

# MRP CAPITAL INVESTMENTS, LLC

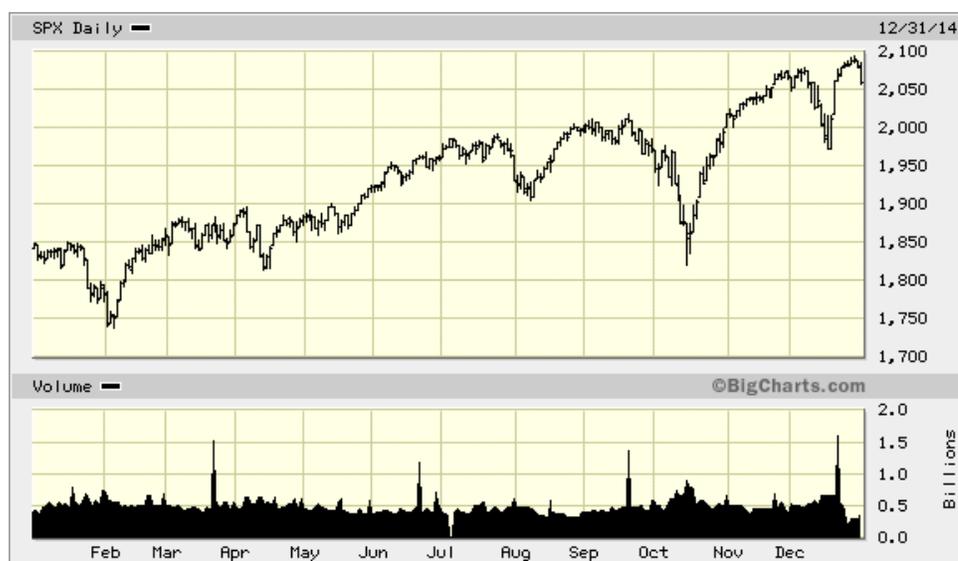
## 4th Quarter 2014 Client Newsletter

### Capital Market Update

#### *Inside this report:*

|                       |   |
|-----------------------|---|
| Capital Market Update | 1 |
| Market Considerations | 2 |
| Non-Financial Events  | 6 |
| Portfolio Information | 7 |
| Disclosures           | 8 |

Despite the pullback that spanned from the end of September to beginning of October, the S&P 500 posted another year of double digit returns. In fact, the total return for the index was 14.02%. That makes for 3 years in a row of double digit returns and 5 of the last 6, with the only break in that streak being the 2.11% total return posted in 2011.



S&P 500 YTD Chart Supplied by BigCharts.com



To me, the most significant thing concerning the markets is the fact that U.S. Consumer Sentiment has broken out of the doldrums and is now registering positive readings. This says to me the U.S. consumer is now optimistic. Historically, this has meant good things for stocks.

Let's hope this makes for a happy 2015!!

## Market Considerations

In the last newsletter, I wrote an article entitled “Dangerous Precedent.” In that piece, I talked about how all the talking heads on TV were trying to persuade us that the 2 to 3% pullbacks the market was experiencing were significant sell offs. The danger in that concept is that these small pullbacks happen during normal Bull Market runs and if we came to believe that these small sell offs were important, then we’d be really scared when the bigger price drops occurred. I further warned that a bigger pullback seemed to be a distinct possibility.



Well, that is exactly what happened. On October 15th, the S&P 500 hit 1,820. This represented an almost 10% pullback from its previous high set in September. Fortunately, across the board client’s portfolios were prepared for this and I was able to deploy capital into investments very near to the precise bottom of this sell off.

Since then, the market has rebounded quite nicely. Ending the year at 2,058.9, which represents a 13.1% rebound from that October bottom



S&P 500 Chart from 10/15/2014 through 12/31/2014 provided by BigCharts.com

Heading into 2015, I believe the key to our current Bull Market run is a continuation of the optimism of the U.S. Consumer. I won't bore you with tons of detail about how I track this, why its important, and what the ramifications are within this newsletter, since I've written a lot about it over the last few months. But for the quick and dirty about Consumer Sentiment, historically it has been very beneficial to stock prices when the citizens of the U.S. embrace an optimistic attitude. To me, this is akin to Adam Smith's animal spirits awakening.

If you are interested in the details about this concept, I've included a few research reports along with this newsletter. The report that discusses the Consumer Sentiment Index the most is the "Market Update" piece, which was written in late November of 2014. Also, the 2nd Quarter 2014 Newsletter, which you should have in your possession, has an article titled, aptly enough, "Consumer Sentiment" which goes into what happens to the market when Sentiment shifts from pessimistic to optimistic.



Furthermore, I've included a piece on the market and interest rate hikes. This one is called, **"Don't Fight the Fed."** It has nothing to do with Consumer Sentiment, but does have some great facts concerning market precedents and interest rate movements.



And finally, I wanted to touch base on some major risks imbedded in this market. If you remember the piece I wrote earlier in 2014 called “A Bear Hunt”, I detailed three macro themes that have led to cyclical Bear Market pullbacks within longer-term secular Bull Markets. Since my works suggests we are in a long term Bull Market, I think it is wise to keep an eye on the things that could send us heading in the wrong direction.

For a quick reminder, historically the three things that led to these cyclical Bears were: 1) an expanding economy entering a recession, 2) geo-political unrest, 3) overvalued markets.

Although our latest GDP number showed 5% real growth, I always keep my eye on the economic landscape. But, as of now, we do not appear to be heading into recession.

Geo-political unrest is always unpredictable, but we certainly have signs of potential issues.



And the markets are no longer “cheap.” So valuation issues are inherent when dealing with this market.

So, there is no question about it; this market has risks. But I’ll reiterate, the key to our continued Bull Market run lies with Consumer Sentiment.

## Non-Financial Events occurring this quarter



Normal relations were restored between US and Cuba



Shootings occurred in Canada's Parliament



Santa Claus was spotted in late December

# 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.

Although MRP Capital Investments, LLC is an investment advisor, these publications are not to be construed as investment advice. We strive to be as impartial, insightful and accurate as possible. We do base our opinions, analysis, and calculations on information and analysis that we believe to be reliable, but we cannot guarantee that they are either accurate or complete. We may change our minds about any item mentioned and we will not necessarily update them in print.

*MRP Capital Investments, LLC and/or its officers or employees, may have a position in the securities mentioned in this report, and may purchase or sell such securities from time to time.*

Finally, we must disclose that investments have the potential for profit and loss and that **PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.**

MRP CAPITAL INVESTMENTS, LLC

8740 South Mount Drive

Johns Creek, GA 30022

404-274-7851

[www.mrpci.com](http://www.mrpci.com)