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Buyer Beware!

Everyone probably knows that the most successful investors have been value investors, they tend to get really great deals on stocks. Most value investors like buying a value stock at \$0.50 on the \$1.00. That's exactly like buying a \$500,000 house in a bad market for \$250,000. The only way to lose on that kind investment is basically having no patience for it to rebound.

Unfortunately that is what's happening. Stocks that are the most overvalued have been the best performers. Let's take Amazon. Now Amazon is a great company, but it is hard to make the case that it is a value stock. AMZN trades at 90 times earnings, that means you will to spend \$90 to own \$1 of the firm's profit. Now lets look at Goldman Sachs (a classic value stock). It trades at 8 times earnings. It is a great company and it even pays a dividend unlike AMZN. In the past year Goldman is down almost 20%, while AMZN is up nearly 20%.

Oddly enough, some value investors have been buying AMZN along with some other higher flyers because they are lagging the market and need to play catch up (or maybe just save their reputations). The point here is be careful what you buy. Just because you buy a value fund or stock, does not necessarily mean you are buying at a value price. So, what are really saying? It's never a bad time to give your financial advisor a call to chat about the markets and make sure your objectives have not changed.

The Good News:

A lot of people are starting to refinance their mortgages. That's a good sign and could help the US avoid a recession.



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