

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



# Stanton & Castleton, Inc.

An independent firm

## *Let's Review: Our Monthly Newsletter.....09/01/2012*

This Month:

If you read any of our newsletters and the quarterly Capital Market Outlook you know we have been cautious through the recent rally in the equities market. After starting the 2012 with momentum from 2011's year end rally we saw an impressive +11% gain in the S&P 500 through April. This was followed by a quick correction of +11% through early June. This in turn was then followed by an even more impressive 14.6% rally in the S&P to the recent high on 9/14/2012. What is next?

Now we are heading into the election and the “fiscal cliff” of mandatory spending cuts and tax increases if no political agreement is reached before year end. Lets not forget the recession in Europe, China's continued slow down and our own (recently revised lower) economic outlook in the U.S.



*Real GDP growth is measured at seasonally adjusted annual rates.*

With all that we still see volatility as the norm...and will be cautious looking for some combination of “events” to give us an opportunity to put more money to work on the growth side of the ledger. Our belief remains positive long term but near term markets will stay volatile.

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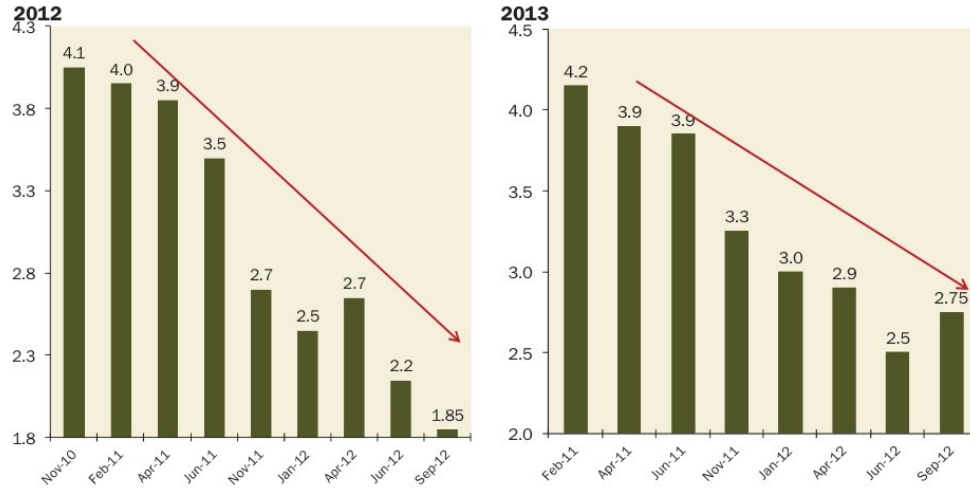
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The Federal Reserve forecasts may have been too optimistic to say the least:

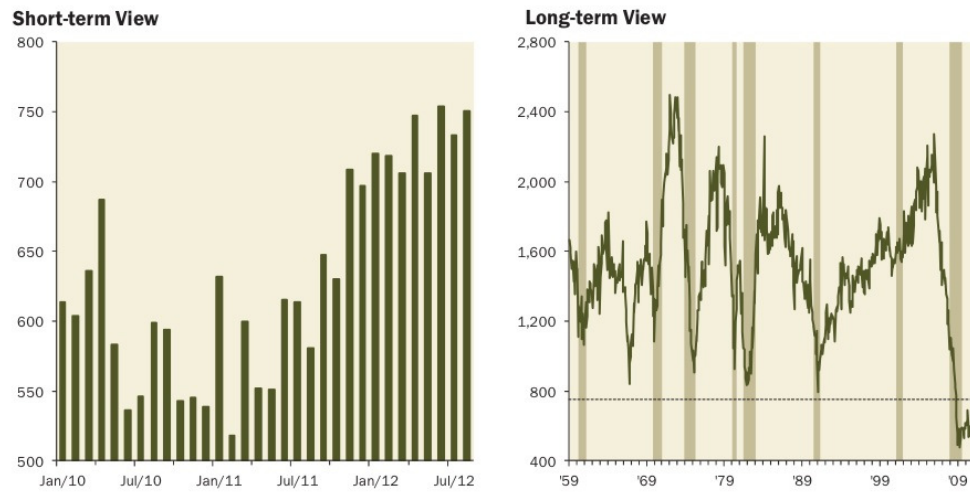
**United States: Federal Reserve GDP Forecast**  
(percent)



Source: Federal Reserve, Gluskin Sheff

While the recent improvement in housing is great...sometime we need to step back to gain some perspective:

**United States: Housing Starts**  
(thousands)



Shaded regions represent periods of U.S. recession

Source: Haver Analytics, Gluskin Sheff

What’s this all mean? This has been the weakest post recession recovery in history with a lot of near term headwinds, so in our view caution is warranted.

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

Just to complete the circle I will tell you that we attended the dinner announcing the endowment of an annual scholarship for Marine children in our son Jordan’s name. It is an honor he was chosen to represent so many equally deserving fallen.

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

Sean, our middle son, is working in a Temecula winery completing his internship, which (don’t want to jinx anything) will result in a degree in Wine & Viticulture from Cal Poly SLO. That would be two down with just one more to go. Ari, is in his 2<sup>nd</sup> year at CS Fullerton. Sunny just start a ceramics class through the city of Irvine. We will be taking pottery orders, shortly. As for me, its football season...go Chargers!

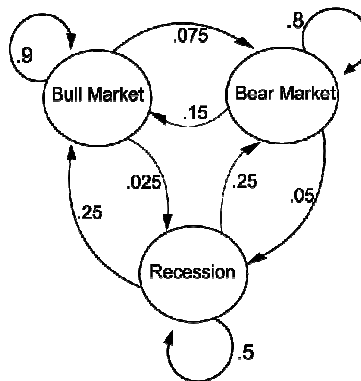
***Amy Duranso*** (administrative assistant):

I’m married! We had the time of our lives in Hawaii with family and friends. Our day was perfect! We’re headed to WI for our wedding reception now, so it’s like having 2 weddings, AND I get to wear my dress again!

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

Football officiating is hard. I know this cause my hip keeps telling me! And No, I was not part to the replacement crews calling the Green Bay – Seattle game no matter what Ron and Bob say.

***This month “Financial Topic”:***



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**Benjamin Graham**  
**The Intelligent Investor**

*The Numbers:*

**Monthly Closing Values and Changes / 08-31-2012**

<b>DOLLAR</b>	Weaker vs. Euro	<b>NASDAQ</b>	3,066.96	+127.44
<b>10-YR YIELD</b>	1.56%	<b>S&amp;P 500</b>	1,406.58	+28.26
<b>GOLD</b>	3,821,570,048	<b>DJIA</b>	13,090.84	+82.16

*Provided by Standard & Poor's*

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