George M. Hiller Companies L.L.C.

INVESTMENT MANAGEMENT, TAX, ESTATE & FINANCIAL COUNSEL

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Special Hotline Edition

By George M. Hiller
JD, LLM, MBA, CFP®

Market Outlook – Hotline Edition

As of August 28, 2014

In our September 2014 edition, dated as of August 19, 2014, we reported that an intermediate (weeks to months) market outlook indicator that we monitor had gone bearish as of August 5, 2014. A few days ago, that same intermediate market outlook indicator went back to a bullish reading.

The interpretation of a bullish intermediate-term market indicator is that the US equities market is more likely than not to rise above current levels in the short-to-intermediate time frame. This suggests that investors should be more willing to consider new capital investments in the US equities market and should continue to hold their existing commitments to diversified US equities subject to overall asset allocation decisions. Please note that no market indicator is foolproof or guaranteed to accurately forecast future market conditions.

Our longer-term outlook continues to remain positive, although we have concerns. NASDAQ continued to climb, hitting a 14 ½ year high, up 9.18% year-to-date. The S & P 500 recently closed above 2000 for the first time ever, a new all-time high, and now up 8.03% year-to date. By comparison, the Dow Jones Industrial Average is up 3.02% year-to-date.

Our market snapshot (taken daily) is as follows:

-- U.S. Equities	Positive outlook for past 944 days
-- International Equities	Positive outlook for past 748 days
-- Resources and Materials	Positive outlook for past 713 days
-- Real Estate	Positive outlook for past 1,840 days
-- Bonds / Fixed Income	Positive outlook for past 181 days

Currently, the top three performing sectors in U.S. Equities (based upon our assessment and ranking methodology) are:

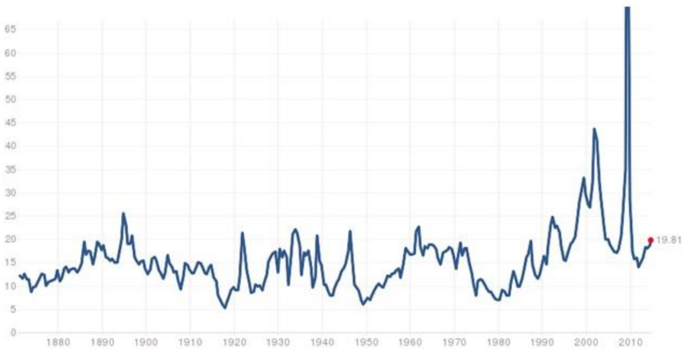
- Technology
- Healthcare
- Real Estate

Emerging Markets fell out of the top three sector rankings (replaced by Health Care), but is still ranked above average for new positions.

The second quarter GDP was revised upward from the 4.0% originally reported to 4.2%. This is an indication that the underlying economy may in fact be stronger than many have previously thought.

In our last newsletter we reported that corporate earnings as measured by the S & P 500 earnings are at an all-time high. Ultimately the value of stocks that represent ownership in companies is intrinsically tied to the future expected earnings of companies. This relationship is often expressed in terms of a price-to-earnings ratio or more simply, the P/E ratio or PE. The PE ratio is the price of the stock (what it trades at in the market) divided by its earnings. Below is a chart of the PE ratio for the companies that make up the S & P 500 Index (sourcewww.multpl.com).

Chart of S & P 500 PE Ratio (from prior 1880 to the present)



This chart shows that the current level of the S & P 500 PE ratio is 19.81. This means that on average for every dollar that a company earns an investor has to pay $19.81 dollars in order to buy stock in that company. When the PE ratio is high stocks are relatively expensive. When the PE ratio is low, then stocks are relatively cheap.

The mean average of the PE ratio over the long time period measured from prior 1880 to the present is 15.52. The current PE ratio of 19.81 suggests that stocks are now more expensive to buy than they have been over the long-term. This in turn may be an indication that stocks are generally overvalued, and thus more likely to fall in value.

The PE ratio is based on historical earnings over the last 12 months and some financial commentators suggest that the PE ratio should be calculated based on an estimate of projected future earnings over the next 12 months. Assuming that S & P 500 earnings will grow over the next 12 months, then the calculated PE ratio based upon a growth in earnings estimate would be closer to the long-term PE ratio of 15.52.   This leads some financial commentators to conclude that stocks are fairly valued, i.e., neither overvalued nor undervalued at the present time.

In summary, we remain bullish on all five broad asset categories outlined at the beginning of our market outlook. Based upon our research and monitoring of various market indicators the current environment for investing in stocks is favorable.

U.S. equities are already at or near all-time highs as measured by broad stock market indexes. At some point one or more of the asset categories listed above will begin a significant decline.

Right now, many economic and business signs we review are bullish, but there will come a time when that changes. Recently an intermediate-term market indicator we monitor has turned bullish and other indicators that we monitor are bullish. Thus, we are generally bullish on U.S. Equities, International Equities, Resources & Materials, Real Estate and Bonds/Fixed Income.

It is our mission to provide high quality professional and objective financial counsel in the areas of investment management, estate and personal financial planning designed to help our clients improve their financial condition and achieve long-term financial goals.

Sincerely,
George M Hiller Companies, LLC Investment Team

George M. Hiller Companies, LLC – Financial Newsletter is published periodically by George M. Hiller
Address: 1110 Monarch Plaza, 3414 Peachtree Rd. NE, Atlanta, Georgia 30326. Phone: 1-800-359-0222 or 404-365-0222
Email: ghiller@georgehiller.com. Web Site: www.GeorgeHiller.com
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