

# FINANCIAL MANAGEMENT

---

LEO A. PITRE, MBA, CFP<sup>®</sup>, CEP<sup>®</sup>

501 CANAL BOULEVARD • THIBODAUX, LOUISIANA 70301 • (985) 227-7114

## APT Financial Management Weekly Market Commentary November 17, 2014

### The Markets

“Is all this stock market optimism a red flag?”

Contrarians – investors who bet against prevailing market trends – were probably nodding along as they read that headline in *The Wall Street Journal* back on January 18, 2013. *The Journal* cited the *American Association of Individual Investor’s (AII’s) Sentiment Survey*, which showed about 46 percent of participants were feeling bullish. As it turned out, the bulls were right. The Standard & Poor’s 500 Index rose from about 1486 to about 2040 through the end of last week.

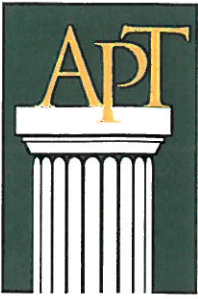
You may recall, two weeks ago, the *AII Sentiment Survey* showed investor pessimism at a nine-year low with just 15 percent of participants growling like bears. Well, last week, pessimism rebounded and optimism moved higher, too. The survey results were:

- Bullish: 57.9 percent, up 5.2 percentage points from the prior week
- Neutral: 22.8 percent, down 9.5 percentage points from the prior week
- Bearish: 19.3 percent, up 4.3 percentage points from the prior week

The historic average for the survey is bullish 39.0 percent, neutral 30.5 percent, and bearish 30.5 percent.

Americans are feeling pretty confident about the stock market’s potential and that’s not always a positive sign. *Expectations of Returns and Expected Returns*, a paper published by Robin Greenwood and Andrei Shleifer of Harvard University, compared investors’ expectations for returns to what financial economists call expected returns (which are calculated using dividends, consumption, and market valuations). They crunched numbers for data collected between 1963 and 2011 and found expectations for returns and expected returns tend to be negatively correlated. “...Both expectations of returns and [financial economists’ expected returns] predict future stock market returns, but with opposite signs. When [financial economists’ expected returns] are high, market returns are on average high; when [investors’] expectations of returns are high, market returns are on average low.”

So, since investor expectations are high, will U.S. stock markets returns be low? There is no way to know. Whether you’re a bull or a bear, in times like these, it’s good to have a well-diversified portfolio.



# FINANCIAL MANAGEMENT

LEO A. PITRE, MBA, CFP<sup>®</sup>, CEP<sup>®</sup>

501 CANAL BOULEVARD • THIBODAUX, LOUISIANA 70301 • (985) 227-7114

Data as of 11/14/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.4%	10.4%	13.9%	17.7%	13.0%	5.6%
10-year Treasury Note (Yield Only)	2.3	NA	2.7	2.0	3.3	4.2
Gold (per ounce)	1.3	-2.7	-9.1	-13.0	0.7	10.3
Bloomberg Commodity Index	-0.7	-7.1	-5.2	-7.5	-3.0	-2.6
DJ Equity All REIT Total Return Index	-0.6	22.9	20.6	16.4	16.9	8.2

S&P 500, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

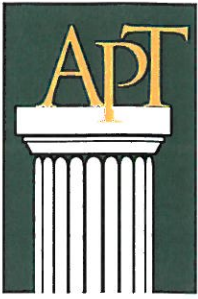
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

'**THE NEW HIRE**' is the name of a September survey published by *PwC*. It's not about how to make newly-hired people more comfortable and productive. It's about how the R generation – the latest iteration of industrial robots – is transforming manufacturing. More than one-half of the 120 manufacturing firms surveyed already have adopted robotics technologies. Auto manufacturers employ robots, as do food; consumer goods; life sciences, pharmaceutical, and biomedical; and metals companies.

*PwC* predicts the shift to robots will create new jobs for engineers specializing in robots and robotics operating systems. It also is likely to result in the displacement of a fair number of human workers. Currently there are about 1.5 million 'intelligent industrial work assistants' laboring around the world. About 230,000 are employed in the United States. According to *The New Hire* report:

"Industrial robots are on the verge of revolutionizing manufacturing. As they become smarter, faster and cheaper, they're being called upon to do more – well beyond traditional repetitive, onerous, or even dangerous tasks such as welding and materials handling. They're taking on more "human" capabilities and traits such as sensing, dexterity, memory, trainability, and object recognition. As a result, they're taking on more jobs – such as picking and packaging, testing or inspecting products, or assembling minute electronics."

That may be a little optimistic. Last month, *Popular Mechanics* reported engineers have been working on mechanical first-responders, like bomb-defusing and investigator robots, to help with threats like Ebola and the Fukushima nuclear power plant disaster. The magazine found robots competing in the DARPA Robotics Challenge were more like toddlers and less like capable adults. "For a typical task in the event, turning a valve, a team of several people required an hour or more to prep the robot, and that same team had to stand at the ready to catch their bot when it stumbled (which happened often)."



# FINANCIAL MANAGEMENT

LEO A. PITRE, MBA, CFP<sup>®</sup>, CEP<sup>®</sup>

501 CANAL BOULEVARD • THIBODAUX, LOUISIANA 70301 • (985) 227-7114

## Weekly Focus – Think About It

“All the world's a stage, and all the men and women merely players: they have their exits and their entrances; and one man in his time plays many parts, his acts being seven ages.”

--William Shakespeare, English playwright and poet

Best regards,

Leo A. Pitre, MBA, CFP<sup>®</sup>, CEP<sup>®</sup>

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

Securities offered through LPL Financial, Member FINRA/SIPC.

\* This newsletter was prepared by Peak Advisor Alliance. Peak Advisor Alliance is not affiliated with the named broker/dealer.

\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

\* The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

\* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

\* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.

\* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

\* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

\* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

\* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

\* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

\* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

\* You cannot invest directly in an index.

\* Consult your financial professional before making any investment decision.

\* Stock investing involves risk including loss of principal.

\*There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

\* To unsubscribe from the APT Market Commentary please [click here](#), or write us at 501 Canal Blvd. Thibodaux, LA 70301.

\* To unsubscribe from the APT Market Commentary please reply to this e-mail with “Unsubscribe” in the subject line, or write us at 501 Canal Blvd. Thibodaux, LA 70301.

Sources:

<http://online.wsj.com/articles/SB10001424127887323783704578247790148637234> (or go to

[http://peakclassic.peakadvisoralliance.com/app/webroot/custom/editor/11-17-14\\_WSJ-](http://peakclassic.peakadvisoralliance.com/app/webroot/custom/editor/11-17-14_WSJ-)

[Is All This Stock Market Optimism a Red Flag-Footnote 1.pdf](#))

<http://finance.yahoo.com/q/hp?s=%5EGSPC&a=00&b=17&c=2013&d=00&e=19&f=2013&g=d>

<http://blog.aaii.com/category/aaii-survey/>

[http://scholar.harvard.edu/files/shleifer/files/expectations\\_of\\_returns\\_public\\_feb\\_2014\\_print.pdf](http://scholar.harvard.edu/files/shleifer/files/expectations_of_returns_public_feb_2014_print.pdf)

<http://www.pwc.com/us/en/industrial-products/assets/industrial-robot-trends-in-manufacturing-report.pdf>

<http://www.popularmechanics.com/science/health/med-tech/how-far-away-are-ebola-fighting-robots-17349473>

<http://www.brainyquote.com/quotes/quotes/w/williamsha166828.html>