It doesn’t count for much, but in our last letter we advised; prepare for the unexpected. As Gilda Radner said “It’s always something”. So far this year we have experienced two; the weather and the Ukraine.

We have commented in the past, that “these things too will pass”, but they do have an impact on investor perceptions in the short term. Nevertheless, the direction of the U.S. stock market shows no sign of a significant change in its longer term direction, which is upward. Interestingly, which we in North America have had a brutal winter, globally January was the 4th warmest since records have been kept. It has made it difficult to sift through economic reports as to what may be a real slowdown, and what is caused by the bad weather. The next quarter should give us an answer.

The situation in the Ukraine is disturbing. The country is a very meaningful buffer between Russia and the NATO countries, and a main conduit of energy into Europe. At least the two sides are talking, and it is to be devoutly wished that cooler heads will prevail. It is not reassuring that the German Chancellor is reported to have said “Putin is out of touch with reality”.

In the U.S. the ceasefire in Washington continues, but beneath the surface the war wages on. The November mid-term elections will give us a signal as to the direction of policy, but it will probably be the next presidential election in 2016 before we will have a definitive answer.

Nothing new at the Fed under Janet Yellen. Like the parent who throws the child in the pool to sink or swim, but is ready to grab the kid if sink is the answer, the Fed continues its policy of tapering but is prepared to step back in if the economy needs it. This is reassuring for financial markets.

Much has been made lately of economies and markets "decoupling". Developed markets are doing well, while emerging market countries are in various stages of decline, and therefore not providing them impetus to global growth as seen in the past. It would not be wise, we believe, to ignore those markets, since a global domino effect could still become a reality.

We are skeptical about Japan's ability to jump start its economy with massive monetary stimulus. While successful in pushing the yen lower and increasing inflation, it also, as a consequence lowers consumer spending and thus GDP. The jury remains out. We would certainly hope the policies are successful.

China continues its efforts to create an economy powered more by consumption and less by investment. The leadership is forecasting a growth rate of 7.5% this year, but admits it may be slightly lower. Whatever the number is, it will be the weakest rate of growth in the last 24 years. The first corporate bond default in China has just taken place, and while it increases the risk perception, it is also a sign that free market forces will be allowed to play a more meaningful role. In the longer term that will be a positive.

March and April are historically strong months for stock markets and, as mentioned, the outlook remains positive. That said, the days of bad news being good for markets seem to have passed. Investors want to see marked economic and earnings improvement. In this environment risk management will be rewarded, not punished as has been the case for the past several years. We believe strategies such as our "Strathbridge Selective Overwriting" will play an even more meaningful role in portfolio outperformance.