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Noel Swain: A Tale of Two Months

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December 2018 turned a good year for the stock market into a losing year.

Every stock index I track fell out of bed that month. They were each down from 8 percent to 12 percent in December alone.

Some of our clients called to find out what was going on and what we had to look forward to. All I could say was that the trend was definitely turning down, but there was no guarantee the trend would remain in a losing position.

Each correction the market had seen since the beginning of the bull market in 2009 had been short, taking only about six weeks to make up all its losses and then surge further ahead. And sure enough, the broad market started rebounding in January and made up most of December's losses.

Does that mean that 2019 will be a great stock market year?

I try to keep my ear to the ground on this subject, so I hear many voices pontificating about the year to come. Some say the market just took a breather in December but has now resumed its march to higher and higher numbers.

Then you have others who are vested in wanting the market to go down because they sell guaranteed investments that look good only when the market loses. They are talking about December like it was 2008 all over again. In fact, they mention 2008 repeatedly, forever trying to push that button so they can raise as much fear as possible. It's not about trying to be accurate, it's about trying to get people to buy their products.

So what is the real deal? Is the market just going up a little simply to fall 50 percent like what happened in 2008? Or is it poised to gain 15 percent or 20 percent this year?

Nobody knows.

There are plenty of statistics that'll lead you to believe the stock market is about to have an epic fail – price/earnings ratios are high, the budget deficit is running near $1 trillion a year, the president is under constant investigation, and so on.

There are also other statistics that point to a rising market – earnings growth remains strong, low unemployment, strong GDP growth.

The doom-and-gloomers, along with the fixed product salesmen, tend to fixate on the first set of statistics, while the perma-bulls tend to fixate on the second set. But nobody really knows. Everyone has an opinion, but no one has a crystal ball.

If you get out because you think it's going down and it goes up, or you stay invested because you believe it's going up and it goes down instead, you feel bad.

If you get out and it does go down, or you stay in and it goes up, you feel good and think you're a genius.

What really matters, though, are the long-term results. A disciplined approach, whether actively or passively managed, will always be the best long-term strategy.

Changing strategies just because it seems like the best thing to do at the time will almost always be wrong.