WEISS WEALTH MANAGEMENT GROUP of RAYMOND JAMES®

THE WEISS REPORT

SMART AND STEADY

Volume 16, Number 3 | July 1, 2013

LEONARD A. WEISS
SENIOR VICE PRESIDENT, INVESTMENTS
LEONARD.WEISS@RAYMONDJAMES.COM

LOWELL J. WEISS, J.D., CFP®
FINANCIAL ADVISOR
LOWELL.WEISS@RAYMONDJAMES.COM

WEISSWEALTHMANAGEMENT.COM

DJIA: 14,909 | NASDAQ: 3,403

Investing is like Farming

Dr. Steven Covey's most famous work was "The 7 Habits of Highly Effective People". In a different work, "Principled Centered Leadership" Dr. Covey shows how to integrate win/win thinking into running an organization. It is this piece he introduced what he called "The Law of the Farm" (LOTF). He claimed that the LOTF is part of "natural law", and is a key formula for human achievement.

To illustrate his point, Dr. Covey would start by asking what would happen to a farmer who didn't plant seeds, fertilize growth, and maintain the fields? Would this farmer just wheel out a barrel and tell the soybeans to jump in?

Of course the LOTF is a cycle, in which one must plant seeds, nurture growth and then would have a crop to harvest. Dr. Covey used this template to explain human growth and achievement. One must have an idea (the seed), one much nurture the growth of the idea, and maintain the discipline to keep moving forward even in difficult times. Then, one should have a result of the effort (the crop). Once this cycle is complete, one should assess successes and failures, and start the cycle over again!

So how does all this relate to investing?

The answer to this question begins with some detail of our tactical investment strategy. From the top down, there are really only two kinds of investments we would put into the discretionary portfolio we manage.

The first are investments we are married to. By this we mean that we would hold the investment through a decline cycle. We have strong conviction that whatever the investment is, it's potentially durable and will decline less than other investments. Our commitment to energy MLPs is a great example of such a marriage.

31500 Northwestern Hwy. – Suite 150 – Farmington Hills, MI 48334
248-932-5450 – 800-548-8008 Toll Free – 866-522-9601 Fax

The second are investments we are dating. By this we mean that we have confidence in the macro stock market, and confidence in the investment trend we select for a limited period of time, perhaps 6-18 months.

It is the dating investments that become subject to the LOTF.

First we have to research an idea we believe is suitable for our clients, and place funds into the positions. This is planting the seed. Then over the next few months, we expect to see some price growth (sprouts rising out of the ground). As the "crop" grows we have to monitor it closely, looking for new research that may change or reconfirm our thinking (fertilizing and watering).

If we are smart and lucky, the investment we made rises to a profit level we are satisfied with, regardless of what is going on in the macro stock market. We believe that when an investment we are "dating" appreciates above 20-25% within one year, we take our profit, (harvest the crop) and look for a new investment seed to plant.

This process allows a tactical allocator to be able to be fully invested in stocks when we think appropriate, but raise some cash to cushion what we think could be a market decline. In the case where we think the macro market could decline in the short term, we will sell all dating positions regardless of their status. This action is designed to limit downside volatility in down markets.

May 2013 turned into a great environment to harvest many of our "dates". The market has been up in all of the first five months of 2013. While we love market rallies, this kind of performance is a bit atypical. However, it provided the wind to take many of investments into the "harvest time" profit zone. By June 1, 2013 most portfolios have a cash position as large as 25-30%, instead of the normal 5-7% cash we like to maintain.

The reason we harvest is that stocks only go up or down for a certain period of time, and will eventually move the other way for a period of time.

After five months straight up, we searched our holdings for investments that had a "bumper crop" of growth. The best example of our bounty was in a REIT that manages medical properties:

- The price on 12/31/12 was near $60.
- The price on 5/1/13 was $74, and we sold ½ of our holdings
- The price on 5/21/13 was over $77 and we sold the other half.
- The price on 5/22/13 touched $80.07.
- The price on 6/5/13 touched $66.50

The investment we're referring to pays an annual dividend of $3.06 per share. If we repurchased bought the shares back on June 5, the dollar value of not holding the stock while it declined is the equivalent of 4.5 years of future dividends!

The best news is the majority of the stock in question here was bought mostly in the low $50s, so we harvested a bumper crop on this position.

IN SUMMARY: Much is written about the value of long term buy and hold strategies. We don't employ this concept. We have a series of core investments, ones we are married to. Other investments we see as shorter term holds, and use the Law of the Farm to construct, manage and harvest these investments. In this context, investing is a lot like farming!

WHAT DO WE EXPECT AHEAD?

We stated in our last edition that the stock market's sharp advance was atypical. We questioned whether we could be forming another bubble as the monthly data of the macro economy doesn't seem to justify the advance.

But we continue to have faith that the market knows more than any one or group of players in it. We said in April that the next few months are likely to tell us something that justifies the advance we've enjoyed. Perhaps the economic data is about to improve, or some news that isn't evident today making itself known in a positive way to overcome the bubble forming argument.

We continue to monitor daily economic data and trend analysis by other Wall Street strategists. The jury is still out for now. We will point out that as of June 6, the Standard and Poor's 500 Stock Index (S & P 500) has declined just over 4% so far this month. Perhaps a short term rest to the rally is beginning.

PORTFOLIOS

Our portfolios have had some major makeovers in 2013. As a result of the 2008-9 bear market, we decided to keep a tight control of the risks we were taking by managing almost all assets in house. By this we mean we bought individual stocks and bonds and did not use many outside asset management products. This way we could know more about what we own, and not rely on any third party.

Today, the effects of the recessions have mostly cleared in the market. Healthy companies are making consistent profits, and whatever failed five years ago is moot, such as Lehman Brothers, AIG, and Countrywide Mortgage.

Accordingly, we have researched some third party managed investments we think are worthy of being married to. In the past, traditional asset allocation had us placing assets by investment style (growth or value) and the size of the companies (small cap vs large cap). We have NOT returned to this thinking.

Rather, we have researched investments that offer tactical trading concepts to an investment trend. Here are examples of the types of investments added recently:

- A tactical portfolio that shifts its assets between stocks, bonds, and commodities. This approach allows the manager to be unrestrained in shifting between the asset classes. It is the tactical nature of the portfolio to limit downside volatility that is our goal here.

- A portfolio whose strategy is dedicated to finding growth stocks that raise their dividends at least 10% for 10 straight years. These stocks are not necessarily high yielding dividend stocks. The raising of the dividend as a proxy for consistent earnings growth. It is the consistent growth that is our goal here.

- An investment that specializes in medium size companies with strong balance sheets. It is from portfolios such as this that a medium size company may become a large company. It is that growth that is our goal here.

One area we have not reduced much is the energy MLPs. The longer the development of this trend, the more energy we find to be recovered. In 2009, the United States Geological Service (USGS) estimated that the Bakken shale field in North Dakota had 4 ½ billion barrels of recoverable crude oil. In May 2013, it was reported in the Minneapolis Star Tribune that the USGS new update estimates 7.4 billion barrels of crude are in the Bakken field.

Our research leads us to believe that it will be several more years until all the pipeline infrastructure needed will be in place. Remember, our emphasis is NOT on owning the commodity itself. We are interested in the "toll roads" needed to store and transport the raw and finished products.

We believe this sector is the most vibrant in today's economy, and warrants our being married to the companies.

Enclosure #1 is an historical look at job recovery post-recession. On page two of the piece, you will see a chart that tracks job recovery for all recessions since World War II. The vertical axis shows job losses from the prior peak of the economy. That's why all colored lines start in the same place. The horizontal axis is how many months it took for each recovery to reach the point of the previous employment peaks. Whether the recovery was led by a Republican or Democrat administration, nine of the 11 previous recoveries return to their previous employment peaks in 30 months or less. Sadly, the current recovery is in month 64, and published reports speculate that it will be several more years before we reach the 2007 peak. We think we know the cause of why prior recoveries were so robust, and this recovery is just a bust. Incentives Matter!

Enclosure #2 is a copy of May 28th 2013 comments by Jeff Saut, chief strategist for Raymond James Financial. Like many, we are worried that the current bull run can form another bubble that will lead to a sharp decline as in 2001 and 2008. Saut's concept is that most of the time markets move sideways. But when they make a move up or down, it usually is contained to a 20-25 day period before market rest. In this comment, Saut points out that the runaway market has run over 100 sessions without a 5% pullback. His analysis keeps our eyes wide open.

Enclosure #3 brings you up to date with organizational changes we've made at Weiss Wealth Management Group over the last couple of years.

Important Disclosures

This report is not intended as a complete description of the securities, markets or developments referred to herein. It should not be viewed as an offer to buy or sell any of the securities mentioned. Information has been obtained from sources considered reliable, but we do not guarantee that the foregoing report is accurate and complete. Additional information and sources are available upon request.

The enclosures are being provided for informational purposes only. They do not necessarily reflect the opinion of Raymond James & Associates or its employees. Raymond James & Associates does not render legal advice on tax or legal matters. You should consult with a qualified tax advisor prior to making any investments decision.

Past performance does not guarantee future results. There is no assurance the trends mentioned will continue. No investment strategy, including diversification and asset allocation, can guarantee a profit or protect against loss in a declining market. This analysis does not include transaction costs and tax considerations. If included these costs would reduce an investor's return.

Fixed income securities are subject to risks including interest rate, inflation, credit and market risks. If sold prior to maturity, an investor will receive the current market value, which may be more or less than the original investment.

The S & P 500 is an unmanaged index of 500 widely held stocks generally considered representative of the US equity market. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. It is not possible to invest directly in an index

MLP distributions are not guaranteed. The actual amount of cash distributions may fluctuate and will depend on the future operating performance. Increasing interest rates could have an adverse effect on MLP unit prices as alternative yields become more attractive.

REITs are financial vehicles that pool investors' capital to purchase or finance real estate. REITs may concentrate their investments in specific geographic areas or in specific properties types, i.e., hotels, shopping malls, residential complexes and office buildings. The value of the REITs and the ability of the REITs to distribute income may be adversely affected by several factors, including rising interest rates, changes in the national, state and local economic climate and real-estate conditions.

Raymond James & Associates, Inc., Member New York Stock Exchange/SIPC

Views expressed in this report are the current opinion of the authors, but not necessarily those of Raymond James & Associates. The authors' opinions are subject to change without notice.

Asset allocation and diversification do not ensure a profit or protect against a loss. Gross Domestic Product (GDP) is the annual total market value of all final goods and services produced domestically by the U.S.

Companies engaged in business related to a specific sector are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification. Investments in the energy sector are not suitable for all investors. Further information regarding these investments is available from your financial advisor.

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®,

CERTIFIED FINANCIAL PLANNER™ and in the U.S.

The Weiss Report
Volume 16, Number 3
Enclosure 1

The Importance of Incentives

By: Weiss Wealth Management of Raymond James

We are curious about why so many prior recession/recoveries produced job recovery so much sooner than the current recession/recovery. While we do not have personal knowledge of all prior post WWII precessions recoveries, we have personal knowledge of six of the 11.

The 65 year average of unemployment is near 5.5% according to the BLS. The recession of 2007-9 saw unemployment rise to over 10%, as it had in 1981. High unemployment is a staple of recessions. Job creation and creating a wealth creation wave are the staples of most prior recoveries. Five years after employment peaked, unemployment officially stands just under 8%. If we used an employable base that existed in early 2009 unemployment would be reported above 11%.

The question we ask is; why has this recovery been statistically atypical to most other recoveries in the last 65 years?

Looking at federal fiscal and monetary policies used in the combat unemployment prior recessions, we see a stark difference to the policies used to combat the current recession.

The common denominators of policies enacted in prior recessions were to make the macro business/risk taking environment more favorable for the private sector. Fiscal policy encouraged business investment in new plants and equipment. This also sparks further consumers spending.

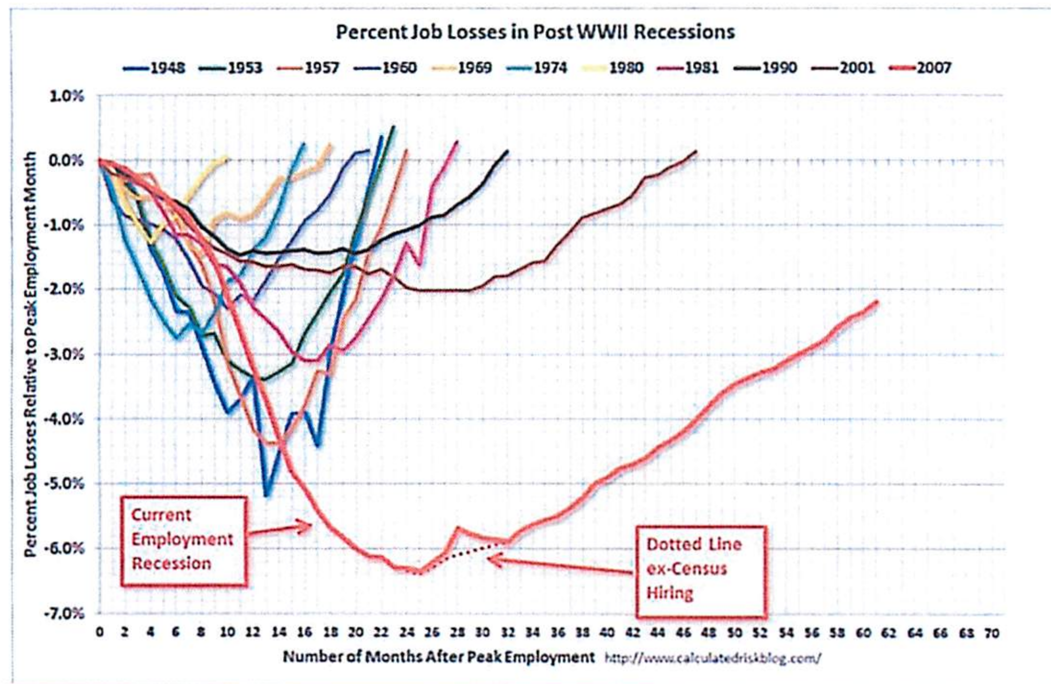
The common denominators were easy to implement because then as now, the macro economy breaks down approximately as follows:

- 70% Consumer Spending
- 20% Business Investment
- 10% Everything else

If the goal of the government was to spur economic growth and wealth creation, it needs to make the overall economic environment look promising for consumers and business.

Most, or all, of the prior recession cycles were brought to an end by policies that motivated both savers and businesses to spend, and the results are a big part of the picture below. We believe that the current recovery does not have much incentive in terms of motivation for

consumers or business is in itself at the core of why the current employment recovery line is woefully behind every other recession/recovery period. In other words: incentives matter.



A picture can be worth a thousand words. This is also often true in Economics, a subject that makes many react with glazed eyes when presented with data. Display the data in a picture, and most people can understand the story the data tells. To us, this picture shows a fundamental axiom in economics; **incentives matter**!

The vertical axis of the above graph is the percentage of job losses after an economic peak and the onset of recession. The horizontal axis shows the number of months that went by before the previous peak of employment was overcome. Each colored line represents one of the 11 recessions since World War II. The graph has all lines begin at the same point to represent what happened after peak employment was achieved.

Of the 11 recessions, nine had crossed it prior employment peak within 30 months, and seven of those needed 24 or fewer months to recover. We are currently in month 62 since the last employment peak with a good ways to go in reaching the level of employment seen in late 2007.

Demonstrating that consumers are squeezed and have little ability to significantly increase their consumption is easy. Looking at stagnant wages, high long term unemployment, and low consumer confidence makes it easier than hard to see a financially handcuffed consumer. Today, workers in all income levels see taxes rising along with the expectation of even higher taxes to offset historic levels or government spending. These policies are contrary to policy that succeeded in prior recoveries.

In prior recoveries, the other area government focused on to promote economic recovery was stimulating the private sector. Government stimulus focused on incentivizing the purchase of new equipment, building new plants and the hiring of more employees. In general, the government focused on policies that made the business environment more business friendly.

The current environment for risk taking is almost toxic for private business. For example:

- The highest corporate income tax on the planet.
- Uncertainty of future regulatory costs.
- Uncertainty of future tax rates.

We will focus on the pall of the uncertainty of the implementation of the Affordable Health Act (ACA). This act was a 2700 page legislation with thousands of "...to be written" regulations and taxes that are only now becoming known. Business has been holding its collective breath and learning how to overcome as many tax and regulatory burdens as it can to stay profitable.

On March 14th, the Wall Street Journal had two pieces detailing how private businesses are beginning to cope with the burdens of the ACA. It is our contention that the ACA is not akin to fiscal policies enacted to promote recovery in prior recessions, rather a key reason why the environment for risk taking is so toxic.

The first piece was entitled "Employers Blast Fees From New Health Law" by Janet Adamy. Three years after passing the ACA a new regulation was released. It calls for businesses to pay a $63 fee for every employee. The article offered these examples:

- Boeing stated the new fee will cost the company $25 million dollars to cover its 405,000 workers. Boeing already spends $2.5 billion on health care.
- The UAW covers 806,000 retirees. Their costs to comply exceeds $50 million. The UAW has asked for a waiver of the fee. Regulators told plans such as the UAW's that they lack the authority to waive the fee.
- New York home-care workers total 331,000 people. Their union, SEIU, estimates it will cost over $21 million to pay the fee.
- Two lobby groups that represent large employers, the U.S. Chamber of Commerce and the Business Roundtable have asked the implementation of the fee be delayed.

Our point is that after a recession, the federal government has a history of implementing pro growth policies designed to help businesses grow. The ACA appears to us to be just the opposite, and is a major contributor to the slowest job recovery in the post WWII era.

The second Wall Street Journal piece on March 14th was entitled, "The Doctor Won't See You Now. He's Clocked Out" by Scott Gottlieb. Its thesis is that the ACA wants doctors to be directly employed by hospitals, and not in private practice. "Because when doctors

practice in small offices it is hard for Washington to regulate what they do. There are too many of them, and the government is too remote. It is far easier for federal agencies to regulate physicians if they work for big hospitals. It is estimated that by next year, about 50% of U.S. doctors will be working for a hospital or hospital-owned group"

In our opinion, forcing doctors to abandon their private practice dramatically changes how health care will be delivered. For starters, your doctor will be passing off your care to someone else after his/her shift ends.

Compelling doctors to work for hospitals should not help lower the costs of health care. The article points out the irony that is the likelihood of higher costs coming from an act intended to make healthcare more affordable. Additionally, the article discusses the fall in productivity that occurs when doctors become salaried hospital employees as promoted by ACA. Productivity falls because the doctor has lost his financial incentive to work harder and forces the physician to practice medicine under a system called Relative Value Units (RVUs). All procedures will have an RVU code to determine how much the government will pay the hospitals.

"This system (RVUs) misses all of the intangible factors that help gauge the quality and efficiency of the care being delivered. It focuses on the wrong goals for promoting health, such as how well they code charts to capture higher value units".

The health care industry comprises approximately 16% of the economy. Putting health care in the hands of the Federal Government was supposed to bring the cost curve down. In reality, insurance premiums have soared relative to inflation since the ACA was enacted. We are very concerned that the ACA represents a drag on overall economic growth, and appears to be headed for a lower quality of care for all.

Let us show you some examples of how the ACA is dis-incentivizing small business.

Baked In The Sun is a bakery near San Diego. Recently featured in a N.Y. Times piece, the owners of the business discussed their options to comply with the ACA. They have 95 employees, and after all costs realize about $225,000 in annual profits. Here are their choices:

- Purchase health care for all 95 employees at a cost of nearly $110,000.
- Don't purchase coverage, and pay the mandated fine near $130,000.
- Purchase coverage and raise the price of their baked goods. This would make their products non competitive with bakeries with less than 50 employees, threatening their financial future
- Lay off 47 workers, shrink the business but stay profitable to get under the 50 employee mandate.

None of these choices seem to be in the bakery's best interests.

Our last example of how the ACA takes away small business growth incentives comes from a recent article in the Las Vegas Review-Journal. It interviewed a retired economics professor who opened three Jimmy Johns locations in Reno. He had a staff of near 100 two years ago, but has systematically reduced his head count of full time workers is down to 42. All others work part time, not qualifying for the ACA mandate.

The piece ends with a comment from the National Healthcare Access Group in Las Vegas, a group monitoring small businesses. They said, "Let's face it: We're not really out of the worst recession in my lifetime, and now we're asking employers that may not yet have recovered financially to have another burden on them...It's the first things we hear from employers: I'm just going to cut everyone between 30-40 hours down to 29 and be done with it." The group also reported; "They also tell us they're going to freeze hiring because they don't to risk going over the 50 worker threshold.

In summary, no one ever started a small business, and climbed up the wealth ladder by staying small. Since the recession ended in 2009, there has been very little growth incentives in the fiscal policy from Washington D.C.

Nine of the last 11 recessions returned to the prior peak of employment within 30 months. This employment recovery is in month 61, and still quite short of the goal. The prior recoveries occurred for certain reasons. We assume this recovery could look like the previous ones if the government did less to take away growth incentives to business large and small. Unfortunately, the ACA is the poster child of economic disincentives.

In conclusion, we must remind ourselves that a company thrives by finding ways to sustain and grow their profits. If a company can, they will use marketplace incentives to help restart an economy leaving recession. We think failure to enact policies that incentivize business investment and increase consumer spending is the primary reason why most past recoveries brought jobs back within 30 months but this one has not.

Further, we think that if a company is trying to maintain profitability, the ACA only creates disincentives. When a small business is trying to reduce full time workers in favor of part time workers, benefits disappear. When companies incur soaring costs if they exceed 50 full time workers, than the only way to remain viable is to reduce labor costs, as Baked In The Sun must do.

In our opinion, the implementation of the Affordable Care Act will go down in history as the worst economic policy America has ever enacted.

View expressed are the current opinion of the authors, but not necessarily those of Raymond James & Associates. The authors' opinions are subject to change without notice. Information contained in this report was received from sources believed to be reliable, but accuracy is not guaranteed. Raymond James & Associates, Inc., member New York Stock Exchange/SIPC

Jeffrey D. Saut, Chief Investment Strategist, (727) 567-2644, Jeffrey.Saut@RaymondJames.com

May 28, 2013

Investment Strategy

"Buying Stampede"

Over the long weekend I decided to type the words "buying stampede" into Google to see what popped up. To my surprise there were more than 2,000,000 "hits" on the phrase "buying stampede" and many of them were attributed to me. While that was a pretty humbling experience, it also was surprising because I would have thought more investors would have used that phrase in connection with the many upside rally skeins that have occurred over the past dozen years. The term "buying stampede" was first coined by me back in the 1970s when I observed that runaway rallies tended to have a rhythm to them. Indeed, a typical buying stampede lasts for 17 – 25 sessions with only one- to three-session pauses, or pullbacks, before continuing to trade higher. It just seems to be the rhythm of the "thing" in that it tends to take that long to get everyone bullish enough to throw in their "bear towels" and buy stocks just in time to make a trading top. While it's true some stampedes have lasted for 25 – 30 sessions, it is rare to see one extend for more than 30 sessions. Prior to the past few years the longest buying stampede chronicled in my notes of some 50 years was the 38-session "march" into the August 1987 peak of 2722.42 by the D-J Industrial Average (INDU/15303.10), which set the stage for the Dow Theory "sell signal" of October 15, 1987 and subsequent stock market crash of October 19th. There is actually a plaque that resides in my office from a dear friend, and stock broker, titled "Runaway" with the record of Del Shannon's hit tune "Runaway" attached. The second longest stampede occurred a few years ago and lasted for 53 sessions. However, the current buying stampede is nearly twice that long since today is session 102!

I revisit the "buying stampede" theme this morning because I have been deluged with emails about, "Is the current stampede over since the S&P 500 (SPX/1649.60) has closed down for three consecutive sessions?" First, my stampede sequence uses only the Dow Industrial, not the SPX. Second, it does not need any confirmation from the D-J Transportation Average (TRAN/6395.70), or any other index, like Dow Theory needs. Third, it does not measure the percentage gain that will be experienced by the Industrials during the stampede. Fourth, the buying stampede concept is based only on my own observations of investors' emotions and the psychology I learned from the epic book "Extraordinary Popular Delusions and the Madness of Crowds" by Charles MacKay. Fifth, the reciprocal of a buying stampede is a "Selling Stampede," which uses the same day-count sequence, except on the downside. Sixth, since the Industrials closed up 8.60 points last Friday the buying stampede is still in force with today being session 102.

So the upside "Dream is Still Alive" (http://www.youtube.com/watch?v=KetnO1na-Jo), and I continue to believe the SPX is going to trade north of 1700 into the end of 2Q13 before becoming vulnerable to a more significant decline beginning in the July/August timeframe. Obviously I have never seen a buying stampede like this one, which has lifted the senior index above a basing formation in the charts that was 13 years in the making. I have commented on this upside breakout before having experienced the basing formation, and subsequent upside breakout, of the "big based" 1966 – 1982 market that launched the secular bull market of 1982 – 2000. I was reminded of the history of "big bases" in an excellent slide deck that was sent to me over the weekend, which was un-authored. The slides show that there have been four "big bases" since 1900 that have lasted for more than 12 years. The years in question are: 1906 – 1924 (18 years), 1929 – 1955 (26 years), 1966 – 1982 (16 years), and 2000 – 2013 (13 years), as can be seen in the attendant chart on page 3 from said slide deck. The author goes on to note, "The characteristics of the market when it breaks out of a base that exceeds 12 years in length is different. Investor behavior reflects an underlying distrust or disinterest and is characterized by underinvestment in equities. This results in a rebound that is relentless, providing little opportunity to buy on pullbacks." If that prose sounds familiar, it should because it is very similar to the six stages of a bull market I wrote about on April 1st of this year. To wit:

> "Following the end of a bear market, and the initial 'lift off' move of the beginning of a new bull market (Stage 1), there are tumultuous cries, 'This is just a rally in an ongoing bear market,' which brings us to Stage 2 (Guarded Optimism). E-v-e-r-y rally after a bear market bottom is encased with John Templeton's pessimism/skepticism as represented by comments like, 'This is the last chance to get out.' Recall that was the media's chant *du jour* after the March 2009 bottom as various pundits were trotted out to tell us how bad things were going to get. Yet, as participants realized their worst fears would not materialize, a 'guarded optimism' has set in whereby stocks are being bought because of their dividend yield. As things continue to get better, that 'guarded optimism' should give way to 'enthusiasm,' or Stage 3."

Please read domestic and foreign disclosure/risk information beginning on page 4 and Analyst Certification on page 4.

© 2013 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC. All rights reserved.

Interestingly, in last Thursday's conference call with Richard Bernstein, Rich spoke of the same stages. He reminded us of the selective memories investors have by stating that "uncertainty" spells opportunity. To be sure, "fear and uncertainty" are the hallmarks of the first seven innings of a secular bull market. When everyone is "certain" that typically means we are in the eighth inning of the "bull." He went on to reflect about the beginning of the 1982 – 2000 secular bull market, opining that portfolio managers didn't begin embracing stocks until 1985/1986, and that individual investors didn't do so until the first quarter of 1987. Moreover, he noted that the same issues plaguing investors in 1982 and 1983 are the same issues currently plaguing investors (slow growth, budget deficits, entitlements, tax reform, etc.). Rich commented, "The equity markets don't care about the 'absolute' of good or bad conditions, but about things being better or worse." And, clearly the U.S. is getting better. He concluded with, "The rotation out of bonds into stocks is not the right question. The right question is about the great rotation out of non-U.S. equities into U.S. equities!"

Accordingly, it will be interesting to see if that rotation continues this week because last week was the first weekly loss in five weeks. The main culprit for the loss was Wednesday's intraday 275-point downside reversal. Indeed, an early morning 154-point rally by the INDU gave way to a 122-point decline before firming into the close, leaving the senior index down roughly 80 points. By the close the INDU had traced out what a technical analyst would term an outside bearish reversal pattern, meaning Wednesday's intraday high, and intraday low, were above and below the previous session's high/low, suggesting the potential for further downside. And, that is what the equity markets attempted to build on the balance of last week without a whole lot of success. Nevertheless, the SPX has fallen below my 1660 "energy level" and as stated, "It is difficult for stocks to extend their rally with the daily internal energy level so low." So, we enter this week with "guarded optimism," waiting to see if the bears can press their advantage on last week's stutter step.

The call for this week: While last Wednesday's downside reversal raised a "red flag," it was not a 90% Downside Day, meaning 90% of total volume, and total points, traded did not come on the downside. So, I agree with my unknown author, believing last week's pause/pullback was for buying.

© 2013 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC. All rights reserved.

The Weiss Report
Volume 16, Number 3
Enclosure 3

Weiss Wealth Management is Growing!

When our group joined Raymond James Financial in 2005, we were a team of two: Leonard Weiss and Denise Jabboury. Today, Leonard has 36 years of experience, and Denise has been with the team for 26 years.

But in the last few years, we've been growing and changing. We have added two new members: Lowell Weiss and Angela McCoy. Many of you have noticed some of the changes. We wanted to put a spotlight on some of them for those who may not have noticed.

In 2009, Lowell Weiss gave up his law practice and joined Weiss Wealth Management. In 2010, he sat for the CERTIFIED FINANCIAL PLANNER exam.

In late 2011, he took on the role of revamping our operations. This included how we execute orders, how we administer and service accounts. At that time he also started working with clients on complex financial planning matters. In 2012, he took over the role of managed equity product research as well as individual bond research.

As you can see, Lowell has been integrating his skill set now for a few years. In this current edition, the portfolio section refers to four new investment themes we added to our discretionary accounts. Lowell headed the research to find every one of the investments selected.

Leonard Weiss retains his role as senior investment officer as he has for more than three decades.

Lowell's role will increase in the coming years to reflect his 21st Century expertise. We think Weiss Wealth Management group future is very bright.

We also have been growing in our administration and client service area. In mid 2012, Angela joined our group. Angela has 12 years experience with Raymond James Financial prior to joining working with us. She is an expert in organizing client meetings and events.

In summary, behind the scenes, we have been taking steps to ensure that our commitment to excellence in performance and service will continue well into the future.