

Re-Hashing When Price Becomes “Just” a Number

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It felt like a good time to re-hash [When Price Becomes “Just” a Number](#) because the piece will be relatively short (relying mostly on links to old T-Reports), it won't take up too much of the editors' time while they are on holiday, and it is relevant.

There are times in trading when the concepts of value, fundamentals, and anything else relatively “normal” get tossed out more than usual. That is when you have to adapt your trading to see everything as “just” a number. Stop losses, option activity, and “fear and greed” all dominate even more than usual. Anything is possible where CDX IG could be 20 bps (June 2007), 198 bps (early 2008), or ~350 bps in the fall of 2008. These are all “just” numbers. However, in late 2007/very early in 2008 I wrote a “Roadmap to IG 200” (which seemed unbelievable at the time) and it reminds me a lot of the recent [Path to Q1 Deflation](#) piece from a couple of weeks ago.

In any case, the “Just a Number” piece from July 2020 highlighted Tesla at the time (pre-S&P 500 inclusion). Back then it had a market cap of \$254 billion, which grew to \$1.24 trillion later in 2021. It closed yesterday all the way back down to about \$350 billion (note: it started 2020 at \$75 billion). Does it trade like the stock price is “just” a number or does it trade on some other “traditional” metrics? I don't know, but it seems like as good of a time as any to discuss trading “like a number.” **However, this time around I'm more worried about the ability of markets to go a lot lower rather than a lot higher. We enter 2023 with a lot of stock prices being much “cheaper” than they were at the start of the year (or at their 2021 peak). Does that mean the valuations are “cheap”?**

The concept of being “just” a number means that prices can go a lot further (up or down) than anyone thought! We needed to be very careful in 2020 about getting too cautious and right now we have to resist the temptation to buy every dip. I am concerned because it feels like we are facing another “just” a number trading environment (to the downside this time). That being said, I'm still hoping for a “Saint Nicholas” rally (see [Bah Humbug!](#)).

It wasn't until late 2021 that we really started harping on the risk that “just” a number had gone way too far! Some selected pieces related to this overall subject include:

- [Double, Double Toil and Trouble](#) (a look at bubbles in Feb. 2021)
- [Noah's Arkk?](#) (where we started really focusing on “disruptive” stocks back in Feb. 2021)
- [Come and Listen to a Story About a Man Named Jed](#) (a cautionary tale of how one “bubble” ended and why it reminded me of bitcoin and Arkk, also from Feb. 2021)
- [A Butterfly Has Flapped Its Wings](#) (Oct. 2021)
- [The Training Wheels are Off](#) (Dec. 2021)
- [The Year Changed](#) (the shift to a “valuation” story from “just” a number from Jan. 2022)

This is all relevant because despite thinking that we will get lower inflation (in fact deflation), it will be for all the wrong reasons and that will create a big “risk-off” trade with lower yields and much lower stocks. **I expect us to breach the 2022 lows for stocks in early 2023, but the question is “by how much?”.**

As I think about “by how much”, I have to consider that “just a number” works in both directions!

On that positive note, **Happy New Year!!!** 😊

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