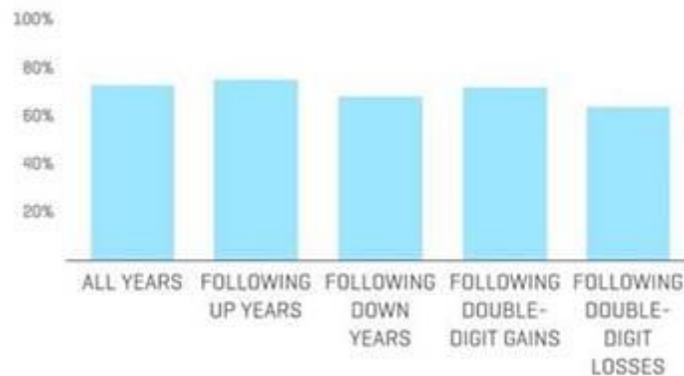





Why all the long faces? (*Asked the bartender of the horses. Ba-dum-tass!*) We just finished a multi-record setting year in the stock market. Have had a nice multi-year run, actually. Jobs plentiful. Yellowstone’s 4th season is out. Economic growth, strong. Yet, The University of Michigan Index of Consumer Sentiment dropped 13% in 2021...to 70.6...the lowest reading since 2008. I remember 2008—*back when I had a peninsula of hair*....this is nothing like 2008 in the markets. In 2008, the S&P 500 was down nearly 40%? Frankly, I love the gloom and doom. Love it. The latest American Association of Individual Investors show the percentage of bulls is below 45% right now. Yes! Sentiment leaned bearish last year too. I think that bodes well for us all. As Buffett famously said, *“Be fearful when others are greedy, be greedy when others are fearful.”*

Percentage of Time the Stock Market Was Up in a Calendar Year



S&P 500 Total Returns: 1926-2019
 Chart: Ben Carlson • SOURCE: DFA

FORTUNE



Many believe if the stock market is up the first five trading sessions of a January, it is a positive indicator for the whole year. It's called the "first five days rule", not to be confused with the "5 Second Rule!!!", yelled, when you drop food on the ground and want to eat it anyway. According to the Stock Trader's Almanac, in years in which the first five days in January are cumulatively up, the year finishes positive 80%-ish of the time. Given the market is up about 75% of all years...the odds really change very little. It seems to me January's predictive power is most likely just a coincidence. And remember **correlation is not causation**. (However, the "five second rule" is science ☺.) We just completed the first 5 trading days of 2021 last week, and the S&P was up nearly 2%, so we got that going for us!



Can you believe the iPhone has only been in our lives for 15 years. The first iPhone was unveiled in January 2007. Think of all we do with smartphones now--text, email, shop, check the weather, hail taxis, navigate, play music and games, watch movies, take photos...and sometimes we even use them as phones! The iPhone is a great example of how technology rapidly improves, and prices come down often swiftly. *"Building today's iPhone in 1991 would have cost at least \$51 million, with \$540,000 worth of camera thrown in for free,"* Bret Swanson, [The \\$540,000 camera in your pocket](#), November 2020. Bret chose 1991 for this comparison because it was the first year of digital cameras. I believe a successful investor must have faith in the future. Faith that tomorrow will be better than today, in ways that are hard to imagine. Robotics, genomics, 3D printing, chicken & waffle flavored chips.....innovation is alive and well. *USA! USA! USA!*



We are now in the midst of 2022 prediction season. Many supposed market gurus will share their two cents on what the markets will do in the new year. All will be guessing. Your guess is as good as theirs. ***"The Guru Hall of Fame is an empty room..."*** Scott MacKillop. The pessimistic pundits are rarely right, but never in doubt. Considering the market is up over 70% of the time, isn't it surprising that bullish forecasts are so rare? Remember **market forecasting is not a science—ingest as entertainment with 0.03 cm of salt.**



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As always, I'm honored and humbled you have given me the opportunity to serve as your financial advisor. I am lucky to be in the foxhole with the greatest clients in all the land. We hope you view us as your ***friendly, knowledgeable, and reassuring source of financial guidance.***

FAITH

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