

**firstallied****Financial Commentary**

# Financial Commentary

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In-depth commentary on current financial topics.

Provided by:

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Financial Commentary

**Smart Market Moves to Make Now**

Equities gaining strength and investor confidence

Given the rocky road we've traveled since the stock market tanked back in 2008, it's hard to have full confidence in a bull market run without wondering when the pullback will happen. In case you missed last year's bull market, this year's advance has been hard to miss. The Dow Jones Industrial Average and the S&P 500 have been shattering records with the S&P 500 returning 16.6 percent to date this year and the Dow soared past 15,000 for the first time in early May.<sup>1</sup>

Why the positivity? Better-than-expected economic reports and more of them as well as strong corporate earnings, an improving housing market and support from central banks have all seemed to boost investor confidence. Meanwhile in the labor sector, the latest employment situation report showed April unemployment dipped to 7.5 percent from 7.6 percent in March. Kiplinger.com reports stocks are trading at 15 times estimated 2013 earnings, compared with just 13 times a year ago.<sup>2</sup> While the pace of gains may eventually slow, stocks are not predicted to face competition from bonds or savings accounts, especially with low interest rates promised by the Fed through 2014.

Given the state of the current bull market, here are smart market moves you can make right now:

- **Get off the sidelines.** Many investors wait for stock market lows to dive in. This year, those who have been waiting for that dip in today's market may be seriously disappointed. If you're sitting on the sidelines, consider allocating a portion of the money you're holding and invest it into the market; then invest the rest at staggered intervals as advised by a financial advisor. This process is called dollar-cost averaging\*, which allows you to purchase fewer shares at higher prices and more when prices dip. If you've reaped sizable gains so far, don't be afraid to take them in order to rebalance your portfolio, which many investors do at various times during the year (e.g., once a year or once a quarter).
- **Play a little defensive.** It's OK to play a little defense while also practicing offensive investing. While many investors maintain their faith in the bull, there may be underlying skepticism about a pullback. For those wanting to maintain a conservative stance to provide pullback-ready cover, it would be wise to continue favoring defensive stocks that offer above-average dividends, below-average volatility and aren't easily affected by the ups and downs of the economy. According to Kiplinger.com, bull markets are often led by equities that thrive when the economy is on the uptick, like technology, manufacturing and raw materials sectors.
- **Shoot for dividends.** Why invest in stocks with a high dividend yield? These stocks tend to pay higher returns and can be less volatile. Many investors capitalize on dividend-paying stocks to take advantage of steady payments and strategically reinvest the dividends to purchase additional shares of stocks. Often the companies offering dividend-paying stocks are well established and financially stable. Corporate America is even picking up on the dividend theme. In 2012, the number of companies initiating dividends peaked at an 18-year high, according to a J.P. Morgan report.<sup>3</sup>
- **Find stocks with a story.** The way stocks have performed in recent years gives the impression that they are following the same beat, moving up or down in sync with market fluctuations despite the individual company's sector. Equities are ultimately starting to move at their own beat again. Stock pickers can now look at stocks that trade on their own fundamentals, reports Kiplinger.com, instead of trying to figure out how macroeconomic events will move markets. Consult your financial advisor to discuss what stocks meet your portfolio mix and risk tolerance.

Call us today to talk with a financial professional about the market moves that are best for you.

\* Dollar cost averaging does not assure a profit and does not protect against a loss in declining markets. This type of investment program involves continuous investment in securities including during periods of fluctuating price levels. Investors should consider their financial ability to continue their purchases through periods of low-price levels.

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<sup>1</sup> <http://kiplinger.com/article/investing/T052-C000-S002-2013-midyear-investing-update.html?page=1>

<sup>2</sup> <http://www.kiplinger.com/article/investing/T052-C000-S002-2013-midyear-investing-update.html?page=1#JWBxmMHqxsUSZV0.99>

<sup>3</sup> <http://www.kiplinger.com/article/investing/T052-C000-S002-2013-midyear-investing-update.html?page=1#JWBxmMHqxsUSZV0.99>