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Market Outlook:

To get the right answers....

The markets turned their attention to quarterly earnings results last week, beginning a new chapter confirming which sectors will or have been leading and which will disappoint. And while the past twelve months radically changed habits, perceptions, and experiences, we expect that economic growth will continue to rebound. The trajectory of layoffs is receding, while some “sequestered” corporate and personal cash on the sidelines began last week to infuse into the retail markets. Finally, as the weather begins to improve there should be a spillover effect into our collective psyches. Overall, the week was capped off by more mileposts in the industrial and financial sectors.

There remains some concern however that low interest rates continue to fuel the rush to buy stocks during a time in which there are few investment alternatives for consistent return.

In the wake of a horrific Covid experience, traditional portfolio allocations, like the customary 60/40 split, have been upended forcing portfolio managers to reconsider their convictions and attitudes about what constitutes risk management in the short and long term. As government steps in with additional fiscal packages the landscape of economic permutations is changing constantly.

Identifying these new probabilities is not as straightforward as *“do I buy, sell, or hold?”* Managers are compelled to look at market valuations and risk mitigation through the eyes of the "human factor" more than ever before, and to determine a timeline from which the prospect for success can be stretched out.

We see a multitude of industries poised to capitalize on this new timeframe, including **renewable energy, healthcare, food and agriculture, infrastructure, and biotechnology.** Modernizing their efficiencies, these industries should impact positively upon the economy as well as portfolio capital appreciation expectations. No doubt that the tailwinds now developing from the past year are changing the equation for companies aligned with a “new normal”.

.....you must first ask the right questions

Making a portfolio bulletproof from outside influences is akin to dodging raindrops during a storm. Putting money to work involves quantifying internal (subjective) alongside external (objective) data. As noted above, the world changed radically last year for most of us, primarily due to those "external" factors imposed upon us (virus, disease, death). As a result, not having the right investment strategies or risk controls in place put a huge sum of capital in jeopardy. The recent resurgence in equity valuations creates a new reckoning that must be considered: *are the financial markets at a significant inflection point of hyper-valuation or can the linear price recovery continue unabated?*

The answer is allied to one's time horizon, risk profile, and intrinsic investment methodology.

It would be simple to dismiss the question altogether, but because the answer involves mathematics, facts, theory, execution, and emotion it becomes critical to appraise all the components synergistically. This we know to be true*: time is one of the single greatest variables attributable to portfolio expectations and success*. It is crucial not to compare portfolio progress to the evening news or a neighbor's braggadocio. These comparisons become irrelevant and not at all related to how comfortable *you feel* about your own prospects over time.

In a year marred by fifty percent pullbacks and fifty percent recoveries, my metrics only saw excessive volatility, excessive risk, and poor strategic planning. Going forward, our attitude is that the economy and the financial bourses will always give us reason for optimism and something to buy. Being distracted by everyday stressors deflects from the mission at hand....to rebuild confidence and to plan for the long term.

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