Alex Lieberman [00:00:04] What is up, everyone? This is Alex Lieberman, cofounder and CEO of Morning Brew. And this is Fresh Invest, your new favorite investing podcast sponsored by Fidelity Investments and powered by Morning Brew.

Alex [00:00:19] Here's what you can expect from Fresh Invest. Each week, I will dive into a massive business topic making headlines, and work through the impact that topic has on my portfolio. Fresh Invest is the jet fuel you need as a young investor. And today's topic is—drum roll, please—[sound of drum roll] trading in a post-election market.

Alex [00:00:43] I'm not going to bury the lead here, but unless you're living under a rock in a dark cave in the Arctic, you know exactly what I'm about to talk about. The election. It happened last week.

Alex Here's the big question. As a young investor, how should I react to and act during times of uncertainty and volatility? On this episode of Fresh Invest, I sit down with Dan Nathan, CNBC "Fast Money" contributor and principal of Risk Reversal Advisors, and we'll talk about what trading looks like after this election and how I should prepare my portfolio surrounding other big election moments.

Alex Dan Nathan, you want to just start by introducing yourself?

Dan Nathan, principal of Risk Reversal Advisors Yeah, Alex, great to be with you here. I'm Dan Nathan, I am the principal at Risk Reversal Advisors. I am a panelist on CNBC's "Fast Money" program; I've been doing that for about 10 years. And I also am the founder and editor of RiskReversal.com, my website newsletter dedicated to market commentary and the like. So great to be here with you.

Alex Great to have you. And you seem pretty qualified to be talking about volatility in the market right now. So as a young investor who's trying to make sense of everything going on, from obviously the recent election and what that means for my portfolio all the way to the most recent news around Pfizer reporting 90% effectiveness on their coronavirus vaccine in a large-scale study, how should I be making sense of all of this?

Dan Well, a couple of things that you just mentioned. You said turbulent times, and I think that's really interesting. And then you also said young investors. And I put those two things together and I see one word is opportunity, right? So the more turbulent, the more volatility that you have, especially early on when you're investing, that just means more opportunity.

Dan But we're in a world right now where technology is just seeping into almost every industry. And we're seeing some really interesting investment opportunities. So when you have uncertain markets, you have turbulence. That presents opportunities, because this year—and the stock market's been a great example. We were making new highs every day in January and February. Then all of a sudden, this thing happened that no one expected to happen, couldn't quantify, and the stock market sold off 35% in nearly a straight line. And now it spent the rest of the year from its lows in late March just kind of inching back to those prior highs, and then making new highs as we speak.
Dan So, obviously, this news about the vaccine was anticipated, but no one knew when it was going to happen. And that kind of falls into the uncertainty. No one knew what all of the fiscal and monetary stimulus coming from the government was going to do for the economy. And that uncertainty has created a lot of different opportunities. And I think just being opportunistic when the sentiment feels really bad or feels really good is probably a great lesson for young investors.

Alex Totally. And I think this interesting thing that I've been seeing is, you know, as stocks are continuing to test highs at the same time, we're seeing a number of single-name stocks that over the last several months have continued to reach new highs, whether that be Peloton in the world of fitness or whether that be Zoom in the world of video communication. What is your reaction to the reaction on a number of these stocks that have just been absolutely tearing it up over the last several months?

Dan All right. So, yeah, and just to kind of recap, the news was that Pfizer's vaccine looks really good. And so all of a sudden now, investors are pricing the likelihood that we are going to get to the other side of this pandemic at sometime soon. But if you're an investor and you had to go from your office to your home, if you had nowhere to go at night because you used to go to the movies or restaurants or this and whatever, you started using Zoom. You stopped going to the gym and started using Peloton. You started using more Netflix.

Dan And so those were the certainties that people knew during the pandemic. And so that flowed into their investment thesis. And that's a great thesis—especially for young investors—I think is invest in what you know, invest in products and services and managements that kind of fit your ideals and your lifestyle. And that's a great litmus test.

Dan I think what happened is it's just so many people were feeling the same way, they got really crowded in those single names. And so all of a sudden now, you're starting to see the stock market, or at least investors, price in what is a return to normalcy look like going back to offices, back to gyms, back on planes, back in restaurants, back in stadiums, that sort of thing. Much less free time for some of those [chuckles] services and products that you were using in the prior nine months.

Alex Yeah, I just find it fascinating that, again, to your point, we always knew that some news around a vaccine and its effectiveness would be coming. But just the fact that we didn't know when that news would come —

Dan Yeah.

Alex — It created such a large response from the markets. On the side of big tech, because we actually, on this show, had a conversation around big tech. And I feel like it takes up a lot of the oxygen in markets-related conversations. As you think about the results of the election, what sort of implications do you think that result has on how we should be thinking about big tech from an investment perspective?

Dan Yeah, it's kind of interesting. We live in obviously a pretty divided political world right now. But there was one thing that seemed to be, especially in the lead-up to the election, that was pretty bipartisan, was that large techs—some of these massive, massive companies with huge monopolies, massive moats, huge balance sheets, massive amounts of cash—could do whatever the heck they want. It was just a bipartisan view that these
companies have just become too powerful, too strong, that sort of thing. So there was going to be some sort of regulation.

**Dan** And I think it's interesting, on a day that the S&P 500, the real broad sense of large-cap stocks, opened up so much on that vaccine news that the Nasdaq actually, which is very tech-heavy, opened down for a lot of those worries. That this is maybe one area that both sides of the aisle can come together and say, Listen, we need to do something about this.

**Dan** So, you know, listen, I don't think that you're going to see major breakups of any of these big companies. This is my personal view. But, by the same token, I think there is a lot of concern about the power of some of these media platforms that they have in our daily lives. And we see that just as far as the way information is disseminated and how that affects so many other parts of our lives.

**Alex** For sure. You know, I want to pan out for a second. And just like, it's funny. It's pretty relevant, because I was talking about this with my friends this morning. You know, a few of my friends—we have a group chat where there's pretty much daily talk about the markets. I'm definitely not the only person to be kind of part of these group conversations. But one side of me, you know, both enjoyed and engaged in this discussion. But the other side of me was like, Should I even be looking at my portfolio today?

**Alex** Like, once I place my bets in certain businesses, how much should I be thinking, or looking at these intraday moves versus just saying there's going to be short-term volatility because of the results of the election as well as the news around Pfizer? And how much should I just kind of be setting and forgetting if I had these longer-term theses around my positions?

**Dan** That's a really great question. Just so you know, I, on a weekly basis, do a program called "In the Money" that streams on Fidelity. And we really talk about a lot of trade setups. So we obviously think about it through two different lenses. We do it as an investor lens, but also a short-term trading lens. And we're thinking about catalysts and we're thinking about the potential movements afterwards. And so I think that's a really important way to think about things.

**Dan** If you're the sort of guy who, you know, let's just say you were forced into whatever situation you're in the pandemic, and you said, All right, I'm not going to my gym anymore, but I'm going to buy a Peloton. And you think that that kind of that sentiment became really full and the stock doubled in a matter of months, which it did at one point in the spring. You might say to yourself, Well, I never expected that to happen. I'm going to take that trade.

**Dan** But then, if you basically have a broader thesis and you just say, I don't think we're ever going to go back to gyms, people are always going to do it this way going forward. And the addressable market for their streaming service is massive. And I want to stay long in this thing for the next 10 years. I want to, when I have kids, it's going to be in their, you know, in their retirement account, that sort of thing.

**Dan** Then you do not pay attention to the day-to-day moves, you know what I mean? You keep track of the fundamentals of the company. You make sure that nothing takes a massive U-turn in the strategy, that sort of thing. As long as it fits those kind of original ideals and you're adapting to new information, then I think you stay the course for the long term.
Alex For sure. And this is a little bit more tactical. But in thinking about the election and thinking about, you know, kind of the next three months, there being just a lame duck presidency as there's a transition of power—when you think about that from an investor's perspective, if you were me trying to decide when to deploy capital, how should I be thinking about whether to do it now, prior to Inauguration Day in the new year, versus waiting until there's actually the transition of power?

Dan Yeah. So this is a broader point too about deploying capital. And so I think that investors can make really big mistakes at perceived highs in markets and then also at perceived lows. There's an old market saying that no one rings the bell at the highs or at the lows. And so you just don't know. Which is one of the things, again, on "In the Money" we talk about incessantly from an investing standpoint, you know, dollar-cost averaging makes a lot of sense.

Dan You do it when the market's going down and then you also do it on a schedule as the market is going up and away. And it takes some of that kind of Houdini aspect [chuckles] out of being an investor, out of the trade. You know what I'm saying in a way? And that's a really good thing. So I think the answer in a nutshell is to kind of have a plan the way you deploy capital.

Dan I think it's also important, though, there's a lot of people who basically were not buying the highs back in January and February, had some what they call dry powder, per se. And then when the markets got hit really hard, they might have upped their allocation that they might have done during a dollar-cost averaging kind of procedure. So I think having dry powder, being systematic is a really good way to kind of take some of the guesswork out of market timing.

Alex Absolutely. Just one final question for you is, as you think about, again, I'm a 27-year-old professional, have some capital to put to work, and I'm thinking about just what I should do now—like literally, what my next step should be. Is there any parting advice you'd have in terms of how I should be thinking about methodically about my portfolio right now?

Dan Yeah, I think it goes back to, again, forcing yourself to max out, let's say, in your retirement accounts, where you have those sorts of opportunities. I think that really, again, makes it systematic, where you don't have to kind of make financial decisions about what to do or not to do. It's already locked and loaded and you're doing that, and the whole compounding nature of tax-free gains over a long period of time. That is what I tell 27-year-olds—that that's the thing to do right now.

Dan And then, as your income goes up, you have more disposable income. You can make decisions about being a bit more risky, maybe un-single names that you just come across—something you love and you say this biotech company is going to cure this disease or that, you know, 20 years out, and you start allocating to those sorts of risky things. And that's the last point I would say, is that you can take more risk when you're 27 than you can when you're 57 because the whole idea is getting you to that kind of the end line, you know what I mean?

Alex Yeah.
Dan You're just at the starting line right now. And that doesn't mean investing in the craziest crypto this or that or whatever. That means just kind of being smart about it, but kind of saying to yourself, OK, Amazon.com, it's a very expensive stock. Well, it's always been an expensive stock, but it's performed amazing. They're doing this great job. And this is a service that I use every day, that sort of thing. And you're saying that I know the stock could go down a lot if things went wrong, but I'm thinking about it in the long term. I'm willing to take that risk right now.

Alex Yeah. One last question. A number of times in this conversation, you've used the example of, like, you know, I just bought a Peloton. I really like the brand. I'm going to go ahead and invest in it. Amazon.com—never heard of it. I buy stuff there daily. [Dan laughs] I'm going to go invest in it. You know, just this concept of investors, young investors or older investors, going long in single-name stocks that they simply are consumers of—what are your thoughts [laughs] on that investment thesis more broadly?

Dan It is one of the most old-school theses that you could come across. And I think that what I would say about it is this—is that it's one thing to be a supporter and a user of a product or a service and really identifying with it. But it's also really important, and I say this about every sort of investment—when you go on into an investment, you have a really bullish case. Also know what the bearish case is. What could go wrong with that thesis? Don't be blinded by your own bullishness because really, that is just anecdotal for all intents and purposes.

Dan So we have to quantify this stuff with data. So what's going to happen, again, with the Peloton, is that they pulled forward a lot of demand. Never in a million years, back in January of 2020, did they think they were going to have the sales growth that they had this year. So now what's going to happen next year? It was so extraordinary. It's going to decelerate. And so you have to be ready to deal with lower growth.

Dan That doesn't mean the stock's going to go lower. It just means that the way investors perceive the opportunity might change. And so that's a really important thing. I do believe invest in what you know, but also know what the bear case is and why you might be interested in taking profits at a certain point, depending upon what your time horizon is on your thesis.

Alex Yup, I love that. Dan Nathan, thank you so much for your time. Really appreciate all of your insights.

Dan My pleasure. Great talk with you, Alex.

Alex I couldn't think of a better post-election investing pep talk than what I just got from Dan Nathan. I was reminded about the importance of visualizing what a post-pandemic world might mean for my portfolio, as well as the necessity of balancing every bull case with a bear case when evaluating any single-named stock. But I've been left with one incredibly important question, and that is yesterday, I bought a Peloton bike. So, should I be buying Peloton stock?

Alex I wanted to bring on Konstantin Vrandopulo from Fidelity Investments Trading Strategy Desk to weigh in and double down on Dan Nathan's earlier commentary. Konstantin, how would you think about this if you were me?
Konstantin Vrandopulo [00:15:34] Happy to share my thoughts. I work with clients every single day, with clients of different ages, on helping them implement a trading plan on a particular idea that they have and get that in place. What we have to realize is that [chuckles] the only certainty is that there isn't any. And yet, in light of that, we need to make sure that we have a structured way to make decisions when we're putting money to work.

Konstantin So, I would say, most importantly, have a very thorough way of evaluating risk versus reward. Don't just focus on the reward piece of it. What does that mean? Have specific reasons on why you're entering into that particular position. How much capital you're willing to allocate to that particular idea. Have criteria for entry, at what price am I buying that underlying? Where has the underlying come from? Where was it trading at before and where does it have the potential of going?

Konstantin And so if you're thinking about your trade structure in those terms, you are effectively are recognizing where that thesis for that idea becomes invalidated as well. So you understand what exiting looks like on the other side, both for the upside as well as the downside.

Alex For sure. Yeah. So my understanding of this is just because I buy a product and really like a product, I shouldn't necessarily go invest in the company because I bought the product. It can be the starting point for my passion around it. But having more specific criteria and a more methodical approach to thinking about it as an investment is really important.

Alex Well, Konstantin, thank you so much for the time and the insights. Really appreciate it. And thanks everyone for tuning in to Fresh Invest. Check out Fidelity.com/FreshInvest for more information and resources, and be sure to join me next week for our episode on the new world of working. Thanks, everyone. Have a good day.

Morgan Chmielewski, producer of Fresh Invest [00:15:28] Hey, everyone, this is Morgan Chmielewski from Morning Brew. And as the producer of Fresh Invest, I'm here to let you know that this podcast was created on behalf of Fidelity Investments by the Morning Brew Creative Studio, and does not reflect the opinions or point of view of the Morning Brew editorial team. Sources are provided for informational and reference purposes only. They are not an endorsement of Fidelity Investments or Fidelity Investments’ products.

Fidelity is the paid sponsor of this podcast, which includes providing Fidelity personnel for interviews and consultations with Morning Brew studios on content development. Fidelity and Morning Brew are independent entities. Information presented herein is for discussion and illustrative purposes only and is not a recommendation or an offer or solicitation to buy or sell any securities.

The views and opinions expressed by the speaker are his or her own as of the date of the recording and do not necessarily represent the views of Fidelity Investments or its affiliates. Any such views are subject to change at any time based on market or other conditions, and Fidelity disclaims any responsibility to update such views. These views should not be relied on as investment advice and, because investment decisions are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity product. Neither Fidelity nor the Fidelity speaker can be held responsible for any direct or incidental loss incurred by applying any of the information.
offered. Please consult your tax or financial advisor for additional information concerning your specific situation.

This podcast is intended for U.S. persons only and is not a solicitation for any Fidelity product or service.

This podcast is provided for your personal, noncommercial use and may contain copyrighted works of FMR LLC which are protected by law. You may not reproduce this podcast, in whole or in part, in any form without the permission of FMR LLC. Fidelity and the Fidelity Investments and pyramid design logo are registered service marks of FMR LLC. Copyright 2020 FMR LLC. All rights reserved.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

Past performance is no guarantee of future results.

Dollar cost averaging does not assure a profit or protect against a loss in declining markets. For a Periodic Investment Plan strategy to be effective, customers must continue to purchase shares both in market ups and downs.

Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Investing in stock involves risks, including the loss of principal.

CNBC, Risk Reversal Advisors, Virtual.com and Fidelity Investments are independent entities and are not legally affiliated.

Fidelity Brokerage Services, LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, Rhode Island, 02917.

See you next time.