



**That was Then; This is Now**

(Looking back at 2014 and into 2015)

January 15, 2015 – DJIA 17,321; S&P 500 1993

Well, 2014 is “in the books” now – and what a year it was! ISIS, Ebola, mid-term elections, a dramatic drop in oil prices, domestic unrest (Ferguson, MO, etc.). If one had known all those things would occur in one year, they’d have probably avoided the stock market – certain it would be horrible, right? Thankfully, it was not. Here’s a quick recap:

Large US company stocks gained 10.0 – 13.7% (DJIA, S&P 500)  
Small US company stocks gained 4.9% (Russell 2000 index)  
Large International stocks declined 4.5% (EAFE index)  
Bonds gained 6.0% (Barclays U.S. Aggregate Bond Index)  
Gold lost another 1.8%; Silver fell 20.4%  
Crude Oil fell 42.6% (West Texas Intermediate)  
Volatility returned during 2014

So, depending on one’s particular mix of investment assets, many investors gained 6 – 12% - certainly a decent year by non-2013 standards. As long as they didn’t get scared out of the market during October’s nearly 10% swoon, they likely finished with an “up” year. Our guidance of favoring stocks over bonds and US stocks over foreign stocks – *and being patient* – helped our clients “see green” for another year.

*But what have you done for me lately?!* In other words, what’s my take on 2015? With my usual disclaimers about opinions not being promises, here are my thoughts on investing in the New Year:

- I still doubt we’ll see a recession in the US in 2015.
- In general, stocks will outperform bonds.
- The stock market may have a tough few weeks/month to start the year BUT end the year about 8-12% higher.
- I’m less clear on things like US vs. foreign and large vs small – which is why most long-term investors keep some exposure to all. As an example:
  - Over the last five years, US stocks have outperformed international stocks by a wide margin  
BUT, the five years prior to that, international did substantially better than domestic.
- I believe volatility will increase even more in 2015—so be psychologically prepared.
- We didn’t quite get the 10% pullback I was looking/hoping for in 2014. The chances have increased that we will have a correction of 10-15% in 2015 but I don’t know when or from how high. I do know when a correction comes, the media will freak out and try to scare investors into bad decisions. Don’t fall for it!

In summary, my boring and oft-repeated advice remains the same ***“Own quality, be diversified, invest in patience.”*** That advice has served us well over the past 28 years. I see no reason to change now!

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