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Market Outlook:

They did it!!

Initial sighs of relief began to dissipate late last week as investors rushed for the exits after digesting various informed interpretations of the Federal Reserve's rise in interest rates by a quarter of one percentage point. Somehow, what was known and inevitable became "unknown" and diabolical. Tip toeing past the (economic) graveyard became a stampede, instead.

Let me ask: do you know that feeling, around the holidays, when you're absolutely sure that someone will give you (another) necktie as a present? No matter how well-meaning, but...well, you know, it's another necktie!! The drama and suspense of opening that gift is completely taken out of the equation. All that's left for you to do is graciously to thank the gift-giver and to move on with the festivities in the spirit of the times, with high hopes, compassion, and consideration.

How coincidental, then, that the Fed's "gift" to us...that figurative necktie we already knew was coming....occurred one week before this year's holiday and gift-giving season. The circumstances couldn't have been fraught with more irony.

Now what?

So, how did the markets react to the news? Quite poorly, actually. Traders built upon pent-up uncertainty to strike hard at oil, commodities, the Dow Jones, and anything else that stood in their way out the door, blissfully choosing to ignore any momentum or dominant characteristics that had assembled during the recent recovery. All in all, the perceptions were capricious and only magnified doubts about the durability of the economy. Any references to recent monetary or fiscal successes were ignored.

How's that for a "sulking Uncle" you just gave that tie to?

At the end of the day, safety of principal and fear of the unknown won out over many of the efforts to build fiscal and monetary momentum during the past 7 years. Prices on commodities and oil sagged to their lowest levels since 2009. Investors chose to look at energy gluts, underutilization, and the potential for deflation as reasons for uncertainty about the revival's sustainability.

I saw the announcement much differently:

It's time to remind ourselves that the aperture of perception that we are employing regarding current events is much too narrow. While one can certainly see good reason for short-term caution, I think we must distinguish the probabilities of secular economic growth without getting mired in negative anecdotal observation.

As I have written in previous missives, we draw our inspiration for capital gains from earnings/demand acceleration, when/where it exists, and a host of secular demographics that we believe are currently improving and, in fact, expanding dynamically. Take your pick: healthcare and life sciences, technology, buildings and infrastructure, agricultural sciences, environmental and ecological engineering, energy, and social institutions. These are the kind of sectors which warrant our attention and our capital currently. At this very time there are theologians, scientists, engineers, physicians and researchers, politicians, and social activists who are addressing these macro issues for our time, and for the future. Let's not miss an opportunity to find capital gains, portfolio security, and peace of mind because of one lousy "gift".

Happy Holidays and Happy New Year.
Our next publication will be our Quarterly Overview, January 4th, 2016