

# In the Markets Now

## FOMO

We believe in the old saying: a picture is worth a thousand words. Here, we aim to recap recent market action and provide some perspective to investors.

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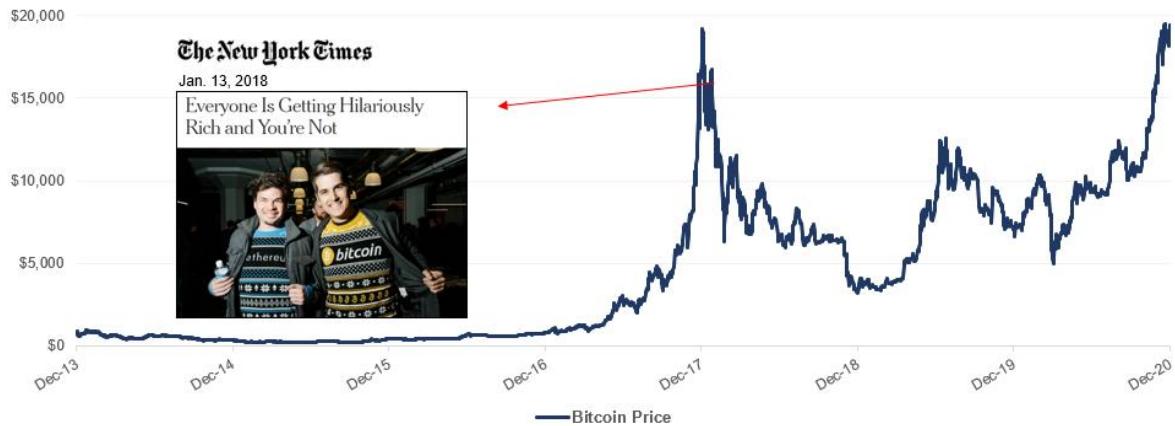
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### A QUICK LOOK AT A “BUBBLY” CORNER OF THE MARKET

I'll never forget seeing the headline below. It was early 2018, and Bitcoin was on a tear. The cryptocurrency had gone up ~1,400% in 2017 alone and was up nearly 20,000% from its 2013 lows. I didn't really understand bitcoin (and am still learning, to be frank), so I wasn't invested; to me, it was volatile and too risky. But that article still hit me like a ton of bricks.

FOMO (fear of missing out) is a term that I never thought I'd write in an investment note, but I can't think of a better item to describe the moment. “Everyone is getting hilariously rich and you’re not.” Bitcoin was appreciating in price nearly every single day, and worse yet, many of the loudest voices around the movement were making it seem easy, like free money. Novice investors piled in, hoping to capitalize on the momentum, and for a while it seemed like the party might not end.

Of course, I include the next three years in my chart below, as well. If you invested at the time of that article, you'd have been underwater (and very underwater, occasionally) for years to come. Without a strong investment thesis and conviction in the fundamental concepts of the asset (be it crypto, stocks, or anything inbetween), would anyone have held on?



I bring this up today not to pick on Bitcoin (which is doing quite well for itself), but to look at GameStop, the left-for-dead, retailer whose stock price recently shot up 2,700% in a matter of days as message-board traders pushed it higher and higher. It's not 2017 Bitcoin or 1999 dot-com stocks, but the sentiment feels eerily similar: the sense of “investments only go up,” or “this is free money,” or “it’s all too easy.”

Of course, these sentiments tend to reverse eventually, often in catastrophic fashion. Stocks are not lottery tickets, but ownership stakes in real companies: fundamentals must eventually matter. Still, markets can be irrational, and often for longer than it feels they should be able to. In these moments, FOMO may set in, especially when it seems that everyone else is getting “hilariously rich” with zero effort. But for every GameStop millionaire minted, many more will likely get burned.

Patient, long-term investing in high-quality firms may not be en vogue today, but it remains the best way to build sustainable and generational wealth. **Investing is not gambling.** Reach out to your Baird Advisor to discuss this or anything else today.

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