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# RETIREMENT PLANS THAT "CLEARLY" WORK FOR YOU.

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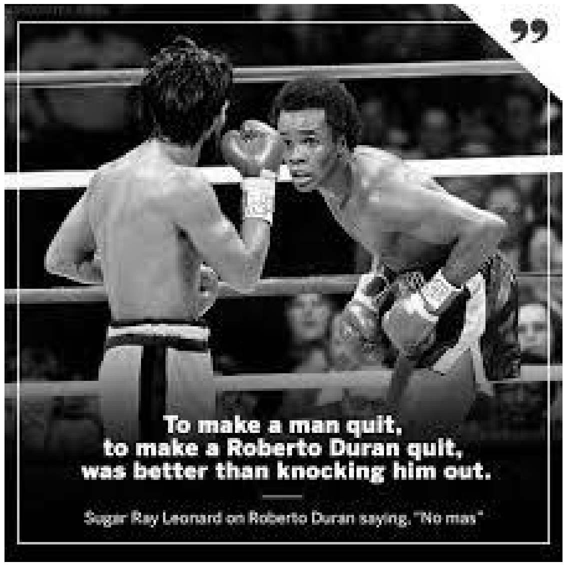
**CRY UNCLE: To admit defeat or plead for mercy, especially in an informal physical contest of some kind.**




*In the United States and Canada, the idiomatic expression "Say Uncle!" may be used as an imperative command to demand submission of one's opponent, such as during an informal wrestling match or tickling. Similarly, the exclamation "Uncle!" is an indication of submission—analogous to "I give up!"—or it may be a cry for mercy, in such a game or match.*

*There are several theories on the phrase's origin.*

*Due to heavy Irish immigration in eastern Canada and New England in the 19th century, it is likely an anglicization of the Irish 'anacal', meaning deliverance or quarter.*

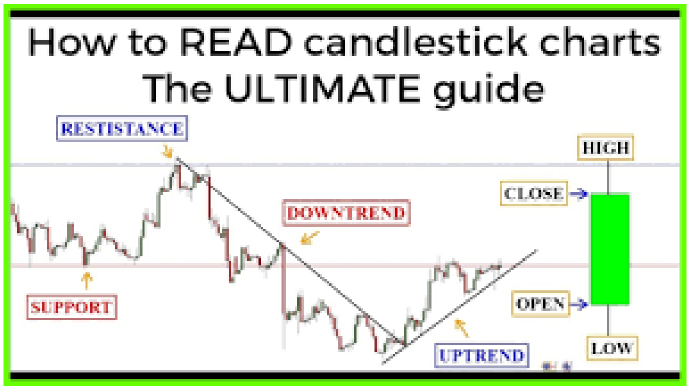
*A less likely theory is that it derives from a phrase uttered by youngsters in the Roman empire who got into trouble, patrue mi patruissime ("uncle, my best of uncles").*

*A fanciful suggestion is that it may be based on a joke from 19th-century England about a bullied parrot being coaxed to address his owner's uncle.*

*Another suggested origin is from the English phrase "time out", a plea to cease hostilities. The abbreviated usage "T.O." was mistaken for the Spanish "tío", which means "uncle".*

Uncle

No Mas!




Nobody likes to lose money and certainly not after so many years of a Bull Market (2009-2022). I cannot remember ever getting a phone call or email from a 401(k)/403(b)/457 participant complaining about "Making Money" in their account! On the reverse side, the recent losses have created quite the angst amongst our participants. Now, we all know that you have not "Lost Anything" unless you sell your shares, but that does not preclude the comment of **"I'm Tired of Losing My Money!**" Behavioral finance explains this phenomena as **"Loss Aversion Bias."**Specifically, investors prioritize limiting their losses over their gains.

**Loss aversion is the tendency to avoid losses over achieving equivalent gains. Broadly speaking, people feel pain from losses much more acutely than they feel pleasure from the gains of the same size. Loss aversion bias typically shows up in financial decisions: people often need an extra —and sometimes significant—incentive to take financial risks that might result in a loss.**

Loss Aversion

As a student at Northwestern University back in the 1970's (I know that was another era!); we found an illegal saloon on Cicero and Belmont in Chicago called the "Bucket of Suds." Joe was the proprietor, but chose to ignore Chicago's liquor licensing rules with their onerous fees, purchasing requirements ( The Wirtz family of Blackhawks fame controlled the liquor distribution channels in Chicago taxes on each bottle of liquor or case of beer, and nosy inspectors with their "palms out" for a little payola. My assumption was that he "took care"of the police precinct captain to ensure his "invisible" status. ) Joe operated the place as a modern-day speakeasy as you needed to call first to see if he was "open," knock on the door upon arrival, and after checking you out; he would let you in. His claim to fame was a stash of Pre-World War I bourbon (Old Mock and Old Oscar Pepper) and a brilliant jazz collection whose selections were continually playing on the old Victrola in the background. During our long bouts of bourbon shots and solving the world's problems; we always asked Joe "How Was Business?" His standard retort was **"Feast or Feathers."** or "**When It's Good, It Is Really Good, and When It's Bad, It Is Really Bad."** The bottom line being that the good times carry the bad times.

I apply this to disgruntled investors during the current Bear Market. You have been "feasting" for close to 10 years and now it is time for a bucket of "feathers." When there were floor traders on the Chicago Board of Trade/Mercantile Exchange/Chicago Board of Options there was a common phrase that "He" (there were few women at the time) "**Puked Out His Position."** What it meant was that the losses became so great on a position (i.e. a holding that is long or short) that one became physically ill and said **"No Mas"** (the expression comes from the legendary boxer Roberto Duran who uttered those words while in the ring with Sugar Ray Leonard the night of November 25, 1980 at the Louisiana Superdome. The concept of **"Capitulation"** regarding the stock market is of a similar vein.

What Is Capitulation in the Stock Market?

Capitulation is another word for panic selling, or liquidating a position in a security for a loss as it declines in price for fear of additional loss.

What Does Capitulation Mean in Simple Terms?

Traditionally, capitulate means "surrender." When applied to investing, it refers to selling a stock for a loss—usually during a phase of extended decline. In other words, when an investor capitulates, they "surrender" by choosing to realize a previously unrealized capital loss by selling a stock rather than continuing to hold onto it due to fear of additional loss.

Capitulation is somewhat self-reinforcing and can cause a cascade during which the price of a stock falls sharply over a very short time. If a stock's price has been in a gradual decline for, say, five months, then a disappointing earnings forecast or some other negative news causes a noticeable selloff that drops the stock's price a few percentage points in a day, this can cause additional investors to sell, pushing a stock's price even lower. This cascading effect can cause a stock's price to crash through previously established support levels, making its new floor price unclear.

Once all of a stock's panic sellers have capitulated (i.e., when the stock's price stops falling sharply and begins to stabilize), investors who are still bullish on the stock may think it has hit a new bottom and may see this as a buying opportunity, hoping the stock will rebound and begin to appreciate.

This is based on the assumption that all of those who were going to sell have sold, so only buyers remain, and they will push the stock's price up. However, identifying the “end” of a period of capitulation is hard to do until it has already happened.

What Is Market Capitulation?

Market capitulation occurs when panic selling becomes a market-wide phenomenon that affects most stocks. This most often occurs during bear markets and corrections when most of the market begins to lose value.

If most stocks have been in a gradual decline, then sharper declines begin to occur, investors may begin to sell off their stocks and move their remaining money into more stable investment vehicles like preferred stock, precious metals, corporate bonds, or government bonds.

This can cause more rapid price drops, which can inspire fear in additional investors, causing additional selling, and so on. When the psychological effects of unrealized capital loss become strong enough and prevalent enough, a market-wide recession may even occur, although this is rare.

What Causes Capitulation?

Market-wide capitulation can sometimes happen in response to a particular macroeconomic event. The bursting of the housing bubble and subsequent banking crisis in 2008 led to market-wide panic selling that turned into a serious recession. The onset of the COVID-19 pandemic in early 2020 also set off a cascade of capitulation, although it was less serious and shorter-lived than the selloff of the late 2000s.

When it comes to a particular stock rather than the market at large, capitulation can occur as a result of disappointing news (e.g., dropping sales or missed earnings estimates) being released during an existing period of decline, assuming the stock’s resulting price drop is substantial enough to frighten a significant number of investors into selling.

How to Spot Capitulation in a Stock

Capitulation is much easier to identify in hindsight than in real-time, but investors who want to buy in at a stock’s bottom often try to identify the end of a period of capitulation so they can buy a stock just before it rebounds. One way traders attempt to do this is by analyzing a stock’s candlestick chart to see if they can identify a “hammer candlestick” following a period of decline

What Is a Hammer Candlestick?

Each candlestick on a candlestick chart shows a stock’s open, close, high, and low prices over a particular period. A hammer candlestick is one in which the open and close are close to one another (indicated by a short thick), the top shadow is short, and the bottom shadow is very long, indicating that a stock traded very low during much of the period in question before rallying and closing very close to (above or below) its open price.

Historically, hammer candlesticks are often present at a stock’s bottom at the end of a period of decline and capitulation and just before a rebound in price. That being said, this isn’t always the case, and past trends do not guarantee future results. Attempting to identify a stock’s post-capitulation bottom using candlestick charts—like any other investing strategy—involves risk.

How Long Does Capitulation Usually Last?

There is no set rule as to how long capitulation can last, and even in retrospect, different investors may have different opinions as to when a certain period of capitulation began or ended, exactly.

The period of market capitulation that followed the onset of the COVID-19 pandemic appears to have begun around mid to late February 2020 and lasted until mid to late March, so in that case, the process took about a month. Every situation is different, however, and single-stock panic selling can occur much more quickly than market-wide capitulation.

Bottom


In the light of the capitulation tome, I am amused at the continued **"Buying The Dip"** Dip actions of today's investors. I realize they have been conditioned to abide by this technique during the Bull Market years and it has worked quite well. However, **IT DON'T WORK IN BEAR MARKETS!** You do have Bear Market Rallies (a.k.a. Sucker Rallies), but the dominant direction continues to be **DOWN.**

In our main role as retirement plan financial advisors (we do wear a few hats in the ERISA space unlike our competition); we preach investing in the "Bad Times" as well as the "Good Times." As one can never consistently "Time The Market," investing in down markets allows for a larger accumulation of shares (Remember: We are Dollar Cost Averaging (DCA) and "Nibbling" with each payroll contribution) that have the ability to appreciate. Worry not, the "Feast" will return" and all will be right in the investment world. When that will be is anybody's guess as the average Bear Market lasts about 16 months (some say less, some say more). Bear So, to all my retirement plan participants, don't "Cry Uncle," but watch "Uncle Buck" and the hilarious, gone way too soon John Candy (Died at 43 on March 4, 1994). This movie was one of my boys all-time favorites back in their childhood days of the 90's. Uncle Buck

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*Uncle Buck*