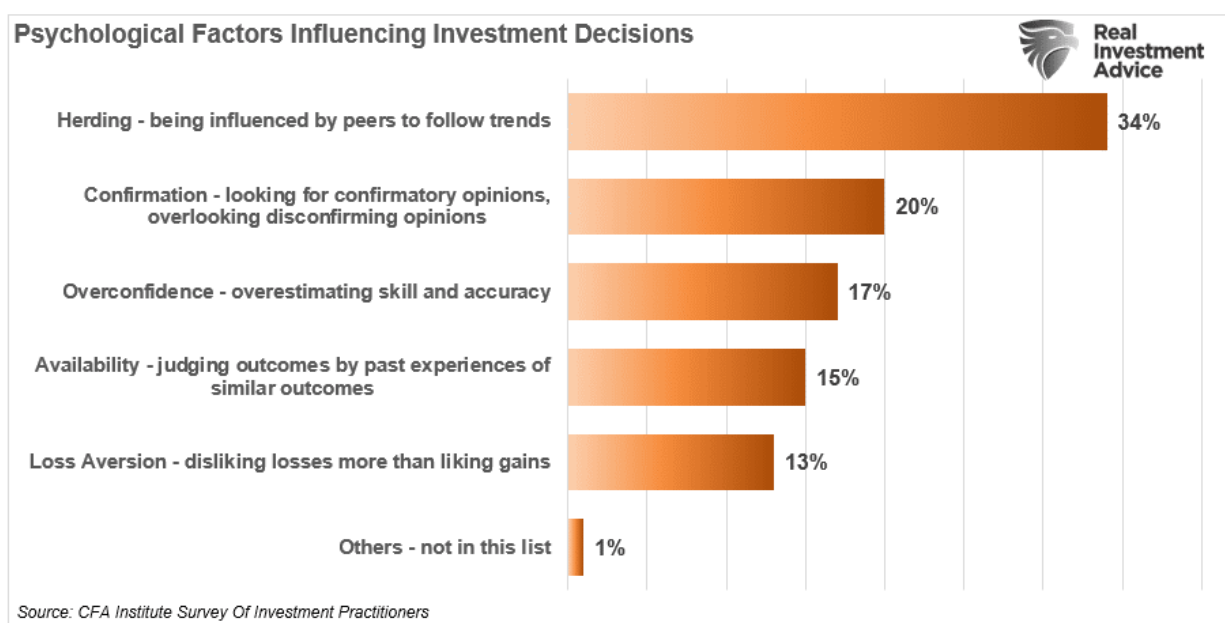


Buy stocks in a bear market. It sounds a whole lot easier than it is. Truth be told, when it comes time to buy stocks, you won't want to.

As [discussed previously](#) regarding bonds, when assets are in a bear market, and prices are lower, investors repeatedly don't buy even though they should. Such is why after three major bull markets since 1980, 80% of individuals are woefully unprepared for retirement.

"Loss aversion" is one of the leading factors influencing investment decisions, according to a recent survey from the C.F.A. Institute of investment practitioners.



What is loss aversion?

"Loss aversion is a tendency in behavioral finance where investors are so fearful of losses that they focus on trying to avoid a loss more so than on making gains. The more one experiences losses, the more likely they are to become prone to loss aversion."

Research on loss aversion shows that investors feel the pain of a loss more than twice as strongly as they feel the enjoyment of making a profit." - Corporate Finance Institute

According to CFI, examples of "loss aversion" include:

- Investing in low-return, guaranteed investments over more promising investments.
- Not selling a stock when your current rational analysis of the stock indicates that it should be.
- Selling a stock that has gone up in price to realize a gain of any amount even though analysis indicates investors should hold the stock.
- Telling oneself that an investment is not a loss because the sell transaction has not occurred.

These are all emotional decisions driven by price declines.



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

➤ Schedule your consultation today

Retail Investors Don't Buy Real Bottoms.

"It should be emphasized that high stock prices are the enemy of the rationale buyer. Conversely, lower stock prices are the ally of the rationale buyer." - Doug Kass

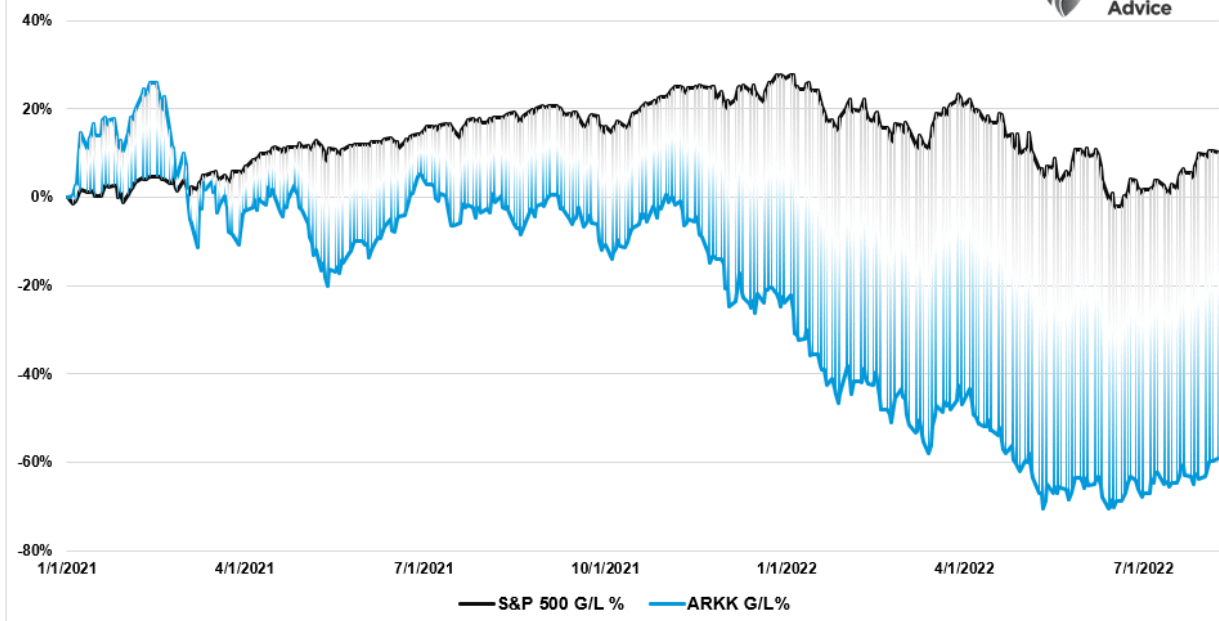
As noted in [a recent newsletter](#), and to Doug's point, many stocks are in significant bear markets despite the S&P 500 index only being in a correction. To wit:

As the table below shows, of the 1380 companies screened with market capitalizations above \$7 billion, the 120 companies showed the most price destruction from their 52-week highs. You will notice many of the ?meme stock? favorites like Shopify, Docusign, Pinterest, Nvidia, etc. These companies are down 46% or more from their 52-week highs. In anyone's book, that is a ?bear market.?

% Chg From 52-Week					% Chg From 52-Week					% Chg From 52-Week							
Company	Ticker	Current Price	52 Week High	Market Cap (\$mil)	High	Company	Ticker	Current Price	52 Week High	Market Cap (\$mil)	High	Company	Ticker	Current Price	52 Week High	Market Cap (\$mil)	High
Snap Inc	SNAP	\$10.41	\$83.11	\$17,166	-87.47%	Etsy Inc	ETSY	\$111.98	\$296.91	\$14,178	-62.28%	Fresenius Med	FMS	\$18.66	\$40.80	\$10,936	-54.26%
Carvana Co	CVNA	\$46.46	\$370.10	\$8,038	-87.45%	Moderna Inc	MRNA	\$182.94	\$484.47	\$72,766	-62.24%	Burlington Strs	BURL	\$161.78	\$352.64	\$10,689	-54.12%
Robinhood Mkts	HOOD	\$10.68	\$56.83	\$9,311	-81.21%	Biotech Se	BNTX	\$169.30	\$447.23	\$41,143	-62.14%	Amc Entertainm	AMC	\$23.96	\$51.69	\$12,382	-53.65%
Affirm Holdings	AFRM	\$34.90	\$168.52	\$9,996	-79.29%	Carnival Corp	CCL	\$10.01	\$26.38	\$9,956	-62.05%	Oak Street Hlth	OSH	\$29.96	\$64.54	\$7,232	-53.58%
Roku Inc	ROKU	\$83.60	\$403.48	\$11,531	-79.28%	Match Group Inc	MTCH	\$68.11	\$175.53	\$19,452	-61.20%	Sunny Optical	SNPTF	\$14.85	\$31.80	\$16,335	-53.30%
Grab Hldgs Ltd	GRAB	\$3.74	\$17.06	\$13,995	-78.08%	Okta Inc	OKTA	\$107.22	\$271.75	\$16,917	-60.54%	Elastic Nv	ESTC	\$87.80	\$186.78	\$8,329	-52.99%
Rivian Automotv	RIVN	\$38.09	\$172.01	\$34,302	-77.86%	Dell Technologies	DELL	\$45.45	\$114.54	\$13,611	-60.32%	Lufax Holding	LU	\$4.25	\$9.02	\$9,715	-52.88%
Wayfair Inc	W	\$71.85	\$316.57	\$7,562	-77.30%	Spotify Tech Sa	SPOT	\$119.70	\$300.95	\$22,768	-60.23%	Adidas Ag-Adr	ADDYY	\$89.20	\$188.50	\$34,800	-52.68%
Vivendi-Adr	VIVHY	\$9.51	\$41.60	\$10,542	-77.14%	Doximity Inc	DOCS	\$40.61	\$102.02	\$7,842	-60.19%	Coupage Inc	CPNG	\$19.20	\$40.06	\$33,839	-52.07%
Twilio Inc-A	TWLO	\$86.48	\$377.08	\$15,712	-77.07%	Nu Holdings Ltd	NU	\$4.75	\$11.85	\$21,897	-59.92%	Stanley B&D Inc	SWK	\$96.93	\$202.20	\$14,328	-52.06%
Sea Ltd-Adr	SE	\$85.54	\$366.99	\$47,709	-76.69%	Align Tech Inc	ALGN	\$293.06	\$729.92	\$22,890	-59.85%	Charles Rvr Lab	CRL	\$220.68	\$458.30	\$11,225	-51.85%
Shopify Inc	SHOP	\$39.77	\$169.06	\$50,069	-76.48%	Restoration Hardw	RH	\$297.65	\$738.52	\$7,346	-59.70%	Xp Inc-A	XP	\$24.66	\$51.17	\$13,798	-51.81%
Docusign Inc	DOCU	\$74.32	\$310.05	\$14,860	-76.03%	Hashicorp Inc	HCP	\$39.67	\$97.60	\$7,315	-59.35%	Engle Brsl Ega	EGIEY	\$8.65	\$17.90	\$7,058	-51.68%
Amdt Digital	HKD	\$405.00	#####	\$74,943	-75.88%	Rakuten	RKUNY	\$5.07	\$12.38	\$8,047	-59.05%	Avalara Inc	AVLR	\$91.86	\$189.88	\$8,071	-51.62%
Unity Software	U	\$49.76	\$201.12	\$14,730	-75.26%	Caesars Entertn	CZR	\$49.03	\$119.49	\$10,513	-58.97%	Bath&Body Wor	BBWI	\$38.32	\$78.37	\$8,765	-51.10%
Bilibili Inc	BILI	\$24.65	\$91.14	\$9,628	-72.95%	Full Truck Alnc	YMM	\$7.59	\$18.31	\$8,242	-58.55%	Rocket Cos Inc	RKT	\$9.42	\$19.26	\$18,557	-51.09%
Toast Inc	TOST	\$17.64	\$65.22	\$9,030	-72.95%	Royal Caribbean	RCL	\$40.23	\$96.67	\$10,261	-58.38%	Flutter Ent Plc	PDYPP	\$53.08	\$108.28	\$18,666	-50.98%
Coinbase Global	COIN	\$98.02	\$357.39	\$21,513	-72.57%	Xpeng Inc	XPEV	\$23.06	\$55.00	\$19,730	-58.07%	Erste Group Bnk	EBKDY	\$12.61	\$25.72	\$10,840	-50.97%
Zalando Se Adrs	ZLNDY	\$15.87	\$57.58	\$8,362	-72.44%	Dish Network Cp	DISH	\$19.19	\$45.57	\$10,171	-57.89%	Anta Sports Prd	ANPDF	\$11.21	\$22.79	\$30,304	-50.81%
Qualtrics Intl	XM	\$13.34	\$48.15	\$7,754	-72.29%	Sartorius Ag	SARTF	\$400.00	\$947.00	\$13,692	-57.76%	Trade Desk Inc	TTD	\$54.97	\$111.64	\$26,651	-50.76%
Country Garden	CTRY	\$8.09	\$28.40	\$7,493	-71.51%	Illumina Inc	ILMN	\$222.98	\$524.84	\$35,030	-57.51%	Expedia Inc	EXPE	\$105.38	\$213.80	\$16,555	-50.71%
Zoom Video Cmts	ZM	\$114.74	\$398.68	\$34,236	-71.22%	Snowflake Inc	SNOW	\$170.85	\$401.89	\$53,749	-57.49%	Novocure Ltd	NVCR	\$77.64	\$157.07	\$8,132	-50.57%
Draftkings Inc	DKNG	\$18.43	\$63.67	\$14,775	-71.05%	Koninklijke Phl	PHG	\$20.73	\$48.55	\$18,436	-57.30%	Kanzhun Ltd	BZ	\$20.21	\$40.62	\$7,367	-50.25%
Didi Global Inc	DIDI	\$2.89	\$9.81	\$14,045	-70.54%	Exact Sciences	EXAS	\$46.81	\$108.64	\$8,283	-56.91%	Generac Holding	GNRC	\$252.06	\$505.80	\$16,089	-50.17%
Block Inc	SQ	\$85.50	\$281.81	\$49,595	-69.66%	BILL.Com Holding	BILL	\$147.93	\$342.26	\$15,424	-56.78%	Chewy Inc	CHWY	\$47.71	\$95.70	\$20,061	-50.15%
Doordash Inc	DASH	\$75.54	\$245.97	\$26,533	-69.29%	Z Holdings Cp	YAHOOY	\$6.32	\$14.50	\$24,004	-56.41%	Beigene Ltd-Adr	BGNE	\$202.24	\$403.14	\$20,926	-49.83%
Paypal Holdings	PYPL	\$96.26	\$293.26	\$111,322	-67.18%	Sk Telecom Co	SKM	\$22.65	\$51.43	\$9,999	-55.96%	Ceridian Hcm	CDAY	\$66.00	\$130.32	\$10,102	-49.36%
Lucid Group Inc	LCID	\$18.72	\$55.52	\$31,222	-66.28%	Nio Inc-Adr	NIO	\$20.17	\$45.60	\$33,664	-55.77%	First Quantum	FQVLF	\$18.26	\$36.04	\$12,632	-49.33%
Netflix Inc	NFLX	\$233.49	\$691.69	\$103,834	-66.24%	Pinduoduo Inc	PDD	\$47.67	\$107.74	\$59,049	-55.75%	Credit Suisse	CS	\$5.59	\$11.03	\$14,818	-49.32%
UiPath Inc	PATH	\$21.94	\$64.97	\$11,951	-66.23%	Vonovia Se	VONOV	\$15.71	\$35.31	\$24,401	-55.51%	Gitlab Inc	GTLB	\$66.62	\$130.88	\$9,840	-49.10%
Cloudflare Inc	NET	\$73.68	\$217.25	\$24,037	-66.09%	Meta Platforms	META	\$170.25	\$382.18	\$457,555	-55.45%	Alcoa Corp	AA	\$48.65	\$95.06	\$8,753	-48.82%
Palantir Tech	PLTR	\$9.82	\$28.77	\$20,098	-65.87%	Sysmex Corp Adr	SSMXY	\$30.48	\$68.02	\$12,779	-55.19%	Omron Corp	OMRNY	\$55.32	\$107.47	\$11,409	-48.53%
Sofi Technology	SOFI	\$7.98	\$23.29	\$7,308	-65.74%	Warner Bros Dsc	WBD	\$14.02	\$31.18	\$14,024	-55.04%	Signature Bank	SBNY	\$188.77	\$366.00	\$11,446	-48.42%
Appliovin Corp	APP	\$40.14	\$114.85	\$15,086	-65.05%	Fresenius Se&Co	FSNUY	\$6.27	\$13.91	\$14,126	-54.92%	Sibanye Stillwtr	SBSW	\$10.60	\$20.32	\$7,500	-47.83%
Zillow Group-C	Z	\$38.78	\$110.24	\$9,552	-64.82%	Hubspot Inc	HUBS	\$385.22	\$852.08	\$18,498	-54.79%	Cognex Corp	CGNX	\$47.91	\$91.73	\$8,307	-47.77%
Zillow Group	ZG	\$38.98	\$110.30	\$9,601	-64.66%	Dlocal Ltd	DLO	\$31.30	\$69.00	\$9,234	-54.64%	Kumba Iron Ore	KIRO	\$9.36	\$17.91	\$9,039	-47.74%
Sentinel One	S	\$27.26	\$76.30	\$7,605	-64.27%	Trex Company	TREX	\$63.83	\$140.68	\$7,226	-54.63%	Techtronic Inds	TTNDY	\$58.88	\$112.49	\$21,605	-47.66%
Confluent Inc	CFLT	\$33.56	\$93.60	\$9,341	-64.15%	Alibaba Group	BABA	\$90.84	\$199.28	\$246,259	-54.42%	Avis Budget Grp	CAR	\$187.11	\$357.17	\$8,994	-47.61%
Roblox Corp	RBLX	\$48.90	\$134.72	\$26,497	-63.70%	Zscaler Inc	ZS	\$168.15	\$368.78	\$23,854	-54.40%	Newmont Corp	NEM	\$44.78	\$85.42	\$35,541	-47.58%
Pinterest Inc	PINS	\$22.90	\$62.68	\$15,422	-63.47%	On Holding Ag	ONON	\$23.48	\$51.45	\$14,612	-54.36%	Nvidia Corp	NVDA	\$177.93	\$333.76	\$444,825	-46.69%

Digging deeper, we find many of the holdings held by the Ark Innovation Fund (ARKK) are down 40% or more, which is why there is such a performance difference from the S&P 500.

S&P 500 Index Vs. ARKK Innovation Fund



While not every company that is down 20% or more from their respective highs is "*fundamentally cheap*," there is opportunity. **However, historically speaking, when bear markets sink their claws into investors, it typically takes quite some time for investors to return to their previous speculative ways.** Such is because the destruction of wealth, and psychological devastation, are so pervasive that individuals no longer trust themselves to make proper investment decisions.

Such is not the case currently. As seen in last week's Bed Bath & Beyond debacle, retail investors have yet to learn their lesson. Since the market bottom in July, retail investors piled back into the same "*Meme stocks*." The eventual mauling was not surprising.



Since retail investors tend to be **first-level thinkers** when the markets finally bottom, it is unlikely that "*Meme stocks*" will lead the way higher.

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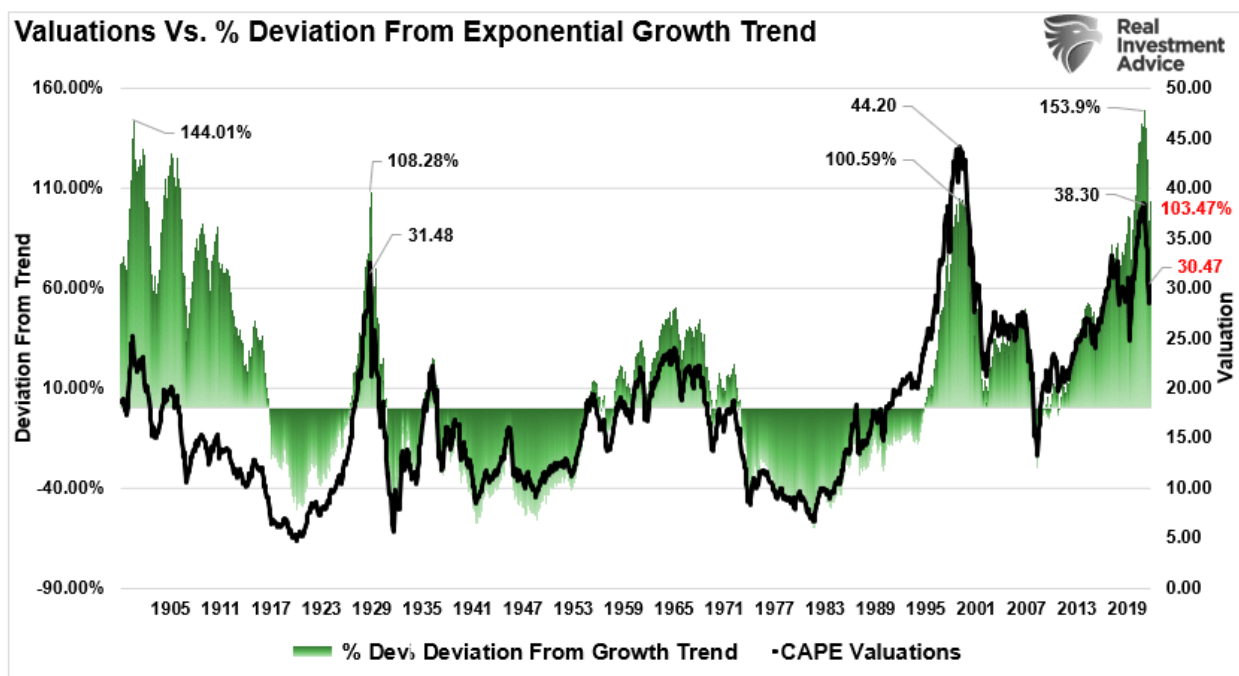
First Level Thinking

"Oaktree Capital Management's Howard Marks' notion of both first and second level thinking comes to mind and seems appropriate to highlight in this correspondence.

- *First-level thinking says, 'The market faces a host of headwinds; let's sell the market.'*
- *Second-level thinking says, 'There are headwinds, but everyone knows them, and they get partially discounted in market prices; let's buy the market.'*

The issue, of course, is to what degree those concerns have gotten discounted? Unfortunately, the hard part as we will only know for sure with the benefit of hindsight!" - Doug Kass

As shown in the chart below, while the recent selling discounted many stocks, the index, as a whole, remains overvalued and significantly deviated above its long-term growth trend.



As noted by the recent resurgence of speculative mania from the recent lows, we doubt the market has made its final bottom. Such is particularly the case as the Fed hikes rates, reverses its balance sheet, and the economy slows.

Nonetheless, pockets of opportunity do exist currently. **The only issue is whether individuals will find the courage to buy when every instinct tells them to sell.** Notably, shifting from first to second-level thinking is incredibly difficult to do. Our emotions will push us to react by assuming current market conditions will continue indefinitely. As humans, we seek to avoid pain; therefore, we respond to stop the losses from mounting.

However, at that point of capitulation, the worst decisions get made.

"The whole problem with the world is that fools and fanatics are always so certain of themselves, and wiser people so full of doubts." - Bertrand Russell

These are uncertain times, and we should be full of doubt, but with that uncertainty comes opportunity." - Doug Kass.

Buying stocks when there is "*blood in the streets*" is the hardest thing to do.

It is also the most profitable in the long run.