

## The Disciplined Investor Podcast – Guest Interview Summary

Guest: Thomas Thorton

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### **Hot Cars**

Andrew and Tom discussed their recent experiences with high-speed cars, including Andrew's laps at Homestead Racetrack in a Ferrari 488 GTB and Lamborghini Huracan. Tom expressed disappointment with recent changes to Formula One racing, particularly the new power units and battery requirements that he believes have negatively impacted the racing experience.

### **Tesla Bearish Discussion Strategy**

Andrew and Thomas discussed their shared bearish views on Tesla, including concerns about its poor sales performance and potential strategic moves by Elon Musk. They compared the planned IPO of Musk's entities to previous acquisitions like SolarCity, expressing skepticism about the valuation and business model of SpaceX. The conversation concluded with a brief mention of space-based data centers, which Thomas considered financially unviable due to maintenance and latency issues.

### **Market Trends and Volatility Discussion**

Andrew discussed recent market trends, highlighting increased margin and leverage in the system before the potential of war was considered. He questioned how long selling could continue in the current environment, noting that despite significant inflows into equity markets, performance has been lackluster, with the MAG7 down 12% year-to-date compared to the S&P's 4-5% decline. The discussion touched on the impact of rising gas prices on consumer spending and inflation, with Andrew suggesting that the 40% increase in unleaded gas prices since the Iran war began could lead to consumer slowdown and further market volatility.

### **Economic Challenges and Market Strategy**

The economic challenges were discussed, particularly focusing on the impact of rising gas prices on lower-income individuals and the broader economy. They highlighted concerns about food costs due to supply issues, including fertilizer shortages caused by the situation in the Strait of Hormuz. The participant expressed hope for a quick resolution to the conflict.

affecting the Strait of Hormuz, noting its potential global impact on food prices and agricultural yields. The discussion concluded with both sharing their market strategy, mentioning they remain net short but are watching for opportunities to buy during market oversold conditions.

### **Market Confidence and Trust Issues**

The discussion focused on market confidence issues, with Andrew identifying trust as a primary problem due to lack of honest reporting and suspicious trading activities, including a \$1.5 billion index futures and oil position moved before Trump's announcement. The participants compared current market conditions to the 1970s, particularly regarding inflation and Middle East oil price increases. They discussed how the Federal Reserve's ability to control interest rates is limited, especially regarding long-term Treasury rates, and noted that both political parties share responsibility for the current high deficit and national debt.

### **Market Conditions and Investment Risks**

The discussion focused on current market conditions and risks. The participants discussed how bond markets are rallying due to lack of trust and confidence, with the dollar serving as a safety trade. They highlighted the significant volatility in gold and silver markets, with silver moving 10% in a day. The conversation also touched on private credit concerns and the potential for extended market sideways or downward movement, suggesting this could lead investors to seek alternative investment opportunities.

### **Market Sentiment and Capitulation Signs**

The discussion focused on market sentiment and potential signs of market capitulation. The participants noted that despite the S&P 500 only dropping 7%, market sentiment had reached 15%, with tech stocks performing particularly poorly. They discussed various indicators of market capitulation, including high put-call ratios, low 50-day moving averages, and widespread media coverage of market declines. The conversation concluded with a warning about ongoing geopolitical uncertainty and the potential for further market volatility.

### **Investor Position Management Strategies**

Andrew and Thomas discussed strategies for managing investor positions during market volatility. Thomas shared their approach of using a "One Foot In, One Foot Out" strategy with dollar-cost averaging and maintaining position weights below 5% for individual stocks and 20% for any sector. They emphasized the importance of patience, quality companies, and diversification rather than trying to recover losses quickly through risky trades. The discussion concluded with Andrew asking about the correct approach to "doing nothing" in investing, which Thomas indicated was a key topic for further discussion.

## **Market Confidence and Trading Strategies**

The discussion focused on market confidence and trading strategies during volatile market conditions. The speaker agreed with Andrew's perspective that confidence and courage are distinct concepts in trading, with confidence coming from fundamental and technical analysis while courage involves acting on convictions despite uncertainty. The speaker expressed a conservative approach, maintaining 20% cash allocation and waiting for more favorable indicators before moving to the long side, citing elevated valuations and market uncertainties as reasons for caution.

## **Hedge Fund Telemetry Product Discussion**

The discussion focused on Hedge Fund Telemetry, a service that provides market sentiment analysis across 40 markets with daily charts and trading signals. The service's creator introduced a new product called "The Big Picture," a monthly note that offers big-picture themes with risk assessments for the S&P, designed for portfolio managers and serious investors rather than day traders. The conversation concluded with a discussion about Carvana, where both participants agreed the company's business model of overpricing car purchases and selling risky loans was problematic and likely to face regulatory issues in the future.