

Hello Everyone,

On this day in history, local farmers in Guam discovered Shoichi Yokoi, a Japanese sergeant, hiding in the jungle. He was unaware that World War II had ended 28 years prior.

Poor Shoichi. He didn't know the world had changed.

Sometimes this same thing happens with investors. We believe what was will always be....despite the accelerating changes right before our very eyes.

Today's missive completes the "bear case" for 2020. The bears think the bulls are Shoichi. Of course, the bulls say the same of the bears. :>)

I hope knowing both sides will make you better investors.

Signed, Wondering-If-Our-Politicians-Know-The-Civil-War-Ended-155-Years-Ago-And-We-Don't-Need-To Restart-It-Now Financial Advisor,

Greg

KKOB 01.24.2020 Which Way Will It Go? Part 4

Bob: So, Greg, earlier in the month we gave the reasons why the market is destined to go higher in 2020. Now, we're focused on the bear case. And today we're looking at why some fund managers are starting to sell.

Greg: Right. So, I know many of your listeners are familiar with the term "market melt-down". After all, we've had a few of those over the past 20 years.

But before every melt-down comes a melt-up. And, Bob, as you would expect, a melt-up is a rising stock market that seems to defy gravity. Oh, and if you were to look at melt-up charts---- you would say they look like hockey sticks. Growth start slowly then goes vertical. The dot com boom was a classic hockey stick.

Anyway, there is a psychology behind every melt-up---which Wall Street has reduced it to an acronym. And the letters are F-O-M-O or FOMO.

Bob: I've heard of this. It's *Fear of Missing Out*. And, I remember this during the house flipping years of the early to mid-2000. It seemed everyone was making money except me. And even though I never got into it, I remember the feeling that I was being stupid by not buying three or four houses.

Greg: Exactly. Well, the same thing happens with stocks. But anytime you see near vertical price acceleration, the pros would tell you to be cautious. And, some analysts believe they are seeing this now...though very few are predicting a crash.

Their arguments are similar to what you and I discussed last Friday. You know, the market isn't moving based on the real economy, or sales, or profit growth. Rather, money printing and big government spending are having a disproportionate influence on stocks.

Bob: Well, sure. And, if you throw in zero percent interest rates you get the other acronym that's thrown around ----which is T-I-N-A, or TINA, There Is No-Alternative.

Greg: Right. I mean, where can people go with money besides stocks? CDs & bonds are paying next to nothing. Real estate, especially on the coasts, has priced normal people out of the market, and international funds don't seem exactly stable.

Thus, the US stock market---with known entities such as Apple, Microsoft, Amazon, and Google---seems pretty good.

But is it smart to invest in companies just because *There Is No Alternative*? Some market bears are saying the market is so high TINA should be shortened to just T-I-N, or *This Is Nuts*.

Bob: OK, so when we made the bull case, the consensus was the stock market could see another 15%-25% rise in 2020. And, so far, the bulls are clearly in control.

I must admit though, I'm surprised the market has ignored the recent social, economic, political, and even military headlines. I guess I'm wondering----what it will take for Wall Street to care about that stuff?

Greg: You're not alone. But the bulls are pretty united in their world view. It is an election year. Momentum is strong. The Federal Reserve is printing. Interest rates are low. Even the bears acknowledge all that's true.

So, to counter the bulls, the bears are basically saying, they see a continued move up followed by an abrupt 10-20% move down before year end. If that happened, it wouldn't feel good, but it also wouldn't be the end of the world. And it won't be enough to elect or un-elect anyone.

Bob: So, thinking politically. If that happened, President Trump would still point to 3 ½ years of robust stock market strength. Meanwhile, if the most of gains for 2020 came early in the year, and the market weakened in the second half, the Democrats would say, "See, it's falling apart."

Greg: I think that's fair analysis. But, politics aside, the bears would say, "*Elections come and go. We haven't had a recession in 11 years. We're due. Also, FOMO and TINA are not legitimate reasons to stay in the market. Therefore, take some profits now. Leave the party before the cops arrive.*"

Bob: That's a great way to put it. I always learn something from your reports. How do people reach you?

Greg: My number is 250-3754. Or, go to my website at zanettifinancial.com.

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