

December 2009

Ho Ho Ho?

Color me beige on the markets right now. Such a wild and bumpy run since March! While the major indexes have struggled upwards during the past month, I am not convinced this rally is sustainable. Several reasons: a revision downward in the most recent quarterly economic data; the continuing decline of the dollar; and the fragile state of mind revealed by the reaction to Dubai's financial crisis.

U.S. market indexes did indeed push higher in November. Almost half the increase followed the early-month economic report indicating a 3.5% growth in our gross domestic product (GDP) . . . a substantial number taken to be a signal that the recession is essentially over. It also signals the success of the government stimulus program: cash for clunkers, home-buying credits and other government initiatives account for over 90% of the reported economic growth, precisely what the government set out to accomplish. What's also clear, however, is that the government doesn't want to be responsible for 90% of the growth of our economy when conditions are normal, indeed not a day longer than life-support is deemed necessary, until, that is, we (the consumers) start feeling comfortable enough to spend our own money. In short, what the government has been doing is not sustainable and was never intended to be.

As consumers, we have taken appropriate (if sometimes inevitable and painful) action over the last 12 months. We have reduced household spending and cut our credit card balances. Perhaps we have begun to feel that we can loosen the purse strings a bit. This could not come at a better time than the holiday season when we customarily spend a lot of our discretionary money. If that should be our model this season, at least in some measure, it could have a notable impact on the overall economy, a portion of it real and another part emotional.

Next year? A huge question mark. Government programs will be substantially over and our households may not be in much better shape than they are right now. Jobs—the lack thereof—that's where the agony will fester. The unemployment rate, now above 10%, will not, cannot, improve any time soon because corporations won't hire until demand for products presses them to do so. It's like some complex mating ritual where each party, consumer and corporation, looks for those mutual signals that say it's now time to take the next step.

Here's a heartening thing I observed last week—I hope you did, too—the sudden appearance of Holiday Spirit. No, not the old Dickensian ghosts of Christmas past and the rest. Something different, something real. As I was doing the last bit of shopping for Thanksgiving and knew I was on my way home despite having to make several stops, I felt somehow lighter. In the grocery store where everyone was scurrying to complete their lists and get home, I saw folks who looked, it seemed, festive. Now and then I'd bump into an acquaintance or friend, we'd have a brief catch-up conversation. Smiles were broad as we talked maybe about kids or the weather, re-awakening good feelings. Everybody's had a long, stressful year. Let's do what we can, all of us, to nourish that Holiday Spirit. Ho! Ho! Ho!