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Market Outlook:

Anger management

Now that several-hundred-point up and down days are becoming commonplace in the Dow Jones, I'm observing that the market's mood is shifting from *"what just happened?"* to *"who's the SOB that caused all this chaos?"* Even if there were just one person to blame for market volatility....and there isn't....that is the wrong response to what is happening, anyway.

It wasn't that long ago that investors were laying it all on the line for a bull market advance which, for them, was paying handsome rewards and seemingly never-ending satisfaction. That all led to a *"bet it all on black"* casino-type mindset that, arguably, set the stage for the disappointment and consternation they are now feeling as valuations literally head south.

In the world of parabolic quantitative design in which I reside, these reversals were neither unexpected nor out of the ordinary.

But people seem to need a special reason why markets gyrate as they do. Surely, it must be the Federal Reserve and their interest rate policies; or it's the fiscal and political gridlock in Washington, DC; better still, it's the Iranians, the French, the Chinese, the Russians.....

One needs to take a deep breath and realize that it is our perceptions of these problems that doom portfolio management more so than the individual (or collective) problems themselves because "problems" and "unforeseen events" are, by their very nature, unpredictable and *always* a part of the investment calculus.

So who/what *is* to blame for the recent volatility and weakness in the markets........?

Money, money, money

I believe that an incoherent global lending system has cultivated an "us versus them" economy, a universe of the haves and have-nots that is exacerbated by a widening wealth gap in which the wealthy "play" with their money while the rest of the world struggles to acquire it.

Our data supports the emergence of these tectonic shifts and the quantification of their influences.

The demand for goods and services has migrated into smaller enclaves of privilege. Yet, we rely upon those enclaves to provide the jobs, products, and security for the rest of the population. As more wealth was created during the past decade through quantitative easing and spurious lending practices a curious thing began to happen: the benevolence of mankind morphed into the worst of man's nature. The roads and bridges began to deteriorate....so what? People afflicted by natural disasters or worse, warfare and starvation....let them fend for themselves. A "living wage" that fails to account for the basics of home and healthcare....get a job and go back to school. And, investors who lost money on risky product offerings from Wall Street....that's your fault for being careless and belligerent.

The safety nets are ripping wide open at the seams and greed is on steroids.

Acquiring money for money's sake has become the name of the game. Fairness? That's not what makes markets...or economies! Ugghh!!!!

Thus, the ache of enduring traditional market cycles has become harder to endure as one's expectations for self reliance, aggressiveness and higher rewards became entrenched in an unprincipled culture of global finance.

The moral hazard of boom and bust cycles is that one becomes even more numb to the needs of others when you put all the chips "on black".

On the flip side, there are a lot of investors who simply strive for stress-free, conservative portfolios who are also getting clipped by the slide in financial assets. To them I urge patience and a requirement that they view all asset allocation models as fluid guideposts for long-term results and risk mitigation, but certainly not an implement of straight-line capital appreciation performance.

Happy Thanksgiving!