
# Here's To Your Wealth
December, 2014

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as one of *Washington's Premier Wealth Advisors (2011, 2012, 2013, 2014)*

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## The Markets:

"It’s all about the bass, not treble"

If I were to parody the above quote, from a current hit and Grammy nominated song, it might go like this: "it’s all about the Fed, not Ebola." Or more recently, "it’s all about the Fed, not oil." In the fourth quarter, we saw the markets swoon from first an Ebola scare and then an oil price plunge. In both cases, the markets were in a quick and sharp correction, and in both cases, comments from the Federal Reserve stopped the downward slides. That doesn’t mean we will still not see fallout from those concerns- more notably perhaps from the drop in oil prices. But for now, the Fed has signaled that the party light is still on and there is no need to go home. Investors should beware, however, that if the markets can turn higher from just a few words from the Fed Chair, they can just as easily head lower. That said, while we don’t like the somewhat artificial stimulus we see from the Federal Reserve Bank, we don’t see it changing course during this period of global weakness and low interest rates overseas.

It is true that lower oil prices are a boon to the U.S. consumer, manufacturers, airlines, retailers and other areas of our economy, but there is also a risk that the low price of oil will stifle the growth related to oil exploration. Boom towns have sprung up with new apartments, hotels at full occupancy, and manufacturers are busy providing the needed equipment. Concern is also directed at local and regional banks who are financing the boom, and at the energy companies themselves who issue debt. Energy companies comprise about 12 percent of the U.S. high-yield debt market, and the decline in the price of oil has impacted their revenues, driving down the price of high-yield debt. In addition, emerging economies, like Venezuela, Brazil, and Russia, are cash starved, and the decline in oil revenues hurts their economies and drives down the price of their bonds. If the oil price decline continues and is prolonged, there could be ripple effects throughout the financial sector that could more than offset the aforementioned benefits to the U.S. economy. We believe that, while oil prices may not move up sharply, oil prices are near their lows. As the old axiom goes "the cure for low oil prices is low oil prices."

So the story remains the same: the Federal Reserve Bank is remaining accommodative despite legitimate signs that we are finally emerging from our economic funk. This has driven up U.S. (large cap) stock prices to the point that, on a relative valuation, it looks like some international markets are more fairly valued than U.S. markets. However, foreign economies lack the U.S. vibrancy and struggle with an even less efficient regulatory landscape, more political instability, and in some cases worsening demographics, among other challenges. While prices of international stocks may appear to have a better valuation, the troubles oversees continue to keep us overweight in the U.S. As long as the light is still on, we see little reason to leave the Fed’s party.

**Weekly Update for the Week Ending December 26, 2014**

| Index | Last Week | | | One Month | | Year-to-Date | |
|---|---|---|---|---|---|---|---|
| | Close | Net Change | % Change | Net Change | % Change | Net Change | % Change |
| Dow Jones Global Index | 323.75 | 2.40 | 0.75% | -5.04 | -1.53% | 9.56 | 3.04% |
| Dow Jones Industrial Average | 18053.71 | 248.91 | 1.40% | 225.96 | 1.27% | 1477.05 | 8.91% |
| S&P 500 Index | 2088.77 | 18.12 | 0.88% | 15.94 | 0.77% | 240.41 | 13.01% |
| Nasdaq Composite Index | 4806.86 | 41.48 | 0.87% | 19.54 | 0.41% | 630.27 | 15.09% |
| S&P MidCap 400 Index | 1467.90 | 18.17 | 1.25% | 13.68 | 0.94% | 125.37 | 9.34% |

DC Metropolitan Region (2011, 2012, 2013, 2014)

SmartCEO Magazine
as a *Top Wealth Manager (2012)*

Consumers' Research Council of America
as one of *America's Top Financial Planners* (2010 - 2014)

DC Magazine
as a *Five Star Wealth Manager* (2012)

Financial Advisor Magazine
as an *All-Star Research Manager (2012)*

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|---|---|---|---|---|---|---|---|
| Russell 2000 Index | 1215.21 | 19.27 | 1.61% | 24.59 | 2.07% | 51.57 | 4.43% |
| MSCI EAFE Index (EFA w/o divs) | 62.24 | 0.54 | 0.88% | -2.27 | -3.52% | -4.86 | -7.24% |
| MSCI Emerging Markets Index (EEM w/o divs) | 39.42 | 0.58 | 1.49% | -2.93 | -6.92% | -2.38 | -5.69% |
| BofA Merrill Lynch US High Yield Master II Index | 1047.13 | 5.00 | 0.48% | -18.57 | -1.74% | 24.54 | 2.40% |
| Data Source: Investors FastTrack | | | | | | | |

## Unintended Consequences:

The failure of major movie distributors to air the movie *The Interview* out of fear of terrorism may well be a watershed moment for the industry-and not in a positive way for theater owners. When we look back 10 years from now and see that more movies are distributed direct to consumers, bypassing theaters, we will point to this episode in our history. Looking at how many homes own large screen (smart) TV's, or how many young people don't even own cars, it is easy to see that many video content providers will connect to their audiences via the internet and allow the consumer to choose when and how they watch movies-even on their mobile devices. The theater chains may not have caused their impending decline, but they certainly may have hastened it.

## Quote of the Day:

Write it on your heart that every day is the best day in the year.

~~Ralph Waldo Emerson

Mark

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.

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*The ***Dow Jones Global Indexes (DJGI)*** is a family of international equity indexes, including world, region, and country indexes and economic sector, market sector, industry-group, and subgroup indexes created by Dow Jones Indexes a unit of Dow Jones & Company best known for the Dow Jones Industrial Average.

The indexes are constructed and weighted using market value-weighted index. They provide 95 percent market capitalization coverage of developed markets and emerging markets. More than 3000 DJGI indexes provide data on more than 5500 companies around the world. Market capitalization is float-adjusted

*The ***DJIA*** is a widely followed measurement of the stock market. The average is comprised of 30 stocks that represent leading companies in major industries.

* The ***Standard & Poor's 500*** (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

*The ***NASDAQ*** Composite Index is a market-valued weighted index, which measures all securities listed on the NASDAQ stock market.

*The ***S&P Mid Cap 400 Index*** This Standard & Poor’s index serves as a barometer for the U.S. mid-cap equities sector and is the most widely followed mid-cap index in existence. To be included in the index, a stock must have a total market capitalization that ranges from roughly $750 million to $3 billion dollars. Stocks in this index represent household names from all major industries including energy, technology, healthcare, financial and manufacturing.

*The ***Russell 2000 Index*** is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index
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* The ***MSCI EAFE*** Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is maintained by MSCI Barra,[1] a provider of investment decision support tools; the EAFE acronym stands for **Europe, Australasia and Far East.**

* The MSCI ***Emerging Markets Index***s a float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

*The **Merrill Lynch US High Yield Master II Index** (H0A0) is a commonly used benchmark index for high yieldcorporatebonds. It is administered by Merrill Lynch . The Master II is a measure of the broad high yield market, unlike the Merrill Lynch BB/B Index\ which excludes lower-rated securities.

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