



Ben's Bow Tie Brief

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THE BIG MISTAKE APRIL 2025

As the first quarter concludes the market narrative has decidedly shifted. Concerns about a “no-landing” economic scenario have morphed into unease about potential recession or stagflation. The Federal Reserve’s stance has changed from easing to a “patient policy pause”. Meanwhile, US technology AI leaders continued dominance is being questioned as Chinese tech players assert competitive offerings. Then there’s the uncertainty shock that has doused confidence, as the White House pursues what seems to be an unpredictable agenda of “everything, everywhere, all at once”.

The problem for investors arises from the reality that business has great difficulty making informed decisions and plans out of this ever-changing maelstrom. Nobody knows what effect all this will ultimately have on earnings, and therefore on the prices of stocks. Business can live, even prosper, given any clear set of circumstances. But it cannot make rational plans out of total chaos. Hence the (long overdue) market correction. We’re seeing maximum uncertainty on steroids.

What are the two most important words in the foregoing paragraph? Those two words are, of course, **nobody knows**. Unfortunately, that is the answer to all current event questions.

The great truths that we must stand on are:

1. nobody knows how or when this chaos will abate, but
2. you should have a long-term plan that is ideally suited to help meet your goals;
3. that plan has worked in the long run, and therefore,
4. since the economy can't be forecast nor the market timed,
5. ***our best course is to just ride this out together.***

That last one tends to frustrate people. Why? Because it doesn't involve immediate action that might make their unsettled feelings go away. People want to "do something" and they think if they "do something", they'll feel better. That "something" usually involves selling stocks.

They might feel better in the short run, especially if markets continue to weaken temporarily. But then they're faced with the impossible task of timing when to get back in. Chances are they'll get it wrong and make ***The Big Mistake*** – thus interrupting their long-term compounding. That interruption can be permanent. The market is inviting you to make the big mistake. Please consider declining the invitation.

I understand there's a voice whispering in your ear those four dangerous words in investing: "This time is different". And narrowly speaking, it is. Just in the first quarter of this century there have been four vastly different and quite terrible bear markets.

The current chaos is surely different from all of those very real crises, as all of them were different from each other. ***All crises are different.*** But they haven't been anywhere different enough to completely derail the relentless growth of innovation and productivity by leading companies.

Without objective evidence, I think it's fair to assume that long-term investors who heeded to the whispering voice, and sold into any of those major declines, regretted that decision bitterly, and for a long time. Also, without objective proof, because there are no facts about the future, and because past performance is no guarantee of future results, I suggest this time probably won't be importantly different ***in the long run.***

It may be difficult to accept this thesis. For what it's worth, you wouldn't be human if you weren't feeling the fear. But feeling fear and then acting on it, thus making what has historically proven to be ***The Big Mistake***, are two completely different things. Helping investors separate the two is our job – a job we take very seriously.

I welcome your questions and comments and look forward to talking with you soon.

Best,

Ben

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