SOUNDVIEW FINANCIAL

THADDEUS M. O'BRIEN, MBA
tobrien@soundviewfa.com

ROBERT J. BORONSKI, MBA, CFP®
bboronski@soundviewfa.com

Things Financial

Year's like 2013 can make investors cavalier with a penchant for throwing diversification and risk management to the wind.

The U.S. stock market[1] gained 29.7%. It was the 18th best year for the U.S. market since 1900.

International stocks[2] were up 23.3% lagging the U.S. market early in the year but outperforming it after April.

The Housing market continued to bounce back though most cities remained below their prior highs with Las Vegas (-46%), Miami (-38%) and Phoenix (-36%) lagging; Boston (-8%), Charlotte (-8%), Denver (even) and Dallas (even) faring best. The overall trend of house prices was up though for all major cities[3]. Housing related stocks struggled however as home construction took dipped in May when interest rates rose.

The most important commodity, oil, continued in its sideways price pattern staying below $110 per barrel.

Gold's downturn which began in 2012 gathered steam in 2013 dropping -28.7%. Gold has lost -68% in value from its 2011 peak.

This economic recovery has been long and weak. At 4.5 years, it is the 6th longest since WWII. Yet it is among the weakest ever recorded having had only 3 of 18 quarters since June 2008 above the average[4].

Coinciding with slow economic growth has been subpar job growth. In prior recessions since WWII it has taken an average of 2 years to bring employment fully back. Now nearly 6 years from the 2007 employment peak we have yet to reach that mark.

The prospects of a recession are not on the radar screen for most investors but with the expansion getting long in the tooth, you may wonder if 2014 might bring a new recession. The Yield Curve (10-year Treasury bond rate minus 3-Mos. T-bill rate) has been a simple, remarkably accurate way to forecast the U.S. economy. With long-term yields 3% points higher than short-term ones a recession seems unlikely.

Few investors would have predicted a 30% rise in the U.S. stock market last year. Certainly, the market is not as compelling at current levels. Yet, if commodity prices stay relatively low and earnings growth is anywhere near the 9.7% average prediction we could see high single digit, low double digit total returns in 2014.

Please find enclosed your 2013 Account Report which is a summary of the reports you receive during our review meetings and review phone appointments.

Best wishes for a joyful and healthy 2014,

Robert J. Boronski, MBA, CFP®

[1] Dow Jones Industrial Average [2] MSCI EAFE [3] S&P Case-Shiller index [4] Average GDP

762 Post Road • Darien, CT 06820
Thad: (800) 656-0098
www.soundviewfa.com
Fax: (866) 798-8050
P.O. Box 290 • Monroe, CT 06468
Bob: (203) 261-3859