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FINANCE | STOCKS

The Dow Jones Industrial Average Is So Back. Here Are the Stocks Sending It to New Highs.

The blue-chip index sets a record, boosted by hopes for a soft landing and hype about artificial intelligence

By [Hardika Singh](#) [Follow](#)

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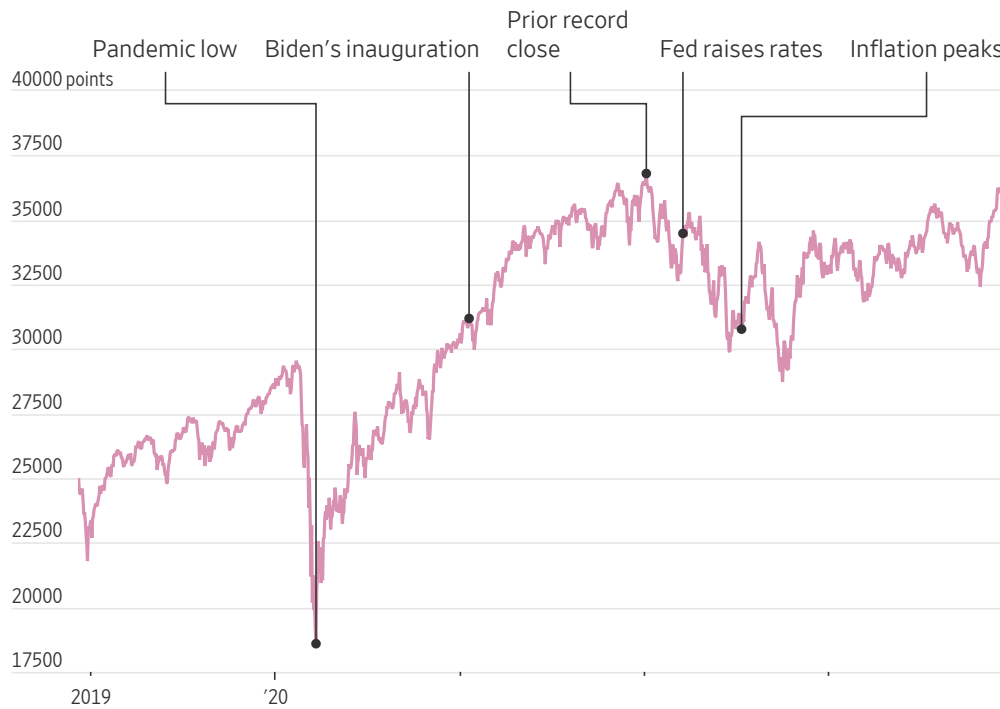
From the Dow's 52-week low in March, Microsoft has led the way, adding more than 790 points.
PHOTO: JUSTIN LANE/SHUTTERSTOCK

The Dow Jones Industrial Average became the first major U.S. stock index to set a record since the Federal Reserve started raising interest rates.

Investors on Wednesday drove the blue-chip index up 512.30 points to 37090.24, after Federal Reserve officials penciled in three interest-rate cuts next year at the conclusion of their December meeting. The benchmark topped its previous closing high of 36799.65 set on Jan. 4, 2022. The 30-stock index has risen for six consecutive weeks and is up 12% this year.

In the 488 trading days since the Dow's last record, worries about inflation, higher interest rates and a potential recession sent stocks tumbling. Wars in Europe and the Middle East added to the uncertainty. The Dow fell more than 8,000 points, or 22%, to its low in September of last year, before making a sharp U-turn. Growing enthusiasm about artificial intelligence and hopes that the Fed's work to cool the economy is done have sent stocks charging higher again.

Index performance

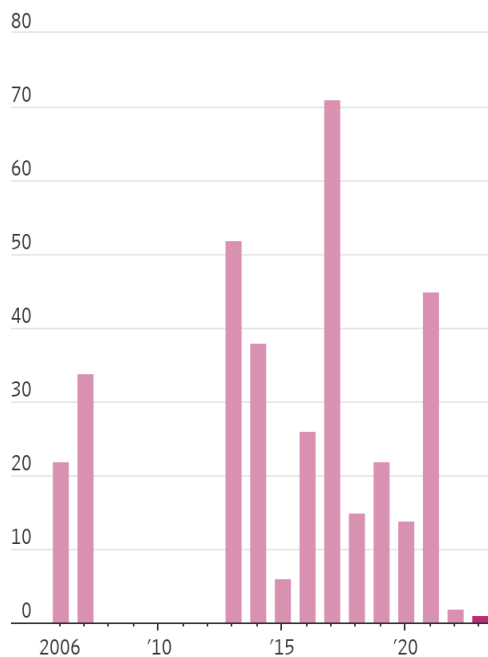


Source: FactSet

Investors are now wagering that the central bank can pull off a soft landing, slowing the economy without tipping it into an extended recession. Tuesday's inflation report reinforced those bets. Treasury yields have sharply declined in turn, offering equities a second wind.

One of the reasons the Dow set a record milestone ahead of the other indexes is that it didn't fall nearly as far on the way down. Thanks to its composition of mostly old-economy stocks, the index was insulated from some of the pressure on the broader S&P 500 and technology-focused Nasdaq Composite.

Number of records hit by the Dow Jones Industrial Average per year



Note: 2023 data is preliminary.
Source: Dow Jones Market Data

The index's stint without a new high was its longest since the 1,359-day period that followed the 2008-09 financial crisis and ended in March 2013, according to Dow Jones Market Data.

"If you're gonna bet on something in the next three to five years, I'd bet on the ones that are underestimated," said Mark Hackett, chief of investment research at Nationwide. "When everyone says, 'Oh, the Dow is just a bunch of dinosaurs. Pay no attention to them,' that is probably the time to pay attention to them."

The S&P 500 and Nasdaq are dominated by tech and other growth shares that are valued based on their

prospects for growth. When interest rates were near zero, investors chased their returns, but when rates started rising, those shares suddenly faced competition from other less-risky investments. Yields on money-market funds, for instance, topped 5% this year, drawing record assets.

The Dow is actually trailing the other benchmarks in 2023: The S&P 500 has added 23% and is trading at its highest level of the year; it is within 1.9% of its previous all-time high. The Nasdaq Composite Index has advanced 41% but is off 8.2% from its last record.

One of the things that differentiates the Dow from its peers is that it is weighted by price, instead of market value. That means stocks such as UnitedHealth Group UNH **0.60%** ▲, Microsoft MSFT **-0.00%** ▲, Goldman Sachs Group GS **2.87%** ▲ and Home Depot HD **3.06%** ▲ that carry the highest share prices have the most influence on its direction.

Since the benchmark's last record in early 2022, UnitedHealth has made the biggest positive contribution, adding more than 380 points. The health insurer has seen higher investment income help offset rising medical costs. It even stands to benefit from the Ozempic craze, some analysts say, in part because of its tough approach on both pricing as well as on just who gets to take the new class of weight-loss drugs. Shares are up 3.6% this year, hovering near record levels.



UnitedHealth has made the biggest positive contribution since the benchmark's last record in early 2022. PHOTO: GABBY JONES/BLOOMBERG NEWS

Looking at a shorter time frame tells a different story: From the Dow's 52-week low in March, Microsoft has led the way, adding more than 790 points. The company has been a leader in AI as the largest investor in OpenAI, the maker of viral chatbot ChatGPT. Microsoft's growing position in the videogame industry has also propelled its stock, which hit a record last month. Shares are up 56% in 2023.

Home Depot, 3M MMM **1.59%** ▲ and Walt Disney DIS **1.93%** ▲ have been the biggest drags since January 2022, together subtracting more than 1350 points, while Chevron CVX **1.48%** ▲ and Walgreens Boots Alliance WBA **7.41%** ▲ have had the largest negative impact since March.

Marta Norton, chief investment officer for the Americas at Morningstar Wealth, said the Dow's heavy weighing in cyclical areas of the market could boost it next year. She said that is because tech stocks don't have much more room to run since hopes for interest-rate cuts are already priced in.

"The economy didn't fall off a cliff and inflation didn't spike, and we managed to take a narrow path between those two concerns," Norton said. "The Dow has just enough magic dust from those growth-oriented stocks to give it that extra push."

Another reason for optimism: The Dow looks relatively cheap compared with the other indexes. It is trading at about 17 times its projected earnings over the next 12 months, versus nearly 19 for the S&P 500 and roughly 26 for the Nasdaq.

"A new high does not surprise me, and we can blow through that high in the coming 12 to 18 months," said Brett Bernstein, chief executive at XML Financial Group. "We're due for a little bit of a real rally. Not a rally off the lows, but a rally from the highs."

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