

## Outlook Summary: September 2013

Below is a summary for the current period, and includes both technical and fundamental information.

Arrows indicate a change in posture since the prior month's report. Please note that this document is for informational purposes only and should not be viewed as investment advice. See page 2 for important disclosures.

### U.S. ECONOMIC OUTLOOK

	Negative	Neutral/ Improving	Positive
Employment Situation		●	
GDP		●	
Industrial Production		●	
Retail Sales		●	
Inflation			●
Interest Rates		● ←	

The economy continues to show signs of improvement, albeit at a relatively slow pace. With the ever increasing likelihood of the Fed tapering its QE program, interest rates have moved up. This, combined with the possibility of an attack on Syria and the resumption of the debt ceiling debate, will likely result in increased market volatility over the coming weeks. However, barring any unexpected events, a run up in the markets heading into year-end is likely, after getting through these next few weeks.

### MARKET OUTLOOK

	Bearish	Neutral	Bullish
The "Tape" (Short-term)		● ←	
The "Tape" (Long-term)		● ←	
Market Thrust		●	
Investor Sentiment	→	●	

Investor Sentiment has moved from overly optimistic to neutral, which is actually supportive of the market - too much optimism indicates that the market is over stretched. However, many of the other indicators we use to assess the market's health have moved to a more neutral position compared to last month, which indicate a market that is "long in the tooth."

### ASSET CLASSES

	Underweight	Neutral	Overweight
Equities			●
Bonds	●		
Alternatives		→	●

On a short-term basis - until we get through some of this fall's key events - we are cautious on equities. Commodities - specifically energy and precious metals - have recently fared well. This is likely a short-term move, rather than the beginning of a sustained trend.

### COUNTRIES & REGIONS

U.S.			●
Europe		●	
Asia Ex-Japan	●		
Japan			●
Emerging Markets	● ←		

European and Japanese economies persist in moving forward, while Asia and Emerging Markets continue to lag. Europe has indicated it plans to maintain low interest rates, while Japan recently stated that it isn't promising the same. This may result in headwinds for the Japanese stock market - not devastating, however given it is up 36.7% YTD!

### SECTORS\*

Cyclicals			
Basic Materials	→	●	
Consumer Discretionary			●
Financial Services		● ←	
Economically Sensitive			
Energy		●	
Industrials			●
Technology	→	●	
Telecommunications	●		
Defensive			
Consumer Staples	●		
Healthcare			●
Utilities	●		

In spite of expected strong Q3 and Q4 earnings, we have recently seen a rotation out of Financials, likely due to the strong run-up over the past year. **Consumer Discretionary** continues to fair well - residential spending has led the way, but now we are seeing early signs of improving nonresidential (commercial building) spending, which should continue to support more capital expenditures, and in turn, stronger **Industrials** and **Technology** sectors. **Healthcare**, typically a Defensive sector, is being supported by launch of the Affordable Care Act. **Basic Materials** have been weighed down by slower growth and commodity demand from China. Some of this now appears to be changing with an improving PMI and industrial production. Rising rates have set off "taper tantrums" in high-dividend-yielding and debt-burdened sectors, particularly **Telecom** and **Utilities**.

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### \* Sector Explanation

Various sectors tend to perform better (or worse) during different phases of an economic cycle. When in recession, Defensive sectors tend to outperform - hence the strong demand for Utilities during the Financial Crisis. Commodity-related stocks (energy, gold, etc.) tend to perform well when the Fed has an "easy money," low interest rate policy. Cyclical tend to outperform during an economic recovery.