THE VIEW FROM PRINCETON

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THE CONTEST: MOROSENESS VERSUS OPPORTUNITY

Hail, all hail November, a month fundamentally different from the other eleven months. November entered during the turmoil of election debates this year, and daily moves expansively with Thanksgiving toward the succeeding religious holidays. Each November also differs according to the milieu and ethos that then prevails. This year, 2015, the preliminary vying by presidential candidates seems to concentrate on all deficiencies and stirs these into an unpalatable stew.

Meanwhile, there seems to be too little coherence in expectations for economic wellbeing, particularly for immediate months. Residual trauma from the stock market’s August plunge and slow recovery is prevalent, as many investors retain the apprehensiveness and nervousness attributed to a November turkey. Election rhetoric sponsors a contagion of moroseness that confounds expectations, and suppresses valuations of equities and commodities across broad fronts. When, if ever, has America so much needed to revive and draw upon its finest of traditions? When, if ever, will the fun of frivolities and the meanings that stem from Thanksgiving become the antidotes that restore our hopes and comity? Memory does not provide a like precedent to our present temperament.

The contemporary reality – let’s call it this vaporous reality – became so widespread it is a reality of its own being for the stock market, especially for the nearsighted. Vestiges of this presumptive reality seem to linger as a concealing fog that incites fears of the perils of the shoals and occludes the beckoning opportunities and excitement in the wideness of the seas.

No view can be exempt from the pervasiveness of sour attitudes. The following commentary expresses the way we respond to moroseness versus opportunity: The irrepressible growth that is endemic to America’s character is constrained for a few months. Inventory reductions, which are broadly underway now, will delay a vigorous resuscitation, and time will cure. Meanwhile, anticipation of rebuilding the transportation infrastructure will support confidence while awaiting the huge actual projects. Continuing flows of money into the capital market out of the prosperity of major enterprises, augmented by escapes from the risks of trouble in other nations, might well support share prices, as well as act to keep interest rates from rising extensively.

Allegations that China’s growth recession was causal and interactively contractive to their stock market “collapse” reverberated worldwide. Their broad market indices, however, settled at valuations above that seen before the market’s upthrust put a high church steeple outline on the graphs of general market indices. The so-called collapse seems to have settled near the high valuations attained before the church steeple pattern. The Chinese recession meanwhile throttled back to a pace still higher than that of other leading nations.

Oil prices collapsed as the politically imputed scarcity of preceding years is washed out of excessive valuations. Remember, crude oil traded around $12 per barrel before the first Gulf war (1991), and doubled soon thereafter. Saudi Arabia appreciatively paid $6¼ billion of the cost of the war. The phony scarcity in sequel carried the price to well over $100 per barrel. At such prices, farmers of cereals were able to make unusual incremental profits on price elevation by the folly of converting grains (food) to ethanol as engine fuel.
Fuel from cellulosic waste is feasible if it be delivered from sugar mills which had gathered and fractionated cellulosic waste as a residual by-product of sugar production. Thus, the prohibitive expenses of gathering stover from the fields and transporting the bulky low-grade feed stock to manufacturing plants is not incurred.

As for agricultural prices and total farm income, too much is made of the drop in cereal prices as though this is the major part of farm income. The value of farm products provided by California exceeds that of the two top states that produce cereals from extensive automatically tilled fields of the greater Mississippi Valley. Prices as of now for cereals have moved to levels that were obtained just before the ethanol follies. Total farm income for 2015 will not match year-ago levels owing partially, also, to droughts in California and the southwest. On the other hand, the exaggerated effects of the drop in total farm income is mitigated by the abundant bumper crop of cereals. Feeding livestock becomes cheaper and the export of carcass meats benefits. Processors of packaged cereal for breakfast, lunch and dinner gain by significantly lower costs. When summed altogether, too much is made of the negative effects of a bumper crop. The overall price effects of a bumper crop are significantly different from a disappointing price effect to farmers of a short crop (due to drought or blights).

American equity prices plunged in August and have recovered to index levels that prevailed a decade ago, irrespective of the ongoing progress during the decade of most well-established enterprises. The delusionary reports that prevail from analysts and from the talking heads of television do not serve our native understandings well. Our concerns (other than a worldwide stall in the auto industry) are not of a cratering of excessive valuations of equities and commodities, and not of pauses in commercial and industrial activity. Rather, our concerns derive from attitudes of fear, confusion, trauma owing to price volatilities, and especially from the possible contagion that moroseness might engender. These attitudinal worries can be of an evaporating vogue; or, on the other hand, gather enough adherents to be self-fulfilling for their expectations.

Therein are the hazards, which eventually will be defeated by the variety, vigor, and inventiveness of major enterprises.

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