



## *Top Ten 2012 Predictions*

2011 was certainly an interesting year – with many economic, financial and political issues unresolved at year-end. What this bodes for 2012 is another tumultuous year – in fact a year very much like the past one.

In no particular order, therefore, my top ten predictions for 2012:

10 – The Presidential election is the Republicans to lose. I retain this view even as the Republicans (led by the House) are self-destructing and opening the door for Obama. If the candidate is Romney, Huntsman or someone with similar moderate views that can attract independents AND there is no third-party candidate, then Obama is out. If, on the other hand, the candidate is Gingrich, Paul, Bachman or some other candidate who can not attract independents AND/OR a third-party candidate emerges, then we will have four more years of Obama. I know that that is a lot of “ifs,” but we are still early in the race. My money is on a Romney presidency starting in 2013.

9 – The Democrats will retain control of the Senate, although with a smaller majority, in part because like in 2008, the Republicans will put up some unelectable candidates (can anyone say Rhode Island?). The Republicans will retain the House of Representatives, which will look pretty much the same as it does now. Sorry Nancy.

8 – The Supreme Court will uphold the legality of Obama’s Health Care plan, but this will make it an even more polarizing issue in the election (since the decision should come in the Spring). If a Republican is elected President, it will be continue as an even more contentious subject in 2013 and beyond, as the legislative branch will take the lead in repealing parts of the plan.

7 – The stock markets will end slightly up for the year, helped by a year-end relief rally after the election. Volatility should be relatively low, as many investors will stay on the sidelines because of all of the political uncertainty. Another “lost” year like 2011. It will remain a stock pickers market – driven largely by earnings in the few sectors of the economy that will do well.

6 – The U.S. economy will not go into recession, though following continuing turmoil in Europe, will get dangerously close. Unemployment will dip somewhat then increase again to about 9% at election time because there will be no significant job bills enacted



and political gridlock will dampen demand. Housing will remain in the dumps. The positive economic news seen in December was deceiving.

5 – Europe will go into recession (maybe not all countries but as a whole). There will have to be a number of emergency summits once again, as everyone realizes that the actions enacted in 2011 were only band-aid measures and that real problems remain. The divergence between the stronger Northern European countries and weaker Southern European ones will continue.

4 – The Euro will survive 2012 – barely – and I imagine a year from now the outlook for its continuation past 2012 will be very bleak. Back to those summits for a second – hopefully there won't be 8 or 9 like there were in 2011!

3 – The Occupy movements will continue sporadically throughout the year as economic conditions stagnate. I don't think they will pick-up significantly, however, and absent the emergence of any real leadership – to voice a unified concern or theme in a cohesive manner – the November elections might signal their end.

As for the financial services industry:

2 – At least one major brokerage firm will be sold or spun off by its bank-parent (this excludes Morgan Keegan; in this case, if MK is not sold by the end of the first quarter, I predict that Regions Financial itself will be gobbled up by a larger bank). The bank/brokerage marriages have in large part not worked, so 2012 could be the beginning of the end for many of these relationships. Hint – ML.

1 – The wirehouses will continue to lose advisors to the independent, RIA and semi-independent channels. The attractiveness of working for one of the big four is just not what it used to be – both from a reputational point of view as well as an ease of doing business one. The wirehouses aren't going to disappear though – just continue to become less dominant.

In any case, 2012 should be another fun and interesting year.