

EPIC CAPITAL WEALTH MANAGEMENT



WEEKLY MARKET COMMENTARY

March 25, 2013

The Markets

Like a not-quite-dead villain in a horror film, the Eurozone crisis raised its ugly head again last week, scaring investors and causing many stock markets to close flat or slightly down for the week, according to *Barron's*. Investors' worries strengthened demand for Treasuries, pushing the yield on the benchmark 10-year bond lower.

The hero of last week's drama might have been the United States which delivered a plethora of stronger economic data that included a steady decline in unemployment claims, an increase in factory activity, and a rise in existing home sales. The positive news suggested that the U.S. economy was gaining momentum. In addition, Federal Reserve Chairman Ben Bernanke reiterated the Fed's commitment to accommodative monetary policy. He set the expectation short-term interest rates will stay at exceptionally low levels until unemployment falls to 6.5 percent. Some believe that could happen in 2015.

Signs of strength in the U.S. economy were overwhelmed by another crisis in the Eurozone. This time the issue was Cyprus, an island nation that accounts for a tiny portion of the Eurozone's economic production. Cyprus has relatively robust growth and boasts a small budget deficit, so why did it ask for a bailout? According to *The Economist*, the issue is the country's banks are bigger than its domestic economy. Since a bank deposit guarantee is only as good as the country providing it, Cyprus needed assistance. Cyprus is a microcosm of the Eurozone which has about "€8 trillion of deposits and only €4.5 trillion of annual government revenues," according to BCA Research cited in *The Economist*.

Eurozone leaders responded to the Cypriot bailout request by suggesting the country impose a tax on bank deposits. The Cypriot parliament rejected the suggestion and the European Central Bank responded with an ultimatum: accept a bailout by Monday or else. The government's decision will affect Cyprus' largest banks and, possibly, the country's participation in the Euro.

All eyes will be on Cyprus on today.

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Data as of 3/22/13	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (US Stocks)	-0.2%	9.2%	11.8%	10.1%	2.3%	6.1%
10-year Treasury Note (Yield Only)	1.9	N/A	2.3	3.7	3.5	4.0
Gold (per ounce)	0.8	-5.1	-1.7	13.6	11.6	17.2
DJ-UBS Commodity Index	-0.3	-0.8	-3.5	1.5	-7.1	2.1
DJ Equity All REIT TR Index	-0.3	6.4	17.9	16.3	5.9	12.4

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.

YOU MAY HATE FILING TAXES, BUT IDENTITY THIEVES DON'T. That's probably because they expect to get refunds. The Internal Revenue Service (IRS) reports tax refund identity fraud is a rapidly growing crime. During fiscal year (FY) 2011 (which started October 2010), 276 investigations were initiated. For FY2012, that number had increased to 898. During just the first three months of FY2013, 542 investigations have been opened.

How does it work? According to the IRS, identity thieves use stolen personal information to file fake tax returns and collect undeserved refunds. In one case, a criminal filed false returns in the names of deceased taxpayers. In another, criminals broke into a tax preparation office, stole files containing personal information, and filed tax returns claiming fraudulent refunds.

The IRS reports it is taking steps to protect taxpayers. They suggest taxpayers take basic steps to protect themselves, as well:

- Don't carry your Social Security card with you
- Don't give your Social Security number or Individual Taxpayer Identification Number to businesses (verbally or in writing) unless it is *required*
- Check your credit report at least once each year
- Protect your personal computers with firewalls, anti-virus software, and updated security patches
- Choose hard-to-break passwords and change them frequently
- Don't provide personal information to anyone unless you know them well and understand how they plan to use it

Source: Internal Revenue Service

If you have aging parents, it's important to discuss identity theft and encourage them to take necessary precautions. Developing good habits – such as always keeping your personal identification numbers and financial documents in a secure place – can go a long way toward keeping personal information safe.

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Weekly Focus – Think About It

“When you are courting a nice girl, an hour seems like a second. When you sit on a red-hot cinder, a second seems like an hour. That's relativity.”

--Albert Einstein, theoretical physicist

Financial Factoid: Over the last 300 months ending 2/28/13 (ie. the last 25 years), the S&P 500 has been up 64% of the months and down the other 36% of the months. The period includes the 2000-02 bear market (down 49%) and the 2007-09 (down 57%).

Epic Humor: After a young couple brought their new baby home, the wife suggested that her husband should try his hand at changing diapers. "I'm a bit busy," he said, "I'll do the next one." The next time came around and she asked again. The husband looked puzzled, "Oh! I didn't mean the next diaper. I meant the next baby!"

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.

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- * 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.
- * Past performance does not guarantee future results.
- * You cannot invest directly in an index.
- * Consult your financial professional before making any investment decision