Scotty C. George
Chief Investment Strategist

March 22, 2021

Market Outlook:

Normalcy

We found last week's market order to be less disconcerting because of a reversion to "normalcy", devoid of the kind of panic and crisis that had characterized much of the platform for the past few months. As a result, it becomes easier to see real pent-up demand and which sectors might be the beneficiaries. Spending leads to more spending; corporate valuation increases (hopefully) leads to new hiring, innovation, and activism; employment gains improve wages and consumer hope. While the numbers perk up let's not forget that an improving economy is not the same thing as an improving situation around your kitchen table at home...bills to pay, children to feed, goals to be met. The Petri dish that is our global economy discovers, discards, develops, and enhances global trends, both new and old. Retail prices, demand, and expectations all took a valiant step forward last week simply because the markets didn't overreact to hidden suspicions.

However, to suggest that the global economy is "heating up" would be an exaggeration. Interest rates are historically low, meaning that the money spent on debt service is also quite low. Central bankers announced last week that they intend to keep the status quo on borrowing costs. Consumers are dipping one toe in the water, not jumping in full-bodied...at least not quite yet. If and when interest rates do move higher...as suggested they have already...then it will be an indication of *better business*, not *higher inflation*. The market is galvanizing, the crisis is receding (not gone), and we are moving in the right direction.

Fanduel architecture

Even as the pandemic recedes, however, a curious behavior is hard to shake. Many investors with whom I speak are still consumed by their short term expectations of market trading in lieu of more "traditional" long term strategies. This is a vestige of last year's *buy the dip and recovery* philosophy which occurred in the context of once-in-a-generation health related catastrophes.

"How come my portfolio isn't up 35 percent when XYZ Corporation is exploding upwards in price?", they ask, forgetting of course that these gains are occurring after precipitous price drops...some as much as 50 percent declines...and significant portfolio rupture for those who couldn't get out of the way of the decline in time. The incredible risk of a sports-betting mindset builds into a frenzy which imbues importance to insignificant speculative chatter. Investing is not just whether the Yankees defeat the Dodgers; Manchester beats Milan; or Springboks beat the Bulls. At its essence, investing is goal setting, patience, and avoiding big losses. We reap the kind of markets we sow. Buying low...then *buying again even lower* is not always a winning investment strategy.

Understanding the bigger picture, the enormity of problems that capital investment can solve, such as global hunger, energy development, infrastructure, and the eradication of disease*, increases* the probability of successful portfolio outcomes and makes debatable the notion of bottom-fishing sudden declines at the expense of "going long" abundant opportunity. No doubt, there are myriad numbers of ways to invest. The devil is in the details and the promises of which strategy compels belief in the best outcome *for you*.

The market system isn't broken. Rather, it is the shortsighted ambition of those who seek vast alchemic wealth, spun from next to nothing, that causes them their greatest frustration.

Arlington Econometrics is a quantitative market tool. Utilizing proprietary algorithmic equations, AE offers solutions for market-timing, asset allocation, and macro economic analysis. Using historical time-series measurements, Arlington Econometrics optimizes the analytical process and forecasting coefficients to make economic forecasting more objective.

The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. This report is not to be construed as an offer to sell or solicitation to buy any security. It is intended for private information purposes only. Any opinions expressed are subject to change without notice. Alexander Capital and its affiliated companies and/or individuals may from time to time own or have positions in the securities or contrary to the recommendations discussed herein. Neither Alexander Capital, LP nor any of its affiliates (collectively, "Alexander Capital, LP") is responsible for any recommendation, solicitation, offer or agreement or any information about any transaction, security, customer account, or account activity in this communication.