"The stock market is not the economy." Such remains the *"Siren's Song"* of investors as valuation expansion is the sole driver of the market's performance. Given that corporations derive their revenue from economic activity, how do you invest when the economy is detached from the economy? I explored this issue in my presentation at the **MoneyShow Virtual Expo** last week. In the presentation I cover:

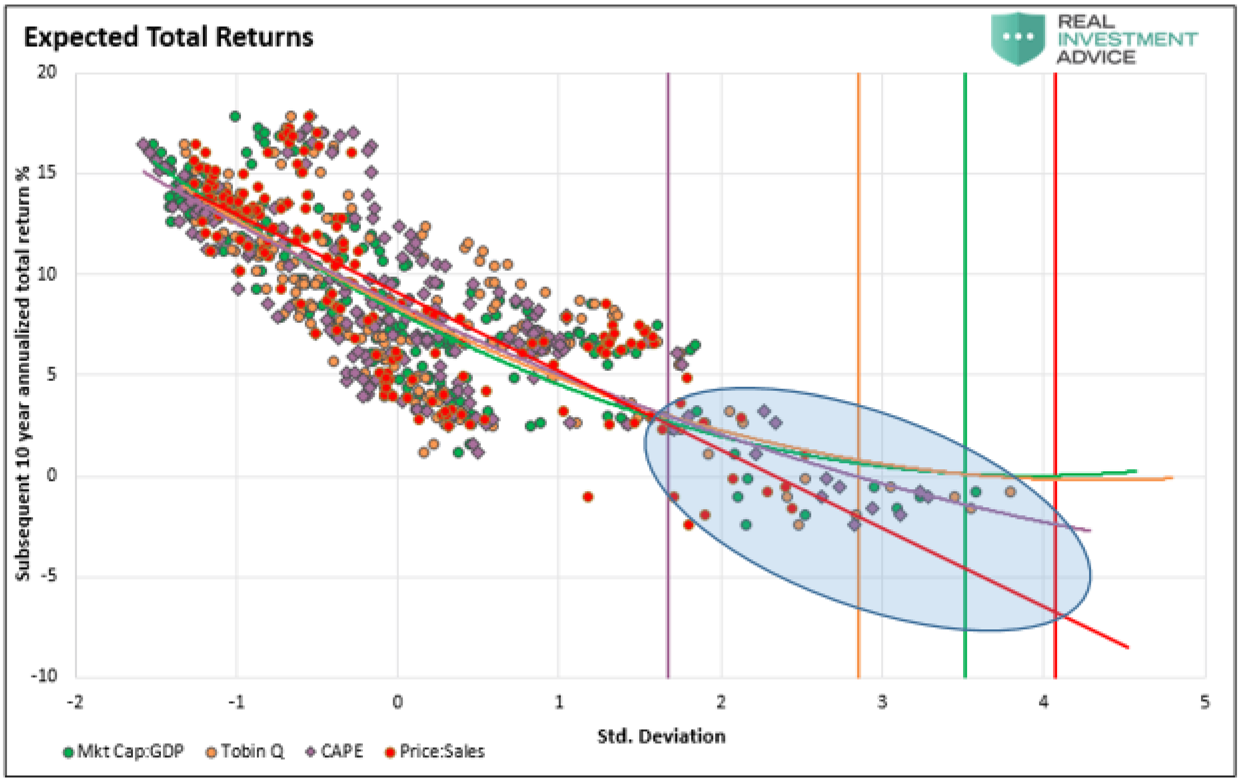
- ***Why we are still in a "bull market."***
- ***The stock market is not the economy.***
- ***The linkage between the economy and the stock market***
- ***Where to invest in 2021***
- ***The trading rules to follow.***

The following articles I recently wrote provide more clarity on the issues I discuss in the following presentation. https://realinvestmentadvice.com/macroview-the-rescues-are-ruining-capitalism/ https://realinvestmentadvice.com/investors-ignore-evidence-at-their-financial-peril/ https://realinvestmentadvice.com/buffett-indicator-why-investors-are-walking-into-a-trap/ With the

ks can

the last

v to



While

such does not mean that every year will be negative, it suggests we will likely witness increased volatility and more frequent declines. As [***Michael Lebowitz, CFA recently noted:***]

> ***"Regardless of the economic environment, taking significant risks, and accepting pitiful expected returns is a bad idea****. However, there is one more factor we must*

consider. The Federal Reserve supplies a massive amount of liquidity, much of which is finding its way into the asset markets. The Fed will likely continue as long as inflation is held at bay. The result may be that stock prices continue to rise, and valuations eclipse all prior norms. However, the music will stop someday, and the facts presented here will be apparent."

2021 May Be A Challenge

The trend is your friend, currently. The Fed will continue to supply liquidity, which will help the market ignore the reality of valuations, technical deviations, and excessive bullishness for now. However, as we saw in March, such does not preclude hair-raising volatility and large declines, but it does support prices on the margin regardless of the environment. The problem comes when the Fed backs off, whether by its design, inflation, or an inability to absorb larger levels of debt issuance from the Government. At that point, slower economic growth, massive debt overhead, and rich valuations will matter. Investors would do well to remember the words of the then-chairman of the Securities and Exchange Commission Arthur Levitt in a 1998 speech entitled *?The Numbers Game:?*

> ***?While the temptations are great, and the pressures strong, illusions in numbers are only that?ephemeral, and ultimately self-destructive.?***

There are a tremendous number of things that can go wrong in the months ahead. Such is particularly the case of a surging stock market against weakening fundamentals. While investors cling to the *?hope?* that the Fed has everything under control, there is more than a reasonable chance they don?t. Regardless, there is a straightforward truth.

> ***?The stock market is NOT the economy.But the economy is a reflection of the very thing that supports higher asset prices ? corporate profits.?***

Enjoy the presentation.

The MoneyShow: Investing In 2021

https://youtu.be/QhP91THbVbA I hope you enjoyed it.

MoneyShow Presentation Deck

The PDF of the slide deck is provided below for your convenience. **Feel free to *email me* any questions you have.**