

MARKET COMMENTARY – December 1, 2021

Opinion is truth filtered through the moods ... of the spectator. ~Wendell Phillips

Every millisecond of every day, transactions occur across this vast globe. Customers exchange currency for stamps, steel, or stocks. In the case of stamps, our friends in the USPS set rates, changing them now and again based on costs and conditions. Steel, as a commodity, sees its price change moment to moment. But companies hedge out these vagaries with contracts. Stock prices, too, can be hedged, but most buyers and sellers are subject to the whims of the moment whenever they transact.

Warren Buffett has called the market for stocks a voting machine in the short run. Trading them takes no intelligence or emotional stability. It requires only money.

We've seen this phenomenon exhibited in spades in the past three trading days. On November 26, with holiday-reduced volume, the news of the latest coronavirus variant spread like the virus itself. With little evidence, stocks sold off precipitously. Then, on Monday November 29, stocks rallied handily following comments from Pfizer's CEO. He believes current vaccines will be mostly effective and that certainly the antiviral therapeutics will remain highly effective. Tuesday brought a slightly nuanced opinion from Moderna's CEO that vaccines will likely be less effective than against the older variants. You guessed it. Stocks sold off (with help from Jerome Powell).

As Mister Phillips' 150-year-old quotation suggests, there is truth regarding the omicron variant. The trouble is we don't yet know the truth. As a result, we begin to project its outcome based on those warring emotions of fear and greed. One moment, we believe we face a speed bump. The next, fear takes hold and we think the worst is yet to come.

But there's good news for investors in all this. Because Mister Buffett has also accurately described the market for stocks in the long run as a weighing machine. There can be no hiding the truth from our eyes as we mount the morning scale. Too much turkey? Too many potatoes? Pumpkin pie? The scale is cold in its reading.

So, too, is the market. Yes, as a reflection of all our collective moods, it can be quite mad. Day-to-day, we're often left tossing our hands to the sky and groaning in frustration. But, when taken over three, five, or ten-year periods, we get the prices mostly right. We are confident that the same will happen with regard to all the news swirling around omicron.

So, what is the truth of omicron? What will the weighing machine say? Of course, it is far too early to tell. We can share what we've read. Early reports from Africa seem to indicate that it is highly transmissible, but mild. Two days of aches and fever. Our understanding is that none of the initial reporting physician's patients have been hospitalized. If this proves to be true, the current volatility may present opportunities for long term investors.

Now, a quick shift of gears into the political realm. First, the debt ceiling. Much digital ink will be spilt on this topic in the coming weeks. Conjecture and allegations will abound. Perhaps there will be a government shutdown. Regardless, the mostly likely result will be an increase in the debt ceiling at the eleventh hour. There is always some other possible outcome. However, we see the outliers having almost no probability.

Second, the social spending bill. It remains a goal of the administration. In recent commentary, we have listed reasons why some of its sections are clearly unconstitutional. We've also suggested that its passage will help ensure inflation sticks around longer than it otherwise will. A third, and admittedly lesser, challenge to the bill may be laid at the feet of omicron. Should the massive spending package be passed, adding to an already bloated budget deficit, the ability to fight a deadlier variant might be curtailed. While we don't pretend to know when, a day will come when the next marginal dollar borrowed by the US government will come with a hefty price tag.

In closing, let us return to Wendell Phillips. He was a Nineteenth Century attorney and adamant abolitionist. Copies of his speeches are available online and worth the read. We'll share three of his other quotations that are both relevant and encouraging.

The best use of laws is to teach men to trample bad laws under their feet.

Truth is one forever absolute.

One on God's side is a majority.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely
Jason Born, CFA
President