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MARKET

Despite turmoil in many corners of the globe, U.S. stocks raced 11% higher in 2014 as corporate profits climbed. While the economy improved, the oil market collapsed. Oil capped the biggest annual decline since the 2008 global financial crisis. The U.S. oil prices ended the year at a five-year low, capping a 46 percent drop in 2014. Stockpiles of crude oil and gasoline reached seasonal record highs, and as OPEC continues to produce more than its quota demand for oil decreased. We expect a far lower new normal for oil prices, and there is also a possibility for further downside risk.

Retail investor sentiment has brightened to the same sunny levels as a year ago. In the latest weekly survey by the American Association of Individual Investors, 50% were bullish on stocks versus only 19% bearish. A year ago, that split was 49% to 21%. In the meantime, Consumer confidence has risen to a seven-year high.

The average forecast for the six year old bull market is that stocks will increase about 10% in 2015. A year ago, investment firm strategists were a bit more cautious, looking for around 6%, or about half the upside.

The economy is picking up steam and currently there are 2.9 million more Americans working today than one year ago. All this is good news that supports a favorable market in 2015.

For the last five years, economist have predicted that short-term interest rates were going to start increasing as soon as the economy gained some strength. If this is in fact the year when long-term Treasury rates finally start to climb, the main leaders of this year's market gains, utilities, consumer staples, and healthcare stocks – could have a hard time keeping their current values. Oil-and-gas stocks have been desecrated and cuts in energy spending will hamper a sector that has received a disproportionate share of investment capital in recent years.

Gold ended 2014 steady around \$1,200 an ounce as the impact of a stronger dollar was offset by demand from investors worried about tensions in Russia and political uncertainty in Greece. Gold's main driver in 2014 has been a stronger than expected dollar, which was poised to post its biggest yearly gain since 2005, and anticipated U.S. interest rate hikes may strengthen Gold's appeal in 2015.



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PERSONAL MESSAGE

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Empowered for a Purpose

"But you will receive power when the Holy Spirit comes on you; and you will be my witnesses in Jerusalem, and in all Judea and Samaria, and to the ends of the earth." Acts 1:8

Jesus is alive! The disciples witnessed His resurrection and as Acts 1:3 explains, Jesus *"showed himself to these men and gave many convincing proofs that He was alive. He appeared to them over a period of forty days and spoke about the Kingdom of God."*

He is alive but He was leaving; however, Jesus was not leaving them alone and without purpose. Instead, Jesus commanded them not to leave Jerusalem until they received the Holy Spirit. With His power, you will become His witnesses – to the ends of the earth.

As believers, we need the Spirit of God to help us understand Scripture, lead us into all truth, comfort us in our trials, help us overcome fear, and give us strength in our weakness. However, the Holy Spirit isn't there just so we could survive the Christian life and trudge through to the finish line. He is here to help us thrive!

God gave us the Holy Spirit to empower us to be His witnesses – to share His love, proclaim His name, His character, and His mighty deeds to a world that needs a Savior. The declaration to be His witnesses was the last thing Jesus said before *"...he was taken up before their very eyes, and a cloud hid him from their sight."* (Acts 1:9)

This morning, ask yourself this: why do you want to be empowered by the Spirit of God? Are you willing to be empowered by the Spirit to be Jesus' witness?



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Thank you Jesus that you are alive! Fill me afresh with your Holy Spirit. Empower me to be Your witness. Lead me to those who need you. Give me love, words, and opportunities to share what You have done for me with those who need You.

Take Action

Read the Book of Acts and look for the ways the Spirit of God empowers and leads people as they walk with Him. Journal your insights. Listen for what the Lord is saying to you. Surrender to the Spirit's leading.

Telling people about Jesus might be easier than you think!

MODEL PORTFOLIOS

The U.S. stock market has gained five consecutive years and 9 out of the past 10 years. Put another way, an offensive oriented aggressive approach toward stocks has worked like a charm. Now maybe the time for investors to start playing defense. The consumer staples sector is one industry sector for investing in stocks defensively. This sector consist of the following industries: food & staples retailing; household products; food products; beverages; tobacco; and personal products. Consumer staples are different from consumer discretionary stocks because even during turbulent times people will still buy their basic necessities.

Bill Gross, the former manager of the world's largest bond fund, said prices for many assets will fall this year as record-low interest rates fail to restore sufficient economic growth. With global expansion still sputtering after years of interest rates near zero, investors will gradually seek alternatives to risky assets.

As we see equities penetrate support levels to the downside, we will start moving money into other asset classes.



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CONCLUSION

There is an old saying on Wall Street: "As January goes, so goes the market." The direction of the broad U.S. stock market has tracked January 77% of the time since 1950 — and "registered only seven major errors" — according to *The Stock Trader's Almanac*. Last year, however, was an exception, with the Standard & Poor's 500-stock index tumbling 3.6% in January before rebounding strongly and finishing the year up 11.4%. Gains in the first five days of January have led to full-year gains 85% of the time.

With Quantitative Easing 3 (QE3) coming to an end in October 2014. The Federal Reserve finally believes the economy is strong enough to stand alone. Going forward, the economy looks to be set for smooth sailing. We believe a continuation of strong economic data in the U.S. will drive markets. Consumer confidence is at its highest level in the current recovery, and Wall Street is anticipating a strong start in 2015 due to strong fourth-quarter earnings.

Nevertheless, there are a few things that could drive the market southward. Here are three things to worry about:

1. Risks from abroad. Fear that the European Union and Japan could relapse into a recession while China's economic growth could slow significantly.

2. Oil-related Anxiety. Fear of a continued fallout from plunging oil prices could cause fresh market turbulence.

3. Interest rate fears. Fear that the Federal Reserve raises interest rates to fast and too much. The Fed has said repeatedly in recent months that June 2015 is the unofficial target for the committee to begin raising rates. Historically, when the Fed raises the Fed Funds rate, the yield curve compresses and flattens out.

Looking ahead, there are many head winds for the market for early 2015. We expect trouble for the market in the early spring of 2015 as investors have become more euphoric. However, we do expect the economy will continue to grow. Best case scenario, we believe the S&P 500 could increase another 6% in 2015. Nothing wrong with an 6% year, particularly when the 10-year Treasury bond yields 2.10% and the average money market fund yields 0.01%.



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We at Christian Values continue to be grateful for the opportunity to serve your investment & financial planning needs. Please do not hesitate to contact us if you have any questions or if we can be of any assistance. Also, a current copy of our ADV is available upon request.

BIBLICALLY RESPONSIBLE INVESTING (BRI)

Christian Values Investing (CVI), founded in 1993, is a leader in the field of investing with a Christian perspective, known as Biblically Responsible Investing (BRI). *By employing a BRI approach to investing, Christian Values seeks to achieve long-term capital gains through ownership in securities of companies that are a blessing to mankind. Conversely, we seek to avoid profiting from owning companies engaged in sinful activities that bring physical and spiritual loss to our fellow man. Our heart's desire is to do no harm to our fellow man in the process of being the best possible guardians of the wealth the Lord has given us stewardship over.* The Bible is the word of God and a manual for living. Many people would be surprised to know that in the Bible there are over 2,000 references to money and possessions. God cares about what we do with that which He has entrusted to us. At Christian Values, we are committed to invest in a way that honors God.

Below are just some of the issues of concern to Christian Values Investing and the specific sinful activities that fall into each category:

1. We desire **justice and mercy for the defenseless** so we screen out companies involved in:
 - Abortion
 - Life destroying or distorting scientific research
 - Human rights issues such as religious persecution, terrorism and political oppression
2. We desire **justice and mercy for the poor** so we screen out companies involved in:
 - Greed-based marketing techniques
 - Discrimination and unjust labor practices
 - Any abuses of the poor, children and/or the elderly
3. We have **compassion for those addicted and/or engaged in sinful lifestyles** so we screen out companies involved in:
 - Alcohol, Gambling and Tobacco
 - Pornography
 - Homosexuality
4. We want to **protect marriage and the family** so we screen out companies involved in:
 - Entertainment that seeks to destroy biblically-based attitudes



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- Efforts to promote lifestyles the Bible indicates are sinful

Additionally, we favor companies that clearly embrace:

- Honesty, Compassion, Diligence, Prudence and Creativity
- Support for quality products at fair prices and constructive stakeholder relations
- Support for a sustainable and healthy environment
- Support for charitable giving
- Support for the Jewish people and the state of Israel

Armed with this information, we are then prepared to make as strong an effort as possible to build investment portfolios that reflect our client's biblically-based Christian worldview.

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