

  **Why are tech stocks falling?**

Monday, March 8, 2021 by [Robinhood Snacks](#) | [Disclosures](#)



Correct yourself, before you wreck yourself

	Last Week's Market Moves	
Dow Jones	S&P 500	Nasdaq
31,496 (+1.82%)	3,842 (+0.81%)	12,920 (-2.06%)
Bitcoin		
\$48,665 (+2.62%)		

Hey Snackers,

Happy International Women's Day! This year's theme is **"Choose to Challenge."** It was created to celebrate women's achievements — and inspire us to continue challenging gender injustices in the world today.

The US economy **added** an expectation-beating 379K jobs in February, thanks to a sharp rebound in restaurant hiring. On Saturday, the Senate narrowly **passed** President Biden's \$1.9T Covid relief package. Tomorrow, the House votes on approving changes made by the Senate.

On our pod: A 10-second video of LeBron dunking just sold for \$200K. We're talking Non-Fungible Tokens (NFTs) on our **snackable pod**.

Correct

1. Tech stocks move toward "correction" territory: we break it down

Do you remember?... the 21st of December (cue: Earth, Wind, and Fire jam). Back then: the stock market was hitting record highs left and right, and tech stocks were leading the charge. After peaking in mid-February, markets have fallen back to around December levels. Tech stocks got hit especially hard: the tech-heavy **Nasdaq** index is down 8% from its February 12th peak, and is up less than 2% for the year (after being up 11% at its high).

- **Tech stocks are near “correction” territory:** A drop of 10% or more from the most recent high. **Corrections** can hit assets (like stocks), indexes (like the Nasdaq), or

entire markets. On Friday, the Nasdaq briefly hit a correction, when it was down 12% since Feb. 12.

- **Big Tech influences the whole market**, which is reflected in the **S&P 500** index. On Feb. 12: **Apple**, **Microsoft**, **Amazon**, **Tesla**, and **Facebook** made up a whopping **21%** of the S&P 500’s value.
- **BTW:** If the market falls 20% below its recent peak, it turns from a correction into a “**bear market**.” We saw that happen from February to March of last year, when Covid hit.

Why it's going down... Some investors think the tech sector is overvalued. Rising interest rates and inflation fears are also a huge part of it. Some worry that the Fed will raise interest rates to curb potential inflation, despite Jerome Powell saying (multiple times) that it’s unlikely to happen soon. To see why higher interest rates can be bad for stocks, check out our [explainer](#).

- **Combine these with the vaccine rollout and economic recovery**, and you’ll see why stocks that were crushing it mid-pandemic are falling now.
- A few examples: **Peloton**, **Zoom**, **Square**, and **Teladoc** are all down over 20% since February’s peak.

THE TAKEAWAY

Corrections are normal... For long-term investors, a correction can be like a small dip in the hill toward reaching investing goals. Historically, the market has recovered from corrections (though some took longer than others). While they might be painful short-term, corrections can help “correct” the prices of overvalued stocks. Markets were frothy at their peak — a correction is kind of like a barista skimming off foam. In the past, they’ve been followed by periods of growth. The US stock market has had more than 25 corrections since WWII.

Highs

2. Who's up...

Right in the bullseye... **Target** nailed it last year. Sales jumped a record 20%, up \$15B+ from 2019 — that's more than Target's total sales growth *over the last 11 years*. Online order pickup and delivery soared, as you grabbed mini waffle makers *curbside*. Target's 1.9K US stores are **key** to its success: Target uses stores as fulfillment hubs, and 95% of sales came from stores in 2020. Customers who shop both in-store *and* digitally spend ~4X more money than those who shop only in-store — and nearly 10X more than online-only shoppers. That's why Target plans to invest \$4B into stores each year.

Forgot the cashew pesto... **Instacart** raised \$265M in fresh funding, catapulting it to a \$39B valuation — that's more than *double* its last valuation in October. It's the second time in a year that Instacart's valuation has doubled after bagging venture capital \$\$\$\$. No shocker there: grocery and delivery have thrived during the pandemic — Instacart has both. In June of last year, Instacart **claimed** more than half of the online grocery delivery market. Now, it's **reportedly** considering going public through a direct listing.

Lows

3. ...and who's down

Chip-pocalypse Now... The global chip **shortage** is continuing to hurt car makers, from **GM** to **Ford**. The latest to get hit: Tesla's Chinese rival **Nio**. Nio shares plunged 17% for the week, after it **said** that chip-pocalypse will hurt its electric car production next quarter. FYI: the average car contains 50 to 150 chips. Nio's production capacity will fall to 7.5K cars per month, down from 10K. But Nio's founder expects they can bump up production again in July.

Call me by your name... **Oscar** is the Millennial startup that's simplifying health insurance. ICYMI: American health insurance is (in)famously complex. Oscar wants to put a friendly face on it. Oscar's NYSE debut was less friendly: the stock has plunged 14% since Oscar went public on Wednesday. Investors weren't wowed by its 2020 earnings: sales fell 5% from 2019, and it lost \$407M. But Oscar could **benefit** from the growth of the gig economy, since its core customers *don't* have insurance through employers (think: DoorDash drivers).

What else we're Snackin'

- **Check:** How the Senate's \$1.9T stimulus bill differs from the House version.
- **Learn:** 11 simple ways to improve your memory (we already forgot them).
- **Sweat:** This is your brain on exercise — it's a workout for your mind, too.
- **Act:** How to follow up with someone who's not getting back to you (the right way).
- **Do:** Six habits for living a full life, with six #inspiring quotes to match.
- **Achieve:** How a woman who came to the US with \$300 became a NASA flight director.

Snacks Daily Podcast

"Amazon Go as a service... or Amazon GaaS, for short."

Airport legend **Hudson** opened an Amazon-powered cashierless store, so you can grab Cheetos mid-sprint to C1. But **Amazon** is also opening its *own* stores.

The big question: own or license? Tune in to our **15-minute pod** to find out.



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Snack Fact of the Day

In 1893, New Zealand became the first country to give women the right to vote (but not run for office) — the last was Saudi Arabia in 2015

This Week

- **Monday:** International Women's Day. Earnings expected from **H&R Block**
- **Tuesday:** Earnings expected from **Stitch Fix** and **Dick's Sporting Goods**
- **Wednesday:** Earnings expected from **Bumble**, **Campbell Soup**, and **Asana**. **Roblox** goes public via direct listing.
- **Thursday:** One-year anniversary of the pandemic. Weekly jobless claims. Earnings expected from **Oracle**, **DocuSign**, **Poshmark**, **GoodRx**, and **Ulta**
- **Friday:** First anniversary of Broadway theaters closing in the pandemic.

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