



Spring 2015 Commentary

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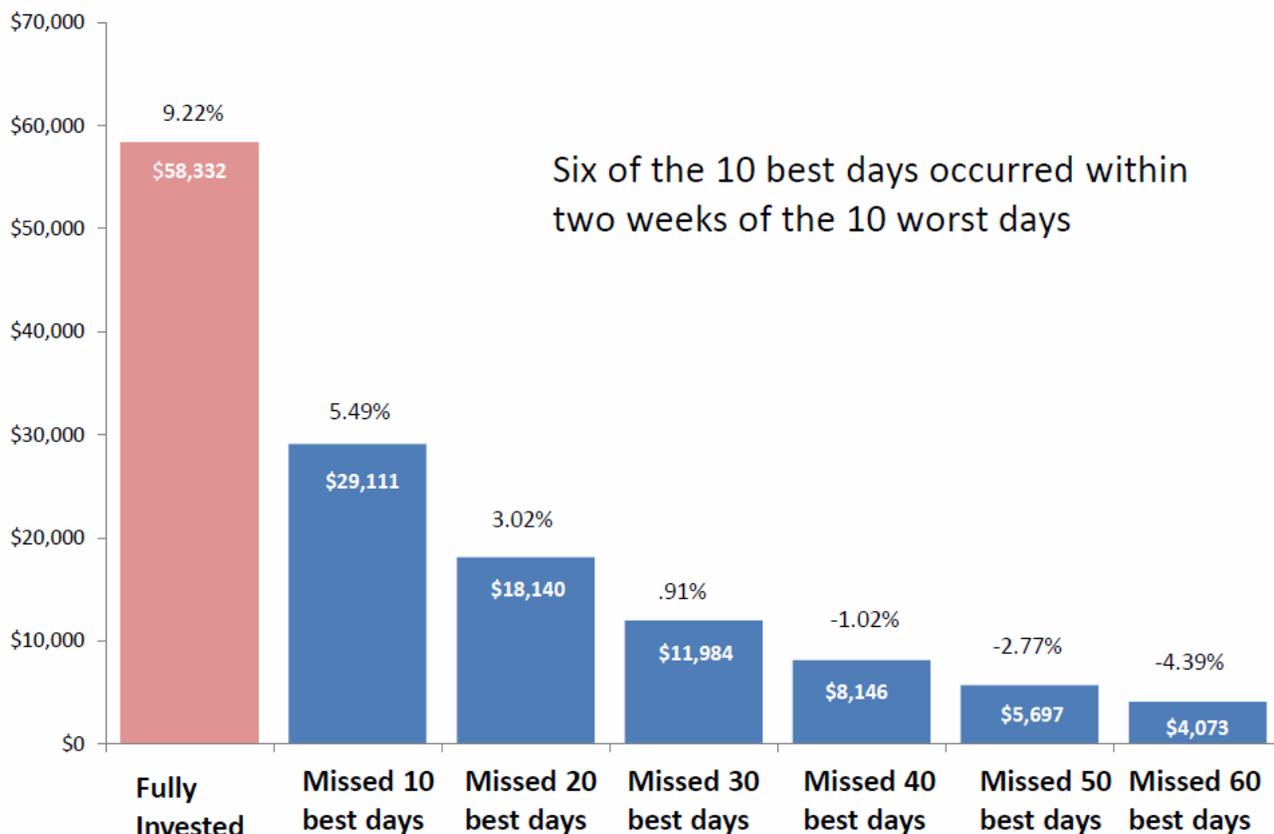
The winter of 2015 will be long remembered in New England, and likely the whole country. Blankets of new snow greeted those of us who live here anew nearly every day, and like our Puritanical forefathers we soldiered on; our reward: the glorious spring when the sun shines longer each day and may be appreciated just a little bit more this year. While the economy was slowed in the region due to the unusually harsh winter; nationally, consumer sentiment continues to improve and employment gains have brought the U.S. unemployment rate down from 6.6% at this point last year to 5.5% as of the end of March.

The first quarter of 2015 saw more market volatility with many of the equity indices hitting new all-time highs in early March. Since then the Dow has had 16 days where it closed either up or down 100 points or more. By the end of March the equity markets had retraced their steps, with the Dow Jones Industrial Average falling .32% for the quarter. Bonds provided a positive lift in the quarter. International stocks, after a rough 2014, have rallied sharply so far this year, while domestically mid-cap stocks were up as well. As a result, even though the market action continued to be erratic and volatile and the Dow was down, a diversified portfolio was likely up a bit in the first quarter.

As spring emerges (none too soon for New Englanders), the investment community will focus on the strong dollar, which depresses the earnings of U.S. multinational companies, and weak oil prices, which may be a boon to consumers but can hurt energy companies and their suppliers. If these two factors result in lower first quarter corporate earnings, the stock market may be in for some tough sledding in the second quarter.

For the average investor, there is always a reason to delay investing or to sell their investments at the wrong time (when asset prices are low) and buy after prices have risen. Then, just when the coast is seemingly clear and their money comes out from under the mattress and into the markets, they are told the sky is falling again and the vicious cycle repeats itself. Our advice is to avoid being myopic and think long-term. History has shown that it is critical to stay invested even in times of negative returns (see chart courtesy of JP Morgan).

Source: J.P. Morgan Asset Management using data from Lipper. Returns based on the S&P 500 Total Return Index. This chart is for illustrative purposes only and doesn't represent the performance of any investment or group of investments.



Economists are split on the prognosis as we move forward in 2015. Some believe the economy will be propelled forward by historically low interest rates, improving employment, spurring the economy to finally grow less sluggishly. Others are less rosy, convinced that low commodity prices and declining worldwide interest rates might lead to domestic deflation, a process where consumers delay spending since items can be purchased later for less. While this is a risk, the Fed appears to think any price deflation is transitory and continues to favor a rate increase in 2015. The exact timing of said increase is a topic of much debate and volatility will likely remain as market participants interpret the Fed's tea leaves.

Money may be the husk of many things, but not the kernel. It brings you food, but not appetite; medicine, but not health; acquaintances, but not friends; servants, but not faithfulness; days of joy, but not peace or happiness.

Henrik Ibsen

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