

# MRP CAPITAL INVESTMENTS, LLC

## 4th Quarter 2013 Client Newsletter

### Capital Market Update

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**2013 is without question the most satisfying year of my professional career.** Anyone who's been reading my market research reports knows that I've been on point with my analysis for a long, long time. But, nevertheless, I KNEW 2013 was going to be a big, big year in the markets and it was. And, working within the parameters of each and every client's customized Investment Policy Statement, through quality investment selection and appropriate over and under weighting of asset classes, I got the most out of my accurate market calls for my clients. I am beaming! I hope that when you turn to the performance page of this report and see the numbers we put up this year (heck, the numbers that have been put up since the inception of our relationship), that you will be beaming too!

Having said that, the market never sleeps and our next challenge is beginning to unfold right now. The 29.6% gain the S&P 500 posted in 2013 was great...but it is over. We are moving on into 2014.

And going into 2014 the economy seems to have some momentum behind it. The fact that the Fed is comfortable enough to begin tapering its bond buying program adds credence to that claim. Furthermore, a healthy US economy has proven to be a catalyst for the global economy. And these are very good things to have moving in the right direction.

But at the same time, we need to keep our eyes wide open to the risks the marketplace is facing. Reduced Fed bond buying should mean higher rates. Higher rates should slow the economy a bit. And if you go past the big headlines, China is having some issues with its economy.

As I stated earlier, the market never sleeps. And this is one of the aspects I love about the challenge of managing money professionally. I need to be razor sharp...all the time!

So...once more unto the breach, dear friends; 2014 is here!!!!

# Stock Market Update

Based on my work, I believe four main things drive market prices. They are: earnings, valuations applied to those earnings, the mood of the market highlighted by Consumer Sentiment, and the current level of complacency in the market. I have discussed the current state of these metrics in my December 31 report entitled “The Bear Hunt.”

You can log on to the MRP Capital Investments, LLC website to read that report in its entirety ([www.mrpci.com](http://www.mrpci.com)). But the gist of the report is that my work shows that we have been in a secular Bull Market since 2009. On average long-term/secular Bull Markets last 18 years and experience 5 pullbacks of over 10% during that time. Our current Bull run has only seen two such pullbacks over its 5 year span.

Given the fact that simple math tells us that the key to maximizing long-term asset growth is the limitation of negative setbacks, I am focused like a laser on being a step ahead of the next pullback. The aforementioned report details all the specific market characteristics of every cyclical/short-term Bear Market that occurred within a long-term upward trend since the First World War. I then compared our current market to those historical conditions.

Long-story short, we need to keep our eyes locked on to all the economic reports. As one of the takeaways concerning a major cause of these pullbacks was an economy that transitions from an Expansion into a Recession. The good news is that our current economy doesn't appear to be teetering on the brink of a Recession. But, nevertheless, we need to be fully aware of the state of our economy at all times.

But, as mentioned, the report, in its entirety, is available online at [www.mrpci.com](http://www.mrpci.com).



SIDENOTE...I strongly believe stock picking will be the key to success in this year's market environment. So while it is important to understand what the broad market is poised to do, it is vital to be in the right stocks.

## Bond Market Update

My personal opinion is that the biggest no brainer over the next several years is that interest rates will rise.



However, I don't think the global economy can function if interest rates rise too much. So, I believe the Powers that Be will intervene and keep interest rates, short-term and long-term, at manageable levels.

With this, I don't LOVE the bond market for long-term appreciation. However, I am not completely scared away from it either. Relative to all of our portfolios, the income production of bonds and their definition and permanence add very vital building blocks. Also, interest rate exposure can be limited and managed through a variety of means; duration control, floating rate coupon payments, and outright hedging activities.

But, nevertheless, I have received many calls from clients with questions about their bond portfolios. Therefore, I thought it would be appropriate to take the time to customize each newsletter with a page dedicated to providing in-depth information on each, and every one, of your bond portfolios.

When seeing the details of your bond portfolio, you should see that I have used the above techniques to limit the risk of rising rates to your investments. And I have constructed fixed income portfolios that meet your stated needs and tolerance for risk, as outlined in your Investment Policy Statement.

However, if after reading that page, you have further questions, or simply want to chat about your bonds, please give me a call.



## Non-Financial Events occurring this quarter



Nelson Mandela passed away.



Team Obama struck a nuclear arms deal with the Iranians. Frankly, I'm not so sure I trust the Iranians.



The Philippines were devastated by a typhoon.



The Boston Red Sox won the World Series.

# INFORMATION AND DISCLOSURES

This publication is a snapshot of the research and opinions of MRP Capital Investments, LLC. And with that, the opinions and predictions set forth in our publications are our professional beliefs at the time of publication. We are not under duress or pressure from any of the corporate entities mentioned, nor do we intend to do business with them on the investment banking or advisory side of things. This report is not a solicitation or inducement to take action, whether buying or selling, based upon the opinions presented.

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Finally, we must disclose that **PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.**

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