

Market Outlook:

Fin Ed

How to make sense of last week's turbulent confluence of politics, Covid, inflation news, and the Federal Reserve? Finding equilibrium in a world in flux is vexing, at best. Perhaps we need to amplify the premium we place upon managing expectations amongst all the confusion.

Tradition tells us that the economy and the financial markets sometimes diverge from parallel paths. How else to explain a stock market surge, while a large portion of the world's economy is stuck in wage, job, and health uncertainty? First, this is not a zero sum game. Gains in wealth do not insure parity across the board. The last decade was testament to the notion that wealth does not always "trickle down" entirely to others. Look, its not profound to say that we exist not just to inflate our own personal portfolio, but to help others succeed, too. What a cruel world if the rich belittled the poor or ignored their plight.

So how do the agencies of government and finance accommodate the wealth gap? Sometimes by passing laws or working the levers of power to even the playing field. The Federal Reserve's announcements last week are an attempt to quell runaway inflation while still maintaining firm control over the money supply and also propelling the engine of public/private partnership to generate business and profitability. In my investment discipline, for example, we acknowledge the quantitative irregularities of the real world and use those dynamics to create asset allocation models that reflect both financial and psychological probabilities of trend continuance or dissipation. Too many are asking for "fairness" where fairness just doesn't exist. S&P and Dow Jones averages are at record levels, but not all sectors are creating wealth equally.

There needs to be a reassessment periodically that evaluates performance and intent from our institutions. People are more secure today than ever before, but many don't feel so. "*Every man for himself*" is not a creed that leads to good government nor good consumerism. So how to tackle the news from last week that inflation is rising, stocks are plateauing, and Covid is multiplying...?

Logarithms or intuition?

Despite the uncertainty, opportunity abounds in the financial markets. In fact, the greatest potential exists when a void is created. You just have to know how to find it. Longer term themes *do* matter. They are the essence of creating an investment plan and diminishing the impact of fear and panic when it occurs. Said another way, ebb and flow...up or down...is the best way, scientifically, to maximize "entry points" and quantitative probability for portfolio growth.

Our current environment of "easy money" (low interest rates) is about to phase out. Interest rates will rise; commodities prices will rise because of scarcities and higher demand; growth (GDP) will expand as consumers emerge from their psychological cocoon and new initiatives in the capital markets accelerate; employment and wages will grow if/when the Covid virus is contained. Above all we caution that portfolio allocations must be consistent with risk tolerances and time horizons. Patience is key. "Fast money" is fast disaster.

Imagine.....

Investing is not just individual aggrandizement, but rather committing capital to a purpose larger than personal needs only. The importance of owning and investing in assets is only as strong as the value that accrues to the common good, while still providing comfort to ones' self, family, health, and community.

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