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As new tech shines, market takes rest on old cushions

Synopsis

Forget the hype around tech giants like Mag 7 and MANGOS. Current market data reveals a shift, with US small-cap and old-economy stocks like transportation surging. While semiconductors are booming due to AI investments, history warns of their cyclical nature. Investors should look beyond popular narratives, as market themes constantly evolve, making diversification crucial.



Until lately, the narrative was that the action was in the [FAANG stocks](#) (Facebook/Meta, Amazon, Apple, Nvidia, Google/Alphabet). Including Microsoft and Tesla, these were also known as the Magnificent Seven or the Mag 7.

Now it is supposed to be [MANGOS](#) (Meta, Anthropic, Nvidia, Google, OpenAI, SpaceX). Along with the semiconductor and equipment companies, that is supposed to be the entire market story.

The current data? In the US, besides the hardware and semiconductor rally, money has

moved to non-tech value and small-cap stocks. The Russell 2000 (the US mid/small-cap index) is up 20% for 2026-more than double the 9.5% gain in the S&P 500.

And if you want to look at real old-economy movement, the [Dow Jones Transportation Average](#) (DJTA) is up 30.2% for 2026. This includes the really boring stocks: car rental companies, freight and transportation, airlines, logistics, etc.

The Mag 7, which contributed 50%+ of the S&P 500's move in 2023 and 2024, and 40%+ in 2025, are up only 0.6% for the year. Meta is down nearly 13%, Microsoft 21%, and Tesla almost 11% since January-never mind that Tesla promoter Elon Musk managed to sell the next new story pretty effectively.

Almost 70% of the S&P 500 move this year has been due to semiconductor and equipment companies. These, including old-timers like IBM and Dell, have rallied on the back of \$800 billion in AI-related investments.

What history tells us is that this industry has been traditionally very flaky and cyclical. The reason is partly that these industries themselves are very capital-intensive, which means supply comes in large chunks, which disturbs price equations. The other, even more important, reason is that they are supplying what are capital assets for their users. Consumer products companies start every year with the previous year's revenue as a base and have some growth or decline from there.

Now think of what semiconductor and hardware companies are supplying. This is a bumper year for them, with both demand and pricing power because of the mega AI investment. But the total [capital expenditure](#) of their buyers was only around 150 billion dollars a couple of years ago. There is every likelihood that they will not be spending \$800 billion or more two years later, and suddenly all their suppliers will see their revenues crash.

And that is why it makes absolutely no sense to calculate a PEG, or price-earnings-to-growth ratio, for these companies, as I sometimes see quoted in the press these days. Peter Lynch coined that for consumer companies, not industries like this.

Whether you are buying global stocks yourself or investing through structures offered by Indian providers, it is important to understand that the real picture is very different from the stories you hear. You cannot get by investing in the eight or 10 well-known US stocks and the half a dozen Asian stocks you have heard of.

The only thing that is constant in markets around the world is that themes change: countries, asset classes, industries, even investment strategies all work for a while and then stop working.