# Courier Capital Corporation

## Market Review & Update

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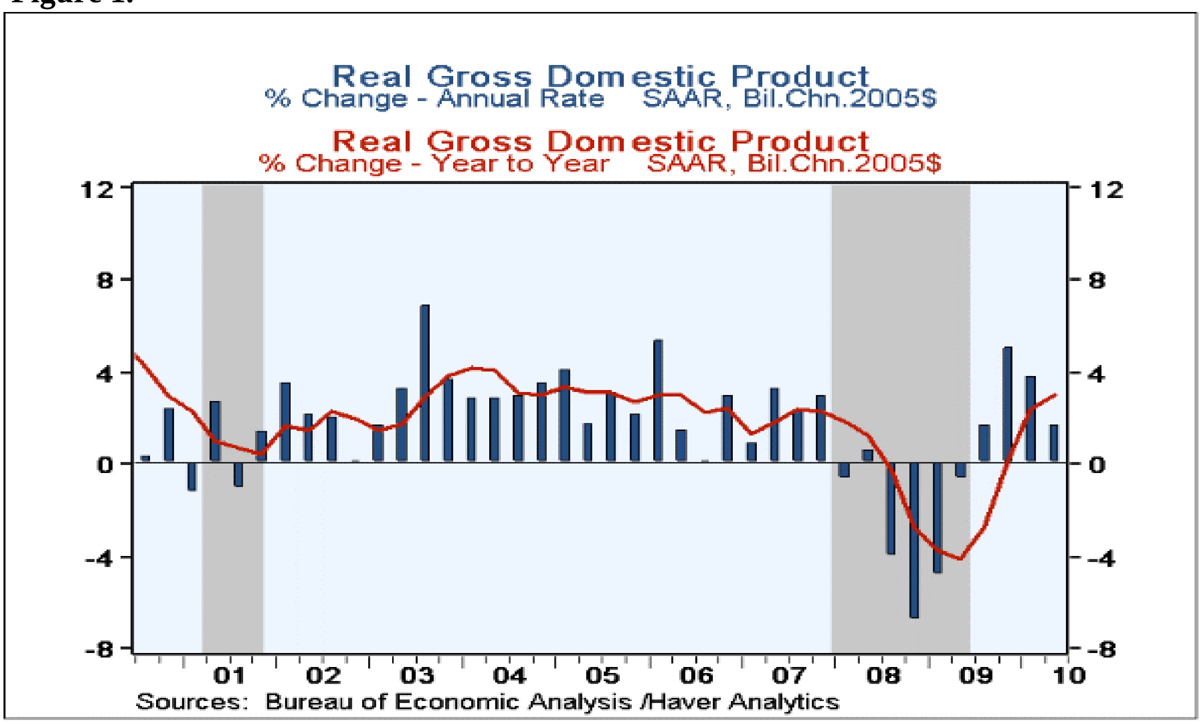
Scratch a bit beneath that false veneer of sarcastic sociopathy, and you'll discover the warm, sensitive and empathetic inner child. I "truly" get why many people don't feel great about the world right now. What has the press delivered to them? Visions of an administration searching for a sense of its economic self, the "worst ecological disaster in global history" (thankfully, they were very incorrect), Europe sinking to the 7$^{th}$ level of Dante's little inferno and taking us along for the ride (sorry to disappoint), endless stories of the unemployed (ok, this one's quite real) and various morose morbidities that should at least stimulate the economic demand for Xanax.

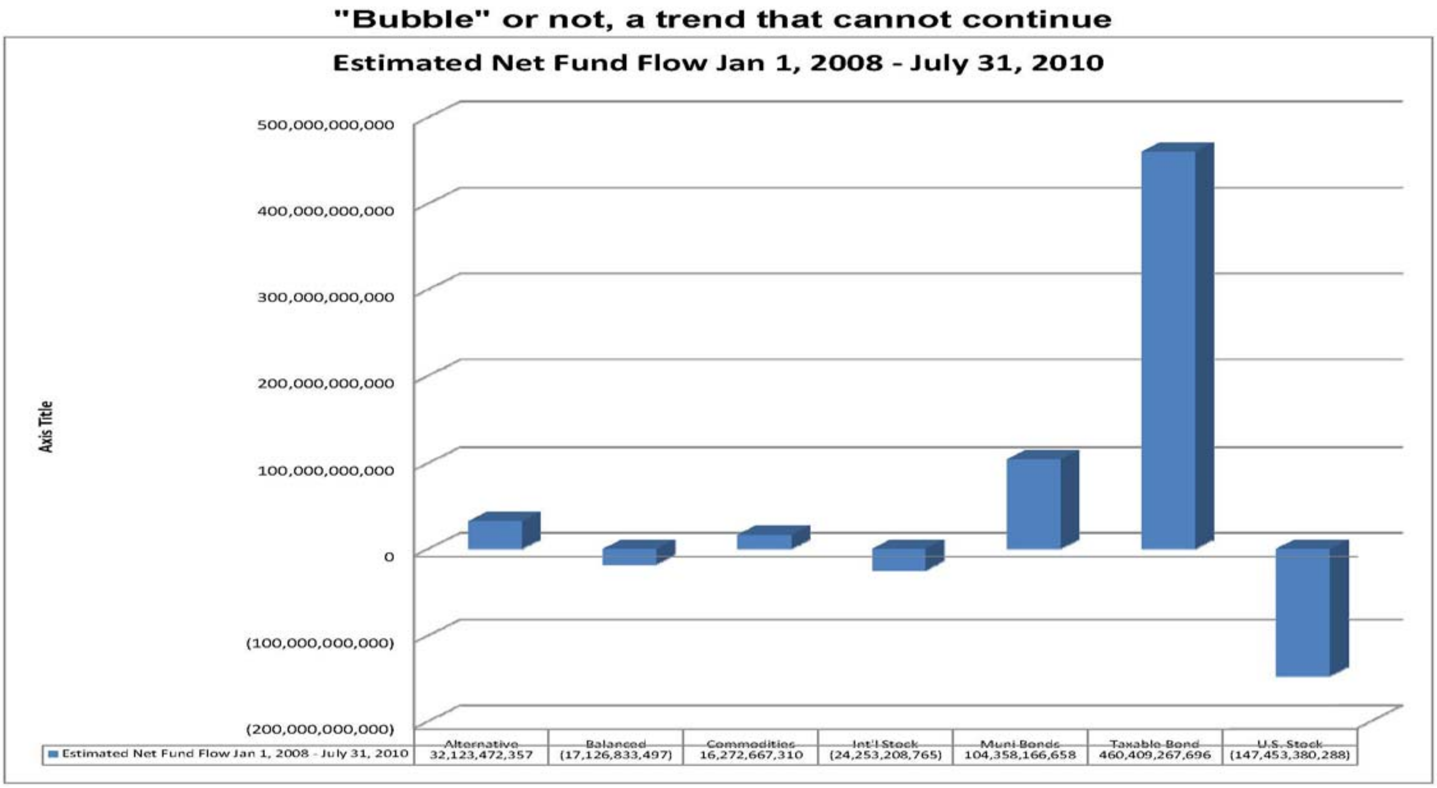
There's a cognitive opportunity on the table right now. You can choose to believe in the omnipotence of negative "data", or strap on your rose colored glasses with me and have a chat. Feelings: desire, confidence and fear are domestic, local & proximate, they are our constant internal companions. How we view the world each morning is largely based on what we touch, see and smell. And domestic isn't as hot as we'd like it to be at the moment. We are in positive GDP territory, but clearly not as robust as we'd like (see Figure 1).

**Figure 1.**




There is a significant, palatable concern that the US would slip into a "double-dip recession", a fear that the recent issue of the Economist calls a "delusion". They, as we, believe that powerful global recovery forces are in place to avoid such a reoccurrence. The immediacy of the markets allows for confidence to take up residence in our old buddy, the price to earnings ratio. It's the barometer for our collective fears, reticence and confidence. P/E ratios manifest the answer to "what will I pay for a dollar of tomorrow's earnings?" And for those who have come to the conclusion that tomorrow is more of an "if" than a "when", the answer is "not very much"…(FYI, the current P/E is waltzing in the 12-13x neighborhood). The literal manifestation of confidence, or the current lack of it motivated the noteworthy Wharton economist, Jeremy Siegel, to write an editorial in a recent issue of the Journal entitled "The Great Bond Bubble". That says it all in a nutshell (see Figure 2).

**Figure 2.**




Ok, so you think it takes a village, I get it. And in the US, in particular, we got either a bit too egocentric or maybe xenophobic enough to think that if my village stinks, then everyone's does. When we feel bad we seem to relish it enough that we will go to great lengths to ignore anything that disagrees with that state of being. Well, the village got bigger over the last 30 years, much bigger. Confidence can often resort to being too parochial as it is often too rooted in what poked us that morning, the proximate. The village has become anything but proximate. Sweeping technological changes have allowed "close" to be anywhere. So, while our fears can stay too local, the metrics have strayed global. Contrast the news headlines with the results of companies contained in the S&P 500. More than 80% continue to beat analysts' estimates for revenue and earnings growth. They are doing more business, in more places than ever. They have more cash on their balance sheets than at any time in recorded history. World GDP is in excess of 3.4%, driven largely by those much larger villages with many times more people wanting many times more things. This evolution has driven more of the growth than we would like to admit over the last few decades. Consider what was truly at the core of a multi-decade period of secular disinflation, globalization and the waning omnipotence of domestic labor …we aren't the center of the universe anymore, and we need to get over it…

What's the point in this? The corporate components of the markets are doing their jobs, and in most cases quite well. Many would argue that the current metrics deserve a P/E ratio up to 30% higher than its current level. The absent component??? Confidence, opportunism, abject positivism. What will drive this turn? The aforementioned news cycle is getting old and tired. Another earnings cycle is coming to remind us that there is a bigger world out there and it's a happening place, economically. The August Institute of Supply Management (ISM) data showed that manufacturing expanded faster than expected. And likely correlated, the September jobs numbers manifested an increase of 67,000 private sector jobs, well ahead of the expected 41,000. We see continual evidence that expectations are too low and the metrics should engender a greater degree of appropriate confidence. The ratio of companies surprising to the upside versus downside now stands at 5:1. And, as Warren Buffett would be all too glad to remind us, there is no opportunity where there is no uncertainty…

We'll talk to you soon…