"'A bull market is like sex. It feels best just before it ends.'" - Warren Buffett

Excuse me for being redundant, but the following Jim Rogers quote that I posted yesterday underscores Mark Twain's famous quote that "history doesn't repeat itself, but it often rhymes":

> *"When things are going right, we all need a 26-year-old. **There's nothing better than a 26-year-old in a great bull market especially in a bubble. They're fearless.** They don't know. It will never end. They will tell you why it will never end. They know that it cannot end and will never end. So in the bull market, you've got to have a 26-year-old. But when they end you don't want the 26-year-old around... they make a lot of money. **They don't know why they made money. So they don't know why they lose money. They don't know what happened.**"* -Jim Rogers on Realvision

Back in 1997 I wrote this editorial in the Other Voices section of *Barron's* that echoed Rogers' recent quote. In the difficult business of piling up a fortune everyone has an infallible strategy and a set of assumptions, technical and./or fundamental, that leads them to investment nirvana. But it is never easy. The rules change and so do the players. From my perch I steadily have listened to the irrational being rationalized as the bulls declare, with straight-faced confidence, that valuations in the 95% decile should be ignored because a synchronized global expansion will *"earn out"* from these extended metrics. This confidence is expressed despite a plethora of possible adverse outcomes, particularly in the interconnected world in which we live. The positive outcome of steadily expanding global growth coupled with low inflation and equally low interest rates may yet prove to become reality. Geopolitical friction may subside. Political partisanship in Washington, D.C, may succumb to cooperation, leading to the initiation of tax and regulatory reform and the repatriation of overseas corporate cash. The Orange Swan may wake up and reject the extreme influences of the Republican right. Trump may stop threatening a war with North Korea in a ping-pong of outrageous and provocative tweets. The rate of growth in real GDP may expand to 3% and we may be in another new paradigm of uninterrupted growth. S&P profits will grow at a rate of 8% annually, ad infinitum. Natural disasters will be a thing of the past and global warming concerns are nonsensical. The North Korean Rocket Man may be all hat and no cattle. **The proliferation of ETFs, which in number now exceed the number of listed equity securities, and the ever-present quant strategies that are ignorant of fundamentals may not yield a *"flash crash,"* easily accommodating any selling waves. Every dip will continue to be bought. And interest rates and inflation may be in a permanent stage of adolescence.** But, I am blinded by a sense of history, and the belief that few of the conditions in the last paragraph are likely to be met. In our flat, interconnected and network world, the odds favor less stability over more stability. To this observer the markets' dominos are exhibiting signs of falling around all over -- in consumer packaged goods, in (T)FANG, in retail and elsewhere. Yet the selective memory of the talking heads in the business media emphasize the narrowing field of outperforming stocks (e.g., Nvidia Corp. (NVDA) and Deere & Co. (DE)) that have been working, failing to see those falling dominoes around them.

Fear and Doubt Have Left Wall Street

The ever-present risk to the contrarian is that, over the short term, the past literally is repetitive and the crowd typically outsmarts the remnant. Tuesdays always follow Mondays and Wednesdays follow Tuesdays. But as we extend time cycles, history seems to move from repeating itself to rhyming with the past. History undoubtedly teaches lessons about investment, but it does not say which lesson to apply when. "Find value, always" is as good a precept as any, but value is subjective and its definition is liable to change. In highly speculative markets, value means, to most, "it is going up." Stay abreast because in bull markets there is rarely a clear demarcation between progress and fantasy. I remain of the strong belief that we are in a Bull Market in Complacency that likely ends poorly and that has reduced the upside and has expanded the potential market downside. To the bullish cabal the market *"feels"* great now *(for, as Warren Buffett says, it is because, like sex, if feels best at or near the end),* but after an eight-year bull market it may be time to consider the investment contrary. As James Surowiecki wrote in *"The Wisdom of Crowds":*

> *"Diversity and independence are important because the best collective decisions are the product of disagreement and contest, not consensus or compromise."*

Investment returns likely have been pulled forward by central bank liquidity, low interest rates and passive investing. **However, over the next five years returns may be substandard at best, but more likely, negative. At worse, we face an incipient bear market.** As expressed in yesterday's opener, the nature of and players in the investment business have changed. This helps to explain the Teflon nature of the S&P 500 Index. But as Grandma Koufax used to say, *"my matzah brei doesn't grow to the sky,"* and every day we move closer to a Minsky Moment. The salutary environment perceived by many today may be transitory and weak in foundation. The potential political, geopolitical, economic and market outcomes are many, and a clear and market-friendly path is not certain.

Bottom Line

The name of the game is money. It was Lord Keynes who first saw that the handling of it is a game. Most discussions of money and investing speak only of economics and statistics, but that's only a part of the game. The other part is people, individually and together, the emotional investor and the irrational crowd. And it again might be the market scene that is often (as it was in 2000 and 2007) seen only in kids' eyes or in the eyes of older investors who behave like 26-year-olds at or near the end of every significant bull market cycle:

> *"'See, see,' said the Great Winfield. 'The flow of the seasons ! Life begins again! It's marvelous! It's like having a son! My boys! My kids!'"* -Adam Smith, "The Money Game"

Do some reading over the weekend as it appears that the only thing many investors have learned from history is that they haven't learned from history.