

# DÉJÀ VU ALL OVER AGAIN: IT'S PREDICTION SEASON FOR THE MARKETS



In March of 2015, Marketwatch columnist Paul Farrell wrote, "It's time to start the countdown to the crash of 2016. No, this is not a prediction of a minor correction. Plan on a 50% crash."<sup>1</sup>

He then cited the major factors that would lead to this market collapse: overvalued tech companies, political turmoil, and the fact that we were several years overdue for a correction.

Yet while the causes of Farrell's predicted market disaster were all very real, his prediction of what they would lead to was completely wrong. As you recall, in 2016 the S&P 500 gained nearly 12% for the year with the usual dips along the way. But nothing remotely resembling a 50% crash.

This is a dramatic example of how a market prediction made in earnest can be spectacularly wrong. To be fair, in his article Farrell cites other pundits who were predicting 50% gains. They were just as wrong, demonstrating that intelligent people given the same set of facts can come up with wildly varying predictions.

## **There's a Strong Market For "The Future"**

It's good to remember this as the financial media are weighing in with their market forecasts for 2019 and beyond.

Newsweek did a roundup of predictions from analysts, who, predictably, diverged in their conclusions.<sup>2</sup> Some are forecasting huge gains. Some see much more modest growth. And others are predicting gains but only for certain stock sectors. Wisely, at least in this article, few of them are giving advice that seems concrete enough one might actually directly act upon it.

At the end of the year we'll be able to look back at who was right and who was spectacularly wrong. But even then, the lucky guessers won't be any more reliable than anyone else when they make their predictions again for 2020.

It's important to remember that analysts don't release these predictions because they've stumbled upon a foolproof way to make market forecasts. They make these prognostications because there's a huge demand by the public wishing to know the future, even if it's just what appears to be an educated guess. And the financial media are determined to deliver what their audience wants.

### **Why This All Feels So Familiar**

The predictions the pundits and analysts are making this year can sound pretty convincing, especially when they give the reasoning behind them. At least until you go back and look at the forecasts from last year and the year before that.

In fact, the conditions Paul Farrell cited in his prediction of a 2016 crash are all still with us in one form or another. Maybe his 50% correction will happen three years late. Technically, anything is possible, though not all outcomes are equally probable.

Listening critically to this year's market predictions, you may start to get a sense that you've heard it all before. That's because you have. What they're predicting for this year can probably be said about any year with equally predictive accuracy. If you collect enough varying predictions, hindsight will often make it seem like somebody who was purely guessing looks amazingly clairvoyant. Think of the winning lottery numbers as an example.

Since figuring out with certainty what the market will do at any given point in the future is impossible, the best plan is to own an investment strategy that's designed to endure a wide range of possibilities through broad portfolio diversification. We can help you maintain a disciplined approach that makes more sense than trying to predict the future.

Have a great weekend!

Source: Efficient Advisors

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## Golf Tip of the Week



### Maintain Your Angle

If you're having trouble generating power with your swing, you might be losing the angle before you make contact with the ball. Here's what you should be doing:

From the top of your backswing, drop your hands rapidly and bring the club down. At the bottom, the club shaft should form nearly a 90° angle with your arm.

You don't want to break your wrist angle early because you'll lose all of the power generated by the swing. Take a few practice swings and work on keeping the angle of your wrist and feeling the transition before you make contact.

Tip courtesy of Ryan Moore, PGA<sup>i</sup>

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## Recipe of the Week

### Spinach-Orange Salad



#### Ingredients:

6 slices prosciutto (you can use bacon as a replacement)  
2 oranges, zest, and juice (zest them first, then squeeze the juice)

1 - 2 additional oranges, sectioned (supremed)  
2 Tbsp. balsamic vinegar  
2 Tbsp. honey  
1 - 2 cloves garlic, peeled  
 $\frac{3}{4}$  tsp. salt  
 $\frac{3}{4}$  tsp. freshly ground black pepper  
 $\frac{3}{4}$  cup extra virgin olive oil  
10 to 12 oz. fresh, pre-washed spinach

**Directions:**

1. Preheat the oven to 350°F. Place the prosciutto slices on a baking sheet and bake until just crisp, about 10 minutes. Let cool, then crumble the prosciutto slices into a container. If you're using bacon, cut it into small pieces and cook on the stovetop in a frying pan until crisp.
2. Combine the orange zest, orange juice, balsamic vinegar, honey, garlic, salt, and pepper in a blender. Blend until smooth. Keep blending and slowly add the olive oil until combined.
3. Place the spinach into a large bowl. Put in the supremed orange sections and prosciutto (or bacon), then add a little of the dressing at a time as not to overdress. Serve immediately.

Recipe adapted from Food Network<sup>ii</sup>

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## Health Tip of the Week



### Lift Your Mood with an Essential Oil Diffuser

Diffusers are ultrasonic devices that, when filled with water and essential oils, emit a mist with an essence that can lift your spirits. Here are a few tips to help you get started:

**Start with simple blends or single notes:** Use scents that you like. Try combining 4 - 12 drops of lavender and rosemary or eucalyptus and spearmint. You also can try single oils to diffuse: lavender, peppermint, lemon, or frankincense.

**Blending basics:** Creating fragrances works best if you combine top notes (lemon, peppermint), middle notes (rose, tea tree), and base notes (vanilla, sandalwood).

**Location, location, location:** Choose a good location. Make sure your diffuser is sitting on a level surface and is not adjacent to any nearby furniture that could be damaged by the mist. Lay a towel nearby if needed.

**Water it:** Fill the water to the recommended fill line. Be sure not to overfill. If you add too much, the diffuser may not work properly.

**Keep it clean:** Rinse your diffuser after use and use a small brush to clean with warm water. You can use a cotton swab and alcohol to clean the ultrasonic chip in the bottom of the diffuser.

Tip adapted from Loving Essential Oils<sup>iii</sup>

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Sources:

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2. <http://go.efficientadvisors.com/e/91522/rade-trump-nyse-nasdaq-1275903/5srjgv/618352953?h=MOKKtKvWRqnQwdssXSNZ6B97VZQeyWEq0i58kl8bLX4>

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<sup>i</sup> <https://www.golftipsmag.com/instruction/>

<sup>ii</sup> <https://www.foodnetwork.com/recipes/giada-de-laurentiis/spinach-salad-with-orange-vinaigrette-recipe-1917261>

<sup>iii</sup> <https://www.lovingessentialoils.com/blogs/diffuser-recipes/how-to-use-an-essential-oil-diffuser>