



Debt Ceiling Show-Down – October 10, 2013

We can see how one might be nervous given the continued Government shut down in Washington. But the stock market, while certainly jittery, has shown little signs of being terrified. Given the 323 point day the Dow had on Thursday, we wouldn't be surprised to see the folks in Washington iron something out by the end of the week.

If you look back historically, every debt ceiling has involved some sort of side negotiations. In 1990, Democrats forced then President Bush to back down on his no new taxes pledge in order to get the debt ceiling raised. President Clinton made concessions in the debt ceiling both to the Democrats in 1993 and to the Republicans in 1997. The Blue Dog Democrats almost forced us over the cliff under President Bush in order to get changes related to Pay-As-You-Go budget rules in 2010.

Stock markets hate uncertainty which Washington has certainly provided plenty of with its political wrangling. We always look for silver linings, which in this case are getting politicians to deal with a long-term fiscal spending problem today before it gets any worse. This bodes well for the future of the United States. For these reasons we have not changed the tactical composition in our portfolios. If anything, we are using any short term weakness to better position us for what we believe will be a strong end of 2013.

As always, we thank you all for your continued support and look forward to discussing any or all of our thoughts at your convenience.

Sincerely,

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