

February 2015

In This Letter

- Two faces of Janus

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The month January gets its name from an ancient Roman mythological god, Janus. As history goes, Janus was the god of beginnings and transitions and is usually depicted as having two faces - one looks into the future and the other to the past.

As 2015 unfolds January might be described as starting the year out two-faced.

One face is enthusiastic about the future. In fact, we have historically low interest rates that might stay low for quite some time. Consumers are euphoric each time they fill up their cars at the gas station. It is hard not to get a little excited thinking what to do with the resulting surplus. Home prices are up. Investment portfolios have advanced. The U.S. dollar is stronger. Jobs and employment figures have improved. Japan and the EU are just starting huge quantitative easing programs.

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It is interesting to note the 10 Year U.S. Treasury yield of 1.8% is now lower than the S&P 500 dividend yield. Many investors looking for yield are being lured away from fixed income over into equities. It is easy to see why long term investors are being enticed away from fixed income over into dividend paying stocks.

The new renaissance and technological advances in 3D printing, artificial intelligence, big data, medicine, and bio-technology will help us increase productivity and live longer, healthier lives. Our future looks bright.

The other face of Janus is one of anxiousness. We have never had 7 consecutive years of stock market gains. This would be the 7th year. The odds of a down year are increasing. The fact is we may experience more volatility this year. Thus far in January the market is down 3-4%. Are the seeds being sown to start a bear market? As energy companies are reducing earnings and a strong dollar hurts our U.S. exports, will this stop the mighty U.S. economy? Hmmmm...

So the question unfolds, what are investors up for in 2015?



I take inspiration from my Mother in looking into the future. A few months ago, she caught me by surprise as we got together for dinner in her home state of Utah. Although we talk on the phone every week, I don't get a chance to see my parents as often as I would like, so it had been a few months.

As we saw each other from a distance, walked closer for a big hug, I noticed something different about my Mom. She just got braces. She never told me she was doing this and I was a little flabbergasted. What is my 80-plus mother doing with braces? Isn't this something teenagers do?

I was so thrilled to look at my Mom with her braces that I could not stop smiling. I loved the fact that my Mom was not being deterred by any setback or temporary inconvenience. She was looking into the future and optimistic about the prospects of the improvement for her.

With that, I say, who cares whether the markets retract now, next year, or 5 years from now? The future is indeed bright. Seeing some of the energy stocks head lower gives investors a great opportunity to buy low. Smart investors always pounce when they see opportunity for the future. Smart investors love a little more volatility. So for that, feel fortunate if the market gets a little choppy this year.

Have a love-filled February.