

Hello Everyone,

For those of you who remember the cartoon *Alvin and the Chipmunks*, Mrs. Frumpington was a staple. She didn't like Alvin, or his music.

So, what does this have to do with investing? Not much. Mrs. Frumpington does serve, however, to help make a point about the investor's dilemma as we approach the end of 2018.

I hope you find today's missive both enlightening and entertaining.

Signed, Your I-Always-Liked-Alvin-But-My-Brother-Liked-Theodore-Best Financial Advisor,

Greg

KKOB 10.22.2018 Mrs. Frumpington and the Markets

Bob: So, Greg, there seems to be a tension in the market. I know that percentage-wise 400 to 500-point moves aren't what they used to be. Still, the market seems different to me...and, I know you think it's because opposing market views are digging in.

Greg: I do. And, I believe the word tension you used is apt. There are two very strident opposing camps staking their positions...and, each camp's position has merit.

But, rather than doing the point-counterpoint thing, let's approach this a little differently.

Bob, imagine you are a financial advisor and have been invited to attend a very fancy cocktail party. As you sip your champagne (pinky extended of course), Mrs. Frumpington approaches you and says, (falsetto voice), "Hello Robert; tell me dear, what do you think of the stock market?"

To which you quickly respond, "Well, Ma'am, on the one hand, the economy is doing remarkably well. Interest rates are still low, and jobs are everywhere. Company earnings are strong. All that bodes well for stocks going ever higher."

"However, Mrs. Frumpington, you must realize this is not what you would call a normal market. When the Central Banks printed trillions of

would call a normal market. When the Central Banks printed trillions of dollars--and drove interest rates to zero-- they created an artificiality in the financial world. And, the common denominator of that artificiality was debt. That is why you are seeing such wild market swings. Positive economic growth is being countered by a towering edifice of debt. So, the question ma'am is this---will growth surpass debt, or debt surpass growth?"

At this point, Mrs. Frumpington says, (falsetto voice again), "Oh Robert, you are such a clever man. I shall be speaking to my husband, Locksley, about having you manage our bazillion dollars!"

Bob: Wow. I get to manage a bazillion dollars. I guess I won't be needing my 401K anymore.

I see what you're saying though--- I hear it every day here on the show. Some New York analyst says, "The economy has never been better, buy, buy, buy! Meanwhile, I know others are quietly exiting stocks. It's hard to know who is right.

Greg: Exactly. Thus, the market tension. Both sides are correct---and both are correct in the extreme. The economy is doing well---very well. If you want a job you can get a job. Restaurants are full. Commerce is accelerating. Therefore, the argument goes, "Don't buy into fear, buy every stock market dip that comes along."

However, there is another compelling set of facts that says the debt burden is becoming unsustainable...especially as rates rise. Plus, insiders are selling like its pre-dot com or pre-Lehman. Therefore, their argument goes, "Don't buy into the hype, the economy and the market are different animals. It's time to be cautious."

And, Bob, here is where my world is so much different than the political world.

Today, in politics, you can't talk civilly about differences of opinion. Sad really. In the world of finance, however, you still can. In fact, when discussing money, people are very open to hearing both sides of an issue.

Bob: So, that is why you used the Mrs. Frumpington example. If she had asked what I thought about President Trump, I would have been cornered fast. But, since it was money, I could offer differing views.

Greg: Right. Now, once Mrs. F. heard both sides, she must still decide what to do. Should she stay in the market, or get out? And, if out, then where should she go with her bazillions? The good thing is, the markets are still orderly, so you can rationally move assets. That may not always be the case

Bob: So, does this mean I don't get to sip champagne with the elite anymore?

Greg: Sorry, but you can still pop a cold one and watch the Eagles play the Jags this weekend...just keep your pinky out.

Bob: I'll do that...and stop calling me Robert. How do people reach you?

Greg: My number is 508-5550, 508-triple-5 zero. Or, go to my website at zanettifinancial.com

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