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Market Outlook:

Analysis/paralysis

Many of the gyrations, both up and down, in the financial markets are driven both by *data* and *emotion*. To varying degrees, most of what you see in the daily price movements of the stock averages are responses to people's perception about what they see and hear, as well as good old-fashioned laws of supply and demand affecting rising or falling securities' prices. Last week's vigor focused around the possibility of energy and commodity price inflation, global tariffs and trade wars, earnings dissipation, and wage disparities...as well as massive price fluctuation in particular stocks and global bourses.

We all use data to optimize our performance expectations. As a measure against mythical or actual benchmarks, data is the most efficient way to provide comparisons to various peer groups and to set in motion a process of measuring future targets.

The internet has only widened our hunger for creating, activating, and implementing information through its immediate access to statistics of all kinds. The general public might admit that data makes them feel more intelligent!

However, despite the proliferation of services and providers created during the internet era, one of the first drawbacks to assessing the value of that access is whether all that "noise" actually performs for us and makes us *feel* as if it is helping the cause. In other words, does data make us wealthier (or feel wealthier) or does it sometimes, or mostly, clog the wheels of forward momentum?

Think about it. You have at your disposal a multiplicity of things that either make your life easier or more complicated, successful or less so.

We certainly are better off when the information at our finger tips gives us the answers and results we seek. But if you have ever experienced "information overload", or been inundated with information that had very little to do with your desired outcome, then not only does the solution come less quickly, but possibly not at all.

It is very possible that our tools are outpacing our ability to leverage them.

Good decisions

I would argue that being *data rich but results poor* is a commonplace occurrence in financial modeling today, and that product originators sometimes use the luster of "new and improved" to fool purchasers into making choices that don't need to be made.

That view is influenced by the fact that the culture of the financial markets is oriented around sales, profit margins (theirs, not yours), and building infrastructure....not always upon placing a premium upon your asset preservation and capital gains. Data capacity has given Wall Street an ability to take their eyes off of your prize: making and preserving wealth.

Of course, there are particular instances one might cite to refute my thesis, and we can respectfully agree to disagree. In many cases your perspective might positively have been influenced by a successful transaction you undertook. Heck, I can offer substantive evidence in favor of "data" myself, as my entire four-decades long career has been predicated upon a proprietary construction (ArlingtonEconometrics) of quantitative statistics, algorithms, stochastic integers, and ranking systems which made forecasting more efficient long before it became popular in today's financial vernacular. (Note: read the first paragraph in the footnote/disclaimer under every week's commentary relating the objectives of my research).

The larger issue, though, is that not everyone is well served by the cacophony of noise that information pollution proffers. Think instead about those who, unfortunately, have gotten snookered by their own greed and that of the institution that played them. As I wrote a few weeks ago, both clients and their representatives sometimes get seduced by the latest, the shiniest, and the most dynamic of product offerings on their menu, sometimes to the exclusion of asset allocation, time-tested fundamentals, and a healthy dose of patience and long-term perspective.

At its core, successful information gathering should be a vertically integrated, upward spiral that makes for positive performance.

At its worst, it becomes a vortex of profound proportions from which portfolio imbalance, indecision, and lack of success is more probable.