

The Disciplined Investor Podcast – Guest Interview Summary

Guest: Tim Knight, Slope of Hope

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Quick recap

Andrew and Tim discussed the current economic situation, market trends, and the potential for a market correction or downturn. They also touched on the importance of emotional control in decision-making, the impact of tariffs on the economy, and the potential for a significant technical sell-off in the technology sector. Additionally, they discussed the concept of the 4th Turning and its potential relevance to the current market environment.

Summary

Tim Knight's Market Insights and Predictions

Andrew introduces Tim Knight, a trader and author with experience dating back to the 1987 stock market crash. They discuss Tim's background in personal computing, his writing on financial markets, and his recent novel. Andrew mentions that Tim's last appearance on the show was in October 2024, noting that market conditions have changed since then. He suggests that there may be a market correction in the future, despite having previously invited Tim on during bull markets.

Tim's Bearish Nature and Investment Approach

Tim and Andrew discussed Tim's bearish nature, which he attributes to his innate ability to identify potential issues. Tim explained that he is not a pessimist, but rather someone who is wired to see what could go wrong. He also shared that he is a chartist, which he finds helpful in his investment decisions.

Economic Downturn and Investment Strategies

Tim discussed the current economic situation, emphasizing the importance of being prepared for potential market downturns. He shared his personal investment strategy, focusing on real estate and precious metals. Tim also mentioned the challenges of being a bear in the current market, referencing the experiences of other famous bears. Andrew agreed with Tim's perspective, suggesting that a balanced approach to investing is necessary. The conversation ended with Tim expressing his preference for engaging with gold bugs over crypto enthusiasts.

Trading and Emotional Control in Decision-Making

Andrew and Tim discussed their experiences with trading and the importance of emotional control in decision-making. Tim shared his regret over not investing in certain stocks and emphasized the need to use emotions as a contraindicator in trading. He also reflected on his career path, considering a potential role in product management in the high-tech industry.

Tariffs and Market Downturn Concerns

Andrew and Tim discussed the recent tariffs imposed by the US on various countries. They noted the varying levels of tariffs, with some countries like Serbia and Laos having significantly higher charges. Tim expressed concern about the potential economic impact of these tariffs, likening it to a complex personality issue. They also discussed the possibility of the market experiencing a downturn, with Tim speculating that the government might try to ban short selling again, as they did in 2008.

Narratives in Investing and Market Conditions

Tim and Andrew discuss the tendency of people to blame others, particularly short sellers, for their own mistakes. They mention Trevor Milton's recent pardon and his blaming of short sellers instead of taking responsibility. The conversation then shifts to the prevalence of narratives in investing, with Andrew noting that some people always try to see the positive side of situations. Andrew mentions that he will soon discuss a bullish note from an "Uber bull" that provides an interesting rationalization of current market conditions.

Rationalizations in Trading and Twitter Users

Andrew and Tim discussed the idea of rationalizations in trading, using the example of Dan Ives' bullish note. Tim shared his experience with a Twitter user who responded to his comment about Trump's "groceries" quote, showing that some people are blinkered and not worth engaging with. They also mentioned Dan Ives, who is seen as their polar opposite due to his flamboyant attire and differing views.

Tariffs' Economic Impact and Market Predictions

Andrew and Tim discussed the impact of tariffs on the economy. Andrew shared that the tax foundation reported that tariffs would reduce after-tax income by 2.1% and raise 1.8 trillion dollars in revenue over the next decade, but also shrink US GDP by 0.5%. Tim, a chartist, expressed his belief that all information is already built into the charts and that government projections are often inaccurate. He also mentioned that the current situation is playing out as he had expected. Andrew asked how they would know when the end of this situation is, and Tim agreed that markets can move quickly and unpredictably.

Market Indicators and Anecdotal Evidence

Tim and Andrew discussed the current state of the market and potential indicators of a market downturn. Tim suggested that anecdotal evidence, such as increased popularity and a ban on short selling, could signal the end of the market. He also mentioned the importance of Bitcoin's performance, noting that a significant drop could lead to increased bearishness in the equity market. Andrew shared his experience of winning a stock market game in 2008, where he went short and then long as the market turned. They both agreed that the current market is not yet at a critical point, but they are keeping a close eye on the situation.

Market Trends and Societal Impacts

Tim and Andrew discussed the recent stock market trends and the potential for a societal shock due to the lack of understanding of bear markets among younger generations. They also touched on the government's role in bailouts and the potential for future economic challenges. Tim emphasized the importance of long-term charts and the need to be cautious in the current market environment.

4th Turning: Devastation and Cleansing

Tim discussed the concept of the 4th Turning, a book that breaks human history into four cycles spanning a typical human lifetime. He explained that the book accurately predicted significant events such as Covid-19, the attack on the World Trade Center, and the bailouts. Tim believes that the world is currently in the midst of the 4th Turning, a period of devastation and cleansing, but if they can endure the pain, the true healing will begin, marking the start of the 1st Turning.

Market Downturn and Technical Sell-Off

Tim and Andrew discussed the current state of the market and the potential for a significant downturn. Tim expressed his support for the administration's bold actions, while Andrew suggested that they might back off on some of their harsh measures. They also discussed the possibility of a technical sell-off in the technology sector. Tim mentioned his interest in the Elliot Wave theory and its potential usefulness in bear markets. They agreed to keep an eye on the market and its developments.