Foresight
Capital Management Advisors, Inc.

NAPFA-Registered Financial Advisor

AIF® Accredited Investment Fiduciary®

Newsletter 3Q 2015 and Market Summary

FCMA's Model Portfolios have held up decently during the -12% market correction: Conservative Model -5.79%, Moderate Model -6.04%, and Aggressive Model -7.01%. All are ahead of the S&P 500, which is -6.74%, except the Aggressive portfolio. The rebound is underway and almost in positive territory as of the writing of this newsletter.

Foresight is pleased to introduce:

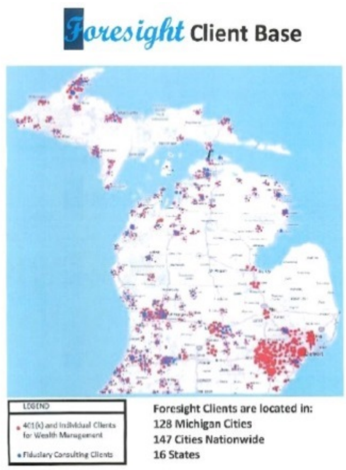
Our Newest Employees!

Corey Boller –EMU BBA

Maeve Skelly our Saline High Assistant, All State Soccer Champion, and Honor Society Student

The IRS is not expected to raise the 401(k) or IRA limits for 2016, but we will notify you once this information is officially available. For 2015, 401(k) limit is $18,000 and if age 50+ $24,000. The IRA limits for 2015 are $5,500 and if age 50+ $6,500. Let us know if you intend to fund your IRA's for the year 2015. HSA savings limits for 2016 have been increased for a family to $6,750 and if age 50+ family will be $7,750.

Recently Foresight launched an Exit Planning Newsletter. This newsletter features topics on business succession planning and retirement planning we can assist you with. If you would like to be added to this newsletter list or know someone who would be interested in receiving the information please contact us at consultant@fcmadvisors.net. Did you know about 75% of all businesses do not have a succession plan. Please contact us if you are interested in completing this important planning for your business. Foresight can now assist with transition planning for your business!



FCMA Model Returns
Sept 30, 2015 YTD

Conservative Model	-5.79%
Moderate Model	-6.04%
Aggressive Model	-7.01%
Indexes:	
S&P 500 Index	-6.74%
MSCI EAFE Foreign	-7.35%
10Yr T-Bond Index	-0.11%

Future performance is not guaranteed; above returns are 2pt actual averages

Foresight's Portfolio Strategies

Summer sure brought a *Wild Ride*, and not one from an amusement park, with the S&P 500 correcting -12% in August only to rally nearly back to positive territory as I'm writing this newsletter. Although the economy is doing well these retractions and rallies are common in an aging bull market according to the International Strategy and Investment (ISI). Perry Gordon, an Investment Relationship Manager at Fidelity, reports in his weekly Market Update, "U.S. on Solid Footing after Resolving Many Structural Issues". The following items are driving many economist to believe the market is more resilient than we think. Consider the following positives: 1. We use to have surging budget deficits…now we have deficit declining relative to GDP. Deficit now running -2.44% as it was in 1960. Rising tax receipts and flat spending have brought this back to its historical average. 2. We use to have concerns of dealing with peak oil prices…now progress towards energy independence. U.S. production for oil currently higher than our imports of oil. 3. We use to have a glut of houses for sale after subprime crisis….now shortage of homes with rising demand from the millenials. 4. We use to seek manufacturing overseas….now many global firms are establishing manufacturing operations in the U.S. 5. Banks use to be excessively leveraged….now our financial industry is well capitalized. The Frank Dodd and Basel III has led to stronger balance sheets for banks. 6. Lastly, households use to be debt burdened….now fortified household balance sheets. Overall net worth has improved, an average of $30k per household, with considerable amounts of debt being repaid. When you look at all these huge structural issues turning around in about face to the positive they all point to the likelihood of a longer sustained secular bull market. Factset has a chart, as of 3/31/2015, showing all the +20 year secular bull and bear markets since the turn of the century going back to 1896. This chart is very telling in that it appears we are moving into the next Secular Bull market period! Additionally, the Wall Street Journal recently wrote an article studying the past bear markets. This article states that after a terrible recession like 2008 the next couple of recessions are likely short lived and very mild recessions. See article from the Wall Street Journal , Monday March 9, 2015, " How to Survive a Bear Market" by E.S. Browning. All three of these sources are supporting the theory of a healthy economy with continued secular bull market tendancies. We agree with their research and are cautiously optimistic that the market will have a decent 4Q 2015 as retail sales begin their season and 3Q Earnings are released. Thus far 71% of 3Q earnings from companies have reported meeting or beating their estimates and only 29% are missing. The "Goldilocks Economy" is in full swing and most companies are prepared for the impending interest rate increase, now probably pushed off to 2016. Corporations continue to have large cash savings and solid balance sheets. We believe the U.S. will remain the country to invest in and continue sustained economic expansion with low inflation. Unemployment lowered to 5.1% in September, inflation is at 0% as of September 2015 , and gas prices still near 20 year low; this all means positives for the U.S. consumer. We expect the Federal Reserve will raise interest rates sometime in 2016 and the dollar is likely to continue to strengthen against foreign currencies. Lastly, an interesting fact pointed out by economist, Fritz Meyers, of Advisors4Advisors, is when the Fed Reserve first raises interest rates the market usually stutters and stocks lower, and then stocks lift off and begin to rise the remainder of the interest rate hikes! Meyers reiterates that recessions only happen when the yield curve is flat or inverted and he believes GDP will likely hit 3% for 2015 and 2016 which is another indicator that the US economy is doing just fine. GDP according Bureau of Economic Analysis estimates GDP at 3.5% for 2015. The U.S. bond curve is very steep at its present time so we see the next recession not for several years to come. We expect European stocks to continue to react to the QE money stimulus much like the U.S. did in 2010. We believe global diversification is still the best way to continue to invest and win in the long run. The concensus of most economists, we have heard recently, stated they believe the U.S. is the healthiest economy and should do decently well the next few years, even when interest rates do rise.

This quarter Foresight added to Financials, Emerging Markets, and continued with Europe in the mix of foreign holdings in your portfolios. We remain globally invested and we are cautiously optimistic that 2015 will be a decent year in the market despite the strong likelihood the Federal Reserve will raise interest rates in early 2016. For clients with stock portfolios we continue to have many stop-losses in place as a defensive measure to hold onto gains that have been earned in the stock holdings should the market decide to fall abruptly. Many of these stop losses were triggered in the 3Q and did exactly what they were intended to do. We held onto the bulk of the gains and had cash freed up to buy low the next stocks we saw value in! For the 4Q 2015 we have increased our holdings in real estate, absolute return bonds, financials, and communication. Foresight reduced our holdings in utilities, energy, and industrials. We have the bond portion of the portfolios ready to handle an interest rate increase by utilizing convertible bonds and floating rate interest. We are maintaining our overall portfolio strategies for 2015, and expect decent corporate earnings and a healthy U.S. economy to continue into 2015 and 2016. Please contact us if you have any concerns or questions about your portfolios. Remember the U.S. is not too hot or not too cold, and continues to be just right at this point!

Foresight Planning Ideas

Did you Know? If you have Roth 401(k) it is wise to roll these funds to a Roth IRA before you turn 70 ½ because if the Roth funds are left inside a 401(k) they must take RMD (required minimum distributions) just like the pre-tax funds which defeats the purpose of letting the Roth grow! However if you roll it over into a Roth IRA before 70 ½ then you do not need to take the RMD from the Roth IRA. This is a very important hint to remember!

Did you Know?: You can take a distribution from your 401(k) or 403(b) prior to age 59 ½ without a 10% penalty; if you have separated from service no earlier than age 55. Funds must be in a 401(k) or 403(b) and cannot be in an IRA. Additionally, if you retire and wish to begin normal distributions prior to 59 ½ then a 72-t calculation can be done to allow funds to be removed from your IRA without a 10% penalty as long as you have separated from service.

IRS Contribution Limits rise for 2015! $18,000 deferral max and for 50+ $24,000 deferral, and IRS likely to hold these savings levels for 2016.

Happy 80th Birthday Social Security Plus Happy 50th Birthday for Medicare! Although these two programs have their issues and privatization may be considered according to AARP, no politician, as FDR predicted is in no position to take them away. If you would like Foresight assistance on determining when it is best to begin taking your Social Security please contact us.

New Health Savings Accounts-HSAs with Foresight at Schwab and TD Ameritrade: . Coming soon you can open an HSA account with Foresight and choose to have the funds invested in our Conservative Mutual fund portfolio! If you have a High Deductible Health Plan then you can consider opening a HSA = Health Savings Account. The HSA will allow you to save in 2015 up to $3,350 for single and $6,650 for a family; if +55 then $4,350 for single and $7,650 for a family. In 2016 family savings limit will rise to $6,750 and if age 50+ family will be $7,750. The HSA savings are not subject to Federal Tax and will grow, much like a Roth IRA, with no tax due if used for all qualifying health expenses, note cannot be used to pay health insurance premiums. If you are interested in more information on this strategic investment idea for your healthcare savings please contact us. 2015 HDHP=minimum deductible for single $1,300 and family $2,600 and out of pocket maximum for single $6,450 and family is $12,900.

Roth IRA Ideas if interested in additional savings ideas consider opening a Non-deductible IRA. This will allow you to save the maximum in your 401(k) and also save an additional $5.5k in a Non-deductible IRA, and $6.5k if age 50+. Then convert the Non-deductible IRA to a Roth IRA! It is a way to obtain Roth IRA funds even if you are not able to save directly into a Roth IRA.

Elder Care: Contact us if you are in need of assistance with obtaining Veteran Benefits in the Greater Detroit area.

Auto-Enrollment and Auto-Increment Options for Retirement Plans: Please consider adding both or one of these important options to your company's retirement plan. They allow every employee who is eligible to be automatically enrolled at the beginning of the year, and if Auto-increment is added the company can increase the savings of each employee by 1% each year. The employee has the ability to opt out of the "Auto", but history has shown few do. Therefore the company has accomplished something good for the employee by automatically setting up savings for their retirement! Please contact us if you are interested in pursuing these features. They are very inexpensive to amend and add to your current company plan. We recommend adding them by October 2014 to implement by January 2015.

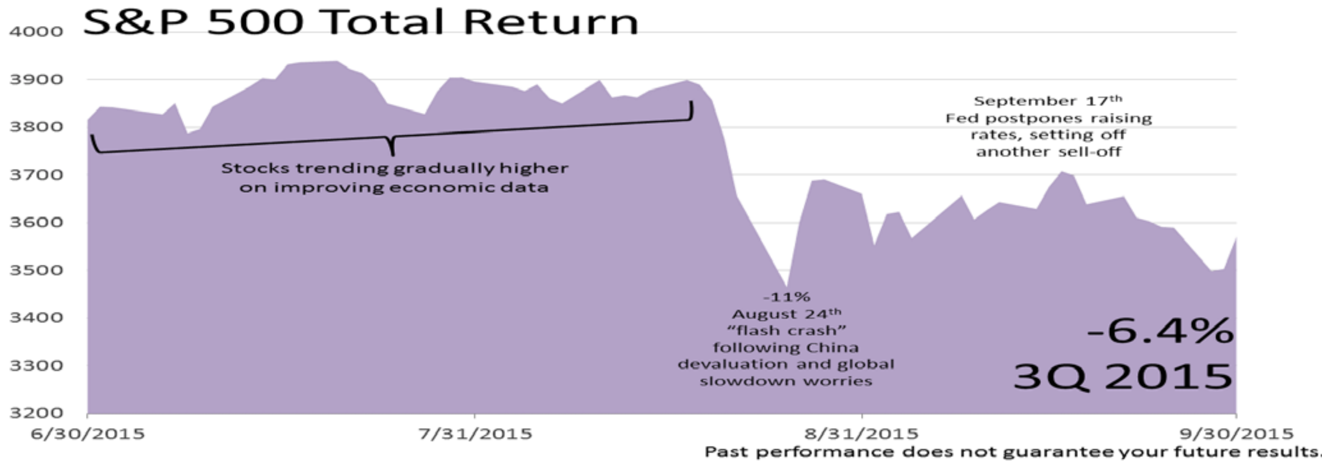
Target Date Funds-The Next Retirement Dilemma: Foresight completed a white paper on Target Date Funds-The Next Retirement Dilemma. This is now published on a national website at fi360.com. It contains research related to TDFs and is quite eye-opening. Please email us at consultant@fcmadvisors.net if you would like a copy to read.

Feeonlynetwork.com: Foresight is now a published advisor on-line at www.feeonlynetwork.com. This is a website to locate fee-only advisors in your communities. Check it out and see a video from the AIF® national conference when Laurie was interviewed about our investment processes at Foresight!

Foresight's New WebPortal Reporting: Are you getting your quarterly reporting from us? If not please let us know so we can help you access it online through our web portal or send you a copy in the mail. We want our communication to be timely and beneficial to you. If you have any access issues please call or email us at 1-877-429-4690 or mgallagher@fcmadvisors.net. Soon we will be sending you a survey to get feedback on the use of the WebPortal.

On-line Access each year we encourage everyone to test your on-line access to your account(s) at the custodian or third party administrator for your plan. Please visit **Journeyrps.com** or **Noblepension.com** if a retirement participant. For individual clients at TD Ameritrade access **Advisorclient.com** for Schwab Institutional Clients access **Schwaballiance.com.** If you have any difficulty accessing your account, please email or contact us for assistance.

Newsletter 3Q 2015 and Market Summary



The stock market suffered its first correction in more than six years during the third quarter of 2015.

While economic fundamentals driving stock prices remained positive, the market was long overdue for a correction, as mentioned in updates for the past few quarters.

Stocks had edged higher in the first weeks of the third quarter of 2015, as economic data improved steadily.

On August 11, China devalued its currency, the yuan, to make its exports less expensive and boost its economy, which was showing signs of a slowdown.

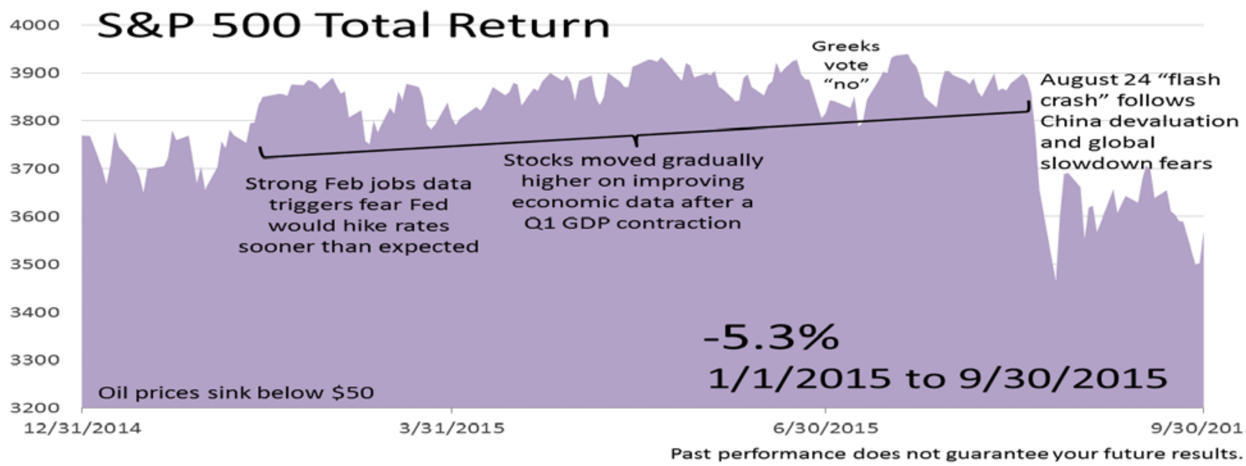
China's currency devaluation, combined with heightened concerns over a global slowdown and weakening commodity prices, triggered the "flash crash" of August 24.

Immediately upon opening that day, the Dow Jones Industrial Average plunged 1,000 points. But investors cut the losses in half by the end of the day.

The plunge in stocks represented the first "correction" in stock prices – a drop of more than 10% – in more than six years.

Stocks rallied into the Federal Reserve Board's September 17 meeting, when it was widely expected the central bank would raise its Fed funds rate for the first time in seven years.

The Fed postponed the rate hike, however, and that set off another stock market selloff that ran into the end of September.



2015 opened with the stock market suffering a case of jitters after crude oil prices plunged 50%.

In early March, strong jobs data made investors nervous about whether the Fed might hike rates as early as June – much sooner than expected.

While fear of the Fed's first rate hike in seven years dogged investors throughout the first three quarters of 2015, stocks nonetheless trended higher on steadily improving U.S. economic data.
In fact, in July, the Institute of Supply Management's purchasing managers' index of nonmanufacturing activity hit an all-time high of 60.3, which the ISM said "corresponds to a 5.0% increase in real GDP."

But the springtime market peaks did not last.

The Greek debt crisis sent stocks worldwide tumbling after a vote by the Greeks not to accept terms of a bailout proposed by the European Union. While the Greeks accepted terms of a bailout by mid-July, a Greek debt solution still awaits final ratification.

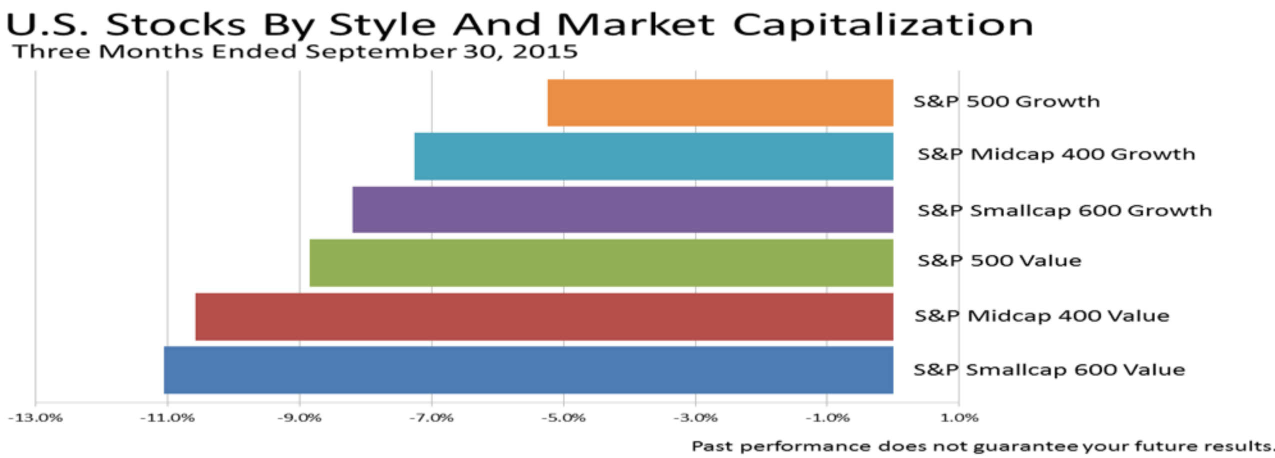
On August 11, China devalued its currency. China's move was an attempt to keep its economy growing at the amazing 7%-rate, which the Chinese had sustained for years.

While the world's second-largest economy was still expanding, growth came at the slowest rate seen in 25 years.

Fears that less robust growth in China would cause a global slowdown helped triggered a "flash crash" on August 24, when the Dow Jones Industrial Average plunged 1,000 points immediately after opening.

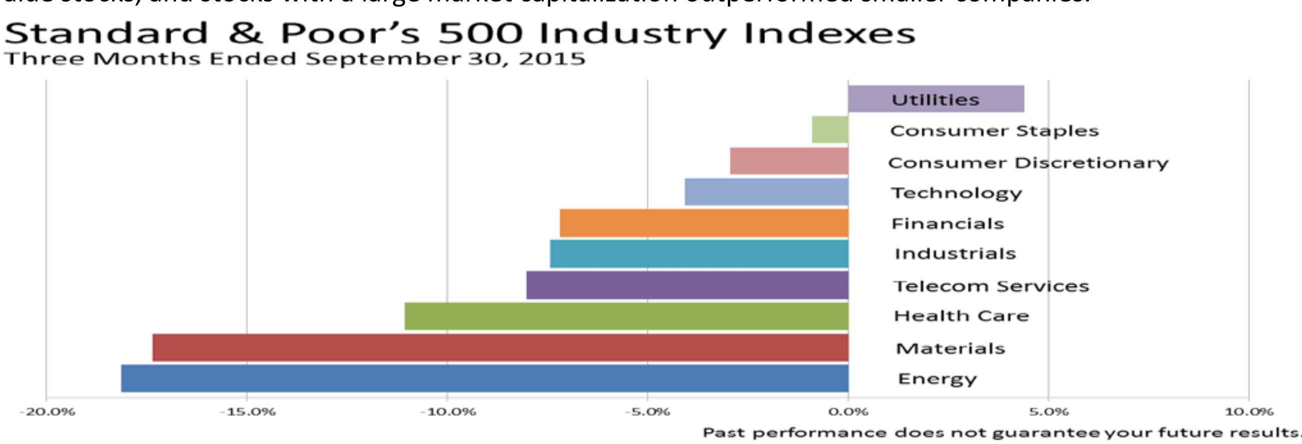
By the end of the day, the losses were cut in half.
But the Standard & Poor's 500 had suffered its first correction in more than six years.
At its bottom, the S&P 500 fell by 13.4% from its May 2015 all-time high.
Stocks rallied in the days leading up to the Federal Reserve's September 17 meeting.

Postponement by the Fed of the long-anticipated rate hike set off another stock market selloff, and the slump in stock prices continued into the end of the September.



Comparing the performance of growth stocks versus value stocks gives investors insight into factors driving prices and enables investors to stay broadly diversified across a range of styles.

In this chart, you can see that, during the third quarter of 2015, growth stocks withstood the market pullback better than value stocks, and stocks with a large market capitalization outperformed smaller companies.



Utilities stocks, a sector that was panned by Wall Street's top strategists in Barron's in December 20014, was the only sector to post a positive gain in the third quarter.

Utilities appreciated because investors sought safe haven and income yielded on dividends.

Consumer staples, which traditionally is a defensive sector, also held up well during the quarter.

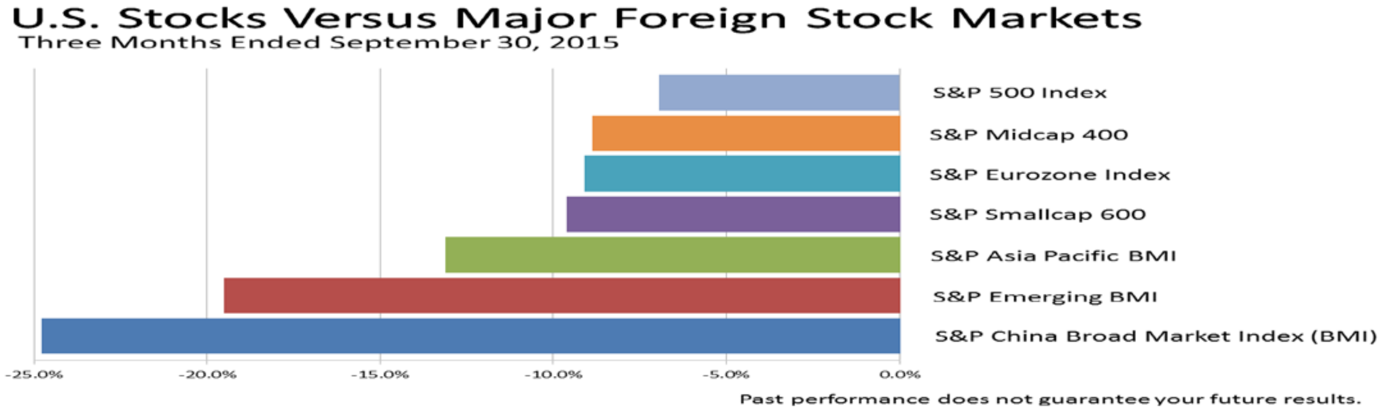
While the Standard & Poor's index of blue-chip American companies lost 6.4%, including dividends, consumer staples lost slightly less than 1%.

Energy stocks lost a whopping -18% during the third quarter as crude oil prices dropped another -30%.

This continued a slide that began in the fourth quarter of 2014.

Materials stocks also took a huge beating, sustaining a loss of -17%.

Global commodity prices continued to drop on fears that slowing growth in China might dampen economies across the globe and dampen demand for chemicals and metals, as well as construction materials, including wood and paper products.



Comparing the performance of major foreign stock markets with the S&P 500 for the three months that ended September 30, 2015, the S&P came out on top, even though the 500 sustained a loss of -7% for the quarter.

This gives a clear indication of how the China slowdown was affecting markets globally, and how the U.S. is less affected by foreign economies than other countries. The sheer size of the U.S. economy – the fact that 70% of GDP is tied to U.S. consumer spending – insulated the U.S. stock market from big losses, which were sustained in Asian and European markets.

China's stock market plunged by -25% in the third quarter, despite the Chinese government's massive intervention to bolster Chinese stocks.

In the first two quarters of 2015, China's stock market had surged on margin-fueled buying, but the speculative frenzy came undone once it became evident that China's economy would grow slower in the months ahead.

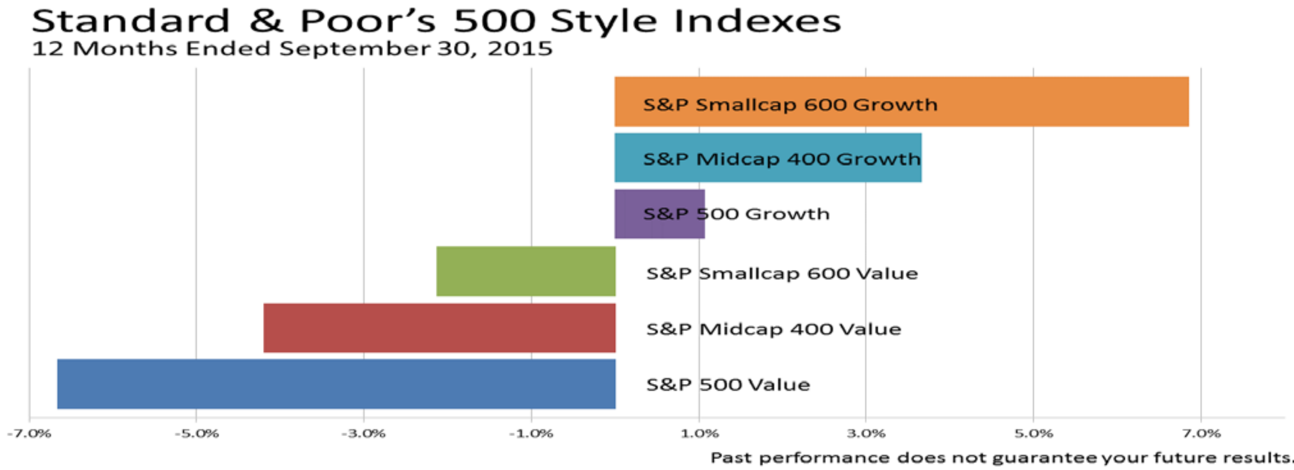
Emerging markets also dove -20% as commodity prices – which bring revenue to many emerging markets – continued their decline on slowing Chinese demand.

In the 12 months that ended September 30, 2015, the Standard & Poor's 500 index of America's largest publicly held companies posted a price drop of -2.7%. With dividends included, the total return on the S&P 500 was a fractional loss of six-tenths of 1%.

Over the last eight decades, the average annual total return on the S&P 500 has been about 10%, putting the 12-month period well below average.

Keep in mind, however, the poor performance of stocks in the 12 months that ended September 30 followed a string of exceptionally strong 12-month returns, as the stock market recovered from its March 2009 bear-market bottom.

The August flash crash finally brought the "10% correction" that was long overdue.



Comparing the stock performance of growth versus value companies over the 12 months that ended September 30, 2015, growth stocks substantially outperformed value issues across the market-cap spectrum.

The difference between the best- and worst-performing style is huge. Small-cap growth outperformed large-cap S&P 500 stocks by a whopping 14%.

It is unusual to see such a disparity in returns of growth versus value stocks. Why did it happen?

Over the past year, energy, raw materials, telecom, and financials all lagged significantly, and those sectors all are laden with value investments.

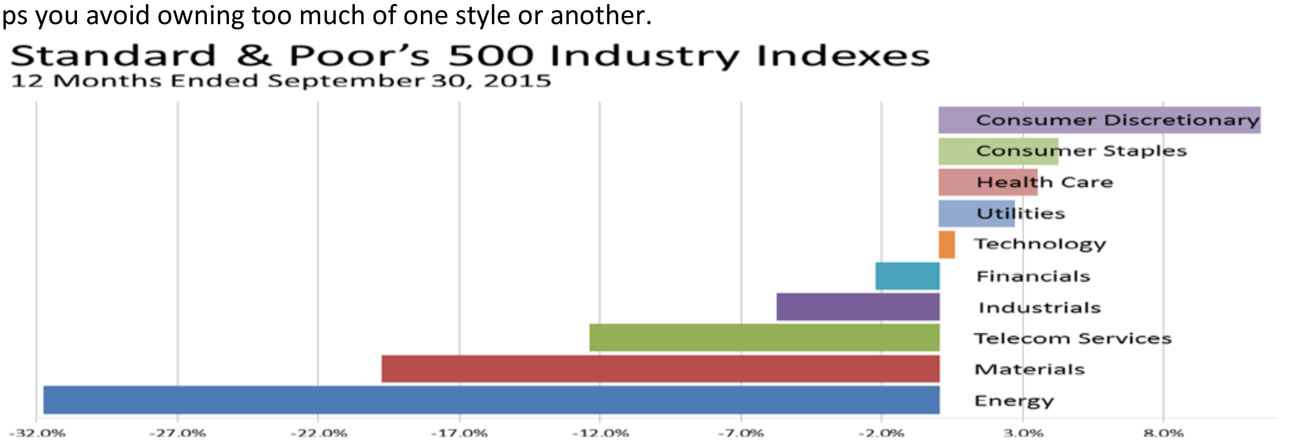
A key takeaway from this chart is how, like a pendulum, investor preferences can swing from one style to another.

And these swings usually are rarely expected in forecasts from experts quoted in the financial press.

The performance of growth versus value and small-cap versus large-cap over this 12-month period illustrates why investors must stay broadly diversified across a range of market capitalization levels and style classifications.

It is impossible, even for the media gurus, to consistently make accurate style predictions, which makes diversifying across styles and rebalancing the best course.

It helps you avoid owning too much of one style or another.



Among the S&P 500's 10 sectors for the 12 months that ended September 30, 2015, consumer and health care stocks led the pack.

Investors gravitated toward companies whose earnings are derived from revenue from American consumers. These companies are less exposed to the economic weakness now widely expected in Asia.

Utilities also posted positive returns in the one-year period because interest rates did not rise, as many had expected they would, which made the dividends yielded on utilities more attractive.

With the price of crude oil plunging by -62% over the past year, energy stocks dropped -32% in value.

The materials sector also took a plunge in the one-year period as commodities prices dove on declining growth in demand from Asia.

In the five years that ended September 30, 2015, the Standard & Poor's 500 total return index gained 68%. That's an 87% total return with reinvestment of dividends included.

This chart shows that periodic setbacks, like the wrenching correction of late August and early September, are just blips over the long term.

To be sure, the market plunging by as much as 13.4%, as it did in a sudden, swift descent, was indeed unnerving to most investors.

Only by looking at the plunge in the context of long-term performance can an investor see that these emotional downdrafts are to be expected every few years, and how even the darkest moments in the past always have been followed by a recovery.

Keep in mind that, despite the recent correction, the long-term bull market is still intact. It would take a drop of more than 20% in stock prices to enter bear-market territory.

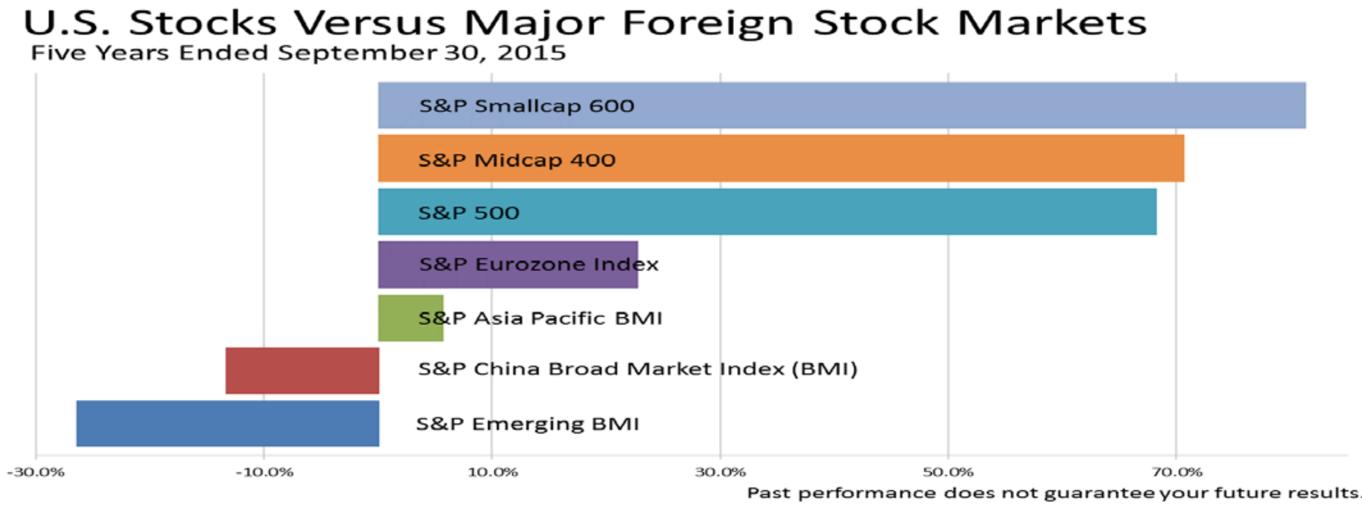
As the fourth quarter of 2015 began, conditions that have led to bear markets in the past were not evident. Economic growth is not slowing, the Federal Reserve is not restrictive in its monetary policy, stock valuations are certainly not high, and earnings growth has met Wall Street's expectations. The economy keeps chugging along, and the Fed chairman's history makes it likely that an accommodative monetary policy will stay intact.

Since 1900, only three of 23 bull markets have lasted six years or longer. At six and a half years old, this bull market is already one for the record books.

However, the likelihood of a bear market increases as the bull market grows older.

But the underlying fundamentals remain solid and the slow-growth expansion engineered by the Fed could go on for years.

The economic expansion in the U.S. shows few signs of ending any time soon, and the long bull market also could be propelled higher, even though it has had such a long and strong run.



This chart shows the relative performance of U.S. stocks versus foreign stock markets over the five years that ended on September 30, 2015.

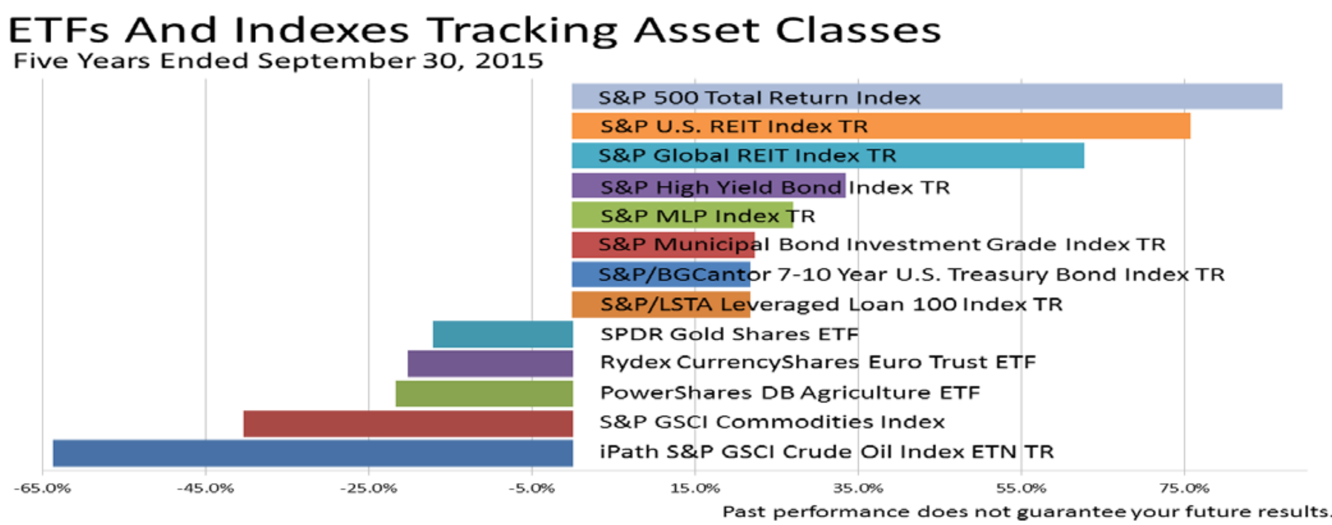
Major regional foreign stock indexes gauging performance of stocks in Europe, Asia, China, and emerging economies across the globe all significantly trailed the Standard & Poor's 500 stock index.

For the five-year period that ended with the third quarter of 2015, the U.S. led the global economic recovery, and the S&P 500 index was up +68%, compared to a +23% rise in Eurozone stocks.

Asia Pacific stocks gained 6% in the same period, China's fledgling stock market showed a loss of -13%, and emerging markets suffered a 26% loss.

The takeaway here is that the U.S. economy snapped back faster and with greater strength than the other major regions of the world and that is what has driven the outperformance of America's blue-chip companies.

It's a real testament to the resilience, strength, and independence of the U.S economy and helps bolster the case for American exceptionalism.



At the top of the asset-class stack over the five-year period that ended September 30, 2015, was the Standard & Poor's 500.

Of the diverse set of 13 types of assets, U.S. stocks were No. 1.

Also among the best-performing asset classes were real estate investment trusts, both U.S. and foreign, along with high-yield bonds and master limited partnerships, which are primarily made up of U.S. energy companies.

At the bottom of the pack were crude oil and indexes with exposure to commodities and the euro currency.

The euro was down -20% in value versus the U.S. dollar over the five years.

Commodity prices have collapsed, which has largely discredited forecasts of a commodity “super-cycle,” a notion popularized in the press that led many pundits to predict that commodity prices would be driven higher and higher for decades due to China’s insatiable demand.

Oil prices, too, have plunged in the last 18 months, relegating this asset class to its lagging position.

Shale drilling in the U.S. has added more than five million barrels a day to the global crude supply.

That’s been a game-changer. It has knocked global supply and demand for oil far out of equilibrium, and this is unlikely to change in the years ahead.

As for the bond total-return indices, U.S. Treasury bonds, municipal bonds, and leveraged loans all gained +22%, or +4.4% per year over the five-year period shown in this chart.

Gold, in this period, shot from approximately $1,200 an ounce to $1,800 before settling at its recent level of about $1,068.

What caused this wild ride? Gold bulls had expected the anticipated winding down of the Fed’s liquidity program to trigger inflation and “debase” the U.S. dollar.

That expectation came undone as inflation and bond yields trended much lower than investors, including the Federal Reserve, had expected.


NETNET

Recession buzz is heating up on Wall Street

Wall Street is getting increasingly nervous about the prospects for recession, both on a global and domestic level.

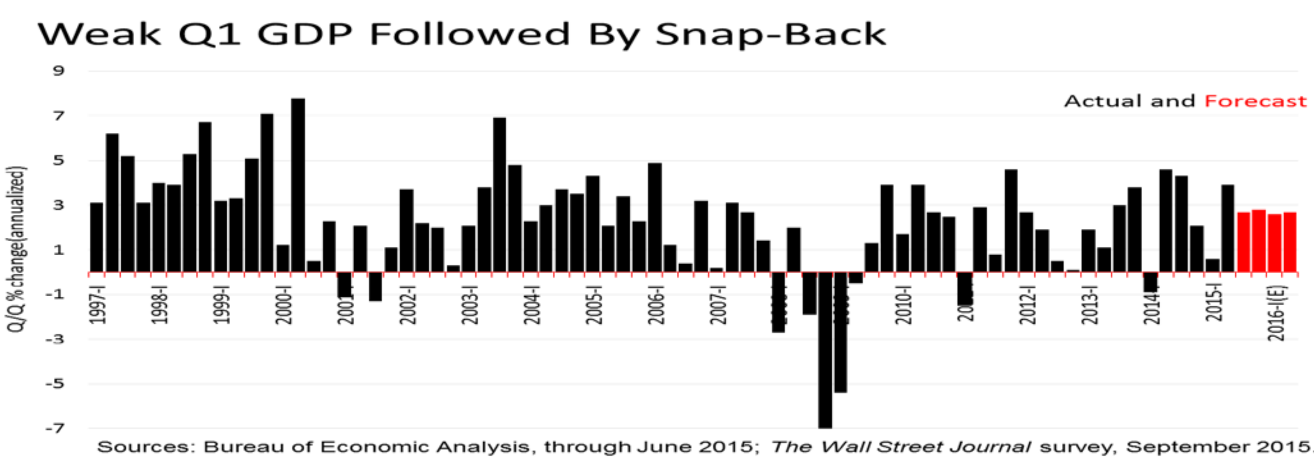
Slowing global growth has been one of the predominant investing themes in 2015, causing enough turmoil to send both the S&P 500 and the MSCI World Index down about 4 percent.

The $73.5 trillion global economy is expected to grow 3.1 percent in 2015 and 3.6 percent in 2016, according to the latest International Monetary Fund projections. Those numbers, though, are heading lower and could be revised even more before all is said and done.

Citigroup economist Willem Buiter looks at the world landscape and sees an economy performing substantially below potential output, which he uses as the general benchmark for the idea of a global recession. With that in mind, he said the chances of a global recession in 2016 are growing.

"We think that the evidence suggests that the global output gap is negative and that the global economy is currently growing at a rate below global potential growth. The (negative) output gap is therefore widening," Buiter said in a note to clients. He added, "from an output gap that was probably quite close to zero fairly recently, continued sub-par global growth is likely to put the global economy back into recession, if indeed the world ever fully emerged of the recession caused by the global financial crisis."

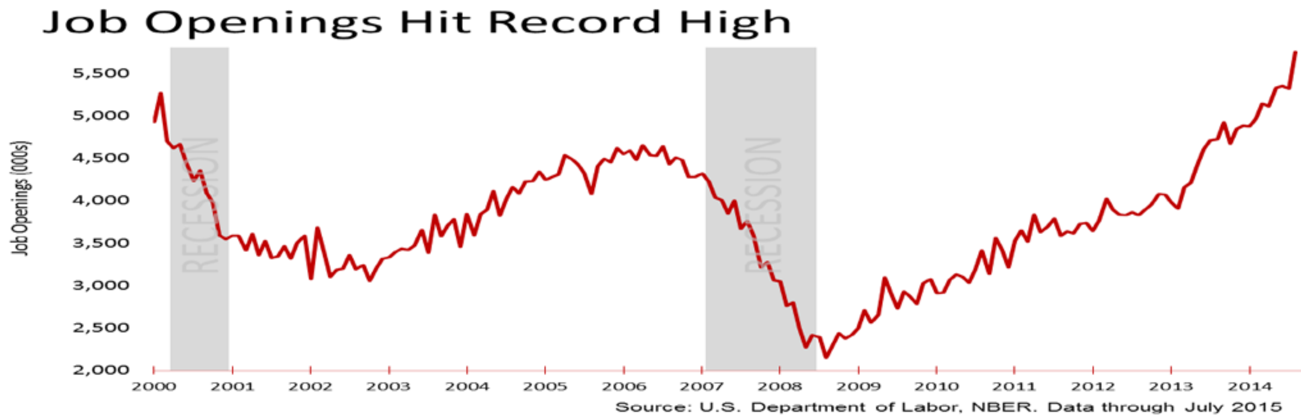
To offer advice on investing as a professional, it’s obviously important to keep up with what’s happening in the news. While the media often cover financial news in a responsible way, some of the coverage is consistently irresponsible and inaccurate.
For example, this recent CNBC article is entitled “Recession buzz is heating up on Wall Street.”
While the “buzz” maybe heating up, the basis for an argument that the U.S. may be headed for recession in the near future is simply nonexistent.
It’s a ridiculous notion given the array of uniformly positive recent data.



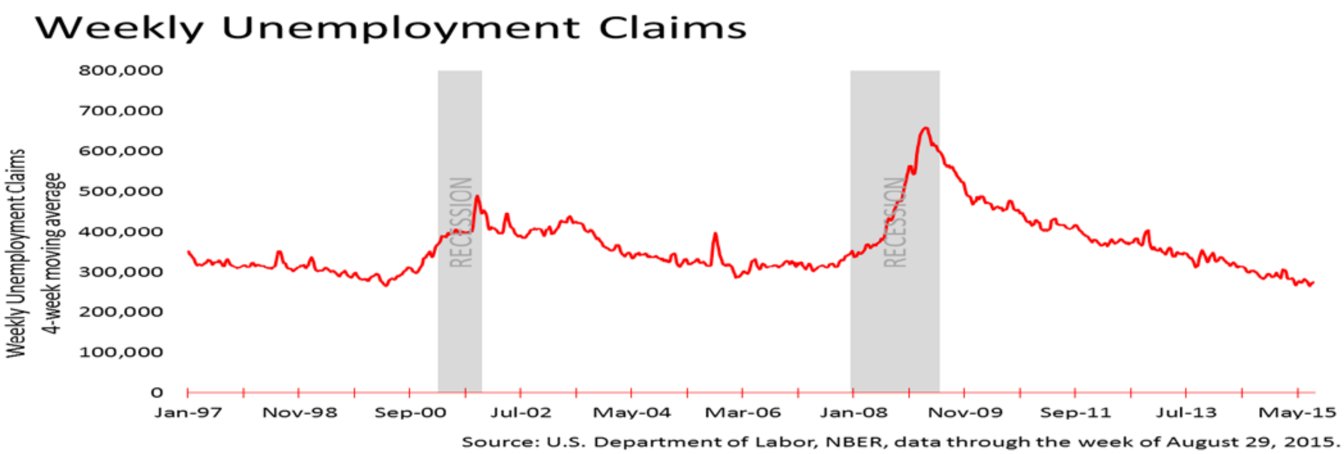
Second-quarter gross domestic product growth of the U.S. economy was strong at 3.9%, although this was not what CNBC reported.

This <u>is</u> just one quarter and it likely won't repeat in the third quarter, but it is clear from this chart that a 3.9% actual growth compares favorably to the quarterly GDP growth rate since 1997.

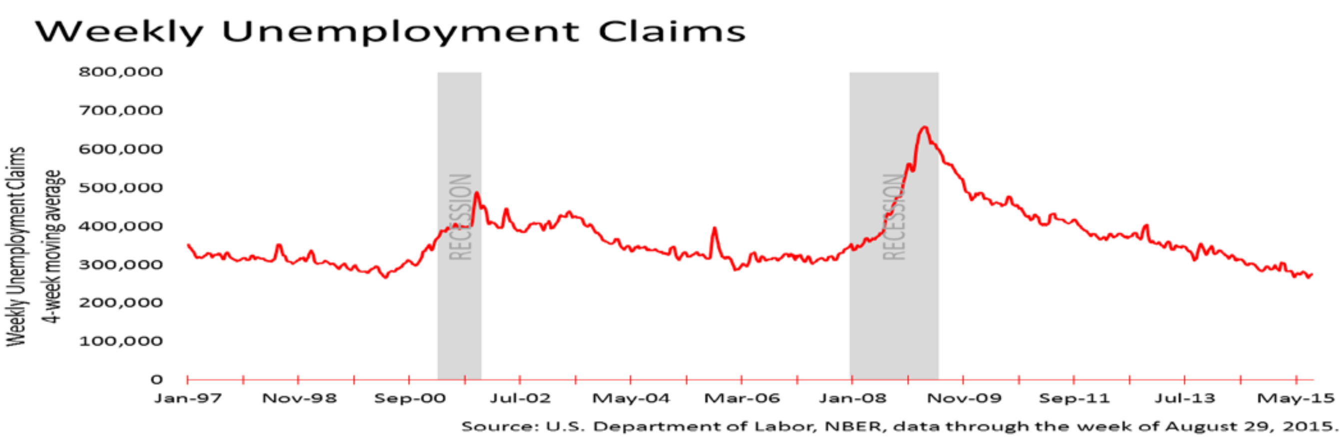
The 70 economists surveyed by *The Wall Street Journal* in early September, which is in red, were forecasting healthy GDP expansion in the quarters ahead.



Job openings through July 2015 have been at a record-high level.
Record-high job openings are indeed accompanied by slowing jobs growth.
While slowing growth in jobs may seem like a negative, it's actually is a consequence of the economy approaching full employment.



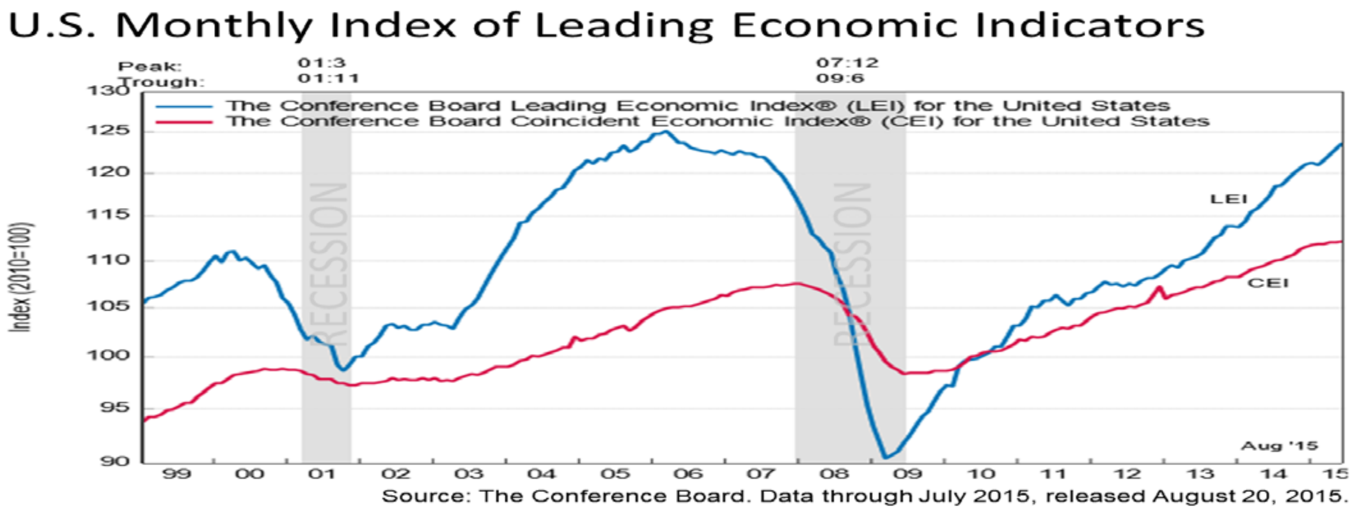
Weekly unemployment claims recently stood at a record low.
While unemployment claims show lots of ups and downs week to week, the clear trend since the Great Recession in 2008 and 2009 has been steadily downward, and unemployment claims recently slipped below the lows seen before the recession.



The Institute of Supply Management's index of U.S. purchasing managers for the nonmanufacturing sector of the economy – which is responsible for about six times more activity in the U.S. economy than the manufacturing sector – hit an all-time record high of July 60.3.

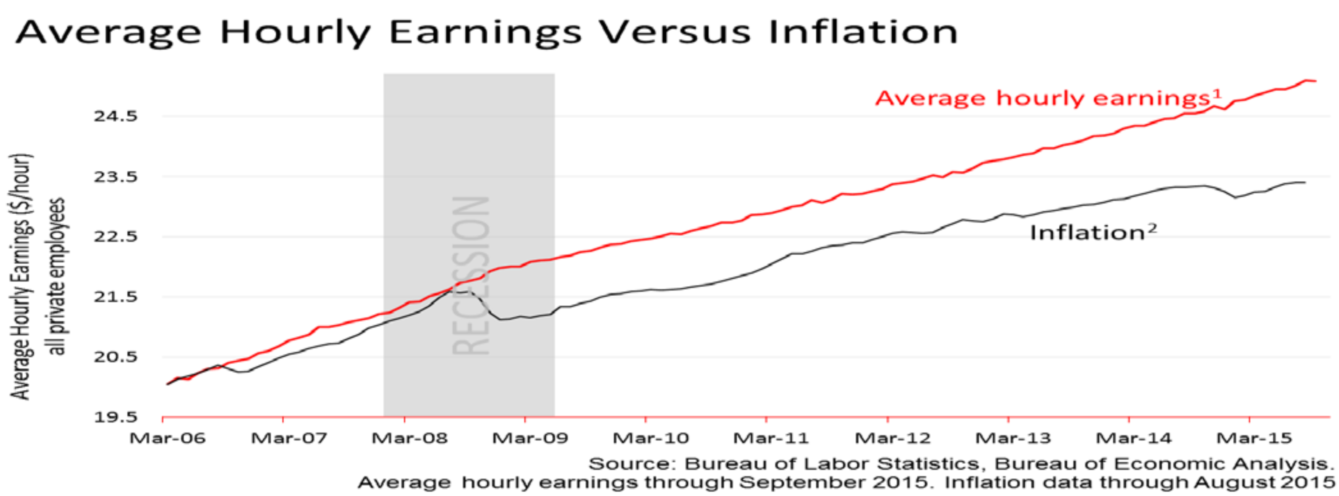
A reading above 50 indicates that the non-manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

The indexed ticked down only slightly through September, but it is still an extremely strong reading.



The Conference Board's index of U.S. leading economic indicators is shown here.

It rose again in August and the Conference Board release on September 18 suggested continued growth is ahead.



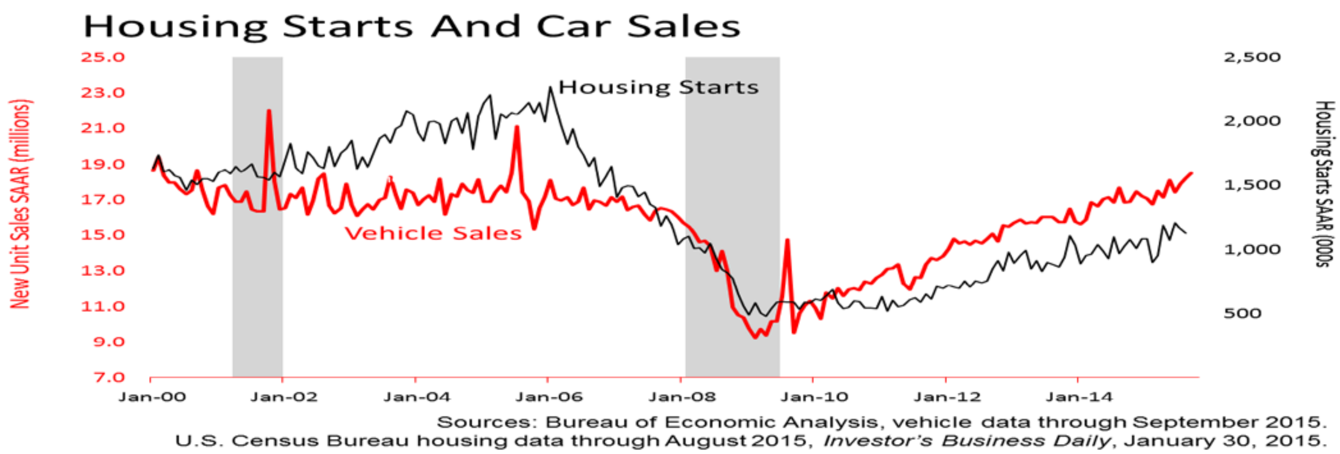
It has been common for the media in recent months to report that wages are not growing in the U.S.

In fact, wages are growing steadily.

Note how the gap between wage gains and inflation has been expanding since the recession.

In fact, real wages have actually been growing faster since the recession than they were in the months leading up to the recession.

Personal income and spending have been gaining at about the same rate that preceded the recession.

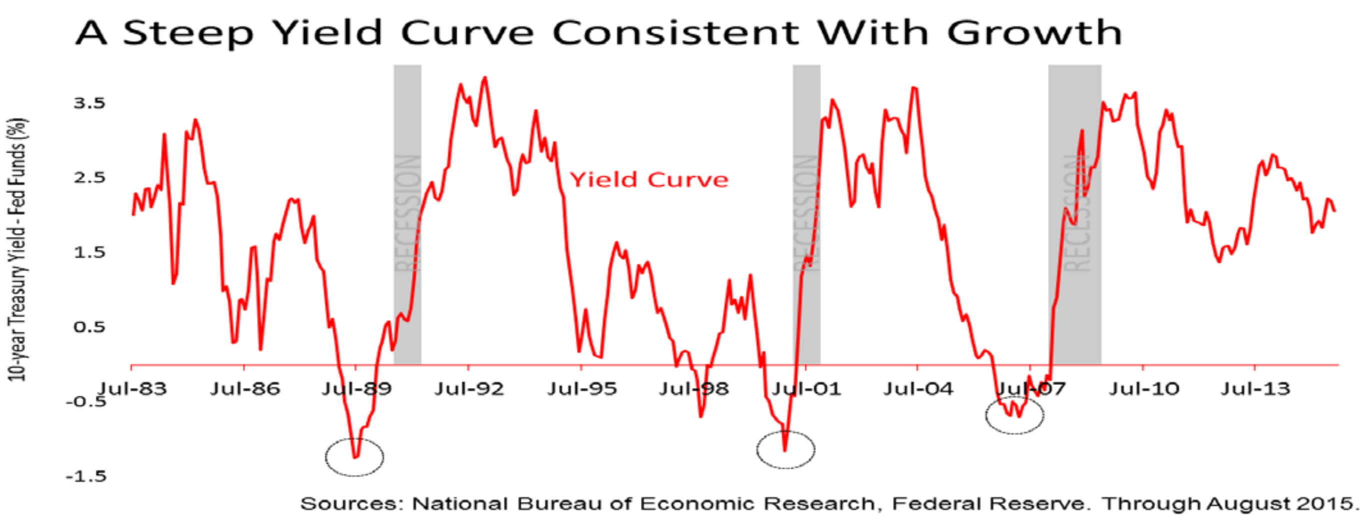


Housing starts have been slowly but steadily improving since the disastrous mortgage debt crisis, and they remain in recovery.

August housing starts neared their post-recession peak of 1.2 million.

While housing starts are still lagging when compared to the pre-recession years, growth in the U.S. population is likely to drive housing starts steadily higher in the months ahead.

September vehicle sales were booming and running at an 18.5-million annual rate.



Meanwhile, the yield curve remains steep and it is not remotely close to flattening, which has triggered recessions in the past.

The yield curve is the differential between the interest rate on the short-term Fed funds rate and the rate on 10-year Treasury bonds.

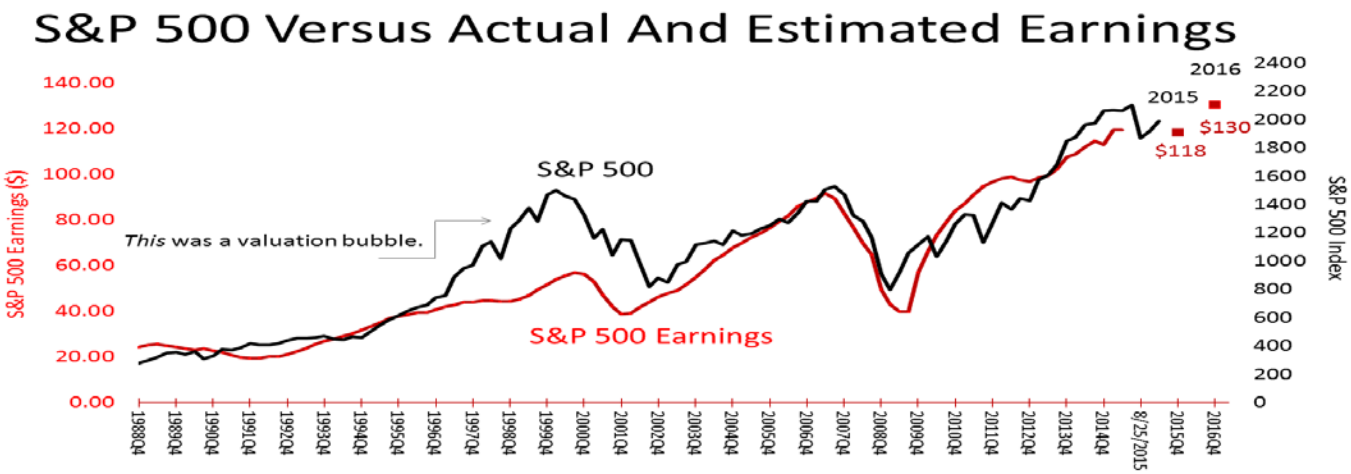
The yield curve is shown here in the red line back to 1983, through several economic cycles.

Steep yield curves – a big differential between bond yields and the Fed funds rate – are consistent with strong GDP growth.

Flat or negative yield curves, like those circled, have preceded recessions.

Today, the yield curve is steep and it is likely to remain so, because the Fed has made it clear that rate hikes are likely to be very gradual.

It is likely to be years before the Fed sees a need to hike short-term rates and close the gap with long-term yields in an effort to stifle economic growth.



Sources: Yardeni Research, Inc. and Thomson Reuters I/B/E/S survey of consensus estimates. Standard and Poor's for index price data through October 5, 2015 and actual earnings data through June 2015. Past performance does not guarantee your future results.

Ultimately, corporate earnings are what drive stock prices.

The black line in this chart represents stock prices and the red line represents corporate earnings.

You can see how the two lines are highly correlated.

You can also see how, in the late 1990s, the correlation broke down, and stock prices surged way above earnings.

That was the tech-stock valuation bubble.

At the upper right, the two red boxes mark the latest earnings forecasts of Wall Street analysts.

The latest consensus 2015 and 2016 earnings forecasts are plotted on the left axis against the price of the S&P 500 stock index on the right axis.

Unless something totally unexpected happens, it makes sense to conclude that higher profits could easily drive higher stock prices in 2016.

The point is, the financial media are reporting that the "recession buzz is heating up" when the economic data is pointing toward a Goldilocks economy that is neither too hot nor too cold. It's just right.

Why do the media consistently make such wrongheaded assessments?

Perhaps it is because journalists are supposed to always cover all sides of a story.

So maybe the media feel obliged to take a skeptical view of the positive economic outlook.

Even amid a Goldilocks economy, journalists are reporting the wolf is near.

The other explanation is that the financial press is big business.

CNBC provides real-time market coverage to about 100 million American and Canadian households and another 271 million households worldwide.

In a quest for market share and profits, media companies are under pressure to produce content 24/7 that will draw eyeballs, clicks and views.

This article is accompanied by several ads, and you frequently must watch a commercial for a product before you can view an article like this one.

As an independent financial advisory firm, we do not sell ads on our website, and you can rely on our news stream and analysis of the economy to be professional and aligned with helping make good long-term investment decisions.

Data for the CPI, Unemployment Rate, and Non-farm Payrolls are from the Bureau of Labor Statistics. Data for the GDP are from the Bureau of Economic Analysis. The Purchasing Managers Diffusion Index is a release of the Institute of Supply Management. Retail spending data are from the Bureau of the Census. Data for Consumer Confidence are from the Conference Board. Historic Treasury yields are from the U.S. Treasury; global and U.S. equity index performance numbers are from the respective index vendors, as are commodity benchmarks. Currency numbers are from OANDA.com. Sector and dividend statistics are from Standard & Poor's.
The Conference Board Leading Economic Index® (LEI) components: 1) average weekly hours worked, manufacturing; 2) average weekly initial unemployment claims; 3) manufacturers' new orders – consumer goods and materials; 4) ISM index of new orders; 5) manufacturers' new orders, nondefense capital goods; 6) building permits – new private housing units; 7) stock prices, S&P 500; 8) Leading Credit Index™; 9) interest rate spread; 10-year Treasury less fed funds; 10) index of consumer expectations. Source: The Conference Board runs through August 2015 and released September 18, 2015.
Average hourly earnings compound annual growth rate for March 2006 through December 2008 was 3.4% versus CAGR December 2008 through August 2015 rate of 2.0%. March 2006 average hourly earnings of $20.05 inflated by the personal consumption expenditures deflator (PCED). AHE exclude benefits and employers' share of payroll taxes.
Estimated 2015 and 2016 bottom-up S&P 500 earnings per share as of October 5, 2015 was, for 2015, $118.33; for 2016, $130.49.