

OFG FINANCIAL FOCUS

First Quarter, 2016

Four Decades of Investing 1975-2015

The Good, The Bad, The Ugly!



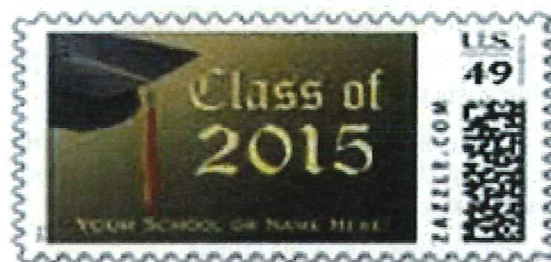
If we listen to the “talking heads” on any of the television business channels, there is always a reason not to invest in the great companies that make up the U.S. stock market. Today there is terrorism, foreign conflicts (Syria, Iraq, etc.) low oil prices, the threat that the Federal Reserve will raise interest rates, or that they won’t. Any and/or all of these things makes investments in the great companies of the U.S. (and the world) suspect.

And thus it has always been. *Or has it?* The December issue of Nick Murray Interactive newsletter looks at the 41 years from 1975 through 2015 and records all of the triumphs and tribulations that the world (and the stock market) has faced during this period. *With some awesome results!*

1975

Saigon falls; President Ford escapes two assassination attempts within seventeen days. Margaret Thatcher becomes the first woman leader of Britain’s Conservative Party. Andrei Sakharov, the great hero of Soviet resistance, wins the Nobel Peace Prize. *Saturday Night Live* debuts on my 32nd birthday, October 11. An American and a Soviet spacecraft link up in space; the event is memorialized on a beautiful ten-cent U.S. postage stamp.

- Global population: 4.1 billion, *fully half of whom live in extreme poverty, as defined.*
- U.S. population: 216 million
- U.S. real GDP: \$5.49 trillion
- S&P 500 year-end close: 90.19
- Earnings: \$7.71
- Dividend: \$3.73



1985

Gorbachev comes to power in the Soviet Union, and meets with President Reagan. The Internet domain name system is created. Windows 1.0 is published, and the first successful human heart transplant takes place. The song of the year is “We Are the World.” In the greatest marketing catastrophe since the Edsel, the Coca-Cola Company introduces New Coke. A first class U.S. postage stamp costs twenty-two cents.

- Global population: 4.85 billion
- U.S. population: 238 million
- U.S. real GDP: \$7.71 trillion

- S&P 500 year-end close: 211.28
- Earnings: \$15.68
- Dividend: \$8.20

1995

The Oklahoma City bombing is the greatest domestic terrorist atrocity in American history. O.J. Simpson’s murder trial begins, and ends ten months later in his acquittal. Israeli Prime Minister Yitzhak Rabin is assassinated. The Rock and Roll Hall of Fame and Museum opens in Cleveland. Jerry Garcia dies. A postage stamp costs thirty-two cents.

- Global population: 5.7 billion
- U.S. population: 266 million
- U.S. real GDP: \$10.28 trillion

- S&P 500 year-end close: 615.93
- Earnings: \$37.70
- Dividend: \$14.17

2005

Hurricane Katrina devastates an American land mass larger than Great Britain. Saddam Hussein goes on trial for his life. July 7 becomes London's 9/11, as coordinated attacks on the bus and subway system claim 52 lives. Pope John Paul II dies; he will be canonized only nine years later. A postage stamp costs thirty-seven cents.

• Global population: 6.5 billion, *but by the turn of the century, the rate of extreme poverty has fallen to one person in three.*

- U.S. population: 296 million
- U.S. real GDP: \$14.37 trillion

- S&P 500 year-end close: 1,248.29
- Earnings: \$76.45
- Dividend: \$22.38

2015 to 11/23

A radical Islamic faction, ISIS, casts the Middle East into chaos, and carries out terrorist atrocities in Paris and elsewhere. Refugees pour into Europe. The world's leading nations reach an accord with Iran on its nuclear development program. Yogi Berra dies. A postage stamp costs forty-nine cents.

• Global population: 7.29 billion, *less than one in ten of whom live in extreme poverty.*

- U.S. population: 322 million
- U.S. real GDP through 9/30/15: \$16.39 trillion

- S&P 500 as of 11/23/15: 2,086.59
- Earnings (full-year estimate): \$118
- Dividend (full-year estimate): \$43

This, then, is the tale of four decades:

• Global population up nearly 80%, with extreme poverty slashed from one human in two to one in ten, creating wave upon wave of new middle class consumers.

• U.S. population up by half, and gaining a new person (through net births and migration) every fourteen seconds. And still almost unimaginable room to grow: population density per square mile in this country is 85, compared with almost 300 in France, 590 in Germany, 680 in the UK...and 870 in

Japan. Staggering natural resources, with mineral rights vested in the landowner.

A hundred years' worth of hydrocarbon energy reserves.

• Real GDP more than tripled, on only a 50% population increase —meaning real GDP per capita has soared.

• The S&P 500 rose more than twenty times, on an earnings increase in excess of fifteen times and a dividend boost approaching twelve times. Far more significantly, these gains must be measured against an increase in the general level of consumer prices scarcely more than four and a half times. *Surely this is the greatest accretion of real wealth by the greatest number of people in the history of the world.*

What are the megatrends underpinning this spectacular economic and financial progress? Well, there are two, and of course they form a virtuous cycle. They are *the spread of the free market*, as liberty vanquished communism and most extreme iterations of socialism during this period, and *exponential progress in information technology*. (Today, a middle school child carries in her backpack a smartphone with more computing power than the state-of-the-art mainframe had in 1975.) This cycle continues apace.

Elsewhere in this issue there is a quote from Lowell Wood, the man whose total lifetime patents now exceed Edison's, and who doesn't seem to be slowing down. In it, he ridicules the idea that technological innovation is topping out. Be encouraged, on behalf of our beleaguered clients, to expand this perception to the global economy, to the fortunes of the great companies, and to the capital markets. *Our countrymen don't know any of this.*

Go tell it on the mountain.

Courtesy of: Nick Murray Interactive December, 2015



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