

# The Market Week in Review

For Week Ending February 1, 2014

## THE MARKETS

It was another tough week for stockholders, as all 4 of the major indexes suffered declines. Weaker than expected earnings reports combined with near panic selling of emerging market stocks drove the equity markets significantly lower. In fact, the first month of 2014 was not kind to investors, which does not seem to jive with the generally good economic data that has been released as of late. Since the end of last year many market prognosticators have been suggesting that stocks were due for a pull back. So it's quite possible that the stock market's poor start to 2014 could be more of a case of a self fulfilling prophesy than a reflection on the true state of the economy.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	15,879.11	15,698.85	-180.26	-1.14%	-5.30%
Nasdaq	4,128.17	4,103.88	-24.29	-0.59%	-1.74%
S&P 500	1,790.29	1,782.59	-7.70	-0.43%	-3.56%
Russell 2000	1,144.13	1,130.88	-13.25	-1.16%	-2.82%

## DAILY DEVELOPMENTS

### MONDAY

The Commerce Department said new home sales fell 7.0 percent to a seasonally adjusted annual rate of 414,000 units. Economists had been projecting an annual rate of 457,000 new home sales. Sales were at a 445,000 unit pace in November. Market observers had been predicting December's sales to come in at a 457,000 annual pace. Home sales are traditionally weak during the winter, but a cold snap last month could have exaggerated the magnitude of the slowdown.

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*TUESDAY*

New factory orders for durables in December dropped to a monthly 4.3 percent, following a revised gain of 2.6 percent in November (originally estimated as up 3.4 percent). The decline in sales for long-lasting manufactured goods was the largest since July and ran contrary to the 2.6 percent increase registered last November.

The news was not all bad however as other reports released on Tuesday revealed that consumer confidence hit a five month high in January and November data indicated that home prices posted their biggest year on year gain in almost eight years. More specifically the Conference Board said its index of consumer attitudes rose to 80.7 this month from 77.5 in December, and Standard & Poor's/Case Shiller index of housing prices in 20 large metropolitan areas increased by 13.7 percent in November as compared to November 2012 a year ago, the largest year over year increase since February 2006.

*WEDNESDAY*

The Federal Reserve announced on Wednesday that it will be trimming its monthly bond purchases by another \$10 billion. This announcement marks the end of Ben Bernanke's tenure as Fed Chairman. On Saturday, Janet Yellen became Chairwoman, and it is expected she will continue the tapering of the Fed's quantitative easing program unless economic conditions worsen significantly.

*THURSDAY*

348,000 people filed for first time unemployment benefits last week, up sharply from the previous week's revised figure of 329,000, the Labor Department said Thursday. Economists had expected about 327,000 new jobless claims last week. Cold weather may have contributed to the increase.

Gross domestic product grew at a 3.2% annual pace in the fourth quarter of 2013, the Commerce Department said Thursday. Sharply improved exports, stronger than expected consumer spending and increased business spending all contributed to the growth in the amount of goods and services produced by the U.S. economy. The only area of concern was housing, which registered a slight decline.

*FRIDAY*

The Commerce Department said on Friday that consumer spending increased 0.4% last December. That compares to a 0.6% increase in November. However, consumer income was unchanged last month after rising 0.2

percent in November, and disposable income declined by 0.2%. The weaker than expected income numbers could be attributable to the end of unemployment benefits for about 1.3 million people last month.

January's final tally of Thomson Reuters/University of Michigan index of consumer sentiment came in at 81.2, after a preliminary January reading of 80.4. By comparison the index registered 82.5 last December.

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## TIDBITS

A deal was reached this week by House and Senate negotiators on a new farm bill. The bill would reduce overall spending by about \$23 billion over the next 10 years by consolidating or eliminating dozens of farm subsidies and taking about \$8 billion out of the food stamp program over that time period.

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## QUOTE OF THE WEEK

"If you smile when no one else is around, you really mean it."  
- Andy Rooney, American radio and television writer (1919-2011).

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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](mailto: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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