

Don't Fight the Fed

There is an axiom on Wall Street that states: "Don't fight the Fed." Meaning that whatever the Fed is doing, you will do well to not over-think it and go along for the ride. Since the financial melt-down in 2008, the Fed has been extremely accommodative on a variety of policies and the markets have climbed almost 130% from the bottom through the first half of the year.

Through July 15th, the S&P 500 is up over 15% in 2013 with only a minor pull-back of 5.75% from May 21st though June 24th (See Chart).

12 months from now, the equity markets should be higher due to the continued accommodative policies of the Fed. Don't be alarmed if there are pull-backs along the way (our models suggest a larger one in October) as the markets try to digest the difference between "tapering" of the accommodative policy and a restrictive policy (right now, slightly less accommodative is still extremely accommodative).

