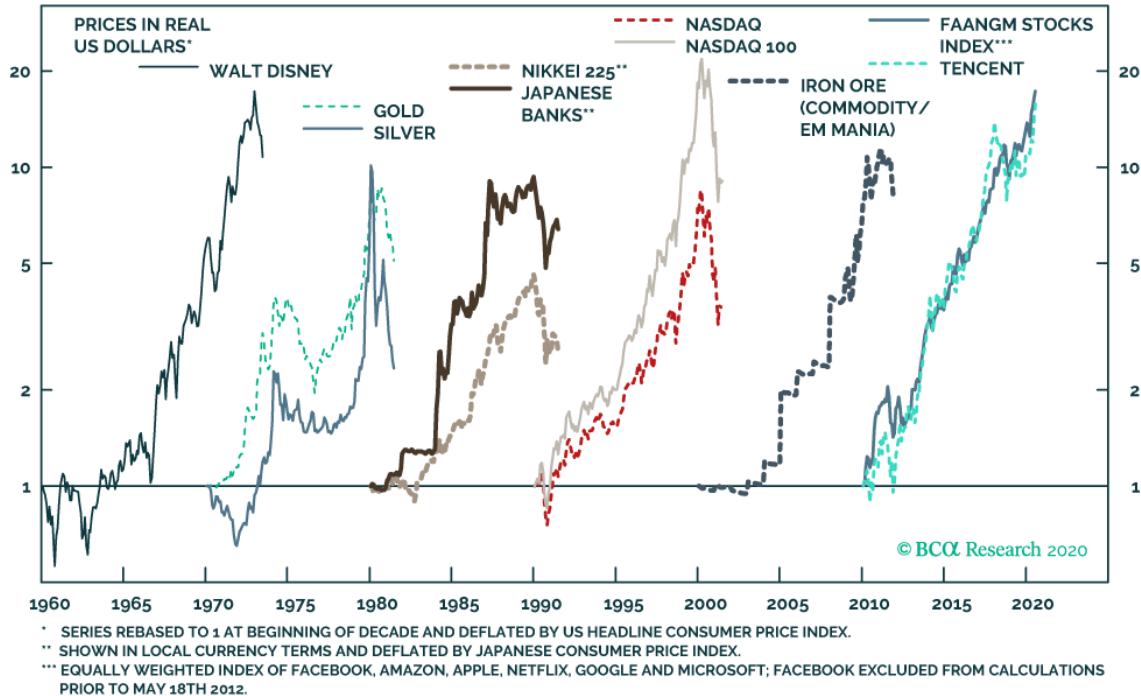


FAANGMania: Let's Learn from History



Source: BCA Research as of 7/31/2020

- The dominance of FAANGM stocks over the past 10 years is the latest in a long line of recurring manias that tend to crop up each decade. The 1960's was the Nifty 50 era dominated by Blue Chip stocks like Disney. Stagflation in the 1970's saw Gold and precious metals skyrocket. Japanese Banks dominated the 1980's before entering a Lost Decade(s). This ushered in the Tech Bubble in the 1990's and Chinese consumption drove commodity prices into mania territory in the 2000's. That leads us to today, where New Economy stocks are up nearly 20x since the start of the last decade.
- In each of the above mentioned manias, when returns for the asset bubble reached 10x-20x for the decade, the ensuing 5-10 years were not pleasant. In fact, **these asset classes ended up falling around -40% over the next 5-10 years after the mania was unwound.**
- We cannot say when this current mania will end or what will cause its unwinding. History suggests we are close to an upper band when prior bubbles deflated. If we are indeed at the start of a new economic cycle (see last week's Chart of Interest '[Top of the 1st Inning: Starting a New Expansion](#)') then the market should broaden out from the FAANGM's, where long-term forward returns may be hard to come by, and rotate into areas that offer better return potential. We continue to think Value and International are poised to benefit from this rotation.

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