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BLOG POST

The Anatomy of a Rally
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The rally coming off the March low has taken on three different forms. The chart below shows that immediately off the bottom tech, health care and energy led the charge in coordination with tremendous support from the Federal Reserve. The continuation in May and June was driven instead by industrials and financials. The remainder of the rally in June and July was driven by the FAANG stocks. As congress and the Fed continue to commit to providing liquidity, investors may surmise that the rally could continue in a manner similar to the start of the rally coming off the market low, led by tech, health care, and energy. It may be a broader rally, though, relying less on companies that benefit directly from the "work from home" mandate that occurred in the early stages of response to Covid.

- B of A Global Fund Manager Survey identified long US tech stocks as the most crowded trade as of July 20th.
- As of July 24th YTD, AMZN is up 62%, AAPL up 26%, Facebook up 12%, NFLX 48%, and GOOG is up 13% (CNBC.com)
- Forward P/E for the FANG stocks is currently at about 65 as of July 24th (Yardeni Research), giving investors pause as to technology's ability to sustain the driving force around the rally.