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Stock Market Investing Tips, Techniques, and Resources



Tech Stock Selloff

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After rallying once again to new highs, the stock market is selling the same tech stocks that drove the pandemic stock rally. Many have been waiting for something to change the positive market sentiment that has made the stock market diverge from the economy. As the wider economy starts to regain strength there is a concern among tech investors that many of the work-from-home and other factors that have supported big tech in the last year will fade along with Covid-19 restrictions now that the vaccination campaign is protecting more and more Americans. What does the current tech stock selloff mean?

What Is the Meaning of the Tech Stock Selloff?

A selloff in big tech stocks including the [FAANG](#) darlings has been repeatedly predicted for years. But, these money-making machines keep going up in price as their earnings keep rising. After an initial scare at the beginning of the Covid-19 pandemic these companies saw higher stock prices as Covid-19 restrictions drove so much of our lives online. These companies have become what IBM and Phillip Morris once were, reliable investments that just seem to keep growing and growing. So, what does the current tech stock selloff mean? Is the long-anticipated correction in the works? Is this just another “buy the dip” moment?

Why Is There a Tech Selloff Now?

Treasury Secretary Janet Yellen just said that a slight rise in interest rates may be necessary to stem inflation. Because low interest rates have been a major driver of the stock market it is a reasonable assumption that farsighted investors are rotating their portfolios out of high tech and into companies that serve the general economy. And, since no stock rally lasts forever, it was reasonable to expect corrections in tech from time to time. A long term underlying concern is that the government may decide to treat big tech companies like utilities because they are so basic and so central to the economy and our way of life. When companies like Amazon.com, Alphabet, Microsoft, and Facebook become so dominant in their market niches, antitrust concerns arise which could lead to the breaking up some of these tech giants. All of that having been said, the market was probably just looking for a reason for a selloff and used Janet Yellen’s comments as an excuse.

When Will the Tech Selloff End?

.This is really is the question that investors want answered. Do these stocks have some sort of intrinsic weakness that has been ignored? Are their prices really beyond reason considering that they really are part of the technological backbone of the country? Investors who use [intrinsic stock value](#) as a guide will probably be buying the dip in the coming days. Their underlying assumption will be that these companies are central to our economy and will remain so well into the 21st century. These investors will consider a possible bump up in interest rates, how fast the economy will recover from the Covid-19 crisis, and whether or not Biden’s infrastructure proposal will come to fruition and drive both the creation of jobs and higher stock prices for

years to come.

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