



## WE HAVE A DEAL!

*"We all know what to do...but we don't know how to get re-elected once we've done it."*

*Jean-Claude Juncker – Prime Minister Luxembourg*

After a full day of negotiations, the powers that be in Europe finally agreed to a deal, and they pulled off a triple play:

- Agreed on write-down amount of Greek debt (50%)
- Backstopped their financial institutions and their liquidity
- Got concessions/austerity measures from Italy

The second one was the important one in order to prevent the spread of default or a contagion, but the Italian piece is huge as with debt at \$2.7 trillion, if they get into trouble would make Greece's problems minuscule.

Of course we are not totally out of the woods. In six to eight months we will probably be hearing issues out of another sovereign nation...Spain...Italy...who knows. But what this does is buy time.

For regular readers, you know we've been looking for a strong year end rally. This is the catalyst and will create a big push to cover shorts and get cash to work.

The second catalyst I've been saying we need is news out of China that they've been successful in slowing their growth enough that they apply stimulus via lower rates and lower bank margins. This will be the second catalyst and will help Canada because it will make commodities run again.

The third catalyst I am hoping for, but which is less likely, is President Obama moving more to the middle and being perceived as more pro business. With his approval ratings at all time lows, I'd thought it would have happened already with an election in 12 months, but looks like he's chosen class warfare and division as his reelection theme.

Just one of the catalysts is good enough for a decent rally. Two would be great; all three would create the mother of bull markets.

I still believe the chance of a double dip recession is zero.

One of the biggest "tells" of economic strength is oil and oil prices. If you recall, oil was \$115 in May and dipped as low as \$75 on October 4<sup>th</sup>. Today as I write it is \$93. That's almost \$20 or 26% gain in but 17 trading days. In addition, last month, the world daily consumption of oil was the highest in history at over 89 million barrels per day. Read that again...the highest daily

consumption in history. Would that be occurring if this great global slowdown the pundits have been warning about was happening? I don't think so.

So what now?

Well, financials around the world get a reprieve and get a decent rally. Energy goes higher as recession risk diminishes and GDP growth figures start getting adjusted higher.

For those who know me well, know I am never a fan of gold, but economics 101 leads one to believe it has to go higher. All these bailouts involve a printing of money. Odds are 50/50 still for a US "QE3". All of this is inflationary, so yes gold (and silver) go higher.

This is the second time (the first was the US debt deal) in just a few months where "the end" was the prediction, and in "the end" people came through and did the right thing. The debates I've had with so many people who took the pessimist's side, I simply can't count.

While everyone's been focused on Europe the last 4-6 weeks, quietly the economic news out of North America has been improving. Jobs numbers, housing numbers, retail sales, manufacturing numbers...all have been solid and in the right trend. Of the corporate earnings reported so far this quarter, 70% have beat, 10% have met expectations and only 20% have missed.

The pieces are starting to come together. No, things are not perfect, but like the Beatles sang, "you have to admit it's getting better." Today the Dow Jones crosses 12,000 for the first time in a while. I think there's a good chance we see 14,198 sometime in 2011...the all time high.

Stay Tuned, your forever optimistic advisor,

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