UNITED
ASSET STRATEGIES

Dear Clients and Friends, April 2014

Entering the sixth year of a US equity bull market we are certainly on the lookout for indicators which could trigger a reversal of fortunes. If you look hard enough you can find plenty of things to make you proceed with caution. First, margin debt balances, the amount of equities bought on loan, are at an all time high, exceeding both February 2000 and October 2007 levels. Second, the IPO market, nearly non-existent four years ago, has brought more new issues to market in the past five quarters than the sum of the prior few years combined. Both an overheated IPO market and exuberant margin mentality, combined with pockets of overvaluation, have been present in prior corrections. Another source of concern is China. With its GDP projected to fall further, the world's reliance on this economic super power will have to wait a little longer for a boost to their own economies and the question lingers, "could it be a hard landing after all?" which could surely cause a ripple in the global markets.

On a more positive note, in the United States, absent a rise in inflation, fresh round of tax hikes or burdensome corporate regulation, there is nothing on the horizon to indicate an imminent reduction in corporate profits. Our analysis of the manufacturing data concludes production will improve during the current quarter, to meet a backlog of orders and the long awaited warmer weather will help to improve the all important consumer discretionary sector and housing. There are wage increase trends in place that are creating net take home pay improvements without a hint of causing inflation. Lastly, the US is once again emerging as a global energy leader, in part due to tapping of the once thought inaccessible natural gas and oil reserves, causing us to expect improved state economies around this great country, while lowering the cost of fuel – serving as a sort of tax reduction for all.

The fixed income market, especially the municipal bond market has rebounded nicely during the first quarter of 2014, from the extreme overselling which took place during the summer months of 2013. As uncomfortable as it was for some of our clients, our taking advantage of the buying into the bond market pricing inefficiencies and tax swap selling at year end has been successful.

For our New York clients, April 4th the budget passed and along with it the estate tax exemption (amount you can pass to a non-spouse without tax) jumps from $1,000,000 to $2,062,500. The exemption will index higher to match the federal exemption (now over $5,000,000) by January 1, 2019. We encourage you to contact us to review your estate plan to see if you can benefit from this positive change.

We are finalizing dates for our client loyalty dinners and encourage you to invite adult family members to attend with you. The theme of our presentation will be ***Managing market volatility & Exploring the family dynamic.*** We will be hosting our 9th annual blood drive on June 6th. We distribute t-shirts and food to all that sign up to donate and will once again work in concert with the Boy Scouts for volunteers.

The Professional Staff at United Asset Strategies, Inc.

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