Quantitative Asset Management, LLC
Investment & Advisory Services

Newsletter

July 11, 2013

Dear Clients,

Quarter Ending June 30, 2013		
Year to Date Performance	**Last Full Quarter**	**Index Close**
Dow Jones Industrial Averages	2.9%	14,909.60
NASDAQ Composite Price	4.2%	3,403.25
Standard & Poor's Averages	2.9%	1,606.28
Barclay's Capital Bond Index	-2.5%	
EAFE-Global Markets	-0.7%	

The first six months of 2013 produced double-digit returns for most equities despite a down June, the first negative month in the last seven. This performance was the best the markets have produced since early 1999. On average, foreign equities returned roughly five percent and bonds produced negative returns. Given the stellar rise in equity valuations, it would be normal to see some profit taking before year-end, but in my opinion, any pull back will be brief and not too severe. As I have mentioned before, equities face little competition in the investment markets, and that is not going to change significantly in the next year or two.

Federal Reserve Chairman Bernanke's public comments announcing his intent to eventually end the bond buying stimulus program sent interest rates skyrocketing despite no actual change in Fed rates. Ten-year Treasury bond yields jumped more than sixty percent by the end of the quarter, and this will be problematic for a housing recovery. I believe most of the positive activity in the housing sector has occurred as a result of buyers rushing to lock-in purchases in anticipation of rising mortgage rates. This trend will eventually moderate, as owning a home is quickly becoming much more expensive.

The U.S. economy appears to be expanding modestly as corporations begin to spend and hire new employees. However, the unemployment numbers don't tell the whole story. Current and proposed legislation, i.e. health care reform and higher tax rates, have tempered full-time employment gains. Add to that the sequester programs and it is not hard to see why we are faced with only modest growth prospects.

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Globally, many countries are struggling with their own economic issues. The BRICS, (Brazil, Russia, India, China, and South Africa) have all been experiencing slowing growth rates. The Euro Zone countries continue to struggle with the peripheral economies of Spain, Italy, and Greece to name a few. The European Central Bank faces many challenges, and Germany and France must shoulder much of the burden in managing the EU's way back to health. England's economy seems to be crawling out of recession, while the Japanese government is attempting to stimulate its way out of their problems. All these issues will continue to be obstacles to producing strong economic growth over the next few years.

The really good news is that these issues are being addressed and corporations are getting healthier. The U.S. and corporate America have stepped way back from the financial precipice we were faced with five years ago. Economic expansion is likely to remain subdued until business sentiment and the employment statistics improve, and Washington clearly defines future economic policies.

The equity markets are still the only attractive investment alternative as there is still too much cash on the sidelines, and bond owners are faced with low current yields.

We at Quantitative Asset Management hope you have a wonderful summer. As always, never hesitate to call if you have any questions and thank you for your continued confidence.

Sincerely,

Jeffrey L. Farni Sr.

**As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request.*

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