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Second Quarter 2015 Updates

Market Update – As we stated last quarter, we are looking for more subdued, yet still positive stock market. We believe 6 – 10% is the most likely scenario. A few quarters ago we stated that we thought large cap would outperform small cap, but his may not be the case. So we continue to hold both categories – including mid cap, and maintain our same balanced asset allocations. We are slightly leaning toward the Value Style in the large cap and the Growth Style in the small cap.

For the last 18 months we have underweight international, especially emerging markets. This positioning is coming to an end. Europe and most of Asia will benefit from the strengthening dollar. We see more of the worldwide stabilization. China slowing a little and India heating up. Japan, with their huge debt, is still a quandary. So we have gone back to our classical asset allocations and not under weighting International. However, we are considering over weighing International.

We continue to maintain a diversified asset allocation at all risk levels. We believe that corporate profits will continue to grow at good, but not great, level. High corporate cash will be used for stock buybacks, stock dividends and mergers and acquisition, the latter increasing. Personal income and spending with increased payrolls and lowering unemployment – but still no signs of inflation. Couple this low interest rates, we are having a Goldilocks market, "not too hot, not to cold… just right!"

Interest Rates – As we have stated before, we doubt they will raise rates in June, and probably not in September either. With the World's economies still recovering, and the U.S. dollar so strong, it would not be prudent (raising interest rates "usually" makes your currency stronger). If the U.S. does raise rates, it won't be much, or sustained. Additionally, we think this possible rate increase is already in the market.

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Energy – Looks like prices are stabilizing, and even going back up moderately. Much of this is because the rig count has been cut in half since the peak. Crude Oil (WTI) should be between $65 – $75 later this year. Natural Gas at $2.70 to $2.90, and gas at the pump up another $0.20 or so.

Overall – Stay the course. Outlook fair to good. Nothing exciting. Expect a few 5% corrections, maybe even a 7-8% one. All normal. All things considered, it should be an "okay" year.

John W. Osborn, PhD, *CFP*®, CFS, ChFC, BCS, AIF