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Peabody & Sherman Meet Zuck and Jack

***e*Research Corporation** is pleased to provide an article written by Charles Payne, CEO and Principal Analyst at Wall Street Strategies.

This article is an excerpt from **Charles Payne's Morning Commentary**. Detailed information on Charles Payne is provided at the end of this article.

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Bob Weir, CFA
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Morning Commentary

March 28, 2018

Peabody & Sherman Meet Zuck and Jack

Yesterday, the stock market got into the "Way Back" machine, back to a time when companies that were too big we deemed a threat.

Too big for their britches?
Technology giants hammered

The Sherman Antitrust Act was not mentioned, but I felt it among an assortment of speculation as Facebook shares began to crumble and other tech names also came down hard.

Until now, Silicon Valley had that cool factor that allowed tech titans to escape the scrutiny and the scorn of the so-called robber barons of yesteryear.

However, reports that Mark Zuckerberg has agreed to face congressional questioning calls to mind what would ultimately happen beyond the threat of increased regulations and a monumental fine. More than likely, Larry Page and Jack Dorsey will have to appear as well.

The most recent example is how hip Silicon Valley fraudster Elizabeth Holmes got a slap on the wrist, while Wall Street fraudster Martin Shkreli got hard time.

Perhaps the venue of cool and mantra about not doing harm no longer provides a cloak exclusion. Suddenly, big tech could be in big trouble. The biggest market caps in the market belong to ubiquitous tech names that have not been bashful about their boundless ambitions:

- Apple: $857 billion
- Amazon: $732 billion
- Google (Alphabet): $705 billion
- Microsoft: $697 billion
- Facebook: $441 billion

Keep in mind that the use of the Sherman Antitrust Act has been used by both parties with William Taft suing 75 companies and Teddy Roosevelt going after 45 companies.

More recently, Microsoft had to fight off claims of monopoly for its x86 architecture before settling with the Department of Justice in 2001. The company still controls 95% of desktop operating systems, but it is not seen as a problem anymore.

The eye of yesterday's storm, Facebook was not even in existence until 2004, and while it is not the largest market cap name on the list, its dominance in social media and online ad spending makes it an enticing target.

Google/Alphabet controls 89% of search engines and has a dominant position in online ad spending and mobile phone operating system.

To be clear, I don't think there will be any anti-trade action with these names and, in many ways, they are the competitive hedge against each other that regulators would ostensibly be looking for if they took action to break them up.

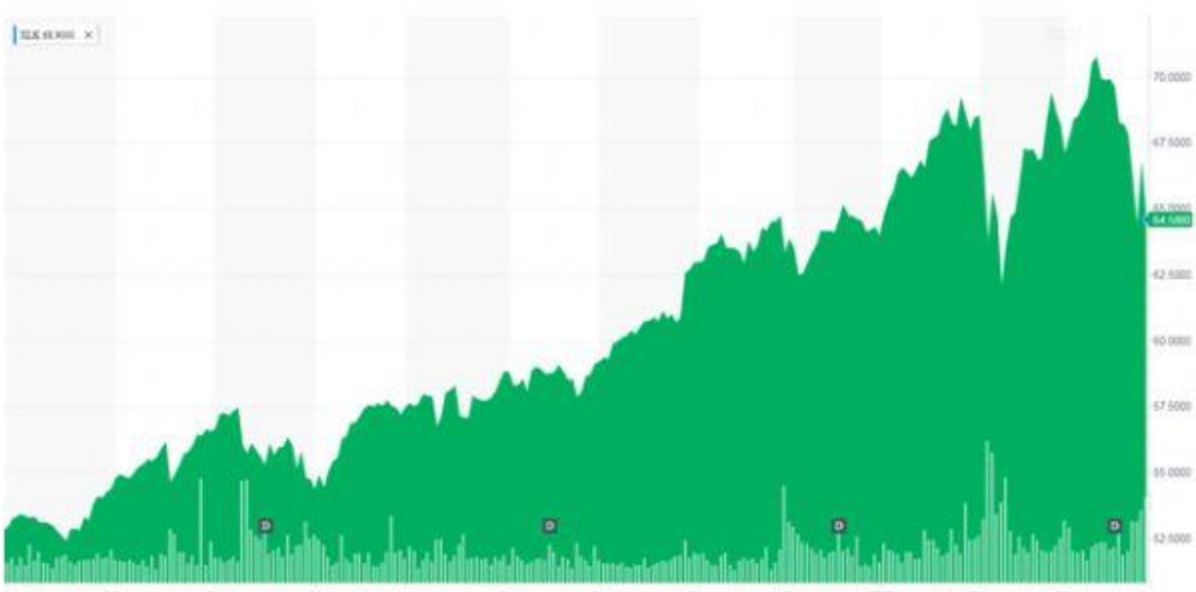
These names were ripe for profit-selling, including Twitter, as it rallied 100% and got caught in the net of a famous short seller, which says it is potentially the biggest target if there are more regulations in social media.

Tech in Trouble

Computer chip names were hit harder than social media names, making the S&P technology sector the biggest loser of the session on Tuesday. Although the news of Nvidia (NVDA) halting its driverless car test didn't stop the stock from opening higher, its shares took the largest drubbing in the Technology (XLK) Index.

That index is down 5.3% over the past five sessions, but it's still up 1.0% year-to-date, but it looks vulnerable.

XLK



The problem for investors is there are no quick answers for social media companies, which may or may not face the House Energy & Commerce Committee on April 12th.

With the buy-on-dips crowd moving out of the way, it is tough to pinpoint the downside even using charts, but the stocks to buy are the ones with amazing businesses that will not be interrupted by regulations or fines, including names such as Adobe Systems (ABDE) that were hit hard yesterday.

Meanwhile, the trade war does not feel so scary after positive overtures from China and a fresh trade deal with South Korea. I would not be surprised if there was a special announcement involving China this week, too.

After the close, fundamentals, not headlines or scuttlebutt, were moving stocks.

Today's Session

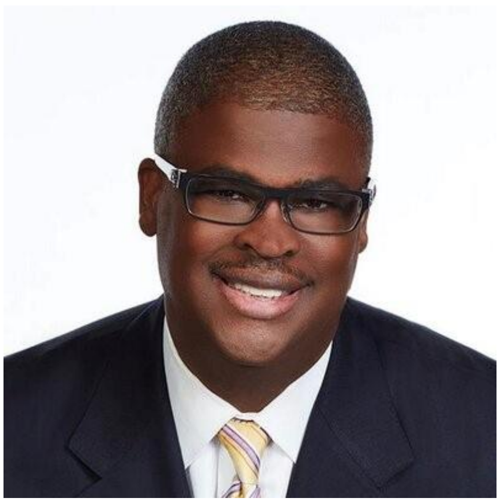
Tech Wreck

Equities turned it around this morning, even as the White House has weighed in with a salvo at Amazon. Around the world, there is increased talk of taxes and even breaking some social media and big tech companies up. Meanwhile, Facebook has made some concessions, and I am sure there will be additional changes before Zuckerberg heads to Capitol Hill.

Tech names are trying to find a firmer footing, but the bias and momentum is strongly to the downside.

BW: See ABOUT CHARLES PAYNE on the next page.

ABOUT CHARLES PAYNE



Charles V. Payne is the Founder & CEO of Wall Street Strategies. His stock selections reap sizable profits for his subscribers and viewers. Charles is featured on the Fox Business Network Monday-Friday at 6 PM ET on "Making Money with Charles Payne". He is a member and occasional host of "Varney & Co". In addition, he guest-hosts several shows including "Cavuto on Business" and "Your World".

Charles is not only widely recognized in the media sphere as a thought leader on stock markets and politics, but is also the best-selling author of "Be Smart, Act Fast, Get Rich". In his book, he helps the average investor demystify the stock market and profit from it, explained in a manner that only he could deliver.

When Charles is not in the media spotlight, he is routinely sought after for his market and political opinions by prestigious organizations, and is featured and available for seminars and speeches.

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