



Where Are We? A Psychological View

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When markets get temporarily unruly as they have recently, it tends to drive folks like us to go back and prove to ourselves once again that each and every part of our existing portfolios (the stocks and the hedge positions we own) is as valid to us as it was when we bought it. And, with many stocks on our watch list getting closer to being viable additions to the mix as their prices drop, we are essentially scouring our investable universe to see if we can either improve our upside potential, strengthen our defenses, or both. It is a rigorous process, always.

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That's why we owe a special thanks to Lance Roberts and his crew at Streetworklive.com for posting a classic chart on investor emotions in a recent newsletter. This is one that many financial advisors and their clients are familiar with. I don't know who originally created it, but it has been used by scores of professionals to make a very simple point: markets are cyclical, so is human emotion, and if you can appreciate how they are really joined at the hip, it will make investing a less stressful process. It also makes this week's blog a very straightforward message: we believe (as I suspect Mr. Roberts does) that the global stock markets are sending an increasingly strong signal that we are in the vicinity of the Anxiety-Denial stage. As we have suggested in recent commentaries (both public on our blog and private to our clients), recognizing this is half the battle in transitioning our portfolios from a bull market "tilt" to a bear market "tilt" and, as a probable next step, to a stronger and stronger bear market "tilt." This is an evolving story and not something that is likely to be resolved any time soon. For now, we are making you aware that we are aware of it, and that this layman's view of the stock market and investor psychology has been a key to our past successes in rough markets. To be continued.

IN THE MEANTIME, WE WOULD TRULY APPRECIATE YOUR OPINION ON WHERE YOU THINK WE ARE ON THIS CHART. JUST VISIT WWW.HEDGEDINVESTING.COM, AND IN THE "HOW DID YOU HEAR ABOUT US FIELD" ENTER YOUR OPINION.

IF WE SEE A TREND IN THE RESPONSES, WE WILL DISCUSS IT IN AN UPCOMING BLOG POST. WHILE YOU ARE AT THAT SITE, YOU CAN ALSO DOWNLOAD ONE OF OUR POPULAR INVESTMENT RESEARCH PAPERS.

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