



The Rotation Trade Follow-Up

Last month, technology stocks which had led the market last year sold off and cyclical stocks that had gotten decimated by Covid, rallied.

Market commentators labeled this as “The Rotation Trade” and many Market Analysts suggested that high flying technology stocks were too expensive, with it being the time to dip back into Airlines, Restaurants, Hotels, etc.

We responded with commentary that suggested that this Trade had a limited upside as the damage done over the past year to hospitality and travel companies could take years to mend. We provided a table of Stocks to contrast our point of view.

Delta, which was included in our Table is falling today after disappointing earnings and is down 9% since the e-mail we sent.

Delta is projecting that travel demand will roar back in the coming months. However, passenger traffic remains well below the pre-pandemic days of 2019 and airlines remain vulnerable to any signs of weakness in re-opening activity.

Delta's second-quarter “guidance calls for lower-than-expected revenue on less capacity and higher non-fuel unit costs,” an analyst said in a note to clients.

NVIDIA, one of the high-flyers profiled in the Table caught in the sell-off, is up 21% over the same time-period.

	PRICE		
	3/15/2021	4/15/2021	Change
Delta Air Lines	51.44	46.56	-9.49%
NVIDIA	519.91	641.76	23.44%

Our View

Growth Companies are subject to periods of volatility and profit-taking after strong gains, invariably leading many to question if their run is over. Ultimately however, those that are well-run with strong competitive advantages will continue to compound their profits over time and generate high returns for investors.

Disclosure: The preceding represents the opinions of The Stanley-Laman Group, Ltd., a Registered Investment Advisor, and are not intended to be investment recommendations. All strategies outlined and the views expressed here offer risk of loss of principal and are not suitable for all investors. Investors are advised to consult with qualified investment professionals relative to their individual circumstance and objectives.