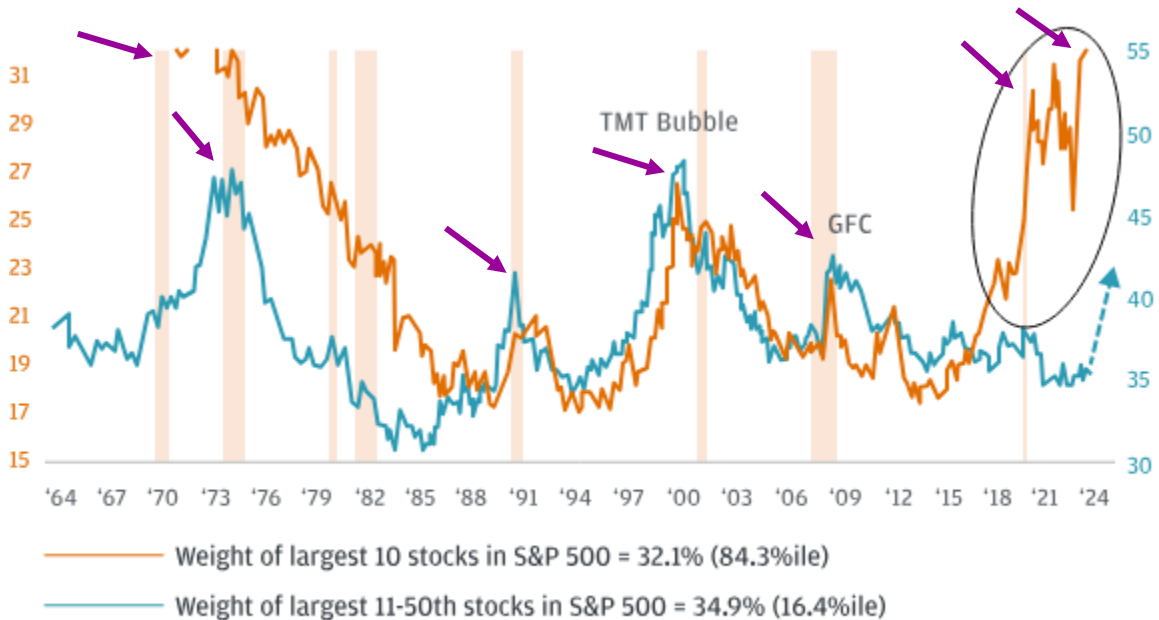


# What Happens to the Stock Market When it is Dominated by a Few Large Cap Corporations?

*By Robert McHugh, Ph.D.  
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If you study periods of time when the stock market was dominated by a few large corporations, there is a pretty good correlation that these periods lead to economic recessions (and deep stock market declines). Right now, the top 10 market cap stocks are dominating the stock market at the 85% highest level seen in the history of the stock market. This concentration is alarming, and based upon history, is not a bullish condition. Just the opposite.

Take a look at the following chart.



Source: J.P. Morgan Equity Strategy

Here we see that several of the economic recessions (and accompanying stock market plunges) of the past 40 years arrived at periods of time when a few mega cap corporations were at an elevated concentration of the entire stock market.

This time it is A.I. perceived companies such as Nvidia, Microsoft and Apple dominating the market. These 3 stocks have almost 20 percent of the market cap of the entire stock market. There is a price premium, driving prices higher, to own these companies as they grow in market cap as a percentage of the total stock market.

However, the buying at lofty prices has become a self-perpetuating stock price accelerant for these mega companies, again, because of their increasing market cap, and the price premium for this increasing market cap. But as this phenomenon occurs, these stocks leave rational Price Earnings ratios, based upon future earnings expectations, devolving into Meme, FOMO, and Gamma Bull Call options stock buying targets.

This transformation from justifiable value to irrational performance expectation, increases risk to the entire stock market as these firms reach and pass justifiable apex. When they fall, as they will, as all stocks do that rise to thin-air levels, because they represent a significant concentration, the downdraft to the entire stock market could be horrendous.

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*“Jesus said to them, “I am the bread of life; he who comes to Me shall not hunger, and he who believes in Me shall never thirst.  
For I have come down from heaven,  
For this is the will of My Father, that everyone who beholds the Son and believes in Him, may have eternal life;  
and I Myself will raise him up on the last day.”*

*John 6: 35, 38, 40*

“Let not your heart be troubled; believe in God, believe also in Me. In My Father’s house are many mansions; if *that* were not *so*, I would have told you, because I am going *there* to prepare a place for you. And if I go and prepare a place for you, I am coming again and will take you to Myself, so that where I am, *there* you also will be. And you know the way where I am going.” Thomas said to Him, “Lord, we do not know where You are going; how do we know the way?” Jesus said to him, “I am the way, and the truth, and the life; no one comes to the Father except through Me.”

John 14:1-6

*“For I know the plans I have for you,” declares the LORD,  
“plans to prosper you and not to harm you,  
plans to give you hope and a future.”*

*Jeremiah 29:11*

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