

Leigh Baldwin & Co.

Investment Brokerage

It has been almost 50 years since the release of Bruce Brown's seminal film "The Endless Summer", which follows the thrilling adventures and beauty of the surfing community through the exploits of Mike Hynson and Robert August, two high level surfers. In 1966, this film was ground breaking, exciting, and became an immediate cult classic.

2014 has just felt endless at trading desks around the country as volatility, volume, and the velocity of money has vanished from the stock markets. If not for a 300 point correction on the last day of July, there really would not have been much to speak of as stocks quietly and stoically bounced around record levels for most of June and July. With significant negative geo-political headlines on the front pages, think violence in and above Russia, Israel, and perennial favorites Afghanistan and Iraq, stocks still managed to hold their ground and edge higher. That is the sign of a bull market, advancing higher on good and bad news. So where do we go from here?

Earnings just reported for the most recent quarter have been for the most part, better than expected as lean and mean companies continue to take advantage of low interest rates, reduced labor costs, and a general up-tick in the US economy. The last three years have proven that stocks can and do go higher, even with high levels of unemployment and high levels of skepticism from the general public. We see this trend continuing, even though we are fully aware that a correction downward in stock prices is due. We try to be earnings driven and to own businesses as opposed to owning stocks. The climate remains good for both, although the low hanging fruit has dropped.

Interest rates have surprised everyone this year and are trading at about 2.55% for the ten-year. The prospect of higher rates is out there and the problem of gracefully extracting ourselves from this government induced "easy money" is scary to say the least. We continue to own individual issues, are shortening duration when we can, and over weighting issues that perform the best in a rising interest rate environment. We believe that some fixed income should be a part of a portfolio and we try to measure that risk.

The sky is darkening and the chance of a storm is increasing for investors. We do not believe that the storm will be the "Big Kahuna" but rather a typical summer squall that might interrupt but not end the party. Surf's up for those that can take some risk and ride the wave of investments for the years to come. We appreciate and thank you for your business, Aloha!

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