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FUTURES

Market Cycles and the Psychology of the Last Buyer

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Decades of market observation have taught me valuable lessons about crowd psychology during market peaks. I've witnessed multiple cycles of euphoria and subsequent bear markets, from the 1973 Oil Crisis bear market to the dot-com bubble of the late 1990s and the Financial Crisis of 2008.

In the dot-com era, adding ".com" to a company name could result in billion-dollar valuations. Today, we see similar behavior with companies rebranding themselves as "AI" players. In 2008, I observed individuals with $40,000 annual incomes purchasing million-dollar homes. These patterns don't require advanced economic models to recognize their unsustainability.

The most common question I receive is, "When will the market crash?" The honest answer is that no one can predict the precise timing. Market peaks occur when the last optimistic buyer believes there's still a queue of eager investors behind them. Let me illustrate this through an analogy.

Consider a classic 1968 Mustang at an auction. The bidding opens at $50,000, meeting initial silence. After tense minutes, someone bids $55,000, followed by $60,000. As momentum builds, the price surges past $100,000. Individuals who wouldn't have considered bidding at the $50,000 opening price now eagerly raise their hands at $100,000 and beyond. This dramatic shift in perceived value perfectly illustrates how FOMO (fear of missing out) can transform skeptical observers into enthusiastic participants.

FOMO is not a modern phenomenon—it's deeply rooted in human psychology. This makes it impossible to predict when the last buyer will enter the market. Asking about the timing of a market crash is akin to predicting who will place the final bid on that Mustang.

However, I believe two certainties exist:

First, the last buyer never gets a bargain. Second, the "last buyers" represent a crowd in financial markets. Panic ensues when this crowd collectively realizes their position, leading to widespread losses.

The importance of diversification isn't about "if" a correction will occur but "when." I believe that Current market conditions display numerous warning signs: stratospheric valuations and many companies suddenly becoming "AI-focused." Rather than trying to time the market peak, build a well-diversified portfolio that can weather the storm.

Proper diversification can protect you when the correction arrives—and it will. Be aware that trading futures and options involves substantial risk of loss.

The time to prepare isn't when you see the storm on the horizon but when the sky still appears clear.

Be advised that trading futures and options is not suitable for all investors. There are no guarantees of profit no matter who is managing your money.