An Investing Anti-Prediction

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The Year 2015 will be one of three things for markets.

The S&P 500 will see a run-up over 2500 (perhaps as high as 2700 if we get the doozy blow-off top) followed by a fall back to 1700 (maybe even 1500 intra-day). This "capitulation" part could straddle the 2015-2016 year, or,

It might be an average year and end up around 2200 or 2300 (pushing the final blow-off top further into the future), or,

It may be a less than average year where we bounce around (consolidate) between 2050 and 2150-ish.

Where we end up this year (or any year -- or any short term period) is unknown to me because it is unknowable. It's the stuff of crystal balls. I know, I know... you've had enough with my "limitations of knowledge" spiel. AND, there really are limits to what we can know. The future is simply beyond the limit.

I can find many forecasters calling for variations on each of these three themes... none of them "KNOW" anything that you or I don't know. They may throw a dart... or they may make a series of assumptions about a series of unknowable variables that, if correct, lead to a presumed market level (if market participants feel about it the way the forecasters expect them to feel).

The forecasters that get it right will have been lucky, but they will get media attention just the same. You may want to review: "Market Forecasts: Whom Do They Benefit?"

The key is to understand that it is all part of a natural process of unfolding futures mixed with emotional investors, and then to NOT get overly emotional about it. You cannot predict or control either of them. And, if you have a long time-horizon, it doesn't matter.

Because 20-30 years from now, the world will be completely different than it is today, and the great businesses of the U.S. and the world will have uncovered and created many profitable opportunities in the meantime. If you are broadly diversified and intelligently allocated, you will benefit enormously.

Most years are those consolidation or average up years. But, these normal years are punctuated (on average every five to six years) with both blow-off tops and capitulation bottoms. This is a normal process of the S&P 500 discovering the right price for itself in context of a global economy filled with investment opportunities, investment risks, and emotional decision makers.

So, what to do?

If you are a younger investor, maintain your Dollar Cost Averaging (DCA) program and you will benefit from whatever comes (if you dispassionately give it the necessary time).

If you are a pre-retiree, you may wish to turn the risk dial down a notch (depending obviously on where you had it set to begin with and how much you have relative to your needs).

Asset Allocate, Diversify, Rebalance... Stay HUMBLE (admit the limitations of knowledge) and STAY RESILIENT. It is a mouthful, but it is the only thing that has consistently and reliably worked. And that's all we need to know about what is unpredictable.

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