2015: Speed Bumps May Slow, but Won't Stop Economic Growth

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As we approach the end of the first quarter of 2015, it's hard not to focus on the day-to-day volatility on Wall Street.

The news media loves to focus on the roller coaster ride with the stock market. While there is volatility producing big stock price swings, it's important to note that already this year major market indexes have reached new all-time highs. That said, it's important to focus on the big picture – not just the day-to-day developments.

In this newsletter, we would like to share with you some information that we believe ultimately will result in another strong year for our economy and your investments – even with some bumps along the way.

First, let's look at the economy:

- In a sign of a healthier U.S. economy, many small businesses with fewer than 50 workers have plans to expand into new markets and add to payrolls.
- Falling energy prices are also adding extra discretionary income for consumers, with many consumers banking the extra funds.
- One challenge for the U.S. economy that surfaced earlier in 2015: the value of the U.S. dollar is increasing – making our goods and services costlier to the rest of the world. Also, the recent West Coast dock strikes are going to have a yet-to-be determined negative effect on the economy.
- Even with these challenges, we expect the profit picture to improve for U.S. companies in 2015.

As we know, this is truly a global economy, with developments abroad leaving a lasting impact on our economy in this country.

A couple of important developments to consider regarding the global economy:

- Faced with falling prices and the risk of another recession, the European Central Bank is implementing a massive economic stimulus program for the fragmented Euro Zone economy.

- Some countries facing tough challenges: Greece – a debt-strapped country that needed another emergency bailout to keep its economy from collapsing. China is wrestling with slower growth, increasing costs, and a poorly regulated banking system. And, Russia is falling into a deep recession because of declining oil and gas revenues.

Of course, so much of our economy here at home depends on the monetary policy of the Federal Reserve. And that is why it is very important to keep an eye on what the Fed is planning to do.

For the last five years, the Fed's policy of low interest rates has been and continues to be the single largest reason for record gains in the stock market.

The debate now underway inside the Fed is what to do next about short-term interest rates. The big question is this: If the Fed begins to increase those short-term interest rates, how will that impact the economy? Do higher rates derail a soaring stock market?

Early reports seem to indicate that the Fed plans to take no action whatsoever at least until mid-2015 and may push back any potential hikes beyond that. Clearly, that is something we are monitoring closely at Kapusta Financial Group and will keep you posted should there be any significant changes.

Even with the uncertainty, we continue to remain optimistic about 2015. And while the volatility is likely to continue throughout the year, our overall expectation is for continued growth for our economy coupled with a strong stock market that continues to appreciate.

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