PATTERSON WEALTH MANAGEMENT
400 CHESTERFIELD CENTER, STE. 400
CHESTERFIELD, MO 63017
WWW.PATTERSONWEALTHMANAGEMENT.COM
JPATTERSON@PATTERSONWEALTHMANAGEMENT.COM

DIRECT: 636-537-7839
TOLL FREE: 866-405-9596
FAX: 636-532-6890
CELLULAR: 314-477-1686

December 2, 2014 Dow Industrial Average: 17,879

The Prediction for a "Good" Year Came True

The stock market strategists started 2014 by saying that after a "Great" year (2013), the next year is typically a "Good Year". And year to date, the S&P 500 Index has returned 13.97% (including dividends). Woohoo!!! **So, where do we go from here?**

I may still be on a Thanksgiving Turkey high, but I am going to make an investment call that I have NEVER done before: it may be time to buy some GOLD!!! Don't mock yet, let me give you some information. And no, I am not saying that the market is going to crash. Actually, I think 2015 could be about as good as 2014.

I have never been a huge fan of gold—there is just too many people that try to scare people into buying the commodity. And the typical spokesmen for the gold commercials are typically wrong about the direction of the economy and the stock market.

With that said: on November 5th, the Daily Sentiment Index revealed that only 3% of traders were bullish on gold. Typically, when the consensus is completely one sided- it is time to bet against the crowd. A previous time when the 97% (bullish) consensus was the following:

- On August 22, 2011, when gold was $1877- right before it the price peaked on September 5, 2011. *

The Sentiment Index also points to stock market movements, not just for gold:

- In February 2009, 97% of market people were negative on the market. The following month, the stock market bottomed and started the 8 year bull market.
- On January 2000, the bullish consensus reached 75%…the following 35 months saw the stock market fall by 50%. *

As I mentioned, I do believe that the economy will be continue to move forward into 2015—but, I do believe that we will continue to see 5%-8% market corrections. ***My personal expectation is that the market might be due for a minor selloff in mid-January.*** After two years of the market gains, it makes sense that we may see some market participants take some money out of the stock market. Perhaps, after the 4th quarter earnings season concludes- the stock market may latch onto some of the negative news circulating in the media.

Here are some potential market moving news:

- The price of oil continues to fall below $60 a barrel.
- Russia (which is on the verge of recession) decides to takes some drastic military action to shore up economic worries and to keep its populace occupied / excited.
- China's highly leveraged real estate market hits a speed bump and "threatens" to cause another "financial meltdown".
- Some of the shale oil producers have financial problems, due to lower price per barrel. This spills over into erratic price volatility in the "High Yield Bond Market". **Over 15% of the new issuance in the "Junk Bond" market have been originated by the US Fracking / Shale Energy Producers. ****

Last February, the market saw a brief market sell-off after the earnings season was over. There was a lack of good news to propel the market forward, which gave market traders a reason to take profits in certain stock holdings.

So, what is the bottom-line?

My recommendation is not to fall in love with the stock market. I am advising clients to let the market continue to move higher through the end of 2014. But come early / mid-January, I would not be afraid to put some protection in place to cushion any market corrections. This would include the buying of Gold or buying into the Volatility Index Strategy to take advantage of potential selling pressures in the market (aka volatility).

I hope that you have a wonderful holiday season. It is my sincere pleasure to be able to work with such good people. I thoroughly enjoy my work, and appreciate the opportunity every day to work with my clients.

PS: Before I sign off—Black Friday & Thanksgiving shopping just ended, and if you listen to the talking heads on the media that are saying that retail was weak…which they then try to massage a message to fit the headlines.

*Let me give you some additional color on the topic of consumer buying: (and we all realize that the Christmas shopping season starts earlier and earlier): "For the first 28 days of November through Black Friday, the online shopping season is showing a growth of 14% over 2013". And specifically: "online options and early Black Friday sales, Thanksgiving Day retail sales were up 24%". **

*Additionally, a key data point regarding consumer health: New auto sales were up 4.6% for November (17.2 million vehicles), which is the best November in 11 years. ****

So, the consumer is still engaged in the economy. Lower gas prices are good for retailers.

References:

* Retail Sales Data & Sentiment Data https://navellier.com/get-to-know-us/weekly-marketmail/retail-sales-gdp-are-rising-week-of-december-1-2014/

** Oil Producers in the High Yield Market http://www.forbes.com/sites/spleverage/2014/12/01/oil-woes-spark-volatile-high-yield-bond-hi-grade-trading-for-energy-cos/

*** Auto Sales Information http://www.reuters.com/article/2014/12/02/us-autos-sales-november-idUSKCN0JG1A320141202