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100 Days and Beyond

Most new presidents start with a jampacked agenda and try to get their administration started on the right foot. President Obama just finished his first 100 days in office and he certainly has been busy. I don't recall any recent president juggling so many substantive balls at this early stage: two wars, a domestic and international economic crisis, brokering peace in the Mideast, reversing decades-old policies in Cuba and Iran . . . no easy tasks here, and some of them may not see much progress for months or even years. I give him high marks just for stepping up to the plate.

The heavy lifting on the economic crisis is beginning to pay off. The credit crisis shows signs of thawing; the stock markets act as though some good things are going to happen. Our markets are amazingly resilient, and they show an upward bias right now. Corporate earnings are mixed, with a number of reports surprising analysts on the up side. As this newsletter goes to press, the Dow average is sitting above 8000; investors weigh the effects of the Chrysler bankruptcy and search for reasons to move forward. We need to remind ourselves: markets do not go straight up without serious consequences, so a slow and steady climb with an occasional retreat is preferable.

The market has done well recovering from levels below 6500 and is currently balanced comfortably right in the middle of my scale. It is neither over-priced nor under-priced for current conditions. If the prospects for our economy continue to improve, we can expect the markets to move forward. If we see, on the other hand, discouraging results from the stress tests that the government is doing on our largest banks, for example, we can expect the markets will retreat.

Consumer behavior, as always, is a key component in what happens next. Over the last eight months, consumers have simply stopped unnecessary spending. The savings rate in the US has increased significantly and credit card debt has dropped, good indicators that we have both the ability and fortitude to adjust our spending habits when times get tough. The down side, of course, is that we need spending for the economy to pick up in any meaningful degree. I have no doubt that spending will increase once we see and believe that things are improving. You will doubtless recall that the last time we saw light at the end of the tunnel, it was, in fact, a train. So let's just be cool.

Illustrating the unpredictable, the US now records its first death from swine flu. Several challenges here: what is the extent of our government's preparedness should this outbreak escalate? We'll be encouraged if our reaction meets the challenge, discouraged and cynical if it turns out to be Katrina revisited. At the same time, we will observe how our media handle the matter. Experience suggests they will once again whip up a frenzy so that we remain transfixed in front of our screens for the next expert opinion. Oops! Is that cynicism already? Hit me with a daffodil.