Market Commentary: September, 2013

As I write this (August 27th) the S&P 500[1] Composite Index is up 17% for the year to date. Small cap stocks have done even better with a gain in Russell 2000 of 24%. Foreign stocks have been laggards for the year with the MSCI EAFE Index[3] gaining 11%.

Bonds are a different story. Until May, the bond indexes showed modest gains, and then Ben Bernanke spoke. The Federal Reserve Board indicated in May that they would soon be reducing their bond-buying program, known as quantitative easing, and the bond market recoiled. The benchmark 10-year US Treasury Note interest rate went from 1.6% yield to 2.6% in three weeks. When interest rates rise, the trading value of existing bonds declines. Consequently, the total return year-to-date on all but the shortest term bonds is negative. Total return is the combination of the interest received, plus or minus any change in value. The Barclays US Aggregate 7-10 year bond index[4] is showing -5% year-to-date. My guess is that bonds will remain weak throughout the rest of this year, as investors watch Fed actions closely.

I am also guessing that the stock market, which seems to have begun a correction, will also be volatile, and perhaps weak for the rest of the year. The current bull market which began in March of 2009 is now 4½ years old, about average for bull markets of the past 70 years. Whether the weakness influenced by rising interest rates will lead to a full blown bear market will depend largely on the economy and the profits that companies can squeeze out in a weak economy. One positive factor is that valuations as measured by price-to-earnings ratios are not as high today as they were in 2000 and 2007. Because of this, we might expect the next bear market to be a bit less deep than the bears that followed those market peaks.

This is a good time to remind everyone that we are long-term investors. Yes, we do pay attention to trends in the markets and invest accordingly, but more important is that we pay attention to each client's goals and objectives. For example, if your goal is to preserve your assets to provide income for the rest of your life and you are, say, 65 years old, you can expect to have your assets invested for the next 20 to 30 years. There will be a lot of ups and downs over that period. Therefore, we should be patient in these times of weakness. We are blessed to have many clients that understand this, but it never hurts to remind everyone again!

As always, we are here to answer your questions and discuss your concerns. Please do not hesitate to contact us. And remember, we like your "here's what I'm thinking about doing" questions rather than the "guess what I just did" comments!

The statements above are the opinion of Kevin N. Tucker, CFP, as of September 4, 2013 and are subject to change at any time without notice. The above statements are not a recommendation of any investment product nor a solicitation to buy or sell any security. Past performance is not an indication of future results.

Kevin N. Tucker, CFP

1 *The Standard & Poors 500 Index (S & P 500) is an unmanaged index of large company stocks considered to be representative of the US stock market. Investment cannot be made directly into an index. Past performance is not an indication of future results. Future returns are not implied nor guaranteed in any way.*
2 *Russell 2000 is an index of 2000 smaller-company stocks traded in the US.*
3 *The MSCI EAFE (Europe, Australasia, Far East) is an index considered to be representative of the returns of 21 developed foreign stock markets. It is a total return index.*
4 *The Barclays US Aggregate Bond Index 7-10 year maturity is an index of the total return of investment-grade bonds with 7-year to 10-year maturities.*

RUMORS, RUMORS, RUMORS!

We must be doing something right -- the competition is getting crafty! We recently received a call from a client who had been approached by another financial advisor. Attempting to convince her to move her accounts over to him, he told our client "Well, Kevin is retiring, you know", or words to that effect.

I guess with the addition to our team of Joe, who would be my natural successor in the event of an emergency, this is to be expected. Well, I may indeed retire someday, but that day is not here yet! So let's put the rumor to rest: Please be assured, I have no plans now, or in the near future, to leave my business. I look forward to continuing more productive and thoroughly enjoyable years, working together with you.

ACCOLADES FOR CAMBRIDGE

Most of you have seen Cambridge Investment Research, Inc. (Cambridge), member FINRA/SIPC, listed on your statements, but may know little about the firm – who it is and what it is. Cambridge is an independent, privately owned broker/dealer providing services to independent investment professionals and financial planning firms like ours across the country. They are the firm we chose more than 15 years ago to be our partner in our advisory practice as we strive to serve all of you.

Recently, *Investment Advisor* magazine announced Cambridge as "2013 Broker-Dealer of the Year in Division IV" – the division representing independent broker-dealers with over 1,000 producing advisors. This honor is based on the results of the annual poll conducted by the magazine in June of this year. Cambridge has earned this award five out of the last seven years, and was previously named in 2012, 2010, 2008, and 2007 as Broker-Dealer of the Year in Division IV and in 2003 for Division III.

"Being named Broker-Dealer of the Year means hundreds of our advisors felt strongly enough about Cambridge to take the time and engage in this poll," said Eric Schwartz, Cambridge founder, Chairman, and CEO. "There is no greater reward in the service business than being complimented about your service and valued for your services. For this I am greatly humbled and most appreciative."

Based in Fairfield, IA, Cambridge provides financial advisors with support in the areas of trading, account servicing, regulatory compliance, product due diligence, continuing education, and practice management. Through a network of 2,400 independent registered representatives, Cambridge oversees $53.4 billion in client assets. The firm has been named among the Top Workplaces in Iowa by the Des Moines Register for 2011 and 2012, and was recognized by IA Biz as one of the Best of Iowa Businesses in 2011.

Dates for your Calendar:

Kevin and Joe will both be out of the office September 24th -- September 27th attending the annual broker/dealer compliance conference. However, through the marvels of modern technology, they will be able to stay in touch as needed by phone and email. Susan and Gwen will be available to answer questions and help with service issues during that week while they are gone.