IdahoTrust

June 2013

WealthManagement

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Market Insights

A periodic newsletter from Idaho Trust

Stock market indices have enjoyed a sustained period of growth and the Federal Reserve continues to pump new money into the economy. Future monetary policy may be determined by someone other than Benjamin Bernanke, given his current term as Chairman will expire this coming January. The federal deficit is shrinking faster than expected.

The Stock Market

The Dow Jones Industrial Average reached its highest point ever this May and the S&P 500 index has returned over 144% cumulatively since the deepest depths of the recession in 2009. Value stocks, those stocks that trade at relatively low prices given their fundamentals, have outperformed growth securities, companies exhibiting earnings momentum, both in 2012 and 2013 year-to-date. Similarly, mid-cap stocks have outperformed their large and small-cap peers on a year-to-date basis and also in 2012. While large-cap and small-cap stocks have largely been on par with each other over these same time periods.

Progress to reduce the federal deficit got a shot in the arm when higher-than-anticipated tax revenue from individual and corporate tax payments were received this last year-end. These payments were largely made from tax payers with future tax liabilities choosing to pay their taxes in 2012 at more advantageous tax rates than in 2013's higher rates.

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.

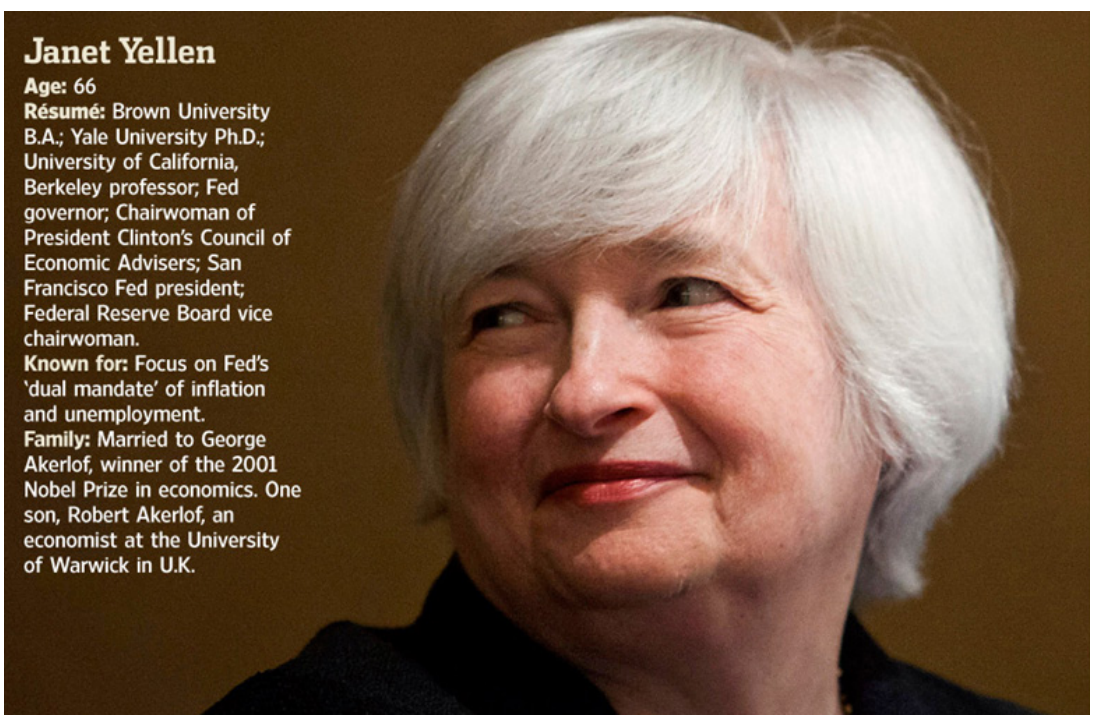
LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

Federal Reserve Indicators

The Federal Reserve has been watching certain economic indicators to help guide their monetary policy decisions and quantitative easing programs. Primarily, the Federal Reserve has focused on the current unemployment rate, targeting a 6.5% rate, and inflation, at or below 2% annually. The unemployment rate is 7.5%, according to its latest reading and inflation, as measured by core PCE, was 1.1% annually. Knowing this, the latest data shows that neither the unemployment rate nor the rate of inflation give reason for any changes to be made to the Federal Reserve's quantitative easing programs.

Future Leadership at the Federal Reserve

Under Chairman Benjamin Bernanke, the Federal Reserve has witnessed historic market environments and taken many unprecedented steps to shore up the economy. The Federal Reserve has also changed its communications with the public to make its actions more transparent. Currently, the Federal Reserve is still using quantitative easing programs to help keep rates low and the economy humming. At some point, someone at the Federal Reserve will have to unwind these unprecedented easing programs with few historical examples to lean on for guidance. In January of 2014, Chairman Bernanke's current term at the Federal Reserve will end. It is widely anticipated that he will not seek a third term as Chairman of the Federal Reserve. The Wall Street Journal recently surveyed 38 economists asking who they thought Mr. Bernanke's successor would be. Twenty Nine economists of the thirty eight picked Janet Yellen to be the next Chairman of the Federal Reserve. However, Janet Yellen is not a shoe-in for the position and other notable names such as former Fed Vice Chairman Roger Ferguson or previous Treasury Secretaries Timothy Geithner and Lawrence Summers may also be in consideration.



Bloomberg News

2013 Market Returns

Broad Market Returns

S&P 500	15.37%
Dow Jones Industrial Average	16.64%
MSCI EAFE	8.35%
Bond Market	-0.91%
Treasuries	-1.02%
Corporate Bonds	-0.77%
Municipal Bonds	0.15%
Real Estate (REITs)	7.55%
Commodities	-6.04%
Foreign Bonds	-3.69%

Domestic Stock Sectors

Information Technology	10.35%
Financials	21.50%
Health Care	21.13%
Energy	11.98%
Consumer Discretionary	18.75%
Consumer Staples	15.44%
Industrials	15.23%
Utilities	8.89%
Materials	7.48%
Telecommunication Services	8.47%

Ms. Yellen has an impressive background, she was raised in Brooklyn New York and graduated from Brown University. She later received a Ph.D. at Yale and worked with James Tobin, a Nobel winning economist at Yale. She married George Akerlof, another Nobel Prize winning economist. Ms. Yellen started her career with the Federal Reserve in 1977 and has worked will Alan Greenspan, former President Bill Clinton, current Chairman Mr. Bernanke and with President Barack Obama.

In June of 2007, she raised early warning about the housing sector citing possible foreclosures, job losses, reduction in consumer spending and a substantial credit crunch. In December of 2007, Ms. Yellen called for the Federal Reserve to cut rates aggressively and later advocated to keep rates low until 2015. All of which materialized as Federal Reserve actions. Some market constituents worry that Ms. Yellen emphasizes the unemployment side of the Federal Reserve's dual mandate more than inflation, which raises inflation concerns.

Conclusion

The last three years have been very good to stock investors. In January we may see new leadership at the Federal Reserve, but probably not new monetary policy given the level of the aforementioned indicators. The federal deficit is shrinking faster than expected and stock investors continue to profit from rallying markets.

S&P 500 Index

3 Month	8.22%
Year-to-Date	15.37%
1 Year	27.25%
3 Year	16.84%
5 Year	5.42%

MSCI EAFE Net Index

3 Month	3.83%
Year-to-Date	8.35%
1 Year	32.41%
3 Year	11.73%
5 Year	-0.92%

Barclays Aggregate Bond Index

3 Month	-0.71%
Year-to-Date	-0.91%
1 Year	0.91%
3 Year	4.58%
5 Year	5.49%

As of 5.31.2013

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