

The Scuba Trader

"I've lost tremendous amounts of money in various markets and I think that that's something that makes you better at my job, not worse."

- Jim Cramer



When I first read about Willow, Google's quantum computing breakthrough, last December, I wondered if this might trigger a rush for cybersecurity stocks.

Maybe I was onto something here, I thought, so I had a look around online.

Turns out the *Amplify Cybersecurity ETF (HACK)* had been around for a decade and had about \$2B of other people's money invested in it.

And it dropped on the day of Google's announcement.

It was flat a few weeks later, as was my initial excitement¹.

Maybe I was a little late to the party.

If you think you've come up with an original idea that you can make money on, it's probably already reflected in a publicly-available fund...

- Can't stop listening to BTS?
 - The *KPOP and Korean Entertainment ETF (KPOP)* might be up your alley.
- Spending too long scrolling comments on r/wallstreetbets and fancy buying into stocks that are trending with the retail degenerates?
 - The *Roundhill MEME ETF (MEME)* should scratch your itch.
- Trying to tap into the discrepancy between US senators' salaries vs net worth and fancy some copy-cat trades?
 - The delightfully-named *Unusual Whales Subversive Democratic Trading ETF (NANC)* will align your capital with the stocks favoured by Democratic members of Congress. Choose **(KRUZ)** if you'd rather follow the Republicans.
- Worried about European boycotts after a certain CEO's recent behaviour?
 - Time to close out your *Defiance Battleshares TSLA vs F ETF (ELON)*. This offers a pairs trade by taking a 2x leveraged long position in Tesla and a short position in Ford.

Some people have guilty pleasures.

Actually, we all do.

I'll share [one of] mine...

...Please just scroll back to the opening picture.

I know Jimmy Chilli is pure entertainment and not a reliable foundation for asset allocation, but it's good TV!

And his calls have been so remarkably consistent in terms of both unfortunate timing and direction that it's hard sometimes not to see him as a contra-indicator.

Perhaps I should go short Jim and buy some *Inverse Jim Cramer ETF (SJIM)*²?

The problem with **ELON** or **KPOP** or with any fund that reflects specific themes, sectors, or companies (or people's views on them), is that they already exist.

Therefore, it's probably old news.

And it's next to impossible to know what will be new news.

So by the time you invest in it, its growth is probably already priced in, or its positive sentiment has already peaked.

What's worse is, if you're like me (or most humans), you might stubbornly go full Toto and hold the line until you're back in the money.

The sunk-cost fallacy is a powerful bias.

A famous example is Japan in the 1980s. The Japanese market got frothy, to say the least.

The Nikkei was trading at roughly 60 times earnings and the grounds of the Tokyo Imperial Palace (0.44 square miles) was estimated to worth more than all the real estate in California.

If you bought into the Japanese theme / dream on New Years' Day 1990, you would have had to wait 24 years to start seeing some positive returns.

If you didn't stray that far but instead bought good old Microsoft at the time instead, you'd have been waiting about 17 years for some precious green colour on your position.

MSFT wasn't the only sunk-cost blue-chip:

- Cisco Systems (**CSCO**) ~16 years
- Intel Corporation (**INTC**) ~17 years
- Sony Corporation (**TYO: 6758**) ~20 years
- Qualcomm Incorporated (**QCOM**): ~20 years
- General Electric (**GE**) still trading from Sep-2000

The Dot-com crash really did a job on markets.

And that's not to mention the companies that went bankrupt.

These are fairly well-known cases, but it doesn't have to be an elevator down and an escalator up.

Sometimes themes and stocks just can't seem to break through.

The European Financial sector (**EUFN**) hit an all-time high yesterday (as of writing).

That was nearly 11 years in the making.

EXHIBIT 1

Long Queues at the Bank: iShares MSCI Europe Financials ETF

(2010-2025)³

\$26.55

↑ 21.40% +4.68 MAX

19 Feb, 11:49:22 UTC-5 · USD · NASDAQ · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



European banks though...come on. Have you tried dealing with Barclays online support?

Not unique, unfortunately.

The 50 biggest companies of Europe (**FEZ**) took 14 years to recover from its ATH in 2007.

Even in the States, the financial sector (**XLFI**) struggled for 12 years from its GFC peak.

And it isn't just tech and banks.

The *US Homebuilders ETF (XHB)* took 12 years to recover from the housing boom peak in the US of 2006.

The *VanEck Russia ETF (RSX)* peaked in mid-2008 but faced a lengthy downturn, finally shuttering in 2022 after a 14-year drawdown.

And, again, these are the somewhat diversified funds.

Let's not worry about commodity futures contracts. Long-only is simply not a viable approach to investing in this asset class. **Silver** (1980 – 2011), **Sugar** (1980 – 2006), **Oil** (1990 – 2005), **Nat Gas** (2008 – 2022), among others have all spent significant periods beneath the surface.

Stock markets are volatile places. Even the broad market index, the *MSCI All Country World Index*, spends time underwater.

But the globally diversified dives have been more like 7 years than 17 years and we take solace during its dip that capitalism will continue working to get back in black, not banking on any one individual theme making a comeback.

For both your ego and your balance, it would be wonderful to time a trade to perfection.

But it simply adds an unnecessary layer of uncertainty to achieving your financial goals.

You are taking on risk investing in stock markets, though not as much as *not* investing in them (thanks to inflation).

There are a few key rules to follow, and luckily we can control these, and they're far easier than finding the next investing darling:

- Diversification matters; don't rely on a single sector or theme.
- Market timing is nearly impossible; long-term discipline wins.
- Own the market; capturing global returns is more reliable than chasing hype.

We're all going to spend *some* time underwater when investing. Let's leave it to Jim and Nancy to make the calls and we'll continue to own every idea out there for our clients.

References

¹ <https://uk.investing.com/etfs/purefunds-ise-cyber-security-historical-data>

² Even if I wanted to, I just now found out that both long (LJIM) and short Jim (SJIM) ETFs are now closed :(

³ <https://www.google.com/finance/quote/EUFN:NASDAQ?window=MAX1>

Risk Warning

The value of units can fall as well as rise, and you may not get back all of your original investment.

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