

## **Goldman Sachs**

### **“Tech-driven rally built on ‘strong foundation’”**

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**Peter Callahan:** Is a historic run for US tech giants justified? Since the start of 2023, the S&P 500 was up 32 percent. But the bulk of that performance comes from the Magnificent 7, which are up nearly 90 percent. The remaining 493 stocks are up just 18 percent.

Yes, valuations have risen as well. The Magnificent 7 traded 29 times PE as compared to 18 times for the rest of the index. So, it's natural to wonder if these stocks are overvalued. Some investors even hear echoes of the dotcom bubble. But I see it differently. These seven stocks are capitalizing on one of the most exciting technologies in history, the rise of generative AI.

In 4Q, the Magnificent 7 grew revenue nearly 15 percent. And these stocks are expected to deliver double digit revenue growth over the next three years. This rally has been built on a strong foundation. And I expect it to continue.

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