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Market Outlook:

Roadmap

Crises cause uncertainty, and uncertainty translates into volatility. At present, we are in the midst of a great deal of the former, and a mighty helping of the latter. The highs and lows of 2020 have, without a doubt, been on each end of the volatility spectrum. Economic activity registers in bear territory, despite all the cheerleading for it to be otherwise. Capital expenditures and budget cuts are causing us to think twice about earnings profiles of several industries going forward. Many of the traditional correlations between consumer confidence and business profitability have been wrecked, at least in the short run. The correction in financial asset valuations is not yet over.

The traditional cadence of the financial markets has been measurably interrupted by the lead up to the Presidential election, the aftermath of the voting (including challenges and lawsuits), and a delay by the current occupant of the White House graciously to acknowledge the final tabulation. While we have stated before that no individual holds direct sway over the amplitude of financial cycles, we are witnessing that the malfunction of our Presidential transition traditions might possibly carry over into policymaking and a lack of cooperation later on. The negative effect of gridlock and petulance upon executing fiscal policy will be irrefutable.

The most successful portfolios are those which focus upon economic fundamentals, preservation of capital, risk aversion, price patterns, and common sense. Protecting oneself from the headwinds of exogenous risk influences should always be a part of the calculation.

This is proving to be a time of *reversion back to the mean*. We must widen the aperture of perception from daily current events into a much wider, longer macro framework. Prioritizing those things which lead to portfolio success…*such as earnings patterns, price performance, and relative strength rankings….*is an excellent place from which to start. Those factors, alone, allow us to "block and tackle" the unknowns which predictably derail the uninitiated. Instead of relying upon stock picking and value hunting to rebuild from the chaos, we are choosing to erect our path carefully. It matters not the capitalization, geography, or sector…only that we comply with conventional probabilities that govern performance over time.

These data also allow us the flexibility to ignore outside "noise" from industry, political party, or individual. We are currently finding a finite and distinctly limited number of candidates from which to choose, but we have outperformed most benchmarks in the past because we are committed only to the science of quantifying those factors enumerated above which we believe lead to a higher probability of positive outcomes. By far, the pandemic has been the ultimate stress test upon any discipline or methodology trying to navigate through a myriad of threats.

No matter the government's ideological affiliation, we do remain bullish about market performance in the coming months. Our most pressing social and economic issues should take precedence in the new Administration, including *healthcare, poverty, hunger, water, ecology, infrastructure, education, technology, and energy*. These are the issues whose solutions can bring us together irrespective of political party. The assignation of their success is non-denominational, owing only to each of us and our desire to tackle them for the sake of our next generations and the planet itself. These issues offer us a better understanding of where every person belongs in the dialogue, how we got here, and how to rewrite history.

Portfolio management at its core is really quite simple. Trends become outlined, hierarchies are constructed, and securities are selected based upon how we respond to questions about our values, behaviors, our security, and our commitment to others.

Happy Thanksgiving!!