

MARKET COMMENTARY – DECEMBER 1, 2015

*Charlie Brown, Lucy, & the Football.
Investors, Yellen, & Rates.*

How many of us, as children, shouted at the TV screen whenever woebegone Charlie Brown naively and repeatedly fell for Lucy's ruse? "Don't believe her!" you may have yelled. "Come on, Chuck!" we recall exclaiming as the forlorn hero prepared to kick the football that Lucy so tantalizingly held. We know the ending. It was the same every time. For those of you who may have forgotten the tale, [CLICK HERE](#), to watch a one minute clip from *A Charlie Brown Thanksgiving*.

Now that we are older – and sometimes wiser – we see that Charlie Brown is all of us. Though profound, we'll avoid the spiritual implications of Charlie's lesson and instead focus on how we as investors have become ensnared in the same trap. This time, however, our temptress is not raven-haired Lucy with her smug demeanor. Janet Yellen, with her frosty locks and small stature, plays the part of enchantress. And the football Ms. Yellen so coyly holds? Interest rates, of course.

In a note earlier this year, we lamented the continued delay in the Fed's moving from their Zero Interest Rate Policy (ZIRP) stance. We will not rehash in detail our arguments for slightly higher rates, but suffice it to say that our economy is reasonably strong and can likely withstand, and perhaps improve with, a bump. Since Lucy – sorry, Janet Yellen – jerked the football – oops, higher rates – from the table back in September, market participants have held their breath in anticipation with every speech from every Fed governor. Would they find a hint sprinkled somewhere in the verbiage?

Alas, we are given but glimpses. Then, when the Fed called for an "Expedited" meeting to discuss the Discount Rate (just one of the rates they control) on November 23, the market was awash with chatter. Would an increase occur? If it did, was it a harbinger of a true hike in the Fed Funds Rate at the upcoming December meeting?

Once again Ms. Yellen yanked the football. No big announcement followed the meeting. If anything earth-shattering was decided upon behind closed doors, the results won't be known until minutes are released or action is taken.

We do apologize for harping on this topic. The last thing we'd like to appear as is shrill. But just like when we were young and thought that Charlie Brown must be in some type of trance, we believe that Yellen has cast a spell on the market, holding it hostage by constant dithering. If the conditions require a continuation of ZIRP, say so with confidence and be done. If the economy would allow for higher rates, move. Until a decision is made, a path charted, and action taken, the market only looks at fundamentals like earnings with a sideways glance. It focuses and frets about the direction of the all-important interest rate.

Let us move on for an ever-so brief discussion of the market, in general. November saw a resumption of the saw-tooth pattern we'd seen all year before the swoon and recovery from August through October. Stocks are in an historically fairly valued range, presenting modest though not outstanding opportunities. For the most part, bonds, too, did a round-trip last month. For certain investors, high yield bonds, municipal bonds, inflation-indexed bonds, and preferred stocks present favorable return characteristics at current prices. International investments remain a basket case. Valuations in many parts of the world seem excessively cheap. But a stronger dollar and a slowing China mean that the chances for price increases may be muted.

Finally, since this is our last commentary for 2015, we'd like to take a moment to resurrect a little Thanksgiving spirit from last week. We as U.S. investors have much to be thankful for. We have the freedom to go to work, start businesses, fail, and restart. We are permitted to keep a good portion of the fruits of our labor and then share them as we see fit – with family, friends, stores, charities, churches. And while we are certain most of us are not enamored with the current direction of much in our world, we must remember that each of us has been granted enormous potential. It is merely up to us to use it.

Stirling Bridge Wealth Partners, LLC remains committed to providing customized investment solutions and robust financial planning wrapped in an exceptional service package for our high net worth clients throughout the country. We thank each of you for your dedication to us, for your trust, and for the referrals you've sent our way.

Sincerely

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