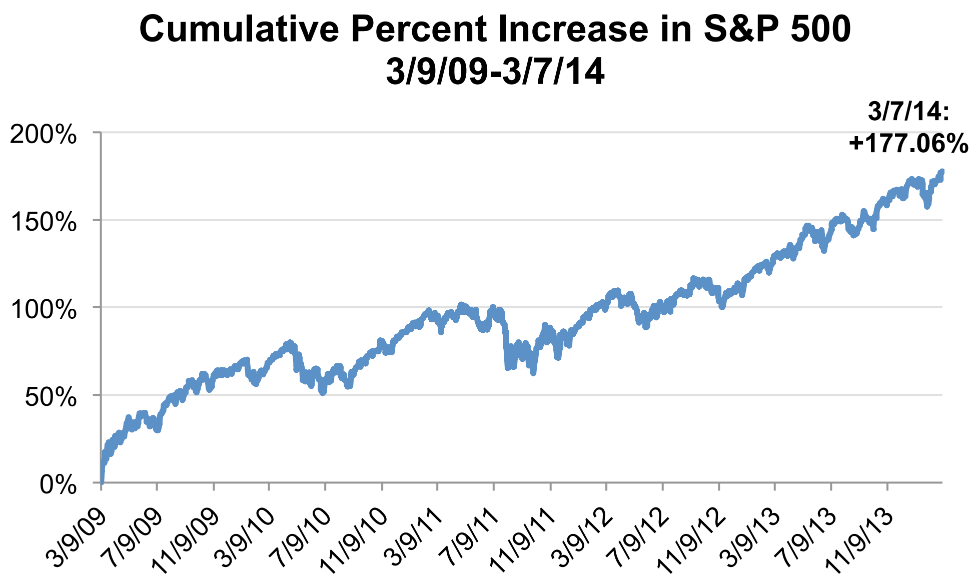
SPECIAL UPDATE: 5 Years Later…

Weekly Update – March 10, 2014

March 9, 2014 marked the five-year anniversary of the lowest point of the S&P 500 after the financial crisis, and we are taking this opportunity to highlight just how far markets have come since those dark days. As of Friday's close, the S&P 500 has gained just over 177.0% since the market bottom on 3/9/09.[1]



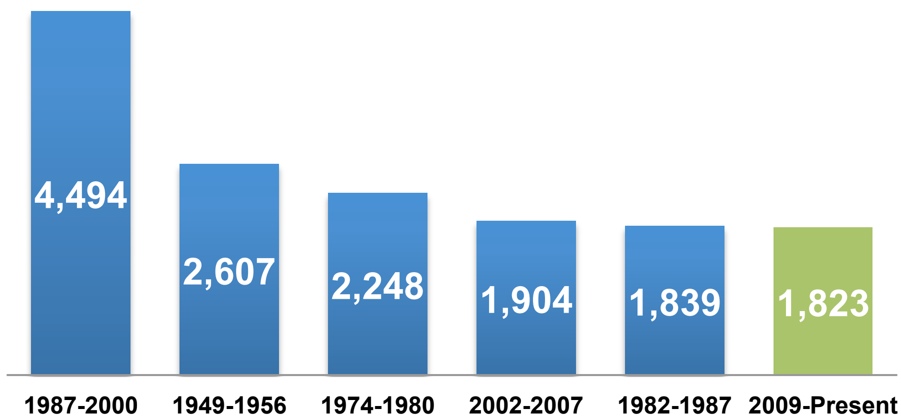
Source: Yahoo Finance

The stock market growth we've experienced over the past five years has also been accompanied by some important gains in the economy. Today, the U.S. economy is worlds away from where it was in 2009, when we faced Gross Domestic Product (GDP) growth of a dismal -3.0%.[2] The latest data we have shows that the economy accelerated by 4.1% and 2.4%, respectively, in the third and fourth quarters of 2013.[3] The unemployment rate has also dropped from 8.7% in March 2009, to a five-year low of 6.6% in January 2014.[4]

Considering the strength of the gains stocks have made over the last five years, the big question on many investors' minds is: How much longer can the bull market continue?

Though it's possible that we're approaching the end of the bull market, historically, this bull run isn't necessarily that old. The chart below shows the number of calendar days between the beginning and end of recent bull markets in the S&P 500 – broadly defined as a period in which the S&P 500 gains at least 20% without a 20% decline in between. You can see that the current one hasn't even cracked the top five.

S&P 500 Bull Markets in Calendar Days



Source: CNN Money, Bespoke Investment Group

While we can't be certain that this bull market will continue, we can look at current economic fundamentals and market trends and make educated guesses about what may come. A lot of cash poured out of markets between 2008 and 2012, and not all of it is back in play. Though many investors have put their money back into stocks, there are still significant amounts of cash on the sidelines, suggesting that equities may still have growth ahead of them.[5]

Economically, the U.S. is chugging along steadily. Gross Domestic Product (GDP) growth is modest but fairly robust. The Federal Reserve is confident enough about economic performance that it's taking steps to remove monetary props. Job growth is slowly gaining steam. U.S. companies are doing reasonably well, and have been able to carve out earnings growth despite tough business conditions. And finally, market growth has been fairly broad-based, meaning recent gains haven't been shackled to the performance of a few high-flying sectors.[6]

Looking ahead, here are some factors that have the potential to promote further growth this year:

- U.S. GDP growth needs to pick up steam and reach 3.0% by the end of 2014.
- Housing, manufacturing, and auto sales need to maintain their gains.
- Congress must work toward meaningful, long-term tax reform to encourage business spending and the return of foreign earnings sitting abroad.
- Stock valuations and price-to-earnings ratios need to remain stable and supportive of stock market gains.[7]

While we can't be certain about which way markets will move, we can be fairly certain that volatility will be sticking around for a while. There is a lot of uncertainty in global markets right now and uncertainty frequently translates into volatility. While volatility can be stressful, it's important to keep it in perspective, and to try and think long-term.

Overall, we're very pleased with how far markets have come in the past five years and we look forward to supporting you for the next five years and beyond.

ECONOMIC CALENDAR:

Wednesday: EIA Petroleum Status Report, Treasury Budget
Thursday: Jobless Claims, Retail Sales, Import and Export Prices, Business Inventories
Friday: PPI-FD, Consumer Sentiment

Data as of 3/7/2014	1-Week	Since 1/1/14	1-Year	5-Year	10-Year
Standard & Poor's 500	1.00%	1.61%	21.61%	34.96%	6.23%
Dow	0.80%	-0.75%	14.82%	29.65%	5.53%
NASDAQ	0.65%	3.82%	34.16%	47.03%	11.18%
U.S. Corporate Bond Index	-1.02%	1.15%	-2.71%	4.86%	0.40%
International	0.22%	0.83%	14.19%	27.02%	7.63%
Data as of 3/7/2014	**1 mo.**	**6 mo.**	**1 yr.**	**5 yr.**	**10 yr.**
Treasury Yields (CMT)	0.06%	0.09%	0.13%	1.65%	2.80%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the DJCBP. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

HEADLINES:

China's exports plummet on global uncertainty. Exports from the world's second-largest economy tumbled 18.1% in February, stoking fears about China's economic recovery. Analysts hope that seasonal variations around the Lunar New Year Holiday are responsible for the unexpected decline.[8]

U.S. household wealth jumps. The total net worth of U.S. households rose to a new high at the end of 2013, reaching $80.66 trillion as stock market and housing gains boosted wealth. Increases in housing value make it easier for Americans to borrow against equity, hopefully foreshadowing increases in consumer spending.[9]

Planned layoffs drop in February. The number of American companies planning to lay off employees fell last month, in a positive sign for the labor market. The number of planned job cuts fell by 24.0% as compared to February 2013.[10]

Utility bill scams on the rise. Higher winter energy bills are contributing to an increase in email scams. Fake billing notices from utility companies are arriving in inboxes across the country; clicking on links within the email could download malicious software or reveal sensitive personal information.[11]

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets

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 Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The Dow Jones Corporate Bond Index is a 96-bond index designed to represent the market performance, on a total-return basis, of investment-grade bonds issued by leading U.S. companies. Bonds are equally weighted by maturity cell, industry sector, and the overall index.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

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.

Google Finance is the source for any reference to the performance of an index between two specific periods.

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Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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[1] Source: Yahoo Finance

[2] http://databank.worldbank.org/data/views/reports/tableview.aspx

[3] https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm

[4] http://data.bls.gov/timeseries/LNS14000000

[5] http://blogs.wsj.com/moneybeat/2014/03/04/bull-markets-five-year-anniversary-in-five-charts/

[6] http://www.marketwatch.com/story/what-this-stock-bull-market-needs-to-live-a-6th-year-2014-03-06?pagenumber=2

[7] http://www.marketwatch.com/story/what-this-stock-bull-market-needs-to-live-a-6th-year-2014-03-06

[8] http://www.cnbc.com/id/101474303

[9] http://www.cnbc.com/id/101472629

[10] http://www.cnbc.com/id/101471385

[11] http://www.cnbc.com/id/101473487