

Market Outlook:

What would you do...?

What would you do if someone dumped a huge amount of money in front of you and told you to invest it for the next five years? Would you put it into stocks? Bonds? Art work? Real estate? Gold?

With the volatility, and occasional corporate malfeasance, experienced by the financial markets during the last decade the conundrum of "*what to do*" has only gotten more complex. All to the good that 2013-2014 were banner years for stocks....but where do we go from here?

For some, the game just isn't worth playing anymore. Yes, really!! Certainly, last early week's remarkable surge in stock prices helped to dispel some anxieties, while also bringing portfolio valuations back from annual low points, but equally for some it only heightened their level of frustration about whether the markets are really working on their behalf or against their interests altogether. While withdrawing from the "game" certainly wouldn't be my choice, it is understandable that one might just want to lower the decibel levels on noise and consternation related to "traditional" investing and retreat into cash or bank savings accounts. By the way, what's the current return rate on T-bills and CD's.....1.2%?

In the end, though, we have to accept an uncomfortable truth that expectations need to be tamped down and that *investing* is a long-term process of methodological evaluation. We simply have to back off the integer tracking and focus more upon intrinsic value and scientific discipline.

Over time, I believe investment returns always are biased towards the upside *if we widen the timeline of measurement and accept that investing is a relative risk endeavor.*

For example, what if we were offered to accept only *half of our expectations* for portfolio return in exchange for peace of mind and lower volatility? Fair? I don't know...you must decide.

Acknowledging historical rates of return, while at the same time elongating our timeline, might condense many of the causes of financial collapse and manic volatility.

However, this type of hypothesis requires a presumption of patience and elimination of any comparisons to traditional or manufactured benchmarks, our neighbor's hot stock tips, our brother-in-law's boasting, his dentist's nephew's new car, or any of a plethora of television "talking heads" and commentators who profess to know everything about our unique personal situation. In fact, it would also require an intense self awareness, personal perspective, and inner calm....certainly a calm that avoids running after boom-and-bust fads, flavors of the month, or packaged "deals" offered by financial institutions.

While it's not my particular methodology simply to "park" money in a buy and hold strategy (without applying measurements to cycles and trends), I do believe that the market's obsession with short term performance statistics is a bit misguided, and potentially quite dangerous...not to mention counterproductive to the true spirit of what "investing" really means.

Master the game

Some speculators are so willing to chase fads and "rate of return" data that they place bets on the riskiest scenarios, most vulnerable geographies, and, sometimes, the most questionable market trends. On the other hand, I will concede that the most aggressive bets oftentimes pay off the most handsomely. Such is the nature of investing.

The thing to remember is that markets are cyclic...parabolic...and that today's up can become tomorrow's down. Conversely, what's lagging today might also become tomorrow's biggest portfolio winner.

So, in answer to the question "*what to do from here?*", I will continue to advise clients to allocate assets amongst sectors with fluidity, using quantitative integers to establish risk probabilities, and to diversify within those sectors to hedge individual security risk. Even the best in our profession have occasional losers in their portfolios. In spite of a tumultuous third quarter, there are still long term sector opportunities in which to make profits, such as Technology (including biotech), Cyclical, Utilities, and Energy.

But rather than adopting a lopsided mindset that chases elusive integers, I would advise anyone with "new money" to invest in the *process* rather than the *result*. Sometimes, you just might surprise yourself with the reward.

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