



Lindisfarne Investments, LLC

An island of safety in a sea of risk

Market Update

April 25, 2014

Danger, Will Robinson, Danger...

Active management of your finances is about taking steps to protect your investment assets. But it has morphed into much more than that. In today's internet connected world, we also need to actively manage our other assets.

This has come home over the last several months with the release by companies such as Target that their databases had been hacked and anyone who used their charge cards most likely had their personal information stolen. Obviously, this opened us all up to a wave of identity theft. Now, we find out that a "virus" called Heartbleed has been floating around the internet for two years. It enabled others to crack the security encryption that we all were led to believe was uncrackable. So, if we bought birthday or holiday gifts, purchased books, made payments or anything similar online, we again are subject to identity theft.

This was not some massive NSA effort but rather computer code built by a teenager and sold for several hundred dollars to several buyers who have used it for who-knows-what.

We have always been reminded to change our online passwords frequently. I know that I have always felt it was a real pain to do so. However, I feel we can no longer ignore the dangers of our online presence and the internet-way of doing business that has become so convenient. If you have not heeded the warnings to change your passwords due to Heartbleed, I can only ask "What are you waiting for?" Do you truly believe that it, or something else that is very similar and that may be out there right now that we don't even know about, can't or won't affect you?

Please take an active role in protecting your assets. I can think of nothing worse than working your entire life for a nice retirement only to find that someone has stolen the cookie jar when you weren't looking.

Now to the Markets

The good news as shown in the first chart is that the S&P 500 is still in a primary, longer term uptrend that started in December of 2012. So, the market isn't falling apart at the seams.

S&P 500 Daily Chart



However, the seams are stretched a little tight. We have been in a trading range since late February. And while there have been some big mover days on Wall Street, one look at the chart below shows that they have all added up to next to nothing. It may be a little hard to believe, but the sum of all the movement has been contained in a range of only 2.4%.

As we have discussed in the past, I believe that the uncertainty of the Federal Reserve's unwinding of Quantitative Easing is the primary cause for the market's indecision. Sure, we have been in earnings season, had a softening of the real estate market, had the whole Russia-Ukraine situation, changed the head of the Fed, have mid-term elections coming up, continued Syrian conflict, etc. etc. etc. but I don't believe any of these are as important as the outlook and uncertainty of the economic situation at home.

S&P 500 Hourly Chart



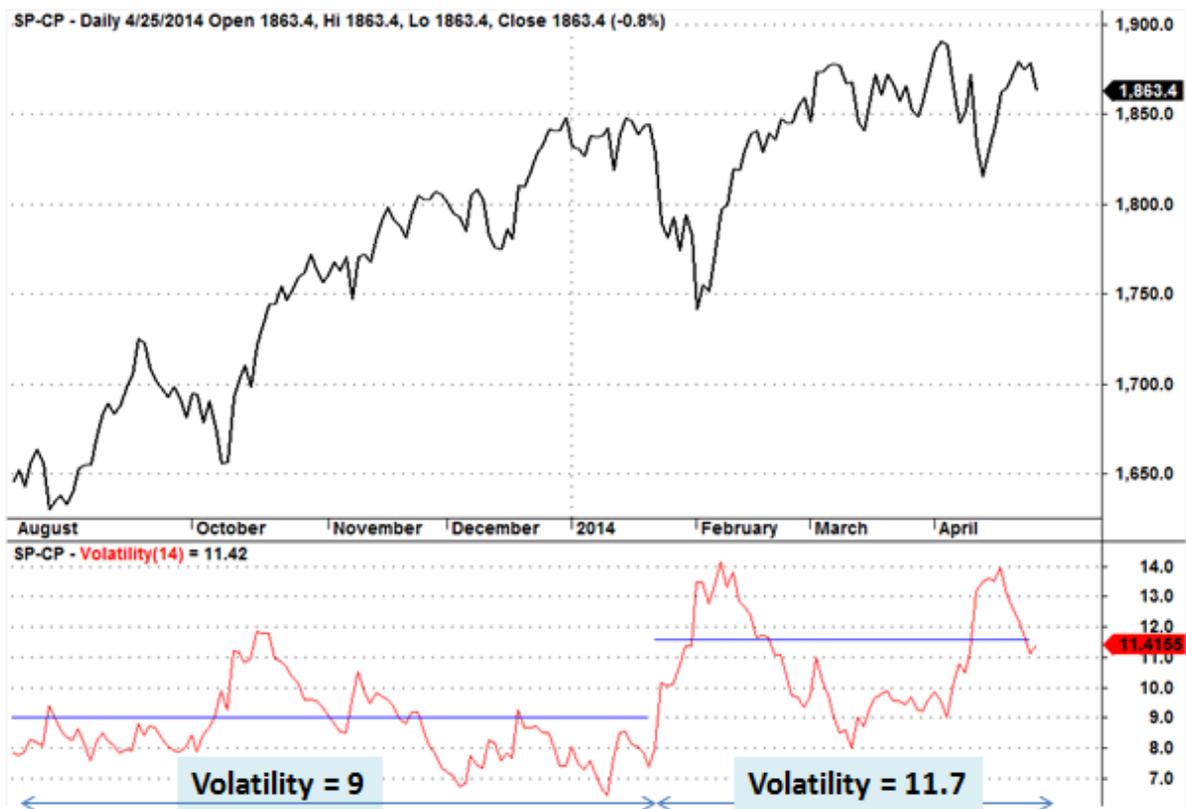
A further look at what the last several months is summarized in the next table. As you can see, we have had about an equal number of up and down days in the last 47 days, with losers being slightly larger on both an average and absolute basis.

The Market Since 2/18

	# of Days (47 Total)	Average Move	Maximum Move
Up	25	+0.55%	+1.53 %
Down	21	-0.60%	-2.09%

And if we look at a measure of how volatile the market is, we see that there was a marked shift upward in “eyeballed” average volatility in January.

S&P 500 Volatility



Finally, we are showing a divergence between the market's price action and the underlying strength of the market as measure by the RSI indicator. So, while we have been making higher highs in the market, the robustness of the moves up is getting weaker. This is not an absolute prediction that the market will now head down from here, but it is a worrisome sign.

The key levels for us to watch are around the 1810 level on the S&P 500. Breaking below this level will be a sign that the longer term uptrend from December of 2012 has dramatically changed in nature.

S&P 500 Daily Chart



Finally, I would like to emphasize again that everyone check their personal internet and credit card connections to see if they have been affected by the Heartbleed virus. And that we all further develop a discipline to regularly monitor our activities to assure that we are as safe as we can be in this brave new world.

Please feel free to pass this update on to anyone that you think might be interested in it. If they wish to be on the mailing list or would like more information about the services of Lindisfarne Investments, we can be contacted by phone at (440) 623-0775 or by email at bill@lindisfarneinvestments.com.

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