

Market Outlook:

So, which is it...?

Within the debate about *globalism versus nationalism*, advocates on both sides of the issue point to a decidedly nervous consumer base, particularly when it comes to defining whether strategic partners can be depended upon for maintaining fiscal, monetary, and currency stability. All the while that global stock averages are hurtling towards record highs, the subtext to this storyline is whether these market returns really reflect the true underpinnings of the global economy.

Whether you know it or not, currency non-equivalency is fueling a frenzy in the stock markets, feeding into the globalism narrative even as retail politics tries to pull back from international obligations. The US dollar's retreat, for example, means that product is flowing out into the marketplace even though production and exports might be exceeding consumer demand for those items. There is nearly a perfect correlation between the dollar's decline and the rate of the Dow Jones valuation expansion. Interestingly, the market's rate of increase *does not* correlate, however, to the rate in growth of US GDP and economic expansion, particularly if you ask the average domestic wage earner. We have referred to this phenomenon in previous missives as a Parallel Disconnect.....two statistics that appear to be moving in concert with each other, in the same direction, but which demonstrate non-correlated occurrence.

Because the US markets are top-heavy in multi-national corporations, the market's growth percentages are somewhat deceiving. In fact, statistical growth in multinationals far outpaces that of secondary or tertiary level corporations. Trade flows are not occurring uniformly throughout the economy. Rather, the rich are getting richer, the laggards are trying their best simply to survive in an economy where wealth and discretionary consumption is becoming more discrete and relegated to a smaller percentage of the consumer audience.

As a result, we are seeing our models becoming more defensive and more highly stacked away from traditional front-end consumer driven orientation towards back-end-of-the-cycle sectors, most notably tangible assets and natural resources.

Not prepared

The difficulty in trying to synthesize this vast array of disparate data is that the markets process "traditional" analysis differently now. Why is it, for example, that even as the global and domestic outputs appear to be getting larger that there exists extraordinary pockets of citizen's poverty, hunger, and despair? Overall, as the financial experience is getting better for many, the chasm between the haves and the have-nots is actually getting wider.

I would suggest that there is a widening empathy gap between acknowledging that you are better off while others are struggling to survive.

Even as many global economies are expanding, other regions...those without sufficient natural resources, infrastructure, or egalitarian governments....are imploding at a perilous rate. These hotspots are in financial jeopardy. They are the maladies which have the power to derail the rest of the globe.

People are losing confidence in the skill sets and empathy of their leaders to make responsible fiscal and moral decisions about their future.

Several generations ago, the world was emerging from World War and looking with great hope that mankind could behave differently, more inclusively. The "bounce" off of our economic and political low point seemed inevitable.

Today, the level of greed and hypocrisy that pervades the equitable creation and distribution of wealth and opportunity unfortunately appears to be our new inevitability.

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