Scotty C. George
Chief Investment Strategist

June 10, 2019

Market Outlook:

You might recall...

Back in the 1980's...for those old enough to remember....the key word on Wall Street was *"globalism".* There were the Korean funds, the German funds, the Australian funds, the European and Emerging market funds, etc. Name a country and there were analysts, marketers, and salesmen hyping the value of direct investment in various non-boundary-specific paradigms. All sorts of strategies and product offerings were predicated upon a post- World War 2 expansion and cooperation amongst nations which was, then, a full generation in the making.

Today, the dialogue has shifted dramatically. Owing to a movement towards fiscal austerity, tribalism, and "patriotism", one more frequently hears about *protectionism* and *individual country's "rights".* Indeed, and as a result of these factors, global trade is taking a beating right now brought about by tariff wars, escalating immigration concerns, and a declining manufacturing base.

As the rhetoric gets more heated, so too does the damage to a principle now more than 30 years old.

The last few weeks in the global stock markets have been reflective of the changing discourse. There is no question that the expansion in financial asset valuations has been lengthy and successful, one of the longest in modern history. But bull markets tend to end not specifically by their own weight but usually by a man-made catalyst that simply confirms the suspicions and doubts within investors that the good times are destined to end at some point, anyway.

And with good reason. We know that business cycles, like all things in life are *parabolic* and always navigate an ebb and flow that can be measured and, sometimes, predicted. But we also know that , given the factors which govern today's recovery and expansion, there is no real cause *other than political hyperbolic oratory* for the recovery to end at this juncture, at this time and place. The data are shifting, yes, but not to the point that the economy would reverse at a moment's notice.

The implications of an unforced error upon the financial markets would be devastating, as we saw last week when the markets zigzagged recklessly as a result of desperate social media folly. The prevalence of irresponsible dialogue is strictly a non-traditional way of doing business, which, apparently, fazes some but doesn't bother others.

Nevertheless, it is my job as an analyst and portfolio manager not to try to "fight the windmills" but rather to observe, measure, and to make the necessary course adjustments on behalf of our clients. Taking a more cautious view, we have been doing just that by buying short-term fixed income with available cash as a buttress against the volatility of the equity markets, and by removing the least likely to perform stocks from our portfolios.

Best options

The challenge ahead is equally as daunting because I still see the possibility of portfolio success as quite high, but the potential for policy and verbal errors is equally as high. The latest data shows a falling consumer confidence and demand. As I wrote last week, there are any number of pressing social issues that need to be addressed by public and private initiatives including global hunger; reduction of natural resources (including fossil fuels); failing infrastructure; health pandemics; ecology; water shortages; arable farmland depletion; and territorial security.

Imagine the potential of Wall Street if any one...or all....of these themes became this generation's buzzword, as *globalism* was for generations earlier?

The threat to any global ecosystem is not rooted in the fallacy of the concept. No, the threat comes from an escalating politically driven rhetoric reinforcing a self-fulfilling admonition about unreasonable jingoistic stresses. Unpredictability, not the underlying data, is causing the current flight to safety.