

INVESTMENT FORUM AGENDA FOR WEDNESDAY, JANUARY 9, 2013, 10:30AM

The Forum will meet at 10:30 AM on January 16.

The Forum will meet at 11:50AM starting January 23, for the Winter term

The year that was. We last met on 12/12/2012. That day the S&P closed at 1,428. From 12/12/2012 through the rest of the year, the S&P moved down 2 points, closing the year at 1,426. This modest move in the midst of the drama and uncertainty of the “fiscal cliff,” which, compared to the drama over the debt ceiling in August 2011, the markets remained relatively calm.

For the entire year of 2012, the S&P moved up 13.3%, from 1,258 on 12/31/2011, to 1,426. Including dividends, and the S&P was up 15.4%. The DOW was up 7.3% for the year, and the NASDAQ was up 15.9% (prices only, excluding dividends.)

The week that was. For the week ending 1/4/2013, (which was four days) the S&P moved up 4.6% (and highest close in five years;) the DOW was up 3.8%, and the NASDAQ was up 4.8%. Most pundits attribute the strong week to the (sort of) resolution of the fiscal cliff, and continued decent economic news.

The year that will be. Enough history. What’s ahead?

You may recall that we took a survey at our last session on December 12, where you predicted the markets’ performance in 2013. 30 of you responded, and here is what you said the S&P will do in 2013:

Performance
Votes

Down 20% to 30%
1
Down 10% to even
4
Even to up 10%
11
Up 10% to up 20%
10
Up 20% to up 30%
4

Crunching the numbers, and using the midpoints of the ranges, the consensus is a 10.3% gain in the S&P for 2013, which would translate to an S&P at 1,575 as of 12/31/2013. That would exceed its all-time high of 1,565 on 10/9/2007.

What do others say? Barron’s “Outlook 2013” (in the 12/17/2012 issue, and after your predictions) projected a . . . (drum role) 10% rise in the equity markets from a panel of ten “experts.” The range was 1,434 to 1,660. I guess the take-away is that your views are right in the mainstream, and consistent with folks who get paid a whole lot of money to ponder the markets. And that 2013 will be a decent to good year for equity investors.

Fund trends. The 1/4/2013 Wall Street Journal noted that several trends among funds continued in 2012. Actively-managed stock mutual funds had outflows of \$119 billion, whereas indexed stock ETFs had inflows \$30 billion. ETFs of all types had inflows of \$187 billion, raising their holdings to about \$1.4 trillion (but still only

10% of the mutual fund industry. The article further noted that most managed mutual funds continue to lag the indexes.

Whither bonds? Bond yields rose sharply for the week, with the ten-year T moving from 1.71% to 1.90%. The price of TLT (Treasury long-term ETF) dropped by 4.1%. Could this be the long-awaited rise in interest rates? Are fixed-income investors about to get slaughtered? Warnings abound about pricey corporate bonds, junk bonds, all bonds. OTOH (on the other hand, for those of you not into social media lingo) chicken little predictions of rising rates have been sounded before (including my me) and bond bears have been zero for thirty years.

Buys and Sells

This list is from December 12. I suspect that many of you have made quite a few trades since then. Please review your records and bring your buys and sells since mid-December to the Forum this week.

Buys

ALPS Alerian MLP ETF (AMLP)
Kinder Morgan Management (KMR) - 2 buys

Hennessey Gas Utility Index (GASFX)
CSX Corp (CSX)
MarkWest Energy Partners (MWE)
Bank of America (BAC)
Facebook (FB)
Wells Fargo (WFC)
Apache (APA)
McDonalds (MCD)
Express Scripts (ESRX)

Sells

Medtronic (MDT)
Phillips Electronics
Davita Healthcare Partners (DVA) - charitable contribution
American Agency MREIT (AGNC)
CSX Corp (CSX)

Thinking About . . .

McDonalds (MCD)
Kinder Morgan, Inc (KMI)
Gilead Sciences (GILD)
C H Robinson Worldwide (CHRW)
Technology Select Sector SPDR (XLK)

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