



July 2, 2014

Dear clients and friends,

***"The thing about football - the important thing about football - is that it's not just about football."***

*- Author Terry Pratchett, Unseen Academicals*

Yesterday, our Bloomberg news terminals carried the headline, "World Cup Kickoff Signals Happy Hour for Traders." Politico's Morning Money column blogged, "All work across the land will cease, and look for volume on Wall Street to tail off toward the closing bell as traders migrate to the bars." A few days earlier, local station WJLA informed us, "Thousands skip work to watch U.S.-Germany World Cup match at Dupont Circle."

Pratchett's line about football – soccer as we call it – sheds light on this sudden cultural phenomenon. For a fleeting moment here in the US, soccer was bigger than 90 minutes of sport. As one reviewer<sup>1</sup> opined, it was a part of the emotional life of the country, it resonated across generations and social standing, it united people behind something that transcends the game.

It even led Wall Street investment bank Goldman Sachs to publish, under the banner "macroeconomic insights," an in-depth analysis of the sixty-four 2014 World Cup matches.<sup>2</sup> As of this letter, three of Goldman's picks for the final four are still in contention, suggesting some fairly robust statistical modeling! If only Wall Street's efforts for predicting the economy and interest rates were so reliable.

Because the thing about interest rates – the important thing about interest rates – is that they are not just about interest rates.

Despite the blaring news you may have heard about the Federal Reserve's "tapering" and inevitable, imminent rate hikes, intermediate to long-term interest rates are actually lower now than at the start of the year. On a total return basis, long-term US Treasury bonds have even outperformed stocks so far in 2014. Interest rates are reflecting tepid global growth, resonating across national boundaries and currencies, and uniting central banks in their efforts to spur economic activity. Rates are about the fundamentals of supply and demand, and as the Europeans are only now beginning their own Quantitative Easing experiment, we expect the demand for bonds will remain high for the foreseeable future, keeping rates at manageable levels. This also bodes well for corporate earnings here in the US, where record profit margins helped send the S&P 500 stock index to a new high at the end of last quarter.

We continue to position our client portfolios consistent with our "slow and low" economic view, aware of the potential macro-economic risks, but cautiously optimistic for sustained growth in the second half of the year.

\*\*\*

If you missed any of our media appearances in the last quarter, please be sure to check out our website [fbbcapitalpartners.com](http://fbbcapitalpartners.com) for updates, reprints and replays. Among other highlights, Susan Fulton was on CNBC and PBS, Michael Mussio was on Fox Business News, and Wendy Weaver was in an NPR feature on women and investing.

With kind regards,

A handwritten signature in black ink, appearing to read "Mitch Schlesinger", with a long, sweeping underline.

Mitch Schlesinger  
FBB Capital Partners

<sup>1</sup> Cory Doctorow, [boingboing.net](http://boingboing.net)

<sup>2</sup> <http://www.goldmansachs.com/our-thinking/outlook/world-cup-sections/world-cup-book-2014-statistical-model.html>