



ALTIUS  
Financial

# Empowered Future Report

Short term thoughts about long term matters

March 10, 2016

## Quote of the Day:

*"Wisdom begins in wonder" - Socrates*

## Speaking in Greece....

I know some of you think I speak Greek anyway but I have been invited to speak in a number of cities in the Eastern Mediterranean region from Bulgaria to Montenegro to Greece and will be there for the first three weeks in April. It turns out there are many people in this region who are disenchanted with the status quo of government intervention in their economies and hungry to hear fresh ideas and truly free market reforms. The Austrian Economics Center in Vienna sponsors a Free Market Road Show which focuses on reaching entrepreneurs, businesspeople, students, and leaders throughout Europe. I'm honored to have been invited to join this leg of their tour and collaborate with investors/other business people, academics and thought leaders from around the globe.

I'm especially excited since the last city I'll get to speak in is Athens. Many of you know my fondness for the ancient Greek culture and now I'll have an opportunity to visit some of those hallowed sites. Our firm's name "Altius" comes from the Greek word for altitude or higher, reminding us always to reach for a higher standard of service, performance and professionalism. You may be familiar with the Olympic motto: "altius, citius, fortius" - higher, faster, stronger - and it is that spirit of achievement, along with the integrated nature of how I view that culture, which drives our financial planning and investment philosophy. Now, of course, I'm referring to the *ancient* Greeks which is much different than the current environment in modern Greece, or anywhere in the world today for that matter. I'm looking forward to sharing what I think is a unique perspective and, certainly, learning a great deal more myself.

While I will monitor the markets and our portfolios, I will be largely unavailable during this time (April 2-23), so Tammy and Jenn are now scheduling calls and meetings for when I return. They will both be available for questions and processing requests and we've arranged for a close associate financial advisor to be on call in the unlikely case of anything urgent. And of course, we have the resources of our custodians and other business affiliates. If you need something sooner, please

do email me or call now so that we can discuss. I'll look forward to sharing the experience with you when I return.

### **What will markets slurp: ZIRP or NIRP?**

No this is not from a Dr. Seuss tale. It describes the general interest rate policy among various central banks around the world with many having already gone from a zero interest rate policy (ZIRP) to now negative interest rate policy (NIRP). It's a very unconventional tool where instead of receiving money on deposits, depositors must pay regularly to keep their money with the bank. While, after seven long years of trying to stimulate economic activity, the US Fed did nominally raise interest rates late last year. But most other nations have been going the opposite direction, not raising but lowering rates and even going negative in many cases. And at her last testimony before congress, Fed chief Janet Yellen hinted that NIRP was on the table as a policy tool here as well. This kind of policy can help spur more short term speculation but punishes savers and conservative investors needing some kind of interest on their deposits.

Since last week's employment numbers looked fairly strong, the Fed has a little more leeway in the short term and if we continue to get better economic growth, they would likely stay on this path of slow, measured interest rate hikes. But most observers don't predict anything close to robust economic growth any time soon and so it will be interesting to watch what happens later this year, especially with election pressures.

My view is that currency wars (where nations depreciate their currencies to stimulate their economies) are a zero sum game. However, they can ultimately result in very negative consequences if they lead to protectionism or other anti-globalization retaliatory measures. Currencies are targeted when there is a deficiency of good or effective policy options. Why governments and their central banks won't look to the longer term, proven policy of free-trade, lower regulations and lower taxes – all of which are required for organic growth and innovation - as a policy prescription baffles me....until I remember that they are much more focused on the short-term. Nations are mostly dealing with aging populations, debt bubbles that were just shifted and the misguided belief that policy makers can turn their economic tide by tweaking monetary policies.

I do believe the risk of trade wars and protectionism is real at this point as there seems to be a decidedly nationalistic tone to both our political rhetoric as well as actions on the part of trading partners. With slow or no-growth policies comes a whole assortment of other challenges: sluggish demand, falling commodity prices, and a race to devalue currencies to boost exports at the expense of everyone else. Populist politicians use rhetoric that incites emotionalism but is usually devoid of any economic or financial understanding.

## **Defense Wins Championships**

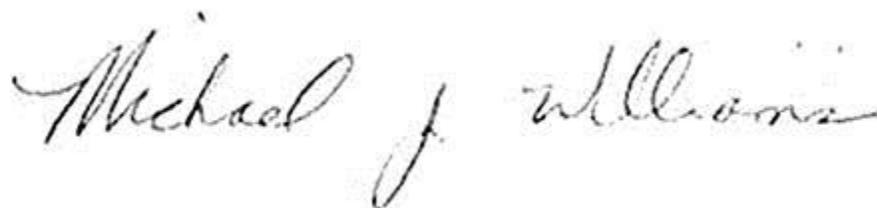
Ok, so I'm a little late connecting the Broncos Super Bowl Victory to our financial markets but for those of you who are still basking in the orange glow, yet concerned about an uncertain future (especially with QB events this week)....but are more interested in how we're navigating these treacherous financial times, I'm proud to say that our strategy is working quite well. Obviously each person needs to look at their own circumstances and statements for performance information but the most common thing we've heard from clients lately is a pleasant "wow, I thought my account would have been down a lot based on the news of the markets".

It's an old sports adage that "defense wins championships" and we certainly saw that with the Broncos this past year. Three years ago, Denver had a high flying, record setting offense but got crushed in the Super Bowl by a better defensive team. This year's offense, even during the championship game, was often frustrating to watch but we knew they always had a chance due to that dominating defense.

Similarly, in other sports - "good pitching beats good hitting every time" or "defense and rebounding are more important than scoring" - it's often the same with investing. While it's not necessarily as fun or entertaining, having the right mindset about money is crucial to winning the long game. If we think about the playing field (the rules and philosophy of money), then we realize that there is both an offense (making money) and a defense (budgeting, analysis, discipline). I know it's not as fun but we're staying disciplined with our focus on valuations and it's paying off. As Howard Marks says in his book, [The Most Important Thing](#): "The road to long-term investment success runs through risk control more than through aggressiveness."

## **Save the Date: May 25<sup>th</sup> for next workshop**

We'll be holding our next Capital Markets Outlook Workshop on May 25<sup>th</sup> and have a special guest speaker that I think is particularly appropriate. Our client, [David Jensen](#), has just recently published his first book, [The Garden Interior: A Year of Inspired Beauty](#). David has been writing a very successful blog that is about so much more than gardening and he's agreed to come share some informal comments and sign books. You won't want to miss this!



Michael J. Williams

---

Michael J. Williams, CFP

ALTIUS Financial, Inc.

[michael@altiusfinancial.com](mailto:michael@altiusfinancial.com)

303-584-9271

[www.altiusfinancial.com](http://www.altiusfinancial.com)