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Chairman

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DJIA: 12,862.23

S&P: 1,344.90

NASDAQ: 2,905.66

30yr. T-Bond: 3.15%

**Market Outlook:**

**Fact.**

Historically, it's difficult to have economic expansion without job growth, fiscal expansion, and consumer confidence. And yet, despite low interest rates, and a "leveling-off" of unemployment, we find ourselves in the middle of an economic "recession."

Of course, phrases like "recession," "expansion," and "depression" do not represent *points in time*, but, rather, periods during which these phenomena occur. **So to suggest that we might be in any one of these economic cycles also implies that we must define the time line, the trend's direction and magnitude, and our place within it.**

Needless to say, definitional values stipulate certain "rules" about the qualities of an economic cycle. We know, for example, that there are few recessions when interest rates are rising.

This time around, however, we have the spigot of economic growth (low interest rates) wide open, yet one factor eludes us to make that happen: **consumer and business confidence.**

Mine is not a political discourse, so I will dispel with allocating blame. But we all know that miscreants and suspicious behavior on Wall Street contributed to creating a landscape of permissiveness and greed whose foundation eroded confidence in at least one of our institutional mainstays.

**Fiction.**

One might have thought that a decade of rising commodity prices could have generated inflation and economic growth in the global economy. Unfortunately, if we don't spend, chasing prices higher, ultimately values will fall. And that's exactly what happened in the last 3 years. I've written before, **"You can lead a horse to water, but you can't make him spend."**

Concerns over foreign capital and austerity programs have caused the U.S. Federal Reserve to project leaving interest rates low for at least the next three years, leaving the onus on the consumer to project when he might dip his toes back into the water.

Unfortunately, with few exceptions, borrowing and spending are stagnant, driving the price of most goods and services lower. Last year, funds raised and spent as a percentage of all GDP was less than the preceding year. And still, the trend is lower.

The same factors which drove valuations lower might ultimately be the engine for driving prices higher. **Once the decline is "overdone," investors will be more willing to participate in traditional demand-driven activities.**

Instead, we are caught within one of those trends (bear) which imposes a considerable acceleration of tensions (political, economic, moral) upon our social fabric. Will we reverse course? Of course we will.

My discipline is unique in that it allows for a "quantification" of market trends. By extending the duration of these trends through market manipulation and artificial contrivance, governments have created pressures which have elongated the duration of the pain associated with low growth and recession.

A cycle of negative expectations ensues.

In a highly charged rhetorical climate, one feels as if *investing* is like walking on eggshells.