

## MARKET COMMENTARY

Real US GDP growth in the first quarter of 2014 was an eye-opening -2.9%, the worst decline since the depth of the 2008-2009 Great Recession. As bad as it looked, most economists viewed this report as an anomaly as some components of GDP held up reasonably well including personal consumption and government spending. Overall, weather explained most of the downturn, as much of the East Coast and Midwest suffered from unusually cold temperatures and significant snowfall. This negatively affected inventory building and net exports. Perhaps surprisingly, US equity markets hardly blinked when the US Bureau of Economic Analysis announced the revised estimate on June 25. Instead, the Standard & Poor's (S&P) 500 and the NASDAQ indexes finished the second quarter of 2014 with 5%+ gains while the Dow Jones Industrial Average (DJIA) was up 2.8%. This was the sixth straight quarterly rise for the S&P 500 and the NASDAQ, and all three indexes traded at record highs.

Volatility in US equity markets remained muted throughout the quarter as investors continued to favor stocks. While history does not necessarily repeat itself, previous trends demonstrate reasons to remain optimistic even after long periods of low volatility. A market crash is not necessarily around the corner as many strategists fear. The table below shows twenty extended periods since 1950 that the S&P 500 did not move up or down 1%.

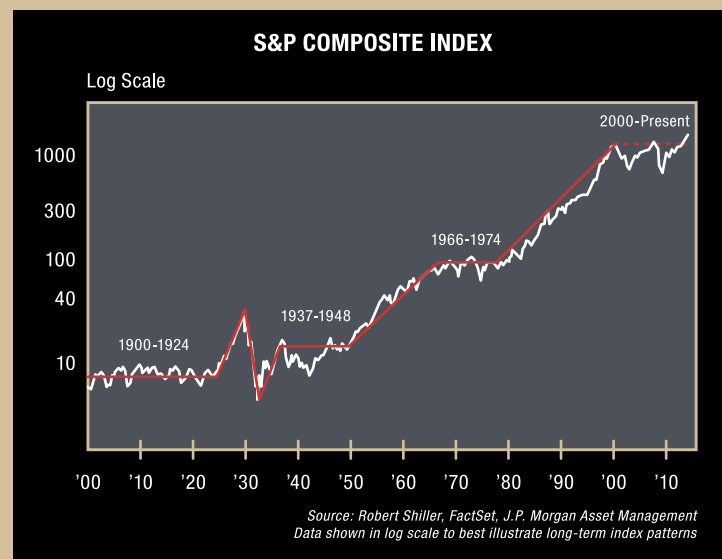
Source: Bloomberg

### S&P 500 STREAKS WITHOUT A 1% UP OR DOWN DAY SINCE 1950

Start Date	Total Streak	Total Return w/ Dividends	6 Months Following
3/1/63	184	13.20%	11.25%
7/21/65	154	8.50%	-16.24%
12/2/63	128	7.91%	6.20%
7/20/95	95	10.67%	11.24%
12/17/53	91	11.31%	15.13%
8/5/64	81	2.84%	4.74%
2/12/65	79	0.82%	5.05%
8/13/68	75	7.93%	-8.02%
1/25/72	73	3.27%	7.61%
5/5/52	73	6.51%	1.75%
3/4/57	69	7.58%	-12.85%
7/9/93	68	3.70%	-1.21%
6/7/67	68	4.49%	-6.27%
3/7/69	65	1.79%	-8.65%
4/17/14	62	5.55%	TBD
7/22/58	60	10.45%	9.68%
1/18/62	59	0.03%	-16.58%
1/12/77	54	-3.59%	-4.66%
11/19/52	53	4.30%	-5.98%
8/3/51	53	3.59%	-0.08%
Average		5.54%	-0.42%

The table also shows a flattish average market return 6 months following the end of the streak. The most recent streak ended July 17 when the S&P 500 fell 1.2% following the downing of Malaysian Airlines Flight #17.

Perhaps the greatest question facing investors is how to allocate assets now that the recovery is behind us. The S&P 500 has jumped over 180% since the market bottom in 2009, and many strategists are calling for a correction. Once again, history provides some guidance. In the chart below, we show a log scale graph provided by J.P. Morgan Asset Management of the performance of the S&P Composite Index from 1900–present. The graph illustrates four long periods of relatively flat market performance (1900-1924, 1937-1948, 1966-1974, and 2000-2014) followed by sharp, long-lasting bull markets. While steep market corrections are a possibility as occurred during the Great Depression (1929-1932), it is possible we are entering a new long-lasting bull market fueled by globalization and improvements in productivity.



The focus on monetary policy and its effect on interest rates are critical to maintaining stability in financial markets. Interest rates continue at historically low levels as the Federal Reserve has continued its easy monetary policy, albeit at a tapering rate. Not unexpectedly, this expansionary policy will end in October. This was announced in early July, when the Federal Reserve Bank disclosed from its' minutes from the June policy meeting, that tapering will end with a final \$15 billion bond purchase in October. The ending of bond purchases means the Fed's \$4 trillion balance sheet may begin to diminish and interest rates will likely trend back to historical levels.

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(Continued from front)

The more critical question is when the Fed will begin to pressure short-term interest rates, a policy not used since the 2008-2009 Recession. The recent policy statement did not clearly indicate when the Fed will start this process by selling bonds, which shrinks the money supply and should push interest rates higher, but most Fed watchers forecast mid-2015.

This past week, Fed Chairwoman Janet Yellen testified before Congress with the Fed's semi-annual Humphrey-Hawkins report to Congress. Her comments indicated economic data continues to improve, including employment, which is one of the Fed's dual mandates. Monthly increases of nonfarm payrolls have shown a steady upward trend since 2008-2009 and reached 288,000 last week, well above expectations. The unemployment rate has slowly declined and is now nearing 6%, but still above the Fed's goal of 5.5%. Arguably, employment gains since the recession have been slower than past recessions and are the primary reason for the continuation of expansionary monetary policy.

## 401(k) CONTRIBUTION LIMITS FOR 2014

Defined Contribution Plan Limits for 401(k), 403(b) and most 457 plans, the COLA increases for dollar limits on benefits and contributions are as follows:

	2014	2013
Maximum elective deferral by employee	\$17,500	\$17,500
Catch-up contribution (age 50 and older during year)	\$5,500	\$5,500
Defined contribution maximum deferral (employer and employee combined)	\$52,000	\$51,000
Employee annual compensation limit for calculating contributions	\$260,000	\$255,000
Annual compensation of "key employees" in a top-heavy plan	\$170,000	\$165,000
Annual compensation of "highly compensated employee" in a top-heavy plan ("HCE threshold")	\$115,000	\$115,000

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## MARKET PERFORMANCE

	2Q 2014	2014 YTD
Dow Jones	2.8%	2.7%
S&P 500	5.2%	7.1%
Nasdaq	5.3%	6.2%
Russell 2000	2.0%	3.2%
MSCI EAFE	1.7%	2.4%
Barclays Agg	2.0%	3.9%

## WHEN TO WORK WITH WINFIELD

### PRIVATE INDIVIDUAL INVESTORS

- Manage accumulated wealth, inheritances and settlements to meet investment objectives

### ENDOWMENTS AND FOUNDATIONS

- Manage assets with a long-term growth strategy while meeting investment policy requirements

### BUSINESS OWNERS

- Customize investment portfolios to meet investment objectives and lessen risk of concentrated assets
- Defer taxable earnings in profit sharing plans
- Manage and advise 401(k) plans

### BUSINESS PROFESSIONALS

- Customize investment portfolios, manage stock options and consolidate 401(k)/IRA plans to meet investment objectives and lessen risk of concentrated assets

### RETIREES

- Customize investment portfolios to meet investment objectives with the option of drawing income
- Management of IRAs, trusts and taxable accounts

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