

The New Trend: Rotation, Not Just for Small Caps

The last week has witnessed a serious shift in the equity markets. The most popular and watched indices have barely moved, as the S&P 500 is up .6% and Nasdaq 100 is down 1.3%, since the close on Wednesday July 10th. The mainstream media has flooded the presses with the revival of small cap stocks and the resurgence of the Russell 2000. One of the first articles on the topic, [Which Way Did The Market Go](#), analyzed last Thursday's move from a quantitative vantage point.

The three trading days since Thursday, have continued the theme of rotation. The small caps, personified by the Russell 2000 is monopolizing all the headlines, gaining 10.4% since the rotation started, outperforming the NASDAQ 100 by 11.7%. The market has exhibited signs of a more profound shift in dynamics. The table illustrates the moves in the S&P 500 sectors before and since the rotation commenced. The sectors that had been the weaker performers for the year performed extremely well. While the best performers for the year, NASDAQ 100, Information & Technology (IT) Sector and Communications Sector have gone down. The NASDAQ 100 largest two sectors are IT at 51.2% and 15.9% is communications.

Notably, the sectors that have gained the least, Utilities and Consumer Staples, are traditionally good performers during inflationary periods. This subtly provides more empirical evidence that the rotation is robust and thoughtful rather than a knee-jerk reaction to a headline inflation number and one speech by Chairman Powell.

Sector	YTD Until Rotation	Since Rotation
IT	23.5%	-1.8%
Communications	20.8%	-1.1%
Financials	11.5%	3.8%
Utilities	9.7%	0.9%
Staples	7.5%	0.4%
HealthCare	7.3%	2.4%
Discretionary	7.1%	1.7%
Industrials	7.0%	5.1%
Energy	6.6%	3.3%
Materials	3.4%	4.1%
Real Estate	-3.5%	4.8%
Russell 2000	1.3%	10.4%
Nasdaq 100	22.8%	-1.3%
S&P 500	18.1%	0.6%

Time will be the only judge whether the movements of the last week are a trend or an entry on the equity markets top 20 trivia list for 2024. However, this gives insight into the answers to broader questions.

Can the market be up, when it goes down? The last four trading days have a clear answer to this ambiguous question, YES! Triathlon Partners understands the components of the market and how they dynamically interact. Our quantitative approach and selective diversification process can identify the opportunities with the greatest impact to your portfolio. [Contact us](#) to engage in a conversation, we are located at the intersection of smart and strategic investing.

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