

FORECAST 2015

Tuesday, February 3 | 155 Bovet Rd., 1st Floor Conference Room

2015



MAHERAS WEALTH MANAGEMENT, INC.

**THE PAST, THE PRESENT, AND THE FUTURE
WALKED INTO A BAR.
IT WAS TENSE.**



WORDS WE LEARNED

What is a 'Listicle'?

- ① A breath-freshening popsicle
- ② An Internet article of which the content is numbered or bulleted
- ③ Someone who can hear words spoken quietly at a great distance

WORDS WE LEARNED

What is a 'Listicle'?

- A 'listicle' is an Internet article of which the content is numbered or bulleted. For instance:
 - 10 clues Sherlock Holmes missed
 - 5 signs your pet has an eating disorder
 - 3 worst names for children



WORDS WE LEARNED

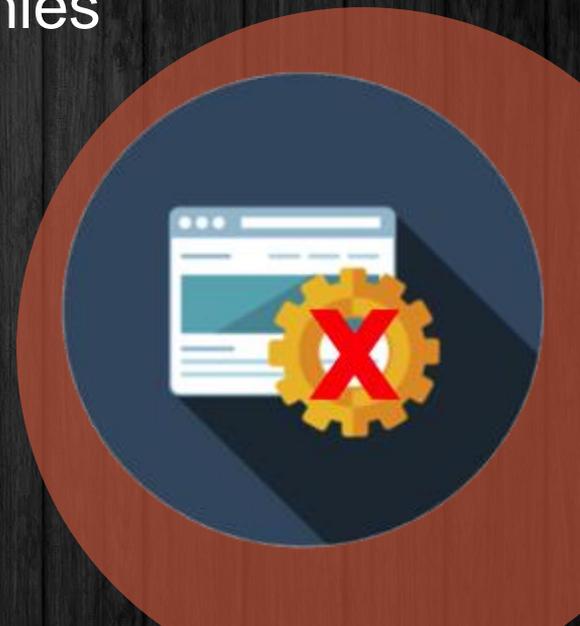
What is 'Ransomware'?

- ① Colorful plastic flatware designed by Ferdinand Ransom
- ② Software that encrypts computer hard drives and locks companies and individuals out of their files until a ransom is paid
- ③ Pottery made in Ransom Canyon, Texas

WORDS WE LEARNED

What is 'Ransomware'?

- 'Ransomware' is malicious software that encrypts computer hard drives and locks companies and individuals out of their files until a ransom is paid.

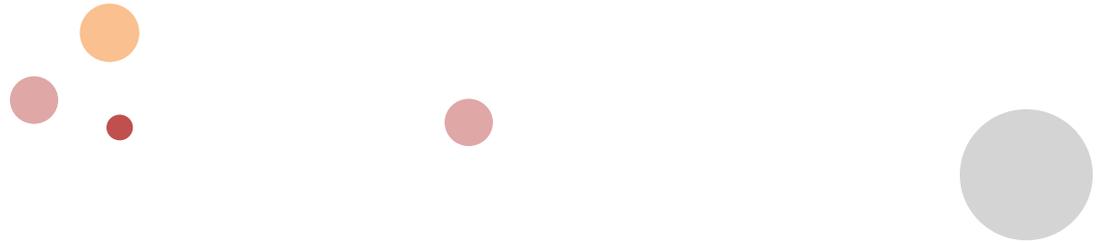


WORDS WE LEARNED

What is 'Tweep'?

- ① A social media stalker
- ② A person who sends and receives messages via Twitter
- ③ Texting slang used to describe feeling sad, similar to CMEO (Crying My Eyes Out)

WORDS WE LEARNED



What is 'Tweep'?

- 'Tweep' is a person who uses the Twitter online message service to send and receive tweets.

Tweet + Peeps = Tweeps





WHERE WE'VE BEEN

Standard & Poor's 500 Index: 11.39%

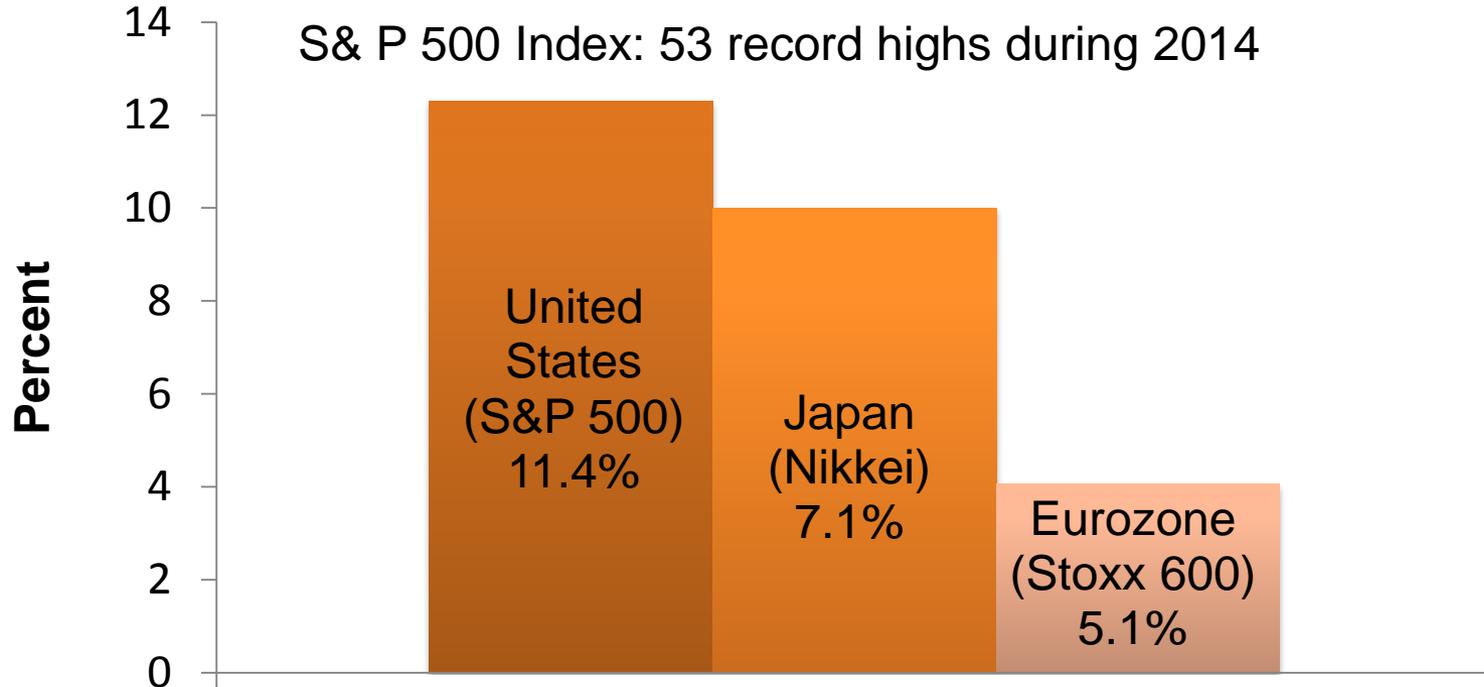
10-year U.S. Treasury Bond Yield: 2.17%

Gold: -1.26%

MSCI Emerging Markets Index: -4.63%

WHERE WE'VE BEEN: PERFORMANCE OF U.S. STOCKS RECORD HIGHS

Performance of stocks in developed nations in 2014





WHERE WE'VE BEEN:
AMERICA: THE CLEANEST DIRTY SHIRT

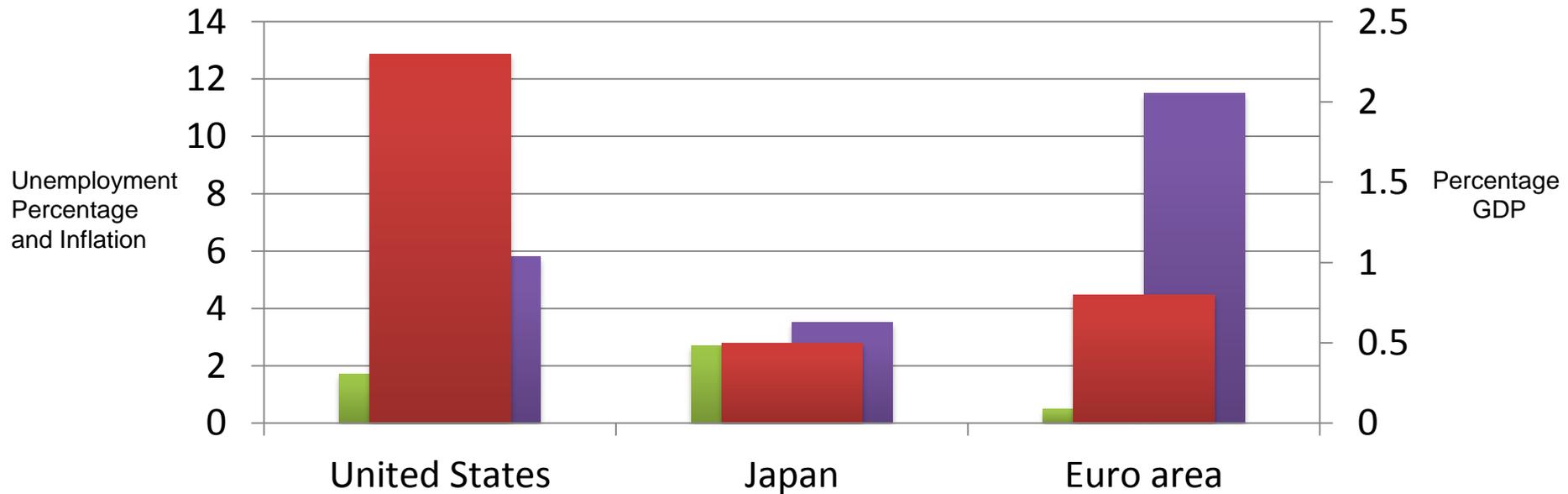
“While U.S. gains have been modest compared with previous expansions, domestic growth is outpacing other advanced economies. Japan’s economy slipped into a recession in the third quarter and the eurozone’s growth barely stayed positive.”

--The Wall Street Journal

WHERE WE'VE BEEN: RELATIVE ECONOMIC STRENGTH

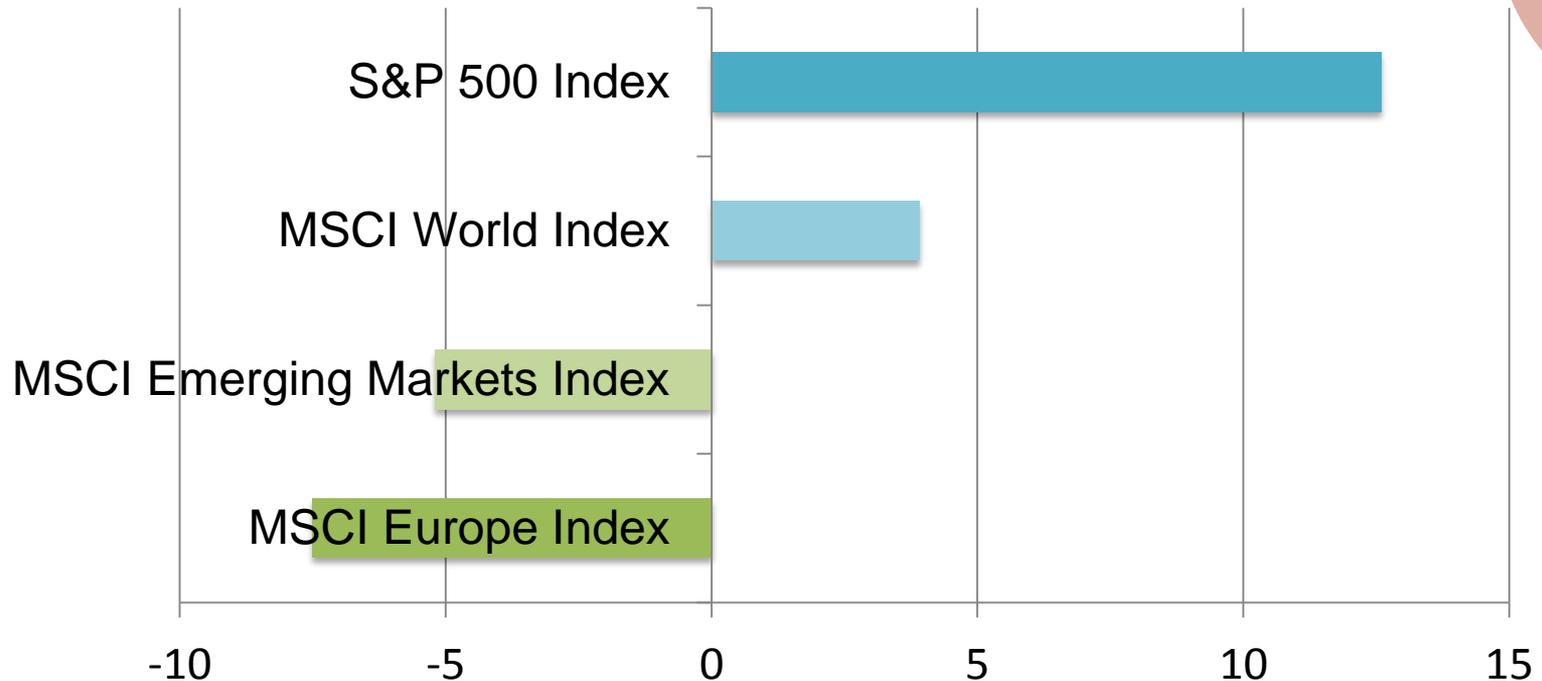
Economic indicators in developed nations (2014 estimated)

■ Inflation ■ Unemployment ■ GDP growth



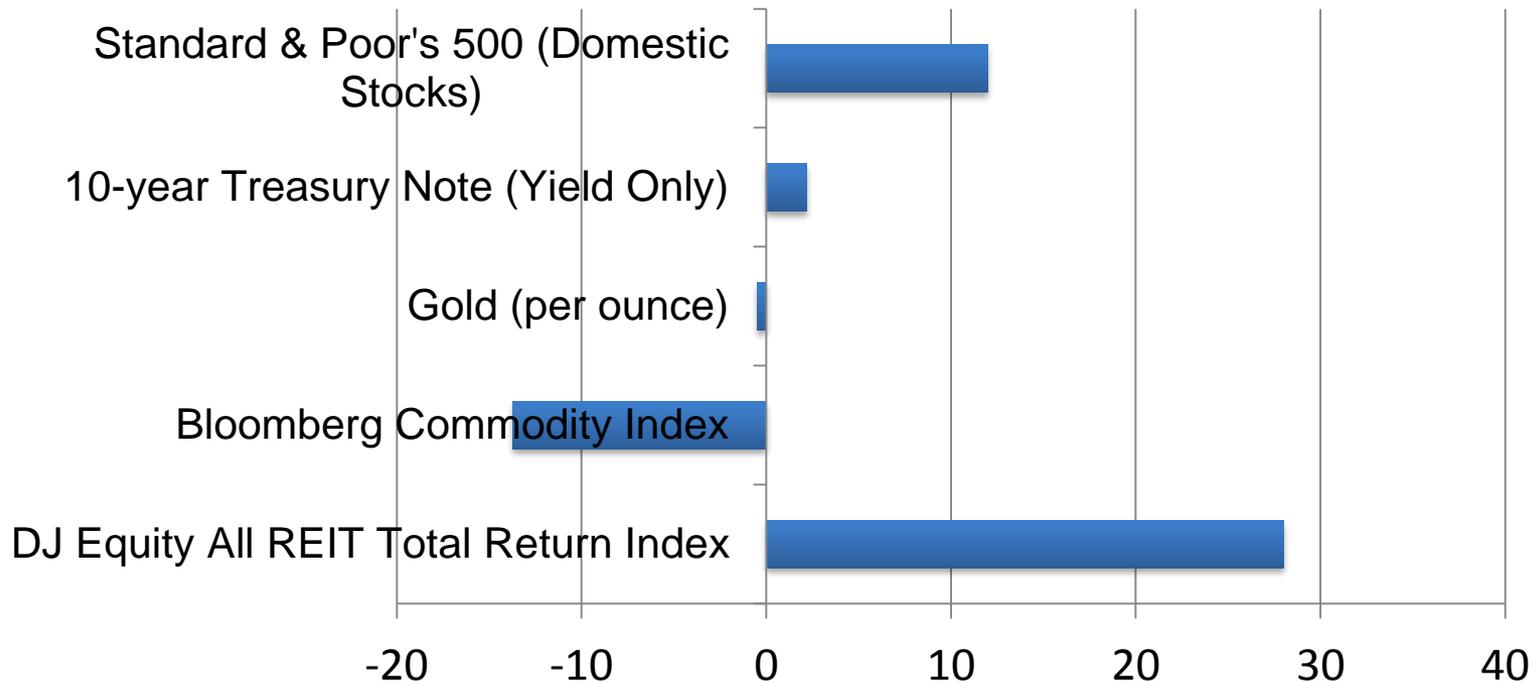
WHERE WE'VE BEEN: U.S. STOCKS DELIVERED STRONG RELATIVE MARKET PERFORMANCE

Stock market returns for 2014 (through 12/25)



WHERE WE'VE BEEN: U.S. DELIVERED STRONG PERFORMANCE AMONG ASSET CLASSES

2014 performance (as of 12/31/14)



Sources: London Bullion Market Assoc.; Bloomberg; Google Finance

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

WHERE WE'VE BEEN: THE FED AND MONETARY POLICY

CONVENTIONAL POLICIES

Interest rates:

Raise and lower the fed funds rate

Bank reserves:

Raise and lower bank reserve requirements



UNCONVENTIONAL POLICIES

Quantitative Easing:

Buying Treasuries and mortgage-backed securities to increase the money supply and keep interest rates low

Forward guidance:

Communicating future policies clearly to boost the economy

WHERE WE'VE BEEN: FED POLICIES AND STOCK MARKETS



Some believe very low rates boosted equity prices by:

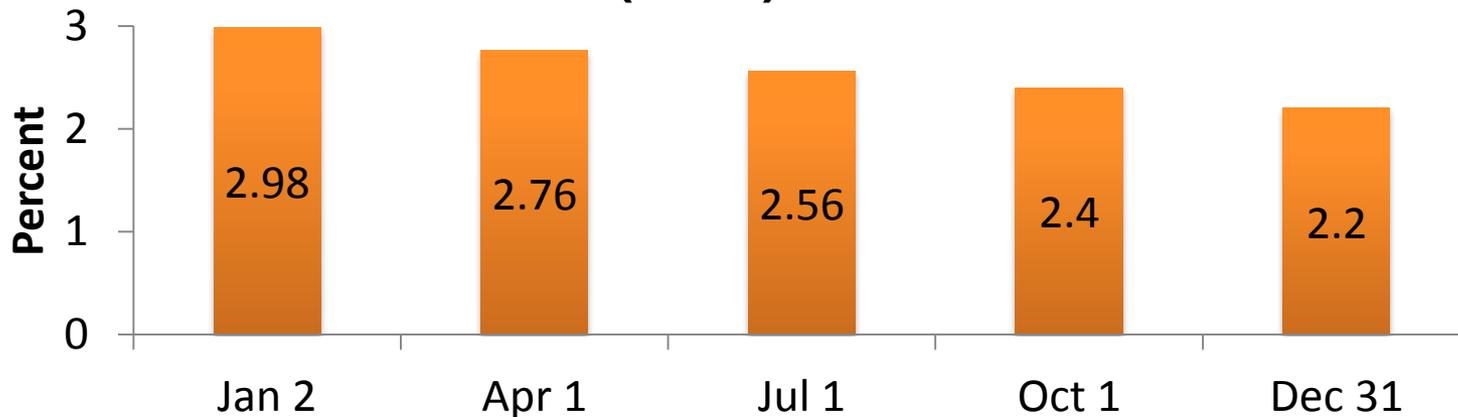
- Increasing the present value of future cash flows
- Causing investors to move to riskier assets
- Increasing corporate profits with lower debt-service payments and stronger economic growth

WHERE WE'VE BEEN: U.S. BONDS CONFOUND EXPECTATIONS

“The fall in U.S. bonds this year has gone against the consensus forecast from most every strategist on Wall Street. At the beginning of the year, the 10-year was yielding 3%, and Wall Street's consensus estimate for 2014 was a rise to 3.4%.”

--Business Insider, October 14, 2014

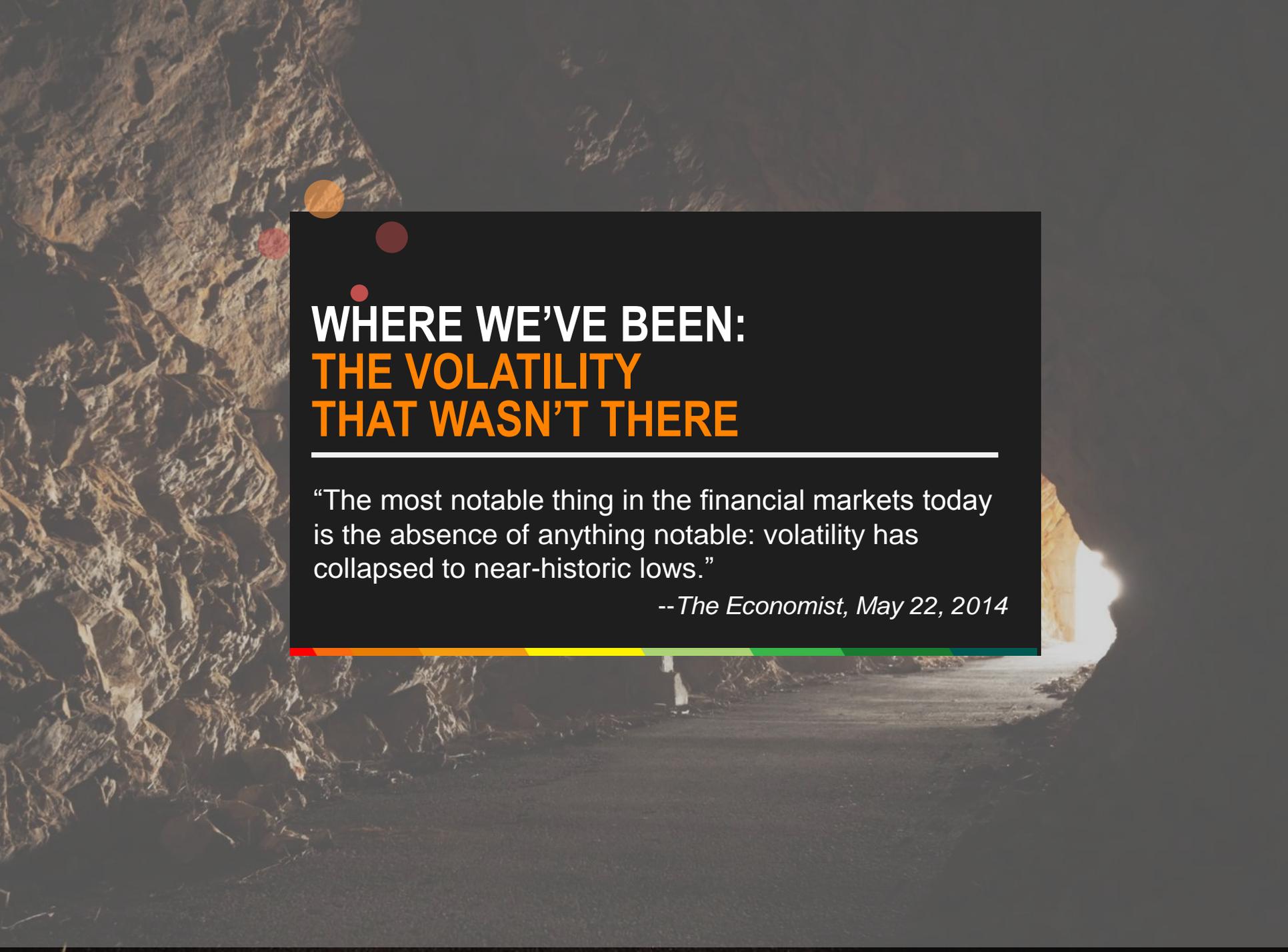
10-year Treasury bond yield (2014)



WHERE WE'VE BEEN: WAR AND PESTILENCE

- Russia annexed Ukraine's Crimean Peninsula; sanctions had negative economic consequences for Russia and Europe. The conflict has yet to be resolved.
- ISIS seized parts of Syria and Iraq and accomplished a near impossible feat – uniting Western and Middle Eastern nations. The coalition battling ISIS included: Australia, United States, United Kingdom, France, Germany, Netherlands, Canada, Turkey, Jordan, Saudi Arabia, Egypt, Qatar, Iran, Iraqi, and Kurdistan.
- The Ebola virus moved beyond the borders of Africa.



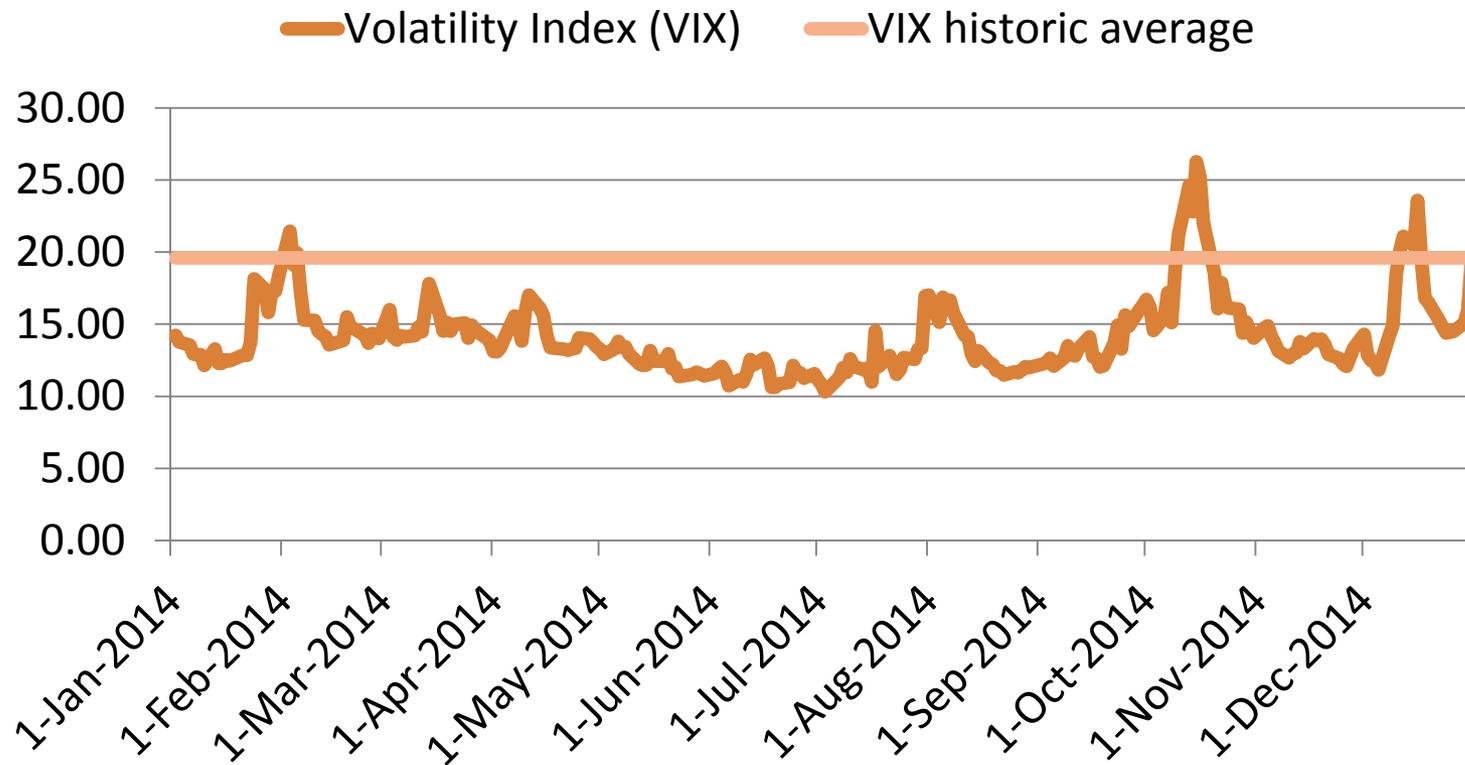


WHERE WE'VE BEEN:
**THE VOLATILITY
THAT WASN'T THERE**

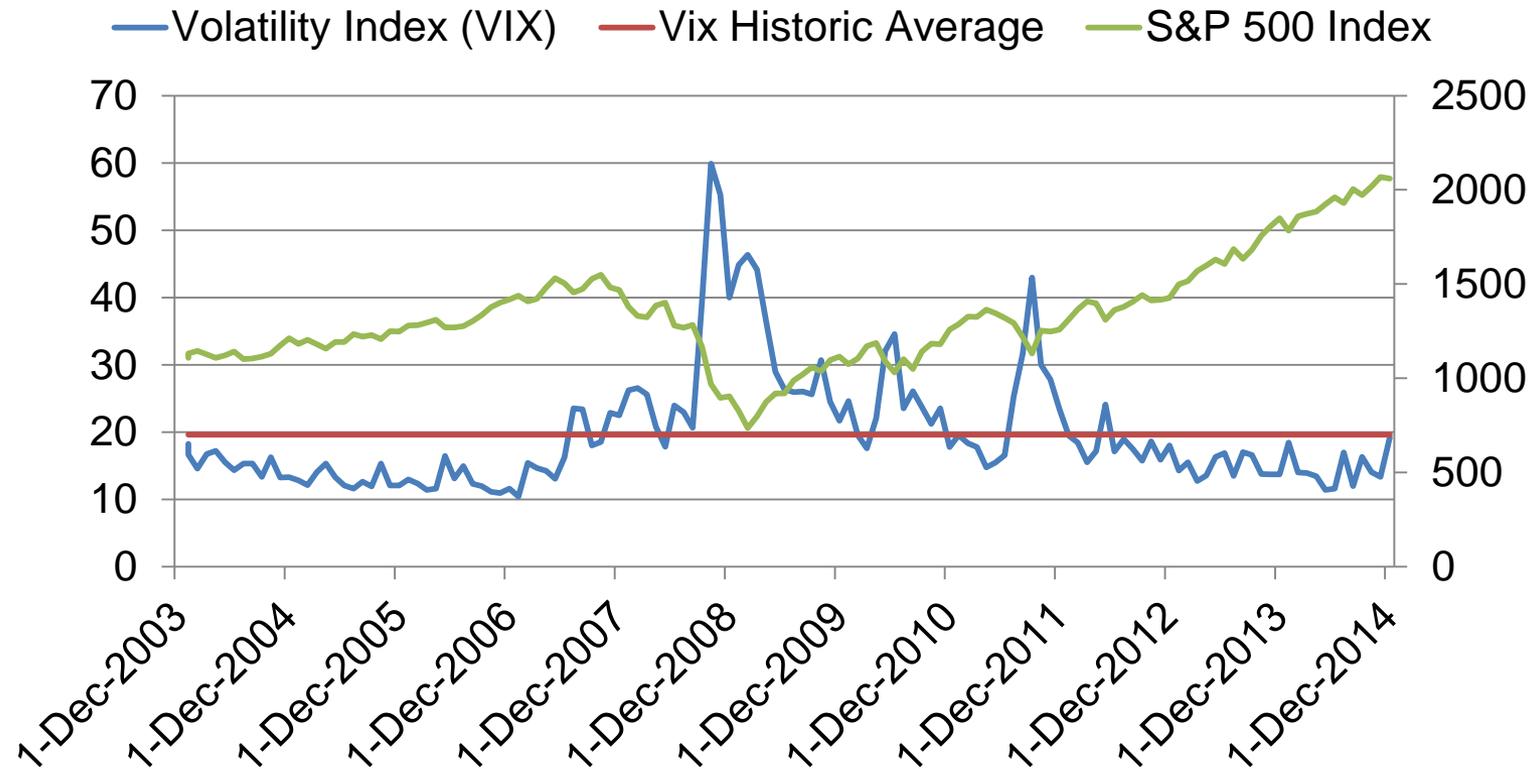
“The most notable thing in the financial markets today is the absence of anything notable: volatility has collapsed to near-historic lows.”

--The Economist, May 22, 2014

WHERE WE'VE BEEN: INVESTORS REMAINED COMPLACENT



WHERE WE'VE BEEN: INVESTORS REMAINED COMPLACENT

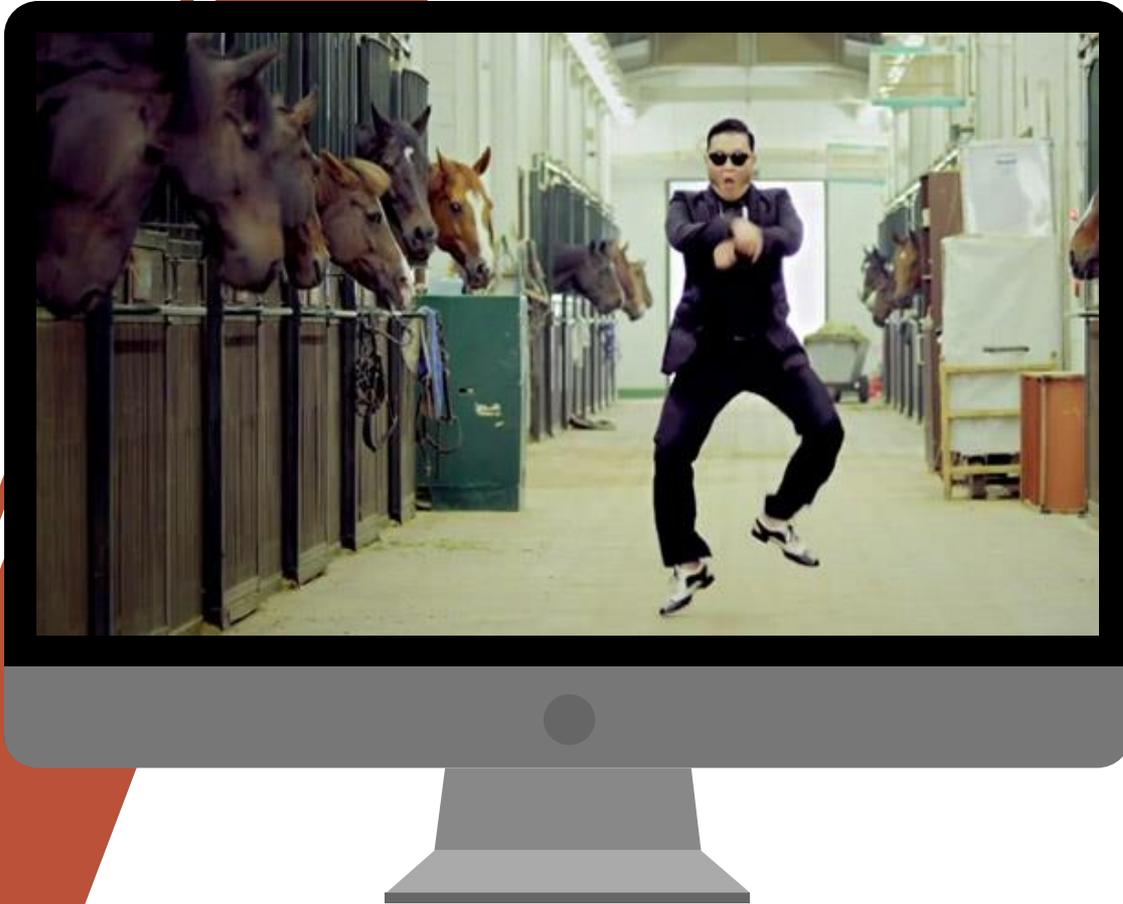


WHERE WE ARE

State of the American Economy
Monetary Policy Tightening – and Easing
Deflation Alert in the Euro Area
Slower Growth in China
Low, Low Oil Prices
Fiscal Policy



WHERE WE ARE: WATCHING GANGNAM STYLE – A LOT

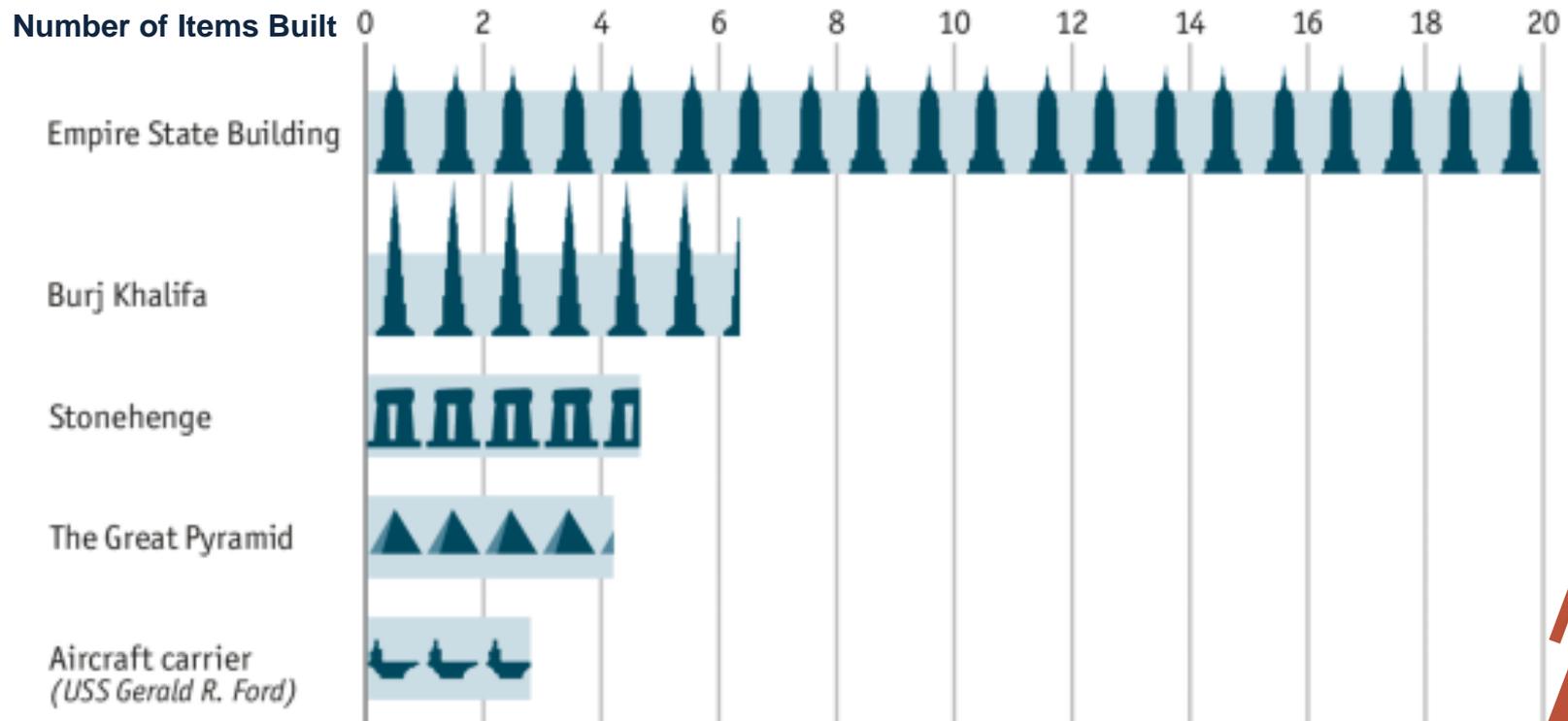


● The video has been viewed more than 2 billion times.

● Collectively, we've spent about 140 million hours (that's 16,000 years) watching it.

WHERE WE ARE: DON'T WE HAVE BETTER THINGS TO DO?

What else could we have done with that time?
We could have built:



WHERE WE ARE: STATE OF THE ECONOMY: RECOVERING

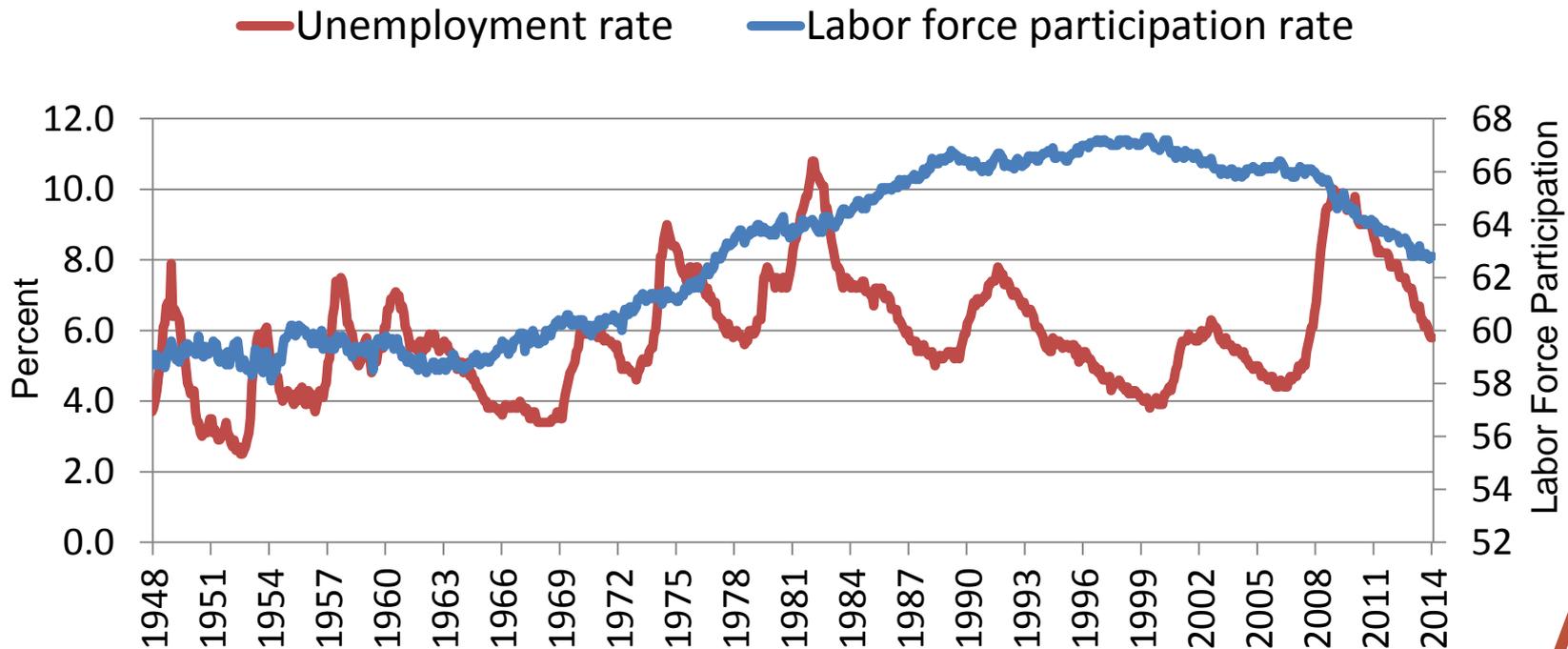


The typical family has yet to recover from the recession and its aftermath. Wealthy and educated Americans have done better.

Unemployment is near normal levels. In November 2014, the unemployment rate was 5.8%.

The labor force participation rate is at its lowest level since the 1970s.

WHERE WE ARE: IMPROVING UNEMPLOYMENT, LOWER WORKFORCE PARTICIPATION



WHERE WE ARE: STATE OF THE ECONOMY: RECOVERING

CUMULATIVE GROWTH IN REAL WAGES



Wage growth was very low in the United States from 2009 through 2013.

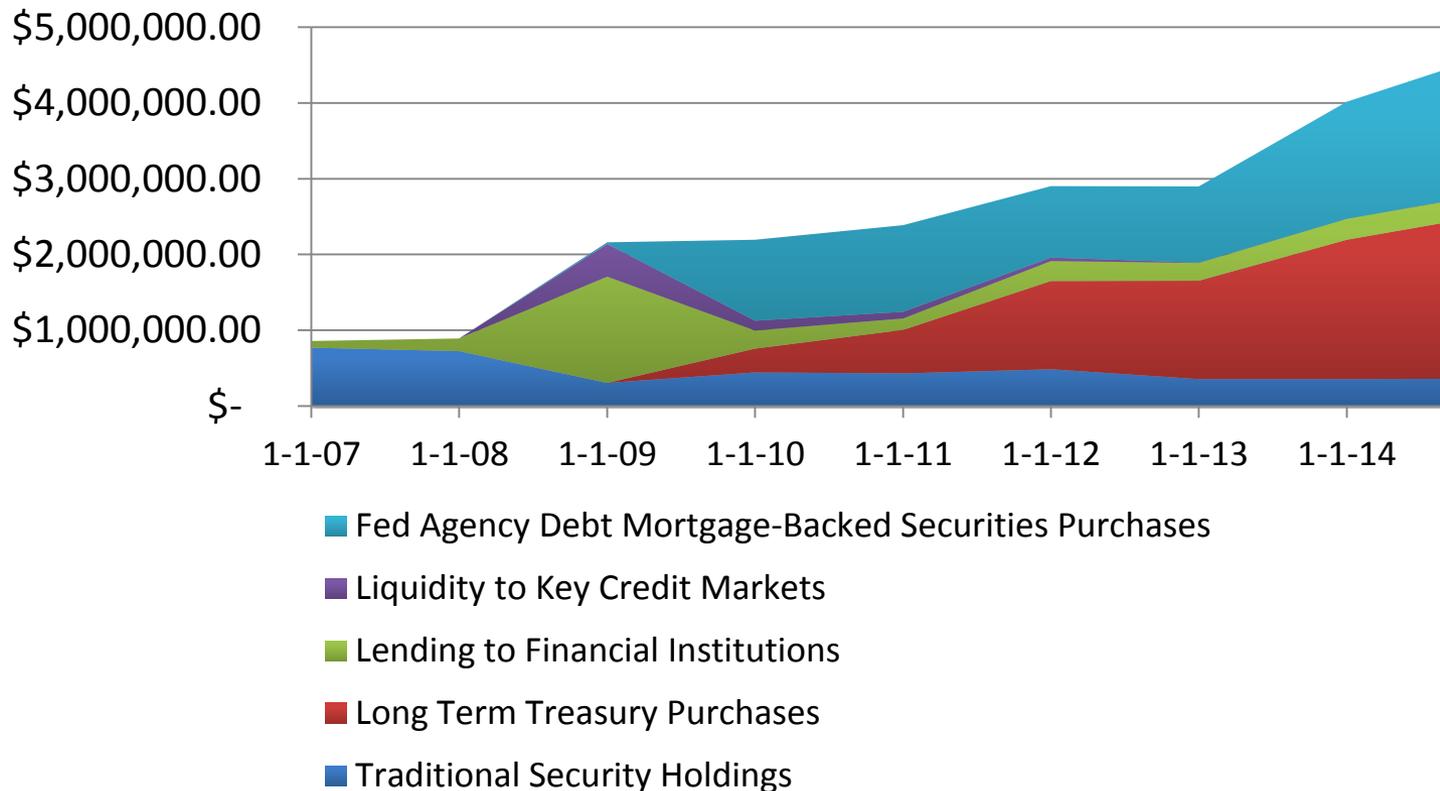
From November 2013 to November 2014, real average hourly earnings increased by 0.8%.

WHERE WE ARE: STATE OF THE ECONOMY: RECOVERING

- Home prices are recovering, but home ownership rates have fallen.
- After swelling due to recession and stimulus, the budget deficit is back to a normal level.
- The national debt stabilized as deficits shrank. The Federal Reserve holds a big chunk of U.S. debt.



WHERE WE ARE: THE FED: SUPERSIZED





WHERE WE ARE: THE FED'S INTENTIONS

“Turning now to our plans regarding the Fed’s balance sheet, the Committee intends to reduce securities holdings in a gradual and predictable manner, primarily by ceasing to reinvest repayments of principal on securities held in the System Open Market Account. Regarding the timing for ceasing reinvestments, the Committee now expects this to occur after the initial increase in the target range for the federal funds rate.”

--Janet Yellen, Federal Reserve Chairwoman, September 17, 2014

WHERE WE ARE: TIPPING POINT FOR MONETARY POLICY

LEAVING EASY MONEY BEHIND

United States:

- QE ended in October 2014
- Lower rates expected

United Kingdom:

- Bank of England considering tightening



EMBRACING EASY MONEY

Japan:

- Bank of Japan expanded QE

Europe:

- European Central Bank is promising QE

China:

- People's Bank of China lowered rates for first time in two years

WHERE WE ARE: SLOWER GROWTH IN CHINA



- China grew by 7.3% year-on-year during the third quarter of 2014.
- The International Monetary Fund projects that China's growth will slow over the next five years, reaching 6.3% by the end of the decade.

WHERE WE ARE: LOW, LOW OIL PRICES

● Supply is up:

Since early 2013, one to two million barrels per day more oil has been produced – mostly by the United States

● Demand is down:

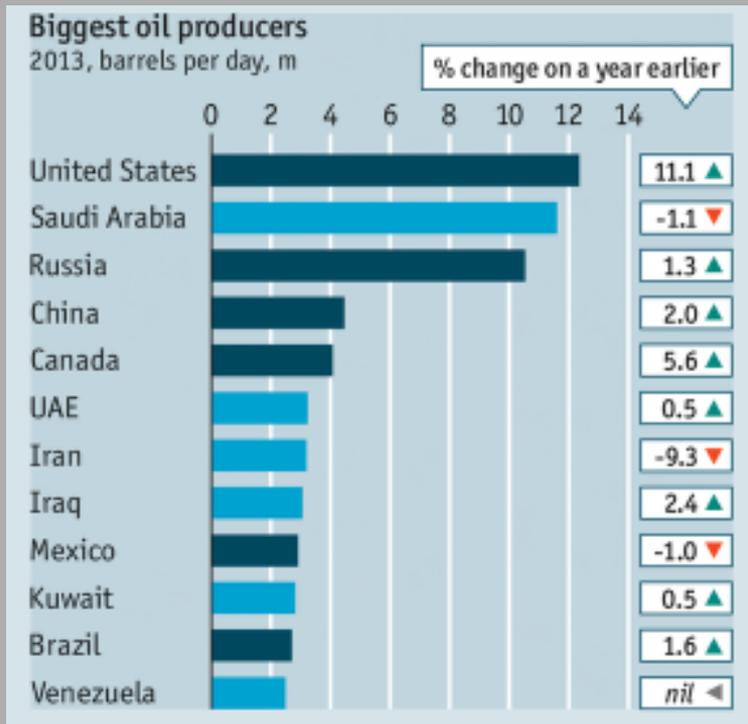
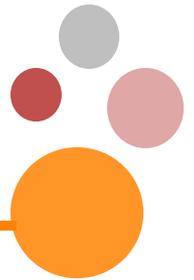
Slower global economic growth has reduced demand

● Prices are lower:

Saudi Arabia reduced oil prices to preserve market share



WHERE WE ARE: AMERICA'S BOOM



Since 2013, the United States has experienced an energy boom.

In 2013, we produced 11.1% more barrels of oil per day than in 2012.

Shale-gas production has the United States on the verge of self-sufficiency in natural gas.

WHERE WE ARE: WINNERS AND LOSERS



Hurts:

Countries that rely on oil exports for economic growth and prosperity.

Helps:

Countries that import lots of oil.

WHERE WE ARE: WINNERS AND LOSERS

- The **United States** is the biggest producer, consumer, and importer of oil, so the effect is mixed. Falling oil prices could affect Fed policies if inflation remains below target.
- **China** is the second-largest importer of oil. It saves \$2.1 billion a year for every \$1 decline in the oil prices.
- **Europe's** energy bill will be smaller, but the region's deflation concerns will be greater.
- **India** wins big. About one-third of its imports are oil. Cheaper energy moderates inflation and reduces the country's budget deficit.



WHERE WE ARE: WINNERS AND LOSERS

Saudi Arabia's budget, which has lost about \$100 billion in exports, is almost certainly in the red, but it has enough reserves to easily survive a period of lower prices, particularly if it pushes some producers out of the market.

Analysts estimate that **Venezuela** needs oil to be at \$120 a barrel to finance its spending plans. It is at risk of defaulting on its debt. The country may also have to discontinue offering cheap financing to Caribbean countries which buy its oil which could affect economies in **Guyana, Haiti, Jamaica, and Nicaragua**.



LOSERS

WHERE WE ARE: WINNERS AND LOSERS

Iran needs oil at \$136 a barrel to finance its spending plans. Last year, it spent 25% of GDP on consumer subsidies. Sanctions limit its borrowing power. There is potential for lower oil prices to lead to civil unrest.

Russia's oil-backed, consumption-driven economy is teetering toward recession after 15 years of growth. The country may be facing a period of stagflation. It's difficult to know how President Vladimir Putin will respond.



LOSERS

WHERE WE MAY BE GOING

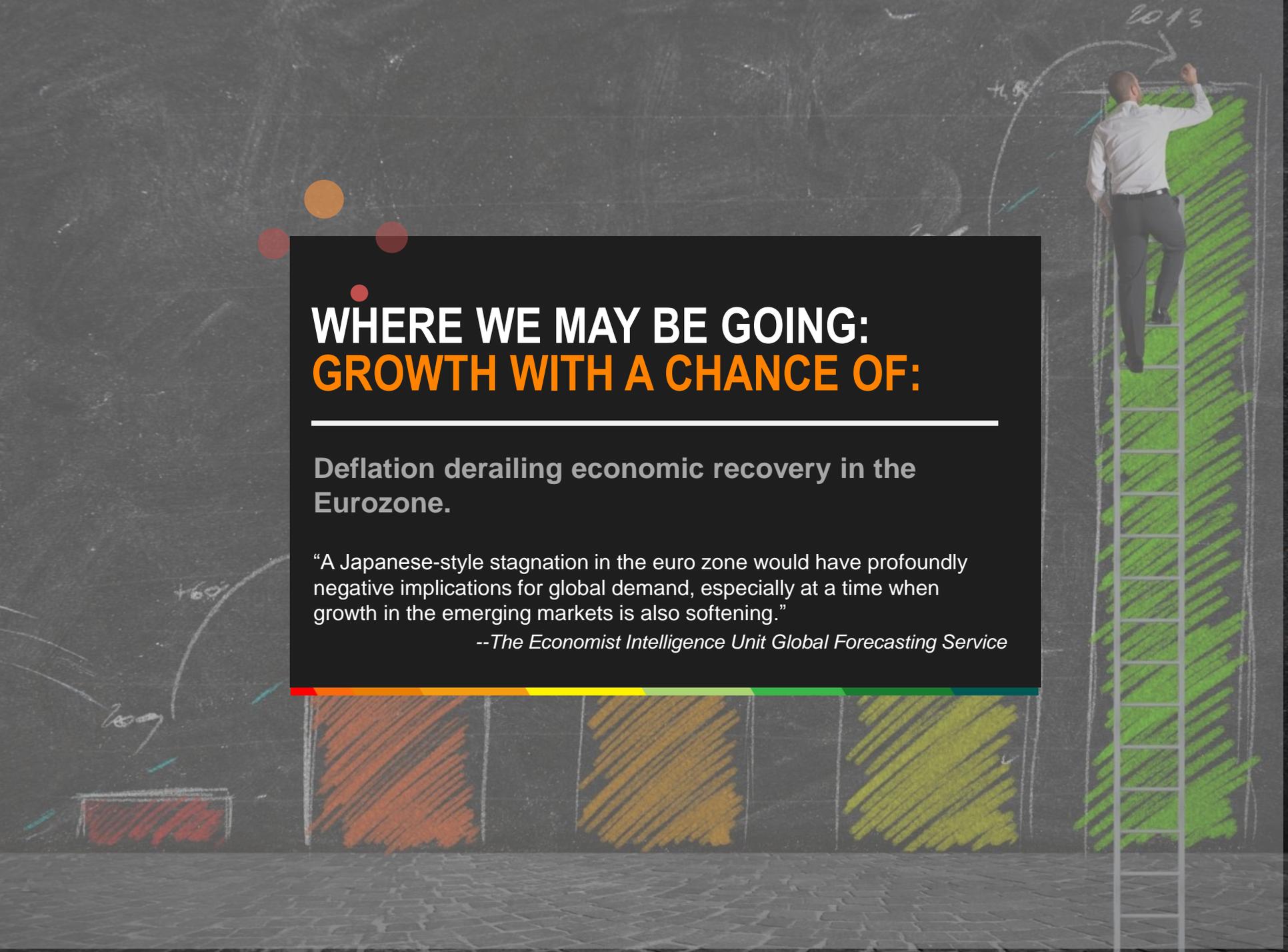
GDP Growth Estimates
What Could Affect Growth
Market Performance Forecasts
Business Outlook Barometer
There are Always Opportunities





WHERE WE MAY BE GOING: GLOBAL GDP GROWTH ESTIMATES FOR 2015

Country	Estimated GDP Growth, 2015
United States	2.6%
United Kingdom	2.4
Euro region	2.0
Japan	1.1
China	6.5
Brazil	1.5
India	5.5
Russia	0.8
Developing Asia	4.3
Latin America	1.8
Africa	4.4



WHERE WE MAY BE GOING: GROWTH WITH A CHANCE OF:

Deflation derailing economic recovery in the Eurozone.

“A Japanese-style stagnation in the euro zone would have profoundly negative implications for global demand, especially at a time when growth in the emerging markets is also softening.”

--The Economist Intelligence Unit Global Forecasting Service



**WHERE WE MAY BE GOING:
GROWTH WITH A CHANCE OF:**

A sustained decline in oil prices providing a global economic boost.

Lower than expected oil prices "...will not only assist in pushing down inflation in many emerging markets... but also enable them to tackle their long wasteful fuel subsidy systems. Elsewhere, the OECD economies will also benefit from lower oil prices... owing to the resulting substantial boost to consumer spending power."

--The Economist Intelligence Unit Global Forecasting Service

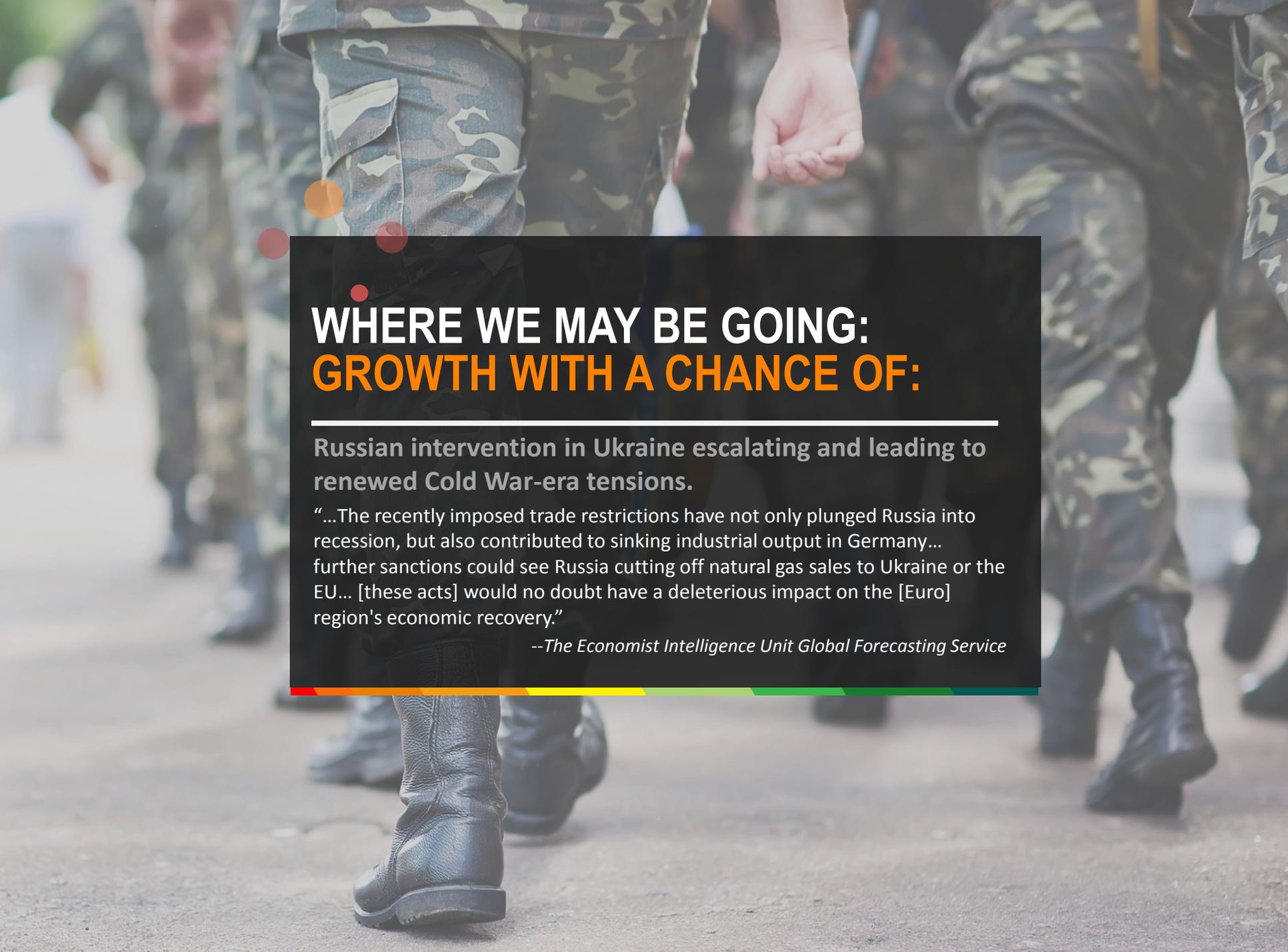


WHERE WE MAY BE GOING:
GROWTH WITH A CHANCE OF:

The spillover from Syria's civil war affecting its neighbors.

“...The prospect of [ISIS] diverting its energies from Iraq and into Syria and its neighbors (such as Lebanon and Jordan) could prompt an uptick in oil's political risk premium once more.”

--The Economist Intelligence Unit Global Forecasting Service



WHERE WE MAY BE GOING: GROWTH WITH A CHANCE OF:

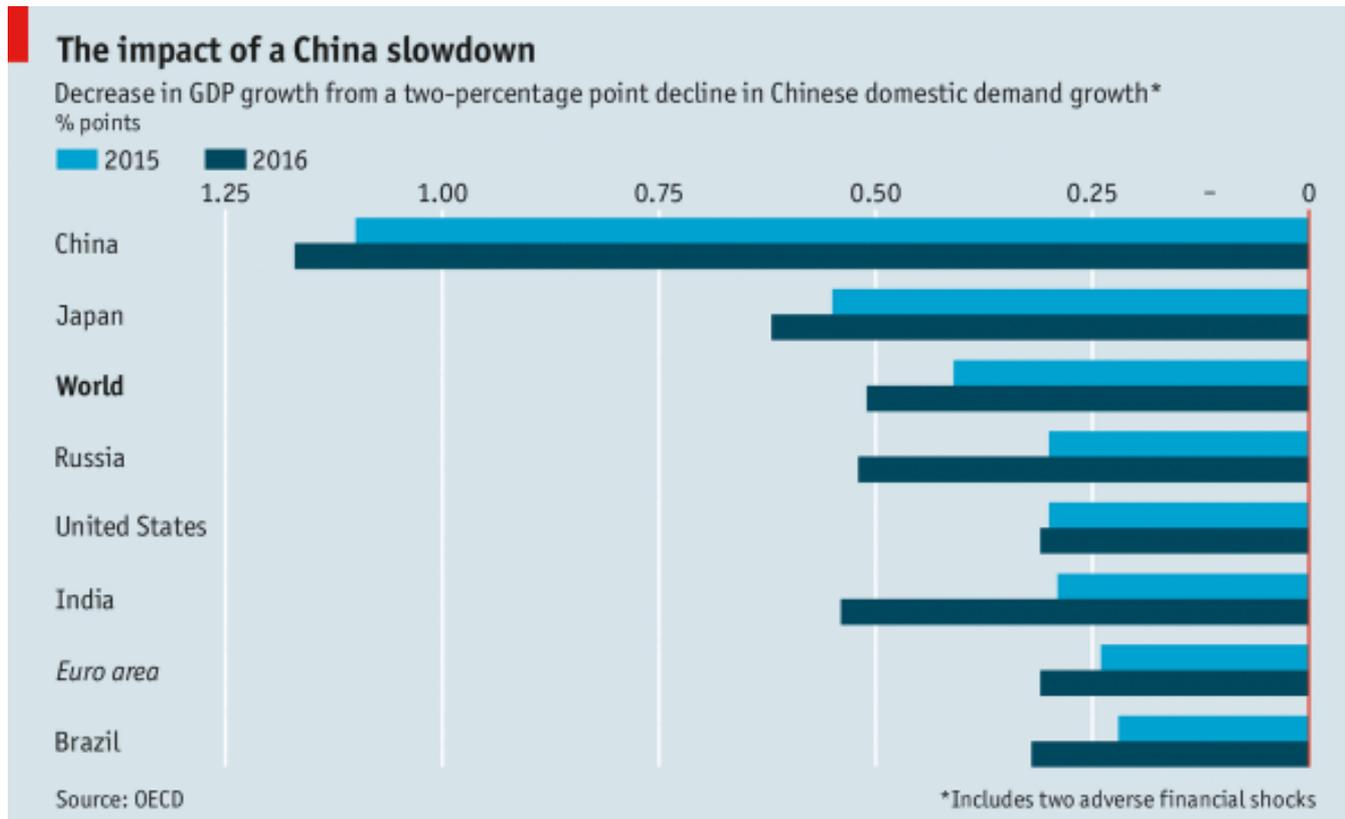
Russian intervention in Ukraine escalating and leading to renewed Cold War-era tensions.

“...The recently imposed trade restrictions have not only plunged Russia into recession, but also contributed to sinking industrial output in Germany... further sanctions could see Russia cutting off natural gas sales to Ukraine or the EU... [these acts] would no doubt have a deleterious impact on the [Euro] region's economic recovery.”

--The Economist Intelligence Unit Global Forecasting Service

WHERE WE MAY BE GOING

WHAT COULD AFFECT GDP GROWTH?





**WHERE WE MAY BE GOING:
GROWTH WITH A CHANCE OF:**

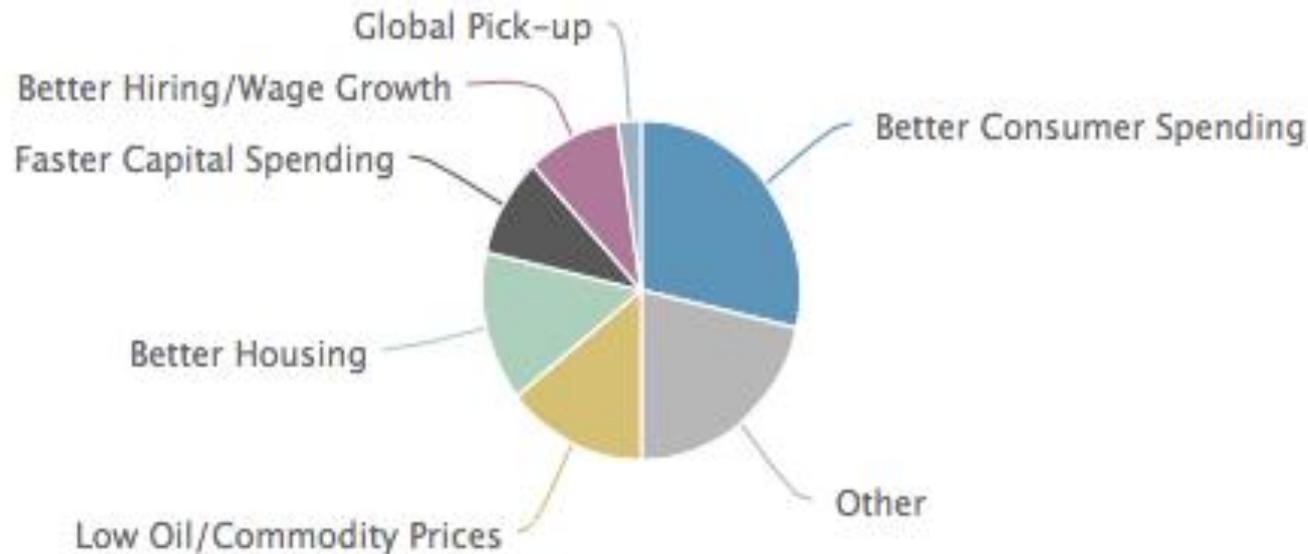
A Fed rate hike and bickering politicians.

“The markets have periodically been rattled by speculation surrounding the end to the QE program of the Federal Reserve, and associated future rate rises, and by political deadlock in Washington over fiscal matters.”

--The Economist Intelligence Unit Global Forecasting Service

WHERE WE MAY BE GOING: WHAT ELSE COULD AFFECT U.S. GDP GROWTH?

The Wall Street Journal's Economic Forecasting Survey reported higher wages, improved consumer spending, and low oil prices could support U.S. economic growth.



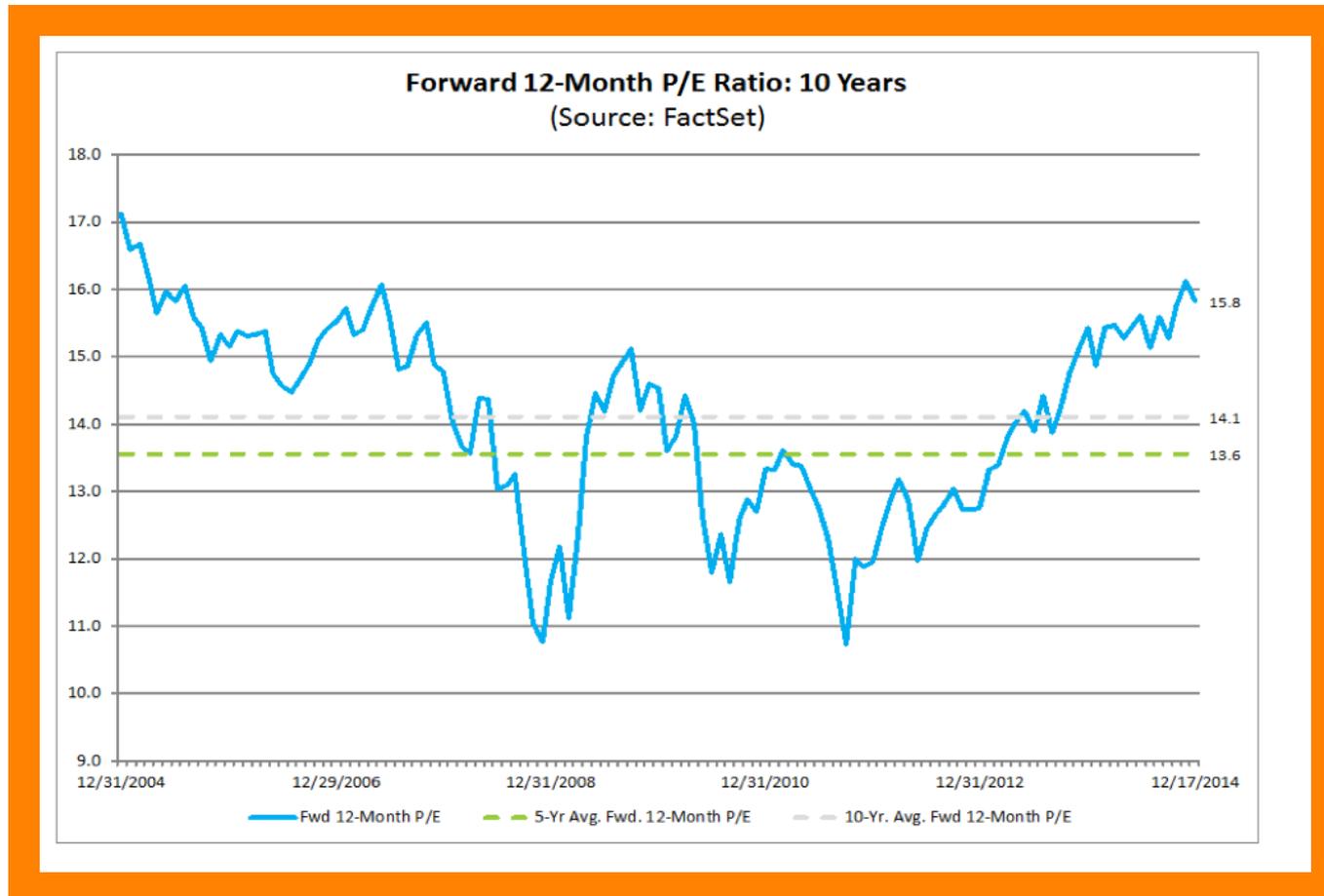
The background of the slide is a blurred image of a financial market display, showing various stock price movements in green and red. A dark grey rectangular overlay is positioned in the center, containing the main text. The text is arranged in a hierarchy: a main title in white, a subtitle in orange, and a quote in white. A thin white horizontal line is placed below the subtitle. The quote is followed by a citation in a smaller white font. The overall aesthetic is professional and data-oriented.

WHERE WE MAY BE GOING: THE CONSENSUS: U.S. BULL MARKET CONTINUES

“...Today’s bull market is the fourth longest in history – and it isn’t about to end... That’s the word from Wall Street’s top strategists, who expect the Standard & Poor’s 500 stock index to rise 10% in 2015... Although some strategists are more bullish than others, and some are less bullish than they once were, there is no dissent on the market’s future direction. That owes, in part, to a dearth of attractive alternatives.”

--Barron’s Outlook 2015

WHERE WE MAY BE GOING: U.S. STOCKS VALUES



Sources: FactSet; Barron's
P/E Ratio = Price-to-Earnings Ratio

WHERE WE MAY BE GOING: GLOBAL EXECUTIVES ARE LESS OPTIMISTIC



Global Business Barometer

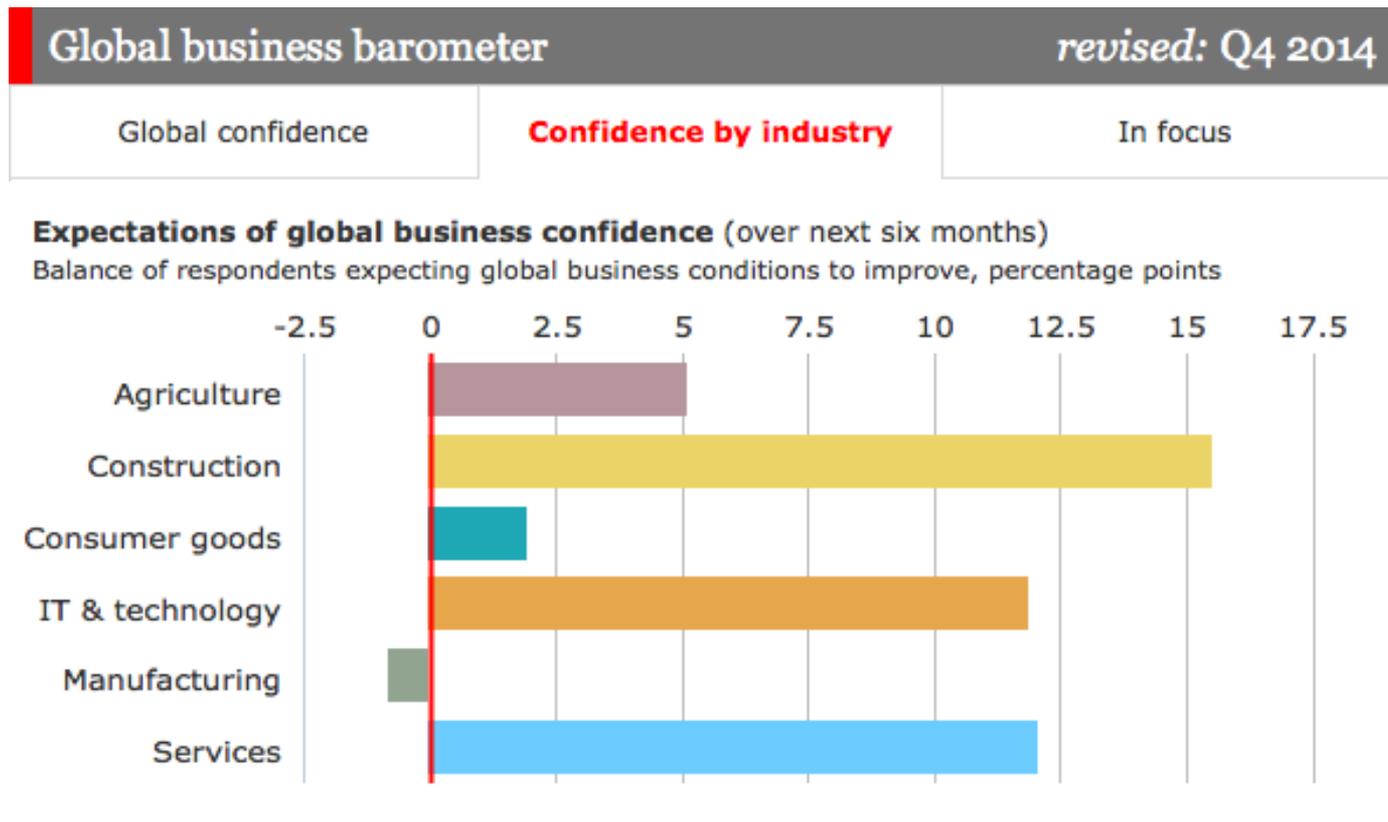
Balance of senior executives who believe business conditions will improve rather than worsen in the following six months.



	Better	No change	Worse	Balance
1Q14	50.7%	40.1%	9.2%	+ 41.5%
2Q14	44.2	43.6	12.2	+ 32.0
3Q14	36.1	45.7	18.2	+ 17.9
4Q14	33.4	45.9	20.7	+ 12.7



WHERE WE MAY BE GOING: OPTIMISM VARIES BY INDUSTRY



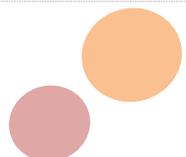
WHERE WE MAY BE GOING: AND BY REGION OF THE WORLD

Will global business conditions improve during the next six months?

4Q2014	Better	No change	Worse	Balance
Middle East and Africa	47.1%	36.4%	16.4%	+ 30.7%
Latin America	39.3	48.6	12.1	+ 27.2
North America	38.2	45.6	16.1	+ 22.1
Eastern Europe	39.3	41.7	19	+ 20.3
Western Europe	37.4	41.7	20.9	+ 16.5
Asia Pacific	36.6	43	20.4	+ 16.2



WHERE WE MAY BE GOING: WHAT WILL YOU BE DOING?





MAHERAS WEALTH MANAGEMENT, INC.

WE'RE READY FOR 2015

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THANKS FOR JOINING US

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

Risk Considerations: The economic forecasts set forth in this presentation may not develop as predicted and there can be no guarantee the strategies promoted will be successful. Stock investing involves risk including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

Important Information

The Dow Jones Industrial Average is comprised of 30 stocks which are major factors in their industries and widely held by individuals and institutional investors.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P/Case-Shiller U.S. National Home Price Index measures the change in value of the U.S. residential housing market. This index tracks the growth in value of real estate by following the purchase price and resale value of homes that have undergone a minimum of two arms-length transactions. This index is named for its creators, Karl Case and Robert Shiller.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

Personal Consumption Expenditures (PCE) is a measure of price changes in consumer goods and services, targeted towards goods and services consumed by individuals. PCE is released monthly by the Bureau of Economic Analysis (BEA).

Quantitative Easing (QE) is a government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. QE increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity.

The Price-to-Earnings (P/E) ratio is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. It is a financial ratio used for valuation: a higher P/E ratio means investors are paying more for each unit of net income, thus, the stock is more expensive compared to one with a lower P/E ratio.