

PERSONAL FINANCE

Things get better, but not the way we expect



BY CHRISTOPHER W. DAVIS

Recently, I came across a chart illustrating 10 market corrections known in our industry as “Bear Markets.” Having lived through five of them, the following are my memories and “lessons learned.”

January 1973, -48 percent, 21 months to reach bottom. The cause? Stagflation – a combination of a stagnant economy combined with inflation led to real estate speculation and ultimately collapse. The OPEC oil embargo did not begin until October 1973, but it sure did add fuel to the fire. Graduating from high school, I was fascinated. “How did we get here,” I asked? Things had to get better, but how? 40 years later, the United States is the “swing producer” impacting the price of oil.

November 1980, -27 percent, 21 months to reach bottom. In the day of 15 percent mortgage interest rates and 10 percent inflation, Paul Volcker, cigar chewing Federal Reserve Chair, brought our economy to the verge of depression. I had the audacity to become a stockbroker April 1, 1981. After all, things had to get better. They did, but not in the way I expected. The market went up 229 percent, before peaking in 1987.

August 1987, -34 percent, 3 months to reach bottom. Known as Black Monday, October 19, 1987, stock markets around the world crashed. It happened so fast! Thanks to new technology, history will record that this was the beginning of program trading. I remember wak-

ing up Tuesday, October 20, 1987 with a career decision. Either this was the end, or this would be one of the best days ever to invest. Things had to get better, I reasoned. They did, but not the way I expected. 30 years later, program trading is common today. It was blamed for 2 “flash crashes” in 2016. Do you remember it? Of course not. They were “flashes!” By the way, the market went up 417 percent from October 1987 until March 2000.

March 2000, -49 percent, 31 months to the bottom. Known as the “Tech Bubble”, the public had finally become believers in stocks. My career decision of 1981 was vindicated. If the Internet was our educator, then greed was the student. The broader market had peaked in late 1998, but greed did not notice. We mocked “wise” investment managers (like Warren Buffet) who engaged in “risk management” of investment portfolios they managed. They experienced “career risk” as investors withdrew their capital and placed their bets on “lucky seven.” After all, we had the Internet to guide us. We were textbook greedy. It would take 10 years for technology stocks to “come back.” “Wise” diversified investors recovered more quickly. Technology would help things get better, but not in the way we expected.

October 2007, -57 percent, 17 months to the bottom of the market. Technology helped us build sophisticated financial

models and better yet, products to go with them. Like 1987 and 2000, it would take time for our emotional intelligence to catch up to our technological intelligence. In the dark days of 2009, it was hard to believe that things would get better. In the “Great Recession” that could have been another “Great Depression,” financial fear “took greed to the woodshed,” pulverizing the last vestiges of our greed. Again, things got better, and are still getting better, but not in ways we expected.

What did these 5 Bear Markets have in common?

- Like Bull markets, they did not last forever.
- They became new bull markets, reflecting prosperity.
- They all recovered to higher highs.
- Diversified investors, who did not sell, recovered all their money, and then some.
- They tested and revealed our emotional intelligence.

In short, things get better, markets go higher, but not the way we expect.

Christopher W. Davis, a CERTIFIED FINANCIAL PLANNER™ is managing director-investments at Davidson Wealth Management, Wells Fargo Advisors in Davidson. A graduate of UNC-Chapel Hill, Davis has been an investment adviser since 1981. His column will appear monthly. CAR 0823-00145

You & Your Money



CHRIS DAVIS

Business Today

Editor

Dave Yochum
nebiztoday@gmail.com

Sales & Marketing Director

Gail Williams
gail.todaypubs@gmail.com

General Manager

Stephen Nance
production.todaypubs@gmail.com

Contributing Writers

Erica Batten, Cheryl Kane, Marty Price,
Dave Vieser, Dave Friedman,
Cathryn Piccirillo Sherman

Phone 704-895-1335

The entirety of this newspaper is copyrighted by Business Today, LLC 2016 with all rights reserved. Reproduction or use without permission of any content is prohibited. Business Today is an Equal Opportunity Employer.

Business Today
P.O. Box 2062
Cornelius, N.C. 28031

BACK ISSUES

Payable by VISA & MASTERCARD ONLY.

\$1.50 (if available); \$4 to mail

FAXED ARTICLES - \$5 per page

PHOTOS - \$100

REPRINTS - Reprints on high-quality, frameable stock are available, starting at \$65.

NEWS AND CALENDAR ITEMS

Business Today is a local business publication. If you have news items, they may be e-mailed to businesstodaync@gmail.com.

Business Today is published on the first Friday of every month to qualified small business owners in the Golden Crescent.

SUBSCRIPTIONS

May be purchased for \$36.

LETTERS TO THE EDITOR

Do you have an opinion you'd like to share? We offer a forum for ideas, opinions and dissenting opinions.

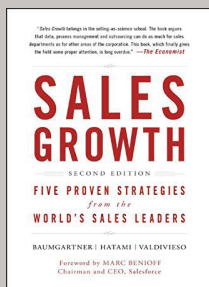
You can e-mail your thoughts to

nebiztoday@gmail.com or mail to Business Today at P.O. Box 2062, Cornelius, N.C. 28031.

Your letter, or a longer opinion piece, may be edited for brevity and/or clarity. Please include a phone number.

Book Review: Sales Growth

Sales leaders are ambitious, aggressive, goal-driven professionals. Their mission in life is to climb to the top of the mountain and to earn respect and a healthy paycheck. For these goals to become reality, meeting monthly quotas won't suffice. Salespeople must develop dramatic sales growth in new areas. That's why this



terrific manual will come in so handy. In this completely updated second edition of McKinsey & Company's 2012 book, consultants Thomas Baumgartner, Hodayoun Hatami and Maria Valdivieso de Uster offer five proven strategies designed to spark sales growth and inspire sales leaders. getAbstract recommends this energized guidebook to sales executives, sales leaders and those who aspire to achieve dynamic sales.

getabstract
compressed knowledge

McKinsey & Company Inc., Thomas Baumgartner, Hodayoun Hatami and Maria Valdivieso de Uster. **Sales Growth: Five Proven Strategies from the World's Sales Leaders.** Wiley, 2016. 320 pages. ISBN-13: 9781119281085.