December 20, 2013

Dear Investors,

The markets enjoyed their second best point and percentage gains of the year this week after the Federal Reserve Chairman, Ben Bernanke, announced that it would reduce its monthly $85 billion bond buying program by $10 billion starting in January. Over the past few months any hint of tapering sent the markets down. However, the markets generally do not do what everyone expects. The markets surged to new all-time highs. I have previously said that, after a correction wave, the markets appeared ready to surge. It does appear that we are in the surge higher that could see the S&P 500 Index soar to 1,850 to 1,875. There is a Fibonacci phi mate turning date coming on January 3, 2014 so the question becomes what will be the top of the projected target or the bottom of another corrective wave down before the market surge to the projected target?

The Dow Jones Industrial Average soared 465.82 points, or nearly 3.0%, to finish the week at 16,221.14, and is up 23.8% for the year. The S&P 500 Index rose 43.00 points, or 2.4%, this week to finish at 1,818.32, and is up 27.5% this year. The NASDAQ Composite gained 103.76 points, or 2.6%, for the week to close at of 4,104.74, which is up 35.9% year-to-date. The Russell 2000 was the biggest percentage gainer of the week as it jumped 3.6%, or 39.42 points, for the week to close at 1,146.47, which is up 35% this year.

The economic news this week was confusing to interpret. On Friday, the Commerce Department said that the nation's gross domestic product expanded at a 4.1% annual rate in the July-through-September period rather than the 3.6% previously reported. Officials originally thought that most of that came from an unusually large increase in the restocking of goods, something that typically cannot be maintained throughout the year. However, the news report found that consumer spending was stronger and had contributed significantly more than believed to the quarter's jump in GDP growth from a rate of 2.5% in the second quarter. I find it even more interesting because if you recall from my previous letter, two of the nation’s largest retailers, Walmart and Macy’s, reported disappointing third quarter sales. We also learned that U.S. home sales hit a near one-year low in November and new filings for unemployment benefits unexpectedly rose last week. However, investors seemed to ignore the economic weakness to carry the markets higher based on the fact that the Fed will continue to print $75 billion a month.

It is important to remember that the stock market prices are driven by supply and demand. The supply and demand should be a function of earnings and growth. The earnings and growth are simply not present to support the lofty market valuations, and most of the demand is being created by the newly printed money from the Federal Reserve. There are many things on sale this holiday season but the stock market is not cheap or “on-sale” at this point.

I encourage you to visit our new website, www.summitasset.com. Also, we are now on Facebook and Twitter, so please Like us on Facebook and follow us on Twitter. This is a

great way to introduce family, friends and colleagues to our B.E.L.I.E.V.E. Wealth Management process.

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

The next market analysis letter will be December 31st. Have a Merry Christmas and Happy New Year!

Vincent Pallitto, CPA, CFP®
Certified College Planning Specialist
Summit Asset Management, Inc.
www.summitasset.com
973-301-2360
973-301-2370 Fax
A branch office of, and securities offered through LPL Financial
Member FINRA SIPC