Scotty C. George
Chief Investment Strategist

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Market Outlook:

Fight or flight?

Government policies and geopolitical circumstances are always changing. One thing that has not, however, is that when things start to get a little uncomfortable, investors flee to safe havens, like gold for example.

Strange, since it is really just an inert yellow metal. But consider that gold is not just a noun, but also an adjective in our lexicon as well.

"I have a golden idea."

"That's gold, Jerry. Gold".

Why is gold considered such a valuable commodity? No one knows for certain but what we *do* know is that this venerable metal has held our fascination for as long as civilization has existed. It is the one currency, in fact, which evokes that kind of confidence and trust. (Sorry, bit-coin). Despite our idealization of the metal it has very few real uses in society. None of the other commodities that you can think of might actually say the same.

As today's current events and political bombast proliferate our airwaves, it is obvious to experts and the casual observer alike that successful portfolios should be erring on the side of conservatism and caution. As a result, more tangible assets (real estate, art, precious metals) and yield based products are finding their way into people's portfolios.

More than anything else, the wealthy are searching for a standard which creates a finite floor to their net worth that can withstand all the political electioneering, personal grandstanding, political hubris, market volatility, and terror overseas...enabling them to sleep well at night. Every long-term investor is looking for the "magic bullet" that offers immunity from catastrophe, crisis, or financial collapse.

Thus, the key for me as a portfolio manager is to use our proprietary tools to navigate any short term exigencies in order to maximize upside opportunities that present themselves, while diversifying sufficiently not to let the occasional downturns (and there will be downturns) from ruining the overall trajectory of positive performance. It is only those exogenous "curveballs" that are thrown our way by imperfect persons or sudden unforeseen events that have the power to interrupt secular cycles by any significant magnitude.

Your call

Curiously, as interest rates remain low, so too do they impede the capital gains potential of those "safe-haven" investments mentioned above. You see, without inflation or price-push momentum, inanimate objects really just sit there, generating little comfort (or return) other than that which we bestow upon them....we can touch them, feel them, and "value" them in our mind, but little else. So, when "real" interest rates start to rise, and I hope that they will do so this year, it is reflective of economic surge, and these "tangible" objects, along with other investments, must also keep pace with profits and price movements around them.

The conundrum for investors, then, is that they are fleeing to material objects for protection, but the climate that urges them to do so must be so dire as to generate an atmosphere of lost confidence in other more traditional market baskets.

At the end of the day you have to determine whether you are a *"glass half full"* or *"glass half empty"* type of personality because, ultimately, your ability to frame a successful portfolio outcome is defined by whether you are an optimist or a pessimist, and how you view taking risk as part of an over-arching portfolio methodology.