StoneRidge Wealth Management
Feb 2015

The Quarterly Profit

Reasons to be Positive

First, let me wish you a "Happy New Year!" and a heartfelt "Thank You!" for your continued trust and confidence. The last few years have been quite a ride, and I think we've all endured as much market volatility as we can possibly stand. However, it's safe to say that the lingering effects of 2008's debacle are fading quickly, and the U.S. recovery seems to be firmly on track. Key indicators including employment, retail sales, residential and commercial construction, exports, and corporate profits are strengthening. Moreover, manufacturing is returning to the U.S., and the dramatic increase in our energy production is further elevating our position relative to the struggling global economies. Because consumer spending is responsible for nearly 70% of our Gross Domestic Product, domestic demand will continue to gain momentum and will undoubtedly propel the U.S. economy throughout 2015 and into 2016. Even California is surging, and will soon regain its position as the seventh largest economy in the world. The plunging oil prices will surely help stimulate the global economies, despite the negative impacts on many oil producing regions. New rounds of geopolitical events will certainly cause investor angst and market volatility, but the stage seems to be set for another positive year in the markets.

The Federal Reserve Board may initiate small interest rate increases sometime in 2015. While some of the talking heads claim that such an increase will surely derail our strengthening economy and subvert the markets as well, there is little evidence that this will occur. The markets will undoubtedly react negatively for a week or two before continuing their positive trending, just as they did in June and August of 2013 when the Fed hinted at a tapering of the stimulus programs. A reasonable analogy might be of the U.S. economy as a seriously ill patient, with low interest rates being the prescribed medicine. Uncle Sam is now up and running again, and the same level of medication is no longer necessary.

Let's not be overly concerned that the Dow and the S&P are at all-time highs, or that the PE Ratios may be slightly elevated; these indices are merely reflections of relative economic growth and expansion. Positive markets are usually dependent upon a strengthening economy and the anticipation of increased corporate earnings. Conversely, negative markets occur when the U.S. is in (or near) recession. Since 1980, we have only experienced six negative markets (2008, 2002, 2001, 2000, 1990 and 1981) As our economy continues to strengthen, there is reason to be optimistic until such time as there is actual evidence of a looming recession. Furthermore, the PE Ratios are within a reasonably safe range. While some pundits claim that the S&P's PE ratio is elevated and signaling an imminent correction, they seem to forget that this ratio (currently ranging from about 16.5 to 18) has averaged 16.6 since 1881, and has traded above this long term average for all but 16 months in the past 25 years. (Wall Street Journal, Jan. 17, 2015) And, even though Robert Schillers CAPE index is high at 27, we must remember that the last ten years have been so volatile that the recent figures may be negatively distorted. Ratios and averages, by themselves, are little more than restless bits of data waiting to be massaged and manipulated to validate contradictory opinions. (Continued…)

Reasons to be Positive (continued)

While higher than average PE Ratios would clearly be cause for concern in a floundering economy, they may be embraced in an increasingly vibrant economy as investors seek greater long term growth. And, as corporate investment usually increases in strengthening economies, there is a reasonable expectation of elevated corporate earnings which will further support these ratios.

Always, we must raise the cautionary red flag that anything can happen, and happen quite quickly; we live in a world filled with rip tide forces and conflicting ideologies. History may not repeat itself, but we should internalize its lessons. However, barring serious and unexpected geo-political events, my personal opinion is that there is little chance of a market decline in 2015. As our economy continues to gain strength, our markets are increasingly buffered from the continual European financial disruptions that have caused serious market volatility since our recovery began in 2009. The recent anti-austerity elections in Greece have had little effect on our markets, while such an event would surely have sent our portfolios tumbling as recently as 2013. While the talking heads continually call for “corrections” (defined as market drops of 10%), such market drops usually recover within several months and should not necessarily be a cause for alarm. Just this last fall, the markets dropped about 7.5% from late September through mid-October before recovering and then reaching new highs.

Let’s continue to meet regularly and carefully adjust our portfolios to the changing economic landscapes. Our goal is to balance the relentless market risks with a reasonable assessment of growth potential. Always, protection first and growth second!

Van Mason, CFP®, CLU, MBA

IT IS SYMPOSIUM TIME AGAIN!

On Saturday April 11th we will be hosting our Client Symposium at the Embassy Suites Hotel in Tigard, Oregon. We are honored to have an entire line up of speakers who will present meaningful updates, interesting insights, and valuable information. You won’t want to miss the amazing champagne brunch and the opportunity to visit with other clients like you!

An invitation with the final details will be mailed as we get closer to the event, but we wanted to make sure you marked your calendars.

We would love the opportunity to visit with you, and also extend the invitation to your Friends and Family who we haven’t had the pleasure of meeting in the past. StoneRidge is very excited to host this special event and honor our relationships with our clients. Please be our guests…

Van and I think 2015 is going to bring fresh ideas, exciting changes, and new opportunities. We look forward to sharing them with you!

Amy Treat, Partner/COO

StoneRidge Wealth Management
Rock Solid Retirement & Estate Planning
8625 SW Cascade Avenue, Ste 240, Beaverton, Oregon 97008
503.352.0188 or 360.567.0784

Visit us @ www.stoneridgewm.com
Contact: amy.treat@lpl.com (or)
van.mason@ lpl.com