

# Glaze Capital Insight

Quarterly Newsletter for Successful Investors

*Helping Busy Successful People Organize Their Financial Affairs and Plan for the Future*

## Note to Clients



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What a difference a year makes. Last year the news unfolded that the banking system was unstable and that assets supporting our financial system were difficult to value. Alan Greenspan, former chairman of the Federal Reserve Bank, was reportedly dumbfounded by this revelation. A year has gone by and the banking system is on a recovery path while stocks and bonds have begun trading according to the fundamentals of their business. Our portfolios have benefited this year by our

broad diversification and allocation into large and small domestic stocks and both large and small international areas as well. While the panic of last year did not discriminate among types of securities, this year has rewarded strong areas in recovery. Foreign equities benefited from the stronger growth rates of newer economies but also from the strength in foreign currencies. There are problems that still need to be solved such as overbuilt housing

stock and commercial real estate valuations. Unemployment is topping the headlines, but the pace of job growth should accelerate normally after the recession is over and recovery is fully underway. So, expect the jobs data to be reported stronger after the economy is much better and after stocks prices have recovered.

- *Business Fundamentals*
- *Broad Diversification*

## An Unfolding Economic Recovery

Last year, the banking system became unhinged, causing nearly all parts of the economy to suffer. The financial markets, stocks and bonds, faced panic and upheaval. But with most economists now estimating that the U.S. recession is ending, the question is what will a recovery look like? Past recoveries can shed some light on this. Since the end of World War II, the four most severe recessions that occurred were followed by robust economic growth, averaging more than 6% annualized during the

first year of recovery. As reference, 3% to 4% growth is considered strong in normal periods. Mild recessions, like 2001, were followed by slower recovery with an average 2.5% growth during the first year of recovery. The reason is evident. A robust capitalist economy moves to full capacity when it is able to. Among all post-war recessions, mild or severe, economic output returned to prior peak levels within one year or less. At this time

there are signs of recovery in housing, retail, and manufacturing, while the unemployment situation is not as positive and government stimulus and its effects are a bit of an unknown. The average projection of growth going forward is around 2.4%, which is the historical rate following mild recessions. If historical patterns repeat themselves, a stronger return to normal may surprise many experts.

# Historical Recoveries

*“In times like these, it helps to recall that there have always been times like these.”*  
Paul Harvey, journalist

### *Interesting Quotes*

“The first rule is to keep an untroubled spirit. The second is to look things in the face and know them for what they are.” Marcus Aurelius, Roman emperor.

“Any man’s life will be filled with constant and unexpected encouragement if he makes up his mind to do his level best each day.” Booker T. Washington, scientist

“It’s not what you do once in a while; it’s what you do day in and day out that makes the difference.” Jenny Craig, diet business woman.

### *What’s Hot and What’s Not*

What’s hot and what’s not. That is the big question for almost everybody in our world. When looking at media and how we get our information, books are hot and radio and television are cold, at least according to the late media guru and visionary Marshall McLuhan. The idea goes that if there is interaction or participation in the process, it is a cold media and if the form of delivery is tight and well defined like print media, it is hot. Did the inventing of the printing press spark the industrial revolution? It allowed for a mass delivery of information and documentation but it also delivered information to people while they sat alone far away, at least mentally, from the group. T.V. and radio are different; they are cold. When Orson Wells broadcast his famous radio show, *The War of the Worlds*, millions of families were gathered around the radio, all listening together, interacting in a group. The same goes today with the good

old boob tube. Families may sit in front of the screen and watch *American Idol* or the Super Bowl together. McLuhan is known for his phrase “The medium is the message”, later elaborated on in his book “*the Medium is the Message*”. His point was that the content was subordinate to the way people received the content. In other words, do you get your daily news from the newspaper, radio, internet or the Comedy Channel? To McLuhan, it made a huge difference. It may be argued that print media provides detail and context while radio and T.V. deliver only short, quippy headlines—a far different experience.

On a recent trip to Los Angeles, I talked with a young playwright who is writing and producing a dramatic series that will run on the internet in short 15 minute episodes called, of course, episodes. This drama about young people sorting out life fraught with the usual grow-

ing pains is being shot Hollywood style with professional actors, equipment and attention to dramatic detail, not to mention a low, low budget. They will go up on the web and be just a click away—on your personal computer, when you want it, as often as you want it. I have worked myself into exhaustion trying to decide whether this is a precise, defined media like a book or a cold, group, interactive delivery like television. One inconclusive thought is that this multimedia experience is freezing to the bone—interactive to the max. One thing is sure. Media delivery is changing. I was told that young people don’t watch television because shows they want to see are streamed on the web. Further, radio is boring and homogenized so it’s out in favor of MP3 players like the iPod. Hold on to your hat. The times they are a’changin’.