

Macro View – The Robinhood Effect

Americans are starved for exhilaration and excitement without Major League Baseball and the NBA playoffs. A trading platform named Robinhood has surfaced as a means of filling the void that sports has left, especially with the disposable income the CARES Act afforded some Americans. The CNBC table below shows how stimulus check was applied. Across various economic demographics, increases in securities trades increased as much as 93% week over week. Robinhood tracks and reports the number of user positions, which spiked through the pandemic. Some of the most common investments reported by Robintrack included deeply battered airline stocks and casinos. Although new investors are likely not driving volatility in the broad market, it is possible that volatility is being accentuated in companies that are more thinly traded — bankrupt, troubled companies.

Consumers that received stimulus checks made stock trades

Categories which saw highest week-over-week changes in bank account transfers, from households which received stimulus checks compared to those that did not

Rank	<\$35K	\$35K-\$50K	\$50K-\$75K	\$75K-\$100K	\$100K-\$150K	\$150K+
1	Savings +250%	Savings +197%	Savings +188%	Savings +234%	Savings +223%	Loans +84%
2	ATM/Cash Withdrawals +199%	ATM/Cash Withdrawals +137%	ATM/Cash Withdrawals +102%	ATM/Cash Withdrawals +111%	Securities Trades +82%	Insurance +69%
3	Home Improvement +129%	Securities Trades +93%	Securities Trades +90%	Home Improvement +90%	ATM/Cash Withdrawals +76%	Savings +57%
4	Transfers +126%	Home Improvement +93%	Home Improvement +80%	Education +86%	Loans +70%	Travel +52%
5	Utilities +111%	Transfers +85%	Utilities +68%	Loans +70%	Home Improvement +69%	Home Improvement +52%
6	Electronics/ Gen. Merch. +100%	Utilities +75%	Travel +63%	Utilities +66%	Insurance +66%	Entertainment/ Recreation +48%
7	Education +99%	Electronics/ Gen. Merch. +67%	Electronics/ Gen. Merch. +61%	Rent +64%	Education +61%	Securities Trades +46%

Technology and the FANG stocks (Facebook, Amazon, Netflix, and Google) have begun flashing warning signs among investors and analysts. As of July, technology made up approximately 32% of the S&P 500, making the broad market vulnerable in the second half of the year depending on how tech and the FANGs perform. The chart below from Yardeni Research shows the overwhelming run FANGs have had vs. the S&P 500, going back to their collective inception in 2013, up over 800% cumulatively vs the S&P 500 up just over 200%. The FANGs are all up double digits YTD as of July 24th while the S&P continues to sit in negative territory YTD. Among the FANGs, Netflix and Amazon have had the greatest performance in response to Covid. NFLX trades at around a 111 P/E ratio while AMZN is at 143 P/E as of 07/24/20 (CNBC). Seasoned analysts are the first to say that simply because a stock is expensive does not mean it cannot become more expensive, but buyer beware!

FANG Performance & Share of S&P 500

