

Market Outlook:

Overestimation

Weather conditions and natural disasters worldwide have us wondering about the security of our natural resources infrastructure. Farmers look to the skies hoping for rain; rain-soaked hillsides collapse, causing unfathomable carnage. Certain geographies are rich with energy deposits, while other places lack the resources for sustainable economic activity. The limits of plentitude are being stretched by a planet under constant duress.

The problem of natural resource allocation is made all that much worse by the disparate nature of politics, economics, and geography.

Predicting the future is obviously never easy. **But it seems we are paying the price, if not today perhaps in the future, for a false sense of security about a never-ending supply of natural resources and commodities.** If forecasting is designed to tackle these issues head-on, the forecasters are being a little too cavalier with the data and not acknowledging pockets of poverty, inequitable distribution, or diminishing supply. The worst thing that scientists and politicians might do is to underestimate the needs of their constituents for the decades ahead.

Production forecasts are also obviously impacted by the weather. There was no equivocation when, during this past Winter, the United States was broadsided by a particularly difficult stretch of cold weather. The effects have yet to be fully calculated, but we know that food prices have risen due to weaker harvests, while consumer retailing, already suffering from lack of foot traffic in stores, has seen higher prices owing to delivery delays, fuel price increases, and cost pressure at their manufacturers.

Natural resource access is a pandemic concern. We are already seeing political effects upon heads of state in countries depleted of, or hoarding in, necessities for their population's basic existence. **Citizens' revolution in areas ravaged by climate or political disequilibrium are warnings that this issue must be addressed before it's too late to remediate the imbalances.**

Without espousing any particular political ideology, many agriculturalists bemoan the deterioration of soil content, the lack of plentiful access to water, and the net output declines per acre from once bountiful lands. In its stead, scientists are working hard to "engineer" agricultural solutions, gradually exacerbating the economic and social vacuum that these crises have created.

Meanwhile, one might argue as with all other socio-economic endeavors that quality is being replaced by quantity, but not necessarily improving the lot of those who depend upon a big-picture outcome. In a world of plentitude, no one should be living a bare subsistence, without adequate food supply, drinking water, energy, or housing.

Paying the price

As a result of "horizontal political diatribe"a kind of status quo complacency in which nothing changes ...costs are rising steadily. As supplies diminish, how are we to decide which commodities we can best afford and which to sacrifice? The negative effects of political inertia, industrialization, and climate change are diminishing economic momentum for some countries, creating winners and losers within every strata of their social and economic continuum. While the wealthy can clearly afford rapid price hikes in basic commodities, the gap keeps widening between "affluent citizen" and "impoverished neighbor".

The markets, though, are reacting to these inequities with a shrug of the shoulders. Valuations are breaking out above resistance levels during this quarter but, in my analysis, are showing signs of "breakout fatigue". **At some point the divergence between investor's greed and their empathy for other's reality might cause capital investments to redirect into more altruistic endeavors and to create a "new normal" type of profit.** For a while, this investment fatigue might be expressed as temporary intraday volatility. But we know that deep cyclical trends must emerge in order to differentiate between long-term demographic leadership and those short-term trends which are fad-driven only. Look for secular investment opportunities coming from agriculture, commodities, and water resourcing.

As stocks challenge historic new highs, buyers must be cautious about getting out in front of the wave and being carried away by the exuberance. Enthusiasm sometimes tends to wane when ample justification for negativity overwhelms the conversation. Unintended consequences, in life as in investing, are the kind which take too much effort and pain to fix.

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