SOUND INCOME STRATEGIES

November 2015

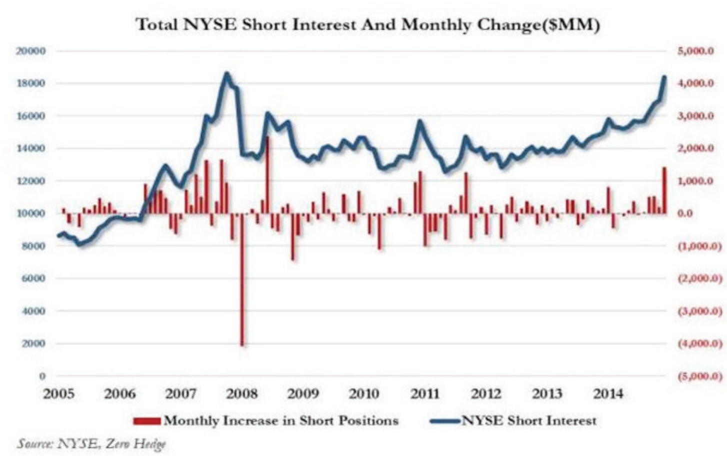
Investment Markets:

October turned out to be a very pleasant month for equities, with the DOW and S&P returning over 8%, bringing the S&P to just less than 1% and the DOW closer to breaking-even on the year. Last month's rally helped ease the pain of the brutal August sell-off, but reading through the 3rd QTR revenue and earnings releases, you'd think that equities would be flat to slightly negative.

Healthcare being the exception, most sectors missed top-line revenue estimates. However, we can't discount financial accountants' abilities to turn a revenue miss into an earnings hit – with a little help from Wall Street's sell-side coverage lowering the earnings expectations bar to push stocks a little higher.

However, last month was a stellar month, and the graph below might help explain part of the buying frenzy. It would appear that increasing short-interest positions (speculators selling shares they don't own) from August and September was doing some covering (buying back shares to close out their short-interest position) in October. There are still above average short positions that speculators (betting the market goes down) haven't closed out. NYSE shorts have been between 12 and 13 billion this year until the August through October period when they jumped to 14-15 billion per Bloomberg.

The first week in October was the first time during the past nine weeks that short positions fell. We believe this rally might be a good time to take some stock profits off the table, lower risk, and look for the next set of opportunities from income-generating securities.



The Fed has expressed a bit of a stronger view that household and business spending are increasing at a more "solid" pace, bringing the possibility of a rate increase at its December 16th meeting. This has pushed yields up roughly three-tenths of 1% in the intermediate part of the curve and presents some buying opportunities in fixed income. *We will continue looking for higher yields, reduced interest rate risk, and credit upgrade opportunities in the weeks to come.*