WEEKLY MARKET COMMENTARY September 23rd, 2013

The Markets

We're going to do it…We're going to do it…We're not going to do it…Yet.

Last week, the U.S. Federal Open Market Committee gave stock markets a gift that, on a scale of thrills, might have been on par with Marilyn Monroe singing happy birthday to JFK. On Wednesday, the FOMC announced (without a trace of breathiness):

> "Taking into account the extent of federal fiscal retrenchment, the Committee sees the improvement in economic activity and labor market conditions since it began its asset purchase program a year ago as consistent with growing underlying strength in the broader economy. However, the Committee decided to await more evidence that progress will be sustained before adjusting the pace of its purchases. Accordingly, the Committee decided to continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month."

The ensuing euphoria pushed many of the world's stock markets higher. The Dow Jones Industrial Average set a new record, Germany's DAX closed at a new high, and Japan's Nikkei delivered its best performance in eight weeks. Emerging markets also reaped positive benefits.

The Quantitative Easing or QE-sugar buzz abated when St. Louis Fed President James Bullard told Bloomberg the Fed may decide to begin buying fewer bonds at its next meeting in October. This surprised some as analysts already had predicted it wouldn't happen until December which caused markets to slump a bit last Friday.

It's possible that, by mid-October, the Fed's 'lather-rinse-repeat' commentary on quantitative easing may have become background music for another event that has the potential to deliver a macroeconomic jolt: the U.S. congressional debate over the debt ceiling.

Data as of 9/20/13	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500	1.3%	19.9%	17.1%	14.4%	7.2%	5.3%
10-year Treasury Note (Yield Only)	2.7	NA	1.8	2.7	3.8	4.2
Gold (per ounce)	2.3	-20.3	-23.3	1.8	8.7	13.4
DJ-UBS Commodity Index	-0.8	-7.7	-12.3	-2.5	-6.7	0.8
DJ Equity All REIT TR Index	2.3	6.5	8.4	12.3	7.2	10.2

Notes: S&P 500, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THERE'S SOME GOOD NEWS AND THERE'S SOME BAD NEWS… The good news is the rate of global gross domestic product (GDP) growth increased during the second quarter, according to *The Economist*. Greater economic strength in developed countries helped push the world's GDP 2.4 percent higher during the second quarter of 2013 as compared to the second quarter of 2012. That's only the third time that has happened in three years. The bad news, according to *The Economist*, is:

> "The world is dangerously dependent on China… Since the beginning of 2010 it alone has contributed over one-third of global GDP growth, with another 40% coming from the rest of the emerging world. Weighed down by debt since the financial crisis, the rich world's growth has been sclerotic. Excluding America, it has provided just 10% of global growth since 2010; America has contributed another 12.5%."

China's GDP has been growing at a pretty fair pace although the rate of growth has slowed. Forbes reported China's GDP grew at an annualized rate of 7.5 percent during the second quarter of 2013, falling just short of first quarter's 7.7 percent growth. The slowdown was expected. China is rejiggering its economy in an effort to stimulate domestic demand and consumer spending rather than continuing to rely on investment-driven growth.

Here's another tidbit to consider. Forty percent of the world's growth has been attributable to emerging markets (ex-China). Changing expectations for U.S. monetary policy have interrupted the flow of capital into those markets. *The Economist's* Capital Freeze Index, which assesses the vulnerability of emerging markets to a freeze in capital inflows, found that nine of 26 emerging countries examined are at relatively high risk of this happening. That has the potential to affect the world's GDP growth rate, too.

Weekly Focus – Think About It

"Our prime purpose in this life is to help others. And if you can't help them, at least don't hurt them."

--Dalai Lama, spiritual leader of Tibet

Financial Factoid – An individual living on a fixed income over the last 20 years (i.e., from the end of 1992 to the end of 2012) would have suffered a 38% loss of purchasing power over the 2 decades using the CPI (Consumer Price Index) as a gauge of his/her inflation (source: Department of Labor).

Epic Humor – A couple was celebrating their golden wedding anniversary. Their domestic tranquility had long been the talk of the town. A local newspaper reporter was inquiring as to the secret of their long and happy marriage.

"Well, it dates back to our honeymoon," explained the man. "We visited the Grand Canyon and took a trip down to the bottom on the canyon by pack mule. We hadn't gone too far when my wife's mule stumbled. My wife quietly said, '*That's once.*' We proceeded a little further and the mule stumbled again. Once more my wife quietly said, *'That's twice.*' Hadn't gone a half- mile when the mule stumbled the third time. My wife quietly removed a revolver from her pocket and shot the mule dead.

I started to yell at her for her treatment of the mule when she looked at me and quietly said '*That's once."*

Best regards and have a great week!

Edward R. Doughty, CFP®
E-mail: edoughty@EpicCapitalWM.com
Website: www.EpicCapitalWM.com

WE'VE GONE SOCIAL!! Please be sure to "Like" us on **Facebook**, "Follow us" on **Twitter**, "Get Linked" with me on **LinkedIn**, and "Subscribe" to the EpicCapital channel on **YouTube**.

Simply click on these icons:

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

Securities offered through LPL Financial, Member FINRA/SIPC.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.
* The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market
* Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.
* The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Past performance does not guarantee future results.
* You cannot invest directly in an index.
* Consult your financial professional before making any investment decision