The Examiner

http://www.theexaminernews.com/prudent-portfolio-moguls-sharp-turns-and-good-conditions-all-expected-for-2015/

Prudent Portfolio: Moguls, Sharp Turns and Good Conditions All Expected for 2015

Examiner Media | Jan 29, 2015 |

By Peter Chieco

The stock market, with its ups and downs and changing conditions, is a lot like skiing. The question is, for 2015, will it be more like alpine or cross-country? Will there be lots of moguls to overcome? Will it be reaching new peaks or will it be, heaven forbid, downhill from here?

The New York Stock Exchange marked the end of 2014 with its sixth consecutive year of an uphill climb – the longest bull market since 1999 — with all eyes hopeful for a smooth run in 2015.

The final days of last year – and the first few of 2015 – were not without a few bumps, of course. Nevertheless, the Dow Jones Industrial Average increased by about 7.5 percent in 2014, a gain that few predicted, particularly after its approximately 25 percent gain for in 2013.

Some financial experts say that more “moguls” are in store for 2015 as an easy monetary policy starts to wear off. And we have certainly experienced some nasty falls in early January.

There is considerable news from around the world to cause any stock-skier to take a tumble: France, Ukraine and Russia, Russian debt, interest rates, China and Hong Kong, recession in Japan. There are even concerns that oil prices may be too low to support increased domestic production.

Meanwhile, the White House is optimistic. Jason Furman, chair of the President’s Council of Economic Advisers, expects an even better year in 2015, citing improvements in hiring, wages and corporate investment. He noted that health care costs are dropping and the pace of insurance premium growth is slowing.

Furman also added that he is awaiting another indicator of economy growth: “For younger people to marry, buy houses and bring children into the world,” referred to in Census Bureau statistics as “the rate of household formation.”

Related to this, the housing market seems poised to grow. And here’s good news– realtors expect that foreclosures and short sales will drop to normal levels this year. Foreclosures were down by about 30 percent by the end of 2014, and further drops are expected in 2015.

On the flip side of that good news, is that mortgage rates may inch back up. Some realtors forecast the 30-year fixed rate will reach 5 percent by the end of 2015. The one-year adjustable rate will likely rise less, if at all, they say.

Another indicator of a recovering economy is consumer spending, which tends to keep pace with the economy. As unemployment drops and incomes rise, consumer spending rises at about the same rate.

And, for the first time, Baby Boomers are not the largest segment of the population, Millennials are (the generation born between 1982 and 2004). That prompts a new equation for the housing market, as these twenty-somethings will soon be settling down and looking for housing of their own. Perhaps now is the time to consider investing in multifamily housing, perhaps through Real Investment Trusts (REITs) that specialize in this sort of thing.

Millenials came of age with the Internet and cell phones in their hands. It follows that industries catering to their needs – and demands for instant gratification and lightening-speed communication – may be worthy of a renewed look by investors. Start-ups, apps and technology providers may be considerations, as are industries that incorporate online shopping and home delivery of a vast range of products, foods and services.

What else?

Lower prices for oil may lead some investors to wonder if this is the year to invest in those industries typically heavily dependent on fossil fuel. Airlines come to mind, as well as other types of transportation-related industries.

Negotiating the slopes of 2015 will take flexibility and fortitude. Keep in mind your long-term goals and be ready to zig-zag: adjust your portfolio as needed. Enjoy the ride!

Peter Chieco is a financial adviser with Morgan Stanley Wealth Management in Greenwich, Conn. He can be reached at 203-625-4897.