Never Play Chicken With The Market

Saturday's With Jim

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Dear Friends,

According to David Merkel's October 24, 2017 posting on The Aleph Blog[i], "Value [buying cheaply to sell at a profit in the future] is undervalued, safety is undervalued and the U.S. is overvalued." The last time we saw the same configuration was from 1997 through March 2000. We can't say for sure that now is equivalent to 1998 or even January 2000, but we can say that when predictions of future returns based on current valuation of stocks, bonds and real estate are low single digit or worse, it will probably be profitable to lighten up progressively as prices rise, fully expecting to see a stellar time to reduce the safety guardrails and put more risk money to work within three to five years.

To be sure, almost all stock and real estate markets across the world are booming right now. The U.S. has boomed the longest and may be the first to seriously crumple in a reaction to a policy mistake, a geopolitical event with lasting effects, a widespread weather event that stretches resources or just about any other force which takes out the underpinnings of confidence on which financial markets are built.

We're not ringing the bells of the North Church yet, but we are quietly tucking away some risk profits in lower risk securities. We could lag the market averages for a time, but when did safety not have a price? Those that want to be survivors of all kinds of market conditions will be the ones to blink first, for the market will look like an absolute sure thing – until it suddenly doesn't.

Thanks for being with us on this marvelous voyage to financial freedom.

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[i] http://alephblog.com/2017/10/24/short-term-rational-but-intermediate-term-irrational/