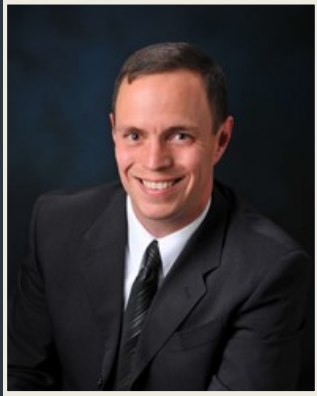


# Financial Wanderings

February 2015

A masterful examination of the previous month's financial events, written by Brad Blackburn, CFP®  
(and made even awesomer by Andrea Dickerson)



Brad Blackburn, CFP®

Financial Advisor  
Blackburn Financial  
121 Cottage Ave.  
Cashmere, WA 98815

509-782-2600

[brad@blackburnfinancial.net](mailto:brad@blackburnfinancial.net)

## 2014 Market Numbers:

**S&P 500:** +5.5% to 2,105

**NASDAQ:** +7.1% to 4,964

**DJIA:** +5.7% to 18,132

**10-Year Treasury Yield:**

+19.05% to 2.00

**Gold:** -5.17% to \$1,213/oz

Although the commentary in this newsletter has been thoroughly researched, well-reasoned and contains many impressive multi-syllabled words, please enjoy it responsibly. There are many economic minds that are far smarter than mine—and even they can't agree on even the simplest economic questions. In other words, please enjoy this newsletter with the full understanding that it may be entirely wrong.

## Russell Wilson, Rick Perry, and Unemployment

The unemployment rate has dropped from 10% all the way down to 5.7% with Obama as President. On the surface, that paints a pretty rosy picture for the Communist policies of our Supreme Leader. So, conservatives routinely attack the unemployment rate with a variety of creative tactics. The latest is Rick Perry, who believes the unemployment rate is a "sham" because it "leaves millions of American workers uncoun- ted." He's right that it leaves millions of workers uncoun- ted, but he's wrong that it's a sham.

Let's talk a little football:

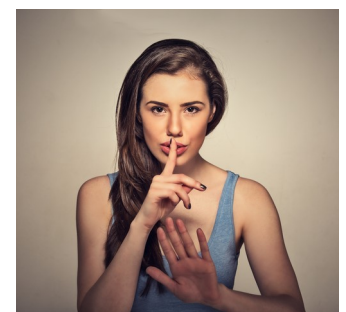
Seahawks Quarterback Russell Wilson passed for only 3,475 yards last year, which put him 15th out of 32 NFL teams. As Richard Sherman would say: That's "mediocre, at best." According to Rick Perry's logic, that means Wilson is an average quarterback, and everyone who says otherwise is lying, and com- plicit in a mas- sive scam meant to tear apart the very fabric of what makes America great.



But what if passing yards only tell part of the story? If you really want to judge how good he is, you might want to consider that he was the #1 rushing quarterback in the league, or that he didn't lose a fumble all year, or that he threw only seven interceptions, or that his team has been to the Super Bowl two out of the three years he's been in the league.

Russell Wilson is definitely better than an average quarterback. Does that mean the "passing yards" statistic is a sham? No, it means all statistics are flawed. To find the truth, you need to look at the big picture and interpret statistics in the correct way.

The unemployment rate doesn't count workers unless they are actively looking for work. That's why we have the U6, which does include those workers. By the way, the U6 rate has dropped from a high of 17.4% in 2009, to 11.3% this month. I'm starting to understand why he doesn't mention that.



(Cont'd on Page 2)

Unfortunately, there isn't one single statistic that tells the whole story about the job market. But an intellectually honest person can look at a handful of statistics and get a pretty good feel for where we are at any given time.

This leaves us with three options:

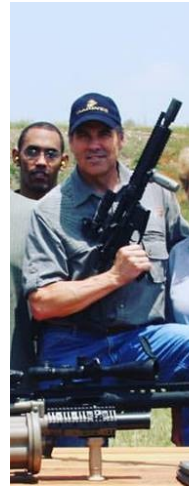
1. Rick Perry isn't smart enough to grasp what every economist, market-watcher, and random financial advisor in Cashmere easily comprehends.
2. He's purposely manipulating voters by playing dumb and misrepresenting the truth to suit his own political agenda.

3. Oops, I forgot the third one...



Yeah, I got you on that one, Rick. I admit it was a cheap shot. But how many conservatives would be misrepresenting the unemployment rate if Mitt Romney was president?

I want to be clear, I'm not advocating for Obama, I just want conservatives to stop scaring my clients.



Sorry Mr. Perry, I didn't mean it.

**Breaking news: Brad has officially nothing more to say. So please enjoy these pictures of adorable puppies.....**



**Arguing with Mark Cuban - Are We in a Tech Bubble That's Worse Than in 2000?**

I love Mark Cuban. He's loud, obnoxious, smart, rich, successful, and loves basketball. So he and I are 50% alike, which pretty much makes us brothers.



One of the things I admire about him is his ability to think outside the box in smart ways. However, his recent article, *"Why This Tech Bubble is Worse Than the Tech Bubble of 2000,"* is a little too far outside the box.

In case you don't remember, the tech bubble in 2000 was kind of a big deal. The S&P 500 lost 50%, the NASDAQ lost 80%, and the nation tumbled into a recession. If something worse than that is about to happen, I'd like to see it coming.

So what is he talking about? Oddly, his argument has nothing to do with the stock market. His point is there are thousands of "angel investors" (rich people investing in private businesses) investing in "apps and small tech companies." He argues that many of those investments are illiquid, hard to value, and probably doomed to fail. He's making an interesting point; and

he just might be correct – right up to where he says it's worse than 2000. Most angel investors are smart, savvy people whose investment portfolios are highly diversified. They can handle losing the huge chunks they've invested in these risky companies – or they wouldn't have invested in them! It's no secret that investments like these are risky.

Further, even if many angel investors did get wiped out, you're not looking at anything more than a light headwind to the broad economy and stock market. So comparing this to the tech bubble of 2000 is pretty ridiculous. But as I said before, he is loud and obnoxious, so maybe that explains it. I just wish he'd stop scaring my clients.

# Arguing With Warren Buffett—Don't mess with Lebron

It's a fact of life: When the big dog gets weak and old, a new big dog takes over. Although Warren Buffett is still richer, smarter, more experienced, and better in pretty much every way than me, a new dog is



about to take over. He dared to give bad advice to my man-crush Lebron James, so his time is up.

Here's what Buffett said to Lebron:

*"Owning a piece of America, a diversified piece, bought over time, held for 30 or 40 years, it's bound to do well. The income will go up over the years, and there's really nothing to worry about."*

"It's bound to do well?????" "There's really nothing to worry about?????" Yes, Mr. Buffett, the stock market has recovered after every downturn, usually in fairly quick fashion. But just because we haven't seen a long, painful 30+ year bad market doesn't mean we'll never have one. Planning your financial life based on "ummm... it hasn't happened yet" doesn't seem like a great idea to me.

Here's what I'd tell Lebron:

*"You make an incredible amount of money; it shouldn't be hard to sock away enough that you don't have to be exposed to the stock market at all. And go to the hoop more! No one can stop you. I'm tired of watching you brick 3-pointers."*

Does Lebron really need to risk his money on the stock market? It seems to me a conservative return of 3% would go a long way on a portfolio of hundreds of millions of dollars...



# Wal-Mart Raises Wages—Woohoo?

On February 19th, Wal-Mart announced it would increase pay to its lowest paid workers by 24%. This was an unmistakable sign of a growing economy and a strong consumer. It was a resounding triumph of American Capitalism and a sure sign that trickle-down economics truly works.

And then there was world peace.



Of course, the stock price of Wal-Mart promptly dropped more than 3% after the news. This is why people hate Wall Street.



# Happy Birthday to the Bull Market

The technical definition of a "bull market" is a market that has gained at least 20% without experiencing a drop of 20%. On March 9<sup>th</sup>, 2009, the stock market hit the lowest point of the financial crisis. From that point, the stock market started charging ahead, and six years later, it still hasn't stopped. Let's celebrate a very happy birthday to the bull market!



Since 1950, there have been 11 bull markets. According to BTN Research, the average length of those bull markets has been just less than five years. Does that mean this bull market is getting a little old? Is the end imminent? My crystal ball is murky on this one, but it sure wouldn't shock me.

# Probably a Mountain or a lake

I took a recent skiing trip to Colorado with my childhood ski buddies. I have to admit, there was a big part of me that wanted to be underwhelmed with Colorado. I pictured myself saying: *"It's kinda nice, but it's no Wenatchee Valley."* Well, Colorado is really nice. And they have lots of snow. Darn.



This is a picture I took of a friend of mine getting totally extreme at Vail. They have snow there.

On a day I felt too old to ski, I took a "fat-bike" ride in Breckenridge. They have snow there.



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