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August 30, 2021

Market Outlook:

Not easily dissuaded

In the last decade, making money and building net-worth through investing has been relatively "easy". A proliferation of growth opportunities prompted an influx into the markets by seasoned and novice players, alike. The love affair between investors and financial speculation grew even stronger as portfolios expanded and alternatives contracted. For those with sufficient capital means, double digit annualized returns were the payoff of their fortune hunting.

There is a new paradigm taking shape as a result of the pandemic and other cultural/philosophical shifts in the world. Until last year, the financial markets were not as much a "life and death" issue as they have become today. We are forced to think about and deal with our mortality and our place in the world, including our beneficial wealth. Most notably there is a change in mind-set when interpreting data because the ticking clock on our existence places that information into a time constraint that heretofore had not been part of the equation.

Make no mistake, our secular overarching view remains unchanged*: the financial markets are now and will continue to be performing at record pace.* Nevertheless, one must be proficient at balancing macro optimism with the realities on the ground. Unexpected events and their consequences are always a part of planning for portfolio building.

Historically, the most opportune time to invest is at the "bottom" of a (parabolic) cycle. And while valuation today remains quite high, a collective sigh of relief after the pandemic ends might be just the elixir we need to recalibrate the velocity for the next wave upwards.

When and how?

Another big shift in the markets today is a focus upon sustainable, socially responsible assets. For too long, these sectors have been relegated to the back burner (energy, commodities, cyclicals) in favor of the sexier, more popular trends (technology, healthcare). However, efficiencies in data analytics make it difficult to ignore the anecdotal and quantitative probabilities that exist for these sectors which improves the prospects for investing in education, infrastructure, utilities, agriculture, and other categories which, previously, had been under the radar. It is increasingly obvious that *business without conscience* is a lost leader when taking into account the long term value of capital gains. While it is always difficult to look past the obviously recent choices, it is also important to mitigate volatility and risk by looking further down the road than instant gratification from the here and now.

The last decade of economic expansion was punctuated by significant shifts in productivity and employment. The secular bull in place now is well supported by capital spending, investment banking, sufficient cash reserves, and prolonged earnings expansion that makes likely a developing business cycle for several years hence. As mentioned earlier, there will always be unique "negatives" that apply, but none are sufficient, we believe, to derail a cyclical bull phase with any intensity. At worst, we expect the data to be supportive of new business initiatives and problem solving for the globe's ever expanding needs.

The loss of life, property, and financial valuation caused by the business recession and pandemic have been particularly catastrophic to the *psychology* of investing. But a decade of base-building cannot easily be eroded; perhaps all we might be experiencing is a net-zero impact when we look back on the carnage. Monetary conditions are extremely favorable worldwide and profit acceleration will continue to underpin positive probabilities for wealth-building. The process itself, however, requires patience, discipline, methodology, empathy for others, and conscience.