

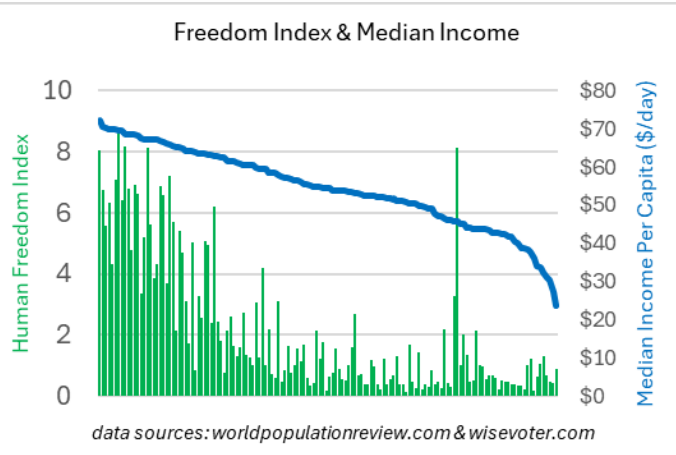


# Market Musings

A newsletter brought to you by Victoria Capital Management, Inc.

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This exhibit compares the freedom enjoyed by individuals on a country-by-country basis contrasted with the earnings of individuals in those countries. As the level of freedom declines so does the median income.



**“Do not go where the path may lead, go instead where there is no path and leave a trail.”**

- Ralph Waldo Emerson

### Market Commentary

March saw a broadening of the domestic equity markets’ advance with mid-cap stocks leading the way, up 5.6% (S&P 400), while small-cap stocks finally posted a gain--3.2% (S&P 600) matching the gain in the S&P 500. Across the pond, Europe gained more than 4% with the United Kingdom being the largest contributor to that monthly return. Asian Pacific equities also posted positive returns but as a region continues to lag other equity markets. The outliers were Taiwan and South Korea which posted gains of 7.7% and 5.6%, respectively, for March. The domestic bond market continued to experience heightened volatility for the month while the U.S. dollar remained relatively stable. Towards the end of the month, gold rallied and is now up more than 7% year-to-date.

### Does Freedom Make a Difference to Quality of Life?

Is there a relationship between capitalism and higher standards of living? As investors who believe that the entrepreneurial system is the best way to achieve a better standard of comfort, we would assume that the answer is a resounding yes; since, when companies provide incentives to engage in rewarding economic activity, higher levels of affluence are the result. What we found upon further analysis supports this thesis that there is a relationship between capitalism and freedom. Identifying the first component of this relationship is by measuring the level of freedom that exists at the country level. According to the United Nations, freedom is...” the state of human freedom in the world based on a broad measure that encompasses personal, civil, and economic freedom.” In free countries, free enterprise is encouraged resulting in higher levels of wealth. Unfortunately, many countries do not choose capitalism as their economic model. One way to measure standards of comfort is the income of individuals in those countries and compare these salaries to the level of freedom in that country. The exhibit nearby makes the comparison between these two variables. One might conclude that the greater the freedom, the greater the quality of life.

One problem in using this comparison is that it does not include the direction in which these two variables are going. Recently we have seen democracies upended by authoritarian rule leading to a loss of freedom. Several countries in Central and South America have experienced such changes and loss of liberty is the result. Citizens leave these countries where their living conditions have collapsed and migrate to countries where freedom is greater. Nowhere is that more evident than the crossings at our southern border. Allowing millions of immigrants seeking a better life into our country is undoubtedly going to lower our standard of living in many ways as the federal and state governments pass laws and regulations that reduce our liberties. As thousands of foreigners pour into our country, our state and local taxes are bound to go up to support these people and we will have less income to maintain our quality of life. Also, the demands placed on our economy will be enormous as the ability of supply to keep up with demand for products and services could very well result in higher inflation. The question Americans must ask is Will the next administration be able to curtail or minimize the decline in our living standards?

From 2013 through 2023, the number of millionaires in the U.S. increased by 62% to 5.5 million. Austin, TX and Scottsdale, AZ saw the most growth, with both rising more than 100%.  
*source: Henley and Partners*