

Market Outlook:

Despite all fears...

Many would have you believe that last week's intense volatility was prompted by the global effects of viruses, impeachment, and market valuations, symptomatic of an urgency to ascribe blame where none really exists. Unfortunately, sensationalist business programming on television works that way but real economics doesn't.

Nevertheless, I am grudgingly coming to the conclusion that it *is* "different this time." No, not the kind of banality that caused investors in the 1990's to stampede into stocks, believing that the market had nowhere to go but up, defying probabilities, math and logic. What I am gradually coming to realize is that the *processes* are changing. Immediate access to information...all the time...is changing the way we interact with others, view investments, create values by which we live. The advent of 24 hour constant contact has given us no time to breathe, digest, or evaluate things.

And it is hurting traditional portfolio methodology by making the uninitiated feel empowered and opinionated like never before.

What is the old saying? *A doctor should never operate on himself.*

I am fearful that information overload is leading the investment community closer to "Fast Disaster" than to "Fast Money". I think it is time to redefine what it means to be rich and whether our quality of life is actually a function of how much money is in our portfolios. Wealth enables the capacity for empathy, not just the acquisition of toys.

Naysayers will call me old-fashioned. They might say that algorithms and models function much better today than in the past. They point to the fact that the market has quadrupled since the Great Recession (2009).

In response, I will acknowledge that, in fact, I am old-fashioned. I believe in serving my clients diligently and comprehensively, by identifying their specific needs and risk tolerances. Quadrupling one's money in the last decade hasn't really happened for many anyway. Why is that?

As for algorithms, many of you know that I have identified myself as "quantitative scientist" for over four decades, creating proprietary stochastic data (**ArlingtonEconometrics**) for portfolio allocation, securities selection, and risk management for clients. It is not *having* the tools that matters, it is *how they are used*. Instantaneous trading systems can both expand potential returns as well as destroy them. How do major banks equipped with this technology, for example, wind up with the occasional billion dollar trading loss? And who amongst you, my readers, wants the headache and responsibility of tracking the market minute-by-minute?

Not to mention...

But this query goes far beyond "old versus new". The major change that I am witnessing is how we "*feel*" about things: markets, politics, facts, each other. We seem to be holding on to a trepidation about things that has taken some of the joy out of those experiences.

Statistics tells us that after we reach absolute "bottom" (zero) the only way is up. But today's investors seem stuck on zero emotionally, perhaps wounded by the injuries suffered during the dot.com catastrophe or the Great Recession. Yet still they hope against hope for their accounts, too, to quadruple. These are the bizarre and troubling conversations and expectations that any money manager in today's world is faced with. Bear in mind that I am not comparing the valuations of those times, simply the attitudes, norms, and extremes of how we evaluate them.

What used to be unchallenged is now challengeable...in a matter of minutes on one's I-phone. The levers that used to attach to decision-making are no longer applicable. People feel as if they are one bad decision away from disaster, rather than being on a long journey towards success. Given two or three minutes we know that all "particulars" can be refuted or abandoned altogether. But is two or three minutes really enough time to intermediate between ideas that might have far reaching consequences....who to marry, what home to buy, what financial instruments we own? What algorithm can possibly describe how we feel about life's decisions?

I suppose that we/I have to get used to a world in which cycles rise and fall much more quickly, and where the precariousness of *bad versus good* intensifies audaciously.

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