MZ Perspectives

U.S. Presidential Election & Stock Market Returns

Following one of the closest U.S. Presidential races in history, investors have become increasingly concerned about the potential political gridlock and the resultant negative impact on the stock market and economy in 2013. We examined the results from three prior elections where the winning margin was slim – 1960, 2000 and 2004.

U.S. Election Cycles		
	SP5	U.S. GDP
1960	0.5%	2.5%
1961	26.9%	2.3%
	26.4%	-0.2%
2000	-9.1%	4.1%
2001	-11.9%	1.1%
	-2.8%	-3.0%
2004	10.9%	3.5%
2005	4.9%	3.1%
	-6.0%	-0.4%
Election Yr	0.8%	3.4%
1st Year	6.6%	2.2%

On average, the S&P 500 index increased 6.6% in the 1st year following a close Presidential election. However, the results were skewed by one year – 1961 – when the S&P 500 increased by 26.4%. The stock market had negative returns in one of the two prior post-election years, falling by 11.9% in 2001.

The economic impact following a close Presidential election appears more conclusive than the stock market impact. In the three prior cycles, real GDP grew by 2.2% on average in the first year following a close Presidential election. However, GDP growth decelerated in each of the three years, falling by 1.2% compared to the prior year. With the global economy in a state of flux and uncertainties surrounding the U.S. fiscal cliff, it is likely that U.S. GDP growth next year will be lower than the 2.2% consensus for 2012.

4 Out-of-Consensus Viewpoints for 2013

Every December, economists, market strategists and other prognosticators make a bevy of predictions about capital markets, the economy, and geo-politics. Unfortunately, the only constant is that the consensus projections are typically incorrect. The MZ team assembled four out-of-consensus viewpoints that could have a significant impact on asset prices, economic growth and global social stability. These do not represent predictions of what we believe will happen. Instead, they serve to stimulate thought and discussion among our readers, regardless of whether you are an analyst, corporate executive or investor.

1. Fiscal Cliff Will Drive U.S. back into a Recession

Congress and the Administration have both agreed that addressing the unresolved fiscal issues is the most important task at hand following the Presidential election. More than $500 billion is at stake, including polarizing issues such as Medicare and tax cuts. The consensus expectation is that President Obama and Congress will eventually come to some sort of compromise on the vast majority of these issues, limiting the negative GDP impact to 1%-2% in 2013.

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December 2012

Thanks for reading the December edition of our MZ Newsletter, focusing on a few of our macro and industry-specific topics for the year ahead. We hope to see you at the LD MICRO Growth Conference, Dec. 5th & 6th in LA. Also please take a minute to visit us at www.mzgroup.us to learn more about our complete set of investor relations products and services.

-The MZ Team

Upcoming Events

LD Micro Conference
December 5th - 6th, 2012
Los Angeles, CA

Globalize Your Outreach Seminar
December 11th, 2012
Sao Paulo, Brazil

MZ Global News

MZ Group publishes a new article on Investor Relations
11/26/2012

Uni-President Enterprsises engages MZ Group as its IR website provider
10/24/2012

BRIC Taiwan conducts 2012 Taipei Shopping Festival
10/23/2012

MZ Group Sponsors 3rd Annual Australian Microcap Investment Conference in Melbourne, Australia on October 16-17
10/23/2012

MZ Group launches Facebook app to investor relations website
10/23/2012

MZ Group launches 14 new websites
10/23/2012

For starters, the 2% payroll tax cut and extended unemployment benefits totaling $145 billion are highly unlikely to be extended beyond December 31, 2012. These two items alone represent a 0.9% fiscal drag. The areas that present the greatest potential downside risks are new Obama-care investment taxes on households earning > $250,000 per year and Bush-era tax cuts for households earnings < $250,000 per year. If a more fiscally responsible set of policies emerge and higher taxes are levied on all households, the fiscal drag could be upwards of 1% to 1.5%, in addition to the 0.9% fiscal drag from the aforementioned sunset of one-time payroll taxes and unemployment benefits. These unexpected set of policy decisions would negatively impact consumer spending, which accounts for over 70% GDP in the U.S.

Secondarily, a more rancorous and lengthy negotiation process between Congress and the White House could severely impair business and consumer confidence. Similar to the debt ceiling debates in 2011, capital markets and individuals could react negatively to the uncertainty created by the lack of a resolution.

2. Proliferation of M&A Activity Results in Double-digit Stock Market Returns

Despite record-low interest rates and over $1 trillion of cash on their balance sheets, corporations have not aggressively redeployed excess capital since the financial crisis in 2008. Global mergers and acquisitions activity was down 17% through the first nine months of 2012 and down over 60% from the prior peak of $3.6 trillion in 2007.

In an environment where organic growth is limited due to intense competition, low inflation and excess capacity, companies will look to boost growth through acquisitions. Valuations for public and private assets are trading at relative low multiples, providing attractive opportunities to acquire great assets at a discount. Companies from Asia and Europe, suffering from decelerating growth abroad, could also look to expand into more stable countries such as Australia, Canada and the U.S. and frontier markets such as Thailand, Poland and the Egypt. Acceleration in M&A activity would not only boost valuations and stock market returns but also allow private equity and venture capital firms to monetize their investments, creating a virtuous cycle of asset appreciation.

3. Tensions Between China and Japan Escalate into a Military Conflict

Since the summer of 2012, China and Japan have been ensnarled in a contentious argument over Japan's decision to nationalize a small set of islands called Senkaku/Diaoyu located in the South China Sea. Both sides strongly believe they are the rightful owners of the Senkaku/Diaoyu islands. What started as public rhetoric between politicians has since escalated into public protests in both countries and economic sanctions by Toyota and other corporations.

Like most other military conflicts, the initial triggering point that appears relatively minor sparks a chain reaction of retaliatory actions that escalates into a full military exercise. The two countries' long history of political and military conflicts makes this situation even more tenuous. Furthermore, with new political leaders at the Communist Party assuming power in November - during a period of rising social and economic uncertainty in China - the members of China's 18th Party Congress has significant incentives to appear defiant against Japan. This would not only increase the new leaders' goodwill among the 1.3 billion Chinese citizens, it would also create a more patriotic and united country.

China has emerged as an economic and military power, not only in Asia Pacific but globally. If the new Communist Party leaders decide to demonstrate its power through military force in this conflict, it will likely drag other countries such as the U.S., N. Korea and Russia into the fray. The economic and political ramifications would be severe and far-reaching.

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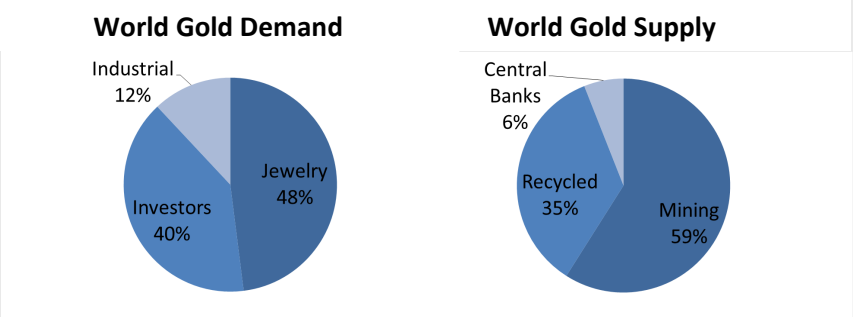
4. Gold Drops Below $1,500/oz.

Gold is in the 11th year of its current bull cycle. Since bottoming at ~$250/oz. in March 2001, gold has appreciated by almost 600% compared to 10% for the S&P 500 over the same period. A confluence of factors – economic uncertainty, concerns over rising indebtedness by sovereign nations, aggressive purchases by central banks in China, India and Russia, and the bursting of the technology and housing bubbles – have contributed to this rise. With many of these factors expected to continue into 2013 and supply being fairly inelastic, the consensus expectation is that gold prices are headed higher.

Annual global demand is approximately 3,700 tons (118 million oz.), with jewelry accounting for 48%, investors accounting for 40% and industrial uses accounting for 12%. Demand has recently outstripped supply, which has averaged approximately 2,500 tons (80 million oz.) per annum. Mining accounts for 59% of new gold supply while recycled gold accounts for 35% and central banks account for the remaining 6%.



What could abruptly end gold's 11-year bull cycle?

1. Lower demand from investors
2. Lower demand from central banks

An estimated 165,000 tons (5.3 billion oz.) of gold exists in the world today. 52% of the total existing gold inventory is found in jewelry; 18% is held by central banks; 16% is held by investors; 12% is found in industrial applications; and 2% are unaccounted for. While jewelry represents the largest percentage of gold inventory, investors have been the biggest drivers of incremental demand for gold. Since 2000, investors have increased their net gold holdings by over 1,100 tons (35 million oz.) to almost 1,500 tons (48 million oz.) in 2011. Keep in mind that gold not only produces no income, it has a cost associated with holding the physical asset. Investors are willing to born such costs when prices are rising, but a sudden shift in sentiment could reduce incremental demand for gold. Continued appreciation in real estate values, along with a rise in investors' appetite for risk, could significant curtail demand for gold in 2013.

Since 2009, central banks have become net buyers of gold after being net sellers since 1989. The increased appetite for gold by central banks has been led by China, Russia and India. Collectively, central banks increased their gold reserves by approximately 430 tons (13.8 million oz.) in 2011, up more than 5x from the previous year. Higher domestic spending on stimulus initiatives, a shrinking current account surplus, and a depreciation in currency values could all contribute to substantially lower demand for gold by central banks.

MZ Announcements

MZ Introduces Mobile Apps for Clients

With the evolution of the mobile internet and the rise of smartphones and tablets, it has become increasingly important for companies to consider mobility in their business strategies. Together with the mobile movement a new type of consumer has emerged, one who is always connected and demands real time, smart and personalized information at their fingertips.

Smartphones and tablets go way beyond simple internet access. The use of applications (apps), have broken communication barriers, allowing each device to be unique and customized according to their users' needs and interests. Once installed apps will become part of the mobile device and, consequently, also of their users' lives, providing companies with a great opportunity to communicate and build relationships with their stakeholders.

MZ places your company one click away from your customers. The best solutions in apps for iPhone, Android and HTML5, customized for your business and ready to be downloaded! MZ develops and manages your app's information and capabilities in a quick, easy and safe manner.

GPS
Provide your clients with step-by-step directions to your company from any part of the world.

Points of Interest
Show your clients the points of interest, in the order they wish.

List of Events
Include all your business events in your application and keep your clients always informed.

Contact Information
Keep all contact information such as address, telephones, website and email, easily accessible to your client.

Integration with your site
Allow your clients to read your blog posts through RSS Feeds directly in their application.

Image Gallery
Provide a gallery of images of your business, optimized for smartphones and updated online.

MZ Expands Development and Support Team with Key Hires

With the our continued growth, MZ has expanded our team to better serve our clients with the addition of Elena Basova and Pam Smith.

Elena joined the New York office as a Vice President. In this role, she works on Business Development, as well as assists with facilitating clients' Road Shows across the United States. Prior to joining MZ, Elena assisted a Portfolio Manager at Platinum Partners Value Arbitrage Fund and has also worked at Jefferies & Co.'s Wealth Management division, supporting a Financial Advisor and a Preferred Equity Trader and administering a wide array of Operations Division tasks.

Pam Smith, Senior Accounting Manager, has a degree in accounting and brings with her over 15 years of professional accounting experience. Prior to joining MZ, Pam spent several years working as an Accountant for the Palomar College Foundation in San Marcos, California, where in addition to her accounting duties, she also assisted with fund raising operations, event coordination, and management of Scholarship Awards.

MZ Client Roster Grows with Three New Client Additions

MZ is pleased to announce the addition of four new clients who have chosen to utilize MZ as their premier investor relations service provider:

Enservco Corporation (OTC: ENSV)
A rapidly growing provider of well-site services to the domestic onshore conventional and unconventional oil and gas industries. Through its various operating subsidiaries, the Company has emerged as one of the energy service industry's leading providers of hot oiling, acidizing, frac heating and fluid management services.

Stellar Biotechnologies (TSXV: KLH,OTC:SBOTF)
The world leader in sustainable manufacture of Keyhole Limpet Hemocyanin (KLH), serving the growing demand for this essential molecule and focused on applying its expertise to targeted therapeutics and immunodiagnostics.

Westbridge Energy Corporation (TSXV:WEB)
An international oil and gas exploration and development company, focuses on oil plays in the southern hemisphere, and has established an interest in a large license that is on-trend with the offshore Namibia oil play.

MZ Case Study

We measure our success by our clients' results. Our team works closely with management to establish an effective and targeted shareholder outreach campaign, including a properly packaged story, establishing the appropriate expectations, and providing consistent transparency into the business. By introducing key market participants, the overall goal of these efforts should lead to increased corporate visibility, greater shareholder diversification and a market multiple consistent with comparables, as well the company's specific growth prospects.

BOFI HOLDING

Bofl Holding, Inc. (NASDAQ: BOFI) is the holding company for Bofl Federal Bank, a nationwide branchless bank that provides financing for single and multifamily residential properties, small-to-medium size businesses in target sectors, and selected specialty finance receivables. With over $2.6 billion in assets, Bofl Federal Bank provides consumer and business banking products through its low-cost distribution channels and affinity partners. Bofl Holding, Inc.'s common stock is listed on the NASDAQ Global Select Market and is a component of the Russell 3000 Index.

MZ Group is a multinational company and the world's largest independent investor relations and corporate communications firm. Founded in 1999, it focuses on innovation and personalized services, supported by its exclusive one-stop-shop business model. With offices in New York, Chicago, San Diego, Atlanta, Vancouver, São Paulo, Hong Kong, Beijing, Shanghai, Mumbai, Perth, Sydney and Taipei , MZ has over 300 professionals serving 530 clients in 11 countries.

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MZ serves as a premier informational resource for institutional investors, brokers, analysts, private investors, and the media which creates a dynamic audience and assists in diversifying our clients' shareholder base.

Visit our North American website at www.mzgroup.us

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