



## Looking Ahead & Other Observations

Week of January 14, 2013

### Negotiating Away Debt Dependency

- **Only a few weeks remain until the debt ceiling and sequester become hot topics again**, making the current period feel much like ongoing rehabilitation than a quick resolution.
- **The change to government spending enacted by the American Taxpayer Relief Act (ATRA) will be a fiscal drag this year.** 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. Further, negotiations run the risk of leading to a temporary government shut down and an associated shock to investor confidence and the economy.
- **Moderate economic growth continues** as positive/mixed economic statistics continue to be released. This week brings more US leading indicators with the Richmond Fed and Markit's Flash PMI.
- **Housing remains a bright spot, with starts and prices continuing to rise.** An ongoing updraft in housing conditions provides a tailwind to growth.

#### Dates of Interest:

1/22: Existing Home Sales, Richmond Fed

1/24: Markit Flash PMI, Init. Jobless Claims, New Home Sales

### Europe: Painkillers, Anyone?

- **Events in the United States may have overshadowed those in Europe, but its multi-government fiasco still remains a concern as well.** 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.** The other PIIGS have seen their interest rates fall significantly throughout 2012, but Spain have not fallen as much, suggesting we have yet to see a decisive end to the problems in Europe.

#### Dates of Interest:

1/22: ZEW Survey

1/25: UK GDP, IFO Survey

1/24: Markit Flash PMI – EU, Germ, France, China

### Central Banks: "Everyone Is Doing It."

- **Draghi heads to Davos.** His efforts to stem the European debt crisis will likely be hailed by political, business, and wealthy types alike.
- **Monetary policy remains easy to facilitate balance-sheet repair.** The U.S.'s zero interest rate policy (ZIRP) conditional on unemployment and inflation statistics, but this means that it is likely to remain in place while fiscal austerity efforts hold the economy back from stronger gains.
- **Japan continues to work towards its newfound goal of 2% inflation.** The Bank of Japan announced the new target and extended to "unlimited" the time frame for its existing bond purchases, although market may have been expecting even more dramatic action.

#### Dates of Interest:

1/21-1/22: BOJ Meeting

## 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, 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, January 21	Tuesday, January 22	Wednesday, January 23	Thursday, January 24	Friday, January 25
DOMESTIC	Martin Luther King Day / Presidential Inauguration	Existing Home Sales (5.10m vs. 5.04m)  Richmond Fed		Markit Flash PMI - US  Initial Jobless Claims (360Ke vs. 335K)  New Home Sales (385Ke vs. 377K)	
INTERNATIONAL	BOJ Meeting	BOJ Meeting  ZEW Survey		Market Flash PMI – EU, Germany, France, China	UK GDP  IFO Survey

### 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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