



Gallagher Fiduciary Advisors, LLC
a Subsidiary of Gallagher Benefit Services, Inc.

Weekly Market Update – Week Ended May 17, 2013

The Raging Bull: A New Era?

Bull markets often lie in the eye of the beholder. Investors that bought equities at the October 2007 peak right before the financial crisis would hardly refer to the last six years as a bull market, but those fortunate enough to have bought equities at the March 2009 lows have a much different view. Equity returns in the 21st century have made some investors lose sight of the potential for a sustained, multi-decade period of rising equity prices. A ubiquitous bull market is a beautiful thing. Equity investors’ perceptions tend to converge to bull market when equities are at all-time highs, and keep climbing. Today, we might be on the cusp of the coveted enduring bull market.

Key Economic Release

The Consumer Price Index for All Urban Consumers (CPI-U) fell 0.4% in April. The CPI is up 1.1% for the year. (U.S. Bureau of Labor Statistics)

The right conditions appear to be in place. Low interest rates, robust credit conditions, cash-rich corporate balance sheets, and new innovation all support the bull case. As equity indices seemingly make new all-time highs on a daily basis, some investors fear a repeat of the Dotcom Bubble or financial crisis. Europe is in the midst of a debt crisis and things are only going to get worse, right? How can equities climb when the world’s second largest economy, China, is slowing? How can equities continue their ascent when the U.S. Federal Government debt and spending are out of control? Such skepticism is essential for a healthy bull market and differs substantially from the widespread euphoria seen during past market peaks, such as the Tech Bubble.

From January 1980 to January 2000, U.S. equities were in raging bull market mode, as the S&P 500 Index rose from 100 to 1,500 (15 times in value). A few other notable events occurred over these two decades: the Mexican debt default, the 1987 Flash Crash, the U.S. Savings & Loans Crisis, the Russian debt default and the Asian Currency Crisis. During the 1980s and 90s, equities climbed what is commonly referred to as the proverbial “Wall of Worry.” How could markets shake off crisis after crisis and continue to rise? The bad news was already priced into the markets, corporate earnings were strong and valuations were attractive, much like today.

Capital markets discount the future, not the past. And the markets appear to be signaling that our future is bright. Pessimism remains high, but the Raging Bull tends to emerge when least expected.

As of May 17, 2013	Week	Month to Date	Quarter to Date	Year to Date
MSCI All Country World Index	1.05%	2.50%	5.43%	12.29%
S&P 500 Index	2.14%	4.57%	6.59%	17.89%
Russell 2000 Index	2.20%	5.23%	4.84%	17.84%
MSCI EAFE Index	0.44%	0.96%	6.22%	11.67%
Barclays Capital Aggregate Index	-0.21%	-0.87%	0.13%	0.01%
Wilshire REIT Index	1.72%	2.66%	9.39%	17.52%
DJ-UBS Commodity Index	-0.18%	-1.44%	-4.19%	-5.27%
<i>Index Sources: Standard & Poor’s, Russell, MSCI Barra, Barclays Capital, Wilshire, Dow Jones, UBS</i>				

We thank you for your continued confidence in Gallagher Fiduciary Advisors. Please contact your Consultant with any questions or comments.

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