



PATTERSON WEALTH MANAGEMENT

400 CHESTERFIELD CENTER, STE. 400
CHESTERFIELD, MO 63017

WWW.PATTERSONWEALTHMANAGEMENT.COM
JPATTERSON@PATTERSONWEALTHMANAGEMENT.COM

DIRECT: 636-537-7839
TOLL FREE: 866-405-9596
FAX: 636-532-6890
CELLULAR: 314-477-1686

November 21, 2013

Dow Jones Industrials Average: 16,009

History Made Today

The Dow Jones made a historical high today by closing above 16,000.

2013 has been a huge year (so far) for stock mutual funds and the averages. So, it shouldn't surprise too many people that the stock markets are pushing new highs. But, to hit such a high level of 16,000 from a low of 6,600 (in March of 2009) is very impressive.

The gain over the 5½ years helps to wipe out the stress and anxiety that many investors (and financial advisors) felt while they were watching their investment accounts get cut in half.

What makes me scratch my head is that the economy (specifically employment) still has not fully recovered. With the labor participation rate at a 40 year low of 62.8, and a statistic of: "90.5 million Americans are not working and are not counted as part of the labor force" *-- my question for you to ponder is: Will the Federal Reserve ever be at a point where they can raise interest rates to slow the economy down?

The Federal Reserve has said that before they will raise interest rates the unemployment rate will have to fall to a 6.5% rate. But, it was recently reported that some economists at the Federal Reserve are going to issue a report indicating that they could hold off on raising rates until the unemployment number hits 5.5%.

So, if the unemployment "bar is that low", and IF the 90.5 million Americans would start to come back to the work force (which would in effect raise the unemployment number, because they would be actively looking for work) it seems that the Federal Reserve will be keeping rates low for the foreseeable future (if not years).

Additionally, the new Federal Reserve Chairperson is going to be Janet Yellen. And she has indicated that her belief is that raising rates (or tapering) would potentially cause more stagnation in the economy than the continued \$85 billion monthly bond purchase program.

Bottom-line: I believe that the Federal Reserve will be staying the course, and keeping rates low.

The risk, for investors, is that the stock markets are looking frothy. But, we are entering into a very positive season for the investors (November and December are both historically positive times for the stock markets). I would hate to miss the Santa Claus rally, if it happens.

As an investment manager, I am getting nervous about the market (given the large gains in the markets), but I am thinking that the markets will continue to march higher until the mid-February timeframe.

The market will be due for a pullback, but I do not see it happening until after the first quarter of 2014.

Here are a couple of reasons / quotes that support why I don't think the Fed will be aggressively raising interest rates anytime soon:

Fed Vice-Chair Janet Yellen in a letter to Senator Elizabeth Warren.

"Monetary policy is likely to remain highly accommodative long after one of the economic thresholds for the federal funds rate has been crossed,"

During a dinner this week, Chairman Bernanke said the following:

"When, ultimately, asset purchases do slow," he said, "it will likely be because the economy has progressed sufficiently for the Committee to rely more heavily on its rate policies, the associated forward guidance, and its substantial continued holdings of securities to maintain progress toward maximum employment and to achieve price stability....The target for the federal funds rate is likely to remain near zero for a considerable time after the asset purchases end, perhaps well after the unemployment threshold is crossed and at least until the preponderance of the data supports the beginning of the removal of policy accommodation."

Certainly, if you would like to discuss your investment account, please let me know.

It is starting to get to be that time of the year again: Have a great holiday season!

References

- * *Labor Participation Rate at Lowest since 1978.* [CNN Money](#). September 6, 2013.
- ** *STOCKS FALL: Here's What You Need To Know.* [Business Insider](#). November 19, 2013.
- *** *10 Things That You Need To Know Before The Opening Bell.* [Business Insider](#). November 20, 2013.

The information contained herein is based on sources we believe to be reliable. But its accuracy is not guaranteed. Past performance is no guarantee of future results. The information provided herein was supplied in good faith based on information, which we believe, but do not guarantee, to be accurate or complete; however we are not responsible for errors or omissions that may occur.

The views expressed in this report are solely the opinions of Jeff Patterson / Patterson Wealth Management, and are not endorsed by Securities America Inc., or Pershing LLC.

NOT FDIC INSURED * NOT BANK GUARANTEED * MAY LOSE VALUE

Securities offered through Securities America, Inc., Member FINRA/SIPC, Jeff Patterson, Registered Representative. Advisory services offered through Securities America Advisors, Inc., Jeff Patterson, Financial Advisor. Patterson Wealth Management and the Securities America companies are unaffiliated.