Portfolio Action Update

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INVESTMENT PLANNING AND MANAGEMENT GROUP OF

RAYMOND JAMES®

Tactical Asset Allocation Style & Sector Signals

Ratings 60 and Above are a Green Light
Ratings 40 and Below are a Red Light
Ratings 41 to 59 are (Neutral)
Light Green indicates going from Green to Neutral since last Signal Date
Pink indicates going from Red to Neutral since last Signal Date

Styles	Large Cap Growth	Large Cap Value	Mid Cap Growth	Mid Cap Value	Small Cap Growth	Small Cap Value
S - T	9/4/13 (100)	9/4/13 (100)	9/6/13 (100)	10/4/13 (100)	9/6/13 (60)	9/5/13 (90)
I - T	3/1/13 (100)	8/30/13 (100)	7/5/13 (100)	7/1/13 (100)	9/6/13 (100)	9/6/13 (90)
Sectors	Banking	Biotech	Energy Oil & Gas	Financial Services	Gold Mining	Healthcare
S - T	10/7/13 (95)	10/14/13 (100)	10/10/13 (100)	9/4/13 (100)	9/5/13 (0)	9/30/13 (100)
I - T	10/4/13 (100)	7/2/13 (60)	10/11/13 (90)	9/9/13 (100)	9/9/13 (10)	7/5/13 (90)
Sectors	Natural Resource Equities	Real Estate	Retail	Technology	Transportation	Utility
S - T	10/4/13 (70)	10/10/13 (90)	9/10/13 (100)	10/11/13 (80)	8/20/13 (100)	10/14/13 (60)
I - T	9/25/13 (60)	9/20/13 (80)	7/8/13 (71)	9/13/13 (93)	11/23/12 (100)	9/18/13 (100)
Foreign	Emerging Markets	China	Europe	Japan	Latin America	S.E Asia
S - T	10/4//13 (80)	9/4/13 (80)	9/5/13 (100)	9/4/13 (90)	9/27/13 (40)	9/6/13 (90)
I - T	9/6/13 (100)	7/24/13 (90)	7/15/13 (95)	9/6/13 (100)	9/6/13 (50)	9/6/13 (70)
Bonds	Foreign Hedged to $	Foreign Non-$hedged	Emerging Markets	Invest. Grade Corporate	High Yield Corporate	Long Term Treasury
I –T	9/16/13 (100)	9/16/13 (70)	9/9/13 (100)	9/9/13 (95)	10/4/13 (90)	9/17/13 (100)
S - T	9/23/13 (88)	10/4/13 (75)	9/19/13 (100)	9/27/13 (65)	10/17/13 (90)	9/30/13 (90)

Rating Table and Technical Analysis Process Explanation at End of Report

MARKET COMMENTS October 20, 2013

Double Green lights for all but Gold Mining and Latin America sectors. That includes the six Bond Sectors on the Rating Table. I don't recall if that has happened before with that many Double Green lights in both domestic and international equities and bond markets concurrently.

Two Key events recently helped to give additional energy to the stock market. Janet Yellen, currently the Vice Chairperson of the Federal Reserve (FED), was nominated to replace Ben Bernanke in January. The FED decided against beginning a reduction of QE that had been hinted would begin in October. These two events helped to ease the concerns that the financial markets had that a more restrictive monetary policy might occur with Bernanke's departure. Consequently, free market capitalism remains captive to unprecedented aggressive Federal Reserve and US Treasury monetary policy for the foreseeable future, in my judgment. The Austrian and the Keynesian schools of economic theory are at odds over this policy. Only time will give us the answer as to the wisdom of the current QE policy over the long term.

If you don't believe that current Federal Reserve and Treasury monetary policy of massive Quantitative Easing (QE) is having an impact on the direction of financial markets and contributing to the modest improvement in economic activity, then you must be looking at a different set of circumstances than I am. In addition, the Central Banks of International countries are taking up the U.S. QE policy mantle and producing bullish trends in most International financial markets, as well. The big question on my mind is this real improvement or simply the result of the aggressive monetary stimulation. The next question is, does it make any difference why there is a strong stock market or just the fact that it is strong? Of course, the hope and plan of monetary policy makers is to stimulate until there is real internal improvement and then back off. Will they be disciplined sufficient enough to do that, or is the nation becoming addicted to artificially suppressed interest rates and runaway debt creation?

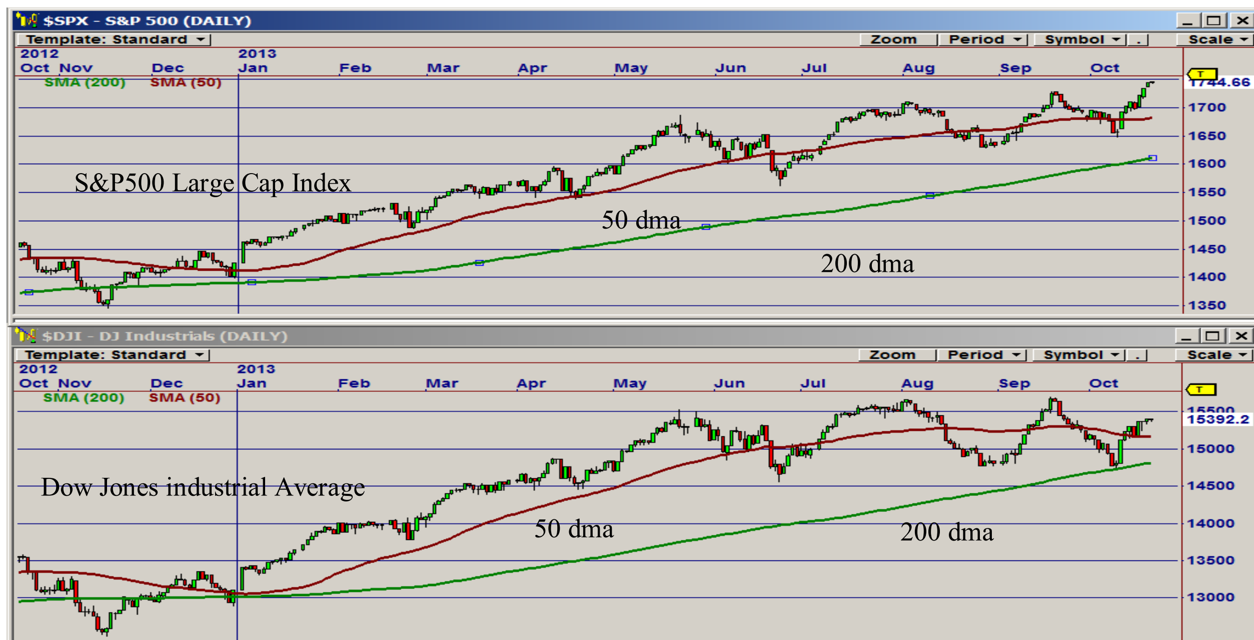
I believe there is a real life analogy that can be made with respect to the QE policy. If you have ever had a serious operation and you are lying in the hospital bed and they arouse you from the operation anesthesia, you'll know what I am talking about. They give you a little hand held pump to self administer morphine to help you control the pain. My thought was that I will wait till the pain is severe and then use the pump. Well, that was not the right decision. It takes awhile before the morphine takes hold and that can seem like a long time when you are in pain. The nurse asked what is the problem. I said the morphine is not working. Well, she said you have to use the pump before you feel any pain. From then on I used the pump regularly and things were a lot more pleasant. I asked, maybe I will overdose on the morphine. The nurse said, don't worry we monitor the intake and never let you get more than a certain amount no matter how vigorously you use the pump. By the third day I was automatically using the pump less and less. On the fourth day they disconnected the pump. I didn't need it any more even though I still had some discomfort.

QE is like that morphine and the FED is like that hand held pump for the economy in my above analogy. The key is not letting the economy get more than just enough while there is severe pain, and not so much that euphoria is occurring and there is a risk of overdosing. Some progressive commentators believe that overdosing or addiction to debt is not a problem when dealing with deflationary economic forces. In that regard, I think of the Princeton University economist and New York Times columnist Paul Krugman, who advocates no restraints on QE and government debt. My opinion, is that the Nation is risking overdosing on QE and becoming addicted to the pleasant feeling without considering the long term negative consequences of the addiction to unlimited debt, especially when relying on foreigners to buy and hold the debt. Can America disconnect the QE pump at the right time, or in time? The jury is still out!

We increased our exposure modestly during September as the Green lights began appearing following the many Red lights that were generated during the August decline. I mentioned in the September 1, Portfolio Action Update that the August decline had set the market up for further weakness. We have seen that technical condition numerous times in the last couple of years and the stock market had been rescued just before a more serious decline could take hold. I stated that action in early September would be important. It turned out that the action turned bullish during the first couple of weeks and peaked again at new closing highs for the S&P500 on 9/18. Then the US Budget and Credit Limit issues heated up in Washington D.C. and the market dipped again until 10/9. The resolution was to punt the "Debt Can" into the future again. That precipitated a renewed rally over the past week with a slightly new high once again for the S&P500 index at Friday's close (10/18/13).

Nevertheless, as I have said before, the nearly 100% double Green lights on the Rating Table makes me a little nervous. Because, it normally means that the stock market is getting at least short term over extended. The McClellan Short Term overbought/oversold oscillator closed Friday moderately overbought at a reading of 192.74 for all issues on the NYSE. That is the third highest reading over the last 12 months.

Capitalization Styles



Source: Omni Trader Software and Data - Nirvana Systems

A chart of the S&P500 Large Cap Index (on top) and the 30 Dow Jones Industrial Average Index are shown for the last 12 months. Up until May of this year these indices had very little correction as they moved from a low during the middle of last November. Since May of this year, the advance has continued but with greater volatility and a somewhat shallower positive slope. The 50 day moving average (dma) provided support for any modest correction up until the peak in May. Since then the S&P500 has dipped below the 50 dma three times only to resume the rally after a few days and go to a new high each time including the new high on Fri day (10/18/13). The 200 dma has been a steady upward line since the beginning of 2013.

The 30 Dow Jones Industrial Average (DJIA) has had a similar bullish trend since the November low to the May period, but has experienced more volatility and a lesser positive slope since then. There was a new high in mid September, but so far the DJIA rally off of its 200 dma has not mirrored the S&P500 by going to a new high, at least not so far. That could still happen, but the relative weakness is notable. The DJIA 50 dma has flattened and is close to turning down. The DJIA is the Blue Chip index for the stock market, so that bears watching.

Industrial Sectors

A look at the WSJ.com Markets Data Center list of Stock Indexes shows that only the PHLX Gold and Silver index is down on the year. Of course some industry indices did better than others. The best major industry YTD performance on this list is DJ Biotechnology index up 50.9%. The least performing industry (excluding the PHLX Gold and Silver index down 44.3%) is the DJ Select REIT index up 5.31% with the PHLX Housing index close by at +5.6%. The DJ Utility index is up 9.5%. In general, I think it is fair to state that equity income sectors have underperformed growth industries that are less sensitive to interest rate increase. The Charts below are for the Biotech (on top) and the Utility index just discussed.

Source: Omni Trader and Data - Nirvana Systems

The Biotech chart shows a price trend similar to the S&P500 discussed earlier. A strong low volatility move from the beginning of the year up until early May. A recover from the Jun low but more volatility and a new high for the year on Friday. On the other hand, the Utility chart shows strong advance from the beginning of the year up until late April. Then as talk of a reduction in the QE sometime in the late Summer or early Fall hit the headlines, a sharp drop occurred as Short Term interest rates began to rise. Interest rates have come back down some

since QE tapering did not happen. Consequently, the Utility index appears to have bottomed and may have some bullish catch up during the rest of the year.

International Markets

The MSCI International Developed Market Index has outperformed the MSCI Emerging Markets Index so far this year. The recovery in the European stock markets as the current credit crisis in the Portugal, Italy, Greece and Spain have subsided. The driver has been the European Central Bank's promise of liquidity to whatever it takes to forestall country and/or financial system failures. I am not sure that any debt liability problems have actually been solved, just kicked down the road like in the U.S. Isn't it amazing how printing money helps solve (??) debt problems, at least in the short run?

Source: Omni Trader Software and Data - Nirvana Systems

In my 9/1/13 Portfolio Action Update I mentioned that our Technical Analysis had generated a Short Term Green light on 8/30/13 for the MSCI Emerging Market Index with a potential double bottom occurring. Subsequently an Intermediate Term Green light was generated on 9/6/13, which is still in effect. There was a brief Short Term Red light generated on 9/26/13 that was reversed back to Green on 10/4/13.

The point is that the Emerging Markets have regained some stock market strength and could be in a catch up mode relative to the International Developed markets. Again, the driver has been China's announcement to increase economic stimulation which impacts that whole region. Consequently, we have increased the market exposure in Europe and Emerging Markets in our International Equity Growth Strategy.

Bond Markets

The Rating Table shows Double Green lights for all six bond sectors. That includes International and domestic bond markets. I think what we are seeing is that the global QE is keeping interest rates down just about everywhere and providing plenty of monetary liquidity in an effort to stimulate more economic growth. Economic activity is still questionable, but stock markets are benefiting. To have stock markets rising and bond prices rising (lower Interest rates) is a full court press to try and pump up global economic growth. So far, the US stock market has been following the script.

The chart below is for the 10 Year U.S. Treasury Note. Just the hint last Spring that QE tapering may begin as early as the Fall, caused the 10 Year note to almost double in interest rate, rising from 1.6% to nearly 3.0% in early September. That was a shot across the bow that indicated that Tapering would not be friendly received by the financial markets. Consequently, Tapering did not occur and economic activity has remained modest. The 10 Year yield has drifted back down to the 2.6% level and appears to be headed lower. That could mean that economic weakness may be forth coming over the next few months.

Source: OMNI Trader Software and Data — Nirvana Systems

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We increased our exposure modestly during September as the Green lights began appearing following the many Red lights that were generated during the August decline. I mentioned in the September 1 Portfolio Action Update that the August decline had set the stock market up for further weakness, but that it had been in that position numerous times before and had been rescued just before a more serious decline could take hold. I stated that action in early September would be important. It turned out that the action turned back bullish during the first couple of weeks and peaked again at new closing highs for the S&P500 on 9/18. Then the US Budget and Credit Limit issues heated up Washington and the stock market dipped again until 10/9. The resolution to punt the "Debt Can" into the future again precipitated a renewed rally over the past week with a slightly new high once again for the S&P500 index but not for the Dow Jones Industrial Average as discussed earlier.

Nevertheless, as a result of the increased volatility and the current extended bullish trend, we remain with a moderate defensive posture for our investments strategies as noted in the Table below which shows the current net market exposure percentage:

Growth Portfolio Plus (GPP) = 60%
Equity Growth Plus (EGP) = 62%
Focus List Plus (FLP) = 55%
Equity Income Portfolio Plus (EIPP) = 60%
Equity Income Plus - ERISA (EIPE) = 68%
Portfolio Income Plus (PIP) = 64%
Energy/Defense/Resources (EDRP) = 85%
Natural Resource Plus (NRP) = 67%
Precious Metals Plus (PMP) = 62%
International Equity Growth (IEG) = 78%
Global Opportunity Plus (GOP) = 72%
Global InDe-flation Plus (GIP) = 81%
Diversified Income Taxable Plus (DITP) = 60% Intermediate Duration Multi-Sector, 40% Cash Equivalent.

Note: The net market exposure values indicated are approximate since individual account exposure can very somewhat from these values. This net exposure is computed by subtracting the total Bear Hedges (if any) from the long positions held in the strategy. Keep in mind that any Bear hedges can be in styles and sectors that may not exactly match the long positions held in the strategy. Consequently, the hedging process is not a perfect defense, but can be an effective risk management tool. The residual cash position is held in a money market.

Past performance is not a guarantee of future results.

NOT FDIC INSURED ~ NOT BANK GUARANTEED ~ MAY LOSE VALUE

DISCLOSURES

There is no assurance that these movements or trends will be profitable or imply a successful investment strategy. The information has been prepared without regard to any particular investor's investment objectives or financial situation. Investors should not act on the information in this report without obtaining specific advice from their financial advisors.

Short Term (S-T) signals are based on daily price data and may be different and change more frequently than the intermediate Term (I-T) signals that are based on price action for a trailing 5 day period. These ratings are subject to change at any time and their accuracy is not guaranteed. Individual securities may perform differently form these signals. These directional signals are a useful tool in the portfolio management process but are not the sole determinate of actual portfolio style or sector weightings. Market data used in this analysis is believed to be from reliable sources but it is not guaranteed.

Asset allocation does not guarantee a profit nor protect against loss. Investing involves risk including the possible loss of capital . The performance noted does not include fees and charges which would reduce an investor's returns. The indexes mentioned are unmanaged and cannot be invested in directly. Mid-cap and small cap securities generally involve greater risks. International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risk are greater in emerging markets. The companies engaged in the technology industry are subject to fierce completion and their products and services may be subject to rapid obsolescence. High-yield bonds are not suitable for all investors.

Technical Analysis Process Explanation

Ron's Technical Analysis process utilizes the OMNI Trader software program developed by Nirvana Systems in Austin, Texas. This program is essentially a tool box that contains many technical systems, such as moving averages, trend lines, overbought/oversold oscillators, classical price patterns, etc. to determine the strength and direction of the current price direction of the security under review based on an analysis of historical price data. This process analyzes the price action of approximately 600 mutual funds daily. The mutual funds are organized into specific styles and sectors typically with 10 funds representing each style and sector. For Example, there are 10 Biotech funds, 10 Banking funds, 10 Energy funds, and so on. Altogether, 54 styles and sectors are analyzed (only 30 are shown on the webs site table.). If the technical analysis indicates that a fund is in an up trending mode, it is given a green arrow pointing up and if the analysis indicates a down trending mode, it is given a Red arrow pointing down. If the analysis is indeterminate, that is noted as a Neutral rating split between a Green and Red arrow. If 60% or more of the arrows are green for a style or sector, then the Table cell shows a Green light. If 40% or less of the arrows are Green, then the Table shows a Red light. The date on which the signal direction changed is noted in each cell of the Table along with it current Rating % of Green arrows. This majority rule of the style or sector fund arrows is an essential part of determining the cell color. Please note that these signals do not represent actual trading.

Web Site Commentary

My Portfolio Action Update commentary is a periodic update of my technical analysis viewpoint of the financial market environment and the current portfolio management posture for our key portfolio strategies. In general, my portfolio management approach is to determine current market conditions through technical analysis and to position the various portfolio strategies to participate in the current environment. My belief is that the market price is the final arbiter of all available information as digested by all market participants regarding security values. Therefore, carefully analyzing price action over time is the key element in our portfolio management process. However, neither opinions, technical analysis or fundamental security analysis produce perfect results. There is always a degree of risk present.

A few days may transpire from when these comments are written and when they are posted on the web site. Obviously, the technical analysis data and portfolio positions could have changed in that timeframe. Therefore, these comments should be read in the context of what we have been doing, not necessarily what we may be doing when you actually read them. This information is not intended to be a solicitation of a buy or sell of any financial security. The opinions expressed herein are my own and do not reflect the position of **RAYMOND JAMES.**

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