



The Best of the Street

Although we don't have any shortage of personal opinions, macroeconomic ideas and investment approaches at Orcam, we know that there is no shortage of great minds in the global economy. Our research will occasionally try to provide clients with what we believe are the best recent insights from investors, analysts and pundits who we follow. The Best of the Street reports will offer clients a more well-rounded view of the investment world through a lens that is hopefully different from our own, but still based on the same sort of pragmatic and sound reasoning we attempt to use. Attached are some of our favorite insights from recent weeks.

David Rosenberg—Gluskin Sheff

“WE ARE STARTING TO WATCH FOR THINGS THAT CAN TURN US POSITIVE

...we have started the process internally to be on watch for anything that can turn us more positive on the outlook for the economy and the markets. We actually have at least one ball rolling in the right direction, which is some degree of "capitulation", and this is critical in the bottoming process that needs to occur in this phase of heightend economic, fiscal, political and geopolitical uncertainty. People now realize that the Fed and the Federal government are no longer going to ride to the rescue, with the former having already used its bazooka and the latter moving from stimulus to restraint mode and the only question is how much.


(continued...)

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“THE BEST IS THE
ENEMY OF GOOD.”
— VOLTAIRE



“The VIX index is also a useful indicator in times like this. In the eight corrective phases we have seen in the tired four-year old cyclical rally, none bottomed without the VIX index hitting the 27 level at a minimum. On average, the market bottomed with the VIX at 33. The fact that the VIX closed at 18 tells you that there has not yet been enough "fear" to generate a full-fledged panic low to start jumping on. That time will come.” - 11/11/12

Warren Buffett on Eternal Optimism

“...We had Hurricane Sandy which disrupted the economy for a period, we had Katrina many years ago, we have things that will disrupt the economy, I mean 9/11 was an extraordinary case but we have a very resilient economy. We've had one for hundreds of years and the fact that they can't get along for a month of January is not something that's going to torpedo the economy.” - 11/15/12

Kyle Bass on Germany Leaving the Euro

“I think in the next 3-4 years you see them take a step back...How many of your relatives would go joint and severally liable with?...Let's not even discuss relatives, let's discuss 17 people that you might have been fighting with for 200 years.” - 11/16/12

Jeremy Siegel on a Potential Rally if the Fiscal Cliff is Resolved

“I think any sort of a deal that extends tax rates, even slightly higher than they are now, into the future, will buy you 500-1,000 points on the Dow very quickly. Clearly, it's going to be a nervous market until there is some sort of deal, but that is going to set the market up and then I think next year will exceed everyone's expectations.” - 11/15/12

Jeremy Grantham on the Paradigm Shift Occurring in Commodities

“My firm warned of vastly inflated Japanese equities in 1989 — the grandmother of all bubbles — US growth stocks in 2000 and everything risky in late 2007. The usual mix of investor wishful thinking and dangerous and cynical encouragement from industrial vested interests made these bubbles possible. Prices of global raw materials are now rising fast. This does not constitute a bubble, however, but is a genuine paradigm shift, perhaps the most important economic change since the Industrial Revolution. Simply, we are running out.

The price index of 33 important commodities declined by 70% over the 100 years up to 2002 — an enormous help to industrialized countries in getting rich. Only one commodity, oil, had been flat until 1972 and then, with the advent of the Organization of the Petroleum Exporting Countries, it began to rise. But since 2002, prices of almost all the other commodities, plus oil, tripled in six years; all without a world war and without much comment. Even if prices fell tomorrow by 20% they would still on average have doubled in 10 years, the equivalent of a 7% annual rise. “ - 11/15/12

Orcam Financial Group, LLC

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