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Market Outlook:

Economics of bullying

A difficult year is shaping up for global commerce if last week's political wrangling and market volatility is any indication, as nations are beefing up defense of their borders, their profit centers, and against perceived exogenous threats. No longer is *"long-term"* the catchphrase of the day, nor is *globalism.* In their place is a re-energized sense of territorial propriety. Watch out for repercussions to the emerging markets and the underprivileged.

This populist nationalism is gaining momentum because nations' "middle class" are growing tired of feeling ignored and left behind. They believe that they can solve complex issues with quick fix demands and by closing borders, punishing the political/economic elite, and simply making themselves feel relevant again.

Despite risk of a full-fledged global trade war, these aggrieved citizens believe that their best solution is to look inwards when arguing about organic problems *before re-engaging with the rest of the world.* With triumphant, charismatic leaders to guide them, their arguments in favor of nationalism are emboldened. They prefer leaders who use simple language, offering simple solutions, breaking down the intricacies of capitalism into a new reality.

Really?

But we know that economics and global trade are intricate ballets, and do not work effectively when duped by sleight-of-hand rhetoric . Impeding the progress of "water flowing downhill" is tantamount to producing the opposite intended effect, damaging the natural order of science.

Punishing political foes, neighboring countries, and corporations with excessive taxation, tariffs, or ultimatums is a departure from what we know as "the norm" and, as the market's negative performance showed us last week, quite possibly the antithesis to prosperity.

Global economies, like it or not, depend upon access to elements within the supply chain not all of which are located in or produced by each nation themselves. Disruption of that network threatens cost and continuity. If a country is endangered from participating in the process, it might experience permanent harm.

But those who argue in favor of a new economic world order speak about breaking down the old ideologies of *right and left*. They underscore a different hierarchy which they believe is not working either, a hierarchy of *up and down*.....a horizontal shift in the distribution of wealth in which the "haves" prosper, and those who do not must bear the burden of production and financial irrelevance at the same time.

Those who cast votes to leave the status quo behind in favor of a new economic paradigm do so with a type of malice designed to castigate the privileged who have flourished while Rome figuratively "burns". Their logic is that their plight cannot get any worse. *"What have they got to lose?"*, they reason.

It is too early to tell, however, whether that sentiment will actually produce the desired outcome. I believe that if these expectations are *not* met within a reasonable period of time the resulting disappointment could render an even more malevolent consequence. Sometimes, rallying against the status quo yields the opposite of what you wished for. What might *that* apocalyptic mess look like?

A mere 9 years since our generation's Great Recession (and a nearly threefold increase in stock market valuation) the disaffected are nevertheless looking for a new way to do things....as if the recovery never happened.

If Democracy is defined as *our leaders giving the population what they want and voted for,* then one must conclude that either the current system is terribly flawed, the people are, or our new leaders have a hidden basket of shiny new toys we're eager for them to unveil.

My investment methodology isn't as narrow as bottom-up one-track, focusing, instead, upon top-down secular themes, many of which are politically agnostic and averse to cyclical, short-tem influences. Our portfolios have been and will continue to spotlight the long-term opportunity expectantly to manifest by developing medicines to eradicate disease, creating technology that makes water and crops plentiful and healthy, building systems and infrastructure that improve education, cultivating natural resources that provide for renewable energy and adequate housing, etc.

Further, one cannot ignore the "old stand-by" sectors: Non-Cyclicals, Industrials, Technology, and Basic Materials which offer quantifiable sequence of entry and exit inflection points that we use to try to build portfolio net worth within our client's range of risk/reward tolerances.