The Disciplined Investor Podcast – Guest Interview Summary

Guest: Thomas Thornton
Show Date: August 9, 2026
TDI Podcast Episode: 985
Subscribe: www.thedisciplinedinvestor.com

Semiconductor Trading Strategy Discussion

The discussion focused on trading strategies and market performance, particularly within semiconductors and memory chips. Thomas shared his experience of a difficult second quarter due to poor timing on semiconductor positions despite favorable fundamental analysis. He explained how small initial positions in SanDisk and Micron underperformed, while a later reentry with a full allocation in late June produced strong results. The conversation emphasized how timing can outweigh even solid fundamental research and touched on concerns surrounding crowded positioning and excessive leverage in the market.

South Korea Market Collapse Analysis

Andrew and Thomas examined a recent market collapse in South Korea in which approximately 360,000 accounts were liquidated, with roughly 40% belonging to investors under age 35. They discussed how single-stock leveraged ETFs contributed to a speculative bubble and how regulatory actions triggered a rush for exits, creating severe market imbalances. The conversation highlighted the role of leverage, extreme positioning, and skewed put/call ratios in the collapse, including one ETF that fell 69% from its peak and required a reverse split.

Investment Opportunities and Trading Strategies

The conversation turned to investment opportunities and the challenges of shorting crowded trades. Thomas discussed the importance of conviction and patience when entering short positions. Andrew referenced lessons from the late 1990s regarding Dell's seemingly unstoppable growth and subsequent decline. Both agreed that overvaluation metrics and crowding indicators can help identify attractive opportunities, but successful execution requires discipline and persistence.

Market Volatility and Trading Patterns

Andrew and Thomas discussed market volatility and emerging trading patterns. While investor concerns about volatility remain elevated, Thomas noted that certain indicators, including credit spreads and credit default swaps on companies such as Meta and Oracle, have begun showing signs of stress. Andrew observed a shift in sector leadership, with healthcare and consumer staples outperforming as investors rotate away from technology. They noted that investors appear to be reallocating capital rather than moving fully into cash.

Market Risks and Investment Strategies

The discussion focused on broader market risks and the U.S. market's increasing dependence on rising asset prices. Thomas expressed concern that many investors have accumulated substantial unrealized gains in stocks such as Apple, Microsoft, and Meta, making portfolio rebalancing more difficult. The conversation also touched on historical examples of volatility, including Amazon's dramatic drawdowns, to illustrate the psychological challenges investors face during major market corrections.

Federal Reserve Strategy Challenges

Andrew and Thomas discussed the Federal Reserve's current policy challenges and communication strategy. Both agreed that the Fed appears constrained by persistent inflation pressures, including elevated energy prices and geopolitical tensions in the Middle East. They expressed concerns about the central bank's credibility and questioned the effectiveness of allowing market expectations to drive interest rate policy.

Market Indicators and Investment Opportunities

Thomas reviewed several market indicators, noting that while equal-weight indexes have reached new highs, broad market leadership remains limited. He highlighted potential opportunities in energy stocks such as Exxon and Chevron, consumer brands including Starbucks and Nike, and select Chinese internet companies. Thomas also expressed concern about the concentration of market capitalization within a small group of AI-driven technology companies, warning that a significant correction could produce outsized losses due to the combination of elevated valuations and leverage.