

StraightTalk

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Out of Africa; News

I recently had the privilege of attending the Raymond James Chairman's Council trip to South Africa. We were fortunate to spend time in the metropolitan city of Cape Town, the small town of Livingstone by the world's largest waterfall, Victoria Falls, and on a private game reserve inside of Kruger National Park. There are not enough words to describe this adventure, but life affirming and life changing both certainly apply.

Aside from amazing culture, fabulous food, and spectacular wildlife, several other things stood out to me. We started the trip touring the coast of South Africa out of Cape Town with a fantastic local guide, Trevor Cleghorn, who was rightfully proud of where he lives and works. His knowledge of South African history, culture, animals, and plant life was almost encyclopedic. (Trevor, if you are reading this, thanks again!) On our day together, one of our conversations that resonated was about disgraced former South African President, Jacob Zuma, who undermined much of the progress of Nelson Mandela. Politicians using their position of power to enrich themselves, rather than to continue the momentum of expanding economic opportunity for everyone else should sound all too familiar to any student of history. Now that he is out of power, he is facing over 15 criminal counts ranging from fraud and racketeering, to corruption and money laundering, but by using a variety of legal tactics, has thus far avoided any jail time. Though our countries may be half a world apart geographically, they seem to share some political commonalities.

In South Africa, as is the case in much of the world, there is a stark line between those that have been given economic opportunity and taken advantage of it, and those who have not, and cannot do the same. The sights and sounds of the Victoria & Alfred Waterfront in Cape Town were a tourist's delight, and the property values there and in other parts of the city have boomed post-Covid. However, the townships outside of that

picturesque and surprisingly cosmopolitan city are reminiscent of Bob Marley's songs of abject poverty in Trenchtown, Jamaica. The sheer size and number of these townships was difficult to overlook. We are not without poor citizens in this country, but living in government-subsidized housing, with air conditioning, cable TV, cell phones, and some kind of car is a life that can only be imagined by these township residents. There will always be income and educational inequalities in a democratic, capitalist free society, but this kind of true poverty is something we have solved.

Each successive stop on our trip became more focused on nature, and more removed from technology, and thus the daily flow of news. From Cape Town, where there was one news channel for every four of them carrying football or cricket, to our stay on the Zambezi River by Victoria Falls with even fewer TV channels, my news related anxiety kept abating.

Once we began our time in "the bush" – without any television at all – the noise about which party did what to whom, and which doomsday financial forecast led the day's headlines was marvelously absent. However, even on vacation, I do work to stay abreast of world and financial events, and I managed to read a bit, including a fascinating article in the Zambian newspaper, *BusinessDay*. The title of the article was "Fighting Back Against the Global Information Disorder" and it was a detailed look at the global dissemination of "news." The large-scale contamination of the public sphere with rumor, hate speech, and politicized news flow is not new, but is getting worse. Driven by global platforms like Twitter, WhatsApp, and Facebook – the amount of incorrect digital information prevalent today makes being informed by facts increasingly more difficult. Additionally, the world's major news outlets are all too happy to recognize people's inherent information biases, and to tilt their coverage of news to those polarized viewpoints.

Today, whether it is a possible fifteen-year prison sentence for anything deemed by the Kremlin as “fake news” about the war in Ukraine, or journalists in South Africa being harassed and physically attacked for critical reporting of their government’s handling of the Covid-19 pandemic – getting truth into the public domain is a worldwide problem. So much so, that Disinformation Studies is a growing area of research at universities and think tanks around the world. In addition to networks obviously tilting their coverage to satisfy their viewers, the explosion of digital news outlets competing for your attention over the last decade has led to a decline in journalistic training, standards, and integrity, as each outlet races to be the first to report on, well...anything.

The good news is that fact-checking has become its own sub-sector of news reporting, as these kinds of organizations are popping up in such disparate places as Kenya, Argentina, Kyrgyzstan, Libya, Mexico, South Africa, and here at home. However, it remains an uphill battle, as the financial news coverage of the last month all too well illustrates.

The shrieking of financial journalists about a looming recession, the predictions of tech stock and real estate collapses, and countless hours of coverage devoted to the five things you need to do to “protect” your portfolio *right now*, are the same tsunami of financial raw sewage that washes ashore anytime market prices decline. The simple fact is (for reasons that are different each time) the stock market has declined an average of 14% annually since 1980. The research desk at J.P. Morgan updates this information every year, and although the annual peak-to-trough drop has averaged that 14%, the returns for the S&P 500 index were positive in 32 of those 42 years. Of course, the four-decade compounded return of 12% per year was only realized by those that ignored the headlines du jour, and never by those who reacted to the news.

Put simply, routine periodic price declines are the cost of the full return of stocks over time. While corrections are never any fun, they are actually healthy, as they tend to wash out speculators, and control exuberance in prices. How could we not expect some type of pullback after the meteoric upward price sprint

we have all witnessed from the Covid market bottom of two years ago? More importantly to your portfolio and long-term plan, does this repricing of the great growth companies of America and the world represent a permanent diminution of their value, or a temporary pause in their multi-decade trajectory of growth?

At the end of the day, current events are perfectly irrelevant to the investment policy of the long-term investor. You may remember (or have a recollection of) the market decline after the World Trade Center towers fell in the terrorist attack on 9/11. And certainly we can all remember the bear market of 2008 and the Corona Crash in 2020, but what about the other headline driven sell-offs?

Do you remember the 20% decline in 2011 on the news of the first ever downgrade of the debt of the U.S. Treasury?

How about the worst ever first six weeks of 2016, as global oil prices crashed below \$30 per barrel?

Or the almost 20% fourth quarter drop in 2018, that included both the worst Christmas Eve ever, and the only time that the S&P 500 has ever posted a decline for the year after rising for the first three quarters?

If you do not remember those, it is likely because the market recovered, life went on, and the headlines pivoted to the next crisis. For perspective, below are the closing market prices from Standard & Poor’s Research on the day before each of those events.

Date	S&P 500 Close
09/10/2001	1,085
12/31/2007	1,475
04/25/ 2011	1,337
12/31/2016	2,060
09/17/2018	2,940
02/10/2020	3,318
05/08/2022 (today)	4,123

So, how is this downturn based on fears of Fed policy different from any of those prior declines? Answer – it isn’t. Remember, the four most dangerous words in investing are *this time it’s different*. And, you already know the four most important words to your successful long-term plan, which are *this too shall pass*. Keep the faith, cut off the news, and enjoy this spring.