

Fed says some tech firms overvalued

July 15 2014



Traders work on the floor of the New York Stock Exchange on July 14, 2014 in New York City

The Federal Reserve on Tuesday warned that some high-flying technology firms may be overvalued, but rejected the idea of a stock market bubble.

The Fed's semiannual economic report said that [stock values](#) in some sectors "do appear substantially stretched—particularly those for smaller firms in the [social media](#) and biotechnology industries, despite a notable

downturn in equity prices for such firms early in the year."

The comments appeared to be aimed at the surge of investor interest in new ventures, many from Silicon Valley, seeking to be the next Facebook or cashing in on interest in biotech.

Last year, for example, Twitter raised some \$1.8 billion in a public offering and its value has topped \$20 billion even though it has yet to make a profit.

The comments sent some tech shares tumbling in morning trade.

But the Fed suggested that the overall [stock market](#) is not in bubble territory despite recent record highs for broad indexes.

"Some broad equity price indexes have increased to all-time highs in nominal terms since the end of 2013," the report said.

"However, valuation measures for the overall market in early July were generally at levels not far above their historical averages, suggesting that, in aggregate, investors are not excessively optimistic regarding equities."

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