



The Polar Letter

JANUARY 2016

THE LULL BEFORE THE STORM - PROBABLY

“Based upon historical norms, the QE policies of the Federal Reserve and other central banks have led to an overvaluation in the stock market where prices are two times higher than they should be.”

John Hussman – November 2014

In a letter published late last year, (link to president's corner) we opined most portfolios should reduce positions, hedge remaining positions, or utilize protective stop loss orders. The past year has seen a very flat equity market here in the US, in our view, courtesy of the Federal Reserve. However, conditions, which lead to our caution in the first place, have only worsened.

Since 1994, the aggregate balance sheet(s) of the world's central banks has expanded by ten times, rising from just over two trillion dollars to twenty one trillion dollars. This is not some sort of situation, which is temporarily out of control; instead, it represents a significant period of monetary insanity!

In just the past eleven years, public debt here in the US has increased from about \$4.2 trillion to nearly \$19 trillion. To put that another way, that is an increase from about \$14,500 per person to about \$50,000 per person. Put it yet another way, an increase about 36% of gross domestic product to about 95% of gross domestic product. What of corporate and personal debt? Well you probably do not want to know. Naturally, this is not sustainable.

Please call or email us concerning your personal situation

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The firm's senior principal, Michael Jordan has over forty years of industry experience.

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