

HIGHLIGHTS OF THIS ISSUE

In this issue we look ahead and opine on the 2013 backdrop. Economy-wise, this year will probably be better than the past. Markets-wise, it will likely be an inferior sequel to the excellent 2012.

- The year will experience a cyclical boost and a further reduction in structural headwinds, mostly emanating from emerging markets. If it turns into an overall positive economic surprise, the markets will likely suffer. In 2013, we are also likely to experience a ratings convergence.
- Positive fundamentals and optimistic sentiment argue for 'directives' that emphasize: a) the range; b) the micro; c) the consensus; d) the catch up incentive; and, e) the paradoxical 'defensiveness' of some high-risk choices.
- Our thirteen investment picks require guts, but not for the reasons you may expect. They relate to the EM-led, global upside surprise, an emphasis on idiosyncratic risk, the return of the notion of funding currencies, the inflation protectors and the return of the 'rocky road' syndrome.

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