

Walls of Worry and the Markets

A common adage in the financial world is “Markets climb walls of worry”. This usually occurs when markets rise during a time of significant uncertainty.

It is a truism that there are always things for which we worry but according to a recent national survey and written about in a Bloomberg article by Deena Shanker, “Americans just broke the psychologists’ stress record”. In her article, Shanker describes the findings of the American Psychological Association’s anxiety meter and some of the stresses for each demographic. Though her article has a slant to the political backdrop, the findings are helpful. People are worried! According to APA the three primary factors that cause stress are money, work and the economy. (Shanker, Deena. 2017)

So what do these findings have to do with the markets today?

All the major domestic indices are at all-time highs. From a variety of valuation matrix the markets are fully valued so the question would be asked; can the markets continue to rise? The argument for growth includes a rising interest rate environment, current low cost of capital, a positive outlook for the banking sector, deregulation for a number of industries and a pro-growth administration. Yet there are plenty of things to worry about: government debt levels, geopolitical risks as well as fundamental changes in domestic policy.

It is time to reassess your risk profile.

Risks are a part of the capital markets and will always have to be part of your decision process when investing. Quotes from two billionaires come to mind when I think of risk and investing. One from famous investor Warren Buffet, of Berkshire Hathaway who “wants to be greedy when others are fearful” and the other from David Tepper, hedge fund manager who says “when things are bad, they go up”. Both men have been successful investing through times of difficulty when others were fearful. (Portfolio Billionaire’s, 2016)

Is now a time to worry? Only time will tell.

References:

Shanker, Deena. 2017. "Americans Just Broke the Psychologists' Stress Record." *Bloomberg.com*. Retrieved February 16, 2017

Portfolio, Billionaire's. 2016. "Billionaire Investors Buy When There's Blood In The Streets." *NASDAQ.com*. Retrieved February 16, 2017

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