

MARKET UPDATE



FAILING TO PREPARE, IS PREPARING TO FAIL

By: **Todd Carbone**

Lately, we have been receiving several calls with the same sentiment; the market is going to start heading into negative territory due to the overall effects of the Corona Virus and the depression is coming, as soon as, the general population has run out of money. In addition, society is forecasting a potential second wave of Covid19 cases, which could have a negative impact on the market. These are all possibilities, but the real question, do you remain on the sidelines and wait to invest? In our humble opinion, we believe now is the time to invest, let us explain why.

If we tried to think of everything that could go wrong, we would go crazy; In fact, we probably would never leave our houses. On the contrary, maybe we should be crazy and think of everything that could go right! I personally was raised as a pessimist, were the glass was always half empty. Having been trained as a trader and investor, we are taught to not be emotional about the market. The market does not have feelings or emotions. The market does not care if we are feeling stressed or unable to sleep because an investment is moving in the wrong direction. Over the years, we have learned as traders and investors, the glass is not half empty or full, it simply does not exist.

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The S&P 500 for 2020, is still down from its all-time high by 10.50% and is continuing to play catch up, while the Nasdaq is the current market leader. In addition, the small cap space, has also seen a strong comeback rally from the beginning of this year. With the small cap space making a comeback, this debunks the theory of going into a depression, since small caps are the first to break down when heading into a depression. In addition, the “VIX”, also known as the volatility index, which portrays cost of portfolio insurance in comparison to the level of risk in the market, has collapsed to 27.00 from 85.47, which is down 68%!

When looking back at our last article, the Nasdaq has rallied 45%! Did your emotions pay off by not investing in this opportunity? No, in fact it cost you money. Maybe your new perspective is you will wait for the next crash, then you can say “I told you so.” Where ever you stand as an investor, you need to ask yourself, when and what will make you comfortable, if anything?

In summary, the market is not pricing in a depression or collapse, so why should you? Is the market going to listen to us, definitely not. The trend is our friend, markets grow over time with a 55% probability of success. When starting to get your feet wet as an investor, it is important to start with smaller position sizes and most importantly, have a selling strategy if things do not happen as planned– remember, something all ways happens. Failing to prepare, is preparing to fail. Get off the sideline!!!

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