



The Spooky Lost Decade

In the spirit of Halloween Season, here's a spooky thought about the markets.

We could be embarking on a "lost decade".

In recent weeks, I have talked about AI Bubbles, nosebleed valuations, aggressive accounting by major firms driving markets, excessive concentration in the S&P 500 weightings, and other scary factors that suggest we are on the riskier end of the spectrum.

GMO – a firm with tens of billions of dollars under management -- recently published a research piece highlighting the prevalence of lost decades. That is, decades of no returns. They tend to happen from a period of extreme valuations that revert to the mean (like I've talked about) and occur more often than you might think.

The chart below shows the performance of the standard 60% stock / 40% bond portfolio. Going back to 1979, when the 60/40 portfolio was created, the strategy's returns are 10.2% annually, outpacing inflation by 6.8%. Good deal!

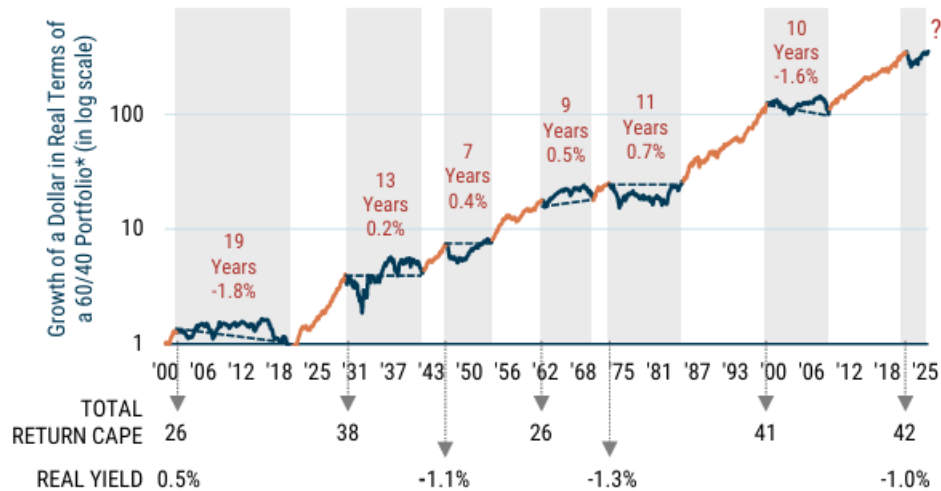
However, by 1900, the real return drops to 4.7%. Still not shabby.

The devil is in the details, though. Over the past 125 years, there have been **six** periods with no returns, averaging 11 years each.

That's half the time spent going nowhere. Of course, we don't know what the future holds. Yet, we do know we are in lofty valuation territory, at least among the biggest stocks in the S&P 500.

EXHIBIT 1: 60/40 – “LOST DECADES” ARE MORE COMMON THAN YOU THINK

Most started with high valuations on stocks or bonds



So, this begs the question...what to do?

GMO recommends international stocks, value stocks, and liquid alternatives. They specifically highlight Japan as a market in which they are overweight.

I've written about the spread between international, value, and small stocks relative to the S&P 500. Those spreads should close somewhat, which will provide additional performance when they do. Of course, no one knows *when* that will happen.

Emerging markets stocks have rocketed higher since I highlighted that spread. International stocks have done well. Small caps, however, continue to lag the S&P 500. The average stock is well behind, too, due to the momentum in AI stocks.

While I cannot give personalized investment advice, here are my suggestions in general.

I continue to like international stocks and emerging markets.

Small-caps will have their day, and when they do, they will close the gap quickly. Based on my experience, this might happen in a rebound after the market-weighted S&P 500 gets punched hard in the nose. Smaller stocks often bounce back quicker. The average stock does too.

As a result, I continue to prefer the equal-weighted S&P 500 to the traditional market-weighted S&P 500.

Finally, one needs to be tactical. ***Buy-and-hold during a lost decade won't cut it.*** You're losing in both absolute and relative terms, and relative to inflation.

Fortunately, I have such strategies specifically for this situation.

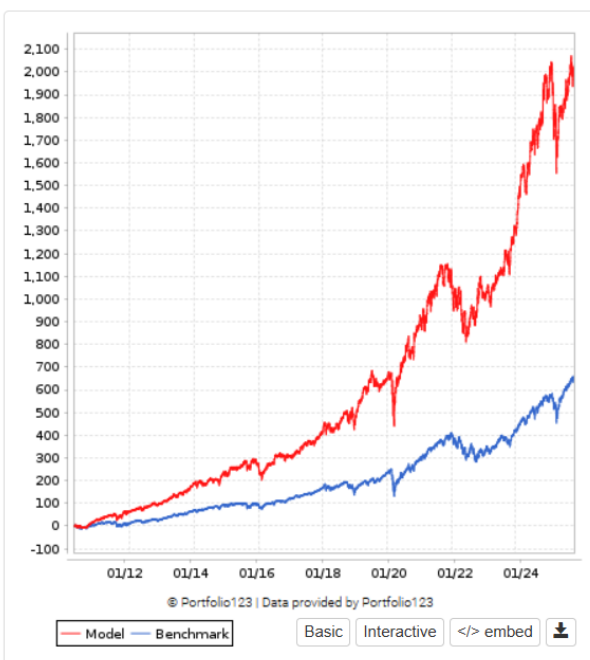
And, I'm going to make an offer you cannot refuse.

Next week is my 50th birthday. I'm not one for receiving gifts. But I do *love* to give gifts.

In 2010, I started my own research firm providing forensic accounting research to billion-dollar investment managers. My model is called the Forensic Accounting Stock Tracker, or FAST.

I charged clients \$25,000 or more for that research. Now you can access the same *FAST Model* and the *FAST Profits* newsletter, which lists the top eight ranked stocks, for nowhere near that cost.

Since 2010, those eight stocks have returned 2,207% compared to 661% for the S&P 500.



General Info

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Total Market Value (inc. Cash)	2,127,176.66
Cash	-887.62
Number of Positions	8
Last Trades (2)	10/13/25
Period	04/01/10 - 10/24/25
Sizing Method	Static Weight
Next Rebalance (Every Week)	11/01/25 In 5 Days
Mode	Manual
PIT Method - Prelim	Use
Benchmark	S&P 500 (SPY:USA)
Universe	S&P1500 CompositeCap (IVV+IJH+IJR)
Ranking System	FAST Ranking

Quick Stats as of 10/24/2025

Total Return	2,027.18%
Benchmark Return	660.89%
Active Return	1,366.28%
Annualized Return	21.69%
Annual Turnover	1,325.51%
Max Drawdown	-30.94%
Benchmark Max Drawdown	-33.72%
Overall Winners	(1004/1658) 60.00%
Sharpe Ratio	1.21
Correlation with S&P 500 (SPY:USA)	0.82

And, I'll knock \$100 off the price.

Over time, FAST has done quite well. 2025 has been an up-and-down (and up again) year, and it has lagged. The best time to implement a strategy that has done well over time is when it's a bit behind. When it catches up you gain extra performance.

In addition to the top eight stocks, you will get the complete 1,500 list of rankings, which can help you build your own portfolios, and more importantly, **identify stocks to avoid** or ones you may own that pose a risk to torpedo your portfolio.

Owning just one stock engaged in financial shenanigans can wreck your portfolio and your mood.

Please take advantage of this offer between now and November 6th and help me, help you!

<https://hsdent.com/product/fast-profit/>

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