

Casey Mullooly:

In episode 258, we're going to talk about how the market doesn't always have to make sense. Welcome to the Mullooly Asset Show. I'm your host, Casey Mullooly. Thanks for tuning in. So everyone that I know, my friends, my parents, my parents' friends, everyone seems to be talking about buying homes. Me and my friends joke now when we're looking at a house together on Zillow, "Does that mean we're old now?" And yeah, maybe it does, but everyone seems to be paying attention to their neighborhood's housing markets. They're listening in for how much. They're asking, "What? They got 52 offers in a week? That house sold in four days?" It seems to be crazy. The housing market is just bonkers right now and has been for a couple months now. We're recording this in early August of 2021, and where is everyone going to do this housing market research? Zillow. Everyone's going online to Zillow and checking out what the houses are listed for in their neighborhoods, the different history. Zillow has it all on there.

Casey Mullooly:

I'm sure you've been on there and are familiar with their website as well. So what do we think that its stock has been doing lately? Rhetorical question because I have the answer. Zillow's stock as of August 3rd is down 48% from its all time highs that it set earlier in this year, around early March, late February. Yeah, quite the head-scratcher. I don't really know whether to make heads or tails of it. We're getting this from Ben Carlson, who asked the question to his Twitter followers, "Someone who's better at stocks explain to me why Zillow is price got cut in half during one of the greatest housing booms of this generation." And some of the replies were, "Oh, it ran too far, too fast. All of this housing boom information was priced in back earlier in this year when the stock was running up." And the stock has done very well over the last year or so. It's still up, I think, around 60%.

Casey Mullooly:

So it's still done very well, but you would think that with everyone going online and with the housing market the way it is that it would just continue to skyrocket. But the market doesn't always make sense. The market does not move in clear, concise narratives like we think it should or that we think it does. And that's the risk that you take when you invest, especially in individual companies like Zillow. The market doesn't always move in clear paths and it's frustrating and it doesn't make a lot of sense, but that's just the way it is and that's just something that we have to live with. So be careful drawing straight lines. Just because something is hot doesn't always necessarily mean that that's going to translate to its stock price. That is a recipe for disaster. And that's the message for episode 258: the stock market doesn't always make sense. See you in the next one.