

# RAYMOND JAMES®

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Headlines this month featured the Oscars, Pope Benedict XVI's retirement, and the so-called sequestration. At this point, two of the three are a done deal, but it looks like the \$1.2 trillion in budget cuts scheduled to take effect March 1 will kick in. These across-the-board reductions in future spending were established in the 2011 Budget Control Act, as a measure to force lawmakers to work together to reduce the deficit before the January 1 deadline. That didn't happen; instead they delayed the "sequester" to March 1. Without further action from Congress, almost every federal department will see a reduction in their budgets over the next 10 years. It remains to be seen if a solution can be reached shortly after the March 1 deadline or what effect the cuts will have on jobs, the markets, and the economy.

Despite the uncertainty, the stock markets had a strong run in February, with the exception of a 2% decline in the third week. Shortly after that "pause", the major indices rallied again and closed at or near their highs, with the Dow hitting a 5-year record and closing out the month just shy of its all-time high. Generally positive economic reports on lower jobless claims and increased business spending bolstered the markets, as did a strong earnings season. For example, weekly jobless claims dropped, showing some improvement in the labor market. The Chicago Purchasing Managers Index (PMI) came in at 56.8, above the 50 reading that indicates an expansion and an 11-month high, and the majority of S&P 500 companies have reported quarterly earnings with 70% of firms beating expectations, according to Thomson Reuters. In other news though, the Commerce Department reported our economy grew just 0.1 percent in the fourth quarter, the slowest growth in two years.

	1/31/13 Close	2/28/13 Close	Change	Gain/Loss
DJIA	13,860.58	14,054.49	+193.91	+1.40%
NASDAQ	3,142.13	3,160.19	+18.06	+0.57%
S&P 500	1,498.11	1,514.68	+16.57	+1.11%

In other news, Federal Reserve Chairman Ben Bernanke testified to Congress that he believes it would take another three years for unemployment to fall below 6%, which seemed to indicate the central bank will maintain low interest rates and continue its asset purchases. He said, "In the current environment, the benefits of asset purchases and of policy accommodation more generally are clear: monetary policy is providing important support to the recovery."

Please contact your Raymond James financial advisor, if you have any questions.

Past performance may not be indicative of future results. The Dow Jones Industrial Average is an unmanaged index of 30 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. The S&P 500 is an unmanaged index of 500 widely held stocks. Investors cannot invest directly in an index. Performance mentioned does not include fees which would reduce an investor's return.