



Dr. Richard Michaud

President and CEO  
New Frontier

Dr. Michaud earned a Ph.D. in Mathematics from Boston University and has taught investment management at Columbia University. He is the co-holder of four U.S. patents and is the author of *Efficient Asset Management* and many professional and academic articles.

## Our Comments on the Markets Prior to the Fed Announcement

September 19, 2013

Dr. Richard Michaud wrote the following on September 6th. On September 9th, we sent it to our investment clients:

“The August labor report just came in today. It is a bit weaker than expectations and July and June revisions were downward, some significantly. While no one can predict what the FOMC will do, I think it is fair to say no one will be predicting a startup of serious tapering of the stimulus process very near term. It would seem that the sequester continues to bite into the nascent U.S. economic recovery spurred by the Fed through its QE3 program. As a consequence, if tapering is to happen in any measurable way, it is still some way off. However, it is also true as far as I know that no credible macroeconomist has suggested that the Fed’s stimulus program should continue indefinitely. So at some point tapering will occur and the stimulus program will end. At that point there will be a significant loss of purchasing pressure that will affect current interest rates.

“Our current deliberations have been grindingly thoughtful. The consequence of these deliberations has been that we have important changes to make in our portfolios specifically to provide further protection to future changes particularly in global credit markets. At this time, these modest changes will be beneficial to the portfolios in the light of the future known risks of tapering and terminating the Fed’s stimulus program.”

*This note was posted as an entry on New Frontier’s investment blog on September 19, 2013. Read this entry and other posts at: [newfrontieradvisors.com/blog](http://newfrontieradvisors.com/blog).*