

Gottesman Wealth Advisory BMO Nesbitt Burns

Let's connect

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Outlook on the Market

Gottesman Wealth Advisory Team newsletter – Q2, 2021

I often get asked about my outlook, or my thoughts on “What’s the market going to do from here?” Well, I don’t make market predictions for a living. I’ve yet to see the person in this industry, no matter how bright they may be, who can consistently make money from correctly calling what the short-term gyrations of the market are going to look like.

I will point out that I completely disagree with those who claim that there is no better time to get out of the market than now. Barron’s Jacob Sonenshine showed that history suggests otherwise. He wrote: “Since 1979, the S&P 500 has gained 10% or more 14 times during the first half of the year, and the index has gone on to average a 6.3% gain over the second half of the year. What’s more, the index finished the second half of the year higher in 11 of those instances, or 79% of the time. Even the losses, when they occurred, weren’t all that bad. The S&P 500 dropped 1.9% in the second half of 1983 and 3.5% during the last six months of 1986.”

In particular, there seems to be a great deal of controversy in the financial media around the question of valuation and the struggle between “value” and “growth” for style supremacy. People love labels. But the people who have known me for the past 20 years know I hate labels. I believe they’re the enemy of great investing.

In general, I think the entire discussion around style misses the point. The market has a valuation attached to it – sometimes it’s fair and sometimes it’s too high or low. But we don’t buy the market, we buy a highly curated list of great ideas. We look for companies that have a competitive advantage.

In my view, the price-to-earnings ratio of individual stocks or sectors is useless information without a thorough understanding of what is happening to their fundamentals. Both have to be taken together. We're not concerned about the valuation of what we own; we own stocks because we believe their fundamentals are very, very strong and there is much that we like about these businesses.

A few weeks ago, every Tom, Dick and Harry worried about runaway inflation. Now concerns are waning. Google searches for the word inflation are down 80% from where they were during the second week of May; and even lower than they were a year ago.

I will leave you with the following quote:

"The big money is not in the buying or selling, but in the waiting." Charlie Munger