

The biggest problem for investors is always the bull market itself. **When the *?bull is running?* we believe we are smarter and better than we actually are.** We take on substantially more risk than we realize as we continue to chase market returns and allow *?greed?* to displace our rational logic. **Just as with gambling, success breeds overconfidence as the rising tide disguises our investment mistakes.** Unfortunately, it is during the subsequent completion of the full-market cycle that our errors are revealed. **Always too painfully and tragically as the loss of capital exceeds our capability to *?hold on for the long-term.*?** As 2018 comes to an end, it is time to review my "New Year's Investor Resolutions." These are the same resolutions I attempt to follow every year. There is no shortcut to being a successful investor. **There are only the basic rules, discipline and focus that is required to succeed long-term.**

Investor Resolutions For 2019

Here are my annual resolutions for the coming year to be a better investor/portfolio manager:

- **I will do more of what is working and less of what isn't.**
- I will remember that the *?Trend Is My Friend.?*
- **I will be either bullish or bearish, but not *?piggish.?* (Pigs get slaughtered)**
- I will remember it is *?Okay?* to pay taxes.
- I will maximize profits by staging my buys, working my orders and getting the best price.
- **I will look to buy damaged opportunities, not damaged investments.**
- I will diversify to control my risk.
- **I will control my risk by always having pre-determined sell levels and stop-losses.**
- I will do my homework. I will do my homework. I will do my homework.
- I will not allow panic to influence my buy/sell decisions.
- **I will remember that *?cash?* is for winners.**
- I will expect, but not fear, corrections.
- **I will expect to be wrong and I will correct errors quickly.**
- I will check *?hope?* at the door.
- **I will be flexible.**
- I will have the patience to allow my discipline and strategy to work.
- **I will turn off the television, put down the newspaper, and focus on my own analysis.**

But hey, if you don't like mine, my friend Doug Kass sent me his always brilliant and insightful resolutions as well.

"I plan to use the New Year to let go of what doesn't serve me or make me happy and to focus on the great things the future holds."

- *I will remember, throughout 2019, that it is the rate of change in data -- not the absolute level of data -- that counts.*
- ***I will read more and "watch" less.***
- *I will grow even more skeptical of "groupstink," consensus and "first-level thinking."*
- ***I will think more in terms of probabilities and less in terms of specific price targets in the new regime of volatility.***
- *I will add some additional factors to my multi-variable calculation of "fair market" or "intrinsic" value.*

- *I will do more "channel checks" next year.*
- *I will remind myself not to listen to company management's forecasts; they are like ministers of finance on the eve of devaluation, rarely admitting to problems or challenges.*
- *I will do more college and business school teaching because it makes me more connected with young, smart people and keeps me alert and more relevant.*
- ***I will respect the lessons of the great investors of our time more as their knowledge provides a roadway to delivering better investment returns.***
- *I will more aggressively short the "next shiny object" and I will hold on to those shorts for a lengthier period of time.*
- ***I will incorporate more technical analysis into my trading process, particularly with regard to establishing entry and exit points.***
- *I will laugh at myself more.*
- *I will try to be more precise (and less wordy) in my writings, condensing my views/conclusions into shorter bullet points.*
- *I will say/write "I don't know" and "I was wrong" with more frequency.*
- ***In my writings I will use the words "maybe," "might," "could" and "possibly" more often (again, in the new regime of greater uncertainty).***
- *I will continue to try to navigate the noise better and not be distracted by baseless and valueless (yet self-confident) input from those who have no documented and historic record of sustained investment success.*
- *I no longer will be critical of the business media; it takes too much of my time, it doesn't help my investment/trading process, and the practitioners are mostly merchants of attention, their ideas and views generally ordinary/consensus, and they are too easy a group to target.*
- ***I no longer will watch business shows that are trading-oriented as their opinions are no better than flipping a coin. Explaining what the market did or didn't do on a daily basis is a fool's errand and takes up too much time as I can be far more productive elsewhere.***

In order to be better managers for our clients, it is important to always review what has worked, and what didn't, realize mistakes that were made and what needs to be corrected in the future. How you choose to manage your money, and the inherent risks, is entirely up to you. However, given the length of the current bull market run from 2009 to present, **the risks are mounting the current bull market cycle will end sooner rather than later. That ending will also most likely coincide with the onset of a recession.** Such fundamental realities suggest a more conservative approach to investment allocations as we head into the New Year. While the majority of the financial media and blogosphere suggest that investors should only "*buy and hold*" for the long-term, the reality of capital destruction during major market declines is a far more pernicious issue. **It is ALWAYS okay to miss out on an opportunity**, as opportunities come along as often as a taxi-cab in New York City. **However, it is IMPOSSIBLE to make up losses as you can never regain the time lost getting back to even.** It only took six years for the markets to get back to where they were prior to the financial crisis. It took just about as long to get back to even following the *Dot.com* crash in 2000. **Ladies and gentlemen ? getting back to 'even' is NOT an investment strategy.** It is a game that has been played out since the turn of the century and investors have lost out to both time and inflation. The problem for investors is the time to grow and compound your money for retirement is GONE. You can never regain that time. **While the financial press is full of hope, optimism, and advice that staying fully invested is the only way to win the long-term investing game; the reality is that most won't live long enough to see that play out.** With market valuations elevated, leverage high, economic weakness pervasive, and profit margins deteriorating, investors should be watching the month of January carefully for clues. The weight of evidence suggests that despite ongoing "*bullish calls*" for the markets in the year ahead, this could be a year of disappointment. Pay attention, things are beginning to get interesting.

"I mean, I'm not smarter than the market, but I can recognize a good tape and a bad tape. I recognize when it's right and when it's wrong and that's what my strength is."•Jim Cramer