As I begin writing this note in late May the major market indexes in the U.S. are roughly flat for the year. That is not to say it has been a boring start to the year. To the contrary, we have had a noteworthy dip early on followed by a recovery that brought us back to this level. Over the years we have observed periods when the markets seemed to shrug off any news or information that might have been considered negative in tone and simply march upwards despite perceived risks. We have also seen the other side of the coin when any remotely negative bit of news or information would send stocks sinking. Currently, it seems as though we are in neither period in particular. Rather the market seems to be in a strange sort of neutral zone…easily excited to buy and equally easily agitated towards selling. I am reminded of the fisherman with one foot on the dock and the other in the boat struggling to keep his balance as the current forces the boat further from the dock.

To say that there are a lot of cross currents in the market today would be a huge understatement. Political uncertainty and interest rate hikes on the horizon in the U.S., low economic growth in most of the world, several countries implementing negative rates, and oil prices leading to increased tensions and stresses on budgets in many countries just to name a few. Added to this mix is the level of major U.S. market indexes which, while not at all-time highs, is nearer those highs than not. By most methods that I follow of calculating the level of the markets, the indexes are high relative to earnings and other fundamental criteria one would use to make such a judgment.

Those are the currents that are pushing the proverbial boat away from the dock. What might be exerting the cross current pushing the boat back in? As simple as it sounds, we believe there are simply precious few choices for investment capital. You might hate broccoli, but if it is the only food available you will eventually eat it. With low or no growth in global economies policy makers are keeping rates low which is making alternative investment choices less appealing. Some would argue this is their goal, to try and get assets out of savings accounts and into circulation. Regardless of the motivation, the result is that low rates generally make fixed income less attractive than equities.

To take it a step further I would argue that low rates benefit lower quality equities more so than higher quality companies. Those enterprises that are heavily leveraged are able to appear stronger than they may actually be during periods such as this. You may know of someone who extended themselves during the real estate bubble and re-financed their home and used the proceeds to buy another home or other assets. For a while they looked like they were doing very well and it may even have tempted you to do the same. Soon enough rates changed course and many of those folks were not able to meet the obligations they had taken on. In my view the same may be true for many companies out there.

In our view markets are somewhat high by various measures, but we are not buying markets we are buying specific companies. Despite the level of the markets and depending on our risk tolerances, time horizons, and needs most of us need to have some level of exposure to equities. We view owning higher quality names, with good balance sheets, manageable debt levels, consistent earnings, and so forth akin to wearing a life preserver as you straddle the boat and the dock.

Thanks for your time and your trust, we appreciate it. Please call anytime.
Introducing Lisa Di Piazza, Client Service Associate

I am happy to be the newest member of the Riverwood Group! Although I am new to the team, I am not new to Morgan Stanley. I look forward to meeting you, whether it is in the office or over the phone!

I live in Waukesha with my two children, Tressa and Tony. They both attend my alma matter, Waukesha North High School. That is where you will typically find me when I am not at work, as both of my kids are involved in sports and activities.

Tressa will be a senior come fall (sniff, sniff), so we are looking at colleges. She is on the dance team, the Chamber Choir, and does the school musical every year. My son will be a junior next year, and is anxious to take his driver's test on his 16th birthday in June. He is busy with baseball right now, and is already excited for football season.

I stay involved with the Booster Club, the Football Mom's club and Project Graduation. I love my community and I am blessed that my parents and all three of my sisters still live in it.

I look forward to getting to know you!!

Financial Planning Webinars

Our first financial planning webinars have been a great success. We want to thank everyone who followed the link to Microsoft LiveMeeting and dialed in to the conference call for “A Closer Look at your Social Security Benefits” and “Planning for Health Care in Retirement. Our next presentation will focus on long term care cost in retirement. If you plan on attending please let us know.

Below are the presentations and the corresponding times and dates:

**Prepare for a Healthier Future: The value of long-term care expense planning**
Wednesday, June 15th 5:30 – 6:30pm CST

We will be sending out individual invitations to each of the webinars that will include the link to the meeting and dial in information. Please make sure to test the LiveMeeting link on your personal computer or tablet before trying to log into the webinar. We have instructions on how to ensure the program works but do not have the ability to troubleshoot after that.

Please let us know if you would like to join us in June.
The views expressed herein are those of the author(s) and do not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided nor any opinions expressed constitute a solicitation for the purchase or sale of any security.

Information contained herein has been obtained from sources considered to be reliable but we do not guarantee their accuracy or completeness.

This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of the persons who receive it. The strategies and/or investments discussed in this material may not be suitable for all investors. Morgan Stanley recommends that investors independently evaluate investments and strategies, and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment strategy will depend on an investor’s individual circumstances and objectives. Information contained here in has been obtained from sources considered to be reliable but we do not guarantee their accuracy or completeness.

Morgan Stanley Smith Barney LLC (“Morgan Stanley”), its affiliates and Morgan Stanley Financial Advisors or Private Wealth Advisors do not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning and other legal matters.

Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond’s maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bond are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

Equity securities may fluctuate in response to news on companies, industries, market conditions and the general economic environment.

Past Performance is no guarantee of future results.

Investing in commodities entails significant risks. Commodity prices may be affected by a variety of factors at any time, including but not limited to, (i) changes in supply and demand relationships, (ii) governmental programs and policies, (iii) national and international political and economic events, war and terrorist events, (iv) changes in interest and exchange rates, (v) trading activities in commodities and related contracts, (vi) pestilence, technological change and weather, and (vii) the price volatility of a commodity. In addition, the commodities markets are subject to temporary distortions or other disruptions due to various factors, including lack of liquidity, participation of speculators and government intervention.

Morgan Stanley Smith Barney LLC offers a wide array of brokerage and advisory services to its clients, each of which may create a different type of relationship with different obligations to you. Please visit us at http://www.morganstanleyindividual.com or consult with your Financial Advisor to understand these differences.

Life insurance, disability income insurance, and long-term care insurances are offered through Morgan Stanley Smith Barney LLC’s licensed insurance agency affiliates.

International investing may not be suitable for every investor and is subject to additional risks, including currency fluctuations, political factors, withholding, lack of liquidity, the absence of adequate financial information, and exchange control restrictions impacting foreign issuers. These risks may be magnified in emerging markets.

Morgan Stanley Smith Barney LLC, Member SIPC

“The Riverwood Group
at Morgan Stanley

Morgan Stanley
WEALTH MANAGEMENT

“Working hard to earn your trust...and even harder to keep it”