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## Comment on the September 18th Fed Announcement

September 24, 2013

The Federal Reserve's announcement of continuing the stimulus program without change surprised many investors and pundits. The media is much guilty of the hype surrounding the September announcement.

In a note sent to our investors on the 9th we indicated that the most likely scenario in our view was that the Fed would continue the stimulus program unchanged and that tapering may still be some months away. Our discussion noted that the August labor report was weaker than expectations and that the labor report for July and June were revised downward significantly. In addition the sequester continued to limit growth and the recovery while major political risks and economic shocks including the threat of a government shutdown and treasury credit default may be imminent.

Many investors view the Federal Reserve's policies as simply printing money that will have to be paid back at some future point, and the market's often positive response a sugar high that will deflate with an end to the stimulus program. Our view is that the stimulus program has been a necessary pump priming process of economic activity consistent with sound macroeconomic principles that may require continuation in some form for some time. Current capital market valuations may largely reflect economic reality relative to contemporary risk factors.

Our strategic portfolios continually undergo careful assessment of market and economic risks with the objective of making them the financial equivalent of earthquake resilient with our uniquely effective global diversification technology. A Fed program that carefully encourages sustainable economic growth may have minimal impact on a well-diversified global strategic portfolio relative to an investor's level of systematic risk.

*This note was posted as an entry on New Frontier's investment blog on September 24, 2013. Read this entry and other posts at: [newfrontieradvisors.com/blog](http://newfrontieradvisors.com/blog).*