2014 STOCK POP QUIZ

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Do your own forecast! Rate from ZERO to 10 ...

1. ECONOMIC GROWTH	
2. FED HELP	
3. INTEREST RATES	
4. CONSUMER CONFIDENCE	
5. CEO CONFIDENCE	
6. INVESTOR CONFIDENCE	
7. POLITICAL BACKDROP	
8. FISCAL POLICY	
9. GLOBAL ECONOMY	
10. GEOPOLITICAL RISKS	

Then let's convert your ratings to a projection ...

SUM OF FACTORS ABOVE	
♦ SUBTRACT 50	
ACCELERATOR (2, 3 or 4)	
♦ DIVIDE BY ACCELERATOR	
DIVIDE BY 100. YOUR PROJECTION IS ...	%

2014 STOCK THOUGHTS

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ADMIT

Risk / Risk Tolerance
Competition
Politics
The 1%

AVOID

Bonds
The Media
Hot
Stories

ACQUIRE

Cash
Dividends
Debt
The Globe
Real Estate

On stocks, you be the judge

JONATHAN LANSNER

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If investors – from Wall Street to Main Street – believe in the future, the market usually goes up, no matter the story line.

Almost every year during the last decade, I've made an early-year trek to a gathering of the local American Association of Individual Investors to offer my outlook for investing.

With stocks last year trading around record highs – then starting 2014 with a bit of a reversal – forecasting is no easy chore. But with a dash of inspiration – or perhaps to exercise less perspiration – this year I decided to turn the tables on my audience.

They're the gurus. They're doing the predicting. With my guidance, of course.

To help others craft a 2014 forecast for U.S. stock market performance, I built upon the logic I used to create my do-it-yourself housing forecast exercise that that was published in Sunday's Register Real Estate section. The forecasting tool starts with a series of questions to create the emotional backbone of one's outlook. A little statistical juggling translates these hunches into a guesstimate of how much stock prices will rise or fall over the year.

So grab a paper and pencil ... and let's get busy!

For starters, we offer up 10 questions to gauge your level of optimism or pessimism. Each will be scored from zero (a market killer) to 10 (a huge market booster). Remember to answer them with a stock-market context – how will these economic, political and emotional factors move price of stocks on Wall Street.

Factor No. 1: Economic Growth. Without business oomph, stocks can't stay up, no matter how one tabulates the economy's progress. The U.S. recovery has been modest since the Great Recession, but serious signs of expansion suggest the rising stock market might have foreshadowed the improvements in the business climate. Will we see enough continued upswing to keep stocks lofty? On a zero-to-10 scale, will 2014 growth – say, gross domestic product – be "far less than what Wall Street needs" (zero) or "boom city" (10) – or somewhere in between?

Factor No. 2: Fed Help. The nation's central bank has been more than accommodating in its direct and indirect aid for the overall economy, and in turn supporting risk-taking in stocks. The Federal Reserve has hinted that its help will be thinner in 2014. So rate how much the Fed will cooperate with growth plans from "complete shutdown of its stimulus" (zero) to "far more help than you'd imagine" (10) – or somewhere in between.

Factor No. 3: Interest Rates. Money still sits in bank accounts earning zip. That makes stocks look good. But while the Fed insists it'll keep money cheap, its trimming of aid to the bond market could push up interest rates and create competition among investors vs. stock market returns. Rate 2014's interest rates – in terms of their impact on stocks – from "big jump, big hurt" (zero) to "little jump, little pain" (10) – or somewhere in between.

Factor No. 4: Consumer Confidence. The biggest clout that America's small fry still has is his collective wallet and shopping psyche. A revival of consumer spending is driving the recovery. Cash register patterns do matter on Wall Street, especially for the numerous stocks tied to retail spending. Rate 2014's consumer confidence from "shut the pocketbook" (zero) to "party city" (10) – or somewhere in between.

Factor No. 5: CEO Confidence. I'm not sure what bosses still worry about. Curiously, extended corner office anxieties – and resulting thriftiness – have driven efficiency higher, boosting corporate profits and stock prices. But with the ability of further cost cuts to help profits and stocks now in doubt, rate 2014 CEO confidence from "still scared kitties" (zero) to "growth, full-speed ahead" (10) – or somewhere in between.

Factor No. 6: Investor Confidence. If investors – from Wall Street to Main Street – believe in the future, the market usually goes up, no matter the story line. If there's no passion for stocks, the economic fundamentals really don't matter. Rate 2014 investor confidence from "sell! sell! sell!" (zero) to "buy! buy! buy!" (10)

– or somewhere in between.

Factor No. 7: Political Backdrop. The ability of policymakers and lawmakers to change economic direction is actually meek, limited these days to the opportunity to mess up a good thing with bad policy decisions or ugly rhetoric. Rate 2014's political economic backdrop from "doing severe damage" (zero) to "nonevent" (10) – or somewhere in between.

Factor No. 8: Fiscal Policy. Stock markets did well last year as higher tax rates and stingier government spending

helped trim federal budget deficits. Rate how continuation of these modest austerity measures will hit 2014's stock market from "disaster" (zero) to "big plus" (10) – or somewhere in between.

Factor No. 9: Global Economy. It's a small planet, economically speaking. The business success of a handful of major countries can tweak the profits of the many companies with a global presence. Rate the 2014 global economy as "major drag for U.S." (zero) to "major plus for U.S."

(10) – or somewhere in between.

Factor No. 10: Geopolitical Risks. There was a time in recent years where it seemed like a month didn't go by without some overseas calamity – military or economic

– twisting investors' nerves. (Nuclear bombs or worker revolts aren't great for stocks.) Calmer heads have prevailed as of late but please rate 2014's geopolitical risks from "huge for stocks" (zero) to "nonevent" (10) – or somewhere in between.

Now it's time for some math to finish your forecast.

1. First add up how you collectively scored the aforementioned 10 factors.

2. Subtract 50 from that sum for your final factor. Yes, the number can be negative ... if you're a bear!

3. Next, we need to calculate what I'll call your accelerator. It measures the expected volatility in the 2014 stock market. Your accelerator will be either 2 for "headspinning gyrations" ... 3 for "near normal" ... to 4 for "downright dull."

4. Finally, divide your final factor by your accelerator – and voila! you have your forecast result. Think of that number as a percentage. (So, a result of plus-10 is "up 10 percent" for 2014, or minus-5 is "down 5 percent.")

Congratulations, now you have your own homespun projection of how the stock market will perform this year.

Let the math – and the debate – begin!

P.S.: My personal math added up to a forecasted gain of 7 percent for U.S. stocks in 2014.

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