

# Quarterly Review

October 2014

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*by Jack P. Cannata, CFP®, CPA*

Like so many children of my generation, I have always loved watching Westerns. Whether an old John Wayne classic, a sixties era spaghetti Western or the newer, more recently produced pictures, I have always enjoyed the genre. But the classics are my favorite. Who can forget Jimmy Stewart's character facing his fears and demons in "The Man Who Shot Liberty Valance".

Just like that classic Western picture, the markets appear about to face their biggest fears and demons, the end of Quantitative Easing, and rising interest rates. The Fed will end its buying of mortgages securities and Treasury obligations in October. Further, most expect the Federal Reserve to begin raising short term interest rates in the second or third quarter of 2015. Many investors believe that Fed Policy has created and sustained the Bull Market in stocks that began in 2009. Although we acknowledge that the Fed's easy money policy has contributed to earnings and market expansion, we do not believe this to be the entire causal effect. We are firmly in the camp that believes that the Fed played a part in the economic and market growth, but now see the expansion as self-sustaining.

Unlike the classic Western where the good guys always win, the outcome of the "Fed Reserve Bulls" versus the "Economy Bulls" is yet undetermined. However, just like the old Westerns, we are in for some excitement. In the end, with careful planning and a view to the long term, we believe that diversified portfolios based on a well thought out investment policy statement tailored to each client's unique set of needs, continues to be the best sheriff in town.

As always we thank you for your business and for your continued trust.

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