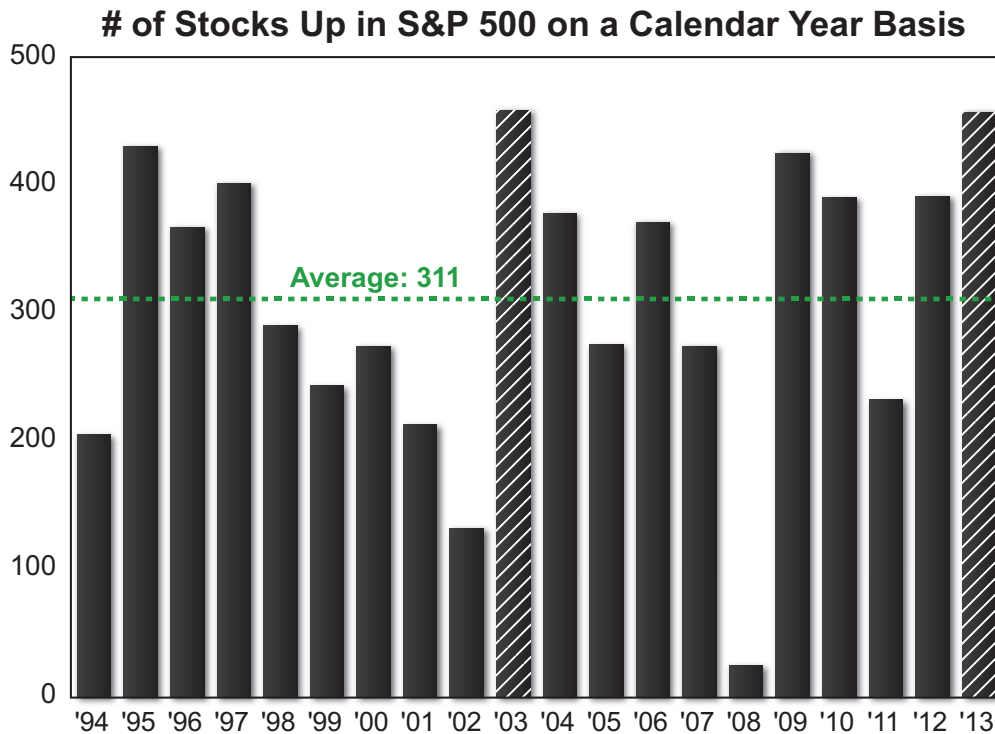


# Some Interesting Parallels Between 2003 & 2013



Source: Standard & Poor's COMPUSTAT Database

## View from the Observation Deck

1. Today's blog post is an updated version of one we did on 1/15/13. As indicated in the chart, the vast majority (457) of the stocks in the S&P 500 were up in 2013.
2. That was the second best showing for the constituents in the index since 1994. The 457 stocks that finished up in 2013 was a close second to 2003's total of 458 stocks.
3. From 1994-2013 (20 years), the average number of stocks in the S&P 500 with a positive total return in a given calendar year was 311, or 62% (see chart).
4. Another thing that 2013 had in common with 2003 was a sharp rise in the yield on the 10-Year Treasury Note (T-Note).
5. In both instances, interest rates rose off comments from the Fed suggesting it was contemplating when best to tighten monetary policy as well as mounting evidence that the U.S. economy was strengthening.
6. The S&P 500 posted a total return of 28.68% in 2003 despite the yield on the 10-Year T-Note rising 114 basis points to 4.25% from 6/13/03 through 12/31/03. The index returned 10.88% in 2004.
7. The S&P 500 posted a total return of 32.39% in 2013 despite the yield on the 10-Year T-Note rising 140 basis points to 3.03% from 5/2/13 through 12/31/13.
8. While we do not know how the S&P 500 will perform in 2014, we do know that its 2014 estimated EPS growth rate is currently 10.12%, according to Bloomberg.
9. Corporate earnings drive the direction of stock prices over time, in our opinion.

*This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. Past performance is no guarantee of future results. The S&P 500 is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.*