Your Personal Money Manager

Pearson INVESTMENT LETTER

Published Monthly Since 1982

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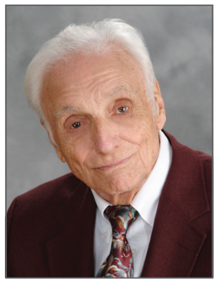
FEATURED STOCKS - AUGUST/SEPTEMBER 2013

GROWTH STOCKS:	VALUE STOCKS:
Atwood Oceanics, Inc	Microsoft Corp
Cognizant Technology Solutions Corp	Qualcomm Inc
Encore Capital Group, Inc	Toronto-Dominion Bank
Emc Corp	Valmont Industries



Walter D. Pearson
Chairman

Donald E. Pearson
President

Ann Hathaway
Account Manager

OWNING REAL VALUE

By Donald Pearson

Today anything you buy should be purchased with value being the key component. Always prioritize this and you go far on the road to prosperity. Whenever anyone purchases at the super market the first thing checked is what is on sale this week. Car shopping, and everything else we purchase, is carefully researched too. I don't know of anyone purchasing a home or a business who doesn't check carefully, and even make offers for less than the asking price. Simply said, we are all trying to get what we want and need at the lowest price possible. Whether we're going to live in it, drive it, wear it, eat it, or invest in it. As I say so often, "value is king."

When making investments for one's personal portfolio, this strategy will take you a long way in meeting your immediate and long range goals. It doesn't matter if you are older pursuing income, younger pursuing growth, or somewhere in-between seeking a happy medium. Rather than purchase a handful of mutual funds, where the money is being made first by the fund charging about 6%, either build your own portfolio or have someone like us do it for you. Today this can be done with time, research, and dedication. Warren Buffet's strategy and success is exactly the same as what my father dedicated himself to 55 years ago. Invest the time, do the work, and seek out value. Here are a few examples which show exactly what I mean.

Teco Energy (TE). We own a lot of this and began purchasing at around $9.00 when it was a real value. Today TE is selling just under $18.00 and has no growth in their immediate future. Earnings are forecasted to drop 18% this year and rebounding back next year about the same. With a yield of 5% annually, it may remain within many portfolios, but it also becomes one ready to be traded when we find another "must have" for people without additional funds for the purchase.

A few months ago we found two companies that we labeled must haves and added them to our core list, meaning we would buy for everyone until their share price appreciated high enough that they were no longer a value investment. Almost everyone would get one or the other, and in many cases both. These were Green Mountain Coffee and Questcor. One was forecasted to increase over 30% within a year and the other even more. In the last four months we have moved heavily into both. One has increased over 50% and the other even more. When these were purchased, the key ingredient was value. Our research group has other criteria that a selection must meet, but value is the most important. Without value, it is immediately dropped from our selection process.

Facebook (FB) is another good example of value searching. When this became public some time ago around $38 we made a decision we would not be purchasing any for clients or for ourselves because value cannot be measured until one knows what a company is worth. Without this information you're betting on a hunch, anticipating performance, and in some ways gambling. We would wait for earnings to come out and then track for a few quarters as we are currently doing. Today FB is just getting back in the neighborhood of their public offering price. We still have not bought any, do not plan to in the immediate future, and will continue to watch closely.

Product superiority, company management, positive long range growth, and earnings projections are needed, but without value we are not purchasing.

Last month I wrote about Rite Aid Drug (RAD) believing this to be another that met the value component that makes it a superior addition to many portfolios. It doesn't have a 3% yield as QCOR does, but it has all the other components referenced. This was featured last month at $2.82 and has already climbed to $3.10 in less than 6 weeks. Do not be surprised to see it added to your portfolio in the near future.

We feature eight stocks per month in our publication, and many of these selected are added to different portfolios to round out diversification, adjusting for risk tolerance, and in many cases replacing something that had been sold because of poor performance or disappointing quarterly earnings. Our ongoing commitment to your portfolio, and to ours, is to continue to monitor for those under performers. When identified as such, they can be removed and replaced. Our long range success has been predicated on this strategy. It has worked in the past, as it does today, and will continue to in the future.

With this article I am trying to let our newer clients know how we do our work and how we find our selections. I'm hoping our older clients will pass this letter on to a friend, neighbor, or relative who deals with a broker, or manages his own account and owns several mutual funds. There is a more cost sensitive way for you, and in many cases generating better returns. To learn more about this requires only a phone call without any obligation. I'd be happy to talk about this with anyone. I'll also give you suggestions to improve your current portfolio whether we end up managing it or not.

For all clients, new and old, I suggest, as my father so often does, that you add money to your account every opportunity you can. Many times a new superior find isn't added to an account because funds are not available for purchase. In this example cash is the king, soon to be converted to value.

DP

WALTER'S WISDOM
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OWNING A BUSINESS

Let's suppose for a minute that you are a person who is reluctant to invest in stocks. Would you be reluctant to go into business for yourself? Think of the profit potential in owning your own business. Think of Warren Buffet, or give a second or two to Bill Gates. They started with a little and wound up with so much that they can support financially just about anything coming their way. What it comes down to is that there is tremendous potential in investing, but it is important to get into the right thing at the right time. In order to start a business, it is vital that one knows something about what he is going into, even if it is just a matter of taking over a franchise, in which you are more or less participating in someone else's business with you at the head. BUT, owning a business, though possibly profitable, is tiring and requires time and effort. Even then, profits may be small.

Think of it from the other direction. By using the stock market you have all of the advantages and just about none of the disadvantages. All it is necessary for you to do is to find a company that you can see is on the right track, buy a few shares, sit back, and let all of those people, including the CEO, go to work FOR YOU each day. The management of your company has all of the thinking to do while you can go out and play tennis, bowl, or hit the golf course. Now there is a bit more to this because it gets better. To be a prudent investor one should do this over and over again until there may be 20, 30, 50, or even more companies that have an entire work force hitting the pavements for you each day. Perhaps I shouldn't say each day because I expect that being the nice person that I know you are, I know you will let your "employees" have Sunday, and maybe even Saturday, off.

Looking backwards it is phenomenal to see the results of purchasing stocks when that golden opportunity was found. If you had a hunch when Coca Cola started up, you could be a multimillionaire today by simply having purchased a few hundred dollars' worth. But something like that is going to happen very seldom. However, these companies are easily spotted as they grow in size. It is not difficult to see that time will be on your side if you buy a few shares when you see the growth inherent in each. Coca Cola, Wendy's, McDonald's, are just three companies that have shown us all along the way that they are growing and will be worth more money as time goes on. These can still be bought for the same reason, but let's look at the past and see where we would be today if we started sooner.

You might have purchased McDonald's back in 1987. A $1500 investment at that time is now worth about $23,000 and is still considered to be a decent purchase for growth. There are numerous other companies that you might have invested in that have done as well, or better. It is simply a matter of research and investing. That's what we are here for. We find them, we buy them for your account, and you sit back, relax, and watch television.

I just thought of the information that keeps coming out on the television. We are constantly beset by prognosticators who will tell you about the market. Some say it's too high to buy; some say we are in a bull market that usually lasts a certain number of months. I just shake my head in wonder as I listen to them. One does not invest in the market as a whole. Profitable investing is done by finding companies that have good growth potential and trying not to pay too much for them. The investor is investing in individual companies, not the market as a whole.
Take a thought about inflation. The purchasing power of your dollar has been decreasing steadily, and I can just about assure you that this will not be changing in the foreseeable future. As a matter of fact, I expect that the rate will be increasing. What does this mean to each individual? It simply means that whether or not you invest is not a choice that has been left to you. No! What it means is that investing is a MUST!

If you are one of those people who subscribes to our Investment Letter think positively, open an account with us, and let us do all the work. You also get our Investment Letter on a regular basis free of charge.

Here are some companies which have just declared an increase in their dividend, and we have bought for some of you; NFG, BTE, TSM, MDT, BSBR, SNP, OZRK, SAN, GG, CMI, FAST, CLB, EPD, PAYX, WAG, COP, R, BTE, OHI, HCSG, KMP, SCCO, CLMT, NSC, ETN, EXPE, HEP, HLF, NE, CBOE, IFF, BP.

WP

Source Rating Key *for **PCI's** featured stocks:* **Pearson Investment Growth Rating** *measures long-term past and future growth.*
Pearson Value Rating *measures current value in terms of potential for the dollar.* **Investors Business Daily** *measures growth and relative price strength.*
S&P *measures financial quality and growth potential.* **Value Line** *measures timeliness, value and safety.*
Information & data obtained from other sources is believed to be reliable, but its accuracy and completeness can not be guaranteed.
Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department.
He is the author of the book, Investing for the Millions and Publisher Emeritus for the Pearson Investment Letter.
At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc.
He is a contributing columnist for various publications and is listed in Who's Who in America.
"Remember the Lord your God, for it is He who gives you the ability to produce wealth." (Deut. 8:18)

Investment letters are complimentary to our clients with managed accounts!

PEARSON CAPITAL'S RECOMMENDED STOCKS FOR AUGUST/SEPTEMBER 2013
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ATWOOD OCEANICS, INC (ATW) NYSE PRICE $59.13

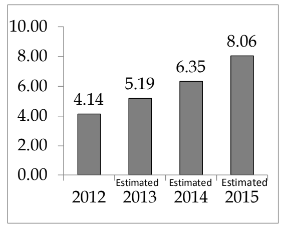
Atwood Oceanics, Inc., along with its subsidiaries, is engaged in the international offshore drilling contractor engaged in the drilling and completion of exploratory and developmental oil and gas wells. As of September 30, 2011, the Company owned a fleet of 10 mobile offshore drilling units located in the United States Gulf of Mexico, South America, the Mediterranean Sea, West Africa, Southeast Asia and Australia. During the fiscal year ended September 30, 2011 (fiscal 2011), it had a utilization rate of 95%. Its offshore drilling equipments include semisubmersible rigs, jack-up drilling rigs, semisubmersible tender assist rigs and submersible drilling rigs. It obtains the contracts, under which it operates its units either through individual negotiation with the customer or by submitting proposals in competition with other contractors. In October 2010, it entered into turnkey construction agreements with PPL Shipyard PTE LTD to construct two Pacific Class 400 jack-up drilling units.

Type: Growth
Sector: Energy
Institutional Holdings: 536
Industry: Energy Equipment & Services

Ratings & Recommendations

Current P/E Ratio: **11.3**
Annual Yield: **0**
Annual Dividend: **0**
Investor's Bus. Daily: **B**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/A**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B+**

Earnings per share



COGNIZANT TECHNOLOGY SOLUTIONS CORP (CTSH) NASDAQ PRICE 73.16

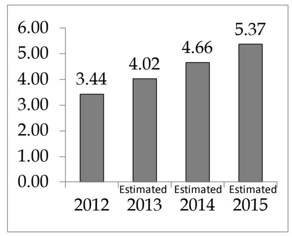
Cognizant Technology Solutions Corporation (Cognizant) is a provider of custom information technology, consulting and business process outsourcing services. The Company is engaged in Business, Process, Operations and Information Technology Consulting, Application Development and Systems Integration, Enterprise Information Management (EIM), Application Testing, Application Maintenance, Information Technology Infrastructure Services, and Business and Knowledge Process Outsourcing, or BPO and KPO. The Company operates in four segments: Financial Services; Healthcare; Manufacturing, Retail and Logistics, and Other, which includes communications, information, media and entertainment, and high technology.

Type: Growth
Sector: Information Technology
Institutional Holdings: 1767
Industry: IT Services

Ratings & Recommendations

Current P/E Ratio: **19.4**
Annual Yield: **0**
Annual Dividend: **0**
Investor's Bus. Daily: **C-**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **B**
The Street (analyst avg.): **B-**

Earnings per share



ENCORE CAPITAL GROUP, INC (ECPG) NASDAQ PRICE $44.29

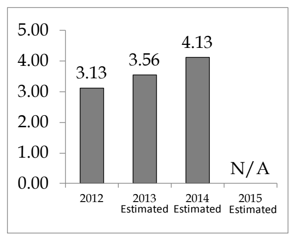
Encore Capital Group, Inc. (Encore) is engaged in consumer debt buying and recovery. Encore purchases portfolios of defaulted consumer receivables at deep discounts to face value and use a variety of operational channels to maximize its collections from these portfolios. The Company manages its receivables by partnering with individuals, as they repay their obligations and work toward financial recovery. Defaulted receivables are consumers' unpaid financial commitments to credit originators, including banks, credit unions, consumer finance companies, commercial retailers, auto finance companies, and telecommunication companies, and may also include receivables subject to bankruptcy proceedings, or consumer bankruptcy receivables. In July 2013, Encore Capital Group Inc closed its acquisition of 50.1% of the equity interest in Janus Holdings Luxembourg S.a.r.l. Effective July 2, 2013, Encore acquired a 50.1% interest in Cabot Credit Management Ltd, from JC Flowers & Co LLC.

Type: Growth
Sector: Industrials
Institutional Holdings: 324
Industry: Commercial Services & Supplies

Ratings & Recommendations

Current P/E Ratio: **12.8**
Annual Yield: **0**
Annual Dividend: **0**
Investor's Bus. Daily: **A**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **B+**

Earnings per share



EMC CORP (EMC) NYSE PRICE $26.85

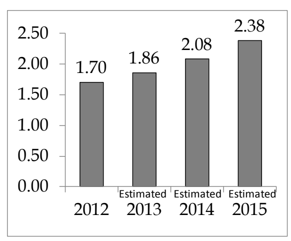
EMC Corporation (EMC), and its subsidiaries develop, deliver and support the Information Technology (IT) industry's range of information infrastructure and virtual infrastructure technologies, solutions and services. The Company manages its business in two broad categories: EMC Information Infrastructure and VMware Virtual Infrastructure. EMC Information Infrastructure provides a foundation for organizations to store, manage, protect, analyze and secure ever-increasing quantities of information, improve business agility, lower cost of ownership and enhance their competitive advantage within traditional data centers, virtual data centers and cloud-based IT infrastructures. Its EMC Information Infrastructure business consists of three segments: Information Storage, Information Intelligence and RSA Information Security. In July 2013, the Company's RSA security division acquired Aveksa Inc.

Type: Growth
Sector: Information Technology
Institutional Holdings: 2761
Industry: Computers & Peripherals

Ratings & Recommendations

Current P/E Ratio: **21.4**
Annual Yield: **1.48%**
Annual Dividend: **$0.40**
Investor's Bus. Daily: **C**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **B**

Earnings per share



MICROSOFT CORP (MSFT) NASDAQ PRICE $32.70

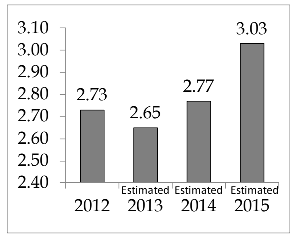
Microsoft Corporation is engaged in developing, licensing and supporting a range of software products and services. The Company also designs and sells hardware, and delivers online advertising to the customers. It operates in five segments: Windows & Windows Live Division (Windows Division), Server and Tools, Online Services Division (OSD), Microsoft Business Division (MBD), and Entertainment and Devices Division (EDD). The Company' products include operating systems for personal computers (PCs), servers, phones, and other intelligent devices; server applications for distributed computing environments; productivity applications; business solution applications; desktop and server management tools. In July 2012, Comcast Corp. acquired the Company's 50% stake in MSNBC.com. In October 2012, it acquired PhoneFactor Inc. On July 18, 2012, it acquired Yammer, Inc. (Yammer). Effective March 19, 2013, it acquired Netbreeze GmbH.

Type: Value
Sector: Information Technology
Institutional Holdings: 4915
Industry: Software

Ratings & Recommendations

Current P/E Ratio: **12.7**
Annual Yield: **2.80%**
Annual Dividend: **$0.92**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **B+**
Morningstar Rating: **C**
Stand & Poor Rating: **C**
The Street (analyst avg.): **A**

Earnings per share



QUALCOMM INC (QCOM) NASDAQ PRICE $66.27

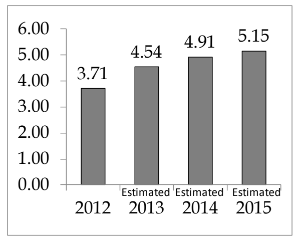
QUALCOMM Incorporated (Qualcomm), incorporated on August 15, 1991, is engaged in design, manufacture, have manufactured on its behalf and market digital communications products and services based on code division multiple access (CDMA), Orthogonal Frequency Division Multiplexing (OFDMA) and other technologies. The Company operates in four segments: Qualcomm CDMA Technologies (QCT); Qualcomm Technology Licensing (QTL); Qualcomm Wireless & Internet (QWI), and Qualcomm Strategic Initiatives (QSI). The Company develops and supply integrated circuits and system software based on CDMA, OFDMA and other technologies for uses in voice and data communications, networking, application processing, multimedia and global positioning system products. In November 2012, the Company acquired certain assets of EPOS Development, Ltd. (EPOS). Effective July 4, 2013, Bharti Airtel Ltd raised its interest to 51% from 49% by acquiring a 2% interest in Qualcomm India Pvt Ltd, from Qualcomm Inc.

Type: Value
Sector: Information Technology
Institutional Holdings: 3472
Industry: Communications Equipment

Ratings & Recommendations

Current P/E Ratio: **17.7**
Annual Yield: **2.11%**
Annual Dividend: **$1.40**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **B**
Stand & Poor Rating: **A**
The Street (analyst avg.): **A**

Earnings per share



TORONTO-DOMINION BANK (TD) NYSE PRICE $84.19

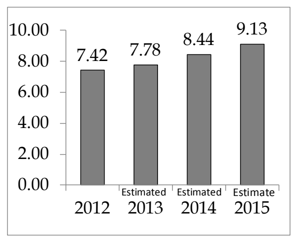
The Toronto-Dominion Bank is a bank. The Toronto-Dominion Bank and its subsidiaries are collectively known as TD Bank Group (the Bank or TD). The Bank serves approximately 20.5 million customers in four businesses operating in a number of locations in financial centres worldwide: Canadian Personal and Commercial Banking, including TD Canada Trust, TD Insurance, and TD Auto Finance Canada; Wealth Management, including TD Waterhouse and an investment in TD Ameritrade; U.S. Personal and Commercial Banking, including TD Bank, and TD Auto Finance U.S.; and Wholesale Banking, including TD Securities. On April 1, 2011, the Bank acquired 100% Chrysler Financial. On December 1, 2011, the Company announced that it completed the acquisition of substantially all of MBNA Canada's credit card portfolio, as well as certain other assets and liabilities, from Bank of America Corporation. Effective March 27, 2013, The Toronto-Dominion Bank acquired Epoch Holding Corp.

Type: Value
Sector: Financials
Institutional Holdings: 1508
Industry: Commercial Banks

Ratings & Recommendations

Current P/E Ratio: **12.4**
Annual Yield: **3.63%**
Annual Dividend: **$3.06**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **C**
Stand & Poor Rating: **A**
The Street (analyst avg.): **C+**

Earnings per share



VALMONT INDUSTRIES (VMI) NYSE PRICE $137.88

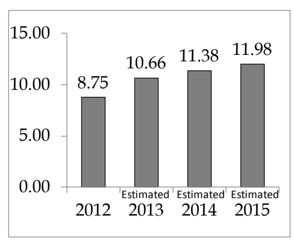
Valmont Industries, Inc. is a global producer of fabricated metal products. The Company operates in four segments: Engineered Infrastructure Products, which consists of the manufacture of engineered metal structures and components for the global lighting and traffic, wireless communication, roadway safety and access systems applications; Utility Support Structures, which consists of the manufacture of engineered steel and concrete structures for the global utility industry; Coatings, which consists of galvanizing, anodizing and powder coating services on a global basis, and Irrigation, which consists of the manufacture of agricultural irrigation equipment and related parts and services for the global agricultural industry. On December 19, 2012, the Company acquired Pure Metal Galvanizing operations. In February 2013, the Company announced the sale of Bilston Investments Proprietary Ltd.

Type: Value
Sector: Industrials
Institutional Holdings: 601
Industry: Machinery

Ratings & Recommendations

Current P/E Ratio: **13.1**
Annual Yield: **0.71%**
Annual Dividend: **$1.00**
Investor's Bus. Daily: **D**
Pearson Growth & Value: **A-**
Morningstar Rating: **N/A**
Stand & Poor Rating: **N/A**
The Street (analyst avg.): **A-**

Earnings per share



JUST ASK ANN

PRICES REDUCED!

Got your attention? These days it's not often that we see prices go down, but here at Pearson Capital we are revamping our management fee system to give some accounts a fee reduction!

As you know, we charge a 1% annual fee (taken quarterly at .25%) for all accounts over $25,000.00. Those accounts under $25,000.00 have been billed at 2% (taken quarterly at .50%).

For most clients with multiple accounts the fee was based on the individual account balance, and each charged accordingly. Here's the change: If you have multiple accounts that TOTAL $25,000 or more, ALL accounts will now be billed at the 1% fee. This applies not only to individuals, but to all household accounts. Household accounts include all accounts billed at the same address. We are happy to report that over half of our 2% clients will now get a break!

We also hope that this gives our clients a bit of incentive to nudge those accounts up enough to take advantage of this new fee schedule. Would a small deposit put you over and reduce management fees? Next statement, check those balances!

If you'd like to add money to your account, there are several ways to do this: You can write a check payable to TD Ameritrade (with your account number on the front) and mail directly to them at PO BOX 919094, San Diego CA 92191-9094.

Or, if you prefer to make an electronic transfer from your bank, you can contact me and I'll help you set that up. We can even arrange to make small regular contributions this way - you'd be surprised at how quickly small regular deposits can add up! We work hard to make your investments grow, and we believe this fee adjustment will help to keep more money in your account so it can!

Ann

MARKET VIEW *Continued from page 6*

get smaller, as these same companies are still being bid up for their yield potential. The market volume is also starting to decrease, as the quarter's earnings reports come to an end in September, and stock market volume and earnings news begins to slow down at this time of year. This is the same time people are coming back from vacations and getting back to school. By mid-September, companies also take this time to warn investors about the next quarter's reports, and analysts readjust their year-end outlooks at that time as well. But I am hoping that the end of the year will start seeing new growth from different market leaders, a rebounding Europe, and a strong finish before Christmas.

The new trends continue:
1) The market in trucks and pickups is starting to rebound.
2) Expect a new group of leaders to emerge for next year.
3) Insurance companies are now benefiting by the increase of interest rates.
4) Parts of the housing market are being bought up by hedge funds.

Key Point: September is the slowest month of the stock market.

Cash Flows:

With continued strong cash flows coming in for this quarter, companies are increasing their dividends and causing massive buybacks. We will see American companies and banks use their cash positions to buy European and other companies worldwide. Companies in the S&P can use their power to take on debt and then buy or merge with other companies, as well as buy back large amounts of their own stock. I see we are still in a glut of capacity, which has its own deflationary pressures. Since our goal for many of our customers is total return, we have many people with stock in companies that have raised dividends and/or bought back shares in both a growing and a slowing economy. Management of these companies is opportunistically seeking ways to benefit themselves and their shareholders. Like I have stated many times before, management is not just in charge of the company as many are also the major shareholders as well. If economic growth is tepid, and stocks continue to be volatile, these major shareholders will make the right decisions to improve our positions.

New Trends:
1) Once again the near end to low interest rates will tend to accelerate corporate decision making.
2) Companies that are dominant are still increasing their market share.
3) I see no immediate slowdown in stock buybacks.
4) More companies are increasing their dividends.
5) Money from the bond market is still not being put into the stock market.
Key Point: There is an abundance of cash on companies' balance sheets.

Please note:
1. The market will look toward earnings of 2014 for expectations.
2. September will have a lot of companies warning earnings.
3. I still expect the market to be higher by year end

WALL STREET INDEXES

Indexes	2007	2008	2009	2010	2011	2012	2013 YTD
S&P 500	3.6%	(40.0%)	23.5%	12.9%	EVEN	13.4%	18.6%
Dow Jones	6.4%	(33.4%)	18.8%	11.0%	5.5%	7.3%	17.7%
Nasdaq	9.8%	(42.1%)	43.9%	16.9%	(1.8%)	15.9%	21.2%
Market Average	5.6%	(38.4%)	27.9%	13.8%	1.2%	12.2%	19.2%

MARKET VIEW

Christopher Carothers - PCI's Stock Analyst

Economic Flows:

Since 2010, the Federal Reserve has pushed interest rates to near all-time lows. Last month at a mere mention of "tightening" in the wording of the central bank meeting notes, the bond market jolted, causing ten-year treasuries to move higher. This makes things very hard for the Fed to make a strong, decisive decision, as any short term reaction toward a tightening bias could hurt a leveraged bond market. The economy is still not in a growing mode, as there are many areas of recession or slow growth, with huge pockets of unemployment.

The bond market also reacted very strongly to the Fed's comments at the most recent Federal Reserve's Federal Open Market Committee (FOMC) meeting, where it started to talk about stopping its constant use of quantitative easing (QE). Fed Chairman Ben Bernanke then took an abrupt about face, changing the tone and rhetoric of what he meant, stating that they will continue to support the bond market for the foreseeable future. The problem the government has is that once interest rates go back to their long term averages, it will have to pay more interest on its debt, causing rapid inflationary pressures on the economy. The Fed states clearly that we can grow out of our situation, but with globalization and a glut of capacity, it will take many years for the world economy to move out of this situation. The purpose of the Fed is to prevent deflation by providing constant liquidity and an environment for job creation. The Fed is still indirectly leading the world out of this deflationary situation, so it will see itself as the defender of any worldwide economic problems. They still see themselves as monetary firefighters and will take more steps to stop any upcoming crisis.

New trends we see:
1. Natural gas prices are starting to rise, with a slight rebound in coal as well.
2. Europe is slowly starting to regain its footing.
3. There are still fears in effect of a slowdown.
4. We will continue to see a back and forth movement in governmental decisions.
5. Asia's economy is starting to hold now with countries beginning to grow again.

Key Point: The Fed is trying to ease our way back to normal.

Earnings Flows:

The month of August is showing a weakening earnings season, and in turn is causing a weak summer rally, but as we stated last month, money coming from the sidelines in the bond market continues to pour into the stock market. This cash inflow has created for stocks a wonderful first half of 2013, but, earnings have not kept up with these ever- increasing expectations. The continuing strength in the dollar is affecting many stocks in the S&P 500, with respective net profit margins weakened for many companies, or if they are keeping their margins at a high level, they have reported lower sales numbers for the current quarter. Expectations for the third quarter begin toward the end of the month, after most earnings are reported, so I will expect analysts to lower their expectations even further for the end of the year. Summer rallies do not need to be broad based, as we discussed, with many drug companies hitting new all-time highs. Only a few leaders need to move the entire market forward. But, some sectors such as retail and restaurants that have stretched their price earnings ratios will have a hard time justifying their current prices if they come out with anemic growth. Companies that miss earnings will still get punished, but those with slowing growth and slowing sales will get the same treatment, as more and more investors question if they can continue growing the same way they used to. Dividend yields are starting to

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