Weekly Market Update Teleconference Transcript

Wednesday, July 1, 2015, 12:00pm

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Raymond James - Member NYSE/SIPC

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Jim: Hi everyone, today is Wednesday, July 1, 2015, the first day of July, the 10th day of summer. We hope your summer is going well.

We've got a lot to cover today thanks to all the media which has been able to create the anxiety of a roller coaster. That's not to say that we don't respect the bad news that is being headlined. Headline news is just that, often used to grab our attention, it never tells the whole story. Very often one has to get to the last paragraph before the real story, usually a safer story is told. But, before I go into market comments today from our favored resources, Bernie, I'd like you to take a minute and discuss what our work has been in the past during global misalignments and market turmoil, please review some of our past history.

Bernie: Jim I know from time to time you and I discuss the fact that investors get complacent and sometimes forget previous market volatility when times are good. It is times like these that I think it is important for us to take a step back and discuss how we have handled and navigated different market down turns and meltdowns. While I've been in the business for over 20 years, I've only experienced one "big" market meltdown with you, which was 2008.

What did we do during 2008 that gave us some comfort and helped us try to protect our clients' assets?

- 1st we followed our technical indicators
- 2nd we shortened up our options contracts
- Finally, we held cash

I remember it was during the middle of 2007 that you were scratching your head and saying, I don't understand why I can't find anything new that I want to buy right now. Well, you stuck to our process and didn't buy anything. By doing this we were heavier in cash by January of 2008 and by the end of the 1st quarter we were holding even more cash in our clients managed accounts.

The next thing that we did was we shortened the possible holding period of the investments that we were buying during 2008. What I mean by that is when we bought a stock or exchange traded fund (ETF) and hedged it for income and safety and we kept the strategy short term. This is very different from what we did in 2014 and earlier in 2015. During this most recent period we have hedged our positions for a longer term.

Finally, we weren't afraid just to hold cash and not try to force the purchase of investments with clients' money.

In short, we stuck to our investment ownership process which has gotten us through some of the toughest markets to date.

Jim: Thank you Bernie. As promised, I've got summarized comments from our **head equity strategist, Jeffrey Saut**, Jeff says that:

- While all eyes have been focused on Greece, they would better be served following areas of greater concern, which would be the finance story out of Puerto Rico or the declining stock market in China.
- He pointed out that there was no conspiracy theory around the banks being out of money and ATM machines being empty.

- Overall, he says this period of time has served to cool any steam that was in the markets.

Chief Raymond James economist, Scott Brown pointed out yesterday that:

- The anticipated non-payment by Greece is not a default; it merely puts Greek in arrears, a technical description to avoid using the D word, perhaps.
- Echoing Jeff Saut's comments, if it weren't for Greece, Brown says, a lot more people would be talking about China and Puerto Rico.
- He says that these circumstances are not going to be a Lehman Brothers style collapse.

Comments from the **Raymond James portfolio manager and managing director, Michael Gibbs**, Michael says:

- That there has been some technical damage to some of the price charts that they follow. That's not always a good sign, Bernie, and we have seen similar issues with many of the price charts we follow through **Dorsey Wright**, our resource for technical indicators.

From those indicators, we are seeing:

- Our main indicator, how the major asset classes line-up and are ranked, are still in the order of US Equities, Foreign equities, Fixed Income, Cash, Currencies and Commodities are last. In US equities, we see the over the counter market showing the better charts, while the two other pockets we follow, the 2600 stock optionable universe and the almost 2200 stocks on the New York Stock Exchange. As a reminder, more than 3400 company price charts are followed in our research, that being the best pocket of US equities, that's where we are focusing now. We liquidated a few positions last week before the declines and will look to add cash in the next several days if the opportunities surface.
- Interest rates pulled back this week, a flight to quality if you will, and the yields are marching right back upwards this morning and as we speak.

- We are learning more about Puerto Rico than we ever thought we would this week. THAT is a situation we are looking at carefully and we considering, as others do, that to be a top priority in these days of their defaulting bond concerns. China is worth our paying attention to; we'll cover more of that next week perhaps. Fortunately we have extremely small positions in each – a strategy and outcome we think we do best. We'll have write-ups on both, nonetheless, up on our website in the next day or two.

Ladies and gentlemen, thank you for your time today, are there any questions, comments, observations. Please?