



Looking Ahead & Other Observations

Week of December 3, 2012

The End Is Nigh...the End of the Year, That Is

- **Thanksgiving signaled the beginning of the end of the year**, with both the critical holiday sales season, as well as the usual slowdown in market activity. A bevy of data releases this week will give us additional clarity on whether the economy is holding firm in the last quarter of 2012.
- **Leading indicators appear to have stabilized, despite Sandy**. The ISM manufacturing and service PMIs are released this week, providing a look at national conditions.
- **Third quarter GDP** was reported at 2.7%, although real final sales were closer to 1.9%. Housing remains an important positive contributor to economic growth and government spending was actually a positive contributor for the first quarter since 2Q2010, due primarily to national defense.
- **The final employment report of 2012** will also be released this week.

Dates of Interest:

12/3: ISM Mfg PMI

12/5: ISM Svc PMI, ADP Employment

12/6: Initial Claims

12/7: Nonfarm Payrolls, Unemployment Rate

The End Is Nigh, Part II – The “Fiscal Cliff”

- **A nail-biter lame duck session**: Election season and the surrounding campaign rhetoric delayed needed resolution of the fiscal cliff, making for the nail-biting lame-duck congressional session we are now experiencing.
- **Leaders from both parties outlined their “wish lists” for resolving the fiscal cliff**. President Obama’s vision focused primarily on higher taxes for wealthier Americans in exchange for some entitlement spending cuts, while Senate Minority Leader McConnell’s turned instead towards cutting entitlement spending with high taxes through lower deductions.
- **Can the two sides meet in the middle?** The question now is whether enough common ground can be found to come to an agreement before the end of the year. Rhetoric is likely to be strong as both sides trade opening blows, but may moderate quickly if negotiations gain traction. Our base case is that Congress will be able to (at the last minute?) legislate a 3-to-12 month delay of the cliff, but we do not believe that the risk of inaction is immaterial.

Europe Trudges Toward 2013

- **Events in the United States may overshadow those in Europe for now, but Europe remains a concern**. Europe has made progress in 2013 with ECB action and greater leniency of fiscal austerity programs, but still has a long way to go and more than enough opportunities to undermine this progress.
- **ECB support can delay but not resolve the debt situation in Europe**. The ECB’s OMT (Outright Monetary Transaction) program has reduced government borrowing costs via direct purchases.
- **Spain remains the pivotal country**, but Prime Minister Rajoy insists Spain is on its own timetable and is waiting for specifics on what conditions would be imposed if he were to ask for help from the ECB.

Dates of Interest

12/3: Eurozone, Germany, France, Italy Mfg PMI

12/5: Eurozone, Germany, France, Italy Svc PMI

11/28: ECB Meeting, BoE Meeting

Investment Themes

- **Position portfolios to benefit from improving economic environment**
 - Favor a constructive but not aggressive asset mix given potential for policy errors
- **Maintain the middle:** Investors should maintain a long-term focus on the middle of the investment risk spectrum, where the most attractive risk-reward opportunities lie.
 - Favor high quality and/or dividend growth within equities
 - Take credit risk: high yield bonds, municipal credit, and global bonds
 - Utilize alternative risk control: secured options and absolute return strategies
- **Position to benefit from long-term growth opportunities**
 - U.S. manufacturing renaissance and emerging market consumer growth
- **Maintain some protection against unexpected future inflation and currency devaluation:**
 - Global fixed income and broad/active commodity basket

Other Events / Dates

	Monday, December 3	Tuesday, December 4	Wednesday, December 5	Thursday, December 6	Friday, December 7
DOMESTIC	ISM Mfg PMI (51.2e vs. 51.7)		ISM Svc PMI (53.2e vs. 54.2) ADP Employment (140Ke vs. 158K)	Initial Jobless Claims (391Ke vs. 393K)	Nonfarm Payrolls (150Ke vs. 171K) Unemployment Rate (7.9%e vs. 7.9%)
INTERNATIONAL	Eurozone, Germany, France, Italy Mfg PMI		Eurozone, Germany, France, Italy Svc PMI Spain bond auction	ECB Meeting BoE Meeting Eurozone GDP	

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- Responsible for formulating investment policy and strategy
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Glenmede

Corporate Facts

- More than \$21 billion in assets under management
- Founded in 1956
- Serves high net worth individuals, families, family offices, foundations and institutional clients

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