



## NHCO Week in Review November 17, 2014

### NHCO Weekly Market Update

Every so often the market for collectables grabs headlines, and what better way to kick off the shopping season this year than with a few notable observations on that market. A Patek Philippe pocket watch traded this month for a record price of \$24 million. The watch last traded in 1999 for \$11,000,000, and has given that buyer a return on their investment of 118%. Crafted in 1925, the pocket watch contains over 900 component pieces and is made with 24 karat gold weighing in at 0.45 kg or 15.8 ounces. This is no small watch. The gold it contains is worth \$18,000 at today's prices. The ad on TV that offers to buy my old gold might be tempting but what makes up the remaining \$23,982,000 in value for this watch?

But if carrying an almost a one pound watch around makes you feel like Flavor Flav perhaps you should focus on a different market: art. The Triple Elvis piece by Andy Warhol traded at a Christie's auction this week for \$81.9 million. And in what was describes as a "slow night" at the Sotheby's contemporary auction on Tuesday, the 12 inch by 18 inch Jasper Jones 1983 painting of an American flag traded for \$36 million - just slightly north of its estimated \$20 million, or about \$165,000 per square inch. Not to be out done in the collectable land a friend of mine is selling some of his wine collection next week at a an auction in New York. The auction house has estimated that one of his lots (which includes 6 bottles of 1996 Krug Champagne) could trade for \$8,000. That works out at about \$225 a glass - now that's worthy of a toast.

So what's up with these prices and can they go higher? This is the question that is asked in the world of collectables all the time. I am reminded of the old, and incorrect, statement that you sometimes hear in the stock market that "there are more buyers than sellers" when the market is rising. The true statement about the stock market is that when prices are rising there are enough buyers to support higher prices. In a big liquid market like stocks price generally rises in small increments that are spread out over thousands of trades per day. Take a look at Apple stock. Apple has 5.8 billion shares outstanding. On any given day about 54 million shares of Apple trades between investors in thousands of little 'mini auctions' between buyers and sellers. But the collectable market is different. When the supply is only one unique item, a different dynamic occurs. It can be a one of a kind watch, a one of a kind piece of art, a car, or 6 bottles of bubbly, but all it takes are two potential buyers of the same one item to bid it up. Many collectors are driven first out of passion, but when items are trading for \$10 million and higher the possibility of making money quickly comes into play. When two or more collectors both want the same object a collector's "passion" can produce a very nice return for the seller.

Carl Gambrell

11/14/2014 % Wk Chg % Yr Chg

DJIA	17,634.74	0.35%	6.38%
S & P 500	2,039.82	0.39%	10.36%
Nasdaq	4,688.54	1.21%	12.26%
EAFE	1,813.19	0.81%	-5.35%
Emerging Mkts	990.81	0.32%	-1.18%
Hang Seng	24,087.38	2.28%	3.35%
NIKKEI	17,490.83	3.62%	7.36%
FTSE	6,654.37	1.33%	-1.40%
CRB Index	266.79	-1.43%	-4.78%
Dow Jones Utility	586.04	-2.83%	19.46%
TIPS Index	113.20	-0.37%	3.00%
VIX Index	13.31	1.45%	-2.99%
OIL	79.60	-5.23%	-28.16%
Gold	1,188.75	0.92%	-0.81%
Euro	1.25	0.56%	-8.99%
Yen	116.29	1.47%	10.36%
Sterling	1.57	-1.26%	-5.23%
High Yield	5.99%	1.18%	0.67%
Investment Grade	3.62%	1.40%	-6.46%
2 Year Gov't	0.51%	2.00%	34.21%
5 Year Gov't	1.61%	1.90%	-7.47%
10 Year Gov't	2.32%	0.87%	-23.43%
30 year Gov't	3.05%	0.66%	-23.17%
2 Year Muni	0.41%	0.00%	24.24%
5 Year Muni	1.22%	0.83%	6.09%
10 Year Muni	2.28%	2.70%	-17.69%
30 Year Muni	3.09%	1.31%	-26.95%
3m LIBOR	0.23%	0.00%	-8.00%
Fed Funds	0.08%	33.33%	100.00%
Prime	3.25%	0.00%	0.00%
Money Market	0.38%	0.00%	-5.00%
12m CD	0.69%	0.00%	2.99%
30 Year Mortgage	4.04%	-3.81%	-11.01%
15 Year Mortgage	3.12%	0.00%	-12.11%