NHCO Week in Review
December 23, 2013

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You're in a tight parking spot in your brand new car. Trying to avoid the disaster of getting a ding or scratch on your vehicle you start the engine and slowly, very slowly, start to maneuver the big beast out of a narrow spot. No room for errors, you've got to get it perfect. I don't know if that can be used to describe the Fed's action this week but it comes pretty close. What they are trying not to dent is our big, shiny market and economy. The market has been like a rocket ship rising consistently since March of 2009 benefitting from the Fed's aggressive monetary policy. The economy has benefitted as well, just at a slower pace. The market has been waiting for signals of when the Fed would take their foot off the stimulus gas pedal and start to reverse monetary policy. Great concern and debate surrounds what will happen when the Fed changes course. Can the Fed orchestrate the end of super easy monetary policy and not wreck, or at least avoid scratching, the market?

Last Wednesday afternoon, with the engine running and Fed Chairman Bernanke behind the wheel, the Fed went into reverse. The market had been expecting the Fed to stop buying the $85 Billion a month in securities but Bernanke, wearing what must have been the finest pair of suede driving shoes every made, tapped the brakes and said he was only going to cut back the amount of securities the Fed has been purchasing by $10 billion. The instant it became clear that the brakes had been applied, the Dow Jones Industrial index moved up 292 points. Investors were elated at the Fed's careful approach of only reducing monthly purchases from $85 billion to $75 Billion. While the Fed has signaled that higher rates are eventually going to be on their way, they will be coming very slowly.

As we close out 2013 we have a Fed that continues to act very cautiously. Its bias is still towards further stimulus and economic growth, which has the potential to make 2014 a good year for investors. In addition, recent actions in Congress are positive for investors as our politicians at last show a willingness to work together on budget and debt ceiling issues.

The Fed's action this week helped clear up a significant the risk in the market place. Before Bernanke became a Fed Chairman he was a teacher at Princeton. We all remember the times when our teachers would say during a lecture "You might want to write this down because you will likely see it again!" My recollection was that this was always pretty good advice. Bernanke signaled this Fed will move very slowly and that should make investors feel very secure about the past and even more assured as we start 2014.

Carl Gambrell

NHCO Weekly Market Update

	12/20/2013	% Wk Chg	% Yr Chg
DJIA	16,221.14	2.96%	23.79%
S & P 500	1,818.32	2.42%	27.49%
Nasdaq	4,104.74	2.59%	35.94%
EAFE	1,864.94	2.55%	16.27%
Emerging Mkts	988.26	-0.22%	-6.34%
Hang Seng	22,812.18	-1.87%	0.69%
NIKKEI	15,870.42	3.03%	52.67%
FTSE	6,606.58	2.59%	12.02%
CRB Index	283.12	1.23%	-4.03%
Dow Jones Utility	488.34	2.20%	7.78%
TIPS Index	110.42	-0.11%	-9.05%
VIX Index	13.79	-12.50%	-23.47%
OIL	111.76	2.69%	0.59%
Gold	1,203.24	-2.86%	-28.14%
Euro	1.37	-0.51%	3.58%
Yen	104.10	0.86%	20.01%
Sterling	1.63	0.22%	0.67%
High Yield	6.02%	-0.17%	-11.08%
Investment Grade	3.88%	-0.26%	15.48%
2 Year Gov't	0.38%	18.75%	53.97%
5 Year Gov't	1.68%	9.80%	132.40%
10 Year Gov't	2.89%	1.05%	64.45%
30 year Gov't	3.82%	-1.29%	29.50%
2 Year Muni	0.31%	-6.06%	5.80%
5 Year Muni	1.17%	6.36%	39.95%
10 Year Muni	2.78%	-0.36%	64.11%
30 Year Muni	4.21%	1.20%	52.37%
3m LIBOR	0.25%	4.17%	-18.30%
Fed Funds	0.08%	0.00%	-55.56%
Prime	3.25%	0.00%	0.00%
Money Market	0.39%	0.00%	-23.53%
12m CD	0.67%	0.00%	-2.90%
30 Year Mortgage	4.52%	0.67%	32.94%
15 Year Mortgage	3.56%	1.14%	26.69%

Data: Bloomberg