

Market Outlook:

Too much information

It is fairly common knowledge that the more input one has before making an informed decision the better likelihood a preferred outcome might be. Well, I'm going to go in the other direction for just a moment to claim that the efficiency we seek in stock market analysis is sometimes dimmed by an overload of useless or redundant information found in mediums such as the internet, media, and other business outlets.

Sometimes the essence of what we seek (capital preservation, portfolio appreciation, etc.) is best obtained with *less* data flow and more by a reliance upon long-term fundamental review and good old-fashioned common sense.

Some have suggested that we live in a new paradigm...one punctuated by 24 hour access to all sorts of information. But as a result of this generation of thought there has also been a bravado to suggest that *markets can't correct downwards; that access also provides greater nimbleness; and that there is an entitlement to portfolio success that older generations (ahem!!) just couldn't have foreseen in their day.*

Indeed, while "new math" has given us, this writer included, models and methods that make mathematical calculus more skillful, even strategies *too boldly applied* are doomed to fail because of human aggression or a reluctance to accept that markets, like life, have their inevitable ups and downs.

The fact that one might not have lived long enough to experience that reality....or to acknowledge it.....doesn't make him/her immune to the orderly progression of things.

I have even heard a member of this new paradigm generation suggest to me that *"investing is not a gamble anymore"*. For his generation, indeed, investing in the market has become "too easy". Rolling the dice and always coming up a winner will do that to the uninitiated. Whereas we have laws against playing Russian roulette with a loaded gun, we have no such prohibitions against committing financial suicide.

Deep breath

Look, I deal in numbers and calculations all day, every day, too. I use data because when applied judiciously it can out-process even the most basic of human calculations and instincts. Information is the foundation of successful investment outcomes.

But today's appetite for data has reached such unprecedented levels that what we used to think of as balanced decision-making has sometimes become skewed towards an *expected domain*, and uncorrelated to impartial schools of thought.

More so than in the past we are "data rich and strategically poor". The tools we have at our disposal, as in yesteryear, are only as good as the operator using them. In many cases, the tools have outpaced our ability to leverage them, leading to the proverbial "data overload".

Today one can "Google" anything. One can also find homogenized answers to any investment question.... ETF's and mutual funds, for example. The true value of portfolio management as a profession is to profile the client accurately and to customize a solution which is unique to his risk/reward tolerances. Objective data mining has become richer and deeper than ever, no matter who clicks the switch on the operating system. But antiseptic answers will only get you so far. That's why it is vital to have an empathic professional with whom to interface.

So let me ask this question: with all this data at our disposal, why, then, have we been unable to gain traction on solving some of our cultural, financial, and moral dilemmas that continue to divide cultures, citizens, and nations? Modern financial engineering seems only to have prepared a one way street for the most fortunate.

If you really think about it, the lessons we have learned from ubiquitous information access in this "new paradigm" should have already resulted in greater personal introspection and awareness....not less. Not more rioting, poverty, terrorism, or hunger....but less. No?

The thing is, as this observer sees it, is that you can't claim to have achieved a New Paradigm of enlightenment if you don't have everyone along for the ride.

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