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*If it is true that we are here
to help others, then what exactly
are the others here for?*

How is the Market? *continued*

so important! If you're not properly diversified, then according to work by Fama and French, your portfolio is likely to frequently underperform with higher volatility which adds insult to injury. If you jump around trying to out-guess the market, you're most likely to guess wrong. If your adviser is moving your money around trying to out-guess the market, then I would suggest your adviser is likely generating high trading costs moving your money around at your expense. I would also suggest a portfolio analysis to see what it's costing you. If your adviser tells you transactions cost you nothing, I'd be wondering what else they'd lie about.

Finally, let's consider the recent collapse of oil prices in energy markets. Did you see that coming a year or so ago? I'm guessing you didn't; if you did, you probably didn't know how to profit from that kind of hunch. Real investing shouldn't be about gambling on hunches. Academic research favors diversification across many markets in the right proportions. It's your financial future at stake; don't blow it!

[The statements above are the opinions of the author. Past performance is no guarantee of future results. No offers to sell or purchase securities are being made or implied.]

HAPPY VALENTINE'S DAY, but remember :



A pretty face is nothing if you have an ugly heart.

The mind replays what the heart can't delete.

Trouble in marriage often starts when a man gets so busy earning his salt that he forgets his sugar.

On Valentine's Day, the wise husband forgets the past, but never the present!

Whether a man winds up with a nest egg or a goose egg depends a lot on the kind of chick he marries.

Call the office to make your reservation for our RAM workshop. Many investors have been fooled by the Wall Street bullies, con men, gurus, and prognosticators. What if everything you were taught about investing was wrong? To be a successful investor you don't have to know everything as long as you know the right things!

* Rainey Asset Management, Inc. is a Registered Investment Advisory Firm registered in Florida, Texas, Arkansas, and Louisiana.

How is the Market?

By Ric Cochran



I'm often asked about "the market" since I help clients manage portfolios, which begs the question, which market? So, let me ask you, when you think of "the market", which market are you thinking about? There are stock markets, bond markets, commodity markets, currency markets, derivatives markets, just to name a few broad categories; and there are both domestic and international markets of all of them. But that's only scratching the surface.

Americans frequently hear numbers from two sectors of just the American stock market, the Dow Jones Industrial Average and the Standard & Poor's 500. Both indexes are culled from just one category of stocks, often referred to as US Large because that's what they are, only very large US companies. They don't include small stocks, micro-cap stocks, small and micro-cap value stocks, a separate category for large value stocks, or international stocks of the same categories, large, small, value, nor emerging markets. Those numbers don't include bond markets, known as debt or fixed income markets, which can be short-term, long-term, domestic or international, government or corporate, investment grade or high-yield, aka "junk."

So when I'm asked how the market is doing? I might ask which market. But I know they're usually asking about the Dow, or S&P, because that's what the media seems to talk about the most. That's both a shame and a disservice, in my opinion, though I get that people frequently want simple answers like drive-thru fast food. And lately, the S&P 500 has been on

a run reminiscent of the late nineties. TV talking heads are exuberant, referring to the S&P 500 as the home team since the S&P 500 is comprised of only large US stocks. I've even heard the dreaded words, "new paradigm," lately, a term tossed about in the late nineties, followed by two crashes in the following decade. A lot of investors piled into the S&P 500 late in its nineties uphill run, but just in time for the downhill ride. Ouch! Lack of diversification can really bite!

Many come to me for a portfolio analysis and find most of their portfolio is invested in mutual funds comprised mostly, if not entirely, of S&P 500 stocks. This is far from being diversified, based on studies by Nobel Prize recipient Eugene Fama and Kenneth French showing small stocks having historically higher expected returns than large stocks and value stocks having higher expected returns than growth stocks. International markets can also provide diversification and help reduce volatility, based on the work of Fama and French. A well-diversified portfolio is comprised of assets across multiple markets and asset categories. Research by Nobel Prize recipients, including the University of Chicago's Harry Markowitz and Eugene Fama, has shown diversification can be a key factor in reducing volatility and increasing expected returns.

So which market should you load up on now? No one, I repeat, no one, can consistently guess which market or asset category will outperform all others in the future. That's why having a diversified portfolio is

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Important:
Office will be closing at noon on Fridays.

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Newsletter Editor, Elaine Marze

**Call our
offices for a
complimentary
consultation!**

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