



Home for the Holidays, the Professor vs. the Street

I can tell you one thing, having your kids come home for the holiday's is still a special moment, even during this dang pandemic.

You may be experiencing a similar scenario when your kid comes home from college after finishing their exams, likely virtually, walks into your home and it feels like they've never left.

It's truly awesome!

Of course during this pandemic some of our children never left but you get my drift.

Then it's down to the basement they go, dirty laundry getting loaded, wondering about gas money, and when their friends get back from school....

Yup, just like they never left.

You may have those certain moments throughout the day, usually in the kitchen surrounding one of the three main meal times where you can catchup on all that they've been doing throughout the fall.

I'm fortunate in that my oldest son is a Finance/Economics Major at Loyola University and very active supporting the entrepreneurship program at Loyola University in Maryland, go figure right?

We picked up on our many conversations we had started during the lockdowns in the spring earlier this year.

Of course some of our talks involve college sports, lacrosse, and the Baltimore Ravens. But new topics of choice have become favorites such as the stock market, the economy, and politics.

What I like about our talks is I get challenged quite a bit. Having him involved in academia brings another level of conversation I'm not always accustomed to but I enjoy offering my insights which can run counter to some university professors.

It's sort of like I bring the "street smarts" to his "book smarts" which lends to some interesting conversations.

"Dad, what do you think of xyz stock? My professor is asking me to use the dividend discount model to see if it's over or undervalued..."

Here we go...

So I go through the same exercise I go through with my clients, pull up a chart and try to discern the trend. In seconds I offer him my evaluation.... "I'm not sure it matters what the model says because the stock is tanking during quite a strong rally."

"Oh...Ok then what do you think about abc stock? My friends have been buying it because they heard about it from some friends in Economics class..."

I pulled up a chart, it appeared to be in a positive trend. After looking at a couple of other metrics and indicators I said, "Wait for a pullback. You can expect some serious volatility so you'll need to be prepared for some possible wide swings in stock price."

Then it gets serious...

"Dad, how can the market continue to climb like this? It doesn't make sense from everything I read and hear..."

He's right except for one perplexing market dynamic... the markets typically tend to move months in advance of economic realities.

I wrote about how we at APC handled investing when many of the media reports were all about doom and gloom by relating this major economic disruption to the Great Recession in an [On Pointe](#) bulletin I wrote earlier this year called "[Waiting for Pullback](#)."

We've been down this road before where it feels like there is no way out of the "worst" financial disaster when, what seems like out of the blue the markets rally. And it doesn't seem to make sense.

I explained further that what we may be witnessing in the markets is much like what we are seeing with the Covid-19 vaccine being distributed across our country and the world...

Hope.

The glimmer of light that surrounds what can at times seem to be the inevitable "end of the world" according to some media sentiment.

In my view, the markets are signaling a strong economic rebound that can't quite be forecast by economists or government statistics.

Again, "the Street" smarts of Wall St. vs. the "book smarts" of economists and media is at play.

Of course, it seems that my son has been getting used to my responses that are less conforming to the prevailing storylines where I add some "street" sense to cut through the fog of media noise.

Where we both agree is that hope is just around the corner. Perhaps it's simply the optimist in me that can see the light at the end of the tunnel. And to me it seems to get brighter every day.

Enjoy the holidays as the New Year looks bright!

Jim

Can your portfolio use some more "hope?" [Let's chat!](#)

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