



Would Have, Should Have, Could Have The Mantra of Regret

January 2024

After rallying strongly in December, the equity markets continued to embrace Federal Reserve easing of interest rates fueling markets to new highs. The potential corporate profitability suggested by stronger economic data, and therefore “higher for longer” interest rates, did not seem to dampen investors’ enthusiasm, even when Chairman Powell clearly articulated the need for further evidence of weakening inflation before any consideration of interest rate reductions.

Objectively, the equity market has gotten a bit ahead of itself on virtually every valuation metric. While the equity markets anticipate the future, and can remain irrational longer than one imagines, there is little question that an ideal outcome for rates and the economy is being priced into the market.

This is a perspective or investment horizon that encompasses the near-term; three to six-months. As investors, we should consider this little more than noise; however, such short-term gyrations and their resultant performance has a psychological impact. With the benefit of hindsight investors should have “backed-up the truck” at the end of October as 10-year U.S. Treasuries touched 5.00%, Google, ADP, Chevron, Tesla, Apple, Fortinet, Emerson Electric and others reported revenue or earnings misses and Treasury announced some \$800 billion in financing needs. Alas, it did not feel as though the equity markets were prepared to kick-off a momentum-driven rally that would extend for three months and is still going.

As I have always emphasized, investors are in the market for the long-term. The equity markets have always rewarded long-term investors, despite the fear and greed behavioral tendencies to sell at the wrong time and buy back in at the highs. Failing to jump on a shorter-term trend nevertheless can prompt a sense of regret, both in the investment world and in life.

Interestingly, “regret” associated with inaction is far more common than regret over actions taken. Regret feels bad, makes us think of how things could have been different and usually focuses on our own action (or lack thereof). The past cannot be changed. It is harder to regret choices that we have made. There are so many other factors that come into play as we judge the “less desirable” outcome, including things that were beyond our control that may have influenced that outcome. On the other hand, the “path not chosen” allows us to dream; to ignore the mundane details that



often throw us off track, or the inevitable disappointments that we encounter. Regret is largely useless unless we use it to inform.

We also need to put regret into the appropriate context. Just as we should judge our decisions NOT by the outcome but by the decision-making process, we cannot hold ourselves accountable for the things we know NOW, but did not at the time we made our choices. Instead, we should use our regrets to inform us. “Success” or “failure” are not binary outcomes in life; there are many gradations along the way. We are all imperfect. Find the silver lining in the choice we do make. Accept that these choices were made with the information we had available and reflected our bias at that time. As they say, “hindsight is 20-20”. Had circumstances led to less desirable outcomes than your choice, would you still feel regret over the path not chosen? Of course not! There is no opportunity cost with that scenario and you are sanguine that you are on the correct path.

Remain confident that you are making informed decisions, not acting (or REacting!); emotionally; that your decisions are consistent with your long-term goals; that they are thoughtful and rational; and in keeping with your philosophical orientation.

As always, please reach out if there is anything you would like to discuss.

Jim

This content is for educational purposes only and not to be considered a solicitation for the purchase or sale of any security and should not be relied upon as financial, tax, or legal advice. The views expressed are those of the author/presenter and all data is derived from sources believed to be reliable. Past performance is not a reliable indicator of future results. All market indices discussed are unmanaged and are not illustrative of any particular investment. Indices do not incur management fees, costs, or expenses. Investors cannot invest directly in indices. All economic and performance data is historical and not indicative of future results. Advisory services offered through Wealthcare Advisory Partners LLC, a registered investment advisor with the U.S Securities and Exchange Commission.