
Steeplechase Investments

Volume 6 Issue 3

July 2002

Uncle, uncle, they cried in sheer agony and desperation. We have had enough. The herd has finally given up the "ghost". The relentless selling, the indiscriminate selling, the very emotional selling has culminated in the final capitulation phase of this horrendous bear market. The butcher, the baker, the candlestick maker, the hairdresser, the carpenter, the executive have finally called it "quits". The bear market has gored everyone. They have lost their shirt, their shoes, and probably their trousers. The "emperor really has no clothes", no money either. This bear market, like all of its predecessors, has been an equal opportunity affair. Money has seemingly vanished in thin air. Risk has always been present, and in this case, it has touched our culture profoundly. A lot of retirements have been put on hold, a lot of life savings gone. The herd did not understand the risks they were taking, and they have paid dearly for that naivete. Who is to blame? We have to blame somebody, don't we? Scan the landscape and any number of suspects come to mind. The media, with slow news times, opted to foment fear. The fact that they have so much content to fill with all the cable outlets and 24 hour news. They certainly didn't create an overvalued stock market, or did they? They certainly aided and abetted it. They were like loud, adolescent cheerleaders on the way up, and have become cynical, "know it all" Monday morning quarterbacks on the way down. The stock market has never been nor will it ever be a

democracy. It is not socialism, either. Everybody is not supposed to make money in the market. But at the top, that was the propaganda being spewed forth. The siren song of vast riches that lay ahead for every man, woman, and child that owned stocks. Just "buy and hold" them and you will retire at 40 with untold wealth. Since the end of the 1st quarter, over 1.1 trillion dollars more has been lost in equities. (augh, what's a trillion dollars amongst friends?)

So, we have experienced the second worst quarter in the last 50 years. The Nasdaq lost 20.6%, the S&P 500 has lost 13%, and the venerable Dow has lost 11.1%. Coupled with the two previous years losses, the money lost is staggering. From the highs in March 2000, the nasdaq is down over 75%, the S&P is down 36%, and the Dow is down 22%. "Who da thunk it?"

Well, the scoundrels (the big brokerage houses) are at it again. They now, of course, are preaching fixed income investments now! Are they this ignorant? Probably. Or are they this disingenuous? Probably. Or do they just want the public's money, no matter what it takes? Probably. Do they really think the investing public is this gullible? Probably. Now, after countless millions of people have lost a good deal of their net worth under their "watchful eye", they are going after them en masse. Are people actually going to buy into their new marketing blitzkrieg? Probably. Caveat emptor! Well, I guess it is human nature to be bullish at tops and bearish at bottoms. But as professional advisors,

professional money managers, we are paid to take "the road less traveled". I don't see this being exhibited by our- let's see, first their title was broker, then it was executive vice-president of investments, now it's financial advisor, knowledgeable friends. Is this scathing commentary warranted? You make the call.

When bull markets die of their own weight, there are always scandals unearthed, there are always stories of corporate chicanery exposed. Greed is always the dominant emotion at tops, so these kind of issues are never addressed. It is only after people (more lovingly called 'peeps' in the brokerage business) have lost a lot of money, that these issues are ever looked at. When everybody has their eye on the "pot at the end of the rainbow", there is no time for any introspection. GREED, was there really that much? You tell me. At the beginning of the bull market in 1982, CEO pay was 40 times the median wage of workers, at the end in 2000, their pay had escalated to 400 times the median wage. Did anybody investing in the companies that were run by these nabobs earn anything close to that. That is extremely doubtful. Remember Peter Finch's classic line in the movie, "Network", "I am mad as hell and I am not going to take this anymore". I think most of us are about at that point today. So, in the natural progression of market cycles, this garbage comes to the fore. And we have righteous indignation by our old buddies, the Washington pols. They put a few of these crooks in jail, and then declare that they are cleaning up