

EPIC CAPITAL WEALTH MANAGEMENT



WEEKLY MARKET COMMENTARY

November 10, 2014

The Markets

Is it a melt-up?

You're familiar with the word melt. Ice cream melts. Snow melts. You may have seen someone melt down (or have done it yourself). Right now, markets may be experiencing a melt-up, according to *Barron's*. Melt-up is a counterintuitive term which describes a sharp, emotion-driven improvement in market performance. Last June, *The Wall Street Journal* blog described the melt-up phenomenon like this:

“Money managers and analysts are beginning to talk about an idea that dates from the roaring '90s: a rapid stock gain known as a melt-up. In the late '90s, people thought a melt-up, or a sudden double-digit percentage rise, was a fine thing. Set off by some exciting event, melt-ups feed on their own gains as people rush to avoid missing out. In late 1999 and early 2000, the Nasdaq Composite Index surged to 5000 from 3000 amid the Internet frenzy. It then collapsed. Melt-ups, investors learned, can lead to meltdowns.”

Markets did move higher last week. In fact, several major U.S. indices finished at record highs on the same day. That's a rare occurrence and one that hasn't happened since 1998. What was behind the move? *Barron's* reported investors were encouraged by mid-term election results, strong third-quarter earnings, and the European Central Bank's promise to spend \$1.25 trillion on quantitative easing.

Investor optimism also gained ground. Last week's *American Association of Individual Investor's (AAII's) Sentiment Survey* found a majority of investors were feeling bullish. Almost 53 percent believed stock prices would increase during the next six months. The bears were in retreat with pessimism about market performance falling to a nine-year low. “At current levels, optimism is unusually high and pessimism is unusually low. Historically, such occurrences have been followed by lower-than-average levels of market gains,” reported the *AAII's* blog.

EPIC CAPITAL WEALTH MANAGEMENT

So, is it a melt-up? It's difficult to know. What's really important is this: Melt-ups are buy first, think later situations which sometimes lead to melt downs, which are sell first, think later situations. Needless to say, it's always better to think first.

Data as of 11/7/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500	0.7%	9.9%	16.3%	17.2%	13.2%	6.0%
10-year Treasury Note (Yield Only)	2.3	NA	2.6	2.0	3.5	4.2
Gold (per ounce)	-0.8	-3.9	-11.7	-13.5	0.9	10.3
Bloomberg Commodity Index	-0.1	-6.4	-4.1	-7.7	-2.5	-2.5
DJ Equity All REIT Total Return Index	0.1	23.7	21.2	15.5	17.9	8.8

S&P 500, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

LET'S HEAR IT FOR FAMILY BUSINESSES! Family-owned and family-controlled businesses are a pretty important part of the global economy. *McKinsey & Company* recently noted:

“In many ways, family businesses are stronger, more vital, and more important than they have ever been. Various estimates peg their share of global GDP [gross domestic product] at between 70 and 90 percent. While many family businesses are private, about a third of the Fortune Global 500 companies are founder or family controlled, as are 40 percent of the major listed companies in Europe. Family businesses are especially important in emerging markets accounting for about 60 percent of private-sector companies with revenues of \$1 billion or more.”

According to *The Economist*, the largest family firms in the world span industries ranging from retail to automobiles to electronics to pharmaceuticals. The top 10 include four companies in the United States, along with firms based in Switzerland/United Kingdom, Germany, Italy, Russia, South Korea, and Taiwan.

One of the most important challenges for family firms is succession. *McKinsey & Company* reported many businesses falter as they transition from the founder to the next generation, and most perish before the third generation can take the reins. Successful succession requires founders to look ahead, formulate a vision, and plan to that vision. In general, family-owned businesses have three basic options. The founder can:

- Give the business away and start a foundation.
- Sell the business and invest or divide the proceeds.
- Keep the business and pass it on to the next generation.

Epic Capital Wealth Management | Where Experienced Advice Meets Actionable Ideas

Securities and Advisory Services Offered Through LPL Financial. Member FINRA/SIPC

EPIC CAPITAL WEALTH MANAGEMENT

McKinsey & Company predicts family companies are likely to become even more influential over time, especially in emerging markets.

Weekly Focus – Think About It

“Total spending by political parties in the British general election was £31.5m (\$49.9m). Total spending by outside groups was £2.8m (\$4.4m). So all in all: \$54.3m. With 45.6m registered voters in Britain, that comes out at \$1.19 per voter... That is less than the seventh most-costly Senate race (Arkansas), which cost \$56.3m, or \$26.47 per Arkansas voter. So the seventh costliest Senate race cost more than the entire 2010 general election in Britain.”

--*The Economist*

Financial Factoid – The 6-month period from November-April has gained +520.9% for the S&P 500 since 1990, 8 times the +65.1% return achieved during the 6 months from May-October. Both numbers are aggregate total return performance results calculated for their respective 6-month periods beginning on 5/01/90 and continuing through 10/31/14.

Epic Humor – Teacher: “If I gave you 2 cats and another 2 cats and another 2, how many would you have?”

Johnny: “Seven.”

Teacher: “No, listen carefully... If I gave you two cats, and another 2 cats, and another 2, how many would you have?”

Johnny: “Seven.”

Teacher: “Let me put it to you differently. If I gave you 2 apples, and another 2 apples, and another 2, how many would you have?”

Johnny: “Six.”

Teacher: “Good. Now if I gave you 2 cats and another 2 cats and another 2, how many would you have?”

Johnny: “Seven!”

Teacher: “Johnny, where in the heck do you get seven from?!”

Johnny: “Because I’ve already got a cat!”

Best regards,

Have a great week!

Edward R. Doughty, CFP®

E-mail: edoughty@EpicCapital.com

Website: www.EpicCapital.com

WE’VE GONE SOCIAL!! Please be sure to “Like” us on **Facebook**, “Follow us” on **Twitter**, “Get Linked” with me on **LinkedIn**, and “Subscribe” to the Epic Capital channel on **YouTube**.

EPIC CAPITAL WEALTH MANAGEMENT

Simply click on these icons:    

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added. Securities offered through LPL Financial, Member FINRA/SIPC.

- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.
- * The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.
- * The 10-year Treasury note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market
- * Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.
- * The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods
- * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
- * Past performance does not guarantee future results.
- * You cannot invest directly in an index.
- * Consult your financial professional before making any investment decision