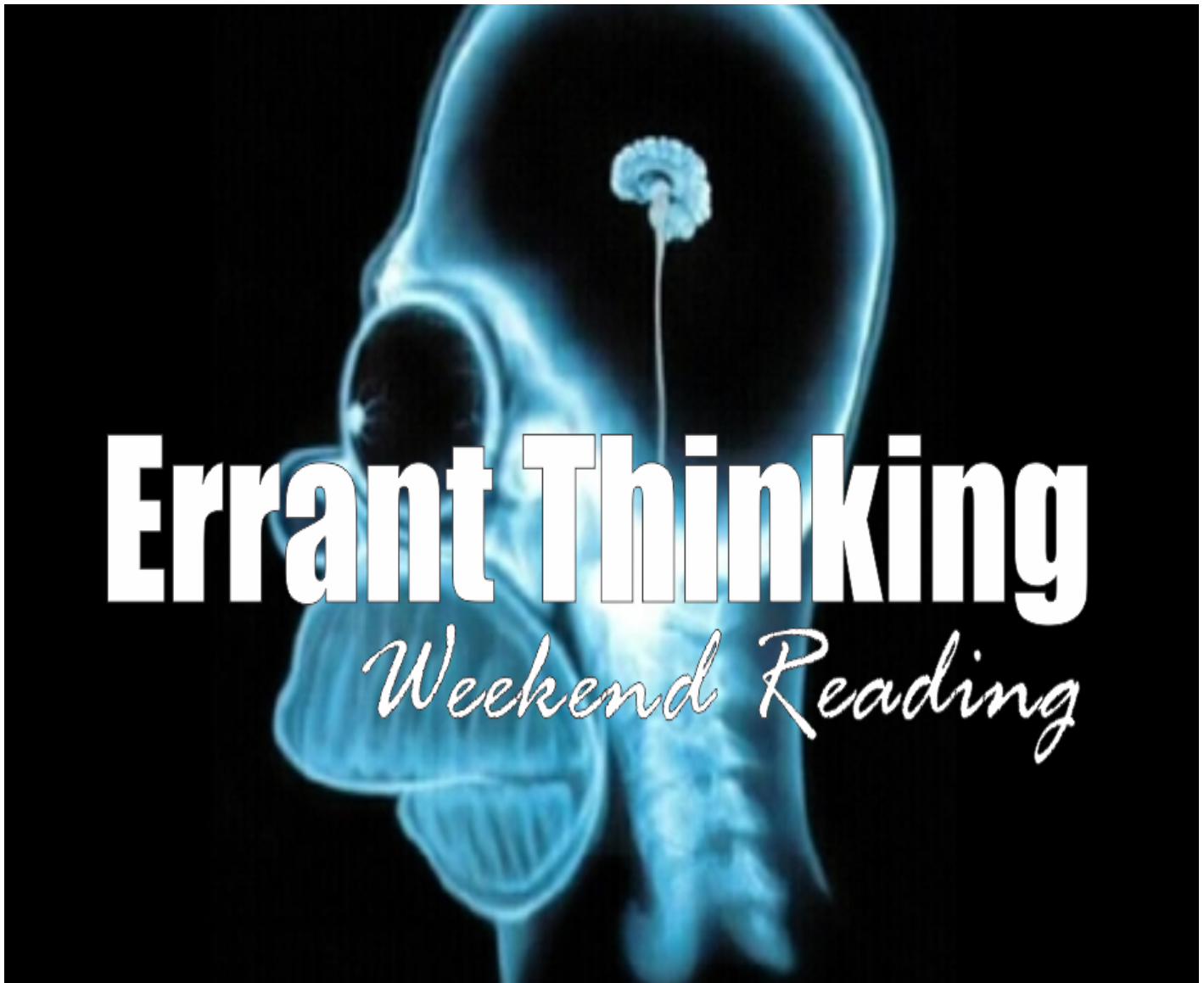


Weekend Reading: Errant Thinking



Last week, I penned a post entitled "[You Can't Time The Market?](#)" which was subsequently picked up on the [Seeking Alpha](#) website. It is always interesting for me to read the comments on the articles as it gives me a lot of insight as to the psychology of individuals currently investing in the markets. **Specifically, it also tells me much about individuals who have never been through a "reversion" in the markets.** The article was addressing an individual's ability to capture the upside in the market while missing a bulk of the downside by employing even a simple moving average strategy. To wit:

*"While there are many sophisticated methods of handling risk within a portfolio, even using a basic method of price analysis, such as a moving average crossover, can be a valuable tool over the long term holding periods. **Will such a method ALWAYS be right? Absolutely not. However, will such a method keep you from losing large amounts of capital? Absolutely.**"*

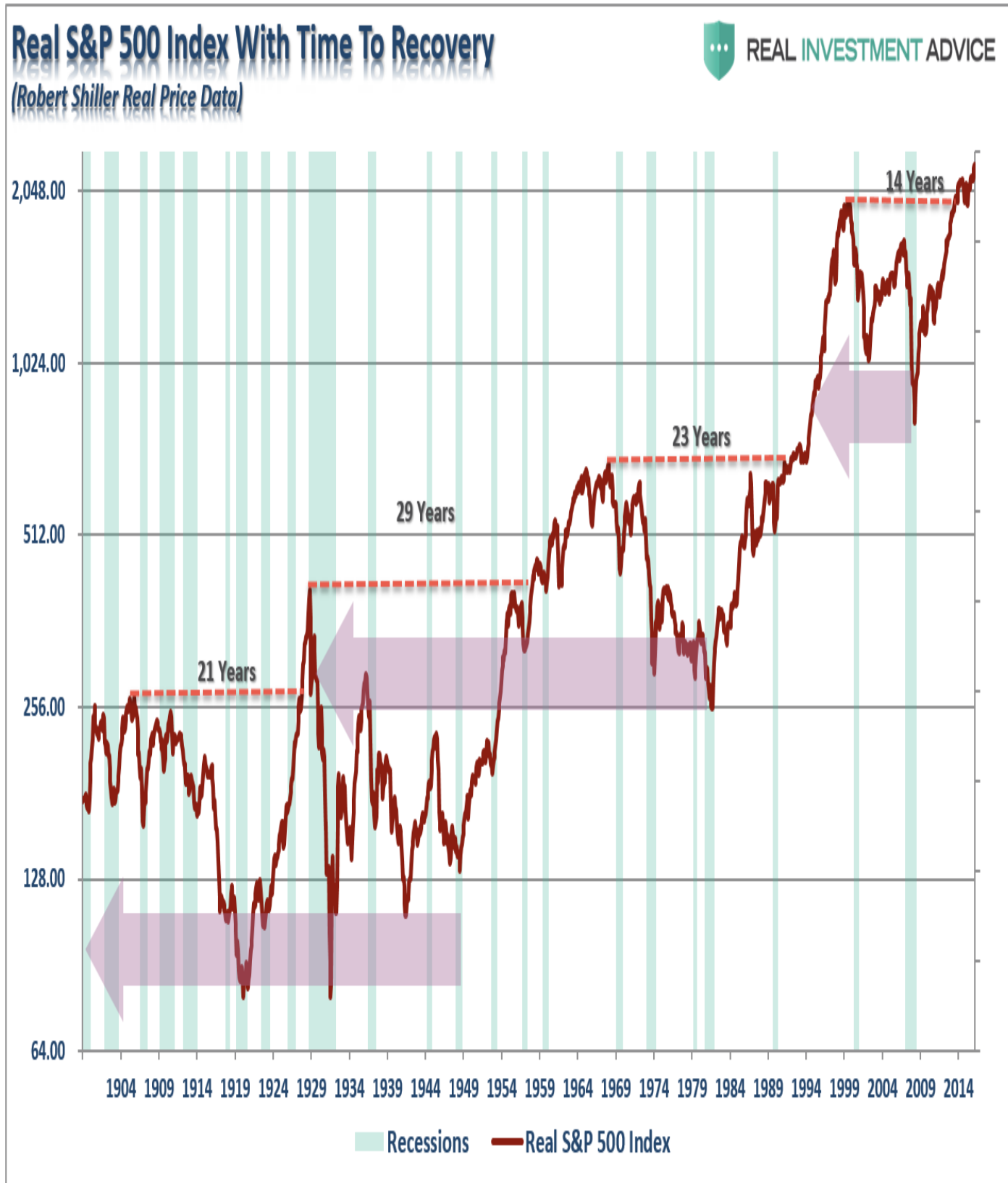


"By using some measures, fundamental or technical, to reduce portfolio risk by taking profits as prices/valuations rise, or vice versa, the long-term results of avoiding periods of severe capital loss will outweigh missed short term gains. **Small adjustments can have a significant impact over the long run.**"

Of course, this is where, despite seeing the chart posted above, this comment was left.

"Completely disagree since the market can trade at or near a record top for months or years. Yes, much of the time. Check a monthly chart of SPX. "

Okay, we can do that. As shown, while markets during the FIRST HALF of the market cycle can certainly elevate to extremely overvalued levels as exuberance displaces underlying fundamentals, the **SECOND HALF** takes generally wipes out all of the gains from previous break-even levels.



Unfortunately, given the fact that investors don't live forever, unless they have contracted vampirism along the way, the issue of time horizons are a major problem of the recovery process. **It is this errant thinking that continually leads investors to believe that somehow this time is different.** While exuberance in the markets currently reigns as prices continue to reflect economic and fundamental perfection, this time is likely no different than the last. **The only difference will be that those with experience will leave the markets with the money from those whom will ultimately gain the experience.** In the meantime, here is what I am reading this weekend.

Fed/Economy

- **Culture Shock?**[by Danielle DiMartino-Booth via Money Strong](#)
 - **Trump Putting Off One Of His Biggest Promises Till 2018?**[by Bob Bryan via BI](#)
 - **Trump Is In The Wrong Place At The Wrong Time?**[by Frank Chaparro via BI](#)
 - **Regulations Are Stifling?Business?**[by Stephen Moore via The Washington Times](#)
 - **Trump Needs To Build On Market Gains?**[by Jonathon Trugman via NY Post](#)
 - **Trump Is Wrong, Banks ARE Lending?**[by Gretchen Morgenson via NYT](#)
 - **The Inherent Asymmetry In The Fed's Policy?**[by Caroline Baum via MarketWatch](#)
 - **The Great Disruptor Strikes Again?**[by David Stockman via Daily Reckoning](#)
 - **Job Creation Has Nothing To Do With Trump**[by Isabel Sawhill via Real Clear Markets](#)
 - **GDP: Can Trump Deliver 4%?**[by Anu Bararia via The Fiscal Times](#)
 - **Why Do Republicans Think They Can Deliver GDP Growth?**[by Paul Krugman via NYT](#)
 - **1986 - The Last Tax Overhaul?**[by Albert Hunt via Bloomberg](#)
 - **The Contradiction At The Heart Of Trump's Policies?**[by Ana Swanson via WonkBlog](#)
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Markets

- **Warning Signs Are Piling Up?**[by Frank Chaparro via BI](#)
 - **Bull Market For Junk Bonds?**[by James Picerno via Capital Spectator](#)
 - **The Rally In Stocks Is Doomed?**[by Wolf Richter via Wolf Street](#)
 - **The Case For Dow 30,000 Has?Strengthened?**[by Nigam Arora via MarketWatch](#)
 - **This Contradiction Has Everyone At Odds?**[by Sam Ro via Yahoo Finance](#)
 - **Market Timing Out Of Favor? Might Be A Sign.?**[by Mark Hulbert via MarketWatch](#)
 - **Stocks: High Risk Of Disappointment?**[by Buttonwood via The Economist](#)
 - **Oil Going To \$70 Or \$30?**[by Nick Cunningham via OilPrice.com](#)
 - **Yellen To WallStreet: Slow It Down?**[by Mark DeCambre via MarketWatch](#)
 - **This Bull Market May Soon Hit Resistance**[by Michael Kahn via Barron's](#)
 - **Is The Trump Stock Bubble Ready To Bust?**[by Bress Levin via Vanity Fair](#)
 - **Only Blind Faith Could Have Me Long This Market?**[by Doug Kass via Real Clear Markets](#)
 - **Dow 21,000 Masks Stocks Being Left Behind?**[by Anthony Mirhaydari via Fiscal Times](#)
 - **Why Investors Shouldn't Just "Buy Everything"?**[by Joseph Adinolfi via MarketWatch](#)
 - **Too Far Too Fast??**[by Paul La Monica via CNN Money](#)
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Research?/ Interesting?Reads

- **Chicago Fed: Economy Has Been Stalling?**[by Jeff Seymour via HVST.com](#)
- **The Flip Side Of Interest Rates**[by Matthew Klein via FT Alphaville](#)
- **Millennials Becoming More Socialist?**[by Joel Kotkin via The Daily Beast](#)
- **How The Fed Is Gaslighting You**[by Mike aka Gubmintcheese](#)

- **Lies, Damn Lies & Taxes?**[by Marc Chandler via Real Clear Markets](#)
 - **You Should Be Afraid Of FaceBook?**[by Leonid Bershidsky via Bloomberg](#)
 - **Debunking Myths Of IRA's?**[by Maurie Backman via USA Today](#)
 - **Cash-Out Refinancing Signs Of Trouble?**[by Keith Jurow via Advisor Perspectives](#)
 - **The Fed's Credibility Problem** [by Jeffrey Snider via Alhambra Partners](#)
 - **Recession Concerns Grow As Gas Slides By Most In 16 Years?**[by Tyler Durden via ZeroHedge](#)
 - **Financial Engineering Has Masked Economic Health?**[by Satyajit Das via MarketWatch](#)
 - **When Speculator Prosper Through Ignorance?**[by John Hussman via Hussman Funds](#)
 - **Stocks Boast Record Run Of Buoyant Behavior?**[by Dana Lyons via Tumblr](#)
 - **What's A Prudent Investor To Do???**[by Jesse Felder via The Felder Report](#)
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"Stock market bubbles don't grow out of thin air. They have a solid basis in reality, but reality as distorted by a misconception." -?George Soros

Questions, comments, suggestions ? please [email me](#).