



## NO FANFARE

*"We can always count on the Americans to do the right thing, after they have exhausted all other possibilities."*

Winston Churchill

Who would ever have thought the Dow Jones would be at an all-time high and there would be no buzz, no media headlines, no fanfare at all. This may be the stealthiest rally in history, and a bull that has not only climbed many walls of worry, but also a hated bull.

For the most part, global economies continue to stumble and bumble, but the buyers continue to step up on any pullback. There are many reasons for the bear's case, and why they don't trust the rally. There is a legitimate fear of the Fed money printing and US debt levels, but it could be years, maybe a decade before those fears could become reality. The truth be told, too many investors are watching from the sidelines, and from a contrarian standpoint, that is very bullish and means more upside to come. But despite the rally, it is not broad and another reason there's little fanfare is that the average investor simply isn't there.

The Canadian TSX has been a big disappointment for some time, and still remains approximately 18% below 2007 levels. In the US, the rally has had some sharp sector rotations, and stocks which were leaders not long ago (like Apple, the financials, heavy industrials, etc.) have actually hurt portfolios. What every investor must understand is that investing should be a lifelong endeavor. The need to have instant winners or to be able to time every dip or rally means that you will inevitably lose and be wrong more often than right.

The latest rally was 100% due to soothing comments from central bank heads Bernanke (in the USA) and Draghi (in Europe). President Obama had talked about the devastating impact of sequestration and even went on a national tour touting the harsh outcomes of government slowing the rate of spending by just 2%. Instead of tough times, the Dow Jones has rallied 9%, existing home prices are up 10-11%, April's job creation number of 303,000

was higher than seven months in 2012. Can you imagine the results if the government shrunk 5% or 6% or even 10%?

In the last week, Obamacare implementation has now been delayed until 2015. The fear all along by opponents was that it was going to make it more expensive to hire, boost overall business costs, reduce profits and grow government. The law has already raised taxes, and if left untouched will do so again as some companies dump relatively low-wage workers onto the government run exchanges where they can get generous taxpayer-financed subsidies for health insurance. The original bill greatly underestimated this cost. By delaying implementation until 2015, the Obama team has conceded there are inherent difficulties in implementing the law. Meanwhile, many small and medium sized companies can maneuver to avoid the burdens of the law, by hiring more part timers instead of full timers to avoid hitting the 50 worker level.

In the end, I believe investors have already priced in the negative effects of Obamacare. Now, over the next two years, investors will have a chance to price in the positive effects of Obamacare being much tougher to implement, and more likely to be watered down or perhaps even repealed.

I am a true believer in free markets, because they not only work, but they work efficiently. They can cut through the noise and find the aggregate wisdom of crowds in ways that socialist planners never can. Obamacare tries to turn healthcare reform in the opposite direction where it should be headed. I would rather see less government interference, more direct consumer interaction and more competition to reduce costs.

With last week's breakout of the S&P 500, we could see more short term upside for the summer, with maybe a pullback in late summer now, followed by a strong year end finish. Canada remains reliant on its commodity sector and hence news out of China. The USA markets are being driven by the Fed, as lately news out of Washington has been non existent (and that might be a good thing).

Stay tuned,

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Vice President and Director  
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