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Market Outlook:

Statistics

Numbers can play such an important role in rendering meaning to certain things. Doctors use numbers to calculate dosages for prescriptions; governments use numbers to determine population metrics...amongst other things; Wall Street uses numbers to quantify the range of earnings and price potential for corporations. Even my proprietary database analytics, **ArlingtonEconometrics**, creates algorithmic equations to produce statistical probability integers regarding trend analysis and market forecasting.

But numbers alone do not tell the whole story. While medical data might help to determine an ideal drug dosage, let us not forget that there is a person behind that diagnosis....someone with feelings, anxieties, and expectations about their medical affliction and its treatment.

Government statistics can also be misleading because ranges of numbers only speak to the phenomenon, not the people (and their individual circumstance) that those figures reflect. Too often we look only at the *upper range* of those data to extract "best outcome" probabilities, while ignoring the bottom half of the averages and the lives sometimes negatively impacted by social experience.

Wall Street, too, oftentimes becomes consumed by consensus integers and statistics that yield a conclusion which supports a preconceived point of view. Markets going up? Of course.....one can always find justification to ignore any contrary analysis.

By definition, numbers should be agnostic. After all, they are simply integers written on a page, ten otherwise nondescript ciphers which when compiled in a certain order, by a certain methodology, produce yet another cipher!

Which is why when we look at a dashboard of information it becomes the lens through which we *perceive* those numbers and the meanings that we wish to identify. Too fast, too slow, too much, not enough. Today's financial palate is replete with nuance, exaggeration, and innuendo.

We can use these integers to identify trends, *over periods of time*, if one only has the patience and experience to examine them.

Sometimes, deviations in the trend alert us to changes in the norm. It is also incumbent upon the analyst in this case to take into account not just the upper range of the data, but the lower hanging fruit as well. After all, in order to obtain an "average" one needs both halves of the data to arrive at a statistical mean. I fear that a rush to judgment is creating a hybrid science which fails to do proper long-term due diligence.

People

In our current economic analysis, while emboldened by enormous progress being made both in financial data and portfolio aggrandizement, we are distressed by a deeper meaning of the "lower half" of the data....the multitude of those persons *disaffected* or *not positively affected* by the stream of corporate earnings reports, labor statistics, or inflation news. Who speaks for them or to them? Is progress, by definition, all-inclusive or only for a select few?

Long seen as a bellwether for domestic economic growth, the US Federal Reserve is walking a fine line between holding fast to a policy of "easy money" begun in response to the credit crash in 2008, and pulling back on accommodation, running the risk of choking-off demand before it begins in earnest. To be clear, consumer demand is improving, as demonstrated by earnings reports, and is serving as a welcome self-fulfilling prophesy. My concern is that the average citizen pays little attention to the Fed, if truth be told, and if asked would probably concede that even the Fed Governors might not have their "kitchen table" best interests uppermost in their minds.

Think about how financial data supports a conspiracy of silence against any negative connotations. Do you buy food? Do you frequent the theatre or movies? Do you purchase cell phones or other technology? Do you cross bridges or take trains as part of your daily commute? Have you purchased a new vehicle recently? Bought gasoline? How much does that new prescription drug cost? Yet, it is widely believed that inflation is in check. While most of us don't give second thought (or, primary thought) to the "little things" and how they might affect our everyday behaviors, some of these anecdotal figures mean the difference between being comfortable or surviving until the next paycheck.

You get the picture....

The bottom line is that information, data, statistics, etc. has the ability to create objective distinctions for the observer, but their usefulness is only relevant if we stop to consider the lives and hopes and expectations of those whom the data purport to represent.