

# The Colorado Springs BUSINESS JOURNAL

www.csbj.com

WE MEAN BUSINESS

January 2, 2009

DARE TO BE DULL

## Stock market predictions – the past and the future

As another year begins, the media and stock market gurus are ready to make their predictions for 2009.

How fortunate it is that none of these gurus have to look back at their predictions for 2008, or address the fact that not a one of them predicted the dismal depths 2008 would reach.

So, let's do something different this year. Let's take a look at the five market predictions I made in my Jan. 4, 2008, column and see how I did. Then I'll make some new predictions.

### Look back at '08 predictions

**Money will flow in the wrong direction.** Sure, I wimped out on making a prediction on the stock market return for any one year.

That's because I actually knew I didn't know. But I did note that, if the market declined, money would flow out of the stock market.

Guess what folks? Suddenly investors aren't as risk tolerant as we thought and fear has overtaken greed yet again. According to the Investment Company Institute, we have taken more than \$195 billion out of stock mutual funds with most of it coming after the market plunge.

**We will pick our portfolios based on past performance.** Where was the "smart money" pouring in at the beginning of the year?

International mutual funds and ETFs were hot, with China and India getting more than their fair share.

This follows the age-old tradition of moving in after something has been hot and then running to safety after it plummets.

**We will get our advice from all of the wrong places.** I'm just as guilty here. I'm



Allan  
R O T H

glued to the media and listen to all the talking heads pretend that they know what's going on.

My only defense is that at least I don't follow their advice or listen to the person at the party who claims to have gotten out because he knew the market was about to dive.

**At least 99.9 percent of money managers will claim to be above average.** In one sense I was right,

because I still haven't met a below-average money manager. But with the fall of former Wall Street titans like Lehman, Bear Stearns, Merrill Lynch, AIG and the like, it's getting more difficult to claim that everyone beat the market.

Maybe only 99.8 percent claim to be above average now.

**No one will actually ever look back at last year's predictions.** Well, I think I would have been right had I not decided to write this column. I'd love to see a replay of the talking heads predicting such a strong market for 2008.

### Forecast for the future

Forecasting the past is a lot safer but here are some of my thoughts for the future.

**Now is the time to get into equities.** This isn't to say I received some signal that stocks are near the bottom or that I have a clue whether stocks will have a good year during 2009.

I'm merely saying that stocks are much cheaper today and the odds that the next 10 years will be good are very high, at least for those with the cash and the courage to stay in.

Although capitalism might be a bit battered by the financial crises and bailouts, don't count it out quite yet.

**Wall Street will recover.** By this, I'm not saying that the stock market will recover during 2009, but never write Wall Street off.

Just because their products with huge upside and little downside risk are what landed us all in the poorhouse, never underestimate their ability to innovate in new ways to separate us from our money.

Brokerage houses and insurance companies are already working on these new schemes.

**If the stock market does recover, our current pain will become a distant memory.** It turns out that investors have very short memories.

During 2007, we had already forgotten the Internet bubble, where stocks lost half their value between 2000 and 2002.

Unfortunately, we will be just as quick to forget our current pain and leap again into the stock market after it has recovered.

**There will be another bubble.** I don't know what it will be, but I'm certain it will end up looking just as silly as lending 110 percent of home values to people without jobs, or a new age economy where cash flow doesn't matter.

**The five predictions I made for 2008 will continue throughout the New Year.** When it comes to investing, we humans are predictably irrational.

My advice is to open your arms wide and embrace the uncertainty that's about as unavoidable as death and taxes.

Investing isn't about knowing the future and listening to the gurus forecast 2009.

Investing is about understanding that we don't know the future and planning for the uncertainties.

*Allan Roth is a CPA and Certified Financial Planner. He is the founder of Wealth Logic LLC, an hourly based financial planning and licensed investment advisory firm, and is an adjunct finance faculty member at the University of Colorado at Colorado Springs. He can be reached at 955-1001 or at ar@DareToBeDull.com.*