

Market Outlook:

**Consommé.....or just plain soup?**

The financial universe is just beginning its post-Covid transformation with broad stroke initiatives that offer a panoply of competitive opportunities. Unconstrained by geography, index, or sector there is a new emphasis on lessons learned from the crises that incorporate key elements of business, psychology, and finance that coalesce into consistently superior returns on equity along with sustainable life affirming principles, irrespective of the economic cycle.

To that extent, the marketplace of capital gains (and change) is going global and quite dissimilar from the “me only” movement of the last decade. Integrating fundamental research alongside social consciousness helps identify leadership that can endure despite daily market fluctuations.

The case for this enlightened sophistication is steadily building. *Stakeholder capitalism* means businesses create effective profitability with the other goal of generating positive social impact for their community and the world at large. Indeed, recent anecdotal evidence shows us that the connection between “doing good” and “doing well” is the engine of regional stability, financial security, and structural purity. That vision...that mission...sets a new standard for ethical and responsible decision making.

Make no mistake, this transformation did not happen overnight in a vacuum. It is the culmination of many factors, some already known prior to the pandemic, whose confluence today is making it more palatable for boardrooms and kitchen table analysts to consider.

Above all, the widening gap in wealth and social equity/equality pushed us all to reevaluate *any* system that doomed the disaffected to fall further behind. Values based lending and finance that lifts up all of its community members creates an inexorable bond between government, family, and spiritual institutions.

The future of our planet has never been more clearly in the hands of its inhabitants, nor more acutely recognized as our responsibility.

**Bending the arc**

These changes are redefining investing, too. One can no longer exclusively play the stock picking game. The purpose of money...which once was “green” (profit/greed) is now also “green” as it reckons with our ecology, our values, and the role that financial markets can play in dissuading harm inflicted upon others. It finally looks as if businesses are starting to integrate “good governance” as a line item on their balance sheet, bettering society while building prosperity for their shareholders.

This evolution also requires a change in the mindset and expectations of investors and the financial community. Sustainability (SRI) prioritizes long term goals over short term reward. One needs to find an enlightened comfort zone that intersects performance with mitigating volatility. Failure to do so increases risk to the portfolio in the long run. The degree to which *immediacy* can be disentangled from *altruism* will be the next “variant” the public discusses when it comes to determining the best way forward. We need to demand a standard by which we hold business accountable for their rhetoric and their action. No doubt, the most relevant new initiatives will be those which focus upon moral, financial and structural development.

The next wave will be about monitoring the progress of this complex menu and to demand that *impact initiatives* become a priority. Without a set of standards by which to operate there will always be the chance of backsliding into the past. *Best practices* is not just a phrase, or an ideal, but rather a system of accountability, reporting, regulation, and evaluation that reaffirms a commitment to each other.

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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**January 18, 2022**

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Revenue is the lifeblood of any company and, like sausage, how it gets made isn't often a pretty picture. The inflation numbers reported last week (up 7% year over year) only tell part of the story about what falls to the bottom line and the future of our economy. While others obsess about the immediate impact upon a balance sheet, we will gladly trade that concern for an optimism about a future with clean water and air, disease prevention, sustainable energy resources, and a conscientious business environment.

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