EPIC CAPITAL WEALTH MANAGEMENT

WEEKLY MARKET COMMENTARY **June 3, 2013**

The Markets

The Fed will taper… the Fed will not… the Fed will taper… the Fed will not…

Last week, investors and traders obsessed about the Federal Reserve and the possibility it might begin to end its quantitative easing program. The Fed began its first round of quantitative easing during the financial crisis in an effort to prop up the American economy. In general, quantitative easing helps increase money supply and promote lending and liquidity. Investors' fears about what may happen when the program ends were apparent when, despite abundant positive economic news, major U.S. stock markets lost value last week.

On Tuesday, after the Memorial Day holiday, the Standard & Poor's Case-Shiller home price index posted its biggest gain in seven years. Housing prices increased in every one of the 20 cities it tracks. U.S. stock markets initially responded positively to the news. However, it wasn't long before investors began to worry that stronger housing prices might speed up the Fed's timetable for quantitative easing, and U.S. stock markets moved lower on Wednesday.

On Thursday, weaker-than-expected economic data – first quarter gross domestic product (GDP) growth for the United States was revised downward from 2.5 percent to 2.4 percent – pushed markets higher.

On Friday, positive news – the Thomson Reuters/University of Michigan index of sentiment showed consumer confidence had reached its highest level in six years – caused markets to move lower.

U.S. stocks generally finished higher for the month of May despite last week's performance. The Dow Jones Industrial Index gained 1.9 percent, the Standard & Poor's 500 Index rose by 2.1 percent, and the NASDAQ was up 3.8 percent.

Treasuries, however, delivered their worst monthly performance since 2010. During the last four weeks, yields on 10-year Treasury notes rose from 1.6 percent to 2.1 percent – an increase of 50 basis points.

Data as of 5/31/13	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500	-1.1%	14.3%	24.5%	15.1%	3.3%	5.4%
10-year Treasury Note (Yield Only)	2.2	N/A	1.6	3.3	4.0	3.4
Gold (per ounce)	0.3	-17.7	-10.5	4.3	9.4	14.4
DJ-UBS Commodity Index	-1.0	-6.1	1.8	1.8	-9.5	0.8
DJ Equity All REIT TR Index	-5.2	8.0	19.1	17.7	6.0	11.4

Notes: S&P 500, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

SOME SAY THE CONSUMER FINANCIAL PROTECTION BUREAU (CFPB) unnecessarily limits consumers' choices and is not subject to sufficient oversight; others say it protects consumers from unethical business practices and unnecessary financial hardship. Regardless of the hoopla surrounding it, consumers have begun turning to the CFPB for help.

The CFPB is funded by the Federal Reserve and operates independently of Congress which is one reason some believe it does not have sufficient oversight. According to the CFPB's web site, its purpose is:

> "Above all… ensuring that consumers get the information they need to make the financial decisions they believe are best for themselves and their families – that prices are clear up front, that risks are visible, and that nothing is buried in fine print. In a market that works, consumers should be able to make direct comparisons among products and no provider should be able to use unfair, deceptive, or abusive practices."

From July 2011 (the date the CFPB became effective) through February 2013, the CFPB had received and worked to address more than 131,000 consumer complaints, including 5,000 issues raised by members of the military, veterans, and their families. The complaints typically are related to mortgages, credit cards, bank accounts and services, private student loans, consumer loans, and credit reporting. According to a recent article in *Barron's*, the CFPB is:

> "…Progressing in its original mission of reducing predatory lending by mortgage and auto lenders, credit-card issuers, and other consumer-finance outfits… So far, the agency has forced financial institutions to repay $425 million to consumers, and tackled bias in auto loans made by finance companies via car dealers. The CFPB has formulated tighter mortgage-lending rules that are being challenged in Congress. The bureau is about to begin regulating an estimated 22,000 payday offices."

For banks and financial firms, complying with CFPB rules may require operational makeovers and the not-insignificant expenses which may accompany them, according to American Banker.com. One financial institution spent 900 hours analyzing how its mortgage operations, servicing, collections, and legal compliance measured up to CFPB rules. Then it modified its systems, processes, and training programs (or created new ones) to ensure it would remain in compliance. One outcome was the firm's compliance team grew from four to 17 employees.

So, what is the CFPB? Is it an overreaching compliance nightmare or an effective consumer watchdog? Only time will tell.

Weekly Focus – Think About It

"The optimist thinks this is the best of all possible worlds. The pessimist fears it is true."

--J. Robert Oppenheimer, American theoretical physicist

Financial Factoid: Friday (5/24/13) was the 100th stock trading day of 2013. The YTD split between "up" and "down" days on the S&P 500 is 62/38, better than the 50-year average split of 53/47 (source: BTN Research).

Epic Humor: At Duke University, there were four sophomores taking Organic Chemistry. They were doing so well on all the quizzes, midterms and labs, etc., that each had an "A" so far for the semester.

These four friends were so confident that the weekend before finals, they decided to go up to the University of Virginia and party with some friends there. They had a great time, but after all the hearty partying, they slept all day Sunday and didn't make it back to Duke until early Monday morning.

Rather than taking the final then, they decided to find their professor after the final and explain to him why they missed it. They explained that they had gone to UVA for the weekend with the plan to come back in time to study, but, unfortunately, they had a flat tire on the way back, didn't have a spare, and couldn't get help for a long time. As a result, they missed the final.

The professor thought it over and then agreed they could make up the final the following day. The guys were elated and relieved. They studied that night and went in the next day at the time the professor had told them. He placed them in separate rooms and handed each of them a test booklet, and told them to begin.

They looked at the first problem, worth five points. It was something simple about free radical formation. "Cool," they thought at the same time, each one in his separate room, "this is going to be easy." Each finished the problem and then turned the page.

On the second page was written: (For 95 points): Which tire?

Have a great week!

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.
* The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.
* The 10-year Treasury note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market
* Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.
* The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
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