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Investment Summary
1st Quarter 2013

The U.S. stock market continued its upward trend in the 1st quarter of 2013, with the S&P 500 Index posting a 10.6% return. Investors shrugged off on-going fiscal issues, including new tax increases, and instead concentrated on improving prospects for companies here in the U.S. and overseas. As the months and quarters have gone by, the majority of public companies continue to report better than expected sales and quarterly profits, indicative of healthy demand for products and services. Even within troubled economies, like those of Southern Europe, a bottoming process appears to be taking shape. Accommodative monetary policy by the U.S. Federal Reserve, European Central Bank, and Bank of Japan, has given the global economic recovery support. However, key policy questions remain: particularly, how to eventually wean the maturing developed countries off this substantial stimulus program.

In the 1st quarter, the U.S. economy continued its moderately paced mid-cycle expansion. Improved housing and employment supported healthy levels of consumer and business spending. On the manufacturing side of the economy, lower energy costs, a weaker dollar, and advances in automation are bolstering the competitiveness of many local industrial firms. This improvement in manufacturing is certainly welcomed, and would be quite a reversal from the loss of 3 million industrial jobs over the last ten years.

The bond market offered little in performance during the 1st quarter, with the broad bond index registering a small loss. Fixed income securities continue to be vulnerable to both rising interest rates and improving economic conditions. Going forward, inflation readings and global GDP growth continue to warrant close scrutiny, as they can significantly influence both bond and stock prices alike. Each of the key indicators is projected to register at the lower end of their historical ranges going forward: 2% for inflation and 2-2.5% for GDP growth.