



OUTLOOK

January 2015

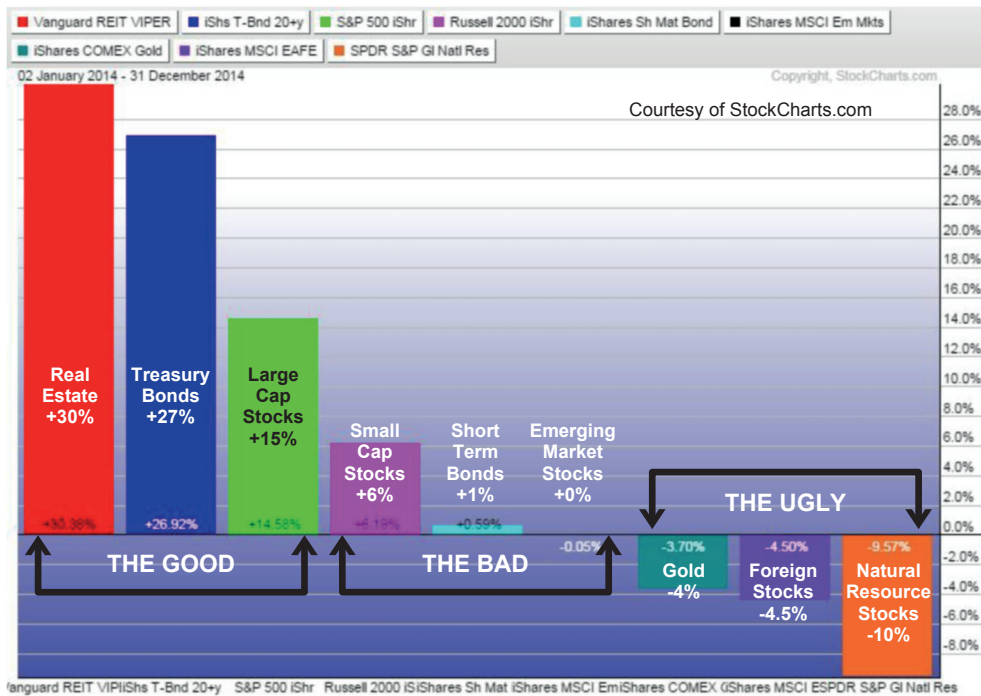
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THE GOOD, THE BAD, AND THE UGLY

The good thing about coming down with Influenza A is that you find there's plenty of time to do things like watch whole seasons of foreign-made television shows and realize that reading subtitles isn't so bad. The bad part is that in spite of this newly discovered talent for simultaneously watching and reading a television, you still feel like crap. The ugly part is the realization that while you always thought that a break from family during the holidays would be just fine, you were wrong. Turns out it's just downright lonely. Being forced to change your habits and routines not only provides a reminder of the good things you forgot to appreciate, it also gives you an opportunity to reflect on cool Clint Eastwood movie titles from the 1960's.

2014 AT A GLANCE



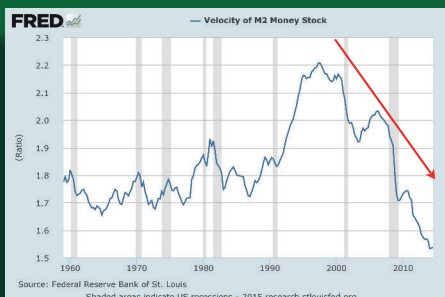
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THE REQUIRED DISCLOSURES THAT ALMOST NOBODY READS

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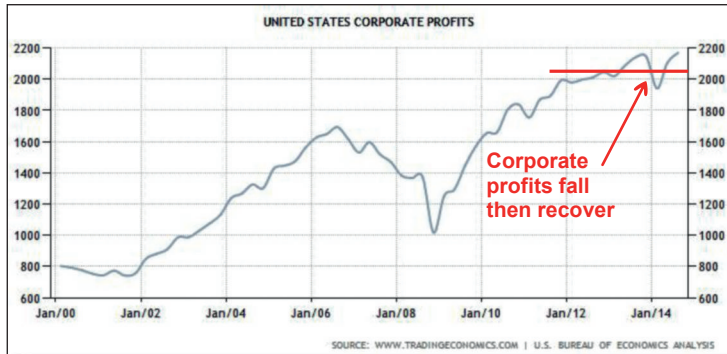
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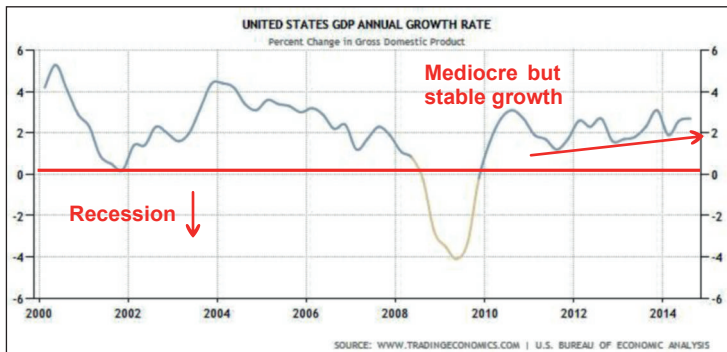
THE HIGHLIGHT TREND

I've referenced this trend before but am going to keep as a highlighted trend because it seems more important than most. The velocity of money measures the number of times one dollar is spent to buy goods and services per unit of time. If the velocity of money is increasing, then more transactions are occurring between individuals in an economy. If it's decreasing, then fewer transactions are taking place. Money velocity has been falling since the late 1990's and a change to this trend could signal other significant economic changes.

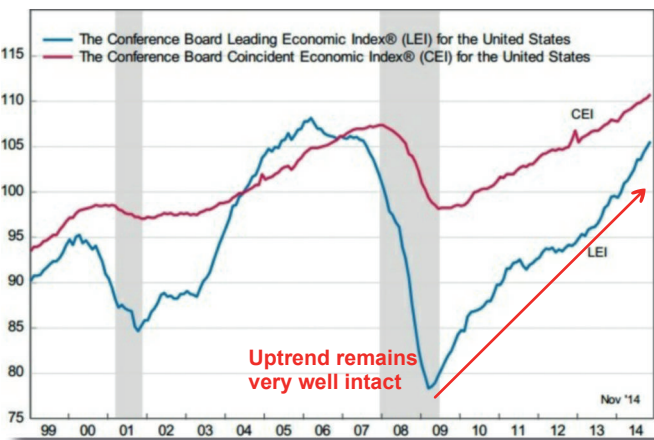
ECONOMIC TRENDS



Corporate profits fell at the beginning of 2014, but have recovered since that time. It's unusual to experience such a decline in profits without also seeing a recession.



The Leading Economic Indicators Index remains in an uptrend.



MARKET TRENDS

The 20-Year U.S. Treasury Yield has fallen from its peak at the end of 2013 of 3.70% to 2.33%. Watching closely for a change in this trend because it seems to be somewhat overdone.



Even with a September/October correction, large companies have continued to establish new recovery highs. However, small companies have trended sideways for most of the year, unable to make new highs. This seems to indicate an aging bull market where fewer and fewer stocks participate in growth.



SUMMARY

The economic trends continue to be positive and supportive of continuing economic recovery. Falling interest rates would normally have negative connotations, but have been driven lower by global declines in interest rates rather than by Fed policy. With small companies starting to show an extended period of relative weakness, our market growth cycle is showing its age.

MORE DISCLOSURES THAN YOU IMAGINED POSSIBLE

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