Equities in Focus

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From Magnificent to Divergent: Rethinking the Mag 7

The Magnificent 7 stocks (Mag 7)* often moved in near lockstep and handily outperformed the S&P 500 in 2023 and 2024. This was driven in large part by their dominance in innovation and growth. But in 2025, this trajectory has changed, with year-to-date stock performance revealing a wide dispersion (*Display 1*). While this divergence is being driven by a number of variables, we highlight two: their respective capital-spending strategies and exposures to global supply chains amid rising tariffs—the outliers are notable.

Key Takeaways

1. **The Mag 7 Are No Longer a Monolith.**
   Treat these companies as distinct investment stories, as their fundamentals are dynamic.
2. **Capital Spending (Capex) Has Been a Differentiator.**
   In the Artificial Intelligence (AI) era, investors are currently rewarding companies that are spending to stay ahead of the curve.
3. **Domestic Sourcing Is a Perceived Strategic Advantage.**
   Companies with more US-based suppliers have performed better in a rising tariff environment.

Capex Is Viewed as an Imperative

In the age of AI, underinvestment is seen as a risk. Investors are rewarding companies that are aggressively building infrastructure, expanding compute capacity and securing their place in the AI value chain. The market is signaling that bold investment is not just tolerated—it's expected. Such a contrast is dimensioned between the price performance of NVIDIA and Meta Platforms relative to incremental capex, versus that of Apple and Tesla (*Display 2*).

Supplier Locales Have Mattered

Companies with a lower reliance on foreign suppliers—particularly those sourcing more inputs from the US—are experiencing more resilient share prices in the face of rising tariff threats. For example, Microsoft and Meta Platforms, which have relatively higher US sourcing and lower foreign supply chain exposure, have seen stronger stock performance versus Apple and Alphabet Inc. (*Display 3*).

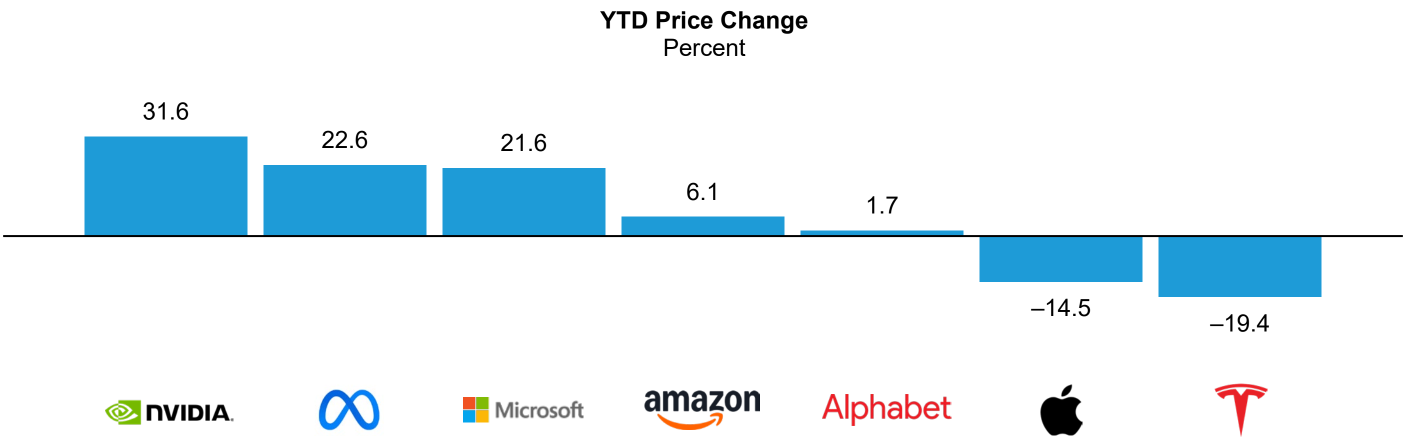
Our View

The fact that these stocks are charting different paths after such a powerful surge is not surprising. History is replete with the largest stocks by market cap taking on a different complexion as new leaders emerge. Catalysts for such shifts have ranged from macro-trend changes to technological disruption. Competitive advantages can erode with time, new innovations, or customer demand not meeting the expectations of corporate managements. While continued upside likely remains for most, if not all, of these stocks, factors such as valuations, management execution and who best adopts AI need to be considered in this fast-changing landscape. Accordingly, thoughtful position sizing and selectivity will likely be the best playbook versus assuming that all Mag 7 stocks will resume their up-and-to-the-right chart patterns.

To learn more about AB's equity investment solutions and to access other market insights, visit Equity Investments | AB.

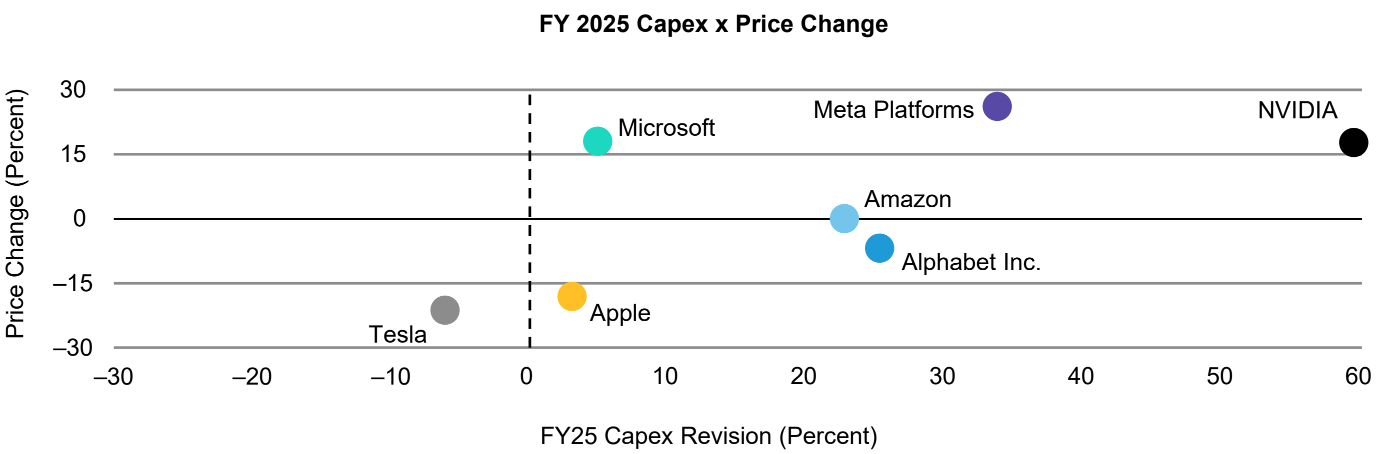
*Meta Platforms, Microsoft, NVIDIA, Amazon.com, Alphabet Inc., Apple, Tesla

Display 1: The Divergent 7—As AI and Tech Evolve, So Will These Companies' Fortunes



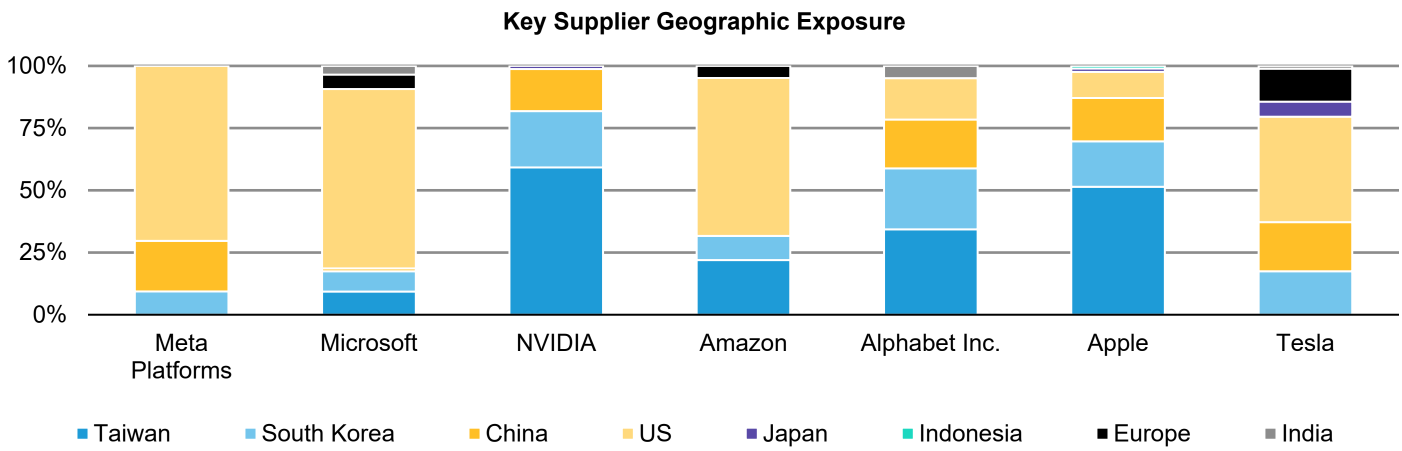
As of July 28, 2025
Source: Bloomberg and AB

Display 2: Capital-Spending Patterns Are Having an Impact



As of June 30, 2025
Source: Bloomberg and AB

Display 3: Supply Chain Venues Are Also Under a Microscope



Key supplier exposure is represented by the top 20 suppliers for each company.
As of July 18, 2025
Source: Bloomberg and AB

UMF-779550-2025-07-28