



A PEEK AT THE WEEK THAT WAS - May 4, 2013

"Patient Capital... Positioned for Profit"

WOW...LOOK AT MR. MARKET GO, MAN!

We were going to spend some time this week to take a look at what those Dirty Rotten Scoundrels in DC had been up to while the rest of us were filing our annual tax returns...but that will have to wait till next week.

Peeking back, we see that this week, especially the latter part was all about the stock market and it's seemingly endless ascendancy. So, the scoundrels can wait. Unfortunately, they're not going anywhere.

On Friday, the Dow rocked into the record books while the S&P blasted past sweet 1600.

Folks, this market is going up and up and up...until it's not. So while we marvel at its majesty, let's take a moment to meet some of the main players who make up "the market".

They are all interesting, in their own way.

Firstly, there's **Mr. Market** himself. A fun fellow on days like Friday. The problem with Mr. Market is that he can go from extreme euphoria to manic depression very quickly and lately his mood swings have become more pronounced. He seems....in fact, almost too energetic and frenetic these days. Some have even insinuated that he may have a gambling problem and that he could be addicted to financial crack...courtesy of his high class dealer, Inventive Ben Bernanke who can be seen lurking in the corridors of power and privilege. Many worry that if Ben stops supplying the financial narcotics, Mr. Market will literally crash and burn.

Then there's **Dr. Copper**. An engineer by training and a miner by profession, he's a pretty solid chap. No booze or drugs for Dr. Copper...just hard work building things and trying to make the world work a bit better for everyone. And always practical to the point of boredom.

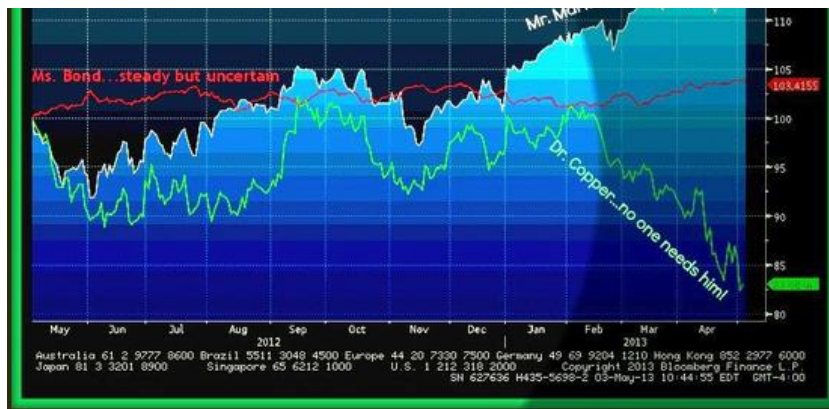
As a result, he's not nearly as popular as Mr. Market. You only hang around with Dr. Copper when you want him to help you build something. When you need him, he's essential, but otherwise, not much fun at all. Usually Mr. Market and Dr. Copper get along and go along fine. If Mr. Market is having a good time, then Dr. Copper is usually pretty busy working as well.

Finally, let's introduce **Ms. Bond**. Everyone knows she is very smart. Cool, calculating and clever. She is as much concerned about the return **OF** her money, as the return **ON** her money. She will have a drink but rarely to the point of getting giddy. She usually thinks that Mr. Market is a nitwit and tends to not get carried away with his shenanigans. In fact, if Mr. Market is partying hard, she will often leave the party earlier than most.

Even though it's hard to take our eyes off Mr. Market because he is often so much fun and has such a large crowd of doting admirers (mostly at CNBC), it is always wise to keep an eye on the boring but practical Dr. Copper and the calm but canny Ms. Bond.

So what are they all up to lately...?





We apologize if the above chart is a little busy but basically, it is tracking the 2 year performance of:

1. **The S&P 500** - the white line at the top
2. **US government treasuries** - the red line in the middle
3. **Copper** - the green line at the bottom.

While the red line (treasuries) has been relatively steady, Mr. Market and Dr. Copper have basically tracked each other, as they ideally should. It just makes sense that if the economy is growing and doing OK, the market should be doing well too and vice versa.

But...as the chart below illustrates, in recent months, Mr. Market and Dr. Copper have parted company in a big way. The former is partying like a rockstar and the latter is languishing in the cellar. No one needs copper apparently...which is not good...as copper consumption is a pretty reliable sign of growth in a global economy.



So something has to give. Either copper rises in price via increased demand to catch up to the market, or the market reverses to more truly reflect the lack of real growth in the global economy.

What will it be?

Let's ask the smartest person in the room....Ms. Bond.

Sadly for us, Ms. Bond either doesn't know what to do or, if she does, she is not letting on. You see, Inventive Ben...with his easy and addictive funny money has everyone confused. A real economy is organic in nature and responds to the normal stimuli of supply and demand...unless, of course, the planners step in and start fiddling with the switches. This is exactly what Ben and the gang are doing throughout the developed world.

So Ms. Bond is in a bit of a bind. Mr. Market's party is even starting to look enticing to her and some of her friends have already joined it...adding more vodka to Ben's punch bowl. Even the moms and pops are starting to forget their massive hangovers from the last two parties that Mr. Market gave back in 2000 and 2008. Such is Ben's addictive charisma, even they are starting to think that Mr. Market's party could go on forever. So by comparison, Ms. Bond is starting to look as boring and unattractive as Dr. Copper.

What's a gal to do?

If Ms. Bond decides to bring even a part of her considerable stash of whiskey to Inventive Ben's market party, it could be a gala event for the decades. While she ponders....she does at least know a good deal when she sees one. And for her, the deal appeal is Apple. Their recently announced debt deal is wildly oversubscribed and Ms. Bond is prepared to lend Apple her hard earned money for three years for around one half of one percent (0.5%). Why? Because she believes that Apple is good for it...even if they don't have Ben's printing press. But there's Ben again...confusing the market. It's what he does best.

So what do we think? As usual, we have no clue. At Craven Capital, we are more market observers, than market reactors. And predictions are best left for others far smarter...or braver than us. But we are nothing, if not curious, so we went looking for clues and one graph in particular, caught our eye last Thursday. It tracked the S&P 500's performance from 1950 till the present day. Take a look below and have a long think about where we are right now. Ms. Bond certainly is.

As for "third time lucky"...we suspect (but we won't predict) not!

Til next week...



"Ignorance is the curse of God. Knowledge is the wing wherewith we fly to Heaven."
William Shakespeare



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