Client Newsletter
September 2013

Dear Valued Client: September 3, 2013

We hope you had a productive and enjoyable summer with family and friends.

As most of us were enjoying the tepid weather of July and most of August, the Global markets were feeling the heat from the stress in Washington and more recently the disturbing news out of Egypt and Syria.

The markets, which have enjoyed a very robust run for most of 2013, had their worst month since May 2012 this August as the S&P 500 Index was down 4.5%. Many uncertainties exist as we enter September. Internationally, we face issues with emerging markets, Syria, and the German elections. Domestically, the key concern continues to be Quantitative Easing and the schedule of the Fed's tapering. Key data regarding this decision comes out this Friday in the form of the monthly employment report. This number will be crucial in assessing whether or not the economy is strong enough to start pulling back on Quantitative Easing and should figure prominently in the upcoming Fed meeting on September 18th.

Congress also returns this week from summer break and needs to, yet again, address both the funding of the Federal government and the Debt Ceiling. These two decisions should make for an interesting and potentially volatile September and October, though we believe the chances of a government shutdown or Treasury bond default are slim to none.

Despite the potentially negative effects of the above mentioned events, it should be noted that the domestic recovery is still in full swing with 10 out of 10 leading indicators expanding this past month. This data is positive for the markets in that it demonstrates that the US economy is very strong and recovering from the Great Recession. This is supported by the ISM Manufacturing Report which was the highest it has been in almost two and a half years with a reading of 55.7.

On a separate note, Treasury Yields, while rising slightly since the end of the quarter from 2.5% to 2.8%, have remained stable for the past couple of weeks and are hovering around 2.8%.

While September is expected to be another uncertain month, many are hopeful that with some luck and a few good decisions out of Washington, the market will show renewed stability and kick into a higher gear.

At Locust Capital, we are continuing to monitor the situation and will recommend action if warranted.

As always, we are available to answer any questions or comments.

Sincerely,

Locust Capital Management