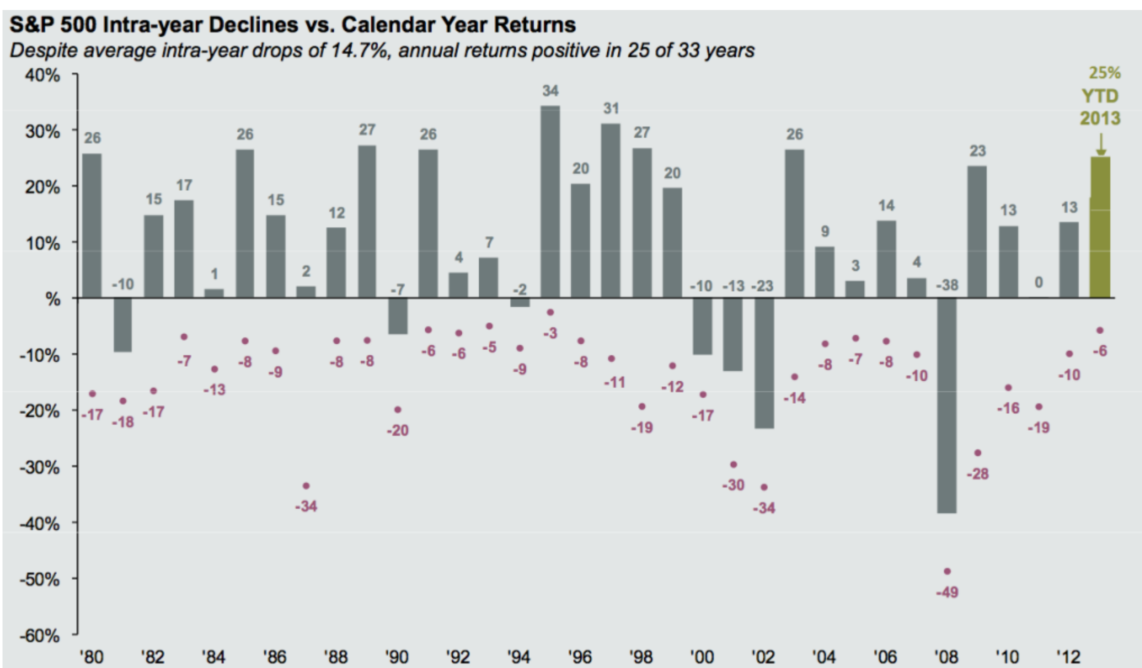
WHITENER
CAPITAL MANAGEMENT, INC.
Registered Investment Advisors

Market Commentary
Spring 2014

Recently there has been a noticeable concern among investors over the probability of a market correction and how that will derail the entire market. A market correction is typically defined as a negative movement of at least 10% in a stock, bond, commodity or index to adjust for expectations, risk, or valuation. There is not a financial necessity for pull-backs, corrections or bear markets but they tend to happen because people cannot predict where economic resources, ie money and capital, should be allocated with 100% accuracy so the markets correct to show us the error of our ways.



May 23, 2014

Equity

Twenty-five of the last thirty-three years, the market has averaged a 14.7% correction and finished the year with positive returns. The worst corrections are preceded by markets that have exhibited very high earnings and revenue multiples, we just aren't there yet. The first quarter earnings of 2014 have been disappointing but they were expected to be soft. Many companies still trade at reasonable valuations and I am confident that earnings will pick up in the second half of 2014. We are not traders or market timers, taking advantage of a soft market allows us to outperform as earnings firm up.

Fixed Income

The fixed income markets continue to be very misleading. Usually you can use the fixed income markets as one of many indicators as to the health of the economy and the equity markets. When the Federal Reserve is manipulating the markets it becomes a very confusing picture. Rates are still low and prices are high. This scenario will normalize as the Federal Reserve continues its tapering. Fixed income investors should stay away from bond funds, bond etfs and most long-term fixed income investments. A 30-year Treasury may be backed by the full faith and credit of the United States government but nobody wants to hold a piece of paper that is only paying 3.34% for 30 years and watch the principal value plummet 15%-20% at the same time. Equity, real estate and cash should be the main weightings in your asset allocation.

Economic Overview

Although 2014 has started with a whimper there is quite a bit of optimism about the second half. The U.S. economy should be able to finish 2014 with GDP growth of 2.4% annualized with earnings growth of 8%-10% for the year. After 2013 this may seem like a bit of a let down but a solid low teens return in the market would be welcome. Unemployment is coming down but it is happening at the expense of labor participation. We will see the unemployment rate fluctuate as workers start looking for work again and come off of government assistance programs. North Carolina saw labor participation rates move up noticeably when the unemployment benefits were cut. It is a painful remedy for some but it is necessary to get people back to work. Working people get our economy moving in the right direction.

Richard "Rick" L. Sanford, II
President - Portfolio Manager

May 23, 2014

FINANCIAL PLANNING CORNER

Where do children pick up their spending and savings habits? From their friends? From television or the media? From their parents? The answer is positively from their parents.

Some of us will cringe as we contemplate that fact. Just as they get our mannerisms and expressions, they also fall into the same spending and savings habits as us. I have seen this firsthand when I used to enroll about 100 people per year into a 401(k) plan at a large hospital in the Southeastern part of the state. I consistently noted that employees who deferred 10% or more of their income said that’s what their parents did. I observed this at all income levels.

Below are five bullet points to contemplate if you have kids at home:

1) It’s okay to discuss financial items in front of your kids. Even if there is an argument, I believe the kids can benefit. The push and pull of financial disagreements are rarely clear cut and your kids will benefit from observing these nuances and how you settle the disagreements. They will likely be married someday, so let them see how you handle these problems.

2) Be careful about how you use your credit cards. Paying with cash or check is fading fast from our economy, but paying for transactions in that manner shows your kids that you “pay as you go.” Yes, you could use a debit card but I think shelling out the 20s and 50s in front of them has more impact. High schoolers absorb this just like elementary school kids.

3) Resist disparaging those who are wealthy or more well off than you. Kids should learn that financial security and wealth are achievable because they are - and not just for certain people.

4) Be careful about giving them too much, even if you can afford it. They will not learn about wants vs. needs.

5) Encourage them to save a good portion of the money they receive at Christmas, birthdays, etc.

6) Sometimes parents who are excessively tight with their money will have kids who grow up to spend carelessly and declare bankruptcy. I guess this is some form of rebellion. So it’s a balancing act, like the rest of parenting!

Sean Gilsenan. CFP