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MARKETPLACE

Money Talks: Life, markets and cycles

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As we rebuild and recover from Hurricane Irma, there can be any number of life lessons learned during such an experience. The first thought that comes to mind is preparedness. The ability to anticipate and prepare can make a tremendous difference in the outcome both good and bad.

It is ironic that 2004 was the year that hurricane Charlie wreaked havoc ahead of three other hurricanes which crisscrossed Florida on that fateful year. The tropics have been relatively quiet since, creating the potential for residents to let their guard down. That did not happen this time.

Certainly we can trace various cycles in our financial lives as well. Although it may sound odd connecting natural disasters to finance and investing, as we observe the 13 year anniversary of the 2004 hurricane season, we can also draw various conclusions as to the reality of trends and cycles. There can any number of catalysts which can generate any given market cycle and changes along the way within the cycle. We can all remember the events of 9-11 which also may have been the catalyst for the first massive stock market crash in modern history with the 2000 meltdown.

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Although certainly the enormity of the events of 9/11 played a role in the eventual financial disaster, many on Wall Street agreed that there were also various market cycles and trends which may have, at some point, finally generated similar carnage around the same time as the 2000 meltdown. In other words…perhaps a correction was inevitable. The theme here is not so much that there were various catalysts lurking when the market crash occurred, rather, our ability to track another immediate market cycle by charting the events of the second stock market meltdown in 2009.

Here we see a cycle of events which clearly had similar frailties within the system. The second roughly 10 year cycle was defined and at the same time, the catalysts for each were quite different. The second 2009 crash was fueled by, for the most part, the "cheap money" policy instituted by former Fed Chief Alan Greenspan. The aftermath of the dual bubble of both real estate and stocks was devastating to say the least. Yet all the while during this roughly 10 year window between crashes, we can certainly establish a cyclical trend associated with generous returns in between crashes.

Now, this all becomes part of the big picture when we step back and view the second 10 year cycle which we are now deeply entrenched with the stock markets. While stocks and weather may have very little correlation other than the costs associated with various commodities pricing in the aftermath of natural disasters, it is not necessarily a reach to associate the current 10 year cycle with historic stock market trends and cycles. Of course, the 2000 crash caught most by complete surprise, including many Wall Street professionals.

The premise here is simple; if we will acknowledge and embrace the very real trend of market cycles, we can begin to see the value of preparedness just as we did recently with the passing of Hurricane Irma. The theme of taking precautions and being prepared for bad times certainly share a common thread, regardless of Mother Nature or Wall Street.

When we step back and look at the charts, clearly the trend will show us a recurring theme with yet another 10-year cycle. In other words, given the enormity of stock market returns now headed into year 9, we can perhaps establish a recurring trend which may indicate that the time to be prepared is now. Never mind the incredibly unstable geopolitical environment; the real issue here is where and how do we prepare for the inevitable when carnage strikes the financial markets yet again.

There any number of strategies for which investors can be prepared both emotionally as well as financially. Now is a good a time to acknowledge market cycles and be prepare which certainly can lead to the life of a SWAN, Sleep Well St Night.

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The opinions and observations stated above are those of the columnist.