

Market Outlook:

Rich man's crisis

Every event is unique. So, too, are market surges and declines. The exploration of these events is somewhat predicated upon immutable laws that everyone agrees governs the science. For example, medical clinicians are looking back at previous epidemics to discern guidance today about its magnitude and probable duration. When we listen to their study, it is incumbent upon us to draw our own conclusions about how to proceed...economically, medically, and socially.

The analysis of financial things is similarly predicated upon an accepted belief that *vectors in economics behave in repetitive, measurable ways*. It is not the analyst's job to legislate social contracts, only to identify them in an attempt to measure their impact upon the economic setting.

"Crises", by our definition, are not the same thing as that which governs *each side* of a cyclical parabolic continuum, up or down, left side or right side. Rather, they correspond to the rather drastic disintegration to a market cycle that occurs *at the top* with rapidity, contraction, and extraordinary financial pain. They are so unusual, that crisis endings are not even considered before they happen, in most instances. But we are in one now, and if you are old enough to remember, you might recall the previous other two or three that you have experienced in your lifetime (dot.com, for example).

What happens in each instance is that some exogenous, unforeseen event triggers a drastic change in people's outlook. The excessive nature of that change leads to feelings of distress which, in turn, precipitates panic selling in the markets. This behavior, as noted above, is no simple correction nor a straightforward cyclical resolution of a trend....it is sheer horror and calamity for those experiencing it.

Each crisis is also unique. It might be an industry catastrophe, a regional conflict, a financial meltdown...or a health pandemic. But they all follow a familiar blueprint: *a rush from owning tangible assets into a craving to horde cash*.

Havens of last resort

One of the intrinsic characteristics about this pandemic is how it has aggravated the perception that the rich have one standard of care while the poor have another. It is explained by looking at the disparity between rates of affliction in various communities, further exemplifying the breach that existed between the haves and the have-nots that existed before the virus struck. **Of this we are certain: neither the epidemiological nor economic impact of this global pandemic has hastened a solution to the problem of wealth access and distribution.** We are mindful, too, that hunger, poverty, homelessness, and displacement are not limited by border, geography, or creed.

A sharp decline in the prices of certain commodities, like real estate and fuel oils, suggests that there is little pent-up demand right now, even from those who have discretionary cash to fritter. A moratorium on spending is also something that cannot be "switched back on" by decree. The hemorrhaging of portfolio valuations, along with the drumbeat of lost wages and jobs in the economy more or less seals the immediate fate of the economy. A "rocket ship" recovery is not likely in the next few weeks or months. Further, I believe that your expectations about replicating the returns you've experienced in the recent past must be tempered as we enter the next phase of market consolidation. The standard benchmarks previously used to evaluate "success" must be tempered by risk management and asset allocation.

Monetary theorists think they know how to handle the crisis...throw money at it and see what sticks to the wall. There are also political leaders who believe that stimulus can pass for idea creation. But some of those solutions, themselves, might be as disruptive to our societal balance in the short run as the pandemic itself.

Look, I get it. This financial/medical crisis is nobody's idea of a perfect way to solve our communal ills and financial aspirations. But taking those steps we need to now to rebuild our social, political, and economic paradigms just might improve the best possible outcome we could have imagined.

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