

The Market Week in Review

For Week Ending October 4, 2014

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THE MARKETS

Volatility remained in the equity markets this week as protests in Hong Kong, weak economic data in Europe and a possible Ebola outbreak in the U.S. rattled market participants. Positive economic data released at weeks' end seemed to quell investors concerns somewhat but Friday's rally was not enough to wipe out losses that occurred earlier in the week. Once again the small cap Russell 2000 was the worst hit of the major indices, down 1.30% for the week. The dollar's rally continued last week, causing dollar denominated gold to decline another 2.09% this week.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,113.15	17,009.69	-103.46	-0.60%	2.61%
Nasdaq	4,512.19	4,475.62	-36.57	-0.81%	7.16%
S&P 500	1,982.85	1,967.90	-14.95	-0.75%	6.47%
Russell 2000	1,119.33	1,104.74	-14.59	-1.30%	-5.06%

DAILY DEVELOPMENTS

MONDAY

Consumer spending increased 0.5% in August after a 0.1% decline in July. The strength was due to durable goods purchases, which were up 1.8%. Personal income also rose by 0.3% after rising 0.2% in July. Both numbers were in line with economists' expectations and are indications that the consumer sector is moderately healthy.

TUESDAY

Consumer confidence fell unexpectedly in September to 86.0. The number was well below the consensus forecast of 92.5 and came after the August number of 93.4 which was a post-recovery high. The main reason for the decline was falling expectations for the economy and the jobs outlook, with fewer consumers reporting ample job openings.

WEDNESDAY

The Institute of Supply Managers' Manufacturing Index dipped in September to 56.6. The consensus was for 58.0 and the weakness was due mainly to slowing new orders which dropped 6.7 points from August, although that component of the reading remained strong at 60.0. Backorders also fell, registering in at 47.0, which is a level that indicates contraction in that metric.

THURSDAY

Jobless claims dropped by 8,000 for the week of September 27th to 287,000. Claims were below the consensus of 297,000 and the 4 week average is now down 4,250 to 294,750. Continuing claims also fell by 45,000 in lagging data for the September 20th week to a recovery low of 2.441 million.

FRIDAY

The U.S. Bureau of Labor Statistics said Friday that nonfarm payrolls increased by 248,000 during the month of September, beating the consensus estimate of 215,000. The August number was also revised higher to 180,000 from 142,000. The increase led the unemployment rate to decline to 5.9% from 6.1% the prior month. Most of the gain was due to increases in goods producing jobs, as well as hikes in mining and construction jobs. Despite the increase in job growth, wage inflation remains nil.

TIDBITS

The price of crude oil has sank to its lowest level since 2012 and the average price of a gallon of gasoline dropped to \$3.33, 10% lower than its highs earlier this year. Strong domestic production, a weak hurricane season, mild summer temperatures, and the end of the summer driving season are all driving the commodity lower.

QUOTE OF THE WEEK

“Invest in seven ventures, yes, in eight; you do not know what disaster may come upon the land.”
- King Solomon, espousing the benefits of diversification nearly 3000 years ago.

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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