

THE WOODSHED

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The Dow Moves Ahead Of Bonds

According to Google Finance, the **Dow Jones 30 Industrial Average** increased by **13.78%** for the six months ended June 30, 2013. The year to date increase includes a market loss of about 2%, which occurred during June. Corporate bond values declined as reported by Bloomberg Financial to minus 3.22% over the same six month period. Comments from the Federal Reserve Chairman and the current administration seem to affect stock and bond market values. Changing your portfolio mix of stocks and bonds may be appealing because of the rapid increases of the stock market values. However, changes to the mix of investment types could expose your investments to much higher volatility in the future. By talking about your tolerance of volatility, we can help ensure your mix is suitable to you and your own perspective on risk.

Unemployment

Unemployment as of June 30, 2013 as reported by the Bureau of Labor Statistics (BLS) in the U-3 & U-6 reports (**seasonally adjusted**) was little changed to **7.6% & 14.3%** percent respectively, over the last 12 months. The BLS also reported that the Participation Rate increased slightly from **63.4% to 63.5%** during June. (Remember that “Participation Rate” is the percent of people who are working or looking for work. A lower percent means more people have dropped out of that group.) Unemployment and Participation Rate do not indicate economic strength. If the Federal Reserve Board (FED) perceives a continued slow economy, they may continue working to keep interest rates low. Recent comments from the Federal Reserve Board Chairman, Mr. Bernanke, tend to support claims that lower interest rates are FED priority.

But Why Don't I Have More Stocks?

The rising stock prices have increased many an investor's portfolio value since the beginning of the year; making some people forget about the 2007 – 2008 market drop. Similarly, the lack of performance of bonds over the same period has investors anxious to dump these apparent losers. The point of having diverse asset types is to attempt to mitigate downturns. We know from history that no asset type will grow continually and this knowledge leads us to diversify. **So, are you feeling lucky?** Do you still want more stocks in your portfolio? There is nothing stopping you from changing the mix of assets to whatever you want. My suggestion is for us to talk about what a change may mean to you and your exposure to market volatility.

Stock investing involves a high degree of risk. Stock prices may fluctuate and investors may lose money. Bonds are

subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not eliminate market risk.

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.