STOCKBOY

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The Ship Has Been Righted…..and Fast!

The Market Bounces Back!

As quickly and notably as the market fell during the 4th quarter, it did the complete opposite this quarter. What does this mean, if anything? It certainly suggests market turns of momentum are often based more on perception than reality. It also suggests that markets are very hard to predict. I'll assume zero percent of market analysts predicted that the market would tank in the 4th quarter simply to reverse itself in the 1st.

As an investor, I'd suggest you take both of these quarters in stride, because though they are unusual they are nevertheless normal. The stock market is simply not predictable in the short term. When the market goes up, 'experts' tell us why it was very obvious it was going to happen, though usually they didn't come close to predicting it. When the market goes down, the same analysts tell us why it was so clear that a market fall was destined and even 'overdue'. These analysts' descriptions are not helpful. Investors don't need to be told that yesterday's weather was good or bad.

Instead, as when you feel seasick, a good strategy for investing is to focus on the horizon and not directly in front of you. Don't try too hard to read the tea leaves for what the next quarter, or even year, will bring. Accept that you, and everyone else, cannot consistently predict the short term (what's near you) and instead focus on what you can predict – that the stock market will very likely go up over the long term (the horizon).

Boeing Stalls

Boeing's 737 Max aircraft has experienced two eerily similar fatal crashes in recent months and clearly Boeing has a problem they must fix. As sad and tragic as any crash is, it is also simply a reality of flying complex, heavy aluminum tubes into the sky every day. In fact, crashes have fallen to such a low level that it boggles the mind that such a complex and seemingly dangerous undertaking has been made so safe over time.

Though Boeing is very likely responsible for the crashes, and to the families involved, it is very unlikely that these problems will significantly hurt Boeing long term.

Boeing needs to fix the problem as soon as possible in order to resurrect customer confidence. Though it's possible that the problem could be deeper and more extensive than is currently known, it is also very likely that the problem will be resolved and customers will come back with time. Ultimately, it seems the long term negative financial impact will be less than is currently worrying investors.

Buying strong, market leading companies when they are going through what appear to be shorter term problems is often a profitable strategy long term. There is often a predictable over-reaction by many investors (individuals and institutions) who lose sight of the still-intact horizon and focus only on today's negative headlines.

Boeing and its stock may struggle in the coming months and we won't know the low for the stock price until it is long gone. But the long term picture for Boeing is, in my estimation, bright. Plane defects are an unfortunate reality of the industry (like any industry), but it shouldn't impair the company over time – a company with very few competitors and growing demand. Thus, it likely is a good idea to invest in Boeing shares, or at least keep them, rather than wait until the dust settles, because by then the stock price will likely already have bounced back.

Sears: Best to Worst, in Many Ways

Sears, once the premier retailer in America, is now sadly circling the drain. Of course, it created most of its problems by not evolving with the times as well as making ill-advised acquisitions and 'makeovers' along the way.

As with Toys R Us, in its late days the Sears executives made sure their circumstances were more secure than the rank–and-file. Just before the holidays last year, the higher Sears executives were given $25 million in bonuses while the company was trying to stay afloat and fend off bankruptcy.

This approach to leadership, where the leaders do well at the expense of those below them, is both a losing strategy (at least in the long term) and ethically questionable…at least.

The best organizations make sure all within the group are factored in and also do well when the organization does. A group is only as good as those doing the 'legwork', and if you cut off those legs, or even injure them, progress stops, or worse.

Ultimately, some of the private equity owners of Toys R Us did something right – they put together a $20 million 'hardship' fund for former store employees, to help them transition to other jobs. Perhaps if those business leaders had exercised such progressive and inclusive practices earlier, Toys R Us and Sears wouldn't be in the spots they are now.

Jesus Christ, Money Master…and Fraud

William Gallagher, author of *Jesus Christ, Money Master*, promoted financial planning and investing wrapped within the cloak of Christianity. Unfortunately for his investors/followers, he was really operating a large Ponzi scheme where he took most of his clients' money for himself, leaving just enough to 'pay off' those who cashed out. Not very Christian-like I'd say! He's been charged by the SEC in a $20 million Ponzi scheme.

Anyone breaking the law and scamming others is a very flawed person, but when they do so while claiming to be compliant with religion (thus playing on client emotions and beliefs well beyond the financial realm) it is the height of hypocrisy and greed.

This example reinforces the idea that you must be on guard and exercise great care to ensure you're dealing with ethical and trustworthy financial professionals, no matter their affiliation.

Imposters can often be very good at resembling true professionals. A good test of authenticity is to consider what is being offered or promised to you. If it sounds too good to be true, beware. If you're not presented with a set of cons as well as pros, be very careful. A good and honest advisor will tell you the upside, *and* downside, of a particular investment or approach, so you can weigh what works best for you, because all investments have pros and cons. There should be no sense of pressure or salesmanship. A good proposal should work just as well 3-6 months from now as it will today.

Investment advisors should first listen to your goals and concerns. Then, knowing what's important to you, design a plan which resonates with you instead of confusing or overwhelming you. Some advisors will overpromise, and likely under-deliver, just to get you 'in the door'. But the tortoise usually wins the race over the hare, so if you detect a 'hare approach', walk, hop, or run the other way

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