

Financial Market Update

Friday, November 14, 2014

THE WEEK IN REVIEW

Consumer sentiment, as measured by a preliminary reading of the University of Michigan/Thompson Reuters index, rose to 89.4 in November. Lower gasoline prices and the improving employment picture have both helped boost consumer sentiment to the highest level in over seven years, and ahead of the peak pre-recession reading. In addition, the Labor Department reported this week that Americans are quitting their jobs at the fastest pace since early 2008.

Retail sales rebounded in October, up 0.3% after declining 0.3% in September, indicating that the U.S. consumer is continuing to spend as the economy steadily improves. Retail sales, excluding autos, rose 0.3%, while sales excluding gas and autos increased 0.6%.

Oil prices rose slightly on Friday after falling below \$74 a barrel, on hopes that OPEC may cut production to stabilize the oil market. Crude oil is now \$25 lower than in late June, and near the lowest level since September 2010. Falling oil prices have yet to weigh on the energy renaissance boom here at home as weekly data from the Energy Information Administration showed U.S. production reached 9.1 barrels a day, the highest level since the 1980s.

Domestic equity markets were mostly positive this week, hitting record highs, while international equities were mixed. The Dow Jones Industrial Average and the S&P 500 Index both finished slightly ahead of last week's close, while the NASDAQ Composite Index was up over 1%.

Stocks in Europe were flat for the week. On Friday the European Union's statistics office reported euro zone GDP grew only 0.2% on a quarterly basis, but slightly better than expected. The Nikkei index rose 3.6% for the week, hitting a seven-year high as machinery orders in September increased 2.9% over the prior month, ahead of expectations for a 1.2% increase. Analysts believe the improvements in capital expenditures in Japan will help offset the decline in consumer spending resulting from April's sales tax increase.

Several major retailers reported quarterly results with Macy's, Kohl's, and JC Penney experiencing weak sales and lowering fourth quarter and full year estimates, while Wal-Mart reported better-than-expected same store sales for the August-October time period. Companies are hopeful that lower gasoline prices will have a positive impact on holiday sales.

INDEX	LEVEL	WEEK	YTD	12 MOS
DJ Industrial Average	17,634.74	0.35%	6.38%	13.67%
NASDAQ	4,688.54	1.21%	12.26%	19.50%
S&P 500 LargeCap	2,039.82	0.39%	10.36%	16.26%
S&P 400 MidCap	1,430.85	0.05%	6.58%	10.98%
S&P 600 SmallCap	680.13	0.16%	2.19%	7.78%
MSCI EAFE	1,812.60	0.78%	-5.38%	0.63%
MSCI Emerging Markets	992.72	0.51%	-0.99%	2.85%
Barclays Agg		0.15%	5.08%	4.80%
Barclays Intermediate G/C		0.15%	2.89%	2.54%
Treasury Long		0.38%	18.22%	16.48%
Merrill High Yield		-0.04%	4.58%	6.11%
FTSE/NAREIT All REIT Index		-0.62%	18.22%	20.61%
Bloomberg Commodity Index		-0.68%	-7.06%	-5.15%

KEY TREASURY RATES	CURRENT WEEK	1 MONTH AGO	1 YEAR AGO
3-Month T-Bill	0.01%	0.01%	0.07%
2-Year Treasury	0.51%	0.37%	0.29%
5-Year Treasury	1.61%	1.44%	1.33%
10-Year Treasury	2.32%	2.20%	2.69%
30-Year Treasury	3.04%	2.95%	3.79%
Municipal Bond Yields (10 Yr)	2.28%	2.03%	2.67%

UPCOMING WEEK

Next week we will get a good measure of how the housing market is performing. In addition, FOMC meeting minutes will be released, as will the producer and consumer inflation, and industrial production numbers.

Industrial production for October is expected to increase 0.2%, compared to a 1% improvement in September. Housing starts and building permits are both expected to improve slightly from last month, while existing home sales may decline compared to the September report. Both the Producer Price Index and the Consumer Price Index, excluding food and energy, are estimated to increase only 0.1% on a month-over-month basis.



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