

Our View: Vanishing Oil and FANG Day

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I took a position at Yale as a Senior Research Scholar when I left the US Treasury in 1979. On the advice of Stephen Ross, a professor of finance, I purchased an Apple II computer and a Fortran compiler. The compiler was made by a firm called Microsoft. It worked but only after I talked with people working for the firm. One very helpful person was someone named Bill—as in Bill Gates.

Microsoft at the time was an unknown firm and not listed on any exchange. At that time, the energy sector accounted for thirty percent of the S&P 500. Exxon was the largest company in the world. Executives in the oil sector were kings of the planet. Earlier that year, I had been berated by an Exxon lobbyist when my boss, the US Secretary of Treasury, had the temerity to ask Exxon's CEO how much additional production might be forthcoming from a regulatory change. How dare a mere cabinet officer question the head of Exxon?

Today, forty years later, the situation is very different. Bloomberg writers Kevin Crowley and Brandon Kochkodin wrote that Exxon, which now includes Mobil, has dropped from the top ten firms in the S&P 500.¹ Exxon executives are no longer kings of the world. They lack even the clout of computer geeks.

However, more indignities are coming in the form of FANG Day. FANG Day (named for Facebook, Amazon, Netflix, and Google) will occur when the market capitalization of one of the major technology firms exceeds the market capitalization of the seven largest multinational oil companies, which are BP, Chevron, ENI, Equinor, ExxonMobil, Shell, and Total. FANG Day will probably occur this month, forty years after I purchased my Apple and the software from Microsoft. Barring a market crash, it will be Microsoft that first surpasses the combined market capitalization of the seven large oil companies.

On present trends, FANG Day will occur around September 15. When the year started, Microsoft's market capitalization of \$777 billion represented two-thirds of the combined \$1.15 trillion market capitalization of the seven majors. At the end of August, Microsoft's market capitalization had increased to \$1.05, trillion, ninety-five percent of Big Oil's market capitalization of \$1.1 trillion.

Within a month and probably sooner, Microsoft will be larger. FANG Day is coming.

¹Kevin Crowley and Brandon Kochkodin, "Exxon Poised to Drop From S&P 500's Top 10 for First Time Ever," Bloomberg, August 30, 2019 [<https://tinyurl.com/y6zx47jf>].