



Mr. Brightside...

Investor Psychology for the New Year 12-19-2025

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Benjamin Graham, known to Warren Buffett as the Godfather of Investing, had an interesting description of the stock market, who he called, “Mr. Market.” Mr. Market, as the story goes, was a walking door-to-door salesman who would come visit your house every morning, and offer to sell you shares. Some days, when Mr. Market was especially sad, the price you could pay to access the market was especially low, and some days, when Mr. Market was feeling ebullient, it would sell for an exceptionally high price. The feverish emotion would whipsaw Mr. Market around with such violence one day after another, down huge, and then up huge.

Mr. Market is a manic-depressive type. His euphoric highs following abysmal lows typify the behavior of a 5-year-old coming off of a sugar-driven high in a candy store. Ben Graham’s impetus in putting this analogy before us is that, as a known daily commodity, the market offers liquidity – the market’s emotion can either own us, or provide patient investors with the opportunity to take advantage of it. But understanding how the market works, and how to take advantage of it, really begins with understanding your own psychology.

In their popular ballad, “Mr. Brightside,” *The Killers* constructed an archetypical “Mr. Market” character; one who is pining for an unrequited love. He spends all of his free time obsessing about his romantic partner, wondering if she is doing this or that. Not unlike Mr. Market, this manic-



depressive behavior has come to dominate his psychology. The same can be said of many investors who've enjoyed the three-year bull ride in technology and A.I. stocks. Rather than sit back and allow Mr. Market to over-extrapolate in either direction (which, by the way, it *always* does), curious investors have thrown themselves into the deep-end of the psychology pool, wondering feverishly when A.I. capex spending will slow down, when Sam Altman will stop doing one-on-one interviews with every major tech player in the S&P 500 to hype up A.I., when Oracle's credit default swaps will go back to normal prices after "blowing out" to the upside, and when the traditional business news channels will stop fanning the flames of hype and start delivering semi-rational facts that help to stem the speculative fever-pitch, rather than exacerbate it.

Of course, all of this is easier said than done. As investor look back over the prior bull market, they can view it with either pain or pleasure. And this all probably comes down to their own personal experience with the bull market. Those who've participated in and enjoyed the upside, might be thinking, "well, that was fun while it lasted, let's go on that ride again!" Others in this cohort are probably thinking, "that was awesome, but it's gotta end sometime soon!" And then there is the camp who has been left out in the cold from this A.I.-driven rally. I typically see a different reaction from this cohort, "Oh, I told you so, it can't go on forever!" then there is the more opportunistic "I missed out" folk who buy the A.I. names on dips.

Since Mr. Market is a fictional character exemplifying the collective actions of every market participant (on average), he can encompass a wide range of characters. But let me give you my opinion on which of his "sub-personalities" are the rational ones who will ultimately be the ones to take



advantage of Mr. Market's folly, and who are the ones who will ultimately succumb to the manic-depressive nature of Mr. Market's Myopia.

We would all love for there to simply be an “easy button response” to prices being this high, but unfortunately, it's not the case. Every client I speak to comes to me with a different starting point and a different set of life circumstances. For ease of communication, I will segment them into the four archetypes I described above, so to reiterate:

- a) There is the A.I./ tech savvy enthusiast who has already enjoyed prodigious market gains from tech/ A.I., and is ready to double-down into the strategy.
- b) There is the A.I./ tech savvy enthusiast who has enjoyed the prodigious market gains from tech but is now more cognizant that, at some point, this strategy will be “out over its skis,” so now is probably a good time to start diversifying into other thematics, other countries, and maybe other asset classes.
- c) There is the “old school” school investor who through either conscious willingness, financial advisor guidance, or simply not paying attention, missed the A.I. stock run-up – and due to either cognitive dissonance (to preserve the message they say to themselves in their own mind's eye that they are smart, and ultimately right) are intending to double-down on their bias to underweight or ignore altogether the tech and A.I. exuberance in the market.
- d) Finally, there is the “old school” investor (the same investor as above), who concludes that he needs to start to dabble in the A.I./ tech space. This crowd, when executing a solid plan, might be called the “buy-the-dip” team.



It is not my job to say who is right and who is wrong. I can tell you that all of my clients fall into the category of A or B, but I speak with folks all day who fall into category C or D. It is fair to say, I think, that every stock investor in the world falls into one of these categories. The only point of view that I can't come around to is that of investor "C." This investor has been wrong, but is unwilling to admit it. And as Mark Twain famously said, it's not what you don't know that gets you, "It's what you know for sure that just ain't so." In other words, this investor has been unwilling to acknowledge they've had a blind spot, and rather than make a plan to change or amend their plan, they go on demanding that they are right and that the market will eventually come around to their point of view. And, for two seconds, they might appear to be right if we get a 40% or so correction. But broken clocks are only right twice a day. And, I might add, the technology sector has created the lion's share of S&P 500 profits, so ignoring them is not necessarily a rational decision – it is most often an anticipatory self-preservation decision – because these folks are hard-wired conservatives, any dipping of the toe into the deep end of the A.I. trade, at the first sign of volatility, causes them to skid off their pre-set plan, and exit the market. "See, I told you so!" you can envision them saying to themselves on a day when the market is down 2%.

So let me tell you about "typical mistakes" I see investors of every category making:

- A) Those in category A, or the hyper-bull category. These people often have a high correlation with the cryptocurrency crowd. I don't think this is accidental. I am not a crypto person, so if you've come to my website hoping for advice on crypto, you've come to the wrong place. What I will say is that this crowd should not be surprised that



when there is a correction in either crypto or tech, it should be no surprise that it is going to feel like a double gut punch. That is because Mr. Crypto Market is just like Mr. Market, except he is even more Manic and even more Depressive. Crypto is no more than a leveraged non-profitable tech bet, and if you've chosen to go all in on crypto, you should be prepared to weather the regular 80% crypto winters that go along with the space. This will feel like no fun if your stocks are in a run-of-the-mill 20% garden variety sell-off. But it will lead to irrational selling of your tech stocks because it may lead to a liquidity crunch. In a liquidity crunch, people will sell what they can, not what they ought to. My advice to this crowd is to trim a healthy proportion of your crypto and reinvest into any category of stocks other than tech. Preferably something less-correlated such as international stocks, healthcare, small-cap value, deep-value, or dividends. Anything that you feel will keep you invested. I also see Type A people with a healthy dose of private equity. But, be prepared for some underwhelming results. Private equity has gone through a long period of underperformance, now, yet the space is just as crowded as ever and there is a ton of "dry powder" waiting to be deployed into the next A.I. hype stock with no revenues in sight.

B) I believe archetype B remains well positioned. They naturally have a "rebalancer's" psychology; they believe that what goes up, must come down. The advice I would give is this, "don't overdo it, but don't underdo it." I know this is tacky and perhaps unhelpful. What I mean is this, if your strategic asset allocation is 80/20 and has drifted up to 90/10 on a tactical basis (90% equities, 10% bonds), it is rational to rebalance by selling ten percentage points of equity and redeploy it into bonds. But certainly don't go overboard and rebalance yourself



down to a 60/40. Long-term financial planning success requires achieving the benchmark returns you set out to get – don't try to get overly cute with time the market to a T, nobody can do this, not even Warren Buffett.

- C) There is a healthy amount of work to be done with this crowd. Next year might be a year of vengeance as I could foresee a broadening trade in which value stocks do well, perhaps even better than the growth and A.I. stocks. Unfortunately, I think such an outcome would be counterproductive to the psychology of the type C investor. Ironically, type C from my vantage point has potentially the most to gain from engaging with a financial advisor. The challenge then becomes executing on a highly customized financial plan that can help them stay anchored into a long-term asset allocation that will undoubtedly include many of the A.I. plays (including the NVDA, and GOOG's of the world who've created the lion's share of profits, and some of whom even pay dividends!) as well as more conservative fixed-income, or certain volatility-harvesting strategies.
- D) I believe this could be a phenomenal year for type D investors – those who came into the year conservatively, but who've made it their new year's resolution to dip their toe into the deep-end. Buying on dips is a classic, tried and true strategy that usually pays off handsomely.

A trusted financial advisor is here to help navigate the perils of psychology. To provide a sounding board, but also a set of guardrails when the sound of Mr. Market's incessant droll sounds all but too loud. As always, this is not financial advice, but be sure that any financial decision is guided and contextualized by your long-term financial plan. Don't fall prey to the market as Mr. Brightside has...