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**SCOTT WAPNER, CNBC:**

We're in rally mode today on Wall Street, the S&P closing in on 5,000 for the first time ever. My next guest says now is the time to add equity risk and is betting on the U.S. to outperform globally this year. PIMCO’s Erin Browne joins us now. Welcome back. What a day to have you. What do you make of what we're witnessing here?

**ERIN BROWNE, PIMCO:**

So I think this is really just a continuation of the very strong economic data that we continue to get in the U.S. which is surpassing expectations. There were a lot of calls for a slowdown. And what we're seeing is the consumer continues to deliver. Financial conditions continue to ease. And growth is really good in the U.S. right now. And I think that the strength that you're seeing particularly in U.S. large caps is really on the back of that. We're almost at 5,000. We're going to probably reach it today on the S&P 500. Next target that I'm looking at is breaking through that 16,000 on the Nasdaq. We're still 2% below the all-time highs on the Nasdaq, which to me is really the next move to go through.

**WAPNER:**

The thing that really gets my attention today from you is urging people to buy stocks, that it's okay to buy stocks at these levels. Back that up.

**BROWNE:**

So valuation is usually called into question, but when you disaggregate the S&P 500 from the Mag 7, the rest of the S&P 500, valuations are actually pretty reasonable. And growth estimates are also pretty reasonable given the still healthy economic backdrop. What we're hearing from corporates is that they're seeing margins expand as inflation continues to move lower, demand is still strong, and they're able to cut costs because of efficiencies that they're driving productivity through AI and technology. So all of this is a pretty robust environment for earnings bottom line, and I think companies are going to be able to deliver this year.

**WAPNER:**

Do we care about concentration too much, though? You talk about earnings, yes, the mega caps are the ones delivering, the others, not so much. Is that picture going to improve?

**BROWNE:**

So I think that there's a real challenge. You look at the Russell 2000, the small caps are about 20% off their all time highs. There's a huge gap that's emerged between the large caps which have access to capital, which are well capitalized, healthy balance sheet companies, and the small caps where high interest rates are really starting to bite. And I don't see that really ebbing until we start to see meaningful interest rate cuts from the Fed. Right now, liquidity is really abundant if you're a large cap, but if you're a small cap, your access to capital is a lot more constrained, and so I think that that valuation gap and that wedge is going to continue to widen until we see rates come down more out of restrictive territory.

**WAPNER:**

That's really extraordinary, Erin, what we're watching here. I've got Josh Brown, by the way, sitting next to me, I do want to note. Let's show Nvidia intraday as well as we continue to watch the S&P, but the S&P isn't where it is without Nvidia being where it is, and it's above 700 bucks now, $70, almost $702, Josh, another 3% move, it's 6% in a week, it's 43% in one month.

**JOSH BROWN, CNBC:**

Yeah, I remember when it hit 500, it was like 10 days ago. Where were you on the day it hit 700? The milestones with this stock just keep coming fast and furious, pretty extraordinary.

**WAPNER:**

Erin, euphoria, are we here, are we not, do we need to worry about it as some well-known strategists say this is worse than 1999?

**BROWNE:**

So first of all, I don't think that's true at all. There has been heavy concentration in the tech sector, again, when you look at the broader market, valuation is extremely reasonable, and when you discount the ROEs that you're getting from the tech sector, that's really not unreasonable either. What's really interesting is that over the last two and a half years, the valuation for the Mag 7 hasn't increased at all, it's been flat. So all of the growth that you've seen in the Mag 7 has come from earnings growth and margin expansion. It hasn't come from multiple expansion. So it's really hard to argue that we're in a more euphoric environment today, even for the magnificent 7, than we were two and a half years ago.

**WAPNER:**

Erin, I appreciate your time very much, we'll talk to you soon. That’s Erin Browne of PIMCO joining us today.