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Market Outlook:

Calendar

During the course of our January portfolio reviews with clients one lamentable feature of those conversations keeps coming up, namely *the calendar*. More specifically, the use of anniversary dates such as *January 1st*, or *July 1st*, for example, as landmarks of portfolio progress. Without question one needs lines of demarcation...for tax purposes, portfolio numerical comparisons, etc.....But in the real world of science, artificial markers are antithetical to the long term goal.

Consider, for example, whether those heroic bio-pharmacists developing the Covid vaccine ever stopped to think what date on the calendar it was, or whether the vaccine's effectiveness would be measured only on January 1st, or any other date specific? What is commonplace in portfolio conversation is unheard of in most other sciences.

Of course, we accept that for purpose of evaluation year-over-year, or against common benchmarks, it is necessary to apply a "standard" by which to judge the path and effectiveness of any given strategy. But we need to stress that portfolio management is an *active endeavor*, not specifically beholden to an artificial timeline. Moreover, the imposition of a deadline necessitates obstacles to the analysis of trends, and sometimes destroys conventional norms with an obsession for manufactured projections. In that regard, quantitative analysis is a reactive discipline, *responding to* integers and their cycles rather than trying to lead going in with an expected outcome.

Asset allocation, sector rotation, and diversification by asset class are evolutionary, and otherwise non-correlated to a clock or calendar.

What's really happening

There is no doubt that the pandemic wreaked havoc upon the global economy. However, those strains at the margins were festering for decades prior. The crises were only magnified by the intensity and acceleration of the virus. Last week's first week of trading in the new year exemplified the stop/start inertia that can overcome traders when worrying about taxes, presidential (impeachment) politics, social unrest, and legislative agendas.

Our overview shows that there is a major shift taking place, reverting back to fundamentals. The words *"profit"* and *"valuation"* are becoming synonymous with *"demand"* and *"equilibrium"*. The markets are seeking recalibration and redefinition whereby deploying capital should be both a statement about creating wealth as well as protecting the welfare of the common good. Investors need to cut through the noise to identify where nuance meets innovation.

The financial market is a pseudo reflection of the events and needs of the population. What if the trading bourses were a "unit investment trust (UIT)" of the economy? What sectors would be highlighted? Where would the momentum reside? Would Wall Street's definition of "earnings" be companionable with Main Streets' definition? It is notable how the evolution of business in the last few decades has taken their model further and further away from the population it seeks to serve.

The landscape is replete with potential avenues to answering these questions, ranging from the technological revolution, to alternative energy, solving hunger and poverty, rebuilding infrastructure, reimagining healthcare, restructuring education, and narrowing the massive financial gap between the wealthy and the impoverished.

Global economic expansion offers enormous growth potential for portfolios. Recovery is time-consuming, costly, and sometimes frustrating. But building roads and transportation infrastructure, farming the fields, discovering renewable energy sources, stocking the store shelves, connecting to new technologies, exploring the heavens, ensures entry into a new generation of wealth building and social cooperation.