

Peter C. Oppenheimer – The Long Good Buy

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Peter C. Oppenheimer is the chief global equity strategist at Goldman Sachs. He has written a book that gives a great overview of past cycles, which he has experienced for the last 35 years.

His idea was to write a book to help us to better understand the relationships between the economic and financial cycles. The financial market tends to create its own narrative, what George Soros called reflexivity, which makes it difficult in the end of cycles when there is a disconnect between the economy and the financial cycle.

The book has three parts, *Lessons from the past*, *The nature of bull and bear markets* and finally *Lessons for the future*. They can easily be read separately.

One key message is that despite all the incredible changes that has taken place, some things remain the same, human behavior. In up and downturns, from Despair, to Hope, followed by Growth and Optimism.

The author takes us on a journey where he develops practical tools and frameworks for assessing risk and rewards over the cycle. This gives us a helpful process to tackle the moods swings we experience as investors. As a side note, one of the best quotes (*) to describe

reality is the following: *“Since the unexpected happens more often than the expected, and the unexpected can happen in an infinite number of ways, while the expected only can happen in one way, its unlikely that the expected happens”*.

In the spirit of the above, Peter categorizes bear markets in three forms: Cyclical, Event and Structural. He then looks for indicators to flag bear market risks. No single indicator is reliable on its own, but a combination of six factors provides a reasonable signal for future bear market risk. This indicator, maybe even more importantly, is a guide to the likely future 5-year returns.

The book ends with a major conclusion for the equity investor. If he/she can hold the investment for at least 5 years, and be able to accept periods of fluctuations, equities is the best choice. If the investor can recognize the signs of bubbles and changes of the cycle, the/she can enjoy a really “long good buy”.

Next week we will publish our long interview with Peter, which I hope will give you more color on some of the things in the book that interested me most. Happy reading!

Bo Börtemark, September 14, 2020

(*) In memory of the Swedish economist, Assar Lindbeck, who died August 28th, 90 years old.