RBF Weekly Market Commentary
June 15, 2015

The Markets

Sir John Templeton once said: "Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria."

If he was right, investor sentiment seems to support the idea the bull market may be around for a while. The *American Association of Individual Investors*' most recent poll indicated investors aren't feeling very optimistic:

- 20 percent of investors were bullish – fewer than in the previous poll, and far lower than the historic average of about 39 percent.
- 47 percent of investors were neutral – fewer than in the previous poll, and far higher than the historic average of about 31 percent.
- 33 percent of investors were bearish – more than in the previous poll, and slightly higher than the historic average of about 30 percent.

Investors have had plenty to worry about. U.S. economic growth appears to be slowing which has created questions about the wisdom of a possible Fed rate hike. "Liftoff," as some have called the much anticipated interest rate change, could also affect the global economy. The World Bank and International Monetary Fund have cautioned against a 2015 increase suggesting, "…a premature rate hike in the United States would exacerbate volatility in the world's currency markets and hurt the global economic recovery.

The Fed isn't investors' only worry. Last week, the International Monetary Fund walked out of Greek debt negotiations. The *BBC* reported:

> "Greece is seeking a cash-for-reform deal, to avoid defaulting on a €1.5bn debt repayment to the IMF… The EU and IMF are unhappy with the extent of economic reforms the Athens government is offering in exchange for the release of a final €7.2bn (£5.3bn) in bailout funds. Their bailout deal with Greece runs out at the end of June."

If negotiations fail, Greece may be forced to leave the Euro which the *BBC* said could make the country a pariah in international markets. U.S. stocks finished the week higher despite losing value when Greek debt negotiations stalled.

Data as of 6/12/15	**1-Week**	**Y-T-D**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 (Domestic Stocks)	0.1%	1.7%	8.5%	16.5%	14.0%	5.7%
Dow Jones Global ex-U.S.	0.8	5.4	-4.3	9.7	5.3	3.5
10-year Treasury Note (Yield Only)	2.4	NA	2.6	1.7	3.3	4.1
Gold (per ounce)	1.6	-1.4	-6.6	-9.7	-0.7	10.7
Bloomberg Commodity Index	0.3	-3.6	-25.1	-7.8	-4.6	-4.2
DJ Equity All REIT Total Return Index	0.4	-3.5	8.3	11.6	12.9	7.4

S&P 500, Dow Jones Global ex-US, 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.

AND THE SURVEY SAYS… SEPTEMBER! *The Wall Street Journal* has been out on the street asking economists when they think the Federal Reserve is likely to begin increasing the Fed funds rate. Unlike Jay Leno's interviews with average people on the street, not one economist asked, "What's the Fed funds rate?"

Although a few diehard economists (6 percent) believe a June or July increase is possible, the rest expect liftoff in September or later. The *Journal* explained the circumstances that have gotten us to this point:

> "The Fed has kept short-term interest rates pinned near zero since December 2008 to support the U.S. economy through a financial crisis, recession and slow recovery. Officials have signaled they expect to begin raising rates sometime this year. The central bankers say [they] want to see continued improvement in the job market, and they want to be "reasonably confident" that too-low inflation will soon move back toward their 2 percent annual target."

Employment has been moving in the right direction and Fed estimates suggest inflation may reach 1.8 percent during 2016, so what's the hold up? Some Fed officials are concerned the American economy has lost momentum, and they're not alone.

When the *Journal* asked analysts to estimate gross domestic product (GDP) growth for 2015, 2016, and 2017, their June estimate was 2.1 percent. That's considerably lower than their March estimate of 2.9 percent. The Fed's March estimate of GDP growth in 2015 was 2.5 percent. A revised June growth projection should be out this week. If expectations deteriorate, it's possible the Fed may decide rates shouldn't go much higher.

Analysts' estimates for the 2015 Fed funds rate declined to 0.58 percent from 0.83 percent in March indicating they believe the Fed may not raise rates as much as had previously been expected.

Weekly Focus – Think About It

"Public opinion is a permeating influence, and it exacts obedience to itself; it requires us to drink other men's thoughts, to speak other men's words, to follow other men's habits."

--*Walter Bagehot, British journalist*

Best regards,

Tony Kalinowski

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 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 Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* 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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* 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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