When Tesla Tumbles, It Drags Down Many Stock-Market Dreams

- Funds with more than 1% exposure to Tesla fell Friday
- ‘A risk for the confidence in the entire stock market’...

Tesla Inc.’s plunge has cost its shareholders about $300 billion in 2021 but the toll it is taking on speculative sentiment throughout the market has been much greater.

Elon Musk’s electric carmaker is down more than 30% since its January high, brutalizing anything associated with it -- most notably ... At one point on Friday, every one of the 54 U.S.-based ETFs that have assets under management exceeding $1 billion and more than 1% invested in Tesla had fallen.

While Tesla is the most prominent example of the turnaround in high-flying stocks, large funds holding comparable amounts of quarantine favorites such as Zoom Video Communications Inc. have also been hit. All but one of the 12 funds with sizable stakes in the video conferencing company fell in early trading Friday.

“Any fund that holds a large weight in a single stock, if there is selling of that fund, it will pressure the stock, and vice versa -- especially on down days when bids tend to disappear,” said ..., director of ETFs for .... “We are seeing heavy pressure in some of these names that had such a huge run last year.”

The Invesco Wilderhill Clean Energy ETF, ..., Ark Next Generation Internet ETF and the Ark Innovation ETF were all down more than 6% as of noon in New York, though they pared losses by the market close.

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