

# CALDWELL TRUST COMPANY

VOLUME XLII

PERSONAL • TRADITIONAL • INDEPENDENT

JUNE 2016

## Investment letter

### We talk “The Big Three”: the Dollar, Oil and the Fed...

With a bumpy start to the year in stocks and a nice rally off the February 11 bottom, we are in and around the highs for the year in stocks. As the summer months approach, and with the seasonally weak periods in stocks, we turn our attention to what we call “The Big Three”: the Dollar, Oil and the Fed.

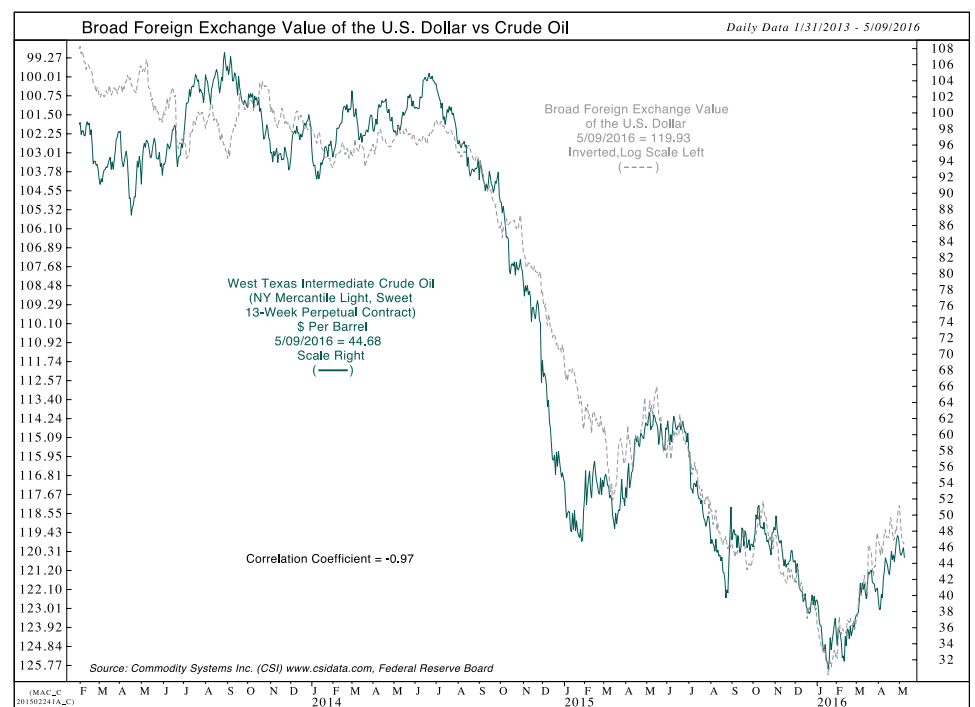
As we have mentioned in the past on these pages, the U.S. Dollar remains and will remain the world’s major reserve currency for the foreseeable future for a number of reasons. As a quick refresher, they are as follows: the vast majority of global trade happens in USD, approximately 64 percent of official foreign exchange reserves are in the currency, commodities such as oil and gold trade in USD and there is a military to back it up. Since oil among other commodities trades in U.S. dollars, we in the investment department need to be tuned in to the relationship between oil and the dollar AND the relationship between the dollar and the entity that controls the supply and demand for the currency, the Fed.

It is important to note that relationships between financial markets can and do change over time. A good way to measure the relationship between two things like different markets is correlation, which explains the strength of a connection or association. Correlation according to the all-knowing Wikipedia is defined as “any of a broad class of statistical relationships involving dependence, though in common usage it most often refers to the extent to which two variables have a linear relationship with each other. Familiar examples of dependent phenomena include the correlation between the physical statures of parents and their offspring, and the correlation between the demand for a product and its price.” However, correlation is not to be confused with causation. Just because there is a strong relationship between two variables does not mean that one causes the other to happen.

As an example: Suppose I sneeze and it rains in Africa. These two variables may have a high degree of connection but it would be absurd to think my sneezing caused rain in Africa. Let’s now examine the relationships between the USD, oil and the Fed.

Between June 2014 and January 2015 oil fell about 55 percent using the NYMEX futures to track West Texas Intermediate (WTI). According to a February 2015 article by Joe Kalish, Chief Global Macro Strategist for the Ned Davis Research Group, the correlation between the USD and WTI crude was very strongly negative at -0.91. (For the math majors out there, that’s close to a perfectly inverse relationship between oil and the USD, as correlation is scored between +1, perfectly positive, and -1, perfectly negative). So as Kalish put it, “not only was surging shale production, a continued recovery in Gulf of Mexico drilling, a rebound in Libyan exports, further gains in Iraqi output, and the refusal of Saudi Arabia and other OPEC and non-OPEC nations to reduce production. This supply glut, along with a reduction in demand due to slower global economic growth, sent prices plunging.... But the shale story was well

*Continued on page 2*



## Caldwell cares about its community

# Jim Woods leads campaign to make 42-unit Loveland Village a reality

In September of 2013, after days of soul-searching and meeting with many people involved with the Loveland Center, I accepted the invitation from CEO Carl Penxa and Loveland's board of directors to head a capital campaign to build Loveland Village. It would be a 42-unit apartment complex that would offer adults with developmental disabilities an affordable, safe and supported independent living option. Why? Because most adults with developmental disabilities live with their parents and, for the first time in history, they are outliving their parents or their parents' ability to be caretakers. I'm pleased to report that we met and exceeded our goal—and celebrated with a ribbon-cutting for the Nancy Detert Residences on May 16.



*Jim Woods expresses his joy at the opening of Loveland Village.*

My wife Karen and I have relatives and friends who have spent a lifetime raising and supporting children with developmental disabilities. Their love, commitment and daily challenges are beyond measure. They deserve peace of mind, knowing that their child will have a stable home with friends once they are no longer able to care for them.

Many people have helped to make Loveland Village a reality and I am extremely proud of every one. These include the board, campaign committee, staff, parents, community service organizations (Sertoma and several Rotary clubs), industries (especially PGT), the contractor (Halfacre), construction manager (Charlotte) and sub-contractors, as well as a vast amount of individual efforts.

The excitement among the students and the smiles and tears of joy of the parents and supporters is more than enough payment for all the hard work. Drive to 157 S. Havana Road, Venice, to check it out and see if you don't agree!

—James R. Woods, Board of Directors, Caldwell Trust Company



Photo by Prion Photography

*Caldwell board member Jim Woods, fourth from left, smiles as Florida Senator Nancy C. Detert cuts the ribbon opening the Nancy Detert Residences at Loveland Village, a 42-unit complex for adults with intellectual or developmental disabilities. It is located at 157 S. Havana Road, Venice.*

*Continued from page 1*

## Stage set for a resumption of normalized rates and the bull market begun in March 2009

known and sluggish global growth was nothing new. A 55.5 percent decline seemed excessive. There had to be another explanation. There is – the (rally in the) U.S. dollar!" In a recent update to that, a publication written in May 2016 noted that the inverse relationship has strengthened to -0.97, as seen in the chart on page 1.

If the USD is affecting commodities, particularly oil, what is affecting the USD? It is monetary policy, which is at the beck and call of—you guessed it: the Fed. With a June rate hike likely off the table, the oil market has the potential for a continued rally. Provided the markets and economic data hold up, we believe Q3 would be more likely for a resumption of rate normalization. That could push USD higher and stop the oil rally.

### CONCLUSION

**With a bumpy beginning to stocks in 2016, we continue to be of the mind that after getting a peak-to-trough correction in stocks of about 15 percent, the market has set the stage for a resumption in the bull market that began in March of 2009. There have been and will be periodic corrections in bull markets and this one is likely the pause that refreshed. Besides supply-and-demand imbalances, there is a strong inverse relationship between the dollar and commodities, including oil—AND there is a strong direct relationship between monetary policy and the dollar. With the Fed at the controls on monetary policy, we see the next hike in Q3 and that's it for rate increases in 2016.**

## Caldwell cares about its community

# Trust officer Sonya Kristie says “Yes!” to “YEA!”

Graduation is always exciting, but never more than when the ceremony marks the culmination of a very special program. This was the case for the students of the Young Entrepreneurs Academy of Sarasota (YEA!), who not only completed a comprehensive course of study; they also finished with a business education and, in most cases, with a new business as well.

YEA! is an after-school program that transforms middle and high school students into confident entrepreneurs. Through YEA! students 11 to 18 years old generate business ideas, conduct market research, write business plans, pitch to a panel of investors and launch their very own companies. The Sarasota program is sponsored by the Greater Sarasota Chamber of Commerce and Leadership Sarasota with Barb Hines, Leadership Sarasota coordinator, serving as program manager. Sonya Kristie, Caldwell assistant vice president and trust officer and a 2014 graduate of Leadership Sarasota, is assistant program manager. The two worked together for a year to set up the local curriculum, which was presented at State College of Florida Lakewood Ranch.

YEA! is a 30-week program that was developed at the University of Rochester in 2004. It guides high school students through the process of starting and running a legitimate business or social movement over the course of a full academic year. As of 2013, YEA! had graduated 1,394 students who have started over 1,000 businesses and social movements. YEA! graduates started as students and left the program as CEOs of their own companies.

Although just completing its first class, Sarasota also has its success stories. Open to students from Sarasota, Manatee, Charlotte, and DeSoto counties, the program welcomed 21 students who worked individually or in teams to create ten new businesses. They pitched their companies to investors and six groups were awarded funding. A panel of mentors voted You Glow Girl, one of the companies, as the top business in the class. This allowed them to travel to Rochester, NY, to compete against 89 other student-owned companies in the national YEA! network.



*Sonya Kristie, far left, poses with the 2016 graduating class of YEA! at State College of Florida Lakewood Ranch, where the 30-week program was conducted.*



*Caldwell assistant vice president and trust officer Sonya Kristie, left, shares a laugh with Barb Hines, Leadership Sarasota coordinator for the Greater Sarasota Chamber of Commerce, at the graduation ceremony for the Young Entrepreneurs Academy of Sarasota.*



*Sisters Elizabeth and Gabriella Sgro, ages 13 and 11, own You Glow Girl, which was voted best business of the 2016 class.*

You Glow Girl is a t-shirt company designed to empower girls facing social issues. The business owners, two sisters, are Elizabeth and Gabriella Sgro, ages 13 and 11.

Although they didn't win a place to move on to the national competition they deemed the experience, akin to a presentation before Shark Tank, as priceless. The sisters have since connected with Girls Inc. and will be donating some of the proceeds from the sale of their shirts back to them. They also plan to expand with a version for boys as well as t-shirts in foreign languages.

"It was so rewarding to know that we have students like this in our community," Sonya said. "It was really gratifying to watch them grow!"

## Linda Bair celebrates fourth year at Caldwell Trust Company with bachelor's degree

Linda Bair joined Caldwell Trust Company in 2012 as a receptionist and administrative assistant. She had ambitious plans to succeed in her new job, care for her two small daughters and earn a bachelor's degree. Now, four years later, she's far exceeded her expectations. She has bought a home, advanced to the position of operations associate, and earned a bachelor's degree in business and science with a concentration in project management from the University of Phoenix. The accomplished graduate finished her courses with a 3.8 GPA.

Caldwell Trust Company hosted a party to celebrate her success and Linda wrote a letter of appreciation. "I did not know what to expect when I started working here," she wrote. "I had never experienced a working environment with a culture that supported its employees. It was hard to believe something like that existed."

Support from Caldwell and her partner Paul Cox have helped her get through the tough times. "It wasn't easy," she wrote, "but it was valuable. College taught me a lot about teamwork, deadlines, and pushing myself to my limits."

College courses were only part of her education. On the way to her promotion she also had a good deal of on-the-job training, even including personal instruction from R. G. "Kelly" Caldwell Jr., CEO and president. "I went from a job where the owner barely knew my name to a place where Kelly was personally teaching me accounting lessons on his whiteboard. I knew then that I had made the right choice to come to work for Caldwell. I knew this

would be a company where I would gain valuable experience and skills."

Kelly is also pleased that Linda is part of the team. "She's a tremendous asset and a valued member of our family," he said.

Linda is responsible for many phases of asset management, statement preparation, production, audit work and stock and bond trading. She also updates and creates new internal documents and forms, tracks and processes mortgage payments, and takes minutes for the company's monthly administration meetings. In addition, she maintains communication with the trust officers to ensure that Caldwell's clients are receiving the best service. It all adds up to a challenge that she enjoys.

Linda is proud of her "two wonderful daughters Alyssa, 12, who will be entering the 7th grade, and Sara, 6 who will be entering the 1st grade." She also treasures her experience with Caldwell. "I really feel very blessed to have all of you share in my success," she wrote in her letter. "Working here for the last four years has been an incredible journey. It has provided me with many opportunities to grow and make a difference. Along with the experience and skills, I also gained a family."

To contact Linda, call 941.493.3600 or email [linda@ctrust.com](mailto:linda@ctrust.com).



## CALDWELL TRUST COMPANY

PERSONAL • TRADITIONAL • INDEPENDENT

CHARTERED PRIVATE TRUSTEE

PROUDLY SERVING OUR COMMUNITY SINCE 1993

### BOARD OF DIRECTORS

R. G. "Kelly" Caldwell Jr., CEO  
John S. Booth III  
James F. Gabbert, Chair  
Christopher N. Gray  
Mary Ann C. Kraut  
Marge Maisto  
J. Mack Reid  
Thomas Stuhley  
H. Lee Thacker Jr.  
Kathleen Toale  
James R. Woods

### CONTACTS

Scott Antritt, [scott@ctrust.com](mailto:scott@ctrust.com)  
Alan H. Blair, [alan@ctrust.com](mailto:alan@ctrust.com)  
R. G. "Kelly" Caldwell Jr., [kelly@ctrust.com](mailto:kelly@ctrust.com)  
Sonya Kristie, [sonya@ctrust.com](mailto:sonya@ctrust.com)  
Wendy Fishman, [wendy@ctrust.com](mailto:wendy@ctrust.com)  
Susan H. Hines, [susan@ctrust.com](mailto:susan@ctrust.com)  
Jan Miller, [jan@ctrust.com](mailto:jan@ctrust.com)  
Leonard Nagel, [leonard@ctrust.com](mailto:leonard@ctrust.com)  
Sandra L. Pepper, [sandy@ctrust.com](mailto:sandy@ctrust.com)  
H. Lee Thacker Jr., [thacker@ctrust.com](mailto:thacker@ctrust.com)  
John Tufaro, [john@ctrust.com](mailto:john@ctrust.com)  
Tim Videnka, [tim@ctrust.com](mailto:tim@ctrust.com)  
Sheryl Vieira, [sheryl@ctrust.com](mailto:sheryl@ctrust.com)

Venice Office: 1400 Center Road, Venice, FL 34292 • 941.493.3600 • Toll Free: 800.338.9476 • Fax 941.496.4660  
Sarasota Office: 1561 Main Street, Sarasota, FL 34236 • 941.926.9336 • Toll Free: 877.926.9336 • Fax 941.926.9335

[www.ctrust.com](http://www.ctrust.com) • [info@ctrust.com](mailto:info@ctrust.com)

A LEGACY OF STABILITY