Brief 2013 Outlook Written for FinAlternatives.com

2013 will be the year when bond investors begin to acknowledge the inevitably low future returns caused by the Fed’s multiple rounds of Quantitative Easing and debt monetization. Negative after tax real returns will reach high grade bond investors as they already have for holders of government debt. The relentless Math, whereby the return on $100 in ten year U.S. treasuries can be replicated with only $22 in the S&P 500 (assuming 4% dividend growth) and $78 in cash will render bonds more deadweight in those portfolios that reject an underweight position. The search for alternative sources of income will drive investors into stable dividend-paying equities, Master Limited Partnerships and other income generating sectors.

Hedge Funds will continue to deliver mediocre results at great expense for those unwisely hoping an over capitalized industry can emulate its smaller, formerly profitable and ever more distant past.