

April 2015

## Conflict in the Markets

Once again as we review the end of a quarter, and ruminate over what events are important enough to discuss with our clients, we are struck by the nature of “signal versus noise” in the world of investing. What is important versus what is noticeable? What will move prices versus what will fill newspapers and air-time?

In the past we’ve discussed elections, world events, global conflicts, financial implosions, industry realignments, earnings estimates, interest rates, and so on and so forth. And, in each instance, we’ve tried to impress upon our clients (and re-impress upon ourselves) the importance of distinguishing between what’s material and what’s simply newsworthy.

The first quarter in the stock market was an illustrative microcosm of “going nowhere, fast”. During the quarter, there were only five instances where the S&P 500 managed to string together consecutive up days. Since the beginning of the year, the market has been following a very up/down/up/down pattern.

Likewise, opinions of market forces (most notably, the direction of interest rates) have been equally inconsistent. One economist stated, “I continue to support liftoff (i.e. raising interest rates) . . . this year due to improvement in the labor market, expectations for firmer inflation, and the balance of risks over the medium and longer run”.

Another economist gave a speech in which he said, “Inflation is too low” and we “will not actually achieve 2 percent inflation until 2018”. Because of that, he opines that the Fed should “hold off on raising short-term rates until 2016”. It is interesting to note that these two quotes came from Esther George (president of the Federal Reserve Bank of Kansas City) and Charles Evans (president of the Federal Reserve Bank of Chicago) on the very same day in March. Hearing two of the most qualified policy makers in the U.S., reading the exact same data but interpreting it very differently; makes timing the markets such a foolhardy endeavor.

Even during changing market conditions, and volatile market performance, we promise to never write anything as obfuscating as this:

*“We were surprised by the ineffective transmission of monetary policy beyond assets’ prices. Overall demand in the real economy remained subdued. The unrelenting flows toward vehicles that could provide some measure of income above the negligible returns on savings drove safe, non-economically geared assets to further heights, contrary to our expectations”. Marketfield Asset Management*

In other words, they guessed wrong.

What you have heard from us, year after year, remains the same. *We continually strive to identify industries and companies that are profitable in all kinds of economic environments. We attempt to determine appropriate values for those companies, and invest in them when the stock price is materially below what we believe the true value of the company to be.* There is no magic in that, and there is no timetable, there is simply work.

As always, we thank you for your continued trust in the services Paragon Capital Management provides, and believe that our consistent, time-proven investment philosophy will continue to afford comfort, rather than concern, with the investments you have entrusted to our management.

## **Craig, Howard, Elizabeth, & Ward**

*In the ongoing effort to continue to give our clients the most detailed, and meaningful, data available, you may have noticed that your Schwab statement now includes, within the detail sections, cost basis information on your individual securities. Although this is information which we provided to you on an ongoing, quarterly basis in the past, it is now available on your custodial statements. We trust that you find it useful. A copy of our SEC Brochure (formerly Form ADV Part II) is available at any time. This document describes who we are, what we do, and how we do it. Also, our Proxy voting policy is available to you at any time. If you would like to receive either of these documents, or inquire as to how your shares have been voted, please contact us at a phone number, or e-mail, listed below.*

*As a Registered Investment Advisor, Paragon Capital Management receives and collects non-public personal information from various activities and statements. Paragon does not disclose such information unless instructed to do so by the client. We maintain physical, electronic and procedural safeguards that comply with federal regulations to guard your non-public personal information*

**Paragon Capital Management, LLC, 9200 Indian Creek Parkway, Ste. 230, Overland Park, Kansas 66210**

**[www.paragoncap.com](http://www.paragoncap.com)**

Craig Novorr	913-451-6330	<u><a href="mailto:cnovorr@paragoncap.com">cnovorr@paragoncap.com</a></u>
Howard Jacobson	913-451-2290	<u><a href="mailto:hjacobson@paragoncap.com">hjacobson@paragoncap.com</a></u>
Elizabeth McLeod	913-451-0130	<u><a href="mailto:emcleod@paragoncap.com">emcleod@paragoncap.com</a></u>
Ward Williams	913-451-2291	<u><a href="mailto:wwilliams@paragoncap.com">wwilliams@paragoncap.com</a></u>
Brian Scharf	913-451-2296	<u><a href="mailto:bscharf@paragoncap.com">bscharf@paragoncap.com</a></u>
Dorothy Boehr, CCO	913-451-2254	<u><a href="mailto:dboehr@paragoncap.com">dboehr@paragoncap.com</a></u>
Maryse Schlenk	913-451-2217	<u><a href="mailto:mschlenk@paragoncap.com">mschlenk@paragoncap.com</a></u>
Dana Berry	913-451-2254	<u><a href="mailto:dberry@paragoncap.com">dberry@paragoncap.com</a></u>