Stanton & Castleton, Inc.

An independent firm

Let's Review: Our Monthly Newsletter……………03/01/2013

This Month:

We have had a tremendous start to the equity markets so far in 2013, an extension for the strong finish to 2012, so….will it continue? While the underlying economic numbers are still historically weak when compared to other periods of economic expansion it seems everything is "relative". Since the economy fell into its last "great recession" in 2008 and the subsequent equities bull market that began in March of 2009 we have seen the Federal Reserve hold fast to a Zero Interest Rate Policy (ZIRP). In effect the FED is artificially holding rates down to "help" banks and companies lower their cost of money effectively enhancing earnings by the net savings. For the individual, some of this same effect has occurred, however for most very little relief to consumer finance cost have passed through. Even with the recent improvement in real estate values, still over 24% of single family home mortgages are "upside-down" to equity value. These borrowers have not been able to refinance, creating some drag to consumer recovery.

With banks and corporations balance sheets holding increasingly large cash reserves, the search for return has made the equity market appear more attractive. Indeed, companies with dividends that exceed 5 year treasuries or bank CD's equities appear more attractive. To find similar returns in fix income we have to extend maturities which increase principal risk if interest rates increase quickly. So, do we accept the higher stock volatility for better dividends or live with lower interest and short maturities to avoid loss from sudden interest rate increases. This is the world today.

A stark contrast to past economic cycles….today a dynamic company like Apple is "hoarding" over $120 Billion dollars in their investment accounts searching for passive ways to manage these funds, rather than expanding business and investing new products and people. Are there so few opportunities? Or are companies electing to keep increased reserves as insurance against an uncertain future? What could cause such caution?

The last U.S. budget was passed April 29th 2009 (the bottom of the last bear market). If we throw out 2009's deficit spending as key to our recovery, in 2010, 2011 and 2012 the deficit has increased by #3.7 Trillion dollars…and still no U.S. budget. Without agreement in Congress or the Executive branch it has fallen to the unlikely and unelected power of the Federal Reserve to steer our economic recovery. This has been done in large part by the creation of money thru an increase in government debt issued by the Treasury. Few could have predicted the "tools" the Federal Reserve would employ the past 10 years…because they did not exist. With Europe following the same game plan expanding their total public debt too…perhaps the way forward is not quite so clear.

As long as the "volatility" is "up" its all good…it's the other volatility that we don't like. Just saying……

Bob Stanton ***(registered principal):***

Its baseball season again! Cole is playing for his school…Ethan has "retired" after his shoulder gave out…nephew; Andrew is hoping to make the Angles squad this year and Austin is working on the Yankees…I will have to invest in some sun screen and peanuts!

Ron Castleton ***(registered principal):***

Sunny & I just remodeled the "Kids" bathroom, which included my first encounter with a Sawz-All (a wonderful tool!). We are still putting on the finishing touches but I must admit it looks 100% better! Now, we can't have the kids bathroom looking better than ours…where's my safety glasses?!?!

Amy Negri ***(administrative assistant):***

Winter, a season I do not miss in Wisconsin. The cold weather has the Midwesterners traveling to warmer states; which means COMPANY! I love it! It's always great to see friends and family even if they're only using you for the warm weather and lack of snow ;)

Kevin Kraus ***(Business Development):***

Knute is back playing lacrosse as Defending National Champs… just like the sound of that! I hope to make another final in 2013…

This month "Financial Topic": Year of the Snake…Happy New Year!

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"In the end, how your investments behave is much less important than how you behave."

Benjamin Graham
The Intelligent Investor

The Numbers:

Monthly Closing Values and Changes / 02-28-2013

DOLLAR	Stronger vs. Euro	**NASDAQ**	3,160.19	+18.06
10-YR YIELD	1.88%	**S&P 500**	1,514.68	+16.57
GOLD	$1,581.80	**DJIA**	14,054.49	+193.91

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