

Market Outlook:**Shock and awe**

We remain hopeful about equities in 2015, but remind readers that the linearity of the market's upside trajectory in recent months was susceptible to a similar linear (straight line) downside response, as occurred last week. In fact, all the way up the ladder of capital gains during the past two years we had been exceedingly careful about jumping in with the herd mentality because relative strength integers were bumping up against and testing the boundaries of probabilities and potential. Sure enough, the wave of panic which overtook the markets last week was one part fundamental excess, two parts psychological panic.

Discipline (the investment kind) can help to make sense out of these issues that are both complex and simple at the same time. Obviously, the "simple" answer to our most recent avalanche is that sellers (profit takers, traders, and the anxious) became overwhelmed by the decline in energy and commodity prices, and the ubiquitous news coverage, and decided to cash in temporarily from the mini-boom that had been so good to them for months. With indices approaching "saturation levels", technical deterioration was inevitable. Thus, more sellers than buyers.

But as you know, that answer is far too simplistic when trying to weave together a combination of fundamental, technical, and psychological components that make up the markets. Even if only one of those elements "caused" the panic selling, the accompanying constituent factors would be too diverse to be causal, alone. **What we know, now, is that earnings need to be revised downwards, and that sectors like banking, energy, and industrials might fall victim to a global slowdown in demand, if not uncertainty which seems to pervade the collective mindset of most traders.** Restricting our analytical focus to energy alone is not the answer, either. We inhabit a complex "blue marble", and we need to be stewards of all things, big and small, to ensure that our planet's journey is bountiful for everyone.

Energy, food, and water

Besides, the energy price decline did not appear out of thin air, nor did it just materialize in the past week. Indeed, the seeds of commodity price reversions had been gestating for several years. As the global economy built traction while it climbed out of this generation's Great Recession, increasing demand for fuel and metals led to a rapid buildup in excess supply. The integration of world financial markets, along with a globalization of commerce, produced the largest surplus of raw materials in a generation, trying to stay ahead of Western and emerging markets' demand for wood, metals and oil. Producing nations competed ruthlessly for market share and market dominance. Prices surged, and the advantage shifted to the owners of the commodities.

Thus, the price crisis today is born out of an insatiable appetite for fuel and materials that became overblown, and vulnerable to cyclical events and world politics. Replacement reserves are so much more efficient today because of technology and the advent of alternative solutions. In fact, alternative science such as wind, hydro, solar and geothermal now presents us with a unique, and historical, opportunity to create profits from sustainable and replenishing sources. The same creative science should be applied to mankind's other pressing needs, including food and water. Remember, the planet's resources are finite. How we deploy them speaks volumes about who we are and in what condition we chose to leave this globe to our heirs. The public has lost its appetite for oligarchs and current events to rule our access to life-sustaining supplies.

Under the current scenario, any scientists, engineers, industrialists, or capital sources that can figure out how to provide a dependable flow of social, economic, and moral resources, gains the upper hand in building political good will as well as financial profit for their stakeholders.

The horrific experience of the past few trading sessions nearly has eviscerated all the hope gained during the market's previous two year rally, and is a major reason we need to keep our head about us while ignoring a 24 hour news cycle and the pundits that offer quick fix answers to long-term portfolio management problems. It's true that we have an earnings problem in the markets: the expansion of prices in the stock market is simply not able to support what is likely to be a reduction in the acceleration rate of earnings going forward. That having been said, I believe, in fact, that there is an ever widening corridor of opportunity in the equities markets, if we can just manage to navigate through the volatility and flotsam that causes near-term psychological distress. Focus your resources on early stage research in biopharmaceutical sciences, agricultural breakthroughs, infrastructure development, and innovations in technology. It requires a bit of work and study, yes, but that's why I'm here to do the heavy lifting.

The relevant numbers are found in the trendlines and the relative strength integers. The former are improving; the latter are overbought.

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