

Hello Everyone,

Sometimes the timing of things just works out...and, today is a good example.

Today's missive addresses how things you would think would help markets sometimes don't. For example, today the GDP number came in a very respectable 4.1% growth number. Yet, the markets are yawning.

The point being cause and effect aren't always what we think they are. I hope you find today's transcript helpful.

Signed, Your Trying-To-Make-Sense-Of-It-All Financial Advisor,

Greg

KKOB 07.27.2018 What Is Relevant?

Bob: So, Greg, let me see if I've got this right. Today you are going to connect the Viet Nam War (?) to the 2018 stock market. Is that right?

Greg: Sort of. Let me take you back to 1975----one week before the fall of Saigon. Major General Weyand was in Hanoi negotiating with his North Vietnamese counterpart. Weyand said to him, "You know, you never beat us on the battlefield." The Vietnamese officer paused, and replied, "*That may be so, but it is also irrelevant.*"

Of course, we know, by the late 60's, American public opinion had turned against the war. Even the 1969 Tet Offensive, which was an overwhelming tactical victory for us, turned into a strategic defeat because of how it was portrayed back home. The point being, wars can be fought-- and won--in places other than battlefields.

So, Bob, what does this story have to do with investing in 2018?

Bob: I'm not quite sure. But, I'm going to guess it has something to do with winning battles but losing wars.

Greg: Well, sort of. What I want to say is, if you view wars through only a military lens, you'll likely come to faulty conclusions. By the same token, if you view markets through only an economic lens, you're likely to fall into the same trap.

Bob: So, you would say our listeners should lift their heads, and see

Bob: So, you would say our listeners should lift their heads, and see how outside forces---let's say political decisions---could affect their investments. Right?

Greg: Sure. And politics is a very logical one. Not many people, however, would link social, cultural, or even military trends with Wall Street. For example, back to the late 60's and 70's, American companies were getting leaner and meaner. Yet, the hippies, the drug culture, and Viet Nam all contributed to a malaise, and markets drifted aimlessly for 17 years. Outside forces.

With that said, during that same time, those same outside forces made fortunes for other people---but, it was in things like commodities, land, and precious metals. Wealth was moving there.

Bob: OK. Therefore, just as generals must be aware of the bigger picture---good investors must be, as well. But, I can also see how this thinking could lead to making connections that just aren't there.

Greg: Boy, is that the truth. What's relevant and what's not? As you know, correlation and causation are much different things.

Let's apply this thinking to investing in 2018. There are times when things as foundational as economic growth and profits don't seem to affect stocks. We're seeing it now. For example, over the past three quarters, GDP numbers have been strong--- and company profits (except Facebook), have been good as well. Yet, the markets are starting to meander ala the 70's.

So, what gives? Well, when something is happening that doesn't seem to make sense, we should look for an outside force. Where is money going instead...and why?

Bob: So, I think I know the answer you'll give, but what do you see as some possible outside forces at work in today's markets? And, where is money flowing...and why?

Greg: Well, to answer the outside force question--- I believe one big anchor is global debt---it's three times the size of global GDP! That debt picture then connects to Russia's and China's assault on the Petro-dollar. That's how you get to the trade and currency wars you're reading about.

Another outlier is the current conflict in the Middle East. I believe that has taken a very serious, turn. Finally, the Antifa stuff, riots, & political hatreds don't inspire confidence. What I just described kind of rhymes with what we saw in the late 60's and 70's....when markets meandered.

Meanwhile, if you look at the commodity, food, & water sectors, you'll see quiet, yet solid, growth. To me that indicates big money is positioning for inflation. There's your opportunity. Otherwise, you may end up like General Weyand saying, "You know the economy is doing well and profits are up." And the market may respond, "That may be so, but it is also irrelevant."

Bob: Good report, as usual. How do people reach you?

Greg: My number is 508-5550, 508-triple 5 zero.

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