OUT OF HIBERNATION?

Money manager worries bears could roar in 2020, despite stock market's decadelong bull run

BY BRETT JOHNSON
bjohnson@roi-nj.com

After a several-year recessionary beatdown, the stock market was not for the fainthearted at 2010's outset.

In the decade that followed, **Jim Ferrare**, managing principal of **Withum** Wealth, watched as talking heads warned endlessly of the potential for another bruising reversal, especially in recent years. Instead, the past 10 years went down as one of the best decades ever for the stock market.

Ferrare isn't surprised so much crying wolf has inspired a newfound optimism at 2020's outset. And, if you had been investing with some of the pundits, he said, you would've lost a lot in terms of opportunity cost.

So, it's with a great amount of guardedness that he'll tell you his opinion as a money manager today: This stock market is not one he'd happily rush out to embrace.

"What's concerning is the current complacency in the market, because that's where a lot of money is going to be both gained and lost," Ferrare said. "Going forward, I believe patience and discipline are going to be rewarded even if, in past years, that hasn't been the case."

After a decade of uninterrupted gains in the market — with the one smudge on that record being the unprecedented stock market drops of 2018's fourth quarter — it's easy to be complacent.

Ferrare said the current bull market, which is also the longest period of growth in the country's history, got underway as far back as February 2009. The market at that time started rebounding from a more than 50% fall from its pre-recession high two years prior.

Due to that, the market was starting at very low levels at the beginning of 2010, Ferrare said. The market in 2020 doesn't paint the same picture.

"Right now, there's a lot of enthusiasm for stocks," he said. "Part of that is reflected in the price-earnings ratios. We're flirting with 19 times earnings, whereas historically you might be looking at 14."

If a longtime money manager such as Ferrare's glass is half-empty in this new decade, it's because he's not convinced businesses are growing to the extent the market has been rewarding them. Clients have, regardless, been lulled into a feeling that the market can only go higher, he said.

No one assumed the market only could go up a decade ago, Ferrare added. As a result, it took a lot of time for money managers to persuade clients to commit more into equities after the last financial crisis.


Jim Ferrare, managing principal of Withum Wealth. – *WITHUM*

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Now they hardly need convincing, and — given the valuation of some of the top equities today — that can be worrisome, too.

"Going back to some of the greatest overvaluation periods in the market, such as '87 or '99, no one could envision how far stretched the valuations were — then, there was a price to pay," he said. "Back in '87, in Japan, you could go into a department store to buy stocks. That was, no doubt, a sign of an overly bullish investment atmosphere. And it's not like we see that today, per se."

Ferrare wouldn't say the right decision is to have clients sell everything in their investment portfolios. But rotating profits from the past decade's winners into other investments is something he's advising.

"Look, the decade that ended 2010 was led by small-cap stocks and international stocks," he said. "This decade that just ended was led by three or four big names that are marked up. … Everyone is picking **Amazon** as their top stock for this year, but Amazon is not an undiscovered secret."

At the same time, a disappointing slowdown of wage growth in the first report this year on the country's jobs figures is something Ferrare took as an ominous sign for a high-flying stock market.

So, with the caveat that timing the stock market is a fool's errand, he argues that 2020 might be the right time to consider rebalancing portfolios.

"I think market timing is not necessarily the conclusion," he said, "but more prudent money management should be."

twitter: @reporterbrett

Conversation Starter
Reach Jim Ferrare
of Withum Wealth at:
jferrare@withumwealth.com
or call 732-450-0147.