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Is the U.S the New Europe?

For the record, if the U.S. is in fact the new Europe, that is not a good thing. The evidence is clear. We emulate Europe more and more each day. It is a pervasive problem from the top down and a line must be drawn in the sand lest we be, well, screwed, like they are. The mess on the Continent is self-made while ours is self-inflicted. And to think, the founding colonies and this great country were largely founded on ideology counter to the ideology across the pond. Here is why there is cause for concern:

Europe

The European debt crisis can be summed up in one word: Socialism. The primary culprits in the current crisis are found in the Southern zone of Europe, namely Italy, Greece, Spain, and Portugal. However, the attitudes and ideology are systemic problems. For decades, Europe's socialist-dominated governments have promoted and provided a package of benefits for their citizens. These benefits include short work weeks, lengthy paid vacations, substantive health care and retirement benefits, etc.

The upshot is that these policies have led Europe, and now the globe, with a scary mess.

While the governments have been doling out all of these goodies, innovation and entrepreneurship have disappeared, and the promise of this goody bag prompted the immigration of millions onto the Continent. Now a number of European nations have seen their debt rise well above their economies' GDP. Demographics have hurt further as the birth rate (except among these new immigrants) has stalled, making the ability to pay down the debt through new revenue impossible.

Of course now that belts have to be tightened, citizens are revolting. That in itself is revolting.

The stronger nations have been shouldering this problem and now they are coming under fire with downgrades by credit rating agencies. Sellers of European bonds are everywhere with few real buyers. Interest rates are rising making it harder for nations to pay back debt.

The failed socialist policies and the euro experiment will have repercussions here across the globe, if the euro goes under, especially when it comes to reconcile the denomination of the debt and ability to conduct business. This fear caused the market to have its worst Thanksgiving week since the Depression. Thank goodness it was on light volume, or there would be considerable cause for concern.

We have to hope Europe gets its collective houses in order and engage in growth-oriented policies, not just stop-gap ones, and everyone has to step up to the plate to be counted.

<u>U.S.</u>

Much like Europe, we are devoid of leadership. Hell, the most impressive leader in North America is not even a citizen of the United States.

Since his presidency began, President O has embraced Europe's policies and he and his administration have gone on a few spending sprees buying stakes in businesses, extending benefits, overhauling health care, embracing illegal immigrants and funding them as well. Enhanced regulation and finger pointing elsewhere regarding the source of the problems have also been a hallmark.

Look, the Republicans aren't any better. When was the last time anyone of them had a cogent thought? That is why we all hate Congress.

To make matters worse, in the past few months, GOP leadership has gone from a big mouth Texan to a pizza maker, to a career politician named after a lizard, to a rich guy who seems like he was made by Gepetto.

Not inspiring.

In the U.S. our largess is self-inflicted via our insatiable desire to acquire wealth and material goods with as little effort as possible, versus a kick-back, laid-back, lifestyle in Europe.

Our demographics are terrible here too. The birth rate is down, except among those in the lower income classes or below the poverty line, which does nothing to help our Social Security gap, let alone our budget deficits.

We are in an era where confidence is shot and business has no reason to hire when it is suffocating with regulation, access to capital is tough and they are paralyzed by concerns about the future. States are teetering. Cities and municipalities are declaring bankruptcy and cutting basic services.

We've got credit rating downgrades here too, of course.

Unless our economy and employment in specific are jump-started and confidence in our future arises, we are on the same path as Europe. The difference is our resolve, innovation, and entrepreneurship will see us through crises, whereas living in a world of entitlements with no consequences for decades is a rude awakening to those without these key attributes. But if we do not stray from this path, things will get harder before they get easier.

We are a couple of decades behind the entitlement phase in which Europe has engaged which is in our favor. Hopefully, we do not attempt to catch up.

One final thought. While we are policy observers, we are not equipped to engage in policy execution. However, man is at his basic level, still man. We derive satisfaction from producing things and being self-sufficient. As our economy has migrated from production to provision (of services) we have lost sight of this fact, which likely needs to return to the forefront to aid us in returning as the world's most important nation.

From the markets perspective, the ever-present Europe overhang is palpable and will likely continue to be a cap on any real market gains. One could argue that the demise of the euro, while a killer for the market initially, would be a good thing in the long run.

How does one take advantage of this seemingly endless situation? Buy stocks with the bulk of their revenue in the U.S. Buy innovators. Buy health care stocks. And follow consumer trends.

In Case You Missed It...

Speaking of buying innovators, we initiated coverage of two new stocks recently. Both offer huge potential.

ecoTech Energy Group Inc. (OTCBB:ECTH)

Leveraging its proprietary technology, ecoTECH is poised to become a major provider of biomass-fueled power stations in North America and biomass-based alternatives to coal to customers abroad.

ecoTECH's business model is unique in that it is applying its technology through the construction and operation of power stations to produce green energy supply as well as green fuel products for sale.

The renewable energy industry is expected to reach more than $250 billion by 2017. Worldwide initiatives and government mandates are driving the implementation and utilization of renewable sources of energy and fuel.

Management has a long history of success in the industry and has recently secured a $36M waste-to-concrete deal, of which $6M will be recorded in 2011, and $24M in 2012.

ecoTECH is on track to have its first power station and torrefied briquette production facility completed at full capacity by 2013, with four more similar plants completed by 2015. Combined, these facilities could produce in excess of 1.5 million Megawatts electricity and 1 million tons of green fuel annually.

Our near-term target is $1.25, but we believe that the stock could approach $3.50 in 18-24 months, based upon 4x our preliminary FY13 revenue forecast of $170M and 8x our FY13 EBITDA forecasts.

Mimvi, Inc. (OTCQB: MIMV)

In the November 13, 2011 edition of *The Goldman Guide* we noted that eBay (NASDAQ – EBAY) was circling the wagons on the M&A front, particularly as it related to the payments and mobile payments business.

To that end, eBay just announced that it has acquired privately-held Hunch.com to add technology that recommends products and services to shoppers.

Although terms weren't disclosed, it is believed that eBay is paying $80M for this recommendation technology firm.

Validation for Mimvi and Future Basis for Valuation:
One of the key features of Mimvi's mobile app search engine technology is the Amazon-like recommendation format, combined with Google-like search results. This is significant as the deal itself illustrates how important a recommendation engine is to consumers. Furthermore, with an estimated $80M price tag, the deal highlights the underlying practical value of Mimvi's signature offering and should enhance the Company's current and future valuation.

Stock Can Easily Triple From Here:
As noted in our initiation report, management has been laying low, building the Company and is only now just starting to generate visibility of its shares. As a result, it was vulnerable to stock swings due to liquidity issues. At the rock-bottom price of $0.08, the stock is an incredible bargain relative to MIMV's prospects. We expect that MIMV will return to the $0.25 – $0.30 range, with no liquidity issues, as news is released in the coming weeks.

Investment Thesis:
Buying MIMV in 2011 is akin to buying into a privately held Google in 1998. We liken this rare situation to buying Web search engine stocks in the mid-1990's that were later acquired for huge premiums and deem that MIMV will emerge as an M&A target. In the short term, the stock is set to soar as major traffic comes on line and new products and financing are introduced before year-end. Our $1.50 price target is based upon 30x FY13 our low-end net income estimate. We rate Mimvi Speculative Buy.

Until next week…

Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

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