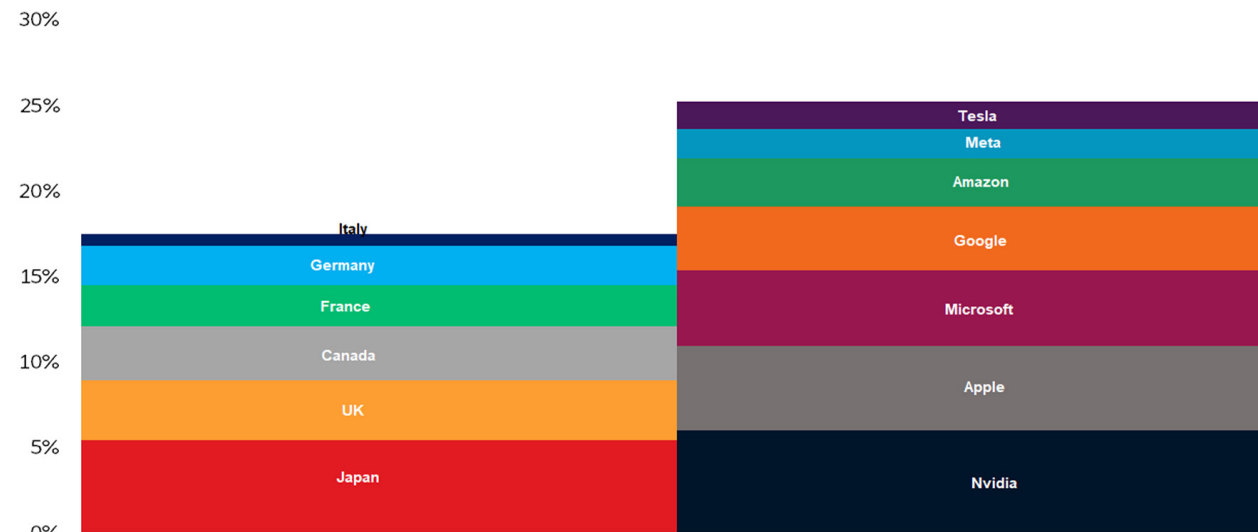


Chart of the Week

17 November 2025

G7 ex US and the Magnificent 7 Market Caps as a % of MSCI World Index



Source: Momentum Global Investment Management, MSCI World Index data to 31 October 2025.



MAG7 Madness?

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What does it show?

This week's chart compares the weightings of the 'Magnificent 7' stocks and the G7 ex US countries in the MSCI World Index. The Magnificent 7 has surged in recent years, reaching regular new highs. Nvidia has recently been crowned the first \$5 trillion company (larger than Japan's entire GDP), having only crossed the \$1trillion mark in June 2023. The graph reflects the resulting stark increase in concentration risk of the Magnificent 7 and its domination of world stock markets. Concerns are rising: is this an AI bubble, or is the hype warranted?

Why is it important?

History suggests that the good times don't always last. Investors should be cautious of record highs and endless growth. Concentration risk has heightened in the MSCI World index, even more so in the S&P 500, meaning additional sources of diversification are increasingly warranted.

Since the April lows after 'Liberation Day', the Magnificent 7 returned 62% in seven months – further cementing their leadership status. Strong earnings reports and a \$500 billion order for Nvidia chips, have bolstered markets and beaten even the more bullish analyst estimates. Recent Fed rate cuts only push them further, and the hype surrounding AI is unwavering. Microsoft Copilot, Google Gemini and

Meta AI are used widely, driving enterprise adoption while Amazon has integrated generative AI into its cloud-based web services. Tangible AI revenue streams have reduced some scepticism, but many are unsure that AI will deliver the global shift that is promised.

Stretched valuations are a major cause for concern with the Magnificent 7. With most trailing price to earnings multiples hovering around 30-40x (with Tesla reaching almost 290x), very high levels of growth are already being discounted, leaving little room for disappointment. Meanwhile, US GDP growth is slowing, the labour market is softening, the consumer is weakening, and delinquency rates are rising. Many strategists believe we're late in the business cycle, and the economy could slow materially from here. Nvidia's massive revenues hinge on their competitive dominance, which is unlikely to continue indefinitely, providing reason for caution.

At MGIM, we believe that times like this 'FOMO' risk – fear of missing out – is an increasingly important factor to consider in the short term and sizing exposure and blending styles is of absolute importance. The phenomenal returns generated by cap-weighted indices are largely reliant on the continued success of the Magnificent 7, and by proxy, the success of AI. True diversification has rarely looked so important.

Weekly market update

Week ending 14 November 2025

momentum

global investment management

Fiscal clarity in the US boosted markets, while UK caution, EU steadiness, and China's slowdown with geopolitical tensions heightened global risks, leaving emerging markets and commodities sensitive to policy and growth uncertainties.



US

- » The US Senate passed a compromise funding bill to end the longest-ever government shutdown. On 12 Nov, the House approved the funding package, and President Trump signed it into law, formally ending the shutdown after 43 days.
- » Equity markets rallied sharply in response: on 10 Nov, the S&P 500 rose ~1.6% and the Nasdaq Composite jumped ~2.4%, led by tech names like Nvidia.
- » Treasury yields rose – as investors rotated out of safe havens and into riskier assets in response to improved fiscal clarity.
- » A Fed governor (Stephen Miran) suggested a 50-basis-point rate cut in December could be “appropriate,” which boosted growth plays.



UK

- » UK markets turned cautious amid a broad tech-sell-off and concerns over global growth, with the FTSE 100 falling ~1.1%.
- » Politically, reports emerged that Chancellor Rachel Reeves may abandon planned income tax rises, triggering investor jitters: the pound weakened, and 10-year gilt yields ticked up as markets question how the budget gap will be bridge.
- » A UK auction of inflation linked gilts (2038 maturity) saw record demand, with more than £69 billions of bids –suggesting strong investor appetite for real return government debt despite political uncertainty.
- » The UK's Q3 economic data was weak: GDP growth slowed sharply, in part due to a cyber attack on Jaguar Land Rover that disrupted manufacturing, undermining confidence in the upcoming Budget.



Europe

- » On 11 November, ECB officials (such as Frank Elderson) said the current interest-rate setting was “in a good place” and that further cuts were not imminent, reinforcing expectations of no near-term easing.
- » The euro area economy showed resilience: ECB commentary noted growth hadn't fallen as much as feared and inflation risks were “balanced”.
- » European equity markets reflected global jitters: on 14 Nov, the Stoxx 600 fell ~0.9% amid a tech sell off and China growth worries.
- » European officials took note of US dollar dominance and considered measures such as pooling dollar reserves to reduce dependence on the US monetary system.



Rest of the World/Asia

- » Data released on 14 November showed that China's factory output, retail sales and exports all disappointed, with exports down 1.1 % year-on-year in October. The weak data reinforced concerns about a domestic investment slump and mounting regional local-government debt – suggesting structural headwinds remain for China's economy.
- » On 15 November, China issued a warning to its citizens against travelling to or studying in Japan after Japanese PM Sanae Takaichi commented that Japan might intervene if China attacked Taiwan.
- » Oil prices climbed (Brent up ~0.8%) on expectations that a reopened US government would support demand, particularly for aviation and consumer spending.
- » Emerging market equities and currencies remain exposed to both the US policy path and China's economic trajectory – the combination of US fiscal uncertainty and China's slowdown increases tail risk for emerging markets.

Weekly market data

Week ending 14 November 2025

Cumulative returns					
Asset Class / Region	Currency	Week ending 14 November	Month to date	YTD 2025	12 months
Developed Markets Equities					
United States	USD	0.1%	-1.5%	15.4%	14.2%
United Kingdom	GBP	0.2%	0.2%	22.7%	24.5%
Continental Europe	EUR	2.4%	1.0%	16.4%	16.0%
Japan	JPY	1.8%	0.8%	23.5%	27.5%
Asia Pacific (ex Japan)	USD	0.0%	-1.5%	27.9%	26.9%
Australia	AUD	-1.3%	-2.5%	9.1%	8.4%
Global	USD	0.5%	-1.0%	18.6%	17.3%
Emerging Markets Equities					
Emerging Europe	USD	1.2%	1.1%	46.6%	45.8%
Emerging Asia	USD	0.1%	-1.7%	30.3%	30.4%
Emerging Latin America	USD	1.7%	4.3%	50.6%	35.6%
BRICs	USD	1.1%	1.4%	25.3%	24.4%
China	USD	0.5%	0.9%	37.4%	39.1%
MENA countries	USD	-1.3%	-3.2%	3.2%	5.6%
South Africa	USD	5.2%	4.7%	63.9%	55.9%
India	USD	1.6%	0.9%	7.0%	6.2%
Global emerging markets	USD	0.3%	-1.1%	31.4%	30.6%
Bonds					
US Treasuries	USD	-0.2%	-0.2%	5.9%	5.7%
US Treasuries (inflation protected)	USD	-0.1%	-0.3%	6.9%	6.5%
US Corporate (investment grade)	USD	-0.2%	-0.4%	7.0%	6.8%
US High Yield	USD	0.1%	-0.3%	7.0%	7.1%
UK Gilts	GBP	-0.8%	-1.1%	3.5%	3.0%
UK Corporate (investment grade)	GBP	-0.6%	-1.0%	5.3%	6.1%
Euro Government Bonds	EUR	-0.1%	-0.3%	0.9%	1.2%
Euro Corporate (investment grade)	EUR	-0.1%	-0.5%	3.0%	3.4%
Euro High Yield	EUR	-0.1%	-0.3%	4.4%	5.2%
Global Government Bonds	USD	-0.2%	-0.2%	6.6%	5.9%
Global Bonds	USD	-0.1%	-0.1%	8.1%	7.4%
Global Convertible Bonds	USD	-2.0%	-3.1%	20.5%	20.0%
Emerging Market Bonds	USD	0.1%	-0.3%	11.6%	11.1%

Cumulative returns					
Asset Class / Region	Currency	Week ending 14 November	Month to date	YTD 2025	12 months
Property					
US Property Securities	USD	-1.3%	0.2%	2.3%	-1.5%
Australian Property Securities	AUD	-2.6%	-4.9%	3.7%	-1.0%
Global Property Securities	USD	-0.2%	0.8%	11.0%	7.9%
Currencies					
Euro	USD	0.3%	0.8%	12.2%	10.0%
UK Pound Sterling	USD	-0.1%	0.2%	5.1%	3.6%
Japanese Yen	USD	-1.0%	-0.3%	1.8%	0.7%
Australian Dollar	USD	0.9%	0.1%	5.8%	1.0%
South African Rand	USD	1.0%	1.2%	10.3%	6.2%
Swiss Franc	USD	1.2%	1.3%	14.3%	11.8%
Chinese Yuan	USD	0.3%	0.3%	2.8%	1.8%
Commodities & Alternatives					
Commodities	USD	1.0%	0.6%	6.5%	10.3%
Agricultural Commodities	USD	-0.4%	-1.2%	-5.5%	-3.9%
Oil	USD	1.2%	-1.0%	-13.7%	-11.3%
Gold	USD	2.1%	2.0%	55.6%	58.7%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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