

# CHART OF THE MONTH

FEBRUARY 2014

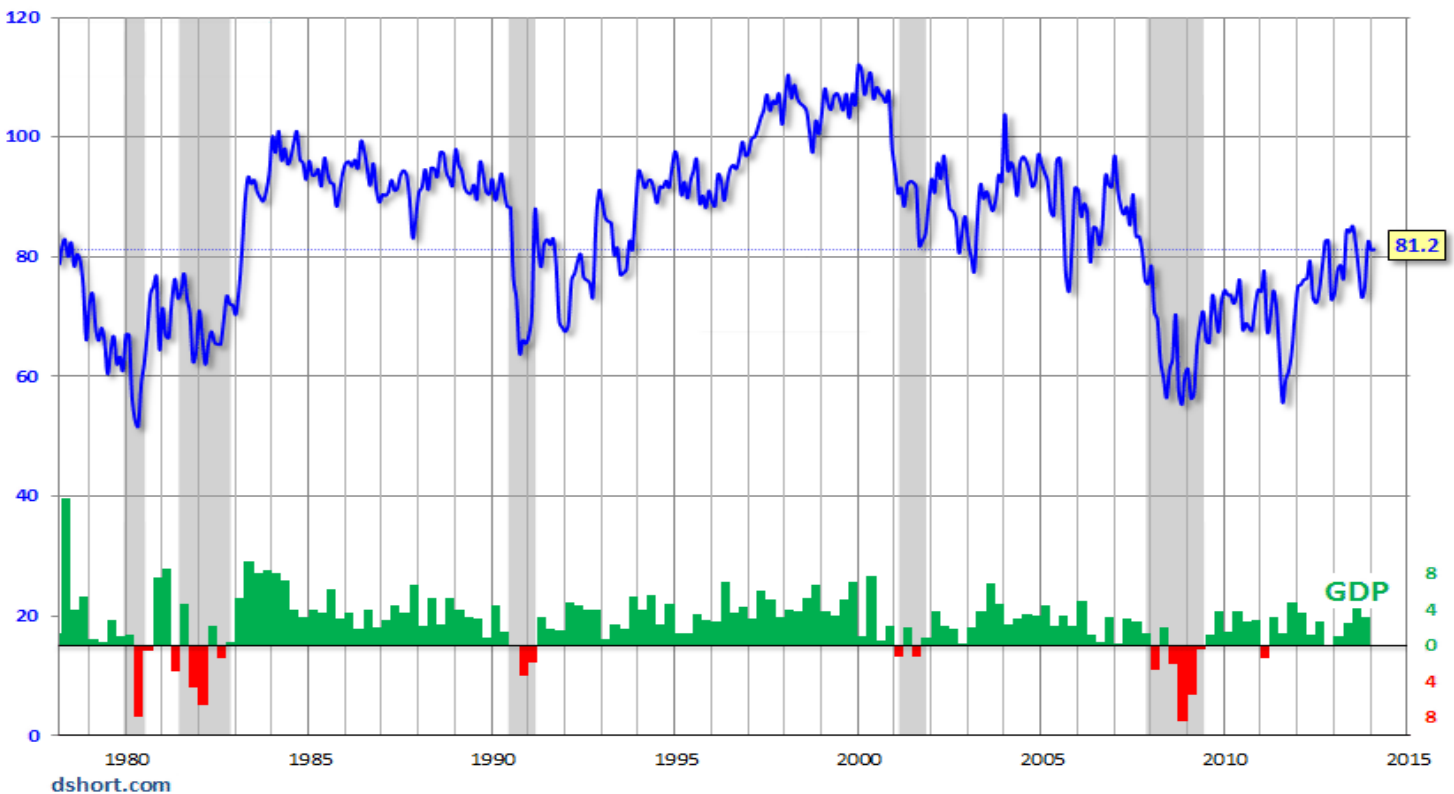
Consumer confidence, as measured by The University of Michigan Consumer Sentiment Index, was stronger than projected for February. As shown below, the initial reading was 81.2, slightly above the forecast of 80.6.

While the monthly numbers are volatile, the trend has been rising over the past several years. However, the current level remains below the average of 85.1 since the inception of the index in 1978 and significantly beneath the peaks registered after each of the past three recessions (which are highlighted in gray), suggesting that the rebound in consumer confidence has room to increase further.

Of note, there is a strong correlation between the consumer confidence index and the economy. (The latter is reflected in the GDP bar chart at the bottom of the graph.) Likewise, there is a powerful relationship between the economy and corporate profits as well as corporate profits and stock prices. Accordingly, there is an important link between consumer confidence and the stock market.

Although the full impact from the harsh winter may not be fully reflected in the confidence surveys to date, we look for sentiment to continue climbing — albeit irregularly — over the course of the year as Americans become increasingly optimistic about the economy. In response to an improving outlook, investors are likely to seek higher returns by shifting more cash to equity-based assets, potentially adding to the already robust gains from stocks and real estate.

**University of Michigan Consumer Sentiment Index  
GDP and Recessions**



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