SELECTOR
Real-Time Money Management

Monthly Commentary

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"Good investors gather information, put that information into current and historical context, then make sound decisions."

When equity markets are hitting new highs, everyone knows because the media deems this information to be newsworthy. Conversely, when equity markets are hitting new lows, the media highlights that information. This is part of the good news/bad news melodrama that plays continually in business, sports, weather, life, and entertainment. We love to proclaim champions, and secretly love it more when they crash and burn. A majority of the time equity markets are somewhere between their highs and their lows, and investors continue to invest, and the capital markets continue to operate efficiently.

Some people believe that when markets are hitting new highs they are the most efficient, and consequently, present the best entry levels. By the same token, when markets are hitting new lows, some believe markets are a train wreck and to be avoided. Yet the quickest repartee to jump out of every amateur guru's mouth is to "Buy Low and Sell High." It's quite the conundrum. Who's right and who's wrong? The answer is, "It doesn't matter!" In last month's Monthly Commentary I discussed the correlations between market indexes and an individual's investment objectives. The same philosophy applies to market highs and market lows.

Not a single investor, not Warren Buffet, or Peter Lynch, or George Soros, or Carl Icahn, knows exactly when a market is at a top or a bottom. This in spite of the fact that they are constantly asked when tops and bottoms are going to appear. (You'd think they would have answers to those questions by now, wouldn't you?) The reality is, it doesn't really matter to them because they all use deliberate processes and disciplines to determine their individual investment activities, like good investors should. I truly doubt that newspaper headlines carry much weight in their decision-making. And it shouldn't with you, either.

The single most important contributor to an investor's success is their resolution to be an investor and not a media puppet. This includes having the ability to plan their own investment journey and destination. It includes learning to trust professionals who can provide assistance along the way. It means paying attention to your own progress without being distracted by the claims and promises and fear-mongering that will be constantly in your ear from those who have something to sell you. An investor doesn't have to be a rocket scientist, or even know a rocket scientist, to be successful. By the same token, an investor needn't be a gambler, or profess to have a 'system' that works. Most importantly, an investor is patient, realistic, and determined.

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You can be assured that there will always be headlines. Actually, it would be pretty spooky and mighty boring if we didn't have any headlines! It is part of our human nature and definitely a factor in our existence. For an investor, market headlines are more of a daily weather report that is most certainly going to change over time (Hawaii weather excluded, of course.) We can be surprised, amused, or disappointed by the headlines. Occasionally we may even see something that sparks a new idea. As investors, we are naturally entitled to be curious, just as we are naturally inclined to be protective when things aren't looking good. Making small, corrective adjustments along the way is a good business practice. And hopefully part of your overall plan. It's certainly part of mine.

Edward D. Foy
Manager, SELECTOR® Money Management
www.foyfinancial.com, Ed@foyfinancial.com
(800) 456-4380

 Sources: Bloomberg, Marketwatch.com, StockCharts.com.