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THE THREE SCROOGES

Lawmakers are lining up to play Ebenezer Scrooge in the season's production of "A Christmas Carol." The backdrop for this year's production is energy and the key players trying for the lead role are the EPA (Environmental Protection Agency), the Department of Energy, and Congress. They are each doing their best to stifle energy development thereby keeping gas prices high and curtailing job growth. Massive new reserves of gas and oil are being discovered all over the United States and the Western Hemisphere. We know about the oil and gas reserves in the Gulf of Mexico and Alaska. Now we are finding vast new reserves of oil and gas in, of all places, South Dakota, Ohio, Pennsylvania and New York. Economists and oil analysts have estimated that we could soon supply all of our natural gas domestic needs for the next century. We could also supply half of our own petroleum needs. We currently import nine million barrels of petroleum. Analysts predict that recent oil discoveries would enable us to cut that in half. Economists say this could add nearly \$1 trillion in Federal revenue. Then there would be jobs. Some estimate as many as 1.5 million new jobs would be created.

Then there is the Keystone Pipeline, a project that would transport oil from western Canada to our refineries in Texas. This is another job creator that is being stalled by the EPA. This project has passed all obstacles put in its path by the EPA, but they keep inventing more ways to stall the project.

The Scrooges are being mean spirited especially toward the middle class who desperately need jobs and lower gas prices to put more money in their pockets and revive our economy. The revenue stream provided by the energy industry, plus budget cuts determined in Congress would put us on the path to a new economic boom. Perhaps as in the Dickens' novel the Ghosts of Christmas Past, Present and yet to come will haunt the Scrooges into turning benevolent. After all, the elections are fast approaching and no one wants to be perceived as being a Scrooge.

So what's happening in Europe? The big summit that ended last Friday produced – nothing. They have proposed more stringent controls on each member's financial structure and that's good long-term. The problem is that they may not make it to long-term. Debt refinancing is the immediate problem for at least five members (Greece, Italy, Spain, Portugal and Ireland) and maybe even more. The ECB (European Central Bank) and the IMF (International Monetary Fund) do not have enough funds to bail out these countries and the other members are reluctant to step up, as they should be. One option is to print more Euros, but that would be highly inflationary and would debase the currency. Our Federal Reserve has offered low interest loans. All these measures would amount to throwing good money after bad. The real solution is for these countries to cut government spending and/or default on their loans and drop out of the EU. These are painful solutions and would likely lead to more rioting in the street so we suspect the EU members will opt to print more Euros to pay down debt rather than enforce a more strict financial structure. Any of these

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measures will create volatility in world markets, but ultimately it will remove constant buffeting in the marketplace and allow us to move on. Will any of these solutions impact the US? Of course, but we will emerge as the safest haven for investments. That is, if we pay attention to what is happening across the pond and take the necessary steps to curb our spending and get our house in order. We are fortunate that the warning bell has sounded in Europe.

What's happening in China? They are in the midst of an economic slow-down. Did anyone really believe they could grow their economy at 9% a year forever? China recently cut one half of a percentage point from bank's reserve requirements indicating a cooling in their economy. Inflation is reportedly running at a 5.5% annual rate but you can bet it is much higher. China will have trouble exporting their way out of this slow growth period since foreign demand is shrinking. Probably the biggest problem facing the government is the bubble developing in the housing market (sound familiar?). Property values according to outside analysts have dropped 40%. The government has told banks to cut back on loans to developers to ease speculation.

It has been said that what doesn't kill you will make you stronger. We will come out the other side of this financial crisis a much stronger world.

On the lighter side, stop the insanity. The city of San Francisco banned free toys with McDonald's happy meals. So McDonalds is charging ten cents for the toys. San Francisco is also raising the minimum wage in the city to \$10 an hour. This only hurts students, young people and retired people who generally work at these jobs. Past history shows that increases in minimum wages result in fewer jobs being created. The Occupy Movement is blocking workers at West Coast docks, and this reduces earnings for the 99%. And finally, early this year the state of Illinois passed a 67% increase in the state income tax and another increase in the corporate tax. The Chicago Mercantile Exchange and Sears threatened to move their operations out of state. A bill was introduced to grant these two companies a \$100 million tax exemption. It was crushed by the House but the companies are lobbying to pass it. Corporate favoritism? Stay tuned.

Another interesting year has almost passed as we head into the holiday season. We wish all of you a

Merry Christmas and a Happy New Year!

Random Thought for Decemeber 2011: "We could certainly slow down the aging process if it had to work its way through Congress."

Will Rogers

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