



EMPOWERMENT VS. SOCIALISM 2012 OUTLOOK

India, China and other Asian countries should see growth accelerate in 2012. With inflation declining focus is shifting to lowering interest rates and stimulating growth. It is important as the U.S., Japan and Europe (with the exception of Germany) will continue to show negative real growth.

That could be the story for many more years. But not for the usual political or economic reasons. Baby boomers are becoming geezers. Retirement is changing our spending patterns. Big houses and debt are out, travel, healthcare and saving money are in.

The question being asked is whether the U.S. can grow in spite of the age wave. Seeing how quickly Germany solved their same problems why not? It would take the President embracing smaller government, lower taxes, rollback of portions of the Obama medical scheme and termination of the Patriot Act. That does not sound likely under the Obama administration which, if capital spending is any guide, has lost all credibility. But very successful former President Bill Clinton points out that he became effective when he quit pushing policy based on rhetoric and started governing for the good of all. America will grow again once that change occurs. There have to be changes. The U.S. budget deficit of close to \$2 trillion in 2011 makes Greece look well managed.

BONDS: Don't even think about it. Stagflation rates close to 8%, deficits the President ignores, the largest U.S. creditor (social security) effectively bankrupt. Why would anyone buy U.S. debt? At some point soon buyers will want, and get, interest rates commiserate with bankrupt credit ratings.

Greece today is a guide where government bonds yield 16%. If you have to buy bonds stick to corporates and a very short list of solvent countries.

STOCKS: With GDP growth of 8% Asian companies should see earnings accelerate in 2012. In the U.S. and Europe those few domestic companies with new products should see both marketshare and earnings accelerate. 2012 will

be an earnings focused stock pickers market. Declining interest rates should make China and India the global top performers in 2012.

THE OPEC WILDCARD: Changes in oil prices have immediate, dramatic effects. The wealth sapping increase in the price of oil is one of the core roots of the recession. Oil is just another commodity, with corresponding large price swings, that traditionally go up when the U.S. dollar weakens. But the dollar is now strengthening and pump prices declining putting precious pennies back into consumers pockets. Should oil prices return to their prior lows gas would be in the \$1.50/gallon range. Consumer spending would boom and end the recession.

MY 2012 WISH: Everyone wants something for nothing. Socialism unfortunately only leads to impoverishment. Many of us have traveled through the world, and now the U.S., witnessing the horrifying effects. China, India, Brazil, Argentina, Chile and others flourished when governments empowered the people by switching to smaller less invasive government. Hunger and debt problems disappeared, joy prevailed. That is my wish for 2012. There is no reason it cannot occur.

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