

May 6, 2013

Slow Economic Recovery Shows Promising Signs

As we begin the second quarter of 2013, there are more encouraging signs of a recovering economy – positive signs even at a time when the politicians in Washington refused to pass a resolution that would have prevented the so-called “sequester” from taking place. Even with automatic spending cuts kicking in because of Washington’s inability to reach agreement on spending, I am hopeful that there are brighter days ahead.

In fact, some of the nation’s top financial and economic advisors expressed cautious optimism at a recent conference I attended at the University of Dayton.

Some promising analysis:

- The economy continues to grow – albeit slower than we would like. The growth rate for this year is projected to be around 2.5%.
- [Inflation](#) is not an issue and is not likely to become one any time soon.
- An anemic housing market finally has bottomed out in many parts of the country, with a renewed surge in [housing construction](#).
- And, the [Federal Reserve](#) is expected to continue with its “quantitative easing” – pumping money into the economy for the next 18 to 24 months, keeping interest rates low.

At the same time, many of our nation’s businesses are experiencing growth and generating larger profits. And, what is most important, there are now signs that many of these companies, which have stockpiled a collective \$3.7 Trillion on their balance sheets, are now beginning to spend and invest some of that cash.

That is a very positive sign, indeed. Investing more cash in the stock market is likely to be a [significant catalyst](#) that will keep the stock market moving higher.

With new [highs](#) for the Dow Jones Industrial Average, as well as the Standard and Poor’s Index, there’s likely to be continued gains ahead in the market. That does not mean we will not see any “corrections” or fluctuations. Without doubt, there will continue to be volatility on Wall Street, but overall, the equity markets should provide some promising opportunities.

The bottom line for the rest of 2013: We remain cautiously optimistic about the remainder of the year with respect to equity prices. By historical standards, many stocks are still undervalued.

Are things improving? Yes. Will there still be bumps in the economic road ahead? Yes. That requires a prudent and balanced approach to investing in this economic environment. And that remains our commitment to you, our client. We continue to monitor your portfolio closely and are always seeking to provide you with the best advice and analysis possible.

If you have any questions or concerns, please don't hesitate to contact our office.

Sincerely,

George

George M. Kapusta, CFP
President