



James H. Fydroski CFP®, President
President, Haas Financial Services Inc.

Look Back—2013

JIM'S JOURNAL

Fueled primarily by massive amounts of stimulus money from the Federal Reserve and, to a lesser degree, by signs of improvement in the economy, the U.S. stock market saw significant gains in 2013. Despite these impressive stock returns, bond investors were not as fortunate since many bond categories posted low single digit or negative returns. Foreign markets were a mixed bag with developed regions such as Europe finishing with positive returns but lagging their U.S. counterparts. Many emerging markets such as Latin America lost ground.

The final tally in the U.S. market and in markets around the world looked like this: The Dow Jones Industrial Average gained +29.65% for the year 2013, the S&P 500 index was up +32.39% and the NASDAQ gained +40.12% (Source: Wall Street Journal 01-02-2014). Following the lead of the major indexes, the Average U.S. Stock Fund was up +32.3% in 2013. Individual sectors that outperformed on average were: Health & Biotech- +48.8% and Science & Technology +34.4%. Gold Oriented funds experienced some of the poorest results with an average loss of -49.0%. The average Taxable Bond Fund was up +0.8% in 2013 (Source: Wall Street Journal— January 6, 2014).

The final tally in the U.S. market and in markets around the world looked like this: The Dow Jones Industrial Average gained +29.65% for the year 2013, the S&P 500 index was up +32.39% and the NASDAQ gained +40.12% (Source: Wall Street Journal 01-02-2014). Following the lead of the major indexes, the Average U.S. Stock Fund was up +32.3% in 2013. Individual sectors that outperformed on average were: Health & Biotech- +48.8% and Science & Technology +34.4%. Gold Oriented funds experienced some of the poorest results with an average loss of -49.0%. The average Taxable Bond Fund was up +0.8% in 2013 (Source: Wall Street Journal— January 6, 2014).

As we say farewell to 2013, it is important to realize and recognize that it was a very good year for buy and hold investors but a lousy year for diversified portfolios, bonds and active money managers who manage for risk. 2013 was the year that buy and hold investors who held a plain vanilla portfolio of U.S. stocks had their day in the sun. In 2008, this group would have likely experienced high double digit losses. A typical market year, on average, experiences two to three corrections of from five to ten percent. In 2013, the S&P 500 fell -5.76% during a May-June pullback. That minor pullback, the only one of the year, was cut short when Fed Chairman Ben Bernanke jawboned the market back up during this brief downturn. Stock market fire alarms went off several times during the year but there ended up being no real fires. Active managers of risk, including the Haas Financial Money Management Program, were thrown off kilter by a Federal Reserve that was propping-up the stock market by infusing 85 billion dollars per month into the economy through its bond buying stimulus program. This action disrupted what is supposed to be a free market economy.

While not getting the huge upside gains this year, the Money Management Program has demonstrated both growth and downside risk management for over a decade. This Program is especially designed for retirees and pre-retirees, as well as others who believe growth, risk and loss potential need to be addressed and balanced in retirement. This is the time in our lives when taking out money from our accounts replaces saving for retirement.

In a more macro view of 2013 economic events, the stimulus bond buying programs of the Federal Reserve (often referred to as Quantitative Easing) served as the catalyst to propel the stock market higher. However, these stimulus programs have been almost as equally harmful to those who need fixed income. The idea behind the Fed actions is that money injected into the system plus artificially low interest rates will increase consumer spending and increase employment. As commentator John Mauldin pointed out in a recent commentary: "The counterproductive fact that savers and retirees have less to spend and therefore less propensity to consume seems to be lost in the equation. It is financial repression of the most serious variety, done in the name of the greater good; and it is hurting those who played by the rules, working and saving all their lives, only to see the goal posts moved as the game nears its end." Fixed income investors (which also include bond mutual fund investors) were winners in 2012 but losers in 2013.

As to what lies ahead for 2014, most early projections seem to turn out far different than what really happens by year end. However, the Stock Trader's Almanac "January Barometer" which currently has a 88.9% accuracy ratio, states that as the S&P 500 goes in January, so goes the rest of the year. As I write this newsletter, the S&P 500 is not doing well in January. We shall see... Finally, I mentioned in my December newsletter that we are looking to send future newsletters by email instead of the U.S. mail. A postcard is included with this newsletter asking for your preferences. Please fill it out and return to my assistant Patricia Thompson.

Wishing you a healthy and prosperous 2014. Take good care...

New Year Reflections

As has been my custom for many years now, the January newsletter will offer an inspirational message or two that I have come across either recently or in the past. The first inspirational message, *A SMILE*, came by way of a Lions Club Meeting in an address from Regional Chair, Dr. Ray Froling. As many of you know, the Lions Club is a community service organization that is dedicated to helping the blind. I will be inducted as a new Lions Club member on February 12. Following *A SMILE* are some words of wisdom from *The Furrow*. *The Furrow* is a John Deere publication that writes about farming issues but also has a section called "fun & Philosophy." As many of you know, I have a John Deere tractor that I use on my chestnut farm. Hope that you enjoy the reflective messages that I have included to start 2014.

A SMILE

A SMILE costs nothing but gives much. It enriches those who receive it without making poorer those who give it.

A SMILE takes but a moment, but the memory of it sometimes lasts forever.

None is so rich or mighty that he cannot get along without a SMILE and none is so poor that he cannot be made rich by it.

A SMILE creates happiness in the home, fosters good will in business, and is the countersign of friendship. It brings rest to the weary, cheer to the discouraged, sunshine to the sad, and it is nature's best antidote for trouble.

Yet, a SMILE cannot be bought, begged, borrowed, or stolen, for it is something that is of no value to anyone until it is given away.

Some people are too tired to give you a SMILE. So by all means, give them one of yours.

None needs a SMILE so much as he who has no more to give. By so doing you will warm two hearts in a special bond of friendship.

"fun & Philosophy."

- Circumstance does not make the man, it reveals him to himself.
- The hardest thing in life is to know which bridge to cross and which to burn.
- Self-confidence is the first requisite to great undertakings.
- While we are postponing, life speeds by.
- Nothing is more like a wise man than a fool who hold his tongue.
- It takes less effort to be happy than appear so.
- Life doesn't have to be perfect to be wonderful.
- A friend is one who holds judgment no matter how long you have waited for an answer to your letter.
- Great works are performed not by strength but by perseverance.
- It is literally true that you can succeed best and quickest by helping others to succeed.
- Some people are wise and some people are otherwise.
- The reward of a thing well done is having done it.

May your lives **and your investments** be filled with many SMILE moments in 2014. Take good care and Happy New Year!!!

ADVISORY SERVICES OFFERED THROUGH HAAS FINANCIAL SERVICES, INC.

21415 CIVIC CENTER DRIVE, SUITE 117A, SOUTHFIELD, MI 48076

[HTTP://WWW.HAASFSI.COM/](http://www.haasfsi.com/) PH 248-728-0028 Fax 248-499-1972 Jim@haasfsi.com