

## Mission Accomplished!

Wow! What a way to finish the month of November! Equity markets in the US were up more than 4% while international markets were up by 5% to 6%. These would be great returns for a quarter (or even a year) and we got them all in one day.

In case you missed the major stories:

***The European banking system has been provided with unlimited access to short-term liquidity in multiple currencies from the central banks of the US, Japan, Britain, Canada and Switzerland. This lays to rest the risk of a Lehman-like meltdown in the Euroland.***

***Greek debt has been written down to a level (30% versus the original 50%) that should be manageable even as austerity measures shrink their economy. Likewise, debt problems in Italy, Spain and Portugal are resolved through a restructuring/rescue package led by the International Monetary Fund (IMF) and European Central Bank (ECB). Holders of the debt will accept significant write-downs as part of the deal to restore sustainable borrowing costs for these countries. Austerity measures may lead the Eurozone into a 2012 recession but leaders believe that a potential global contagion will be contained.***

***Solvency issues in the European banking system brought on by losses on their holdings of formerly riskless sovereign debt are addressed by major capital infusions from a global consortium of governments and sovereign wealth funds.***

***Member countries of the European Union have unanimously approved treaty amendments that provide for strict fiscal oversight by a central committee and expanded capability for the ECB to serve as the “lender of last resort” including the ability to make unlimited direct purchases of sovereign debt and to print new Euros as necessary.***

Just one problem. Only the first bit of news was actually announced today. All of the other things still need to happen before Europe is out of the woods.

But surely European leaders have the resolve to quickly address these obvious issues in the face of imminent euro-immolation. Maybe not. These are the same politicians and bureaucrats who have made US regulators look like rank amateurs. Courtesy of Grant Williams (*Things That Make You Go Hmmm*), here are some existing EU masterpieces:

*Article 47 of the Common Fisheries Policy will ensure that every fish caught by an angler is notified to Brussels so that it can be counted against that country’s quota. If you go out for a day’s fishing and catch a couple of cod or mackerel you will now be required to notify the authorities or face a heavy fine.*

*There are EU regulations on the greenness of the person on the pedestrian crossing lights.*

*There are 3 separate EU directives on the loudness of lawnmowers.*

*Regulation (EC) 2257/94 states that bananas must be “free from malformation or abnormal curvature of the fingers”. It also contains stipulations about “the grade, i.e. the measurement, in millimetres, of the*

*thickness of a transverse section of the fruit between the lateral faces and the middle, perpendicularly to the longitudinal axis."*

*Under regulation (EEC) No 1677/88 cucumbers are only allowed a bend of 10mm for every 10cm of length.*

All I can think of is George Bush on the deck of the aircraft carrier Abraham Lincoln on May 1, 2003 telling the world that we were finished in Iraq. What's it been, 8 ½ years?

We may be at the beginning of a powerful global rally presaging resolution of problems in Europe or we may be witnessing another rip-roaring head fake. I don't know the answer and no one else does either. I would suggest that the crazy volatility we've seen this year is a clear signal that investors (a) don't know what to do, (b) don't want to be left out of the action and (c) have the attention span of a gnat.

Rudyard Kipling authored a wonderful poem, "If." Here are the first lines:

If you can keep your head when all about you  
Are losing theirs and blaming it on you,  
If you can trust yourself when all men doubt you,  
But make allowance for their doubting too...

Europe is grabbing all of the headlines and making us forget about the issues we need to face in our own country. Thank goodness we already have our printing press up and running.

Expect the craziness to continue. You won't be able to control your returns so make sure you manage your risks.

All the best,

JC