

## THOUGHTS FOR THE WEEK

## MOTION SICKNESS

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June 10, 2022

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It has been a rough six months. Headlines scream despair, cryptocurrencies have gotten rocked, venture and private equity valuations are down, stocks and bonds have taken it on the chin - at the same time. For investors, 2022 has been like a bumpy, winding car ride.

Having lived through the October 1987 crash (down 20%+ in a day), the Internet bubble of the late 90's and its collapse in 2000-2002, and the Great Financial Crisis of 2007-2008, bad markets no longer make me nauseous. But I understand the motion sickness that can come with a declining stock market. Which reminds me of how, as a kid, I dealt with car sickness. Those lessons apply today.

As a child I was prone to car sickness. My dad loved to fish, and we often drove up winding, mountain roads. I would read in the car, and, suffering from allergies, I usually did so while congested and dealing with inner ear problems. The inner ears help control your sense of balance, acting as part of a network called the vestibular system. They include three pairs of semicircular canals that hold a fluid that moves with the turns of your head, and two sacs - the saccule and the utricle – that are sensitive to gravity. This system sends information to the brain – like whether you're standing up or lying down.

Normally your brain processes this information and makes tiny adjustments – you don't realize you're constantly recalibrating your balance. But when there are conflicts among your senses -say your eyes and ears sending different messages – you can get motion sickness. For example, you're in the back seat reading as the car bends around a curve. Your eyes see one thing, your muscles feel another, and your inner ears sense something else. Your brain can't make sense of these mixed signals and you end up feeling dizzy.

My family learned to be wary of road trips with me. They would prepare accordingly – an air sickness bag in the back seat; a strict regime of bland pre-trip nutrition (the danger of combining graham crackers and grape juice learned the hard way); confiscating my reading material as the road started to wind; and marching orders to roll down the window if necessary, with enough warning so that my parents could slow down or stop before disaster struck. We'd pull over and sit while I nibbled Saltines and sipped 7-Up until I felt well enough to carry on...and carry on we always did. Cutting a trip short was never an option – we were getting to that mountain lake or Grandma's house. Damn the consequences.

But perhaps something good came out of those years of nausea. The same preparations can be applied to investing while markets are turbulent...

- Know your stomach and think about what you eat - before you travel: *Design a portfolio you can live with in rough times. They are inevitable and unavoidable.*
- Choose a less winding road – *diversifying, avoiding leverage, and having ample cash on hand naturally reduces the “bumps” a bad market can create*

- Avoid reading when the road is curvy – *TURN OFF CNBC, in good times or bad. It's people on TV vying for your attention, and saying just about anything to get it*
- If necessary, slow down or take a pause, but don't lose sight of the destination – *trimming positions, decreasing the size of new investments, or stretching deployment can help with feeling comfortable – but don't forget that when investing, time in the market is often the path to competitive returns*
- Sit in the front seat – *Know what you own and why. Having conviction in your investments better positions you to ride out declining markets*

In my teens, I outgrew my propensity for motion sickness. But occasionally I forget the basic rules my parents instilled and start to feel queasy - usually in the back seat of an Uber with my head down reading emails. And I must remind myself to put away my phone, roll down the window, and stare at the horizon until the feeling passes. If you find yourself, at times, feeling queasy as an investor, remembering these simple rules can perhaps help you tolerate volatile markets, and help keep your eye on firmly on the long-term goal with your family's investment capital – preserving and expanding your purchasing power while avoiding permanent losses.

Mike, Cate, Scott, Oscar, Suzy, and Willis

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Sources:

Why Do I Get Motion Sickness, by Dan Brennan, MD August 21, 2020,  
<https://www.webmd.com/cold-and-flu/ear-infection/motion-sickness>

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