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Market Outlook:

Seriously?

It only took a few days...nay, hours...before the market's narrative quickly changed from *"new year, new expectations, jobs growth, global economic expansion"* to *"geo-financial stagnation, earnings regression, economic recession"*, all driven by confusion and consternation about declining energy (fuel) prices and its impact upon commercial growth.

Despite what might ultimately prove to be an optimal outcome for the world's economy *because of* cheaper energy costs, the markets became fixated last week upon the disruptive effects of lost profitability in the energy sector (and related geographies) and macro price deflation of the globe's most heavily traded commodity.

At the very least, reasonable perspective was severely clouded by the price slide, even though the longer term impact upon consumption and research into alternative sourcing will probably be a blessing in disguise.

Rather than rejoicing in the new year and looking ahead 18 months, jittery investors were looking back one quarter to the precipitous declines of this past October...and repeating the same effects in the process.

Despite the fact that most analysts predict a relatively consistent performance for equities in 2015, we nevertheless start out with one foot "stuck in cement", with a 3 percent decline in valuations right out of the box. A catastrophic decline in consumer confidence this early in the year places in jeopardy the Fed's likelihood of letting interest rates float, a warning sign for disruption in the orderly flow of unwinding years of austerity packages and monetary manipulation. With our euphoric perceptions in the rear view mirror, and danger signs in front of us, one feels surrounded on the left, surrounded on the right, and no Gunga Din to bail us out anywhere in sight.

But the recent volatility in stocks, although troublesome to the uninitiated, is not without its benefits and advantages.

Stay the course

Let's begin by acknowledging that investing is not the same as burying money in a tin can in the backyard, nor is it even the equivalent of putting cash in a bank savings account. It's *investing*, for goodness sakes, with all the incumbent implications of risk, volatility, and potential reward that investors seek.

The early collapse of equity valuations last week (and preceded earlier in October last) allows the market to create and traverse a cycle pattern of measurable duration and magnitude, unlike the near-linear, and highly unrealistic, pattern of its straight line advance most recently.

In effect, equities recalibrate around nominal "zed-lines", a quotient that levels the playing field of quantification for stocks and which, in effect, re-boots the cycle phase phenomenon.

For stocks to push forward, they must be "pushed back" as well. The decline in energy prices, for example, while unfortunate for energy producers, creates a redistribution of wealth, by sector and by geography, that normalizes the flow of capital in a Darwinian-like economic recovery.

The end result of this dislocation may not look like a traditional landscape as we want it, but perhaps it creates a more realistic tapestry of opportunity by bringing traditional research and fundamentals back into play. This is an excellent time for creative solutions, in alternative energy as well as agriculture and biosciences, to flourish.

Stocks are still the most prudent investment vehicle for clients seeking capital gains in their portfolios. There is no doubt that we are in a post-recession recovery, labor markets are improving (as evidenced by Friday's report), and businesses have slowly begun increasing their capital outlays. I believe the market bourses have turned a corner, even if a bit overextended presently. Interestingly, whether you are a value seeker, growth investor, or low risk/balanced investor, we are at an inflection point amongst a variety of sectors, geographies, and capitalizations that makes for a unique blend of potential, a point we made in our recent Q1 report.

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