



Bell Tower Associates

Weekly Review

March 2, 2015

Quote of the Week

“It is vain to add edicts to edicts and regulations to regulations. Everything serves only to introduce new abuses, without correcting the old”

~ Jean-Jacques Rousseau

La Nona

There is an Argentine play called *La nona*, which deals with a family who find themselves on the verge of poverty due to the grandmother, “la nona,” who literally eats them out of house and home while muttering Italian curses. No matter how hard they try, they cannot bring themselves to cut the grandmother off, and so they keep feeding her, growing ever more miserable.

The Eurozone:

The **Eurozone** is dealing with their own disagreeable grandmother in **Greece**. In the last week, German lawmakers agreed to an **extension** of the current Greek **bailout**, to the tune of another **\$8 billion** payment. Their decision was met with a riot in Greece by protestors to the left of Syriza (yes, Virginia, they do exist) and a lecture by Mr. Varoufakis, the **Greek Finance Minister**, on the need to move past the outdated “debtor-creditor” way of thinking.

But the Germans and the rest of Europe seemingly cannot bring themselves to throw the grandmother out, so they keep feeding her in the hopes that she eventually disappears.

Speaking of Argentina...

Argentina, the in-default-but-only-to- “vulture”-capitalists nation, although in the throes of 16% inflation in January, is facing the possibility of a reprieve.

President Fernandez de Kirchner has proven unable to persuade those pesky Argentine judges to change the Constitution and permit her to run again. In a recent speech, she touted the fact that the country’s bonds are now being sold above par once more as evidence of Argentine endurance.

Financial Times journalist Joseph Cotterill had a pithy response: “Thanks for the mention in your speech... But I fear that the bond's price is going up the less time you have left in office.”

On The Home Front...

The **Federal Reserve** has proven once again the old adage that “patience was born in the FOMC.” When asked by **congressional leaders** about possible **rate hikes** in the coming year, Janet Yellen assured **Congress** that the FOMC will be certain to let us know about possible rate hikes before they actually occur.

At the same time, American **workers** saw their situation improve slightly in January, according to February numbers from the Bureau of Labor Statistics. **Average hourly earnings** increased **0.5%**.

Combined with the fact that **the Consumer Price Index** dropped **0.7%** in the same period, mainly as a result of **falling oil prices**, consumers on average saw the double benefit of a larger paycheck with cheaper prices at the pump.

But we’ll have to wait until the next personal income report to find out what they’ve done with the extra cash.

Performance Tables For This Week:

	Weekly Returns	Month to Date	Year to Date
S&P 500 Index	0.62%	0.62%	3.21%
DAX	-0.12%	-0.12%	7.64%
MSCI Global	0.22%	0.22%	4.26%
China Shanghai Composite	0.73%	0.73%	2.04%

Earnings Season Is Upon Us

Rural America may have its hunting season, but Wall Street also has its time to bring out the big guns and start hunting for stragglers: **earnings season**.

So far, **Q4 earnings** reports have been moderate, with total earnings from 493 out of 500 members of the S&P 500 up around **7%** from last year’s reports. Approximately **65%** of those companies beat their estimates.

The big hit has come from 2015 earnings estimates, which by the end of February had begun to track negative.

Why the negativity? **Energy companies** are expected to continue to take hits this year, even if oil prices were to stabilize at these lows. Furthermore, the **dollar bull market** is threatening to wreak some havoc on **overseas earnings**. Those earnings are often in **foreign currencies**, meaning they have to be converted back to dollars, and if the dollar is up, those earnings are worth less.

Not all companies fared poorly, however. **Disney** (DIS) emerged as a notable exception.

Though the company's overseas profits did dip, the company as a whole saw **revenues** increase **9%**. Disney's **earnings-per-share** came in at **\$1.27** per share, **\$0.20** per share higher than the estimates. As a result, the company's stock traded up dramatically after hours on the day of its earnings release.

Where did Disney get its dough? The company's major **revenue** successes for 2014 came from its theme parks, the continued success of Marvel, and its merchandise sales, particularly for *Frozen*.

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