

OFG FINANCIAL FOCUS

Third Quarter, 2015

HOW MUCH DID YOU LOSE?

In the most ubiquitous of the television advertising campaigns for vendors of gold coins, one of my favorite character actors since the 1960's is the pitchman.

He has a tough job these days. Back around 2011, when gold was making a spectacular top at about \$1,900 an ounce, ads for gold were able to hawk its superior price performance - up every single year from its low around \$200 in the year 2000, wildly outperforming equities. This was the big selling point, right up until the moment it wasn't anymore.

Thereafter, as gold declined to less than \$1,200, the major theme of these ads shifted to gold as a defense against the hyperinflation which must surely be about to engulf us all, as the national debt soared and the Federal Reserve printed money in order to inflate us out of the financial crisis. This argument, too, has rather lost its luster lately, as the debt continues to soar but inflation (not to say hyperinflation) is a total no-show and equities continue to record new highs.

So a new series of ads featuring this handsome actor has recently begun running, and it now touts gold as a defense against the volatility of the stock market. In close-up, the actor asks, "How much did *you* lose in the crash of 2008?"

I'm very much afraid that quite a few times since I started seeing this ad, I've shouted back at the television set, "*Nothing, because I didn't panic and I didn't sell!*" Perhaps the dozenth time I did this, my beautiful bride of half a century snuggled up next to me on the couch, and whispered softly in my ear that if I erupted that way one more time when she was around, she would beat me to death with the heel of her shoe.

This gentle warning - of a kind I've learned to take quite seriously - had a calming effect on me, and in my newfound serenity I became able to contemplate the hidden message of these new ads. You see, the vendors of the gold - who give the actor his lines to say - know as well as you and I do that the equity market has, even without dividends reinvested, about tripled since its panic bottom in March 2009. (For the record: the S&P 500 closed at 1,252 the Friday before the Lehman bankruptcy precipitated the crisis in mid-September 2008, and at 677 on the following March 9. It is as I write around 2,100.)

They know as well as you and I do, therefore, that the only way an investor could have "lost money in the crash of 2008" was to panic - to mistake that temporary decline, which in fact all market crashes in the past have turned out to be, for a permanent loss, and to sell out.

And so they are not really saying, "Own gold so you don't lose money in equities." They're saying something much darker and insidious: "Own gold as a defense against your own misplaced proclivity to panic when equity markets decline." This is an entirely different message. It isn't about markets at all; it's about you. And it says, "You are a failed equity investor, and the next time the opportunity presents itself - i.e. in the next major market decline - you will fail again. Protect yourself against yourself: own gold."

This seems to me - how shall I put this - a morally ambiguous stance. Perhaps no more so than other television advertising, but this feels different somehow. This is a vendor patronizing and even encouraging investors' worst instincts. It's giving people permission to feel OK about being disposed to act stupidly. ("Yes, sir, I'm going to buy me some of them shiny gold coins. No more panicking out of temporary market declines for me, by golly").



One Good Turn Deserves Another

You may very well say that, here in the real world, this is how things work: all advertisers put the best possible face on their product. You will point out, for example, that the makers of antacids don't say, "Stop overeating spicy junk food so you don't get heartburn." You will observe that they say, in effect, "After you've made a pig of yourself for the umpty-umpth time - even though by now you should know how bad this is for you - get relief with our fast acting gelpcaps."

If you *did* mention those things, I would probably respond, as George Sanders says to Marilyn Monroe in *All About Eve*, "You have a point. A spurious one, but a point." Advertisers are indeed under no obligation to tell the truth. And the precious metals hucksters aren't there to make you a successful investor (any more than financial journalism at large is). They are there to sell you precious metals, using whatever argument seems most plausible and appealing at the moment - if you don't think too hard about it.

Well, so be it. This is, as I've suggested so often in these little essays, why your financial advisor was sent into the world: to be the antidote to pandering. To tell you what you least want to hear, and most need to hear, about equity market declines. To wit: historically, it has always been wisest to stay the course. Historically, the watch word has never been "This time it's different," but rather "This too shall pass."

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Appreciate things to the fullest and have constant self-evaluation. Acknowledge those things people wouldn't normally pay attention to and understand that if it wasn't for the small pieces, the larger picture wouldn't exist.

DEXSTA RAY

I put a dollar in one of those change machines. Nothing changed.

GEORGE CARLIN

Never confuse a single defeat with a final defeat.

F. SCOTT FITZGERALD

A man happened upon a limousine broken down along the roadway. "I can't figure out what's wrong," the driver confessed, so the fellow took a look under the hood. He quickly spotted the trouble, and in a few minutes the engine was running again.



The driver offered to pay him, but the man refused, saying he was just glad to help out. As he turned to start back to town, the rear window of the limo opened.

"Thank you very much for your help," the passenger called. "How can I repay you?"

Looking inside, the man recognized a wealthy banker from town. Again, he refused payment, but asked one favor: "Could you send my wife some flowers? She'd be thrilled."

"Consider it done," the banker replied, then asked the man for his address. They parted company, and the man only half expected to ever hear from the banker again.

But the next day, a truck pulled up to the man's house with flowers for his wife. Attached to the bouquet was a note that said:

"You're lucky to be married to such a caring person. When I offered to pay him for his act of kindness, he thought only of you." And there was a postscript: "Although he refused any reward, I've cancelled the mortgage on your house. Such virtue should be rewarded."

Webb & Associates, Inc.
600 S Santa Fe, Suite C
Salina, KS 67401

Local# 820.8161 or 888.756.6670

webbandassocinc@ofgfinancial.com

www.webbandassociatesfinancial.com