



Welcome to the Prediction Games

Wondering where the stock market is going in 2018? There's no shortage of individuals willing to voice their opinions, and many would like to charge you for them as well. A quick Google search offers 2 million answers. Many may be right. But based on prediction data collected from market forecasters since 1998 by CXO Advisory Group, market experts accurately predicted market direction 48% of the time. A coin toss would have been just as accurate.

"Those who have knowledge don't predict. Those who predict don't have knowledge," maintained poet and philosopher Lao Tzu in 6th Century BC – 2500 years ago.

Adding to the hazard of believing in market predictions is our own cognitive bias. We are attracted to forecasts that match our current beliefs or gut feel. Successful investing is based not on predictions but on preparation. We admit that we don't know where the market will be next month or six months from now, much less for all of 2018. What we do have is a plan to protect assets when market risk exceeds our parameters and to return to the market when a recovery appears to be underway. We let the market tell us what we need to do. "Above all, remember this: Markets can remain irrational a lot longer than you and I can remain solvent."

Investing on the basis of predictions is no more than a coin's toss.

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