

Market Outlook:

Digital conundrum

As the first month of this new year comes to a close there is one thing Wall Street observers might agree on: these times are, indeed, baffling.

The US markets are coming off their best gains in January in 30 years, following their worst December losses in over 80 years!! However, the financial news hasn't changed much: employment continues to rise (for 10 consecutive years), wages are "modestly" catching up to cost of living expenses, GDP is marginally increasing year-over-year, and certain sectors (renewable energy, biotech, aerospace, e.g.) are poised for decades-long expansion and innovation. It would be premature to conclude that the corresponding global financial landscape is a calamity. Nevertheless, there are a significant number of psychological hurdles one has to deal with just to maintain assurance and identity with one's longer term strategies. For some reason, it seems as if the rules of the game are changing, making it even more difficult to "feel" investment momentum when the largest slumps and the biggest gains are all jumbled together in a very constricted timeline intra-day and inter-month.

Finding attractive investments will require more patience, even though "bottom-fishing" might seem like the right thing to do.

One of the more devious influences upon this draconian type of investing is the internet. More specifically, the proliferation of instantaneous news and data that throws professional investors into a tizzy, and overwhelmingly frightens the average investor by its magnitude. Experts and experience will tell you that mental lapses and emotional decision-making always lead to some kind of investment mistake.

So, do we ignore the internet... or banish it altogether? Of course not. Information is the fuel of the Street. It can be, in fact, the magic bullet which unlocks the nugget of advantage that one investor develops over another. But data which is hyped to excess or misunderstood is the existential threat. Soulful processing of information is what turns a mechanical tool into an art form.

As our delivery systems have become more prolific and sophisticated, their imposition upon the human element (and forward looking, long-term planning) has become more deleterious. **Human interpretation of data is the starting point of innovation and strategy.** The removal of the human form should not be the task of our computers. Rather, they are but one element of the palate from which we, ultimately, make the final decision. Volatility, uncertainty, and impulsiveness cannot be eliminated from the investment universe. But we must ensure that the one pulling the switch is the person behind the machine....not the machine itself.

A question of choice

There is an old phrase in golf: *analysis breeds paralysis*. Sometimes, the speed with which investors are being asked to make investment decisions shakes their nerves to such an extent that they don't know where, or when, to go! They are forced to compartmentalize data into handy silos that meld well with their existing beliefs. As with everything else in life, explanations are divided into neat little subsets of preference, designed to make us feel comfortable and less stressed.

Thus, the division of the markets into *this side of the debate* or *that one* influences greatly the buy and sell decision-making process and daily trading activity. The source of information (computer, media, hyperbole) is not the end of the trail; it is the origin from which *the person* finds the justification for making a well-informed choice.

To be fair, if we don't have objective, logical technologies then we have no way of repeating and executing our respective disciplines to achieve our desired outcomes. But technologies do not provide the final answers. Experience and intuition requires time to nurture the information, to massage the nuance, and to process the facts. Forensics offers us the colors. The artist paints the precise picture.

There is no way to know whether or not the desired effect can be achieved. All we can do is to try and be consistent in our evaluation of the data and the execution of our selected investment methodology. While the landscape and capacities have certainly changed over the generations, what has not changed is our desire to preserve wealth in the face of mounting confusion, measurably grow the value of our net worth, and resolutely accept that a person can most often deal with the frailties of another person better than a machine can.

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