

## The Market Just Keeps Going and Going and Going February Market Review From Your Portfolio Management Team—March 10, 2014

In the first month of the New Year, the U.S. stock market appeared to be setting up for a much anticipated hiatus as it pulled back more than 3% from its 2013 close. The January slump was quite mild, as corrections go, but was this just the beginning and a prelude of what was yet to come?

That seemed to be the case as the market weakness continued into early February. However, as soon as U.S. stocks retreated 5%, as they had on several occasions the previous year, the market began its ascent. This unrelenting resiliency could make one envision the unstoppable Energizer Bunny®, beating its familiar drum as it glides across the floor of the New York Stock Exchange.

History shows that since 1950, the S&P 500 has had a positive year 82% of the time following a year in which the market was up more than 20%. This is not to say that 2014 is expected to be an encore of last year. In most of those instances, the gain was much smaller in the year following a particularly strong year. But there tended to be a gain, nonetheless.

U.S. stocks have been in a pattern of slowly grinding higher with some areas of strength familiar from last year continuing into this year; namely, healthcare and biotechnology. Volatility is increasing as new areas of strength are emerging, as we've seen in real estate or precious metals. Even fixed income has seen new positive trends emerge early this year. Municipal bonds and intermediate-term bonds have performed well, reversing their downward trends from last year.

In some ways, markets that grind slowly higher afford better opportunities to spot new areas of leadership than do markets that exhibit high volatility, with whipsaw action. As long as the markets keep going and going and going with the bulls, we will maintain our positions. But when the markets lose steam and their batteries begin to fade, we will rely on our FSA Safety Nets® to flag negative shifts in direction.

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