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Market Outlook:

We'll get through

Investors are perplexed when considering how to make sense of such variant and volatile news they encounter each day. Whereas *anecdotes* might be evidence of certain representations, anecdotes themselves are not the evidence. Thus, it is up to each of us to make sense of the stories we hear and read, and to delineate between their subjective personal interpretation and their larger objective secular meaning.

Doing so allows us as market participants and analysts to create an investment narrative whose redundancies are supported by arithmetic weighting. The measure of an anecdote, a narrative, or a statistic can only be determined *over time*. Thus, knee-jerk reactions to the market, or by the markets, are capricious, and dangerous. It is only through recurring patterns that a really successful portfolio can be constructed in harmony with a client's goals.

Rational economics does not imply, however, that all of our behaviors are rational; only that data can be quantified as to their duration and magnitude. Since we all feed from the same trough of information, the only reality for each one of us is how we interpret those quantifiable redundancies.

Is all market behavior rational or irrational? Of course not. That would be too simplistic. All actors are free to draw their own conclusions about objective facts. To be sure, socialization draws us all a little bit further away or little bit closer together when engaging politics, economics, or social justice.

Currently, though, I perceive that investors are maximizing the anecdotal content while minimizing the significance of the bigger picture. For example, daily virus totals tend to accelerate negativity in stock market numbers. Employment or retail figures, the kind that drove market performance last week, strengthen the chorus of joyful speculators. This is exactly the kind of pull and drag we see each week that makes jumping in and out of stocks so risky. But this type of overreaction is pointless when discussing portfolio wealth building. The herd instinct is usually counterproductive to market performance, particularly when panic or crisis ensues. Moreover, when reacting without limits or guideposts, purchasing or selling stocks and bonds becomes disjointed and irrational.

Competence and intellect

Even acknowledging that these convulsive behaviors serve a function for some, the discord that they sow upon the markets is unnerving and unnecessary. People react to things according to their strongly held beliefs. But I have said before, today's beliefs are being challenged in the town square, the courthouses, parliaments, communities, households, and boardrooms around the globe. "*What we value*" is changing exponentially and right in front of us. Once upon a time economies flourished by trading animal skins. Then it was metals. Fabrics and fine silks followed. Today, currencies. Value systems are as fleeting as the epoch, and so too are trader's instincts. How do we *really* feel about clean air and water? Hunger and poverty? Sustainable energy? The internet? Wealth equity and inequality?

What we require at this point in time is a structure and process which creates best possible long term outcomes for portfolios and for citizens at large....a new social compact. Intelligent, well-informed trading tends to do best when those doing the speculating, capital formation, and investing have more than just their own self-interest at stake.

(please watch for our next publication, Quarterly Market Commentary, *July 1, 2020)*