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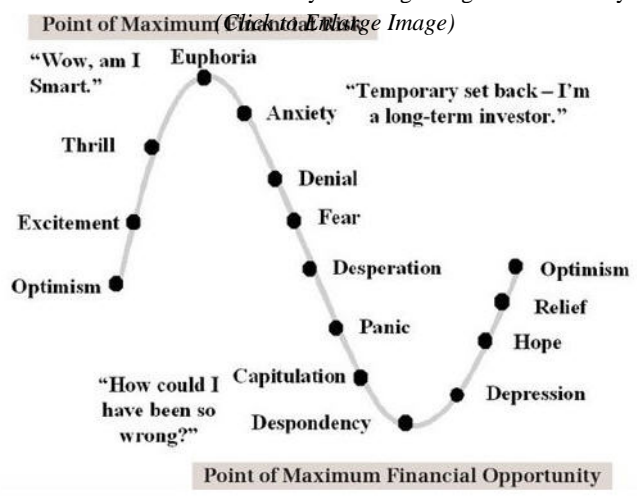
It's good to be cautious, but not too cautious. You have to be willing to assume some risk, as risk and reward go hand in hand. You will lose money if you just keep it in the bank. Inflation (especially nowadays) will kill that miniscule return that the bank gives you.

Way before the Internet bubble occurred, there was a bubble in the Netherlands in the 17th century known as 'tulip mania.' In 1623, the average yearly income was 150 Dutch florins. By 1635, a sale of 40 tulip bulbs for 100,000 florins was recorded.

Tulips were thought of as a status symbol back then, so everyone had to have them. Naturally demand outstripped supply, and eventually there was a bust.

This, as well as other follies of human behavior, were discussed in *Extraordinary Popular Delusions and the Madness of Crowds* by Charles Mackay (1841). A quote from that book that stands out in my mind regarding the irrationality of crowds is: "Human beings are smart, but people are stupid."

Let's take a look at the stages of a bubble



We could argue about where we are on that graph, but I'm sure that we would all agree that we are no longer at the *Euphoria* stage.

Ideally, we want to buy stocks at the *Point of Maximum Financial Opportunity* on the graph. We are certainly not there yet. Yesterday, Fed chief Ben Bernanke warned of a possible recession. More specifically he said:

"It now appears likely that gross domestic product (GDP) will not grow much, if at all, over the first half of 2008, and could even contract slightly."

He then went on to say that he expects the interest rate cuts, as well as the tax rebate checks being sent out, to start having a positive effect on the economy late this year and into 2009.

**When will we see the *Point of Maximum Financial Opportunity*?**

The short answer is: you want to buy when everyone and their mother are selling, and you want to sell when everyone and their mother are buying.

**Do not try and time this *Point of Maximum Financial Opportunity*!**