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Market Outlook:

Inches, yards, decimals
Global stock markets were largely biased to the downside last week as divergent signals from central banks (Federal Reserve, ECB) raised concerns about the short-term durability of the recovery and the risks of earnings deceleration patterns worldwide. There is little agreement amongst analysts about which path is correct, or which figures are to be believed. For many, last week's convergences offered a convenient excuse presented by "the data" to unload equities and to reduce exposure to risk before year end.

In last week's commentary I alluded to how the general public perceives and ranks annual performance statistics around this time of year, ranging from portfolio valuation accretion all the way down to simple yields on bonds and cash. All around us, data and measurements proliferate. As a means of comparing ourselves to others....or more specifically, others' *prospects*....numbers are the easiest reference point.

Technical sciences and investment methodologies have sprung up in such volume that our hunger for comparative integers has become insatiable. In my own field of quantitative research there are myriad numbers of purveyors, and even greater nuances to that discipline's analytic conclusions.

Yet, despite the enormity of information processing we've amassed in the last 20 years, the most recurrent tool that portfolio managers and clients use to evaluate performance is still how they *feel* about met or unmet objectives.

At the end of the year whether we cogitate about investing in gold or the direction of interest rates, performance analytics notwithstanding, the key question is whether we perceive ourselves "*better off*" and comfortable with where we have been and where we're headed going forward.

No, this is not the classical standard of institutional measurement, nor an applied statistical criterion. But investing is a blend of math and emotion, and a difficult dragon to battle against.

To be sure, quantitative algorithms and statistics have made it easier to aggregate the information that all investors need to screen for consistency and/or any aberrations that might affect portfolio equilibrium. If you've survived market crashes and recessions, as many of us have, you recall the painstaking process of rebalancing and rebuilding not only sector weightings in your account, but *expectations* and *timelines* for measuring that performance. **Psychology has nothing to do with mathematics, but considerably much to do with portfolio management.**

Accessing data is one skill set, executing those data is another skill set, altogether.

Broken systems
To some extent, in our fast paced world of omnipresent technology and, in particular, the world of Wall Street.....in which everything is *"what have you done for me today?"*.....the volume of information has outpaced our ability to process it. Essentially, we have more "stuff", more facts, than we know what to do with them. The gap between *knowledge* and *instinct* is widening which, I believe, moves us further from the real essence of investing, which is to create remunerative and psychic reward from promoting innovation and social progress.

A vital financial issue of our time, in this writer's opinion, is how to use information effectively to cultivate premium output from our vast alternatives for capital expenditures.

From that standpoint, I would say that regardless of annualized performance numbers, sector balances, money flow, investment banking mergers and acquisitions, and targeted market research, capital markets and corporate influences are not doing as well as they could be.
We are facing an important economic inflection point in which further pressures on the private sector might exacerbate the stresses being felt in the financial (stock) markets. Response strategies to these issues are also influenced by the complexity of worldwide perspectives.

When tabulating your investment scorecard, think about tracking the usefulness and relevance of the harvest you are measuring. Are we searching only for better metrics, or for decisions that are more responsive to the questions and initiatives that matter?

Calibrations and statistics are only constructive as comparative illustrations for keeping score. Each of us is the ultimate arbiter of these numerical distinctions. There are no "right answers". Those semantics are too complex for quantitative analysis. Making information "operational" is sometimes just a matter of combining innate learning with old fashioned common sense.

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