



## Conquistadors No More

*"In general, the art of government consists in taking as much money as possible from one party of the citizens to give to the other." Voltaire (French Historian/Philosopher)*

Historical data suggests that financial markets tend to follow predictable patterns in US Presidential election years. A look at prior years on the Dow Jones Industrial Average (DJIA), the oldest equity market, indicates better performance results if the incumbent party wins.

Since the DJIA was first published in 1896, there have been 29 Presidential election years. The index has returned an average of 7.18% in those years. Generally, investors have not suffered big losses during election years (although in the last election year in 2008, it was U-G-L-Y). While historical analysis can offer a roadmap of sorts, it's important to remember each election year brings its own unique characteristics.

Right now, well into Q2 of 2012, the economic outlook seems to have swung back to plenty of uncertainty with many factors up in the air ranging from corporate earnings, housing, unemployment, the US election and of course Europe. The European debt crisis continues to weigh on global markets. I've already said many times it will take years upon years to properly resolve Europe. It is going to be chronic pain for some time.

Europe has regained the front pages, but I believe this US election will be a very tight one and will soon take over those headlines. The Presidential election plays a crucial role in directing the nation's economic policy, tax rates, budgets, etc... and with all the angst over an anemic recovery, these factors will weigh in more heavily in voters minds this year.

With respect to Canada, fears of a slowdown in China heavily punished commodity stocks in March and April. Two years ago the fears were China was growing too fast at 11-12% GDP growth. Now at "only" 8%, the tone has become negative. One must remember this is a manipulated economy and it seems they've taken correct measures to fight inflation and now will refocus back to growth.

The President has been banging the campaign drums on green energy, high speed rail, and public construction works. He insists it is the perfect game plan to reignite the US economy. I think he has it wrong and one doesn't have to look any further than Spain to see the template for government – directed central planning run amok.

Spain's government thought they had all the answers, and Spain was content in being a minor player with a high standard of living. The country wasted so much money on solar energy, empty airports, and beautiful highways. Spain's unemployment now stands at 26% and a record 5.5 million people are out of work. Of people under 30 years of age, 20%

have yet to find their first job and home prices are down 30% but Spain does have the longest high speed rail system in the world outside of China and more solar than anyone except Germany. In the meantime, Spain inches closer and closer to economic insolvency.

According to a recent study done at Juan Carlos University:

- Since 2000, Spain has spent €571,000 to create each green job
- Green job programs resulted in destruction of 110,000 jobs (or 2.2 jobs destroyed for each "green job" created)

To their credit, the people of Spain voted in a conservative government after decades of love with socialists that promised a lot, delivered smoke and mirrors, and destroyed the nation. But it may be too late already. In fact, Spain was hailed by President Obama as the nation with the right clean energy plan, but each clean energy job resulted in the loss of "real" jobs.

Now Spain is making tough cuts, the kind of cuts that only become tougher the longer they linger. They have made the following changes in spending:

Foreign Policy 39%	Military 25%
Education 22%	Civil 26%
Public Health 7%	Spanish Royal Family 2%
Infrastructure 22%	

(Good to see another set of Royals suffer with the rest of the Country!)

The long term lesson for us on this side of the Atlantic is that things can get worse in a hurry even in what seems to be a controlled environment. Wealth distribution never worked in Spain and now they are paying the price. Ironically, last week the people of France and Greece re-elected extreme left governments. Poor fools think that will change the numbers somehow. Wait until those voters realize those political promises made were hollow, only to lose a few more years before being prepared to face the music.

Stay Tuned,

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