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## **What to Expect in 2015**

**The Stock Market** – It should be an “ok” year. Should be positive, but should struggle to get to double digits. As of now, the experts are looking for a 6-10% year. As we have stated several times before, it's all about earnings. S&P500 companies should show a gain of 8-10% in corporate earnings (vs. a 3% U.S. GDP growth). Currently, the market is carrying around a 16 P/E, which is almost its 30 year average.

It should be noted that as an economic cycle begins to mature, larger stocks begin to outperform smaller stocks, and value stocks begin to outperform growth stocks. We do not believe we are in the later stages, but are similar to the 6<sup>th</sup> inning of a baseball game. We should lean toward the Mid to Large Caps and also the Value and Core Funds, staying away (or reducing) from the Small and Growth Companies. Also note that value funds tend to be more in the industrial or manufacturing areas (glass, steel, rubber, etc.). These will all benefit greatly from the lower energy prices! Another big year for automobiles.

**Interest Rates.** We are in the camp that thinks the interest rates will go up later, instead of sooner. Now that oil prices have fallen, the fear of inflation has fallen too. Plus the economies in the Euro region are still struggling. So, we may not even see interest rates rise this year! Still it will be a tough year for income investors. We still think High Yield bonds, real estate income, MLP's should be considered. They were quite successful for the past two years.

**Other/Miscellaneous.** Politically, it should be quite stable. A non-election year with a lot of posturing and name calling. Historically, the third year of a second term has been the best performing year of the eight.

Look for India, Japan and Korea to benefit strongly from the lower oil prices. Russia and Venezuela will be hurting. Note: as Venezuela falls into a deeper recession, and possible political turmoil, it should be understood that Cuba is being sustained by “free” oil from Venezuela. If this stops, Cuba must look elsewhere. U.S.? Hmm.

And finally, what about oil? Kiplinger is looking for \$75 oil in 9 to 12 months. This current \$50 (or less) price per barrel is a short-term aberration.

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