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Market Outlook:

Where are the retail investors?
With the Dow Jones and S&P averages pushing hard, yet again, into record new highs last week, I am still struck by the glaring omission of the retail investor from all the hoopla and euphoria. Historically, the most potent bull markets and flourishing economies gain "buy in", both literally and figuratively, from the majority of citizens. While it is irrefutable that fiscal data is improving worldwide, and our forecasts are for a continuation of parallel growth in stocks and the economy, it is highly unfortunate that conditions do not reflect a universal psychological or capital commitment from the "average" player.

Owing to such past crises and capitulations like the dot.com implosion, the housing crisis, global terrorism, the credit collapse, and political impasse at government's highest levels, there has been a drastic decline in stock market participation amongst households that has caused a shift in asset allocation (*if* there are, in fact, any assets left to deploy) that reflects a more defensive posture. Home ownership, for example, was once seen as the holy grail, the pinnacle of financial status and solvency, almost a "necessity" for providing continuity and capital gains to a family's wealth-building horizon. Today, that notion is more of an *"aspiration",* not a given. It has become too much of a chore to jump through financial institution's hoops just to obtain a loan.

The disappearance of the average investor from the financial marketplace doesn't necessarily foreshadow the end of cyclical bull markets. As mentioned earlier, economic trends are improving and, without undue impediments, the right place to be to fulfill one's capital gains expectations. But the absence of the small investor does suggest that it won't be easy to draw him back in, given the suspicions and doubts that have been created during the recent past seismic market catastrophes.

The new market player expects a set of rules and regulations that makes it safe to play and hard for scandal to erupt.

Indeed, despite fines, penalties, and legal convictions of some of the "bad apples", the most significant impediment to gaining back investor's trust is the perceived contempt for Main Street that seems to permeate the halls and boardrooms of Wall Street.

Even in a money business, it should not always be about the money.

While overall household participation in equities has been eroding, so too has financial allocation to other, more traditional capital assets, such as real estate, art, jewelry, discretionary "toys", and bonds. More and more, access to, and participation in, investing is now seen as out of reach for many, and mostly the avocation of the *already-wealthy*. The damage has been done. Perception is painting with a broad brush not just the guilty players, but innocent corporations and financial institutions as well.

The recession and subpar (for some) recovery has caused the disappearance of the small investor, whether by necessity or by choice, further deepening an intense dislike for the markets and those who populate them. At the same time, the wealth gap between those who can afford to "play" and those who can't has widened considerably.....and at historical proportions. It seems as if the financial crises of the past decade have affected the affluent much less severely than those who might least afford to be struck. A widely held myth is emerging, unfortunately, that you must first have the means to participate in the big game, and the rest of you should just simply try to get by or cope.

Given the current conditions on Wall Street, I see no dissuasion from the greed and avarice that got us into this mess in the first place. **Operating *"at the extremes",* or evaluating success *"quarter-by-quarter"* is not the way to build market continuity, nor to inspire confidence that anything but the near-term is important.** Persons of varying economic strata see these issues differently, for sure. Whether the opinion gap can be bridged is another matter, entirely.

That these gaps exist at all has changed market behavior for many. I would like to see an expansion of capital access into various and diverse geographies that lead to the creation of profit without regard to origin or social standing. Efficient markets are not exempt from morals, nor should they be the exclusive domain of the uncompassionate.

The best performing economies occur when confidence is high and the chances of fair play are equitably dispersed.

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