September 6, 2013

Dear Investors,

The S&P 500 Index increased each day during the first week of September amid increasing economic and geopolitical uncertainty. It will be interesting to see if this is the technical bounce higher that will carry the markets to new all-time highs or a temporary upside correction that will see the markets retest the June lows. The markets do not generally react well to uncertainty and there is uncertainty everywhere. Who will replace Ben Bernanke as the Chairman of the Federal Reserve and what will be his/her economic policy? Will the Federal Reserve start cutting back on its money printing, economic steroid policy that has failed to stimulate the economy? How will Friday's dismal August Jobs report affect the Fed's thinking? Will the U.S. go to war with Syria with little political support from NATO and Congress and no support from Russia? With all of these uncertainties and disappointing retail sales from the nation's largest retailers, it is hard to fathom how the markets could move higher for any reason other than a technical bounce.

The markets were volatile and the trading volume increased during the holiday-shortened week that saw the Dow Jones Industrial Average gain 112.19 points, or 0.8%, this week to close at 14,922.50, and it is up 13.9% in 2013. The S&P 500 Index added 22.20 points, or 1.4%, to finish the week at 1,655.17, and is up 16% this year. The NASDAQ Composite regained last week's loss as it increased 70.14 points, or 1.9%, to finish the week at 3,660.01, and is up 21.2% year-to-date. The Russell 2000 gained 1.8%, or 18.65 points, to finish the week at 1,029.55, and is up 21.2% this year.

On Friday, the Department of Labor released the August Jobs Report. Investors had a hard time deciphering its impact on the Fed's monetary policy. A strong August report would mean that the Fed would probably slow down the money printing policy in September. Most investors know that the only thing keeping the markets propped up is the economic steroid. A weak August Jobs report may mean that the Fed will delay its plan to slow the money printing policy and the markets can enjoy the artificial high longer. Although the government and media were spinning the report to be positive, the report was dismal when you look at the details. The unemployment rate dropped to 7.3%, its lowest level since December 2008 but not because of decreasing unemployment (the numerator) but because the workforce decreased by more than 300,000 to the lowest labor participation rate since August 1978 (the denominator). The August report showed that 169,000 jobs were added to the economy last month, which again sounds good, but 90,000 of these jobs relate to the fictitious, no basis assumption that 90,000 new businesses were created last month. The August report also revised the July number down to 104,000 new jobs from the previously reported 162,000. That is a 35% downward revision to a number that, when it was released last month, carried the markets to all-time closing highs on August 2nd. The primary reason for the significant revision is the fictitiously plugged estimate of new businesses created. It is clear that the Fed's economic steroid policy has failed to create jobs and stimulate the economy and that they are using data that is so inaccurate to make informed decisions that it is frightening. It reminds me of my GIGO computer science days, garbage in, garbage out.

All of these uncertainties combined with an artificially inflated stock market and an unsustainably low bond market makes this one of the toughest periods in history for investors. If you are retired, or planning to retire in the near future, then you should be proactive with your portfolio. It might be the time to look at non market correlating or alternative investments to protect your nest egg. If you do not have a financial plan, then I strongly advise you to start now.

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,

**Vincent Pallitto, CPA, CFP®**

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