

The Disciplined Investor Podcast – Guest Interview Summary

Guest: James Stack

Show Date: October 11, 2026

TDI Podcast Episode: 994

Subscribe: www.thedisciplinedinvestor.com

An Expensive Market Keeps Going

James Stack of InvesTech Research and Stack Financial Management joins Andrew to discuss a market that keeps climbing despite mounting risks. James explains why extreme valuations create vulnerability but rarely trigger the downturn themselves. His approach grew out of painful losses during the 1973–74 bear market. The goal today is the same: recognize the risks before a major decline becomes a life-changing event.

The Index Is Hiding the Damage

Record highs can tell a very different story from the stocks underneath them. James points to deteriorating breadth, expanding new-low lists, and a growing gap between a handful of market leaders and the rest of the field. He discusses his negative leadership composite and the historical warning behind its deeply negative reading. Andrew's "sinkhole effect" sums it up: the surface looks solid while the foundation keeps weakening.

What Could Break the AI Trade?

Andrew and James examine the debt, spending commitments, and circular financing behind the AI buildout. James sees monetary pressure or a credit problem within that ecosystem as potential triggers for an unwinding. They also discuss whether algorithms chasing the same winners could accelerate selling when momentum reverses. The comparisons reach back to the dot-com bubble and Black Monday. Everyone thinks they will get out first. That is part of the problem.

Risk Management Without Going All Out

Getting defensive does not have to mean selling everything. James outlines a gradual approach built around portfolio allocation, sector exposure, and cash reserves. He explains why protecting retirement capital requires a different mindset from investing with decades

ahead. The discussion also covers trimming gold-stock positions after a sharp run higher. Taking profits means accepting that you probably will not catch the exact top.

Where the Opportunities Are

There are still places to look beyond the crowded momentum trade. James discusses international value funds, consumer staples, energy, and selected healthcare companies. Andrew raises the appeal of healthcare businesses that can benefit from AI without carrying the same speculative expectations. They also consider when beaten-down interest-sensitive stocks could become attractive. Keeping cash available today can create room to buy when better opportunities arrive.

QUOTES FROM JAMES

“You have to remember there's a lot of cheerleading on Wall Street, not just on Wall Street, but off Wall Street.”

“Overvaluation never causes a bear market.”

“What's missing today is a healthy respect for risk.”

“You should never equate market timing with risk management.”

“If the market were to fall 50% over the next eighteen to twenty-four months, will you have cash reserve to take advantage of the buying opportunity?”