RBF Weekly Market Commentary
December 5, 2014

The Markets

If investors around the world were voting on their favorite stock market, there is little doubt U.S. markets would finish near the top. *Barron's* explained, "For the past three years, Wall Street has been trouncing the world's other markets, inducing investors to pile in and bail on other assets."

So, how popular are U.S. markets? The Standard & Poor's 500 Index (S&P 500) has not moved lower for four consecutive days during 2014, according to experts cited by *Barron's*. That breaks S&P 500's previous record for longest period in a calendar year without four down days in a row which happened in 1997. The streak ended in late August of that year.

In September, more than $164 billion were invested in the United States by investors at home and abroad. The reason investors are attracted to U.S. markets is no secret. Last week's economic data may have been mixed, but it didn't change the fact U.S. economic growth has been relatively strong. Third quarter's gross domestic product – the value of all goods and services produced in the United States – was revised higher last week from 3.5 percent to 3.9 percent. Both readings were above the consensus estimate of 3.3 percent. That's pretty strong growth compared to some other countries:

> "While U.S. gains have been modest compared with previous expansions, domestic growth is outpacing other advanced economies. Japan's economy slipped into a recession in the third quarter and the eurozone's growth barely stayed positive. The rate of growth in emerging markets from China to Brazil is also slowing," reported *The Wall Street Journal.*

Although U.S. economic growth during the middle quarters of 2014 was the fastest in a decade, *The Wall Street Journal* suggested the improvement might be a modest acceleration rather than a major breakout. They cautioned U.S. exports and military spending made attractive contributions to third quarter growth, but that could change if there is a global slowdown or the government cuts military budgets.

Data as of 11/28/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.2%	11.9%	14.5%	20.1%	13.5%	5.8%
10-year Treasury Note (Yield Only)	2.2	NA	2.7	2.0	3.2	4.3
Gold (per ounce)	-1.8	-1.6	-5.0	-11.6	0.1	10.1
Bloomberg Commodity Index	-4.4	-10.2	-9.1	-7.6	-3.7	-3.1
DJ Equity All REIT Total Return Index	1.8	26.4	27.2	19.3	18.0	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.

WHAT RETURN-ON-INVESTMENT (ROI) DOES A LIBERAL ARTS DEGREE DELIVER? There has been a lot of hullabaloo lately about whether a bachelor's in English, or any other liberal arts degree, is worth earning. *Forbes* explained it like this:

> "Humanities degrees have received a bad rap recently, even from President Obama. Many people, including top policy makers, routinely push policies to encourage more students to major in STEM fields (science, technology, engineering, and mathematics). Some governors have even suggested that state subsidies for public universities should be focused on STEM disciplines, with less money going to "less useful" degrees such as the humanities. Yet, in contravention to this perceived truth, the data show that humanities degrees are still worth a great deal."

How much are they worth? While working on a project to estimate the economic impact of his university, Professor Jeffrey Dorfman discovered bachelor's degrees in art, drama, English, French, history, philosophy, and political science have ROI of 300 to 700 percent for students (or parents) who spent about $80,000 on tuition, room and board, and other education-related expenses. Art majors had the lowest ROI and philosophy majors had the highest.

Make no mistake. There are bachelor's degrees with higher ROI. The top-paying majors include engineering, mathematics, physics, government, economics, international relations, geology, technology, and chemistry, according to *Payscale.com*. Classics majors, who earn even more than philosophy majors, came in at number 50 out of 130 majors listed by earnings potential.

Forbes offered some simple guidelines for students who are considering graduate school and want to evaluate whether the investment will pay off. Some suggestions for students are:

- Assume every dollar of debt will cost two dollars by the time it has been paid back.
- Estimate the cost impact of years in grad school on potential retirement savings.
- If undergraduate debt and grad school debt combined are higher than a conservative estimate of first-year salary, then the cost of education is too high.
- If debt is less than first-year salary, calculate lifetime earnings with and without grad school.

Most importantly, *Forbes* cautioned, it's important to remember that all projections could be wrong. A student may not find a job right away or the job found could pay far more than expected. Industries may become obsolete. Economies may falter. It's difficult to account for all of the variables that may affect income over a lifetime.

Weekly Focus – Think About It

If you recently spent some time circling a mall parking lot, looking for a place to park, you may want to consider an approach recommended to *CNBC.com* by former math teacher Joseph Pagano. "Rather than circle the lot, idle in an aisle where you can see 10 spaces ahead of you on either side (20 total). Given the average holiday shopping trip duration of 77 minutes, per the Bureau of Labor Statistics, one of those 20 spots should open up in 3.85 minutes or less of waiting."

Best regards,

Tony Kalinowski

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
*Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* 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.

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