

The Market Week in Review

For Week Ending December 27, 2014

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THE MARKETS

Stocks moved higher during the holiday abbreviated week and both the Dow and the S&P reached new all time highs by week's end. Nine of the last ten weeks have ended with stocks higher. The S&P has now officially made it through the entire year of 2014 without experiencing more than three consecutive days of losses, an unprecedented feat. Treasuries sold on this week's positive GDP news, sending the yield on the 10 Year Note to 2.25 percent. Gold closed the week nearly flat despite the recent strength of the dollar.

Index	Started	Ended Week	Change	% Change	YTD %
DJIA	17,804.80	18,053.71	248.91	1.40%	8.91%
Nasdaq	4,765.38	4,806.86	41.48	0.87%	15.09%
S&P 500	2,070.65	2,088.77	18.12	0.88%	13.01%
Russell 2000	1,195.96	1,215.21	19.25	1.61%	4.43%

DAILY DEVELOPMENTS

MONDAY

Existing home sales, which had been trending modestly higher, sunk 6.1 percent in November to an annualized rate of 4.93 million units. The drop was particularly surprising given the month's mild weather which tends to boost sales figures. All four geographical regions experienced single-digit declines.

TUESDAY

The Commerce Department's final revision of third quarter GDP estimates indicate that the nation's gross domestic product grew at a rate of 5.0 percent. This is the fastest rate of growth the U.S. has experienced in 11 years. The revision was much higher than the 4.3 percent figure most economists expected and was helped by growth in domestic demand, business investment, and consumer spending.

Durable goods orders unexpectedly slipped 0.7 percent in November after a 0.3 percent rise in October. The consensus was for an increase of 3.1 percent. Even the core number, which strips out the volatile transportation component, declined 0.4 percent versus the consensus estimate of a 1.3 percent increase. Coupled with other recent reports, it is clear the manufacturing sector of the economy has begun to slow.

The University of Michigan's consumer sentiment survey for the final December reading registered at 93.6, slightly below the mid-month reading of 93.8 and above the expectation of 93.0. Falling oil prices led to inflation expectations remaining low, with both 1 and 5 year expectations at 2.8 percent.

New home sales came in below even the lowest of expectations, slipping 1.6 percent to an annualized rate of 438,000 units. Median sale prices also declined 3.2 percent to \$280,000 which further exposes this sector's weakness. Supply also remained stable, edging up slightly to 5.8 months from 5.7 the month prior.

WEDNESDAY

Initial jobless claims dropped by 9,000 to 280,000 last week pulling the 4 week average down by 8,500 to 290,250. Continuing claims rose 25,000 to 2.4 million in lagging data for the week of December 13th. The rise drove the 4 week average up and it is now higher than the month-ago number. Despite the holiday season, there are no special factors in Wednesday's report.

THURSDAY

Markets were closed on Thursday in observance of the Christmas holiday.

FRIDAY

There was no major economic news on Friday.

TIDBITS

Russian Economy Minister Alexei Ulyukayev expects inflation in that country to exceed 10 percent throughout the 2015 year.

QUOTE OF THE WEEK

“An investment in knowledge pays the best interest.”

- Benjamin Franklin

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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