Just A Thought

e*Research Corporation** is pleased to provide an article from ***The Reformed Broker, featuring Josh Brown.

Today's article looks at market participation.

The Reformed Broker is a blog about financial markets and the economy.

From Josh Brown's website: My blog is about markets, politics, economics, media, culture and finance. I'll use statistics, satire, anecdotes, pop culture references, sarcasm, fact, fantasy, and any other device that I feel necessary to get my points across.

What I don't do on this site is give financial advice or tell anyone what to invest in. The Reformed Broker is a forecast-free blog. What I will do on this site is provide you with a running commentary of my market-related insights and thoughts as events unfold. I'll point you toward other interesting content around the web. I'll challenge your perceptions, call it like I see it and, occasionally, I'll make you laugh.

A link to the blog's website is provided here: http://www.thereformedbroker.com/.

Joshua Brown is with Ritholtz Wealth Management, a New York City-based investment advisor, whose clients are high net worth individuals, charitable foundations, retirement plans, and corporations. He helps people invest and manages portfolios for them. He is the author of the book *Backstage Wall Street*, from publisher McGraw-Hill. He is a regular contributor to: CNBC, Investment News, The Daily Beast, TheStreet.com, Forbes, CNNMoney, Fortune, Christian Science Monitor, The Faster Times, Marketplace Radio, The Wall Street Journal, and The Business Insider.

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Bob Weir, CFA: Director of Research

Just A Thought

By Josh Brown
February 17, 2017

Riding the post-election rally sure has been fun, and profitable! But it won't go on forever. We don't know when it will end, or from what level, or what the cause will be.

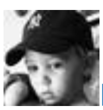
A lot of times throughout history there didn't even need to be a cause. Just one day, out of the blue, the buying turns into selling and the next day it repeats and, before you know it, the selling feeds on itself and begets even more selling.

But this is an abstract concept. People are willing to entertain the thought of it in their minds for a few moments, but then the market makes a new high for the 3rd, 4th, 5th, and 6th day in a row and the only thought that gets through is "why aren't I making more?"

This goes doubly for professionals, who are judged in environments like these not based on whether or not they caught the move – but based on how much of it they caught for their shareholders or clients.

"Yes, we're up, but you left money on the table" go the phone calls and emails.

So, here is a thought:

Downtown Josh Brown

You don't need a parachute to go skydiving. You need a parachute to go skydiving twice.

Allocate assets accordingly.

There is a tendency on the part of investors to look over their holdings in a raging bull market and ask "why am I holding X, Y, or Z, which are doing nothing?" Or, worse than nothing, why are they holding anything that is going the wrong way in this market?

The obvious answer is because things change, faster than you can adapt or see the changes coming.

The better answer is because today's laggards can quickly become tomorrow's big winners. Look no further than the moves in bank stocks over the last few months to see this phenomena play out – worst to first. Look at biotech stocks and high-yield bonds – "uninvestable" to market-leading, turning on a dime. Look at Russian and Brazilian stocks – from "why would I buy them" to "how could I have missed them?" in a blink.

It is tempting to get rid of everything that is not rallying right now. It will feel good today, but it will probably cost you big tomorrow.

Living with this and allocating accordingly is the game that can be won. The other game cannot be won, reliably and consistently, throughout time.