WHAT'S SO DIFFERENT ABOUT 2012?

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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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