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## Reflections on 2016: Don't Follow the Crowd!

Friday 10:30 a.m. EST

Although the market won't break 20,000 this year, 2016 has been quite a ride. In the third week of January I was speaker at the annual ETF Conference held in Ft. Lauderdale that attracts over a 1000 advisors and money managers. The bearishness was stifling. When I finally appeared on the stage as the last speaker, I said that that I was invited to be the token "bull." There were so few bullish speakers that I said that I tried to apply for "Endangered Species" status with the US government, which would entitle me to compensation. When I found the US Government website and typed in the species that was endangered, I entered "stock market bull. The message came back, "No Such Animal has been found!" Two weeks later I spoke in Dallas and Houston (the latter at the annual CFA luncheon) as oil collapsed to \$26.05 a barrel. This oil-oriented audience was in a state of shock: Over a trillion dollars' worth of energy infrastructure in the United States was on the brink of being declared "worthless". Risk premium on energy-related debt soared and thousands of bankruptcies were predicted; many feared for solvency of the banking system.

From those dreadful lows, oil prices have doubled and the US stock market is up 25%. The roller coaster illustrates the danger of "following the crowd" and joining in the near-universal bearish sentiment that existed early this year. Eighty years ago John Maynard Keynes said it is far easier for an investor to fail conventionally than to succeed unconventionally. If you fail following popular sentiment, you can say, "Hey, everyone else was doing it." But if you fail by standing against the crowd, your clients are far less likely to forgive and forget.

There is no question that equity sentiment has turned positive since the election, but the public is still wary of the Trump presidency. Nevertheless, it is promising that consumer sentiment has jumped so convincingly this last month. Tuesday, the Conference Board's Index of consumer confidence jumped to a 16-year high, topping any month during the boom years of the real estate bubble that preceded the financial crisis. I believe the market will push through 20,000 early next year on the hopes of tax and regulation reform and industrial revival. Certainly there is room for disappointment, but that is unlikely to occur, if it does, until later in the year.

**HAPPY NEW YEAR TO ALL!**

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