



ALTIUS  
Financial

# Empowered Future Report

Short term thoughts about long term matters

May 24<sup>th</sup>, 2013

## Quote of the Day:

“Only when the tide goes out do you discover who's been swimming naked.” – Warren Buffet

## Record Stock Market Highs and What it Means to You

We're hovering around record highs on the major stock indexes and it's been a nice climb from the 2009 lows. There is a general contentment among investors and many who are wanting to get more aggressive now that the media bandwagon is full of headlines and cover stories with the bull back on. For those of you who've been attending our quarterly workshops or have had a recent review of your portfolio, you know that we're a bit skeptical about taking more risk and have been dialing it back over the last 12 months. I thought I'd provide a few more data points as to why we're not excited about the current run up:

- [NYSE margin debt](#) just hit its all-time high. Generally, when more and more people are borrowing to buy stocks, it can be a contrarian sign. Also, such margin debt can contribute to violent and deep corrections – investors who are dependent upon borrowing sell quickly if they believe things have reversed.
- I've noted before that a Shiller P/E above 18 often signals general overvaluation in the markets. Today we're at about 24 which is 43.6% higher than the historical mean of 16.5.
- A two-week average of advisors who are bullish is at 52%, while advisory bears are now less than 28%. This again is a contrarian indicator – often, the most danger in the markets lurks when the investing public and their advisors are content or bullish.
- Recent corporate earnings have been mediocre and trading volumes are now declining.
- The US is experiencing the weakest growth in private capital stock in six decades. Capital stock is the sort of thing that economists look at to measure business investment in future productivity – it's like seed corn, making sure we're not consuming everything this season. But business

spending on R&D, training and education, new plant and equipment is at recession levels and this keeps capital formation low and the labor market weak.

- European challenges, while having abated some due to extraordinary short-term measures by the ECB, have not gone away. Low growth, rising debt to GDP ratios and deep structural/demographic problems have not been addressed in any meaningful way.
- This issue of rising debt to GDP is not isolated to the Euro-zone but also a major concern in the US as well. While there have been some [spirited academic debates](#) lately about the effects of high debt on growth, there is no doubt that at some point, debts have to be paid back at higher rates, defaulted on, or restructured and this is a drag on economic activity.
- As pointed by Warren Buffett, the percentage of total market cap (TMC) relative to the US GDP is “probably the best single measure of where valuations stand at any given moment.” At this moment, the US stock market is positioned for an average annualized return of 2.3% over the next 10 years, estimated from the historical valuations of the market.

Now, the news is obviously not all bad. We have some very encouraging signs in the energy sector – innovation with hydraulic fracturing and horizontal drilling has turned places like North Dakota into booming regional economies. Many commentators are claiming the US will be energy independent and net exporters within the next 5-10 years. We have other great technological advances such as 3D printing and further developments in mobile computing that enhances our lives in many ways. And the real estate market seems to have turned the corner in key areas.

However, I would characterize much of the positive news that we’re seeing as being on shaky ground. Both the stock and real estate markets have been explicitly targeted for support by the Federal Reserve. Any hint of pulling or slowing such support (Quantitative Easing) and these markets begin to deteriorate. The biggest challenge ahead may be in how the Fed can possibly exit from this stimulative stance without risking major re-pricing and/or recession. Of course, trending markets can stay “overbought” for very long periods of time. We are committed to sticking with the fundamentals of what we know and currently that means playing more defense than offense.--MW

## Calendar Planning

Mike will be traveling and out of the office for much of June – so we have been proactively calling anyone whose review would fall during that time and so our schedule is filling up. If you know of any issues you might want to address that cannot wait until July, please contact us now.

Our recent workshop on immigration and global bond markets was well received. The two guest speakers gave informative presentations and fielded questions about both potential legislation and investment implications. Most attendees indicated it was one of our very best workshops. We're continuing to line up guest speakers who add to our Capital Markets Updates and believe that the interaction/Q&A periods are invaluable for our clients and their guests. Here's the near term line up:

**May 29<sup>th</sup> 529 Day** – Next Wednesday is National College Savings Day – there are various nationwide contests, sweepstakes and events held by individual state college-savings plans. I have a slide presentation I'm developing around the pros and cons of 529s and of going the traditional route to college – it's a big investment and there are many pitfalls. While we don't have a date to present this material, I'd make it available to anyone interested.

**June 19<sup>th</sup> Recognizing Alzheimer's** – Back by popular demand and during the DAYTIME – a morning session; we had a great response to our guest speaker, Thane Kraut from the Alzheimer's Association. Many of you couldn't make it last time due to the snowy weather and so he agreed to come back and present again, this time adding more material around nutrition. Look for details soon!

**Aug 21<sup>th</sup> The Black and Yellow of It** – No we're not talking about the Buffalos, this is a workshop featuring two guest speakers – one expert on the energy sector, the other on gold and precious metals. It's gonna be good and you'll want to hear them!

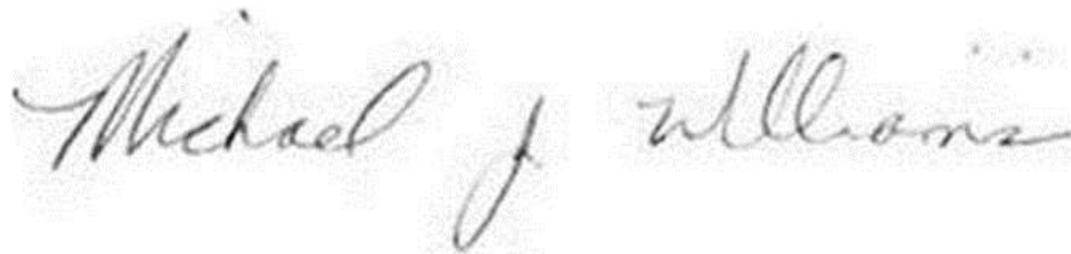
**Nov 13<sup>th</sup> Topic/Speakers TBD** – If you have a topic or expert you'd like to hear about/from, please let us know. We have a number of ideas but want to be responsive to what you'd like to attend.

Add those dates to your calendar and think about who you'd like to bring and introduce us to. We always appreciate meeting new people and this is often a good format to have someone you know come see and hear us.--MM

### **Meet Our New Director of First Impressions**

Many of you have already met Jenn, our Director of First Impressions, but we'd like to introduce her formally. She is in charge of making sure our clients have a positive experience when they walk through the doors of ALTIUS Financial. She handles scheduling of appointments, answers phones and assists in daily administration of keeping our offices running smoothly. Her previous work experience includes customer service roles while employed with Cost Cutters and VCA Animal Hospital. She has a degree in the Science of Criminal Justice. Jenn is a native of Colorado and enjoys the sunshine, hiking in the mountains, and photography. She also enjoys visiting the wolf rescues in Colorado. -- TK

**Have a Great Memorial Day – remember, celebrate and honor our veterans!**

A handwritten signature in black ink that reads "Michael J. Williams". The signature is written in a cursive style with a large, prominent "M" and "W".

---

Michael J. Williams, CFP

ALTIUS Financial, Inc.  
[michael@altiusfinancial.com](mailto:michael@altiusfinancial.com)  
303-584-9271

[www.altiusfinancial.com](http://www.altiusfinancial.com)