



ALL EARS!!

The Litchfield Fund Weekly Newsletter

“We just don’t hear it on the street, we have our ears spread across all the fields!!!!”



Litchfield

It’s the age of instant information (a favorite *All Ears!!* topic) & 2015 has started off with a roar. *News!* – and the market reacts! Missing airliners, racial unrest, House leadership elections, terrorist attacks, slumping oil, jobs data, Fed comments & Greek politics have quickly dominated the news. The German Chancellor then *commenting* on Greek politics creates more news & an even bigger market drop! As always, investors must be prepared for the market’s reactions & take the ‘fluctuation agony’ in stride. We are reminded of that well spoken & wise Greek, Alexis Zorba, who said, “I spit on this agony!”

It’s not all Greek: The market rolled with many news stories this week but Chancellor Merkel’s ‘tough love’ comments on the upcoming Greek elections seemed to cause the greatest stir. If an ultra-liberal left wing party gains majority control in Greece the European Union may abandon Greece & the anticipated result is collapsed markets, bank runs, social unrest, European contagion & spoiled yogurt. But the Greek concern has come & gone before! PM David Cameron believes he can fix the EU & Greece’s problems, focusing on the EU welfare system. Frankly, *All Ears!!* wonders if this small (#43 in world GNP) economy’s downfall can have as great an impact as the doomsayers predict. Here at *All Ears!!* we long for the pre-internet days, when it was joked that if WWII started The Wall Street Journal would put the story on the last page of section one & then only discuss the impact on banana futures!

Call it jitters, panic, turbulence, or volatility, but it seems every piece of news has at least 2 points of view, and the market reacts to both views. Just this week it was again reported that China’s growth is slowing and that their stock market is in a bubble...oh, wait a moment...no, it’s not a bubble. The Russian economic bear will hibernate if Ukraine sanctions stay in place. No...wait a bit...France is pushing to ease some of those sanctions. And the good news of job growth is offset by the fear of rising interest rates! There are 2 news stories on which *All Ears!!* will keep a discerning *ear!* We are very interested in oil prices. Low oil prices mean less profit for petroleum companies & may limit production & discovery through new technologies. But anticipated consumer savings (perhaps \$2,000 annually for a family of four), lower expenses for small businesses, a drop in distribution costs for large manufactures & retailers, possible increase in consumer & business travel, and a narrowing trade gap may provide quite a boon to the U.S. economy. Of course, if lower oil prices are actually signaling a decrease in demand then deflation, recession, and depression could be on the horizon. The other story worth heading is the Shiller P/E, which stands just over 10 points or 59% higher than its historical average. The Shiller P/E has been this high or higher only in 1929, 2000, and 2007! We can safely say the 1929 & 2000 crashes were based most wholly on pure speculation & that the 2007 crash had much to do with bubbles in the housing & credit markets. Recent record S&P

earnings are indeed high enough to justify a higher PE and, for many quarters, there have been more positive earnings reports than negative results. The traditional S&P PE Ratio is not much higher than historic average and price-to-book remains near century lows. The Shiller P/E, however, predicts a long-term negative gain. So let's pay attention to oil prices & the Shiller P/E, but again steady ourselves with these words from Zorba the Greek, "You think too much. That is your trouble. Clever people and grocers, they weigh everything."

Somebody must be listening: Here at *All Ears!!* we sometimes wonder if we are out in the cornfield just whispering to ourselves! We found out this week that someone must be listening, as **The Litchfield Fund** was approached by New Hope 360 to blog for its IdeaXchange network. **The Litchfield Fund** is excited to tackle opportunities to discuss the economy, financial investment, market trends, industry issues, & health concerns with its unique *All Ears!!* blend of news, information, opinion, humor, wisdom, & wit. An early influence on this writing style was Richard Armour, the 1950's satirist & poet. His parodies, written in an academic style but flavored with amusing puns & poems, were a childhood favorite. Perhaps the first contribution will be the discussion of the offsetting impacts of lower oil prices, and hope that our first attempt is not *too crude!* And as Mr. Armour once said, "Rockefeller made his money in oil, which he discovered at the bottom of wells. Oil was considered crude in those days, but so was Rockefeller. Now both are considered quite refined." For Mr. Armour *It All Started with Columbus* in 1955, for **The Litchfield Fund**, it started with *All Ears!!*

Seeds, Sprouts, Grow, Harvest!

The Litchfield Fund

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