

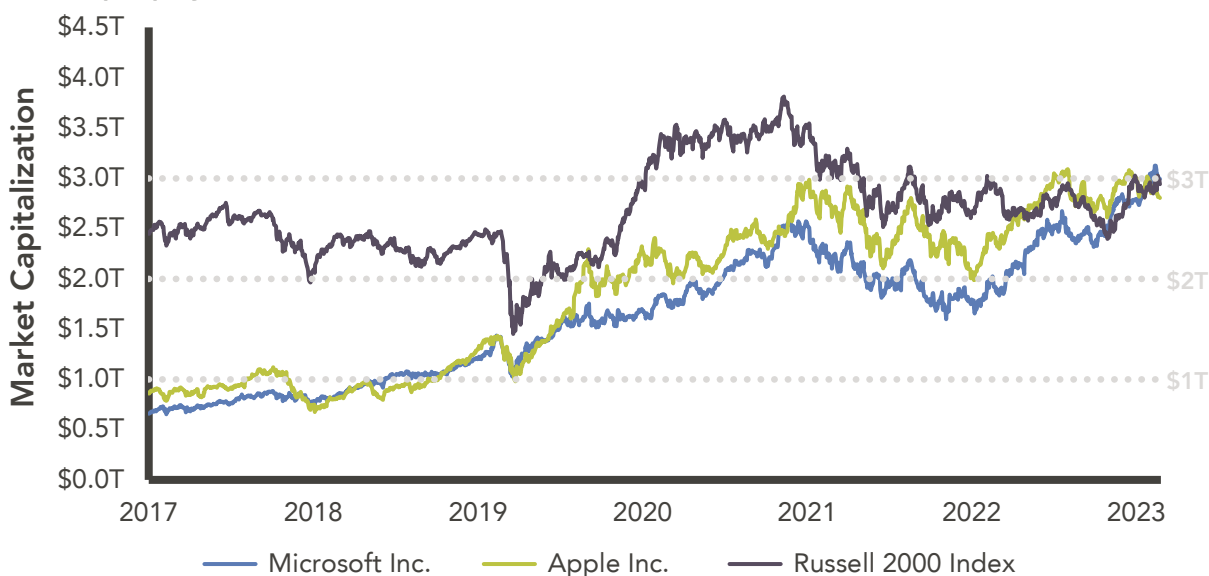
Chart of the Week

February 22, 2024

2 vs. 2000

EDDIE ARRIETA, RESEARCH ASSOCIATE

Over the last three years, both Apple and Microsoft have grown to be as large as the entire U.S. small-cap equity universe



Source: Bloomberg as of February 20, 2024

A key metric that many investors use to measure the size of a company is market capitalization, which represents the total number of a company's outstanding shares multiplied by the current market price per share. U.S. Steel became the first company to cross the \$1 billion market capitalization threshold when it went public in the early 1900s. The first company to reach \$10 billion in market capitalization was General Motors in 1945, and General Electric passed the \$100 billion mark roughly 50 years later. More recently, two mega-cap technology companies crossed the \$1 trillion milestone. Apple was the first to accomplish this feat in 2018, having come a very long way from its market capitalization of around \$2 billion at the time of its initial public offering during the 1980s. The second company to gain membership into the exclusive \$1 trillion club was Microsoft in 2019. These two behemoths have continued to achieve new market capitalization milestones in recent time, with both surpassing the \$3 trillion mark within the last year.

One notable fact related to these dynamics is that in 2023 both Apple and Microsoft became larger than the entire Russell 2000 Index, a market capitalization-weighted benchmark that tracks the U.S. small-cap universe. While this is in large part due to robust growth of these technology giants, poor performance from smaller companies in recent years has also given rise to the trends depicted in this week's chart. All of this being said, recent pressure on Apple shares, in conjunction with a small-cap rally to close out last year, has led to Apple

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falling back below the \$3 trillion mark and the Russell 2000 Index, which now sits at roughly \$2.95 trillion in total market capitalization. It is possible that Microsoft will soon follow suit given concerns related to its potentially lofty valuation, as well as the relatively attractive multiples of small-cap equities in general. ■

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