

# MV Capital Management Midweek Market Commentary

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## Election Fever Breaks, Eurozone Jitters Return

*November 7<sup>th</sup>, 2012*

Now that the election is over and done with, US investors have turned their focus once again to the looming fiscal cliff and deepening recession in Europe – and their reaction has been anything but kind. At close on Wednesday, the Dow Jones Industrial average was down a whopping 313 points, once again bringing it below the 1300 mark.

Much of this negative reaction was brought on by comments by European Central Bank (ECB) President Mario Draghi, who discussed concerns about Germany, the Eurozone’s biggest economy. A 1.8% month-on-month fall in industrial production as well as a 3.3% decline in factory orders have resulted in the European Commission reducing Germany’s 2013 growth forecast by around half – it is now expected to grow 0.8% next year rather than the previous estimate of 1.7%.

Most disconcerting about these numbers, as Draghi stated, is that “Germany has so far been largely insulated from some of the difficulties elsewhere in the euro area”. However, these new reports and growth estimates suggest that the Eurozone’s largest economy is not immune to the problems that have been plaguing other member countries for quite some time now; most notably “deplorably high” unemployment, a weak economic outlook and an ongoing three year long debt crisis.

The European Commission’s 2013 growth prediction for the rest of the Eurozone countries is not any better – a paltry 0.4% growth is expected, barely above recession territory.

But investors shouldn’t necessarily panic – this sentiment is vastly different from the lead-up to Draghi’s star turn in late July when he succeeded in gaining approval for the ECB to conduct sovereign bond-buying programs intended to reduce market volatility and borrowing costs for struggling Eurozone countries. The best advice for investors in our opinion is to stay disciplined and watch how the various economic concerns in both the US and Eurozone continue to play out. If we can get through the next couple months without a worst-case scenario playing out it could lead into opportunities for growth in 2013.

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MVCM 2012 0062  
DOFU: November 2012

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