



THE DANA VIEWPOINT

June 12, 2015

Dow: 17,899

Liftoff

The Federal Reserve has used this term when considering a rise in interest rates. Now they are trying to walk it back as it is not a very accurate description of their intent. Liftoff generally refers to a rocket, as in “Houston, we have liftoff” flying on a straight upward climb. The Fed wants to make it clear that an increase in interest rates would be gradual. Ms. Yellen, as Chairwoman, has stated that it would take several years to return our monetary policy to normal. It’s hard to imagine the Fed would consider a liftoff in rates until they see second quarter GDP numbers (sometime in July). Their next meeting ends Wednesday, June 17th. The first quarter adjustment in GDP from a positive 0.2% to a negative 0.7% had to be a surprise to the Fed who had been projecting growth in the 2.0-2.25% range.

The Fed along with everyone else had to be pleased with the May jobs report. The private sector added 280,000 new jobs in May. This was 50,000 more than had been expected. Also, wages increased 2.3% over May of last year. The unemployment rate ticked up to 5.5%, largely due to the fact that 400,000 new people entered the job market. In addition to these factors, there are reports from employers around the country that they have job openings but are not able to fill them.

Perhaps the government is being too generous with entitlement benefits. England reduced their entitlement program and the unemployment rate dropped and the economy picked up. If employers are correct, we could certainly increase the employee participation rate which has been hovering near its mid-1970’s low around 62.5%. Putting people to work would also increase tax revenue for federal and state governments. It would also likely improve many of our social problems and lift the mood of the whole country. America still has so much untapped potential and if the government would stress more individual responsibility, we would unleash so much creative energy that could push the economy and America forward and out of the holding pattern we have been in since the recession ended in June 2009. The world needs America. It’s time to stand tall. We are fast approaching the time when we elect a new leader. So far we have 10 Republicans and 3 Democrats vying for that position. Will one person emerge from the pack with the leadership qualities and a bold plan to use our human resources for the betterment of all Americans?

How now Dow Jones? The stock market seems a little tired lately and it should be. The bull has been running since March 2009 with very few rest periods. The Dow Jones Industrial average peaked at 18,300 last December and has been moving in a horizontal holding pattern ever since with one new marginal high at 18,400 in May. Every rally attempt to break out on the upside carries fewer stocks with it. A little over 100

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stocks have been making new highs on these rallies where the number should be running at 300-400. There is no leadership in the market at this time. One industry sector after another will lead a charge then falter. Biotechnology stocks had a good run but have lost steam. Financial stocks (Goldman Sachs, JP Morgan) have tried recently but haven't done it. Investors have moved to OTC stocks, thus taking a little more risk. The latest to move are the anti-hacking stocks, but there are only a few of them (e.g. FireEye, Palo Alto Networks). Friday, June 6 was an interesting day. The Dow Industrial average was down 56 points while the NASDAQ and Russell 2000 indexes were each up 9 points. Also, on the New York stock Exchange 66 stocks made new highs while 162 made new lows. Over on the NASDAQ, 121 stocks made new highs while 47 made new lows. Should this be worrisome? Not necessarily. It is just the rotational character of investors moving from one sector to another. The overall trend of stocks in general is still up. It is said that the stock market climbs a wall of worry. There is certainly plenty to worry investors. Start with ISIS and the Middle East, Greece's financial problems, Russia, China's economy and our Fed. When will they start to raise interest rates? It seems that the more problems that occur elsewhere the better our markets look. Don't get too excited by a 200 point move in the Dow. That's only 1%.

Can it be the middle of June already? We are still playing basketball and hockey with football training camps a month away. Enjoy the summer which starts a week from Sunday.

Random Thought for June 2015 Trying to predict interest rates is like trying to teach a pig to sing. It not only wastes your time, it annoys the pig.

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