Navigating Market Volatility and the Lessons from Intel

Announcer: Welcome to the Empowered Investor Podcast. Have you ever felt overwhelmed by the sheer volume of choices and voices telling you how to plan or invest for your future? With a straightforward approach, host Keith Matthews of Tulett, Matthews & Associates cuts through the noise to help you create a winning action plan for you and your family. The decision-making framework discussed in this show can transform you and your investment experiences and will increase your odds of becoming financially secure. Learn more and subscribe today at TMA-invest.com.

Keith: Welcome to the Empowered Investor. My name is Keith Matthews and I'm joined by my cohost Lawrence Greenberg. Lawrence, how are you today?

Lawrence: I'm doing great. I'm happy to be back on the show.

Keith: We did a show a couple of weeks ago on mid-year market update. And today we kind of wanted to do a bit of an add-on to that, especially since we've had some recent volatility and just sort of bring it into this episode. In addition to that, we're going to introduce our listeners to the Intel story. I think there's some great takeaways here. So really, it's mostly a quick investment update along with what we think is a fascinating story that we can all learn from. Absolutely. So in our mid-year review, Lawrence, how did that go? And then what's changed since then?

Lawrence: Yeah. So in the last episode, it was a very positive one. The overall stock markets were quite positive. And then following the release of that episode, the global markets took a bit of a tumble. We got some negative news from the U.S. economy on their unemployment figures, and there was about a five to seven percent drop in a matter of a couple of days across Canada, U.S., and international markets.

Keith: Yeah, that Friday, essentially, the news that came out was that unemployment had notched up a little bit, and investors all of a sudden got a little worried that maybe we aren't going to have a soft landing. Maybe it'll be a bumpy landing or maybe a hard landing, and if that's the case, then we're going to sell stocks.

Lawrence: Exactly. And in a matter of the Friday and the Monday, stock markets lost about 6%.

Keith: Yeah, so that would be last week in early August. Now it's the second week of August. There was some negative news on payroll and unemployment last week. And now this week there was some positive news on the initial jobless claims, which is another measure of the overall health of the U.S. economy. And that's new people filing for unemployment. So, contradicting data on the economic front and now markets are up 2 percent from that low, maybe even three.

Lawrence: Yeah, so obviously our message is always stay the course, keep your long-term allocations, but it is worth noting when these moments occur just why it's occurring. We are definitely not in the business of trying to predict, and we always tell investors and other advisors and advisory groups that it's obviously not worth it, and that's the message we get in all of the data, but there is more volatility right now.

Keith: Yeah, especially over the short term, you'll get these bumps, right? There are always events all across the globe that may impact global markets. As a long-term investor, you need to zoom out and try to ignore these headlines because trying to predict things and move money around or making investment decisions based on this news could create some bad investment outcomes.

Lawrence: Yeah. And furthermore, we've had some very strong numbers up to this point. So our July 31st numbers in the global benchmark portfolios that we track were up 14%. So that's a pretty big push forward. It slipped six or 7 percent at the low part. And now it's kind of bounced back a little bit, but that's a big jump.

Keith: Yeah. So if you're a stock investor, you're still up seven or 8 percent on the year. You know, it's still a strong year. These couple of days, in the grand scheme of things, investors should not look too much into.

Lawrence: So when we look at the chart on the VIX, which is the volatility index, what does that show?

Keith: The VIX is what people call the fear index. So when people become more worried or there's generally more fear in the market, by selling, for example, the price chart flows upward. So for the past two years, basically, it's been quite low. We're seeing a small notch up, but in the grand scheme of things, we're nowhere close to the larger levels of 2020, for example.

Lawrence: Yeah, 2020 was very large. You have to go back to 2010 for something very large. And then moderate bumps all the way through 2022 would have been moderate, but that's when people thought there would be a recession, so they started pricing that into the securities. And then it's been fairly low since, up until the last five or six days.

Keith: Absolutely. So what's our overall message with regards to how to think about this, how to manage through it, and how to think about investments?

Lawrence: Our takeaway really is fairly consistent in our language that we are long-term investors. These small bumps in the road don't feel good, but you need to take a long-term perspective here. Have an investment portfolio that works for you, that's built for multi-year periods.

Keith: Very well said, Lawrence. The only thing I would add is that investors have to get used to the fact that there's always news coming into the market. Something new is always popping up. So be prepared for jolts. But if you're a long-term investor, you should learn how to almost ignore it, ignore the noise, and stay focused on your long-term measures.

Let's go into sort of topic two here. And topic two is not really related to this first topic about volatility, but it is something that's come out in the last few weeks, and it's Intel.

Lawrence: Yeah. So this is a topic that has popped up in the office amongst the advisors. We've been talking more and more about this stock. A lot of our listeners will be very familiar with this name, and it's had a bit of a fall from grace.

Keith: And recently, there's been, I think in the last two weeks, massive layoffs. And then the stock has dropped pretty significantly, like 20-25 percent in the matter of a day. And for me, what's interesting about this is that if I go back in time, Intel was a superstar just as there are stocks right now in today's market that people perceive as absolute superstars. These are no-brainers. You can't lose money. If I go back to when I was an investment advisor in the late 1990s, Intel was becoming that stock, and for a lot of our listeners, they're going to remember the glory years of Intel and Intel being that company that made computer chips that every single computer needed.

Lawrence: Yeah, so this was a stock market darling, had a huge run-up leading into the late 90s, at the very peak of the dot-com frenzy, hitting 75 in its price. And then you see this long dip throughout the mid and into the even late 2010s. But the story was still that this was at the forefront of the tech stocks. They're positioned very well for the industry and how it'll evolve over time. And then we find ourselves 26 years later from this peak, and you made no money as an Intel investor.

Keith: In addition, if you would have purchased Intel in 2000 when it was trading at 75 and then figured out your return because today it's now trading at 19, you would have lost 73 percent total portfolio, but you would have done it over a 24-year period. And for me, what's remarkable about this story is there are some stocks—and we are not in any way suggesting—but we're going to compare it to NVIDIA for just a split second. We are not suggesting that NVIDIA is going to have this outcome. But if you hear people talk about NVIDIA, it's one of these things where they say it is a no-brainer. They control the AI business. All the chips are being built by NVIDIA. This is the same story. This is exactly what happened in the late 1990s when everybody said you must own Intel. It's making all of the computer chips in the world. And if you would have said the world will be dominated by computers, most people said, "Oh my God, I have to keep on buying Intel."

Lawrence: It's a can't miss, right?

Keith: It's a can't miss. And so you fast forward here, and it's not just a miss. It's like a complete mess. And to me, it demonstrates the perils of trying to identify or just buying into these superstar stocks and saying they're no-brainers. Let me put quite a bit of money in it, like large weightings in a concentrated portfolio.

Lawrence: Exactly. It's very easy to get caught up in the story, the new shiny stock, and it could be dangerous. You could be buying into securities at high valuations on the hypothesis that this is the way the world's going. I want to be a part of that. But again, you do not want to take concentrated risks in your portfolio, regardless of the sector or the industry. There are hundreds of stories that are just like this, where at one time or another, there was a stock market darling, and perhaps you didn't have as good of an outcome as having a diversified portfolio, for example.

Keith: Yeah. And I guess to repeat what we mentioned a bit before, we in no way are suggesting that NVIDIA is that same story. We in no way are suggesting that. But what we are suggesting is that these stocks that can go up by tremendous amounts, if their results don't continue to grow by these tremendous amounts, there can be some shocking returns. And you'll see them five or ten years later.

Lawrence: Absolutely.

Keith: So what would be your takeaway on this concept? What's the lesson from Intel?

Lawrence: Yeah, I think the lesson from Intel is that it may seem obvious that a certain investment is poised to do extremely well, but you don't always know what the future holds. There's a lot of uncertainty there. So the major takeaway is don't get caught up in narratives or stories. Try to stay away from taking concentrated bets on individual securities.

Keith: That's a really great takeaway, Lawrence. What we're trying to do today is identify and bring up two relevant points for investors. One was on market volatility, which is the first little piece of today's episode, and the second was the lessons of Intel. I can't think of two better ideas to bring together to point individuals in the right way to build portfolios. One is stay away from the noise, focus on long term, and the other one is don't fall in love and don't chase—stay diversified. So those would be my takeaways. Lawrence, thanks so much for being on today's episode.

Lawrence: Thanks as always.

Keith: And folks, we'll see you in the next show. Take care.

Announcer: You've been listening to the Empowered Investor Podcast hosted by Keith Matthews. Please visit tma-invest.com to subscribe to this podcast, learn more about how his firm helps Canadian investors, or to request a complimentary copy of The Empowered Investor. Investments and investing strategies should be evaluated based on your own objectives. Listeners of this podcast should use their best judgment and consult a financial expert prior to making any investment decisions based on the information found in this podcast.