

Three Great Paragraphs from Peter Lynch
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Do you really think it is different this time? Here are three paragraphs taken from One Up on Wall Street, written by Peter Lynch in 1989:

Every year I talk to the executives of a thousand companies, and I can't avoid hearing from the various gold bugs, interest rate disciples, Federal Reserve watchers, and fiscal mystics quoted in the newspapers. Thousands of experts study overbought indicators, oversold indicators, head-and-shoulder patterns, put-call ratios, the Fed's policy on money supply, foreign investment, the movement of the constellations through the heavens, and the moss on oak trees, and they can't predict markets with any useful consistency, any more than the gizzard squeezers could tell the Roman emperors when the Huns would attack.

Nobody sent up any warning flares before the 1973-74 stock market debacle, either. Back in graduate school I learned the market goes up 9 percent a year, and since then it's never gone up 9 percent in a year, and I've yet to find a reliable source to inform me how much it will go up, or simply whether it will go up or down. All the major advances and declines have been surprises to me.

Since the stock market is in some way related to the general economy, one way that people try to outguess the market is to predict inflation and recessions, booms and busts, and the direction of interest rates. True, there is a wonderful correlation between interest rates and the stock market, but who can foretell interest rates with any bankable regularity? There are 60,000 economists in the U.S., many of them employed full-time trying to forecast recessions and interest rates, and if they could do it successfully twice in a row, they'd all be millionaires by now. They'd have retired to Bimini where they could drink rum and fish for marlin. But as far as I know, most of them are still gainfully employed, which ought to tell us something. As some perceptive person once said, if all the economists in the world were laid end to end, it wouldn't be a bad thing.

Twenty-two years after these words were written by one of the greatest mutual fund managers of all time nothing has really changed. The investing public, both professional and amateur, are still seeking a holy grail, professors still teach their students that the market goes up 9 percent a year and the economists still have not retired in Bimini.

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