



**Third Quarter 2021**

## **When Forecasts are Bearish and Bullish...**

Which way is the market headed for the second half of 2021?



There are plenty of opinions on both the bull and bear sides of the coin. Bears see an overpriced market, inflation and a threatening recession with growth stalling out. Historically, to quote money manager Meb Faber, "... *investing in stocks at sky-high multiples is a horrible, terrible, no good idea.*" Bulls, however, see opportunity for the economy rebounding post-pandemic with a resurgence of buying, government spending, and an explosion in innovation and entrepreneurship.

Given we will only know the answer in hindsight, for now we need to make certain fear doesn't take us out of the market, missing opportunities. Nor can we be so aggressive that our portfolios are badly hurt if there is a downturn. This is the strength of an active management approach. We don't have to have a conviction one way or the other. What we need is to keep an eye on managing downside exposure and have a plan to respond to changes in the market.

A tremendous amount of energy and intelligence goes into trying to rationalize financial markets. But in the end, stocks will go up as long as people want to buy them: bad times in markets and economies often follow the good times. And vice versa. While there can be no guarantee that active management will be successful, we have the flexibility to adapt portfolio positions to changes in the market to manage risk.

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