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Fall Commentary 2013

The Markets

The third quarter of this year was fairly flat for the markets, with widespread relief that the world's central banks were not inclined to interfere with the financial markets by beginning their overdue withdrawal. The Dow Jones industrial average rose 2.3% this last this quarter, with a nine-month period gain of 15.5%. The broader-based Standard & Poor's 500 rose 17.9% while Europe's equivalent to the Dow Jones gained 13%. The NASDAQ composite index of technology stocks gained 25.2% while the Russell 2000 index of small stocks is up approximately 26.7%. This unexpectedly robust performance was supported by strong corporate earnings which are now at their highest level ever. The average Standard & Poor's 500 company's earnings per share is $26.36, well over the last high point of $24.06 per share, reached just before the great recession hit in the second quarter of 2007. Corporate profits now comprise 10% of the US economy and they currently are about 66% over their 50 year average level. Clearly, US corporations have been one of the major beneficiaries of the monetary stimulus programs currently in place. Their leverage ratio, or amount of debt to equity on the books, has declined almost 1/3 from levels reached in 2007. Corporate profits, according to advanced word being leaked by the companies themselves, are likely to start trending downwards as we move into the fourth quarter of 2013.

The financial and industrial sectors of the U.S. market performed the best so far in 2013, up 22.9% and 23.9% respectively. Investors continue to look for yield as these two areas have some of the highest dividend payout ratio. Commodity prices have fallen on average 9.2% during the last nine months with gold leading the way, declining 23.2%. Natural gas continued its slow but steady rise, gaining 7.7%, while crude oil became 11.13% more expensive.

Investors continued to pour money into stocks. Worldwide, stock mutual funds experienced inflow of $91 billion while money market funds experienced withdrawals of 68 billion and tax exempt or municipal bond funds saw investors take out $32 billion to put into stocks. This is definitely a "risk on" time for many people who are not satisfied with earning 0.05% on bank deposits. Owners of bonds saw the value of their portfolios decline as detailed below.

The benchmark 30 year, U.S. Treasury bond has gone down almost 12% in 2013, declining a little over 3% during the past three months. Municipal bonds declined 2% while corporate bonds lost 2.6%, all total return numbers, which means that the interest earned on these bonds was not enough to offset the price declines due to rising interest rates. Rates have increased approximately 33% over the last 12 months with the 30 year U.S. Treasury going from 2.8% to 3.69%. People are already nervous about the pending end to the central bank's bond buying programs even though no constrictive action has taken place so far this year.

In Europe, the equivalent to the Standard & Poor's 500 gained 9.5% during the first nine months with the composite Dow Jones Asia-Pacific index rising 8.4%. Its component parts had widely varied results. China continued to face investor skepticism, declining 4.2% so far this year while Japan gained 39.3% due to its central banks continued aggressive loose monetary policy.

European government bond yields were fairly stable, with Germany's equivalent of US treasuries paying 1.78%, Italy and Spain around 4 ½%, and Greek government bonds yielding 9.34%. Investors are not paying attention to Greece's financial condition, which, in spite of their best efforts to implement austerity plans and collect taxes, continues to decline. European stock markets, excluding the United Kingdom, have gone up 19% so far in 2013, exactly in line with the U.S. Standard & Poor's 500. France's stock market gained 20.3%, which is amazing given the fact that France's real growth since 1999 has been almost non-existent. Europe as a whole is expected to remain in recession during the rest of 2013 on into next year.

Emerging markets stocks declined 4.1% with India leading the pack downwards with a -12.8% return. India's currency has fallen on hard times as they search for ways out of their economic doldrums. Brazil, another of the supposedly emerging-market powerhouses, declined 10.9% while Russia has had a relatively flat year with a total return of 1%. Russia relies primarily on the export of oil and gas for its revenues, in fact, 32% of the Russian economy is made up of energy exports.

The Economy

The hullabaloo resulting from the federal government's partial shutdown means Congress has finally gone over the edge, devolving into adolescent theatrics as opposed to coming to some kind of adult compromise. By demanding that appropriations for funding Obamacare be removed from the budget, the ultraconservative wing of the Republican party knew that it would precipitate a stalemate and that the legislature's primary job of passing a budget would be impossible to fulfill. These politicians are, I assume, intelligent people, not outright dolts as would be easy to conclude from their actions. The underlying issue is that the Republicans have no effective leadership that can get rank-and-file members to follow his lead to take reasonable action. Simultaneously, the President is unable to get his desired directives approved through his party's Congressional members: neither authorizing military action in Syria nor approving his first choice, Larry Summers, as nominee to be the next Federal Reserve Bank chairman. Both sides can therefore be characterized as aimless. This is not the first time that American politics has been taken hostage by a small, vocal and extremely focused minority. It happened in the 1850s over the issue of slavery.

The underlying issue at stake here is the direction of the country. Both sides have valid positions which, in normal circumstances, might lead to responsible action. Conservatives want entitlement spending curtailed and, no matter what your views are on social policy, it is a mathematical certainty that this will happen over the next decade. Will it happen during this Congress? Probably not. The movement of the nation's health system towards universal coverage is inevitable. Obamacare is one small step in this direction. The law was passed, an election on its implementation held, a Supreme Court challenge to its legality made, and it survived all these challenges. Obamacare is a reality and Republicans know it. The negotiations over the debt limit that was negotiated in August 2011 which led to the sequestration concept, i.e. cutting equal percentages from all parts of the budget, is now the default methodology for settling debt negotiations. Everyone knows this so the specific resolution of the spending and borrowing disputes were pretty much in place before the shutdown began October 1st.

The political impasse does not spell an end for the economy and there will almost never be a real risk that the U.S. will default on its debt. In fact, the markets' performance indicates that there is no recession in sight and that a resurgence in economic output will occur during the first half of 2014. The following data supports this view: the manufacturing index shows a faster pace of expansion in September, 2013 than has been seen over the last 2 ½ years. Payroll reports show US private sector employment increasing by 166,000 jobs in September, slightly below the requisite level of 200,000 per month. Personal incomes increased again in August, a trend in effect since early this year. Initial jobless claims decreased to 300,000 per week, the lowest level since June 2007.

In addition, the sale of new vehicles has risen steadily since 2009 to the point where September, 2013 sales were above the average for the last 20 years. Housing starts, though marginally downwards for the last two months, also show a steady rise from 2009 levels. Non-defense capital goods orders have climbed above their long-term average. All of these are good indicators that the US economy is in good shape. While the civilian unemployment rate continues to drop, now at 7.3%, there have not yet been enough new jobs to make up for the jobs lost during the 2007 to 2009.

Unemployment in the European Union as a whole remains mired at dangerous levels, 10.9%. Greece and Spain both have unemployment levels above 25% while Norway, Austria and Germany hover at 5% or below. Interestingly, the formation of new businesses is at an all-time high in Greece, Spain, Portugal and Ireland, indicating that people are tired of waiting for a job to fill so they are going out and starting their own businesses. The German economy continues to be the engine for European output. Germany exports 41% of its output, about four times the level in the U. S., and most of Germany's exports are finished manufactured goods. So this keeps the German labor force busy.

Given the underlying strength of the US economy and the relatively moribund situation in Europe and Japan, the future investment climate for stocks is largely predicated on actions of the U.S. Federal Reserve Bank. The governors there seem to be agonizing over when to begin and how much to reduce their bond purchase program because they know there is a danger to the economy if they start too late. Since the U.S. is not in a recession, and as the Federal Reserve continues to supply quantitative easing, it has now become a business-as-usual policy, hard to reverse and difficult to wean the markets off easy money. There is no doubt that the economy needed stimulus in the midst of the financial meltdown of 2007 and 2008 but that is no longer the case.

The Federal Reserve's monetary policy is not going to solve the structural issues of the U.S. economy and the people at the Fed know this. In essence, their appropriate crisis policy has become an unnatural norm since it has unfortunately had to compensate for the lack of fiscal policy that is supposed to be Congress's responsibility. One main impact of keeping the 'easy money' crisis policy in place way past the point of the meltdown has been to artificially suppress market forces and distort asset prices upward. This is great for investors as long as it lasts but it is like a rubber band stretched too far, it eventually has to revert back to its natural shape. Ouch!

The Fed, as the predominant player in the economy, is focused on two specific areas: employment and housing. When Ben Bernanke established a 6.5% target for unemployment, he boxed himself into a corner because it is possible that statistics will show our economy reaching that unemployment rate while the number of actual jobs being created shows little to no growth. As noted above, the markets have already increased interest rates by about one third. This has had a negative impact on housing but not on the corporate credit markets which are partying like it's 1999. The Blackstone group, America's largest private equity company, believes that we are in the middle of an epic credit bubble as evidenced by the fact that high-yield junk bonds are paying as low a rate of interest as they ever have. The abundance of money makes financial conditions robust so stocks continue to hit all-time highs.

By most accounts, the economy is on firm footing, so why is the Fed continuing to press on the accelerator? There is no answer other than that they are afraid that Congress and the President will be unable to plan for the country's future, so therefore they, as a non-elected body, are in charge of running the economy. It is really an abdication of responsibility on Congress's part that it cannot pass a budget or come up with a long-term way to deal with the debt.

The European economy as a whole will be lucky to remain flat, with some growth in Germany and the other northern European countries, not enough to offset the continued contraction in the Southern tier nations. The recent reelection of German Chancellor Angela Merkel means that Europe will continue to pay whatever it takes to keep the Union together. Merkel is in favor of a continent wide banking union and the issuance of euro bonds. This would tie the budgets and finances of European countries together and make any future decoupling due to one particular country's troubles nearly impossible. The Germans continue to insist that austerity programs be followed by the weaker economies. This means that the European economy will be stuck in neutral for the foreseeable future. European banks are still extremely troubled and the government bond markets there are totally reliant on the European Central Bank for funding their sovereign deficits. This means that we will have an opportunity to buy European companies with high dividend yields at cheaper prices than their American counterparts.

Articles by Rob Rikoon, reprinted from his monthly column in "The New Mexican":

"Good News for Retirees: Low-Inflation and Higher Interest Rates" – Get ready for the good times. Even though the rich monetary stimulus coursing its way through the world's stock market veins will at some point create inflation, this hasn't happened yet. Interestingly, interest rates have moved up over the last month and this benefits savers, most notably retirees.

For nearly 5 years now, the Federal Reserve Board has suppressed interest rates via its bond buying program and control of the federal funds rate. The bull market in bonds that began in 1981 all but ended in June, 2013. Bond investors reaped great gains during this long period of rising market prices but they now face significant market risk as interest rates rise. A 10 year bond drops nearly 10% in price when interest rates go up 1%. Investors who own short-term bonds face a paper decline of only 2% for every 1% rise in interest rates.

Interest rates will rise because that is the only direction they can go. It has become clear to most economists that one of the unexpected costs for the Fed continuing to artificially keep rates down is causing the real economy to be stuck in neutral. Today, with ultra-low interest rates, banks do not have to lend money to real companies when they can make similar returns, with almost no risk, by playing it safe and keeping their money in government securities. When rates rise, this will no longer be true as banks will have to pay depositors a reasonable rate of return. This will enable consumers to spend more as well as incentivize bankers to go back to their traditional business of lending money. Growth in consumer spending benefits cyclical sectors of the economy, in particular energy and technology, while an increase in direct lending to companies should eventually increase employment.

Higher interest rates can hurt companies who depend on large purchases by consumers that need financing. It also negatively impacts utilities and real estate investment trusts as competition from more traditional bond investments rises. Rising interest rates can lead some investors to exit the stock market for the relative safety of bonds. Companies that have less debt and positive cash flows, two of our criteria for investment, benefit from rising rates as their competitors' costs go up while theirs do not. Many large European companies have lower debt levels than their US counterparts and they also pay higher dividends.

There used to be a direct correlation between high interest rates and inflation but that doesn't seem to be the case anymore. When Paul Volker raised interest rates to break runaway inflation in the early 1980s, the self-fulfilling expectation of ever-increasing prices was finally offset by the crushing weight of super high interest rates. This was the start of the bull market for bonds (and stocks) noted above.

We are now experiencing deflation alongside higher interest rates. This has affected the price of gold, mining stocks, and natural resource-based companies along with industrial commodities. One reason reported inflation is low is because of increased factory capacity worldwide. China continues to add plant capacity even though it has already overbuilt its productive facilities in steel, aluminum, housing, and other heavy industrial areas. China needs to keep its workforce employed and the individual profits of the factories are not as important as the Communist Party having the political cover of the illusion of continued economic expansion. This has resulted in decreasing global prices, deflation, for most industrial materials, which should help keep inflation in check.

There are two related sectors of the stock market I feel will thrive in this kind of environment: energy and technology. They are also the most reasonably priced at the present time. Recent developments of new techniques in energy recovery and advances in hydro-carbon data modeling have resulted in a huge increase in "proven" reserves. The overall outlook for the US economy has strengthened due to America's emergence as a net energy exporter. Ford recently announced a natural gas set up for retail truck customers which will be the first of many progressive energy technologies that will assist the economy in the future.

Investors in bonds should have more opportunities going forward to earn income but with greater risk to their capital. Stock market investors, many of whom have relied upon central bank cheap money to fuel the past few years' momentum driven market rallies, need to look more closely at the balance sheets of the companies they own. If you want to participate in future advances, be aware of the impact of interest rates and deflation on your investment choices.

"The True Price of Energy" – How we look at the cost of providing energy for future use globally has reached an absurdly critical state. We cannot seem to figure out how much it really costs to produce a gallon of fuel or a kilowatt of energy. This is not because numerous studies haven't been done but because the real cost to the health of the physical environment or "commons" has never been factored into the equation.

For example, the difficulty in ascertaining the real cost of providing nuclear energy in Japan is highlighted by the unbelievably expensive measures now being taken to deal with the 2011 nuclear meltdown at Fukushima, the now crippled power plant north of Tokyo. Japan has traditionally had to import most of its energy, so for the past several decades, nuclear power represented an attractive homegrown alternative. Sadly, the closed nature of Japanese culture and the recent devastating earthquake has led to a continuing cover-up of the nuclear disaster there and the wide-spread contamination of considerable amounts of Japanese farmlands nearby. We do not yet know the extent of the long-term effect on marine life of the ongoing releases of heavily contaminated radioactive water into the Pacific Ocean at Fukushima.

The leak, which started in the late spring of 2013, continues unabated. The private operator of the plant, the Tokyo Electric Power Company, (TEPCO), was financially bailed out by the government after the accident and has finally been officially declared incapable of dealing with the situation. Japanese authorities are stepping in now to try and make long-term plans to contain the ongoing leaks. Apparently, there are hundreds of storage tanks surrounding the site holding millions of gallons of highly contaminated radioactive water. The challenge of dealing the leaking tanks is exacerbated by the continued infusion of groundwater onto the plant site, where it also becomes highly contaminated, and then flows directly into the nearby ocean. They are so desperate to come up with potential solutions that they are seriously considering permanently freezing the ground around the plant to create a permafrost barrier. This novel but as yet untested engineering solution would be of unknown cost to the country. If the electricity users had to pay for all this, solar and wind would look dirt cheap in comparison!

In typical market fashion, TEPCO's stock price increased following the announcement of the government takeover. The bill for fixing this situation will eventually be borne by Japanese citizens by adding it to the national deficit. The full cost of remediating environmental disasters like Fukushima and the Deepwater Horizon oil spill in the Gulf of Mexico will never show up on corporate books. What about the increased health care costs of people who end up eating contaminated food or the decimation of the livelihoods of nearby farmers and fisherman?

Who should bear the cost of cleaning up these kinds of disasters? Should they be factored into utility rates or considering whether to build more reactors? When the reactor at Chernobyl in the Ukraine blew up, the international community devoted considerable time, money and energy to containing the spread of radioactivity into Europe and more populated areas of Russia. The cost of this aid has not, to my knowledge, been added into the calculation of what it costs to produce a nuclear power.

While the United States has not experienced any nuclear disasters since Three-Mile Island, we have a comparable situation on our hands regarding the effects of producing natural gas from shale. Total US gas production is up one third since 2008 and the amount of oil coming out of domestic wells is up almost half. The energy industry supported 1.7 million jobs in the US in 2012 and produced $62 billion in government tax revenue. Very few industries can boast such a rate of growth or impact on local economies.

A Pew research poll found that 48% of the public favors the increased use of hydraulic fracturing, the process by which natural gas is forced out of the earth by the injection of water and chemicals, and only 38% are opposed. The economic benefit of job creation and positive impact on the global competitiveness of the U.S. Energy industry has overshadowed a broader analysis of this type of energy production.

The production of natural gas results in methane gas leaking into the environment and methane has a much more dangerous impact on the ozone layer than does carbon. This negative effect can be mitigated by better containment practices so organizations such as the Environmental Defense Fund are working in conjunction with some gas producing states and big energy companies involved in shale development. Another collateral cost associated with natural gas and domestic oil production is the incredibly large use of water resources which has already negatively impacted groundwater levels in some areas. As we know, water is the key to successful life west of the Mississippi but even communities in the Northeast are concerned about their aquifers.

Besides the impact on the availability and quality of water, increased injection of chemical materials and pressure into subsurface structures has the potential to increase underground geological movement. While the science of these processes is still inconclusive, the federal government is due to issue new rules on fracking soon and the regulation of injection wells is an intimate part of the fracking process. The people whose lives are going to be most impacted by reduced availability of fresh water are unlikely to receive compensation from energy producers from this "sea" change in the environment.

As long as energy production takes place somewhere else, most people are not concerned about its collateral costs. Most consumers are against additional energy taxes as we all feel that the cost of heating our homes and operating our vehicles is too high already. Comparatively speaking, US consumers pay roughly half of what people in Europe pay for energy and, not surprisingly, Europe has developed much more energy-efficient cars and building systems to deal with the higher cost of energy. Increasing taxes on consumption might aid in lowering combustion pollution but it will not solve the basic issue of allocating the true cost of production where it belongs.

The current debate in the United States over building additional pipelines through public lands is one highlight of this debate. The default assumption that we have is that the more energy we can get at the lowest possible out-of-pocket cost is the way to go. The preservation of current jobs that depend on the general health and welfare of the land, recreation and other species all take backseat to the economic juggernaut of energy production.

If the true costs of remediating environmental damage caused by energy producers were assessed, it's possible that renewable energy like hydropower, solar and biofuels would be more competitive. We need to assess the real costs of maintaining a sustainable biosphere as part of a holistic economic analysis so an informed public debate can occur. Before future development rights and subsidies are given out, we should decide if solar hot water heaters on every building make more sense than building more pipelines. When we can assess the long-term economic cost of current energy production methods, I hope our leaders will take the cue and step up to the plate.

"Jobs: Where Will They Come From?" – As we move into another round of electoral politics, the public deserves to hear how the economy is likely to fare under the leadership of different candidates who want our votes, particularly in respect to challenges faced in the job market. Those most affected will be young graduates and people over 60. Jobs are the key to local economic growth as well as to good financial policy. Looking around the local real estate market, we see a large inventory of unoccupied big homes that aren't selling due to the vastly changed market for second residences. This change is due to the shrinking numbers of well-paid executives who used to think nothing of taking on the added expense of energy inefficient vacation homes. Real estate agents and politicians may be enthusiastically telling us that the economy has turned around but my sense is that this is not true for most of the middle class, who are struggling to make house payments, cover college tuitions, and to save something for retirement.

Students who are graduating from high school and college want to find meaningful work that will pay them a decent wage with the opportunity for career advancement. This in turn engenders an optimistic attitude about the future. Our economy and democracy depend upon the traditional optimism that youth brings to a culture. With a population that is growing, the job market needs to consistently expand in order to prevent the ranks of disenfranchised youth from growing to the extent that exists in Europe.

Jobs in New Mexico are dependent on small companies. The days when there were increasing, or even a stable number of job opportunities with City, County or State governments have ended. Over the last four years, 700,000 government jobs have been lost nationwide and this trend will continue. The number of jobs available in large corporations has decreased since the Great Recession began in 2007, as companies have consistently reduced their payrolls in order to show increasing profits since this is what supports rising stock prices.

Government statistics show a decline in unemployment from over 10% in 2007 to 7.3% today but this does not take into account the 3.5 million people who have dropped out of the official workforce. Where have the new jobs come from that do actually exist? They have been primarily in the food and service businesses with waitressing, home healthcare, food preparation, and housekeeping comprising 60% of the jobs taken by women employees since 2009. A discouraging reality is that the majority of these jobs pay $10.10 or less an hour. The amount of education that a person has under their belt is almost irrelevant in today's job market. Individuals who have graduated college are having almost as difficult a time as high school graduates in finding first-time work.

The other group of workers who are most affected by the decline in employment opportunities are those 65 and older. Over the last 10 years, the number of senior citizens working as employees has increased by two thirds. In real numbers, this means that 3 million more people over age 65 are working today than in 2003. The financial condition of the vast majority of older Americans is declining as evidenced by the fact that 59% of people 65 years and older have no retirement savings. This situation is about to get worse. Baby boomers, who started turning 65 in 2011, are expected to enter the over 65 age group at the rate of 3 million people per year. If trends continue, about 60% of them will need to continue to work indefinitely which means another 1.6 million people per year entering (or staying in) the workforce for the next 20 years. These newly minted "elderly" with experience (but often diminished energy and short term memory) will be competing for all types of jobs with recent graduates seeking to enter the workforce.

Even though 41% of people over 65 now have retirement plans, the median amount in these savings accounts is around $120,000. Average life expectancy for today's 65 year olds is approximately 20 years. The "fortunate" minority, about 20% of the middle class, will have an income of around $500 a month to supplement their Social Security—not a robust margin for budgeting! Only 50% of private sector workers have any type of employer-sponsored retirement account and of this amount, only 40% participate by electing a deduction from their current paycheck. The result is that only one of five working people employed by large companies are saving for retirement.

What does all this mean for the future? First, large numbers of homes over a certain price point will probably remain unsold unless they have significant price reductions. As the cost of maintaining and heating those homes rises, they will need to be put to different uses - maybe multi-family if zoning and covenants adjust to the new reality. As more people in their 50s and 60s need to help support their children who are trying to enter the workforce, we will see more multigenerational residential situations. I believe this is the direction that the real estate market will move in the country as a whole. Second, competition for retail, low end service, and sales jobs will increase while compensation decreases as pressure from job seekers in the over 65 crowd and under 30 population both go up simultaneously. Wages in most all industries will remain stagnant and consumer spending will likely focus on essential goods. Retailers will feel this price competition keenly, even high-end luxury goods providers. The amount that will be spent by the average, middle class worker will go down as more people have to carefully watch their spending.

One positive aspect of all this is that we will probably draw closer together as a community. It will make good, immediate, economic sense to help each other out by providing goods and services locally in ways that have not been seen much over the last 50 to 75 years. Who knows… it might even be fun!

Personnel News

Rob: The big news is my daughter Robyn's (27) first full length feature movie, "Hellbenders," is to be released late in October by Lions Gate Entertainment and it may come to a theater near you! We saw the poster (she is one of the three actors on it) and the trailer which is very funny. It is one of the first 3D movies in the comedy-sci-fi-horror genre and, even if this is not your preferred genre (it's not mine), check it out! She has the female lead role alongside some older well-known male actors. Hannah (24) continues to work on the Frey family organic vineyard in Northern CA. Rumor has it that she is studying to take the GRE for potential application to graduate school of some sort. All is well here in Northern NM under nothing but blue skies!

Patricia: Happy Fall everyone. This is absolutely the best time of year here in New Mexico. As I write this there are lots of balloons soaring in the Albuquerque skyline. My very special news for this month is my son, Dylan, is getting married on October 18th. The celebration will be in New Orleans. He went to college there and New Orleans is where he proposed to her one year ago. Keelin, his finance, grew up in Connecticut and they met several years ago in NYC. I am very excited and happy for them both.

Juliana: I have just come back from a great vacation in England and France. I visited a friend in Somerset, spent time in Cornwall and London plus time in the Marne valley of France. If I seem a bit dizzy over the next week, you will know why.

Jeff: I had cataract surgery on my right eye in September and my left eye is scheduled for October. The difference so far is just amazing. I had absolutely no idea how fuzzy and limited my vision had become. I can't wait for the second eye to be done!

Emily: My summer finished on a high note with a couple weeks in England. In addition to some time in London and along the coast, I did a walking tour of the Cotswolds with my mom. We saw picturesque little villages, got soaked by rain and luckily only ran into one angry momma cow. I returned to cooler weather and the smell and colors of Fall just around the corner.

Chelsea: My current news is that my youngest niece, Faith, is celebrating her 1st birthday later this month! I have 5 nieces and nephews in all and am looking forward to seeing all of them at the party along with the rest of the family. My dog Job and I continue to enjoy spending time out of doors and we are trying to fit in more walks. Apart from that, I am just enjoying the approach of autumn here in Santa Fe and digging out my warm coats as colder weather approaches.

LOCAL TEA & CONFERENCE CALL-IN DATES: The next tea will be at our Rikoon Group offices at 2218 Old Arroyo Chamiso in Santa Fe. The date is **Tuesday November 5th, at 3:30 p.m.** Please bring a friend or anyone you think would benefit from participating in this open ended review that Rob hosts quarterly in regard to the markets and the economy. The next day, **Wednesday, November 6th**, our quarterly telephone conference call will take place at **3:30 p.m. MST.** The call-in number is: 626-677-3000 and the Access Code is 425993. Please email us before the call if you want Rob to respond to your particular questions or areas of interest.