SELECTOR® Money Management
2013 Second Quarter Review

Equities Stepped Up

The second quarter of 2013 held more good news for equities, in spite of a 4-week correction that started in late May and into June. April was a relatively quiet month in spite of a couple of sharp down days around Tax Day. Major equity indexes closed slightly higher at month's close. May was profoundly positive. The first three weeks of May the S&P 500 had only three negative days while climbing +4.38%. The May/June correction was swift and broad, and we saw selling spread across every equity sector. The S&P 500 Index declined by -7.5%, the S&P Mid-Cap 400 Index fell -8.90%, and the Russell 2000 Small Cap Index dropped -6.22%. The final week in June equities regained their footing, rallying into the end of the month and on into July. For the quarter, the S&P 500 Index tacked on another +2.91% and was up +13.82% YTD, the S&P 400 MidCap Index added +1.00% to close up +14.59% YTD, and the Russell 2000 Small Cap Index was +3.08% to retake the YTD lead with a gain of +15.86%. But that proved to be all of the sunshine financial markets would see during the second quarter.

Bond Markets Fell Sharply

Bond markets had a deceptively good April after a quiet first quarter. By the end of April, most bond indexes were up +1.00% for the month, breaking out of a trading range and looking even higher. Unfortunately, only those bonds that were directly or indirectly connected with equity markets, such as convertible and high yield bonds, would carry those gains into the month of May. For the rest of the bond market May and June quickly eroded into a sharp price correction. The Barclays U.S. Aggregate Bond Index ended the second quarter with a loss of -2.32% and sat with a -2.45% loss YTD. The Barclays U.S. 20+ Year Treasury Bond Index lost -5.81% in the second quarter ending the first half down -8.52% YTD. The Barclays Capital US Corporate High Yield Bond Index fared somewhat better but still slipped -1.44% for the second quarter, and up +1.42% YTD.

International Equities Stumbled

Developed international equities started the second quarter on the heels of U.S. equities. They had modest price advances in April. The first week of May the MSCI EAFE as well as the S&P Europe 350 Indexes broke to the upside to new yearly highs. It looked like Green Light Go for the developed international equity indexes, after spending most of the year in a trading range. When U.S. equity markets started their correction, international equities followed lower as well. But mid-June they suffered a very sharp 4-day decline that dropped them back into the trading range that had trapped them earlier. While international equities did rebound the end of June, they were working out of a -12% hole instead of an -8% hole. The MSCI EAFE Index lost -0.99% in the second quarter, still up +4.10% YTD. Emerging Markets continued their struggle, dropping -7.88% for the quarter, and down -9.57% YTD.

No Safe Haven In Gold, Silver

The London Gold PM Fix plummeted -25.42% in the second quarter, and is now down -28.37% YTD. The London Silver Fix Price fell -34.15% in the second quarter, and is down -37.03% YTD.

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