



Stock Market loses position

The stock market as a long-term investment has declined – perhaps permanently. While recent poor performance has lowered returns for virtually every investor, there are other forces underway. Decades of market rules, facts and patterns are not reliable anymore. Future impact will be on investors seeking stability and return.

Trends: The stock market operates on information, facts, and sentiment. There are dozens of numbers, trends, statistics, charts, fundamentals, and imbedded "culture". If traders expect a 20% bounce it becomes a self-fulfilling prophecy. They act because a certain "rule" was correct in the past. Rules become rules through consistency.

The rules have changed.

Because of excessive acts of a few, market transparency and integrity is damaged. In normal times self-correcting systems engaged after such an event and the market was restored, with some collateral damage. These are not normal times since politicians have become the new correcting force.

The market demands facts, clarity, and information. This is not the mode of most politicians. It is irrational to expect politicians to make credible market or business decisions. They do not have the experience, the skills, or the motivation.

The new normal will be indecision, capricious acts, and unpredictability. Since the market hates the unknown, traders and investors will suffer.

Future Impact: Investors expecting stock-based investments to yield stable returns in a free market will lose confidence and look elsewhere. And they will be more engaged.

The future role of stock market products of all types as investment vehicles could diminish. And real estate, also damaged in this shift, could lose a favored position. Alternative investment models, such as hard assets, and creative ways to invest for predictable long-term return, will arise and attract funds. There will be great opportunity for new investment models, with investor participation, to capture a significant share.

[Note: Consumers is one of 10 areas I track in the "Way of Tomorrow" series.]

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