**JANUARY 2013 NEWSLETTER ARCHIVE**

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***From the Desk of Bob Centrella, CFA: January 28, 2013***

***" Market still moving up on Earnings"***

**Start 2013 Fresh - *Take advantage of our Free Portfolio Review Offer. Call us at 908-344-9790***

**Dear Friends:**

**First I want to thank all of you that took a few moments to fill-out our 2013 investment survey. I will send out the results this week.**

**Continuing on the earnings theme of last week, we had a lot of companies report this past week. The highlight (or low-light really) was Apple's earnings and continuing freefall. First I will fall on my sword having written about Apple in the mid to high $500's that I thought it was attractive at that level. Investors have thought otherwise for a number of reasons that I won't go into (just go to the Internet and google "Apple stock" and you can find hundreds of articles) and the stock fell sharply to close the week at $440. At this level it still appears to be inexpensive at 10x EPS (plus $150BB in cash) compared to 14x for the market, but competition seems to be catching up and its innovative edge is being questioned. Anyway, Apple earnings were actually strong but its 2013 outlook was well below consensus. Despite Apple's problems, the market still move nicely higher this week - underscoring the value of portfolio diversification. There were many more positive reports that lifted the overall market. On the positive side, companies that surprised on the upside included Google, IBM, Bristol Myers, Starbucks, Haliburton, Proctor & Gamble and Netflix (a short squeeze sent it's shares almost 70% higher!). On the flip side, besides Apple it was hard to find a large stock that got hit hard. Coach fell 10% on its disappointing earnings, while some other stocks that disappointed actually saw their stocks go up including JNJ, Verizon and Microsoft.**

**Looking ahead, this week is probably the last big week of earnings releases. Then we may need a new catalyst for stocks to continue moving higher. The Fed meets this week so most are not expecting any change in monetary policy. In other words, the Fed will continue to be accommodative and keep rates low by buying long-term bonds. As I've said for over a year now, "Don't Fight the Fed". The Fed's moves continue to make risk assets look more attractive. With the politicians having voted to raise the debt ceiling for a few more months, that should keep them out of the headlines for a while. And outside the US, China seems to be recovering and Europe's debt issues are slowly improving or at least stabilizing. So, it may just be another few weeks of earnings and the economy. As I said last week, it still seems like old times where these things matter and there is less noise to filter out. I kind of like that.**

**That's all for today.**

***\*\*\*Changing jobs or retiring soon? We are also the 401K/IRA Rollover Specialists. 908-344-9790***

**Economy**

New single-family home sales declined 7.3% in December, to a 369,000 annual rate, below the consensus expected pace of 385,000. Sales are up 8.8% from a year ago. The months’ supply of new homes (how long it would take to sell the homes in inventory) rose to 4.9. The median price of new homes sold was $248,900 in December, up 13.9% from a year ago. The average price of new homes sold was $304,000, up 15.6% versus last year.

New claims for unemployment insurance declined 5,000 last week to 330,000, the lowest level in five years. Continuing claims for regular state benefits fell 71,000 to 3.16 million.

Existing home sales declined 1.0% in December to an annual rate of 4.94 million units, coming in below the consensus expected 5.10 million rate. Sales are up 12.8% 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) fell to 4.4 in December

from 4.8 in November. The median price of an existing home rose to $180,800 in December (not seasonally adjusted), and is up 11.5% versus a year ago.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 1.947% 1.843%. Creeping closer to 2%

**30-yr UST** 3.14% 3.04%

**ML High Yield 100** 4.60% 4.69% HY Spreads continue to come in. Is this trade getting long in the tooth?

**30-yr Fixed** **Mtg** 3.64% 3.65%.

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1656.4 $1686.6

**Crude Oil** $95.88 $95.56 Still on way back to $100

**NYMEX Nat Gas** $3.444 $3.566

**$ per Euro** 1.3459 1.3313 Euro up almost 2% this year

**Yen per $** 90.87 89.62 Dollar up almost 5% on Yen this year

**Reuters CRB** 299.31 301.20 No inflation signs

**Stocks**

The stock market continued its charge upward with the DJIA finishing up 1.8% to 13895 and less than 2% from its all-time high. The broader S&P 500 rose 1.14% to 1503, the first time above 1500 in 5 years. Small and Midcap stocks again rallied with the SP Midcap index up 2.12% and the Russell 2000 gaining 1.39% to 905.24 and trading at an all time high. This all happened despite Apple shares dropping to $440 and now sitting over 30% below its high hit last year. Exxon overtook Apple as the world's most valuable company. So far in January, the Dow is up 6%, the S&P 500 5.4% and the Russell 2000 6.6%. All styles and market-caps are performing well -- it is a broad-based rally. Keep an eye on the fact that investors are becoming bullish. This is usually a contrary indicator.

European stocks moved .94% higher led by Germany up 2% and the UK also up 2.1%. YTD the Euro Stoxx 600 index is up 3.6%.

Asia/Pac stocks dropped .7% during the week. China dropped 1.11% while Singapore rose 1.81%.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 13,895.98 | 246.28 | 1.8% |
| **S&P 500** | 1502.96 | 16.98 | 1.14% |
| **NASDAQ Comp** | 3149.71 | 15 | .48% |
| **S&P Mid Cap** | 1096.70 | 22.77 | 2.12% |
| **S&P Small Cap** | 508.47 | 8.41 | 1.68% |
| **Russell 2000** | 905.24 | 12.44 | 1.39% |
| **Stoxx Euro 600** | 289.72 |  | .94% |
| **Dow Asia/Pacific** | 135.99 |  | -.70% |

|  |  |
| --- | --- |
| **Strong Sectors** | Consumer Svcs, Energy, HC |
| **Weak Sectors** | Tech, Consumer Goods, Materials |
| **NYSE Advance/Decline** | 2181 / 957 |
| **NYSE New High/Low** | 794 / 32 |
| **AAII Bulls/Bears** | 52.3% Bulls / 24.3% Bulls over 50% |

Have a great week!

Bob

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***From the Desk of Bob Centrella, CFA: January 21, 2013***

***" Seems like Old Times - Earnings and the Economy Matter Again***

**Dear Friends:**

**It is starting to seem like old times again where earnings and economic data actually matter and the market doesn't only move only on headlines from Washington or overseas. Last week we got a bunch of economic data and it was the start of first quarter's earnings season. Several financial and technology companies reported somewhat mixed earnings but the market shook it off as economic data came in mostly better than expected. However, there were some headlines that helped as there was talk of Republicans extending the debt ceiling by three months. All the above helped the S&P 500 to rally to levels not seen since 2007 and the Russell 2000 move to all time highs. (See my discussion of the VIX in the STOCKS section below.)**

**Since the earnings season just started we really only had 3 days of reports. Of the 18 companies I tracked, we had 10 better than expected, 4 worse and 4 in-line. A quick look at some an earnings scorecard revealed the following:**

**- Financials earnings were mixed: Bank of America, Citigroup and Capital One missed earnings expectations while JP Morgan was slightly better and American Express was in line. Blackrock, Goldman Sachs, Morgan Stanley and State Street were much better than expected.**

**- Industrials were positive. Parker Hannifan, Rockwood Collins and General Electric reported better than expected. This may be a good sign for the markets and the economic outlook.**

**- Technology - Only a few companies reported but Intel was a big negative as their outlook disappointed analysts. Meanwhile Ebay had a strong earnings report due to strength in the online marketplace and their PayPal payments division.**

**This week will be much heavier with earnings releases so it should give us a better idea of what companies are experiencing out there and how the economy is expected to behave.**

**That's all for today.**

***\*\*\*Changing jobs or retiring soon? We are also the 401K/IRA Rollover Specialists. 908-344-9790***

**Economy**

We got a lot of economic data last week and most of it was positive.

Retail sales increased 0.5% in December, beating the consensus expected 0.2%. Sales were up 0.8% including revisions for October/November. Retail sales are up 4.7% versus a year ago. The gain in sales in December was led by autos and restaurants/bars. The largest decline was for gas, a function of lower gas prices.

The Producer Price Index (PPI) declined 0.2% in December, coming in slightly below the consensus expected decline of 0.1%. Producer prices are up 1.3% versus a year ago. The decline in the overall PPI was due to food, which fell 0.9%, and energy prices, which slipped 0.3%. The “core” PPI, which excludes food and energy, was up 0.1%.

The CPI was unchanged in December, with a 1.2% decline energy prices offsetting increases in most other major categories. Food prices rose 0.2%. The “core” CPI, which excludes food and energy, was up 0.1% in December and is up 1.9% versus a year ago. The consensus expected gain of 0.2% in December.

Industrial production rose 0.3% in December, matching consensus expectations. Production is up 2.3% in the past year. Manufacturing, which excludes mining/utilities, rose 0.8% in December. Auto production increased 2.6% while non-auto manufacturing rose 0.6%. Auto production is up 17.2% versus a year ago while non-auto

manufacturing is up 1.2%. Overall capacity utilization moved up to 78.8% in December from 78.7% in November. Manufacturing capacity use rose to 77.4% in December from 76.9% in November.

Housing starts soared 12.1% in December to 954,000 units at an annual rate, coming in well above the consensus expected 890,000 pace. Starts are up 36.9% versus a year ago. The rise in starts in December was due to gains in both single-family (+8.1%) and multi-family starts (+20.3%). Single-family starts are up 18.5% from a year ago, while multi-family starts are up 91.0%.

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**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 1.843% 1.871%.

**30-yr UST** 3.04% 3.045%

**ML High Yield 100** 4.69% 4.73%

**30-yr Fixed** **Mtg** 3.65% 3.68%.

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1686.6 $1660

**Crude Oil** $95.56 $93.56 Still on way back to $100

**NYMEX Nat Gas** $3.566 $3.327

**$ per Euro** 1.3313 1.3343

**Yen per $** 89.62 89.19

**Reuters CRB** 301.20 296.66

 **Stocks**

A lot is being said about the lack of volatility in the market as evidenced by the VIX. The VIX is a gauge of stock-market risk used by market watchers. In uncertain times it is also known as the "Fear Gauge". Options traders often watch the VIX to determine the level of call or put options they may buy to hedge portfolios. The VIX is trading at historic lows around 12.50. To put this in perspective, during the height of craziness in 2008 the VIX was at about 80, signalling extreme volatility as the market plunged. Generally the higher the VIX the more volatility and the market tends to be dropping. In December, the VIX was around 25 as the market fell on Fiscal Cliff (CRAG) worries. I only bring this up because market watchers are worried that the VIX must move up to trend-line levels which would likely signal a drop in the market as it rises. The debt-ceiling negotiations in coming months could provide a test to market volatility.

The stock market continued its charge upward with the DJIA finishing up 1.2% to 13649 while the broader S&P 500 rose .95% to 1486, its highest level since 2007. Small and Midcap stocks rallied too with the SP Midcap index up 1.51% and the Russell 2000 gaining 1.37% to 892.8 and trading at an all time high! Meanwhile Apple shares dropped to $500 and now sit $200+ below their high hit last year. Apple's drop is what's keeping the broader index from reaching a new high.

European stocks were flat last week.

Asia/Pac stocks continued their climb with the Dow A-P index up .67%.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 13,649.7 | 161.27 | 1.2% |
| **S&P 500** | 1485.98 | 13.93 | .95% |
| **NASDAQ Comp** | 3134.71 | 9.07 | .29% |
| **S&P Mid Cap** | 1073.93 | 16.02 | 1.51% |
| **S&P Small Cap** | 500.06 | 8.0 | 1.63% |
| **Russell 2000** | 892.80 | 12.03 | 1.37% |
| **Stoxx Euro 600** | 287.03 |  | 0% |
| **Dow Asia/Pacific** | 136.95 |  | .67% |

|  |  |
| --- | --- |
| **Strong Sectors** | Energy, Industrials, Consumer |
| **Weak Sectors** | Telecom, Tech, Financials |
| **NYSE Advance/Decline** | 2197 / 968 |
| **NYSE New High/Low** | 660 / 18 |
| **AAII Bulls/Bears** | 43.94% Bulls / 27.3% Bulls are still out early in the year |

Have a great week!

Bob

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### From the Desk of Bob Centrella, CFA: *January 7, 2013*

***" Deal is Done, Now What?"***

**Dear Friends:**

**As predicted we were thrown a bone by politicians and the stock market jumped dramatically on the Monetary Crag (Cliff) tax deal reached by our Congress and the President. The huge pent-up demand by investors came on Jan 2nd with the Dow jumping over 300 points as a huge collective sigh of relief was let out. Although the deal relieved investors, the hard part is still to come as pols need to raise the debt ceiling and come to agreement on spending cuts by March 1st.**

**Without going into the gory details, the deal will raise taxes on individuals earning more than $400K and families earning more than $450K. (If you recall I thought weeks ago that it would be around $500K. They could have saved us a lot of angst by simply going to where everybody thought they would back in early December.) Also of note the AMT (Alternative Minimum Tax) was finally indexed to inflation but the Payroll tax-cut was not renewed resulting to an immediate hit to all Americans with their next paycheck. One somewhat positive from the bill is that Capital Gains and Dividends will be capped at 20% (plus 3.8% for the highest earners) rather than being taxed at the top rate of 39.8%. This is obviously an increase but still good for investors.**

**I received an email from a friend of mine (below) that I thought really put the tax deal into perspective. I mean come on, it is basically nothing more than a fight that the President had to win to save face. As it was, he settled for less and Republicans lost their no tax pledge so I guess call it a draw. The tax revenue raised is a rounding error compared to our real problem of spending.**

***Here’s a great Plain English explanation of the Fiscal Cliff problem.***

**Lesson # 1:**

**\* U.S. Tax revenue: $ 2,170,000,000,000 (What the Govt brings in)**

**\* Fed budget: $ 3,820,000,000,000 (What the Govt will spend)**

**\* New debt: $ 1,650,000,000,000 (Oops, annual deficit)**

**\* National debt: $16,400,000,000,000**

**\* Recent Tax increase deal: $ 38,500,000,000**

**Let's now remove 8 zeros and pretend it's a household budget:**

**\* Annual family income: $21,700**

**\* Money the family spent: $38,200**

**\* New debt on the credit card: $16,500**

**\* Balance owing on the credit card: $164,000**

**\* Total budget cuts so far: $3.85**

**Got It ?**

**Lesson # 2:**

**Here's another way to look at the Debt Ceiling:**

**Let's say, you come home from work and find there has been a sewer backup in your neighborhood and your home has sewage all the way up to your ceilings. What do you think you should do - raise the ceiling, or remove the shite?**

**So as you see from the simplistic example above, there is a lot of work to do by our politicians. Having said all that, at least we don't have to read or hear about FISCAL CLIFF anymore. That's a victory in itself!**

**I will be sending out a second email today with the results of our 2012 Survey and the winner of a bottle of wine. Also, I'll ask for your responses to the 2013 Survey.**

**That's all for today.**

***\*\*\*Changing jobs or retiring soon? We are also the 401K/IRA Rollover Specialists. 908-344-9790***

**Economy**

The ISM manufacturing index rose to 50.7 in December from 49.5 in November, coming in slightly above the consensus expected 50.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)

Non-farm payrolls increased 155,000 in December, almost exactly matching the consensus expected 152,000. Revisions to October/November added 14,000, bringing the net gain to 169,000. The unemployment rate was unrevised at 7.8% (7.849%).

Initial unemployment claims increased 10,000 last week to 372,000. The four week average is 360,000.

The ISM non-manufacturing index rose to 56.1 in December, coming in well above the consensus expected 54.1. The direction of the key sub-indexes was mixed in December, but most remain above 50. The new orders index rose to 59.3 from 58.1 and the employment index
surged to 56.3 in December from 50.3. The business activity index declined to 60.3 from 61.2 while the supplier deliveries index fell to 48.5 from 49.0.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 1.915 1.708%. Big move up after Crag deal

**30-yr UST** 3.01% 2.884% Broke 3% upside

**ML High Yield 100** 4.93 5.01% Broke under 5%. Is the move over now with Treas Yields rising?

**30-yr Fixed** **Mtg** 3.65% 3.60%.

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1648.10 $1654.9 Gold is in a downfall - no inflation in sight yet

**Crude Oil** $93.09 $90.80 On way back to $100?

**NYMEX Nat Gas** $3.287 $3.469

**$ per Euro** 1.3069 1.3218

**Yen per $** 88.17 85.97 Next stop 90

**Reuters CRB** 294.13 294.78

**Stocks**

The Dow skyrocketed higher after politicians reached the tax deal. The Dow rose 497 points or 3.84% to 13435 while the broader S&P 500 jumped 4.57% to 1466. Small and Midcap stocks rose even higher with the Russell 2000 climbing 5.65% and the S&P Midcap index up 5.15%. Risk was on!

European stocks joined the party with Euro Stoxx 600 jumping 3.25%. Italy rose 4.22% and Spain 3.75%.

Asia/Pac stocks continued their climb with the Dow A-P index up a relatively subdued 1.78%. Japan continues its torrid run jumping 2.82%.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 13,435 | 497 | 3.84% |
| **S&P 500** | 1466.47 | 64.04 | 4.57% |
| **NASDAQ Comp** | 3101.66 | 141.34 | 4.77% |
| **S&P Mid Cap** | 1056.07 | 51.74 | 5.15% |
| **S&P Small Cap** | 492.62 | 25.21 | 5.39% |
| **Russell 2000** | 879.15 | 47.05 | 5.65% |
| **Stoxx Euro 600** | 287.83 |  | 3.25% |
| **Dow Asia/Pacific** | 135.84 |  | 1.78% |

|  |  |
| --- | --- |
| **Strong Sectors** | Energy, Materials, Financials |
| **Weak Sectors** | Healthcare, Utils, Technology |
| **NYSE Advance/Decline** | 3011 / 188 |
| **NYSE New High/Low** | 589 / 41 |
| **AAII Bulls/Bears** | 38.7% Bulls / 36.2% Bears Surprising rise in Bears. Poll taken 1/2 |

Have a great week!

Bob

**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)\*\*\*

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**February 2013 NEWSLETTER ARCHIVE**

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### From the Desk of Bob Centrella, CFA: February 26, 2013

### " Market Kinda Stuck in Neutral" & "A Red and White Wine Tip"

### My business is a referral business. If you know someone who could use a Free consult, please ask them to call us at 908-344-9790

### Dear Friends:

### Well it's that time of the year that most of us dread - Tax Return Season. I think even the accountants that make their money in these next few months probably don't look forward to it. I started in on getting my paperwork ready for my business and personal taxes. I finally wised up a few years ago and hired an accountant. I don't know what I was thinking before that, doing them on my own. Yes, tax software makes it easier but you still have to do a lot of work and can make mistakes. I'm a convert, I'll let my accountant do the work for me. It's worth the price of less stress alone. (My public service announcement for Accountants.)

### Last week I talked about an article I was writing that discussed whether the market is overvalued or in need of a correction. You can see the full article on [SeekingAlpha.com](http://seekingalpha.com/) by clicking on the following link: [Market Not Overvalued Based on Last 50 Years History](http://seekingalpha.com/article/1207211-the-stock-market-is-not-overvalued-based-on-the-last-50-years-history). I've also attached the data I used to write the article. (The data itself is great to have as a resource.) My conclusion was that based on history the data showed the market is not overvalued. It could still correct for other reasons but I believe that overvaluation is not a reason in and of itself.

### The sequestration deadline looms on March 1st, but honestly, does $85 billion really make a dent when the deficit is close to a trillion dollars? Maybe that is why the stock market continues to hang around the 14,000 level on the Dow and above 1500 on the S&P 500. In the grand scheme of things, this is a rounding error despite the protests of the White House about the government coming to a standstill. The market is sort of stuck in neutral at the moment as things play out around the world, but that is a good thing. The other deadlines looming are probably a bigger deal - the Budget expires on 3/17 and the debt ceiling is reached again in May. So, let's see what plays out this week and does the market care if the automatic spending cuts kick in at the end of the week.

### TODAY"S WINE TIPS

### Since I don't have much else to say today, I thought it would be a good time to talk about wines:) I'd like to talk about an Italian Red (what a surprise) and for the first and probably only time, white wine. The Italian Red is called a Carmignano. Carmignano is a wine region (and city) in Tuscany, not too far from Florence. Carmignano wine was the original "Super Tuscan" wine before that term actually came into existence due to its mixing of Sangiovese with Cabernet dating back to the 18th century. There's an interesting history dating back to the Middle Ages that I won't go into but it's worth a Google if you got nothing better to do some rainy day. Anyway, it is one of the lesser known DOCG wines in Italy and not as easy to find even though it has been around such a long time. Carmignano is a dry red containing a blend of at least 50% Sangiovese and then including a combination of Cabernet Sauvignon and Franc, and Canniolo Nero (up to 20% each). It is a medium-bodied wine with a nice dark red color, fruity and very smooth to drink. It pairs with many foods but especially with pasta (red or pesto sauce), veal, cheeses and red meat as well. Depending on the blend of the Cabernet's it can also be a fuller-bodied wine too. My favorite wine is called Piaggia Riserva, produced by Mario Vanucci. Cost varies around $28-$38 a bottle. Other producers are Ambra and Cappezzana, both around $27ish a bottle. The wine stores well too but probably should be drunk within 10 years. So, I highly recommend you give it a try if you can find a bottle, you won't be disappointed. I had it with a veal parm a few weeks ago and it paired great.

### The white wines I'd like to mention are from the Avellino region of Italy (where my ancestors hail from). They are Greco di Tufo and Fiano di Avellino. As you may know I don't often drink white so my repertoire is limited but these wines are different from your typical Californian wines and I find them great with seafood on occasion when I don't want a red. I find the Greco to be a little more dry than the Fiano but both are fruity. The Fiano is also a bit heartier and can be held 3-5 years. The producer I like is Feudi do San Gregorio and the wines are prices in the high teens. (Feudi also makes a great Aglianico which I've written about before). So if you want to try comething different than your basic Chard, give the Italians a try.

### That's all for today.

\*\*\*The Weekly Financial Data Sheet is attached\*\*\*

**\*\*\*Changing jobs or retiring soon? *We are also the 401K/IRA Rollover Specialists. 908-344-9790***

**Economy**

Existing home sales rose 0.4% in January to an annual rate of 4.92 million units, coming in slightly above the consensus expected 4.90 million rate. Sales are up 9.1% versus a year ago.

Housing starts fell 8.5% in January to 890,000 units at an annual rate, coming in below the consensus expected 920,000 pace. Starts are up 23.6% 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) fell to 4.2 in January
from 4.5 in December. The decline in the months' supply was due to lower inventories for single-family homes and condo/coops.

The CPI was unchanged in January while the PPI rose .2%.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 1.965% 2.014%.

**30-yr UST** 3.15% 3.18%

**ML High Yield 100** NA 4.88%

**30-yr Fixed** **Mtg** 3.80% 3.84%.

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1572.40 $1608.80 Breaks down thru $1600

**Crude Oil** $93.13 $95.86

**NYMEX Nat Gas** $3.291 $3.153

**$ per Euro** 1.3191 1.3362

**Yen per $** 93.41 93.51

**Reuters CRB** 293.52 298.45 Inflation is still not out there.

**Stocks**

The Dow staged a broad rally on Friday to finish the week higher at 14,000, a gain of .13%. The Dow was the exception as all other US stock indexes fell for the week after the Fed released minutes from its last meeting that ruffled some feathers of investors as some in the Fed talked about ending easy money earlier in 2014.

The Euro Stoxx 600 was up 1.3% for the week with Germany up 2.25%, Spain up 2.05% and Belgium up 1.65%.

The Dow Asia/Pac index rose slightly by .09%. China fell .51%, HK fell .54% and Japan rose .68%. Japan is one of the strongest markets this year rising 9.5% YTD.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 14,000 | 18.81 | .13% |
| **S&P 500** | 1515.6 | -4.19 | -.28% |
| **NASDAQ Comp** | 3161.82 | -30.21 | -.95% |
| **S&P Mid Cap** | 1103.7 | -12.05 | -1.08% |
| **S&P Small Cap** | 512.53 | -3.9 | -.76% |
| **Russell 2000** | 916.16 | -6.99 | -.76% |
| **Stoxx Euro 600** | 288.57 |  | 1.3% |
| **Dow Asia/Pacific** | 137.71 |  | .09% |

|  |  |
| --- | --- |
| **Strong Sectors** | Consumer Goods, Telecom, Utilities |
| **Weak Sectors** | Materials, Tech., Consumer Svcs |
| **NYSE Advance/Decline** | 1386 / 1767 |
| **NYSE New High/Low** | 576 / 82 |
| **AAII Bulls/Bears** | 41.8% Bulls / 32.5% Bears  |

Have a great week!

Bob

***\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_***

***From the Desk of Bob Centrella, CFA: February 19, 2013***

***" Market Overvalued or Need to Correct? "***

***My business is a referral business. If you know someone who could use a Free consult,* *please ask them to* c*all us at 908-344-9790***

**Dear Friends:**

**It was kind of a quiet weekend for me but I did enjoy the day off yesterday. Other than a nice dinner and discovering the "Raccoon Lodge" in NYC on Friday, the rest of the holiday was for R&R. Yes, Honeymooner fans, there actually is a "Raccoon Lodge" in NYC. (I was trying to include a picture but I haven't figured out how to paste it here.)**

**If you watch the talking heads on CNBC or read financial articles online, you've probably been hearing several so-called "experts" calling for a correction or asking whether the market is overvalued. The US market has definitely gotten off to a fast start this year (S&P up 6.6%) and hasn't really corrected more than 5% since last October when the S&P 500 went from 1450 to 1350 in about a month. Prior to that is was May 2012 when it corrected 9%. For a correction greater than 10% you must go back to late July & early August of 2011 when the market dropped almost 17% in two weeks when Europe was about to disintegrate. They also talk about how the market is up 122% since the bottom in March 2009 and it is all being driven by accommodative Central Banks. Soooo.....**

**So, yes the market has come a long way in what will soon be 4 years. But remember where we came from and how bad the climate was over those 4 years. And yes, Central Banks around the world have been providing easy money and at some point must pull in the reigns. Granted we are still dealing with a stubbornly slow economy and the rest of the world has its own issues, but I believe we are in far better shape than in 2008 and 2009 when we were in crisis mode in the US and Europe is seemingly on a better path than just last year. Since I am a numbers man, I decided to go back and look at the data to see where it leads.**

**I pulled information together to check on valuation, dividend yields, earnings and the level of the market. (Btw, I will be writing an article on my findings that I will send to you, but I want to summarize the results here first). I went back to the end of 1960, since I was born in 1961 (but conceived in '60:) to see how the market was valued and performed during my lifetime. Some of the key findings are listed below for the period 1961 thru 2012:**

* **Since the end of 1960, the market (S&P 500) has basically risen about the same level as the growth in Corporate earnings of the constituents over that time period. Earnings had an annual growth (CAGR) of 6.96% since 1960 while the market gained 6.35% annually on average. Adding in reinvested dividends gets you about a 9.75% annual return.**
* **The average PE (Price/Earnings ratio) was 16.13x for the period. At the end of 2012 the trailing PE stood at 13.92x and currently stands at 14.8x trailing earnings. (Note: PE ratio is a common factor used to value stocks. It is determined by dividing the Price of the stock or Index, by the earnings per share for the last 12 months.)**
* **Based on estimated S&P earnings of $113 per share for 2013, the forward PE ratio is 13.4x (S&P at 1,519 / $113 per share).**
* **Since the end of 1999 when the S&P stood at 1469, it has only risen 3.4% IN TOTAL to the current level of 1519. At the end of 1999, the PE ratio was 28.4x trailing earnings -- way overvalued.**
* **Since the end of 1999, Corporate Earnings have grown from $51.68 to $102.47, about doubling. The PE ratio went from 28.4x in 1999 to where it stood at the end of 2012 at 13.92x, about 1/2 where is was.**
* **Since the end of 2008 corporate profits are up 57% to the end of 2012 while the market has risen --- wait for it --- 57%!**

**If I had to summarize the one key finding about what drives the market, it's pretty intuitive -- when it is all said and done, EARNINGS GROWTH drives the market. If you only look back 4 years, then the market has come a long way, but so have earnings. And if you go back to the peak of craziness in 1999, then the market has actually acted rational and allowed earnings and valuation to play catch-up.**

**OK, where am I going with this you may be asking? Right here; I don't believe that the market needs to correct because it is overvalued. The market is reasonably valued based on history and where earnings are today. If corporate earnings remain flat or fall, then the market should go in step. For the market to go further without future repercussions, we need corporate profits to grow. But right now, earnings are growing, the market is reasonably valued and the economy is growing, albeit slowly.**

**Now that leaves the question of whether the market needs to take a breather because it has not corrected for a while or for some other reason. Personally, I think a breather would be healthy for the market. Not a -10% breather but just a few months where we go sideways and consolidate the gains we have made. It seems inevitable that the market will take a break but I can't prove with numbers that the market does or doesn't need a break. That's for the technicians to debate. However, I think I laid out a historical case that the market is not overvalued based on its last 50 years of trading history -- as long as corporate earnings continue to grow.**

**Sure there are still a lot of unanswered questions out there regarding a host of issues that I won't name here. And it is fairly easy to put forth an argument why the market can correct 5% or 10%. But I don't think valuation is one of them, unless you think we are heading back to a double-dip recession. But that's a whole other discussion!**

**That's all for today.**

***\*\*\*Changing jobs or retiring soon? We are also the 401K/IRA Rollover Specialists. 908-344-9790***

**Economy**

Industrial production declined 0.1% in January, coming in below the consensus expected gain of 0.2%. Production is up 2.1% in the past year.
Manufacturing, which excludes mining/utilities, declined 0.4% in January. Auto production fell 3.2%, while non-auto manufacturing declined 0.1%. Auto production is up 7.5% versus a year ago while nonauto manufacturing is up 1.3%.

Overall capacity utilization slipped to 79.1% in January from 79.3% in December. Manufacturing capacity use fell to 77.6% in January from 78.0% in December.

Empire State manufacturing index, a measure of factory sentiment in New York, increased to +10.0 in February from -7.8 in January. The index is now the highest since last May.

New claims for unemployment insurance fell 27,000 last week to 341,000. Lately, claims have been bouncing wildly around a four-week moving average of 353,000. Continuing claims for regular state benefits fell 130,000 to 3.11 million.

Retail sales increased 0.1% in January, matching consensus expectations. Sales were up 0.2% including revisions for November/December. Retail sales are up 4.4% versus a year ago. Sales excluding autos were up 0.2% in January (0.4% including revisions for November/December), beating the consensus expected 0.1%. Sales ex-autos are up 3.6% in the past year.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 2.014% 1.953%.

**30-yr UST** 3.18% 3.17%

**ML High Yield 100** 4.88% 5.00%

**30-yr Fixed** **Mtg** 3.84% 3.78%.

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1608.80 $1666.0 Is Gold Dead? No inflation. Down 4% YTD

**Crude Oil** $95.86 $95.72

**NYMEX Nat Gas** $3.153 $3.272

**$ per Euro** 1.3362 1.3365

**Yen per $** 93.51 92.69

**Reuters CRB** 298.45 301.06 Inflation is not out there.

**Stocks**

The Dow was barely a loser for the week finishing at 13,982 and again not able to hold above 14,000. The broader S&P 500 rose .12% to 1519.8 while the Nasdaq slid .06% to 3192. 2013 is turning out to be the year of the deal again. Last week Heinz was snapped up by Warren Buffett and a Brazilian PE partner while Comcast bought the rest of NBC from GE. We also saw USAir and AMR agree to an $11 billion merger.

The Euro Stoxx 600 was flat on the week.

The Dow Asia/Pac index fell .25%.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 13,982 | -11.21 | -.08% |
| **S&P 500** | 1519.79 | 1.86 | .12% |
| **NASDAQ Comp** | 3192.03 | -1.84 | -.06% |
| **S&P Mid Cap** | 1115.75 | 6.66 | .60% |
| **S&P Small Cap** | 516.43 | 4.19 | .82% |
| **Russell 2000** | 923.15 | 9.48 | 1.04% |
| **Stoxx Euro 600** | 287.34 |  | 0% |
| **Dow Asia/Pacific** | 136.81 |  | -.25% |

|  |  |
| --- | --- |
| **Strong Sectors** | Consumer Goods, Financials, Industrials |
| **Weak Sectors** | Telecom, Materials, Energy |
| **NYSE Advance/Decline** | 1735 / 1437 |
| **NYSE New High/Low** | 688 / 47 |
| **AAII Bulls/Bears** | 42.25% Bulls / 28.73% Bears  |
|  |  |

Have a great week!

Bob

***From the Desk of Bob Centrella, CFA: February 4, 2013***

***" Dow Breaks 14,000 - Ravens Win Super Bowl"***

**Start 2013 Fresh - *Take advantage of our Free Portfolio Review Offer. Call us at 908-344-9790***

Dear Friends:

Today's newsletter will be a bit short as I was away this weekend and of course the Super Bowl ended somewhat late last night due to the power outage that was almost perfectly timed for San Fran. Congrats to the Ravens and their fans (of which I am not one) for outlasting the 49ers last night in what eventually turned out to be an exciting game. For a while I was going with the Beyonce halftime "booty show" as the highlight until the power outage gave the Niners new life. By the way, the win by the Ravens actually counts as a positive for the market based on the Super Bowl winner predictor rule. The history of the myth is that when a team that belonged to the old National Football League wins the Super Bowl, the stock market gains in the coming year, and when a former American Football League team wins, the market drops. Baltimore's history (former Cleveland Browns) traces it to the old NFL, so good for the market based on this myth which has worked about 75% of the time.

Last week the Dow Jones Industrial Average broke through the 14,000 level with a nice rally on Friday, for the first time since 2007. The average now sits less than 100 points from an all-time high. For the month of January, the Dow rose 6.2% and the S&P 500 jumped 5%. Here's an interesting tidbit. I checked back to 1971 and found that the S&P 500 had risen more than 4% in the month of January on 12 occasions since then. The market finished higher by the end of the year in 11 of the 12 times, with the crash of 1987 being the exception. In every of the instances other than 1987, the market rose at least 14% with the average gain being a whopping 26%! Even in 1987 the market was up over 30% until the crash in Oct/Nov of that year and still finished the year up 5.3%. Remember the adage I wrote a few weeks ago - "as the market goes in January, so goes the year". So a strong January might be viewed as a good sign of things to come.

Having said all that, there is some negative political news coming from Spain the last few days that has the potential to put European markets back in the headlines. Remember that last year we started strong only to have Europe garner the headlines for several months and put a damper on things until Super Mario Draghi came to the rescue. So just when the economy and earnings look like they are starting to matter, geopolitical news again threatens to steal some thunder.

Personally I think the market night be a little tired and overbought in the short-term, so the news from Europe could be an excuse for a little pause. Whenever the market reaches a milestone it needs to consolidate its gains for a little bit. I wouldn't mind seeing the market go sideways for a while to catch its breadth.

**That's all for today.**

***\*\*\*Changing jobs or retiring soon? We are also the 401K/IRA Rollover Specialists. 908-344-9790***

**Economy**

The Fed come out of its FOMC meeting with more of the same, vowing to continue buying long-dated assets for the foreseeable future until the economy strengthens,

The ISM manufacturing index rose to 53.1 in January from 50.2 in December, coming in well above the consensus expected 50.7. (Levels higher than 50 signal expansion).

Non-farm payrolls increased 157,000 in January, very close to the consensus expected 165,000. The unemployment rate ticked up to 7.9%. This rise was because the labor force increased 143,000 while civilian employment only rose 17,000

Personal income was up 2.6% in December, easily beating the consensus expected gain of 0.8%. Personal consumption was up 0.2%, coming in below the consensus expected 0.3%. In the past year,

personal income is up 6.9% while spending is up 3.6%.

The first estimate for Q4 real GDP growth is -0.1% at an annual rate, much lower than the 1.1% the consensus expected. Real GDP is up 1.5% from a year ago. Inventories subtracted 1.3 points from the GDP growth rate and government purchases also subtracted 1.3 points from the growth rate of real GDP, due to the largest drop in defense (relative to GDP) since the wind-down in Vietnam in 1973.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 2.017% 1.947%. Finally cracked the 2% level.

**30-yr UST** 3.21% 3.14%

**ML High Yield 100** 4.82% 4.62% Yield moves up a bit following treasury.

**30-yr Fixed** **Mtg** 3.78% 3.64%. Rates still low but could refi boom be on the outs?

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1669.4 $1656.4

**Crude Oil** $97.77 $95.88 Do we hit $100 this week?

**NYMEX Nat Gas** $3.301 $3.444

**$ per Euro** 1.3642 1.3459 Like the energizer bunny, keeps going and going...

**Yen per $** 92.84 90.87 And the dollar like the bunny vs the Yen

**Reuters CRB** 305.07 299.31

**Stocks**

The Dow finally crossed 14,000 with the DJIA finishing up .82% to 14,009 for the first time since 2007. The broader S&P 500 rose .68% to 1513. So for January, the Dow was up 5.8%, the S&P 500 5%, the NASDAQ 4.1% and the Russell 2000 climbed 6.2%. All styles and market-caps are still performing well -- it is a broad-based rally.

The Euro Stoxx 600 fell .52% during the week led down by Spain which dropped 5.67% as some turmoil crept back into the market. Italy fell 2.3%.

The Dow Asia/Pac index rose .7% during the week. China jumped5.57% while Japan gained 2.42%.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 14,009.79 | 113.81 | .82% |
| **S&P 500** | 1513.17 | 10.21 | .68% |
| **NASDAQ Comp** | 3179.10 | 29.39 | .93% |
| **S&P Mid Cap** | 1101.59 | 4.89 | .45% |
| **S&P Small Cap** | 509.43 | .96 | .19% |
| **Russell 2000** | 911.20 | 5.96 | .66% |
| **Stoxx Euro 600** | 288.20 |  | -.52% |
| **Dow Asia/Pacific** | 136.94 |  | .70% |

|  |  |
| --- | --- |
| **Strong Sectors** | Telecom, Utilities, Energy |
| **Weak Sectors** | Materials, Consumer Svcs, Industrials |
| **NYSE Advance/Decline** | 1864 / 1384 |
| **NYSE New High/Low** | 725 / 48 |
| **AAII Bulls/Bears** | 48% Bulls / 24% Bears  |

Have a great week!

Bob

**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
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*If you would like to be taken off our weekly list, simply reply back to this email and ask to be taken off the list.*

*Feel free to replay back with comments or suggestions.*

**March 2013 NEWSLETTER ARCHIVE**

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***From the Desk of Bob Centrella, CFA: March 4, 2013***

***" Random thoughts on the Market and Economy"***

***My business is a referral business. If you know someone who could use a Free consult,please ask them to call us at 908-344-9790***

**Dear Friends:**

**The Italians may make great wine and the food is off the charts, but when it comes to elections they just don't have it figured out. Voters almost elected a comedian (with a manslaughter conviction), although many of their politicians are portrayed worldwide as comic in their actions. Somehow Silvio "il Gatto" Berlusconi continues to make himself relevant in Italian politics, despite his scandals, as he used another one of his nine lives to come out slightly ahead in the vote. Markets worldwide reacted negatively on Monday to the Italian election results but then mostly shrugged it off, although the Euro weakened amid renewed angst. The Italian stock market dropped sharply but the other large Euro markets were mostly flat to up. Overall it appears to be another headline for investors to file away as the saga of worldwide events continues to unfold. Stay tuned...**

**Here is the US, the sequestration cuts officially started on Friday as expected. Investors so far are scoffing at the $85 billion as immaterial to the overall budget although it will clearly have an effect on those that will lose jobs as a result. With sequestration, the payroll tax hike, and marginal tax rate increases, GDP growth in the first half of the year is expected to take a hit of about 1%, putting a lid on growth. On the positive side, there was a lot of economic data out last week that was mostly good. But again, the forward numbers will start to suffer as a result of the aforementioned issues.**

**The US stock market (as measured by the S&P 500) finished February with a gain of a little over 1%. There still seems to be a push and pull debate about whether the market needs to correct or can it reach a new high. I gave you my thoughts on valuation (I believe the market is not overvalued based on historical levels) and talked about how a pullback would be good for the market. In looking back at history again, the stock market has risen in both January and February 26 times since 1945. In each instance the market finished the year in positive territory (but not always higher than the gain of the first 2 months). Since 1971 (my monthly data stops there) the market rose in January and February 18 times and in 16 times finished higher than the end of February level. So history would suggest the market can go higher. What is unpredictable is when the market will pull back. Other than 1995 (when the market fell only .4% in October) I haven't found a year since '71 when the S&P 500 has risen every month. But with the Fed leading investors to risk assets, I have to think that any pullback will be shallow as long as the economy doesn't go in the tank. So yes, I believe the market will have a shallow pullback - I just don't know when. As I've said all along, I continue to look for good companies to buy when the opportunity arises.**

**To me the risk in equity prices is corporate profits. As we have mostly finished earnings season, the common theme among companies was to guide to a stronger 2nd half of 2013. Therefore, the earnings estimates for companies and the market are very back-end loaded. If the strength in the economy doesn't materialize as the year progresses, then investors may finally start to ditch equities because earnings will come down. How the economy reacts to the sequester, payroll tax hike, and higher tax rates will have a large bearing on where stock prices go. Pretty simplistic, but true. So, follow the earnings...**

**That's all for today.**

***\*\*\*Changing jobs or retiring soon? We are also the 401K/IRA Rollover Specialists. 908-344-9790***

**Economy**

There was a lot of economic news last week and I would say most of it was positive. Fed Chair Bernanke testified to Congress on Tuesday and Wednesday and made it clear that the Fed will continue on its path of buying $85 billion of securities a month. He also somehow convinced investors that he can be both a Hawk and a Dove.

The ISM manufacturing index rose to 54.2 in February from 53.1 in January, coming in well above the consensus expected 52.5. The new orders index rose to 57.8 from 53.3 and the production index increased to 57.6 from 53.6. The employment index slipped to 52.6 from 54.0 and the supplier deliveries index fell to 51.4 from 53.6. The data is consistent with what will be roughly 2.5% real GDP growth in Q1.

The Chicago PMI, a survey of manufacturing sentiment in that region, increased to 56.8 for February, the highest in almost a year, from 55.6 for January.

Personal income fell 3.6% in January, coming in well below the consensus expected decline of 2.4%. Personal consumption was up 0.2%, matching consensus expectations. In the past year, personal income is up 2.2% while spending is up 3.2%.The Federal Reserve’s favorite measure of inflation, personal consumption prices, was unchanged in January and up only 1.2% from a year ago, still noticeably lower than the Fed’s 2% target.

**Real GDP was revised to a 0.1% annual growth rate in Q4 from a prior estimate of -0.1%. The consensus had expected a revision to a +0.5% annual rate**.

New claims for jobless benefits declined 22,000 last week to 344,000. The four-week average is 355,000.

Continuing claims for regular state benefits declined 91,000 to 3.07 million, a new low for the recovery.

New orders for durable goods fell 5.2% in January (-5.7% including revisions to December), coming in below the consensus expected decline of 4.8%. Orders excluding transportation increased 1.9%, easily beating the consensus expected gain of 0.2%. Overall new orders are down 1.0% from a year ago, while orders excluding transportation are up 3.0%. The decline in overall orders was led by a massive drop in both defense and civilian aircraft. Machinery orders increased 13.5%, leading the gain outside the transportation sector.

Pending home sales, which are contracts on existing homes, increased 4.5% in January and are up 10.4% from a year ago.

New single-family home sales boomed 15.6% in January, to a 437,000 annual rate, well above the consensus expected pace of 380,000. Sales are up 28.9% from a year ago. The months’ supply of new homes (how long it would take to sell the homes in inventory) fell to 4.1 in January from 4.8 in December. All of the decline was due to a faster selling pace. Inventories of new homes were unchanged.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 1.86% 1.965%. Stealth Bond rally. Was over 2% just 2 weeks ago.

**30-yr UST** 3.06% 3.15%

**ML High Yield 100** 5.02% 4.98%

**30-yr Fixed** **Mtg** 3.75% 3.80%.

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1571.90 $1572.40 No inflation, no gold.

**Crude Oil** $90.68 $93.13 Could we be headed for the $80's?

**NYMEX Nat Gas** $3.456 $3.291

**$ per Euro** 1.3020 1.3191 Euro finally losing strength. Italy election had negative effect.

**Yen per $** 93.59 93.41

**Reuters CRB** 290.36 293.52

**Stocks**

The Dow made a run at an all-time high until it fell back but still ended the week up .64% at 14,089. It remains 75 points away from the all-time high. The S&P 500 rose .17% to 1518 and remains 3% from the high of 1565. Small and Mid-Cap stocks fell on the week. Apple hit a 52 week low and continued its freefall but the Nasdaq shook it off to rise .25% to 3169.7.

The Euro Stoxx 600 was up .16% for the week with Italy losing 3.44% after the election.

The Dow Asia/Pac index rose by .91%. China jumped 1.96%, Australia +1.36% and Japan 1.94%.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 14,089.66 | 89.09 | .64% |
| **S&P 500** | 1518.20 | 2.6 | .17% |
| **NASDAQ Comp** | 3169.74 | 7.93 | .25% |
| **S&P Mid Cap** | 1098.15 | -5.55 | -.50% |
| **S&P Small Cap** | 512.40 | -.13 | -.03% |
| **Russell 2000** | 914.73 | -11.44 | -.33% |
| **Stoxx Euro 600** | 289.02 |  | .16% |
| **Dow Asia/Pacific** | 138.97 |  | .91% |

|  |  |
| --- | --- |
| **Strong Sectors** | Consumer Services, Telecom, Health Care |
| **Weak Sectors** | Financials, Energy, Technology |
| **NYSE Advance/Decline** | 1667 / 1492 |
| **NYSE New High/Low** | 447 / 110 |
| **AAII Bulls/Bears** | 28.4% Bulls / 36.6% Bears **Huge drop in Bullishness from 42%** |

Have a great week!

Bob

**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

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***From the Desk of Bob Centrella, CFA: April 1, 2013***

***"Strong Q1, How About an Encore?***

**Dear Friends:**

**The market is currently down 10% in a big rush to selling I've never seen before! Got your attention? .................................. April Fools!**

**I hope you all had a great Easter Holiday and are refreshed to start another quarter. I will keep it very short today as I took the weekend off and didn't take the time to put anything together for today.**

**The US Stock markets surged in the first quarter providing the strongest gains since 1998. There are several stories floating around about how the market historically has never had a down year after such a start and how this bodes well for the next 3 quarters as well. The market was driven by optimism that things are getting better and economic data has been encouraging although stubbornly slow in recovering. On the bond front, bonds were flat to down for the quarter after including coupon payments. So, the Fed's strategy of pushing investors to risk assets seems to still be working.**

**The big test for the market comes as companies start reporting Q1 earnings and providing their business updates. Right now the market has moved higher on an expansion of the Price-Earnings multiple. For the market to move higher (while lowering the risk of a correction) we need to see some earnings growth. Specifically, growth ahead of expectations. However, it seems unlikely we will see much in Q1 so all eyes will be on commentary concerning the second half of the year. Next week is when earnings really start but we may see some negative pre-announcements this week. Let's see how investor's react.**

**That's all for today.**

***\*\*\*Changing jobs or retiring soon? We are also the 401K/IRA Rollover Specialists. 908-344-9790***

**Economy**

Q4 real GDP was revised up to .4% growth.

Durable goods prices rose 5.7% in February.

The unemployment ration fell to 7.7% in February.

With 99.8% of companies reporting, the S&P 500 projects Q4 operating earnings of $23.16. Revenues finally rebounded which could be encouraging for future earnings gains due to growth and not just paring expense margins.

CPI jumped .7% in February due to rising gas prices. Core inflation was up .2%.

**Bonds**

**10-yr UST yield** 1.85%

**30-yr UST** 3.10%

**ML High Yield 100** 4.77%

**15-yr Fixed Mtg** 3.08%

**30-yr Fixed** **Mtg** 3.87% .

**Commodities & Currencies**

**Gold/oz** $1594.80

**Crude Oil** $97.23

**NYMEX Nat Gas** $4.024

**$ per Euro** 1.2818

**Yen per $** 94.22

**Reuters CRB** 296.39

**Stocks**

Stocks rallied again for the week and closed the first Quarter on a positive note. The Market posted its strongest 1st quarter since 1998. The Dow rose 11.3%, the S&P 500 10.4% and the NASDAQ jumped 10.9%. Mid-Caps were the big winners with the S&P Midcap 400 up 13.6% while small caps also did well with the Russell 2000 up 11.9%.

International stocks moved higher in Q1 but nowhere near the US market. The Stoxx Europe 600 rose 5% led by Switzerland which jumped 14.5% and Sweden up 9.1%. The index was dragged down by Italy which fell 5.7% and Spain, down 3% in Q1. The DJ Asia Pacific index rose 5.4%. Japan was the biggest winner in Q1 rising 19.3%. China fell 1.4%

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 14578.54 | 66.51 | .46% |
| **S&P 500** | 1569.19 | 12.3 | .79% |
| **NASDAQ Comp** | 3267.52 | 22.52 | .69% |
| **S&P Mid Cap** | 1153.68 | 14.01 | 1.23% |
| **S&P Small Cap** | 531.38 | 2.76 | .52% |
| **Russell 2000** | 951.54 | 5.27 | .56% |
| **Stoxx Euro 600** | 293.78 |  | -.09.% |
| **Dow Asia/Pacific** | 140.48 |  | .98% |

|  |  |
| --- | --- |
| **Strong Sectors** | HC, Utilities, Consumer Goods |
| **Weak Sectors** | Materials, Technology, Telecom |
| **NYSE Advance/Decline** | 1883 / 1254 |
| **NYSE New High/Low** | 622 / 51 |
| **AAII Bulls/Bears** | 38.4% Bulls / 28.65% Bears **Not a lot of Bears out there** |

Have a great week!

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### From the Desk of Bob Centrella, CFA: April 8, 2013

### "Weak Employment Data Last Week - But the Masters is This Week! "

### My business is a referral business. If you know someone who could use a Free consult, please ask them to call us at 908-344-9790

### Dear Friends:

### We finally had a nice weekend here on the East coast with the weather "ballooning" up to 60 on Sunday. I was lucky to get a few days of windy golf in but was happy to be out on the course in something less than a poncho. This week is a great week for golfers as the Master's tournament starts on Thursday and it also happens to be my birthday weekend, even more reason to be happy:) Let me know who you like to win the tournament, other than Tiger. Since I am a lefty I'm rooting for Phil and Bubba...

### On the bond front last week, bonds rallied on moves of the "crazy young dictator" of North Korea. As the world tries to figure out what the he(ck) this kid is thinking (only Dennis Rodman really knows), investors bid up bonds, dropping the 10-year Treasury yield to under 1.7%. Weak US employment data also contributed to the yield drop. The jobs report (discussed in the economics section below) was much weaker than expected. As I've talked about recently, I think the move in bond yields has to be up eventually. The US will still be a safe haven for worldwide crisis and this could keep the Treasury yield at a low level in the near-term. But if the economy improves and unemployment drops, the Fed will ease back and rates will move higher. I'd use this move in bonds to trim my long-term holdings if you still own some.

### This evening the Q1 earnings season kicks off with Alcoa releasing its earnings. Analysts are expecting a weak earnings reporting quarter with about a 1% drop in earnings expected for S&P 500 companies overall. After all is said and done however, expect the usual 2/3 of companies to meet or beat earnings and overall earnings to be flat to up this quarter. Then, we still have one more quarter (Q2) of tough comparisons to get through before earnings in the 2nd half begin to increase again in earnest. The earnings comparisons in the 2nd half are against declining or flat earnings a year ago. This should allow earnings to accelerate in the 2nd half which investors are expecting but is still good for equities, especially if companies raise their outlooks. So, for equities, we need to get through the next several months and into the back half of the year. We are also entering the "Sell in May" time-frame so you will hear a lot about that in coming weeks.

### Bottom-line for stocks and bonds still is that the Fed and other Central Banks around the world are still in a supportive mode and this should continue to help markets in the short-term. Don't fight the Fed but don't get complacent either. This market can go down so don't invest blindly. Invest for the long-term and realize that there will be swings up and down in the short-term.

\*\*\*The Weekly Financial Data Sheet is attached\*\*\*

**\*\*\*Changing jobs or retiring soon? *We are also the 401K/IRA Rollover Specialists. 908-344-9790***

**Economy**

The big news for the week was the weak jobs report. Non-farm payrolls increased 88,000 in March, well below the consensus expected 190,000. Including revisions to prior months, nonfarm payrolls were up 149,000. The unemployment rate fell to 7.6% (7.574%) in March from 7.7% (7.736%) in February, however the rate is falling due to a smaller labor participation rate. **The rate was only 63.3%, the lowest since 1979**. The number of people on Unemployment benefits and disability is decreasing the number of people looking for jobs. Free money is hard to turn down!

The trade deficit in goods and services came in at $43.0 billion in February, smaller than the consensus expected $44.6 billion.

The ISM non-manufacturing index declined to 54.4 in March, coming in below the consensus expected dip to 55.5, the lowest level in 7 months but still expanding. The new orders index declined to 54.6 from 58.2 and the business activity index slipped to 56.5 from 56.9. The employment index fell to 53.3 in March from 57.2 while the supplier deliveries index rose to 53.0 from 51.5.

The ISM manufacturing index declined to 51.3 in March from 54.2 in February, coming in well below the consensus expected 54.0.

Personal income rose 1.1% in February, coming in above the consensus expected increase of 0.8%. Personal consumption was up 0.7%, beating the consensus expected 0.6%. In the past year, personal income is up 2.6% while spending is up 3.3%. The number were a clear sign that the payroll tax hike and sequester have not had an impact yet.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 1.698% 1.85% Big rally in bonds on Korea and weaker economic data

**30-yr UST** 3.10% 2.87%

**ML High Yield 100** 4.83% 4.77%

**15-yr Fixed Mtg** 3.00% 3.08%

**30-yr Fixed** **Mtg** 3.79% 3.87%

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1575.40 $1594.80

**Crude Oil** $92.70 $97.23

**NYMEX Nat Gas** $4.125 $ 4.024

**$ per Euro** 1.2995 1.2818

**Yen per $** 97.55 94.22

**Reuters CRB** 288.28 296.39

**Stocks**

Stocks fell broadly for the week although the Dow only dropped .09% as investors continue to buy dips on large caps. Meanwhile the broader S&P 500 fell 1.01% and the NASDAQ dropped 1.95%. Mid and small caps saw greater selling as the risk trade was off. The Russell 2000 fell 2.97% and the S&P Midcap was off 2.58% having their worst week since the middle of 2012.

International stocks got in on the selling at the Stoxx Euro fell 2.26%. Selling was fairly even across the countries with Sweeden off 2.57%, UK off 2.53%

The Dow Asia/Pacific index fell 1.56% with the South Korean index falling 3.87%. The only bright spot during the week was the Japanese Nikkei index which climbed 3.51% on the week and now stands an astounding 23.5% higher for the year.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 14565.25 | -13.29 | -.09% |
| **S&P 500** | 1553.28 | -15.91 | -1.01% |
| **NASDAQ Comp** | 3203.86 | -63.66 | -1.95% |
| **S&P Mid Cap** | 1123.97 | -29.71 | -2.58% |
| **S&P Small Cap** | 517.47 | -13.91 | -2.62% |
| **Russell 2000** | 923.28 | -28.26 | -2.97% |
| **Stoxx Euro 600** | 287.13 |  | -2.26 |
| **Dow Asia/Pacific** | 138.29 |  | -1.56 |

|  |  |
| --- | --- |
| **Strong Sectors** | Telecom,Utilities, HealthCare |
| **Weak Sectors** | Materials, Technology, Energy |
| **NYSE Advance/Decline** | 1080 / 2091 **Been a while since more decliners than advancers** |
| **NYSE New High/Low** | 492 / 91 |
| **AAII Bulls/Bears** | 35.4% Bulls / 28.17% Bears **Still** **Not a lot of Bears out there** |

Have a great week!

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***From the Desk of Bob Centrella, CFA: April 15, 2013***

***" Great Scott, a Great Week for Stocks "***

***My business is a referral business. If you know someone who could use a Free consult,* *please ask them to* c*all us at 908-344-9790***

**Dear Friends:**

**Aussie, Aussie, Aussie! Congrats to Adam Scott in becoming the first Australian to win the Masters Golf Tournament. I hope you all had a chance to watch the Masters over the weekend and especially on Sunday. It was great theater and an exciting finish. The Masters finished off a great week for stocks as well as a fun weekend for myself I might add. For my birthday weekend I got to a concert, played golf, went on a bike ride and I also got to see the Jackie Robinson movie "42" which I highly recommend. We can all use a refresher on what Jackie went thru and how life has changed for us all.**

**The US stock market rally seems to be unstoppable. Every dip is met by buying and investors are brushing off some not-so-inspiring economic news on the hope that the future will be brighter. Interestingly, the rally in the S&P 500, up over 11% YTD, is being led by defensive sectors such as HealthCare (+16.8%), Utilities (+14.4%), Consumer Staples (+14.3%) and Telecom (+12.1%) while the cyclical sectors such as Technology (+2.0%), Materials (+2.3%), Energy (+7.8%) and Industrials (+8.7%) are up but lagging. This is somewhat unusual in market rallies as typically the cyclicals are among the market leaders on optimism that the economy will improve. What do the 4 leading sectors have in common other than being "defensive"? High dividend yields is one factor in common among pharma companies, utilities, large consumer staple companies and Telecoms. With bond yields so low, investors have been hunting for income among stable dividend growers. With yields on many large caps in these sectors between 2%-5%, investors are jumping in. On the positive side, these stocks are not overly expensive on an absolute basis, often trading at 13-16x earnings. However, many only grow earnings at 5-10%, so relative to earnings growth they are getting fully valued. It is getting to be a crowded trade. What we need to keep this rally going is economic growth - plain and simple. If the economy starts improving at a more rapid pace, the market leadership will shift to the cyclical sectors and that can take the market the next leg up. If the economy stays in this hum-drum slow growth phase, investors may tire of chasing the same stocks and the rally will peter out.**

**This week we really finally get into earnings season with many bell-weather companies reporting. Next week I'll report back with a synopsis of some of the larger companies and the implication for the economy and the market based on their results and outlooks.**

**\*\*\*The Weekly Financial Data Sheet is attached\*\*\***

***\*\*\*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.***

**Economy**

The Producer Price Index (PPI) fell 0.6% in March, well below the consensus expected -0.2%. Producer prices are up 1.1% versus a year ago. Core PPI was up .2%.

Retail sales declined 0.4% in March (-0.7% including revisions to prior months), coming in below consensus expectations of no change. Sales are up 2.8% versus a year ago. Was is an early Easter or the payroll tax hike?

Initial unemployment claims fell 42,000 last week to 346,000. The previous week they had spiked higher by 31,000. Claims are often very volatile around Easter.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 1.721% 1.698%

**30-yr UST** 2.92% 2.87%

**ML High Yield 100** 4.65% 4.83% Investors chasing Yield.

**15-yr Fixed Mtg** 2.99% 3.00%

**30-yr Fixed** **Mtg** 3.77% 3.79%

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1501.0 $1575.40 Gold broke 1500 briefly. Look for another move down.

**Crude Oil** $91.29 $92.70

**NYMEX Nat Gas** $4.222 $ 4.125 Gas been moving up

**$ per Euro** 1.3111 1.2995

**Yen per $** 98.41 97.55

**Reuters CRB** 287.21 288.28

**Stocks**

Stocks had their best week since the beginning of the year. Stocks around the world rallied last week despite some selling on Friday. The Dow rose almost 300 points to 14,865 or 2.06% while the S&P 500 climbed 2.29% to 1588.85. Both indexes hit new highs on Thursday. The NASDAQ jumped 2.84% and small and mid-cap stocks also jumped. It appears that Dow 15,000 and S&P 1600 may be reached this week. Note below that the AAII sentiment index is now only at 19% bullish and almost 55% bearish. This is a very good contrary indicator and may signal that stocks could move higher. Retail investors are generally last into a rally so there still may be significant money on the sidelines.

International stocks got in on the action with the Stoxx Euro 600 up 1.83%. All major markets rose led by Italy +3.47%, Belgium +2.82% and Spain +3.1%.

The Dow Asia/Pacific index jumped 3.25% again led by a surging Japan Nikkei which rose 5.08% and Australia up 2.5%. China fell .83% and continues to look weak.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 14865.06 | 299.81 | 2.06% |
| **S&P 500** | 1588.85 | 35.57 | 2.29% |
| **NASDAQ Comp** | 3294.85 | 35.57 | 2.84% |
| **S&P Mid Cap** | 1149.23 | 25.26 | 2.25% |
| **S&P Small Cap** | 526.64 | 9.17 | 1.77% |
| **Russell 2000** | 942.85 | 19.57 | 2.12% |
| **Stoxx Euro 600** | 292.39 |  | 1.83% |
| **Dow Asia/Pacific** | 142.78 |  | 3.25% |

|  |  |
| --- | --- |
| **Strong Sectors** | HealthCare, Consumer Goods, Cons Svcs |
| **Weak Sectors** | Materials, Technology, Energy |
| **NYSE Advance/Decline** | 2310 / 870 |
| **NYSE New High/Low** | 604 / 62 |
| **AAII Bulls/Bears** | 19.3% Bulls / 54.48% Bears **Not a misprint! Bears out. This is bullish.** |

Have a great week!

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***From the Desk of Bob Centrella, CFA: April 22, 2013***

***" Earnings & Economic Data this week will be key "***

**Dear Friends:**

**The markets were rattled last week by the bombings in Boston and we pay our respects to the victoms of this senseless and cowardly act. Weak earnings from bellweather IBM as well as several bank stocks also set a negative tone. Also contributing to the downbeat outlook was a weak GDP report from China which showed decelerating economic growth.**

**The coming weeks' earnings and weekly economic data may determine the likely path of the market through the summer when stocks often are at their weakest season of the year. US economic reports last week were mixed and if earnings continue to be uninspiring we could be setup for the typical "sell in May and go away" swoon that investors and pundits like to talk about so much. I reiterate my belief that any market pullback should be narrow as stocks are still the only game in town for return.**

**I was hoping to provide some detailed earnings updates on a few companies but I got a late start on my newsletter today and am going to keep it short. I will shoot for a midweek update on earnings and perhaps an Italian wine note to keep you interested:)**

**\*\*\*The Weekly Financial Data Sheet is attached\*\*\***

***\*\*\*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.***

**Economy**

China GDP fell to 7.7% from 7.9% expected and continues to lag below 8%.

CPI fell .2% in March and was up 1.5% from the prior year.

Producer prices fell .6% in March due to energy and core prices were up .2% year over year.

Housing starts soared 7% in March, defying consensus expectations of only a small gain due to unusually cold March weather. At 1.036 million, the annual rate of starts is now the highest since mid-2008. However, all of the gain in starts in March was due to the multi-family sector, which is extremely volatile from month to month; single-family starts declined 4.8%

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 1.73 % 1.721%

**30-yr UST** 2.88% 2.92%

**ML High Yield 100** 4.65% 4.65%

**15-yr Fixed Mtg** 2.94% 2.99%

**30-yr Fixed** **Mtg** 3.72% 3.77%

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1395.3 $1501.0 GOLD CRASHES. DOwn 16.7%!

**Crude Oil** $88.01 $91.29

**NYMEX Nat Gas** $4.408 $ 4.222 Gas been moving up

**$ per Euro** 1.3052 1.3111

**Yen per $** 99.54 98.41

**Reuters CRB** 283.19 287.21

**Stocks**

Stocks had their worst week of the year with equities around the world declining last week, reversing gains of the prior week. The Dow fell 317 points to 14,547 or -2.14% while the S&P 500 dropped 2.11% to 1555.25 Both indexes merely gave back gains from the week before. The NASDAQ fell 2.70% and small and mid-cap stocks were hit the hardest fallin 3%+. Tough earnings by IBM and other stocks and the Boston Marathon bombings were all major negatives for the market.

International stocks fell with the Stoxx Euro 600 down 2.46%. All major markets dropped with Germany down 3.68% and Sweeden 3.42%.

The Dow Asia/Pacific index fell 1.19% although India rose 4.24% and China rallied 1.72%. Australia dropped 1.63%.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 14547.51 | -317.55 | -2.14% |
| **S&P 500** | 1555.25 | -33.60 | -2.11% |
| **NASDAQ Comp** | 3206.06 | -88.89 | -2.70% |
| **S&P Mid Cap** | 1121.30 | -27.93 | -3.00% |
| **S&P Small Cap** | 510.86 | -15.78 | -3.00% |
| **Russell 2000** | 912.50 | -30.35 | -3.22% |
| **Stoxx Euro 600** | 285.21 |  | -2.46% |
| **Dow Asia/Pacific** | 141.07 |  | -1.19% |

|  |  |
| --- | --- |
| **Strong Sectors** | HealthCare, Telecom, Utilities |
| **Weak Sectors** | Technology, Energy, Industrials |
| **NYSE Advance/Decline** | 920 / 2258 |
| **NYSE New High/Low** | 293 / 146 |
| **AAII Bulls/Bears** | 26.85% Bulls / 48.22% Bears ***Survey moving around quite a bit. Investors confused.*** |

Have a great week!

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***From the Desk of Bob Centrella, CFA: April 29, 2013***

***" Can anything keep this market down more than a few days? "***

**Dear Friends:**

**It was a beautiful weekend here in Northern NJ but the hay fever season is in full bloom. It is finally starting to feel like spring and we can now break out the shorts to put on our pasty, non-tanned legs as we sit at our desks at home working -- oh wait, some of you have to trudge into the office in suits. I will say that there is nothing like Spring and Summer in NYC for beautiful sights. I do miss my mid-day walks in NYC , but my 20 second commute is a huge offset:) Anyway, we are coming to the end of April and the market is still rocking and rolling.**

**The US stock market was able to rally back last week from the prior week when it looked like perhaps we were finally going to get the long-awaited pullback for which investors were looking. The Energizer Bunny market just keeps going and going. Meanwhile, economic data and earnings reports are mixed at best. It seems that investors are playing the "come" bet for the 2nd half of the year that things are going to get better. Also coming soon is the month of May when investors often take a hiatus from stocks. The last 3 years we have seen the market correct in May. As I've mentioned, I think any correction will be shallow and short as long as the Fed and other Central Banks are providing liquidity into the marketplace.**

**In reviewing earnings reports that came storming in the last 2 weeks, the results have been consistent in one sense - revenue growth is tepid (but positive) and earnings are being reached but mostly through higher margins (expense cuts). According to Bespoke Investments, 59% of the 800+ companies reporting have beaten earnings expectations. This is lower than the average of about 65% that typically beat in market rallies. On the revenue side, 49% have beaten consensus which is much lower than the similar 65% that have historically beaten. Breaking it down a little further, 69% of companies in the S&P 500 have beaten earnings estimates - a better figure than the overall market. This suggests that smaller companies are having a harder time in this market environment than large companies.**

**Softness in Europe / Asia were cited by companies at both the business and consumer-exposed end of the spectrum. Other headwinds included fiscal austerity, weather, and the payroll tax hike. Note that the negative impact of sequestration may be more built into earnings assumptions given mentions as a risk to earnings has been declining. Mgmt guidance has remained weak and cap-ex guidance became less positive. Signs that mgmt may be growing more hesitant to deploy excess cash in to new investments is a potential negative for the market that bears watching.**

**The Federal Reserve Open Market Committee (FOMC) meets this Tuesday and Wednesday to discuss their ongoing easing and other issues. We should expect a statement on Wednesday of maintenance of status quo of pumping money into the system to the tune of $1 trillion per year.**

**That's all for today. We get several big Health Care companies reporting this week so it will be interesting to see if investors continue to bid up these companies after earnings are reported.**

***\*\*\*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.***

**Economy**

On Friday, US GDP growth came in at 2.5% for the first quarter, weaker than the 3% consensus expectation. Residential construction was a bright spot in the report growing at a 12.6% annual rate (tho lower than 17.6% in Q4). Excluding government purchases, real GDP grew at 4%.

New claims for unemployment insurance declined 16,000 last week to 339,000. Continuing claims for regular state benefits dropped 93,000 to 3.00 million

New orders for durable goods fell 5.7% in March (-6.9% including revisions to February), coming in below the consensus expected decline of 3.0%. Orders excluding transportation declined 1.4% (-2.4% including revisions to February). The consensus expected a gain of 0.5%. Overall new orders are up 0.5% from a year ago, while orders

excluding transportation are down 0.3%.

New single-family home sales rose 1.5% in March, to a 417,000 annual rate, almost matching the consensus expected pace of 416,000. Sales are up 18.5% from a year ago. Existing home sales declined 0.6% in March to an annual rate of 4.92 million units, coming in below the consensus expected 5.00 million rate. Sales are up 10.3% 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 4.7 in March from 4.6 in February.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 1.67 % 1.707% Yield back to levels seen last December.

**30-yr UST** 2.87% 2.88%

**ML High Yield 100** 4.35% 4.65%

**15-yr Fixed Mtg** 2.85% 2.94%

**30-yr Fixed** **Mtg** 3.63% 3.72%

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1453.60 $1395.3 Hedge Funds are buying

**Crude Oil** $93.00 $88.01

**NYMEX Nat Gas** $4.152 $ 4.408

**$ per Euro** 1.3028 1.3052

**Yen per $** 98.06 99.54

**Reuters CRB** 285.40 283.19

**Stocks**

STOCKS RALLIED LAST WEEK AROUND THE WORLD.

Stocks bounced back from their worst week of the year with equities around the world jumping. Cyclical stocks took over the leadership while defensive sectors lagged. The Dow rose 165 points to 14,712 or 1.13% while the S&P 500 rose 1.74% to 1582.24, only about 1% from its all-time high. The NASDAQ rose 2.28% and small and mid-cap stocks led the gains with the Russell 2000 small cap rising 2.49%.

International stocks rose sharply with the Stoxx Euro 600 up 3.74%. All major markets rose led by Italy (+5.10%), Spain (+4.82%) and Germany (+4.76%).

The Dow Asia/Pacific index rose 3.03% with Japan jumping 4.26% (now up 33.6% this year!).

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 14712.55 | 165.04 | 1.13% |
| **S&P 500** | 1582.24 | 26.99 | 1.74% |
| **NASDAQ Comp** | 3279.26 | 73.21 | 2.28% |
| **S&P Mid Cap** | 1141.20 | 19.90 | 1.77% |
| **S&P Small Cap** | 523.00 | 12.14 | 2.38% |
| **Russell 2000** | 935.25 | 22.75 | 2.49% |
| **Stoxx Euro 600** | 295.89 |  | 3.74% |
| **Dow Asia/Pacific** | 145.34 |  | 3.03% |

|  |  |
| --- | --- |
| **Strong Sectors** | Energy, Materials, Technology |
| **Weak Sectors** | Telecom, HC, Utilities |
| **NYSE Advance/Decline** | 2375 / 783 |
| **NYSE New High/Low** | 570 / 75 |
| **AAII Bulls/Bears** | 28.29% Bulls / 38.8% Bears  |

Have a great week!

Bob

**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
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***From the Desk of Bob Centrella, CFA: May 6, 2013***

***" Market powers ahead as Central Banks add fuel to the fire "***

***My business is a referral business. If you know someone who could use a Free consult,* *please ask them to* c*all us at 908-344-9790***

**Dear Friends:**

**This month will be a blur for me as I do some travelling. I am heading to Dublin next week with my wife to pick-up our daughter from school and sample a few beers and golf courses. I just got back from Naples yesterday (FL, not Italy...) So my commentary will be shorter than my usual attempt at brevity and next week's Monday email will be the last until June. There's really not much to say except the markets keep going up.**

**It was a showdown of sorts between Central banks last week to see who could add the most fuel to the fire. First, "Super" Mario Draghi came to the rescue of the European markets again as he and his ECB colleagues lowered the key borrowing rate by .25% to .50% as he continues to try to spur banks to expand credit. Then the FOMC met for 2 days and came away with "Big" Ben Bernanke's promise that it can boost its $85 billion/month securities buying spree if necessary (or could reduce if needed too). The potential buying increase caught Fed-watchers off guard as investors were starting to get worried about how the Fed would end its buying. This outcome was tonic to the market as investors decided that stocks win whether the news is good or bad in the economy.**

**Economic news was inspiring last week as the employment numbers surprised on the upside as did many company earnings reports. Companies are beating Wall Street’s profit targets on a pace consistent with the past four quarters. Of the 404 companies in the S&P 500, 72% have reported a per-share profit above the consensus estimate. The S&P 500 Information Technology Index rose 4.6% last week. The S&P Energy advanced 2.9%. The S&P Materials Index gained 2.4%. For the past 2 weeks, cyclical stocks have taken the leadership role while defensive sectors such as Healthcare, Staples, Telecom and Utilities have lagged. This is significant as the defensive sectors were getting a bit fully valued and new leadership was needed.**

**Have investors thrown in the towel on the need for a correction and will this market just power ahead? That is the burning question and amazingly we still have yet to see the market pullback for more than 3 straight days this year. But the market has never gone up for 12 straight months in a year at least since 1971 where my monthly data starts. We do have a long summer ahead of us and the earnings season is mostly behind. Economic news will come to the forefront during the summer when companies are slowest and individuals are on vacation. Take a look at the gains we have experienced so far year-to-date:**

**Dow Jones 14.3%**

**S&P 500 13.2%**

**NASDAQ 11.9%**

**Russell 2000 12.4%**

**S&P Midcap 400 14.2%**

**Stoxx Euro 600 7.6%**

**Japan Nikkei 33.7%**

**Global Dow 9.7%**

**With the US 10-year Treasury Yield at 1.73% and the S&P 500 yield still above 2%, stocks still may be the best game in town. At some point we will get a pause but it could be from an even higher level. In the meantime I suggest you own good companies, trim your gains and don't be afraid to hold a little cash as we head into the summer.**

**That's all for today.**

***\*\*\*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.***

**Economy**

In the week’s biggest news, on monetary policy, the Fed added a sentence saying that it “is prepared to increase or reduce the pace of (asset) purchases…as the outlook for the labor market or inflation changes”. This was read as bullish for stocks and the economy.

Non-farm payrolls increased 165,000 in April, beating the consensus expected 140,000. Including revisions to prior months, nonfarm payrolls were up 279,000. The unemployment rate fell to 7.5% (7.510%) in April from 7.6% (7.574%) in March.

Initial claims fell 18,000 last week to 324,000, the lowest level since January 2008; continuing claims for regular state benefits rose 12,000 to 3.02 million.

ISM services report came in at the lowest level in 9 months, but was still a very respectable 53.1, signaling continued moderate growth in the service sector.

The March trade deficit came in much smaller than expected.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 1.74 % 1.67%

**30-yr UST** 2.96% 2.87%

**ML High Yield 100** 4.26% 4.35%

**15-yr Fixed Mtg** 2.80% 2.85%

**30-yr Fixed** **Mtg** 3.59% 3.63%

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1464.30 $1453.6

**Crude Oil** $95.61 $93.00 Mideast unrest & market rally

**NYMEX Nat Gas** $4.041 $ 4.152

**$ per Euro** 1.3115 1.3028

**Yen per $** 99.01 98.06

**Reuters CRB** 290.17 285.40

**Stocks**

STOCKS RALLIED LAST WEEK AROUND THE WORLD - AGAIN.

The Dow Jones Industrial Average DJIA rose +0.96% on Friday and ended the week up 1.8% at 14,973.96, climbing above the 15,000 level for the first time on Friday. The S&P 500 SPX climbed +1.05% on Friday and closed up 2% for the week at 1,614.42, its first-ever finish above the 1,600 threshold. The NASDAQ, led by a rally in Apple shares since it dropped below $400 2 weeks ago, led the gainers for the week up 3.03%.

European stocks jumped again with the Stoxx Euro 600 up 1.74% as the ECB lowered its key borrowing rate to .5%. All major markets rose led by Germany +3.94%, Spain +2.99%, and Belgium 3.3%.

The Dow Asia/Pacific index bucked the trend and fell slightly by -.17% as Japan finally fell, down 1.37%. China rose 1.27% and Taiwan was up 1.41%.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 14973.96 | 261.51 | 1.78% |
| **S&P 500** | 1614.42 | 32.18 | 2.03% |
| **NASDAQ Comp** | 3378.63 | 99.37 | 3.03% |
| **S&P Mid Cap** | 1165.07 | 23.87 | 2.09% |
| **S&P Small Cap** | 535.24 | 12.24 | 2.34% |
| **Russell 2000** | 954.42 | 19.17 | 2.05% |
| **Stoxx Euro 600** | 301.04 |  | 1.74% |
| **Dow Asia/Pacific** | 145.09 |  | -.17% |

|  |  |
| --- | --- |
| **Strong Sectors** | Energy, Technology, Con Svcs |
| **Weak Sectors** | Telecom, HC, Utilities |
| **NYSE Advance/Decline** | 2398 / 785 |
| **NYSE New High/Low** | 789 / 54 |
| **AAII Bulls/Bears** | 31.0% Bulls / 35.9% Bears  |

Have a great week!

Bob

***From the Desk of Bob Centrella, CFA: May 13, 2013***

***" Another new high for the stock market "***

**Dear Friends:**

**This will be my last report for a few weeks as we leave tomorrow for Dublin. Looking forward to seeing my daughter after a semester. I'll report back on the state of the Irish economy when I return (as well as the state of Irish Pubs and Golf Courses...)**

**The S&P 500 and the Dow Jones Industrial Average both reached all-time record highs last Friday and are up 161% and 156%, respectively, from their lows of four years ago. For those of you that stuck it out or jumped in early on, you've recouped your money back and then some from the depths and are firmly in the black. Unfortunately most retail investors were scared out at the bottom and only recently have gotten back in.**

 **So what has driven the rally since March 31st? First, Central banks around the world are still very accommodative and that doesn't hurt. Economic news has stabilized and there are pockets of strength, especially housing. In Europe, there have been no new negative developments and Mario Draghi, head of the ECB, has pledged to continue to do what it takes. China is a weak spot but that market has rallied of late too. On the earnings front, with 92% of companies reporting, results suggest S&P 500 operating earnings will be about $26.00 for the first quarter, representing 7.1% year-over-year growth. This is well above the expected results of growth between 1-2% when earnings season began. Thus, ingredients for a stock rally!**

**Having said all of the above, I must say that I am having a harder time finding stocks that appear undervalued. I still don't think the market is overvalued, but it is closer to fairly-valued. As I said in past weeks, this market is a big come bet. If you believe that the economy will get better and companies will benefit, then earnings will come and the market can move higher. So in looking at stocks right now, you really are putting more faith in future earnings. And finally with interest rates so low, yields on stocks are still attractive thus putting a floor on any sell-offs.**

**That's all for today. Hopefully when I return at the end of the month, this energizer bunny rally will still be going.**

**I will be available via email so feel free to email me with any questions.**

***\*\*\*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.***

**Economy**

Not much to report last week for economic news of note.

The 10-year UST yield has moved up to 1.9% after bottoming at 1.67% 2 weeks ago. The 30-year is back above 3%. Have interest rates bottomed? I think we have seen the lows unless the stock market corrects. We are still in a trading range of 1.65% to 2.0% for the 10-year, but don't be surprised if the 10-year heads back above 2%. Bill Gross, the bond king at PIMCO, declared an end to the bond bull run on Friday. Also, with High Yield bonds now firmly below 5%, one has to reflect on what role bonds should play in a portfolio.

My advice, if you are still teetering on whether to refi, do it now as mortgage rates might have seen a low for a while.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 1.90% 1.74% Risk on, bonds sell off

**30-yr UST** 3.10% 2.96%

**ML High Yield 100** 4.25% 4.26%

**15-yr Fixed Mtg** 2.87% 2.80%

**30-yr Fixed** **Mtg** 3.70% 3.59% Mtg rates may have seen their lows for a while

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1436.8 $1464.3

**Crude Oil** $96.04 $95.61

**NYMEX Nat Gas** $3.910 $ 4.041

**$ per Euro** 1.2992 1.3115

**Yen per $** 101.60 99.01 Yen breaks 100!

**Reuters CRB** 288.68 290.17

**Stocks**

STOCKS RALLIED LAST WEEK AROUND THE WORLD - AGAIN. (I'm just going to leave this headline each week:)

The Dow Jones Industrial Average DJIA closed above 15,000 for the first time at 15,118 for a gain of .97%. The S&P 500 SPX climbed another 1.19% and closed at 1633.7 now only 4% from 1700. The NASDAQ closed the week up 1.72% to 3436 and small and mid cap stocks rose even greater as investors were clearly in a "risk-on" mode.

European stocks jumped again with the Stoxx Euro 600 up 1.31% led by the German Dax (+1.92%) which also made a new high. The Swiss market jumped 3.13% and Sweden 1.94%.

The Dow Asia/Pacific got back on the winning track and climbed 1.31% as Japan soared 6.67% and now is up an astounding 40.5% this year.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 15118.49 | 144.53 | .97% |
| **S&P 500** | 1633.70 | 19.28 | 1.19% |
| **NASDAQ Comp** | 3436.58 | 57.95 | 1.72% |
| **S&P Mid Cap** | 1189.93 | 24.86 | 2.13% |
| **S&P Small Cap** | 548.58 | 13.34 | 2.49% |
| **Russell 2000** | 975.16 | 20.74 | 2.17% |
| **Stoxx Euro 600** | 304.99 |  | 1.31% |
| **Dow Asia/Pacific** | 146.98 |  | 1.3% |

|  |  |
| --- | --- |
| **Strong Sectors** | Industrials, Materials, Con Svcs |
| **Weak Sectors** | Telecom, Energy, Utilities |
| **NYSE Advance/Decline** | 2237 / 941 |
| **NYSE New High/Low** | 925 / 49 |
| **AAII Bulls/Bears** | 40.8% Bulls / 27.4% Bears  |

Have a great week!

Bob

**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
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### From the Desk of Bob Centrella, CFA: June 3, 2013

### " Back from Ireland - Market up, down, the same - Bonds down "

### My business is a referral business. If you know someone who could use a Free consult, please ask them to call us at 908-344-9790

### Dear Friends:

### Since I last wrote to you on 5/13 a lot has gone on out there. I won't try to rehash the markets as you all lived through it. In a nutshell bond yields are rising as investors anticipate the Fed pulling out of the market while stocks continued to march ahead only to pullback on the last day of the month. The market is looking a bit nervous as we saw on Friday with a 200 point drop in the Dow. On a personal note, I will say that Ireland was beautiful, the people were very friendly, the Guinness tastes better over there and the golf was awesome. All in all we had a great trip. Now we are dealing with the Cicada invasion. It's eerie walking outside and hearing that whirring of cicadas. Walking the sidewalks with my dog Luca is like walking on the beach and stepping on shells everywhere. Needless to say I can't wait for 2 more weeks when hopefully these things are gone.

### The S&P 500 ended May on a down note, dropping sharply on the last trading day of the month (-1.43%) , but still finished the month in positive territory with a gain of 2.08%. This is the 7th straight month of gains dating back to November of 2012. The calls for "Go Away in May" were loud but wrong from analysts, reporters, talking heads, etc. If you might recall, a year ago I wrote an article and based on my research that found that June is a more likely month to get a market retreat "Sell in May and Go Away? Well Sort of - Here's the Scoop." (<http://forzainvestment.com/articles.html>). But this market is being compared to 1995 when the S&P rose 37.6% and didn't decline for a month until October when it dropped less than 1%. It may be only a matter of time before we have a down month as the market just can't go up continuously. However, I also believe that any drop should be shallow and short as long as the economy continues to stabilize and get stronger. Could 1995 happen again? I hope so as it would be great for the economy and all of us in the stock market.

### So I too sound like a broken record when I say continue to look for good companies with solid outlooks and look to buy them on any dips. The market is not expensive on a historical basis, trading at about 14x forward earnings. Presently, there looks to be a rotation out of defensive stocks such as telecoms, utilities, consumer and large pharma and into cyclical groups such as technology, industrials, financials and materials. Is it too early? Maybe a little but if things are getting better out there, then earnings gains will be strongest in the cyclicals - and the stocks should follow. Those of you looking for yield may get a chance to buy some of those defensive stocks as they pull back in the rotation. With yields close to 4%, there are some interesting stocks to buy out there for yield with earnings growth potential as a core holding in a portfolio. I'd be happy to talk to any of you that want to talk more specifically about stocks, bonds, etc.

**\*\*\*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.***

**Economy**

There was a lot of economic news in the last 3 weeks. Here are some of the headlines along with last week's news.

LAST WEEK

Personal income was unchanged in April, but up 0.3% including revisions to prior months. The consensus expected a gain of 0.1%. Personal consumption declined 0.2% (-0.1% including revisions to prior months), coming in below the consensus expected no change. In the past year, both personal income and spending are up 2.8%.

The Chicago PMI, a measure of manufacturing in that region, jumped to 58.7 for May from 49.0 in April, beating the consensus expected gain to 50.0. The surge in May was the largest gain in any single month since the early 1980s.

Real GDP was revised down slightly to a growth rate of 2.4% for Q1 from an original estimate of 2.5%, but the “mix” of GDP was better than the original estimate. Personal consumption and net exports were revised upward while inventories and government purchases were revised lower.

New claims for jobless benefits rose 10,000 last week to 354,000. The four-week average is 347,000. Continuing claims for regular state benefits increased 63,000 to 2.99 million

PRIOR WEEK

New Orders for durable goods up 3.3% in April

New single family home sales rose 2.3% in April to 454K annual rate

Existing home sales rose .6% in April to 4.97m annual rate

**Bonds**

Friday Close Prior Week 5/13 Comment

**10-yr UST yield** 2.16% 2.01% 1.90% UST Yields up sharply to highers yield in over a year.

**30-yr UST** 3.10% 2.96% 3.10%

**ML High Yield 100** na 4.54% 4.25%

**15-yr Fixed Mtg** 3.22% 3.06% 2.80% We have seen the lows for mortgages, maybe for years...

**30-yr Fixed** **Mtg** 4.07% 3.92% 3.70%

**Commodities & Currencies**

Friday Close Prior Week 5/13 Comment

**Gold/oz** $1392.6 $1386.6 1436.8 No inflation, Gold out of favor

**Crude Oil** $91.97 $94.15 96.04 Good news for consumers

**NYMEX Nat Gas** $3.984 $ 4.284 3.910

**$ per Euro** 1.2996 1.299 1.2992

**Yen per $** 100.48 101.31 101.60

**Reuters CRB** 267.16 288.68

**Stocks**

The Dow fell over 200 points on Friday but finished the month at 15,115, up 1.86% for May - its 6th straight month of gains and 17 of the last 20. The S&P 500 fell 1.43% on Friday but ended the month up 2.07% for its 7th straight monthly gain. The Nasdaq finished the month up 3.82% for its 7th straight monthly gain.

European stocks ended the week down .81% but finished the month higher.

The Dow Asia/Pacific index sold-off in May dropping almost 5%..

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 15115.57 | -187.53 | -1.23% |
| **S&P 500** | 1630.74 | -18.86 | -1.14% |
| **NASDAQ Comp** | 3455.91 | -3.23 | -.09% |
| **S&P Mid Cap** | 1184.32 | -3.75 | -.32% |
| **S&P Small Cap** | 551.98 | -1.20 | -.22% |
| **Russell 2000** | 984.14 | -.13 | -.01% |
| **Stoxx Euro 600** | 300.88 |  | -.81% |
| **Dow Asia/Pacific** | 139.95 |  | -2.51% |

Market flat since 5/13 when I last wrote to you.

|  |  |
| --- | --- |
| **Strong Sectors** | Technology, Materials, Financials |
| **Weak Sectors** | Telecom, Consumer, Utilities |
| **NYSE Advance/Decline** | 896 / 2277 |
| **NYSE New High/Low** | 408 / 224 |
| **AAII Bulls/Bears** | 36% Bulls / 29.5% Bears  |

Have a great week!

Bob

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***From the Desk of Bob Centrella, CFA: June 10, 2013***

***" Taper - To become progressively smaller. A gradual diminution or decrease."***

***The Federal Reserve reported last week that US households finally had recouped their bear-market losses bringing household net worth back to 2007 levels. Has your portfolio made the comeback? If you know someone that could use a Free consult,* *please ask them to* c*all us at 908-344-9790***

**Dear Friends:**

**I hope you all (on the East coast) survived the rain on Friday. Aside for the continuing cicada invasion, at least yesterday was a beautiful day (save for my woeful putting display in my Sunday round of golf). For today's brief note, I want to look at a few headlines from last week. I wrote this before Friday's big jump in stock prices due to the jobs report but I don't feel like rewriting my note so I am just going to run with it.**

***Headline 1: Fed to consider tapering bond purchases.***

**The Webster dictionary defines the word taper as follows: - "To become progressively smaller (toward one end). A gradual diminution or decrease." For the last few weeks and especially last week, investors and the talking heads on TV have been obsessed with "the taper". Unless you really don't pay attention to the financial markets you know that "the taper" refers to the Federal Reserve timetable for cutting back on its $80 billion monthly bond purchase program. When and to what extent QE3 would be slowed has been the obsession of the financial markets recently. If you believe like many the the Fed and other Central Banks are driving the markets, then the eventual withdrawal by the Fed is indeed a big deal.**

**But really, is it a surprise that the Fed at SOME POINT will taper and then possibly end its bond buying program?? It can't go on forever. I think the market simply needed an excuse for some selling (until Friday) and the “Taper” comment by Fed members was the excuse. The Dow fell 216 points on Wednesday and dropped below 15,000. Then Thursday looked bad until a late-day rally. However, with the Friday jobs report coming in-line and the unemployment rate actually rising to 7.6% for 7.5%, it was the perfect tonic for antsy investors and the market zoomed ahead 200 points as the news probably extends the Fed buying program for now.**

**The Fed will next meet on June 18-19 to discuss the taper. As we approach the date investors will be watching the economy and job claims with a bit more interest.**

***Headline 2: The Super-Tuesday up streak ended at 20 consecutive up times.***

**The stock market finally declined on a Tuesday last week after rising 20 consecutive weeks on a Tuesday. In fact, Tuesday has historically been the BEST day of the week for stocks in the last 10 years. The numbers are astounding. Since 3/2003 Tuesday has produced a 77% return versus Thur at 10.1%, Wed at 4.3%, Mon at -1.3% and Fri. at -2.3%. Intuitively it makes sense I guess since Fridays and Mondays are often down days that investors would buy on a Tuesday.**

***Headline 3: Bond yields are rising and higher yielding stock prices are (were) falling***

**Another streak that appears to be weakening, is the year’s upward run by traditionally higher dividend-paying stocks. Many utility, telecom and even consumer staple stocks, plus REITs and MLPs, lagged in May on fears about rising interest rates. Junk bonds fell too. You can call up a chart on many such stocks and see a decline in prices starting on May 21 or May 22.

Behind the move is an increase in bond yields. Yields on the benchmark 10-year Treasury have risen above 2.15% on concerns the Federal Reserve will either cut back or end its bond purchases - “The Taper”. Not mentioned in any of the commentary about the recent increase in rates is that nearly every prediction about when the Federal Reserve will reverse course on its monetary stimulus and raise its target rate has been wrong. There is also little mention that current yields are still very low. Relative to a month or two ago they may seem high, but that’s only because so many people have anchored the expectations for where the benchmark Treasury note should trade at around 1.6% or 1.7%. The current yield of the 10-year UST is around 2.15%. For the first time in years, it is actually above that of the S&P 500 ETF Funds which are around 2.05%.**

**Before Friday's move I originally wrote the following "As I’ve said before, the market just doesn’t go straight up month after month. There needs to be a pause." I do feel that we need a pause of more than a few days - it will be good for the market. It is hard to predict when it will occur.**

**For now, it looks like risk may be back on for stocks. Just this morning S&P upped the outlook for US sovereign credit from negative to stable. So, take a look at some of the above mentioned higher yielding stocks with good fundamentals that have pulled back. Now might be a good time to pick some up for your portfolio, especially those yielding over 3%.**

**Economy**

Last week the Friday Jobs report was anticipated all week and the results didn't disappoint the stock market. The Dow Jones jumped over 200 points as the numbers came in just right - not too hot, not too cold. Non-farm payrolls increased 175,000 in May versus a consensus expected 163,000. Including revisions to prior months, nonfarm payrolls were up 163,000. Private sector payrolls increased 178,000 in May, almost exactly the 175,000 the consensus expected. The largest gains were for professional & business services (+57,000, including temps), restaurants & bars (+38,000), and retail (+28,000). Government payrolls declined 3,000.

The unemployment rate ticked up to 7.6% (7.555%) in May from 7.5% (7.510%) in April.

Nonfarm productivity (output per hour) increased at a 0.5% annual rate in the first quarter, revised down from last month’s estimate of 0.7%. Nonfarm productivity is up 0.9% versus last year.

The ISM non-manufacturing index increased to 53.7 in May, coming in above the consensus expected gain to 53.5. The new orders index rose to 56.0 from 54.5 and the business activity index increased to 56.5 from 55.0. The supplier deliveries index rose to 52.0 in May from 51.0 while the employment index declined to 50.1 from 52.0.

The ISM manufacturing index declined to 49.0 in May from 50.7 in April, coming in below the consensus expected 51.0. The major measures of activity were all lower in May. The new orders index fell to 48.8 from 52.3 and the production index slipped to 48.6 from 53.5. The supplier deliveries index declined to 48.7 from 50.9 while the employment index slipped to 50.1 from 50.2.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 2.16% 2.16%

**30-yr UST** 3.10% 3.10%

**ML High Yield 100** 5.36%

**15-yr Fixed Mtg** 3.33% 3.22% We have seen the lows for mortgages, maybe for years...

**30-yr Fixed** **Mtg** 4.15% 4.07%

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1383.0 $1392.6

**Crude Oil** $96.03 $91.97

**NYMEX Nat Gas** $3.828 $ 3.984

**$ per Euro** 1.3219 1.2996

**Yen per $** 97.54 100.48

**Reuters CRB** 287.67 267.16

**Stocks**

The Dow fell over 200 points on Wednesday but then climbed back over 200 on Friday to post a weekly gain of .88% to 15248. The S&P 500 gained .78% to 1643 including a big jump on Friday and the NASDAQ rose .38%. Small and mid-caps were down to up slightly.

European stocks ended the week down 1.82% with all markets posting a loss.

The Dow Asia/Pacific index sold-off 3.34% as Japan continues to spiral downward, losing 6.51%.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 15248.12 | 132.55 | .88% |
| **S&P 500** | 1643.38 | 12.64 | .78% |
| **NASDAQ Comp** | 3469.22 | 13.30 | .38% |
| **S&P Mid Cap** | 1181.26 | -3.06 | -.26% |
| **S&P Small Cap** | 554.11 | 2.13 | .39% |
| **Russell 2000** | 987.62 | 3.48 | .35% |
| **Stoxx Euro 600** | 295.40 |  | -1.82% |
| **Dow Asia/Pacific** | 135.27 |  | -3.34% |

|  |  |
| --- | --- |
| **Strong Sectors** | Telecom, Consumer Gds, Consumer Svcs |
| **Weak Sectors** | Materials, Technology, Industrials |
| **NYSE Advance/Decline** | 1447 / 1717 |
| **NYSE New High/Low** | 203 / 343 |
| **AAII Bulls/Bears** | 29.5% Bulls / 38.95% Bears 10% jump in Bears |

Have a great week!

Bob

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### From the Desk of Bob Centrella, CFA: June 17, 2013

### " All eyes on the FOMC this week"

### The Federal Reserve reported that US households finally had recouped their bear-market losses bringing household net worth back to 2007 levels. Has your portfolio made the comeback? If you know someone that could use a Free consult, please ask them to call us at 908-344-9790

### Dear Friends:

### Well it was a beautiful Father's Day weekend so I wish all you Dad's a belated happy father's day. I spent the late afternoon watching Hard-luck Phil Mickelson finish second yet again (6th time) at a US Open. Congrats to England's Justin Rose who was able to shoot even par for the 4 days of tortuous shot-making and putting. I also spent the weekend perfecting the latest dance craze sweeping NJ - "The Cicada Spasm". This is where you are walking and all of a sudden a cicada flys straight at you, attaches to your shirt and starts whirring thereby making you spasm wildly until you get it off. Pretty funny viewing...

### Keeping it short today, all eyes this week will be on the US Federal Open Market Committee which meets Tuesday, Wednesday and releases its statement on Wednesday at 2pm. Investors are hoping to get some clarity on the Fed's tapering plans for bond purchases (QE3). Since Chairman Bernanke first mentioned the possibility of tapering bond purchases the stock and bond market has sold off 3 of the last 4 weeks. The Dow is only off 2.1% from its high reached in late May, hardly a correction. Still, some churning of stocks is good for the market in the long run. We need to let fundamentals of the economy and companies to play out a bit as investors digest the daily information flow and determine the outlook. I think some guidance from the Fed on tapering will be good for markets once the initial shock wears off. The expectation is that the Fed will not pull away cold turkey but drop the $85 billion a month bu maybe $10-$20 billion at first. This is still a hefty amount of buying if that is the case. But as Ed Yardeni of Yardeni Research said "the market has become a drug addict and the Fed is the dealer".

### A note about bonds. Since the 10-year US Treasury reached a low in yield of around 1.62% in early May, the yield has moved up steadily and reached 2.25% a few days ago and now stands at 2.13%. That 51% rise in yield has resulted in a 4.6% decline in the price of the bond. Since the beginning of the year when the 10-yr was at 1.76%, the price has fallen about 3.3%. So, in effect, if you owned the 10-yr Treasury, you have lost money in 2013 on a total return basis. If you own longer-term bonds you have lost even more. Corporate Bonds, Mortgage-backed bonds, and High Yield Bonds have also been hit despite no change in credit outlook. Meanwhile the 30 year mortgage rate has climbed to 4.18% from about 3.5%. For a refresher on bonds, see my article I wrote in March titled "The Dirty Little Secret about Bonds - Is there a Coming Bond Armageddon" on my website at (<http://forzainvestment.com/articles.html>). So remember that bonds are not foolproof and there is risk in owning bonds in a rising rate environment.

### Futures are up sharply this morning and the market looks to open about 100 points higher.

**\*\*\*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.***

**Economy**

Industrial production was unchanged in May, coming in below the consensus expected gain of 0.2%. Production is up 1.6% in the past year.

Overall capacity utilization declined to 77.6% in May from 77.7% in April. Manufacturing capacity use remained unchanged at 75.8% in May.

The Producer Price Index (PPI) rose 0.5% in May, coming in much higher than the consensus expected 0.1%. Producer prices are up 1.7% versus a year ago. The increase in the overall PPI was due to energy prices, which rose 1.3%, and food prices which were up 0.6%. The “core” PPI, which excludes food and energy, was up 0.1%.

Retail sales increased 0.6% in May, coming in above the consensus expected gain of 0.4%. Sales are up 4.3% versus a year ago. So much for the theory that the federal spending sequester or end of the payroll tax cut was going to kill the consumer. Sales excluding autos rose 0.3% in May, matching consensus expectations. These sales were up 0.6% including revisions to prior

months and are up 3.4% in the past year.

New claims for unemployment insurance declined 12,000 last week to 334,000. Continuing claims ticked up 2,000 to 2.97 million.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 2.126% 2.16%

**30-yr UST** 3.28% 3.33%

**ML High Yield 100** 5.43% 5.36% Yield has moved up 1.18% since May 13.

**15-yr Fixed Mtg** 3.32% 3.33%

**30-yr Fixed** **Mtg** 4.18% 4.15%

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1383.0 $1383.0

**Crude Oil** $97.85 $96.03

**NYMEX Nat Gas** $3.733 $ 3.828

**$ per Euro** 1.3345 1.3219 Euro has rallied against the dollar and remains remarkably strong.

**Yen per $** 94.08 97.54

**Reuters CRB** 286.18 287.67

**Stocks**

The Dow fell for the 3rd week in the last 4 as the Dow dropped 178 points, or 1.17% to 15070. The S&P 500 fell 1.01% to 1626.7 and the NASDAQ fell 46 points tor 1.32% to 3423.5. Small and mid-caps were down but by a lesser amount. For the year the Dow is up 15%, the S&P 500 +14% and the NASDAQ +13.4%. The S&P Smallcap 600 is up 15.6% YTD.

European stocks ended the week down with the Euro Stoxx down 1.45% and all markets posting a loss. The Stoxx 600 is now only up 4.1% on the year. Italy fell -3.22%, Spain -2.37%, Switzerland -1.91% and Germany -1.54%.

The Dow Asia/Pacific rose slightly by .27% and now stands up only 1.8% this year. Japan continued to spiral downward, losing 1.48% while Australia rose 1.14%.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 15070.18 | -177.94 | -1.17% |
| **S&P 500** | 1626.73 | -16.65 | -1.01% |
| **NASDAQ Comp** | 3423.56 | -45.66 | -1.32% |
| **S&P Mid Cap** | 1172.13 | -9.13 | -.77% |
| **S&P Small Cap** | 550.98 | -3.13 | -.56% |
| **Russell 2000** | 981.38 | -6.24 | -.63% |
| **Stoxx Euro 600** | 291.13 |  | -1.45% |
| **Dow Asia/Pacific** | 135.64 |  | .27% |

|  |  |
| --- | --- |
| **Strong Sectors** | Telecom, Utilities, Healthcare |
| **Weak Sectors** | Energy, Technology, Industrials |
| **NYSE Advance/Decline** | 944 / 2243 |
| **NYSE New High/Low** | 221 / 549 |
| **AAII Bulls/Bears** | 32.97% Bulls / 34.59% Bears - **Investors are basically Neutral**  |

Have a great week!

Bob

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### From the Desk of Bob Centrella, CFA: June 24, 2013

### " Bernanke speaks, the markets no like"

### Dear Friends:

### Summer has officially arrived and the heat is on. The Cicadas are almost gone but still here although I hear that Pennsylvania is a few weeks behind us so enjoy the morning hum. As the heat gets turned on outside, the heat is definitely getting turned up in the financial markets as we enter the summer swoon period.

### World markets are looking ugly this morning. Unless you are on the short side, those are words you don't like to wake up to. Last week Fed Chairman Bernanke issued his monthly FOMC statement but then turned the markets upside down with his explanation that the Fed may cease their bond buying program by mid 2014 IF the economy and unemployment reach their targets. Stocks dropped sharply for 2 days with the Dow falling over 500 points on Wednesday and Thursday. US Treasury bond yields moved sharply higher with the 10-year closing the week at 2.5% from 2.13% on Monday. This morning the yield is over 2.65% which although still low, is now up 100 basis points from just a few weeks ago. As I wrote in my article back in March titled "The Dirty Little Secret about Bonds - Is there a Coming Bond Armageddon" (on my website at <http://forzainvestment.com/articles.html>), that 1% rise in rates equates to real loss of principal much greater than the coupon being collected.

### As always in turbulent times there are several issues at play that are worrying investors. The global economy is sputtering. China is now front and center as the country may be on the brink of its own credit crisis (see Baron's cover story - "China's Looming Credit Crisis"). China's flawed economic and financial model may have finally been exposed as their "If you build it they will come" philosophy has not panned out. Japan's market is in correction territory, Europe is still mired in a recession and there is no job growth while citizens in Brazil and Turkey are rioting. Don't forget the never-ending MidEast unrest and now add the Fed confusion to the fire.

### So what did the Fed (Bernanke) actually say and is it really that bad? My take is that the Fed has made the first steps towards change and change is generally not initially good in the marketplace. To me, Bernanke floated a trial balloon a few weeks back when he mentioned the "Taper" as a way to get the market thinking about the fact that Quant easing must end at some point. He's got to get investors used to the idea that it will eventually end. The FOMC statement was not as definitive as the market took it. In reality the Fed said not much different other than that the economy appears to be stabilizing and the downside risk is lessening. He also said the Fed can buy more or less depending on the economic landscape. The markets didn't like the time-line even though it was understood in theory. Now that it is on paper, it seems to have more finality to it. Investors could panic and try to lock in gains by selling, but I still maintain that the market is not overvalued.

### Look, as I've been saying probably too much like a broken record, we are due for a pause and it will be GOOD for the stock market. I may be wrong but I don't think it will be severe absent a global shock. June is historically a weak month for the market while July tends to be better as companies report earnings. First we need the bond market to now settle down and then let's see how things shake out. Don't panic, continue to look for buy points on the best of breed stocks. Many good companies have fallen by 10% from their highs and are more attractive. Remember, for most of us investing is a marathon, not a sprint. Dollar-cost average into the best companies that you can hold for the long haul.

**Economy**

The housing recovery continues. Existing home sales rose 4.2% in May to an annual rate of 5.18 million

units, coming in well above the consensus expected 5.00 million rate. Sales are up 12.9% versus a year ago.

The median price of an existing home rose to $208,000 in May (not seasonally adjusted), and is up 15.4% versus a year ago. Average prices are up 11.2% versus last year. The months’ supply of existing homes (how long it would take to sell the entire inventory at the current sales rate) declined to 5.1 in May from 5.2 in April.

Housing starts rose 6.8% in May to a 0.914 million annual rate and are up 28.6% versus a year ago. The consensus had expected an even larger gain to a 950,000 pace.

Consumer prices rose a tepid 0.1% in May and are only up 1.4% from a year ago.

**Bonds**

Friday Close Prior Week Comment

**10-yr UST yield** 2.51% 2.13% HUGE JUMP in the yield. Can you say panic?

**30-yr UST** 3.28% 3.56%

**ML High Yield 100** 5.94% 5.43% Yield has moved up 1.18% since May 13.

**15-yr Fixed Mtg** 3.50% 3.32%

**30-yr Fixed** **Mtg** 4.39% 4.18%

**Commodities & Currencies**

Friday Close Prior Week Comment

**Gold/oz** $1291.6 $1383.0 Where is the hedge? Gold down 23% this year...

**Crude Oil** $93.69 $97.85

**NYMEX Nat Gas** $3.771 $ 3.733

**$ per Euro** 1.3122 1.3345

**Yen per $** 97.90 94.08

**Reuters CRB** 278.08 286.18

**Stocks**

The Dow fell for the 4thd week in the last 5 as the Dow dropped 270 points, or 1.8% to 14799. The S&P 500 fell 2.11% to 1592 and the NASDAQ fell 66 points or 1.94% to 3357. Mid-caps were down by almost 3% while small caps fell by a lesser amount.

European stocks ended the week down with the Euro Stoxx down 3.69% and all markets posting significant losses. Many European markets are now in the red for the year as Europe stays mired in recession.

The Dow Asia/Pacific fell by 2.21%. Japan bounced back and was the only major market to post a gain, with the Nikkei up 4.28%. China was off 4.11% on credit crunch fears.

**Weekly Index Performance:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dow Jones Industrials** | 14799.40 | -270.78 | -1.80% |
| **S&P 500** | 1592.43 | -34.30 | -2.11% |
| **NASDAQ Comp** | 3357.25 | -66.31 | -1.94 |
| **S&P Mid Cap** | 1137.19 | -34.94 | -2.98 |
| **S&P Small Cap** | 543.27 | -7.71 | -1.40% |
| **Russell 2000** | 963.68 | -17.70 | -1.80% |
| **Stoxx Euro 600** | 280.40 |  | -3.69% |
| **Dow Asia/Pacific** | 132.64 |  | -2.21% |

|  |  |
| --- | --- |
| **Strong Sectors** | Telecom, Utilities, Materials |
| **Weak Sectors** | Energy, Consumer Svcs, Industrials |
| **NYSE Advance/Decline** | 567 / 2624 |
| **NYSE New High/Low** | 31 / 280 |
| **AAII Bulls/Bears** | 37.5% Bulls / 29.96% Bears - **Investors are actually getting more bullish**  |

Have a great week!

Bob

**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)\*\*\*

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