

THE INTELLIGENT INVESTOR

# Apple Still Wears the Market Crown. It Can Easily Slip.

Many investors seem to believe that today's giant technology companies will dominate the stock market for decades to come. Years, maybe. Decades, probably not.



How long can companies like Apple, Microsoft and Amazon stay on top?

PHOTO: JOSH EDELSON/AGENCE FRANCE-PRESSE/GETTY IMAGES



By

[Jason Zweig](#)

Sept. 4, 2020 11:00 am ET

On Aug. 31, [Exxon Mobil Corp.](#) [XOM +5.45% ▲](#) was booted from the Dow Jones Industrial Average. That should serve as a warning about the technology stocks that, at least until Thursday's shocking 5% decline, have been the market's darlings.

As recently as 2011, Exxon had the biggest market capitalization of any company in the world. It had been the longest-tenured company in the Dow, having entered the index in October 1928.



A gas station attendant at an Esso station, circa 1949. Esso was part of the company now known as Exxon Mobil, which dominated the stock market for years.

PHOTO: GETTY IMAGES

What's more, as long ago as 1912 Exxon (then known as Standard Oil Co. of New Jersey) had been the world's second-largest stock, surpassed in market value only by U.S. Steel. X +0.77% ▲ If such a durable titan can fall away, so can the tech stocks that so many investors have come to regard as invincible.

Exxon had been one of the five biggest U.S. stocks by market value in every decade from the 1930s to the 2010s, according to Dimensional Fund Advisors, an investment-management firm based in Austin, Texas. Now it isn't even among the top 30.

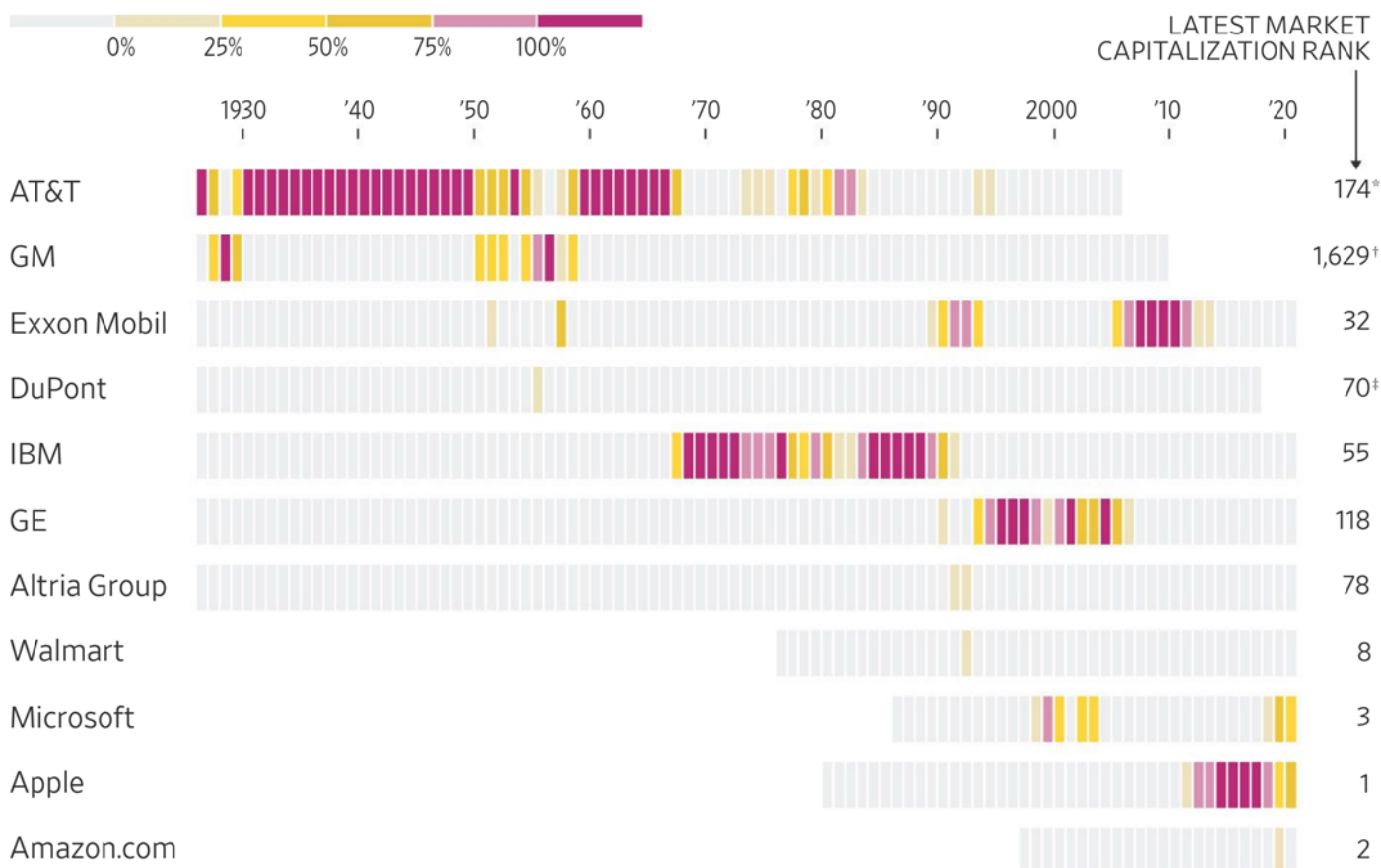
It is hard to stay on top, but it's even harder to get there. Of the 24,979 companies (including real-estate investment trusts) that issued common stock between December 1925 and July 2020, only 11 have ever ranked number one by market value. That's according to the Center for Research in Security Prices LLC, a data and index provider affiliated with the University of Chicago Booth School of Business.

AT&T Corp. was the largest stock in the U.S. 43% of the time over that nearly 95-year period. In the early 1930s, it alone accounted for one-eighth of the value of the entire U.S. stock market. As recently as the 1960s it was still one-twelfth of total U.S. market value all by itself.

## Belles of the Ball

Since the end of 1925, only 11 companies have ever ranked number one among all U.S. stocks by market value. Sooner or later, each leader has tended to fade.

### Percentage of trading days each year that the company's market capitalization was No. 1



Note: Figures as of July 31, unless otherwise noted, among all U.S. common stocks and REITs with prices available in the CRSP U.S. Stock Database.

\*As of Nov. 18, 2005 merger with SBC †As of June 1, 2009 bankruptcy filing ‡As of Aug. 31, 2017 merger with Dow

Source: Center for Research in Security Prices

Kara Dapena/THE WALL STREET JOURNAL

International Business Machines Corp. was no. 1 in market value among all stocks 20% of the time, and General Electric Co. and Exxon each ranked number one on 10% of all trading days. In decades past, General Motors Corp. —nowadays no longer even among the 150 largest stocks—was often king, ranking number one more than 6% of the time.

Then there were the companies whose reign at the top lasted only a few days. Altria Group Inc., formerly Philip Morris Cos. Inc., was the biggest stock in the U.S. for 34 days in 1991 and 1992; E.I. DuPont de Nemours & Co., for 11 days in 1955; and Walmart Inc. for a grand total of three days in 1992.

Some of Exxon's shrinkage is its own doing. Years ago, the company embarked on one of the biggest share-repurchase programs in history. Exxon bought back 2.3 billion shares—

more than one third of its total common stock—from 2004 through 2020. The company spent \$231.4 billion on these buybacks, according to S&P Dow Jones Indices analyst Howard Silverblatt.

---

## MORE FROM THE INTELLIGENT INVESTOR

---

[Some Investors Tried to Win by Losing Less. They Lost Anyway.](#) September 18, 2020

[Are You an Investor or a Gambler? The Stock Market Knows.](#) September 11, 2020

[Warren Buffett and the \\$300,000 Haircut](#) August 28, 2020

[This Fund Is Up 7,298% in 10 Years. You Don't Want It.](#) August 14, 2020

---

To put that in perspective, Exxon's cumulative spending on buybacks over that period exceeds the current market value of [Bank of America Corp.](#), the 27th-largest company in the S&P 500.

Of course, investors who participated in Exxon's buybacks had to reallocate the cash they received when they sold their shares back to the company. Much of the proceeds from selling Exxon surely went into buying stocks like [Apple Inc.](#), [Microsoft Corp.](#) and [Amazon.com Inc.](#)

Those are the very companies that have jostled back and forth for the position of biggest stock in the U.S. market. Exxon not only shrank itself, but made other stocks bigger in the process. Even after Thursday's tumble, Apple still was the largest U.S. stock, with a market value of \$2.29 trillion; Exxon's shares had a total value of \$167 billion.

How long can companies like Apple, Microsoft and Amazon stay on top? The slow decline of Exxon and the shocking drop in leading tech stocks show that corporate lifecycles are, in fact, circular.

---

## SHARE YOUR THOUGHTS

---

*How long can companies like Apple, Microsoft and Amazon stay on top? Join the conversation below.*

---

Medieval artists liked to illustrate the circle of life with a wheel of fortune. Often the wheel, spun by the blind and capricious goddess of fortune, features a royal figure trying to cling to it. As the wheel carries him upward, he can be seen calling out “Regnabo” (in Latin, “I shall be king”). At the top of the wheel’s rotation, he declares “Regno” (I am king). Then, as the wheel spins and he begins to fall, he says “Regnavi” (I have been king). Finally, falling off the bottom of the wheel, he cries “Sum sine regno” (I have no kingdom).

Many investors seemed to believe, at least until this week, that today’s giant technology companies will dominate the U.S. stock market for decades to come. And those investors could still be proven right. But, if they are, that proof will defy not just nearly a century of market history but the wisdom of the ages, which teaches that all things—including wealth and power—are cyclical.

**Write to Jason Zweig at [intelligentinvestor@wsj.com](mailto:intelligentinvestor@wsj.com)**

*Appeared in the September 5, 2020, print edition as ‘Apple Still Wears the Market Crown. For Now..’*