

# Financial Market Update

Friday, November 21, 2014

## THE WEEK IN REVIEW

Dovish comments from the European Central Bank President, Mario Draghi, caused a stir in the global markets prior to the open on Friday. Speaking in Frankfurt, Germany on Thursday, Draghi emphasized the urgency in obtaining higher inflation. Currently, the ECB has responded to lower inflation and growth by dropping interest rates to historic lows while purchasing asset backed securities. This is being done with the expectation that there will be a large scale government bond buying program in the early part of 2015.

"If on our current trajectory our policy is not effective enough to achieve this, or further risks of inflation outlook materialize, we would step up the pressure and broaden even more channels through which we intervene, by altering accordingly the size, pace, and composition of our purchases," ECB President Draghi said in his speech.

Additionally, in a surprising move on Thursday, the People's Bank of China cut lending rates for the first time in two years amid speculation they will not keep up with the forecasted growth of 7.5% this year. The economy grew, year-over-year, at 7.3% amid a recent slowdown in factory orders, production, and retail sales.

These moves sent European shares higher with the DAX in Germany and the CAC in France, both up over 2%. The FTSE in London finished higher by over 1%, and the major Asian markets were up over 1% as well on all the news. Domestically, we will again test new record highs in both the Dow and the S&P 500 with the NASDAQ reaching levels not seen since the tech boom in 2000.

The price of oil was rising towards \$80/barrel on the news as well. Over the past few quarters of weakening economic data out of Europe and a slowing economy in China, the price of oil has fallen substantially over the past few months. The futures in the pre-market jumped by over 2%, and closed out the day up almost 1%. The OPEC summit meets next week, and analysts are expecting a cut to the supply, prompting another boost to higher oil prices.

INDEX	LEVEL	WEEK	YTD	12 MOS
DJ Industrial Average	17,810.06	0.99%	7.44%	13.88%
NASDAQ	4,712.97	0.52%	12.84%	20.21%
S&P 500 LargeCap	2,063.50	1.16%	11.64%	17.28%
S&P 400 MidCap	1,444.39	0.95%	7.59%	12.17%
S&P 600 SmallCap	676.91	-0.36%	1.71%	6.16%
MSCI EAFE	1,815.14	0.11%	-5.24%	0.56%
MSCI Emerging Markets	990.10	-0.07%	-1.26%	1.29%
Barclays Agg		0.05%	5.13%	4.77%
Barclays Intermediate G/C		0.01%	2.90%	2.43%
Treasury Long		0.33%	18.62%	18.10%
Merrill High Yield		-0.91%	3.63%	4.60%
FTSE/NAREIT All REIT Index		0.96%	19.35%	23.46%
Bloomberg Commodity Index		1.06%	-6.07%	-4.20%

KEY TREASURY RATES	CURRENT WEEK	1 MONTH AGO	1 YEAR AGO
3-Month T-Bill	0.00%	0.01%	0.07%
2-Year Treasury	0.50%	0.36%	0.27%
5-Year Treasury	1.61%	1.43%	1.36%
10-Year Treasury	2.31%	2.22%	2.79%
30-Year Treasury	3.01%	2.99%	3.89%
Municipal Bond Yields (10 Yr)	2.26%	2.06%	2.68%

## UPCOMING WEEK

With the Thanksgiving holiday, next week will be a light week; however, there will still be several significant economic releases to keep an eye on. These include the Q3 GDP revisions and housing starts, initial jobless claims, personal income, and durable goods.



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