

KFG: More Volatility on Wall Street; But Bear Market Likely to Continue

June 2015

As we approach the middle of 2015, there's a lingering question on Wall Street: *What will the Federal Reserve do with interest rates?*

For some time now, Fed Chair Janet Yellen has signaled her intent to raise interest rates this year. But there's no certainty on when – or even if – that will occur. While an interest rate hike is certain to produce more volatility in the economy, it's our belief that a moderate increase in interest rates will not derail the six-year bull market on Wall Street.

Some of the continuing volatility in the stock market can be attributed to a soaring U.S. dollar which makes the cost of U.S. goods sold abroad more expensive and decreases corporate profits.

At the same time, though, there are positive economic signs that keep pushing the market higher.

We continue to see a notable pickup in new home sales and continued growth in the job market – although not as robust as predicted. The U.S. economy is also significantly contributing greatly to a healthier global economy, which continues to improve because of cheaper oil prices.

On the international front, the European Central Bank is stepping up bond purchases and providing additional liquidity to the national banks in Italy, Spain, and Portugal. These actions are propelling Europe's markets forward.

However, there's one negative that continues to raise concern: Greece's economy has slipped back into a recession and is once again dangerously close to defaulting on loans.

What's ahead for the remainder of 2015?

There will be more volatility on Wall Street. And there will be more predictions about when the Fed is likely to raise interest rates. Overall, we expect the economy to continue its uneven growth throughout the remainder of 2015.

We expect the stock market at year-end to be higher than where it began in January. Even Fed Chair Yellen recently said that while stock values are “quite high” – they don't pose excessive risk to the economy and our financial systems.

From all of us at Kapusta Financial Group, we want to thank you for the trust you continue to place in our team.