



PACIFICUS
CAPITAL MANAGEMENT

INVESTMENT OUTLOOK – SEPTEMBER 2022

Stop the Doomscrolling

“It’s amazing that the amount of news that happens in the world every day always just exactly fits the newspaper.” – Jerry Seinfeld



“Here’s what went wrong today.”

CartoonStock.com

In financial markets prices change far more often than the fundamentals. Years ago, as a young bond trader, it was easy for me to get caught up in all the news releases continuously coming at us throughout the day. A ton of trading gets done in reaction to news reports and economic data, which based on experience is usually not a good thing for the end investor. In reality, much of this high frequency data is noise and should generally be ignored.

Young investors, traders, and portfolio managers tend to over-trade when they first start out. This could be due to the association many people have between working hard and taking action. Early in my career, one of the most difficult things for me to do sitting on the trading desk in front of six screens was to just sit on my hands and do nothing. Over-trading leads to mistakes, and when we talk about mistakes in trading or investing, what we mean to say is losing money.

Today we have informational overload. Most of the news coming at us twenty-four hours a day is worthless and may not be good for either our wallets or mental health. Herb Greenberg writes for Empire Financial Daily. In a recent piece, “Getting Sucked Into the ‘Doom Loop’” he makes the case for stepping away from the news feeds and cutting the informational cord.

Getting Sucked Into the 'Doom Loop'

By Herb Greenberg

Empire Financial Daily

September 9, 2022

One of the most liberating things I've done in a few decades is 'cut the cord'...

No, not to cable... though I have no idea why I still have it. I'm talking about writing almost exclusively about stocks that will fall, companies that will fail, and – when I wanted to stare into the abyss – what might bring down the market (and everything else, for that matter).

It was a good gig... I enjoyed it. And there's no question that being a resident skeptic played into my DNA. You can't effectively write or talk about things if you don't believe in them.

I still dabble in it, and the truth is... surrounding myself with anybody and everybody who had a bearish thought made great copy and kept me out of the market when I should have been out.

But it also kept me out when I should have been in.

Which gets us to where we are today...

Is this the opportunity of a lifetime ("you should be greedy") or the beginning of the end ("you should be fearful")?

Based on my Twitter feed... the answer seems to be to shut the windows, pull the drapes, and bolt the doors... It's that bad and about to get much worse.

And maybe it is, especially given the geopolitical backdrop (if you want to know what concerns me most). But that leads to something else I've been thinking a lot about lately... doomscrolling. Merriam-Webster puts it this way...

Doomscrolling and doomsurfing are new terms referring to the tendency to continue to surf or scroll through bad news, even though that news is saddening, disheartening, or depressing. Many people are finding themselves reading continuously bad news about COVID-19 without the ability to stop or step back.

Ditto for politics... and the market.

With the luxury of having been able to step away – or at least, be out of the thick of it – at precisely the time all hell broke loose in the markets, which seemed combined with just about everything but locusts invading Manhattan, it's very clear: There's a fine line between sticking your head in the sand, and obsessing over every twist and turn of everything that can go wrong... and getting pulled into the vortex of doom.

The trick is to not avoid the realities of the risk while also not getting drawn in so deeply that you can't see the broader picture.

As I recently tweeted...



Herb Greenberg ✓
@herbgreenberg

...

Think how calm life would be if you didn't use Twitter and only watched or read the news 1-2x a day and didn't get caught up in every twist/turn of it all... and simply had a portfolio of good businesses. There ARE people who live that life. I think they're called... happy!

4:06 PM · Aug 26, 2022 · TweetDeck Web App

Source: Twitter/@herbgreenberg

There's proof, too, in the form of a very recent study published in the journal Health Communication about the impact of the firehose of news – and how it can take people to 'a dark and dangerous place'...

As the study explains (emphasis added)...

*We further argue that for these individuals, a vicious cycle can develop in which, rather than tuning out, they become drawn further in, obsessing over the news and checking for updates around the clock to alleviate their emotional distress. **But it doesn't help, and the more they check the news, the more it begins to interfere with other aspects of their lives.***

What may have begun as an effort to monitor disconcerting events and remain apprised of potential threats develops overtime into a maladaptive relationship with the news.

Getting sucked into the "doom loop" (or on the opposite side, getting sucked into a mania) can be worse for an investor... and doubly bad in a market as unpredictably volatile as this one.

That's why I cut the cord – not entirely, of course, but just enough to help clear my head... and in the process, with the benefit of time and eliminating the noise, not making a trade or two I might have regretted.

Markets are very tricky right now. They are unusually volatile and illiquid. It is the perfect environment for those with strong views, either bullish or bearish, to be taken out in stretchers. At the moment, we are sitting on our hands, waiting for the dust to settle, to see which direction things ultimately break.

My bias is the Fed perceives itself behind the curve which will lead to overtightening of monetary policy. In the near term this is not good for stocks but should eventually provide support to intermediate and long-term government bonds. Markets have been going back and forth between focusing on either inflation or recession. My bet in the months to come is a significant domestic and global slowdown will overwhelm much of the inflation that came about from mistaken policy decisions surrounding COVID. Keeping this in mind, client portfolios are positioned defensively, as central banks tighten monetary policy into an economic slowdown

ASSET CLASS & SECTOR OPINIONS		
OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Cash	International Developed Market Equities	Small Capitalization Stocks
U.S. Treasury Notes & Bonds	Emerging Markets Equities	Financial Services Sector
Investment Grade Corporate Bonds	Consumer Discretionary Sector	Leisure & Hospitality
U.S. Real Estate & Related Equities	Consumer Staples	Materials Sector
Large Capitalization Technology	Communication Services Sector	Energy Related Equities
Healthcare	Mortgage-Backed Securities	Leverage Loans (Floating Rate Debt)
Aerospace & Defense	Local Currency EMG Bonds	Treasury Inflation Protection Securities
Utilities	Gold & Gold Miners	High Yield Corporate Bonds

Sincerely,
Justin Kobe, CFA
Founder, Portfolio Manager & Adviser
Pacificus Capital Management



Advisory services through Cambridge Investment Research Advisors, Inc., a Registered Investment Adviser. Securities offered through Registered Representatives of Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC. Cambridge and Pacificus Capital Management are not affiliated.

Material discussed is meant for general illustration and/or informational purposes only, and it is not to be construed as investment, tax, or legal advice. Although the information has been gathered from sources believed to be reliable, please note that individual situations can vary. Therefore, the information should be relied upon when coordinated with individual professional advice. These are the opinions of Justin Kobe and not necessarily those of Cambridge Investment Research, are for informational purposes only, and should not be construed or acted upon as individualized investment advice. Investing in the bond market is subject to risks, including market, interest rate, issuer credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies is impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and the current low interest rate environment increases this risk. Current reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Diversification and asset allocation strategies do not assure profit or protect against loss.