

Client's Corner

2024: A Year of Surprises. Like Every Other Year.

DURING THE PAST CALENDAR YEAR, THE FOLLOWING events took place:

- The stock of the leading U.S. chip manufacturer tripled.
- The Fed reduced its essential interest rate a quarter of a point one day in December, just like everyone expected they would. And the S&P 500 went down pretty close to three percent that day.
- The VIX—which journalism describes as the fear index, but which I prefer to think of as the stock market's blood pressure—went up 172% in one day, in part because of the unwinding of something nobody had ever heard of before called the yen carry trade. (If that actually *were* someone's blood pressure, he'd have had a stroke.)
- The stock of a company that buys and holds a particular cryptocurrency—that's all it does—went up about 480%.

There was more, but you get the point. The year 2024 was replete with utterly astonishing surprises—both positive and negative—that seemed to come out of nowhere. *Like every other year.*

Does anyone remember that interesting year 2022, when inflation spiked to nine percent? And set off the fastest, steepest sequence of Fed rate hikes that produced the worst year for the traditional 60/40 portfolio since 1937? (That's not a misprint.)

How about 2020, when a deadly hundred-year plague shut down the world economy, and caused the S&P 500 to decline 34% in 33 calendar days?

Note that this entire Litany of Astonishment covers a mere four years.

Now layer in just a few of the massive political/geopolitical shocks of this same period:

- The war in Ukraine.
- Hamas's invasion of Israel, and the latter's response throughout the region.
- The sudden and total collapse of the 50-year regime in Syria.

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- A sitting U.S. president driven from his reelection campaign on grounds of incapacity, about 100 days before the election.
- The resounding reelection to the presidency of a person awaiting sentencing in a felony case.

One can go on and on like this. But the twofold conclusion should be obvious. (1) The economy, the markets, politics and geopolitics are for all practical purposes perfectly unpredictable. The only constant is complete surprise. (2) If we let utterly random current events *of any kind* alter our investment policy, we never really had an investment policy, and are thus doomed to fail as investors.

If this recitation accomplishes nothing else, I hope it convinces you to start the year by sitting down with your financial advisor. And saying in effect, "I get it now. I can never be a successful investor by trying to anticipate the news, and even less by *reacting* to the news. Let's finally make a plan I can stick with through good news, bad news, and totally random news."

Permit me to suggest that all of investing can be encapsulated in that simple duality: are we going to run our investment portfolios based on a plan, or in response to an endless stream of news that comes relentlessly at us from deep left field?

This is the year to make that decision. Heck, *today's the day* to make that decision.

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