



## Amor Fati

(Love of Fate)

*"Everything flows and nothing abides, everything gives way and nothing stays fixed."*  
Heraclitus

Every bull market has its cheerleaders and its doomsayers. In September 2025 the chorus is split once again: some insist valuations are so extreme that caution demands selling everything; others argue that momentum and profits - especially from the Mega caps that dominate the indices - justify still higher prices. The paradox is not new. It haunted 1929 and 1999, resurfaced before the 2007-09 financial crisis, and reappeared in 2022. Investors, suspended between fear and greed, are left to choose between the risk of devastating loss and the risk of missing out.

The data are uncomfortable. The cyclically adjusted price-earnings (CAPE) ratio sits at a historical peak. Dozens of the largest companies trade at multiples that imply perfection. Market cap-

italisation towers over GDP. The equity risk premium has been squeezed to a sliver, indicating extreme valuations. (See chart).

Normal prices are a long way down from here! None of this requires advanced theory to interpret: pay more today for a given stream of future cash flows, and you should expect less return tomorrow. On ten-year horizons, high starting valuations have reliably foretold poor results.

And yet valuations fail as timing tools. In 1997, anyone who sold because the CAPE equalled the 1929 market top missed a further 50% rise before the dot-com collapse. In 2007, valuation excesses were less dramatic, but earnings imploded and leverage buckled; the market crashed 57% anyway. In 2023, earnings growth disappointed even as indices surged, propelled by multiple expan-

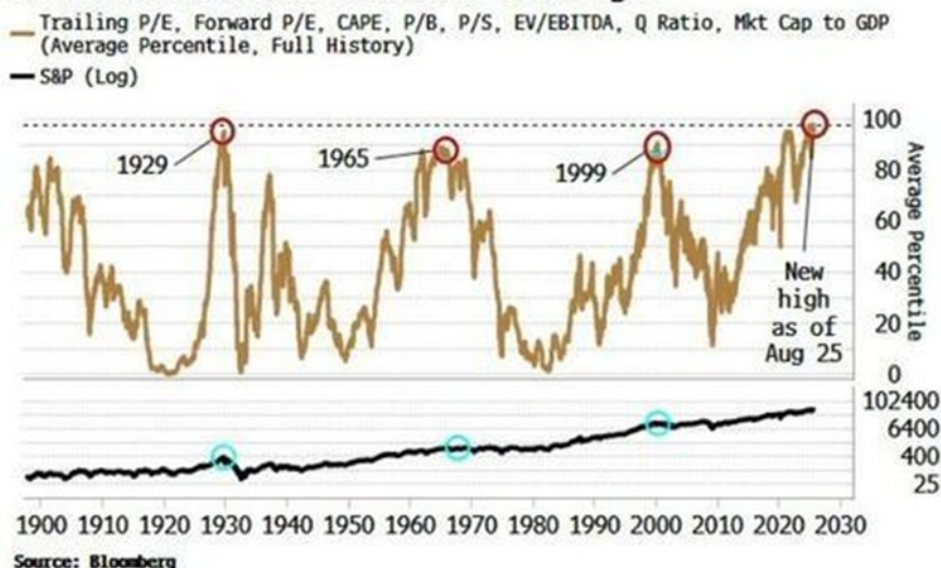
sion. Valuations explain where we are and hint at where we might end up; they do not determine when we will arrive.

"This time is different" is a dangerous phrase but contains a kernel of truth. The market has indeed shifted from 19th century railroads, steel and smokestacks to 21st century software, platforms and intangible assets. Margins have trended higher for decades, defying the dogma that they mean-revert eventually. Network effects and near-zero marginal costs are not fairy tales; they are economic facts for the largest tech firms. Is it possible that the market's 'normal' valuation range has drifted upwards over the past 130 years?

But 'different' is not 'limitless'. The Mega caps may justify euphoric premiums if they continue to compound revenue, defend profit margins and feed new lines of business from their staggering free cash flows. The catch is: the margin of safety. When expectations are priced for perfection, any stumble - an earnings miss, a regulatory event, a default shock, a geopolitical episode - carries outsized consequences. The arithmetic has not changed: the higher the starting point, the less margin of safety remains.

This leaves investors with an unpleasant choice: retreat early and you may forgo years of gains; stay fully exposed and you may suffer the full brunt of a market crash. The false comfort is to believe there is a clever

### US Stock Valuations Hit New All-Time High



## Amor Fati (cont'd)

top-tick forecast that resolves the dilemma.

There isn't. A practical answer is process over prophesying. Rules-based risk management - simple, testable, and repeatable - beats the challenge of calling tops. Diversification, position sizing, multiple sensitivity and strategic rebalancing rules will never capture every last dollar of upside, but they may help you sidestep the worst of prolonged declines. In a world where probabilities are murky and narratives seductive, process offers a way forward.

Here Stoic philosophy presents something invaluable. Markets will dispense pain; the question is how will you bear it? Magnitude matters. During a market crash of 50%, an aggressive allocation (tech-heavy, options-spiced, crypto-sprinkled) could fall 60–80% or more in a genuine washout. A balanced 60/40 mix might shed 20–35%. Conservative blends may lose 10–15%. The figures are unpalatable, but they are not theoretical. History has printed them in red. If your \$1,000,000 becomes \$500,000, will you sell to stop the pain or will you hold to pre-agreed rules? The Stoic philosopher Seneca's warning is as relevant to investment accounts as to life: "Wealth should be the slave of the wise, not their master."

Duration matters too. Losses that linger corrode resolve. Market events from just this century should give pause. The 2000 dot-com bust took roughly seven years to recover; the 2007-09 financial crisis, over five; the inflationary bear market of 2022, nearly two; the 2020 pandemic crash, mercifully, only months. You cannot control which path the next drawdown follows. You can decide in advance how you will behave during it. If you cannot tolerate time underwater, aim to build a portfolio that aligns with that truth.

The worst drawdown is psychological. Numbers on a screen are only digits until they affect your judgement. An-

other Stoic, Marcus Aurelius, wrote that you have power over your mind, not outside events. Translate that to investing: the market will do what it will; your edge is in the quality and consistency of your response. Most investors imagine they will 'buy the dip'; most discover in that terrifying moment that they cannot. The solution is not in pep talks but in architecture - automation where possible, and hard, written rules where not.

What might those rules look like? Keep a material cash buffer so you never become a forced seller. Diversify genuinely - by asset class, sector, and geography. Cap single-name weights and thematic exposures so that no one narrative can sink you. Use pre-set rebalancing bands to sell strength and buy weakness mechanically. None of this will produce perfection. It will produce resilience, which is more valuable.

And above all, embrace *Amor Fati* - the love of fate. Heraclitus captured this sentiment in the epigraph. Markets embody this truth: they rise, they fall, they drift sideways, often with no explanation that satisfies us. To resist this reality is to suffer twice: once from the loss itself, and again from the refusal to accept it. To love fate is to recognise that volatility is not an aberration but the nature of markets. The drawdown is not a personal insult; it is the tide, flowing out before it flows in again.

For the prudent investor, *Amor Fati* is not resignation but freedom. If you accept in advance that both gains and losses are inevitable, then neither can unseat your composure. You will still manage risk, still set rules, still diversify. But you will stop demanding that markets conform to your hopes. You will treat each outcome - whether rally or rout - as material to work with, not a verdict on your brilliance or shortcomings as an investor.

Valuations still matter; they always will. Price reverts to value, eventually.

The path between here and the future is uncertain and undoubtably strewn with trip hazards. The investor's task is not to predict that path but to survive it with capital and nerve intact. If you can accept that the market's verdicts are outside your control while your discipline is within it, you will already be ahead of the crowd. That, and not a luckily timed pivot, is how you compound over decades.

To practise investing with *Amor Fati* is to see fortune's storms not as calamity but as training. Markets are indifferent but - barring catastrophe - they are also endlessly renewing. The tide flows; the only question is whether you will flow with it or exhaust yourself resisting the current. The prudent investor chooses the former. He accepts that everything gives way and nothing stays fixed, and builds a process and a spirit that can endure.

Here is where you can decide: you can gamble on forecasts and hope to time the top, or you can adopt a system and philosophy that will carry you through every cycle. The discipline of rules, the shield of diversification, the calm of Stoic acceptance - this is the toolkit of the prudent investor. Don't wait for the next market crash to test whether you have it. Write down your plan. Build your buffers. Commit to *Amor Fati* now.

Join the ranks of those who invest with reason rather than impulse, who see volatility not as threat but as opportunity.

Everything flows. The question is whether you will flow with it. Markets will not bend to your will. But if you choose discipline today, if you train yourself to love the tide as it ebbs and flows, you will not merely endure the future, you will thrive in it.

### Sources:

1. Lance Roberts, "Valuations Don't Matter ...Until They Do", [RealInvestmentAdvice.com](#), 24 August 2025
2. Bloomberg chart previous page, Ibid