



Kingsport Times News Article – by Jeff Bingham
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HOW WILL THE DRAMA UNFOLD?

Given the events in the Middle East, I would like to share a brief update on my thoughts through the lens of a three-act play.

How the Three-Act Drama Unfolding in Egypt May Affect Your Money

After 30 years in power, it took only 18 days to topple Egyptian President Hosni Mubarak. He capitulated to the demands of the protesters and resigned as President. Now comes the hard part.

Since the glory days of ancient Greece, we've had the three-act play. You know how it goes. Act I sets the stage, introduces the characters and identifies the main problem. Act II is the most important act because the main problem becomes much more dangerous and difficult and the protagonist of the story looks like they will lose. Act II usually ends on an emotionally-charged cliffhanger so you'll be compelled to come back from intermission. Act III pulls it all together and the story wraps up with the protagonist (usually) winning and everybody (usually) living happily ever after. Ah, if only real life was so neat and tidy!

What's happening in Egypt could follow this script—or not.

We've just completed Act I as the protesters were able to chase Mubarak out of office. Act II is now starting as the country tries to move toward a democratic society. However, with parliament dissolved, the constitution suspended and elections for a civilian government still about six months in the future, it could be rocky. As one of the protesters said in a *Wall Street Journal* article on the day of Mubarak's resignation, "It's easy to throw stones at the aggressor but it's not easy to chart a new course. Our hard work begins tomorrow." As today's youth would say, "True that."

While it's too early to know the outcome of Act II or Act III, it may make sense to look at two potential extreme outcomes. These bookends give us a sense for a possible worst case and best case.

Extreme Outcome One

If Egypt is not able to pull a democracy together and internal squabbling spills into neighboring countries, it could be a serious problem for the world. The Middle East can be a powder keg and with its strategic importance in the oil market, any disruption there could send the world economy into a tailspin. Neighboring countries are also experiencing unrest among their people so the call for reform in the region is strong and certainly not over yet.



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Extreme Outcome Two

On the positive side, the changes occurring in the Middle East could usher in a new era of democratic reforms that lead to faster economic growth and rising stock prices. Remember the fall of Eastern Europe's Soviet satellite states and the toppling of the Berlin Wall in 1989? The decade that followed was a strong one for worldwide economic growth and stock prices. If the fall of Eastern Europe is a blueprint, then there could be some rocky, but survivable times ahead followed by a long period of growth.

The Impact of Technology and Social Media

One of the big differences between the fall of Eastern Europe's dictators back in the late 1980s and the situation in the Middle East is the rise of the Internet, and, in particular, social media. The educated, Internet-savvy young adults who helped fuel the protests in Egypt reportedly used Twitter and Facebook to mobilize their followers. While the fax machine was the technology of choice back in 1989, the tools of today are exponentially more powerful.

Victor Hugo said, "An invasion of armies can be resisted, but not an idea whose time has come." For the Middle East, that idea is political and economic freedom. Our interconnected world enables the far reaches of the globe to see how the politically free and economically prosperous countries enjoy a relatively high standard of living. The people in these emerging countries see it on TV. They read about it on the Internet. They travel to our country and become educated in our universities. They like what they see and now they want it for their home countries.

A few months ago, nobody was predicting the imminent downfall of Hosni Mubarak. His swift decline is another example of how we live in a "speeded up" world of instantaneous communication and a desire for immediate gratification. That potentially dangerous combination means the ultimate denouement of this unfolding drama is anybody's guess.

As an advisor, though, I am not in the guessing game. Instead, I am actively monitoring the start of Act II and its potential implications. Regardless of how this drama unfolds, my goal will be to do my best to meet the goals and objectives of our investors.



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