Putting Together the Pieces: 2015 Outlook

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Panelists:
William A. Delwiche, CMT, CFA, Director, Investment Strategist, Robert W. Baird & Co.
David Marshall, Senior Vice President, Associate Director of Research and Director of Financial Markets, Federal Reserve Bank of Chicago
Christopher T. Vincent, CFA, Principal, Head of Fixed Income/Investment Management, William Blair & Co., LLC

Moderator: Chris Taylor, EVP and Managing Director, Global Investor Relations, Ipreo

Key Takeaways

- In assessing equities, Willie Delwiche factors in general economic conditions as well as technical indicators. Today, the Fed remains a favorable influence and the economy is gaining steam. However, valuations are a concern, and the broad market and some sectors (e.g., small-caps) aren't participating as fully.

- Delwiche said technical patterns suggest that a good year is in store. The stock market has not ended lower in years ending in 5 for a full century – and on average, the market rose 20 percent in those years. Also, the third year in a presidential cycle generally sees powerful tailwinds. He added that political gridlock is often good for stocks.

- David Marshall noted that he was in a quiet period before an FOMC meeting, which limited what he could say. He discussed the Fed's mandate to promote price stability and maximum employment. The inflation target is generally 2 percent (we're at about 1.5 percent now), while the so-called natural rate of full employment is between 5 percent and 6 percent. Some job categories are getting tight, such as truck drivers. Despite the improving trend, we still need to get slack out of the market.

- Bond expert Chris Vincent manages a $3 billion fund. ("Small, but that's an advantage.") He spoke about the complexity of today's financial markets and the especially arcane nature of the bond market. Key factors determining bond performance are growth, inflation and monetary policy. He thinks we could see lower rates.

- For the first half of 2015, Delwiche plans to focus on the U.S. market and small caps. In general, he favors healthcare, staples, technology and industrials. He's staying away from energy, materials and commodities. Vincent noted that emerging markets are doing better and that corporate America is in good shape. He's overweighted in emerging-market debt, denominated in U.S. dollars.

- Among the risks investors face are high valuations, lack of liquidity, inflation fears in Europe, and lack of growth in the rest of the world.

– Mary Jo Bohr