

**Market Outlook:**

**"E" commerce**

The markets fumbled again last week with this notion of *earnings versus inflation*, as if that choice was the only one. Yet, Thursday's economic growth numbers came in at a reasonable 6 percent for June, not unreasonable for a post-Covid summer recovery. Seemingly, all is forgiven as long as equity valuations continue to go up. But this kind of mental jousting is extremely shortsighted and counter-productive. Look around...sector rotation and generational change is happening all around us. Those pivotal trends....*ecology (climate change), healthcare (including disease prevention and control), internet and technology, and social dynamics (poverty, hunger, housing)*....will combine to dictate the future of capital gains and investment opportunity.

The major political, emotional, and operational imperatives of our time are dominated by Covid, wild fires, flooding, and infrastructure failures...obstacles that must be overcome in the short run but which currently eclipse the repurposing of any capital expenses going forward.

Interesting, that investors' fixation upon data harvested exclusively from the internet has supplanted what used to be conventional methods of appraisal. In today's world, one man's belief is sufficient to influence markets irrespective of the legitimacy of his opinion. What used to be time-tested science has been discarded in favor of a more immediate calculus: *if it fits the moment, it must be true*. In a hierarchy of relevance, speculation and greed have displaced sustainability and fact.

Look, there is no doubt that modern internet technology is a boon to science, economics included. It is no longer necessary to wait for tomorrow's Wall Street Journal to find out what is happening in financial markets around the world today. Almost every piece of literature ever written can be found on a computer device. My family, and maybe yours, scoured through our Encyclopedia Britannica each year (am I dating myself...do any of my readers recall using an encyclopedia?). What once required a trip to the library can now be accessed on one's cell phone. However, an epidemic of disruptive behaviors and opinions permeates through covert channels which only contributes to impulsively manic conduct and deliberation.

Classical investing is being beaten back by self serving impulses by which the value of things are imaginary for the purveyor's own interest. Crypto currency and other fabricated payment options only exist because we allow the ascription of meaning to their creation. Without federal support or guidelines, these currencies are akin to the Wild West. Why not go back in time and bring back the tulips, jasmine spice, and silk threads?

It has always been my calling card that "sustainable" (socially responsible) investing (**SRI**) is supported by data and secular anecdote. These are areas where profitability has proven to do well and to do "good". Environment, agriculture, water, biotech, and energy provide sufficient diversification and leverage within portfolios to span generations of innovation and problem solving, responding to problems not just in the present but for decades hence.

No doubt, the more eager amongst us seek short-sighted opportunity. Looking at the current one year market cycle, we, too, believe that valuations are extended. There is significant upside resistance ahead which prompts the kind of sell-off that has been happening in recent days. Even as these pullbacks offer a well deserved pause, there is still sufficient base building in the market overall to withstand a bear swoon. The idea that *price pressures* are an impediment to market progress is erroneous in our view. Rather, they signify an upturn in economic activity and demand which lay dormant during the pandemic, and represent a continuation of the recovery begun in 2009.

Be forewarned, however, that short cycle pullbacks are part of the normal course of things that occur within broader bull markets. Capitulations are not cause for panic or emotional defeat. Across the spectrum, there is potential not yet realized. Too often our attention is sidetracked from emerging opportunity to obsess, instead, upon the immediacy of local politics, exogenous influences, or personal self-interest.

Consider, if you will, that empathy also has value to our long term expectations.

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