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Noel Swain: Never Marry a Stock

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Rod Stewart, after a particularly nasty divorce, once said, “If I ever get the urge to marry again, I’m just going to find a

woman I don’t like and buy her a house.” Divorce can be emotionally draining, and it can make one much poorer.

Stocks can also elicit deep emotion within certain people. They can hurt your feelings, and, like a divorce, leave your net worth much worse off.

I know, I know. Your stock is different. It’ll never break your heart.

Yes, it will.

No matter how much you love that stock, it’ll never love you back. It’ll never feel the same way about you. It doesn’t hate you, per se, and isn’t intentionally trying to ruin you. It’s just completely indifferent to and unaware of your affections.

I know, brother. It’s a beautiful thing! The way that it moves on a day when the Dow is up 1,000 points. The coyness when it looks like its stock price will be down for the day, only to turn around in the final minutes and finish the day higher. The excitement. The explosive passion. The adrenaline.

It’s fun while it lasts. But that kind of relationship is also an express train to a heart attack.

Take the case of a stock I’ve studied that was riding high at the turn of the century, and had an average appreciation of more than 20 percent per year since it came on the

market in the 1980s. Since it was a tech stock, there was some concern about how it would weather Y2K and the expected fallout. But it came through with flying colors.

The people who loved that stock fell even more deeply in love with it. People retired then, expecting that stock to continue its upward trend and make them richer and richer. The Nasdaq peaked at 5,133 on March 10, 2000. It then fell 78 percent over the next 30 months. By September of 2000, the stock I’m referring to had fallen by 75 percent, and those who retired based on what they thought this stock would do were back in the job market, looking for work.

They had fallen for a pretty face. They were invited to all the right parties. They were interesting because they had done so well “in the stock market.” People engaged them in conversation, asking how they did it. They were told, and they felt like, they were geniuses.

Then the pretty face grew a wart on its nose. Its teeth fell out and eyes became bloodshot. Nobody wanted to talk to this investor anymore. His clay feet had been exposed. He was mad. How could that stock he loved so much turn its back on him? How could it take him from being the life of the party to persona non grata? How could it have made him rich, then made him poor?

That’s what stocks can do, if you fall in love with them.

While investing in stocks can be a good thing, they can also be disastrous if you get too emotionally attached. So don’t.