

The Market Week in Review

For Week Ending August 2, 2014

THE MARKETS

Disappointing earnings reports, Argentina's apparent default on its debt and fears about the conflicts in Ukraine and the Middle East all took a toll on equity markets this past week. Even relatively strong economic reports caused concern among traders, who worried that the good news might encourage the Federal Reserve to tighten its monetary policy. The stock market ended July on Thursday with the sharpest decline in the Standard & Poor's 500 stock index since April, while the Dow Jones Industrial index fell more than 300 points, enough to eliminate all of its gains for the year. The downward trend continued Friday, resulting in all 4 of the major indexes finishing the week firmly in the red.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	16,960.57	16,493.37	-467.20	-2.75%	-0.50%
Nasdaq	4,449.56	4,352.64	-96.92	-2.18%	4.22%
S&P 500	1,978.34	1,925.15	-53.19	-2.69%	4.15%
Russell 2000	1,144.72	1,114.86	-29.86	-2.61%	-4.19%

DAILY DEVELOPMENTS

MONDAY

The National Association of Realtors' pending home sales slipped 1.1% in June from May's reading and was 7.3% below the level reported for June, 2013. The median forecast of 39 economists surveyed by Bloomberg projected sales would rise 0.5 percent. Limited availability of credit, limited inventory and sluggish wage growth are the most likely culprits for the weak number.

TUESDAY

The Conference Board reported Tuesday that its Consumer Confidence Index climbed to 90.9 in July, up from 86.4 in June. It was the third straight monthly increase and the best reading since October 2007. Tuesday's report solidly beat economists' median forecast for a reading in the mid-80s.

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WEDNESDAY

U.S. gross domestic expanded at a seasonally adjusted annual rate of 4% in the three months ended June 30th, the Commerce Department said Wednesday. Consumer spending (representing nearly 70% of economic activity) increased 2.5% in the second quarter, or more than double the first quarter's pace. Business investment and inventory stockpiling also rebounded strongly. Economists had been expecting a 3% growth rate. The government also said the economy shrank 2.1% in the first quarter, which is somewhat better than the 2.9% contraction it previously reported.

THURSDAY

The Labor Department announced Thursday that weekly applications for unemployment aid rose 23,000 to a seasonally adjusted 302,000. The prior week's was revised down to 279,000 claims, the lowest since May 2000. The four week average, a less volatile measure, fell 3,500 to 297,250. That's the lowest average since April 2006, more than a year before the Great Recession began at the end of 2007.

FRIDAY

The Bureau of Labor Statistics released its latest jobs report on Friday morning. It showed 209,000 non-farm jobs were added to the U.S. economy last month. That means that for the first time since 1997, the economy has added 200,000 or more jobs in six straight months. Labor force participation grew slightly, from 62.8% to 62.9%, while the unemployment rate actually ticked up slightly to 6.2%, from 6.1% in June. Professional and business services added 47,000 jobs, manufacturing added 28,000, retail trade added 27,000, and the number of people working construction grew by 22,000.

Personal income and spending in the U.S. both increased in line with economist estimates in the month of June, according to a report released by the Commerce Department on Friday. More specifically personal income and disposable personal income (defined as personal income less personal current taxes) both increased by 0.4 percent. The report also indicated personal spending rose by 0.4 percent in June following an upwardly revised 0.3 percent increase in May.

The Institute for Supply Management said its manufacturing index rose to 57.1% last month from 55.3% in June. Readings over 50% indicate more companies are expanding instead of shrinking. The indexes for new orders, production and employment all increased, with the employment measure recoding its highest level since June 2011. Seventeen of the eighteen industries tracked by ISM reported growth last month.

TIDBITS

Since the start of the bull market in March 2009 through last Friday, the S&P 500 gained more than 224 percent, including dividends.

QUOTE OF THE WEEK

“There will have to be some market recalibration. It’s possible that’s what we’re seeing the start of - and interest rates will rise a bit, and the stock market will be turbulent. But of course we don’t really know.”

- James W. Paulsen, chief investment strategist at Wells Capital Management.

I hope you have found the information in this week’s market summary helpful. If you would like to comment on any of the information found in this week’s Market Commentary please e-mail me at awillms@estatecounselors.com. If you would like to discuss how current market conditions could impact your investments, please feel free to call me at the number listed below.

Best regards,

Andy

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