June 14, 2013

Dear Investors:

Last Friday, it looked as if the markets were at a technical impasse. This week's activity may have helped clarify the short-term direction. The markets failed to surpass last week's closing high, but did appear to retest and bounce off the June 5th low on Wednesday, June 12th, which was one day before the June 13th Fibonacci phi mate date. There was a small change in the McClellan Oscillator on Friday suggesting that a large price move is coming Monday. If the broad market index closes above 1,654, then we could see it retest the May 21st high and move higher. However, if the S&P 500 Index fails to surpass 1,654, then we could see another wave down that could break below the June 5th closing low of 1,608.90. Alternatively, Thursday's spike higher could be the actual Fibonacci phi mate turning point for another retest of the June 5th low. However, since Friday's decline occurred with very low trading volume and the Volatility Index generated a short-term buy signal it is more likely that the large price move will be to the upside and that the first scenario is unfolding.

The S&P 500 Index finished the week down 16.65 points this week, or -1.0%, to close at 1,626.73, and is now up 14.1% this year. The Dow Jones Industrial Average lost 127.99 points, or -1.2%, this week to close at 15,070.18, and it is up 15.0% in 2013. The NASDAQ Composite declined 45.65 points, or -1.3%, to finish the week at 3,423.56, and is up 13.4% year-to-date. The Russell 2000 closed at 981.38, down 6.24 points this week, or -0.6%, and is up 15.5% this year.

The economic news this week was mostly in line with lowered expectations and was not the major catalyst for any of the market moves in either direction. The real volatility in the U.S. markets came from the global economy and markets. Japan's Nikkei 225 Index, which is similar to our S&P 500 Index, has fallen over 20% since its May 22nd high. China's reported growth rate is slower than economists' growth expectations. Finally, most European countries are struggling to maintain positive economic growth or are already in a recession.

In addition to the near crash of the third largest global economy, the U.S. markets have triggered six Hindenburg Omens in the last two weeks. The Hindenburg Omen is a technical indicator that often occurs within three months of a U.S. market crash. A market crash is defined by a decline of 25% or more. It does not guarantee a crash because there have been Hindenburg Omens without a market crash occurring. However, there has only been one time that a market crash occurred without a Hindenburg Omen to preclude it. It is another warning sign that should make short-term investors more cautious.

The downside risks of this market are much higher than the upside potential, which was proven in the recent sharp declines. This is why I strongly urge you to stick to a financial plan. If you do not have a plan then it is even more important than ever to start one. Our B.E.L.I.E.V.E. Wealth Management process can help you with your financial goals.

If you have any questions, would like to discuss your financial plan, or would like a brochure on our B.E.L.I.E.V.E. Wealth Management process, please call my office.

Best Regards,

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