

Market Outlook:

Don't believe your lying eyes.....

The news has been particularly volatile for investors as they absorb the latest information about gas prices, inflation, supply chains, and war in the Middle East. More commonly, prices in various securities have been jumping around seemingly without purpose. But if you focus on the trends...which don't deviate quite as much as individual share values....you'll see that the headlines are sometimes misleading regarding global data and the longer term prospects for capital gains.

While some of the unrealized gains/losses in your portfolio are disconcerting month to month, the real story is that daily reactions to current events bear little resemblance to the reality in the corporate boardroom. Where sectors are vulnerable to demand issues, the overarching view is that the disruptions might be temporary and the secular uptrend has not been broken. The reasons are that long before the warfare, the rhetoric, and the politicians, the human issues that guide our hand have been shaped by powers higher than elected officials.

We have been in a generational bull market for nearly twenty years, and absent the interference of bumbling idiots, is likely to maintain. It has been difficult *not* to make money in the financial arena, even at this late stage in the cycle.

But it also reflects a strangely new world of economics, one in which traditional analytics is being stretched in ways that no one could have predicted just a few decades ago.

Today's headlines, for example, focus almost entirely on a voluminous cascade of negative information. However, as many can already attest, you cannot look a gift horse in the mouth and say anything negative about the valuation increases in your portfolio. For buy and hold investors, as well as speculators, things have been going quite fine. It is a reminder that making money is the final arbiter over how well one's portfolio is doing. Consider that the last decade has given investors double digit returns on assets in a time period punctuated by bad news, global pandemic, political rhetoric, and territorial strife.

Stocks are so high because they move *in anticipation of* what might happen, not as a *direct correlation to* what is happening now. The benchmarks reflect an underlying optimism about the future even if current events say otherwise. We move up in spite of our politicians, not because of them.

And yet, as great as the numbers might be, it is still difficult to celebrate a Pyrrhic victory. The reality of our social hierarchy is that a disturbing trend has emerged in which the rich do, indeed, get richer....but the poor are finding it harder and harder to catch up. The world's inability to service *all* its citizens lends credence to the vulnerability we all feel..... if we have any human compassion at all. The failure to address the depletion of natural resources, the migration of the indigent, the inability to feed the hungry, the antipathy towards the stranger, are all intermediaries of our cultural shifts that define our times irrespective of the financial markets' windfall.

Thus ensues a perpetuation of the great divide: economic growth that leaves behind the most underserved. This is the pattern that this observer sees most often when breaking down the data into long-term algorithms.

You can see this as a crisis or you can revel in your new-found wealth, but the rate of shared success nonetheless is at its lowest in modern history and likely not to be stabilized anytime soon. We are entering into both a joyous and painful period in financial analysis: *for how long can the markets sustain high levels of growth while continuing shrinking levels of participation?*

Historically, after periods of growth, or contraction, there is a consolidation and reanalysis that takes place during which those who study such things proffer strategies that they believe will inure to the common good. We have had no such strategic rebalancing nor anyone interested, *per se*, in stepping forward to put their reputation and career on the line in that way. Too bad, because the logical constraints upon socially responsible thinking are not exclusive of making money in the stock market. As the old saying goes, "it's a recession when it happens to your neighbor: it a depression when it's happening to you."

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