BLOG POST
Meltdown of QQQ
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To say that the technology sector is in a selloff would be an understatement. The prospect of rising interest rates and a slowing economy has led investors to flee the once high-flying, and seemingly overvalued, technology sector. The current selloff is reminiscent of the wind down of the dot com bubble nearly twenty years ago. Based on the Invesco NASDAQ 100 ETF (QQQ), the tech heavy index is down approximately -13% from its high achieved last year. Some of the larger names in the index are down over -20% from their all-time highs. The chart to the left illustrates the price return of QQQ over the past year along with the 50-day and 200-day moving averages.

- As the chart indicates, QQQ is now trading below two technical support levels. As interest rates rise, the present value of future cash flows declines. Many of the growth names in QQQ were valued based on long-duration cash flows. Coupled with the prospect of a slowing economy, rising rates and slower growth have been a dual headwind.

- Investors from twenty years ago remember how long it took to recover from the deflated dot com bubble. However, for investors with long time horizons, the current decline could prove to be a buying opportunity.