

# TRENTON ADAMS

A S S O C I A T E S

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## **This time, it still isn't different**

You may remember the classic Saturday Night Live skit "Weekend Update." To parody the news media's response to a slow news day, Chevy Chase reminded viewers: "Our top story tonight: General Francisco Franco is still dead."

For the long-term, goal-focused, plan-driven investor: this time it still isn't different. General Franco is indeed still dead, and this bear market—like all others before it—is simply a pause in the historically permanent uptrend of equity prices.

As I watched the daily vertiginous decline in the equity (and even fixed income) markets last week, I realized two things: 1) this is why I regularly counsel you to limit your diet of economic journalism and 2) I need to update my trademark reminder to you as equity investors that once every five years on average, the market takes back about 30%. I'll need to add: and once every hundred or so, it grabs 45%.

But even still, this time isn't different. And I can't emphasize how critical it is to keep that perspective. The more we indulge ourselves in the carnage as reported by every news outlet, and focus on the myriad details surrounding events, the more we are susceptible to panic and feelings of helplessness.

The market reaction last week was neither unnatural nor uncontrollable, anymore than the 1988 Yellowstone fire (nor the one burning in LA County today). The worse the fire becomes, the more firefighters arrive on scene to help quell the flames, just as is happening now with a coordinated global rate cut which is sure sign of a concerted effort of the world's central banks to bring the system whatever liquidity it needs.

In point of fact, today's index levels point to a dream come true for contrarian, value oriented investors. Even if you don't consider yourself among them, you certainly are if you are regularly contributing to your retirement or college savings or other account. And consider that you're in good company: Warren Buffet himself sunk \$8 billion into two iconic brands week before last: Goldman Sachs and General Electric.

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Every bear market and financial crises are driven by human nature. There is plenty of blame to go round: politicians for encouraging irresponsible lending practices and the complicit greed of the human heart for embracing them. The investment bankers who allowed greed to drive them to create risky investments with high leverage while believing evermore that risk could be eliminated.

Perhaps as we watch this 2008 bear find its way back into hibernation it's a good time to assess our plan and our own adherence to the immutable laws of economics, to be sure we emerge stronger than ever. I welcome the opportunity to assist you in that process.

Yours truly,

Trent

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