

THE COVERED CALL

# We are The people of The United States of America

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2013-2014 : A look back and a glimpse forward

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Merry Christmas everyone, Happy Hanukkah, and many blessings. The year has been an interesting one filled with opportunities, action, and turmoil. Looking back at what the year has wrought, Obama care's Keystone Kops rollout, the "Tea Sequestration" fiasco, the "Dodd-Frankenstein" financial-reform-act rule-making drama, and the long-running "to taper or not to taper" spectacular. Our economy "Grew" according to Ben Bernanke. Although you ask graduates ages 21-28 , recently unemployed ages 45-57, and the mix grab bag of others who are **STILL** unemployed you might get a different opinion. According to Barrons: By assuring that interest rates again remained near record lows last year, Bernanke encouraged consumers to purchase big-ticket items like autos, which in turn kept domestic factories humming. BUT, because of the money spent on the project, we have had to get it from somewhere. And the first thing to go is Government supplementation. The Supplemental Nutrition Assistance Program was cut by \$5 billion. The cuts have affected nearly 48 million people, which include 22 million children, according to the Center on Budget and Policy Priorities. Almost a million veterans are affected by the sequestration and cuts to the veterans' administration. Yes, we have to trim the federal budget, but it is interesting to see who is taking the cuts.

The world's energy crisis isn't resolved. But there is hope for opportunistic individuals, fracking may be on a comeback tour! In August, the Boston Consulting Group said in a report that 2015 prices for natural gas are projected to be 60% to 70% lower than now. Electricity is projected to be 40% to 70% cheaper in the U.S. than in Europe and Japan. Gas prices here in Northern New Jersey are at an average \$3.19 a gallon. The National average is 4% more expensive at \$3.25. This has some concerned. 2013 was apparently warm? I still see snow here in Manhattan and in New Jersey. According NOAA we're in trouble; The combined average temperature over global land and ocean surfaces for November 2013 was a record high for the 134-year period of record, at 0.78°C (1.40°F) above the 20th century average of 12.9°C (55.2°F). The global land surface temperature was 1.43°C (2.57°F) above the 20th century average of 5.9°C (42.6°F), the

second highest for November on record, behind 2010. The combined global land and ocean average surface temperature for the year-to-date (January–November) was 0.62°C (1.12°F) above the 20th century average of 14.0°C (57.2°F), tying with 2002 as the fourth warmest such period on record. So I'm going to assume we should 1.) Learn to swim, and 2.) carry more and stronger sun block.

Edward Snowden is still on the run and currently hiding amongst our comrades the Russian Federation, and causing massive havoc to our American fortune 100's. The heads of several prominent Silicon Valley companies complained to President Barack Obama during a meeting last week that the NSA's aggressive data collection threatens their profitability. Cisco Systems (ticker: CSCO) reportedly claimed it had lost sales to overseas customers concerned about business-data security. Earlier this month, Google (GOOG), Facebook (FB), Apple (AAPL), Twitter (TWTR), Yahoo! (YHOO), LinkedIn (LNKD), AOL (AOL), and Microsoft (MSFT) wrote an open letter to President Obama demanding an end to the NSA's bulk-data-collection program for much the same reason. But on a lighter note, we're finally allowed to use electronic devices during our flights including take offs and landings.

And finally, as mentioned in my Funds review, the Investment world fell short of the expectations of investors, management, and I think themselves. In 2013 Average profitability of the top investment banks, in terms of return on equity, was just 8 per cent last year, according to the report published on Wednesday by consultants McKinsey. That dragged down the global average to 10 per cent overall, offsetting strong performances by second-tier banks in North America, Asia and Latin America. For larger institutions, cost-reduction efforts the Dodd Frank and Volcker rules have thus far failed to keep pace with revenue declines,". The report said "Among the top 13 banks revenues have fallen 10 per cent per year since 2009 while costs

have dropped just 1 per cent per year" [FT.com](#) . And more disturbing is that numbers of sales staff and other "front-office" employees at the big banks, down only 4 per cent per year, had not been reduced in line with the shrunken income outlook, McKinsey. The average cost-income ratio at the top 13 investment bank is 73 per cent, compared with a low of 53 per cent in 2009. Bankers should not expect a meaningful recovery in revenue to bail them out, the consultancy warned. Globally, revenues will rise by between 1 and 4 per cent a year thus creating an industry of \$350bn to \$400bn by 2017, compared with today's tally of \$331bn. At the high points of recent years, investment banks generated aggregate revenues of \$465bn in 2007 and \$473bn in 2009. According the M&A report card, from [Barrons](#), showed a year of not great deals. Some sectors have been busy, others less so. There are few clear trends. Overall, Europe-targeted M&A volumes are up 9%, according to Dealogic, though the [Eurostoxx 50](#) index is up 16% in the same period.

## **FINAL THOUGHTS**

***In this New Year, we need to remember that the World is getting faster, smaller, and smarter. We have citizens of our own country, living in inexcusable poverty. We have a government that is treating budgets as if it were a Black Card. And what will happen when bill comes due? The cost of gas, food, living, and education is increasing faster than the wages earned by the common citizen. Our image is horrid in the eyes of our global neighbors. In education we are joke! It is embarrassing to publicize that view point publicly but I feel so strongly about it. We are ranked 36th in the world! We are behind 5 countries I've NEVER EVEN HEARD OF! We have an obesity problem that needs to be seriously addressed, a plan of action required to supply our people with healthcare programs that are accessible, affordable, and reliable. There was once upon a time when***

*America meant = reliability, accountability, and quality. The middle class is getting choked out from existence. The minimum wage of \$7.50 is only netting \$207 weekly or \$10,764 annually. The reason for such a low number is because many minimum wage employers will not allow for full time, and will keep hours below "full time". The movie, American President starring Michael Douglas, had a quote that is needed to be taken to heart more so now than ever. "America isn't easy. America is advanced citizenship. You gotta want it bad, 'cause it's gonna put up a fight. We have serious problems to solve, and we need serious people to solve them".*

*WE ARE The United States of America. We have risen, and stood together every time we have faced adversity, challenges, and have made the tough calls. We are a people who thrive on challenge, who stand up for what we believe and defend the weak, the innocent. We as a people know right from wrong, we as people lend a hand to our neighbors, to strangers, not because it looks good on a magazine cover, not because it will get hits on YouTube. It is because it was the way we were raised, the very core values instilled on us from the time we could say our first Pledge of Allegiance. So as we remember WHO WE ARE. We will be able to look at WHAT WE HAVE BECOME. We have dysfunctional and untrustworthy Government, Banks that squeeze every drop of Talent, and margins to fill up an ever growing bonus pool regardless of what the risks are, including the lives that are affected. Industries drying up, and leaving ghost towns in their wake. WE ARE AMERICANS. We can and will fix this. We have the power to say ENOUGH! We have the tools, mass media, social networking, the AWESOME power of voting through purchase, or NOT purchasing.*

*By no means, am I an anarchist, or far liberal or far conservative. I believe I was raised with good investments and common sense. I believe you were too. As the dawn of 2014 approaches, we must ponder and ask is 2014 going to be the same all over again? Scandal here, scandal there, market crash possibility, foreign wars, laws that don't make sense, congress barley in session, new election, new slogans with same old results, etc. etc. Or do we stop for a moment, and decide that we as the great people of the United States of America can change? If corporate America opened its vaults and spent cash on made in America efforts resulting in new hiring, a 1-2 years of smaller profit margins, and minimal gains would out weighed in my opinion 20:1 the following year. We would go on a spending frenzy. The American consumer now re-employed for a full year would have 1.) Investing confidence, 2.) Old / new spending habits, 3.) Money now available would be used in the best way of all education. Families hit by the depression NOT recession (I know what I said) would be able to save again for college and send their children, and make way for a new generation of educated Americans. That is the true powerful trickledown economics. We have the ability, we have the people, we have, more importantly then anything, the WILL TO SUCCEED. We are the people of The United States of America, and we do not loose easy or kindly. We rise to the occasion with a smile and hope in our hearts. We are the people that put a man on the moon, sent rovers to Mars, and invented most if not all social outlets and forms of Media. We broke the sound barrier and taught the world rock and roll. We can do ANYTHING imaginable. That is our power. And in 5 years, if corporations heed my advice we could be stronger than we EVER WERE in 90's and the early 2000s. The only thing that is stopping us is*

*ourselves. We are the Great People of The United States of America, and I CHOOSE to be part of the solution. So... in 2014, which will you be?*