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## Patience

When things don't seem normal, we're prone to action. Yes, we'll wait around a bit expecting the familiar to return but we aren't a patient species: somewhere between dogs and finches. The urge to do something overwhelms caution at some point. I believe we (the markets) are there. We've given up on the return of familiar. The genetic playbook is calling for action.

- Morgan Stanley is feeling it: The company just fired 25 percent of its fixed-income folks. Conclusion: Fixed income is crippled forever or Christmas is the best season for job searches?
- The epic merger boom: Zero organic growth is bad for my CEO pay or Goldman Sachs deserves more deal fees?
- The U.S. Federal Reserve's profound dithering over 25 basis points: Evidence of a desire to do something or a Fed out of options?

The last one was tricky and I'm not sorry if all that sounds cynical or absurd. (Someone told me to be myself no matter how unpleasant that is.)

But I'm feeling it too. I almost raised 10 percent more cash on the morning of Thursday, Nov. 5: the day before the October jobs report release. I believe the estimate was for something like 180,000 but the whispers were that it might be lower given the poor September report and trending weakness in other timely measures. To be honest, I also thought it would be weaker but I'm getting ahead of myself. Let me back up. That Monday (Nov. 2), Eagle had played host in our St. Petersburg offices to a prominent Wall Street economist. He's generally been a glass-is-half-full kind of guy so I expected the conversation to be reassuring. The meeting followed that script. His theme is slower for longer: slower economic growth for longer, no danger of recession anytime soon. He had no worries with the exception of – and this is an important exception – his company surveys, which were noticeably weakening. He said he believed they'd eventually turn up because of something to do with e-commerce's perversions of Christmas retailing. Frankly, I had trouble following the argument but, as it happens, I've drifted into the slower-for-longer camp too so I wasn't overly concerned about the surveys. (As an aside, the behavioral-finance experts have discovered that we don't pay as much attention to facts that don't fit our

model. We need experts to tell us that?) Anyway, I felt pretty good about my asset allocation.

But in a bit of cosmic irony, the very next day in that very same conference room, we played host to a brash, smart, up-and-coming strategist from a firm located just a little north of Manhattan. He was not sanguine about the direction of surveys; he said he believed the Fed was close to making a policy error (it missed its chance to raise rates; it's too late) and he was as twitchy as a cut snake about the prospect of a surging dollar and the financial damage it could do to the trillions of dollar-denominated debt now trapped in emerging markets. With a backdrop of collapsing oil and commodities, the data told him that the U.S. and global economies were slowing ominously: classic late-cycle stuff. And with the Fed determined to raise rates, he posited, what more does one need? Indeed. Suddenly, I was not so comfortable.

I read diametrically opposed stuff every day; somehow, I have gotten somewhat used to it. But having that guy in my face succinctly and passionately telling me the \$#@\*'s about to hit the fan ... well, it was hard to ignore. In the end, though, I did nothing. This recovery's signature move is slow and halting. The younger strategist was, in my view, simply describing the next act in this drama. We probably aren't in danger of a recession with employment improving, housing OK, autos on fire and the affluent still spending. And the Fed is only trying to raise rates a little bit because zero is ridiculous. There's no excess. The absolutely last thing the Fed wants is to slow the economy. As for energy and commodities, they are retrenching from investment bubbles but we can probably handle that. My 10,000-foot view is that we are trapped in a weak and uneven economic advance governed by aging workforces, political gridlock, overcapacity and excessive debt. There will be periods when it feels a little better and periods when it won't. This could go on for a quite a while without significant excess. Earnings are growing and stocks have an earnings-yield advantage over bonds. Stay the course.

By the way, that October jobs report? It was 270,000: a blow-out, the biggest month of the year.

Thank you for taking the time to read this month's Market Perspective. I hope you found it helpful.

*Richard, an investment professional with more than two decades of experience, manages Eagle's Strategic Return Portfolio. His views are his own and may not reflect those of other Eagle portfolio managers.*

Strategic Return Portfolio	
Equities	69%
Bonds	13%
Gold	2%
Cash & similar	16%
<b>Total</b>	<b>100%</b>

as of Dec. 1, 2015