



The Quarterly Profit

BAD NEWS SELLS!

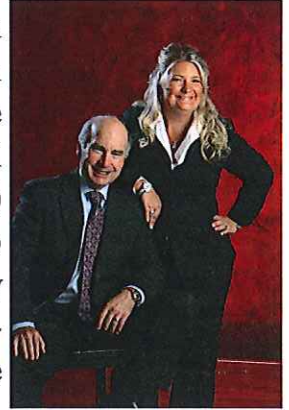
Bad news sells, and sells handsomely. The greater the gloom and the deeper the doom, the more financial newsletters selling for \$300. Every day, the financial press is peppered with talking heads who call for a serious market correction. Drama is the bait! Unless we're up the proverbial creek without a paddle, or heading over the cliff with little chance of survival, who will listen and who will buy? Earlier this month, a noted market analyst made financial headlines by projecting a 20% market correction, and claiming to have the data to back him up. The data was compelling, indeed. The graphs were neat and tidy, with all sorts of pretty colors and numbers. He argued that because the latest 150 day moving average in the market was a close overlay of the same period in 2011, we were certain to repeat July, 2011's gut wrenching drop of 18%. However, our highly esteemed market analyst forgot to mention one small detail. In the spring of 2011, there was global fear that the European Union might possibly break up, abandon the Euro, and revert to national currencies. Had this actually happened, the world's financial systems would have virtually locked-up, sending the global economies back into another 2008-type recession. It was this threat that sent the markets south; the overlays were meaningless. We must always remember that the markets are imperfect reflections of the economy, and the market charts are nothing more than the wake behind the economic ship.

But will there be a market correction?

We already had a moderate correction in January, with the Dow Jones Industrial Average (DOW) dropping 6.5% in 30 days. But the Dow and S&P are at all-time highs! Aren't we due for a REAL correction! Why? The price/earnings ratios of the Dow and the S&P 500 (S&P) are under 20, the U.S economy continues to recover and improve, the European Union is making solid gains, Japan is responding to its own significant stimulus programs, and the markets have already absorbed much of Russia's aggression in Crimea and Ukraine. Manufacturing continues to return to the U.S., and the dramatic technological advances in energy extraction and production have established the U.S. as the world's leading energy producer.

The economy and the markets reached a new plateau at the end of 2013, and may be pausing before a next round of positive trending. Whether 2014 finishes with a small gain or solid growth is but conjecture. Given that there are no guarantees and that set-backs may occur, my personal opinion is that there are far more economic strengths than weaknesses, and more opportunities than threats. Doom and gloom sells, but contributes nothing. Let's continue to meet regularly, review the economic trending with a fresh set of eyes, and adjust our portfolios accordingly. And always, protection first and growth second.

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THE STONERIDGE SYMPOSIUM



Our March 8th, StoneRidge Symposium was definitely a success, based upon the number of emails and cards received! 200 clients and guests attended the Saturday morning event at the Beaverton Embassy Suites, enjoying an exceptional brunch while The John Butler Trio provided a background of easy jazz. Craig Martin worked his way through the gathering, entertaining everyone with his amazing repertoire of magic tricks. Ross Lang of Nuveen, and Jason Piper from MFS spoke on various facets of the markets, and gave their company's outlooks for U.S. and global growth in 2014. Van Mason gave a history of market bubbles, from the Netherland's Tulip bubble of 1637 through the recent 2008 debacle, and offered strong evidence as to why a positive long term global growth bubble may be in the early stages. Amy Treat presented awards to our clients who have been with StoneRidge for 15 years and 10 years. You don't want to miss next year's program...



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