

# THE WOODSHED

News and Commentary  
From  
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## Urgent News!

### **Bond Prices Drop as Interest Rates Rise**

#### **Here is what you should do:**

**Clients with large bond positions:** It is critical that investors who hold large positions in bonds contact me as soon as possible. Interest rates have been moving higher since May and there is the potential for these rates to continue up. If interest rates do continue up, your bond values may decline. This does not mean that you should automatically sell your bonds. What is important is that we review your portfolio and make changes if a change is appropriate for you.

#### **The Dow**

According to Google Finance, the **Dow Jones 30 Industrial Average** increased by **18.6%** for the 10 months ended October 31, 2013. Stocks continue to move higher as bonds have trended lower. The prospect for higher interest rates in the future is causing some bond holders to sell.

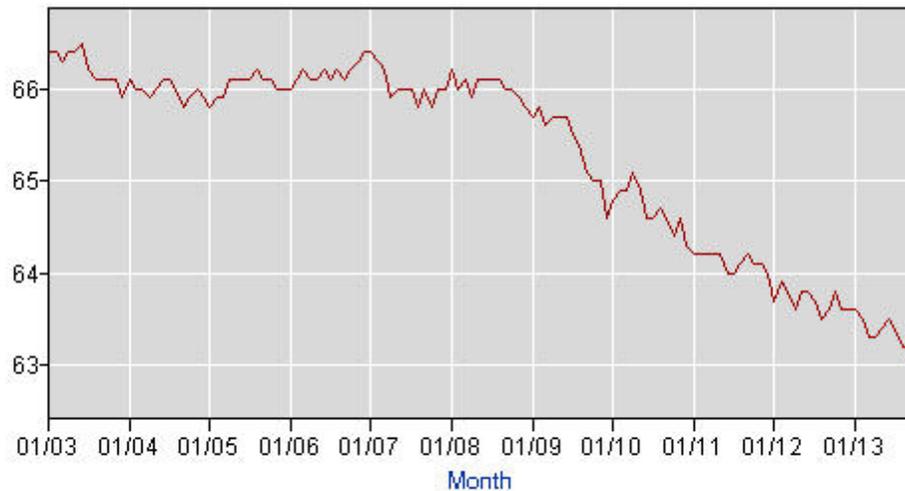
#### **New Federal Reserve Bank Chairperson Nominated**

Janet Yellen has been nominated to be the person who replaces Ben Bernanke as Federal Reserve Bank Chairperson. Mr. Bernanke will leave the chairmanship at year's end. Many of the people who watch the "Fed" believe that Ms. Yellen will be inclined to continue the easy money policy currently in place. The new chairperson will be challenged by a U.S. economy that seems

reluctant to grow and a Federal debt that has reached historic highs. I will be watching the “Fed” closely since the stock market seems quite sensitive to changes of policy.

### **Unemployment Improves as Fewer People Are Counted (Participate)**

**Unemployment** as of October 2013, as reported by the Bureau of Labor Statistics (BLS) in the U-3 & U-6 reports (**seasonally adjusted**), declined slightly to 7.3 & 13.8 percent respectively. Unfortunately, improving unemployment statistics can also mean that the number of people looking for work has declined. “**Participation Rate**” defines the percent of people who are counted as employed or unemployed, as opposed to those not seeking work or not reporting their income. The Participation Rate for October 2013 was 62.8%, which reflects a decline from January 2013. According to ZeroHedge, an analytical firm, the average Participation Rate from 1980 to 2011 was 65.8% making the current “Participation Rate” very poor on a historical basis.



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The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.