

A 6 Standard Deviation Tech Event Just Happened. Now What? | WDWL?

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SUMMARY

In today's episode, the discussion centers around the recent volatility in the tech sector, particularly following a significant sell-off in U.S. large-cap tech stocks. Analysts Nick Colas and Jessica Rabe analyze the implications of this market behavior, emphasizing the unprecedented nature of recent tech performance and the potential for a market rotation.

- U.S. large-cap tech stocks outperformed the S&P 500 by an extreme margin, marking a six standard deviation event.*
- Historical comparisons to past tech rallies, particularly the dot-com bubble, suggest that current market conditions are not as extreme.*
- The algorithms driving market behavior are likely to remain cautious, amplifying any further selling in tech stocks.*
- The semiconductor sector has significantly outperformed software stocks, indicating a potential for a rotation in leadership within tech.*
- The S&P 500's recent performance, while strong, does not exhibit the same level of excess as tech, suggesting it may still have room to grow.*
- Concerns about rising interest rates could impact tech stocks, particularly if they lead to fears of recession.*
- The upcoming SpaceX IPO is expected to attract significant retail interest, with unique pricing dynamics that differ from traditional IPOs.*
- Overall, while caution is warranted due to recent volatility, the long-term outlook for tech remains positive, especially regarding AI investments.*

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Ladies and gentlemen, is that a good start? I know I've done that before. All right. Ladies and gentlemen, welcome to an all new edition of What Did We Learn? On today's show, we're going [music] to answer one of the biggest questions facing the stock market today. And that is was the epic technology mini crash of Friday the start of something bigger? Or maybe something [music] we'll just look back on as a blip.

I got two really smart people here to help me >> [music] >> with uh the [singing] answer to that question. Joining me once again, Nick Colas and Jessica Rabe, co-founders of DataTrek Research and the authors of DataTrek's Morning Briefing newsletter, [music] which goes out daily to over 1,500 institutional and retail clients. Nick and Jessica also have their own YouTube channel, which you can find a link to in the description below. Welcome back, guys. So good to see you. Happy summer. How's everything?

>> Happy to be back. Thank you for having us. >> All right. Uh let's get right into it. Jessica, you pointed out that US large cap tech stocks just outperformed to the most statistically extreme degree in the last decade. You note tech beat the S&P by 29.3 percentage points over the prior 50 days as of June 2nd. That is a six standard deviation event. Let's put your chart up and tell us what's going on here.

>> Yeah, that is wild. Like you just said, US large cap tech stocks just outperformed by the most statistically extreme degree in the last decade, including after every crisis. So, we thought we'd start by just discussing what happened and see what's next for this market-leading sector. For So, this first chart shows the relative 50-day price returns between the S&P 500 tech sector using the XLK ETF as our proxy and the S&P from 2015 to the present.

So, when the blue line's above or below the x-axis, tech has out or underperformed the S&P by the number of percentage points shown on the y-axis. Now, since 2015, uh the tech sector has outperformed the S&P by an average of 1.6 percentage points over any given 50-day holding period. The standard deviation around that mean is four points. So, we noted the six devi- the six standard deviation upside level you just mentioned um of 25.6 points with the dotted red line. You'll see on the right side of the chart that tech just beat the S&P by 29 percentage points over the prior 50 days on June 2nd. That's over a six standard deviation event and the most extreme reading in our data set by a wide margin. And what's even more amazing about that is that 50 days before that gain was still six days before the late March lows. So, as for what this means, I have three three quick points.

>> Well, I'm sorry. Let's Let's Let's double-click on that. So, that is inclusive of the biggest sell-off of the year so far. >> Yes. And so, and that which actually leads into my first point really well because the first is that there's no hit recent historical playbook for what tech has just done. This move dwarfs every prior stress and recovery period recovery episode, including the 2020 pandemic crisis, 2022's rate shock, 2025's trade policy shock, and repeated AI sentiment scares. None produced a relief rally of this magnitude. The March 2025 lows help explain the start of the move, but not at scale.

So, second, the algorithms that underpin the US stock markets already knew this math, that tech was very overextended heading into Friday's sell-off. It was a 47th of those 50th trading day off the March 30th lows. So, market-making algos will likely remain cautious and amplify any further selling in tech names. And third, any any trader with a good risk management process will likely see this math as [clears throat] a compelling reason to be cautious on tech. Whether Friday was a pause or the start of a major rotation out of the sector is genuinely unknowable at this point because we are in truly uncharted statistical territory.

>> I think intuitively, though, people who have been around for a long time will probably ask you guys, or maybe already have, okay, this is so far off the charts that it is unprecedented, and therefore the reaction to this to the downside is unknowable. But I think people would say, like, all right, but mentally I can picture previous extreme rallies in tech, and I know that those didn't necessarily have a nice aftermath.

And like everybody will revert back to 25 years ago, the bursting of the dot com bubble. We're like we're saying that this 50-day move, not the whole tech rally, but this particular moment in time is extreme even versus that period of time. Any 50-day period, let's say in 1998 or 1999. Like we think it's up there with those? >> No, it's still not comparable. >> So we we we we have that math in our final section of today's video. So we'll get there.

But it's exactly our point. >> That's a great point. Yeah, we'll get there. I think I think what it what is useful and I'll I'll this is a good what seg- segway to my second point is let's look at the two major subcomponents of tech, namely semis and software. And we have another chart for that as well. So this compares the rolling 50-day relative returns of US large cap semiconductor and software stocks. We use the VanEck semiconductor ETF SMH and the iShares expanded tech software ETF IGB as our proxies. When the blue line's above zero, semis are outperforming software. Now [snorts] historically, semis do typically outperform software and there's actually a really good reason for that. Moore's law may may have slowed down somewhat, but semi compute per dollar still doubles fairly quickly and that allows these companies to leverage their products forever for an ever-increasing range of use cases.

The long-run average is 2.7 percentage points of outperformance in favor of semis over any given 50-day stretch and that edge has been increasing. But like the tech chart that we just looked at, as of June 3rd, semis have beaten software by 44 points. That's four standard deviations above the long run Yeah, that's four standard deviations above the long-run mean and once again, the most extreme reading we've seen in the last decade. Now of course, yes, this move has not come out of nowhere.

Some semi fundamentals have been exceptionally strong. Earning revisions continue to move higher. Momentum has been historic and investors remain highly confident in the AI infrastructure buildout. But, and you're getting to this, Josh, markets are rarely linear. Historically, when leadership becomes this concentrated and relative performance reaches these kind of extremes, the next move is often rotation rather than continued acceleration. So, for tactical investors, that argues for reducing semi exposure and looking more closely at software here. And for longer-term investors who still believe in the AI AI story, we think an index weight approach to the tech sector as a whole makes sense because you maintain exposure to the theme while reducing the concentration risk that a semi reversion would disproportionately punish.

>> I like that idea. Um I wanted to ask you, it seems to me that in the last couple of weeks, the accelerant for tech outperformance versus the S&P was actually because the software names bounced. And >> Yes. >> the money did not rotate out of semis to buy them. The software and semi names started to rally together. Not all software, like notably Microsoft sort of sat things out, but Oracle came back with a vengeance. That's a big component in the IGV.

We also saw the cybersecurity stocks go absolutely crazy. So, CrowdStrike, which I own, Palo Alto, or like all In other words, all of a sudden, this drag on tech sort of reversed itself. And then it was like, "Oh, wait a minute. This is turning into a tech rally for the ages. They're all going up together." And that was sort of like what went on right before Friday. >> Yeah, and that and again, that that does lead us to our third point where the pictures actually more positive for the S&P and we should see that as you do see it starts to see these other groups working. So, [snorts] I thought we'd just zoom out and also do one last third chart on the S&P. It shows the S&P's rolling 50-day price return since 2015. Unlike tech, the broader market isn't exhibiting the same level of excess. The S&P's average 50-day return over the last decade is 2.4%.

And as of June 1st, index was up 15.3% over the prior 50 days. That's a two standard deviation move. So, still strong, but not nearly as extreme. And what's interesting is what happened next in the in the in prior instances. So, since 2015, the S&P has first crossed that two sigma threshold five other times. And in every case, the market was higher 50 trading days later. And the average forward return was 7.3%. Even the weakest outcome still gained 2.6%. So, ultimately, price momentum is a powerful factor in capital markets.

Tech may be stretched and semis may be due for a pause, but history history says the S&P itself still has room to run from here. >> Okay, so we're not against two standard deviation S&P rallies. Uh they don't it's not extreme enough that the risks get out of control. And to your to your point, most of the time you sort of get a a happy outcome by that level of confidence in the market until the crosses over obviously into something a little bit more exaggerated.

>> Correct. >> Okay. Nick, what's your read on on on those charts from Jessica? >> I mean, the first one is just we started it with it for a reason. It is an amazing chart and it really does put everything in perspective because you've got this massive rally in tech like literally you haven't seen in the last decade. And we'll talk about it but I'm always wary about 1999 comparisons. I was in and it was I was at SAC in 1999 and I I was thinking back in my head like if you weren't on a desk somewhere trading those stocks, don't try to compare today to then cuz it's apples and oranges. That was a much bigger rally, a much crazier time.

But still that tech number, that tech return number is out of this world and I keep coming back to Jessica's market structure point, uh which is that algos that do all the sinking of the capital markets in this country, they know that math. They are built on that math. They literally are built on 1500-day standard deviation of daily returns. So, that's one reason why I think you saw that cascading sell-off on Friday because the market making algos said, "Oh, I know what these things have been. I'm not stepping in front of them. I'm widening out my bid-ask spread. I'm not going to take any risk cuz I see this is a rollover after a statistically very anomalous period."

>> Right. So, uh was the origin was the origin of that sell-off in Korean stocks and then it carried over into the memory trade here in the US or was it the other way around where the Sandisks and the Microns got hit first and then that spilled over into Asia? I sort of can't tell. >> I see it yeah, I mean it's a great point. I see it as our market first and then South Korea, but South Korea's up 100% and it looks even crazier versus EM than tech does versus the S&P. And so, you have the same dynamic at work. All of a sudden every statistically oriented

trader says, "I get what's going on. There's a pullback." And South Korea's a notoriously volatile market. I mean, they're literally doing what they call sidecars, which we'd call like trading slowdowns every day the last couple of trading days.

>> What does that mean? Can you explain what that is? >> Yes. In every market there are circuit breakers of various kinds where when things get too volatile and there's a statistical measure of what percentage drawdown the market slows down or stops for 10, 15, 20 minutes to reset and allow buyers to come back in. >> That's the exchange that's the exchange rule. >> Yes, exactly. >> Okay. >> So, it's the same kind of thing we have here with circuit breakers. Those have been getting hit like every day the last 3 days in South Korea.

>> They call what do they call them? >> Side cars. >> Sa- I wonder why they call it that. >> I don't know. >> Okay. All right, me either. Okay. So, there have been a bunch of those because the selling has gotten extreme enough to uh require that. >> and look in in fairness, you know, not to not to drag too much into this, but the jobs report on Friday and the revisions to the last 2 months really reshape the picture of the US labor market from one that had been slowing a lot last year to one that actually looks pretty pretty healthy.

Um rate market wasn't was not happy with that. 2 years hit a new 12-month high. And you know, the the worries about a Fed rate hike and potential Fed policy mistakes and higher cost of capital, that didn't help either. So, it was it was more than just the semis. >> Okay. Right. I think the rates story sort of exacerbated what would have been a sell-off either way. This had like this you had people sitting on huge paper profits that all of a sudden started to go away.

>> Yeah. >> Think you have a lot of retail in these stocks now and a lot of leverage and a lot of options. So, I sort of think it would have been an extreme day, but then having the broader macro related selling on top of that is probably what made it look as extreme as it ended up looking. What do you What do you guys think of that idea? >> That's fair. I mean, tech was down 6.66% which kind of was a eye-popping number for, you know, numerological reasons.

Probably would have been down 3% just on the semis rollover, but the macro did not help. >> Do we have to take more pain in tech if uh if the projection for the next interest rate move increasingly looks like it'll be a hike rather than a cut. Do does does more air have to come out of that balloon or not necessarily because the earnings growth continues to to manifest? Like what what's your what's your view on that?

>> Uh that's a great question. Yeah, higher rates we think higher rates are only an issue if they go up so quickly that there's a rational fear of recession. So if inflation continues to increase and the Fed gets behind the curve, that's a legitimate worry for tech as we saw in 2022, especially as hyperscalers ultimately have cyclical cash flows. >> We were talking about insurance cuts as recently as 6 months ago. No one is talking about insurance cuts anymore.

Goldman Sachs just removed any interest rate cut from its year-end forecast. Um we're going to hear from the

FOMC on June 16th, June 17th. And uh that'll be the first Kevin Warsh Fed-led meeting. I think tech tech stock investors are paying attention to that. Um I don't think people are worried about the AI CapEx theme uh right this moment. It seems like we just got all the affirmation we needed not only from the earnings reports, but just in the confidence of the private markets to invest in um Anthropic at the valuation they're investing in.

And like the size of the TAM that SpaceX is projecting for generative AI stuff. Like I think everyone feels good that the earnings will show up for the AI theme, but the rates thing now all of a sudden is like a new dimension that we weren't really worried about a quarter or two ago. >> No, that's very true. And as Jessica said, I mean rates only matter when they go up so fast that the market can't keep up.

>> rate >> change. >> Yeah, and look I mean the Friday again was a two it was a one year high in twos. Uh twos track fed funds futures and sentiment about fed rate increases. So when you get a new high in twos, you think you know, the fed's going to have to be raising rates a couple of times and then I've got to worry about what effect that has on the economy and we're already very late in the cycle and if you look at every if you look at a long term cycle chart of two year yields, you get a recession about a year or two after a cycle high in twos. So when you break out to a new high, you start thinking oh, now I've got to worry about a recession again.

>> I don't think what we saw on Friday is enough to knock the investor enthusiasm for AI completely off course. And I know it's like unknowable, but like gun to your head based on all the data that you guys have seen, do you think that we'll look at what happened on Friday as sort of like a a a tempest in a teacup like the deep seek sell-off uh in January or do you like do you think like this really bears watching the recovery from it because it could end up being way more meaningful. Like what what would you what would you guess if you had to take a guess right now?

>> I guess I'll go first. I will not walk away from a six standard deviation move and say oh well, I'm just going to say things continue as they were. Uh that's that is a something to say look, pay attention. It's okay to be bullish. I think it's okay to be bullish, but let's not walk away from that first chart because it it's it's incredibly important. Let's let's be a little cautious here. >> So it's not a game on moment to you.

Like uh I don't know if you do you play street hockey as a kid? We used to play street hockey. Um we didn't have an ice skating rink nearby, so we would just put the pads on, roller skate in the streets and we put the goals put the goals in the streets and then a car would come. So you had to take the the goal the net >> All right. >> and move it to the sidewalk, let the car pass. The car would pass. All right, game on.

Um and it was like nothing ever happened. Like right back into it. And you don't you don't necessarily think that people should have that attitude now. Just put the goals back in the street. Let's keep playing. >> I think it's okay to keep playing, but you know, keep looking for the next car. >> Yeah. Okay. >> the six sigma thing is do not walk away from that. It's important. >> we're long-term we've always been long-term bulls on on tech, but six standard deviations is just absolutely off the charts.

>> Yeah. All right. I want let's I mentioned SpaceX. Um we think this comes public at the end of this week

possibly. That's the latest talk that I've heard. >> Yeah. >> Uh okay. Uh Nick, let's go to you on this. You've been involved in a lot of IPOs. You've certainly seen your share of companies come public. Uh tell us what your reaction is to not just the size and how much they're raising, but just I guess the amount of clamor amongst investors for the deal, the amount of media attention. Like what What's your What's your reaction?

>> Yeah, I pulled together a little PowerPoint page, so let's just walk through that cuz there's five points that I think investors are going to need to know. The first one alludes to what you discussed, which is this is a very odd deal. And it's a fixed price issuance. It's \$135 a share. It's not a Typically speaking, when you market an IPO and I marketed a ton of IPOs in the '90s, you go around, you visit institutional investors, you gauge their interest, you build a book, the bankers look at the book and say, "Okay, we think the price should be X." The company says, "Okay." And off you go.

Here, the company has said, "It is \$135 a share at 1.8 trillion, 1.7 trillion." >> They told Sorry, they told the underwriters, "This is the amount you're This is the amount you're valuing the company at." And the underwriters said, "Yes, sir. Just put us on the on the cover of the book." >> Yeah. Well, you have no choice with Elon and you have no choice on this deal, period. Now, that means that you're not going through the traditional book building process. You are basically saying, here it is, come one, come all, this is the price. I can guarantee you that institutional investors will be very happy buyers of this stock at 80, 90, 100, you know, a 1.2, 1.3, 1.5 trillion dollar valuation. 1.8 is a stretch and there's 50,000 ways to assess that, but it's a stretch. I think anybody would agree with that. But it leaves retail investors basically creating the day one valuation for better or worse. Um and that's an important thing to know. This is not your standard IPO. Just in so many ways, but that's an important one. Price discovery is not happening in this IPO.

Price discovery is happening on the first trade and thereafter. >> What? >> point to The second point to understand is there are classic ranges for how much an IPO should go up on the first day. And I pulled together a couple of numbers from Jay Ritter who's got all this data at the University of Florida, does fantastic work on IPO returns. The average day one IPO gain in '97 and '98, okay, going into the bubble, was 14 and 22%.

That translates into a first day close for SpaceX of 154 to 166. So, if you see the thing close 154 to 150 166 on day one, that's a pretty average, nice, middle of the road tech stock first day return. However, in '99 when things got bananas, the average IPO first day return was 71%. >> I know cuz I bought them all. And not at the IPO price. >> Yeah, so you >> there. I was there.

>> I hear you. So, if if >> exit liquidity. >> If if if SpaceX closes day one 231, we are legit in a '99 bubble. Particularly with a deal of this size. >> That's such an interesting way of looking at this. Um but before before we get to that, like is it '98 or is it is it '97 for AI or is it '99? >> Yep. >> Well, here are the average IPO returns. You tell me. I love it.

>> Yeah, that's how you know. I mean, this is from for anybody, regardless whether you're investing in the thing or not, this is the most important tell for Friday's price action, full stop. >> Okay. >> If we only get last year's average IPO return, it's 174. So, let's look and see we'll all see on Friday where we're at. We literally going to set

the calendar for where we are versus 1999 or 1997. >> So, the premium to that 135. Okay. I love I love it. That gives uh that gives my compounders uh a scorecard, something to something to uh monitor for.

>> Yeah, just put that on a sticky uh sticky next to your trading screen and that's all you need to know. Um a couple of other final points. Tesla's got a Tesla finally has a valuation comp for as long as Tesla's been public, we've had no real comp to it cuz it's a Musk company and who knows how to value that. We now finally have one and actually SpaceX is coming public at that valuation, slightly more than where Tesla was trading on Friday. So, Tesla was 1.5 trillion, SpaceX is coming 1.8. There's going to be questions about merger. I can tell you from having written a lot of S-1s, if there were ever merger discussions, they would have had to have been in the S-1 that was filed for SpaceX.

Otherwise, you're going to get sued. >> Who would I don't think he cares about being sued. I think they discuss it every single day. And it almost doesn't matter if anyone discusses it. If he's discussing it in his own brain, that's as powerful as a board meeting uh in my in my estimation. >> you're right about Elon, but you're not right about the bankers. Bankers care about getting sued a lot. >> Okay. >> And they're they're on the cover of the S-1.

>> discussions. >> They would have gone through and read the um they would have read the board meeting notes to to their due diligence to make sure this wasn't a thing. >> I don't really think that he has an interest in merging them until one of them gets into trouble or both of them. And then that's sort of like, well, I always wanted to do this all along. That's what prompted all of the mergers that he's done with his own companies.

So I I agree with you. I don't think that's going to happen near term. >> It's historically true, but I would put a little different spin on it. He might want to merge Tesla with SpaceX when Tesla's making a lot of free cash flow from robots. Because the one thing SpaceX is short is cash flow. To uh to to finish and that's literally why they're going public to raise the capital. So Tesla to my mind is like a near dated Musk option. If the robot thing works out, we'll know in 24 to 36 months.

And then Tesla will trade on that. SpaceX is a very long dated version of Musk. It's 5, 10, 15 years. And so there're going to be people who think should I own one or the other? I think you're either it's either both or none. You either believe in Musk's vision and you want a near dated version and a long dated version or you say no, this is too too highly valued and the governance is too weird. I don't want any Um in index inclusion, we should just cover that briefly.

Um it's going to go into the queues 15 days or so after um the IPO on a fast entry rule which the Nasdaq just changed for these big deals. That's going to add roughly, let's call it 15 to 20 billion dollars of demand. On a 75 billion dollar float, so roughly 20%. So a lot of demand. The thing people aren't talking about is that the lockups are shorter for this deal than usual. Typically speaking with an IPO, if you are an insider, you can't sell for 180 days. So the first 6 months there's no stock available.

That's different here. 20% of the stock ex-Musk stake comes available right after Q2 earnings. Another 10% becomes available if the stock is more than 30% higher than the IPO price going into the earnings. Then

another 70% becomes available um at various days short of 180 days and 28% becomes available after Q3. So, there's a lot more stock coming than just the usual IPO lockup, a lot more. That's going to balance out the index demand but not right away. So, there'll be a lot of volatility over the first couple of weeks as the market tries to figure out the index price value.

>> Okay. >> Um, final point, which I just want to touch on briefly. I was around when Facebook went public and it was very difficult because the volume kind of overwhelmed the NASDAQ and the market makers. I'm sure the NASDAQ has stress tested their system, but this is going to be a very big deal with a lot of retail demand. So, there is always some risk of a market structure hiccup on Friday just because of what's going on with this one stock. So, that's something to be watchful for as well.

>> I remember watching the Facebook IPO in 2012. It was May of 2012. And it was NASDAQ, not New York Stock Exchange. Although it had two letters in the ticker symbol, which confused some people. Um, came public at 40, got to 42 for 10 seconds. >> Yep. >> It sold off to 40. A lot of people were like, "Where Where is the pop? Like, why isn't it doing anything? Why isn't it" The volume was off the charts. I remember there was some issue at the NASDAQ. You probably know better than I do. They had some issue like identifying the current price in the moment because they were unaccustomed to having a new issue with that many shares trading all at once.

>> Yep. >> And then, uh, ultimately, I think it fell to 12 or 18 before before it really found its footing and its actual shareholder base. >> Yeah, there were two problems. The first was market structure on day one. People didn't know if they got filled on their orders for hours. So, you can imagine what that was like. >> Right. second >> was that they gave selective disclosure to some of the analysts on the deal about um their lack of mobile traction.

And when that came out, it really eroded trust in the company. That's why the stock got to 12. So, there's a market structure on day one. Again, I don't think this is going to happen to SpaceX, but it's worth just bringing up. Let's Let's watch the trading action on Friday cuz it's going to be a deluge of action. And that historically has been sometimes difficult. We saw it also with the ETF flash crash in August 2015. So, huge volume sometimes overwhelms the system and let's just be on the lookout for that.

>> Okay. Before we move to our last topic, Jessica, uh anything on SpaceX IPO? Would you like to jump out of a SpaceX Falcon 9 rocket? Uh what do what do you What do we What are we thinking? >> I have a My one of my best friends, she's also skydiver, is an engineer at SpaceX. >> Okay. >> So, yeah. >> So, they they must be pretty excited. >> I maybe Maybe I have a little inside connection there. We'll see what we can make happen.

>> Yeah, yeah. All right. Um we're going to we're going to end with what really happened in 1999. Um this is this is I think a really important um sort of comment because anytime tech stocks are rallying as furiously as they've rallied and then have like a massive sell-off, it's the first thing like we almost can't help it as human beings. It's just the first thing that we go back to. Like, is it '99?

What aspects of this feel like 1999? How is it not 1999? It's just uh it's it's hard. Because Listen, if you live in a town and there's a dormant volcano that all of a sudden springs back to life, is this Pompeii? Like, this is the way we think. We're humans. Yes. But But talk to us. Show us the chart. >> Okay. This is a chart of the Nasdaq, very simple. The Nasdaq from 1999 through the end of 2000.

And I've noted a couple of numbers and I'll just read them out. In Q4 of 1999, the NASDAQ was up 37% in a quarter. In from January through the March 10th highs, it was up another 24%. Those numbers don't add, they actually compound. And so from the beginning of Q4 '99 to the top in March 2000, the NASDAQ was up 84%, almost a double in less than half a year. We don't have anything like that today, period, full stop. Because let's not forget the NASDAQ had been up every year since '95. It was this amazing rally. And I remember it vividly. You just couldn't under And this all came around Y2K as well. So there was just this weird kind of millennium kind of vibe combined with this amazing rally in tech. The crappiest names were going public and you saw the IPO pops the first day. It was absolutely insane. But an 84% gain over less than 6 months is not to be believed, literally. And that came through in the second part of the chart, which honestly is just as important, is from March 10th to April 14th, the NASDAQ fell 34%.

Now, it was still up versus the beginning of Q4, that's how people rationalized it. But when you see this kind of volatility both to the upside but just as importantly to the downside, a 30% correction in a matter of 5 weeks, you know price discovery is broken. You know the market no longer has any fundamental underpinnings because there's no reason why any asset class is up 80% over the course of 6 months and then falls 30%. That means people are just chasing momentum, nobody has a fundamental anchor, and that's when you start getting concerned. But the numbers, the volatility numbers are much higher than what we're seeing even like on Friday. So to me the message to this is, you know, don't talk to me about a 20% gain in tech or 30% gain in tech. Tell me that tech goes up 50% and then down 30% and then I'll start thinking about a bubble. Because a bubble means prices have to go up and then down.

>> Right, you might have that in individual stocks or little corners of tech, um, tiny market cap things like quantum stocks, but like to get that in the modern Nasdaq 100, an 84% 6-month rally, I almost don't think you can because the dollar amounts of the largest market cap companies are too large. Like I don't think the dollars exist for that. >> Mhm. >> Well, you you could even just use our simple rule of thumb in comparison to 99, a double is a bubble in the Nasdaq composite that happened at the height of the dot com bubble. We're up like 34% over the last year, we're nowhere close.

>> Yeah, it's not it's not even right. It feel there's some there are some aspects of the of this where it feels like it's an echo of that era, but the fundamentals are very different and the extremities are not extreme enough to to the the current right. All right, I it's a great place to leave it. I want to tell people where they can find out more from from you guys. Guys, if you are into Nick and Jessica's research and I know you are, make sure you click the link in the show notes, um, so you can find their YouTube channel and of course you can become a subscriber yourself to DataTrek Research and it's really easy to find. datatrekresearch.com uh, and you can uh, get a delivery of Nick and Jessica [music] every day if uh, if if you so choose. Guys, thank you so much for joining me.

>> Thank you. >> summer. I know we're going to check in uh, soon. So, we will be back with what did we learn?
Thank you guys for watching. Thanks for listening. >> [music] >> I'm a I'm