

## ***MY VIEW***

By Victor Didkowsky CFP

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### **Irrational Exuberance....or a Need to Believe.**

American President George Bush finally pulled the trigger and signaled to the United Nations and the rest of the world that he is going to do what he feels is in everyone's best interest. If the rest of us do not see history repeating itself with the likes of Hitler, Mussolini and Stalin to name but a few, acting as the role model for Saddam Hussein, then that's our problem. With that same action came the message that the nations who gave more than lip service and are standing side by side are being noticed and appreciated by the American people. Those other countries, will also not be forgotten, for the lack of their conviction may also have a great economic price to pay down the road. History has a very long memory and many of us may not like how we as Canadians will be remembered. It is very sad that the citizens of this great nation have to endure the constant embarrassment on the world stage by our federal leadership. Let me ask you, if you were the boss and your employee gave you an eighteen-month notice, how likely would you be to let that employee stay on? Some concerns that might pop into your mind are, how well will they do their job? How committed are they to your success? What is the true underlying motivation for the long notice period? After all is said and done 99% of us would opt to cut a cheque for the legally required notice period and say good bye. As a ridiculous as this may sound, that is exactly the situation we find ourselves in. No wonder we are the standing joke!

But, enough of that...So what is it with the investors out there thinking that the war with Iraq would be a seventy-two hour fait accompli. In a week the markets skyrocketed with the S & P gaining 1000 points and then over the weekend, the going got tough, Hussein did not roll over and the markets headed south. I fail to understand the radical swing in either direction. Certainly those same companies didn't change from unattractive to great to being a smuck overnight. So what happened? In my opinion nothing magical, mysterious, or unexplainable has happened. Just simply the relationship between supply and demand, lots of pent up investor demand, many trillions of dollars looking for a place to call home, and of course, human nature not wanting to miss out on the resurgence of the markets coming alive.

Wars typically do not start and end in a week. A corporation does not go from being not worth owning, to being the best thing to own overnight. The war will be fought, people will lose their lives, loved ones will be left behind and at some point in time it will end. It is very foolish to seriously think that this would be a cakewalk, otherwise there would not be 225,000 troops stationed in Iraq to get the job done.

War has typically been good for a sluggish economy. I guess we will have to wait and see how it plays out this time around.

What I have found to be interesting is the positive reaction that was shown by the market participants and that the inflow of new funds was just a fraction of the liquidity which is available and sitting on the side lines. A slow and steady resurgence of investor confidence, the return to normal fundamentals and corporate stock multiples is what the financial doctor ordered.

Some facts... In the broad market we have not seen any growth since 1997. The Great Depression of 1929 saw a drop of 86% for thirty-three months. Followed by an increase of 1,028% which lasted twenty four years, for the S & P. This latest downturn has been the longest one in history and, the truth be told for the most part it has had nothing to do with fundamentals, but instead has had most of its movement derived from two emotions, fear and greed. Let us all pray that the conflict will soon be over, a minimum of human life will be taken and that we can get back to the good old days and what is important.

Regards,

Victor

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