

# The Market Week in Review

For Week Ending June 14, 2014

## THE MARKETS

Stocks took a breather this week after the Dow and the S&P briefly made all-time intraday highs on Monday morning. Geopolitical tensions in Iraq put the markets on edge and sent the price of crude oil up over 4 percent. Mixed economic news showed areas of softness in the economy and market participants reacted with selective stock picking that resulted in the majority of stocks declining. The Dow failed to breach the 17,000 mark, closing the week down 0.88 percent and the S&P also moved lower, down 0.68 percent on the week. Technology and small caps fared better but were still down with the NASDAQ and the Russell 2000 closing down 0.25 percent and 0.22 percent respectively.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	16,924.28	16,775.74	-148.54	-0.88%	1.20%
Nasdaq	4,321.40	4,310.65	-10.75	-0.25%	3.21%
S&P 500	1,949.44	1,936.16	-13.28	-0.68%	4.75%
Russell 2000	1,165.21	1,162.68	-2.53	-0.22%	-0.08%

## DAILY DEVELOPMENTS

### MONDAY

The seasonally adjusted index of sentiment among Japanese households made up of two or more people rose 2.3 points from a month earlier to 39.3 in May, marking the first gain in six months, the Japanese government announced on Monday. Readings below 50 suggest pessimists outnumber optimists. The government upgraded its basic assessment of the index for the first time in eight months, saying consumer sentiment "has shown signs of picking up".

### TUESDAY

The Labor Department said Tuesday that job openings in April soared to their highest level in almost seven years in another sign of the labor market's growing strength. Employers recruited candidates for 4.5 million open jobs in April, up from 4.2 million in March and the most since September 2007.

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*WEDNESDAY*

The Treasury Department said Wednesday that the U.S. government's monthly deficit was -\$130 billion in May. For the first eight months of this budget year, the deficit totals \$436.4 billion, down 30 percent from \$626.3 billion for the same period in 2013. The Congressional Budget Office is forecasting a deficit of \$492 billion for the full budget year ending September 30<sup>th</sup>.

The World Bank said late Tuesday that it expects the world economy to grow 2.8% this year. That's down from its original estimate last January of 3.2%. The report cites the rough winter in the U.S., Ukraine unrest, economic "rebalancing" in China, and political unrest in other trouble spots as factors contributing to the lowered outlook. The bank also expects a third straight year of growth under 5% for developing countries.

*THURSDAY*

The Labor Department announced on Thursday morning that initial jobless claims increased by 4,000 to 317,000 for the week of June 7<sup>th</sup>. The increase drove the 4 week average up to 4,750 to 315,250, although the average is still 10,000 lower than one month ago. Continuing claims also rose by 11,000 to 2.614 million for the week of May 31<sup>st</sup>, however the 4 week average is also lower by 13,000 to 2.622 million which is a new recovery low. There are no caveats in this week's report, suggesting the labor market's recovery is steadily improving.

Retail sales came in worse than expected, up 0.3 percent in May versus economists' consensus of a 0.6 percent increase. Sales of motor vehicles buoyed the number, up 1.4 percent after increasing a revised 0.4 percent in April. Excluding motor vehicles and gasoline, the number would have been zero. Other areas of strength included building materials, garden equipment and home furnishings which may be a leading indicator pointing to increased housing starts.

*FRIDAY*

The Producer Price Index which measures the cost of inputs for manufacturers decreased by 0.2 percent in May. Market expectations called for an increase of 0.1 percent and the decrease served to ease fears that inflation may be a concern for the time being. Most of the decrease is due to the decline in final demand trade services, with energy and food prices also declining.

The University of Michigan's Consumer Sentiment Survey came in lower than expected at 81.2. However, the current conditions component of the report came in strong at 95.4, up a full point from the previous month and suggests that consumer activity in June is robust. The report also showed that one year inflation expectations dropped by a meaningful 10 percent to 3.0 percent, while five year expectations increased 0.1 percent to 2.9 percent.

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## TIDBITS

A 31% surge in private wealth in Asia-Pacific excluding Japan increased the global total to \$152 trillion in 2013, according to a report by The Boston Consulting Group. The number of millionaire households reached 16.3 million worldwide.

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## QUOTE OF THE WEEK

"Full employment here we come. The economy is better than you think."  
- Chris Rupkey, chief financial economist of Bank of Tokyo-Mitsubishi, regarding the improving U.S. labor market.

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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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