

## Bubble, Bubble, Toil (and Trouble?)

If you know the *Song of the Witches*, you know that my title is more than four months late for Halloween and that I've misquoted the first line of the seasonal song\*. I don't have a crystal ball, and I possess no powers of mystic divination but in the financial markets there is always toil and trouble and there are periodic bubbles. Lately, among portfolio managers and market gurus and economists, there has been a lot of talk about a stock market bubble; some are even comparing 2024 to 1999. I've been doing a fair amount of reading and pondering this subject so I'll share some of my thoughts:

- The general consensus seems to be that this isn't yet a bubble that could compare to the aforementioned example from 1999.
- This *could* turn into a bubble if future Fed interest rate cuts don't slow the economy.
- Yes, valuations of domestic technology stocks are too high, but they could go higher.

I'll bet that most of you remember the former Fed chairman Alan Greenspan and I'll also bet that you remember the term he coined: "Irrational Exuberance". Mr. Greenspan was of course referring to the behavior of the stock market. Anyone remember when he uttered those words? It was 5 December 1996. My point is that after Mr. Greenspan made that famous comment, the stock market continued to go up for another 3+ years.

As a "financial coach" I try to apply the advice from coaches of other disciplines, e.g., sports. Vince Lombardi, coach of the Green Bay Packers is purported to have started off the first day of each yearly training camp by holding the "pigskin" high in the air and saying, "Gentlemen, this is a football". In other words, Vince Lombardi was a big believer in sticking to the basics. My advice is the same; rather than getting caught up in the impossible task of timing a market bubble, we to stick with the basics which include assessing your financial objectives, assessing your investment time horizon and assessing your risk tolerance and assessing your ongoing need for income. We then create a plan that is designed to attempt to realize those objectives and we stick to the plan.

Financial pundits will certainly continue to "stir the pot" but that doesn't mean we have to sample their brew.

Scott

\*The proper lyrics begin with "Double, Double Toil and Trouble



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