

2015: Profiting From A Recovering Economy!

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Point View Wealth Management, Inc.*

Suburban Chamber of Commerce

First Friday

Friday, January 9, 2015

8 am



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A Look Back: A Solid 2014

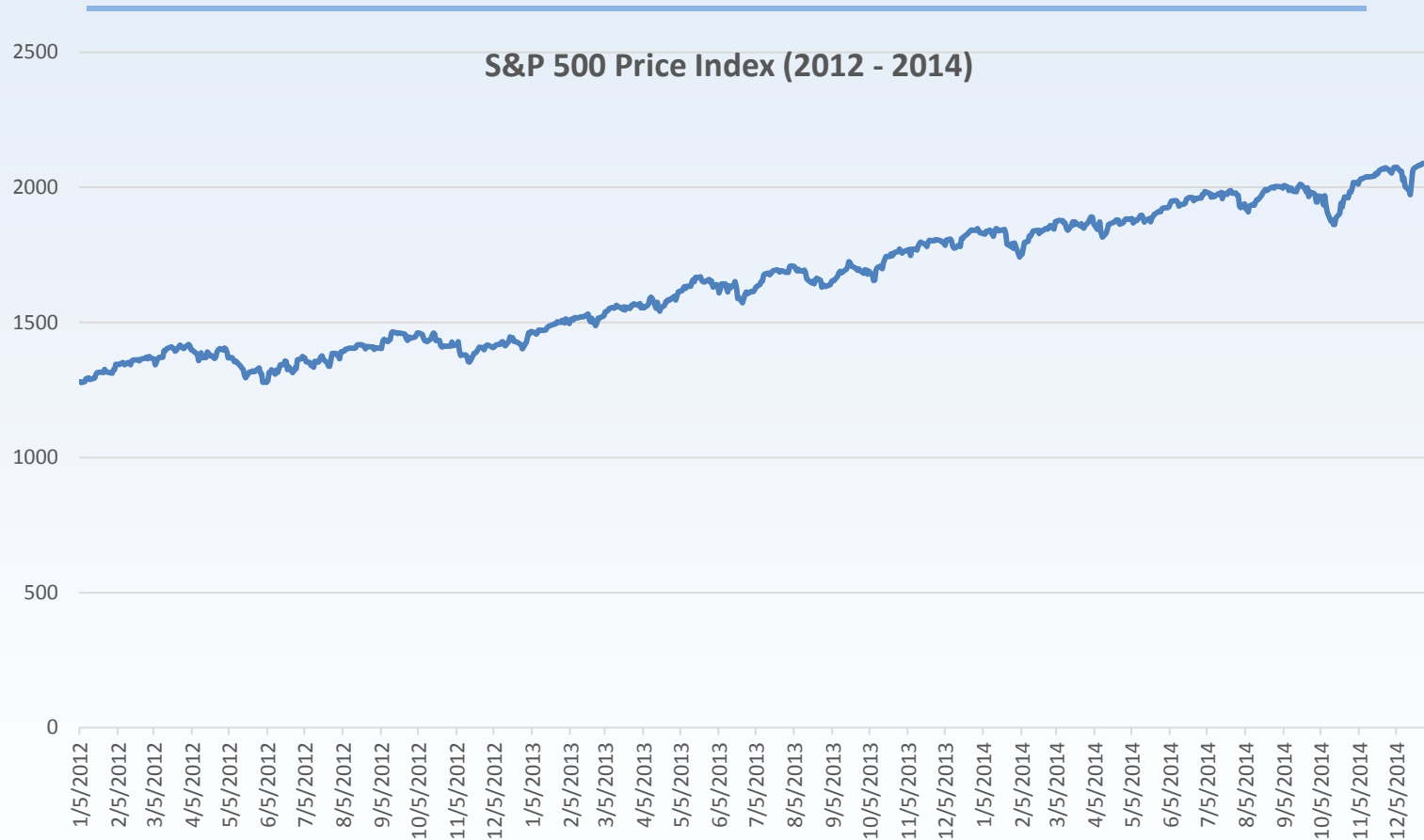
- Double Digit Returns on the Market Averages
- Improving Economy
- Falling Interest Rates
- Falling Energy Prices
- Low Inflation
- Soaring US Dollar
- The US as an Island of Strength



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S&P Over the Last Three Years



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The Dow Over The Past Year



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Markets Deliver

- 13.7% on the S&P 500
- Dow +9.9%
- 5.7% on Bonds
- But, Not All Indices Performed: Small Caps (+5%); Overseas (-7%); Emerging Markets (-5%)
- Sensitivity to Interest Rates Paid Off: Long Dated Treasuries (+24%)



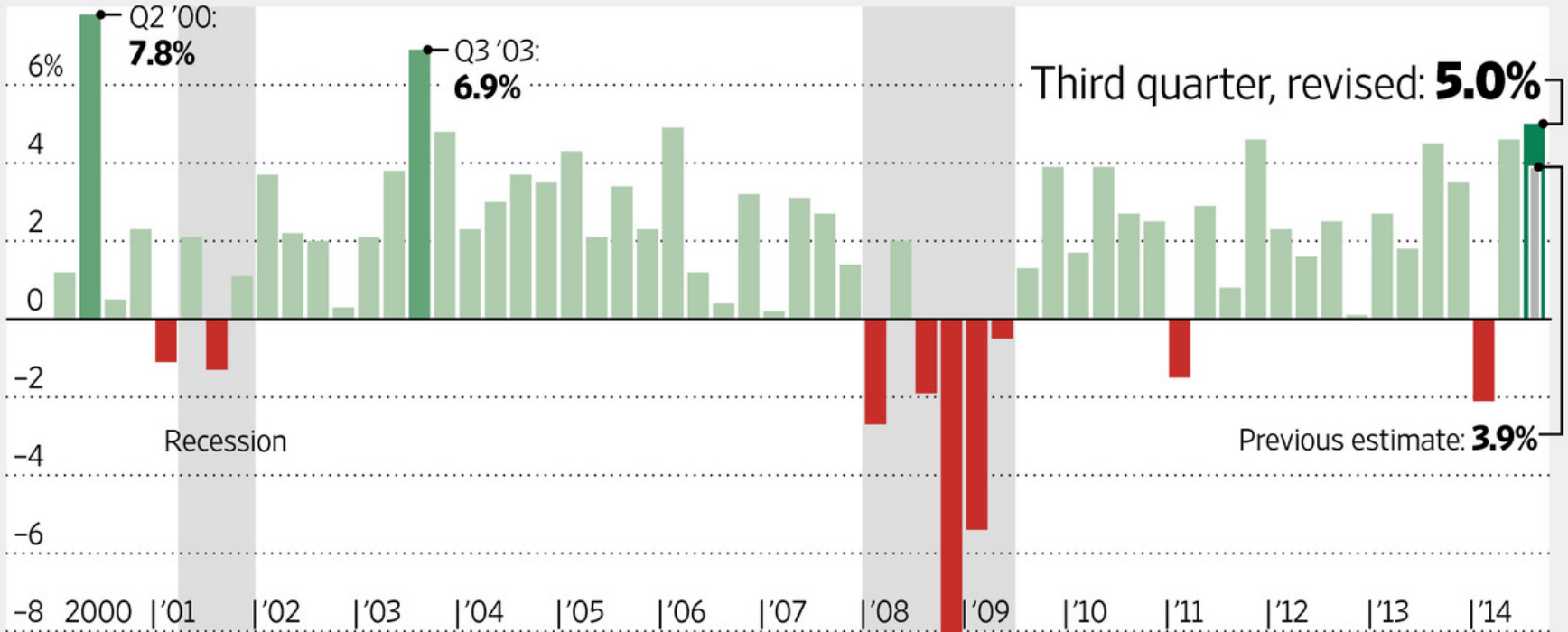
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Third Time's a Charm

The U.S. economy grew at the fastest quarterly pace in more than 10 years in the third period, according to the Commerce Department's third estimate of third-quarter GDP.

Change in inflation-adjusted U.S. GDP at a seasonally adjusted, annualized rate



Source: Commerce Department

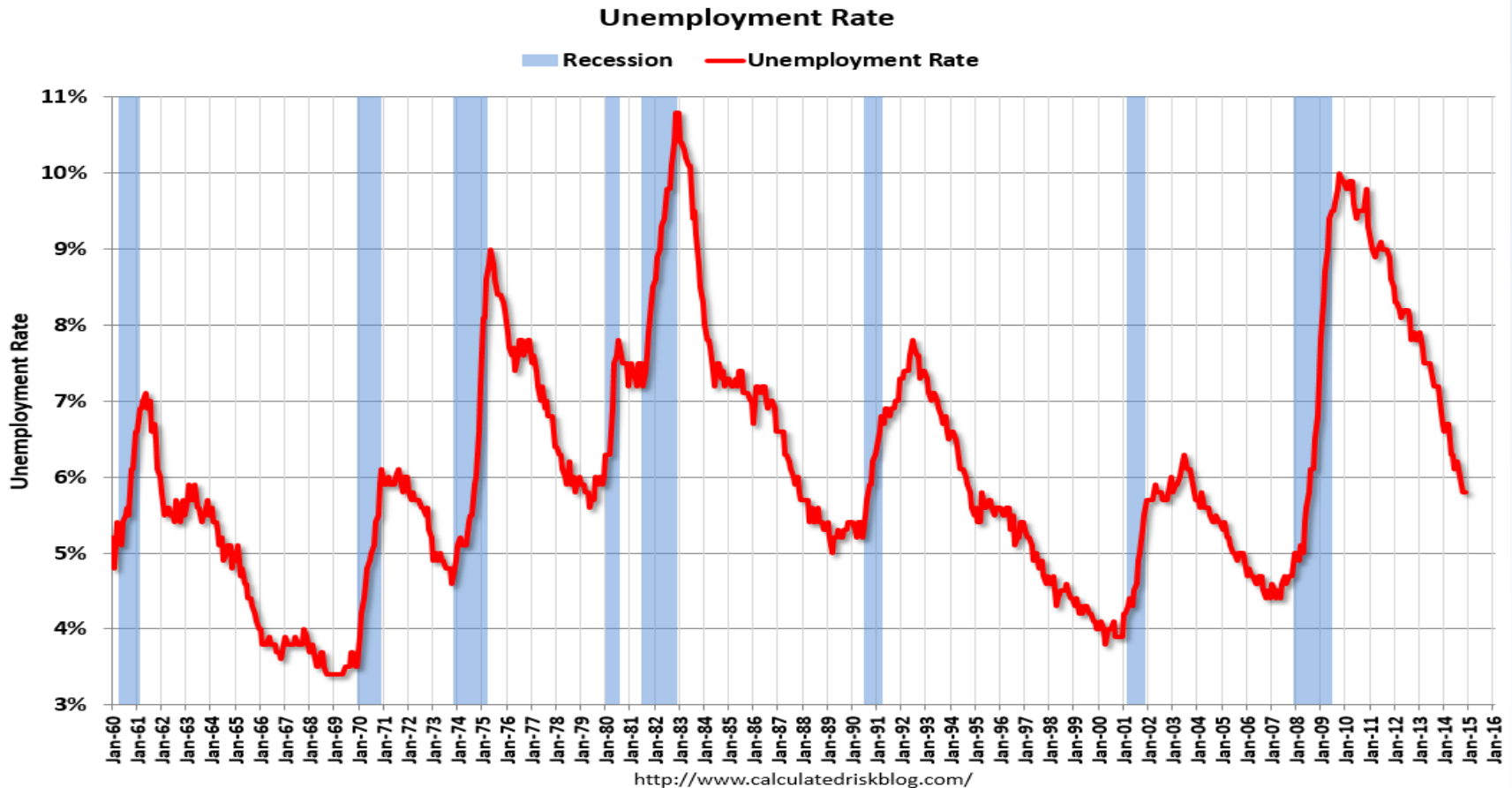
The Wall Street Journal



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Remarkable Job Creation!

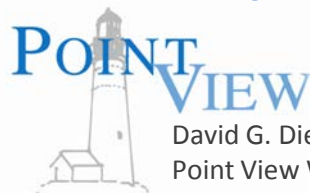


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Economy Improves

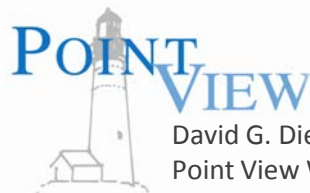
- After Polar Vortex Depressed Q1, GDP Hits +5% in Q3
- Average Job Growth in '14 Exceeded 200K/Month
- Unemployment Rate Dropped from Over 6.7% at Start of Year to Just 5.8%
- Auto Sales Surged (+5.9%, 16.5MM annually)
- Real Estate Improved (sales +7%, prices +5.6%)



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Ten Year Treasury Over the Last Year

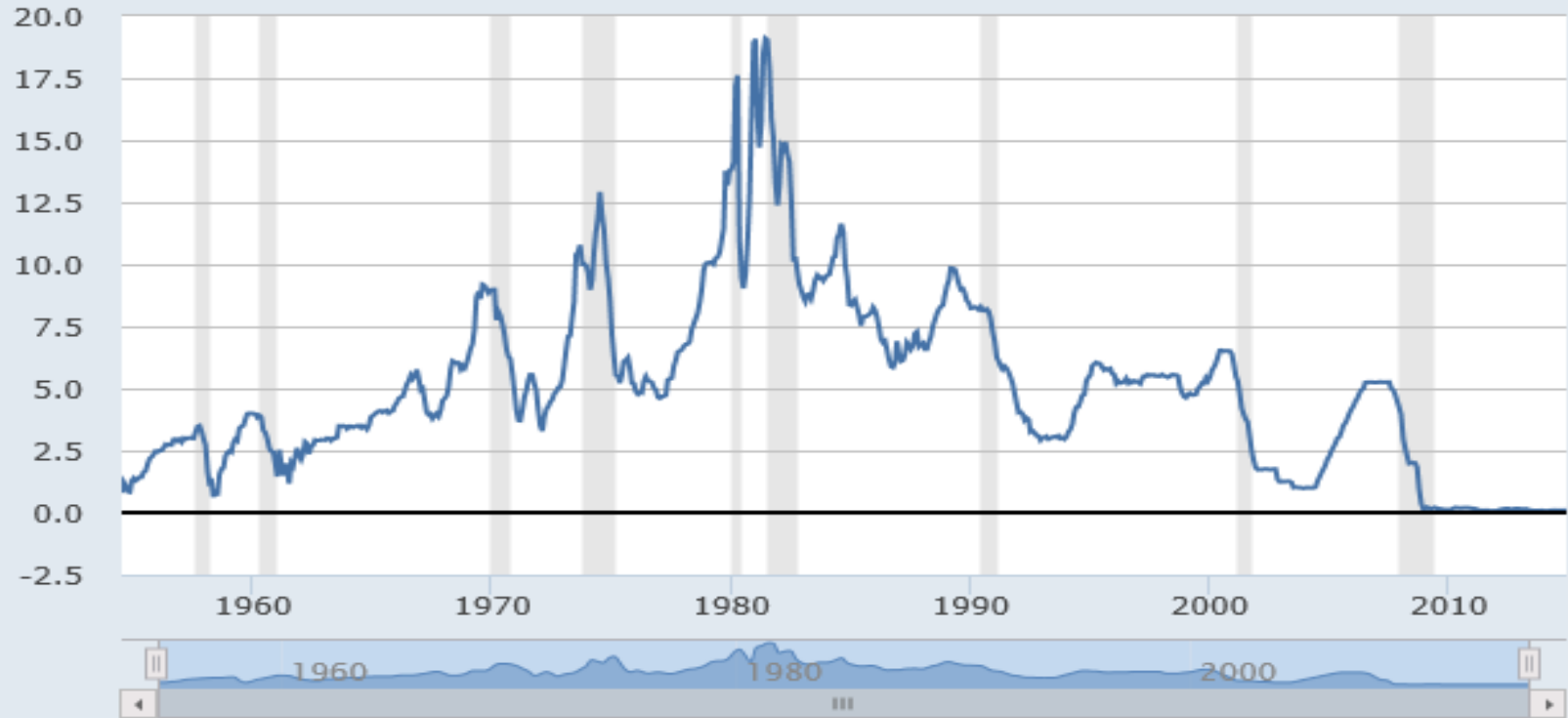


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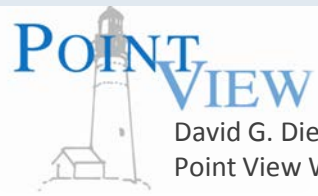
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Our Federal Funds Rate: Not Normal!

FRED  —



Shaded areas indicate US recessions - 2015 research.stlouisfed.org



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Interest Rates Decline

- To Surprise of Nearly All, Rates on 10 Year Treasury Declined from Over 3% to Now Under 2%
- This Despite the End of QE3
- Fed Continues to Keep Fed Funds Rate Close to Zero
- Very Low Interest Rates Overseas Helped to Drive Down Rates
- Hopefully, Nothing Ominous

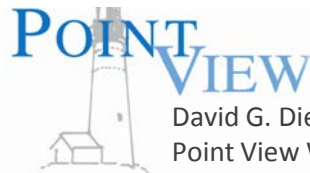
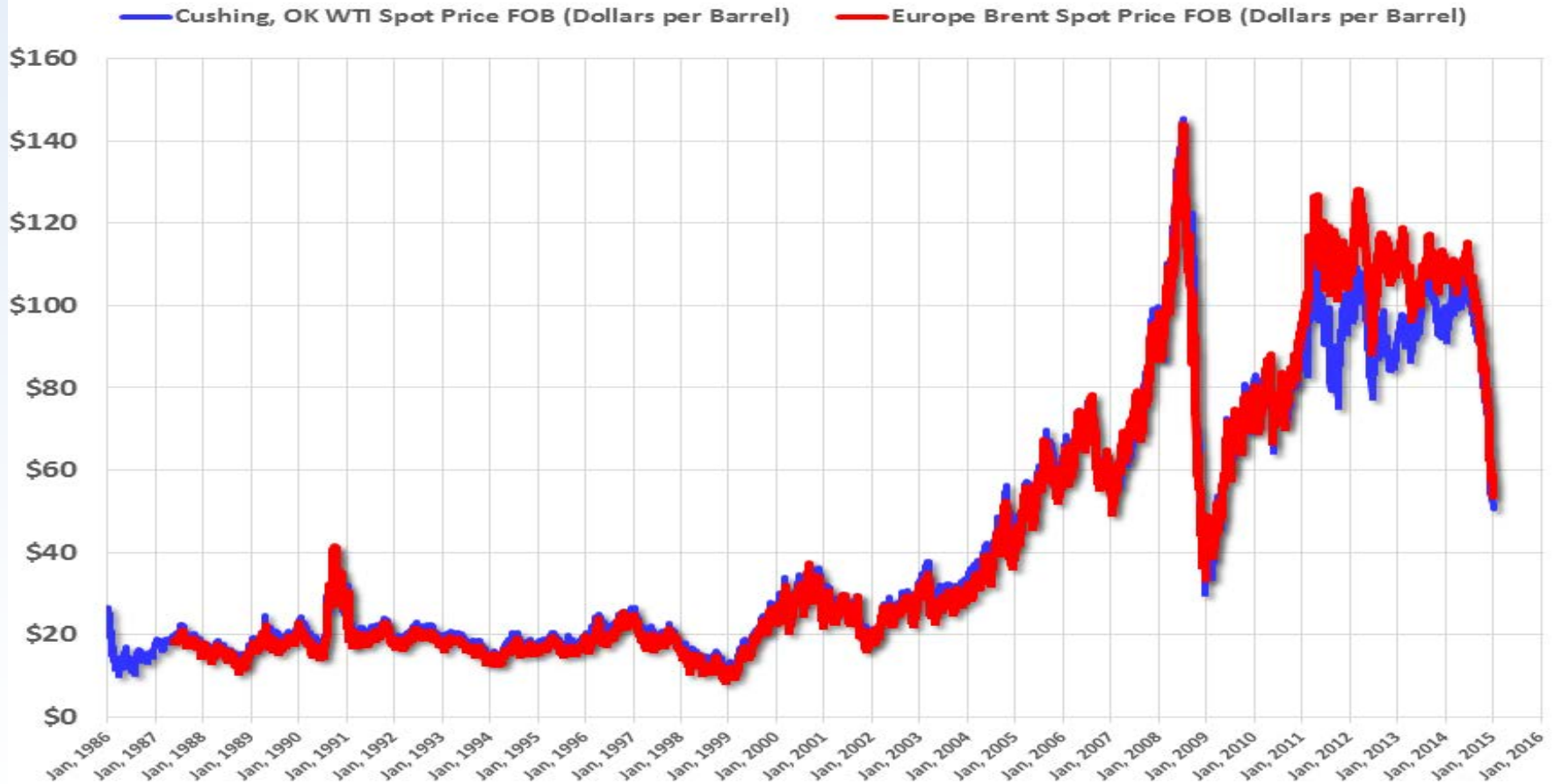


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Oil Over the Last 28 Years

Oil Prices, Dollars per Barrel



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Falling Energy Prices

- Crude Oil Collapsed, Falling by Nearly Half From The Peak in July to Now Under \$50
- Supply Shock Due to Fracking/Libya?
- Demand Evaporation Due to Weak Global Economy?
- Conspiracy Theories

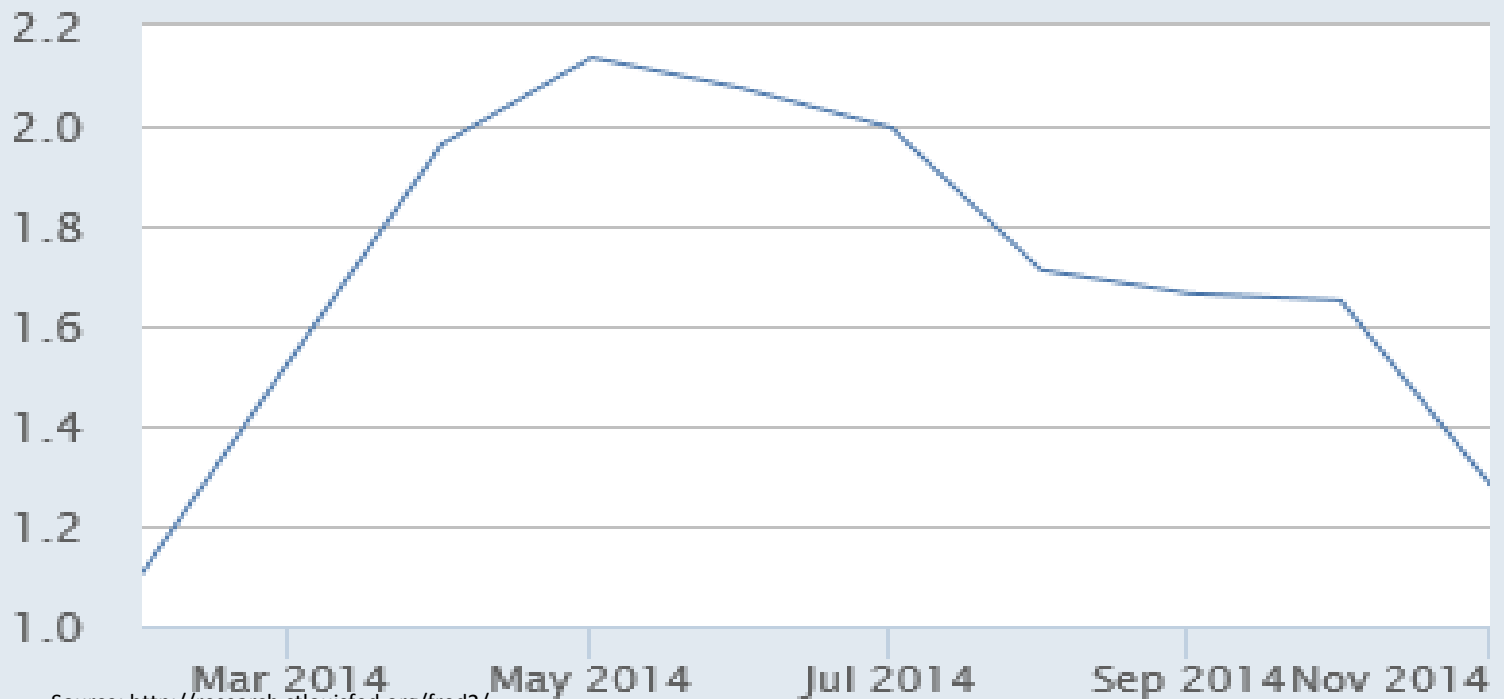


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CPI Falling Fast!

FRED 



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Inflation Is a No-Show

- Inflation Below Federal Reserve Target (2%), at +1.3%
- Soaring US Dollar, Weak Commodities Including Oil, Still Slack Labor Market, International Competition
- Will Inflation Rise Before Wages Do?
- Will Federal Reserve Raise Rates Despite Declining Inflation?
- Will Interest Rates Rise Absent Inflation?

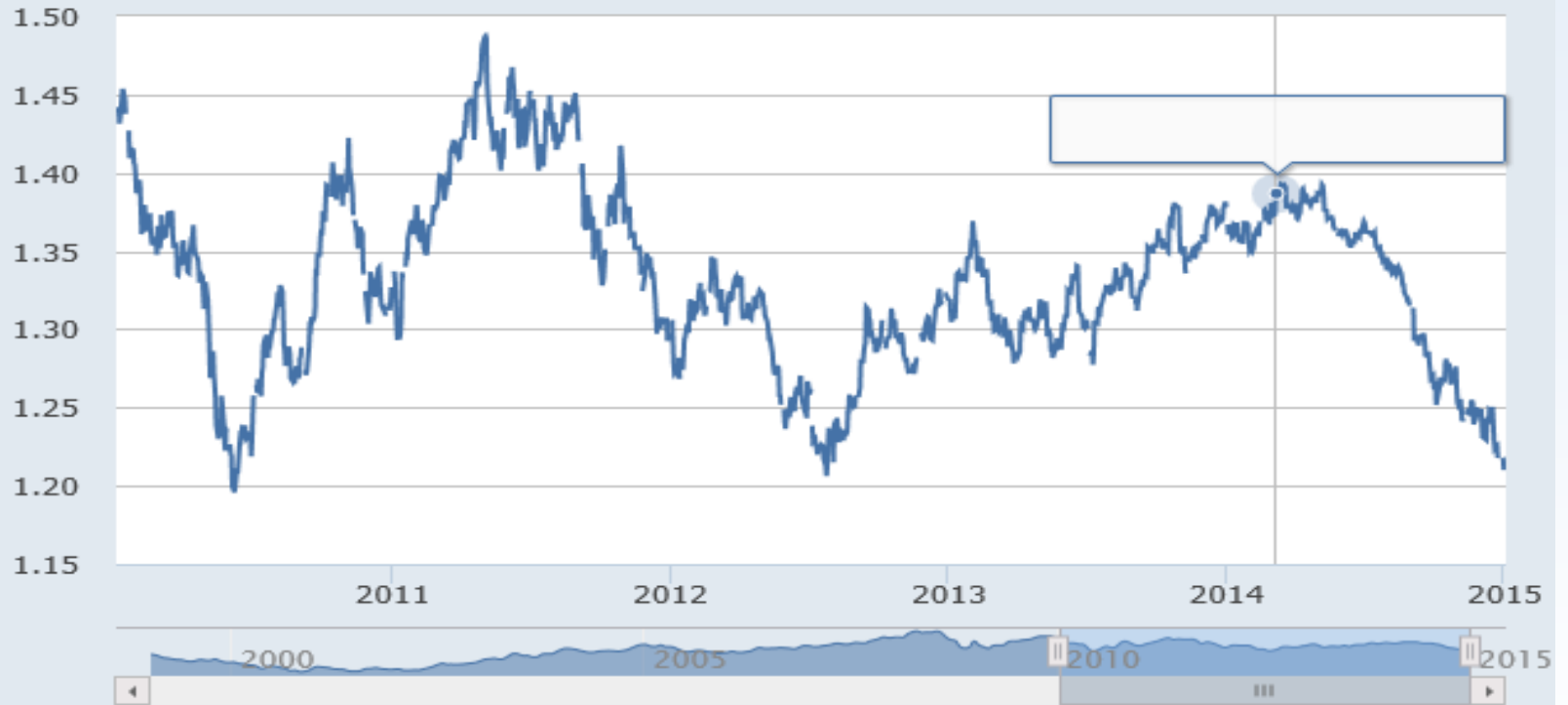


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US Dollar Vs. Euro

FRED 



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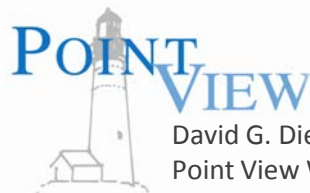


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Soaring US Dollar

- Up 13.6%% Versus Euro
- +13% Versus A Basket of Currencies
- Big Debate on What Effect This Has on the US
- King Dollar Versus Too Much of a Good Thing?



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US As An Island of Strength

- Europe and Japan Teetering on Recession
- China Still Growing, But Much More Slowly
- Close to Half of S&P Revenues Come From Overseas
- But Exports Less Than 15% of US Economy



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Looking Forward to 2015

- Markets Deliver Perhaps 8% Return
- Economy Continues to Gather Steam
- Federal Reserve Takes First Steps to Normalize Rates



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2015 Challenges

- Can Corporations Continue to Boost Profits?
7.5% to 5% Growth as Cost Cutting/Revenue Growth/Stock Buybacks Diminish
- Effect of Higher Rates
- Effect of Stronger US Dollar
- Struggles of Overseas Economies
- Geopolitical Fallout....Weak Oil Could Imperil Some Governments



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Profiting in 2015

- Save, Leverage Retirement Accounts, Tilt to Equities
- Take Advantage of Low Interest Rates, Improving Economy, to Build Your Business
- Be Nice to Your Employees, As They Have More Options
- Refinance Your Home/Accelerate Payoff of Your Mortgage
- Brace For Weakness Overseas
- Consider an International Holiday!



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Pay Yourself First (a/k/a SAVE!)

- Max out on Your Employer's Tax Sheltered Retirement Plan: \$18K for 401K + \$6K Catchup
- Fund Your IRA: \$5.5K Plus \$1K Catchup
- Fill up Your Kids' 529s: \$14K/year or more
- Pay Down Your Debt (non tax deductible first)



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Invest Confidently for The Long Haul

- Allocate 50% to 80% to Equities
- Allocate 50% to 20% to Fixed Income



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Model Portfolio – 401K/403B/529s

- Use Index Funds to Reduce Costs
- Consider in Thirds for Equity Portion
 - S&P 500 Index Fund
 - Small Cap Index Fund
 - International Index Fund
- Use a Total Bond Market Index Fund
- Rebalance Regularly

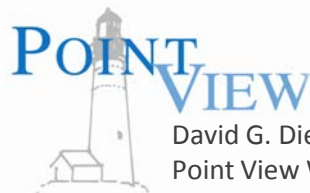


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For Taxable Accounts

- Focus Equities in Taxable Accounts for Better Tax Outcome (Equities also in Roths/529s)
- Consider Individual Stocks for the Ultimate Control and Cost Savings
- Cheap, High Dividend, Franchise Stocks are Good Bets
- Exxon (3% dividend), Chevron (3.9%)
- Use Tax Exempt, Not Taxable, if Using Fixed Income



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What To Avoid

- Failure to Diversify
- Excessive Cash
- CDs
- Annuities
- High Cost Investments Like Hedge Funds
- Most “Alternatives”
- Junk Bonds
- Chasing Yield
- Real Estate as an Investment
- Investments Primarily Done for Tax Reasons
- Investments That Only Work if Leveraged



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