Special Update
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Provided by: Chas P. Smith, CPA/PFS

CPS Investment Advisors
Steady as You Grow

CPS in the News

Events this quarter

Speaking engagements

Mike Riskin and Holly Kelley will be speaking at our next CPS First Thursdays.

"**CPS First Thursdays**:"

November 6: Year End Tax Planning. Florida Southern College, Hollis Room

Cost: Free, lunch provided

RSVP to:

CPS Investment Advisors
1509 S Florida Ave
Lakeland, FL 33803
863-688-1725 or
elizabeth@cpalliance.com

11:30 am-1:00 PM—
Lunch Provided

Contact us for more lectures

Market Volatility Presents Buying Opportunity

Market volatility has once again reared its ugly head with the Dow Jones Industrial Average moving up and down with 200 and 300 point swings the last few weeks. These big swings represent 1.5% to 2% changes in the index. The last two weeks of losses effectively wiped out the gains for the Dow this year. However, the more commonly used index of the S&P 500 is still positive about 2% year to date.

So what's driving this volatility? In recent weeks and months geopolitical uncertainties have been spooking investors and the unrest in Hong Kong together with Ebola and ISIS presents further front page distress for investors. Two common themes at home have also influenced investors. The change in Federal Reserve policy to discontinue the bond buying program and secondly the impact on our domestic companies due to the slowdown in the global economies. While global growth is likely to remain below historic norms, it is not collapsing. Europe's GDP is declining while Asia and most Emerging Markets are improving. Most economists view the European slowdown as just that but not a recession. Throughout the European continent, demand for consumer credit appears to be rising. Also, the decline of the euro should buoy European exports. All of this suggests a moderate slowdown in the economy but nothing more.

Ironically, last week's selloff in stocks could be attributable to a little too much growth in the U.S. and not enough elsewhere. The growth in the U.S. suggests the Federal Reserve will be tightening interest rates earlier than originally forecasted. Rising interest rates in the short term may cause a decline in the stock market but historically, the stock market performs very well with increases in rates. However, on a positive note, it indicates our economy is strong enough to support some modest increase in borrowing costs. **We continue to be encouraged by the strong U.S. recovery which has resulted in record corporate profits, dividend increases and companies buying back their own stock.**

This selloff in stocks has presented a buying opportunity for long term investors including some asset classes and sectors that have declined more than the market. One asset class that appears particularly attractive is high yield bonds. The yield difference between high yield bonds and higher quality, lower yielding U.S. Treasuries has widened to the highest point in over a year. Given that corporate America remains strong and is improving, default rates should be very low, therefore providing an opportunity to enhance income relative to the low interest rates provided by the rest of fixed income market. The oil and gas sector has declined more than the overall market which presents another excellent opportunity for long term investors. Remember: "when there is blood on the streets and pessimism reigns, opportunities arise."

We are scheduling fourth quarter reviews so you will be hearing from us soon. Thank you again for the many kind referrals you have sent our way.

Chas P. Smith, CPA/PFSChief Investment Officer,
CPS Investment Advisors

Sources: Morningstar , Barron's & iShares