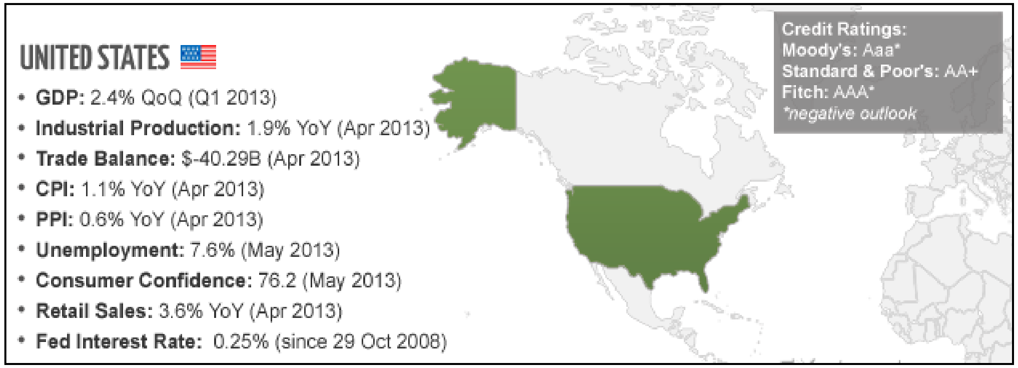
Market Recap

Rising Yield of 10-Year Treasury Note

Source: Bloomberg

The 10-year Treasury is currently yielding 2.15%, its highest level in more than a year, having endured a 4% decline in its price during this period. Recently, investor concern has been exacerbated by hints that the Federal Reserve may begin to taper its bond-buying program. The price of ten-year notes has fallen for the past six weeks, the longest losing stretch since 2009. However, some notable bond investors, including Bill Gross who runs the world's biggest bond fund at Pimco, called the recent pullback in Treasuries a buying opportunity. Gross stated his belief that the Fed will not raise interest rates for several more years. Further, while the Fed may reduce its program which currently buys $85 billion of Treasuries and mortgage-backed securities each month, it would initially do so by a relatively modest amount. A recent survey of economists indicates a growing consensus that the Fed may reduce its purchases to $65 billion a month by the time of its October 29-30 meeting.

U.S. Credit Rating Criteria



Source: FX Street

Standard & Poor's raised its outlook on U.S. credit to "stable" from "negative", citing the economic resilience and monetary credibility of the U.S. With this announcement, S&P maintained its AA+ rating for the U.S., one notch below the highest possible triple-A rating. Markets largely ignored the surprise endorsement, as Treasury securities continued to experience price pressure. Unlike the dramatic market swing in August 2011 when S&P stripped the AAA rating that the U.S. had held for 70 years, this muted response highlights that actions by ratings agencies have waning influence over investors. Instead, market swings are increasingly determined by global macroeconomic indicators.

Market Recap

Gold Prices ($/oz.) vs. S&P 500

Source: JP Morgan

Since the beginning of the financial crisis, gold has traded as both a "risk-on" and "risk-off" investment (as defined by whether its price moved with or against the S&P 500 stock index). Investing in gold, however, can be difficult as underscored by the recent unpredictable behavior of the precious metal. Gold prices are influenced by a variety of global factors, and are not highly correlated to other financial assets, thereby making gold a strong diversifier to stocks and bonds. Gold is also considered a proxy to emerging market investment, as emerging markets are both large producers and consumers of metals. Finally, many investors view gold as a hedge against inflation, although it is debatable whether historical performance substantiates this view.

Computer Tablet Ownership (% Americans ages 18 years+)

Source: Pew Research

It is difficult to believe that tablet computers have been around for only three years. Now, for the first time, a third of American adults own tablets, according to a new report by the Pew Research Center. While nearly every demographic group showed an increase in tablet ownership over the last year, the fastest-growing groups included households making over $75,000 a year, college graduates, and adults between the ages of 35 and 44, especially parents. It is interesting to note that tablet adoption has wide appeal as compared to some other devices. With smartphones, for instance, there is a very strong correlation with age; most younger adults own smartphones, regardless of income level. With tablets, there are no differences in tablet adoption rates between men and women, nor specific racial or ethnic groups. The current projection is that overall tablet sales will surpass laptop sales within the next two years.

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