The 3rd quarter is over, and good riddance! The equity markets were all over the map, behaving like a manic-depressive, up one week and down the next. With all of the volatility it was hard to keep things in perspective, but that's the job. If we step back from the stock markets and focus on the measurements of the economy, it's easier to grasp where we are. Things are difficult, no doubt, but we are adjusting to the new trends of lower debt and slower growth.

Two of the most telling components of our economy are wage growth as reported by the Bureau of Labor Statistics, which has been modest as reported and even negative when adjusted for inflation, and consumer credit as reported by the Federal Reserve. By this measure, consumers are reducing the amount of credit they have outstanding in all areas except student loans. These two different measurements point to something we have discussed many times – an era of less.

As we move through the 2010s it appears we are following the path of less credit, less debt, and less earnings. These trends translate into muted if not falling demand. While some areas have been showing increases lately, car sales remain well below the levels of the 2000s, and home sales are near record lows. The ripple effects through the economy are clear, and will create lasting effects. One of the most significant outcomes of these trends is higher unemployment.

As citizens of the nation and investors, we have to stay focused on the larger trends, as they will eventually overwhelm the day-to-day gyrations of markets. With the trends I have outlined above firmly in place, this is a time for heightened caution, where we strive to preserve the wealth and standards of living that we worked so hard to build.

Sincerely,

Jeremy E. Portnoff

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