

**Market Outlook:**

**To hunt, you need stealth**

Our planet is experiencing rapid and unexpected changes. Some of those changes are bountiful and some, unfortunately, are catastrophic. Some of these events are man-made, some are organic and outside the span of our control. One constant, though, is that humankind is resilient and usually finds a way to persevere.

So too are the financial markets. Unfortunately, one almost always finds oneself fixated on the micro details at the expense, literally, of the macro. In the end, it is always our ability to process complex issues, the big picture, that leads to the most rewarding results. Making money in the investment markets doesn't require high-wire gambits or any extraordinary mental dexterity. It simply requires patience and the willingness to wait for the inevitable opportunity.

The problem for too many is that *hoping* for wealth guarantees folly. Always comparing yourself with someone else, or any imaginary ideal, is a sure way to jump catastrophically into the shallow end head first. Last week, several major banks, as well as other industries, reported profit declines up to 40 percent, manufacturing drastically falling, millions laid off or unemployed, as well as retail demand decreases by nearly 90 percent for the past quarter. Despite the market's recent "bump", these data auger poorly for the kind of immediate ("like a rocket ship" / "turning on a light switch") recovery that many are yearning for. My data sees more of a rolling recovery over many months and years for the economy, as well as the stock markets, which is why I am loathe to bottom fish for devalued securities at this point.

I believe a better strategy is predicated upon measureable statistics (earnings, price momentum, relative strength, etc.). What matters most in building a quality portfolio is not a fixation upon each of the elements in that account, but rather *a focus upon the aggregate asset allocation within the portfolio and a prudent evaluation that over weights leaders and under weights laggards*. As long as one proceeds with that primary overlay, most of the blocking and tackling has already been done.

Last week I alluded to a "forward-looking" portfolio, one which is comprised of securities and ideas that connect to issues of the day and our future. The context of that thought is that the "viral" issues of today morph into the solutions of tomorrow.

**Walk a mile in h/s shoes**

I am hearing a lot of anecdotal conversation saying that traders can't wait to jump on security "X" today because it is cheaper now than it was two months ago owing to the incredible volatility in the markets caused by the uncertainty surrounding the virus pandemic. That kind of "panic driven" buying is no more effective to portfolio stability than is the panic driven selling which occurred at the top of the market. Above all, we should be checking our inner roulette player at the door in favor of deliberate calculation and a sense of calm.

Look around you. The most effective way to combat cabin fever, boredom, and the virus is to rein in feelings of panic and greed and to rely upon time-tested tenets of investing that don't deviate irrespective of time or circumstance. One of which is to approach the situation with *patience*. Sometimes the difference between folly and fact is just a good night's sleep.

The challenge right now is that we are confronted with a double edged conflict of social and economic disruption. Almost everything we might do to address the dilemma boils down to a clear evaluation of the facts and the science..... and also to add a dose of humanity and courage to the equation as well. No one wins if everyone doesn't win. No matter how bold the speculative opportunity, there is no denying that in the bigger picture we are all in this situation together.

There are many political, scientific, moral and social issues which confront us, issues that are bigger than just you, the next "hot trade", or one's thirst for revenge upon a portfolio (and market) gone awry. The "forward-thinker" in us believes wealth building is a product of ingenuity and innovation in solving the agricultural food chain, the disruption of energy sources owing to global conflict, providing clean water to those who are thirsty, sharing the planet with other species of animals, rebuilding the infrastructure, providing quality healthcare in the wake of the pandemic. The bottom line for forward looking investing is that no matter how the issue might directly affect you today, or your "revenge" upon the markets, there are significant financial and moral challenges that are bigger than just one individual and which might provide capital gains stimulus for the future.

No one disputes that you cannot legislate morality or social consciousness. Nor can we absolutely incentivize the "right kind" of capital expenditures to address the needs of our day. More likely, these socially forceful results will derive from human nature and the desire to survive deliberately and healthy. As these crises wash up on our doorstep, the imperative becomes increasingly momentous.

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