

# The Oxford Report

ENTREPRENEURIAL FORECASTS AND FUTURES

Volume 10, No. 1

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Dear Member,

## FORECASTS

Entrepreneurs have two choices: Curse the darkness or light candles. Yes, the economic shenanigans are deep and wide - AIG, healthcare, bailouts, etc. Entrepreneurs just have to light candles to see where the money is. There is plenty of it. The U.S. Treasury made a Christmas Eve announcement that it would provide Fannie Mae and Freddie Mac "unlimited" - not a typo - financial support for the next 3 years. On healthcare, an agreement was reached on one thing: Spend more money. By the way, the Federal Reserve has expanded the U.S. monetary base by more than 150% since the beginning of the recession. This increase in an exaggerated money supply and the downturn of a recession has created **the economic future that is happening now**. If you look at all the gloom and doom economic data over the past year, the broader trends do illustrate an economic reality that lights a candle. Each month since the recession began, new firms have steadily recreated the economy by generating new jobs and innovations. These companies may be invisible or they may one day grow into household names but they constantly come into being as individuals bring forth their ideas and economic futures. It is called "entrepreneurialism," and it is the next big thing. It is a ripple that will turn into a business wave far exceeding what we see now. It could be the next 20-year bubble.

Here is a stark economic reality: If you are over 35 and want an upwardly mobile economic future, you are going to have to make it happen yourself and that means you have to start your own company and trade your own way. A popular theory is emerging that the new money will be made with creative thinkers. Wrong. The creative thinkers have always lit candles, made the money and sometimes burned right through it just to make it again.

## STOCKS

Stocks disappoint us if we buy them high and delight us if we buy them low. Right now stocks are selling at a price to earnings multiple 40% above their historic level of 14. A fallback to this historic level would require a 29% correction. It just depends on when the big boys - hedge funds - will pull the trigger. It could take as long as five years. Based on pure market fundamentals, the 2008 stock market collapse should have occurred in 1998. When investing in the stock market where you are not calling the shots, entrepreneurs should have 2 principles: play not to lose and pay only for success.

Healthcare is undervalued - buy cash rich, low debt medical device companies. Medical devices are hot while medical services are cold. Stay away from big pharmaceutical companies. Over the next 10 years, they will lose over \$60 billion to generic brands. While there will be plenty of people trying to take credit for the savings, entrepreneurs were the ones who introduced generic drugs in the 1960s and battled for years in the courts to end permanent patents on drugs.

The commodities market is fairly valued with more risk to the downside than rewards to the upside. With commercial real estate still a "basket case," stay out of all of it.

## OIL/NATURAL RESOURCES

Not so fast on "Gold" - although the "experts" are pounding the table for you to buy. They are pointing to all the money being printed and saying the dollar will fall and gold will rise. This would be an absolute truth if the dollar were valued against a standard benchmark. It is not. It is valued against other currencies. If the other currencies have economies that do worse than the U.S. economy, the dollar can rise even as we expand our monetary base by 150%.

## INTERNATIONAL

On January 2, 2010, the International Monetary Fund (IMF) sent a "rescue team" to Greece to prevent the government from defaulting on its debt.

After long hours and hundreds of people working on it, the IMF made a major decision this month: print more money. What is Greece's currency - the Euro. This will not be the last Euro episode. If it happens to a country like France, the Euro will fall like a rock and the dollar will rise like a rocket. That "slam dunk" on gold will no longer be working for you. Presently the fact being kept on the "down low" at the U.S. Treasury is this - Europe is about to go bankrupt. Protect yourself and your business over the next 18 months.

## MONEY

There is a landslide change coming to the wealth management industry - clients will be buying on results rather than relationships.

Relationships with customers, employees and suppliers matter when you are "making money" but results matter when you are "counting money." Over the past 10 years, the financial services industry "gentrified" results and sold services based on relationships where customers were not exactly sure what they were buying. Look for a wealth market disruptor on the horizon where the client pays only for success. In short, money managers cannot lose your money and expect you to pay them for it.

## LIFESTYLE

Hug your primary care physician, cardiologist, neurologist, general surgeon, pediatrician and urologist.

Moreover, put them on your social calendar. Yes, a long list but all of these specialties will experience a critical shortage of doctors over the next 5 years. The U.S. is not addressing a current problem with healthcare - fewer doctors. Looking at the market fundamentals, healthcare reform should be trying to do the opposite of what it is doing. It should include pay increases, malpractice reform, subsidy increases and educational debt reductions to increase the number of doctors. Without these new actions, many doctors will leave the profession instead of making a career of it. Moreover, medical students would be foolish to become physicians. In short, build a relationship with your doctor now.

## ENTREPRENEUR

Meet Carlos Fuentes whose name sets the standard of excellence in cigar making.

Behind every great brand is an even better story and lesson about an entrepreneur who had the fortitude, smarts and good luck to change the world. Fuentes changed the very nature of the cigar industry. He perfected the art of cigar making while he was working for Eduardo Hidalgo Gato, one of the legends of the Cuban-American cigar trade. Here is the "entrepreneurialism" - Gato found a golden opportunity in a quirk of the tax laws of both nations. Before Cuba was ruled by Castro, it was so eager to generate export business that it did not charge taxes on exported tobacco materials. Meanwhile, the United States was charging heavy tariffs on cigars being imported from Cuba but no tariffs on raw tobacco materials being imported. Therefore, if cigars were made from Cuban tobacco by Cuban hands on American soil, they could be sold as Cuban cigars at a fraction of imported cigars. This is what you call a business - the low cost of importing raw tobacco materials caused a high demand for Cuban cigars in the United States. Gato created the market. Fuentes built it.

An entrepreneurial and investment lesson - market creators are not usually the ones who build the brand, expand the market and make the fortune.

MAKE MONEY  
WITH A SMILE

If you lost customers last year, overnight them your completed job application or resume and ask them to "rehire" you. Sell yourself.

Best,



W. Cliff Oxford