



The Quarterly Profit

THE POSITIVE SIDE

Let's try to make some sense of what's going on, and how we might approach our portfolios over the next few months. It's been seven years now since we first heard the term "sub-prime", five years since it was almost lights-out, four and a half years since the recovery started, two years since the depths of the European Financial Crisis, two months since Fed Chair Bernanke's first tapering statement, a month since Detroit declared bankruptcy, and now we're facing the possibility of military action in Syria. There are questions surrounding Obama Care, the breathtaking debt burdens of Medicare, Social Security and Welfare, and the environmental impacts of the recent oil extraction technologies. Let's not forget fraudulent trading, flash crashes, scamming the LIBOR, and the warnings that the markets are due for a correction just because they have reached all-time highs. It's enough to make a body want to cash in the chips, place the money in Tupperware, and pull a Rip Van Winkle. Except for the positive side.

Employment numbers are improving, dealer plates fill the freeways, housing values are steadily rising, new homes are being built, manufacturing is returning to the U.S, the tax base is broadening, Boomers continue to need drugs and body parts, and Europe may be showing the first signs of recovery from its prolonged recession. Japan's latest monetary policies seem to be stimulating its moribund economy, the U.S. is weaning itself from Middle East oil dependency, and the stock markets continue to demonstrate remarkable strength and resiliency. Despite all the negatives, my personal opinion is that most of the 2008 damage is behind us, the U.S. economy's Big Mo is shifting into higher gears, and the global economies will soon be following.

The tapering of the Fed's Stimulus programs may not have a significant impact on our portfolios. Transitions and uncertainty create market volatility, but usually only for a few months. The markets have already been



reacting to the Fed's tapering messages since the third week of June, when Fed Chair Bernanke gave his first strong hint that tapering would begin this fall. The Dow dropped from its all-time high in late June, and then recovered to reach a new high just a few weeks ago. (Compliance reminds us that the Dow is not a security and that past performance is not a guarantee of future return. Amen.) 4%-5% market swings are always suspect, but Bernanke's underlying message is good news; if our economy weren't gaining traction, the tapering would not be imminent. Remember those dire warnings from a year ago, with the coming elections, sequestration, debt ceiling debates, and the oh-so-perilous fiscal cliff? The pundits had us hurtling over the edge, but nothing happened! The forces that are lined up against us now are significantly weaker than those of a year ago. Moreover, we should probably discount the latest warnings of a correction "just because" the markets are close to their all-time highs. The markets are an imperfect reflection of the economy, and the economy continues to improve.

But what about Detroit's filing bankruptcy? Isn't this a prime example of financial insolvency at all levels? I believe it is. However, the positive side is that the elephant in the room is finally acknowledged. Detroit has been in serious financial trouble for years, as have many other large municipalities. The pension promises are finally hitting a breaking point and can no longer (Continued...)

THE POSITIVE SIDE (CONTINUED)

be sustained by a limited tax base. (No political statements, please) I am confident that the distended entitlements that are driving so many levels of government into financial peril, will give way to new processes that will attain some level of long term fiscal balance. As soon as reasonable and gradual adjustments to these vulnerable programs begin, so that projected trending over the next fifteen to twenty years shifts from negative to positive, the U.S. and global markets will undoubtedly surge.

Our portfolios have recently taken a small, negative turn in response to the alleged use of chemical weapons in Syria, and the likelihood of US military entanglement there. As sad as the situation in Syria is, and as chaotic as the transitions in Egypt continue to be, these are but the latest chapters in the endless Middle East turmoil; our markets will undoubtedly recover quickly as they shrug off the latest news.

We know that we will experience short term volatility, but I believe the evidence continues to build in favor of a longer term global growth cycle. Time will tell of course, but as we acknowledge the many economic threats and weaknesses, let's give full credit to the many strengths and opportunities on the positive side.

Van Mason, CFP™, CLU, MBA

CONGRATULATIONS



Amy Treat (StoneRidge Chief Operating Officer and Partner) is recognized at LPL as being one of the leading practice managers in the country. Amy was invited to anchor several panel discussions at LPL's Master's conference in March and LPL's Focus 13 National Conference at the San Diego Convention Center. These are the LPL events of the year, where thousands of LPL advisors gather from around the country to share "best practices" and marketing ideas, gain knowledge of the latest technologies, and to improve the quality of service to our clients. Word has already come back from San Diego that Amy was one of the more valuable presenters, as evidenced by the numerous advisors who scheduled time with her during the conference. Congratulations Amy!



Account View

We are excited to invite you to the new Account View site on September 29th. Based on state-of-the-art technology, the new Account View offers an improved user interface, streamlined navigation and many new features, including: easy access to accounts, statements, tax documents, transaction history, and trade confirmations. Real time market data and enhanced security features will be available. You can access the new Account View through www.stoneridgewm.com or www.myaccountview.com. For the first time, Account View will also be available on your mobile device. Please feel free to call our office with any questions and thank you for your patience during this transition.



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