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12/31/13 Year End Economic Update

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What a year it's been! A pretty good one if we just look at the **US stock market indices up over 25%!**

Things to remember about 2013:

=> **The great government shutdown!** To be fair, the parties did try to pull it together and agree on a budget - not earth shattering, but it includes some deficit reduction, some easing of the sequester effects that hit earlier in the year, and hopefully will fend off another shutdown in January 2014.

=> **The launch of Obamacare** - government mandated health insurance and one of the main inspirations for the government shutdown- which was temporarily brought down not by the Tea Party, but by its own faulty website. It has met with mixed results. It has given insurance options to many previously uninsurable people, but has also resulted in cancellations of policies for some and rate increases for others. Unless the government really figures out a way to enforce that every American buys health insurance, rates are likely to continue to rise rapidly.

=> **Detroit** was the largest city yet to be allowed to **declare bankruptcy**, and we're still waiting to understand the full impact on the municipal bond market.

=> **The market reacted to every Fed hint regarding QE3** (the massive bond buying program intended to hold down interest rates and spur economic and job growth). Tapering might begin, stocks fell. Then the chairman said, no not yet, and stocks rose. Then maybe, and they fell. **On December 18th the Fed finally announced** that they would **reduce their monthly buy backs by \$10 billion/month** in 2014 to \$75 billion/month. The vote of confidence in the economy plus actual knowledge of the Fed's intentions was well received, and the market had a record day. Note that Ben Bernanke steps down in January just in time for the change.

2013 turned out not so bad after all. If economists are to be believed, 2014 might be pretty good, too. I'd still lean towards equities vs. bonds, and maybe start looking abroad again for some value. Happy New Year!

-Anita

	Current Month	Prior Month	1 Month	Prior Year	1 Year	52 Week	
	Dec-2013	Nov-2013*	% Change	Dec-2012	% Change	High	Low
Dow	16,576.66	16,086.41	3%	13,104.14	26%	16,588.25	13,104.30
S&P 500	1,848.36	1,805.81	2%	1,426.19	30%	1,849.44	1,426.19
NASDAQ	4,176.59	4,059.89	3%	3,019.51	38%	4,177.73	3,076.60
<i>Commodity Prices</i>							
gold	1,221.50	1,250.40	-2%	1,676.50	-27%	1,704.90	1,193.60
silver	18.88	19.99	-6%	30.13	-37%	32.32	18.84
oil	98.70	92.78	6%	92.29	7%	104.61	85.92
<i>Yield</i>							
2 Year Treasury	0.38%	0.28%	36%	0.24%	58%	0.52%	0.20%
10 Year Treasury	3.03%	2.74%	11%	1.75%	73%	3.03%	1.62%
30 Year Treasury	3.97%	3.81%	4%	2.95%	35%	3.97%	2.82%
<i>Currencies</i>							
USD/Euro	1.38	1.36	1%	1.32	5%	1.39	1.27
Yen/USD	105.31	90.65	16%	86.73	21%	105.41	86.56
<i>Interest Rates</i>							
Prime	3.25%	3.25%	0%	3.25%	0%	3.25%	3.25%
30 Yr Mortgage	4.68%	4.49%	4%	3.54%	32%	4.80%	3.54%

*Reflects Nov-29-2013 the last business day of that month.

Data source: www.WSJ.com

Indices mentioned are unmanaged and cannot be invested into directly. Past performance is not a guarantee of future results. These are the opinions of the author and not necessarily those of Cambridge. Information is believed to be from reliable sources, however, its accuracy or completeness cannot be guaranteed.

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