Leigh Baldwin & Co.

Investment Brokerage

Happy New Year! January brings the annual ritual of predictions, prognostications, and forecasts from the market professional world. As you go through all of this pre-game hype, it is good to reflect on two things…1) Remember Meredith Whitney and 2) Remember this time last year.

Meredith Whitney for those who may not know was the bank analyst that made a career by correctly predicting a financial meltdown in 2007. Actually, she may not have predicted a meltdown but rather that Citigroup would have to cut their dividend in half. That was enough to propel her to superstar analyst status among the talking heads. From that point on though, her ability to see the future has been a disaster. Who can forget her brilliant call on "60 Minutes" of a coming financial devastation in the municipal bond market whereby billions of municipal bonds would default? Municipal bonds have thrived since that very public outcry. In 2013, Ms. Whitney predicted that the economies of the US coasts would collapse, wrote a book to that effect (The Fate of the States), and started a hedge fund aimed at investing in the heartland states. By October of 2014, the hedge fund was near death after its one primary investor, BlueCrest Capital Management, begged to be let out. The courts are working on that.

This time last year, as always, the market seers all gave us their best ideas for 2014. Unfortunately, while they may have had the market right for the most part, very few were predicting that interest rates would fall rather than finally spike up. As for 2014's biggest economic story, the price of oil dumping down from $110 per barrel to $47 per barrel, no one made a call remotely close to that. Investment predications are a tough game and there is a reason that Warren Buffet does not give general market forecasts, it is just too hard over time.

With this being said, it is our turn to ruminate about 2015. We will respectively join Mr. Buffet in the premise that it is not a stock market, but rather a market of stocks. Great companies do well, grow earnings, pay dividends, reward shareholders without total regard to what financial markets do. The key is to own great companies and great funds that understand the roles of earnings, solid balance sheets, low costs, time, and risk management for every investment made. We do not know if this is finally the year that interest rates go up. With crude oil's 50%+ drop fresh in my mind, though, I will try to be prepared for the chance that when they do rise, it could be dramatically. As for stocks, after years of under-performing indexes, stock pickers might be back in style in 2015 as over the past four years the "easy money" has probably been made. As always, we appreciate our relationship with you and there is one thing we can definitely predict, that whatever the future holds, we will always treat your money as if it were our own.

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