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Market Outlook:

What's really going on...?

Looking at things from a macro perspective, you're probably reasonably pleased with your investment portfolio this year. I mean, that's assuming you are one of the fortunate persons who has the means to invest in the first place... and not living paycheck to paycheck like a significant mainstream of people!

Of course, breaking the markets into its *micro component parts* paints a different picture entirely. The news proliferates with stories of manic securities trading, geopolitical conflicts, declining earnings, and slowing growth.

So, what's the real story?

First of all, there is no debate that stock prices are vaulting upwards. The rise in valuations coincides with an historic monetary phase of lower and lower interest rates and unabated economic stimulation. The drop in rates, for example, has even worked to the benefit of bond-only investors, raising the values of their securities as rate levels recede.

At the beginning of 2019, many pundits were anticipating that the US Federal Reserve would continue its rate *raising* policies. But, alas, that was not to be as slower growth forced the policy-makers to reverse course abruptly.

Further, the valuation expansion has spread across the product spectrum to include real estate, other commodities, assets international and domestic.

However, during that same time frame, projections for global growth have contracted, not expanded. In the aftermath of the last Great Recession we are still digging ourselves out of a financial and psychological hole from which recovery is a moving target.

Recall that in the years leading up to that crash there was an unyielding buoyancy to our expectations and objectives. Speculation and leverage was running free, fueling the bubble that would later collapse. That period was a time of *higher rates* and *nascent inflation* consistent with expectations for a long-drawn-out bull phase.

Now, however, investors are grudgingly putting money to work while they hold their noses and climb the proverbial "wall of worry". "*When will the next bubble burst?*", they opine, all the while amiably and graciously pocketing their profits. Not unnoticed, however, is that expectations are now centering upon lower growth and low inflation for the future.

An economic and psychological timeline dichotomy is what has this bull market feeling a lot different than the surge a decade ago.

Uncertain future

If anything, global central bankers have given little indication that they are going to change anything about their policies, including keeping rates low. Many nations have actually passed into *negative interest rate* territory, reflecting a partiality to keep the money spigot open and further to encourage greater global capacity.

Bear in mind that these monetary actions are engendered by a global demographic shift: *the world's population, infrastructure and manufacturing base is getting older.* Policy-makers presume that something has to be done to stimulate the waning economy before the embers die off completely.

Thus, stuck with this current-events predicament, the markets are reaping the "reward" of low interest rates and accelerating stock prices. "Cheap money" means that investors can continue to alchemize blood from a stone as long as the other alternatives for investing remain inert.

The problem has not been "solved". There just isn't any other choice.