February 7, 2014

Dear Investors,

Last week, I suggested that there was a high probability that the markets would trade lower into or around the February 7th Fibonacci phi mate date. On Monday, the markets plunged over 2% on their highest trading volume of the year taking out several key support levels along the way. However, most of the major market indices finished the wild week on Wall Street with modest gains on decreasing daily trading volume. That is usually not a sign that the next rally wave higher had started. Therefore, the question this weekend is whether Monday's low was the key market turning point estimated by an early arrival of a Fibonacci phi mate date or was Friday's higher close the peak of a brief corrective rally that will see the market turn sharply lower in the coming days.

The Dow Jones Industrial Average began the week with a 326 point decline but finished the week up 95.23 points, or 0.6%, to close at 15,794.08, and is down 4.7% this year. The S&P 500 Index recovered Monday's entire decline to finish the week up 14.43 points, or 0.8%, to close at 1,797.02, and is down 2.8% this year. The NASDAQ Composite also managed to recover the early week sell-off as it added 21.98 points, or 0.5%, to finish the week at 4,125.86, and is down 1.2% for the year. The Russell 2000 could not recover Monday's losses as it finished the week down 14.33 points, or -1.3%, to close at 1,116.55, which is down 4.0% in 2014.

The markets managed to recover the early week declines despite another disappointing Jobs Report from the Department of Labor. The January Jobs Report showed that 113,000 jobs were created last month and that the unemployment rate is now 6.6%. The January report also revised the dismal December number higher by 1,000 jobs. Last month, most experts were hoping that the December report would be revised sharply higher in the subsequent reports. However, the second consecutive disappointing labor report did not stop the markets from rallying higher. This leads me to believe that most of the trading was based on technical levels. There is also a theory that investors are hoping that the new Federal Reserve Chairwoman, Janet Yellen, will stop or slow the tapering process because of the weak economic reports. For over three years the Federal Reserve's policies have masked the underlying problems in the economy. I have said that the money printing policies have been steroids for the market or, as another analyst referred to it, "stock market heroin." Either way, the withdrawal process is going to be difficult and challenging.

The pundits on CNBC keep citing reasons why the economic data has been worse than expected. Most recently, the disappointing data has been blamed on the weather. The pundits were hoping for better data, but as I have said many times in the past, hope is not a financial plan. This is why I urge you to be prudent with your financial goals. It is important to make a plan to help you get from point A to point B. As we begin tax season, now is the time to focus on your financial future.

If you want to discuss your financial plan, asset allocation, tax strategies or would like a brochure on our B.E.L.I.E.V.E. Wealth Management process, please call my office.

Best Regards,

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