“I Got A Name”

September 2023 **Letter No. 122**

It’s hard to believe, but this month marks the 50th year of the passing of one of the greatest balladeers of a generation, Jim Croce. He came of age in the 1960s, a time of campus protests against the Vietnam war and the birthing of the “counter-culture.” Unlike many musicians of that era though, Croce just wanted to convey his own personal perspectives on life through his music rather than promoting activism. He worked odd jobs to cover his bills while performing wherever he could at a bar or other venue for a few bucks more. He had a musical gift and wrote some of his own songs, but even the release of two recorded albums (the first in 1968) couldn’t find much of a market or radio air time. His third album, however, the 1972 release of ***“You Don’t Mess Around With Jim,”*** was an instant hit, and soon thereafter Croce had gained far wider acclaim. In addition to the title song, that album also contained the ever popular “*Time in a Bottle”* and *“Operator (That’s Not the Way It Feels).”* His next album, ***“Life and Times,”*** further propelled his fame as it featured *“One Less Set of Footsteps,” “Bad, Bad Leroy Brown,”* and *“It Doesn’t Have to Be That Way.”* “Bad, Bad Leroy Brown” spent two weeks at the top of the Billboard Hot 100 in July 1973.

As his popularity grew, so too did his concert appearances. On the night of September 20, 1973, Croce had just finished playing a concert at a university in Louisiana and was headed to the next scheduled event in Texas when the Beechcraft plane carrying six failed on take-off and slammed into a pecan tree. There were no survivors. As fate would have it, his newest single, “*I Got A Name,”* was scheduled to be released the very next day, with the album of the same title scheduled to come out that following December. I remember the year 1973 (and the news of his death) as if it were yesterday. It was a starkly different time from today. No home computers, no cell phones, no social media. No texting, Instagramming, or Tik-Tokking. You wanted to share an experience? You hopped on your bike or jumped into your car (if you had one!) and rode to a friend’s house where you could share a few laughs together, face to face.

But I digress …

“Like the pine trees linin' the windin' road
I've got a name, I've got a name
Like the singin' bird and the croakin' toad
I've got a name, I've got a name
And I carry it with me like my daddy did
But I'm living the dream that he kept hid

Movin' me down the highway, rollin' me down the highway
Movin' ahead so life won't pass me by…”

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As we bring summer to a close and transition into fall, there continues to be an almost eerie complacency in the markets. Earlier in the year, we witnessed a robust rebound from the vicious bear market lows of 2022, but as I’ve mentioned in previous letters this year, this has not been a sweeping bull market with a broad number of participating stocks. We’ve continued to witness a decent advance of the major market averages, but it has largely been built upon the backs of a very narrow (but highly influential) mega-cap names. In fact, the list of these stocks is so short, they got a name!!! That name is the **"Magnificent Seven."** The seven biggest companies by stock market value have been branded together like a social club, and the special members of that club have accounted for nearly all of the rise in the S&P 500® (SPX) and Nasdaq-100® (NDX) Indexes so far here in 2023. Let's just call them what they are, the I-GOT-A-NAME stocks. Allow me to confess, I have not been a holder of any of the I-GOT-A-NAME stocks this year, nor do I plan to own them at anywhere near their current valuations in the foreseeable future. I will leave the trading of these seemingly over-hyped, over-owned, and over-valued stocks to others.

In my opinion, this current rally has the distinct appearance of being an "echo bubble," following on the heels of the massive peak that had previously formed prior to, and through, calendar year 2021. That bubble "popped" in 2022. My view of the current conditions of the U.S. stock market is a continuation of a dangerous bubble period, particularly for those passive investors who rely on "index investing" as their preferred foundation for their portfolios. Of course, we will only know whether this is true with the benefit of time.

Think about it for a moment. If we look back upon the history of the markets as a whole, what periods of time represented the greatest overall risk of loss to the maximum number of market participants? The answer is obvious. It was any and all of those past periods where stock speculation had become so all-consuming that it grew to a fever pitch and, as such, the media gave the movement a name in which to publicly reference it!!

Here are many examples:

"The Roaring Twenties" was the period of approximately 1922 to 1929 upon which commenced one of the biggest market crashes ever, an eventual loss of 89% to the major average of that era, the Dow Jones Industrials.

"The Nifty Fifty" was the name given to the top stocks by the height of a period from the late 1960s to 1973. This was a moment in market history wherein some of the most popular stock names got to such high valuations that several traded at more than 100 times earnings, but even at those valuations, these 50 stocks came to be known as "one-decision stocks" that should be bought and never sold. This era ended with the Dow Jones Industrials declining nearly 45% over a brief 16-month period of time.

The ***"Dot-Com Craze"*** was the name given to a phenomenon wherein nearly any company that had any association with the burgeoning build-out of the internet had to be owned, irrespective of whether or not it made good financial sense on paper. This was the period of 1997 to 2001. Further, most of the companies involved chose to list on the NASDAQ trading platform. The NASDAQ Index would go on to lose nearly 83% before the end of 2003.

Not to be outdone by the Dot-Com stocks themselves, the media gave a sub-name to a tiny group of NASDAQ stocks that were leading the charge and were distinguished for their out-sized gains prior to the bursting of the bubble. These came to be known (and heavily promoted) as the ***"Four Horsemen."*** Collectively they lost gobs of value in the bursting of this particular bubble.

History has given us other bubble names. Some of these I-GOT-A-NAME eras were ***"The South Seas Bubble," "Tulipmania,"*** the ***"Railroad Barons Era"*** (a period that made Andrew Carnegie America's wealthiest man), and the ***"Housing Bubble."*** There are examples overseas as well, such as the late 1980s ***"Japan Nikkei 'Imperial' Bubble,"*** a climax of out-of-control pricing of Japanese stocks and real estate that became so whacky that at one point it was said that the value of the Imperial Royal Palace (and grounds) were worth more than all of the real estate in California.[i] That never got fact-checked, but the end result was a collapse in the Japan stock and real estate markets of epic proportions before reaching the end of 1992.

The moral of this story is a simple one. Rising market prices that evolve into frenzied trading, fever-pitch excitement, and historically high valuations, coupled with non-stop hawking by a media that eventually finds itself referring to the action with a short catchall phrase must be seen by more disciplined actors as a red warning sign that the big money has probably already been made. **IT HAS A NAME!!!** Perhaps all that is left to do is to get out of the way, fast. As noted above, we have been witnessing a historic rally on the back of a group of stocks, ***"The Magnificent Seven."*** Conclusion? I stand by my recommendation to stay in a very defensive position and stay focused on protecting your base capital until this current I-GOT-A-NAME era blows over. If history has taught us anything, and it always does,
it's this …. the select few who were both acutely aware of the size of the risk and were properly positioned for trouble could be among the few to swoop in after the inevitable collapse and grab the best of the best stocks (and the most likely survivors) at fire sale prices. It would be nice if the financial media could come up with a name for that!!

Enjoy the last days of summer, and please contact us if you want to review your allocations here at (715) 362-1719, by e-mail at holperind@stifel.com, or by visiting my website at **davidatstifel.com.**

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[i] https://www.scmp.com/magazines/style/news-trends/article/3091222/japan-1980s-when-tokyos-imperial-palace-was-worth-more

The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

The NASDAQ-100 is a modified capitalization-weighted index that is comprised of the largest non-financial companies listed on the National Association of Securities Dealers Automated Quotation System stock market. It includes both foreign and domestic companies, and does not include any financial or investment companies.