Beginning this month I’ve changed the frequency of our Commentary from monthly to quarterly. However, I intend to publish “special” commentaries if we have unusual events within the economy and/or the market in between quarterly letters.

The major events of the past quarter were the worry that the Federal Reserve would immediately begin to reduce their monthly purchase of bonds in the open market (currently at $85 billion per month) and the use of chemical weapons in Syria.

The concern for reduced Fed bond purchases caused a selloff in bonds that raised the rate on the 10-year Treasury bond to reach 2.98% (it was as low as 1.43% in July of 2012). The selling of the 10-year bond has subsided and is now paying 2.64%.

In spite of rapidly rising interest rates and the situation in Syria, the stock market provided an outstanding return during the past quarter: the S&P 500 Index was up 4.7% (and up 17.9% thus far in 2013). Of note is the performance of the mid-sized company index so far this year: up 24.3%. My take on smaller company out-performance is a conviction that the economy will continue to provide positive growth.

Market watch company, Standard & Poors, is forecasting U.S. economic growth to be at or above 2.5% in the 4th quarter of this year and well into 2014. This level of growth will provide ample profitability for our companies to grow their net sales and earnings.

Our next (short-term) challenge will be the U.S. debt ceiling. I don’t know a single person who thinks that the United States will default on its debt; therefore we can anticipate an ultimate vote to raise the debt ceiling. I feel our lack of cooperation in Congress to find reasonable solutions to our ever-growing debt balance is appalling; but that is a subject for another time and place.

Looking forward: the S&P 500 is currently trading at 14 times estimated earnings for 2014 which provides significant upside for the market as we complete this year and move into next. Assisting our companies in growing their sales is the positive outlook for Europe and Asia for next year.

Unless we experience a significant (negative) external event we should continue to see positive returns in our portfolios. Life is good!