# Buetow Asset Management, LLC

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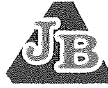
Kalamazoo, MI 49009



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Candy Buetow
Data Entry

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**WINTER 2013**

Somehow, we made it through the "Fiscal Cliff" crisis and the markets have responded positively. However, I find it interesting that the very same people who caused this most recent crisis (Congress) apparently are the only ones who can solve the crisis. In my opinion, it doesn't exactly inspire much confidence in our elected leaders.

The stock market, as measured by the S&P 500, was up 2.40% for the month of January. We need to question what is responsible for the upward trend of the markets over the past year. It certainly isn't the fundamentals of a strong, vibrant, and growing economy, in fact just the opposite: Unemployment remains stubbornly near 8%, the housing market has begun a recovery but is still nowhere near the pre-2008 valuations, tax rates have increased for many Americans (the hidden taxes in Obamacare, and the increase in payroll taxes for all workers, just to mention two), out of control government spending, and an increasing Federal debt that threatens to bankrupt our great country.

The current situation in the markets reminds me of then Fed Chairman Alan Greenspan's famous "irrational exuberance" speech in December of 1996. He warned that stock prices, particularly those of the dot com tech companies were grossly overvalued. He was making the point that it wasn't market fundamentals that had driven up the valuations of the tech stocks, rather it was people pouring money into the market and chasing triple digit returns. Sure enough, the stock markets collapsed less than four years later.

In my opinion, it is current Fed Chairman Ben Bernanke that is responsible for the current wave of "irrational exuberance". The markets love the Cash infusion resulting from the Fed's commitment to print as much money as they feel necessary to stimulate the economy (Quantitative Easing I, II, and III). Our expectation is for the markets to continue their upward trend for "a while" longer. For the short term, sit back and enjoy the ride.

That's the good news. Historically, whenever Governments "crank up the printing presses", it has always ended badly. In the long run, I just don't see how this can turn out any differently. Chairman Bernanke's easy money policies must ultimately lead to inflation (possibly hyper inflation) and the continued devaluation of the dollar. Remember, however, that Governments can not print Gold, Silver, or Real Estate, and these hard assets historically do well during periods of high inflation. You already own one or more of the following hard asset positions and we will be increasing these holdings in anticipation of coming inflation: Gold (iShares Gold, various Gold mine stocks, *i.e.* Franco Nevada, El Dorado, Yamana, Market Vectors Gold Miners, *et al.),* Silver (iShares Silver, Hecla Mining), Real Estate (Nuveen Real Estate, Fidelity Real Estate, Government Properties, Two Harbors, Blacksone Group, and China Real Estate).

Rest assured, we continue to monitor your portfolio closely. Please call me if you have any questions or comments.

John Buetow

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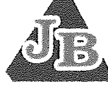

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