



Did the FAANG+ Stocks Have Their Teeth Pulled?

In 2022, the top 10 tech stocks lost \$4.6 trillion in market cap (Japan's GDP)

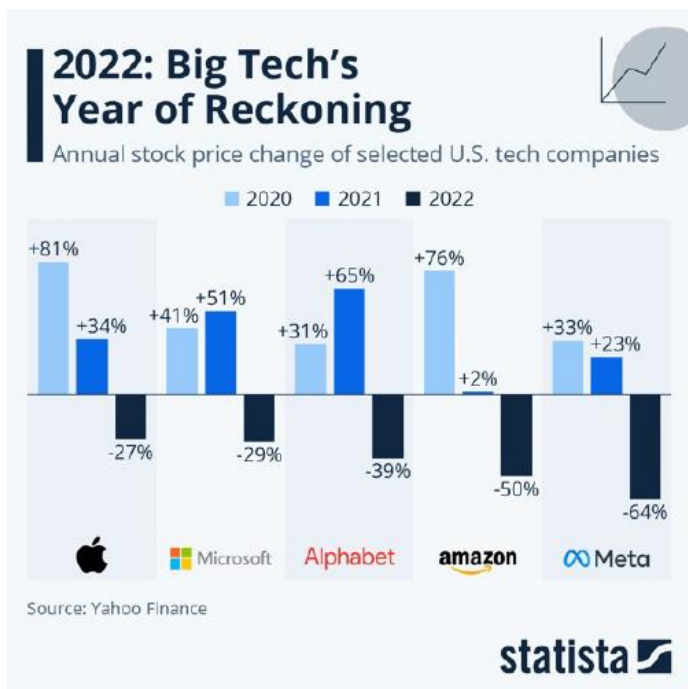
After years of crazy growth, the tech sector was hit particularly hard in 2022, with the NASDAQ turning in its worst year since 2008, as it lost about 33%.

And the big, household, tech names underperformed significantly in 2022 too, causing investors to wonder whether the FAANG stocks (and Microsoft) have lost their teeth.

Let's examine the change in market cap for a few of the household names in 2022 – let's call this new group the MAAAM stocks (nowhere near as cool-sounding as FAANG).

Trillions in Market Cap Lost in 2022

In terms of market caps, the 10 top tech stocks lost a combined \$4.6 trillion in market cap in 2022 and much of that was attributed to the MAAAM names.



| Company | 2022 Market Cap Loss |
|-------------------|----------------------|
| Facebook (Meta) | \$450 |
| Amazon | \$856 |
| Apple | \$755 |
| Google (Alphabet) | \$787 |
| Microsoft | \$726 |
| Total | \$3,574 |

Source: SeekingAlpha

For perspective, that \$3.5 trillion loss is bigger than the entire size of India's GDP (\$3.4 trillion). It's also bigger than the GDP of the United Kingdom (\$3.1), France (\$2.7) and about 50% bigger than Russia's annual GDP.

If you don't know, the term FAANG is an acronym for five technology names – Facebook (Meta), Apple, Amazon, Netflix and Google (Alphabet).

Sizes Within the Overall Market

Here are a few other things to note:

The Information Technology sector makes up about 27% of the market weight of the S&P 500 (by way of comparison, the Tech sector comprised about 34% of the S&P 500 during the tech bubble in March 2000).

Take a look at these numbers:.

- Facebook is 0.7% of the market;
- Amazon is 2.4% of the market;
- Apple is 6.6% of the market;
- Netflix is 0.4% of the market;
- Google is 3.3% of the market; and
- Microsoft is 5.4.% of the market.

In other words, these 6 names comprise almost 20% of the total market.

(Note: be careful when making comparisons, as Amazon is in the Consumer Discretionary sector, not the Information Technology sector. In addition, Facebook (Meta) and Google (Alphabet) are both in the Communications sector).

Notwithstanding the above note, the point to remember is that while some might be worried that losses (and gains) are driven by so few names, there is something else to remember too: that's usually how it works with market-cap weighted indices – very few names usually account for the majority of the gains.

A Perspective to Consider

From the viewpoint of a seasoned financial advisor, my perspective is actually pretty straightforward: if you only own the just the FAANG or MAAAM stocks – or even a few stocks – you are simply not diversified. Period.

Call to discuss your options.