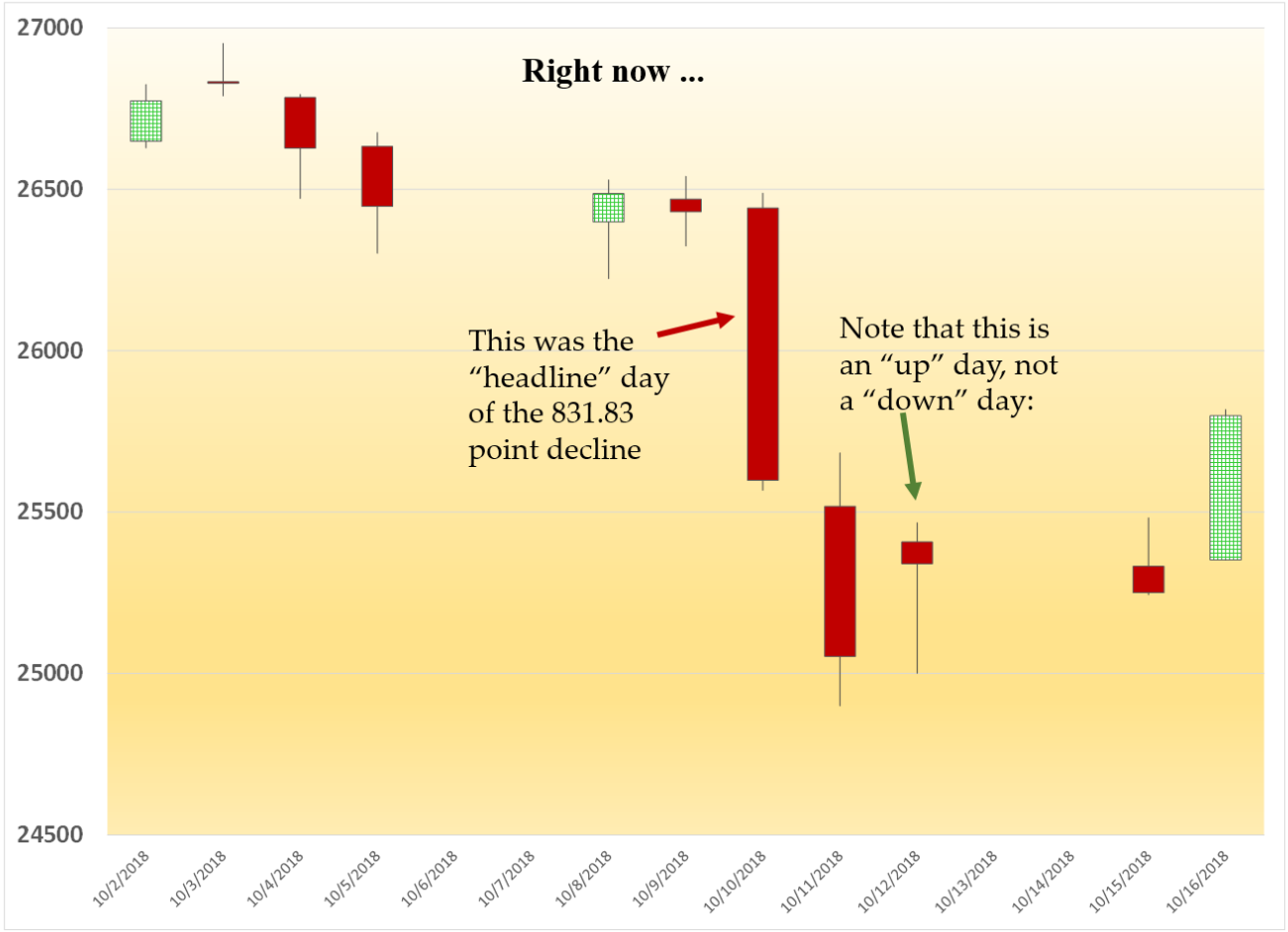

Reading the cycles ...

... or maybe not

When you look at these charts and imagine what you would do and how you would react in response to these changes, your actual reaction, and your guesses, and your sense of what is going on, if you were to live through these, would be altogether different.

Most of us over-react to the here and now, and can easily lose sight of the patterns in the bigger picture. That is why if you are an investor, it is important to pause and think about this from time to time.

Clear patterns almost never emerge.

It is also important to stay calm and analytical in the face of major events and large moves.

Mudd finance

Even in such a strong year there were some down periods .. would you have thought that a downturn was underway??

There are no days more than 2% up or down!

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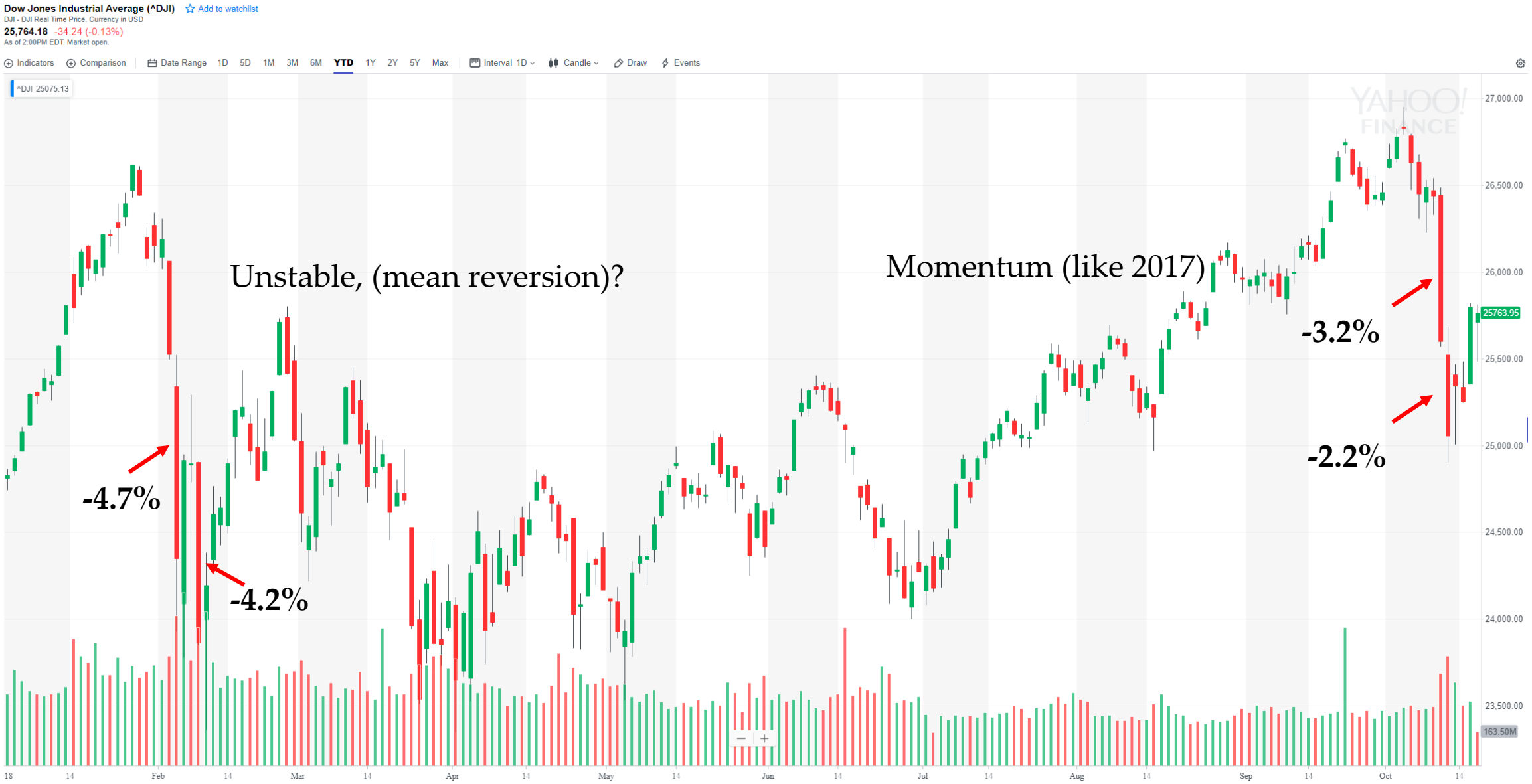

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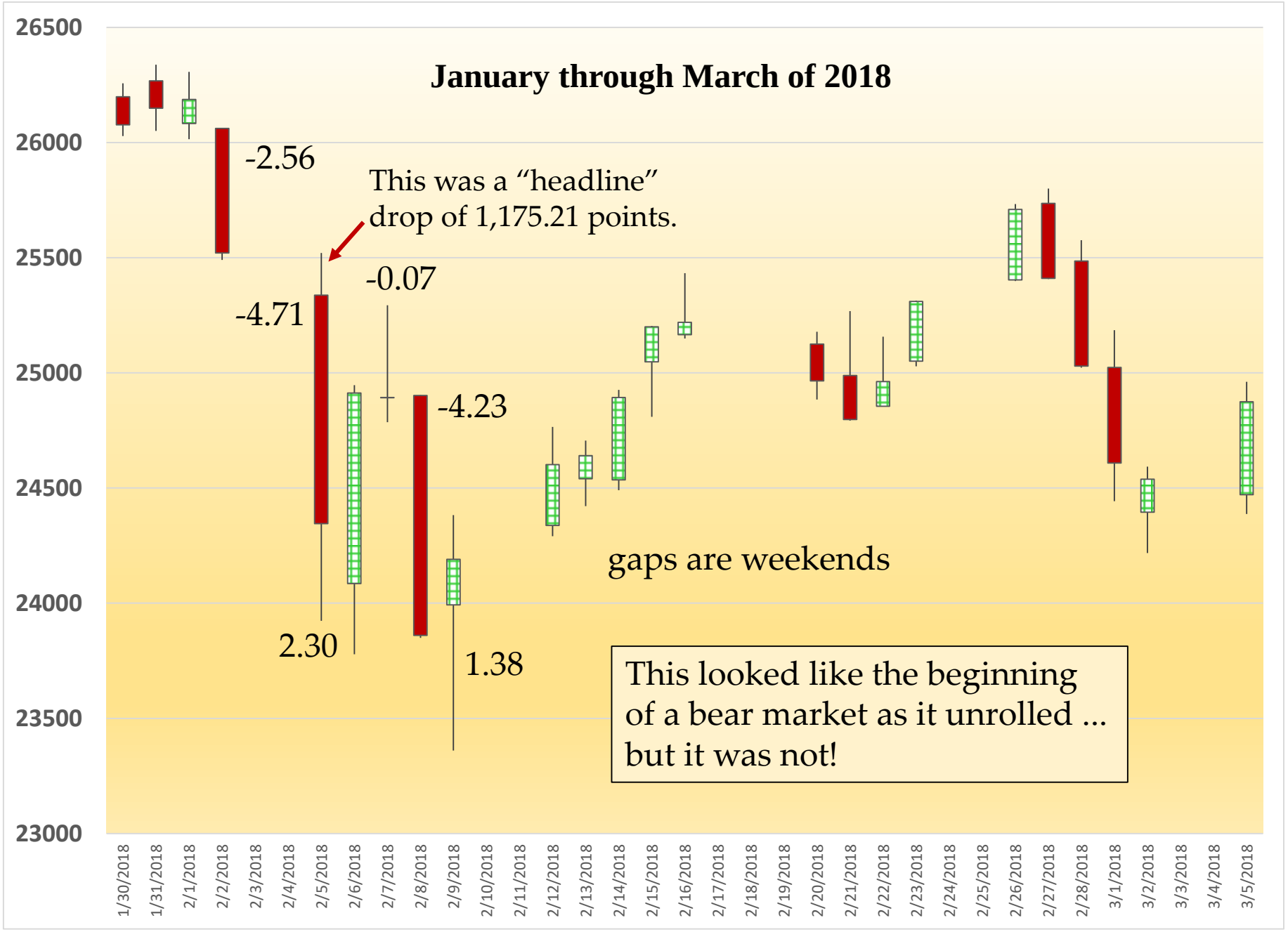

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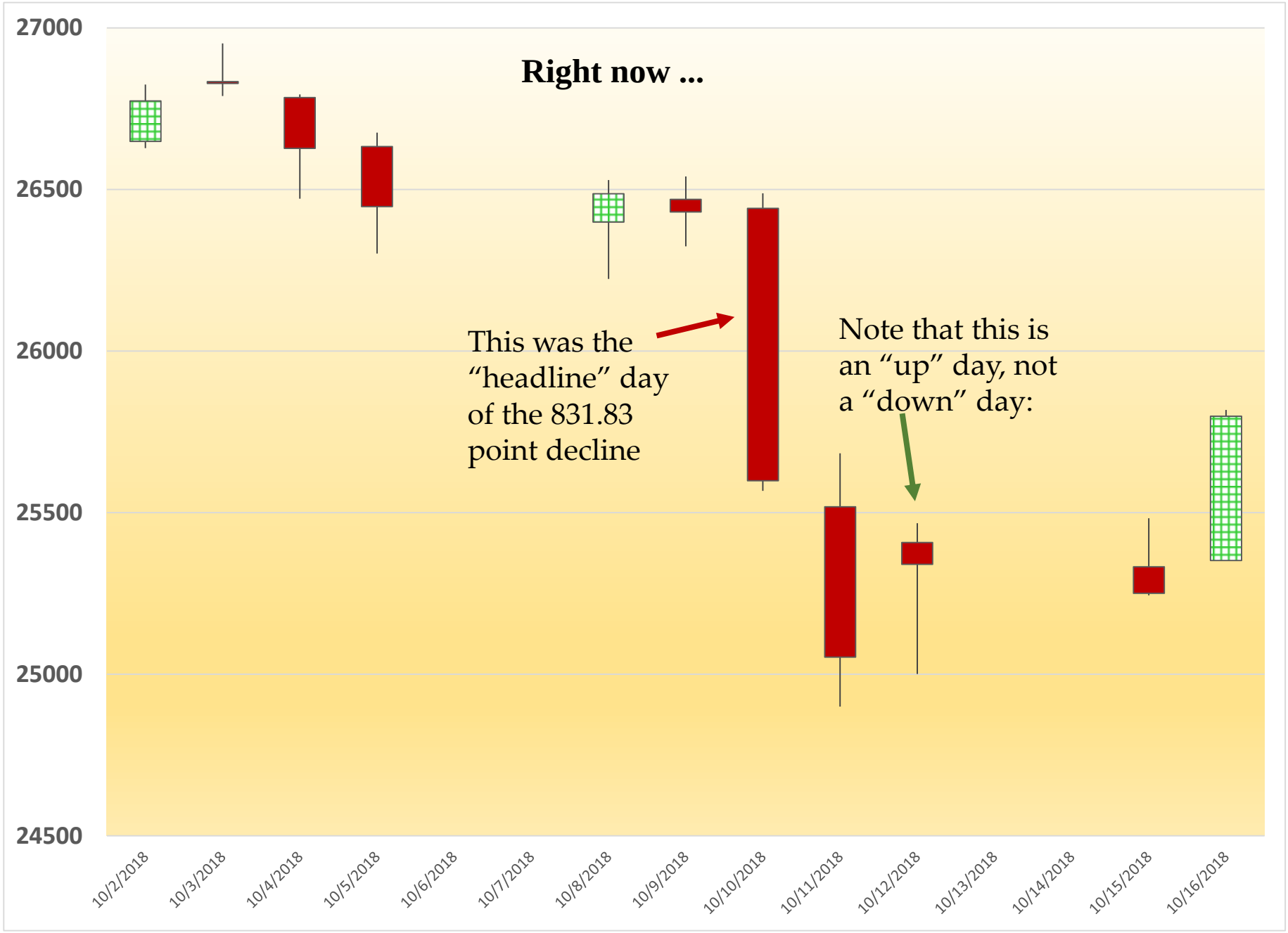
Mudd finance



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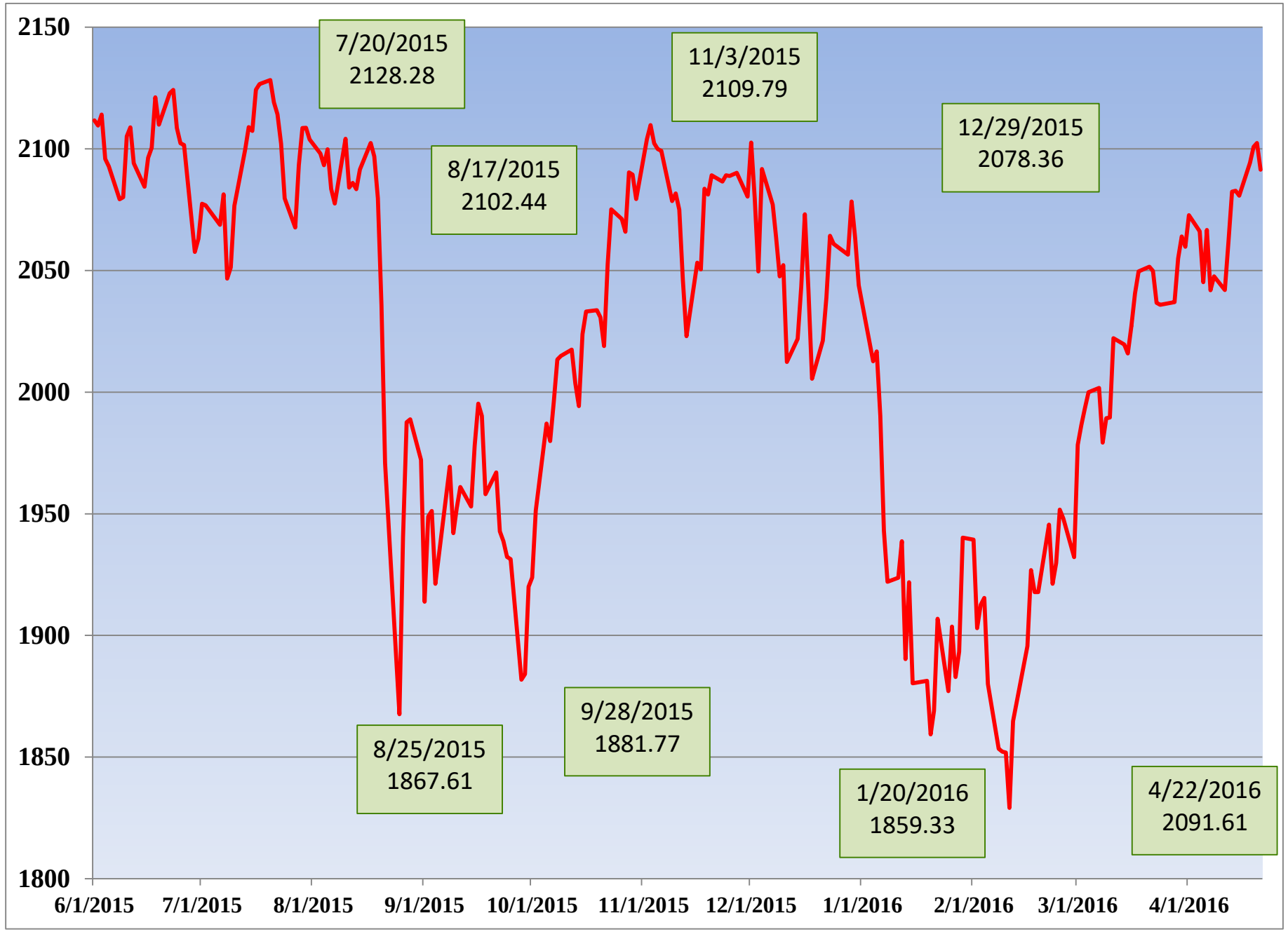
Mudd finance



from a lecture in 2016 (the S&P500 is being shown)

did these feel like the beginnings of bear markets??

(yes)

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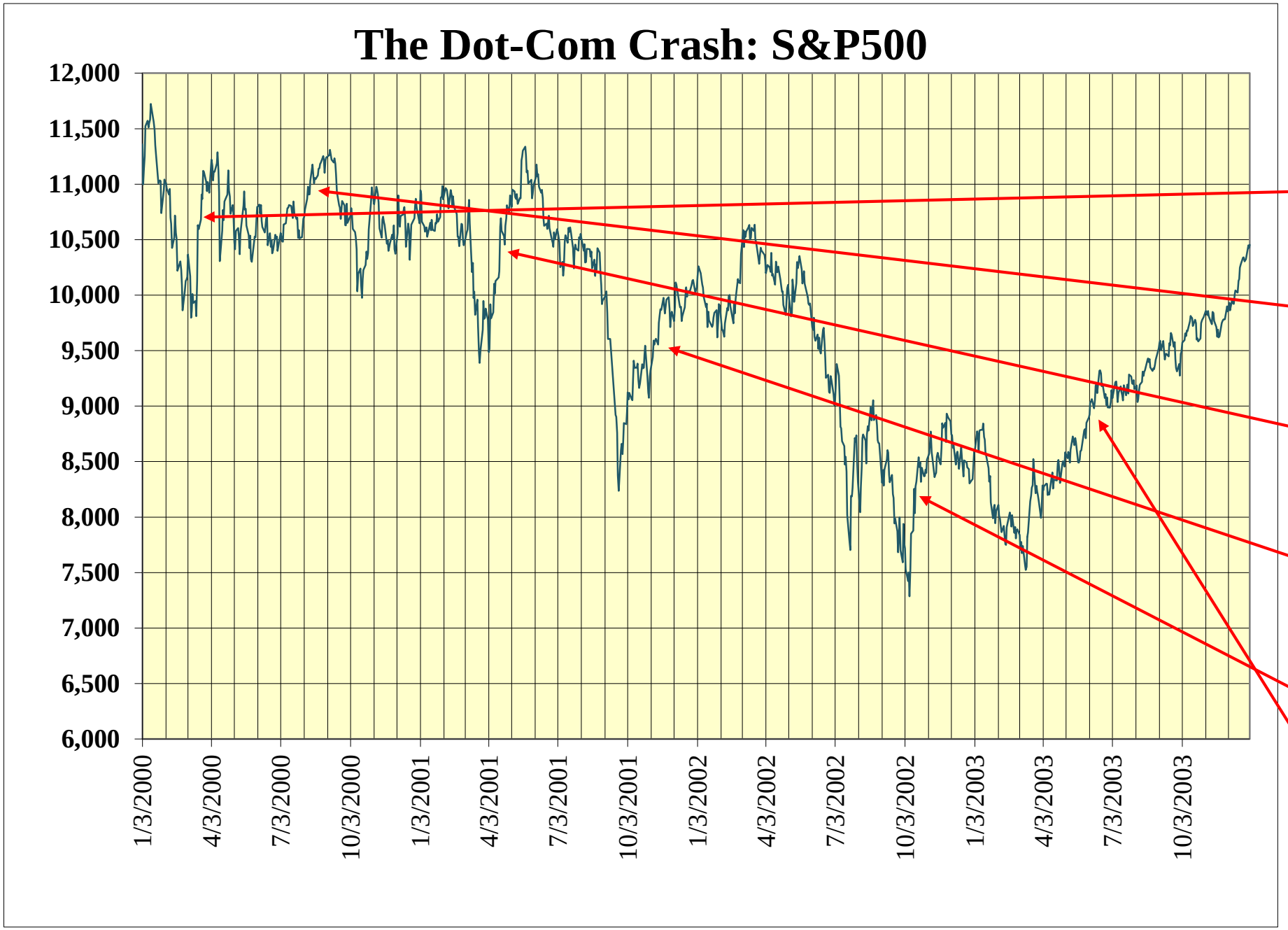


Would you have thought that it was over here ... ?

or here ...?

or here ...?

or here ...?

or here ...?

or here ...?

Mudd finance

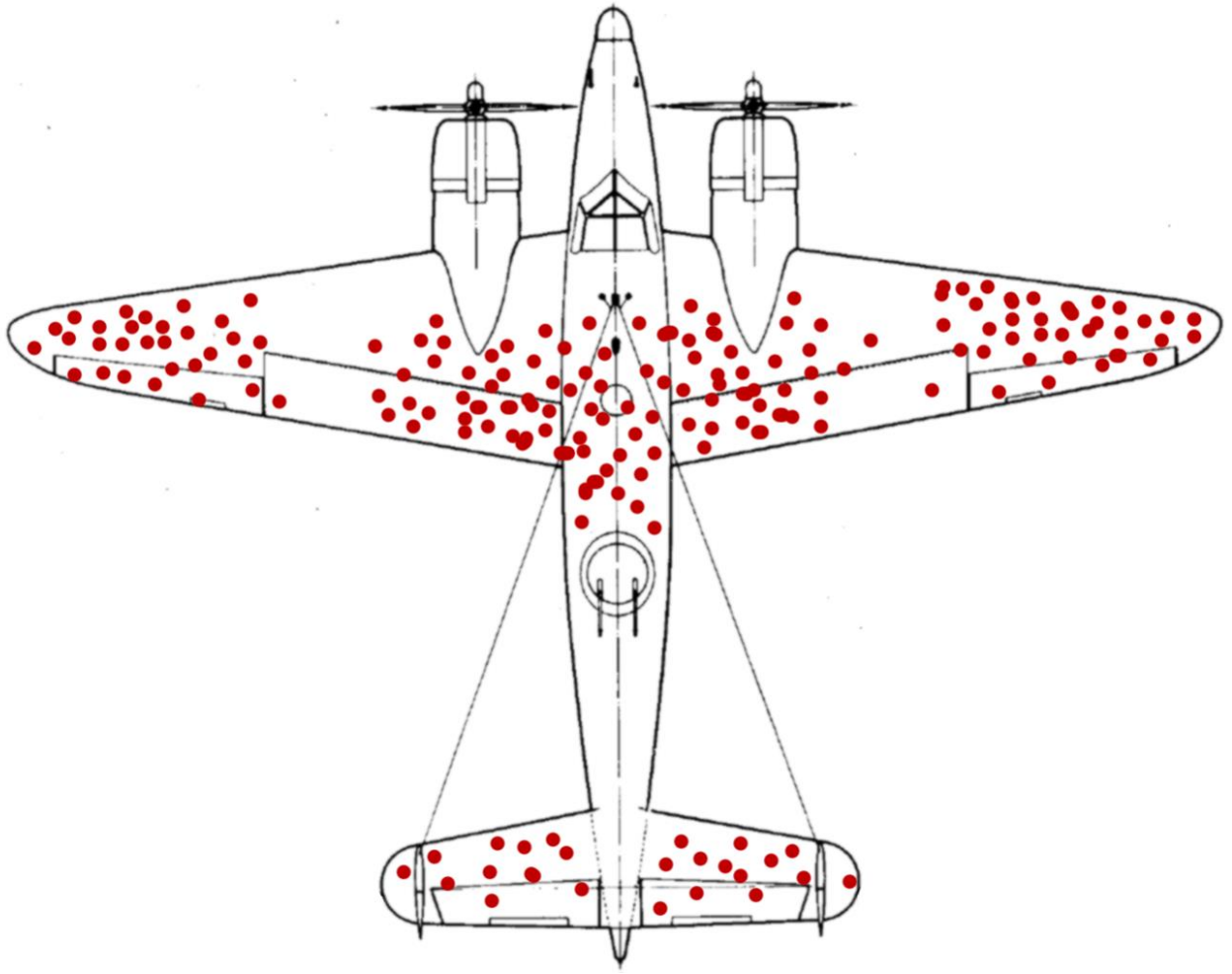
Comments about
Bayesian inference ..

Recommended background: Dr. Kristin Lennox, Lawrence Livermore National Laboratory, All About that Bayes: Probability, Statistics, and the Quest to Quantify Uncertainty

https://www.youtube.com/watch?v=eDMGDhyDxuY

... and John Maynard Keynes
"Treatise on Probability"

... considering the weight of evidence that is non-repeatable, ephemeral, indirect, and difficult to detect either because we don't know it is there or because it is obscured by noise.

... and finally, Survival Bias (in the data)

Abraham Wald's
shot-up airplane ...