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Eye on the Market, April 24, 2012

Many of our investor clients are grappling with the co-existence of elevated macroeconomic risks and the apparent cheapness of corporate profits. We have discussed before our take on how to respond: with a portfolio whose directional equity risk is modestly below normal (mostly a consequence of conspicuously avoiding European equities), offset by other investments to take up the slack (macro hedge funds, distressed real estate, private lending, etc). This week, a look at what Earth's major markets and economies would look like to a visitor from another planet. Among the questions an alien might ask:

How are Earth's commercial enterprises valued right now, and how is capitalism doing?
Why on Earth is everyone talking about Spain when Southern Europe is only 6% of Earth's GDP?
Where is Earth on the timeline of equity valuations over the last century?

But first, I tried to imagine what an alien might notice about what's happening to the oldest inhabited territory on Earth.

Michael Cembalest