AMJ Financial Wealth Management
Weekly Market Commentary
November 4, 2013

The Markets

Exceptional… exceeds expectations… meets expectations… needs improvement… unsatisfactory. It's a rating system familiar to anyone who has ever received a performance review. Right now, the performance of inflation is not meeting expectations – and that may be a good thing.

Critics of loose monetary policy and rock bottom interest rates have had high expectations for inflation. That is, they have predicted inflation will rise. In March 2012, Martin Feldstein, a professor of economics at Harvard and President of the National Bureau for Economic Research, explained the massive liquidity created in the United States by the Federal Reserve's easy money policies created a risk of rising inflation. A rapid increase in bank credit would boost the money supply and the rate of inflation unless the Fed raised interest rates in a timely way and on an adequate scale.

So far, low interest rates and unusually aggressive monetary policies haven't led to higher inflation in the United States or other at-risk regions. The Conference Board's Harmonized Index of Consumer Prices (HICP), an inflation measure, showed prices in the United States increased by 0.8 percent in September 2013. That's slower than the 2.1 percent increase reported for 2012. In the Eurozone, the inflation rate for October fell to 0.7 percent, which was the lowest in almost four years. A recent article in *The Economist* explained it like this:

> "So, why haven't we had the inflation that some predicted in the wake of quantitative easing? The reason is that central banks are not the only, nor indeed the main, money creators. Money is usually created by the private banking system and that has been trying to shrink. If the money supply is a bath, then the central banks may have turned on the taps, but the commercial banks have pulled out the plug."

That may mean, despite stable and falling inflation rates in some regions, we're not out of the woods yet. As Mr. Feldstein wrote last March, commercial banks could begin to lend funds to firms and households. If that happens, "Loans could add to deposits and cause the money supply to grow. They would also increase spending by the borrowers, adding directly to inflationary pressure."

Data as of 11/1/13	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.1%	23.5%	23.4%	14.2%	12.8%	5.2%
10-year Treasury Note (Yield Only)	2.6	NA	1.7	2.6	3.9	4.4
Gold (per ounce)	-3.0	-22.9	-23.9	-1.2	12.4	13.1
DJ-UBS Commodity Index	-2.9	-10.9	-13.4	-5.6	-1.2	-0.1
DJ Equity All REIT TR Index	-1.3	7.8	11.1	12.2	16.2	9.8

Notes: S&P 500, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

HOW DO YOUR STATE'S TAXES STACK UP? It all depends on who you ask and what types of taxes you're considering.

The Tax Foundation's *State Business Tax Climate Index* for 2014 reported the most tax-friendly states for business were Wyoming, South Dakota, Nevada, Alaska, and Florida. The least tax-friendly were Rhode Island, Minnesota, California, New Jersey, and New York. Every state has property taxes and unemployment insurance taxes, but those in the top ranks tend not to have one or more of the major taxes: corporate income tax, individual income tax, or sales tax. According to the Foundation, "Wyoming, Nevada, and South Dakota have no corporate or individual income tax; Alaska has no individual income or state-level sales tax; Florida has no individual income tax." It is interesting to note three of the top states are among the least populated in the United States.

Kiplinger's says that Delaware, Wyoming, Louisiana, Mississippi, and Arizona are some of the most tax-friendly states for individuals because they levy some of the lowest taxes in the country. California, Connecticut, New Jersey, New York, and Hawaii are far less friendly. All have high income tax rates and assess above-average property taxes, which puts them at the bottom of the list of tax-friendly states for individuals. According to state tax policy director for the Institute on Taxation and Economic Policy Meg Wiehe, who was quoted in Kiplinger's, "Low tax revenues may give a state less money to spend on education, transportation, public safety, and other services important to you and your family... Low taxes don't necessarily lead to a higher quality of life."

If you're retiring soon or have already retired, then you may want to consider a move to Alaska, Wyoming, Georgia, Arizona, or Mississippi which have some of the lowest taxes for retirees in the United States. According to Kiplinger's assessment of state tax laws, retirees may want to avoid Rhode Island, Vermont, Connecticut, Minnesota, and Montana which are some of the least generous with retiree tax credits.

If, after reading this, you're considering a move to the Equality State (aka the Cowboy State), here are some other things Wyoming has to offer: Yellowstone, the Grand Tetons, Jackson Hole, and about 172 days a year with a temperature below freezing!

Weekly Focus – Think About It

"A lie gets halfway around the world before the truth has a chance to get its pants on."

-- *Winston Churchill, British Prime Minister*

Best regards,

Angela M Bender

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* The Standard & Poor’s 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.

* The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

*Stock investing involves risk including loss of principal.

* Past performance does not guarantee future results.

* You cannot invest directly in an index.

* Consult your financial professional before making any investment decision.

* This information in not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal advisor.

* The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basked of consumer goods and services.

* Harmonized Indexes of Consumer Prices are measures of consumer price inflation that have been standardized across multiple countries based on European Union definitions. A monthly report compiles HICP trends for 16 economies, alongside conventional Consumer Price Indexes (CPI) as measured by national governments.

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