

Market Outlook:

Remain in your seats

I think an attitude adjustment is called for.

As I explained last week, markets are always, and most particularly, susceptible to disruptions and tumultuousness when they trade so very close to upside inflection points. And sure enough, all it took last week was a series of tweets, pronouncements, and threats from Federal officials on a myriad of topics ranging from tariffs to judicial review to set off a panic that shaved several percentage points from the apex of the Dow Jones and a slew of "basis points" from the bond market in response.

But here is the key question: "*is every cyclical event that befalls the economy necessarily a bubble, a crash, or a crisis?*"

Look, it is normal to have aberrations and swings in economic data, even if they are only inspired by silly rhetoric or histrionics. There is risk in everything in life, and no circumstance really traverses a *linear* reaction when we know that the world is made up of highs and lows tracing a *parabolic* curve. One must accept that fact and embrace the ebb and flow of life's currents.

More importantly, one must decide if they are mentally tough enough to accept the risks that investing represents. The surest way to succumb to panic is to be absent an unyielding methodology that one has faith in and which best responds to one's ability to withstand those risks. **Remember, it's not the gains you make that solidify a portfolio's progress, it is the big losses you are able to avoid...the kind from which recovery is an insurmountable and time-consuming obstacle.** And most of all, withdrawing from the process altogether is a prologue to fear and failure. Performance is a long term proposition and not for the faint of heart.

Yes, there are current warning signs which might inhibit the market's unbridled journey upwards. For example, the public's obsession with interest rates is forcing investors literally to micro-manage their portfolios unnecessarily. A fascination with the Fed's cash reserve balances becomes the precursor to economic activity that hastens a staccato pace of trading and an overabundance of crisis-mode manipulation. It is wrong to affix a binary choice to those kinds of data such that the nuance of investing becomes entangled with instantaneous rebalancing of portfolios or, worse, selling everything to avoid the news at any cost

Fortunately, prudent methodology can help to mitigate the challenges of understanding micro data while still acknowledging that fluctuations happen even when the trajectory is correct.

Wait for the captain's instructions

It is fruitless to try to predict the actions of the Fed or global central bankers. Suffice it to say that stocks are at or near record highs and bond yields are at or near historical lows. In each instance, a reversion to the mean...away from the maximum extreme....would not be a surprise, nor a catastrophe the kind of which is being portrayed by today's activity and behavior.

Anything and everything is possible, but a regression back to a recession is not the most likely scenario. Real bubbles are usually the result of excess....and few would say that, with the exception of the S&P, the economy as a whole is in an excess. That type of leverage is in the rear view mirror. Nevertheless, brace yourself for more frothiness as a result of political posturing and other "exogenous news" events that capture the imagination of the media, pushing aside the real underlying story of the global recovery and market success.

However, one of the most insidious historical changes that *has* taken place is the omnipresence of the internet and access to information instantaneously through the media and other technologies. A preoccupation with this thirst for news influences upticks and downticks in an unhealthy way, and sometimes is irrelevant to the real situation on the ground. Certainly, it is useless for the "average" investor to be stressed by every nano-bit of information because it causes too much anxiety and has the potential to derail even the most steady of portfolio progressions.

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