HOUSTON CAPITAL PARTNERS

The Upcoming Fiscal Cliff…or Not

Many of our investors have been asking us if they should be taking any action, make any portfolio changes, etc. due to the impending possibility of the "fiscal cliff"? This is a difficult question to answer as we have no idea what the final compromise will look like. We do think there will be some type of compromise, most likely kicking all the tough questions "down the road". From an investment point of view, we believe that all the information regarding the fiscal cliff is already reflected in the market. This is not a surprise. We may see some more volatility, some possibly extreme. But it should be noted and understood that there are differences between the economy and the financial markets. Will the fiscal cliff "compromise" affect Exxon, or Apple, or Walmart? Some companies will be affected more than others. Defense companies come to mind first. Then there is the concern of how capital gain, dividend and individual tax rates will change the marketplace. As most investors bristle at the idea of higher individual tax rates, we should realize that there have been plenty of historical examples of rising tax rates and rising stock markets. We don't have to like it, but we do need to understand it…and its opportunities.

Obviously, the bigger problem is the growth of the U.S. deficit, and its recent explosion, if you want to be concerned about something; but this will be discussed at a later date. Next month we will discuss the outlook for the U.S. Equity markets – which will probably be a lot better than they were this year. And the S&P* is up 12.1% YTD at the time of this write up.

*Indices mentioned are unmanaged and cannot be invested into directly. Past performance is not a guarantee of future results.