



March 7, 2016

The Folly of Forecasting

"No man ever looks at the world with pristine eyes. He sees it edited by a definite set up customs and institutions and ways of thinking.

-Ruth Benedict, Anthropologist

Hasn't this year been a real trip so far? A plunging stock market, giant rallies, Trump, Rubio, Sanders, Clinton, and maybe Bloomberg? The Broncos over the Panthers, floods, snow, tornadoes, and a presidential election nine months away. It has been an absolutely wonderful time to be in the forecasting business...

Ms. Benedict's quote reminds us just how difficult it is to remain above the fray and give our analysis to the situation at hand with "pristine" or unbiased eyes. It is with this in mind that I'd like to put into perspective some past forecasts with the hope that you will address the current prognosticators with the same grain of salt.

Oil over \$200 per barrel, Gasoline at \$10 per gallon

An April 28, 2008 article from The New York Sun reported that Dune Energy chairman, Alan Gaines, predicted a conservative estimate of \$200/barrel for oil, as \$250/barrel could be reached¹. This could mean \$10 gas! Naturally, sales of pick-up trucks dived.

DOW at 36,000

Dow 36,000, The New Strategy was published in 1999. Written by James K Glassman, a frequent columnist for the Washington Post, and Kevin Hassett. In the book, Glassman makes what seems like a logical case for why the Dow will hit 36,000 points in the near future². This book was featured on all of the primetime talk shows and part of it was published in the Atlantic Monthly. I hope no one bet the farm on that!

Gasoline at \$1

In late 2015, experts at Goldman Sachs predicted a further drop in the price of oil to \$20/barrel leading to huge savings for consumers at the pump³. I guess, now it's time to buy a pick-up!

50% Decline in stocks

Joseph Granville, an (in)famous market analyst, made a prediction in January 2012 guaranteeing a 50% plunge in the market after a projected peak to occur on January 23, 2012⁴. The Dow closed that afternoon at 12,709 and by the end of 2013 the Dow sat at 16,577⁵. I hope no poor souls followed Joe down that road.

There is so much noise out there. One might wonder, who should I trust? What should I *really* do? We follow the same sound investment principles that rule out market timing and knee jerk reactions. We don't listen to the doomsayers, and we don't listen to the optimists. We hold a diversified portfolio of equity and fixed income that are tailored around your long-term investment plan. Some bumps are unavoidable, but we have our eyes fixed on the long-term.

As we move into the Springtime, expect another commentary in the coming weeks ahead of our usual quarterly reports. As always, if you have comments or concerns we are happy to talk.

Here's to looking forward to warmer weather!

John, Derek, Jon, and Stacie

¹ Dorfman, Dan. "Gasoline May Soon Cost a Sawbuck," The New York Sun, April 28, 2008.

² Glassman, James K. "Dow 36,000: The New Strategy for Profiting from the Coming Rise in the Stock Market," Three Rivers Press, 2000.

³ Macalister, Terry. "Goldman Sachs says oil could fall to \$20 a barrel," The Guardian, September 11, 2015.

⁴ Lubin, Gus. "Notorious Market Timer Joe Granville Predicts a 50% Plunge," Business Insider, January 24, 2012.

⁵ Source: Yahoo Finance

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