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Market Outlook:

Mission: Earth

As an asset allocator I rarely see things as a binary choice, but rather as a grouping of probabilities....overvalue/undervalue, lagging/leading, interest rates (bonds)/equities, etc....which heightens the challenge but, ultimately, enhances the portfolio security and reward.

This type of thinking helps me to evaluate when or how to refocus our client's risk objectives, for example, to liquidate expansive, and expensive (!), technology shares before the dot.com crash or increase bond holdings in the 1990's ahead of secular interest rate declines.

Thus, our conviction levels are always "positive" even when the data might be indicating negative potential ahead. In that instance, we will factor in those unconstructive influences to arrive at a more affirmative action plan.

This work is performed daily, but not to the exclusion of our macro long-term objectives. It is simply impossible to "time" the markets exactly.

Right now, it is significant that in the face of extraordinary headwinds the sum of the parts remains more or less bullish, with an eye on how well and how much more the global economy has to run. Of course, one needs to be careful not to conflate economic activity with the gyrations and "parallel" direction of the market. They are not directly correlated, nor should one assume that specific, strategic sector allocation is the same thing as abundant confidence. Nevertheless, my view is that several sectors are in an outstanding position to gain traction and to push towards new levels of upside valuation, today and decades in the future. It certainly does not appear at this juncture that the global bourses are ready *in synchronicity* to recede into bearish territory.

The markets deserve the benefit of the doubt, reservations acknowledged and notwithstanding. While there is always evidence of selling pressure "at the top" there is also sufficient cash on the sidelines and levels of interest in making money to quell the worries and to fill in the valuation gaps. As noted, we are always more aware of our macro mission when it comes to asset allocation and portfolio expectations. While it would not surprise me if the markets went into a period of price contraction, I am not yet willing to concede to a bear market bias.

Worried?

That having been said, it is remarkable that the current bull phase is over a decade old. There is always a full schedule of things to worry about, not the least of which is the volatility and unpredictability of our politics and the mistakes that can be made out of pride and ego.

Capitalism is not broken; the way we execute it sometimes is. The globe has plenty of water, food, minerals, and wealth. The issue is how we choose to allocate these precious resources. Every system can be improved upon. We, the people, and our leaders, must decide when, where, and how we choose to treat everyone else on the planet. A hierarchical structure is not anathema to social development, but surely works best when even those at the bottom of the rung are well treated and respected.

No one wants their wealth and assets legislatively "stripped from them" or shared, or given away. But one cannot deny that lack of access might lead to market disruptions and economic inequality that could affect the trajectory of social and moral evolution. We are already witnessing social turbulence around the world as a result of inequitable decision-making.

The season is ripe to focus politically and economically upon eradicating hunger, building infrastructure, eliminating disease and poverty, enabling entrepreneurship and education, *and* sustaining stock market and wealth-building activities. Win-win for everybody.

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