

**Market Outlook:**

**Cautiously accelerating**

The virus threat is receding, the equity averages are expanding, and there is finally a sense of “normalcy” returning...at least more so than when the world was (literally) in the death grip of the pandemic. One of the most significant after-effects of the last year is the way in which people are reevaluating priorities and the meaning of what it is to be “healthy and wealthy”.

As a result of all the stresses we have experienced...the loneliness, solitude, and grief brought on by death and the consciousness of our mortality....many have changed their perception about what they need or require for happiness. Unfortunately, it took a calamity like Covid-19 to change beliefs but, just like markets themselves, it sometimes takes a capitulation of dynamic proportion to recalibrate quantifiable expectations.

For many, the threshold for a well-fulfilled life isn't as high as once imagined.

Change is a part of life. Values and relationships have supplanted the need to keep up with unrealistic financial expectations. Perhaps the lessons have been learned, perhaps not, or maybe only fleetingly. Perception sometimes *is* everything.

One such perception is that the wealthy were more prepared to ride out the health and financial crises than were the less fortunate. Indeed, discretionary money is a luxury not afforded (no pun) by everyone. Thus, as markets have rebounded upwards so too did the financial well-being of the rich. This was not the case for the less well-off. In fact, the “recovery” is still a myth for those in lower socio-economic strata.

**Revising expectations**

So what, then, constitutes wealth? For those who aspire to it, it seems that it is the accumulation of “more toys” than the other guy; a constant comparison between one's starting point and an expected end point, almost always defined by what their neighbors have or do. Curious, though, that there are cultures in which being rich is defined by the quality of one's soul, family experiences, and relationships to the community at large. There are no right or wrong answers to this conundrum, simply that which meets one's own criteria for happiness and fulfillment.

Too often, however, Wall Street contributes to these erroneous definitions of wealth by disseminating advertisements equating status and wealth building as “*my money equaling the other guy's, plus-one*”.... an unfortunate standard by which thinking of oneself first, the other person second, and never having enough to be happy is compulsory for a well-lived life. Through good times and bad, sell-offs and phenomenal gains, Wall Street perpetuates the notion that your status is achieved by inching your nose just slightly ahead of the next guy.

I get it. It all comes down to goal setting and personal preference. But there is no standardized definition of wealth or achievement. The big banks may roll out the red carpet for their “premier” clients, but in the end we all occupy the same human space in our communities.

The magnitude and amplitude of the global recovery cycle varies across regions, heavily dependent upon local vaccination levels. This divergent structure is creating a unique investment opportunity based upon county and sector-specific fundamental changes. Last week's inert market demonstrated that there are serious revisions taking place in earnings expectations and in rotational leadership, forsaking the “front end” engines of the economy (discretionary staples, cyclical companies, industrials, etc.) for the more daring inflation-driven models (commodities, financials). We do not believe that current price hikes represent a secular change in the inflation picture, but rather a temporary surge in costs brought on by pent-up demand and shortages in the supply chain. We caution our clients to prepare for more volatility in a post-pandemic economy feeling its way towards a new normal. We also urge restraint in judging others, because ultimately, how we *feel* about the changes in our world is an intrinsic effect for everyone to explore to relieve the distress around us.

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