

Market Outlook:

Magic bullet

The markets are doing a terrible job of processing and evaluating the Corona virus effect. For those who hope that there's a monetary or fiscal silver bullet coming to the rescue you are sorely mistaken. Look, I'm neither a doctor nor a politician, but tell me this: *is there any Presidential mandate, any law, that can truly contain the natural progression of pandemic diseases?* I thought not. No one can truly fathom the depth of concern everyone is experiencing in the conscious and subconscious mind. We are all trying in our own way to deal with this epidemic on a dual level: the medical and the economic. Its effects might be felt for months.

Other than the tragedy of the disease itself, including the dreadful loss of life, the biggest misfortune is occurring in the failure to recognize that all things, good and bad, traverse a measureable path from birth, to life, to death. That parabolic continuum is, in fact, the basis of quantitative market sciences, statistics, and a healthy mindset about the effects of all events upon our daily lives.

Remember, the economy and the markets were already hyper-stimulated by years of aggressive tax policies, unbridled monetary influences, and excessive greed and speculation in stocks. Unfortunately, lowering interest rates and taxes to encourage people and businesses to spend their way out of a medical pandemic...as is currently being contemplated...is tantamount to ingesting an aspirin for a knife wound.

I have said it many times before, **you can lead a horse to water but you can't make him spend!**

Monetary easing will not work because the markets are already too swamped by panic and the need to "get out". Trying to compel spending when everyone is worried about how much they have left in the aftermath of a panic-driven market collapse is folly. No one is going to make additional financial commitments when their 401-k or cash reserves are dwindling.

The sad truth is that investors have been obsessive about a highly unrealistic decade during which asset valuations became so inflated and unsustainable that the Corona virus...or any other exogenous factor...had the power to derail both valuations *and* expectations simultaneously.

There are no safe harbors during a crash. One simply needs to allow a crisis to play out the string.

And that, again, reinforces the notion that somehow the markets got away from *cyclic phase analogy* into *linear progression*. Everything has a shelf life, a duration. Everything has a beginning, a middle, and an end. A stock can move from \$25 to \$36, then retreat back to \$30...then begin moving upwards again. This is how parabolic curvature explains the timeline of most phenomena. Unfortunately, many of you got caught up in an unending linear spike in portfolio valuations that distracted you from the realities of economics, market studies, and life itself. **Nothing goes straight up indefinitely, nor does anything live forever.**

The global economy is/was doing quite nicely in the aftermath of the last Great Recession (2008), but it had also become bloated and strained at the seams owing to fiscal and monetary strategies that encouraged all of us to spend our way into prosperity. The financial and moral deficit those plans created meant that the wealthy got wealthier, the poor became poorer, and our vulnerabilities increased exponentially.

Now that the medical pandemic has come to our doorstep, we are all encumbered with the uncomfortable residue of those laws and decisions made earlier and presently while metaphorically stuck at home, recuperating, looking for an aspirin to make it all feel better.

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