

Financial Market Update

Friday, September 5, 2014

THE WEEK IN REVIEW

The shortened trading week to start the month of September has been relatively uninspiring with very little news and earnings from corporations, and also little economic data to report this week. Most major market averages were in a very tight trading range, with domestic equities markets trending slightly lower to start the week while the 10-year treasury ticked up by six basis points to finish the day at 2.46%.

Much of the focus for the week was the anticipation of the jobs data released Friday morning, and also the European Central Bank's decision on interest rates. The ECB announced on Thursday a plan to cut the main interest rate again to a new record low. This is the second time this year the ECB has reduced its main interest rate as it battles to stave off deflation and a recession. The ECB also cut its forecast for euro zone growth this year to 0.9%, and expects inflation of just 0.6%. ECB President Mario Draghi said the bank would start buying bundles of bank loans; however, several members of the governing council were against embarking on a Federal Reserve program of quantitative easing.

The job market took a breather in August with only 142,000 jobs added last month, breaking the streak of 200,000 plus jobs added each month over the past six months. The consensus from several economists had a forecast of more than 200,000 jobs to be added. Federal Reserve Chair Janet Yellen stressed the need for a stronger labor market at her speech in Jackson Hole, WY on August 22. The jobs data suggests that the Fed will continue to keep short-term interest rates at historical lows for the foreseeable future.

- The domestic equity markets finished positive for the week with the S&P 500 closing at another all-time high Friday. Both developed international and emerging markets also finished higher on the interest rate news by the European Central Bank. Emerging markets felt the most impact, rising over 2.00% for the week.

- Commodities experienced headwinds this week as the ECB action pushed the U.S. dollar up while gold and oil fell, but precious metals saw a minor resurgence as U.S. jobs data fell below expectations.

INDEX	LEVEL	WEEK	YTD	12 MOS
DJ Industrial Average	17,137.36	0.34%	3.38%	17.43%
NASDAQ	4,582.90	0.55%	9.73%	26.86%
S&P 500 LargeCap	2,007.71	0.55%	8.62%	23.82%
S&P 400 MidCap	1,440.01	0.69%	7.26%	22.03%
S&P 600 SmallCap	670.67	0.44%	0.77%	16.77%
MSCI EAFE	1,932.53	0.41%	0.88%	15.29%
MSCI Emerging Markets	1,100.23	1.14%	9.73%	19.33%
Barclays Agg		-0.42%	4.37%	5.88%
Barclays Intermediate G/C		-0.29%	2.37%	3.61%
Treasury Long		-2.10%	15.09%	14.11%
Merrill High Yield		-0.21%	5.57%	10.25%
FTSE/NAREIT All REIT Index		1.35%	17.93%	26.93%
Bloomberg Commodity Index		-1.17%	-0.72%	-3.79%

KEY TREASURY RATES	CURRENT WEEK	1 MONTH AGO	1 YEAR AGO
3-Month T-Bill	0.02%	0.02%	0.02%
2-Year Treasury	0.51%	0.46%	0.52%
5-Year Treasury	1.69%	1.66%	1.85%
10-Year Treasury	2.45%	2.49%	2.99%
30-Year Treasury	3.23%	3.28%	3.89%
Municipal Bond Yields (10 Yr)	2.18%	2.28%	3.03%

UPCOMING WEEK

Next week will be light on economic news. Here are the expected releases for the coming week:

- Jobless claims will be released on Thursday, and will provide some short-term insight on the U.S. labor market after a disappointing employment report on Friday. After trending downward during most of 2014, claims have seen an uptick in the last few weeks making investors eager to see if this is a trend reversal or a minor bump in the labor market.

- Retail sales come out on Friday, and will be an important indication of consumer strength as summer draws to an end. Sales have been significantly less volatile over the past year, and came in flat last month.



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