

# The Market Week in Review

For Week Ending July 19, 2014

## THE MARKETS

Volatility remained in the markets this week and it was exacerbated by both the conflict in Gaza and the downing of a commercial aircraft over skies on the Ukraine-Russia border. On Thursday, the breaking news headlines sent equities into a deep decline, suffering their biggest one day selloff in over two months while the Chicago Board Options Exchange's volatility index, "the VIX," surged 32%. However, fear among market participants subsided by Friday and markets snapped back as realization set in that it is unlikely the U.S. military will have any significant involvement in the resolution of conflict in either region. Large cap indices all managed to finish the week with positive gains, while the small cap Russell 2000 continued to slide for the second week in a row. Although gold spiked briefly during the week, it still closed the week with a 2.06 percent decline.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	16,943.81	17,100.18	156.37	0.92%	3.16%
Nasdaq	4,415.49	4,432.15	16.66	0.38%	6.12%
S&P 500	1,967.57	1,978.22	10.65	0.54%	7.03%
Russell 2000	1,159.93	1,151.61	-8.32	-0.72%	-1.03%

## DAILY DEVELOPMENTS

### MONDAY

There were no major economic announcements on Monday.

### TUESDAY

Retail sales rose just 0.2 percent last month, the Commerce Department said Tuesday, held back by a sharp drop at building and garden supply stores. Sales also fell at restaurants and auto dealers. On a more positive note, core retail sales, which excludes volatile categories such as gasoline and autos, rose at a solid 0.6 percent clip. Clothing stores, sporting goods stores, and department stores all recorded solid gains.

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### WEDNESDAY

The Producer Price Index rose 0.4 percent in June which was more than expected. This rebound followed a 0.2 percent decline in May and it was due mainly to a rise in energy related prices. The PPI number has been volatile in recent months due to fluctuations in the energy market, however the overall trend has remained moderate. Excluding the volatile food and energy component, PPI rose 0.2 percent.

Industrial production slowed in the month of June to a 0.2 percent increase, lower than the 0.4 percent increase that was expected. However, the miss wasn't overly surprising due to previous data that showed a decrease in production labor hours. A bright spot in the report showed that durable goods orders increased 0.4 percent to boost the year's second quarter level to an impressive 8.8 percent annualized increase.

### THURSDAY

Housing starts in the month of June came in well below expectations at 893,000 units. This was a 9.3 percent decrease from the month of May, which also saw a decrease of 7.3 percent. Both single-family and multi-family units contributed to the decline. Building permits also declined by 4.2 percent for the month, although the annualized number is still 2.7 percent higher than the year ago number.

### FRIDAY

The University of Michigan's Consumer Sentiment Survey came in 1.7 points below expected at 81.3. Although the number was a miss, the current conditions component was up 0.5 points to 97.1 and the measure suggests slow but steady growth so far for the month of July. The expectations component, however, dropped 2.4 points to 71.1. This could be due to inflation expectations, which rose 2 tenths to 3.3 percent for the one year outlook; conversely, the 5 year expectation dropped 3 tenths to 2.6 percent.

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## TIDBITS

The European Parliament has voted 422-250 to make former Luxembourg Prime Minister Jean-Claude Juncker president of the European Commission. Juncker says he will work to boost economic growth and reduce unemployment during his five year term.

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## QUOTE OF THE WEEK

“Valuation metrics in some sectors do appear substantially stretched - particularly those for smaller firms in the social media and biotechnology industries, despite a notable downturn in equity prices for such firms early in the year.”

- Federal Reserve chairwoman Janet Yellen, in her semiannual monetary policy testimony that began Tuesday morning.

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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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