



Bill Smead
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Star Trek Stock Market

Dear fellow investors,

*Space: the final frontier
These are the voyages of the star ship Enterprise
It's five year mission:
To explore strange new worlds
To seek out new life and new civilization
To boldly go where no man has gone before!*

Now that the leaders of the most popular tech companies are going into outer space, we thought it appropriate to consider the return implications of this urge to “explore strange new worlds.” We believe the investor’s enemy is stock market failure. Stock market failure is a function of financial euphoria. Financial euphoria can be tracked historically. One of the world’s most brilliant scientists, Sir Isaac Newton, said this about stock market psychology:

“I can calculate the motion of heavenly bodies, but not the madness of people!”

Each financial euphoria episode is designed “to explore strange new worlds.” In the 1920s we explored automobile travel and the radio. At the height of the 1929 bubble, RCA was Apple, Amazon and Google combined. They were one of the largest makers of radios, one of the largest nationwide broadcast networks and one of the largest producers of radio show content. There was no end to where the freedom of movement via the automobile and the democratization of music, information and entertainment provided by the radio. My Dad grew up on radio programs for kids.

The space race triggered another financial euphoria episode in the Go-Go 1960s. The technology used to fly into outer space and land on the moon filtered itself into everything from computers to transistors and elsewhere. *Star Trek* was born in 1968 and continues to capture the imaginations of 30–50-year-old Americans, who dress up as their favorite characters. They “seek out new life and new civilization,” but their Comic-Con dominated lives are a “strange new world” to me. Companies went so far as to add the letters o-n-i-c-s to the name of their company to garner maximum momentum-based investor attention. Think Panasonic and Arrow Electronics.

In the late 1990s, it was all about the internet. The glam stocks were Amazon and eBay (EBAY), but hundreds of other companies were hoisted onto the stock market. This financial euphoria episode was defined by Geo-Cities, AOL, Sun Microsystems and Lucent Technologies. It was fun for a while. We bought Cole a Web TV for his 16th birthday and I borrowed it to do genealogical research among Indiana records of our ancestors. It was a “strange new world” and definitely had utility.

Today, we “boldly go where no man has gone before.” You not only don’t need profits in this financial euphoria episode, but you also barely need sales. If you have sales, all you need is them growing really fast. Everyone thinks that the new ones are the next Amazon, Apple or Tesla! What is worse is that even those stocks caused stock market failure for many prior owners. The other ones just destroyed everything investors put in.

Thanks to technology, we now know that space wasn't the "final frontier." What we do know is that RCA investors spent 25 years getting even, if they bought in 1929. This was despite the fact that the radio business realized all of its promise. We know the Go-Go 1960s produced two big bear markets in 1968-1969 and 1973-1974 and eliminated stock market interest for over 30 years. It was stock market failure.

We know that Amazon and eBay investors got crushed in 2000-03. We ended up buying EBAY in 2007-2008 and never have purchased Amazon. We don't envy those who did buy, because not buying a successful stock is not at the heart of stock market failure.

What are the financial euphoria stocks of 2018-2021 "where no man has gone before?" Special Purpose Acquisition Companies (SPACs), work from home stocks (WFH), and ETFs for any imaginable futuristic disruption lead the list. Thanks to the popularity of these "new life" companies, the carnage for investors who knowingly

(actively) or unknowingly through passive indexes have allowed this financial euphoria to filter heavily into their portfolio, face stock market failure when it crashes.

Here is how John Kenneth Galbraith sums it all up:²

"A further rule is that when a mood of excitement pervades a market or surrounds an investment prospect, when there is a claim of unique opportunity based on special foresight, all sensible people should circle the wagons; it is the time for caution. Perhaps, indeed, there is opportunity. Maybe there is that treasure on the floor of the Red Sea. A rich history provides proof, however, that, as often or more often, there is only delusion and self-delusion." 

Warm regards,



William Smead

¹ Source: [Star Trek Lyrics](#)

² Excerpt from *A Short History of Financial Euphoria* by John Kenneth Galbraith.

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