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1204 Baltimore Pike, Suite 305
Chadds Ford, PA 19317-7374
610 558 1159
jkelly@kcm-invest.com
www.kcm-invest.com

MARKETS, ECONOMY AND WORLD ISSUES:

The fellow pictured on this quarter's newsletter seems quite disturbed...one might even say he's having a *tantrum*. Because of all the hubbub about the end of tapering and inevitable future interest rate increases, our domestic markets have suffered needless negative impacts. Just look at July 31st and the second half of September. Both time periods reflected not only international events but excessive concerns about potential interest rate increases. One should not forget that economic growth, albeit slow, is better in America than anywhere else and is also sustainable. Jobs are being created (even when we factor out those who have given up looking for a job.) Even wage increases are beginning to show up. The data supports that there is no need for zero interest rates to persist after tapering ends. The only questions are when and by how much the first rate increase will occur. The increase will send the TV talking heads into hyper-drive but the truth will remain: the economy is growing and we must ward off future inflation by controlling the cost of money, i.e. interest rates. Easy, cheap money would create inflation. *And that's bad*.

World events also played a role this past quarter, with Ukraine seesawing between truce and war. Israel and Palestine doing the same. Argentina's default, Brazil's political unrest, China's slowing economy, Ebola in Africa spreading elsewhere, ISIL and what it means for world peace. We must also remember that there are US elections in November. Neither the Democrats nor Republicans will want to do anything that could affect their election chances, so limited, meaningful legislation will occur.

From a total return standpoint, our domestic equity strategies suffered this past quarter: all ended with a negative net total return, yet preserved their year-to-date positive net total returns. Our emerging markets strategy was a standout, it experienced a relatively strong quarter, ending in a net positive total return well ahead of its benchmark. For the first time in a long time, our real estate strategy turned in a negative net total return for the quarter but remains in positive, *double digit,* net total return territory for the year-to-date. It was fear over interest rate increases that negatively affected the real state securities we held.

So what are we to do? There is no evidence that doing what the fellow pictured above is doing (selling out and running for cash) is appropriate. Long term returns reflect the need to stay fully invested to reap the best net returns. We intend to do so.

Enjoy the Fall. Hopefully we will see a milder winter than we experienced last year.