Polaris Greystone FINANCIAL GROUP, LLC

Polaris Greystone Educational Series

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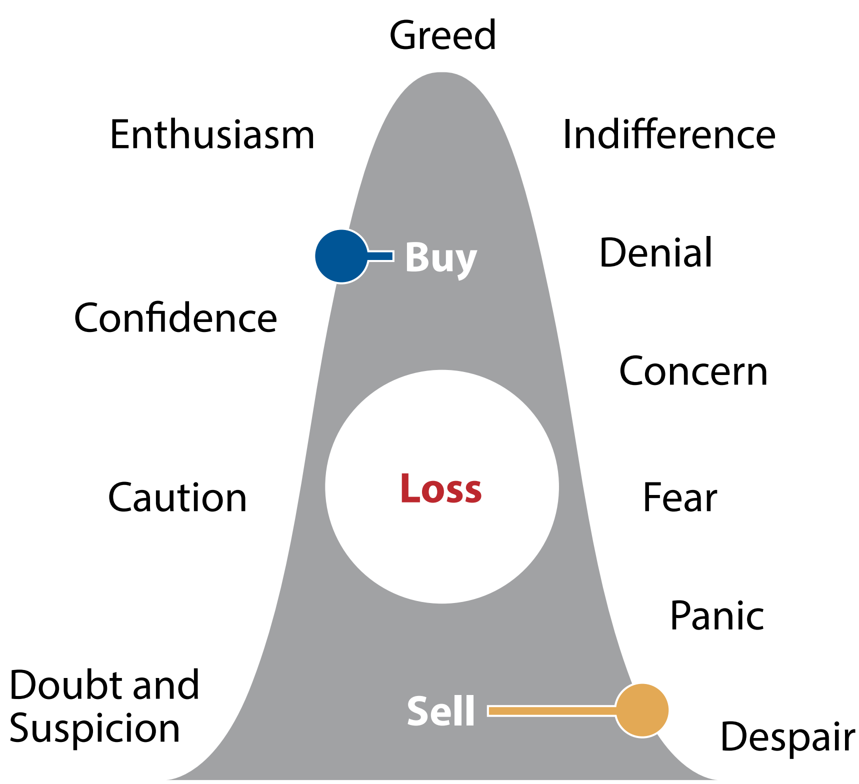
FOMO Investing

Many of you may know this slang phrase. FOMO means the Fear Of Missing Out. While this phrase is more often tied to social media and to millennials feeling like they are missing out on something more exciting than what they are doing, I'm hearing a lot of it regarding people sitting in far too much cash as the stock market rallies. They fear they are missing out on the rally, but they are too decision impaired to put their money to work for fear that the market will drop again.

Many of these investors rely exclusively on their emotional well being to invest their money. They invest (buy) when they feel comfortable and confident that the markets are going to go up and get out (sell) when they don't feel comfortable about the broad-based markets. As you can see from the illustration to the right, this often leads to buying high, selling low, and then leaving your money in cash until you have confidence that the markets are a safe place to invest and make money again. Many of these FOMO investors sold out of their investments in December and have done nothing about putting this money back to work in the market.

Cycle of Emotion



Source: Journal of Financial Planning

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We made the argument, throughout the fourth quarter, that the market pullback was completely sentiment driven. None of the market's negative movement was based upon anything that had fundamentally changed. Companies were reporting record earnings, people were spending their money – which was driving our economy up, and there was no inflation to speak of during this time. We told our clients to ride out the storm. In early January we made the call to get your cash working for you in the stock market. We made the argument that the S&P 500 was undervalued, over-sold, sentiment was ugly (a good thing), and most of the time when investors overreacted in this way the S&P 500 rallied significantly.

What should you do now, if you were one of those investors that sold in December, and haven't put your money back in the market?

Here's our advice:

1. We are still in a secular bull market and should be in it for several years to come.
2. Bull markets climb a wall of worry. In other words, there will always be a reason for you not to invest in the stock market if you look hard enough.
3. While the markets are no longer undervalued or oversold, our economy looks very strong and corporate earnings are beating expectations.
4. The breadth of the rally is very bullish. For the first time in 711 trading days, more than 90% of S&P 500 companies are now trading above their 50-day moving average. According to Bespoke Investment Group, the average return six months later is 8.95% for the eight other times this has happened since 2001.

S&P 500 After End of Streaks w/o 90%+ Breadth Reading*

Date	Streak of Trading Days	Next Week (%)	Next Month (%)	Next 3 Months (%)	Next 6 Months (%)
5/2/03	583	0.36	6.04	3.80	12.56
11/12/04	354	-1.17	1.82	2.21	-1.56
4/29/09	1108	525	7.92	13.03	21.72
3/17/10	120	0.13	2.68	-4.18	-3.53
10/5/10	119	0.78	5.20	9.74	14.81
10/24/11	256	-0.07	-7.37	4.95	10.88
1/4/13	294	0.38	3.11	8.27	11.86
3/16/16	709	0.47	3.31	2.17	4.86
2/15/19	711	?	?	?	?
	Average	**0.77**	**2.84**	**5.00**	**8.95**
	Median	**0.37**	**3.21**	**4.38**	**11.37**

*Streak of trading days without >90% of S&P 500 stocks above their 50-day moving average.

5. Meet with your Polaris Greystone Wealth Advisor to discuss the best way of getting your cash to work for you in this market.

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While you may still be fearful of more stock market pullbacks to come, we feel that the good far outweighs the bad. Our economy is strong, corporate earnings are excellent, there is no unemployment, inflation is in check, and the global economy looks to be stabilizing. While no one can accurately predict the future, we would say that risks have subsided and there are ample opportunities for stock investors to experience above average returns.

As always, I welcome your questions and comments.

Sincerely,

Jeffrey J. Powell
Managing Partner and Chief Investment Officer

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Privacy Policy

Maintaining the confidentiality of client personal financial information is very important to us. To provide clients with superior service, we collect several types of nonpublic personal information about our clients, including:

- **Information from forms that clients fill out and send to us in connection with a new account application (such as name, address, and social security number).**
- **Information a client gives to us orally.**
- **Information about the amount clients have invested (such as initial investment and any additions to and withdrawals from a capital account).**
- **Information about any bank accounts clients use for transfers between accounts.**

Polaris Greystone does not sell or disclose client personal information to anyone except as permitted or required by law. We share this information with our legal counsel as we deem appropriate, with our custodians in the course of servicing a client's accounts, and with our regulators. Finally, we may disclose information about a client at the client's request or with the client's permission (for example, by sending duplicate account statements to someone designated by the client), or as otherwise permitted or required by law.

Access to information about clients is restricted to those employees who need to know the information to service client accounts. Our employees are trained to follow our procedures to protect client privacy and are instructed to access information about clients only when they have a business reason to obtain it. We maintain physical, electronic and procedural safeguards to guard your nonpublic personal information.

If you have any questions concerning our privacy policies and procedures, please feel free to contact James Mason, Chief Compliance Officer, at jmason@polarisgreystone.com or by calling Mr. Mason at (248) 267-1270.