viewpoint

MARSHALL & SULLIVAN

Marshall & Sullivan, Inc. / Registered Investment Advisor

spring 2019 newsletter

It's Time IN the Market, Not Timing the Market

We've been writing this newsletter for nearly three decades and each quarter the challenge remains the same: what should be the topic of our quarterly report? In fact, it feels like we have covered just about everything except religion and politics!

After one of the best quarters in US stock market history, you might think we'd be writing about the market itself – either exuberant over all of the money we made for our clients or sending up caution flags about how overvalued the market appears – which it doesn't.

Over the years we've learned that it's best to neither get too excited by good quarters nor despondent over poor quarters. Yes, it was beginning to feel like we have written about this subject before. To refresh our memories, we took a look back at our folder of past newsletters to review prior content.

First off, it was interesting to note that in one newsletter written nearly 25 years ago, we reported the S&P 500 index at 445 with 30-year Treasury Bonds paying 8.5%. Wow, how things have changed! Today, that same index stands at 2,828 (535% higher) and the 30-year Treasury bond is only paying around 3%.

As we clicked through the 100+ newsletters, it was amazing to see just how much bad news we have digested over the last 25 years: the 1997 Asian financial crisis, the Dot.com bust, Y2K scare, 9/11, the wars in Afghanistan and Iraq, a global financial crisis in 2008, a housing meltdown, global warming, Brexit, trade wars and plenty more.

And, we covered the good news too: improved trade relations, regulatory reforms, enhanced corporate governance, the World Wide Web, strong employment, improved corporate profitability, major technological advances, alternative energy and so on.

As we dug deeper into the details, we noticed that we regularly repeated two major investment-related themes. The first was the importance of sticking to a set of sound investment disciplines, and the second, ignore the emotional side of the market.

It seemed that no matter what was happening in the world, these two themes showed up in our newsletters over and over again in an attempt to explain how we were managing money for our clients, in both the good times and bad times.

We believe that the key to investing long-term is following sound investment disciplines while ignoring emotions. These beliefs have been repeated, as well as stressed, so very often in our newsletters. We use *disciplines* to keep us from buying when *emotions* are too high or selling when *emotions* are too low. In their recent report titled "Quantitative Analysis of Investor Behavior", Dalbar, Inc. reiterated that their data suggests investors regularly "do not stay invested for a long enough period of time to execute a long-term strategy. In fact, they typically stay invested for a just a fraction of a market cycle."

Remaining in the market over the long term (market cycle) is how to capture gains such as the ones we've seen over the last 25 years. To stay in the market, disciplines, not emotions, should be used when making investment decisions.

A case in point, at the end of the last quarter when the market was oversold and things seemed bleak, we took advantage of negative emotions and bought a couple of stocks that we had been following. This quarter with the market heating up, we are doing the exact opposite and selling off a portion of securities that have become over-weighted within the portfolio. If the market continues its hot streak, we will continue to trim names. If emotion turns and the market pulls back, we will use the cash that is building in our accounts to add a position or two.

Yup, this all sounds very familiar, doesn't it?

We now have a Portal!!

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