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Market Outlook:

Circle the wagons

Two weeks ago, the economic conversation centered around a successful global recovery (from the pandemic in 2020 and from efforts made since the 2008 Great Recession), a monetary and fiscal response to nascent inflation pressures, and flux in the job markets. Today, the entire narrative has been upended by concern over a new Covid variant, Omicron, and its potential to disrupt the existing forward trends. Whereas the emphases had been upon what was going right, the stock markets were more concerned in the past 5 days about bailing out before something went drastically wrong.

It's a fact that we live in a 24 hour news cycle world. The internet is such that if someone in South Africa "sneezes" the panic it creates might be felt worldwide. Was the selloff reaction in the financial markets appropriate and proportionate? Perhaps not...that is why we must follow the science and wait for those answers. However, it has now become commonplace for markets to react more like a casino than an investment community, dealing the kind of instant pain, or gratification, with which this era has unfortunately become accustomed.

It has to be accepted that we now live in a Covid dominated world until or unless the disease is eradicated completely (not likely) or controlled in a way that it becomes less of a menace to the workplace, one's health, or one's psyche.

Our concern though is that the investment world conflates headlines with market trends. In a cyclical world, what sometimes is up is another time down, and what today might be winning could be a "loser" at some point in the future. You see, the whole world...especially the stock market...is constantly in a state of flux, moving parabolically along the course of its trajectories. When retail capitulates, for example, the drug stocks accelerate. When the economy slows, oil and gas recede while defensive stocks advance. These transitions occur over time...and time is the most critical element to any portfolio decision and allocation. In the realm of quantitative science, 24 hours is a grain of sand on a larger beach.

Look beyond

The problem with micro-managing almost any trend is that the analytics are rendered useless without an amplitude against which to measure cycle advance, angle of ascent/descent, or magnitude. One cannot determine the progress of a patient without a chart indicating a starting point and an expected outcome in the future. Only time can provide that perspective.

Investors are in such a hurry to cash in on the big score that they lose their perspective, and confidence, in a matter of minutes based solely upon what they hear in a news headline at the top of each hour. However, in a Covid world, we must learn to adapt, without panic and confusion, to a changing landscape...in our homelife, workplace, and society. And I believe we will learn to do just that.

As energy resources dissipate we will find alternative energy to fuel our businesses; we will discover new medicines to combat diseases; we will close the wealth gap inequalities which exacerbate the negative consequences of economic disruptions; we will invest in infrastructure to diminish the impact of supply chain bottlenecks; and we will accelerate the progress that we were making in the global economy pre-pandemic.

But mostly, we must step back from assessing everything in the context of our 401-k valuations each market close and learn to elongate our perception arc more closely to approximate the real value of investing in protracted strategies and sectors that impact the world for the long run. Overall, our market optimism remains intact despite the overwhelming uncertainty that gripped the markets last week. As is always the case when selloffs occur, wreckage lays strewn all around. But this is absolutely the time to be focused on buying the secular long-term trends in energy, agriculture, healthcare, infrastructure, and technology.