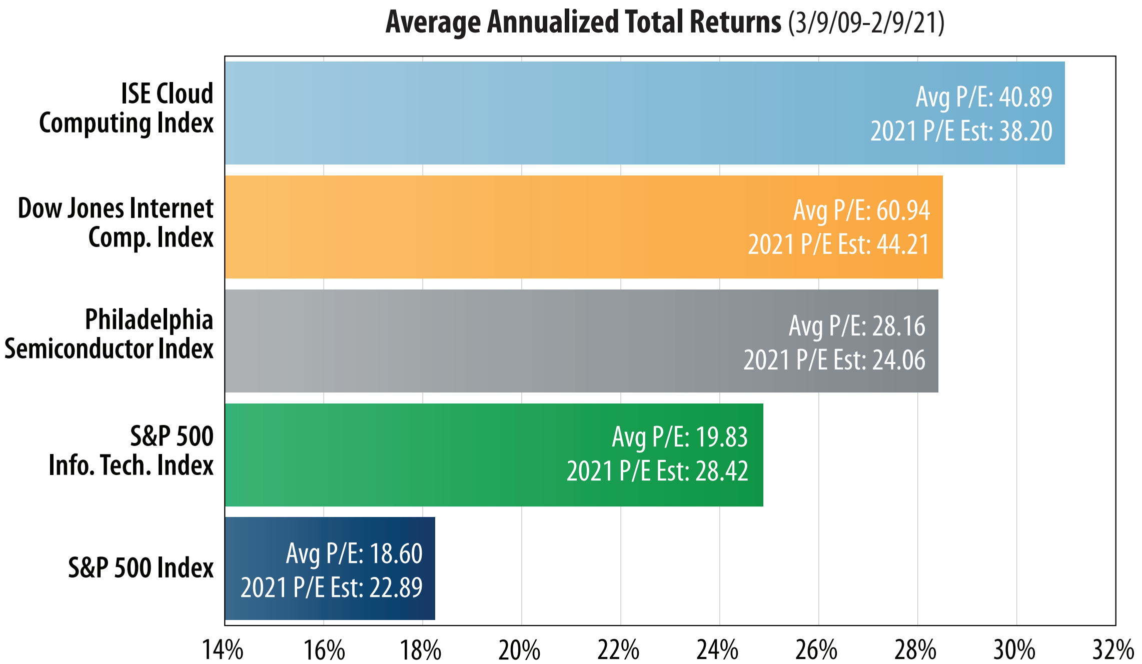
Technology Stocks Have Delivered Strong Returns Since The End Of The Financial Crisis-Induced Bear Market



Source: Bloomberg. **Past performance is no guarantee of future results.**

View from the Observation Deck

1. From 3/9/09-2/9/21, all four of the technology-related indices featured in the chart significantly outperformed the S&P 500 Index.
2. The average annualized total returns for the period were as follows: ISE Cloud Computing Index (+30.97%); Dow Jones Internet Composite Index (+28.50%); Philadelphia Semiconductor Index (+28.41%); S&P 500 Information Technology Index (+24.88%); and S&P 500 Index (+18.25%), according to Bloomberg.
3. While we acknowledge that the U.S. stock market, as measured by the S&P 500 Index, did endure another bear market (COVID-19-induced) from 2/19/20 through 3/23/20, it came and went so quickly that it proved little more than a hiccup for the equities markets. A bear market is defined as a 20% or greater decline in the price of a security or index.
4. From 2/19/20-2/9/21, which includes the aforementioned bear market, the S&P 500 Index posted a total return of 17.49%, according to Bloomberg. The top-performing sector was Information Technology, with a total return of 34.64%.
5. As of 2/10/21, Information Technology accounted for 27.84% of the S&P 500 Index, the largest weighting of the major sectors that comprise the index, according to Bloomberg. Health Care came in a distant second with a weighting of 13.20%.
6. Technology mutual funds and exchange-traded funds (ETFs) reported estimated net inflows totaling $22.08 billion in 2020, accounting for 39.20% of the $56.32 billion in total estimated net inflows reported by all sector mutual funds and ETFs, according to Morningstar.
7. As indicated within each of the bars in the chart, price-to-earning (P/E) ratios have gotten stretched for some of the indices. That means investors will be paying more in price for a dollar's worth of earnings. The same, however, could have been said back in 2017. Click here to see where P/Es stood in one of our prior posts.

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