

Market Outlook:

Advance/decline

Extreme speculation and greed punctuated the last few months of this current bull recovery cycle, and now we're paying the price for such exaggeration. With each news announcement about foreign military conflict, with every corporation that reports disappointing "top line" revenues, and with extreme political gridlock that makes addressing serious moral and social issues non-existent, we divest not only of psychological capital with which to build investment confidence, but real capital as well...the very source and lifeblood of reinvestment and reinvigoration.

The flow of money into stocks and mutual funds during the past few years was driven for the most part by good intentions. After all, where else were investors and traders to go in search of profit and capital gains? As they drove the averages to new records, however, those same capitalists were overlooking the risks of linear acceleration, thrusting aside cyclical, more traditional, rates of gain. As a result, "what went up" sought out its own equilibrium through profit-taking and abundant volatility of trading in shares.

Not that there's anything wrong with that. Of course not. Gains are gains, and profits are always a good thing to have. **But accelerating the timeline of expectations and performance because of one or two extraordinary years sent a jolt of energy into the markets that was unsustainable and unjustified by the numbers....that's all.**

This point is rooted in the notion that trends *evolve*, are *measurable*, and move at a rate of acceleration that can be *quantified* by time and magnitude. When those rates approach a terminal velocity, however, they increase the probability that a trend cycle would revert backwards, thus decreasing the likelihood of trend sustainability.

If you are a long term investor.... or someone with a lot of grey hair.... you probably understand this notion. If, on the other hand, you are a wanna-be magnate, you might want to research *dot.com*, *the housing crisis*, or *the flash-crash*. In either case, it's important to note that the world of Wall Street has proven on many occasions that it cannot sustain a bubble of infinite proportions just to satisfy the obsession of a few profiteers who want to bank enormous gains.

But, we know this: it will happen again....and again....and again!!

So, now that we are at a pause in the price spike mania, let's ask, "what is likely to be the next big thing, the next dot.com or gold bullion phenomenon?"

Agriculture. Food, water, grain, farmland.

Imagine

My metrics see a major social and demographic shift emerging upon the investment landscape. While biotech and energy have certainly garnered the lion's share of the public's attention and money, the outcry by responsible institutions and persons advocating for social issues that respond to the human condition could be the pillar upon which moralists, scientists, economists, politicians, and capitalists find consensus. Just like our forebears assumed, the search for arable land, potable water, and pure food guides a spirituality and comfort, as well as a capital function, for governing societies.

Many parts of the globe are underdeveloped in this realm. Building profits while helping others could become a new cornerstone of capital markets and valuations. Obviously it is impossible to guess with certainty what the next *big thing* might be, but this context, this overarching paradigm, could be a home run for a myriad number of constituents. Even if it were to become the next investment "bubble", it might not be such a bad thing just trying to get there.

My metrics focus upon building portfolios with sustainable earnings and pricing power. This most recent reversion in cycle movement during the past few weeks might actually enable a new starting point for the next secular up leg in capital gains, and usher in a higher moral plane juxtaposed alongside with a higher Dow Jones Industrial Average.

Arlington Econometrics is a quantitative market tool. Utilizing proprietary algorithmic equations, AE offers solutions for market-timing, asset allocation, and macro economic analysis. Using historical time-series measurements, Arlington Econometrics optimizes the analytical process and forecasting coefficients to make economic forecasting more objective.

The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. This report is not to be construed as an offer to sell or solicitation to buy any security. It is intended for private information purposes only. Any opinions expressed are subject to change without notice. Alexander Capital and its affiliated companies and/or individuals may from time to time own or have positions in the securities or contrary to the recommendations discussed herein. Neither Alexander Capital, LP nor any of its affiliates (collectively, "Alexander Capital, LP") is responsible for any recommendation, solicitation, offer or agreement or any information about any transaction, security, customer account, or account activity in this communication.

Alexander Capital L.P., 17 State Street, 5th Floor, New York, New York 10004 646-564-2299