



## No Grand Bargain in DC; No Water Cooler Talk Yet

"Stop worrying about the world ending today. It's already tomorrow in Australia"

(Cartoonist Charles M Shultz)

The general consensus is that the government shutdown in the USA will cost the US economy somewhere around 0.60-0.75% off its GDP for Q4 2013. While that may or may not be true, you can be sure as earnings get reported that every CEO will use it to explain any soft earnings numbers. The fact is, the US economy was already limping along and "furloughed" workers on what quickly became a paid vacation were spending money like.....well.....they were on vacation! The reality is we now have a convenient excuse for the White House and business for missteps already in the pipeline.

But while D.C. fiddled, all the doom and gloom masked over what may be the most stealth market rally ever, and as soon as the circus in Washington left town, the S&P 500 finished the week at all time highs. That just joined the broader Russell 2000 in uncharted territory as well. And the markets are probably going higher because they've had these moves without the majority of the masses. I've seen this picture before, at some point the masses will pour back into the markets, and the outcome doesn't change.

When this stealth rally turns into the office water cooler talk, we will be close to the end than the beginning, but we are no where near that yet.

To say the games in Washington, DC have tarnished the USA would be an understatement. These guys are playing to the crowd more and more rather than governing, and it has all started at the top. The

President refused to negotiate a piecemeal deal over the continuing resolution or the debt ceiling, instead demanding a blank cheque with a promise to negotiate later.

Knowing there would not be a so-called Grand bargain, the President used the best weapon at his disposal: the left leaning media and the Bully Pulpit which comes with it. Last week he even used that Pulpit to proclaim Obamacare was a success based on the millions that flooded health exchange websites.

The poorly constructed websites and numbers of visits were certainly inflated, mainly due to the same people trying over and over again to get on line. But this whole administration has been about the spin rather than achievements. One CNN reporter did an on air experiment and registered herself. It took over a week to get a log in and password and hundreds of tries. In California, it was reported 5.6 million tried to get on the state's website, but it turns out the number was closer to 650,000, of which only 7,700 took the plunge.

Back to the piecemeal solution versus a Grand Bargain, if one thinks about it, capitalism at its core invites unpredictability, constant change, and creative destruction along the way that improves and enriches lives. Grand visions like socialism and communism make promises of what the future should look like, but never deliver.

The piecemeal approach to running government and the economy makes more sense to me since everything is a work in progress all the time.

In the back half of his last term as President, President Obama can finish strong and leave more of a legacy than Obamacare, which will end up being the biggest, single tax increase in US history. In my opinion, the President seems to have distanced himself from most of the crises. He simply has not been involved enough in the process except in holding press conferences. It doesn't have to be, but odds are it will be a lame duck White House until 2016.

Stay tuned,

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Vice President and Director  
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