Is the Market Bubble similar to Glinda’s Bubble in the Wizard of Oz?

Just like blowing up a balloon, a market bubble starts small and gradually increases. And like Glinda in her floating bubble, a market bubble draws many people to it.

But unlike Glinda’s bubble, a market bubble can burst. A market bubble burst can literally wipe out years of profitable returns and require years to recover.

Predicting the precise top and/or subsequent moment when a market bubble could burst is nearly impossible. A market bubble can last a lot longer than many people think, as the largest group of investors, by far, are those who are actually inflating the bubble. These investors tend to ignore historical valuation levels, have an “it’s different this time” mentality and believe in a “new normal” investment environment.

Though you likely can’t predict when a market bubble will burst, here are two signs that may suggest the end is near:

• First, the performance of leading stocks and sectors begins to lag overall market returns.

• Secondly, but not always, there is a final parabolic upward move as investors, who have been out of the market, buy in fear of missing another market rally.

The secret to navigating through a bubble period is to stay focused on price action — specifically, tracking a particular stock price relative to changes in the overall market. A sector or stock that begins to lag overall market performance should be trimmed or sold… and may be a harbinger of things to come.

Once a bubble has burst, don’t panic, but start hunting for bargains…these are usually the best time to invest.

That reminds me of a story...

A rumored story about Thomas Edison...

One day Thomas came home from school and gave a piece of paper to his mother. He told her, “My teacher gave this paper to me and told me to only give it to you.” His mother’s eyes were tearful as she read the letter out loud to Thomas: “Your son is a genius. This school is too small for him and doesn’t have enough good teachers to help him. Please teach him yourself.”

Many years after Edison’s mother died, he went through an old closet and found this same letter. Reading it, he saw the words were far different from what his mother had read aloud: “Your son is mentally ill. We cannot let him attend our school anymore. He is expelled.”

Edison became emotional, realizing that it was his mother’s love that turned him into one of the greatest inventors of the century.

Moral of the story: The right encouragement can shape one’s destiny.

Kevin Plank, born in 1972, is the founder and executive chairman of Under Armour. He grew up playing high school and college football but was not recruited by a top-tier football program.

While playing football, he noticed he was one of the “sweatiest” guys on the field. Cotton T-shirts didn’t keep him dry, dragged him down and were uncomfortable. He began the search for a synthetic T-shirt that drew perspiration from the skin, rather than absorbing it. He came up with a lightweight, sweat-wicking shirt using fabrics from women’s undergarments.

He sent samples to his former teammates and asked them to pass out extras for other players to use. Players liked the sleek look and lightweight fabric, landing his first big-team sale to Georgia Tech in 1996. The company’s turning point came in 1999, with an ad in ESPN Magazine. The ad struck a chord, leading to athletes — including professional teams — wearing branded UA T-shirts.

About the initial struggle of starting a new business, Plank recalls, “There will be moments that you will be alone, that will challenge you and make you feel like you made the wrong decision.” But he learned that if you have the right idea, the right conviction and an “I’m going to show ‘em” attitude, it can work.
Budgeting... It all starts with a checking account

While a checking account might seem like a small thing, it is one of the best ways to keep track of your spending and avoid running out of money.

Your paycheck can be automatically deposited, you can withdraw funds from an ATM, a debit card, write a check or pay bills directly online. You could also link the account to a smartphone mobile app, to pay for purchases directly or send money to a friend or relative. The more popular mobile apps include PayPal, One Touch, Apple Pay, Venmo and Zelle.

Not all checking accounts are equal.

Questions to consider when opening a checking account include:

• Is there a minimum balance requirement?
• Is there overdraft protection?
• What are the monthly maintenance fees?
• Is there a cash bonus for opening an account and is it attached to a rewards program that allows you to earn points/cash that can be redeemed toward travel, gift cards and merchandise?

The money in your account should cover all your monthly fixed expenses — such as rent and utilities — plus gas, groceries, clothing, eating out, entertainment and other needs.

As a general rule, the balance in your account should be equal to one month of all expenses plus a 30% cushion. Keeping your eye on your balance is the key to managing your finances.

Unscramble the letters to reveal a secret message below. Send your answer to info@monetta.com to be entered into a drawing to win a $10 Target gift card! (Entries must be received by March 1, 2021).

Unscramble:

SSPRETNCEAI
ERLUFIA
FCERCSAI
RUDACNEEN
TOCADDINEI
ODOG SIBAHT
PNTDSPIOMIANET

Remember, ☐☐☐☐☐☐☐☐☐ is like an iceberg! What people see is only a small piece of how it is acheived!