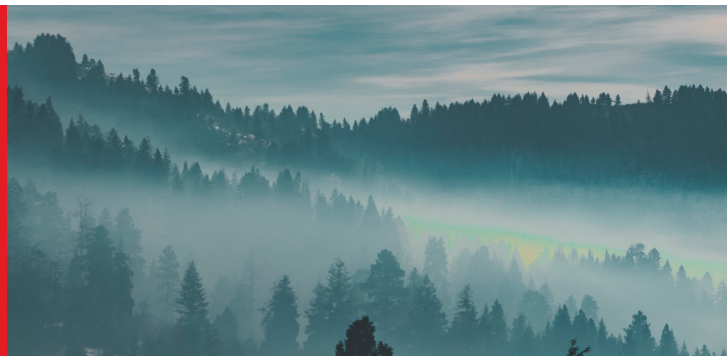


# WIMAN & WONG

Wealth Management Group

Monthly Newsletter



April 2024 Comment

## Exuberance (Irrational or Otherwise 😊) – Is greed good?

We have been asked several times over the past weeks and quarters if we felt we were in a market bubble or not. It's a question of understanding and data that is rooted in the essence of the human spirit and ultimately greed and fear.

There is a boat load of banter from multiple sources on the subject with strong arguments for each camp. In a very simple definition of the phrase, we find the following on wiki:

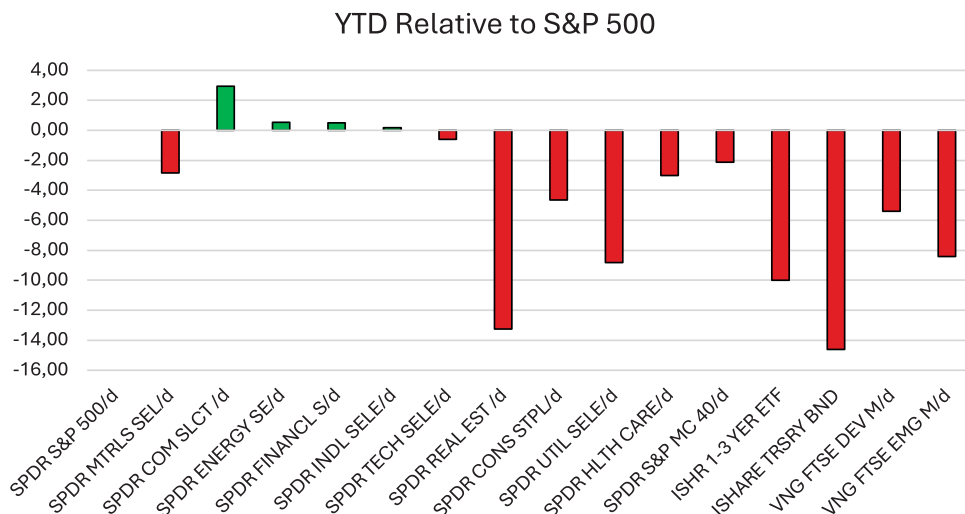
A stock market bubble is a type of economic bubble taking place in stock markets when market participants drive stock prices above their value in relation to some system of stock valuation.

### A level two definition would suggest that again from wiki:

Behavioral finance theory attributes stock market bubbles to cognitive biases that lead to groupthink and herd behavior.

Thus, we get the acronym of FOMO – Fear of Missing Out. It's a construct that has existed since the beginning of mankind, but the real FOMO only came into popular use in 2003 with the adoption of texting and digital images of everything in life. But we digress!

The reality of our state of financial markets is that yes, some spaces are in a bubble or somewhat extended either by price and or duration of escalation. The chart below illustrates sectors of the markets and their relative performance to the S&P 500. It could be argued that there are several sectors of the markets that are not in a bubble:



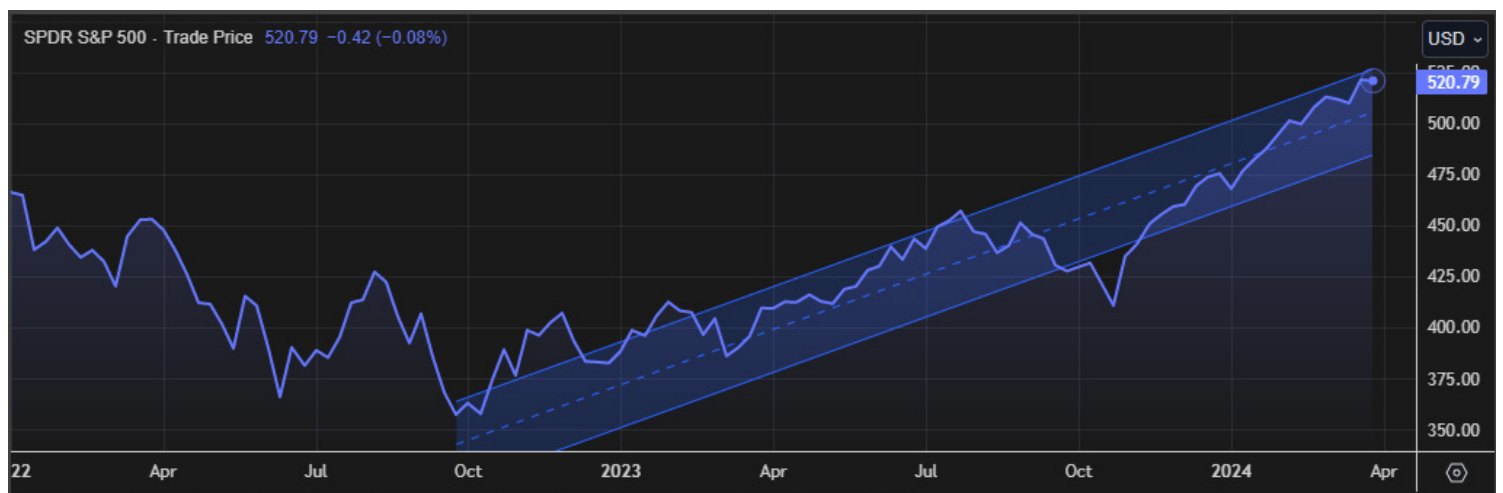
Source WS, Wiman Wong

## Where do we GO from here?

The markets generally have broadened and have become somewhat more understandable. To start the year there was a general (exuberant) thought that the FED would lower rates 6 times this year. The most recent updates from the FED are more indicative of three cuts this year with a small bias of that timeline extending through to 2025. As always, the answer remains in the data but that is the current thought today. Now if this happens and the market knows this, we have an environment that may kick the can down the road further. The chart below shows the S&P 500 over the past year. From a channel perspective we are at or near the top range of this current market channel. This is a very short-term view but gives us a bit of current perspective.

### Howard Marks (Oaktree Capital Management) is often quoted in investing circles:

*"It's the swings of psychology that get people into the biggest trouble, especially since investors' emotions invariably swing in the wrong direction at the wrong time. When things are going well people become greedy and enthusiastic, and when times are troubled, people become fearful and reticent. That's just the wrong thing to do. It's important to control fear and greed."*



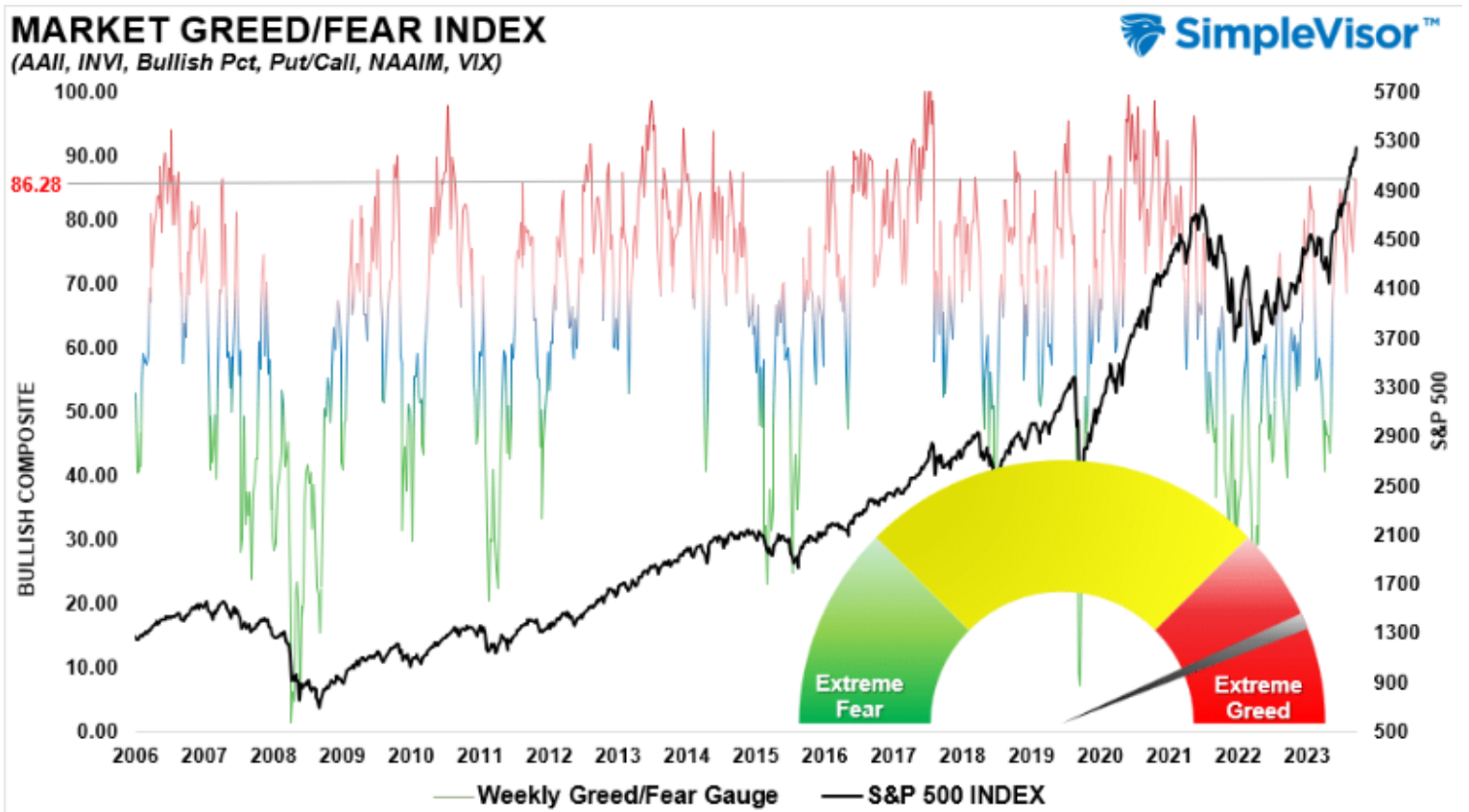
Source WS, Wiman Wong

This chart gets us to today. All bubbles have a mean reverting move. Always. This is a certainty and often accompanied by wash out types of negative volatility. Today, is the broader market in a bubble? We would venture a guess of NO! Some component pieces are closer to a bubble than others, but some sectors are nowhere near a bubble. SO, we tread lightly in those closer to a bubble and have some greater confidence with those outside the bubble definition.

To answer the question, our thought is we remain bound by the current channel trend. (Until we aren't 😊)

## Greed and Fear – Final Thought

With the introduction of FOMO (Fear of Missing Out) adopted in early 2023. The market in turn has delivered a consistent and understandable set of different fear and greed monitors. Of the couple we review regularly the overriding position of all gages remains in the greed category. The one we will post is perhaps one of the cleaner illustrations of what we look at. The takeaway is that we are in a state of extreme greed, the number can be higher, and notable is that Greed can also remain elevated and or extended for a much longer period still.



Source RIA

To finish off with some pop culture Wall Street 1987 Gordon Gekko: Address to Teldar Paper Stockholders:

## Building your financial future

The point is ladies and gentlemen that greed, for lack of a better word, is good. Greed is right. Greed works.

Greed clarifies, cuts through, and captures the essence of the evolutionary spirit.

Greed, in all of its forms -- greed for life, for money, for love, knowledge -- has marked the upward surge of mankind.

We know from monitoring gages like the one posted above that greed is as represented in the gage is not perpetual or persistent. The world changes and so will the data.

Enjoy the onset of spring and thanks for reading.

We will keep you posted going forward.



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## Contact information

### John Wiman

Wealth Advisor & Portfolio Manager  
416-869-7125 | john.wiman@nbc.ca

### Jason Wong, CIM®

Wealth Advisor & Portfolio Manager  
416-869-7142 | jason.wong@nbc.ca

130 King Street West, Suite 3100, Toronto, ON M5X 1J9



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