

Commentary

November 24, 2014

The Markets

Pioneer. Trendsetter. Trailblazer. Whatever term you decide to use, there's no debate about the fact central banks around the world are taking a page or two from the U.S. Federal Reserve's playbook. The Fed may have ended quantitative easing (QE) – its program of buying government bonds to keep interest rates low and increase money supply – in October, but that doesn't mean QE hasn't become popular elsewhere. Barron's reported:

"...virtually every other major central bank is maintaining or stepping up its pace of money printing – even where the success in spurring growth is questionable. On October 31, Japanese authorities doubled down on asset purchases by the Bank of Japan, and the nation's pension fund, to spur flagging growth... In a surprise move on Friday, China cut interest rates for the first time in two years in an effort to spur slowing growth... That was followed by European Central Bank President Mario Draghi's signal the ECB would expand its stimulus plan, leading observers to expect large-scale, Fed-style purchases of government debt."

Although some Americans remain skeptical about the health of the U.S. economy, growth in the United States stands in sharp contrast to growth elsewhere. The U.S. Department of Commerce reported real gross domestic product (GDP) – the value of goods and services produced in the United States – increased by 3.5 percent during the third quarter of 2014 after growing by 4.6 percent in the second quarter. For the same period, the Eurozone's GDP grew by 0.6 percent, which is well below its 2 percent pre-crisis growth rate, and Japan's GDP declined by 1.6 percent during the third quarter after a 7.3 percent drop in the second quarter.

While Japan has been mired in economic stagnation for some time, it's a relatively new experience for the Eurozone where unemployment hovers around 11.3 percent – a record high. Aggression in Ukraine is complicating matters in Europe. An expert cited by *The New York Times* explained, "We are at most one or two rounds of sanctions and countersanctions away from pushing Russia into a deep recession, and Europe into a recession."

While concerns remain about the health of the global economy, markets generally were pleased about central banks' easy money policies and most global stock markets finished the week higher.

Data as of 11/21/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.2%	11.6%	14.9%	20.0%	13.3%	5.8%
10-year Treasury Note (Yield Only)	2.3	NA	2.8	2.0	3.4	4.2
Gold (per ounce)	3.0	0.2	-2.9	-10.9	0.6	10.4
Bloomberg Commodity Index	1.1	-6.1	-4.2	-6.2	-2.7	-2.5
DJ Equity All REIT Total Return Index	1.1	24.2	23.5	18.3	17.5	8.7

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.

LOOKING FOR SOME MONEY FOR COLLEGE? Then you may want to stop limiting the time your children spend playing video games, or you may want to focus their efforts. Robert Morris University (RMU) in Chicago, Illinois, has a new scholarship program – \$500,000 for 30 scholarships that will go to League of Legends (LOL) players. The chosen few receive up to 50 percent of tuition and 50 percent of room and board.

Where do the Robert Morris Eagles find candidates? As it turns out, more than 750 schools in the United States and Canada participate in the League of Legends High School Starleague. At the collegiate level, the LOL league boasts more than 100 colleges and universities, including Carleton, Texas A&M, George Washington, University of Minnesota, Northwestern, University of Michigan, and Harvard. E-athletes participating in the college Starleague vie for \$100,000 in scholarship money offered by the company that publishes League of Legends.

According to *WNYC's New Tech City*, LOL is a complex and difficult-to-master game. Players choose one of more than 120 characters, each with various magical powers that must be memorized. "Teams of five take on other teams of five and basically try to

destroy each other. It's called a 'multiplayer online battle arena game' or MOBA for short."

So, what's in it for the school? E-sports are not covered by the NCAA, "so the school's team can compete for cash prizes and, if it wins, the school keeps the take." You may recall, from a late-July commentary, the League of Legends (LOL) championship is an international video game competition with \$1 million in prize money.

If you're amazed there are scholarships for video game play, you're not alone. One of the Robert Morris Eagles' players told *NPR*, "I told my mom about [the RMU scholarship]. She didn't believe me. She's like, you're crazy and there's no way... She thought I was like, making it up 'cause she personally doesn't even like me playing the game, but when she realized I was going to get a scholarship for it, she accepted it, you know? She tells all of her friends."

Parental support is probably pretty important. E-athletes at RMU practice five hours a day in their 'arena,' which is a room decked out with sponsored gear. They play tournaments on weekends. Critics worry that encouraging intensive play is a poor idea when countries, like Korea (where the game is exceptionally popular), have begun screening children for gaming and Internet addiction.

In mid-November, the RMU Eagles were undefeated in LOL collegiate play.

Weekly Focus – Think About It

"Empathy is really the opposite of spiritual meanness. It's the capacity to understand that every war is both won and lost. And that someone else's pain is as meaningful as your own."

--Barbara Kingsolver, American novelist

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* 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.

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