

Market Outlook:

New vitality

There was a time when improvements in economic fundamentals and Gross Domestic Product (GDP) were emblematic of higher prices and aggressive wage growth. Not any longer. In fact, changing demographics and ubiquitous technology are altering the landscape altogether. So, why is it different this time?

As the economy recovers from its worst recession in generations, demand for energy sources, money sources, food sources, and sometimes spiritual sources is morphing into a new kinetic structure that is obviously different than in previous decades. In many ways, the traditional links between all things life-sustaining changed forever at the apex of market valuation, greed, and political persuasion at the precipice of the financial collapse in 2008.

While measureable economic output has rejuvenated post-recession, our empathy for, and interest in, many things outside our individual sphere has fallen commensurate with our obsession for technological devices, personal privacy, building wealth, and self aggrandizement.

Here's an easier way to ponder the ethos of today's marketplace: the gap between the globe's wealthy and its poor is at its widest in generations, and getting wider with each uptick in the Dow, the Dax, and the Hang Seng.

There is an unmistakable migration of citizens, and values, away from homogeneous population centers towards autonomous enclaves, thus reducing our tax base (and taxes paid), civil services rendered, and charitable deeds offered.

New values

To be sure, a younger population demographic has raised the rate of technology consumption and production, resulting in newer, less conventional solutions for their more transient lifestyle. It's a lot harder to find Ward and June Cleaver's house in today's suburbs, let alone finding the lifestyle of a bygone era.

Am I lamenting our times too much with a wistful homage to the good ol' days? Well...yes and no.

Technological advances in medicine, biotech, and pharmaceutical research are eradicating once deadly diseases. Renewable power sources make transportation and home heating more affordable. The proliferation of computers allows for access to information and education in the most remote regions of the globe. It is now commonplace to read about, or experience firsthand, improvements in our daily way of life. One might even agree, grudgingly, that the widening wealth gap actually expands global capital formation and "raises all ships in the harbor". At the very least, wealth building is possible in more areas of our world than ever before.

However, an expanding horn-of-plenty also implies a deeper obligation from us to those who are not keeping up with the rest. A real renaissance in global wealth can only produce benefits if it is shared by everyone. Hoarding and warehousing of resources (such as food, water, commodities, energy, technology, and money) widens discord, produces wars and conflict, and actually reduces economic output by placing an inordinate burden of consumption solely upon one class of citizens, the wealthy.

Old results

The markets are thus reacting to these new paradigm shifts with their own choreography. Sector rotations, which used to take generations to unfold, are now occurring weekly. The markets are becoming consumed by trying to catch convergences and divergences minute-to-minute. As a result, we are missing the forest for the trees, so to speak. Traders today seem to define *winner*s as the stock or bond with the biggest intraday uptick, whereas the search for long-term macro themes has fallen behind in significance.

We need to recognize that micro-managing the S&P peaks is not the same as investing for the optimal welfare of our economy and its citizens.

It is up to you to define what kind of investor you want to be.

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