

BUSINESS

The stock market downturn is an opportunity

By [George Nellist](#) Published September 30, 2022



Photo courtesy Ron Bauer

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If you have been following the stock market, you have undoubtedly seen stocks cratering, the talking heads on CNBC talking about inflation and an impending recession, and the usual suspects in Washington hand wringing about tough times on Main Street and finger pointing at the fat cats on Wall Street.

If you are invested, your portfolio has most likely declined in 2022, regardless of what you are invested in. It is tempting to sell everything, hoard cash, and wait for a better opportunity in the future.

But what exactly would constitute a better opportunity? What would have to happen in order for investors to feel comfortable getting back into the market?

In a nutshell, the stock market would have to reverse and rise again before most investors would feel comfortable getting back in. But by that point, the opportunity for substantial gains will have passed. The time to get in is *before* the market turns, not after.

What is Going on in the Stock Market?

Before going against the herd and buying stocks, it is prudent to take a closer look at what is going on in the market and why most investors are scared to stay in or get in.

There are two economic worries and two geopolitical worries that are keeping investors at bay. Inflation and a possible impending recession are legitimate reasons to carefully consider what stocks to buy. In addition, the Russian invasion of Ukraine will cause instability and an energy crisis in Europe, and continued Covid related lockdowns in China are hampering many companies that do business in Asia.

Russia and Chinese Lockdowns

Two newsworthy events will almost certainly take place sometime in the very near future. All indications in Russia are that few Russian citizens or leaders are in favor of the continued war in Ukraine. The country is being held hostage by Russia.

We can be reasonably certain that the Russian – Ukraine days are numbered for a continued war. Russia is facing enormous internal pressure within the Kremlin and the war is clearly not going well for the country. It is only a matter of time before we wake up one day to news that the war is over, the occupation is ending, and that there will be new leadership in Russia. New leadership will begin by moving swiftly to open the taps to get natural gas flowing back into Europe. The stock market will soar when that happens, it is almost a certainty.

Further east, the Chinese economy is being hamstrung by lockdowns in major manufacturing cities due to the continued pandemic still going on over there. The

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manufacturing since due to the immense problems with getting the vaccine, the Chinese vaccine is simply not effective.

Another thing can be certain, and that is that the pandemic will one day soon be over in China. It may take the CCP swallowing their pride and buying a few hundred million doses of western pharmaceutical vaccine doses, but one way or another they will realize they need to end the pandemic and get their factories up and running again. Just like with the news about Putin, you will want to be already invested when that happens.

The bad news about these two geopolitical risks is already baked into the stock market cake. They cannot hurt the market too much anymore; the pain has already been inflicted.

Inflation and the Recession

Inflation and an impending recession are also legitimate concerns hampering the stock market. Inflation is here, it will be here for a while, and it rightfully has caused the market to decline.

One way to think of the stock market is that it is where stock buyers can lay claim to the future earnings of the companies on the market. Inflation does eat away at those future earnings, especially the tech companies whose earnings are projected to grow several years out into the future.

As for a recession, the question is not will we have one. Most economists define a recession as two consecutive quarters of negative GDP growth. We already have had one quarter, and many companies in the S&P 500 have come out and preannounced disappointing numbers for this quarter. No one can realistically say that this quarter will be better than the last one.

That does not mean we will have a recession. By definition, that means *we are already in a recession*. We may have already seen the bottom, and if we have not, it is most likely very near.

The Market Always Overreacts

Looking back throughout history, the market always overreacts to both booms and busts. Back in mid 2021, hindsight shows that many stocks were in fact over inflated. One of the tech favorites, for example, chip maker Nvidia should not have been trading at \$330. But it should not be trading at \$130 today where it currently sits.

The time to buy stocks is not when they are high, the time to buy is when they are low. We all know that, but human psychology prevents us from actually doing it. Following the crowd made sense when our nervous systems were completing their development three hundred thousand years ago.

We are perfectly adapted to life as a hunter gatherer on the African savannahs, where playing it safe means survival and straying away from the others means ending up as the next meal for the big cats atop the food chain.

We are not adapted for investing in the stock market. We must understand this and look objectively at the facts. We should not be reckless and go all in, but now is the time to start putting cash to work and getting back into the market.

Years from now, history will show that late 2022 was one of the best times to start buying stocks. Savvy investors know the fundamentals and stay disciplined. These investors are currently looking for high quality companies with solid balance sheets, a history of profits, and a proven management team at the helm.

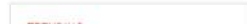
We must remember to stay diversified, use tools such as Dollar Cost Averaging, and realize that timing the market perfectly is impossible. This may not be the exact bottom, but there is currently enormous value in the stock market as prices stand today.

ABOUT RON BAUER – THESEUS CAPITAL

Ron Bauer is a venture capitalist, entrepreneur, business mentor and author, with over 20 years of experience. He is focused on the Life Sciences, Technology, EdTech and Natural Resources sectors, where he has created several exciting ventures side by side with some of the world's leading entrepreneurs and scientists as well as world class academic institutions. Ron holds a Master of Business Administration (MBA) degree from the University of Cambridge.

Ron was the Co-Founder of Turkana Energy, which merged with Africa Oil (TSX: AOI) in July 2009. The company went on to have a peak market value of over \$3 Billion CAD, having raised more than \$1 Billion of equity after Tullow Oil successfully drilled Turkana's oil concession.

Ron is a principal investor in many biotech, tech and natural resources companies. Recently, he was a principal investor in 180 Life Sciences (NASDAQ: ATNF), Pasithea Therapeutics (NASDAQ: KTTA), Stran & Co (NASDAQ: STRN), Genflow Biosciences (LSE: GENF), Hemogenyx Pharmaceuticals (LSE: HEMO), and Cogntivity Neurosciences (CSE: CGN).



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