

# ANDRESEN & ASSOCIATES

NOVEMBER 1, 2012

As the holiday season approaches, it's time to give thanks for our many blessings.

That's all the more evident after Hurricane Sandy crashed into the eastern United States, leaving death and destruction in its path. The devastation is terrible to watch, and there are too many dead and hurting. But my friends on the east coast are reporting that it could have been even worse.

Meanwhile, the dancing sugar plum fairies of government have promised much and done little concerning the looming fiscal cliff. That set of automatic spending cuts and higher taxes may or may not happen, but early fears and disruptions are already coursing through the global economy.

All this causes me to think that we will probably remain in an insecure trading range through the elections. My thought is that Hurricane Sandy will have unexpected political and economic effects through the rest of the year and beyond. I am wondering if perhaps storm-created infrastructure repair will pull spending forward, so that the damage of the fiscal cliff is to some degree offset by increased infrastructure spending. In other words, it's possible that the mild recession caused by the fiscal cliff might be postponed, perhaps indefinitely.

The VLMAP statistic is a relatively mediocre 60%. The stock market appears fully valued. So a mild correction based on economic news is entirely possible. Our portfolios are in a relatively defensive posture as we await the outcome of these variables.

And where, you ask, is the blessing in all this? The blessing is in the word MILD. Yes, the fiscal cliff will dent the global economy, but it won't crush it. Yes, I foresee volatility, but I am not seeing numbers that suggest a 2008-style catastrophe.

With time, discipline, and consistency we will get through the fiscal cliff and whatever lies beyond. History and statistics are both suggesting that a return to normalcy in the financial markets should take place in the next few years. I am not necessarily seeing indications of booming equity markets, but I am definitely seeing indications of a healing economy.

Thank you for choosing Andresen & Associates for your investment management. You bless us with your trust.