

THOUGHT FOR THE WEEK

HAS THE EASY MONEY BEEN MADE?



Global Financial
Private Capital

SYNOPSIS

- Articles online question if the “easy money” has been made in the stock market
- These stories have been around for several years and provide little value
- There is nothing easy about investing in stocks

The Age of Easy Money Is Nearly Over - Bloomberg

<https://www.bloomberg.com/news/.../2017-11.../the-age-of-easy-money-is-nearly-ove...>
Nov 2, 2017 - The Age of Easy Money Is Nearly Over ... The U.S. Federal Reserve made the first move in October when it started allowing a portion of bonds on its \$4.5 trillion balance sheet to mature without ... European policymakers have been among the most forceful in their campaign to push down borrowing costs.

9.33%

The easy money has been made, according to Kit Juckes - Business ...

www.businessinsider.com/the-easy-money-has-been-made-according-to-kit-juckes-20...
Sep 20, 2015 - In a note on Friday morning, Kit Juckes, a strategist at Societe Generale, wrote that the easy money has been made, and things are about to get a lot harder for investors. "Making healthy investment returns when QE-inspired asset inflation is all but played out, emerging markets are slowing, Europe is ...

51.45%

The Easy Money Has Been Made in Stocks - Barron's

<https://www.barrons.com/articles/the-easy-money-has-been-made-in-stocks-1413996098>
Oct 22, 2014 - Markets are questioning the divergence being seen across central bank policy, just as concern about global economic growth is rising. None of this should come as a surprise – the policy path we're on has been quite clearly scripted. The U.S. continues to lead the global recovery and there is rising concern ...

56.86%

The Easy Money Has Been Made

<https://investors.morningstar.com/news/cmsAcontent.html?t...>
Dec 10, 2013 - The Easy Money Has Been Made almost exactly fairly valued. By summing up the price to fair value estimate ratios for the nearly 2,000 firms covered by Morningstar equity analysts, we can arrive at a market fair value. On this metric, stocks look to be 99% fully valued as of Dec. 3, compared with 61% ...

70.64%

Source: Google¹, Bloomberg

Simply put, even the best investors are wrong more times than right, so warnings like these should always be taken with a grain of salt.

IMPLICATIONS FOR INVESTORS

Stories on “easy money” in stocks have been around for several years, and they have always made my blood boil for three reasons.

First, these articles that talk about easy money always seem to do so in hindsight. As in, it has already happened rather than it is going to happen. I even googled to see if there were any articles titled, “The easy money is about to be made,” and unsurprisingly they were few and far between.

EASY MONEY

An investor contacted me this week concerned about an article she had seen online that interviewed a prominent investor who believes that the “easy money has been made” in the stock market. Intrigued by such a claim, I performed a google search on this exact phrase, and the following article appeared at the top of the list.

[Billionaire Howard Marks says 'easy money has been made' in the ...](https://www.cnbc.com/.../billionaire-howard-marks-says-easy-money-has-been-made-i...)
<https://www.cnbc.com/.../billionaire-howard-marks-says-easy-money-has-been-made-i...>
Jan 24, 2018 - Billionaire Howard Marks says 'easy money has been made' in the market, don't chase it.

Source: Google¹

This sort of fearmongering is incredibly frustrating because it works so well. Any article with a headline that claims a billionaire investor is bearish will most certainly tempt readers to click and learn more from someone who is really good at making money.

Out of morbid curiosity, I spent some time analyzing the rest of the search results and noticed an interesting pattern. A nearly identical article appeared each year going back to 2013 (a year when the S&P 500 returned more than 30%). I just had to know how the S&P 500 performed since these warnings were issued, so I took a few of the search results and calculated the performance in the S&P 500 from the date published through January 31, 2018.

Starting at the bottom, had investors run to cash on December 10, 2013, they would have likely missed out on a 70%+ return in just over four years. Had they sold on September 20, 2015, sitting out on the 51%+ rise in the S&P 500 in only 29 months would be even more painful.

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Second, I question the true intentions of those quoted because there is a tendency for them to “talk their own book.” Meaning, those who predict stock market weakness are frequently positioned to profit if a crash were to happen.

“Stories on ‘easy money’ in stocks have been around for decades...”

There are also those pundits who are constantly bearish and make a living off of a broken clock being right twice a day. Perma-bears carry no weight with me unless they can show me a time in the past where they made a bullish call and was ultimately *correct*. Only then can I consider them to be impartial.

Third and most important, there is nothing “easy” about investing in stocks. It has never been easy, nor will it ever become easy in the future. If it was easy, then everyone would be a billionaire. Building wealth requires a tremendous amount of patience, discipline, education, and experience, and none of these are easy to acquire.

THE BOTTOM LINE is that stories like these and the attention they receive will most certainly persist for years to come, but a quick performance check and some intuition is all that is needed to challenge their efficacy.

SINCERELY,



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¹<https://www.google.com/search?q=the+easy+money+has+been+made>

The Standard & Poor’s 500, often abbreviated as the S&P 500, or just the S&P, is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.

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