



Looking Ahead & Other Observations

Week of January 28, 2013

Dodged One Bullet, But...

- **The Republican-controlled House voted to extend the debt ceiling through at least May**, giving the economy somewhat more breathing room. This is, however, yet another kick-the-can solution, and does not provide long-term relief from this potential
- **Agreement on the sequestration, and later, the continuing budget resolution, however, remain very real threats.** Politicians on both sides of the aisle in both chambers of Congress expect the spending cuts to kick in as negotiations begin anew, adding to the already extant drag from government action this year. The March 1st date is also quite close to a potential late-March federal shutdown.
- **The change to government spending enacted by the American Taxpayer Relief Act (ATRA) is already in the book.** The current deal creates a 0.5%-to-1.0% headwind, but this could move closer to 1.5% or more if negotiations break down and the automatic sequester is permitted to begin. Economists and others continue to watch closely for signs of how significantly higher taxes are affecting growth.

Taking a Breather or Out of Breath?

- **The first batch of major economic statistics for 2013, as well as remaining information for 2012, is released this week.** GDP, employment statistics, consumption, and even monetary policy will be on display.
- **Fourth quarter GDP is expected to slow dramatically compared to the third quarter.** After 3.1% growth in the third quarter – the third-strongest quarter since the financial crisis – expectations are for 1.2% in the fourth quarter of 2012. Housing should continue to be additive.
- **Employment and leading indicators for January may provide insight into post-fiscal-cliff-deal dynamics.** Regional leading indicators so far have been weaker, but national surveys appear healthier. Initial jobless claims recently posted a multi-year low, which may presage improvement in broader employment statistics in coming months.

Dates of Interest:

1/28: Durable Goods Orders, Dallas Fed

1/30: ADP Employment, 4Q GDP, FOMC Meeting

1/31: Initial Claims, Personal Income, Consumer Spending

2/1: Nonfarm Payrolls, ISM Mfg, Unemployment Rate

Europe's Warming the Bench

- **Europe made progress in 2013 with ECB action and greater leniency of fiscal austerity programs**, but still has a long way to go. 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, reducing the near-term stress.
- **Spain remains the pivotal country**, with the need to issue raise over 200 billion euro (20% of the nation's GDP) in debt in 2013 to cover debt maturities and deficit spending. Spain's rates have fallen, making this problem less pronounced, but they have not fallen as much as the other PIIGS, suggesting we have yet to see a decisive end to the problems in Europe.

Dates of Interest:

1/30: Spain GDP

1/31: Germany, Spain CPI, Germany Retail Sales

2/1: Eurozone, Germany, France, Italy PMI

Investment Themes

- **Position portfolios to benefit from moderate economic growth**
 - Favor a constructive but not aggressive asset mix given ongoing risk of 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, bank loans, and emerging market 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, January 28	Tuesday, January 29	Wednesday, January 30	Thursday, January 31	Friday, February 1
DOMESTIC	Durable Goods Orders (1.9%e vs. 0.8%) Dallas Fed		ADP Employment (165Ke vs. 215K) 4Q GDP (1.2%e vs. 3.1%) FOMC Meeting	Initial Jobless Claims (350Ke vs. 330K) Personal Income (0.8%e vs. 0.6%) Consumer Spending (0.3%e vs. 0.4%)	Nonfarm Payrolls (155Ke vs. 155K) Unemployment Rate (7.8%e vs. 7.8%) ISM Mfg (50.5e vs. 50.7)
INTERNATIONAL	Italy bond auction	Italy bond auction	Spain GDP Japan Mfg PMI	Germany Retail Sales Germany, Spain CPI	Eurozone, Germany, France, Italy PMI

Jason D. Pride, CFA

Director of Investment Strategy

- Responsible for formulating investment policy and strategy
- Serves as a leading member of the Investment Policy Committee
- B.S. from Massachusetts Institute of Technology

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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