

Wealth

There is no doubt in anyone's mind that we are fast approaching the end of one of the most tumultuous years in our lifetime, one which assailed us with financial, emotional, and health/medical disruptions as never before. Making and sustaining wealth in that environment has been difficult, at best. But building portfolios and capital gains requires forethought, goal planning, and restraint. Those attributes will be required going forward.

One must also be mentally prepared to deal with failure and unpredictability.

"Hoping for success but planning for failure" is not just a slogan but a necessity for coming out the other end of these major disorders. Investment success is never a given; imbalances and obstacles are a part of life. Understanding the ebb and flow of one's undertaking is the essence of knowing how to compete in the financial markets. Successful portfolio modeling is predicated upon cycles, relative strength fluctuations, profits and losses, and an adherence to a consistent method. If you can do those things then most of the heavy lifting will have already been done *prior to* any roadblocks and capitulations that are certain to occur.

What matters most is that your net worth be adequately buttressed to mitigate against the subjective intangibles that can mess with your mind. Your net worth, after all, is not just an empirical integer of items accumulated, but also the attitudes and feelings you ascribe to that number. Enjoying your life and your assets is as important to your financial well-being as the process of acquiring it.

Markets

In the aggregate, the most successful sectors this year have been healthcare/biopharmaceuticals, information technology, consumer staples (including food and water), and basic materials. They each have demonstrated an earnings staying power derived from an "everyday" application of functions, as well as strong quantitative measures that are contra-indicative of the volatility found in other businesses. We believe those sectors have a likely probability of maintaining their relative strength advantage.

The markets are reverting back to a prerequisite for earnings growth. Unlike previous periods of wild speculation, investors are looking for that which can sustain portfolios while reducing the effects of short term volatility.

However, the palette of potential purchase candidates for this quarter is about as shallow as we have seen in years. Markets have run so far, so fast, that investors are now searching for quality and "comfort" to pacify the consequence of mental whiplash. They are prioritizing preservation of capital, global security, social issues, and political empathy. Believe me, there is no dearth of fabulous capital gains potential in a novel context for the future: *biotech, ecology, infrastructure, technology, education, agriculture, poverty, housing, hunger*. There is no end to global cyclical growth opportunities if we adopt an innovative paradigm of analysis that makes this "lost year" not a lost year at all.

When investors emerge from their financial and psychological cocoon those things that improve their generational prospects can also increase their confidence, spending power, and emotional recovery. Major secular bull markets of the past have always required public "buy-in" towards fiscal and monetary measures. The Federal Reserve and other global central banks have imposed a steady measure of low interest rates, unfortunately without commensurate spending and growth. Deep-rooted economic expansion has thus far been a myth only in the minds of those who are trying to create it.

By this time one would have expected broad capital expenditures and social projects designed to ameliorate our deteriorating social condition. Previous bull markets have always had sustained periods of industrial and consumer spending that led to good jobs, good pay, comfortable lifestyles, and expanding corporate profits. This instance may not, however, be the halcyon days of years gone by. As I have said many times before... **"you can lead a horse to water, but you can't make him spend!!"** For the most part today's corporate profits derive from cost-cutting, share buybacks, and explosive stock valuations on the exchanges. Robust capital spending must occur for the next up leg in the financial markets to gain permanent traction.

Strategy

The pandemic has laid bare many of the policy inequities of the past that left scars upon the global economy. Too many are dead, despondent, dislocated, or desperate. This situation cannot persist. People must be enticed back to social and economic engagement by politicians, economists, business leaders, media, and spiritual institutions. Otherwise, the precarious nature of things will spiral deeper into a serious psychological, medical, and financial abyss. It is our hope, and belief, that the cyclical nature of things will ultimately create a favorable rebound in all those endeavors.

Good environmental, social, and political governance falls under the parlance of what many call “socially responsible investing” (SRI). Using these benchmarks as principles of investment analysis is a way to build capital gains responsibly, with a purpose. SRI also makes a meaningful impact upon everyday life, as well as securing regions, nations, and continents from harm. As the world changes in these unprecedented times we might only imagine how a pioneering perspective could yield bountiful capital gains for financial clients. It is all a matter of knowing where, and how, to look for solutions as yet unimagined.

SRI also creates lower beta (volatility) in portfolios while offering a myriad number of sectors from which to choose.

Conclusion

None of this conversation is relevant, of course, unless we also undertake to redefine the meaning and purpose of wealth.

Wealth allows us to enjoy the moment, rather than opining about what we *wish* we had. Wealth relieves us from the myth that the “other guy” has more of what we want. Appreciation of our wealth makes it much easier to pursue the things that are really important to living a good life.

What, then, is wealth?

That question has innumerable subjective and objective responses. Is it, as I said earlier, an *integer*? Is wealth, by itself, a sense of accomplishment, of achievement? Does wealth define the pace at which we live our daily lives? Is it good health, friendships, family relationships? I suppose the answer to those and other questions is determined by whether you believe you *actually are* wealthy. This is one of life's circular conundrums...which comes first, the chicken or the egg?

What one cannot afford however, rich or poor, is a lack of empathy for anyone else. Then, I'm afraid, you don't possess the necessities to appreciate good fortune even if it is staring right back at you.

Suggested balanced account asset allocation, Q4, 2020

Equity: 35%
Fixed Income: 35%
Cash: 30%

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