Leigh Baldwin & Co.

Investment Brokerage

For the past 200 years Wall Street has been awash in a sea of clichés, from classics like "Smart money runs the show" and "Don't fight the fed", to more descriptive offerings like "Don't catch a falling knife" and "When the tide goes out, you see who's swimming naked". As we reflect on 2012, it was the classic battle of two clichés. In one corner, we had the unknown of the November elections, the anxiety over the financial crisis in Europe and the on-going dilemma of high unemployment and sluggish growth here at home. Throw in "financial cliff" theatrics and we had the exact recipe of uncertainty, and as everyone on Wall Street knows, "The Markets hate uncertainty".

In actuality, the reality of 2012 was that "The market climbs a wall of worry" and that cliché worked. As of the final bell, the Dow gained over 6% for the year, the NASDAQ over 15%, and the S&P 500 rallied up over 13%. Solid moves for stocks in general and when combined with another strong year in bonds, 2012 was a banner year for investors. The problem is that investors let the uncertainty of world economic and political events keep them out of the market, as a record amount of money left stock funds for the perceived safety of bonds. Our belief is that there will always be uncertainty, it is a part of capitalism and it is directly a by-product of a world economy. Great companies, companies that are innovative and fiscally sound, will perform well, no matter what the world brings us. As investors we have to stay in the game, make adjustments to the ever-changing economic landscapes, and use the power of compounding to our advantage. We have to be able to climb the Wall of Worry.

For 2013 and beyond, there are many good scenarios developing. The possibility of extreme outcomes appears to be less than 2012 as global growth is improving and the once moribund housing market is showing real signs of life. Companies have record amounts of investable cash and the low interest rate environment, while on one hand creating a bubble of epic proportions, has shored up the banking industry. The wild card in 2013 could be China once again as they appear to have begun to grow at the pace we have become accustomed to. With large cash balances, low interest rates, higher growth in the US, China, and Europe and some political resolutions being made, markets could be poised for solid gains next year. As a risk reward trade, we prefer dividend paying equities over fixed income and bond funds, and we would also prefer more international exposure in both stocks and bonds as opposed to less. The markets are unpredictable, but owning logical investments is not.

We look forward to meeting personally with all of our clients as the start of 2013 to review your investments and help you position yourself financially for the years ahead. We wish everyone a happy and healthy 2013 and thank you as always for your business and continued confidence in us. Happy New Year!

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