



ORCAM

ALTERNATIVE PERSPECTIVES

Macro Research & Strategy

Macro Minute—The “Plan B” Panic

I'll have to apologize in advance for the brief note. I am prepping for the holidays and will have family in town for the weekend so it's a bit hectic around here.

I wanted to just touch on this “Plan B” panic that is occurring in the USA today. It is my opinion that the US equity markets have fully priced in a \$200-\$250B cut in next year's budget. In other words, there's very little that will come of the fiscal cliff that isn't already well known. Today's 1.5% sell-off appears largely irrational to me.

As I mentioned in previous notes, I am not a buyer of the market here because I've moved to a “hold” position in tactical strategies, but I do not think this is a moment where we need to begin panicking about positioning. As far as I can tell, it was broadly known that Speaker Boehner's “Plan B” would fail. In fact, President Obama was adamant that he would veto it. These facts were well known in advance so I am not sure why they would surprise market participants.

In short, don't go into the holiday season worrying about the “fiscal cliff” and the equity markets. Markets will trade lightly on Monday due to the shortened session in the USA and then will be closed on Tuesday. I'll be in touch next week, but I wanted to wish you all a happy holidays.

And remember, while money is certainly of enormous importance to us all, we also need to focus on the true wealth in our lives. Take this brief time of year to stop thinking about markets and money and focus on your friends, your family and the proper size of your waste line. After all, if you find yourself without friends and family this holiday season you'll need to warm yourself up with rum cider and roast duck. In my case, close proximity to family might drive me towards the rum cider.

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**Long Story Short—There's
no need to panic....**



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