

Financial Market Update

Friday, October 17, 2014

THE WEEK IN REVIEW

The fixed income market elicited a similar volatility to the stock market over the past week. Economic data out of Germany stoked fears of a global slowdown, sending Treasury prices higher and inciting fear that it could hurt the U.S. recovery. The 10-year Treasury yield slid below 2% intraday Wednesday which was the first time since June of 2013 that yields dropped below the 2% level. Treasury yields came back a bit on Friday, ending the week at 2.2%, relinquishing some of the weekly gains.

The domestic stock market finally got a reprieve on Friday from what was one of the most volatile weeks we have seen in a number of years. Fears of a global slowdown, accompanied with the Ebola scare, sent shares down sharply at the open on Wednesday with the DJIA dropping over 400 points only to rebound in the afternoon. The market opened Thursday sharply lower only to recover late in the day and finish slightly positive.

The focus Friday was back to earnings as General Electric (GE), Honeywell (HON), and Morgan Stanley (MS) all announced third quarter results before the open on Friday. General Electric topped analyst expectations, and was up 2.4% for the day. Defense contractor Honeywell International Inc. closed 4.3% higher after exceeding analyst expectations along with lifting the low end of its 2014 per-share outlook. Morgan Stanley beat on both the top and bottom lines, finishing the day up 2.0%.

Coming up short of analyst expectations this week were Google (GOOGL) and Netflix (NFLX). Although Google's sales rose 20% it still fell short of analyst outlooks. Google accounts for 37% of the total U.S. mobile ad revenue, which is down from 47% in 2012. It continues to compete and lose ground to Facebook for mobile advertising. Netflix was the largest declining stock in the S&P 500 Thursday after the company showed disappointing new subscriber numbers along with lowering their forecast for 2014.

Housing starts rose 6.3% in September after a sizable drop in August. The rise was mainly attributable to the rental market or apartment buildings.

Retail sales dropped more than forecasted for the month of September, inciting fear that the U.S. consumer is adding less to the economy.

INDEX	LEVEL	WEEK	YTD	12 MOS
DJ Industrial Average	16,380.41	-0.99%	-1.18%	9.02%
NASDAQ	4,258.44	-0.42%	1.96%	11.63%
S&P 500 LargeCap	1,886.76	-1.02%	2.08%	4.79%
S&P 400 MidCap	1,322.12	1.34%	-1.52%	1.44%
S&P 600 SmallCap	626.52	2.56%	-5.86%	-4.93%
MSCI EAFE	1,714.64	-1.94%	-10.49%	-3.51%
MSCI Emerging Markets	970.65	-1.94%	-3.20%	-0.52%
Barclays Agg		0.59%	5.72%	5.46%
Barclays Intermediate G/C		0.54%	3.50%	3.36%
Treasury Long		2.24%	20.74%	17.46%
Merrill High Yield		-1.17%	2.64%	5.11%
FTSE/NAREIT All REIT Index		1.49%	13.32%	11.25%
Bloomberg Commodity Index		-0.64%	-6.61%	-8.38%

KEY TREASURY RATES	CURRENT WEEK	1 MONTH AGO	1 YEAR AGO
3-Month T-Bill	0.02%	0.02%	0.04%
2-Year Treasury	0.37%	0.57%	0.31%
5-Year Treasury	1.42%	1.83%	1.33%
10-Year Treasury	2.20%	2.62%	2.59%
30-Year Treasury	2.97%	3.37%	3.66%
Municipal Bond Yields (10 Yr)	1.97%	2.27%	2.69%

UPCOMING WEEK

Economic releases to keep an eye on next week:

- Tuesday, October 21: Existing Home Sales
- Wednesday, October 22: Consumer Price Index
- Thursday, October 23: Jobless Claims
- Friday, October 24: New Home Sales



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