



Views From The Heartland

Investment Perspective of Buena Vista Investment Management

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MARKETS STILL CLIMBING AFTER FOUR YEARS Major Market Indices at Highest Levels since October 2007

The first quarter of 2013 represents the second best start for the stock market since 1998, with the S&P 500 stock index posting a robust 10% return in the first quarter of 2013. More importantly, since the market bottom in March of 2009, this “bull market” has gained over 135%. That makes this the 8th best performing “bull market” since 1900.

So as we complete the 4th year of this “bull market” we are at all-time highs on the Dow Jones Industrial Index and the S&P 500 stock index. It is also important to note that out of 22 cyclical bull markets since 1900 there have been only 7 that lasted beyond their 4^h birthday. So, a prudent investor would have to ask.....can this continue?

While, this market is not without risks, we believe it can move higher from current levels. There are several macro-economic factors that point to a stronger economy, which we think will allow equity markets to move somewhat higher.

First, the ISM Purchasing Managers Index, (which is a survey of 400 manufacturing purchasing managers nationwide), has been moving higher for 3 straight months now. It is now at the highest level since mid-2011. An important point to understand about the PMI Index is that a number above 50 (currently at 54.2) points to an expanding economy, as it indicates corporate spending is healthy. It would be extremely rare to see an economic slowdown while this Index is at these levels.

Second, as consumer spending makes up over 60% of our nation’s economy, the Consumer Confidence Index is a good bellwether for future economic activity. The “Present Situation” component of this index continues to trend higher and indicates to us an underlying improvement in the economic health of consumers. This can also be verified when looking at auto sales. Auto sales are a great indicator of consumer confidence and auto sales are humming.

Without question, unemployment has been a big issue and if we look at the numbers we see an improving picture. This bodes well for continued economic improvement. For example, initial unemployment claims have moved down significantly since hitting a recent high in October, 2012. Total non-farm payrolls moved steadily higher over the last year. And average hourly earnings have also been trending up since September, 2012. On an absolute basis, not all of these numbers are as high as we would like them to be. But the trend is our friend and right now the trend of all the employment numbers is positive.

We have talked about housing in previous newsletters. One of the reasons we continue to focus on housing is that new home construction creates jobs. Existing home sales increased .8% in Feb over Jan and 15% year over year. We are now building homes at an annual pace of 917,000 which is the highest since June, 2008.

(over)

MARKETS STILL CLIMBING AFTER FOUR YEARS

Major Market Indices at Highest Levels Since October 2007 (continued)

In addition to creating jobs, housing also impacts personal wealth, which in turn impacts consumer confidence. According to the most recent Case/Shiller report, home prices were up 7.3% year over year. So when home values are increasing people feel better. You couple this with rising stock prices and you see improving consumer confidence numbers. Higher consumer confidence numbers leads to more robust consumer spending, an important component of economic growth.

Two other reasons we are constructive on equity prices is the data coming from our two trusted research partners; the Leuthold Group and InvesTech. We have relied on these two firms since the onset of our firm and both firms have a long history of strong economic and market analysis. Leuthold's Major Trend Index, one of our leading indicators, is firmly in bullish territory with a reading of 1.25. Their research shows that although 4 years is a fairly long bull market, it is not unprecedented for 4 year old bull markets to continue to move higher for a period of time.

Also, since 1986, InvesTech's Bellwether Index has proved very reliable as a tool to help predict market tops. Currently, this Index indicates that we have not reached a market peak. InvesTech's Negative Leadership Composite, a long-time indicator for us, is giving us a very healthy reading of +26.

Although neither InvesTech nor Leuthold believe the stock market is cheap, their indicators are telling us to remain invested.

Our final and important point relates to the Federal Reserve Bank. The Fed stated in September, 2012 it would buy \$40 billion a month in mortgage backed securities. Then in December 2012, they announced that they would increase that amount to \$85 billion by also purchasing \$45 billion in US Treasuries. Also, numerous other central banks are also embarking on programs to lower rates and increase liquidity. We believe that these actions will over the next year keep interest rates low, which will in turn drive bond investors away from bonds and into stock investments.

Although this "bull market" just celebrated its 4th birthday, there is evidence that this market can still grind higher. Simply because this bull market is 4 years old, or simply because we have hit new highs does not automatically indicate the beginning of the end for this cycle. Therefore until we see negative readings from our three market indicators, we remain bullish on this market.

BUENA VISTA INVESTMENT MANAGEMENT LLC **LONG-TERM MARKET INDICATORS**

Buena Vista Conservative Buy/Sell Discipline:	Bullish (turned positive 1-2012)
Leuthold Major Trend Index	Buy (turned positive 1-2013 after a neutral reading in 12-2012)
InvesTech Negative Leadership Composite:	Positive (turned positive 2-2012)
S&P 500 Stock Index:	1,569 (9.97% thru 3-31-13)
Dow Jones Total Market Index	16,369 (10.52% thru 3-31-13)

Important Disclosure – The performance numbers contained on this page are provided for informational purposes only. Returns may vary depending on personal objectives and timing of invested dollars. The performance numbers contained on this page are net of Buena Vista management fees and are based on investments held in a composite of accounts with like investment strategy. Contact Buena Vista Investment Management LLC for more specific information concerning performance and market data. Do not rely on this information to make investments.

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