
WHAT'S SO DIFFERENT ABOUT 2012?

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09/05/2012

So far, this year has seemed a lot like the last one, with European yields and anxiety running high. There have been, however, some important differences: • The euro is declining—In my opinion, depreciation of the euro is the only policy that has at least a chance of saving the monetary union. A lower euro increases the demand for European goods and for tourism while helping exporters as well. • The gap between dividend yields and interest rates is widening—Due to low yields in fixed income products, more and more investors are turning to dividend equities for their portfolios. I am gratified that a prominent group of Democrats has rejected the part of the president's new budget proposal that would eliminate the current favorable tax treatment of dividends, and I am hopeful that a compromise can be reached. • Real estate is breaking out of the doldrums—Yes, the very sector that brought us sub-prime mortgages and the financial crisis is turning around. The upbeat data is unmistakable, with housing starts headed for a four-year high, home prices stabilizing and many other positive signals. This is extremely important, as housing will be an important source of [GDP](#) growth going forward. Like the rest of us, the Fed is frustrated with the slow economy. Though they may take some smaller steps, I don't expect them to embark on [QE3](#) this summer.

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