

Market Outlook:

**Symbiosis**

During the 1980's and 90's a key word that punctuated the marketing of the financial markets was "*globalization*", the integration of diverse geographies into one giant global commercial infrastructure. Amongst the chief players was to be the United States; Russia (then the Soviet Union); Latin and South America; China; and Europe, pre EU. What we had *expected*, and what has *occurred*, differ somewhat from the grand idea.

While the hype of riches and synergies was mostly talk, we are, in fact, much more interconnected today than decades ago due mostly to changes in technology, for example the introduction of the internet. Today, cultural and commercial interests can be linked by a keystroke....or deleted with the same alacrity. I believe that even though a superlink might have the power to engineer dialogue and commerce, its *immediacy* also heightens tensions and raises suspicions about the sustainability of compatible themes and interests. **What can be created in an instant can also be ripped apart just as quickly.**

Therefore when conceiving of the global melting pot as one big marketplace, one must also appreciate the diversity and vulnerability of its members in order to understand and magnify profit potential. No one should be surprised, as the old saying goes, that "*when China sneezes, the US catches a cold*".

Because of, or perhaps as a result of, escalating global political and military tensions currently, the sum of the global market is not always equal to or greater than the simple addition of its individual parts. In fact, specific concentrations of wealth, in the form of money and natural resources, heightens the inequality amongst these "partners". The difference between "mighty" and "not so mighty" is not *diminished* by globalization, only made worse.

The goal of equalizing the playing field for its members by integrating systems, currency, and objectives has strikingly diminished the hoped-for result, that of neutralizing any geographic or political advantage one member might have over another. The larger, well capitalized nation-states have a great deal more leverage over their smaller competitors; they know it and utilize that advantage.

Those with the most resources, as is true in most capitalist scripture, have less exposure to risk, are less vulnerable to events that might otherwise knock the weak off course more quickly. Put another way, the stability of today's common global market is about as secure as a puff of wind or change of leadership can make it go away. Unfortunately in business, someone is always looking for a competitive, or cheater's, advantage over someone else.

**Scar tissue**

We can now see that economic risk and volatility are being transferred from the largest market baskets to emerging, smaller capitalized regions. While the mature Westernized nations are deleveraging in the face of overwhelming austerity requirements, leverage is exactly the tool that will sustain nascent market's new profit and product potential. Once again, however, as the gap between rich and poor increases, countries caught in the middle become marginalized and forced to migrate into a "box" not necessarily of their choosing. This is the present dilemma in Ukraine and many other countries caught "in between" cultural, military, and economic conflagration.

For many, what matters most in the marketplace is profit and future growth. Whereas the *buyer* once had all the advantages of negotiation, today's *sellers* are more selective and better equipped to meet the challenges of an unleveraged contracting cash-only economy. The expectation that globalization would *broaden* sales for everybody is somewhat offset by nationalism and local infrastructure that places limitations upon the ability of some to participate profitably in intramural commerce.

Tactically, this heightens the challenge of selling into this diverse network of nations and cultures. Isn't it odd that we feel more connected because of the advent of technology, and yet it seems that the ills which afflict various populations worldwide often provide us with an instantaneous reason to ostracize and discriminate against any member state that fails to pass muster.

It is no surprise that what originated as a chance to conceive worldwide profit and opportunism has become an agent of speculator's bullying.

As in high school, you're either in with the "in crowd" or you're out with the losers and has-beens.

Arlington Econometrics is a quantitative market tool. Utilizing proprietary algorithmic equations, AE offers solutions for market-timing, asset allocation, and macro economic analysis. Using historical time-series measurements, Arlington Econometrics optimizes the analytical process and forecasting coefficients to make economic forecasting more objective.

The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. This report is not to be construed as an offer to sell or solicitation to buy any security. It is intended for private information purposes only. Any opinions expressed are subject to change without notice. Alexander Capital and its affiliated companies and/or individuals may from time to time own or have positions in the securities or contrary to the recommendations discussed herein. Neither Alexander Capital, LP nor any of its affiliates (collectively, "Alexander Capital, LP") is responsible for any recommendation, solicitation, offer or agreement or any information about any transaction, security, customer account, or account activity in this communication.