



RBC Wealth Management™

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“The Markets are a mean, sadistic beast”
Barton Biggs

Once again, market pessimism is reaching a peak in reaction to a sharp drop in consumer confidence due to concerns that job growth is slowing and the tug of war between the concepts of austerity vs. stimulus. Long term sovereign debt issues will need to be addressed at some point, but the federal reserve has made it clear that their primary mandate is economic recovery and that policy will remain accommodative as long as necessary. The Dodd-Frank bill is close to passage and this will create the final template for financial reform which has been debated for over three and a half troubled years.

As you may recall, the markets went into a turbulent mode in January, February and March as the Healthcare reform act was debated and enacted. I think the final passage of Finreg will lead to calmer markets and a realization that economic and financial conditions are better than market action indicates. Corporate balance sheets and earnings are strong, stock buybacks and dividend hikes are increasing and the market trades at a relatively low multiple to future earnings prospects.

Andrew Ross Sorkin, author of “Too Big to Fail”, wrote a column in today’s New York Times discussing the history of crisis. The gist of this is – there will be another, but we are working our way out of this one rather than returning to the depths of 2008.

I will have much more to say about all of this in the near future as I will be appearing on WSBS radio 860 am/94.1 fm Friday, July 9th at 9:00 am as a guest on State Representative Smitty Pignatelli’s “Let’s Talk” program. I am also giving a presentation at the Monterey General Store the following Thursday, July 15th at 7:00 pm titled “Investing in a Time of Contagion – Hidden Opportunities in a Time of Crisis.” In preparing for these two events, I have done a tremendous amount of deep diving in terms of research and – while troubled by market behavior – see volumes of confirmation that fundamental economic conditions are improving.

Please try to tune in next week and attend the presentation on the 15th. In the meantime, I continue to pay close attention and am here to answer any questions you may have.

Regards,

Terry

The views presented herein are solely those of Terrence Webb, and do not necessarily represent the views of RBC Wealth Management. Current status of issues discussed in this letter is subject to change based upon market conditions and industry fundamentals. Clients should work with their Financial Advisor to develop investment strategies tailored to their own financial circumstances. Past performance is no guarantee of future results.