



Over the past two years, investors have had to balance fear and greed amidst market, economic, and political unpredictability. Since 2020, the divergence between asset price performance and fundamentals has never been starker. As a reminder, stock prices were surging higher in the spring and summer of 2020 despite double-digit unemployment and closures of large economic segments. It was not easy to be bullish with news like the New York Times front-page below.

JOB LOSSES SOAR; U.S. VIRUS CASES TOP WORLD



Since the coronavirus descended on Brooklyn Hospital Center three weeks ago, the staff has handled over 800 potential cases.

New Data Shows Staggering Toll of Outbreak

This article is by Ben Casselman,
Patricia Cohen and Tiffany Hsu.

More than three million people filed for unemployment benefits last week, sending a collective shudder throughout the economy that is unlike anything Americans have experienced.

The alarming numbers, in a report released by the Labor Department on Thursday, provide some of the first hard data on the economic toll of the coronavirus pandemic, which has shut down whole swaths of American life faster than government statistics can keep track.

Just three weeks ago, barely 200,000 people applied for jobs, a historically low number. In the half-century that the government has tracked applications, the worst week ever, with 695,000 so-called initial claims, had been in 1982.

Thursday's figure of nearly 3.3 million set a gross record. "A large part of the economy just collapsed," said Ben Horowitz, executive director of IHS Markit, a business data and analytics firm.

The numbers provided only the first hint of the economic catastrophe in progress. Even comparatively optimistic forecasters expect millions more lost jobs, and with them homecare, evictions and bankruptcies. Thousands of businesses have closed in response to the pandemic, and many will never reopen. Some economists say the decline in gross domestic product this year could rival the worst years of the Great Depression.

And there was fresh evidence on Thursday of the relentless course of the virus itself. Cases in the United States now exceed 80,000, the most of any nation, even China and Italy, according to a New York Times database. More than 1,000 deaths across the country have been linked to the virus.

At least 180 million people in...

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Labeling Regions by Risk
President Trump said governors are planned to classify counties according to the danger of coronavirus infection. Page A11.

Unfilled Posts Force Scramble By Washington

By JENNIFER STEINHAUER
and JULIAN RANNO-YOUNG

WASHINGTON — Of the 75 senior positions at the Department of Homeland Security, 20 are either vacant or filled by acting officials, including Chad F. Wolf, the acting secretary who recently was unable to tell a Senate committee how many respirators and protective face masks were available in the United States.

The National Park Service, which like many federal agencies is full of vacancies in key posts, tried this week to fill the job of a director for the national capital region after border of states fled to see the cherry blossoms near the National Mall, creating a potential public health hazard as the coronavirus continues to spread.

At the Department of Veterans Affairs, workers are scrambling to order medical supplies on Amazon after its leaders, lacking experience in disaster responses, failed to prepare for the onslaught of patients at its medical centers. Ever since President Trump came into office, a record high turnover and unfilled jobs has plagued officials across wide swaths of the federal bureaucracy. Now, current and former administration officials and disaster experts say the coronavirus has exposed these failings as never before.

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Online Class With No Way To Get There

By NIKITA STEWART

Allia Phillips was excited about picking up an iPad from her school in Harlem last week. She did not want to miss any classes and hoped to land on the fourth-grade honor roll again.

On Monday, the first day that New York City public schools began remote learning, the 10-year-old placed her iPad on a tray she set up over her pillow on a twin bed in a studio that she shares with her mother and grandmother inside a homeless shelter on the Upper West Side.

And then, Allia saw nothing. "I went downstairs to find out that they don't have any internet," said Kasha Phillips-Lewis, Allia's mother. "You're screwing up my daughter's education. You want to screw me up? Fine. But not my daughter's education."

The Department of Education, which runs the largest school system in the country with more than 1.1 million students, began attempting to teach all students through remote learning this week because schools were closed to slow the spread of the coronavirus.

Shattering the vast system, which includes 1,800 schools, was a serious challenge for the city, and the large-scale, indefinite school closures are uncharted territory altering the lives and...

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Courage at a Brooklyn Hospital, At the Front of an Invisible War

By SHERI FINE

It was not even 9 in the morning and Dr. Sylvie de Souza's green NFL mask, which was supposed to form a seal against her face, was already askew.

In fitting suits on Monday she trudged in clops between the emergency department she chairs at the Brooklyn Hospital Center and a room outside, keeping a sharp eye on the trainee doctors, nurses and other staff members who would screen nearly 300 walk-in patients for the coronavirus that day.

Inside her E.R., more than a dozen people showed signs of infection waited for evaluation in an area used just a few weeks ago for stitches and cuts. Another dozen...

Continued on Page A14

With Supplies Waning, Workers Soldier On

lay on gurneys arranged one in front of the next. Like a New York City car park. One man on a ventilator was waiting for space in the intensive care unit.

Minutes before paramedics wheeled in a heart attack patient, Dr. de Souza pointed to beds reserved for serious emergencies, and many will never reopen. Some economists say the decline in gross domestic product this year could rival the worst years of the Great Depression.

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No Crowd, but I'll Take You Out to the Ballgame

By DAN BARRY

Professional baseball greeted a new season this afternoon with an Opening Day game for the ages, an extra-inning masterpiece that vividly unfolded on the sun-dappled field of the imagination. The crack of the bat could almost be heard, the blur of white about bases, the communal joy nearly felt.

Don't misunderstand: This...

A Fan Writes a Fantasy for Opening Day

From the moment the first batter tipped his helmet — and a hard fly ball — to the walk-off home run by a faltering pinch-hitter, this 11-inning affair redefined what constitutes a perfect game. Its one caveat about the outcome: the denouement was reward enough.

Don't misunderstand: This...

game between the New York Yankees and the Cincinnati Reds materialized, but in ineffable ways beyond the columns of wins and losses. It mattered so much that complaints about baseball's slow pace yielded to the universal wish that this game would last forever.

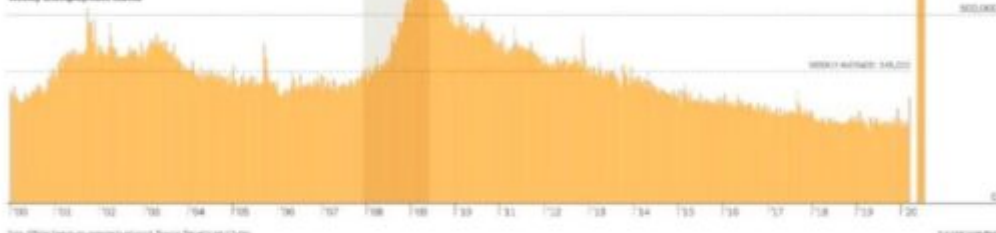
"I could've played into the night," said the redheaded Yankees left fielder Sammy Sosa, who missed part of last season after missing as hard that he strangled a ligament in his back. "I didn't..."

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Nearly 3.3 million
unemployment
claims were filed
last week, a record
number.



Weekly unemployment claims



Source: Office of Economic Policy, Bureau of Economic Analysis

BUSINESS B1-9

Armed With Sewing Machines
With hospitals desperate for masks, people are pulling out their sewing machines to fill the void. PAGE B4

A Gusher Can't Be Contained
A chaotic mismatch between supply and demand for oil means the world is rushing out of places to store it. PAGE A9



INTERNATIONAL A16-20

Maduro Is Indicted in U.S.
Federal prosecutors accused the Venezuelan president, whom the U.S. no longer recognizes, of participating in a neo-terrorism conspiracy. PAGE A20

Botany Rival Releasts
The Israeli prime minister was set to maintain power after his rival reversed course, citing the pandemic. PAGE A20

Brushing Aside a Slaughter
Russia and China, which often are in grudge against other countries, are employing selective memory to address a massacre that occurred on their border in 1988. PAGE A20

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New Focus on Health System
The pandemic gives added urgency to a central issue that was already a main talking point for Joseph R. Biden Jr. and other Democrats. PAGE A22

Starting Over on Foster Care
A lawsuit led New Mexico to remake its failing system into one advocates hope will serve as a national model. PAGE A22

Slow to Embrace a Delay
Athletes question why U.S. Olympic leaders took so long to join calls to postpone the Tokyo Games. PAGE B1

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For Post-Size Paleontologists
Like dinosaurs? Here cravens? Take a peek at two pages reprinted from The New York Times for Kids. PAGE C8

It's Virtually Perfect
Donald Judd's installation, below, at the Guggenheim is impressive, in person or, for now, online. PAGE C15



OBITUARIES A24-25

Chronicler of U.S. History
Richard Reeves's books on Nixon, Clinton and others could be as inspiring as his columns. He was 65. PAGE A24

Globetrotters' Dean of Drizzle
Fred "Curly" Neal dizzied fans with his ball-handling wizardry in more than 4,000 games. He was 77. PAGE A25


EDITORIAL, OP-ED A26-27
Paul Krugman PAGE A27



The stock market bottomed the week the headline above was published. Since then, the S&P 500 has more than doubled. Those investors who could silence their fear and focus on technical signals and fiscal and monetary stimulus prospered.

Simultaneous feelings of fear and greed were overwhelming and detrimental to many investors over the past two years.

As we look ahead, we believe those same emotional biases will hinder investors. In this piece, we examine two biases that often handcuff investors and push them to make the wrong decisions at the wrong time. Our intention to make you aware of these subconscious forces is to help you manage both fear and greed and, ultimately, your wealth.



Need a plan to protect your hard earned savings from the next bear market?

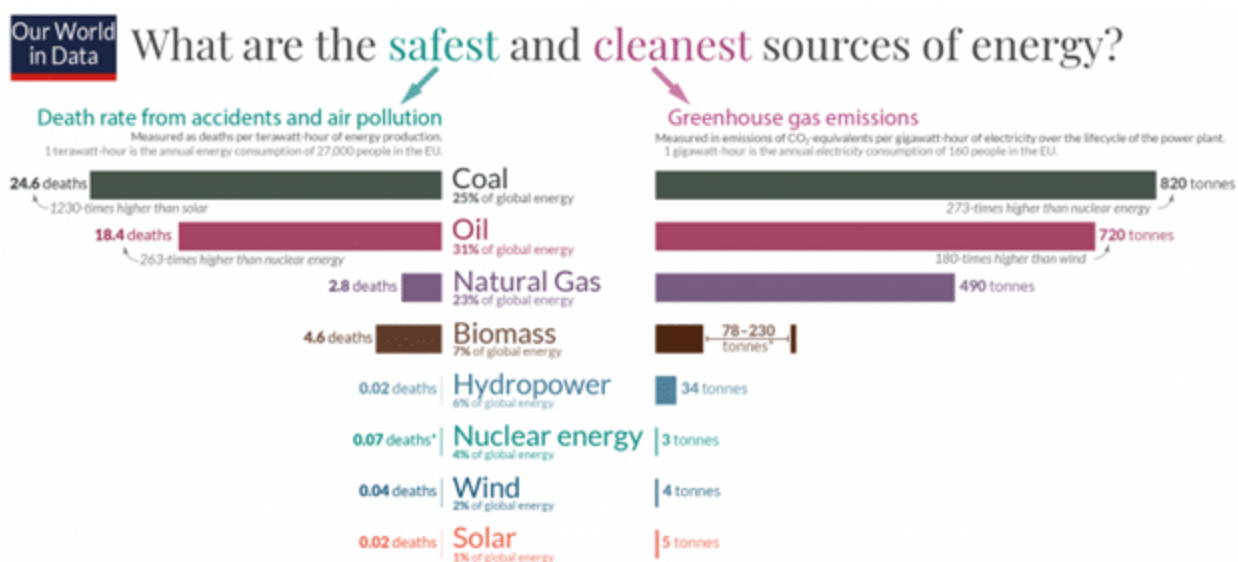
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Availability Bias - Fear

Proposals for new nuclear power plants often come under resounding negative pressure from local communities. According to Britannica, the phrase NIMBY (not in my backyard) was coined because of the ?threat? of new nuclear power plants.

Ask your friends or neighbors, and they would likely be distraught at the prospect of a nuclear power plant in their neighborhood. The reason is Three Mile Island, Fukushima, and Chernobyl in most cases.

Nuclear power plant disasters, while very rare, are extremely powerful in terms of the public?s perception of nuclear power. No one wants nukes in their backyard, despite the fact they are low cost, reliable, and produce no carbon emissions. As the graph below shows, nuclear energy is not only one of the greenest forms of energy production, but it is also the safest.



*Life-cycle emissions from biomass vary significantly depending on fuel (e.g. crop residues vs. forestry) and the treatment of biogenic sources.

*The death rate for nuclear energy includes deaths from the Fukushima and Chernobyl disasters as well as the deaths from occupational accidents (largely mining and milling).

Energy shares refer to 2019 and are shown in primary energy substitution equivalents to correct for inefficiencies of fossil fuel combustion. Traditional biomass is taken into account.

Data sources: Death rates from Markandya & Wilkinson (2007) in *The Lancet*, and Sovacool et al. (2016) in *Journal of Cleaner Production*;

Greenhouse gas emission factors from IPCC AR5 (2014) and Pehl et al. (2017) in *Nature*; Energy shares from BP (2019) and Smil (2017).

OurWorldinData.org - Research and data to make progress against the world's largest problems.

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Availability bias occurs when people base their sense of risk on examples that quickly come to mind when a topic arises. When most people think of nuclear energy, Chernobyl, Three Mile

Island, and Fukushima are top of mind.

Our collective availability bias against nuclear energy arguably results in more environmentally unfriendly, costlier, and deadlier energy options. **Simply it causes us to make poor risk/reward decisions.**

Availability Bias ? Market Crashes

Investors can face the same crippling fear that nuclear energy protestors harbor.

The years 1929, 1987, 2000, and 2008 elicit anxiety from investors. Those four stock market crashes erased massive wealth in relatively short periods. Many people believe the crashes appeared out of the blue with no ability to detect them in advance.

The reality is all four were predictable. Timing a crash is difficult but quantifying the risk of a crash and the conditions leading to a crash are manageable. For example, we wrote 1987 to highlight plenty of fundamental and technical warnings in advance of the most significant single-day market crash.

The combination of high valuations and the fear of a market crash inevitably left many investors over the last year on the sidelines. While such a stance may prove correct in the longer run, those investors are sorely missing the ability to compound wealth in the shorter run. **In the case of availability bias, investors are putting too much emphasis on risk and not enough time properly managing the risk.**

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Herd Mentality - Greed

It is often at market peaks that investors fail to appreciate risk and instead follow the bullish herd. Jim Cramer, for example, and many others make a living promoting bullish views. They thrive in bull markets. When markets roar ahead, extreme optimism and promises of much higher prices make the promoter's siren songs hard to ignore.

Famed investors, Wall Street analysts, and the media prey on ill-equipped investors by justifying high valuations and forecasting ever-higher prices. Their narratives rationalizing steep valuation premiums and bold return forecasts become widespread. To some, they appear to be facts. Despite evidence to the contrary and historical precedence, investors buy the hype. *?This time is different,?* say the promoters.

As bull markets run at full steam, the call of the promoters elicits a fear of missing out (FOMO) or behavioral herding. **Most investors blindly mimic the behavior of other investors without seeking the rationality behind it.**

?There is nothing so disturbing to one's well-being and judgment as to see a friend get rich? - Charles Kindleberger: Manias, Panics, and Crashes

In the case of herd mentality, we fail to manage risk as we become so focused on rewards.

Straddling the Line

In **1999**, we showed current equity valuations are as extreme as those periods leading to the four crash events. A 40-50% market decline or even more would be statistically expected. There is no doubt our risk awareness should be on high alert. Blindly following your friends, neighbors, and Jim Cramer is a recipe for disaster. Do not ignore the palatable risks.

While blindly following the herd is dangerous, focusing too heavily on prior market crashes is also problematic. There is no golden rule that says markets must correct when they appear too expensive. Valuations may stay grossly elevated this year and next year. It's also feasible, although highly unlikely, prices are stable, but valuations correct because earnings growth is fantastic.

Solely focusing on prior crashes and current extreme valuations may result in the inability to compound your wealth. If you sat out the last year, you missed outsized returns, which could have cushioned recent declines and made risk management a little easier.

Summary

Zen-like awareness allows us to run with the bulls and hide from the bears.? ? [Zen and the Art of Risk Management](#)

Growing wealth is complex, especially when markets are at extremes like today. Worrying about 1987 or 1929 can leave you woefully underinvested while markets roar ahead. Blindly following stock promoters may leave you dangerously at risk.

As important as it is to think for ourselves, it is equally important to understand our psychological makeup. **A strong understanding of a market's technical and fundamental backings and the ability to fend off the urges of fear and greed is the equation for long-term investment success.** Such is far from easy, which helps explain why so few investors continually make fortunes over decades.