

MV Capital Management Weekly Market Flash

Giving Thanks

November 27, 2013

Another holiday season is upon us. Whether preparing a traditional turkey meal, pushing the envelope with avant-garde culinary experiments, or celebrating the rare and delightful convergence of Thanksgiving and Hanukkah, this is a time of year when we like to take a moment to breathe, stand back from the daily craziness of our lives, and give thanks for all the blessings that are ours. In that spirit, we'll spend less time in this week's Market Flash dwelling on negatives like political dysfunction or corporate wrongdoings, in favor of the more positive attributes proceeding from the investment world for the year to date. For this week, at least, we will prefer to look on the bright side of life.

Recovery Slow, But Steady

We came out of the recession in early 2009 and have enjoyed consecutive quarters of GDP growth ever since. It's not yet as much growth as we would like, but growth nonetheless. The unemployment rate has come down from over 10% in 2009 to just over 7% today. Now, as investment analysts we look at the unemployment rate as just another macroeconomic data point, an input to our predictive scenario models. But behind the numbers are real people: fathers and mothers, spouses and partners, humans trying to improve the quality of their lives through meaningful employment. Every downtick in the unemployment rate, every addition to the monthly nonfarm payrolls, is a reason to be thankful and hopeful.

Policy Stability

In our weekly posts we are more often than not critical of political actors and policymakers. We certainly are not Pollyannas who think all is well with the world and its governments – far from it. But as cynical as we can be, watching another fiscal reform initiative or budget resolution get kicked down the road, we should be mindful of the fact that, with each crisis point, the worst outcome has been averted. For a good part of that we can thank the Federal Reserve and other central banks. Their decisions have in no way been perfect. But they have held the European currency zone together, smoothed over some of the rougher patches in our economic trajectory here in the U.S., and even helped to put long-suffering Japan back into position for economic recovery. We want the world to be a more prosperous place, and are supportive of measures that seek to accomplish prosperity within the boundaries of prudent economics.

Business Innovation Continues

Corporate America also frequently finds itself in the crosshairs of our unsmiling analysis in these pages – again, with good reason. But let's also give thanks for the spirit of innovation and progress that we believe is still alive and well in our country. With top-line economic growth slow, the corporations that make up our major U.S. stock indexes have still managed to grow their profits to record levels. How have they done this? First, by seizing opportunities in new markets. Companies as diverse as Microsoft, GE and Cisco Systems have some of their largest operations and research facilities in places like India and China, and have learned how to expand their sales in these dynamic countries. Second, businesses are ever finding new ways to improve their cost structures and leverage technology. Profits are good for businesses and good for investors. As much as one can attribute the market's strong recent performance to the Fed and quantitative easing, strong corporate profits have kept valuations reasonable and out of bubble territory.

As for us here at MVCAM, we are thankful for the chance to do what we love doing every day of the week, and for the honor of managing the assets entrusted to us by our clients. A very happy Thanksgiving to each and every one of you.

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