“The NASDAQ’s 15-Year Wild Ride” *(SB News-Press)*

(December 2, 2014) Do you remember the launch in March-1991 of the new online protocol called the “world wide web,” for people to dial in to database files using a modem connection to their computers? Do you remember two years later in 1993, when Marc Andreessen introduced Mosaic – the first graphic-interface browser to easily access the rapidly growing content being uploaded all around the globe? Remember his 1994 follow-up web navigator, Netscape, which opened wide the doors for businesses and consumers to begin the new phenomenon of online electronic commercial buying and selling – a.k.a. “eCommerce”? Then you probably also remember the wild stock market ride of the dot-com boom that defined the remainder of the 1990s. And no measure has been more closely linked to the innovation and growth of computing hardware and software than the technology-laden companies whose stocks trade on the NASDAQ online exchange. That index is now just 250 points (a little over 5 percent) away from getting back to its all-time record close – the 15 year anniversary coming up in a little over 3 months, on March 10th 2015. In the last 53 months, the NASDAQ has skyrocketed up over 2,700 points or 129 percent. But what does this say about the technology sector, as well as the overall value of the U.S. economy – and are we in another hi-tech bubble?

Exactly 22 years ago – November 27, 1992 – the NASDAQ composite index stood at 650. Wednesday it closed at just under 4,800. So over the long haul, it’s up 638 percent (more than 7-fold), which translates to an average annual 9.2 percent return (compounded quarterly). Had you invested $10,000 in the NASDAQ at 650, today your money would be worth $73,800. But unlike “Mr. Toad’s” 130-second jaunt at Disneyland, this wild ride has lasted almost 15 years! But while the

Dow Jones (17,827), the New York Stock Exchange (11,048), and the Standard + Poor's (2,073) are all well into record territory, the NASDAQ has still not been able to get back to its record close, covering Clinton's late 11 months in office, plus 8 years of Bush and nearly 6 years of Obama. So what happened, and what's ahead for this iconic technology bellwether?

In November 1993, the index had gained 100 points for the year up to 750, then topped 1,000 in 1994. Online eCommerce was really starting to take off. Amazon, Yahoo, and eBay debuted in 1995, Priceline in 1997, Google in 1998. But the dot-com bubble also debuted companies such as eToys, Procket, Pets.com, Webvan, DrKoop.com, and GeoCities that had meteoric initial public offers of stock, followed by total annihilation (example: eToys' IPO was at $39 a share, it soared to $84 in less than 2 years from its launch, but 16 months later reported a $75 million loss and was bankrupt).

Toward the end of the 1990s, the NASDAQ started trading above 2,000 (November-1998), and by year-end 1999 was at 4,000 – doubling its value in just one year – as the market anticipated (incorrectly) massive new hardware and software purchases that would be required by businesses and consumers in response to the problems coming with Y2K. And then, just 10 weeks later, the NASDAQ closed at its all-time high of 5,048 on March 10, 2000. What followed was nothing short of catastrophic, as the index lost 80 percent of its value, dropping precipitously to just 1,114 on October 9, 2002 – over 3,900 points in just 19 months. Fourteen years ago, the now-defunct CNN-fn reported that this unprecedented free-fall evaporated $1.75 TRILLION in market value from the 280 internet companies traded on the NASDAQ, as nearly $3 trillion of shareholder wealth turned into just $1.2 trillion in the first year alone. Think of that!

The March-2000 to October-2002 meltdown also straddled the market's huge sell-off in the aftermath of the 9/11 terrorist attacks. It took 2 years for the index to get back to 2,000 (from its 1,114 bottom), and then it simply went into financial hibernation as it ebbed and flowed between 2,000 and 2,800 for 5 years. Then came the subprime lending crisis and recession, and the NASDAQ slipped another 57 percent from the 2,800 range to just 1,294 on March 1, 2009. Think about that. From its peak value in March 2000, this technology sector lost 80 percent of its value in 19 months, then hovered for 5 years – from 2002 to 2007 – at only 40-to-50 percent of its peak, before being cut in half again as the economy tanked in 2008.

Fast forward to today. The most recent 24-month trading window has seen the NASDAQ jump almost 2,000 points since November 11, 2012. That's 71 percent in 2 years! So is this substantive and sustainable growth? Will the index plow right through its 15-year record high in the next few weeks? Or is this another tech-stock bubble for a grossly-overvalued stock market? The price-to-earnings (PE) ratios for the NASDAQ are lower than those for the S+P, the Dow Jones, and the NYSE. Many analysts believe the overall NASDAQ/technology sector remains undervalued due to the "wait-and-see" approach American firms have about when to make the next round of hardware and software capital investments – due primarily to uncertainty about when the U.S. economy will finally hit a full-stride recovery with GDP growth north of 5 percent and significant job creation.

As the new Congress takes over in 2015, keep a close eye on legislative actions on corporate tax reform, the Keystone XL pipeline, easing various Obamacare regulations, and several other House and Senate proposals to benefit American businesses and consumers. The

NASDAQ appears poised to fly past its all-time high at or near its 15-year anniversary, as investors on the sidelines finally decide it's now time to put cash into the stock market – and specifically those hi-tech companies supporting innovative hardware, software, Apps, cloud computing and storage, and next-generation consumer electronics.
It's certainly been a wild ride these past 15 years to finally get back to a 5,000+ NASDAQ. The question is whether it's for real, or just another overhyped bubble.