POLARIS
WEALTH ADVISORY GROUP

The Polaris Perspective

For more information or to schedule an introductory consultation contact us at: info@polariswealth.com I (800) 268-9046 I www.polariswealth.com

The Rest of the Year

In this line of work we are often asked to predict the future. As we all know, no one can do it accurately on a consistent basis. You've heard me say that "a broken clock is correct twice a day." But since I've been getting a few more requests than normal, I thought I would share my thoughts for the rest of the year.

In short, I think 2013 will end the year strongly. Let me explain why:

- Fed monetary policy continues to be very favorable. Cheap money means greater margins for firms because they can leverage cheap loans into higher profits. There have been discussions from members of the Federal Reserve to begin tapering their purchasing of U.S. Treasuries in December or early next year. This could increase volatility in the months ahead.
- Historically, when the S&P 500 has produced a 20% gain or greater through October, 86% of the time it finishes even higher. The average gain for the last two months of the year is 6%.
- We have seasonal tailwinds at our back. I wrote earlier this year that you shouldn't "Sell in May, and go away." Similarly, I think that investors shouldn't "Buy in the fall, and sell in the spring." That said, since 1982, the S&P 500 has gained an average of 7.18% during the months November through April. This is the strongest six month rolling time period going back to 1900. November through January is also the strongest three month time period going back to 1900.
- The bond market continues to sputter, with the Intermediate Term Corporate Bonds, U.S. Treasuries, Munis, and Emerging Market Sovereign Debt all reporting negative year-to-date returns. This is turning bond investors to the stock market for real return. The possibility of the Federal Reserve tapering their treasury purchases could negatively affect prices even more.
- While the U.S. economy is not producing above average growth, it is still plodding along without much care about things like the U.S. government shutting down. Most of the current economic data that is being released is either meeting or beating expectations.
- Currently, we are over weighted in stocks and under weighted in bonds in all of our strategies. All of our bond holdings are short in duration, to defend against Federal Reserve tapering.

While there are still plenty of obstacles to overcome in the months and years ahead I think that there is still plenty of upside in this market for us to participate. It will hopefully lead to a happy holiday season.

As always I welcome your questions and comments.

Sincerely,

Jeff