The Song Remains the Same

You may remember my post from several weeks ago discussing 52H and 52L. Well, the stock market continues to advance and right now I have on my computer screen eighteen 52H’s out of 68 stock symbols for a stunning 26.5% of securities trading at 52 week highs. As Led Zeppelin sang back in 1973, the Song Remains the Same. But, and you knew that was coming, the stocks and industries trading at new highs are not identical to the stocks trading on their highs four weeks ago. Market analysts call this “Rotation”, as investors shift from stocks trading at their high to other stocks not yet achieving new highs. This type of market action is very healthy and very normal, and confirms the arguments of the bulls.

Now I am not recanting my “Correction” piece, I am simply observing what is taking place in the stock market. Clients pay me to say it like it is, or as Maggie Thatcher might say “call a spade a bloody shovel”.

Despite the market’s advance, I’d even describe it as giddiness, let me remind you it is vital to maintain a healthy skepticism when it comes to investing. This is the essence of “contrarian thinking”. And over the years I have witnessed more success with contrarian thinking than with other approaches to investing. As a fund manager said at a due diligence meeting I attended, “if you want to beat the index, by rule you have to think differently and invest differently – so you’re a contrarian if you want to succeed”. By the way, the names we all recognize as outstanding investors (Buffett, Templeton, Danoff, Price, and Gross, to name a few) thought and invested differently than the average in order to achieve their great success.

Finally, a few quick comments to share from the due diligence meeting I attended last week. A fixed income manager observed:

1) More people are prepared for rising rates than another credit problem (think Greece). Be wary.
2) The safe option (treasuries) isn’t there anymore. And it doesn’t pay you either.

Poignant commentary was also offered by the Chief Investment Officer, who was asked what worried him:

1) I worry about everything. I worry about people loving to buy things selling at high prices and selling them at low prices. I’d like to change that outcome. You (Financial Advisors) can really add value to your clients’ lives by improving that outcome.

Let’s keep that comment in mind, and pursue better outcomes with our investments.

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