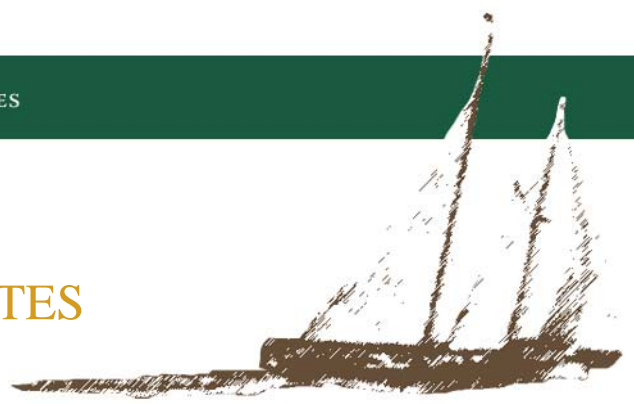


# INVESTMENT STRATEGY NOTES

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The financial market place is driven by a series of contrasts between the U.S. and Europe, developed economies and the emerging world, and northern Europe and southern Europe.

Here in the U.S., we have been quick to criticize the European Union for dragging their heels on agreeing to effective fiscal reform. Disappointments in such progress have produced market weakness; yet the promise of constructive developments engenders a rebound in stocks, not just in Europe but around the world.

It is an interesting irony that here in the U.S. we quickly forget how our own lack of fiscal prudence contributed to market volatility earlier in the year when our legislators were debating an extension of the debt ceiling, and more recently when our joint congressional committee of twelve gave up on meaningful compromise over tax and budget issues.

So despite the fact that our own house in the U.S. is not in order, we are benefiting from money flows from overseas investors, both official and private, that are moving away from Europe until there is greater confidence in a positive outcome. Global capital funds will find the best house in a bad neighborhood.

It should be a lesson to U.S. policy makers and politicians that these flows of funds, can and do, reverse themselves. For the time being interest rates overseas (Europe) are rising while our own rates recently are stable as money seeks the stability that the U.S. now provides.

This notion of contrasts manifests itself in other ways as well. Stock, bond and commodity markets are coping with a rise in momentum and algorithmic trading, which in certain trading days seems to overwhelm the fundamental and valuation driven investor. The time frames are markedly different, with the long-term investor focused in years and some speculative investors measured in minutes, or even seconds. A contrast indeed.

The U.S. economy has continued to report moderately better results, sufficient to dispel the notion of a quick slide back into recession. In Europe, the same cannot be said, and estimates for growth in Europe have been reduced for 2012. Most estimates from economists are projecting growth for the U.S. in 2012, albeit at a modest pace. Given a number of tax incentives scheduled to expire at year end, forecasting (never easy) is a particular challenge.

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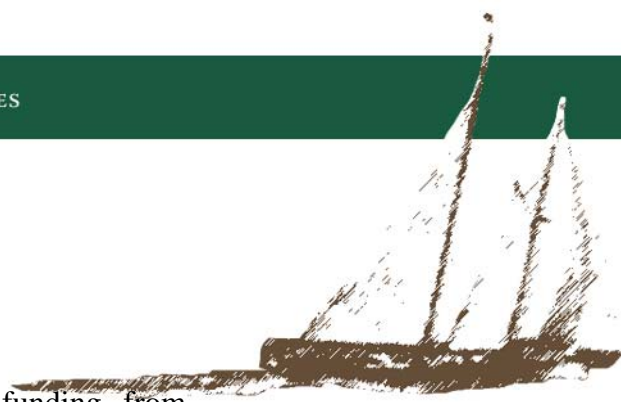
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Foreign banks have found it more challenging to find funding from traditional sources, such as U.S. money market funds. These sources have shrunk considerably, and this has made it more difficult for them to lend to borrowers in the U.S. For this reason the Federal Reserve has acted to improve liquidity swaps for banks. By contract, cash is growing in the hands of U.S. banks where new interest non-interest bearing stocks are insured by the FDIC in excess of the \$250,000 limits that applies to interest bearing deposits.

Where does this leave us? Clearly there are a lot of moving parts. The United States, despite longer-term fiscal imbalances, remains a safe haven for both equity and fixed income investors. The dollar has firmed. Long-term equity investors have reason to remain constructive. The financial sector should remain volatile for some time, and new regulations continue to negatively impact profitability. We hope that U.S. policy makers will not take the period of U.S. safe haven status for granted, and that our politicians will get on with the business of stabilizing policy and deficits for the long term.

**NOTE:**

A special note to our clients: all charitable stock gift requests should be received by Friday, December 16<sup>th</sup>. Beyond that date custodians may not be able to process such requests. (Please also let your portfolio manager know if there are any special tax considerations that could prompt year-end action.)

*To receive Investment Strategy Notes by email, please send an email to [nicole@jamisonfirst.com](mailto:nicole@jamisonfirst.com).*

Year-to-Date Total Returns November 30, 2011			
Stock Market Indices		Bond Market Indices	
S&P 500	1.40%	Barclays Intermediate Government	5.52%
Dow Jones	6.59%	Barclays Intermediate Government Credit	4.98%
EAFE	-10.90%	Barclays Quality Intermediate Municipal	3.47%

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