

## Twitter Reverses Rally as Shares Dive

Twitter Inc. 's rally came to an abrupt halt on Friday.

Shares of the microblogging site tumbled \$9.56, or 13%, to \$63.75, taking a dent out of the big gains that accumulated since the San Francisco company's initial public offering in early November. The drop wiped away about \$5.2 billion in Twitter's market capitalization, or a little less than twice that of J.C. Penney Co.

Twitter shares still are up 145% since last month's initial public offering. Reuters

An analyst downgrade and worries about the stock's valuation ignited Friday's drop, burning many of the investors who had piled into the stock in recent days.

"The people who rode it up over the past few days all of a sudden got pretty nervous," said Robert Pavlik, chief market strategist at Banyan Partners, an investment adviser in New York with \$4.5 billion in assets under management. "People are always looking for a quick way to make a buck. Twitter was the bet, until it wasn't and it ran out of steam."

Investors started souring on Twitter Friday morning after Macquarie Equities Research analyst Ben Schachter warned the rally had gone "too far, too fast." Shares had risen 76% this month through Thursday's close. He lowered his rating to "underperform" from "neutral," citing valuation concerns about the money-losing company.

"We believe nothing has changed in the fundamentals to justify the sharp rise in shares over the past few weeks," he wrote.

One investor who jumped ship was Reuben Kressel, 66, of Rego Park in the New York City borough of Queens. He told the Journal on Thursday that he purchased 500 shares of Twitter earlier this month when the stock was priced at \$52. On Thursday, he said he would dump his position if Twitter dropped by a couple of dollars.

By the time Friday morning rolled around, he fled the stock.

"I sold out completely," Mr. Kressel said Friday morning. "I made money on it and didn't want to take any more chances."

Negative sentiment snowballed throughout the day as the stock's drop accelerated. Trading volume in Twitter shares—a sign of interest in the stock—

surged again, with more than 60 million shares changing hands on Friday. That amounted to more than three times the stock's daily trading volume over the past 30 days, according to FactSet. On Thursday, 82 million shares were traded. Overall market volumes were lower than usual both days amid the holidays.

Despite Friday's drop, Twitter shares are still up 53% this month and 145% since last month's IPO. Twitter now has a market cap of \$34.2 billion.

Analysts have attributed the stock's rise partly to "momentum"—or people buying a stock because they think others will do the same—and partly to faith in Twitter's future.

That faith was shaken on Friday, as the drumbeat of skepticism from stock analysts grew louder.

S&P Capital IQ analyst Scott Kessler on Friday reiterated his "sell" rating on Twitter. "We believe Twitter has benefited from very favorable recent supply/demand circumstances," he said, referring to the low float of Twitter shares outstanding. However, he sees the beginning of 2014 bringing a potentially challenging environment for Twitter.

"Some investors might be waiting to sell and accrue capital gains until 2014, and some institutional investors might be less aggressive from a performance perspective," he said.

Since its public debut, investors have not seen quarterly results from Twitter. A company spokesperson said the company will announce in early January when it will release its first set of quarterly earnings as a public company.

For Mr. Kressel, it was more beneficial to bail on the stock at the first sign of weakness rather than waiting for it to rebound, he said.

"I'm better off taking my chips off the table than getting killed," Mr. Kressel said. "You know what they say: 'Don't be a pig.'"