

Rochester Financial Services

Fee-Only® Financial Management Services

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February 10, 2015	Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Earnings Yield (S&P)	Crude Oil	Gold
	17,880	2,070	4,791	1,204	1.99%	6.28%	\$1,237	\$50.71



Investment Strategy Report

Stocks Leave January in the Dust, Approaching New Highs

They say that stocks never repeat themselves but they often rhyme (or something like that). Well 2015 thus far has been a carbon copy of the first 6 weeks of 2014, a sour January followed by a blast off in February. If 2015 continues in the way of 2014, we will have another good year for the markets. While many investors are somewhat apprehensive since they feel that the major averages are getting pricey, the fundamentals might justify a repeat performance this year.

This past Friday's jobs report showed the best employment numbers in years. Non-farm payroll jobs increased by 257,000 in January and more importantly, the November and December numbers were revised upward by a total of 147,000 additional jobs. All told, 1 million jobs were added in November, December, and January. The stock market actually fell on the news, most likely due to the uncertainty surrounding Greece's economic situation. But it seems like there is now more cause for hope as the markets surged today on Friday's economic report, closing in on record levels.

It is reassuring to see that good economic news is now good news for the markets. There was a time when good news made investors nervous, fearing that this would cause the Fed to raise rates. However, we are now seeing a vibrant economy with all kinds of favorable data, oil is still trying to stabilize at around \$50 a barrel, and interest rates (10 year Treasuries) are still hovering close to the 2% level. There is no reason to fear a runaway economy or surging inflation. We continue to have near ideal conditions of good growth and employment with low interest rates and low oil prices.

And these positives for stocks and the economy are occurring at the same time that several head winds are being removed. For one, fear of negative growth in Europe is beginning to be lifted. Europe has turned. Their economic data is improving and their sales numbers are getting better. The back and forth discussions with Greece have investors fearing the worst. The likelihood is that something more favorable than "the worst" will occur. The fear that the dollar will continue to rise, hurting US exporters, is probably overblown, as we have seen the euro begin to stabilize during the past week. Auto sales, both in Europe and the US have been strong. Even copper, which has seen a huge decline in price, has begun to stabilize, signaling more economic growth from China.

In January, it was all bad news. There was no bottom to oil, interest rates, the euro, copper, etc. In February, it appears that every downtrend has reversed. The doom and gloom now seems to have been replaced with confidence. Investors now have the mindset that every downturn is a buying opportunity. In January, investors saw trouble wherever they looked. In February, the positives seem to have beaten back the bears, looking ahead for continued growth. With no recession spotted on the horizon, we should have continued good fortune in the market.

Radio Show Now Posted On My Web Site - Last Tuesday, Feb. 3rd, I made another appearance on the Wharton School Business Radio Show on SiriusXM satellite radio. You can find a tape of the show on the home page of my web site RochesterFinancial.com. The link is about half way down the page printed in green (my Sept. 3 show is also posted there). After clicking on the link, you will have to download the show from my DropBox.

Schwab 1099's should be available this week - Sorry about the delay of the Schwab 1099 forms, but they should be posted on the Schwab web site by the time you read this (and mailed to you by early next week at the latest). Schwab purposely delays their release until they are sure that there are no corrections
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