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**Attorney Laura Anthony
Analyzes the
Disorder-Optimism Paradigm
and its Corresponding Effect
on Domestic Stock Indexes**

**White Paper
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Attorney Laura Anthony Analyzes the Disorder-Optimism Paradigm and its Corresponding Effect on Domestic Stock Indexes

Pandemic flu outbreaks and civil unrest are like a protein-rich diet for [US public markets](#).

Analysts can slide beads around on abacuses all day, postulate theories and attempt to explain it, but the resiliency of the [US markets](#) defies rationale.

New Year's Day 2020 was a day like any other. [COVID-19](#) had yet to come ashore. No one dreamed that curfews, home-schooling and self-quarantining would become commonplace by the second week of March. As for the recent coast-to-coast wave of civil unrest, Nostradamus himself couldn't have called that one.

Yet these things occurred.

If it was possible to look into the future in late January (without looking at the indexes themselves), a logical person would conclude that these events would have sent the [DOW](#), [NASDAQ](#) and [S&P](#) into tailspins.

There was a bump, a stressful week or two, but as of today the DJIA is north of 27,500, less than 10% off of its record high. The [S&P 500](#) has even erased all losses for the year 2020 and is in positive territory.

There must exist driving factors that can explain the markets' upward bias in tumultuous times, but they are most definitely elusive. There is one common denominator though, an intangible, that is recurrently referenced throughout corporate finance news stories about crises rallies... optimism.

Optimism is repeatedly referenced but never truly explained.

A recent CNBC article by Fred Imbert and Yun Li titled [S&P 500 Erases Its Loss for the Year as Stocks Rally on Reopening Optimism](#) stated, "Investors are growing more and more optimistic about a speedy economic recovery as states continue to reopen."

Imbert and Li explain that investors have become reassured now that companies are reopening after the [COVID shutdown](#). The rising rate of employment rate is also cited.

Wall Street was also riding high on the back of a surprise surge in U.S. employment. The Labor Department said Friday the economy added 2.5 million jobs in May, a record. Economists polled by [Dow Jones](#) had forecast a drop of more than 8 million.

"The 2.5 million rebound in employment last month reverses only a small fraction of the jobs lost since February," said Michael Pearce, senior U.S. economist at Capital Economics. "But considering we and the consensus had been braced for another large decline, it builds on the signs from some of the other macro data this week that economic activity is rebounding faster and more vigorously than we had anticipated."

These factors are important but they do not explain why optimism occurs in times of calamity.

In order to analyze this anomaly, the first step is to identify the elements in the dynamic and establish a clear understanding of what they are.



According to the official Merriam Webster definition of optimism:

Optimism - noun

1: A doctrine that this world is the best possible world

2: An inclination to put the most favorable construction upon actions and events or to anticipate the best possible outcome

The first interpretation of optimism refers to a doctrine, a belief or set of beliefs held and taught by a Church, political party, or other group. This interpretation clearly does not apply.

The second interpretation catalogs optimism as an inclination to anticipate the best possible outcome, is relevant to our analysis. This definition clarifies exactly what optimism is, but does address why or how it occurs, especially in times generally perceived as turbulent.

Conflicting Reports of Optimism and Pessimism

Big media continues to report that the country is divided by distrust, cynicism and pervasive frustration. According to seasoned journalists, those experienced in sociopolitical trends, Americans are in a state of unrest because the future appears bleak and divisive. If these reports are accurate and correct, then times are bad and bound to get worse.

There are indeed many credible journalists who compile well-researched, well-balanced feature stories on topics such as civil unrest, [COVID-19](#), racial bias and socioeconomic inequality. These things most definitely exist.

In a recent USA Today article by Sheree R. Curry titled George Floyd's Minneapolis: Multicultural facade hid decades of simmering racial inequality, Curry wrote:

To outsiders, the Twin Cities often are associated with the genius of the late musician Prince, a vibrant theater scene, the massive shopping center Mall of America, or the many corporations that call Minneapolis-St. Paul home. The area boasts a litany of Fortune 500 companies including Target, Best Buy, General Mills, UnitedHealth Group, U.S. Bancorp, Ameriprise Financial and 3M, the maker of Post-it Notes and N95 respirator masks. But even with all of that cultural and economic capital, the region has a troubled history with race, police misconduct and economic inequality now in the world's gaze due to Floyd's death.

The pessimism that journalists extrapolate on is very difficult to measure by any quantitative standard. Negative occurrences are referenced and then explained in great detail, but their tangible impact on the [economy](#) and society as a whole cannot be truly measured.

Poles, studies and censuses can be compiled but seldom are such reports definitive, particularly in terms of dollars and cents. It can be concluded that bad things happen and that such occurrences cause dismay, but aside from that little can be discerned from an economic perspective.

Fortunately, there are just as many conflicting reports.

Social News Bad, Financial News Good

The financial media, by contrast, continues to emphasize the overall optimism that propels the indexes higher.

This is not the mundane glass-half-empty or glass-half-full scenario. Perish and flourish are two completely different things. The decision as to what outlook to adopt is not a matter of perspective; it is a matter of which information is true and which is false.



Ms. Curry explores several aspects of national pessimism and its impact on Minneapolis. The feature story is well-researched, objective and informative but pervasive negativity is not collated or measured. She merely states that it exists and is problematic.

By contrast, pervasive optimism can be definitively calculated simply by reviewing the performance of the domestic indexes. These indexes are numeric, so it is very simple to decide if society and the economy are doing well or poorly.

Americans must choose whether to believe that small fissures in the foundation of society have become large cracks, or that the sky is the limit in terms of growth and prosperity.

However, a third possibility exists: both sides of the story are true.

Some very serious problems are currently in play, but the economy as a whole is doing quite well. How is this possible?

So far, the conventional definition of optimism has been memorialized and an array of negative events has been identified. The fact that the indexes have rallied concurrently with these negative events has also been established.

The Same Boat

In many cases, the answer to even the most inexplicable enigmas is very simple. One just needs to step back and view the situation objectively. Next, work through the dynamic step by step, employing a practice known as association mapping.

Once the explanation becomes apparent, it never hurts to spin an analogy that everyone can relate to.

When it rains in the city, any city, people scramble to take cover in doorways, cafes and beneath overhangs. The loose configuration of strangers that was milling about in the street, failing to even acknowledge one another just moments prior to the deluge, do not scatter as one would assume; they consolidate.

No matter how large the group of people is, they immediately abandon their original separate goals and adopt one common goal: to stay dry. For the sake of our analysis, the rain is the negative event. This event influences everyone under that one piece of sky and causes them to unify.

In summary, disorder creates unity and unity creates optimism. Large groups of people working in unison tend to adopt the belief that the best possible outcome will occur. The group may appear disorderly at times, just like the [public markets](#), but as long as the group or groups remain consolidated the element of unity remains.

This sort of "[chaos theory](#)" is just that, a postulation. For the sake of brevity let's just say that, disorder, unity and optimism are three sides of pyramid. That pyramid spins on an axis, making these three elements cyclical.

When disorder appears, simply keep in mind that unity and prosperity are not far off.



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[Palm Beach securities attorney Laura Anthony](#) and her experienced legal team provide ongoing corporate counsel to small and mid-size private companies, OTC and exchange traded public companies as well as private companies going public on the Nasdaq, NYSE American or over-the-counter market, such as the OTCQB and OTCQX. For more than two decades [Anthony L.G., PLLC](#) has served clients providing fast, personalized, cutting-edge legal service. The firm's focus includes, but is not limited to Regulation D and Regulation S and PIPE Transactions, securities token offerings and initial coin offerings, [Regulation A/A+ offerings](#), as well as registration statements on Forms S-1, S-3, S-8 and merger registrations on Form S-4; compliance with the Securities Exchange Act of 1934, including registration on Form 10, reporting on Forms 10-Q, 10-K and 8-K, and 14C Information and 14A Proxy Statements; all forms of going public transactions; mergers and acquisitions including both reverse mergers and forward mergers; applications to and compliance with the corporate governance requirements of securities exchanges including [Nasdaq](#) and [NYSE American](#). Palm Beach attorney Laura Anthony is also the author of [SecuritiesLawBlog.com](#), the producer and host of [LawCast.com](#), Corporate Finance in Focus, and a contributor to The Huffington Post and Law360.

[Ms. Anthony](#) is involved throughout the community of Palm Beach. She is on the board of directors for the American Red Cross for Palm Beach and Martin Counties, and provides financial support to the Susan Komen Foundation, Opportunity, Inc., New Hope Charities, the Society of the Four Arts, the Norton Museum of Art, Palm Beach County Zoo Society, the Kravis Center for the Performing Arts and several other organizations. She is also a financial and hands-on supporter of Palm Beach Day Academy, one of Palm Beach's oldest and most respected educational institutions. She currently resides in Palm Beach with her husband and daughter.

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