Living in an Uncertain World

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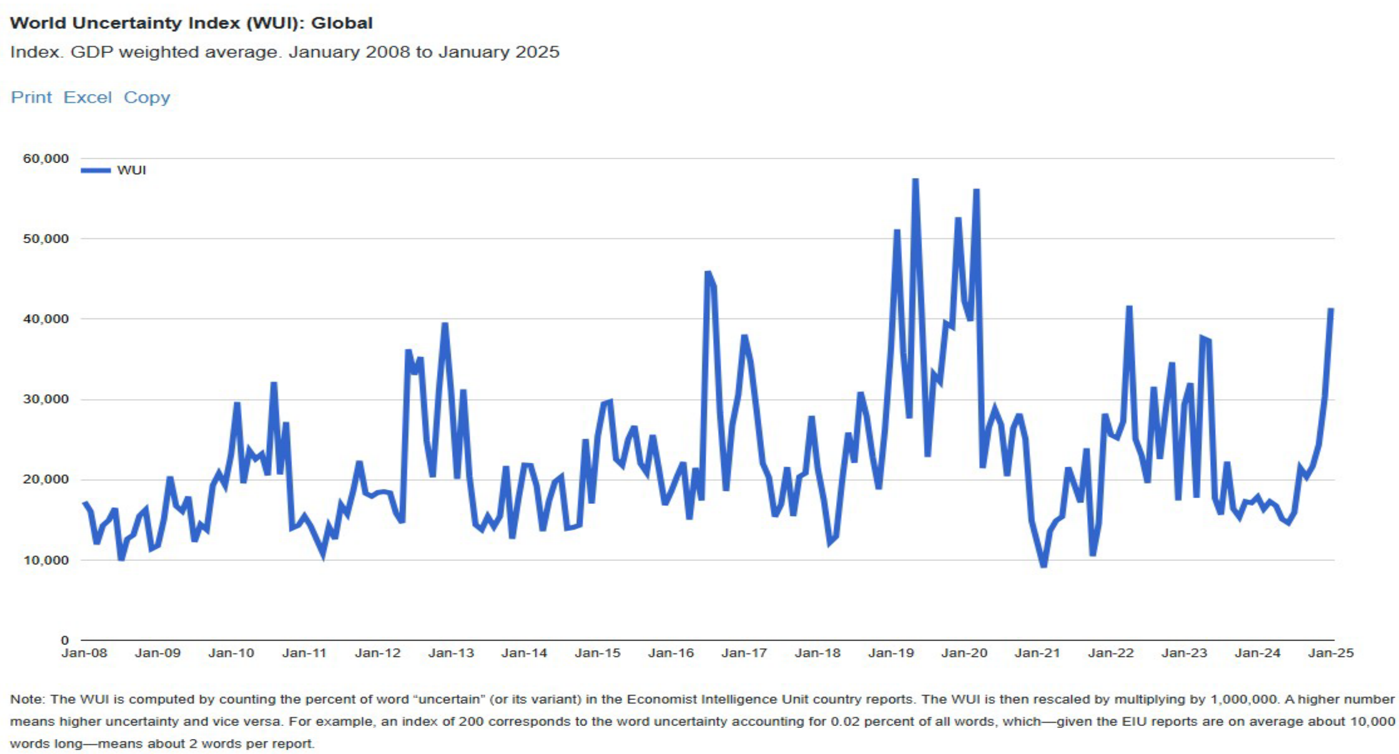
"You can't always control the wind, but you can control the sails."
- Anthony Robbins

Have you ever looked in the mirror and wondered, "what just happened to me?" I know I have asked myself this question a thousand times, trying to figure out how it is that I am now in my 50's with an amazing wife, two wonderful children, and a successful business. I would like to chalk it up to luck, but I strongly believe that most times luck is really just hard work and perseverance. In my case, after childhood folly's (of which we all probably have up until our 20's or so) I decided to get serious about being the best person I could be - with the ironclad belief that if you strive to do the right thing in all aspects of life then sooner or later good things will happen. But did I foresee meeting the love of my life, having two kids, and creating a business that helps my friends/clients live financially sound? The simple answer is no. You see, even though I had the drive and desire to do these things, I simply could not foresee it happening since the future is, as I always say, unknown and unknowable. Which means we all live in an uncertain world, and the only thing we can truly control is how we think and feel about anything, from family to finance.

Living in an uncertain world can and does bring anxiety to some people, and the more uncertainty the more anxiety that may be exhibited. This phenomenon naturally translates into the markets; remember, the "markets" are really just a bunch of human beings trading stocks and bonds and other securities. Accordingly, if/when those humans are more anxious due to a heightened sense of uncertainty (i.e., a heightened lack of clarity), then these people trading securities may make decisions that are based more on emotion than logic. And the two most prevalent (and dangerous, in our opinion) emotions within the markets are fear and greed; the former can cause an upside bubble whereas the latter can cause a downward swoon or panic. Which is why we tend to remind people that markets do not like uncertainty, it makes for an emotional, and thus possibly unstable, situation.

Why am I discussing this you ask? Well, love him or hate him, I think we can all agreed that no one really knows what President Trump is going to say or do from one day to the next. And though his comments or directives may be helpful or harmful, that simple uncertainty can have consequences (good or bad is, of course, debatable based on your belief system). In our opinion, the consequences are such that the future is even more uncertain. For instance, Trump is quite literally proposing a new world order where our allies (for better or for worse, again depending on your perspective) are less reliant upon the United States. In turn, that decrease in reliance could cause allies to see the U.S. as less reliable, with whatever consequences that may bring. Coming full circle, without debating the pros and cons of the old versus new world paradigm, there is necessarily a further lack of clarity in the world and thus the markets. Since the markets are discounting mechanisms looking into the future, then this increased lack of clarity may make it harder for them to accurately or logically calculate true value.

The graph below shows a pretty volatile world over the past fifteen years or so; to be fair, we could go back further and see that volatility seems to be the name of the game over the past 100 years as well. But there are times when uncertainty may correlate with tougher years than others. However, please note that we have purposefully left out market or other comparisons so you can draw your own conclusions.



We do believe there are a few lessons to be gleaned from this graph, as well as from history in general (remembering that past is not prologue, just as past performance is no indication of future results). Among other lessons, first, correlations hold true until they don't. Second, being proactive can mean to expect the expected as well as the unexpected. Third, volatility is not uncommon. Last but not least, control the controllable variables in life and in finance. Towards that end, for our part, we are recommending higher than normal levels of cash and/or liquidity. And, as I remind everyone - especially myself - it is what it is, and good times and bad will always happen in the future. The trick is to plan for both, or as Anthony said, control your sails knowing the wind will try to steer you in different directions.

As always, thank you for your friendship and your trust; have a great start to Spring in three weeks!

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