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The Next “Megatrend”

One of the core principals of our investment strategy is to research new trends that we believe may have accelerating growth rates for several years. We call such a multi-year idea a “megatrend”. When we find such a trend, we overweight our portfolios. This is how we entered the energy MLP pipelines years ago. We believe that industrial production and manufacturing are entering an accelerating growth cycle.

The full answers as to what might be behind this growth trend cannot be offered in full in this report. Instead, we will mention five drivers of the industrial production and manufacturing trends in very short paragraphs, but deeper analysis of these drivers will be posted on our website.

At the top of the list driving this growth is the fact the U.S. now has a global advantage in both the supply and price of oil and natural gas. A large cost component in manufacturing is the cost of energy. Industrial production and manufacturing are converting to natural gas as fast as they can. Lower energy prices and ample supplies are great cost savings for manufacturers.

Another important driver involves technology and innovation. Manufacturing uses innovation to increase productivity. Most industrial and manufacturing technological innovations have been and still are created in the US. Manufacturing also relies on supply chain management to streamline operations. This is important so a company can alter production quickly as markets change. The U.S. has the greatest transportation infrastructure on the planet. A rise in industrial production and manufacturing should keep our trucks, trains, and planes very busy for some time.

America is the greatest end market in the world. We have the highest standard of living and private wealth. However, the cost of making things in the US hasn't been globally competitive for some time. Now that the costs of production and manufacturing are falling, global producers are beginning to build facilities on our shores. Moving to the US brings a producer closer to the end user so transportation costs drop which should enhance profits.

The last driver of growth to be discussed is the fact that moving industrial and manufacturing to the US brings unique benefits. One of those benefits is the certainty of the general business climate firms work under. The U.S. is comparatively politically secure and manufacturers do not have to fear riots, invasions, or other civil unrest. We have ample space, and many states offer competitive tax concessions to locate a facility in their state. Many such ventures have been broken ground on new construction facilities along the coast of the Gulf of Mexico.

IN SUMMARY: Weiss Wealth Management strives to construct portfolios that limit volatility and still participate in bull markets. One of the ways we accomplish this is to search for new trends that we think have the potential to be megatrends. We believe the evolution of the shale energy story has turned into a megatrend. We believe industrial production and manufacturing share this potential.

WHAT DO WE EXPECT AHEAD?

We expect the “Plow Horse” economy to continue. Growth of GDP around 2% is akin to treading water. It is strong enough to stay out of recession, but too weak to create sufficient full time jobs. We believe this type of economy will continue.

Without the prospect of recession, or another financial accident like 2008, markets seem to us to have ample liquidity for the rise to continue. Low GDP growth also may mean that pressure for interest rates to rise may be overstated. Until GDP grows at a higher rate, perhaps rates are properly priced.

An event called a Black Swan could derail this steady climb. A Black Swan is when something hits the markets from out of the blue. An example was Lehman Brothers; it was open for business late on a Friday, and closed by the next Monday morning.

PORTFOLIOS:

As the 2008 banking crises arrived, Weiss Wealth Management group made a strategic decision to bring our clients assets directly under our control. We sold mutual funds, closed separate accounts, and have been using an alternative strategy. We did this to have as much control as possible. Risk management was much more important than attempting to make a return. That doesn't mean that your assets should never be placed again with investment strategies run by other professionals. Sir John Templeton is credited with saying “no one man has a monopoly on great ideas.”

In the summer of 2012, Lowell Weiss took over the due diligence for investments that fit the Weiss Wealth Management Group's style but are third party managed. He has brought some fruitful ideas to portfolios.

As 2014 unfolds, we will continue to add third party managed investments. We are currently adding an investment dedicated to science and technology, and a long/short investment using global small cap stocks. We are excited with their potential. It is our goal to have an increased proportion of clients' assets in third party managed investments by year's end.

We have moved between 15%-20% of assets we manage by discretion in the industrial production and manufacturing sectors. Our emphasis includes large makers of petrochemicals. They are a base element in much of the manufacturing cycle. We also are tracking companies that are creating the technologies of the future for this sector. 3D printing is what may take this very promising trend to a megatrend.

In our opinion, we have entered this sector in the early innings of a nine inning game. We believed the same when we over weighted energy MLP in 2008. We hope the results of this new trend equal that of the energy MLPs we've owned.

ENCLOSURES:

Enclosure #1- We have received some phone calls about a chart on the Internet showing a visual similarity between 1928-1930, which ends in the Great Crash of 1929, and the current market from 2012-2014. We have found that graph, and we think it was constructed to make the two markets as similar as possible. We have found some data that dispels this picture. In our opinion, we are not in a 1929 environment.

Enclosure #2- Brian Wesbury is an economist we follow. He is the one that describes the times as a "Plow Horse" economy. Each week he sends out a one page piece about the economy. We think his commentary dated March 10, 2014 should be read. The financial media is rife with all kinds of market and economic analysis. Wesbury's comments summarize many of the current scenarios we read and see in the news.

Enclosure #3- Long term readers and clients know of our commitment to shale energy extraction. We have been saying since 2007 that someday, this trend is going to be a big deal. We have detailed the growth of production in recent years. Through CNN-Money, we have found comments that show the demand for jobs, homes and restaurant space in Williston, North Dakota. This short piece indicates this trend has now become that "big deal."

Important Disclosures

This report is not intended as a complete description of the securities, markets or developments referred to herein. It should not be viewed as an offer to buy or sell any of the securities mentioned. Information has been obtained from sources considered reliable, but we do not guarantee that the foregoing report is accurate and complete. Additional information and sources are available upon request.

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Past performance does not guarantee future results. There is no assurance the trends mentioned will continue. No investment strategy, including diversification and asset allocation, can guarantee a profit or protect against loss in a declining market. This analysis does not include transaction costs and tax considerations. If included these costs would reduce an investor's return.

Fixed income securities are subject to risks including interest rate, inflation, credit and market risks. If sold prior to maturity, an investor will receive the current market value, which may be more or less than the original investment.

The S & P 500 is an unmanaged index of 500 widely held stocks generally considered representative of the US equity market. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. It is not possible to invest directly in an index

MLP distributions are not guaranteed. The actual amount of cash distributions may fluctuate and will depend on the future operating performance. Increasing interest rates could have an adverse effect on MLP unit prices as alternative yields become more attractive.

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Asset allocation and diversification do not ensure a profit or protect against a loss. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S.

Companies engaged in business related to a specific sector are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification. Investments in the energy sector are not suitable for all investors. Further information regarding these investments is available from your financial advisor.

Modern portfolio theory attempts to maximize a portfolio's expected return for a relative amount of portfolio risk, or to equally minimize the risk for an expected level of return by choosing assets in various proportions.

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It is NOT like 1929

Financial information is available everywhere on the internet. Sources of the information run the gamut from legacy media entities such as the WSJ to blogs set up by individuals with little or no expertise. It is no wonder how the average consumer of financial information can be confused as to what is of value and what is not.

Authors of the various blogs available come in all shapes and sizes. Some are legitimate experienced financial professionals while others are operated by people who have a vested interest in conclusions of the reader. Internet blogs tend to be unregulated, operating without an editor or liability for what they say.

Weiss Wealth Management of Raymond James & Associates has licensed professionals who speak with liability attached. Accordingly, anything we write has been vetted by our compliance department. Your trust in us is paramount.

In February 2014, a graph started circulating that scared many people. It implies that the stock market of today is moving in tandem with the 1928-29 period before the great crash. As presented, it looks pretty chilling.

The problem is we believe it to be inaccurate and deliberately distorted. Notice that each market is scaled on different sides of the graph. When this is done, you can make a lot of charts “line-up” by manipulating the visual scale.

The second chart we present shows that the markets were, and are, very different.

Rather than manipulate the scaling, the second chart took both markets and started them at an equal point on the lower left. The starting points are 1/1/1928 and 5/1/2102, the same starting points in the first chart. You can see there is little resemblance of today's market with 1929.

The biggest difference is the fact that before the great crash in 1929, the markets soared almost straight up for months before the plunge. However, the market of today does not have such an upward spike. Without a prior upward spike, we think there is little reason to expect a subsequent crash.

We think the first chart is a great reason why people should let professionals manage financial affairs. It's our job to know if the graphs you see are fairly constructed.

All Hail the Bull Market

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

Today marks the fifth anniversary of the bull market that started back in March 2009, and total returns over the period have exceeded 200%. It was on March 10, 2009 that equities jumped 6% and never again returned to the panic lows set the day before.

Hitting this milestone has many investors wondering how much more time the bull has to run. But instead of thinking in terms of time, we prefer to think about the “kinds of events” that bring the bull to an end, or worse, turn a bull market into a bear market. Right now, the coast is clear.

One way the bull market could end would be a recession. Obviously, at some point, some sort of recession is inevitable. Every other economic expansion in history has come to an end, and this one will, too. But recessions don’t just come completely out of the blue, and none of the typical causes looks ready to strike.

One of the most frequent causes of recessions is tight monetary policy. As our readers know, we do not think QE helped the economy, and therefore we don’t think tapering will hurt it. What the Federal Reserve could do is raise rates to a point where policy became recessionary, but it’s highly unlikely the Fed starts to raise short-term interest rates until 2015. And even when it finally starts to raise rates, monetary policy will not be tight until the funds rate moves to at least 3%, or much higher.

Tax hikes could also cause a recession, but it looks unlikely that any more tax hikes will be enacted in the US until at least 2017. Tax reform is making news, but not tax hikes unless you want to talk about Japan.

Trade protectionism, like the Smoot-Hawley Tariff Act, can cause recessions. Right now the Senate is holding up some free trade deals from passage, but the agreements we already have aren’t going away.

Nor do those who think debt itself can cause a recession

have reason to fear. Household financial obligations (the share of income needed to make monthly recurring payments on mortgages, leases, autos, student loans, credit cards,...etc.) is the smallest share of income since the early 1980s. And, the corporate debt-to-equity ratio remains low.

Some fret about a spike in oil prices, but US petroleum imports are now only about twice exports, as opposed to ten times exports, like in prior decades. The US is much less vulnerable to higher oil prices because it earns so much more from producing energy.

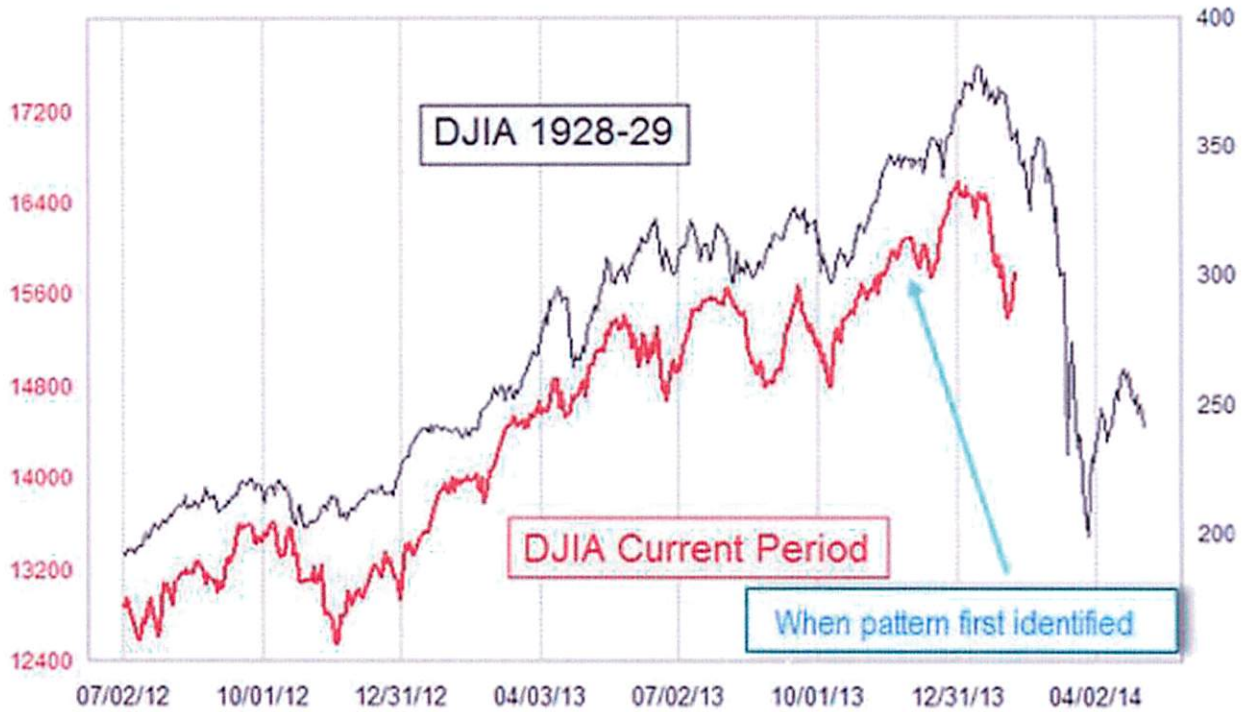
Another financial panic that spreads to the economy could obviously end the bull market. But overly strict mark-to-market accounting rules were neutered five years ago, and started this bull market. With sane mark-to-market rules in place today and bank capital ratios much higher, another panic is not in the cards.

Finally, a huge expansion in government could end the bull, like in the late 1960s. No recession, no financial panic, but the Great Society expansion of government after a long and strong extended bull market pushed stocks into a 17-year funk. In a way, that is what happened over the past 14 years. But government spending is now declining as a share of GDP, President Obama looks like a lame duck, and the political winds are blowing in a different direction.

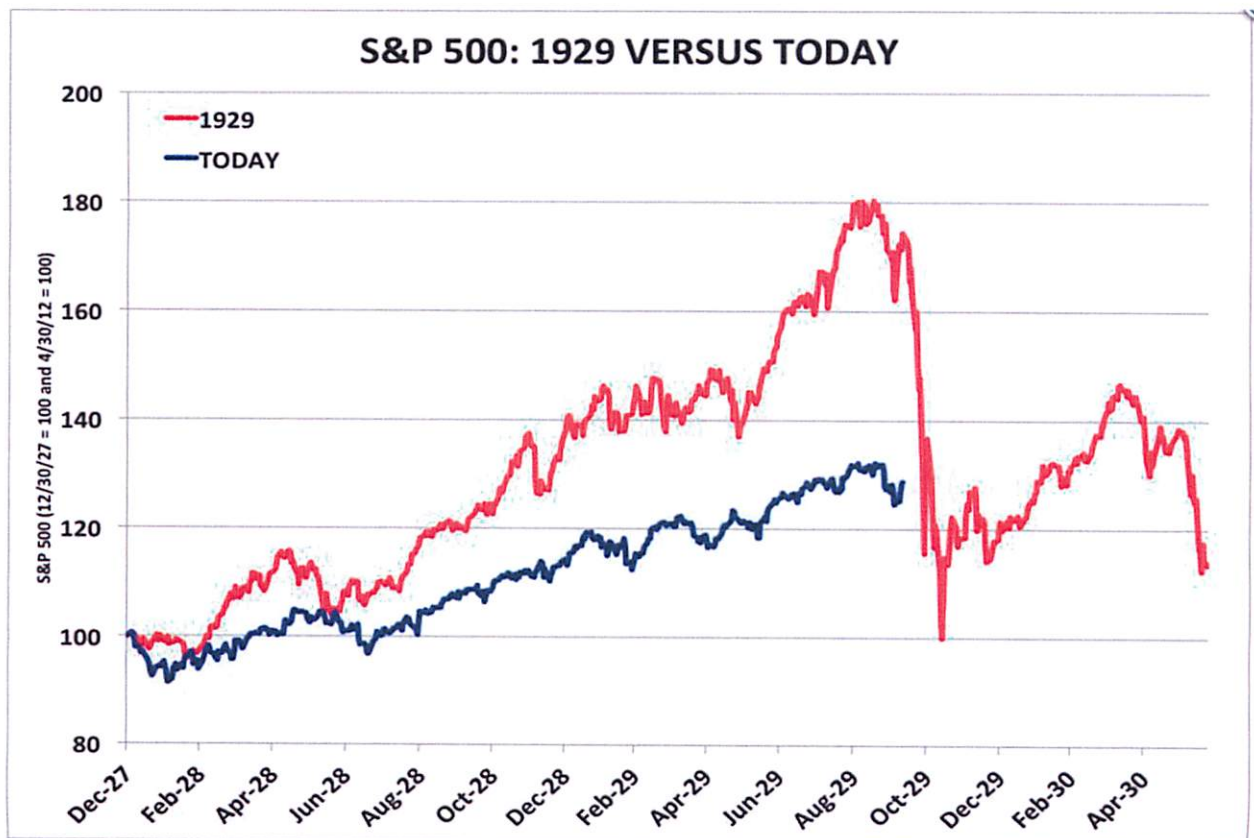
Overvaluation isn’t a problem either, with equities still cheap relative to fundamentals. Even if 10-year Treasury yields were to rise to 4.5% (from their current level of 2.8%), our capitalized profits model still says the S&P 500 is 28% undervalued, and that’s even if we assume zero growth in profits during 2014.

So, while the bull market is no spring chicken, age itself is no reason to fret. From both a valuation and a “threat” point of view, it still has a way to run. All hail the bull market. It’s great friends with the Plow Horse Economy.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
3-13 /7:30 am	Initial Claims – Mar 8	330K	332K		323K
7:30 am	Retail Sales – Feb	+0.2%	+0.2%		-0.4%
7:30 am	Retail Sales Ex-Auto – Feb	+0.1%	+0.2%		0.0%
7:30 am	Import Prices – Feb	+0.5%	+0.7%		+0.1%
7:30 am	Export Prices – Feb	+0.2%	+0.2%		+0.2%
9:00 am	Business Inventories – Jan	+0.4%	+0.3%		+0.5%
3-14 / 7:30 am	PPI – Feb	+0.2%	+0.1%		+0.2%
7:30 am	“Core” PPI – Feb	+0.1%	+0.2%		+0.2%
8:55 am	U. Mich Consumer Sentiment- Mar	82.0	82.0		81.6



Source: McClellan Market Report, based on pattern discovered by Tom DeMark



Business Insider/Andy Kiersz (data from St. Louis Fed)

North Dakota Wants You: Seeks to Fill 20,000 Jobs

By: Blake Ellis – CNNMoney.com

Looking for job? North Dakota wants you.

In a new recruiting campaign to be rolled out in May, the North Dakota Economic Development Foundation is aiming to fill more than 20,000 jobs – ranging from truck drivers and oilfield workers to receptionists and food servers.

North Dakota's huge oil boom has spurred thousands of job seekers to flock to the state for years now. In some cities, the population has quadrupled.

Yet, the growth continues and companies are still so desperate for workers that the state is teaming up with oil giant Hess Corp. to launch an \$800,000 campaign to attract new talent.

"It is being developed to target people in states with chronic unemployment, and people in industries that are high-demand in North Dakota, include: Engineering, healthcare, energy, skilled trades, transportation and information technology," the foundation said in a statement.

The push will include a website, marketing efforts and recruiting events.

The state is also trying to convince potential employees that North Dakota is not only a good place to get a job, but a great place to live, dubbing it the "Find the Good Life in North Dakota" campaign.

But this could be a harder sell.

Over the past few years, the flood of workers moving to the state – specifically to the Northwest corner where oil activity is greatest – has caused a severe housing shortage.

In Williston, a town at the center of the boom, home prices have more than tripled and rent there is currently the highest in the nation, according to a new report from Apartment Guide, a website for finding apartment rentals.

Even though many employees are now raking in six-figure salaries, they are essentially homeless, living in their cars in parking lots, in other peoples' basements, in RVs or even in churches.

Along with a housing crunch, crime has skyrocketed, traffic is grueling, and local restaurants and retailers struggle to keep up with the surge in demand – resulting in higher prices and longer waits.

And, of course, there's always the below-freezing temperatures, with wind chills plunging under negative 50 during the winters.