

# Quarterly Update

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## SEVEN TO ONE INCREASE -

The US government's annual budget deficit has experienced a nearly 7 times increase in just the last 5 fiscal years. Our actual budget deficit was \$161 billion in fiscal year 2007. Our actual budget deficit for fiscal year 2012 was \$1.087 trillion (source: White House).

## COST OF PUBLIC SERVICE -

The average cost of winning a Senate race in 2012 was \$10.35 million while the average cost of winning a House race in 2012 was \$1.60 million. Both numbers are all-time records both on a nominal and an inflation adjusted basis (source: The Campaign Finance Institute).

## NOT JUST FOR KIDS - 33% of

the outstanding student loans nationwide are held by Americans at least age 40 (source: Federal Reserve Bank of New York).

## NOTHING HERE - More

than half (55%) of the countries in the world have no proven oil reserves. 117 of 214 countries in the world have zero oil reserves (source: Energy Information Administration).

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The second quarter of the year has now come and gone and the summer of 2013 is in full swing. There are a variety of ways for staying cool in the summer months, but in order to achieve your goal of staying cool you must be proactive. For some this means spending the afternoons floating in the pool, stretched out in front of the AC, or perched up a few thousand feet in the cool mountain breeze. The same holds true for managing risk in the stock market. There are many positive signs in the equity markets right now, and I wanted to take a minute to update you on some of the things that I see taking place. For starters, one of the indicators that I follow regularly is the NYSE Bullish Percent, which is simply a measure of supply and demand in the marketplace. The most recent change in the indicator suggests that, generally speaking, demand has regained control, which is a positive sign. This indicator currently directs us to focus on accumulating wealth instead of wealth preservation for those investors with the appropriate risk tolerance. With that said, here are some of the themes that are shaping up in this market.

- After a review of the historic "summer" returns for the equity market to determine if there is a bias towards the annual "Summertime Blues" or "Dog Days of Summer" argument that is often applied to the market, we find that over the previous 32 years, 14 summers (or 44 percent) have been losing summers for the S&P 500 (13 for the Dow Jones Industrial Average). We do not have a crystal ball to know how the rest of the summer will unfold, but it is interesting when we look at those summer months that have seen a decline, the vast majority of them came when the NYSE Bullish Percent was declining. As I mentioned above, the most recent movement in the NYSE Bullish Percent was back to positive, which suggests a better risk environment for stocks.
- Nearly 75 percent of all stocks trading on the New York Stock Exchange are in a positive trend today, which is to say that the majority of stocks continue to show positive trends. I should note, also, that all of the major equity indices continue to trade in a positive trend, which is another positive sign for the market.
- One of the major themes that has been in place all year is the strong performance of Domestic Equity. Out of the five broad asset classes that I track, Domestic Equity remains the top ranked asset class. In other words, this continues to be a strong area of the market and one that I will continue to focus on.
- When thinking about global equity opportunities, US Equities remain stronger than International Equity. However, we have seen some rotation within the International Equity space towards favoring the larger, developed countries of the world. Examples of developed countries would be western European countries, Japan, and Australia to name a few.
- The US Dollar has been strong for much of the year, entering into a positive trend. Additionally, the US Dollar Index (DX/Y) managed to move to the highest level in three years. There are certain areas of the market that tend to do better during times when the US Dollar is strong, including US Equities. On the other hand, strong US Dollar environments tend to be tough environments for the Commodity market as well as International Equities. This is one reason why Commodities, as an asset class, is the last ranked asset class out of the five that I evaluate.

We have no way of knowing how this offensive possession will play out. Ideally, we keep the offensive team on the field for a long, sustained drive. We are not going to anticipate when we think the market rally has exhausted itself; rather, we will let the market tell us when the time is right. Until then, I will continue to diligently review your account making the necessary adjustments to position your account in the right direction. Additionally, as this offensive session progresses I will be monitoring the overall market, looking for any other potential areas of leadership. We will adhere to both the buy and sell side of our decision making process and let the discipline successfully navigate this market. If you have any questions regarding these strategies, or any other strategies for that matter, feel free to contact me and I would be happy to discuss them in further detail with you. In the meantime, kick back, relax and enjoy the rest of the summer.

P.S. If you think this type of information would be of benefit to anyone you know, please share this communication with them.

*Additional risks are associated with international investing, such as currency fluctuations, political and economic stability, and differences in accounting standards. Please consult your financial advisor for more information. Small cap stocks may be subject to a higher degree of market risk than large cap stocks, or more established companies' securities. Furthermore, the illiquidity of the small cap market may adversely affect the value of an investment, so that shares, when redeemed, may be worth more or less than their original cost. "Securities and Advisory Services offered through Cetera Advisors LLC, member FINRA, SIPC. Petra Financial Solution is not affiliated with Cetera Advisors LLC., Petra Financial Solutions, Inc. 3055 Kettering Blvd., Suite 218. Dayton, OH 45439.*

  
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