



ORCAM

ALTERNATIVE PERSPECTIVES

Macro Strategy & Research

February 19, 2013

The Global Outlook Still Looks Okay

Despite some alarming figures out of Europe last week, the global economy is still doing okay.

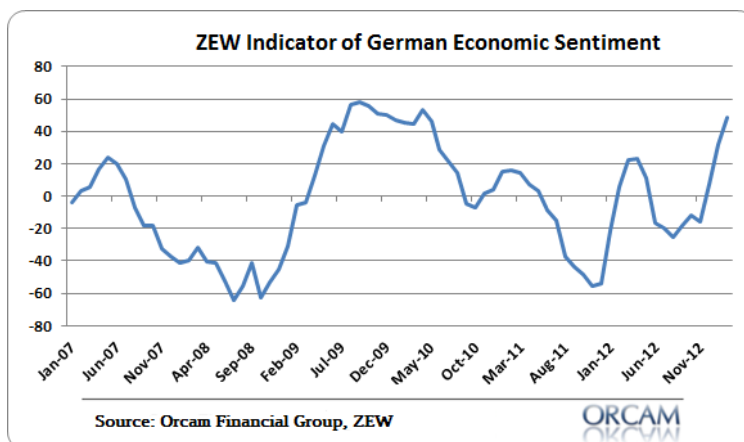
The Big Picture Still Looks Okay

In recent notes I've highlighted my concerns in the near-term from a tactical position. And as the market seems to hit a new high with every waking moment of the day it's become rather clear why perception has changed so rapidly—the big picture looks a lot better than most people presume.

Recent indications of global economic growth have been generally positive. There is a near perfect storm of improving data around the

globe. Yesterday's German ZEW Indicator hit its highest reading since early 2010.

...continued

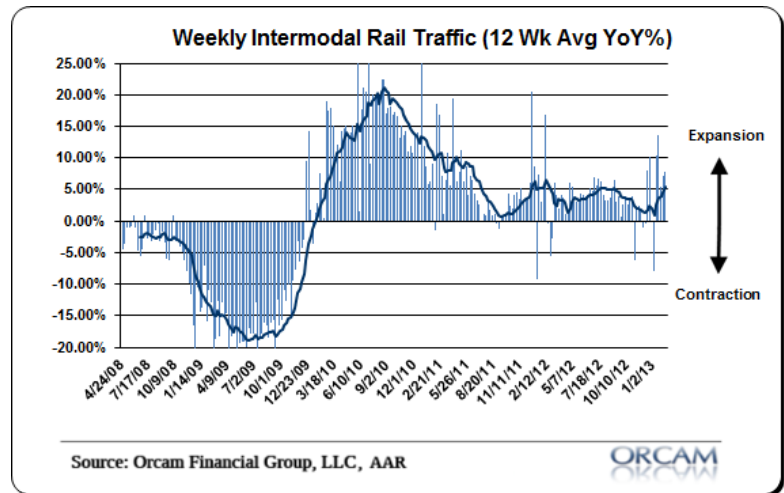


"Risk comes from not knowing what you're doing. "
-Warren Buffett

Rail traffic has improved substantially in recent weeks.

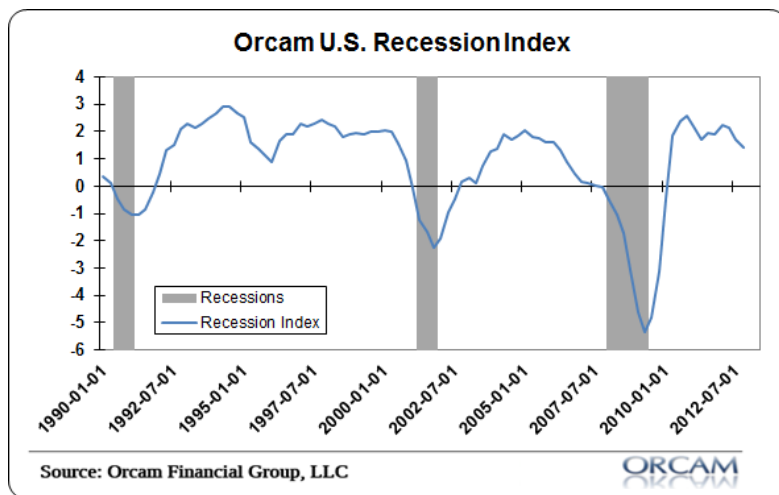
The Orcam Recession Index continues to point to a moderately expanding US economy.

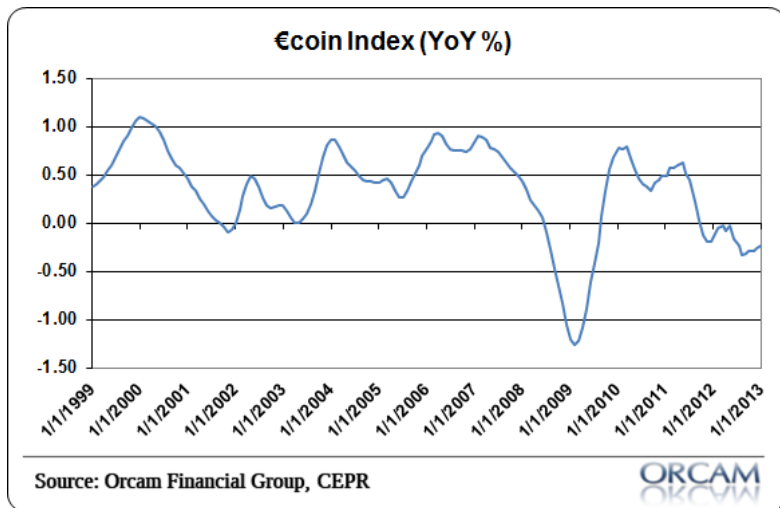
And even in the worst house in the entire neighborhood there are modest signs of improvement where the EuroCoin index is slowly showing a steady monthly improvement. Please see the chart on the following page.



I think there's alarming price action in many indices in the near-term (my tactical view), but from a 30,000 foot view the macro picture doesn't look nearly as bad as some might have you believe. Hence our continuing bullish posture from a strategic or core perspective. Being a

bear in this kind of a market is understandable. However, given the broadly positive economic data it would be foolish to overweight or position one's portfolio in an *entirely* bearish portfolio. There are just too many positive signs out there. The crisis lingers, but it's the gradual rate of improvement that continues to eat away at the permabears.





Regarding the USA specifically, estimates are currently calling for Q4 GDP to be revised upward to 0.5% and for 2% growth in Q1 2013. My data is consistent with an economy that is growing just below 1.75% in 2013 so I don't think these early readings on 2013 are far off.

Most importantly, however, there are few signs of recession at present. From a portfolio positioning perspective, this

is a key driver in our overall construction as it dictates whether or not there is substantial long-term downside. My research has shown that the most devastating equity sell-offs tend to occur during recessions so it's imperative that we build this into a model for understanding how to position portfolios in the case of a high probability recession environment.

All in all, I still think 2013 is shaping up to be a modestly positive year from a macro perspective. The balance sheet recession is slowly improving, the global economy is overcoming the slow patch from 2012 and governments remain highly accommodative. The markets are finding little to be afraid of in the near-term and that is what frightens me the most at present. More often than not it's what you can't see that ends up getting you in the end in this game. So while I am quite positive from a broad strategic perspective I am not arrogant enough to believe that absolutely nothing can go wrong in a global economy that clearly remains fragile.

For more information on Orcam's products and services please feel free to reach us at (858) 220-5383 or info@orcamgroup.com

Orcam Financial Group, LLC

Orcam Financial Group, LLC is a fee only financial services firm offering macro research, personal advisory, institutional consulting and educational services.

Important Disclaimer

Nothing contained herein should be construed as an offer to buy any security or a recommendation as to the advisability of investing in, purchasing or selling any security. Some of the statements contained herein are statements of future expectations and other forward-looking statements. These expectations are based on Orcam's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those in such statements due to, among other things, general economic conditions, performance of financial markets, Orcam Financial Group, LLC assumes no obligation to update any forward-looking information contained in this document.