IdahoTrust

November 2012

WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

Market Insights

A periodic newsletter from Idaho Trust

If you only read the headlines, you might not realize that the S&P 500 has returned a healthy 14.29% year-to-date. The U.S. Economy has had good news on the labor market recently, European companies had a good quarter and the commodities market is adjusting to China's slowing economy.

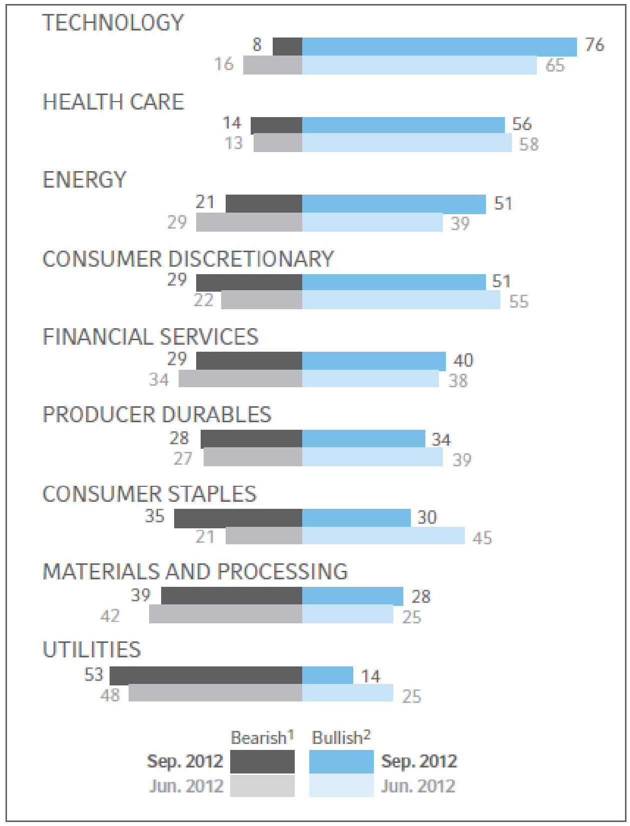
U.S. Unemployment

In September, the unemployment rate fell to 7.8% down from 8.1% causing many market participants to wonder what caused such a large decline. The unemployment rate has not been this low since January of 2009. Although unemployment numbers are released each month, calculating the unemployment rate for the country is more difficult than it appears. Bloomberg recently interviewed Josh Shapiro, chief U.S. economist at Maria Florini Ramirez Inc. to discuss how the unemployment rate is determined. In fact, simply defining who is unemployed and who is not can be tricky. For example, individuals who are not working, cannot find a job and have stopped looking are not considered unemployed because they are not actively looking. In order to determine who is employed, who is unemployed and who is in the labor force, a monthly survey of roughly 50,000 households is taken. The Bureau of Labor Statistics has conducted this unemployment survey every month since 1940. The size of the survey is a relatively robust number for a survey, but is small compared to the nation's population. This sampling survey is then taken to represent the nation's employment demographic as a whole. The survey determines who is employed, unemployed or not in the labor force through a series of graduated survey questions. The unemployment rate is then calculated as the number of individuals

Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. The LifeNeeds™ investment process utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

Manager expectations by sector



Note:
[1] Bearish = percent of managers responding with 1–3 on a scale of 1–7.
[2] Bullish = percent of managers responding with 5–7 on a scale of 1–7.
Scores for neutral (4) are not included.

determined as unemployed divided by the total size of the labor force seasonally adjusted.

Stocks

A recent survey from Russell Investments revealed that professional money managers believe that the European debt crisis may have the largest effect on stock markets over next year, for better or worse. They also sighted optimism that a positive outcome of the Fiscal Cliff, improvements in the U.S. labor market and improvements in the economic situation in China could have positive effects for domestic stock markets. The survey has also revealed that of the stock sectors in the U.S., managers are most optimistic about technology, a long-time favorite; health care; energy and consumer discretionary companies. Conversely, the managers are least optimistic about consumer staple, materials and utility companies (see pictured above). These forecasts highlight the managers' changing preference from defensive companies, companies that perform well regardless of the economy, towards more cyclical companies, typically growth companies that do better or worse depending on economic conditions, which bodes well for the market's expectations for stocks.

International Markets

Looking purely at the headlines out of Europe one may incorrectly assume that international markets continue to post poor or negative returns. However, the MSCI EAFE index, which measures international developed markets, has returned 11.47% year-to-date which was helped by positive returns from Spanish and Italian companies.

Japan's economy continues to struggle with its deflationary spiral. The Bank of Japan (BOJ) has recently been trying to spur some inflation to kick start their floundering economy. In fact, the BOJ has recently set a mandated target inflation rate of 1%, however, consumer prices continue to move in the opposite direction. In Japan, consumer prices have declined an average of 0.4% each month for the last decade. Investors have cast a doubtful view that the BOJ will be able to establish inflation.

Real Estate

Over the past few quarters, the housing market has shown signs that things are turning around. California, a state that was at the forefront of the housing boom and bust, is now leading the country out of its housing rut. Default rates in California have declined significantly which has helped push the total U.S. foreclosure rate to a five year low. The number of homes that received default, auction or repossession notices in the third quarter of this year is 13% lower than it was a year ago and at the lowest levels since 2007. With fewer distressed homes entering the market, housing inventory has declined and prices have risen. In California, housing inventory stands at about 3.2-months which is roughly half of its historical average and down from a crisis-high of 16-months of inventory. The Case Shiller index of property prices in 20 major cities has reported a 1.2% increase in housing prices this last year as of July 31, 2012 (see pictured below).

Metropolitan Area	July 2012 Level	July/June Change (%)	June/May Change (%)	1-Year Change (%)
Atlanta	94.15	2.6%	4.4%	-9.9%
Boston	157.22	1.8%	2.5%	0.9%
Charlotte	116.08	0.9%	1.5%	2.2%
Chicago	116.70	2.7%	4.6%	-0.9%
Cleveland	102.02	0.4%	2.2%	0.4%
Dallas	121.20	0.9%	1.3%	3.7%
Denver	132.79	1.3%	2.0%	5.4%
Detroit	77.16	3.3%	5.4%	6.2%
Las Vegas	94.57	0.7%	1.5%	-1.0%
Los Angeles	170.81	1.3%	1.7%	0.4%
Miami	148.70	2.1%	1.6%	5.3%
Minneapolis	123.17	3.7%	4.7%	6.4%
New York	165.23	1.2%	1.9%	-2.6%
Phoenix	117.22	2.2%	2.5%	16.6%
Portland	140.12	1.2%	2.5%	3.2%
San Diego	156.48	1.1%	1.1%	0.8%
San Francisco	141.71	1.9%	2.8%	4.8%
Seattle	141.78	1.4%	1.8%	3.1%
Tampa	134.12	0.9%	2.0%	3.6%
Washington	192.12	1.5%	1.8%	3.7%
Composite-10	157.30	1.5%	2.1%	0.6%
Composite-20	144.61	1.6%	2.3%	1.2%

Source: S&P Dow Jones Indices and Fiserv
Data through July 2012

Commodities

China's slowing economy is having a profound effect on the commodities market. China is a large importer of commodities, in fact, China accounts for 65% of seaborne iron ore and 40% of copper consumption according to Gustavo Reis of Bank of America. The fall in demand for commodities, has Alcoa, the largest American producer of aluminum, cutting their worldwide forecast of consumption. Other countries that have exposure to China's commodities demands are Australia, Brazil and Chile.

Any way you look at it, 2012 has been great for stocks. The slowdown in China will continue to shape economies and affect the commodities market. U.S. stocks may be poised to benefit from the conclusion of the Presidential election and the Fiscal Cliff which are creating uncertainty in the market.

S&P 500 Index

3 Month	2.96%
Year-to-Date	14.29%
1 Year	15.20%
3 Year	13.18%
5 Year	0.36%

MSCI EAFE Index

3 Month	6.68%
Year-to-Date	11.47%
1 Year	5.14%
3 Year	3.39%
5 Year	-5.28%

Barclays Aggregate Bond Index

3 Month	0.40%
Year-to-Date	4.20%
1 Year	5.25%
3 Year	6.07%
5 Year	6.37%

As of 10.31.2012

Contact Us

Boise
888 W. Broad St.
Boise, Idaho
208.373.6500

Coeur d'Alene
622 E. Sherman Ave.
Coeur d'Alene, Idaho
208.664.6448

Info@IdahoTrust.com
www.IdahoTrust.com

Exchange Traded Funds (ETF), mutual funds and individual stocks are subject to risks and fluctuate in value. Neither asset allocation nor diversification assure a profit or protect against loss. International investing involves special risks including increased volatility, political risks, differences in auditing and other financial standards. Small-cap stocks have historically experienced greater volatility than average. High yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment grade securities and may include higher volatility and higher risk of default. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Past performance is no guarantee of future results. For more information about performance of Idaho Trust Strategies and our performance calculation methodology, please contact us. Actual client performance may vary from the performance of model portfolios and/or any strategy. No representation is hereby made of the risk and/or return of any particular portfolio. There is no guarantee that any suggested investment strategy will work in any market. You should fully and carefully consider all objectives, risks, expenses and fees before you invest.

Portfolios are illustrative only. Actual LifeNeeds™ Portfolios will vary from time to time as determined by Idaho Trust Bank. The Idaho Trust investment strategies will vary from time to time as determined by Idaho Trust Bank. The information and analysis expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual or entity. Information contained herein has been obtained by sources we consider reliable, but is not guaranteed. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. These opinions are subject to change at any time without notice.

NOT A DEPOSIT • NOT FDIC INSURED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • NOT GUARANTEED BY THE BANK • MAY GO DOWN IN VALUE