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### Check the Weather

#### Global Markets and Regions

|                  | 1st QTR | 2014 YTD |
|------------------|---------|----------|
| US               | 1.8%    | 1.8%     |
| Developed Europe | 2.2%    | 2.2%     |
| Asia             | -3.0%   | -3.0%    |
| Emerging Markets | -0.4%   | -0.4%    |

#### US Markets

|                | 1st QTR | 2014 YTD |
|----------------|---------|----------|
| Dow 30         | -1.0%   | -1.0%    |
| Large Cap Cos. | 1.0%    | 1.0%     |
| Mid. Cap Cos.  | 1.5%    | 1.5%     |
| Small Cap Cos. | -0.7%   | -0.7%    |
| Bonds          | 1.7%    | 1.7%     |

This past winter season's weather has been the one of the worst on record. Snow covered a large portion of the United States from mid – December through the end of March. The Great Lakes were completely ice covered. Ice storms left large portions of the country without power for extended periods and have damaged roads and other infrastructure. Travel disruptions were widespread and persistent. Consumer's shopping, dining and entertainment plans were disrupted as well. Employees lost work hours due to the inability to get to work and employers lost revenue, all due to the persistent grip of winter weather.

Whether the weather will be responsible for derailing the economic recovery we've been experiencing or other factors are at work will be revealed over the next few months. Certainly companies have been quick to blame bad weather as they have lowered expectations for the first quarter. Analysts expect earnings will barely grow vs. a year earlier with forecasts of just 1.2% growth. Revenue growth is expected to be modest also. Maybe stock prices are beginning to reflect the anticipated diminished results. While 2013 was characterized by an almost relentless upward move in US markets, 2014 has so far not shown the same persistence. Will this mark the end of the bull market?

Geopolitical developments are also casting some shadows on the market with Vladimir Putin channeling Nicholas I and reclaiming the Crimea for Russia. At least there was no charge of the Light Brigade. The Chinese economy has been showing signs of distress and they have been concurrently elevating the rhetoric over long standing territorial disputes with Japan. These tensions have not ended well in the past. The French have decided they don't like Socialism, at least for the time being. The Middle East is as

unsettled as ever and even North Korea has been acting out again. They may just want a visit from someone other than Dennis Rodman, though it is hard to tell. Things are going well in Canada though. Our northern neighbors seem to have their act together these days. Maybe we should pay more attention. In any event, these various stress points hold potential to disrupt markets.

On the economic front, on the other hand, the data flow has been generally good; not great but good. Auto sales have been good, despite the bad weather. Consumer sentiment remains fairly buoyant. Manufacturing and services continue to improve. Housing prices are advancing, up 13% year over year, though they are still well off their peak bubble prices. Job growth is still picking up steam. Inflation remains subdued. All are seemingly positive developments.

And yet, the sense of unease is clear from investors and analysts in general. Even the Federal Reserve has been of two minds. They have begun to Taper, slowly reducing their open market purchases of Treasuries, which is an acknowledgement of economic improvement. On the other hand, Fed Chair Janet Yellen's recent comments have signaled a lack of conviction in the recovery:

There remains no doubt that the economy and the job market are not back to normal health. The recovery still feels like a recession to many Americans and it also looks that way in some economic statistics.

She may need some help from other quarters. The fiscal authorities are still gridlocked and unable to change make changes that would support better growth. Raising the minimum wage has a nice ring to it but will not do much for the economy. Tax and regulatory reform will require clarity in the political atmosphere. The fall elections might have that potential.

This has been a very below average recovery. The GDP growth needle has been unable to get above the 2-3% range. It appears we are stuck in a modest growth rut. The snow and ice are just about gone. Better weather is coming. Here's to hoping that Chance the Gardener had it right; "Yes! There will be growth in the spring!"

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