

Market Outlook:

Mind games

The basic premise of successful *money management* differs somewhat from the conventional definition of simply *investing* on Wall Street. This subtle delineation is the cause of so much investor consternation when things somehow stop going their way. The former is the execution of risk strategies that protect investors from the vagaries of time, while the latter is nothing more than a roulette wheel approach to generating capital gains.

Why is the distinction, subtle as it is, so important to talk about? Because without a methodology and a specific plan for avoiding failure, it is difficult if not impossible to quantify the opportunity you seek.

Shall we agree that investing is a daunting undertaking regardless? At best it is an exercise in the expression of hope we all harbor about making good things happen with our money.

But it is also critical to assess how that investment landscape performs over time, in what sequence, and in what degree of duration. Stocks are sometimes "trickier" than bonds; bonds somewhat more effective than cash; and the blend of all of these asset classes, including complex delineations within those categories, determines the probability of a successful investment outcome over a specific period of time.

Thus, those who solely focus upon *tech stock gains*, or *municipal bond-only* portfolio return, or who *bury their cash in a tin can in the back yard* are only playing with a few cards in the deck of a myriad number of other options available to them.

It's not unusual to be swayed by the sales presentation of a "shiny" new idea, but the ultimate game-player knows where and when to locate those "special situations" opportunities, how to put in the hours of research, calibrates the odds and plans for unknown circumstances which might knock him off course, just in case.

The compromise, therefore, is to turn off the 24 hour cable business news; factor in your own personal dynamic; develop a macro top-down attitude about the world in which we live; and seek solutions to problems with which we identify that also have capital gains potential for the long term. Even still, there are no assurances of a positive outcome. **Exceptional investment results are not only just integers on a page, but our perceptions about those expectations we bring to the undertaking.**

A frenzy of one-off, risky non-strategic behaviors is the surest way to ensure investment failure.

Guard the jewels

Should you care about these methodological distinctions I'm writing about? "*What is my annual return?*", you might respond. Well, when things are going well in your portfolio, the answer is quite simple: *the number is the number.*

But what about times of unique performance perversion? 1978, 1986, 1993, 1999, 2001, 2008. Each of those years represents a severe *regression* in the optimism of bull-only investors and the performance of financial assets. Do you recall how hard it was to recover from losses of over 25%. Or 30%. What about the tech (dot.com) wreck of over 90%?

Every era has a difficult regressive phase. That is the nature of cyclical investing. If you were one of the investors who got punished in the past for failure to plan, then you might still be licking your wounds today, if you weren't fortunate enough to have had the patience to recover after a decade or more.

Methodology and discipline are the antidotes to the "shiny new coin" approach to chasing a dream.

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.