

**Market Outlook:**

**Square one**

Benchmark indices tumbled last week ahead of tomorrow's Presidential election, and owing mostly to disappointments over government inaction towards the pandemic and bailout spending packages, as well as incoherent data about the economy. Reports about expanding US gross domestic product (GDP) have to be offset, of course, by the fact that the third quarter was starting off from such a low number, having fallen precipitously in the first two quarters of this year from virus related fears. Think of it this way....if you were a restaurant with no customers, an increase of 15 people each night would represent an "improvement". But not one which might sustain profits, employees wages, or long-term viability. Despite a strong bias always to find reasons to buy stocks, investors are sending a clear signal that nothing is certain in the age of Covid 19.

Any expectation that the government will immediately ride to the rescue to help stem the tide of business closures and millions of jobs lost is just a worn out fiction. The work of sorting out winners and losers unfortunately falls upon the private sector and the rest of us to figure out, with the hope that we can circumvent an uglier political, economic, and health-related outcome than what we have now.

Most dire of all, though, is that as the chasms are widening, there are many who are doing better than "just good enough" to stay solvent. The profit disparity between large businesses and Main Street stores is staggeringly large, which causes all sorts of problems for Wall Street prognosticators when trying to hone in on effective recommendations for clients and near-term portfolio strategies. Thus, a pattern of hope followed by panic, then hope again is causing...or being caused by.....worries about the virus' containment.

We witnessed last week, as before, an inter-day pattern in the stock averages that bounces wildly from triple digit gains on the Dow Jones to triple digit losses the very next. Many investors are feeling whip sawed into a state of submission, and don't know which way to go or to whom to turn.

**Move on**

**Long term sustainability will only return when the virus is defeated.** Until then, it is likely that we see market spurts and stops corresponding to psychological and economic patterns of capital investments and consumer spending. Instead of thinking about the 24 hour news cycle, we should retrain our economic brains to think in terms of 5 and 10 year cycles. Our fixation upon headlines is detrimental to corporate profits and psychological well-being. Successful bull markets have never been predicated upon short-cycle response but, rather, upon macro continuums and innovation made over the long haul.

I have always found a strong correlation between capital gains and socially responsible investing. One of our primary themes for the next decade will be to focus upon capital spending in areas of the planet's sustainability....telling a tale of economic and social equality for all living things on this sphere. In particular, our ArlingtonEconometrics probability measures revolve around enterprises with outsized earnings growth well above historical averages, profitability and productivity in *renewable energy, life sciences, agriculture (food and water), technology, ecology, and infrastructure.*

Investor's problems exist when they "look backwards" rather than "looking forwards". Those who worry that "*it wasn't done this way before*" are being held hostage by old ideas. Mankind has always looked ahead to adapt to change. Communications, air flight, medicine, science are all different than a century ago. Intercontinental travel is different today than in the age of Magellan, yes? The profound impact of innovation and entrepreneurship can change industries, borders, and perspectives for decades.

The herd culture must be broken. We must embrace a willingness to accept change, boldness, new deeds, policies. Monetary and fiscal incentives can only do so much to create the conditions favorable to growth. We, ourselves, must do the rest.

Arlington Econometrics is a quantitative market tool. Utilizing proprietary algorithmic equations, AE offers solutions for market-timing, asset allocation, and macro economic analysis. Using historical time-series measurements, Arlington Econometrics optimizes the analytical process and forecasting coefficients to make economic forecasting more objective.

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