"Some Reason for Optimism"

I hope you and your family are well since the last time we talked.

The Fed is currently predicting economic growth in the range of 2% - 3.2% in 2013. This is actually higher than many private economic forecasts. Minutes released from the Fed's December meeting indicate that some of the members are considering slowing down or ending the bond purchasing program known as Quantitative Easing (QE) during 2013.

These are only future projections, and they can change in a minute, but as I stated in my last letter, we need to get back to a position where the economy is running well without continued help from the Fed. We have to remember that these "non-traditional" Fed policies were a response to the severe credit crisis of 2008. They are a life support machine for the economy, and we need to turn off the machine as soon as possible and get back to "normal".

Information I've received from JP Morgan Asset Management shows that the deficit as a percentage (%) of our GDP could continue to shrink for the next several years. This would certainly be good news and could lead to a more stable and improving economy, lower unemployment, and a better outlook for investors.

In the near term, we are going to have to endure another major battle in Washington over the debt ceiling, spending cuts, and another possible credit downgrade. This will likely increase market volatility for awhile, but I don't think it will derail the recovery.

If you have questions or comments, please feel free to contact me anytime to discuss your portfolio.

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