

# Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



## What Are the Risks in Today's Surging Market?

The stock market just keeps going up. Is there an end in sight? Will this be a prolonged rally similar to what started in the Reagan years? What are the risks in today's surging market? The upside to investing is the promise of lower taxes, repatriated corporate cash and an economic boom caused by infrastructure spending. The potential downsides include a trade war with China, more terrorism at home or a nuclear attack by the crazy leader of North Korea. *Business Insider* says that smart folks on Wall Street are **sounding the alarm on the Trump bump**.

*The Dow Jones industrial average hit a landmark 20,000 on January 25, and the Nasdaq composite just hit a new record.*

*But the speed and scale of the rally – and the realization that Trump's policies aren't just good news for investors – has several influential voices in the market sounding the alarm.*

*Comments from the White House on issues ranging from currency devaluation to border taxes have put the market on edge. Worry about inflation is emerging, too, and there's also concern about the overheated valuations on stocks.*

The first risk in today's surging stock market is simply that it is overpriced. The cyclically adjusted Shiller Cape Ratio is 28. In 150 years in the stock market it has only been this high in the 1990s tech bubble and before the 1929 stock market crash. The market has priced in tax cuts but it remains a question whether or not the Tea Party stalwarts in congress will go along. The same applies to implementing the return of corporate cash and fixing infrastructure. And then there is the otherwise unexpected.

### North Korea and Other Crazy Regimes

As the ongoing drumbeat of government dysfunction continues in the Trump administration America's enemies are emboldened. North Korea continues to launch missiles apparently fearing no retribution. *McClatchy* asks if the USA should prepare for a **North Korean nuclear strike** on the West Coast.

*Many arms control specialists believe that, by 2020, North Korea could have the capacity to launch a miniaturized nuclear device on an ICBM, with the range to strike at least the West Coast. It might even have that capability sooner.*

*"The difficulty here is the lack of visibility into North Korea's nuclear program. It's a black hole," said Anthony Ruggiero, a Korea researcher who previously worked in the Treasury Department, the U.S. agency tasked with enforcing sanctions on Pyongyang.*

*North Korea remains one of the world's most closeted countries, and international inspectors haven't had even partial access to its nuclear facilities since 2009.*

The paranoid leader of North Korea thinks that a nuclear threat is the only way he can stay in power but if he oversteps what happens? Investors did not anticipate the Gulf War, the 911 terrorist attacks or the terrorist threat of ISIS in the wake of Afghanistan and Iraq. These are risks to a surging market that are hard to predict but argue for a degree of balancing in your investment portfolio.

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