Introducing the Timetable Investor & Timetable Recommendation

Each month we produce our Market Phase Cycle report, where we review the key fundamental factors impacting the macro outlook.

The goal of this report is to help investors understand how they should position their, and their clients, wealth.

Part of understanding how to position investments is applying that framework in a concrete way. As such, we've included a quick summary at the end of the front page of each report, called the "Timetable Recommendation."

This is related to our "Timetable Investor" philosophy. If you know the right signals to watch, building and managing an overall portfolio becomes as easy as following a railroad timetable. Our goal is to distill all the signals we're looking at for you, to give you not just the insights, but also the conclusion.

There are two parts to the Timetable Recommendation.

The first is what the split between equity and credit investments should be, for the money that you're investing for the next 5-10 years, since we already have a framework for what asset class the money you are investing in other time periods should be in. We call this "Equity Allocation Outlook."

The second is over what period you should dollar cost average new money into the market. This is called the "Dollar Cost Average Timeline."

Below we give a quick summary of the rationale of both.

Equity Allocation Outlook:
Investors should always seek to keep their assets in the right type of investment depending on when they'll need access to cash. Short-term (less than 1 year) cash demands should always be in cash, not in the market.

Cash you might need in 2-5 years can be in bond funds and other income investments.

And money you won't need to touch for over 10 years should entirely be in the equity markets. There's almost never been a 10-year period in the past 150+ years in the US markets when money in a diversified stock portfolio has lost value or underperformed any other asset.

For money between 5-10 years, normally we'd recommend you split that 50/50 between bond investments and equities. If the Market Phase Cycle, and therefore the Timetable Investor framework, is more bullish for the next few years, we might recommend you tilt

this money slightly more towards equities, possibly 60/40. And we might recommend the reverse if the outlook is more negative.

Dollar Cost Averaging Timeline:
When deploying new money into the market, jumping in all at once can be dangerous. There are proven investing and psychological benefits to spreading out your purchasing when you get a new slug of money to put into your investments.

How long you should spread out that investment depends on weighing the opportunity cost of waiting to buy, with the risk of short-term volatility making any individual entry point a bad one. By weighing the Timetable Investor macro data, we can better figure out that risk-reward.

Dollar cost averaging is just another way to say spreading out your stock buying over a set period of time, by buying a portion of your total planned investment on a regular schedule, no matter if the stock is up or down. If you are 6-month dollar cost averaging, you might buy 1/6 of your target investment each month, or 1/12 every two weeks.

In general, we think the proper range is between three months and twenty-four months, depending on the market context.

If earnings, credit, valuation, and sentiment indicators are all aligned correctly, three month dollar cost averaging might be right. On the other hand, if credit is flashing worrying signals, valuations are high, earnings growth is slowing, and sentiment is extended, we might recommend twenty-four month averaging.