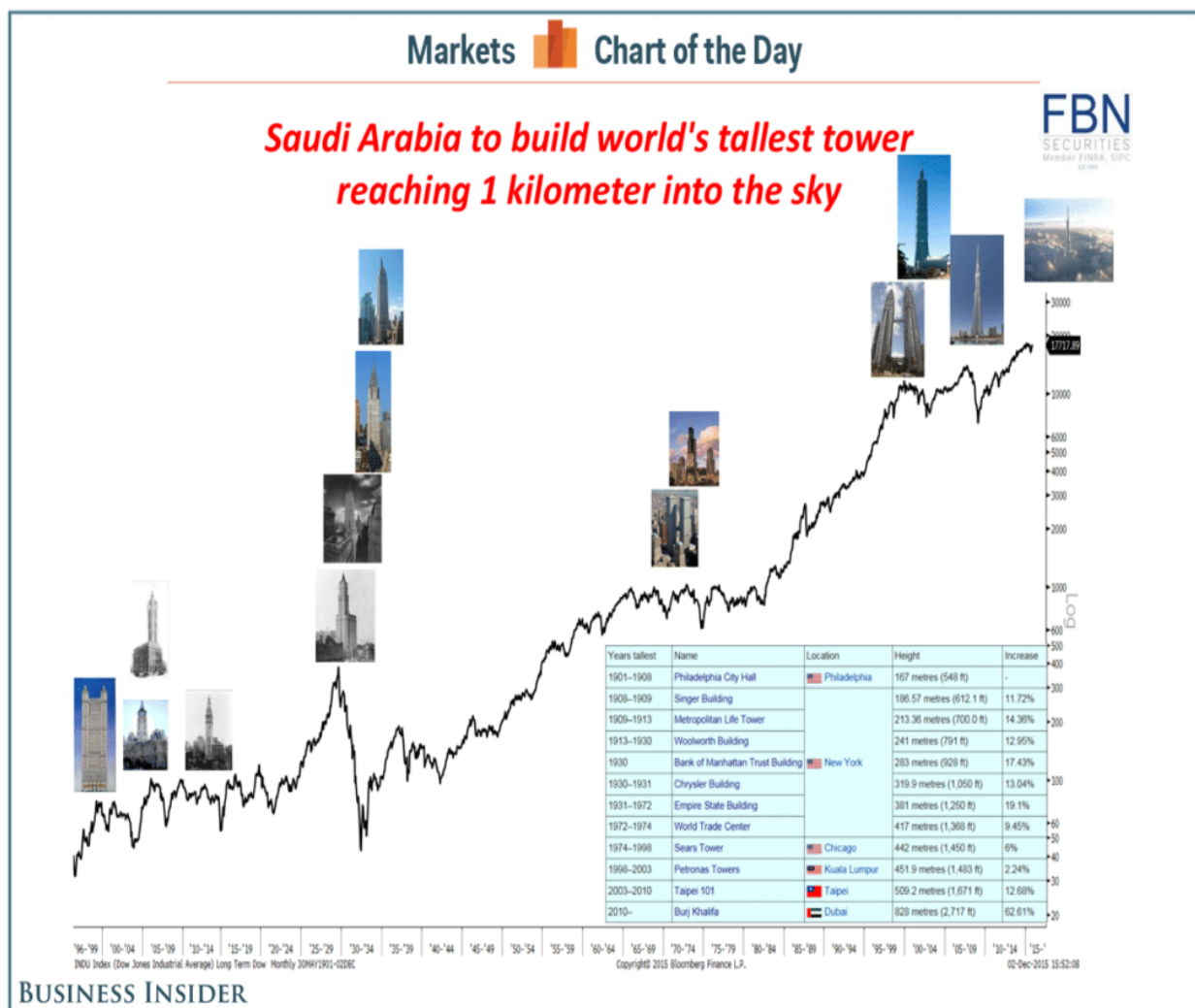


"CNBC is launching a new index focusing on younger people, younger workers, and younger investors. It is called the [CNBC Next Generation 50 index](#). The index will track 50 equal-weighted stocks integral to lives and careers of millennials and those from Generation Z." - [CNBC](#)

Why is that important?

Financial history is littered with the remains of ideas that marked the peaks and troughs of markets over time. From magazine covers to the world's tallest skyscrapers to new investment products and strategies. Most proved to be the result of the psychology at that time, **whether it was excessive bullishness or overwhelming fear.**

For example, when individuals decide to build the next *"World's Tallest Skyscraper,"* such would suggest the developer is exceedingly bullish about the future. But, of course, that *"bullishness"* is not found at market bottoms but obviously near peaks.



Likewise, launching a new index is also likely the byproduct of excessive bullishness in the financial markets.

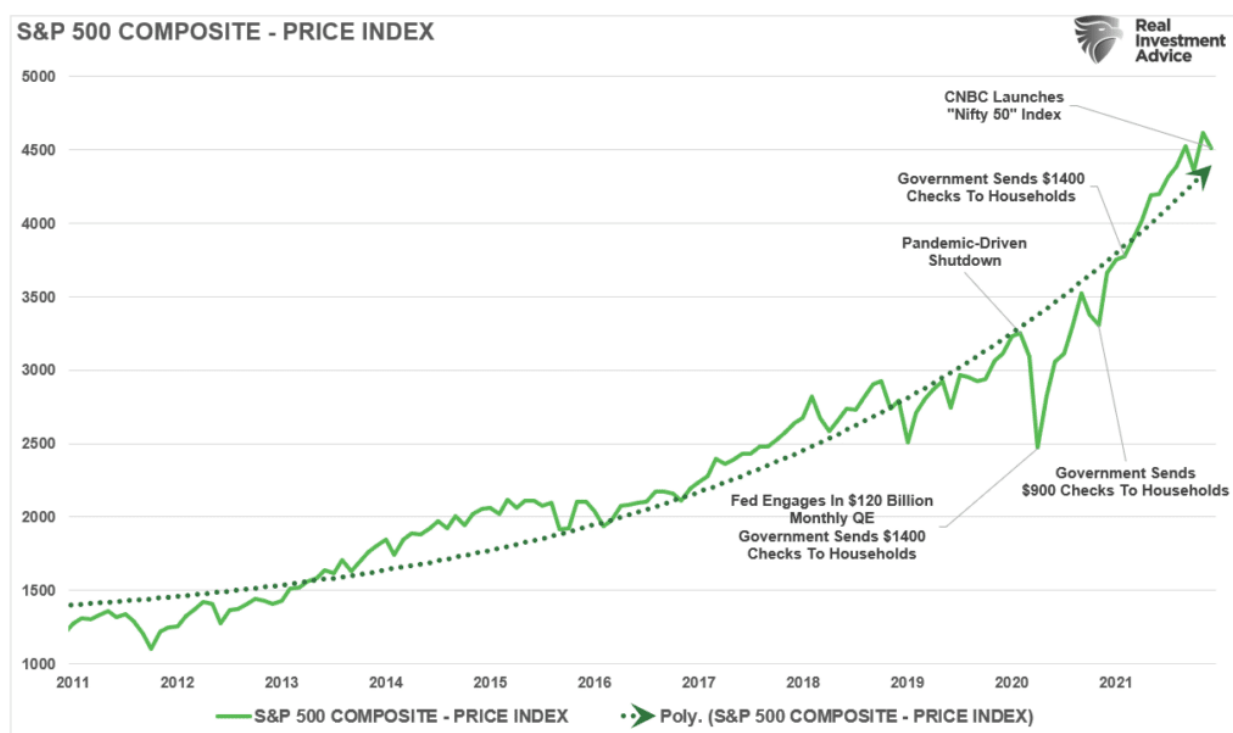


Need a plan to protect your hard earned savings from the next bear market?

➤ Schedule your consultation today

The CNBC Index - A Byproduct Of Exuberance

Since the pandemic-driven shutdown in 2020, retail traders armed with stimulus checks and phone "app" invaded the financial markets looking for the next "get rich quick scheme." From the March 2020 lows, the market surged higher as retail investors piled into the markets to chase the most speculative of assets from IPO's to SPAC's, to fundamentally bankrupt companies with massive short-positions, and use options to leverage their returns.

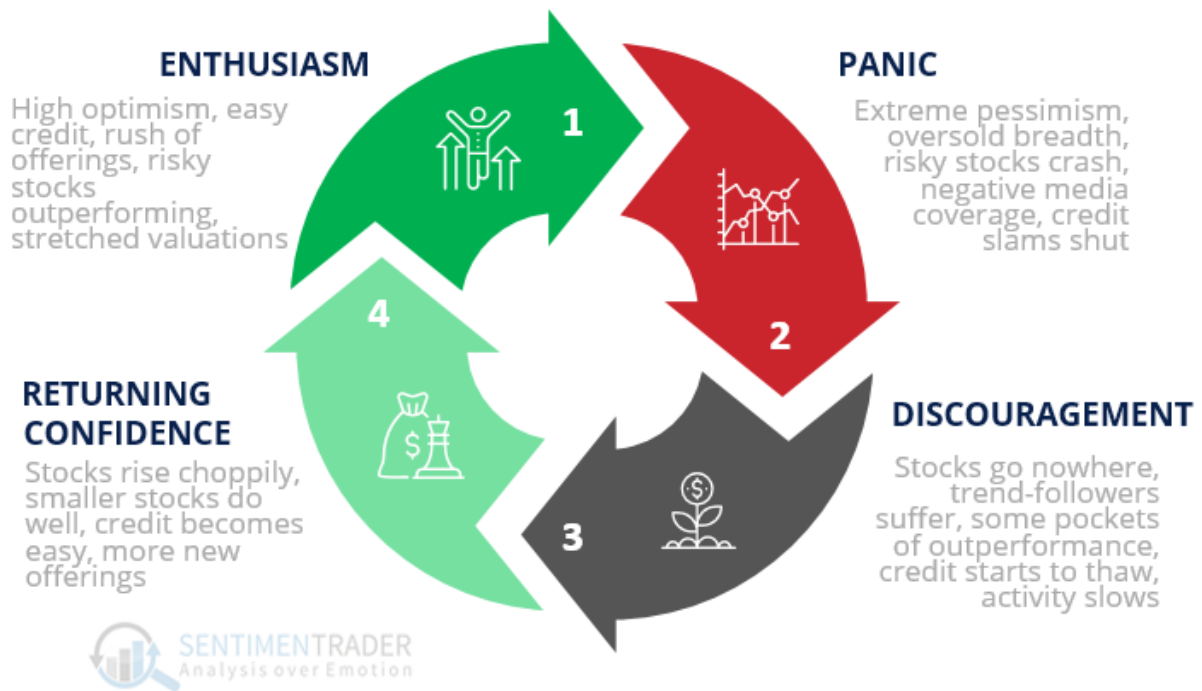


In "[Stock Market Addiction](#)," I addressed the signs of these speculative excesses and reckless behaviors in the market. To wit:

?This type of market activity is an indication that markets have returned their ?enthusiasm? stage. Such is characterized by:

- **High optimism**
- **Easy credit (too easy, with loose terms)**
- **A rush of initial and secondary offerings**
- **Risky stocks outperforming**
- **Stretched valuations?**

Sentiment Cycle



Of course, as is always the case in a "bull market," current trends and rationals are believed to now be permanent. So it is not surprising that CNBC would create an index comprised of the stocks that young investors are chasing.

Unfortunately, as we will see in a moment, such would not be the first time.

A Fundamental Problem

But first, and most importantly, there is a fundamental problem with the CNBC Next Gen index.

The fundamental problem is simply the lack of "fundamentals."

The index comprises 48 stocks and two cryptocurrencies (*Bitcoin and Ethereum*). The table below shows some of the fundamental data for each of the companies in the index. (*Data is from Zack's Research*). A commonality between the majority of the index holdings is a lack of earnings.

Symbol	Company Name	Market Cap (\$Mil)	Price	12-Mo Chg In Net Income	P/E	P/S	5-Yr ROE	Annual Sales	Net Income (\$Mil)	52-Wk Low	52-Wk High	Price Chg From 50-Wk High
CHPT	CHARGEPOINT HLD	6,958.53	21.57	#N/A	#N/A	#N/A	#N/A	#N/A	(\$315.32)	17.92	46.10	(46.79%)
TSLA	TESLA INC	1,019,298.63	1014.97	523.74	328.47	21.76	(13.46)	31,536.00	\$690.00	563.00	1229.91	(82.52%)
NFLX	NETFLIX INC	266,714.81	602.13	79.99	54.25	9.31	24.77	24,996.06	\$2,761.40	484.98	691.69	(87.05%)
ENPH	ENPHASE ENERGY	29,289.49	217.1	(6.65)	133.19	23.73	(158.99)	774.42	\$133.99	114.61	267.74	(81.09%)
SQ	SQUARE INC	83,633.88	181.31	73.20	255.37	5.00	(0.99)	9,497.58	\$213.10	181.31	281.81	(64.34%)
ME	23ANDME HLDG	3,116.89	7.65	#N/A	#N/A	#N/A	#N/A	#N/A	(\$48.60)	7.29	17.65	(43.34%)
PYPL	PAYPAL HOLDINGS	216,104.91	183.93	57.07	53.47	8.80	15.22	21,454.00	\$4,202.00	179.32	308.53	(59.61%)
LCID	LUCID GROUP INC	77,823.77	47.27	#N/A	#N/A	#N/A	#N/A	#N/A	(\$63.47)	9.86	58.05	(81.43%)
LMND	LEMONADE INC	2,715.31	44.06	#N/A	#N/A	25.16	#N/A	94.40	(\$122.30)	44.06	183.26	(24.04%)
GDRX	GOODRX HOLDNGS	15,325.00	38.42	#N/A	#N/A	22.35	#N/A	550.70	(\$293.62)	28.27	56.99	(67.42%)
SFIX	STITCH FIX-A	2,519.32	23.17	86.78	#N/A	#N/A	1.67	2,101.26	(\$8.88)	22.57	106.41	(21.77%)
AAPL	APPLE INC	2,655,211.25	161.84	64.92	28.80	7.26	63.37	365,817.00	\$94,680.00	116.36	165.30	(97.91%)
CGC	CANOPY GROWTH	3,932.54	9.99	19.85	#N/A	8.45	(16.36)	414.03	(\$1,322.47)	9.94	52.17	(19.15%)
PLUG	PLUG POWER INC	19,284.86	33.46	(616.09)	#N/A	#N/A	(469.92)	230.24	(\$596.16)	20.07	73.18	(45.72%)
AFFM	AFFIRM HOLDINGS	30,135.03	107.24	(732.15)	#N/A	31.20	#N/A	870.46	(\$430.92)	48.37	168.52	(63.64%)
LULU	LULULEMON ATHLT	56,562.36	435.72	53.22	66.52	#N/A	30.59	4,401.88	\$588.91	285.14	477.91	(91.17%)
DASH	DOORDASH INC	54,103.50	157.71	#N/A	#N/A	11.87	#N/A	2,886.00	#N/A	112.99	245.97	(64.12%)
W	WAYFAIR INC	24,506.27	234.41	155.88	195.34	1.73	(10,586.38)	14,145.16	\$185.00	225.81	345.47	(67.85%)
GOOG	ALPHABET INC-C	1,891,999.38	2850.41	97.74	27.45	7.91	18.71	182,527.00	\$40,269.00	1723.50	3014.18	(94.57%)
AMZN	AMAZON.COM INC	1,719,123.88	3389.79	51.14	66.31	3.75	20.49	386,064.00	\$21,331.00	2951.95	3731.41	(90.84%)
SPCE	VIRGIN GALACTIC	3,707.62	14.37	(27.16)	#N/A	#N/A	(368.64)	0.24	(\$644.89)	14.37	59.41	(24.19%)
COIN	COINBASE GLOBAL	57,169.11	265.65	#N/A	#N/A	9.65	#N/A	1,277.48	\$322.32	220.61	357.39	(74.33%)
PLTR	PALANTIR TECH	37,070.27	18.98	#N/A	99.89	25.90	#N/A	1,092.67	(\$1,166.39)	18.37	39.00	(48.67%)
RBLX	ROBLOX CORP	58,743.42	113.79	#N/A	#N/A	35.38	#N/A	923.89	(\$253.25)	64.00	134.72	(84.46%)
PANW	PALO ALTO NETWK	51,391.38	520.86	(70.33)	#N/A	11.28	(9.40)	4,256.10	(\$498.90)	293.23	551.18	(94.50%)
GME	GAMESTOP CORP	13,186.37	172.39	80.35	#N/A	#N/A	2.73	5,089.80	(\$215.30)	12.72	347.51	(49.61%)
BMBL	BUMBLE INC	4,102.13	31.74	#N/A	#N/A	5.67	#N/A	488.94	\$66.15	31.74	78.89	(40.23%)
TLRY	TILRAY INC	4,122.90	8.95	29.22	#N/A	#N/A	(122.95)	513.09	(\$367.42)	7.37	63.91	(14.00%)
UPST	UPSTART HLDGS	14,063.07	171.59	#N/A	211.84	22.31	#N/A	233.42	\$5.98	29.47	390.00	(44.00%)
MRNA	MODERNA INC	124,359.48	306.72	1,279.24	18.81	10.51	(14.81)	803.40	(\$747.06)	104.47	484.47	(63.31%)
MTCH	MATCH GROUP INC	35,722.54	126.19	563.90	65.05	12.63	(8.71)	2,391.27	\$128.56	126.19	175.53	(71.89%)
ETSY	ETSY INC	29,328.19	231.33	107.11	68.44	13.16	28.49	1,725.63	\$349.25	154.62	296.91	(77.91%)
RBLX	ROBLOX CORP	58,743.42	113.79	#N/A	#N/A	35.38	#N/A	923.89	(\$253.25)	64.00	134.72	(84.46%)
UBER	UBER TECHNOLOGS	69,553.23	35.85	65.84	#N/A	4.69	(2,870.86)	11,139.00	(\$6,768.00)	35.85	63.18	(56.74%)
CROX	CROCS INC	9,555.64	162.38	404.65	22.40	4.47	55.94	1,385.95	\$312.86	61.33	180.57	(89.93%)
PENN	PENN NATL GAMNG	8,133.30	47.98	150.05	20.77	1.52	(301.06)	3,578.70	(\$669.50)	47.86	136.47	(35.16%)
DOCU	DOCUSIGN INC	26,574.68	135.09	48.71	#N/A	13.58	(168.50)	1,453.05	(\$243.27)	135.09	310.05	(43.57%)
LYFT	LYFT INC-A	13,448.46	39.47	26.76	#N/A	4.79	#N/A	2,364.68	(\$1,752.86)	38.22	67.42	(58.54%)
CCJ	CAMECO CORP	8,735.28	21.95	(2,072.59)	#N/A	7.10	1.36	1,343.74	(\$39.69)	9.92	28.09	(78.14%)
WIX	WIX.COM LTD	8,088.17	144.36	25.89	#N/A	6.61	(2,162.39)	988.76	(\$165.15)	144.36	353.09	(40.88%)
CHWY	CHEWY INC	26,189.58	62.69	104.64	3,134.50	#N/A	#N/A	7,146.26	(\$92.49)	61.46	118.69	(52.82%)
TDOD	TELDOD INC	14,796.81	92.43	(636.55)	#N/A	7.95	(12.87)	1,093.96	(\$485.14)	92.43	294.54	(31.38%)
ZM	ZOOM VIDEO CMTS	54,807.16	183.92	168.31	51.81	14.01	(15.70)	2,651.37	\$672.32	183.92	444.51	(41.38%)
ABNB	AIRBNB INC	105,951.10	166.75	#N/A	#N/A	19.92	#N/A	3,378.20	(\$4,584.72)	124.80	216.84	(76.90%)
DKNG	DRAFTKINGS INC	11,531.07	28.37	#N/A	#N/A	10.07	#N/A	614.53	(\$1,231.83)	28.37	71.98	(39.41%)
CMG	CHIPOTLE MEXICN	44,794.38	1592.1	199.49	68.27	6.23	17.75	5,984.63	\$355.77	1297.00	1944.05	(81.90%)
CRWD	CROWDSTRIKE HLD	44,965.35	197.05	(107.60)	#N/A	34.98	#N/A	874.44	(\$92.63)	141.84	293.18	(67.21%)
FSR	FISKER INC	5,218.96	17.62	(481.26)	#N/A	#N/A	#N/A	#N/A	(\$130.00)	9.95	28.50	(61.82%)

Another problem for the index will eventually be performance. As CNBC noted:

CNBC compiled the index after weeks of research from the networks' younger reporters and producers working on both the television and digital sides of the business and with a final vetting from CNBC's stock expert, Jim Cramer, a former successful hedge fund manager.

As a reference point, after compiling the basket of stocks, CNBC's Data and Research team backdated the index to the start of 2021. Since then it is up more than 40%.

However, it has also been a victim of the recent uncertainty and volatility and has dropped 17% in the last month.

As is always the case, valuations eventually matter. So when the "meme chase" ends, and it will, the massive underperformance this index will have relative to the S&P 500 will fuel its demise.

When young investors lose large chunks of the invested wealth, they will turn their back on these companies. **As a result, the index will become the "poster child" for the speculative market mania.**

As I said, this isn't the first time we have seen CNBC do this.

A History Of Poor Outcomes

Knowledge vs. experience. When it comes to investing, such is what separates long-term success from failure.

Amid a "*market mania*," retail investors, and the media gurus, believe they have "*knowledge*" as every investment they make seems to be successful. **As the bubble inflates, continued success breeds over-confidence to the point where it is widely believed "*this time is different.*"**

I previously discussed Charles Mackay's book ["*Extraordinary Popular Delusions And The Madness Of Crowds.*"](#) As noted, that book was an early study in crowd psychology. To wit:

?Essential is the understanding of the role psychology plays in the formation and expansion of financial manias. From the 1711 ?South Sea Bubble? to the 2000 ?Dot.com crash,? all bubbles formed from a similar ?panic? by investors to chase ongoing speculation.?

For anyone who has lived through two "*real*" bear markets, the imagery of people trying to "*daytrade*" their way to riches is familiar. **The recent surge in "*Meme*" stocks like AMC and Gamestop as the "*retail trader sticks it to Wall Street*" is not new.**



It wasn't long after the turn of the century that "*day traders*" learned the harsh lessons of valuation and bullish extremes. The bull market of the 90s sucked in retail and professionals alike. **It was then Jim Cramer published his famous list of "winners" for the decade in March of 2000.**



Jim Cramer's 'Winners Of The New World' (Year 2000)

724 Solutions (SVNX)	THEN: \$240	AFTER: -(99%)	ACQUIRED IN 2006 @ \$3.36 (Austin Ventures)
Ariba (ARBA)	THEN: \$173	AFTER: -(74%)	ACQUIRED IN 2012 @ \$45 (SAP)
Digital Island (ISLD)	THEN: \$57	AFTER: -(94%)	ACQUIRED IN 2001 @ \$3.40 (Cable & Wireless)
Exodus (EXDS)	THEN: \$90	AFTER: -(100%)	BANKRUPT IN 2001 @ ZERO
InfoSpace.com (INSP)	THEN: \$1,305	AFTER: -(99%)	\$15.98 (Name change to Blucora in 2012)
Inktomi (INKT)	THEN: \$241	AFTER: -(99%)	ACQUIRED IN 2002 @ \$1.63 (Yahoo)
Mercury Interactive (MERO)	THEN: \$115	AFTER: -(55%)	ACQUIRED IN 2006 @ \$52.00 (HP)
Sonera (SNRA)	THEN: \$98	AFTER: -(81%)	MERGED IN 2002 @ \$19.00 (Telia)
VeriSign (VRSN)	THEN: \$258	AFTER: -(75%)	\$64.00

As Ray Dalio once quipped:

?The biggest mistake investors make is to believe that what happened in the recent past is likely to persist. They assume that something that was a good investment in the recent past is still a good investment. Typically, high past returns simply imply that an asset has become more expensive and is a poorer, not better, investment.?

CNBC's index will likely get remembered as a sign of market exuberance.