GANN PARTNERSHIP, LLC

Trusted Wealth Advisory Since 1989 • Certified Divorce Financial Analysis

By Greg Gann

Unbelievable

The data in the email I received yesterday from Howard Silverblatt, senior index analyst for Standard & Poors Dow Jones Indices*, was s impactful that I feel compelled to share it.

Howard calculated that the S&P500 reached 45 record-setting days in 2013.Considering the fact that there are approximately 230 tradin days in a year, this means that roughly 20% of those days were historical.

He also identified that within the first quarter of 2014, there have been 8 record-setting days. Unlike last year, 2014 has seen a few mark reversals that have evaporated prior YTD gains.

Prior to 2013, the last record breaking high for the S&P500 was achieved on October 9, 2007. Think about that for a moment. It took fror 2007 until 2013 to beat the prior high. Yet, within the last 15 months, a whopping 53 sessions have set milestones.

Using terms like "bubble" or "irrational exuberance" can sound sensational. And, trends can definitely continue beyond prediction. Nonetheless, 53 record-breaking sessions within a 15 month time horizon is not "normal". Furthermore, the significant price escalation ca certainly limit the rate of future growth.

Two other indicators illustrate other important analysis. Doug Short in his March 2014 dshort.com references the fact that the greatest number of investors in 2014 are doing so using borrowed money, and this is significantly higher than at any other point within the last 20 years. That is a clear sign of excessive optimism. Furthermore, MarketWatch on March 14, 2014 reported that the greatest number of corporate executives of publicly traded companies are selling their shares at the greatest rate in 25 years.

Pendulums swing too far in one direction and then too far in the reverse. The pendulum of the market has moved a whole lot from 2008 t 2014. Chances are that you have seen this movie before. The question becomes how to avoid the sequel. In my humble opinion this requires diversifying away from stocks and bonds to protect your net worth from being so tied to the direction of these markets. Institutio investors, pensions, and endowments invest in assets and strategies that might underperform in a year of 45 record-setting days, but th incorporate investments that are designed to insulate downtrends, and can even provide growth during these periods through inverse exposure. I advocate investing along many of these same lines.

What worked when the pendulum was moving in one direction will likely fail after the tipping point. Investing for retirement is a marathon that far too many treat as a sprint. It is a sport that requires both discipline and preparation. Now is the time to heed Warren Buffett's sag advice to be fearful when others are greedy. Now is the time for a deep financial check-up. Nothing ever stays the same. And, no one rin the bell before it changes. The fear of 2008 is a distant past. Once again, just like in the 1990s, greed dominates. If you can't muster the strength of the Oracle of Omaha, please remember -- pigs eat, but hogs get slaughtered.

Greg Gann

**The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.*