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Market Outlook:

Unraveling

Global stock markets were a bit stronger last week in anticipation of central banks getting serious about ending the era of easy money. Both within the US and globally there finally is a sense that interest rates will rise responsibly but not necessarily become injurious to growth prospects....at least not enough to quell enthusiasm for rising profits and continued equity price expansion. In fact, a rise in rates might create some "normalcy" to the financial markets by introducing alternative investment scenarios at just the right time that investors are becoming concerned about hyper-valuation in stock averages.

And now, news announcements over the past few weeks that Italy is "considering" leaving the European Union, have given US markets a chance to capitalize upon that scenario in particular by playing its "America First" jingoism to the hilt, concurrently crafting what some believe to be prohibitive tariff and taxation policies upon its trading partners. What better time (sic) to unwind decades of globalism and mutual financial interest than when Europe is rife with conflict and political dissension?

Why should Italy's vocal musings become fodder for potential market capitulation and/or distress? Because not only is this conversation an open forum about the nature of economic compatibility amongst the Union's members, but also an issue that exposes very deep cultural and social divides that exist between *all* the affiliates of this tapestry. To this day, newspapers and parliamentarians rant against the union because it eviscerates centuries of national history and pride.

Obviously, these tensions were debated and discussed well before the Union's adoption and, for most, the rewards have been worth the price. Indeed, the European Union (EU) has done much more to avert economic calamity than to create it, with few unique exceptions.

In exchange for "relinquishing" their individual currencies, the members attempted to ensure responsibility to a code and to limit financial crises by one constituent which might affect them all. So whereas the EU might be considered an economic "invasion" by some members, it also is a fairer vote for shared responsibility throughout the continent.

But can the agreed-upon constraints be good if members are unwilling to curb spending or raise taxes to avert their own internal struggles? Italy, in fact, needs to *add* stimulus to its sagging economy while other countries in the fellowship are curtailing their expenditures.

Does any country have an obligation to cede autonomy and control, political or financial, for the benefit of the larger common good? After all, isn't this notion of self-governance and autonomy what the *"Make America Great Again"* political movement derives from....an unwillingness to give up control for *any* greater global flow?

Unlike the EU however, the US has *one* currency*, one* financial structure, *one* flag, *one* nation. The true believers in this movement ask how it is possible to justify one standard across this big nation when the rust belt differs from Silicon Valley; Michigan works differently than Florida? This is the divisive message being sent across this land by repulsive speech and local identity branding.

Market upheaval

Investors should recognize that growth and profitability for all is far better than segmenting success into smaller geographic parcels.....by county, by region, by state. **Economics is borderless**. The best "destination" is capital gain and prosperity. It is doubtful that innovation in medicine, foods science, technology, aerospace, etc. can successfully be compartmentalized into small artificial boxes.

Goods and services, prices, laborers and employers are non-denominational. The entrepreneurs large and small that flourish around the world are looking for wealth-building and social tranquility. The sparks only start to fly when the rhetoric becomes disproportionately fanatical...and unkind....and when politics is added to the economic equation. Who "wins" and who "loses" is anathema to money flow and profitability.

The mini bursts that we have been seeing lately in the capital markets are not driven by the profit motive, in the opinion of this author, but by tribal consumerism, politics, and hateful self interest. There is little substitute for free markets and unmatched depth of global commerce.