

The Market Is Fine, the People Are the Problem

I read the results of a survey in early April that investor pessimism at present is higher than March of 2009. This is astounding given that it took an unprecedented 57% decline during that period for investors to feel that way. At present, the stock markets are within mere percentage points of their all-time highs, earnings are increasing and interest rates have come down, but we are understandably concerned about the continued impact of war, geopolitics, tariffs, and a dystopian future. If I've learned anything in my decades of being a participant in the financial markets, it is to realize that stock markets climb a wall of worry. This worry touches that special place in our gut that we are about to descend into the next great depression and what we can do to avoid being stung.

From my first day in the industry when I was approached to go short the 'sugar' in the men's room to the subsequent litany of other market anarchists whispering fear, the S&P 500, the most watched stock index has increased almost 25-fold. They are almost always wrong; and if they are right, it's likely not to be repeated, but there's always a consistency of arrogance to their dire outlooks. Perhaps they believe there is some sort of intellectual superiority in being negative while optimism is for the foolish. The fear which they peddle is that we can sidestep economic adversity by selling at the top,

moving assets to gold, cash or whatever is supposed to do well during a depression to protect your assets. While we've yet to see something that rivals the Great Depression, we have witnessed several economic setbacks which have ultimately turned out to be opportunity because as sure as the sun will rise, we roll up our sleeves and begin to accumulate assets at bargain prices. Famed investor Sir John Templeton put it best when he said, "Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria." From my experience this has been true and using it as a guide, I don't see much optimism and/or euphoria at present.

If someone is going to predict anything, please have a look at their track record before you act because while it's no guarantee of the future, I'd rather hear this from someone successful. This is rarely the case because successful investors know that they don't know the future. Look at every *concern du jour* and ask yourself if it ever came true. Most things we worry about don't happen anyways.

There has never been any great depression in our lifetimes but there have been a few economic and/or stock market corrections, and the largest one was the financial crisis of 2008-2009. Ben Bernake, the Chairman of the Federal Reserve, studied the Great Depression and his view was that it was the crisis that could have been mostly avoided by policies that helped to elevate economic activity from lowering interest rates, quantitative easing,

and other measures that led to financial stabilization. The policies he enacted during 2008-2009 played a large role in achieving that goal. It is hard to remember just how dire the world got during that period but with the benefit of hindsight, we got through it, so maybe it wasn't so bad. Perhaps the lesson is that we can get through most crises. But still we are told that the big one is coming, or the other shoe will drop. What is not surprising is that when markets sell off, these pundits are brought back onto the field of play, wave their fingers at us because they've been telling us it's coming, and then shuffle off quickly when things appear to be stable.

Looking backwards on decades of economic and stock market performance, I've found three things that are quite clear: markets go up over time, there will be setbacks, and we all live in fear of the 'big one'.

May is off to a great start for our accounts, at least for now, which is a sigh of relief from a few volatile months that preceded it. While we don't know the future, I remain excited about our investments and take comfort in the large cash positions we are maintaining for most of our accounts.

Thanks for taking a look, and as always,

All Good Things

Adam, Jennifer, and Brian