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**Subject:** A Time To Grow - July 8, 2013

Aberdeen Investment Management, LLC

*Wildebeest Tracks*

*By: Jeb B. Terry, Sr.*



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## ***Growth Returns to the Herd***



***Growth --> Returns --> New Capital --> Growth  
It's the Economic Circle of Life***

We have collected a few of our recent blog posts to prepare you to participate in what looks to be a period of strong growth in the stock market.

***Qualified Investors that would like to discuss access to our guide services including access to all of our in-depth company research on our private client website, please contact us: [Contact](#)***

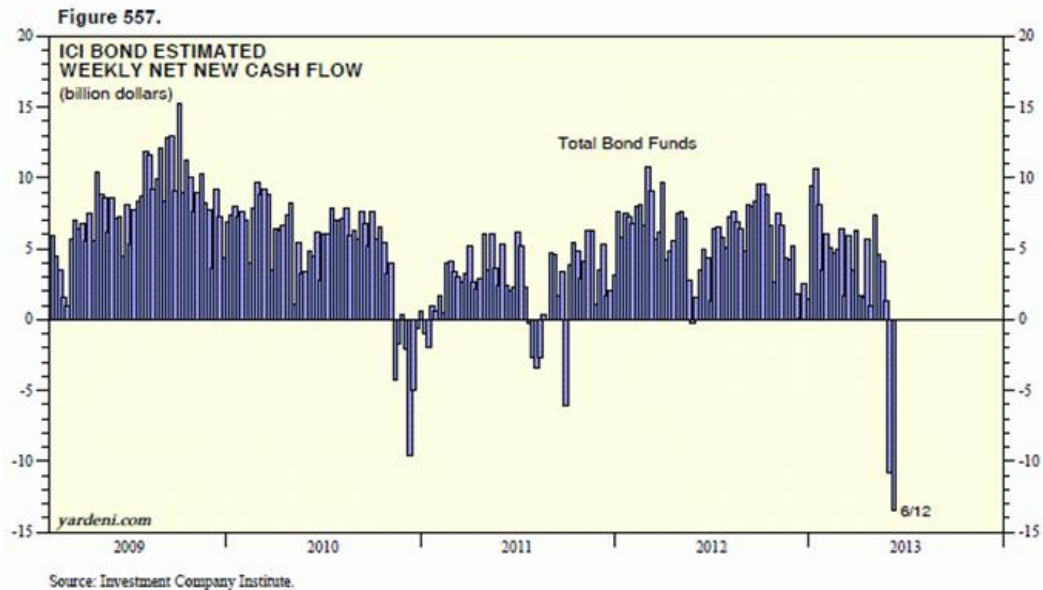
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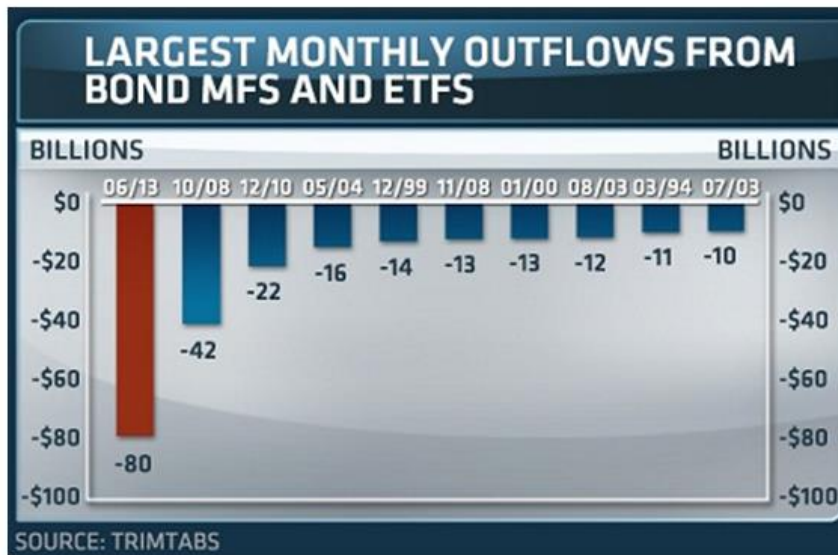
- [Bond investors bailing out of bond funds in unprecedented amounts - experts say more to come. It's about time they got the joke. Stocks are better investments - at least for now.](#) - 07-06-2013 15:05:36 PM
- [IPO activity says "Risk On Baby". 2013 looks to be best year since before the Great Recession.](#) - 07-06-2013 13:27:48 PM
- [Cash is returning to the real economy suggesting profit growth lies ahead.](#) - 07-05-2013 19:10:19 PM
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- [S&P 500 was up in 1H by 12.6%, strongest since 1998. If history is a guide, expect for upside for the rest of 2013 and into 2014.](#) - 07-05-2013 17:15:04 PM
- [The Jury is in - Mobile will be the primary tool for global internet access. 93% of the World's population has a cell phone or knows someone with a cell phone.](#) - 07-05-2013 15:52:36 PM
- [Can you spell B-O-O-M? As in oil and gas boom in the U.S. This is a story of massive productivity gains driven by technological innovation.](#) - 07-04-2013 15:33:48 PM
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[Bond investors bailing out of bond funds in unprecedented amounts - experts say more to come. It's about time they got the joke. Stocks are better investments - at least for now.](#)

07-06-2013 15:05:36 PM

There has never been as much money yanked out of bond funds as have been withdrawn in the last month (see charts from [Yardeni](#) and Trimtabs as reported by [CNBC](#) below). The gurus at PIMCO are putting on a brave face but the irrational accumulation of bonds witnessed since the Great Recession appears to be over. It is perhaps a signal event of how investors can and will allocate away from perceived risk and toward perceived return in a world of 24/7 financial news flow. Keep in mind - the reasons for the bond sales are uniformly positive for stocks. The putative driver for the recent bond liquidation - the Fed's prospect for reducing Quantitative Easing - is indicative an improving economy ; therefore improving corporate earnings. Not surprisingly the Street estimates for earnings show a sharp pick up for the next 12 months. **The so called "great rotation" from bonds to stocks may be upon us.** The timing seems right as we are entering 2Q earnings season with a record number of negative earnings warnings. Corporate execs have set the bar low and primed the market for "better than expected" results. If we are entering the "great rotation" then we all want to be leveraged long eh? *Jeb B. Terry, Sr. July 6, 2013*



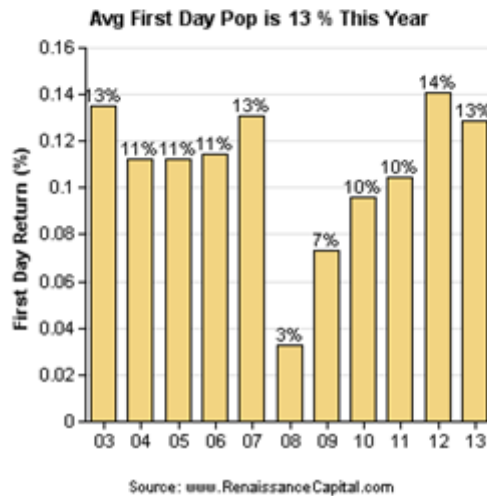
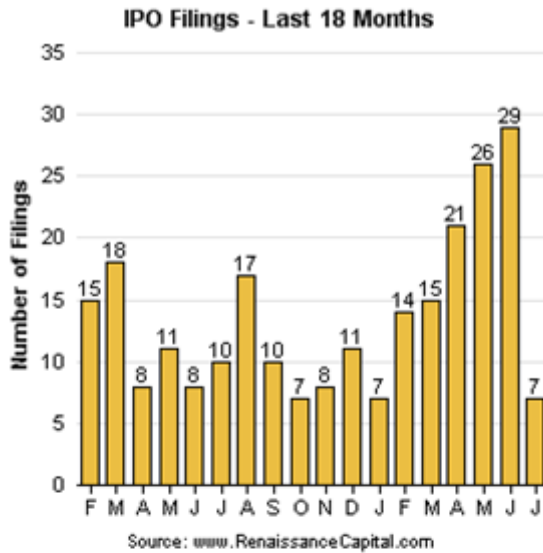


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[IPO activity says "Risk On Baby". 2013 looks to be best year since before the Great Recession.](#)

07-06-2013 13:27:48 PM

IPO filings are up 45% through June. IPO pricings are up 26% YTD over 2012. Increasing IPO activity is a good "risk on" indicator. The average first day performance, a gain of 13% so far this year, has been restored to pre-recession levels. ( see charts on IPO metrics from Renaissance Capital [here](#)) A healthy IPO market is symptomatic of a healthy entrepreneurial eco-system, a boost to innovation and reflective of public demand for growth oriented investments. To be sure, it is also a supply of new shares that compete with already public micro-cap companies but I am doubtful we are at a peak in demand or a peak in the market for high growth stocks. (Note that the chart below illustrates partial results for July 2013.) *Jeb B. Terry, Sr. July 6, 2013*



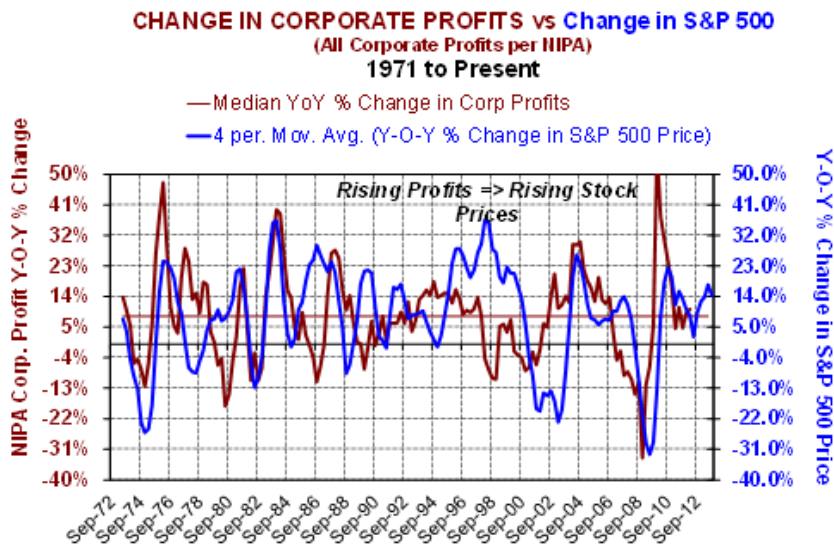
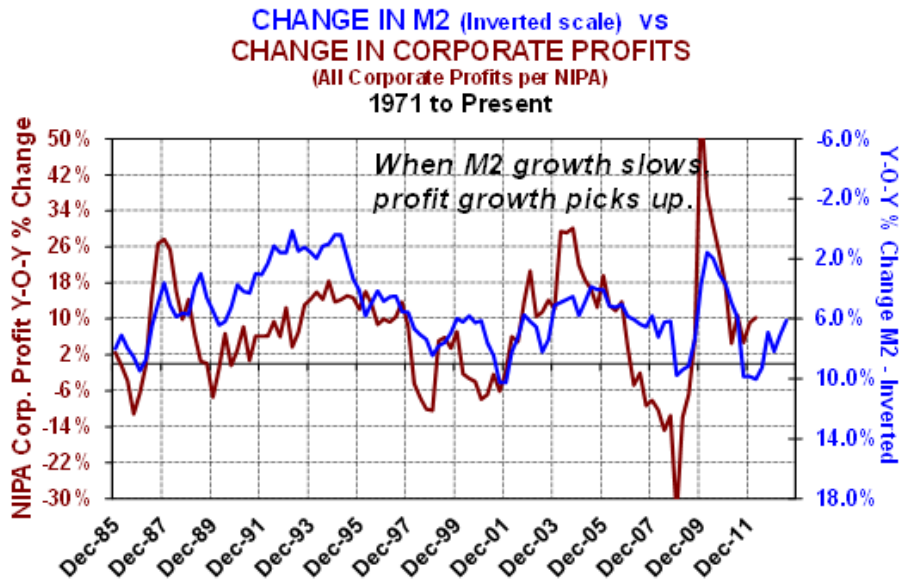
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[Cash is returning to the real economy suggesting profit](#)

# growth lies ahead.

07-05-2013 19:10:19 PM

U.S. investors are coming out of their foxholes. We can say this because we can measure their willingness to hold less capital in the form of cash and more in the form of productive assets. The change in the balances of cash held in banks and money market funds (M2 for the money and banking works out there) is inversely directionally consistent with the change in corporate profits. As profits go up, economic activity picks up, companies and individuals become more confident and they hold less cash reserves. Not surprisingly, as profits go up so do stock prices - imagine that! We are now seeing this process begin to unfold. *Jeb B. Terry, Sr. July 5, 2013*

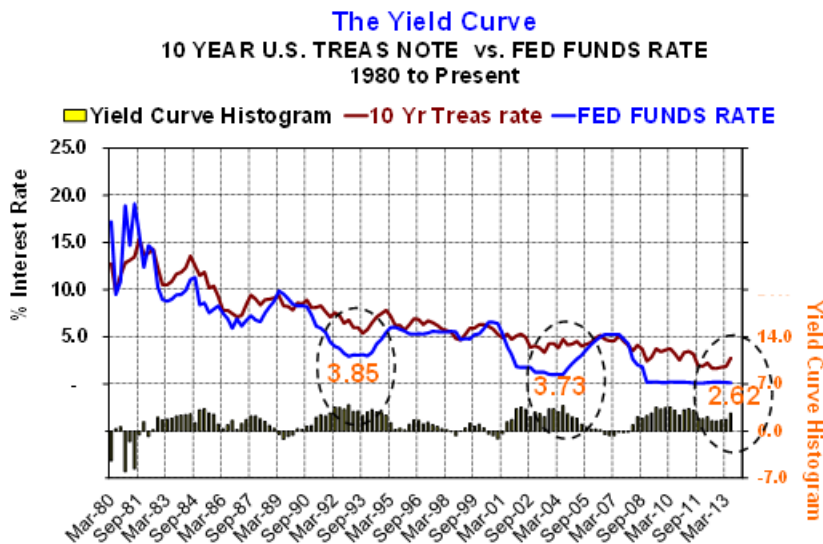


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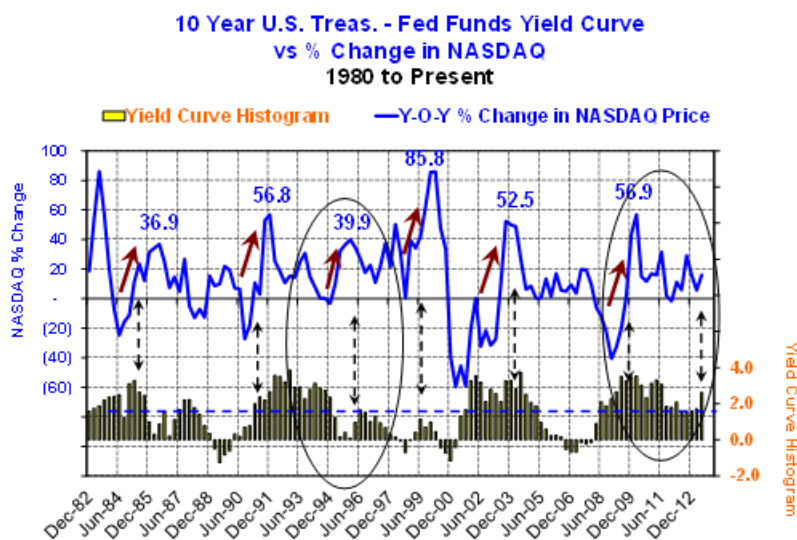
# Steepening yield curve = improving economy and rising stock market

07-05-2013 18:50:26 PM

The yield curve as expressed by the spread between the 10 yr. Treasury rate and the Fed Funds rate just got steeper. A steepening in the yield curve happens twice in an economic cycle. It happens as the Fed is easing by reducing Fed Funds and they happen when the economy is improving and long rates begin to rise. If one shuts out the noise of the financial press and focuses on the numbers, the current conditions are consistent with an improving economy leading to improving earnings which lead to rising stock prices. The following charts show the evolution of the yield curve and then the percentage change in the NASDAQ following a change in the yield curve. There is building similarity with the experience of the economy and the NASDAQ in 1995 and today. And that's my story and I am sticking to it. *Jeb B. Terry, Sr July 5, 2013*



Source: Federal Reserve



Source: Bloomberg Finance L.P. et al

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S&P 500 was up in 1H by 12.6%, strongest since 1998. If history is a guide, expect for upside for the rest of 2013 and into 2014.

07-05-2013 17:15:04 PM

Only 17 times since 1927 has market been as strong in first 6 months

- **2<sup>nd</sup> half of year has been up 70.6% of time** following such a strong 1<sup>st</sup> half by an average of 12.2% and a median of 11%.
- 1998, the last time there was as strong a 1<sup>st</sup> half, saw the market rise 8.4% in the 2<sup>nd</sup> half of the year.
- Earnings were decelerating in 1998 - as they are now - and were up only 0.6% for the year 1998. They accelerated in 1999, as they will likely do in 2014.
- 1998 saw a time of foreign economic turmoil and low interest rates in the U.S. and the fall of Long Term Capital Management in September 1998. Prospects for more European monetary disruption and Middle East unrest is old news. These concerns are less likely to have same negative market influence as in the past.

If you believe in market momentum then you are encouraged by the above facts. The start of July has been consistent with the outlook. *Jeb B. Terry, Sr. July 5, 2013*

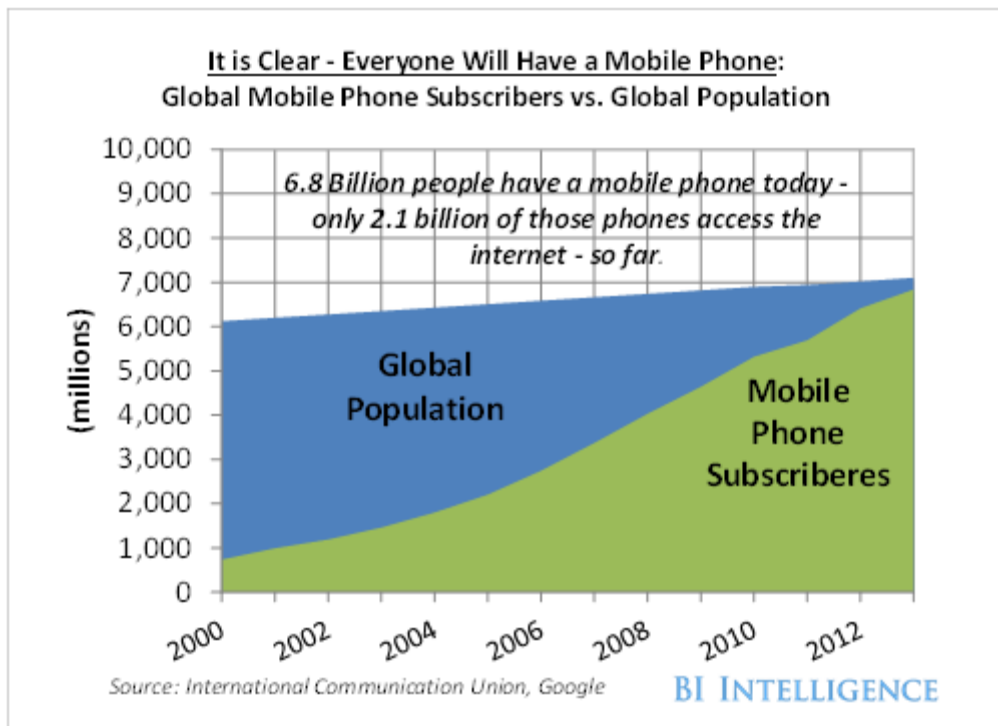
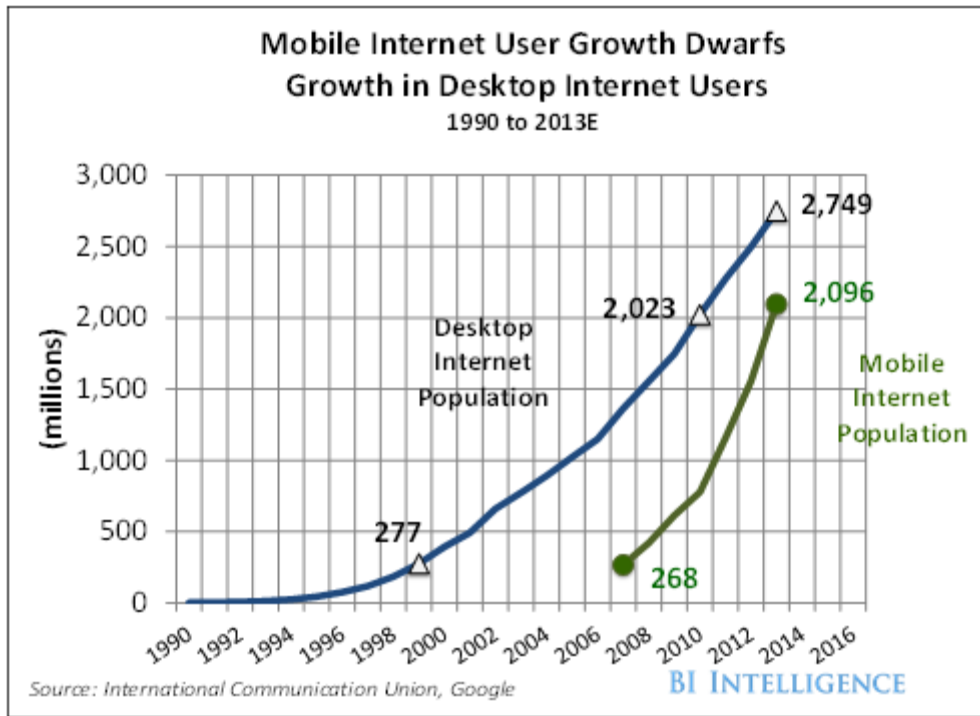
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The Jury is in - Mobile will be the primary tool for global internet access. 93% of the World's population has a cell phone or knows someone with a cell phone.

07-05-2013 15:52:36 PM

Recent data released by the International Telecommunication Union has revealed just how dominant the mobile internet is becoming. **Over 2 billion people can now access the internet by a mobile device.** Mobile internet access has reached this level of penetration in less than half the time it took wired internet users to reach the same level. Mobile internet users should exceed wired / desktop users sometime in 2014/2015. The coming onslaught of inexpensive smartphones will likely quicken the rate of growth. 93% of the World's population already has a cell phone. The implication is that the 4.7 billion people who have a cell phone today but can't yet access the internet will get a smartphone within as soon as 3 years. If that happens - there will be over 1 billion smartphones sold each year. **It doesn't require much imagination to know that the markets for gadgets, apps, games and wireless infrastructure are poised for a continued robust surge.** And that would be a good thing for the Aberdeen portfolio -eh? *Jeb B. Terry, Sr. July 5, 2013*





See additional charts and analysis at BI Intelligence ([here](#))

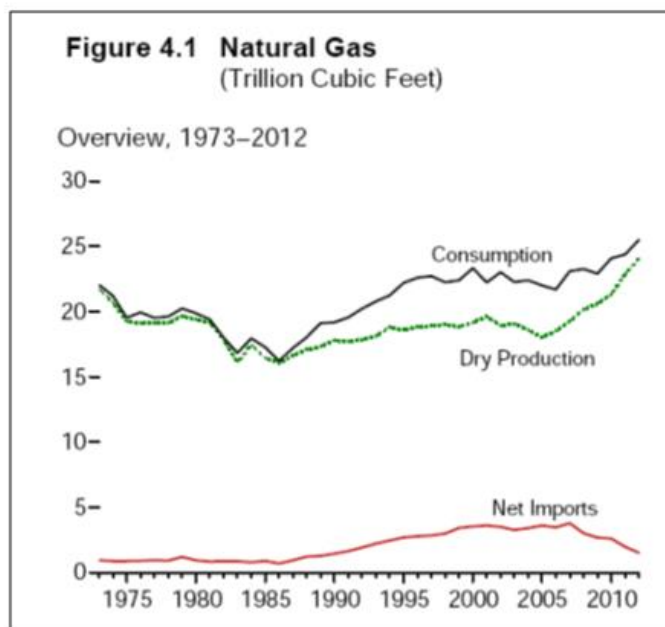
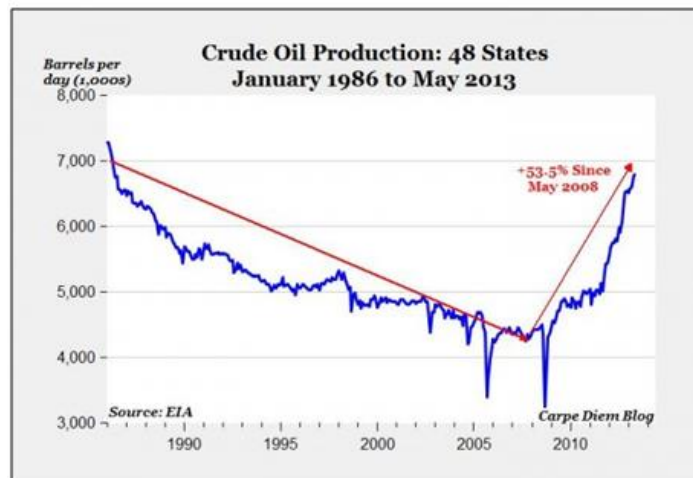
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[Can you spell B-O-O-M? As in oil and gas boom in the U.S.](#)

## [This is a story of massive productivity gains driven by technological innovation.](#)

07-04-2013 15:33:48 PM

The growth in U.S. oil and gas product has been stunning. The increase in production has been the most seen in decades. **It was entirely unforeseen and is a direct result of new extraction TECHNOLOGY.** Geologists have known of the location and approximate size of the reserves. The exact location and the size have been greatly aided by Moore's Law effects on 3D seismic and other "big data" driven analytics but we knew where big reserves were. We just didn't have an economical way to produce the hydrocarbons - until only recently - and it's not just about fracking - a technique that has been in use for decades. It's about horizontal drilling. **Horizontal drilling has turned the oil industry into an "excavation" business instead of an "exploration" business.** The U.S. is the global leader in the new wave of oil and gas production. Expect the O&G industry to continue to drive technology innovation for many of our themes in cloud computing, machine to machine computing, robotics and wireless communications. *Jeb B. Terry, Sr. July 3, 2013*

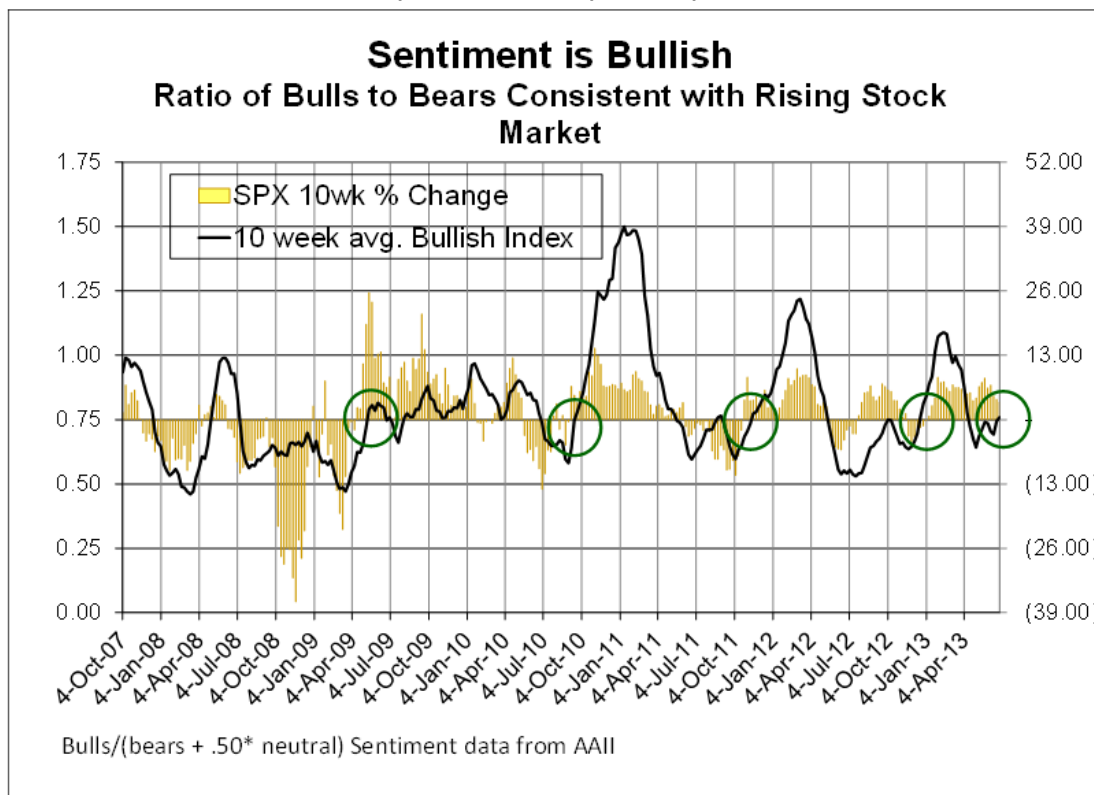


Mark Perry has great charts and comments on the oil and gas boom on his website [here](#).

## Investor sentiment is bullish - Recent Drop in Bulls, Rise in Bears sets up market for more upside

07-04-2013 14:39:28 PM

The American Assoc. of Individual Investors ([AAII](#)) has been measuring investor sentiment every week for years. As you can expect - many market historians have attempted to tease some meaning and predictive qualities from the data. The chart below is an expression of what happens to the price of the S&P 500 10 weeks following a move in an adjusted ratio of bulls vs. bears and neutral investors. The signals have reasonable utility. Since 2007, **the market has been up 83% of the time by an average of 5.2% 10 weeks following a date when the ratio rises from a low and breaks above 0.75**. The driver of a bullish signal is a drop in bulls relative to a rise in bears and neutrals. Simplistically, in classic contrarian fashion, the less bullish the sentiment, the more bullish the signal. I can deal with that, how about you? *Jeb B Terry, Sr. July 3, 2013*



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We would be honored to have you among our followers and to hear your feedback.

**Sincerely,**

Jeb Terry

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