***FORZA INVESTMENT ADVISORY, LLC***

**NEWSLETTER ARCHIVE -- JAN 2014 THRU MAY 2014**

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***From the Desk of Bob Centrella, CFA:                                May 12,  2014***

***"Defense! Defense!"***

Dear Friends:

Thanks for the kind comments on my daughter's video, I appreciate many of you taking the time to view it.  Kind of a quiet week with pollen counts now attacking us allergy sufferers.  The NFL draft took place in the week, which surprisingly was pretty good reality TV.  The top pick was a defensive end, more on that in a bit.  Apple announced it would buy Beats Electronics with a music mogul and rapper in top positions - soon to be Apple execs.  With the flurry of mergers recently, one was actually called off -- two ad giants Omnicom and Publicis decided that they couldn't co-exist after-all.  And in IPO land, Chinese internet company Alibaba announced it would go public in what might be the largest IPO ever with a value estimated over $100 Billion.

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Don't look now but the Russell 2000 is in correction mode.  Officially, it is hit a decline of 9.2% on Thursday from its closing high of 1208.65 on March 4th.  However, on an intraday basis it is actually down 10% from high to low.  (A 10% decline is considered a correction, while 20% decline a bear market.)  Investors have clearly been selling risk since early March with the Nasdaq falling 8% from its high.  Meanwhile, the Dow Jones Industrial Average made a record closing high as the shift to large cap stocks and large value stocks continues.  Yet the Dow is only up .04% YTD, so it is not like there has been much return there either. This is a classic rotation taking place as a lot of uncertainty surrounds the market so investors are going to companies that pay a dividend, are easier to value, been around a long time and offer some comfort of having a long-term track record.  Many industries have fallen much deeper and several momentum stocks are off over 20% from their highs.  For instance, Amazon is now off 28% from its high reached in January.  I consider this rotation good for the market as it is mostly occurring on an orderly basis rather than all at once.  The 2 worrisome trends to watch are the continuing strength of the 10-yr US Treasury coupled with the decline in small cap stocks.  If this trend continues and small stock continue to fall, this often can lead to the broader market following suit. However, there are a host of potential reasons why the 10-yr bond yield is still so low (Ukraine, Fed buying, market uneasiness) and low rates in the end are good for stock prices.  Earnings season is just about over and now all focus will be on the economy and other worldly events.

Just like the NFL,  Investors are clearly playing defense (aha, I finally come back to it:) by buying US Bonds and large-cap dividend stocks.  In the NFL, defense is half the equation.  In the stock market too, defense rotates with offense and right now offense is sitting on the sidelines until we get a clearer picture of which way the economy is headed.  At some point the defense will give the field back to the offense but for now the D is likely on the field for a while longer.

I'll be away next week at my daughter's college graduation (my first!) and will be back in touch in 2 weeks.

Have a great week (or 2).

Bob

**\*\* The Weekly financial data sheet is attached\*\***

**Economy**

After three consecutive quarterly increases, nonfarm productivity fell at a 1.7% annual rate in Q1. This was not due to falling production; output increased at a 0.3% rate. Instead, productivity declined because the number of hours worked increased much faster than output, which means output per hour declined.

The US trade deficit came in at -$40.4 billion in March, as exports gained the most in nine months. Plugging these figures into our GDP calculations, it now looks like trade subtracted 0.9 percentage points from real GDP growth in Q1.

Since hitting a four-year low in February, the ISM service sector has jumped to 55.2, signaling the fastest growth in eight months and showing expansion for a 51st consecutive month. Paired with the strong ISM manufacturing report from Friday, it looks like production is bouncing back from the harsher than normal winter.

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**Bonds**

                                    Friday Close        Prior week     Comment

**10-yr UST yield**              2.62%                2.59%

**30-yr  UST Yield**3.47%3.45%

**ML High Yield 100**          4.60%               4.63%                           .

**15-yr Fixed**3.38%3.47%

**30-yr Fixed** **Mtg**            4.31%               4.36%

**Commodities & Currencies**

                           3/24 Close         Prior week          Comment

**Gold/oz**                 $1287.3            $1302.6

**Crude Oil**                $99.99             $ 99.76

**NYMEX Nat Gas**       $4.531              $4.674

$ **per Euro**               1.376                1.3873

**Yen per $**                 101.83              102.21

**Reuters CRB**            307.57              307.14

**Stocks**

Big stocks were bought and small stocks were sold last week. This trend has taken hold in the market as investors are dealing with uncertainty.

US Stocks mostly fell except the Dow which made a new record closing high.  For the week the S&P 500 fell .14% to 1878 while the Dow set another new high for 2014 during the week with a slight gain of .04% to 16583.34.  Midcap stocks dropped .57% while the Russell 2000 fell 1.91% and now is down 4.8% YTD.

European stocks rose for the week with the Euro 600 up .23%.  Germany rose .27%, Belgium 1.56%, Spain .12% while Italy fell 1.8%.

Asian shares fell .48%.  India shares rose 2.63% and are up 8.6% YTD.  However, Hong Kong dropped 1.79% and Japan 1.78%.

Worldwide stocks fell .1% with the Global Dow closing at 2520.2.

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**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Index** | **Last Close** | **1 Week %** | **YTD %** |
| **Dow Jones** | 16583.34 | .43% | .04% |
| **S%P 500** | 1878.48 | -.14% | 1.6% |
| **NASDAQ** | 4071.87 | -1.26% | -2.5% |
| **S&P Midcap 400** | 1353.79 | -.57% | .8% |
| **Russell 2000** | 1107.22 | -1.91% | -4.8% |
| **Euro Stoxx 600** | 338.54 | .23% | 3.1% |
| **DJ Asia-Pac** | 1419.57 | -.48% | -2.0% |
| **Global Dow** | 2520.23 | -.1% | 1.4% |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | Telecom, Materials. Consumer Goods |
| **Weak Sectors** | technology, Consumer Svcs, Utilities |
| **NYSE Advance/Decline** | 1527 / 1693 |
| **NYSE New High/Low** | 322 / 137 |
| **AAII Bulls/Bears** | 28.3% Bulls / 28.7% Bears  **Investors are neutral** |

***Bob Centrella, CFA***Managing Partner  
***Forza Investment Advisory, LLC****Registered Investment Advisor*908-344-9790 (w)  
[www.ForzaInvestment.com](http://www.forzainvestment.com/)

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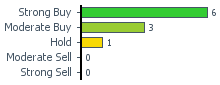
***From the Desk of Bob Centrella, CFA:                                      April 7,  2014***

***" Earnings Season About to Start Again "***

Dear Friends:

Congrats to Kentucky and UConn who battle it out tonight for the NCAA basketball championship.  If anyone out there had these 2 teams in the final then please step forward and I will be happy to announce it to give you props.  This tourney was very exciting and full of upsets.  Meanwhile we had opening day for Baseball this past week and I was fortunate to catch a Spring Training Yankees game a week ago when I was in FL.  Other news that drew significant debate is the release of Michael Lewis' new book "Flash Boys" which is about high frequency trading.  Already the SEC has opened an investigation into HFT's as a result of fallout from the book which calls the market rigged against the retail investor.

Stocks are in a bit of a funk this year to say the least.  The market can't seem to gain any momentum as investors are awaiting the good news which doesn't seem to want to come.  As I said a few weeks ago, we continue to be in a "hurry up and wait" mode.  When are we going to see some data that is strong and sustainable?  As a result, investors are rotating among sectors and still taking some profits of last year's winners -- specifically momentum type stocks like Biotech and internet technology stocks.  They are moving into Value and dividend paying stocks.  Checkout the chart below of the Russell 1000 Growth vs 1000 Value this year.  (IWF = Growth and IWD = Value)



Since February, when the rotation seems to have started , the Value index is up 6% while the Growth index is up 2%.  That has narrowed the gap from the past year to the Growth index being up about 22% compared to 20% for the Value index.  Is this a temporary phenomenon or a start f a new trend?  I think we must wait for earnings in the next few weeks to see how investors will react.  If Growth companies continue to deliver solid gains while Value companies under-deliver, then the needle may swing back to Growth.

Personally I like a core approach to stocks with both Value and Growth stocks represented in a diversified portfolio.  As my old dearly departed colleague Ed Spelman used to say - "A stock doesn't know if it is Growth or Value".  A stock is a stock.  Consultants put a tag on it but as investors we should buy a stock if we think it is going up regardless of the tag put on it.

So let's see what we get from companies reporting the next 3 weeks.  At the moment, expectations are pretty low with analysts only expecting a 1.2% gain in EPS in Q1.  Forward guidance will once again be the key.  So the stage is set for potential upside surprises to take the market a bit higher if companies can deliver, but consistent negative surprises could lead to a broad selloff.

I will be away on Spring Break vacation next week so I won't report back to you until after Easter.  Have a Great Easter and I will check back on Easter Monday.

Bob

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**Economy**

The unemployment rate held at 6.7% instead of ticking back down to 6.6%, as we expected, but the details of the report were much better than the headlines. Payrolls increased 192,000 in March, or a total of 229,000 after including upward revisions for prior months.  Including revisions, private payrolls gained 239,000. The participation rate finally appears to be leveling off; at 63.2% it’s the highest in six months and down only slightly from 63.3% in March 2013.

The ISM non-manufacturing index increased to 53.1 in March, coming in below the consensus expected 53.5. (Levels above 50 signal expansion; levels below 50 signal contraction.) The major measures of activity were mixed in March, but all were above 50. The employment index jumped to 53.6 from 47.5 while the new orders index increased to 53.4 from 51.3. The supplier deliveries index moved lower to 52.0 from 53.0 while the business activity index declined to 53.4 from 54.6

The trade deficit in goods and services came in at $42.3 billion in February, larger than the consensus expected $38.5 billion.

The ISM manufacturing index increased to 53.7 in March from 53.2 in February, but came in below the consensus expected level of 54.0.

Real GDP growth for Q4 was revised up to a 2.6% annual rate from a prior estimate of 2.4%. That fell slightly short of the consensus expected 2.7% rate. However, the “mix” of GDP was slightly more favorable for future quarters as inventories were revised down. The best part of today’s GDP report was our first glimpse on economy-wide corporate profits, which grew at a 9.2% annual rate in Q4 and are up 6.2% from a year ago. Corporate profits are again at an all-time high and are the largest share of GDP since 1950.

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**Bonds**

                                    3/24 Close         Friday Close     Comment

**10-yr UST yield**              2.748%              2.726%

**30-yr  UST Yield**3.61%3.59%

**ML High Yield 100**          4.70%               4.69%                           .

**15-yr Fixed**3.54%3.57%

**30-yr Fixed** **Mtg**            4.51%               4.36%

**Commodities & Currencies**

                           3/24 Close         Friday Close     Comment

**Gold/oz**                 $1336.00            $1303.2

**Crude Oil**                $ 99.46            $ 101.14

**NYMEX Nat Gas**       $4.313              $4.439

**$ per Euro**               1.3793                1.3704

**Yen per $**                 102.27              103.30

**Reuters CRB**            299.40              304.84

**Stocks**

US Stocks rallied early in the week then fell sharply on Friday.  Growth stocks got hit hardest as it appears that investors are taking profits ahead of EPS season.  For the week indexes were mostly up with the S&P 500 hitting a new high before falling on Friday but finished the week climbing .9% to 1865.09 while the Dow rose .4% to 16412.7 but the NASDAQ dropped .67%.  Midcap stocks rose .66% and the Russell 2000 rose .14%.

European stocks rose for the week with the Euro 600 up 1.6% and are up 3.3% YTD.   The best market YTD is Italy, up 16.9% with Spain up 7.7%.  For the week Italy rose 3.15%, Spain 3.37% and Sweden 1.98%.

Asian shares rallied and the DJ Asia Pac index froze 1.8%.  Japan jumped 2.5% and Hong Kong 2.01%.

Worldwide stocks rose 1.29% with the Global Dow closing at 2516.80

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**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Index** | **Last Close** | **Week %** | **YTD %** |
| **Dow Jones** | 16412.7 | .55% | -1.0% |
| **S%P 500** | 1865.09 | .40% | .9% |
| **NASDAQ** | 4127.73 | -.67% | -1.2% |
| **S&P Midcap 400** | 1367.11 | .66% | 1.8% |
| **Russell 2000** | 1153.38 | .14% | -.9% |
| **Euro Stoxx 600** | 339.18 | 1.62% | 3.3% |
| **DJ Asia-Pac** | 1435.67 | 1.80% | -.9% |
| **Global Dow** | 2516.8 | 1.29% | 1.2% |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | Materials, Telecomm Industrials |
| **Weak Sectors** | Technology, Financials, Consumer Gds |
| **NYSE Advance/Decline** | 2130 / 1485 |
| **NYSE New High/Low** | 389 / 30 |
| **AAII Bulls/Bears** | 35.4% Bulls / 26.8% Bears |

Have a great week!

Bob

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***From the Desk of Bob Centrella, CFA:                                  March 24,  2014***

***" Around Six Months or That Type of Thing "***

Dear Friends:

Sorry I missed last week but I was called out of town abruptly.  A lot has happened in a few weeks including St. Paddy's Day (hope you all enjoyed being green for a day), NCAA March Madness (upsets, upsets - I had Wichita St. winning it all), the release of "Divergent" movie (saw last night), Russia annexed Crimea (well maybe this is a little more important), still no signs of the Malaysian jetliner (a parallel-universe black hole?) and Fed Chair Yellen's backhanded comment upending financial markets for a day.  But that and a whole lot of other stuff around the world still didn't keep the US stock market from touching a new high on Friday (S&P 500) before selling hit late in the day.

As we come to the close of the second quarter in about a week economic data and company earnings will have a lot to say about whether the market rally can continue or we take a little breather.  Fed Chair Yellen either mistakenly said an off the cuff remark about interest rates or let loose a well-planned trial balloon that briefly shook markets.  Her brief comment on rates was in response to a question of how long the Fed would take to raise rates after the bond buying program ends.  Her comment was "around six months or that type of thing".  That sounds like something I would say, not a Fed Chair.  Which makes me think she knew exactly what she was saying.  What does it mean?  Honestly, nothing at this point.  It still keeps a lid on short term rates for at least another year.  A lot can happen in a year, let alone a month.  But it was unexpected and markets react to the unexpected.

We've already seen a few companies come out and blame the weather for what are likely to be lackluster Q1 earnings.  That puts us right back into "hurry-up and wait" mode for the turn in company revenues that we've all been waiting for.  So now investors will wait to see if Q2 revenues and earnings growth are the turning point. Economic numbers out last week were mixed but the market liked the upside in industrial production numbers for February.

So here in the US, I am still positive on US Equities and not-so-positive on Bonds.  I'm surprised the 10-yr UST is at such a low level and it goes to show that the US bond market is still a safe haven for worldwide investors.  We've already had a number of companies come out and lower guidance for the upcoming quarter due to weather and we could probably expect a few more to follow suit.  Will the market give companies a free pass for the quarter?  To some extent I think so.  However, I don't see an extension of the rally without positive earnings and revenue guidance.  We could be range-bound on stocks in the US for a while until economic or corporate numbers get more positive.  Financial stocks are to be the beneficiaries of higher rates and cyclical sectors will eventually show the best earnings gains if/when guidance improves.

By the way, I read some interesting info this morning.  Did you know that Greek gov't bonds have jumped 86% over the past year and Greek stocks are up 52%?  Also, yields on 10-year government bonds are near 200-year lows in Spain and in Italy they are near lows last seen around WW1.  I guess the moral of the story is to seek out areas where reform is being enacted after markets have gotten whacked.

I will be out next week as I am going to FL to visit my brother.  See you in 2 weeks.

Bob

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**Economy**

Existing home sales declined 0.4% in February to a 4.60 million annual rate, coming in exactly as the consensus expected. Sales are down 7.1% versus a year ago. The months’ supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) rose to 5.2 months in February. The increase in the months’ supply was mainly due to a 120,000 increase in inventories.

Initial claims for unemployment insurance increased 5,000 last week to 320,000. Continuing claims increased 41,000 to 2.86 million.

On the manufacturing front, the Philly Fed index, a measure of factory sentiment in that region, rose to+9.0 in March from -6.3 in February.

As expected, the Fed dropped its reference to begin considering rate hikes when the unemployment rate dropped to 6.5%.  But rather than setting a clear new quantitative target, the Fed basically said we’d just have to trust its judgment, and that it would use a “wide range of information” in deciding when to begin those discussions, including data on the labor market, inflation, and the financial markets.

Housing starts declined 0.2% in February to 907,000 units at an annual rate, coming in very close to the consensus expected 910,000. Starts are down 6.4% versus a year ago.

Despite the harsh weather, Industrial production increased 0.6% in February, easily beating the consensus expected gain of 0.2%. Production is up 2.8% in the past year. Manufacturing, which excludes mining/utilities, increased 0.8% in February (+0.7% with revisions to prior months). Auto production rose 4.9% in February while non-auto manufacturing increased 0.5%. Auto production is up 5.7% versus a year ago while non-auto manufacturing is up 1.2%. The production of high-tech equipment rose 0.9% in February and is up 7.8% versus a year ago. Overall capacity utilization increased to 78.8% in February from 78.5% in January. Manufacturing capacity rose to 76.4% in February.

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**Bonds**

                                    Friday Close     Last Week     Comment

**10-yr UST yield**              2.748%              2.645%

**30-yr  UST Yield**3.61%3.59%

**ML High Yield 100**          4.70%               4.85%                           .

**15-yr Fixed**3.54%3.49%

**30-yr Fixed** **Mtg**            4.51%               4.38%

**Commodities & Currencies**

                          Friday Close         3/10 Close      Comment

**Gold/oz**                 $1336.00            $1379.0

**Crude Oil**                $ 99.46            $ 98.56

**NYMEX Nat Gas**       $4.313              $4.44

**$ per Euro**               1.3793                1.38

**Yen per $**                 102.27              103.37

**Reuters CRB**            299.40              302.88

**Stocks**

US Stocks rallied early in the week after stronger economic data then sold off on Yellen comments and late week profit-taking.  For the week, the S&P 500 rose 1.38% to 1866.5.  The Dow climbed 237 or 1.48% while the Nasdaq rose .75%.  On Friday the S&P reached a new intraday high at 1883.97 before selling off.

European stocks rose for the week with the Euro 600 up 1.76%  Germany +3.16%, France +2.82% and Belgium +2.78% were the winners.  YTD the Euro 600 index is about flat.

Asian shares continued to suffer and the DJ Asia Pac index fell 1.09%.  China rose 2.16% on some reform measures taken by leaders.  Japan fell .72%.  For the YTD the DJ Asia index is down 5.1% led by Japan down 12.7%.

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**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 16302.77 | 237.10 | 1.48% |
| **S&P 500** | 1866.52 | 25.39 | 1.38% |
| **NASDAQ Comp** | 4276.79 | 31.39 | .74% |
| **S&P Mid Cap** | 1379.87 | 15.77 | 1.16% |
| **S&P Small Cap** | 678.37 | 8.74 | 1.31% |
| **Russell 2000** | 1193.73 | 12.32 | 1.07% |
| **Stoxx Euro 600** | 327.91 |  | 1.76% |
| **Dow Asia/Pacific** | 1374.97 |  | -1.09% |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | Telecom, Financials, Technology |
| **Weak Sectors** | Utilities, Consumer Svcs, Health Care |
| **NYSE Advance/Decline** | 1940 / 1258 |
| **NYSE New High/Low** | 337 / 65 |
| **AAII Bulls/Bears** | 36.8 Bulls / 26.2% Bears |

Have a great week!

Bob

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***From the Desk of Bob Centrella, CFA:                                  March 10,  2014***

***"Happy 5th Birthday Bull Market"***

Dear Friends:

First I would like to take a bow for my prediction coming through already.  No not stocks.  Last week I predicted 50 degree weather in 2 weeks and sure enough this weekend we hit a smoking 55 degrees on Saturday.   Still there is plenty of snow on the ground but my dog Luca is excited because he can actually smell and see the grass (among other stuff he does) on his walks.  With a little luck, the golf courses will be open in a week or so for some cool weather golf.  Hey, us East Coasters will take what we can get.

Let's wish the US Stock market a happy 5th bull market birthday!  Let's go back and take a little stock market history ride.  It was October 2007 when the S&P 500 was chugging along and reached its then all-time high of 1562, finally making up all the ground since August 2000 when it last reached that level.  Remember from 2000-2003 the S&P dropped all the way from 1562 to 800 before starting its move back up in -- yes, March of 2003.  Then, the "s" hit the fan in 2008 and we reached rock bottom on March 9, 2009 at 676.53, a drop of almost 57%!  Oh, I remember it too well.  After a few fits and starts the market began its climb back and reached a new high 4 years later on March 26 of 2013 when it finally closed above 1563.  It been a series of new highs since then with the S&P closing last Friday at 1878, a price gain of 177% over the 5 years.  Throw in dividends and total return has been about 240% give or take a few percent.  That's a 27% annual return over 5 years.  Seems like March has become a lightening rod month for stocks in the past 15 years.  Let's hope we can sail through the rest of this month without any negative lightening.

While stocks have rebounded nicely, let's put it into perspective.  Since 1/1/2000, the total annualized return for the S&P 500 is 3.55% per year.  Not exactly setting the world on fire.  That is how tough the 2000's have been.  Compare that to the approximate 9.7% annual return the S&P 500 has produced over the last 114 years since January of 1900.  So although we have come a long way back from March 2009, the 21st century as a snapshot in time, is well behind the historical return levels.  Whether the market is overvalued or not, since 2000 the S&P 500 has significantly underperformed its historical average return.  As a matter of fact, in that same time period since 1/1/2000, the Barclays Bond Aggregate returned 5.68%.  So when market pundits say the market is due for a correction, remind them that we're only up 3.55% per year this new century.

That's all, just a history lesson today so have a great week!

Bob

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**Economy**

Despite atrocious winter weather in February, nonfarm payrolls posted a solid and above-consensus gain of 175,000. Private-sector payrolls were up 162,000. Not all of the report was as good as the top-line payroll numbers, but likely the weather is the main reason and so expect better reports in the months ahead. The unemployment rate ticked up to 6.7% from 6.6% in January. The increase in the jobless rate was the result of a 264,000 increase in the labor force alongside only a 42,000 gain in civilian employment

The US trade deficit slightly increased to $39.1 billion in January, as imports grew slightly faster than exports.

Productivity growth in the fourth quarter was revised lower to a 1.8% annualized pace, consistent with last week’s downward revision to real GDP. Despite the weaker Q4 number, productivity has been increasing, up 1.3% from a year ago compared to only 0.8% in 2012. Still, the recent slower gains in productivity are noticeably smaller than the 2.3% annual average since 1996.

The ISM non-manufacturing index declined to 51.6 in February, coming in below the consensus expected 53.5.

The ISM index, a measure of manufacturing sentiment around the country, recovered in February, coming in at 53.2 despite continued bad weather.

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**Bonds**

                                Friday Close      Last Wk    Comment

**10-yr UST yield**         2.79%             2.66%

**30-yr UST**                  3.72%             3.59%

**ML High Yield 100**     4.72                4.63%           .

**15-yr Fixed Mtg**         3.63%             3.47%

**30-yr Fixed** **Mtg**       4.54%             4.42%

**Commodities & Currencies**

                           Friday Close         Last Wk      Comment

**Gold/oz**                 $1338.10            $1321.6

**Crude Oil**                $102.58            $102.59

**NYMEX Nat Gas**       $4.618              $4.619

**$ per Euro**               1.3833                1.376

**Yen per $**                 103.27              101.48

**Reuters CRB**            307.19              302.43

**Stocks**

US Stocks rallied in the week after Russia backed down a bit.  For the week, the S&P 500 rose 1% to a new high at 1878.  The Dow climbed 131 or .80% while the Nasdaq rose .65%.  Small and midcaps also rose to new records again.  Cyclical stocks such as Financials, Industrials and Materials led the way higher.

European stocks fell for the week with the Euro 600 off 1.47%  Germany dropped 3.52% while Italy rose .94%.  Italy is up 8.8% this year, one of the best developed market gains.

Asian shares climbed 1.16% led by India again up 3.79% and Japan up 2.92%.

***With 2014 here, now is the time to reassess your portfolio.  I you know someone that could use a Free portfolio consult, please contact me or ask them to* c*all us at 908-344-9790.  Thank you. I depend on referrals for growing my business.***

**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 16452.72 | 131 | .8% |
| **S&P 500** | 1878.04 | 18.59 | 1.0% |
| **NASDAQ Comp** | 4336.22 | 28.10 | .65% |
| **S&P Mid Cap** | 1388.95 | 13.62 | .99% |
| **S&P Small Cap** | 681.22 | 13.89 | 2.08% |
| **Russell 2000** | 1203.32 | 20.29 | 1.71% |
| **Stoxx Euro 600** | 333.06 |  | -1.47% |
| **Dow Asia/Pacific** | 1436.89 |  | 1.16% |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | Financials. Industrials, Materials |
| **Weak Sectors** | Utilities, Health Care, Energy |
| **NYSE Advance/Decline** | 1864 / 1344 |
| **NYSE New High/Low** | 512 / 35 |
| **AAII Bulls/Bears** | 40.5 Bulls / 26.6% Bears |

Have a great week!

Bob

***Bob Centrella, CFA***Managing Partner  
***Forza Investment Advisory, LLC****Registered Investment Advisor*908-344-9790 (w)  
[www.ForzaInvestment.com](http://www.forzainvestment.com/)

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***From the Desk of Bob Centrella, CFA February 24,  2014***

***"February Storms Back - But Ukraine Monkey Wrench"***

Dear Friends:

We finally got less snow than anticipated here in Northern NJ as a mere dusting greeted me this morning. I and most others are done with this cold, snowy thing and ready for Spring. The golf clubs are begging me to put them in play and I'd be happy to oblige if the ground wasn't all white.  I'm predicting 50 degrees within 2 weeks!

The stock markets rebounded nicely in February with the S&P 500 rallying 4.3% and closing at a new high at 1859.45.  The Dow rose 3.97% to 16,321 in the month but still sits 255 points below its close at the beginning of the year.  Several other indexes also rose to new highs including the Russell 2000, the Nasdaq and the S&P Midcap. However, all these gains may be short-lived as the ongoing turmoil in Ukraine has thrown a major monkey wrench into the markets and stocks all over the world are dropping today.  In reality, the Ukraine economy is about the size of Walt Disney, but its strategic importance to Russia and Russian involvement has raised this to another level.  We need to see how this plays out, but it will be interesting to see if this becomes a buying opportunity for investors, assuming things calm down before escalating.  BTW, this Sunday, March 9th, marks the 5-year anniversary of the S&P's closing low of 676.53 in 2009.  Stocks have more than tripled since then including dividends.  I hope you were along for the ride.

Last week, Janet Yellen reassured investors that the Fed could put the brakes on their Taper program if economic data doesn't resume getting better.  As of now, the Fed and many economists are of belief that economic activity slowed in February due to poor weather.  The Fed reiterated that it has no plans to increase short term rates but would continue the Taper if data normalizes.  In a reminder to investors that the "comeback" is far from strong, the Q4 GDP was revised downward to 2.4% growth from 3.2%.  Hardly anything to get excited about.

So let's keep an eye out for Ukraine developments and see what the US economic data for February looks like this week.

Have a great week

Bob

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**Economy**

Real GDP was revised to a 2.4% annual growth rate in Q4 from a prior estimate of 3.2%. The consensus had expected a revision to a 2.5% annual rate.

Despite the harsh winter, the Chicago PMI, a survey of manufacturing sentiment, increased to 59.8 for February from 59.6 for January.

Durable goods declined 1% in January, but the loss was not as large as the consensus expected and was primarily due to a large drop in aircraft orders, which are extremely volatile from month to month. Orders excluding transportation rose 1.1% in January, the largest gain in eight months, led by fabricated metals

Despite terrible weather and what most economists thought was going to be a drop, new home sales surged 9.6% in January, coming in at a 468,000 annual rate, the highest level since July 2008.

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**Bonds**

                                Friday Close      Last Wk    Comment

**10-yr UST yield**         2.66 %            2.734%

**30-yr UST**                  3.59%             3.69%

**ML High Yield 100**     NA                4.765%           .

**15-yr Fixed Mtg**         3.42%             3.49%

**30-yr Fixed** **Mtg**       4.35%             4.46%

**Commodities & Currencies**

                           Friday Close         Last Wk      Comment

**Gold/oz**                 $1321.6            $1323.9

**Crude Oil**                $102.59            $102.2

**NYMEX Nat Gas**       $4.619              $4.91

**$ per Euro**               1.376                1.3739

**Yen per $**                 101.48              102.49

**Reuters CRB**            302.43              301.58

**Stocks**

US Stocks rallied in the week and would have closed even higher but the market sold off late Friday when word of a possible Russian invasion of Ukraine got out.  For the week, the S&P 500 rose 1.26% to a new high at 1859.  The Dow climbed 218.41 or 1.36% while the Nasdaq rose 1.05%.  Small and midcaps also rose to new records this year.

European stocks rose for the week with Greece jumping 5.2%, Denmark up 3.31% and Belgium up 2.31%.  The Stoxx 600 was up .57%.

Asian shares climbed behind India up 1.54% and Hong Kong's 1.8% jump. Japan dropped .85%

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**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 16321.71 | 218.41 | 1.36% |
| **S&P 500** | 1859.45 | 23.2 | 1.26% |
| **NASDAQ Comp** | 4308.12 | 44.71 | 1.05% |
| **S&P Mid Cap** | 1375.33 | 18.77 | 1.38% |
| **S&P Small Cap** | 667.33 | 12.15 | 1.85% |
| **Russell 2000** | 1183.03 | 18.40 | 1.58% |
| **Stoxx Euro 600** | 338.02 |  | .57% |
| **Dow Asia/Pacific** | 2460.47 |  | .32% |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | Consumer Svcs, Materials, Energy |
| **Weak Sectors** | Telecom, Utilities, Health Care |
| **NYSE Advance/Decline** | 2217 / 994 |
| **NYSE New High/Low** | 457 / 63 |
| **AAII Bulls/Bears** | 39.7 Bulls / 21.1% Bears |

Have a great week!

Bob

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***From the Desk of Bob Centrella, CFA:                         February 24,  2014***

***"The Equity Market is almost back to Breakeven in 2014"***

Dear Friends:

We finally got a taste of Spring back here in NJ, albeit with 5 inches of snow still on the ground.  But at least we had sun and 2 days on the weekend in the 50's before the snow comes again on Tuesday.  The Olympics are finally over, the Russians won the medal count and apparently US football "sucks" according to the Dutch speedskating coach.  He must have watched the Super Bowl.

So Wassup?  Or WhatsApp?  How many of you actually knew what WhatsApp was and how many of you thought it was worth $19 Billion?  As you saw last week, Facebook paid $19B to acquire the company.  It's a deal like this that gets me a little worried that (1) I don't understand technology and (2) maybe things are starting to get a little frothy out there.  The week before we had Comcast announce it was acquiring Time Warner Cable.  Although a little pricey itself, this deal makes a lot of sense for both companies.  There has been a slew of deals announced this year.  But when a deal like the Facebook one gets done at a seemingly unfathomable price, that sends out a red alert for me to keep an eye on what other deals are announced.  If the price tags keep rising, then maybe it is time to be careful of equity valuations.

Positively for equity investors, the market has recovered almost all of the 6% drop it experienced during January and the S&P 500 now sits only .7% lower than when we started the year.  Some other indexes like the NASDAQ, the MidCap 400 and the Russell 2000 are up slightly for the year. What happened to the correction that was about to occur?  My take is that the selling in early January was largely technical in nature, exacerbated by some weak news and weather.  With the big rally in 2013 and through December, investors and institutions put off selling until January.  So as January came you had tax-selling and institutions rebalancing by selling equities and buying bonds, causing the 10-year bond to actually rally as the yield dropped to 2.73% from over 3% to start the year.  As this was occurring, the Fed started its Taper program, emerging markets had a mini implosion and poor weather hurt parts of the US economy.  So kind of a perfect storm that caused a downdraft in equities.

Meanwhile, the Q4 2013 earnings season actually turned out somewhat better than expected.  The earnings season unofficially came to an end last week with Wal-Mart's (WMT) report on Friday.  For the quarter, 61.9% of US companies beat consensus analyst earnings estimates.  More importantly, the revenue beat rate was almost 64%.  This combination was about as good as we've seen since 2010.  There was some negative news that may limit a further rally.  Of the 166 companies of the S&P 500 offering forward guidance, only 25% raised estimates and as a result analysts lowered EPS growth for 2014 to 9.5% from 11.5% at the start of the year.  So add it all up and it is a mixed message for investors with the market possibly going into "show me" mode to see what the 1st quarter brings.  And we already know that weather has played some havoc with economic numbers so let's hope the snow stops, the chill goes and Spring is longer than 2 days of sun!

Have a great week.

Bob

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**Economy**

Existing home sales declined 5.1% in January to a 4.62 million annual rate, coming in slightly below the consensus expected 4.67 million rate. Sales are down 5.1% versus a year ago.

The Consumer Price Index (CPI) increased 0.1% in January, matching consensus expectations. The CPI is up 1.6% versus a year ago. More than half of the increase in the overall CPI in January was due to energy, which rose 0.6%. Food prices rose 0.1%. The “core” CPI, which excludes food and energy, was up 0.1% in January, matching consensus estimates. Core prices are up 1.6% versus a year ago.

New claims for unemployment insurance declined 3,000 last week to 336,000. Continuing claims for regular state benefits increased 37,000 to 2.981 million.

Producer prices for goods increased 0.4% in January and are up at 2.9% annual rate in the past three months. Final demand “core” prices were up 0.2% in January, the largest single-month jump in four months. However, despite the outsized increases in January, producer prices are up only 1.2% in the past year.

Housing starts declined 16.0% in January to 880,000 units at an annual rate, coming in well below the consensus expected 950,000 pace. Starts are down 2.0% versus a year ago.

Industrial production declined 0.3% in January (-0.8% including revisions to prior months), falling short of the consensus expected gain of 0.2%. Production is up 2.9% in the past year. Manufacturing, which excludes mining/utilities, fell 0.8% in January (-1.5% with revisions to prior months). Auto production dropped 5.0% in January, while non-auto manufacturing declined 0.5%. Auto production is up 2.8% versus a year ago while non-auto manufacturing is up 1.3%.

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**Bonds**

                                Friday Close      2/10 Close    Comment

**10-yr UST yield**         2.734%            2.675%

**30-yr UST**                  3.69%             3.67%

**ML High Yield 100**     4.765              5.02%           .

**15-yr Fixed Mtg**         3.49%             3.44%

**30-yr Fixed** **Mtg**       4.46%             4.39%

**Commodities & Currencies**

                           Friday Close         2/10 Close      Comment

**Gold/oz**                 $1323.9            $1263.3           Gold is back. 10.2% YTD

**Crude Oil**                $102.2              $99.88

**NYMEX Nat Gas**       $6.135              $ 4.775         Cold spell has sent Nat Gas flying.  Up 45% YTD!

**$ per Euro**               1.3739              1.3635

**Yen per $**                 102.49              102.36

**Reuters CRB**            301.58              289.77           Commodity prices up over 7% YTD

**Stocks**

US  large cap stocks fell for the first time in 3 weeks but equities were mixed overall as the Dow dropped 51 points to 16103 and the S&P 500 fell .13% to 1836.  Meanwhile the Nasdaq powered ahead .46% to 4263 and is up 2% YTD.  S&P Midcap rose .72% and the Russell 2000 climbed 1.34% to slightly positive for the year.

European stocks rose for the week with Italy rising 1.8% and the UK up 2.3%.  For the year, the Euro 600 index is up 2.4%, outperforming the US market.

Asian shares climbed behind Japan's gain of 3.24%.

**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 16103.3 | -51.09 | -.32% |
| **S&P 500** | 1836.25 | -2.38 | -.13% |
| **NASDAQ Comp** | 4263.41 | 19.38 | .46% |
| **S&P Mid Cap** | 1356.56 | 9.7 | .72% |
| **S&P Small Cap** | 655.18 | 6.56 | 1.01% |
| **Russell 2000** | 1164.63 | 15.42 | 1.34% |
| **Stoxx Euro 600** | 336.09 |  |  |
| **Dow Asia/Pacific** | 1415.91 |  |  |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | HealthCare, Utilities, Energy |
| **Weak Sectors** | Financials, Technology, Consumer Goods |
| **NYSE Advance/Decline** | 1948 / 1247 |
| **NYSE New High/Low** | 353 / 52 |
| **AAII Bulls/Bears** | 42.2 Bulls / 22.8% Bears   Huge jump in Bulls past 2 weeks. |

Have a great week!

Bob

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***From the Desk of Bob Centrella, CFA:                              February 10,  2014***

***"Summary of Our 2014 Survey Predictions"***

Dear Friends:

In the words of Roberto Duran, "No Mas!".  I say that in regards to the snow and below freezing weather we've endured back East and in the Midwest.  There was a time when I looked forward to a change in seasons.  Now I'm thinking it is overrated.  Must be my old age creeping in or my back can't take the shoveling pain anymore.

I finally got around to tabulating the 2014 Investment Survey results.  We had a wide range but in general we are Bullish on Stocks and Bearish on Bonds.  Below I present the results of our Survey.

**Average     Median     2013 YE**

S&P 500                        1955           1963         1848

DJIA                              17420         17500       16576

Euro Stoxx 600                356              360          328

WTI Oil                             96.10         95.00         98.82

Gold                                 1239           1245         1201.9

Euro$                               1.34              1.32         1.375

10-Yr UST                        3.43%          3.50%      3.03%

Unemploy %                     6.67             6.50         7.00

GDP %                              2.71            2.75         2.425

Italy or Spain                       Spain-17     Italy-13

10% Correction                   Yes-17    No-13

Winner Super Bowl            Denver-23   Seattle-7   (Let's hope we predict better than out SB prediction)

In summary, some observations.  Our survey respondents are not looking for a big year in 2014.  It looks like on average we are looking for the S&P to be up about 6% with European stocks expected to rise about 9%.  Oil is expected to drop about 3% but at a still high $96 a barrel.  Gold will make a slight comeback, up 3% but we had a wide range here with a low of 900 and high of 1950.  The US Dollar will climb slightly versus the Euro and the 10-yr US Treasury yield is expected to climb to 3.4-3.5% which is a significant move if it happens. The unemployment rate is expected to continue to drop from 7% to 6.5-6.7% and GDP will grow at a still somewhat anemic 2.71%.

We had a fairly wide range in stock market predictions but only 2 thought we'd be down in 2014.  I thought we'd get more people expecting a 10% correction as 56% of our respondents thought this would happen.  Spain also got the edge over Italy and on the tiebreaker, 23 of us already lost as Seattle whipped Denver.

Thanks again to all those that participated, we had 30 participants which is our highest # in 3 years.  I've attached a PDF of all predictions.

 Have a great week.

 Bob

**Economy**

 - ISM manufacturing fell to 51.3.

- Market PMI remained at 53.7.

- Light vehicle sales fell to 15.2M.

- Payroll employment increased by 113K.

- The unemployment rate fell to 6.6%.

- The trade deficit widened to -$38.7B.

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**Bonds**

                                Friday Close      Prior Close    Comment

**10-yr UST yield**         2.675%            2.67%

**30-yr UST**                  3.67%             3.61%

**ML High Yield 100**     5.02%             5.05%           .

**15-yr Fixed Mtg**         3.44%             3.47%

**30-yr Fixed** **Mtg**       4.39%             4.40%

**Commodities & Currencies**

                           Friday Close         Prior Close      Comment

**Gold/oz**                 $1263.3            $1240.10

**Crude Oil**                $99.88               $97.49

**NYMEX Nat Gas**       $4.775              $ 4.943

**$ per Euro**               1.3635              1.3488

**Yen per $**                 102.36              102.04

**Reuters CRB**            289.77              283.31

**Stocks**

Stocks recovered to finish the week strong with big gains on Thursday and Friday.  For the week the Dow rose .61% to 15794 and the S&P 500 climbed .81% to 1797.

European stocks finished the week up with the Euro Stoxx 600 climbing .8%.  Spain +1.53%, Switzerland +1.55%

The Dow Asia/Pacific fell 1.14% led by a 3.% drop in Japan.

***With 2014 here, now is the time to reassess your portfolio.  I you know someone that could use a Free portfolio consult, please contact me or ask them to* c*all us at 908-344-9790.  Thank you. I depend on referrals for growing my business.***

**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 15794 | 95.23 | .61% |
| **S&P 500** | 1797 | 14.43 | .81% |
| **NASDAQ Comp** | 4126 | 21.98 | .54% |
| **S&P Mid Cap** | 1309 | -4.69 | -.36% |
| **S&P Small Cap** | 632 | -7.78 | -1.22% |
| **Russell 2000** | 1116 | -14.33 | -1.16% |
| **Stoxx Euro 600** | 325 |  | .8% |
| **Dow Asia/Pacific** | 1375 |  | -1.14% |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | Consumer Svc, Materials, Financials |
| **Weak Sectors** | telecom, Utils, HealthCare |
| **NYSE Advance/Decline** | 1721 / 1473 |
| **NYSE New High/Low** | 132 / 196 |
| **AAII Bulls/Bears** | 27.9 Bulls / 35.7% Bears   Bears have the edge again. |

Have a great week!

Bob

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***From the Desk of Bob Centrella, CFA:                          February 3,  2014***

***"Not So Super"***

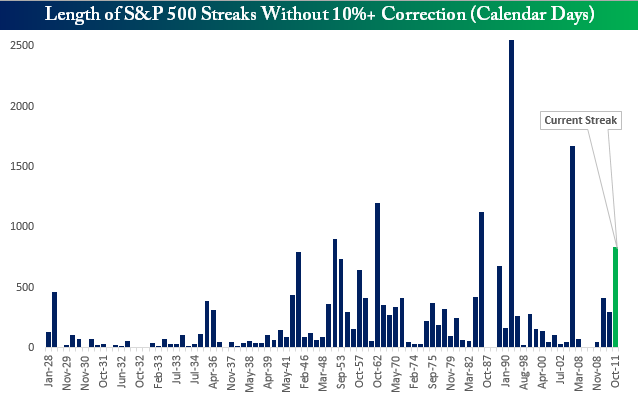
Dear Friends:

Well January has come and gone and it was not so Super.  Aha, I bet you thought my headline would refer to the Super Bowl.  That's called bait and switch.  Yes for the 17th time in the last 44 years since 1970 (that's 39%) we had a down January.  What's to follow?  I'll tell you, but first back to the Super Bowl.  What more can you say when Bruno Mars turns out to be the highlight of the game? Congrats to the Seahawks for the beat-down they put on Peyton and the Broncos. Even the commercials were lackluster.

So back to January and the markets.  As surprising as it was that the stock market declined is the fact that the 10-year US Treasury yield dropped from 3% to 2.67% in the past month at a time when most strategist (including me) believed it would begin its rise to 3.50% or higher by year-end.  The Super Bowl paralleled the stock market as the January selling started on day one and kind of snowballed from there (much like the Super Bowl which started with a botched snap and safety for the Seahawks and Denver was already done).  For the month the Dow Jones average fell 5.3%, the S&P 500 dropped 3.6% and the Russell 2000 fell 2.8%.  Foreign markets also fell with Japan just this morning entering correction territory being down 10%.  Pop quiz:  What 2 markets showed a slight gain in January?  Wait for it... Much battered Spain (+.04%) and Italy (+2.4%).  Canada was also up .5% eh.

Since I am a numbers guy I went back and crunched the numbers on the prior 16 times the market declined in January since 1970. Basically there is no clear trend.  The market rose 8 times and declined 8 times the following 11 months.  There is a slight bias in February for the market to continue to decline in that month (70% of the time).  But even a February decline did not signal a decline for the rest of the year.  So, as far as the January theory goes, at this point it is a 50/50 proposition that it can rise the rest of the year.  So perhaps it is back to fundamentals.  Interestingly, of the 27 times January was UP to start the year, the market rose for the year 26 times.  I'd say that is a trend.

Some are talking about this possibly being the start of a 10%+ correction, which we haven't seen since October of 2011.  Here's an interesting chart from Bespoke Investments. Again, doesn't tell us a lot as it is not unprecedented that we've gone 2+ years without a correction.  I do think it may occur at some point this year, just not sure when.



Thanks to all of you who took the few minutes to fill out my 2014 Investment Survey.  If anybody wants to still submit in the next few days, you can do so but you lose out on the tiebreaker of the Super Bowl:)  OK, I am off to start shoveling snow again as we are currently in the midst of another bloody snowstorm.  Have a great week.

Bob

***My Business Depends on Referrals - 2014 is here.  If You Know Someone in Need of Financial/Investment Services Please Have Them Contact Me at 908-344-9790***

 . **\*\* NOTE:  Due to weather, weekly financial data sheet is unavailable\*\***

**Economy**

The Federal Reserve decided to continue the Taper by reducing its bond purchases another $10 Billion to $65 B per month and Janet Yellen takes over for Big Ben as of today.

The Fed repeated that if the economy continues to behave as it expects, with an improving labor market and inflation moving toward 2%, we should expect further tapering in QE in “measured steps at future meetings.” In theory, with seven more meetings in 2014 and QE soon to be $65 billion per month, the process of eliminating QE could take until the end of the year.

- Consumer spending rose 0.4%, beating consensus expectations. In the past six months, consumer spending is up at a 4.1% annual rate; in the past three months, it’s up at a 4.6% rate.

- Real GDP growth came in at a solid 3.2% annual rate in Q4, matching consensus expectations. That brings the growth rate for the second half of 2013 to 3.7%.  Nominal GDP rose 4.6% and is at 4% for the last 2 years.

-  New claims for unemployment insurance increased 19,000 last week to 348,000. Continuing claims for regular state benefits fell 16,000 to 2.99 million.

-  Durable goods in December dropped 4.3%, the largest decline in five months and well below even the worst forecasts for the month. However, most of the decline was in the transportation sector – particularly civilian aircraft – which is extremely volatile month to month.  Orders excluding transportation dropped 1.6%.

- New home sales disappointed in December, coming in at a 414,000 annual rate, well below the consensus expected 455,000 pace. Plunges like this sometimes happen in the winter and December was both colder and snowier than usual.

***Foreign Update***:  Eurozone manufacturing PMI increased to a 32-month high of 54 in January from 52.7 in December. Germany led the expansion and Greek PMI returned to growth for the first time since August 2009, while Spain hit a 45-month high and France showed signs of stabilization. The data is consistent with GDP growth of 0.4-0.5% in Q1.

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**Bonds**

                                Prior Close      Friday Close    Comment

**10-yr UST yield**         2.737%            2.67%

**30-yr UST**                  3.64%             3.61%

**ML High Yield 100**     5.02%             5.05%           .

**15-yr Fixed Mtg**         3.57%             3.47%

**30-yr Fixed** **Mtg**       4.50%             4.40%

**Commodities & Currencies**

                           Prior Close         Friday Close      Comment

**Gold/oz**                 $1264.50            $1240.10

**Crude Oil**                $94.37               $97.49

**NYMEX Nat Gas**       $5.182              $ 4.943          Up 17% already this year.

**$ per Euro**               1.3541              1.3488

**Yen per $**                 104.32              102.04

**Reuters CRB**            282.54              283.31

**Stocks**

Stocks whipsawed Friday and finished down over 150 points to come in with a 180 point loss for the week at 15698.85.  The S&P 500 fell .43% to 1782.59 and the Russell 2000 dropped 1.16%.

European stocks finished the week down with the Euro Stoxx 600 falling .69%.  On the plus side Spain rose .52% and Italy .31%.  The UK FTSE 100 dropped 2.3% while the German DAX fell .91%.

The Dow Asia/Pacific fell 1.92% led by a 3.1% drop in Japan which finished January off 8.5%.  China fell 1.04%.

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**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 15698.85 | -180.26 | -1.14% |
| **S&P 500** | 1782.59 | -7.70 | -.43% |
| **NASDAQ Comp** | 4103.88 | -24.3 | -.59% |
| **S&P Mid Cap** | 1313.08 | -.99 | -.08% |
| **S&P Small Cap** | 639.51 | -7.92 | -1.22% |
| **Russell 2000** | 1130.88 | -13.25 | -1.16% |
| **Stoxx Euro 600** | 322.52 |  | -.69% |
| **Dow Asia/Pacific** | 140.83 |  | -1.92% |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | Utilities, HealthCare, Materials |
| **Weak Sectors** | Consumer Gds, Energy, Consumer Svcs |
| **NYSE Advance/Decline** | 1451 / 1756 |
| **NYSE New High/Low** | 138 / 171 |
| **AAII Bulls/Bears** | 32.2 Bulls / 32.8% Bears   Bears have the edge for the first time in a while. |

Have a great week!

Bob

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***From the Desk of Bob Centrella, CFA:                              January 27,  2014***

***"Tough week for stocks.  -- 2014 SURVEY 2nd Request"***

Dear Friends:

It's Super Bowl week.  I'm sure you are as sick as I am already over the hype and this week is the real hype week.  Should be interesting to see what the weather will be like but I'll be sitting in front of a TV hopefully with a fire in the background.  I'm going with Denver but this should be a good game and I wouldn't be surprised if Seattle pulls it out.

Yes, stock markets around the Globe tumbled on Thursday and especially Friday.  But let's put this in perspective -- the S&P 500 is 3% below its all-time high after a 30%+ gain last year and 50% in 2 years.  Correction talk is heating up and all the strategists who were dead wrong last year and missed the rally are now trying to get face-time by calling for stocks to continue to fall.  Look, it's an easy prediction.  Stocks have not had a 10% correction in well over a year.  I myself think that the market will correct at some point this year too.  I'm just not convinced that now is the time.  Friday was a confluence of bad economic and financial news around the world and being a Friday, traders were closing out positions ahead of the weekend.  In the US, earnings are coming in only about as expected and revenue growth is still not occurring as I would like to see.  I sound like a broken record but the market needs better earnings to grow into its valuation.  It's going to take through this year to see if that is going to happen.  This quarter was not supposed to be a strong quarter for earnings but the outlooks companies are giving are weaker than investors would like to see.  My expectation is that markets stabilize this week absent any unforeseen events overseas or in emerging markets.  The Fed meets this week in Ben Bernanke's last time as Chair of the Fed.

Let's see how the week progresses.  Today is an important day and will set the tone for the week.  January ends on Friday and it is looking like we will end the month in negative territory.  That's a negative indicator but there is a lot of time left this year for good things to happen.

I'm including the 2014 ANNUAL SURVEY below.  I've gotten a good response but would like to get more entrants.  Please take a few minutes to fill it out and email it back to me.  Thanks and have a great week.

2014 SURVEY QUESTIONS: Note that the year-end value for 2013 is in parenthesis after the question. (For questions 1-8, give the 2014 year-end value).

Where will the following be at the end of 2014?:

1. S&P 500. (1848.36)

2. Dow Jones Industrial Avg.  (16576)

3. Euro Stoxx 600.   (328)

4. Oil per barrel of (WTI) West Texas Intermediate.   ($98.82)

5. Gold per oz.   ($1,201.90)

6. Euro / US $ -  (1.375)

7. 10-Yr US Treasury Yield.  (3.03%)

8. US Unemployment rate.  (7.0%)

9. US GDP % Growth for full year 2014.  (2.425%)

10. Which stock market will return more in 2014 - Italy or Spain? (Currently both are up 5% YTD.)

11.  With all the talk about the stock market needing to correct, do you think the S&P 500 will decline over 10% at some point this year?

        (Not all in one day that is, but a decline over a period of time.)   (Yes or No)

12. Tie Breaker: Super Bowl Winner (Seattle or Denver)

***My Business Depends on Referrals - 2014 is here.  If You Know Someone in Need of Financial/Investment Services Please Have Them Contact Me at 908-344-9790***

**Economy**

Existing home sales rose 1.0% in December, coming in at a 4.87 million annual rate. In all of 2013, 5.09 million homes were sold, up 8.9% from 2012 and the best yearly sales level since 2006.

Initial claims for unemployment insurance increased 1,000 last week to 326,000. Continuing claims for regular state benefits increased 34,000 to 3.056 million.

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**Bonds**

                                Friday Close    Prior Close    Comment

**10-yr UST yield**         2.737%            2.829%        Big move due to risk-off change in sentiment

**30-yr UST**                  3.64%             3.75%

**ML High Yield 100**     5.02%             4.90%           .

**15-yr Fixed Mtg**         3.57%             3.59%

**30-yr Fixed** **Mtg**       4.50%             4.54%

**Commodities & Currencies**

                           Friday Close        Prior Close      Comment

**Gold/oz**                 $1264.50            $1251.7          Don't look now but Gold is up 5.2% this year.

**Crude Oil**                $94.37               $96.64

**NYMEX Nat Gas**       $5.182              $ 4.326          Cold spell has Nat Gas up 22.5% this year

**$ per Euro**               1.3541              1.3677

**Yen per $**                 104.32              102.30

**Reuters CRB**            282.54              278.41

**Stocks**

Stocks tumbled in the week with the Dow dropping 579 points to 15879 and the S&P 500 falling 2.63% to 1790.29.  Small and mid-caps fared slightly better with the S&P Midcap dropping 2.5% and the Russell 2000 falling 2.08%.

European stocks crumbed on Friday with the Euro Stoxx 600 falling 3.3% for the week.  Spain led down dropping 5.7% with France off 3.84% and Germany down 3.6%.

The Dow Asia/Pacific fell 1.4% as markets closed early before the US rout.  China actually closed up 2.47% for the week while Japan fell 2.18%.

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**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 15879.11 | -579.45 | -3.52% |
| **S&P 500** | 1790.29 | -48.41 | -2.63% |
| **NASDAQ Comp** | 4128.17 | -69.41 | -1.65% |
| **S&P Mid Cap** | 1314.07 | -33.74 | -2.5% |
| **S&P Small Cap** | 647.43 | -12.38 | -1.88% |
| **Russell 2000** | 1144.13 | -24.3 | -2.08% |
| **Stoxx Euro 600** | 324.75 |  | -3.3% |
| **Dow Asia/Pacific** | 143.60 |  | -1.4% |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | Utilities, Telecom, Consumer Gds |
| **Weak Sectors** | Materials, Industrials, Financials |
| **NYSE Advance/Decline** | 1088 / 2130 |
| **NYSE New High/Low** | 366 / 91 |
| **AAII Bulls/Bears** | 38.1% Bulls / 23.8% Bears |

Have a great week!

Bob

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***From the Desk of Bob Centrella, CFA:                          January 20,  2014***

***"Final 2013 Results of our 2nd Annual Survey"***

Dear Friends:

I hope you all had a nice long weekend and also took time to celebrate ML King day yesterday.

OK, the results are finally in and I'm sure I'm going to hear how the FIX is in too.  Congrats to the winner. The winner of the 2013 survey results from January of last year is ... my brother Roy!  Trust me, I would have preferred to give it to someone else so I don't have to listen to him all year, but he tied for first and won on a technicality.  The technicality is that he tied with someone. Who did he tie with?  Wait for it... OK, it was me.  So at least I get to negate his bragging rights, and no the FIX was not in.  I have attached the survey results so you can all see how you did.  It was actually very close.  Rich R gets a pat on the back for coming in 2nd place (and I'll buy you a drink when I see you:).

The results were tabulated by taking the percentage difference of each entrants' predictions and the actual 2013 value for the questions.  I then ranked the results.  I also did a straight ranking of the predictions to verify the results and they came out similarly.  The final Q4 GDP number is not in yet so I used the average consensus estimate of 2.0% for Q4 to come up with the full year number.

In terms of our survey results the consensus averages were actually pretty good with the biggest differences being in the market forecasts, the price of Gold and the ending yield of the 10-yr UST.  The market obviously had a great run in 2013 while Gold got smacked down and the 10-year yield rose higher than expected.  Congrats to Frank S Sr. for only being 5% away from the ending value of the S&P 500.  On average the rest of us were about 17% away.  I can verify that Frank was bullish all year.

Thank you all who participated and I will get the 2014 survey out tomorrow so PLEASE PARTICIPATE.  I'd like to add to the number and so will also throw in a 2nd place prize if we reach 25 entrants.   Again, a bottle of vintage Vino for the winner.  My brother gets bragging rights and will be sent the prize of a nice bottle of wine from my Cellar collection although he has already had more than his share of our wine over the years!

So expect the 2014 survey tomorrow.

**Economy**

Industrial production increased 0.3% in December, matching consensus expectations, but was up 0.5% including revisions to prior months. Production is up 3.7% in the past year. Capacity utilization rose to 79.2% in December. This is a new high for the recovery and above the average of 78.9% in the past 20 years.

Housing starts declined 9.8% in December to 999,000 units at an annual rate, coming in above the consensus expected 985,000 pace. Starts are up 1.6% versus a year ago.

The Consumer Price Index increased 0.3% in December, the largest increase in six months. Once again, energy was the key mover, rising 2.1% and leading gains in most major categories. For the year, overall consumer prices were up 1.5%. “Core” prices, which exclude food and energy, rose 0.1% in December and are up 1.7% in the past year.

The PPI rose .4% in December.

Retail sales rose a tepid 0.2% in December, but that’s largely because of a drop in auto sales after a surge in November. Excluding autos, sales were up 0.7% in December. “Core” sales, which exclude autos, building materials, and gas, were also up 0.7% in December, the 18th consecutive monthly gain, and were up at a 6.7% annual rate in the fourth quarter

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**Bonds**

                                Friday Close    Prior Close    Comment

**10-yr UST yield**         2.829%            2.858%

**30-yr UST**                  3.75%             3.80%

**ML High Yield 100**     4.90%             4.92%           .

**15-yr Fixed Mtg**         3.59%             3.72%

**30-yr Fixed** **Mtg**       4.54%             4.67%

**Commodities & Currencies**

                           Friday Close        Prior Close      Comment

**Gold/oz**                 $1251.70            $1246.7

**Crude Oil**                $94.37               $92.72

**NYMEX Nat Gas**       $4.326              $ 4.053

**$ per Euro**               1.3541              1.367

**Yen per $**                 104.32              104.17

**Reuters CRB**            278.41              275.42

**Stocks**

For the week the Dow was up slightly to 16458.  The S&P fell a bit by .2% while the NASDAQ rose .55%.  It ended up being a flattish week although the averages did jump and fall on the individual days.

European stocks climbed 1.75% and continue to outpace US stocks so far in January.  Italy and Spain are the 2 hottest markets with both up over 5% so far this year.

The Dow Asia/Pacific was flat.

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**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 16458.56 | 21.51 | .13% |
| **S&P 500** | 1838.70 | -3.67 | -.20% |
| **NASDAQ Comp** | 4197.58 | 22.92 | .55% |
| **S&P Mid Cap** | 1347.81 | -1.28 | -.09% |
| **S&P Small Cap** | 659.81 | .01 | .00% |
| **Russell 2000** | 1168.43 | 3.9 | .34% |
| **Stoxx Euro 600** | 335.82 |  | 1.75% |
| **Dow Asia/Pacific** | 145.63 |  | -.02% |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | Technology, Materials, HealthCare |
| **Weak Sectors** | Consumer Gds & Svcs, Energy |
| **NYSE Advance/Decline** | 1700 / 1493 |
| **NYSE New High/Low** | 455 / 63 |
| **AAII Bulls/Bears** | 39% Bulls / 21.5% Bears |

Have a great week!

Bob

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***From the Desk of Bob Centrella, CFA:                           January 13,  2014***

***"Our 2014 Outlook"***

Dear Friends:

I got to see a couple movies last week including Wolf of Wall Street and American Hustle.  I enjoyed both though I will say the Wolf was pretty close to soft porn.  Not that there's anything wrong with that, but if you take the wife, beware...  I kind of remember Abscam from when I was younger and now I have to go research it to see what part of it was actually true in the movie.  Great acting in both.

Stocks started the first 5 then 7 days of the year with a loss, bucking the trend of recent years.  Now we must wait and see if the market can rebound and rise for the month where there is an 85% chance stocks will be up for the year based on history if up in January.  I still think it is a combination of delayed tax selling from 2013, uncertainty about upcoming earnings and valuations that are a little stretched until we get a clearer picture of 2014.

I recently sent to my clients my 2014 Outlook.  So like last year I thought I'd go ahead and re-print it here.  Give it a read and let me know if you have any other thoughts regarding your own outlook (if you have one).

**FORZA INVESTMENT ADVISORY - 2014 MARKET OUTLOOK**

Encore! Encore! Stock investors around the world are "Flicking their Bics" in hopes of one more up-year by the stock market in 2014. 2013 was quite a year to be in equities. With the Federal Reserve and other Central Banks providing the music, investors spun record after record and increased their risk appetite as there were few other places to go for returns. The S&P 500 returned 32% including bookends of greater than 10% return in both the 1st and 4th quarters. There was not a period where the market declined more than 6% all year and only June and August produced negative returns. The best year since 1997 was also the 5th straight year of positive returns (+128% since end of '08). Outside the US, markets around the world were mostly higher with Japan's Nikkei jumping 56.7% to lead the charge. Europe was up around 17% as even Spain (+21%) and Italy (+16%) got in on the action. On the downside Brazil and Chile were both down about 15.5% and China fell almost 7% as growth there slowed from its hyper years.

Small cap stocks out-shined all other in the US with the Russell 2000 climbing 37% in price. The NASDAQ was one of the few indexes not to make a new high but it still jumped 38% mostly thanks to biotech stocks and technology companies (except Apple which was down for the year).

Gold dropped 28%, its worst year since 1981 when it closed at $400/oz, as inflation never reared its ugly head in 2013. The bond market had its first down year since 1999 as the yield on the 10-year UST went from 1.76% to 3.03% causing a big drop in principal in long-term bonds. It was the worst year for bonds since 1994 and only the 3rd time bonds were down since 1976 (as per the Aggregate index).

Although there were a lot of headlines, overall there weren't any big enough to put fear in equity investors other than Taper talk and the government shutdown. So what ***do*** we do for an encore? It's not going to be easy to duplicate 2013 so let's break it down into interest rates, the economy, earnings and international.

***INTEREST RATES & ECONOMY***

On the rate front, the Fed has already signaled its intention to dial back it's easing by $10 Billion a month with a likelihood that this will increase steadily during the year. However they are also committed to keeping short-term rates near zero for the foreseeable future. As such, the 10-year UST yield (now 3%) is poised to head higher, most expect to 3.5% but I believe as high as 4% by year-end, again lowering bond prices and pressuring principal. In terms of the economy, I am feeling optimistic that housing will continue to improve in terms of starts and pricing. Manufacturing will continue to expand and the unemployment rate will fall further as the year progresses. However, we need better quality jobs not just jobs, and a higher labor force participation rate which is at 63% down from 66% trend level. Economists predict GDP growth of about 2.5% in 2014 and I actually think it can be better than that since consensus economists are rarely right. The big unknown is the effect of the Fed Taper and Janet Yellen's tenure as Fed Chair. This is all new so we will have to wait and see how the markets digest this.

***EARNINGS***

That brings us to earnings. S&P 500 earnings probably grew about 4-5% in 2013 on revenue growth of only about 2%. So, the market moved higher not on earnings growth but PE (Price/EPS) multiple expansion and the expectation of future growth. The PE multiple on the S&P went from about 14x to 18x trailing 12 months earnings.   S&P earnings need to grow closer to or greater than 10% in 2014 for this market to go meaningfully higher. For that to happen, we need revenue growth of at least 5% or greater. That also means that things better progress as the year unfolds because growth is still meager as we speak. We get a look at Q4 earnings starting this week and we will be on the lookout for better "color" from managements than we got last quarter. I am hopeful that we can reach that target and possibly end the year in strong fashion. With double digit EPS growth, the market can move higher by double digits.

***INTERNATIONAL***

Finally, let's take an international tour. I'm not an international expert by any means but my view is that Europe is about a year or so behind the US recovery. So if you go with that premise, then 2014 will be a continuation of its recovery and resurrection. Here's the likely we know -- The Italian government is likely to collapse while Spain seems to have put the worst behind them but are still far from solid recovery mode. Germany & the UK will continue to provide stability but France is drowning and will introduce more taxes and who knows what else. Oh, and Greece could at last exit the Euro. Having said that, the ECB is committed to doing whatever is necessary to right the ship and is following the Fed's playbook to some extent. I actually think that European stocks can outperform US stocks this year as companies are undervalued in many cases relative to their US counterparts. Outside of Europe, China and Japan remain key. Japan Central Bank is providing tremendous liquidity and will keep rates at 0 or below to move its stagnant economy. China still is an enigma in my eyes but baseline GDP growth of about 7.5% would still be good for the rest of the world. The big wildcard is terrorism and the Middle East. This is something we have to live with and markets will react so there is not much we can do as investors.

Back to our markets and my outlook. On the optimistic side I think that the economy continues to recover, markets accept and adapt to Tapering, politicians behave somewhat due to mid-term elections, earnings get better and US stocks return up to 15% or greater in 2014. If I want to be pessimistic, I have to believe that things get no better, politics get messy, Europe implodes or goes back in to recession and China growth stalls. If this happens, US stocks could fall double digits. I'm not a pessimist, but an optimist. I still like US stocks and see double digit returns in 2014. However, I also think that at some point this year, we may see up to a 10% decline that will test investors. When it will come I don't know but the most likely scenario would be the summer. For stocks I still favor a diversified portfolio and like financials and the cyclical sectors (especially Industrials) but think strategists are too bearish on consumer and defensive sectors so I would keep money there too. Valuation will matter again so be disciplined. I also do like developed European countries' equities and think investors should have an allocation there. I prefer to wait a while and be late on Emerging Markets.  On the fixed income front, last year I said it would be a tough year for bond investors. This year I am saying the same thing. I favor short term corporate bonds in the 1-4 year maturity range, high yield bonds, bank loan funds and convertible securities. Again I would sacrifice yield to preserve principal. Muni yields are also enticing but be careful to keep to safer states and shorter maturities. Speculators are watching Puerto Rico where rates are about high enough that you get paid for the risk. But buyers beware. Speaking of speculation, if you really want to have fun, buy some Bitcoins! Or short them! I still don't understand them.  Have a tremendous 2014!

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**Economy**

Non-farm payrolls increased 74,000 in December, well below the consensus expected 197,000. Including upward revisions to prior months, nonfarm payrolls were up 112,000. The bright spot in today’s report was the decline in the jobless rate to 6.7%. However, much of the decline was due to a drop in labor force participation to 62.8%, the lowest in years.

The US trade deficit fell to $34.3 billion in November, coming in much smaller than the consensus expected. With the exception of 2009, when a weak economy temporarily shrank trade around the world, this is the smallest trade deficit since 2002.

The ISM services report came in at a respectable 53.0 in December, below consensus expectations but showing expansion for the 48th consecutive month. The business activity index – which has a stronger correlation with economic growth than the overall index – declined to 55.2, signaling continued moderate growth.

Automakers reported selling cars and light trucks at a 15.4 million annual rate in December, down 6.2% from November and below the consensus expected 16.0 million.

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**Bonds**

                                Friday Close    Prior Close    Comment

**10-yr UST yield**         2.858%            2.997%

**30-yr UST**                  3.80%             3.93%

**ML High Yield 100**     4.92%             4.97%           .

**15-yr Fixed Mtg**         3.72%             3.69%

**30-yr Fixed** **Mtg**       4.67%             4.67%

**Commodities & Currencies**

                           Friday Close        Prior Close      Comment

**Gold/oz**                 $1246.70            $1238.4          Up 3.73% this year

**Crude Oil**                $92.72               $93.96

**NYMEX Nat Gas**       $4.053              $ 4.304

**$ per Euro**               1.3670              1.3588

**Yen per $**                 104.17              104.85

**Reuters CRB**            275.42              276.53

**Stocks**

For the week the Dow was down 33 points or .2% to 16437.  The S&P rose .6% to 1842.37 and is down slightly at .3% for the year.  The NASDAQ rose 1.03% and the S&P Midcap Index climbed 1.15%.   The Russell 2000 also rose .73%.

European stocks climbed .71% led by Spain up 5%, Italy +2.39% and Switzerland up 1.14%.

The Dow Asia/Pacific fell index fell .28% due to China -3.35% and Japan -2.33%.

***With 2014 here, now is the time to reassess your portfolio.  I you know someone that could use a Free portfolio consult, please contact me or ask them to* c*all us at 908-344-9790.  Thank you. I depend on referrals for growing my business.***

**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 16437.05 | -32.94 | -.20% |
| **S&P 500** | 1842.37 | 11.00 | .60% |
| **NASDAQ Comp** | 4174.66 | 42.76 | 1.03% |
| **S&P Mid Cap** | 1349.09 | 15.31 | 1.15% |
| **S&P Small Cap** | 659.80 | -.26 | -.04% |
| **Russell 2000** | 1164.53 | 8.44 | .73% |
| **Stoxx Euro 600** | 329.95 |  | .71% |
| **Dow Asia/Pacific** | 145.66 |  | -.28% |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | Financials, Utilities, HealthCare |
| **Weak Sectors** | Telecom, Materials, Energy |
| **NYSE Advance/Decline** | 2058 / 1147 |
| **NYSE New High/Low** | 418 / 45 |
| **AAII Bulls/Bears** | 43.6% Bulls / 25.0% Bears |

Have a great week!

Bob

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***From the Desk of Bob Centrella, CFA:                                   January 6,  2014***

*"****My 2014 Wish List and Predictions"***

Dear Friends:

Happy 2014!  With another year passing it's time for me to take a stab at my belated 2014 Christmas Wish List. Since we are past Christmas, let's make it a 2014 Market Resolution List. These are not necessarily predictions but what I'd like to see mixed in with some predictions. But first, let's take a look at last year and how we did. We actually did quite well with most of our wish list coming true. Below is what we asked last year for Christmas and how the year turned out (in red):

1. **For goodness sakes, arrive at a compromise on the Monetary Crag and avoid the pain that would ensue without one.  I'd like to ask for it to be done before the end of 2012 but I think that is asking a lot. This was done first 2 days in January, 2013.**
2. **For 2013, all S&P sectors produce a gain leading to another 10%-plus gain in the S&P 500 and other major averages. -The market had a record year returning 32.4% with all sectors in the positive.  We certainly weren't thinking that much but will take it!**
3. **Crude Oil stays below $90 a barrel in a range of $80-$90. Crude finished at $98.42**
4. **A drop in unemployment to 7% by the end of 2013. Now at 7% and likely to finish the year at 7%**
5. **Four quarters of positive and accelerating GDP Growth with overall growth average > 2.5% - GDP went from 1.1 to 2.5 to 4.1 in first 3 quarters.**
6. **Europe ends its recession and produces positive GDP growth. Europe is coming out of recession and produced slightly positive GDP growth the last 2 quarters.**
7. **Spanish and Italian bond yields stabilize and both those countries begin getting their fiscal houses in order. - Bond yields did stabilize and drop significantly while the countries are still grappling with getting their fiscal houses in order.**
8. **As part of the budget compromise, capital gains rates stay below 25% and dividends retain the qualified and non-qualified distinction.  Also, no limitation on Muni Bond interest. - This all happened.**
9. **Continued strength in US Housing leading to the aforementioned employment gains.  - Housing led the US economy from recession and unemployment finished at 7%.**
10. **China economy is not a house of cards and the country returns to growth mode.  - Well, China doesn't appear to be a house of cards but growth has slowed to about 7.5%.**
11. **Bond yields stay relatively stable and investors don't rush out of the market as employment gets better.  The 10-year UST stays below 2%. - Bond Yields rose significantly with the 10-yr UST closing the year at 3.03%**

So, Santa was very kind to me in 2013 and almost all of my wish list was granted. 2013 was a great year for equities and not so good for bonds and commodities. It will be tough to duplicate the year's equity returns. OK, so here's my 2014 Wish List and Predictions.

**1. I'm pressing my bet on the US Stock Market. Another double digit gain in the S&P 500 with all sectors showing a positive return.**

**2. After rising above $100 per barrel, oversupply sends oil back down and below $90 for West Texas Intermediate.**

**3. Long-term rates rise through the year with the 10-yr UST flirting with a 4% yield and closing in a range of 3.75% to 4%.**

**4. US GDP continues to improve and growth normalizes at a level of around 3.25% in 2014.**

**5. The European economy recovers and growth accelerates through the year with average growth greater than 1%.**

**6. The European stock market outperforms the US market with the EuroStoxx 600 returning more than 20%.**

**7. US Corporate earnings rebound finally showing revenue growth as the year progresses. S&P EPS, after closing 2014 at around $109 will grow to above $120/share.**

**8. NEGATIVE PREDICTION - Gold I'm afraid will continue to drop as inflation does not rear its head. Gold will fall as low as $1000 before recovering but still close the year below $1200/oz**

**9. NEGATIVE PREDICTION - US stocks will correct and decline 10% at some point throughout the year but this will lead to a long awaited buying opportunity and the market will recover.**

**10. New Home Sales, running at 469K annual rate now will continue to climb and move to the 500K to 550K annual rate level by YE. (During hyper years 2003-2006 they averaged over 1 million.)**

**11. My political prediction - Obamacare turns into a debacle costing Democrats seats in the mid-term election. Republicans retain the House and the Senate is deadlocked.**

That's my list for 2014.  Again I can add another 20 but as I like to be brief, we keep it at 11.  We will revisit it as the year progresses.  Feel free to send me your thoughts and what you would like to predict for 2014.

Next week I will send out the Annual 2014 Financial Survey and announce the winner of 2013 and deliver their bottle of wine from the Forza Cellar!

Cheers and have a great week.

***My Business Depends on Referrals - 2014 is here.  If You Know Someone in Need of Financial/Investment Services Please Have Them Contact Me at 908-344-9790***

 . **\*\* NOTE:  Weekly financial data sheet is attached\*\***

**Economy**

Activity was light during the holiday week.

The ISM manufacturing index fell slightly to 57.0 in December from 57.3 in November. The consensus expected 56.8. (Levels higher than 50 signal expansion; levels below 50 signal contraction.) The new orders index increased to 64.2 from 63.6, while the employment index increased to 56.9 from 56.5. The Supplier deliveries index rose to 54.7 in December from 53.2 in November. The production index declined to 62.2 from 62.8.

New claims for unemployment benefits decreased 2,000 last week to 339,000. Continuing claims for regular state benefits fell 98,000 to 2.83 million.

***\*\*\*Changing jobs or retiring soon?  We are also the 401K/IRA Rollover Specialists.   Take charge of your retirement money and call us at 908-344-9790.***

**Bonds**

                                Friday Close    12/31Close    Comment

**10-yr UST yield**         2.997%            3.03%           The 10-yr yield rose from 1.76% at 12/31/12.

**30-yr UST**                  3.93%             3.93%

**ML High Yield 100**     4.97%             4.93%           HY bonds were the lone bright spot among bonds.

**15-yr Fixed Mtg**         3.69%             3.69%

**30-yr Fixed** **Mtg**       4.67%             4.68%           Mortgage rates jumped over 1% during the year.

**Commodities & Currencies**

                           Friday Close        Prior Close      Comment

**Gold/oz**                 $1238.40            $1201.9           Gold down 28% YTD

**Crude Oil**                $93.96               $98.42            Up 7% for the year

**NYMEX Nat Gas**       $4.304              $ 4.23             Up 26.2% for the year

**$ per Euro**               1.3588              1.3745             Euro up 4%

**Yen per $**                 104.85              105.31

**Reuters CRB**            276.53              280.17             Down 5% for 2014

**Stocks**

After a huge 2013 US stocks started the year off on a down note for the first time since 2008. For the week the Dow was down only 8.42 points or .05% to 16470.  The S&P fell .54% after a 29% rise in 2014 and the NASDAQ fell.59%.  The selling the first two days was on low volume and likely was due to investors postponing gains until 2014.

European stocks climbed about 17% in 2013 but started the new year about flat.  For 2013 Germany rose 25%, Spain 21%, Italy 16.6% and France 18%.

The Dow Asia/Pacific index rose only 10% in 2014 and started the new year up slightly.  For 2014 the big winner was Japan up 56.7%.  China fell 6.7% in 2013 while Australia rose 15.1%.

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**Index Performance: (since last week)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 16469.99 | -8.42 | -.05% |
| **S&P 500** | 1831.37 | -10.03 | -.54% |
| **NASDAQ Comp** | 4131.91 | -24.69 | -.59% |
| **S&P Mid Cap** | 1333.78 | -2.52 | -.19% |
| **S&P Small Cap** | 660.06 | -5.01 | -.75% |
| **Russell 2000** | 1156.09 | -5.0 | -.43% |
| **Stoxx Euro 600** | 327.64 |  | -.01% |
| **Dow Asia/Pacific** | 146.06 |  | .18% |

**Since Last Week:**

|  |  |
| --- | --- |
| **Strong Sectors** | Industrials, Tech, Financials |
| **Weak Sectors** | Consumer Goods, Telecom, Utilities |
| **NYSE Advance/Decline** | 2361 / 851 |
| **NYSE New High/Low** | 398 / 255 |
| **AAII Bulls/Bears** | 47.5% Bulls / 27.5% Bears |

Have a great week!

Bob

\*\*\***We are the IRA Rollover Specialists. We'll help you take charge of your Investments by rolling your 401K into an IRA.**

**If you recently left your job or know someone who has, give us a call.**[**Click Here to Contact us for a Consult on rolling over your qualified plan**](http://forzainvestment.com/Contact_Us.html)\*\*\*

***Bob Centrella, CFA***Managing Partner  
***Forza Investment Advisory, LLC****Registered Investment Advisor*908-344-9790 (w)  
[www.ForzaInvestment.com](http://www.forzainvestment.com/)

**\*\*\* Know someone who would like to receive a copy of my weekly newsletter? Please have them send me their email address.\*\*\***

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