EPIC CAPITAL WEALTH MANAGEMENT

WEEKLY MARKET COMMENTARY **June 10, 2013**

The Markets

Like a funhouse mirror, investors' concerns about whether and when the Federal Reserve will begin to end its quantitative easing program contorted market responses to economic news last week. Unexceptional economic reports were treated as good news and pushed stock markets higher; strong economic reports were treated as bad news and pushed stock markets lower.

Markets headed south mid-week, but responded positively to the U.S. May jobs report. It was a Goldilocks report – neither too weak nor too strong – which showed the Labor Department added slightly more jobs than expected in May. Apparently, investors thought the increase was not large enough to spur the Federal Reserve to early action on quantitative easing, and U.S. stock markets finished the week higher. The Dow Jones Industrial Average was up 0.9 percent, the Standard & Poor's 500 Index gained 0.8 percent, and the NASDAQ rose 0.4 percent.

Uncertainty about the future of quantitative easing has created volatility in U.S. bond markets during the past few weeks. Concerns the Fed could begin tapering sooner rather than later, triggered a sharp increase in bond yields during that period. In addition, several new offerings in the municipal bond market – issued by cities and states, municipal bonds typically are exempt from federal tax – have been scaled back or postponed because of market uncertainty.

If concerns about the end of quantitative easing continue to dominate, it's possible markets may continue to respond to economic news in unexpected ways. So, what's on deck for next week? Economic news should include the May retail sales report, initial June consumer sentiment reading, and inflation data.

Data as of 6/7/13	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500	0.8%	15.2%	25.0%	16.1%	3.8%	5.4%
10-year Treasury Note (Yield Only)	2.2	N/A	1.7	3.2	4.0	3.3
Gold (per ounce)	-0.6	-18.2	-12.6	4.5	9.1	14.4
DJ-UBS Commodity Index	0.5	-5.6	1.6	2.4	-9.9	0.9
DJ Equity All REIT TR Index	-0.1	7.9	18.5	19.5	6.6	11.2

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.

Is Investing in the Stock Market More Like Golf or Tennis? Every sport has a certain way to measure performance. For example:

- Running is based on time.
- The high jump is based on feet and inches.
- Football and basketball are based on points.
- Baseball is based on runs.
- The decathlon is based on the cumulative score from 10 different events.

So, how do we measure success as an investor?

A recent report from Invesco used golf and tennis as an analogy for how to win as an investor. The report pointed out tennis is scored using match play, meaning your performance is measured at intervals along the way.(1) You can win games, which leads to winning sets, which leads to winning the match. In effect, tennis players have to win along the way in order to win at the end of the match.

By contrast, golf is scored using stroke play, meaning it doesn't matter who wins any particular hole. Rather, the winner is determined by who has the lowest cumulative score at the end of the round or match.

Despite their different scoring systems, people who win at golf and tennis still need to perform somewhat consistently throughout their performance. Tennis players can't play great for 3 games and then poorly in 4 games and still win the set. Likewise, golfers who triple bogey 12 holes and birdie 6 holes probably won't win the club championship.

Now, before we can determine whether winning as an investor is more like golf or tennis, we have to define what "winning as an investor" means. Simply put, we can define winning as an investor to mean you've achieved your financial goals within the timeframe you've identified and at a risk level that was acceptable to you.

Using that definition, winning as an investor is more like winning at golf than tennis.

In golf, the winner is determined at the end of the round or match and who won each individual hole does not matter. Likewise, a winning investor "wins" when they've achieved their goals by the end of the specified period.

Of course, real life investing is not so neat and tidy. Just like golfers sometimes take a triple bogey, the stock market sometimes takes a big drop. And, while nobody likes to see these declines, it's important to understand they will happen.

In addition, golfers are sometimes tied at the end of a tournament so they have to play extra holes. Similarly, the financial markets occasionally experience extended declines which may mean it will take investors longer to reach their goals than originally planned.

Consider this, too: golfers have numerous clubs in their bag they can use depending on how far they are from the hole, their lie, and any obstacles that may be in their way (e.g., a tree). On the tee at a par 5 hole, for example, a golfer might take out a driver because they have a long way to go. Likewise, for clients who are a long way from retirement, we might more heavily weigh equities in an effort to pursue a greater return. Conversely, a golfer on the green facing a 3-foot putt would pull out a putter instead of a driver while accepting more risk. Likewise, if you're in retirement, there are certain asset classes with risk and return characteristics that may be more suited to your portfolio than a heavy allocation to equities.

Golf, tennis, and investing have a lot in common. They can all be played competitively and competitive people like to keep score and win. As a "competitive" advisor, we do our best to "win" the investment game on your behalf so you can spend more of your time doing what you enjoy the most… *which might include golf or tennis!*

(Investing in securities is subject to market fluctuation and possible loss of principal. No strategy assures success or protects against loss.)

Weekly Focus – Think About It

"I've learned that people will forget what you said, people will forget what you did, but people will never forget how you made them feel."

--*Maya Angelou, American author and poet*

Financial Factoid: June is ranked 10th out of the 12 months for average total return performance for the S&P 500 since 1990. Only August and September have historically produced a poorer average stock market performance than June (Source: BTN Research).

Epic Humor: This is the true story of George Phillips of Meridian, Mississippi, who was going to bed when his wife told him that he'd left the light on in the shed. George opened the door to go turn off the light but saw there were people in the shed in the process of stealing things.

He immediately phoned the police, who asked "*Is someone in your house?*" and George said no and explained the situation. Then they explained that all patrols were busy, and that he should simply lock his door and an officer would be there when available.

George said, "Okay," hung up, counted to 30, and phoned the police again.

"*Hello, I just called you a few seconds ago because there were people in my shed. Well, you don't have to worry about them now because I've just shot them all.*"

Then he hung up. Within five minutes three squad cars, an Armed Response unit, and an ambulance showed up. Of course, the police caught the burglars red-handed.

One of the policemen said to George: "*I thought you said that you'd shot them!*"

George said, "*I thought you said there was nobody available!*"

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.
* Past performance does not guarantee future results.
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