

# The Market Week in Review

For Week Ending January 31, 2015

## THE MARKETS

Equity prices fell last week as a weak GDP number for the fourth quarter of 2014 capped off what had already been a disappointing week of corporate earnings. All the major indices finished the week significantly lower, with the S&P 500 finishing the month of January down 3.1 percent. The Dow is now at its lowest level in the past seven weeks. Gold, which moved higher during each of the first three weeks of January, halted its winning streak to close modestly lower. Crude oil bucked the trend of the broader markets, spiking 8 percent higher during the last trading day of January, although the commodity still ended the month lower making for seven straight months of decline. Treasuries managed to move even higher, sending the yield on the benchmark 10 Year Note all the way down to 1.67 percent, a level not seen since April of 2013.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	17,672.60	17,164.95	-507.65	-2.87%	-3.69%
Nasdaq	4,757.88	4,635.24	-122.64	-2.58%	-2.13%
S&P 500	2,051.82	1,994.99	-56.83	-2.77%	-3.10%
Russell 2000	1,188.93	1,165.39	-23.54	-1.98%	-3.26%

## DAILY DEVELOPMENTS

### MONDAY

Standard & Poor's downgraded Russia's rating to BB-plus on Monday, considered to be a "junk" rating, for the first time since 2004. The decline was brought on by the decline in the ruble brought on by the U.S. led sanctions which were brought on by the Ukraine conflict and weakening revenue from oil exports. S&P said Russia's financial system is weakening, limiting room for maneuver by Russia's Central Bank.

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### TUESDAY

Orders for durable goods fell 3.4% in December, the Commerce Department said Tuesday. Orders have fallen four of the past five months. Falling sales of civilian aircraft drove December's decline. However, demand also fell for machinery, computers, communications equipment, and other products. Excluding transportation products, orders fell 0.8%.

The Conference Board reported on Tuesday that the consumer confidence index climbed to 102.9 from a revised 93.1 in December. That is its highest level since August 2007.

Purchases of new homes jumped 11.6 percent in December to a 481,000 annualized pace, which is the most since June 2008. In all, builders sold 435,000 new houses in 2014, the most since 2008.

### WEDNESDAY

The Federal Reserve issued the minutes from the recently concluded meeting of its Open Market Committee meeting on Tuesday. They indicate that the Fed is pleased with the state of the U.S. economy and bullish with regard to the future. The Fed repeated it would be "patient" in deciding when to raise benchmark borrowing costs from zero, and that it expects inflation to rise gradually toward its goal over the "medium term". Wednesday's statement was adopted without dissent.

### THURSDAY

The Labor Department reported on Thursday that the number of new applicants for unemployment benefits for the week ending January 24<sup>th</sup> dropped by 43,000 to a seasonally adjusted 265,000. That's the lowest weekly number since April 2000. However, the larger than expected decline could in part be attributed to the Martin Luther King, Jr. Holiday that occurred during the week being reported and which likely slowed the processing of some claims. The four week average, a less volatile measure, fell 8,250 to 298,500.

Also on Thursday the National Association of Realtors announced that its seasonally adjusted pending home sales index fell 3.7 percent in December to 100.7. At the same time, the Association projected that sales of existing homes will rebound in 2015 to 5.26 million, a 6.6 percent increase from last year.

### FRIDAY

Gross domestic product expanded at a 2.6 percent annual pace after the third quarter's 5 percent rate, the Commerce Department said in its first snapshot of fourth quarter GDP. The slowdown followed two back-to-back quarters of bullish growth.

The Thomson Reuters/University of Michigan's final Consumer Sentiment Index for January came in at 98.1, which is its highest reading since January 2004. The final number was up from the 93.6 December number, but just a tad lower than the preliminary reading of 98.2. The survey's current economic conditions index also rose to 109.3 from 104.8 in December, versus a preliminary reading of 108.3.

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### TIDBITS

Russia's Central Bank cut its key interest rate by two points on Friday sending the ruble lower. The move came as a surprise because it was contrary to recent announcements by Russia's Central Bank that the ruble was showing signs of stabilization.

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### QUOTE OF THE WEEK

"A man is rich in proportion to the number of things which he can afford to let alone."

- Henry David Thoreau

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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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