

Global Markets continue to be jolted around as weakening economic data is doing battle with hopes that policy makers will save the day. Greece did elect a pro-austerity government and the Fed did extend their Quantitative Easing policy, vowing to keep rates low through 2014. Both of these actions gave the market a temporary lift. But that lift was quickly deflated with recent US economic data showing weakness in employment and manufacturing along with Spain and Cyprus asking the EU for an official bailout. The next event comes this weekend in Rome at the EU Summit, where leaders will try to convince the world they have a credible plan.

Global growth projections have again been reduced, now to 2.1%, making this three years in a row of below potential growth. This means growth is not high enough to absorb the growing world population and productivity declines. One positive has been the decline in oil, now below \$80 a barrel. The hope is lower gas prices will spur consumption.

The markets are in a cloud of Fiscal uncertainty. Much uncertainty remains focused on the Euro area which is now in the 3rd year of its sovereign debt crisis and has yet to come to any lasting resolution. In addition to this however, is uncertainty over US elections and how Washington will address the fiscal cliff coming in January. And finally, in Emerging Countries where growth is slowing, policy makers have yet to take meaningful action to improve growth. All of these factors have caused companies around the globe to hoard cash and hold off on future spending plans.

#### What would impress the markets?

In the EU, we need to see clear fiscal and political union along side of transfer of regulatory power to the ECB. There needs to be one central authority, one sovereignty. This means the EU could issue Euro bonds and re-finance the entire EU. (Basically, this is how the US is structured-the Treasury issues US sovereign bonds and that Federal money is used to bail out failing banks and rescue deposit holders.) In the US, it is a waiting game where nothing will be seriously debated until the elections are over and any resolution will be at the 11th hour, probably sometime in January. The one bright spot is potentially in Emerging Countries, with China the driving force. The question is: when and how aggressive will China monetary policy act?

#### Investment Strategy in a Foggy Environment:

Three primary themes:

1) Capital Preservation- this does not mean burying your money in the back yard! Doing nothing guarantees a negative return after inflation. But it does mean more weighting in income producing assets such as: Corporate Investment Grade and High Yield bonds and Dividend Paying Stocks.

2) Lower Risk Asset Classes- this means assets whose prices are less volatile than the broad market. For stocks, low risk asset types include: Domestic Large Cap Stocks, Consumer Discretionary, Health Care, Global Infrastructure, and Utilities.

3) Higher level of Cash -to deploy opportunistically

As always, please contact me with any questions or concerns. I am always available to meet to discuss in more detail the current issues at hand.