

Market Outlook:

Step off

Last week's market was fraught with newsworthy headlines and unexpected turns of events. Geopolitics in Vietnam, The US Federal Reserve, earnings disappointments, and the *sturm and drang* of the market, itself....all set off reactions that were instantaneous and net negative.

It's not unusual in today's age to witness investors knee-jerk transacting as if the future is supposed to be a structural replica of the present. While looking for clues that imbalances exist...enough so that they can pounce upon those moments to create "instant" profit capture...they nevertheless live in a world of rote theories, silo specifics, and prefer the status quo over a longer-term imagination or empathy.

But think about it. How nice it is to have the luxuries of food in the refrigerator when you need it, medicines to cure an illness when required, gas in the tank of the car, an extra sweater when the weather turns cold.

Now imagine a family who have no such easy access to any of these "conveniences" that many of us assume will always be there.....

That gap in life's circumstance represents the disparity between those who trade in the market for vanity and personal gain versus those social necessities that truly can be created/envisioned by a vibrant capital marketplace. Ask yourself, "*why should anyone ever be hungry, homeless, destitute?*" When we expand our horizons beyond simply ourselves perhaps then we might appreciate the bounty we enjoy and the potential that investing really can bring. This would stand in stark contrast to the day traders who use trifling percentage points as a barometer of how well they are doing.

Humans have always had an innate desire to help others and to be curious about things that affect everything around us. It is the nature of our sciences to inquire about how things are put together, can be deconstructed, and reconstituted as an improvement. Medical science, infrastructure, government, and corporations all benefit when being introspective and imaginative. Widening our aperture of curiosity beyond ourselves alone broadens the potential for innovation and success.

However, change if it occurs too quickly also engenders a self preservation mindset. *Who wants to sacrifice the affluence they already have just for an altruistic goal? The next 10 years becomes irrelevant if it means we have to give up something today, right? . Change upends the status quo, and literally forces us into a defensive posture.* These are contexts of human behavior from which we have historically found no escape.

But the real key to successful investing is to step back and realize that life is *always* about change, and in order to profit from those changes we must look at the bigger, longer-term framework. There always will be transformations to "what we know to be true", even if it represents a temporary burden on the path towards something better later on. Thus, investors will always fail if they cannot accept the essence of the bigger picture. **The arc of our behaviors is defined by the accumulation of knowledge gained along the way and our ability to adapt to the nuances.**

Why invest at all?

Similarly, stop thinking about portfolios as a series of one-off transactions, successes and failures. I know it is hard to concede, but not every purchase or sale is going to be a blockbuster. Sometimes losses occur...they are to be expected, even.... and are not always the disasters we are prone to assign. Tough, patient decision-making is the essence of building a mixture of ideas each of which, when blended with the others, produces a landscape of probable success.

I am highlighting these things because I am witnessing a *defense-first* mentality in the market place which is exacerbating all the anxieties and fears we most want to avoid, particularly following the disastrous down-phase in December followed by a manic upside burst during the first two months of this year. "*Why this inordinate volatility?*", my clients ask. And "*what to do now?*" they follow. In fact, I think the data is improving and the prospects for well thought out portfolio modeling is quite invigorating right now. Perspective and patience are the keys.

The massive gaps in market valuation and human condition are as real in people's *minds* as they are on their *monthly statements*. But our worries about the future become larger and more onerous if we retreat into ourselves....hunkering down in that self preservation stance.... forgetting that there are other, less fortunate souls who have a harder time dealing with the vagaries of life which we all too often take for granted.

Using capital to bridge those gaps and heal those wounds is a good starting point for building investment success.

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