

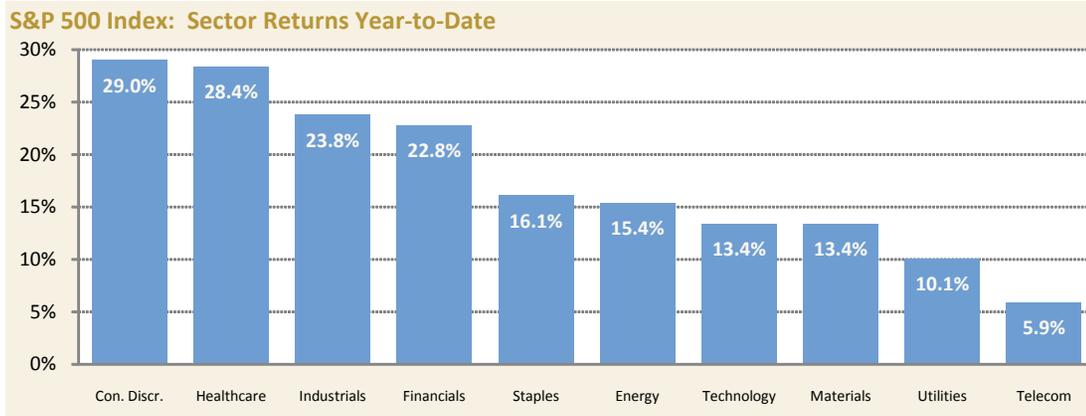
Capital Markets Commentary: September 2013

Despite rising Middle East tensions and concerns about future monetary policy, U.S. stocks posted strong 3rd quarter results. Both the S&P 500 and Dow Jones Industrial Average hit all-time high levels in September, with the S&P 500 returning over 5% for the quarter. All eyes during the quarter continued to be on the Federal Reserve, which surprisingly decided to continue its pace of bond buying to support the economy.

Interest rates were volatile during the quarter as investors speculated on Fed activity. The 10-year treasury yield began the quarter at 2.5%, rose to 3.0% on expectations the Fed would slow bond purchases, then fell back to 2.6% at quarter end. The Barclays Aggregate Bond Index was up slightly for the quarter, but remains in negative territory year to date.

Materials were the best performing sector in the stock market during the 3rd quarter, while the Industrial and Consumer Discretionary sectors also posted strong results. Utilities and Telecommunications were the weakest sector in the market as higher yielding stocks continued to underperform the overall market on concerns about higher interest rates.

Similar to last year, news from our nation's capital will likely dominate headlines in the 4th quarter. While last year's debate focused on looming tax hikes, this year's focus will be on legislation to fund the government and raise the debt ceiling. A resolution to these issues and the naming of a new Fed Chairman would help remove some of the uncertainty that plagues the market. With equity market valuations about at historic averages, stocks are no longer a significant bargain but still appear more attractively valued than bonds.



Source: Morningstar

