Perspectives

SECOND QUARTER 2013

Since hitting a bear-market low in March 2009, the Dow Jones Industrial Average has jumped over 118 percent, returning to the record levels seen in the fall of 2007. While the headline certainly grabs attention, there's one burning question on the minds of many investors: Is now a good time to get in?

Does Record High Mean Time to Buy?

By Ryan George
Director of Communications, 1st Global

Estimates from Bloomberg expect the U.S. economy will see a modest 2 percent growth in gross domestic product (GDP) for the 2013 calendar year. In addition, S&P 500 earnings per share (EPS) estimates for 2013 currently sit at $111.45 versus $100.90 for the same time period in 2012. We believe that 10 percent increase and the moderate economic growth should support higher asset valuations this year.

It's Time *IN* the Market that Matters

There's an old Wall Street adage that says "It's time in the market, not timing the market that matters." In today's environment, successful investing isn't determined by timing the market. The market rarely moves in only one direction and several market forecasters are predicting a pullback is on the horizon.

However, investors shouldn't be fearful of a pullback. Take last year's market movements for example, we had three separate periods of downdrafts in global stocks. Each time many were saying it's time to "get out" but those investors who fled the market missed out when prices resurged. By the end of the year, the S&P 500 Index had increased nearly 15 percent.

It is during times of fear or concern, as well as euphoria or optimism, that investors should engage their 1st Global advisor to revisit their investment profile. Investors can use their counsel to define their needs, time horizon and how much volatility is tolerable.

After four years where asset class returns varied, relative asset class performance returned to historical norms in 2012. This illustrates 1st Global's long-held belief that investors should be in multiple asset classes. If an investor was able to participate according to his or her risk level given their time horizon, meet their cash flow needs and accept uncertainty of some outcomes, they would have participated in various asset classes and performed very well.

In addition, investors should not focus energy on trying to pick winners and losers among stocks or asset classes. If investors have learned anything from the past three or four years of the market, it should be that they must carefully go through the exercise of analyzing their time horizon, ability and willingness to handle volatility, and then work with an advisor to construct or identify a diversified portfolio that is consistent.

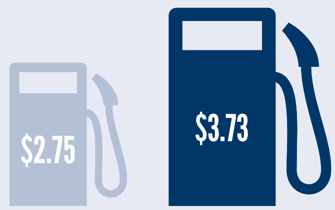
Source: Bloomberg

The Dow Then and Now

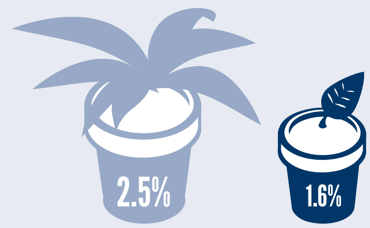
The Dow Jones Industrial Average is making record highs, knocking the 2007 peak off its pedestal, but investors aren't celebrating. Investing in today's stock market is counterintuitive to some Americans because of unemployment statistics, dysfunction in Washington and ongoing negative news about the U.S. economy. When discussing the Dow's all-time high, *The New York Times* indicated that investors aren't popping bottles of champagne and dropping confetti like they would have in years past. "The stock market's volatility has scared retail investors for several years. A total of $556 billion has been taken out of mutual funds focused on American stocks since October 2007, according to the Investment Company Institute. That is an enormous pot of money that largely missed out on the market's recovery," says *The Times*.

CONSUMERS ARE LESS CONFIDENT

THEN	NOW
99.5	69.6
IN 2007	IN 2013

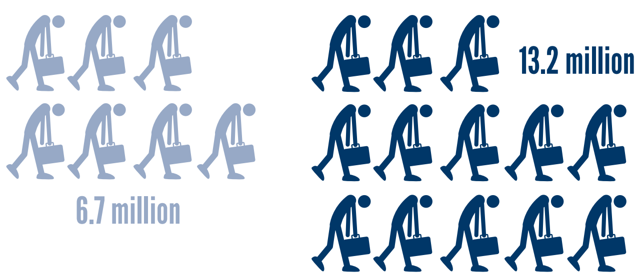


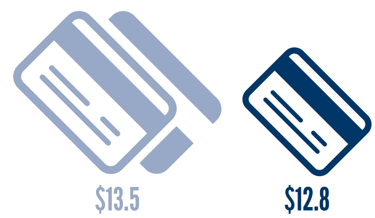
AMERICANS PAY MORE FOR A GALLON OF GAS



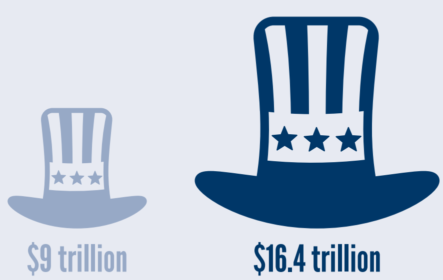
THE U.S. ECONOMY ISN'T GROWING AS FAST

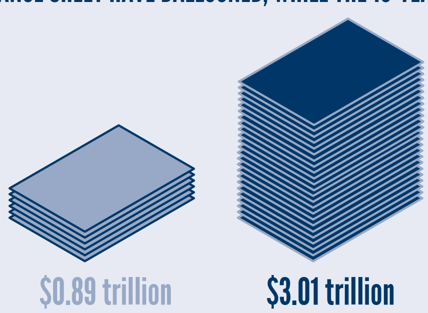
MORE AMERICANS ARE UNEMPLOYED AND USING FOOD STAMPS, BUT THE GOOD NEWS IS THAT THERE'S LESS HOUSEHOLD DEBT.

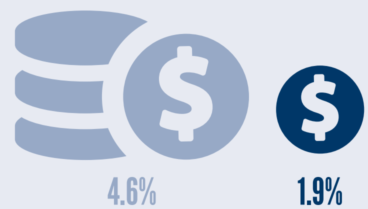




U.S. DEBT AND THE FED'S BALANCE SHEET HAVE BALLOONED, WHILE THE 10-YEAR TREASURY YIELD IS LOW.







Source: U.S. Global Investors

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