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## Best Books 2014 and a Stock Market Prediction for 2015

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During a pleasant lunch down town Stockholm we at InvestingByTheBooks discussed the topic of which books that were the best of those we reviewed in 2014. Since we read a mix of old and new books we decided to include all those reviewed and not only the books published in 2014. After a few follow up e-mails this is what we came up with:

- 1) Guy Spier – The Education of a Value Investor (2014)
- 2) Roman Frydman & Michael Goldberg – Beyond Mechanical Markets (2011)
- 3) Adam Smith - The Money Game (1976)
- 4) Kenneth Fisher – Super Stocks (1984)
- 5) Peter Thiel (with Blake Masters) – From Zero to One (2014)

The top rated reviewed book of the year has rightly received much acclaim for describing both the inward psychological and the externally practical journey to becoming a successful investor. It takes a lot of self-confidence – and it also builds a lot of self-confidence – to talk about the mistakes and insecurities of one's career. The book describes Guy Spier's journey from one of Wall Streets shady boiler rooms to a successful value investor modelling his behaviour of the best role models he could find, such as Mohnish Pabrai, Charlie Munger and Warren Buffett.

Now, to give a stock market prediction for 2015 I thought I would take a look in the rear view mirror first. Taking the S&P data from Bob Shiller's website and provided that S&P doesn't move more during December we have 144 years of stock market data. Out of all these years 106 years or 74 percent showed positive total return (index movement plus dividend yield). Subsequently there were 38 down years, i.e. 26 percent of the time we saw the total return going lower (with an average of -12 percent).

The average price change was 6,0 percent and the average dividend yield 4,4 percent giving a total return of 10,4 percent. That is, price changes accounted for 57 percent of the total return and dividends for 43 percent. The worst price decline any single year was 46 percent. The lowest dividend yield 1,1 percent and the lowest total return any single year was -37 percent. On the more positive note, the largest price rise was 46 percent, the highest dividend yield 14 percent and the highest total return any single year 51 percent.

So here it is my stock market prediction for 2015. I think the market will produce a total return of between -40 and +55 percent. But I can't be really sure...

*Merry Christmas and a Happy  
New Investment Year*

Mats Larsson, December 18, 2014