ADVISOR PERSPECTIVES

# Macro View...In Microwave Time (Part 2 of 2)

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Today's blog post picks up where last week's left off – by updating the 13 key points for investors I laid out in an article in RIABiz.com on January 14 of this year. These were and are the most significant data and forces for investors to track today, to pursue long-term growth and sidestep major losses. As I did last week, I will also note whether I think each point is a positive or negative (or other) for investors now that we are about 3/5 of the way through 2013. The six areas covered last week were generally positive. Let's see about the final seven on the list...

7. How stock market volatility and bond rates affect retirees' investment decisions (confused!) – it wasn't long ago (2012) that investors were throwing money at bond mutual funds and ETFs. Where are we now? June was one of the biggest months on record...for redemptions of bond funds! As I have noted in this blog and will continue to, many investors and their advisors are either in denial about the coming storm of higher interest rates, or they are aware but confused about what to do.

8. Survival of the Euro (positive but tenuous) – since its dip and recovery last summer and autumn, the European currency has traded in a range. There have been no big headlines about Greece or Spain or Italy or Portugal falling apart...but that doesn't mean the weak sisters of Europe are in any better shape. It just means their creditors have been able to push their arrangements with these countries out further in time. Stay tuned, as I suspect this story has many more chapters.

9. Gold as a currency of choice (negative for gold, positive for investors) – I have never been a gold bug, and while I do see some merit to owning it at times, the price level had gotten silly at $1,800 an ounce. Now it is closer to $1,300. Investors are better off when markets are not sidetracked by this illusion that one must own gold because we are one day going to need it to buy bread and water. If we get to that point, don't you think we have much bigger problems?

10. China: emerging world player or fading giant? (it looks bad, but is better than many think)– China is like the iconic athlete that people keep writing off toward the end of his career...but then he keeps performing at high level. As I will cover in more detail in an upcoming blog post, investors are looking at China from the wrong angle. They obsess about its falling GDP (economic) growth, but ignore the real reason to be a long-term bull on China and its neighbors...dramatically increased consumption by an emerging middle class consumer.

11. The Energy mix (very positive) – talk about firing on all cylinders! Increased oil drilling, natural gas projects abound, solar costs coming down to significant levels. For years, one of my top long-term investment themes has been the increased diversification of the world's energy mix, whereby it will not be all about oil. The political and economic benefits of what is happening can be enormous.

12. The Millennials: a powerful yet unheralded demographic trend (inevitable) – this is the newest long-term investment theme we are following at Sungarden. It will play out gradually over many years. But this huge group of "kids" is going to be a major force, for better and worse. Lots of consumption, tech-savvy, but fighting a high unemployment rate and a skills deficiency (in the U.S. at least). This will be fascinating to watch unfold.

13. Dividends in a post-fiscal cliff era (a mixed bag) – tax rates on dividends did not skyrocket as many feared, but they did go up modestly as part of the changes forced upon the tax code at the end of last year. But yields are down because stock prices are way up, and that makes it harder for retirees to grab retirement income without "reaching for yield" by buying less-safe dividends.

So, that's an update on "13 for 2013." I will update this list again at year end. In the meantime, your comments and feedback are always welcome.



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