



Weekly Market Review

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The Week Ending September 18, 2020

After six months of technology stocks dominating and investors wanting to jump on for the ride, we see what happens when momentum stocks reverse and lead the market lower. Last Friday marked three straight negative weeks for the S&P 500 Index, Nasdaq, and Dow Jones Industrial Average benchmarks. This is the first time all three indexes have traded lower over three consecutive weeks since October 2019. Last week was not all negative news. Positive data on COVID-19 vaccine trials and initial public offerings led the market higher for a couple of days. Unfortunately, that quickly reversed when technology switched gears, and the Federal Reserve did not offer additional stimulus after their meeting concluded last Wednesday.

Technology stocks have been the bright spot of the stock market in 2020 and going back to the prior bull market. This has led IPO's within the technology sector to get an automatic boost as a new opportunity for investors to get in on the next potential Apple or Google. Snowflake is the latest example. Snowflake's primary business is a cloud-based data warehouse, so they have been benefiting from the work from home environment, contributing to Snowflake's over 100% gain on its first day of trading. Snowflake's valuation increased to \$70 billion after its first day of trading, over five times where it was valued just six months ago. Investors were jumping to get a piece of a company with negative earnings and trading at almost 200 times the revenue they received over the last year! While investors focus on every new technology stock as the next great one, other parts of the market are being overlooked.

The S&P 500 started this week down 5% so far in September. The S&P 500 is weighted based on each company's size that makes up the index, allowing high valuation technology stocks to have a greater influence than some might realize. The equally weighted S&P 500 is down 1.5% so far in September and still down 3.7% for the year, very different from its market capitalization-weighted peer. If it were not for technology, this year's stock market would have a very different feeling right about now.

Buying some of these technology stocks might seem like the right thing to do, especially when they are dominating the headlines daily. However, it is vital to consider the entire investable market and remember the importance of active management. While some active managers might not be up as much as technology stocks, they consider the volatility of some of these stocks, providing a smoother ride for investors while still generating strong long-term performance.



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