

## Cash out of favor now... but for how long?

“Similarly today, it is both painful and career risky to part with your increasingly beloved cash, particularly since cash has been so hard to raise in this market of unprecedented illiquidity. As this crisis climaxes, formerly reasonable people will start to predict the end of the world, armed with plenty of terrifying and accurate data that will serve to reinforce the wisdom of your caution. Every decline will enhance the beauty of cash until, as some of us experienced in 1974, ‘terminal paralysis’ sets in. Those who were over invested will be catatonic and just sit and pray. Those few who look brilliant, oozing cash, will not want to easily give up their brilliance. So almost everyone is watching and waiting with their inertia beginning to set like concrete. Typically, those with a lot of cash will miss a very large chunk of the market recovery.”

Grantham went on to highlight the need to have a battle plan for investment and stick to it before rigor mortis set in. He then noted, “Remember that you will never catch the low. Sensible value-based investors will always sell too early in bubbles and buy too early in busts. But in return, you may make some important extra money on the roundtrip as well as lowering the average risk exposure.”

-Jeremy Grantham, March 10, 2009

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