

June 2014

KFG Financial Outlook: Sliding into Summer

This summer marks an important milestone. This month marks five years since the recession ended. And while the economy continues to improve, there are many who believe the economic bounce-back is occurring at a much slower rate than anticipated - with a [majority of Americans](#) still rating economic conditions as “poor.”

And to complicate matters a bit, [growth for the first half of this year was slightly below most projections](#) - thanks to the harsh winter weather that gripped the nation.

Even with those challenges, the economy is moving in the right direction.

Economic Growth: More jobs are being added, although not at the rate we would like. The [service sector is up](#) - with service firms growing at the fastest pace since August 2013. And consumers are feeling better about the economy. [Consumer confidence is up](#) - the second-highest level since 2008.

Financial Markets: Stocks are certainly fairly valued and may be somewhat above normal valuation levels. The popular indexes of the Dow Jones Industrial Average and S&P500 are at [all-time highs](#). The overall value of the broad stock market, however, remains quite a bit below the level reached in 2000. A market correction during the upcoming months would not be unusual or unexpected. With that said, we still expect market valuations to be above where they are today when 2014 draws to a close.

Federal Reserve: The Federal Reserve maintains its “easy money – low interest rate policy” as the government continues to pump money into the economy. The Fed, under the new leadership of Janet Yellen, has been true to its word so far during 2014. The Fed said it will not increase the short-term interest rates this year. And while this policy certainly remains controversial into its fifth year, it continues to have a very positive influence in the stock market and pushing equity prices even higher. Now, a new report from the Fed concludes the [U.S. economy is continuing to expand nationwide](#) - reflecting a strong rebound from the harsh winter.

Europe and World Events: With a truly global economy, it's always important to keep an eye focused on international developments - both in Europe and around the globe. While there is ongoing chaos and conflict in many parts of the world, unless there is some devastating event with global ramifications, our financial markets and economy should continue on their present path for the remainder of the year. In Europe, for instance, the [European Central Bank](#) reports that an economic recovery in the “euro zone” is showing signs of accelerating the rest of this year and into 2015.

Our view of the economy and markets has not changed dramatically since our report to you in February. We still believe economic growth will most likely be positive for the remainder of 2014. We remain cautiously optimistic for the next six months.

It is a privilege to serve you and assist in meeting your financial needs. If you have any questions or concerns, please don't hesitate to contact our office.

