

ASSET CLASS *iQ* EXTRA

It's the End of the World...Again

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Once again, we are facing the impending threat of the end of the world. As with other, previous end-of-the-world predictions, the 2012 Mayan prophecy has been gathering media attention, causing some people to react emotionally. Oftentimes, when our emotions are stirred, we become vulnerable to making irrational decisions such as buying movie tickets to see *2012*, or, more seriously, making big mistakes with our retirement savings.

So what is the 2012 Mayan prophecy? According to some interpreters of the Mayan calendar, because the Mayan Calendar's 5,125-year cycle ends on December 21, 2012, this could spell the end of the world. *National Geographic* reports that 27%¹ of Americans believe that there is a good chance the Mayan prophecy will come true.

End-of-the-world predictions are nothing new. In fact these predictions have spooked people for centuries, going back as far as 634 BCE in ancient Rome.

Why do people continue to believe in the next doomsday, despite a notable 0% success rate? At least in modern times, media attention and hype have helped fuel awareness, even panic. Do you recall Harold Camping's predictions, commonly known as "The Rapture?" Even though Camping had already made **four failed predictions**, his fifth prediction received massive media attention, being picked up by major media outlets such as CNN, NBC, ABC, Fox, *The New York Times*, and *The Washington Post*.

Notable "End-of-the-World" Predictions

Date	Predictor	Prophecy
1186	John of Toledo	Planetary alignment would lead to the end of the world.
May 27, 1528	Hans Hut	The world would end on this day.
1654	Christopher Columbus	Columbus believed the world was created in 5343 BCE, and would last for 7000 years.
1936 1943 1972 1975	Herbert W. Armstrong	The Rapture would lead to the end of the world. After the prophecy failed, Armstrong revised the date three more times.
1999	Charles Berlitz	This linguist predicted the end would occur in 1999. He did not predict how it would occur, stating it may involve nuclear devastation, asteroid impact, pole shift or other earth changes.
September 6, 1994 September 29, 1994 October 2, 1994 March 31, 1995 May 21, 2011 October 21, 2011	Harold Camping	Camping predicted the Rapture would occur on September 6, 1994. When it failed to occur he revised the date to September 29 and then to October 2. Later Camping predicted that the Rapture and devastating earthquakes would occur on May 21, 2011, and that the end of the world would occur five months later on October 21.

"List of Dates Predicted for Apocalyptic Events." Wikipedia. Wikimedia Foundation, 12 Oct. 2012. Web. 10 Dec. 2012.

¹ Kelton Research. "Doomsday Preppers Survey." Nationalgeographic.com. *National Geographic*, Jan. 2012. Web. 09 Nov. 2012. <http://images.nationalgeographic.com/wpf/media-live/file/Doomsday_Preppers_Survey_-_Topline_Results.pdf>.

When the media covers fear-inducing stories such as the Mayan prophecy or “The Rapture,” we should take it as an opportunity to reflect on whether the information is meaningful or simply for entertainment. All too often the media does not do a great job of separating these out, and instead dramatizes the prediction, hoping that viewers will tune in for further coverage. Over the long-term, these fear-inducing stories have not only assailed our emotions, but our wallets as well. A recent *National Geographic* survey found that 41% of Americans would rather put money towards preparing for a catastrophe than save for retirement. For our own piece of mind and protection of our savings, it is important to separate fact from fiction in the news.

What if investors fearfully pulled their money from the stock market every time there was a doomsday prediction? Could it really hurt? According to analysis by Loring Ward, we found that doomsday prepping your portfolio can have a disastrous impact.

Over the last four decades, there have been 37 doomsday predictions, such as the Comet Hale-Bopp, Y2K and the Rapture. If investors, in preparation for each doomsday prediction, sold their investments and stayed out of the market for a month, Loring Ward estimates that these investors would have reduced their market returns by 34%.² Investors would not have dodged any bullets — or comets. Instead, investors would have missed out on a few great market days — an 11% increase in October of 1982, a 10% increase in March of 2000, and an 11% increase in October of 2011. Depending on the size of the portfolio, doomsday panic could have resulted in hundreds of thousands, even millions, of dollars in lost growth. And that, unlike the doomsday predictions, could be a real catastrophe for many investors.

So how do we tune out the gloom and doom and stay invested? For starters, we should educate ourselves on the facts to help us make rational decisions and put things in perspective. It is much more important to worry about saving and investing wisely and sufficiently than implausible catastrophic events. And by the way, when it comes to the Mayan prophecy, experts, scholars, astronomers and scientists collectively reject the prediction.³ It is based on a complete misreading of the Mayan calendar.

We can also try to recognize how we naturally react to media noise and market volatility. The “Cycle of Market Emotions” chart below shows the emotional swings brought about by volatility in the stock market. Understanding these emotions can help us avoid making rash decisions. When it comes to investing, going with our instincts and emotions is often the wrong decision. This explains why all too many investors end up buying high and selling low.

Cycle of Market Emotions



For illustration purposes only.

Whether it is the 2012 Mayan prophecy or the next doomsday prediction, we may instinctively feel the need to do something. What history has shown us however is that the best thing we can do is nothing. Stay calm and enjoy a safe 2013.



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²S&P 500 used to represent US stock market returns

³“2012 Phenomenon.” *Wikipedia*. Wikimedia Foundation, 12 Oct. 2012. Web. 10 Dec. 2012.