

# Financial Market Update

## Friday, October 3, 2014

### THE WEEK IN REVIEW

European and U.S. markets roared back on Friday after the Labor Department announced that the unemployment rate fell below 6% for the first time since 2008 as the U.S. added 248,000 non-farm jobs in September. Employment gains for August and July were revised up by nearly 70,000. Year to date the economy has gained an average of 227,000 jobs per month, up 17% from the 2013 average of 194,000. While the participation rate fell to 62.7%, the lowest level since 1978, a recent Federal Reserve report notes that half of the recent decline since 2007 is due to the aging of the baby-boom generation.

In other economic news, the consumer sector continues on a positive trend, with the release of August's consumer spending and personal income data. Consumer spending for August jumped 0.5%, which matched analysts' expectations and was a sharp increase from July's figure of 0.2%. Half of the gains in August were due to strong auto sales. Meanwhile, personal income grew 0.3%, which also matched analysts' expectations. Salaries and wages were the main factors to the increase, which was slightly better than the 0.2% increase in July.

September's ISM Manufacturing Index declined to 56.6, lower than analysts' expectations of 58.0, but the overall trend still remains positive. New orders were down 6.7 points to 60.0 last month while employment fell 3.5 points to 54.6. A slight upside to the data indicated that production increased to 64.6. While this figure was below estimates, the index's average over the past three months has been the highest since early 2011, particularly because of increased motor vehicle sales along with higher employment opportunities.

Despite the rally on Friday, all major equity markets declined for the week. The Dow suffered a 248 point drop on Wednesday to start off the fourth quarter due to weaker-than-expected manufacturing data in the U.S as well as Germany. The slowdown in German manufacturing was the first in fifteen months. European markets were also weak due to uncertainty regarding the ECB's bond buying program.

Treasury yields fell this week on weak economic news, but then bounced back Friday with the better than expected payroll report. The dollar climbed to a four-year high against ten major currencies.

INDEX	LEVEL	WEEK	YTD	12 MOS
DJ Industrial Average	17,009.69	-1.04%	2.61%	15.57%
NASDAQ	4,475.63	-0.67%	7.16%	20.25%
S&P 500 LargeCap	1,969.90	-1.11%	6.54%	19.23%
S&P 400 MidCap	1,365.41	-1.57%	1.67%	10.88%
S&P 600 SmallCap	632.09	-1.80%	-5.03%	5.82%
MSCI EAFE	1,799.52	-3.05%	-6.06%	2.18%
MSCI Emerging Markets	992.53	-3.07%	-1.01%	1.48%
Barclays Agg		0.29%	4.49%	4.35%
Barclays Intermediate G/C		0.18%	2.45%	2.38%
Treasury Long		1.20%	16.30%	13.00%
Merrill High Yield		-0.09%	3.80%	7.24%
FTSE/NAREIT All REIT Index		-0.49%	10.19%	13.87%
Bloomberg Commodity Index		-1.16%	-6.15%	-7.17%

KEY TREASURY RATES	CURRENT WEEK	1 MONTH AGO	1 YEAR AGO
3-Month T-Bill	0.01%	0.02%	0.02%
2-Year Treasury	0.56%	0.52%	0.31%
5-Year Treasury	1.72%	1.67%	1.36%
10-Year Treasury	2.44%	2.40%	2.61%
30-Year Treasury	3.13%	3.14%	3.71%
Municipal Bond Yields (10 Yr)	2.16%	2.15%	2.58%

### UPCOMING WEEK

On Wednesday, the FOMC will issue its minutes regarding the Sept 17 policy statement meeting. Expectations are for the Fed to provide additional information regarding the end of quantitative easing along with principals on how to return to a normalized monetary policy.

Corporate earnings season will ramp up next week with bellwether Alcoa announcing its third quarter earnings after the close on Wednesday. Other companies expected to report quarterly results include Costco, Pepsico, Monsanto, and Safeway.

Chain store sales for September will be reported Thursday. Chain store sales correspond with roughly 10% of retail sales and are a good indicator of retail sales and consumer spending trends.



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