



## The United States is Not Greece...

If I had a quarter for every time I've heard in the last few months that the USA is going the way of Greece...well, you know...

Given the volatility and turbulent markets the last few weeks, I wanted to give my perspective. Today North American markets will open about 3% lower, mainly due to lingering concerns over Europe.

It amazes me that the epicenter of this whole recent cycle is Greece, a country of only 10 million people, very few of which pay any taxes and whose economy represents about 2% of Europe's GNP.

There is a great deal of uncertainty, but here's what we do know:

1. About 95% of the S&P 500 corporations have reported this quarter's earnings. About 75% beat estimates and only 12% missed. In my experience, earnings and balance sheets are what drive equity prices. Based on earnings just reported the S&P 500 is cheaper than at the low in March 2009.
2. Last week Fed Chairman Ben Bernanke announced US interest rates will remain historically low until 2013. This is unprecedented and I think markets underestimated how powerful this may be. Investors can choose to buy money markets or bonds, but they will make zero for it. This morning a 10-year US Treasury yields 2.10%, Royal Bank pays 4.20%, Johnson n Johnson 3.55%, Dow Chemical 3.40%, GE 3.70% and so on. Does anyone believe any of these won't increase dividends over the next 10 years?
3. There is a 100% chance of a US Presidential Election in November 2012. And with approval ratings of below 40% I know the administration will do everything they can to get the economy rolling.

There are real concerns faced by the USA. Real debt and unemployment challenges are out there. But today's issues are nothing like those of 2008 when it truly did appear the world could fall into a 1930's style depression. Funding Social Security and Medicare will require some tough decisions. The good news is that the USA and its \$15 trillion economy have options that many other countries lack.

Some of the smartest investors of all time like Warren Buffet and Wilbur Ross have been big buyers as of late. Follow their lead.

Past downturns have taught us many lessons, but the most valuable is never panic and sell good quality names. Rash actions have never paid off. Might feel good short term, but in my experience, good decisions are seldom made when emotions are at a peak, good or bad.

I personally am using the last few weeks to be a buyer of good quality names beaten down, but taking a time horizon longer than a few weeks.

I do not believe we are going back into recession (although many will argue we never got out of it) because the corporate news overall has been good.

If you feel like we need to talk, please do not hesitate to contact us to review your portfolio.

Stay Tuned

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