$\Box$ 

## Business Resource for Suburban Chicago BUSINESS LEDGER

As appeared in...

## CEO suggests thinking long term, globally

The stock market this past quarter was the best since 1998, surprising many investors with the S&P 500 gaining 12.59 percent while the Barclays Capital U.S. Treasury Index had negative returns of 1.29 percent. Volatility in these uncertain times works both ways. Last year the market, fearing a double dip recession, reacted very negatively then quickly recovered very positively. Industry sources like Bank of America Merrill Lynch, that track flows into mutual funds, indicate that many investors are on the sidelines probably looking for more clarity of the outlook for our economy.



JOHN P. CALAMOS Sr.

In fact, when the market had a severe correction in August and September of last year, many investors sold stocks and bought bonds. That has not been a good strategy so far this year.

Our economic outlook is for a mild recovery for

the U.S. with some good quarters followed by some weak ones. The uncertainty in the global economy impacts us here at home as the world has become so interdependent.

Recently, the United Kingdom officially went into a double dip recession with the first quarter GDP number in negative territory. Other problems with austerity measures in the Euro zone persist as they attempt to manage their high debt loads, limiting the prospect of growth. The common theme in the developed markets — from Japan, Europe and here

at home in the U.S. — is how to manage the very unsustainable high debt loads.

Will that debt dampen future growth in the economy as it has done for Japan in recent years?

Unfortunately, the politicians debate this very vehemently while ignoring history. Emerging markets, meanwhile, are in a bit of a slow down but still growing as the middle class continues to expand around the world, creating new consumers at a tremendous pace. This is a very positive longer term theme for investors. I recently returned from Asia, including visits to Hong Kong and Tokyo. Meanwhile in Beijing, the auto show there highlighted a Lamborghini SUV. The wealth creation in the emerging markets is tremendous.

Here at home, investors are hoping for the next bull market, however timing that event is always extremely difficult. I remember well the beginning of the great bull markets of the 1980s, which began in August of 1982. At that time, economic statistics portrayed a dismal economy, with the worst unemployment rate since the Great Depression and the worst GDP growth since 1958.

I believe there are three "legs" to a bull market. One is economic growth. We are seeing improvement in the economy with the data indicating improving but slow growth. The second factor is equity valuations. Here the valuation of stocks, especially growth companies, to us seems very compelling. We're almost through the current earnings season which has been positive overall, with many companies surprising the estimates on the upside. The third leg of a bull market is liquidity. There is, by all indications, a significant amount of money on the sidelines or in very low-yielding bonds.

In periods like this we feel it's best for investors to position themselves now rather than to wait for all factors to line up nicely. If there was little to worry about, the market valuations would be significantly higher. Often that happens at the top of the market not at the bottom.

Investors need to cope with nearterm volatility and begin thinking longer term. We feel equities are the most attractive asset class over the next five years.

Growth equities are undervalued globally. Our valuation models show growth stocks are at a discount around the world.

If the market in general is undervalued, then growth equities are even more significantly undervalued. Global businesses with global access to capital, global distribution networks, as well as global marketing and production should command premium business valuations. Information technology companies are among those particularly well positioned, as business productivity will be an even more important competitive advantage globally.

We encourage investors, therefore, to do two things when contemplating the markets these days: think long term and think globally.

• John P. Calamos Sr. is CEO and Co-CIO of Calamos Investments.

 $C \wedge L \wedge M \cap S^{\circ}$ 

2020 Calamos Court Naperville, IL 60563-2787 **800.582.6959** calamos.com