

The Market Week in Review

For Week Ending July 26, 2014

THE MARKETS

The major benchmarks ended mixed for the week as investors weighed conflicting signals about the economy and corporate earnings. Stocks were helped by generally positive second-quarter earnings reports. The technology laden Nasdaq Composite performed best, helped by a rebound in biotechnology shares. The S&P reached all time highs on Wednesday and Thursday before re-treating to close the week flat. Volatility continued to upset small caps this week as the Russell 2000 declined 0.6 percent while the Dow was the worst performer of the major indices, closing down 0.82 percent.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,100.18	16,960.57	-139.61	-0.82%	2.32%
Nasdaq	4,432.15	4,449.56	17.41	0.39%	6.54%
S&P 500	1,978.22	1,978.34	0.12	0.01%	7.03%
Russell 2000	1,151.61	1,144.72	-6.89	-0.60%	-1.63%

DAILY DEVELOPMENTS

MONDAY

U.S. economic growth slowed in June, according to the Chicago Fed National Activity Index. The index, which is a weighted average of 85 economic indicators, dropped to +0.12 in June after registering a revised reading of +0.16 in May. The three month moving average, designed to smooth out volatility, decreased to +0.13 last month from +0.28 in May, but marked its fourth consecutive reading above zero. A number above zero suggests the U.S. economy is expanding above its historic trend, while a negative number points to growth below the trend.

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TUESDAY

The National Association of Realtors announced Tuesday that sales of previously owned homes in the U.S. rose for the fifth straight month in June. More specifically, sales increased by 2.6% in June to an annual rate of 5 million. The rate of growth in June was the largest since October. The original estimate for May was also upwardly revised to 4.91 million.

The consumer price index for June was also released Tuesday by the Labor Department. The index rose to a seasonally adjusted 0.3% last month. Excluding the often volatile categories of food and energy, prices rose 0.1% from May. The year-over-year increase in all prices was 2.1% last month, and prices excluding food and energy slipped to a 1.9% annual gain in June from 2% in May. There is little sign, though, of runaway prices that would force the Federal Reserve to quickly raise interest rates to check inflation.

WEDNESDAY

There were no major economic announcements on Wednesday.

THURSDAY

Initial claims for state unemployment benefits declined 19,000 to a seasonally adjusted 284,000 for the week ended July 19th, the Labor Department said on Thursday. That was the lowest level since February 2006 and is significantly better than economists' consensus expectation for an increase to 308,000. The four week average of claims, considered a more reliable indicator of labor market trends, fell 7,250 to 302,000. That's the lowest level since May 2007.

New home sales fell 8.1 percent last month to a seasonally adjusted annual rate of 406,000, the Commerce Department said Thursday. The report also revised down the May sales rate to 442,000 from 504,000. Sales fell in all four regions, most dramatically in the Northeast, which saw a 20% drop from the prior month.

FRIDAY

Durable goods orders rebounded in June to 0.7 percent after slipping to negative 1 percent in May. The latest number was above the consensus of 0.5 percent and the jump was due mainly to both defense and nondefense aircraft, however shipments of aircraft decreased by 1 percent and that may point to a soft spot in the first estimate of second quarter GDP released next week.

TIDBITS

The International Monetary Fund has revised its forecast for U.S. growth to 1.7%, down from June's forecast of 2%. According to the IMF, if the U.S. economy rate of growth does slow, the Federal Reserve may need to hold interest rates at zero for longer than expected. The IMF also cut its global growth forecast from 3.4% to 3.6 but expect global growth to jump up to 4.0% in 2015.

QUOTE OF THE WEEK

"We are all born ignorant, but one must work hard to remain stupid."
- 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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