I went on a long distance drive for Thanksgiving ? Houston to Southern California and back. I don?t recommend doing that unless you have two full weeks. It?s 1500 miles each way, which means you should allocate six days to driving. I didn't allocate my time well, because I had around 10 days, not two full weeks. That meant I spent more time driving than visiting. But on the drive I managed to catch up on some podcasts, and one that stands out is Meb Faber?s interview of Howard Marks. Marks is a legendary investor and has a new book out called Mastering the Market Cycle. A few things stand out about the interview. Cycles are related to risk-taking and behavior, and they are often debt-driven. A rising stock• market often occurs simultaneously when lending standards relax. That?s why junk bonds and real estate often move in tandem with the stock market in what have come to feel like ?risk-on, risk-off? trends. **Can anyone master these trends?** First, don?t expect to time things exactly right. Marks raised an $11 billion fund in 2007-2009 that capitalized on bonds and other instruments of near-bankrupt companies. He?s frank with Faber that he didn?t know what was happening with CDOs or mortgage-backed securities; he didn?t have the precise insight that Michael Burry or Steve Eisman did, for example, in shorting mortgage-backed CDOs. But he saw deals being done everyday that didn?t make sense to him and reflected an increasing indifference to risk. In late 2008, he started putting money to work, buying distressed debt without knowing where the bottom was. Investors trying to time market cycles should understand that capturing tops and bottoms isn?t the goal. Buying on the way down and selling on the way up are difficult enough ? and they will allow you to reap plenty of reward. **Another lesson for individual investors is that they should lessen their moves.** Stop trying to be all in or all out of the market. Stop trying to be precise about timing; seeking precision can get you into trouble. As things get more expensive, your bias should be toward selling; as they get cheaper, your bias should be toward buying. It?s all about putting probabilities on your side, not timing full entries and full exits precisely. This part of the interview reminds me of Ben Graham?s discussion of the *?enterprising investor?* in his classic book•The Intelligent Investor. **The enterprising investor doesn?t maintain a balanced or 60% stock / 40% bond mix at all times.** Instead, he calibrates upward or downward between 75% stocks and 25% stocks. In other words, Graham counsels the most adept and studious investors never to be all in or all out, and Marks basically does the same thing. One has to be humble in trying to manage Mr. Market, Graham's fictional, manic-depressive fellow one should think about when assessing markets. **A corollary to these lessons is that cycles can last longer than you think, and Marks is honest again that his caution in recent years has cost him.** That?s not a reason to dismiss his wisdom; it?s just an acknowledgment that you shouldn?t seek precision. The current rally in stocks, corporate bonds, and real estate has gone on for almost a decade now. It feels long in the tooth, but that doesn?t mean it can?t go on longer. I've noted that the Shiller PE (stock prices relative to past 10-yr average earnings), for example, is in the low 30s, levels seen only in the run-ups to 1929 and 2000. But in 2000, the metric hit 44. There?s no law saying it can?t do that again -- or even go higher this time. Marks mentions that it feels like the 8^{th} inning now. But he also notes that final innings can last a long time, and games can go into extra innings. Again, a lot of patience is required whether you keep a steady allocation or whether you manipulate your allocation according to your understanding of cycles. **Marks says investors should set target allocations.** But then they can deviate from them ? as long as they know what they?re deviating from. So a classic balanced (60% stocks, 40% bonds) investor can go down to 50% or 40% stocks at this point, for example. Last, nobody should try timing cycles without being a keen student of market history. Too many investors try to time markets without having seen even one full market cycle. They don?t understand that things play out a little differently each time, and that they need to have patience. Timing market cycles isn?t easy even for Marks, and he's had a 50-year career at this point. Everyone will have to calibrate to their own taste and temperament, but everyone should resist the temptation to make extreme moves. My own opinion is that smaller investors should also do this under the guidance of a professional. Don't misallocate your assets the way I misallocated my time for this Thanksgiving trip. And call us if you have questions about how we allocate portfolios.