



NEW ENGLAND CAPITAL FINANCIAL ADVISORS, L.L.C.

Registered Investment Advisor

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Financial Advisors
Independent Objective Advice

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Dear New England Capital Client:

All of us at New England Capital Financial Advisors, LLC would like to take this opportunity to wish you and your family a Happy Holiday Season and a very healthy, safe and prosperous New Year. It is truly one of our greatest pleasures of this joyous season to exchange greetings and to thank those whose friendship and goodwill are so highly valued. It is also my great good fortune to be doing what I love to do, in partnership with professional and competent colleagues for the benefit of you – our valued clients. Enclosed is our updated privacy notice for your review. Please call our office if you have any questions.

A funny thing happened this year while everyone was waiting for the market meltdown. The stock market actually experienced a “melt up”. The stock market, as measured by the Standard and Poor’s 500, is up over 165% since the low on March 9, 2009.

The most frequent (and unfair) question we’re asked is “Where’s the market going from here?” I like to think of myself as a pretty smart person. I talk to even smarter people, I read extensively about the economy, markets and companies. So with 30 years of helping people achieve their financial and life goals, why can’t I answer this question? The truth is, no matter how smart (or dumb) any of us are, none of us can see into the future. The gift of intelligence is not the gift of foresight or prophecy. Maybe we can find clues if we take a look at where we are and how we got here.

We started our current upward trek from a very low point. The S&P 500 had fallen about 50% from its previous peak to 676 in March 2009. Since then the global economy has been growing, albeit slowly. U.S. economy continues to improve. Third quarter earnings of the S&P 500 companies have profit growth of 7.4% and revenues are up 4.3%. Corporate margins are very strong as well as their balance sheets. Companies probably have more cash on hand today than ever. Europe seems to have bottomed out and is showing improvement. China is stimulating itself with domestic growth, not just increasing exports. Even Japan, which has been in a 20 year slump, is doing everything it can to grow under the new Prime Minister Abe. Commodity prices including oil and gasoline have been declining, giving consumers more discretionary income. Natural gas production in the U.S and Canada could continue to reduce energy lost for the foreseeable future.

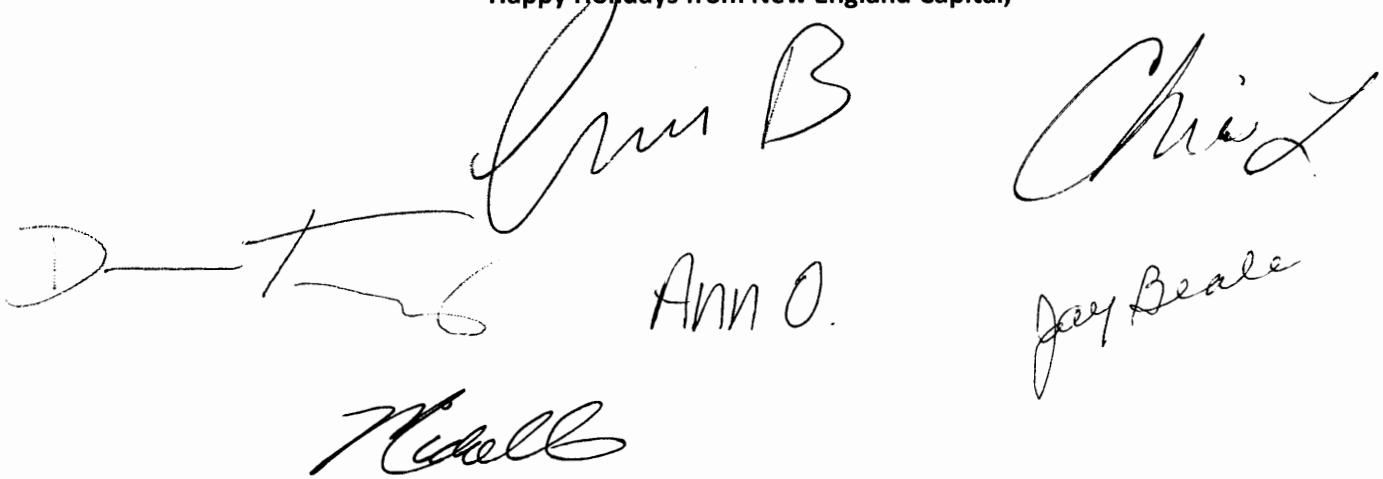
It seems to me that the U.S. consumer, on average, is much healthier compared to a few years ago. Even if income is stagnant, expenses aren't growing due to balance sheet improvements. Stock market gains of 25-30% over the last two years plus 10-15% increase in home prices since the last real estate crash have increased assets. At the same time interest rates are still near historic lows which have allowed for home refinancing and lower payments for auto and other consumer loans. Lower debt service leads to an increase in disposable income. These are not the ingredients of a market bubble despite the more than 160% gain and the fact that we have gone over 540 trading days without a market correction of 10% or greater.

I don't believe for one minute, that the stock market will continue without a correction forever. So my prediction is that the markets will fluctuate, and this bull market will end. I wish I could tell you when and how, but I can't. No one can.

A correction of 10% or 20% or greater is healthy, normal and in my opinion, inevitable. We'll have many challenges ahead, including another self-imposed deadline in Congress.

In the next month you hear many smart sounding people making predictions, both positive and negative. Remember, if we follow the advice of every really smart analyst that we read or hear, we would be pulled in every direction at once and that would be the worst thing for you money and for the accomplishment of your financial goals.

Happy Holidays from New England Capital,



The image contains several handwritten signatures in black ink. From left to right, there is a signature that appears to be 'D. T.', a large signature that looks like 'Chris B.', a signature that looks like 'Ann O.', a signature that looks like 'Neil', a signature that looks like 'Chris', and a signature that looks like 'Jay Beale'.