

## Technology Stocks May Move The Market

September was a poor month for both U.S. and foreign stocks. After September, U.S. stocks finished mixed with large stock indexes posting positive returns, small stocks losing value, and foreign stocks losing value. The Foreign Value Strategy beat its benchmark slightly but both the Select 25 Strategy and the Value Strategy trailed the S&P 500. Although bonds finished flat, TIPS (inflation adjusted bonds) returned about 2%.

The timing of the market sell off helped mitigate losses in the Value Strategy. Two strong pandemic recovery stocks (each more than doubling), Deere & FedEx, were sold at the beginning of September and both lost significant ground during the month. The cohort of stocks that was bought at the beginning of September performed significantly better than the cohort of stocks sold. This is consistent with my research that shows that Value Strategy stocks tend to outperform in the first 12 to 15 months.

Aside from inflation, a big unknown in the market is the future of technology stocks. Apple, Microsoft, Amazon, and Google make up about 20% of the S&P 500, which is a huge percentage for just four stocks. A sell off in just these four stocks would have impacts on the whole market. Although these companies are still hugely profitable, they face increasing regulatory headwinds. In addition, they are priced for continued growth. Growth that will be increasingly difficult given the already huge size of these companies and growth that would inevitably invite more regulation. I will be keeping an eye on these and other large tech companies.

<u>Market Sector</u>	<u>Return</u>	<u>Benchmark</u>
Total U.S. Stocks	1.8%	SPY (S&P 500)
Small U.S. Stocks	-2.7%	IWM
U.S. Value Stocks	0.4%	IJJ
Foreign Stocks	-3.0%	VEU
Bonds	0.0%	AGG

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